

CSR LIMITED PRESENTATION 2015

INVESTOR PRESENTATION

1 SEPTEMBER 2015

CSR

Agenda

- | | |
|--------------|--|
| 1. Opening | Rob Sindel, Managing Director, CSR Limited |
| 2. Viridian | Peter Moeller, EGM Viridian |
| 3. Brick JV | Nick Pezet, EGM Boral CSR Bricks JV |
| 4. Property | Andrew Mackenzie, GM Group Property |
| 5. AFS | Steve Darwell, GM New Business Development |
| 6. Hebel | Andrew Rottinger, GM Hebel |
| 7. Q&A | |
| 8. Lunch | CSR management |
| 9. Site tour | Hebel Somersby |



CSR

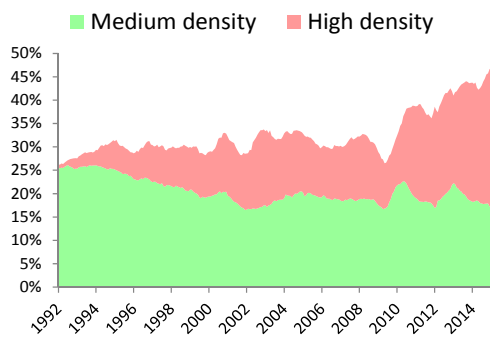
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OVERVIEW Rob Sindel CSR MD



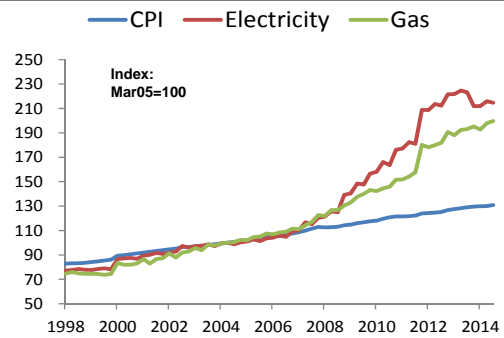
Structural changes framing our strategy

Multi-residential housing growth



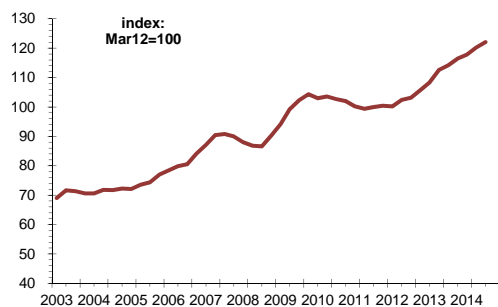
Source: ABS cat 8731

Rising energy costs



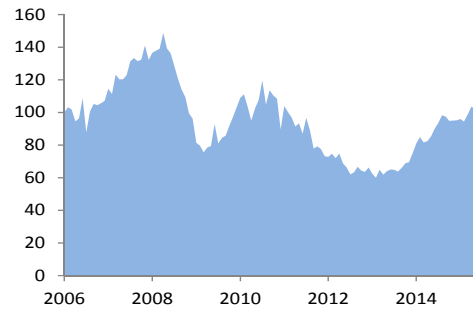
Source: ABS cat 6401, 6345 – March 2005 = 100

Housing affordability



Source: ABS Cat. 6416 (indexed data) residential property price index

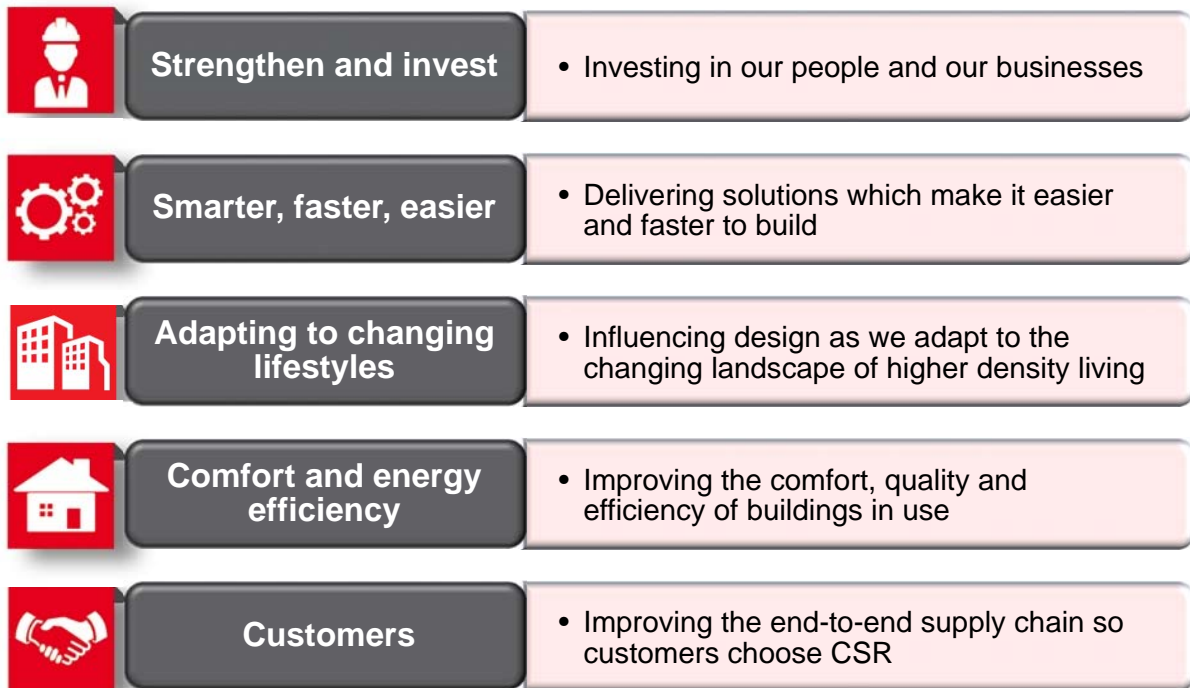
Increased demand for construction trades



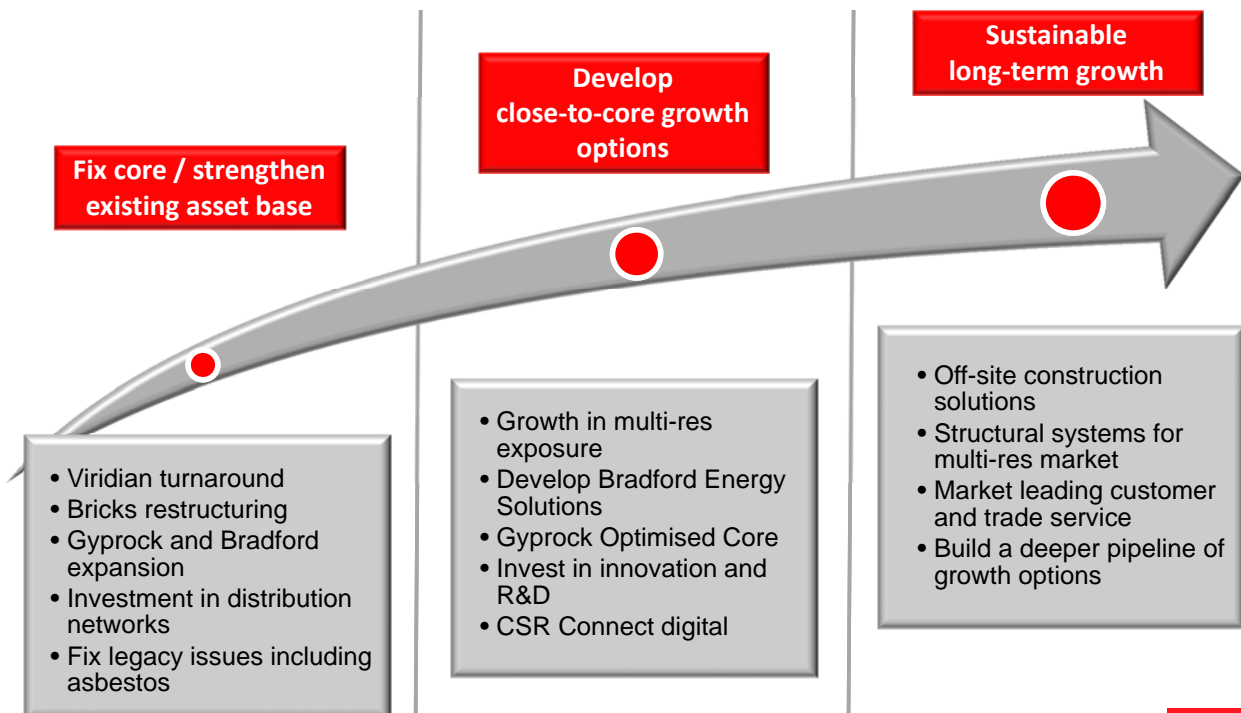
Source: Department of Employment, IVL_DATA - January 2006 onwards, Seasonally Adjusted Index



