# Question and Answer

**Operator**

The first question comes from Emily Behncke of Deutsche Bank.

**Emily Smith**
*Deutsche Bank AG, Research Division*

Just a couple of questions for me. Firstly, on the Australian business, you mentioned that EBIT was down around 12%. I'm just wondering if, looking forward, the cost out initiatives that you have in place, if you think that, that will likely be the bottom in terms of Australian earnings?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Yes, I think it is, if I was honest. I was in Laminex, as I said, a couple of weeks ago, and you start to see the full impact, the significant restructuring that they have done flow through the P&L account. Most people feel as if the Australian economy and the impact it has on their businesses has reached the bottom. So I think for the rest of this fiscal year, we will start to see some of those restructuring benefits starting to come through. But I think, as I've said repeatedly, until the economy begins to pick up, we'll not see the full impact of that on our improved operational leverage.

**Emily Smith**
*Deutsche Bank AG, Research Division*

Okay. And just in terms of the broader cost reduction program that you have embarked upon, obviously, you haven't given a number here today. I'm just wondering if maybe we can look at that a different way and you could indicate when you think the bulk of the cost out will be realized in your earnings. Is it FY '14 or at a longer basis than that? And in which division do you think you'll see the most -- in which divisions you'll see the most uplift?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

That's a good question. I think, as I said, you'll see small single-digit millions this year. And the issue for next year is that a lot of these programs are predicated on some investments, investments in systems, investments in restructuring in the form of headcount reduction. Because for all I said, that isn't the actual objective here. The consequence of efficiency is headcount reduction. So next year, any benefits that do flow, and I do think they will be fairly significant and likely to be largely mitigated by the revenue costs of actually implementing that. So I think the real big kick from these projects in this stream of work will be FY '15, '16 and beyond.

**Emily Smith**
*Deutsche Bank AG, Research Division*

All right. And which divisions do you think have the most upside? I guess, as you look across your businesses, the Tradelink business, I guess, comes to mind as one of the businesses with potentially the most cost-out potential? Or how should we be looking at that on a divisional basis? And...

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Sure. Let me just take you through it. It's probably best starting in the north. For all this, FB Unite will be done for the whole of Fletcher's, and there will be benefits driven in some of the rest-of-world businesses. They will be fairly minor, given that a lot of this is about consolidation and leverage down here in the southern hemisphere. So in terms of Formica or in terms of the Roof Tiles business, some benefits, but not major. The major benefits will be down here in Australasia. I wouldn't say principally New Zealand. I think a lot of the things we're doing, we will be doing both to Australia and New Zealand, the shared services

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at trans-Tasman project. So I think the bulk of the benefits will be across the divisions. All of divisions will benefit from more effective procurement, better logistics. So I don't think it's any one particular one. Just carving out Tradelink, however, I think the issue that Tradelink has or that we have with it is that it is already, from a cost point of view, extremely lean. And it's not something I'm given to say, but in some respects, it's been cut too far. Those branches are run now on a shoestring. And I don't see, from my visits around, either at the head or at the branch level, that there's significant costs to take out. So whilst I think they will benefit, as everybody else will from better procurement, logistics, digital strategies, et cetera, I think the story around Tradelink is more of an operating turnaround from a customer and revenue point of view. We're going to drive the improvement in earnings in that business principally through top line growth and share gain.

**Emily Smith**
*Deutsche Bank AG, Research Division*

Okay. And I guess, we're factoring in around $75 million of cost-outs in FY '15. Do you think that that's too ambitious?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

I think in terms of the overall project, that's not a bad ballpark figure. I think it is ambitious in terms of the realization and the timing in FY '15.

**Operator**

The next question comes from Jason Steed of JPMorgan.

