

ASX Announcement

2 November 2023

Record Building Products result reflects strong execution alongside continued investment for diversification and growth

CSR Limited (ASX:CSR) announces net profit after tax (NPAT before significant items) for the half year ended 30 September 2023 of \$94 million, down 15% from \$110 million in the previous corresponding period. Strong growth in Building Products was offset by a lower contribution from Property and Aluminium, with \$44 million of property earnings already contracted for the second half and Aluminium earnings impacted by cost volatility, particularly energy costs. Earnings in the previous corresponding period (pcp) included \$28 million from Property settlements and a \$16 million RERT¹ payment in the Aluminium business.

Statutory net profit after tax was \$92 million compared to \$104 million in the pcp.

Trading revenue of \$1.4 billion was up 5% with earnings before interest and tax (EBIT before significant items) of \$126 million which included the following results:

- **Building Products:** Record EBIT of \$165 million, up 18% on pcp reflecting price discipline as well as volume growth in Gyprock, Hebel and Bradford. Improved factory efficiency and operational performance supported the strong result with EBIT margin improving 100 basis points to 16% and return on funds employed increasing to 31% from 28%.
- **Property:** EBIT of -\$1.5 million, with no material transactions in the half, compared to \$28 million of property transactions which settled in the pcp. \$44 million of Horsley Park, NSW earnings are contracted for the second half of this financial year.
- **Aluminium:** EBIT of -\$24 million, down from \$17 million in pcp (which included a RERT payment of \$16 million) with significantly higher energy and coal pass-through costs, and raw material costs remaining volatile at elevated levels.

Fully franked interim dividend of 15 cents per share declared which, on a half year basis, sits at the high end of CSR's policy to distribute 60-80% of net profit after tax (before significant items).

¹ Reliability and Energy Reserve Trader payment for power disruption to support national energy market stability

Continued strong performance across the CSR Group

Commenting on the result, CSR Managing Director & CEO Julie Coates said,

“CSR’s core Building Products business has performed well with record first half earnings as the team executed to capture the positive market opportunity and offset inflationary pressures. The group result was impacted by input cost volatility in our Aluminium business and timing of Property earnings with \$44 million contracted to settle in the second half.”

“In Building Products, our performance reflected strong pricing discipline as well as volume growth across Gyprock, Hebel and Bradford which was supported by improved factory efficiency and operational performance. Our strategy has good momentum and is helping to drive improved business performance and responsiveness as well as better sustainability outcomes. We continue to progress execution of our supply chain initiatives with our transport management system being rolled out across sites for customer deliveries.

“The detached residential pipeline is still 50% above historical averages, and while completions are now marginally higher than commencements, lead indicators suggest the stabilisation of approvals. The pipeline is anticipated to support near term activity, while population growth from net overseas migration will generate housing demand and significant federal and state government housing programs should bolster supply in the medium term.

“Importantly, our high-quality products and brands serve diversified end markets and are adaptable to changing demand. Close to 80% of our earnings are derived from products with applications across multiple building segments, and the acquisition of Woven Image and staged investment in our Martini Villawood manufacturing facility will support continued growth in the non-residential market.

“Our strong balance sheet and disciplined approach to capital allocation positions CSR well to continue to invest in the business and deliver healthy shareholder returns.”

Outlook for the second half of financial year ending 31 March 2024 (YEM24)

Building Products

CSR has made a pleasing start to the second half with focused execution into end markets and ongoing discipline to deliver performance and strategic initiatives.

The pipeline of detached housing projects under construction sustained at ~50% above historical averages, the multi-residential pipeline represents two to three years’ work, and non-residential activity is supported by a large pipeline of approvals. CSR is closely monitoring the factors influencing market dynamics and will manage the business accordingly.

The business is well diversified across brands, market segments and the build process with a product portfolio that is adaptable to end market demand.

Investments in manufacturing performance, plant consolidation, supply chain and customer solutions have improved manufacturing productivity, the variability of the cost base and responsiveness to customer demand. CSR’s strategy is focused on providing a platform for growth and resilience to deliver improved performance through the cycle.

Property

In Property, YEM24 will include \$44 million in contracted earnings for the next tranche at Horsley Park, NSW with an additional \$58 million in contracted earnings in YEM25. The sale process for the Darra, QLD site is continuing, and work is ongoing for major projects at Schofields, NSW and Badgerys Creek, NSW.

Aluminium

Energy and raw materials cost volatility has necessitated a revision to our forecasts. While this volatility continues to make forecasting challenging, the best estimate for YEM24 is a loss in the range of -\$15 million to -\$30 million (excluding net RERT income, which was \$13 million in YEM23). The implied improvement in the second half reflects the expected realisation of lower coke raw material costs.

Aluminium is still expected to return to profit in YEM25 with earnings increasing further in the following years due to higher hedged aluminium pricing and lower raw material costs.

Half year results webcast details

CSR will present its results for the half year ended 30 September 2023 at 10.00am AEDT today, Thursday 2 November 2023, via webcast.

The webcast is available from CSR's website at www.csr.com.au or [click here](#).

This announcement has been authorised for release by the Board of Directors of CSR Limited.

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