This is an **IMPORTANT** document and requires your immediate attention

TARGET'S STATEMENT

This Target's Statement has been issued in response to the off-market takeover offer made by Network Investment Holdings Pty Limited (ACN 078 448 512), a wholly-owned subsidiary of Seven Group Holdings Limited (ACN 142 003 469) for all the ordinary shares in Boral Limited.

THE BORAL INDEPENDENT BOARD COMMITTEE UNANIMOUSLY RECOMMENDS THAT YOU

REJECT

THE SGH OFFER

AS IT MATERIALLY UNDERVALUES YOUR BORAL SHARES

TO **REJECT** THE SGH OFFER YOU SHOULD

TAKE NO ACTION

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

FINANCIAL ADVISERS

citi JARDEN FLAGSTAFF (Board adviser)

LEGAL ADVISER

HERBERT SMITH FREEHILLS

Boral Limited
(ABN 13 008 421 761)

Important notices

Nature of this document

This document is a Target's Statement issued by Boral Limited (ABN 13 008 421 761) (**Boral**) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Network Investment Holdings Pty Limited (ACN 078 448 512) (**SGH Bidder**), a wholly-owned subsidiary of Seven Group Holdings Limited (**SGH**), for all the ordinary shares in Boral.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 10 June 2021. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

Boral Shareholder information line

Boral has established a shareholder information line which Boral Shareholders may call if they have any queries in relation to the SGH Offer. The telephone number for the shareholder information line is 1300 513 794 (for calls made from within Australia) or +61 2 9066 4081 (for calls made from outside Australia) between 9am to 6pm (Sydney Time) Monday to Friday (excluding public holidays). Calls to the shareholder information line may be recorded.

Further information relating to Boral's response to the SGH Offer can be obtained from Boral's website at www.boral.com/BoralResponse.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 14 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. The Boral Independent Board Committee encourages you to seek independent financial and taxation advice before making a decision as to whether or not to accept the SGH Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement (including in the Independent Expert's Report) may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Boral operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Boral, Boral's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement (including in the Independent Expert's Report) reflect views held only as at the date of this Target's Statement.

Disclaimer as to information about SGH

The information on SGH, SGH Group and SGH Group's securities contained in this Target's Statement has been prepared by Boral using publicly available information. The information in the Target's Statement concerning SGH and SGH Group and the companies' assets and liabilities, financial position and performance, profits and losses and prospects, has not been independently verified by Boral. Accordingly Boral does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Charts, diagrams and rounding

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement. A number of amounts, percentages, prices, estimates and other figures in this Target's Statement are subject to the effect of rounding. Accordingly, actual numbers may differ from those set out in this Target's Statement.

Websites

Any website links in this Target's Statement are for your reference only. Information contained in, or otherwise accessible from, those websites does not form part of this Target's Statement.

Privacy

Boral has collected your information from the Boral register of shareholders and option holders for the purpose of providing you with this Target's Statement. The type of information Boral has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in Boral. Without this information, Boral would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders and option holders to be held in a public register. Your information may be disclosed on a confidential basis to Boral's related bodies corporate and external service providers (such as the share registry of Boral and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Boral, please contact Link Market Services Limited at 1A Homebush Bay Dr, Rhodes NSW 2138. Boral's privacy policy is available at www.boral.com.au/privacy-policy. The registered address of Boral is Level 18/15 Blue St, North Sydney NSW 2060.

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Key dates

Date of SGH Offer	**25 May 2021**
Date of this Target's Statement	**10 June 2021**
Close of SGH Offer Period (unless extended or withdrawn)	**7:00pm (Sydney time) on 25 June 2021**

Chairman's letter

Dear Shareholders

REJECT THE SGH OFFER FOR YOUR BORAL SHARES BY TAKING NO ACTION

You have recently received a Bidder's Statement from Network Investment Holdings Pty Limited, a wholly-owned subsidiary of Seven Group Holdings Limited (**SGH**), outlining an unsolicited conditional off-market takeover offer to acquire all of the issued shares in Boral which SGH does not already own for $6.50 cash per Boral Share (**the SGH Offer**). This Target's Statement sets out Boral's formal response to the SGH Offer.

The recommendations provided in this Target's Statement are provided by the Boral Independent Board Committee members, which excludes Mr Ryan Stokes, who is the Managing Director & Chief Executive Officer of SGH and a Non-executive Director of Boral.

The Boral Independent Board Committee appointed Grant Samuel & Associates Pty Limited as the Independent Expert to give an independent opinion as to whether the SGH Offer is fair and reasonable to Boral Shareholders not associated with SGH. The Independent Expert has concluded that the SGH Offer of $6.50 per Boral Share is **neither fair nor reasonable** and is **below the Independent Expert's estimated fair market value of $8.25 to $9.13 per Boral Share**. A full copy of the Independent Expert's Report is set out in Attachment 1 to this Target's Statement.

The Boral Independent Board Committee has carefully considered the SGH Offer to assess whether it is in the best interests of Boral Shareholders and believes that the SGH Offer materially undervalues your Boral Shares.

The Boral Independent Board Committee unanimously recommends that you **REJECT** the SGH Offer. To **REJECT** the SGH Offer, you should **TAKE NO ACTION** in respect of the SGH Offer.

> The Boral Independent Board Committee has carefully considered the SGH Offer to assess whether it is in the best interests of Boral Shareholders and believes that the SGH Offer materially undervalues your Boral Shares.
>
> **Kathryn Fagg**
> **Chairman**

In summary, the Boral Independent Board Committee believes the SGH Offer materially undervalues your Boral Shares and recommends you **REJECT** the SGH Offer for the reasons set out below:

1. the SGH Offer is materially below the Independent Expert's assessment of value;
2. Boral's renewed strategy (i) is expected to unlock significant value in the near-term from potential divestment of assets, notably in North America, and (ii) will aim to drive value creation and earnings growth, including through its transformation program;
3. the SGH Offer is opportunistic and appears to be timed to take advantage of an improving outlook for Boral; and
4. SGH is attempting to increase its influence over Boral without paying fair value for it. The SGH Offer is at a nil premium to the Boral share price immediately before the SGH Offer and a 6.1% discount to the Boral share price as at 7 June 2021[1].

The Boral Independent Board Committee believes these are compelling reasons why you should **REJECT** the SGH Offer and simply **TAKE NO ACTION** in relation to all documents sent to you from SGH.

Each of the Boral Independent Board Committee members who have a Relevant Interest in Boral Shares intends to **REJECT** the SGH Offer in relation to their Boral Shares.

Our core focus is to deliver value to all Boral Shareholders and we want all Boral Shareholders to benefit from the future value we believe is available through Boral. We believe that any proposal to acquire control of Boral should be at a fair value.

You are encouraged to read this Target's Statement (including the Independent Expert's Report set out in Attachment 1 of this Target's Statement) in full and to consider the SGH Offer having regard to your personal circumstances. You should also seek any independent financial, legal, taxation or other professional advice that you require prior to deciding what action you should take in respect of the SGH Offer.

We will continue to keep you informed of all material developments in relation to the SGH Offer.

Thank you for being a Boral Shareholder.

Yours sincerely,

K J Fagg

Kathryn Fagg
Chairman

1. Based on Boral's share price at close of trading on the Last Practicable Date.

1. Recommendation

1.1 Boral Independent Board Committee recommendation

The Boral Independent Board Committee recommends that you **REJECT** the SGH Offer, having considered each of the matters in this Target's Statement including the Independent Expert's Report set out in Attachment 1 and in the Bidder's Statement.

In considering whether to **REJECT** the SGH Offer, the Boral Independent Board Committee encourages you to:

- read the whole of this Target's Statement (including the Independent Expert's Report set out in Attachment 1) and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain financial advice from your broker or financial adviser in respect of the SGH Offer and obtain taxation advice on the effect of accepting the SGH Offer.

1.2 Boral Independent Board Committee's reasons for its recommendation

In summary, the SGH Offer materially undervalues your Boral Shares. The reasons for the Boral Independent Board Committee's recommendation that you **REJECT** the SGH Offer are that:

1. the SGH Offer is materially below the Independent Expert's assessment of value;
2. Boral's renewed strategy (i) is expected to unlock significant value in the near-term from potential divestment of assets, notably in North America, and (ii) will aim to drive value creation and earnings growth, including through its transformation program;
3. the SGH Offer is opportunistic and appears to be timed to take advantage of an improving outlook for Boral; and
4. SGH is attempting to increase its influence over Boral without paying fair value for it. The SGH Offer is at a nil premium to the Boral share price immediately before the SGH Offer and a 6.1% discount to the Boral share price as at 7 June 2021[1].

Full details of the reasons why you should **REJECT** the SGH Offer are set out in section 2 of this Target's Statement.

1.3 Mr Stokes' reasons for not making a recommendation

Mr Ryan Stokes, a nominee director of SGH on the Boral Board, is the Managing Director and Chief Executive Officer of SGH and a director of SGH Bidder, and as such does not consider himself to be independent for the purposes of the SGH Offer.

For this reason, Mr Ryan Stokes has not participated in the consideration of the SGH Offer and will not make a recommendation on whether the SGH Offer should be accepted.

In addition, this Target's Statement does not contain information known only to Mr Ryan Stokes in accordance with an ASIC exemption granted to Boral (as set out in section 13.7).

1.4 Intentions of Boral's Independent Board Committee in relation to the SGH Offer

Each of the Boral Independent Board Committee members who have a Relevant Interest in Boral Shares intends to **REJECT** the SGH Offer in relation to their Boral Shares.

Details of the Relevant Interests of each Boral Director in Boral Shares are set out in section 11 of this Target's Statement.

1. Based on Boral's share price at close of trading on the Last Practicable Date.

2. Reasons why you should REJECT the SGH Offer

2.1 Overview

The Boral Independent Board Committee believes the SGH Offer materially undervalues your Boral Shares for the reasons summarised below:

1. the SGH Offer is materially below the Independent Expert's assessment of value (see section 2.2);
2. Boral's renewed strategy (i) is expected to unlock significant value in the near-term from the potential divestment of assets, notably in North America, and (ii) will aim to drive value creation and earnings growth, including through its transformation program (see section 2.3);
3. the SGH Offer is opportunistic and appears to be timed to take advantage of an improving outlook for Boral (see section 2.4); and
4. SGH is attempting to increase its influence over Boral without paying fair value for it. The SGH Offer is at a nil premium to the Boral share price immediately before the SGH Offer and a 6.1% discount to the Boral share price as at 7 June 2021[1] (see section 2.5).

Sections 2.2 – 2.5 of this Target's Statement contain further information regarding the above reasons supporting the Boral Independent Board Committee's belief that the SGH Offer materially undervalues your Boral Shares.

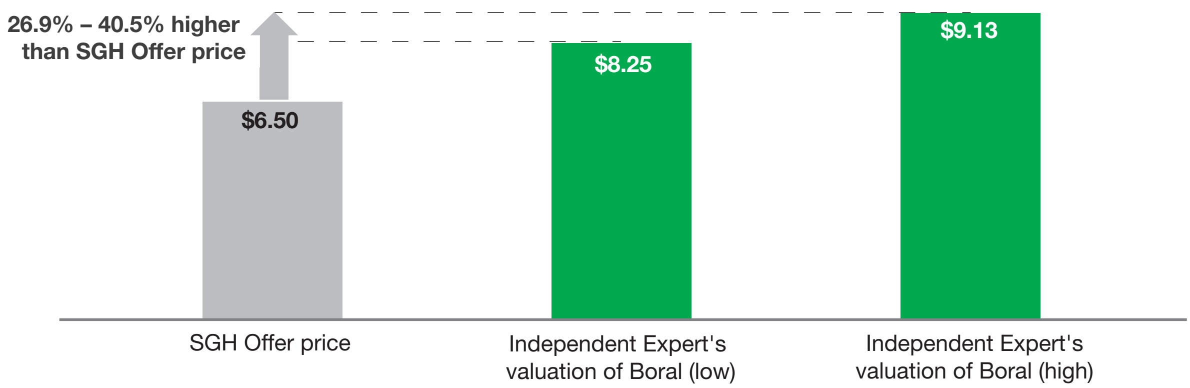
2.2 The SGH Offer is materially below the Independent Expert's assessment of value

The Independent Expert has determined that the SGH Offer is **neither fair nor reasonable** and the estimated fair market value is between $8.25 – $9.13 per Boral Share.

The Independent Expert's fair market value range for a Boral Share is 26.9% to 40.5% higher than the SGH Offer.

Figure 1: Summary of the Independent Expert's valuation range compared to the SGH Offer

The Independent Expert's valuation is higher than SGH's Offer price
(A$, %)



Source: Independent Expert's Report.

1. Based on Boral's share price at close of trading on the Last Practicable Date.

2. Reasons why you should **REJECT** the SGH Offer (continued)

2.3 Boral's renewed strategy (i) is expected to unlock significant value in the near-term from the potential divestment of assets, notably in North America, and (ii) will aim to drive value creation and earnings growth, including through its transformation program

A portfolio review across the Boral business in the first half of FY21 identified substantial opportunities for improvement within the Australian business to reduce costs and drive additional profitable growth via its transformation program[2]. The review also identified that Boral's North American businesses have significant potential for future growth. Management is currently exploring strategic alternatives for Boral's North American businesses including potential asset disposals.

(i) Boral's strategy is expected to unlock significant value from the potential divestment of assets

Divestment of assets and exploration of divestment opportunities have been announced including:

- the divestment of Boral's interest in Meridian Brick which is anticipated to complete in the first quarter of FY22;
- the potential divestment of the North American Building Products business at an appropriate value; and
- exploring strategic alternatives for the North American Fly Ash business.

At 31 May 2021 Boral's net debt was at $0.8 billion. With a net debt target of $1.5 billion, at 31 May 2021, Boral had approximately $700 million of surplus capital. This surplus is currently being returned to Shareholders via an on-market buyback.

Should the market testing processes for Boral's North American businesses result in a sale, this will generate significant proceeds. In accordance with Boral's 'Financial Framework', after optimising Boral's net debt position and allowing for reinvestment needs, Boral expects a significant surplus to be available to be distributed to Boral Shareholders.

(ii) A comprehensive portfolio review of Boral has identified a number of areas for value creation and earnings growth

The completion of a comprehensive portfolio review of Boral was announced in October 2020, which highlighted significant opportunities for earnings growth and value creation. This resulted in work commencing on a renewed strategy for Boral in late 2020. As part of this renewed strategy, in February 2021, Boral announced its 'Financial Framework' which identified Boral's objective of delivering returns that exceed the cost of capital throughout the cycle. To achieve this objective, Management established a $300 million EBIT uplift target (net of inflation) to be pursued through its transformation program of permanent cost reductions, new earnings streams, optimising use of existing funds employed, and divesting assets.

A new operating model in Australia was finalised in April 2021, effective 1 July 2021, which will move Boral from a more autonomous regional model to an integrated operating company organised along national product lines, and is intended to unlock significant value by delivering a more nimble and more responsive organisation.

Following the substantial and ongoing work on the renewed strategy since late 2020, in May 2021, the Board[3] endorsed a new and comprehensive strategic framework. The four pillars of the strategy are: **FOCUS**, **POSITION**, **REDEFINE** and **EXTEND**. Section 6.4 of this Target's Statement sets out in detail, Boral's strategic priorities, which are intended to drive value creation and earnings growth.

Boral is already well advanced on the first **FOCUS** pillar of the strategy, being the divestment of non-core businesses and the exploration of other divestment opportunities to strengthen the portfolio from both a strategic and financial perspective. This includes the sale of Boral's interest in USG Boral, the anticipated sale of its interest in Meridian Brick and the current market testing for the potential sale and other strategic alternatives for its North American assets.

Three important elements in the **POSITION** and **REDEFINE** pillars, which aims to position Boral as a leader in its chosen segments, are worth highlighting, given the current progress and potential for substantial additional earnings growth and value creation:

- **Transformation program aiming to deliver $300 million EBIT uplift**

  Announced in February 2021, a business transformation program was established across Boral to pursue a $300 million EBIT uplift target (net of inflation). The scope of the transformation program includes implementation of the new operating model, cost restructuring and reduction and opportunities for profitable growth in adjacencies.

  Management is strengthening Boral Australia's capabilities through the new operating model and will focus on the transformation to deliver initiatives including network and supply chain optimisation and prioritising adjacent growth strategies.

  In Australia, Boral is aiming to achieve $200 – $250 million of the identified $300 million net transformation benefits. Of this, approximately $75 million is intended to be delivered in FY21. The key drivers of these benefits are shown in

2. See section 10.3(b) in relation to the risks associated with execution of the transformation program.
3. During the SGH Offer, Mr Ryan Stokes has recused himself from all Boral Board and committee meetings other than those he is required by law to attend and therefore was not present at the Board strategy sessions held as previously scheduled on 17 and 18 May 2021.

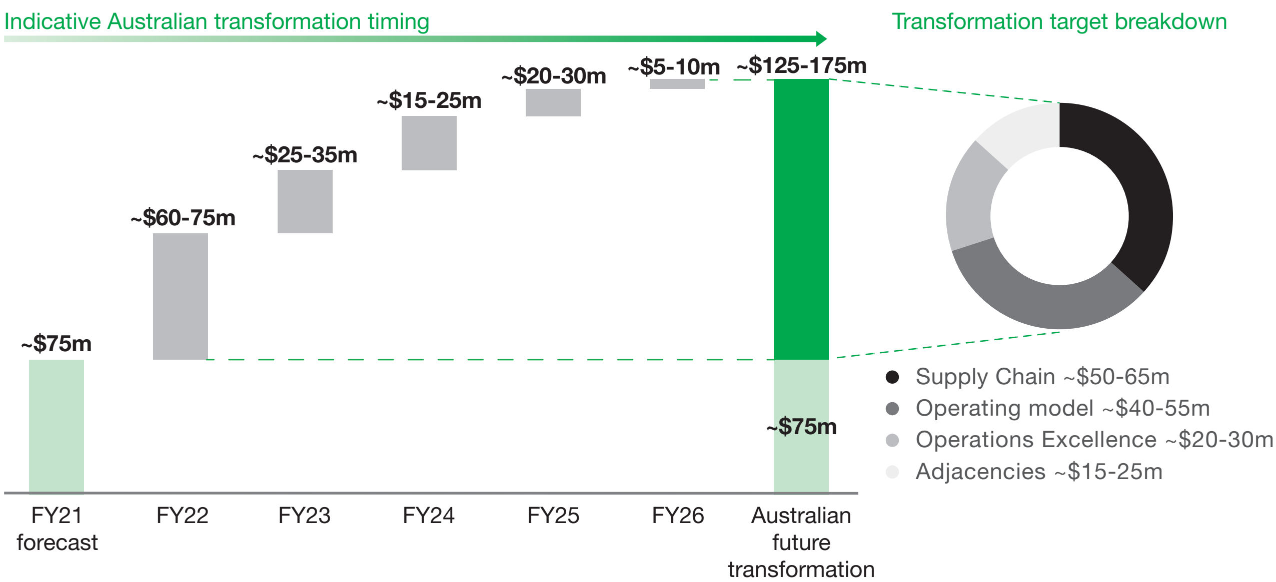
Figure 2. Procurement and other site based initiatives, which are designed to offset inflation on an annual basis, are only included to the extent they exceed inflation.

In North America, Boral is aiming to achieve approximately $50 – $100 million of the identified $300 million net transformation benefits.

See section 10.3(b) in relation to the risks associated with execution of the transformation program.

Figure 2: Boral's Transformation target for Australia

Approximately $200 – $250 million of identified opportunities for transformation in Australia



Note: Transformation targets are stated net of inflation impacts. Procurement and other initiatives target inflation offset. For FY21 Boral is forecasting $75 million of net transformation benefits for the Australian Business. On a gross basis, the cost-out forecast for Australia comprises $125 million in FY21.

- **Growth opportunities in sustainability and the circular economy**

  The impact of sustainability through decarbonisation of cement and concrete, and the push towards a circular economy through an increase in recycled materials, represent significant opportunities for Boral. These trends and preferences are being driven by customers, employees, community expectations, investors and reflected in changes to the regulatory framework.

  As part of the new operating model, a new recycling business unit has been established which is intended to drive further opportunities for customer solutions that utilise Boral's existing assets, products and services.

  Boral has developed leading lower carbon concrete (**LCC**) technology through its Envisia®, Envirocrete® and Envirocrete® Plus range of LCC products. These LCC products utilise supplementary cementitious materials (**SCM**) and proprietary binder technology to deliver lower carbon concrete while maintaining and / or improving durability, strength and engineering performance for Boral customers.

  In addition, Boral is exploring its position in the asphalt value chain through the newly established national asphalt business unit.

- **Potential opportunities to realise latent value within the existing property portfolio**

  Boral has a portfolio of owned property assets across 276 sites in Australia. The book value of this property portfolio is $710 million. The portfolio of property assets that underpin the operations of Boral, are well positioned relative to areas of population growth and increased construction and infrastructure activity.

  The portfolio comprises active quarries, cement facilities, concrete plants, and asphalt plants.

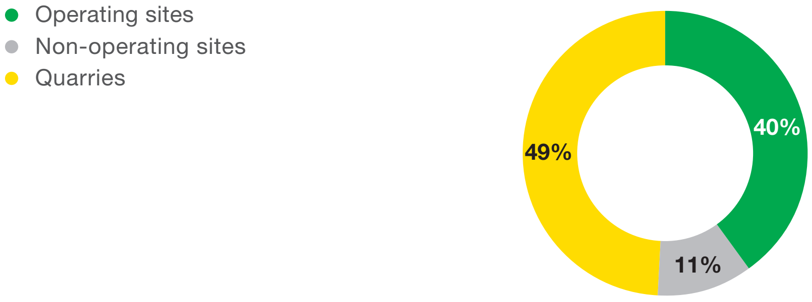
  A property review is currently underway focused on three primary objectives including:

  – optimising Boral's existing property network;
  – assessing existing property assets to identify the highest and best use; and
  – sale of surplus land and reinvesting capital to support targeted network expansion or create surplus capital available for distribution to Boral Shareholders.

  Further details on Boral's property portfolio and its objectives are set out in section 6.4 of this Target's Statement.

2. Reasons why you should REJECT the SGH Offer (continued)

Figure 3: Split of Boral's Australian property book value by asset class



Boral's surplus properties

Boral's more than 30 surplus properties are in excess of 4,500 hectares and a number of them are in desirable locations and/or have development potential. The book value for these properties is $78 million. Management believes, based on existing arrangements with third parties, Boral's operating experience and an indicative desktop assessment of selected properties by an external property consultant, that the market value of these surplus properties is at least $850 million. See section 10.3(b) in relation to the risks associated with this valuation.

Figure 4 below shows a select summary of key non-operating sites that are a subset of the non-operating sites captured in Figure 3 above:

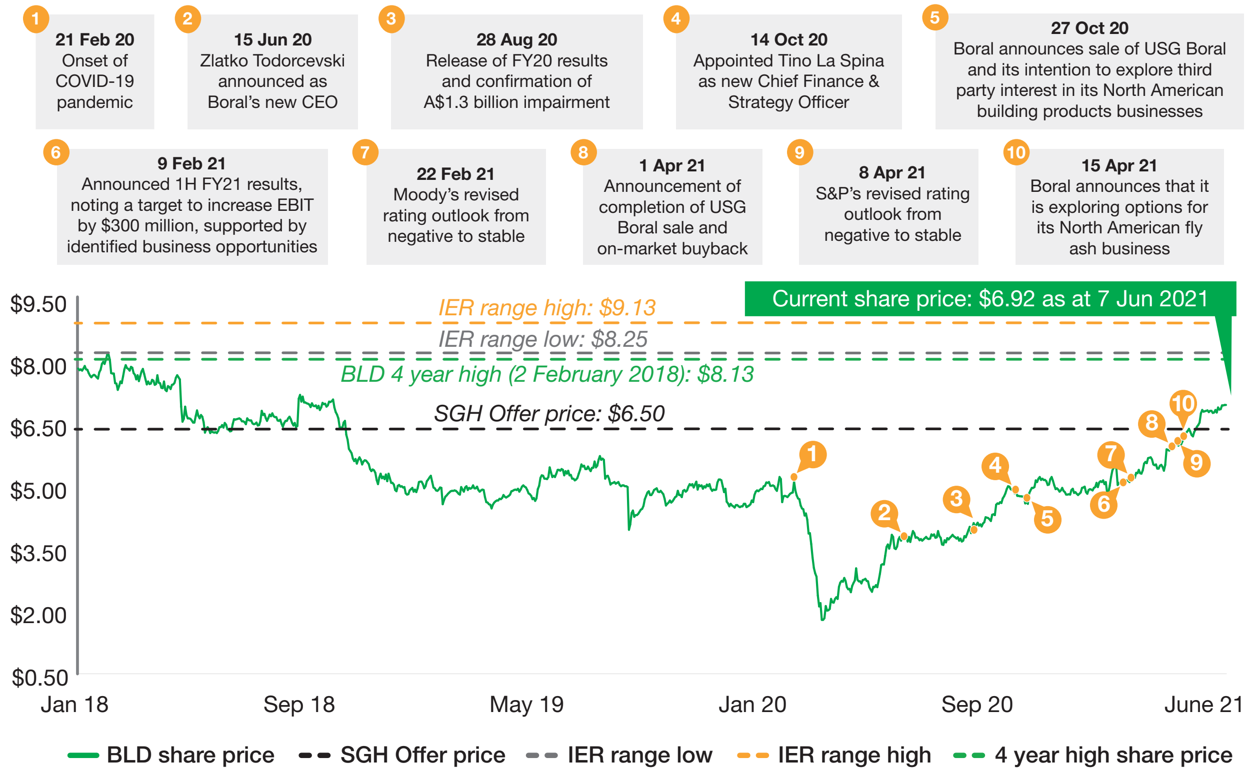
Figure 4: Summary of key non-operating sites

Property	Area (ha)	Description/status
Donnybrook	338	Development agreement in place
Scoresby	171	Development agreement in place
Waurn Ponds	1,030	Located near the outskirts of Geelong with large scale mixed-use development potential
Penrith Lakes[1]	330	Mixed use development potential
Additional sites held for sale	~1,500	5 properties currently under contract for sale

Note 1. Boral is a 40% shareholder in Penrith Lakes Development Corporation. Of total 2,000ha area at this site, up to 330ha has development potential.

2.4 The SGH Offer is opportunistic and appears to be timed to take advantage of an improving outlook for Boral

Figure 5: Boral's recent share price performance (A$)



Source: IRESS, Boral company fillings. Market data as at 7 June 2021.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this chart contains ASX share price trading information sourced from IRESS without its consent.

The SGH Offer appears to be timed to take advantage of the improving macroeconomic outlook, the development of a new Boral strategy, the solid progress to transform the Boral business and operating model, and the forthcoming conclusion of the strategic reviews and market explorations underway in relation to Boral's North American businesses.

(i) The macroeconomic outlook for Australia is expected to improve with annual construction spending projected to increase from $242 billion[4] in 2020 to $263 billion[4] on average per annum in 2021 – 2025

Australian construction demand was severely impacted by the unique circumstances of COVID-19 in 2020, resulting in a decline of 7%[4] in construction spend compared to the 2015 – 2019 annual average. This represented a significant downturn compared to prior years as building and construction activities ceased or were severely curtailed by government mandated lock downs and restrictions. In addition, in the first half of FY21, materials demand was at a relatively low level as a proportion of construction spend in the major infrastructure segment.

However, following from this cyclical low, a strong recovery is expected over the next 5 years with total Australian construction spend growing at approximately 4%[4] compound annual growth rate (**CAGR**) from 2021 to 2025 due to economic recovery in Australia, particularly from the Government's announced commitment to invest $15.2 billion[5] in infrastructure projects over the next 10 years, with materials intensity expected to strengthen.

The residential market is projected to see a strong rebound in demand from 2021, growing at a CAGR of 5%[4] from 2021 to 2025 with initial growth driven by detached housing with recovery in multi-dwelling from 2023.

4. Derived by management from the information presented in Figure 6.
5. Australian Federal Budget 2021-22.

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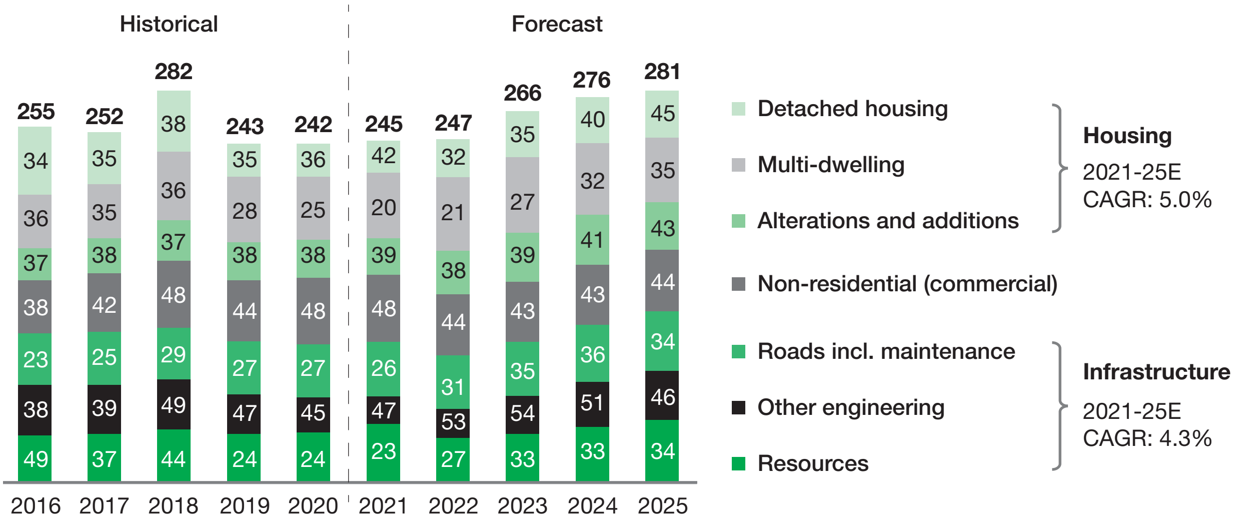
2. Reasons why you should **REJECT** the SGH Offer (continued)

Figure 6: Total annual Australian construction spend outlook by application ($ billion)



Source: Macromonitor and Australia Bureau of Statistics. All historical and forecast data per Macromonitor with the exception of detached housing and multi-dwelling forecasts. Detached housing and multi-dwelling forecasts are extrapolated as forecast Macromonitor volume multiplied by average unit price forecasts per Australia Bureau of Statistics, adjusted for inflation.

Boral has competitive advantages in New South Wales and Victoria due its vertically integrated footprint in these states. It also competes strongly in Queensland. These key states of New South Wales, Victoria and Queensland, as well as Western Australia, are expected to be the key growth regions for annual construction materials spend in Australia. Boral is well positioned to benefit from construction spend growth, particularly along the East Coast markets.

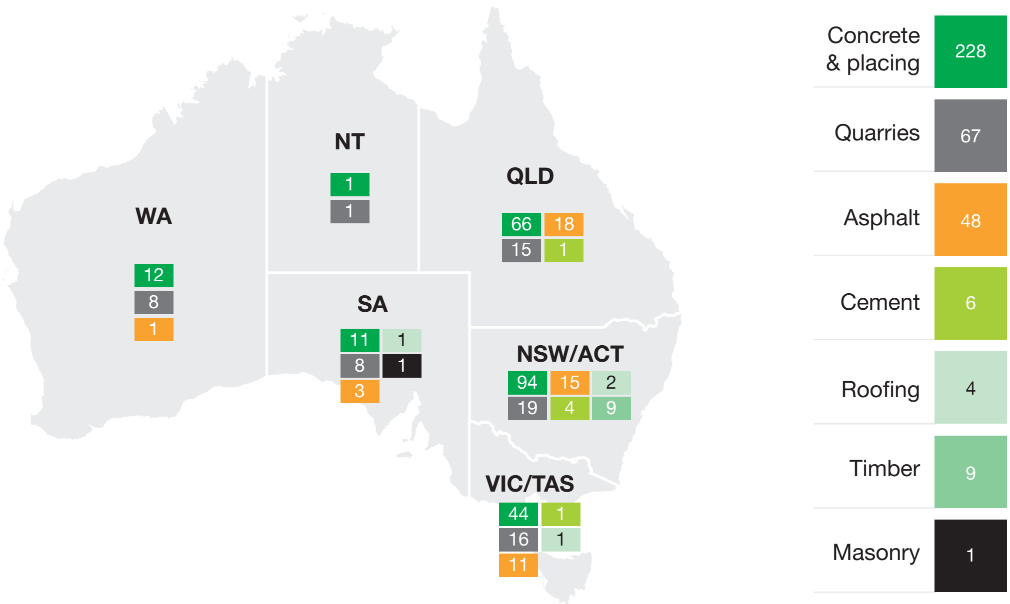
Boral's vertically integrated footprint along the East Coast delivers benefits due to the location and interconnectedness of its assets. Well positioned upstream assets in quarries (e.g. Peppertree Quarry in New South Wales and Deer Park Quarry in Victoria) and in cement (e.g. the cement kiln in Berrima, New South Wales and the new cement import terminal in Geelong, Victoria) provide efficient and high quality material inputs. The rail network Boral utilises in New South Wales provides fast, efficient and low cost supply chain connections of the upstream materials to a network of well positioned downstream assets in concrete and asphalt, supported by the flexibility of Boral's truck fleet.

The combination of Boral's upstream assets with the location and service reach of its downstream assets provide Boral with a vertically integrated and attractive geographic footprint to take advantage of the positive industry trends. In particular:

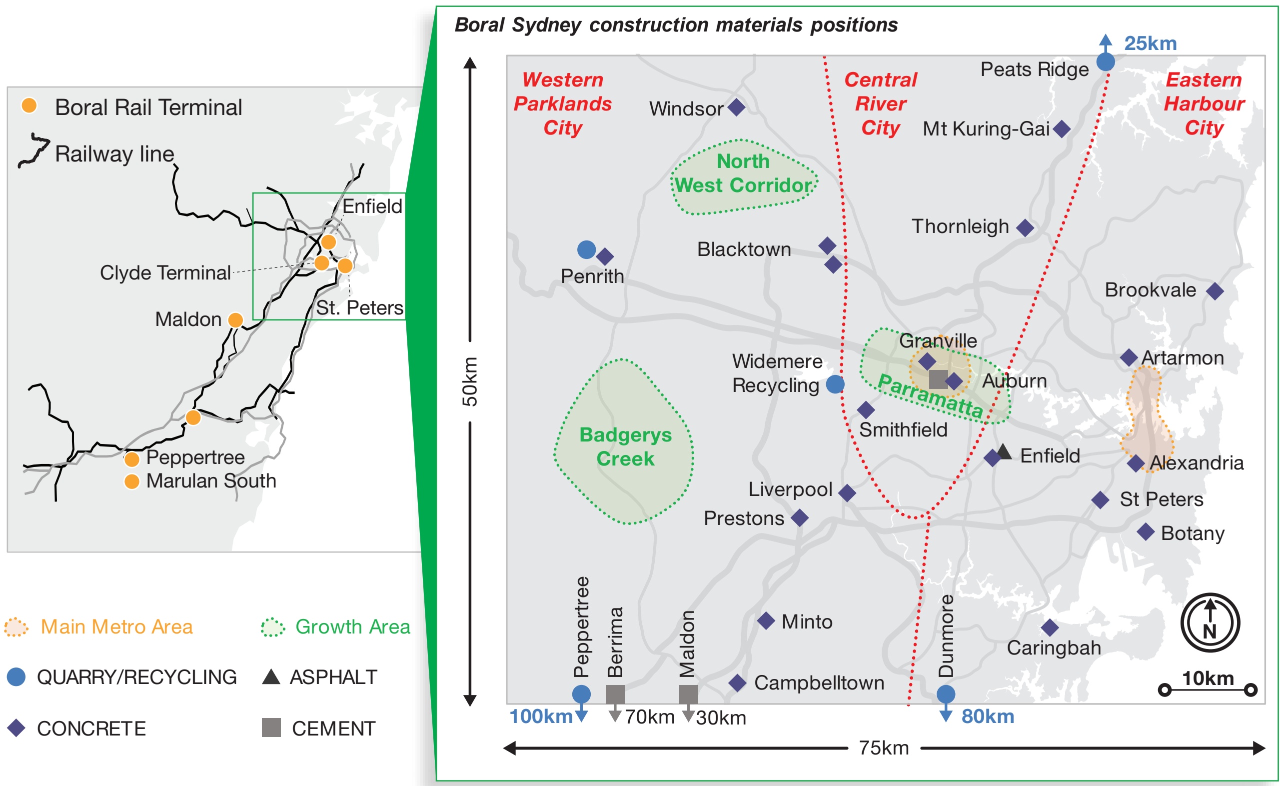
- Boral has well positioned, high quality and efficient quarries. Boral is well-positioned to take advantage of the growth in New South Wales and other key East Coast regions;
- Boral owns a cement kiln, located in Berrima, New South Wales, and is in the final stages of completion of a cement import terminal in Geelong. In addition, Boral has a good position in South-East Queensland through its Sunstate Cement joint venture with Adbri Limited. Given the strong demand trajectory in Queensland there may be potential for further expansion opportunities;
- Boral has access to lower cost and efficient rail logistics for key quarry and cement assets in New South Wales to send upstream materials into metro areas for downstream manufacturing and distribution; and
- Boral has a well-positioned footprint of concrete and asphalt plants in key East Coast metro locations. Boral participates in downstream asphalt services and asset management through arrangements with third parties and joint ventures, with further identified opportunities in this segment of the value chain.

Figure 7: Boral's portfolio of highly strategic upstream and downstream assets

Boral has a geographically diversified network of 379[6] operating sites across Australia



Example of Boral's position in NSW underpinned by strategic rail terminals into the metro region



Boral's new operating model in Australia is intended to unlock significant value through the ability to drive standardisation, reduce duplication, facilitate a better focus on serving customers, implement national transformation programs and deliver a more nimble and more responsive organisation.

6. As at 30 June 2020. Includes transport, recycling and research and development sites. Concrete and asphalt sites include mobile plants.

2. Reasons why you should **REJECT** the SGH Offer (continued)

(ii) Solid progress to reset the Boral business for a stronger Boral

The Boral Board[7] has endorsed a new and comprehensive strategic framework. Implementation of the actions within each pillar is showing strong progress, such as exploring divestment of (or other strategic alternatives for) assets in the North American portfolio, defining the Australian operating model and establishing a transformation program. These actions are in line with Boral's commitment to Boral Shareholders to transform Boral into a more agile, resilient and profitable company. For further details on the nature and progress of the strategy and associated transformation programs, see sections 2.3 and 6.4 of this Target's Statement.

Boral has undertaken a comprehensive portfolio review and is currently exploring options to further optimise its portfolio with the intention of unlocking significant value for Boral Shareholders.

(iii) Boral has just completed the sale of its 50% interest in USG Boral and has reached an agreement to sell its 50% interest in Meridian Brick

On 31 March 2021, Boral completed the sale of its 50% interest in USG Boral (announced 27 October 2020) and is also anticipated to complete the sale of its 50% interest in Meridian Brick in first quarter of FY22 (announced 18 December 2020).

The $1.33 billion proceeds from the sale of USG Boral has enabled Boral to significantly strengthen its balance sheet with surplus capital of approximately $1 billion being utilised for an on-market buy-back of up to 10% of Boral's shares on issue. These were the first steps in a streamlining of Boral's portfolio.

(iv) The forthcoming conclusion of market testing underway in relation to Boral's North American businesses

The market testing of buyer interest in Boral's North American Building Products businesses (announced 27 October 2020) is progressing well and is in the later stages of the process. Boral is pleased with the level of interest in these highly sought after assets, and the current market environment (both trading and trade sale processes) is conducive to achieving the best possible outcome for Boral Shareholders. Boral expects to be in a position to update the market on the progress of this process by the end of June 2021.

As part of the review of Boral's North American Fly Ash business (announced on 15 April 2021), Boral intends to explore value creation opportunities through a potential joint venture, strategic alliance, divestment to a third party or continued ownership.

Boral is pleased with the broad level of interest in the Fly Ash business and the market conditions are conducive to testing the best value creation opportunities for Boral Shareholders. Boral expects to be in a position to update the market at its full year results in August 2021, or earlier if appropriate.

(v) Capital management initiatives have been announced

Boral's completion of the sale of its interest in USG Boral has enabled Boral to significantly strengthen its balance sheet. In line with Boral's 'Financial Framework', the final sale proceeds of $1.33 billion have supported the reduction of Boral's net debt position from approximately $1.9 billion as at 31 December 2020 to approximately $0.8 billion as at 31 May 2021. With a net debt target of $1.5 billion at 31 May 2021 Boral had approximately $700 million of surplus capital. This surplus is currently being returned to Boral Shareholders via an on-market buyback.

Boral announced its on-market share buy-back program on 1 April 2021 including its intention to buy back up to 10% of shares on issue, or approximately 122 million shares.

As at 7 June 2021 (being the Last Practicable Date prior to the dispatch of this Target's Statement), 43.1 million shares have been bought back under the buy-back program at an average price of $6.66 per Boral Share being a 2.4% premium to the SGH Offer. As at 7 June 2021, Boral had most recently acquired shares at $6.87 to $6.94 per Boral Share, representing 5.7% to 6.8% premium to the SGH Offer.

Boral believes this on-market buy-back is the most effective method of returning surplus capital to Boral Shareholders and represents a good value outcome for all Boral Shareholders with consideration given to the prevailing market price and volatility, which Boral monitors on a daily basis.

The on-market buy-back program is anticipated to deliver share price appreciation and earnings per share accretion for Boral Shareholders who continue to own or hold Boral Shares.

As a result of a debt restructure and reduction in gross debt (see section 6.5 and 6.6 for details), interest costs are estimated to be significantly reduced on an ongoing basis, down from $130 million in FY21 to an estimated $81 million in FY22.

Should the market testing processes for Boral's North American businesses result in a sale, this will generate significant proceeds. In accordance with Boral's 'Financial Framework', after optimising Boral's net debt position and allowing for reinvestment needs, Boral expects a significant surplus to be available to be distributed to Boral Shareholders.

7. During the SGH Offer, Mr Ryan Stokes has recused himself from all Boral Board and committee meetings other than those he is required by law to attend and therefore was not present at the Board strategy sessions held as previously scheduled on 17 and 18 May 2021.

2.5 SGH is attempting to increase its influence over Boral without paying fair value for it. The SGH Offer is at a nil premium to the Boral share price immediately before the SGH Offer and a 6.1% discount to the Boral share price as at 7 June 2021[8]

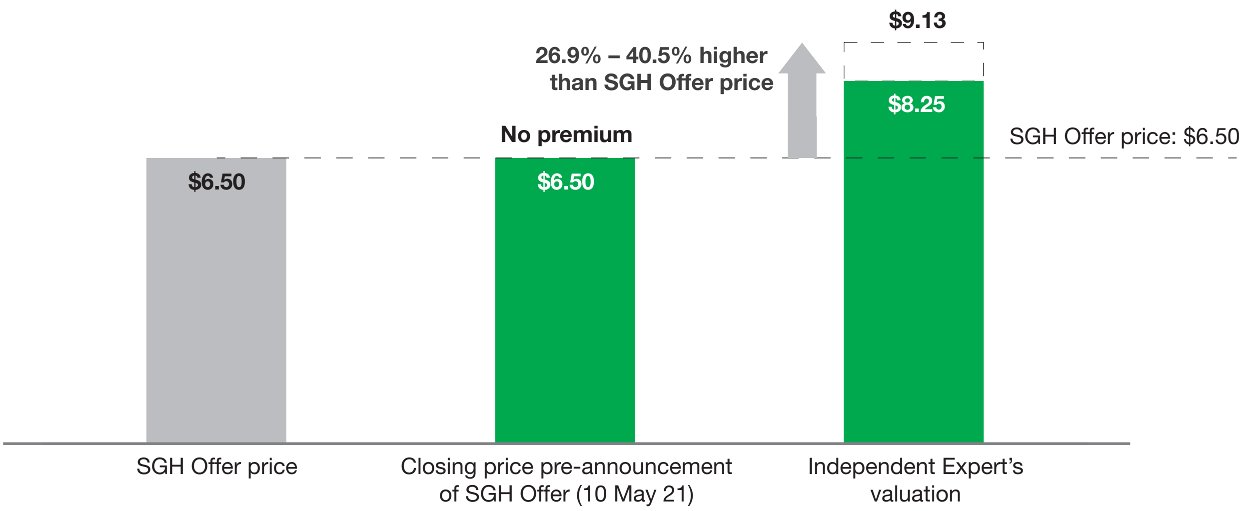
The SGH Offer does not adequately compensate Boral Shareholders for the benefits to be derived by SGH through its increased shareholding, which could involve gaining a level of control over Boral's assets and investments, future cash flows, cash balance and strategic initiatives.

The SGH Offer of $6.50 is at a nil premium to Boral's closing price of $6.50 on 10 May 2021 (market close immediately prior to SGH's announcement of its Offer).

In section 3.3(c) of the Bidder's Statement, SGH stated that following the completion of its Offer, it would review its representation on the Boral Board and may seek additional representation on the Boral Board that is reasonably proportionate to its interest in Boral Shares.

As at 7 June 2021 (being the Last Practicable Date prior to the dispatch of this Target's Statement), Boral's share price of $6.92[9] was above the SGH Offer of $6.50, with the SGH Offer representing a 6.1% discount.

Figure 8: Key reference prices are higher than the SGH Offer



Source: IRESS, Independent Expert's Report.

The SGH Offer materially undervalues the business and does not represent a sufficient takeover premium to Boral's trading price.

Management has made solid progress in positioning Boral for future growth, including:

- articulating a clear 'Financial Framework' for the business including restructuring Boral's debt and commencing an on-market buy-back to return value to Boral Shareholders;
- completing the portfolio review and progressing considerations of strategic options for the North American business;
- achieving a successful outcome for the sale of Boral's interest in USG Boral;
- finalising the future Australian business operating model;
- identifying opportunities for significant earnings growth via the $300 million transformation program; and
- establishing a strategic framework and strategic direction to drive value creation and earnings growth.

8. Based on Boral's share price at close of trading on the Last Practicable Date.
9. Boral's share price at close of trading on the Last Practicable Date.

3. Proposed governance structure

In section 3.3(c) of the Bidder's Statement, SGH stated that following the completion of its Offer, it would review its representation on the Boral Board and may seek additional representation on the Boral Board that is reasonably proportionate to its interest in Boral Shares.

Any proposal for additional SGH representation on the Board will be considered by the independent directors of Boral on its merits at the appropriate time.

The Boral Independent Board Committee will look to ensure the following governance structure:

- the Board to comprise a majority of independent directors;
- the Chairman to be an independent director;
- each Board committee to consist of a majority of independent directors and to be chaired by an independent director; and
- other enhanced protocols so that the governance of Boral is conducted in the best interests of all Boral Shareholders.

4. Frequently asked questions

This section answers some commonly asked questions about the SGH Offer. It is not intended to address all relevant issues for Boral Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is this Target's Statement?	This Target's Statement has been prepared by Boral and provides Boral's response to the SGH Offer, including the recommendation of the Boral Independent Board Committee.
What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the SGH Offer, a copy of which was lodged with ASIC and released to the ASX on 10 May 2021.
What is the SGH Offer for my Boral Shares?	SGH Bidder is offering $6.50 cash for each Boral Share held by you. You may accept the SGH Offer for some or all of your Boral Shares.
What choices do I have as a Boral Shareholder?	As a Boral Shareholder, you have the following choices in respect of your Boral Shares: • reject the SGH Offer by doing nothing; • accept the SGH Offer; • sell your Boral Shares on the ASX (unless you have previously accepted the SGH Offer and you have not validly withdrawn your acceptance). There are several implications in relation to each of the above choices. A summary of these implications is set out in section 5 of this Target's Statement.
What are the directors of Boral recommending?	Each Boral Independent Board Committee member recommends that you **REJECT the SGH Offer**.
Who are the Boral Independent Board Committee members?	The Boral Independent Board Committee members are each of the directors on the Boral Board, except for Mr Ryan Stokes, an SGH nominee director on the Boral Board, who is the Managing Director and Chief Executive Officer of SGH and a director of SGH Bidder.
Why is the Boral Independent Board Committee recommending that I **REJECT** the SGH Offer?	The Boral Independent Board Committee believes that the SGH Offer materially undervalues your Boral Shares, and the list of reasons supporting this belief are contained in section 2 of this Target's Statement.
What do the Boral Independent Board Committee members intend to do with their own Boral Shares?	Each Boral Independent Board Committee member intends to reject the SGH Offer in respect of the Boral Shares in which they have a Relevant Interest.
What is the opinion of the Independent Expert?	The Boral Independent Board Committee has appointed Grant Samuel & Associates Pty Limited (an independent expert not associated with either Boral or SGH), to prepare an Independent Expert's Report assessing the SGH Offer, and to provide an opinion on whether or not the SGH Offer is fair and reasonable to Boral Shareholders. The Independent Expert has concluded that the SGH Offer is **neither fair nor reasonable**. Attachment 1 of this Target's Statement includes a copy of the Independent Expert's Report. You should read the report carefully and in its entirety as part of your assessment of the SGH Offer.

4. Frequently asked questions

This section answers some commonly asked questions about the SGH Offer. It is not intended to address all relevant issues for Boral Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
How do I reject the SGH Offer?	To reject the SGH Offer, simply do nothing. You should take no action in relation to all correspondence from SGH and SGH Bidder in relation to the SGH Offer.
How do I accept the SGH Offer?	Details of how to accept the SGH Offer are set out in the 'How to Accept the SGH Offer' section and section 7.3 of the Bidder's Statement.
What happens if I accept the SGH Offer now and the SGH Offer price is increased?	If SGH improves the consideration offered under the SGH Offer, all Boral Shareholders, whether or not they have accepted the SGH Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.
Will SGH increase the SGH Offer?	SGH has not declared its Offer to be final. Accordingly, SGH could increase its Offer price if it chooses. However, Boral cannot speculate on whether SGH will increase its Offer price as this is a matter for SGH.
What are the consequences of accepting the SGH Offer now?	If you accept the SGH Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Boral Shares on the ASX or otherwise deal with your Boral Shares while the SGH Offer remains open.
If I accept the SGH Offer, can I withdraw my acceptance?	You may only withdraw your acceptance if SGH varies the SGH Offer in a way that postpones the time when SGH is required to satisfy its obligations by more than one month. Section 8.9 of this Target's Statement contains further details on withdrawing your acceptance.
When does the SGH Offer close?	The SGH Offer is presently scheduled to close at 7:00pm (Sydney time) on 25 June 2021, but the SGH Offer Period can be extended in certain circumstances. Section 8.6 of this Target's Statement contains further details of the circumstances in which the SGH Offer Period can be extended.
What are the conditions to the SGH Offer?	The SGH Offer is subject to the conditions which are set out in section 8.3 of this Target's Statement. In summary, conditions to the SGH Offer are: • up to the end of the SGH Offer Period, there is not in effect any order issued by a court or Public Authority and no action or investigation commenced or threatened by a Public Authority, which, in each case, impacts upon the SGH Offer; • there is no Material Adverse Change in relation to Boral or the S&P/ASX 200 index; • and there are no Prescribed Occurrences. On 26 May 2021, SGH gave notice that consent of the required majority of the lenders under the SGH Corporate Loan Facility had been received and so the Lenders' Consent Condition had been fulfilled.
What happens if the conditions of the SGH Offer are not satisfied or waived?	If the conditions are not satisfied or waived before the SGH Offer closes, the SGH Offer will lapse. You would then be free to deal with Boral Shares even if you had accepted the SGH Offer.

This section answers some commonly asked questions about the SGH Offer. It is not intended to address all relevant issues for Boral Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
How is SGH funding the SGH Offer?	SGH has stated in the Bidder's Statement that the SGH Offer will be funded by a mixture of SGH Group's existing cash reserves, committed and undrawn facilities under the SGH Corporate Loan Facility, and a new unsecured syndicated term loan bridge facility. Section 4 of the Bidder's Statement includes further details on how SGH is funding the SGH Offer.
When will I be sent my consideration if I accept the SGH Offer?	If you accept the SGH Offer, you will have to wait for the SGH Offer to become unconditional before you will be sent your consideration from SGH. Section 8.10 of this Target's Statement contains further details on when you will be sent your consideration.
Can I be forced to sell my Boral Shares?	You cannot be forced to sell your Boral Shares unless SGH compulsorily acquires your Boral Shares. SGH and its Associates will need to obtain a Relevant Interest in 90% or more of the total issued Boral Shares in order to proceed to compulsory acquisition in accordance with the provisions of Chapter 6A of the Corporations Act. Section 8.13 of this Target's Statement contains further details on compulsory acquisition.
Does the SGH Offer extend to Boral Performance Rights?	No, SGH has stated in the Bidder's Statement that the SGH Offer does not extend to the acquisition of any Boral Performance Rights or Boral Shares that are issued during the period from the Register Date to the end of the SGH Offer Period in accordance with the terms of, or otherwise in connection with the vesting of, Boral Performance Rights.
What are the tax implications of accepting the SGH Offer?	A general outline of the tax implications of accepting the SGH Offer is set out in section 12 of this Target's Statement. As the outline is a general outline only, Boral Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.
Is there a number that I can call if I have further queries in relation to the SGH Offer?	If you have any further queries in relation to the SGH Offer, you can call 1300 513 794 (for calls made from inside Australia) or +61 2 9066 4081 (for calls made from outside Australia) between 9am and 6pm (Sydney Time) Monday to Friday (excluding public holidays). Calls to these numbers may be recorded. Alternatively, you can email BoralResponse@investorinfo.net.au

5. Your choices as a Boral Shareholder

The Boral Independent Board Committee have unanimously recommended that you **REJECT the SGH Offer**. However, as a Boral Shareholder, you have three choices currently available to you:

- **Reject the SGH Offer – do nothing**

  Boral Shareholders who do not wish to accept the SGH Offer or sell their Boral Shares on market should do nothing.

  Boral Shareholders should note that if SGH and its Associates have a Relevant Interest in at least 90% of the Boral Shares during or at the end of the SGH Offer Period, SGH will be entitled to compulsorily acquire the Boral Shares that it does not already own (see section 8.13 of this Target's Statement for further details).

- **Sell your Boral Shares on market**

  You can still sell some or all of your Boral Shares on market for cash if you have not already accepted the SGH Offer in respect of those Boral Shares.

  At close of trading on 7 June 2021 Boral's share price closed at $6.92, a 6.5% premium to the SGH Offer of $6.50 cash per Boral Share. The latest price for Boral Shares and SGH's shares may be obtained from the ASX website www.asx.com.au.

  Boral Shareholders who sell their Boral Shares on market may be subject to tax on the sale and may incur a brokerage charge.

  Boral Shareholders who wish to sell their Boral Shares on market should contact their broker for information on how to effect that sale and their tax adviser to determine tax consequences from such a sale.

- **Accept the SGH Offer**

  Boral Shareholders may elect to accept the SGH Offer. You can elect to accept the SGH Offer for part or all of your Boral Shares. Details of the consideration that will be received by Boral Shareholders who accept the SGH Offer are set out in section 8.2 of this Target's Statement and in the Bidder's Statement.

  If you accept the SGH Offer, you:

  - will lose your exposure to any future growth potential of Boral (although there can be no certainty this will occur and there are risks associated with an investment in Boral as set out in section 10.2 of this Target's Statement);
  - will only have limited rights to withdraw your acceptance of the SGH Offer;
  - may be subject to tax on the disposal of your Boral Shares (see section 12 of this Target's Statement for further details of potential tax consequences of accepting the SGH Offer); and
  - may miss out on value by selling into the SGH Offer at below trading price whereby Boral's shares closed at $6.92 on 7 June 2021[1], a 6.5% premium to the SGH Offer of $6.50 cash per Boral Share.

  Details of how to accept the SGH Offer are contained in the 'How to Accept the SGH Offer' section and section 7.3 of the Bidder's Statement.

1. Boral's share price at close of trading on the Last Practicable Date.

6. Information about Boral

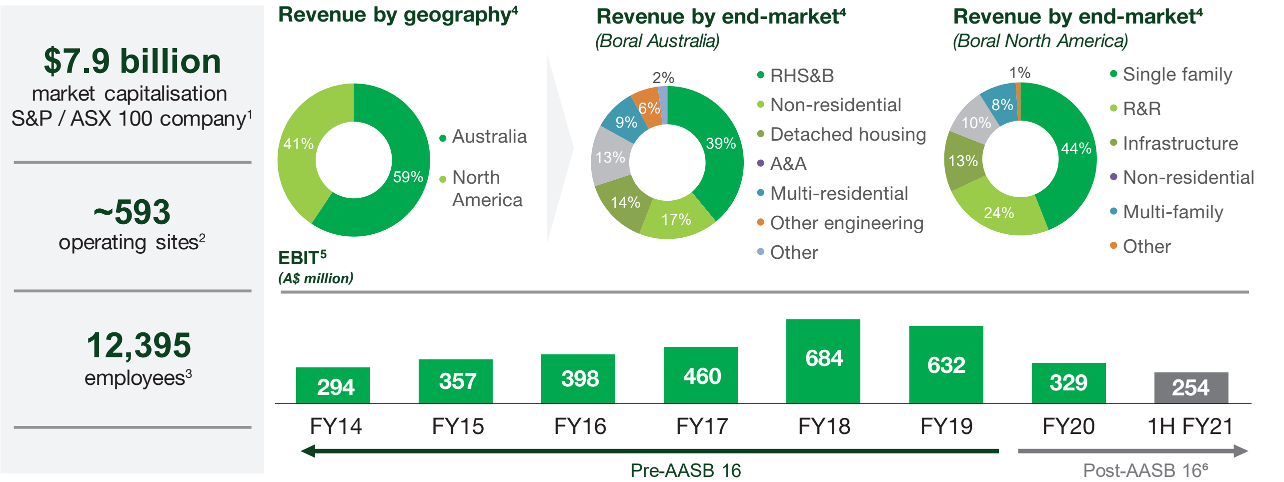
6.1 Business overview

Boral is a building products and construction materials group. Boral primarily services customers in the building and construction industries with operations concentrated in two key geographies – Australia and North America.

In Australia, Boral is a leading integrated construction materials supplier, producing and selling a broad range of construction materials, including quarry products, cement, fly ash, concrete, asphalt and recycled materials, as well as timber, roofing and masonry products. In North America, Boral has leading fly ash and building products businesses including roofing, manufactured stone products, lightweight trim and siding, and windows.

Employing around 17,500 employees and contractors, Boral's operations span across 593 operating sites and 57 distribution sites in Australia and North America.

Figure 9: Snapshot of Boral Group



Source: IRESS, Boral 1H FY21 results presentation.

Boral offers an attractive investment value proposition:

- a privileged position as a leading Australian integrated construction materials manufacturer and supplier, with a smaller building products position, generating over $3 billion in revenue (in the 12 months ended 30 June 2020);
- vertically-integrated Australian operations which support margin expansion (due to cost reduction) and increased opportunities for profitable growth;
- exposure to the increasing Australian infrastructure spending, with good positions in the well-performing East Coast geographies;
- a strong balance sheet following the recent asset divestments which have supported an improved credit rating outlook, allowed for capital management initiatives and greater flexibility to pursue growth; and
- a highly-experienced management team that has a clear plan to deliver earnings growth and long-term value to shareholders under a renewed strategy.

At 31 May 2021 Boral's net debt was approximately $0.8 billion. With a net debt target of $1.5 billion, at 31 May 2021, Boral had approximately $700 million of surplus capital. This surplus is currently being returned to Boral Shareholders via an on-market buyback.

