



# Q1 FY20 MANAGEMENT PRESENTATION

9 August 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;
- Europe Building Products Segment Adjusted EBIT excluding costs associated with the acquisition;
- Adjusted EBIT margin;
- 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



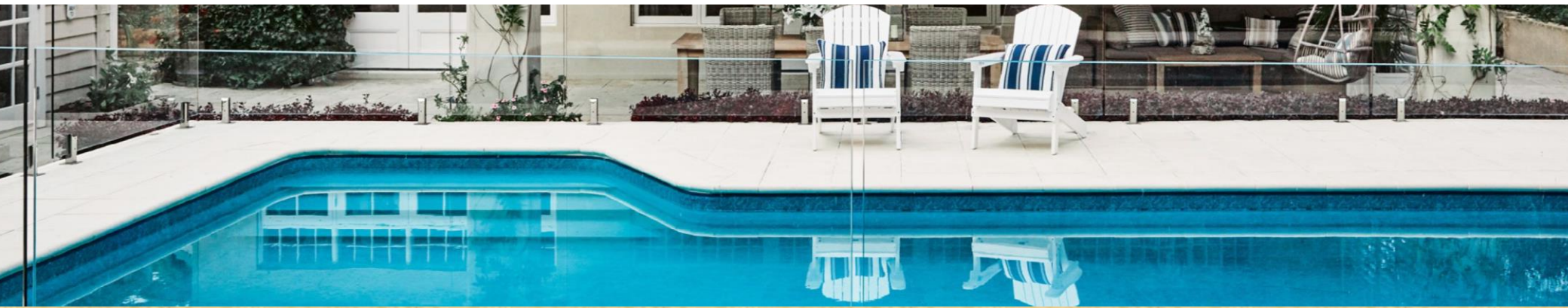
- **Financial Review**  
Matt Marsh, EVP and CFO



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



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



# Q1 FY20 GROUP RESULTS OVERVIEW

	Q1'20
Sales Volume	957.2 mmsf ↑ 2%
Net Sales	US\$656.8 M ↑ 1%
Adjusted EBIT <sup>1</sup>	US\$124.4 M ↑ 16%
Adjusted Net Operating Profit <sup>2</sup>	US\$90.2 M ↑ 13%

- North America delivered very good volume growth in a down market
- North America EBIT margin at the top end of our range
- Europe continued to deliver strong top line growth
- APAC delivered solid financial results despite weakening Australian housing market

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

<sup>2</sup> Excludes asbestos related expenses and adjustments and tax adjustments

Very good performance in all three geographies

# Q1 FY20 NORTH AMERICA SUMMARY

	<b>Q1'20</b>
Sales Volume	<b>612.7 mmsf</b> ↑ 4%
Net Sales	<b>US\$452.3 M</b> ↑ 4%
EBIT	<b>US\$113.5 M</b> ↑ 6%
EBIT Margin	<b>25.1 %</b> ↑ 0.4 pts

- We expect underlying addressable housing market to be slightly positive for full year FY20
- Exteriors volume grew 5%, showing continuous improvement in primary demand growth
- Interiors volume declined 3%; a marked improvement compared to the previous four quarters
- EBIT Margin at top of our target range

Commercial transformation and implementation of lean manufacturing are moving in the right direction





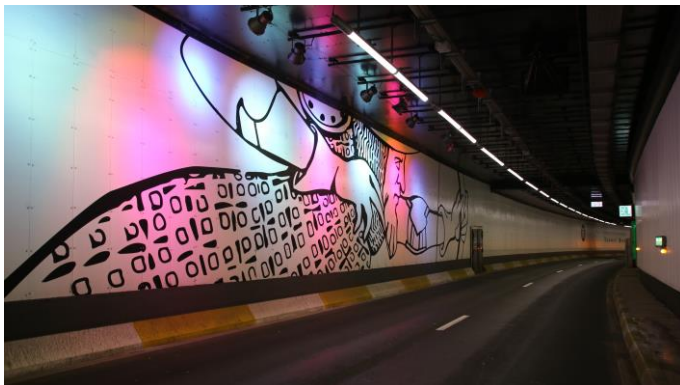
# Q1 FY20 EUROPE SUMMARY

	Q1'20
Sales Volume	210.1 mmsf FLAT
Net Sales	€85.4 M ↑ 7%
EBIT Excluding <sup>1</sup>	€9.1 M ↓ -4%
EBIT Margin Excluding <sup>1</sup>	10.7 % ↓ -1.2 pts

- Very good revenue growth; up 7% in Euros
- Fiber Cement revenue increased 37% in Euros versus prior corresponding period
- EBIT Margin Excluding<sup>1</sup> of 10.7%, in line with internal targets and on track to deliver full year EBIT Margin accretion

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

Europe continues to perform well with increased Fiber Cement momentum



# Q1 FY20 APAC SUMMARY

	Q1'20
Sales Volume	134.4 mmsf ↓ -3%
Net Sales	A\$154.4 M FLAT
EBIT	A\$35.4 M ↓ -6%
EBIT Margin	23.0 % ↓ -1.2 pts

- Solid financial results despite significant softening of Australian housing market
- Strong volume growth in the Philippines
- EBIT and EBIT Margin continue to be impacted by input cost inflation and higher freight

Proactive management 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

EBIT Margin **at the top of** our stated range of 20 to 25%<sup>1</sup>

Exteriors volume: 3-5% PDG

## Europe

Slight housing market growth across addressable market

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>

*Note: Changes to key assumptions and outlook statements from those provided in our Q4 FY19 results presentation are indicated in bold text above.*

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

<sup>2</sup> Expectation is based upon the Company continuing to improve operating performance in our plants and slight underlying housing growth

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



## **FINANCIAL REVIEW – MATT MARSH, EVP AND CFO**



# RESULTS – 1<sup>ST</sup> QUARTER FY20

## Three Months Ended 30 June

US\$ Millions	Q1'20	Q1'19	% Change
Sales volume	957.2	938.6	2
Net sales	656.8	651.0	1
Gross profit	233.1	221.1	5
EBIT	132.5	131.9	FLAT
Net operating profit	86.5	90.6	(5)
Operating cash flow	140.2	107.5	30
<b>Adjusted EBIT<sup>1</sup></b>			
Adjusted EBIT <sup>1</sup>	124.4	107.1	16
<b>Adjusted Net Operating Profit<sup>2</sup></b>			
Adjusted Net Operating Profit <sup>2</sup>	90.2	79.9	13

