



ASX RELEASE

14 April 2020

Update on USG Boral transaction and COVID-19

Boral Limited ("Boral" ASX: BLD) today updated the market on its transaction with Knauf in relation to its USG Boral joint venture. Boral also provided an update on COVID-19 impacts to Boral's operations with safety being Boral's key priority, and actions to control expenditure consistent with the current environment.

USG Boral transaction with Knauf

On 19 March 2020, Boral announced that its view was that the ACCC is unlikely to approve the call option in relation to the Australian and NZ business.

In further discussions between Boral and Knauf, it is now clear that obtaining the necessary regulatory approvals required to allow the transaction to be implemented as signed in August 2019, is not achievable by the 30 June sunset date. Other conditions to the transaction also remain outstanding.

As a result, Boral and Knauf will consider a range of potential options, with Boral's objective being to target a cash neutral transaction rather than a transaction with a significant funding requirement for Boral.

Discussions are at a preliminary stage and any revised transaction remains subject to agreement between Boral and Knauf, and ultimately will also require the approval of regulators including the ACCC and NZCC.

Given this, the Company's pre-existing US\$400m acquisition bridge facility, put in place for the purpose of completing the transaction with Knauf, was allowed to lapse. Boral's balance sheet is discussed in more detail below.

Impacts of COVID-19: Safely supplying customers but demand is substantially declining

At this point in time, in most jurisdictions, Boral's operations are considered to be within the critical infrastructure and construction sectors that are permitted and encouraged to continue as essential businesses. This includes Boral's US Fly Ash business, which provides an essential service to the energy sector. Where operations can be conducted in a safe way, with appropriate hygiene and social distancing practices, Boral is continuing to operate and supply customers.

In some areas however, particularly in North America and Asia, more stringent mandates and restrictions have resulted in temporary closures of several operations.

In addition, demand is declining in most markets and is expected to continue to decline, particularly in residential construction markets where the pipeline of work is substantially reducing in all geographies.

As a result, where we have sufficient inventory levels to supply customers, production curtailments are planned and are taking place, including shift reductions and temporary plant closures. These actions will help to conserve cash and minimise any unintended inventory build-up.

Boral is supporting employees impacted by temporary closures with access to paid leave, unpaid leave, flexible and remote working arrangements (where possible) and assistance with accessing relevant government support.

Decisive actions to manage through the downturn and to maintain a robust balance sheet

While uncertainty remains around the duration and extent of the impact of COVID-19 measures, Boral is taking decisive actions to prudently preserve cash and protect Boral for the long term, including by:

- Reducing costs and discretionary expenditure across the entire business
- Right-sizing operations including temporary plant closures to align production with current and expected lower activity levels
- Rigorously managing cash flow and working capital
- Reducing non-essential capital expenditure, resulting in ~15-20% lower capital expenditure in FY2020. Boral now expects ~\$330m of capital expenditure in FY2020 (previously ~\$400m)
- Accessing available government and other relief initiatives, including tax relief.

Boral expects these actions will strengthen the Company's financial position, helping to maintain a strong liquidity position and a robust balance sheet.

As at the end of March 2020, Boral has ~A\$890m of available cash and undrawn committed funds. In addition, the remaining \$73m of \$82m proceeds from sale of Midland Brick is expected in the June quarter.

Boral will repay the maturing tranche of US Private Placement (USPP) notes totalling US\$76m in April 2020, after which the Company's next debt to mature is in early FY2022.

Boral reactivated its dividend reinvestment plan (DRP) for the interim dividend, which has been fully underwritten for the dividend payment date of 15 April 2020.

As previously reported, Boral does not have any debt covenants that are based on earnings. The Company's principal gearing covenant is gross debt / (gross debt + equity) <60%. As at the end of March 2020, this principal gearing measure had increased from ~30% to ~36% as a result of committed facilities being drawn down in cash. Net debt / (net debt + equity) remains around 31%.

As recently announced, both S&P Global Ratings and Moody's have affirmed their investment grade credit ratings for Boral of 'BBB' and 'Baa2', respectively, while revising from a stable to negative rating outlook due to COVID-19.

Mike Kane, Boral's CEO & Managing Director, said:

"Our number one priority continues to be the safety, health and wellbeing of our people, our customers and any visitors to our sites. We continue to implement measures to help minimise the spread of the virus and to help ensure the safety of our people and our communities.

"We are also carefully managing the business to protect the financial sustainability of Boral and to ensure Boral is in good shape when we get through the pandemic crisis. Through our business continuity and scenario planning, we are preparing for a full range of potential disruptions.

"I acknowledge the safe and swift actions of Boral's people in responding to the current challenges. Together we are working to ensure Boral comes through this period as a strong company."

More information about Boral's response to COVID-19 can be found at [boral.com/covid19-updates](https://www.boral.com/covid19-updates).

For the purposes of ASX Listing Rule 15.5, the Board has authorised the release of this announcement to the market.

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