



# Q2 FY20 MANAGEMENT PRESENTATION

7 November 2019



# CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Management Presentation contains forward-looking statements. James Hardie Industries plc (the “Company”) may from time to time make forward-looking statements in its periodic reports filed with or furnished to the Securities and Exchange Commission, on Forms 20-F and 6-K, in its annual reports to shareholders, in offering circulars, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by the Company’s officers, directors or employees to analysts, institutional investors, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Examples of forward-looking statements include:

- statements about the Company’s future performance;
- projections of the Company’s results of operations or financial condition;
- statements regarding the Company’s plans, objectives or goals, including those relating to strategies, initiatives, competition, acquisitions, dispositions and/or its products;
- expectations concerning the costs associated with the suspension or closure of operations at any of the Company’s plants and future plans with respect to any such plants;
- expectations concerning the costs associated with the significant capital expenditure projects at any of the Company’s plants and future plans with respect to any such projects;
- expectations regarding the extension or renewal of the Company’s credit facilities including changes to terms, covenants or ratios;
- expectations concerning dividend payments and share buy-backs;
- statements concerning the Company’s corporate and tax domiciles and structures and potential changes to them, including potential tax charges;
- uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark;
- statements regarding tax liabilities and related audits, reviews and proceedings;
- statements regarding the possible consequences and/or potential outcome of legal proceedings brought against us and the potential liabilities, if any, associated with such proceedings;
- expectations about the timing and amount of contributions to Asbestos Injuries Compensation Fund (AICF), a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning the adequacy of the Company’s warranty provisions and estimates for future warranty-related costs;
- statements regarding the Company’s ability to manage legal and regulatory matters (including but not limited to product liability, environmental, intellectual property and competition law matters) and to resolve any such pending legal and regulatory matters within current estimates and in anticipation of certain third-party recoveries; and
- statements about economic conditions, such as changes in the US economic or housing recovery or changes in the market conditions in the Asia Pacific region, the levels of new home construction and home renovations, unemployment levels, changes in consumer income, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates, and builder and consumer confidence.



# CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS (continued)

Words such as “believe,” “anticipate,” “plan,” “expect,” “intend,” “target,” “estimate,” “project,” “predict,” “forecast,” “guideline,” “aim,” “will,” “should,” “likely,” “continue,” “may,” “objective,” “outlook” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on the Company’s current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the Company’s control. Such known and unknown risks, uncertainties and other factors may cause actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under “Risk Factors” in Section 3 of the Form 20-F filed with the Securities and Exchange Commission on 21 May 2019 and subsequently amended on 8 August 2019, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former Company subsidiaries; required contributions to AICF, any shortfall in AICF and the effect of currency exchange rate movements on the amount recorded in the Company’s financial statements as an asbestos liability; the continuation or termination of the governmental loan facility to AICF; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the Company operates; the consequences of product failures or defects; exposure to environmental, asbestos, putative consumer class action or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; possible increases in competition and the potential that competitors could copy the Company’s products; reliance on a small number of customers; a customer’s inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; currency exchange risks; dependence on customer preference and the concentration of the Company’s customer base on large format retail customers, distributors and dealers; dependence on residential and commercial construction markets; the effect of adverse changes in climate or weather patterns; possible inability to renew credit facilities on terms favorable to the Company, or at all; acquisition or sale of businesses and business segments; changes in the Company’s key management personnel; inherent limitations on internal controls; use of accounting estimates; the integration of Fermacell into our business; and all other risks identified in the Company’s reports filed with Australian, Irish and US securities regulatory agencies and exchanges (as appropriate). The Company cautions you that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those referenced in the Company’s forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the Company’s current expectations concerning future results, events and conditions. The Company assumes no obligation to update any forward-looking statements or information except as required by law.

# USE OF NON-GAAP FINANCIAL INFORMATION; AUSTRALIAN EQUIVALENT TERMINOLOGY

This Management Presentation includes financial measures that are not considered a measure of financial performance under generally accepted accounting principles in the United States (US GAAP). These financial measures are designed to provide investors with an alternative method for assessing our performance from on-going operations, capital efficiency and profit generation. Management uses these financial measures for the same purposes. These financial measures include:

- Adjusted EBIT;
- North America Fiber Cement Segment Adjusted EBIT excluding product line discontinuation;
- Europe Building Products Segment Adjusted EBIT excluding costs associated with the acquisition;
- Adjusted EBIT margin;
- North America Fiber Cement Segment Adjusted EBIT margin excluding product line discontinuation;
- Europe Building Products Segment Adjusted EBIT margin excluding costs associated with the acquisition;
- Adjusted net operating profit;
- Adjusted diluted earnings per share;
- Adjusted operating profit before income taxes;
- Adjusted income tax expense;
- Adjusted effective tax rate;
- Adjusted EBITDA;
- Adjusted EBITDA excluding Asbestos; and
- Adjusted selling, general and administrative expenses (“Adjusted SG&A”).

These financial measures are or may be non-US GAAP financial measures as defined in the rules of the U.S. Securities and Exchange Commission and may exclude or include amounts that are included or excluded, as applicable, in the calculation of the most directly comparable financial measures calculated in accordance with US GAAP. These non-GAAP financial measures should not be considered to be more meaningful than the equivalent US GAAP measure. Management has included such measures to provide investors with an alternative method for assessing its operating results in a manner that is focused on the performance of its ongoing operations and excludes the impact of certain legacy items, such as asbestos adjustments. Additionally, management uses such non-GAAP financial measures for the same purposes. However, these non-GAAP financial measures are not prepared in accordance with US GAAP, may not be reported by all of the Company’s competitors and may not be directly comparable to similarly titled measures of the Company’s competitors due to potential differences in the exact method of calculation. For additional information regarding the non-GAAP financial measures presented in this Management Presentation, including a reconciliation of each non-GAAP financial measure to the equivalent US GAAP measure, see the slide titled “Non-US GAAP Financial Measures” included in the Appendix to this Management Presentation.

In addition, this Management Presentation includes financial measures and descriptions that are considered to not be in accordance with US GAAP, but which are consistent with financial measures reported by Australian companies, such as operating profit, EBIT and EBIT margin. Since the Company prepares its Condensed Consolidated Financial Statements in accordance with US GAAP, the Company provides investors with a table and definitions presenting cross-references between each US GAAP financial measure used in the Company’s Condensed Consolidated Financial Statements to the equivalent non-US GAAP financial measure used in this Management Presentation. See the section titled “Non-US GAAP Financial Measures” included in the Appendix to this Management Presentation.

# AGENDA



- **Group Operating Review**  
Dr Jack Truong, CEO



- **Financial Review**  
Jason Miele, VP of Investor Relations



- **Strategy Update**  
Dr Jack Truong, CEO
- **Questions and Answers**



## **GROUP OPERATING REVIEW – DR JACK TRUONG, CEO**





# FY20 GROUP RESULTS OVERVIEW

	Q2'20	1H'20
Sales Volume	960.2 mmsf ↑ 3%	1,917.4 mmsf ↑ 3%
Net Sales	US\$660.1 M ↑ 2%	US\$1,316.9 M ↑ 2%
Adjusted EBIT <sup>1</sup>	US\$134.2 M ↑ 26%	US\$258.6 M ↑ 21%
Adjusted Net Operating Profit <sup>2</sup>	US\$98.6 M ↑ 22%	US\$188.8 M ↑ 17%

<sup>1</sup> Excludes asbestos related expenses and adjustments and product line discontinuation expenses

<sup>2</sup> Excludes asbestos related expenses and adjustments, tax adjustments and product line discontinuation expenses

- Volume growth above market in all three regions
- Net sales growth (in local currency) in all three regions
  - North America: +6% for quarter, +5% for first half
  - Europe: +5% for quarter, +6% for first half
  - APAC: +2% for quarter, +1% for first half
- Adjusted EBIT and Adjusted NOPAT growth driven by strong performance in all three regions

Continued positive momentum in executing global strategic plan

# FY20 NORTH AMERICA SUMMARY

	Q2'20	1H'20
Sales Volume	620.9 mmsf ↑ 5%	1,233.6 mmsf ↑ 4%
Net Sales	US\$459.6 M ↑ 6%	US\$911.9 M ↑ 5%
EBIT Excluding <sup>1</sup>	US\$124.7 M ↑ 25%	US\$238.2 M ↑ 15%
EBIT Margin Excluding <sup>1</sup>	27.1 % ↑ 4.3 pts	26.1 % ↑ 2.3 pts

<sup>1</sup> Excludes product line discontinuation expenses of US\$5.4 million in Q2'19 and 1H'19

- Exteriors volume growth continued
  - +6% for the quarter
  - +5% for the first half
- Interiors volume - continuous improvement versus prior 2 years
  - Flat for the quarter
  - -2% for the first half
- EBIT Margin exceeded top end of our long-term target range for Q2 and first half

Commercial transformation and lean manufacturing continue to gain traction and are now delivering improved financial results





# FY20 EUROPE SUMMARY

	Q2'20	1H'20
Sales Volume	196.5 mmsf ↑ 1%	406.6 mmsf ↑ 1%
Net Sales	€79.0 M ↑ 5%	€164.4 M ↑ 6%
EBIT Excluding <sup>1</sup>	€7.8 M ↑ 7%	€17.0 M ↑ 1%
EBIT Margin Excluding <sup>1</sup>	9.9 % ↑ 0.2 pts	10.3 % ↓ -0.6 pts

<sup>1</sup> Excludes integration costs and FY19 transaction costs and inventory fair value adjustment

- Continued Fiber Cement momentum
  - Net Sales +23% for the quarter in local currency
  - Net Sales +30% for the first half in local currency
- Fiber Gypsum Net Sales growth in local currency
  - +3% for the quarter
  - +3% for the first half
- EBIT Margin Excluding<sup>1</sup> of 10.3% for first half
  - In-line with internal targets
  - On-track to deliver full year EBIT Margin accretion
- Housing market in Western Europe softening, particularly in Germany and the UK

