



## Asia Pacific Manufacturing Danny De Guzman

Investor/Analyst Update – 19 September 2012



### AGENDA

- Asia Pacific Manufacturing History
- Operational Philosophy
- Asia Pacific Manufacturing – Onward
- Capacity



**LONG TERM EVOLUTION**

**1980s:** Converted from AC to Fibre Cement (FC) Technology

- Converted our entire product capability to FC

**1990s:** Increased Machine Efficiency with FC Technology


- Higher throughput per Machine
- Evolved Technology on Sheet Machine – Pressed Products, Tub/Feed Technology
- Consolidated Multiple Factories to Three Sites (two in AUS, one in NZ)
- Constructed our Philippines Plant

**2000-2005:** Capacity for Finishing Processes

- Increased our capacity in Finishing
- Further developed our product portfolio through finishing processes
- Relocated our WA operations to Carole Park - Corrugate Products

**2005-2012:** Developed our Scyon™ Technology

- New Technology to Unlock Market Value



**CURRENT STATE**

**Manufacturing Sites**

- Rosehill, NSW
  - 25mmstdm, Scyon™, Flooring
- Carole Park, QLD
  - 18mmstdm, Pressed Products
- Penrose, New Zealand
  - 11mmstdm, Scyon™
- Cabuyao, Philippines
  - 19mmstdm



**OPERATIONAL PHILOSOPHY**

**1990 – 2005**


- Throughput focused
- Core product portfolio developed
- Engineering driven
- Single sourced specialty products



**OPERATIONAL PHILOSOPHY**

**2005 – 2010 (New Product Development)**

- Focus on New Product Development
  - Scyon™ Product Range
  - Exterior Cladding
  - Flooring
- New product learning curve
  - Increased complexity in factories
  - From single step manufacturing to multiple steps
- Increased Service Promise
  - Reduced lead time
  - Developed new models for planning and logistics



**OPERATIONAL PHILOSOPHY**

**2010 – 2012 (Operational Efficiency)**

- Bed-in operational complexity
  - Focus on efficiency
- Utilisation and spend focus to reduce costs
  - Treat all costs (except depreciation, tax and insurance) as variable
  - Minimize waste
  - Cost per hour
    - \* Scalable, linear
  - Lowest delivered cash cost to market
- Key areas of success
  - Developed better model for matching supply and demand and allowing flexibility
  - Improved ability to manufacture more complex SKU mix



**ASIA PAC MANUFACTURING – ONWARD**

Align with business and product leadership strategy

Deliver on product promise

Low cost manufacturing

Product    Quality    Service    Long continuous run    Variable spend/cost    High yield

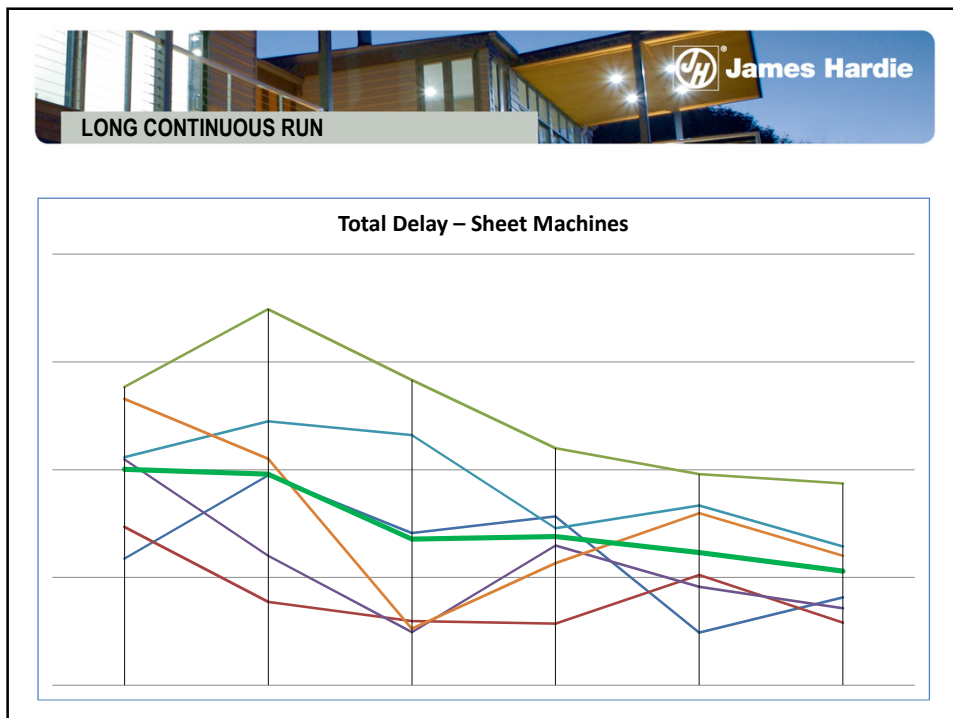
Organizational development and safety



**ASIA PAC MANUFACTURING – ONWARD**

**2012 – Onward**

- Product leadership
  - Continuous manufacturing improvement of current products
  - Available capacity to develop new products and meet demand
    - \* Long term capacity review – ongoing
- Low cost manufacturing
  - Long continuous run
    - \* Duration vs. frequency of delay
    - \* Higher utilisation of existing capacity
  - Variable spend/cost
    - \* Treat all spend/cost as variable






**ASIA PAC MANUFACTURING**

**Summary**

- Manufacturing aligned to business strategy
- Imperatives are clear:
  - Deliver on product promise
  - Low cost manufacturing
- Framework to drive initiatives in place
  - Focus on execution and continuous improvements
- Execution of initiatives on-going
  - Early traction – more work ahead of us
  - Capacity – study ongoing + recommendation pending
- Organizational development and safety approach in place
  - We've got the right people
  - Capability and execution improving



**AUSTRALIA CAPACITY REVIEW**

**Long Term Capacity**

- Capacity review team – in place
- Capacity review – ongoing
- Recommendation – pending
- Preliminary insights
  - Land component higher vs. USA capacity projects
  - Labor for construction and operations higher vs. USA capacity projects
  - Input material and freight costs – potential major drivers
- Capacity study further work:
  - Determine size of capacity addition
  - Determine product capability in new capacity



## Questions

