

# RESULTS PRESENTATION

Half year ended 30 September 2017



## Agenda

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

# OVERVIEW

# 1



## Earnings growth for the CSR Group

<b>REVENUE</b> \$1.3bn ↑ 7%	<b>EBIT<sup>1</sup></b> \$208.8m ↑ 27%	<b>NPAT<sup>1</sup></b> \$136.6m ↑ 32%
<b>STATUTORY NET PROFIT</b> \$118.7m ↑ 4%	<b>EARNINGS PER SHARE<sup>1</sup></b> 27.1c ↑ 32%	<b>HALF YEAR DIVIDEND</b> 13.5c ↑ 4%

<sup>1</sup> Earnings before interest and tax (EBIT), net profit after tax (NPAT) 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 half year ended 30 September 2017. All comparisons are to the half year ended 30 September 2016 unless otherwise stated.



# Further ROFE improvement for the CSR Group

**Profit performance**

- Record Building Products half year profit
- Continued growth from Gyprock, Hebel, PGH and Bradford

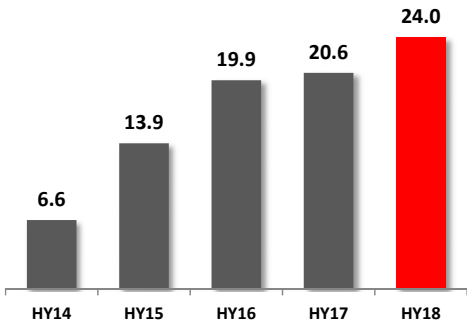
**Aluminium hedging**

- Increased hedging in YEM21 to reduce future earnings volatility
- Current pricing at 5 year highs

**Property growth**

- Sale of Rosehill site
- Completion of Stage 4 Chirside Park

CSR Group ROFE %



*All ROFE calculations based on EBIT (before significant items) for the 12 months to 30 September divided by average funds employed which excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September.*



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## FINANCIAL RESULTS



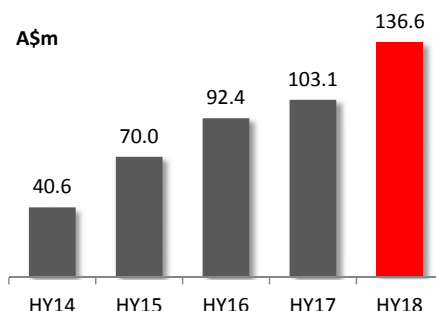
# Half year net profit after tax<sup>1</sup> up 32%

## Results summary

A\$m (unless stated)	HY18	HY17	change
<b>Trading revenue</b>	<b>1,324.2</b>	1,236.1	7%
EBITDA <sup>1</sup>	253.0	208.2	22%
<b>EBIT<sup>1</sup></b>	<b>208.8</b>	165.0	27%
Net finance (cost) income <sup>1</sup>	(2.2)	2.4	
Tax expense <sup>1</sup>	(59.0)	(48.1)	
Non-controlling interests <sup>1</sup>	(11.0)	(16.2)	
<b>Net profit after tax<sup>1</sup></b>	<b>136.6</b>	103.1	32%
Significant items after tax	(17.9)	11.4	
Statutory net profit after tax	118.7	114.5	4%
<b>Earnings per share<sup>1</sup> [cents]</b>	<b>27.1</b>	20.5	32%
EPS (after significant items) [cents]	23.6	22.7	4%
<b>Dividends per share [cents]</b>	<b>13.5</b>	13.0	4%

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

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



Note: HY14 adjusted for change in accounting treatment for the classification of the discount unwind for the asbestos liability as a significant item.

CSR

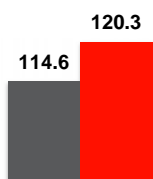
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# Strong EBIT growth for the group

## Building Products

EBIT A\$m

↑ 5%



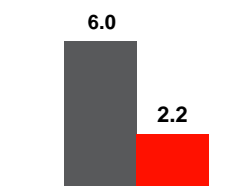
■ HY17 ■ HY18

- Strong earnings growth in Gyprock, Hebel, Bradford and PGH
- \$6m in long-term growth investment

## Viridian

EBIT A\$m

↓ 63%



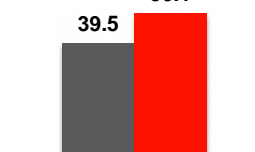
■ HY17 ■ HY18

- Volumes down following exit from low margin products
- Operational issues in Commercial and Design

## Aluminium

EBIT A\$m

↑ 27%



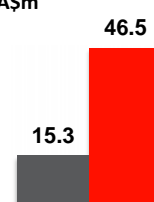
■ HY17 ■ HY18

- Sales tonnage up 7% due to timing of shipments
- 10% increase in A\$ realised aluminium price

## Property

EBIT A\$m

↑ 204%



■ HY17 ■ HY18

- Rosehill land sale and Chirnside Park Stage 4

All EBIT results are before significant items.