Continued Fiber Cement momentum and solid Fiber Gypsum execution



# FY20 APAC SUMMARY

	Q2'20	1H'20
Sales Volume	142.8 mmsf FLAT	277.2 mmsf ↓ -1%
Net Sales	↑ A\$164.2 M 2%	↑ A\$318.6 M 1%
EBIT	↑ A\$39.5 M 5%	A\$74.9 M FLAT
EBIT Margin	↑ 24.0 % 0.6 pts	↓ 23.5 % -0.3 pts

- Strong volume growth above market in Australia and the Philippines
- Strong EBIT growth for the second quarter
- EBIT Margin in the top half of our long term target range for both the quarter and first half
- Australian addressable housing market contracting

Strong financial results through a market downturn



# FY20 KEY ASSUMPTIONS & MARKET OUTLOOK

## North America

Modest growth in the US housing market

US Residential Housing starts forecast between 1.2 and 1.3 million

**Exteriors volume: 4-6% PDG**

**EBIT Margin of 25 to 27%<sup>1</sup>**

## Europe

**Housing market down slightly across addressable market**

Continual introduction of new fiber cement products for Europe

**EBIT Margin accretion<sup>2</sup>**

## Asia Pacific

Addressable housing market in Australia is contracting

APAC volume: 3-5% growth above the market

**EBIT Margin in the top half of our stated range of 20 to 25%<sup>3</sup>**

Management expects full year Adjusted net operating profit to be between **US\$340 million and US\$370 million**

*Note: Changes to key assumptions and outlook statements from those provided in our Q1 FY20 results presentation are indicated in bold text above.*

<sup>1</sup> Expectation is based upon the Company achieving our PDG target, continuing to improve operating performance in our plants, improved net average sales price and mix, consistent input costs and flat to modest underlying housing growth

<sup>2</sup> Expectation is based upon the Company continuing to improve operating performance in our plants, consistent input costs and slight underlying housing contraction

<sup>3</sup> Expectation is based upon the Company continuing to improve operating performance in our plants, higher net average sales price and mix, consistent input costs and volume growth above a decreasing addressable housing market





## **FINANCIAL REVIEW – JASON MIELE, VP OF INVESTOR RELATIONS**



# GROUP RESULTS – 2<sup>ND</sup> QUARTER AND HALF YEAR FY20

	Q2'20	1H'20
Sales Volume	960.2 mmsf ↑ 3%	1,917.4 mmsf ↑ 3%
Net Sales	US\$660.1 M ↑ 2%	US\$1,316.9 M ↑ 2%
Gross Profit	US\$240.1 M ↑ 16%	US\$473.2 M ↑ 11%
EBIT	US\$152.6 M ↑ 53%	US\$285.1 M ↑ 23%
Net Operating Profit	US\$103.1 M ↑ 48%	US\$189.6 M ↑ 18%
Adjusted EBIT <sup>1</sup>	US\$134.2 M ↑ 26%	US\$258.6 M ↑ 21%
Adjusted Net Operating Profit <sup>2</sup>	US\$98.6 M ↑ 22%	US\$188.8 M ↑ 17%
Operating Cash Flow		US\$251.8 M ↑ 37%

<sup>1</sup> Excludes asbestos related expenses and adjustments and product line discontinuation expenses

<sup>2</sup> Excludes asbestos related expenses and adjustments, tax adjustments and product line discontinuation expenses

## Volume and Net Sales

- Growth above market in all three segments
- Higher net price in all three segments in local currency

**Gross profit increased 16% for Q2 and 11% for the first half**

**Gross margin % up 430bps for Q2 and 280bps for the first half**

**Adjusted net operating profit<sup>2</sup> increased 22% for the quarter and 17% for the first half**

- Strong Adjusted EBIT growth
- Higher interest and tax expense

# NORTH AMERICA FIBER CEMENT SUMMARY

	Q2'20	1H'20
Sales Volume	620.9 mmsf ↑ 5%	1,233.6 mmsf ↑ 4%
Net Sales	US\$459.6 M ↑ 6%	US\$911.9 M ↑ 5%
Average Price	US\$733 per msf ↑ 1%	US\$732 per msf ↑ 1%
EBIT	US\$124.7 M ↑ 33%	US\$238.2 M ↑ 18%
EBIT Excluding <sup>1</sup>	US\$124.7 M ↑ 25%	US\$238.2 M ↑ 15%
EBIT Margin Excluding <sup>1</sup>	27.1 % ↑ 4.3 pts	26.1 % ↑ 2.3 pts

<sup>1</sup> Excludes product line discontinuation expenses of US\$5.4 million in Q2'19 and 1H'19

## Volume

- PDG on-track; FY20 target raised to 4-6%
  - Exteriors volumes +6% for Q2 and +5% for the first half
- Interiors gaining momentum
  - Interiors volumes flat for Q2 and -2% for the first half

## Price

- Favorably impacted by annual change in strategic pricing, partially offset by mix

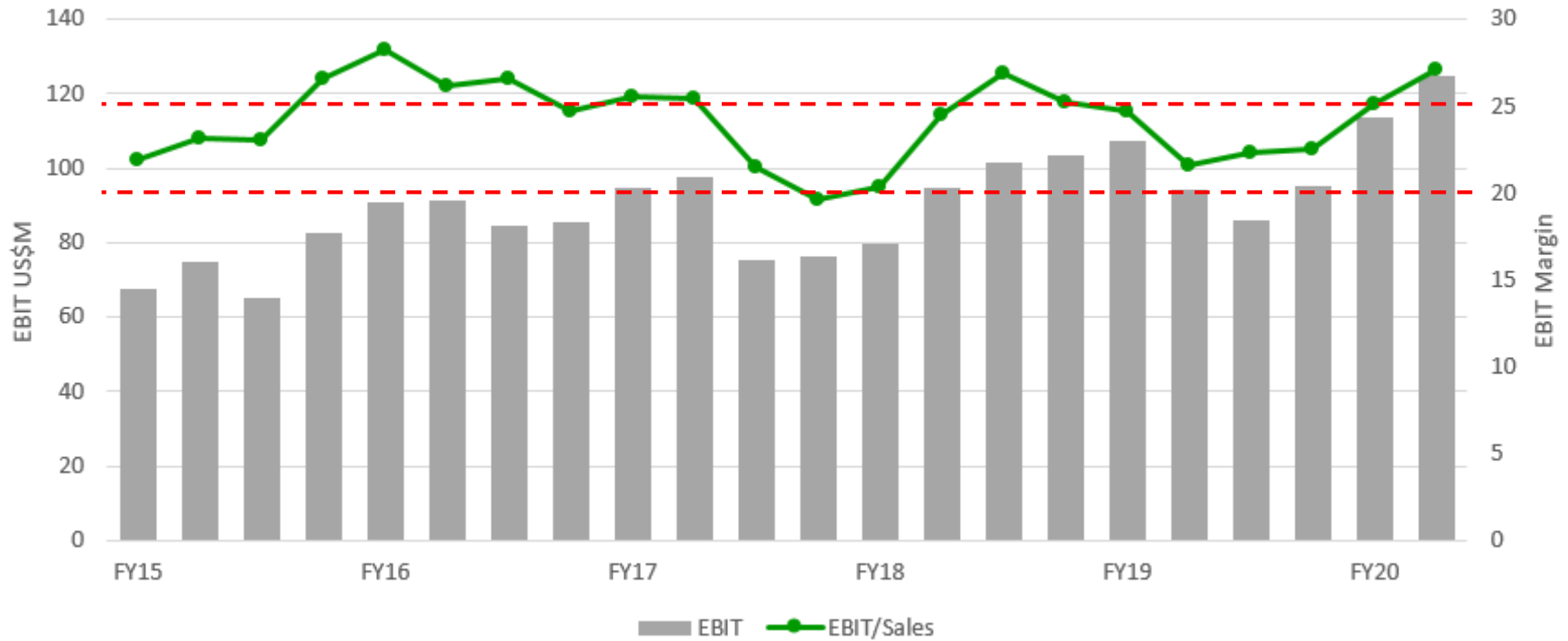
## EBIT Excluding<sup>1</sup>

- Higher net sales – volume and price
- Improved plant performance
- Lower freight
- SG&A as a % of revenue decreased



# NORTH AMERICA FIBER CEMENT

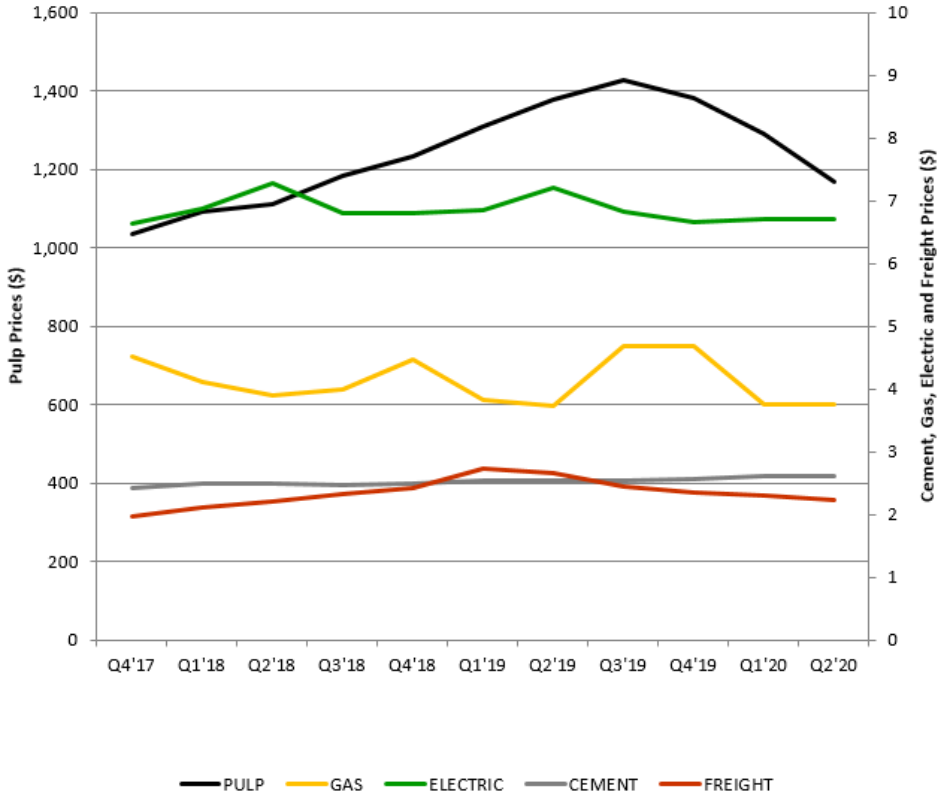
Quarterly EBIT and EBIT Margin



**Q2 EBIT Margin of 27.1%**  
**YTD EBIT Margin of 26.1%**

# NORTH AMERICA INPUT COSTS

Quarterly US Input Costs













- The price of NBSK pulp **down** 15% compared to pcp
- Freight prices **down** 16% compared to pcp
- Cement prices **up** 3% compared to pcp
- Gas prices **flat** compared to pcp
- Electric prices **down** 7% compared to pcp

