



# GROUP PROPERTY

CSR LIMITED INVESTOR PRESENTATION

28 June 2019



# Agenda

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## Details

1. **Introduction** – Rob Sindel, Managing Director
2. **Property Strategy** – David Fallu, Chief Financial Officer
3. **Property Overview** – Andrew Mackenzie, GM Group Property
4. **Summary** – David Fallu, Chief Financial Officer
5. **Q&A**

# 1

# INTRODUCTION

Rob Sindel, CSR Managing Director



# Outlook for year ending 31 March 2020 (YEM20)

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## Building Products

- Volumes in the two months of this financial year ending 31 March 2020 remain broadly consistent with the final quarter of last year.
- Recent reductions in interest rates, improving credit availability, stable tax policies and first homeowner support have boosted hopes for an improvement in consumer confidence and demand for housing. The timing of any positive impact is difficult to predict.



## Property

- While the quantum of earnings may fluctuate due to the timing of transactions, the ongoing development of a number of major projects will underpin Property earnings over the next 10 years.



## Aluminium

- Contracts are now in place for 75% of alumina volumes linked to the US\$ aluminium price to replace the current alumina contract which expires in December 2019. A contract for the balance of GAF's requirements is expected to be finalised within the first half of this financial year.

# 2

# PROPERTY STRATEGY

David Fallu, CSR Chief Financial Officer

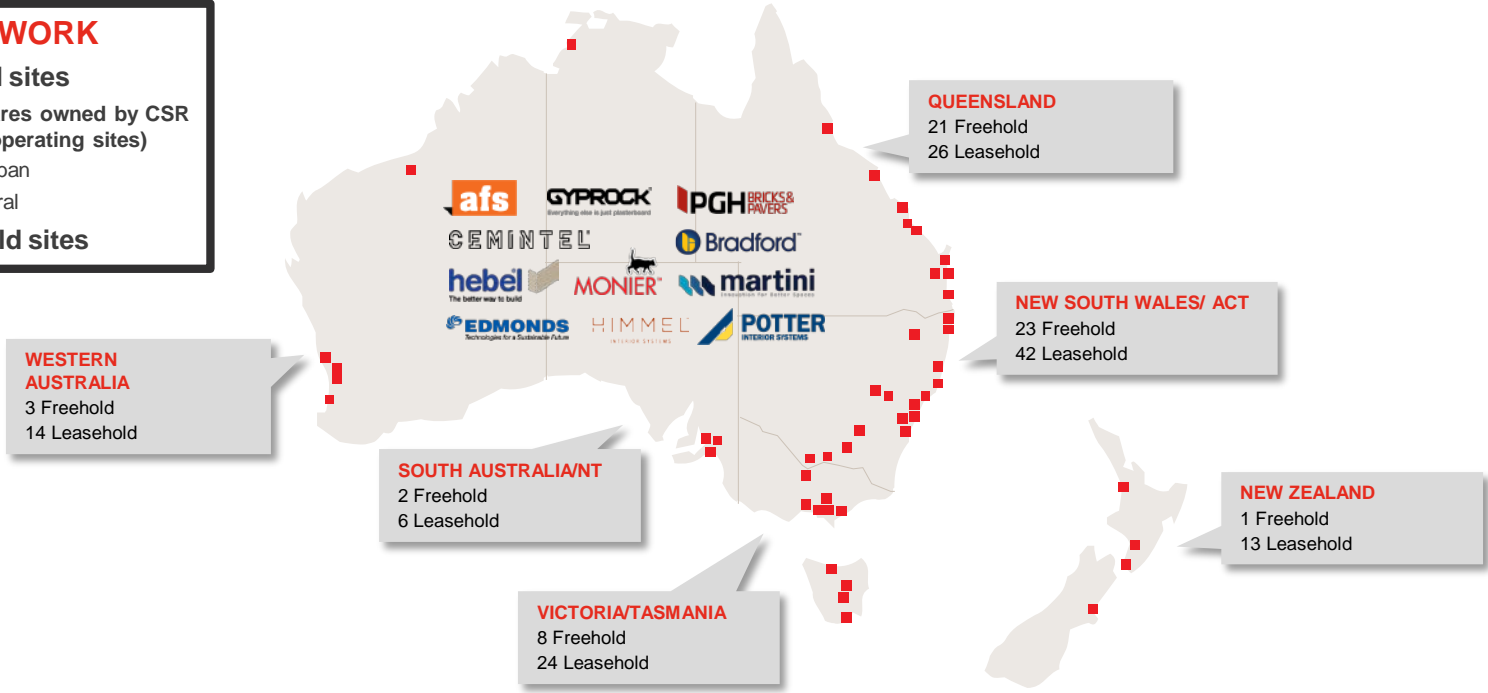