1. IRESS market data as at 10 May 2021 (market close prior to SGH takeover offer).
2. As at 30 June 2020 but excluding USG Boral which was divested on 31 March 2021.
3. Full-time equivalent employees as at 31 December 2020, including joint venture employees but excluding USG Boral which was divested on 31 March 2021.
4. Revenue by end market. Based on 1H FY21 external revenue.
5. Reported EBIT excluding significant items and includes results of equity accounted investments.
6. Effective 1 July 2019, Boral adopted AASB 16 Leases as part of updated Australian Accounting Standards which came into effect for reporting periods after 1 January 2019. As a result of the change in policy, the presentation of lease costs changed from rent expense to depreciation and interest expense.

6. Information about Boral (continued)

Boral is currently exploring the potential divestment of its North American businesses. Should the market testing processes for Boral's North American businesses result in a sale, this will generate significant proceeds. In accordance with Boral's 'Financial Framework', after optimising Boral's net debt position and allowing for reinvestment needs, Boral expects a significant surplus to be available to be distributed to Boral Shareholders.

6.2 Boral Board of Directors

As at the date of this Target's Statement, the directors of Boral are:

Name	Position
Ms Kathryn Fagg	Non-executive Chairman
Mr Zlatko Todorcevski	Chief Executive Officer & Managing Director
Mr Peter Alexander	Independent Non-executive Director
Ms Karen Moses	Independent Non-executive Director
Ms Deborah O'Toole	Independent Non-executive Director
Mr Paul Rayner	Independent Non-executive Director
Mr Rob Sindel	Independent Non-executive Director
Mr Ryan Stokes	Non-executive Director and nominee director of SGH

6.3 Current business activities of Boral

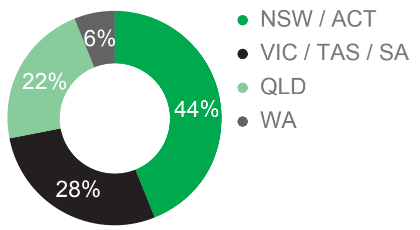
Boral operates through Boral Australia and Boral North America.[7]

	Boral Australia	Boral North America
Description	Boral Australia is a leading integrated construction materials supplier, with a smaller building products position in Australia, with operations in all states and territories. In Australia, Boral supplies concrete, quarry products, asphalt, cement, roof tiles, timber and masonry to build infrastructure, residential construction and commercial buildings.	Boral North America comprises the Construction Materials and Building Products businesses. Boral is the industry leader in the USA in fly ash processing and distribution. In building products, Boral manufactures and supplies stone veneer, roof tiles, windows and light building products, including trim and shutters, for residential and commercial geographies.

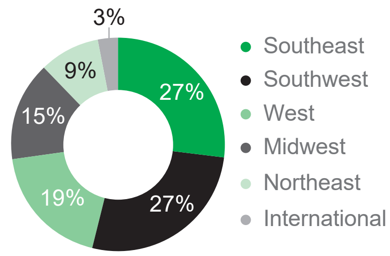
Revenue

(by region)

Boral Australia



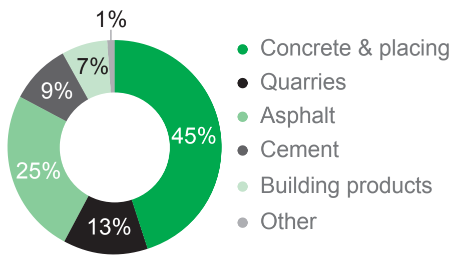
Boral North America



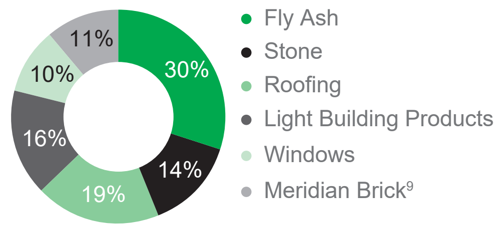
Revenue

(by business)[8]

Boral Australia

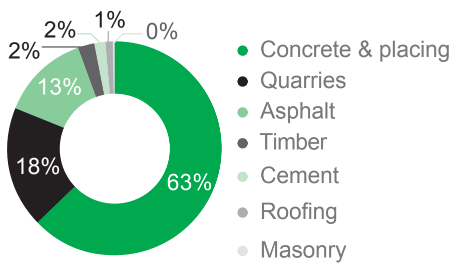


Boral North America

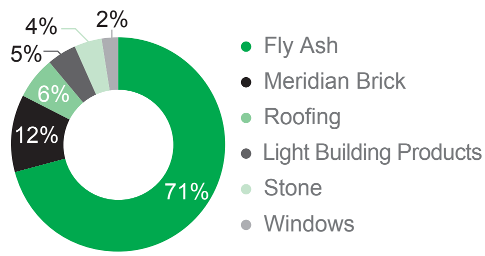


Operating sites[9]

Boral Australia



Boral North America



7. All data as at 30 June 2020 per Annual General Meeting presentation with financial splits representing FY20 results.
8. Boral Australia excludes transport, recycling, fly ash and research and development (R&D) sites, and mothballed plants. Concrete and asphalt sites include mobile plants. Boral North America excludes 38 clay mines, 4 R&D sites, and mothballed plants.
9. Meridian Brick has been announced for divestment (announced on 18 December 2020) and is anticipated to complete in the first quarter of FY22.

6. Information about Boral (continued)

	Boral Australia	Boral North America
Key opportunities	Near-term • Strengthening customer-focus and accelerating deployment of sustainable product solutions • Becoming leaner, more nimble, and more cost efficient Medium-term • Adjacent growth opportunities (opportunities being fully explored) • Realise greater value from property portfolio	Taking steps to substantially strengthen returns, through identified: • Operational improvements • Go-to-market strategies • Product development / innovation • Cross-business opportunities • Review of alternate supply strategies and opportunities for fly ash • Explore third-party interest to assess if there are better value creation opportunities for Boral Shareholders via sale of assets

6.4 Boral's strategic priorities

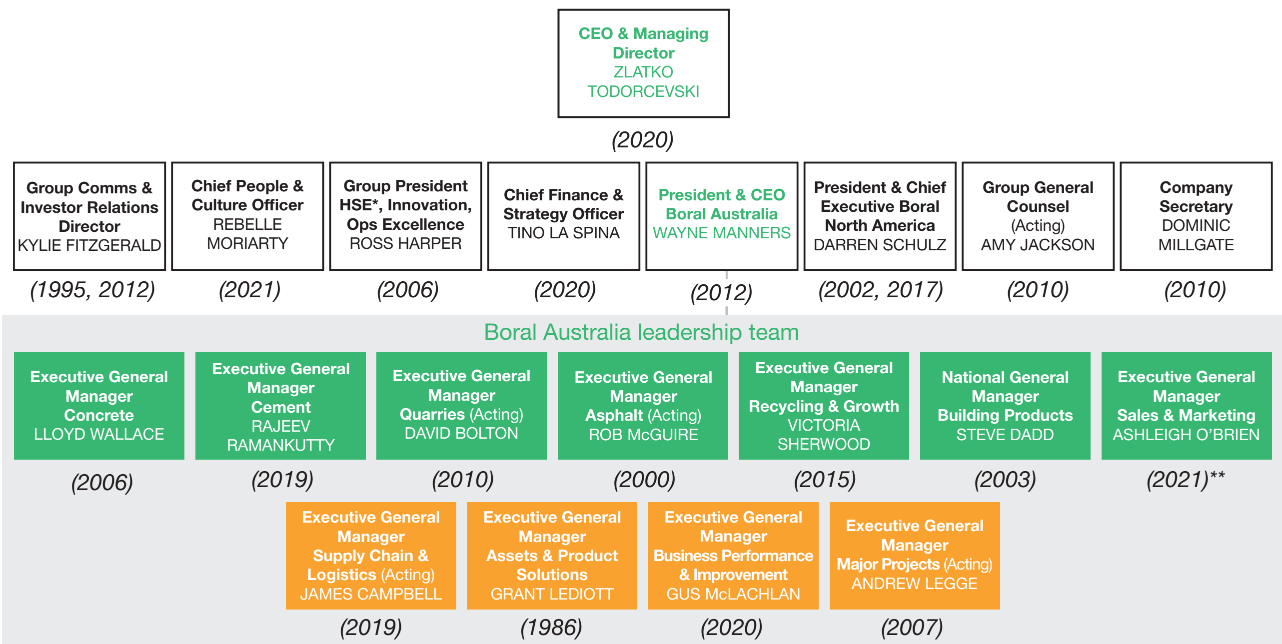
In October 2020, the Boral Board and Management announced the completion of a comprehensive portfolio review across every business and geography. The review highlighted significant opportunities for earnings growth and value creation, particularly within the Australian business via the transformation program.

In February 2021, Boral articulated its 'Financial Framework' which identified Boral's objective of delivering returns that exceed the cost of capital throughout the cycle. To achieve this objective, Management established a $300 million EBIT uplift target (net of inflation) to be pursued through a transformation program of permanent cost reductions, new earnings streams, optimising use of existing funds employed, and divesting assets.

In April 2021, Boral finalised its new operating model for Australia, effective 1 July 2021. Under the new model, Boral will move from a more autonomous regional model to an integrated operating company organised along national product lines – cement, quarries, concrete and asphalt. In addition, new leadership roles were created to pursue major projects, sales and marketing, and recycling, with supply chain logistics to be consolidated into a national business unit. Figure 10 shows the new Boral Australia leadership team, representing a highly experienced management team committed to delivering on the strategy and driving earnings growth.

Figure 10: Boral Australia's new leadership team

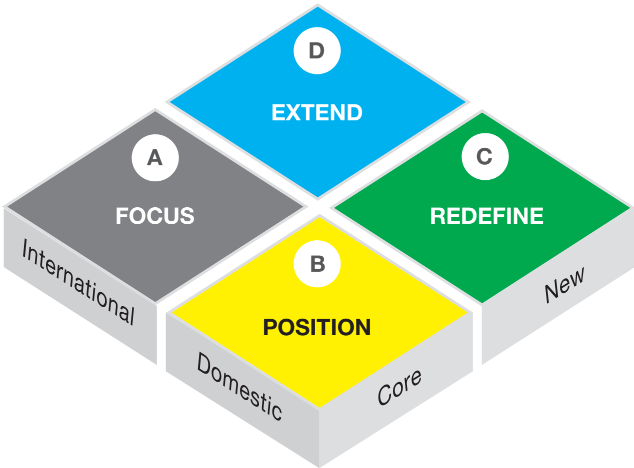
Boral Australia's new leadership team, effective 1 July 2021
(date joined Boral)



* HSE includes Sustainability
** Joins Boral in August 2021

The new operating model is intended to unlock significant value through the ability to drive standardisation, reduce duplication, facilitate a better focus on serving customers, implement national transformation programs and deliver a more nimble and more responsive organisation.

Figure 11: Boral's four strategy pillars



Work commenced on a renewed strategy for Boral in late 2020 and, in May 2021, the Board[10] endorsed a new and comprehensive strategic framework. The four pillars of the strategy are: **FOCUS, POSITION, REDEFINE** and **EXTEND**:

A. FOCUS	Divest non-core businesses to strengthen the portfolio from both a strategic and financial perspective
B. POSITION	Build a competitive and profitable core to position as a leader in Boral's chosen segments
C. REDEFINE	Reshape Boral's businesses and operations to become the leader in decarbonisation so that Boral is best positioned to pre-empt and act on emerging trends
D. EXTEND	Explore opportunities to create value from the commercialisation of innovations.

Boral will act on all four strategic pillars at once with the most significant impacts on value expected to be realised over the short to medium-term.

The detail of the strategy is still being refined. This section of the Target's Statement outlines the strategic elements which Boral has committed to and are currently executing. Further details on the strategy will be delivered to Boral Shareholders at a later stage.

A. FOCUS

Boral is well-advanced on the first pillar of the strategy which aims to focus Boral on the core business. This includes the divestment of non-core assets and disciplined capital management via a renewed 'Financial Framework'.

Divestment of non-core assets and exploration of divestment opportunities include:

- the $1.33 billion divestment of Boral's 50% share in USG Boral to Joint Venture partner Knauf, completed on 31 March 2021, which was a first step in unlocking value from Boral's portfolio under the renewed strategic framework;
- the anticipated divestment of Boral's interest in Meridian Brick which is expected to complete in the first quarter of FY22;
- the potential divestment of the North American Building Products business at an appropriate value;
- exploring opportunities to deliver greater value to Boral Shareholders through a potential joint venture, strategic alliance, divestment to a third-party or continued ownership of the North American Fly Ash business; and
- exploring potential options for Boral Australia's building products businesses including timber, roofing and masonry.

10. During the SGH Offer, Mr Ryan Stokes has recused himself from all Boral Board and committee meetings other than those he is required by law to attend and therefore was not present at the Board strategy sessions held as previously scheduled on 17 and 18 May 2021.

6. Information about Boral (continued)

A. FOCUS (continued)

The market testing of buyer interest in Boral's North American Building Products businesses (announced 27 October 2020) is progressing well and is in the later stages of the process. Boral is pleased with the level of interest in these highly sought after assets and the current market environment (both trading and trade sale processes) is conducive to achieving the best possible outcome for Boral Shareholders. Boral expects to be in a position to update the market on the progress of this process by the end of June 2021.

As part of the review of Boral's North American Fly Ash business (announced on 15 April 2021), Boral intends to explore value creation opportunities through a potential joint venture, strategic alliance, divestment to a third party or continued ownership. Boral is pleased with the broad level of interest in the Fly Ash business and the market conditions are conducive to testing the best value creation opportunities for Boral Shareholders. Boral expects to be in a position to update the market at its full year results in August 2021, or earlier if appropriate.

Should the market testing processes for Boral's North American businesses result in a sale, this will generate significant proceeds. In accordance with Boral's 'Financial Framework', after optimising Boral's net debt position and allowing for reinvestment needs, Boral expects a significant surplus to be available to be distributed to Boral Shareholders.

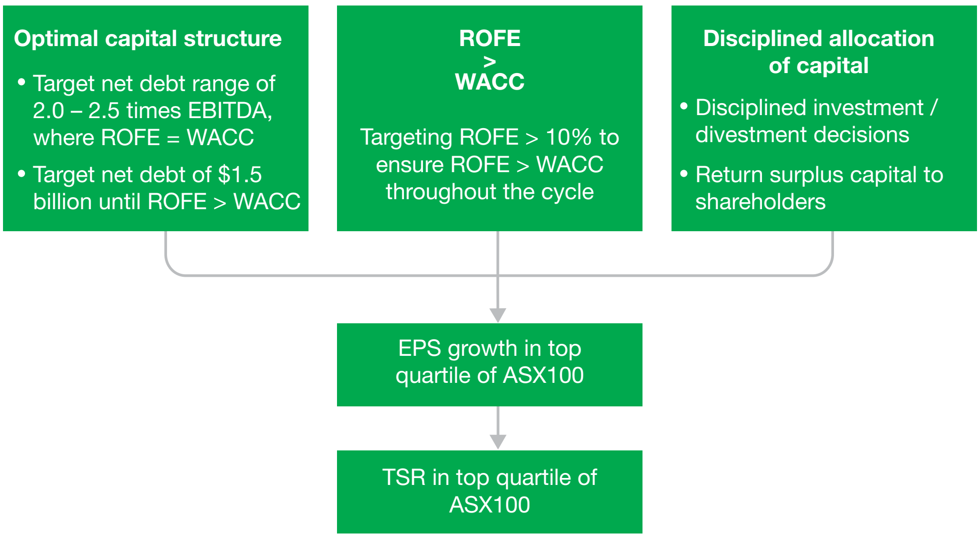
The form of any return will take into account the availability of franking credits, the relative share price and the preferences of Boral Shareholders as a whole.

The key financial objective of the 'Financial Framework' is to achieve a Total Shareholder Return (**TSR**) in the top quartile of the S&P/ASX100. To achieve this, Boral is targeting an 'earnings per share' growth in the top quartile of the S&P/ASX 100.

To meet these objectives, there are three core pillars to the 'Financial Framework':

- target an optimal capital structure where the WACC is the lowest;
- target ROFE throughout the cycle greater than WACC; and
- take a disciplined approach to allocating capital by investing in the existing business needs of the portfolio to achieve a ROFE above pre-tax WACC and returning surplus capital to Boral Shareholders in the most efficient manner.

Figure 12: Boral's 'Financial Framework'



B. POSITION

The second pillar of Boral's strategy is the renewed focus on Boral's core business to deliver its profitability and competitive advantage in the short, medium and long-term. On the cost side, Boral is driving a deep structural shift in the organisation to build a stronger and more flexible foundation for the future. Boral is also assessing potential additional value creation opportunities from its property portfolio.

Transformation program

Boral has committed to a transformation program, reflecting substantial opportunities to create value in the core business via the following key areas:

- Operating model reset – implementation of the new operating model organised on a national product basis with national support services. The new operating model is expected to unlock significant value through the ability to drive standardisation, reduce duplication, facilitate a better focus on serving customers, implement national transformation programs and deliver a leaner organisation;
- Network strategy – review of the vertically integrated network to assess network optimisation opportunities across the integrated value chain and ensure Boral's network positions drive value for customers;
- Supply chain – implementation of more sophisticated logistics and supply chain strategies and tools across automated allocations, Integrated Business Planning for demand and supply levers, and improving productivity and efficiency of our tipper, tanker and concrete agitator fleets. These initiatives have already contributed to first half FY21 cost reductions;
- Operations Excellence – a renewed focus on improving performance of Boral's operating assets through a consistent, national focus and an integrated performance management approach;
- Procurement – extending the reach of procurement with more disciplined and sophisticated category strategies and category management of key activities; and
- Customer & Commercial Excellence – improving and deepening our understanding of customer needs and behaviour across key segments, implementing tools to radically improve customer service and improving commercial processes to better match sales and customer needs.

In February 2021, Boral announced a $300 million EBIT transformation plan. This was with the objective of positioning the Boral Group to achieve a minimum of 10% ROFE at any point in the cycle, at a period when FY20 represented a low point in the macroeconomic cycle related to housing and infrastructure spending, which had a corresponding impact on demand for heavy construction materials. Boral believes that achieving a minimum of 10% ROFE through the cycle would reflect Boral's sustainable competitive advantage. In other words, achieving ROFE of at least 10% at cyclical lows is expected to result in significantly higher ROFE mid-cycle and at cyclical peaks.

See section 10.3(b) in relation to the risks associated with execution of the transformation program.

6

6. Information about Boral (continued)

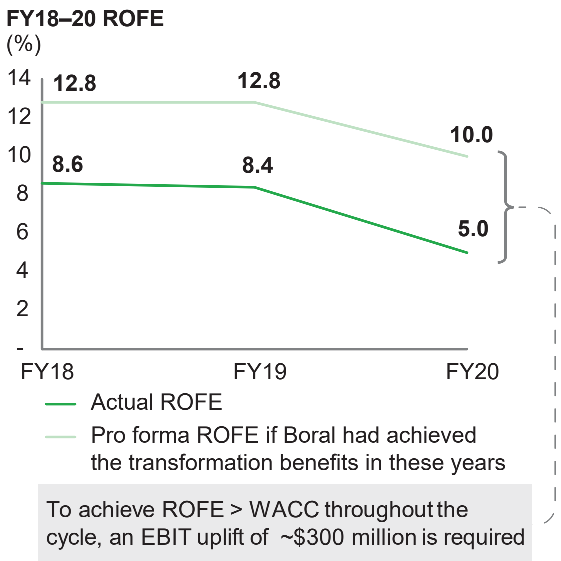
B. POSITION (continued)

Figure 13: Boral's target to achieve ROFE > WACC throughout the cycle

ROFE > WACC throughout the cycle

Current priorities

- Become leaner, more nimble and more cost efficient
- Optimise performance of existing assets
- Invest in ROFE accretive opportunities
- Generate above WACC returns to create value
  - Targeting ROFE > 10% to ensure ROFE > WACC throughout the cycle
- Transformation to bridge FY20 EBIT gap and inflation
  - EBIT shortfall of ~$300m (net of inflation)
  - ~$300 million of transformation required to deliver ROFE > WACC throughout the cycle



Source: Boral Audit & Risk committee Paper, Boral Group Financial Framework, November 2020; 1H FY21 Boral Results Presentation.

Transformation opportunities and pathways include:

- permanent cost reductions;
- new earnings opportunities utilising existing funds employed; and
- divesting assets.

Boral has not previously disclosed the split of its transformation target between Australia and North America, however, Boral believes that it has greater opportunity in its Australian business to deliver additional earnings through the transformation program.

In Australia, Boral is targeting to achieve approximately $200 – $250 million of the identified $300 million net transformation benefits. Of this, approximately $75 million is expected to be delivered in FY21. The key drivers of these benefits are shown in Figure 14. Procurement and other site-based initiatives, which are designed to offset inflation on an annual basis, are only included to the extent they exceed inflation.

Delivery of approximately $200 – $250 million in the transformation plan within Australia would be highly ROFE accretive.

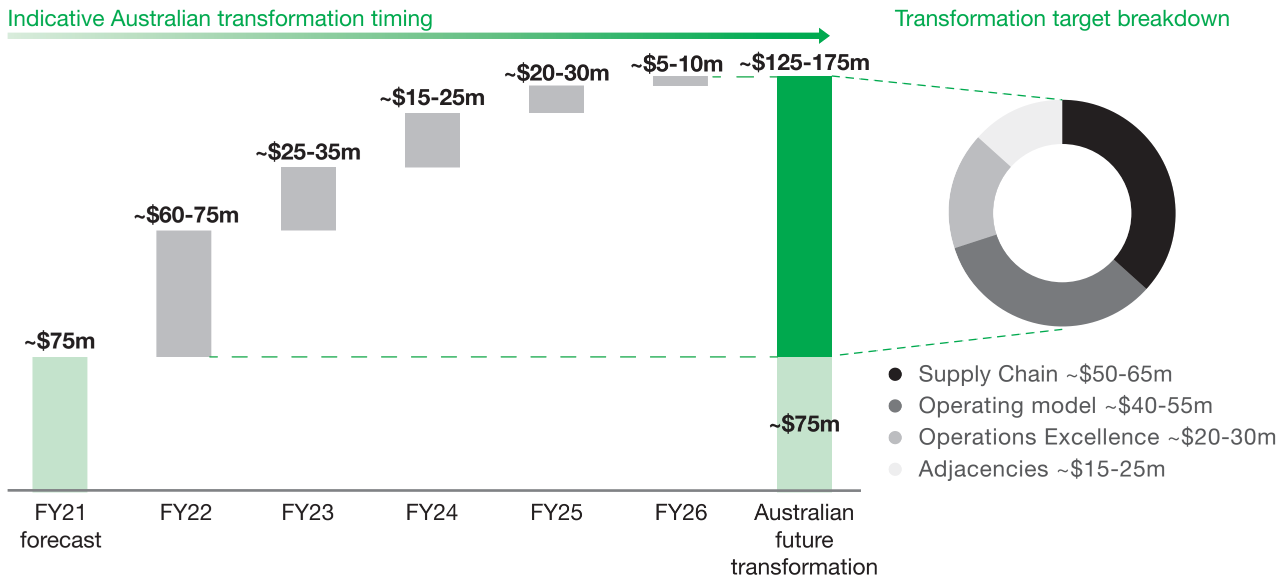
In North America, Boral is aiming to achieve approximately $50 – $100 million of the identified $300 million net transformation benefits.

B. POSITION (continued)

Figure 14: Boral's Transformation target for Australia

Transformation Target

Approximately $200 – $250 million of identified opportunities for transformation in Australia



Note: Transformation targets are stated net of inflation impacts. Procurement and other initiatives target inflation offset. For FY21 Boral is forecasting $75 million of net transformation benefits for the Australian Business. On a gross basis, the cost-out forecast for Australia comprises $125 million in FY21.

Property strategy

Boral has a portfolio of owned property assets across 276 sites in Australia. The book value of this property portfolio is $710 million. The portfolio of property assets that underpin the operations of Boral are well positioned relative to areas of population growth and increased construction and infrastructure activity.

The portfolio comprises active quarries, cement facilities, concrete plants and asphalt plants.

Operating plants and quarries within key regional catchments that are proximate to areas of population growth and increased construction and infrastructure activity enables Boral to efficiently service its customers as a key integrated provider of construction materials across Australia.

There are more than 30 surplus properties in this portfolio that are either committed, or have the potential to be committed, for sale or development.

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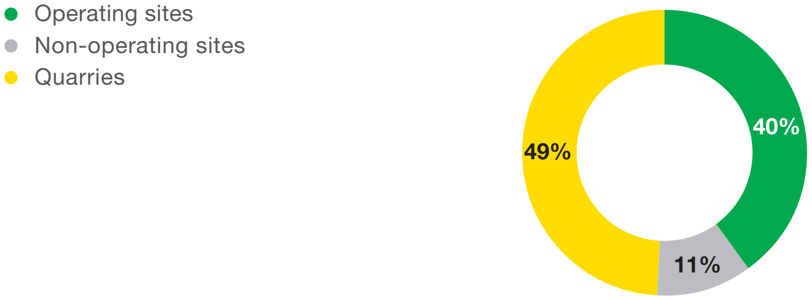
6. Information about Boral (continued)

B. POSITION (continued)

Figure 15: Split of Boral's Australian property book value by asset class



A list of select key sites within the Boral East Coast portfolio is outlined below.

Figure 16: Key sites within the Boral East Coast portfolio

Property	Type	Area (ha)	Description
Deer Park	Quarry	1,016	Deer Park operates a coordinated series of operations across a vast site located strategically on the western fringe of Melbourne. Boral's site operations include a quarry, an asphalt plant and a concrete batching plant. Cleanaway also operates a landfill across part of the site, under a long-term operating agreement.
Peppertree	Quarry	979	Peppertree Quarry is one of Boral's largest quarries and is the primary source of aggregates and manufactured sand from which Boral serves the building and construction industry across greater Sydney and surrounds including New South Wales infrastructure activity across the region.
Berrima	Cement plant	301	The Berrima Cement plant is at the centre of Boral's New South Wales cement operations, operating a wholly owned kiln to facilitate the production of clinker and manufacture of cement.
St Peters	Rail terminal and concrete plant	4.8	The St Peters operations include a rail terminal together with a concrete plant on site servicing the Sydney metropolitan area. The rail terminal benefits Boral by facilitating the transportation of quarry materials from Boral quarries at lower cost compared to other transportation alternatives.
Enfield	Rail terminal, concrete and asphalt plant	2.5	Similarly benefiting from a rail terminal, the Enfield asphalt and concrete plants are well located to supply the Sydney metropolitan area.

A property review is currently underway focused on three primary objectives:

1. **Optimising Boral's existing property network:** optimising the current property portfolio for current demand needs while utilising predictive analytics to identify expected growth areas which are then assessed against Boral's existing geographic clusters to better assess future network needs;
2. **Assessing existing properties to identify the highest and best use:** leveraging master planning for priority sites and expertise from historical arrangements with developers and other parties to expand and implement recycling strategies and other development opportunities on existing and potential surplus land across the existing operating portfolio to drive incremental cash flow; and
3. **Sale of surplus properties and reinvesting capital to support targeted network expansion or create surplus capital available for distribution to Boral Shareholders:** Boral's more than 30 surplus properties are in excess of 4,500 hectares, and a number of them are in desirable locations and/or have development potential. The book value for these properties is $78 million. Management believes, based on existing arrangements with third parties, Boral's operating experience and an indicative desktop assessment of selected properties by an external property consultant, that the market value of these surplus properties is at least $850 million. See section 10.3(b) in relation to the risks associated with this valuation.

Figure 17 below shows a summary of key non-operating sites that are a subset of the non-operating sites captured in Figure 16 above:

Figure 17: Summary of key non-operating sites

Property	Area (ha)	Description / status
Donnybrook	338	Development agreement in place
Scoresby	171	Development agreement in place
Waurn Ponds	1,030	Located near the outskirts of Geelong with large scale mixed-use development potential
Penrith Lakes[1]	330	Mixed use development potential
Additional sites held for sale	~1,500	5 properties currently under contract for sale

Note 1. Boral is a 40% shareholder in Penrith Lakes Development Corporation. Of the total 2,000ha area at this site, up to 330ha has development potential.

C. REDEFINE

The third pillar of Boral's strategy aims to create a leading position through decarbonisation to establish a competitive advantage.

The impact of sustainability through decarbonisation of cement and concrete, and the push towards a circular economy through an increase in recycled materials, represent significant opportunities for Boral. These trends and preferences are being driven by customers, employees, community expectations, investors and reflected in changes to the regulatory framework.

This trend is driving Boral's aspiration to be a leading innovator in sustainability and to create competitive advantages in sustainability growth opportunities that are anticipated to emerge from the rapidly changing industry landscape.

Boral's large recycling business sorts, crushes and sells recycled materials such as crushed concrete, demolition waste, glass, plastics and rubber primarily for road base construction. Use of recycled materials in road base construction mandated by government entities is increasing rapidly. As part of the new operating model, a new recycling business unit has been established which is intended to drive further opportunities for customer solutions that utilise Boral's existing assets, products and services.

Boral has developed leading lower carbon concrete (LCC) technology through its Envisia®, Envirocrete® and Envirocrete® Plus range of LCC products. These LCC products utilise SCM and proprietary binder technology to deliver lower carbon products while maintaining and/or improving durability, strength and engineering outcomes for Boral customers.

6. Information about Boral (continued)

C. REDEFINE (continued)

Figure 18: Boral's LCC product range

Boral utilises a lower carbon product range to minimise carbon footprint, with compatibility across most concrete applications

Engineering performance / Carbon intensity	Lower than standard mixes → Carbon neutral	Applicability by type of projects/segment
High engineering performance	Envisia®	Advance applications with high early strength/low shrinkage requirements, e.g., High-rise, infrastructure, architectural projects
Engineering performance matches standard Portland cement mixes	Envirocrete® Plus	Applicable to all mainstream uses: house slabs multi-res, etc.
Lower early age strength and higher drying shrink-age than standard mixes	Envirocrete®	Applications, with low early-strength requirements, e.g., commercial

Boral has identified key targets and action plans to drive decarbonisation of Boral operations, products and services, and has made strong progress towards setting its sustainability targets. These targets will be communicated by September 2021, including in Boral's Sustainability Report.

D. EXTEND

The fourth pillar of Boral's strategy intends to explore opportunities to enhance Boral's competitive advantage by leveraging Boral's intellectual property via commercialisation of innovations. These include digital and decarbonisation innovations in the pipeline that can drive value for Boral, but will likely be realised over a longer time period.

6.5 Historical financial information

The selected income statement, balance sheet and statement of cash flows information contained below for Boral is extracted from the audited consolidated financial statements of Boral for the years ended 30 June 2019 and 30 June 2020 and the reviewed consolidated financial statements of Boral for the half year ended 31 December 2020.

The financial information has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act. The financial information also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Boral Shareholders may view complete copies of the audited consolidated financial statements of Boral on ASX's website at www.asx.com.au or on the Boral website at www.boral.com.

Figure 19: Boral income statement

For the period ended	Half year	Full Year	
A$ million	**31 Dec 2020**	**30 Jun 2020**	**30 Jun 2019**
Continuing operations			
Revenue	**2,703.3**	5,671.4	5,738.4
Cost of sales	**(1,835.6)**	(3,965.0)	(3,818.4)
Selling and distribution expenses	**(473.7)**	(996.5)	(1,000.4)
Administrative expenses	**(211.8)**	(478.8)	(395.7)
	(2,521.1)	(5,440.3)	(5,214.5)
Other income	**24.7**	66.3	36.5
Other expenses	**(3.7)**	(1,322.9)	(61.5)
Results of equity accounted investments	**8.2**	(42.1)	(127.7)
Profit/(loss) before net interest expense and income tax	**211.4**	(1,067.6)	371.2
Interest income	**2.9**	3.4	2.3
Interest expense	**(61.2)**	(129.8)	(105.4)
Net interest expense	**(58.3)**	(126.4)	(103.1)
Profit/(loss) before income tax	**153.1**	(1,194.0)	268.1
Income tax (expense)/benefit	**(37.7)**	60.9	(74.1)
Profit/(loss) from continuing operations	**115.4**	(1,133.1)	194.0
Discontinued operations			
Profit/(loss) from discontinued operations (net of income tax)	**46.0**	(5.5)	57.0
Net profit/(loss)	**161.4**	(1,138.6)	251.0
Basic earnings per share	**13.2c**	(95.3c)	21.4c
Diluted earnings per share	**13.1c**	(95.3c)	21.3c
Continuing operations			
Basic earnings per share	**9.4c**	(94.8c)	16.5c
Diluted earnings per share	**9.4c**	(94.8c)	16.5c

Source: Boral 2020 Annual Report Boral 2020 Half Year Report.

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6. Information about Boral (continued)

Figure 20: Historical balance sheet

A$ million	31 Dec 2020	30 Jun 2020	30 Jun 2019
CURRENT ASSETS			
Cash and cash equivalents	**558.1**	904.4	207.2
Receivables	**674.3**	798.3	875.1
Inventories	**486.7**	523.9	662.5
Financial assets	**5.4**	4.7	3.8
Current tax assets	**11.7**	12.5	-
Other assets	**52.7**	47.2	39.6
Assets classified as held for sale	**1,119.8**	84.2	-
TOTAL CURRENT ASSETS	**2,908.7**	2,375.2	1,788.2
NON-CURRENT ASSETS			
Receivables	**18.9**	24.9	27.8
Inventories	**10.6**	11.2	11.4
Investments accounted for using the equity method	**23.0**	1,209.7	1,292.0
Financial assets	**52.1**	55.7	41.6
Property, plant and equipment	**2,939.7**	3,117.0	2,880.4
Intangible assets	**1,970.8**	2,223.2	3,372.8
Deferred tax assets	**125.7**	145.5	78.7
Other assets	**40.3**	39.6	27.2
TOTAL NON-CURRENT ASSETS	**5,181.1**	6,826.8	7,731.9
TOTAL ASSETS	**8,089.8**	9,202.0	9,520.1
CURRENT LIABILITIES			
Trade creditors	**610.6**	728.8	842.1
Interest bearing liabilities	**97.1**	106.0	339.7
Financial liabilities	**11.1**	13.7	23.8
Current tax liabilities	**19.1**	4.4	29.0
Employee benefit liabilities	**121.4**	119.7	118.7
Provisions	**48.3**	63.1	49.5
Liabilities classified as held for sale	**-**	10.3	-
TOTAL CURRENT LIABILITIES	**907.6**	1,046.0	1,402.8
NON-CURRENT LIABILITIES			
Interest bearing liabilities	**2,400.1**	3,378.0	2,060.8
Financial liabilities	**90.3**	26.6	-
Deferred tax liabilities	**34.5**	14.1	43.1
Employee benefit liabilities	**45.1**	43.4	46.1
Provisions	**133.9**	152.5	118.6
Other liabilities	**12.4**	6.3	16.3
TOTAL NON-CURRENT LIABILITIES	**2,716.3**	3,620.9	2,284.9
TOTAL LIABILITIES	**3,623.9**	4,666.9	3,687.7
NET ASSETS	**4,465.9**	4,535.1	5,832.4
EQUITY			
Issued capital	**4,376.4**	4,376.4	4,265.1
Reserves	**126.3**	356.9	331.0
Retained earnings/(Accumulated deficit)	**(36.8)**	(198.2)	1,236.3
TOTAL EQUITY	**4,465.9**	4,535.1	5,832.4

Source: Boral 2020 Annual Report Boral 2020 Half Year Report.

Figure 21: Historical statement of cash flows

For the period ended	Half year	Full year	
A$ million	31 Dec 2020	30 Jun 2020	30 Jun 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	**2,980.6**	6,194.5	6,243.3
Payments to suppliers and employees	**(2,547.2)**	(5,403.6)	(5,333.8)
	433.4	790.9	909.5
Dividends received	**50.7**	26.3	55.0
Interest received	**2.8**	3.1	1.9
Borrowing costs paid	**(64.0)**	(124.3)	(100.2)
Income taxes paid	**(7.9)**	(30.7)	(50.6)
Restructure, transaction and integration costs paid	**(24.4)**	(34.4)	(54.0)
Net cash provided by operating activities	**390.6**	630.9	761.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**(122.9)**	(342.1)	(447.1)
Purchase of intangibles	**-**	(3.7)	(6.3)
Purchase of controlled entities and businesses	**-**	-	(10.9)
Repayment of loans by associates	**-**	-	7.6
Proceeds on disposal of non-current assets	**37.2**	27.3	38.4
Proceeds on disposal of controlled entities and associates (net of transaction costs)	**71.5**	13.1	375.8
Net cash used in investing activities	**(14.2)**	(305.4)	(42.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	**-**	(158.3)	(316.5)
Repayment of lease principal	**(43.1)**	(98.4)	-
Proceeds from borrowings	**105.6**	2,266.3	-
Repayment of borrowings	**(732.8)**	(1,603.9)	(272.6)
Net cash provided by/(used in) financing activities	**(670.3)**	405.7	(589.1)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(293.9)**	731.2	130.0
Cash and cash equivalents at the beginning of the year	**904.4**	207.2	74.3
Effects of ex. rate fluctuations on the balances of cash and cash equivalents held in foreign currencies	**(52.4)**	(34.0)	2.9
Cash and cash equivalents at the end of the period	**558.1**	904.4	207.2

Source: Boral 2020 Annual Report Boral 2020 Half Year Report.

6. Information about Boral (continued)

The information in this section has been adapted from:

- Boral's 2020 Annual Report;
- Management Discussion & Analysis contained in Boral's Results Announcement for the year ended 30 June 2020 (as released to the ASX on 28 August 2020); and
- Management Discussion & Analysis contained in Boral's Results Announcement for the half year ended 31 December 2020 (as released to the ASX on 9 February 2021).

For the year ended 30 June 2020, Boral reported sales revenue from continuing operations of $5,671 million representing a 1% decline on the prior corresponding period. However, EBITDA from continuing operations of $715 million (excluding the impact of AASB 16 leasing standard) was down 29%, reflecting lower EBITDA from all three of Boral's divisions (Boral Australia, Boral North America and USG Boral) due to the challenges in FY20 as a result of COVID-19. Boral reported a loss after income tax of ($1,139 million) after significant items of $1,316 million (which includes asset impairments of $1,270 million primarily relating to goodwill and intangibles in Boral's North America business).

The commencement of Boral's new CEO, Zlatko Todorcevski on 1 July 2020 coincided with a comprehensive portfolio review which was conducted to reset Boral's priorities. Divestments of Boral's 50% interests in USG Boral and Meridian Brick were announced in October 2020 and December 2020 respectively, and a transformation program was announced in February 2021.

For the half year ended 31 December 2020, Boral reported sales revenue from continuing operations of $2,703 million representing a 9% decline on the prior corresponding period reflecting lower demand and pricing in Australia which was offset by an improved demand environment in North America despite ongoing COVID-19 impacts. EBITDA from continuing operations of $446 million was relatively less impacted with a 6% decline on the prior corresponding period, reflecting cost savings of approximately $32 million (net of inflation) delivered in Boral Australia through Boral's transformation program. Boral reported a profit after income tax of $161 million representing 18% growth on the prior corresponding period.

Capital structure – Funding and restructure of funding facilities

As at 31 December 2020, Boral had cash of $558 million, debt of $2,163 million and lease liabilities of $333 million representing net debt of $1,939 million. Net debt was down from $2,580 million at 30 June 2020 reflecting higher operating cash flow, disciplined capital allocation, a favourable exchange rate movement and proceeds from the sale of Midland Brick.

Gearing (net debt/(net debt + equity)) was 30%, down from 36% at 30 June 2020. Net debt / EBITDA (based on EBITDA for last 12 months from continuing operations to 31 December 2020) of 2.5 times reflected debt reduction during the half year.

The divestment of Boral's 50% interest in USG Boral on 31 March 2021 significantly reduced net debt to below the announced $1.5 billion target. As a result of the surplus capital, Boral announced an on-market buy-back program in April 2021 to return the approximately $1 billion surplus capital to Boral Shareholders.

As at 31 May 2021, Boral's net debt including leases was approximately $0.8 billion. This represents approximately $700 million of surplus capital, based on Boral's previously announced $1.5 billion target.

In May 2021, Boral completed a number of steps to restructure its debt facilities to reduce excess liquidity and reduce gross debt outstanding, which resulted in:

- undrawn committed bank facility limits reducing from US$1.0 billion to A$450 million and the maturity extended to 2024, 2025 and 2026;
- the repayment of the floating rate US Private Placement debt of US$75 million; and
- the launch of a tender offer to purchase outstanding US 144A / Reg S 3.00% Guaranteed Senior Notes due to mature in November 2022, which received acceptances of approximately US$323 million, with a balance of approximately US$127 million of these Guaranteed Senior Notes remaining outstanding.

Boral's debt maturity profile following the restructuring activities is shown in Figure 22.

Figure 22: Boral funding facility maturity (A$ million)[11]

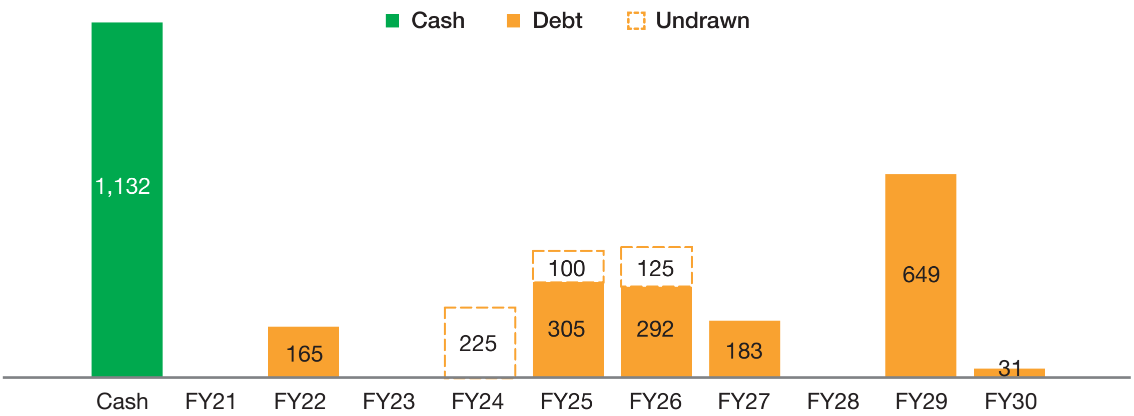


Figure 23 below summarises Boral's committed drawn and undrawn debt facilities following the debt restructure.

Figure 23: Boral's drawn and undrawn debt facilities (post debt restructure, A$ million)

	Undrawn	Drawn	Total
Bank Debt	450		450
US Private Placement		812	812
144A / Reg S Bonds		814	814
Other		12	12
Total	450	1,638	2,088

11. As at 31 May 2021 on a pro forma basis including buy-back and debt repayment in May 2021. US debt outstanding converted at US $0.77 exchange rate.

6. Information about Boral (continued)

6.6 Outlook

Boral currently expects the full year FY21 EBIT before significant items to be approximately $430 million to $450 million, including approximately $20 million to $25 million of Property earnings. This is underpinned by the following:

- Mixed market conditions in Australia:
  - detached housing activity is being supported by substantial government stimulus while demand from multi-residential is much weaker than recent years;
  - the recovery in non-residential activity is lagging and not yet resulting in increased demand; and
  - construction materials demand from infrastructure remains weak ahead of major projects moving into more materials intensive construction and delayed projects progress to execution.
- Strong market recovery in North America but Fly Ash volumes and margins lower than the prior year:
  - volume and price growth in Building Products, reflecting the strong housing market recovery;
  - lower Fly Ash volumes ahead of new contracted volumes being available, including 400,000 tons per annum of new volumes secured in the second half of FY21[12] with phased volumes available from FY22; and
  - stronger prices in Fly Ash but margins lower than prior year due to the loss of a high margin contract in the first half of FY21 and lower project-related site services revenue, as expected.
- Benefits from transformation initiatives (net of inflation).

Boral will announce its full year FY21 results in August 2021, at which time it will provide a comprehensive review of the full year performance. The latest view on outlook for FY21 is summarised in Figure 24 below.

Figure 24: Outlook on FY21

	Guidance in February 2021	Latest outlook
Earnings	No specific earnings guidance provided.	EBIT before significant items is expected to be in the range of $430 million to $450 million, including approximately $20 million to $25 million of Property earnings.
Transformation	Full year transformation program benefits to be approximately $170 million to $190 million before inflation.	Boral continues to deliver the announced transformation program with the FY21 benefit expected to be approximately $170 million,[13] which is within the previously disclosed range.
Financing costs	Financing costs are expected to be approximately 4.5% – 4.7% per annum on gross debt value (including leases).	As a result of the debt restructuring activities as described in Figure 25, Boral expects underlying finance costs to be approximately $130 million in FY21, including tender and write-off of one-off establishment costs.
Tax rate	Full year effective tax rate expected to be in the range of 21% – 22%.	Boral continues to expect the effective tax rate to be in the range of 21% – 22%.
Capital expenditure	Full year capital expenditure expected to be approximately $350 million (including new leases).	Boral expects capital expenditure for FY21 to be approximately $300 million (including new leases).

12. The contract secured in the second half of FY21 is for 400,000 tons per annum of new volume and also includes a 15-year extension of three existing marketing contracts.
13. $170 million represents gross benefits before inflation for both Boral Australia and Boral North America. The $75 million of transformation benefits referenced in section 2.3 represents only Boral Australia's transformation benefits net of inflation.

Finance costs

Finance costs for FY21 were anticipated to be 4.5% to 4.7% of gross debt as at December 2020. This equated to $113 million to $117 million for the full year to June 2021. Boral now forecasts approximately $130 million of finance costs for the full year to June 2021 with the increase largely driven by one-off costs:

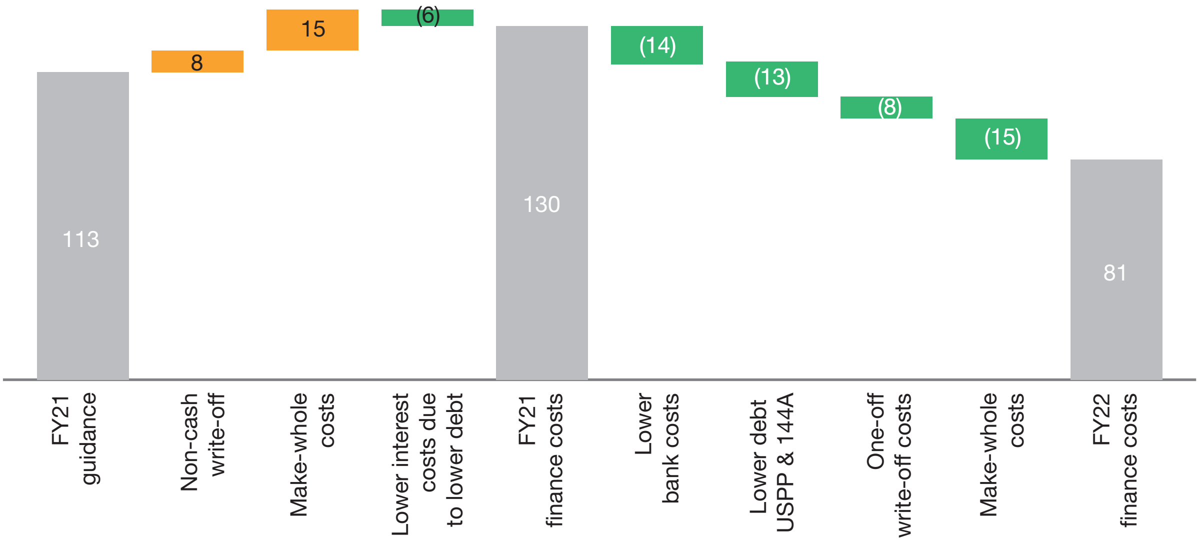
- Non-cash write-off: One-off cost relating to write-off of capitalised establishment costs for funding facilities following the repayment of US$75 million of US Private Placement (**USPP**) debt and the restructure of bank facilities; and
- Make-whole costs: One-off cost relating to the early repayment of the 144A / Reg S bonds maturing in November 2022.

The one-off costs are partially offset by lower interest costs resulting from the debt restructure in May 2021.

The finance costs for FY22 are anticipated to be approximately $81 million, well below the expected $130 million in FY21 reflecting a full year impact of lower undrawn bank facility costs, lower interest payments on debt repaid (US$75 million USPP and US$323 million 144A / Reg S bonds) and lower one-off costs.

The chart below summarises the change in finance costs.

Figure 25: Boral's forecast finance costs in FY21 and FY22 (A$ million)



Strategic matters

On strategic matters, work is continuing to progress the strategic alternatives for Boral's North America Building Products and Fly Ash businesses. Boral expects to be in a position to update the market on the progress of the process for its North America Building Products business by the end of June 2021.

Boral also expects to be in a position to update the market on its North America Fly Ash business at its full year results in August 2021, or earlier if appropriate.

The Meridian Brick sale is anticipated to be completed in the first quarter of FY22.

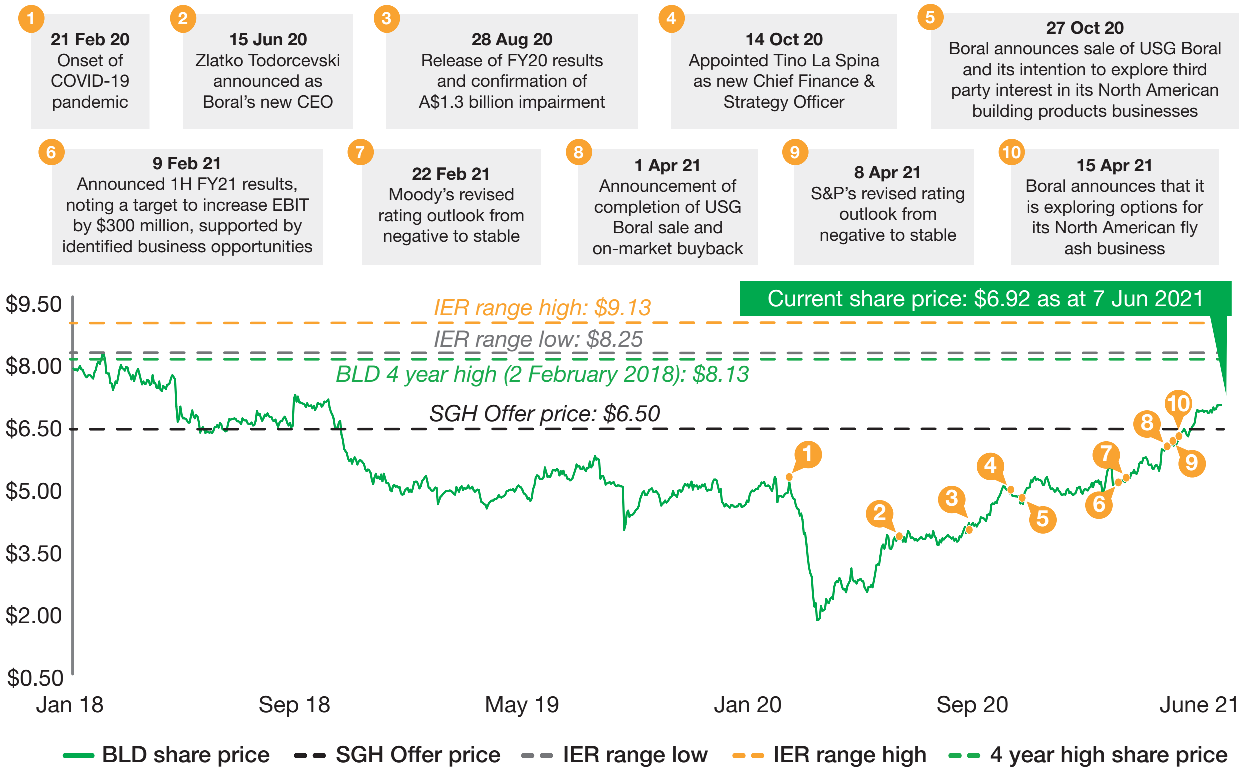
6

6. Information about Boral (continued)

6.7 Recent Boral share price performance

Boral's share price has continued to increase following COVID-19 lows in March and April 2020, driven by improving sector outlook, changes to Boral's management team and a strategy reset. The chart below shows the daily closing share price for Boral Shares between 1 January 2018 and 7 June 2021 (being the Last Practicable Date). Boral's closing share price on 10 May 2021, which represents the close of market prior to the announcement of the SGH Offer, was $6.50.

Figure 26: Boral's recent share price performance (A$)



Source: IRESS, Boral company filling. Market data as at 7 June 2021.

6.8 Publicly available information about Boral

Boral is a listed "disclosing entity" for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed entity, Boral is subject to the listing rules of ASX which require continuous disclosure of any information Boral has concerning it that a reasonable person would expect to have a material effect on the price or value of Boral Shares (subject to certain exceptions).

Boral's recent ASX announcements are available from the ASX website (www2.asx.com.au). Boral's ASX announcements between the announcement of the SGH Offer on 10 May 2021 and the Last Practicable Date are listed in Attachment 2.

6.9 Further information

Further information about Boral is contained in electronic form on the Boral website at www.boral.com.

7. Information about SGH Bidder and SGH

7.1 Disclaimer

The following information about SGH Bidder and SGH is based on publicly available information, including information in the Bidder's Statement, and has not been independently verified by Boral. Boral does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on SGH Bidder and SGH in this Target's Statement should not be considered comprehensive.

Further information about SGH Bidder and SGH is set out in the Bidder's Statement, and may also be obtained from SGH's website at www.sevengroup.com.au.

7.2 Overview of SGH Bidder and SGH

The SGH Offer is being made by SGH Bidder, a wholly-owned subsidiary of SGH.

SGH is an Australian public company listed on the ASX (ASX:SVW).

7.3 SGH's interest in Boral

As at the date of this Target's Statement, each of SGH Bidder and SGH holds a Relevant Interest in up to 23.82% of Boral Shares (being 281,704,050 Boral Shares), via:

- SGH Bidder being the registered holder and beneficial owner of 244,934,437 Boral Shares; and
- a physically settled equity swap transaction to acquire up to 36,769,613 Boral Shares.

Section 2.7 of the Bidder's Statement contains further information about SGH's interest in Boral.

7.4 SGH's intentions

SGH's intentions in relation to the continuation of or any major changes to the business of Boral (including any redeployment of the fixed assets of Boral), and changes to the future employment of the present employees of Boral are set out in section 3 of the Bidder's Statement.

7.5 SGH representations going forward

SGH has represented in the Bidder's Statement that it would be satisfied for the SGH Offer to result in it holding a total interest of around 30% of Boral. However, there is no mechanism for SGH to limit acceptances to 30% or any other level.

8. Details about the SGH Offer

8.1 The SGH Offer

SGH announced its intention to make its takeover bid for Boral on 10 May 2021. A copy of SGH's announcement is available on SGH's website at www.sevengroup.com.au/investor-centre/asx-announcements. A summary of the SGH Offer is contained in this section 8 of this Target's Statement.

The SGH Offer is open for acceptance until 7:00pm on 25 June 2021, unless it is extended or withdrawn (sections 8.6 and 8.7 of this Target's Statement describe the circumstances in which SGH can extend or withdraw its Offer).

8.2 Consideration payable to Boral Shareholders who accept the SGH Offer

The consideration being offered by SGH Bidder is $6.50 cash for each Boral Share it does not already own. You may accept the SGH Offer for some or all of your Boral Shares.

8.3 Conditions to the SGH Offer

The SGH Offer is subject to a number of conditions. Those conditions are set out in full in section 7.6 of the Bidder's Statement.

By way of broad overview, the conditions to the SGH Offer are:

- up to the end of the SGH Offer Period, there is not in effect any order issued by a court or Public Authority and no action or investigation commenced or threatened by a Public Authority, which, in each case, impacts upon the SGH Offer;
- no Material Adverse Change in relation to Boral or the S&P/ASX 200 index;
- consent of the required majority of lenders under the SGH Corporate Loan Facility (**Lenders' Consent Condition**), noting SGH publicly announced on 26 May 2021 that this Lenders' Consent Condition has been fulfilled (see section 8.4); and
- no Prescribed Occurrences.

8.4 Notice of Status of Conditions

Section 7.7 of the Bidder's Statement indicates that SGH will give a Notice of Status of Conditions to the ASX and Boral on 17 June 2021.

SGH is required to set out in its Notice of Status of Conditions:

- whether the SGH Offer is free of any or all of the conditions;
- whether, so far as SGH knows, any of the conditions have been fulfilled; and
- SGH's voting power in Boral.

If the SGH Offer Period is extended by a period before the time the notice is required to be given, the date for giving the notice will be taken to be postponed for the same period. In the event of such an extension, SGH is required, as soon as practicable after the extension, to give a notice to the ASX and Boral that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the SGH Offer becomes free of that condition) during the bid period but before the date on which the Notice of Status of Conditions is required to be given, SGH must, as soon as practicable, give the ASX and Boral a notice that states that the particular condition has been fulfilled.

SGH gave notice on 26 May 2021 that the Lenders' Consent Condition had been fulfilled.

8.5 SGH Offer Period

Unless the SGH Offer is extended or withdrawn, it is open for acceptance from 25 May 2021 until 7.00pm (Sydney time) on 25 June 2021.

The circumstances in which SGH may extend or withdraw its Offer are set out in section 8.6 and section 8.7 respectively of this Target's Statement.

8.6 Extension of the SGH Offer Period

SGH may extend the SGH Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 8.4 in this Target's Statement) while the SGH Offer is subject to conditions. However, if the SGH Offer is unconditional (that is, all the conditions are fulfilled or freed), SGH may extend the SGH Offer Period at any time before the end of the SGH Offer Period.

In addition, there will be an automatic extension of the SGH Offer Period if, within the last 7 days of the SGH Offer Period:

- SGH improves the consideration offered under the SGH Offer; or
- SGH's voting power in Boral increases to more than 50%.

If either of the above events occurs, the SGH Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

8.7 Withdrawal of Offer

SGH may not withdraw the SGH Offer if you have already accepted it. Before you accept the SGH Offer, SGH may withdraw the SGH Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

8.8 Effect of acceptance

The effect of acceptance of the SGH Offer is set out in sections 7.4 and 7.5 of the Bidder's Statement. Boral Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their Boral Shares and the representations and warranties which they give by accepting of the SGH Offer.

8.9 Your ability to withdraw your acceptance

If you accept the SGH Offer, you only have limited rights to withdraw your acceptance of the SGH Offer.

You may only withdraw your acceptance of the SGH Offer if SGH varies the SGH Offer in a way that postpones, for more than one month, the time when SGH needs to meet its obligations under the SGH Offer. This will occur if SGH extends the SGH Offer Period by more than one month and the SGH Offer is still subject to conditions.

8.10 When you will receive your consideration if you accept the SGH Offer

In the usual case, you will be issued your consideration on or before the later of:

- 15 Business Days after the date the SGH Offer becomes or is declared unconditional; and
- 10 Business Days after the date you accept the SGH Offer if the SGH Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the SGH Offer becomes or is declared unconditional), no later than 21 days after the end of the SGH Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 7.8 of the Bidder's Statement.

8.11 Effect of an improvement in consideration on Boral Shareholders who have already accepted the SGH Offer

If SGH improves the consideration offered under its takeover bid, all Boral Shareholders, whether or not they have accepted the SGH Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

8.12 Lapse of Offer

The SGH Offer will lapse if the SGH Offer conditions are not freed or fulfilled by the end of the SGH Offer Period, in which case, all contracts resulting from acceptance of the SGH Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Boral Shares as you see fit.

