

# **FY 03 1<sup>st</sup> Quarter Results**

**15 August 2002**



# Agenda

- > **Overview – Peter Macdonald, CEO**
- > **Financial Review – Phillip Morley, CFO**
- > **Operating Review – Peter Macdonald, CEO**
- > **Questions and Answers**



# Robust 1<sup>st</sup> Quarter Performance

## 1<sup>st</sup> Quarter

Sales Revenue *	up	35%
Gross Profit *	up	55%
EBIT *	up	218%
Net Operating Profit *	up	539%
Net Income	up	853%

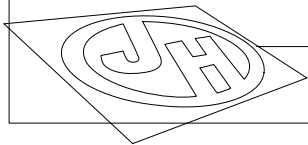
\* Continuing businesses only  
All results are versus PCP



# Strong Growth Momentum in All Regions

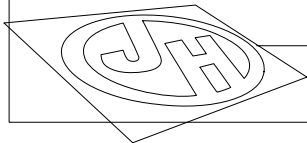
## 1<sup>st</sup> Quarter

- > USA Fibre Cement EBIT up 60%
- > Strong turnaround in Asia Pacific Fibre Cement
  - Australia EBIT up 100%
  - New Zealand EBIT up 80%
  - Philippines – small quarterly profit



# **Financial Review**

## **Phillip Morley, CFO**



# Income Statement

US\$ Million	<u>Q1 '03</u>	<u>Q1 '02</u>	<u>% Change</u>
Sales Revenue	200.2	148.6	35
Gross Profit	71.1	45.8	55
SG&A	(35.2)	(32.5)	8
EBIT before restructuring and other operating expenses	35.9	13.3	170
Restructuring and other operating expenses	-	(2.0)	(100)
EBIT	35.9	11.3	218
Net Interest Expense	(2.9)	(5.3)	(45)
Other Income (Expense), Net	0.3	(1.2)	(125)
Income Tax Expense	(10.3)	(1.2)	758
Net Operating Profit	23.0	3.6	539

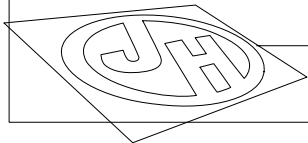
Continuing businesses only



# Segment Sales

US\$ Million	<u>Q1 '03</u>	<u>Q1 '02</u>	<u>% Change</u>
USA Fibre Cement	152.5	111.2	37
Asia Pacific Fibre Cement	46.3	36.6	27
Other Fibre Cement	1.4	0.8	75
Total	200.2	148.6	35

Continuing businesses only



# Segment EBIT

US\$ Million	<u>Q1 '03</u>	<u>Q1 '02</u>	<u>% Change</u>
USA Fibre Cement	38.8	24.2	60
Asia Pacific Fibre Cement	8.3	3.3	152
Other Fibre Cement	(2.2)	(2.5)	(12)
R & D	(2.5)	(2.6)	(4)
Total	42.4	22.4	89

Continuing businesses only





# Corporate Costs

US\$ Million	<u>Q1 '03</u>	<u>Q1 '02</u>
<b>Restructure Costs</b> (Corporate Restructure)	-	1.3
<b>Ongoing Costs – Variable</b> (Pulp Hedge, Employee Share Plan)	1.9	6.2
<b>Corporate Costs</b>	4.6	3.6
<b>Total</b>	<u>6.5</u>	<u>11.1</u>



# Interest and Tax Expense

US\$ Million	<u>Q1 '03</u>	<u>Q1 '02</u>	<u>% Change</u>
Net Interest Expense	2.9	5.3	(45)

Average net borrowings decreased following receipt of proceeds from the sale of Gypsum business in April 2002

	<u>Q1 '03</u>	<u>Q1 '02</u>	<u>% Change</u>
Income Tax Expense	10.3	1.2	758

# EBITDA

US\$ Million	<u>Q1 '03</u>	<u>Q1 '02</u>	<u>% Change</u>
USA Fibre Cement	43.6	27.6	58
Asia Pacific Fibre Cement	10.5	5.6	88
Other Fibre Cement	(2.2)	(2.5)	(12)
R & D	(2.5)	(2.6)	(4)
Total Segments	49.4	28.1	75
Corporate	(6.5)	(11.0)	(41)
Total	42.9	17.1	151