CSR

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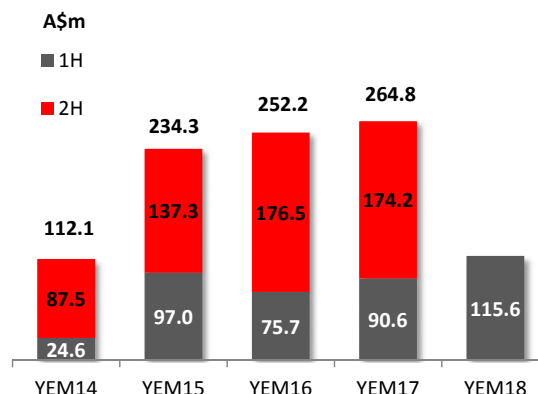
## Cash flow generation continues to improve

### Operating cash flow

A\$m	HY18	HY17	change
<b>EBITDA</b>	<b>253.0</b>	208.2	22%
Net movement in working capital	(17.3)	(33.1)	
Net profit on asset disposals	(48.4)	(16.9)	
Movement in provisions/other	(15.3)	(11.0)	
<b>Operating cashflows (pre tax, asbestos &amp; sig. items)</b>	<b>172.0</b>	147.2	17%
Asbestos payments	(16.3)	(15.4)	
Tax paid	(29.0)	(34.7)	
Significant items	(11.1)	(6.5)	
<b>Operating cashflows (post tax &amp; sig. items)</b>	<b>115.6</b>	90.6	28%

- Half year net cash of \$0.5 million

### Operating cash flow (post tax & sig items)

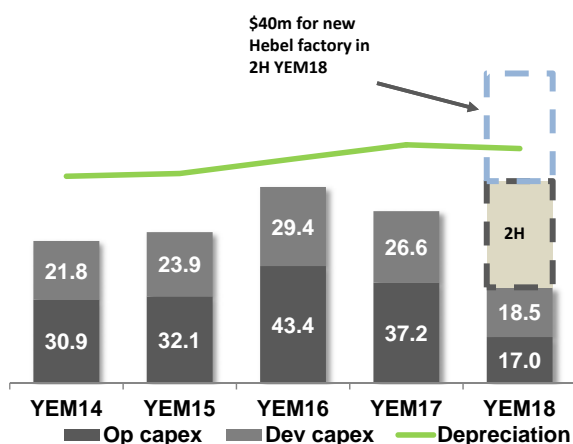


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## Strong financial position supports growth

### Capital expenditure (ex Property and Acquisitions)

A\$m



- YEM18 capex expected to be around \$165m (including Property)
- Major projects includes:
  - Hebel - \$70m expansion of Somersby, NSW factory over the next two years
  - AFS Rediwall expansion at Minto, NSW to double capacity



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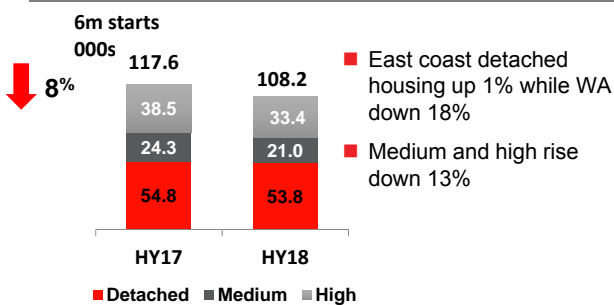
# BUSINESS UNIT PERFORMANCE

# 3

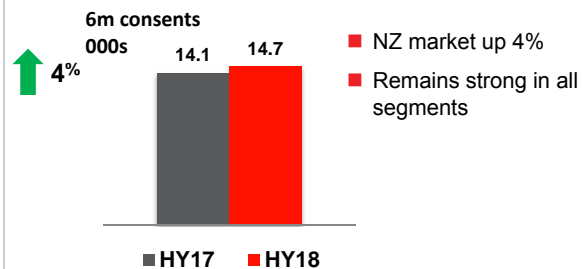


## East coast detached housing remains stable

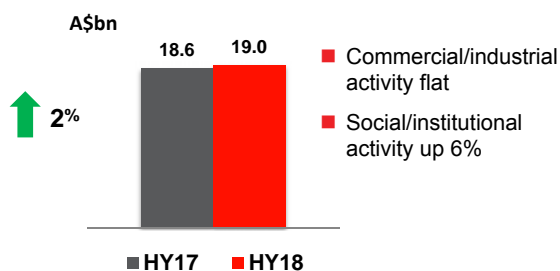
### Australia – residential<sup>1</sup> (2Q lag)