The information underlying the table above is sourced as follows:

- Pulp – Cost per ton – from RISI
- Gas – Cost per thousand cubic feet for industrial users – from US Energy Information Administration
- Electric – Cost per thousand kilowatt hour for industrial users – from US Energy Information Administration
- Cement – Relative index from the Bureau of Labor Statistics
- Freight – Cost per mile – from Dial-a-Truck Solutions
- Gas and Electric prices for current quarter are based on prior quarter actuals

# ASIA PACIFIC FIBER CEMENT SUMMARY

	Q2'20	1H'20
Sales Volume	142.8 mmsf FLAT	277.2 mmsf  -1%
Net Sales	 A\$164.2 M 2%	 A\$318.6 M 1%
Average Price	 A\$1,022 per msf 3%	 A\$1,020 per msf 3%
EBIT	 US\$27.0 M -2%	 US\$51.8 M -7%
EBIT	 A\$39.5 M 5%	A\$74.9 M FLAT
EBIT Margin	 24.0 % 0.6 pts	 23.5 % -0.3 pts

## Volume

- Strong volume growth above market index in Australia and Philippines

## EBIT

- Higher average net sales price in Australian dollars
- Active management of controllable spend
- Higher freight
- Segment results in US dollars impacted by unfavorable foreign exchange rate movements



# EUROPE BUILDING PRODUCTS SUMMARY

	Q2'20	1H'20
Sales Volume	196.5 mmsf ↑ 1%	406.6 mmsf ↑ 1%
Net Sales	€79.0 M ↑ 5%	€164.4 M ↑ 6%
Average Price	€306 per msf ↑ 1%	€310 per msf ↑ 2%
EBIT	US\$5.8 M ↑ 71%	US\$13.7 M ↑ 1242%
EBIT Excluding <sup>1</sup>	US\$8.7 M ↑ 2%	US\$19.0 M ↓ -5%
EBIT Excluding <sup>1</sup>	€7.8 M ↑ 7%	€17.0 M ↑ 1%
EBIT Margin Excluding <sup>1</sup>	9.9 % ↑ 0.2 pts	10.3 % ↓ -0.6 pts

<sup>1</sup> Excludes integration costs and FY19 transaction costs and inventory fair value adjustment

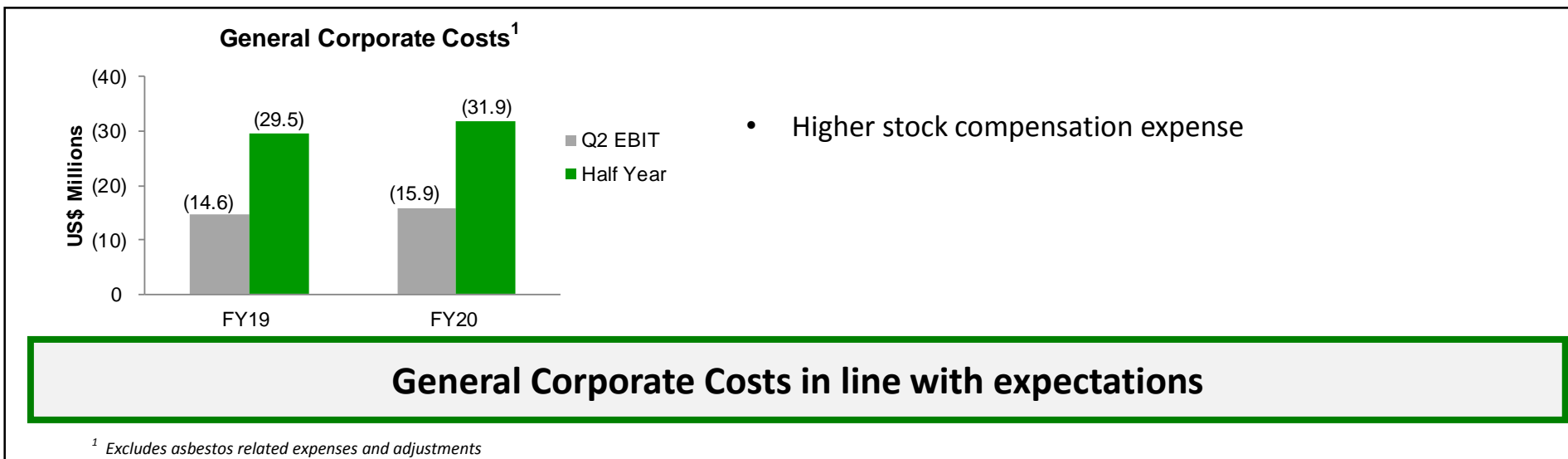
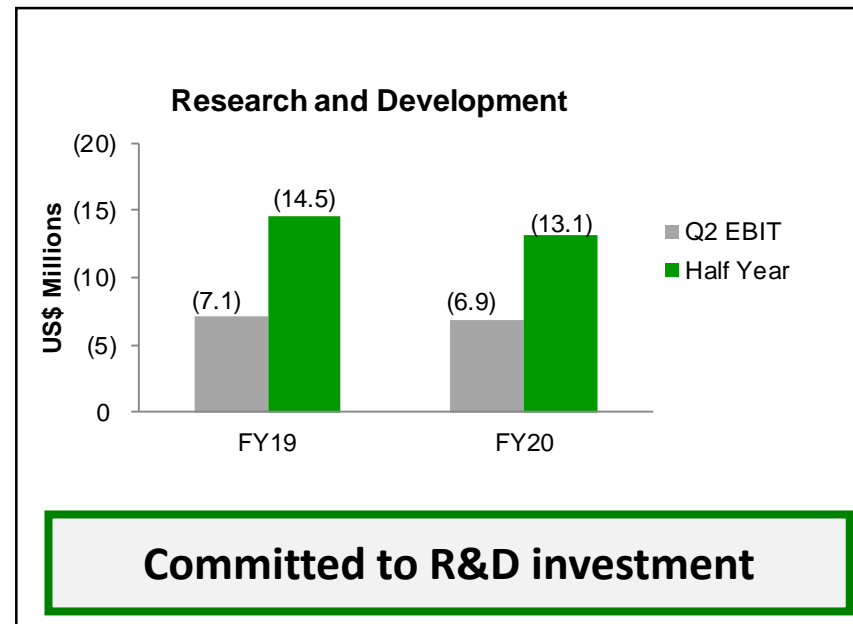
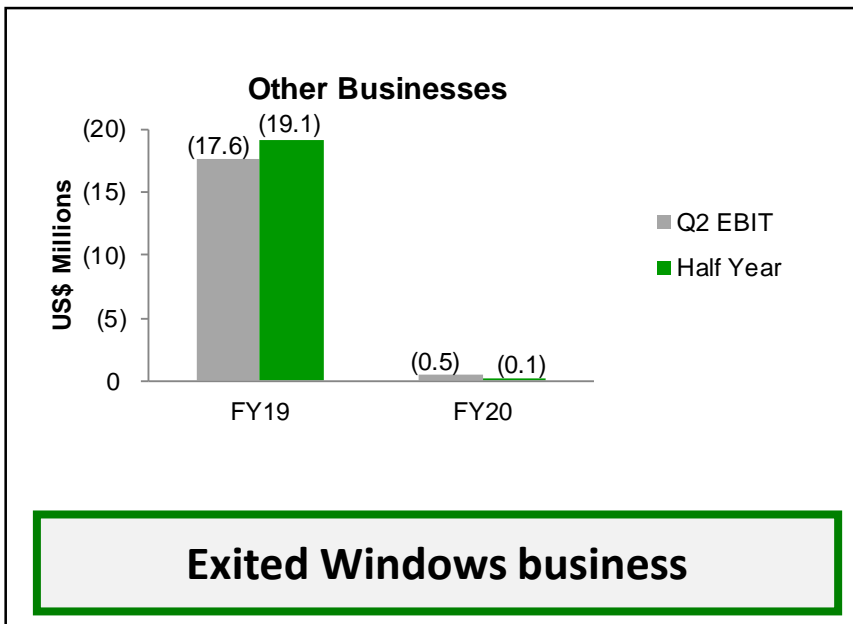
## Net Sales

- Net sales in Euros increased 6% for the first half
- Fiber cement net sales in Euros increased 30% for the first half
- Fiber gypsum net sales in Euros increased 3% for the first half

## EBIT Excluding<sup>1</sup> in Euros

- Higher gross margin
- Higher SG&A costs associated with building out the corporate functions and exiting the TSAs
- €4.7 million of integration costs in first half FY20; approximately €3.0 million of remaining integration costs to be incurred in the second half of FY20
- EBIT Margin Excluding<sup>1</sup> of 10.3% for the first half in-line with internal targets

# SEGMENT EBIT



<sup>1</sup> Excludes asbestos related expenses and adjustments

# INCOME TAX

## Three Months and Half Year Ended 30 September

US\$ Millions	Q2'20	Q2'19	1H'20	1H'19
Operating profit before taxes	138.5	87.1	257.1	208.6
Asbestos adjustments <sup>1</sup>	(18.8)	(14.3)	(27.1)	(39.4)
Product line discontinuation	-	21.2	-	21.2
<b>Adjusted operating profit before income taxes</b>	<b>119.7</b>	<b>94.0</b>	<b>230.0</b>	<b>190.4</b>
Adjusted income tax expense <sup>2</sup>	(21.1)	(13.1)	(41.2)	(29.6)
<b>Adjusted effective tax rate</b>	<b>17.6%</b>	<b>13.9%</b>	<b>17.9%</b>	<b>15.5%</b>
Income tax expense	(35.4)	(17.6)	(67.5)	(48.5)
Income taxes paid			20.8	13.1
Income taxes payable <sup>3</sup>			38.6	37.0

