

# Results Announcement for the half year ended 31 December 2019

20 February 2020

Media Release

## Boral confirms half year results

### Resolute focus on operational execution to strengthen performance

Boral Limited (ASX: BLD) today reported a **statutory net profit after tax (NPAT)** of **\$137 million** for the half year ended 31 December 2019, after significant items of \$20 million<sup>1</sup>.

As announced on 10 February 2020 in the update on 1H FY2020 results and FY2020 outlook guidance, Boral's half year result reflects lower first half earnings from Boral Australia and USG Boral due to cyclical declines in housing markets in Australia and South Korea partially offset by improvement initiatives. Lower earnings were also delivered from Boral North America reflecting volume pressures and higher costs.

Excluding the impact of the new IFRS leasing standard (AASB 16) to show movements on a comparable basis and restating 1H FY2019 to reflect the correction for Windows misreporting, results for the half year ended 31 December 2019, include:

- Net profit after tax (**NPAT**) before significant items<sup>2</sup> of **\$159 million down 18%**
- **Reported sales revenue** of \$2,989 million steady on 1H FY2019 and **sales revenue from continuing operations of \$2,960 million up 2%**
- **Earnings before interest, tax, depreciation & amortisation (EBITDA)**<sup>2</sup> of \$439 million and **EBITDA<sup>2</sup> from continuing operations of \$440 million down 6%**, reflecting softer EBITDA in all three divisions
- An **interim dividend of 9.5 cents per share** (50% franked) will be paid on 15 April 2020, representing a payout ratio of 71%
- **FY2020 NPAT<sup>2</sup> guidance of \$320-\$340 million**, as announced on 10 February 2020.

Commenting on the first half FY2020 result, Boral's CEO & Managing Director, Mike Kane, said:

*"Boral's first half FY2020 results were broadly in line with guidance, and we were encouraged by the performance of Boral Australia and USG Boral particularly given the significant downturns in housing activity in Australia and South Korea. Improvement programs and cost reduction initiatives in both divisions helped to offset the impact of lower volumes. We were disappointed however, with performance in Boral North America, largely due to shortcomings in our operational execution.*

*"In addition to the lower than expected first half results from Boral North America, we have had a challenging start to the second half of 2020 in Australia with higher costs and significantly lower volumes due to bushfire- and weather-related impacts.*

*"Australian infrastructure activity continues to be solid although delays and disruptions remain a feature of major infrastructure work. For example, we secured supply to the West Gate Tunnel project in Melbourne, which we were expecting to see come through in the second half, but as has been well-publicised, this project is currently delayed.*

*"We are resolutely focused on executing improvement initiatives over the remainder of the year to strengthen our business in North America and to improve outcomes in Australia.*

*"This includes safety. We delivered a 4% improvement in recordable injury frequency rate to 7.2 compared with FY2019, however we have more work to do, particularly in the area of reducing contractor injuries in Australia.*

*"In the first half in **Boral Australia**, 7% lower concrete volumes due to a 23% decline in housing starts, subdued pricing, and higher costs associated with outages at Peppertree Quarry and Berrima Cement and bushfire related costs, impacted revenue and EBITDA. This was partly offset by \$30 million in cost saving and property earnings of \$29 million.*

*“Revenue for **Boral North America** was up 4% to US\$825 million for continuing operations and EBITDA was US\$111 million, down 17%. We are pleased with the growth in Light Building Products, higher Fly Ash prices and volumes, and the realisation of a further US\$7 million of synergies. However, results from Stone in particular were disappointing. We also had lower earnings from site services in the Fly Ash business, which was well-flagged, and a lower contribution from the Meridian Brick JV. FY2020 one-off costs associated with the Windows business and a BCI product provision also negatively impacted results.*

*“**USG Boral** delivered a mixed result with strong earnings growth in China and higher earnings in Thailand offset by a housing related cyclical decline in South Korea and softer earnings in Australia. This resulted in equity income of \$23 million, down 8% on first half FY2019.”*

**Commenting on Boral’s outlook for FY2020**, Mr Kane said after taking into account the first half results together with lower than previously expected earnings from the Windows business, bushfire related impacts and major project scheduling delays in the second half, Boral expects its FY2020 EBITDA to be down relative to FY2019, with lower reported EBITDA in all three divisions. This translates to an expected NPAT<sup>2</sup> range of around \$320–\$340 million for FY2020.

Providing a more detailed explanation of the priorities for the second half, Mr Kane said:

*“**Boral Australia** has started the second half with significantly lower volumes and higher costs due to bushfires and extreme weather, together with major project delays. However, our market position is strong and we have a comprehensive range of co*