

CSR LIMITED PRESENTATION 2016

# RESULTS PRESENTATION

YEAR ENDED 31 MARCH 2016



# Agenda

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1. Overview – **Rob Sindel** Managing Director, CSR Limited
2. Financial Results – **Greg Barnes** CFO, CSR Limited
3. Business Unit Performance – **Rob Sindel**
4. Strategy and Outlook – **Rob Sindel**



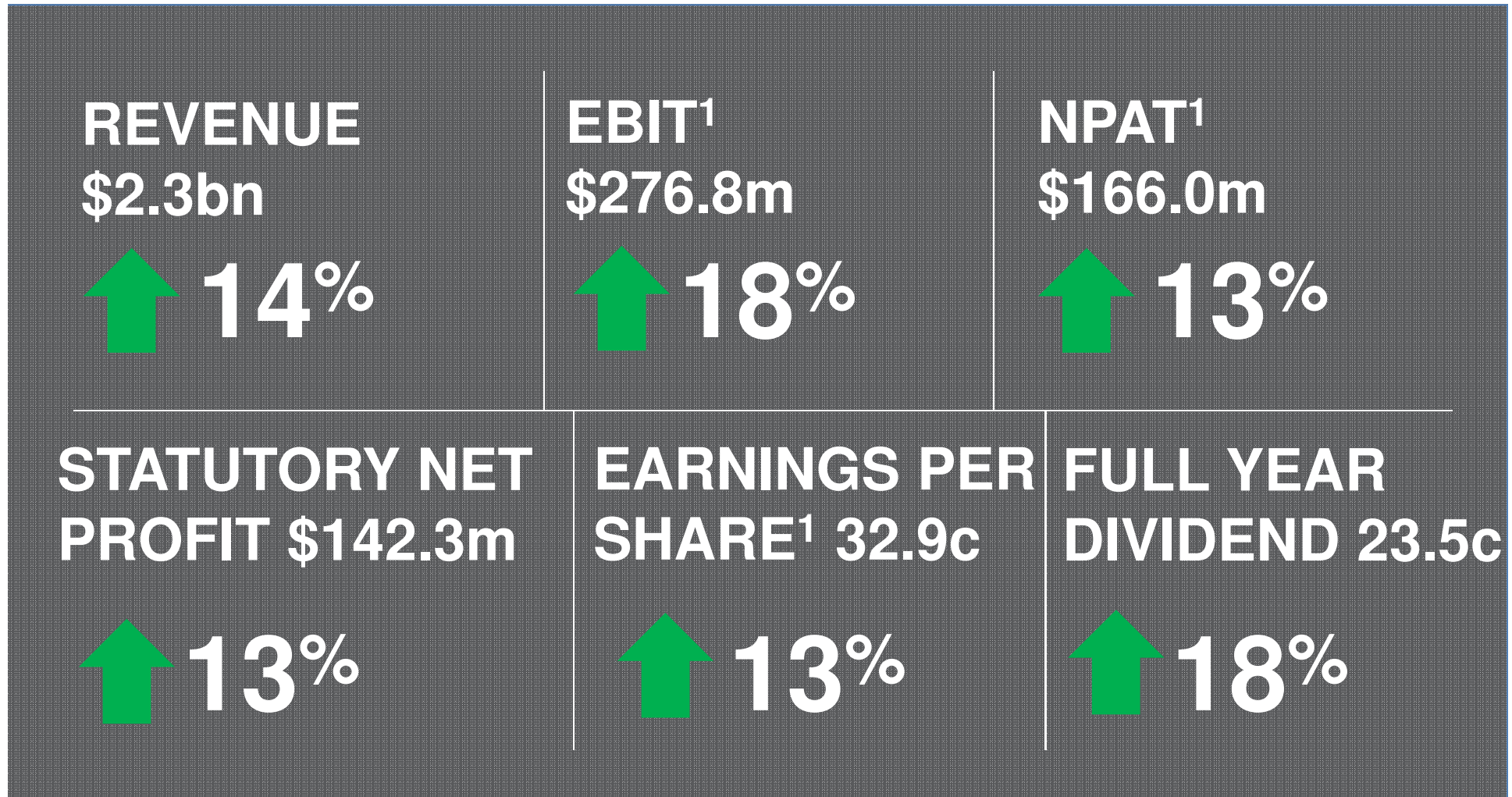
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# OVERVIEW

# 1



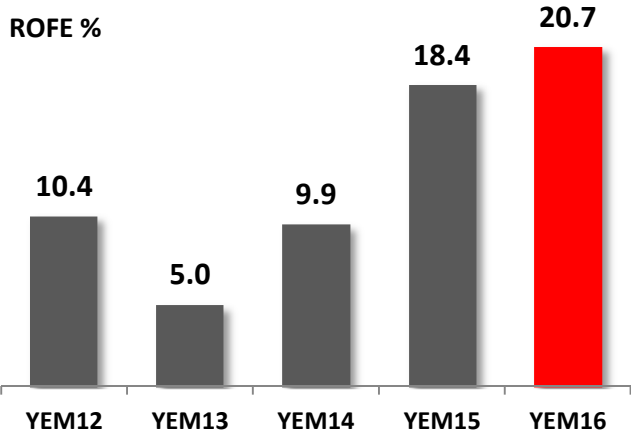
# Highest net profit since 2010 divestment of Sugar



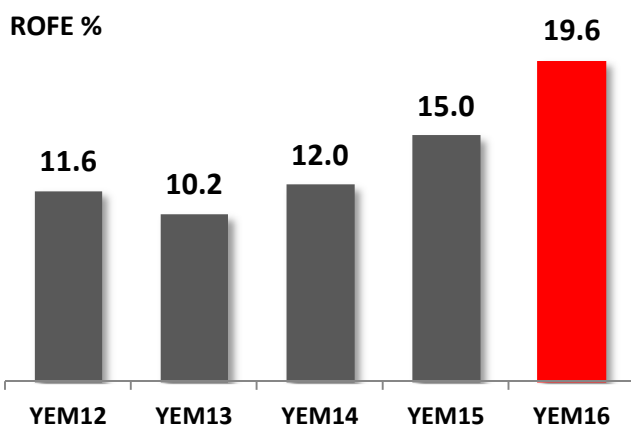
<sup>1</sup> EBIT, net profit and earnings per share are all before significant items. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from CSR's financial statements for the year ended 31 March 2016. All comparisons are to the year ended 31 March 2015 unless otherwise stated.