<sup>1</sup> Includes asbestos adjustments, AICF SG&A expenses and net AICF interest income

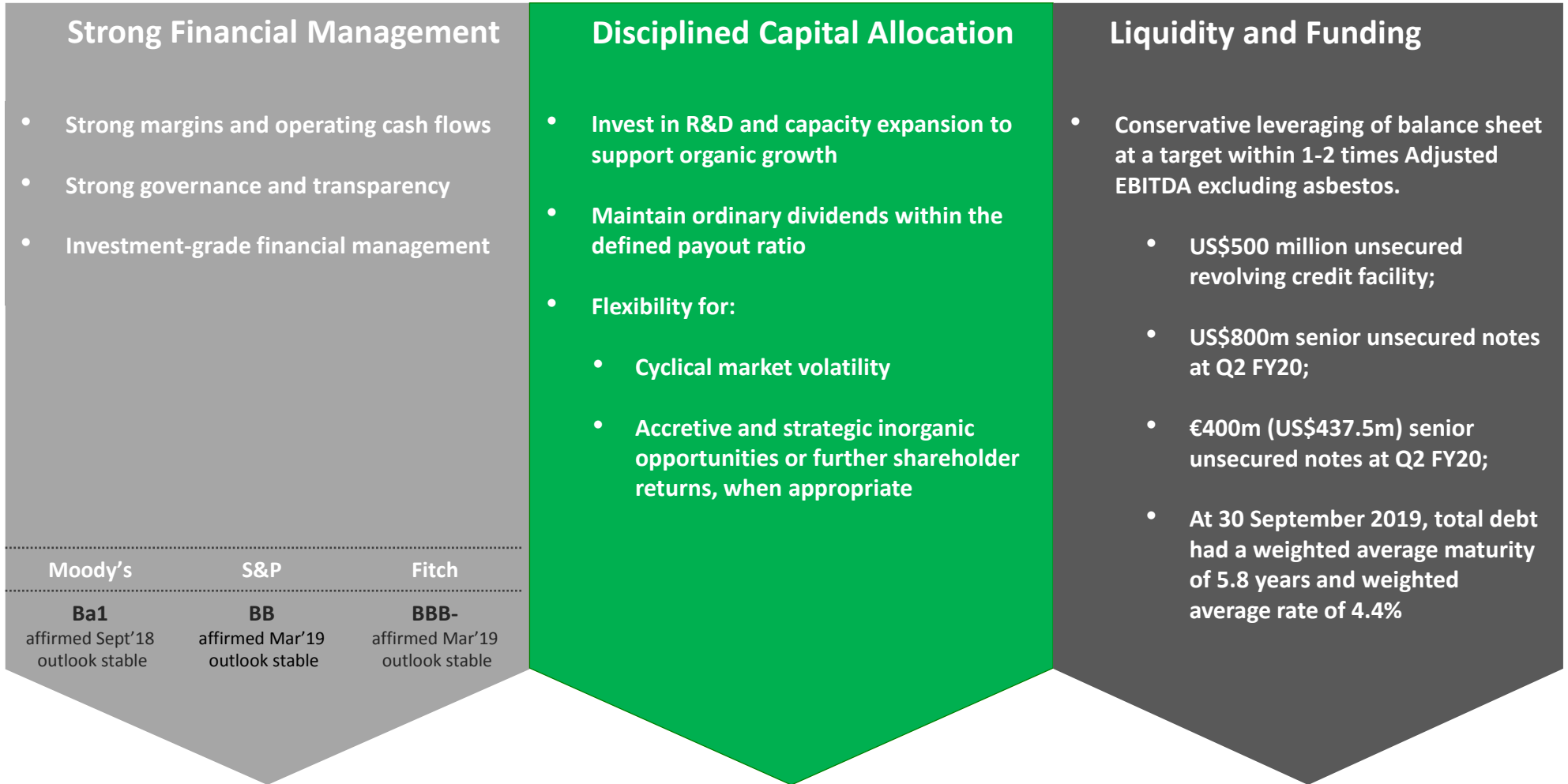
<sup>2</sup> Includes tax adjustments related to asbestos, the amortization benefit of certain US intangible assets and other tax adjustments

<sup>3</sup> Includes non-current US income taxes payable of US\$25.2 million as of 30 September 2019 related to the deemed repatriation promulgated by the US Tax Cuts and Jobs Act and will be paid in annual installments through FY25

## 17.9% estimated adjusted effective tax rate for the year

- Increase in adjusted income tax expense for the first half driven by a higher Adjusted operating income before income taxes and the proportional impact of tax adjustments related to the straight-line amortization benefit of certain US intangible assets on higher Adjusted operating profit before income taxes
- Income taxes are not currently paid or payable in Australia due to tax losses. Australian tax losses primarily result from deductions relating to contributions to AICF

# FINANCIAL MANAGEMENT FRAMEWORK



## Strong Financial Management

- Strong margins and operating cash flows
- Strong governance and transparency
- Investment-grade financial management

## Disciplined Capital Allocation

- Invest in R&D and capacity expansion to support organic growth
- Maintain ordinary dividends within the defined payout ratio
- Flexibility for:
  - Cyclical market volatility
  - Accretive and strategic inorganic opportunities or further shareholder returns, when appropriate

## Liquidity and Funding

- Conservative leveraging of balance sheet at a target within 1-2 times Adjusted EBITDA excluding asbestos.
  - US\$500 million unsecured revolving credit facility;
  - US\$800m senior unsecured notes at Q2 FY20;
  - €400m (US\$437.5m) senior unsecured notes at Q2 FY20;
  - At 30 September 2019, total debt had a weighted average maturity of 5.8 years and weighted average rate of 4.4%

**Financial management consistent with investment grade credit  
Ability to withstand market cycles and other unanticipated events**



# CASH FLOWS

US\$ Millions	1H'20	1H'19	Change (%)
<b>Net income</b>	<b>189.6</b>	<b>160.1</b>	<b>18</b>
Adjustment for non-cash items	92.7	65.1	42
Operating working capital <sup>1</sup>	41.3	21.4	93
Other net operating activities	(22.3)	(6.4)	
AICF cash flow, net	(49.5)	(56.7)	13
<b>Cash provided by operations</b>	<b>251.8</b>	<b>183.5</b>	<b>37</b>
Purchases of property, plant and equipment <sup>2</sup>	(127.8)	(141.9)	10
Proceeds from sale of property, plant and equipment	8.0	-	
Acquisition of business, net of cash acquired	-	(558.7)	
Purchase of restricted short-term investments - Asbestos, net	(58.0)	(50.7)	(14)
<b>Cash used in investing</b>	<b>(177.8)</b>	<b>(751.3)</b>	<b>76</b>
Dividends paid	(113.9)	(128.5)	11
Net proceeds of credit facilities	60.0	20.0	
Proceeds from 364-day term loan facility	-	492.4	
Repayments of finance lease obligations	(0.2)	-	
<b>Cash (used in) provided by financing</b>	<b>(54.1)</b>	<b>383.9</b>	

<sup>1</sup> Excludes AP related to capital expenditures

<sup>2</sup> Includes capitalized interest

## Higher operating cash flow

- Increase in income adjusted for non-cash items
- Net cash inflow due to working capital

## Lower investing activities

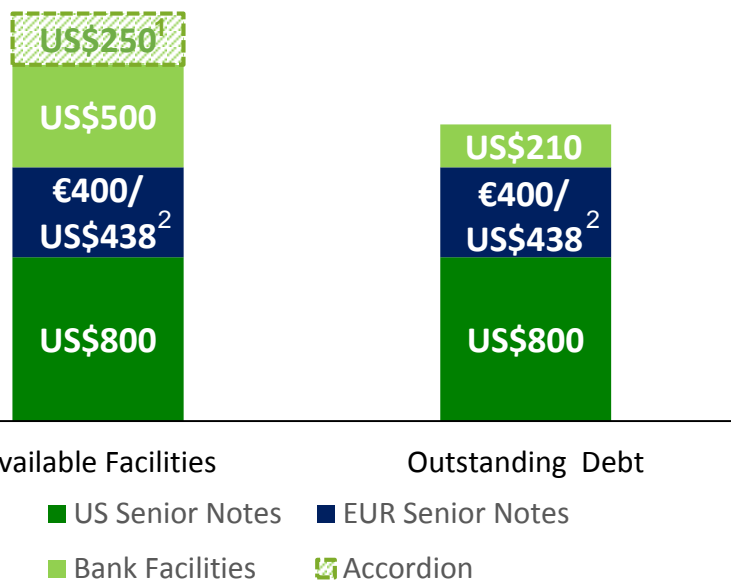
- Acquisition of Fermacell in FY19

## Lower financing activities

- Lower proceeds due to Fermacell acquisition in FY19

# LIQUIDITY PROFILE AT 30 SEPTEMBER 2019

## Debt Profile Millions



<sup>1</sup> Incremental liquidity of up to US\$250 million may be accessed via an accordion feature, which is provided for under the terms of the syndicated revolving credit facility agreement, but not credit approved

<sup>2</sup> Based on exchange rate as of 30 September 2019

<sup>3</sup> Includes debt issuance costs (US\$17.6 million)

## Strong balance sheet

- US\$95.6 million cash
- US\$1,334.3 million net debt<sup>3</sup>
- US\$284.0 million available on revolving credit facility

## Corporate debt structure

- **US\$400 million** 4.75% senior unsecured notes **maturing 2025**
- **US\$400 million** 5.00% senior unsecured notes **maturing 2028**
- **€400 million (US\$437.5)<sup>2</sup>** 3.625 % senior unsecured notes, **maturing 2026**
- **US\$500 million** unsecured revolving credit facility, **maturing 2022**