**Jason Harley Steed**
*JP Morgan Chase & Co, Research Division*

Mark, a couple of questions. I guess, the cost saving will be probably the center piece of Q&A today, but you mentioned cost, the cost of the front end of the transformation program. Is it possible to give some quantification around that? And I guess, particularly around shared services because it's a totally shared service. Initiatives can be fairly costly. I was just wondering if you might be able to give some quantification around that?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

I'll give you some broad quantification of shared service and then maybe talk a little bit more holistically about the program. We actually put a project up for approval by the board yesterday, which was approved to start the Shared Service program. Now some of this will be capitalized and only some of it will be charged to revenue. But, as you said, these are not cheap things and you got to do them properly, otherwise there's significant business risk. So in terms of the revenue impact of shared service next year, it is likely to be somewhere between, I think, $10 million and $15 million, Bill? And there will be additional capital spend on top of that. In terms of the program more holistically, Jason, as I said, efficiency is sometimes a euphemism for headcount reduction and we have to be honest and say, heads will leave the business over that time and there will be costs associated with that. Given that we haven't quantified exactly how many and when, it's difficult to give you a number around that. The procurement piece is relatively low on investments. That's an investment of management, time and process. So that is why I've got that one front and center because I want to get the benefits in that rolling quickly, that potentially fund some of these other things like the digital strategy and maybe, the more capital-intense resettlement of our distribution footprint.

**Jason Harley Steed**
*JP Morgan Chase & Co, Research Division*

Then maybe moving on to Crane. There was a second contract up for tender with Santos, which I think, was due to conclude towards the end of last year. Is that still under way? Did you -- did Crane win that contract or is -- are we still waiting to hear?

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**Willem Jan Roest**
*Former Chief Financial Officer*

To my understanding, we did. But I'm happy to come back to you on that later on and clarify it.

**Jason Harley Steed**
*JP Morgan Chase & Co, Research Division*

Okay.

**Willem Jan Roest**
*Former Chief Financial Officer*

Yes.

**Jason Harley Steed**
*JP Morgan Chase & Co, Research Division*

All right. And then just a final question on Formica. Mark, you've made the comment about lack of a commercial pickup in the U.S. as well as fairly stagnant R&R. When do you see that change? Do you think that it needs a reservation to the ongoing fiscal issues in the U.S. for that to change? Or are you starting to see a modest improvement in both those areas at this juncture through January, February?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

No. I think in our Analyst roadshow last August when Jonathan and I double teamed it, I know a lot of people were getting very excited about North America and I still lived there at the time and, arguably, partially still do. And I was quite strong in advocating that I didn't see that. And I've lived through the last 3 or 4 months of extremely dysfunctional politics there and I can't overestimate just how dysfunctional that politics is. They owe $17 trillion and rising. They don't have a consensus as to how to address that. I think currently, they're looking down their nose at the Europeans who did take severe austerity measures and seem to be suffering from it. I think the reality is they're just postponing the inevitable and smart people, and there are a lot of smart people in the U.S. know that, and I think that speaks to the lack of, not enthusiasm but confidence, if you like, in both the residential area and in the commercial area. I mean, the commercial area is an area that Formica benefits strongly from both in terms of the margin and the volumes, and that's very, very quiet. There's not a lot of casinos and hotels and conference centers being built at the moment. And I don't think there will be until there's a clear line of sight to a clear strategy on how they address the deficit, the fiscal deficit.

**Jason Harley Steed**
*JP Morgan Chase & Co, Research Division*

Yes, yes. And on R&R, Mark, is that not really picking up the same lift that we're seeing in new build?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

No. I mean, I saw a graph when I first started in Formica, of something like 20 or 30 years in the calendar cyclical R&R with new builds. And this was a cycle where that was significantly broken. And we've not seen a pickup in that at all.

**Operator**

The next question comes from Andrew Scott of CIMB.

**Andrew Geoffrey Scott**
*CIMB Research*

Just 2 for me. First of all, Stonefields, obviously, saw a big pickup during the period. I'm just wondering if you can give us an update in terms of timing of that project? I think it's only got a couple of more years to run. And then what you see waiting in the wings to replace those residential sales there?

