

# Boral Limited 1999/2000 Interim Profit Announcement



## Presentation Outline

- Overview of results & key financials
- Building and Construction Materials (new Boral)
- Energy (Origin Energy)
- The past six years – a retrospective



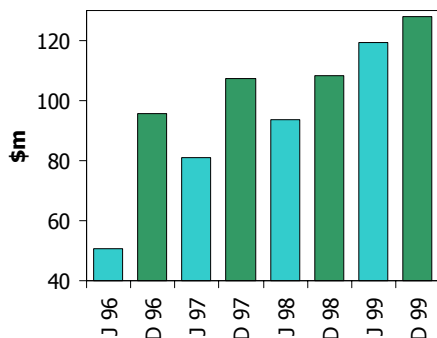
## Financial Highlights

- Sales up 5% to \$2.6 billion
- Operating profit up 11% to \$240.9 million
- Profit after tax up 15% to \$124.9 million
- Significant cash flow improvements
- Earnings per share is 11.0 cents, up 15%
- Interim dividend unchanged at 7.5 cents (paid on 9 Feb)



## Profit after tax of \$124.9 million is up 15.1% on the same period in the prior year

### Reported half yearly profit



- 6<sup>th</sup> consecutive half-yearly increase on previous corresponding period



## Initiatives continue to be a focus

- Exit loss making and non-core businesses
  - European bricks
  - European quarry
  - Queensland Hardwood
  - Tyres
  - Ceramics
- PEP savings of \$62m
- Pursue rationalisation opportunities
  - JV Softwoods
- Sell surplus land
  - profit of \$3.5 million
- Focus on cash flow

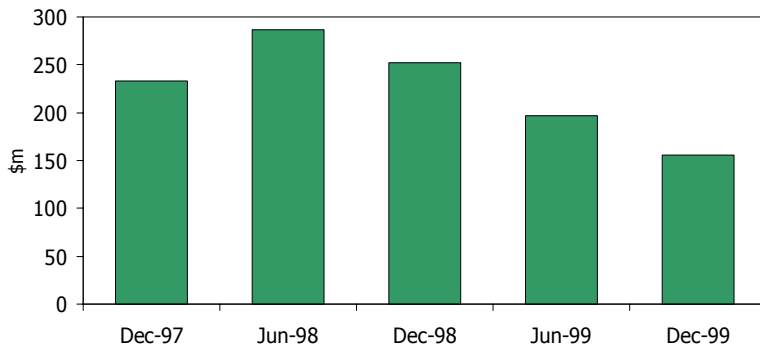


## Significant cash flow improvements have been made

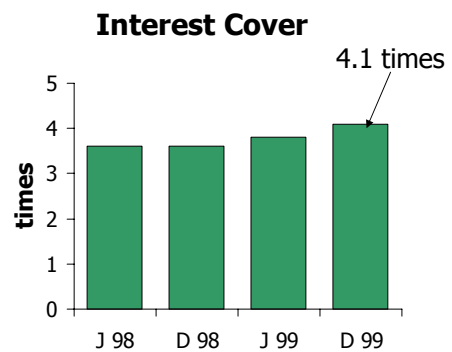
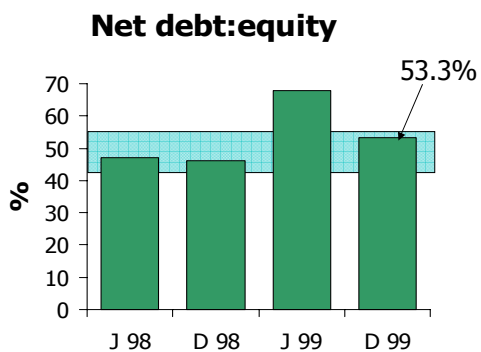
- EBITDA up 10% to \$413m
- Operating cash flow up 120% to \$255m
- Proceeds from sale of property, plant & equipment up 109% to \$91m
- Capital expenditure down by 38% to \$156m



## Tight controls on capital expenditure are in place



## Net debt: equity is back within the target range



## Abnormals after tax

Profit on the sale of investments	\$7.2 m
Change in tax rate (after OEI)	\$22.5 m
Provision for write down of assets	(\$21.7) m
GST implementation costs	(\$2.7) m
<i>Total</i>	<u>\$5.3 m</u>



## New Boral - Rod Pearce

New ASX ticker "BLD"