# Further ROFE improvement across the group

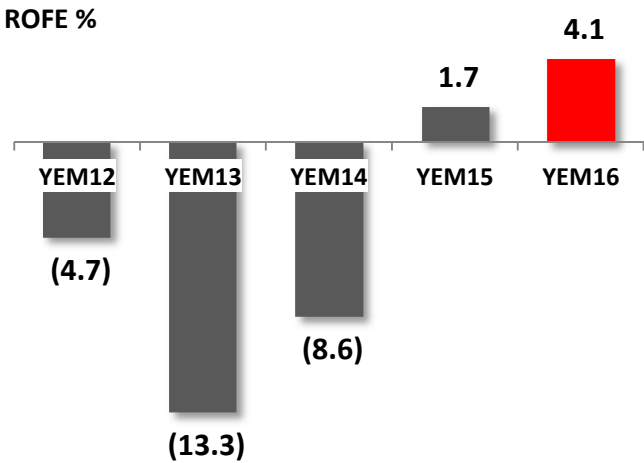
## CSR Group



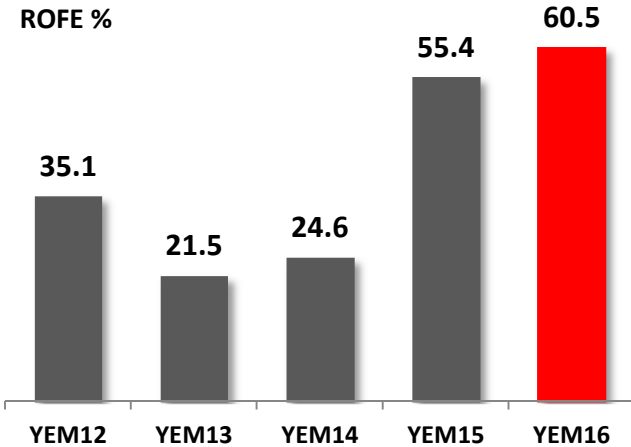
## Building Products



## Viridian



## Aluminium

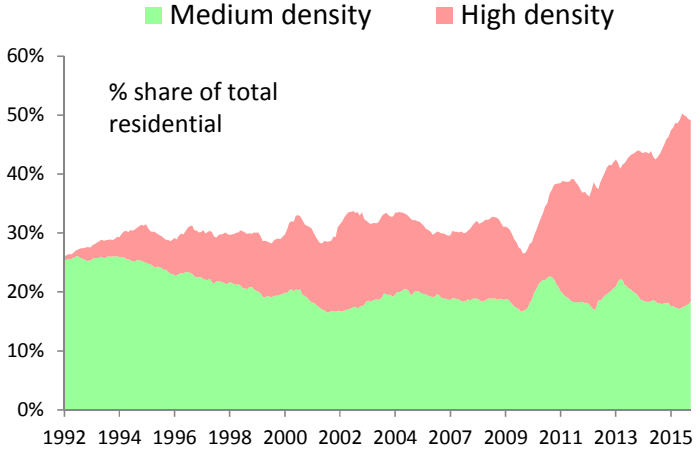


All ROFE calculations based on EBIT (before significant items) for the 12 months to 31 March divided by average funds employed which excludes cash and tax balances and certain other non-trading assets and liabilities as at 31 March.



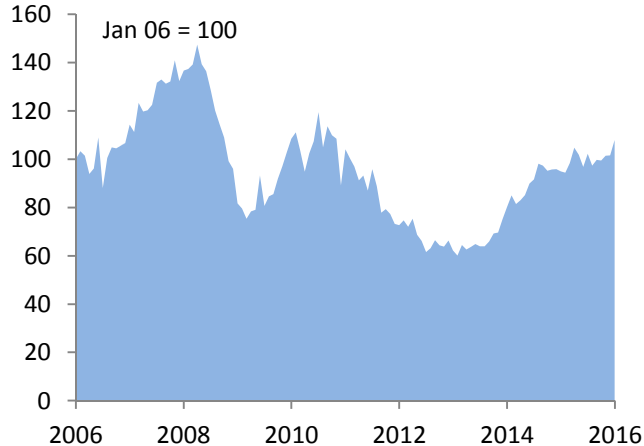
# Structural changes framing our strategy

## Multi-residential housing growth



Source: ABS cat 8731

## Increased demand for construction trades

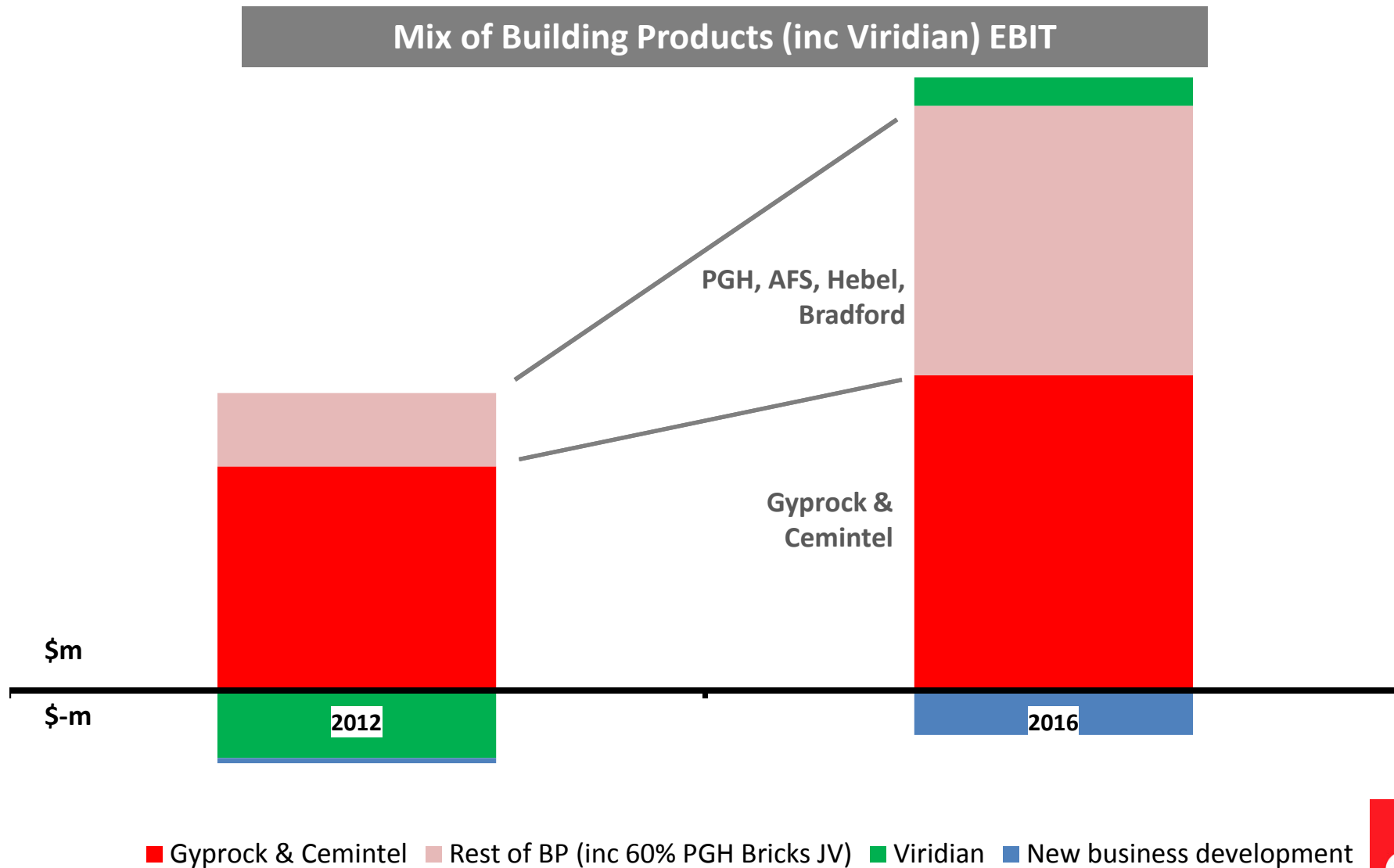


Source: Department of Employment, IVI\_DATA - January 2006 onwards, Seasonally Adjusted Index





# A more resilient building products business



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# FINANCIAL RESULTS

# 2





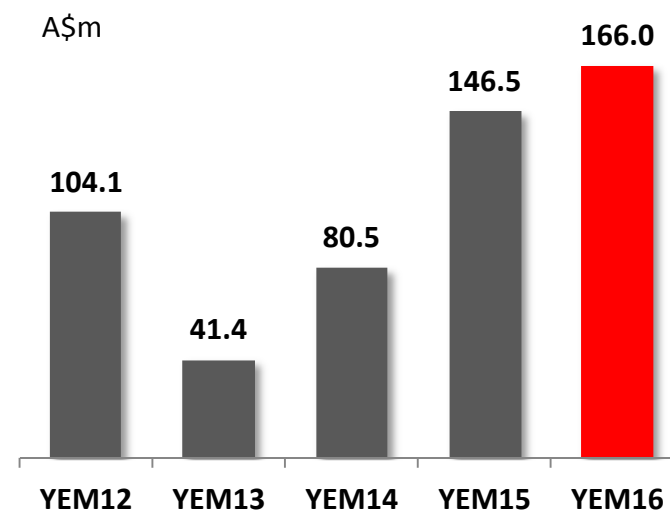
# Net profit after tax<sup>1</sup> up 13%

## Results summary

A\$m (unless stated)	YEM16	YEM15	change
<b>Trading revenue</b>	<b>2,298.8</b>	2,023.4	14%
EBITDA <sup>1</sup>	360.0	313.2	15%
<b>EBIT<sup>1</sup></b>	<b>276.8</b>	235.4	18%
Net finance cost <sup>1</sup>	(5.3)	(4.6)	
Tax expense <sup>1</sup>	(73.4)	(63.1)	
Non-controlling interests <sup>1</sup>	(32.1)	(21.2)	
<b>Net profit after tax<sup>1</sup></b>	<b>166.0</b>	146.5	13%
Significant items after tax	(23.7)	(21.0)	
Statutory net profit after tax	142.3	125.5	13%
<b>Earnings per share<sup>1</sup> [cents]</b>	<b>32.9</b>	29.1	13%
EPS (after significant items) [cents]	28.2	24.9	13%
<b>Dividends per share [cents]</b>	<b>23.5</b>	20.0	18%

<sup>1</sup> All references are before significant items.

