

Fletcher Building to sell Tradelink as CEO, chairman exit

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The biggest shareholder in ailing Fletcher Building is backing a shake-up where chief executive Ross Taylor and his chairman, Bruce Hassall, will exit later this year and the underperforming Tradelink business in Australia will be sold.

Fletcher, which trades on both the New Zealand and Australian stock exchanges, suffered a heavy first-half loss and its shares plunged further, down 6.7 per cent on the ASX to \$3.45.

It has lost patience with the Australian plumbing supplies business Tradelink, writing down its carrying value by \$NZ122 million ahead of the divestment.

Tradelink has struggled against much larger rival [Reece Group](#)

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The plumbing supplies business Tradelink will be put up for sale.

Fund manager Allan Gray Australia, which lifted its stake in Fletcher to 13.1 per cent from 11.9 per cent earlier this week, is supportive of the changes. Allan Gray analyst Sudhir Kissun said Fletcher had delivered “some disappointments” and the CEO and chairman exit was a sensible “course correction”. “I can see merit in having a fresh set of eyes at the board level and at senior management level,” he said. Tradelink had been an underperformer for a number of years and a sale “makes sense”.

Fletcher tumbled to a net loss of \$NZ120 million (\$112 million), dragged down by the Tradelink impairment and a fresh \$NZ165 million write-down on the New Zealand International Convention Centre project in Auckland announced nine days ago. There was also a \$NZ15 million provision for remediation costs at a Wellington Airport car park.

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Mr Taylor said the buck stopped with both him and the chairman after a difficult time, with heavy write-downs and a falling share price.

“You can’t put your head in the sand and ignore that,” Mr Taylor said.

Mr Hassall said it was time for new blood. “We both recognise the buck stops with us,” the chairman said. “This will be an orderly transition.” He will step down at the group’s annual shareholder meeting later this year.

“It hasn’t been a great time for our shareholders,” Mr Hassall said.

Mr Taylor has a six-month notice period and said he was prepared to stay on for that entire time to ensure a smooth transition.

Mr Taylor said it was important to set the right tone from the top of the organisation when it came to accountability after the write-downs, particularly on the convention centre project in Auckland.

“When these things happen, accountability is taken from the top,” Mr Taylor said.

Fletcher runs a large business in Australia under brands including Tradelink plumbing and bathroom supplies, Laminex, Stramit roofing and structural steel, Iplex pipes, Oliveri sinkware and Fletcher insulation. Earnings before interest and tax from the overall Australian operations slipped 5 per cent in the December-half.

He said a full review had been undertaken on Tradelink, and it was clear that it was not the right fit in the Fletcher portfolio.

“Tradelink’s struggling in the present market,” he conceded.

Mr Taylor was hired by Fletcher in late 2017. He had previously been the CEO [<https://www.afr.com/companies/game-over-how-cimic-snatched-ugl-from-shareholders-20161207-gt5m1o>] of engineering group UGL [<https://www.afr.com/markets/equity-markets/new-ugl-plan-wins-over-investors-20150529-ghcj94>] in Australia.

Fletcher is also mired in a serious plumbing leaks issue in Western Australia. In October, the group accused Western Australia’s largest home builder BGC of blame-shifting and making unfounded allegations over plumbing pipe leaks in 11 per cent of new houses built in the state between 2017 and 2022 that used a specific Fletcher product.

Fletcher on Wednesday reiterated its view that it was poor installation of the Iplex Pro-fit thin pipes in new houses, and generally lower governance standards for the plumbing industry in WA compared with other states, that were the core issues. Mr Taylor said there was “no manufacturing defect” in the Iplex product.

Mr Taylor said it was in talks with the WA government and building companies to find the practical solution.



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