**Sales up 2%**  
**Operating profit up 9%**



## Highlights of the first half

- Sales revenue up 2%
- Operating profits up 9%
- Return on sales up to 9.7%
- Return on net assets up
- Solid performance from Building Products
- PEP and productivity improvements going well
- Net capital expenditure reduced by 56%
- Divestment program on track
- Debt reduced
- Strategic intent a key focus for management



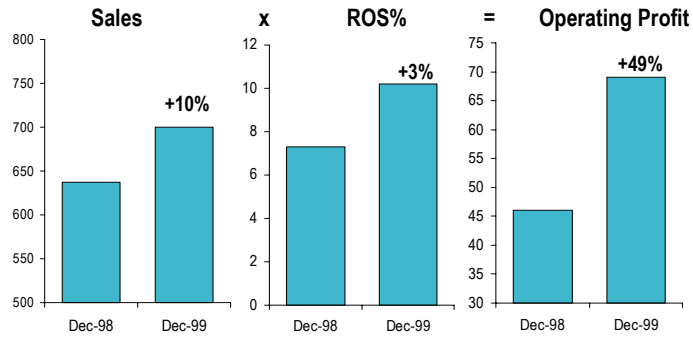
## Segment analysis

A\$ Million	Dec 98			Dec 99		
	Revenue	Operating Profit	Margin %	Revenue	Operating Profit	Margin %
Building Products	637	46	7.3	<b>700</b>	<b>69</b>	<b>9.9</b>
Construction Materials	889	100	11.2	<b>869</b>	<b>84</b>	<b>9.7</b>
North America	336	45	13.3	<b>322</b>	<b>52</b>	<b>16.2</b>
Asia	28	-12	-43.3	<b>53</b>	<b>-9</b>	<b>-17.0</b>
Other & Discontinued	115	2	1.7	<b>94</b>	<b>2</b>	<b>2.1</b>
Total	2,005	181	9.0	<b>2,038</b>	<b>198</b>	<b>9.7</b>

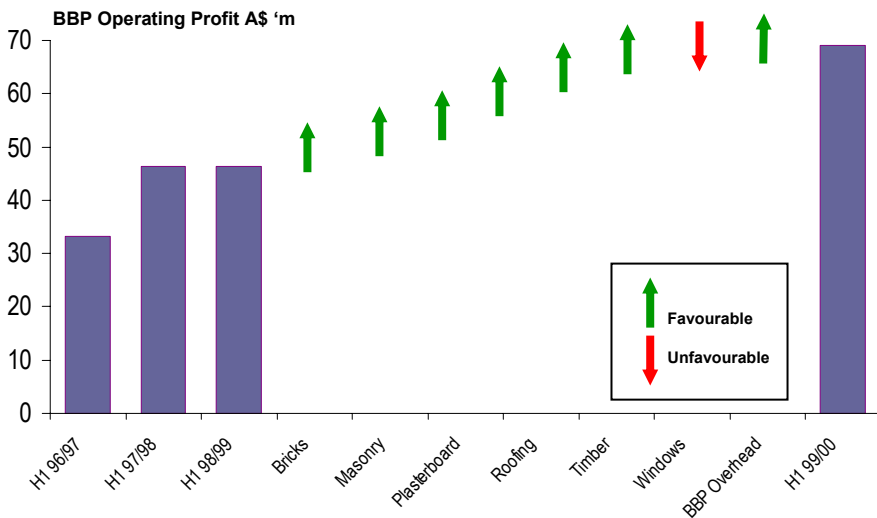


## Segment analysis - Building Products

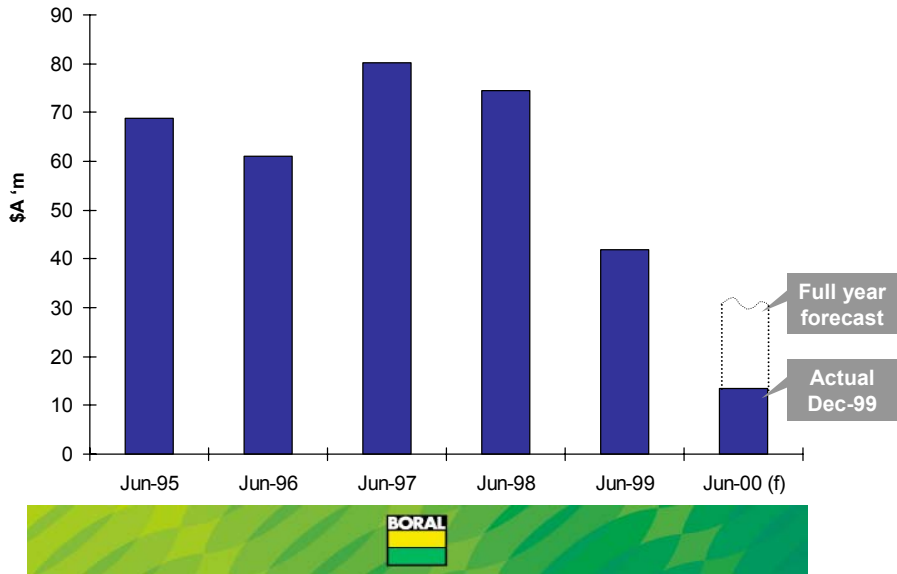
- Housing starts buoyant
- Sales up 10%
- Operating profit up 49%
- Cost reductions positively affected profit
- Margin improved from 7% to 10% on corresponding period
- Roofing and Masonry delivered strongest results ever



