ASX Release

BORAL™

14 February 2022

Boral delivers 1H FY22 revenue growth from continuing operations despite COVID-related construction shutdowns; substantial progress made on strategic priorities

Boral Limited (ASX: BLD) today reported a statutory **net profit after tax** (**NPAT**) of **$1.0 billion** for the half year ended 31 December 2021 compared to $167 million in 1H FY2021.

Boral's half year results include:

Continuing operations

- **Sales revenue of $1.5 billion up 1%, and up 3% on a comparable basis**[1] reflecting stronger underlying demand despite impact of COVID-related construction shutdowns, and exceptionally wet weather in the second quarter
- **EBIT[2] (excluding Property) of $78 million down 23%** with benefits from revenue growth and $22 million of Transformation initiatives (net of inflation) more than offset by a $33 million impact from construction shutdowns and higher energy and other costs
- **Return on funds employed (excluding Property)[2,3] of 7.3%** down from 9.4%
- **Transformation program delivers**. Excluding the impact of construction shutdowns, return on funds employed (excluding Property)[2,3] rises to 10.5%

Total operations

- Net profit after tax (**NPAT**) **before significant items of $145 million down 12%**
- **Earnings before interest and tax** (EBIT)[2] of $238 million down 10%
- A **pre-tax gain of $931 million for significant items** primarily relating to profit on sale of North American Building Products
- **Operating cash flow of $185 million down 52%**
- **Adjusted EPS[2] of 13.1 cents, compared to 13.3 cents in 1H FY2021.**

A $3 billion return of surplus capital to shareholders, previously announced, will be completed on 14 February 2022. The cash distribution, equal to $2.72 per share, includes a $2.65 equal capital return and a special unfranked dividend of 7 cents per share.

Significant progress on strategic priorities

Commenting on the significant progress to deliver on Boral's strategic priorities, CEO & Managing Director, Zlatko Todorcevski, said:

> *"With completion of the divestment of our North American Fly Ash business on 11 February 2022, we have now finalised the strategic realignment of our portfolio to focus on our Australian construction materials business.*
>
> *"We have substantially reshaped our portfolio, divesting our Boral North America businesses and Australian Building Products businesses for proceeds of $4.1 billion. And post half-year, we've completed the return of $3 billion in surplus capital to our shareholders.*
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> *"Following receipt of the proceeds from the sale of Fly Ash, Boral has at least a further $500 million in surplus capital on a proforma basis. After considering any reinvestment opportunities, Boral will determine how to apply the surplus in accordance with its Financial Framework.*

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[1] After adjusting for revenue from an Asphalt joint venture, now equity accounted but proportionally consolidated in the prior comparable period
[2] Excluding significant items
[3] Based on funds employed, excluding net Property assets

"We are focused on building a more competitive and profitable business that is positioned for success and delivers increased returns to shareholders.

"Our Transformation program has delivered $97 million (net of inflation) of our five-year target EBIT uplift of $200–$250 million, including $22 million in the 1H FY2022. The Transformation target has been set to achieve a return on funds employed above Boral's cost of capital throughout the cycle. Excluding the impact of construction shutdowns, Boral delivered ROFE of 10.5% for continuing operations.

"During the half, we strengthened our leading national integrated network position by making disciplined investments to support long-term growth. In December 2021, we agreed to acquire Hillview Sands in Victoria, an operating sand quarry with further upside from unutilised sand and granite resources, for an attractive price of $30 million. The acquisition will enhance our west of Melbourne sand quarry position, providing additional capacity and optionality in our network. We also recently agreed to acquire land at Badgerys Creek to grow our Western Sydney position.

"We are redefining our business and operations to strengthen our competitive advantage through our decarbonisation and recycling plans. Our range of lower carbon concrete products is supporting incremental sales, and we are making positive progress to develop growth opportunities in our Recycling business and transition to lower carbon energy sources in our operations."

1H FY2022 result impacted by COVID-related construction shutdowns

Commenting on the 1H FY2022 result, Mr Todorcevski added:

"Boral reported revenue growth in its continuing operations, despite the impact of the construction shutdowns in the first quarter and exceptionally wet weather on the east coast during the second quarter.

"Revenue benefited from higher residential housing activity which was bolstered by government stimulus measures and improved infrastructure activity. There was, however, a less favourable geographic revenue shift away from NSW, where Boral has its strongest integrated position.

"New major projects remain slow to move into execution, despite the sizeable infrastructure pipeline. We have successfully secured a number of major projects opportunities in the half, which will predominantly benefit from FY2023, and are tendering on numerous other opportunities.

"EBIT[2] from continuing operations, excluding Property was down 23%. The benefits from Transformation initiatives and higher revenue partially offset the $33 million impact from construction shutdowns, headwinds from higher energy prices, and the year-on-year impact of Boral's incentive schemes. Property earnings of $5 million were lower than the prior comparable period.

"To recover the impact of higher energy costs and other cost increases on our business, we've implemented out-of-cycle national price increases. These, together with further Transformation benefits and less expected disruption to construction activity, should deliver stronger earnings in the 2H FY2022."

FY2022 Outlook

Boral expects revenue in the 2H FY2022 to be higher than the 1H FY2022, reflecting the impact of out-of-cycle national price increases effective January/February.

- Price increases are expected to offset the impact of energy cost increases, which are anticipated to continue to be elevated in the 2H FY2022.
- The revenue benefit of no construction shutdowns in the 2H FY2022 is expected to be offset by the typical 2H seasonality due to fewer trading days.

Supply chain constraints and labour shortages which impacted the 1H FY2022 are expected to continue in the 2H FY2022.

The Company is targeting FY2022 Transformation benefits of ~$60–$75 million net of inflation.

In addition, Boral expects:

- No significant property sales in 2H.
- Financing costs for FY2022 to be approximately 4.2% p.a. on gross debt value (including leases).
- Its effective tax rate to move closer to the Australian corporate tax rate of 30% in the 2H FY2022.
- Capital expenditure for FY2022 in its continuing operations to be about $300 million (including new leases).

For the purposes of ASX Listing Rule 15.5, the Board has authorised the release of this announcement to the market.

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