Changing the way we build

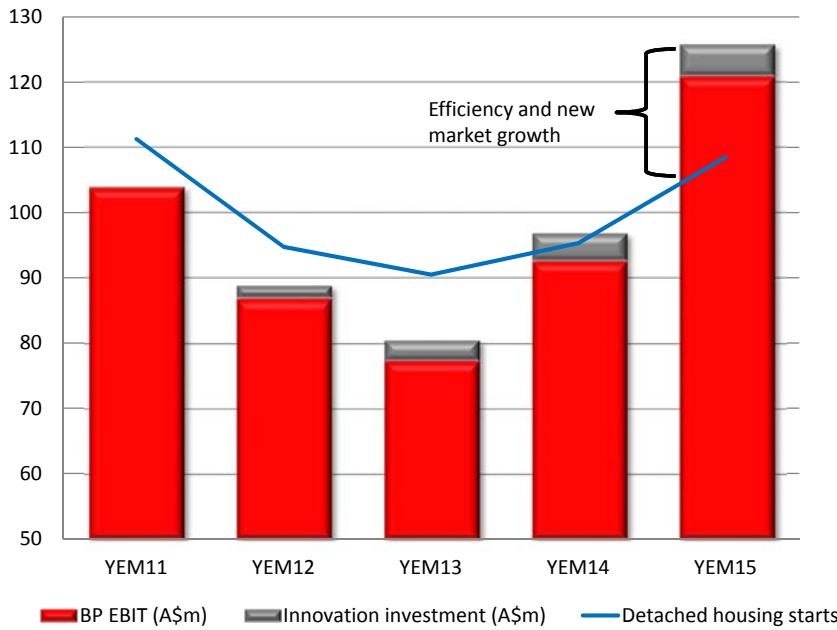


Key phases of our approach



Expanding exposure beyond detached housing

Building Products EBIT



Key drivers of EBIT growth

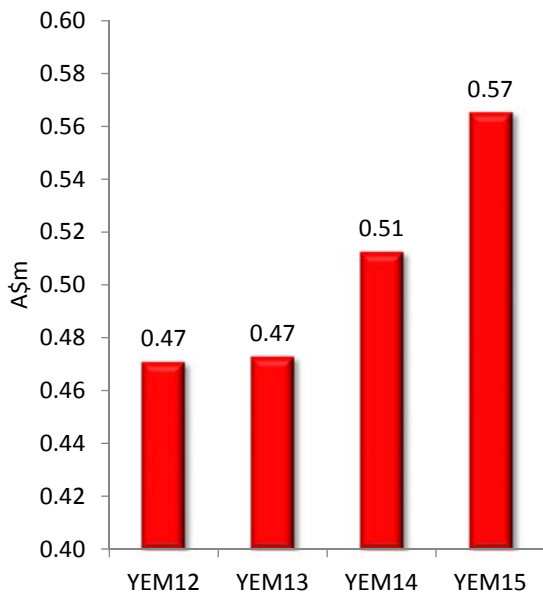
- Turnaround core businesses
- Investment in multi-res market
- Acoustic and energy efficiency
- Distribution and channels to market
- Innovation and new product development

Source: CSR, ABS housing starts, 2Q lag (000s)

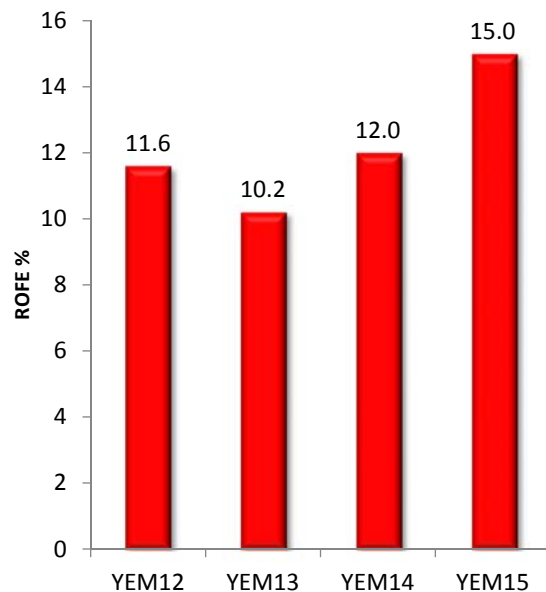


Improvement in productivity and asset utilisation

Building Products Revenue per FTE (headcount)



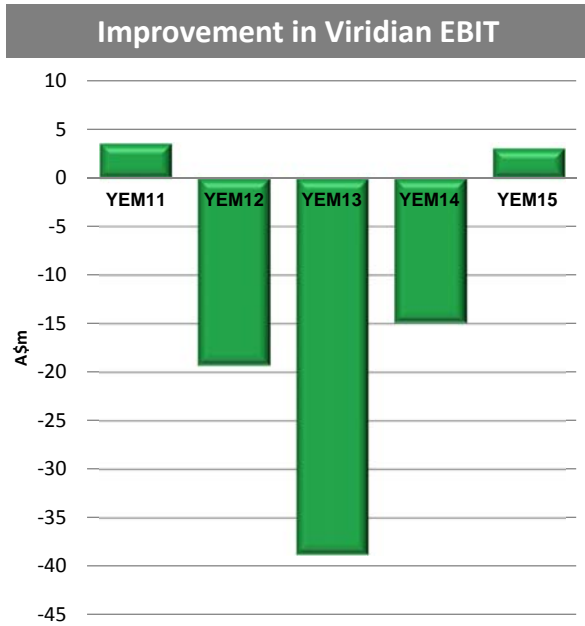
Building Products Return on Funds Employed



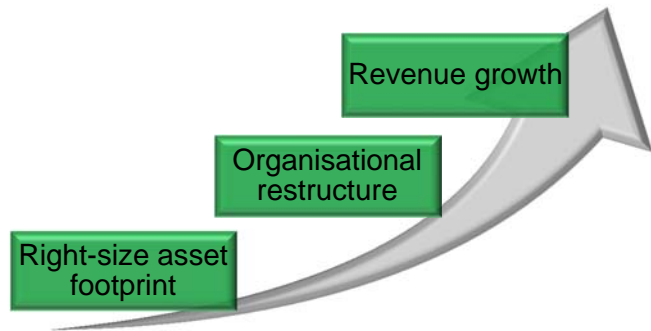
All ROFE calculations based on EBIT (before significant items) for the 12 months to 31 March divided by average funds employed which excludes cash and tax balances and certain other non-trading assets and liabilities as at 31 March.