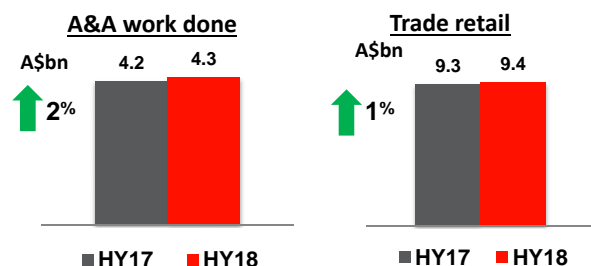
### New Zealand – residential<sup>3</sup> (2Q lag)



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



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

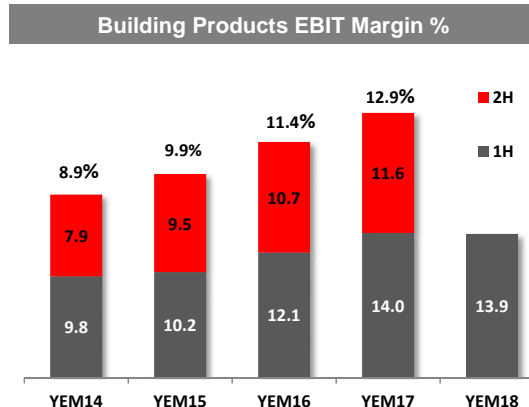


1. Source ABS data – (two quarter lag – i.e. 6 months to March – original basis)  
 2. Source ABS, BIS Oxford Economics forecast (value of work done – 6 months to September)  
 3. Source Statistics New Zealand - (residential consents 2 quarter lag – 6 months to March)  
 4. Source ABS – Hardware retailing code 8501 – 6 months to August

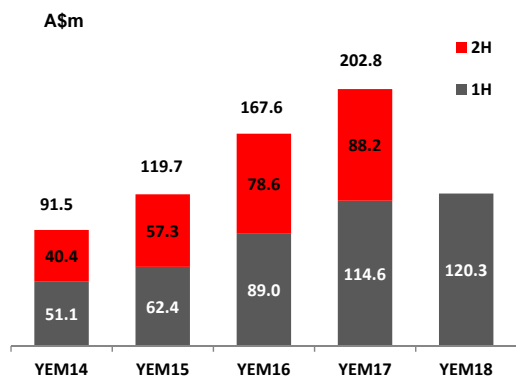
# Building Products EBIT up 5%

A\$m unless stated <sup>1</sup>	HY18	HY17	change
<b>Revenue</b>	<b>862.5</b>	817.2	6%
EBITDA	145.8	138.6	5%
<b>EBIT</b>	<b>120.3</b>	114.6	5%
Funds employed <sup>2</sup>	922.8	917.2	1%
EBIT/revenue	13.9%	14.0%	
Return on funds employed <sup>3</sup>	22.7%	21.2%	

<sup>1</sup> EBITDA and EBIT (before significant items).  
<sup>2</sup> Excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September.  
<sup>3</sup> Refer note on slide 5.



## Building Products EBIT



- Building Products EBIT up 5%
- Earnings growth across Gyprock, Hebel, Bradford and PGH
- Includes \$6 million investment in growth initiatives



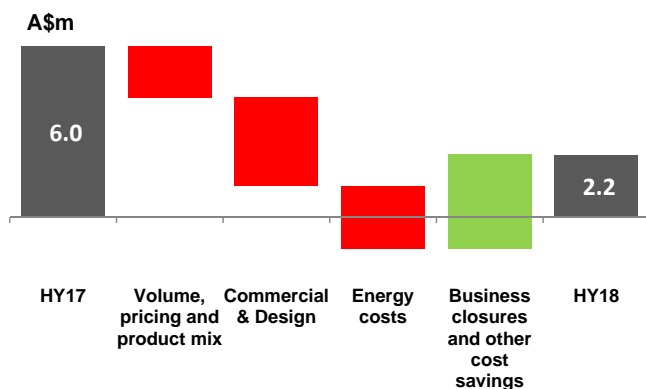
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# Viridian EBIT down due to lower volumes and operational issues