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

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

## Net sales increased 1%, US\$5.8 million

- Exterior growth above market in the North America Fiber Cement segment
- Asia Pacific Fiber Cement segment impacted by continued Australian market softening
- Higher net sales in Europe Building Products segment

## Gross profit increased 5%, gross margin % up 150bps

## Adjusted net operating profit<sup>2</sup> increased 13%

- North America Fiber Cement EBIT **increased** 6%
- Asia Pacific Fiber Cement EBIT **decreased** 12%
- Europe Building Products EBIT **increased** 272%

# NORTH AMERICA FIBER CEMENT SUMMARY

	Q1'20
Sales Volume	612.7 mmsf ↑ 4%
Net Sales	US\$452.3 M ↑ 4%
Average Price	US\$731 per msf ↑ 1%
EBIT	US\$113.5 M ↑ 6%
EBIT Margin	25.1 % ↑ 0.4 pts

## Volume

- Exteriors volumes +5% compared to pcp
- Interiors volumes -3% compared to pcp

## Price

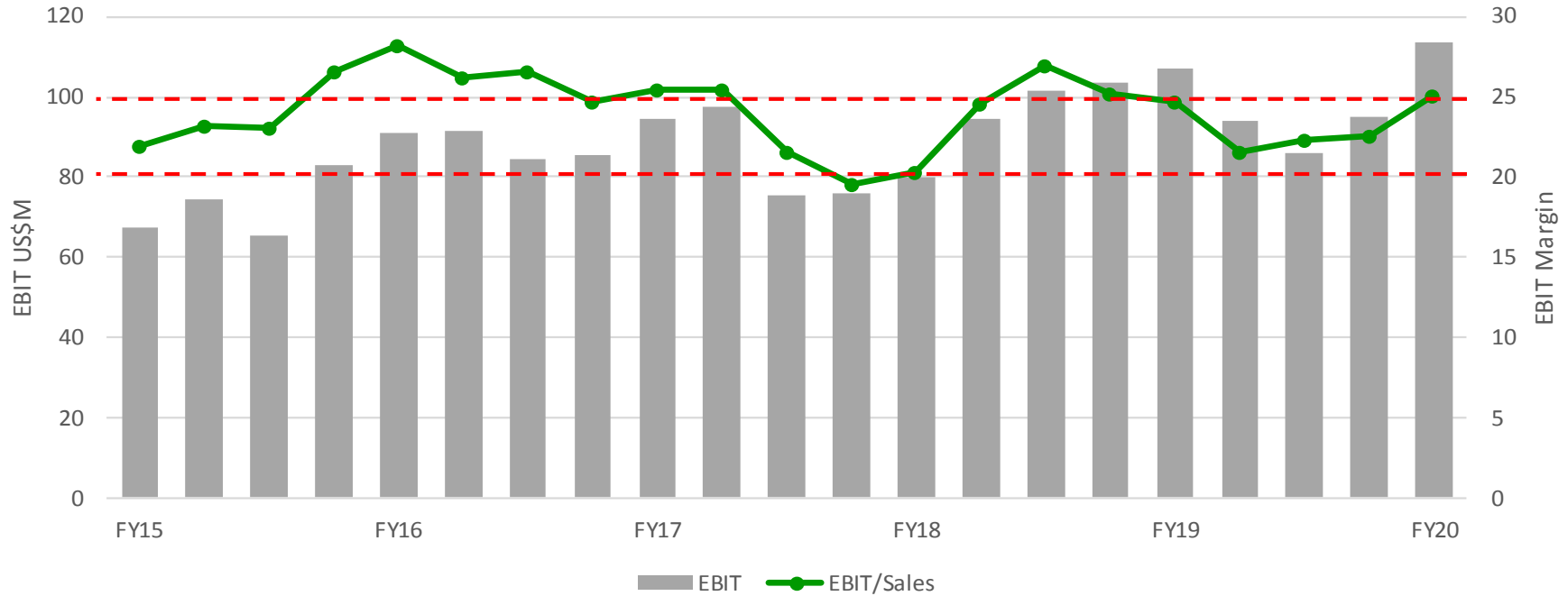
- Favorably impacted by annual change in strategic pricing, partially offset by tactical pricing

## EBIT

- Higher net sales
- Partially offset by higher input costs
- Improved plant performance
- SG&A as a % of revenue down

# NORTH AMERICA FIBER CEMENT

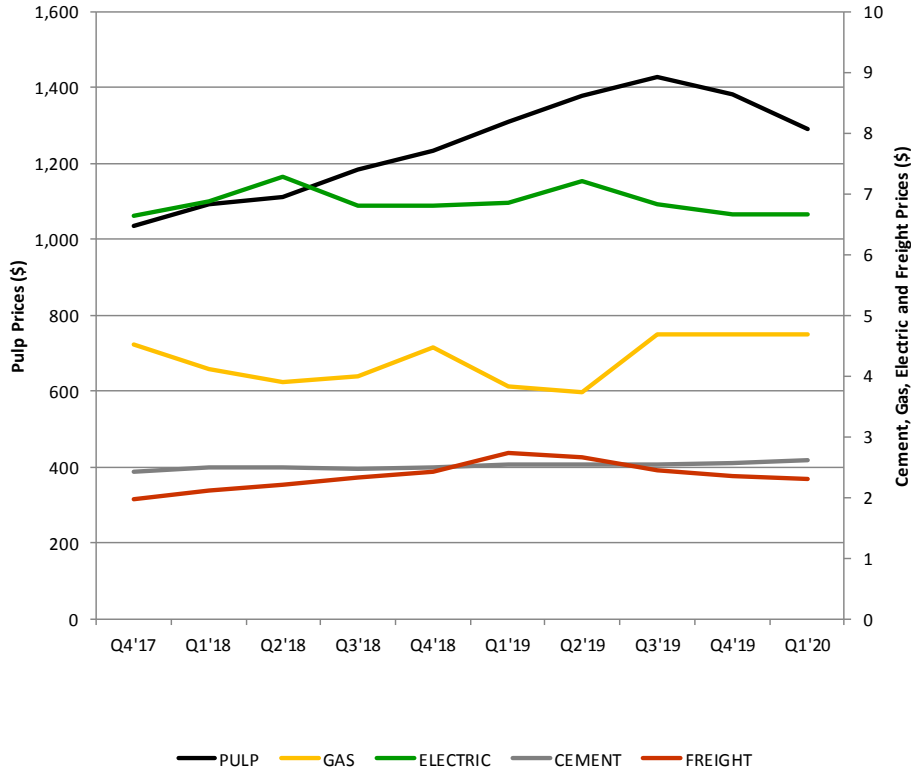
Quarterly EBIT and EBIT Margin



Q1 FY20 EBIT Margin % up 40 bps to 25.1% compared to pcp and at the top end of our target range