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**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Yes, I mean, one of the downsides of having such a great success story like Stonefields is that you're obligated to keep that going. And as you say, we probably got about 2 years left in that. So I think we'll have a good year in FY '14, maybe not quite a strong as this year and we'll have some earnings still in '15, but beyond that, we are running out of land and plots. We're working feverishly to do a number of things, find new land and/or develop land that we already own ourselves. As you're probably aware, we have a couple of quarries that are at a point of requiring infill that potentially, in the next few years, will become developable. In addition to that, we're looking at a multi-residential housing strategy because Stonefields is predominantly single-family dwellings. As to whether or not Fletchers can move into that sector, which is growing, given the nature of the migration and demography and good things like that. So we are very conscious of the success of Stonefields, and we are trying to keep that revenue stream and EBIT stream flowing into the future beyond the 2-year horizon once Stonefields does wind up.

**Andrew Geoffrey Scott**
*CIMB Research*

Okay, great. And then just, Mark, in -- when -- in the past, when you spoke and we've cost out, you also just spoken a bit about cash management and cash preservation. I'm just wondering if you could expand on that topic? I think, we've seen in this result that Bill highlighted both CapEx being paid back. I just interested in just how long you think you can run at those sort of lowest stay-in business kind of levels. But also working capital, there are improvements in this result, but I think you probably run higher than your peers and just interested in your thoughts and the potential that you see there?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

No, I think, you're right to point that whilst it was a good performance, it was a good performance based on a fairly bad performance, so I think we've ended up at average. In terms of working capital, it is devilishly difficult to control, particularly given the business units, nature of this organizational structure. And it's one of the things I've asked David Pallas in his operational excellence program to focus on. I think, there's no doubt in my mind that in order to maintain the high levels of customer service that we do offer and our customers do enjoy, we keep excess of inventory in a lot of our businesses. Weaning the businesses off of our Internet service, [ph] we need to do systematically and programmatically. It's no use me just demanding targets and collapsing that business. So I can imagine that those improvements that you've seen in this result are something we can maintain over the next 2 or 3 years. But as I said, we will systemize and programmize that. In terms of capital, I think the business overall, has enjoyed a fairly reasonable level of investment over the years. I tour around our plants quite frequently, a lot of them are in good nick and hopefully, ready for any recovery that comes. So I think in terms of stay-in-business CapEx, we're fairly confident that in the next 2 or 3 years, we can maintain it at that level. I think in terms of growth CapEx, we're going to work going forward far more closely with the businesses to try and understand their long-term strategy. So rather than pick off acquisitions and/or CapEx investments on a kind of piecemeal basis, it has to from part of the agreed and communicated long-term strategy and only if it does, we will consider growth CapEx in that regard.

**Operator**

The next question comes from Kar Yue Yeo of First New Zealand Capital.

**Kar Yue Yeo**
*Jarden Limited, Research Division*

I've got a couple of questions. Firstly, in relation to the construction business. Could you confirm for us or at least give us some color compositionally that $37 million that came through in the first half, that in a sequential sense, represented quite a nice bounce. And secondly, in relation to the earnings by geography, if I got these numbers right, Bill, the year-on-year New Zealand sourced earnings were somewhere in the order of $95 million. That's gone up to about $124 million. And also, for Australia, the contribution from that geography was $138 million last year and that has gone down to $106 million. Do you expect those

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sort of momentum to continue through into the second half? Or have we really seen in absolute terms, the bottom of the Australian contribution on a half year basis at that $106 million in the first half?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

In terms of construction, I think your question was around the composition of that number. It's fair to say that whilst we've seen some major contract wins recently in the Construction and Engineering division, we've yet to book significant profits from those things like the Waterview project. That's more of an FY '14 story. And therefore, the bulk of those earnings are made up of the EBIT from the residential housing division and from the Canterbury rebuild, the EQR, if you like. And as I said, to the previous question, we are conscious that without action, both of those are temporary. Obviously, we very much hope that the EQR is temporary and we don't want a repeat of what happened almost 2 years ago. But in terms of the residential piece, we are working feverishly to make that a sustainable earnings stream. So I think you'll see a change in that composition in the next 2 or 3 years as the big infrastructure projects come through to make way as the EQR winds down.