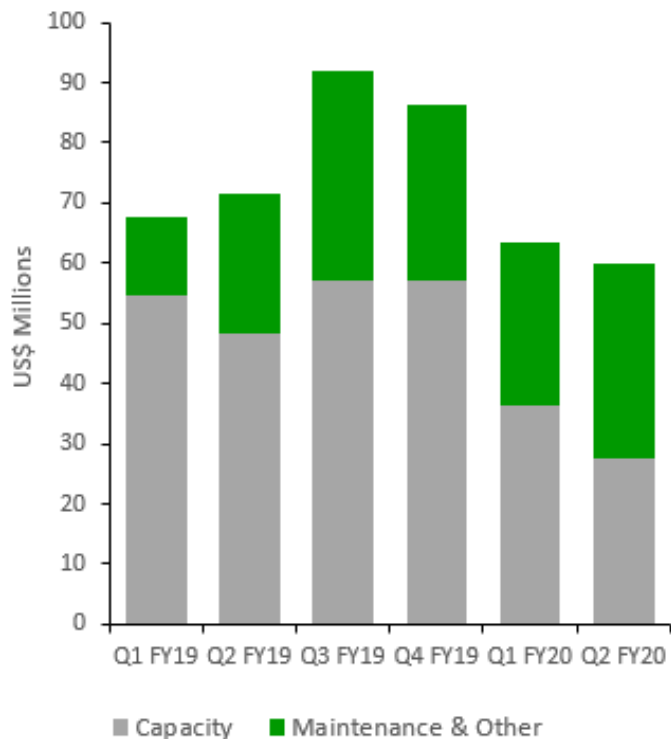
## Leverage strategy

- ~2.3x net debt to Adjusted EBITDA excluding asbestos; temporarily outside of the 1-2x leverage target range

**On track, and committed to returning to our 1-2x leverage target range**

# CAPITAL EXPENDITURES

CAPEX Spend



CAPEX spend for the half year of US\$123.4 million; decreased US\$16.0 million compared to pcp

- **North America capacity projects**
  - Completed the start-up of Tacoma greenfield expansion
  - Continued construction of our Prattville facility
  
- **Asia Pacific capacity projects**
  - Continued Carole Park brownfield expansion project

# FY20 KEY ASSUMPTIONS & MARKET OUTLOOK

## North America

Modest growth in the US housing market

US Residential Housing starts forecast between 1.2 and 1.3 million

**Exteriors volume: 4-6% PDG**

**EBIT Margin of 25 to 27%<sup>1</sup>**

## Europe

**Housing market down slightly across addressable market**

Continual introduction of new fiber cement products for Europe

**EBIT Margin accretion<sup>2</sup>**

## Asia Pacific

Addressable housing market in Australia is contracting

APAC volume: 3-5% growth above the market

**EBIT Margin in the top half of our stated range of 20 to 25%<sup>3</sup>**

Management expects full year Adjusted net operating profit to be between **US\$340 million and US\$370 million**

*Note: Changes to key assumptions and outlook statements from those provided in our Q1 FY20 results presentation are indicated in bold text above.*

<sup>1</sup> Expectation is based upon the Company achieving our PDG target, continuing to improve operating performance in our plants, improved net average sales price and mix, consistent input costs and flat to modest underlying housing growth

<sup>2</sup> Expectation is based upon the Company continuing to improve operating performance in our plants, consistent input costs and slight underlying housing contraction

<sup>3</sup> Expectation is based upon the Company continuing to improve operating performance in our plants, higher net average sales price and mix, consistent input costs and volume growth above a decreasing addressable housing market





## **STRATEGY UPDATE – DR JACK TRUONG, CEO**



# LONG TERM VALUE CREATION

## North America

- 35/90 with strong returns (20-25% EBIT margin)

## Europe

- €1 billion business with 20+% EBIT margin

## APAC

- Deliver growth above market with strong returns (20-25% EBIT margin)





# STRATEGIC PRIORITIES : FY20 – FY22

## North America

- 1 Accelerate Exteriors Growth
- 2 Drive Lean Transformation across all ten plants
- 3 Re-establish Interiors as a Growth Business

## Europe

- 1 Gain market traction
  - current fiber cement
  - new, for Europe, fiber cement
- 2 Continue to drive fiber gypsum market penetration
- 3 Continue to unlock existing manufacturing capacity in all five plants

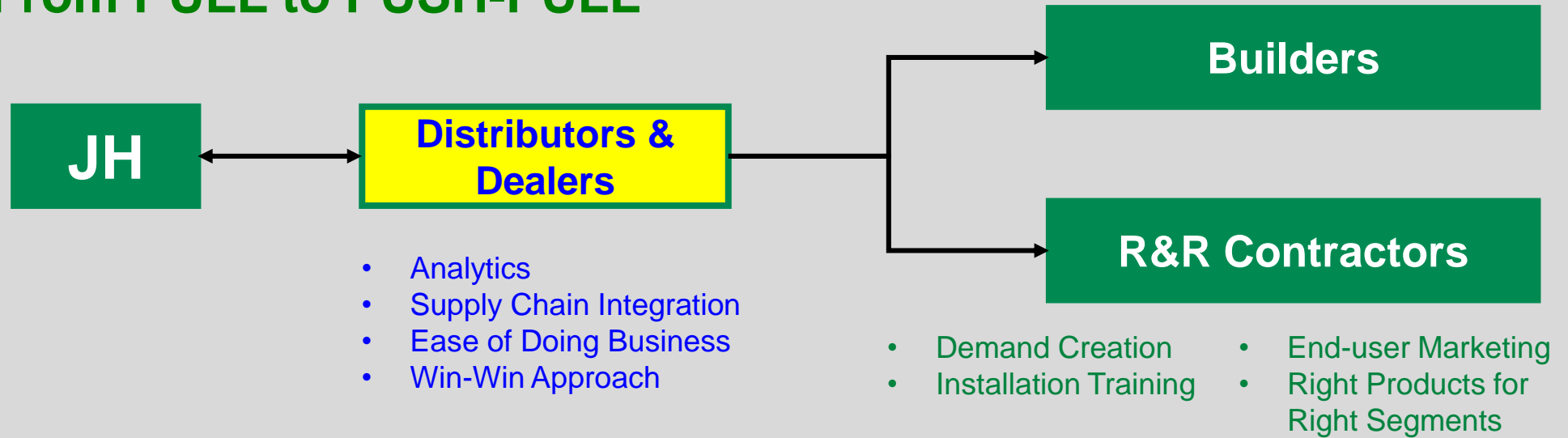
## Asia Pacific

- 1 Continue to drive growth above market
- 2 Continue to drive Lean manufacturing across all four plants