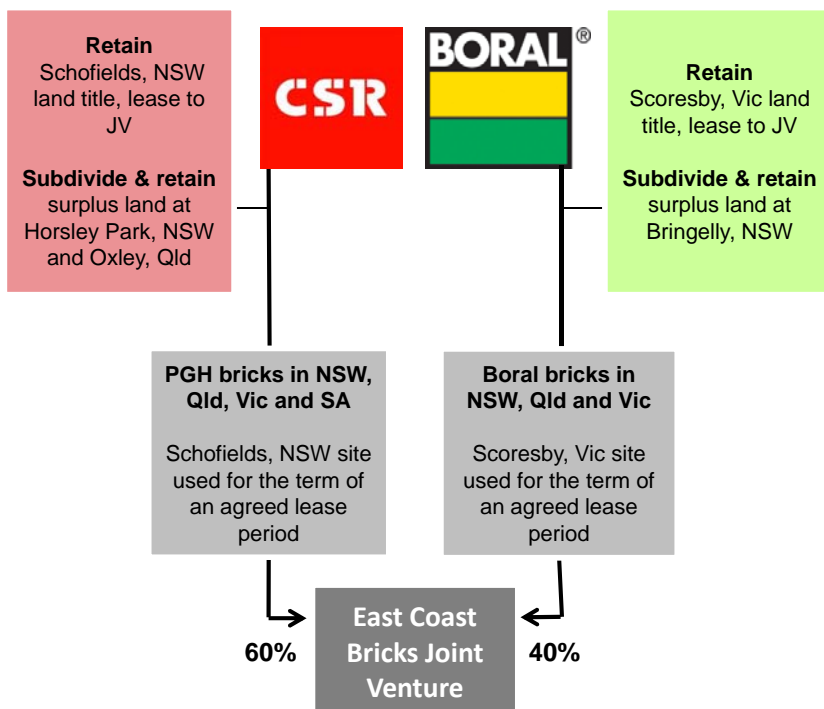
Viridian turnaround on track



- Tracking in line with Viridian's strategy
- Restructuring largely complete
- Time to grow revenues



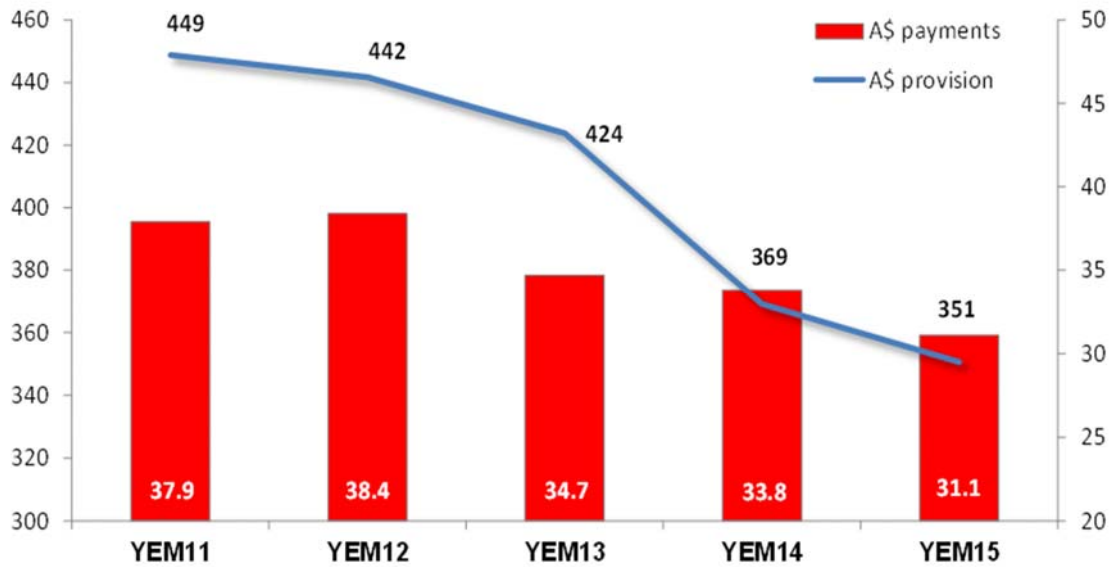
Launched East Coast Bricks JV



- Drives operational efficiency → improves returns
- Releases high value land, without impacting competitive position



US asbestos liability down 47% from peak



Gyprock Optimised Core™ Product Innovation



- **Stronger** - more robust with better breaking strength for improved handling and installed performance
- **Lighter** - easier to lift for better sheet manoeuvrability and improved flex
- **Improved face appearance** - for a more uniform and professional finish
- **Improved overall workability** – crisper score and snap
- **Designed with glass fibre reinforcement** – to span 600mm centres



GYPROCK®

Everything else is just plasterboard



Growth in Bradford Energy Solutions



- **Bradford Energy Solutions** : Brochures and case studies to support business development and sales teams.



Structural walling solutions – disrupting existing construction methods



- **Objective:** To be the leader in load bearing permanent formwork walling solutions
- **Approach:** Faster and less complex building solutions
 - Increased speed of construction
 - Lower labour costs and crane requirements
- **Investment:** \$40m acquisition* plus \$10m of capex to date

LOGICWALL
STRUCTURAL SOLUTION



REDIWALL
WALLING SYSTEM



* Pre potential earn-out payments



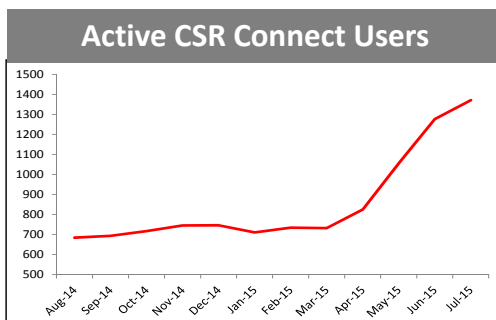
Investing in digital



■ CSR Connect

- 24/7 access to accounts, trade pricing, online payments, access invoices
- Business dashboard to track orders
- Any device, anytime

■ Around 10% of CSR customers now using CSR Connect



<p>Quick and easy registration Register in just 60 seconds for CSR Connect! It's free for trades with a CSR transacting account.</p>	<p>CSR account essentials Keep on top of all your account activity and business KPIs on your Connect Dashboard.</p>	<p>Order CSR products online Need insulation, plasterboard or walling? Let your fingers do the walking with real time online product search and multi-account ordering.</p>
<p>Account-based pricing for CSR products Want to check product pricing? CSR gives you custom pricing based on your account.</p>	<p>Save time on admin tasks Beat the clock and get your life back by reducing the time you spend on admin and manage your CSR accounts on the go.</p>	<p>Automated search Lose the paperwork by creating and finding quotes, sales orders and invoices quick smart with automated search.</p>
<p>Rapid download In a rush? Try bulk-downloading last month's invoices in a flash. Perfect for the busy trades.</p>	<p>Flexible payments online Pay bills, get discounted credit card fees online and keep your CSR account balances up to date.</p>	<p>Help when you need it Talk to a real person live via online Chat, or phone to speak to one of our friendly support team.</p>



Investing in our people



Culture



Learning & development



Engagement in CSR strategy



Recognition



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Changing the way we build

- | | |
|----------------------|--|
| Systems | <ul style="list-style-type: none"> • Building systems and solutions • We will need to develop many ourselves |
| Distribution | <ul style="list-style-type: none"> • New distribution models are central to the industry's future |
| Timing | <ul style="list-style-type: none"> • Solutions are in their infancy...Need to be patient and prepared to take risk |
| Collaboration | <ul style="list-style-type: none"> • Collaboration with customers and relationships with global technology providers |

