
RESULTS

For the half year ended
31 December 2018

25 February 2019

*Earnings growth from Boral North America but softer
first half earnings from Boral Australia and USG Boral*

Agenda



Sourcing fly ash from a utility in Texas



Results overview

Mike Kane



Financial results

Ros Ng



Outlook

Mike Kane



Strategic & organisational update

Mike Kane

1H FY2019 results overview

Excluding the impact of divestments, EBITDA broadly steady

A\$m (total operations basis)	1H FY2019	1H FY2018	% 1H19 v 1H18
EBITDA ¹	485	500	(3)
Net Profit after tax (NPAT) ¹	200	214	(6)
Statutory NPAT	237	173	37
NPATA ¹	224	237	(6)
EPSA ¹ (cents)	19.1	20.2	(6)
EPS ¹ (cents)	17.1	18.2	(6)
Interim dividend (cents)	13.0	12.5	4

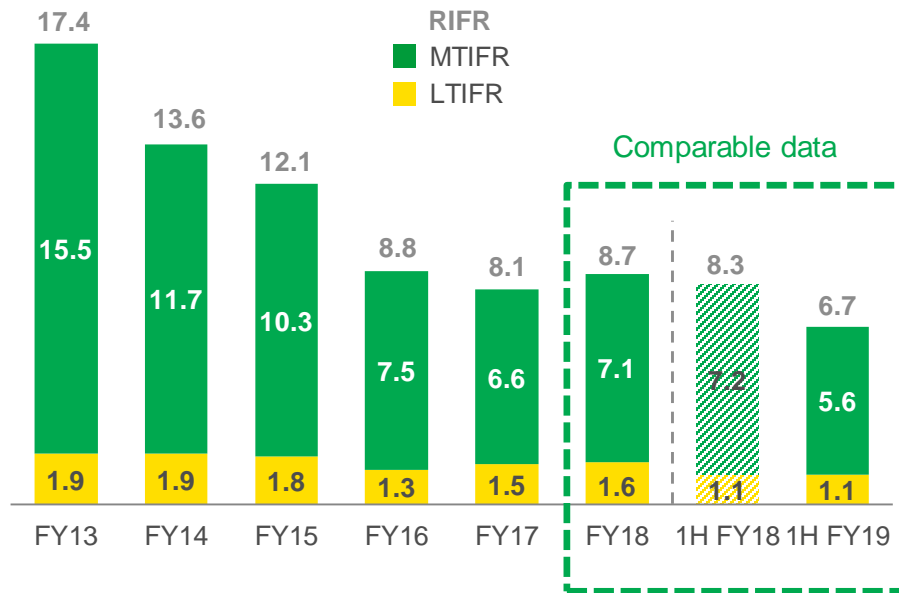
1. Excluding significant items. Refer to slides 59-60 for reconciliation and explanation of these items

Safety performance

Company-wide commitment to *Zero Harm Today*

Employee and contractor RIFR¹

(per million hours worked)

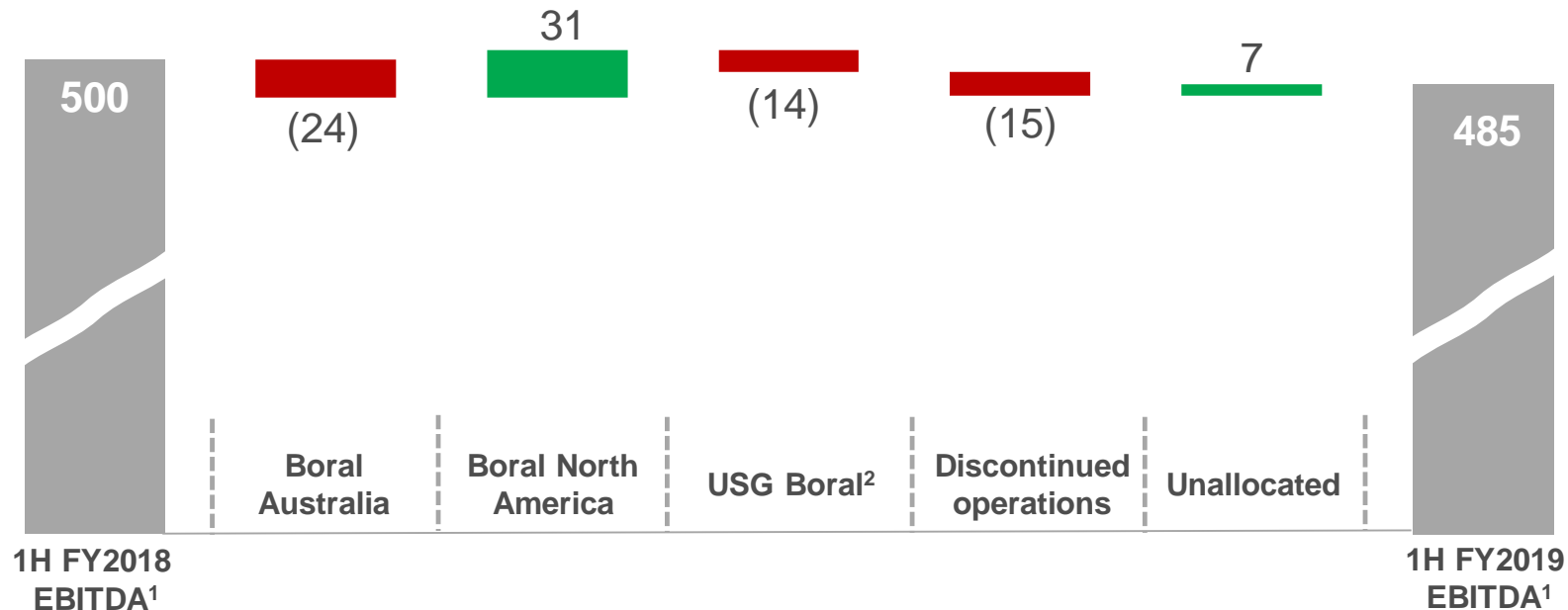


- All divisions recorded improvements in RIFR compared to FY2018
- **RIFR of 6.7**, down from 8.3 in 1H FY2018 and 8.7 in FY2018
 - **LTIFR of 1.1**
 - **MTIFR of 5.6**
- Headwaters businesses delivered a significant turnaround in performance, and Meridian Brick operations have also improved

