

15 May 2022

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

James Hardie Corporations PLC (JHX)

Non-Energy Minerals

HOLD

JHX A\$39.09 **TARGET PRICE A\$40.23**

James Hardie Industries Plc engages in the manufacture of fiber cement siding and backer board. It operates through the following segments: North America Fiber Cement, Asia Pacific Fiber Cement, Europe Building Products, and Research & Development. The North America Fiber Cement segment manufactures fiber cement interior linings, exterior siding products and related accessories in the United States. The company was founded in 1888 and is headquartered in Dublin, Ireland.

Company Data

Number of shares	445.3M
Market Capitalisation	\$ 17,301.8M
Free float (%)	100.0
12-month high/low	\$57.3/38.40
Average Daily Turnover (\$m)	64.45
% S&P/ASX200	0.826
DDM Ranking	267
% All Ordinaries	0.644
GICS Industry Group	Building Materials

Source: FactSet, Barclay Pearce Capital

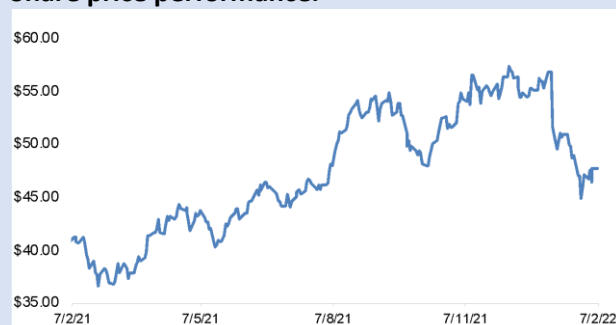
Earnings Summary (AUD)

Year end March	2022A	2023F	2024F	2025F
Revenue (\$M)	5212.6	6060.2	6641.8	6997.6
EBITDA (\$M)	1428.3	1782.8	1940.8	2153.0
Reported NPAT (\$M)	148.5	1092.4	1201.1	1327.9
Adjusted NPAT (\$M)	895.1	1114.9	1205.0	1293.4
Reported EPS (c)	148.5	241.8	267.9	300.4
Adjusted EPS (c - FD)	200.4	251.7	272.7	292.8
Adjusted EPS growth (%)	51.9	25.6	8.4	7.4
Adjusted P/E (x)	20.3	14.8	13.7	12.7
Dividend (c/sh)	122.4	151.5	164.6	173.0
Gross yield (%)	3.2	3.9	4.2	4.4
Net yield (%)	3.2	3.9	4.2	4.4
ROIC (%)	29.1	32.5	30.6	32.2

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Fourth Quarter and FY22 Results Announcement

On 17th May 2022, James Hardie Industries plc (JHX) announced its Q4 FY22 and Full Year FY22 Results Announcement with the following highlights:

Financial Highlights:

- Quarterly Global Net Sales increased +20% on Q4FY21 to US\$968.2m; with Total Global Net Sales for FY22 increasing +24% on FY21 to US\$3.6b;
- Quarterly Adjusted Net Income increased +42% on Q4FY21 to US\$177.5m, with Total Adjusted Net Income for FY22 increasing +36% to US\$620.7m;
- North America Fiber Cement Segment Net Sales (Quarterly) increased +25% to US\$694.0 million and EBIT increased +35% to US\$206.1 million, with an EBIT margin of 29.7%;
- Asia Pacific Fiber Cement Segment Net Sales (Quarterly) increased +23% to A\$200.5 million and EBIT increased +21% to A\$52.8 million, with an EBIT margin of 26.3%;
- Europe Building Products Segment Net Sales (Quarterly) increased +10% to 115.0 million and EBIT increased 3% to €16.1 million, with an EBIT margin of 14.0%; and
- Global Adjusted EBIT (Quarterly) increased +30% to US\$225.3 million, with an Adjusted EBIT margin of 23.3%.

Outlook:

- Strong execution of global strategy across all three regions management reaffirms fiscal year 2023 Adjusted Net Income guidance range of US\$740 million and US \$820 million; and
- Guidance is based on current estimates and assumptions and is subject to several known and unknown certainties and risks, including those related to the COVID-19 pandemic.

JHX Interim CEO Harold Wiens said, "I am delighted to report that the James Hardie team has continued to deliver strong execution of our global strategy. This is reflected in strong Price/Mix growth in all three regions, including North America Price/Mix growth of +12%, Asia Pacific Price/Mix growth of +11% and Europe Price/Mix growth of +14%. The global team's success in delivering high value products, is the result of (1) enabling our customers to make more money by selling more James Hardie products and, (2) marketing directly to the homeowners to create demand of our high value products through our customers.

The team's execution on delivering our high value product mix strategy resulted fourth quarter Global Net Sales increasing 20% to US\$968.2 million with Global volume growth of +9%.

I believe our strategy, along with the depth in our world class leadership team and 5,000 committed and hard-working employees, will drive James Hardie to meet our mission of being a high-performance global company that delivers organic growth above market strong returns."

Earnings changes

For FY23, JHX expects Adjusted NPAT of US\$740-US\$820m. This compares to current market expectations of US\$780m (A\$1115m @ 70c exchange rate). Hence, we don't expect any significant earnings revisions for FY23 and future periods.

Valuation

We are revising our 12-month target price to \$40.23 from \$43.49 and updating our recommendation from UNDERPERFORM to HOLD. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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Valuation Methodology

Barclay Pearce Capital's methodology for assigning stock and credit ratings may include the following: market capitalisation, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of peer comparisons, market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of parts, net asset value, discounted dividend model (DDM), franking credits and return on equity (ROE) over the next 12 months.

Barclay Pearce Capital Recommendation Proportions

Buy	40.7%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	23.4%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	35.9%	(0.0% of stocks with recommendations are Barclay Pearce clients)