# NORTH AMERICA INPUT COSTS

Quarterly US Input Costs








- The price of NBSK pulp **down** 1% compared to pcp
  - Price down 6% compared to Q4 FY19
- Freight prices **down** 16% compared to pcp
- Cement prices **up** 3% compared to pcp
- Gas prices **up** 22% compared to pcp
- Electric prices **down** 3% 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

	Q1'20
Sales Volume	134.4 mmsf  -3%
Net Sales	A\$154.4 M FLAT
Average Price	A\$1,018 per msf  2%
EBIT	US\$24.8 M  -12%
EBIT	A\$35.4 M  -6%
EBIT Margin	23.0 %  -1.2 pts

## Volume

- Positive PDG in Australia despite continued softening of the housing market
- Strong sales volume growth in the Philippines

## EBIT

- Impacted by higher input costs and unfavorable New Zealand plant performance
- Partially offset by higher average net sales price in Australian dollars
- Segment results in US dollars impacted by unfavorable foreign exchange rate movements

# ASIA PACIFIC FIBER CEMENT (LOCAL CURRENCY)



Q1'20		
Australia		
Volume	Net Sales	EBIT
↓	↓	↓

## Australia

- Gained market penetration despite a soft market
- EBIT decrease primarily driven by lower net sales



Q1'20		
New Zealand		
Volume	Net Sales	EBIT
↓	↓	↓

## New Zealand

- EBIT impacted by higher input costs and unfavorable plant performance



Q1'20		
Philippines		
Volume	Net Sales	EBIT
↑	↑	↓

## Philippines

- Volume increase driven by market penetration
- EBIT unfavorably impacted by higher input costs

# EUROPE BUILDING PRODUCTS SUMMARY

	Q1'20
Sales Volume	210.1 mmsf FLAT
Net Sales	€85.4 M ↑ 7%
Average Price	€315 per msf ↑ 4%
EBIT	US\$7.9 M ↑ 272%
EBIT Excluding <sup>1</sup>	US\$10.3 M ↓ -10%
EBIT Excluding <sup>1</sup>	€9.1 M ↓ -4%
EBIT Margin Excluding <sup>1</sup>	10.7 % ↓ -1.2 pts

## Net Sales

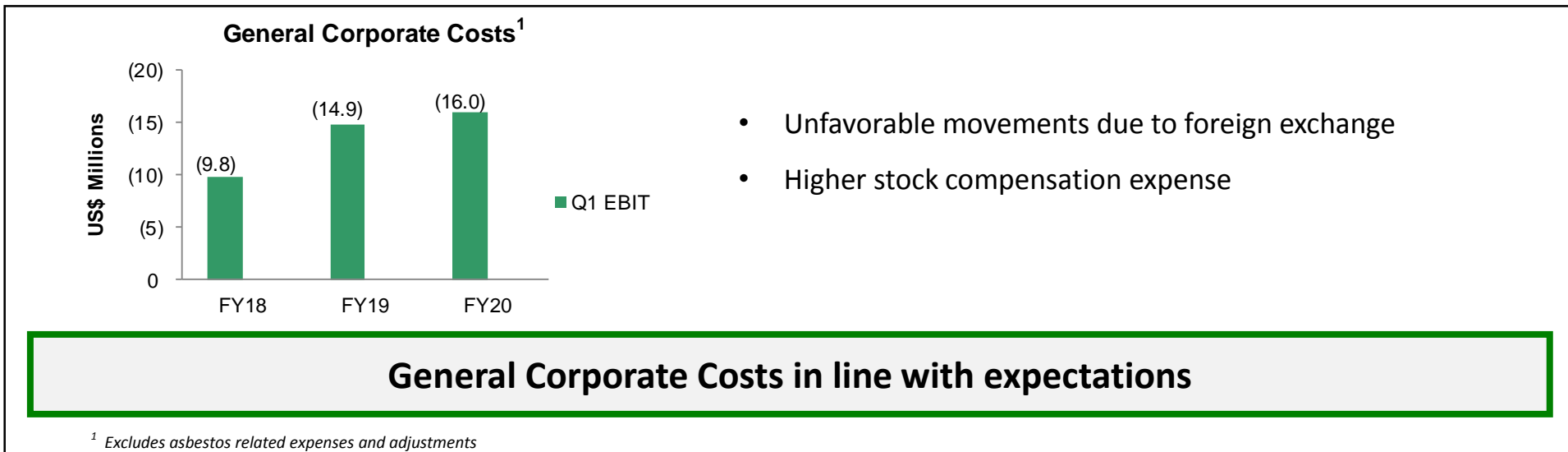
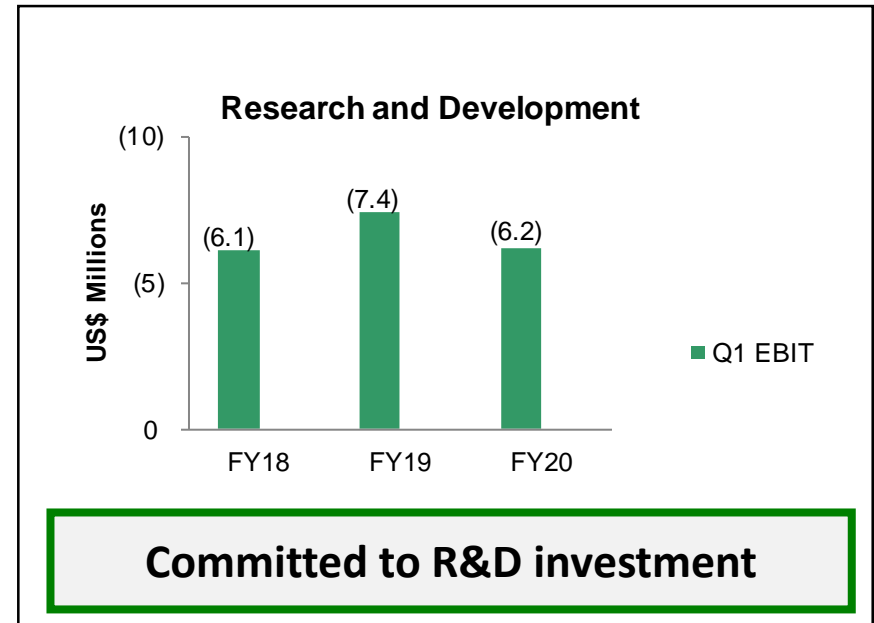
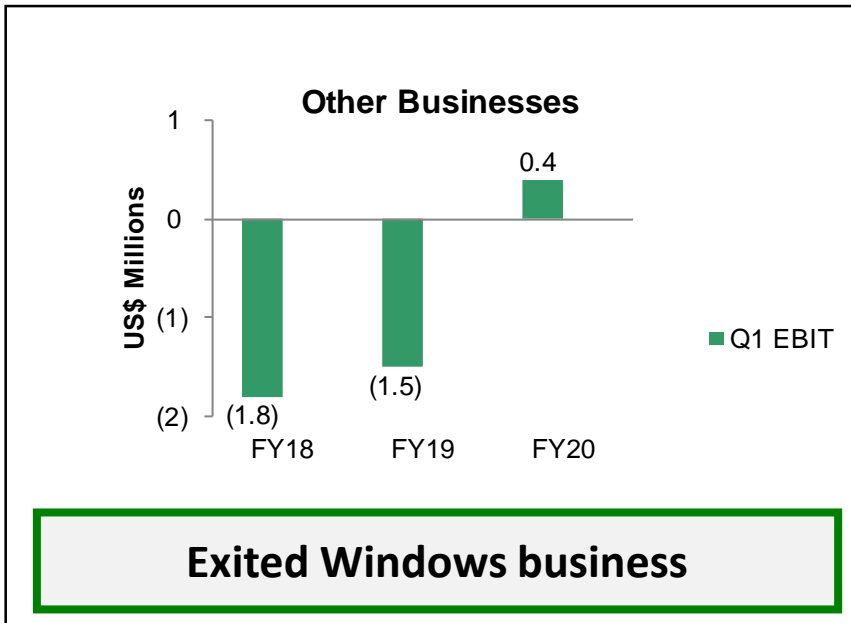
- Net sales in Euros increased 7%
- Fiber cement net sales in Euros increased 37%