1. Recordable Injury Frequency Rate (RIFR) per million hours worked is the combined Lost Time Injury Frequency Rate (LTIFR) and Medical Treatment Injury Rate (MTIFR). Includes employees and contractors in all businesses including Headwaters and all joint ventures regardless of equity interest from FY2018. Prior years include 100%-owned businesses and 50%-owned joint venture operations only

Earnings steady excluding discontinued operations

EBITDA¹ variance, A\$m

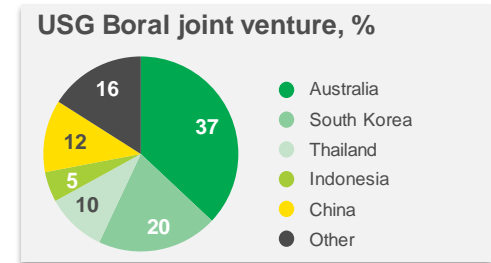
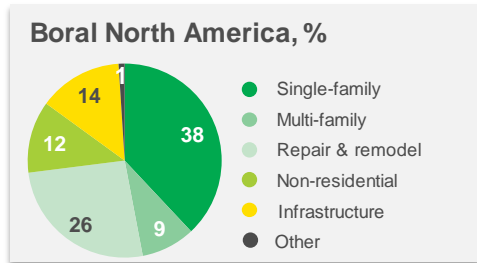
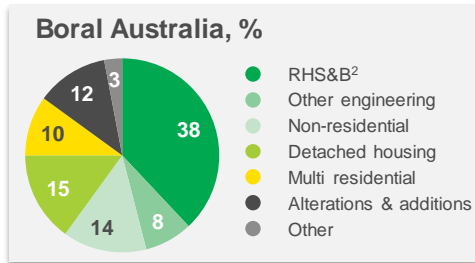


1. Excluding significant items

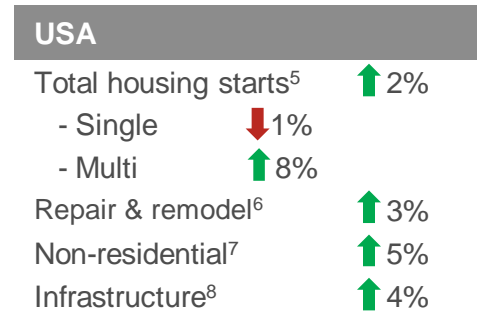
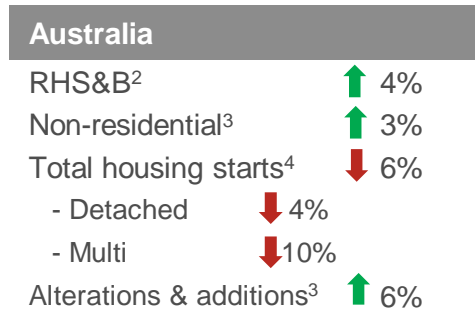
2. Represents Boral's 50% post-tax equity accounted income from USG Boral JV

Underlying activity in key markets remains solid

Revenue¹ by end-market, %



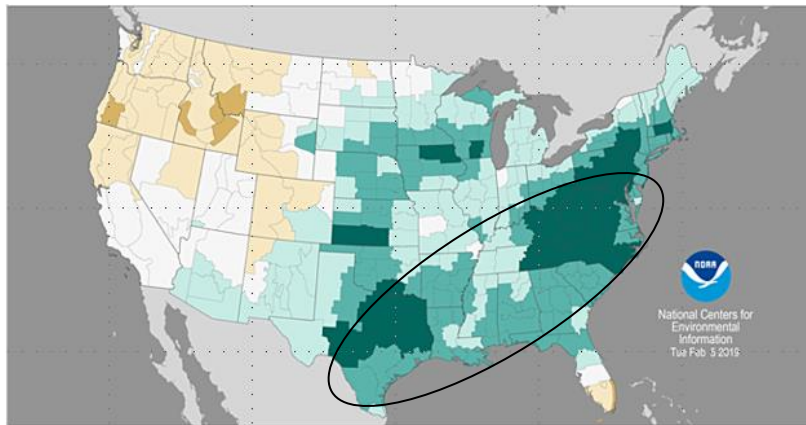
Market activity:
1H FY2019 vs 1H FY2018



- Based on 1H FY2019 external revenue; USG Boral is for underlying revenue; Boral North America includes Boral's 50% share of revenue from Meridian Brick JV which is not included in reported revenue
- Roads, highways, subdivisions and bridges. Average of Macromonitor and BIS Oxford Economics value of work done forecasts (constant 2016/17 prices)
- Original series (constant 2016/17 prices) from ABS for Sep 2018 quarter. Average of Macromonitor and BIS Oxford Economics forecast for December 2018 quarter
- ABS original housing starts; average of Macromonitor, BIS Oxford Economics and HIA forecasts for December 2018 quarter
- US Census seasonally adjusted annualised housing starts. Based on data up to November 2018
- Moody's retail sales of building products, January 2019
- Management estimate of square feet area utilising Dodge Data & Analytics and US Census data
- Management estimate of ready mix demand utilising Dodge Data & Analytics and Portland Cement Association shipments
- Based on various indicators of building and construction activity