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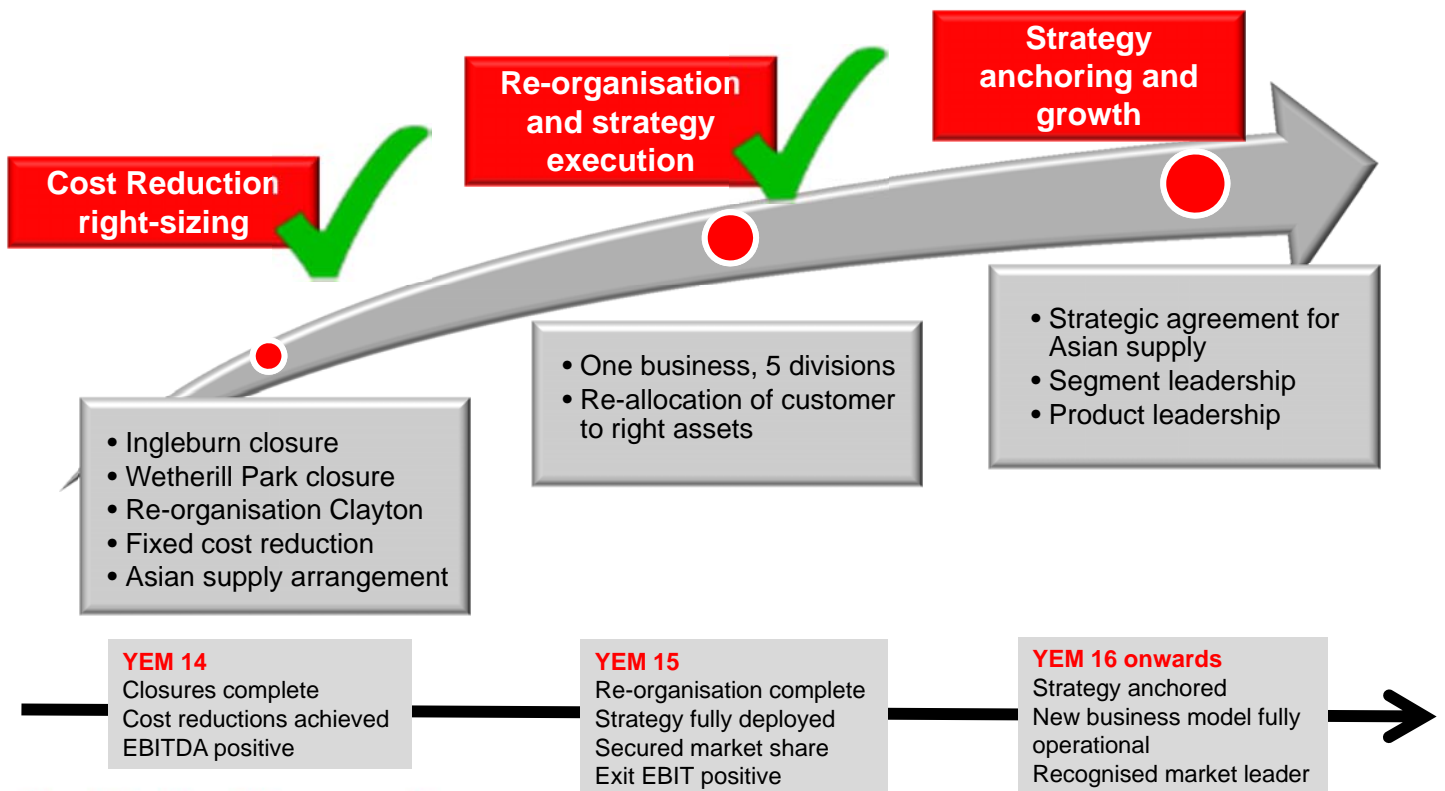
2 VIRIDIAN

Peter Moeller

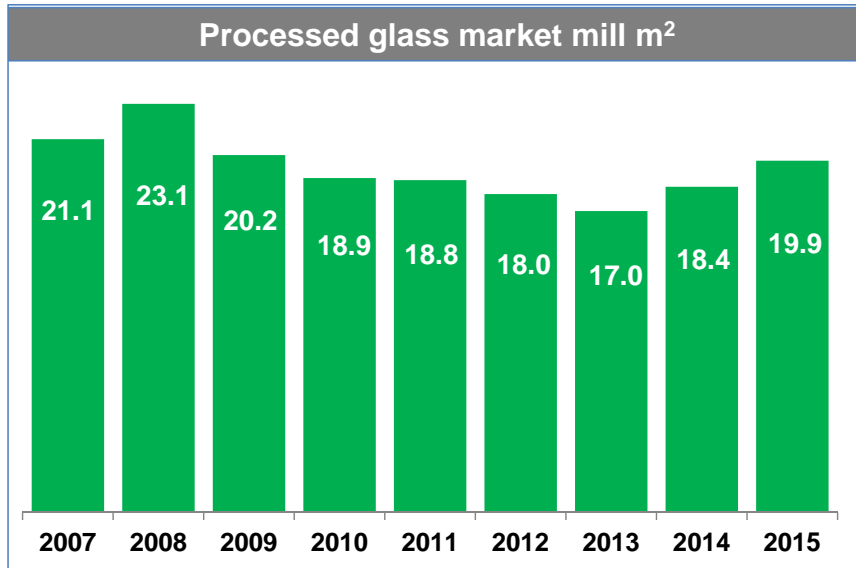
EGM Viridian



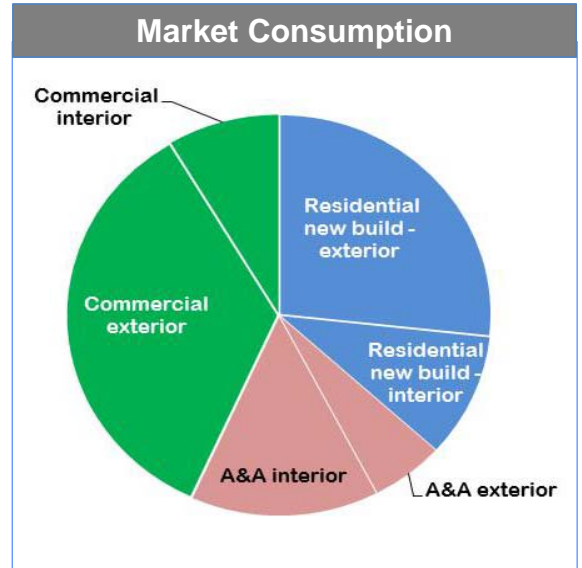
Status of turnaround plan



Processed glass market



Source: ABS and Viridian estimates



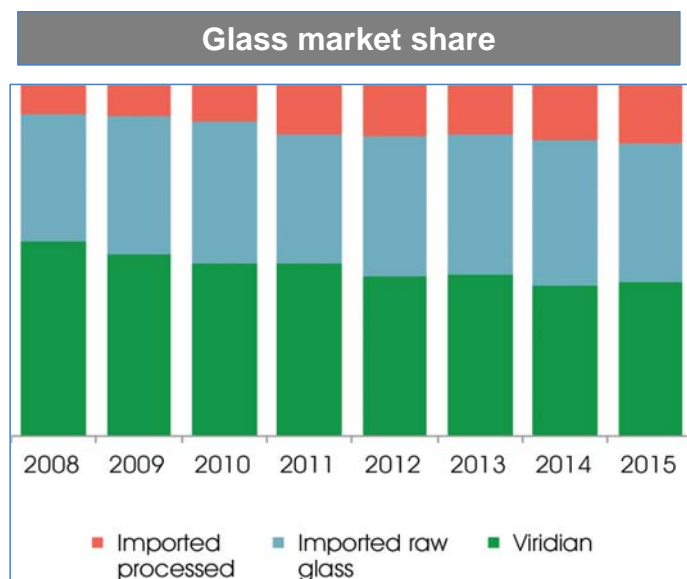
Source: Viridian

- Market assessed in m² as opposed to tonnes
- Sellable processed glass (excluding finished windows)

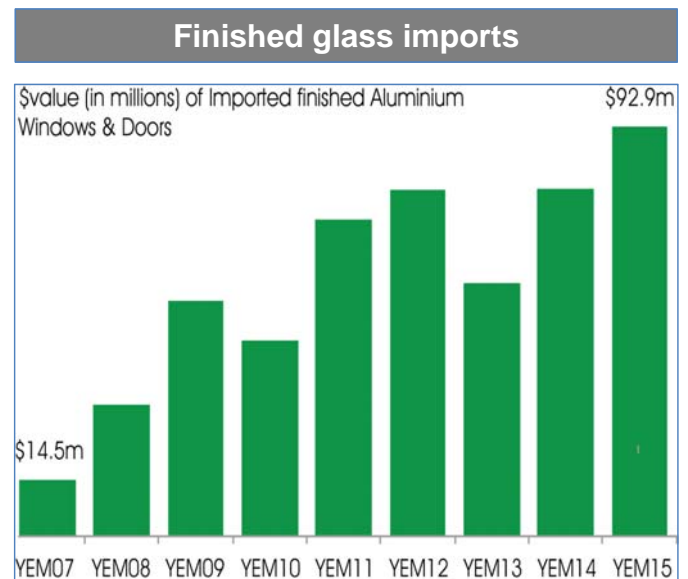
- Estimate of market consumption of processed glass
 - Residential: ~ 35%
 - Commercial: ~ 45%
 - A&A: ~ 20%



Processed glass and finished window imports



Source: ABS and Viridian estimates



Source: ABS

- Raw glass imports stabilising
- Processed glass imports increasing

- Imports of finished windows and doors increasing
- Standardisation

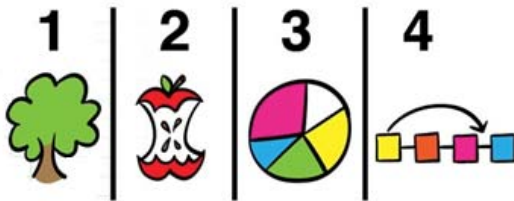




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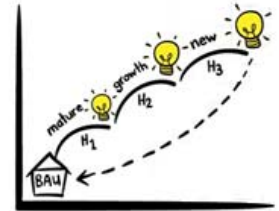
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Pillars







