Boral reports a 45% increase in underlying net profit after tax [1]

Boral Limited (ASX: BLD) today reported a 45% increase in net profit after tax before significant items[1] to $249 million for the year ended 30 June 2015. After significant items, Boral reported a net profit after tax of $257 million, up 48% on the previous year.

Sales revenue from continuing operations of $4.3 billion was in line with the prior year. Boral's reported sales revenue for the year of $4.4 billion was 15% below the prior year, reflecting the impact of a full year of 50% post-tax equity accounting in the Gypsum division following the formation of the USG Boral joint venture on 1 March 2014.

Earnings before interest and tax (EBIT) before significant items increased 21% to $357 million driven by higher earnings from Construction Materials & Cement (including Property), Boral Building

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“Boral’s largest division – Construction Materials & Cement – delivered $301 million of EBIT, 9% higher than the previous year assisted by $46 million of Property earnings. Strength in Australian housing and the NSW construction market, together with higher margins in Asphalt, Cement and Concrete Placing due to operational and cost improvements helped the result. These benefits were offset by the impact of lower activity in roads, infrastructure and engineering projects compared to the prior year.

“Boral’s smaller Building Products division delivered $30 million of EBIT, which was a substantial $22 million improvement on last year. Stronger housing activity across most key markets in Australia, improved pricing and operational performance underpinned the result.

“The USG Boral gypsum joint venture delivered a 38% increase in underlying EBIT to $141 million for the year, with earnings growth across Australia and Asia resulting in a post-tax profit contribution of $49 million for Boral. The roll-out of world-leading gypsum technologies across USG Boral is on track and within budget, and the early indications for product acceptance and price premiums are promising.

“After a protracted period of depressed market activity in the USA following the global financial crisis, Boral USA returned to profitability in FY2015, with a positive A$6 million of EBIT. The pleasing A$45 million turnaround was underpinned by a 10% year-on-year increase in housing starts to 1.05 million together with US$20 million of benefits from a cost reduction initiative.”

For FY2016, Boral expects the following divisional performance:

Construction Materials & Cement will be focused on maintaining earnings, excluding property, broadly in line with FY2015. Benefits from restructuring and improvement initiatives together with continued strength in the Sydney construction market will be needed to offset a depressed Queensland construction market, subdued activity in roads, infrastructure and engineering construction and further tapering off of LNG major project volumes. While pricing is challenging we remain committed to maximising opportunities to improve price and margin outcomes. Property is expected to contribute to earnings in FY2016 but the timing and quantum is uncertain.

Building Products to maintain earnings in line with FY2015, with improvement initiatives offsetting the impact of housing activity coming off its peak and the impact of earnings from Bricks East moving from 100% consolidated to a 40% post-tax equity accounted share of earnings from the Boral CSR Bricks JV.

Boral Gypsum to continue to deliver further underlying performance improvements. Volumes of new Sheetrock® products should continue to grow and synergies should also strengthen in FY2016. Synergies are expected to exceed the cash costs associated with the expanded product portfolio and technology roll-out in FY2016.

Boral USA to report a further increase in earnings in FY2016 on the back of increased housing activity. While the cost out program undertaken in FY2015 will not be repeated, EBIT is expected to lift as a result of forecasters’ projected increase in housing activity to approximately 1.2 million starts in FY2016.

Contact information:

Kylie FitzGerald
Investor & Media Enquiries
Tel: 02 9220 6591 or 0401 895 894

Luis Garcia - Cannings
Media Enquiries
Tel: 0419 239 552