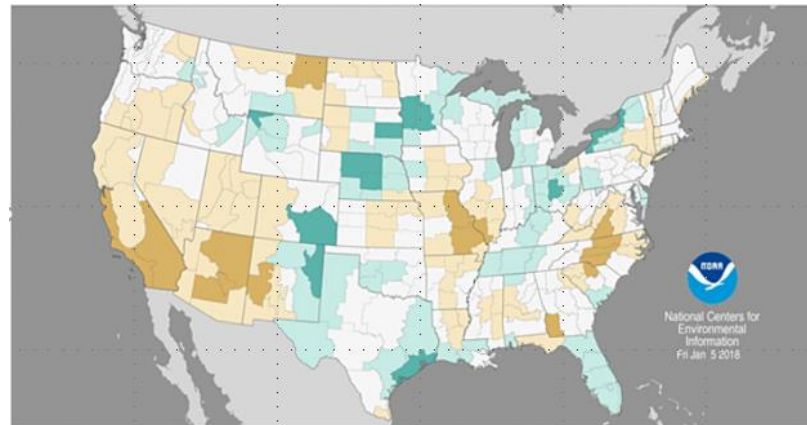
Adverse weather in key US markets slowed activity

July to December 2018



Relative to rainfalls recorded between 1895-2018

July to December 2017



Relative to rainfalls recorded between 1895-2017

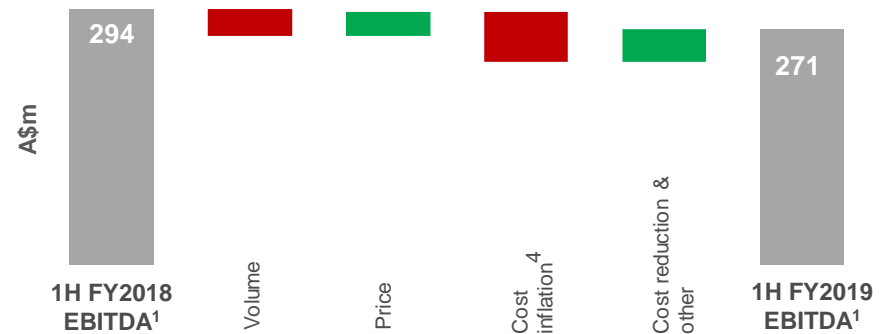


Boral Australia

A\$m	1H FY2019	1H FY2018	Var, %
Revenue	1,825	1,804	1
EBITDA¹	271	294	(8)
<i>EBITDA¹ ROS</i>	14.8%	16.3%	
Property	(3)	0	
EBITDA ¹ excl Property	274	294	(7)
<i>EBITDA¹ ROS excl Prop</i>	15.0%	16.3%	
EBIT¹	168	194	(14)
<i>EBIT¹ ROS</i>	9.2%	10.8%	
Net Assets	2,562	2,450	
ROFE^{1,2}, %	15.9	15.4	

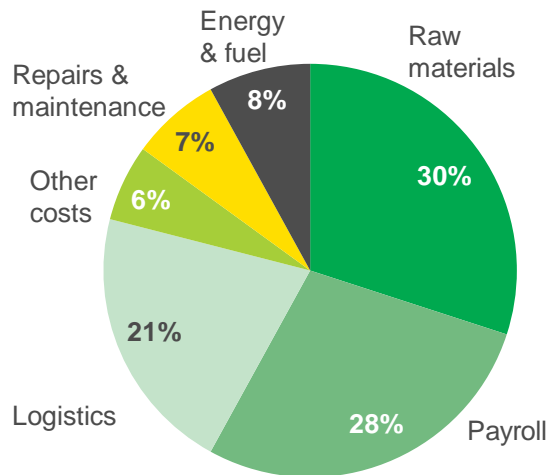
1. Excluding significant items
2. Divisional ROFE is annual EBIT before significant items on divisional funds employed
3. On a like-for-like product basis
4. Includes \$10 million in higher energy and fuel costs

- **Revenue** up slightly with higher contributions from Quarries, Cement and Asphalt but lower Concrete & Placing revenue
- **Lower earnings and margins primarily reflect:**
 - lower Concrete volumes and inefficiencies from project delays and wet October in NSW
 - less favourable product and geographic mix
- **Prices³ up 1-3% across Quarries, Cement and Concrete** but not sufficient to offset cost inflation



Boral Australia

Boral Australia
 ~\$1.6b 1H FY2019 cash cost base



- **Raw materials costs:** internationally traded clinker and bitumen prices increased in line with Asian markets and FX
- **Labour:** average wage inflation ~2.5%-3.0%
- **Logistics:** continuing to progress our supply chain transformation program to reduce costs
- **Energy and fuel:**
 - ~ \$10m higher largely due to diesel fuel costs
 - expect \$10-\$15m cost increase in 2H FY2019 due to higher energy and fuel prices
- **Continuing to target recovery of cost increases through price**