## 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
- €2.0 million of integration costs in Q1 FY20
- EBIT Margin Excluding<sup>1</sup> of 10.7% in line with internal targets

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

# SEGMENT EBIT – 1<sup>ST</sup> QUARTER FY20



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

# INCOME TAX

## Three Months Ended 30 June

US\$ Millions	Q1'20	Q1'19
Operating profit before taxes	118.6	121.5
Asbestos adjustments <sup>1</sup>	(8.3)	(25.1)
<b>Adjusted operating profit before income taxes</b>	<b>110.3</b>	<b>96.4</b>
Adjusted income tax expense <sup>2</sup>	(20.1)	(16.5)
<b>Adjusted effective tax rate</b>	<b>18.2%</b>	<b>17.1%</b>

Income tax expense	(32.1)	(30.9)
Income taxes paid	2.6	4.2
Income taxes payable <sup>3</sup>	46.4	34.0

## 18.2% adjusted effective tax rate for the quarter

- Increase in adjusted income tax expense driven by a change in the geographical mix of earnings, including the accounting treatment related to the amortization benefit of intangible assets
- 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

<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 June 2019 related to the deemed repatriation promulgated by the US Tax Cuts and Jobs Act and will be paid in annual installments through FY25

# FINANCIAL MANAGEMENT FRAMEWORK

## Strong Financial Management

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

Moody's

**Ba1**

affirmed Sept'18  
outlook stable

S&P

**BB**

affirmed Mar'19  
outlook stable

Fitch

**BBB-**

affirmed Mar'19  
outlook stable

## 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 Q1 FY20;
  - €400m (US\$454.6m) senior unsecured notes at Q1 FY20;
  - At Q1 FY20, total debt had a weighted average maturity of 6.1 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<sup>1</sup>

US\$ Millions	FY20	FY19	Change (%)
<b>Net Income</b>	<b>86.5</b>	<b>90.6</b>	<b>(5)</b>
Adjustment for non-cash items	48.0	26.5	81
Operating working capital <sup>2</sup>	44.1	24.8	78
Other net operating activities	(17.5)	(10.0)	(75)
AICF cash flow, net	-	(0.2)	
<b>Cash Flow from Operations</b>	<b>161.1</b>	<b>131.7</b>	<b>22</b>
Purchases of property, plant and equipment <sup>3</sup>	(65.3)	(69.6)	6
Proceeds from sale of property, plant and equipment	4.5	-	
Acquisition of business, net of cash acquired	-	(558.7)	
<b>Free Cash Flow<sup>4</sup></b>	<b>100.3</b>	<b>(496.6)</b>	
Net repayments to credit facilities	(80.0)	(100.0)	20
Proceeds from 364-day term loan facility	-	492.4	
<b>Free Cash Flow after Financing Activities</b>	<b>20.3</b>	<b>(104.2)</b>	

<sup>1</sup> Derived from supplementary statement of cash flow

<sup>2</sup> Excludes AP related to capital expenditures

<sup>3</sup> Includes capitalized interest

<sup>4</sup> Distinct from the term defined by the AFFA for purposes of calculating our annual contribution to AICF

## Higher operating cash flow

- Net cash inflow due to working capital
- Increase in income adjusted for non-cash items
- Offset by changes in operating assets and liabilities

