

# CSR Limited Investor Presentation

5 September 2017



## Agenda

Timing	Item	Presenters/Details
9:00am – 9:45am	Opening	Rob Sindel, Managing Director, CSR Limited
9:45am – 10:15am	LWS	Andrea Pidcock, EGM Lightweight Systems
10:15am – 10:45am	PGH Bricks	Nick Pezet, EGM PGH Bricks
<b>10:45am – 11:00am</b>	<b>Break</b>	
11:00am – 11:30am	Property	David Fallu, CFO
11:30am – 12:00pm	AFS	Steve Darwell, GM AFS
12:00pm – 12:30pm	Hebel	Andrew Rottinger, GM Hebel and Velocity
<b>12:30pm – 1:15pm</b>	<b>Lunch</b>	<b>CSR management</b>
1:30pm	Depart for Site tour	AFS Minto

# Overview

Rob Sindel, CSR Limited Managing Director



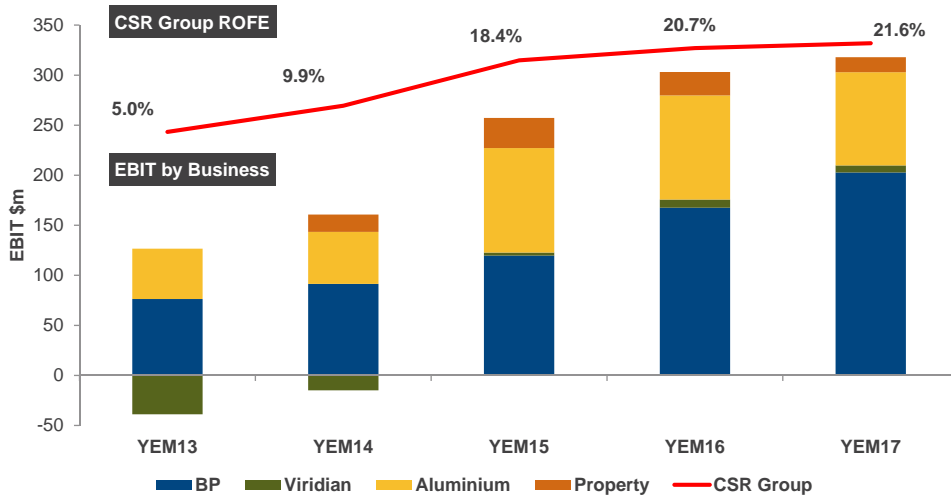
## Strong growth over the last five years

	CSR in 2013 <sup>(1)</sup>	CSR in 2017 <sup>(1)</sup>	%
Market cap	\$1,042m	\$2,081m <sup>(2)</sup>	↑ 100%
Net debt	\$25.1m	\$11.4m	
EPS <sup>(3)</sup>	8.2c	36.5c	↑ 345%
EBIT and mix	\$68.1m <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Property 0%</p> <p>Aluminium 57%</p> <p>Building Products and Viridian 43%</p> </div> <div style="text-align: center;"> <p>Property 5%</p> <p>Aluminium 29%</p> <p>Building Products and Viridian 66%</p> </div> </div>	\$298.0m	↑ 338%
Return on funds employed (ROFE)	5.0%	21.6%	

(1) As of 31 March  
 (2) As of 1 September 2017  
 (3) Pre-significant items

Improved performance in core operations creating a more balanced and resilient business for the CSR Group

## Increased earnings and improved ROFE across the group

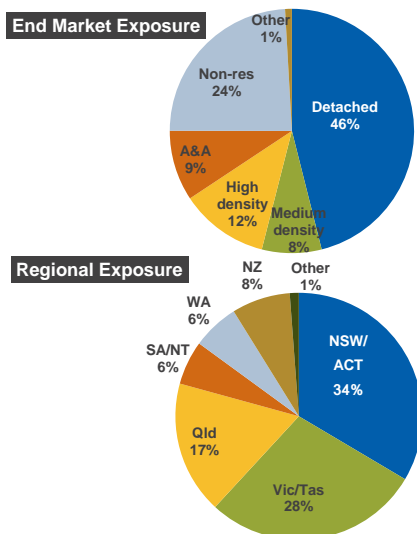


Further ROFE improvement following strategic investments, management focus and good cost control

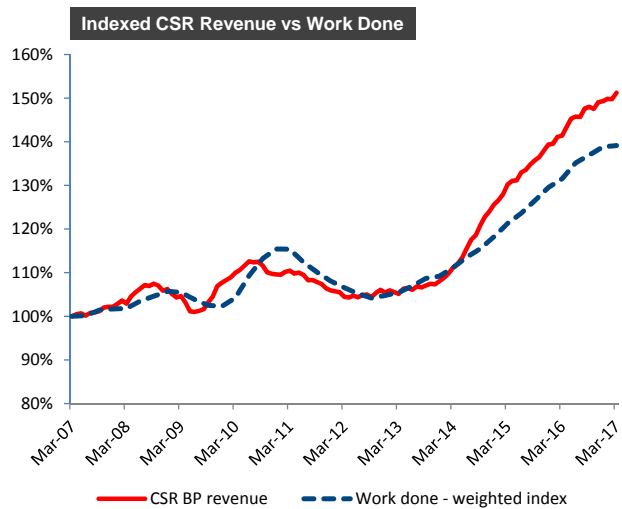


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## Growing exposure across all construction segments



Investment in new products and market segments has delivered above market growth in the current cycle



Source: ABS-CSR analysis.  
 Note: CSR Building Products revenue excludes impact of the PGH Bricks JV.  
 Work done – weighted index based on CSR estimate of exposures to construction market segments.



