



10 April 2014

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ASX Market Announcements  
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Dear Sir

We attach copies of slides being shown by Mike Kane, CEO & Managing Director, to members of the investment community during the J.P. Morgan Building Forum today.

Yours faithfully

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Dominic Millgate  
**Company Secretary**



# Progressing Boral's Fix, Execute, Transform Program

Mike Kane, CEO & Managing Director, Boral Limited  
JPMorgan Building Forum, 10 April 2014



## Boral's Fix, Execute, Transform program



Our goal is to transform Boral into a global building and construction materials company that is known for its **world-leading safety performance, innovative product platform and superior returns on shareholders' funds**



**FIX**



**EXECUTE**



**TRANSFORM**

FY2013

2 years

4 years

6 years +

Fixing things that are holding us back

Improving the way we operate to be more efficient, disciplined and profitable

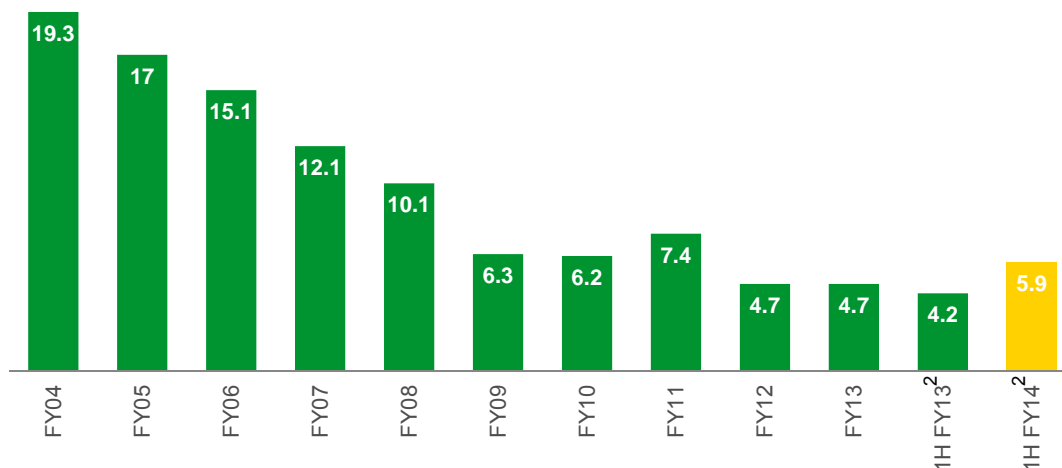
Transforming Boral for performance excellence and sustainable growth through innovation

# Focus is on improving ROFE to 15%



## EBIT to average funds employed (ROFE<sup>1</sup>)

%

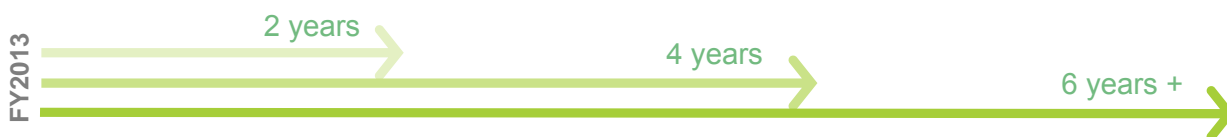


1. Excludes significant items  
2. 1H FY2013 and 1H FY2014 on a moving annual total (MAT) basis

# Solid progress has been made



## **FIX**      **EXECUTE**      **TRANSFORM**



Fixing things that are holding us back

- ✓ Streamlined organisation
- ✓ \$150m costs out
- ✓ Cash up and capex down
- ✓ Net debt from ~\$1.5b to ~\$0.9m
- ✓ Portfolio realignment

Improving the way we operate to be more efficient, disciplined and profitable

- ✓ People engagement and safety first
- ✓ Levers of change – LEAN, Sales & marketing, Innovation
- ✓ Capacity utilisation up
- ✓ Responding to external challenges

Transforming Boral for performance excellence and sustainable growth through innovation

- ✓ Product innovation
- ✓ Gypsum technology platform secured
- ✓ Lowering fixed cost exposures