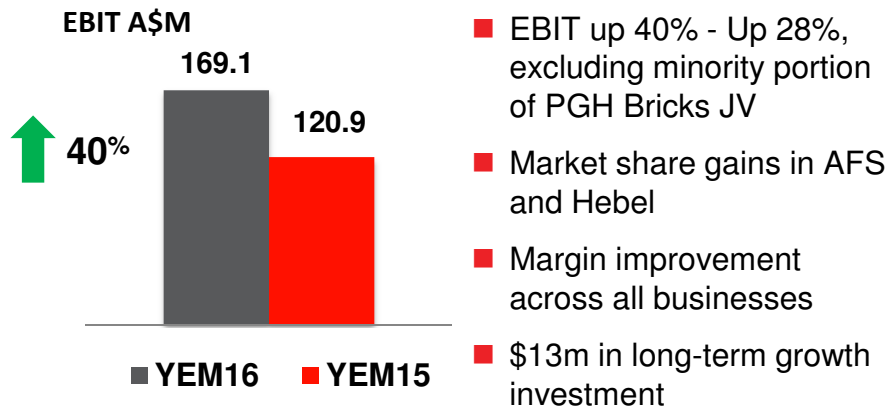
## Full year net profit after tax<sup>1</sup>



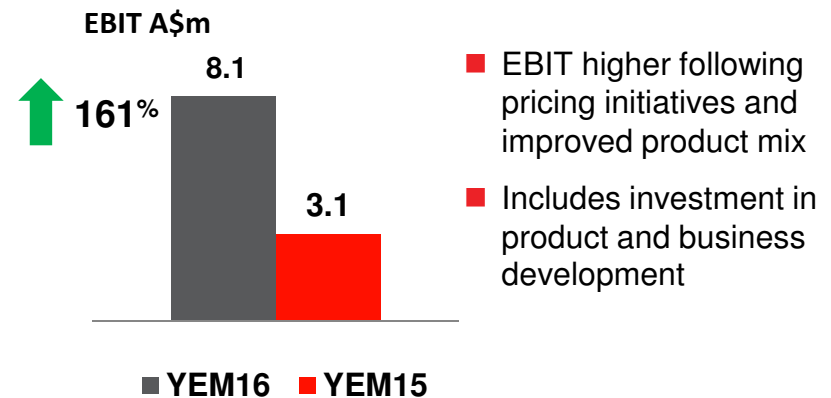
Note: YEM12-14 adjusted for change in accounting treatment for the classification of the discount unwind for the asbestos liability as a significant item.