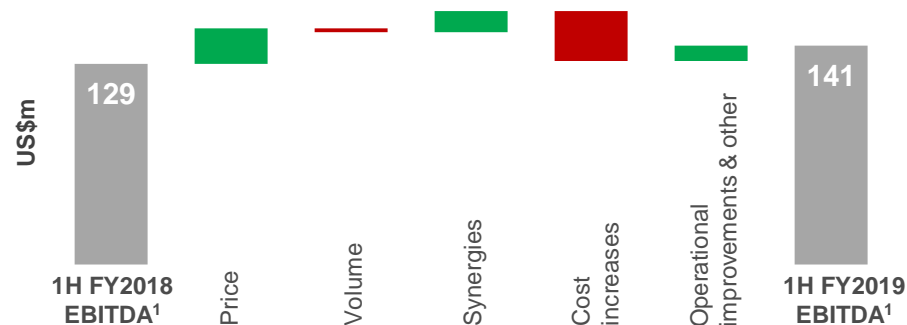


Boral North America



A\$m	1H FY2019	1H FY2018	Var, %
Revenue	1,104	994	11
EBITDA¹	196	165	18
EBIT ¹	115	90	28
Net Assets	4,723	4,179	13
US\$m			
Revenue	796	776	3
EBITDA¹	141	129	9
<i>EBITDA¹ ROS</i>	17.7%	16.6%	
EBIT ¹	83	70	18
ROFE^{1,2}	4.6%	4.4%	

- **Revenue increase largely** driven by strong growth in Roofing
- **Volumes** impacted by extreme rain in key US states
- **EBITDA growth and margin expansion** due to price increases and synergies; Fly Ash EBITDA margins steady at ~ 24%
- **Cost increases** include higher materials and labour
- **Synergies** of US\$14m achieved, with business on track to deliver US\$25m target in FY2019



1. Excluding significant items
2. Divisional ROFE for 1H FY2019 is moving annual EBIT before significant items on divisional funds employed at 31 December 2018. Divisional ROFE for 1H FY2018 is moving annual EBIT before significant items on monthly average funds employed for 12 months to December 2017

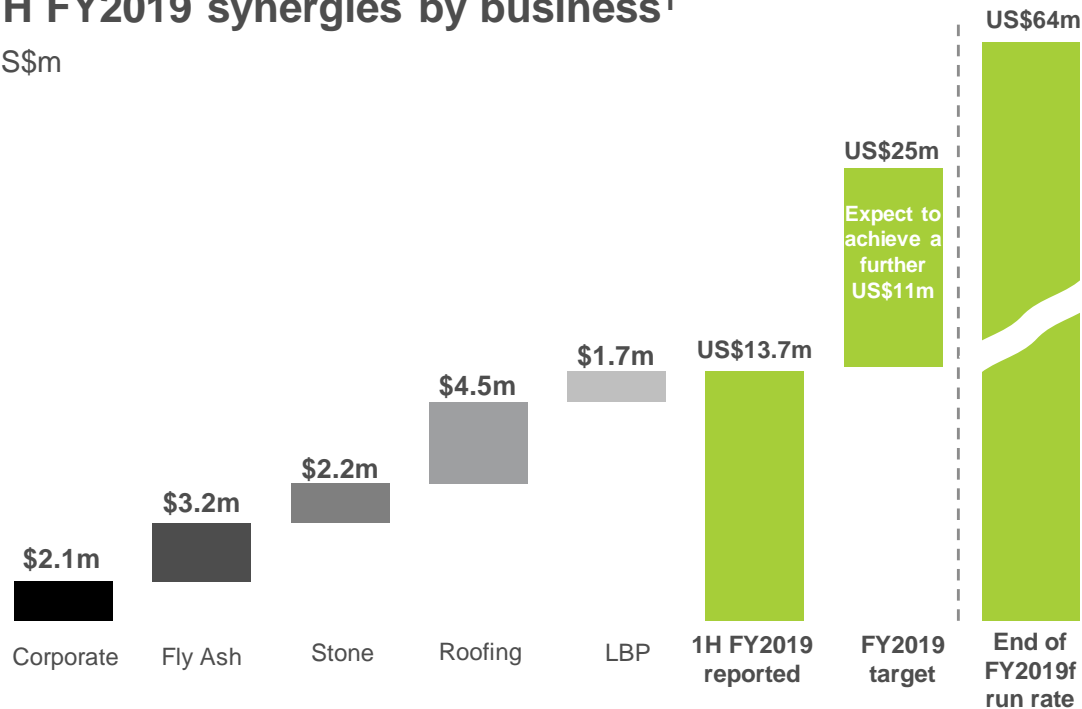


Boral North America – synergies

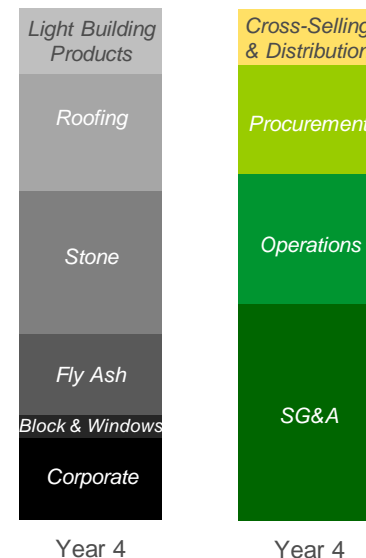


1H FY2019 synergies by business¹

US\$m



Four-year synergy target of US\$115m



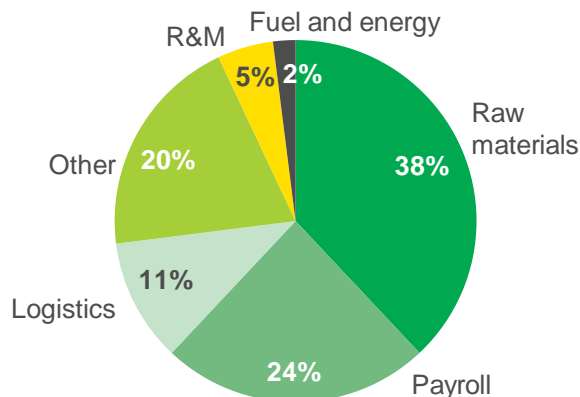
1. Synergies include cost synergies and estimated cross-selling and distribution revenue synergies, and excludes one-off integration costs estimated at US\$90-\$100m over FY2018 and 2019



