Boral Limited
ABN 13 008 421 761

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19 March 2024

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000
AUSTRALIA

Dear Sir / Madam

BORAL LIMITED (ASX:BLD) – TAKEOVER OFFER FROM NETWORK INVESTMENT HOLDINGS PTY LIMITED

We attach, as required by item 14 of section 633(1) of the *Corporations Act 2001* (Cth), a copy of the target's statement ("**Target's Statement**") of Boral Limited (ACN 008 421 761) ("**Boral**") in response to the off-market takeover bid by Network Investment Holdings Pty Limited (ACN 078 448 512) ("**SGH Bidder**"), a wholly owned subsidiary of Seven Group Holdings Limited (ACN 142 003 469), for all the ordinary shares in Boral.

The Target's Statement has been sent to SGH Bidder and lodged with the Australian Securities & Investments Commission today. The Target's Statement will be sent to Boral shareholders by the following means:

1. Boral shareholders who have nominated an electronic address for the purposes of receiving electronic copies of shareholder communications will receive an email with a link to an electronic copy of the Target's Statement; and
2. Boral shareholders who have not nominated an electronic address for the purposes of receiving electronic copies of shareholder communications will receive a letter from Boral to their registered postal address, which will contain details of a link to an electronic copy of the Target's Statement.

Boral shareholders may also request a hard copy of the Target's Statement be sent to them (if in Australia, by pre-paid ordinary post or by courier, or, if outside Australia, by pre-paid airmail post or by courier) by contacting the Boral shareholder information line on 1800 218 694 (for calls made from within Australia) or +61 1800 218 694 (for calls made from outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time), excluding public holidays.

This letter was authorised to be released to ASX by the Boral Bid Response Committee.

Yours sincerely,

J.P. Wallace

Jean-Paul Wallace
Company Secretary

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

BORAL

Building something great

TARGET'S STATEMENT

This Target's Statement has been issued in response to the unconditional 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 BID RESPONSE COMMITTEE UNANIMOUSLY RECOMMENDS THAT YOU

REJECT

THE SGH OFFER

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 ADVISER

UBS

LEGAL ADVISER

Allens > < Linklaters

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) (ASX:BLD) (**Boral**) under Division 3 of Part 6.5 of the Corporations Act in response to the off-market takeover bid made by Network Investment Holdings Pty Limited (**SGH Bidder**), a wholly-owned subsidiary of Seven Group Holdings Limited (**SGH**), to acquire all of the issued shares in Boral which SGH does not already own (the **SGH Offer**).

A copy of this Target's Statement was lodged with ASIC and given to ASX on 19 March 2024. 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 1800 218 694 (for calls made from within Australia) or +61 1800 218 694 (for calls made from outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time) (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 https://www.boral.com.au/shareholder-information/sgh-takeover-bid.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 12 of this Target's Statement. In addition, unless the context requires otherwise, words and phrases that are defined in the Corporations Act have the same meaning and interpretation in this Target's Statement given to that word or phrase in the Corporations Act.

Section 12.2 also sets out some rules of interpretation that apply to this Target's Statement.

No account of personal circumstances

This Target's Statement does not constitute financial product advice and does not take into account your individual objectives, financial situation, tax position, investment objectives or particular needs. The recommendations and other information contained in this Target's Statement should not be taken as personal, financial or taxation advice. The Bid Response Committee of the Boral Board (**BRC**) 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. All statements other than statements of historical fact are forward looking statements and generally may be identified by the use of forward looking words such as "believe", "aim", "expect", "anticipate", "foresee", "intending", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. 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, make 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. Subject to any continuing obligations under the ASX Listing Rules or the Corporations Act, Boral and its officers disclaim any obligation or undertaking to update or revise any forward looking statements to reflect any change in expectations in relation to them or any change in events, conditions or circumstances on which any forward looking statement is based.

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. This information, and information in this Target's Statement concerning SGH and SGH Group's 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. In particular, if the information has been used as the basis for forward looking statements in this Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward looking statements.

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 Level 12, 680 George Street, Sydney NSW 2000.

Boral's privacy policy is available at www.boral.com.au/privacy-policy.

The registered address of Boral is Triniti 2, Level 3, 39 Delhi Road, North Ryde 2113.

Risk Factors

Boral Shareholders should note that there are a number of risks that they should have regard to before deciding how to respond to the SGH Offer. Further information about those risks can be found in section 8 of this Target's Statement.

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Key dates

SGH Offer announced and Bidder's Statement lodged with ASIC and released on ASX	19 February 2024
Replacement Bidder's Statement lodged with ASIC and released on ASX	4 March 2024
SGH Offer Period opened	4 March 2024
Second Supplementary Bidder's Statement lodged with ASIC and released on ASX and SGH Offer declared unconditional	4 March 2024
Completion of dispatch of Bidder's Statement	6 March 2024
Date of this Target's Statement	19 March 2024
Close of SGH Offer Period (unless the SGH Offer is extended in accordance with the Corporations Act or withdrawn with the written consent of ASIC)	7.00pm (Sydney time) on 4 April 2024

Letter from the Bid Response Committee of the Boral Board

Dear Boral Shareholders

You have recently received a Bidder's Statement from Network Investment Holdings Pty Limited (**SGH Bidder**), a wholly-owned subsidiary of Seven Group Holdings Limited (**SGH**), containing an offer to acquire all of your shares in Boral (the **SGH Offer**). This Target's Statement sets out Boral's formal response to the SGH Offer.

SGH Bidder is offering Boral Shareholders consideration of 0.1116 SGH Shares and $1.50 cash for each Boral Share (the **Minimum Consideration**). SGH Bidder has stated that the Minimum Consideration will be increased by up to $0.20 per Boral Share, if certain triggers are satisfied. These are:

- The Offer Consideration will be increased by $0.10 per Boral Share in cash if one or both of the following occur: SGH Bidder receives acceptances under the SGH Offer to reach an aggregate interest in Boral Shares of 80% or more, or the Boral Board, excluding Ryan Stokes and Richard Richards, unanimously recommends that Boral Shareholders accept the SGH Offer.
- The Offer Consideration will increase by a further $0.10 per Boral Share in cash if SGH Bidder receives acceptances under the SGH Offer sufficient to reach compulsory acquisition by achieving voting power of 90.6% or more in Boral Shares.

If both of these increases occur, then the Offer Consideration from SGH Bidder would be 0.1116 SGH Shares and $1.70 cash for each Boral Share (the **Maximum Consideration**).

Based on the value of SGH Shares at the close of trading on 18 March 2024, being the last practicable trading date prior to the date of this Target's Statement (**Last Practicable Date**), the Minimum Consideration had an implied value of $6.07.

The Boral Board has established a Bid Response Committee (**BRC**) for the purposes of responding to the SGH Offer. The BRC is chaired by Robert Sindel as Lead Independent Director and comprises all Boral directors other than the SGH nominees. The recommendations in this Target's Statement are provided by the BRC members.

The BRC has carefully assessed the SGH Offer and believes the SGH Offer does not represent an appropriate value for minority shareholders. The BRC unanimously recommends that you REJECT the SGH Offer and simply TAKE NO ACTION in relation to all the documents sent to you from SGH. Each of the Directors on the BRC intends to REJECT the SGH Offer in relation to their Boral Shares.

The BRC appointed Grant Samuel & Associates Pty Limited (**Grant Samuel**) 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, and CIVAS (NSW) Pty Ltd (**Colliers**) to provide an independent indicative assessment report in relation to Boral's surplus property portfolio[1].

The Independent Expert has concluded that the SGH Offer is **not fair**. The Independent Expert has:

- estimated the fair market value of Boral Shares to be in the range of **$6.50 to $7.13 per Boral Share**; and
- assessed the value of SGH's Offer Consideration to be lower than this and in the range of $5.96 to $6.19 per Boral Share (and up to $6.39 per Boral Share including the conditional payments).

The Independent Expert has also concluded that the SGH Offer is **not reasonable**.

A full copy of the Independent Expert's Report, which references Colliers' indicative property assessment report, is set out in Attachment 1 to this Target's Statement.

The BRC recommends that you **REJECT the SGH Offer** for the reasons set out below:

1. The Independent Expert has assessed the SGH Offer as **not fair**. The Independent Expert has also assessed the SGH Offer as **not reasonable**.
2. The implied value of the SGH Offer does not represent any meaningful premium to the recent historical trading prices of Boral prior to the SGH Offer.
3. Boral's outlook is robust and supported by positive market fundamentals.
4. Boral is making meaningful progress on its strategy and is expected to continue to deliver value for Boral Shareholders through its strong earnings growth and free cash flow generation.
5. There is opportunity for Boral to realise latent value from its surplus property portfolio, which may then be reflected in Boral's share price in the future. The Independent Expert has attributed a value of $1.4 to $1.6 billion ($1.26 to $1.44

[1] Refer to the Independent Expert's Report for further relevant information.

per Boral Share) to the surplus property portfolio, which is higher than Boral’s most recently disclosed surplus property value of approximately $1 billion as part of its FY23 results. This represents an uplift of $0.36 to $0.54 per Boral Share when compared to the prior valuation.

6. If you accept the SGH Offer, and if you are an Australian tax resident, then you will be subject to capital gains tax (**CGT**) on the disposal of your Boral Shares. You will not receive scrip-for-scrip CGT rollover relief on the scrip component of the Offer Consideration unless SGH acquires 80% ownership of Boral under the SGH Offer (excluding SGH’s interest under its physically settled equity swap (6.2% as at 18 March 2024)) which is by no means certain. CGT rollover relief is not available on the cash component of the SGH Offer.
7. Achieving the thresholds required for the two potential $0.10 per Boral Share increases in the Cash Consideration is not certain. Based upon SGH's ASX announcements made prior to the date of this Target's Statement, 11,660,274 Boral Shares have been accepted into the SGH Offer since it opened on 4 March 2024, representing only 1.06% of Boral's total share capital.

In addition to these key reasons, there are a number of other considerations which the BRC believes Boral Shareholders should take into account in deciding whether to accept the SGH Offer. These include:

1. SGH has stated in its Bidder's Statement that Boral is unlikely to pay dividends for some time. The payment of dividends is a matter for the Boral Board at the relevant time acting in the best interests of all Boral Shareholders. Boral has significant capacity for capital management, and is expected to be in a position to pay fully franked dividends by the second half of FY2025.
2. Boral has a strong future as a standalone ASX listed company with a substantial free float of approximately $1.9 billion and a register of approximately 47,000 shareholders. SGH has stated that it intends to seek to delist Boral from the ASX, subject to compliance with all legal requirements. However, there are material constraints on SGH being able to have Boral delisted by ASX outside of compulsory acquisition.
3. There is uncertainty regarding the value of the SGH Shares which you would receive if you accept the SGH Offer. SGH Shares are trading near all-time highs, and the share price is not supported by dividends, with SGH having a dividend yield (based off dividends for the 12 months ended 13 December 2023) of slightly over 1%.
4. SGH has interests in a number of businesses other than Boral with different risk profiles and growth prospects. Shareholders may have invested in Boral because of its concentrated exposure to the Australian construction materials market and its large privileged aggregates position, and may not want the diversification of SGH Group (which they can otherwise achieve for themselves if they so desire).
5. With other M&A activity currently occurring in the construction materials sector, there may be limited alternative public investment opportunities for a direct, high-quality and focused exposure to Australian construction materials.
6. SGH has stated that it intends to increase its representation on the Boral Board commensurate with its interest in Boral. While this may happen, any further nominees of SGH on the Boral Board, like all directors, must act in the best interests of all Boral Shareholders.

While the Bid Response Committee recommends shareholders **REJECT the SGH Offer**, it recognises that there are risks associated with continued ownership of Boral Shares, and depending on your risk tolerance, acknowledges some Boral Shareholders may wish to accept the SGH Offer. The Independent Expert notes the judgment in relation to reasonableness is finely balanced and for shareholders with a low tolerance for risk there is a case for accepting the SGH Offer; and that the Independent Expert's conclusion may change if circumstances change.

You are encouraged to read this Target’s Statement (including the Independent Expert’s Report set out in Attachment 1) 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.

Our core focus is to continue to deliver value to all Boral Shareholders, including the minority shareholders, and we want all Boral Shareholders to benefit from the future value we believe is available through Boral.

Thank you for being a Boral Shareholder.

Yours sincerely,

Robert Sindel

Lead Independent Non-Executive Director, and BRC Chair

1 Recommendation

1.1 BRC recommendation

The BRC 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 the Bidder's Statement.