# EBIT<sup>1</sup> reflects strong performance in all businesses

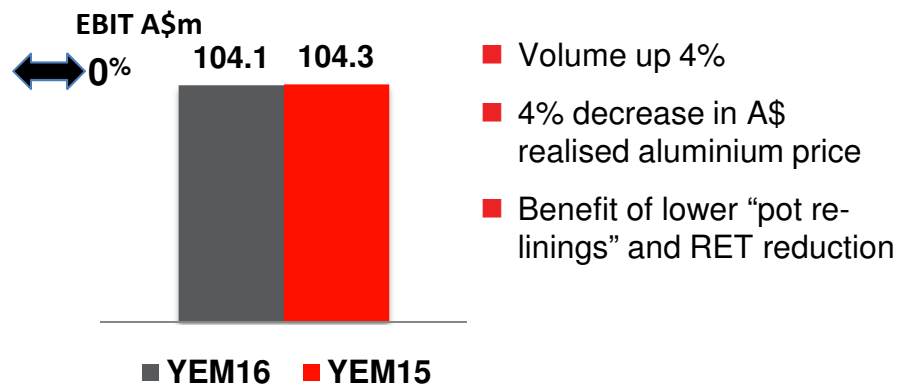
## Building Products



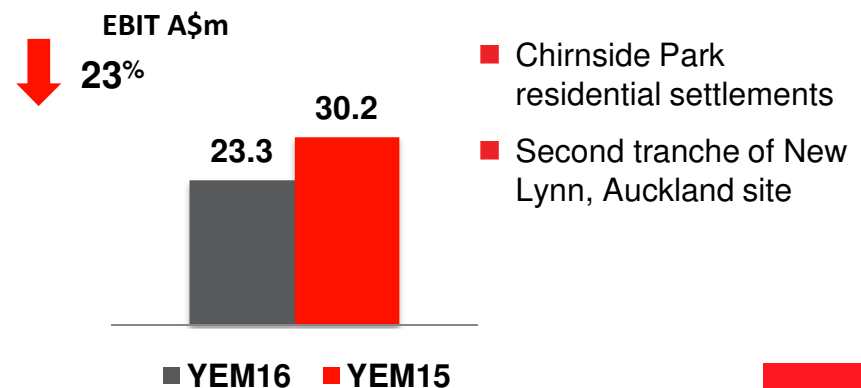
## Viridian



## Aluminium



## Property

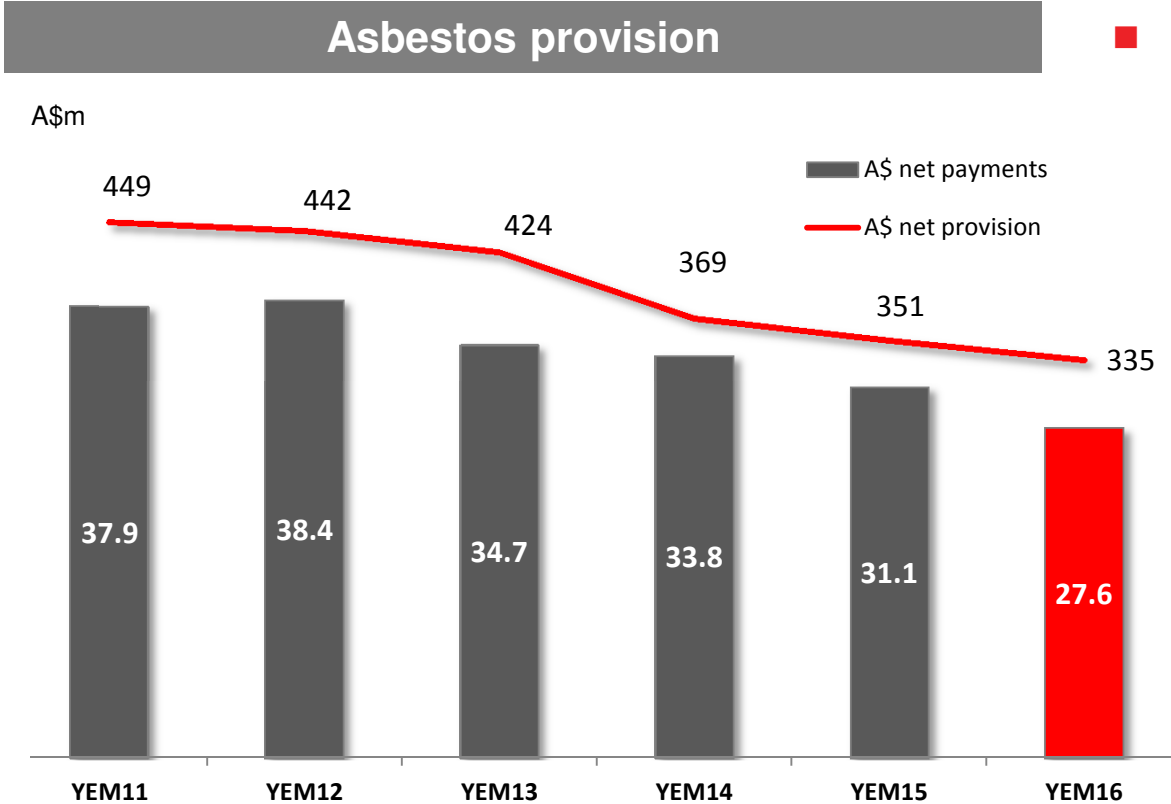


1. EBIT before significant items.

# Further reductions in asbestos liability

A\$m	YEM16	YEM15	change
<b>Opening balance as of 1 April</b>	<b>350.7</b>	369.1	-5%
Cash paid	(27.6)	(31.1)	
Unwinding of discount	11.4	12.7	
<b>Closing balance as of 31 March</b>	<b>334.5</b>	350.7	-5%

- Product liability provision of A\$334.5m – lowest level in 11 years
- Provision includes a prudential margin of 24% (\$65.2m)
- Cash payments A\$27.6m, down 11% on previous year





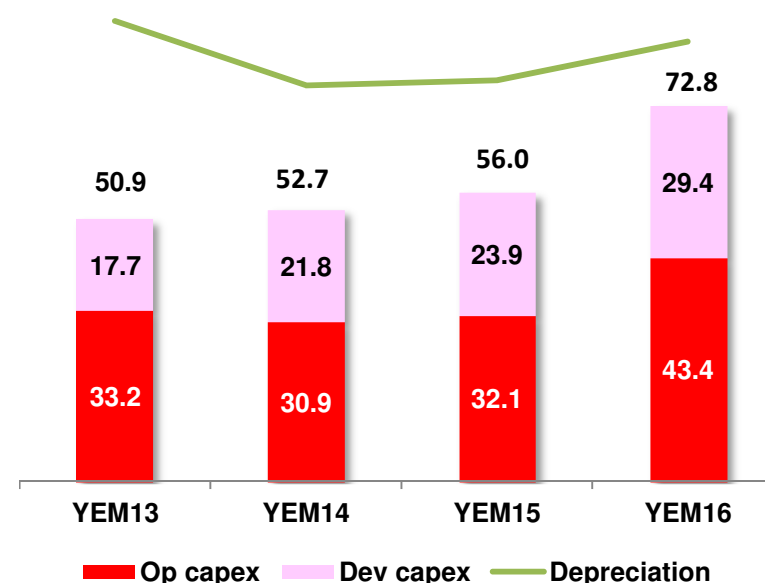
# Continued cash flow generation

## Operating cash flow

A\$m	YEM16	YEM15	change
<b>EBITDA</b>	<b>360.0</b>	313.2	15%
Net movement in working capital	(16.7)	(1.8)	
Net profit on asset disposals	(26.1)	(35.4)	
Movement in provisions/other	0.4	7.9	
<b>Operating cashflows (pre tax, asbestos &amp; sig. items)</b>	<b>317.6</b>	283.9	12%
Asbestos payments	(27.6)	(31.1)	
Tax paid	(14.6)	(2.5)	
Significant items	(23.2)	(16.0)	
<b>Operating cashflows (post tax &amp; sig. items)</b>	<b>252.2</b>	234.3	8%

- 12% growth in underlying operating cash flows
- Net Property cash inflow of \$15.9 million due to the timing of settlements
- YEM17 capex (ex Property and M&A) expected to remain broadly in line with YEM16

## Capital expenditure (ex Property)



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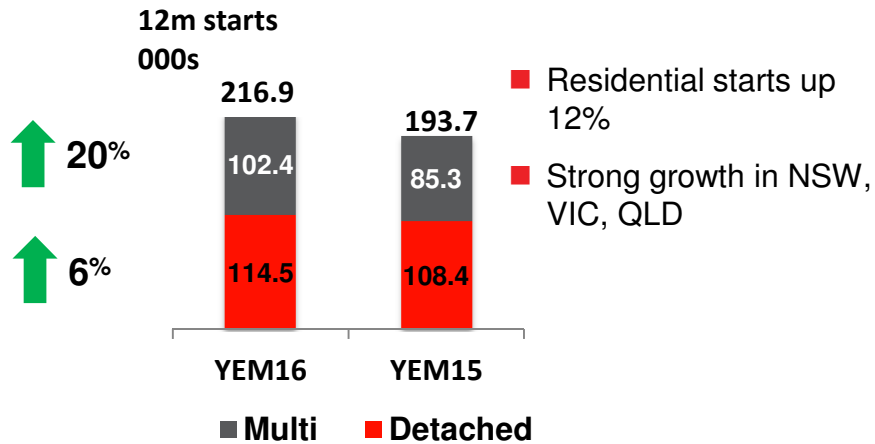
# BUSINESS UNIT PERFORMANCE

# 3

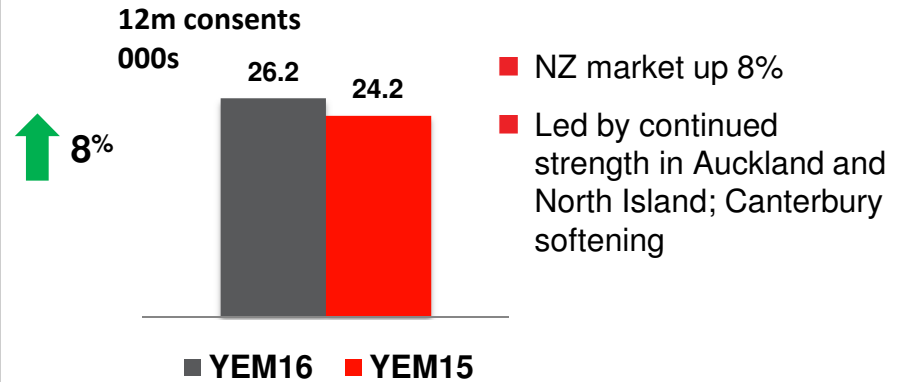


# Residential construction activity remains strong

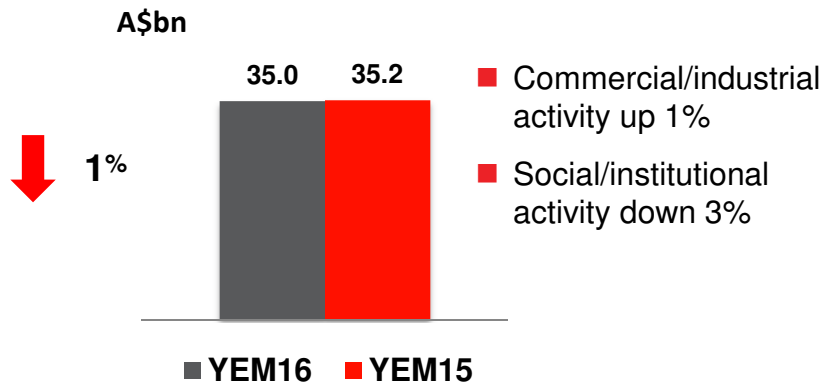
## Australia – residential<sup>1</sup>



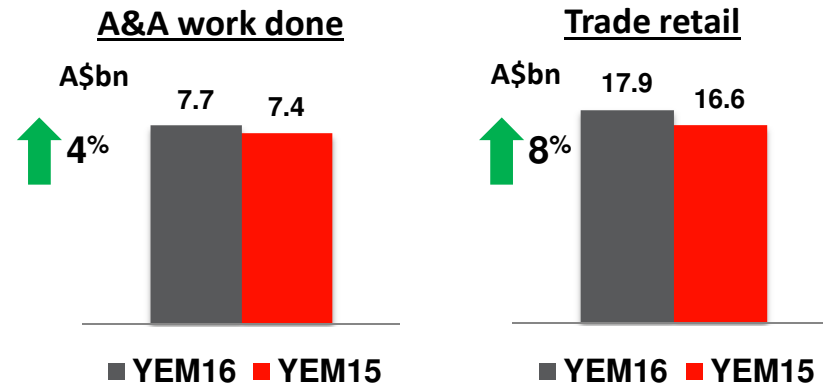
## New Zealand – residential<sup>3</sup>



