



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth



Boral

Business Description

Boral Limited (BLD) provides building and construction materials in Australia, the USA and Asia. It is made up of seven operating businesses including Australian Construction Materials, Plasterboard, Cement, Timber, Clay & Concrete Products, Construction Related Businesses and Boral USA.

Strategy Analysis

In a cyclical industry, with broadly commoditised products, Boral's strategy is to build strong market positions and support margins through the cycle by managing output levels and production costs and achieving price increases where possible. The US strategy is to focus on developing leading positions in markets with favourable industry structure and demographic trends, and with long-term growth within the building products and construction materials sectors. The focus on performance has been to adapt to the downturn in the US housing market, as well as improve margins and sustainable competitiveness. Management has not delivered in this area. Rising energy, materials and labour costs remain as threats, while offshore expansion increases exposure to currency movements. Project LEAN aims to lift overall operating efficiency across the organisation. Early signs are positive despite unfavourable markets. Boral reported NPAT of \$167.7m for the year ended 30 June 2011 from a \$90.5m loss last year. Revenues from ordinary activities were \$4.71bn, up 2.4% from last year, reflecting a generally strong first half across the Australian Building Products operations which helped offset tougher trading conditions in the US, the impact of wet weather in eastern Australia and a softening of residential building in Australia in the 2nd half of the FY. Diluted EPS was 23.2 cents compared to (15.2) cents last year. Net operating cash flow was \$350.7m compared to \$459.1m last year. The final dividend declared was 7 cents, taking the full year dividend to 14.5 cents compared with 13.5 cents last year. Looking ahead, the Group expects a continuation of slower economic activity in residential housing in Australia. An anticipated stronger second half, based on improving economic conditions, will need to be monitored closely as the year progresses.

27 January 2012

Recommendation

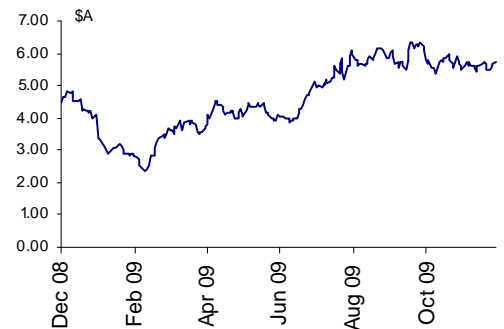
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: BLD
Stock price: \$4.16
Market cap: \$3,098m

Y/E	30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	181.1	257.4	324.3	400.1
Adjusted e	\$m	181.1	257.4	324.3	400.1
EPS adjusted	¢	24.7	34.8	43.8	54.1
EPS growth	%	0.9	41.0	26.0	23.4
PE	x	16.9	12.0	9.5	7.7
PE relative	x	1.4	1.2	1.0	0.8
DPS	¢	15.0	21.0	28.0	34.0
Yield	%	3.6	5.0	6.7	8.2
Franking	%	100.0	100.0	100.0	100.0

Share Price



Source: ASX and Company accounts

Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Boral Construction Materials	48.6	11.2	8.8	-10.0%	11.0%
Boral Building Products	24.6	4.6	5.0	-8.0%	6.0%
Cement Division	11.5	10.5	15.3		
USA	9.2	-11.8	-22.7		
Other	6.1	9.6	2.7		
Total	100.0	24.1	9.1		
Dividend Reinvestment Plan					
				Yes	
Shareholder Discounts					
				No	
Results by Geography					
Australia	86.0	0.0	0.0		
USA	9.2	0.0	0.0		
Asia	4.8	0.0	0.0		
Total	100.0				

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