# NA : ACCELERATE EXTERIORS GROWTH - UPDATE

## From PULL to PUSH-PULL



Good early traction in our commercial transformation

Shift to Push-Pull in progress

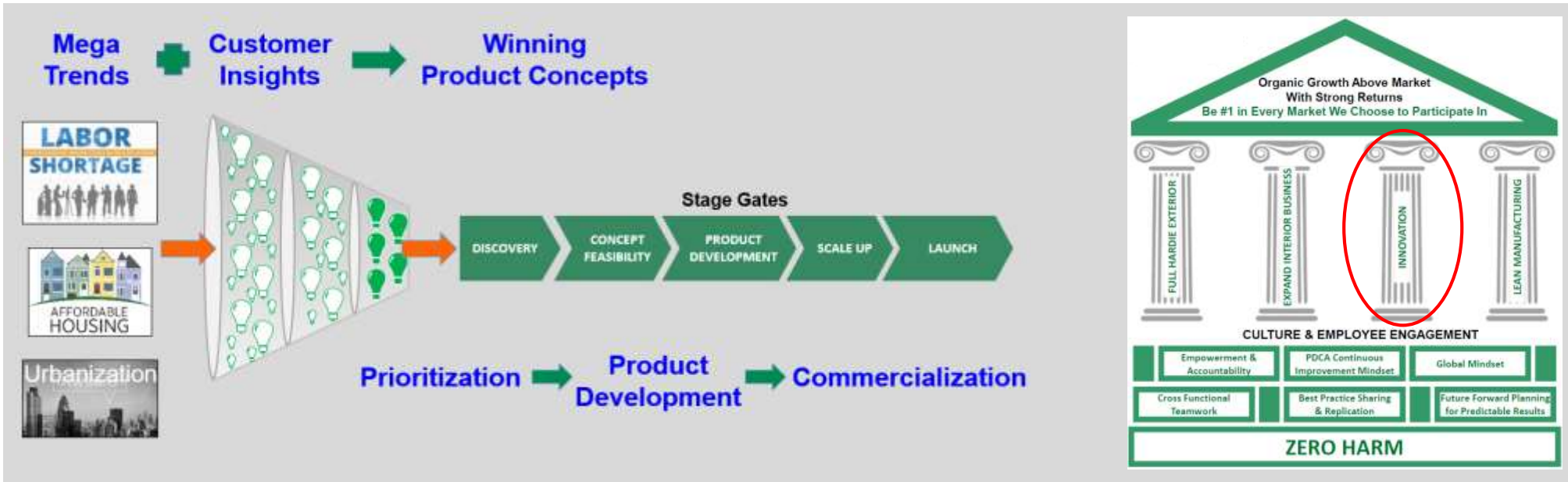
On-track to hit 4-6% PDG target in FY20

Increased Investment to deliver long term value creation target of 35/90

- Maximize demand creation
- Build customer management capabilities
- Innovation

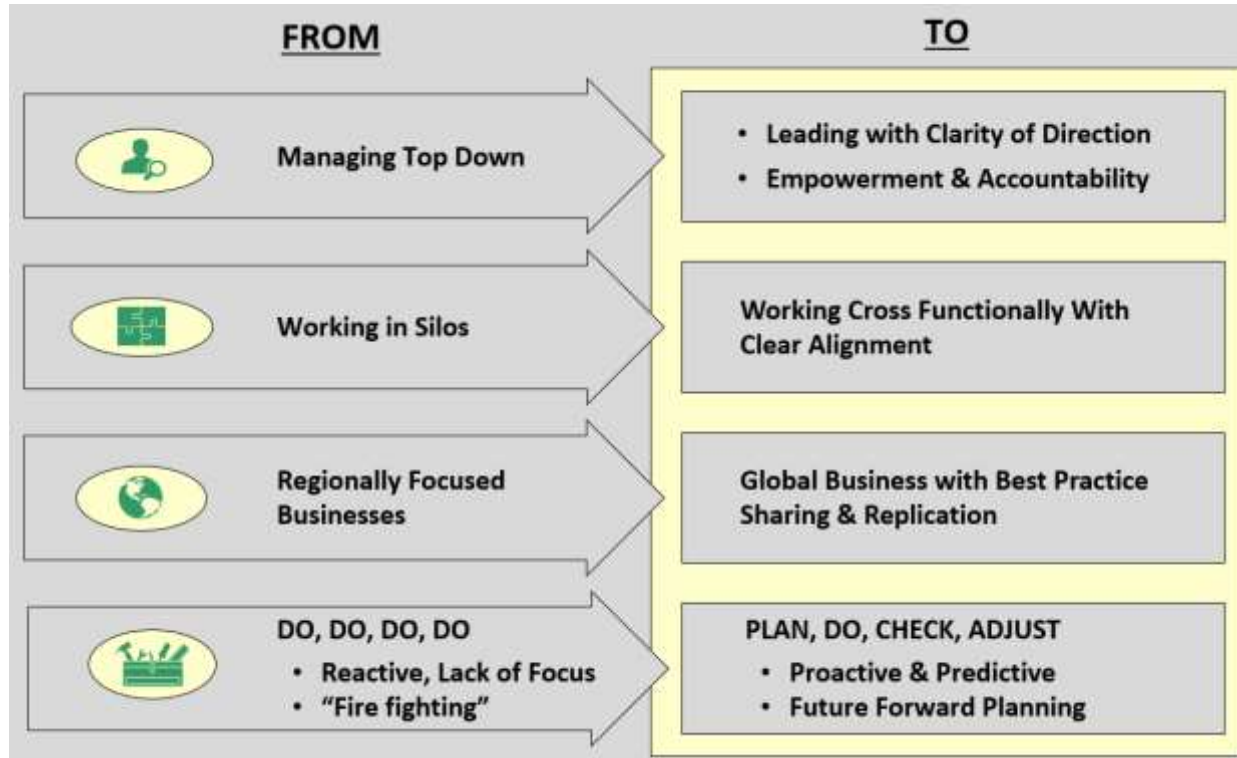
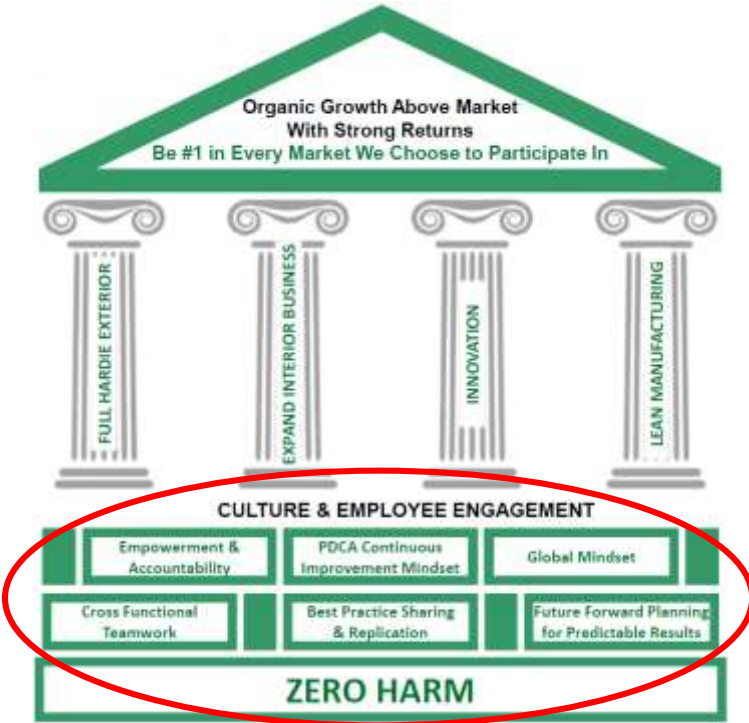


# INNOVATION



- Innovation is one of four pillars supporting our long term growth strategy
- Leverage on our global R&D capabilities
- Drive customer insights to innovation process to deliver high impact new products
- Increased innovation investment

# CULTURE & EMPLOYEE ENGAGEMENT



Transforming from big, SMALL company to small, BIG company



## QUESTIONS







## APPENDIX

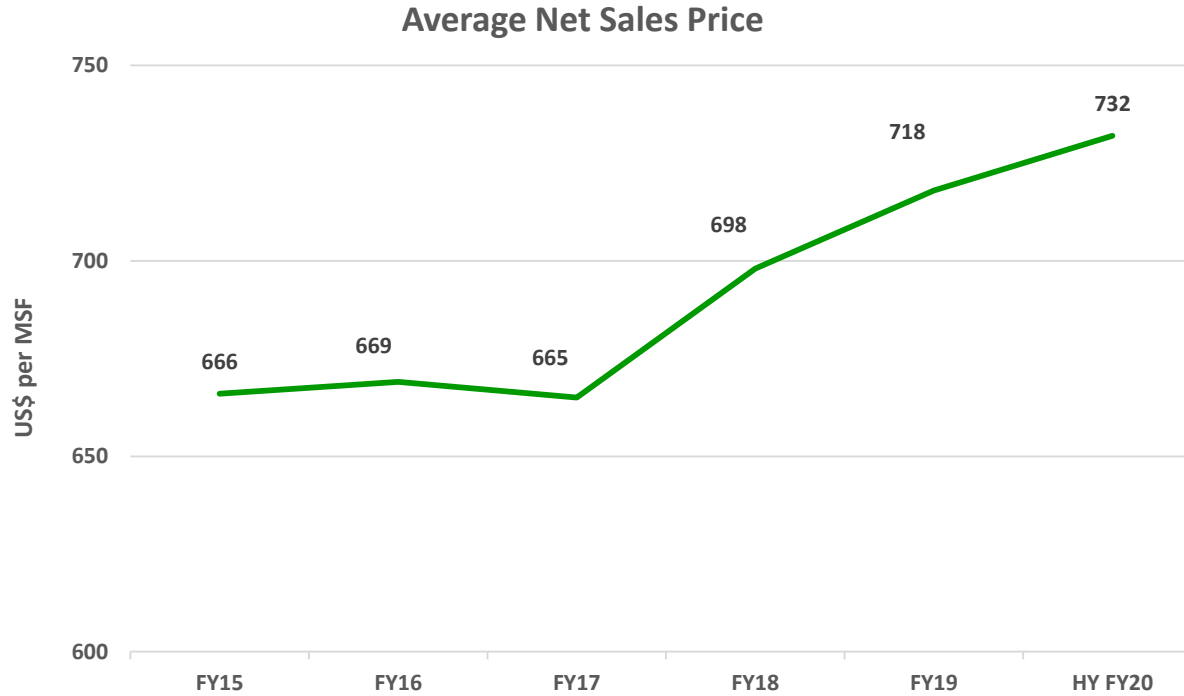




## FY20 GUIDANCE

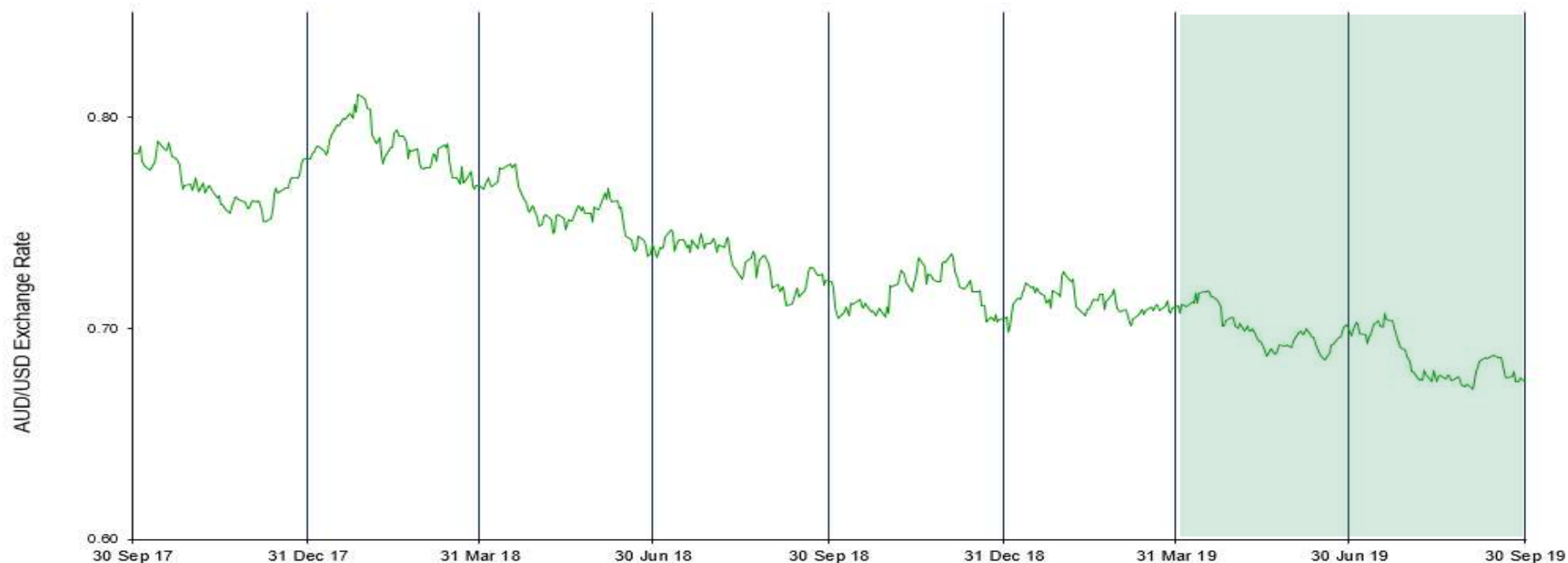
- Management notes the range of analysts' forecasts for net operating profit excluding asbestos for the year ending 31 March 2020 is between US\$343 million and US\$362 million, with a mean of US\$354 million
- Management expects full year Adjusted net operating profit to be between **US\$340 million and US\$370 million** assuming, among other things, housing conditions in the United States remain consistent and in line with our assumed forecast of new construction starts, input prices remain consistent, and an average USD/AUD exchange rate that is at or near current levels for the remainder of the year
- Management is unable to forecast the comparable US GAAP financial measure due to uncertainty regarding the impact of actuarial estimates on asbestos-related assets and liabilities in future periods