In considering whether to **REJECT the SGH Offer**, the BRC 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;
- 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 BRC's reasons for its recommendation

The reasons for the BRC's recommendation that you **REJECT the SGH Offer** are that:

1. The Independent Expert has assessed the SGH Offer as **not fair**. The Independent Expert has also assessed the SGH Offer as **not reasonable**.
2. The implied value of the SGH Offer does not represent any meaningful premium to the recent historical trading prices of Boral prior to the SGH Offer.
3. Boral's outlook is robust and supported by positive market fundamentals.
4. Boral is making meaningful progress on its strategy and is expected to continue to deliver value for Boral Shareholders through its strong earnings growth and free cash flow generation.
5. There is opportunity for Boral to realise latent value from its surplus property portfolio, which may then be reflected in Boral's share price in the future. The Independent Expert has attributed a value of $1.4 to $1.6 billion[2] ($1.26 to $1.44 per Boral Share) to the surplus property portfolio, which is higher than Boral's most recently disclosed surplus property value of approximately $1 billion as part of its FY23 results. This represents an uplift of $0.36 to $0.54 per Boral Share when compared to the prior valuation.
6. If you accept the SGH Offer, and if you are an Australian tax resident, then you will be subject to CGT on the disposal of your Boral Shares. You will not receive scrip-for-scrip CGT rollover relief on the scrip component of the Offer Consideration unless SGH acquires 80% ownership of Boral under the SGH Offer (excluding SGH's interest under its physically settled equity swap (6.2% as at 18 March 2024)) which is by no means certain. CGT rollover relief is not available on the cash component of the SGH Offer.
7. Achieving the thresholds required for the two potential $0.10 per Boral Share increases in the Cash Consideration is not certain. Based upon SGH's ASX announcements made prior to the date of this Target's Statement, 11,660,274 Boral Shares have been accepted into the SGH Offer since it opened on 4 March 2024, representing only 1.06% of Boral's total share capital.
8. Other considerations, including:
   - SGH has stated in its Bidder's Statement that Boral is unlikely to pay dividends for some time. The payment of dividends is a matter for the Boral Board at the relevant time acting in the best interests of all Boral Shareholders. Boral has significant capacity for capital management, and is expected to be in a position to pay fully franked dividends by the second half of FY2025.
   - Boral has a strong future as a standalone ASX listed company with a substantial free float of approximately $1.9 billion[3] and a register of approximately 47,000 shareholders. SGH has stated that it intends to seek to delist Boral from the ASX, subject to compliance with all legal requirements. However, there are material constraints on SGH being able to have Boral delisted by ASX outside of compulsory acquisition.

[2] In the valuation of contracted properties, the Independent Expert applied corporate income tax to the expected future cash flows. The Independent Expert did not apply any capital gains tax against the value of the surplus property assets because a buyer of 100% of Boral would not necessarily seek immediate monetisation of these assets, would benefit from a step up in the tax base (from allocation of its purchase cost) and Boral's existing capital losses may be available to partly offset potential liabilities.
[3] Based on market data as at 18 March 2024.

- There is uncertainty regarding the value of the SGH Shares which you would receive if you accept the SGH Offer. SGH Shares are trading near all-time highs, and the share price is not supported by dividends, with SGH having a dividend yield (based off dividends for the 12 months ended 13 December 2023) of slightly over 1%.
- SGH has interests in a number of businesses other than Boral with different risk profiles and growth prospects. Shareholders may have invested in Boral because of its concentrated exposure to the Australian construction materials market and its large privileged aggregates position, and may not want the diversification of SGH Group (which they can otherwise achieve for themselves if they so desire).
- With other M&A activity currently occurring in the construction materials sector, there may be limited alternative public investment opportunities for a direct, high-quality and focused exposure to Australian construction materials.
- SGH has stated that it intends to increase its representation on the Boral Board commensurate with its interest in Boral. While this may happen, any further nominees of SGH on the Boral Board, like all directors, must act in the best interests of all Boral Shareholders.

Full details of the reasons why you should **REJECT the SGH Offer** are set out in section 2.

1.3 Mr Stokes' and Mr Richards' reasons for not making a recommendation

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.

Richard Richards, a nominee director of SGH on the Boral Board, is the Chief Financial Officer of SGH.

Given their respective roles with SGH, Mr Stokes and Mr Richards do not consider themselves to be independent for the purposes of the SGH Offer.

For this reason, Mr Stokes and Mr Richards have not participated in any Boral Board meetings relating to consideration of the SGH Offer, will not vote on any matters relating to the SGH Offer (except to the extent the full Boral Board is required by law to determine a particular matter), have not been provided with any sensitive information concerning Boral's response to the SGH Offer, and will not make a recommendation on whether the SGH Offer should be accepted by Boral Shareholders.

In addition, this Target's Statement does not contain information known only to Mr Stokes or Mr Richards in accordance with an ASIC exemption granted to Boral (see section 11.12).

1.4 Intentions of Boral's BRC in relation to the SGH Offer

Each of the Directors on the BRC 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 9.1.

2 Reasons why you should REJECT the SGH Offer

The BRC has carefully assessed the SGH Offer and believes the SGH Offer does not represent an appropriate value for minority shareholders. The BRC unanimously recommends that you **REJECT the SGH Offer** by **TAKING NO ACTION** for the reasons set out below.

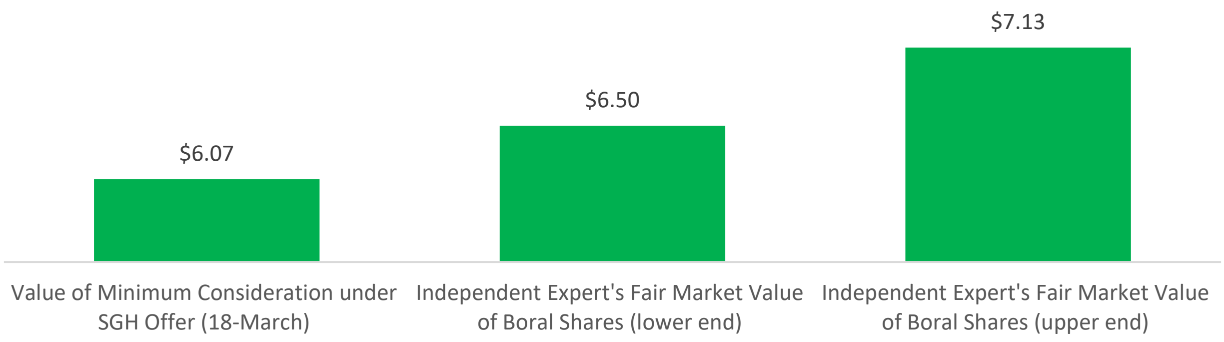
2.1 The Independent Expert has assessed the SGH Offer as not fair. The Independent Expert has also assessed the SGH Offer as not reasonable

The Independent Expert has concluded in its Independent Expert's Report that the SGH Offer is **not fair**. This is on the basis the Independent Expert:

- has estimated the fair market value of Boral Shares to be in the range of $6.50 to $7.13 per Boral Share; and
- has assessed the value of the Offer Consideration to be in the range of $5.96 to $6.19 per Boral Share (and up to $6.39 per Boral Share including the First Consideration Increase and the Second Consideration Increase).

Based on the value of SGH Shares at the close of trading on 18 March 2024, the Minimum Consideration had an implied value of $6.07. This is 6.6% – 14.9% lower than the Independent Expert's fair market value range for a Boral Share.

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



Source: Independent Expert's Report

The Independent Expert has also concluded that the SGH Offer is **not reasonable**, but notes the judgment is finely balanced and for shareholders with a low tolerance for risk there is a case for accepting the SGH Offer; and the Independent Expert's conclusion may change if circumstances change.

A full copy of the Independent Expert's Report is set out in Attachment 1 to this Target's Statement.

2.2 The implied value of the SGH Offer does not represent any meaningful premium to the recent historical trading prices of Boral prior to the SGH Offer

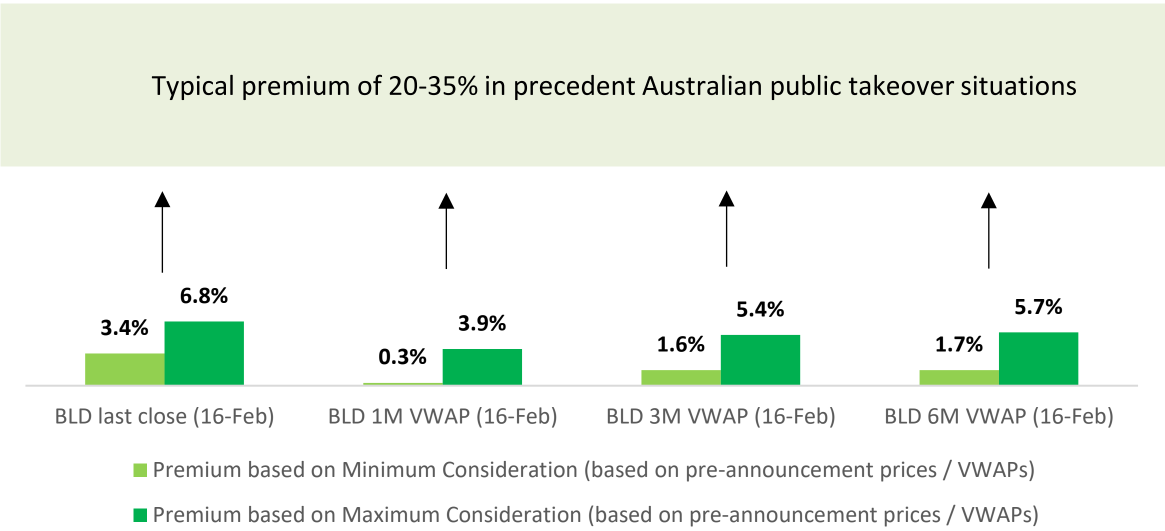
At the time the SGH Offer was announced by SGH, the premium of the SGH Offer at the Minimum Consideration was 3.4%[4]. This is considerably lower than historical premia experienced in public takeover situations in the Australian market which are typically in the range of 20 – 35%[5] and does not represent any meaningful premium to the recent historical trading prices of Boral prior to the SGH Offer. The BRC does not consider that SGH is paying an appropriate premium for consolidation of its control of Boral.

Further, the calculation of premia set out in the Bidder's Statement relative to Boral's historical Volume Weighted Average Prices (**VWAPs**) is based on a fixed SGH close price on 16 February 2024 of $40.77, which also represents SGH's 52-week high. However, as the Offer Consideration includes the Scrip Consideration, the SGH Offer premium should be calculated with reference to both Boral and SGH's

[4] Based on the closing price of Boral Shares and SGH Shares on 15 February 2024.
[5] See Grant Samuel's Independent Expert Report in Attachment 1.

respective VWAPs over the same period. When the premium is calculated with reference to both companies' respective VWAPs, the premium is substantially reduced relative to what is represented in the Bidder's Statement and is not commensurate with an appropriate premium for the consolidation of SGH's control of Boral, as demonstrated in the chart below. Based on a 1-month VWAP, the Minimum Consideration represents a 0.3% premium to the trading price of Boral Shares over that same period, and the similar 3 and 6 month premia are 1.6% and 1.7%, respectively.

Figure 2: Implied offer premia based on pre-announcement prices/VWAPs for each of SGH and Boral



2.3 Boral's outlook is robust and supported by positive market fundamentals

Boral is the largest vertically integrated construction materials group in Australia, primarily servicing customers in the building and construction industries. Resultantly, Boral is predominantly exposed to Australia's construction industry which represents an attractive high-growth market supported by favourable tailwinds.

Currently, Australia's construction industry is in the midst of a multi-year upswing cycle, driven by high population growth and increased investment in housing and infrastructure. Australia's population growth, which has the highest growth expectations in the OECD between 2023 and 2030 is approximately 3 times the OECD average, with an expected population increase of over 400,000 per year, buoyed by record levels of immigration[6].

In addition to population growth, construction activity is expected to be initially led by government spending across residential and infrastructure projects with over A$15 billion[7] of funding at a federal level in Australia intended to be invested in housing support. Other key drivers contributing to the expected upturn include:

- significant government health infrastructure building programs;
- a housing upswing is expected to commence in 2024 driven by high migration and declines in interest rates;
- an expected multi-year lift in road and rail infrastructure; and
- an expected increase in resources construction driven by investment into renewable energy and critical minerals.

These key drivers underpin an expected compound annual growth rate (**CAGR**) of approximately 3.5%[8] from FY23 to FY27 for the Australian construction industry. Total construction spend is expected to rise to a peak of $276 billion by late 2027, with activity moderating thereafter.[9]

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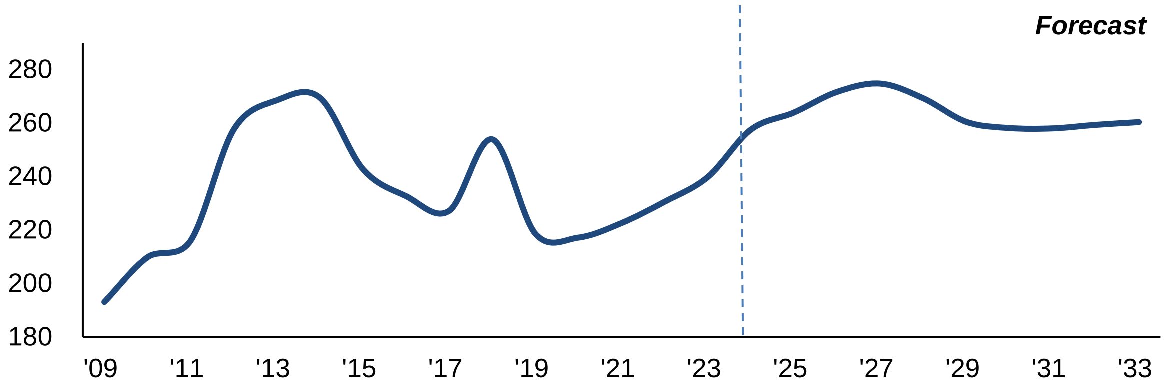
[6] OECD, ABS.
[7] Based on Commonwealth of Australia data from the Ministers Treasury portfolio.
[8] Derived by Boral management from the information presented in Figure 3.
[9] Derived by Boral management from the information presented in Figure 3.

Figure 3: Construction Work – Australia (A$bn)



Source: Approximations based on Macromonitor reporting and ABS

2.4 Boral is making meaningful progress on its strategy and is expected to continue to deliver value for Boral Shareholders through its strong earnings growth and free cash flow generation

Boral has undergone significant business changes over the last 2 years, encompassing changes to its leadership, strategy and operating model, in addition to the divestment of non-core operations. The business today is solely focused on its Australian vertically integrated construction materials business and is oriented around its core product lines (cement, quarries, concrete, asphalt and recycling).