# Breadth CSR manufacturing sites across Australia and New Zealand

## CSR SITE NETWORK

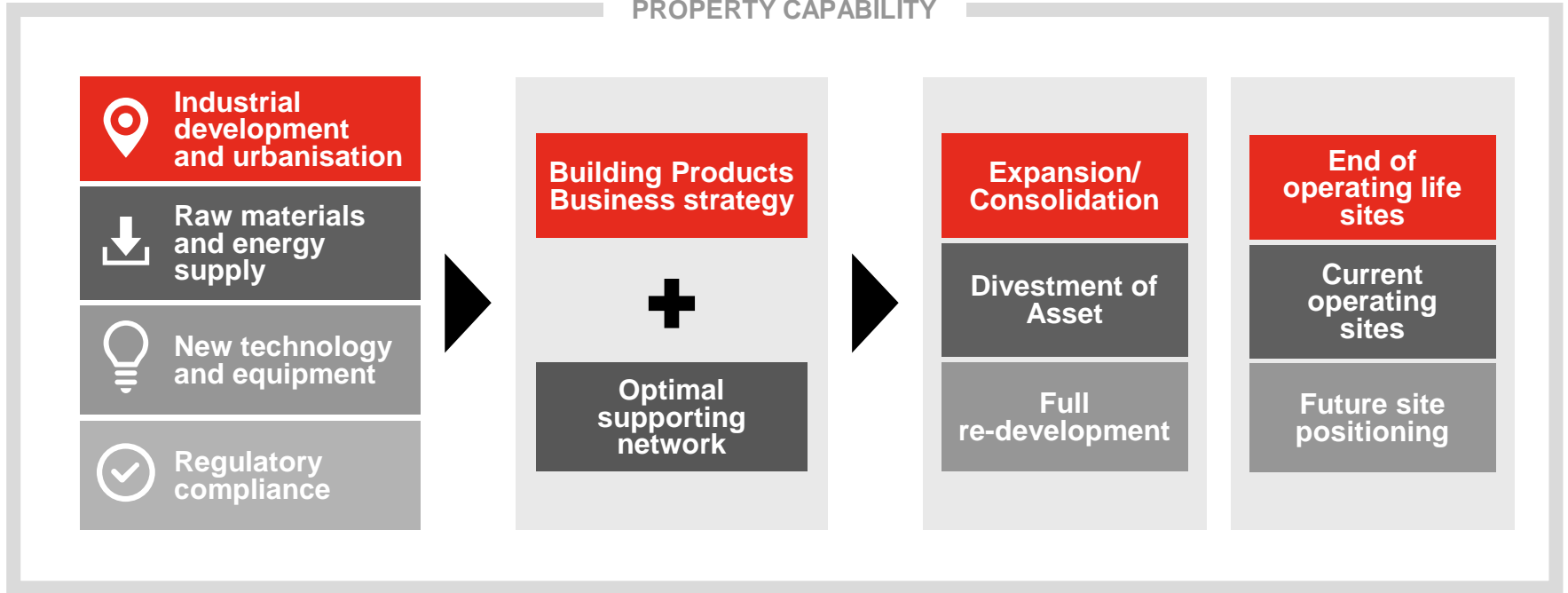
**58** Freehold sites  
 1,438 Total hectares owned by CSR  
 (includes operating sites)  
 1,062 hectares urban  
 376 hectares rural

**125** Leasehold sites



Size and scale of operational footprint and land bank which will underpin Property earnings over the next 10+ years

# Property supporting strategic positioning of site network



Property supports the strategic positioning of our sites, ensuring operational flexibility, managing the transition of sites and maximising the value of our Property assets once released.

# Optimising CSR's approach to sites across all stages of use

## Business Support



- › Securing site, zoning, DA process
- › Ongoing construction and relocation support to Building Products teams

### CASE STUDIES

Gyrock Trade Centre - Pyrmont, NSW

Hebel expansion - Somersby, NSW

## End of operating life sites



- › Managing sale of non-operational land holdings

### CASE STUDIES

Residential – Chirnside Park, VIC

Residential – Warner, QLD

Industrial – Erskine Park, NSW

## Current operating site



- › Managing development pressure on current operational site
- › Operating flexibility
- › Management of cost base

### CASE STUDIES

Residential – PGH Schofields, NSW

Industrial – Stage 1 and 2 PGH Horsley Park, NSW

Industrial – PGH Darra, QLD

## Future site positioning



- › Considering future strategic position of operating sites and planning for potential relocation
- › Access to raw materials
- › Logistics