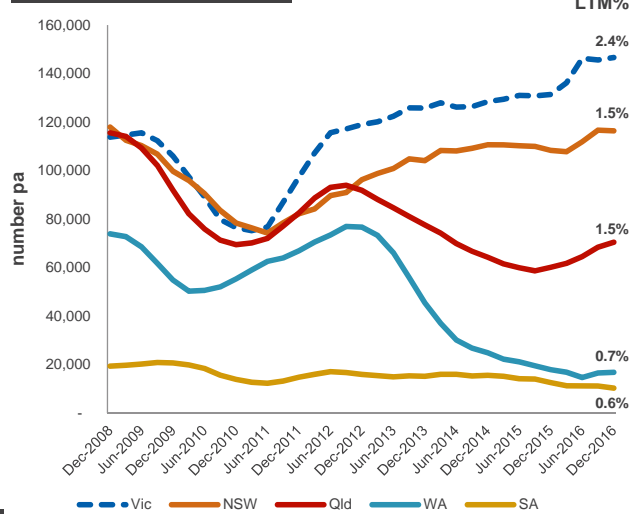
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## Underlying driver of housing demand

- Current Australian population growth robust at over 1.5% pa
- Net population increase of 370k pa implies housing requirements of ~150k pa
- Demolitions, demographic shifts and empty dwellings will boost underlying demand to ~170k–185k
- NSW and VIC are growth engines (90% of growth on East Coast)

**Robust population growth in Australia sustains residential and commercial construction demand through the cycle**

**Australian Population Increase**

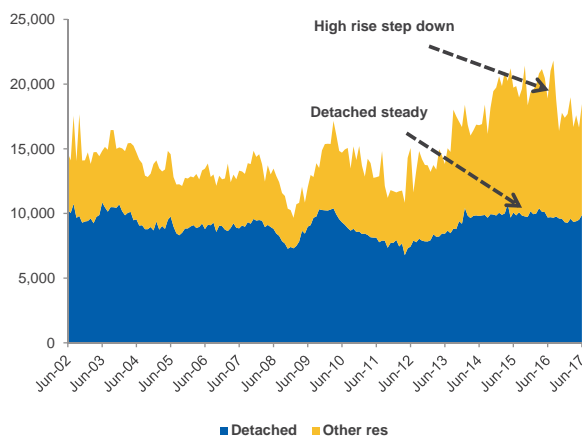


Source: ABS



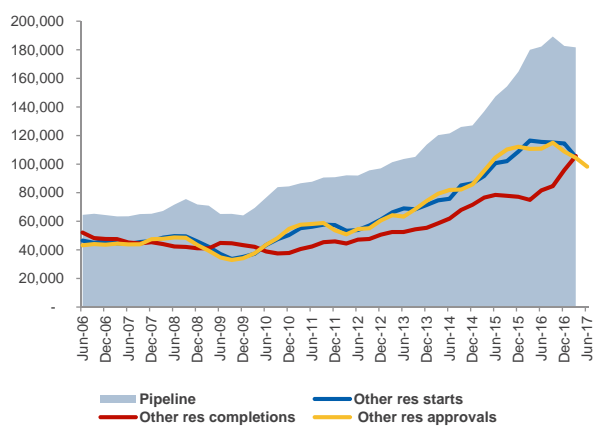
## Housing market – current conditions

**Housing Approvals**



Source: ABS – Australia total approvals, monthly (seasonally adjusted).

**Multi-res pipeline**



Source: ABS – MAT. Pipeline includes dwellings approved and not yet commenced and dwellings under construction.

**Detached housing relatively stable while multi-residential pipeline will support activity in YEM18**



## Well-positioned to meet underlying housing demand

		Strategic rationale	Long-term growth
 Strengthen and invest		Increased exposure to stable detached market	<ul style="list-style-type: none"> <li>Operational flexibility</li> <li>Land release</li> </ul>
 Smarter, faster, easier		Greater share of multi-res market Speed of construction, less skills required	<ul style="list-style-type: none"> <li>Doubled Rediwall capacity</li> <li>New market segment offering (aged care, townhouse, student accom)</li> </ul>
 Changing the way we live and work		Growth and increased share in all market segments	<ul style="list-style-type: none"> <li>\$65m capacity expansion</li> <li>New product development</li> <li>Facades/Velocity</li> </ul>
 Comfort and energy efficiency		Market expansion from glasswool to polyester, solar, battery storage and ventilation	<ul style="list-style-type: none"> <li>Leading energy solutions provider to new build market</li> </ul>
 Customer		24/7 digital access to CSR Unique end-to-end solution	<ul style="list-style-type: none"> <li>Set benchmark to meet customer expectations</li> </ul>

## Building a competitive advantage with our customers



Customer experience survey launched 12 months ago:

- 5,600 responses received to date
- 1,500 comments analysed and actioned
- Customer measure included in YEM18 short-term incentive program

<b>Digital</b>	<b>CSR Connect</b>	<b>Data</b>
Product and technical support	End to end visibility of delivery – any device, any time	Developing real-time customer insights



# Lightweight Systems

Andrea Pidcock, EGM Lightweight Systems



## CSR Lightweight Systems

### Well-positioned today

- Strong brands
- Leading technical support
- Leading products and systems
- National network of Gyprock Trade Centres and aligned resellers
- Potter Interior Systems expansion to four branches in NZ


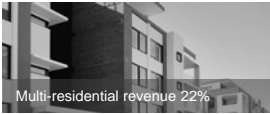

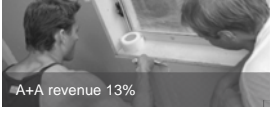
### Ready for increasing competition and multi-res slow down

- Enhancing customer experience
- Streamlining processes
- Improving operational efficiencies
- Leveraging digital and automation technology

### Driving future growth

- Continuing Plasterboard innovation
- Expanding in Creative Facades
- Strengthening and expanding Commercial Interior Systems businesses
- Investing in channels to market