EBITDA = EBIT before depreciation and amortisation

Continuing businesses only



# Capital Expenditure

US\$ Million	Capital Expenditure		Depreciation	
	<u>Q1 '03</u>	<u>Q1 '02</u>	<u>Q1 '03</u>	<u>Q1 '02</u>
USA Fibre Cement	6.6	21.5	4.8	3.4
Asia Pacific Fibre Cement	1.0	2.0	2.2	2.3
Other Fibre Cement	1.0	2.2	-	-
<b>Total Segments</b>	<b>8.6</b>	<b>25.7</b>	<b>7.0</b>	<b>5.7</b>

Continuing businesses only

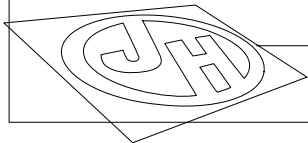


# Key Ratios

	<u>Q1 '03</u>	<u>FY '02</u>	<u>FY '01</u>	<u>FY '00</u>	
EPS *	5.1c	6.1c	7.2c	6.0c	
Return on Shareholders Funds	34.6%	9.0%	14.5%	58.0%	
Return on Capital Employed *	25.6%	8.3%	8.5%	14.0%	
EBIT/Sales * <sup>①</sup>	17.9%	12.4%	10.4%	12.5%	
EBIT/Sales *	17.9%	7.7%	7.6%	11.7%	
Gearing	$\frac{\text{Net debt}}{\text{Net debt \& Equity}}$	(17.2%)	44.7%	56.1%	48.8%
Net Interest Cover *	12.3x	2.9x	3.1x	2.9x	

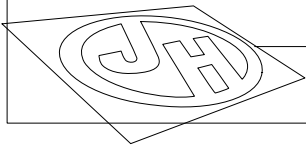
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① Before restructuring and other operating expenses



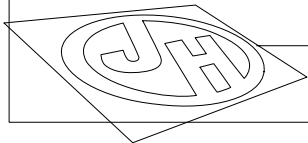
# **Operating Review**

## **Peter Macdonald, CEO**



# USA Fibre Cement



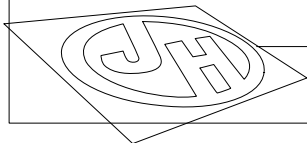


# USA Fibre Cement

## Strong 1<sup>st</sup> Quarter Result

Sales Revenue	up	37% to US\$152.5 million
Sales Volume	up	39% to 339.8 mmsf
Average Prices	down	2% to US\$449 per msf
EBIT	up	60% to US\$38.8 million
EBIT Margin	up	3.6 pts to 25.4%

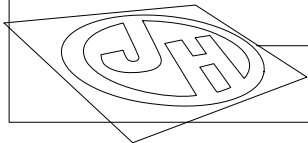




# USA Fibre Cement

## 1<sup>st</sup> Quarter Trading Conditions

- > Stronger demand in most markets and for most products
- > Strong housing starts
- > Low housing inventory levels
- > Positive consumer sentiment to housing
- > Low interest rates