**Willem Jan Roest**
*Former Chief Financial Officer*

Yes, on the second question, Kar Yue, we'd like to think that the momentum on the New Zealand earnings will continue. And we'd also like to think that some of the initiatives we've taken around cost reductions, restructuring in Australia will bottom those earnings in Australia. I think that's how we responded to Emily's question earlier on.

**Operator**

The next question comes from Ben Chan from Merrill Lynch.

**Ben Chan**
*BofA Merrill Lynch, Research Division*

I just wanted to just clarify 2 of the last questions with regards to the Construction business. Just with EQR at the moment, what's the run rate at the moment and is that in the EBIT level? And how long is it you might talk about the U.S. burden [ph] and how long that's going to take to work through now? That's the first one. Secondly, just Concrete volume, up 18%, no price. If we continue to get similar improvement in volumes and all that, would you expect to see some in -- in some products in New Zealand this year? And then just lastly, just on steel exporting fuel to Australia. I take it, if that's still the case that has been a drag on earnings in the Steel business as well as in Infrastructure Products now for a while. Is there a sort of longer term plan to mitigate that impact. We saw in one steel result [ph] yesterday, certainly Australian steel, long steel, hasn't been -- hasn't really turned the corner yet.

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Three questions. I'll try and answer the last 2 in so far as I can remember what they were, so you might have to help me. We'll start with the construction question. In fact, let's start with steel. We have seen operational improvements in steel and an uplift in residential volumes here in New Zealand. And as you know, we prefer to serve the markets here than we do in Australia. So we've dropped some of our Australian imports. There is still a capacity overhang, and we do still export to Australia. We think there will be a reasonable uplift in those volumes. We, ourselves, will consume a reasonable number of tonnage through some of the projects we've recently won, and we do think there's continued operational improvements. So we're reasonably and cautiously positive on small improvements in the long steel division. Can you just repeat your question on construction, again, please?

**Ben Chan**
*BofA Merrill Lynch, Research Division*

On -- just on -- yes, just on construction. Just wondered -- concrete volumes, are nearly up [ph] 18% and prices, flat. Just wondering, it's a pretty strong volume number and no price, just wondering what would

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get prices up? And then just the run rate, at the moment, at the EBIT level that you're going at -- in your EQR?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Yes, Bill can answer the EQR. In terms of concrete, you're right, there is an increase in our volumes. But if you look at the capacity overhang in the industry, that's actually exacerbated by imports coming in, given the strength of the currency from places like Indonesia. So it's not the old story of ourselves and Holcim. So I think it'll be a long while yet before we can get any meaningful price into that business albeit, I do think that volumes will continue to recover.

**Willem Jan Roest**
*Former Chief Financial Officer*

And just to clarify that earlier question on construction. The construction earnings represent the Building division, which builds high rises and has done reasonably well. Our South Pacific business, which does construction in mainly Papua New Guinea at the moment and some other Pacific islands. The Engineering division, which Mark referenced, does things like Waterview where we have a very good contribution this year because of the nature of those projects. We've got residential, which we're all aware of, and the EQR. And the EQR probably represents about 25% or thereabouts of the earnings, for the half.

**Operator**

The next question comes from Daniel Porter of Nomura.

**Daniel Porter**
*Nomura Securities Co. Ltd., Research Division*

Just a few questions for you this morning. Just in terms of Crane markets. You said before, in driving the business forward, it's going to be more about getting share gains and the top-level gains. How do you actually go about doing that? Just in terms of where the A [ph] dollar is at the moment? And the impact with the imports on pricing, and also the dominance of the big-box players at that retail end? And particularly, as they push more and more into that trade market?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Yes. I mean, let's be clear when we talk Crane. Over half the businesses, the Iplex Pipe business that's going reasonably well, given the current economic, so this is a Tradelink issue.

**Daniel Porter**
*Nomura Securities Co. Ltd., Research Division*

Yes, more of Tradelink. Yes, sure.