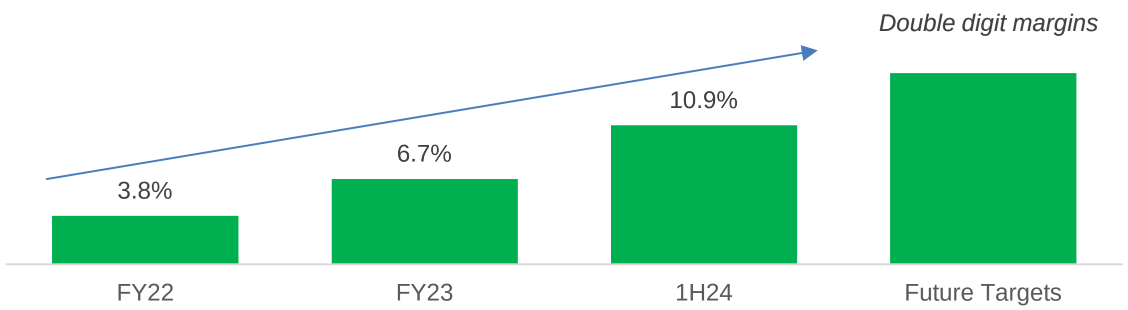
To strengthen and grow the business, Boral has implemented a new strategic plan in 2023 – the 'Good to Great' – which is underpinned by 5 strategic pillars, being, people, environment, markets, assets, and financials (**PEMAF**). This strategic framework includes the implementation of a standardised operating model across the business, driving improved accountability, returns and financial performance and is expected to deliver significant value creation in future years.

Since introducing this new strategic framework, Boral has increased margins and generated higher returns as evidenced in Figure 4 and Figure 5. This has led to substantial earnings growth, with EBIT (excluding significant items) approximately doubling from $95.3 million in the first half of FY23 to $201.0 million in the first half of FY24. Resultantly, free cash flow generation has increased approximately tenfold from $23.5 million in the first half of FY23 to $259.6 million in the first half of FY24.

Boral management is only part way through implementation of this strategy and remains focused on its ambition to maintain sustainable double-digit returns and EBIT margins, sustainable free cash flow generation and the development of its prized property portfolio to deliver significant value creation to Boral Shareholders in future years. Boral is in a strong position to reinvest in the business or capitalise on growth opportunities. Boral's expected growth across earnings and cash flow will permit it to generate value creation through reinvestment into the business, aligning with its current PEMAF strategy, over the coming years remaining of its current strategic plan. Section 5.4 includes further information relating to Boral's strategic plan.

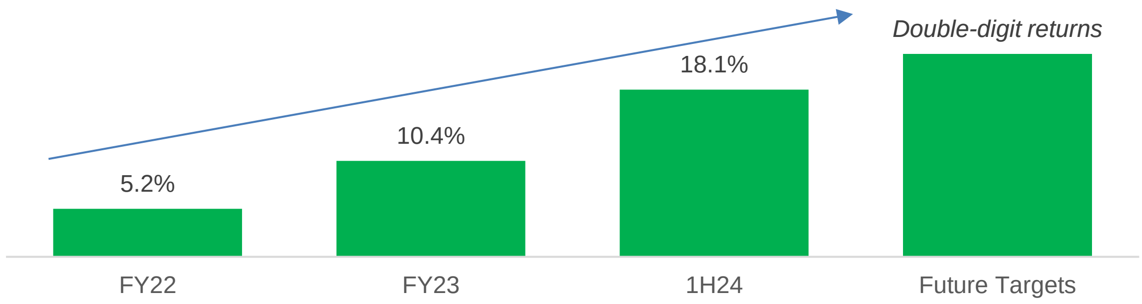
If SGH is successful in fully privatising Boral under the SGH Offer, then Boral will represent one business unit as part of a broader portfolio. Minority Boral Shareholders will lose the opportunity to fully benefit from Boral's strategic journey.

Figure 4: Boral EBIT margin through time[10]



[10] Underlying EBIT excluding significant items.

Figure 5: Boral Return on Funds Employed (ROFE) through time



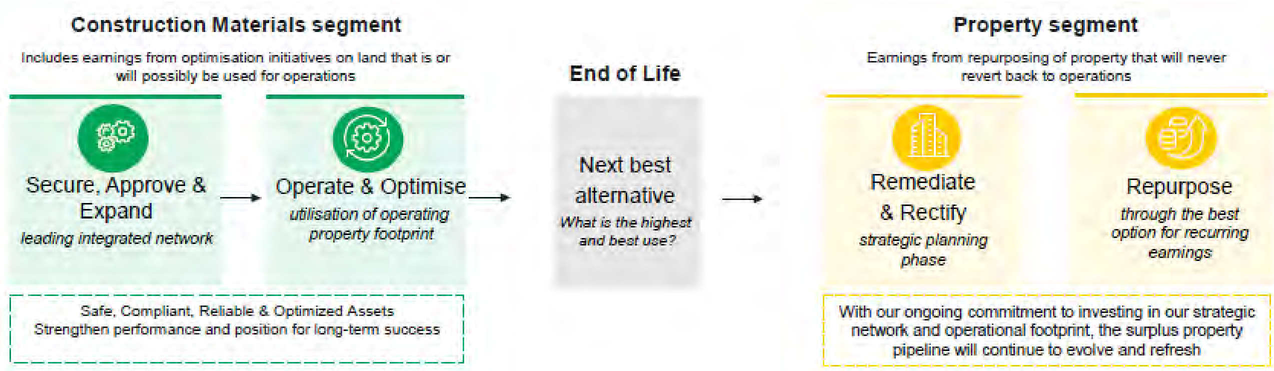
2.5 There is opportunity for Boral to realise latent value from its surplus property portfolio, which may then be reflected in Boral's share price in the future. The Independent Expert has attributed a value of $1.4 to $1.6 billion ($1.26 to $1.44 per Boral Share) to the surplus property portfolio, which is higher than Boral's most recently disclosed surplus property value of approximately $1 billion as part of its FY23 results. This represents an uplift of $0.36 to $0.54 per Boral Share when compared to the prior valuation

Boral has a significant portfolio of owned property assets across approximately 360 sites in Australia. The portfolio comprises active quarries, cement facilities, concrete plants and asphalt plants.

The portfolio of property assets that underpins the operations of Boral is well positioned relative to areas of population growth and increased construction and infrastructure activity.

Boral manages its property portfolio through a fixed asset life cycle, which is critical to building and maintaining a competitive advantage. Boral intends to continue to invest in its strategic network and operational footprint. There is potential material upside in value and earnings for Boral Shareholders through the identification of the next best alternative for Boral's surplus properties once the operational end of life is reached. Boral's strategy is to retain and repurpose these properties for recurring earnings. Boral's property lifecycle strategy is set out in Figure 6 below.

Figure 6: Boral property lifecycle



Boral currently has approximately 25 surplus properties with a total area of approximately 4,500 hectares and considers a number of them to be in desirable locations. It is expected that these properties will have significant development potential.

In preparing its independent opinion as to whether the SGH Offer is fair and reasonable to Boral Shareholders not related to SGH, Grant Samuel has included values attributed to Boral's surplus property portfolio in its assessment of value. This comprises surplus property assets at Donnybrook, Scoresby and Deer Park Northern Lands and other surplus property assets, which includes land parcels and properties that are in varying stages of development.

In the Independent Expert's Report, Grant Samuel has attributed a value of $1.4 to $1.6 billion[11] to Boral's surplus property assets (which represents a value to Boral Shareholders of approximately $1.26 to $1.44 per Boral Share). This valuation is the latest assessment and supersedes the previously publicly stated surplus property valuation of over $1 billion as set out in Boral's full-year 2023 results presentation (which was based on a 2021 Grant Samuel valuation), representing an increase in value per Boral Share of approximately $0.36 to $0.54 per Boral Share when compared to the prior valuation. Although most of these properties currently do not generate any earnings, there is scope for substantial shareholder value in the future, should these cash

[11] In the valuation of contracted properties, the Independent Expert applied corporate income tax to the expected future cash flows. The Independent Expert did not apply any capital gains tax against the value of the surplus property assets because a buyer of 100% of Boral would not necessarily seek immediate monetisation of these assets, would benefit from a step up in the tax base (from allocation of its purchase cost) and Boral's existing capital losses may be available to partly offset potential liabilities.

flows be realised.

Figure 7 below shows a select summary of key non-operating sites that are a subset of Boral's total non-operating sites.

Figure 7: Select Boral surplus properties

Property	Area (ha)	Description / status
Donnybrook	338	Development agreement in place with Mirvac – residential re-zoning complete
Scoresby	171	Development agreement in place with Mirvac – residential re-zoning expected within coming 12 months
Deer Park Northern Lands	1,105	Pursuing industrial development opportunities with LOGOS Property Group (subject to planning and other conditions)
Waurn Ponds	1,030	Located near the outskirts of Geelong with large-scale mixed-use development potential
Western Sydney Lakes	Up to 1,630	40% owned in joint venture with Holcim and Hanson – pending government support, rezoning contemplated currently for ~100 ha of land
Bombo	46	Identified for mixed use development – pursuing planning approvals
Maldon	22	Seeking rezoning of 22 ha of rural land surplus to currently operational cement manufacturing facility

2.6 If you accept the SGH Offer, and if you are an Australian tax resident, then you will be subject to CGT on the disposal of your Boral Shares. You will not receive scrip-for-scrip CGT rollover relief on the scrip component of the Offer Consideration unless SGH acquires 80% ownership of Boral under the SGH Offer (excluding SGH's interest under its physically settled equity swap (6.2% as at 18 March 2024) which is by no means certain. CGT rollover relief is not available on the cash component of the SGH Offer

If you accept the SGH Offer, and if you are an Australian tax resident, then you will be subject to CGT on the disposal of your Boral Shares. You will not receive scrip-for-scrip CGT rollover relief on the scrip component of the Offer Consideration unless SGH acquires 80% ownership of Boral under the SGH Offer (excluding SGH's interest under the physically settled swap of (6.2% as at 18 March 2024) which is by no means certain. CGT rollover relief is not available on the cash component of the SGH Offer.

SGH's physical shareholding of Boral Shares (66.45% as at 18 March 2024) will count towards meeting the 80% threshold, but its interest under any physically settled equity swap (6.2% as at 18 March 2024) will not. If SGH does not reach the 80% threshold by close of the SGH Offer, then partial scrip-for-scrip CGT rollover relief will not be available.

Further details are set out in section 10.3.

2.7 Achieving the thresholds required for the two potential $0.10 per Boral Share increases in the Cash Consideration is not certain. Based upon SGH's ASX announcements made prior to the date of this Target's Statement, 11,660,274 Boral Shares have been accepted into the SGH Offer since it opened on 4 March 2024, representing only 1.06% of Boral's total share capital

As at the Last Practicable Date, SGH had disclosed an aggregate interest of 72.65% in Boral Shares, comprising a Relevant Interest in 66.45% of Boral Shares as well as a further 6.2% interest under a physically settled equity swap[12].

The cash component of the Offer Consideration (**Cash Consideration**) will be increased if one or both of the following occur before the close of the SGH Offer Period (including if extended):

- **First Consideration Increase**: The Cash Consideration under the SGH Offer will increase by $0.10 per Boral Share (up to $1.60 per Boral Share) if one or both of the following occur:
  - SGH Bidder receives acceptances under the SGH Offer sufficient to increase its aggregate interest in Boral Shares to 80% or more prior to close of the SGH Offer; or

[12] SGH Notice of change in substantial holding in Boral released on ASX on 18 March 2024.

- the Boral Board, excluding Ryan Stokes and Richard Richards, unanimously recommends that Boral Shareholders accept the SGH Offer.

- **Second Consideration Increase**: The Cash Consideration under the SGH Offer will increase by a further $0.10 per Boral Share (up to $1.70 per Boral Share) if SGH Bidder receives acceptances under the SGH Offer sufficient to increase its voting power in Boral Shares to 90.6% or more prior to close of the SGH Offer, being the point at which SGH Bidder may proceed to compulsorily acquire the Boral Shares not accepted under the SGH Offer under Part 6A.1 of the Corporations Act.

If the First Consideration Increase and Second Consideration Increase both occur, Boral Shareholders would receive 0.1116 SGH Shares and $1.70 cash per Boral Share (the **Maximum Consideration**).

There is no guarantee that either of these thresholds will be reached.

Based upon SGH's ASX announcements made prior to the date of this Target's Statement, 11,660,274 Boral Shares have been accepted into the SGH Offer since it opened on 4 March 2024, representing 1.06% of Boral's total share capital.

SGH's physical shareholding (66.45% of Boral Shares as at 18 March 2024), plus its interest under any physically settled equity swap (6.2% as at 18 March 2024), will count towards meeting the 80% shareholding threshold required for the First Consideration Increase, but any interest under a physically settled equity swap will not count towards the 90.6% shareholding threshold required for the Second Consideration Increase.

Whether or not SGH achieves the thresholds required for the potential increases in the Cash Consideration turns on Boral Shareholders deciding to accept into the SGH Offer, which is not certain. The BRC has made a recommendation that Boral Shareholders **REJECT the SGH Offer** for the reasons set out in this Target's Statement, including that the Independent Expert has assessed the SGH Offer as not fair, and not reasonable.

The table below indicates the thresholds for the First Consideration Increase and Second Consideration Increase, and the increase in SGH's interest in Boral that needs to occur before they can be met:

Figure 8: Cash Consideration increase thresholds

Threshold	SGH Interest type	SGH interest required for threshold	Current applicable SGH interest	Additional interest required by SGH	Comment
First Consideration Increase of $0.10 per Boral Share	Physical shareholding plus interest under physically settled swap	80.0%	72.65%	7.3%	Threshold could be achieved if Boral Shareholders holding 7.3% of Boral Shares accept into the SGH Offer, or if the BRC change their recommendation to 'accept'.
Second Consideration Increase of $0.10 per Boral Share[13]	Physical shareholding only	90.6%	66.45%	24.1%	Meeting threshold would require approximately two thirds of non-SGH Boral Shareholders to accept into the SGH Offer. See also section 11.

