

# The West Australian


Manufacturing

## Manufacturer behind BGC's Iplex Pipes leak saga sinks amid leadership shakeup



**Matt McKenzie** The West Australian  
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 Thousands of WA homeowners were impacted by the BGC-Iplex pipe saga. Pictured - Split pipe from a damaged bathroom Credit: Daniel Wilkins/The West Australian

Shares in troubled pipe-maker Fletcher Building sunk 7 per cent after the manufacturer crashed to a \$120 million loss and revealed a leadership shake-up.

Fletcher's Iplex Pipes division has been entangled in a saga with Australian builder BGC over water bursts across newly built homes in Western Australia. The companies have been at odds as to whether a manufacturing problem or installation issues were the cause.

But markets got confirmation on Wednesday that the Auckland-based builder has wider problems, two days after trading of the stock was halted.

Chief executive Ross Taylor will exit within six months, while chair Bruce Hassall will be out the door before an October annual general meeting.

Both joined Fletcher in 2017, with investors told their leadership had helped turn the company around and fix legacy construction issues.

Director Barbara Chapman will launch an international search for a new CEO.

Mr Taylor said trading conditions were “materially weaker”, with revenue down 1 per cent to just more than \$4.2 billion for the first half of the financial year.

New Zealand material sales revenue dropped 8 per cent amid a softer residential sector, inflation pressure and strong competition.

The \$120m loss followed a \$92m profit in the prior period, and was largely driven by a \$122m hit to Fletcher’s Tradelink business and a \$165m blowout at the New Zealand International Convention Centre project.

Tradelink – a plumbing supply retailer – will be put up for sale. Mr Taylor touted the business as “a compelling opportunity”, but said owning the retailer was not in line with Fletcher’s strategic objectives.

Macquarie Bank said earnings for the first half had been 16 per cent below analyst expectations, labelling the result a “weak update”.

Moves to shore up Fletcher’s balance sheet were welcomed by the bank’s analysts, however.

Fletcher will not pay an interim dividend.

The pipes saga still looms large over Fletcher.

“Regarding the ongoing Perth plumbing issues, our testing and expert reports on causation continue to show that the leaks are caused by installation failures and that there is no manufacturing defect,” Mr Taylor said.

“We remain committed to developing a workable and appropriate industry solution.”