8. Details about the SGH Offer (continued)

8.13 Compulsory acquisition

SGH has indicated in section 3.4 of its Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding Boral Shares.

- **Compulsory acquisition within one month after the end of the SGH Offer Period**

SGH will be entitled to compulsorily acquire any Boral Shares in respect of which it has not received an acceptance of its Offer on the same terms as the SGH Offer if, during or at the end of the SGH Offer Period, SGH and its Associates have a Relevant Interest in at least 90% of Boral Shares.

If this threshold is met and SGH wishes to exercise its rights to compulsorily acquire any outstanding Boral Shares, SGH will have one month after the end of the SGH Offer Period within which to give compulsory acquisition notices to Boral Shareholders who have not accepted the SGH Offer. Boral Shareholders have certain statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the terms of the SGH Offer do not represent 'fair value' for their Boral Shares. If compulsory acquisition occurs, Boral Shareholders who have their Boral Shares compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

- **Alternative compulsory acquisition regime**

It is also possible that SGH will, at some time after the end of the SGH Offer Period, become the beneficial holder of at least 90% of Boral Shares. SGH would then have rights to compulsorily Boral acquire Shares not owned by it within 6 months of becoming the holder of at least 90% of the Boral Shares. The price which SGH would have to pay for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

9. Important matters for Boral Shareholders to consider

9.1 Consequences for Boral Shareholders if SGH acquires a majority ownership interest in Boral

If SGH acquires more than 50% but less than 90% of the Boral Shares then SGH will acquire a majority shareholding in Boral.

This has a number of possible implications, including the following:

- while the Boral Independent Board Committee will seek the governance arrangements detailed in section 3, SGH will be in a position to cast the majority of votes at a general meeting of Boral. As such, SGH will be able to control the composition of the Boral Board. Through control of the composition of the Boral Board (and subject to the discharge by all Boral Directors of their directors' duties) SGH will be in a position to influence Boral's Management, dividend policy and strategic direction. SGH stated in section 3.3 of its Bidder's Statement that it intends that following completion of the Offer that it will continue to support the publicly disclosed strategy of the Boral Board as at 10 May 2021;
- liquidity of Boral Shares will be reduced, and there is a risk that Boral could be fully or partially removed from certain S&P/ASX market indices due to lack of free float and/or liquidity;
- if the number of Boral Shareholders is less than that required by the official listing rules of the ASX to maintain an ASX listing, then SGH may seek to have Boral removed from the official list of the ASX. If this occurs, Boral Shares will not be able to be bought or sold on the ASX;
- there may be limited institutional support for Boral Shares;
- a number of Boral's financing arrangements and material contracts have provisions which may be triggered by a change of control of Boral (see section 13.1 of this Target's Statement for further information in this regard); and
- if SGH acquires 75% or more of the Boral Shares it will be able to pass a special resolution of Boral. This will enable SGH to, among other things, change Boral's constitution.

9.2 Taxation consequences of accepting the SGH Offer

The taxation consequences of accepting the SGH Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the SGH Offer is set out in section 12 of this Target's Statement.

You should carefully read and consider the taxation consequences of accepting the SGH Offer. The outline provided in Section 12 of this Target's Statement is of a general nature only and you should obtain independent professional advice as to the taxation consequences applicable to your own circumstances.

10. Risk factors

10.1 Introduction

In considering the SGH Offer, Boral Shareholders should be aware that there are a number of risk factors associated with either accepting the SGH Offer or rejecting the SGH Offer and continuing to hold Boral Shares.

In deciding whether to accept the SGH Offer, Boral Shareholders should read this Target's Statement and the Bidder's Statement carefully and consider these risks. While some of these risks can be mitigated, some are outside the control of Boral and the Boral Board and cannot be mitigated.

The risks set out in this section 10 do not take into account the individual investment objectives, financial situation, position or particular needs of Boral Shareholders.

In addition, these risks are general in nature only and do not cover every risk that may be associated with an investment in Boral now or in the future. The risk factors set out in this section 10 are not an exhaustive list of all risks. There may also be additional risks and uncertainties not currently known to Boral, or which are currently known to Boral but which Boral currently considers to be immaterial, which may adversely affect Boral's operating and financial performance and the price or value of Boral.

10.2 Risks associated with accepting the SGH Offer

The Boral Independent Board Committee unanimously recommend that Boral Shareholders should reject the SGH Offer. There are risks associated with accepting the SGH Offer, including those described in this section 10.2 of this Target's Statement.

• Possibility of superior proposal emerging

A third party with a superior proposal may emerge (although the Boral Independent Board Committee can give no assurances that this will occur).

By accepting the SGH Offer, you will not be able to accept any superior proposal that may be made by a competing bidder, unless the SGH Offer is still conditional and you withdraw your acceptance. As such, you may not be able to obtain any potential benefit associated with any such superior proposal.

• Possible appreciation of Boral Shares in the future

You may be able to sell your Boral Shares in the future for more valuable consideration than the SGH Offer of $6.50 cash per Boral Share (although the Boral Independent Board Committee can give no assurances and make no forecast of whether this will occur).

• Taxation consequences of accepting the SGH Offer

The taxation consequences of disposing of your Boral Shares pursuant to the SGH Offer depend on a number of factors and your particular circumstances. A general outline of certain Australian tax considerations of such a disposal is set out in section 12 of this Target's Statement. You should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

10.3 Risks associated with rejecting the SGH Offer and continuing as a Boral Shareholder

(a) General risk factors

As with any listed entity on the ASX, the future prospects and performance of Boral and the value of Boral Shares are affected by a wide variety of factors, including:

- general economic conditions (in particular in Australia, which forms Boral's core geography and the United States of America, where the balance of Boral's business is based) including interest and inflation rates, exchange rates and commodity prices;
- fluctuations in the local and global market for listed stocks;

- changes to government policy (including fiscal, monetary, taxation, employment and environmental policies), legislation, regulation or accounting policy;
- the nature of markets, including end-markets, in which Boral operates, across its countries of operation (such markets are cyclical and affected by various macroeconomic, geopolitical, demographic and regulatory factors and the allocation of timing and government funding for public infrastructure and other building programs);
- general and operational business risks; and
- natural disasters, pandemics generally, global hostilities, tensions and acts of terrorism.

These factors may result in fluctuations to the market price of Boral Shares that are not explained by the fundamental operations and activities of Boral.

(b) Risks specific to an investment in Boral

There are a number of risks specific to Boral which may impact Boral's future prospects and the market price of Boral Shares, including risks that are beyond Boral's control. An overview of the material business risks facing Boral is set out below. Further information about Boral's risk identification and management processes can be found in Boral's 2020 Annual Report available on Boral's website at https://www.boral.com/news/annual-reports.

- **Health, safety and environment (HSE) risks:** Due to the nature of the industry in which Boral operates, there is a risk of incidents occurring that may cause injury to Boral's employees or contractors, or damage to the environment. In particular, Boral operates a fleet of more than 3,000 on-road heavy vehicles (including both company owned and contractor vehicles), exposing Boral to a risk of traffic accidents. These incidents may result in costs and fines for Boral, cause business interruption and adversely affect Boral's reputation.
- **Negative end-market conditions may cause Boral to underperform:** Boral's business performance is closely tied to demand in the end-markets in which it operates, across its countries of operation. These markets are cyclical and affected by various macroeconomic, geopolitical, demographic and regulatory factors, and the allocation and timing of government funding for public infrastructure and other building programs. In particular, for infrastructure projects in Australia, Boral is impacted by delays in delivery schedules or changes to scopes of work. Negative developments in these end-markets are likely to cause Boral to underperform.
- **Consequences of industry competition:** Boral operates in competitive markets, against domestic suppliers and, in some cases, imported product suppliers. These competitive environments can be significantly affected by local market forces, such as new entrants, production capacity utilisation, economic conditions and disruptive product innovation, as well as customer strategies and preferences, and changes in construction methods and materials. This impacts prices and demand for Boral's products.
- **Carbon and climate-related impacts:** Boral's construction materials business is carbon intensive, primarily due to the nature of its cement manufacturing in Australia and the importing of clinker. It is therefore exposed to risks in carbon pricing and changes in carbon related policies in Australia, and potentially in countries where upstream product is sourced from, such as clinker and bitumen (generally from northern Asia). Such changes may manifest in the short to medium term as increased energy costs, and possibly emissions pricing mechanisms, but may eventually also threaten reliability of supply. In the longer term, the impact of increasing carbon emissions and climate change may lead to periods of extreme weather which can impact Boral's ability to supply products to the market and limit customers' ability to construct, reducing or postponing demand. Prolonged periods of wet weather can impact Boral's performance through lower productivity and loss of fixed cost recovery.
- **Operations and technology risk:** Boral's manufacturing processes and related services depend on critical software, which may occasionally be unavailable as a result of unanticipated failures, outages or force majeure events. Boral's operations, operational efficiency, and its financial and commercial systems depend on its information technology (IT) systems, capabilities and assets. Ongoing investment in IT is required to adequately support the business, including to address customer needs. Furthermore, a cybersecurity breach could lead to the loss of sensitive data, breach of customer data privacy, business interruption and reputational damage.
- **License to operate:** Failure to meet the increasing expectations of Boral's stakeholders, could impact Boral's future plans, reputation and ability to operate. Attracting and retaining talented employees and engaging Boral's workforce underpins the delivery of Boral's strategic initiatives and business plans.
- **Regulatory and compliance risk:** Boral is subject to a broad range of laws, regulations and standards in the jurisdictions in which it operates. Non-compliance due to inadequate processes, systems, people or conduct could lead to losses and liabilities, reputational damage and business interruption. Changes to status, regulation and laws may also have a materially adverse effect on Boral's business, financial condition or results of operation. In addition, Boral may be unable to obtain relevant licences and approvals (and renewals) to enable it to establish new operations or to continue operation of existing facilities, or may suffer significant costs and delays in attempting to obtain such licences and approvals.

10. Risk factors (continued)

- **Supply chain / cost management:** Boral's business performance is exposed to inflationary impacts from rising input costs and the availability of labour. Disruption in the supply of raw materials or other critical inputs as a result of force majeure type events could impact Boral's ability to manufacture products and meet market demand. Failure to secure access to long-term reserves or future resource supply constraints could adversely impact Boral's long-term growth.
- **Foreign exchange risk:** Boral is exposed to movements in foreign exchange rates through its international operations, and to a lesser degree through imported products and supply of plant and equipment.
- **Liquidity risk:** Liquidity is the risk that the financial obligations of Boral cannot be met as and when they fall due without incurring significant costs. Boral manages liquidity risk by monitoring cash requirements, both short and longer term, against its current liquid assets.
- **Execution of transformation program:** In February 2021, Boral announced a target of approximately $300 million in EBIT uplift across its businesses in Australia and North America. This target is proposed to be delivered through a structured transformation program across multiple cost and growth areas of the businesses. However, there is no guarantee that the transformation program will be successful in achieving all of the targeted benefits. In particular, the transformation program could be impacted by factors within or outside the control of Boral. If the transformation program is not well executed, is delayed, material assumptions relating to the program are or become incorrect, unforeseen costs are incurred, or the program is otherwise unsuccessful for other reasons, this may result in the targeted benefits not being achieved.
- **Surplus property valuation risk:** Management's belief of the value of its surplus properties as stated in this Target's Statement in sections 2.3 and 6.4 is an opinion as at the date of this Target's Statement and is not a guarantee of present or future property values. Management's assessment is not, and is not based on, a formal valuation and is not supported by any independent expert's valuation. Management's belief may not reflect the actual price that would be realised if any or all of the surplus properties are sold in the future. Management's belief is as at the date of this Target's Statement and property values and Management's belief in them may change due to a variety of factors. Those factors may include general economic conditions, prevailing interest rates, a downturn in local property markets or property markets in general, changes in property income, or regulatory change affecting the value of the sites.
- **Product liability exposure:** Boral may, from time to time, experience manufacturing defects or other claims relating to its products and services. Defects in Boral's products could be difficult or costly to correct, cause significant customer relations and business reputation problems, harm Boral's financial results and result in damage to or claims by its customers. Any such claim could also result in increased challenges on obtaining insurance on comparatively reasonable terms.
- **Litigation:** Boral is subject to the usual business risk that litigation or disputes may arise from time to time in the course of its business activities. See section 13.2 of this Target's Statement for further details on material litigation Boral is presently subject to.
- **Joint ventures:** Boral is a party to joint ventures and accordingly is subject to joint venture risks, which include devolved management control and disagreements with joint venture parties regarding operational and financial matters. Where a joint venture party does not act in the best interests of the joint venture, there is underperformance by the joint venture management team or where the interests of joint venture parties do not align with Boral, this may adversely affect Boral's business, financial condition or results of operations.
- **Key executives:** the SGH Offer may mean that there is an increased risk of not being able to retain key executives of Boral.
- **Industrial relations / disputes, employees and contractors:** A proportion of Boral's operational employees and sub-contractors are members of trade unions, and Boral has experienced union action and industrial disputation in the past. If there were any material disputes, this could disrupt Boral's operations and adversely impact its financial performance. Employees and contractors perform work for Boral. The classification of employees and contractors is assessed from time to time. Should such classifications change, it could involve different requirements for Boral to those it has now, which could adversely affect Boral and its financial performance.
- **Disruption due to the effects of COVID-19:** numerous industries and the Australian economy as a whole has been affected by the effects of COVID-19, including a number of industries in which Boral operates. The effects of COVID-19 may impact Boral's supply chain, ability to deploy its workforce and maintain its contracting base.
- **Credit risk:** credit risk is the risk that a counterparty defaults on its contractual obligations resulting in financial loss to Boral. A default may arise by a counterparty failing to meet its obligation to pay invoiced fees.
- **Tax:** changes in tax law or changes in the way tax laws are interpreted may impact Boral's tax liabilities. The ability of Boral to obtain the benefit of existing tax losses and claim other beneficial tax attributes will depend on future circumstances and may be adversely affected by changes in ownership, business activities, levels of taxable income and other conditions relating to the use of the tax losses.

11. Information relating to Boral Directors

11.1 Interests and dealings in Boral Shares

• Interests in Boral Shares and Boral Performance Rights

As at the date of this Target's Statement, the Boral Directors had the following Relevant Interests in Boral Shares and Boral Performance Rights:

Boral Director	Number of Boral Shares	Number of Boral Performance Rights
Kathryn Fagg	127,345[1]	nil
Zlatko Todorcevski	151,000[2]	1,189,162
Peter Alexander	83,871[3]	nil
Karen Moses	45,582[4]	nil
Deborah O'Toole	16,000[5]	nil
Paul Rayner	172,432[6]	nil
Rob Sindel	46,060[7]	nil
Ryan Stokes	1,000[8]	nil
Total	643,290	1,189,162

• Dealings in Boral Shares

In the 4 month period ending on the date immediately before the date of this Target's Statement the following Boral Directors acquired a Relevant Interest in Boral Shares or Boral Performance Rights:

- on 10 February 2021, Mr Zlatko Todorcevski acquired a Relevant Interest in 100,000 Boral Shares via an on-market acquisition;
- on 11 February 2021, Ms Kathryn Fagg acquired a Relevant Interest in 20,000 Boral Shares via an on-market acquisition;
- on 11 February 2021, Mr Rob Sindel acquired a Relevant Interest in 25,000 Boral Shares via an on-market acquisition;
- on 17 February 2021, Mr Peter Alexander acquired a Relevant Interest in 10,000 Boral Shares via an on-market acquisition;
- on 18 and 19 February 2021, Ms Deborah O'Toole acquired a Relevant Interest in 15,000 Boral Shares via on-market acquisitions; and
- on 19 March 2021, Mr Zlatko Todorcevski was allocated 1,189,162 Boral Performance Rights under the Boral Equity Incentive Plan.

1. This includes 1,562 Boral Shares held directly and 125,783 Boral Shares held by Kathryn Fagg and Kevin Altermatt on behalf of the K2 Super Fund.
2. This includes 1,000 Boral Shares held directly and 150,000 Boral Shares registered in the name of TenTwentyFive Pty Ltd as trustee for <Zaneis A/C>.
3. This includes 1,000 Boral Shares held directly and 82,871 Boral Shares held by Peter C Alexander & Aarati A Alexander as trustees for The Peter C Alexander Revocable Trust.
4. This includes 1,000 Boral Shares held directly and 44,582 Boral Shares held by Aventeos Investments Limited on behalf of KRN Pty Limited ATF KRN Family Discretionary Trust.
5. This includes 1,000 Boral Shares held directly and 15,000 Boral Shares registered in the name of Deborah O'Toole's self-managed superannuation fund The Raheny Super Fund.
6. This includes 1,951 Boral Shares held directly, 39,135 Boral Shares held by Yarradale Investments Pty Limited, 128,749 Boral Shares held by Invia Custodian Pty Limited for and on behalf of Bigpar Pty Ltd (the trustee of the PaulJul Super Fund) and 2,597 Boral Shares held by Boral Corporate Services Pty Limited as trustee for the Non-executive Director Share Plan for and on behalf of Paul Rayner.
7. This includes 1,000 Boral Shares held directly and 45,060 Boral Shares held by Sindel Australia Pty Limited <Sindel Family A/C>.
8. Held directly by Mr Ryan Stokes.

11. Information relating to Boral's Directors (continued)

Other than these dealings, no Boral Director has acquired or disposed of a Relevant Interest in any Boral Shares or Boral Performance Rights in the 4 month period ending on the date immediately before the date of this Target's Statement.

11.2 Interests and dealings in SGH securities

• Interests in SGH securities

As at the date of this Target's Statement, no Boral Director had a Relevant Interest in any SGH securities, other than as follows:

Director	Number of ordinary shares in SGH	Number of share rights in SGH[8]
Ryan Stokes[9]	461,612	75,369
Paul Rayner	330[10]	nil

• Dealings in SGH securities

No Boral Director acquired or disposed of a Relevant Interest in any SGH securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

11.3 Benefits and agreements

• Benefits in connection with retirement from office

As a result of the SGH Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Boral or related body corporate of Boral.

• Agreements connected with or conditional on the SGH Offer

There are no agreements made between any Boral Director and any other person in connection with, or conditional upon, the outcome of the SGH Offer other than in their capacity as a holder of Boral Shares.

• Benefits from SGH

None of the Boral Directors have agreed to receive, or is entitled to receive, any benefit from SGH which is conditional on, or is related to, the SGH Offer, other than in their capacity as a holder of Boral Shares.

• Interests of Directors in contracts with SGH

None of the Boral Independent Board Committee has any interest in any contract entered into by SGH. Mr Ryan Stokes, who is not making a recommendation in this Target's Statement, has interest in agreements entered into between himself and SGH relating to his executive positions within SGH.

9. Based on the Appendix 3Y filed by SGH with the ASX on 4 December 2020.
10. Acquired via an on-market purchase on 13 January 2021 and registered in the name of Invia Custodian Pty Limited <Pauljul Super Fund A/C>.

12. Taxation implications

12.1 Introduction

This section 12 sets out a general summary of the key Australian income tax, goods and services tax (**GST**) and stamp duty consequences that are relevant for certain Australian resident and non-resident Boral Shareholders that accept the SGH Offer. The purpose of the summary is to assist Boral Shareholders understand the potential Australian tax consequences of the disposal of their Boral Shares.

The summary is intended as a general guide and is based on the Australian tax laws, regulations and administrative practices in effect as at the date of this Target's Statement. Boral Shareholders should be aware that any changes (with either prospective or retrospective effect) to the Australian tax laws, regulations or administrative practices may affect the taxation treatment to the Boral Shareholders as described in this summary.

This summary is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Boral Shareholder, and is not intended to be advice and should not be relied on as such. The actual tax consequences arising to Boral Shareholders may vary depending on their specific profile, characteristics and circumstances. Accordingly, Boral Shareholders should obtain independent professional advice in relation to their own particular circumstances and should not rely upon the comments contained in this summary.

The Australian tax consequences outlined below are relevant to Boral Shareholders who are individuals, companies, trusts and complying superannuation funds that hold their Boral Shares on capital account for Australian income tax purposes.

This summary does not consider the Australian tax consequences for Boral Shareholders who:

- hold their Boral Shares as trading stock, as part of a profit-making undertaking or scheme, under an arrangement which qualifies as an employee share or rights plan for Australian tax purposes, or otherwise on revenue account;
- may be subject to special rules, such as banks, insurance companies, tax exempt organisations, certain trusts, superannuation funds (unless otherwise stated) or dealers in securities;
- are 'temporary residents' as that term is defined in section 995-1(1) of the *Income Tax Assessment Act 1997* (Cth);
- change their tax residence whilst holding Boral Shares;
- are non-residents for Australian tax purposes and who hold their Boral Shares as an asset of a permanent establishment in Australia;
- are non-residents for Australian tax purposes who, together with their associates, hold 10% or more of the shares in Boral at the time of disposal or who held 10% or more of the issued shares in Boral throughout a period of 12 months within the last two years;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Boral Shares; or
- are subject to the Investment Manager Regime under Division 842 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Boral Shares.

Any persons who may be subject to tax in any jurisdiction outside Australia should obtain independent professional advice on their particular circumstances.

12.2 Boral Shareholders that are Australian residents for tax purposes

(a) Australian income tax consequences arising on disposal of Boral Shares

Capital gains tax

A capital gains tax (**CGT**) event will happen to Boral Shareholders that dispose of their Boral Shares pursuant to the SGH Offer. Where a Boral Shareholder accepts the SGH Offer, the CGT event should happen at the time when the Boral Shareholder enters into the contract to dispose of the Boral Shares.

In the event that Boral Shares are compulsory acquired by SGH, the time of the CGT event should be the time at which the Boral Shares are acquired by SGH.

Calculation of capital gain or capital loss

Boral Shareholders should make a capital gain from the disposal of their Boral Shares to the extent that the capital proceeds received exceed the cost base of their Boral Shares. Conversely, Boral Shareholders should make a capital loss to the extent that the reduced cost base of their Boral Shares exceeds the capital proceeds received.

12. Taxation implications (continued)

Capital proceeds

The capital proceeds from the disposal of the Boral Shares should be the Offer price of $6.50 cash per Boral Share.

Cost base

Generally, the cost base or reduced cost base of a Boral Shareholder's Boral Shares should broadly equal the money they paid or were required to pay to acquire the Boral Shares plus any non-deductible incidental costs incurred in acquiring or disposing of the Boral Shares.

CGT discount

Boral Shareholders that are individuals, trusts or complying superannuation entities may be able to obtain discount capital gains treatment to reduce any capital gain made in respect of the disposal of the Boral Shares if those Boral Shares have been held for at least 12 months before the CGT event. The CGT discount is one half in the case of an individual or trust, or one third in the case of a complying superannuation entity. No CGT discount is available for companies.

Boral Shareholders who are trustees of a trust should obtain independent professional tax advice in respect of the availability of discount capital gains treatment in respect of distributions to beneficiaries attributable to capital gains in light of their particular circumstances.

Net capital gain or net capital loss

Any capital gain or capital loss made in respect of the disposal of Boral Shares should be aggregated with any other capital gains the Boral Shareholder may have in that income year. Any available capital losses of the Boral Shareholder may then be applied against the total capital gains for the income year. Any resulting net capital loss may be carried forward and offset against future taxable capital gains (subject to satisfying any applicable loss recoupment rules). Any resulting capital gain (after offsetting any available capital losses) should be reduced by any applicable CGT discount and the remaining net capital gain (if any) should be included in the Boral Shareholder's assessable income.

Boral Shareholders should seek independent professional tax advice on the Australian tax consequences arising from the disposal of their Boral Shares having regard to their particular circumstances.

12.3 Boral Shareholders that are non-residents of Australia for tax purposes

(a) Australian income tax consequences arising on disposal of Boral Shares

Boral Shareholders that are non-residents of Australia and who, together with associates, have always held less than 10% of the issued shares in Boral, should be able to disregard a capital gain or capital loss arising from the disposal of their Boral Shares as the Boral Shares should not constitute 'taxable Australian property'.

Boral Shareholders that are non-residents of Australia (particularly those who, together with associates, hold a 10% or more of the issued shares in Boral at the time of disposal or throughout a period of 12 months within the two years before the disposal) should seek independent professional advice on the Australian tax consequences arising from the disposal of their Boral Shares having regard to their particular circumstances.

(b) Foreign resident capital gains withholding tax

Foreign resident capital gains withholding tax applies to a transaction involving the acquisition of the ownership of an asset that is an Australian indirect real property interest from a 'relevant foreign resident'.

Under the Australian foreign resident capital gains withholding tax rules, SGH Bidder, as the purchaser of Boral Shares, is required to assess whether Boral Shareholders are a 'relevant foreign resident' and whether the Boral Shares represent indirect Australian real property interests.

Boral Shareholders that are non-residents of Australia and who, together with Associates, have always held less than 10% of the issued shares in Boral, should not be subject to the foreign resident capital gains withholding tax regime on the basis that their Boral Shares should not be considered 'indirect Australian real property interests'.

Boral Shareholders should seek independent professional tax advice on the Australian tax implications of the foreign resident capital gains withholding tax regime and the making of a foreign resident capital gains withholding tax declaration.

12.4 GST

GST should not be payable on the disposal of the Boral Shares under the SGH Offer.

Boral Shareholders should seek their own independent tax advice on the impact of GST having regard to their own particular circumstances.

12.5 Stamp duty

Boral Shareholders should not be liable for any stamp duty on the disposal of their Boral Shares.

13. Additional information

13.1 Effect of the SGH Offer on Boral's material contracts

Boral has the following material contracts which contain provisions regarding a change of control which may be triggered as a result of the SGH Offer. This information has been included in this Target's Statement because it may impact the future prospects of Boral, which would be relevant to any Boral Shareholder who remains a Boral Shareholder.

Financing Arrangements

- Bilateral loan facilities

As detailed in Boral's 2020 Annual Report, the Boral Group entered into the following bilateral loan facilities in on 28 May 2020:

- committed two-year bilateral loan facilities totalling A$250 million and US$75 million, maturing in May 2022; and
- committed bilateral loan facilities totalling US$740 million on 28 May 2020, maturing June 2024.

The facilities were amended and extended as follows:

- committed bilateral loan facilities totalling A$225 million on 12 May 2021, maturing May 2024;
- committed bilateral loan facilities totalling A$100 million on 12 May 2021, maturing May 2025; and
- committed bilateral loan facilities totalling A$125 million on 12 May 2021, maturing May 2026.

These bilateral loan facility agreements contain change of control provisions which are triggered where a person acquires an interest in more than 50% of Boral Shares. In such circumstances, the lenders may require that Boral repay the loan facilities (although no termination costs will be payable).

- Bilateral performance and financial bank guarantee facilities

Boral has performance and financial bank guarantee facilities totalling approximately A$243 million, of which approximately A$209m is utilised, which primarily comprise performance bank guarantees issued to support the contractual obligations of Boral's operations.

These bilateral facility agreements contain change of control provisions which are triggered where a person acquires an interest in more than 50% of Boral Shares. In such circumstances, the lenders may require that Boral refinance or provide cash security against the performance obligations (although no termination costs will be payable).

- US senior notes – private placement

As disclosed in Boral's 2020 Annual Report, the Boral Group has issued US$700 million of unsecured private placement senior notes (**USPP Notes**) maturing between 2025 and 2030. In May 2021, Boral repaid US$75 million of USPP Notes issued in 2018. As at 31 May 2021, Boral has US$625 million of USPP Notes outstanding.

The USPP Notes contain change of control provisions which are triggered where a person acquires an interest in more than 50% of Boral Shares and the USPP Notes fail to maintain an 'Investment Grade' credit rating (being a rating from S&P or Moody's or a recognised rating agency). In such circumstances, an offer must be given by Boral to holders of the USPP Notes to repay the USPP Notes and any accrued interest on the USPP Notes.

- US senior notes – 144A/Reg S

As disclosed in Boral's 2020 Annual Report, Boral Finance Pty Ltd, a wholly-owned subsidiary of Boral, issued US$950 million of senior notes (**144A/Reg S Notes**), consisting of US$450 million at an interest rate of 3.00% maturing in 2022 (**3.00% Guaranteed Senior Notes**) and US$500 million at an interest rate of 3.75% maturing in 2028.

The 144A/Reg S Notes contain change of control provisions which are triggered where a person acquires an interest in more than 50% of Boral Shares and the 144A/Reg S Notes have a rating below 'Investment Grade'. In such circumstances, Boral must offer to purchase all or a portion of the outstanding 144A/Reg S Notes at 101% of the purchase price of the notes plus accrued interest.

On 18 May 2021, Boral announced[1] a tender offer to purchase for cash any and all of the outstanding US$450 million principal amount of its 3.00% Guaranteed Senior Notes. The tender offer received acceptances of approximately US$323 million, and a balance of approximately US$127 million of these 3.00% Guaranteed Senior Notes remain outstanding.

1. Through Boral Finance Pty Ltd, a wholly-owned subsidiary of Boral.

13. Additional information (continued)

Effect of the SGH Offer on Boral's material contracts (other than financing arrangements)

Boral Group Companies are party to material contracts[2] which contain provisions regarding a change of control (**Relevant Material Contracts**). Some of these change of control provisions may be triggered depending on the level of acceptances under SGH's takeover bid.[3]

If triggered, these provisions may lead to adverse consequences for Boral, including through the potential loss of revenue or increased costs. Boral estimates that approximately $157 million[4] of the revenue Boral expects to recognise in FY22 is derived directly from Relevant Material Contracts.

The Relevant Material Contracts include customer, supply and operating agreements, leases and joint venture agreements. In some cases involving joint ventures, triggering these provisions may give a counterparty the right to purchase Boral's interest in the joint venture (in some cases, at a discount to market value). In some cases involving leases, triggering the change of control provisions may give the counterparty the right to terminate the lease.

Some of the Relevant Material Contracts contain consent processes, under which counterparties require prior consent to be sought for a change of control. In some cases this includes the provision (to the counterparty's satisfaction) of additional information about the new controlling party. Where such consent is not received, a change in control may constitute an event of default under the contract or otherwise give rise to termination rights in favour of the counterparties.

Some of the material contracts contain provisions regarding termination for convenience in favour of relevant counterparties. If these rights were exercised, this may lead to adverse consequences for Boral, including through the loss of revenue. Boral does not consider the likelihood of these rights being exercised would be impacted by an increase in SGH's interest in Boral Shares pursuant to the Offer.

Additionally, one of the Relevant Material Contracts requires provision of a parent company guarantee by the ultimate parent company of Boral from time to time upon request of the counterparty. This requirement will be relevant if Boral has a new ultimate parent company as a result of SGH's takeover bid. Failure to provide such a guarantee upon request could have adverse consequences for Boral, including through the potential loss of revenue.

13.2 Material litigation

As at the date of this Target's Statement, Boral is involved in the following litigation or disputes which are material in the context of Boral and its Subsidiaries taken as a whole:

- **Financial Irregularities in Boral's North American Windows Business**

As disclosed in Boral's 2020 Annual Report, during 2020, Boral was served with three shareholder class action proceedings filed in the Federal Court by Quinn Emanuel, Maurice Blackburn, and Phi Finney McDonald. The proceedings allege disclosure breaches in relation to financial irregularities in Boral's North American Windows business, which involved misreporting (including in relation to inventory levels and costs associated with raw materials and labour at the Windows plants).

In March 2021, the Federal Court has regularised the multiplicity of claims as follows: (1) allowing the proceeding filed by Maurice Blackburn to continue as the 'open' class action vehicle; (2) allowing the proceeding filed by Phi Finney McDonald to continue (at least for now) as a 'closed' class action vehicle, where membership is limited to claimants who have entered into certain funding agreements; and (3) permanently staying the proceeding filed by Quinn Emanuel. It is not possible to determine the ultimate impact, if any, of the proceedings on Boral. Boral continues to vigorously defend the proceedings.

2. Material contracts, for the purposes of this section 13.1, are contracts to which a member of the Boral Group or a joint venture entity (in which a member of the Boral Group has an interest) is a party, and which are expected to earn greater than $16.45 million in revenue for the Boral Group in FY2022 or which would otherwise be expected to cause material disruption to the operations for the Boral Group if terminated (e.g. due to availability of alternative counterparties).
3. In some cases, the change of control threshold is set at a relevant interest in Boral Shares (usually, this is expressed as more than 50% of Boral Shares). In other cases, whether there has been a change of control depends upon the ability of a person to control the composition of the board, or management or policies, of the contracting Boral Group Company, or it is for the counterparty, acting reasonably, to determine if there has been a change in effective control of the contracting Boral Group Company.
4. This figure represents the twelve months' currently budgeted revenue to 30 June 2022 from the Relevant Material Contracts. It is an estimate only, and does not include potential revenue loss that may be attributed to a disruption in operations (for example, due to the termination of a lease or operating agreement).

13.3 Issued capital

As at the date of this Target's Statement, Boral's issued capital consisted of:

- 1,182,573,804 Boral Shares; and
- 9,769,218 Boral Performance Rights.

13.4 Substantial holders

Based on the information contained in substantial holder notices filed with the ASX, the substantial holders of Boral Shares as at the Last Practicable Date were:

Substantial holder	Number of Boral Shares	Voting power
Seven Group Holdings Limited (and its Associates)[5]	281,704,050	23.44%
The Vanguard Group Inc.	70,609,200	6.02%

13.5 Effect of the SGH Offer on Boral Performance Rights

Boral currently has in place the Boral Equity Incentive Plan, under which Boral Performance Rights and Boral Share Options are granted at the Board's discretion.

As at the date of this Target's Statement, Boral had 9,769,218 Boral Performance Rights and no Boral Share Options on issue. Of these, Mr Zlatko Todorcevski, Boral's Chief Executive Officer and Managing Director, holds 1,189,162 Boral Performance Rights, and no other Boral Director holds any Boral Performance Rights.

The Boral Performance Rights on issue comprise:

- long term incentive grants made in respect of the 2018, 2019 and 2020 financial years, each of which will vest in the ordinary course subject to satisfaction of certain performance conditions to be tested at the end of the applicable vesting period; and
- deferred short term incentive grants made in respect of the 2018 and 2019 financial years, each of which will vest in the ordinary course at the end of the applicable vesting period.

Vesting of Boral Performance Rights is also subject to conditions relating to continued employment with the Boral Group, as set out in the terms of issue of Boral Performance Rights and the Boral Equity Incentive Plan.

Upon vesting, each Boral Performance Right confers on its holder the right to acquire a fully paid Boral Share or, at the absolute discretion of the Board, payment of the cash value of a Boral Share.

The terms of the Boral Equity Incentive Plan provide that the Board may, in its absolute discretion, determine that all or a specified number of unvested Boral Performance Rights vest upon the occurrence of specified change of control events, having regard to all relevant circumstances. The Board may also determine that this discretion applies in any other event that, in the Board's reasonable opinion, appears likely to result in a change in the control of Boral or should be treated as an event in which the discretion should apply.

SGH has stated in the Bidder's Statement that the SGH Offer does not extend to Boral Performance Rights or Boral Shares that are issued during the period from the Register Date to the end of the SGH Offer Period in accordance with the terms of, or otherwise in connection with the vesting of, Boral Performance Rights.

13.6 Consents

The following parties have each given, and have not withdrawn before the lodgement of this Target's Statement with ASIC, written consent to be named in this Target's Statement in the form of the context in which they are so named.

Name	Role
Herbert Smith Freehills	Legal adviser to Boral
Citigroup Global Markets Australia Pty Ltd	Financial adviser to Boral
Flagstaff Partners Pty Ltd	Board adviser to Boral
Jarden Australia Pty Limited	Financial adviser to Boral
Link Market Services Limited	Boral share registry

5. Including the Relevant Interest held by Australian Capital Equity Pty Ltd (ACN 009 412 328) and its Associates by virtue of its shareholding in SGH.

13. Additional information (continued)

Each of these parties have not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement other than any reference to its name and to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

Deloitte Tax Services Pty Ltd (**Deloitte**) has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Boral's Australian tax adviser in the form and context it is so named and also consents to the inclusion of the statements set out in the Tax Implication sections in section 12 of this Target's Statement (**Taxation Information**) and statements referring to the Taxation Information in the Target's Statement, in each case in the form and context in which it appears. Deloitte has not caused or authorised the issue of this Target's Statement and, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Target's Statement other than the references specified above.

Grant Samuel & Associates Pty Limited (**Grant Samuel**) has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement in the form and context in which it is named as the Independent Expert and to the inclusion of the Independent Expert's Report, as set out in Attachment 1 to this Target's Statement. Grant Samuel has not authorised or caused the issue or preparation of this Target's Statement and, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Target's Statement other than the references specified above.

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made, or based on statements made, in documents lodged by SGH with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by SGH. Pursuant to the Class Order, the consent of SGH is not required for the inclusion of such statements in this Target's Statement. Any Boral Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the SGH Offer Period by contacting the Boral Shareholder line on 1300 513 794 (for calls made from within Australia) or +61 2 9066 4081 (for calls made from outside Australia) between 9am to 6pm (Sydney Time) Monday to Friday (excluding public holidays).

As permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72* (**Corporations Instrument 2016/72**), this Target's Statement may include or be accompanied by certain statements:

- which fairly represent what purports to be a statement by an official person; or
- which are a correct and fair copy of, or extract from, what purports to be a public official document; or
- which are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

In addition, as permitted by Corporations Instrument 2016/72, this Target's Statement contains trading data sourced from IRESS provided without their consent.

13.7 ASIC declarations

On 3 June 2021, ASIC granted Boral a modification of section 648C of the Corporations Act in connection with the takeover bid. The effect of this modification was to allow Boral to:

- deliver an electronic copy of this Target's Statement via electronic mail to the nominated email address of those Boral Shareholders who have elected to receive communications electronically from Boral; and
- send a letter or postcard, in lieu of the Target's Statement, to those Boral Shareholders who have not elected to receive communications electronically from Boral, providing details of where Boral Shareholders can access an electronic copy of the Target's Statement or how to request a hard copy of the Target's Statement.

On 3 June 2021, ASIC granted Boral an exemption from the requirements of section 638 of the Corporations Act so that this Target's Statement does not need to contain information to the extent that it is known only to Mr Ryan Stokes for the reasons set out in Section 1.3. This is on the basis that Mr Ryan Stokes has not at any time been involved in making decisions in relation to, or considering Boral's responses to, the SGH Offer.

13.8 No other material information

This Target's Statement is required to include all the information that Boral Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the SGH Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Boral Director (other than Mr Ryan Stokes, in accordance with an ASIC exemption granted to Boral as set out in section 13.7).

The Boral Independent Board Committee are of the opinion that the information that Boral Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the SGH Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Boral's releases to the ASX, and in the documents lodged by Boral with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement (including the information contained in the Independent Expert's Report).

The Boral Independent Board Committee have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement, in particular in section 11.1). However, the Boral Independent Board Committee does not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Boral Independent Board Committee have had regard to:

- the nature of the Boral Shares;
- the matters that Boral Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Boral Shareholders' professional advisers; and
- the time available to Boral to prepare this Target's Statement.

14. Glossary and interpretation

14.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
$, A$ or AUD	Australian dollar.
ASIC	the Australian Securities and Investments Commission.
Associates	has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to this Target's Statement.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Bidder's Statement	the bidder's statement of SGH dated 10 May 2021.
Board or **Boral Board**	the board of directors of Boral and a **Boral Director** means any director of Boral comprising part of the Boral Board.
Boral	Boral Limited ABN 13 008 421 761.
Boral Equity Incentive Plan	Boral's employee equity incentive plan dated 20 August 2013.
Boral Group	Boral and each of its Subsidiaries.
Boral Performance Rights	the unlisted performance rights granted in accordance with the Boral Equity Incentive Plan.
Boral Independent Board Committee	the Board excluding Mr Ryan Stokes, being the Boral Directors who have considered the SGH Offer.
Boral Shares	a fully paid ordinary share in the capital of Boral.
Boral Share Option	an unlisted option in respect of Boral Shares granted in accordance with the Boral Equity Incentive Plan.
Boral Shareholder	a registered holder of Boral Shares.
Business Day	a day that is not a Saturday, Sunday, public holiday or bank holiday in Sydney, Australia.
CGT	capital gains tax.
Corporations Act	the *Corporations Act 2001* (Cth) (as modified or varied by ASIC).
East Coast	the east coast of Australia.
EBIT	earnings before interest and tax.
EBITDA	earnings before interest, tax, depreciation and amortisation.
FY20	the financial year ended 30 June 2020.
FY21	the financial year ended 30 June 2021.
FY22	the financial year ended 30 June 2022.
GST	goods and services tax.
Independent Expert	Grant Samuel & Associates Pty Limited.
Independent Expert's Report	the independent expert's report prepared by Grant Samuel & Associates Pty Limited and dated 10 June 2021 which is contained in Attachment 1 to this Target's Statement.
Investment Grade	a rating by Moody's, S&P or a recognised rating agency above BBB- / Baa3.
Last Practicable Date	7 June 2021.

Term	Meaning
Lenders' Consent Condition	the condition contained in paragraph (c) of section 7.6 of the Bidder's Statement, being consent of the majority of lenders under the SGH Corporate Loan Facility.
Management	Boral's executive management committee from time to time, which as at the date of this Target's Statement consists of: • Mr Zlatko Todorcevski; • Mr Tino La Spina; • Mr Ross Harper; • Mr Wayne Manners; • Mr Darren Schulz; • Ms Kylie FitzGerald; • Mr Dominic Millgate; • Ms Amy Jackson; and • Ms Rebelle Moriarty
Material Adverse Change	between 10 May 2021 and the end of the SGH Offer Period, no change, event, circumstance, occurrence or matter occurs, is announced, is disclosed or otherwise becomes known to SGH or the Boral Board (whether it becomes public or not) which (whether individually or when aggregated with all such changes, events, circumstances, occurrences or matters) has had or is reasonably likely to have the effect of a diminution in the value of the consolidated net assets of the Boral Group, taken as a whole, of at least $400 million, as against the consolidated net asset position of the Boral Group as at 31 December 2020, except for any change, event, circumstance, occurrence or matter publicly announced by Boral to the ASX prior to 10 May 2021.
Notice of Status of Conditions	SGH's notice disclosing the status of the conditions to the SGH Offer which is required to be given by section 630(3) of the Corporations Act.
Offer or SGH's Offer	the offer by SGH for the Boral Shares, which offer is contained in section 7 of the Bidder's Statement.
Prescribed Occurrences	has the meaning given in section 7.6(d) of the Bidder's Statement.
Public Authority	any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, ASIC, ASX, the Takeovers Panel and any regulatory organisation established under statute or any stock exchange.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Register Date	8.00am (Sydney time) on 11 May 2021, being the date set by SGH Bidder under section 633(2) of the Corporations Act.
Rights	all accretions, rights and benefits of whatever kind attaching to or arising from the Boral Shares directly or indirectly at or after the date of the Bidder's Statement (including all dividends and all rights to receive them and rights to receive or subscribe for shares, notes, bonds, options or other securities or entitlements declared, paid or issued by Boral or any Subsidiary of Boral).
ROFE	return on funds employed.
S&P/ASX 100	a market-capitalisation weighted and float adjusted stock market index of the 100 largest stocks listed on the ASX.
S&P/ASX 200	a market-capitalisation weighted and float-adjusted stock market index of the 200 largest stocks listed on the ASX.
SGH	Seven Group Holdings Limited ACN 142 003 469.
SGH Bidder	Network Investment Holdings Pty Limited ACN 078 448 512.

14. Glossary and interpretation (continued)

Term	Meaning
SGH Corporate Loan Facility	the unsecured syndicated loan facility provided to SGH Corporate Loan Facility Borrower on the terms of the syndicated facility agreement originally dated 28 September 2011 and most recently amended and restated on 29 December 2020 between, among others, the Subsidiary of SGH that is the borrower under the SGH Corporate Loan Facility, Australia and New Zealand Banking Group Limited in its capacity as agent under the SGH Corporate Loan Facility and the lenders listed therein.
SGH Group	SGH and its Subsidiaries.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
SGH Offer Period	the period during which the SGH Offer will remain open for acceptance in accordance with section 7.2 of the Bidder's Statement.
Target's Statement	this document (including the attachments), being the statement of Boral under Part 6.5 Division 3 of the Corporations Act.
US$	United States dollar.
WACC	weighted average cost of capital.

14.2 Interpretation

In this Target's Statement:

1. Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
2. Words of any gender include all genders.
3. Words importing the singular include the plural and vice versa.
4. An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
5. A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.
6. A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
7. Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
8. A reference to time is a reference to Sydney, Australia time.
9. A reference to dollars, $, A$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

15. Authorisation

This Target's Statement has been approved by a resolution passed by the Boral Independent Board Committee. All members of the Boral Independent Board Committee voted in favour of that resolution.

Signed for and on behalf of Boral:

date 10 June 2021

sign here ▶ K J Fagg

print name Kathryn Fagg

position Chairman

Attachment 1
Independent Expert's Report

GRANT SAMUEL

10 June 2021

The Independent Directors
Boral Limited
Level 18, 15 Blue Street
North Sydney NSW 2060

Dear Independent Directors

Seven Group Offer

1 Introduction

On 10 May 2021, Network Investment Holdings Pty Limited, a wholly owned subsidiary of Seven Group Holdings Limited ("Seven Group") announced an off-market takeover offer for all of the ordinary shares it does not own in Boral Limited ("Boral" or the "Company") for a cash consideration of $6.50 per Boral share (the "Seven Group Offer").

The Seven Group Offer is subject to a number of conditions, which are set out in full in the Bidder's Statement issued by Seven Group and sent to Boral shareholders. The Seven Group Offer is not subject to a minimum acceptance condition.

Seven Group currently has an interest in approximately 23.9% of Boral's issued capital[1]. The Seven Group Bidder's Statement, which was served on Boral on 10 May 2021, states that:

- as Seven Group's interest in Boral exceeds 20% and it has recently utilised its "creep" capacity under Section 611 item 9 of the *Corporations Act 2001* (Cth) ("Corporations Act") by acquiring an additional 3% interest in Boral over the past six months, it is currently restricted from acquiring additional Boral shares on market; and
- Seven Group is seeking to increase its interest in Boral and would be satisfied if the Seven Group Offer resulted in its total interest increasing to around 30% of Boral shares.

Boral has formed a committee of its directors excluding Mr Ryan Stokes (who is a director of Seven Group) (the "Independent Directors"). The Independent Directors have unanimously recommended that Boral shareholders reject the Seven Group Offer.

The Independent Directors of Boral have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Seven Group Offer is fair and reasonable to Boral shareholders. A copy of the report (including this letter) will accompany the Target's Statement issued by Boral to be sent to shareholders by Boral. This letter contains a summary of Grant Samuel's opinion and main conclusions.

2 Opinion

In Grant Samuel's opinion, the Seven Group Offer is neither fair nor reasonable to Boral shareholders.

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[1] Based on 1,179,704,025 Boral issued shares at 8 June 2021. Network Investment Holdings Pty Limited is the registered holder and beneficial owner of 244,934,437 shares (20.76%) and has entered into a physically settled equity swap transaction to acquire up to 36,769,613 shares (3.12%). Note that Seven Group's shareholding differs for that disclosed in its Bidder's Statement (of 23.18%) as a result of shares bought back under Boral's share buyback subsequent to announcement of the Seven Group Offer on 10 May 2021.

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3 Key Conclusions

- **The equity in Boral has been valued in the range $9.7-10.8 billion, which corresponds to a value of $8.25-9.13 per share**

The valuation is summarised below:

BORAL – VALUATION SUMMARY ($ MILLIONS)

	FULL REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Business operations	6.2	9,421.2	10,293.7
Property portfolio	6.3	730.0	900.0
Other assets and liabilities	6.4	20.4	20.4
Enterprise value		**10,171.6**	**11,214.0**
Adjusted net borrowings	6.5	(444.8)	(444.8)
Value of equity		**9,726.8**	**10,769.2**
Fully diluted shares on issue (millions)[2]	4.7	1,179.7	1,179.7
Value per share		**$8.25**	**$9.13**

The valuation represents the estimated full underlying value of Boral assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Boral shares to trade on the ASX in the absence of a takeover offer or a change in outlook.

Grant Samuel has separately valued Boral Australia, Boral North America Building Products and Boral North America Fly Ash. The individual value ranges and the multiples implied by those value ranges have not been disclosed in this report at the direction of the Boral Board[3] and its advisers given the commercially sensitive nature and timing of the processes currently underway in relation to both of Boral North America's businesses. Each business operation has been valued in its local currency (i.e. Boral North America's businesses have been valued in US$ and converted to A$ at an exchange rate of US$1 = A$1.2915, the closing exchange rate on 8 June 2021). The value range for Boral North America Building Products takes into account, and is broadly consistent with, the most recent offer prices received for the business (albeit that these offers are non binding).

The value attributed to the business operations of $9.4-10.3 billion is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings or cash flows (multiples of EBITDA and EBITA) and discounted cash flow ("DCF") analysis.

Grant Samuel has placed equal emphasis on earnings multiples and DCF analysis in forming its views on value other than for the valuation of Boral North America's Fly Ash business, where greater emphasis has been placed on DCF analysis given the lack of comparable earnings multiples.

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2 Fully diluted shares on issue excludes 9,769,218 performance rights that have not yet vested and are subject to certain performance hurdles and time periods as it is uncertain whether these rights will vest or lapse (at the date of this report). In addition, Seven Group has stated in its Bidder's Statement that the Seven Group Offer does not extend to the Boral performance rights or Boral shares that are issued during the Seven Group Offer period.

3 Other than Mr Ryan Stokes, who, during the Seven Group Offer, has recused himself from all Boral Board and Committee meetings other than those he is required by law to attend.

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Both methodologies have limitations:

- the results of the DCF analysis for Boral's business operations need to be treated with caution given the wide array of credible assumptions that can be adopted (in particular, in relation to the timing of the expected recovery from the COVID-19 pandemic and the timing, duration and extent of building and construction cycles in Australia and the United States) and the very broad range of net present values ("NPVs") that can be calculated. Predicting the impacts of upcycles and downcycles is inherently difficult. A common approach is to instead estimate underlying or "through-the-cycle" (volume, price and margin) growth but even this is challenging to estimate with any degree of accuracy;
- the COVID-19 pandemic had a severe impact on FY20 earnings and is expected to also impact FY21 earnings. They are not reflective of underlying earnings;
- cyclical industries (such as building and construction) are always problematic in earnings multiple valuations, particularly when considering evidence from past transactions. Multiples are heavily influenced by the point in the cycle at which the transaction occurred. Theoretically, multiples should be lower at the apex of the cycle and higher at the low point. However, the real world evidence seldom corresponds precisely with the theory;
- the sharp reduction in interest rates, particularly over the past two years and the expectation of "lower for longer" interest rates could suggest that multiples in the current environment should be higher than they have been historically. On the other hand, the extremely low interest rates also signify expectations of low growth (and low inflation). Moreover, the building and construction industry, both in Australia and the United States, is in the early stages of an upcycle so multiples from even two years ago (when markets were largely flat or declining) are arguably of limited relevance; and
- the current ultra low interest rate is also problematic in relation to the cost of capital. It is far from clear that the discount rates calculated using conventional methodologies and current data points (for risk free rates) generate rates that align with the rates actually used by corporates or investors.

Notwithstanding the limitations, these methodologies are still useful and the valuation ranges for each of Boral's business operations are supported by both the earnings multiple analysis and the DCF analysis.

The valuation uses Boral's 30 April 2021 balance sheet as its starting point and allows for:

- the value of unallocated corporate costs, net of listed company costs that would be able to be saved by any acquirer of Boral (see Section 7.8 of the full report for details);
- Boral's substantial property portfolio (refer below);
- other assets and liabilities, which comprise Boral's investment in listed equity securities and loans receivable from associated entities less the mark to market value at 30 April 2021 of derivatives and a rationalisation and restructuring provision (net of tax) (see Section 6.4 of the full report for details); and
- adjustments to net borrowings to allow for the net cash proceeds from the sale of Meridian Brick and cash used to buy back shares under Boral's on-market share buyback post 30 April 2021 (see Section 6.5 of the full report for details).

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- **The multiples implied by the overall valuation of Boral are relatively high but they reflect the current stage of the building and construction cycle and the particular attributes of Boral's business operations**

The earnings multiples implied by the valuation of Boral's business operations are summarised below:

BORAL'S BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
Multiple of EBITDA			
FY19 (adjusted actual)	937.8	10.0x	11.0x
FY20 (adjusted actual)	650.3	14.5x	15.8x
FY21 (Boral FY21 EBIT estimate/adjusted median broker forecast)[4]	734.3	12.8x	14.0x
FY22 (adjusted median broker forecast)[4]	844.6	11.2x	12.2x
Multiple of EBITA			
FY19 (adjusted actual)	623.2	15.1x	16.5x
FY20 (adjusted actual)	319.7	29.5x	32.2x
FY21 (Boral FY21 EBIT estimate/adjusted median broker forecast)[4]	419.0	22.5x	24.6x
FY22 (adjusted median broker forecast)[4]	520.8	18.1x	19..8x

The earnings and the implied multiples:

- are on a pre AASB16 basis; and
- include Boral Australia's share of EBITDA and EBITA from equity accounted investments.

The implied multiples are blended multiples for Boral Australia and Boral's Building Products and Fly Ash businesses in North America and reflect the relative contribution of each of Boral's business operations. Boral Australia represents approximately 55% of EBITDA and the Building Products business represents the majority of Boral North America's EBITDA. As a result, the implied overall multiples are weighted towards the valuation of Boral Australia, the valuation of which implies relatively high multiples as Boral Australia is not expected to return to FY19 levels of earnings until FY23 (see Section 7.5 of the full report for further discussion).

In considering value, Grant Samuel has largely ignored FY20 and FY21 as both of these years are impacted by the COVID-19 pandemic, particularly FY20, and are therefore not representative of Boral's underlying performance. Accordingly, the focus has been on FY22 and FY23 multiples (notwithstanding the uncertainties attached to the forecasts) as well as FY19 multiples. FY19 is "untainted" by the COVID-19 pandemic and is, arguably, the best measure of "historical" earnings. While FY22 and FY23 forecasts do not assume a full recovery, they provide a more useful benchmark than multiples based on FY20 and FY21 earnings. The FY23 multiples have not been shown in the table above as the adjusted median broker forecast for FY23 differs from Boral's FY23 Forecast and is not considered useful for analytical purposes (although the FY23 multiples implied by Boral's FY23 Forecast for each of its business operations have been used by Grant Samuel in assessing appropriate value ranges for Boral Australia, Boral North America Building Products and Boral North America Fly Ash).

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[4] Boral has not included the FY21 Outlook or FY22 Budget in its Target's Statement, other than to state that it expects FY21 EBIT before significant items to be approximately $430-450 million, including approximately $20-25 million of property earnings. EBIT before significant items includes the contribution from discontinued operations (i.e. Midland Brick and the results of equity accounted investments in USG Boral and Meridian Brick). To provide an indication of Boral's expected financial performance, Grant Samuel has considered broker forecasts (see Appendix 1 to the full report). Adjustments to historical and forecast earnings are explained in Section 7.2.2 of the full report.

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These multiples reflect the particular attributes of Boral's business operations, including factors such as the:

- scale and position of the Boral Australia business including its:
  - leading position, with an estimated national share of just over 20% across all the key product categories;
  - high quality network of quarry assets (including sand) that have long life resources and reserves and are located close to major metropolitan areas; and
  - significant exposure to roads (including asphalt), much more so than most key competitors and the comparable transactions and companies considered in the market evidence;
- diversity of Boral North America's Building Products business (four distinct product categories) which has:
  - overindexed exposure to the higher growth South and West regions of the United States; and
  - strong brands with #1 national shares in roof tiles, manufactured stone, shutters and polyash trim;
- national leadership of Boral North America's Fly Ash business (estimated 50-60% national share) and the consistently upward demand profile, underpinned by government requirements for the use of fly ash. While there are looming supply constraints (for "fresh" ash), Boral North America is well progressed in developing alternative sources of supply;
- very positive short to medium term sector outlooks with construction in both Australia and the United States having recovered quickly from pandemic induced slowdowns. Both sectors are now at the beginning of what appears to be a strong upcycle fuelled by:
  - strong residential property prices resulting in an upsurge in new dwelling construction; and
  - massive boosts to government infrastructure spending (particularly on road and rail transport) which should impact particularly in 2022 and 2023. Given the operating leverage inherent in the business the upcycle should naturally lead to EBITDA/EBITA margin improvement over the next 3-4 years; and
- the substantial short to medium term profitability uplift potential through continued implementation of the Transformation initiatives. Boral has identified benefits of $200-250 million (net of inflation) in relation to its Australian business which have specific plans attached, many of which are a direct result of recent changes to the operating model (national business units). Only $75 million of these benefits are expected to be captured in FY21 earnings. While there are always questions as to the ability to execute and then to hold on to these kinds of gains in an intensely competitive, commodity based business, Boral has also identified numerous other opportunities that have not been included in the $200-250 million of Transformation initiatives, but potentially have greater value than the quantified Transformation initiatives over the medium term.

■ **The DCF analyses for Boral Australia, Boral North America Building Products and Boral North America Fly Ash generate NPVs that support the value range of $9.4-10.3 billion for Boral's business operations**

Simplified, high level financial models have been developed for each of Boral's business operations (Boral Australia, Boral North America Building Products and Boral North America Fly Ash). The DCF models use the final two months of the FY21 Outlook[5] and the FY22 Budget[6] as their starting point.

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[5] The outlook for the year ending 30 June 2021 prepared by Boral management.

[6] The budget for the year ending 30 June 2022 prepared by Boral management.

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Grant Samuel has developed a number of scenarios for each of Boral's business operations based on variations to the 5 Year Plan[7] provided by Boral.

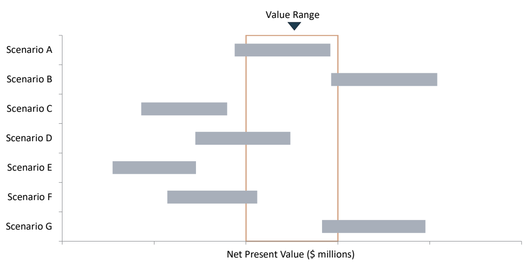
The DCF analysis for each of the business operations:

- allows the key drivers of revenue and earnings (i.e. volume and price growth and margins) and capital expenditure to be modelled;
- projects nominal after tax cash flows from 1 May 2021 to 30 June 2031 (allowing for tax losses as appropriate), with terminal values calculated to represent the value of cash flows in perpetuity (assuming a terminal growth rate of 2% for each business operation);
- applies discount rates of 8.0-8.5% for Boral Australia and Boral North America Fly Ash and 8.5-9.0% for Boral North America Building Products; and
- considers a number of different scenarios (see Sections 7.5, 7.6 and 7.7 of the full report for a description of the assumptions underlying each of the scenarios).

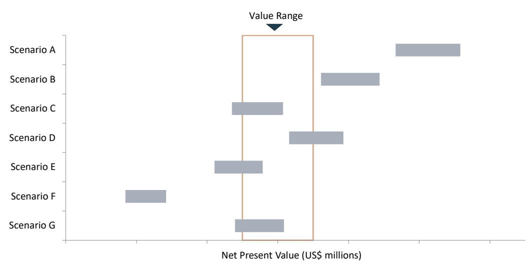
The NPV outcomes are depicted diagrammatically below:

BUSINESS OPERATIONS – NPV OUTCOMES

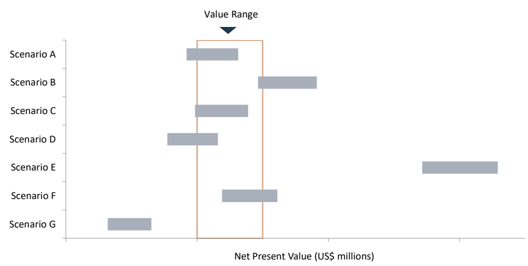
BORAL AUSTRALIA



BORAL NORTH AMERICA BUILDING PRODUCTS



BORAL NORTH AMERICA FLY ASH



The NPV outcomes for each of Boral's business operations have not been disclosed in this report at the direction of the Boral Board[3] (see Section 7.2.2 of the full report).

