



**JamesHardie**



# EXTERNAL ENVIRONMENT

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# DISCLAIMER

This Management Presentation contains forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the SEC, 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;
- statements regarding tax liabilities and related audits, reviews and proceedings;
- statements regarding the possible consequences and/or potential outcome of the legal proceedings brought against two of the company's subsidiaries by the New Zealand Ministry of Education and the potential product 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 indemnification obligations;
- 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.



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 26 June 2014, 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 James Hardie 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; 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; the effect of the transfer of the company's corporate domicile from The Netherlands to Ireland, including changes in corporate governance and any potential tax benefits related thereto; 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 favourable 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; and all other risks identified in the company's reports filed with Australian, Irish and US securities 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.



# AGENDA

- **U.S. Economic Indicators**
- **Housing Market Overview**
- **Market Opportunity for James Hardie**

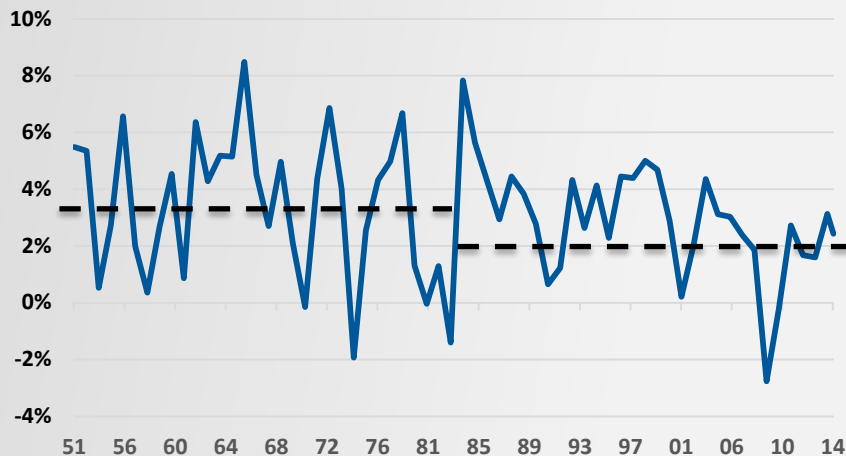


# U.S. ECONOMIC INDICATORS IMPROVING



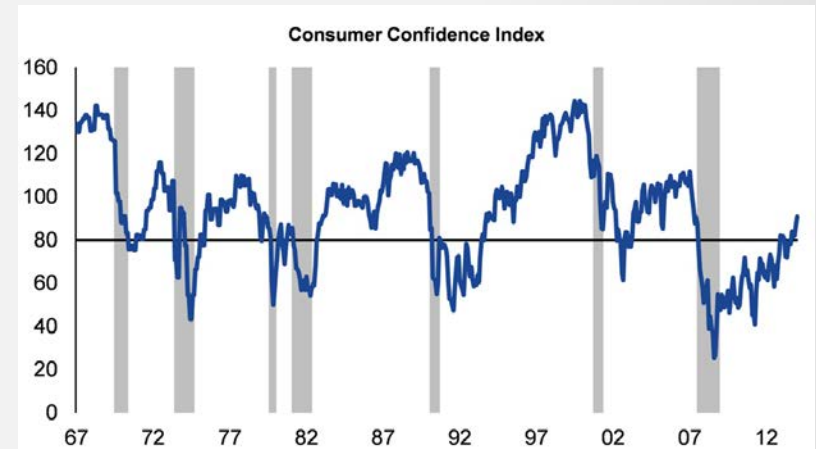
# GDP AND CONSUMER CONFIDENCE

## U.S. GDP



Source: Bureau of Economic Analysis, Morgan Stanley Research.  
Note: Gray shading denotes periods of recession as determined by the NBER

## Consumer Confidence



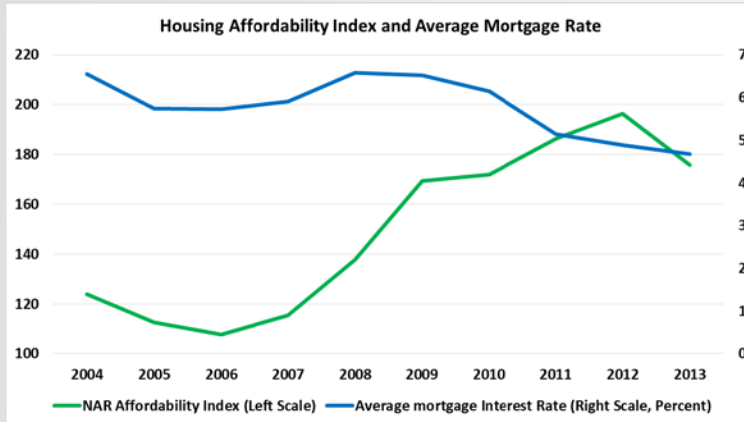
Source: Conference Board, Morgan Stanley Research.  
Note: Gray shading denotes period of recession as determined by the NBER

- U.S. in recovery from global financial crisis ... GDP growing albeit at modest levels
- After plummeting to a historic low of 25.3 in February 2009, consumer confidence surpassed 80 in March 2014. A level around 80 has been the average measure of confidence during past recoveries



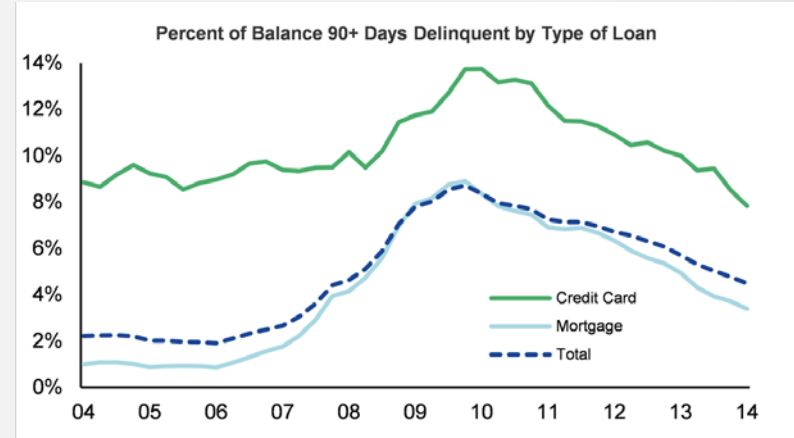
# US CONSUMER CREDIT IS STRENGTHENING

## Home Affordability & Interest Rates



Sources: JCHS Tabulations of Freddie Mac. Primary Mortgage Market Survey; National Association of Realtors®, Housing Affordability Index

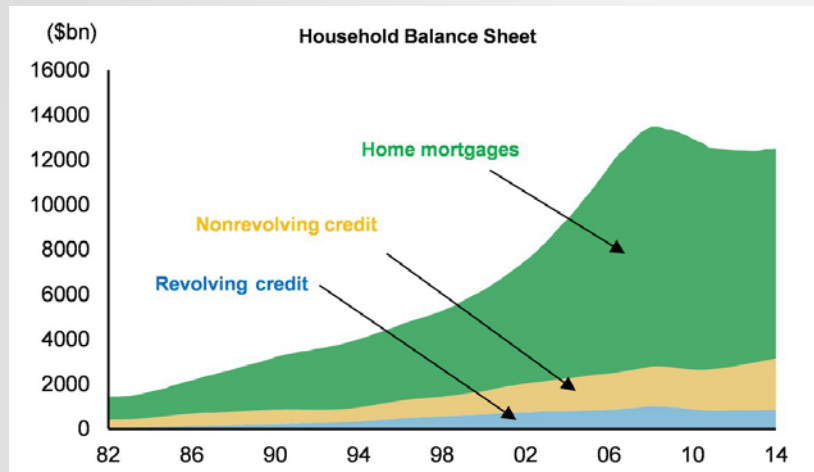
## 90+ Day Delinquencies



- Ownership affordability drivers are becoming more favorable
- Mortgage interest rates remain at historical lows
- Household leverage is sustainable, and credit conditions and lower delinquency rates indicate the cycle peak is not near