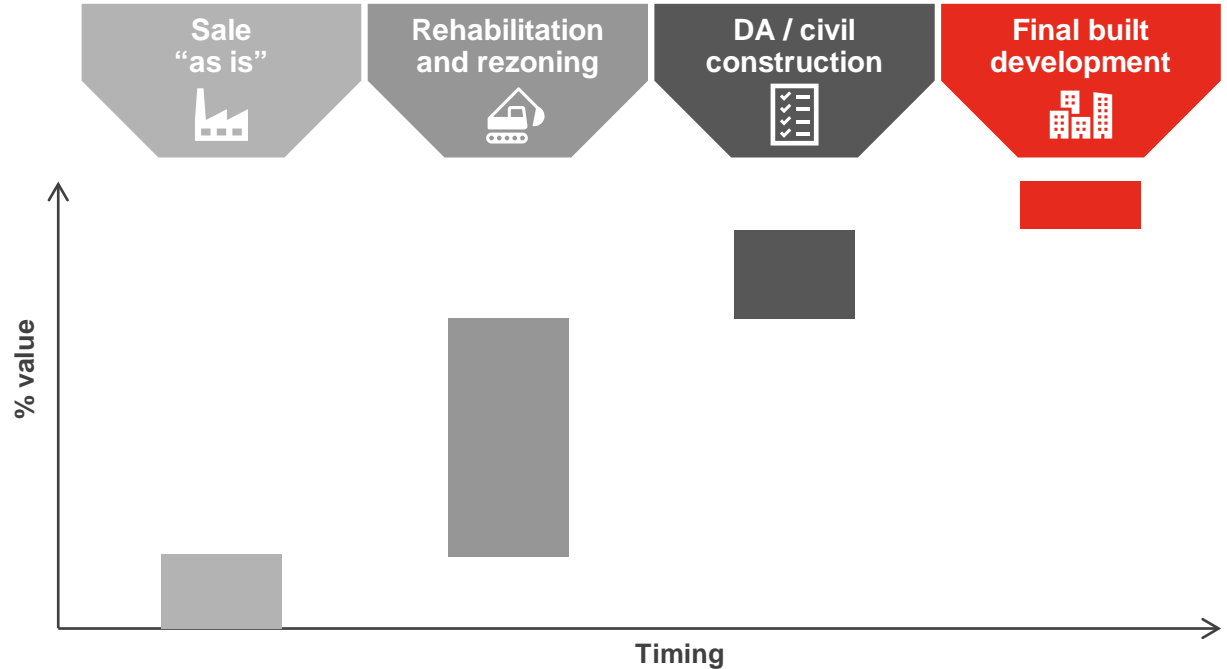
### CASE STUDIES

Industrial – Badgery's Creek, NSW






# Incorporating the value of land in footprint decisions

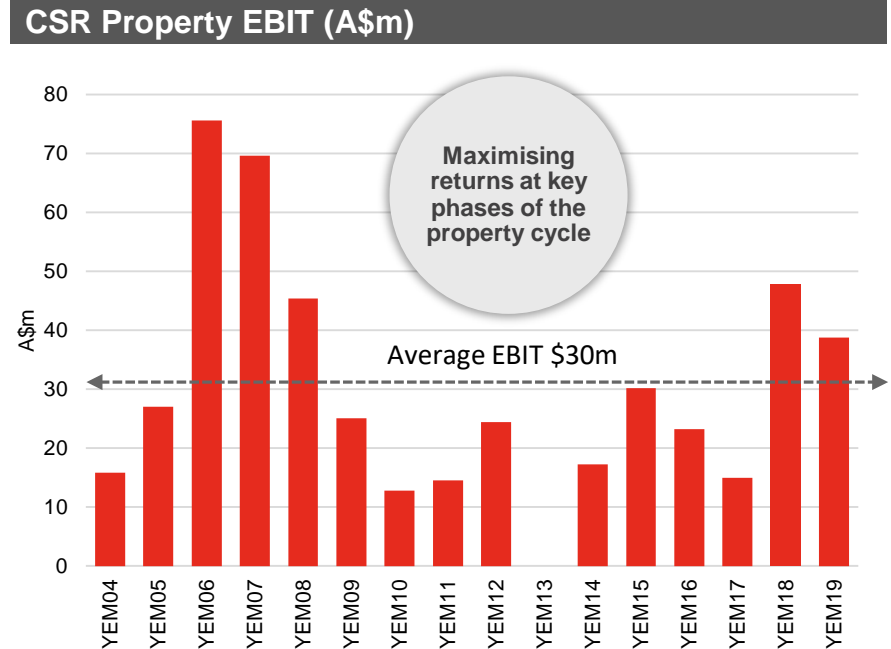
<b>End of operating life sites</b>	<ul style="list-style-type: none"><li>› Strategic position eg future zoning potential</li><li>› Rehabilitation requirements</li><li>› Opportunities for development</li></ul>
<b>Current operating sites</b>	<ul style="list-style-type: none"><li>› Location pressures</li><li>› Operating flexibility</li><li>› Land value incorporated in operating decisions</li><li>› Management of transition</li></ul>



Understanding land value at each stage of development enables CSR to optimise footprint decisions and maximise returns

# Value-led approach to maximise Property returns

 <p><b>Strategically significant assets</b></p>	<ul style="list-style-type: none"> <li>› Key sites in infill locations allows for release of land on a staged basis to generate higher returns</li> </ul>
 <p><b>Value-led approach</b></p>	<ul style="list-style-type: none"> <li>› Agile approach to maximise returns – operating and transactional</li> <li>› Mitigate risk by entering into pre-commitments to provide certainty of development outcomes</li> </ul>
 <p><b>Innovation opportunity</b></p>	<ul style="list-style-type: none"> <li>› Working with customers to supply materials and adopt new construction systems such as Velocity at Chirnside Park</li> </ul>



**Substantial asset that will deliver significant returns to shareholders over the next 10+ years, with timing of returns to vary due to operational and transaction considerations**

# 3

## PROPERTY OVERVIEW

Andrew Mackenzie, General Manager Group Property



# Property team capability

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CSR's Group Property team is in-house team which is responsible for expansion, management and advancement of sites through various stages of the development cycle.



## Development

Extensive experience in managing large scale property developments including:

- › Planning and site rezoning
- › Civil works
- › Physical delivery works:  
Infrastructure and construction
- › Corporate strategy
- › Project management
- › Site acquisition and divestments



## Property Management

Proven track record in:

- › Leasehold portfolio management
- › Facilities management
- › Site remediation

# Value-led approach to maximise Property returns

## Business Support



- › Securing site, zoning, DA process
- › Ongoing construction and relocation support to Building Products teams

### CASE STUDIES

Gyrock Trade Centre - Pyrmont, NSW

Hebel expansion - Somersby, NSW

## End of operating life sites



- › Managing sale of non-operational land holdings

### CASE STUDIES

Residential – Chirnside Park, VIC

Residential – Warner, QLD

Industrial – Erskine Park, NSW

## Current operating site



- › Managing development pressure on current operational site
- › Operating flexibility
- › Management of cost base

### CASE STUDIES

Residential – PGH Schofields, NSW

Industrial – Stage 1 and 2 PGH Horsley Park, NSW

Industrial – PGH Darra, QLD

## Future site positioning



- › Considering future strategic position of operating sites and planning for potential relocation
- › Access to raw materials
- › Logistics

### CASE STUDIES

Industrial – Badgery's Creek, NSW

# Business support: Gyprock Pyrmont, NSW

## OVERVIEW

- › Pyrmont Gyprock Trade Centre (GTC) was a tenant on a redevelopment site with uncertain long-term occupancy
- › CSR purchased the property to protect Gyprock's Sydney city location
- › Highest and best use recognised for the site was a mixed use development
- › Obtained a DA for 71 apartments and a CSR GTC on the ground floor
- › Air rights sold to a developer with a new purpose built GTC with two street frontages

## OUTCOME

- › Gyprock retained ownership of a prime location to service the Sydney CBD market

## EBIT

- › \$10.3m EBIT from sale of air rights above the GTC



# Business support: Hebel Somersby, NSW

## OVERVIEW

- › Strong growth in Hebel required significant investment in capacity expansion at Somersby, NSW
- › Group Property acquired adjoining land parcels in Somersby, obtained all the necessary DA approvals and managed construction of the new factory

## OUTCOME

- › New plant adjacent to existing operation enables additional swing capacity to be managed in one integrated site with new road access to enhance site operations
- › New plant showcases the best practices in automation, environmental and waste management



# End of operating life (Residential): Chirnside Park, VIC

## OVERVIEW

- › Monier owned land in a key urban growth area north east of Melbourne which was used as a clay quarry
- › Chirnside Park country club had aspirations to re-locate its golf course in the area
- › A sale and purchase agreement was negotiated for CSR to acquire the former golf course for residential development and sell the country club the clay quarry for a new golf course
- › Group Property obtained the rezoning for a 581 lot residential sub division

## OUTCOME

- › Enabled Monier to extract the remaining clay resources prior to the sale
- › CSR Building Products benefits from additional product pull through

