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Results Announcement for the year ended 30 June 2017

30 August 2017

Media Release



Boral delivers on transformation strategy and reports strong earnings growth with underlying profit after tax¹ up 28% to \$343 million

Boral Limited (ASX: BLD) today reported a 28% increase in underlying **profit after tax before significant items¹ to \$343 million** for the year ended 30 June 2017. The result reflects a strong performance, with all three divisions contributing to the improvement.

After significant items, Boral reported a net profit after tax of \$297 million, 16% ahead of the prior year.

Sales revenue of \$4.4 billion was up 2% on the prior year, including eight weeks of revenue from the Headwaters acquisition as well as underlying business growth. Excluding the impact of lower reported revenues from US Bricks following the formation of the Meridian Brick JV in the USA, revenue increased by 8%.

Earnings before interest and tax (**EBIT**) before significant items **increased 16% to \$460 million**, underpinned by growth in all three divisions – Boral Australia, USG Boral and Boral North America. Volume and price growth in most businesses, coupled with business improvement initiatives, were features of the result, along with eight weeks of Headwaters earnings.

The reported profit result benefited from a **lower net interest expense** year-on-year due to the positive cash balance for part of the year following the equity raise, and a **steady income tax expense** as a result of the recognition of previously unrecognised tax losses in Australia and the US, and a benefit arising from the vesting of long term incentive payments.

A **net loss of \$46 million for significant items** largely reflects transaction costs in relation to the Headwaters acquisition and an asset impairment for the Bricks business in Western Australia, partially offset by a net gain from divestments in the first half, including the sale of our 40% share in Boral CSR Bricks and the formation of the Meridian Brick JV in the USA.

A **final dividend of 12.0 cents per share** was announced and will be paid on 3 October 2017, bringing the full year dividend to 24.0 cents, up 7% on last year.

Boral's CEO & Managing Director, Mike Kane, said that Boral has continued to deliver strong earnings growth during the financial year while at the same time, undergoing a major strategic transformation of the business, following the acquisition of Headwaters Inc. in the USA.

"Starting with Boral's safety performance for the year, it remains strong relative to industry peers, with a further 8% improvement in our recordable injury frequency rate to 8.1 delivered in FY2017."

"The increase in EBIT reflects Boral's high-performing business in Australia, supplying continued strong east coast residential markets as well as growing infrastructure volumes linked to major public sector spending, especially in NSW, where we have a strong market position.

"There has also been strong performance from our growing USG Boral joint venture, with Australian and Korean businesses doing particularly well.

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 7 of the Preliminary Financial Report. Non-IFRS information has not been subject to audit or review.

“And in North America, the US\$2.6 billion acquisition of Headwaters has transformed Boral into a more global and more resilient building products and construction materials group.

“We have delivered a substantial increase in EBIT from Boral North America, underpinned by the completion of the Headwaters acquisition. Integration is tracking well and in line with our expectations, and we expect to deliver significant earnings growth in FY2018, with a full year contribution from Headwaters and synergy delivery, as well as continued steady market growth.

“We do acknowledge however, the potential impacts of Hurricane Harvey on operations in and around Texas. We are currently monitoring the situation.”

Referring to the financial results from Boral’s three divisions, Mr Kane reported the following:

- Boral’s largest division, **Boral Australia** – delivered a strong 11% lift in EBIT to \$349 million. The Australian business delivered volume and margin improvements, benefiting from strong east coast residential markets and growing infrastructure activity. Property contributed \$24 million compared with \$28 million in the prior year.
- The **USG Boral** joint venture delivered \$70 million of post-tax earnings to Boral, an 18% increase on the prior year. USG Boral’s underlying EBIT of \$217 million was up 21%, due to solid growth in Korea and Australia from strong market activity, increased penetration of premium priced Sheetrock® and growth in adjacent products. Higher plant utilisation and cost improvement activities also helped the result.
- **Boral North America** – the newly formed division of Boral USA and Headwaters – delivered EBIT of A\$66 million up 50%. The result included A\$28 million (US\$21 million) from Headwaters, in line with guidance provided when the acquisition completed, and the underlying Boral business benefited from price and volume gains.

Commenting on outlook, Mr Kane said Boral expects **continued growth** across all businesses in FY2018, including a significant lift in earnings from Boral North America.

- **Boral Australia is expected to deliver higher EBIT in FY2018 (excluding Property earnings in both years)**, with the result broadly balanced between 1H and 2H. The anticipated improvement is underpinned by infrastructure volume growth driving volume increases, particularly in asphalt and associated quarry products. Concrete and cement activity levels are expected to remain high. Margins are expected to improve through a combination of price growth and cost discipline. **Property** earnings will continue to contribute but are currently expected to be at the lower end of the historic range of \$8 million to \$46 million per annum. If the contribution from Property is included in both years, Boral Australia is expected to deliver an EBIT in FY2018 broadly similar to FY2017.
- **USG Boral earnings are expected to continue to grow in FY2018**, underpinned by the strength of Sheetrock® across all markets delivering price, volume and cost benefits as well as expected performance improvements in Indonesia and Thailand. The rate of profit growth in FY2018 is anticipated to be in the high single digits.
- **Boral North America is expected to deliver significant growth in EBIT in FY2018**, primarily as a result of a **full year contribution from Headwaters coupled with targeted year 1 synergies of US\$30-35 million**, and continued steady market growth. The Meridian Brick joint venture, which formed in November 2016, is expected to contribute to the earnings uplift, including the ramp up of joint venture synergies which are targeted at US\$25 million p.a. by November 2020.

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