# US CONSUMER BALANCE SHEETS ARE HEALTHIER

## Household Balance Sheet



Source: US Federal Reserve

## Yield on All Mortgages vs. 30-Year Fixed



Source: Bureau of Economic Analysis

- Roughly 75% of the household balance sheet is in mortgages...
- ... and 30-year fixed-rate mortgage rate at historical lows – meaning the bulk of average household's balance sheet is locked in at an extremely low fixed rate
- This should help US households remain nimble as market conditions tighten



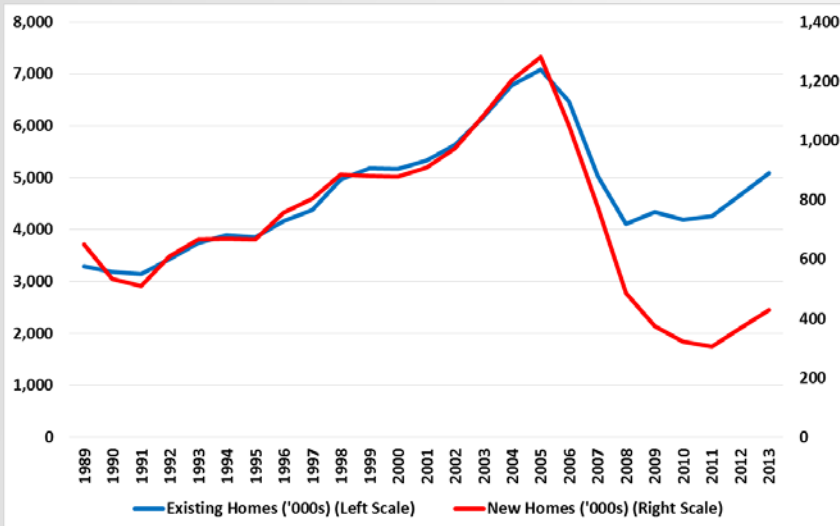
# HOUSING MARKET OVERVIEW



# HOME PRICES AND INVENTORIES

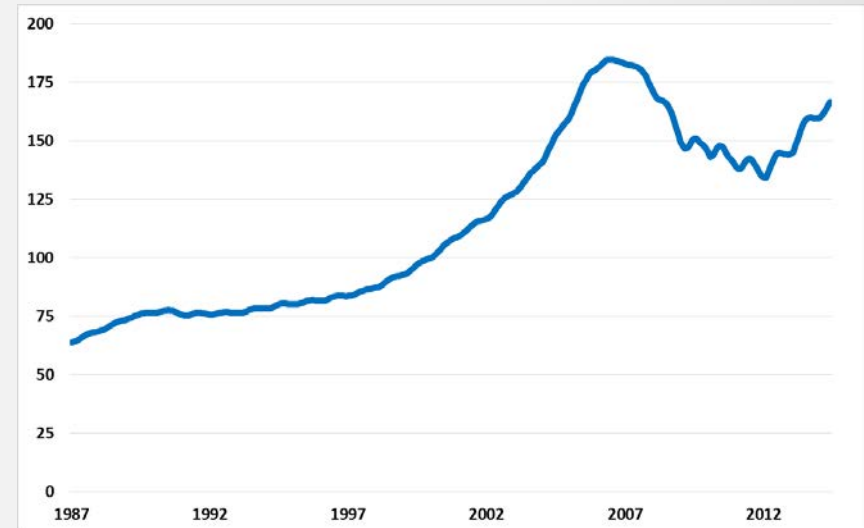
Home prices have stabilized and are beginning to rise slowly...

