



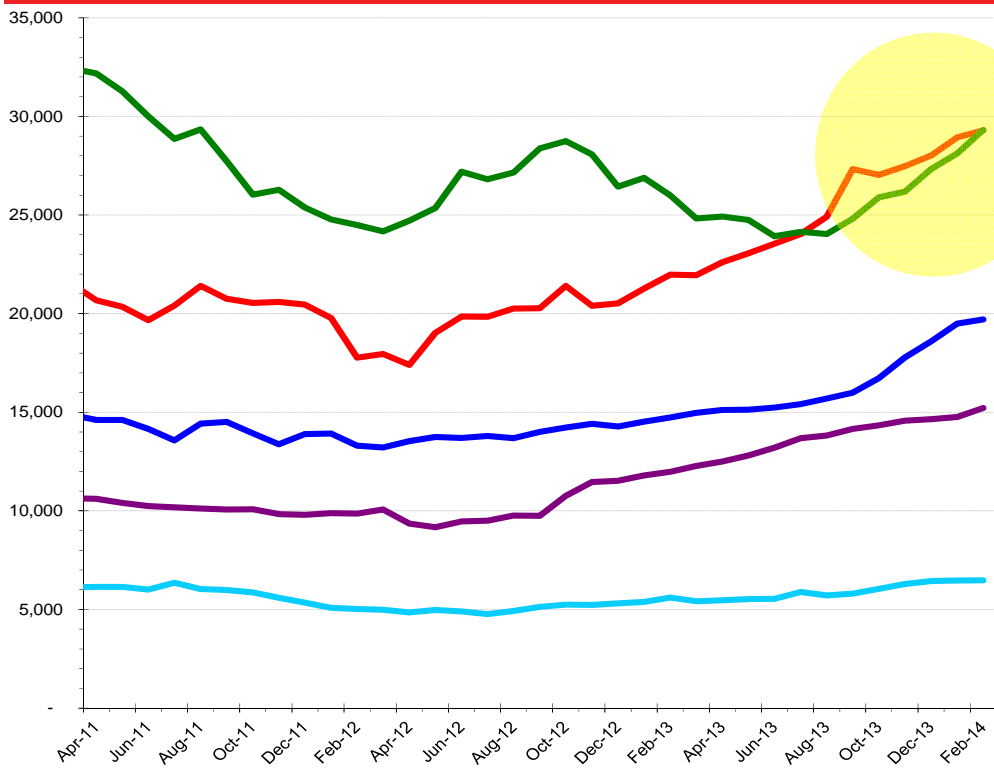
CSR Limited – 10 April 2014

**JP Morgan Building Forum  
Presentation**



## Building approvals – growth continues across Australia

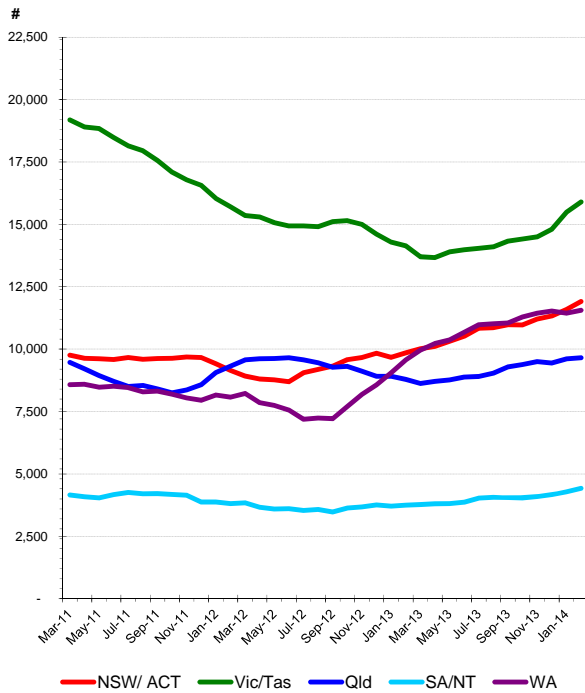
All dwellings – six month rolling building approvals: s adj, Feb-14



