



RESULTS PRESENTATION

Half year ended 30 September 2020



Agenda

1 RESULTS OVERVIEW – Julie Coates Managing Director & CEO

2 FINANCIAL RESULTS – David Fallu Chief Financial Officer and EGM Property and Aluminium

3 BUILDING PRODUCTS RESULTS – Julie Coates

4 PROPERTY AND ALUMINIUM RESULTS – David Fallu

5 STRATEGY AND OUTLOOK – Julie Coates

6 Q&A

1

RESULTS OVERVIEW

Julie Coates, Managing Director & CEO, CSR Limited



Results highlights – strong Building Products performance

Business Performance



- › **Building Products** – EBIT slightly higher with cost management and factory performance offsetting decline in volumes
 - › EBIT margin increased to 12.1% from 11.4%
- › **Property** – Optimising operational footprint and Horsley Park on track
- › **Aluminium** – EBIT of \$6.2m down from \$25.4m following lower A\$ aluminium price

Safety



- › Stable performance over past six months
- › Shifting internal emphasis to total recordable injury frequency rate (TRIFR)
- › Increased investment in new safety resources
- › Moving to centralised safety teams to ensure consistency across business

Financial performance



- › Strong first half in Building Products with good progress on strategic initiatives
- › Statutory NPAT of \$58.7m – down 15%
- › NPAT (before sig. items) of \$66.4m – down 7%
- › Strengthened balance sheet with \$153m of net cash and strong liquidity position
- › Interim dividend of 8.5 cps and special dividend of 4.0 cps (both fully franked)

Sustainability



- › Completed ten year environment goals in June 2020
 - › Achieved greater than 20% target for emissions, waste and energy reduction per tonne of saleable product
- › Announced 2030 Sustainability Targets including projects to reduce energy, emissions, water and waste

FINANCIAL RESULTS

David Fallu, Chief Financial Officer and EGM Property and Aluminium, CSR Limited

2



Group results

Results summary

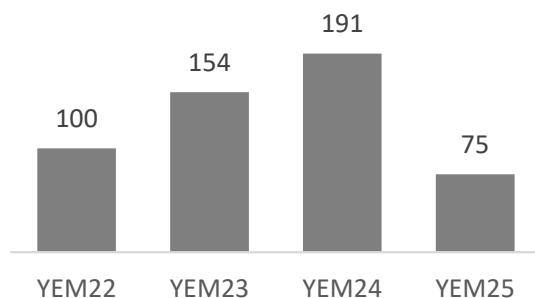
<i>A\$m (unless stated)</i>	HY21	HY20	change
Trading revenue	1,075.5	1,150.1	(6%)
EBIT			
Building Products	96.3	95.9	—
Property	1.7	(2.2)	
Aluminium	6.2	25.4	(76%)
Corporate	(9.8)	(6.0)	
Group EBIT	94.4	113.1	(17%)
Net finance costs	(0.8)	(4.8)	
Tax expense	(25.0)	(30.5)	
Non-controlling interests	(2.2)	(6.2)	
Net profit after tax ¹	66.4	71.6	(7%)
Significant items after tax	(7.7)	(2.8)	
Statutory net profit after tax	58.7	68.8	(15%)

1. All references are before significant items.

- **Revenue** down 6% reflecting slowdown in residential construction and lower aluminium prices
- **Building Products** – EBIT and EBIT margin up despite lower volumes, following cost reduction and factory efficiency measures
- **Property** – no material transactions were recorded with Horsley Park \$53m of EBIT expected in 2H YEM21
- **Aluminium** – earnings lower following decline in A\$ aluminium price
- **CSR Group EBIT** down 17% reflecting lower Aluminium result partly offset by cost reduction
 - Cost savings will enable SGA spend for the full year to be ~\$20m lower than YEM20
- **Significant item** - Team reorganisation and streamlining - \$8m restructuring cost (after tax)
 - Annualised benefit of ~\$15m (before tax) expected in YEM22