Boral North America – cost base



1H FY2019 Boral North America ~US\$700m cost base¹



- **Raw materials costs:** increased 4%-6% depending on region and material. Cement, vinyl and PVC experienced increases. PVC and vinyl costs are expected to stabilise in 2H FY2019
- **Labour:** shortage of qualified workers continues to be evident in some regions. Overall, wage growth rate 3%-4%
- **Logistics:** availability of carriers and equipment, along with increased fuel prices remains challenging but manageable. About 35% of transport costs billed directly to customers (Fly Ash and parts of Roofing and LBP); remaining cost increases recovered through price
- **Energy and fuel:** electricity, gas & fuel cost of ~US\$21m in 1H FY2019 (versus US\$24m in 1H FY2018)

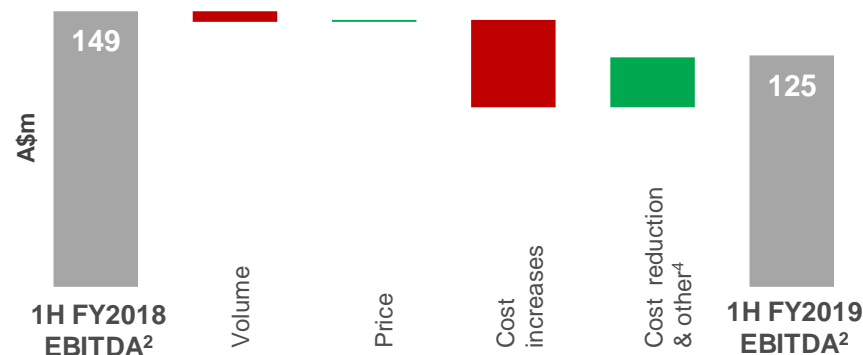
In FY2019, targeting to recover cost increases through price

Higher fixed, lower variable cost businesses	Concrete & clay tiles
Lower fixed, higher variable cost businesses	Metal & composite roofing, manufactured stone, Fly Ash, Windows, LBP

1. Excluding Meridian Bricks JV. Total cost base represents continuing operations

A\$m	1H FY2019	1H FY2018	Var, %
Reported result			
Equity income ^{1,2}	25	38	(35)
Underlying result			
Revenue	831	815	2
EBITDA²	125	149	(16)
EBITDA ² ROS	15.1%	18.3%	
EBIT ²	84	113	(26)
EBIT ² ROS	10.1%	13.9%	
Net Assets	2,031	1,921	–
ROFE^{2,3}	8.1%	11.1%	

- **Revenue** up from volume growth in Australia, Indonesia, Vietnam and India, higher non-board revenue and FX impacts, offset by market-driven decline in South Korea
- **Australia** revenue up 3%, driven by higher board volumes and growth in non-board revenue, most notably contracting services
- **Asia** revenue up 1%, with growth across most countries but offset by a marked decline in South Korea
- **EBITDA** decrease largely reflects decline in South Korea, which performed very strongly in the prior half year. Higher raw material, labour and energy costs impacted 1H FY2019

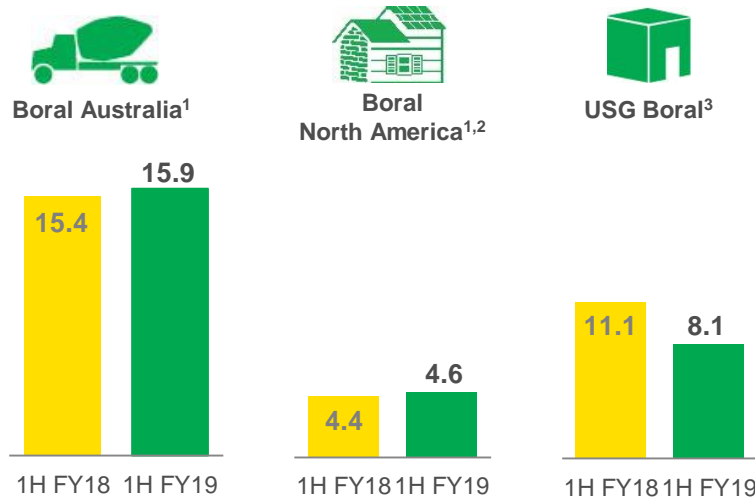


1. Post-tax equity income from Boral's 50% share of USG Boral JV
2. Excluding significant items
3. Divisional ROFE is underlying moving annual EBIT before significant items on divisional funds employed
4. Other includes \$8m benefit from one-off costs in the prior period and foreign exchange impacts

