



Merrill Lynch  
**Australasia Investment  
Conference**  
2002

Peter Kirby  
CSR Limited

30 September 2002

**CSR**

# CSR is one of the top 10 building materials groups in the world



## Heavy building materials production capacity

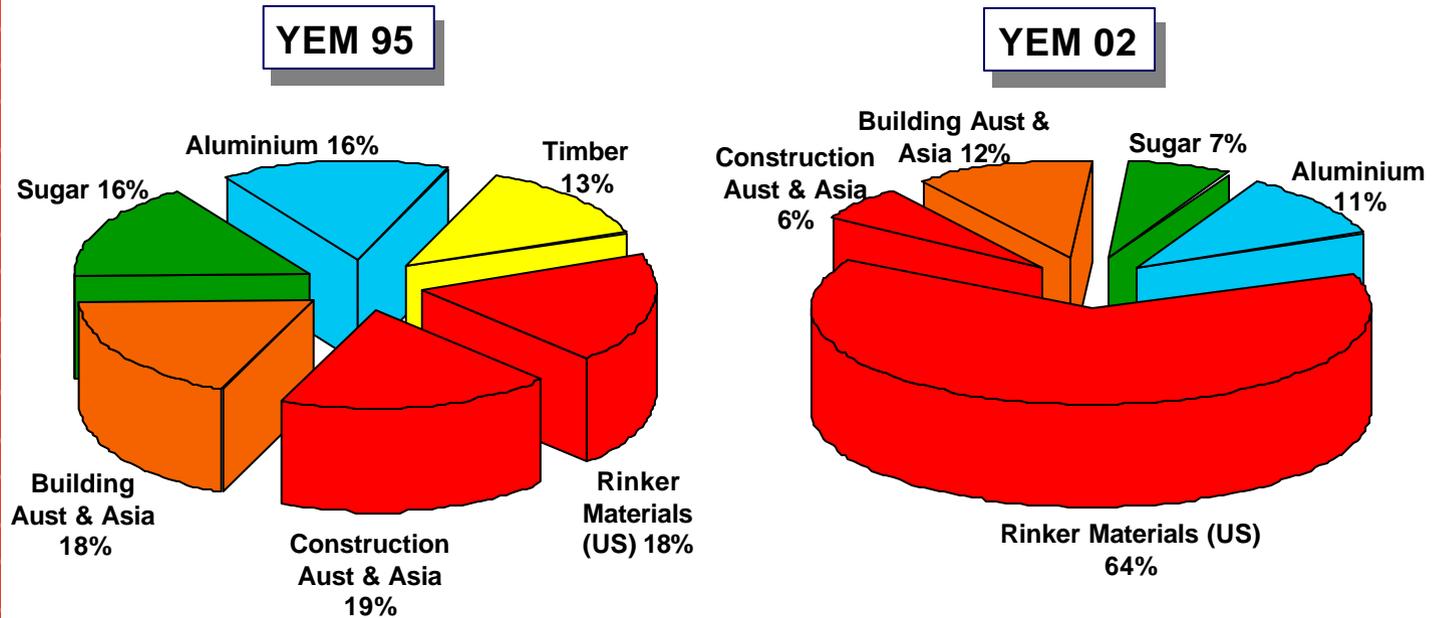
Aggregates 93m tons

Cement 3.7m tons

Concrete 21m cu yds

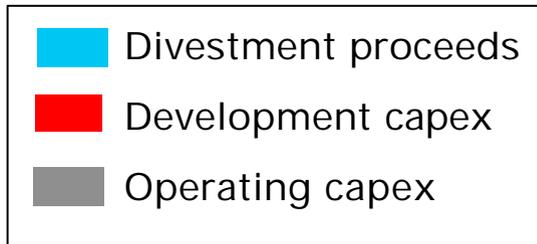
Concrete pipe & products 6m tons

# International heavy building materials around three-quarters of CSR earnings

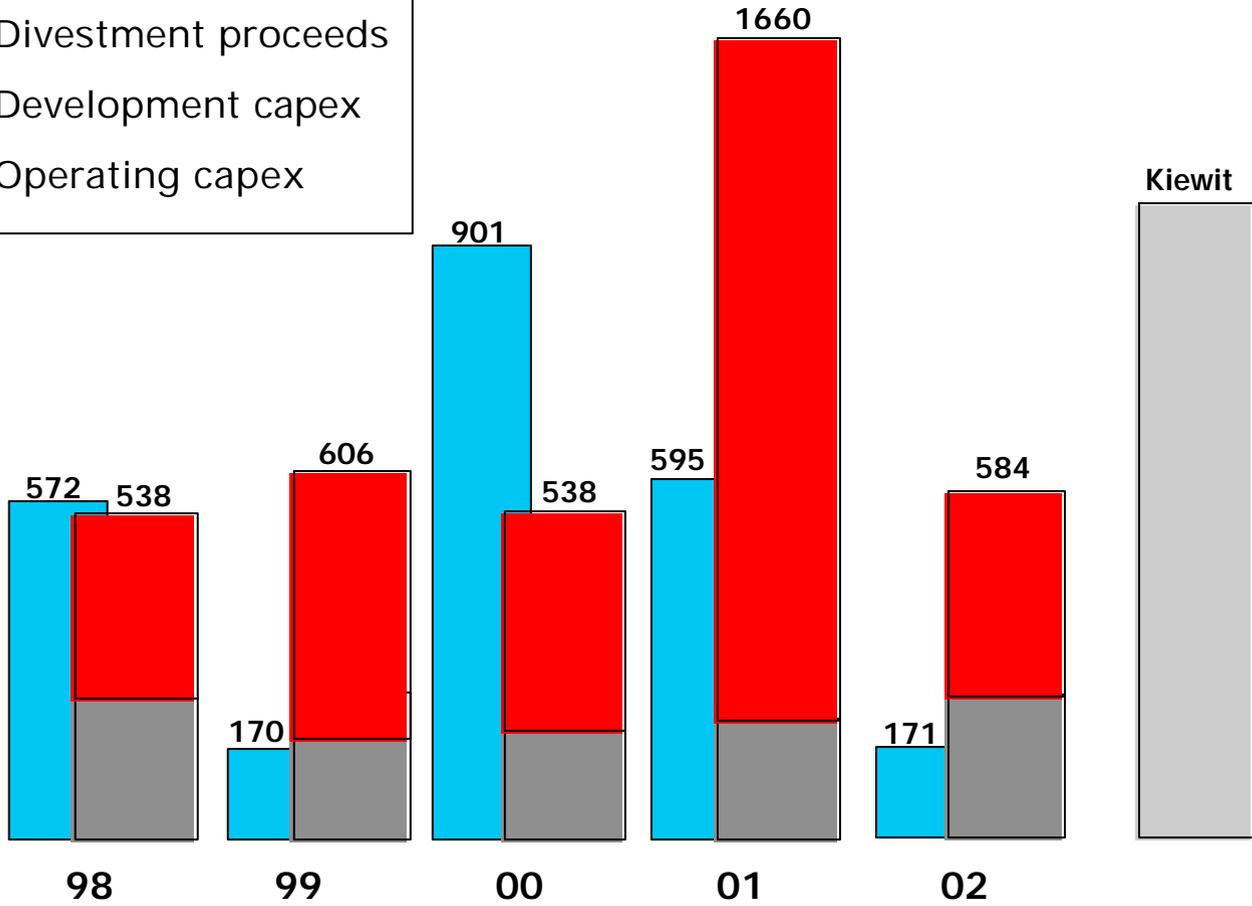


Rinker Materials Corporation in the US is 64% and growing .....

## Divestment proceeds have helped fund growth Operating capex well-controlled



A\$ million



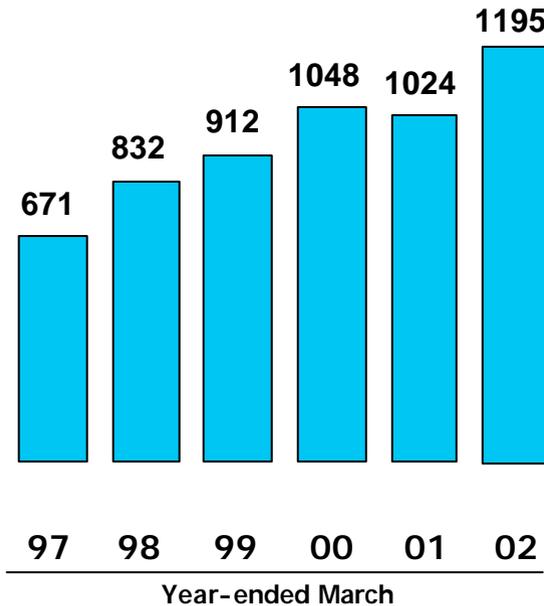
## CSR today

- **A value-adding strategy : restructure, performance improvement and growth**
- **Narrower business focus; geographic diversification**
- **Strong, low cost market positions**
- **Strong free cash flow**
- **Value-adding growth**
- **Total return to shareholders average 30% p.a. compound over past three years**

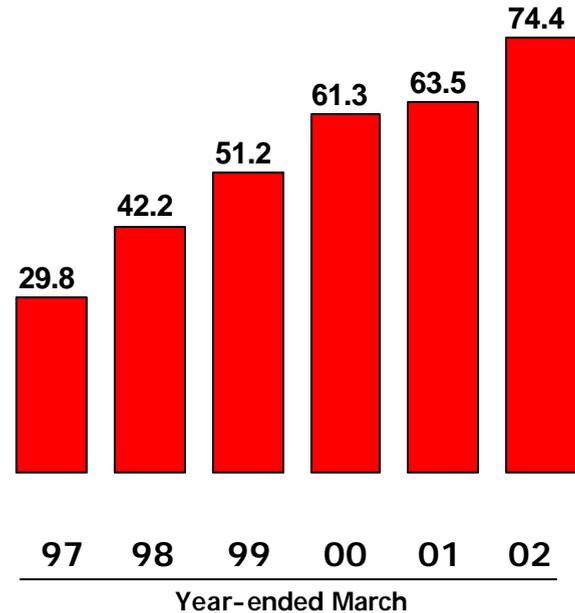
# Cash flow up 17% last year

Cash flow per employee up 20.1% p.a. compound since '97

Operating cash flow \*  
A\$m



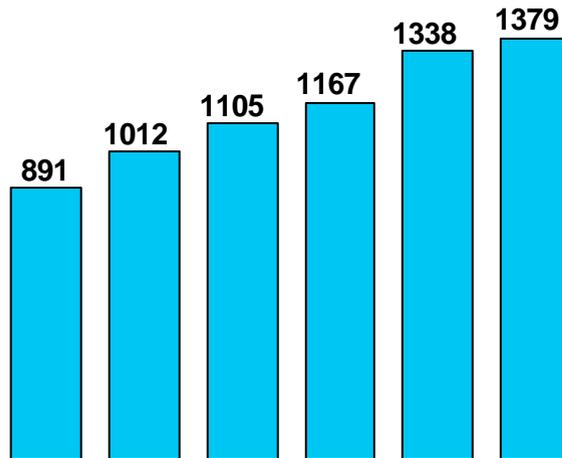
Operating cash flow  
A\$'000 per employee