Strong balance sheet maintained

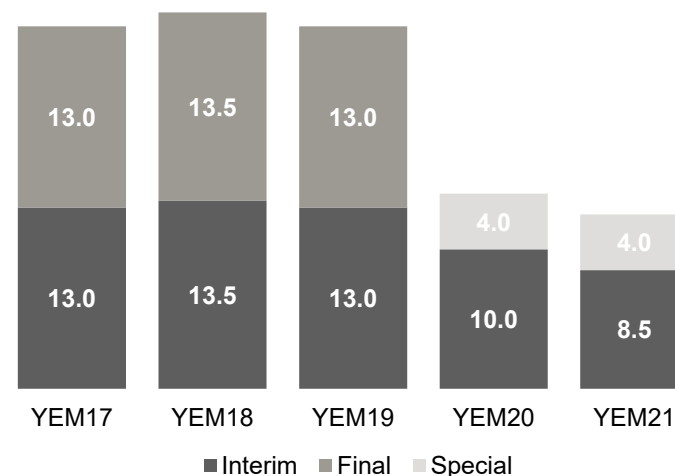
Debt facilities – maturity profile (A\$m)



Key metrics

- Net cash of \$153m
- S&P Rating BBB+ with no change in outlook
- Strong liquidity position and maturity profile
- Material YEM21 Property cash proceeds expected in 2H YEM21 – Horsley Park (\$80m) and Rosehill (\$17m)

Dividends (cps)



- Interim dividend to be paid of 8.5 cps (fully franked)
- Special dividend of 4.0 cps (fully franked) reflects visibility of first half operating environment
- YEM21 full year dividend (excluding special dividends) expected to be in line with policy to payout 60-80% of full year net profit after tax (before significant items)

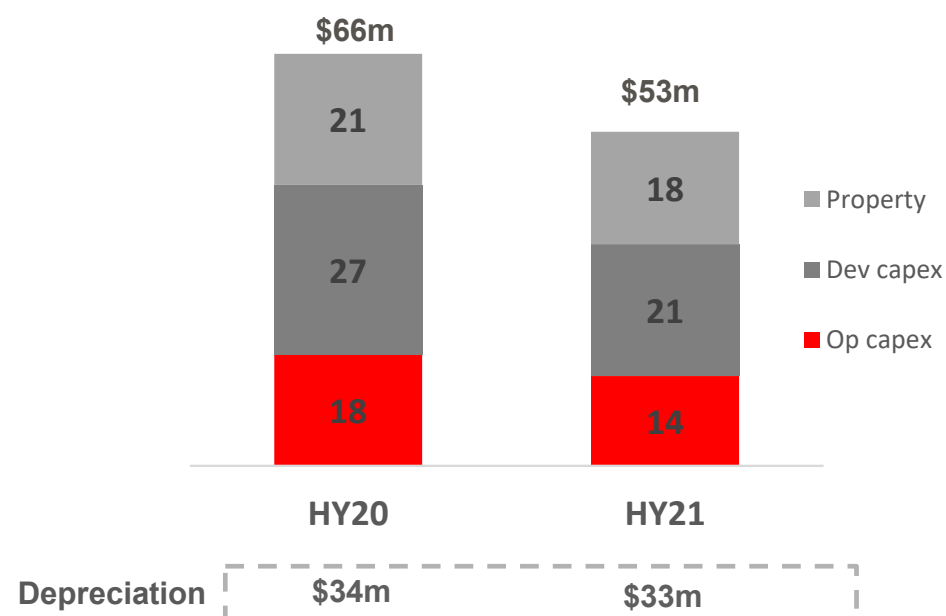
Strong cash flow generation

Cash flow

A\$m	HY21	HY20	change
EBITDA	143.1	163.0	(12%)
Net profit on asset disposals	(2.9)	(0.4)	
EBITDA excluding asset disposals	140.2	162.6	(14%)
Net movement in working capital	32.5	(11.1)	
Movement in provisions/other	13.6	2.9	
Operating cashflows (pre tax, asbestos & sig. items)	186.3	154.4	21%
Asbestos payments	(8.8)	(12.9)	
Tax paid	(51.0)	(16.9)	
Significant items	(4.8)	(8.2)	
Operating cashflows (post tax & sig. items)	121.7	116.4	5%