A\$m unless stated <sup>1</sup>	HY18	HY17	change
<b>Total Revenue<sup>2</sup></b>	<b>192.1</b>	189.3	1%
EBITDA	9.7	11.7	-17%
<b>EBIT</b>	<b>2.2</b>	6.0	-63%
Funds employed <sup>3</sup>	236.2	250.8	-6%
EBIT/revenue	1.1%	3.2%	
Return on funds employed <sup>4</sup>	1.3%	5.3%	

<sup>1</sup> EBITDA and EBIT (before significant items).  
<sup>2</sup> Includes the benefit of an additional three months revenue from the NZ Viridian Glass Limited Partnership (VGLP) following CSR's acquisition of the remaining 42% stake on 30 June 2016.  
<sup>3</sup> Excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September.  
<sup>4</sup> Refer note on slide 5.

## Viridian movement in EBIT



- Australian revenue down 11% to reduce exposure to low margin products
- Operational improvement plan for Commercial and Design underway
- NZ operations steadily improving
- Further restructuring initiatives underway which may include further asset sales and operational improvement programs



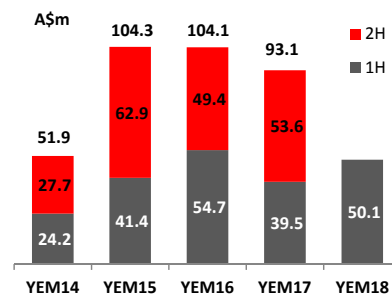
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# Aluminium – 10% increase in A\$ realised price

A\$m unless stated <sup>1</sup>	HY18	HY17	change
<b>Sales (tonnes)</b>	103,391	97,007	7%
A\$ realised price <sup>2</sup>	2,607	2,367	10%
<b>Revenue</b>	<b>269.6</b>	229.6	17%
EBITDA	60.8	52.6	16%
<b>EBIT</b>	<b>50.1</b>	39.5	27%
Funds employed <sup>3</sup>	128.2	170.0	-25%
EBIT/revenue	18.6%	17.2%	
Return on funds employed <sup>4</sup>	69.6%	48.5%	

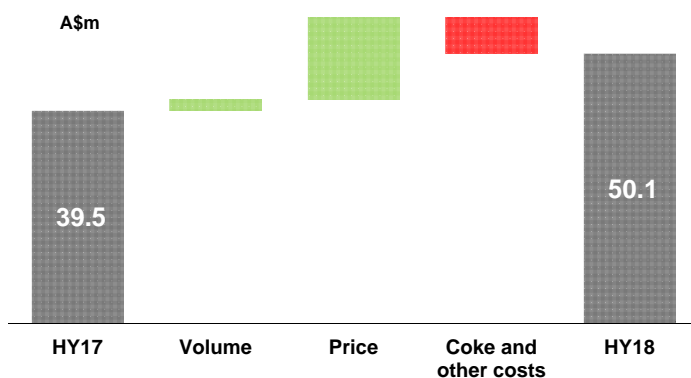
1 EBITDA and EBIT (before significant items).  
 2 Includes hedging and premiums.  
 3 Excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September.  
 4 Refer note on slide 5

## Aluminium EBIT



- Sales tonnage up 7% following the timing of shipments versus HY17
  - Full year production expected to be up around 1% compared to YEM17
- EBIT up 27% due to higher volumes and pricing
- New power supply contract will take effect from November 2017
  - Power costs to increase by A\$250 per tonne of production

## Aluminium movement in EBIT



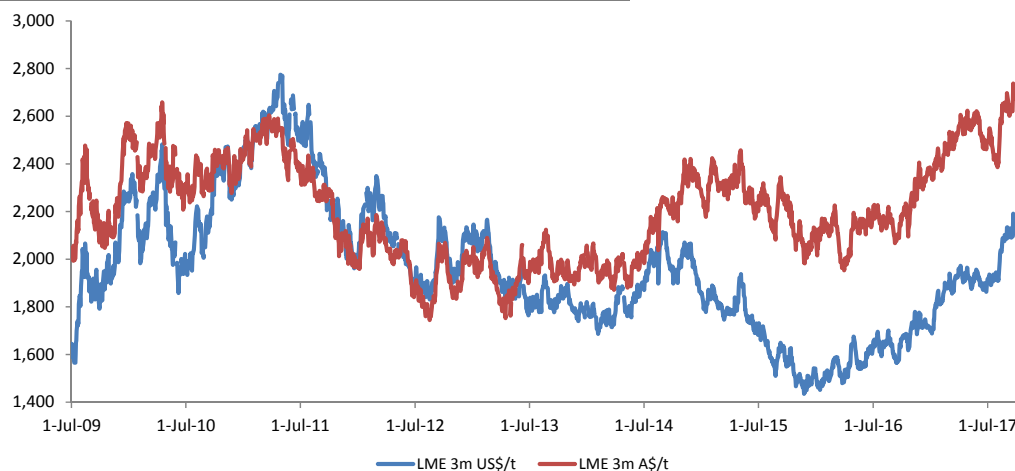
# Aluminium market – upward pricing momentum