## Australia – non-residential<sup>2</sup>



## Australia – A&A<sup>2</sup> / Trade Retail<sup>4</sup>



- Source ABS data – (two quarter lag – actual 12 months to September)
- Source ABS, BIS Shrapnel forecast (value of work done – 12 months to March)
- Source Statistics New Zealand – (residential consents 2 quarter lag – 12 months to September)
- Source ABS – Hardware retailing code 8501 – 12 months to February 2016



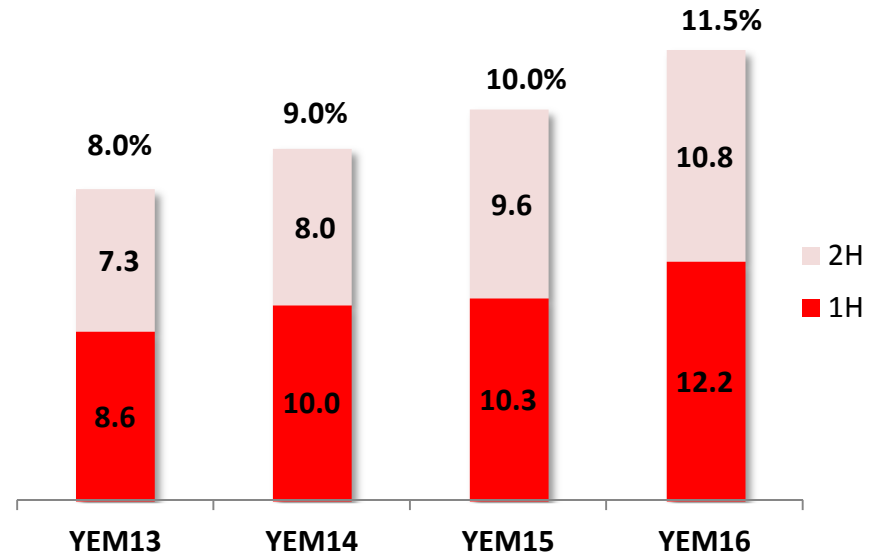


# Record Building Products EBIT

A\$m unless stated <sup>1</sup>	YEM16	YEM15	change
<b>Revenue</b>	<b>1,466.8</b>	1,211.2	21%
EBITDA	214.9	161.0	33%
<b>EBIT</b>	<b>169.1</b>	120.9	40%
Funds employed <sup>2</sup>	903.7	823.6	10%
EBIT/revenue	11.5%	10.0%	
Return on funds employed <sup>3</sup>	19.6%	15.0%	

1 EBITDA and EBIT (before significant items).  
 2 Excludes cash and tax balances and certain other non-trading assets and liabilities (including asbestos liabilities) as at 31 March.  
 3 Refer footnote on slide 5.

## Building Products EBIT Margin %



## Building Products movement in EBIT



- Building Products EBIT up 40%
  - Strong growth in Gyprock, Hebel and AFS
  - Consolidation of PGH Bricks JV earnings
  - Excluding minority of PGH Bricks JV EBIT, Building Products EBIT up 28%



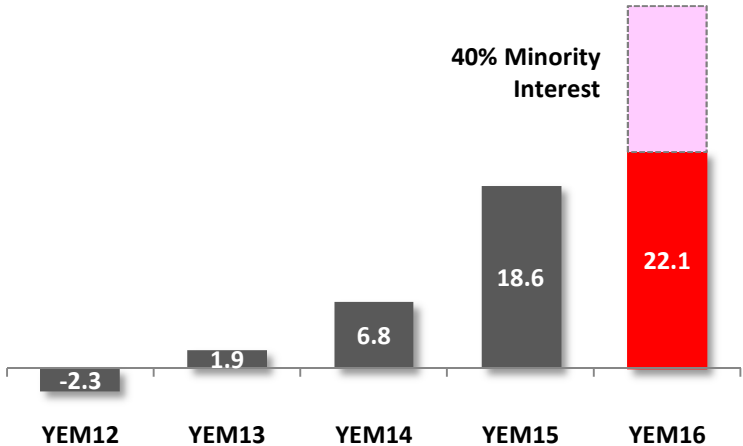
# PGH Bricks JV exceeding expectations



A\$m (unless stated)	YEM16		YEM15	
	Consolidated <sup>1</sup>	CSR 60% stake in JV <sup>2</sup>	(CSR bricks pre JV) <sup>1</sup>	CSR % change
Revenue	273.1	167.9	134.0	25%
EBIT	37.0	22.1	18.6	19%
EBIT/revenue	13.5%	13.2%	13.9%	

<sup>1</sup> Before significant items.  
<sup>2</sup> Represents CSR's 60% stake in 11 months of consolidated PGH Bricks JV results and one month of wholly owned PGH Bricks.

## PGH Bricks EBIT



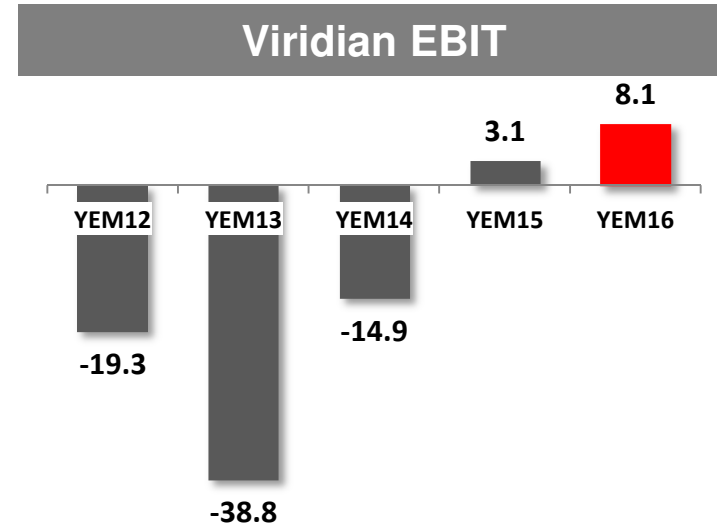
- PGH Bricks JV began trading on 1 May 2015
- 19% growth in proportional EBIT
- Strong market activity, improved product mix driving higher pricing and margin
- On track to deliver benefit of ~\$10 million (consolidated) in annualised synergies in YEM17



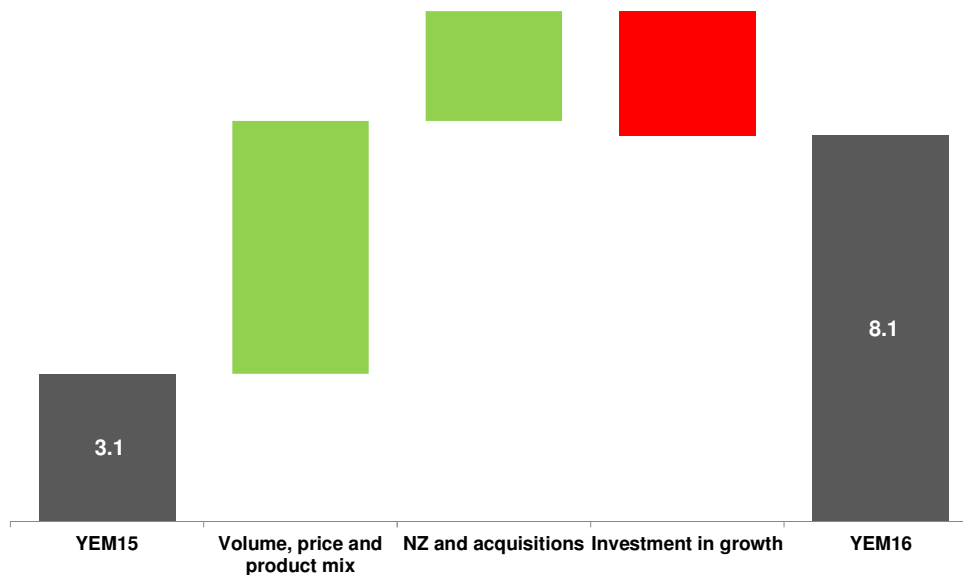
# Viridian EBIT improvement following pricing initiatives