2.8 Other considerations

Other matters which the BRC has taken into account in considering the SGH Offer include the following:

(a) SGH has stated in its Bidder's Statement that Boral is unlikely to pay dividends for some time. The payment of dividends is a matter for the Boral Board at the relevant time acting in the best interests of all Boral Shareholders. Boral has significant capacity for capital management, and is expected to be in a position to pay fully franked dividends by the second half of FY2025

SGH has stated in its Bidder's Statement that Boral is unlikely to pay dividends for some time. Boral has a strong balance sheet with $888.7 million cash ($0.80 per share) as at 31 December 2023 and a net debt position of $84.5 million. Boral's leverage, as measured by Net Debt to Underlying EBITDA is only 0.3 times, which is well below the leverage levels of most industry peers, which are typically levered in the order of 1.0 times to 2.0 times. Boral's funding capacity is expected to be further enhanced with growth in earnings and cash generation, which will support future capital allocation policies. While it will be a matter for the Boral Board at the relevant time acting in the best interests of all Boral Shareholders, Boral has significant capacity for capital management and is expected to be in a position to pay fully franked dividends by the second half of FY2025.

[13] SGH Bidder will also be entitled to compulsorily acquire any remaining Boral Shares if the Second Consideration Increase threshold is met.

(b) Boral has a strong future as a standalone ASX listed company with a substantial free float of approximately $1.9 billion and a register of approximately 47,000 shareholders. SGH has stated that it intends to seek to delist Boral from the ASX, subject to compliance with all legal requirements. However, there are material constraints on SGH being able to have Boral delisted by ASX outside of compulsory acquisition

SGH has said in its Bidder's Statement that it intends to have Boral removed from the official list of the ASX as soon as it is able to do so (even where it does not reach the thresholds for compulsory acquisition). If SGH was able to have Boral delisted from the ASX, this will affect the ability of Boral Shareholders to sell their Boral Shares, and the liquidity in trading of those Boral Shares. Boral Shareholders should note that notwithstanding SGH's ownership, Boral currently has a substantial free float of approximately $1.9 billion and a share register of approximately 47,000 shareholders, and has historically demonstrated good levels of liquidity notwithstanding SGH's majority ownership. If SGH does not gain material acceptances under the SGH Offer, then this position is expected to remain broadly unchanged.

Boral Shareholders should note, however, that there are material constraints on SGH's ability to have Boral delisted by ASX in circumstances where SGH has not achieved compulsory acquisition under the SGH Offer, which is by no means certain (see section 7.14 for more detail).

(c) There is uncertainty regarding the value of the SGH Shares which you would receive if you accept the SGH Offer. SGH Shares are trading near all-time highs, and the share price is not supported by dividends, with SGH having a dividend yield (based off dividends for the 12 months ended 13 December 2023) of slightly over 1%

As SGH's Offer comprises a share component, the value of the SGH Offer changes daily and is subject to inherent share price volatility. As such, there is considerable uncertainty around the value of the SGH Offer. In particular, SGH Shares are currently trading near all-time highs.

Additionally, the SGH Share price is not supported by dividends, with a yield of little over 1%. Based on SGH's most recent dividend announcement of $0.46 per share, the dividend yield of little over 1% provides no meaningful benefit.

(d) SGH has interests in a number of businesses other than Boral with different risk profiles and growth prospects. Shareholders may have invested in Boral because of its concentrated exposure to the Australian construction materials market and value its large privileged aggregate position, and may not want the diversification of SGH Group (which they can otherwise achieve for themselves if they so desire)

If you accept the SGH Offer, you will receive SGH Shares plus cash for your Boral Shares. In addition to its shareholding in Boral, SGH has interests in a number of other businesses with different risk profiles and growth prospects, including industrial equipment, industrial hire, energy and media. If you become a shareholder in SGH, you will retain exposure to the Boral business (at least to the extent of the scrip component of the Offer Consideration), but this exposure will be materially diluted, and will also have exposure to SGH's other businesses and sectors.

Shareholders may have elected to have invested in Boral because of its concentrated exposure to the Australian construction materials market and value its large privileged aggregates position, and may not want the diversification of SGH Group (which they can otherwise achieve for themselves if they so desire).

(e) With other M&A activity currently occurring in the construction materials sector, there may be limited alternative public investment opportunities for a direct, high-quality and focused exposure to Australian construction materials

In the past few months there has been an increase in M&A activity in the Australian construction materials sector. This has resulted in acquisition proposals for Boral's publicly listed peers, Adbri Limited and CSR Limited. As a result, there may be limited alternative opportunities in the publicly-listed space for a direct, high-quality and focused exposure to Australian construction materials.

(f) SGH has stated that it intends to increase its representation on the Boral Board commensurate with its interest in Boral. While this may happen, any further nominees of SGH on the Boral Board, like all directors, must act in the best interests of all Boral Shareholders

The Boral Board currently comprises 3 independent non-executive Directors, 2 directors who are nominees of SGH, and the Managing Director and CEO. SGH has stated in its Bidder's Statement that it intends to increase its representation on the Boral Board commensurate with its interest in Boral. While SGH may have the capacity to exert greater influence over the manner in which Boral's business is conducted if it does so, Boral will remain subject to legal restrictions on related party transactions, and all Directors, including the nominees of the major shareholder, will be required to act in accordance with the interests of all Boral Shareholders.

2.9 BRC acknowledges that there may be circumstances under which some Boral Shareholders may wish to accept the SGH Offer

Notwithstanding the above reasons to **REJECT the SGH Offer**, the BRC acknowledges there may be circumstances under which Boral Shareholders may wish to accept the SGH Offer, including:

- as a portion of the Offer Consideration to Boral Shareholders is in SGH Shares, if the SGH Share price trades higher throughout the SGH Offer Period, the implied value of the total consideration to Boral Shareholders will be increased;
- even if SGH is not successful in acquiring all of the Boral Shares it does not own, SGH may have the capacity to exert greater influence over the manner in which Boral's business is conducted. For example:
    - if SGH appoints nominees to the Boral Board which constitute a majority (as noted in the Bidder's Statement under SGH's intentions), SGH will have control over Boral's capital allocation policy, including the payment of dividends; and
    - if SGH were to acquire a Relevant Interest in 75% or more of Boral Shares, it would be in a position to cast the votes required to determine the outcome of a special resolution. The ability to pass a special resolution would enable SGH to, among other things, amend Boral's Constitution without the need for support from other Boral Shareholders;
- Boral's share price may fall if the SGH Offer does not succeed or if SGH does not acquire 100% ownership of Boral; and
- trading in Boral Shares may become less liquid, should SGH achieve a much greater physical shareholding than SGH currently holds, which may adversely affect the value at which you are able to dispose of your Boral Shares in the future.

3 Frequently asked questions

This section 3 answers some commonly asked questions about the SGH Offer. It is not intended to address all relevant issues for Boral Shareholders. It 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 BRC of the Boral Board.
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 19 February 2024. SGH lodged a replacement Bidder's Statement with ASIC on 4 March 2024 and sent the Bidder's Statement to Boral Shareholders on 4 March 2024. SGH released a Second Supplementary Bidder's Statement on 4 March 2024, in which it declared the SGH Offer unconditional. A copy of the Bidder's Statement is available on the ASX website (www.asx.com.au).
What is the SGH Offer for my Boral Shares?	SGH Bidder is offering to acquire all or any number of Boral Shares held by you. The SGH Offer comprises an Offer Consideration of 0.1116 SGH Shares (**Scrip Consideration**) and $1.50 cash per Boral Share (subject to any subsequent increase in the Cash Consideration pursuant to the First Consideration Increase and Second Consideration Increase) (**Cash Consideration**). SGH's Bidder's Statement states that, if the calculation of the Scrip Consideration under the SGH Offer results in an entitlement to a fraction of an SGH Share, that fraction will be rounded down to the next whole number of SGH Shares. This may adversely affect minority Boral Shareholders holding a smaller parcel of Boral Shares.

Can the Offer Consideration be increased?	The Cash Consideration will be increased if one or both of the following occur before the close of the SGH Offer Period (including if extended):
	
	• **First Consideration Increase**: The Cash Consideration under the SGH Offer will increase by $0.10 per Boral Share (up to $1.60 per Boral Share) if one or both of the following occur:
	  • SGH Bidder receives acceptances under the SGH Offer sufficient to increase its aggregate interest in Boral Shares to 80% or more prior to close of the SGH Offer; or
	  • the Boral Board, excluding Ryan Stokes and Richard Richards, unanimously recommends that Boral Shareholders accept the SGH Offer.
	
	• **Second Consideration Increase:** The Cash Consideration under the SGH Offer will increase by a further $0.10 per Boral Share (up to $1.70 per Boral Share) if SGH Bidder receives acceptances under the SGH Offer sufficient to increase its voting power in Boral Shares to 90.6% or more prior to close of the SGH Offer, being the point at which SGH Bidder may proceed to compulsorily acquire the Boral Shares not accepted under the SGH Offer under Part 6A.1 of the Corporations Act.
	
	If the First Consideration Increase and Second Consideration Increase both occur, Boral Shareholders would receive 0.1116 SGH Shares and $1.70 cash per Boral Share (the **Maximum Consideration**).
	
	There is no guarantee that either of these thresholds will be reached.
	
	SGH's physical shareholding (66.45% of Boral Shares as at 18 March 2024), plus its interest under any physically settled equity swap (6.2% as at 18 March 2024), will count towards meeting the 80% shareholding threshold required for the First Consideration Increase, but any interest under a physically settled equity swap will not count towards the 90.6% shareholding threshold required for the Second Consideration Increase.
	
	Whether or not SGH achieves the thresholds required for the potential increases in the Cash Consideration turns on Boral Shareholders deciding to accept into the SGH Offer, which is not certain. The BRC has made a recommendation that Boral Shareholders **REJECT the SGH Offer** for the reasons set out in this Target's Statement, including that the Independent Expert has assessed the SGH Offer as not fair, and not reasonable.
	
	The exchange ratio of 0.1116 SGH Shares per Boral Share is fixed in all cases.
	
	SGH cannot further increase the Offer Consideration above the Maximum Consideration (that is,

Question	Answer
	beyond the potential First Consideration Increase and Second Consideration Increase) as it has declared the SGH Offer to be best and final. See sections 2.7 and 7.3 of this Target's Statement for further detail.
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). There are several implications in relation to each of the above choices. A summary of these implications is set out in section 4 of this Target's Statement.
What are the directors of Boral recommending?	Each BRC member recommends that you **REJECT the SGH Offer**.
Who are the BRC members?	The BRC comprises all Boral directors other than the SGH nominees.
Why is the BRC recommending that I **REJECT the SGH Offer**?	The BRC's reasons for recommending that Boral Shareholders **REJECT the SGH Offer** are set out in section 2 of this Target's Statement.
What do the BRC members intend to do with their own Boral Shares?	Each Director on the BRC intends to reject the SGH Offer in respect of the Boral Shares in which they have a Relevant Interest.
Have other Boral Shareholders accepted the SGH Offer?	Based upon SGH's ASX announcements made prior to the date of this Target's Statement, 11,660,274 Boral Shares have been accepted into the SGH Offer since it opened on 4 March 2024, representing 1.06% of Boral's total share capital.
What is the opinion of the Independent Expert?	The BRC has appointed Grant Samuel (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 not associated with SGH. The Independent Expert has concluded that the SGH Offer is **not fair**. This is on the basis the Independent Expert has: • estimated the fair market value of Boral Shares to be in the range of \$6.50 to \$7.13 per Boral Share; and • assessed the value of the Offer Consideration to be in the range of \$5.96 to \$6.19 per Boral Share (and up to \$6.39 per Boral Share including the First Consideration Increase and the Second Consideration Increase). The Independent Expert has also concluded that the SGH Offer is **not reasonable**, but notes the judgment is finely balanced and for shareholders with a low tolerance for risk there is a case for accepting the SGH Offer; and the Independent Expert's conclusion may change if circumstances change. A full copy of the Independent Expert's Report, which references Colliers' indicative assessment report, is set out in Attachment 1 to this Target's Statement. You should read the Independent Expert's Report carefully and in its entirety as part of your assessment of the SGH Offer.
What happens if the Offer Consideration is increased?	If you have already accepted the SGH Offer in respect of some or all of your Boral Shares and received your Offer Consideration, and the Offer Consideration is subsequently increased as a result of the First Consideration Increase and, if applicable, the Second Consideration Increase, then you will still be entitled to receive the increased consideration.
Does SGH or SGH Bidder already have an interest in Boral Shares?	As at the Last Practicable Date, SGH and SGH Bidder held an aggregate interest in 72.65% of Boral