# Solid progress made in delivering immediate FIX priorities



## FIX

	OBJECTIVES	PROGRESS
<b>Manage costs down</b>	<ul style="list-style-type: none"> <li>In FY2014 reduce costs by:                             <ul style="list-style-type: none"> <li>\$105m through prior period headcount reductions &amp; rationalisation initiatives</li> <li>further \$25m through new initiatives largely in contractor spend</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Realised \$60m in cost reductions from cost down programs in 1H FY2014</li> <li>Expect to deliver \$130m in savings in FY2014 (annualised to \$150m in FY2015)</li> </ul>
<b>Maximise cash generation</b>	<ul style="list-style-type: none"> <li>Generate \$200-\$300m from divestments and land sales in FY2013 &amp; FY2014</li> <li>Apply disciplined approach to capex and manage capital assets to improve returns</li> </ul>	<ul style="list-style-type: none"> <li>\$212m in cash proceeds from divestments &amp; land sales in 18 months to Dec-13</li> <li>US\$500m upfront payment from USG in Feb-14</li> <li>Capex down 31% in 1H FY2014</li> </ul>
<b>Reshape the portfolio</b>	<ul style="list-style-type: none"> <li>Simplify structures &amp; reduce overheads</li> <li>Rationalise portfolio to core essentials</li> </ul>	<ul style="list-style-type: none"> <li>Sold Windows business</li> <li>Ceased production at Berrima Colliery</li> <li>Proposed JV with CSR aims to achieve sustainable returns for East Coast Bricks business</li> </ul>

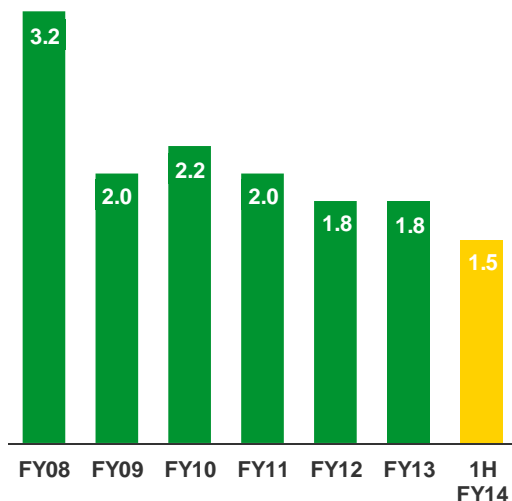
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# Execute: Safety continues to be a key lever of change to improve the way we operate



## EXECUTE

Employee and Contractor LTIFR\*



\* Lost Time Injury Frequency Rate per million hours worked



- Continued drive to change behaviours and increase use of Boral Production System tools
- Intervention programs implemented at sites with unsatisfactory safety performance
  - executives visit sites and engage each employee individually
  - complemented by health and safety experts addressing issues with site managers

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# Execute: Improving the way we operate... to help respond to external challenges



## EXECUTE



### External challenges

#### Australia

- Low economies of scale
- High costs – labour, energy, transport
- Immature energy markets
- High land costs & housing affordability leading to trend away from detached housing
- Level and type of government intervention
- High A\$
- Industrial relations

#### USA

- Shape and pace of recovery

#### Asia

- Exchange rate impacts
- In-country volatility

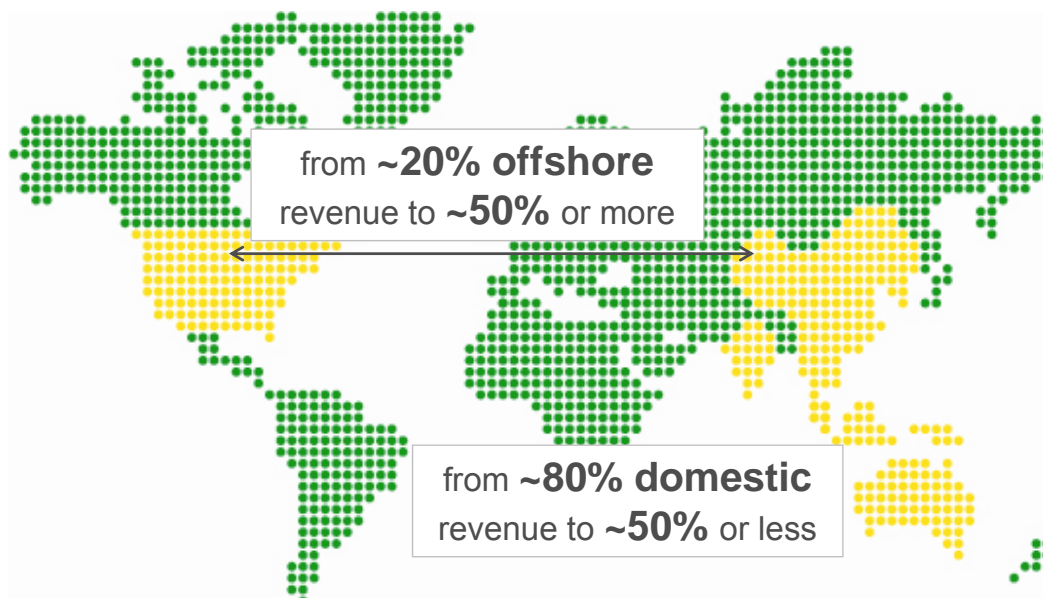
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# Transform: Longer term Boral will be more geographically balanced

with a more flexible cost structure and balance of traditional and innovative products



