



Results Announcement for the half year ended 31 December 2020

9 February 2021

Media Release

Boral makes good progress to improve the business, reporting an underlying half year result in line with prior corresponding period

Boral Limited (ASX: BLD) today reported a statutory **net profit after tax (NPAT)** of **\$161 million** for the half year ended 31 December 2020.

Boral's half year results include:

- Reported sales revenue of \$2,716 million down 9% on 1H FY20 and **sales revenue from continuing operations of \$2,703 million down 9%**
- **Earnings before interest and tax (EBIT)**¹ of \$254 million up 1% and **EBIT**¹ **from continuing operations of \$215 million down 8%**, reflecting lower EBIT from Boral Australia
- Net profit after tax (NPAT) **before significant items**¹ of **\$156 million, steady** on the prior corresponding period (pcp)
- **Operating cash flow** of \$391 million up 65% (versus \$237 million in 1H FY20) with strong cash generation benefiting from inventory reductions and improved debtor levels.

Net debt (including leases) reduced to \$1.9 billion from \$2.6 billion in June 2020 reflecting strong operating cash flow, disciplined capital allocation, a favourable exchange rate movement and \$108 million of proceeds from sale of assets. With net debt remaining higher than Boral's target of \$1.5 billion, the Board has determined not to pay an interim dividend.

Boral also announced that it has set a \$300 million EBIT Transformation target (net of inflation) to achieve return on funds employed above the cost of capital throughout the cycle. In 1H FY21, \$32 million of Transformation benefits (net of inflation) were delivered.

Solid half year results in challenging conditions

Commenting on the first half result, **Boral's CEO & Managing Director, Zlatko Todorcevski**, said:

"While market conditions across the sector remain uncertain, we have made strong early progress to reset our portfolio of businesses, in line with our commitment to shareholders to transform Boral into a more agile, resilient and profitable company.

"Much work remains to be done but we are well on our way.

"Our half year results were impacted, as we expected, by a decline in multi-residential and non-residential construction activity in Australia, particularly in NSW, and the completion of a number of major projects, ahead of materials demand from new projects coming through. We are in a good position to supply demand when activity in Australia picks up.

"In North America, housing demand strengthened throughout the half. We have taken actions to increase production in our building products businesses and to mitigate COVID-related absenteeism and labour shortages, and we are well placed to support market demand in the second half.

"Safety performance was broadly steady with a recordable injury frequency rate of 7.7. We are focused on delivering another step change improvement in safety and environmental outcomes. A key priority remains managing the impacts of the COVID-19 virus and keeping our people, our customers and our communities safe."

Boral Australia's revenue was down 8% and EBIT¹ of \$128 million was 20% lower reflecting lower volumes, the flow through of lower prices from 2H FY20 due to reduced activity, and a lower contribution from Property of \$17 million compared to \$29 million in the pcp. Transformation benefits helped to mitigate the negative impacts of lower volumes and pricing. Excluding Property, EBIT¹ was down 15%.

Boral North America revenue was down 3% to US\$801 million, with Building Products revenue steady but Fly Ash revenue down 8%. EBIT¹ of US\$73 million increased 22%. Excluding a US\$5 million profit on sale of assets in the half and prior year US\$10 million one-off costs, underlying EBIT¹ was broadly steady.

Boral's share of 1H FY21 earnings from USG Boral and Meridian Brick are reported as **discontinued operations**. The **USG Boral** joint venture contributed \$28 million EBIT¹ compared with \$23 million in pcp and **Meridian Brick** contributed US\$9 million of EBIT¹ compared with a loss of US\$2 million in pcp.

Outlook for second half of FY2021 remains uncertain

In **Boral Australia**, underlying market conditions for the remainder of FY21 are uncertain with continued weakness in multi-residential and non-residential construction, and a transitional period for major projects as current projects have relatively low concrete and asphalt intensity and new projects are slow to move into the execution phase.

Housing approvals in December were strong, however, it is unclear whether the increase in approvals is sustainable or if it is a stimulus-driven pull forward of demand that would otherwise come through later in 2021. At this stage, we do not expect EBIT margins (excluding Property) in 2H FY21 to grow relative to 1H FY21. Overall, the benefits from Transformation initiatives (net of inflation) are expected to offset the impacts of adverse market conditions in 2H relative to 1H.

In **Boral North America**, the Building Products order book at the end of December looks good and production volumes should continue to ramp up to meet strong market demand. Benefits are expected from price increases announced late in 1H FY21 and from Transformation initiatives.

In 2H FY21, Fly Ash is expected to be impacted by continued COVID-related utility slowdowns and intermittent shuts, typical 2H seasonality that results in lower earnings and margins, exacerbated by the loss of a high margin contract in Oct-2020 and lower site services revenue on pcp.

Making good progress against our strategic priorities

While market conditions have been challenging, Mr Todorcevski commented on the substantial progress that has been made to strengthen Boral's business:

"As we announced late last year, our comprehensive portfolio review confirmed we have outstanding assets and positions, and importantly that there is a lot of potential to improve the performance of our businesses.

"Following the review, we announced the sale of Boral's 50% interest in USG Boral to Knauf for US\$1.015 billion, as well as the sale of Meridian Brick for US\$250 million (US\$125m Boral share).

"In the first half of this year, we delivered \$32 million of Transformation benefits net of inflation, with a run rate of around \$83 million against our \$300 million Transformation target. These benefits came from cost reduction initiatives in Boral Australia, with further opportunities identified and being matured. Boral North America also has a suite of improvement opportunities and delivered benefits to offset inflation in the first half.

"In October 2020, we said we would explore third-party interest in our Building Products businesses in North America to determine if there are opportunities to create greater value beyond our own business improvement initiatives. We have now appointed advisors to support this value assessment process.

"As a follow on from the portfolio review, we conducted a more detailed and focused study of the US fly ash market. Our strategy is to strengthen the Fly Ash business for the long term, including by maturing plans to develop and grow fly ash supply from targeted alternative sources.

"Overall, our priorities are clear: the building of a stronger, better performing, more customer-focused Boral, with a portfolio of businesses that are delivering strong returns for our shareholders, in an organisation of proud and engaged people."

1. NPAT and EBIT before significant items are non-IFRS measures 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 of the Half Year Financial Report.