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CSR announces 13%[1] rise in full year net profit (before significant items)[2], to $166.0 million

CSR Limited (CSR) reported a 13% increase in net profit after tax (before significant items) to $166.0 million for the year ended 31 March 2016 – the best result since the divestment of the Sugar business in 2010.

After significant items (including transaction costs to complete the PGH Bricks JV), net profit after tax was $142.3 million, up 13%.

Earnings before interest and tax (EBIT before significant items) of $276.8 million were up 18%. The result included the consolidated earnings of the PGH Bricks JV (60% owned by CSR) which began operations on 1 May 2015.

The growth in earnings led to an 8% increase in operating cash flow to $252.2 million and an 18% increase in the full year dividend to 23.5 cents per share.

“Our Building Products business has performed strongly, delivering a record EBIT of $169.1 million, up 40% (including the consolidated earnings of the PGH Bricks JV),” said CSR Managing Director Rob Sindel.

“Supported by solid underlying activity, Building Products earnings have grown consistently over the past few years as we strengthened existing businesses and diversified into new product categories and market segments.

“The PGH Bricks joint venture is exceeding expectations and Gyprock has delivered an excellent result, supported by product development, an improved customer experience and operational efficiencies. Viridian’s performance continues to steadily improve.

“We have strengthened our position in the multi-residential market by investing in building systems, including AFS and Hebel, where we are improving the building process.

“Today CSR has a more diversified Building Products business. We have restructured higher fixed costs businesses so they are more resilient to changes in market activity while increasing market share in the multi-residential segment to broaden our earnings base.

“Our other businesses are also performing well. Aluminium delivered EBIT of $104.1 million with operational improvements driving increased production while Property delivered a good EBIT result of $23.3 million following continuing demand for residential and industrial sites in Melbourne and Sydney.

“CSR’s financial position remains strong with net cash of $73.1 million underpinning the share buyback of up to $150 million launched in March 2016 and boosting our capacity to invest in additional growth options as they emerge,” Mr Sindel said.

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1 *All comparisons are to the year ended 31 March 2015 (YEM15) unless otherwise stated.*
2 *EBIT and net profit are before significant items. They are non-IFRS measures used internally by management to assess the performance of the business and have been extracted or derived from CSR’s financial statements for the year ended 31 March 2016 (YEM16).*

OUTLOOK

Looking at the outlook for the year ending 31 March 2017 (YEM17), CSR confirmed:

Residential construction markets continue to experience record levels of activity which will support demand for CSR's **Building Products** in the year ahead. The pipeline of residential construction activity continues to rise as total commencements for the 12 months to December 2015 were 221,000 compared to 192,000 dwellings completed over the same period.

Viridian is expected to deliver further earnings improvement as it focuses on revenue growth from high performance glass and increasing its share in the commercial market.

In **Aluminium**, Gove Aluminium Finance (GAF) – in which CSR has a 70% stake – has 51% of its aluminium sales (net of alumina) hedged at an average price of A$2,338 per tonne (before premiums) as of 5 May 2016. Ingot premiums, which are paid to producers above the London Metal Exchange aluminium price, have stabilised at around the US$110-$115 per tonne level.

Property earnings are always subject to the timing of transactions. The continuing development of a number of projects will underpin Property earnings over the next five to 10 years.

In summary, CSR will continue with its strategy of investing in building systems that improve the speed of construction while reducing the complexity of building. These investments, together with a more aligned cost structure and network of operations, increases CSR's resilience to fluctuations in the building cycle and better positions CSR to meet the future needs of the market.

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