## Lower investing activities

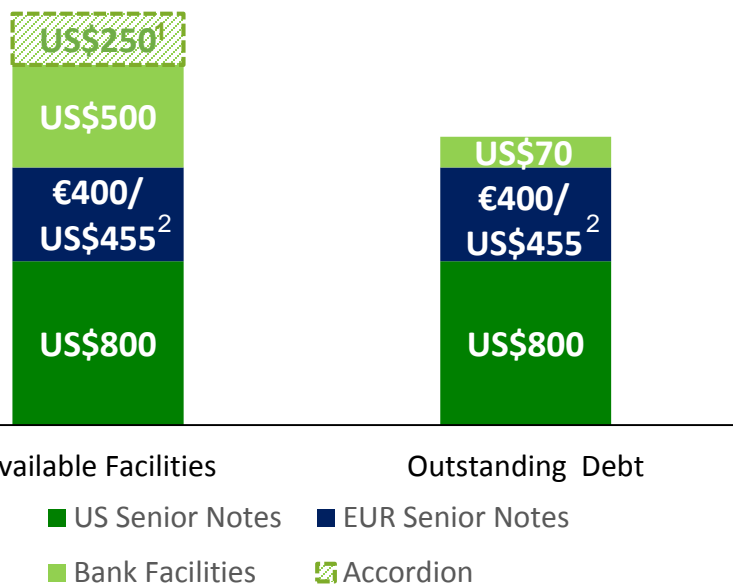
- Acquisition of Fermacell in Europe in FY19
- Partially offset by decrease in fixed asset purchases

## Lower financing activities

- Lower proceeds due to Fermacell acquisition in FY19
- Partially offset by lower net repayments to credit facilities

# LIQUIDITY PROFILE AT 30 JUNE 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 June 2019

<sup>3</sup> Includes debt issuance costs (US\$18.4 million)

## Strong balance sheet

- US\$96.1 million cash
- US\$1,210.1 million net debt<sup>3</sup>
- US\$420.5 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\$454.6)<sup>2</sup>** 3.625 % senior unsecured notes, **maturing 2026**
- **US\$500 million** unsecured revolving credit facility, **maturing 2022**

## Leverage strategy

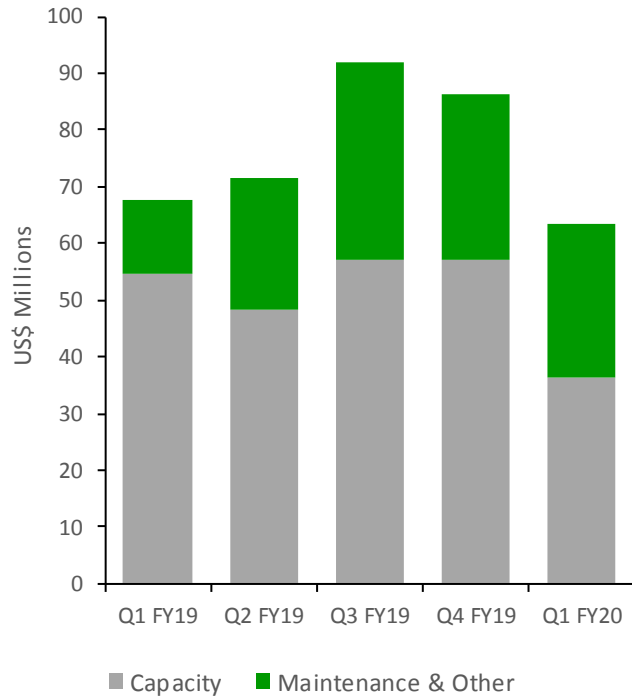
- ~2.2x net debt to Adjusted EBITDA excluding asbestos; temporarily outside of the 1-2x leverage target range

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



# CAPITAL EXPENDITURES

CAPEX Spend



CAPEX spend of US\$63.3 million; decreased US\$4.5 million compared to pcp

- **North America capacity projects**
  - Continued start-up of Tacoma greenfield expansion
  - Continued construction of our Prattville facility
  - Continued expansion within our ColorPlus product line
- **Asia Pacific capacity projects**
  - Continued Carole Park brownfield expansion project

# FY20 KEY ASSUMPTIONS, MARKET OUTLOOK & GUIDANCE

## North America

Modest growth in the US housing market

US Residential Housing starts forecast between 1.2 and 1.3 million

EBIT Margin at the top of our stated range of 20 to 25%<sup>1</sup>

Exteriors volume: 3-5% PDG

## Europe

Slight housing market growth across addressable market

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\$325 million and US\$365 million**

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

<sup>2</sup> Expectation is based upon the Company continuing to improve operating performance in our plants and slight underlying housing growth

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

# KEY FINANCIAL MESSAGES

- Good and disciplined financial performance in all three business segments
  - North America Fiber Cement delivered marked improvement in primary demand growth while generating an EBIT margin at the top of our target range
  - Asia Pacific Fiber Cement EBIT margins were in the middle of our target range
  - Europe Building Products segment delivered strong revenue growth in Euros
- Adjusted EBIT of US\$124.4 million (up 16% from pcp)
- Adjusted NOPAT of US\$90.2 million (up 13% from pcp)
- We will fund US\$108.9 million to AICF during the second quarter of fiscal year 2020, as provided under the AFFA



## **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

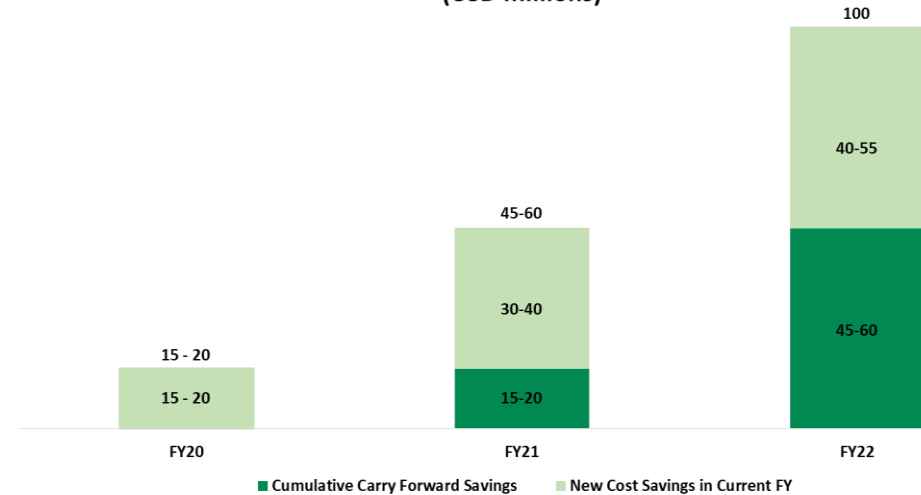


# LEAN TRANSFORMATION – GLOBAL UPDATE

## North America

- Hardie Manufacturing Operating System (HMOS) already rolled out to 5 plants
- 2 additional plants will be implemented by 30 September 2019
- On-track to deliver US\$100 million cost savings