# NORTH AMERICA FIBER CEMENT



- FY20 strategic price increase effective April 2019
- Overall, satisfied with price positioning

# TRANSLATION IMPACT ON CONSOLIDATED RESULTS



% Change	As Reported		Excluding Translation Impact <sup>1</sup>	
	Q2'20	1H'20	Q2'20	1H'20
Net Sales	▲ 2%	▲ 2%	▲ 4%	▲ 3%
Gross Profit	▲ 16%	▲ 11%	▲ 17%	▲ 12%
Adjusted EBIT	▲ 26%	▲ 21%	▲ 26%	▲ 22%
Adjusted net operating profit	▲ 22%	▲ 17%	▲ 22%	▲ 18%

Translation Impact <sup>2</sup>	
Q2'20	1H'20
▼ 2%	▼ 1%
▼ 1%	▼ 1%
-	▼ 1%
-	▼ 1%

<sup>1</sup> As reported Q2'20 and 1H'20 figures converted using Q2'19 and 1H'19 average exchange rates, respectively

<sup>2</sup> Reflects the difference between Q2'20 As Reported and Q2'20 using Q2'19 average exchange rates, as well as 1H'20 As reported and 1H'20 using 1H'19 average exchange rates

# ASIA PACIFIC FIBER CEMENT RESULTS AUD vs USD

Three Months and Half Year Ended 30 September						
	Q2'20			1H'20		
	Results in AUD	Results in USD	Impact of FX	Results in AUD	Results in USD	Impact of FX
Average net sales price per unit (per msf)	+3%	-4%	<b>-7%</b>	+3%	-5%	<b>-8%</b>
Net sales	+2%	-4%	<b>-6%</b>	+1%	-6%	<b>-7%</b>
Gross profit	+3%	-4%	<b>-7%</b>	-1%	-8%	<b>-7%</b>
EBIT	+5%	-2%	<b>-7%</b>	FLAT	-7%	<b>-7%</b>

# ASIA PACIFIC FIBER CEMENT (LOCAL CURRENCY)



Q2'20			1H'20		
Australia			Australia		
Volume	Net Sales	EBIT	Volume	Net Sales	EBIT
↓	FLAT	↑	↓	↓	↓

## Australia

- Strong growth above market in a contracting market
- Good financial management resulting in EBIT growth in Q2



Q2'20			1H'20		
New Zealand			New Zealand		
Volume	Net Sales	EBIT	Volume	Net Sales	EBIT
↓	↑	↓	↓	FLAT	↓

## New Zealand

- Slightly lower volumes and higher price
- EBIT impacted by unfavorable plant performance



Q2'20			1H'20		
Philippines			Philippines		
Volume	Net Sales	EBIT	Volume	Net Sales	EBIT
↑	↑	↑	↑	↑	↑

## Philippines

- Strong growth above market in an underlying growing housing market



# FINANCIAL SUMMARY

## Three Months and Half Year Ended 30 September

US\$ Millions	Q2'20	Q2'19	% Change	1H'20	1H'19	% Change
<b>Net Sales</b>						
North America Fiber Cement	\$ 459.6	\$ 435.6	6	\$ 911.9	\$ 869.4	5
Asia Pacific Fiber Cement	112.6	117.3	(4)	220.6	234.4	(6)
Europe Building Products	87.9	87.4	1	183.8	182.8	1
Other Businesses	-	4.3		0.6	9.0	(93)
<b>Total Net Sales</b>	<b>\$ 660.1</b>	<b>\$ 644.6</b>	<b>2</b>	<b>\$ 1,316.9</b>	<b>\$ 1,295.6</b>	<b>2</b>
<b>EBIT</b>						
North America Fiber Cement <sup>1</sup>	\$ 124.7	\$ 99.5	25	\$ 238.2	\$ 206.7	15
Asia Pacific Fiber Cement	27.0	27.5	(2)	51.8	55.8	(7)
Europe Building Products <sup>2</sup>	5.8	3.4	71	13.7	(1.2)	
Other Businesses <sup>1</sup>	(0.5)	(1.8)	72	(0.1)	(3.3)	97
Research & Development	(6.9)	(7.1)	3	(13.1)	(14.5)	10
General Corporate <sup>3</sup>	(15.9)	(14.6)	(9)	(31.9)	(29.5)	(8)
<b>Adjusted EBIT</b>	<b>\$ 134.2</b>	<b>\$ 106.9</b>	<b>26</b>	<b>\$ 258.6</b>	<b>\$ 214.0</b>	<b>21</b>
Net interest expense <sup>4</sup>	\$ (14.6)	\$ (13.0)	(12)	\$ (28.5)	\$ (23.9)	(19)
Other income (expense)	0.1	0.1	-	(0.1)	0.3	
Adjusted income tax expense <sup>5</sup>	(21.1)	(13.1)	(61)	(41.2)	(29.6)	(39)
<b>Adjusted net operating profit</b>	<b>\$ 98.6</b>	<b>\$ 80.9</b>	<b>22</b>	<b>\$ 188.8</b>	<b>\$ 160.8</b>	<b>17</b>

<sup>1</sup> Excludes product line discontinuation expenses

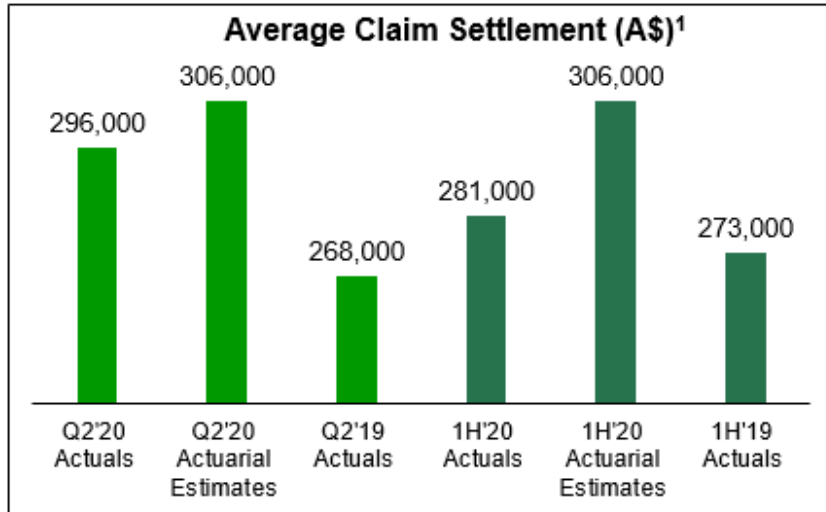
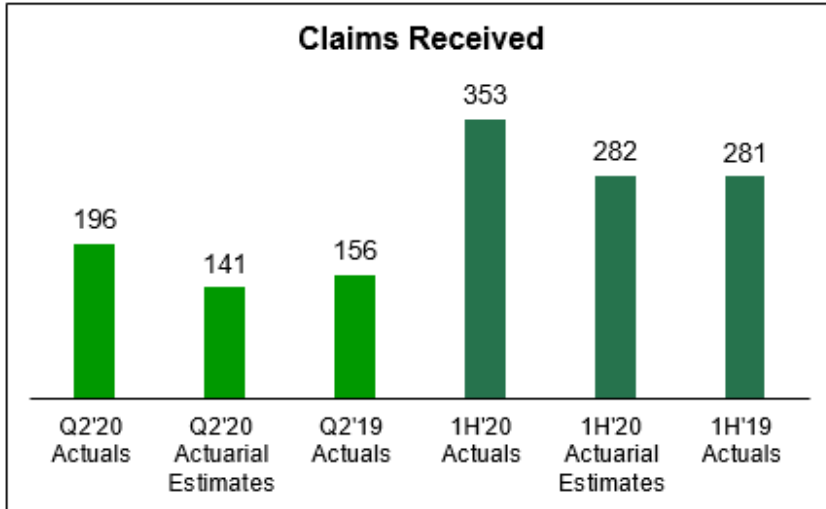
<sup>2</sup> Includes integration costs and FY19 transaction costs and inventory fair value adjustment

<sup>3</sup> Excludes Asbestos related expenses and adjustments

<sup>4</sup> Excludes AICF interest income

<sup>5</sup> Includes tax adjustments

# ASBESTOS CLAIMS DATA



- Net cash outflow in the first half was 5% below actuarial expectations
- Gross cash outflow in the first half was 1% above actuarial expectations
- Claims received for the first half were 25% above actuarial estimates and 26% higher than pcp
- Claims reporting for mesothelioma for the first half was 28% higher than actuarial estimates and pcp
- Number of claims settled for the first half were 12% above actuarial estimates and 2% below pcp
- Average claim settlement for the first half was 8% below actuarial estimates and 3% above pcp:
  - Average claim settlement sizes were lower than actuarial expectations for most disease types, including three out of four mesothelioma age groups, compared to actuarial expectations for the half year

<sup>1</sup> Average claim settlement is derived as the total amount paid divided by the number of non-nil claims

# DEPRECIATION AND AMORTIZATION

US\$ Millions	Three Months and Half Year Ended 30 September			
	Q2'20	Q2'19	1H'20	1H'19
<b>Depreciation and amortization</b>				
North America Fiber Cement	\$ 22.0	\$ 19.5	\$ 44.0	\$ 37.6
Asia Pacific Fiber Cement	3.2	3.3	6.2	6.4
Europe Building Products	5.7	5.7	11.1	10.4
Other Businesses	0.1	0.6	0.2	1.2
Research and Development	0.3	0.3	0.5	0.6
General Corporate	0.7	1.4	1.6	2.7
<b>Total depreciation and amortization</b>	<b>\$ 32.0</b>	<b>\$ 30.8</b>	<b>\$ 63.6</b>	<b>\$ 58.9</b>

# NON-US GAAP FINANCIAL MEASURES AND TERMS

This Management Presentation forms part of a package of information about the company's results. It should be read in conjunction with the other parts of this package, including the Management's Analysis of Results, Media Release and Condensed Consolidated Financial Statements