- Improvement in working capital following de-stocking initiatives and managing production to sales levels
- Higher cash tax paid with YEM20 tax paid in HY21

Capital expenditure (A\$m)



- Reduction in development capex following cash preservation position
- Total capex for YEM21 expected to be approximately \$112m including \$42m Property

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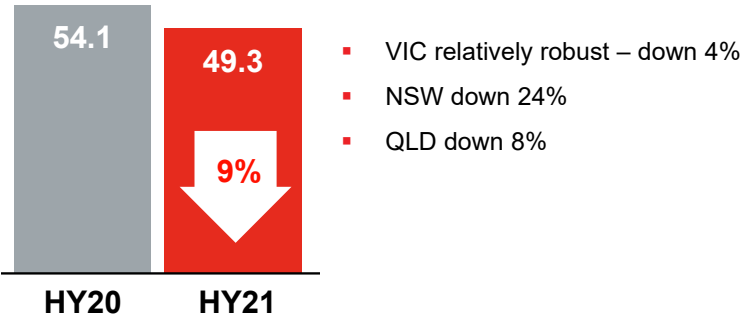
BUILDING PRODUCTS RESULTS

Julie Coates, Managing Director & CEO, CSR Limited

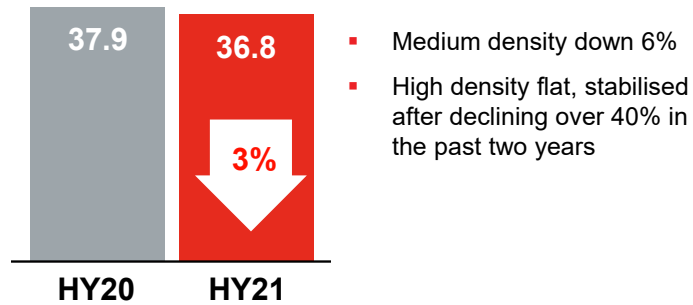


Market slowdown underway prior to start of COVID

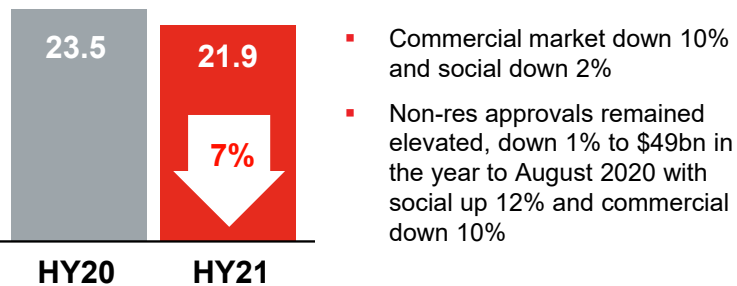
Detached Housing¹ (6m lag, 000s)



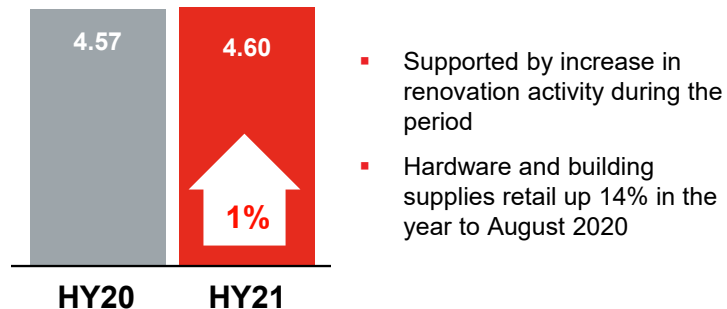
Medium and High Density¹ (6m lag, 000s)