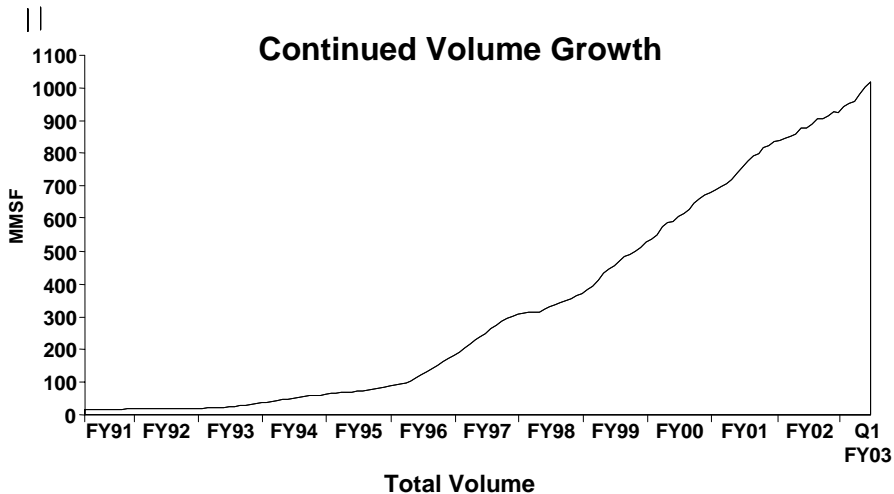


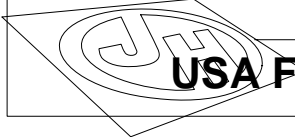
# USA Fibre Cement

## Key Points

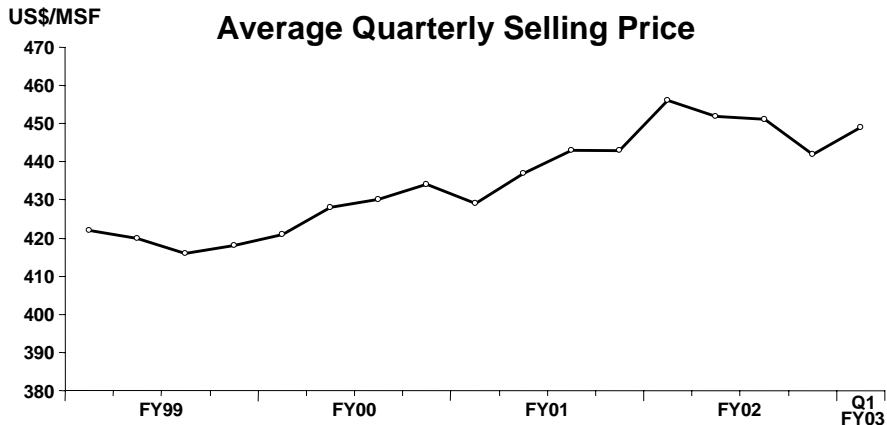
- > Primary demand continued to grow with high category share maintained
- > Increased penetration of siding, backer and trim segments
- > Strong growth in both southern and northern regions
- > Significant margin expansion
- > Continued to ramp up newly acquired Cemplantk plants and new Waxahachie Texas line
- > Lower pulp costs

# USA Fibre Cement

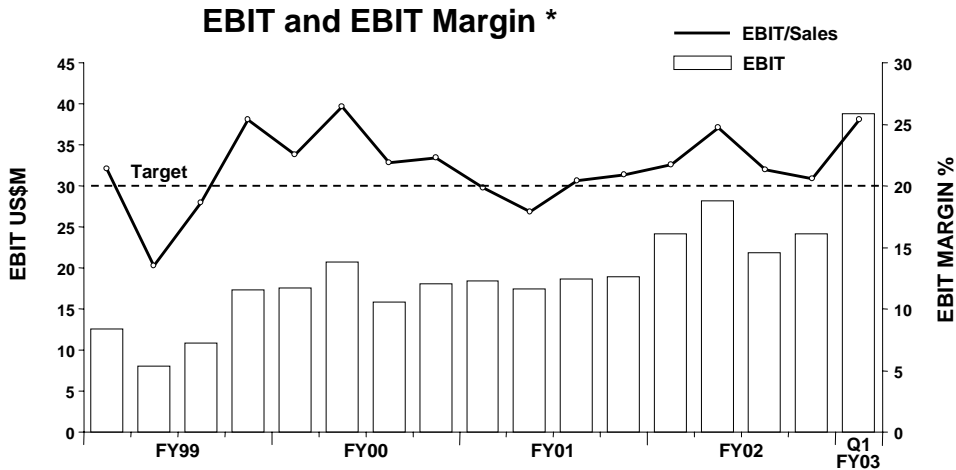




# USA Fibre Cement –Price Improvement



# USA Fibre Cement – Sound Business Model




\* Excluding restructuring and other operating expenses



# USA Fibre Cement – Capacity Expansion

## Capacity Management


- > Design capacity based on 24/7 production of standard plank at 5/16" thickness
- > Some lines producing close to design capacity
- > But range expanding in non-plank products
- > Percentage of thicker and aligned products increasing
- > Differentiated products, that are capacity hungry, now more than 30% of sales



# USA Fibre Cement – Capacity Expansion

## Capacity Management (cont.)

- > Gap developing between design capacity and effective capacity
- > Depending on mix, effective capacity will be less than design capacity
- > Strategy is to develop specialised lines eg. trim, panels, backer
- > Optimise production and reduce costs using specialised lines
- > Ensure capacity stays ahead of demand