Structure



Horizons



4 Strategic Pillars

 <p>Grow the value & use of glass</p>	 <p>Strengthen the core</p>	 <p>Balance and expand segment exposure</p>	 <p>Integrate into the value chain</p>
<ul style="list-style-type: none"> ▪ Influencing building standards and improving the knowledge of glass properties ▪ Lift glass per capita ▪ Sourcing new products from the global market ▪ Develop new products that improve living and working spaces 	<ul style="list-style-type: none"> ▪ Effective and efficient use of installed asset base – Float plant & D Lines: ▪ Secure existing volumes through customer service & operational excellence ▪ Clear & consistent positioning ▪ Continued focus on cost reduction initiatives 	<ul style="list-style-type: none"> ▪ Increase exposure to segments other than residential new build ▪ Exposure to new cycles, markets and applications, outside of construction ▪ Develop areas of expertise that can be exported 	<ul style="list-style-type: none"> ▪ Moving the business closer to the builder / consumer / decision maker ▪ Solution provider





Grow the use & value of glass

- New advanced double glazing – “Light Bridge”
- Investment in specification team
- Solar and glare protection films



Strengthen the core

- Integrated online ordering and delivery system - Direct2Line
- Logistics and warehouse optimisation
- Cost of float manufacture
- Investment in processing capabilities & rationalisation of operational footprint



New segments

- New commercial IGU plant in Ingleburn
- New exclusive decorative range for interior applications
- AGG Brisbane acquisition

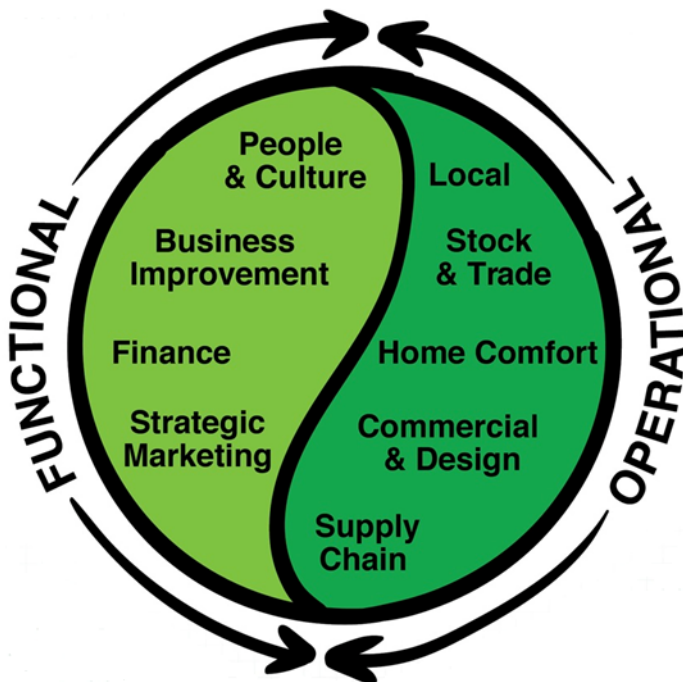


Integrate into the value chain

- New concept – “Viridian Trade Centre” in Rosebery
- Services – contract management & consulting
- Communication to end consumer – “Living Light Campaign”



Alignment of structure to strategy and customer



- Investment in culture change program
- Strategy rollout
- Unique market position
- Viridian scale allows operational alignment to customer segments



we  glass 

Viridian 

CSR

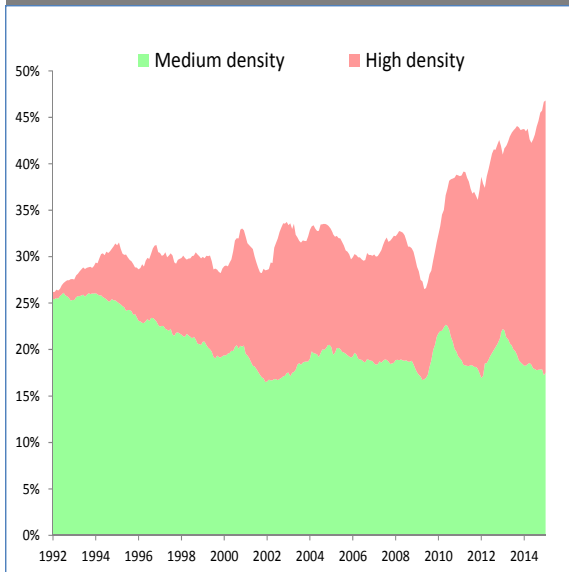


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BRICKS JV
Nick Pezet
EGM Boral CSR
Bricks

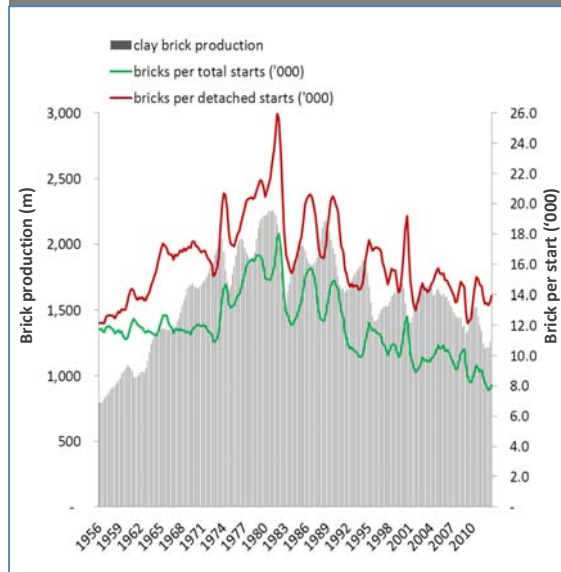
Structural changes in brick cladding industry

High and medium density as a proportion of approvals (cumulative)¹



Source: ABS data

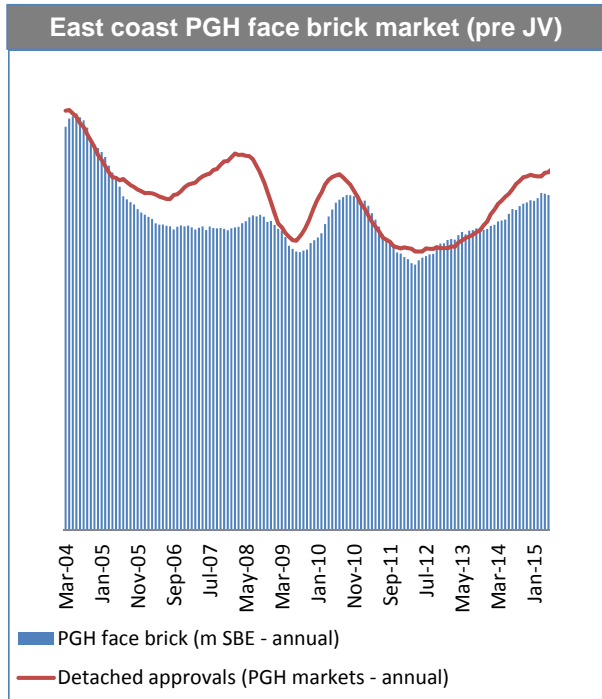
Australian brick production and bricks per housing start¹