# Detached improving after jump in multi-res

## Detached houses

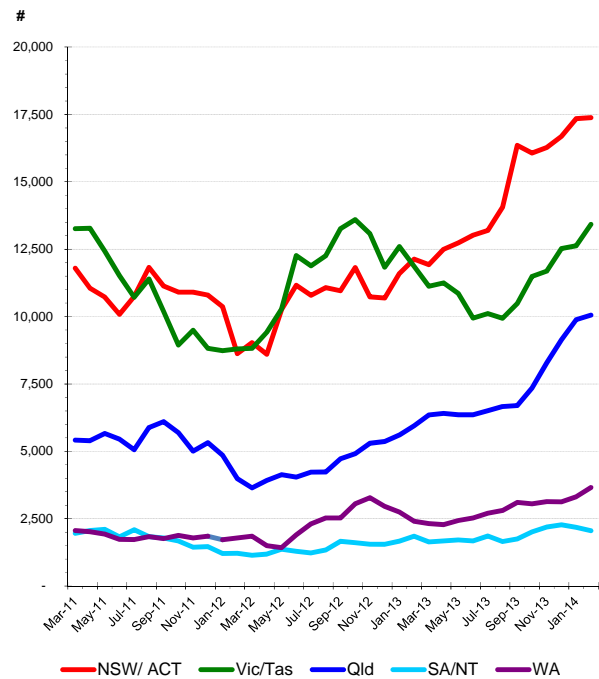
Six month rolling approvals: s adj, Feb-14



Source: ABS

## Multi-residential

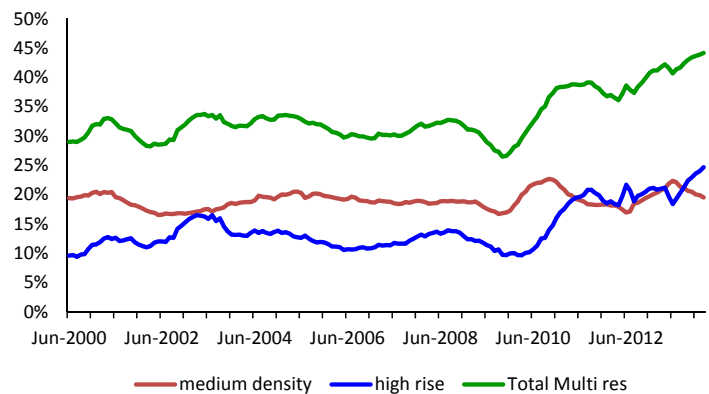
Six month rolling approvals: s adj, Feb-14



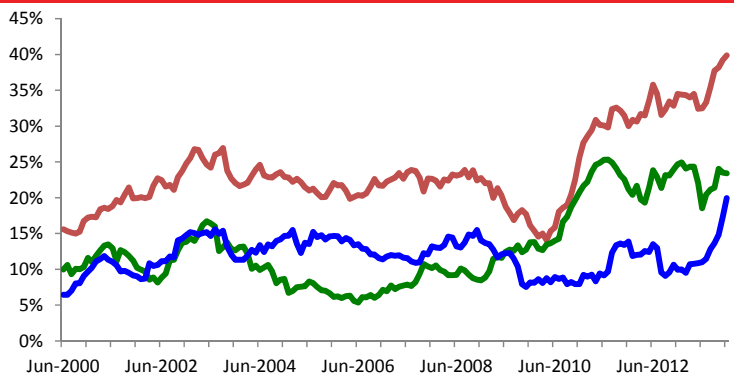
# High rise gaining share of multi-res market

- Multi-res now 44% of all dwelling approvals – historically 30%
  - Consistent with international trends
- Evenly split between high-rise and medium density
  - Different demographic and geographic demands
- High rise has been the growth segment
  - Investor fuelled (both overseas and SMSF)
  - >40% of all activity in NSW
  - >20% of all national activity

## Multi-res share of total approvals (MAT %, Australia)



## High rise share of total approvals (MAT %, East Coast states)



Source: ABS

# A&A and non-residential segments

## Alterations & additions market

- Down from ~\$8bn to ~\$7bn a quarter
- Yet to respond to lower interest rates and capital appreciation
- Small scale renovations have held strong