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

And there was an issue at the time of the acquisition we knew we had, albeit somewhat blindsided by the steep declines in the residential demand. I think the issue with share loss and loss of goodwill is that it goes very quickly and it's very difficult and long to win back. I think your comment on big-box, based on my experience in the northern hemisphere, is that whilst as those guys come into town and do take some share from trade, they tend to get to the 10s, 12%s of trade and don't go much further. Most traders, whether it be carpenters, electricians and plumbers are not enamored at dealing with big-box. They don't get the service or the advice that they may be used to. So we see that threat as the real, but not in of itself fatal. I think the real competition for us, the other established credible players in that field namely, Reece, and some of the state-based or the managed businesses and -- they are the real competition and the real sort of model for what we want to aim for. I think it is a long-term turnaround in terms of regaining share. I do think that where we are today, there is share to be had. I mean, most people don't

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like the big 10-pound gorilla, which some of our competition have become. They tend to become arrogant. So I think if we can get our operational performance and our branch performance in terms of our people better, then I do think it's there to be had. But as I've said, that is about getting the right management team in, the right leadership and running the right training programs and the right programs around stock and availability. So it's not a real sexy answer, I'm afraid. It's a lot of hard work and it's a lot of discipline and it's a lot of time. But I have devoted quite a bit of my time to Tradelink since I took this job. I've spent a lot of time in head office in Sydney and Brisbane and visiting a lot of the branches. And I do believe strategically, there is a position for us in that market. And therefore, I am prepared to put our shoulder behind the wheel and invest in that business going forward.

**Daniel Porter**
*Nomura Securities Co. Ltd., Research Division*

Okay, okay. And just in terms of your EBIT target then for the broader Crane business, just recall back at the acquisition, you talked about doubling EBIT to I think it was about $140 million by FY '16 sort of on a 4- or 5-year period. Is that still your target internally or have you revised that at all? I think you sort of got about $20 million of corporate cost earnings and $15 million from New Zealand mergers. Are you still looking to get that $140 million?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Look, we would look to get to $140 million. What I can't attest to is the timing of that. And I think what's wrong -- and I've spent 20 years in private equity being behind the pump chasing [ph] and unrealistic numbers and the last thing I want to do is to burden the business that, we're being very candid, is already struggling with an unrealistic target just simply because somebody at head office promised that a while ago. So I think in terms of head office cost savings that we promised, we will drive those hard and we probably, if you look at the analysis, already delivered an awful lot of that. So we can tick that box. In terms of the Iplex division, that's performed very satisfactory, as I said, given the economics. So let's just define this as a Tradelink issue. And I'm inclined to cut them a little bit more slack and extend the time frame over which we expect them to get that target. So we'll not be dropping that target but I'd rather cut them a little bit of a firebreak because there's an awful lot of work to be done there. And I don't think it particularly helps them if I'm constantly beating them up for unrealistic numbers.

**Daniel Porter**
*Nomura Securities Co. Ltd., Research Division*

Sure. And just on your -- in terms of your Laminex business. In terms of that high-pressure market, what do you think...

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Do you have anymore questions?

**Daniel Porter**
*Nomura Securities Co. Ltd., Research Division*

Just in terms of the high-pressure Laminex, in terms of the pricing that you're seeing in that market, just in terms of the impact of imports obviously, it's priced at a bit of a premium in the region. Are you seeing any erosion of that premium at all?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Can we just focus principally on Australia, if I can, because by and large, in our other rest-of-the-world regions, we do not trade at a premium against the established multinational competitions such as the Wilsonart brand. So it really is in Australia where we have traditionally traded at somewhat of a premium. We have not seen that premium substantially erode. I think it's well documented that the Laminex and Formica brands in Australia have lost share to local competition in the last 10 years. We've seen that

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share loss reach somewhat of a bottom at the moment and some of the programs we took in the Laminex restructuring started to address that. I was very conscious not to further extend that price premium, though. So unlike a lot of businesses where we try and target them with price increase objectives, we've done the opposite in Laminex and allowed them a little bit of latitude to fight on price to try and win their -- regain their share and their market position, albeit that's around the margin. So I would kind of categorize the Laminex pricing in Australia as static.

