

# Jarden sees higher risk from Fletcher pipe issue



**Victoria Young**  
Thu, 14 Dec 2023

Follow Author



Fletcher Building's Ross Taylor has reiterated provisioning on the pipe issue. (Image: NZME)

Analysts at Jarden say Fletcher Building is more exposed than previously thought to the pipe issues at its Australian Iplex division and have reduced their price target on the stock.

Grant Swanepoel and Luan Nguyen retained a “buy” rating on the stock but have reduced its target price from \$6.20 to \$6.13.

Shares in the construction materials company are currently trading at \$4.60.

The Jarden note dated Dec 13 said analysts had been given another update from building firm BGC about the Western Australian pipe issue.

## "Self-serving and sensationalist"

Back in October, BGC claimed the pipe problem could cost A\$1.8 billion (NZ\$1.93b), not A\$15 million as Fletcher has provisioned.

Jarden said BGC “has filled, what we called, holes in their argument that it was mainly a product issue, but we do caution that [Fletcher], being a listed company, cannot or will not update the market on the progression of their argument that it is an installation issue”.

The analysts said their estimate of the problematic pipes is reduced by 4,000 from their estimate of 15,000-17,000. This is because BGC has reduced its estimate of affected homes.

“Burst rates have slowed in worst affected periods, but [the] trend is developing across all of suspect build periods.”

In October, Fletcher said BGC's claims were “self-serving and sensationalist”.

## "Slightly behind" expectations

Ahead of its annual meeting on Oct 17, the company said earnings before interest and tax (Ebit) before significant items were “slightly behind” previous expectations due to the residential sector softening.

In the year to June 30, 2023, Fletcher reported an Ebit before significant items of \$798m – up 6% from \$756m in the 2022 year.

In the case of its Iplex Australia pipes business, that came in the tail-end of Jonathan Ling's rein as chief executive under the chairmanship of Ralph Waters.

Fletcher picked up Iplex in its \$1b acquisition of Australian securities exchange-listed Crane Group in 2011, paying almost A\$277m in cash and the rest in Fletcher shares valued at A\$6.07. That issue price ranged between \$9.03 and \$9.42 on the NZ stock exchange.

---

---