



# 2002 INTERIM RESULTS

13 February 2002

Boral's underlying profit increases  
by 28% to \$92 million

Rod Pearce

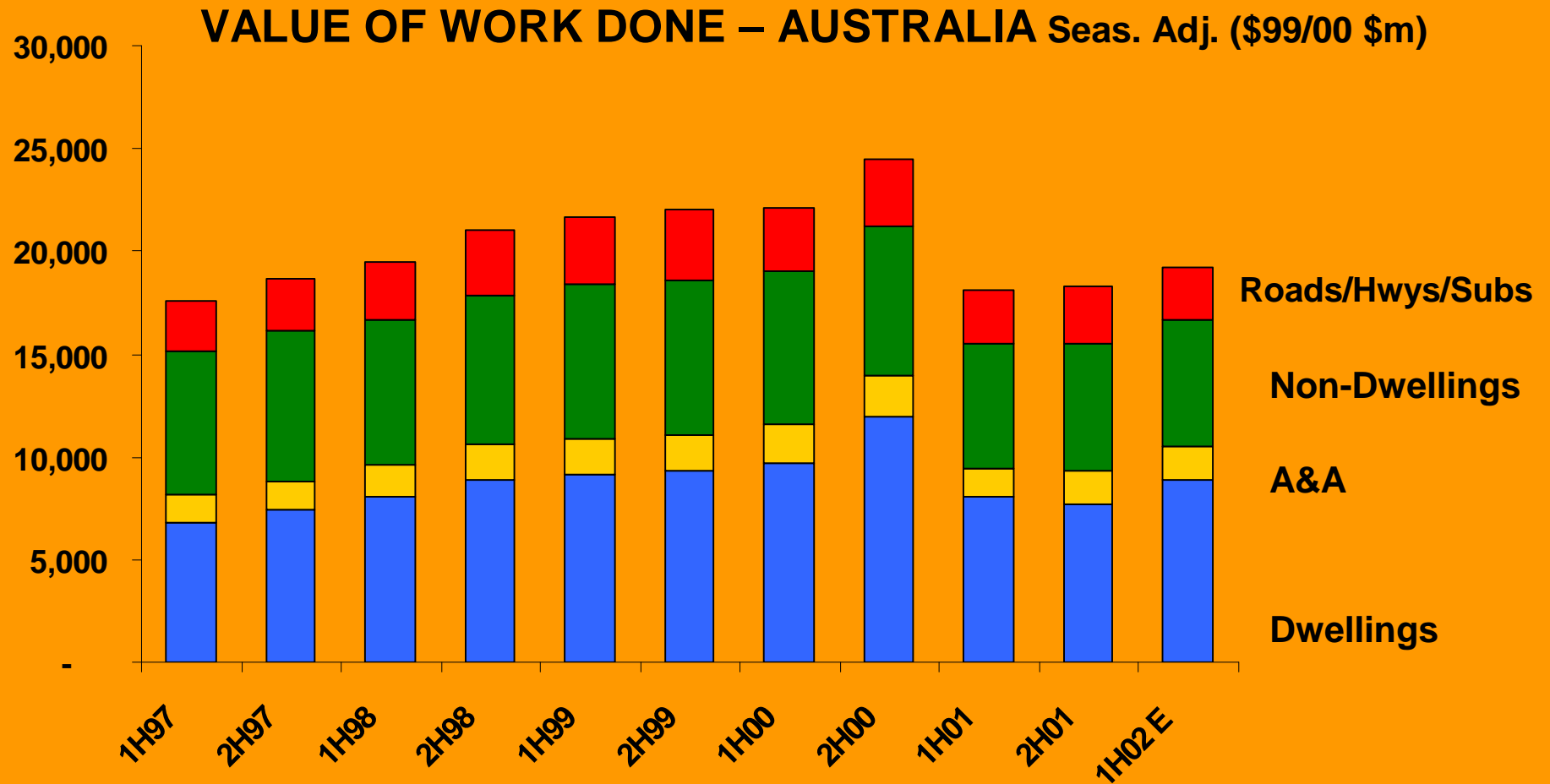
# Presentation outline

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- Features of the year
- Financial results
- Segment overview
  - Building Products
  - Construction Materials
  - USA
- Perform & grow strategy
- Outlook



# The Australian cycle is turning



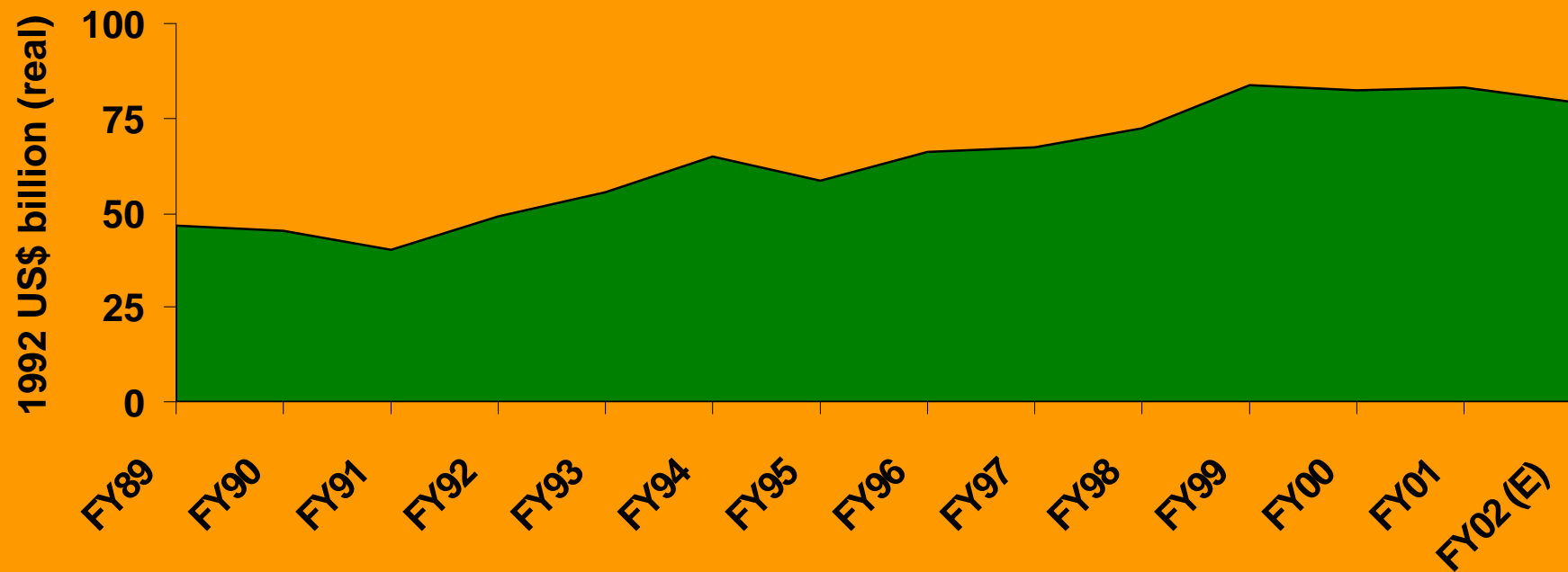
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Source: Australian Bureau of Statistics, BIS Shrapnel forecast

Features

# USA housing activity remains strong

## VALUE OF WORK COMMENCED IN USA "BRICK STATES"\*



\* **Brick States:** Alabama, Arkansas, Carolinas, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Ohio, Oklahoma, Tennessee, Texas, Virginia.