Source: ABS data



Market for face bricks



Bricks JV rationale

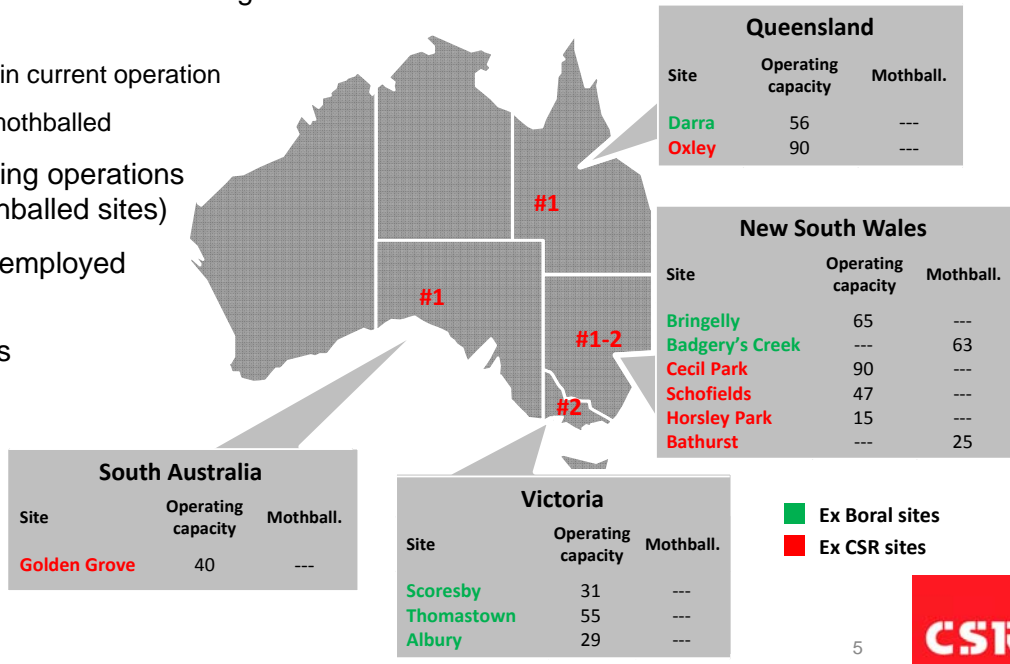
Strategy	<ul style="list-style-type: none"> • To create a sustainable, competitive and robust East Coast Bricks business
Overhead consolidation	<ul style="list-style-type: none"> • Consolidation of overhead costs into one management structure
Optimise operations	<ul style="list-style-type: none"> • Optimise plant network to maximise manufacturing efficiency • Modest longer-term investment to enable consolidation to lower cost, more efficient operating sites
Economies of scale	<ul style="list-style-type: none"> • Develop more efficient distribution networks, improve service and reduce costs • Leverage raw material sources to provide enhanced customer product offer
Release of land assets	<ul style="list-style-type: none"> • CSR retains Schofields and surplus land at Horsley Park, NSW • Boral retains Scoresby VIC and surplus land at Bringelly, NSW



Stronger combined operations

- Combined annual revenue of ~\$250 m
- 606 million SBE (standard brick equivalent) of brick manufacturing capacity
 - 518m SBE in current operation
 - 88m SBE mothballed
- 12 manufacturing operations (including mothballed sites)
- Current funds employed Circa \$200m
- 500 employees

JV Sites – operating capacity by state (million SBE)

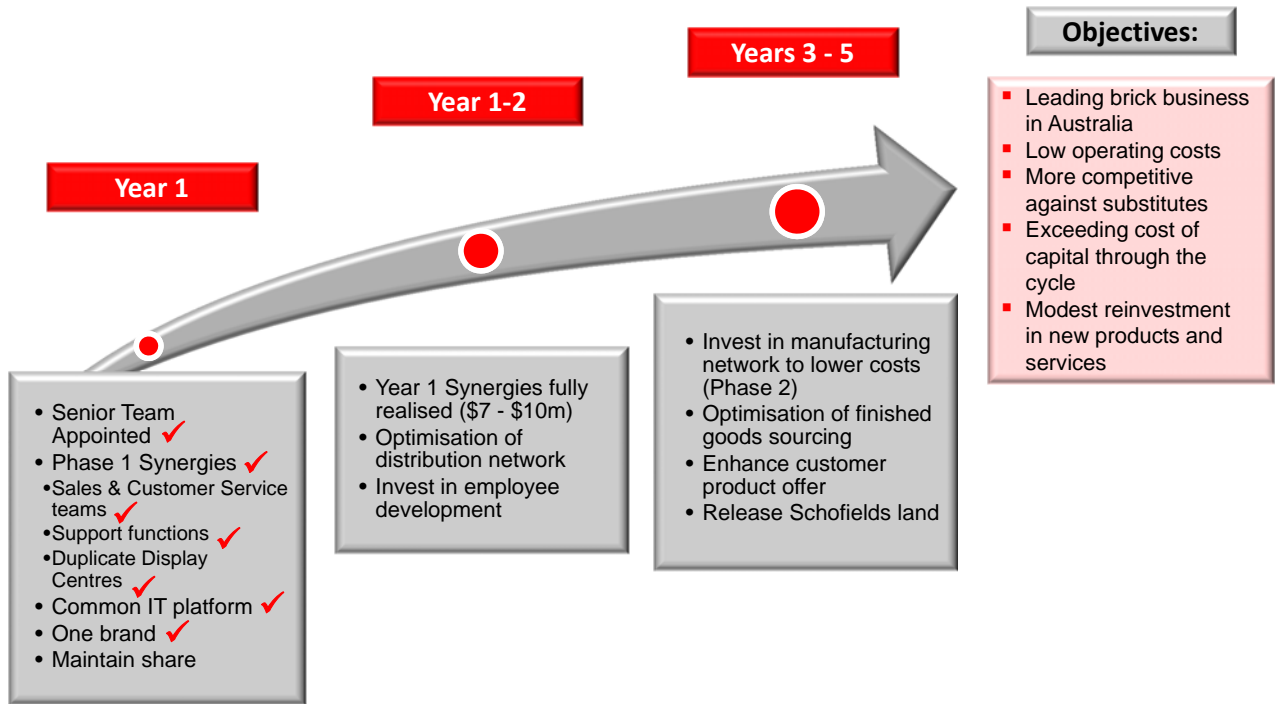


Integration approach

Safety	<ul style="list-style-type: none"> Safety in everything we do
Customers	<ul style="list-style-type: none"> Minimise impact on customers Protect market share and relationships
Employees	<ul style="list-style-type: none"> Minimise impact on employees Culture, retention and engagement
Communications	<ul style="list-style-type: none"> Regular and informative communications to all stakeholders
Pace the integration	<ul style="list-style-type: none"> Ensuring timely process but not at the expense of the above



Phased integration plan



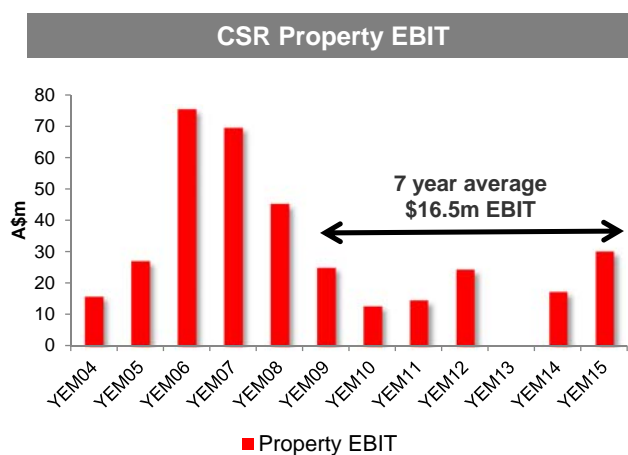
4

PROPERTY Andrew Mackenzie GM Property



Maximising the value of the CSR property portfolio

- In house team with extensive experience in managing large scale property projects including:
 - Site rezoning
 - Remediation
 - Biodiversity
 - Civil earthworks
 - Road construction
 - Infrastructure and services
- Provides the CSR businesses with strategic property advice on future impacts of urban expansion on key CSR sites
- Managing CSR's extensive leased and owned property portfolio



Building CSR's long-term property pipeline

Current Projects

Chirnside Park, Vic	<ul style="list-style-type: none"> • 533 lot residential development • Stage 2 and 3 sales sold out • Stage 4 to be released Sept 15 • Stage 5 to be released Dec 15
Schofields, NSW	<ul style="list-style-type: none"> • 70 ha future residential • 1,000 to 1,200 lots
Horsley Park, NSW	<ul style="list-style-type: none"> • CSR surplus land – 30 ha future industrial • A further 20 ha controlled by Bricks JV
Narangba, Qld	<ul style="list-style-type: none"> • Former clay quarry – 20 ha future residential • Potential 300 lot development

Longer-term opportunities

Thornton, NSW	<ul style="list-style-type: none"> • Former clay quarry – 40 ha future residential
Cooroy, Qld	<ul style="list-style-type: none"> • Former clay quarry – 20 ha future residential