## Building products improved significantly

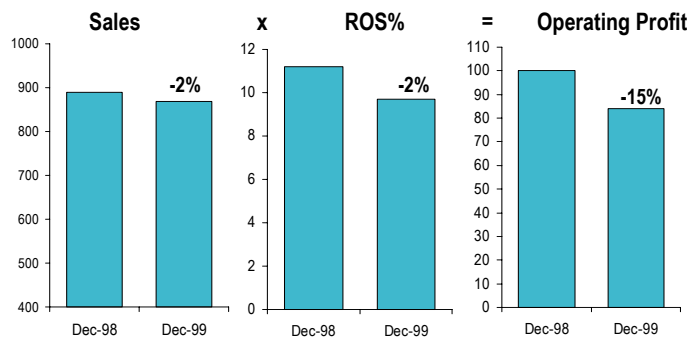


## BBP Capital Expenditure has significantly reduced

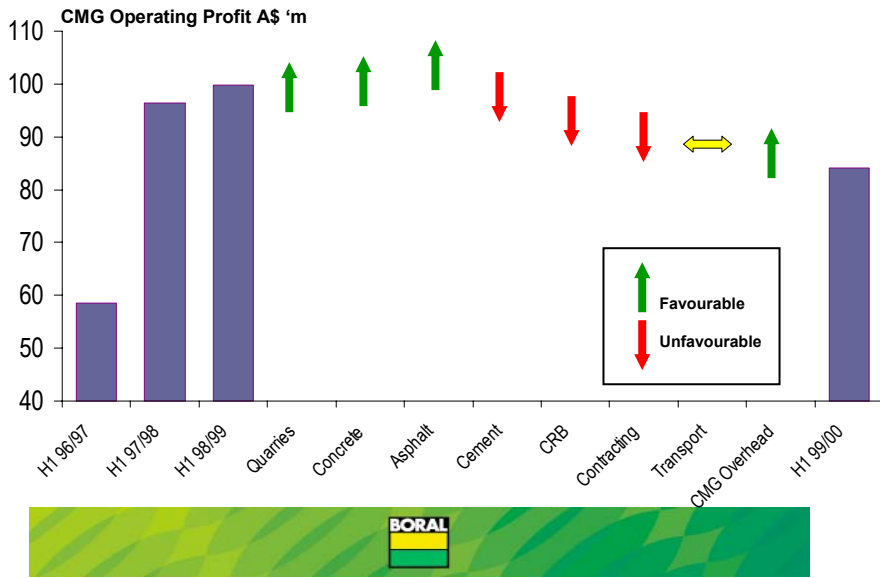


## Segment analysis - Construction