## EBIT

- › \$44m EBIT to March 2019 with settlement of 517 lots



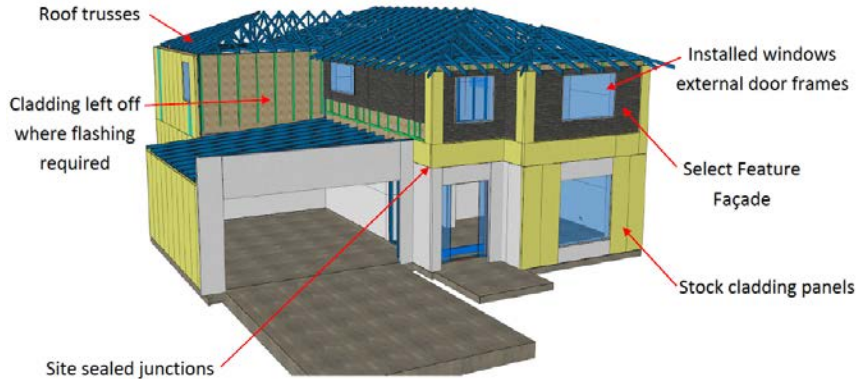


# End of operating life: Chirnside Park, VIC

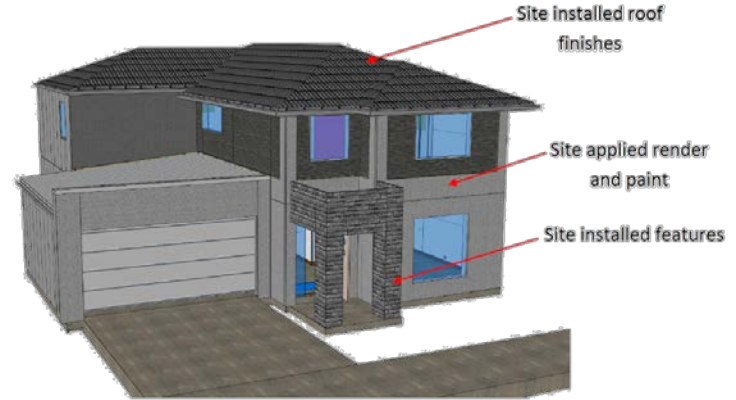
- › As part of the Chirnside Park development 51 townhouses utilised CSR Building Products during construction
- › There are a further 61 duplexes and townhouses under construction by a builder contracted by CSR which will use the innovative CSR Velocity construction system
- › CSR Velocity is an engineered building system, manufactured offsite to increase the speed of construction and deliver improved structural, thermal and acoustic properties



## What is delivered to site



## Completed project

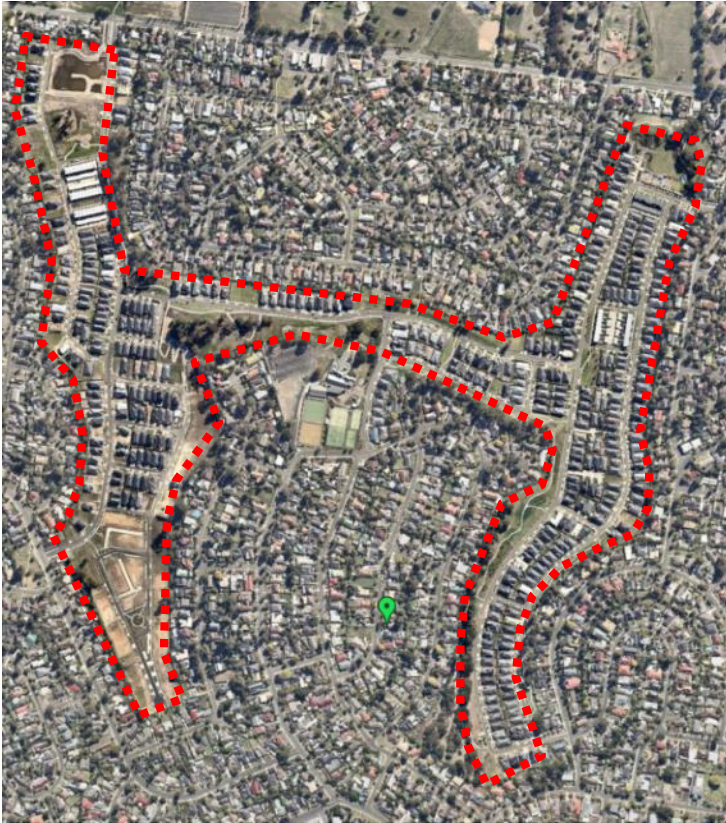


# End of operating life: Chirnside Park, VIC

2012



2019



# End of operating life (Industrial): Erskine Park, NSW

## OVERVIEW

- › CSR owned 100ha of buffer land around a former quarry/landfill
- › Land rezoned for industrial use by Group Property
- › Between 2004 – 2015 the property was developed in a staged approach for the sale of serviced and benched industrial lots

## OUTCOME

- › CSR was the principal driver for what is now an established employment area and a major industrial hub in the area