## TRANSFORM



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# Case Studies & Supporting Slides

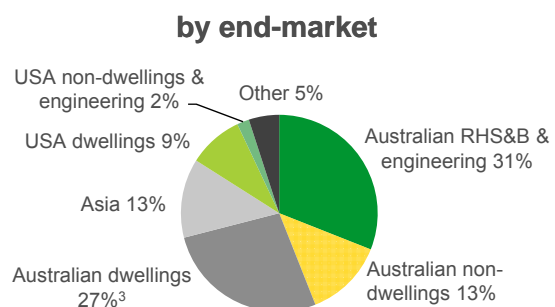
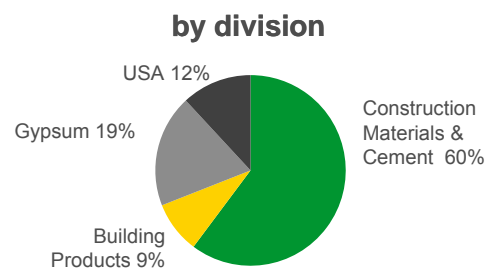
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## Business overview



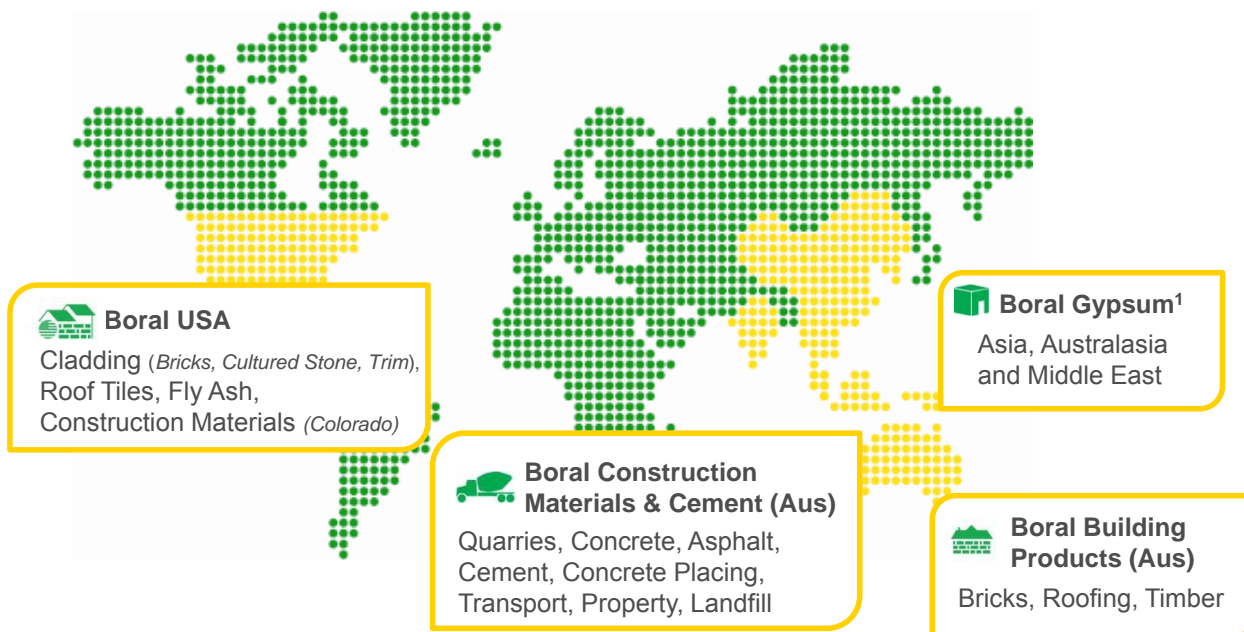
### 1H FY2014<sup>4</sup> Revenue

- Boral is an international building and construction materials group with operations in Australia, the USA and Asia
- A\$4.5b market cap<sup>1</sup>
- S&P/ASX 100 company
- Operations across 13 countries<sup>2</sup>
- ~12,000 employees<sup>2</sup>