Materials

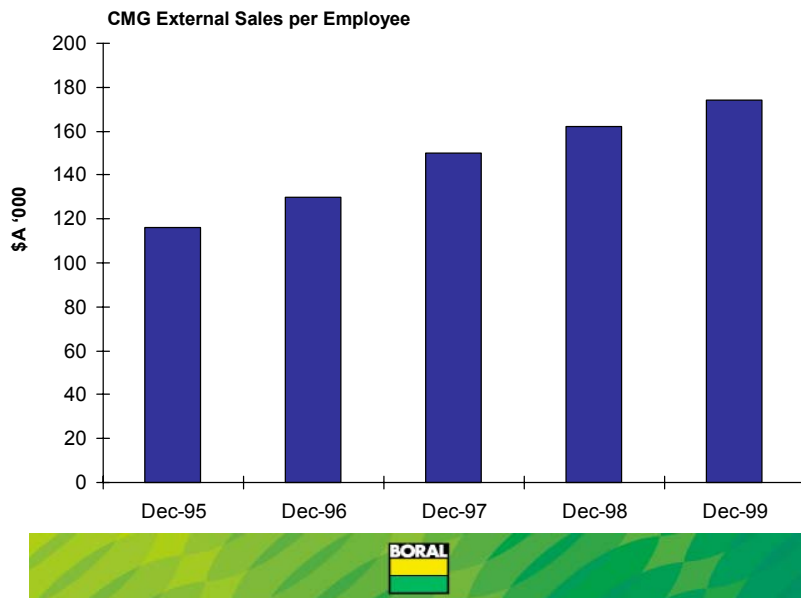
- Sales down 2%
- Operating profit down 15%
- Capex down 48%



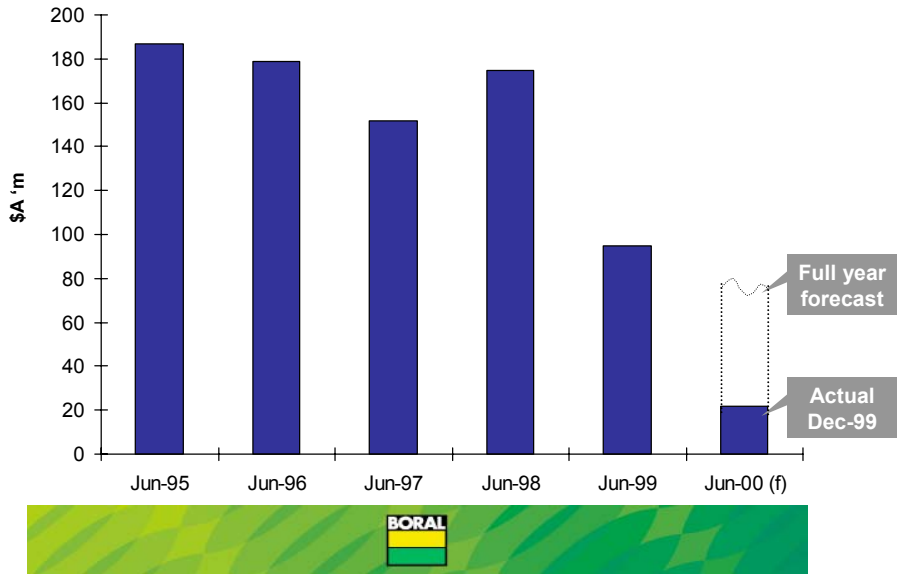
## Regional businesses improved, Cement, Contracting, CRB declined