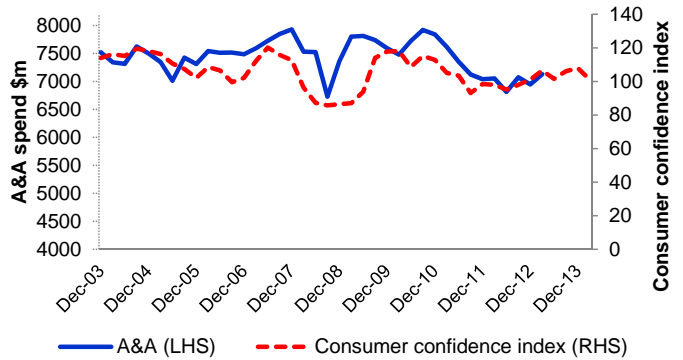
## Non-residential – swing from social to commercial

- Commercial
  - NSW & QLD lead commercial recovery; Vic flat
  - Accommodation and office showing the strongest growth
- Social
  - Residual healthcare projects still in the pipeline
  - Aged care targeted as major area for growth

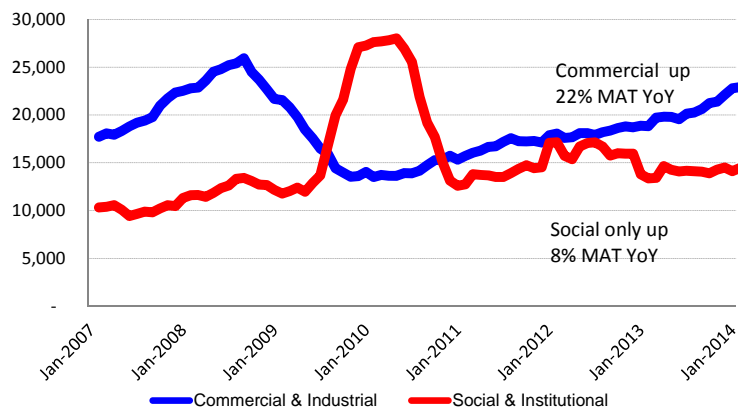
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Source: National accounts, Westpac MI and ABS approvals

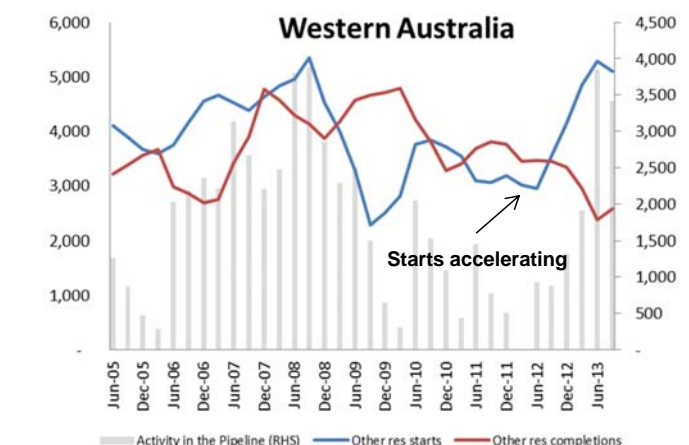
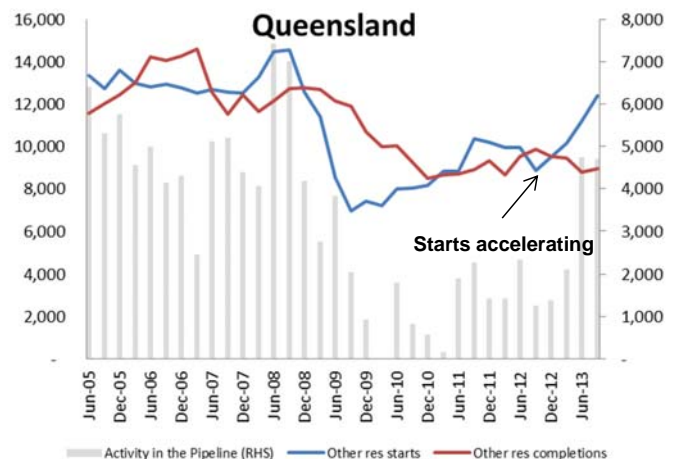
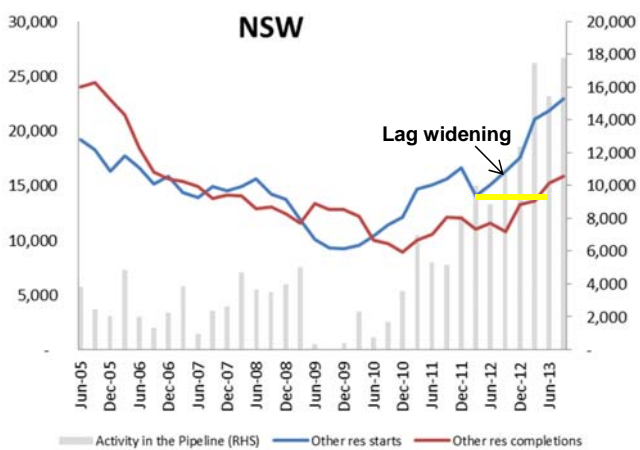
## A&A – Australia (Quarterly, \$'m)



