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Market regulator to review Fletcher disclosure on pipe failures

Fletcher has placed its shares in trading halt as it prepares a response to an expert report on leaky pipes in Australia – information it appears to have had since June.



Fletcher Buildings Australian subsidiary Iplex withdrew its pro-fit pipe product from sale last year after a spate of leaks.

Tim Hunter
Fri, 13 Oct 2023

Sharemarket regulator NZRegco says it will review Fletcher Building's compliance with continuous disclosure rules after the company releases a response to a customer's presentation on bursting pipes in Australia.

Fletcher this morning sought an extension to a trading halt on its shares in place since noon on Wednesday, saying it had "obtained a copy of the presentation given to media and analysts by BGC (Australia) Pty Ltd ("BGC") relating to the Iplex Australia Pro-fit pipes.

"FBU is currently preparing a response to that presentation, which it expects to release during the course of Friday, 13 October."

The company said it will provide its response in a briefing at 2pm today.

Trading in Fletcher shares will resume on Monday.

Asked by *NBR* if the share price was expected to react to the news when the market reopens, one analyst said: "Hell yeah".

The BGC presentation to analysts and media late on Wednesday covered the findings of an expert investigation report into the causes of a spate of burst pipes in Western Australian homes built using polybutylene piping supplied by Fletcher subsidiary Iplex Australia.

According to the analysis commissioned by BGC the cause was a change in the resin used by Iplex to make the pipes, which led to environmental stress cracking.

BGC's presentation said it had provided a copy of the expert report to Fletcher on June 2.



Fletcher Building CEO Ross Taylor.

Listing rules

Asked why the BGC expert report was price sensitive now, when Fletcher had not disclosed it to the market in June, a spokesperson for NZ RegCo said: “NZ RegCo placed FBU in halt at the issuer’s request, to enable a fuller response to BGC’s presentation.

“When FBU releases its response, NZ RegCo will review that response and whether questions may be put to FBU to assess any potential issues under the NZX Listing Rules.”

Fund manager Andrew Bascand, managing director of Harbour Asset Management, said his firm had been talking to Fletcher about the issue for months.

“What we got [on Wednesday] was the expert evidence from the other side and, on the face of it, it looks quite compelling,” he said.

“I would have liked to have known more about this naturally back in June at the investor day or in August at the result.

“It seems to be a little bit of a disclosure inequality here ... I think it’s absolutely right it’s in trading halt until we hear the other side.”

In its initial trading halt announcement on Wednesday Fletcher said: “FBU has been made aware that BGC ... one of the group home builders in Western Australia who installed the Iplex Australia Pro-fit in respect of which issues have arisen due to plumbing failures, is to present findings of what it terms an independent expert investigation into the Iplex pipes matter and has briefed persons in advance of that meeting.

“FBU wishes to ensure that the market does not trade materially influenced by false or misleading information and has sought a trading halt until it can respond to BGC’s briefing.”