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# Results Announcement

## for the half year ended 31 December 2019

20 February 2020

**Media Release**

## Boral confirms half year results
## Resolute focus on operational execution to strengthen performance

Boral Limited (ASX: BLD) today reported a **statutory net profit after tax** (**NPAT**) of **$137 million** for the half year ended 31 December 2019, after significant items of $20 million[1].

As announced on 10 February 2020 in the update on 1H FY2020 results and FY2020 outlook guidance, Boral's half year result reflects lower first half earnings from Boral Australia and USG Boral due to cyclical declines in housing markets in Australia and South Korea partially offset by improvement initiatives. Lower earnings were also delivered from Boral North America reflecting volume pressures and higher costs.

Excluding the impact of the new IFRS leasing standard (AASB 16) to show movements on a comparable basis and restating 1H FY2019 to reflect the correction for Windows misreporting, results for the half year ended 31 December 2019, include:

- Net profit after tax (**NPAT**) **before significant items**[2] **of $159 million down 18%**
- **Reported sales revenue** of $2,989 million steady on 1H FY2019 and **sales revenue from continuing operations of $2,960 million up 2%**
- **Earnings before interest, tax, depreciation & amortisation (EBITDA)**[2] of $439 million and EBITDA[2] **from continuing operations of $440 million down 6%**, reflecting softer EBITDA in all three divisions
- An **interim dividend of 9.5 cents per share** (50% franked) will be paid on 15 April 2020, representing a payout ratio of 71%
- **FY2020 NPAT**[2] **guidance of $320-$340 million,** as announced on 10 February 2020.

**Commenting on the first half FY2020 result, Boral's CEO & Managing Director, Mike Kane**, said:

*"Boral's first half FY2020 results were broadly in line with guidance, and we were encouraged by the performance of Boral Australia and USG Boral particularly given the significant downturns in housing activity in Australia and South Korea. Improvement programs and cost reduction initiatives in both divisions helped to offset the impact of lower volumes. We were disappointed however, with performance in Boral North America, largely due to shortcomings in our operational execution.*

*"In addition to the lower than expected first half results from Boral North America, we have had a challenging start to the second half of 2020 in Australia with higher costs and significantly lower volumes due to bushfire- and weather-related impacts.*

*"Australian infrastructure activity continues to be solid although delays and disruptions remain a feature of major infrastructure work. For example, we secured supply to the West Gate Tunnel project in Melbourne, which we were expecting to see come through in the second half, but as has been well-publicised, this project is currently delayed.*

*"We are resolutely focused on executing improvement initiatives over the remainder of the year to strengthen our business in North America and to improve outcomes in Australia.*

*"This includes safety. We delivered a 4% improvement in recordable injury frequency rate to 7.2 compared with FY2019, however we have more work to do, particularly in the area of reducing contractor injuries in Australia.*

*"In the first half in **Boral Australia**, 7% lower concrete volumes due to a 23% decline in housing starts, subdued pricing, and higher costs associated with outages at Peppertree Quarry and Berrima Cement and bushfire related costs, impacted revenue and EBITDA. This was partly offset by $30 million in cost saving and property earnings of $29 million.*

*"Revenue for **Boral North America** was up 4% to US$825 million for continuing operations and EBITDA was US$111 million, down 17%. We are pleased with the growth in Light Building Products, higher Fly Ash prices and volumes, and the realisation of a further US$7 million of synergies. However, results from Stone in particular were disappointing. We also had lower earnings from site services in the Fly Ash business, which was well-flagged, and a lower contribution from the Meridian Brick JV. FY2020 one-off costs associated with the Windows business and a BCI product provision also negatively impacted results.*

*"**USG Boral** delivered a mixed result with strong earnings growth in China and higher earnings in Thailand offset by a housing related cyclical decline in South Korea and softer earnings in Australia. This resulted in equity income of $23 million, down 8% on first half FY2019."*

**Commenting on Boral's outlook for FY2020**, Mr Kane said after taking into account the first half results together with lower than previously expected earnings from the Windows business, bushfire related impacts and major project scheduling delays in the second half, Boral expects its FY2020 EBITDA to be down relative to FY2019, with lower reported EBITDA in all three divisions. This translates to an expected NPAT[2] range of around $320–$340 million for FY2020.

Providing a more detailed explanation of the priorities for the second half, Mr Kane said:

*"**Boral Australia** has started the second half with significantly lower volumes and higher costs due to bushfires and extreme weather, together with major project delays. However, our market position is strong and we have a comprehensive range of cost improvement and performance enhancement programs underway. We expect full year property earnings to be ~$55-$65 million.*

*"In **Boral North America**, we are focused on improving our operational execution. We are making good progress to deliver on our fly ash strategy with 5% volume growth and 10% price growth delivered in the half year, and we are on track to reach our targeted volume increase by the end of FY2021. But we need to ensure our building products businesses are also on track to deliver their objectives and potential.*

*"We have a number of volume, margin and cost improvement programs to deliver on in the US business, including an improvement program to return the Windows business to double digit margins in the medium term. We are scrutinising our plans and strategies that are in place to make sure they remain the right things to do and can deliver the required results. We expect Headwaters synergies of approximately US$15 million for FY2020.*

*"We continue to await regulatory approval to complete the transaction with Knauf to expand the **USG Boral** JV in Asia and for Boral to return to 100% ownership in Australia and New Zealand, with an option for Knauf to return to 50% ownership within five years. Once complete, we will see benefits to earnings. In the meantime, we are focused on growing the business through product penetration and innovation while continuing to implement Project Horizon – a targeted cost excellence program.*

*"We remain focused on prudent balance sheet management to provide operational flexibility and are committed to retaining our BBB / Baa2 investment grade credit ratings. Reactivating our dividend reinvestment plan, which will be fully underwritten in respect of the interim and final dividends this year, will reinforce our balance sheet while we pursue opportunities for further non-core divestments.*

*"As announced last week, after ten years with Boral, I will be retiring after delivering the full year results. My resolute commitments during the remainder of my period as CEO are to re-focus the team on getting the execution right in all areas of our business, every day, with a particular focus on North America.*

*"It has been a true privilege to lead such a committed workforce at Boral and I have confidence that the deep experience within the team will see Boral realise its true potential in the future."*

As announced on 10 February, **Boral's Board is progressing a comprehensive search for a new CEO**, covering candidates in Australia and overseas, with the support of a leading global executive recruitment firm.

The Board expects that the new CEO will undertake a thorough review of Boral's portfolio of businesses. In anticipation, under the guidance of the Board, the executive team has commenced work in this area to analyse and review the market outlook, competitive position and earnings potential of each of Boral's businesses.

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1 Includes restructuring, rightsizing and integration costs, and USG Boral / Knauf transaction costs.

2 NPAT and EBITDA before significant items are non-IFRS measures reported to provide greater understanding of the Group's underlying business performance. Non-IFRS information has not been subject to audit or review. Full details of significant items are contained in Note 6 of the Half Year Financial Report.