## Lightweight Systems overview

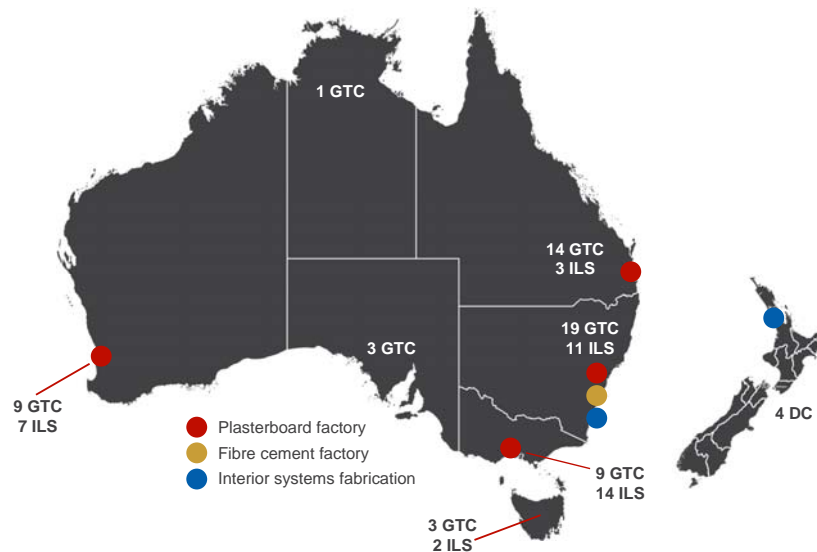
Production	Key Inputs	Sales & Distribution	Markets
<b>Gyprock</b> <ul style="list-style-type: none"> <li>4 Manufacturing sites</li> <li>80m m<sup>2</sup> plasterboard capacity</li> </ul>	<b>Gypsum</b> <ul style="list-style-type: none"> <li>GRA: 50/50 JV with USG Boral</li> <li>Jurien Bay (WA)</li> </ul> <b>Paper</b>	<b>Supply &amp; Fix Services</b>	 <p>Detached residential revenue 40%</p>
<b>Cemintel</b> <ul style="list-style-type: none"> <li>Manufacturing site in Sydney</li> <li>12m m<sup>2</sup> capacity</li> </ul>	<b>Cement</b>	<b>Direct Sales</b>	 <p>Multi-residential revenue 22%</p>
<b>Potter Interior Systems (NZ)</b> <b>Himmel Interior Systems</b> <ul style="list-style-type: none"> <li>Fabrication facilities in Australia and NZ</li> </ul>	<b>Cement</b>	<b>Gyprock Trade Centres</b>	 <p>Non-residential revenue 25%</p>
<b>Potter Interior Systems (NZ)</b> <b>Himmel Interior Systems</b> <ul style="list-style-type: none"> <li>Fabrication facilities in Australia and NZ</li> </ul>	<b>Sand</b>	<b>Aligned Resellers</b>	 <p>A+A revenue 13%</p>
<b>Potter Interior Systems (NZ)</b> <b>Himmel Interior Systems</b> <ul style="list-style-type: none"> <li>Fabrication facilities in Australia and NZ</li> </ul>	<b>Paper Pulp</b>	<b>Potter Branches (NZ)</b>	
<b>Imported and bought in lines:</b> <ul style="list-style-type: none"> <li>Specialty plasterboard</li> <li>Specialty fibre cement</li> <li>Ceiling tiles</li> <li>Tools and accessories</li> </ul>			

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## Extensive distribution network provides competitive advantage

<b>58</b>	Gyprock Trade Centres (GTC)
<b>37</b>	CSR-aligned lining specialist sites (ILS)
<b>4</b>	Potter New Zealand distribution centres

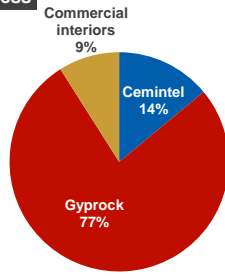


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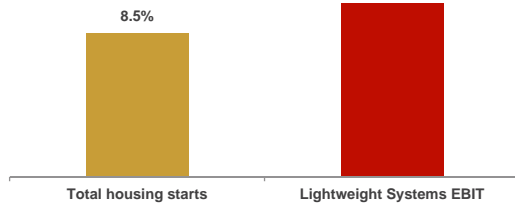


## Financial performance

### Revenue by business



### 5 year CAGR%



- Strong growth in multi-residential building
- Targeted high value commercial and social / institutional projects
- Growth in Creative Facades in residential and commercial segments
- Continued growth of Potters in NZ
- Increased sales of tools and accessories through Trade Retail network

**GYPROCK**

**CEMINTEL**

**HIMMEL**  
INTERIOR SYSTEMS

**POTTER**  
INTERIOR SYSTEMS

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## What our customers value

### Ken Hastie - WA

Only Gyprock has CSR Connect – a great online application.

Some say it's the  
**SERVICE**

### Paul Jones – Cowra Plaster Works

For us, it's all about trust, relationship and the service.

Some say it's the  
**RELATIONSHIP & TRUST**

Some say it's the  
**CONVENIENCE**

### Luke Jordan - A-Grade Plaster Aid – Gold Coast

Getting Gyprock from more places than other brands is a big reason for me.

Some say it's the  
**TECHNICAL SUPPORT**

### Mick Williams Plastering Sydney

Nothing compares to Gyprock – any Gyprocker will tell you that.

Some say it's the  
**QUALITY PRODUCT**

### Kenan Veizovic – Brighton Australia

Gyprock has the best technical resources.

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## Well-positioned in strong markets

### Technical



- Gyprock Red Book is the Industry 'Bible' for lightweight systems and design
- DesignLINK provides expert technical design and value engineering service
- Estimating Services

### Products



- First to market with plasterboard innovations, including lightweight, stronger 'Optimised Core' technology
- Wide range of specialty products
- Partnerships with leading global manufacturers

### Network



- Widest distribution network
- Direct sales
  - Gyprock Trade Centres (GTC)
  - Independent Lining Specialists (ILS)
  - Hardware stores and independent Resellers
  - 4 Potters branches in NZ

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## Bringing it together: Technical support and innovative products