## Existing & New Home Inventories



Source: National Association of Realtors

## S&P/Case-Schiller U.S. National Home Price Index

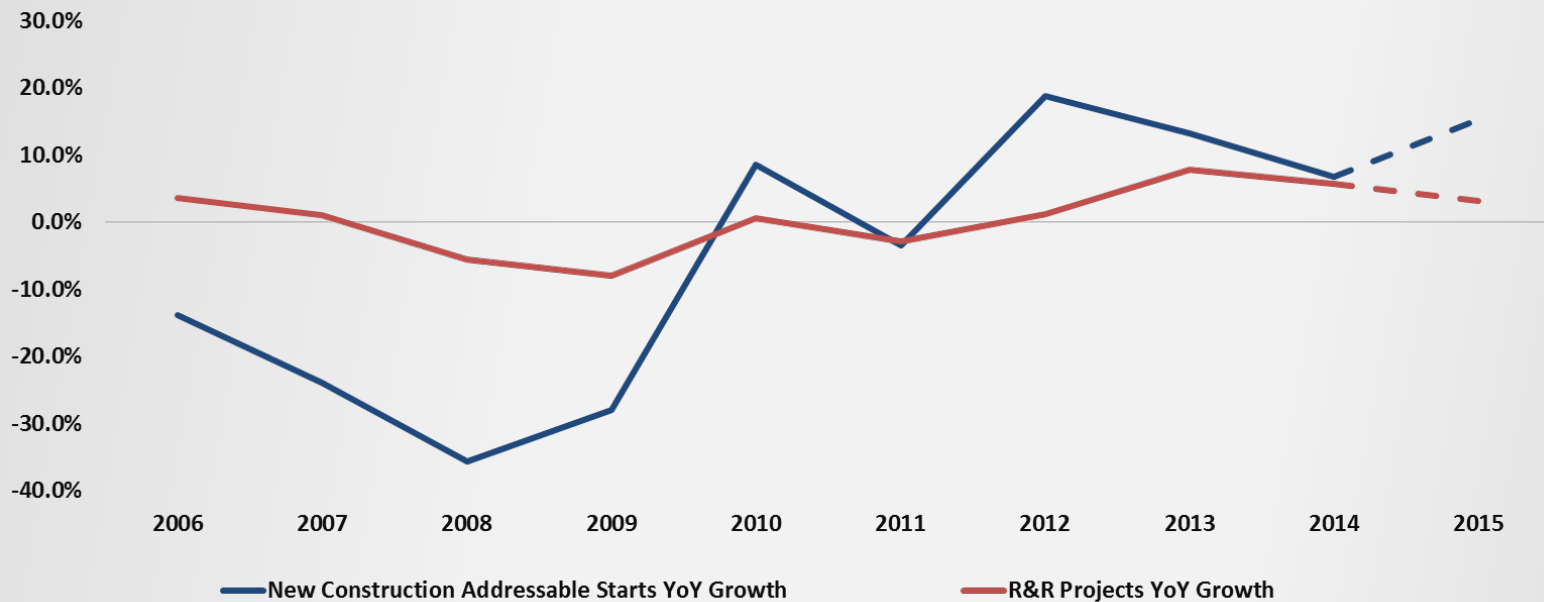


Source: McGraw Hill Financial

...while inventories of new and existing homes are near historic lows

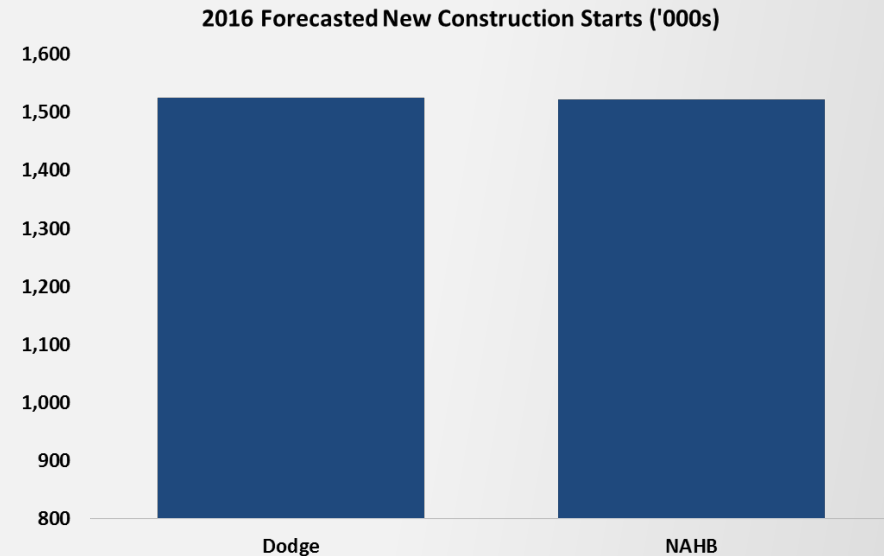
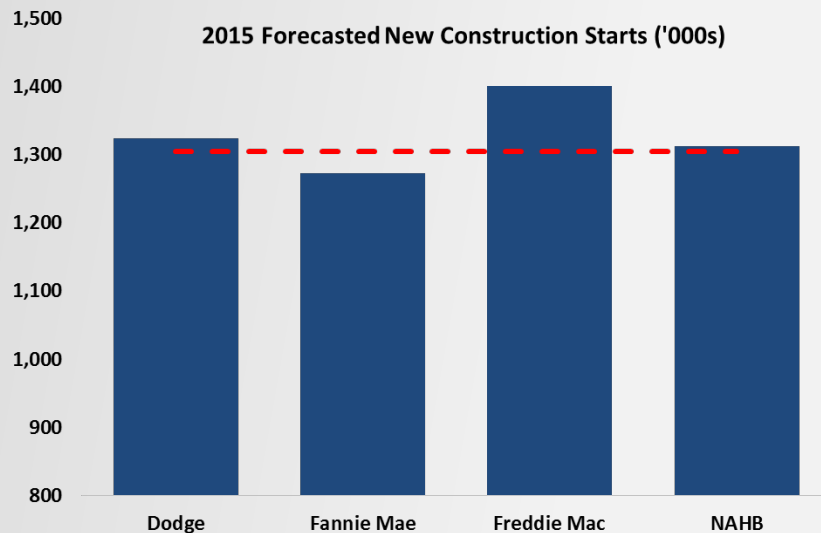
# INDICATORS SUGGEST MARKET IS IN RECOVERY

**Single-family new construction and multifamily starts growing at a faster rate than the repair and remodel segment**



Sources: Dodge New Construction Forecast and James Hardie Internal Management Estimates

# NEW CONSTRUCTION STARTS HEADING BACK TOWARDS ~1.5 MILLION STARTS PER YEAR

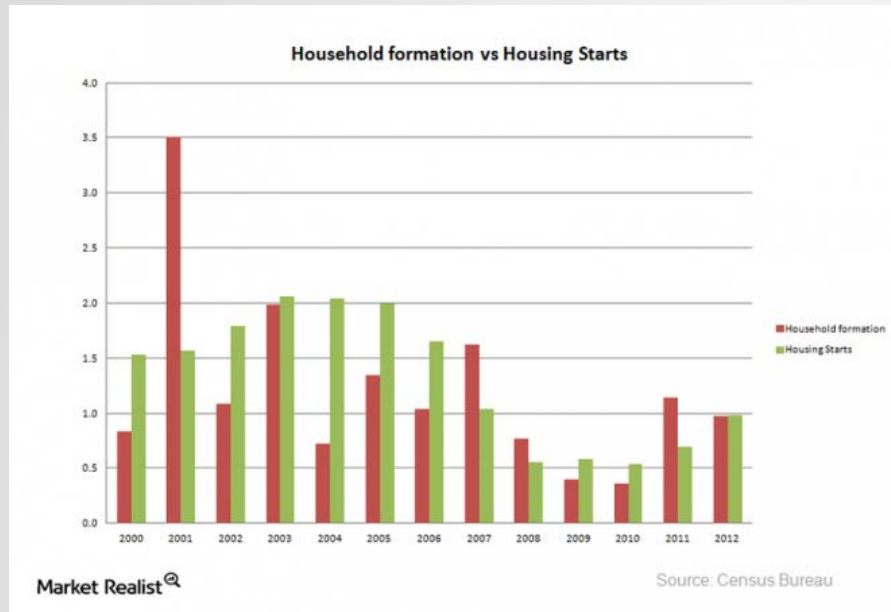


- Variation in forecasting starts between different organization exists
- New starts growth forecast 2015 range: 20% and 33%
- New starts growth forecast for 2016 range: 15% and 16%



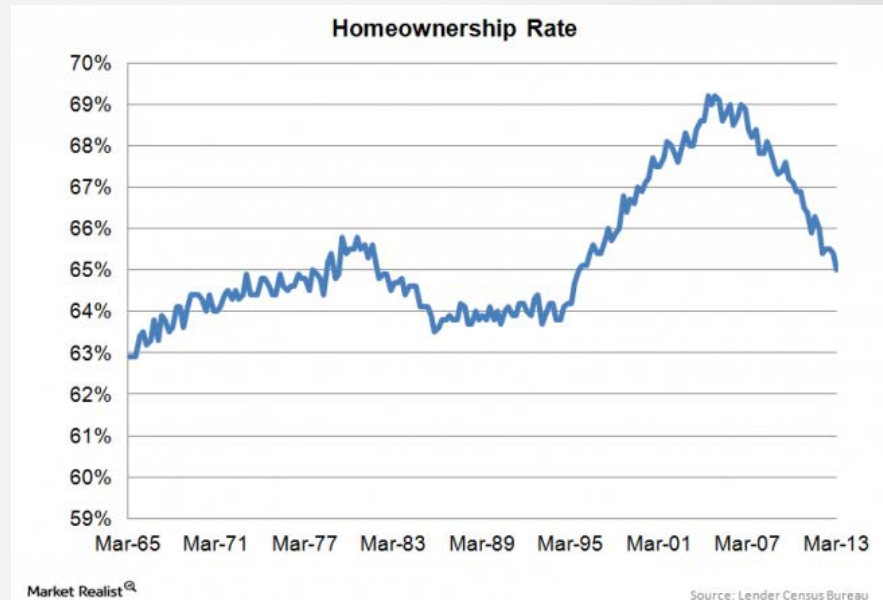
# UNDERLYING *DEMAND* FOR NEW HOUSES LIKELY TO DRIVE NEW CONSTRUCTION STARTS

## Formations vs. Starts



- Low household formation numbers over the past five years will drive homebuilder demand going forward