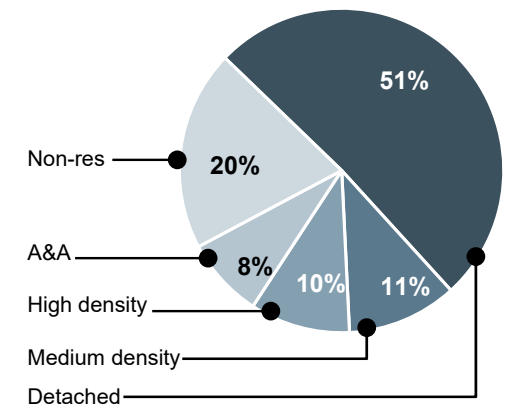
Non-residential² (A\$bn – first half)



Alterations & Additions² (A\$bn – first half)



Building Products revenue diversification



1. Source: ABS data – (original basis two quarter lag – i.e. 6 months to March) which reflects the majority of CSR's products utilised in the second half of the construction process

2. Source: ABS, BIS Oxford Economic forecast (value of work done 6 months to September)

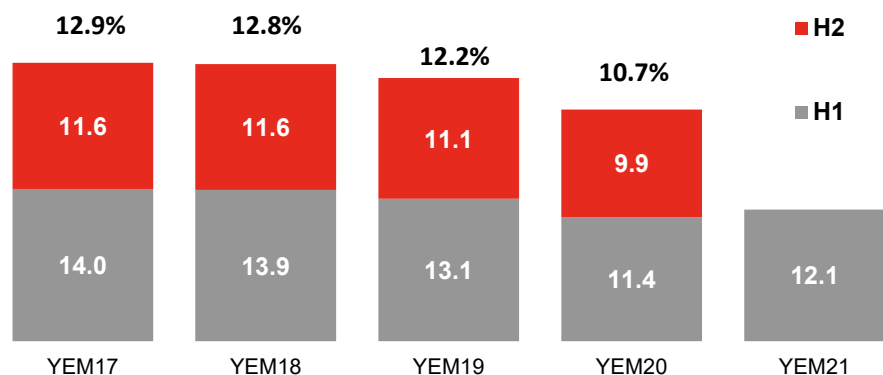
Building Products EBIT higher following cost reduction

A\$m unless stated ¹

	HY21	HY20	change
Revenue	797.1	839.4	(5%)
EBITDA	137.8	137.5	—
EBIT	96.3	95.9	—
Funds employed ²	904.0	932.5	(3%)
EBIT/revenue	12.1%	11.4%	
Return on funds employed ³	18.6%	19.4%	

- Revenue down 5%, lower volumes reflect slower construction activity
- EBIT of \$96m, up slightly from previous half year
 - Reductions in volume offset by strong cost control and operational efficiency
 - EBIT margin increased to 12.1% from 11.4%

EBIT Margin %



1. EBIT (before significant items).

2. Excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September.

3. Based on EBIT (before significant items) for the 12 months to 30 September divided by average funds employed. Refer Note 2 in the half year report.

Softer revenues reflecting slowdown in construction markets

HY21 Building Products revenue – \$797m down 5% and EBIT of \$96m slightly ahead

Interior Systems



GYPROCK

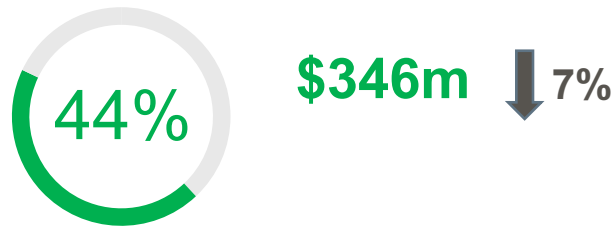
martini

HIMMEL
INTERIOR SYSTEMS

POTTER
INTERIOR SYSTEMS

- **Volume:** Gyprock volumes ahead of market
- **EBIT:** higher with strong performance from Gyprock. Commercial fitout businesses lower as market slowed