Source: US Census Sept 01 & Dodge Q3 2001 forecast



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Features

# Features of the half year

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- PAT (before disposal of businesses) up 28% to \$92m
- Sales revenue up 5% to \$1.73b
- EBIT/ Sales margin steady at 9.3%
- Strong result from Asia & USA; Australian market recovering; strong QEU result
- Interest down 15%; tax down 29%
- EPS steady at 16.2c
- Dividend maintained at 9c per share with 35% franking
- Sound balance sheet - gearing (D/E) at 55% (or 35% D/D+E)



## Underlying profit increases by 28% to \$92m

<i>A\$ million</i>	Dec-01	Dec-00	%YoY change
<b>Sales revenue</b>	1,732	1,654	5%
<b>EBITDA*</b>	256	245	4%
<b>EBIT*</b>	161	153	6%
<b>Interest</b>	32	37	(15%)
<b>Profit before tax*</b>	130	116	12%
<b>Tax*</b>	37	43	(14%)
<b>Profit after tax*</b>	<b>92</b>	<b>72</b>	<b>28%</b>
<b>Profit on disposal of businesses after tax</b>	0	20	-
<b>Profit after tax</b>	92	92	0%

\* Excludes profit / (loss) on disposal of businesses



# Significant improvement in Dec-01 half compared with the Jun-01 half

<i>A\$ million</i>	Dec-01	Jun-01 HY	%HoH change
<b>Sales revenue</b>	1,732	1,626	7%
<b>EBITDA*</b>	256	206	24%
<b>EBIT*</b>	161	110	47%
<b>Interest</b>	32	33	(3%)
<b>Profit before tax*</b>	130	77	68%
<b>Tax*</b>	37	22	71%
<b>Profit after tax*</b>	92	55	68%
<b>Profit on disposal of businesses after tax</b>	0	7	-
<b>Profit after tax</b>	92	61	50%
<b>EBITDA*/Sales</b>	14.8%	12.7%	-

\* Excludes profit / (loss) on disposal of businesses

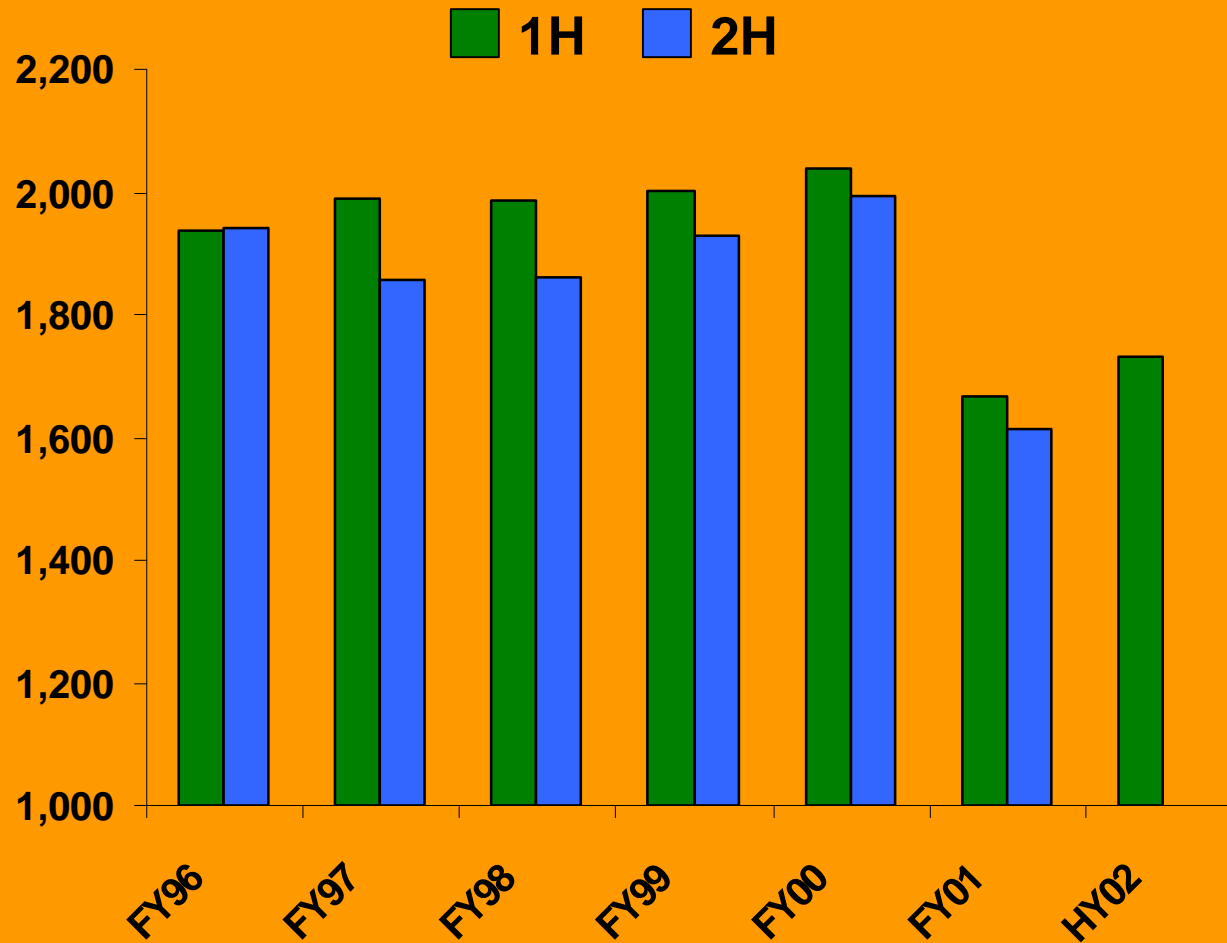


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**Financial results**

# First half revenue better than expected

## External Revenue (\$ million)



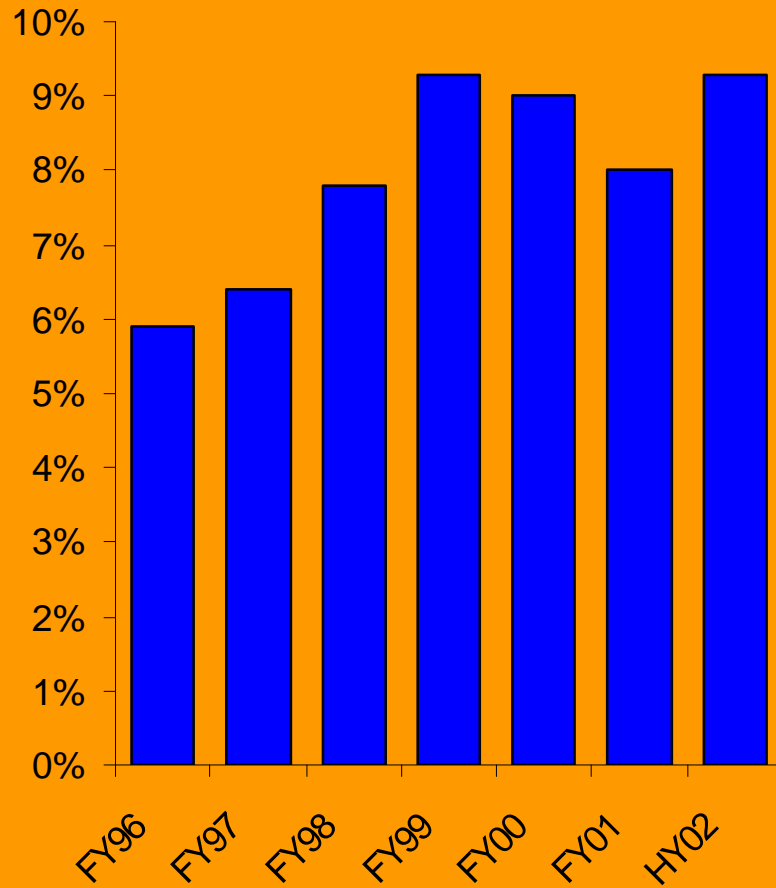
Results for reported building and construction materials businesses each year

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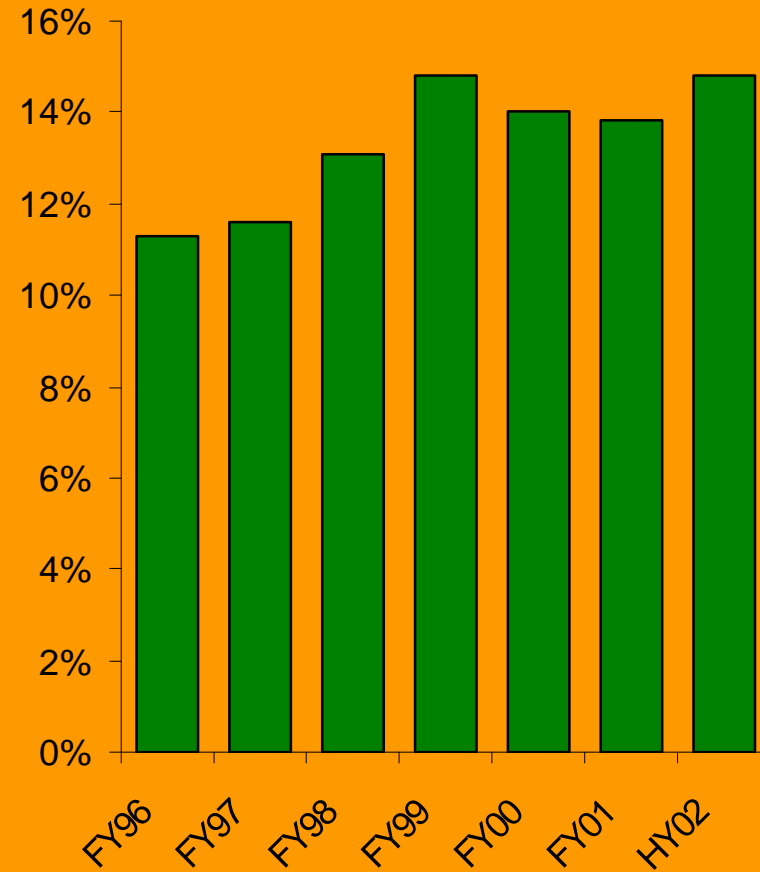
Financial results

