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Results Announcement for the year ended 30 June 2014

27 August 2014

Media Release



Boral delivers a substantial profit improvement

Boral Limited (ASX: BLD) today reported a **64% increase in net profit after tax (NPAT) before significant items¹ to \$171 million** for the year ended 30 June 2014. **After significant items, Boral reported a net profit after tax of \$173 million.**

While Boral sales revenue from continuing operations was up 7% to \$4.5b, Boral's reported **sales revenue of \$5.2 billion** was marginally below the prior year reflecting the impact of four months of equity accounting in the Gypsum division following the formation of the USG Boral joint venture in March 2014.

Earnings before interest and tax (**EBIT**) (before significant items)¹ of **\$294 million** was a **29% increase** on the prior year.

A **fully franked final dividend of 8.0 cents** per share, up 33% on last year, was announced and will be paid on 26 September 2014, bringing the full year dividend to 15.0 cents per share.

Boral's CEO & Managing Director, Mike Kane, highlighted the positive features of Boral's result.

"Our focus on improving the underlying performance of Boral's businesses through **restructuring and portfolio realignment is delivering clear benefits to the business**. Together with the ongoing housing market recovery in the USA, improved housing activity in Australia and continued growth in Boral's markets in Asia, these benefits contributed to Boral's stronger result.

"In Boral's largest division – **Construction Materials & Cement** – despite a **\$20 million reduction in property earnings**, the business **closed the EBIT gap with improvements in underlying results**. A significant **EBIT contribution of \$277 million** was broadly in line with last year. Average selling prices were disappointingly flat, however, restructuring, continuous improvements and cost reduction programs delivered tangible benefits, most notably in the Cement business.

"An EBIT contribution of \$8 million from **Building Products** was a **substantial \$48 million turnaround from the division's reported losses last year**. This strong performance improvement was achieved through portfolio rationalisation and restructuring, together with improving housing construction activity in New South Wales, Queensland and Western Australia.

"Despite a slower than expected rate of recovery in the US housing market, our **Boral USA** division almost halved its losses year-on-year. The division reported an EBIT loss of US\$35 million this year versus US\$66 million in the prior year; and for the **first time in six years, the business reported a positive EBITDA result of US\$3 million**. Momentum is building in the US business as the market continues to claw back after six years of depressed activity levels.

"Completion of the **USG Boral joint venture was a major milestone achieved during the year**. The Gypsum business is in an exceptional position to leverage market growth, product penetration and new technologies, and is on track to deliver the US\$50 million of joint venture synergies. The **underlying business delivered 19% higher revenues and a 23% lift in EBIT** year-on-year. **Boral's reported Gypsum earnings of \$77 million** was \$6 million below last year reflecting the impact of equity accounting the 50%-owned USG Boral joint venture from March 2014.

¹ 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 8 of the preliminary full year financial report. Non-IFRS information has not been subject to audit or review.

“Another key feature of the result was the **strong level of cash generation** in FY2014. We have **more than halved Boral’s net debt** – reducing it from \$1.45 billion last year to \$718 million at 30 June 2014. The \$728 million reduction in debt was a result of \$562 million of proceeds received from USG following the sale of the Gypsum business into the USG Boral joint venture, as well as a much stronger operating cash flow of \$507 million compared with \$309 million in the prior year.”

Mike Kane added that there are still challenges within Boral’s business and work is continuing to improve Boral’s EBIT return on funds employed to at least 15% over the long-term.

“While we are continuing to work on portfolio improvements to better position Boral for the long-term, we are maintaining our short-term focus on cost reductions to offset inflationary headwinds – particularly as pricing remains challenging in some key markets. We are also focused on continuing to lift the performance of underperforming businesses through restructuring and other initiatives, including completing a review of our global Bricks position and commencing a review of our Australian Timber business.

“In FY2015, we expect growth in the US housing market and key markets in Asia but in Australia strength in the housing market and non-residential activity will be offset by a slowdown in roads and infrastructure activity. Overall, we expect improvements in the performance of each of Boral’s four divisions,” said Mr Kane.

For the 2015 financial year, Boral expects:

- **Construction Materials & Cement** to continue to deliver a strong result. While performance should improve, expectations could be dampened if the inability to realise price increases continues.
- **Building Products** to approximately double its \$8 million EBIT reported in FY2014.
- **Boral Gypsum** to deliver a continued stronger underlying performance, but Boral’s reported earnings will be lower as a result of moving to a full year of 50%-owned equity accounted earnings from the USG Boral joint venture.
- **Boral USA** to deliver a broadly break-even EBIT result, assuming housing starts of around 1.1-1.2 million starts for the year.

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