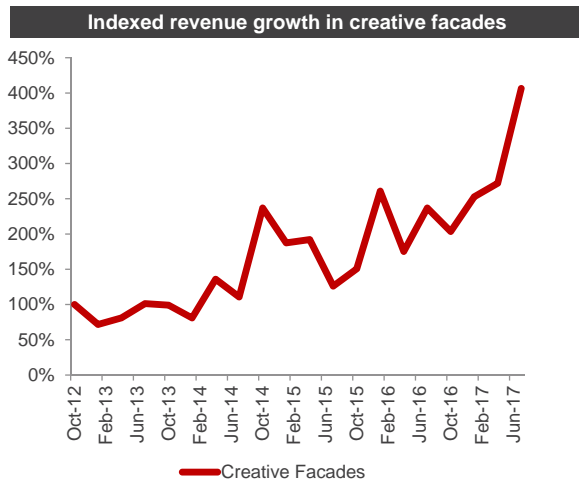
- Design phase:
  - Architectural advice on fire and acoustic performance using the Red Book
  - Value Engineering with DesignLink
  - Independent performance testing
- Construction Phase:
  - On time delivery to tight time windows for crane lifts
  - Site inspections to ensure compliant installation
  - Ongoing technical support to manage changes and issues as they arise
  - CSR Connect for online ordering and easy administration



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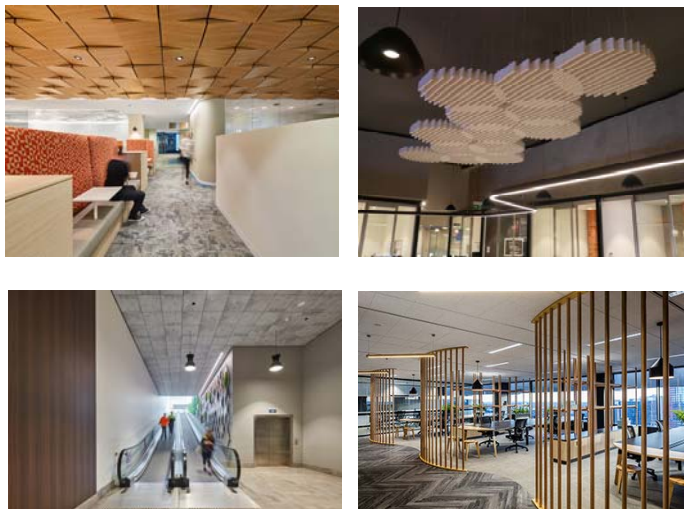
## Cemintel – growth in creative facades



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## Himmel & Potters – innovation and design in interior systems



- Expansion of commercial interior systems:
  - Acquisition of Fricker Ceilings – 2006
  - Acquisition of Comprador Pacific and Potters – 2010
  - Acquisition of AISupply – 2013
  - Strategic relationship with OWA – 2015
  - Long-term relationship with Saint Gobain (Ecophon)
  - Distribution agreement with Troldekt – 2017



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# Strategic priorities

## Optimise business performance

- Optimise pricing structure
- Supply chain transformation
- Manufacturing excellence

## Enhance customer experience

- Club Gyprock contractor loyalty program
- CSR Connect: Full service customer portal with delivery tracking
- Customer Experience program

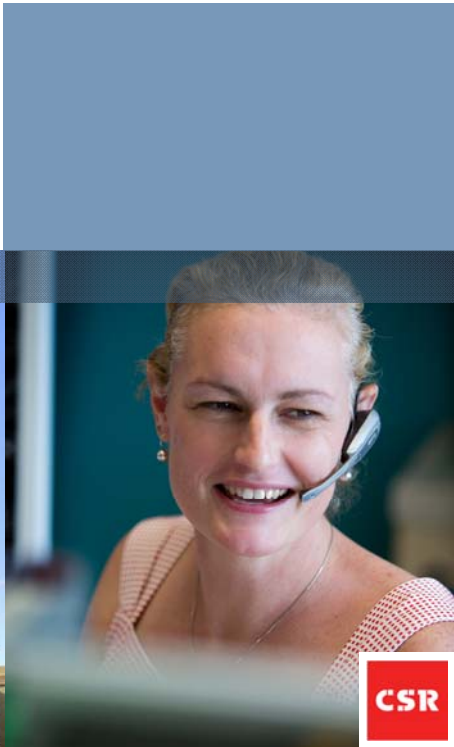
## Drive future growth

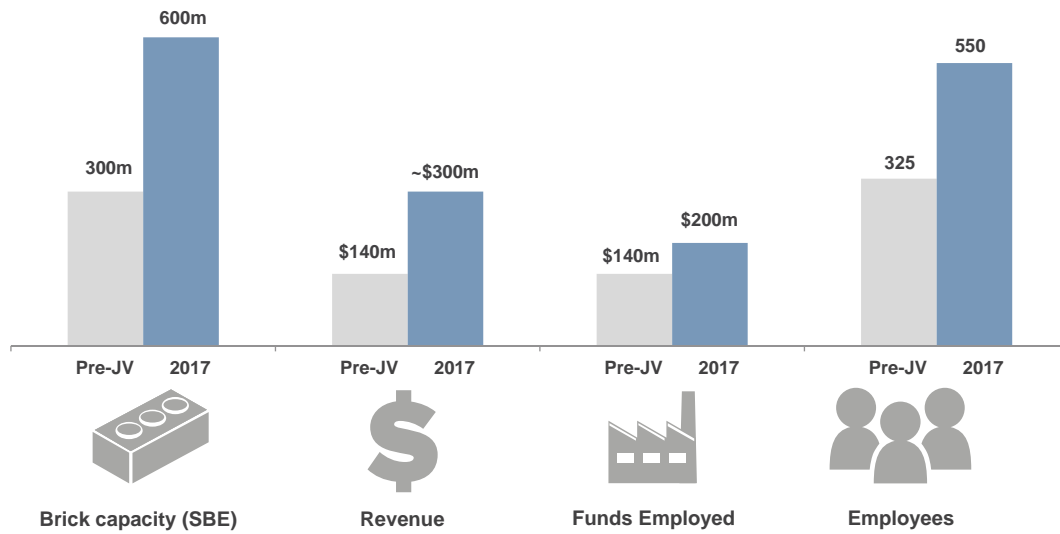
- Innovation pipeline of next generation Plasterboard products and systems and partnership with Saint Gobain
- Cemintel growth in Creative Facades
- Build unique position for Himmel and Potters in Commercial Interior Systems