# Margins lifting

## EBIT/Sales %



## EBITDA/Sales %



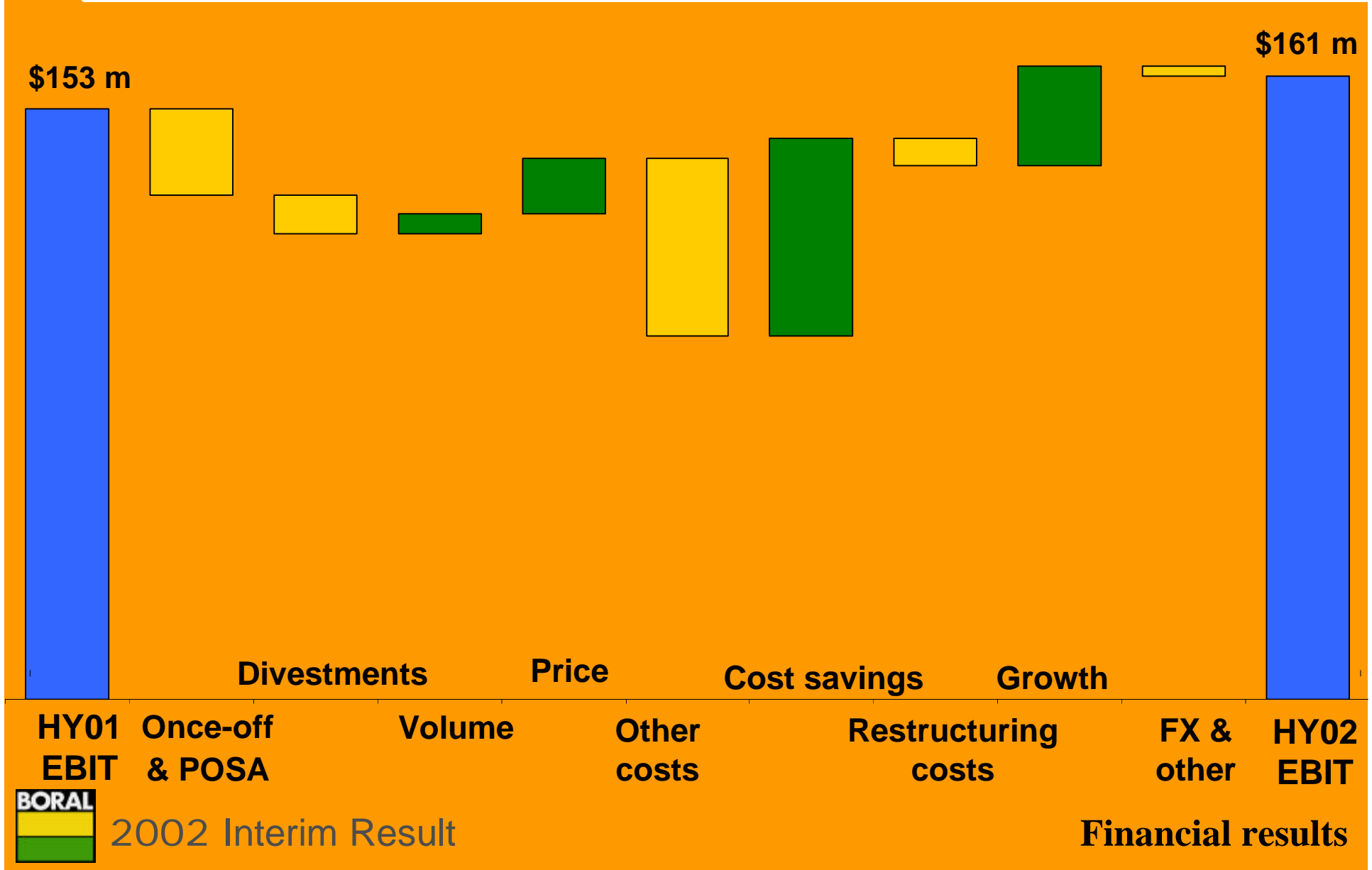
Results for reported building and construction materials businesses each year



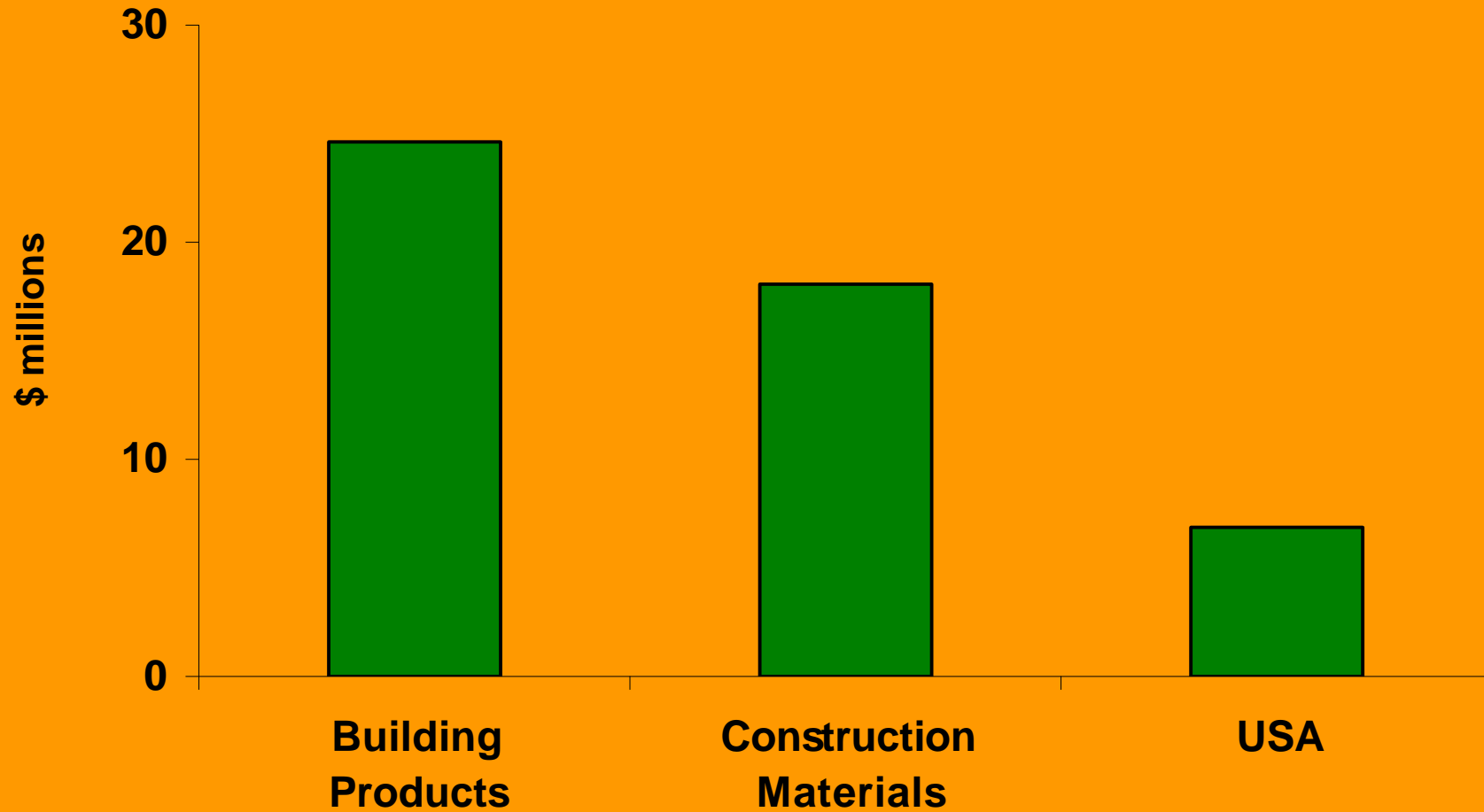
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Financial results