Masonry & Insulation

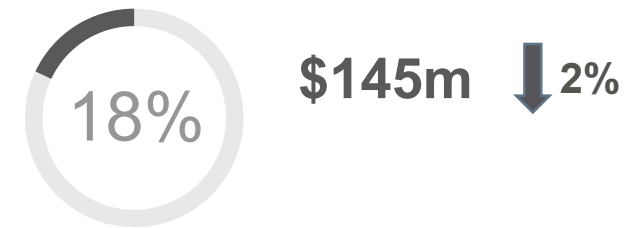


Bradford™ **PGH** BRICKS & PAVERS

Monier™
ROOFING

- **Volume:** Volumes lower following decline in detached activity
- **EBIT:** Bradford and PGH EBIT lower while Monier improved with cost reduction following reorganisation completed in YEM20

Construction Systems



hebel
The better way to build

afs
smarter permanent formwork.™

CEMINTEL

- **Volume:** Cemintel higher with increased external cladding range
- **EBIT:** Hebel and AFS lower due to NSW high-rise exposure while Cemintel higher

4

PROPERTY AND ALUMINIUM RESULTS

David Fallu, Chief Financial Officer and EGM Property and Aluminium, CSR Limited



Property development unlocking significant returns over the next four years

<i>A\$m unless stated ¹</i>	HY21	HY20
EBIT	1.7	(2.2)
Funds employed²	174.2	173.6
Return on funds employed³	1.4%	18.2%

1. EBIT (before significant items).

2. Excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September.

3. Based on EBIT (before significant items) for the 12 months to 30 September divided by average funds employed. Refer Note 2 in the half year report. ROFE varies due to timing of projects.

Horsley Park transactions on track

Tranche	Size	Proceeds	EBIT	Completion
Stage 2/1	11.7ha	\$80m	\$53m	2H YEM21
Stage 2/2a	4ha	\$28m	\$18m	YEM22
Stage 2/2b	5ha	\$34m	\$22m	YEM23
Stage 3/1	8.6ha	\$84m	\$48m	YEM24
Total contracted	29.3ha	\$226m	\$141m	
Stage 3/2	9ha	Marketing underway		

- Continued to execute against strategy with material progress on key development projects
- No significant Property EBIT recorded during the half year due to timing of transactions
- Horsley Park development has secured \$226m in sale proceeds over next four years

Aluminium – EBIT down reflecting lower A\$ aluminium price

<i>A\$m unless stated ¹</i>	HY21	HY20	change
Sales (tonnes)	102,526	105,026	(2%)
A\$ realised price ²	2,715	2,959	(8%)
Revenue	278.4	310.7	(10%)
EBITDA	12.1	31.3	(61%)
EBIT	6.2	25.4	(76%)
Funds employed ³	140.6	137.2	2%
EBIT/revenue	2.2%	8.2%	
Return on funds employed ⁴	29.1%	27.9%	