Question	Answer
	Shares as follows[14]: • SGH Bidder and wholly owned subsidiaries of SGH held a Relevant Interest in 66.45% of Boral Shares as registered holders and beneficial owners of 733,469,191 Boral Shares; and • SGH held an interest in 6.2% of Boral Shares, pursuant to a physically settled swap transaction (**Swap**) with respect to up to 67,941,779 Boral Shares. SGH's physical shareholding (66.45% of Boral's Shares), plus its interest under any physically settled equity swap (6.2%), will count towards meeting the 80% shareholding threshold required for the First Consideration Increase, but any interest under a physically settled equity swap will not count towards the 90.6% shareholding threshold required for the Second Consideration Increase. Any interest under a physically settled equity swap (6.2%) will also not count toward the 80% threshold required for partial scrip-for-scrip CGT rollover relief on the scrip component of the Offer Consideration. See sections 11.2 and 11.3 for more detail.
What does SGH intend to do with the Swap?	On 4 March 2024, SGH's Subsidiary, Westrac Holdings Pty Ltd ACN 009 336 109 (**Westrac Holdings**), which is the party to the Swap, took delivery of 33,092,652 Boral Shares (being 3% of what was then SGH's 9.2% Swap interest in Boral Shares), under the physically settled Swap. This resulted in the increase of SGH's Relevant Interest in Boral from 62.4% to 65.45% as at 5 March 2024[15]. SGH stated in its Bidder's Statement that Westrac Holdings proposes (subject to counterparty approval) to settle the Swap by taking delivery of Boral Shares and paying the Swap counterparty the reference price of approximately $3.62 per Boral Share: • with respect to up to 3%, using SGH Bidder's 'creep' capacity under the Corporations Act; and • with respect to the balance of 6.2%, by settling it progressively, if and when Exchangeable Noteholders exercise their exchange rights. The acquisition by SGH of a Relevant Interest in those Boral Shares would occur simultaneously with SGH ceasing to have a Relevant Interest in an equivalent number of Boral Shares delivered on exchange of the Exchangeable Notes. If the remainder of the Swap is physically settled or otherwise dealt with by SGH before the end of the SGH Offer Period in the way described above, then the Swap interest may form part of SGH's Relevant Interest in Boral for the purposes of meeting the relevant thresholds for compulsory acquisition.
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.
What happens if I reject the SGH Offer?	You will remain a Boral Shareholder and will not receive the Offer Consideration under the SGH Offer if you reject the SGH Offer. If SGH Bidder were to acquire an interest in 90.6% or more of the Boral Shares on issue, SGH Bidder intends to proceed with compulsory acquisition of the outstanding Boral Shares in accordance with the Corporations Act. If your Boral Shares are compulsorily acquired by SGH Bidder, it will be on the same terms as the SGH Offer and you will receive the Offer Consideration. For more information on SGH's intention to compulsorily acquire Boral, see section 7.13 of this Target's Statement. If SGH Bidder does not become entitled to compulsorily acquire your Boral Shares and you do not accept the SGH Offer, you will: • retain your Boral Shares; • not receive the Offer Consideration; and • remain a Boral Shareholder. In certain circumstances, SGH intends to seek to remove Boral from the official list of the ASX. For more information on possible removal of Boral from the official list, see section 7.14.
How do I accept the SGH Offer?	Details of how to accept the SGH Offer are set out in the 'How to Accept the Offer' section and section 9.3 of the Bidder's Statement. The SGH Offer is open for acceptance during the SGH Offer Period, which commenced on 4 March 2024 and ends at 7.00pm (Sydney time), on 4 April 2024, unless the SGH Offer is

[14] SGH notice of change in substantial holding in Boral released on ASX on 18 March 2024.
[15] Based on SGH notice of change in substantial holding in Boral released on ASX on 5 March 2024 and includes acceptances under the SGH Offer.

Question	Answer
	withdrawn with the written consent of ASIC or the SGH Offer Period is extended in accordance with the Corporations Act. If you choose to accept the SGH Offer, then your acceptance must be received by SGH before the end of the SGH Offer Period. Instructions on how to accept the SGH Offer are set out in the Bidder's Statement. If you want to accept the SGH Offer, then you should follow these instructions carefully to ensure that your acceptance is valid. If your Boral Shares are in a CHESS holding and you want to accept the SGH Offer, then you should accept the SGH Offer online, or instruct your Controlling Participant to initiate the SGH Offer on your behalf, or sign, complete and return the Acceptance Form in sufficient time before the end of the SGH Offer Period. If your Boral Shares are in an issuer sponsored holding and you want to accept the SGH Offer, you should accept the offer online or complete, sign and return the Acceptance Form in sufficient time that it is received by SGH before the end of the SGH Offer Period. To accept the SGH Offer for Boral Shares which are not held in your name, but of which you are entitled to be registered as holder, you must complete, sign and return the Acceptance Form together with a copy of the contract note relating to your Boral Shares and all other documents required by the instructions on it to one of the addresses given on the Acceptance Form, in sufficient time so that they are received before the end of the SGH Offer Period. If you are a Foreign Shareholder and you accept the SGH Offer, you will not be entitled to receive SGH Shares as the consideration for the Scrip Consideration as a result of accepting the SGH Offer. You will instead, be offered and will receive a cash amount, calculated in accordance with section 9.11(g) of the Bidder's Statement. Further details are set out in sections 9.1(d) and 9.11(g) of the Bidder's Statement.
Can I accept the SGH Offer on a conditional basis?	SGH Bidder has established an acceptance facility that is open to all Boral Shareholders to facilitate the receipt of their acceptances of the SGH Offer (**Acceptance Facility**). The Acceptance Facility enables Boral Shareholders to indicate their intention to accept the SGH Offer, without being obliged to do so until the First Consideration Increase is effective, meaning, where the conditions to the First Consideration Increase have been satisfied and the Cash Consideration is $1.60 per share rather than $1.50 per Boral Share. Further details on the operation of, and participation in, the Acceptance Facility are set out in section 7.4.
Will SGH increase the SGH Offer?	SGH has declared the SGH Offer to be best and final and stated it will not be increased (beyond the potential First Consideration Increase and Second Consideration Increase).
What are the consequences of accepting the SGH Offer now?	If you accept the SGH Offer, 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?	On 4 March 2024, SGH Bidder announced that the SGH Offer is now unconditional. If you accept the SGH Offer, then you will not be able to withdraw your acceptance.
If I choose to accept the SGH Offer, when will I receive my consideration?	If you accept the SGH Offer, then you will be issued SGH Shares and sent the Cash Consideration due for your Boral Shares to which you are entitled under the SGH Offer within 7 Business Days from the date on which you accept the SGH Offer.
When does the SGH Offer close?	The SGH Offer is presently scheduled to close at 7.00pm (Sydney time) on 4 April 2024, but the SGH Offer Period can be extended in certain circumstances. See section 7.7 of this Target's Statement.
What are the conditions to the SGH Offer?	The SGH Offer is unconditional. SGH Bidder has issued a Notice of Status of Conditions under section 650F of the Corporations Act[16], giving notice that the SGH Offer is freed from the no Prescribed Occurrences condition detailed in section 9.6 of the Bidder's Statement.

[16] This Notice of Status of Conditions accompanies SGH Bidder's Second Supplementary Bidder's Statement.

Question	Answer
Is there likely to be a competing proposal from another party?	SGH Bidder has stated in the Bidder's Statement that it believes it is highly unlikely that a competing bid or control proposal will emerge. SGH holds an aggregate 72.65% interest in Boral[17], as at the Last Practicable Date, and has indicated in its Bidder's Statement that it has no intention of handing over control of Boral. Given SGH holds an aggregate 72.65% interest in Boral and SGH's statements in its Bidder's Statement, the BRC thinks it is unlikely that a competing bid or control proposal will emerge.
What if there is a competing proposal?	If another competing proposal is received prior to the end of the SGH Offer Period, then this will be announced to the ASX and the Boral Board will carefully consider the proposal and advise Boral Shareholders of their recommendation. If you have already accepted the SGH Offer, then you will not be able to participate in any competing proposal which may emerge.
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 90.6% 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. If SGH Bidder becomes entitled to compulsorily acquire Boral in accordance with either Part 6A.1 or Part 6A.2 of the Corporations Act, SGH's intention is to proceed with compulsory acquisition of the outstanding Boral Shares which are on issue after the close of the SGH Offer. Section 7.13 contains further details on compulsory acquisition.
Will Boral continue to be listed on the ASX?	SGH has said in its Bidder's Statement that it intends to have Boral removed from the official list of the ASX as soon as it is able to do so (even where it does not reach the thresholds for compulsory acquisition). If SGH was able to have Boral delisted from the ASX, this will affect the ability of Boral Shareholders to sell their Boral Shares, and the liquidity in trading of those Boral Shares. Boral Shareholders should note, however, that there are material constraints on SGH's ability to have Boral delisted by ASX in circumstances where SGH has not achieved compulsory acquisition under the SGH Offer. See section 7.14 of this Target's Statement for further details.
Will changes be made to the composition of the Boral Board?	Independent to the outcome of the SGH Offer, SGH has stated that it intends for the Boral Board composition be commensurate to its increased ownership interest in Boral. SGH proposes to appoint a majority of nominees of SGH on the Boral Board and only retain sufficient Boral independent directors to satisfy ASX Listing Rules requirements from time to time. While this may happen, any further nominees of SGH on the Boral Board, like all directors, must act in the best interests of all Boral Shareholders. If SGH compulsorily acquires Boral, it intends to offer up to two SGH board seats to the independent directors of Boral, for the purpose of continuing to represent the former minority Boral Shareholders' interests on the SGH board post completion of the SGH Offer. Section 11.1 of this Target's Statement provides further details regarding SGH's proposal with respect to composition of the Boral Board.
Does the SGH Offer extend to Boral Performance Rights?	No, SGH has stated in section 2.7 of 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. Section 11.8 of this Target's Statement provides further details regarding the proposed treatment of the outstanding 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 10. As the outline is a general outline only, Boral Shareholders are encouraged to seek their own independent professional advice as to the taxation implications applicable to their circumstances.

[17] SGH Notice of change in substantial holding released on ASX on 18 March 2024.

Question	Answer
Will partial CGT scrip-for-scrip rollover relief apply to the Scrip Consideration and what are the conditions?	If you accept the SGH Offer, and if you are an Australian tax resident, then you will be subject to CGT on the disposal of your Boral Shares. You will not receive scrip-for-scrip CGT rollover relief on the scrip component of the Offer Consideration unless SGH acquires 80% ownership of Boral under the SGH Offer, which is by no means certain. SGH's physical shareholding of Boral Shares (66.45% as at 18 March 2024) will count towards meeting the 80% threshold, but its interest under any physically settled equity swap (6.2% as at 18 March 2024) will not. CGT rollover relief is not available on the cash component of the SGH Offer. If SGH does not reach the 80% threshold by close of the SGH Offer, then partial rollover relief will not be available. See further details set out in section 10.3.
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 the Boral Shareholder information line on 1800 218 694 (for calls made from within Australia) or +61 1800 218 694 (for calls made from outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time) (excluding public holidays). Calls to these numbers may be recorded.

4 Your choices as a Boral Shareholder

The BRC has unanimously recommended that you **REJECT the SGH Offer** by **TAKING NO ACTION**. However, as a Boral Shareholder, you have 3 choices currently available to you:

4.1 Choice 1: Reject the SGH Offer – take no action

Boral Shareholders who do not wish to accept the SGH Offer or sell their Boral Shares on market should take no action. Simply disregard the documents sent to you by SGH in relation to the SGH Offer.

Boral Shareholders should note that:

- if SGH and its Associates have a Relevant Interest in at least 90.6% of 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 7.13 of this Target's Statement for further details); and
- if SGH acquires a Relevant Interest in more than its current Relevant Interest but less than 90.6% of the Boral Shares, and you continue to hold Boral Shares, then you will be exposed to the risks associated with being a minority shareholder of Boral. Some of these considerations are explained in sections 8.3 and 8.4.

4.2 Choice 2: Sell your Boral Shares on market

During the SGH Offer Period, you may still sell some or all of your Boral Shares on market for cash provided you have not already accepted the SGH Offer in respect of those Boral Shares. If you sell your Boral Shares on market, then you may receive consideration for your Boral Shares sooner than if you accept the SGH Offer.

At close of trading on 18 March 2024 (being the Last Practicable Date) Boral's share price closed at $6.18. The latest price for Boral Shares and SGH's shares may be obtained from the ASX website www.asx.com.au.

If you sell your Boral Shares on market, you will lose the ability to accept the SGH Offer and receive the Offer Consideration of 0.1116 SGH Shares and $1.50 per Boral Share (and the First Consideration Increase and Second Consideration Increase, if the conditions to those increases are satisfied during the SGH Offer Period) in relation to those Boral Shares pursuant to the SGH Offer.

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.

4.3 Choice 3: 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 Offer Consideration that will be received by Boral Shareholders who accept the SGH Offer are set out in section 7.2 of this Target's Statement and in the Bidder's Statement.

If you accept the SGH Offer, you:

- will not be able to withdraw your acceptance of the SGH Offer; and
- may be subject to tax on the disposal of your Boral Shares (see section 10 of this Target's Statement for further details of potential tax consequences of accepting the SGH Offer).

Details of how to accept the SGH Offer are contained in the 'How to Accept the SGH Offer' section and section 9.3 of the Bidder's Statement.

5 Information about Boral

5.1 Business overview

Boral is the largest vertically integrated construction materials group in Australia, primarily servicing customers in the building and construction industries.

Boral's network moves circa 50 million tonnes of products per year and includes quarry and cement infrastructure, bitumen, construction materials recycling, asphalt and concrete batching operations. Employing around 7,500 employees and contractors, Boral's operations span approximately 360 sites nationwide.

Figure 9: Snapshot of Boral Group

Source: IRESS, Boral 1H FY24 results presentation.

[18] IRESS market data as at 16 February 2024 (market close prior to the date on which the SGH Offer was announced).
[19] As at 31 December 2023. Revenue figures based on 1H FY24 external revenue
[20] As at 31 December 2023.
[21] Full-time equivalent employees as at 31 December 2023, including joint venture employees.
[22] Underlying EBIT excluding discontinued operations and significant items and includes results of equity accounted investments.
[23] 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, for some leases, the presentation of lease costs changed from rental expense to depreciation and interest expense.