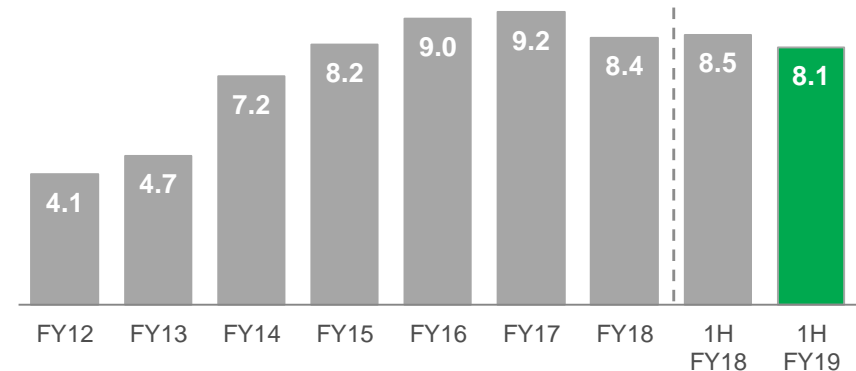
Positioned to improve ROFE

Aiming for above cost of capital returns through the cycle; current ROFE-equivalent cost of capital ~9.0-9.5%

Divisional EBIT return on funds employed (ROFE)¹, %



Group ROFE¹, %



1. Return on funds employed (ROFE) is based on moving annual total EBIT before significant items on funds employed, except for 1H FY2018 and FY2017 which is calculated based on average monthly funds employed due to the impact of the Headwaters acquisition
2. Excludes Denver Construction Materials and US Block as these businesses were sold in 1H FY2019
3. Based on USG Boral's underlying moving annual total EBIT (excluding significant items) on funds employed at 31 December

Financial results

Ros Ng – Group President Ventures and CFO



Plant upgrade at Orange Grove Quarry, WA



New West Melbourne Concrete Plant, Vic

Group financial performance

Total operations basis (A\$m) <i>(figures may not add due to rounding)</i>	1H FY2019	1H FY2018	Var %
Revenue	2,990	2,937	2
EBITDA^{1,2}	485	500	(3)
Depreciation and amortisation ²	(156)	(150)	
EBITA^{1,2}	329	350	(6)
Amortisation of acquired intangibles	(32)	(34)	
EBIT ^{1,2}	297	316	(6)
Net interest	(49)	(50)	
Tax ¹	(48)	(52)	
Net profit after tax ^{1,2}	200	214	(6)
Significant items (gross)	53	(56)	
Tax on significant items	(16)	15	
Statutory net profit after tax	237	173	37
Net profit after tax and before amortisation (NPATA)^{1,2}	224	237	(6)
<i>Effective tax rate</i>	<i>19.4%</i>	<i>19.6%</i>	

1. Excluding significant items

2. Refer to slides 59-60 for reconciliation and explanation of these items

Significant items

A\$m <i>(figures may not add due to rounding)</i>	1H FY2019	Notes
Headwaters integration costs	(13)	1
Gain on disposal of Denver Construction Materials	63	2
Gain on disposal of US Block	3	3
Profit before interest and tax	53	
Income tax expense	(16)	
Significant items (net)	36	

1. Costs primarily relating to redundancies, consultant fees supporting the Headwaters integration, integration of IT systems, and closure costs arising from rationalisation of Stone plants
2. Gain on sale following completion on 2 July 2018. Cash proceeds of \$173m were received
3. Gain on sale following completion on 30 November 2018. Cash proceeds of \$210m received

Non-IFRS Information: Management has provided an analysis of significant items reported during the period. These items have been considered in relation to their size and nature and have been adjusted from the reported information to assist users to better understand the performance of the underlying businesses. These items are detailed in Note 6 of the Half Year Financial Report and relate to amounts that are associated with significant business restructuring and integration, business acquisition or disposals, impairment or individual transactions

Strong operating cash flow

A\$m <i>(figures may not add due to rounding)</i>	1H FY2019	1H FY2018
EBITDA¹	485	500
Change in working capital and other	(73)	(63)
Flyash – unbilled receivables and other	(28)	-
Lower bonus incentive provision	(20)	(6)
Share acquisition rights vested	(8)	(22)
Interest and tax	(82)	(99)
Equity earnings less dividends	(2)	(12)
Restructuring, acquisition & integration payments	(19)	(82)
Operating cash flow	253	216
Capital expenditure	(183)	(164)
Investments	(11)	-
Proceeds on disposal of assets	382	18
Free cash flow	441	71
Dividends paid	(164)	(141)
Other items	-	(6)
Cash flow	277	(76)

- Operating cash flow up 17% to \$253m**

- Reduction in Headwaters integration costs compared to 1H FY2018
- Increase in working capital mainly due to higher inventories and a slight increase in debtor days
- Impacted by unbilled receivables in Fly Ash of \$28m expected to be collected in 2H FY2019, and lower bonus incentive provisions of \$20m