## EBIT

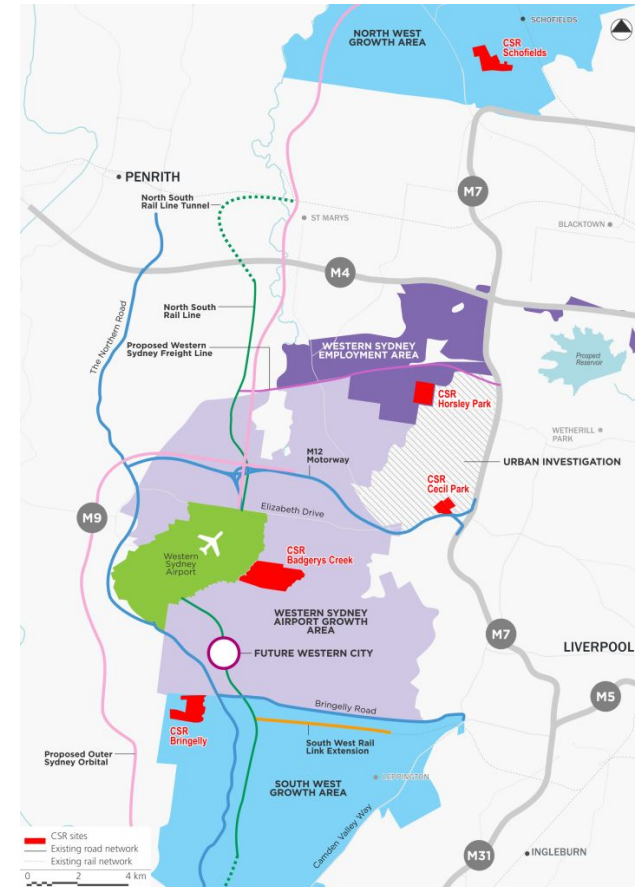
- › \$120m EBIT



# Future site positioning: Western Sydney growth area

- › The Federal Government is funding the Western Sydney International Airport and developing the “third city” for Sydney
- › Major road and rail infrastructure to support the broader Aerotropolis and Western Parkland City has now been committed to the value of \$20bn – to roll out in the next decade
- › This investment will attract new industry and residential development into the area with the government predicting a further 60,000 homes to be constructed over the next few decades – generating 200,000 new jobs
- › CSR landholdings are well located to capture this growth

VIDEO link: <https://v2.communityanalytics.com.au/rms/wsip#>



# Future site positioning: PGH Bricks in Western Sydney

- › CSR's landholdings within the PGH Brick network in Western Sydney total 455ha
- › A number of these sites are either zoned, being rezoned imminently or in the process of being rezoned over the next 5 years
- › Group Property engages with all levels of government to negotiate favourable outcomes on rezoning agreements, fast track site remediation and prepare major applications for future development
- › CSR then considers the most optimal time to execute a development opportunity
- › The future land uses in the Western Sydney portfolio are a diversified combination of residential, mixed use and industrial/flexible employment



# Operating site (Industrial): Horsley Park, NSW

## OVERVIEW

The site is currently being used for brick manufacturing. Clay resources onsite were exhausted which provided an opportunity to rehabilitate the site as an industrial park. The site totals 50 hectares (ha) and can be categorized into 3 stages:

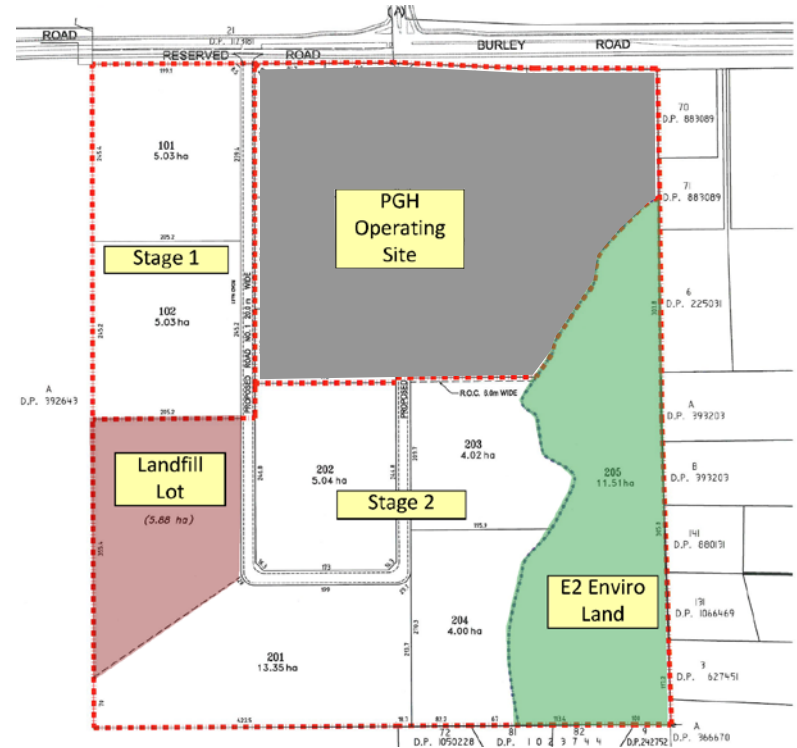
- › **Stage 1 (10ha):** recently sold to Frasers Property Group for \$58m and recognized in YEM19 results
- › **Stage 2 (20ha):** subject to an EOI process while it is being developed
- › **Stage 3 (20ha):** currently a PGH Brick operating plant

## STRATEGY

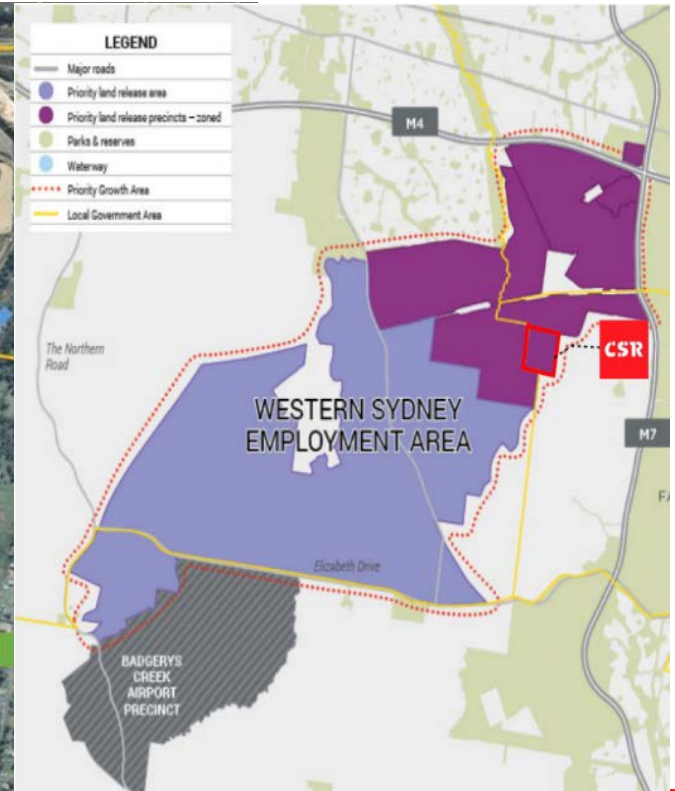
- › Finalise remediation + earthworks and take through to full development
- › Aim to transact Stage 2 in YEM 2021/2022

## CONSIDERATIONS

Operating site is surrounded by industrial development. This is primarily due to a shortage of zoned and serviced industrial land in Western Sydney, NSW