Chirnside Park, Vic – Cloverlea residential site

- Chirnside Park is 33km east from Melbourne CBD
- Former golf course for Chirnside Park
- Residential detached housing, with pockets of medium density terrace housing
- 532 lots, including 2.6ha 'super lot'
- Average lot size 552m²
- Average price \$300k per lot / \$210k medium density
- Construction and siteworks began in October 2012



	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Total
Lots	116	115	48	92	133	36	540
Deposits	-	115	48	19	0	0	182
Settled	100	-	-	-	-	-	100
Timing	YEM15/16	YEM16	YEM16	YEM17	YEM18	YEM18	



Schofields and Horsley Park, NSW sites

	Schofields, NSW	Horsley Park, NSW
Size	<ul style="list-style-type: none"> • 70ha – future residential • Between 1,000 to 1,200 lots 	<ul style="list-style-type: none"> ▪ 30ha – surplus land future industrial
Zoning	<ul style="list-style-type: none"> • Up to two years for zoning completion 	<ul style="list-style-type: none"> ▪ Zoned industrial
Area	<ul style="list-style-type: none"> • Rapidly growing area in northwest Sydney • Richmond Road upgrade completed to South Street • North West Rail Link underway – opening in 2019 	<ul style="list-style-type: none"> ▪ Established industrial area ▪ Adjacent to Oakdale Industrial Park (Goodman development)
Timing	<ul style="list-style-type: none"> • Stage 1 – surplus land 3+ years • 400 lots 	<ul style="list-style-type: none"> ▪ Subdivision of surplus land to be completed by end of 2015 ▪ Stage 1 – to be completed by end of 2016/early 2017
Redevelopment works	<ul style="list-style-type: none"> • Quarry rehabilitation underway 	<ul style="list-style-type: none"> ▪ Up to four years from 2016



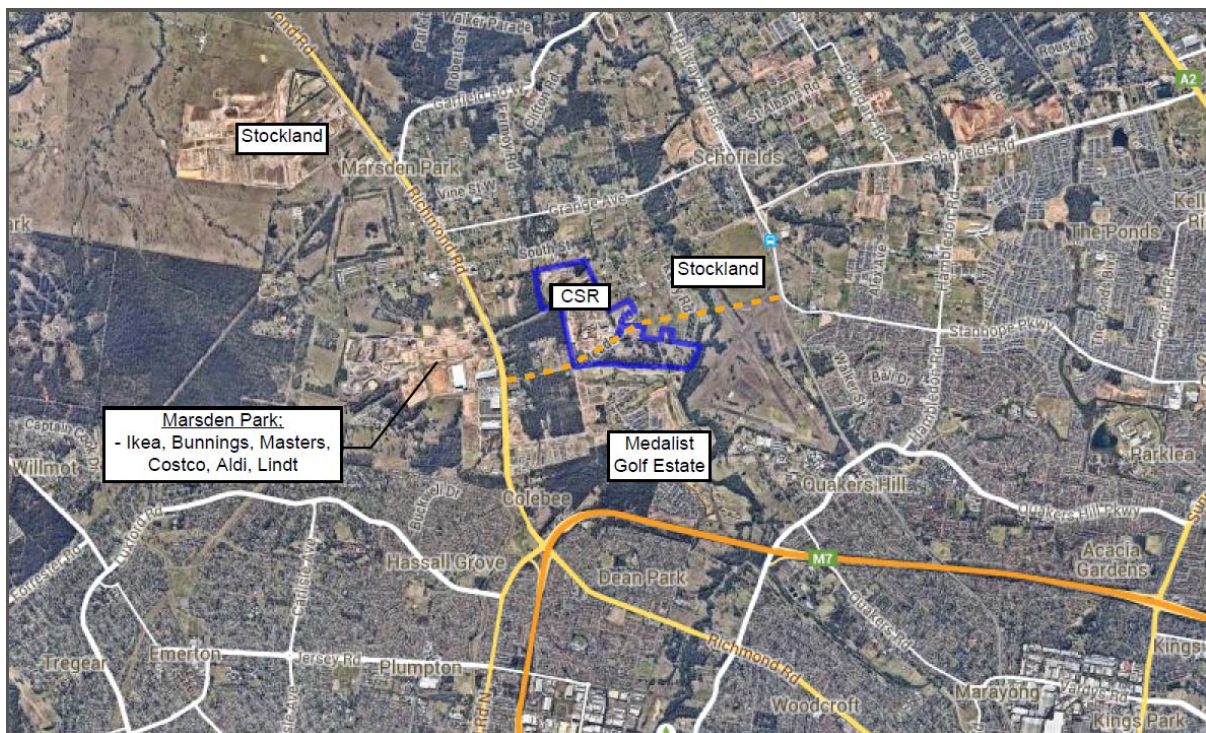
Horsley Park aerial view



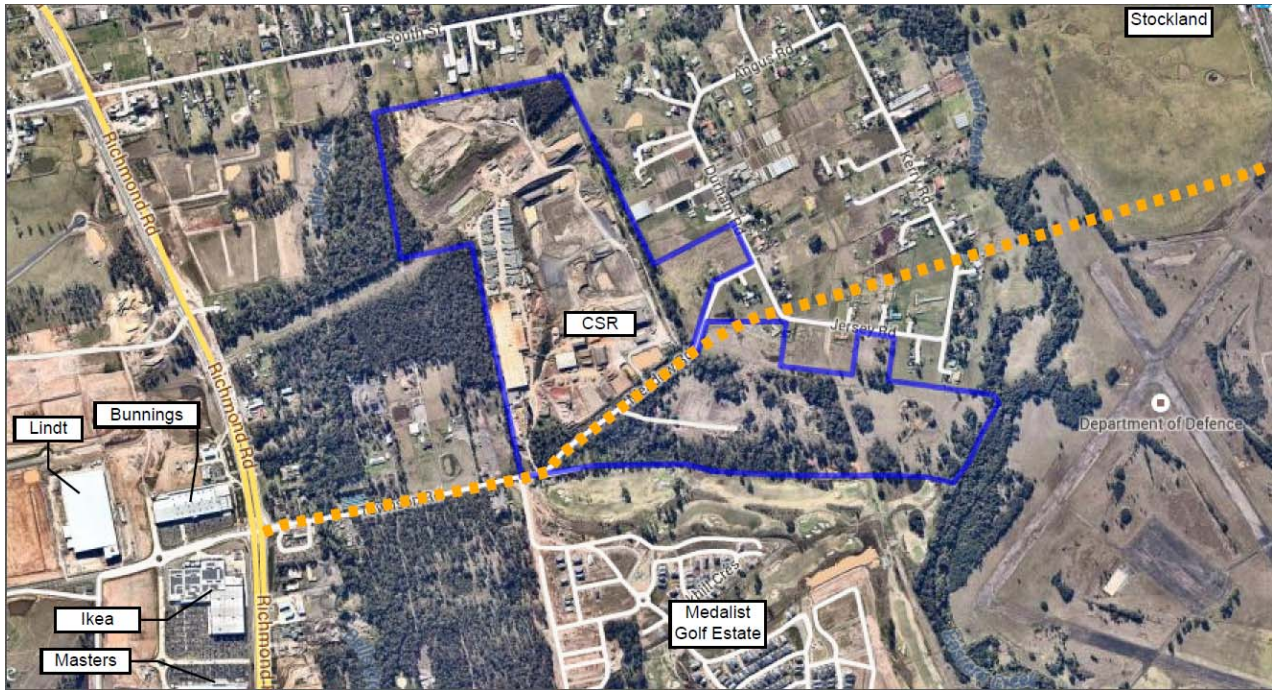
Horsley Park aerial view



Schofields aerial view



Schofields aerial view



AFS

Steve Darwell

GM New Business Development

5



CSR

Structural systems overview



- Load bearing permanent formwork walling solutions
- Faster and less complex building solutions
 - Increased speed of construction
 - Lower labour costs and crane requirements
- Competition
 - Other players: Dincel, Ritek
 - Other systems: Removable formwork, masonry block, pre-cast concrete



Benefits	
Speed	✓
Cost	✓
Logistics	✓
Flexibility	✓
Shorter lead time	✓
Minimise site waste	✓



CSR

What is AFS LOGICWALL®?