# EBITDA and EBIT continue to grow

EBITDA margin up 46% since YEM 97 to 19.7%

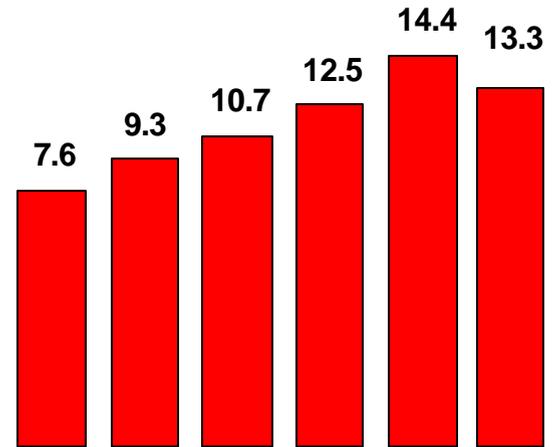
### EBITDA A\$m



97 98 99 00 01 02

Year-ended March

### EBIT / Sales %



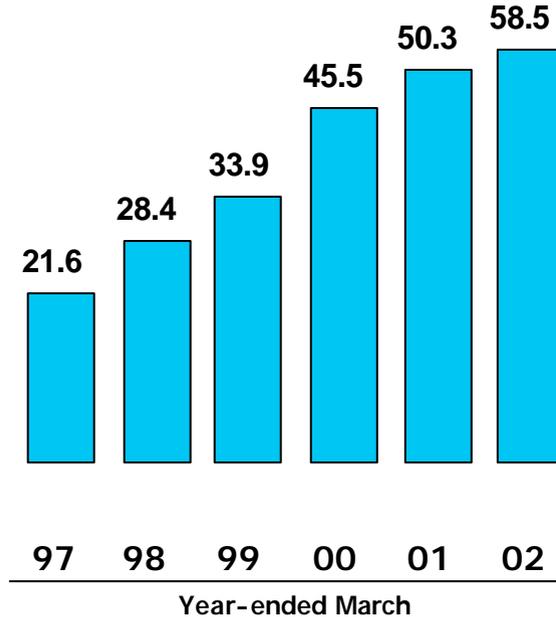
97 98 99 00 01 02

Year-ended March

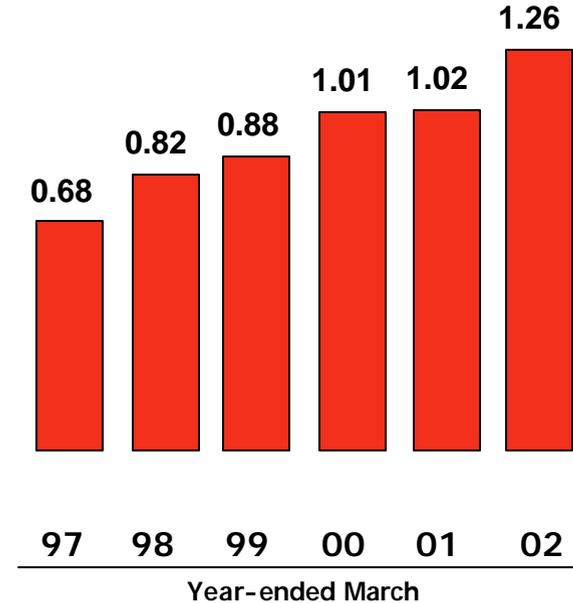
# Strong growth in earnings & cash flow per share since 1997

CAGR in earnings per share (EPS) 22% p.a.