# PGH Bricks

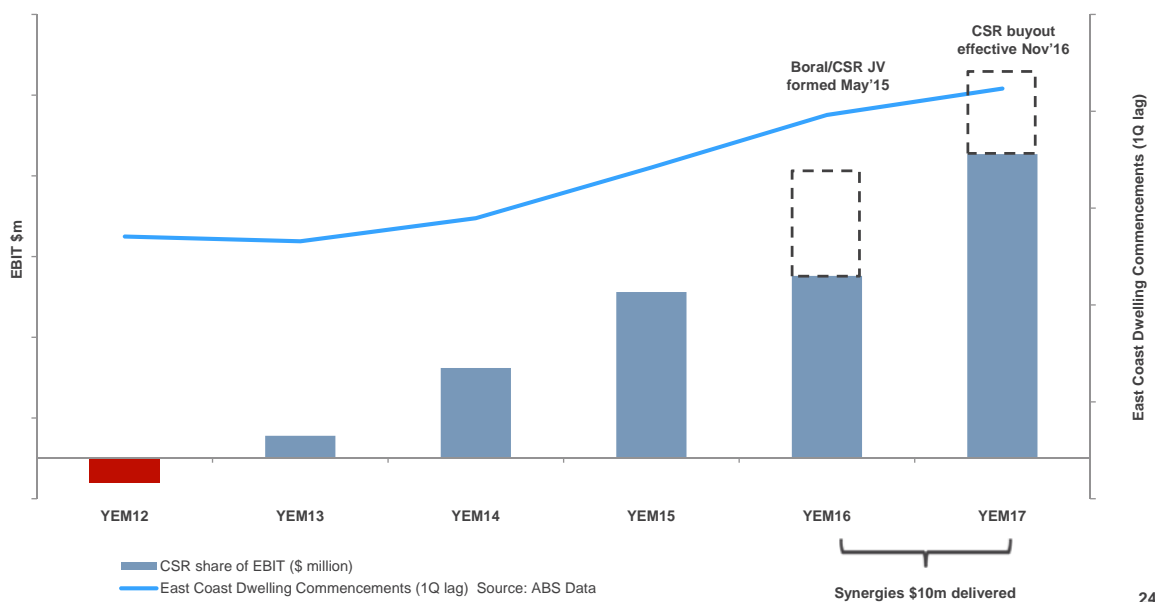
Nick Pezet, PGH Executive General Manager





\*SBE - Standard Brick Equivalent.

Financial performance



Return on funds employed > 15% through the cycle

**Operational flexibility**

- Flex through the cycle
- Footprint rationalisation
- Release surplus land

**Grow the core**

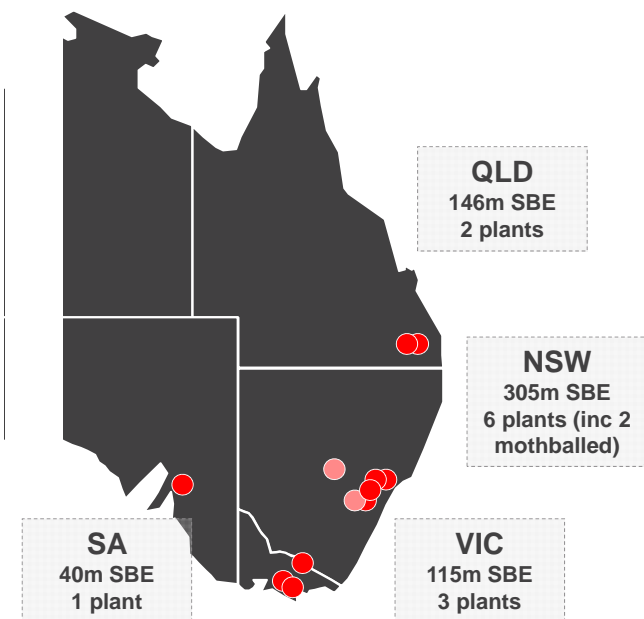
- Improving customer experience
- On-trend product development
- Manufacturing efficiencies

**Customer-led innovation**

- Customer immersion and collaboration
- Brick “look and feel” for multi-story
- Dedicated innovation team



Operational flexibility

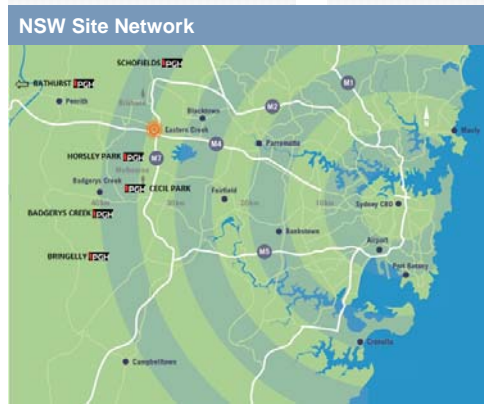


**East Coast**

- Opportunity to consolidate in all states in event of severe market downturn

**NSW**

- Schofields exit – flexibility to leverage existing network to substitute volume
- Cecil Park – production variable in line with demand





Improving the customer experience | On trend product development | Manufacturing efficiencies



- Digital end-to-end process – 10% of PGH customers on CSR Connect
- Contemporary-look product development
- Manufacturing efficiencies with modest capital investment

Customer immersion and collaboration | Brick “look and feel” | Dedicated innovation team



New and smarter ways to get the brick “look and feel” onto multi-storey



- Immersion to identify customer pain points
- Focusing on segment where brick has lost share (high rise and commercial)
- Dedicated innovation team