<i>A\$m unless stated <sup>1</sup></i>	YEM16	YEM15	change
<b>Revenue</b>	<b>301.3</b>	279.3	8%
EBITDA	17.9	12.8	40%
<b>EBIT</b>	<b>8.1</b>	3.1	161%
Funds employed <sup>2</sup>	208.4	181.0	15%
EBIT/revenue	2.7%	1.1%	
Return on funds employed <sup>3</sup>	4.1%	1.7%	

- 1 EBITDA and EBIT (before significant items).
- 2 Excludes cash and tax balances and certain other non-trading assets and liabilities (including asbestos liabilities) as at 31 March.
- 3 Refer footnote on slide 5.



## Viridian movement in EBIT

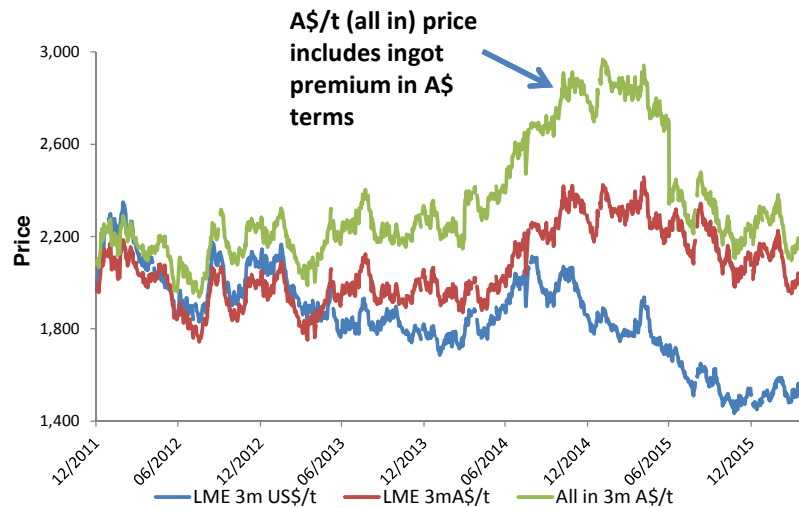


- 8% revenue growth
- Viridian NZ improvement from strong construction activity and operational initiatives
- Completed a number of bolt on acquisitions to strengthen offer in key markets
- Invested in strategy roll-out and commercial capability



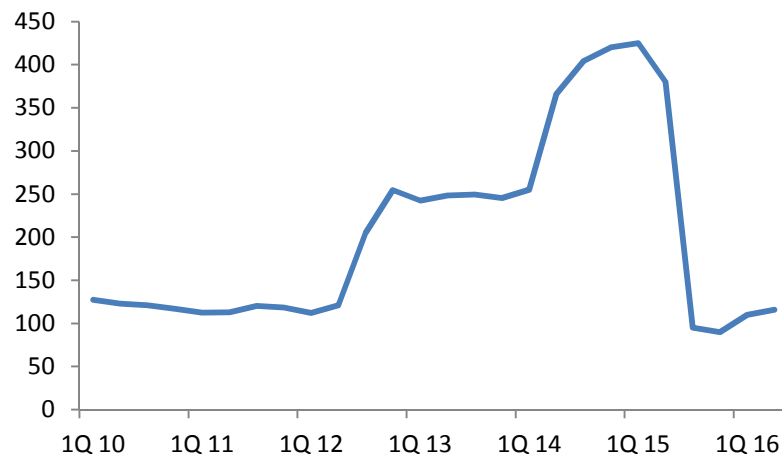
# Aluminium market – pricing supported by weaker A\$

## LME 3m US\$ and A\$ and A\$ (all-in) price



Source: FastMarkets, ACI Australia, Platts Metals week

## Platts – ingot premium (MJP) US\$ p/t



Source: Platts Metals week

## GAF aluminium hedge book (as of 5 May 2016)

	YEM17	YEM18
Average hedged aluminium price A\$ per tonne (excludes premiums)	\$ 2,338	\$ 2,321
% of net aluminium exposure hedged	51%	5%

- Decline in US\$ LME offset by weaker A\$
- Sharp fall in ingot premiums in YEM16
- Ingot premiums now stabilised

# Aluminium – 4% increase in sales tonnage

A\$m unless stated <sup>1</sup>	YEM16	YEM15	change
<b>Sales (tonnes)</b>	<b>210,158</b>	202,423	4%
A\$ realised price <sup>2</sup>	2,525	2,633	-4%
<b>Revenue</b>	<b>530.7</b>	532.9	0%
EBITDA	131.0	131.5	0%
<b>EBIT</b>	<b>104.1</b>	104.3	0%
Funds employed <sup>3</sup>	167.2	177.1	-6%
EBIT/revenue	19.6%	19.6%	
Return on funds employed <sup>4</sup>	60.5%	55.4%	

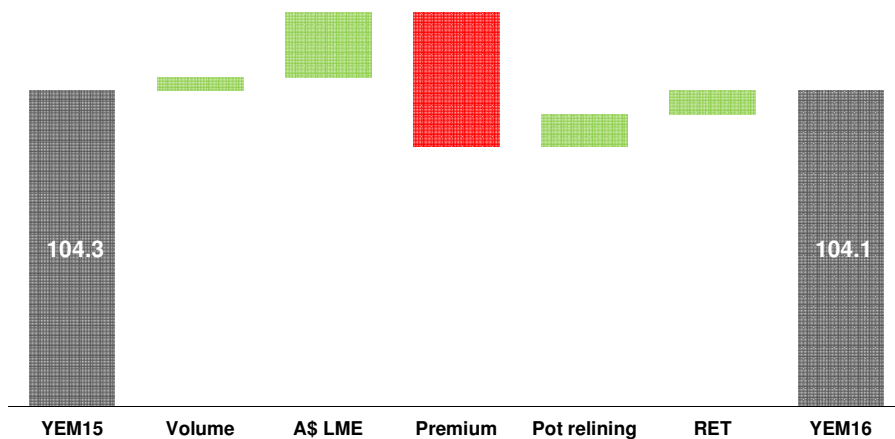
1 EBITDA and EBIT (before significant items).

2 Includes hedging and premiums.

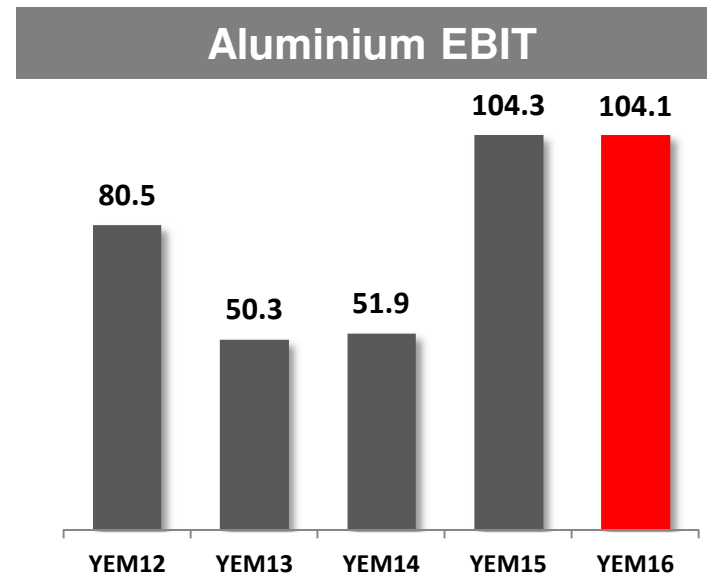
3 Excludes cash and tax balances and certain other non-trading assets and liabilities as at 31 March.