**EPS**  
CAGR 22% YEM97-YEM02

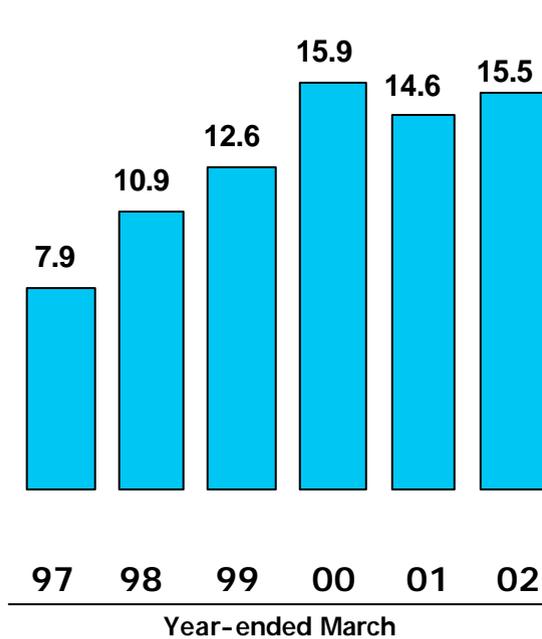


**Operating cash flow per share**  
CAGR 13% YEM97-YEM02

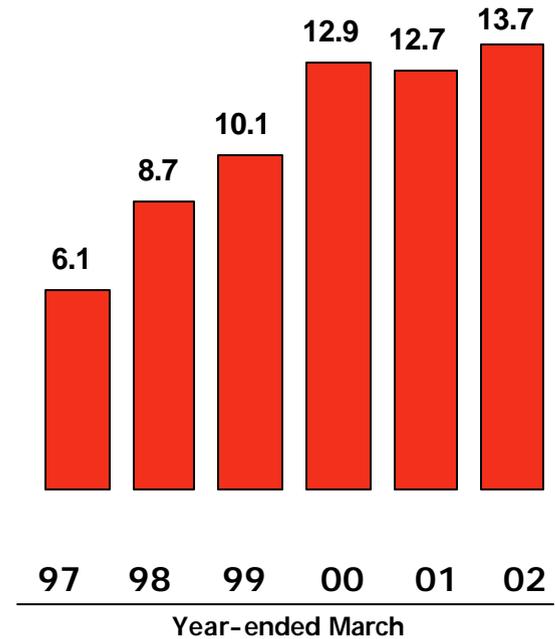


# Return on equity, funds employed doubled since 1997

Return on funds employed  
%

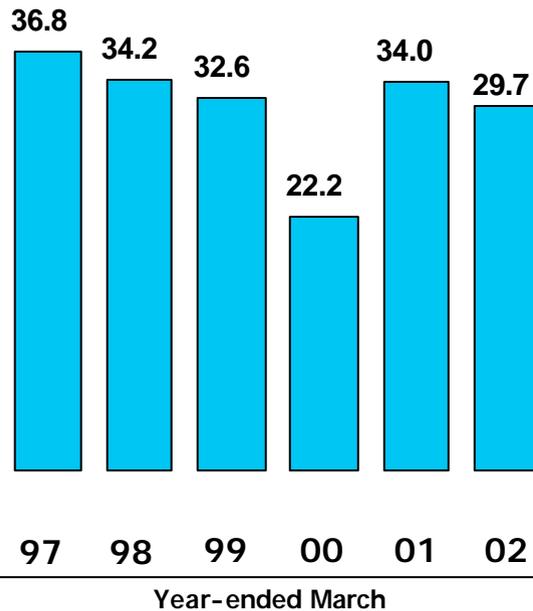


Return on equity  
%

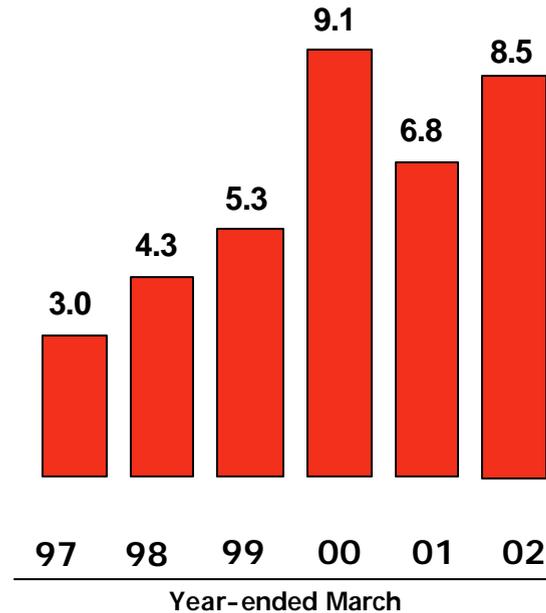


# Strong financial position

**Gearing %**  
(net debt / net debt + equity)

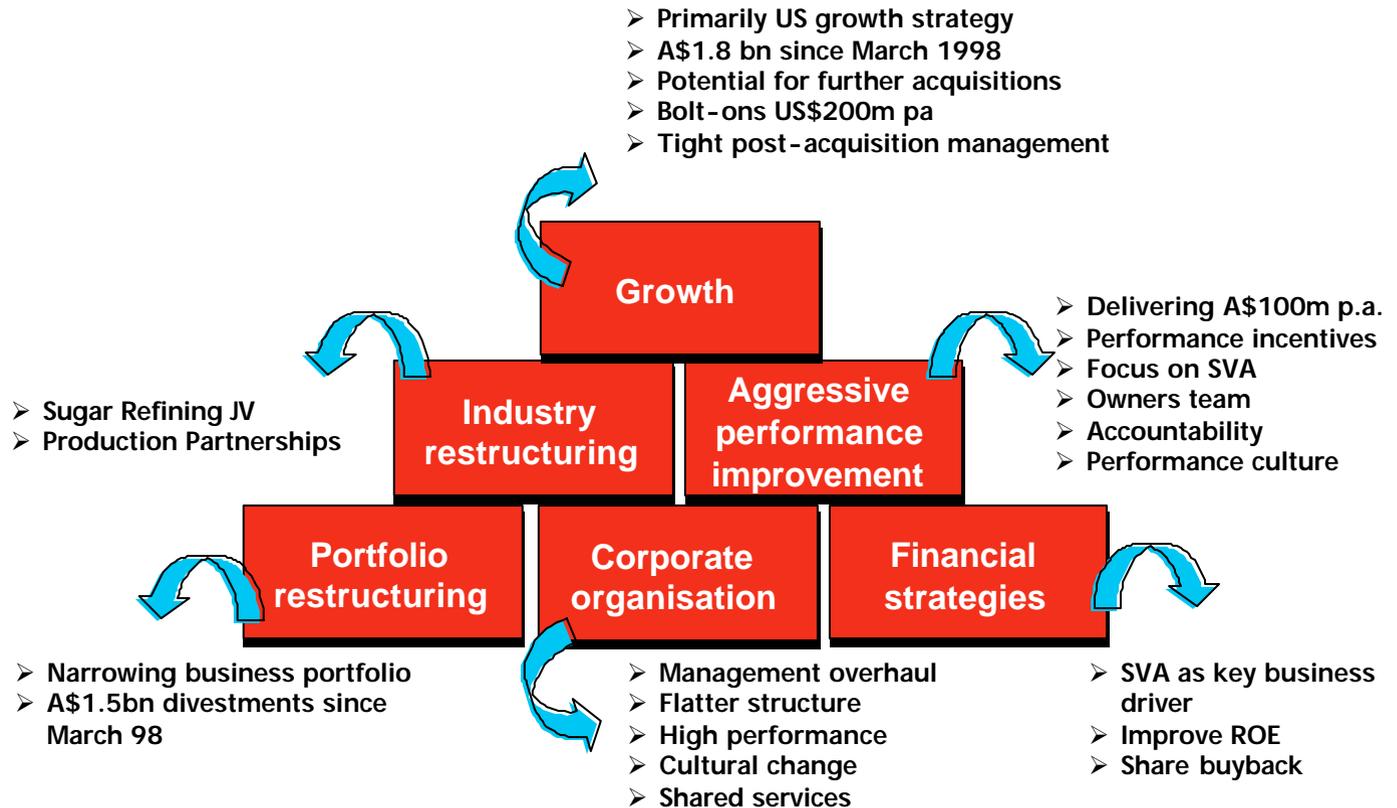


**Interest cover**  
(times)

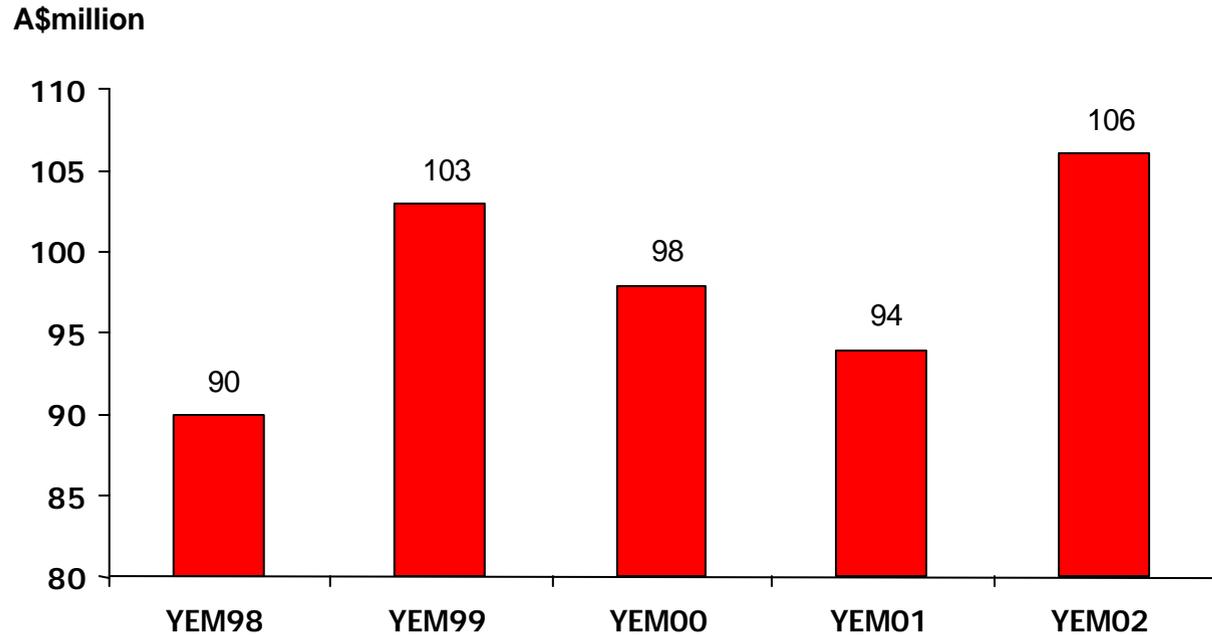


# STRATEGY : radical restructuring and growth in parallel

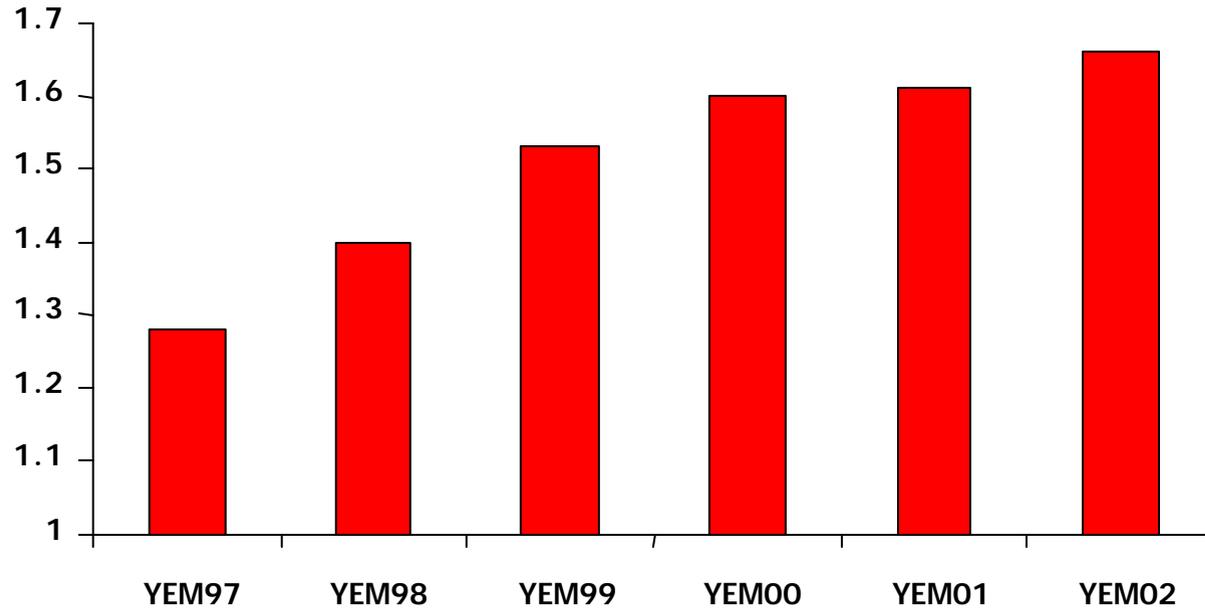
## Six "levers" all contributing to shareholder value



## Operational improvement program savings around A\$100m p.a. in costs since 1998

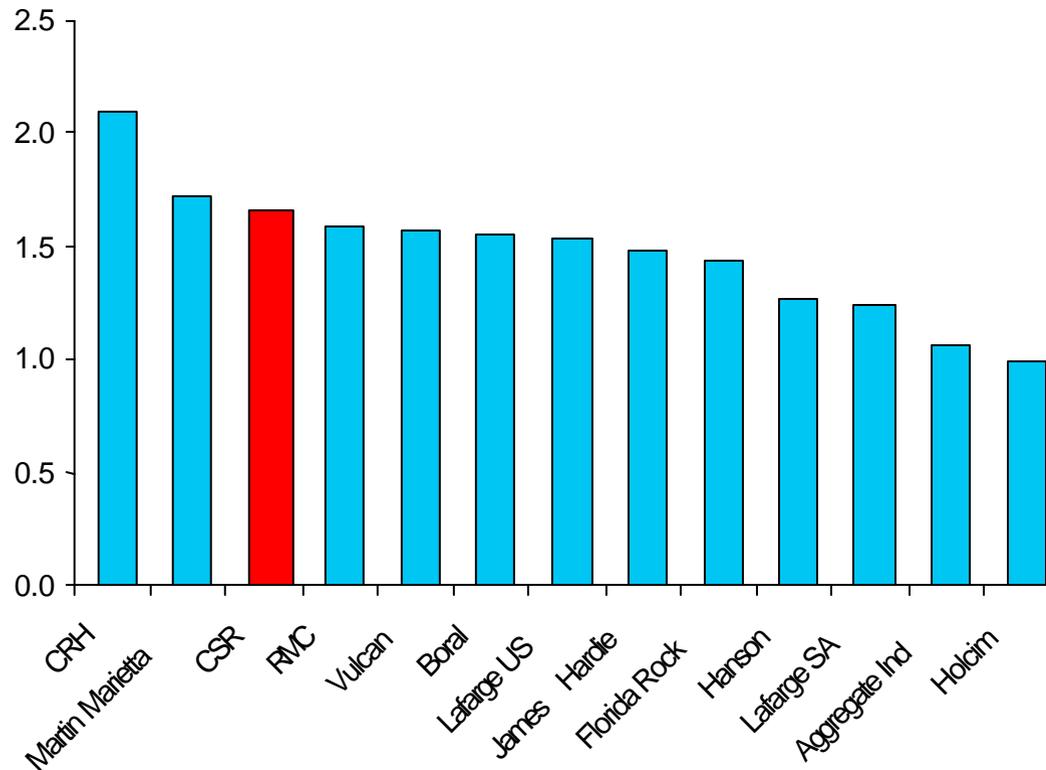


**CSR's net fixed asset turnover continues to improve as we lift performance, manage capex, divest poor-performing assets & focus on SVA**