## Non-residential – Australia (MAT, \$'m)



# Multi-res lag from commencement to completion is widening



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Source: ABS, CSR analysis. Data shows MAT activity

## Lag time by construction segment

Segment	Market size (A\$bn)	Key drivers	Lag trends	Growth outlook
Detached	\$26bn	<ul style="list-style-type: none"> <li>First home buyers (FHB)</li> <li>Upgrade/knockdown</li> <li>Lot size/second storey</li> </ul>	1-2Q lag	<ul style="list-style-type: none"> <li>Recovery from record lows of 80k pa</li> <li>Land releases improving</li> </ul>
Medium density <ul style="list-style-type: none"> <li>Semi detached</li> <li>Units 1-3 storey</li> </ul>	\$7bn	<ul style="list-style-type: none"> <li>FHB</li> <li>Empty nesters/retirees</li> <li>Infill</li> </ul>	2Q+ lag	<ul style="list-style-type: none"> <li>Long term CAGR of ~7%</li> <li>Trade-off between land/scale for location</li> </ul>
High density <ul style="list-style-type: none"> <li>Units 4+ storey</li> </ul>	\$12bn	<ul style="list-style-type: none"> <li>Investors (Aus and overseas)</li> <li>FHB, students, empty nesters</li> </ul>	4-8Q+ lag	<ul style="list-style-type: none"> <li>Similar growth rates and market size to medium density</li> <li>Bias to metro markets</li> </ul>
A&A	\$30bn	<ul style="list-style-type: none"> <li>Capital growth</li> <li>Housing activity</li> </ul>	1-2Q	<ul style="list-style-type: none"> <li>Positive long-term growth outlook</li> <li>DIY trends</li> </ul>
Non-residential	\$40bn	<ul style="list-style-type: none"> <li>Social (Ageing, Health)</li> <li>Commercial (Office, Retail)</li> </ul>	2-8Q+	<ul style="list-style-type: none"> <li>Social investment declining</li> </ul>

7 Source: ABS Building Approvals and National Accounts

## CSR increasing exposure beyond detached housing

Building segment	Equivalent house (revenue)	Material penetration intensity							Opportunities
		Gyprock	Cemintel	Bradford	Hebel	Bricks	Roofing	Viridian	
Detached	1 to 1	High	Moderate	High	Low, but growing	High	High	High	Hebel, Cemintel
Medium density	2 to 1	Moderate	Low	Moderate	Low	Moderate	Low	Low	Hebel, AFS
High density	3 - 5 to 1	Low	Low	Low	High	Nil	Nil	Low	Hebel, AFS, Viridian
A&A	n/a	High	High	Moderate	Moderate, growing	Moderate	Low	Moderate	Viridian
Non-residential	n/a	Moderate	Moderate	Low	Low	Moderate	Low	Low	Bradford Energy Solutions, Ceilector

# Protect and invest in our businesses and people

Key initiative	Progress
Improved margins	<ul style="list-style-type: none"> <li>Price increases and cost savings delivered \$11 million improvement in Building Products EBIT for half year to Sept 13</li> </ul>
Viridian turnaround on track	<ul style="list-style-type: none"> <li>Ingleburn glass site closed in July 2013 – with no loss of major customers                             <ul style="list-style-type: none"> <li>\$5 million in lower costs following shutdown</li> </ul> </li> <li>Wetherill Park relocated ahead of schedule</li> </ul>
Customer focus	<ul style="list-style-type: none"> <li>CSR Connect online customer portal launched in April last year – adding new functionality</li> <li>Progressing real time delivery updates, improved sales force tools</li> </ul>
Further rationalise operations	<ul style="list-style-type: none"> <li>East Coast Bricks JV with Boral announced – ACCC review process underway</li> </ul>