1. As at 8 April 2014  
2. Includes USG Boral joint venture operations. As at 28 February 2014  
3. Comprised of ~12% from detached housing, ~6% from multi-dwellings and ~9% from alterations and additions  
4. For the half year ended 31 December 2013; revenue of A\$2.8b for continuing operations only

# Boral's divisional structure



1. Through a 50% interest in USG Boral Building Products effective 28 February 2014

# Fix: Cost reduction programs essential to offsetting inflationary cost pressures

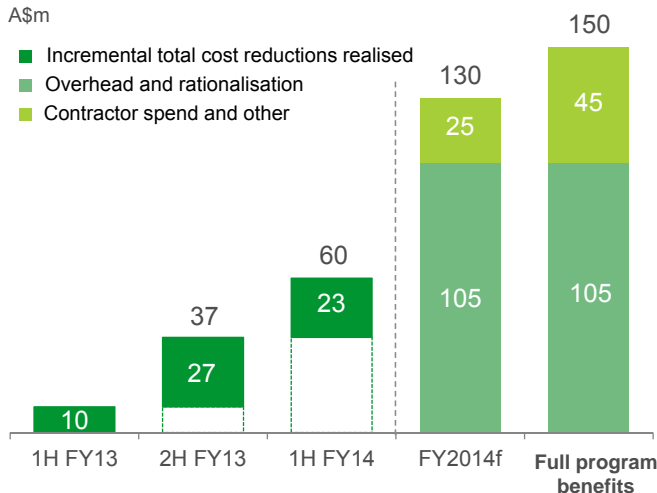


## FIX

### Cost reduction benefits

A\$m

- Incremental total cost reductions realised
- Overhead and rationalisation
- Contractor spend and other



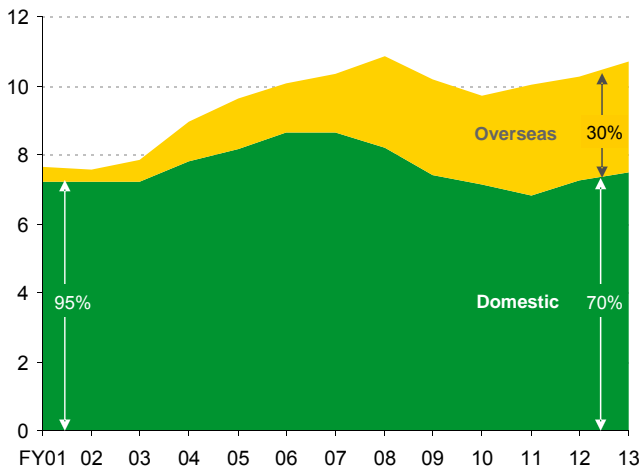
- **Jan-13** – announced rationalisation and overhead cost reductions with expected full year benefit of **\$105m from FY2014**
- **Oct-13** – announced second phase of cost reductions focused on contractor spend with **expected benefit of \$25m in FY2014 and \$45m from FY2015**
- **\$60m cost reductions realised in 1H FY2014**
  - \$52.5m from overhead & rationalisation
  - \$7.5m from contractor spend and other

Each year, Boral faces inflationary cost pressures of \$100m in Australia alone

# Fix & Transform: A combination of cost factors led Boral to cease clinker manufacturing in Vic



**Cementitious Production Volume by Source<sup>1</sup>**  
(million tonnes per year)



A\$ 0.53 0.52 0.59 0.71 0.75 0.75 0.79 0.91 0.74 0.88 1.00 1.03 1.02 ← Average exchange rates each year

- Manufacturing of clinker Waurm Ponds, Victoria ceased in April 2013
- Decision driven by high A\$, low shipping costs from Asia, high production costs and sub-scale plant size
- Moved to importing clinker from Port of Geelong
- Boral now importing in line with industry at around 30% of demand
- Asian spare capacity likely to be available at marginal cost over the long-term

1. Imports include cement, clinker and slag (GBFS). Domestic includes clinker manufactured in domestic kilns and slag ex-Port Kembla. Assumes 1 t clinker = 1.1 t cement