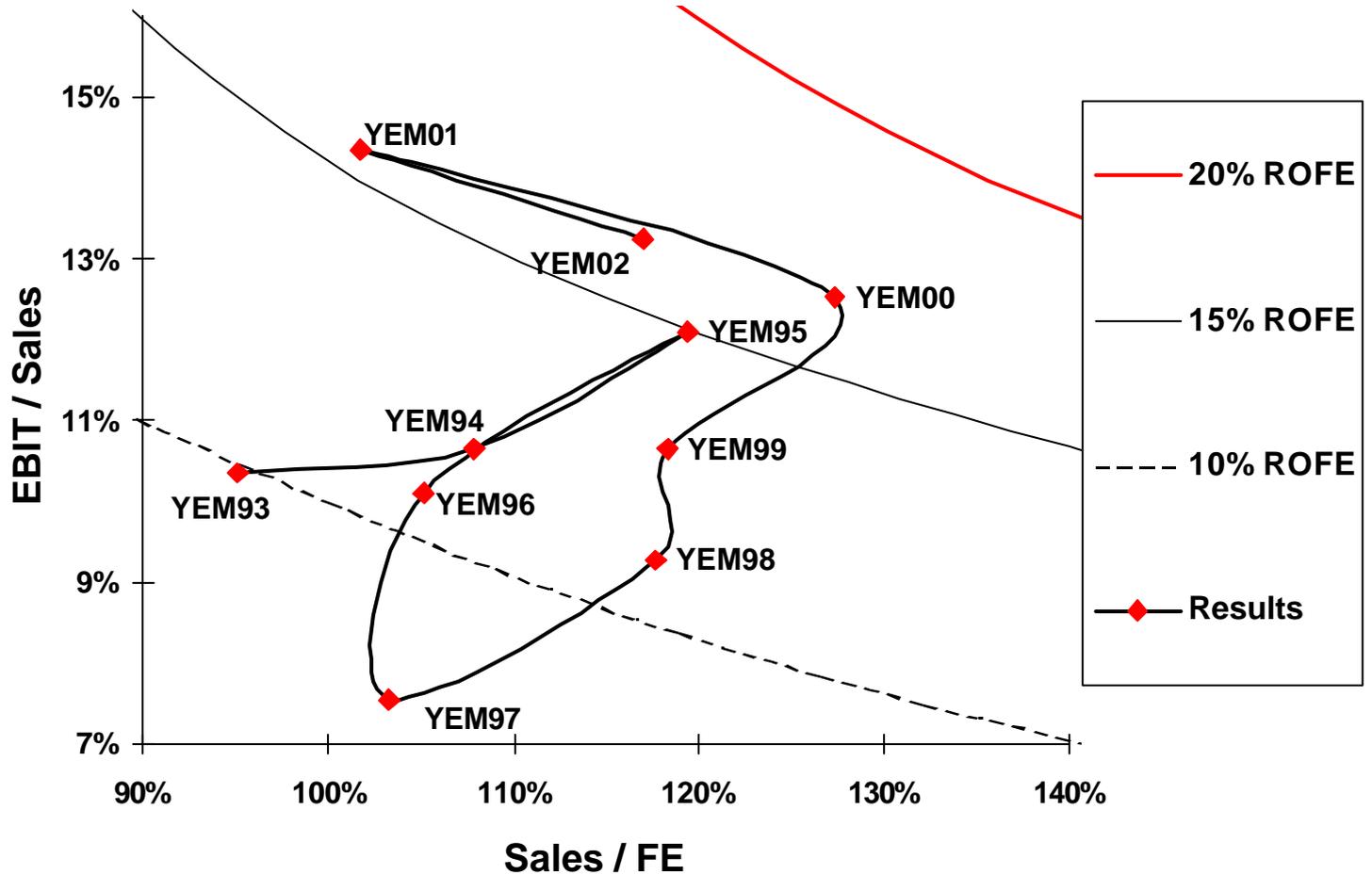
Source : Bloomberg – Net sales / average net fixed assets  
CSR based on YEM02 financials

**CSR's net fixed asset turnover continues to improve as we lift performance, manage capex, divest poor-performing assets & focus on SVA**



Source : Bloomberg – Net sales / average net fixed assets  
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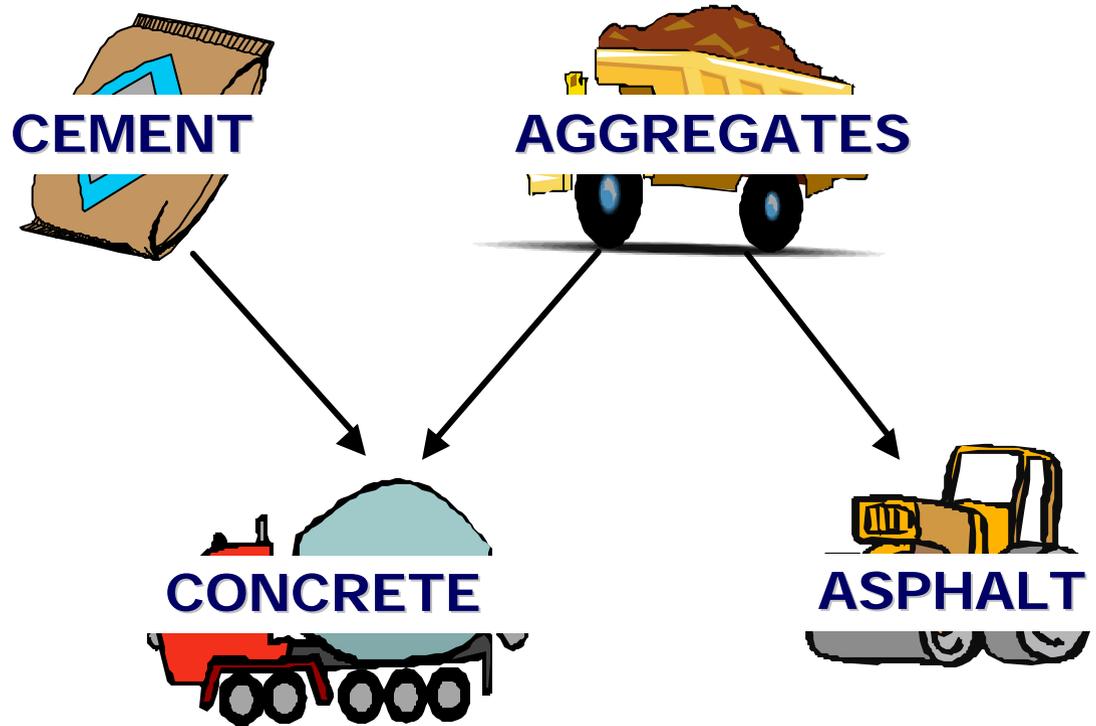
## CSR group IsoROFE chart shows improved asset use and higher margins can drive performance



# Growing in heavy building materials

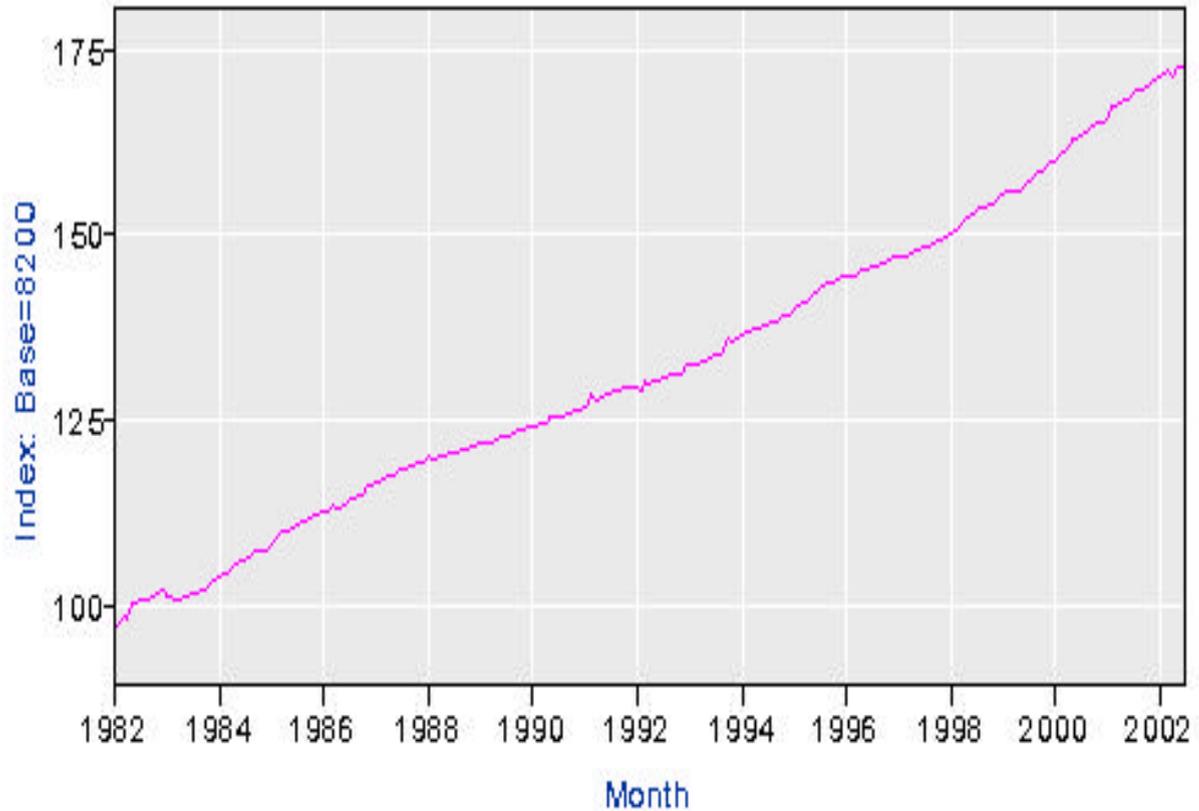
..... an integrated business model

Aggregates & concrete first – can subsequently backward integrate into cement



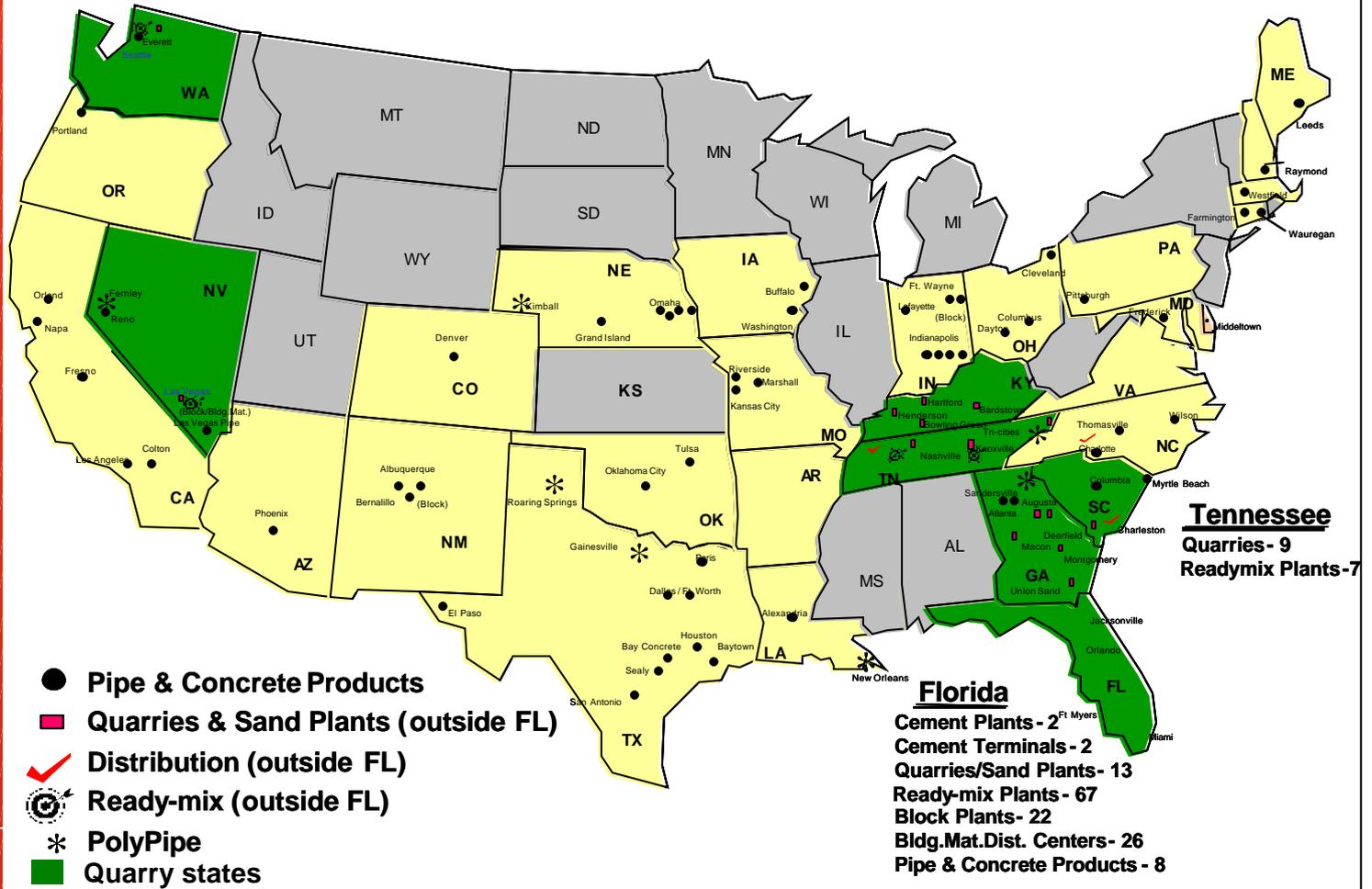
# US national aggregate prices

Indexed : 1982 to 2001



Source: US Bureau of Labor Statistics – Producer Price Index (Series WPS1321)