# Operational improvement and growth lifted underlying performance



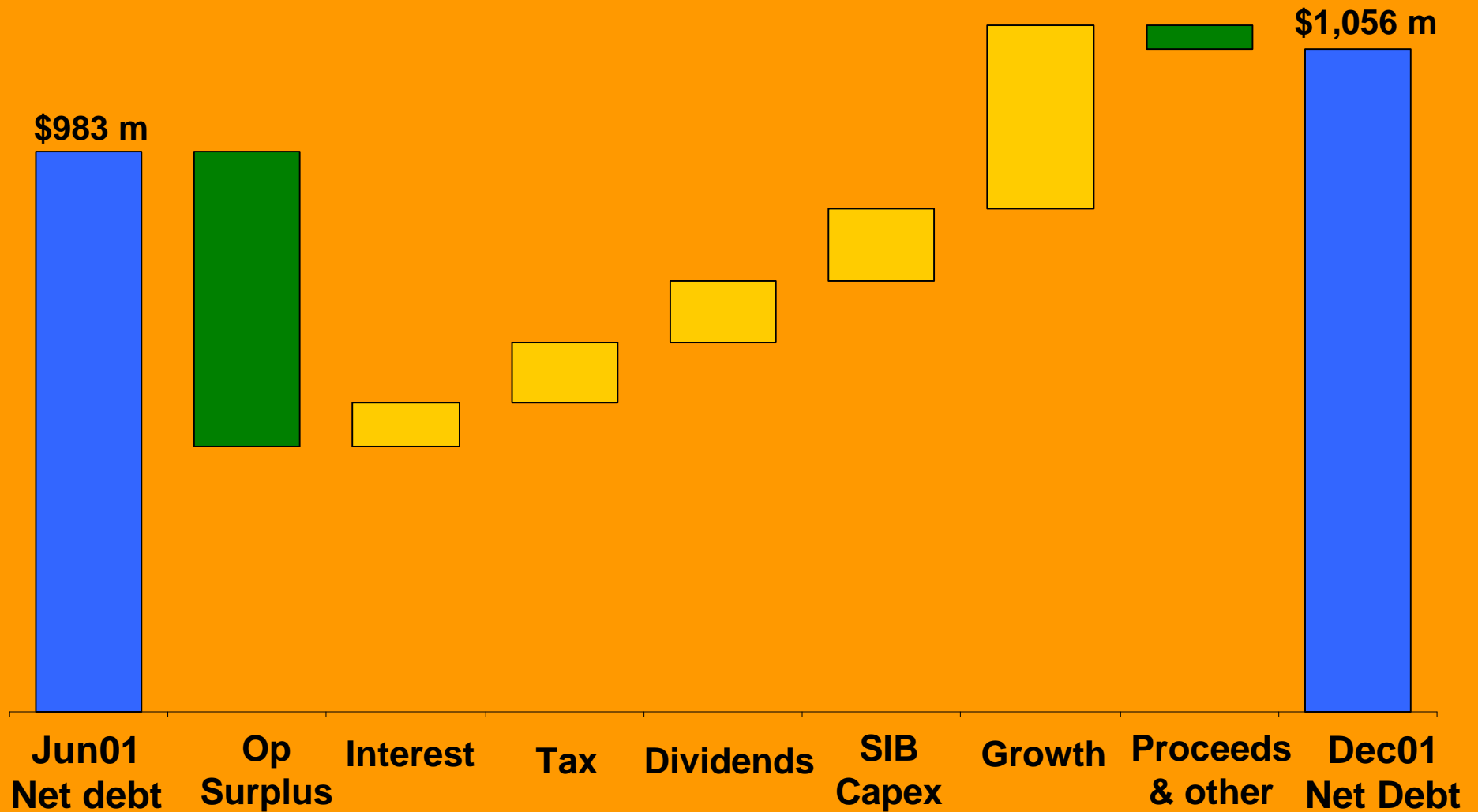
# \$51m in PEP/“step change” for first half



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Financial results

# Strong cash flows coming off the bottom of cycle



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Financial results

# Solid Balance Sheet

A\$ million	Dec-01	Jun-01	Dec-00	% YoY change
<b>Net debt</b>	1,056	983	854	24%
<b>D/E</b>	55%	53%	47%	-
<b>D/(D+E)</b>	35%	35%	32%	-
<b>Interest</b>	31.5	32.5	37.2	(15%)
<b>Interest cover</b>	5.1 x	4.3 x	4.9 x	-
<b>Funds employed</b>	2,972	2,837	2,689	11%
<b>ROFE (annualised)</b>	10.8%	7.7%	11.4%	
<b>NTA/share</b>	\$2.94	\$2.89	\$2.86	



# Strong growth in offshore businesses

<u>Sales</u> , A\$ million	Dec-01	Dec-00	% YoY change
<b>Australia</b>	1,289	1,261	2%
<b>USA</b>	413	368	12%
<b>Other overseas</b>	28	21	33%
<b>Discontinued</b>	2	4	-
<b>Total</b>	<b>1,732</b>	<b>1,654</b>	<b>5%</b>
<u>EBIT</u> , A\$ million			
<b>Australia</b>	97.8	99.6	(2%)
<b>USA</b>	59.2	57.2	4%
<b>Other overseas</b>	10.4	(0.6)	-
<b>Corp. / Other</b>	(6.3)	(3.5)	-
<b>Total</b>	<b>161.1</b>	<b>152.7</b>	<b>6%</b>



# Underlying operating profits improving

<u>Sales</u> , A\$ million	Dec-01	Dec-00	% YoY change
<b>Building Products</b>	490	527	(7%)
<b>Construction Materials</b>	826	755	10%
<b>USA</b>	413	368	12%
<b>Other</b>	2	4	-
<b>Total</b>	<b>1,732</b>	<b>1,654</b>	<b>5%</b>
<u>EBIT</u> , A\$ million			
<b>Building Products</b>	45.3	45.2	0%
<b>Construction Materials</b>	62.9	53.8	17%
<b>USA</b>	59.2	57.2	4%
<b>Corp. / Other</b>	(6.3)	(3.5)	-
<b>Total</b>	<b>161.1</b>	<b>152.7</b>	<b>6%</b>