North America Lean Cost Savings Targets (USD millions)



## Europe

- Team visited NA plants in July
- First European plant will implement HMOS in Q3 FY20

## APAC

- Continuous improvement & execution
- Team visiting NA plants in Q3 FY20



Standard Personal Protection Equipment rolled out at all European plants

# EUROPE UPDATE

- Continue to drive sales synergies of Fiber Cement Exteriors with Fiber Gypsum Interiors
- Manufacturing improvements
- Deliver EBIT accretion



New construction luxury development in Hertfordshire, UK utilizing ColorPlus® HardiePlank® on exteriors



New construction in Eastern Switzerland utilizing ColorPlus® HardiePlank® on the exteriors and Fermacell fiber gypsum interior wall linings



# AUSTRALIA: GROWTH ABOVE MARKET - UPDATE

- Market Trends
  - Labor shortage
  - Less space / smaller lot sizes
  - Lightweight construction
- Take share from Brick
- Continue to deliver sustained Growth Above Market



A modern mixed material home built using James Hardie's Scyon® range, EasyLap® and HardieTex® (NSW)



(Left) Historically typical brick single family home construction in Australia. (Above) An affordable "Hamptons" home targeting millennials using James Hardie Linea® (QLD)

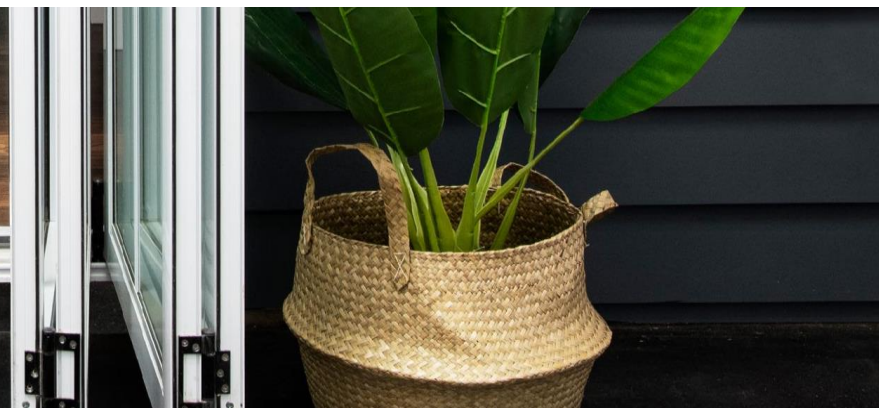
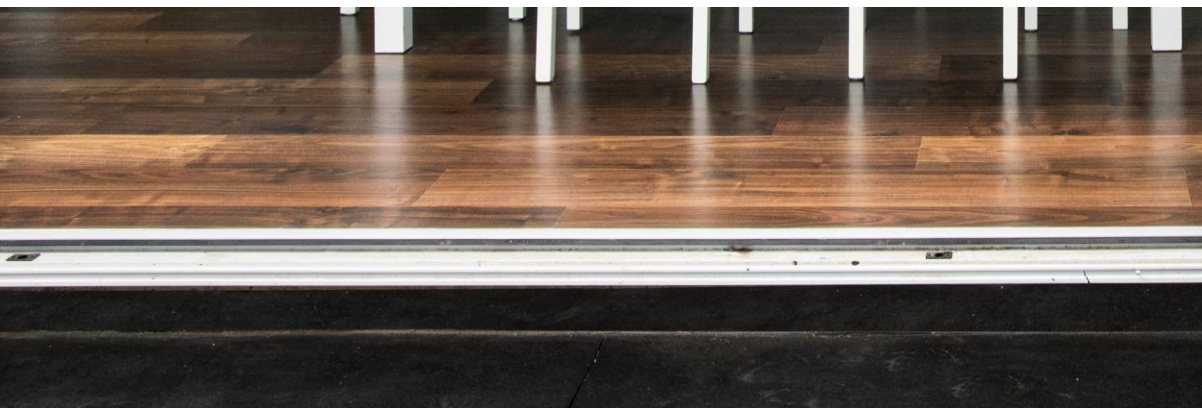