**Daniel Porter**
*Nomura Securities Co. Ltd., Research Division*

Okay, okay. And then just finally, a quick one for Bill. Just, Bill, a bit of a guidance on the tax rate for FY '13 and into FY '14, if you can?

**Willem Jan Roest**
*Former Chief Financial Officer*

Probably, based on our current forecast, we think the effective tax rate for this year about 23% -- 22%, 23%. And probably around the 24%, 25% going into '14, '15. The reason we've had a bit of reduction in the first half is just a few tax losses in the settlement of a dispute in Europe, which has just dropped our effective tax rate in this period.

**Operator**

The next question comes from Stephen Hudson of Macquarie Security.

**Stephen Hudson**
*Macquarie Research*

Most of my questions have been already asked and answered. But I just have 3. Just coming back to FB Unite. Mark, I just wondered if you can give us some idea of this sort of the world that you're planning for in that sort of 3-year program? So in other words, what are you assuming in terms of the New Zealand dollar versus the U.S. dollar? And what are you assuming in terms of peak volumes, I guess, over that period just to give us an idea of how conservative, I guess, the plan is? Secondly, just in terms of Fletcher residential and quarry end-use, Bill, if you could give us the numbers for the first half and what you're expecting for the second half and the guidance, that would be useful. And then, I guess, thirdly, just back to Kar Yue's question about the run rate at the moment. On my numbers, you've got a second half '12, normalized EBITDA of about $277 million. This half, you've actually fallen $272 million. And then in your guidance, you've got baked in the $333 million at the midpoint. So you're expecting sort of a 22% uplift in the second half and I just wondered how confident you were around that number, whether or not you're seeing enough in Australia to give you enough confidence to check that guidance off?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

I think what I'll do Stephen, is I'll ask -- I'll answer question 1 and 3 in reverse order. Let me first thank you for using the branding FB Unite. You're the first person other than myself to use that. So congratulations, let's hope it sticks. In terms of FB Unite, I think the assumption around the dollar and housing starts hasn't really been factored into this program per se. Outside of the program, we've assumed the dollar doesn't move radically, we're not currency experts. So we've set all of our expectations and strategies around the situation as it currently exists. Around housing starts, we would expect, as I said, at the beginning for the housing starts here in New Zealand to continue to recover. And we see the improvements further throughout the rest of this year. In terms of Australia, I certainly don't expect an import for the next 6 months, that will affect this FY '13. And we're rapidly moving to a point where we don't expect any meaningful impact on our earnings in the first half of next year. In terms of the second half of the current fiscal year, you're right to point out that it is quite a significant uplift in run rate, which we did debate at some length with the board yesterday. We've done a very granular bottom-up forecast in January with our business units. And the brief that we gave them was that they have to stretch themselves but give us a number that we could go to the market with some confidence. And I believe we have achieved that. So I believe the guidance we've given you is fairly robust. It's underpinned less

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by a recovery in Australia and more by the sustained momentum in New Zealand and the flow-through of some of the restructuring programs you'll see, benefits of Bilbao, continued benefits of the Laminex restructuring. And some small millions as I keep saying around the procurement piece, which is part of FB Unite.

**Willem Jan Roest**
*Former Chief Financial Officer*

And just thinking about quarry end-use and residential, there's no land profits in the first half and I think we noted in the Construction result that the residential earnings are up 55%. We expect them to continue to be strong for the full year. The subdivision, particularly, Stonefields, is going really well. Quarry end-use, there's no major plans for any land disposal. We do have at Wiri, a very solid commercial subdivision, if you like, or site which was our next quarry. And some of that may come on the market in the second half of the year, but it's not going to be major.

**Stephen Hudson**
*Macquarie Research*

So just in terms of quarry end-use, I think, last year, was $7 million and Fletcher residential last year, was $31 million. Could we sort of assume that Fletcher residential is going to sort of be up around the $45 million mark this year?