# Building Products generally stronger

## Results:

**Sales** down 7% to **\$490m**

**EBIT** steady at **\$45.3m**

**EBITDA** down 3% to **\$67m**

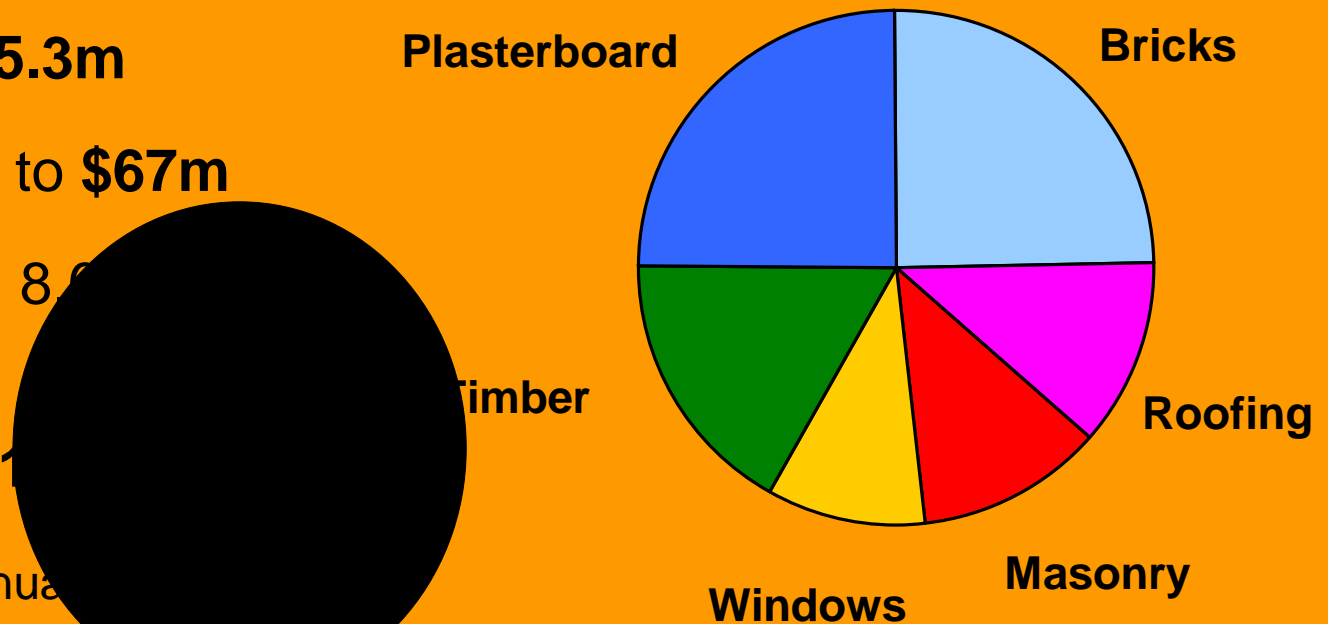
**EBIT margin** from 8.6% to 9.3%

**Funds employed** up 20% to **\$1,010m**

**ROFE** at 9.0% (annualized)

**PEP & cost savings** of **\$24.0m**

## Share of HY02 Revenue



# Building Products generally stronger

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- Dwelling approvals & commencements up 48% and 26% respectively compared with Dec 00 half
- Dwelling value of work done up 10% compared with Dec-00 half
- Boral's order books/deliveries strengthened in Dec quarter
- During the period prices
  - strengthened for softwood and hardwood
  - held for masonry and plywood
  - declined for plasterboard, bricks and roofing
- Solid capacity and inventory management
- Lost earnings from Windows & Timber divestments
- Strong turnaround in Windows Fabrication
- \$10.6m from Asian Plasterboard JV



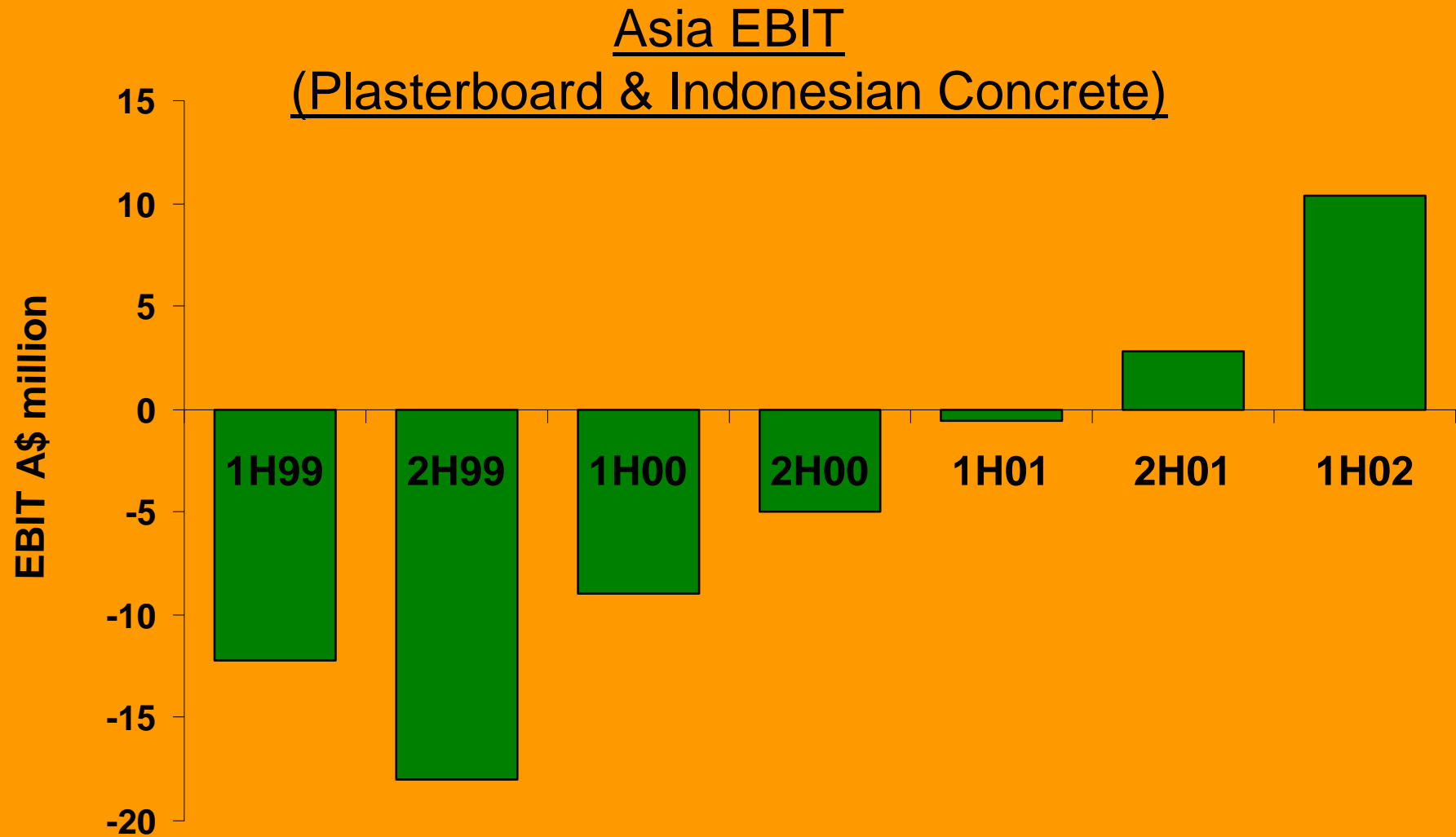
# Asia Plasterboard JV performing well

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- JV net profit of \$10.6m for Boral compared to \$10m loss two years ago
- Finalised acquisition of 71% of Siam Gypsum in Thailand; integration proceeding well
- South Korea performing well
- 30m m<sup>2</sup> plant relocated from Shanghai to Seoul; Korean market growth justifies capacity expansion
- China passed EBITDA breakeven after rationalisation
- Boral's share of JV from 43% (Jun-01) to 48% (Dec-01)
- JV now around 34% of Asia capacity (exc. Japan)



# Strong turnaround & potential in Asia



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Segment overview – Building Products