4 Refer footnote on slide 5.

## Aluminium movement in EBIT



Note: In YEM16 70 pots were relined compared to 196 pots in the previous year. The current YEM17 forecast is for ~80 pots to be relined.

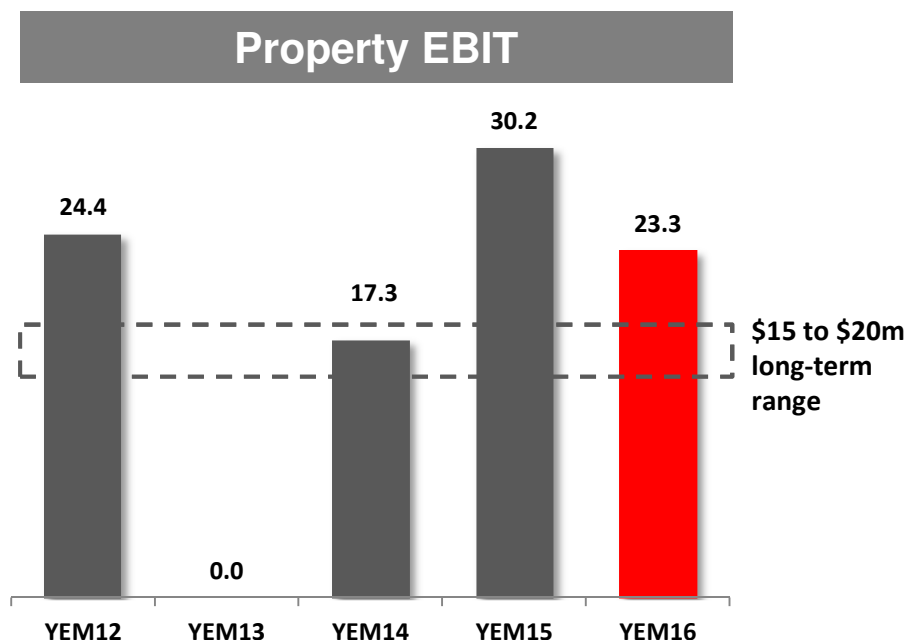


- Sales volumes up 4% following operational improvement
- Improved Tomago performance as well as:
  - Lower costs associated with pot relining
  - RET exemption backdated to 1 January 2015

# Property result underpinned by New Lynn sale

A\$m unless stated <sup>1</sup>	YEM16	YEM15	change
<b>EBIT</b>	<b>23.3</b>	30.2	-23%
Funds employed <sup>3</sup>	133.0	125.5	6%
Return on funds employed <sup>4</sup>	18.1%	23.2%	

1 EBIT (before significant items).  
 2 Excludes cash and tax balances and certain other non-trading assets and liabilities (including asbestos liabilities) as at 31 March.  
 3 Refer footnote on slide 5. ROFE varies due to timing of projects.



## Current Projects

<b>Chirnside Park, Vic</b>	<ul style="list-style-type: none"> <li>533 lot residential development</li> <li>Progress to date: 263 lots settled, 100 contracts exchanged with 170 lots remaining to be sold</li> </ul>
<b>Schofields, NSW</b>	<ul style="list-style-type: none"> <li>70ha – future residential</li> <li>Between 1,000 to 1,200 lots</li> <li>Quarry rehabilitation underway</li> <li>Rezoning application lodged in 2015</li> </ul>
<b>Horsley Park, NSW</b>	<ul style="list-style-type: none"> <li>30 ha – surplus land future industrial</li> <li>Subdivision of surplus land underway</li> <li>Construction commencing in June 2016</li> </ul>
<b>Brendale, Qld</b>	<ul style="list-style-type: none"> <li>Marketing continues of ~39 ha industrial development</li> </ul>



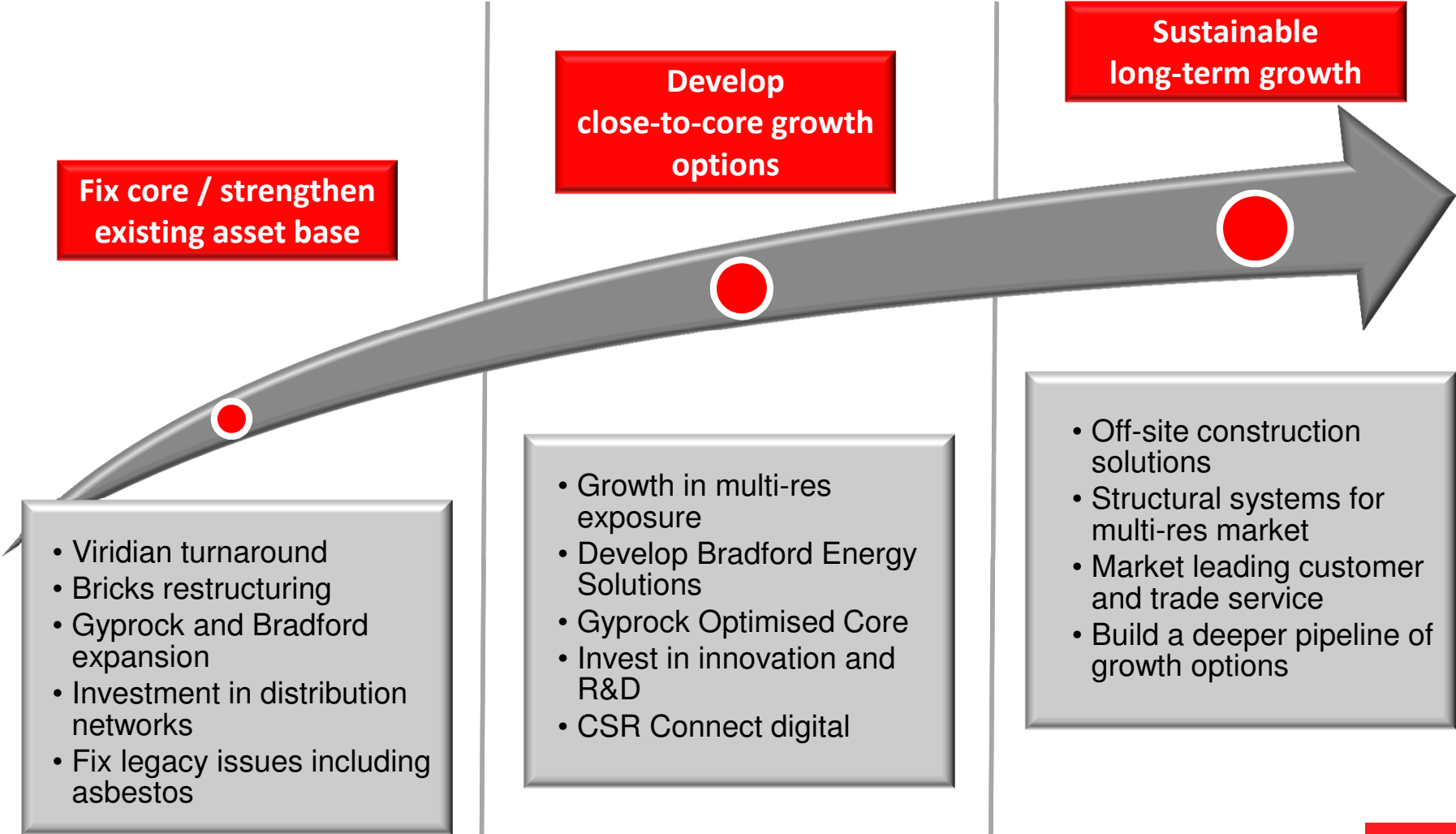
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# STRATEGY AND OUTLOOK