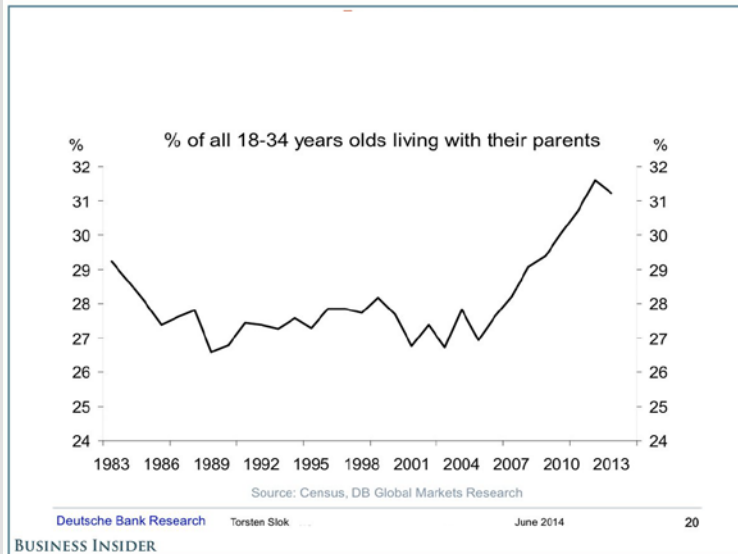
## Homeownership Rate



- First-time homebuyers in a difficult position – student debt, job market, etc.
- Tougher credit qualification requirements

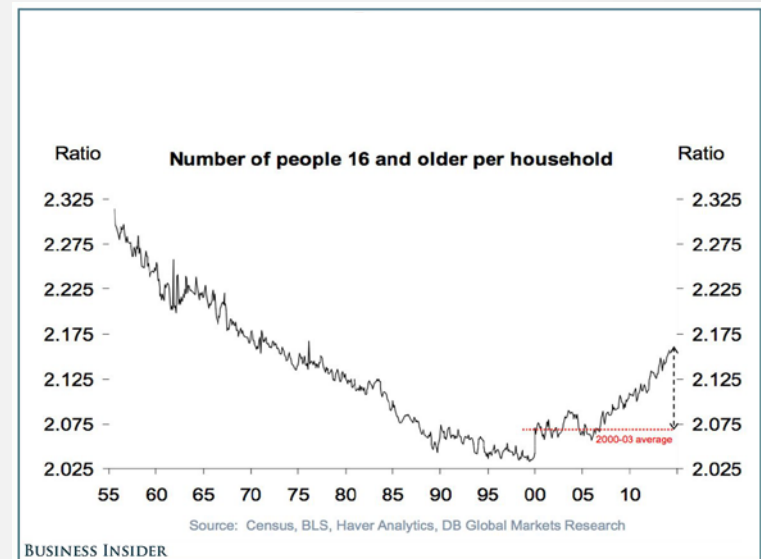
# PENT UP DEMAND FOR HOUSING

## % of 18-34 year olds living at home



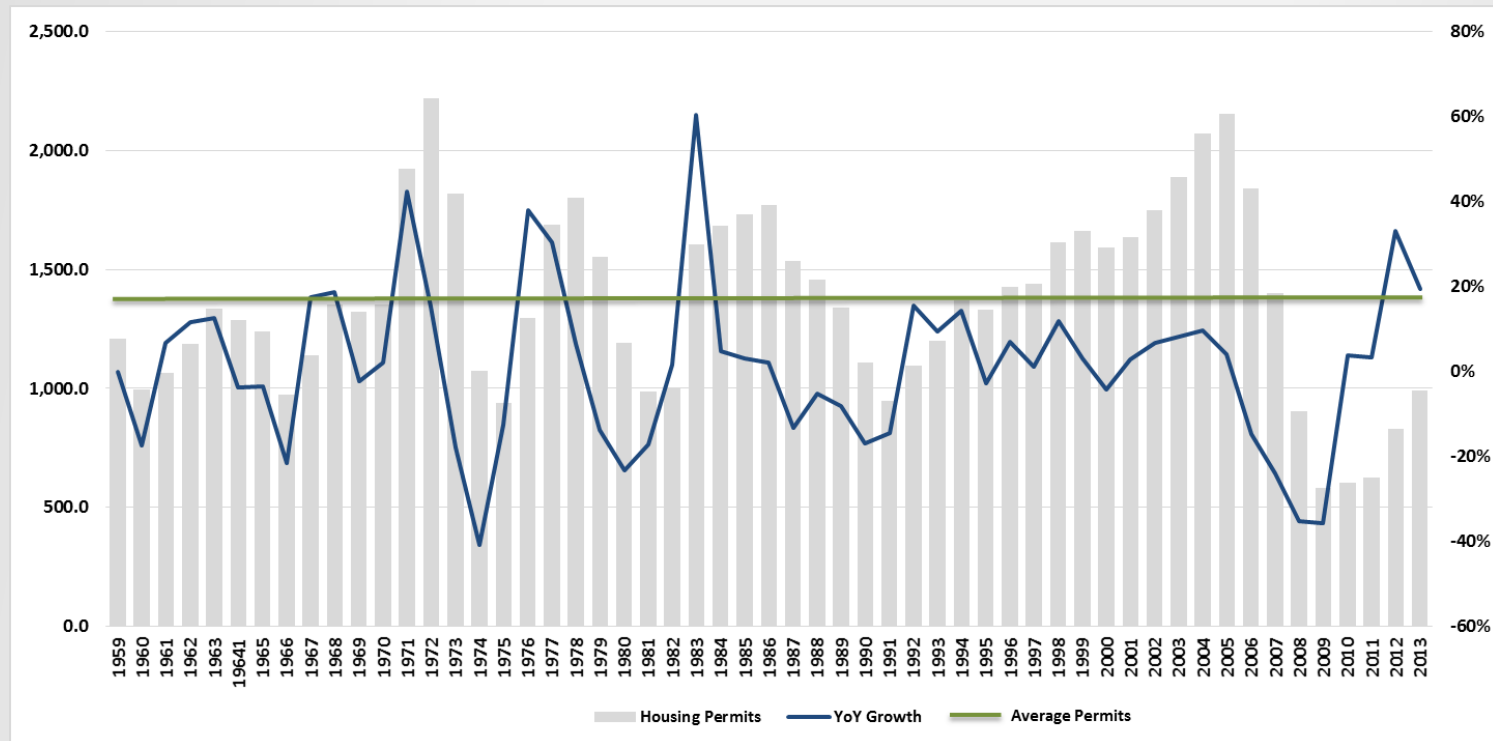
- Pent-up demand for housing
- Almost 1/3 of 18-34 year olds now living with their parents

## Number of people 16 and older per household



- If the number of people per household returns to the 2000-2003 level it would add up to more than 4 million new households