NPV outcomes from DCF analysis are subject to significant limitations and should always be treated with considerable caution. The range of NPVs produced by the scenarios is wider than the value ranges Grant Samuel has placed on each of Boral's business operations. Grant Samuel has considered the outcome of all of the scenarios in determining its value ranges for each of Boral's business operations and believes that the NPV outcomes produced by the DCF analysis support a value range of $9.4-10.3 billion for Boral's business operations.

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[7] The five year forecast model for FY22 to FY26 (incorporating the FY22 Budget) prepared by Boral management.

- **The valuation includes $730-900 million attributed to Boral's substantial existing surplus property portfolio**

  The majority of Boral's surplus property assets represent:

  - properties which were originally acquired to meet future operational requirements that have (or will) become surplus to requirements; and
  - depleted quarries and other resources (that generally require rehabilitation and rezoning prior to sale or development).

  A number of the projects are at a very early stage. However, the property assets are separate assets to Boral's business operations and it is appropriate to attribute value to them.

  The values attributed to each of the identified surplus properties have generally been based on:

  - an indicative desktop assessment report commissioned by Boral and prepared by an external property valuer in June 2021 in relation to a number of key properties (Waurn Ponds, Deer Park, Penrith Lakes and Reedy Creek). This report has estimated indicative values based on the "highest and best use" for the property. It assumes that the required changes to zoning are granted and no material cost for rehabilitation (but does include the time taken to develop the land).

    Other than the indicative desktop assessment report, independent valuations of the property portfolio have not been obtained by Boral;
  - NPVs arrived at by discounting expected future cash flows (for the key property assets referred to in Section 4.4 of the full report). The cash flow models have been developed by Boral and take into account the expected revenue and cost based agreed fixed payments and assumptions relating to escalation rates and sales prices. The cash flows have been discounted at higher discount rates than those applied to Boral's business operations to reflect the higher risk associated with realising property values;
  - agreed prices with third parties for other sites under contract; and/or
  - unsolicited interest or offers received for properties (or parts of properties) from third parties.

  The portfolio includes a small number of properties in the United States (that will be carved out of any sale of Boral North America's business operations).

  It has been assumed that:

  - the amount of tax that will be payable on the gains on sale of the Australian property portfolio will be relatively small given the availability of existing Australian tax losses as well as additional Australian tax losses that would arise on any sale of Boral North America's Fly Ash business (see Section 7.2.2 of the full report for further details); and
  - tax will not be payable on the gains on sale of the properties in the United States.

  Sites under contract (which include two of the four key property assets referred to in Section 4.4 of the full report), represent around 30% of the total value attributed to Boral's property assets (before tax).

  The low end of the value range for Boral's property portfolio represents the NPV of Boral's cash flows and includes the properties in the United States. The high end of value range takes into account the recent indicative desktop assessment report relating to certain properties in Australia and includes the properties in the United States but is discounted to allow for other factors.

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- **The Seven Group Offer is not fair**

  Grant Samuel has estimated the full underlying value of Boral, including a premium for control, to be in the range $9.7-10.8 billion, which corresponds to $8.25-9.13 per share[8]. The consideration of $6.50 cash per share falls well below the value range of $8.25-9.13 per share. Accordingly, the Seven Group Offer is not fair.

  Valuation of any business is a forward looking construct and is subject to uncertainty even in the most benign economic circumstances. The emergence and likely aftermath of the COVID-19 pandemic has introduced a significantly higher level of uncertainty. Boral's earnings in FY20 fell sharply, primarily as a result of the impacts of lockdowns on construction activity and manufacturing capacity. FY21 earnings are expected to recover significantly particularly in the United States where residential construction recovered strongly.

  However, while construction is not as affected by COVID-19 related issues as many other industries (such as tourism, travel and entertainment), the path forward is still subject to a significant degree of uncertainty. Accordingly, the inherent limitations of any valuation estimate need to be carefully considered.

  Finally, it should be noted that the value range could move depending on the final sale price realised for Boral North America Building Products and for Boral North America Fly Ash (if a sale process is pursued and completed for this business).

- **The Seven Group Offer is not reasonable**

  Even when an offer is "not fair" it may still be "reasonable" in some circumstances. However, in Grant Samuel's opinion, there are no such circumstances in relation to the Seven Group Offer that would justify shareholders accepting the offer even though it is not fair.

  In forming this opinion, the following factors were considered:

  - the Seven Group Offer of $6.50 per share is essentially at the market price immediately prior to the Seven Group Offer being made and therefore represents a zero premium for control. While it does represent a premium of 14-22% over volume weighted average prices measured over the preceding three and six months periods, this is simply a reflection of the lower prices primarily earlier in those periods. Boral's share price has been on a steady upward trajectory since mid 2020 reflecting:

    - the general rise in sharemarkets (the S&P/ASX 200 has increased from below 6500 in early November 2020 to above 7100 at 10 May 2021), in part reflecting a shift in sentiment to "value" stocks over "growth" stocks;
    - improving economic conditions with strong residential property markets and announcements of substantial infrastructure spending by governments in Australia and the United States; and
    - emerging evidence of stronger performance by Boral's operating businesses.

    Boral's share price recovery over this period is not out of line with most of its peers.

    Accordingly, the more recent share price is a more appropriate base to measure the premium implied by the Seven Group Offer.

    It is important to recognise that premiums for control are an outcome not a determinant of value and vary widely depending on the individual circumstances of the target and other factors such as the potential for competing offers.

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[8] Allowing for shares bought back by Boral under its share buyback program from 19 April 2021 up to and including 8 June 2021.

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An offer at effectively nil premium is not automatically unfair but it is highly unlikely to be fair given the benefits to an acquirer of 100% of a company, including the ability to manage the business as they see fit to improve the earnings and cash flows and/or capture synergies by combining the target with their existing business;

- the Seven Group Offer represents a very substantial discount to Grant Samuel's estimate of the fully underlying value of Boral ($8.25-9.13 per share).

  In some cases an offer that is below the fair value range (i.e. "not fair") might still be "reasonable" because the bidder already has effective control of the target, it is offering a premium and the offer is only a modest discount to full underlying value. This is not the case with the Seven Group Offer.

  Seven Group has a material shareholding in Boral (circa 23.9% at 8 June 2021[9]) that gives it a degree of influence, but it does not have control of Boral. It has only one nominee on the board (Mr Ryan Stokes) out of a total board of eight (at the present time).

  The Seven Group holding does allow it to effectively block special resolutions and, in particular, it can effectively block any acquisition by a third party through a scheme of arrangement. While this may be something of an impediment to a bidder, it is still open for a potential bidder to make an offer and succeed without Seven Group's support (e.g. by way of an off-market takeover offer). The balance of Boral's share register comprises institutional, financial and retail shareholders none of whom are likely to block a fully priced takeover offer. In summary, Seven Group's position would not deter a determined acquirer. In any event, Seven Group is not an industry participant and may be prepared to accept a "fair" offer from a third party. In this context, Boral's plans to exit a number of businesses and reduce its scope of operations to essentially Australian construction materials may make it a more attractive target for other industry participants;

- in the short term, Boral's shares are likely to trade at around the price prevailing prior to the Seven Group Offer ($6.50) in the absence of the Seven Group Offer (or speculation as to an offer) assuming no material change in market conditions. However, share prices are inherently volatile and Boral's share price will respond to individual company specific events as well as changes in general market or economic conditions. Catalysts for change could include:

  - the response to the full year FY21 results;
  - the price realised for Boral North America Building Products;
  - the price realised for the Fly Ash business (if a sale process is pursued and completed);
  - plans for any return of surplus cash to shareholders (in addition to the current on-market share buyback); and/or
  - changes to interest rates or other government policies that could impact on housing demand.

  In addition:

  - Boral's near term trading price could benefit from the "spotlight" the Seven Group Offer has put on the business and its prospects;
  - Boral has the capacity to continue its on-market share buyback which may provide ongoing share price support; and
  - Boral's share price could be underpinned by expectations of further acquisitions by Seven Group under the "creep" provisions of the Corporations Act (up to 3% every six months); and

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9 Allowing for shares bought back by Boral under its share buyback program from 19 April 2021 up to and including 8 June 2021.

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- even if a shareholder had a need for cash and wanted to sell, they could realise a higher price (even after transaction costs) by selling on-market. Since announcement of the Seven Group Offer, Boral shares have traded in the range $6.52-6.97. The closing share price on 8 June 2021 was $6.85.

In summary, there is no compelling reason for shareholders to accept the Seven Group Offer. Moreover, any acceptances would have adverse consequences for all remaining shareholders as they would allow Seven Group to increase its degree of control without paying a premium or a price equal to fair value for a controlling interest.

At the same time, up until the Seven Group Offer closes (currently 25 June 2021), shareholders should continue to monitor the situation. The Seven Group Offer has no minimum acceptance condition and, if Seven Group receives a substantial level of acceptances, it could increase its shareholding significantly. If Seven Group did increase its interest to a position of actual control (i.e. greater than 50%), shareholders may wish to reconsider their position particularly if the interest exceeds, say, 80% which would have a dramatic impact on the pricing and liquidity of Boral shares post offer (e.g. through effects on index inclusion).

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Boral shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Bidder's Statement issued by Seven Group and the Target's Statement issued by Boral in relation to the Seven Group Offer.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Seven Group Offer, the responsibility for which lies with the Independent Directors of Boral. In any event, the decision whether to accept or reject the Seven Group Offer is a matter for individual shareholders, based on their own views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Seven Group Offer should consult their own professional adviser.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT
IN RELATION TO THE SEVEN GROUP OFFER

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372

10 JUNE 2021

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FINANCIAL SERVICES GUIDE

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The *Corporations Act 2001* (Cth) ("Corporations Act") requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Boral Limited in relation to off-market takeover offer from Seven Group Holdings Limited ("the Boral Report"), Grant Samuel will receive a fixed fee of $1.4 million plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 9.3 of the Boral Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Boral Report.

Grant Samuel is required to be independent of the Entity to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 9.3 of the Boral Report:

> ***"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Boral or Seven Group or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Seven Group.***
>
> ***Related entities of Grant Samuel were retained to advise Seven West Media Limited ("Seven West Media") (an ASX listed entity in which Seven Group has a 40.2% shareholding) on two discrete assignments:***
>
> - ***the renegotiation of its existing bank facilities (role completed in July 2020); and***
> - ***asset sale processes for SWM Ventures investments (role completed in December 2020).***
>
> ***Grant Samuel and its related entities are not currently retained by Seven West Media in any capacity.***
>
> ***Grant Samuel had no part in the formulation of the Seven Group Offer. Its only role has been the preparation of this report.***
>
> ***Grant Samuel will receive a fixed fee of $1.4 million for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Seven Group Offer. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.***
>
> ***Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."***

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1 Details of the Seven Group Offer

On 10 May 2021, Network Investment Holdings Pty Limited, a wholly owned subsidiary of Seven Group Holdings Limited ("Seven Group"), announced an off-market takeover offer for all of the ordinary shares it does not own in Boral Limited ("Boral" or the "Company") for a cash consideration of $6.50 per Boral share (the "Seven Group Offer").

The Seven Group Offer is subject to a number of conditions, including:

- no material adverse change in relation to Boral or the S&P/ASX 200 index;
- receipt of consent from the majority of lenders under Seven Group's corporate loan facility[1]; and
- other customary conditions (i.e. no restraints or action by a public authority and no prescribed occurrences).

The Seven Group Offer is not subject to a minimum acceptance condition.

Shareholders in Boral can accept the Seven Group Offer for all or some of their shares and will not pay stamp duty or brokerage fees on disposal of their shares.

Seven Group is an Australian diversified operating and investment group with businesses and investments in industrial services, media and energy. It is listed on the Australian Securities Exchange ("ASX") and has a market capitalisation of approximately $7 billion.

At 8 June 2021, Seven Group had an interest in approximately 23.9% of Boral's issued capital[2]. The Seven Group Bidder's Statement, which was served on Boral on 10 May 2021, states that:

- as Seven Group's interest in Boral exceeds 20% and it has recently utilised its "creep" capacity under Section 611 item 9 of the *Corporations Act 2001* (Cth) ("Corporations Act") by acquiring an additional 3% interest in Boral over the past six months, it is currently restricted from acquiring additional Boral shares on market; and
- Seven Group is seeking to increase its interest in Boral and would be satisfied if the Seven Group Offer resulted in its total interest increasing to around 30% of Boral shares.

Boral has formed a committee of its directors excluding Mr Ryan Stokes (who is a director of Seven Group) (the "Independent Directors"). The Independent Directors have unanimously recommended that Boral shareholders reject the Seven Group Offer.

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1 On 26 May 2021, Seven Group announced that it had obtained the required consent from its lenders and that the Seven Group Offer was free of this condition.

2 Based on 1,179,704,025 Boral issued shares at 8 June 2021. Network Investment Holdings Pty Limited is the registered holder and beneficial owner of 244,934,437 shares (20.76%) and has entered into a physically settled equity swap transaction to acquire up to 36,769,613 shares (3.12%). Note that Seven Group's shareholding differs from that disclosed in its Bidder's Statement (of 23.18%) as a result of shares bought back under Boral's share buyback subsequent to announcement of the Seven Group Offer on 10 May 2021.

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2 Scope of the Report

2.1 Purpose of the Report

Section 640 of the Corporations Act states that a target's statement made in response to a takeover offer for shares in an Australian listed entity must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; or
- a director of the bidder is also a director of the target company.

In this case, Mr Ryan Stokes is a director of both Seven Group and Boral. Accordingly, the Independent Directors have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report for the purposes of Section 640 of the Corporations Act. The report is to set out Grant Samuel's opinion as to whether the Seven Group Offer is fair and reasonable and to state reasons for that opinion. A copy of the report is to accompany the Target's Statement to be despatched to shareholders by Boral.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Boral shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Bidder's Statement issued by Seven Group and the Target's Statement issued by Boral in relation to the Seven Group Offer.

Whether or not to accept the Seven Group Offer is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Seven Group Offer should consult their own professional adviser.

2.2 Basis of Evaluation

The term "fair and reasonable" has no legal definition although over time a commonly accepted interpretation has evolved. However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports. RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable".

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer such as:

- the offeror's existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company's shares.

An offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

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Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A fair offer is one that reflects the full market value of a company's businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

Grant Samuel has determined whether the Seven Group Offer is fair by comparing the estimated underlying value range of Boral with the offer price. The Seven Group Offer will be fair if it falls within the estimated underlying value range. In considering whether the Seven Group Offer is reasonable, the factors that have been considered include:

- the estimated value of Boral compared to the offer price;
- the existing shareholding structure of Boral;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Boral shares in the absence of the Seven Group Offer; and
- other advantages and disadvantages for Boral shareholders of accepting the Seven Group Offer.

2.3 Sources of Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Bidder's Statement;
- the Target's Statement (including earlier drafts);
- annual reports of Boral for the three years ended 30 June 2020;
- half year results announcement of Boral for the six months ended 31 December 2020;
- ASX releases, public announcements, media and investor presentation material and other public filings by Boral including information available on its website;
- brokers' reports and recent media articles on Boral and the construction materials and building products sectors in Australia and the United States; and
- sharemarket data and related information on Australian and international listed companies engaged in the construction materials and building products sectors and on acquisitions of companies and businesses in these sectors.

Non Public Information provided by Boral

- management accounts for Boral for the 10 months ended 30 April 2021;
- outlook for FY21[3] ("FY21 Outlook") prepared by Boral management;
- budget for FY22 ("FY22 Budget") prepared by Boral management;

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[3] FYXX is the financial year end 30 June 20XX (i.e. FY21 is the financial year ending 30 June 2021).

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- five year forecast model ("5 Year Forecast") for FY22 to FY26 (incorporating the FY22 Budget) prepared by Boral management, including cash flow forecasts for Boral Australia, Boral North America Building Products and Boral North America Fly Ash;
- information presentation, management presentation and financial presentation in relation to Boral North America Building Products; and
- other confidential documents, board papers, presentations and working papers.

In preparing this report, Grant Samuel has held discussions with, and obtained information from, senior management of Boral and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Boral and its advisers. Grant Samuel has considered and relied upon this information. Boral has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Seven Group Offer is fair and reasonable to Boral shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Boral. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

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The information provided to Grant Samuel included:

- the FY21 Outlook prepared by management and adopted by the Directors of Boral;
- the FY22 Budget prepared by management and the basis of preparation approved by the Directors of Boral; and
- the 5 Year Forecast for FY22 to FY26 prepared by Boral management.

Boral is responsible for the information contained in the FY21 Outlook, the FY22 Budget and the 5 Year Forecast ("the forward looking information"). Grant Samuel has considered and, to the extent deemed appropriate, relied on this information for the purposes of its analysis. The major assumptions underlying the forward looking information were reviewed by Grant Samuel in the context of current economic, financial and other conditions. It should be noted that the forward looking information and the underlying assumptions have not been reviewed (nor is there a statutory or regulatory requirement for such a review) by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that the forward looking information has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors into account that:

- the FY21 Outlook has been adopted by the Directors of Boral;
- the FY22 Budget basis of preparation have been approved by the Directors of Boral;
- the FY21 Outlook is based on actual operating results for Boral for the 10 months ended 30 April 2021;
- the 5 Year Forecast has been endorsed by the Directors of Boral; and
- Boral has sophisticated management and financial reporting processes. The forward looking information has been prepared through a detailed budgeting process involving preparation of "ground up" forecasts by the management and is subject to ongoing analysis and revision to reflect the impact of actual performance or assessments of likely future performance.

While Boral has provided outlook statements for FY21 (including an estimate of FY21 EBIT before significant items), the Independent Directors of Boral have decided not to include the forward looking information in the Target's Statement and therefore this information has not been disclosed in this report.

To provide an indication of the expected financial performance of Boral, Grant Samuel has considered Boral's FY21 Outlook and FY22 Budget, in addition to brokers' forecasts for Boral (see Appendix 1). Grant Samuel has used the median of the brokers' forecasts to review the parameters implied by its valuation of Boral. These median brokers' forecasts, in addition to the Company's FY21 Outlook and FY22 Budget, are considered useful for analytical purposes.

Grant Samuel has not relied on the 5 Year Forecast for the purposes of its report but has considered this information in its review of Boral's future business strategy and prospects and used this information in developing financial models for Boral's business operations as discussed in Section 7.4 of this report.

Grant Samuel has no reason to believe that the forward looking information reflects any material bias, either positive or negative. However, the achievability of the forward looking information is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

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As part of its analysis, Grant Samuel has reviewed the sensitivity of net present values ("NPVs") to changes in key variables. The sensitivity analysis isolates a limited number of assumptions and shows the impact of variations to those assumptions. No opinion is expressed as to the probability or otherwise of those variations occurring. Actual variations may be greater or less than those modelled. In addition to not representing best and worst outcomes, the sensitivity analysis does not, and does not purport to, show the impact of all possible variations to the business model. The actual performance of the business may be negatively or positively impacted by a range of factors including, but not limited to:

- changes to the assumptions other than those considered in the sensitivity analysis;
- greater or lesser variations to the assumptions considered in the sensitivity analysis than those modelled; and
- combinations of different variations to a number of different assumptions that may produce outcomes different to the combinations modelled.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Boral and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Seven Group Offer are accurate and complete;
- the information set out in the Target's Statement sent by Boral to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Seven Group Offer will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Seven Group Offer are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

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3 The Building and Construction Industry

3.1 Products and Services

Introduction

Construction is one of the largest areas of economic activity in most developed economies. In Australia, it represents approximately 8% of gross domestic product ("GDP"), similar in size to the mining industry and larger than any service based industry. In the United States, it represents approximately 6% of GDP.

The products and services involved in the industry are usually categorised into three sectors:

- construction materials, which is largely the raw materials used in production of concrete, roading and associated products;
- building products, which covers the vast array of manufactured products used in constructing and completing buildings and infrastructure; and
- development and construction which covers:
  - design services (planning and consenting, surveying, architecture, engineering);
  - building services, from excavation to final fitout (mostly labour but also services such as equipment hire); and
  - ancillary services (IT, certification, security, traffic management).

Boral operates in the construction materials and building products sectors.

Construction Materials

Heavy construction materials primarily comprise:

- **quarry products** (aggregates, gravel, crushed rock, sand and other quarry materials), which are used for roads, civil construction, building projects and as a raw material in the production of concrete, concrete block, cement and asphalt. Quarry products are mined from open cut, underground and underwater mines, with the extracted product then crushed into a range of desired grades and sizes. Different grades and sizes of quarry materials have different applications (e.g. large gravel stones are necessary for rail track ballast);
- **cement**, which is a binding agent made from burning a mixture of calcium carbonate (generally in the form of limestone), silica, aluminium and iron oxide in a kiln, transforming them into clinker, a grey, pebble-like material. Clinker is then mixed with gypsum and other minerals and ground to a fine powder (or cement). Almost 90% of cement is used to produce pre-mixed concrete or concrete products (blocks, pipes, roof tiles, pavers etc.);
- **concrete**, which is produced from aggregates, cement, sand, dust, water and other additives. Concrete construction products include poured or pre-mixed concrete, blocks, pavers, pipes and pre-stressed slabs. Concrete has a wide variety of applications including infrastructure (roads, tunnels, etc.) and construction both as foundations and in multistorey developments. Concrete block is manufactured in factories by a continuous process of moulding and curing concrete into required dimensions. Concrete block is primarily used in the residential market. Concrete pipe is manufactured using a range of processes, the most common of which involve the injection of concrete into a mould. Concrete pipe is primarily used for carriage of water including waste and stormwater and is utilised extensively in the construction of roads and highways as well as residential real estate developments. Other major concrete products include culverts and boxes and other moulded products as well as pre-stressed concrete products such as bridges, columns and tilt up walls; and

- **asphalt**, which comprises a mixture of bitumen, aggregates and sand. Bitumen, a binding agent produced as a by-product of crude oil distillation, is combined with aggregates to form structural and surface layers in roads, airport pavements, car parks and footpaths. Approximately 80% of asphalt is used in road construction.

Other construction materials include fly ash and other cement substitutes (e.g. slag). Fly ash, a by-product of coal-fired electricity generation, is used as a partial substitute for cement (typically up to 20-30%) in concrete production. Fly ash offers cost, environmental and product benefits but is hampered by supply fluctuations and the secular decline in coal fired electricity production.

Aggregates, cement and asphalt are the most intensely used (in terms of the proportion of project value) in civil construction followed by non-residential construction and then residential construction. Demand for these products by the building sector (both residential and non-residential) is largely front ended in that it is predominantly utilised at the beginning of a project. Accordingly, the effects of changes in market conditions (both up and down) are reflected early in the cycle.

Aggregates is widely considered to be the most attractive segment and access to quality resources is key to suppliers. Aggregates (and sand in some regions) is an increasingly scarce resource, particularly around larger metropolitan areas in developed economies, reflecting both exhaustion of older quarries and the encroachment of land development. The increasing level of difficulty in obtaining planning permission for new quarries and tightening environmental regulation (dust, traffic, noise) adds to the value of existing resources.

As aggregates are relatively low cost/high volume commodity products, supplier competitiveness is strongly influenced by production costs and the ability to economically and physically supply the end customer. Accordingly, plant efficiency, location, transport access and distribution logistics underpin supplier competitiveness.

Cement (in the form of clinker) can be economically shipped and is extensively traded internationally. Clinker can be easily ground into cement (and bagged if necessary). However, imported cement is generally used as a "top up" or "swing factor" to meet demand rather than relied on as a sole source. This mix of "in house" manufacture and imports does enable operators to reduce the scale of their clinker production ensuring that clinker production plants can be operated efficiently. Accordingly, cement kilns have been rationalised in many developed countries and, in view of the transportability, integrated cement plant owners typically supply their clinker/cement to their own operations across multiple regions.

In comparison, downstream activities such as pre-mixed concrete or concrete block are considered less attractive, particularly on a stand alone basis. Competition is intense as there is often a reasonably significant presence of "independent" operators as well as integrated producers (though the level varies from region to region). Independent operators typically source their inputs (aggregate and cement) from local suppliers or may import cement. They tend to be locally owned businesses (although there are some that operate across multiple regions).

Asphalt also provides an important downstream product for aggregates, sand and bitumen. The segment is home to both construction materials companies and oil companies, although there are a large number of independent operators who source inputs from integrated industry participants or import bitumen.

As a result of the low value to weight ratio, transport is a significant cost (particularly in the supply of aggregate and concrete) and this has largely prevented large scale manufacturing plants being established to supply multiple geographies (except for cement). Aggregates are primarily transported by truck with materials typically delivered within 50-100 kilometres. The end customer segment therefore operates on a local or regional basis. Although cement is extensively traded globally, most cement production is also consumed locally. As the pre-mixed concrete and asphalt are heavy and perishable, it is not economic to transport these products over long distances. Most large operators therefore have a network of plants to service a major metropolitan area or region, although mobile plants have been developed, particularly for

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major road projects. In light of this dynamic, apart from cement, regional share is considered more relevant in the construction materials industry than national share.

In addition, conditions in each location can vary widely depending on specific factors affecting that geographic area including:

- local economic conditions (e.g. unemployment, income levels, composition and growth profile of local business operations);
- population growth and demographics;
- inherent attractions of the area (e.g. climate, coastal location);
- government spending on social infrastructure; and
- planning and other regulatory constraints.

Accordingly, while there are a number of very large scale heavy construction materials companies, many with multi-country operations, such businesses are essentially portfolios of local or regional businesses rather than a single integrated national or international business (although there are benefits from that portfolio including diversification of risk, economies of scale in purchasing, head office efficiencies, resource utilisation and the ability to secure and manage larger contracts).

Due to the capital intensive, commoditised nature of the industry and the fact that the vast majority of aggregate and cement production flows into concrete production, many participants are typically vertically integrated to manage the supply of inputs, optimise production quality and ensure cost efficiency.

Construction materials are commodity products that lack any significant product differentiation and companies therefore seek to distinguish themselves on the service provided (i.e. being able to deliver products on a timely basis, technical capabilities and, more recently, environmental sustainability). Consequently, cost efficiency in supply chain and transport and logistics network optimisation is critical.

Building Products

Building products is an extremely broad and diverse sector that encompasses all materials, fittings and fixtures and coatings that form part of the structure of buildings. Categories include roofing (including tiles, shingles, steel and aluminium); structural support (including steel, aluminium and timber framing, steel and timber beams); external cladding (including blocks, bricks, fibre cement siding, pre cast concrete, steel, wood, vinyl, stone (manufactured and natural) and other composite materials); windows and doors; flooring, paving and decking (including tiles, concrete, timber, carpets and vinyl); internal walls (including plasterboard, fibre cement sheets, timber, bricks and blocks) and insulation; plumbing, drainage and bathroom fixtures; electrical, lighting, security and control systems; paint, coatings, sealants, adhesives and fillers; cabinetry and decorative products as well as the necessary tools and equipment.

Building products are most intensely used in residential construction and, to a lesser extent, in non-residential construction, although the mix of end consumers varies widely between products. Demand across the industry is therefore largely driven by activity levels in both residential and non-residential construction. The cyclical impact is largely back ended in that they are typically used more towards the end of a project. Accordingly, the effects of changes in market conditions (both up and down) emerge more slowly in the operating performance of building products businesses than the construction materials businesses, although the time lag will depend on whether structural or finishing products are manufactured:

- structural products will be impacted by end market factors sooner in the cycle than finishing products;
- some categories have more exposure to new construction (e.g. framing, bricks) while other categories are much more dependent on renovation activity (e.g. paint). In this context, new construction is more volatile than renovation activity; and

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- non-single family residential apartments have a different mix of product requirements compared to houses (e.g. roofing requirements are far less than in an equivalent number of houses).

Within a category of building products, demand for specific materials/products will be affected by:

- the mix of apartments compared to houses (e.g. apartments rarely use timber window frames);
- trends in construction techniques (e.g. timber versus steel framing);
- changes in consumer taste (e.g. tiles versus metal roofing in Australia);
- location and climatic conditions (e.g. less brick and tile usage in northern Australia); and
- competitive forces (including input costs, price relativities, promotional activity).

Many building products are substitutable resulting in competition within product segments as well as between industry participants. Substitution is typically driven by product performance attributes, cost (including installation labour, relative freight costs and time to install), design trends and product specification. For example, concrete blocks compete with bricks, manufactured stone, timber, fibre cement, glass, metal sheeting, vinyl siding and other composite materials for a share of external cladding demand and, to some extent, for internal walls (referred to as the "share of wall"). As a result, industry participants strive to achieve product differentiation as well as differentiation based on service provided (i.e. being able to deliver products on a timely basis or providing installation services). Consequently, technological advances and oversight over the supply chain are critical and many major building products companies operate research and development teams as well as significant transport and logistics networks.

Channels to market also vary depending on product category. Categories such as roofing and cladding are largely distributed through trade channels whereas later stage products such as paint have a much greater presence in retail channels.

The major building product segments for the purposes of this report are:

- **external cladding, internal walls and associated products** (e.g. eaves trim, shutters). These markets comprise a vast array of competing products encompassing bricks, concrete masonry, fibre cement, plasterboard (internal only), timber, engineered timber, glass and metal sheeting and various plastic/composite materials. Boral operates within two specific product categories:
  - **siding, trim and shutters** made from vinyl, PVC, polyurethane or composite material (e.g. fly ash combined with polymer) which are weather resistant, low maintenance and easy to install; and
  - **manufactured stone veneer**, which is a form of siding that has the appearance of natural stone and is popular in the United States. It is made from a mixture of cement, iron oxide pigments and aggregates poured into a mould. Stone veneer is used for exterior and interior applications and is easy to install and repair. One of the major advantages of using manufactured stone veneer is that it is light weight and can be fixed to a variety of substrates that do not need to be structural;
- **roofing**, specifically ceramic, clay (i.e. terracotta) and concrete tiles[4]. Concrete tiles are made using cement and aggregates, while ceramic tiles are made from clay, sand and glass. Ceramic and clay tiles are made by shaping clay through a process of extrusion or pressing. The shaped tiles are then dried and placed in a kiln where they are fired. Ceramic and clay tiles typically sell at a premium to concrete tiles. Tiles are usually sold on a "supply" or, in Australia, on a "supply and lay" basis.

  Roof tiles compete in the broader roofing market against other products and systems including corrugated iron sheets, metal sheeting (e.g. *Colorbond*), asphalt, shingles, slate, composite products and stone-coated metal. There is a high degree of substitutability with relative demand driven by factors such as climatic conditions, product longevity and design trends as well as price;

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[4] Boral North America also manufactures stone coated steel roofing and composite roofing.

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- **windows and doors**, which most commonly comprise window frames in aluminium, timber or polyvinyl chloride ("PVC"). Doors (internal and external) are typically made from timber, glass and steel/aluminium; and
- **timber products**, which are produced from timber sourced from hardwood and softwood plantations and from native hardwood forests. Logs are produced as saw and veneer logs and as pulpwood. Saw and veneer logs are used for hardwood and softwood sawn timber production as well as plywood and veneer production, while pulpwood is used for paper production, particleboard, medium density fibreboard ("MDF") and exported woodchips.

Many clay and concrete products are low cost/high volume commodity products which compete on price (e.g. concrete blocks). Other clay and concrete products (e.g. concrete pavers, roof tiles and retaining wall blocks) are more differentiated in relation to finish, colour and texture and do not solely compete on price.

Transport is a significant cost for clay and concrete products and this has largely prevented large scale manufacturing plants being established to supply multiple regions. Furthermore, clay tile plants are often built close to clay reserves. Industry participants therefore operates on a regional basis, with major operators being present to varying degrees across specific regional segments.

Roof tile plant efficiency is critical to profitability (particularly with regard to the commodity products) and is influenced by the age of, and level of capital investment in, the plant. However, concrete tile operations have relatively high variable costs and production can often be reduced to manage supply over the cycle and moderate earnings volatility.

Timber, particularly native hardwood, is an increasingly scarce resource. Therefore, access to permitted forest reserves close to end markets is important. Production is labour intensive and many products, particularly those with a higher price to weight ratio, such as plywood, are imported from locations where labour costs are lower (e.g. Asia or South America). Hardwoods are generally more resistant to decay for exterior uses and are employed in a range of applications including construction, decorative flooring and decking which are primarily dependent on renovation, non-residential and infrastructure activity. Softwoods are generally easier to work with and have a wide range of uses including plywood, structural timber frames for detached housing and industrial products (e.g. pallets). Timber resources are generally not as widespread as, say, aggregate or sand and the higher value to weight ratio means that producers operate on more of a national basis with products transported more widely.

3.2 Demand Drivers and Outlook

End Markets

Construction materials and building products flow into three main end uses:

- **residential building** which includes construction of all residential dwellings including detached houses, multiple family dwellings, medium and high density housing (such as apartment buildings) and conversions of commercial premises to residential premises. It encompasses both new builds and alterations and additions ("A&A")[5] to existing dwellings.

  The residential sector is highly cyclical and activity levels can be volatile. Activity is principally affected by housing affordability and consumer confidence (in turn dependent on house price trends and economic factors such as growth in real incomes, interest rates and unemployment levels) as well as demographic factors (such as population growth and changing age structure), tax policies (e.g. first home owner grants) and the supply of existing housing. Exposure to fluctuations in the cycle can be minimised by exposure across all segments of the sector, particularly the A&A segment which is less sensitive to economic conditions than new dwelling construction;

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[5] Referred to as repair and remodelling in the United States.

- **non-residential building** which comprises commercial, industrial, social and institutional building construction. The commercial and industrial sector includes offices, retail shops, hotels, other business premises and factories, while the social and institutional sector includes buildings for educational, health, religious and recreational purposes.

  As the sector encompasses construction of buildings with disparate purposes, activity in the non-residential sector is dependent on broad economic factors. Social and institutional construction is principally determined by public spending at the national, state and local government levels. Commercial and industrial construction is dependent on general economic conditions such as population growth, economic growth and investment as well as specific factors such as vacancy rates and employment growth. Cycles in the non-residential building sector tend to be longer in duration than the residential sector (up to 10 years). Nevertheless, in the short term, activity can be relatively volatile; and

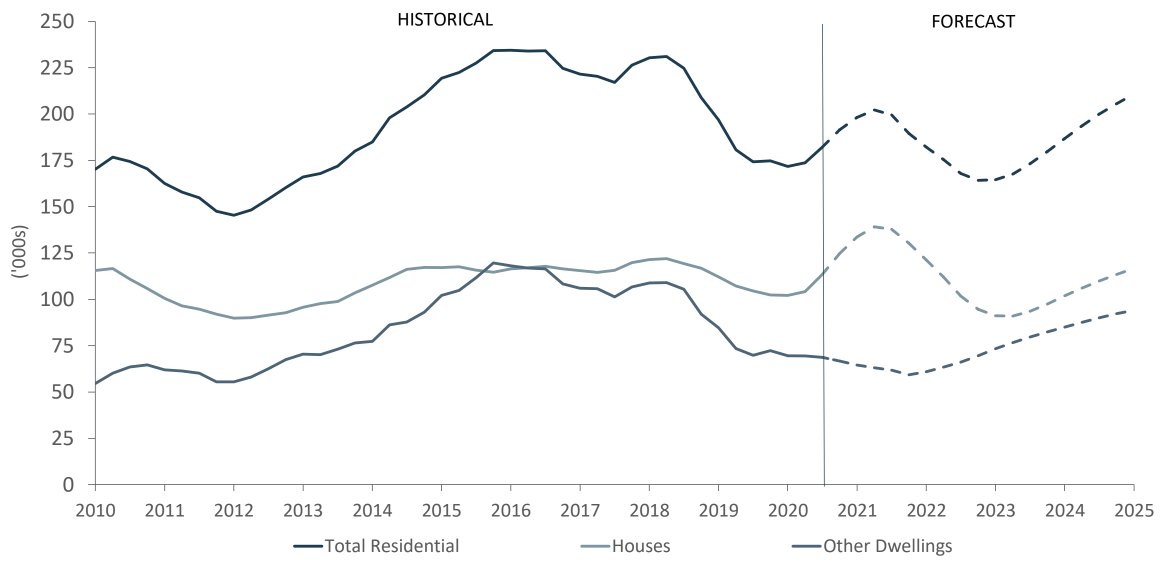
- **civil construction** which includes public infrastructure construction and urban development such as highways, tunnels and bridges, railways, airports, ports, large industrial developments, major utilities (power and water) and resource projects. Demand for construction materials is heavily weighted to non-resource projects. Activity in this part of the market is heavily dependent on government funding levels for infrastructure projects (reflecting factors such as population growth, regeneration requirements and economic policies (fiscal stimulus, asset recycling, etc.)) as well as general economic conditions, particularly those that affect economic growth and investment spending. Civil construction activity also experiences cycles and changes in the activity level can be influenced by large individual projects in the short term.

End Market Performance and Outlook – Australia

RESIDENTIAL

The following charts depict various historical and forecast measures of activity levels for Australian residential housing:

RESIDENTIAL COMMENCEMENTS – ROLLING 12 MONTHS (30 JUNE YEAR END)



Source: Macromonitor preliminary forecasts, May 2021

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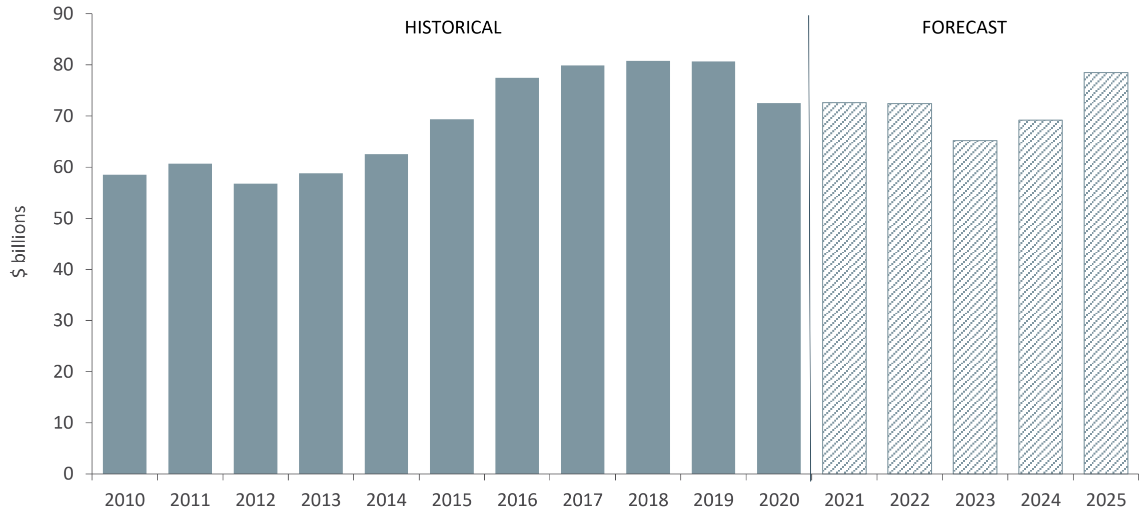
RESIDENTIAL VALUE OF WORK DONE (30 JUNE YEAR END)



Source: Macromonitor preliminary forecasts, May 2021

The Australian residential housing market was in an upcycle from about FY12 to FY18 fuelled by moderate interest rates, reasonable economic growth, strong immigration flows and constrained supply. The strongest growth was in multi-unit housing (which is more concrete intensive than single dwellings). The market turned in 2018 and a significant softening occurred over the next two years as mandated lending constraints started to impact demand and as supply, particularly multi-unit apartment developments, came on stream. House prices weakened and activity fell across most segments of the market in this period, with multi-unit residential being particularly affected. The downturn was exacerbated in early 2020 as the pandemic took hold with the lockdowns across States having further adverse impacts (albeit that the impacts were different between States and not usually impacting actual construction work). Consumer confidence was weak and the departure of many temporary residents and border closures caused a significant reduction in demand. However, as 2020 progressed, conditions started to improve as lockdowns (mostly) eased, interest rates fell and government stimulus (e.g. Home Builder) began to flow. Commencement levels flattened out and started to improve. Conditions have strengthened further into 2021 with various government initiatives acting to encourage construction activity. Record low interest rates (underpinned by official statements that they will prevail until 2023) have generated strong buying interest and strong house price growth which, in turn, has flowed into new house demand. In addition, A&A activity has had a boost, attributed in part to travel restrictions leaving consumers with spare funds, a COVID-19 induced desire for better home facilities and certain government incentives.

In the long run, the residential sector will grow in line with economic and population growth. However, it will inevitably be cyclical in the short to medium term. The outlook for the residential housing market over the next 3-4 years is mixed:

- detached housing construction is expected to rise strongly over the next 12-24 months fuelled by the same factors as the last 12 months but then moderating as the "pull forward" effect wears off;
- multi-unit residential developments are expected to remain weak until well into 2022 or 2023 when it is expected that immigration flows (including temporary visa holders and students) will start to recover, even if not to previous levels. Vacancy rates remain high in many inner city areas; and
- A&A is expected to continue at elevated levels for another year or so but to then moderate.

A cyclical dip is expected to commence around 2023 with a renewed upcycle thereafter.

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The main risks to activity levels over the next few years include:

- renewed and extended COVID-19 outbreaks;
- inflation increases causing a material lift in interest rates; and
- extended international border closures constraining population growth.

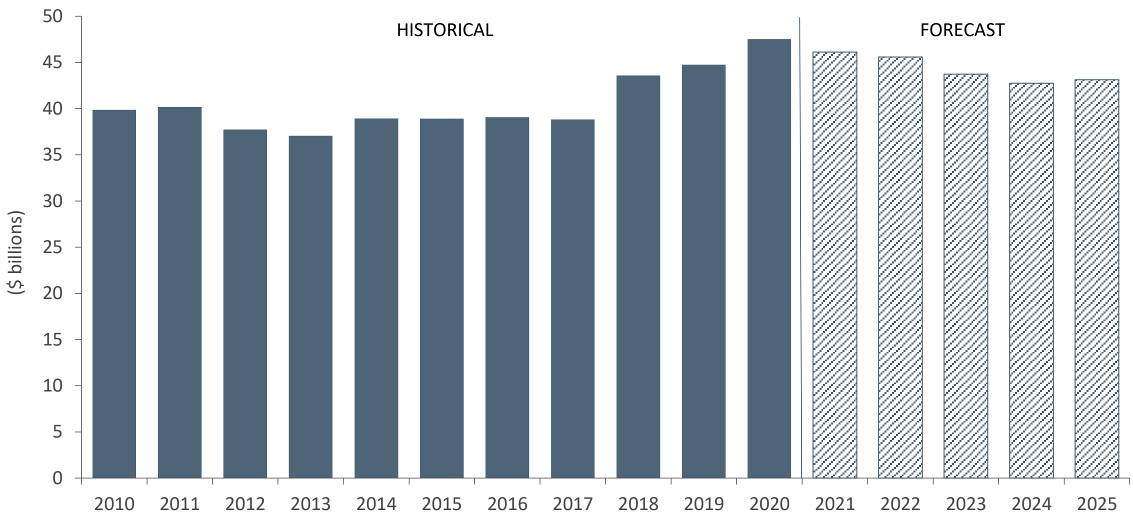
NON-RESIDENTIAL

Non-residential activity experienced an upward trajectory over the 2017-2020 period with major office projects in key metropolitan markets (e.g. Barangaroo, 80 Collins Street) and reasonably strong levels of government expenditure on hospitals and schools. COVID-19 and the associated lockdowns through 2020 had a significant impact on a sector already starting to soften from anaemic economic growth. The short term future for two important segments is particularly unclear:

- office projects are largely on hold as developers reassess demand as a result of the longer term implications of "Work from Home" flexibility for space requirements; and
- the accommodation sector is unlikely to commence any new activity (or even redevelopments) until there is a level of certainty about border re openings and the return of international tourism.

Other segments such as education and healthcare will benefit from the commencement of large public projects although government expenditure is being directed more towards major public infrastructure (particularly transport). As a result, non-residential activity is expected to weaken moderately over the next few years as shown by the following chart measuring the value of work done in Australia:

NON-RESIDENITAL VALUE OF WORK DONE (30 JUNE YEAR END)



Source: Macromonitor preliminary forecasts, May 2021

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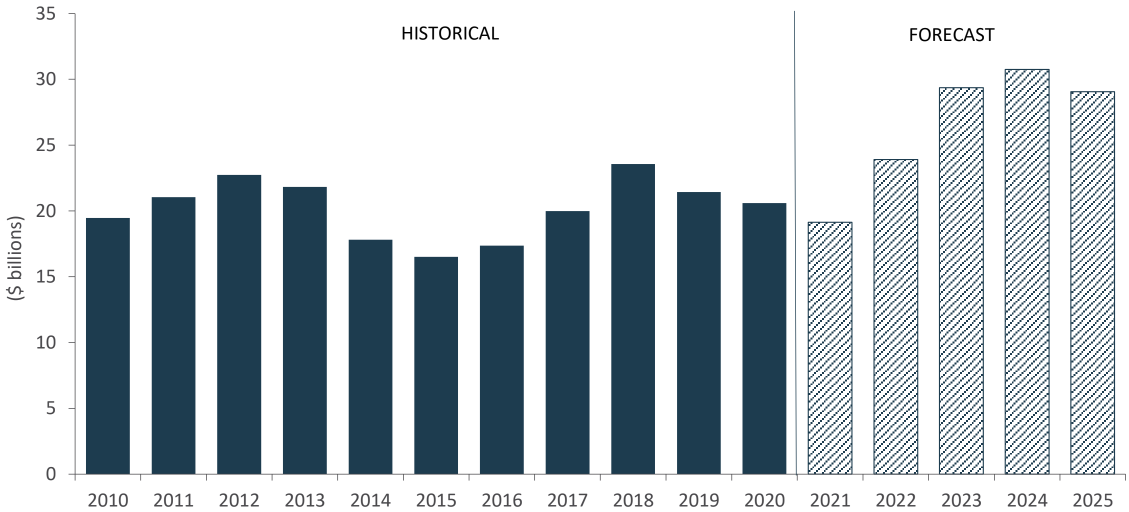
CIVIL CONSTRUCTION

The following chart depicts value of work done in the Roads, Highways, Subdivisions and Bridges ("RHS&B") segment of the Australian civil construction sector:

RHS&B VALUE OF WORK DONE (30 JUNE YEAR END)



Source: Macromonitor preliminary forecasts, May 2021

Aggregate civil construction in Australia peaked in 2012 but the subsequent decline is largely due to the sharp fall-off in new resource projects. Other segments such as RHS&B have been much steadier, although still exhibiting some degree of cyclicality (falling during FY12-16, rising in FY16-18 and falling again over FY18-20). The FY18-20 period was, in general, a period when a number of large projects were completed and new projects were not ready to commence (or were deferred).

Over the medium-to-long term, public infrastructure construction is expected to be well supported by government initiatives designed to stimulate the economy post COVID-19:

- the Federal Government committed to an additional $15 billion of infrastructure projects in the 2021/22 Budget, bringing the total Federal infrastructure construction spending to $110 billion over the next ten years to FY32; and
- State governments have collectively committed to over $250 billion of infrastructure investments in their respective 2020/21 State budgets over the four years to 30 June 2024.

A significant proportion of this expenditure will be directed to major rail and road transport projects, both of which are relatively materials intensive. Many of these are not "shovel ready" but they should underpin strong demand over 2022 and, particularly, 2023 and 2024.

Beyond 2024, there may be some softening as the projects complete and the cycle turns.

The primary risks to the outlook include:

- supply chain disruptions (e.g. steel supplies, labour constraints) and other delays to commencement;
- cost escalation; and
- pressure on governments' finances.

End Market Performance and Outlook – United States

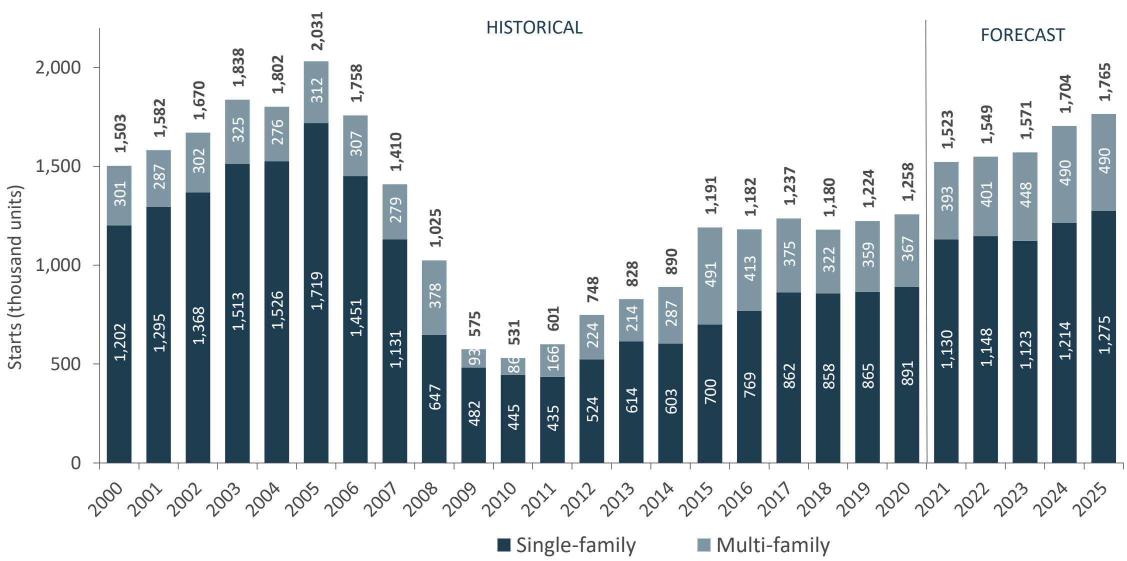
RESIDENTIAL

Despite a rebound in new residential construction activity in the first half of the decade following the global financial crisis ("GFC") in 2008-09, activity levels remained at depressed levels and contributed to a substantial shortfall in new residential building over the 2010-2020 period. Even between 2015 and 2020, growth was only around 1.1% per annum.

New residential construction slowed between March and June 2020, as economic activity was impacted by the onset of the COVID-19 pandemic. The United States Federal Reserve introduced unprecedented levels of monetary stimulus and lowered interest rates in response to the pandemic-driven halt in economic activity. Since July 2020, new residential construction activity has increased significantly as lower interest rates have improved home affordability. However, activity levels have varied across the country. The Midwest region was the strongest performer in 2020 with approximately 3% year-on-year growth in housing starts. Both the West and South regions generated mid-single digit growth while the Northeast region contracted over the same period.

Activity is now accelerating across the United States, with single family and multi-family construction permits increasing by more than 25% across all States in recent months[6]. This surge has helped stabilise activity levels across 2020 and underpins the substantial leap that is forecast for 2021. The uplift is expected to be sustained for several years because of factors such as continued low interest rates fuelling demand and the backlog from the previous decade. However, given the extent of that uplift and supply constraints, limited additional growth is expected over the next two years. Nevertheless it still represents a dramatic improvement from the 2015-2020 period and, in any event, is still well below the peaks of the early-to-mid 2000s. A further uplift (albeit still below previous peaks) is forecast in 2024 and 2025 period as supply issues are resolved:

NEW RESIDENTIAL CONSTRUCTION



Source: United States Census Bureau, New Residential Construction (seasonally adjusted). Forecast based on consensus estimates from several sources

Similarly, consumer spend on home repair and remodel ("R&R") reached historical highs in 2020, at least in part due to reduced mobility caused by stay-at-home orders[7]. The progressive growth in R&R demand has also been underpinned by low interest rates and changing consumer behaviours as well as an ageing

6 Source: National Association of Home Builders, Single- and Multi-family Permits Post Gains Across the U.S., May 2021.

7 Source: Duff & Phelps, Building Products and Materials.

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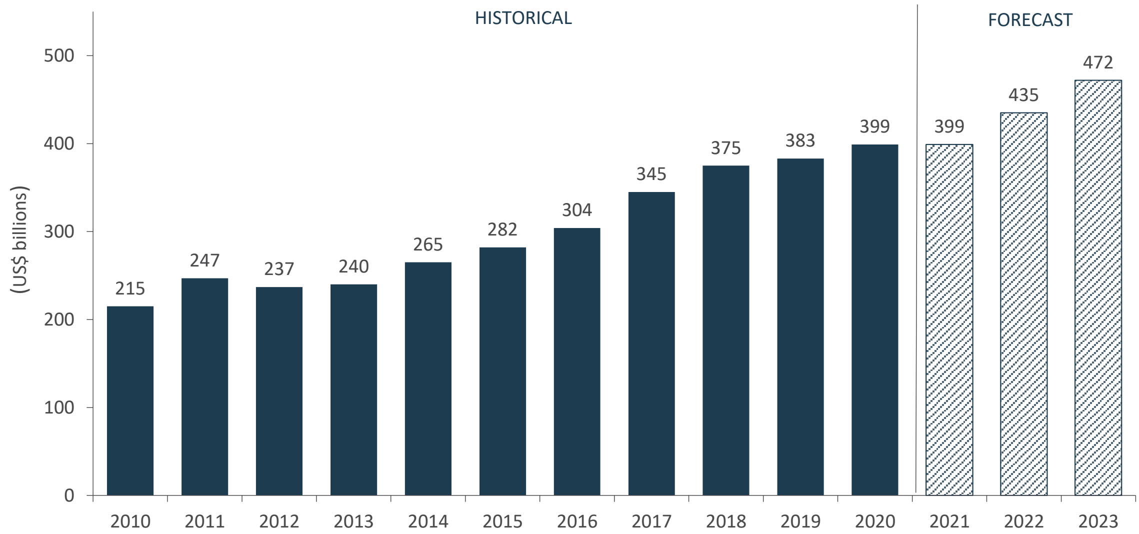
housing inventory and the recent increase in adverse weather events. This growth is expected to continue for the next couple of years:

RESIDENTIAL REPAIR AND REMODEL (R&R) SPENDING



Source: John Burns Real Estate Consulting, 2021

Based on recent studies, the majority of the growth in 2021 has arisen from larger home R&R projects (i.e. more than US$8,500 projects)[8]. These larger projects are expected to drive a majority of the growth through FY23, (approximately 13-16% per annum). Higher spend on these larger projects is supported by the recent house price appreciation which has allowed homeowners to access larger lines of home equity (cash-out refinancing activity increased by 42% in Q4 2020).

While rising lumber prices, other inflationary pressures and supply constraints may create near term headwinds to surging activity levels, these issues should diminish over time.

3.3 Product Demand Outlook

The outlook for end markets flows into forecasts for individual product demand across the construction sector. Forecasts for selected product categories of construction materials are set out below.

Australia

CONCRETE

Post FY20, concrete demand is estimated to grow by 0.9% per annum over the period from FY20 to FY25. The "pop" in FY22 is due to the expected jump in civil construction:

8 Source: John Burns Real Estate Consulting.

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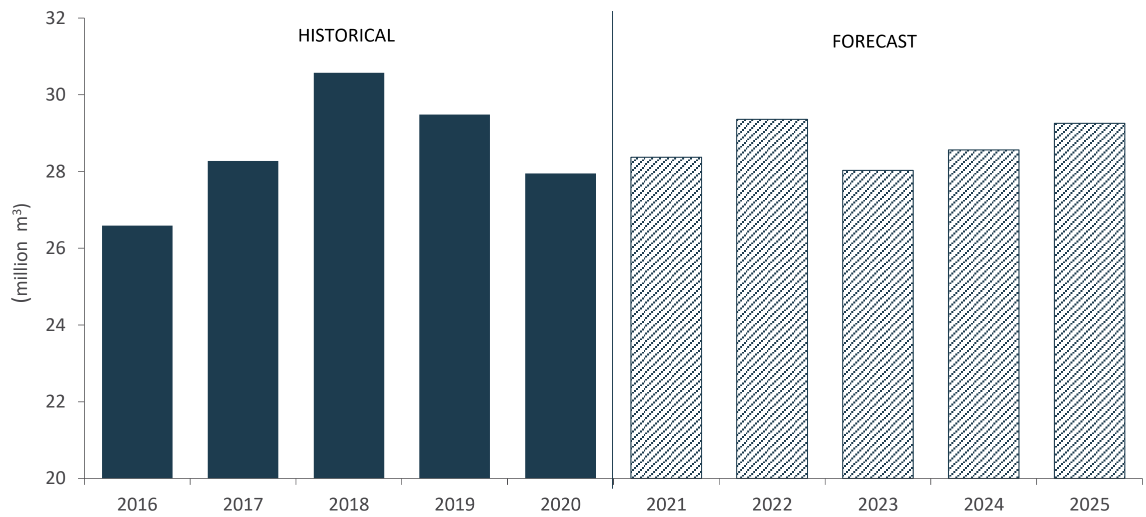
HISTORICAL AND FORECAST PRE-MIXED CONCRETE DEMAND (YEAR END 30 JUNE)

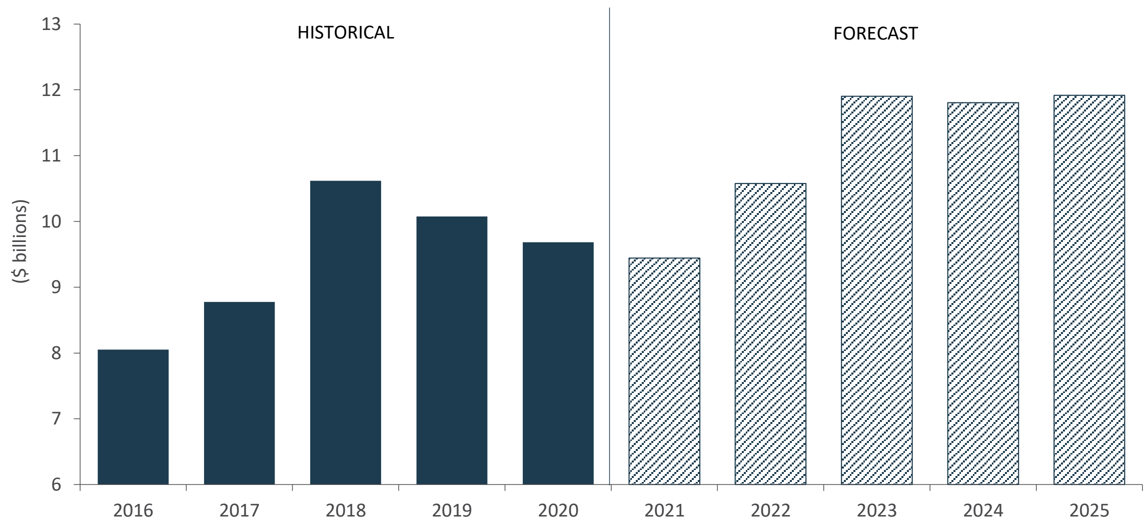


Source: Macromonitor preliminary forecasts, May 2021

ASPHALT

Asphalt demand is estimated to weaken slightly to 9.4 million tonnes as a result of short-term project execution delays in FY21 before recovering strongly across FY22 and FY23, underpinned by major road projects such as West Gate Tunnel in Victoria, WestConnex Stage 3 in New South Wales and the Bruce Highway upgrade in Queensland. Demand is forecast to grow by 4.2% per annum to 11.9 million tonnes by the end of FY25:

HISTORICAL AND FORECAST ASPHALT DEMAND (YEAR END 30 JUNE)



Source: Macromonitor preliminary forecasts, May 2021

United States

CEMENT

There are no available forecasts for fly ash consumption, but cement can be used as a rough proxy (although fly ash demand should grow at a higher rate). Since 2015, cement consumption has grown by an average of 2.5% per annum. The Portland Cement Association has produced a number of forecasts based on differing scenarios regarding the extent of infrastructure spending by the United States Federal Government under its stimulus plan. Its "baseline" forecast, which is a weighted average of three

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scenarios, shows growth of 2.0-2.5% per annum over 2021-23, tailing off slightly in subsequent years. However, if the stimulus is fully implemented, forecast cement consumption increases towards 3% per annum adding an extra seven million tonnes of annual consumption by 2025.