## QUESTIONS





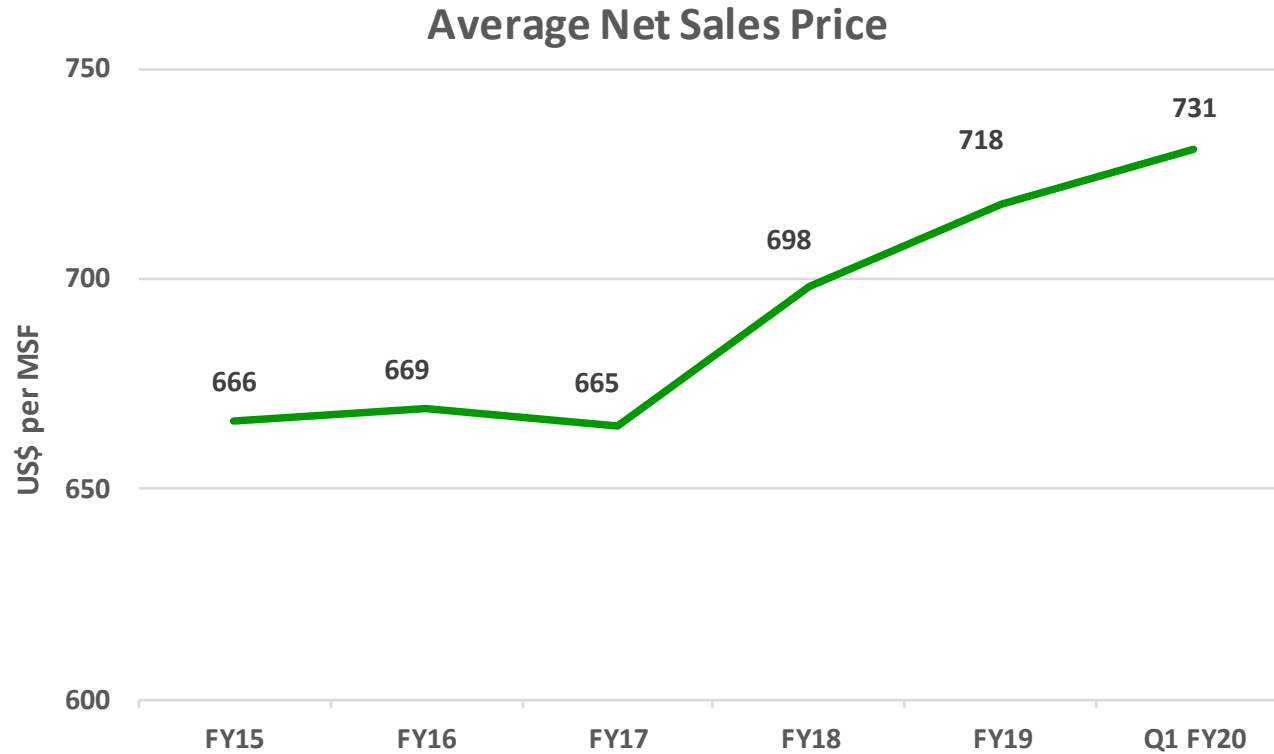
## APPENDIX



## 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\$328 million and US\$360 million, with a mean of US\$344 million
- Management expects full year Adjusted net operating profit to be between **US\$325 million and US\$365 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



US\$ Millions	As Reported			Excluding Translation Impact <sup>1</sup>	
	Q1 FY20	Q1 FY19	% Change	Q1 FY20	% Change
Net Sales	\$ 656.8	\$ 651.0	▲ 1%	\$ 669.9	▲ 3%
Gross Profit	233.1	221.1	▲ 5%	237.4	▲ 7%
Adjusted EBIT	124.4	107.1	▲ 16%	126.4	▲ 18%
Adjusted net operating profit	\$ 90.2	\$ 79.9	▲ 13%	\$ 91.0	▲ 14%

Translation Impact <sup>2</sup>	
\$ Unfav	%
(13.1)	▼ 2%
(4.3)	▼ 2%
(2.0)	▼ 2%
(0.8)	▼ 1%

<sup>1</sup> As reported Q1 FY20 figures converted using Q1 FY19 average exchange rates

<sup>2</sup> Reflects the difference between Q1 FY20 As Reported and Q1 FY20 using Q1 FY19 average exchange rates

# ASIA PACIFIC FIBER CEMENT RESULTS AUD vs USD

Three Months Ended 30 June			
	FY20		
	Results in AUD	Results in USD	Impact of FX
Average net sales price per unit (per msf)	+2%	-5%	<b>-7%</b>
Net sales	FLAT	-8%	<b>-8%</b>
Gross profit	-5%	-12%	<b>-7%</b>
EBIT	-6%	-12%	<b>-6%</b>

# FINANCIAL SUMMARY

Three Months Ended 30 June			
US\$ Millions	Q1'20	Q1'19	% Change
<b>Net Sales</b>			
North America Fiber Cement	\$ 452.3	\$ 433.8	4
Asia Pacific Fiber Cement	108.0	117.1	(8)
Europe Building Products	95.9	95.4	1
Other Businesses	0.6	4.7	(87)
<b>Total Net Sales</b>	<b>\$ 656.8</b>	<b>\$ 651.0</b>	<b>1</b>
<b>EBIT</b>			
North America Fiber Cement	\$ 113.5	\$ 107.2	6
Asia Pacific Fiber Cement	24.8	28.3	(12)
Europe Building Products <sup>1</sup>	7.9	(4.6)	
Other Businesses	0.4	(1.5)	
Research & Development	(6.2)	(7.4)	16
General Corporate <sup>2</sup>	(16.0)	(14.9)	(7)
<b>Adjusted EBIT</b>	<b>\$ 124.4</b>	<b>\$ 107.1</b>	<b>16</b>
Net interest expense <sup>3</sup>	\$ (13.9)	\$ (10.9)	(28)
Other (expense) income	(0.2)	0.2	
Adjusted income tax expense <sup>4</sup>	(20.1)	(16.5)	(22)
<b>Adjusted net operating profit</b>	<b>\$ 90.2</b>	<b>\$ 79.9</b>	<b>13</b>

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

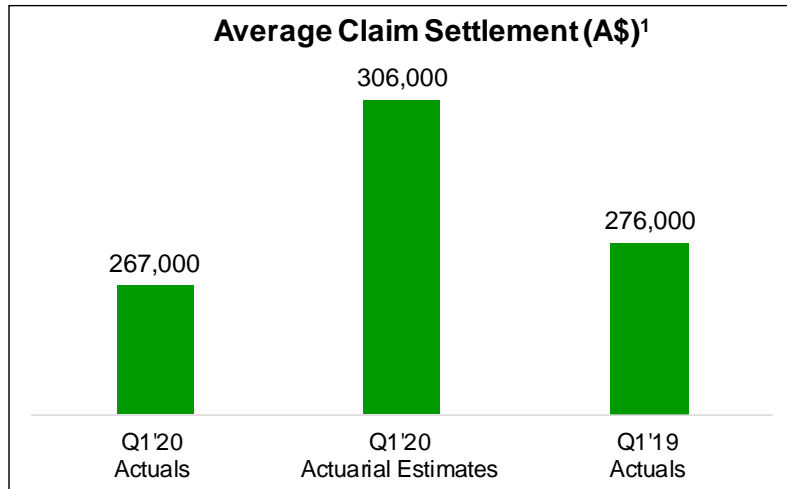
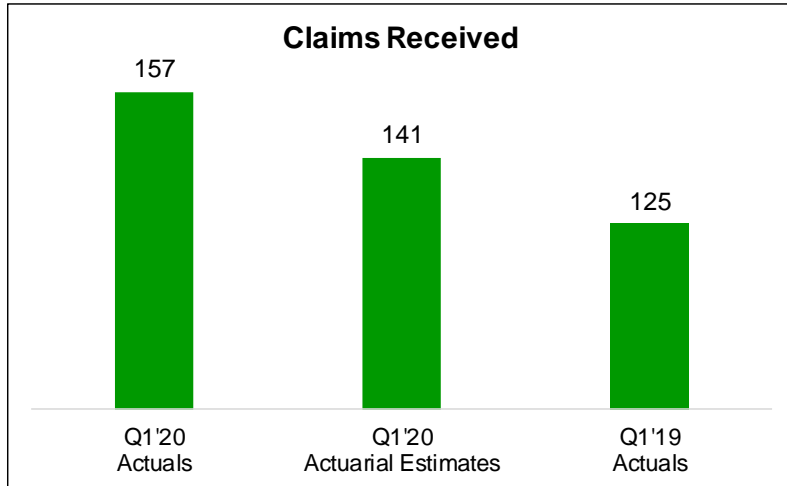
<sup>2</sup> Excludes Asbestos related expenses and adjustments

