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Allan Gray backs chair Peter Crowley’s plan for Fletcher Building

By BRIDGET CARTER

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Fletcher Building’s appointment of Peter Crowley as chairman can be taken as a signal that a company break-up or restructure is increasingly likely.

DataRoom understands that Mr Crowley, the former boss of Australian listed building materials provider GWA, has always been a strong advocate for a reorganisation of the company in the time he has been a director.

Fletcher Building has been searching for a chairman for months, with Boral boss Vik Bansal targeted along with a number of top New Zealand company directors, as many took the view that a local with strong government connections was best placed.

But the appointment of Mr Crowley is seen as a pragmatic choice for an embattled company that would struggle to attract the most expensive directors in Australia and New Zealand boardrooms.

Analysts at house adviser Jarden last year ran the numbers on a company break-up and believe it could be slimmed down to four units.

Fletcher Building is listed on both sides of the Tasman and owns at least $NZ1bn of development land in New Zealand.

Its best businesses include insulation, New Zealand’s Golden Bay Cement, Placemakers and Laminex in Australia.

Of its 24-odd business entities, some like its Stramit steel manufacturing unit are seen as non-core and likely to be sold, among others like Iplex.

Options that have been weighed over the years include a full retreat from Australia, where acquisitions have failed to fire, or a demerger of property development.

Simon Mawhinney, managing director of Australian fund manager Allan Gray, which owns a stake of about 17 per cent, said the Fletcher Building board had its full support in restoring the company, which had some excellent industry leading businesses.

"Important to Fletcher's success is creating an environment of strong entrepreneurial spirit that allows these businesses to thrive," he said. "Allocating capital to the highest-returning businesses will be crucial."

Mr Mawhinney made note of outgoing acting chairman Barbara Chapman, who had been constructive and professional in the board renewal process, and praised the skills of Mr Crowley.

"He is decisive, recognises that parts of the business needn't remain owned but that some of these businesses could be turned around prior to being fire sold," he said. "He appears to have a strong capital allocation discipline and he is dedicated to taking Fletcher's forward."

Fletcher Building, a near monopoly in certain New Zealand markets, has been considered a victim of its own success over the years where a lack of competition has made the business less efficient and has suffered from a poor culture and bloated corporate office.

Mr Crowley is likely to look to streamline the group after the timing and extent of profit downgrades and losses surprised many last year.

Fletcher Building performs well in booming conditions but suffers more than most in a building downturn, which has been the case in the past year, with New Zealand in a recession.

Watched closely by the market will continue to be the liabilities faced on its Iplex business for leaks from its pipes installed in homes in Western Australia.

The leaks, Fletcher Building estimated, will cost it about $155m, but some analysts believe with inflation, it will be about $250m.

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Bridget Carter has worked as a writer and editor for The Australian's DataRoom column since it was launched in 2013, focusing on capital markets, mergers and acquisitions, private equity and investment banking. She has been a journalist for more than 18 years, covering a broad range of events and topics, including high profile court cases and crimes, natural disasters, social issues and company news.