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4 Profile of Boral

4.1 Background

Boral's origins can be traced to Bitumen and Oil Refineries (Australia) Limited which was incorporated in 1946 to manufacture bitumen and petroleum by-products from imported crude oil. During the 1950s, it expanded its operations in the petrochemical industry and entered the gas market and quarrying activities. In 1963, it formally changed its name to Boral.

During the 1960s Boral exited the petrochemical industry and expanded further into building materials by acquiring brick, masonry and pre-mixed concrete operations. In the 1970s and 1980s Boral increased its presence in building and construction materials both in Australia and internationally. It also acquired interests in the oil and gas industry and various manufacturing and engineering businesses.

By the early 1990s, Boral was a diversified company operating 48 separate businesses in 23 countries with approximately 80% of revenue from its Australian operations. As a consequence of difficult trading conditions in the early 1990s, it refocussed on its operations in building and construction materials and energy, sold a number of its non-core operations and rationalised or closed other operations. By 1997, Boral's operations had been reduced to 23 businesses and it concentrated on developing its energy business and further rationalising and strengthening its building and construction materials businesses.

In February 2000, Boral separated its building and construction materials business and its energy business into two industry specific companies, Boral and Origin Energy Limited. Over the decade following the demerger, Boral focused on reshaping and improving the performance of its businesses. It divested a number of small, non-core operations, invested significantly in organic growth projects (new plant and capacity) across all of its operations and made a number of strategic acquisitions.

Following the GFC, which had a material adverse impact on its financial performance (FY09 and FY10 net profit after tax and before significant items fell by almost 50% compared to FY08), Boral undertook a strategic review of its business portfolio, operations and structures, with a view to focusing on improving the productivity of its existing operations, developing best in class products and concentrating on those segments where it could establish leading positions. As a result, a number of smaller and non-core businesses were divested, acquisitions were made (construction materials and quarries in Australia and manufactured stone in North America) and joint ventures were entered into (plasterboard across Asia, Australia and the Middle East with USG Corporation (known as USG Boral Building Products ("USG Boral")), East Coast Bricks with CSR Limited ("CSR") in Australia[9] and Meridian Brick with Forterra, Inc. ("Forterra") in North America).

FY17 was a transformational year for Boral. In November 2016, it announced the acquisition of Headwaters Incorporated ("Headwaters") for US$2.6 billion. Headwaters was a manufacturer of building products and a marketer of fly ash. The acquisition more than doubled the contribution from Boral's North American business operations, and was expected to deliver scale, more product offerings, geographic breadth, multi-channel distribution and increased diversification across United States construction segments. The acquisition was funded by a $2.1 billion equity capital raising which was completed in December 2016, and the acquisition was completed in May 2017.

Boral continued its strategy of divesting non-core businesses in FY18 and FY19 (including its concrete, quarries and block businesses in the United States) and, in August 2019, entered into an agreement to sell its Midland Brick business in Western Australia[10]. Following a challenging FY20, Boral conducted a comprehensive portfolio review of all of its businesses and assets. The review assessed the market outlook, Boral's competitive positioning and the potential to deliver improved earnings and growth both in

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9 Boral sold its 40% interest in the Boral CSR Bricks joint venture to CSR in October 2016 to redirect capital to Boral's core operations in line with its strategy.

10 The sale of Midland Brick was not completed until September 2020.

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the near term and into the future, for each of its business operations. Following this review, Boral announced the:

- sale of its 50% interest in the USG Boral joint venture to its joint venture partner Gebr Knauf KG ("Knauf") for US$1,015 million in October 2020 (completed in March 2021);
- agreement to sell its 50% interest in Meridian Brick in North America for US$125 million in December 2020 (expected to complete in the first quarter of FY22); and
- market testing of its North American business operations, with separate processes underway for the Building Products and Fly Ash business operations.

4.2 Business Overview and Strategy

Business Overview

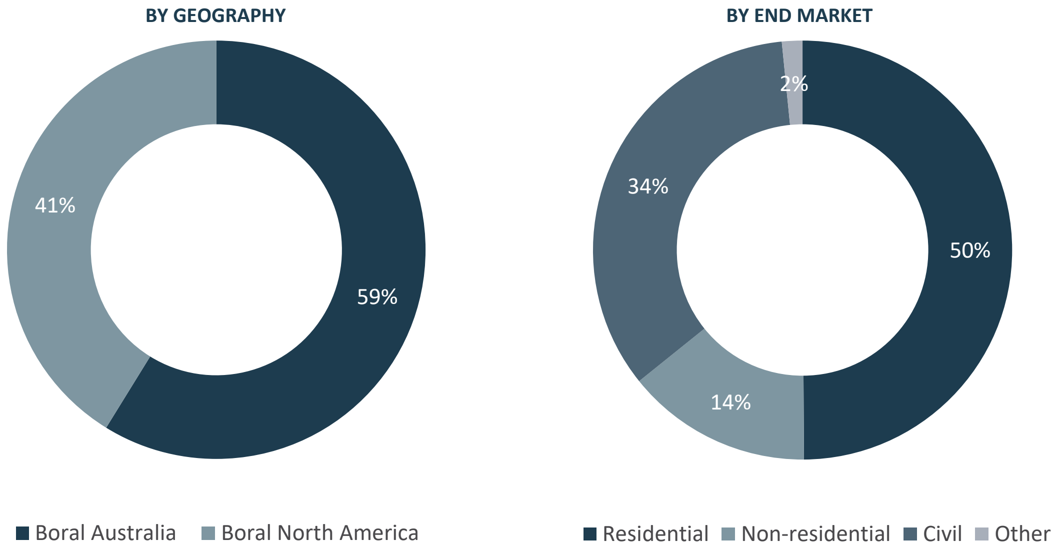
Today, Boral is an international building products and construction materials business that operates across Australia and North America:

- Boral Australia is the largest vertically integrated producer of construction materials in Australia, with primary exposure to east coast infrastructure and construction. Boral Australia also includes property sales relating to Boral's land bank of depleted quarries and other facilities in its network; and
- Boral North America is a leading building products and construction materials supplier in the United States. The building products division produces a range of primarily housing inputs and the construction materials division primarily supplies fly ash to concrete manufacturers.

Boral also reports a Corporate business segment, which includes non-trading items and corporate costs.

The majority of the Company's revenue is generated by Boral Australia which, in FY20, represented almost 60% of total revenue (from continuing operations). Approximately half of the Company's revenue in FY20 was generated from the residential segment, with the civil (i.e. RHS&B, infrastructure and other engineering) segment the other major contributor to revenue at 34%:

BORAL – FY20 REVENUE



Source: Boral and Grant Samuel analysis

However, there is a material difference in the end customer mix for Boral Australia and Boral North America. Boral Australia generates around half of its revenue from the RHS&B and other engineering

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segment whereas Boral North America is more heavily exposed to the residential segment (almost 75% of Boral North America's FY20 revenue).

Boral's business operations are described, and their operating performance is discussed, in Section 5 of this report.

Strategy

Following the comprehensive portfolio review in the first half of FY21, Boral has articulated a:

- **Financial Framework**, which identifies its strategic objective to deliver shareholder returns that exceed its cost of capital throughout the cycle[11]. The key financial objective of the Financial Framework is to achieve a total shareholder return and earnings per share growth in the top quartile of the S&P/ASX 100 through-the-cycle. To achieve this objective, Boral has put in place a $300 million EBIT uplift Transformation target (net of inflation) of which $200-250 million is targeted to be achieved in Australia by FY26. The Transformation target is being pursued through a comprehensive program of permanent cost reductions, new earnings streams, optimising use of existing funds and divesting assets.

  Transformation initiatives already in place include a new operating model for Boral Australia effective 1 July 2021, under which the business will move from an autonomous regional model to an integrated operating company organised along national product lines (i.e. quarries, cement, asphalt and concrete) and the creation of new leadership roles for major projects, sales and marketing, and recycling. Supply chain logistics will be consolidated into a national business unit. The new operating model is intended to unlock significant value through the ability to drive standardisation, reduce duplication, facilitate a better focus on serving customers, implement national transformation programs and deliver a nimbler and more responsive organisation.

  Other elements of the Financial Framework include:

  - targeting an optimal capital structure with:
    - the lowest weighted average cost of capital ("WACC") (targeting a net debt range of 2.0-2.5 times EBITDA where return on funds employed ("ROFE") is equal to WACC); and
    - a throughout the cycle ROFE greater than WACC; and
  - disciplined allocation of capital. Subject to other ROFE accretive reinvestment opportunities, surplus capital will be available for distribution to Boral shareholders in the most efficient manner. To this end, Boral commenced an on-market share buyback of up to 10% of its shares on issue (approximately 122 million shares) over the 12 month period commencing on 19 April 2021. The share buyback, which will be fully funded from proceeds from the sale of Boral's 50% interest in USG Boral, was considered the most effective method of returning surplus capital to shareholders; and

- **new strategic framework** (endorsed by the Board[12] in May 2021) consisting of four strategic pillars:
  - **focus** the portfolio on its core business through divestment of non-core assets (which is underway) and disciplined allocation of capital in accordance with the Financial Framework;
  - **position** its core business to deliver profitability and competitive advantage. This is expected to be achieved through the Transformation initiatives (including the operating model reset as well as network optimisation, logistics and supply chain strategies, a focus on operations excellence,

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[11] Measured by the return on funds employed exceeding its weighted average cost of capital (currently 10%).

[12] Other than Mr Ryan Stokes, who, during the Seven Group Offer, has recused himself from all Boral Board and Committee meetings other than those he is required by law to attend and therefore was not present at the Board strategy sessions held as previously scheduled on 17 and 18 May 2021.

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procurement strategies and customer service and commercial process excellence) as well as the latent value in its property portfolio;

- **redefine** the nature of its Australian business by creating a leading position in decarbonisation (e.g. Boral's proprietary technology to produce lower carbon concrete, other supplemental cementitious materials such as limestone calcinated clay cement and reducing demand for newly manufactured cement through use of recycled materials) to create competitive advantages in sustainability growth opportunities that are anticipated to emerge from the rapidly changing industry landscape; and
- **extend** its competitive advantage by leveraging its intellectual property through commercialisation of innovations (e.g. digital and decarbonisation). These will likely be realised over a longer time period.

Further detail on Boral's Financial Framework and its strategic framework are set out in Section 5.4 of the Target's Statement.

4.3 Financial Performance

Historical Financial Performance

The historical financial performance of Boral for FY18 to FY20 and for 1HY21[13] is summarised below:

BORAL - FINANCIAL PERFORMANCE ($ MILLIONS)

	FY18 ACTUAL PRE AASB16	FY19 ACTUAL PRE AASB16	FY20 ACTUAL POST AASB16	1HY21 ACTUAL POST AASB16
Operating revenue	**5,869.0**	**5,861.4**	**5,728.4**	**2,716.1**
Operating EBITDA	**897.7**	**903.6**	**726.7**	**420.3**
Depreciation and other amortisation	(307.4)	(316.4)	(429.1)	(204.4)
Operating EBITA[14]	**590.3**	**587.2**	**297.6**	**215.9**
Amortisation of acquired intangible assets	(60.2)	(61.4)	(63.1)	(27.4)
Operating EBIT[15]	**530.1**	**525.8**	**234.5**	**188.5**
Results of equity accounted investments	90.2	73.1	39.4	48.8
Property sales	63.2	33.2	55.2	17.1
Reported EBIT	**683.5**	**632.1**	**329.1**	**254.4**
Net interest expense	(103.8)	(103.1)	(126.4)	(58.3)
Operating profit before tax	**579.7**	**529.0**	**202.7**	**196.1**
Income tax expense	(110.3)	(110.3)	(25.4)	(40.3)
Operating profit after tax	**469.4**	**418.7**	**177.3**	**155.8**
Significant items (after tax)	(32.2)	(167.7)	(1,315.9)	5.6
NPAT[16] attributable to Boral shareholders	**437.2**	**251.0**	**(1,138.6)**	**161.4**

13 1HY21 is the six months ended 31 December 2020.

14 EBITA is earnings before net interest, tax, amortisation of acquired intangible assets and significant items.

15 EBIT is earnings before net interest, tax and significant items.

16 NPAT is net profit after tax.

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BORAL - FINANCIAL PERFORMANCE ($ MILLIONS) (CONT)

	FY18 ACTUAL PRE AASB16	FY19 ACTUAL PRE AASB16	FY20 ACTUAL POST AASB16	1HY21 ACTUAL POST AASB16
STATISTICS				
Basic earnings per share (before significant items)	*40.0¢*	*35.7¢*	*14.8¢*	*12.7¢*
Dividends per share	*26.5¢*	*26.5¢*	*9.5¢*	*-*
Dividend payout ratio[17]	*66%*	*74%*	*63%*	*0%*
Amount of dividend franked	*50%*	*50%*	*50%*	*-*
Operating revenue growth	*+33.7%*	*-0.1%*	*-2.3%*	*-9.1%*[18]
Operating EBITDA growth	*+50.5%*	*+0.7%*	*-19.6%*	*-3.4%*[18]
Operating EBITA growth	*+69.5%*	*-0.5%*	*-49.3%*	*-4.0%*[18]
Operating EBITDA margin	*15.3%*	*15.4%*	*12.7%*	*15.5%*
Operating EBITA margin	*10.1%*	*10.0%*	*5.2%*	*7.9%*
ROFE[19]	*8.6%*	*7.8%*	*4.3%*	*7.7%*
Effective tax rate	*19.0%*	*20.9%*	*12.5%*	*20.6%*

Source: Boral and Grant Samuel analysis

Boral's consolidated financial performance does not provide a particularly useful indication of the underlying performance of its current business operations given the changes in the business operations and accounting standards over recent years. In particular:

- it includes discontinued business operations that have been divested (or which Boral has agreed to sell) over the period (Denver Construction Materials in FY19, its US Block business in FY19, Midland Brick in FY20 and its 50% interests in USG Boral and Meridian Brick in 1HY21);
- material significant items have been recorded in most years:

BORAL – SIGNIFICANT ITEMS ($ MILLIONS)

	FY18 ACTUAL PRE AASB16	FY19 ACTUAL PRE AASB16	FY20 ACTUAL POST AASB16	1HY21 ACTUAL POST AASB16
Sale of businesses	-	69.6	-	2.2
Restructure costs	-	(25.7)	(36.2)	(3.7)
Integration costs	(73.2)	(32.8)	(9.5)	-
Rehabilitation and closure costs	(23.8)			
Joint venture matters	(4.6)	(8.2)	(12.6)	-
Asset impairment	-	(195.6)	(1,346.1)	-
Total significant items before tax	**(101.6)**	**(192.7)**	**(1,404.4)**	**(1.5)**
Tax	69.4	25.0	88.5	7.1
Total signficiant items after tax	**(32.2)**	**(167.7)**	**(1,315.9)**	**5.6**

Source: Boral

These items have totalled losses of $1.7 billion (before tax) over the past 3½ years and primarily represent non cash impairment charges in FY20 relating to Boral North America goodwill and intangible assets, the investment in the Meridian Brick joint venture (against which an impairment change was also recoded in FY19) and the Western Region Construction Materials businesses and Timber and Roofing building products businesses in Australia. Other major significant items have

17 Calculated based on earnings per share before significant items.

18 Growth is over the prior corresponding period (i.e. 1HY20).

19 Calculated as EBIT before significant items divided by the average of opening and closing funds employed for the year. For 1HY21 calculated as EBIT before significant items divided by the proportional funds employed (average funds employed divided by two).

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been ongoing restructure costs across both Boral Australia and Boral North America ($66 million over the period) and costs incurred on the integration of Headwaters ($116 million, which was in line with expected integration costs of US$90-100 million). Significant items after tax in FY18 included a $33.7 million benefit from reassessment of United States tax balances following a reduction in the federal tax rate from 35% to 21%; and

- AASB16 in relation to the capitalisation of leases was adopted from 1 July 2019. As a result, in FY20 and 1HY21, lease payments have been replaced by depreciation and interest expense. Adoption of this accounting standard has the impact of increasing EBITDA and, to a lesser extent, EBITA and EBIT.

The summarised historical financial performance shown above also differs to the disclosure by Boral in its financial reports as it excludes from operating EBITDA, EBITA and EBIT:

- the results of equity accounted investments, which represents Boral's share of net profit after tax (and not its share of EBITDA, EBITA and EBIT). Most of these equity accounted investments (other than those that are part of Boral Australia) have now been divested (or agreements have been entered into for their sale). The results of equity accounted investments are included in the reported EBIT shown in the table above; and
- property sales. The property business unit was established in 2001 to optimise returns from property transactions. Since that time, the property business has, on average, contributed EBIT of ~$35 million per annum, although earnings can be lumpy on an annual basis (see Section 4.4 for further discussion of Boral's property business).

Other relevant aspects of Boral's historical consolidated financial performance include:

- operating earnings includes unallocated corporate costs, which have increased from $32-33 million in FY18 and FY19 to $38 million in FY20, reflecting executive severance payments, higher legal costs and additional audit and control reviews. Unallocated corporate costs returned to more normal levels in 1HY21;
- a relatively low effective tax rate (particularly in FY20) primarily due to the utilisation of previously unrecognised United States tax losses and Australian capital losses. Excluding utilisation of these losses, the effective tax rate (other in in FY20) was circa 22.5%; and
- the Boral Board's policy has historically been to maintain a dividend payout ratio of between 50% and 70% of earnings before significant items, subject to the Company's financial position. This policy has been replaced by the Financial Framework, which sets out that any surplus funds not required for capital investment or other purposes will be returned to shareholders in the most efficient and economical way possible including capital return, share buybacks and dividends. No dividend was paid in respect of 2HY20[20] or 1HY21. Dividends have only been franked to 50% reflecting the significant contribution from Boral's business operations in the United States and Asia.

Boral's pro forma operating performance for its current continuing operations and assuming AASB16 had not been adopted is summarised below:

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20 2HY20 is the six months ended 30 June 2020.

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BORAL – PRO FORMA OPERATING PERFORMANCE ($ MILLIONS)

	FY18 PRO FORMA PRE AASB16	FY19 PRO FORMA PRE AASB16	FY20 PRO FORMA PRE AASB16	1HY21 PRO FORMA PRE AASB16
Operating revenue	**5,508.5**	**5,738.4**	**5,671.4**	**2,703.3**
Operating EBITDA	**852.3**	**898.2**	**620.8**	**370.7**
Depreciation and other amortisation	(293.1)	(311.9)	(327.8)	(160.8)
Operating EBITA	**559.2**	**586.3**	**293.0**	**209.9**
Amortisation of acquired intangible assets	(55.0)	(59.1)	(63.1)	(27.4)
Operating EBIT	**504.2**	**527.2**	**229.9**	**182.5**
Results of equity accounted investments	28.8	25.8	13.7	8.2
Property sales	63.2	33.2	55.2	17.1
Reported EBIT	**596.2**	**586.2**	**298.8**	**207.8**
STATISTICS				
Revenue growth		*+4.2%*	*-1.2%*	*-8.7%*[21]
EBITDA growth		*+5.4%*	*-30.9%*	*-13.7*[21]
EBITA growth		*+4.8%*	*-50.0%*	*-5.0%*[21]
EBITDA margin	*15.5%*	*15.7%*	*10.9%*	*13.7%*
EBITA margin	*10.2%*	*10.2%*	*5.2%*	*7.8%*

Source: Boral and Grant Samuel analysis

The operating performance of Boral's current continuing operations reflects the cyclical nature of the construction materials and building products sectors as well as a number of other external events (bushfires, floods and the COVID-19 pandemic) and internal challenges.

Boral reported strong growth in revenue and earnings and a slight increase in margins in FY19 reflecting continued strength in Australian infrastructure activity, Headwaters' acquisition synergies and benefits from improvement initiatives and cost reduction programs, and despite a 15% decline in Australian housing starts and a 2% decline in the United States housing market. Earnings benefited from Boral's geographical diversification, with an uplift in earnings from Boral North America more than offsetting lower earnings from Boral Australia.

However, FY20 was a particularly challenging year for Boral. 2HY20 saw Boral Australia impacted by bushfire and flood related events (resulting in lower volumes and higher costs), followed by the COVID-19 pandemic (resulting in higher costs and restricted production) which substantially reduced the earnings of both Boral Australia and Boral North America. Second half margins fell substantially due to lower sales and production volumes as well as an unfavourable shift in the sales mix and costs. Boral Australia was further impacted by a 19% decline in housing starts.

The decline in revenue, EBITDA and EBITA continued in 1HY21 (compared to 1HY20), although margins improved (but not to prior year levels). Lower demand and pricing in Australia were offset in part by an improved environment in the United States despite the ongoing impact of the COVID-19 pandemic. Emerging benefits from the Transformation initiatives also contributed to the improvement in earnings and margins.

A more detailed analysis of the underlying performance of the current continuing operations of Boral Australia and Boral North America is set out in Sections 5.1 and 5.2 of this report respectively.

21 Growth is over the prior corresponding period (i.e. 1HY20).

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Outlook

Boral has not publicly released detailed earnings forecasts for FY21 or subsequent years. However, in conjunction with the release of its Target's Statement, Boral provided the following commentary:

- FY21 EBIT before significant items is expected to be approximately $430-450 million[22], including approximately $20-25 million of property earnings. This outlook is underpinned by:
  - mixed market conditions in Australia:
    - detached housing activity is being supported by government stimulus while demand from multi-residential is much weaker than recent years;
    - the recovery in non-residential activity is lagging and not yet resulting in increased demand; and
    - construction materials demand from infrastructure remains weak ahead of major projects moving into more materials intensive construction and delayed projects progressing to execution;
  - strong market recovery in North America but Fly Ash volumes and margins lower than the prior year:
    - volume and price growth in Building Products, reflecting the strong housing market recovery;
    - lower fly ash volumes ahead of new contracted volumes being available, including 400ktpa of new volumes secured in 2HY21[23] with phased volumes available from FY22; and
    - stronger prices in fly ash but margins lower than the prior year due to the loss of a high margin contract in 1HY21 and lower project related site services revenue, as expected; and
  - Transformation initiatives, which are expected to deliver approximately $170 million before inflation in FY21.

  Further details on the outlook for Boral Australia and Boral North America are set out in Sections 5.1 and 5.2;
- the effective tax rate is expected to be in the range 21-22% (excluding the impact of significant items); and
- capital expenditure for FY21 is expected to be approximately $300 million (including lease additions).

To provide an indication of the FY21 and FY22 forecast operating performance of Boral, Grant Samuel has considered, in conjunction to the disclosure above, brokers' forecasts for Boral (see Appendix 1):

BORAL – FORECAST OPERATING PERFORMANCE ($ MILLIONS)

	FY20 PRO FORMA PRE AASB16	FY21 ESTIMATE PRO FORMA PRE AASB16	FY22 ADJUSTED MEDIAN BROKER FORECAST PRE AASB16
Operating revenue	5,671.4	5,373.7	5,644.2
Operating EBITDA	620.8	705.1	810.7
Operating EBITA	293.0	392.6	489.7

Source: Grant Samuel analysis (see Appendix 1)

22 EBIT before significant items of $430-450 million includes the contribution from discontinued operations (i.e. Midland Brick and the results of equity accounted investments in USG Boral and Meridian Brick).

23 2HY21 is the six months ending 30 June 2021.

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The FY21 estimate and the FY22 brokers' forecasts have been adjusted to:

- only include continuing operations (relevant to the FY21 estimate);
- remove from operating EBITDA and EBITA earnings from the sale of properties (which have been valued separately) and the results from equity accounted investments (which represents Boral Australia's share of equity accounted investments NPAT and have been replaced with Boral Australia's share of equity accounted EBITDA and EBITA as part of the adjustments to earnings for valuation purposes (see Section 7.2.2 for details); and
- reverse the impact of AASB16.

(See Appendix 1 for details).

The FY21 estimate and the FY22 adjusted median broker forecast calculated on this basis, in addition to Boral's FY21 Outlook and FY22 Budget, are considered useful for analytical purposes.

4.4 Financial Position

The financial position of Boral at 30 June 2020 (audited), 31 December 2020 (reviewed by Boral's external auditor) and 30 April 2021 (unaudited) is summarised below:

BORAL - FINANCIAL POSITION ($ MILLIONS)

	AT 30 JUNE 2020 AUDITED	AT 31 DECEMBER 2020 REVIEWED	AT 30 APRIL 2021 UNAUDITED
Receivables	798.3	674.3	763.5
Inventories	523.9	486.7	481.5
Trade creditors	(728.8)	(610.6)	(632.3)
Net working capital	**593.4**	**550.4**	**612.7**
Property, plant and equipment (net)	2,743.6	2,619.3	2,595.5
Lease assets	373.4	320.4	304.6
Goodwill	1,199.7	1,081.3	1,082.5
Other intangible assets (net)	1,023.5	889.5	873.0
Equity accounted investments	1,209.7	23.0	26.7
Other investments	33.1	35.0	35.3
Loans to associated entities	15.7	16.3	15.8
Provisions	(378.7)	(348.7)	(329.6)
Derivative financial instruments (net)	(13.0)	(78.9)	(25.5)
Assets classified for resale	73.9	1,119.8	157.2
Other	100.9	93.8	101.0
Net funds employed	**6,975.2**	**6,321.2**	**5,449.2**
Net tax balances	139.5	83.8	67.8
Net assets employed	**7,114.7**	**6,405.0**	**5,517.0**
Cash and deposits	904.4	558.1	1,701.7
Borrowings	(3,100.9)	(2,163.7)	(2,051.0)
Net borrowings (excluding lease liabilities)	**(2,196.5)**	**(1,605.6)**	**(349.3)**
Lease liabilities	(383.1)	(333.5)	(317.7)
Net borrowings (including lease liabilities)	**(2,579.6)**	**(1,939.1)**	**(667.0)**
Net assets	**4,535.1**	**4,465.9**	**4,850.0**

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BORAL - FINANCIAL POSITION ($ MILLIONS) (CONT)

	AT 30 JUNE 2020 AUDITED	AT 31 DECEMBER 2020 AUDIT REVIEWED	AT 30 APRIL 2021 UNAUDITED
STATISTICS			
Shares on issue at period end (million)	*1,225.7*	*1,225.7*	*1,217.6*
Net assets per share	*$3.70*	*$3.64*	*$3.98*
NTA[24] per share	*$1.89*	*$2.04*	*$2.38*
Gearing[25] (excluding lease assets and lease liabilities)	*32.6%*	*26.4%*	*6.7%*
Gearing (including lease assets and lease liabilities)	*36.3%*	*30.3%*	*12.1%*

Source: Boral and Grant Samuel analysis

Property, plant and equipment and lease assets represents over 50% of Boral's net assets employed reflecting the capital intensive nature of its activities. Property, plant and equipment includes mineral reserves, licences and quarry stripping. Goodwill is primarily from the acquisition of Headwaters in May 2017 (against which an impairment of $1,066.8 million was recognised in FY20). Other acquired intangible assets are primarily fly ash contracts, customer relationships and trade names.

Property plant and equipment includes $86.5 million[26] which represents the carrying value of Boral's surplus property and quarry end use activities. Boral has active programs underway for more than 4,500 hectares to yield end use value and generate earnings over the next 20 years. The major development projects are summarised below:

BORAL – KEY SURPLUS PROPERTY ASSETS AT 30 APRIL 2021

SITE	LOCATION	STATUS
Scoresby	Victoria (25 kilometres south east of Melbourne's CBD)	Formerly a manufacturing plant for Boral Bricks Boral retained ownership of the site following divestment of Boral's 40% interest in the Boral CSR Bricks joint venture to CSR (part of the site is leased to CSR) Rehabilitation of the former clay pit is underway and rezoning is expected to be completed in the next two years Boral has entered into a 20 year development agreement with Mirvac under which Mirvac is expected to pay Boral $300+ million over the life of the agreement
Donnybrook	Victoria (30 kilometres north of Melbourne's CBD)	Boral acquired the site as a potential hard rock quarry, but subsequent rezoning precluded any future quarry development Boral has entered into a 20 year development agreement with Mirvac under which Mirvac is expected to pay Boral $200+ million though to 2037
Waurn Ponds	Victoria (12 kilometres south west of Geelong)	Cement operations expected to cease in 2022 In the process of rehabilitation, taking tunnelling spoil and fill materials from infrastructure projects for a fee (which partially offsets rehabilitation costs) Process to change the planning controls is underway
Deer Park	Victoria (17 kilometres west of Melbourne's CBD)	Two parcels of surplus land on existing operating site

Source: Boral

The carrying value of $86.5 million includes Boral's 40% interest in the Penrith Lakes Development Corporation Ltd joint venture ("Penrith Lakes Joint Venture"). The Penrith Lakes Joint Venture owns what was previously the largest construction materials quarry in Australia. The quarry ceased production in 2015 and the site is in the process of being rehabilitated and developed into an urban precinct with an initial focus on commercial, tourism and recreational development (with some parts, such as the Penrith Whitewater Stadium and Sydney International Regatta Centre already divested). The other joint venture

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24 NTA is net tangible assets, which is calculated as net assets less intangible assets.

25 Gearing is net borrowings divided by net assets plus net borrowings.

26 A small proportion of the $86.5 million (approximately $7 million) is shown as non-current inventory, which is included in "other" in the table above. $78.2 million relates to assets of Boral Australia and $8.3 million relates to assets of Boral North America.

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parties are Holcim (Australia) Pty Ltd ("Holcim Australia") with 40% and Hanson Australia Pty Limited ("Hanson Australia") with 20%.

Boral's equity accounted investments are summarised below:

BORAL – EQUITY ACCOUNTED INVESTMENTS AT 30 APRIL 2021 ($ MILLIONS)

INVESTMENT	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST	BOOK VALUE ($ MILLIONS)
Bitumen Importers Australia Pty Ltd	Bitumen importer	50%	15.8
Flyash Australia Pty Ltd	Fly ash collection	50%	2.5
Penrith Lakes Joint Venture	Property development	40%	-
South East Asphalt Pty Ltd	Production and sale of asphalt	50%	1.3
Sunstate Cement Ltd	Cement manufacturer and distributor	50%	7.1
Total			**26.7**

Source: Boral

Boral also owns shares in listed companies with a market value of $35.3 million at 30 April 2021.

Loans to associated entities of $15.8 million primarily represent loans to the Penrith Lakes Joint Venture.

Boral uses a range of derivative financial instruments to manage its exposure to various foreign currency, interest rate and commodity price (e.g. diesel, natural gas, electricity and coal) risks. Derivative financial instruments are recognised at fair value and at 30 April 2021 totalled $(25.5) million including instruments relating to borrowings.

Boral's financial position includes[27]:

- a provision for rationalisation and restructuring of $7.4 million;
- a provision for future claims of $41.0 million. This provision relates to insurance, workers compensation insurance, legal and other claims arising in the ordinary course of business. Where recoveries are expected these are included in other receivables; and
- a provision for restoration and environmental rehabilitation of $129.5 million, which represents the estimated present value of the liability for make-good provisions included in lease agreements and restoration and environmental rehabilitation of Boral's natural resource operations.

Assets classified for resale at 30 April 2021 represent the carrying value of Boral's 50% interest in Meridian Brick. At 31 December 2020, assets classified for resale also included Boral's 50% interest in USG Boral. Both of these investments were previously treated as equity accounted investments.

Gearing (excluding lease assets and lease liabilities) was relatively modest at 26.4% (based on the book value of equity) at 31 December 2020 and has fallen substantially at 30 April 2021 (to 6.7%) following completion of the sale of Boral's 50% interest in USG Boral.

[27] Provision balances are shown at 31 December 2020 as Boral does not update these balances on a monthly basis.

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4.5 Cash Flow

Boral's cash flow for FY18 to FY20 and for 1HY21 is summarised below:

BORAL - CASH FLOW ($ MILLIONS)

	FY18 ACTUAL PRE AASB16	FY19 ACTUAL PRE AASB16	FY20 ACTUAL POST AASB16	1HY21 ACTUAL POST AASB16
Operating EBITDA	**897.7**	**903.6**	**726.7**	**420.3**
Property sales	63.2	33.2	55.2	17.1
Restructure, transaction and integration costs paid	(118.4)	(54.0)	(34.4)	(24.4)
Changes in working capital and other adjustments	(151.0)	(27.3)	9.0	(4.0)
Cash from operations	**691.5**	**855.5**	**756.5**	**409.0**
Net interest paid	(95.9)	(98.3)	(121.2)	(61.2)
Tax paid	(86.0)	(50.6)	(30.7)	(7.9)
Dividends received	68.4	55.0	26.3	50.7
Operating cash flow	**578.0**	**761.6**	**630.9**	**390.6**
Capital expenditure (net)	(350.6)	(415.0)	(318.5)	(85.7)
(Purchase)/sale of controlled entities and associates (net)	7.6	364.9	13.1	71.5
(Loans to)/repayment of loans by associates	(1.6)	7.6	-	-
Free cash flow	**233.4**	**719.1**	**325.5**	**376.4**
Dividends paid	(287.2)	(316.5)	(158.3)	-
Repayment of lease principal	-	-	(98.4)	(43.1)
Net cash generated/(used)	**(53.8)**	**402.6**	**68.8**	**333.3**
Net cash/(borrowings) – opening	*(2,333.3)*	*(2,452.5)*	*(2,193.3)*	*(2,196.5)*
Adjustments[28]	*(65.4)*	*(143.4)*	*(72.0)*	*257.6*
Net cash/(borrowings) – closing	*(2,452.5)*	*(2,193.3)*	*(2,196.5)*	*(1,605.6)*

Source: Boral and Grant Samuel analysis

The cash flow analysis shows that, notwithstanding the significant capital expenditure investment over the period, Boral's business operations generate significant operating cash flow (albeit insufficient to cover capital expenditure and dividends in FY18 in part due to acquisition and integration payments associated with the acquisition of Headwaters). Capital expenditure includes both operating (or "stay in business") expenditure (ranging from $375 million in FY18 to $228 million in FY20) and growth expenditure to expand operating capabilities and market coverage (ranging from $51 million in FY18 to $118 million in FY20).

Despite the decline in earnings in FY20 and 1HY21, operating cash flow benefited from reduced inventory levels as Boral responded to the COVID-19 pandemic by slowing production to reduce cash costs and manage inventories. While plant closures, production slowdowns and disruptions adversely impacted fixed cost recoveries, cash generation was strong.

Free cash flow benefited from net proceeds from the sale of Denver Construction Materials (sold for US$127 million) and the Texas-based US Block business (sold for US$156 million) in FY19 and the disposal of Midland Brick (sold for $82 million) and property in Alexandria (sold for $24 million) in 1HY21. Reduced free cash flow (from a decline in EBITDA) in FY20 was offset in part by reduction in dividends paid.

Operating cash flow and free cash flow in FY20 and 1HY21 have also been positively impacted by the adoption of AASB16, with the reclassification of part of lease payments to repayment of lease principal (prior to the adoption of AASB16, these payments were included in EBITDA).

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28 Adjustments primarily represent changes in fair value of borrowings, exchange rate impact on borrowings and exchange rate impacts on cash held in foreign currencies.

As a result, other than in FY18, net cash flow has been positive and Boral's gearing (excluding lease assets and liabilities) has fallen from 30% in FY18 to 26.4% at 31 December 2020 (and has fallen further to 6.7% at 30 April 2021 following the sale of Boral's 50% interest in USG Boral).

4.6 Taxation Position

At 31 December 2020, Boral had carried forward tax effected capital and income tax losses of $146.3 million which were recognised in the balance sheet. Boral also had unrecognised tax effected income and capital losses carried forward of $134.6 million ($44.4 million relating to income tax losses carried forward and $90.2 million related to capital tax losses carried forward). These losses had not been accounted for due to the uncertainties relating to their future utilisation.

The extent and timing of utilisation of these tax losses (recognised and unrecognised) will depend on the outcome of the processes currently underway in relation to Boral North America's businesses and future capital gains generated by Boral in Australia.

At 30 April 2021, Boral had $15.3 million in accumulated franking credits.

4.7 Capital Structure and Ownership

Capital Structure

At 8 June 2021, Boral had the following securities on issue:

- 1,179,704,025 ordinary shares[29]; and
- 9,769,218 performance rights.

Boral operates:

- a short term incentive ("STI") plan under which senior executives may be entitled to an award for achievement of annual financial performance. 80% of the STI is delivered in cash and 20% is deferred in performance rights. The deferred STI performance rights vest after two years; and
- a long term incentive ("LTI") plan under which senior executives may receive equity awards that are subject to the satisfaction of long term performance conditions. 100% of the LTI is delivered in performance rights. Two thirds of the LTI vests after three years based on performance relative to a group of comparable companies and one third of the LTI vests after three years based on achieving return on funds employed targets set by the Board.

Performance rights have no dividend entitlements or voting rights. However, each performance right entitles the participant to receive one Boral ordinary share for nil consideration subject to achievement of performance hurdles and vesting periods. The Board maintains discretion to adjust unvested STI and LTI outcomes to ensure outcomes appropriately reflect Boral's performance and the shareholder experience over the relevant period.

Boral operates a dividend reinvestment plan which enables investors to reinvest some or all of their dividends in new ordinary shares at a discount determined by the Boral Board. The plan is currently active, although no dividend was paid in respect of 2HY20 or 1HY21.

Ownership

There were approximately 70,000 registered shareholders in Boral at 31 May 2021. The top 10 registered shareholders account for approximately 70% of the ordinary shares on issue. Other than Seven Group, the

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[29] Allowing for shares bought back under Boral's on-market share buyback up to and including 8 June 2021. A small number of these shares (2,869,779) had not been cancelled on 8 June 2021 but Boral intends to cancel these shares in due course.

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top 10 registered shareholders are principally listed investment companies or institutional nominee/custodian companies.

Boral has received notices from the following substantial shareholders:

BORAL – SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	DATE OF NOTICE	NUMBER OF SHARES	PERCENTAGE
Seven Group	27 May 2021	281,704,050	23.44%[30]
The Vanguard Group, Inc.	19 March 2020	70,609,200	6.02%[31]

Source: Boral

Seven Group provided an initial substantial shareholder notice to Boral on 2 June 2020 in which it disclosed that over the period from March to June 2020 it had acquired up to 10% of Boral shares at prices in the range $1.77 to $3.55 per share. Seven Group increased its shareholding in Boral to 12.19% (at prices in the range $3.63 to $3.78 per share) by the end of June 2020, to 16.31% in mid July 2020 and to 19.984% by mid September 2020). On 9 April 2021, Seven Group lodged a substantial shareholder notice disclosing that it has increased its shareholding in Boral by 3% to 22.984% (using the "creep" provisions under the Corporations Act). Seven Group's shareholding in Boral has subsequently increased to 23.9% (at 8 June 2021) as a result of the cancellation of issued shares bought back under Boral's on-market share buyback.

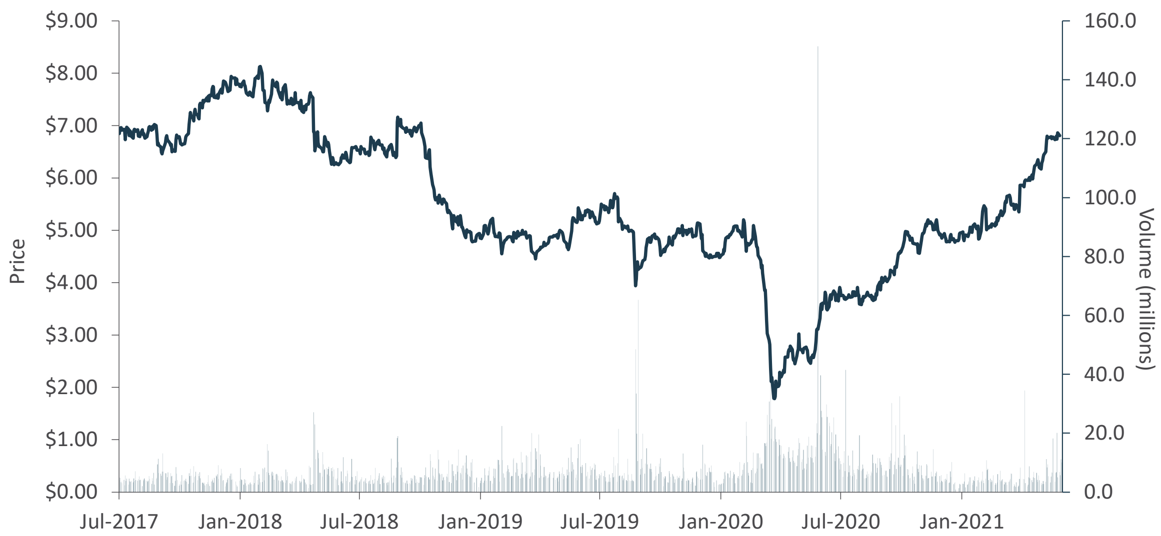
4.8 Share Price Performance

Share Price History

The following graph illustrates the movement in the Boral share price and trading volumes since 1 July 2017:

BORAL – SHARE PRICE AND TRADING VOLUME

1 JULY 2017 TO 4 JUNE 2021



Source: IRESS

Boral shares traded in the range $6.50-7.00 from July to October 2017 and then trended upwards, in line with the market as a whole, trading at prices in excess of $8.00 until Boral announced a trading update on

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30 Based on Boral issued shares on 26 May 2021.

31 Based on Boral issued shares on 13 March 2020.

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24 April 2018, which revealed third quarter FY18 earnings for Boral North America that were below expectations and ongoing operational issues that prompted an adverse market reaction.

While the share price increased following the announcement of strong growth in Boral's FY18 financial performance (despite earlier trading headwinds), the increase was short lived as Boral announced its businesses were trading below expectations in the first quarter of FY19, attributed to weather (including hurricanes in the United States), project delays, outages and competition at its Annual General Meeting ("AGM") at the end of October 2018. The share price fell sharply from around $7.00 at the end of August 2018 to around $5.00 by December 2018 and generally traded in a range around $5.00 until the August 2019 announcement of its FY19 financial results, which included FY19 EBITDA being circa 5% below previous guidance and publication of FY20 guidance (FY20 NPAT to be circa 5-15% lower than FY19). The share price traded as low as $3.93 although this appears to have been an overreaction as it quickly recovered to back around $5.00 before another fall following the announcement in early December 2019 regarding financial irregularities identified in Boral's North American Windows business.

Despite the share price recovering back to around $5.00 in January 2020, the reaction to the COVID-19 pandemic was swift and severe, as it was for the market as a whole. Boral's share price fell from a close of $5.09 on 21 February 2020 (the day following the announcement of its 1HY20 financial results) to as low as $1.685 by the end of March 2020 reflecting the impact of government sanctioned lockdowns and restrictions on building and construction activities and following the withdrawal of FY20 earnings guidance by Boral on 19 March 2020.

Since April 2020, the Boral share price has consistently trended upwards. There was a sharp increase in the share price around the time that Seven Group announced that it had become a substantial shareholder in Boral on 2 June 2020, with the share price increasing from around $2.50 in mid May 2020 to $3.50 in early June 2020. The share price climbed back to around $5.00 by the end of 2020, responding positively to announcements of a new Chief Executive Officer and Board renewal and Boral entering into agreements to sell its 50% interest in USG Boral and its 50% interest in Meridian Brick. By the time of the announcement of the intention to undertake a share buyback on 1 April 2021, the share price was trading around $5.85, and has continued to steadily improve following commencement of the share buyback on 19 April 2021.

The Boral share price closed at $6.50 on 10 May 2021, prior to the announcement of the Seven Group Offer. Since announcement of the Seven Group Offer (and up to and including 8 June 2021), Boral shares have traded in the range $6.52-6.97, and at a volume weighted average price ("VWAP") of $6.74.

Liquidity

Boral has been a very liquid stock. Average weekly volume over the 12 months prior to the announcement of the Seven Group Offer (of 42.3 million shares) represented approximately 3.5% of average shares on issue over the period[32] or annual turnover of around 180% of total average issued capital.

Relative Performance

Boral is a member of various indices including the S&P/ASX 200 Index and the S&P/ASX 200 Materials Index. Its weighting in these indices has been approximately 0.4% and 1.7% respectively. The following graph illustrates the performance of Boral shares since 1 July 2017 relative to the S&P/ASX 200 Index and the S&P/ASX 200 Materials Index:

[32] Average shares on issue over the period from 11 May 2020 to 10 May 2021 was 1,225,229,684 after allowing for the impact of the share buyback.

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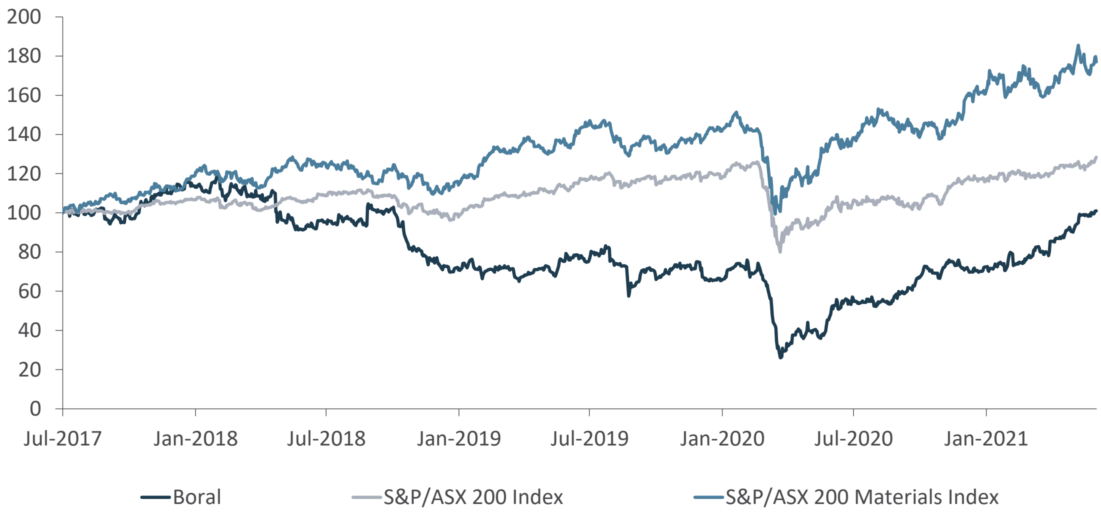
BORAL VS S&P/ASX 200 INDEX VS S&P/ASX MATERIALS INDEX

1 JULY 2017 TO 4 JUNE 2021



Source: IRESS

The chart above shows that:

- the materials sector (represented by the S&P/ASX 200 Materials Index) has consistently outperformed the market as a whole (represented by the S&P/ASX 200 Index) over the past 3½ years, although this in part reflects the composition of the S&P/ASX 200 Materials Index. The S&P/ASX Materials Index is a broad index that includes Australia's major listed resources companies (BHP Group Limited, Fortescue Metals Group Ltd, Rio Tinto Limited and Newcrest Mining Limited) which collectively represent over 60% of the S&P/ASX Materials Index and whose collective market capitalisation has increased by almost 120% over the period.

  In contrast, the construction materials companies in the index (James Hardie Industries plc ("James Hardie"), Boral, Fletcher Building Limited ("Fletcher Building"), Adbri Limited ("Adbri"), Brickworks Limited ("Brickworks") and CSR) represent only 8% of the S&P/ASX 200 Materials Index and their collective market capitalisation has increased by around 30% over the same period; and

- up until the impact of the COVID-19 pandemic in March 2020, Boral shares underperformed against both the S&P/ASX 200 Index and the S&P/ASX 200 Materials Index, but in some cases share price underperformance followed company specific factors.

  Boral's share price fell by 65% over the period from late February to mid March 2020 in response to the COVID-19 pandemic as building and construction activities ceased or were severely curtailed by government lock downs and restrictions. The 65% fall in Boral's share price was considerably greater than fall in the market (the S&P/ASX 200 Index fell by 36% and the S&P/ASX 200 Materials Index fell by 29% over the same period). However, the response appears to have been an overreaction as Boral shares recovered quickly. Boral has outperformed the S&P/ASX 200 Index since late March 2020 and the S&P/ASX 200 Materials Index since June 2020 largely due to a market shift to "value" stocks, the strength of the housing market, government stimulus spending targeted at the building and construction sector and Boral's announced turnaround strategy for Boral Australia and strategic alternatives for Boral North America:

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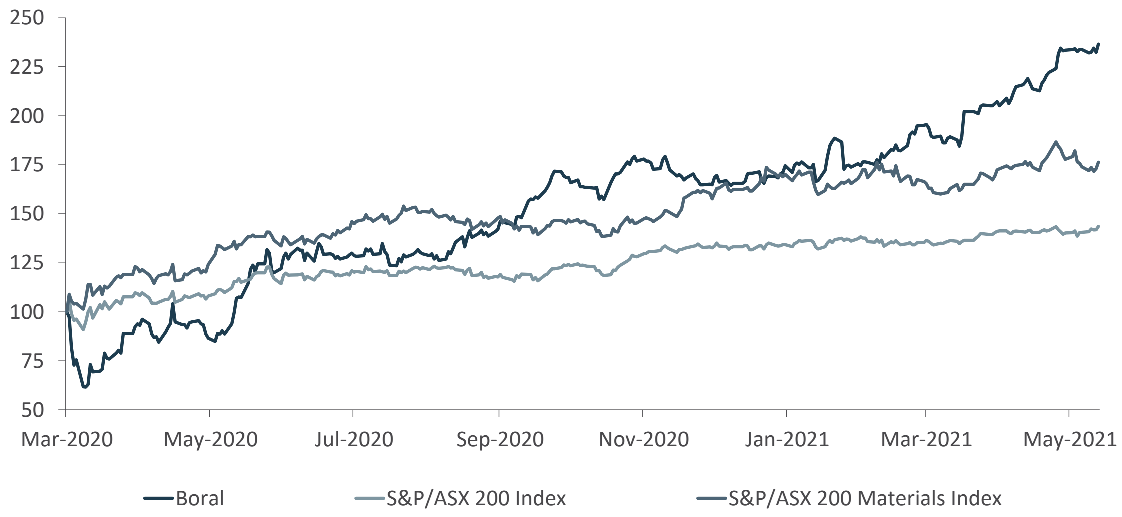
BORAL VS S&P/ASX 200 INDEX VS S&P/ASX MATERIALS INDEX

16 MARCH 2020 TO 4 JUNE 2021



Source: IRESS

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5 Profile of Business Operations

5.1 Boral Australia

Operational Overview

Boral Australia is Australia's largest vertically integrated construction materials and building products manufacturer and supplier. It operates in the following sectors:

- **Construction Materials**, which represented 92% of FY20 revenue. Boral Australia operates a vertically integrated construction materials business, including both upstream quarrying operations and cement plants as well as downstream production of concrete and asphalt. It also operates an extensive transport fleet and logistics network to distribute to its end customers, who are typically project owners, developers and contractors.

  A brief description of each of its key products is set out below:

  - **Quarries.** Boral Australia's strategy has been based on securing strategically located reserves close to major residential and commercial areas to drive distribution efficiencies. Boral Australia's quarry network extracts a range of aggregates including hard rock, sand, gravel, limestone, clay and shale, and produces over 30 million tonnes of volume per annum across its 67 quarries which are predominantly located on the east coast. The larger of these include Dunmore, Peppertree, Seaham and Peats Ridge quarries in New South Wales, Deer Park, Lysterfield and Bacchus Marsh in Victoria and West Burleigh, Moy Pocket and Ormeau in Queensland. Its quarry operations are highly integrated with its cement, concrete and asphalt businesses, where generally higher value aggregates are consumed internally for downstream manufacturing to maximise the value of its vertically integrated operation. Boral Australia regularly reviews its quarry network where it actively maintains at least 20 years of reserves to service its customer demand;
  - **Cement**. Boral Australia operates six cement sites which includes a clinker kiln, lime and cement manufacturing sites and bagging operations in New South Wales, a clinker grinding plant in Victoria and a clinker grinding and a cement manufacturing joint venture operation, Sunstate Cement, in Queensland (co-owned with Adbri). It also purchases cement from industry participants in regions it does not manufacture in or distribute to for use in concrete production. Approximately 50-60% of all cement manufactured or procured is consumed internally with the remainder being sold to domestic customers. The cement business also produces and/or sells lime, manufactured sand and supplementary cementitious materials (fly ash, slag).

    The Waurn Ponds clinker kiln was closed in 2013 as it was more cost effective to import clinker, and the residual cement grinding operation will be relocated in 2022 to a new greenfield developed grinding facility. At 30 June 2020, Boral Australia had 1.5 million tonnes per annum of clinker kiln capacity and four million tonnes per annum of cement grinding capacity;
  - **Concrete.** Boral Australia manufactures and distributes a range of pre-mixed concrete for use across a wide variety of civil engineering, building and landscaping applications. Its products range across standard concrete suitable for general structures, roading and pavements, mixtures with unique physical properties (high-strength, post-tensioned, lower-carbon) for use in specialised applications, to pre-cast, marine-resistant and decorative categories. The concrete business operates 228 sites predominantly across New South Wales, Queensland and Victoria to service the Australia's east coast construction industry and produces approximately six million cubic metres of concrete per year. The business has also invested in mobile plant equipment to provide additional capacity and to offer major construction projects a dedicated concrete supply which also supports distribution and cost efficiencies.

In addition to concrete production, Boral Australia also operates concrete pumping and placing businesses in New South Wales (De Martin & Gasparini) and Queensland (Pro Concrete Group); and

- **Asphalt.** Boral Australia's operations target major road infrastructure developments as well as road surfacing and road network maintenance jobs. The manufacturing process combines bitumen sourced from supply agreements and through Bitumen Importers Australia (a joint venture with Downer EDI Limited), with aggregates supplied primarily from Boral Australia's upstream operations. The asphalt business operates 48 sites that produce and distribute over two million tonnes of asphalt per year. The business also offers asphalt layering and sealing services to support the end-to-end asphalt surfacing process; and

- **Building Products,** which represented 7% of FY20 revenue and are used in both new construction (primarily residential) and A&A. Over the past five years, Boral has pursued a strategy of redeploying capital into its core construction materials operations, resulting in the divestment of its Australian bricks assets. As a result, the Building Products business now participates in only two main product categories:

  - **Roofing and Masonry.** Boral Australia manufactures terracotta and concrete roof tiles together with concrete masonry products (including blocks, retaining walls and pavers), sourcing materials from its upstream operations and external suppliers. It has four roofing manufacturing sites across New South Wales, Victoria and South Australia, with the masonry operation co-located with the South Australian roofing site. Boral Australia distributes its product through wholesale suppliers into retail stores as well as through Boral Australia online channels. Product design and differentiation is a key value driver within this product category; and

  - **Timber.** Boral Australia owns eight hardwood timber mills across six sites which produce sawn hardwood for cladding, decking and decorative applications (offering larger exposure to the A&A segment), and one joint venture softwood timber mill (co-owned with AKD Softwoods) which produces softwood typically used in detached housing frames and for other structural purposes. Wood is sourced from supply agreements with various plantation operators, and sold to builders, and wholesale suppliers into retail stores. All of Boral Australia's timber mills are located in New South Wales which it considers its key segment, with some sales also into Queensland and Victoria.

At 30 June 2020, Boral Australia had over 5,000 employees and operated through 362 sites across Australia, predominantly located on the east coast:

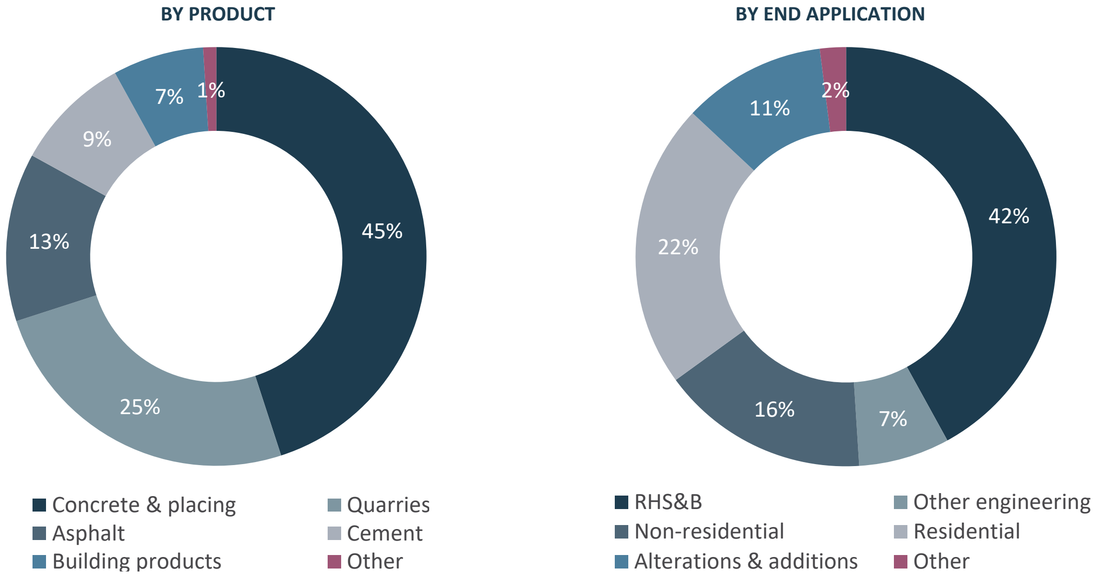
BORAL AUSTRALIA – BUSINESS OPERATIONS BY STATE

	CONCRETE & PLACING	QUARRIES	ASPHALT	CEMENT	ROOFING/ MASONRY	TIMBER	TOTAL
NSW/ACT	94	19	15	4	2	9	**143**
QLD	66	15	18	1	-	-	**100**
VIC/TAS	44	16	11	1	1	-	**73**
SA	11	8	3	-	1	-	**23**
WA	12	8	1	-	-	-	**21**
NT	1	1	-	-	-	-	**2**
Total	**228**	**67**	**48**	**6**	**4**	**9**	**362**

Source: Boral

The charts below summarise Boral Australia's revenue (from continuing operations) by product and by end application:

BORAL AUSTRALIA – FY20 REVENUE



Source: Boral

Almost 50% of Boral Australia's construction materials, construction related services and building products (based on FY20 revenue) are sold to RHS&B and other engineering end markets. RHS&B are typically major civil construction projects committed to by State and Federal governments. Boral Australia's recent major projects in this market include Pacific Highway road works, North Connex and West Connex and the Northern Road jobs in New South Wales, The Gateway Upgrade, Sunshine Coast Airport and Norfolk and Emerald Island Airports in Queensland and the Westgate Tunnel Project in Melbourne. Other engineering includes infrastructure projects outside of the RHS&B segment such as rail, utilities, mining and heavy industry structures.

Boral Australia's remaining end customers are:

- residential development and A&A, which collectively represented around 33% of FY20 revenue; and
- non-residential development, which represented 16% of FY20 revenue.