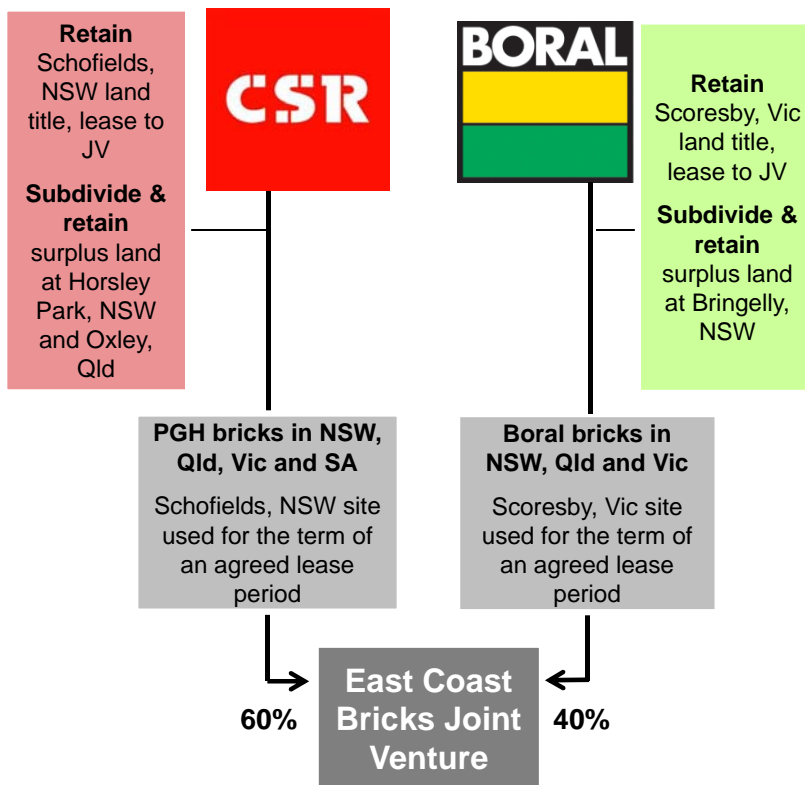


# Strategic growth priorities

Key initiative	Progress
Smarter, faster and easier	<ul style="list-style-type: none"> <li>Ongoing research and testing of pre-fabricated housing systems – investment committed</li> <li>Hebel House construction time of two weeks</li> <li>Acquisition of AFS – leader in permanent formwork in the multi-residential market</li> </ul>
Adapting to the changing way we live and work	<ul style="list-style-type: none"> <li>Strong growth in Hebel through investment in installation and inspection services - strong value proposition for developers</li> </ul>
Improving comfort, quality and energy efficiency	<ul style="list-style-type: none"> <li>Bradford expanding range of products and services in ventilation, construction fabrics</li> <li>Acquisition of Martini to expand range into polyester insulation</li> <li>Bradford Energy Solutions – energy efficient projects initiated across all CSR sites and external consulting services</li> </ul>



# East coast bricks JV transaction structure



- ACCC review process underway
- Structure reflects relative valuation of the businesses
- Initial overhead savings of \$7-\$10m pa
- Longer term, opportunities to improve operational efficiencies and release high value land assets without impacting product range



## Acquisition of AFS

- Leader in load bearing permanent formwork walling solutions
- Faster and less complex building solutions
  - Increased speed of construction
  - Lower labour costs and crane requirements
- Logicwall® fibre cement based permanent formwork systems:
  - Scalable production facility at Goulburn, NSW to meet growing demand in multi-residential market
  - Over 30,000 multi-residential units completed to date
  - CSR Cemintel current supplier of fibre cement products
- Rediwall® polymer-based (PVC) permanent formwork system
  - Concrete wall system that is water resistant
  - Used in basement and retaining walls in multi-residential and commercial
- AFS load bearing walling system complements CSR's non-load bearing walling products (Gyprock, Bradford and Hebel)