Boral offers an attractive investment value proposition:

- a privileged position as the leading Australian integrated construction materials manufacturer and supplier, generating over $3 billion in revenue (in the 12 months ended 30 June 2023);
- vertically-integrated Australian operations which support margin expansion (due to cost reduction) and increased opportunities for profitable growth;
- exposure to increasing Australian infrastructure spending, with good positions in the well-performing East Coast geographies;
- diverse revenue base across regions, products and customer segments;
- assets base comprises prized upstream assets combined with extensive downstream footprint in close proximity to customers, and approximately 25 surplus properties currently with a total area of approximately 4,500 hectares;
- a strong balance sheet following the recent asset divestments which have supported an improved credit rating outlook. Boral has maintained a disciplined capital management approach which has allowed for greater flexibility to pursue different growth initiatives; 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.

As at 31 December 2023, Boral's net debt was $84.5 million, supported by $888.7 million cash on balance sheet.

5.2 Boral Board of Directors

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

Name	Position
Mr Ryan Stokes AO	Non-executive Chairman and nominee director of SGH
Mr Vik Bansal	Chief Executive Officer and Managing Director
Mr Robert Sindel	Independent Non-executive Director and Lead Independent Director
Mr Richard Richards	Non-executive Director and nominee director of SGH
Mr Mark Johnson	Independent Non-executive Director
Ms Jacqueline Chow	Independent Non-executive Director

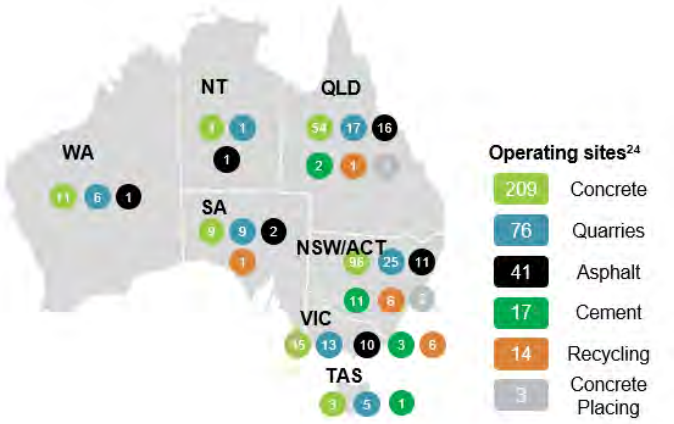
5.3 Current business activities of Boral

Boral is a leading integrated construction materials supplier, operating in all states and territories of Australia. It supplies concrete, quarry products, asphalt and cement to build infrastructure, residential construction and commercial buildings.

(a) Scale and scope

Boral is Australia's largest integrated construction materials company with a rich legacy and significant social contribution.

~360	operating sites[24]
~7,500	employees[25] and contractors
~14,000	customers
~8,500	suppliers
~50	million tonnes moved per year
~4,000	kms of road paving per year
~3,500	Heavy road vehicles
~4,500	Hectares of surplus property



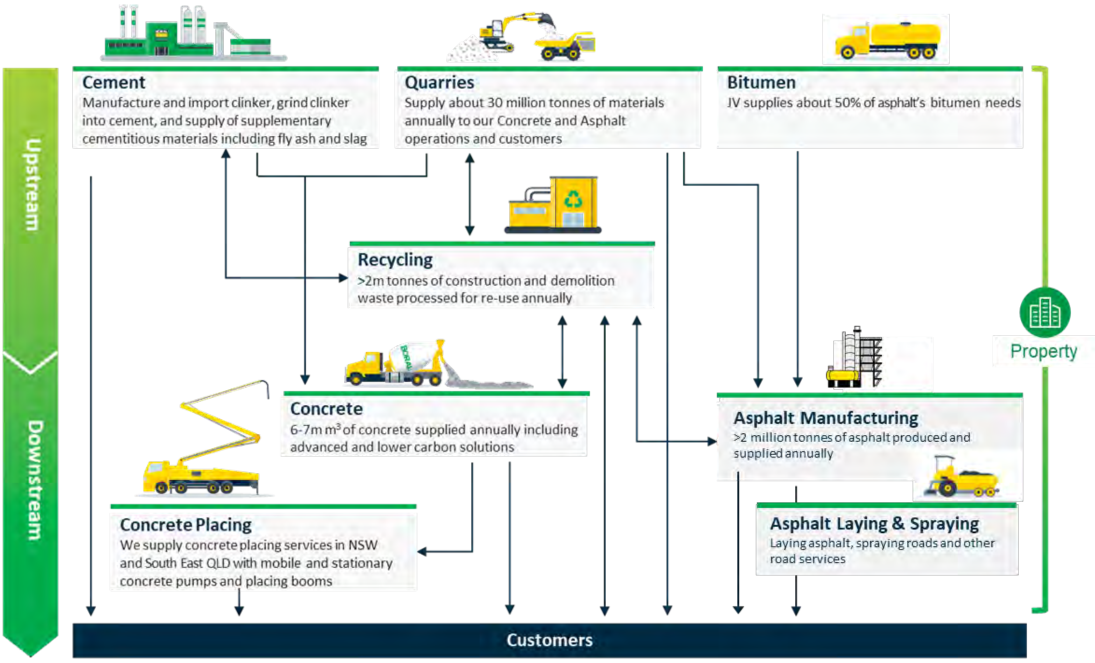
[24] Operating sites include transport, fly ash, depots and joint venture sites as at 30 June 2023.
[25] Full-time equivalent employees as at 31 December 2023, including joint venture employees.

(b) Integrated network

Boral has an integrated network of valuable upstream and downstream operations. Approximately 50% of upstream volumes is supplied to downstream operations, and approximately 90% of downstream business sources raw material inputs internally. The integrated network is able to drive value creation for both Boral and its customers.

Boral is focused on optimising the individual asset classes and building on the synergies of the significant integrated business. The degree of vertical integration and fixed asset footprint are important sources of competitive advantage. It is the largest integrated construction material network in Australia that continues to be optimised and leveraged for optimal value creation.

Figure 10: Boral's vertically integrated network



(c) Breakdown of business segments (1H FY24)

Segment	Revenue (1H FY24)	Description
Concrete	$812m	Downstream concrete operations with close customer proximity and operational capability to support major infrastructure projects
Concrete placing	$102m	Focused on servicing customers in New South Wales and Queensland across multi-residential, commercial, industrial, road infrastructure segments
Asphalt	$385m	Asphalt manufacturing, spray seal and contracting depots with well-located assets and significant supply capacity across key market segments
Quarries	$288m	Hard rock and sand operations with strategically located assets, that have significant long-term rock reserves and resources
Cement & lime	$184m	Boral's upstream Cement operations with significant supply ability and capacity across key East Coast regions
Recycling & other	$68m	One of the largest construction and demolition recyclers in Australia with a broad range of inbound materials acceptance

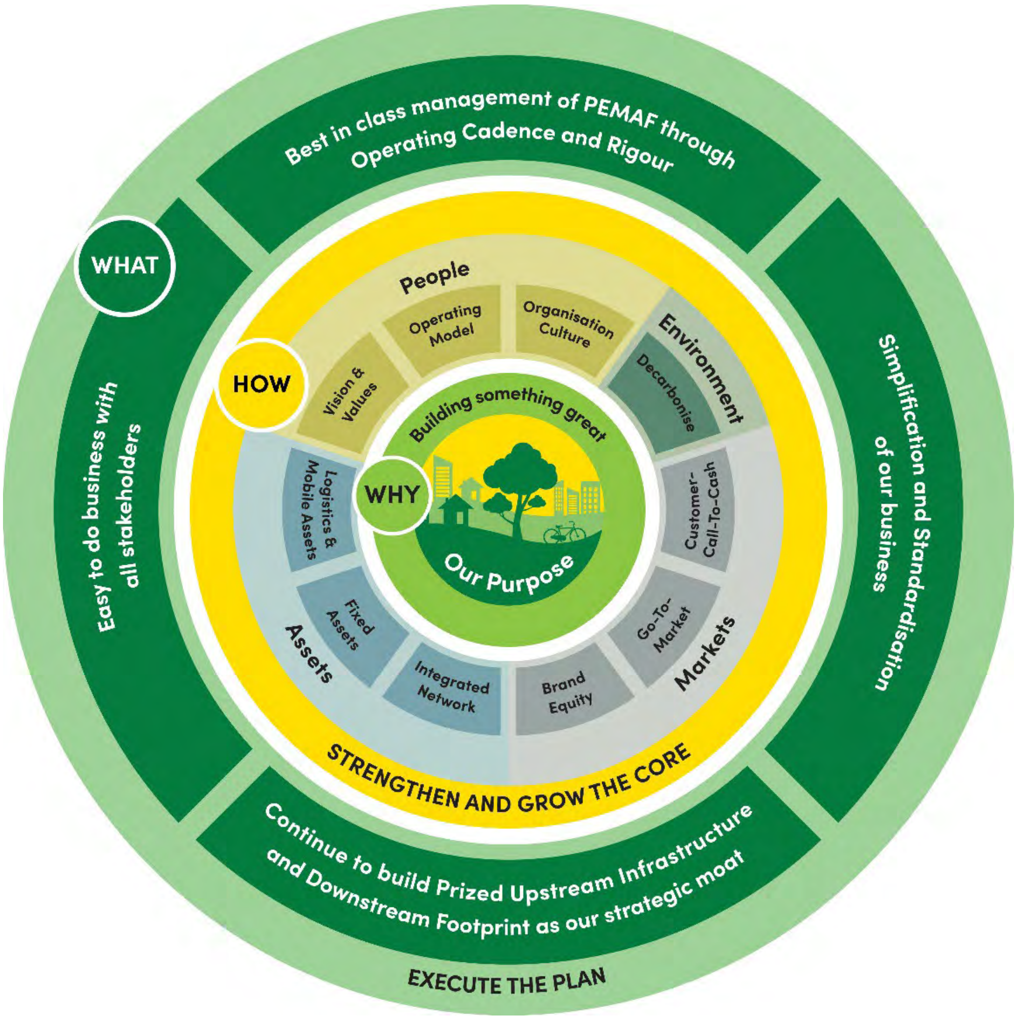
All data as at 31 December 2023

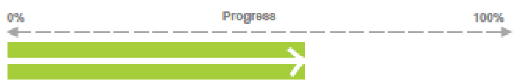
5.4 Boral's strategic priorities

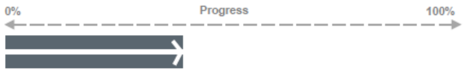
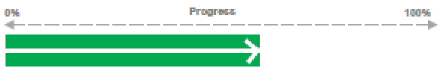
In FY23, Boral's new management team, including newly appointed CEO, Vik Bansal, introduced Boral's new strategy of taking Boral from "Good to Great". This included introducing a new operating model focused on "decentralisation but standardisation", targeting value creation through customer proximity, simplification and standardisation of processes. This new strategy was centred around five key pillars, being, people, environment, markets, assets, and financials (**PEMAF**).

In May 2023, Boral rolled out "Boral Way", the strategic plan on a page, as an alignment tool that is providing strategic alignment and direction across the business. Boral has made substantial progress in the execution of this new strategy. FY23 and 1H FY24 financial performance reflects the delivery of part of the strategic journey. There remains significant upside potential as the business executes on the strategy and moves progress across the PEMAF pillars from current approximately 50% towards 100%.

Figure 11: The Boral Way



Focus area	Focus	Progress
People	As Australia's largest construction materials company, Boral employs ~4,600 full time equivalents. The 'People' pillar is focused on: • Ongoing focus on safety, leadership and culture • Embedding operating model, to leverage scale with agility and increased accountability • Standardising systems and processes across the organisation	 *__Zero harm journey__ continues, FY24 YTD total recordable injury frequency rate of 4.1, a significant improvement on FY23 of 7.2*

Focus area	Focus	Progress
Environment	Environment and sustainability are major trends facing the construction materials industry. The 'Environment' pillar is focused on: • Clarity on decarbonisation pathway • Improving environmental stewardship • Increasing circular economy participation • Clarity of pathway to FY25 in line with FY50 ambition	 *Boral continues to make good progress on its decarbonisation and sustainability initiatives, having achieved **a 10% reduction in absolute Scope 1 and 2 emission in FY23** compared to FY19 base year*
Markets	Boral's customer base is large and diverse, there is no "one-size fits all" solution. The 'Markets and customer' pillar is focused on: • Simplifying and improving Boral customers' experience through call-to-cash process • Refining Boral's go-to-market through rigour in pricing and customer segmentation • Modernising go-to-market, leading to sales effectiveness and optimum price / volume equation	 *Key actions taken include improvement in customer **"Grade of Service"**, delivery on time, and disputes across all businesses, **simplifying ordering processes** and **improving account manager engagement***
Assets	Boral moves and sells ~50 million tonnes annually across its ~360 integrated sites. The 'Assets' pillar is focused on: • Continuing to build Boral's integrated networks • Optimising Fixed and Mobile Assets • Reducing cost per unit across all assets class • Maximising benefits from Auto Allocations technology installed in Melbourne, Brisbane, Adelaide and Perth metro	 *Optimising and leveraging the **degree of vertical integration** and **asset footprint** advantages*
Financials	Boral is targeting sustainable double-digit EBIT margins and returns. The 'Financials' pillar is focused on: • Focusing on volumes, price, cost and cash • Margin expansion through operating leverage Boral continues to target sustainable double-digit returns and EBIT margins	 *The **financial performance of the business has improved significantly** with a turnaround in 2 years from EBIT in FY22 of $106m (excluding property) to FY24 guidance of $330-350m (based on continuing operations (excluding property sales))*

Boral is committed to running its business in the 'Boral Way', with its refreshed PEMAF framework driving standardisation and simplification to achieve financial, commercial and operational rigour.