Boral Australia markets and supplies its products and services through four main distribution channels, competitive tender processes (for major, high value civil construction and large scale non-residential and residential projects, where products and services are supplied directly to the project site), corporate sales and marketing functions (for smaller developments and small to medium sized construction businesses where products and services also supplied directly to the project site), in-store (through distributors and resellers) and online channels (mostly bagged cement and building products).

Market Overview

CONSTRUCTION MATERIALS

The Australian construction materials industry in Australia is estimated to be a $15 billion market[33] when measured by revenue.

The market for the production of aggregates is estimated to be approximately $4.5 billion[34] with 160-190 million tonnes of aggregates extracted each year while the Australian cement industry is estimated to be

[33] Cement Concrete & Aggregates Australia ("CCAA").

[34] IBISWorld Gravel and Sand Quarrying in Australia, IBISWorld Rock, Limestone and Clay Mining in Australia.

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about $3.5 billion[35] with approximately 10-12 million tonnes of cement produced annually. Each year approximately 26-30 million cubic metres of concrete is supplied from 1,200 concrete batching plants around Australia, generating annual revenue of approximately $6 billion.

Boral Australia is the largest integrated participant in the Australian construction materials industry with an estimated share of just over 20%. There are a number of other integrated participants with significant footprints, including:

- Hanson Australia, a subsidiary of HeidelbergCement AG. Hanson Australia owns 210 concrete plants, 71 quarries and four asphalt plants;
- Holcim Australia, a subsidiary of Holcim Limited ("Holcim") (previously LafargeHolcim Ltd), a Swiss based global building materials and aggregates company. Holcim Australia operates what was the Readymix business previously owned by CSR. Holcim Australia owns hard rock, sand and gravel quarries, batching plants and manufacturing operations across Australia, supplying aggregates, concrete and concrete pipe and products;
- Adbri, an ASX listed company that operates nationally with 44 quarries, a major integrated clinker and cement facility in Adelaide and cement grinding plants and terminals around the country including a 50% share in Sunstate Cement with Boral Australia. It is the largest producer of lime in Australia, the second largest cement and clinker supplier to the construction sector, the largest producer of Australian concrete products and the fourth largest concrete and aggregates producer; and
- Barro Group Pty Limited ("Barro"), a privately owned business that owns 43% of Adbri and also has significant operations in the construction materials sector.

Holcim Australia and Hanson Australia each own 50% of Cement Australia Pty Limited which owns and operates integrated clinker and cement plants in Gladstone (Queensland) and Railton (Tasmania) and a clinker grinding facility in New South Wales.

There is a wide range of privately owned independent operators, a number of which have integrated operations upstream into inputs or downstream into operations and distribution, including BGC Australia Pty Ltd and Wagners Holding Company Limited ("Wagners"), which are based in Western Australia and Queensland, respectively. Independent operators have developed, or are in the process of developing, cement import terminals in Queensland, New South Wales and South Australia.

BUILDING PRODUCTS

The size of the roof tile industry in Australia is estimated to be approximately $500 million[36], comprising clay, ceramic and concrete tiles. Activity is primarily generated by detached housing construction activity with the remaining demand coming from A&A and repairs. Within the roof tile category, competition is driven by product design and price, where higher value products are differentiated through aesthetics and material quality. Industry participants are exposed to low levels of plant utilisation when markets soften and there is volatility in the cost of raw inputs. Share continues to be moderately concentrated with the top three participants Brickworks (*Bristile*), CSR (*Monier*) and Boral Australia representing approximately 60% share of the clay and concrete tile segment. Boral Australia is estimated to have approximately 15% share.

The size of the sawn timber industry in Australia is estimated to be around $1.4 billion[37], comprising sawn timber and other wood products used in commercial and residential construction, as well as in general carpentry applications. Demand is primarily driven by new detached housing with other demand from non-residential building construction, A&A, and exports. Demand is also impacted by competition from

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35 IBISWorld Cement and Lime Manufacturing in Australia.

36 Company filings, Australian Roof Tile Association, Grant Samuel analysis.

37 IBISWorld Log Sawmilling in Australia.

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substitute structural building products (steel, concrete). The timber category is a commoditised product where competition among participants is almost solely driven by price. The ability of manufacturers to procure raw wood materials at a low cost is the critical success factor in sustaining a profitable business. Share is less concentrated with the top six sector participants, Timberlink Australia, Hyne Timber, AKD Softwoods, Wespine (a joint venture between Fletcher Building and Wesfarmers Limited) and Boral Australia representing approximately 40% share of the segment. Boral Australia is estimated to have a circa 4% segment share in softwood structural timber and a circa 20% segment share in hardwood flooring, decking and structural timber.

Strategy

In response to the challenges facing the industry, management has set a revised strategic framework to focus on Boral Australia's core businesses and improve operating leverage to strengthen through-the-cycle performance. The current strategic focus for Boral Australia is to:

- build a competitive advantage from the environmental sustainability of the business (e.g. transition to lower carbon concrete);
- optimise its network of quarry, cement, concrete and asphalt plants; and
- deliver the Australian component of the Transformation target announced in the first half of FY21 through revenue growth initiatives including, for example, exploring adjacent product opportunities, supply chain and logistics optimisation, procurement benefits, centralisation of corporate functions and the new operating model.

Operating performance

The historical operating performance of Boral Australia's continuing operations from FY18 to FY20 and for 1HFY21 is summarised below:

BORAL AUSTRALIA – HISTORICAL OPERATING PERFORMANCE ($ MILLIONS)

	FY18 ACTUAL PRE AASB16	FY19 ACTUAL PRE AASB16	FY20 PRO FORMA PRE AASB16	H1 FY21 PRO FORMA PRE AASB16
Concrete & placing	1,685	1,658	1,499	737
Asphalt	802	764	825	339
Quarry products	404	440	440	221
Cement	302	323	306	163
Building products	263	256	219	126
Other[38]	63	70	47	19
Total operating revenue	**3,519**	**3,511**	**3,336**	**1,605**
Operating EBITDA	**538**	**533**	**378**	**205**
Depreciation and other amortisation	(197)	(207)	(222)	(107)
Operating EBITA	**340**	**326**	**156**	**98**
Amortisation of acquired intangible assets	-	-	-	-
Operating EBIT	**340**	**326**	**156**	**98**
Results of equity accounted investments	29	26	14	8
Property sales	63	33	55	17
Reported EBIT	**432**	**385**	**225**	**123**
Capital expenditure[39]	**284**	**290**	**246**	**81**

[38] Other revenue includes transport operations and fixed payments and royalty streams from landfill sites.

[39] Capital expenditure includes lease additions in 1HY21.

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BORAL AUSTRALIA – HISTORICAL OPERATING PERFORMANCE ($ MILLIONS) (CONT)

	FY18 ACTUAL PRE AASB16	FY19 ACTUAL PRE AASB16	FY20 PRO FORMA PRE AASB16	H1 FY21 PRO FORMA PRE AASB16
STATISTICS				
Total revenue growth		*-0.2%*	*-5.0%*	*-8.4%*
EBITDA growth		*-0.9%*	*-29.1%*	*-10.5%*
EBITA growth		*-4.2%*	*-52.1%*	*-18.3%*
EBITDA margin	*15.3%*	*15.2%*	*11.3%*	*12.8%*
EBITA margin	*9.7%*	*9.3%*	*4.7%*	*6.1%*

Source: Boral and Grant Samuel analysis

Boral Australia's operating revenue was flat in FY19 and fell by 5% in FY20, primarily as a result of:

- softening activity within the RHS&B segment over the past three years as a result of major project completions, project pipeline delays and project disruptions caused by weather (floods and bushfires) and COVID-19 during FY20;
- declining housing starts, particularly in the east coast States over the past three years; and
- weaker pricing in key categories (concrete, cement) and adverse movements in margin due to shifts in quarry product mix driven by lower demand.

The Building Products business reported falling volumes and revenue in FY19 and FY20 as a result of a decline in housing starts. However, revenue increased by 10% over the prior corresponding period in 1HY21 as a resurgence in timber demand from strong conditions in the A&A segment more than offset weaker pricing and volume in the roofing and masonry category.

Over the past 3½ years, earnings have been adversely impacted by facility underutilisation caused by a decline in end market activity as well as cost inflation for raw inputs and overheads. These factors were exacerbated in FY20 by COVID-19 related production disruptions and temporary site shutdowns which resulted in a $36 million under-recovery of fixed costs. In response, management implemented cost reduction strategies such as right-sizing programs to align business operations to demand, supply chain optimisation and the consolidation of corporate functions which produced savings of $28 million in FY19 and $59 million in FY20. While these initiatives were effective in maintaining margins in FY19 (EBITDA margin of around 15% and EBITA margin of 9-10%), the additional impact of the COVID-19 pandemic saw margins fall considerably in FY20, with the EBITDA margin falling to 11.3% and the EBITA margin halving to just 4.7% (reflecting the capital intensity and high fixed depreciation charges of the business).

Transformation initiatives produced $56 million in gross benefits ($32 million after inflation) in 1HY21, which is reflected in Boral Australia's improved margins.

Outlook for FY21

Boral has provided the following commentary on the outlook for Boral Australia:

- mixed market conditions in Australia where:
  - detached housing activity is being supported by government stimulus, but multi-residential activity is much weaker than in recent years;
  - the recovery in non-residential is lagging and not yet resulting in increased demand; and
  - construction materials demand from infrastructure remains weak ahead of major projects moving into more materials intensive construction and delayed projects progressing to execution; and
- in February 2021, Boral stated that it did not expect EBIT margins (excluding earnings from property sales) to grow in 2HY21 relative to 1HY21, with the benefits from Transformation initiatives expected to contribute to offsetting the impacts of adverse market conditions in 2HY21.

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5.2 Boral North America

Operational Overview

Boral North America is a leading building products and construction materials supplier in the United States, with over 150 operating sites across the country. The company has historically maintained a national footprint with leading positions in selected building products sectors and in fly ash.

The 2016 acquisition of Headwaters was transformational for Boral North America's business, doubling Boral North America's presence in the United States (Boral North America's contribution to FY16 pro forma revenue increased from circa 19% to 38%) and accelerating the development of its light building products platform. Headwaters complemented Boral's existing United States footprint, resulting in a deeper and wider product portfolio range, diversified target end user market (e.g. repair and remodelling) and an expanded distribution network. The lower capital intensity, synergies and higher margins of the business were expected to deliver improvements in Boral North America's operations.

However, a weak industry backdrop and persistent underperformance have hampered the business since its acquisition. Boral faced several challenges, including commissioning of new plants and rationalisation of the existing network. Integrating two long term industry participants contributed to high management turnover. In the short term, inclement weather in key States in the United States disrupted housing construction activity and contributed to underperformance in FY18. Continued demand uncertainty and low housing starts challenged results further in subsequent years.

In FY20, the introduction of a new management team spearheaded a change in Boral North America's strategy, implementing operational changes to substantially improve the performance of its Building Products business and to review its Fly Ash business (including confirming a strong demand outlook and alternative sources of supply in harvesting and imports).

Today, Boral North America's business comprises:

- **Building Products**, which represented 66% of FY20 revenue. Boral North America manufactures and sells premium building products targeted at the residential segment. While the Headwaters acquisition provided Boral North America with a larger share of the R&R segment, close to 60% of Building Products remains focused on new home construction (although this varies across product sectors).

  The Building Products business participates in four key product categories:

  - **Roofing.** Building Products produces high end specialty concrete and clay tile and stone coated metal roofing products. The majority of products are sold under the *Boral Roofing* and *US Tile* brand names. While Boral North America offers a broad range of roofing products, nearly 80% of its revenue is from concrete roof tiles (including the complementary components business) where it is the category leader with a 55% national share, although products often compete on a regional basis. The production footprint is strategically positioned in high growth regions across the South and the West, where it generates more than 90% of its sales. Roofing products are sold almost exclusively through one-step distributors;
  - **Stone.** Stone includes manufactured stone veneer products for both exterior and interior applications. Boral North America owns a portfolio of established premium stone veneer brands such as *Eldorado Stone* and *Cultured Stone*. As the largest manufacturer of stone veneer in the United States, Boral North America offers a comprehensive product range. While approximately 80% of sales are targeted at mid to premium segments, it also has products aimed at the value segment (*Dutch Quality* and *StoneCraft*). Boral North America's stone production footprint is spread across the Midwestern, Western, Northeast and Southeast states, where it maintains and invests in large format facilities to support its low cost proposition. Of all Boral North America's building product categories, Stone arguably has the most balanced geographic diversification

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across the United States with a strong presence in each region. Similarly, it also has the largest commercial (i.e. non-residential) end customer exposure (approximately 20% of sales);

- **Siding, trim and shutters.** Also referred to as "Light Building Products", this product category includes a range of premium brands such as *TruExterior, Versetta Stone, Kleer* and *Foundry*. This category offers differentiated premium siding products made from vinyl and composite fibre materials. The shutters business targets a more comprehensive range of price points and is the category leader in the United States, with a circa 50% share of the plastic shutters category. The manufacturing footprint is largely based in the Northeast of the United States, to position the business for the significant R&R market in that region (the Northeast represents around 39% of sales). Its national distribution footprint, however, mitigates the concentration of its manufacturing footprint, with the South and Midwest regions each representing around 25% of sales; and
- **Windows.** Windows primarily supplies vinyl windows targeted at new residential construction and production home builders. The Windows segment is focused on the Southern region, predominantly in Texas where it operates under the *Krestmark* and *Legacy* brands and Georgia, where it operates under the *Magnolia* brand. Short lead times and a focused product range are key aspects of its commitment to buyers. A new facility in Houston is expected to support further growth in Texas and the surrounding region. Windows is the only category where Boral North America maintains direct-to-builder channels; and

- **Fly Ash**, which represented 34% of FY20 revenue. Fly ash is a by-product of coal fired electricity generation that can be used as a partial substitute for cement in the production of concrete. The business is essentially a trading business that serves as an intermediary (i.e. broker) connecting coal power utility companies to end users such as concrete producers.

  Fly ash marketers play a crucial role in the industry by providing the market knowledge and logistics capability to connect the regionally concentrated supply sources to a nationally dispersed customer base (that has no relationship with producers). Boral North America has over 50 exclusive supply contracts with fly ash sources and connects it to more than 4,000 active customer locations delivering over seven million tonnes annually.

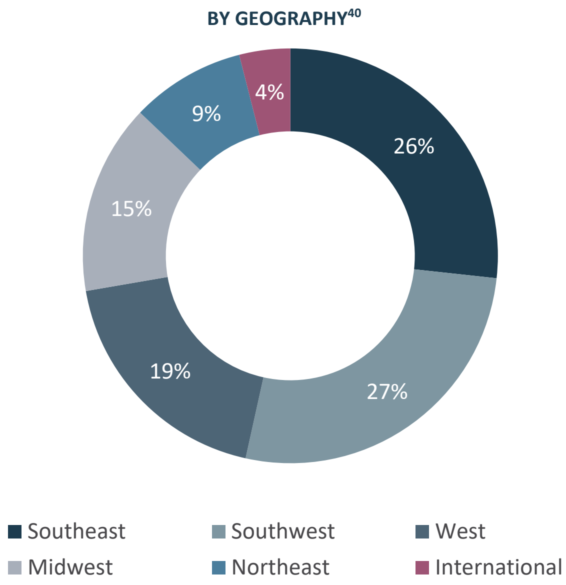
  These supply contracts generally have terms of three to eight years, or up to the remaining life of the coal power plant. Boral North America's supply contracts are regarded as high quality, with focus on low cost, long life power plants and extensive geographic diversity. While it faces pressures from rivals and the utilities from which it obtains supply, Boral North America has a strong track record in winning tenders and extending existing contracts due to its investments in customer relationships and its value proposition. There are a limited number of upcoming renewals in the next 2-3 years.

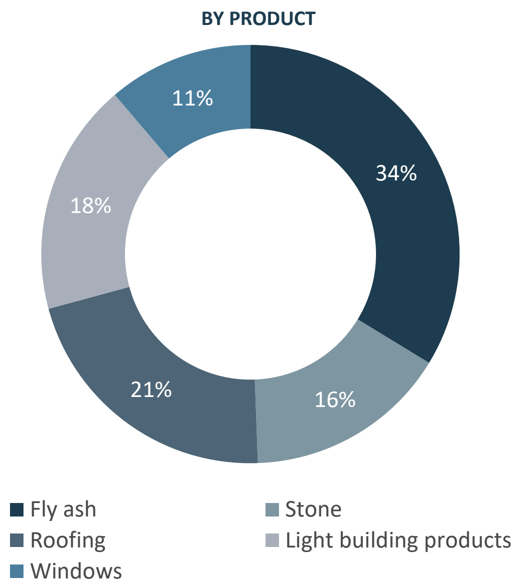
  Approximately 70-80% of sales are derived from supply of ash products under royalty-based marketing agreements. While the majority of fly ash is sold locally to minimise logistics costs, demand is nationwide and supply is sold across Boral North America's nationwide network. Customers are predominantly cement and concrete producers. The end markets served by these customers are diversified across the infrastructure (circa 45% of revenue), residential (circa 35% of revenue) and non-residential segments (circa 20% of revenue).

  The remainder of fly ash sales (circa 15%) are generated from site services (e.g. technical solutions, including disposal and wet-dry conversion).

The charts below summarise Boral North America's revenue (from continuing operations) by geography and by product:

BORAL NORTH AMERICA – FY20 REVENUE





Source: Boral and Grant Samuel analysis

Boral North America's national production and distribution footprint includes 28 building products manufacturing plants strategically located to serve Boral North America's key target segments[41], particularly in the South, West and Northeast regions of the United States.

The majority of Boral North America's sales in its Building Products segment are through distributors and resellers. Typically, products that have higher user (i.e. installer) awareness are sold via distributors, whereas those that require more user education are sold via resellers. Other options such as direct retail and direct-to-builder are also used as alternative channels for light building products and windows, respectively.

Similarly, the fly ash business has an expansive national footprint with more than 100 locations across the country. Boral North America maintains an on-site presence at its contracted locations (>50), which are mostly located in the eastern half of the country. At these locations, the company processes, stores and delivers materials either directly to customers or to its own regional fly ash terminals (>50), where inventory is stored and shipped as required.

The portfolio review in FY20 highlighted the brand strength and leading positions of many of Boral North America's core offerings despite it generating financial returns below its cost of capital in recent years. The portfolio review concluded that the full value of the Building Products business was yet to be fully unlocked by Boral North America. Boral North America is currently in the process of exploring strategic options for both the Building Products and the Fly Ash businesses.

40 The "By Geography" chart includes Meridian Brick revenue, which Boral has entered into an agreement to sell. Meridian Brick's key geographical regions are in the Southeast and Midwest. The contribution from these regions would be lower if Meridian Brick was excluded.

41 Boral North America also has a manufactured stone facility in Mexico.

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Market Overview

BUILDING PRODUCTS

Based on recent estimates, Boral North America's total addressable market in the United States building products industry (including substitutes and geographic extension) has been estimated to have sales of approximately US$18 billion per year[42], comprising:

- **Roofing,** with a total addressable market of circa US$2.6 billion. Re-roofing represents the majority of consumer spend as harsh weather and the number of ageing single family detached homes across the United States has supported sustained growth in demand since 2013;
- **Stone,** with a total addressable market of circa US$1.7 billion. The majority of demand is driven by new construction. However, R&R is generally more stable throughout the housing market cycle and this segment has been supported by emerging demand for outdoor living in recent years;
- **Siding, trim & shutters,** with a total addressable market of circa US$7.2 billion across vinyl, composite and fibre cement. This segment is primarily driven by repairs (circa 60-70% of demand). Similar to roofing, sales in this segment are primarily driven by the growing number of ageing single family detached homes across the United States[43]; and
- **Windows and doors,** with a total addressable market of circa US$8.5 billion. The Southeast region (including Florida) represents the largest potential geography for this segment. Windows represent approximately 85-90% of the segment.

Across building products, Boral North America's competition often includes a number of established participants with a national, or at least regional, production footprint, a broad product range and a good distribution network. The competitive landscape by product sector is summarised below:

- **Roofing.** Larger diversified companies such as Owens Corning have leading positions[44]. However, Owens Corning primarily focuses on asphalt products which, while part of a much larger product category, have been in relative decline in certain areas as customer preferences have moved to alternatives such as concrete tiles, clay tiles, metal and composite. Boral North America is the category leader in both concrete tiling and clay roof tiling, where it has approximately 55% and 35% of segment share, respectively, although products often compete regionally rather than nationally;
- **Stone.** Multiple national and regional manufacturers represent close to 80% of the total United States industry, with the remainder made up by local operators. Boral North America is the largest producer of manufactured stone veneer, with an estimated 35% national share. Regional manufacturers such as Creative Mines, LLC, Centurion Stone and Boulder Creek focus on one or two regions (e.g. South, Midwest, etc.) for distribution but have clear growth potential[45];
- **Siding, trim & shutters.** Regional competitors tend to focus their activities on providing targeted product offerings across siding and trim, shutters, fencing and other accessories to regional customers. Similar to Boral North America (whose largest region is the Northeast), other category participants such as Royal Building Products (part of Westlake Chemical Corporation) and Ply Gem Industries, Inc. ("Ply Gem") (part of Cornerstone Building Brands), also adopt regional leadership strategies. Nevertheless, Boral North America has a national leadership position in shutters and poly ash trim, albeit these products compete with an array of options; and

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42 Source: Boral estimates.

43 Source: American Housing Survey, 2019.

44 Source: Owens Corning, FY20 10-K.

45 Source: Boral 2019 Investor Presentation.

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- **Windows.** This segment remains highly fragmented with numerous local and regional producers with limited offerings although larger participants, such as JELD-WEN Holding, Inc. ("JELD-WEN") and PGT Innovations, Inc. ("PGT Innovations"), have adopted roll-up acquisition strategies in recent years, buying a significant number of smaller regional operators. Boral North America also adopts a regional leadership strategy, focusing primarily in Texas, where it is the second largest producer in the State (behind Ply Gem).

FLY ASH

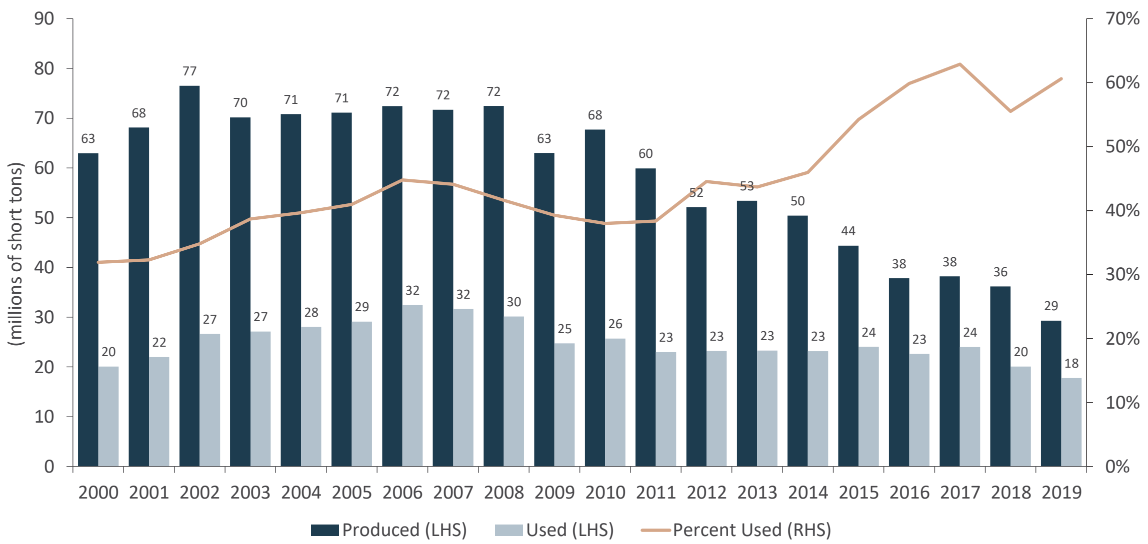
Supply/Demand

Fly ash is primarily used as an affordable and environmentally sustainable partial alternative to cement in pre-mixed concrete and brings a number of key product benefits. It improves concrete strength and durability, while decreasing permeability and thermal cracking. Despite being a coal combustion by-product, fly ash is valued for its sustainability benefits as it is an effective way to recycle waste products and there are minimal incremental carbon emissions in its production[46]. Although there are other cementitious materials, there are generally two fresh fly ash products – Class C and Class F – which differ based on the type of coal burnt at the source and their concrete strengthening and permeability features.

Utilities generally enter exclusive medium to long term contracts (but they can range from one year to life-of-plant) with marketers to sell the fly ash produced. Marketing agreements usually involve a revenue sharing mechanism based on a royalty rate (estimated to be typically around 40% of sale price[47]).

In recent years, fly ash has experienced two conflicting trends, increasing demand and declining supply:

FLY ASH – PRODUCTION AND USE IN THE UNITED STATES



Source: American Coal Ash Association, December 2020

Production of fly ash relies on coal-fired power generation and exposes the industry to changes in coal-fired power generation capacity. Tighter emissions standards and declining cost-competitiveness have led to the retirement of over 95 gigawatts of coal power generation capacity between 2011 and 2020, with an additional 25 gigawatts currently slated for retirement by 2025. This represents a decline in capacity of

[46] Source: Transportation Development Foundation. The Economic Impacts of Prohibiting Coal Fly Ash Use in Transportation Infrastructure Construction.

[47] Source: Broker estimates.

more than 30% over a fifteen year period[48]. Based on long term projections, coal-fired power generation is expected to continue to decline from 19% of total generation in 2020 to 11% by 2050.

On the other hand, demand has been resilient (the fall off in usage in the chart reflects supply constraints in individual regions) because of the product benefits and government requirements in relation to roading materials. Since 1974, the Federal Highway Administration has mandated and promoted increased use of fly ash in concrete pavement[49]. Over the past decade, changes to Federal and State regulations have primarily focused on coal ash disposal due to recent environmental disasters that released toxic elements into surrounding areas[50]. Beneficial uses of fly ash have been exempt from these changes partly due to support for the environmental benefits of coal ash recycling[51].

The result has been steadily increasing utilisation to over 60% of fly ash produced. However, utilisation levels vary by region and fly ash sales in individual areas can be disproportionately impacted by closures of local coal-fired power plants or other interruptions. Accordingly, there are areas where supply is now inadequate to meet demand.

The tightening supply and emerging shortfalls have led to:

- increasing prices. Historically, fly ash prices were at a significant discount to the equivalent cement price. Due to supply declines, pricing for fly ash has lifted materially in recent years, particularly in areas with reduced supply due to utility closures. In fact, in California (which has virtually no local supply), the fly ash price now exceeds the cement price; and
- exploration of alternative sources of supply, in particular:
  - harvesting ash from landfills and wet ponds. However, reclamation of fly ash requires some additional process (such as grinding, drying, blending or beneficiation) to revert it to a form that is appropriate for concrete production, which will be more capital intensive; and
  - sourcing supply from other countries with coal-fired power plants that may have a longer remaining useful life. However, while imports are growing, their economic viability in the near term depends on overcoming logistics costs and may be limited to regions near the East or West coasts of the United States.

Both of these developments are in the early stages.

Competitive Landscape

Boral North America has an estimated 50-60% national share and an established footprint across the country with a diverse customer base.

Another participant with a broad footprint is Charah, LLC ("Charah") but it is much smaller and is heavily dependent on one supplier. Other industry participants are typically focused at a local or regional level and Boral North America's presence varies from region to region. For example, other major regional participants such as Salt River Materials Group focus on the Southwest whereas The SEFA Group, Inc. ("SEFA Group") largely targets the Southeast region. Some participants adopt different business models, including vertically integrated models that largely supply their own concrete production operation (e.g. Holcim and CEMEX S.A.B. de C.V. ("CEMEX")).

Boral North America's scale and substantial national network gives it a competitive advantage. Its diversified supply and extensive storage facilities enables it to better manage unexpected power plant

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48 Source: United States Energy Information Administration, As United States coal-fired capacity and utilisation decline, operators consider seasonal operation, September 2019.

49 Source: American Coal Ash Association, Fly Ash Facts for Highway Engineers.

50 In 2008, the Tennessee Valley Authority's Kingston Plant had a coal fly ash slurry spill that released contaminated fly ash and water into the surrounding area. This triggered increased regulatory activity to regulate the disposal of coal ash.

51 Source: United States Environmental Protection Agency.

shutdowns, seasonal variations (e.g. power production peaks in northern states in winter but local concrete demand is minimal) and even individual plant closures so as to provide improved availability for customers. Other competitive advantages include a strong technological base and long track record in the industry. However, Boral North America remains essentially a distributor of a waste product, controlled and produced (sometimes unpredictably), by utilities. As rivals do not necessarily need significant infrastructure, the sector remains highly competitive.

Strategy

While the past few years have focused on delivering synergies from the Headwaters acquisition, the current Building Products strategy focuses on optimising the cost profile of the business and accelerating revenue uplift initiatives to capture the value from the surge in United States home building and R&R investment by homeowners. Right-sizing the cost base is expected to position the business to remain lean through housing market cycles. These initiatives include:

- value improvement and operational initiatives, including process improvement initiatives such as reformulating product composition and commissioning higher efficiency production lines;
- procurement centralisation and targeted cost savings, network optimisation and supply chain initiatives; and
- strategic and commercial initiatives, including driving accelerated product innovation and expanding distribution channels.

The Fly Ash business strategy is primarily focused on ensuring adequate supply of fly ash to counter the structural decline of coal-fired power plants. Key aspects of Boral North America's fly ash supply sourcing strategy include:

- optimising the network by investing in capacity such as additional rail car fleet or new storage space to help mitigate seasonality and upstream disruptions (e.g. intermittent plant shutdowns);
- securing new domestic contracts, including identifying new contracts or offering bundled services;
- harvesting ash from where it has previously been deposited. Boral North America launched its first landfill beneficiation service in Montour, Pennsylvania in 2018 and it has undertaken extensive research to assess the potential for additional harvested supply;
- importing ash from other countries with coal-fired power plants that may have a longer remaining useful life e.g. India or Mexico; and
- grinding and blending to incorporate non-traditional materials (from other natural pozzolanic sources) to complement fly ash in blended products with similar properties that are desirable in concrete. Boral North America is commissioning the Kirkland natural pozzolan mining project to mine natural pozzolans which is due to be completed in late 2021).

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Operating performance

The historical operating performance of Boral North America from FY18 to FY20 and for 1HY21 is summarised below:

BORAL NORTH AMERICA - OPERATING PERFORMANCE (US$ MILLIONS)

	FY18 ACTUAL PRE AASB16	FY19 ACTUAL PRE AASB16	FY20 PRO FORMA PRE AASB16	1HY21 PRO FORMA PRE AASB16
Fly ash	523	522	527	267
Roofing	320	367	332	174
Stone	268	269	244	128
Light building products	276	277	279	151
Windows	150	158	185	81
Operating revenue	**1,539**	**1,592**	**1,566**	**801**
Operating EBITDA	**271**	**277**	**188**	**129**
Depreciation and other amortisation	(74)	(74)	(70)	(39)
Operating EBITA	**197**	**203**	**118**	**90**
Amortisation of acquired intangible assets	(46)	(42)	(42)	(20)
Operating EBIT	**151**	**160**	**76**	**70**
Capital expenditure[52]	**105**	**113**	**69**	**37**
STATISTICS				
Average A$/US$ exchange rate	*0.7735*	*0.7145*	*0.6703*	*0.7295*
Operating revenue growth		*+3.4%*	*-1.6%*	*-2.9%*
Operating EBITDA growth		*+2.1%*	*-32.0%*	*+15.9%*
Operating EBITA growth		*+2.8%*	*-41.8%*	*+18.5%*
Operating EBITDA margin	*17.6%*	*17.4%*	*12.0%*	*16.1%*
Operating EBITA margin	*12.8%*	*12.7%*	*7.5%*	*11.2%*

Source: Boral and Grant Samuel analysis

While the Headwaters acquisition provided greater diversification and scale across the United States construction industry, Boral North America remains exposed to the United States housing cycle. This reliance has been a significant reason for the underperformance of the business over the past three years as the Building Products business navigated:

- soft housing market conditions with moderate to low growth in new housing construction activity;
- challenging weather conditions (i.e. heavily rainfall) in key States such as Texas disrupted construction activity and adversely impacted building product volumes in FY18 and FY19; and
- additional challenges in certain areas of the business, including safety performance, share losses in Stone products and operational challenges in Roofing.

The substantial decline in earnings in FY20 (despite a modest decline in revenue) reflected COVID-19 related supply chain disruptions, which impacted Boral North America's production facilities and upstream supply chains. Locally mandated shutdowns and health guidelines resulted in reduced operating hours and reconfigured plant layouts to accommodate new safety practices. In addition, labour shortages and absenteeism reduced capacity utilisation and increased lead times.

Fly Ash revenue has been resilient despite facing its own challenges, including plant closures and royalty pressures. The completion of two major site services projects in FY19 reduced site service revenue in FY20 by more than 20% and lower power demand and COVID-19 related plant shutdowns reduced saleable

[52] Capital expenditure includes lease additions in FY20 and 1HY21.

volumes. The impact of these events on revenue was mitigated by price increases in FY19, which were implemented based on supply and demand conditions in a competitive environment.

Despite executing more than US$75 million run-rate synergies from the Headwaters acquisition, EBITDA margins remained at around 17% in FY18 and FY19 before declining to 12% in FY20 as substantially lower volumes and business interruptions reduced fixed cost absorption.

Achieving steady and stable margins is critical to supporting Boral North America's cash flow generation given the capital expenditure requirements of the business, particularly for Building Products (albeit Building Products is less capital intensive than Boral Australia's construction materials business). Since 2018, Boral North America has invested more than US$200 million into the business, or close to 6% of revenue over the period. However, this level of capital expenditure is higher than usual as it has delivered integration and plant improvements, and capital expenditure is expected to be lower in future years. Building Products generally requires greater capital investment than Fly Ash, which has relatively low capital requirements (other than for the construction of facilities required for harvesting, pozzolan lining or blending).

Boral North America's performance appears to have turned a corner in 1HY21, delivering promising results. In Building Products, demand growth exceeded internal expectations as new housing activity picked up on the back of lower interest rates. While revenue remained approximately 3% below the prior corresponding period (i.e. 1HY20), robust pricing across nearly all categories as well as increased overhead leverage (from the ramp up in production) supported stronger margins. However, the Fly Ash business underperformed due to the loss of a major contract in October 2020 and was impacted by COVID-19 related utility closures and intermittent shutdowns.

Outlook for FY21

Boral has provided the following commentary on the FY21 outlook for Boral North America, underpinned by a strong market recovery in North America but Fly Ash volumes and margins lower than the prior year:

- volume and price growth in Building Products, reflecting the strong housing market recovery;
- lower fly ash volumes ahead of new contracted volumes being available, including 400ktpa of new volumes secured in 2HY21[53] with phased volumes available from FY22; and
- stronger prices in fly ash but margins lower than the prior year due to the loss of a high margin contract in 1HY21 and lower project related site services revenue, as expected.

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[53] The contract secured in 2HY21 is for 400ktpa of new volume and also includes a 15 year extension of three existing marketing contracts.

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6 Valuation of Boral

6.1 Summary

Grant Samuel has valued Boral in the range \$9.7-10.8 billion which corresponds to a value of \$8.25-9.13 per share. The valuation is summarised below:

BORAL – VALUATION SUMMARY (\$ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Business operations	6.2	9,421.2	10,293.7
Property portfolio	6.3	730.0	900.0
Other assets and liabilities	6.4	20.4	20.4
Enterprise value		**10,171.6**	**11,214.0**
Adjusted net borrowings	6.5	(444.8)	(444.8)
Value of equity		**9,726.8**	**10,769.2**
Fully diluted shares on issue (millions)[54]	4.7	1,179.7	1,179.7
Value per share		**\$8.25**	**\$9.13**

The valuation represents the estimated full underlying value of Boral assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Boral shares to trade on the ASX in the absence of a takeover offer or any change in the outlook for the business. Shares in a listed company normally trade at a discount of 15-25% to the full underlying value of the company as a whole (but this discount does not always apply).

6.2 Business Operations

Grant Samuel has valued Boral's business operations in the range \$9.4-10.3 billion. The valuation is summarised below:

BORAL – VALUATION OF BUSINESS OPERATIONS (\$ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Boral Australia	7.5		
Boral North America Building Products	7.6	9,616.2	10,503.7
Boral North America Fly Ash	7.7		
Corporate costs (net of listed company costs)	7.8	(195.0)	(210.0)
Value of business operations		**9,421.2**	**10,293.7**

Grant Samuel has valued Boral Australia, Boral North America Building Products and Boral North America Fly Ash separately but these have not been disclosed at the direction of the Boral Board[56] (see Section 7.2.2).

The valuation of each of Boral's business operations (including discussion of alternative methodologies and the approach adopted for Boral) is considered in detail in Section 7 of this report. The value range for Boral

[54] Fully diluted shares on issue excludes 9,769,218 performance rights that have not yet vested and are subject to certain performance hurdles and time periods as it is uncertain whether these rights will vest or lapse (at the date of this report). In addition, Seven Group has stated in its Bidder's Statement that the Seven Group Offer does not extend to the Boral performance rights or Boral shares that are issued during the Seven Group Offer period.

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North America Building Products is consistent with the most recent offer prices received for the business (albeit these offers are non binding).

The value attributed to the business operations of $9.4-10.3 billion is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings or cash flows (multiples of EBITDA and EBITA) and discounted cash flow ("DCF") analysis.

Grant Samuel has placed equal emphasis on earnings multiples and DCF analysis in forming its views on value other than for the valuation of Boral North America's Fly Ash business, where greater emphasis has been placed on DCF analysis given the lack of comparable earnings multiples.

Both methodologies have limitations:

- the results of the DCF analysis for Boral's business operations need to be treated with caution given the wide array of credible assumptions that can be adopted (in particular, in relation to the timing of the expected recovery from the COVID-19 pandemic and the timing, duration and extent of building and construction cycles in Australia and the United States) and the very broad range of NPVs that can be calculated. Predicting the impacts of upcycles and downcycles is inherently difficult. A common approach is instead to estimate underlying or "through-the-cycle" (volume, price and margin) growth but even this is challenging to estimate with any degree of accuracy;
- the COVID-19 pandemic had a severe impact on FY20 earnings and is expected to also impact FY21 earnings. As a result, greater emphasis has generally been placed on forecast FY22 multiples (albeit that FY22 does not reflect a full recovery in earnings) and FY23 multiples although historical FY19 multiples (which represent pre COVID-19 multiples) have also been considered;
- cyclical industries (such as building and construction) are always problematic in earnings multiple valuations, particularly when considering evidence from past transactions. Multiples are heavily influenced by the point in the cycle at which the transaction occurred. Theoretically, multiples should be lower at the apex of the cycle and higher at the low point. However, the real world evidence seldom corresponds precisely with the theory;
- the sharp reduction in interest rates, particularly over the past two years and the expectation of "lower for longer" interest rates could suggest that multiples in the current environment should be higher than they have been historically. On the other hand, the extremely low interest rates also signify expectations of low growth (and low inflation). Moreover, the building and construction industry, both in Australia and the United States, is in the early stages of an upcycle so multiples from even two years ago (when markets were largely flat or declining) are arguably of limited relevance; and
- the current ultra low interest rate is also problematic in relation to the cost of capital. It is far from clear that the discount rates calculated using conventional methodologies and current data points (for risk free rates) generate rates that align with the rates actually used by corporates or investors.

Notwithstanding the limitations, these methodologies are still useful and the valuation ranges for each of Boral's business operations are supported by both the earnings multiple analysis and the DCF analysis.

The earnings multiples implied by the valuation of Boral's business operations are summarised below:

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BORAL'S BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
Multiple of EBITDA			
FY19 (adjusted actual)	937.8	10.0x	11.0x
FY20 (adjusted actual)	650.3	14.5x	15.8x
FY21 (Boral FY21 EBIT estimate/adjusted median broker forecast)[55]	734.3	12.8x	14.0x
FY22 (adjusted median broker forecast)[55]	844.6	11.2x	12.2x
Multiple of EBITA			
FY19 (adjusted actual)	623.2	15.1x	16.5x
FY20 (adjusted actual)	319.7	29.5x	32.2x
FY21 (Boral FY21 EBIT estimate/adjusted median broker forecast)[55]	419.0	22.5x	24.6x
FY22 (adjusted median broker forecast)[55]	520.8	18.1x	19.8x

The earnings and the implied multiples:

- are on a pre AASB16 basis; and
- include Boral Australia's share of EBITDA and EBITA from equity accounted investments.

The implied multiples are blended multiples for Boral Australia and Boral's Building Products and Fly Ash businesses in North America and reflect the relative contribution of each of Boral's business operations. Boral Australia represents approximately 55% of EBITDA and the Building Products business represents the majority of Boral North America's EBITDA. As a result, the implied overall multiples are weighted towards the valuation of Boral Australia, the valuation of which implies relatively high multiples as Boral Australia is not expected to return to FY19 levels of earnings until FY23 (see Section 7.5 for further discussion).

In considering value, Grant Samuel has largely ignored FY20 and FY21 as both of these years are impacted by the COVID-19 pandemic, particularly FY20, and are therefore not representative of Boral's underlying performance. Accordingly, the focus has been on FY22 and FY23 multiples (notwithstanding the uncertainties attached to the forecasts) as well as FY19 multiples. FY19 is "untainted" by the COVID-19 pandemic and is, arguably, the best measure of "historical" earnings. While FY22 and FY23 forecasts do not assume a full recovery, they provide a more useful benchmark than multiples based on FY20 and FY21 earnings. The FY23 multiples have not been shown in the table above as the adjusted median broker forecast for FY23 differs from Boral's FY23 Forecast and is not considered useful for analytical purposes (although the FY23 multiples implied by Boral's FY23 Forecast for each of its business operations have been used by Grant Samuel in assessing appropriate value ranges for Boral Australia, Boral North America Building Products and Boral North America Fly Ash).

These multiples are relatively high but they reflect the particular attributes of Boral's business operations, including factors such as the:

- scale and position of the Boral Australia business including its:
  - leading position, with an estimated national share of just over 20% across all the key product categories;
  - high quality network of quarry assets (including sand) that have long life reserves and are located close to major metropolitan areas; and

[55] Boral has not included the FY21 Outlook or FY22 Budget in its Target's Statement, other than to state that it expects FY21 EBIT before significant items to be approximately $430-450 million, including approximately $20-25 million of property earnings. To provide an indication of Boral's expected financial performance, Grant Samuel has considered broker forecasts (see Appendix 1). Adjustments to historical and forecast earnings are explained in Section 7.2.2.

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- significant exposure to roads (including asphalt), much more so than most key competitors and comparable transactions and companies considered in the market evidence;

- diversity of Boral North America's Building Products business (four distinct product categories) which has:
  - overindexed exposure to the higher growth South and West regions of the United States; and
  - strong brands with #1 national shares in roof tiles, manufactured stone, shutters and polyash trim;
- national leadership of Boral North America's Fly Ash business (estimated 50-60% national share) and the consistently upward demand profile, underpinned by government requirements for the use of fly ash. While there are looming supply constraints (for "fresh" ash), Boral North America is well progressed in developing alternative sources of supply;
- very positive short to medium term sector outlooks with construction in both Australia and the United States having recovered quickly from pandemic induced slowdowns. Both sectors are now at the beginning of what appears to be a strong upcycle fuelled by:
  - strong residential property prices resulting in an upsurge in new dwelling construction; and
  - massive boosts to government infrastructure spending (particularly on road and rail transport) which should impact particularly in 2022 and 2023. Given the operating leverage inherent in the business the upcycle should naturally lead to EBITDA/EBITA margin improvement over the next 3-4 years; and
- the substantial short to medium term profitability uplift potential through continued implementation of the Transformation initiatives. Boral has identified benefits of $200-250 million (net of inflation) in relation to its Australian business which have specific plans attached, many of which are a direct result of recent changes to the operating model (national business units). Only $75 million of these benefits are expected to be captured in FY21 earnings. While there are always questions as to the ability to execute and then to hold on to these kinds of gains in an intensely competitive, commodity based business, Boral has also identified numerous other opportunities that have not been included in the $200-250 million of Transformation initiatives, but potentially have greater value than the quantified Transformation initiatives.

6.3 Property Portfolio

Grant Samuel has attributed a value of $730-900 million to Boral's surplus property assets.

The majority of Boral's surplus property assets represent:

- properties which were originally acquired to meet future operational requirements that have (or will) become surplus to requirements; and
- depleted quarries and other resources (that generally require rehabilitation and rezoning prior to sale or development).

Descriptions of Boral's key property assets (Scoresby, Donnybrook, Waurn Ponds and Deer Park) are set out in Section 4.4 of this report.

A number of the projects are at a very early stage. However, the property assets are separate assets to Boral's business operations and it is appropriate to attribute value to them.

The values attributed to each of the identified surplus properties have generally been based on:

- an indicative desktop assessment report commissioned by Boral and prepared by an external property valuer in June 2021 in relation to a number of key properties (Waurn Ponds, Deer Park, Penrith Lakes

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and Reedy Creek). This report has estimated indicative values based on the "highest and best use" for the property. It assumes that the required changes to zoning are granted and no material cost for rehabilitation (but does include the time taken to develop the land).

Other than the indicative desktop assessment report, independent valuations of the property portfolio have not been obtained by Boral;

- NPVs arrived at by discounting expected future cash flows (for the key property assets referred to in Section 4.4 of this report). The cash flow models have been developed by Boral and take into account the expected revenue and cost based agreed fixed payments and assumptions relating to escalation rates and sales prices. Grant Samuel has discounted the cash flows at higher discount rates than those applied to Boral's business operations to reflect the higher risk associated realising property values;
- agreed prices with third parties for other sites under contract; and/or
- unsolicited interest or offers received for properties (or parts of properties) from third parties.

The portfolio includes a small number of properties in the United States (that will be carved out of any sale of Boral North America's business operations).

It has been assumed that:

- the amount of tax that will be payable on the gains on sale of the Australian property portfolio will be relatively small given the availability of existing Australian tax losses as well as additional Australian tax losses that would arise on any sale of Boral North America's Fly Ash business (see Section 7.2.2); and
- tax will not be payable on the gains on sale of the properties in the United States.

Sites under contract (which include two of the four key property assets referred to Section 4.4 of this report), represent around 30% of the total value attributed to Boral's property assets (before tax).

The low end of the value range for Boral's property portfolio represents the NPV of Boral's cash flows and includes the properties in the United States. The high end of value range takes into account the recent indicative desktop assessment report relating to certain properties in Australia and includes the properties in the United States but is discounted to allow for other factors.

6.4 Other Assets and Liabilities

Boral's other assets and liabilities have been valued at $20.4 million:

BORAL – OTHER ASSETS AND LIABILITIES ($ MILLIONS)

	SECTION REFERENCE	VALUE
Investment in equity securities	4.4	35.3
Loans receivable from associated entities	4.4	15.8
Derivative finanical instruments (net)	4.4	(25.5)
Rationalisation and restructuring provision (net of tax)	4.4	(5.2)
Net other assets and liabilities		**20.4**

Boral's other assets and liabilities are:

- investments in equity securities with a market value at 30 April 2021 of $35.3 million;
- loans to associated entities (primarily the Penrith Lakes joint venture) of $15.8 million;
- derivatives at their marked-to-market value at 30 April 2021 of $(25.5) million; and

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- the rationalisation and restructuring provision at 31 December 2020 of $7.4 million, tax effected. Provision balances are not updated on a monthly basis, so the most recent assessment of the provision was at 31 December 2020.

No separate value has been attributed to:

- Boral Australia's investments in equity accounted investments in operating businesses, which are reflected in the valuation of Boral Australia (see Section 7.2.2);
- franking credits, which do not have value to shareholders unless they are distributed as fully franked dividends. In any event, Boral does not have any material franking account balance (circa $15.3 million at 30 April 2021);
- tax losses, as the utilisation of existing and expected future tax losses have been taken into account in the valuation of each of Boral's business operations (see Section 7.2.2); and
- the outcome of any potential material litigation. Boral has been served with three shareholder class action proceedings alleging disclosure breaches in relation to financial irregularities in Boral North America's Windows business. These proceedings are at a very early stage and it is not possible to determine the ultimate impact, if any, of the proceedings on Boral. Boral is defending the proceedings.

6.5 Adjusted Net Borrowings

Boral's adjusted net borrowings for valuation purposes is $(444.8) million. This amount reflects Boral's net borrowings at 30 April 2021 adjusted for the receipt of net sale proceeds from the sale of Meridian Brick and the impact of Boral's on-market share buyback (up to and including 8 June 2021):

BORAL – ADJUSTED NET BORROWINGS ($ MILLIONS)

	SECTION REFERENCE	VALUE
Net borrowings at 30 April 2021 (before lease liabilities)	4.4	(349.3)
Net cash proceeds from the sale of Meridian Brick	refer below	161.5
Cash used to buy back shares post 30 April 2021	refer below	(257.0)
Adjusted net borrowings		**(444.8)**

Net borrowings at 30 April 2021 (before lease liabilities) of $349.3 million is significantly lower than reported net borrowings at 31 December 2020 of $1,605.6 million as a result of the receipt of net cash proceeds of approximately $1.33 billion from the sale of Boral's 50% interest in USG Boral in early April 2021.

Adjusted net borrowings has been calculated on a pre AASB16 basis, which is consistent with the basis on which Boral's business operations have been valued (i.e. the DCF analysis starts with an EBITDA that is after lease payments and the EBITDA and the EBITA used to calculate implied earnings multiples are after lease payments and exclude depreciation of leased assets).

Adjustments have been made to net borrowings at 30 April 2021 (before lease liabilities) to reflect:

- receipt of the net cash proceeds from the sale of Boral's 50% interest in Meridian Brick for US$125 million (converted to A$ at an exchange rate of US$1 = A$1.2915). The sale is expected to complete and the net cash proceeds are expected to be received in the first quarter of FY22; and
- the impact of Boral's on-market share buyback subsequent to 30 April 2021 (up to and including 8 June 2021). Over this period, Boral has acquired 37.9 million shares at a cost of $257.0 million. This is in addition to 8.1 million shares acquired for $49.7 million up to 30 April 2021 (which is reflected in the 30 April 2021 balance sheet).

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7 Value of Business Operations

7.1 Methodology

7.1.1 Overview

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

7.1.2 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBIT (or EBITA) or NPAT. These are referred to respectively as EBITDA multiples, EBIT multiples (or EBITA multiples) and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA and EBIT (or EBITA) multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point.

Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable to EBIT (or EBITA) if depreciation or non cash charges distort earnings or make comparisons between companies difficult. On the other hand, EBIT (or EBITA) can better adjust for the differences in relative capital expenditure intensity. The

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impact of AASB16 (capitalisation of leases) on EBITDA and EBIT (or EBITA) also needs to be taken into account.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The usual approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. However, share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by sharemarket investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company's own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;

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- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business;

- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework (including accounting practices). It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these synergies, the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings; and
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
  - EBIT (or EBITA) multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide (especially in a post AASB16 environment). In addition, there can be differences between companies in the basis of calculation of depreciation; and
  - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

7.1.3 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. DCF valuations involve calculating the NPV of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed terms contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The NPV is

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typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

7.1.4 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. However, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

7.1.5 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading.

7.2 Approach for Boral

7.2.1 Overview

Grant Samuel's valuation of Boral has been estimated by aggregating the underlying value of its business operations (on a "control" basis) together with the realisable value of non-trading assets and deducting external borrowings and non-trading liabilities. The value of the business operations has been estimated on the basis of fair market value as a going concern, defined as the price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

In valuing Boral's business operations, there was generally equal emphasis on earnings multiples and DCF analysis, although more weight was given to the DCF analysis in the valuation of Boral North America's Fly Ash business given:

- the lack of market evidence. There are limited relevant comparable listed peers and there have been no directly comparable precedent transactions for fly ash marketers over the past decade; and
- its unique growth outlook. Boral North America's Fly Ash business operates in an industry where the demand is growing and traditional sources are diminishing. While alternative sources of supply may be developed, these are likely to require a shift from traditional supply models and incur higher upfront investment and higher operating costs. These dynamics are not easily captured in an analysis of earnings multiples.

Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value Boral's business operations. A net assets/realisation of assets methodology is not appropriate for Boral.

The value ranges attributed to Boral's business operations are judgements. The objective is to determine a value that is both consistent with the market evidence as to multiples and fits with the output of DCF analysis in terms of the various scenarios and their likelihood.

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7.2.2 Specific Issues

The following factors should be noted when considering the value ranges assessed by Grant Samuel:

Single Business or Sum of the Parts Valuation

Grant Samuel has separately valued:

- Boral Australia (Construction Materials and Building Products together);
- Boral North America's Building Products business; and
- Boral North America's Fly Ash business.

The reasons for this approach are:

- the vast majority of Boral Australia's revenue and earnings is generated by its Construction Materials business. Building Products represents less than 10% of revenue and is regarded by Boral as non-core. While the Building Materials business has some different drivers of value, the impact on the overall valuation is not material;
- they are separate business operations:
  - Boral Australia and Boral North America are geographically separate;
  - Boral North America's Building Products and Fly Ash businesses operate in different markets and do not have any interaction at a customer level; and
  - the key drivers for, and cyclical nature of, each business differs depending on the end market (residential, non-residential or civil). Boral Australia is predominantly exposed to the Australian civil sector (but also has exposure to the non-residential and residential sectors), Boral North America's Fly Ash business is dependent on sources of supply and demand from concrete producers (with infrastructure being the largest end market) and Boral North America's Building Products business is predominantly exposed to the United States residential sector;
- Australia and the United States are likely to have different recoveries from the COVID-19 pandemic in terms of the extent and duration of the impact and when earnings can be expected to return to FY19 levels;
- transaction evidence is available for Construction Materials in Australia and for Building Products in the United States, although Grant Samuel has also considered recent relevant transactions globally where they provide additional or supporting evidence. There is very limited transaction evidence for Fly Ash businesses in the United States or globally and, as a result, Grant Samuel has placed greater emphasis on DCF analysis in its valuation of Boral North America's Fly Ash business; and
- there are a number of comparable listed companies for Construction Materials in Australia and for Building Products in the United States, although again Grant Samuel has also considered relevant listed companies globally where they provide additional or supporting evidence. Grant Samuel's research has only identified one listed comparable company for Boral's North American Fly Ash business.

The individual value ranges for each of Boral's business operations (Boral Australia, Boral North America Building Products and Boral North America Fly Ash) and the multiples implied by those value ranges have not been disclosed in this report at the direction of the Boral Board[56] and its advisers given the commercially sensitive nature and timing of the processes currently underway in relation to both of Boral North America's businesses. Consequently, Grant Samuel has only disclosed in this report the aggregated

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[56] Other than Mr Ryan Stokes, who, during the Seven Group Offer, has recused himself from all Boral Board and Committee meetings other than those he is required by law to attend.

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the value ranges for Boral's business operations and the overall multiples implied by that aggregated value range. While these are blended multiples for Boral's construction materials business operations in Australia and its building products and fly ash businesses in the United States, they provide a useful valuation benchmark. Grant Samuel has provided qualitative commentary on the implied multiples for each of Boral's business operations (in each case relative to the relevant market evidence from comparable transaction and trading multiples).

In addition, Grant Samuel has:

- separately valued Boral's surplus property assets (which are reported as part of Boral Australia); and
- included Boral's equity accounted investments in operating businesses in its valuation of Boral Australia. The contribution from equity accounted investments included in Boral Australia's EBITDA and EBITA is a share of NPAT which underestimates the earnings contribution. The historical NPAT contribution has been excluded and Boral Australia's share of historical EBITDA and EBITA from equity accounted investments has been included in Boral Australia's adjusted EBITDA and EBITA (other than the Penrith Lakes joint venture which is included in the valuation of Boral's property assets). Grant Samuel did not have access to forecast earnings for Boral's equity accounted investments. Consequently, Grant Samuel has grossed up the forecast share of NPAT for tax (as a proxy for forecast EBITA from equity accounted investments) and added historical depreciation and amortisation (as a proxy for forecast EBITDA from equity accounted investments).

AASB16 Adjustments

Grant Samuel's valuation of Boral (including each of its business operations) has been prepared on a pre AASB16 basis. This approach:

- enables consideration of trends in each business (in particular, EBITDA and EBITA margins) on a consistent basis; and
- is consistent with the comparable transaction multiples, the vast majority of which took place prior to the introduction of AASB16 (from January 2019).

The adjustments that have been made to prepare the valuation on a pre AASB16 basis include:

- the historical and forecast (company and broker median) earnings (EBITDA and EBITA) for each business operation and for Boral group that are used to calculate implied earnings multiples have been adjusted to include lease payments and exclude (in the case of EBITA) the depreciation component of the AASB16 adjustment (see Sections 4.3, 5.1, 5.2 and Appendix 1);
- the estimated impact of AASB16 on the earnings and net debt of relevant comparable listed companies has been reversed (see Section 7.3);
- the DCF analysis for each of the business operations subtracts lease payments from operating cash flow (see Section 7.4); and
- lease liabilities have been excluded from the calculation of Boral's net debt (see Section 6.5).

It should be noted that AASB16 is an accounting concept and its application does not have any impact on cash flow or the value of a business or a company. A valuation prepared on a post AASB16 basis should give the same result as a valuation prepared on a pre AASB16 basis provided that all elements of the valuation (earnings, multiples, net debt) are determined and applied on a consistent basis.

Earnings for Valuation Purposes

EBITA rather than EBIT has been used in the earnings multiple analysis as it is before the impact of amortisation of identifiable intangible assets acquired in prior transactions (including trade names, fly ash contracts and customer relationships).

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For valuation purposes, Grant Samuel has used as its starting point:

- the FY19 and FY20 pro forma historical earnings (adjusted for the impact of AASB16) for Boral and each of its business operations;
- Boral's FY21, FY22 and FY23 pro forma forecast earnings (adjusted for the impact of AASB16) for each of Boral's business operations; and
- the FY21 estimate and FY22 adjusted median broker forecast (adjusted for the impact of AASB16) for Boral's combined business operations.

In the case of Boral Australia and Boral's combined business operations, these earnings are before income from property sales and have been adjusted to exclude the results of equity accounted investments (which is a share of NPAT).

These adjustments ensure that the FY19 and FY20 pro forma historical earnings and the FY21, FY22 and FY23 pro forma forecast earnings for Boral and each of its business operations and the FY21 estimate and the FY22 adjusted median broker forecast for Boral's combined business operations are prepared on a consistent basis. The adjustments made to pro forma FY19 and FY20 earnings and the FY21 estimate and FY22 adjusted median broker forecast for Boral's combined business operations are set out below:

BORAL'S COMBINED BUSINESS OPERATIONS – CALCULATION OF EARNINGS FOR VALUATION PURPOSES ($ MILLIONS)

	FY19 PRO FORMA PRE AASB16	FY20 PRO FORMA PRE AASB16	FY21 ESTIMATE PRO FORMA PRE AASB16	FY22 ADJUSTED MEDIAN BROKER FORECAST PRE AASB16
Operating EBITDA (pre AASB16)	898.2	620.8	705.1	810.7
Share of EBITDA from equity accounted investments	34.6	24.5	24.5	29.2
Listed company cost savings	5.0	5.0	4.7	4.7
Adjusted EBITDA for valuation purposes	**937.8**	**650.3**	**734.3**	**844.6**
Depreciation and amortisation ("D&A")	(311.9)	(327.8)	(312.5)	(321.0)
Share of D&A from equity accounted investments	(2.7)	(2.8)	(2.8)	(2.8)
Adjusted EBITA for valuation purposes	**623.2**	**319.7**	**419.0**	**520.8**

Source: Boral, broker reports and Grant Samuel analysis

The individual adjustments made to the earnings of Boral Australia and Boral North America's Building Products and Fly Ash businesses have not been disclosed in this report at the direction of the Boral Board[56].