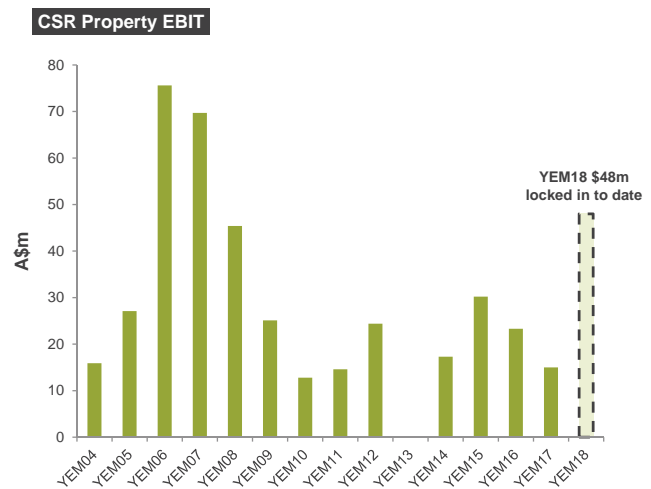
# Property

David Fallu, Chief Financial Officer

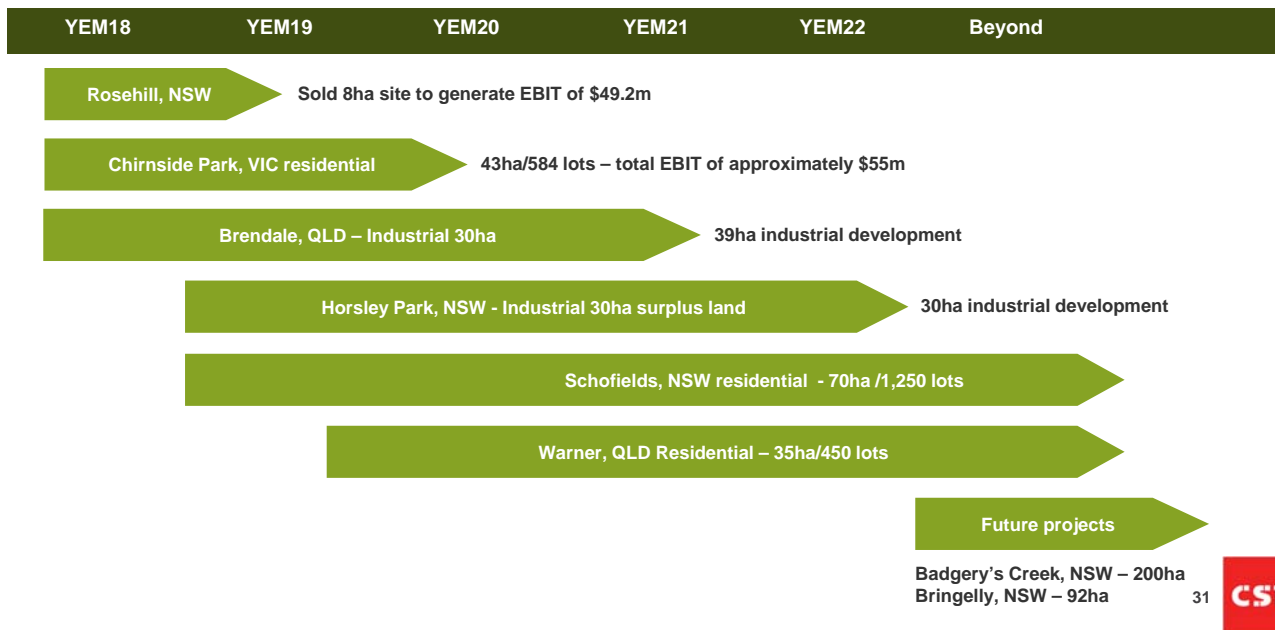


## Maximising the value of the CSR property portfolio

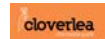
- Inhouse property team supported by external expertise
- Maximising value of operational footprint
- Generating returns through various stages of the development cycle
- Opportunistic approach to stage development process
- A number of projects moving to zoning and planning consent



## Property – project timeline



## Chirnside Park, VIC – Cloverlea residential site



- Chirnside Park is 33km east of Melbourne CBD
- Former golf course – 43 hectare site
- Construction and siteworks began in October 2012
- Total proceeds expected for the project ~\$200m and EBIT of ~\$55m
- Over 60% of lots settled to date



	Stage 1	Stage 2	Stage 3	Stage 4/5A	Stage 5	Stage 6	Total
<b>Lots</b>	116	115	48	128	96	81	584
<b>Deposits</b>	8	0	0	1	95	0	104
<b>Settled</b>	108	115	48	100	0	0	371
<b>Unreleased</b>	0	0	0	27	1	81	109
<b>Timing</b>	YEM15/18	YEM16	YEM16	YEM18	YEM18	YEM19	



## Schofields & Horsley Park, NSW sites

	Schofields, NSW	Horsley Park, NSW
<b>Size</b>	<ul style="list-style-type: none"> <li>70ha – future residential</li> <li>Approximately 1,250 lots</li> </ul>	<ul style="list-style-type: none"> <li>30ha – surplus land future industrial</li> </ul>
<b>Zoning</b>	<ul style="list-style-type: none"> <li>Zoning completion in 2018</li> </ul>	<ul style="list-style-type: none"> <li>Zoned industrial</li> </ul>
<b>Area</b>	<ul style="list-style-type: none"> <li>Rapidly growing area in northwest Sydney</li> <li>Richmond Road upgrade completed to South Street</li> <li>North West Rail Link underway – opening in 2019</li> </ul>	<ul style="list-style-type: none"> <li>Established industrial area</li> <li>Adjacent to Oakdale Industrial Park (Goodman development)</li> </ul>
<b>Timing</b>	<ul style="list-style-type: none"> <li>Stage 1 – surplus land 2+ years</li> <li>400 lots</li> </ul>	<ul style="list-style-type: none"> <li>Stage 1 – 10 hectares</li> <li>Construction underway</li> </ul>
<b>Redevelopment works</b>	<ul style="list-style-type: none"> <li>Quarry rehabilitation underway</li> </ul>	<ul style="list-style-type: none"> <li>Up to four years from YEM19</li> </ul>