# Operating site: Horsley Park, NSW – Local Context



# Operating site (Residential): Schofields, NSW

## OVERVIEW

The land totals 78 ha and is currently being rezoned to residential, producing circa 1,525 lots total

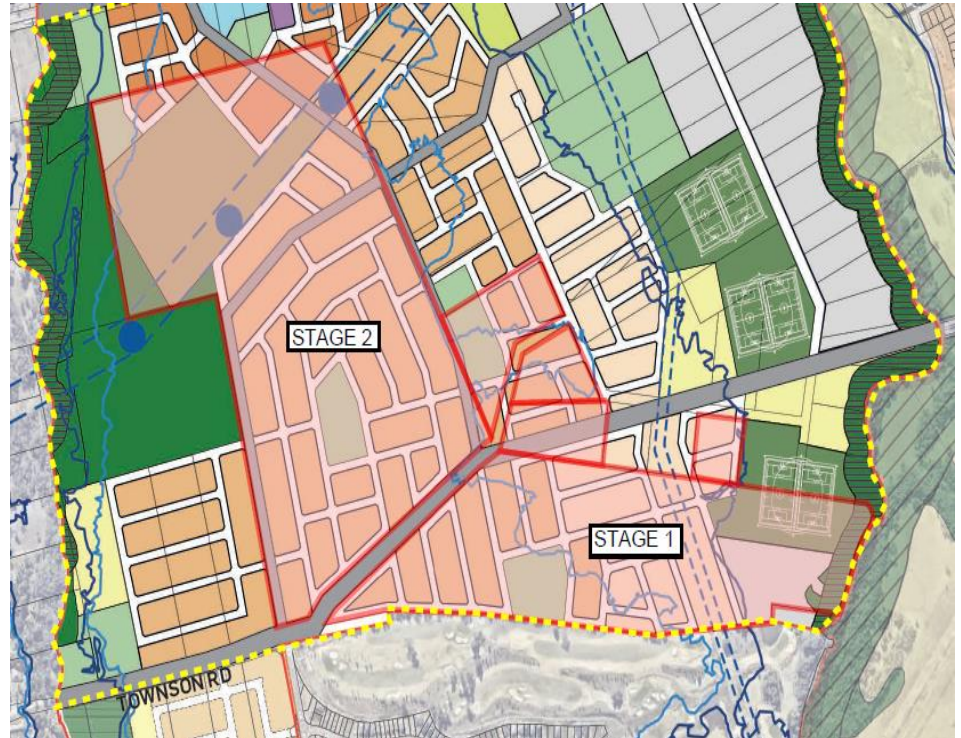
- › **Stage 1 (28 ha):** will be developed once the zoning and local town planning approvals are obtained. Due to come online in early 2021, yielding approx. 450 lots
- › **Stage 2 (50 ha):** currently an operating plant of PGH Bricks. Communications to the business have taken place and relocation plans are well progressed

## STRATEGY

- › Local town planning approvals and negotiating infrastructure extensions
- › Relocate brick capacity to a consolidation site that has been earmarked in NSW
- › Following relocation of plant, develop Stage 2

## CONSIDERATIONS

CSR is the largest land holder in the West Schofields Precinct, immediately adjacent to existing development and infrastructure





# Operating site: Schofields, NSW – Local Context



# Future positioning: Badgerys Creek, NSW

## OVERVIEW

The site totals 200ha and is strategically located directly adjacent to Western Sydney International Airport. Acquired as part of PGH Bricks JV

## STRATEGY

- › Obtain regulatory approvals to reactivate the plant
- › The new plant will require around 30ha of the site leaving the balance for future development

## CONSIDERATIONS

- › Stated future land use is aligned with CSR's business plans and is listed as "flexible employment" by the Department of Planning
- › New government entities recently formed to accelerate planning and development in the area
- › Airport due to open December 2026



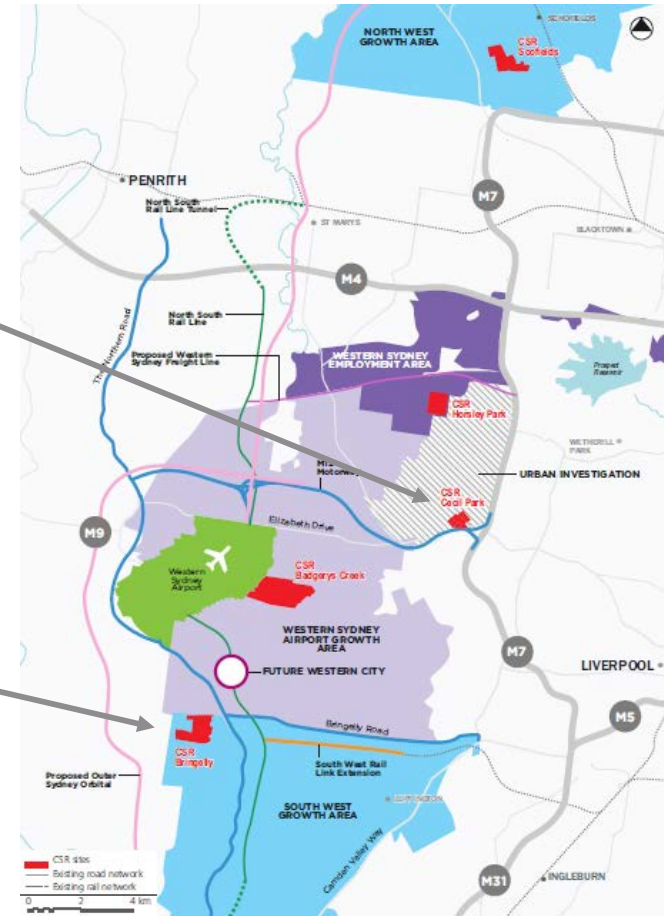
# Future positioning: Other strategic sites

## CECIL PARK, NSW

- › The land totals 37 ha and is currently an operating as a PGH Bricks plant
- › The site is well located close to major arterial roads at the intersection of the M7, Elizabeth Drive and M4
- › Volume of public infrastructure such as the M12 is immediately south and the long term planning on rail corridors will have positive impacts on the site