These earnings figures are referred to in Section 6.2 (Business Operations), Section 7.5 (Boral Australia), Section 7.6 (Boral North America Building Products) and Section 7.7 (Boral North America Fly Ash) of this report as "adjusted EBITDA" and "adjusted EBITA".

Currency

Each of Boral's business operations has been valued in its local currency. For the purposes of this report, the valuations of Boral North America's Building Products and Fly Ash businesses have been converted to A$ at an exchange rate of US$1=A$1.2915. The exchange rate adopted represents the closing exchange rate on 8 June 2021.

Tax losses

Boral has a considerable balance of income and capital tax losses. The extent and timing of utilisation of these tax losses (recognised and unrecognised) will depend on the outcome of the processes currently underway in relation to Boral North America's businesses. For the purposes of the valuation, Grant Samuel has assumed that:

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- existing Australian income tax losses and tax credits will be fully utilised by Boral Australia in FY22;
- Boral North America's Building Products business is sold. As a result:
  - certain United States income losses will be transferred to the purchaser, although utilisation of these income losses will be restricted (on an annual basis) based on the purchase price paid for the business. These tax losses have been reflected in the valuation of Boral North America's Building Products business; and
  - Boral's United States capital losses and some of its United States income losses will be utilised to offset the taxable gain on sale of Boral North America's Building Products business; and
- Boral North America's Fly Ash business is also sold. As a result:
  - certain income losses and tax credits will not be able to be transferred to the purchaser and will be lost (i.e. these tax losses and credits will have no value); and
  - the remaining income losses and tax credits will be transferred to the purchaser although, as is the case with Boral North America's Building Products business, utilisation of these losses will be restricted based on the purchase price paid for the business. These tax losses have been reflected in the valuation of Boral North America's Fly Ash business; and
- the sale of Boral North America's Fly Ash business will generate substantial additional Australian capital losses which, in addition to the existing Australian capital losses, will be available to offset against expected taxable gains on Boral's property assets. It may be the case that these losses are not sufficient to offset all of the taxable gains. However, the quantum of any tax payable once all of the Australian capital losses have been utilised would be relatively small and would be well into the future (i.e. five or more years away).

Synergies

Grant Samuel has given consideration to, but not made explicit adjustment for, the synergies potentially achievable by acquirers of the business (other than listed company costs that would be able to be saved by any acquirer of Boral). In this regard, it needs to be recognised that:

- normal valuation practice is to include (either implicitly or explicitly) a value for synergies that are available to multiple acquirers but to exclude synergy value that is unique to a particular acquirer; and
- where earnings multiples from comparable transactions represent primary valuation evidence, adding synergies to earnings or making a further multiple adjustment for synergies would potentially result in "double counting" of value as the multiples from the comparable transactions are usually based on "standalone" earnings (either reported or forecast) and the value of synergies is therefore reflected in the multiple (i.e. the transaction multiple would be lower if based on earnings including synergy benefits).

Consequently, the focus has been on pre synergy transaction multiples (see Section 7.3).

7.3 Market Evidence on Multiples

Overview

Valuation analysis involves the review of earnings and other multiples that buyers have been willing to pay for similar businesses in the recent past and a review of the multiples at which shares in comparable listed companies trade on sharemarkets. This analysis will not always lead to an obvious conclusion of an appropriate range of multiples as there will often be a wide spread of multiples. It is necessary to consider the particular attributes of the business operation being valued (relative to the peers) as well as the prevailing economic conditions, particularly for a cyclical business such as Boral.

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As Boral operates primarily in the construction materials sector in Australia and building products sector in the United States, Grant Samuel's review of the market evidence has considered transactions and listed companies involved in similar activities in Australia and the United States, as well as globally where appropriate.

With the exception of Charah, Grant Samuel's research has not identified any listed company or transaction involving fly ash marketing. To provide some indication of comparable multiples, Grant Samuel has considered recent transactions and listed companies in the United States environmental services sector as a proxy for the fly ash marketing sector.

Transaction Evidence

In considering the transaction evidence, it should be noted that:

- with the exception of the United States building products transactions over the past 18 months, all of the transactions occurred prior to the introduction of AASB16 (and are therefore on a pre AASB16 basis); and
- EBITA multiples and forecast EBITDA multiples have not been able to be calculated for many of the transactions as the target companies were either privately held, unlisted businesses or individual divisions of large, listed entities and the transaction multiples are generally limited to statements made in public announcements.

CONSTRUCTION MATERIALS

Several key participants in the Australian construction materials sector changed ownership over the period from 2007 to 2009 with Hanson Australia acquired by HeidelbergCement, the takeover of Rinker Group Limited ("Rinker") by CEMEX and Holcim then acquiring Rinker's Australian business from CEMEX. Even these transactions are not pure Australian construction materials transactions as:

- the acquisition of Hanson Australia was part of the broader acquisition of Hanson plc by HeidelbergCement in May 2007 (which took place at reportedly all time high historical multiples of 12.2 times EBITDA and 16.9 times EBITA);
- Rinker's Australian Readymix business represented only 15% of Rinker's earnings (with the majority of its business in the United States). The acquisition of Rinker in April 2007 (following an initial bid in October 2006 that was rejected), took place at historical multiples of 10.5 times EBITDA and 12.4 times EBITA (with forecast multiples at similar levels given the flat outlook for the United States business at the time). Grant Samuel (as the independent expert) valued the Australian Readymix business at $2.6-2.8 billion, representing historical multiples of 8.9-9.6 times EBITDA and 12.2-13.2 times EBITA and less than 9 times forecast EBITDA and less than 12 times forecast EBITA. At the time, the overall Australian construction market was approaching a trough and a relatively flat short term outlook but an expected residential led recovery from 2008, although this outlook did not foresee the GFC); and
- subsequent to the takeover of Rinker, in October 2009, CEMEX sold the Australian Readymix business (renamed Cemex Australia) to Holcim for $2.02 billion, implying an historical EBITDA multiple of only 6.5 times. This relatively low multiple possibly reflects the impact of the GFC and CEMEX's requirement at the time to substantially reduce debt.

Following this upheaval in the sector, there have been very few construction materials transactions in Australia, and none of any scale. As a result, Grant Samuel has also considered recent global transactions involving construction materials companies, albeit these multiples need to be considered with caution given the cyclical nature of demand for construction materials and the outlook for the sector at the time of each transaction.

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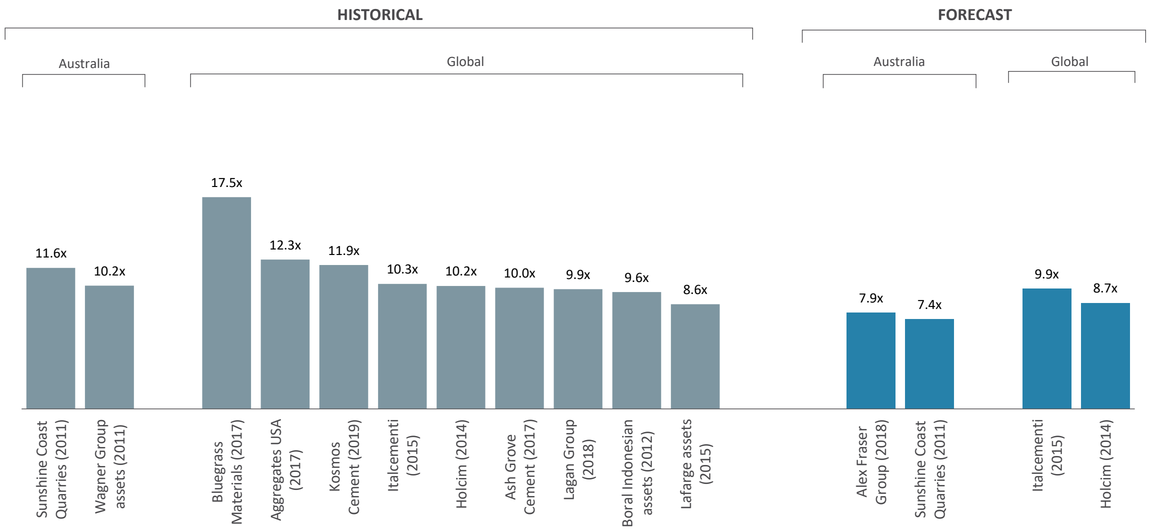
The following charts summarise the historical and forecast EBITDA multiples for more recent transactions in Australia and for larger transactions globally:

RELEVANT COMPARABLE TRANSACTIONS – CONSTRUCTION MATERIALS

HISTORICAL AND FORECAST EBITDA MULTIPLES (PRE AASB16)



Source: Grant Samuel Analysis[57]

The Australian transactions were very small (less than $200 million) and region specific and, other than Hanson Australia's acquisition of the Alex Fraser Group ("Alex Fraser"), occurred ten years ago, at a time when construction markets were benefiting from increased project work, particularly in the mining sector (despite flooding and weather related delays in Queensland). While the evidence is very limited, it provides some support for historical EBITDA multiples of around 10-12 times and forecast EBITDA multiples of 7-8 times, all of which would have included some element of synergies.

Both acquisitions by Boral were strategic:

- the acquisition of certain of Wagners' construction material assets and operations in the Darling Downs, South East Queensland and Townsville expanded the geographical reach of Boral's construction materials division in attractive and growing segments; and
- the acquisition of the quarry and concrete assets of Sunshine Coast Quarries helped secure Boral's position on the Sunshine Coast. The significantly lower forecast EBITDA multiple reflects the significant growth expected from improved market activity following wet weather and flooding in early 2011 as well as major road upgrade works over the following 3-5 years.

Hanson Australia's 2018 acquisition of Alex Fraser was consistent with Hanson Australia's strategy to grow in aligned industries such as recycling (of waste concrete and brick) and asphalt.

The more recent global transactions have been much larger and have occurred in a wider range but, excluding outliers, also show general support for historical EBITDA multiples of 10-12 times (the evidence as to forecast multiples is much thinner):

[57] Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

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- transactions at the high end of this range (e.g. the acquisitions of Aggregates USA and certain plant and related assets of Kosmos Cement Company at circa 12 times historical EBITDA) were domestic acquisitions that took place during a period of strong underlying market growth in the United States, with consumption of cement and concrete having grown steadily since 2012. These acquisitions were "bolt-on" acquisitions that enhanced or complemented the acquirer's existing footprint, securing high quality, long life quarries and downstream concrete operations or additional cement manufacturing facilities in key regions. Both transactions would have generated substantial synergies;

- the remaining global transactions have occurred within a narrower range of around 10-10.5 times historical and 9-10 times forecast EBITDA. These considerably larger acquisitions and mergers were also expected to generate synergies and include:
  - HeidelbergCement's 2015 acquisition of Italcementi, a multinational construction materials company, which provided HeidelbergCement with greater geographical diversification particularly in the Mediterranean region, strengthened its position in growing urban centres in the North American market and positioned it for industry recovery in key European markets; and
  - the 2014 merger of Lafarge S.A. ("Lafarge") and Holcim Ltd ("Holcim"), two of the largest construction materials companies globally, which provided geographical exposure to both developed and developing markets countries to smooth through earnings cycles and substantial opportunities for synergies. It is unlikely that the implied multiples include a full premium for control as the transaction was a scrip merger.

The transactions that are outliers include Martin Marietta Inc's ("Martin Marietta") acquisition of Bluegrass Materials Company, the largest privately held, pure play aggregates company in the United States. The very high historical EBITDA multiple implied by the transaction may reflect the scale and scarcity of the assets acquired as well as the strategic importance of the acquisition, which provided Martin Marietta with access to high-quality quarries in the Southeast of the United States where it had no presence. At the low end, CRH's acquisition of a portfolio of LafargeHolcim's assets in North America, western Europe, and central and eastern Europe expanded CRH's global reach, but the assets were required to be divested as a condition of regulatory approval of the merger of Lafarge and Holcim.

EBITA multiples were only able to be calculated for the acquisition of Italcementi S.p.A ("Italcementi") and the merger of Lafarge S.A. and Holcim Ltd to create LafargeHolcim. Despite occuring at similar EBITDA multiples, the EBITA multiples implied by these transactions are vastly different. The acquisition of Italcememti by HeidelbergCement took place at implied multiples of 25.8 times historical and 24.4 times forecast EBITA. These very high EBITA multiples reflect Italcementi's relatively high capital intensity (capital expenditure in 2014 was 12.5% of revenue and in 2013 was 8% of revenue) and its low margins that accentuate the impact on EBITA multiples. The forecast EBIT multiples implied by the merger of Lafarge and Holcim are considerably lower at 14.1 times historical and 11.4 times forecast EBITA but, as noted above, the transaction was a scrip merger and these multiples are therefore unlikely to incorporate a full premium for control.

There has also been a large number of smaller transactions across the United States and gloablly. The vast majority of these were small bolt-on acquisitions or portfolio adjustments by the major construction materials companies. In general, the multiples are relatively low (less than 10 times historical EBITDA reflecting their much smaller scale and limited scope).

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BUILDING PRODUCTS

Grant Samuel's research has not identified many transactions involving Australian building products companies in recent years for which meaningful valuation parameters can be calculated. Other than Boral's sale of its 50% interest in the USG Boral joint venture and CSR's sale of Viridian Glass, the majority of Australia building products transactions took place more than a decade ago and have not been included in this analysis given the relative size of Boral Australia's building products business and the approach taken to value Boral Australia as a single business.

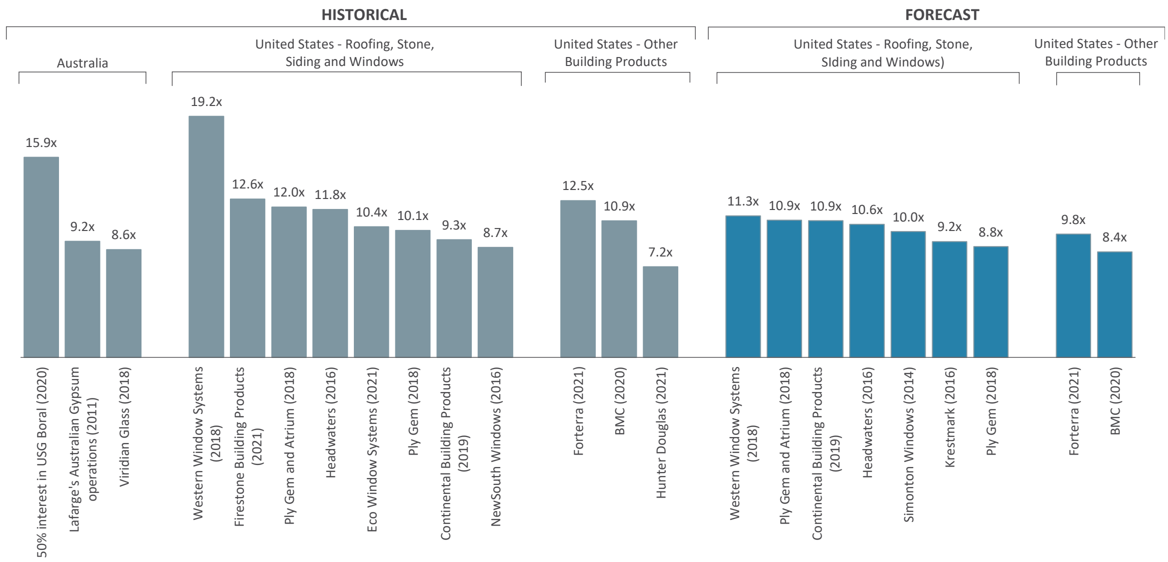
Grant Samuel has focused on transactions involving building products manufacturers in the United States that have taken place since the commencement of the most recent housing market cycle in 2010. Over this period, there have been a large number of transactions across the building products sector. For the purposes of its analysis, Grant Samuel has considered:

- transactions involving the acquisition of businesses in the categories in which Boral North America Building Products operates (i.e. roofing, manufactured stone, siding and windows); and
- the most recent transactions in the building products sector, which do not necessarily involve businesses in the categories that Boral North America Building Products operates but are indicative of current market conditions in the United States and the impact of the building products cycle on transaction multiples.

The following charts summarise the historical and forecast EBITDA and EBITA multiples for transactions in Australia and the United States:

RELEVANT COMPARABLE TRANSACTIONS – BUILDING PRODUCTS

HISTORICAL AND FORECAST EBITDA MULTIPLES (PRE AASB16[58])



Source: Grant Samuel analysis[57]

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[58] Other than LafargeHolcim's acquisition of Firestone Building Products and PGT Innovation Inc.'s acquisition of Eco Window Systems, which are post AASB16 multiples. Given the nature of building products businesses (i.e. where leased assets are not a substantial proportion of total assets and leases are generally not long term), Grant Samuel would not expect a material difference between multiples calculated on a pre AASB16 basis and those calculated on a post AASB16 basis.

RELEVANT COMPARABLE TRANSACTIONS – BUILDING PRODUCTS
HISTORICAL AND FORECAST EBITA MULTIPLES (PRE AASB16)

Source: Grant Samuel analysis[57]

Excluding outliers, transactions involving businesses in the United States operating in similar markets to Boral North America Building Products have generally taken place at multiples in a relatively wide range of 9-13 times historical EBITDA, although forecast EBITDA multiples are in a slightly narrower range of 9-11 times. Historical EBITA multiples are generally in the range 12-15 times, but with some consistency at 14-15 times. Although there are fewer data points, the forecast EBITA multiples that have been able to be calculated are not inconsistent with the historical EBITA multiple evidence (in the range 11-15 times).

It is also relevant to note that the most recent transactions (e.g. Firestone Building Products ("Firestone"), Forterra) suggest there is limited evidence of materially different multiples applying at different points in the cycle.

The transactions that have taken place at higher multiples reflect strategic acquisitions providing size/scale (including breadth of offering and distribution channels) and synergies. Large building products manufacturers generally have:

- national scale with category leadership positions across multiple product segments;
- economies of scale due to the capital intensive nature of the sector; and
- diversification benefits that mitigate their exposure to regional segment cycle swings.

Completed in April 2021, Holcim's US$3.4 billion acquisition of Firestone Building Products ("Firestone") is the most recent acquisition of a large scale building products manufacturer (roofing, siding and insulation). The transaction occurred at an implied multiple of 12.6 times historical EBITDA and 14.3 times historical EBITA[59], reflecting Firestone's size and established market presence in the United States commercial roofing segment as well as the current strong market outlook. The acquisition enabled Holcim to build its building solutions and products portfolio and was expected to generate substantial synergies.

Other large scale acquisitions that have taken place at high multiples include Forterra, Headwaters and the Ply Gem/Atrium Windows & Doors/NCI Building Systems ("NCI") merger to create Cornerstone Building Products ("Cornerstone"):

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[59] The transaction was announced on 7 January 2021. The multiples have been calculated based on estimated 2020 EBITDA and EBITA which have been treated as historical multiples for the purposes of this analysis.

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- in February 2021, Quikrete Holdings Inc. ("Quikrete") announced that it had agreed to acquire Forterra, the largest producer of residential and non-residential concrete drainage pipe and precast concrete products (by volume) in the United States, for US$2.74 billion. Forterra is regarded as an ideal strategic fit for Quikrete (which is a leading producer of ready set concrete, precast concrete and steel products) as it provides Quikrete with greater scale and improves its product and geographic diversification. The transaction is also expected to generate synergies (although these have not been quantified);
- the high multiples implied by Boral's acquisition of Headwaters reflect the strategic alignment to Boral's existing United States portfolio and the significant synergies that were expected to be generated. Headwaters provided Boral with nationwide scale and market leading presence across its building products range (i.e. siding and trim, manufactured stone and roofing) as well diversification in its end markets (i.e. an increased exposure to the less cyclical R&R segment). Similarly, Headwaters' fly ash business had the largest national manufacturing and distribution footprint across all regions in the United States; and
- Ply Gem, one of the leading manufacturers of exterior building products (including windows, doors, sidings, rails, mouldings) in the North America, was initially taken private by financial sponsor Clayton Dubilier & Rice ("CD&R") in January 2018 for US$2.4 billion. While Ply Gem's scale and category leadership position may have been expected to attract a higher price, its relatively low margins and the stagnating housing market at the time, as well as the limited synergies available to a financial sponsor, are likely to have influenced the price paid.

  At the same time, CD&R also acquired a majority interest in Atrium Window & Doors ("Atrium") and merged it with Ply Gem to create a leading exterior products company with annual turnover of more than US$2.4 billion. Atrium's high margin premium vinyl offering complemented Ply Gem's leading position in vinyl siding (40% category share) and vinyl windows (18% category share). In July 2018, the combined Ply Gem and Atrium businesses merged with metal building product manufacturer NCI to create Cornerstone. The higher multiples for the subsequent transaction reflected the immediate scale and diversification that the merger gave NCI in the residential end user market (which complemented NCI's commercial market presence) and the greater synergies expected to be generated from the merger.

PGT Innovations' July 2018 acquisition of Western Window Systems ("WWS") took place at very high multiples considering its small size (US$360 million). The implied historical EBITDA multiple of 19.2 times has been treated as an outlier and the implied forecast EBITDA multiple of 11.3 times is at the top of the range of forecast EBITDA multiples. Both producers focused on the niche and premium high value windows and doors category. The transaction expanded PGT Innovations' operations outside of Florida, establishing an immediate foothold in high growth areas in the West, particularly in California, Texas, Arizona and Nevada and gave PGT Innovations access to a new direct-to-builder channel including 18 of the 20 largest homebuilders in the United States (in addition to its existing customer base of independent window dealers and distributors). The high multiples reflect the very substantial synergies that were expected to be achieved and the high growth achieved by WWS (average revenue growth of 22% per annum over the period from 2015 to 2018).

Bergson Beheer B.V.'s ("Bergson") offer to acquire window coverings manufacturer Hunter Douglas N.V. ("Hunter Douglas") in May 2021 implies very low historical multiples. Bergson is a holding company owned and controlled by the Sonnenberg family, which already controls Hunter Douglas, holding over 90% of its total issued capital. While the offer price implies an enterprise value for Hunter Douglas of US$3.6 billion, the low implied multiples are likely to reflect a less than full control premium and an existing illiquid market.

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The remaining transactions have largely occurred within a reasonably tight range of 9-10.5 times historical and 8.5-10 times forecast EBITDA and circa 12 times historical EBITA (there is insufficient data on forecast EBITA multiples).

The Australian transactions considered have generally taken place at historical EBITDA multiples towards the low end of the range (i.e. circa 9 times), reflecting their significantly smaller scale and, in the case of Viridian Glass, a sharp decline in profitability (which is reflected in the extremely high historical EBITA multiple of more than 40 times). In contrast, Boral divested its 50% interest in the USG Boral joint venture to Knauf for US$1.015 billion, implying an FY20 historical EBITDA multiple of 15.9 times (which was impacted by the COVID-19 pandemic). The FY19 historical EBITDA multiple was 11.3 times, which is broadly consistent with the historical EBITDA multiples implied by transactions in the United States. This transaction gave Knauf (Boral's joint venture partner in USG Boral) 100% control over USG Boral's geographically diversified plasterboard platform across Australia and other high growth markets in Asia and the Middle East.

FLY ASH

Grant Samuel's research has not identified any recent transactions involving fly ash trading businesses for which meaningful valuation parameters can be calculated. As a result, Grant Samuel considered transactions involving other environmental services companies. The transactions considered were the acquisitions of Clean Earth Inc ("Clean Earth") and Stericycle, Inc.'s Environmental Solutions business ("ESOL") by Harsco Corporation in 2019 and the acquisition of TMS International Corp ("TMS International") by Pritzker Organisation LLC in 2013.[60]

However, the transaction evidence is limited and does not provide any meaningful insights as the multiples vary widely. Clean Earth and ESOL were acquired at forecast EBITDA multiples of 9.6 times and 13.2 times respectively and TMA Corporation was acquired at historical multiples of 7.2 times EBITDA and 12.6 times EBITA.

Sharemarket Evidence

In considering the sharemarket evidence, it should be noted that:

- the multiples for the listed entities are based on share prices and therefore do not include a premium for control;
- the comparable listed companies have varying year ends:
  - of the Australian listed companies, CSR and James Hardie have a 31 March year end, Wagners and Fletcher Building have a 30 June year end and Adbri has a 31 December year end;
  - each of the United States listed companies has a 31 December year end (or an early January equivalent) other than Eagle Materials Inc ("Eagle") which has a 31 March year end, American Woodmark Corporation ("American Woodmark") which has a 30 April year end, The AZEK Company Inc. ("AZEK") which has a 30 September year end and Quanex Building Products Corporation ("Quanex") which has a 31 October year end; and
  - each of the global listed construction materials companies has a 31 December year end.

  The different year end timing results in differing impacts of events such as the COVID-19 pandemic and building and construction market cycles. While Grant Samuel has not adjusted the trading multiples to align the year end for each company to Boral's year end of 30 June, the impact has been considered qualitatively (e.g. multiples based on a December year end would generally be expected to be slightly lower than multiples based on the earlier June year end);

60 Clean Earth was acquired for US$625 million and is one of the largest specialty waste processing companies in the United States, providing processing and recycling hazardous wastes, contaminated materials and other special wastes. ESOL was acquired for US$462.5 million and is a leading provider of hazardous waste transportation and processing solutions. TMS Corporation was acquired for US$1 billion and is the largest provider of outsourced industrial services to steel mills in North America.

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- Grant Samuel has used the equivalent of FY19 and FY22 EBITDA and EBITA multiples as the best proxies for historical and forecast earnings. For most listed companies this is the year ended 31 December 2019 and the year ending 31 December 2022. This decision reflects the varying impact of the COVID-19 pandemic and the building and construction cycle on earnings in the equivalent of FY20 and FY21. A 2020 calendar year result includes six months of peak COVD-19 pandemic issues (January to June 2020) and six months of an emerging recovery while results to 30 June 2020 include a different mix. 2022, whether a June or December year end, will reflect a full year of relatively strong market conditions; and
- Grant Samuel has calculated trading multiples on a pre AASB16 basis. The impact of AASB16 has been reversed by excluding lease liabilities from net borrowings in determining enterprise value and adjusting broker forecasts of EBITDA and EBITA (to include estimated lease payments using lease depreciation and lease interest as a proxy) to the extent that brokers appear to have adjusted forecast earnings for the impact of AASB16.

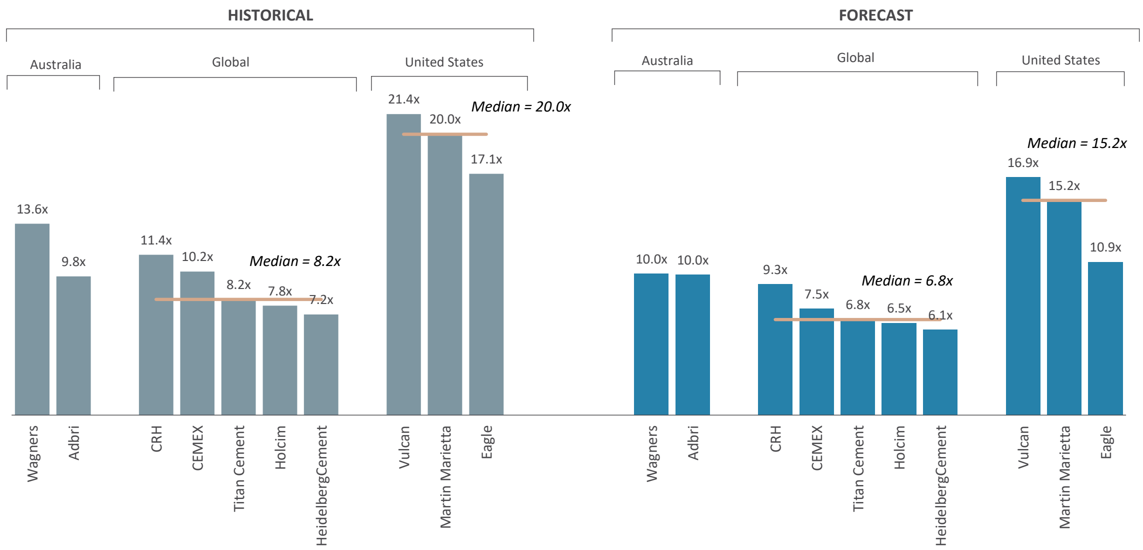
CONSTRUCTION MATERIALS

The major listed participants in the Australian construction materials sector are subsidiaries of global construction materials companies. Consequently, Grant Samuel has reviewed the trading multiples of their parent companies in addition to the listed domestic participants, Adbri and Wagners. Other global and United States operators have also been considered.

The following charts summarise the historical and forecast EBITDA and EBITA multiples for comparable listed companies in the construction materials sector based on share prices at 31 May 2021[61]:

COMPARABLE LISTED COMPANIES – CONSTRUCTION MATERIALS

2019 HISTORICAL AND 2022 FORECAST EBITDA MULTIPLES (PRE AASB16)



Source: Grant Samuel analysis[62]

[61] Boral multiples have been calculated using the closing share price on 10 May 2021, prior to announcement of the Seven Group Offer.

[62] Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, broker reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

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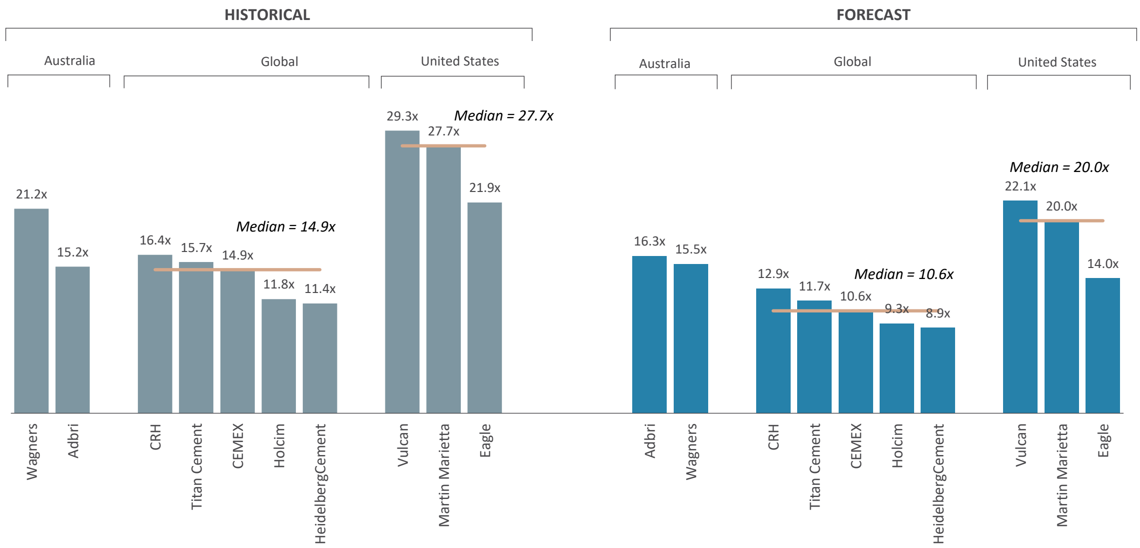
COMPARABLE LISTED COMPANIES – CONSTRUCTION MATERIALS

2019 HISTORICAL AND 2022 FORECAST EBITA MULTIPLES (PRE AASB16)



Source: Grant Samuel analysis[62]

The data shows a very wide dispersion of trading multiples, largely reflecting the characteristics and market exposures of the individual businesses:

- Martin Marietta and Vulcan Materials Company ("Vulcan") are trading at very high multiples (greater than 15 times forecast EBITDA). These multiples reflect their:
  - almost exclusive presence in the United States which is enjoying very strong underlying demand driven by buoyant residential property markets and (prospective) infrastructure spending;
  - a focus on upstream aggregates activities which represent approximately 65% and almost 80% of revenue, respectively; and
  - superior profit margins (greater than 25% at the EBITDA level) as a result of the high aggregates exposure;
- Eagle and CRH plc ("CRH") are trading at lower forecast multiples of circa 9-11 times forecast EBITDA reflecting their more diversified activities. Eagle has a number of businesses (including plasterboard) and a higher exposure to cement. CRH has a significant presence in the United States and, while it is predominantly an aggregates, concrete and roads business, it also has:
  - a significant exposure to Europe which is not recovering economically from the COVID-19 pandemic as well as the United States; and
  - a building products business that represents circa 25% of revenue;
- the lowest rated companies (trading at approximately 6-8 times forecast EBITDA) such as CEMEX, Titan Cement, Holcim and HeidelbergCement have:
  - a primary focus on the cement segment. Cement is capital intensive and operating margins are much lower; and
  - high exposures to European and emerging markets.

  For example:
  - cement represents approximately 40% of CEMEX's revenue and the business is geographically diverse. The United States represents approximately 30% of revenue, less than its European, Middle East, African and Asian segment;

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- HeidelbergCement's cement revenue is approximately 50% of total revenue, and Europe/Central Asia represent circa 45% of revenue. HeidelbergCement's EBITDA margins in these regions were approximately 10-12%. It also has a relatively high level of gearing; and
- Holcim has a broad geographic exposure but less than 20% in the United States (where it makes losses). Its EBIT margin in Europe is less than 5%. Cement represents 40% of total revenue; and

▪ the two listed Australian businesses, Adbri and Wagners, sit in the middle, trading at around 10 times forecast EBITDA and 15-16 times forecast EBITA. These multiples are likely to reflect:

- the positive outlook for Australian construction materials over the short to medium term;
- Wagners' strong exposure to the South East Queensland region; and
- Adbri's solid financial performance in the year ended 31 December 2020 despite the COVID-19 pandemic impacts in the first half. EBITDA margins were just under 20%, notwithstanding a relatively high exposure to cement and lime (close to 50% of total revenue).

Wagners is also relatively small with a free float of around $200 million.

In broad terms, the evidence supports the thesis that aggregates are the most attractive, and most highly rated, segment of the construction materials sector.

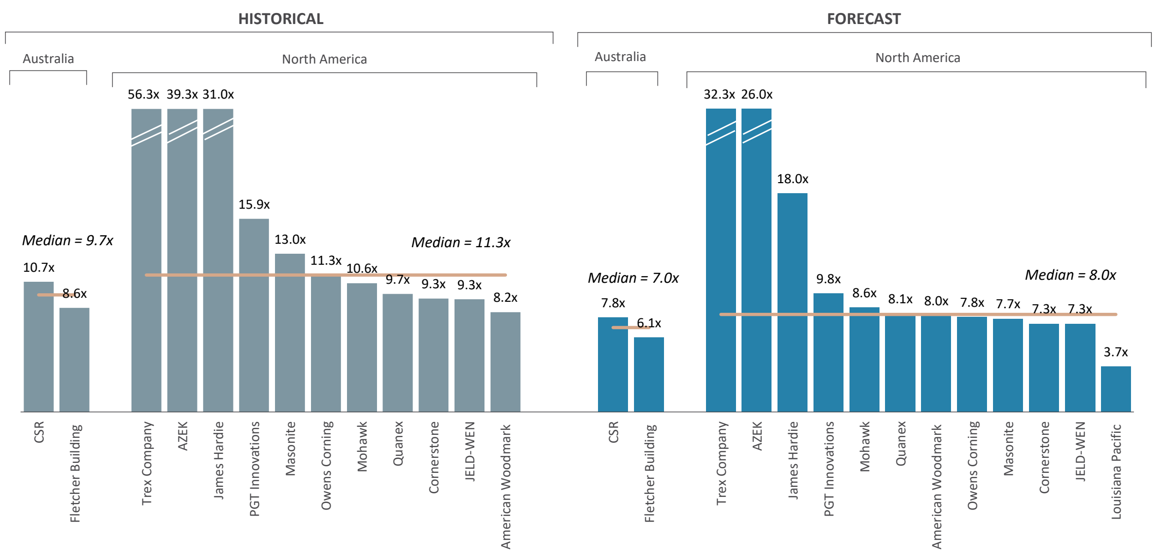
BUILDING PRODUCTS

There is a large number of listed companies involved in the manufacture of building products Australia and the United States. For the purposes of its analysis, Grant Samuel has focused on United States manufacturers of roofing, siding, manufactured stone and windows (the products manufactured by Boral North America Building Products).

The following charts summarise the historical and forecast EBITDA and EBITA multiples for comparable listed companies in the building products sector based on share prices at 31 May 2021[63]:

COMPARABLE LISTED COMPANIES – BUILDING PRODUCTS

2019 HISTORICAL AND 2022 FORECAST EBITDA MULTIPLES (PRE AASB16)



Source: Grant Samuel analysis[62]

[63] Boral multiples have been calculated using the closing share price on 10 May 2021, prior to announcement of the Seven Group Offer.

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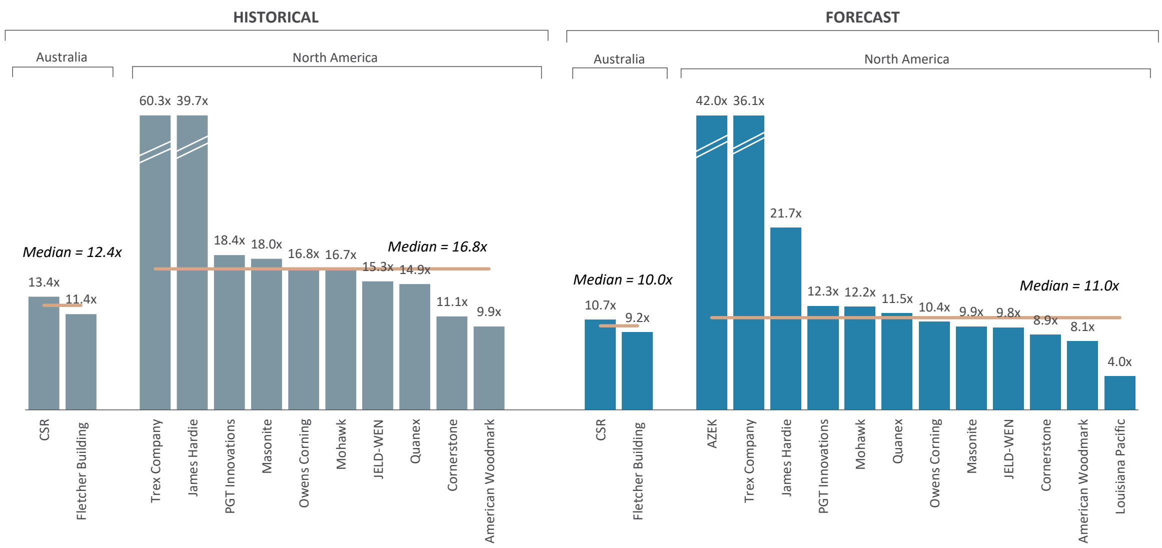
COMPARABLE LISTED COMPANIES – BUILDING PRODUCTS

2019 HISTORICAL AND 2022 FORECAST EBITA MULTIPLES (PRE AASB16)



Source: Grant Samuel analysis[62]

Most of the North American building products companies have a 31 December year end and, consequently, the forecast FY22 multiples for these companies are based on estimates of their earnings for the year ending 31 December 2022. Given the current growth stage of the market cycle, these forecast FY22 multiples would be expected to be slightly lower than comparable forecast FY22 multiples for companies with a 30 June year end (such as Boral).

The trading multiples for listed North American building products companies (including James Hardie, which is dual listed in Australia and the United States, but primarily operates in North America and Europe) fall in a wide range, reflecting the different characteristics and operations of each of the companies, in particular their geographic diversification, scale and competitive market dynamics in each product category

Nevertheless, excluding outliers, most North American building products manufacturers are generally trading in a:

- reasonably tight range of 9-11 times historical and 7-9 times forecast EBITDA; and
- wider range of 15-18 times historical and 8-12 times forecast EBITA.

The majority of North American building products companies primarily operate in targeted product categories and have varying levels of geographic diversification within (e.g. regional) or outside of the United States (i.e. international operations). Given the cyclical nature of the industry, geographic diversification, category diversification, scale, premiumisation and market leadership are generally drivers for higher trading multiples. This includes vertically integrated interior and exterior door manufacturer Masonite and building products supplier Quanex, who both have a category leading presence in their respective segments in the United States and generate approximately 10-20% of revenue in international markets.

Also at the high end of the range are companies that are exposed to more resilient high growth niche markets or have established global operations:

- PGT Innovations has a targeted leadership strategy in premium impact resistant windows and doors. More than 50% of its FY20 revenue was generated in the R&R market which is generally more resilient than new residential construction. While PGT Innovations is one of the smallest companies in the peer group, its geographic focus on the Southeast and Western states exposes it to the higher growing

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demographics in the United States. Further, strategic acquisitions in these regions (e.g. NewSouth and WWS) have helped strengthen its local market positions in these high growth areas; and

- Mohawk Industries ("Mohawk") enjoys global scale, category leadership and low customer concentration. As the largest ceramic producer in the world, Mohawk is also the category leader in the highly fragmented flooring and ceramics market in North America. In addition, its nationwide footprint helps mitigate customer concentration, with the top ten customers representing less than 20% of FY20 revenue.

Owens Corning is generally trading towards the middle of the range of trading multiples. While its globally diversified platform and category leading position in asphalt roofing would suggest that it should trade at higher multiples, the capital intensity of its other core segments (i.e. insulation and composites) is likely to be constraining Owens Corning's trading multiples.

At the lower end of the range are companies that face a higher level of volatility in earnings or are more limited in scale:

- while JELD-WEN has a global presence across North America, Europe and Australia, its trading multiples do not reflect an established globally diversified business. The company's acquisition roll-up strategy has resulted in 14 bolt-on acquisitions of smaller local windows manufacturers globally over the past seven years. While this acquisitive strategy has accelerated revenue and earnings growth, the lack of integration of the new brands resulted in stagnant organic revenue and EBITDA growth;
- despite Cornerstone being one of the largest exterior building products manufacturers in the United States, it arguably faces significantly financial risk given its high gearing (close to five times historical EBITDA) and below average EBITA margins. In addition, CD&R and Golden Gate Capital each hold a significant shareholding in Cornerstone (49% and 13% of share capital, respectively), resulting in relatively low free float (circa 38%), which may also be impacting its share price; and
- both American Woodmark and Louisiana Pacific offer a slightly different product offering from the remaining peer group but are instructive as to the impact of target price points (i.e. value versus premium) and earnings volatility on trading multiples:
  - American Woodmark manufactures kitchen and bathroom cabinets and operates across the South, Southeast and Midwest. The company trades at a discount to the rest of its peers due to its relatively small scale, value focus and lower growth profile. Continued pressure on gross margins is not expected to ease, although the company has announced plans to introduce price increases in the coming quarter; and
  - Louisiana Pacific produces siding products but has a large exposure to the oriented strand board ("OSB") category and engineered wood products, which are further upstream in the building product value chain. The company's lower trading multiples reflect the high earnings volatility inherent in its leading position in the OSB category (i.e. as a low cost alternative to plywood and fibre cement). The significant discount at which Louisiana Pacific is trading reflects the market view that the current outperformance is expected to be temporary.

The remaining North American peers are trading at multiples that are best regarded as outliers due to their specific characteristics:

- Trex Company, Inc. ("Trex") and AZEK Company Inc. ("AZEK") have generated the highest and most consistent organic revenue growth rates compared to their peers. Both companies are among the largest manufacturers of composite decking and railing product and have benefited from the shift in consumer demand. Sustained demand for the outdoor living category and the continued population migration from urban cities to suburban and smaller metropolitan areas have driven increased demand for Trex's and AZEK's core range of timber alternative composite decking products; and

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- James Hardie has an established position in the fibre cement category and a focus on product innovation. The company's global diversification, category leadership and highly differentiated premium products support its higher trading multiples. Its highly differentiated product range enables it to achieve higher prices than its peers although James Hardie also offers "fighter brands" such as *Prevail* and *Cemboard* to protect share along the value segment. The company has category leading positions in its key geographies, including an estimated 90% share in the North American fibre cement exteriors category and over 70% in Europe's fibre gypsum category.

Grant Samuel has also considered other North American building products manufacturers such as Fortune Brands Global Plumbing Group and Masco Corporation, but these companies primarily focus on plumbing products (e.g. sinks, faucets, toilets and showerheads) and appear to have different capital and return profiles to the selected peer group. These companies trade at a premium to the selected peer group (of 15-19 times historical and 10.5-12 times and forecast EBITDA and 16-21.5 times historical and 11.5-13 times forecast EBITA).

Australian listed building products companies (CSR and Fletcher Building) face an entirely different housing market cycle, competitive dynamics and capital markets drivers than their North American counterparts. Their trading multiples appear to reflect this structural difference. While forecast trading multiples are similar, historical multiples are markedly lower, reflecting stronger trading conditions and earnings at that time.

The primary driver for the difference in the trading multiples of CSR and Fletcher Building appears to be profitability:

- CSR trades at the upper end of the range due to its track record of stable profitability and EBITDA margins of circa 14-16% over the past eight years. The company is diversified across all Australian States and across both residential and non-residential end markets. Its category leading positions in Australia are supported by established brands such as *Gyprock* (for plasterboard) and *PGH Bricks & Pavers* (clay bricks and walling); and

- Fletcher Building, on the other hand, trades at the low end of the range due to its fluctuating profitability and low to mid single digit EBITDA margins in recent years. Despite its diversified construction materials and building products exposure across residential, non-residential and infrastructure end markets, Fletcher Building also has a significant exposure to construction and issues in that business have generated significant losses. While the company has announced that it has ceased to bid for new construction projects in New Zealand, margins have yet to recover to levels comparable to its peers.

FLY ASH

Grant Samuel's research has identified only one listed company that primarily operates in the fly ash sector in North America. The majority of other industry participants are either privately held (e.g. SEFA Group) or a subsidiary of a diversified cement and aggregates business (e.g. Holcim).

Charah, a North American fly ash marketer, is trading at just under 9 times forecast EBITDA. In the fly ash industry, scale and diversification of supply sources are critical in minimising the volatility of a marketer's revenue profile. Charah is a relatively small company (with a market capitalisation of US$365 million) with high customer concentration. The company has reported significant declines in revenue in recent years due to the completion of major contracts (e.g. the Brickhaven contract ended in 2019), resulting in large swings in operating margins and losses at the EBITDA level in 2019 and at the EBITA level in 2019 and 2022.

Listed companies in the environmental services industry (as a proxy for the fly ash marketing sector) are trading in the range of 11.5-14 times historical and 9-10 times forecast EBITDA and 20-24 times historical and 15-19 times forecast EBITA. This premium to Charah's trading multiples is supported by their higher EBITDA margins, larger size and geographically diversified operations. These companies are also generally

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more capital intensive than fly ash marketers such as Charah. Grant Samuel has not put any weight on the trading multiples of these environmental services companies given their different supply dynamics, industry drivers and overall financial profiles relative to fly ash marketing businesses.

7.4 Discounted Cash Flow Analysis

Introduction

The DCF analysis is based on simplified, high level financial models for each of Boral's business operations (Boral Australia, Boral North America Building Products and Boral North America Fly Ash) developed by Grant Samuel. The models use as their starting point Boral's balance sheet at 30 April 2021 and project cash flows for the final two months of FY21 and from 1 July 2021 to 30 June 2031.

The DCF models use the final two months of the FY21 Outlook and the FY22 Budget as their starting point. Grant Samuel has developed a number of scenarios for each of Boral's business operations based on variations to the 5 Year Plan provided by Boral and has extended the model for a further five years based on broad assumptions in relation to volumes, pricing and margins for each key product category. Overhead, capital expenditure and working capital assumptions have been made for each business operation.

The DCF models project nominal after tax cash flows for a period of approximately 10 years, with terminal values calculated at 30 June 2031 to represent the value of cash flows in perpetuity. The terminal values have been calculated by capitalising net after tax cash flows using perpetual growth assumptions.

These DCF models allow the key drivers of revenue, earnings and capital expenditure to be modelled and are based on a number of assumptions that Grant Samuel considers reasonable. However, the DCF models do not constitute a forecast or projection by Grant Samuel of the future performance of Boral's business operations and no assurance or warranty is given that future performance will be consistent with the assumptions adopted in the DCF models.

Limitations

The DCF models are based on a number of assumptions and are subject to significant uncertainties and contingencies, many of which are outside the control of Boral. Key assumptions regarding future operational performance are highly uncertain and there is scope for significant differences of opinion in relation to these assumptions. As a result of these uncertainties, there is a wide range of potential outcomes that could occur, both positive and negative (and an even greater number of possible combinations of those outcomes).

Moreover, DCF analysis is subject to significant limitations and NPV outcomes need to be treated with considerable caution. The calculated NPVs are extremely sensitive to small changes in assumptions regarding revenue growth, margins and capital expenditure for many years into the future. This sensitivity to assumptions regarding future operational performance is accentuated by the fact that the terminal value (the value contributed by cash flows generated after the end of the explicit cash flow forecast period) normally contributes a high proportion of the overall value.

Scenario Analysis

Grant Samuel has considered a number of scenarios for each of Boral's business operations to reflect the impact on value of key assumptions relating to volume and price growth and EBITDA margins. These scenarios have been developed following discussions with Boral's management. The assumptions underlying the various scenarios are discussed in more detail in the valuation sections for each business (Sections 7.5 to 7.7).

It should be recognised that the scenarios are highly simplified and focus on a limited number of key value drivers (growth in volumes, pricing and margins), rather than detailed "bottom up" parameters.

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Nevertheless, Grant Samuel considers that the analysis does provide some insight into value. In view of the uncertainties surrounding the future growth of Boral's business operations, the scenarios analysed are, to some extent, arbitrary. However, they reflect the range of judgements that potential buyers of the businesses could make. The scenarios do not, and do not purport to, represent the range of potential outcomes for Boral's business operations. They are simply theoretical indicators of the sensitivity of the NPVs derived from the DCF analysis.

The scenarios do not represent Grant Samuel's forecasts of the future financial performance of Boral. Grant Samuel gives no undertaking and makes no warranty regarding the future financial performance of Boral. Such future performance is subject to fundamental uncertainty. Rather, the scenarios have been developed purely to allow Grant Samuel to assess the impact on calculated NPVs of alternative assumptions regarding the future growth and financial performance of Boral's business operations.

Discount Rates

For the purposes of the analysis, Grant Samuel has utilised a nominal discount rate (WACC) of 8.0-8.5% for Boral Australia and Boral North America Fly Ash and 8.5-9.0% for Boral North America Building Products.

The determination of appropriate discount rates for Boral's business operations is problematic. The conventional approach is to start with a well understood and widely used model such as the Capital Asset Pricing Model ("CAPM"). Use of the CAPM based on current parameters would result in a cost of equity of 8.3-8.9% and a WACC of 7.0-7.8% for Boral Australia. The CAPM cost of equity has been calculated assuming:

- a risk free rate of 1.7% based on the current 10 year bond rates in Australia;
- a market risk premium of 6% (a standard rate adopted by Grant Samuel), which is similar to that used by a wide variety of analysts and practitioners (typically in the range 5-7%); and
- a beta factor of 1.1-1.2. It is difficult to determine a reliable beta for Boral:
  - Boral has a beta of 2.48 using four years of data (as reported by RoZetta Technology Pty Limited ("RoZetta") at December 2020 but even at a 68% confidence interval is in the range 2.21-2.75. Furthermore, Boral's beta at December 2020:
    - includes the significant downturn in the Australian equity market in March 2020 as a result of the COVID-19 pandemic. RoZetta also provides betas excluding March 2020. On this basis, at December 2020 Boral had a considerably lower beta of 1.66 (1.28-2.03 at a 68% confidence interval);
    - is a blended beta for its Australian construction materials business and its United States building products and fly ash businesses; and
    - reflects the impact of business operations that have either been sold or are in the process of being sold (in particular, USG Boral) and is unlikely to reflect Boral's relative risk in the future.

    Boral's beta over the one and two year periods prior to March 2020 was around 1.3;
  - the betas of comparable companies fall in a very wide range. For example, Bloomberg betas measured monthly over the last four years against the local market index (consistent with the calculation of RoZetta betas) are in the range:
    - 0.7-1.5, with a median of 1.2 for construction materials companies. The same betas measured weekly over two years range from 0.8 to 1.7, also with a median of 1.2; and
    - 1.2-2.0, with a median of 1.5 for building products companies. The same betas measured weekly over two years range from 0.9 to 1.0, with a median of 1.6.

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All of these betas include the impact of the significant downturn in global equity markets in March 2020.

Betas for comparable companies sourced from S&P Global Market Intelligence (measured over a period of one year to exclude the March 2020 volatility) show similar variability, with betas for construction materials companies in the range 0.69-1.72 (median of 1.12) and betas for building products companies in the range 0.49-2.20 (median of 1.41).

This market evidence would suggest that the appropriate beta is lower for construction materials businesses than it is for building products companies;

- gearing levels vary significantly but are not always consistent with the beta factors; and
- intuitively, it would be expected that a company such as Boral would have a beta of greater than 1.0 given that activity in both the construction materials sector and the building products sector is highly cyclical and correlated with the market as a whole.

Taking all of these factors into account, Grant Samuel believes that a beta of 1.1-1.2 is a reasonable estimate.

The resultant WACC calculation assumes a cost of debt of 3.0%, reflecting a 1.3% margin over the risk free rate, and a debt/equity mix of 15-20% debt and 80-85% equity, based on the gearing levels over the past four years of comparable listed companies (Boral's own gearing has been changing materially with the sale of businesses and will change again with the sale of Boral North America Building Products and any further capital management initiatives).

However, Grant Samuel considers a discount rate above the calculated WACC to be a more appropriate measure of the cost of capital:

- the cost of equity capital is not a precise or provable number nor can it be estimated with any degree of reliability. The cost of equity capital is not directly observable and models such as the CAPM do no more than infer it from other data using one particular theory about the way in which security prices behave. The usefulness of any estimate therefore depends on the efficacy of the theory and the robustness of the data but the available tools such as CAPM involve models that have questionable empirical validity (and competing formulations), simplifying assumptions, the use of historical data as proxy for estimates of forward looking parameters, data of dubious statistical reliability and unresolved issues (such as the impact of dividend imputation).

  It is easy to over-engineer the process and to credit the output of models with a precision it does not warrant. Indeed, in one regulatory submission, the detailed statistical analysis for one element was described as the *"worthless pursuit of spurious precision"*. The reality is that any cost of capital estimate or model output should be treated as a broad guide rather than an absolute truth. The cost of capital is fundamentally a matter of judgement, not merely a calculation;

- measurement of the risk premium is open to debate, even at the best of times. Most practitioners opt for using a "stable" risk premium and around 6% is a relatively common benchmark. However, equity markets are inherently volatile, and the "true" risk premium rises and falls. There was considerable press and other comment that the risk premium went up at the height of the COVID-19 pandemic in March 2020 but the subsequent recovery on global equity markets and relative stability in recent months suggest much of this additional risk may have dissipated;

- strict application of the CAPM at the present time (using current parameters) gives results that are arguably unrealistically low and understate the true cost of equity capital (primarily because of extremely low government bond rates). While government bond rates across the globe have fallen even further in the last few months and the broad expectation is that they will remain extremely low for several years as the world economy seeks to recover from the impacts of the COVID-19 pandemic, the discount rates produced by CAPM do not seem to accord with how investors set their expected

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returns and are often inconsistent with other measures such as the Gordon Growth Model (which is based on observable dividend yield plus a long term growth rate). Some academics and valuation practitioners consider it to be inappropriate to add a "normal" market risk premium (e.g. 6%) to a temporarily depressed bond yield and therefore advocate that a "normalised" risk free rate should be used. This practice has become increasingly common among broker analysts with an assumed risk free rate of around 2.5% not uncommon. Assuming a risk free rate of 2.5% would result in a CAPM WACC of 7.8-8.6%. Alternatively, there is some evidence that risk premiums are higher when risk free rates are lower (i.e. implying a more stable overall cost of equity); and

- brokers (that do publish their estimates) are currently adopting a WACC for Boral in the range 6.3-9.0% with a median of 8.3%.

Having regard to these matters, Grant Samuel has adopted a discount rate in the range:

- 8.0-8.5% for Boral Australia and Boral North America's Fly Ash business. The same discount rate has been applied to Boral's business operations in both Australia and its fly ash business in the United States. Both businesses are primarily exposed to the construction materials sector and the differences between long term government bond rates in the United States and Australia (approximately 0.1%) is not sufficient to warrant utilising different rates and would imply a precision in the overall analysis that is not warranted; and
- 8.5-9.0% for Boral North America' Building Products business. Boral North America Building Products is primarily exposed to the United States housing sector and the slightly higher discount rate reflects the higher beta factors for companies exposed to the building products sector relative to those companies exposed to the construction materials sector.

7.5 Boral Australia

Introduction

Grant Samuel's valuation reflects its view of the outlook for Boral Australia based on its analysis of the business and industry and economic research relevant to the construction materials sector in Australia.

In summary, FY22 and the following few years should see a strong upcycle in the markets for Boral Australia's products, particularly residential and civil construction although:

- residential is expected to moderate during 2023 as the current "pull through" effects of various measures wear off; and
- multi-unit residential is likely to remain weak until at least 2023.

Road projects should underpin solid volume growth for concrete and asphalt in FY22 and FY23 while Boral Australia should also benefit when its new cement facility in Port of Geelong comes on stream.

Longer term, volume growth should settle at around 1-2% per annum (throughout the cycle), broadly in line with population growth.

Except for cement (which is constrained by imports), prices are expected to broadly move in line with inflation.

Given the operating leverage, the increase in volumes and full implementation of the Transformation initiatives should result in an improvement in margins over the medium term.

Grant Samuel's value range for Boral Australia has not been disclosed in this report at the direction of the Boral Board[56] (see Section 7.2.2).

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Implied Multiples for Boral Australia

The multiples implied by the value range have also not been disclosed in this report at the direction of the Boral Board[56] (see Section 7.2.2). However, the multiples for Boral Australia are slightly above the overall multiples set out in Section 6.2 (and more so in relation to FY22 EBITA multiples).

At these levels, the forecast (FY22) multiples are higher than suggested by the evidence from previous transactions (circa 10-12 times historical EBITDA and lower based on forecast EBITDA), particularly if synergies are taken into account. Grant Samuel believes that multiples at these levels can be justified for Boral Australia:

- it is Australia's largest vertically integrated construction materials manufacturer with an estimated national share of just over 20% and is well positioned in the high growth east coast regions of Australia. This market presence would be highly attractive to offshore industry participants;

  The scale and leading position would warrant higher implied multiples for Boral Australia than the trading multiples of Adbri and Wagners (circa 10 times forecast EBITDA), even before taking into account a premium for control. While Adbri operates nationally it has no exposure to asphalt. Wagners also has no exposure to asphalt and has geographical concentration in south east Queensland and the Surat Basin;

- it has a high quality network of quarry assets (including sand) that:
  - have long life resources and reserves (almost 40 years of consented life and a total resource life of more than 100 years); and
  - are located close to major metropolitan areas;

- it has a significant exposure to road (including asphalt), much more so than most competitors and comparable transactions and companies considered in the market evidence (as outlined above, Adbri and Wagners have no exposure to asphalt);

- its business is heavily weighted to aggregates, concrete and asphalt. While not as focused as the highly rated United States listed companies (i.e. Martin Marietta and Vulcan), it is a very different profile to the lowly rated companies with a cement focus;

- there is a very positive sector growth outlook with the construction cycle in Australia having recovered quickly from COVID-19 pandemic induced slowdowns and now at the beginning of what appears to be a strong upcycle fuelled by:
  - strong residential property prices resulting in an upsurge in new dwelling construction; and
  - massive boosts to government infrastructure spending (particularly on road and rail transport) which should impact particularly in 2022 and 2023,

  While this is offset in part by a weak multi-unit residential sector, this should also turn once international borders reopen.