## CMG productivity continues to improve

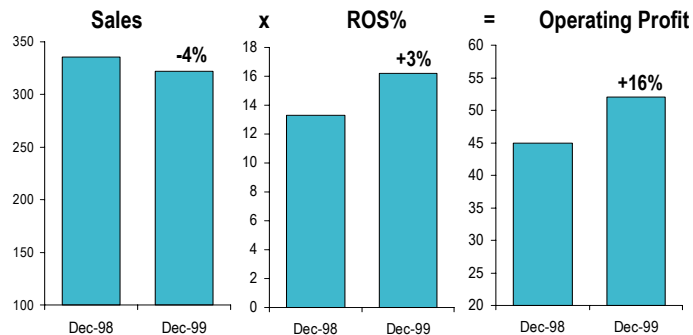


## CMG Capital Expenditure has significantly reduced

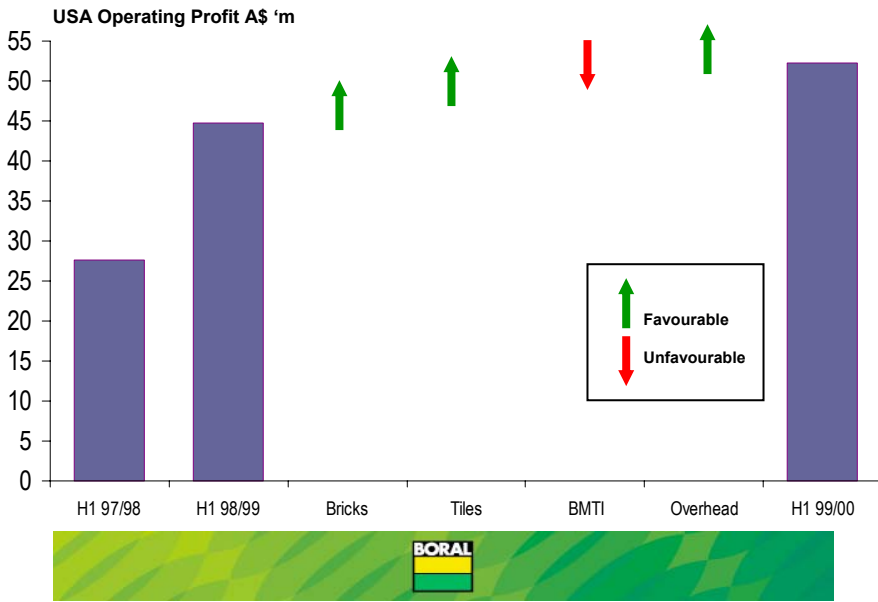


## Segment analysis - USA

- Sales down 4% (+2% in USD)
- Operating profit up 16% (+25% in USD)
- Margin improved from 13% to 16% for corresponding period
- Ongoing strong demand but capacity constrained



## USA Operating profit increased again



## Segment analysis - Asia

- Sales up 91%
- Operating loss reduced from -\$12m to -\$9m
- Asian economies recovering
- Exports assisted improvement



## Asia appears to have bottomed out

- Indonesia Concrete
  - Move from loss to profit
- Indonesia Plasterboard
  - Volumes climbing, prices improving
- Malaysia Plasterboard
  - Should breakeven this year
- China Plasterboard
  - Slow to recover
  
- Sustained overcapacity in the region, new solutions are needed



## Strategic intent

- *"Boral intends to be a value driven, focused building and construction materials supplier, operating in Australia and Internationally"*
  - Flatter structure, lower overheads
  - Extensive operational improvements
  - Managed divestments
  - Disciplined growth strategies



## Flatter Structures / Lower Overheads

- Smaller head office
- Divisional GMs & teams to be based outside CBD
- Shared facilities / services with Origin Energy
- Internal audit Outsourced
- Procurement and IT co-located and centralising
- Increased centralisation of transaction processing
- Move towards single shared service centre



## Operational improvement

- Sustained focus on PEP programme
- Step-change initiatives in Quarries / Concrete / Cement
- Quarry end use initiatives maturing
  - (Greystanes, Deer Park etc.)
- Transport / Clay & Concrete logistics
- Centralised / cross business procurement



## Value driven growth initiatives will be our focus

- Leading market positions
- “Bolt on” acquisitions in Australia
- Leverage existing capabilities/positions offshore, eg:
  - Bricks USA
  - Construction Materials USA
  - Plasterboard Asia
  - Quarry end use



## We are making good progress with divestments and restructuring subsequent to 30 June, 1999

### Divestments

Hardwood Qld  
Bricks Europe  
Quarries Europe  
Tyres / Bandag / Belltread  
BBP NZ  
Ceramics

<i>Proceeds</i>	<i>\$215 million</i>
<i>Book Value</i>	<i>\$207 million</i>

### Restructuring

Timber – Softwoods JV  
Asian Plasterboard Restructure



## BCM's gearing is reducing

	<u>Debt / Equity</u>
June 30, 1999 Proforma	75%
December, 1999 Proforma	65%



## We are on the way to achieving our full year forecast

- First half profit 9% above previous corresponding period
- Second half dependent on;
  - GST "pull forward" demand remaining high
  - USA housing market staying strong
  - Asia recovery continuing
  - Import threat in Australia abating
- Anticipate a full year result towards the higher end of the forecast range



# Origin Energy – Grant King

New ASX ticker "ORG"