# Better performance from Construction Materials

## Results:

**Sales** up 10% to **\$826m**

**EBIT** up 17% to **\$62.9m**

**EBITDA** up 11% to **\$111m**

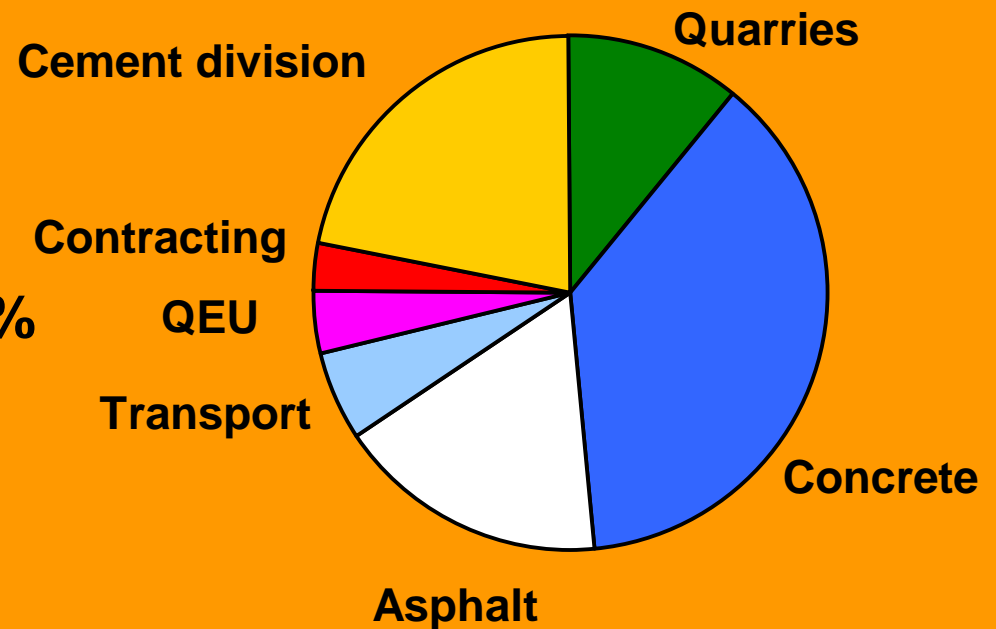
**EBIT margin** from 7.1% to **7.6%**

**Funds employed**  
up 4% to **\$1,359m**

**ROFE** at 9.3% (annualised)

**PEP & cost savings** of **\$18.1m**

## Share of HY02 Revenue



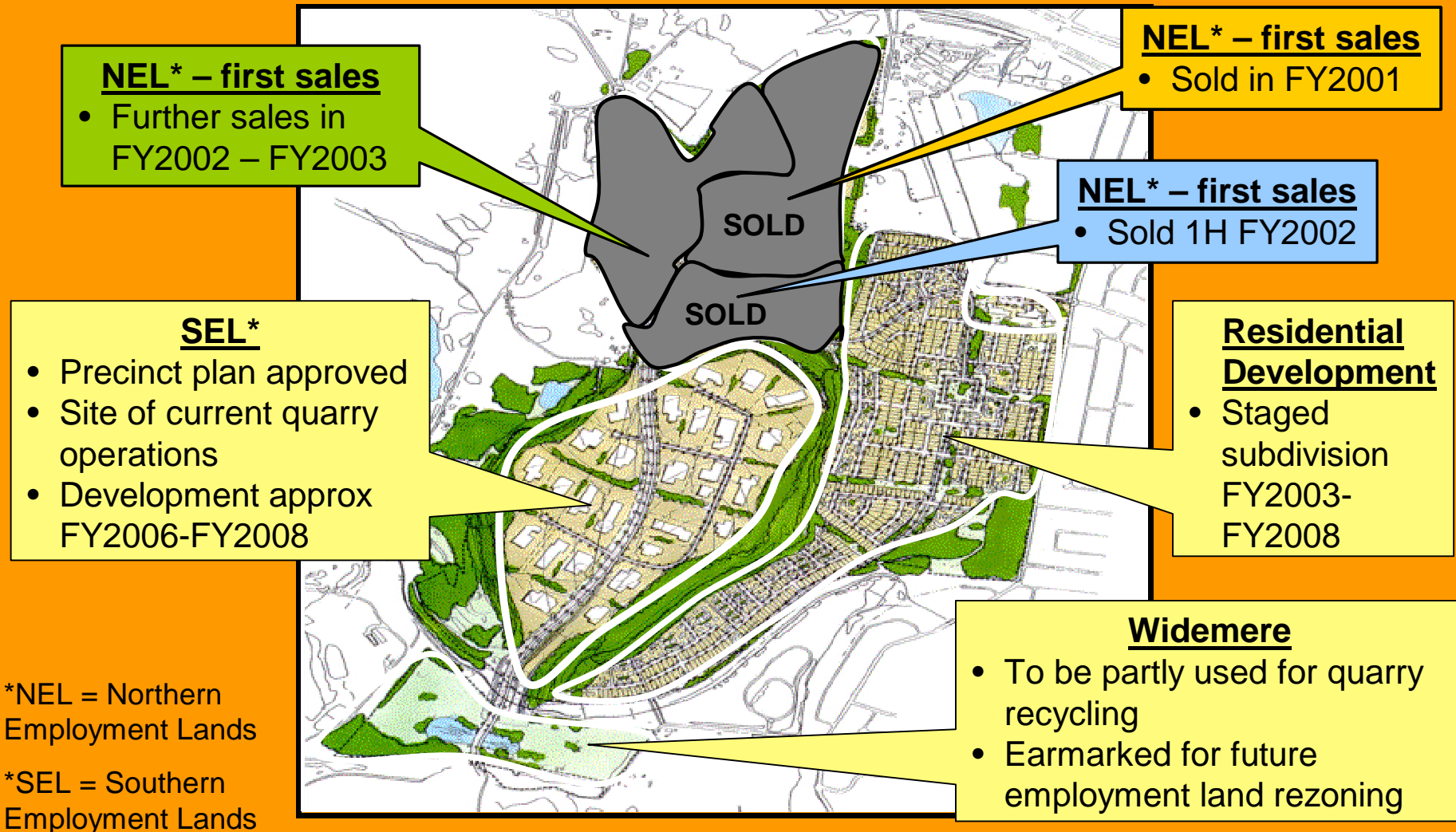
# Better performance from Construction Materials

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- 2% rise in non-dwellings; 2% decline in RH&S activity in Australia compared with Dec-00 half
- \$12.8m EBIT from QEU
- Prices steady in asphalt, quarries and cement; down in ready-mix concrete & scaffolding during the period
- Concrete acquisition completed; first four months above expectations
- Upgraded Marulan lime kiln at full capacity
- Toll crushing operations with Pioneer commenced at Emu Plains
- Recovery in Indonesian Concrete continued



# Greystanes progressing well as part of QEU



# USA steady despite economic uncertainty

## Results:

**Sales** up 5% to **US\$211m** (A\$413m)

**EBIT** down 4% to **US\$30.2m** (A\$59.2m)

**EBITDA** down 2% to **US\$42.1m** (A\$82.3m)

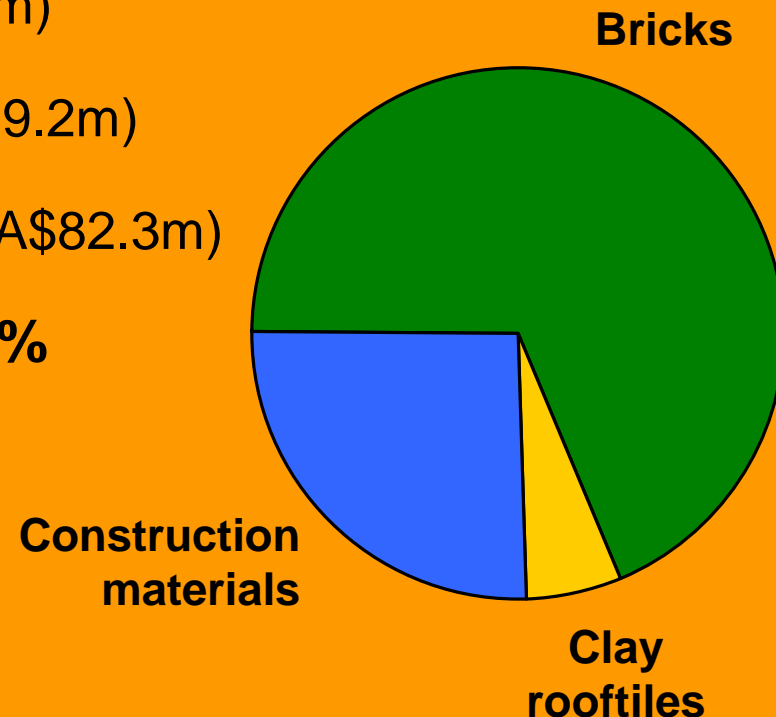
**EBIT margin** from 15.5% to **14.3%**

**Funds employed**  
up 6% to **US\$377m**

**ROFE** at 16.0% (annualised)

**PEP & cost savings** of **\$6.8m**

## Share of HY02 Revenue



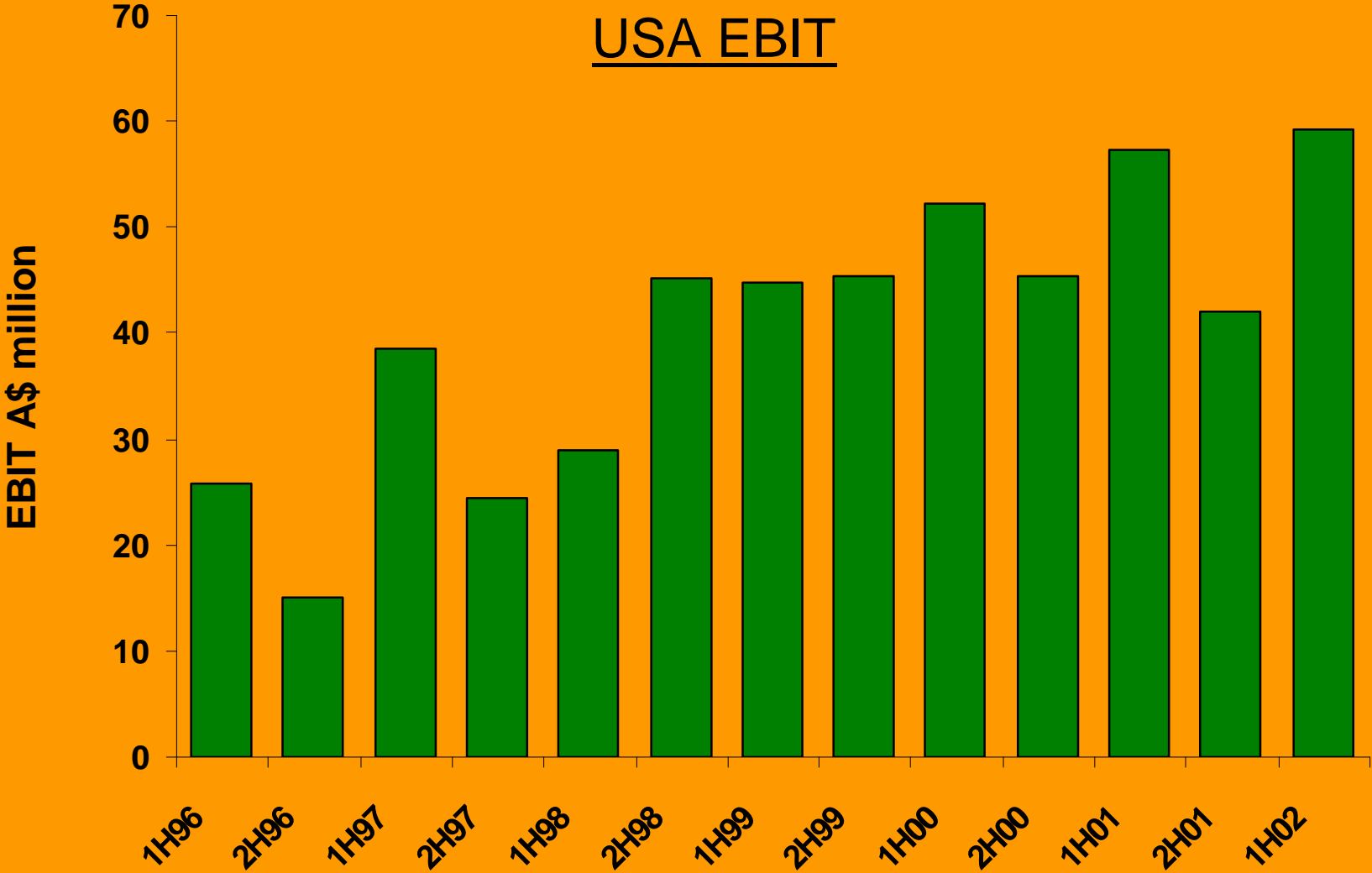
# USA steady despite economic uncertainty