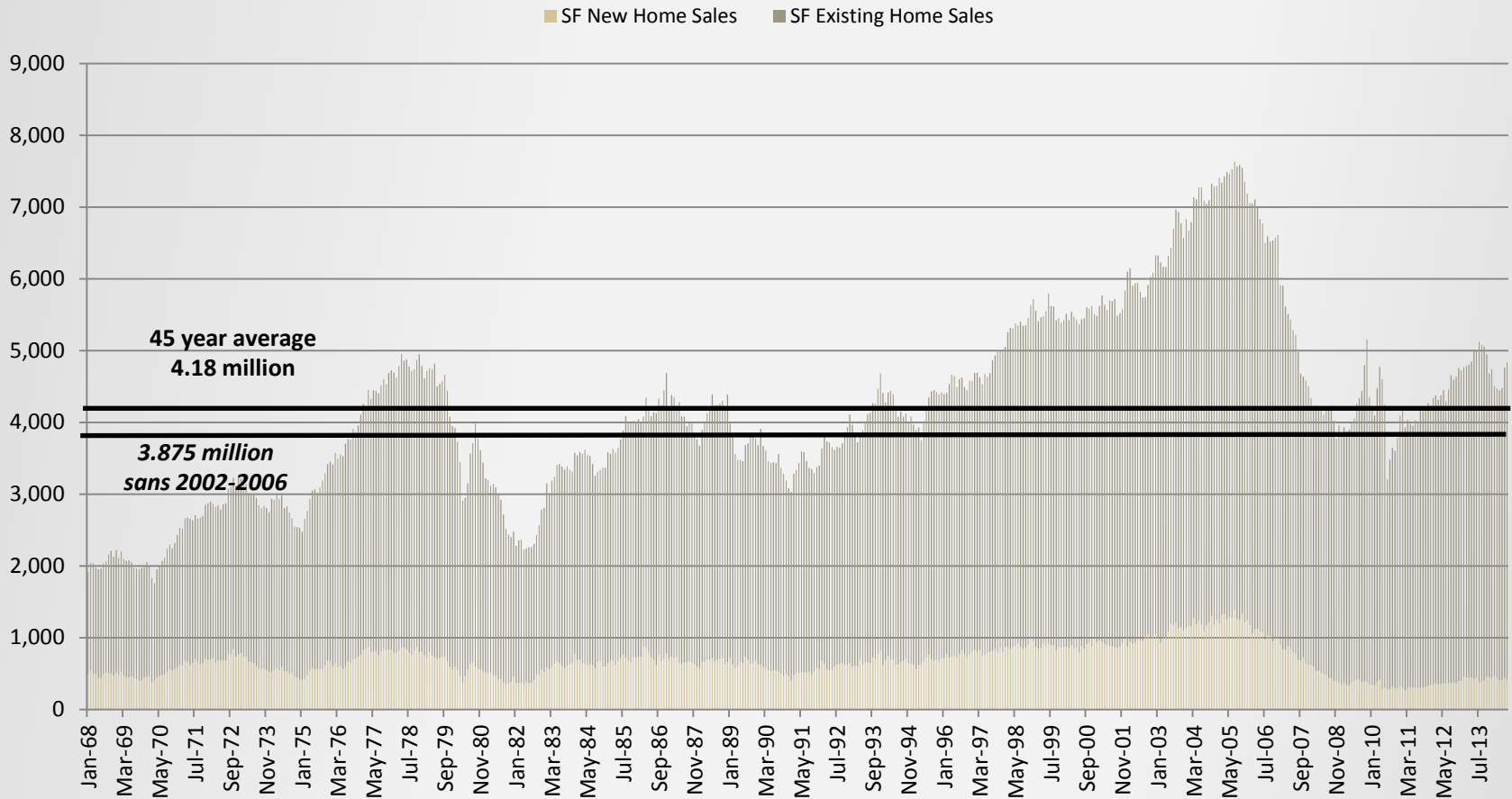
# UNDERLYING *SUPPLY* FOR NEW HOUSES LIKELY TO DRIVE NEW CONSTRUCTION STARTS



- Average number of starts since 1959 has been ~1.5M starts per year
- 2013 starts aligned with previous “trough” years
- Current starts still has room to expand over the next several years

# EXISTING HOME SALES REMAIN ABOVE NORMAL LEVELS

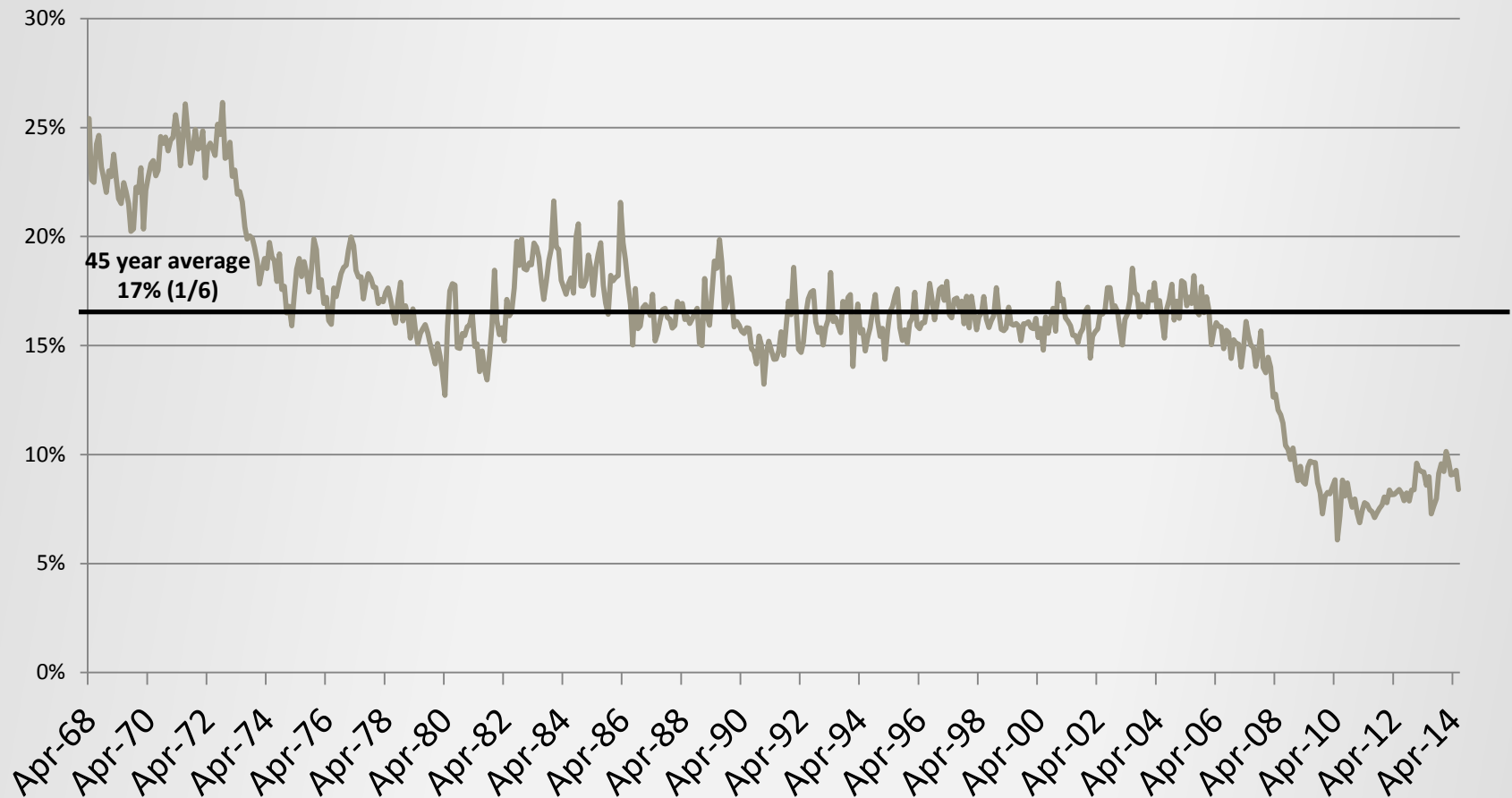
## SF Home Sales, 1968-April 2014 (SAAR Thousands)