Sales up 19%  
Operating profit up 21%

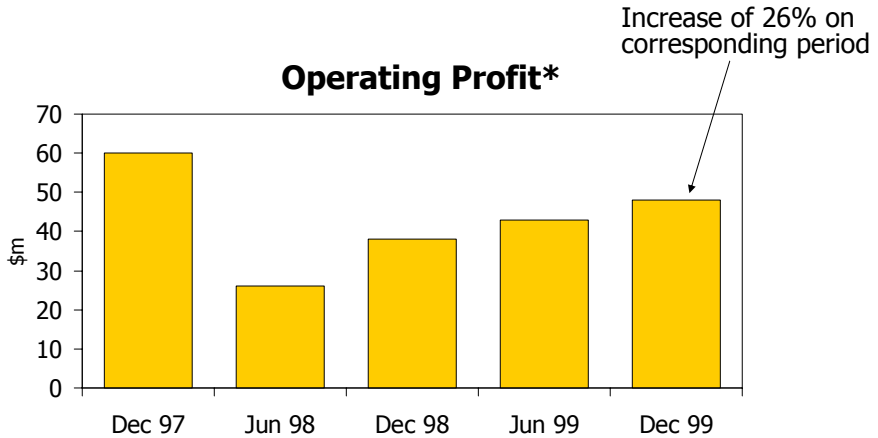


## Reported operating profit up 21% with sales up 19%

	Sales Revenue			Operating Profit		
	Dec 98	Dec 99	% change	Dec 98	Dec 99	% change
Exploration & Production	98.2	131.8	34	28.6	46.1	61
Retail & Trading	374.5	426.2	23	7.2	-6.0	-183
Generation	N/A	5.6	N/A	N/A	-0.6	N/A
Network	N/A	N/A	N/A	2.4	9.0	275
<b>Sub total</b>	<b>472.8</b>	<b>563.5</b>	<b>19</b>	<b>38.3</b>	<b>48.4</b>	<b>26</b>
Corporate costs	N/A	N/A	N/A	-2.5	-5.1	128%
<b>Reported Sales/Op profit</b>	<b>472.8</b>	<b>563.5</b>	<b>19</b>	<b>35.9</b>	<b>43.3</b>	<b>21</b>



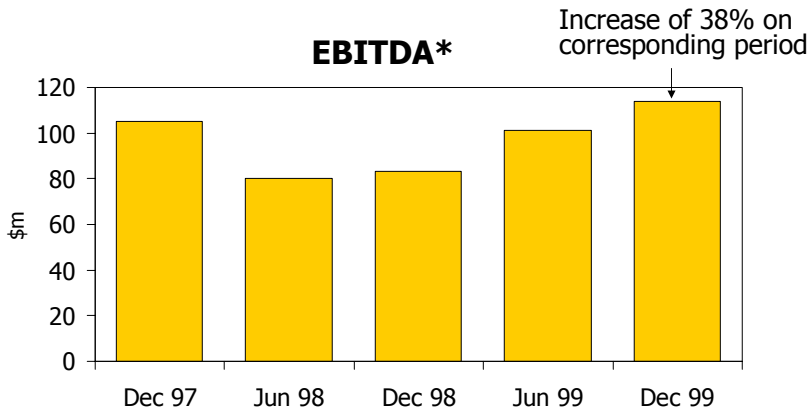
## Half yearly profit continues to improve...



\* Operating profit excludes corporate costs



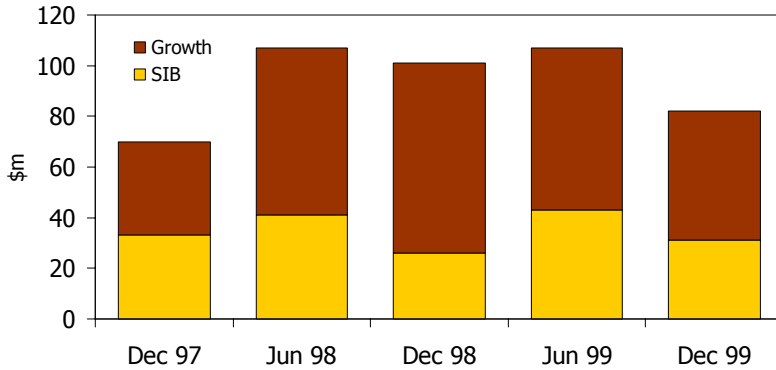
## ... with greater improvement in EBITDA



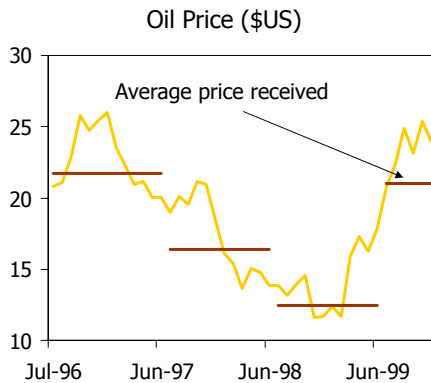
\* Reported operating profit before interest, income tax, depreciation amortisation, abnormal items



