

Fletcher Building bond deal likely delayed amid faulty pipes issue

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The timing of Fletcher Building's 5-year fixed bond deal is up in the air as the company deals with the fallout from plumbing failures and a faulty pipe product in Western Australia.

The building products company mandated ANZ, Citi, and Westpac as joint lead managers on a potential 5-year Australian-denominated fixed rate senior unsecured benchmark transaction last week.

Investor marketing meetings finished up on Monday and timing of the launch set for "as early as this week, subject to investor feedback and market conditions", Citi said.

While it was set to be launched before Friday, sources close to the deal said it was likely earmarked for next week given Woolworths is in the market with a \$1.75 billion 7.5-year senior unsecured deal.

In response to Street Talk's questions about whether the issuance was delayed, a Fletcher Building spokesperson said: "We are still in the middle of the process and are continuing to consult with potential investors".

As reported [<https://www.afr.com/companies/infrastructure/fletcher-sets-aside-15m-for-faulty-pipe-compensation-20230417-p5d0yc>], Fletcher announced a \$15 million provision in April to cover the costs from hundreds of complaints about leaks associated with an Iplex Pro-fit pipe product used in home construction in WA between 2017 and 2021.

It told the ASX on Wednesday [<https://www.afr.com/markets/equity-markets/asx-to-rise-as-global-bond-yields-tumble-20231011-p5ebal>] that a large home builder in WA, BGC, intends holding a media and analysts briefing to release findings of what BGC terms an "independent expert investigation" into the Iplex pipes matter, and BGC had "briefed persons in advance of that meeting". The Pro-fit products have not been sold since 2022.

UBS analyst Marcus Curley put the company Under Review on Wednesday "pending further information from FBU over the next few days".

"The downside range from Iplex pipe repair costs has widened from UBS-estimate of \$150 million (15,000 WA houses at \$10,000/house) to \$1.8 billion (30,000 Australian houses at A\$60,000/house)," he said.

"After allowing the long timeframe for re-piping 30,000 homes, after-tax PV impact for Iplex downside range is \$0.20/share to \$1.75/share."



Fletcher Building's shares have been in a trading halt since Wednesday, **Fairfax Media**