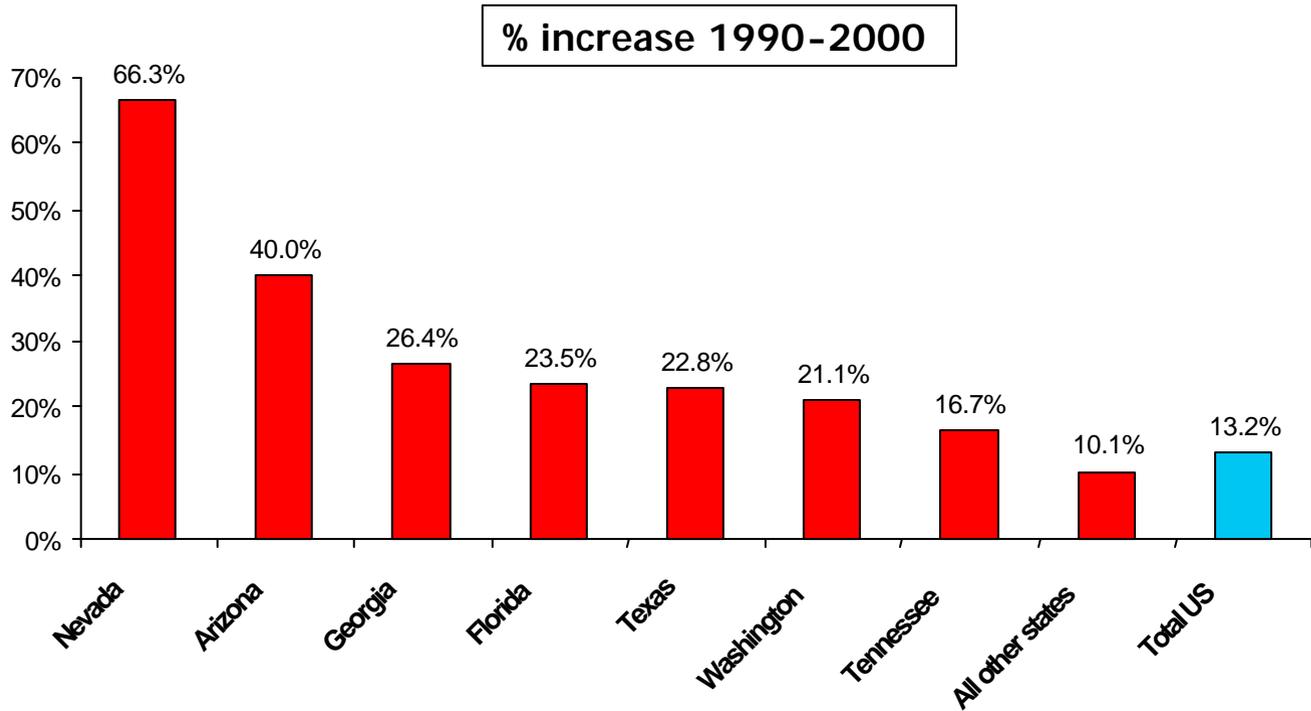
# A\$1.8 billion growth in US heavy building materials by Rinker since March 1998



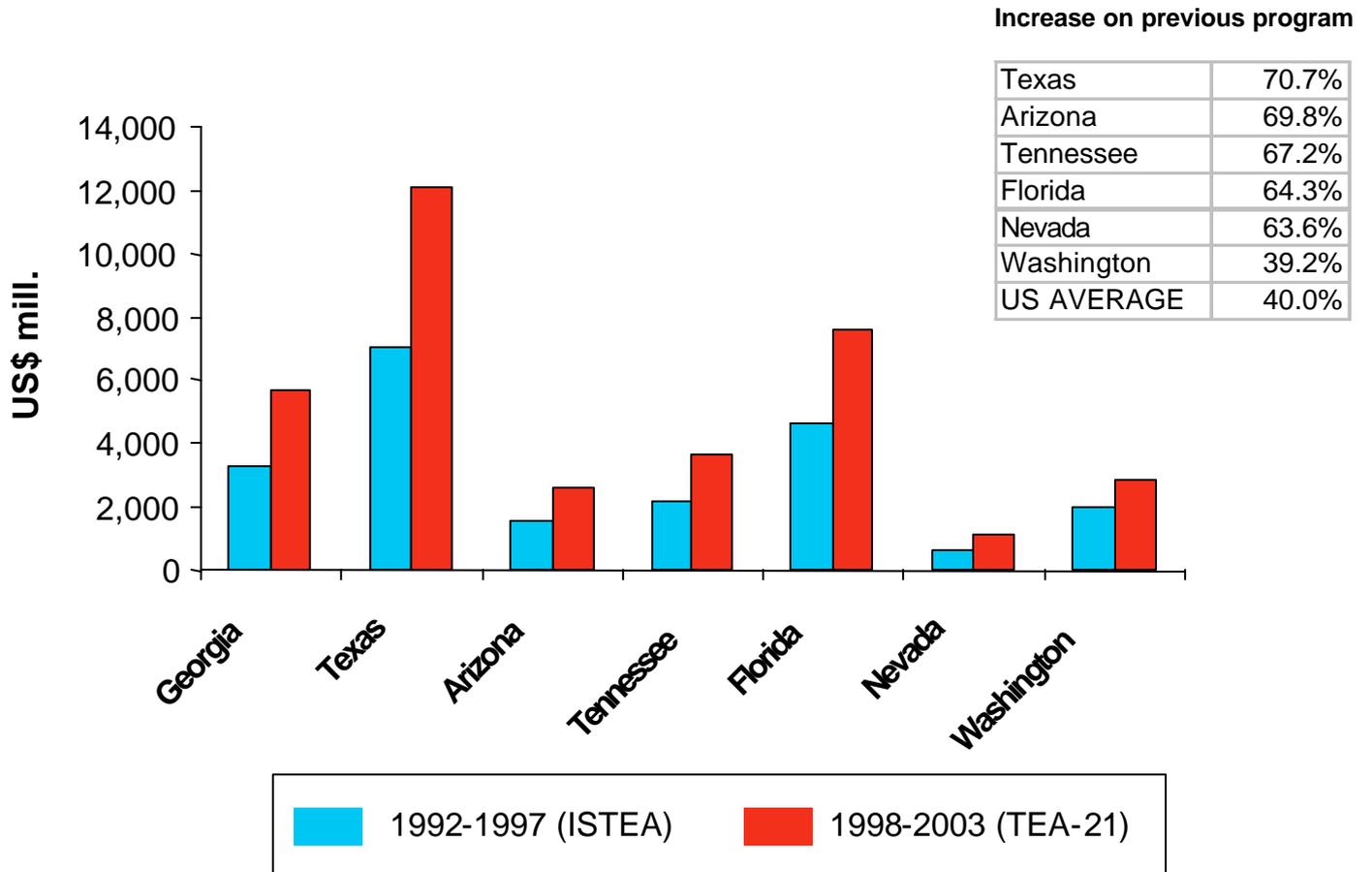
## Rinker has strong US market positions

- # 2 in concrete pipes
- # 5 in aggregates
- # 3 in pre-mixed concrete
- # 2 in pre-mixed concrete post Kiewit acquisition
- # 1 in Florida cement

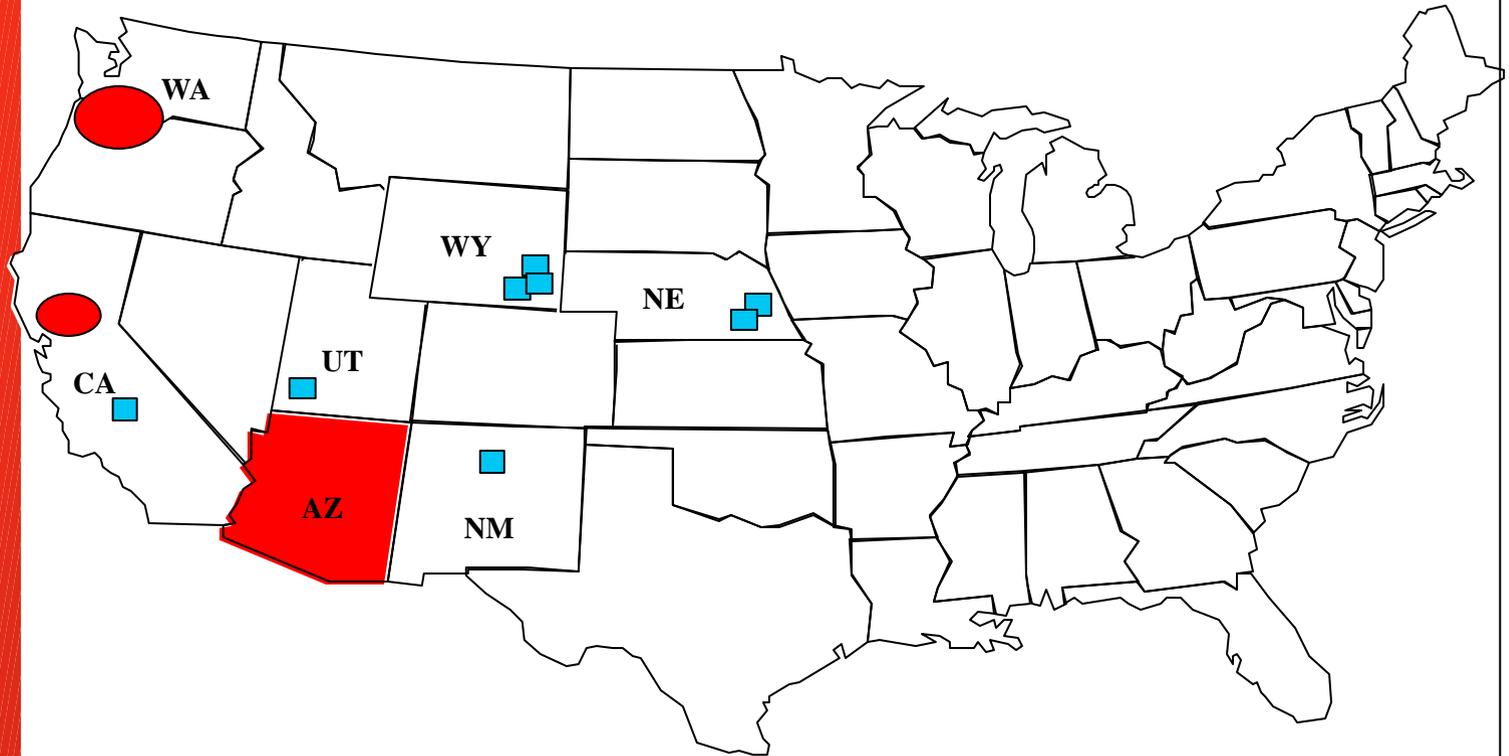
# US population growth much higher in southern states