## Capital expenditure



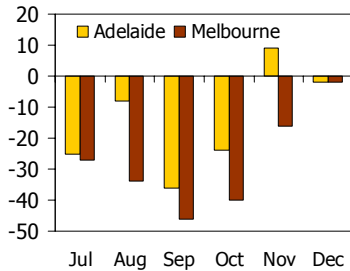
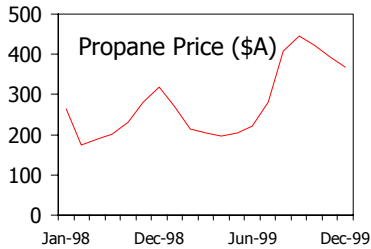
## Exploration and Production



- Sales increased 34% to \$132 m
- Operating profit up 61% to \$46.1m
- Benefited from higher oil price
- Increased contribution from
  - Natural gas production in SWQ Cooper Basin and Port Campbell
- Gas contracts signed include:
  - 41 PJ from Peat CSM (15 years)
  - 13 PJ from Moura CSM (5 years)



## Retail & Trading



Degree Day Variation  
from 10 year average

- Sales up 14% to \$426 m
- Operating profit down \$13 m to a loss of \$6.0 m due to:
  - Margin impact of LPG cost (\$7 m)
  - Redundancies & restructuring costs (\$6 m)
  - Additional amortisation charge (\$7 m)
- Warm winter resulted in \$12 m lower contribution than expected with normal weather patterns



## Generation

- Sales of \$6 m
- Osborne cogeneration plant continues to perform ahead of expectations (equity accounted)
- Roma below expectations
- All development costs expensed
- Small operating loss of \$0.6 m
- Development of other projects continues
  - First stage of Ladbroke Grove commissioned and is currently dispatching electricity
  - Bulwer Island cogeneration project has entered the construction phase

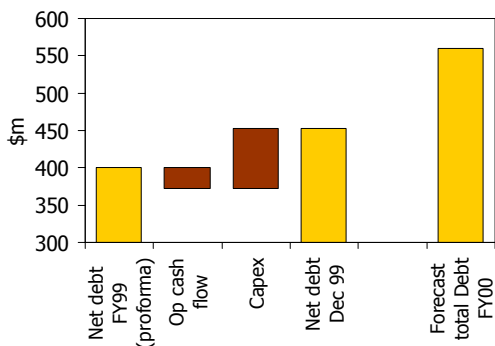


## Networks

- EBIT increased nearly 4 times to \$9 million reflecting
  - increased investment in Envestra
  - Management fee for operation and maintenance of Stratus
- Completed the Envestra owned gas transmission pipelines between:
  - Berri and Mildura (170 km)
  - Gladstone and Wide Bay (270 km)



## Strong cash flow sees net debt well within forecast



- Cash flow generation expected to grow significantly:
  - Operating cash flow to continue to improve
  - Major capital projects nearing completion
  - No significant tax payments for five years

**Challenge is to manage strong cash flows to provide additional value for shareholders**



## On track to achieve full year profit within range stated in Explanatory Statement

- Expect second half to continue improvement on previous corresponding period
  - Oil price remains strong
  - Roma and Ladbroke Grove performing well
  - Recovery of LPG margins
  - SA natural gas tariff increase
  - Assume normal weather patterns
- Anticipate a full year result well within the forecast range of \$85 - \$100 m



## Significant improvement targeted from Retail business

- Increased contribution from return to normal weather patterns
- Recovery of increase in LPG costs
- Benefits of restructuring to flow through
- Margin retention as Victorian market becomes contestable
- Tariff increase in South Australia and Queensland



## Major capital projects are coming to completion

- Ladbroke Grove gas field on line in October 1999
- Peat CSM project commences in April 2000
- Moura CSM project begins in March 2000
- First stage of Ladbroke Grove power project commissioned in February 2000 – second stage due for completion in July 2000
- BP Bulwer Island cogeneration project due for completion in 3<sup>rd</sup> quarter of 2000



## Origin Energy will be listed on the Infrastructure & Utilities Index

- Ticker code will be ORG
- Why Infrastructure & Utilities?
  - Less known parts of the business tend to be followed by Infrastructure & Utilities analysts
  - Relevant to the growth of the company
  - Overwhelming advice from the market