# WHILE HOME SALES ARE AT HIGH LEVELS, NEW HOME SALES HAVE LOST SHARE

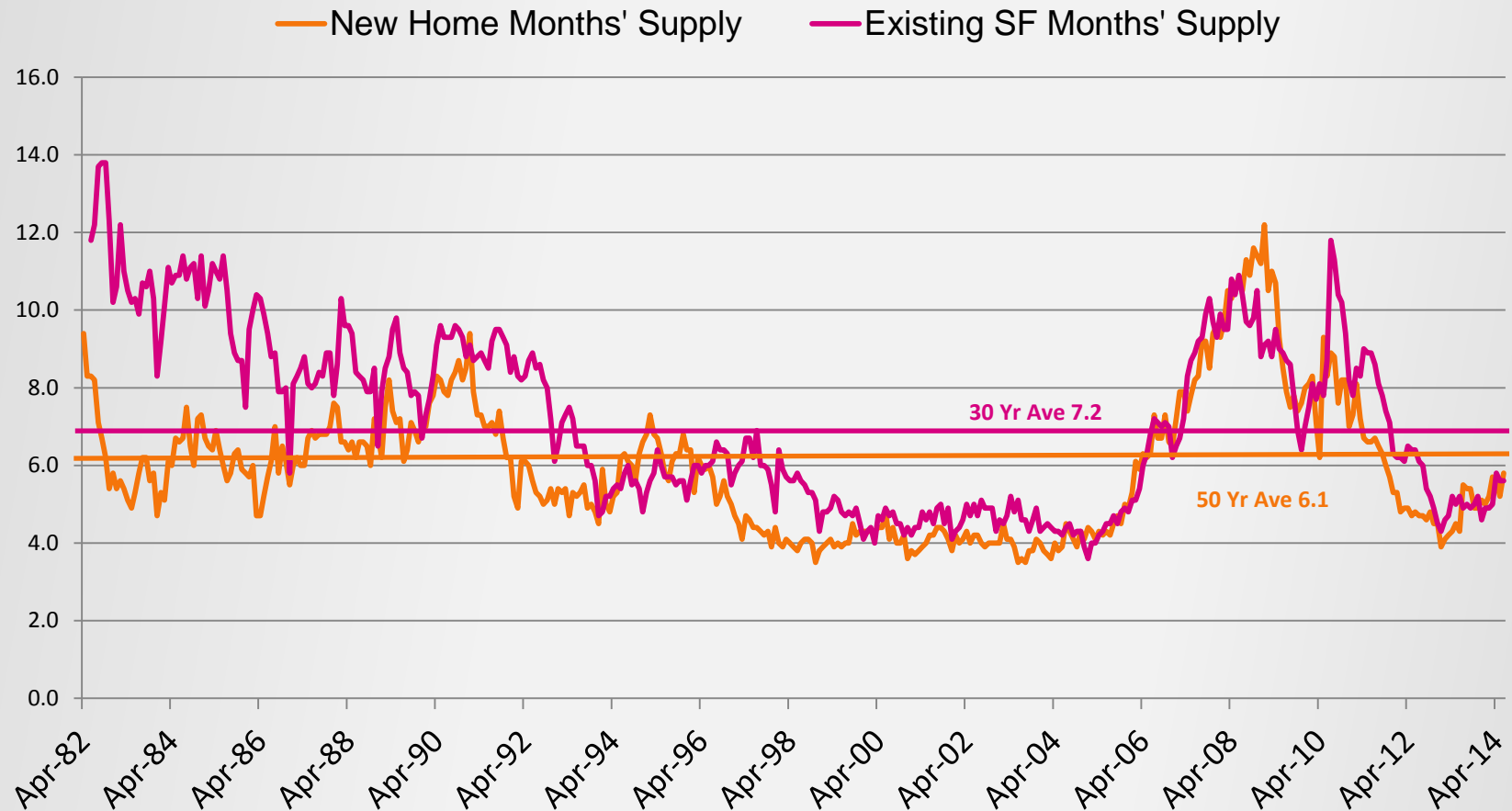
## New Home Share of Total SF Home Sales



Source: Commerce Department, National Association of Realtors, Metrostudy Analysis

# SUPPLIES REMAIN BELOW NORMAL

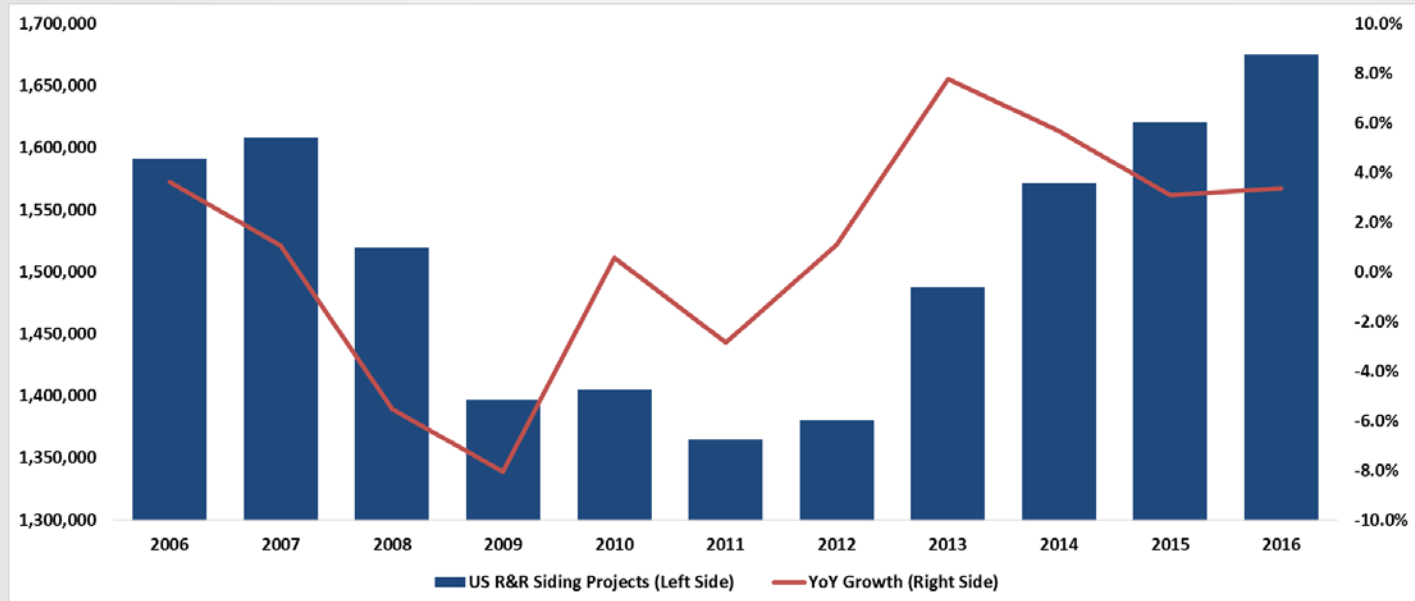
## New and Existing SF Months' Supply, 1982-April 2014



Source: Commerce Department, National Association of Realtors, Metrostudy Analysis

# REPAIR & REMODEL COMPARED TO NEW CONSTRUCTION IS LESS VOLATILE, AND GROWING

## Repair & Remodel Market



Sources: James Hardie Internal Management Estimates.