## TEA-21 boosts road funding over previous program... Increases higher in states with heavy population growth



## Kiewit Materials Company... Strong positions in Arizona and western US

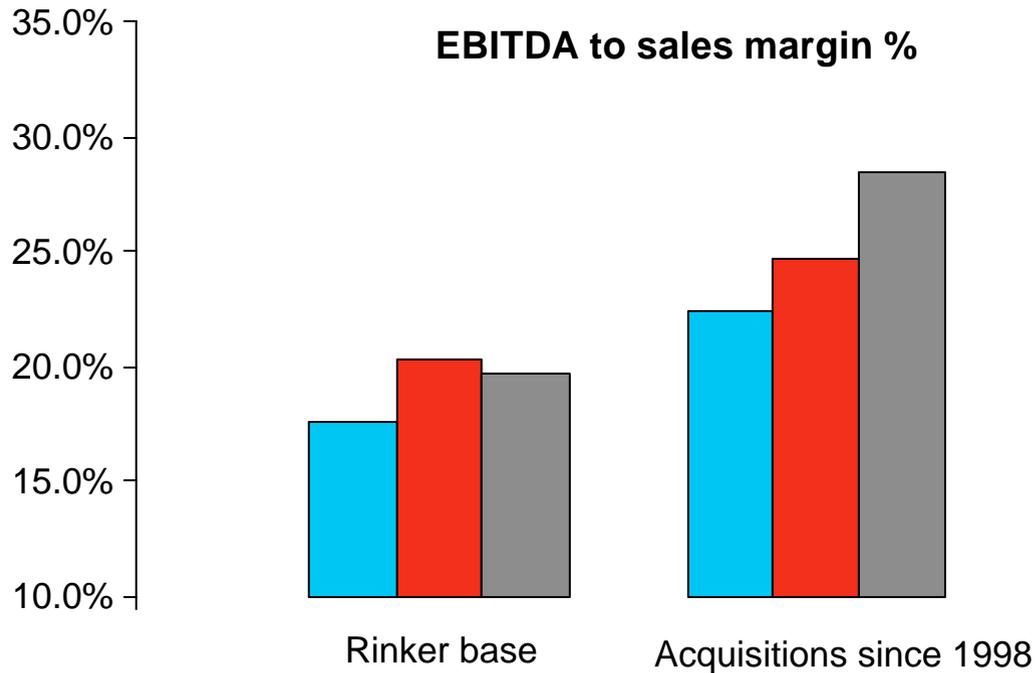


Quarries



Integrated aggregates,  
concrete & asphalt operations

## Acquisitions since 1998 are tracking above Rinker base business



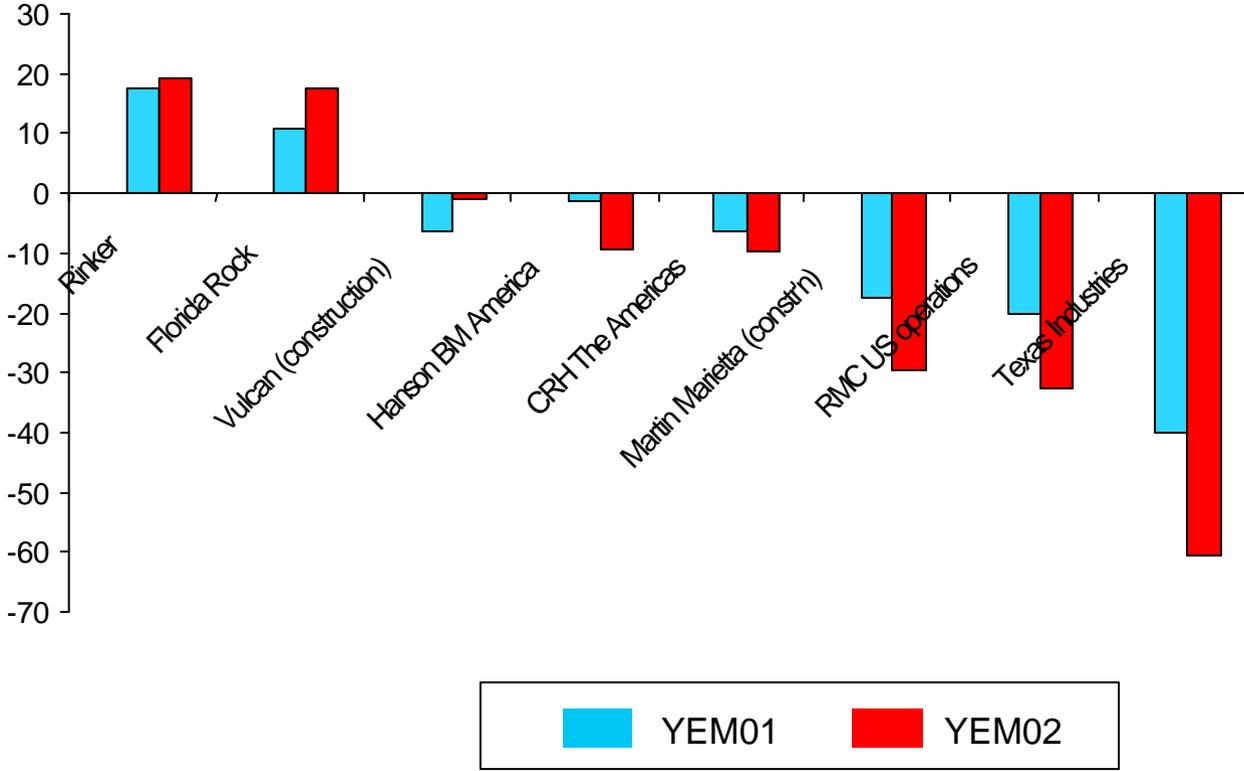
YEM00

YEM01

YEM02

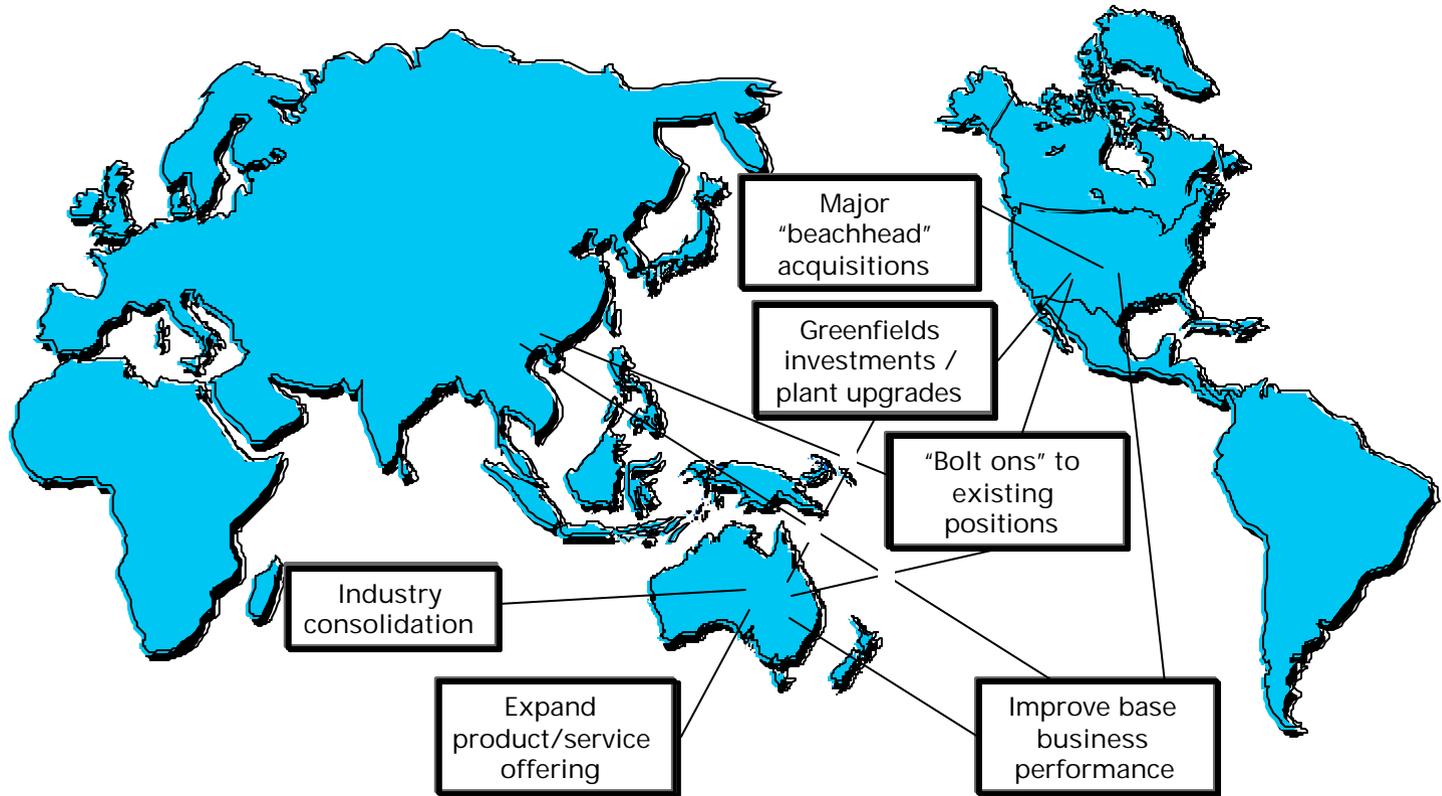
# Rinker margin improvement

% change to EBIT margin (indexed to YEM00)