# The past 6 years A retrospective Tony Berg

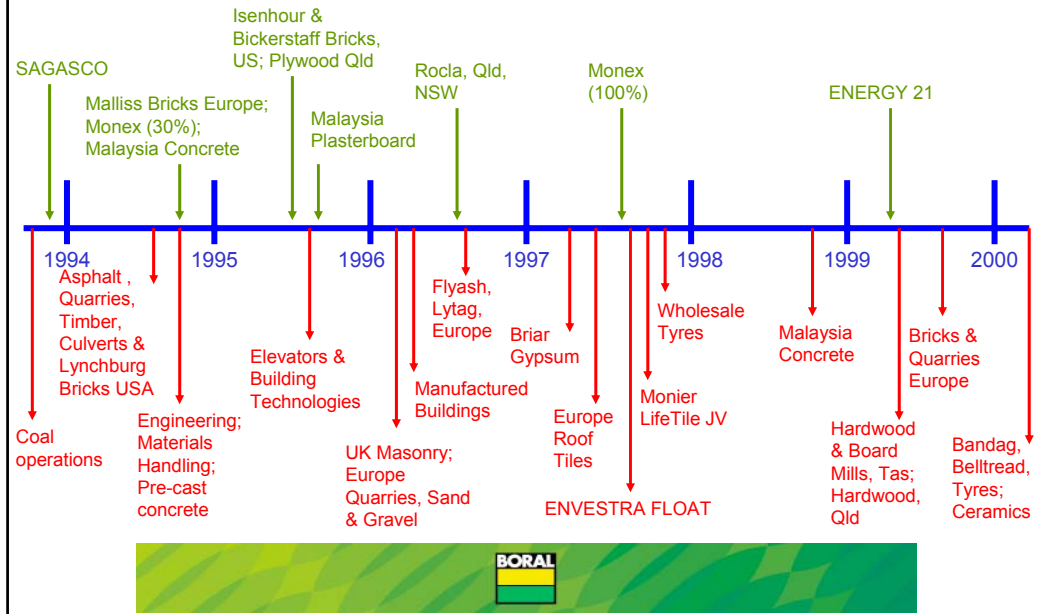


## Development of two strong business groups

- Significantly reshaped the building and construction materials businesses
  - No 1 or 2 in our markets
- Developed and grown an energy business which has strong leading market positions
  - Sold Envestra
  - Purchased Energy 21
  - 1.2 million customers
  - Developed synergies (eg power projects)
  - Development of energy group only possible under the Boral umbrella



## Boral refocused

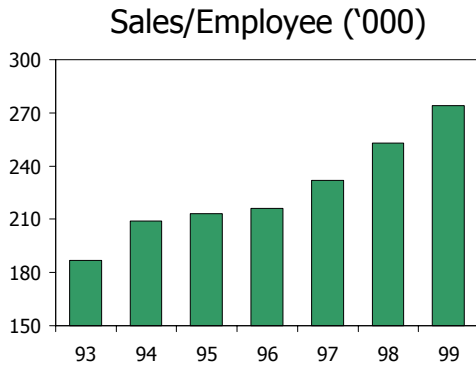


## Enormous change in 6 years

- Implemented Boral Magna Carta change program
  - Competitive advantage
  - Customer focus
  - Best people
  - Innovation
- Focus on systems – eg Finance 2000
- Focus on cost reduction and asset utilisation
  - PEP
  - Profit after funding



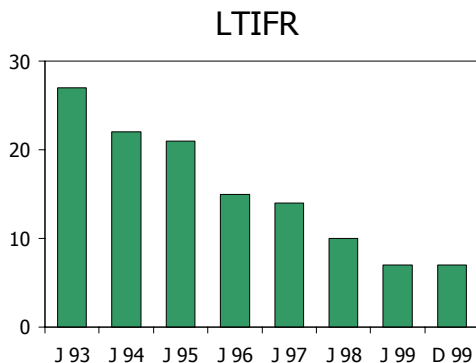
## Productivity has consistently improved



- Between 1993 & 1999
  - Sales increased 16%
  - Employees reduced by 20%
  - Sales/employee increased by 46%



## Safety performance has consistently improved



- Between 1993 & 1999
  - Lost time injury frequency rate reduced from 27 to 7
  - Lost time hours lost reduced by 57%



## **Boral is a more innovative company**

- Pastelcote
- Decorative cornices & other value adding plaster products
- Claymax
- LiCon, Asia
- Research on epilift solar technology
- Alternative fuels & waste management
- Redcliffe Hospital
- E-Commerce, www exposure (eg. Plasterboard)
- 108 patents registered world wide over past 6 years



## **The demerger is a very positive step forward**

- Considerable gains already achieved through increased focus
- Strong integrated energy business, deserves the right to stand alone
- Focused building and construction materials business with strong growth platforms