## Horsley Park – development of surrounding area





Schofields – commercial & residential development of surrounding areas



Source: Nearmap

Schofields aerial view



Source: Nearmap



## Brendale & Warner, QLD sites

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Source: Nearmap

## Badgerys Creek, NSW – adjacent to airport site

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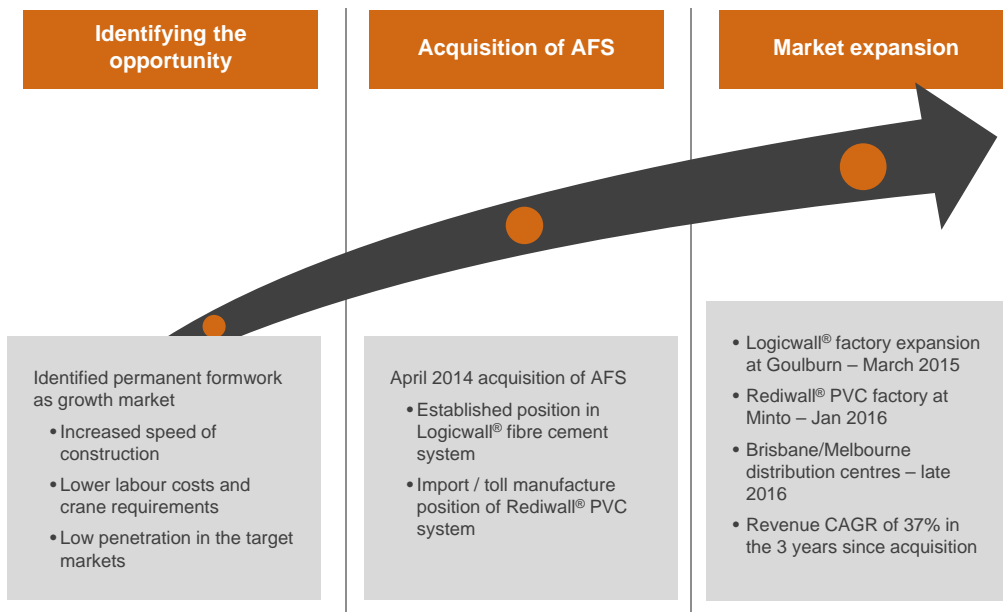
Source: Nearmap

# AFS

Steve Darwell, GM AFS



## Growing position in structural systems



## 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 and specification
- Shop drawn modular system
- High quality finish – set and paint



## Customised, made-to-order process



- Individually shop drawn to meet specific project design
- Drawings fully integrated with manufacturing programme and transportation process
- Delivery customised to meet build schedule and optimise installation efficiency and speed



A fully integrated system from concept to completion that provides a full structural solution is what customers value





## What is AFS Rediwall®?



- PVC permanent formwork walling system

### Benefits

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



### 1. Snap-in → 2. Brace → 3. Pour



## Where are AFS products used?



### Below ground

- Car parks and garages
- Retention pits and retaining walls

### Building core

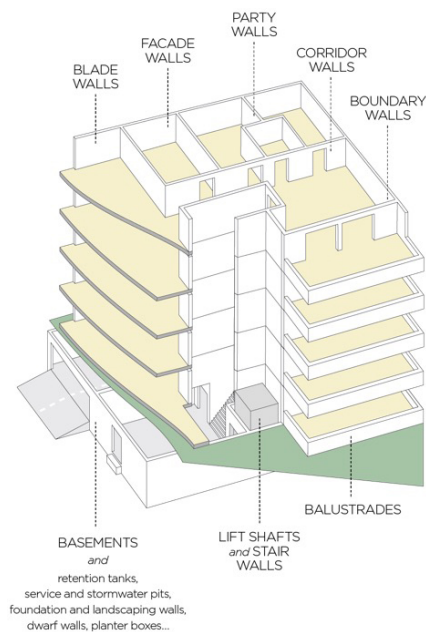
- Lift shafts
- Stair wells

### Living areas

- Blade walls
- Party walls
- Corridor walls

### External

- Facades
- Balustrades



## AFS Logicwall®



- Flexibility in design
- High performance walls for inter-tenancy and corridors
- Choice of finishing options



## AFS Rediwall®



- Excellent for below ground applications such as car parks
- Columns and blade wall
- Building cores – stairwells and lift shafts



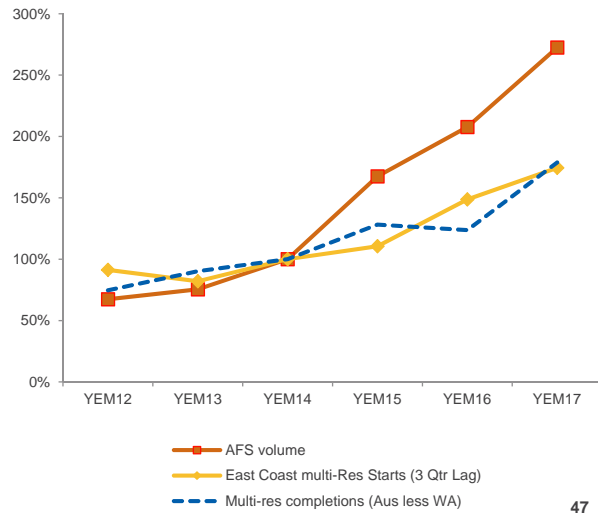


## Strong growth bolstered by multi-res market

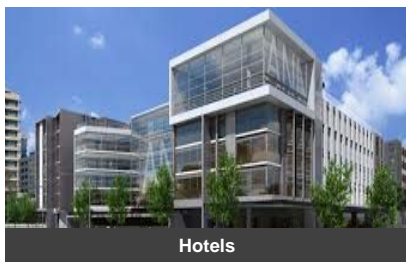


- AFS has grown rapidly over the last three years:
  - Year 1 (YEM15) growth from CSR ownership
  - System acceptance & design
  - Multi-res market growth
  - Logicwall® consolidation
  - Rediwall® expansion and growth
  - Investment in:
    - front and back end sales support
    - improved manufacturing capability
    - broader distribution network
    - shared services
- Leveraging CSR relationships
- Delivery flexibility and short lead times