## Definitions

**EBIT** – Earnings before interest and taxes

**EBIT margin** – EBIT margin is defined as EBIT as a percentage of net sales

## Sales Volumes

**mmsf** – million square feet, where a square foot is defined as a standard square foot of 5/16" thickness

**msf** – thousand square feet, where a square foot is defined as a standard square foot of 5/16" thickness

## Non-financial Terms

**AFFA** – Amended and Restated Final Funding Agreement

**AICF** – Asbestos Injuries Compensation Fund Ltd

**Legacy New Zealand weathertightness claims ("New Zealand weathertightness")** – Expenses arising from defending and resolving claims in New Zealand that allege poor building design, inadequate certification of plans, inadequate construction review and compliance certification and deficient work by sub-contractors

**New South Wales loan facility ("NSW Loan")** – AICF has access to a secured loan facility made available by the New South Wales Government, which can be used by AICF to fund the payment of asbestos claims and certain operating and legal costs

# NON-US GAAP FINANCIAL MEASURES

## Financial Measures – US GAAP equivalents

This document contains financial statement line item descriptions that are considered to be non-US GAAP, but are consistent with those used by Australian companies. Because the company prepares its Condensed Consolidated Financial Statements under US GAAP, the following table cross-references each non-US GAAP line item description, as used in Management's Analysis of Results and Media Release, to the equivalent US GAAP financial statement line item description used in the company's Condensed Consolidated Financial Statements:

<b>Management's Analysis of Results and Media Release</b>	<b>Consolidated Statements of Operations and Other Comprehensive Income (Loss) (US GAAP)</b>
Net sales	Net sales
Cost of goods sold	Cost of goods sold
Gross profit	Gross profit
Selling, general and administrative expenses	Selling, general and administrative expenses
Research and development expenses	Research and development expenses
Asbestos adjustments	Asbestos adjustments
EBIT*	Operating income (loss)
Net interest income (expense)*	Sum of interest expense and interest income
Other income (expense)	Other income (expense)
Operating profit (loss) before income taxes*	Income (loss) before income taxes
Income tax (expense) benefit	Income tax (expense) benefit
Net operating profit (loss)*	Net income (loss)
*- Represents non-US GAAP descriptions used by Australian companies.	



# NON-US GAAP FINANCIAL MEASURES

## Financial Measures – US GAAP equivalents

### Adjusted EBIT

US\$ Millions	Three Months and Half Year Ended 30 September			
	Q2'20	Q2'19	1H'20	1H'19
<b>EBIT</b>	\$ 152.6	\$ 99.5	\$ 285.1	\$ 231.4
Asbestos:				
Asbestos adjustments	(18.8)	(14.2)	(27.3)	(39.3)
AICF SG&A expenses	0.4	0.4	0.8	0.7
Product line discontinuation	-	21.2	-	21.2
<b>Adjusted EBIT</b>	\$ 134.2	\$ 106.9	\$ 258.6	\$ 214.0
Net sales	660.1	644.6	1,316.9	1,295.6
<b>Adjusted EBIT margin</b>	<b>20.3%</b>	<b>16.6%</b>	<b>19.6%</b>	<b>16.5%</b>

### Adjusted net operating profit

US\$ Millions	Three Months and Half Year Ended 30 September			
	Q2'20	Q2'19	1H'20	1H'19
<b>Net operating profit</b>	\$ 103.1	\$ 69.5	\$ 189.6	\$ 160.1
Asbestos:				
Asbestos adjustments	(18.8)	(14.2)	(27.3)	(39.3)
AICF SG&A expenses	0.4	0.4	0.8	0.7
AICF interest income, net	(0.4)	(0.5)	(0.6)	(0.8)
Product line discontinuation	-	21.2	-	21.2
Tax adjustments <sup>1</sup>	14.3	4.5	26.3	18.9
<b>Adjusted net operating profit</b>	\$ 98.6	\$ 80.9	\$ 188.8	\$ 160.8

<sup>1</sup> Includes tax adjustments related to the amortization benefit of certain US intangible assets, asbestos, and other tax adjustments

# NON-US GAAP FINANCIAL MEASURES

## North America Fiber Cement Segment Adjusted EBIT excluding product line discontinuation

US\$ Millions	Three Months and Half Year Ended 30 September			
	Q2'20	Q2'19	1H'20	1H'19
<b>North America Fiber Cement Segment EBIT</b>	\$ 124.7	\$ 94.1	\$ 238.2	\$ 201.3
Product line discontinuation	-	5.4	-	5.4
<b>North America Fiber Cement Segment Adjusted EBIT excluding product line discontinuation</b>	\$ 124.7	\$ 99.5	\$ 238.2	\$ 206.7
North America Fiber Cement Segment net sales	459.6	435.6	911.9	869.4
<b>North America Fiber Cement Segment Adjusted EBIT margin excluding product line discontinuation</b>	27.1%	22.8%	26.1%	23.8%

## Europe Building Products Segment Adjusted EBIT excluding costs associated with the acquisition

US\$ Millions	Three Months and Half Year Ended 30 September			
	Q2'20	Q2'19	1H'20	1H'19
<b>Europe Building Products Segment EBIT</b>	\$ 5.8	\$ 3.4	\$ 13.7	\$ (1.2)
Inventory fair value adjustment <sup>1</sup>	-	-	-	7.3
Transaction costs <sup>2</sup>	-	-	-	7.2
Integration costs <sup>3</sup>	2.9	5.1	5.3	6.6
Costs associated with acquisition	2.9	5.1	5.3	21.1
<b>Europe Building Products Segment Adjusted EBIT excluding costs associated with the acquisition</b>	\$ 8.7	\$ 8.5	\$ 19.0	\$ 19.9
Europe Building Products Segment net sales	87.9	87.4	183.8	182.8
<b>Europe Building Products Segment Adjusted EBIT margin excluding costs associated with the acquisition</b>	9.9%	9.7%	10.3%	10.9%

<sup>1</sup> Under US GAAP, we were required to value the inventory acquired at fair market value. The revaluation resulted in a preliminary total inventory fair value adjustment of US\$7.3 million. As this inventory was sold during the first quarter of FY19, the entire adjustment was recognized into cost of goods sold during that period

<sup>2</sup> Transaction costs include certain non-recurring fees incurred in conjunction with the acquisition of Fermacell

<sup>3</sup> Integration costs relate to professional, legal and other fees incurred in conjunction with the integration of Fermacell

# NON-US GAAP FINANCIAL MEASURES

## Adjusted diluted earnings per share

	Three Months and Half Year Ended 30 September			
	Q2'20	Q2'19	1H'20	1H'19
<b>Adjusted net operating profit (US\$ Millions)</b>	\$ 98.6	\$ 80.9	\$ 188.8	\$ 160.8
Weighted average common shares outstanding - Diluted (millions)	444.5	443.1	444.3	443.1
<b>Adjusted diluted earnings per share (US cents)</b>	<b>22</b>	<b>18</b>	<b>42</b>	<b>36</b>

## Adjusted effective tax rate

US\$ Millions	Three Months and Half Year Ended 30 September			
	Q2'20	Q2'19	1H'20	1H'19
<b>Operating profit before income taxes</b>	\$ 138.5	\$ 87.1	\$ 257.1	\$ 208.6
Asbestos:				
Asbestos adjustments	(18.8)	(14.2)	(27.3)	(39.3)
AICF SG&A expenses	0.4	0.4	0.8	0.7
AICF interest income, net	(0.4)	(0.5)	(0.6)	(0.8)
Product line discontinuation	-	21.2	-	21.2
<b>Adjusted operating profit before income taxes</b>	\$ 119.7	\$ 94.0	\$ 230.0	\$ 190.4
Income tax expense	(35.4)	(17.6)	(67.5)	(48.5)
Tax adjustments <sup>1</sup>	14.3	4.5	26.3	18.9
<b>Adjusted income tax expense</b>	\$ (21.1)	\$ (13.1)	\$ (41.2)	\$ (29.6)
Effective tax rate	25.6%	20.2%	26.3%	23.3%
<b>Adjusted effective tax rate</b>	<b>17.6%</b>	<b>13.9%</b>	<b>17.9%</b>	<b>15.5%</b>

<sup>1</sup> Includes tax adjustments related to the amortization benefit of certain US intangible assets, asbestos, and other tax adjustments

# NON-US GAAP FINANCIAL MEASURES

## Adjusted EBITDA excluding Asbestos

US\$ Millions	Three Months and Half Year Ended 30 September			
	Q2'20	Q2'19	1H'20	1H'19
<b>EBIT</b>	\$ 152.6	\$ 99.5	\$ 285.1	\$ 231.4
Depreciation and amortization	32.0	30.8	63.6	58.9
<b>Adjusted EBITDA</b>	\$ 184.6	\$ 130.3	\$ 348.7	\$ 290.3
Asbestos:				
Asbestos adjustments	(18.8)	(14.2)	(27.3)	(39.3)
AICF SG&A expenses	0.4	0.4	0.8	0.7
<b>Adjusted EBITDA excluding Asbestos</b>	\$ 166.2	\$ 116.5	\$ 322.2	\$ 251.7

## Adjusted selling, general and administrative expenses ("Adjusted SG&A")

US\$ Millions	Three Months and Half Year Ended 30 September			
	Q2'20	Q2'19	1H'20	1H'19
<b>SG&amp;A expenses</b>	\$ 98.1	\$ 98.9	\$ 199.6	\$ 203.8
Excluding:				
AICF SG&A expenses	(0.4)	(0.4)	(0.8)	(0.7)
<b>Adjusted SG&amp;A expenses</b>	\$ 97.7	\$ 98.5	\$ 198.8	\$ 203.1
Net sales	660.1	644.6	1,316.9	1,295.6
SG&A expenses as a percentage of net sales	14.9%	15.3%	15.2%	15.7%
<b>Adjusted SG&amp;A expenses as a percentage of net sales</b>	<b>14.8%</b>	<b>15.3%</b>	<b>15.1%</b>	<b>15.7%</b>





# Q2 FY20 MANAGEMENT PRESENTATION

7 November 2019