The PEMAF strategy is still being implemented today. It is expected that the PEMAF framework will continue to drive EBIT benefits through the coming years, creating competitive advantages and driving improving returns.

5.5 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 2023, 30 June 2022 and 30 June 2021 and the reviewed consolidated financial statements of Boral for the half year ended 31 December 2023.

The consolidated financial statements have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board, and the Corporations Act. The consolidated financial statements also comply with International Financial Reporting Standards adopted 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 and reviewed consolidated financial statements of Boral on ASX's website at www.asx.com.au or on the Boral website at www.boral.com.au.

Figure 12: Boral Income Statement

For the period ended	Half year	Full Year		
A$ million	2024	2023	2022	2021
Continuing operations				
Revenue	1,839.9	3,460.6	2,955.9	2,924.1
Cost of sales	(1,306.7)	(2,539.9)	(2,251.4)	(2,166.8)
Selling and distribution expenses	(258.7)	(475.4)	(411.1)	(404.5)
Administrative expenses	(85.0)	(237.0)	(216.6)	(217.6)
Other income	4.5	26.1	15.5	26.9
Other expenses	(0.4)	-	(74.7)	(41.2)
Results of equity accounted investments	(9.3)	18.9	19.9	19.1
Profit/(loss) before net interest expense and income tax	**184.3**	**253.3**	**37.5**	**140.0**
Interest income	17.2	19.9	5.3	1.5
Interest expense	(26.9)	(55.6)	(83.8)	(124.4)
Net interest expense	(9.7)	(35.7)	(78.5)	(122.9)
Profit/(loss) before income tax	174.6	217.6	(41.0)	**17.1**
Income tax (expense)/benefit	(52.6)	(59.6)	24.0	2.0
Profit/(loss) from continuing operations	**122.0**	**158.0**	**(17.0)**	**19.1**
Discontinued operations				
Profit/(loss) from discontinued operations (net of income tax)	-	(9.9)	977.6	620.8
Net profit/(loss)	**122.0**	**148.1**	**960.6**	**639.9**
Total Operations				
Basic earnings per share	11.1c	13.4c	87.0c	52.5c
Diluted earnings per share	11.0c	13.3c	87.0c	52.2c
Continuing operations				
Basic earnings per share	11.1c	14.3c	(1.5c)	1.6c
Diluted earnings per share	11.0c	14.2c	(1.5c)	1.6c

Figure 13: Boral Balance Sheet

As at A$ million	Half year 2024	2023	Full Year 2022	2021
CURRENT ASSETS				
Cash and cash equivalents	888.7	658.1	1,107.1	903.8
Receivables	452.5	549.3	501.3	472.7
Inventories	254.2	257.5	222.5	213.5
Financial assets	2.8	3.0	32.8	11.6
Current tax assets	15.1	25.6	40.4	13.4
Other assets	31.0	20.3	36.3	28.6
Assets classified as held for sale	-	-	-	3,626.1
TOTAL CURRENT ASSETS	**1,644.3**	**1,513.8**	**1,940.4**	**5,269.7**
NON-CURRENT ASSETS				
Receivables	3.6	20.0	35.7	24.2
Inventories	13.7	13.4	12.9	4.8
Investments accounted for using the equity method	37.3	36.1	31.2	15.0
Financial assets	2.5	21.9	-	8.3
Property, plant and equipment	2,110.2	2,118.5	2,117.8	2,044.1
Intangible assets	71.2	71.2	71.5	72.4
Deferred tax assets	72.1	107.7	166.6	145.6
Other assets	35.8	36.1	24.8	25.2
TOTAL NON-CURRENT ASSETS	**2,346.4**	**2,424.9**	**2,460.5**	**2,339.6**
TOTAL ASSETS	**3,990.7**	**3,938.7**	**4,400.9**	**7,609.3**
CURRENT LIABILITIES				
Trade creditors	430.5	497.1	497.2	484.1
Interest bearing liabilities	24.0	23.2	639.7	33.2
Financial liabilities	15.7	10.3	1.4	22.1
Current tax liabilities	15.8	.6	.6	5.0
Employee benefit liabilities	100.1	107.4	103.6	93.2
Provisions	75.0	55.9	65.0	32.5
Liabilities classified as held for sale	-	-	-	610.3
TOTAL CURRENT LIABILITIES	**661.1**	**694.5**	**1,307.5**	**1,280.4**
NON-CURRENT LIABILITIES				
Interest bearing liabilities	949.2	973.1	943.8	1,769.7
Financial liabilities	15.5	10.4	9.8	19.4
Deferred tax liabilities	35.5	36.6	35.1	39.9
Employee benefit liabilities	7.1	7.1	7.2	10.1
Provisions	187.6	191.2	200.0	154.7
Other liabilities	-	-	-	0.3
TOTAL NON-CURRENT LIABILITIES	**1,194.9**	**1,218.4**	**1,195.9**	**1,994.1**
TOTAL LIABILITIES	**1,856.0**	**1,912.9**	**2,503.4**	**3.274.5**
NET ASSETS	**2,134.7**	**2,025.8**	**1,897.5**	**4,334.8**
EQUITY				
Issued capital	593.7	593.7	593.7	3,839.5
Reserves	15.0	28.1	47.9	122.8
Retained earnings/(Accumulated deficit)	1,526.0	1,404.0	1,255.9	372.5
TOTAL EQUITY	**2,134.7**	**2,025.8**	**1,897.5**	**4,334.8**

Source: 2023 and 2022 Annual Reports and Boral 2024 Half Year Report

Figure 14: Boral Statement of Cash Flows

A$ million	Half year 2024	Full Year 2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	2,125.0	3,743.8	4,214.1	5,672.1
Payments to suppliers and employees	(1,785.3)	(3,355.0)	(3,746.9)	(4,900.9)
	339.7	388.8	467.2	771.2
Dividends received	5.8	14.5	6.6	84.0
Interest received	17.4	19.3	5.0	3.5
Borrowing costs paid	(24.3)	(52.5)	(89.8)	(137.4)
Income taxes received / (paid)	10.0	23.3	(77.3)	(7.0)
Restructure and transaction costs paid	-	(34.7)	(50.9)	(60.6)
Net cash provided by operating activities	**348.6**	**358.7**	**260.8**	**653.7**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(91.5)	(209.1)	(342.1)	(257.7)
Capital contribution in equity accounted investment	-	-	(2.8)	–
Repayment of loans by associates	-	-	-	(0.3)
Proceeds on disposal of non-current assets	2.5	4.9	17.0	40.2
Proceeds on disposal of controlled entities and associates (net of transaction costs)		14.5	3,980.5	1,409.4
Net cash (used in) / provided by investing activities investing activities	**(89.0)**	**(189.7)**	**3,652.6**	**1,191.6**
CASH FLOWS FROM FINANCING ACTIVITIES				
On-market share buy-back	**-**	**-**	(352.9)	(506.6)
Capital return paid	-	-	(2,923.2)	-–
Dividends paid	-	-	(77.2)	-
Treasury securities purchased under equity plans	(13.0)	-	-	-
Repayment of lease principal	(13.4)	(25.9)	(57.0)	(88.0)
Settlement of financial instruments	-	-	-	(37.3)
Proceeds from borrowings	-	-	-	105.9
Repayment of borrowings	-	(628.7)	(320.1)	(1,256.3)
Net cash used in financing activities	**(26.4)**	**(654.6)**	**(3,730.4)**	**(1,782.3)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**233.2**	**(485.6)**	**183.0**	**63.0**
Cash and cash equivalents at the beginning of the year	658.1	1,107.1	903.8	904.4
Effects of ex. Rate fluctuations on the balances of cash and cash equivalents held in foreign currencies	(2.6)	36.6	20.3	(63.6)
Cash and cash equivalents at the end of the period	888.7	658.1	1,107.1	903.8

Source: Boral 2023 and 2022 Annual Report and Boral 2024 Half Year Report

The information in this section has been adapted from:

- Boral's 2022 Annual Report, 2023 Annual Report and First Half 2024 Report;

- Boral's 2022 Investor Presentation, 2023 Investor Presentation and First Half 2024 Investor Presentation; and
- Boral's Results Announcement for the full year ended 30 June 2023 (as released to the ASX on 10 August 2023) and Boral's Results Announcement for the half year ended 31 December 2023 (as released to the ASX on 9 February 2024).

For the year ended 30 June 2023, Boral reported revenue from continuing operations of $3,460.6 million representing a 17.1% gain on the prior corresponding period, driven by increased volumes across all products and pricing traction in all regions and products. EBITDA (excluding significant items) was up 37.6% to $454.4 million, enabled by better cost control and improved price discipline leading to margin expansion. Underlying EBIT (excluding significant items) of $231.5 million was 106.3% higher and 118.5% higher on an excluding Property basis.

For the half year ended 31 December 2023, Boral reported revenue from continuing operations of $1,839.9 million representing a 9.4% gain on the prior corresponding period, driven by strong price realisation and volumes that were flat to slightly up on pcp. Boral's EBIT (excluding significant items) was up 110.9% to $201.0 million, reflecting higher revenue and rigorous cost management, and EBIT margin (excluding significant items) was 10.9%, a 520 basis-point improvement on pcp. Boral reported in the first half of FY24 underlying NPAT (excluding significant items) of $138.6 million, up 143.9% on pcp.

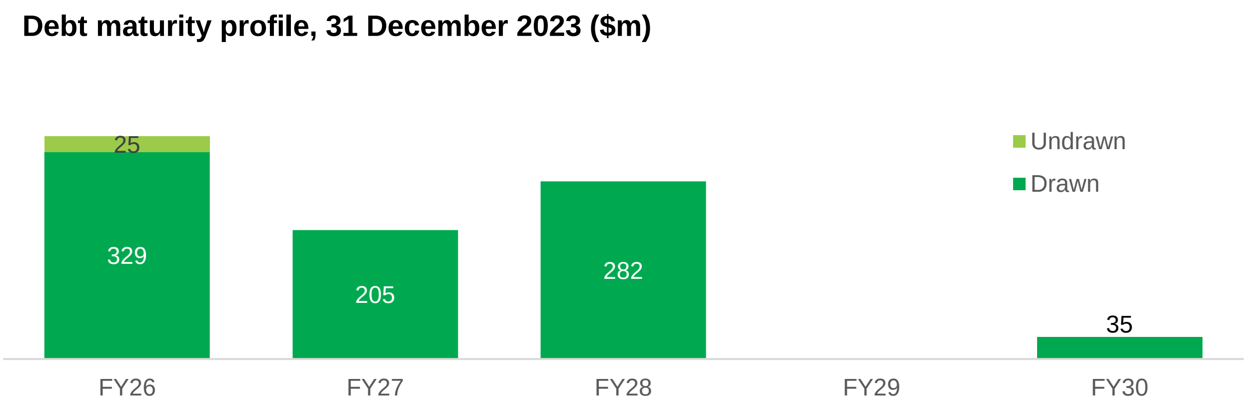
5.6 Capital structure – Funding and restructure of funding facilities

As at 31 December 2023, Boral had cash of $888.7 million, debt of $850.3 million and lease liabilities of $122.9 million representing net debt of $84.5 million. Net debt was down from $338.2 million at 30 June 2023, reflecting higher operating cash flow versus the first half of FY23 operating cash flow from continuing operations of $117.4 million, increased earnings and a rigorous focus on cash conversion and working capital management.

Gearing (net debt / (net debt plus equity)) was 3.8%, down from 14.3% at 30 June 2023. Net debt / underlying EBITDA (based on EBITDA (excluding significant items) from continuing operations to 31 December 2023) of 0.3 times reflected debt reduction during the half year.

Boral's debt maturity profile is shown in Figure 15.

Figure 15: Boral funding facility maturity (A$ million)



($m)	31 Dec 2023	30 Jun 2023
Leases	122.9	122.4
USPP Notes	568.2	585.9
144/A Reg S	282.1	288.0
Gross debt[26]	973.2	996.3
Cash and cash equivalents	888.7	658.1
Net Debt per balance sheet	84.5	338.2
Gearing ratio	3.8%	14.3%
Net debt to underlying EBITDA ratio	0.3x	0.7x
Interest cover ratio[27]	20.7x	6.5x

[26] Carrying value of debt based on AUD/USD exchange rate of 0.6840 as at 31 December 2023.
[27] EBIT before significant items divided by the net interest expenses.

As at 31 December 2023, Boral had $25 million of undrawn committed bank facilities maturing in FY26. During the 6 months ended 31 December 2023, Boral terminated $125 million of undrawn committed bank facilities (maturing in FY25 and FY26) in light of surplus liquidity, saving approximately $700,000 of interest per annum.

5.7 Property

Boral has a significant portfolio of owned property assets across approximately 360 sites in Australia. The portfolio comprises active quarries, cement facilities, concrete plants, asphalt plants, surplus properties and inactive sites. Boral manages its property portfolio through a fixed asset life cycle, which is critical to building and maintaining a competitive advantage. Boral intends to continue to investing in its strategic network and operational footprint.

Boral has approximately 25 surplus properties with a total area of approximately 4,500 hectares. It is expected that these properties will have significant development potential. In preparing its Independent Expert's Report, the Independent Expert has attributed a value of $1.4 to $1.6 billion[28] to Boral's surplus property assets (which represents a value to Boral Shareholders of approximately $1.26 to $1.44 per Boral Share) as set out in the Independent Expert's Report in Attachment 1 to this Target's Statement.

5.8 Outlook

As at the date of Boral's First Half 2024 Report, Boral expected to deliver underlying EBIT, excluding significant items, in the range of $330-350 million for the full year FY24, increasing from previous guidance of $300-330 million provided on 11 November 2023. This is assuming no significant shift in market demand or price environment.

