ASX Release

BORAL™

23 August 2022

FY2022 results in line with revised guidance

Boral Limited (ASX: BLD) today reported a statutory net profit after tax of $961 million for the year ended 30 June 2022, which included a post-tax significant gain of $811 million.

Continuing operations earnings before interest and tax (EBIT), excluding Property, was $107 million – in line with the revised earnings guidance announced on 18 May 2022.

The FY2022 results include:

Continuing operations

- **Sales revenue of $2,956 million up 1%**, and up 3% on a comparable basis[1] reflecting stronger underlying demand curtailed by the impacts of exceptional rainfall and construction industry shutdowns
- Earnings before interest and tax, depreciation and amortisation[2] of $330 million, down 19%
- **EBIT[2] (excluding Property) of $107 million down 32%** reflecting the impact of challenging external conditions, including sharp increases in energy prices and cartage costs
- Property EBIT of $6 million, compared to $24 million in FY2021
- **Return on funds employed (excluding Property)[3] of 5.1%,** down from 7.5%
- Operating cash flow of $217 million, down 16%

Total operations

- Net profit after tax (**NPAT**) **before significant items of $150 million**
- EBIT[2] of $263 million
- A pre-tax gain of $1,031 million for significant items primarily relating to profit on sale of Boral North America businesses
- Adjusted earnings per share (EPS)[2] of 13.6 cents.

Boral Group's results reflect the part-year contribution from its non-core Boral North America and Australian Building Products businesses that were divested during the year.

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

Revenue higher but earnings impacted by challenging external conditions

Boral's CEO and Managing Director, Zlatko Todorcevski, said that although revenue grew, challenging external operating factors had severely impacted earnings, and actions had been taken to respond.

"Boral's revenue benefited from stronger infrastructure and residential activity. However, industry-wide construction lockdowns and exceptional rainfall, particularly in NSW and Queensland, curtailed volumes and significantly impacted margins. In addition to reducing operating efficiency, these events resulted in additional operating and repair costs.

"With supply chain constraints and labour shortages remaining a key issue across the industry, major projects continued to experience delays. However, we expect momentum to improve in FY2023, and to benefit from several key projects we've secured including the Western Sydney Airport terminal, Sydney Metro West – Central Tunnel Package, Sydney Metro West – Western Tunnel Package, and Tonkin Gap in Western Australia.

---

[1] After adjusting for revenue from an Asphalt joint venture, now equity accounted but proportionally consolidated in FY2021.
[2] Excluding significant items.
[3] Excluding significant items. Based on average of opening and closing funds employed, excluding net Property assets.

“Sharp increases in energy costs, and significant increases in cartage costs above historical inflation, totalled $58 million. These cost increases, combined with the impact of the construction shutdowns and extraordinary rainfall, adversely impacted EBIT by $136 million, and more than offset the benefit of higher revenue and transformation initiatives.

“We’ve taken a number of actions to respond to the challenges. These include implementing pricing initiatives, accelerating overhead cost reductions through a simplified corporate organisational structure that will create a more agile and efficient organisation, and taking steps to mitigate our energy cost exposure.”

Boral brought forward its annual price increase to August 2022, in addition to the out-of-cycle increases implemented in January and February, and also introduced transport charges to recoup higher fuel and cartage costs.

The reduction of roles resulting from the organisational reset in June 2022 will deliver an annualised cost saving of $35 million, including $24 million in FY2023.

Boral’s initiatives to mitigate energy costs include shifting to more economical energy sources, particularly by increasing use of alternative fuels at its Berrima Cement kiln from 15% to 30% by late FY2023, reducing its reliance on coal.

Executing on strategic priorities

Mr Todorcevski said that despite the headwinds, Boral had continued to make solid progress on its strategic priorities to establish a stronger foundation from which to drive improved earnings and margins.

“A significant milestone in FY2022 was completion of the strategic portfolio realignment to Australian construction materials, which enabled the return of significant capital to shareholders.

“Our transformation program delivered a net benefit of $42 million (excluding energy and above historical cartage inflation), which was below our target of $60–$75 million. The program was impacted by delays in some of our transformation initiatives, including due to COVID-related supply chain impacts and higher cost inflation.”

Boral’s transformation program was previously sized to deliver $200–$250 million in earnings benefits after inflation by 2025. Considering the heightened inflationary environment, the Company has shifted its focus to deliver improved earnings through a combination of pricing actions and performance improvement initiatives, which in FY2023 includes cost reductions from the simplified corporate organisational structure.

In FY2022, Boral refreshed its property strategy to maximise value from its surplus property assets and operating footprint. This will deliver significant recurring and divestment earnings over the long term, with Boral’s surplus property assets to be repurposed valued at more than $1.0 billion.[4]

Boral made disciplined investments to strengthen its leading national integrated network position during the year. This included acquiring Hillview Sands in Victoria for $30 million to enhance its west of Melbourne sand quarries position, and land at Badgerys Creek to grow its Western Sydney position.

Mr Todorcevski added, “we believe that Boral’s ambition to be a leader in sustainability is central to enhancing our competitive position. Customer adoption of our lower carbon concrete products was strong during the year and represented 19% of concrete sales by the end of June 2022, compared to 4% of sales at the end of June 2021. Our lower carbon concrete products are supporting our customers’ sustainability ambitions and contributing to our decarbonisation efforts.

“A key priority remains safety, where we acknowledge we have further work to improve our performance. This will be a renewed focus in FY2023, including implementing a refreshed approach that incorporates more visible leadership.”

[4] On a net present value basis, using a discount rate of 9% with future cash flows estimated based on a combination of contractual terms, comparable property prices and management’s estimate of timing realisation, and excludes existing landfill operation.

FY2023 outlook

In FY2023, Boral expects:

- revenue to be higher than FY2022, driven by strong price growth and increased volumes, with volumes to benefit from less disruption, including no construction shutdowns and higher construction demand
- stronger infrastructure demand, including accelerating major projects work, and improved non-residential activity to more than offset softening detached housing demand in 2H FY2023
- a high risk of further adverse impacts due to exceptional rainfall, with July 2022 the wettest July on record in Sydney
- the benefit of price increases coupled with performance improvement initiatives to more than offset the impact of significant total cost inflation, with energy costs remaining elevated.

In addition, Boral expects:

- no property divestments due to change in strategy
- financing costs to be approximately 4.2% p.a. on gross debt value (including leases)
- effective tax rate to be close to the Australian corporate tax rate of 30%
- capital expenditure to be approximately $235 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.

For media enquiries, please contact:
Peter Gurney
Head of Corporate Affairs
+61 417 633 467
peter.gurney@boral.com.au

For investor enquiries, please contact:
Saskia Curtis
Head of Investor Relations
+61 401 897 175
saskia.curtis@boral.com.au