# Transform: Boral Gypsum through strategic joint venture with USG

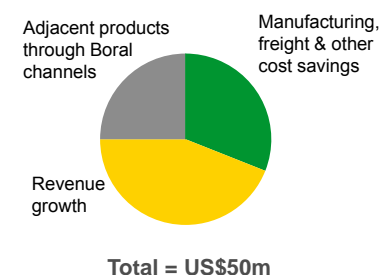


## Delivering Boral Gypsum an enhanced future growth platform

<b>Immediate access to gypsum technology</b>	<ul style="list-style-type: none"> <li>✓ Deliver customers <b>stronger and lighter board</b></li> <li>✓ Exclusive royalty-free rights to current USG IP, including improvements to current technology</li> </ul>
<b>Future access to innovation</b>	<ul style="list-style-type: none"> <li>✓ Strengthens industry leading position</li> <li>✓ <b>Exclusive option to licence</b> future "breakthrough IP" developed by USG</li> </ul>
<b>Significant synergies</b>	<ul style="list-style-type: none"> <li>✓ <b>Synergies expected to exceed US\$50m p.a.</b> within 3 years of technology roll-out (roll-out to be completed within 2 years)</li> <li>✓ Exclusive distribution rights to USG's complementary products</li> </ul>
<b>Upfront cash payment</b>	<ul style="list-style-type: none"> <li>✓ Boral received <b>upfront cash payment of US\$500m</b> &amp; will reduce debt up to A\$450m</li> <li>✓ Further potential earn out of up to US\$75m</li> </ul>



### Targeted synergy breakdown



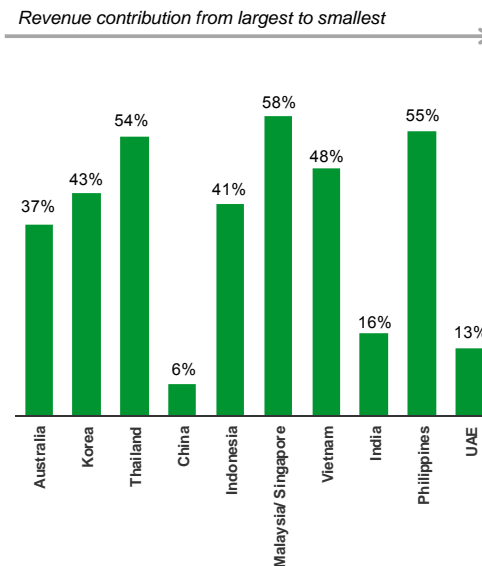


# Boral USG JV provides an enhanced platform to leverage growth across Asia



- Asia expected to become world's largest plasterboard market by 2015<sup>1</sup>
- Size of plasterboard market in JV region is >2,250m m<sup>2</sup>
  - Asia market size ~2,100m m<sup>2</sup>
  - Excluding China, Asia market size ~500m m<sup>2</sup>
- Strong economic growth forecast across most Asian markets
  - real GDP growth of 4 to 7%<sup>2</sup>
- Increasing commercial projects expected to drive growth in non-residential construction
- Increasing urbanisation will drive growth in residential new build

## JV plasterboard market share 2013<sup>1</sup>



1. Based on management estimates  
2. Source: IMF data at October 2013

# Fix: Proposed East Coast Bricks JV with CSR

Provides structural solution for Boral's bricks business



### Rationale

- **Substantial reduction in industry brick capacity** made in recent years to reflect reduced demand for bricks
- Profitability of Boral's Australian brick business remains unacceptably low
- JV with CSR positions business to **recover cost of capital** from **East Coast brick business** through the cycle

### Brick Industry challenged

- Brick industry impacted by sustained **structural decline in demand** over past 30 years
- Bricks becoming an increasingly smaller component of broader cladding market
- Brick production has **declined by 46% since 1981**
  - decline more pronounced on East Coast of Australia
- Structural decline **compounded by high input costs**, including high energy costs

# East Coast Bricks JV aims to create a sustainable competitive bricks business



## East Coast Bricks JV



- Owned 60% by CSR, 40% by Boral
- Combines brick operations in NSW, Vic, Qld, SA, TAS & ACT<sup>1</sup>
- Ownership based on relative valuations of the businesses
- Transaction subject to ACCC review

## Combined business

- ~\$230m annualised revenue
- 12 manufacturing operations (including mothballed plants)
- 606m SBE brick manufacturing capacity



## Benefits

- Cost synergies
  - Initial overhead savings of \$7 - \$10m p.a.
  - Longer term consolidation of selected manufacturing sites
- Optimise operations
- Reinvestment opportunities
  - Release high value land assets without impacting product range and operational capability

1. Excludes certain land assets owned by CSR and Boral ; Schofields, NSW and Scoresby, Vic sites used for the term of an agreed lease period