## GAF aluminium hedge book (as of 31 October 2017)

As of 31 October 2017	YEM18	YEM19	YEM20	YEM21
Average price A\$ per tonne (excludes premiums)	\$ 2,373	\$ 2,531	\$ 2,672	\$ 2,925
% of net aluminium exposure hedged	80%	64%	62%	10%

- Increased hedge position to YEM21
- Reduces future earnings volatility
- Aluminium prices at five year highs

## LME 3m US\$ and A\$ price per tonne



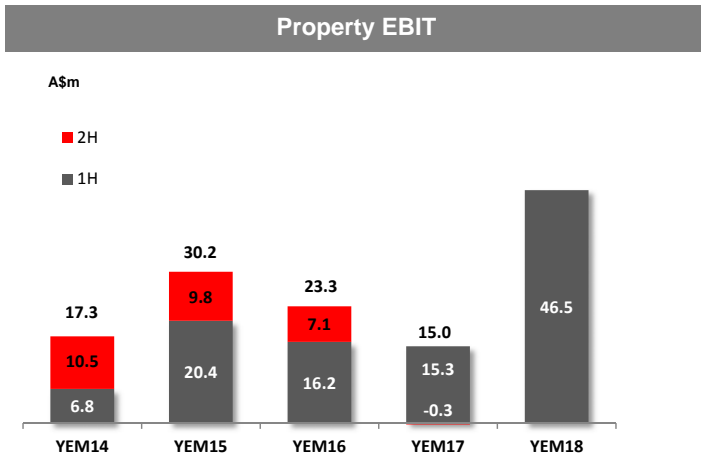


# Property result boosted by Rosehill sale

A\$m unless stated <sup>1</sup>	HY18	HY17	change
<b>EBIT</b>	<b>46.5</b>	15.3	204%
Funds employed <sup>2</sup>	176.6	125.5	41%
Return on funds employed <sup>3</sup>	30.6%	16.9%	

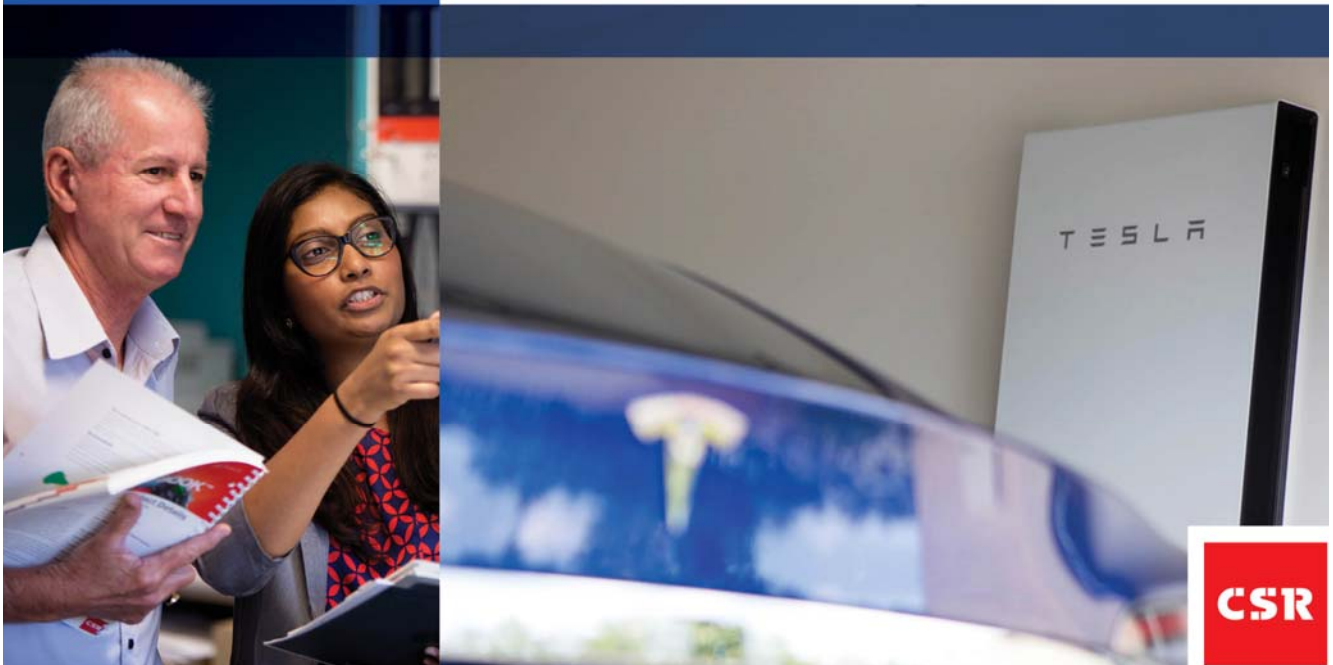
<sup>1</sup> EBIT (before significant items).  
<sup>2</sup> Excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September.  
<sup>3</sup> Refer note on slide 5. ROFE varies due to timing of projects.