  More generally, the multiples are impacted by the point in the building and construction cycle at which they have taken place. The larger Australian transactions in 2007 took place at time when the Australian construction market was at or close to a peak. Construction activity had experienced strong growth over the years leading up to 2007 and ultimately peaked in the second half of 2008 (prior to the GFC). Throughout this period, the consumption of concrete and asphalt increased by approximately 5-6% per annum. As a result, the companies acquired would have been likely to have had higher earnings relative to average through-the-cycle revenue and margins, which would have been reflected in lower implied multiples.

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In contrast, Boral Australia is facing an Australian building and construction sector that is not far off the bottom of the cycle (other than for the residential sector), but with a positive outlook. The last peak in the building and construction cycle was in the 2018 calendar year. While FY22 earnings reflect some upturn in the building and construction sector, the RHS&B segment (the key segment for Boral Australia) has lagged the residential sector upswing and the next peak is not expected until FY24. In fact, FY22 earnings are still not back to FY19 (i.e. pre COVID-19) levels. Consequently, the implied FY22 multiples should reflect this trajectory; and

- it will be part way though implementation of its $200-250 million (net of inflation) in Transformation initiatives in FY22 (indicative benefits of $60-75 million in addition to the $75 million expected to be delivered in FY21), and there will be $65-100 million in benefits expected to be implemented post FY22. Boral has also identified numerous other opportunities that have not been included in the $200-250 million of Transformation initiatives but which potentially have greater value than the quantified Transformation initiatives. While there are always questions as to the ability to execute and to hold on to these kinds of gains in an intensely competitive, commodity based business:
    - many of these initiatives flow directly from the new operating model, under which the business will move from an autonomous regional model to an integrated operating company organised along national product lines; and
    - these additional opportunities provide the potential for further significant earnings enhancement over the medium term.

At the same time:

- potential acquirers of Boral are effectively limited to either offshore industry participants or financial buyers. With no "in market" acquirers, there is very limited opportunity for operational synergies which are largely restricted to listed company cost savings.

  On the other hand, Australia's successful handling of the COVID-19 pandemic and the rapid rebound in economic activity make it a very attractive market for offshore investors; and
- the FY22 EBIT multiples are very high. However, this reflects the large, relatively fixed depreciation charge (which, in turn, reflects the high level of ongoing capital expenditure) and the point in the cycle. The decline in earnings over FY20 and FY21 relative to earlier years saw a larger drop in EBITA margins than in EBITDA margins. FY22 EBITDA and EBITA margins are still well below FY19 levels. However, this leverage also works in reverse and as EBITDA margins improve, EBITA can rise strongly. Accordingly, EBITA multiples in FY23 and FY24 drop sharply back towards levels at which Boral has historically traded.

Notwithstanding these concerns, Grant Samuel considers the implied multiples for Boral Australia to be reasonable in the context of valuation on a control basis having regard to the available market evidence, the current stage of the building and construction cycle and the specific attributes of Boral Australia's business operations.

DCF Analysis

DCF ASSUMPTIONS

For Scenario A, the DCF model assumes the following:

- construction materials revenue has been projected for each key product category (quarry products, cement, asphalt, concrete):
    - price growth generally moves in line with inflation for all product categories with the exception of cement, where prices are assumed to grow at below inflation due to greater import competition; and

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- volume growth is based on high level industry projections for construction activity across end markets adjusted for Boral's presence within key regions over the short to medium term, and assumed to revert to the through-the-cycle volume growth rate over the long term;

These assumptions result in average revenue growth for construction materials over the projection period of just under 4% per annum, with higher growth in the initial years driven by an increase in construction activity and in the residential segment, tapering down to lower growth in the outer years of the projection period. Australian building products revenue is projected to follow a similar trajectory;

- variable costs represent 70-75% of the total cost base in line with the historical average and are tied to production volume across product categories;
- fixed costs grow at 2% per annum in line with inflation (site costs and sales, general and administrative expenses, allocated corporate overheads);
- the post FY21 benefits from Transformation initiatives are phased such that EBIT savings of approximately $150 million per annum are achieved by FY26 (although the majority of the Transformation initiatives benefits are realised in the earlier years);
- capital expenditure is approximately $250 million in FY22, above the long term average as expenditure deferred in FY21 is incurred and the construction of the new clinker grinding and cement facility at Geelong is completed. Ongoing capital expenditure (representing a normal level of maintenance and investment capital expenditure) falls to around $210 over the period from FY23 to FY26 and then increases by inflation. Other than in FY22, depreciation is initially higher than capital expenditure, but equals capital expenditure by the end of the projection period;
- the result of the above assumptions is operating EBITDA growth (pre AASB16) of around 7% per annum over the projection period and an improvement in the EBITDA margin from approximately 15% in FY22 (consistent with pre COVID-19 pandemic EBITDA margins) to around 20% by FY26 and staying relatively stable thereafter;
- Boral Australia's share of EBITDA from equity accounted investments grows at the same rate as EBITDA (before Transformation initiative savings) over the projection period. Boral Australia's share of equity accounted investments capital expenditure and depreciation is relatively minor and remains at FY21 levels;
- working capital of approximately 9% of revenue, consistent with the historical trend;
- a corporate tax rate of 30%. Approximately $30 million of Australian revenue tax losses and tax credits are utilised in full in FY22; and
- a terminal growth rate of 2.0%.

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DCF SCENARIOS

The key assumptions underlying each of the scenarios considered are outlined below:

BORAL AUSTRALIA – DCF SCENARIOS

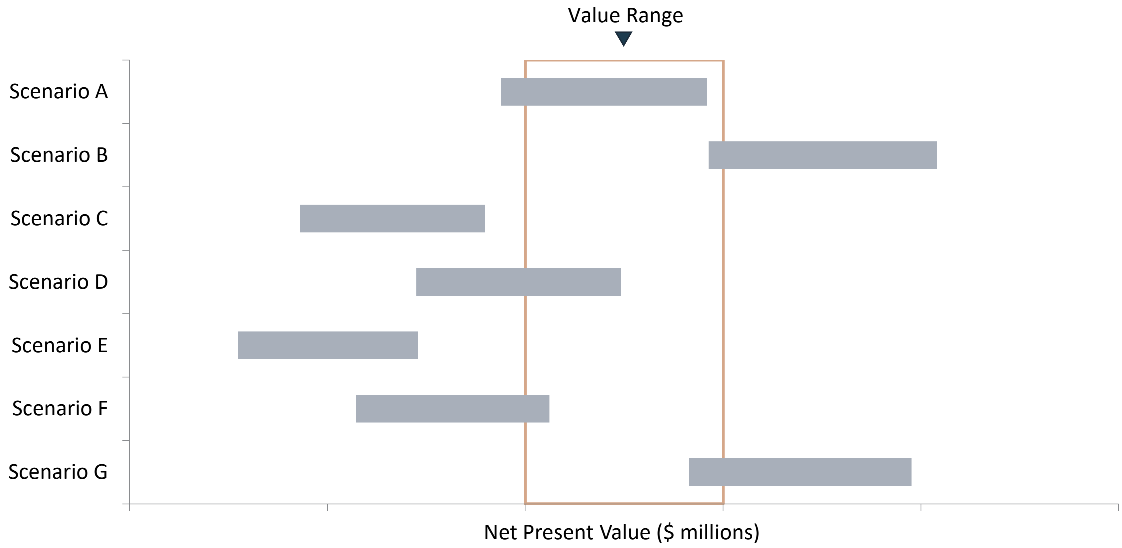
SCENARIO	DESCRIPTION
Scenario A	As above
Scenario B	Scenario A, except additional volume growth of 0.5% per annum is achieved across quarry products, cement, concrete and asphalt from FY23 to FY26 driven by greater demand and higher growth in the civil construction segment. Average revenue growth increases to around 4.5% per annum over the projection period and EBITDA margins increase to approximately 21% by FY31
Scenario C	Scenario A, except there is an 0.5% decline in volume growth across quarry products, cement, concrete and asphalt from FY23 to FY26 as there is lower than expected demand from the civil construction segment (e.g. due to project delays etc). Average revenue growth decreases to around 3.5% per annum over the projection period and EBITDA margins decline to 19% by FY31
Scenario D	Scenario A, except that the EBITDA margin is projected to grow linearly across the forecast period, only reaching 20% by FY31
Scenario E	Scenario A, except the EBITDA margin is projected to grow to a peak of 18% (approximately 2-3% above historical highs) by FY24 and remain at that level for remainder of the projection period
Scenario F	Scenario A, except that only 75% of the EBIT savings from Transformation initiatives are captured as a result of greater execution risk or the inability to retain savings due to competitive pressures. The EBITDA margin declines to 19% by FY31
Scenario G	Scenario A, except an additional $50m in EBIT savings (identified, but not included in the quantified Transformation initiatives) are achieved. The EBITDA margin increases to 21% by FY31

NPV OUTCOMES

Grant Samuel's selected value range for Boral Australia's business reflects a subjective balancing of the scenarios and a view that the appropriate discount rate to apply is 8-8.5%. This is depicted diagrammatically below:

BORAL AUSTRALIA – NPV OUTCOMES

(AT 8.0-8.5% DISCOUNT RATE)



The NPV outcomes for Boral Australia have not been disclosed in this report at the direction of the Boral Board[56] (see Section 7.2.2).

Grant Samuel's value range incorporates the majority of Scenario A, the low end of Scenarios B and G, the top half of Scenario D and the upper end of Scenario F. The NPV outcomes of Scenarios C and Scenario E are outside the value range. Grant Samuel has considered the NPV outcomes for all scenarios in determining its value range for Boral Australia:

- Scenarios A, B and C show the sensitivity of the NPV outcomes to small changes in volume. Volume growth in Scenario A is based on high level industry projections for construction activity across Boral Australia's end markets. It is entirely possible (if not likely) that actual future volume growth will differ from these industry projections. Scenario B could occur if activity in the RHS&B segment grows at a faster pace than expected over the period to FY26. However, it is unlikely that this higher level of growth would be sustained over the medium to long term and this is reflected in only the low end of Scenario B being included in Grant Samuel's value range for Boral Australia. The NPV outcome for Scenario C sits outside the value range. It is considered less likely given there is already a back log of projects in the pipeline and committed government infrastructure spending over the next 3-5 years (particularly in roads). There is also no allowance in Scenario C for actions that management would take to mitigate the impact of lower volumes over the medium term;
- Scenarios D and E show the impact on NPV outcomes of slower improvement in, or improvement to a lower, EBITDA margin. Scenario D is plausible (i.e. it takes Boral Australia longer to achieve an EBITDA margin of circa 20%). Scenario E is considered unlikely, particularly given the expected Transformation initiatives. In addition, as for Scenario C, Scenario E does not allow for the actions that management would take if it became apparent that EBITDA margins were stalled at lower than expected levels (e.g. reduction in the cost base); and
- Scenarios F and G are sensitivities on Boral Australia's Transformation initiatives. It is entirely possible that Boral Australia may not be successful in executing and retaining all of the EBIT savings from the Transformation initiatives (e.g. some may be "paid away" to customers in the form of lower prices in response to competitor behaviour or some of the initiatives may simply generate lower than expected benefits). On the other hand, it is equally plausible that Boral Australia is able to achieve EBIT savings in excess of the $200-250 million that are expected to be achieved over the period to FY26. There is an extensive list of initiatives that have been identified and quantified but which are not included in the announced Transformation initiatives. On this basis, it is appropriate that Grant Samuel's value range includes some element of each of these scenarios.

Taking these factors into account, Grant Samuel believes that the NPV outcomes produced by the DCF analysis support the value range adopted for Boral Australia.

7.6 Boral North America Building Products

Introduction

Grant Samuel's valuation of Boral North America Building Products reflects its view of the outlook for Building Products based on its analysis of the business and industry and economic research relevant to residential construction in the United States.

In summary, the outlook for Building Products is positive. The recent surge in new residential building activity in Boral North America's key target geographies is expected to continue for at least the next 2-3 years supported by a number of factors:

- ultra low interest rates, which are not expected to increase materially for at least 2-3 years;
- low housing availability. The "underbuild" of the previous decade is still a major factor and there has been a close to 30% decline in available inventory over the past 12 months;
- migration to the southern and western regions of the United States; and
- continued population migration from urban cities to suburban and smaller metropolitan areas driving demand for single-family residential properties.

R&R activity is also forecast to continue to grow on the back of low interest rates, house size expansion and an ageing inventory of houses in place. Near term house price appreciation is also expected to support improved access to financing (e.g. via home equity loans or refinancing) for homeowners.

As long as Boral North America retains share, this growth should deliver revenue growth and margin improvement (e.g. through better plant utilisation) and other fixed cost absorption.

Grant Samuel's value range for Boral North America Building Products has not been disclosed in this report at the direction of the Boral Board[56] (see Section 7.2.2).

The value range for Boral North America Building Products takes into account, and is broadly consistent with, the most recent offer prices received for the business (albeit that these offers are non binding).

Implied Multiples for Boral North America Building Products

The multiples implied by this value range have also not been disclosed in this report at the direction of the Boral Board[56] (see Section 7.2.2). However, they are below the overall multiples set out in Section 6.2 (with the exception of the historical FY19 EBITDA multiples).

The implied EBITDA and EBITA multiples of Grant Samuel's value range of Boral North America's Building Products business are generally:

- in line with precedent transaction multiples for other large scale North American building products manufacturers (circa 9-11 times forecast EBITDA); and
- at a premium to listed company multiples (excluding outliers), including peers that have built diversified category-leading positions within their target segments (e.g. Mohawk and Owens Corning).

However, the assessment of appropriate multiples for the valuation of Boral North America's business is not straightforward due to the cyclicality of the housing market:

- share prices often reflect the stage of the housing market cycle. While new residential activity bottomed at an annualised rate of around 0.9 million new housing starts in April 2020, activity bounced back sharply and has averaged closer to an annualised rate of 1.5 million new housing starts between July 2020 and March 2021. Over this period, share prices for the listed peers have also recovered from previous lows (and have more than tripled since the end of March 2020) and revenue for these peers is projected to grow from anywhere between 5% and 40% between the 2020 and 2021 financial years;
- earnings are similarly leveraged to market upswings and/or retreats. The EBITDA margins for Boral North America's Building Products business ranged from 15.5% to 17.5% from FY18 to FY20 as new housing starts stagnated at around 1.2 million new units per annum. In contrast, EBITDA margins jumped in 1HY21 on the back of the increased market activity; and
- the different financial year ends may incorporate different parts of the cycle and make it difficult to compare on a like for like basis:
  - the Firestone and Forterra transactions which occurred in early 2021 illustrate this point, as the implied historical multiples are calculated using EBITDA and EBITA for the year ended 31 December 2020 (which includes the full effects of the pandemic early in the year as well as the later recovery). As a result, the historical multiples are probably higher than they would be based on 2019 earnings; and
  - forecast trading multiples may also be impacted by the same issues. The housing market cycle is projected to be in a rising phase over the next three years, driving positive earnings growth across most industry participants. Given that most listed comparable companies have a 31 December financial year end, their FY22 earnings arguably incorporate the benefit of a higher point in the cycle than Boral's comparable FY22 earnings (which has a 30 June financial year end).

As a result, the comparable listed company multiples are (all things being equal) lower than they would be for an earlier June year end.

A premium multiple for Boral North America's Building Products business can be justified due to factors such as the:

- turnaround in financial performance, with early signs of executing on its performance improvement initiatives;
- strong exposure to the higher growth South and West regions of the United States;
- category leading positions across its product range;
- a focus on premium offerings in certain categories including *TruExterior*, *Kleer, Eldorado Stone* and *Cultured Stone* while also covering lower price points; and
- national manufacturing and distribution footprint, including 28 manufacturing facilities located across the United States.

On the other hand:

- there are arguably limited synergies that can be extracted from an acquisition of Boral North America Building Products. Due to the disparate nature of the business across four very different product segments, there is likely to be a limited pool of trade buyers that could expect to extract meaningful levels of synergies across the entire portfolio of businesses (i.e. roofing, light building products, manufactured stone and windows); and
- the Transformation initiatives are still to be implemented in full and acquirers will inevitably be cautious about attributing full value to the benefits, particularly when they will have to implement many of the initiatives.

Taking all of these factors into account, Grant Samuel considers that multiples in the "middle of the pack" are appropriate and that the implied EBITDA and EBITA multiples for the Boral North America's Building Products business are reasonable in the context of valuation on a control basis having regard to the available market evidence, the current stage of the United States housing cycle and the attributes of Boral North America's Building Products business.

DCF Analysis

DCF ASSUMPTIONS

For Scenario A, the DCF model assumes the following:

- average revenue growth of slightly above 6% per annum, with higher growth in the initial years tapering down to lower growth in the outer years of the projection period. Growth is driven by stronger volume growth, improved product mix and pricing gains across key product segments. This average revenue growth reflects:
  - new residential housing activity across the United States growing to 1.7 million new units per annum. National expenditure on R&R is also assumed to remain at historical highs in FY22, but moderate to approximately US$450 billion from FY24; and
  - differing average growth rates across Boral North America Building Products' key categories. Stone revenue and Sliding, Trim & Shutters revenue grow at slightly below the overall average, Roofing revenue grows at around the overall average and Windows revenue grows at above the overall average (reflecting an expected recovery in share that has been lost in recent years);
- gross margins improve over the forecast period. For example:

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- Stone gross margins improve by close to 400 basis points on the back of network optimisation and large format mould facility conversions. These initiatives underpin Stone's strategic push to grow its mid-tier to value range product offering, enabling it to compete more effectively on price and cost; and
- Windows gross margins recover to historical levels on the back of increased capacity utilisation of production facilities;

- other corporate and selling, general and administrative costs grow by 5% per annum through FY26 due to increased advertising and selling expenses, before reducing to 2% growth per annum in line with inflation;
- the result of the above assumptions is that the pre AASB16 EBITDA margin improves to 19.5% by FY31. Transformation initiatives contribute approximately US$60 million in EBITA by FY24;
- capital expenditure of approximately 6% of sales over the projection period. In the short term, this includes growth capital expenditure to convert Stone production facilities to large format mould facilities. Production capacity is expected to be capable of supporting new residential housing starts of up to around 1.8 million units a year;
- working capital is calculated as 10% of total revenue, consistent with the historical trend;
- a corporate tax rate of 25% (including Federal and State taxes). Approximately US$25 million of revenue tax losses are utilised over the projection period (subject to annual usage caps); and
- a terminal growth rate of 2%.

DCF SCENARIOS

The key assumptions underlying each of the scenarios considered are outlined below:

BORAL NORTH AMERICA BUILDING PRODUCTS – DCF SCENARIOS

SCENARIO	DESCRIPTION
Scenario A	As above
Scenario B	Scenario A, except the EBITDA uplift from initiatives is approximately US$50 million per annum by FY24. Average revenue growth is approximately 5% per anum over the projection period and the long term EBITDA margin declines to 19%
Scenario C	Scenario A, except the EBITDA uplift from initiatives is approximately US$30 million per annum by FY24 due to negligible margin improvements in the Windows segment. Average revenue growth declines to approximately 5.5% per annum over the projection period and the long term EBITDA margin declines to 18%
Scenario D	Scenario A, except new housing market construction is 1.5 million new units per annum after FY26. Average revenue growth declines to 4.5% per annum over the projection period and the long term EBITDA margin declines to 19%
Scenario E	Scenario B, except new housing market construction is 1.5 million new units per annum after FY26. Average revenue growth declines to 4% per annum over the projection period and the long term EBITDA margin declines to 18%
Scenario F	Scenario C, except new housing market construction is 1.5 million new units per annum after FY26. Average revenue growth declines to 4% per annum over the projection period and the long term EBITDA margin declines to 17%
Scenario G	Scenario A, except new housing market construction reverts to 1.4 million new units per annum after FY26. Average revenue growth declines to approximately 4% per annum over the projection period and the long term EBITDA margin declines to approximately 18%

NPV OUTCOMES

Grant Samuel's selected value range for Boral North America's Building Products business reflects a subjective balancing of the scenarios and a view that the appropriate discount rate to apply is 8.5-9.0%. This is depicted diagrammatically below:

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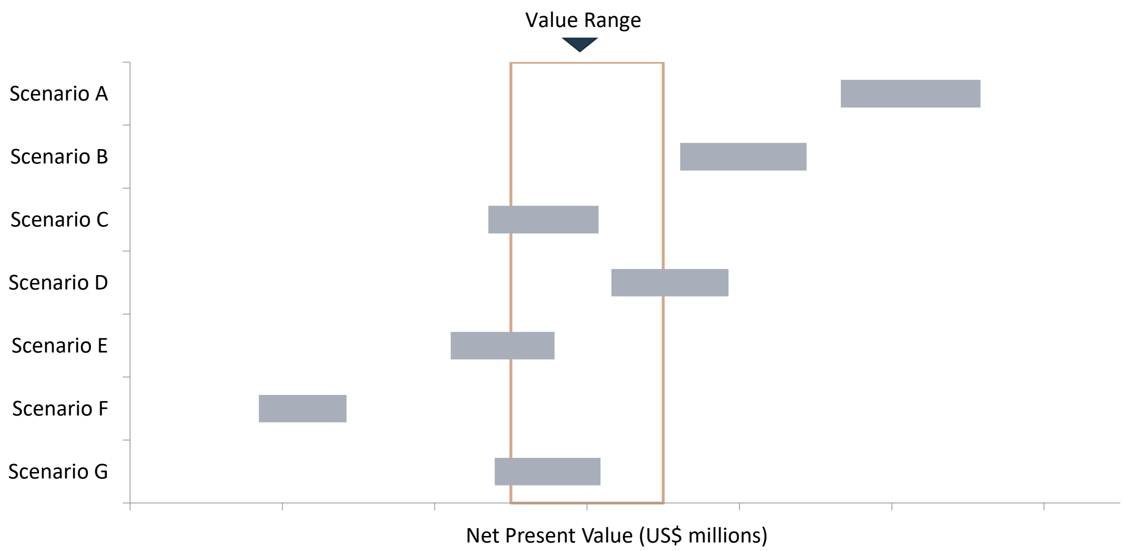
BORAL NORTH AMERICA BUILDING PRODUCTS – NPV OUTCOMES

(AT 8.5-9.0% DISCOUNT RATE)



The NPV outcomes for Boral North America's Building Products business have not been disclosed in this report at the direction of the Boral Board[56] (see Section 7.2.2).

Grant Samuel's value range incorporates all of Scenario G, the majority of Scenarios C and E and the low end of Scenario D. The NPV outcomes of Scenarios A, B and F are outside the value range. Grant Samuel has considered the NPV outcomes for all the scenarios in determining its value range for Boral North America's Building Products business:

- the NPV outcomes for each scenario are extremely sensitive to the long term outlook for housing market activity. New residential construction is a key driver for the business, as approximately 60% of revenue is derived from this end market. The DCF scenarios take into account that:
  - the long term outlook for activity is influenced by the stage of the housing cycle. As part of the June 2020 impairment of its North America segment, Boral reduced its long term forecast for new residential activity from 1.5 million new units to 1.3 million new units. This reflected Boral's long term outlook at the bottom of the cycle. Given the current stage of the cycle, the outlook has most likely increased from this level; and
  - maintaining an annual rate of 1.7 million new units per annum over the long term is unsustainable. Since the United States Census Bureau started tracking this data in 1968, new residential housing activity has exceeded 1.7 million units in only 11 years. While population growth and other underlying industry drivers have evolved, it remains difficult to sustain this high level of activity over the long term.

  On this basis, Grant Samuel considers that reasonable lower and upper bounds for new housing start assumptions is between 1.3 million and 1.7 million per annum;
- Scenario G assumes that the business continues to successfully execute its strategy in a moderate long term outlook of 1.4 million new units per annum. While there are risks to fully realising the benefits from current Transformation initiatives, a continued decline in margins is considered less probable as management would be likely to identify further cost cutting programs or other changes. Under Scenario G, long term EBITDA margins reflect the improvement in the business's performance in recent years but are also moderated by the cyclical swings in the market;

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- Scenarios A, B and C are designed to collectively illustrate an upside case for the business, albeit with differing levels of execution of its Transformation initiatives. These scenarios assume 1.7 million new units per annum for the period of the projections. On this basis, it is reasonable that the NPV outcomes for Scenarios A and B sit above the value range. While the majority of the Scenario C NPV outcome is within the value range, it may be conservative as margin declines are less likely in a buoyant market; and
- Scenarios D, E and F illustrate the NPV impact of a more moderate long term housing market outlook of approximately 1.5 million new units per annum over the projection period. This is in line with the average new housing starts (trailing twelve months) from July 2020 to March 2021 but remains above historical long term averages. As a result, it is appropriate that:
  - only the bottom half of Scenario D and the top half of Scenario E fall within the value range, illustrating the impact of execution risk associated with the Transformation initiatives on NPV outcomes; and
  - Scenario F reflects an unlikely outcome unless the business is unable to execute current Transformation initiatives and is unable to identify additional cost cutting (or margin accretive) measures in the future. Under this scenario, the EBITDA margins for the business remain flat and below historical averages.

Taking these factors into account, Grant Samuel believes that the NPV outcomes produced by the DCF analysis support the value range adopted for Boral North America's Building Products business.

7.7 Boral North America Fly Ash

Introduction

Grant Samuel's valuation of Boral North America Fly Ash reflects its view of the outlook for the Fly Ash business based on its analysis of the business and industry and economic research relevant to the building and construction sectors in the United States.

Fly ash demand is expected to continue to grow:

- the housing boom and the substantially increased level of infrastructure spending by the United States Government should lead to growth in concrete and cement demand; and
- the regulatory push for increased use of fly ash in concrete is continuing and will drive a higher level of substitution (i.e. fly ash should grow faster than cement).

The pricing dynamics should also be favourable as cement prices face upward pressure as the industry is already tight in capacity, and demand can outstrip supply in some areas.

The main issue constraining earnings is the availability of supply. Boral North America has supply contracts in place but is likely to face a decline in availability of "fresh" ash over the medium to long term. It will ultimately need to successfully develop alternative sources, in particular in fly ash harvesting, pozzolan blending and/or imports to continue to meet demand.

Grant Samuel's value range for Boral North America Fly Ash has not been disclosed in this report at the direction of the Boral Board[56] (see Section 7.2.2).

Implied Multiples for Boral North America Fly Ash

The multiples implied by the value range have also not been disclosed in this report at the direction of the Boral Board[56] (see Section 7.2.2). However, they are slightly below the overall multiples set out in Section 6.2.

Factors relevant to the consideration of the implied multiples for Boral North America's Fly Ash business include:

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- its scale and diversification across the North American fly ash industry. While Boral North America's Fly Ash business has seen revenue declines from the completion of major contracts in recent years, it has delivered resilient results partly due to its scale, national distribution footprint and diversified supply base (i.e. more than 50 supply contracts);
- demand tailwinds that support price growth. At the time of the Headwaters acquisition, fly ash prices were 60-70% of cement prices. This gap has compressed (and completely disappeared in certain regions) as fly ash prices have achieved around double digit year on year growth since 2018. The strong outlook for infrastructure spending in the United States is expected to support higher demand for fly ash, with regulatory requirements also driving increased adoption of fly ash in concrete. These industry dynamics are expected to support fly ash prices in the short to medium term; and
- new sources of earnings. Relatively high implied FY22 multiples of earnings for the Fly Ash business can be justified as these earnings do not reflect the expected commissioning of harvesting projects over the next few years.

These factors are, however, offset to some extent by:

- supply constraints. While demand has remained stable over the past two decades, production of fly ash has been in decline since 2010. Continued environmental pressure to retire coal-fired power plants will place significant constraints on the supply of "fresh" fly ash. By 2032, total coal-fired power plant capacity is expected to shrink by another 22%[64];
- increasing capital requirements. Both ash harvesting facilities and pozzolan blending facilities will require upfront capital expenditures to access the fly ash supply;
- risks associated with harvesting. Boral North America has established a pilot harvesting facility in Montour, but the technical and economic feasibility of harvesting at scale is not yet proven and, accordingly, this component of future earnings is subject to considerable uncertainty; and
- margin compression. "Fresh" fly ash currently represents the majority of supply and requires minimal processing before it is made available to the end customer. Alternative supply solutions such as harvesting, pozzolan blending or imports have higher operating costs, such as processing and logistical costs, which may impact margins over the long term.

The primary value issue is whether or not Boral North America is successful in developing alternative sources of supply to counter declining "fresh" fly ash volumes. The valuation assumes that it does have at least a moderate degree of success. Nevertheless, the risk attached to this income stream constrains the multiple.

In the absence of clear, comparable benchmarks (apart from Charah), Grant Samuel believes multiples that are a slight discount to the overall average for Boral are appropriate.

DCF Analysis

DCF ASSUMPTIONS

For Scenario A, the DCF model assumes the following:

- total revenue growth averaging 4% per annum over the projection period, with higher growth in the initial years and lower growth in the later years. Revenue growth through to FY25 is primarily due to price increases and the commissioning of new harvesting facilities offsetting the declining "fresh" fly ash supply in those years. In particular:
    - "fresh" fly ash sales grow by circa 1.0-1.5% per annum over the projection period, reflecting 3-4% average price growth per annum, partly offset by declining volumes. Sustained price increases

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[64] Source: United States Energy Information Administration (2021).

are underpinned by demand for fly ash and infrastructure spending. New contracts are expected to partly offset the loss of supply from existing contracts, but volumes remain under pressure and decline by circa 15% over the projection period; and

- harvesting and blending revenue represents the majority of growth in other revenue (10% per annum average growth over projection period) as new ash harvesting and blending facilities are commissioned. Six new facilities (including the new Kirkland pozzolan processing facility) are launched over the projection period (four facilities through to FY26 and two facilities between FY27 and FY32). On average, each of the new facilities processes approximately 350ktpa by FY31[65]. Site service revenue remains flat over the projection period;

- a pre AASB16 EBITDA margin of approximately 16-17% over the projection period as price increases are offset by a decline in gross margin;
- new ash harvesting facilities and pozzolan blending facilities require upfront capital expenditure of approximately US$30-40 million per facility. On completion of these growth investments, capital expenditure declines to approximately 4% of revenue (i.e. maintenance capital requirements of circa 2% plus growth expenditure for new facilities);
- working capital is calculated as 4% of total revenue, consistent with the historical trend;
- a corporate tax rate of 25% (including Federal and State taxes). Approximately US$70-75 million of tax losses are utilised over the projection period (subject to annual usage caps); and
- a terminal growth rate of 2%. Coal-fired power plant supply is declining but if harvesting is reasonably successful them the business should be able to support long term growth of 2% per annum.

DCF SCENARIOS

The key assumptions underlying each of the scenarios considered are outlined below:

BORAL NORTH AMERICA FLY ASH – DCF SCENARIOS

SCENARIO	DESCRIPTION
Scenario A	As above
Scenario B	Scenario A, except the fly ash price increases by 5% per annum over the projection period. Due to the variable cost structure (i.e. royalty based model), the EBITDA margin improves slightly from Scenario A, ranging from 17% to 17.5% over the projection period
Scenario C	Scenario B, except the ramp up of harvesting and processing projects is 90% of the volumes in Scenario B. By FY31, each site is only able to process approximately 300ktpa of fly ash. Due to lower fixed cost absorption, the EBITDA margin declines to 16-17% over the projection period
Scenario D	Scenario B, except the ramp up of harvesting and processing projects is 75% of the volumes in Scenario B. By FY31, each site is only able to process 250ktpa of fly ash. As a result, the EBITDA margin remains in the range 16-16.5% over the projection period
Scenario E	Scenario D, except the fly ash price increases by 8% per annum over the projection period. As a result of an improved gross margin, the EBITDA margin improves to 18% over the projection period
Scenario F	Scenario B, except "fresh" fly ash volumes decline by approximately 20% over the projection period, in line with the United States Energy Information Administration's projected retirement of coal-fired power plants in the United States through to 2032. The EBITDA margin is slightly lower than Scenario B, at approximately 17% over the projection period
Scenario G	Downside scenario reflecting a 20% decline in "fresh" fly ash volumes and a 25% reduction in harvesting and processing volumes. Lower supply against consistent levels of demand results in price increases of circa 5% per annum. As a result, the long term EBITDA margin declined to approximately 14.5%

65 The assumptions for future capacity are based on the current capacity of Boral North America Fly Ash's pilot facilities. The Montour facility has a current capacity of 100ktpa. The new Kirkland pozzolan processing facility is expected to process up to 500ktpa.

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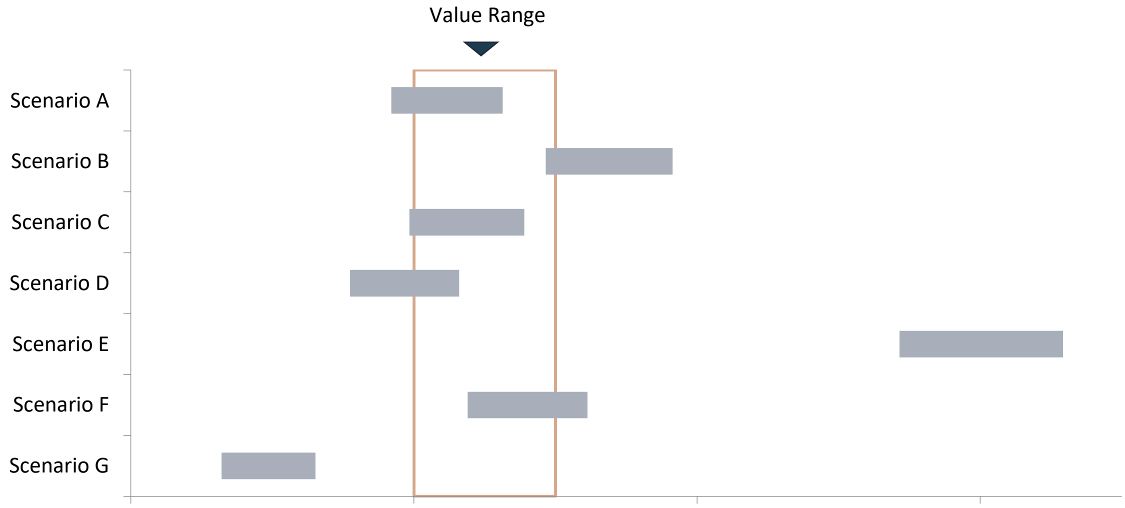
NPV OUTCOMES

Grant Samuel's selected value range for Boral North America's Fly Ash business reflects a subjective balancing of the scenarios and a view that the appropriate discount rate to apply is 8-8.5%. This is depicted diagrammatically below:

BORAL NORTH AMERICA FLY ASH – NPV OUTCOMES

(AT 8-8.5% DISCOUNT RATE)



The NPV outcomes for Boral North America's Fly Ash business have not been disclosed in this report at the direction of the Boral Board[56] (see Section 7.2.2).

Grant Samuel's value range incorporates the majority of Scenarios C and F, the upper end of Scenarios A and D and the lower end of Scenario B. The NPV outcomes of Scenarios E and G are outside the value range. Grant Samuel has considered the NPV outcomes for all the scenarios in determining its value range for Boral North America's Fly Ash business:

- Scenarios C, D and F are considered the most credible scenarios for Boral North America's Fly Ash business. Each scenario assumes price growth that is more in line with, albeit at a discount to, the recent track record of fly ash prices. Demand is expected to be underpinned by the emergence of "green" concrete and regulations driving cement producers to secure supply of fly ash. Demand also hinges on the passing of a record infrastructure spend bill in the United States. However:
  - Scenarios C and D assume "fresh" fly ash volume declines by 15% over the projection period, which is slightly below the rate at which coal-fired plants are expected to retire over the same period, reflecting Boral North America's Fly Ash's focus on lower cost coal-fired plants.

    These two scenarios demonstrate the risk of rolling out new ash harvesting and pozzolan processing projects given Boral North America Fly Ash's successful yet limited track record in rolling out similar projects. While the Montour facility is operating profitably, consistently replicating its success on a larger scale involves development, contract and operational execution risks. Scenarios C and D illustrate the NPV impact of varying levels of success in developing these alternate supply sources; and
  - Scenario F reflects the uncertainty associated with the coal-fired power industry and assumes that Boral North America Fly Ash's supply of "fresh" ash declines at the industry average. The United States Environmental Information Administration currently projects that close to 22% of existing coal-fired power capacity is expected to be retired by 2032. While more than 60% of Boral North America Fly Ash's contracts are with utilities that operate in the lowest third of the

power plan cost curve[66], and the remaining useful lives of these utilities are arguably higher than the national average, there is uncertainty as to whether additional coal-fired power plants will be retired in the next ten years;

- Scenarios A and B are plausible scenarios for the successful roll out of fly ash harvesting to multiple sites:
  - Scenario A shows the impact of weaker price growth of 3-4% per annum, which is well below recent growth in fly ash prices. Successful harvesting should result in less upward pressure on prices; and
  - Scenario B reflects price growth that is more in line with recent growth in fly ash prices. The execution risk associated with the rollout of new harvesting and processing facilities suggests it is appropriate that only the lower end of the NPV outcome of Scenario B is within the value range;
- Scenario E is an upside scenario where prices continue to increase at approximately 8% per annum (i.e. similar rates to historical levels). While continued price increases are not completely unrealistic, fly ash prices will need to remain correlated to cement prices to be economical for concrete producers. Long term price growth of 8% per annum would result in fly ash prices doubling in just nine years. In contrast, it has taken cement prices nearly 25 years to double in price to current levels. On this basis, it is appropriate that the NPV outcomes for Scenario E are above the value range; and
- Scenario G is a downside scenario where the alternative sourcing strategy is unable to adequately address supply constraints, resulting in lower volumes and lower profitability. This scenario mirrors Scenario F's volume and price profile but results in lower margins due to higher harvesting and processing costs. This scenario is considered an unlikely outcome as the Fly Ash business has a low fixed cost base and the majority of its supply will still be sourced from "fresh" fly ash sources which are governed by a royalty based pricing structure that protects margins.

Taking these factors into account, Grant Samuel believes that the NPV outcomes produced by the DCF analysis support the value range adopted for Boral North America's Fly Ash business.

7.8 Corporate Costs

Boral expects to incur corporate costs (that are not allocated to its business operations) of around $21 million in FY22 (EBITDA, pre AASB16). These costs represent costs associated with running Boral's head office and include:

- Boral group senior executives (such as costs associated with the offices of the Chief Executive Officer & Managing Director and Chief Finance & Strategy Officer, company secretarial and legal, planning and development, corporate affairs, treasury, tax etc.);
- costs of being a listed company (such as directors fees, annual reports and shareholder communications, share registry and listing fees and dividend processing); and
- certain group shared services (such as human resources, information technology etc.) not fully recharged to the business operations during the year.

An acquirer of Boral with an existing presence in Australia would be able to eliminate some, if not all, of Boral's unallocated corporate costs. Grant Samuel has made allowance for listed company costs in the value it has attributed to unallocated corporate costs on the basis that any acquirer of 100% of Boral would be able to save the costs associated with being a publicly listed company (of circa $5 million per annum). However, the broader corporate cost savings have implicitly been taken into account in the valuation of Boral's business operations where the focus has been on pre-synergy transaction multiples which do not

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[66] Source: Boral H1 FY21 presentation. Based on Wood Mackenzie analysis

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take into account any synergies. To also allow for the balance of corporate cost savings would be double counting these benefits.

Grant Samuel has estimated a value of $(195)-(210) million for unallocated corporate costs. The range of negative values attributed to unallocated corporate costs has been calculated using DCF analysis (at a discount rate of 8.0-8.5%). It represents a multiple of approximately 11-12 times forecast (FY22) EBIT.

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8 Evaluation of the Seven Group Offer

8.1 Summary of Opinion

In Grant Samuel's opinion, the Seven Group Offer is neither fair nor reasonable to Boral shareholders.

8.2 Fairness

Grant Samuel has estimated the full underlying value of Boral, including a premium for control, to be in the range $9.7-10.8 billion, which corresponds to $8.25-9.13 per share[67].

The consideration of $6.50 cash per share falls well below the value range of $8.25-9.13 per share. Accordingly, the Seven Group Offer is not fair.

The value range of $8.25-9.13 per share includes a premium for control and exceeds the price at which, based on current market conditions, Grant Samuel would expect Boral shares to trade on the ASX in the absence of a change of control proposal (or speculation as to such a proposal) or any change in the outlook for the business.

The value is the aggregate value of the estimated value of Boral's business operations less external liabilities and any non trading assets or liabilities. The value of the business operations was estimated having regard to both multiples of earnings/cash flows and DCF analysis. The valuation and the basis for it are set out in detail in Sections 6 and 7 of this report.

Valuation of any business is a forward looking construct and is subject to uncertainty even in the most benign economic circumstances. The emergence and likely aftermath of the COVID-19 pandemic has introduced a significantly higher level of uncertainty. Boral's earnings in FY20 fell sharply, primarily as a result of the impacts of lockdowns on construction activity and manufacturing capacity. FY21 earnings are forecast to recover significantly particularly in the United States where residential construction has rebounded strongly.

However, while construction is not as affected by COVID-19 related issues as many other industries (such as tourism, travel and entertainment), the path forward is still subject to a significant degree of uncertainty. For example:

- will the boom in Australian residential prices and A&A be sustained? The threat of interest rate rises is a constant overhang and the spike in A&A activity is, arguably, mostly attributable to closed borders;
- is the United States recovery in residential activity sustainable if underlying economic conditions (e.g. unemployment) do not recover as quickly?;
- what is the timing of the government led infrastructure spending in Australia and to what extent will it be offset by intense competition in tendering?;
- will the United States infrastructure spending gain legislative backing or will it be scaled back?; and
- how will the massive run up in government debt levels during FY20-FY23 impact on government's longer run ability to fund major infrastructure projects?

In addition:

- the cost of capital in a virtually zero percent interest rate environment has become even more debatable; and

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[67] Allowing for shares bought back by Boral under its share buyback program from 19 April 2021 up to and including 8 June 2021.

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- the applicability of historical benchmarks (e.g. earnings multiples from comparable transactions) is also questionable. The very low interest rates should have lowered the cost of equity relative to the past thereby warranting higher multiples. However, low interest rates are only sustainable in a "low growth world" which suggests lower multiples.

Accordingly, the inherent limitations of any valuation estimate need to be carefully considered.

Finally, it should be noted that the value range could move depending on the final sale price realised for:

- Boral North America Building Products; and
- Boral North America Fly Ash (if a sale process is pursued and completed).

8.3 Reasonableness

Even when an offer is "not fair" it may still be "reasonable" in some circumstances. However, in Grant Samuel's opinion, there are no such circumstances in relation to the Seven Group Offer that would justify shareholders accepting the offer even though it is not fair.

In forming this opinion, the following factors were considered:

- the Seven Group Offer represents the following premiums relative to the price at which Boral shares have traded over recent months:

BORAL – PREMIUM OVER PRE-ANNOUNCEMENT PRICES

PERIOD	BORAL SHARE PRICE/VWAP	PREMIUM
10 May 2021 – pre-announcement closing price	$6.500	nil
1 week prior to 10 May 2021 – VWAP	$6.375	2.0%
1 month prior to 10 May 2021 – VWAP	$6.136	5.9%
3 months prior to 10 May 2021 – VWAP	$5.696	14.1%
6 months prior to 10 May 2021 – VWAP	$5.349	21.5%

The Seven Group Offer of $6.50 per share is essentially at the market price immediately prior to the Seven Group Offer being made and therefore represents a zero premium for control.

While it does represent a premium of 14-22% over VWAPs measured over the preceding three and six months periods, this is simply a reflection of the lower prices prevailing earlier in those periods. Boral's share price has been on a steady upward trajectory since mid 2020 reflecting:

- the general rise in sharemarkets (the S&P/ASX 200 has increased from below 6500 in early November 2020 to above 7100 at 10 May 2021), in part reflecting a shift in sentiment to "value" stocks over "growth" stocks;
- improving economic conditions with strong residential property markets and announcements of substantial infrastructure spending by governments in Australia and the United States; and
- emerging evidence of stronger performance by Boral's operating businesses.

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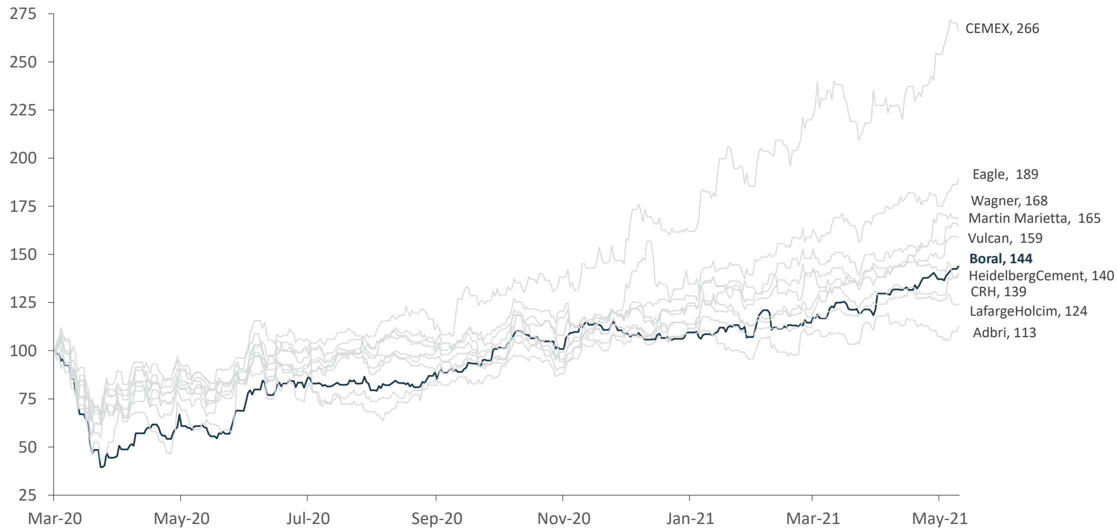
Boral's share price recovery over this period is not out of line with most of its peers:

BORAL VS PEERS

1 MARCH 2020 TO 10 MAY 2021



Source: S&P Global Market Intelligence

Accordingly, the most recent share price is a more appropriate base to measure the premium implied by the Seven Group Offer.

It is important to recognise that premiums for control:

- are an outcome not a determinant of value; and
- vary widely depending on the individual circumstances of the target and other factors such as the potential for competing offers.

An offer at effectively nil premium is not automatically unfair but it is highly unlikely to be fair given the benefits to an acquirer of 100% of a company including the ability to:

- manage the business as they see fit to improve the earnings and cash flows; and/or
- capture synergies by combining the target with their existing business;

- the Seven Group Offer represents a very substantial discount to Grant Samuel's estimate of the fully underlying value of Boral ($8.25-9.13 per share).

  In some cases, an offer that is below the fair value range (i.e. "not fair") might still be "reasonable" because the bidder already has control of the target, it is offering some level of premium and the offer is only a modest discount to full underlying value. This is not the case with the Seven Group Offer.

  Seven Group has a material shareholding in Boral (circa 23.9% at 8 June 2021[68]) that gives it a degree of influence, but it does not have control of Boral. It has only one nominee on the board (Mr Ryan Stokes) out of a total board of eight (at the present time).

  The Seven Group holding does allow it to effectively block special resolutions and, in particular, it can effectively block any acquisition by a third party through a scheme of arrangement. While this may be something of an impediment to a bidder, it is still open for a potential bidder to make an offer and succeed without Seven Group's support (e.g. by way of off-market takeover offer). The balance of Boral's share register comprises institutional, financial and retail shareholders none of whom are likely

[68] Allowing for shares bought back by Boral under its share buyback program from 19 April 2021 up to and including 8 June 2021.

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to block a fully priced takeover offer. In summary, Seven Group's position would not deter a determined acquirer. In any event, Seven Group is not an industry participant and may be prepared to accept a "fair" offer from a third party. In this context, Boral's plans to exit a number of businesses and reduce its scope of operations to essentially Australian construction materials may make it a more attractive target for other industry participants;

- in the short term, Boral's shares are likely to trade at around the price prevailing prior to the Seven Group Offer ($6.50) in the absence of the Seven Group Offer (or speculation as to an offer) assuming no material change in market conditions. However, share prices are inherently volatile and Boral's share price will respond to individual company specific events as well as changes in general market or economic conditions. Catalysts for change could include:
  - the response to the full year FY21 results;
  - the price realised for Boral North America Building Products;
  - the price realised for the Fly Ash business (if a sale process is pursued and completed);
  - plans for any return of surplus cash to shareholders (in addition to the current on-market share buyback); and/or
  - changes to interest rates or other government policies that could impact on housing demand.

  In addition:
  - Boral's near term trading price could benefit from the "spotlight" the Seven Group Offer has put on the business and its prospects;
  - Boral has the capacity to continue its on-market share buyback which may provide ongoing share price support; and
  - Boral's share price may also be underpinned by expectations of further acquisitions by Seven Group under the "creep" provisions of the Corporations Act (up to 3% every six months); and
- even if a shareholder had a need for cash and wanted to sell, the shareholder could realise a higher price (even after transaction costs) by selling on-market. Since announcement of the Seven Group Offer, Boral shares have traded in the range $6.52-6.97. The closing share price on 8 June 2021 was $6.85.

In summary, there is no compelling reason for shareholders to accept the Seven Group Offer. Moreover, any acceptances would have adverse consequences for all remaining shareholders as they would allow Seven Group to increase its degree of control without paying a premium or a price equal to fair value for a controlling interest.

At the same time, up until the Seven Group Offer closes (currently 25 June 2021), shareholders should continue to monitor the situation. The Seven Group Offer has no minimum acceptance condition and, if Seven Group receives a substantial level of acceptances, it could increase its shareholding significantly. If Seven Group did increase its interest to a position of actual control (i.e. greater than 50%), shareholders may wish to reconsider their position particularly if Seven Group's interest exceeds, say, 80% which would have a dramatic impact on the pricing and liquidity of Boral shares post offer (e.g. through effects on index inclusion).

8.4 Other Matters

There are few issues other than price and value when shareholders are faced with a cash offer. The primary other factor that any Boral shareholder who accepts the Seven Group Offer should consider is that a capital gain or loss may arise, depending on the cost base for their Boral shares, the length of time held, whether the shares are held on capital or revenue account and whether the shareholder is an Australian resident for tax purposes. For this purpose, the consideration will be $6.50. Details of the Australian taxation consequences for Boral Shareholders who are Australian resident individuals and hold their shares on capital account are set out in Section 11 of the Target's Statement. Shareholders should consult their own professional adviser in relation to the taxation consequences.

8.5 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Seven Group Offer is fair and reasonable to Boral Shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Seven Group Offer, the responsibility for which lies with the Independent Directors of Boral.

In any event, the decision to accept or reject is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Seven Group Offer, shareholders should consult their own professional adviser.

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9 Qualifications, Declarations and Consents

9.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 575 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Jaye Gardner BCom LLB (Hons) CA SF Fin GAICD and Stephen Wilson MCom (Hons) CA SF Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Shaun Yu BBA CFA, Daniel Goh BCom MFin and Halil Aydogan B Com assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

9.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Seven Group Offer is fair and reasonable to shareholders. Grant Samuel expressly disclaims any liability to any Boral shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Target's Statement issued by Boral and has not verified or approved any of the contents of the Target's Statement. Grant Samuel does not accept any responsibility for the contents of the Target's Statement (except for this report).

9.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Boral or Seven Group or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Seven Group.

Related entities of Grant Samuel were retained to advise Seven West Media Limited ("Seven West Media") (an ASX listed entity in which Seven Group has a 40.2% shareholding) on two discrete assignments:

- the renegotiation of its existing bank facilities (role completed in July 2020); and
- asset sale processes for SWM Ventures investments (role completed in December 2020).

Grant Samuel and its related entities are not currently retained by Seven West Media in any capacity.

Grant Samuel had no part in the formulation of the Seven Group Offer. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $1.4 million for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Seven Group Offer. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

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9.4 Declarations

Boral has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving negligence or wilful misconduct by Grant Samuel. Boral has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Boral are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Boral and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

9.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target's Statement to be sent to shareholders of Boral. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

9.6 Other

The accompanying letter dated 10 June 2021 and the Appendix form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

10 June 2021

Grant Samuel & Associates

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APPENDIX 1 – BROKER FORECASTS

Boral has not publicly released detailed earnings forecasts for FY21 or subsequent years. Accordingly, the prospective multiples implied by the valuation of Boral in Grant Samuel's report are based on Boral's disclosure in the Target's Statement and median broker forecasts. Set out below is a summary of forecasts prepared by brokers that follow Boral in the Australian sharemarket:

BORAL – BROKER FORECASTS ($ MILLIONS)

BROKER	DATE	OPERATING REVENUE		EBITDA (EX PROPERTY)		EBITA (EX PROPERTY)	
		FY21	FY22	FY21	FY22	FY21	FY22
Broker 1	11 May 21	5,753.7	5,879.5		980.0		523.1
Broker 2	10 Feb 21	5,268.1	5,519.0		914.6		508.1
Broker 3	9 Feb 21	5,413.0	5,655.0		900.7		480.6
Broker 4	10 Feb 21	5,162.8	5,323.5		878.1		458.4
Broker 5	10 Feb 21	5,373.7	5,644.2		1,013.6		609.5
Broker 6	10 Feb 21	5,134.0	5,314.0		905.0		509.0
Broker 7	10 May 21	5,346.0	5,611.0		926.0		531.2
Broker 8	10 Feb 21	5,488.0	5,738.5		942.6		535.7
Broker 9	9 Feb 21	5,641.7	5,666.2		973.5		573.2
Broker 10	11 May 21	6,432.0	5,788.0		972.0		554.0
Broker 11	9 Feb 21	5,206.0	5,406.0		821.0		453.2
Minimum		*5,134.0*	*5,314.0*		*821.0*		*453.2*
Maximum		*5,753.7*	*5,879.2*		*1,013.6*		*609.5*
Median		***5,373.7***	***5,644.2***	***820.8***	***926.0***	***422.7***	***523.1***
Equity accounted investments		*-*	*-*	*(15.2)*	*(18.5)*	*(15.2)*	*(18.5)*
Operating median		***5,373.7***	***5,644.2***	***805.6***	***907.5***	***407.5***	***504.6***
Reversal of AASB16 impact		*-*	*-*	*(100.5)*	*(96.8)*	*(14.9)*	*(14.9)*
Adjusted median		***5,373.7***	***5,644.2***	***705.1***	***810.7***	***392.6***	***489.7***

Source: Broker reports and Grant Samuel analysis

When reviewing this data, the following should be noted:

- the starting point for FY21 is the disclosure provided by Boral in the Target's Statement that FY21 EBIT is expected to be approximately $430-450 million, including property earnings of approximately $20-25 million. Grant Samuel has:
  - deducted from the disclosed FY21 EBIT excluding property earnings of $410-425 million the EBIT contribution from discontinued operations (based on the median broker forecast for the contribution from discontinued operations of $56 million); and
  - added back amortisation of acquired intangible assets (based on the median broker forecast for amortisation of acquired intangible assets of $61.2 million);

  to determine operating EBITA excluding property in the range $415.2-430.2 million. The mid point of this range ($422.7 million) has been adopted for the purposes of this analysis.

  The median broker forecast for depreciation and amortisation (of $459.3 million) less amortisation of acquired intangible assets (of $61.2 million) has been added to the mid point operating EBITA excluding property of $422.7 million to determine operating EBITDA excluding property of $820.8 million;
- in relation to FY21 revenue and the FY22 forecasts:
  - the forecasts presented above represent the latest available broker forecasts for Boral;

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- the brokers presented are those who have published research on Boral following the release of its 1HY21 results on 9 February 2021 or the announcement of the Seven Group Offer on 10 May 2021 (some brokers revised their forecasts following the announcement of the Seven Group Offer);
- all except two of the broker forecasts for FY21 include discontinued operations (i.e. USG Boral and Meridian Brick). Grant Samuel has excluded discontinued operations from the FY21 broker forecasts shown above;
- only five of the 11 brokers have separately identified amortisation of acquired intangible assets. For the six brokers that have not separately identified amortisation of acquired intangible assets, the EBITA shown in the table above adjusts EBIT for the broker forecast median amortisation of acquired intangible assets (which does not differ materially from Boral's forecast amortisation of acquired intangible assets); and
- as far as it is possible to identify from a review of the broker reports, Grant Samuel believes that the broker forecasts:
  - include share of results of equity accounted investments and property income;
  - do not incorporate (or are shown before) any non-trading items; and
  - have been prepared on a post AASB16 basis.

  Grant Samuel has adjusted EBITDA and EBITA to exclude property income and results of equity accounted investments:
  - only four of the 11 brokers have separately identified property income. For the seven brokers that have not separately identified property income, the EBITDA and EBITA shown in the table above have been adjusted for the broker forecast median property income (which does not differ materially from Boral's forecast property income); and
  - none of the brokers separately identified results of equity accounted investments (other than discontinued operations). Grant Samuel has adjusted EBITDA and EBITA for Boral's estimated and budgeted results of equity accounted investments and to determine comparable operating EBITDA and EBITA.

  The impact of AASB16 has been reversed based on the adjustment Boral has made in its FY21 Outlook and FY22 Budget. The impact of AASB16 has been reversed to enable comparison with trading and transaction multiples (which have been calculated on a pre AASB16 basis).

The median broker forecasts calculated on this basis, in addition to the Company's FY21 Outlook and FY22 Budget, are considered useful for analytical purposes.

Attachment 2
ASX announcements

The following table lists announcements made to the ASX by Boral over the period between 10 May 2021 (following the announcement of the SGH Offer) and the Last Practicable Date.

Date	Title
10 May 2021	Change in substantial holding from SVW
11 May 2021	Boral recommends shareholders reject the $6.50 SGH offer
11 May 2021	Change in substantial holding
11 May 2021	Daily share buy-back notice - Appendix 3E
13 May 2021	Daily share buy-back notice – Appendix 3E
14 May 2021	Daily share buy-back notice – Appendix 3E
17 May 2021	Daily share buy-back notice – Appendix 3E
18 May 2021	Daily share buy-back notice – Appendix 3E
18 May 2021	Boral tender offer for senior notes
19 May 2021	Daily share buy-back notice – Appendix 3E
20 May 2021	Daily share buy-back notice – Appendix 3E
21 May 2021	Daily share buy-back notice – Appendix 3E
24 May 2021	Boral advises results of tender offer for senior notes
24 May 2021	Daily share buy-back notice – Appendix 3E
25 May 2021	Daily share buy-back notice – Appendix 3E
25 May 2021	NIH commences sending its bidder's statement
25 May 2021	Letter to Shareholders
26 May 2021	Daily share buy-back notice - Appendix 3E
26 May 2021	NIH completes sending its bidder's statement
26 May 2021	NIH Notice – satisfaction of Lenders' consent condition
26 May 2021	Change in substantial holding from SVW
27 May 2021	Daily share buy-back notice - Appendix 3E
27 May 2021	Change in substantial holding
28 May 2021	Daily share buy-back notice - Appendix 3E
28 May 2021	Share buy-back notice of cancellation of shares
31 May 2021	Daily share buy-back notice - Appendix 3E
1 June 2021	Daily share buy-back notice - Appendix 3E
2 June 2021	Daily share buy-back notice - Appendix 3E
3 June 2021	Daily share buy-back notice - Appendix 3E
3 June 2021	ASIC relief for Target's Statement
4 June 2021	Daily share buy-back notice - Appendix 3E
7 June 2021	Daily share buy-back notice - Appendix 3E

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