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Results Announcement

for the full year ended 30 June 2019

26 August 2019

Media Release

Boral announces a solid full year result and completion of value-creating growth strategy for USG Boral

Boral Limited (ASX: BLD) today reported a solid full year result for the year ended 30 June 2019.

The result reflects continued strength in Australian infrastructure activity, Headwaters acquisition synergies and benefits from improvement programs offset by the downturn in housing activity and lower property earnings in Boral Australia, a housing market slowdown in Boral North America and a contraction in USG Boral's earnings due to the downturn in South Korea.

Boral's full year results include:

- Net profit after tax before amortisation (**NPATA**) & significant items[1] of **$486 million** for the full year ended 30 June 2019, 6% lower than FY2018
- Net profit after tax (**NPAT**) **before significant items of $440 million down 7%**
- **Statutory NPAT** of $272 million down 38% on FY2018, reflecting significant items of ($168 million) including a net impairment of $174 million for the Meridian Brick joint venture
- **Reported sales revenue** of $5,863 million steady on FY2018 and **sales revenue for continuing operations** of $5,801 million up 4%, despite a 15% decline in Australian housing starts and a 2% decline in the US housing market
- **Earnings before interest, tax, depreciation & amortisation (EBITDA)**[2] of $1,037 million compared with $1,056 million last year. **EBITDA**[2] **for continuing operations** of $1,033 million was up 2%, reflecting a $66 million EBITDA lift from Boral North America, partly offset by lower earnings from Boral Australia, including $30 million of lower Property earnings, and a lower contribution from USG Boral
- Full year **Headwaters synergies of US$32 million** slightly ahead of plan; with total synergies of US$71 million now delivered at end of year two
- A **final dividend of 13.5 cents per share** (50% franked) will be paid on 1 October 2019, resulting in a full year dividend of 26.5 cents, steady on last year.

Commenting on the FY2019 result, Boral's CEO & Managing Director, Mike Kane, said:

"Boral's full year results demonstrate the benefits of strong infrastructure activity in Australia and resilience of our underlying businesses, together with implementation of improvement initiatives and cost reduction programs across the Company. While we have seen a 15% decline in Australian housing starts, lower Australian property earnings and lower than expected growth in North America, revenue from our continuing operations was up 4% and EBITDA improved 2%.

"We also achieved better than expected Headwaters acquisition synergies, delivering US$71 million in synergies to date, with our four-year synergy target of US$115 million remaining firmly in sight.

"Our business is not immune to market cycles, or adverse weather, and in response to softer market conditions and extreme rainfall events in the US, we have delivered tangible benefits this year through improvement initiatives and cost reduction programs, with more expected in FY2020.

1 Profit before amortisation and significant items is a non-IFRS measure reported to provide greater understanding of the Group's underlying business performance. Non-IFRS information has not been subject to audit or review. Full details of significant items are contained in Note 2.6 of the Full Year Financial Report.

2 Before significant items

*"Against this backdrop, strong improvements in employee and contractor **safety** continued, with a recordable injury frequency rate of 7.5 representing a 14% improvement for the year.*

*"In **Boral Australia**, despite a marked slowdown in housing starts and lower concrete volumes, revenues were steady. EBITDA remained strong although it was 6% lower than last year primarily due to reduced Property earnings, which were $33 million this year compared to $63 million in the prior year. Excluding the impact of property, earnings were 2% lower on softer volumes, partly offset by price growth, improvement initiatives and cost savings.*

*"**Boral North America** delivered revenue growth of 3% to US$1.59b (up 12% to A$2.23b) and EBITDA growth of 10% to US$297m (up 19% to A$415m) for continuing operations. This was underpinned by growth in Building Products, particularly Roofing, and synergies of US$32m. Record wet weather across several key US states contributed to a 2.4% decline in housing activity and lower volumes in several businesses, contributing to lower earnings from Fly Ash and our Meridian Brick joint venture.*

*"From **USG Boral** we received $57 million of equity income, down 10% on the prior year. The underlying business saw top line growth in Thailand, China, Vietnam and India and a steady contribution from Australia. This was primarily offset by a cyclical decline in South Korea and heightened competition in Indonesia."*

Commenting on Boral's outlook for FY2020, Mr Kane said after taking into account where Boral finished the year in FY2019, the outlook for Boral's markets in FY2020, and the trading conditions we have seen in July and August, we expect Boral's NPAT (before significant items) to be around 5-15% lower in FY2020 relative to FY2019.

"In FY2020, we expect downward earnings pressure in Boral Australia as the slowdown in residential construction continues to impact and won't be fully offset by growing volumes in infrastructure projects. Higher than average property earnings and further benefits from improvement initiatives will help the result.

"Our Boral North America business is expected to deliver underlying earnings growth with an additional ~US$20m of synergies expected.

USG Boral is expected to be impacted by the slowdown in residential construction in Australia and South Korea, only partially offset by improvements in other geographies. Of course, once the announced USG Boral / Knauf transaction completes, which is expected around the end of the calendar year, we will see benefits to earnings.

"Beyond FY2020, Boral is well-placed to deliver medium-term and longer-term growth.

"In Australia we expect continued infrastructure growth in coming years, coupled with forecasters expectations of a more modest downturn in residential construction relative to past cycles. In Boral North America, we remain on track to deliver US$115 million of synergies by the end of FY2021 with our fly ash supply strategy ramping up to deliver growth in coming years. In USG Boral we will benefit from 100% earnings from the Australian & NZ business until Knauf exercises its call option, while the expanded USG Boral Asia joint venture is expected to deliver US$30 million of synergies in four years and should see continued growth through product innovation, penetration of plasterboard products and economic growth in emerging markets," said Mr Kane.

USG Boral / Knauf transaction

Today Boral also announced that it has entered into an agreement with Knauf to form an expanded plasterboard joint venture in Asia and for Boral to return to 100% ownership of USG Boral Australia & NZ, with a call option granted to Knauf, subject to regulatory approval. Details of this transaction are provided in a separate ASX release and supporting presentation slides.

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