Current projects	
Chirnside Park, Vic	<ul style="list-style-type: none"> <li>Progress to date: 371 lots settled, 104 contracts exchanged with 109 lots remaining to be sold</li> </ul>
Schofields, NSW	<ul style="list-style-type: none"> <li>70ha – future residential</li> <li>Approximately 1,250+ lots</li> <li>Quarry rehabilitation underway</li> <li>Rezoning approval expected in 2018</li> </ul>
Horsley Park, NSW	<ul style="list-style-type: none"> <li>30 ha – surplus industrial land</li> <li>Marketing of 10ha of the site underway</li> </ul>
Brendale, Qld	<ul style="list-style-type: none"> <li>Marketing continues of ~35 ha industrial development</li> </ul>
Warner, Qld	<ul style="list-style-type: none"> <li>Residential development ~35 ha/450 lots</li> </ul>



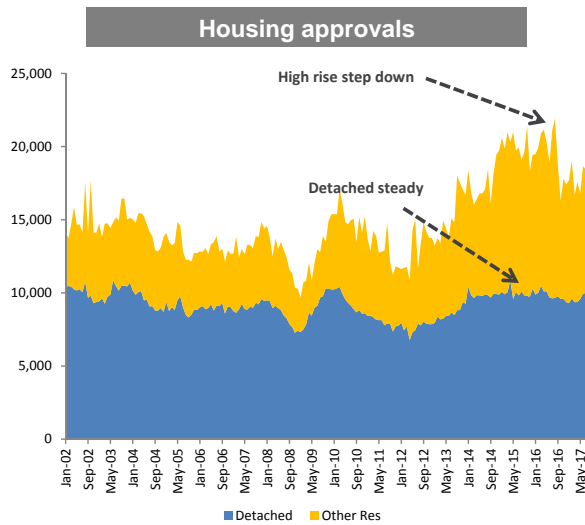
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## STRATEGY AND OUTLOOK

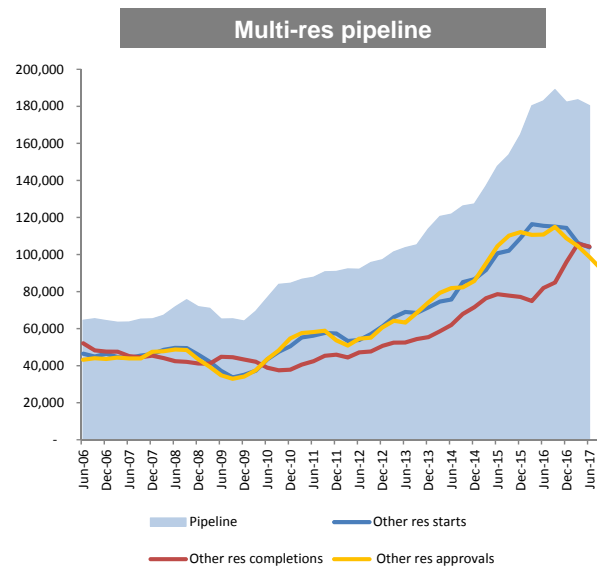


# Housing market – current conditions

- Detached housing relatively stable while multi-residential pipeline will support activity in YEM18



Source: ABS – Australia total approvals, monthly (seasonally adjusted).