- Free cash flow higher**

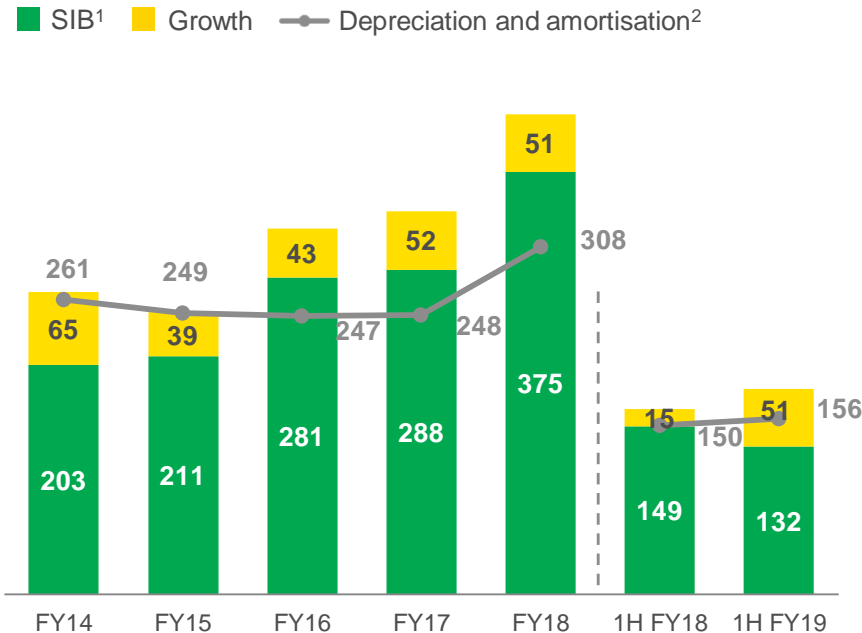
- \$11m acquisition of Qld concrete placing business
- Net proceeds of \$377m from disposal of Denver Construction Materials and US Block

1. Excluding significant items

Capital expenditure

Disciplined approach to capital management

Total capital expenditure



1. Stay in business capital expenditure
2. Excludes amortisation of acquired intangibles

• Total capex up 11% to \$183m

~60% invested in Boral Australia

- Ormeau quarry (Qld) upgrade
- Deer Park precast concrete plant (Vic) & replacement concrete plant at West Melbourne (Vic)
- Asphalt upgrade at Toowoomba (Qld)
- Portside clinker grinding facility at Port of Geelong (Vic)

~40% invested in Boral North America

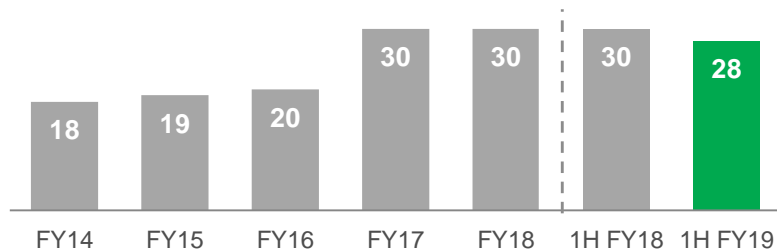
- Investments in Fly Ash including rail cars, fixed storage and Montour reclaim facility
- Capital upgrades at Stonecraft (Ohio) facility and Rosarito (Mexico) plant

• FY2019 capex expected to be ~A\$425m–\$450m

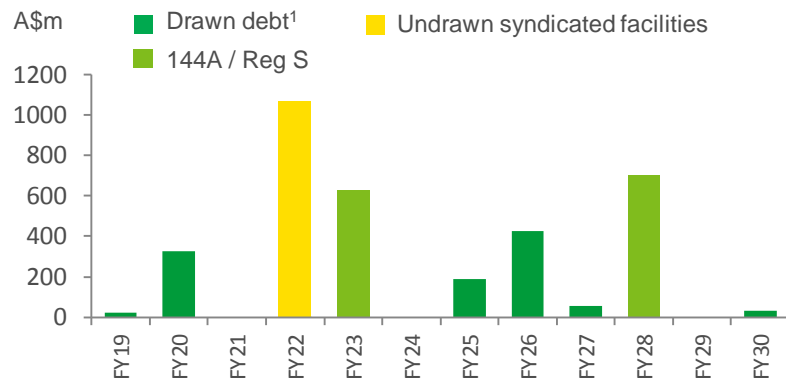
Balance sheet

Maintaining a robust position

Gearing (net debt / net debt + equity), %



Debt maturity profile



- **Net debt of \$2.30b** at 31 Dec 2018, down from \$2.45b at 30 June 2018, due to sale of US businesses, partially offset by a weaker exchange rate
- Principal debt gearing covenant² of 29%, down from 31% at June 2018 (threshold is less than 60%)
- Weighted average debt facility maturity is 5 years
- Net interest cover³ of 6.1 times, down from 6.6 times at June 2018
- Credit rating BBB/Baa2

Net debt reconciliation, A\$m	1H FY2019
Opening balance	(2,453)
Cash flow	277
Non cash (FX)	(119)
Closing balance	(2,295)

1. Consists of syndicated bank debt, US Private Placement notes and Swiss franc notes issued under EMTN program
2. Gross debt / (gross debt + equity)
3. EBIT before significant items / net interest expense

Outlook



Orange Grove Quarry, WA



Boral supplying Envisia concrete to Crown Sydney Barangaroo, NSW¹

1. Photo supplied by Crown Resorts

Outlook for FY2019

Boral Australia	<ul style="list-style-type: none"> • EBITDA in FY2019 to be broadly similar to prior year (excluding property) • FY2019 Property earnings expected to be around \$30m compared with \$63m in FY2018 • Expected industry growth in RHS&B (up 4%) and non-residential demand (up around 7%), offsetting moderating housing construction market. Detached housing starts forecast to be down 7% and multi-residential starts down 20% • Higher volumes, together with business improvement initiatives will contribute to 2H skew • Volume outlook is based on current known schedules for existing and new major projects
Boral North America	<ul style="list-style-type: none"> • EBITDA growth of approximately 15% in US dollars for continuing operations in FY2019 • Synergies of ~US\$25m in FY2019 • Spring recovery is expected to benefit from March combined with a modest level of continued growth in underlying market demand across end-markets • Growth in fly ash volumes in 2H compared to prior corresponding period, reflecting efforts to increase available supply • Price growth for most products anticipated with margins improving or at least holding
USG Boral	<ul style="list-style-type: none"> • Slightly lower profits in FY2019 compared with FY2018 • Revised outlook reflects a decline in residential construction activity in South Korea and demand in the Australian business holding up • Year-on-year improvement in earnings is expected to come through in 2H FY2019 including growth in Australia, Indonesia, Thailand and Vietnam • Boral is progressing strategic opportunities for the USG Boral plasterboard business, as announced, but we have assumed there will be no impact in FY2019

