



30 March 2020

The Manager, Listings
Australian Securities Exchange
ASX Market Announcements
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Dear Sir

S&P Global Ratings Update

S&P Global Ratings have today affirmed their 'BBB' ratings on Boral Limited (ASX: BLD). The rating outlook has been revised from stable to negative.

We attach a copy of the S&P Global Ratings report.

Authorised for lodgment by:

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Dominic Millgate
Company Secretary

Research Update:

Boral Ltd. Outlook Revised To Negative On Weaker Cash Flow And Revenue Prospects Due To COVID-19; 'BBB' Ratings Affirmed

March 29, 2020

Rating Action Overview

- We believe the global COVID-19 pandemic and resulting recessionary environment will significantly cut Boral Ltd.'s earnings across all its core divisions, constraining the company's ability to maintain an adjusted FFO to debt above 30%.
- The company has a solid liquidity buffer despite the near-term cash flow pressures. We expect the company to take decisive action to protect its liquidity as demand for its products slow down.
- In addition, Boral has a solid track record of prudent balance sheet management, ensuring operational flexibility and ratings stability. The company is publically committed to maintaining strong investment-grade rating, which we believe implies Boral's commitment to take necessary actions to preserve its financial health.
- On March 30, 2020, S&P Global Ratings revised its outlook on Boral to negative from stable. We affirmed the 'BBB' long-term issuer credit rating on the company and issue ratings on the company's debt.
- The negative outlook reflects our view that COVID-19-related restrictions and temporary lockdowns are likely to significantly depress Boral's earnings and hinder cash flow across all its core divisions, which, if protracted, could cause Boral's leverage to move outside our tolerances for the 'BBB' rating.

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Rating Action Rationale

We revised the outlook to negative based on our expectations that government-led restrictions and temporary lockdowns due to the COVID-19 pandemic will significantly cut Boral's earnings and hinder cash flow across all its divisions: Boral Australia, Boral North America, and USG

Boral. This will constrain the company's ability to maintain an adjusted funds from operations (FFO) to debt above 30% in the year ending June 30, 2021.

We expect the decline in sales, production volumes, and earnings to be particularly severe in the fourth quarter of the financial year ended June 30, 2020, due to government-led temporary lockdowns and restrictions to contain the spread of the virus. Because the severity and duration of the COVID-19 pandemic are as yet unclear, it is difficult to predict its full impact on business activity, the global economy, and ultimately, Boral Ltd.

We expect Boral to take decisive action to preserve cash amid a downturn in activity. This includes implementing cost-saving measures that could include plant slowdown and shutdown programs, particularly in the absence of a tangible industry rebound. We believe that Boral will maintain a prudent approach to spending. Boral's ability to use the efficiency gains from previous cost-saving initiatives, continued focus on cash preservation, and flexibility to reduce non-essential capital expenditure and discretionary spending will be key.

We see no imminent liquidity risks for Boral. While there will be pressure on near-term cash flows, Boral has built a substantial liquidity buffer. Boral's liquidity cushion is supported by unrestricted cash and available undrawn funds in its syndicated loan facility totaling about A\$800 million, as well as internally generated cash flows. The company has no further maturities before fiscal 2022 after repaying its US\$76 million of U.S. private placement notes due in April 2020. Furthermore, Boral will continue to pursue opportunities to divest noncore assets, with proceeds of about A\$82 million from the recently announced sale of Boral's Western Australia-based Midland Brick business still to come through over the next few months in the June quarter.

We also note that Boral has no earnings-based covenants. The company's principal debt gearing covenant, measured as gross debt to gross debt plus equity, increased slightly to 30% (up from 29% at June 2019), comfortably within the 60% threshold.

In our view, Boral has a solid track record of prudent balance sheet management, ensuring operational flexibility and ratings stability. The company is publically committed to maintaining the 'BBB' rating, which we believe implies Boral's commitment to take necessary actions to preserve its financial health. The company has reactivated its dividend reinvestment plan, which is fully underwritten for the interim and full year (A\$111.4 million for the interim dividend).

Outlook

The negative outlook reflects our expectation that uncertain industry conditions associated with COVID-19 are likely to persist over the next 12 months and could test Boral's ability to maintain its S&P Global Ratings-adjusted leverage FFO to debt above 30%.

Downside scenario

We could lower the ratings if the deterioration in building and construction conditions results in Boral being unable or unwilling to sustain its FFO-to-debt ratio above 30% or if the company generates negative free operating cash flows that materially erode its available liquidity.

Upside scenario

We could return the ratings to a stable footing if we believe that Boral's operational and capital management initiatives would be successful in sustaining its FFO-to-debt ratio above 30% while retaining adequate levels of liquidity.

Ratings Score Snapshot

Issuer Credit Rating

BBB/Negative/--

Business risk: Satisfactory

- Country risk: Very low
- Industry risk: Intermediate
- Competitive position: Satisfactory

Financial risk: Intermediate

- Cash flow/leverage: Intermediate

Anchor: bbb

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Building Materials Industry, Dec. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed

Boral Ltd.

Senior Unsecured	BBB
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Boral Finance Pty Ltd.

Senior Unsecured	BBB
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Boral Industries Inc.

Senior Unsecured	BBB
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Boral USA

Senior Unsecured	BBB
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Ratings Affirmed; CreditWatch/Outlook Action

	To	From
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Boral Ltd.

Issuer Credit Rating	BBB/Negative/NR	BBB/Stable/NR
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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