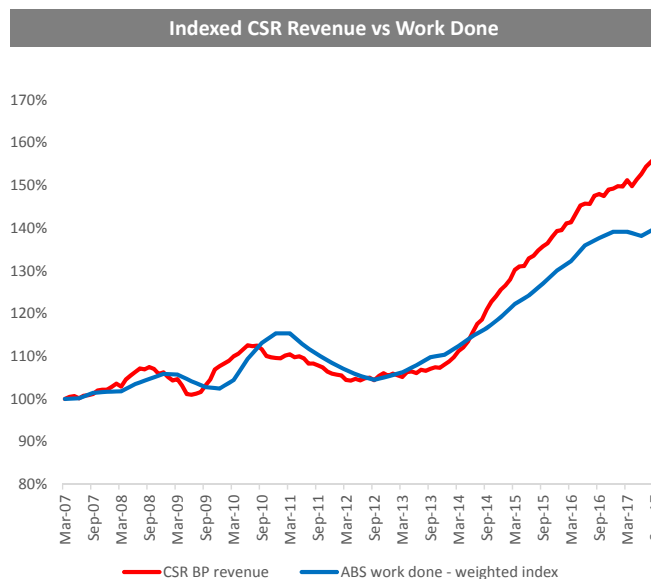
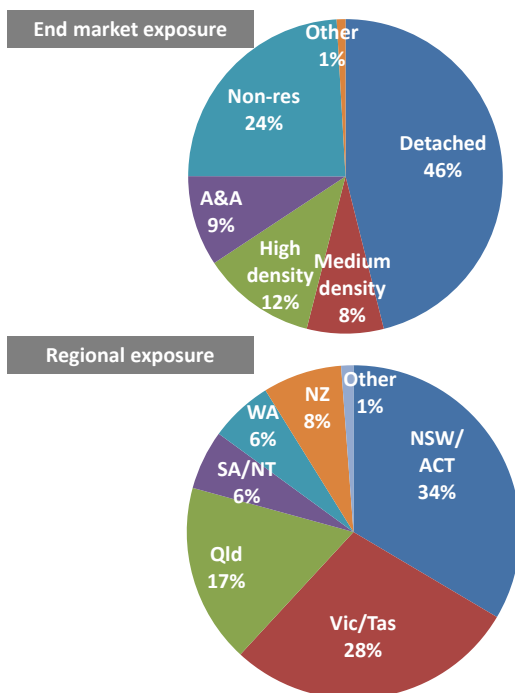


Source: ABS – MAT. Pipeline includes dwellings approved and not yet commenced and dwellings under construction.



# Growing exposure across all construction segments



- Investment in new products and market segments has delivered above market growth in the current cycle



Source: ABS-CSR analysis.  
 Note: CSR Building Products revenue excludes impact of the PGH Bricks JV. Work done – weighted index based on CSR estimate of exposures to construction market segments.



## Well positioned to meet underlying housing demand

		Strategic rationale	Long-term growth
	Strengthen and invest		<ul style="list-style-type: none"> <li>Increased exposure to stable detached market</li> <li>Operational flexibility</li> <li>Land release</li> </ul>
	Smarter, faster, easier		<ul style="list-style-type: none"> <li>Greater share of multi-res market</li> <li>Speed of construction, less skills required</li> <li>Doubled Rediwall capacity</li> <li>New market segment offering (aged care, townhouse, student accommodation)</li> </ul>
	Changing the way we live and work		<ul style="list-style-type: none"> <li>Growth and increased share in all market segments</li> <li>\$70m capacity expansion</li> <li>New product development</li> <li>Façades/Velocity</li> </ul>
	Comfort and energy efficiency		<ul style="list-style-type: none"> <li>Market expansion from glasswool to polyester, solar, battery storage and ventilation</li> <li>Leading energy solutions provider to new build market</li> </ul>
	Customer		<ul style="list-style-type: none"> <li>24/7 digital access to CSR</li> <li>Unique end-to-end solution</li> <li>Set benchmark to meet customer expectations</li> </ul>

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## Outlook for year ending 31 March 2018 (YEM18)