Strategic & organisational update

Mike Kane – CEO & Managing Director



USG Boral EasyFinish™



Orange Grove Quarry, WA

USG Boral strategic opportunities

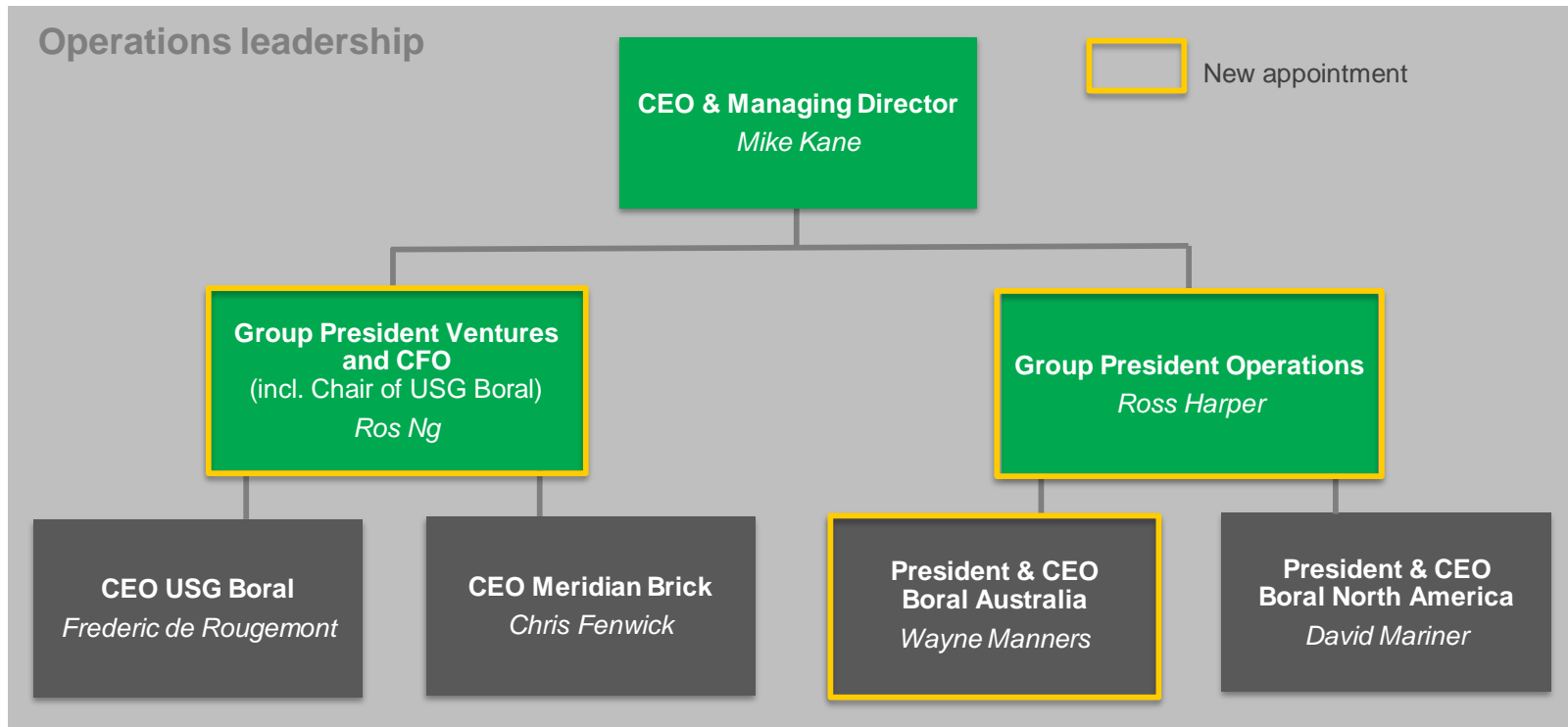
Continuing to assess value-creating growth opportunities for USG Boral

- Executed non-binding term sheets with Knauf to explore forming a new expanded Asia plasterboard JV
- Also considering opportunity to acquire USG Boral's Australasian¹ plasterboard business returning Boral to 100% ownership in that region
- Any transaction with Knauf is subject to valuations, execution of definitive documents and completion of the USG Knauf Merger Agreement
- Contractual arrangements in place to:
 - preserve Boral's call option in the event a transaction is not agreed to with Knauf
 - provide a standstill, while negotiations are continuing, on any potential litigation by Boral against Knauf should Knauf complete its merger with USG before reaching a definitive deal with Boral
- Current valuation process underway with USG for the USG Boral business is continuing
- Boral is under no obligation and will only invest if it is value creating for Boral's shareholders
- Should an investment be made, Boral has a strong preference to use debt and proceeds from asset sales

1. Includes Australia, New Zealand, Papua New Guinea and islands in the South West Pacific

Senior leadership changes

Well positioned around executive capability today and in the future



Questions



Osborne Park Concrete Plant, Perth WA



The team at the precast facility, Deer Park Vic



Boral Limited
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