AFS v dwelling activity, indexed to YEM14



## Expansion into adjacent segments



- Historically based as a multi-res product
- Moving into other sectors well-suited to load-bearing walling systems

# Hebel



Andrew Rottinger, GM Hebel & Velocity



## What is Hebel?

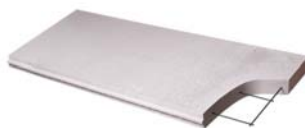


- CSR Hebel is Australia's only manufacturer of Aerated Autoclaved Concrete (AAC) – a non-toxic, non-combustible, lightweight masonry material

*"The AAC Panel category is now recognised via an Australian Standard (AS 5146) and is referenced in the National Building Code of Australia."*



Hebel PowerPanel for residential and commercial walls



Hebel PowerFloor for residential and commercial floors



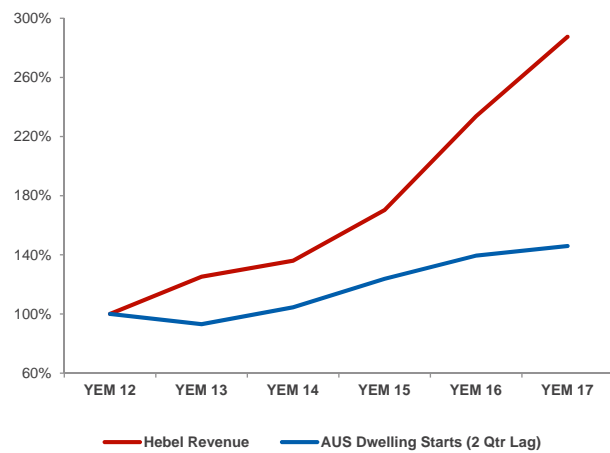
Hebel PowerBlock for residential buildings



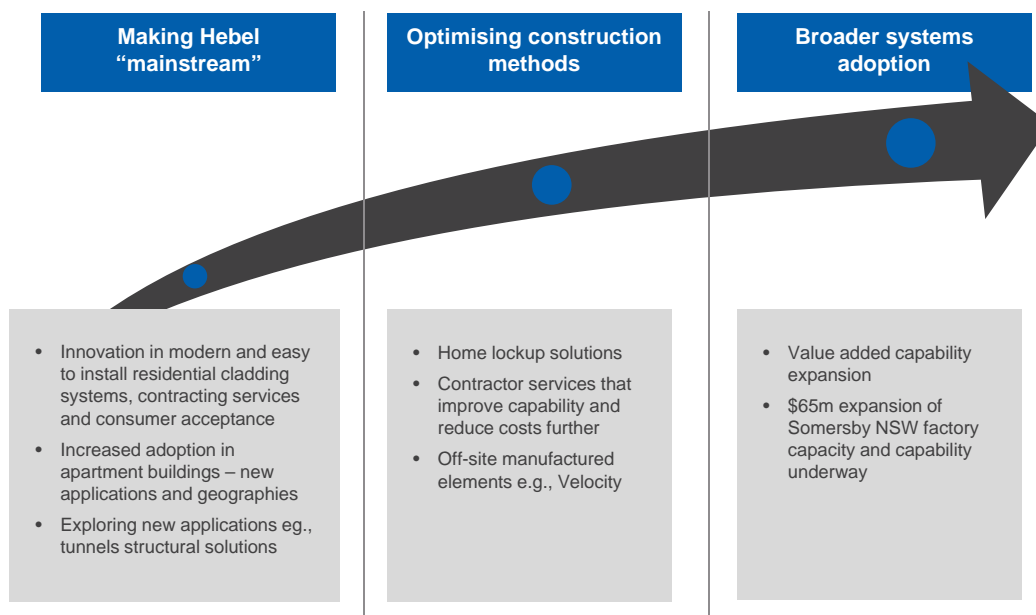
## Hebel performance

- Compound annual revenue growth over the last five years of 24%:
  - Market segment diversity
  - Constant system innovation and IP
  - Unique operational capability
  - Consistent management
- Light-weight category is growing versus masonry and brick

Growth in Hebel Revenue vs Australian dwelling starts

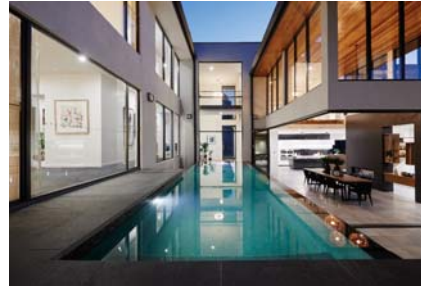


## Growth strategy



## Market segment – Residential Housing

- Share growth potential from 10% to 30% in cladding over next five years
- Future growth in:
  - Premium structural systems
  - Aesthetic cladding options
  - Mid floor and party wall systems
  - New construction models
  - Off-site construction



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## Residential housing – offsite construction (Velocity)

*“Velocity is the manufacturing of components that are assembled either in factory and/or on site to create the building.”*

- Demand for offsite construction remains an industry priority
- Technology still in development stages
- Alliance discussion with major Australian builder to commercialise this technology



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## Market segment – Apartments

- Well flagged moderation in high-rise apartment approvals
- Share growth potential in states outside NSW
- Lower risk solutions growing in importance
- Growth potential in other building elements eg., floors, facades and structural systems



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## Market segment – Civil and Industrial projects

- NSW infrastructure growth will be strong for the next five years
- Hebel systems are proven technically
  - Fire, acoustic and durability performance
- Innovations in aesthetics (both patterns and panel shapes) are aiding share of project



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## Growing capacity and capability

- \$65m capacity expansion to be completed by March 19
  - Doubles current capacity
  - Improves panel size and surface capability
  - Improves manufacturing flexibility
  - Improves energy efficiency and recycles AAC material
- Well established partnerships bolster local strategy:
  - Xella licensed Asian Hebel manufacturer - fulfils short term supply, long term ANZ footprint
  - Major builders – innovation with consumers and construction methods
  - Global AAC Producers – access to technology advances, new products for market seeding