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- Housing construction up 2.5% compared with Dec-00 half
- 37% Boral earnings now from USA
- US bricks continues to perform strongly
- Price increases for bricks and roof tiles
- Energy costs high
- Restructuring costs in MonierLifetile and BMTI
- MonierLifetile JV contributed around 15% of USA earnings
- Growth initiatives for MonierLifetile in Mexico, Colorado and Kansas and for bricks in Georgia
- \$4m favourable exchange rate impact



# Good growth in USA profits



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Segment overview - USA

# Boral's Strategic Intent

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**Boral intends to be a value-driven, focused building and construction materials supplier operating in Australia and increasingly offshore**

## Financial Objectives

- 1. Exceed the weighted average cost of capital (WACC) on a sustainable basis through the building cycle***
- 2. Beat the competition in comparable markets***
- 3. Deliver superior total shareholder returns (TSR)***



# Boral is delivering improved shareholder returns

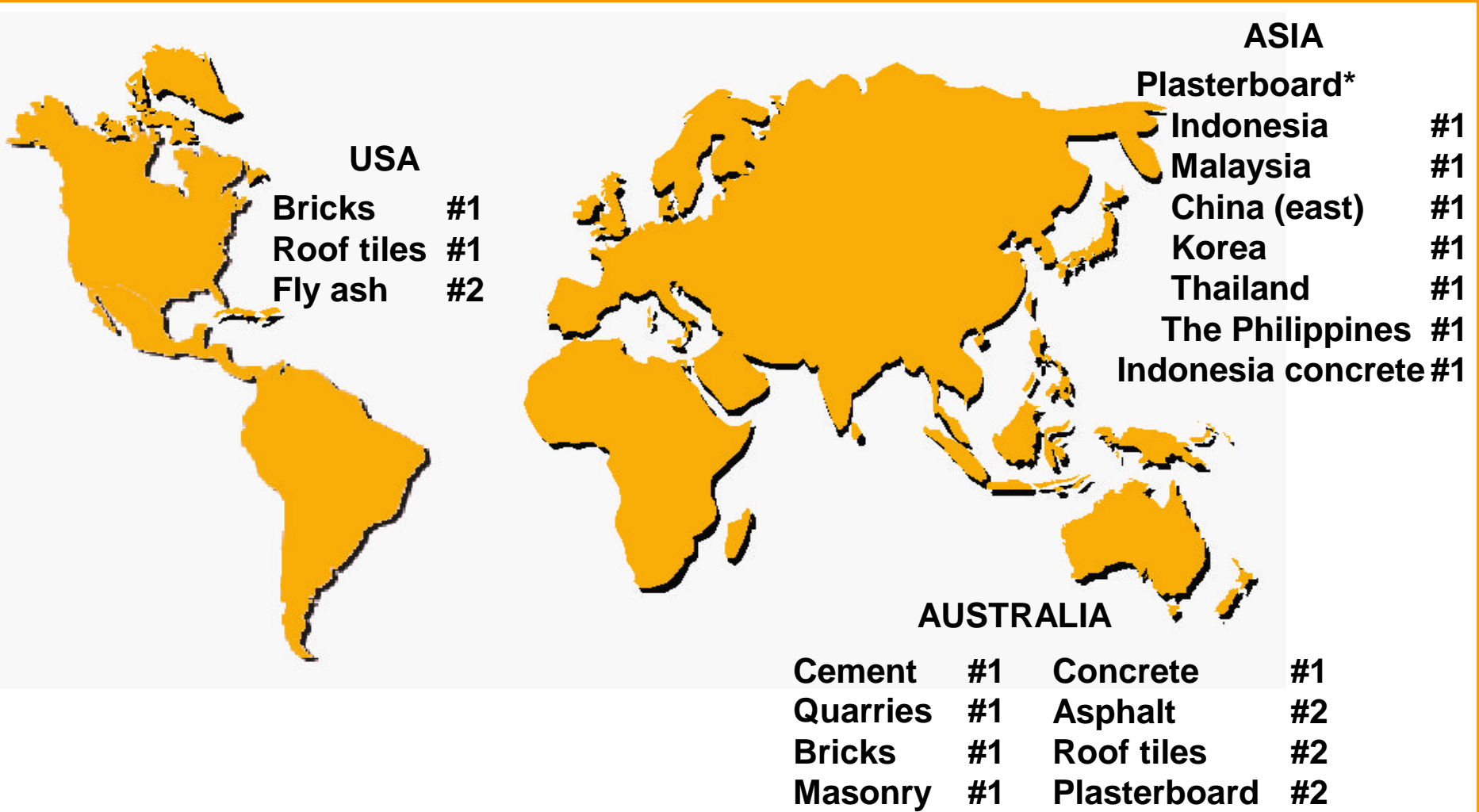
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- Earnings per share of 16.2 cents
- Dividend of 9.0 cents for half year
- Franking maintained 35% level
- Dividend yield, averaging 5.8% for six months to Dec-01
- DRP continuing to operate for interim dividend
- Share price up from \$2.28 at demerger to \$3.71 (12 Feb-02)
- TSR\* of 36% from demerger to 12 Feb-02

\* Annualised Total Shareholder Return



# Boral's strategy is to perform & grow around its leading reserve and market positions



\*Asian plasterboard in joint venture with Lafarge



# Boral's strategy is to perform & grow

Since Demerger	Acquisitions/Growth capex	Divestments
Europe		Europe Bricks, Europe Calcit Quarry
Services & Eng'g		Melocco Vic & NSW, Tyres
Building products		Windows Lineals & Extrusions, Building Products NZ, Southport Ceramics
Timber	Oberon Softwood JV (with CHH), Koolkhan upgrade (first part of \$22.5m BEA claim)	Tas. Woodchips, Tas. Board Mills, Tumbarumba mill, Hardwoods Qld
Construction materials	Concrite (concrete), Alsafe Concrete, QEU, Transfield Asphalt, Lime upgrade (Marulan), Compton Park Quarry	SE Transport
USA	Commercial/moulded brick upgrade, Brick paver plant, MonierLifetile expansion	
Asia	Plasterboard JV (incl. Siam Gypsum), Indonesia Concrete Assets	
<b>Total</b>	<b>\$395m</b>	<b>&gt;\$400m</b>
<b>EBIT Return</b>	<b>&gt; 15%</b>	<b>&lt; 5%</b>