# Growing internationally...

mainly US but monitoring Asia, Europe and Australia



## Construction Materials Australia & Asia... Lifting profit...ASIA a real growth opportunity

- Lifting profit to be SVA-positive plus
- Ongoing price increases for materials
- Small bolt-on acquisitions
- Property redevelopment profits eg Penrith Lakes quarry
- Continuing performance improvement
- Asia : looking for low cost bolt-ons using similar business model to Tianjin, China (pop'n 10m)
  - Tianjin Readymix profitable and improving – 1m cu yds premix concrete and ~ 25% market share
  - JV est. 1994 with 3 concrete plants and a major quarry

# Current trading environment

## USA

- Housing remains strong; slowdown expected but not yet
- Non-residential down 22% year on year
- Infrastructure strong, helped by TEA-21. Funding outlook generally positive
- Heavy rain impact in June/July but underlying demand solid
- Ongoing price increases

## AUSTRALIA

- Housing remains strong – 3/6 month lag effect but approvals slowing
- Infrastructure boom developing
- Non-residential activity up 7% in past 6 months and BIS Shrapnel says up 7.1% year to June 03 and 10.5% to June 04

## US construction forecasts predict strong non-building activity and relatively flat overall

### Change 2002 vs 2001

	USA	Florida
Residential	2.3%	3.0%
Non-residential	-8.8%	-10.7%
Non-building	9.3%	22.7%
Total	0.1%	1.8%

### Total value (US\$m)

		2000 (a)	2001 (a)	2002 (f)
	USA	366,200	369,900	370,200
	Florida	28,300	29,500	30,000

Source: Dodge Q2 2002 Put in Place activity forecast (constant 1992\$)

# Major A\$300m+ construction projects in Australia

## Commencing 2002 & beyond

Project	Location	Cost (A\$m)	Start date
<b><u>Infrastructure:</u></b>			
Parramatta-Chatswood rail link	Syd NSW	1600	2002/03
Western Sydney orbital tollway	Syd NSW	1400	2002
Scoresby freeway	Melb VIC	900	2002/03
Regional fast rail	Melb VIC	800	2002
High speed rail link to Newcastle	Syd NSW	700	2003
Lane Cove tunnel	Syd NSW	550	2003
Eastern Freeway Extension	Melb VIC	326	2002
Cross City Tunnel	Syd NSW	300	2002
<b><u>Other:</u></b>			
Alumina refinery	Glads QLD	1500	2002
Magnesium plant	Rockh QLD	1300	2002
NW shelf expansion 4th train	WA	976	2002
Methanol plant	WA	525	2002/2003

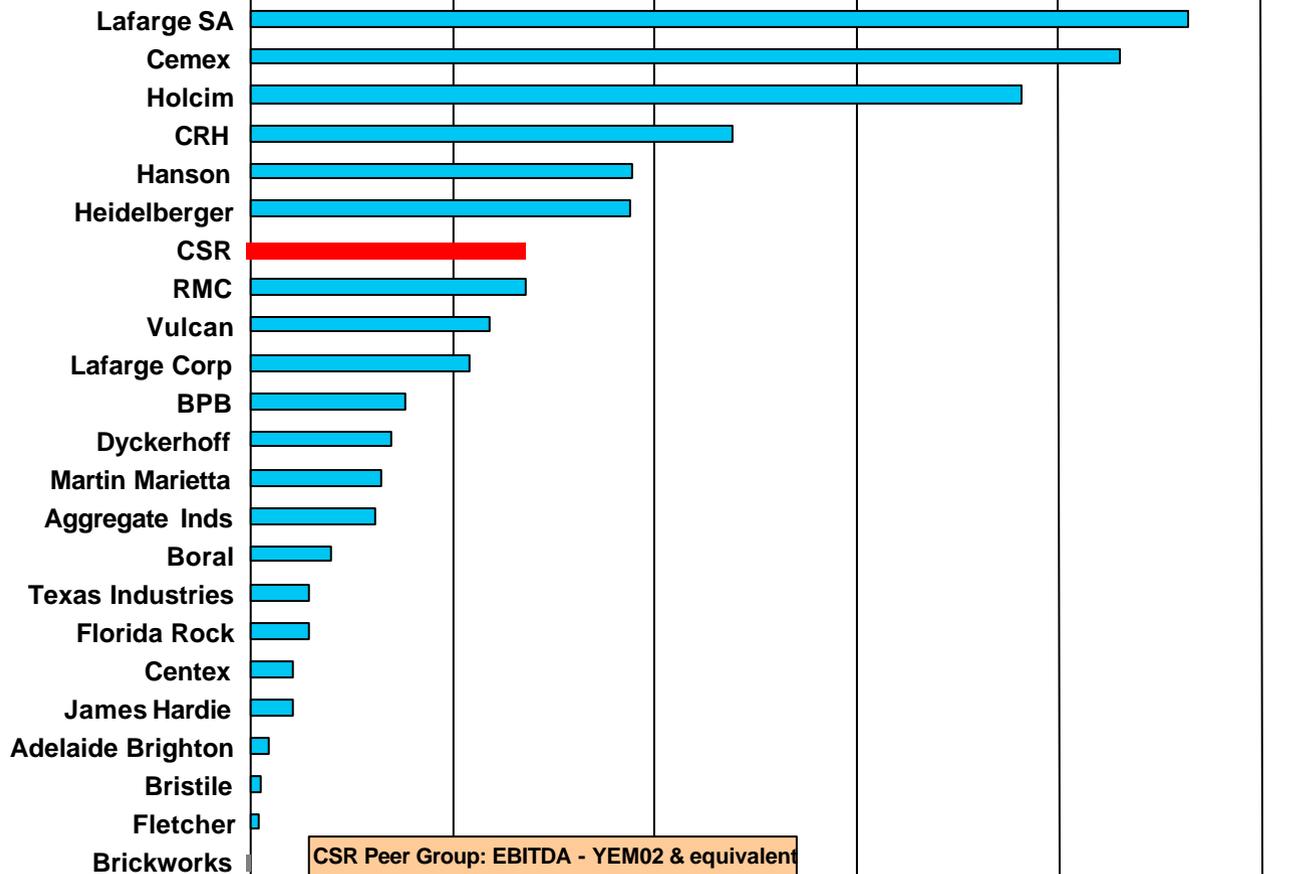
Source : BIS Shrapnel Feb 02

## CSR in the future

- **A focused international heavy building materials group - delivering top quartile returns to shareholders through the cycle**
- **A high performance organisation**
- **Strong cash generation to fund growth**
- **Growing internationally - mainly US but also Asia, Australia, and Europe**
- **Valued in line with peers**