<b>Building Products</b>	<ul style="list-style-type: none"> <li>Earnings will be supported by solid demand from the east coast detached housing market and multi-residential projects currently under construction.</li> </ul>
<b>Viridian</b>	<ul style="list-style-type: none"> <li>Work is underway to drive operational efficiencies and deliver growth from higher-margin products in the residential and commercial market.</li> <li>Due to the extended time required to implement these initiatives, it is expected the full benefit will not be realised until the year ending 31 March 2019.</li> </ul>
<b>Aluminium</b>	<ul style="list-style-type: none"> <li>Currently 80% of the net aluminium exposure for YEM18 is hedged at an average price of A\$2,373 per tonne (excluding ingot premiums) as of 31 October 2017. However, earnings will be offset by higher raw material and power costs.</li> <li>The Tomago smelter's new power supply contract takes effect from November 2017 which will increase power costs by approximately A\$250 per tonne of production.</li> </ul>
<b>Property</b>	<ul style="list-style-type: none"> <li>Earnings in the second half will be largely derived from Stage 5 settlements at Chirnside Park, VIC.</li> <li>This will increase the expected Property EBIT to around \$55 million, subject to the timing of transactions.</li> </ul>
<b>CSR Group</b>	<ul style="list-style-type: none"> <li>CSR expects that group net profit after tax (before significant items) for YEM18 will be within the current range of analysts' forecasts of \$187 million to \$223 million (before significant items).</li> </ul>

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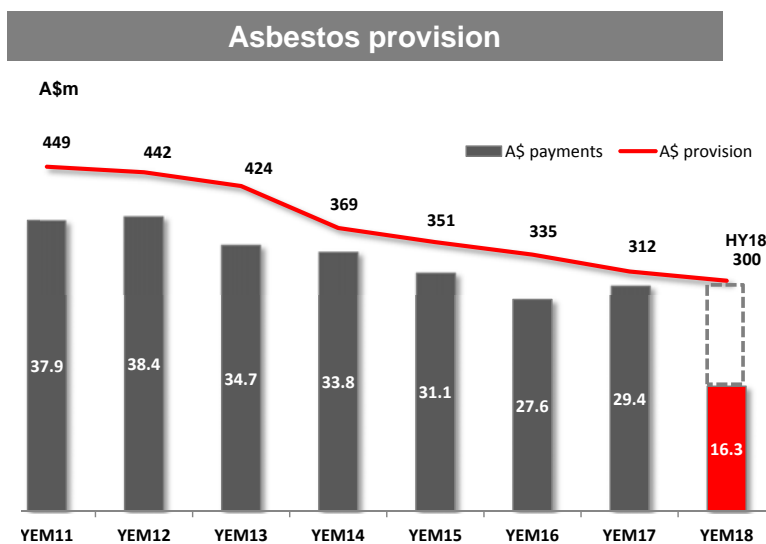
# APPENDIX



## Further reductions in asbestos liability

A\$m	HY18	HY17	change
<b>Opening balance as of 1 April</b>	<b>312.4</b>	334.5	-7%
Cash paid	(16.3)	(15.4)	
Unwinding of discount	4.3	5.5	
<b>Closing balance as of 30 September</b>	<b>300.4</b>	324.6	-7%

- Product liability provision of A\$300.4m – lowest level in 15 years
- Provision includes a prudential margin of 22% (\$54m)
- Cash payments A\$16.3m during the half year





# Review of significant items

For the half year ended 30 September		
\$million	2017	2016
Transaction and integration costs	-	(3.0)
Gain on acquisition of controlled entity	-	4.1
Restructuring, remediation and warranty costs	(16.7)	(3.9)
Supply disruption costs	(4.6)	-
<b>Significant items before finance cost and income tax</b>	<b>(21.3)</b>	<b>(2.8)</b>
Discount unwind and hedge (loss) gain relating to product liability provision	(4.4)	(5.3)
Transaction costs included in finance cost	-	(0.2)
Interest income on tax refund	-	2.1
<b>Significant items before income tax</b>	<b>(25.7)</b>	<b>(6.2)</b>
Income tax benefit on significant items	7.7	4.1
Income tax refund related to divested businesses	-	12.6
<b>Significant items after tax</b>	<b>(18.0)</b>	<b>10.5</b>
Significant items attributable to non-controlling interests	0.1	0.9
<b>Significant items attributable to shareholders of CSR Limited</b>	<b>(17.9)</b>	<b>11.4</b>
Net profit attributable to shareholders of CSR Limited	118.7	114.5
Significant items attributable to shareholders of CSR Limited	17.9	(11.4)
<b>Net profit before significant items attributable to shareholders of CSR Limited</b>	<b>136.6</b>	<b>103.1</b>
<b>Earnings per share attributable to shareholders of CSR Limited before significant items</b>		
Basic (cents per share)	27.1	20.5
Diluted (cents per share)	27.0	20.4

Additional information on significant items is contained in Note 3 in the half year report.