# USA Fibre Cement – Capacity Expansion

## Waxahachie Plant Expansion

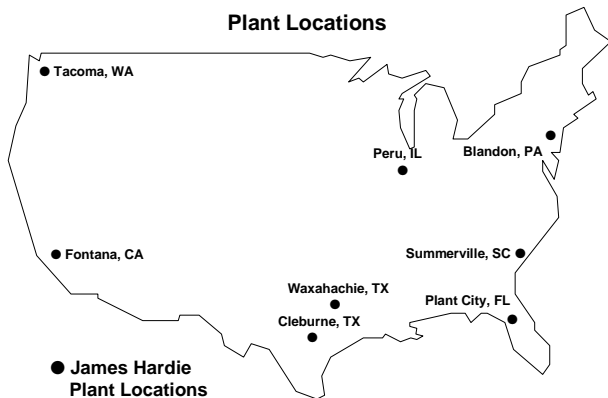
- > 2<sup>nd</sup> line required – capacity of 160 mmsf
- > Cost US\$27 million
- > Purpose-built to manufacture panels
- > Commissioning by mid-2003



# USA Fibre Cement – Capacity Expansion

## Capacity Management (cont.)

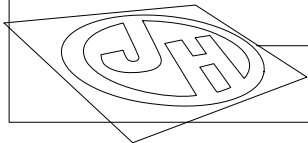
Plant Locations



Plant Capacity

Flat Sheet Plants	Capacity (mmsf)
Fontana, California	180
Plant City, Florida	300
Cleburne, Texas	500
Tacoma, Washington	200
Peru, Illinois	400 *
Waxahachie, Texas	360 *
Blandon, Pennsylvania	120
Summerville, South Carolina	190
<b>Flat Sheet Total</b>	<b>2,250</b>
<b>FRC Pipe Plant</b>	
Plant City, Florida	100,000 tons

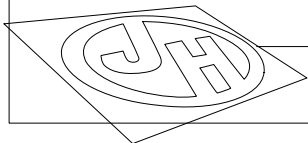
\* Includes upgrades in progress of 160mmsf at Waxahachie, Texas and 200mmsf at Peru, Illinois



# USA Fibre Cement

## Strategy

- > Aggressively grow market for fibre cement
- > Grow our overall market position while defending our share in existing market segments
- > Offer products with superior value to that of competitors, introducing differentiated products to reduce direct price competition
- > Optimise earnings with desired rate of market penetration



# USA Fibre Cement

## Outlook

- > Strong penetration and market share growth continuing
- > Continued growth in primary demand
  - further penetration of both southern and northern regions
  - continued growth for differentiated products
- > Housing market to remain healthy
- > Slide in US equities creates some uncertainty
- > Strong EBIT performance expected to continue

# Asia Pacific Fibre Cement





# Asia Pacific Fibre Cement

## 1<sup>st</sup> Quarter Result

Sales Revenue	up	27% to US\$46.3 million
Sales Volume	up	17% to 87.4 mmsf
EBIT	up	152% to US\$8.3 million
EBIT Margin	up	8.9 pts to 17.9%



# Asia Pacific Fibre Cement

## Strategy

- > Grow primary demand for fibre cement
- > Focus on supply chain efficiencies across the region
- > Ongoing manufacturing improvements to further lower cost of production
- > Introduce new differentiated products to increase share in existing markets and grow share in new markets
- > Grow the Asian market through distribution partners



# Asia Pacific Fibre Cement

## Australia - Key Points

- > Volumes up 17% helped by low interest rates and Government's First Home Owners Scheme
- > Higher sales for most products across most markets
- > Gross Profit up 55%, EBIT up 100%
- > EBIT margin improved to 22.3%
- > FRC Pipes continued to gain market share



# Asia Pacific Fibre Cement

## Australia - Outlook

- > Housing sector to remain healthy over near term
- > New products to be introduced
- > Increased sales from new products
- > Further manufacturing and supply chain efficiencies





# Asia Pacific Fibre Cement

## New Zealand - Key Points

- > Revenue up 27% in local currency
- > Sturdy demand lifted volumes 22% and prices increased
- > Increased housing activity fuelled by low interest rates, high house price inflation and stronger economy
- > Gross Profit up 58%, EBIT up 80%
- > EBIT margin improved to 14.0%
- > Relationships with key distributors strengthened by launch of new differentiated products