<sup>3</sup> Excludes AICF interest income

<sup>4</sup> Includes tax adjustments



# ASBESTOS CLAIMS DATA



- Gross cash outflow in the quarter was 7% below actuarial expectations.
- Claims received were 11% above actuarial estimates and 26% higher than pcp
- Claims reporting for mesothelioma:
  - 22% higher than actuarial estimates
  - 37% higher than pcp
- Average claim settlement was 13% below actuarial estimates and 3% lower than pcp:
  - Average claim settlement sizes were lower for most disease types, including mesothelioma claims for all age groups, compared to actuarial expectations for the quarter

<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 Ended 30 June	
	Q1'20	Q1'19
<b>Depreciation and amortization</b>		
North America Fiber Cement	\$ 22.0	18.1
Asia Pacific Fiber Cement	3.0	3.1
Europe Building Products	5.4	4.7
Other Businesses	0.1	0.6
Research and Development	0.2	0.3
General Corporate	0.9	1.3
<b>Total depreciation and amortization</b>	<b>\$ 31.6</b>	<b>\$ 28.1</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 Ended 30 June	
	Q1'20	Q1'19
<b>EBIT</b>	\$ 132.5	\$ 131.9
Asbestos:		
Asbestos adjustments	(8.5)	(25.1)
AICF SG&A expenses	0.4	0.3
<b>Adjusted EBIT</b>	\$ 124.4	\$ 107.1
Net sales	656.8	651.0
<b>Adjusted EBIT margin</b>	<b>18.9%</b>	<b>16.5%</b>

### Adjusted net operating profit

US\$ Millions	Three Months Ended 30 June	
	Q1'20	Q1'19
<b>Net operating profit</b>	\$ 86.5	\$ 90.6
Asbestos:		
Asbestos adjustments	(8.5)	(25.1)
AICF SG&A expenses	0.4	0.3
AICF interest income, net	(0.2)	(0.3)
Tax adjustments <sup>1</sup>	12.0	14.4
<b>Adjusted net operating profit</b>	\$ 90.2	\$ 79.9

<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

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

US\$ Millions	Three Months Ended 30 June	
	Q1'20	Q1'19
<b>EBIT</b>	\$ 7.9	\$ (4.6)
Inventory fair value adjustment	-	7.3
Transaction costs	-	7.2
Integration costs	2.4	1.5
<b>Europe Building Products Segment Adjusted EBIT excluding costs associated with the acquisition</b>	<b>\$ 10.3</b>	<b>\$ 11.4</b>
Europe Building Products Segment net sales	95.9	95.4
<b>Europe Building Products Segment Adjusted EBIT margin excluding costs associated with the acquisition</b>	<b>10.7%</b>	<b>11.9%</b>

# NON-US GAAP FINANCIAL MEASURES

## Adjusted diluted earnings per share

	Three Months Ended 30 June	
	Q1'20	Q1'19
<b>Adjusted net operating profit (US\$ Millions)</b>	\$ 90.2	\$ 79.9
Weighted average common shares outstanding - Diluted (millions)	443.3	443.0
<b>Adjusted diluted earnings per share (US cents)</b>	<b>20</b>	<b>18</b>

## Adjusted effective tax rate

US\$ Millions	Three Months Ended 30 June	
	Q1'20	Q1'19
<b>Operating profit before income taxes</b>	\$ 118.6	\$ 121.5
Asbestos:		
Asbestos adjustments	(8.5)	(25.1)
AICF SG&A expenses	0.4	0.3
AICF interest income, net	(0.2)	(0.3)
<b>Adjusted operating profit before income taxes</b>	\$ 110.3	\$ 96.4
Income tax expense	(32.1)	(30.9)
Tax adjustments <sup>1</sup>	12.0	14.4
<b>Adjusted income tax expense</b>	\$ (20.1)	\$ (16.5)
Effective tax rate	27.1%	25.4%
<b>Adjusted effective tax rate</b>	<b>18.2%</b>	<b>17.1%</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 Ended 30 June	
	Q1'20	Q1'19
<b>EBIT</b>	\$ 132.5	\$ 131.9
Depreciation and amortization	31.6	28.1
<b>Adjusted EBITDA</b>	\$ 164.1	\$ 160.0
Asbestos:		
Asbestos adjustments	(8.5)	(25.1)
AICF SG&A expenses	0.4	0.3
<b>Adjusted EBITDA excluding Asbestos</b>	\$ 156.0	\$ 135.2

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

US\$ Millions	Three Months Ended 30 June	
	Q1'20	Q1'19
<b>SG&amp;A expenses</b>	\$ 101.5	\$ 104.9
Excluding:		
AICF SG&A expenses	(0.4)	(0.3)
<b>Adjusted SG&amp;A expenses</b>	\$ 101.1	\$ 104.6
Net sales	656.8	651.0
SG&A expenses as a percentage of net sales	15.5%	16.1%
<b>Adjusted SG&amp;A expenses as a percentage of net sales</b>	<b>15.4%</b>	<b>16.1%</b>





# Q1 FY20 MANAGEMENT PRESENTATION

9 August 2019