## BRINGELLY, NSW

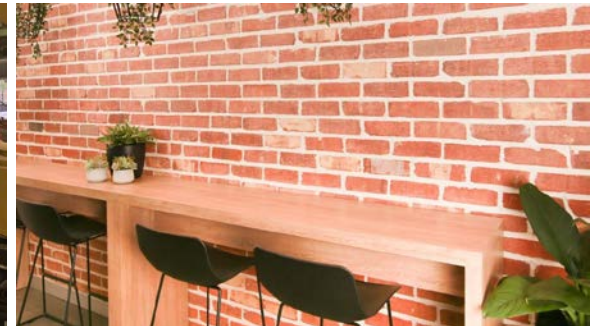
- › The land totals 92ha and is currently used as site to manufacture high grade face bricks
- › The property is located in the South West Growth Area, the government is now accelerating the precinct for residential development



# PGH Bricks – network and reinvestment

## FUTURE NETWORK PLANNING

- › CSR has lodged a masterplan with the Department of Planning and Environment (DP&E) to reactivate Badgerys Creek, NSW site
- › This application seeks approval to enable plant consolidation in the network
- › This reinvestment will transform the PGH Bricks' business in NSW
- › Benefits of this investment include:
  - › Improved plant efficiency
  - › Lower energy costs
  - › Improved safety
- › Funding for the reinvestment will be through the redevelopment of the PGH Bricks' network
- › Execution of the plan is dependent upon obtaining internal and external approvals



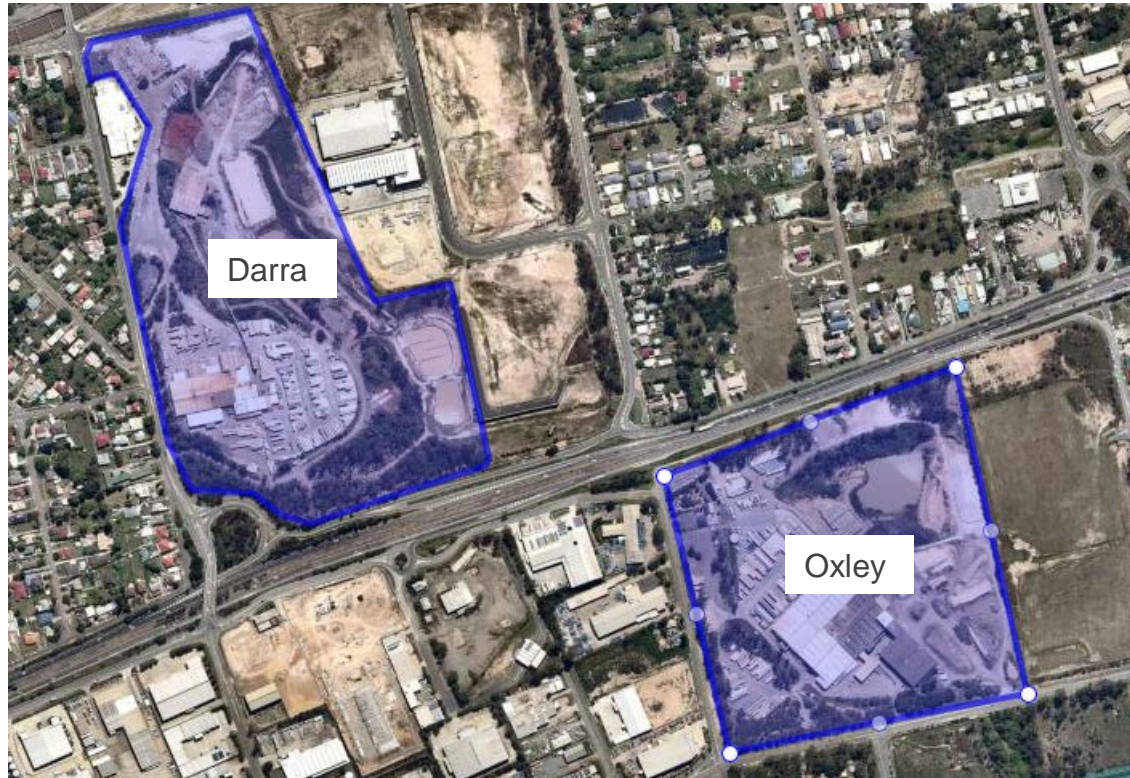
# Operating site (Industrial): Darra, QLD

## OVERVIEW

- › 20 ha zoned industrial (17km from Brisbane)
- › Site to be mothballed in July to increase capacity at adjacent Oxley site to improve efficiency and reduce costs
- › Removal of fixed costs in PGH Bricks
- › Future site development under assessment as the site adjoins a modern industrial subdivision

## OUTCOME

- › Ongoing review of QLD PGH Bricks' capacity requirements with future valuation of Darra site