# 4

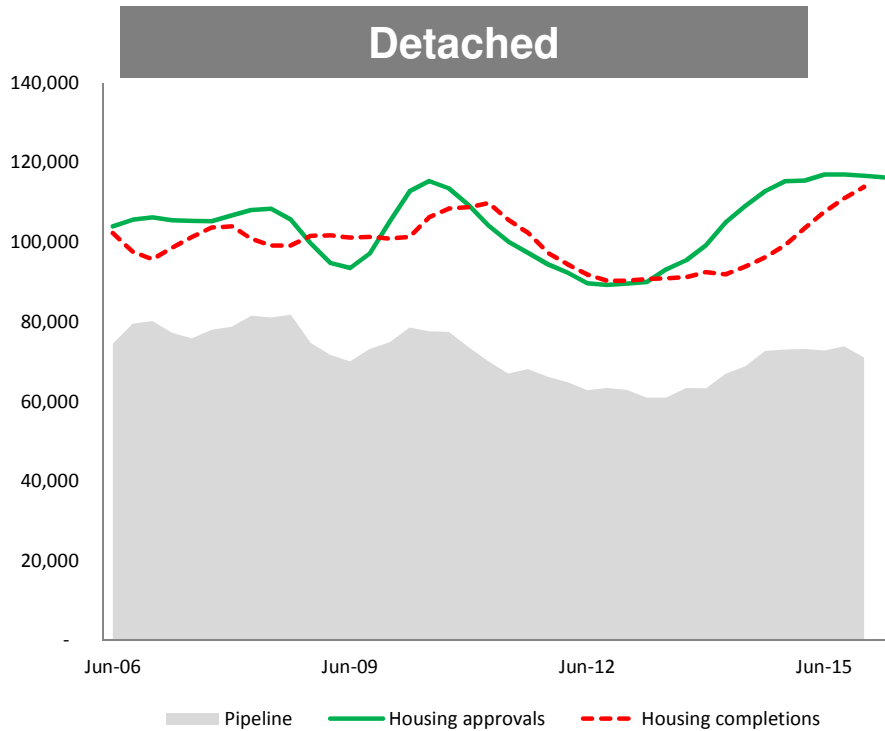


# Focused on sustainable long-term growth

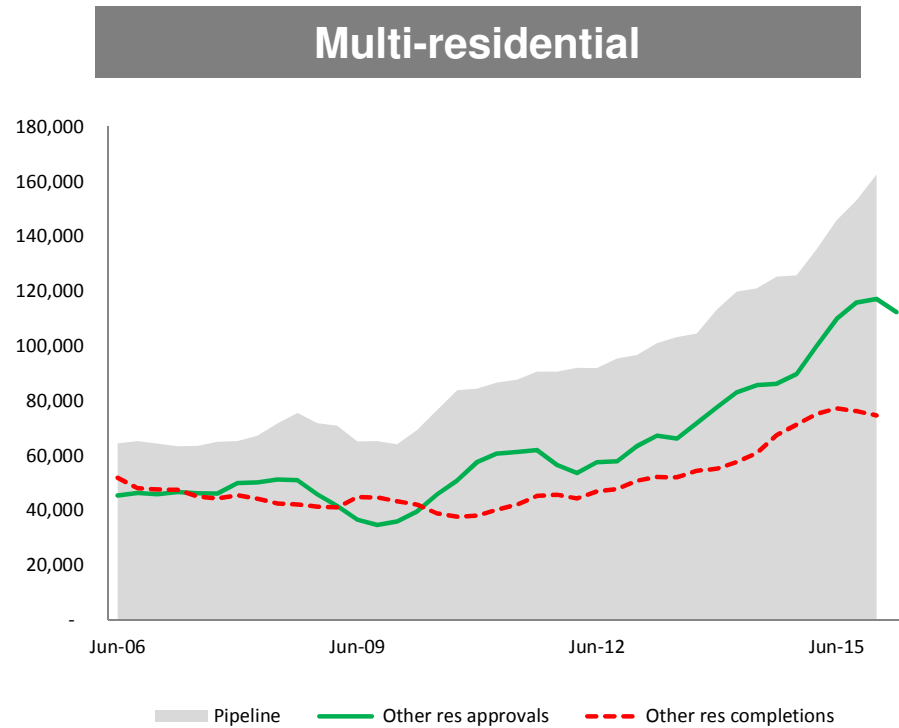




# Pipeline remains strong in residential construction



- Detached housing approvals sustained at current levels
- Actual activity (completions) catching up with starts



- Continued strength in approvals and commencements
- Work in progress at record levels, and growing

Source: ABS – moving annual total (MAT). Pipeline includes dwellings approved and not yet commenced, and under construction, but not yet completed (ABS cat 8752)

# Outlook for year ending 31 March 2017 (YEM17)

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## Building Products

- Residential construction markets continue to experience record levels of activity which will support demand for CSR products in the year ahead.
- The pipeline of residential construction activity continues to rise as total commencements for the 12 months to December 2015 were 221,000 compared to 192,000 dwellings completed over the same period.

## Viridian

- Expected to deliver further earnings improvement from growth in high performance glass and increasing its presence in the commercial market.

## Aluminium

- 51% of its aluminium sales (net of alumina) hedged at an average price of A\$2,338 per tonne (before premiums).
- Ingot premiums, which are paid to producers above the London Metal Exchange aluminium price, have stabilised recently at around US\$110-115 per tonne.

## Property

- Earnings are always subject to the timing of transactions.
- The continuing development of a number of projects will underpin earnings over the next five to 10 years.

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# APPENDIX

# 5



# Review of significant items

\$million	2016	2015
Legal disputes, warranties and remediation <sup>1</sup>	-	(14.2)
Transaction and integration costs <sup>2</sup>	(21.5)	(4.1)
Other restructuring costs <sup>3</sup>	(3.3)	(6.5)
<b>Significant items before finance cost and income tax</b>	<b>(24.8)</b>	<b>(24.8)</b>
Discount unwind and hedge loss relating to product liability provision	(12.6)	(12.7)
Transaction costs included in finance cost	(0.4)	(0.4)
<b>Significant items before income tax</b>	<b>(37.8)</b>	<b>(37.9)</b>
Income tax benefit on significant items	9.0	16.9
<b>Significant items after tax</b>	<b>(28.8)</b>	<b>(21.0)</b>
Significant items attributable to non-controlling interests	5.1	-
<b>Significant items attributable to shareholders of CSR Limited</b>	<b>(23.7)</b>	<b>(21.0)</b>
Net profit attributable to shareholders of CSR Limited	142.3	125.5
Significant items attributable to shareholders of CSR Limited	23.7	21.0
<b>Net profit before significant items attributable to shareholders of CSR Limited</b>	<b>166.0</b>	<b>146.5</b>
<b>Earnings per share attributable to shareholders of CSR Limited before significant items<sup>4</sup></b>		
Basic (cents per share)	32.9	29.1
Diluted (cents per share)	32.7	28.7

1. During the financial year ended 31 March 2015, the CSR group recorded a charge of \$14.2 million as a result of the remeasurement of provisions in relation to legal disputes and land remediation obligations as well as sundry asset write offs for some legacy factory sites.
2. During the financial years ended 31 March 2016 and 31 March 2015, the CSR group incurred costs associated with potential and completed acquisitions, including integration costs relating to Boral CSR Bricks Pty Limited which was formed on 1 May 2015. In addition, adjustments were recorded as a result of the fair value re-measurement of contingent consideration on previous acquisitions.
3. During the years ended 31 March 2016 and 31 March 2015, restructuring and relocation programs took place across Building Products to align the business cost base with current market conditions and secure ongoing efficiencies.
4. The basis of calculation is consistent with the earnings per share disclosure in the statement of financial performance.