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# Results Announcement for the half year ended 31 December 2013

12 February 2014

## Media Release



## Boral delivering significantly improved operational performance

Boral Limited (ASX: BLD) today reported a **73% increase in net profit after tax (before significant items<sup>1</sup>) to \$90 million** for the six months ended 31 December 2013, in line with guidance provided on 28 January 2014.

Boral's **sales revenue of \$2.87 billion was 4%** above the prior year and earnings before interest and tax (**EBIT**) (before significant items<sup>1</sup>) **increased by 49% to \$168 million**.

Due to the timing of completion of the joint venture with USG, the results also show significant items totalling \$117 million after tax loss. This loss largely represents a **non-trading item** relating to the reclassification and revaluation of Boral Gypsum net assets as 'held for sale' assets. When Boral's Gypsum joint venture with USG completes, which is expected 28 February 2014, this loss is anticipated **to be offset by deferred foreign exchange gains and will result in a gain** in the second half of this financial year, assuming an AUD/USD exchange rate of US\$0.89. As a result of this timing issue, Boral reported a **net after tax loss of \$26 million** for the half year after net significant items.

A **fully franked interim dividend of 7.0 cents** per share, up 40% on last year, was announced and will be paid on 24 March 2014.

**Boral's CEO & Managing Director, Mike Kane**, said that the improved performance reflects the benefits of cost realignment and restructuring programs together with higher volumes from major projects, favourable weather conditions in Australia, and stronger market conditions in a number of key markets.

Mr Kane said **each of Boral's four divisions delivered improved earnings**, with the Australian Building Products division reporting a notable \$23 million turnaround.

"Our focus on improving Boral's return on funds employed through the **'Fix, Execute, Transform'** program is delivering tangible results", he said.

"During the period our previously announced **cost reduction programs**, which are essential to offsetting the inflationary pressures in our businesses, **delivered a \$60 million benefit**, and we expect to realise annualised savings from these programs of \$130 million in financial year 2014. We have delivered \$212 million in cash proceeds over the last 18 months from divestments and land sales against our two-year target of generating between \$200 million and \$300 million of cash. In line with our stated objective, capital expenditure was contained at \$114 million for the half year.

"**Construction Materials & Cement**, Boral's largest division, **delivered a 6% improvement in earnings** driven by strong project activity, very dry weather conditions in New South Wales and Queensland, and the benefit of restructuring and overhead cost reduction initiatives. The division's underlying performance in the second half of this year is expected to improve over the prior comparable period but will be offset by significantly lower Property earnings, which contributed \$26 million in the second half last year.

<sup>1</sup> Profit before significant items is a non-IFRS measure reported to provide greater understanding of the Group's underlying business performance. Full details of significant items are contained in Note 6 of the half year financial report. Non-IFRS information has not been subject to audit or review.

“The **Building Products** division’s **significant turnaround from reported losses last year to a modest profit** was achieved predominantly through a marked reduction in its cost base from portfolio rationalisation and restructuring initiatives, as well as the tailwind of improving housing construction demand in New South Wales and Western Australia.

“**Boral Gypsum delivered a 30% increase in earnings** with a particularly strong improvement in the Australian business and solid growth in demand across most of our Asian markets where we experienced an 11% uplift in plasterboard sales volumes.

“**Markets in the US are also continuing to strengthen**, with losses from our **Boral USA** division down 23% in the first half and strong volume growth experienced across all of our US businesses. Although total US housing starts remained 37% below the long term average of 1.5 million starts, single family housing starts in Boral’s brick and tile states were up 14% and 17%, respectively.

“**We expect the underlying performance in each of Boral’s four divisions to improve in the second half of the financial year compared to the prior comparable period**”, said Mr Kane.

Despite an expected solid underlying performance in the second half, Boral anticipates **a skew of earnings to the first half compared to the second half** of the 2014 financial year due to higher major project volumes and dry weather conditions in the first half, the impact of moving from a 100%-owned Gypsum division to a 50% joint venture interest, and significantly lower property earnings in the second half relative to prior years.

For the full financial year 2014, Boral expects:

- **Construction Materials & Cement** to deliver significantly improved underlying earnings, which will offset a significant reduction in Property earnings
- **Building Products** to deliver a small profit
- **Boral Gypsum** to deliver stronger underlying performance, but in the second half underlying improvements to be largely offset by integration costs of the joint venture with USG, which is expected to complete on 28 February 2014, and reported earnings from Gypsum will be impacted by the shift to a 50% equity interest upon formation of the joint venture
- **Boral USA** to break through to profitability in the fourth quarter of FY2014 assuming housing starts exceed an annualised run rate of 1.1 million for the fourth quarter and translate into improvements in single family starts and custom home builder activity.

“**Our focus on improving the underlying performance of Boral’s businesses through restructuring and portfolio realignment, together with the ongoing market recovery in the USA, improved housing activity in Australia and continued growth in Asia, will deliver benefits beyond the current financial year,**” concluded Mr Kane.

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