# Current development projects - Queensland

## **BRENDALE, QLD (20km from Brisbane)**

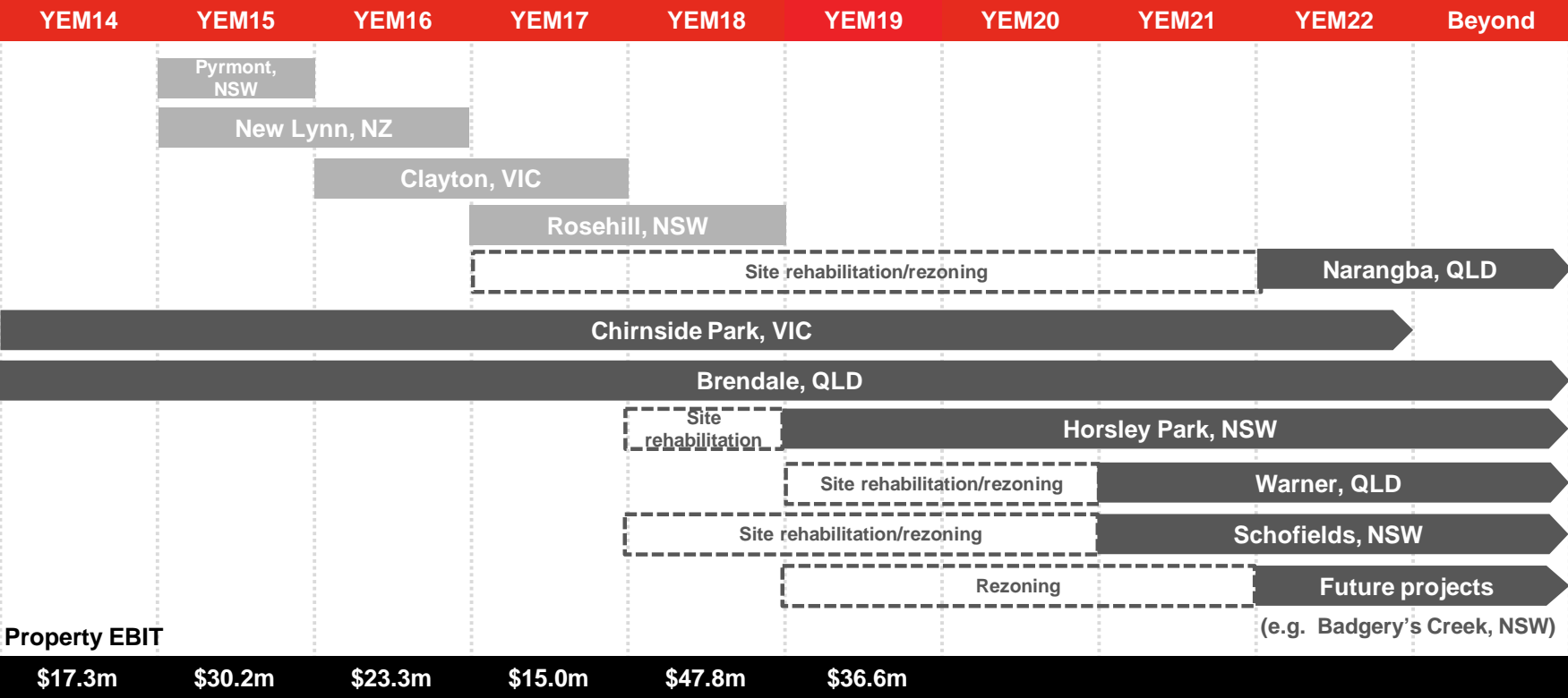
- › CSR is completing the final stages of its Brendale Industrial estate which has approximately 35ha under development
- › Contracts have been exchanged on 15 lots (8ha) at a gross sales amount of \$19.5m. Construction expected to be completed in late 2019.

## **WARNER, QLD (20km from Brisbane)**

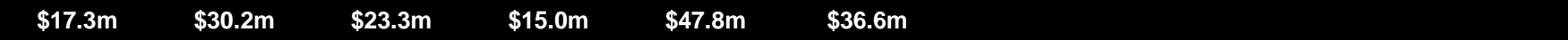
- › The Warner landholdings are currently being used as an operational quarry
- › Morton Bay Council have identified our land within previous urban land investigation studies
- › CSR has lodged an application for a residential zoning
- › Subject to obtaining ultimate approvals the site could be capable of producing around 450 lots



# Major Property project timeline



Property EBIT



6 year EBIT average - \$28.3m

# SUMMARY

David Fallu, CSR Chief Financial Officer

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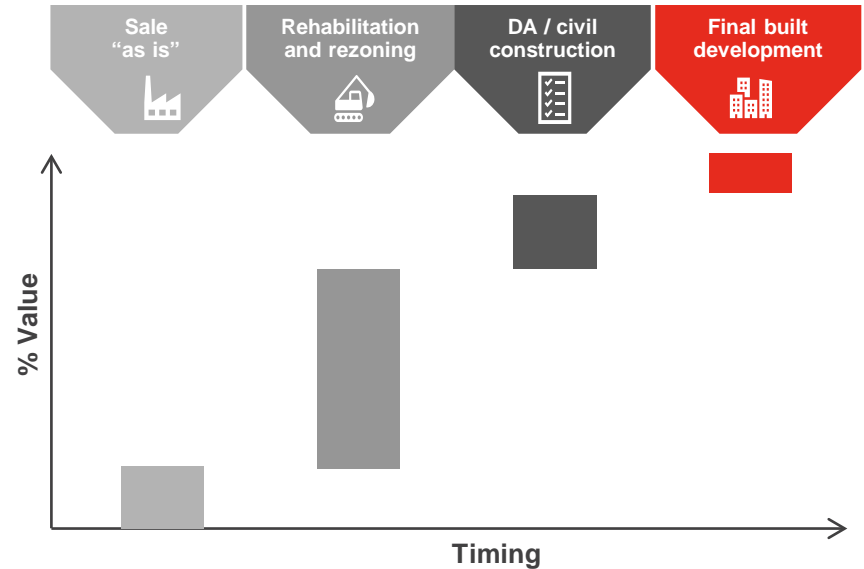




# Portfolio Value – Western Sydney, NSW

CSR undertakes independent valuations of its major property sites to inform decisions on key projects

	Valuation	Implications
Current valuation “as is” (Western Sydney 450ha)	\$600m	<ul style="list-style-type: none"> <li>› Covers 450 hectares in Western Sydney</li> <li>› Independent valuation</li> <li>› Purchaser required to assume rehab and rezoning risks</li> <li>› Currently held at historic value in Building Products</li> </ul>
Potential rehabilitation costs	(\$100)m	<ul style="list-style-type: none"> <li>› Estimate to bring site to saleable position (eg bulk earthworks, geo technical)</li> <li>› Excludes plant relocation</li> </ul>



Timing of returns determined by operational and transactional considerations with the objective of maximising asset values to deliver significant returns to shareholders over the next 10+ years

# Value-led approach to maximise Property returns

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## Integrated approach with Building Products

- Property a core part of Building Products operational and strategic planning
- In-house capability assists in maximising operational flexibility and future positioning of sites

## Scale and strategic position

- CSR has an extensive network of sites across Australia, with a number of these sites now located in strategic growth areas
- Increasing demand for residential and industrial land to meet government development priorities

## Maximise operational flexibility + asset value

- Flexible approach to maximise returns – operating and transactional
- Ability to release of land on a staged basis to generate higher returns

**Timing of returns determined by operational and transactional considerations with the objective of maximising asset values to deliver significant returns to shareholders over the next 10+ years**