- Repair & Remodel market is less volatile and currently as big as new construction
- Year-over-Year growth ranges from -8% to +8%
- Forecasted to grow 3% in 2015 and 3+% in the medium-term



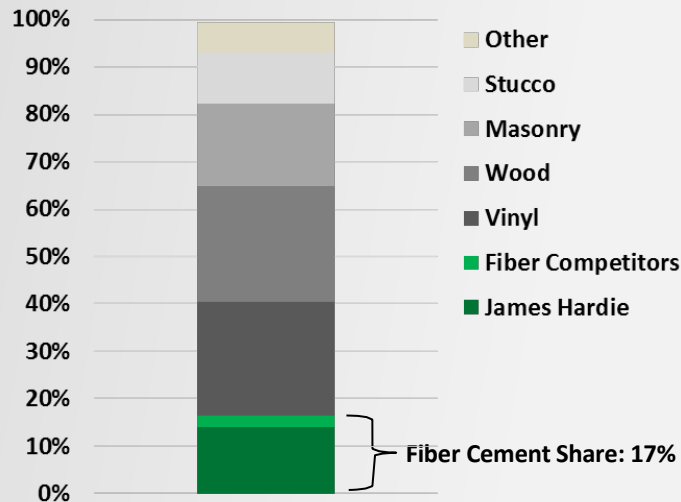
# MARKET OPPORTUNITY





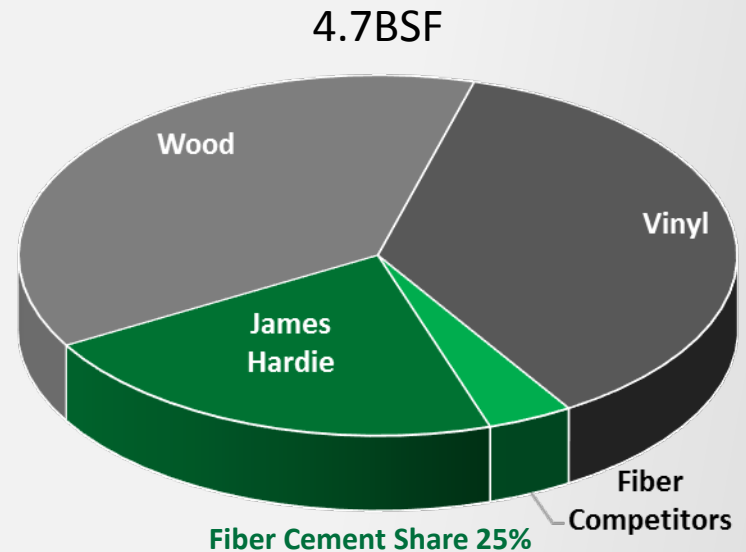
# NORTH AMERICA MARKET OVERVIEW

## North America Market Share by Product



Source: Internal estimates based on NAHB product usage data adjusted for regional market intelligence

## North America Wood-Look Market Size

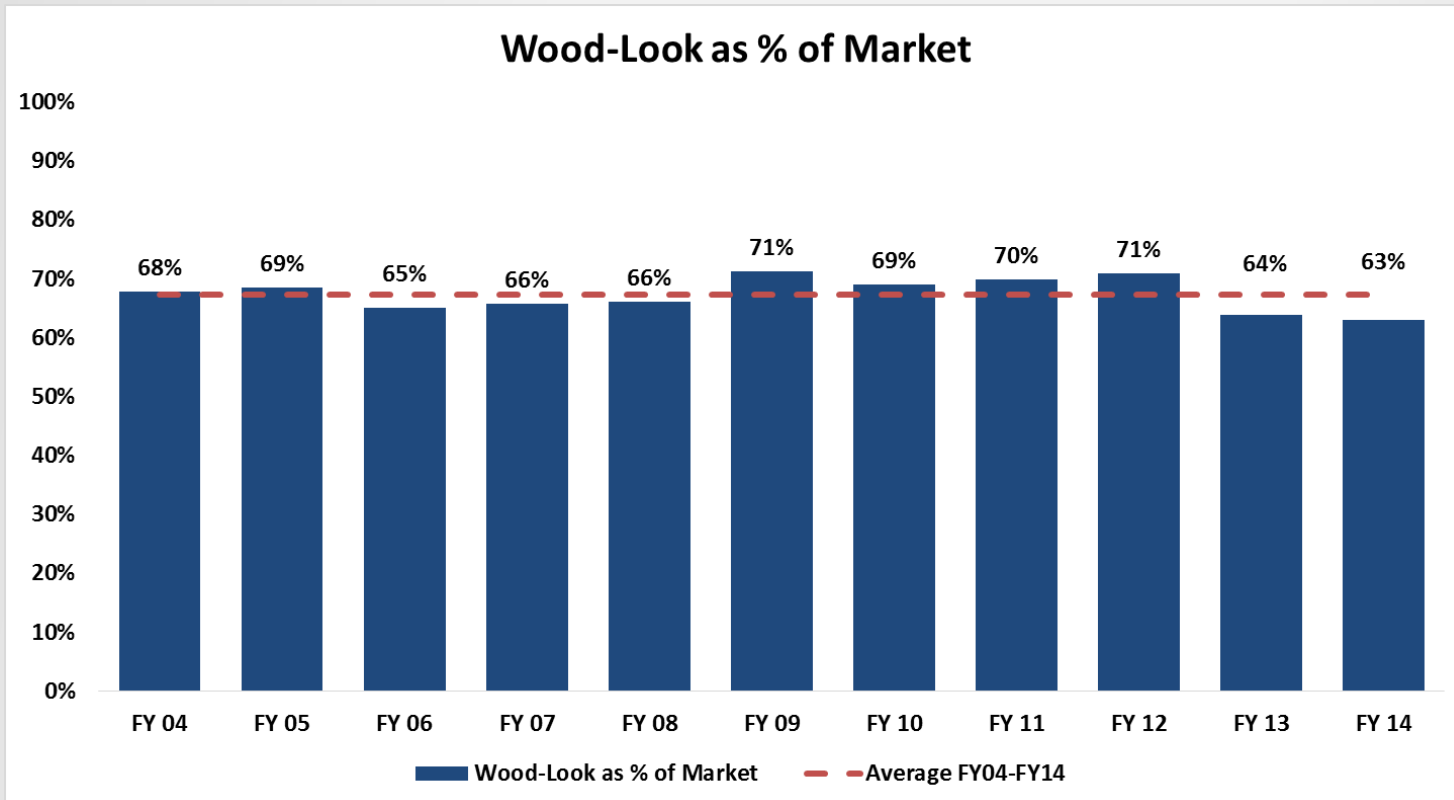


Source: Internal estimates based on NAHB product usage data adjusted for regional market intelligence

- JHX wins ~90% of the fiber cement category, while fiber cement used in ~17% of the total market
- Current estimate is wood-look siding (Wood, Vinyl and Fiber Cement) is 60-65% of total market.