- Permanent formwork system for concrete walling used for both internal and external walling applications
- Lightweight sandwich panels created by bonding hard-wearing CSR Cemintel® fibre cement sheets to galvanised steel stud frames



Benefits

- Speed of construction
- Materials handling efficiencies, not crane dependent
- Ease of design & specification
- Shop drawn modular system
- High quality finish



Where is LOGICWALL® used?


- Façade walls
- Party walls
- Blade walls
- Corridor walls
- Boundary walls
- Balustrades
- Lift & stair shafts




What is AFS Rediwall?



- PVC permanent formwork walling system



1. Slide in 2. Brace 3. Pour



Benefits

- Components simply slide and lock together – semi-skilled labour
- Kidney shaped holes for double reo and rapid concrete flow
- Water resistant and fire rated
- Cut-to size for projects – no mess or waste
- Short lead times
- Replaces traditional masonry block and vertical formwork



Where is REDIWALL[®] used?

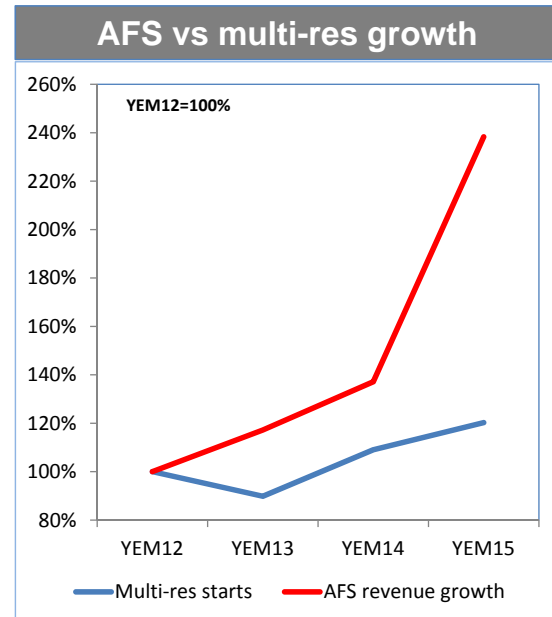


- Basements
- Retaining walls
- Columns
- Retention tanks
- Party walls
- Lift shafts & stairwells



How has AFS Performed?

- AFS has grown rapidly over the last 3 years
 - System acceptance
 - Multi-res market growth
 - Introduction of REDIWALL®
 - Investment in:
 - front end sales
 - technical support
 - improved manufacturing capability
 - shared services
 - Leveraging CSR relationships
 - Focus on customer needs and solutions
 - Incremental product development



Source: ABS data – includes NSW, VIC, QLD, SA and ACT – 3Q lag



Changing the way we build

Growth	<ul style="list-style-type: none"> • Disruptive product with increasing take-up • Smarter, faster and easier construction
Expansion	<ul style="list-style-type: none"> • Logicwall® – 30% spare capacity • Rediwall® – scalable production facility
Integrated supply chain	<ul style="list-style-type: none"> • Full integration from design concept to system installation
Product depth	<ul style="list-style-type: none"> • AFS – unique offer of “below ground” and finished wall solutions • Leverage CSR lightweight systems (eg Hebel)
Innovation	<ul style="list-style-type: none"> • Leverage local and international partnership • Pipeline of system performance and installation improvements



6

HEBEL

Andrew Rottinger GM Hebel



What is Hebel?

- CSR Hebel is Australia's only manufacturer of Aerated Autoclaved Concrete (AAC) - a non-toxic, non-combustible, lightweight masonry material



Hebel PowerPanel
for Walls



Hebel PowerFloor
for Floors



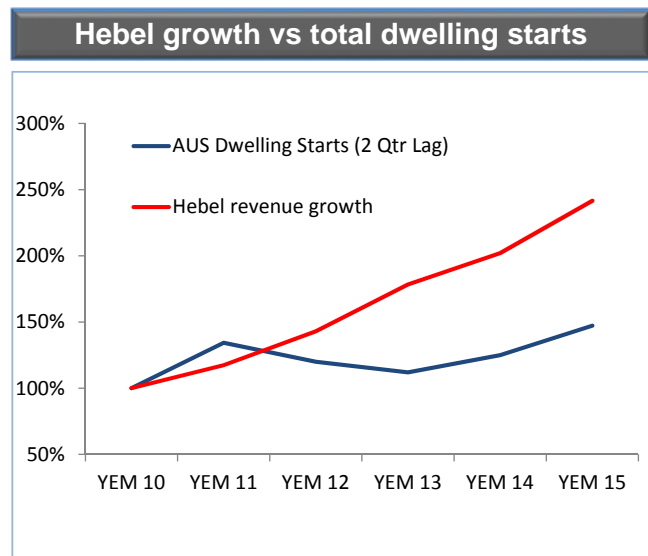
Hebel PowerBlock

Where is Hebel used?



How has Hebel performed?

- Cumulative annual revenue growth over the last 5 years of 15%
- Increased import competition but Hebel retains a strong competitive advantage
 - Generic brand position
 - Better service and supply chain
 - Patented systems
 - Lower construction risk



Source: ABS data for total dwelling starts (2Q lag)



Hebel is well placed

Hebel is well placed in growth segments:

- Apartments & medium density housing
- NSW infrastructure
- Hebel share is growing in detached housing
 - Consumer acceptance is established
 - Installation services are a key enabler



Scale is now available to expand in:

- Construction services
 - Over 80 teams in NSW and Victoria
 - Equivalent independent contractors
 - Full time contractor training resources
- Engineering and Technical Services
- Marketing and Innovation



Capacity expansion at Somersby

- 30% capacity expansion to be completed by November 2015
 - Capacity to increase to 220,000 m³
 - Investment of \$2.8 million



Innovation – a key platform for growth

- Better construction methods
 - More productive and safer site processes
 - Better labour utilisation
 - Customer acceptance
- Higher performing outcomes
 - Home comfort
 - Better acoustics
 - Fire protection
 - Build quality
- New applications
- 13 patents granted in last two years



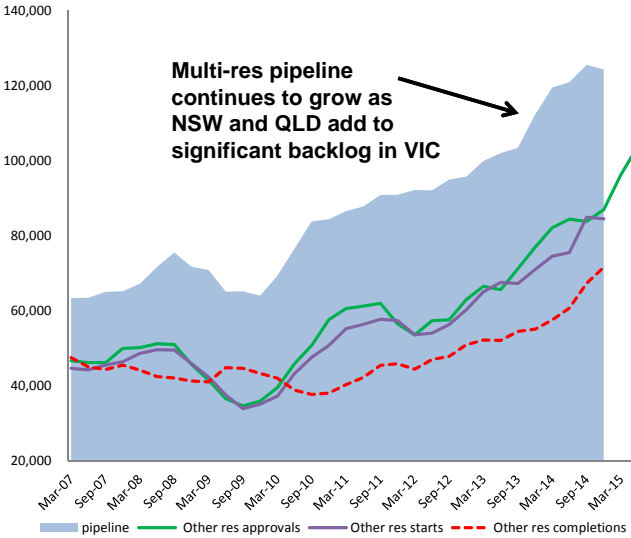


7 APPENDIX

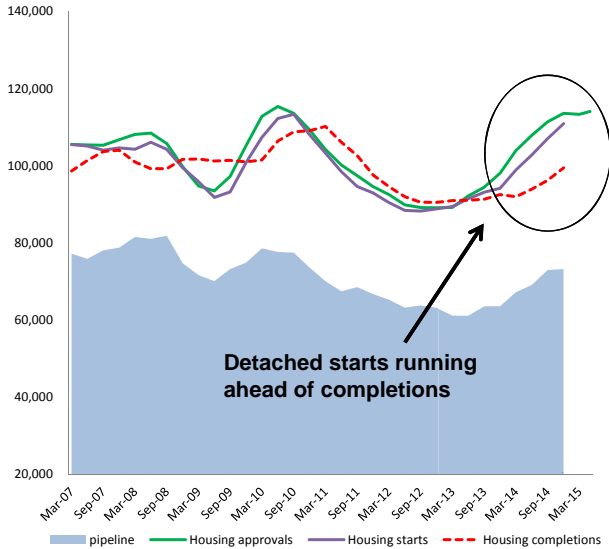


Pipeline remains strong in residential construction

Multi-residential (MAT)



Detached (MAT)



Source: ABS - Pipeline includes dwellings approved and under construction, but not yet completed (ABS cat 8752)

