

**2020 ANNUAL GENERAL MEETING  
TUESDAY, 27 OCTOBER 2020**

**CEO & Managing Director's Address**

**by Zlatko Todorcevski**

Thank you Kathryn. Good morning ladies and gentlemen.

As you know, I joined Boral on 1 July, at the start of this new financial year. As Boral's CEO & Managing Director I recognise the enormous responsibility I have to you, our shareholders.

This is a great company and I am very optimistic about the future of Boral.

Today, in my first Boral AGM Address, I will talk to you about how our business has been trading in the first quarter of the financial year and update you on the portfolio review work we have been conducting, and decisions we are taking, to increase shareholder value.

**BORAL SAFETY PERFORMANCE**

Let me first focus on safety. I know safety has been important to Boral, and I am equally passionate and committed to a culture of Zero Harm.

Measures to help manage the risk of COVID-19 remain a key focus including strict hygiene, social distancing, cleaning and quarantine protocols, which are now part of how we operate.

Kathryn talked about Boral's recordable injury frequency rate of 7.6 for FY2020 being broadly steady on the prior year. I am pleased to say that for the first quarter of FY2021, this has reduced to 7.0.

We did not have any reportable fatalities in FY2020. However, in June 2020, a contractor driver was involved in a serious incident in Brisbane, sadly resulting in the fatality of a cyclist. A month later, an employee cement tanker driver was involved in a devastating crash that resulted in the death of a young girl and serious harm to several others.

In addition, we recognised a significant non-cash impairment charge of \$1.346 billion. A total of \$1.22 billion related to the carrying value of assets within Boral North America, which took into account:

increased demand uncertainty caused by the COVID-19 pandemic and potential longer-term impacts of prevailing economic and operating conditions, and recent operating performance of our businesses.

The remaining \$123 million of the impairment was in relation to construction materials assets in Western Australia and the Northern Territory, as well as roofing and timber assets in Australia, again reflecting lower market demand including the COVID-related economic downturn and uncertainty.

The FY2020 results were heavily impacted by COVID-19 disruptions as well as the Australian bushfires, several other one-off impacts and cyclical declines in the Australian and South Korean housing markets.

**Boral North America** underlying US dollar earnings declined on lower revenue, but North America's EBIT margin for the September quarter of ~12% was slightly better than the same period last year, helped by a higher equity contribution from Meridian Brick.

US housing starts and repair & remodel activity have strengthened in the first quarter and there is evidence of positive momentum, with some volume uplift in the month of September in Stone, Light Building Products and Roofing.

However, lead times are stretching out due to continued high levels of COVID related absenteeism, supply chain disruptions and challenges in increasing staffing to support higher production levels. As a result, September quarter volumes in Roofing, Stone and Windows were lower than the prior September quarter. Increased freight costs due to carrier shortages and COVID-related production inefficiencies are also impacting earnings.

Fly Ash volumes were down 11% in the September quarter relative to the September quarter last year, reflecting supply constraints due to COVID-related utility shuts and slowdowns and further closures in the south due to hurricane related disruptions.

In FY2020, we secured 1.3 million tons of additional contracted supply of fly ash, which will be progressively available from FY2021. These volumes more than offset recent contracts that have ended or are not renewing. While we are continuing to work on network optimisation and bringing new supply to market as quickly as possible, FY2021 may be impacted by phasing of volumes rolling off ahead of new contract volumes being available, as well as the continuing utility supply constraints.

In **USG Boral**, we are getting back into a better rhythm with less COVID plant shuts and disruptions. However, general uncertainty and cyclical pressures in Australia and South Korea, and soft trading conditions in Thailand continue to impact demand. We are however, seeing a strong uplift in plasterboard volumes in China.

Underlying revenue for the September quarter was lower than the prior September quarter but underlying EBIT was slightly better. Plasterboard volumes declined by 7% in Australia and 6% in Asia. Prices in Australia were also softer. Earnings benefited from the cost excellence programs which included procurement savings, headcount reductions in late FY2020 and early FY2021, and operating efficiency improvements.

Boral's equity income from the joint venture for the September quarter was steady on the same period last year.

## **PORTFOLIO REVIEW PROGRESS**

Over the past three months we have completed a very thorough review of Boral's portfolio of

In many cases, the work we have done has confirmed what we believed.

In other cases, it has shone new light on the challenges and opportunities our businesses face.

What the portfolio review has highlighted is that there are significant opportunities for improvement in almost every business we own, necessitating a considered and measured approach to how we move forward.

## **USG Boral**

Where we can roll-out products and initiatives faster for our customers we are focused on doing that. We have accelerated the deployment of our sustainable product solutions including our low carbon, high performance concrete, ENVISIA®. Penetration of ENVISIA® is now very encouraging as we have secured supply on numerous projects across all regions.

Under the leadership of Wayne Manners, we have been prioritising opportunities to improve margins

Finally, also in North America, is our Fly Ash business, which is an attractive cash generating

## **SUSTAINABILITY AND CLOSING COMMENTS**

Before I close, let me briefly add to the comments made by Kathryn in relation to sustainability.

The 2020 Boral Review & Sustainability Report provides shareholders with information about our sustainability priorities and progress, including health & safety, our people, environment, climate