

CSR profit dives as sugar market sours



Tough times: Jerry Maycock unveils the interim results in Sydney yesterday

Picture: Bob Finlayson

After being hurt by bad weather, a glut, and Brazil's record crop, Queensland's CSR is now threatened by a strong Aussie dollar

Teresa Ooi

PLUMMETING prices and Queensland's wet weather have slashed net profit at the country's biggest sugar refiner by 38 per cent to \$67.5 million for the six months to September 30.

CSR chief executive Jerry Maycock warned that sugar earnings, which made up a third of the company's profit, might tumble by as much as 45 per cent this fiscal year. He said raw sugar prices had slumped from about US20c a pound at the start of the year to below US10c.

The situation has been made worse by the sugar glut and a record Brazilian crop.

CSR shares fell more than 2 per cent, losing 8c to close at \$3.26.

"The significant increase in CSR's building products earnings was not enough to offset the nearly 70 per cent drop from sugar," Mr Maycock said.

Earnings before interest and tax (EBIT) from CSR's building products division shot up 46 per cent to \$66.3 million for the half-year, but this was outweighed by

a 69 per cent slump in sugar EBIT, which fell from \$71.6 million the previous year to \$22.4 million. The strong Australian dollar had not helped, Mr Maycock said, and yesterday's interest rate rise was another problem.

A rising Australian dollar would be a concern, even though the company was heavily hedged against it, he said.

Mr Maycock said the earnings outlook for the full year would be 5 per cent lower because of the downturn in sugar and a poorer result from property.

Earnings from its aluminium business would be slightly below last year.

"Net profit will also be impacted by increased interest costs due to the recent acquisitions and a higher average tax rate," Mr Maycock said.

"This guidance is in line with the September trading update."

He also revealed that the company had just completed a six-month review of its operations and ruled out breaking up its varied businesses. "A restructure would not result in any

significant valuation uplift for shareholders," Mr Maycock said.

Although he did not rule out selling down some assets over the longer term, he said the company had decided against a restructure because the building products and sugar industry were at the bottom of their cycles.

"It's by no means certain what the endgame looks like, regarding industry structure, and we believe that uncertainty is unhelpful for restructuring right now.

"After a thorough analysis, the board has concluded it is not in the best interests of shareholders to restructure CSR's portfolio now. Nevertheless, we do believe there will be opportunities in future to create value from structural change."

Mr Maycock said sugar prices would probably trend up over the next two to three years.

He said US12-13c a pound would be more sustainable.

He said the NSW residential market continued to be sluggish with expectations of a turnaround towards the end of next year.

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