# Second half outlook – improving markets

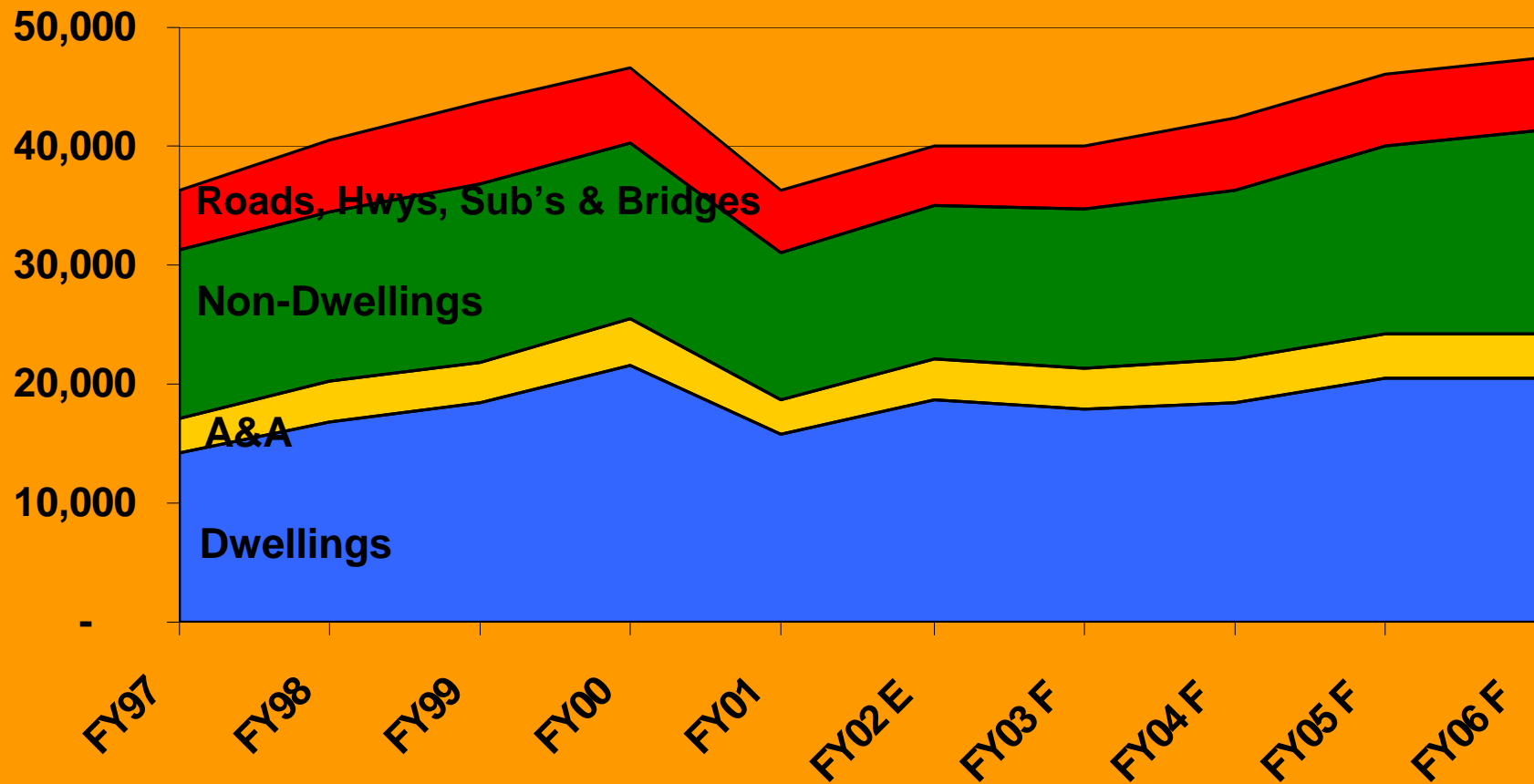
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- Increased Australian housing commencements should impact favourably
- Australian construction materials markets (non-dwelling and RH&S) flat
- Strengthening Asian plasterboard markets (but seasonally weaker)
- US volumes remaining strong (but seasonally weaker)



# Growth ahead in Australia

ANNUAL VALUE OF WORK DONE – AUSTRALIA (\$99/00 \$m)



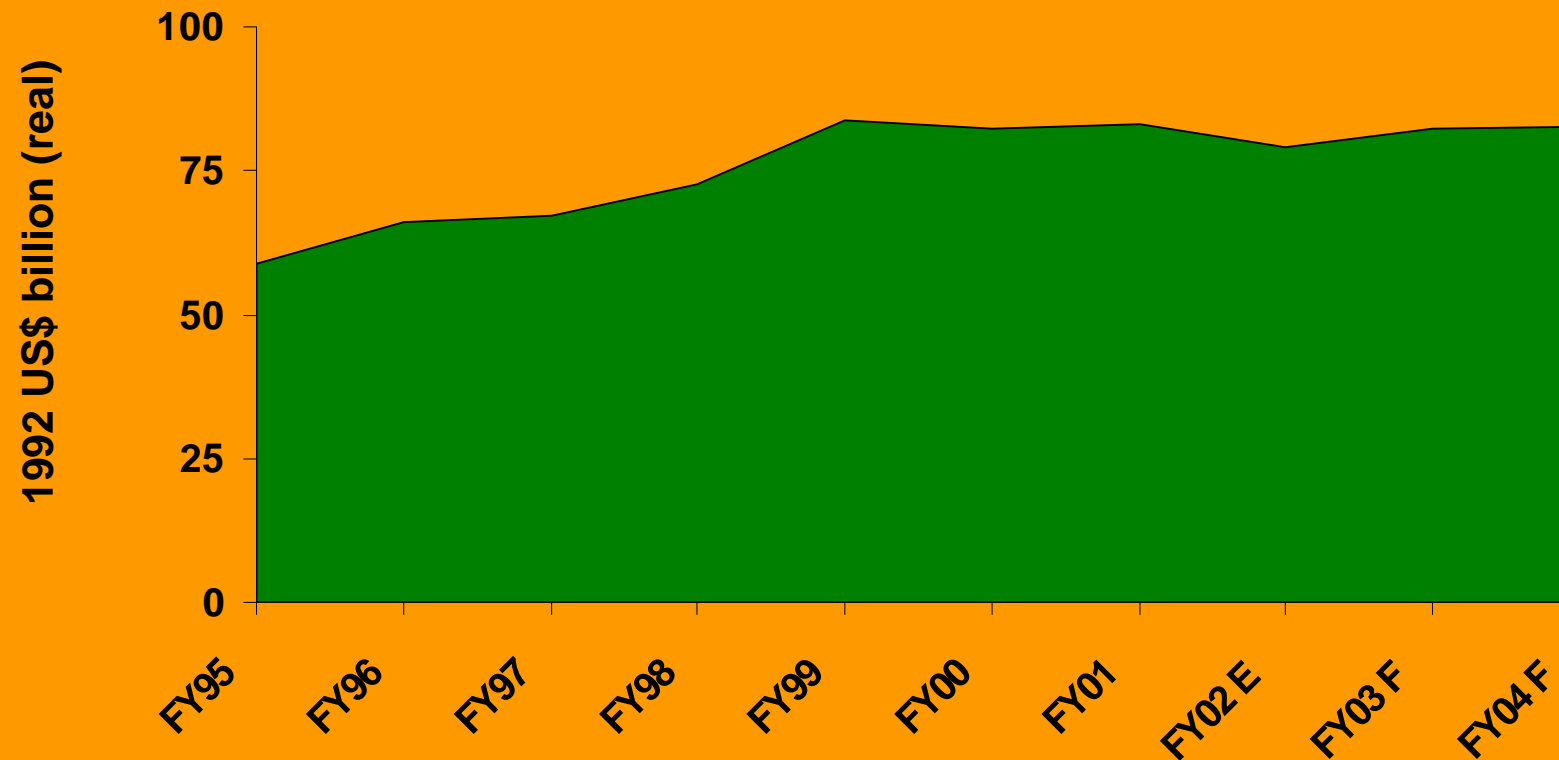
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Source: Australian Bureau of Statistics, BIS Shrapnel forecast

**Outlook**

# Strong markets in USA

## VALUE OF WORK COMMENCED IN USA "BRICK STATES\*\*"



\* **Brick States:** Alabama, Arkansas, Carolinas, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Ohio, Oklahoma, Tennessee, Texas, Virginia.

Source: US Census Sept 01 plus Dodge forecasts Q3 2001



2002 Interim Result

Outlook

# Outlook – Financial Year 2002

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- Second half revenues to significantly exceed last year
- Traditionally a weaker second half but relatively strong underlying profit anticipated in Australia
- Seasonally weaker Asian plasterboard & USA profits
- QEU should achieve another \$12 million profit in June half
- Full year profit towards top end of IBES forecast range (\$135 - \$169 million)





# 2002 INTERIM RESULTS

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