# WOOD-LOOK SHARE OF TOTAL MARKET

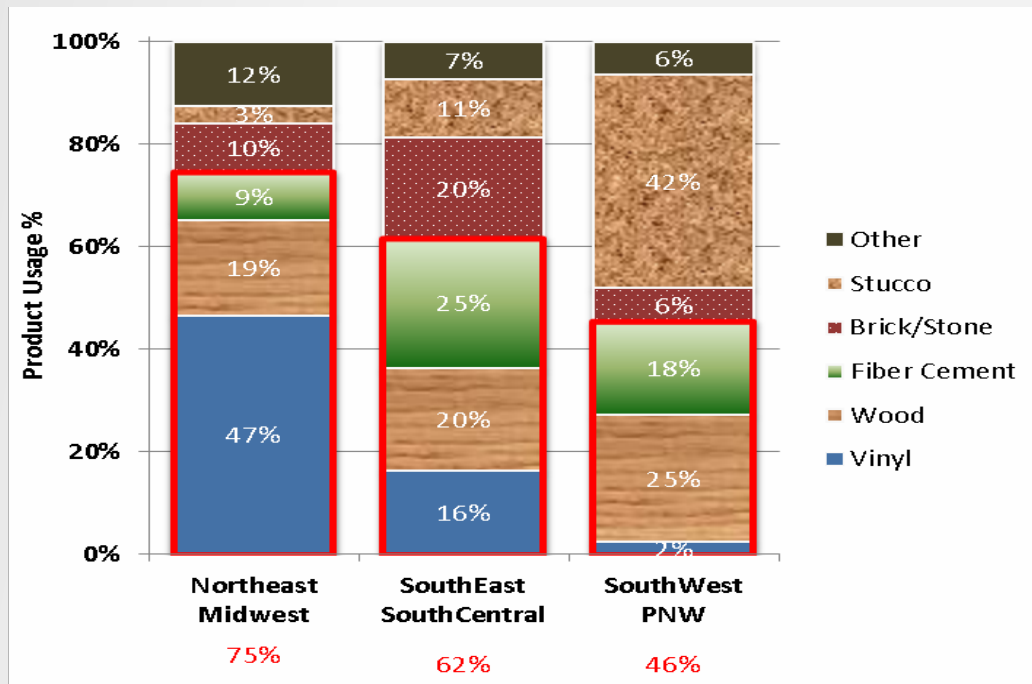
Wood-look products continue to maintain ~ 2/3rds of the of the wall against stone, stucco, and brick



Source: Internal estimates based on NAHB product usage data adjusted for regional market intelligence

# WOOD-LOOK SIDING SHARE

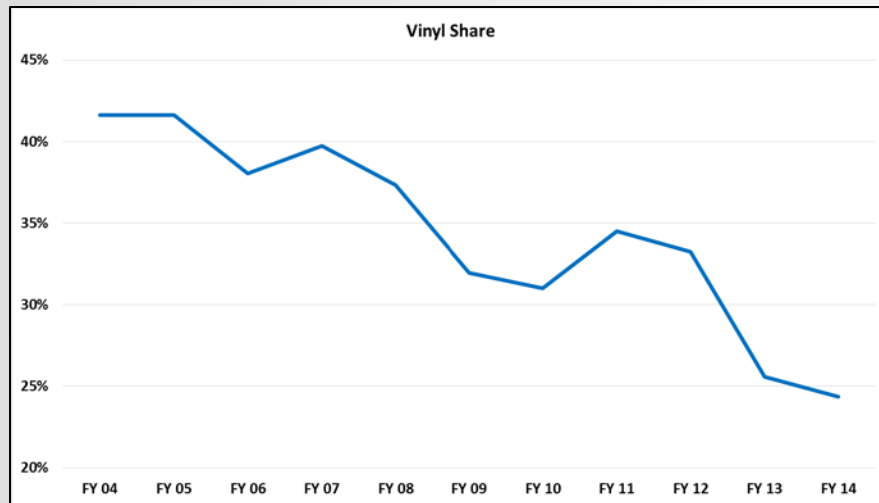
Growth opportunity varies by region, vinyl & wood in the north, wood and competitive cement in the south and west



Internal estimates based on NAHB product usage data adjusted for regional market intelligence

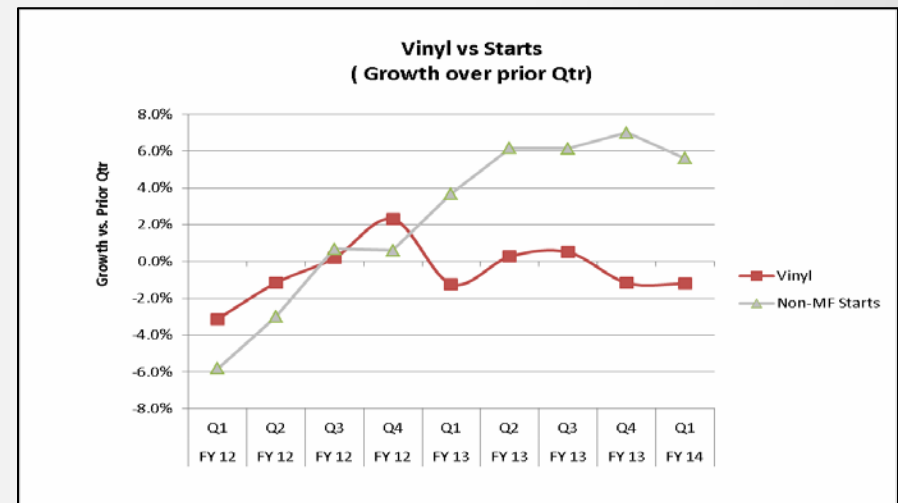
# VINYL CONTINUES TO UNDERPERFORM

## Vinyl's Weaker Market Position



Source: Internal estimates based on NAHB product usage data adjusted for regional market intelligence

## Vinyl Under Performing vs. Starts







# COMPETITIVE FIBER CEMENT

**Competitive Fiber Cement competitors appear to be optimizing their businesses instead of ramping up idle capacity**

## **Nichiha**

- Announced restricted shipping radius to local market
- Performance concerns in harsh climates; High reject rate

## **Allura**

- Elementia Corp, parent company of PlyCem and MaxiTile, acquired from CertainTeed (St. Gobain) in 2014
- Terre Haute location remains idled



# SUMMARY

- U.S. economic indicators improving .. Broader economy in recovery
- Recovering housing market
- New construction growth below historic levels ... pent up demand and below normal supplies should support new construction starts heading towards 1.5M
- Wood look siding is greater than ~2/3 of the cladding opportunity in the US
- Vinyl share declining as the US housing recovery take place
- Engineered wood has taken some share in the downturn and presents itself as a competitive threat in markets susceptible to a wood based product
- James Hardie is well positioned by segment to deliver on our product leadership strategy driving growth towards 35/90

# QUESTIONS