# Asia Pacific Fibre Cement

## New Zealand - Outlook

- > Strong growth in residential housing activity
- > Growth in sales of higher priced products
- > Further manufacturing efficiencies
- > Revenue and profitability improvements



# Asia Pacific Fibre Cement

## Philippines - Key Points

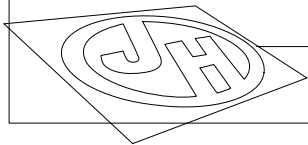
- > Revenue up 12% from increased volumes
- > Volume up 15% due to introduction of new products and increased domestic demand
- > Continued strong demand for Hardiflex® lite, a thinner lighter sheet for ceiling applications
- > Further share taken from plywood



# Asia Pacific Fibre Cement

## Philippines - Outlook

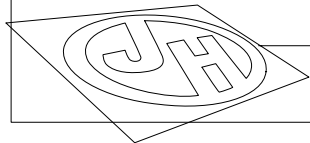
- > Seasonal factors to slow building and construction activity in Q2
- > Further manufacturing efficiency gains
- > Strong demand for new products such as HardiFlex® lite
- > Market penetration against plywood targeted to continue



## Other Fibre Cement

### Chile Fibre Cement – Key Points

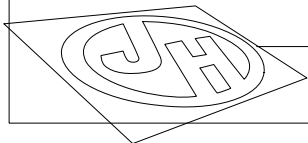
- > Built on our 20% share of fibre cement sheet sales
- > Highly competitive market conditions
- > Prices down against previous year
- > Demand for fibre cement down in Q1 due to winter period and instability in neighbouring Latin American countries
- > Commenced manufacturing textured panels and planks



## Other Fibre Cement

### Chile Fibre Cement – Outlook

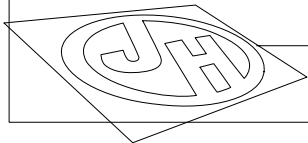
- > Further market penetration and share growth expected from
  - superior product
  - new products
  - growing brand awareness
  - distribution relationships
  
- > Intense price competition to continue



## Other Fibre Cement

### FRC Pipes – Key Points

- > Sales growth and market penetration continued
- > Plant performance improved
- > Product range expanded – 36” pipes launched
- > Market competition intense
- > Civil construction activity remained healthy
- > Progress made on regulatory approvals



## Other Fibre Cement

### FRC Pipes – Outlook

- > Further improvements to plant performance
- > Continued penetration of the south eastern market as production ramps up and market awareness grows
- > Intense competitive pressure to continue
- > More progress with regulatory approvals



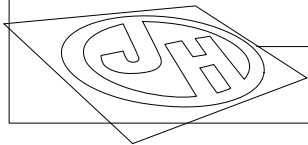


# Research & Development

- > Key driver of growth
- > Core projects continuing development
  - engineered raw materials
  - product formulations
  - engineering and process technologies
  - lightweight and durable products for all climates
- > Sustainable competitive advantage continuing to be built

# Outlook

- > Trading conditions in our major markets expected to remain relatively healthy – no sign of sharp decline in near term
  
- > Strong growth momentum in major businesses is continuing
  - USA – strong penetration and market share growth
  - Asia Pacific – revenue growth and operating efficiency



# Questions and Answers



# Disclaimer

## Notes

1. *Unless otherwise stated, results are for continuing operations only and comparisons are of the 1<sup>st</sup> quarter of the current fiscal year versus the 1<sup>st</sup> quarter of the prior fiscal year.*
2. *This Management Presentation forms part of a package of information about the company's results. It should be read in conjunction with the other parts of this package, including Management's Discussion and Analysis (MD&A), a Media Release and a Finance Report.*

## Disclaimer

*This press release contains forward-looking statements. Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "should," "aim" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors, which are further discussed in our periodic reports submitted to the Securities and Exchange Commission on Forms 20-F and 6-K and in our other filings, include but are not limited to: competition and product pricing in the markets in which we operate; general economic and market conditions; compliance with, and possible changes in, environmental and health and safety laws; dependence on cyclical construction markets; the supply and cost of raw materials; our reliance on a small number of product distributors; the consequences of product failures or defects; exposure to environmental or other legal proceedings; and risks of conducting business internationally. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those contained in forward-looking statements. Forward-looking statements speak only as of the date they are made.*