# Strong cash generation...

## EBITDA comparison versus competitors

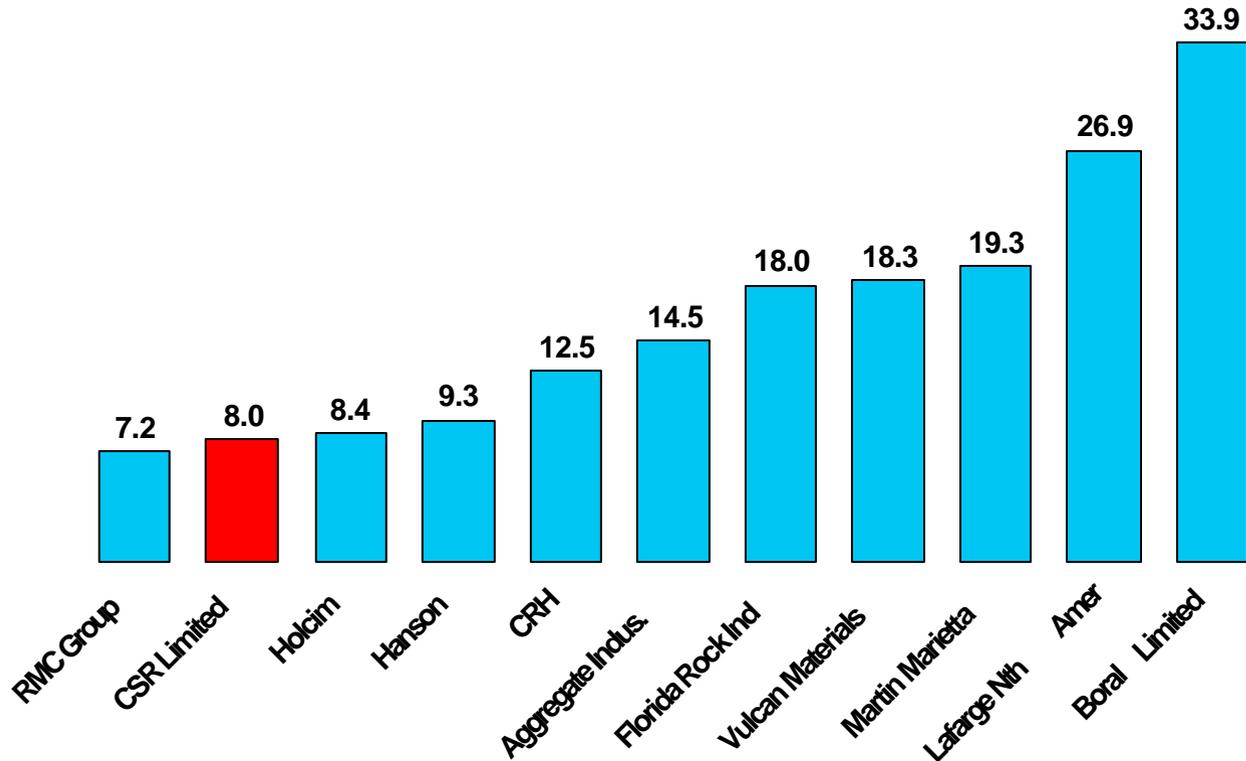


source: Bloomberg, Company Reports as at 13 May 02



A\$m

## Valued in line with peers...price/free cashflow

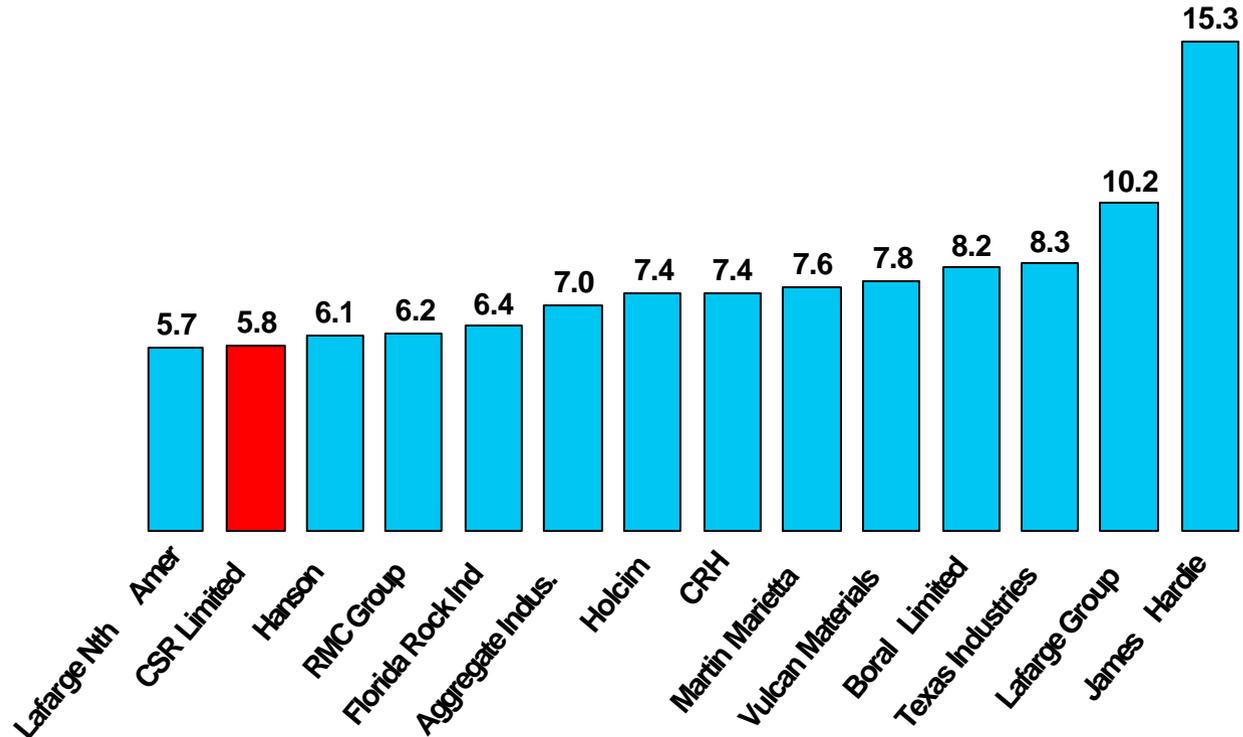


Source: Bloomberg & CSR research

Price at 1 Aug 02 / data is last financial year (CSR based on YE M02 results and share price of \$6.33)

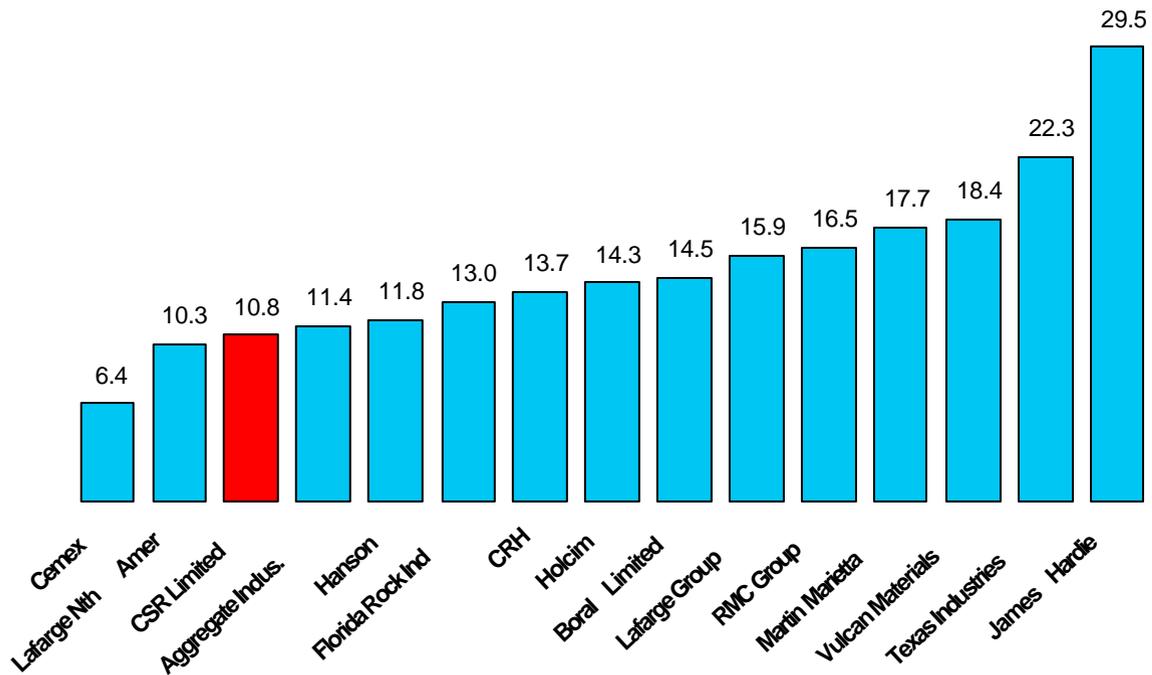
Free cash flow is Bloomberg definition "cash from operations, less capital expenditures"

## Valued in line with peers...EV/EBITDA



Source: Bloomberg as at 1 Aug 2002, plus CSR research  
Multiple for CSR has been adjusted for add-back of share of associates income  
CSR share price = \$6.33; other financial data T12 months

## Valued in line with peers...Price/Earnings ratio

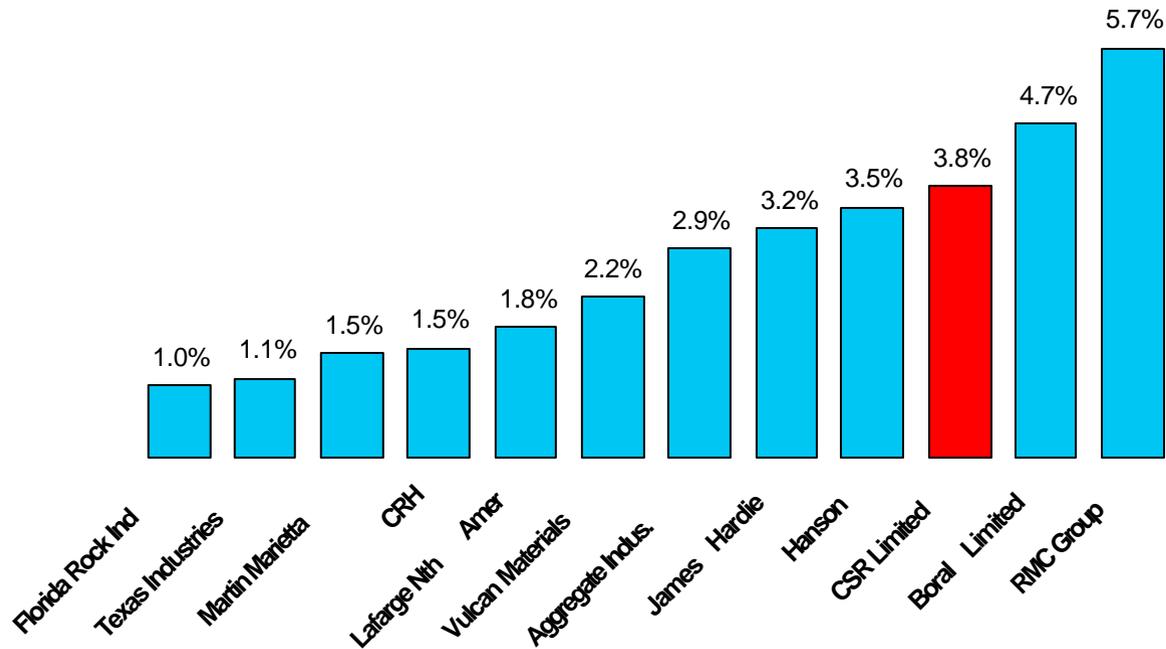


Source: Company records; CSR research

Price at 1 Aug 02 / latest published annual financial data

CSR EPS calculated using latest issued capital. CSR Share price = \$6.33

## Valued in line with peers...dividend yield relatively high



Source: Company reports  
Dividend for latest financial year  
Share price as at 1 Aug 02. CSR = \$6.33

## **A demerger could be a value adding opportunity.....**

- **Potential demerger of CSR group into two, Australian-listed companies**
- **Could separate the group's different businesses and focus on strengths of the two companies**
- **One option : a growth-focused heavy building materials company and a high-yield company, comprising other CSR businesses**
- **Different investors would value the two companies – e.g. some value growth; others prefer high yield**
- **A correctly structured and implemented demerger will facilitate investor choice and help close valuation gap**
- **Timing : If we go ahead demerger will be completed by mid-2003**

# Global Construction Materials Consolidation Activity

	Player	EV - A\$m	acquired by	date	consideration
1	Lafarge SA	47,155			
2	Holcim	31,151			
3	Cemex	28,785			
4	CRH	20,513			
5	Blue Circle	14,564	Lafarge SA	Jan-01	GBP 2.4bn
6	Hanson	14,008			
7	Heidelberg	13,615			
8	Vulcan	10,421			
9	RMC	9,728			
10	<b>CSR</b>	8,171			
11	BPB	7,184			
12	Lafarge Corp	6,876			
13	Southdown	5,465	Cemex	Oct-00	US\$2.9bn
14	Martin Marietta	5,046			
15	Scancem	4,604	Heidelberg/CBR	May-99	US\$2.4bn
16	Redland	4,538	Lafarge SA	Oct-97	US\$3bn
17	CBR	4,482	Heidelberg	Dec-99	
18	Aggregate Inds	4,434			
19	Johns Manville	3,714	Financial buyers	Jun-00	US\$2.02bn
20	Pioneer	3,645	Hanson	Nov-99	A\$4bn
21	James Hardie	3,467			

	Player	EV - A\$m	acquired by	date	consideration
22	Boral	3,194			
23	Tarmac	2,866	Anglo	Oct-99	GBP1.2bn
24	Texas Industries	2,567			
25	Florida Rock	2,334			
26	Hong Leong	1,908			
27	Lone Star	1,897	Dykerhoff	Sep-99	US\$1.2bn
28	Medusa	1,739	Southdown	Mar-98	US\$1.1bn
29	Rugby	1,604	RMC	Oct-99	GBP900m
30	Calmat	1,265	Vulcan	Dec-98	US\$800m
31	Fletcher	1,262			
32	Ibstock Plc	887	CRH	Apr-99	GBP326m
33	Brickworks	870			
34	Rockwool	797			
35	Finnsementi	684	CRH	Jul-99	SEK3.7bn
36	Adelaide Brighton	663	Rugby	Jun-99	A\$467m
37	Jannock	500	Hanson	May-99	CAD381m
38	<b>Bristle</b>	<b>466</b>			
39	Giant Cement	463	Cementos P/land	Nov-99	US\$350m
40	Hymix	300	Pioneer	Feb-99	
41	US Gypsum	(359)			
42					

Shaded areas = acquired companies

market values and exchange rates at 13/05/2002

Source: Bloomberg Media

## Why buy CSR ?

- **Attractive valuation relative to peers**
- **Performance record**
- **Cash flow very strong**
- **Strong balance sheet**
- **Strong market positions**
- **Plentiful growth opportunities**
- **Proven track record in acquisitions**
- **Demerger opportunity for re-rating**
- **A consolidating industry**



**CSR**<sup>TM</sup>



**CSR**