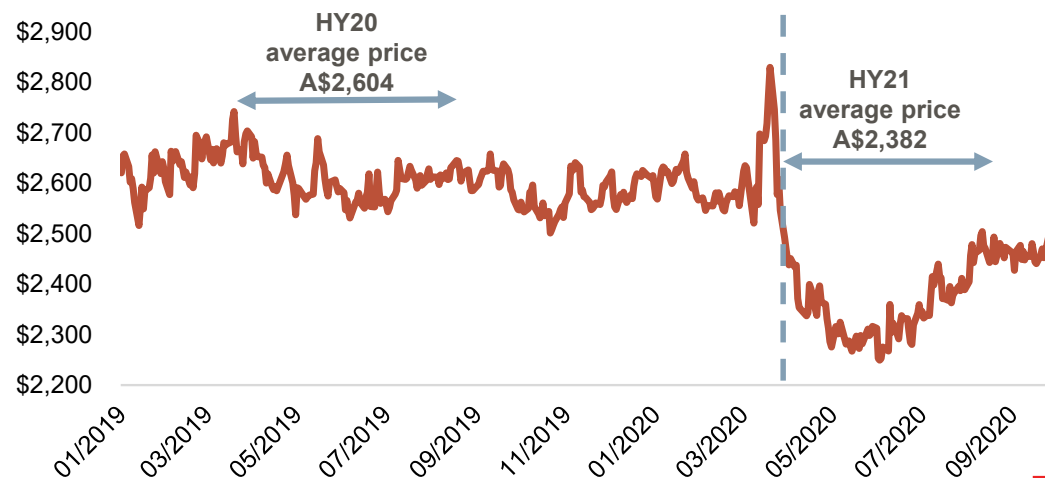
EBIT movement A\$m

HY20	25.4
Volume	(0.3)
Price in A\$ including hedging	(25.1)
A\$ alumina raw material cost	(6.4)
Energy - coal cost pass through	5.6
Raw material coke and pitch cost	7.7
Pot relining	(0.3)
Stock adjustments, warehouse, other	(0.4)
HY21	6.2

1. 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. Based on EBIT (before significant items) for the 12 months to 30 September divided by average funds employed. Refer Note 2 in the half year report.

- Revenue lower following volatile decline in A\$ aluminium price
- Alumina costs higher following the start of new contracts in January 2020
- Reduction in energy (coal cost pass through) and raw material coke and pitch costs

A\$ aluminium price



Aluminium – outlook

GAF aluminium hedge book

As of 31 October 2020	2H YEM21	YEM22	YEM23	YEM24
Average price A\$ per tonne (excludes premiums)	A\$2,766	A\$2,742	A\$2,839	A\$2,781
% of net aluminium exposure hedged	82%	75%	59%	26%

- Given Tomago's high energy cost (which is not correlated to LME aluminium prices), CSR's approach is to take advantage of profitable pricing by hedging when possible
- Significant hedge book in place through to March 2024

YEM21 EBIT scenario

	Aluminium average spot price A\$/t for the remainder of YEM21		
	A\$2,000	A\$2,500	A\$3,000
YEM21 EBIT A\$m	A\$14m	A\$18m	A\$23m

- YEM21 EBIT ranges based on various A\$/t aluminium spot prices
- Assumes all other cost and revenue areas are unchanged
- H2 YEM21 is over 80% hedged with five months remaining in YEM21 enabling additional disclosure





5

STRATEGY AND OUTLOOK

Julie Coates, Managing Director & CEO, CSR Limited



Progress on strategic initiatives

		Opportunity	Progress to date
	Streamline the organisation	<ul style="list-style-type: none"> New team is a key enabler to unlock value and deliver strategic agenda 	<ul style="list-style-type: none"> Leadership team and structure in place to support strategy to make the business more streamlined, diversified and resilient
	Optimise footprint	<ul style="list-style-type: none"> Operational discipline to improve efficiency and fixed cost position 	<ul style="list-style-type: none"> Site optimisation progressed with the planned closure of PGH Bricks Horsley Park, NSW announced in October 2020
	Supply chain transformation	<ul style="list-style-type: none"> An integrated solution across CSR to deliver customer service, efficiency and a platform for growth with industry leading capability 	<ul style="list-style-type: none"> Initial projects scoping the opportunity on site master planning, group import strategy, shared fleet and a transport management system
	Customer solutions and brand leadership	<ul style="list-style-type: none"> Customer solutions will access the breadth of the CSR product range to increase diversification across different building segments 	<ul style="list-style-type: none"> Business reorganised to drive customer focus, CSR group technical capability, product and market growth

Outlook for the year ending 31 March 2021 (YEM21)



Building Products

- › Revenue for the first four weeks of the second half of YEM21 is down 6% from the prior comparable period. Changes in market activity from current levels will be closely monitored to ensure costs are contained and production is aligned to demand.
- › The longer-term outlook remains uncertain as the impact of COVID-19 continues to influence macro factors like migration, as well as economic activity and employment levels.