**Willem Jan Roest**
*Former Chief Financial Officer*

Probably somewhere between the $30 million and the $40 million, I would think. It really -- yes, it really depends on the stone [ph] rate, but that would be a good outcome. And quarry end-use at the moment, there's very little in our forecast.

**Stephen Hudson**
*Macquarie Research*

Okay. And sorry, just to press the point on Fletcher residential. I know you did sort of a pretty good deal with Todd, way back where you're basically taking land there at, I think, 2006 prices. Would it be fair to say that majority of that Fletcher residential profit is basically land profit baked into that Todd deal?

**Willem Jan Roest**
*Former Chief Financial Officer*

Well, I guess, I'm a little bit old fashioned, but we always believed that building houses is the best way of extracting the next value out of a land. And that's what we've always done.

**Operator**

The next question comes from Matt Henry of Goldman Sachs.

**Matthew Allan Henry**
*Goldman Sachs Group Inc., Research Division*

You've touched on a couple of times on individual businesses, but I was just wondering if you can give us some color, more broadly on how you're seeing the sort of, competitive environment and pressure on pricing and margins? And whether there's any sort of specific businesses that you're seeing at the moment that are sort of particularly -- you're feeling that pressure?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Matt, it's Mark. If I can just kind of loosely wander through a few divisions, because that's quite a big question. We'll start here in New Zealand at PlaceMakers. Good volumes coming through PlaceMakers. You've seen some of the top line improvements, but it is an extremely competitive market. There's a big box on every street corner, it would appear to me here in New Zealand, very competitive. And we have

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seen some margin erosion in the first half. As the volumes lift and as we put certain price increases in, we expect to mitigate some of that. But it is an extremely competitive market and we expect it to continue. Going across the pond to Australia. As I mentioned, we've seen significant price competition and in our case, reduction in our Fletcher insulation business in Australia. Cement was, as I said, there's still an overhang of capacity. The guys advised me that where we are today with cement pricing, it's going to be very difficult to improve on that. So I think without going through every division and taking 20 minutes of your time, I think whilst the economy does start to recover, there's such an overhang of capacity in the industry in various business units from the recession that it will be a while before, I believe, we can start lifting price and therefore, margin.

**Willem Jan Roest**
*Former Chief Financial Officer*

Perhaps, I can add, Matt. Most of our manufactured product is based on import parity pricing. And obviously, with the highs in New Zealand dollars, there's going to be a bit of pressure around there. And we've noted that in the past couple of years, we've been limited on price increases. And obviously, there's now a pricing pressure in some areas, particularly insulation, for example, and cement.

**Operator**

And the next question comes from Emily Behncke of Deutsche Bank.

**Emily Smith**
*Deutsche Bank AG, Research Division*

I'm sorry, just a follow-up question, a quick follow-up question for me, please, Mark. So just wondering, the $560 million to $610 million of EBIT, I'm just wondering what sort of conditions do you think you'd need to see to hit the $610 million? And if you're at the $560 million, it might imply continued deterioration in Australia, which is on the conservative side at the moment?

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Yes. No problem, I can try and put some kind of fences around those numbers. For us to drive through the $600 million mark to the $610 million, we would have to see an unexpected recovery in Australia. I think that would be the big kicker for us. In terms of the $510 million, the floor that we've set, we'd have to see the current bottom as we see it in Australia, further decline in the next 3 or 4 months. And probably, another mini collapse in Europe that wouldn't help. So both of those outlying numbers, the $610 million and the $560 million have, in my view, fairly small degrees of probability around them, given what I've already said about our view on the outlook.

**Operator**

I would like to advise, there are no telephone questions at this time.

**Mark Duncan Adamson**
*Former CEO, MD & Non-Independent Executive Director*

Okay. Thank you. I think we'll move and take some questions from the floor. Does anybody have any questions?
I think those of you on the teleconference asked such good questions, there are no further questions here. So at that point, I just want to thank you all for turning up either in person or in the ether, and I'll bring the meeting to a close. Thank you everybody.

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