Property

- › Delivery of the first tranche of the Horsley Park Stage 2 project is on track to deliver earnings of \$53 million in the second half of YEM21.
- › In addition, approximately \$2 million of earnings is expected from sales at Brendale, QLD and Chirnside Park, VIC.



Aluminium

- › Due to the significant hedge position and five months remaining in YEM21, CSR has provided additional disclosure with Aluminium EBIT for YEM21 to be in the range of \$14 million to \$23 million, assuming all other cost and revenue areas are unchanged.



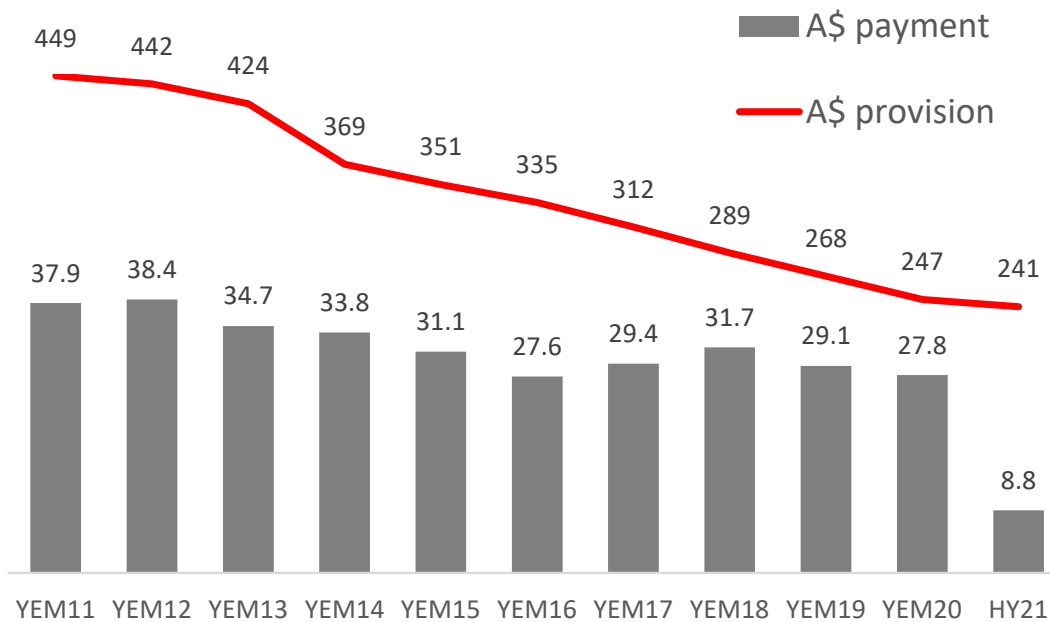
APPENDIX

Half year ended 30 September 2020



Further reductions in asbestos liability

Asbestos provision - A\$m



- Product liability provision of A\$240.5m
- Provision includes a prudential margin of A\$34.9m
- Cash payments A\$8.8m during the half year

Review of significant items

\$million	HY21	HY20
Strategy implementation and re-organisation costs	(11.8)	-
Lease adjustments for previously impaired leases	4.0	-
Significant items before finance costs and income tax	(7.8)	-
Discount unwind and hedging relating to product liability provision	(3.2)	(4.0)
Income tax benefit on significant items	3.3	1.2
Significant items after tax	(7.7)	(2.8)
Significant items attributable to non-controlling interests	-	-
Significant items attributable to shareholders of CSR Limited	(7.7)	(2.8)
Net profit attributable to shareholders of CSR Limited	58.7	68.8
Significant items attributable to shareholders of CSR Limited	7.7	2.8
Net profit before significant items attributable to shareholders of CSR Limited	66.4	71.6

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