Boral's earnings have historically been weighted towards the first half. FY23 was a recent exception to this trend with the introduction of a new operating model and strategy in the first half of Boral's FY23. It is expected Boral's typical seasonality (i.e. first half weighting) will resume in FY24. Additionally, volume trends are expected to remain unchanged in the second half of FY24, as Boral is expected to maintain a strong discipline on price and cost.

5.9 Issued capital

As at 11 March 2024, Boral's issued capital consisted of:

- 1,103,088,419 Boral Shares; and
- 6,473,890 Boral Performance Rights.

5.10 Boral Performance Rights

Boral currently has in place the 2022 Boral Equity Incentive Plan, under which Boral Performance Rights are granted at the Board's discretion.

As at 11 March 2024, Boral had 6,473,890 Boral Performance Rights on issue. Of these, Mr Vik Bansal, Boral's Chief Executive Officer and Managing Director, holds 1,640,073 Boral Performance Rights, and no other Boral Director holds any Boral Performance Rights.

The Boral Performance Rights on issue comprise:

- **FY2023 LTIs and FY2024 LTIs**: long term incentive grants made in respect of the 2023 and 2024 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;
- **FY2023 Deferred STIs**: deferred short term incentive grants made in respect of the 2023 financial year, which will vest in the ordinary course at the end of the applicable vesting period subject to continued employment of the participant;
- **CEO Sign-On Bonus**: sign-on awards made to Vik Bansal in the form of 525,984 fixed equity rights, of which 50% vest after completion of 2 years and 50% on completion of 3 years; and
- long term incentive grants made in respect of the 2022 financial year (pursuant to the previous 2013 Boral Equity Incentive Plan), which will vest in the ordinary course subject to satisfaction of certain performance conditions to be tested as at 1 September 2024.

Upon vesting, each Boral Performance Right confers on its holder the right to a fully paid Boral Share or, at the discretion of the Board, payment of the cash value of a Boral Share. The Boral Equity Incentive Plan Rules also provide that holders may be provided with shares of a company that obtains control of Boral or its parent in lieu of Boral Shares in a manner agreed by Boral and the acquiring company.

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[28] In the valuation of contracted properties, the Independent Expert applied corporate income tax to the expected future cash flows. The Independent Expert did not apply any capital gains tax against the value of the surplus property assets because a buyer of 100% of Boral would not necessarily seek immediate monetisation of these assets, would benefit from a step up in the tax base (from allocation of its purchase cost) and Boral's existing capital losses may be available to partly offset potential liabilities.

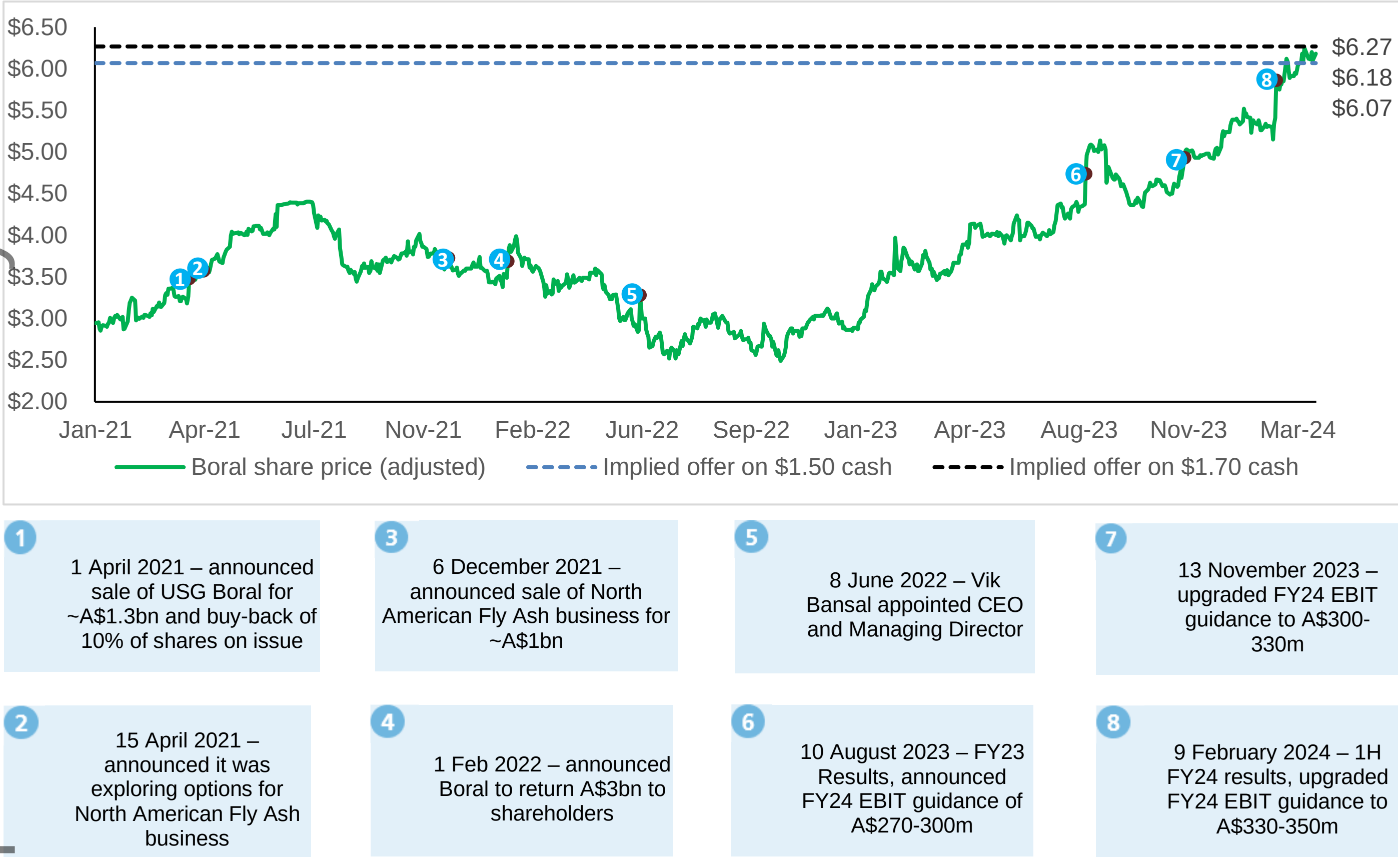
Please see section 11.8 for details of the proposed treatment of the Boral Performance Rights in connection with the SGH Offer.

5.11 Recent Boral Share price performance

Boral's share price was trading at 12-month highs at the time of the SGH Offer, driven by improving sector outlook and outperformance of the business which has been demonstrated by several earnings guidance upgrades. The chart below shows the daily closing share price for Boral Shares between 1 January 2021 and 18 March 2024 (being the Last Practicable Date).

Boral's closing share price on 16 February 2024, which represents the close of market prior to the announcement of the SGH Offer, was $5.85.

Figure 16: Boral's recent share price performance (A$)[29]



Source: FactSet, Boral ASX announcements. Market data as at 18 March 2024.

5.12 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 ASX Listing Rules 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 (www.asx.com.au). Boral's ASX announcements between the announcement of the SGH Offer on 19 February 2024 and the Last Practicable Date are listed in Attachment 2.

5.13 Further information

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

[29] Implied offer value is based on SGH closing price of $40.93 as of 18 March 2024.

6 Information about SGH and SGH Bidder

6.1 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.

6.2 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).

6.3 SGH's interest in Boral

As at 18 March 2024, each of SGH Bidder and SGH holds an aggregate interest in up to 72.65% of Boral Shares (being 801,410,970 Boral Shares) by way of[30]:

- SGH Bidder and wholly owned Subsidiaries of SGH being the registered holders and beneficial owners of 733,469,191 or 66.45% of Boral Shares; and
- a physically settled equity swap transaction to acquire up to 67,941,779 or 6.2% Boral Shares.

Section 2.8 of the Bidder's Statement and section 7 of the Second Supplementary Bidder's Statement contain further information about SGH's interest in Boral.

6.4 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), changes to the future employment of the present employees of Boral, board composition, compulsory acquisition of and delisting of Boral are set out in section 4 of the Bidder's Statement.

[30] SGH Notice of change in substantial holding released on ASX on 18 March 2024.

7 Details about the SGH Offer

7.1 The SGH Offer

SGH announced the SGH Offer to Boral Shareholders, and released a copy of its Bidder's Statement to ASX, on 19 February 2024. On 4 March 2024, SGH released a replacement Bidder's Statement. SGH released a Second Supplementary Bidder's Statement on 4 March 2024, in which it declared the SGH Offer unconditional.

SGH Bidder is offering to acquire all or any number of Boral Shares held by you.

You may accept the SGH Offer for some or all of your Boral Shares.

The SGH Offer is open for acceptance until 7.00pm on 4 April 2024, unless it is extended in accordance with the Corporations Act or the SGH Offer is withdrawn with the written consent of ASIC. Section 7.7 of this Target's Statement describes the circumstances in which SGH can extend the SGH Offer.

7.2 Consideration payable to Boral Shareholders who accept the SGH Offer

The SGH Offer comprises aggregate Offer Consideration for each Boral Share of:

- **Scrip Consideration**: 0.1116 SGH Shares; and
- **Cash Consideration**: $1.50 cash, subject to any increase in the Cash Consideration pursuant to the First Consideration Increase and Second Consideration Increase (see section 7.3 below).

SGH's Bidder's Statement states that, if the calculation of the Scrip Consideration under the SGH Offer results in an entitlement to a fraction of an SGH Share, that fraction will be rounded down to the next whole number of SGH Shares. This may adversely affect minority Boral Shareholders holding a smaller parcel of Boral Shares.

You may accept the SGH Offer for some or all of your Boral Shares.

7.3 Conditions to increase of Cash Consideration

The Cash Consideration will be increased if one or both of the following occur before the close of the SGH Offer Period (including if extended):

(i) **First Consideration Increase**: The Cash Consideration will be increased by $0.10 per Boral Share (up to $1.60 per Boral Share) if one or both of the following occur:

  (A) SGH Bidder receives acceptances under the SGH Offer sufficient to increase its aggregate interest in Boral Shares to 80% or more prior to close of the SGH Offer; or

  (B) the Board, excluding Ryan Stokes and Richard Richards, unanimously recommends that Boral Shareholders accept the SGH Offer.

(ii) **Second Consideration Increase**: The Cash Consideration will increase by a further $0.10 per Boral Share (up to $1.70 per Boral Share) if SGH Bidder receives acceptances under the SGH Offer sufficient to increase its voting power in Boral Shares to 90.6% or more prior to close of the SGH Offer, being the point at which SGH Bidder may proceed to compulsorily acquire the Boral Shares not accepted under the SGH Offer, pursuant to Part 6A.1 of the Corporations Act.

The First Consideration Increase and the Second Consideration Increase will each apply at any time at which the relevant conditions are satisfied before the close of the SGH Offer Period (including where the SGH Offer Period is extended in accordance with the Corporations Act).

If the First Consideration Increase and Second Consideration Increase both occur, Boral Shareholders would receive 0.1116 SGH Shares and $1.70 cash per Boral Share (i.e. the Maximum Consideration).

There is no guarantee that either of these thresholds will be reached.

SGH's physical shareholding (66.45%[31] of Boral Shares as at 18 March 2024), plus its interest under any physically settled equity swap (6.2% as at 18 March 2024), will count towards meeting the 80% shareholding threshold required for the First Consideration Increase, but any interest under a physically settled equity swap will not count towards the 90.6% shareholding threshold required for the Second Consideration Increase.

[31] Based on SGH notice of change in substantial holding in Boral released on ASX on 18 March 2024.

Whether or not SGH achieves the thresholds required for the potential increases in the Cash Consideration turns on Boral Shareholders deciding to accept into the SGH Offer, which is not certain. The BRC has made a recommendation that Boral Shareholders **REJECT the SGH Offer** for the reasons set out in this Target's Statement, including that the Independent Expert has assessed the SGH Offer as not fair, and not reasonable.

The exchange ratio of 0.1116 SGH Shares per Boral Share is fixed in all cases.

7.4 Boral Shareholder Acceptance Facility

SGH Bidder has established an acceptance facility that is open to all Boral Shareholders to facilitate the receipt of their acceptances of the SGH Offer (**Acceptance Facility**). The Acceptance Facility enables Boral Shareholders to indicate their intention to accept the SGH Offer, without being obliged to do so until the First Consideration Increase is effective, meaning, where the conditions to the First Consideration Increase have been satisfied and the Cash Consideration is $1.60 per Boral Share rather than $1.50 per Boral Share. The conditions to effect the First Consideration Increase are set out in section 7.3. The Acceptance Facility is operated by the Acceptance Facility Agent.

If the First Consideration Increase did not occur and the Cash Consideration remained at $1.50 per Boral Share, then the Boral Shareholder's acceptance into the SGH Offer would not take effect.

If you wish to participate in the Acceptance Facility, you will need to provide to the Acceptance Facility Agent a duly completely Appointment Form, together with a completed and executed Acceptance Form or, in respect of Boral Shares held by a custodian, Custodian Directions (one copy for the Bidder and one copy for the Custodian).

SGH Bidder will treat any Boral Shares the subject of the Acceptance Facility as shares over which it has 'voting power' for the purpose of disclosure requirements in section 671B(7) of the Corporations Act and for continuous disclosure obligations in respect of the Acceptance Facility.

You may also accept the SGH Offer by following the instructions detailed in section 7.6 below and set out in full in section 9.3 of the Bidder's Statement.

Further details of the operation of, and participation in, the Acceptance Facility are set out in sections 4.2 and 4.4 of the Second Supplementary Bidder's Statement.

7.5 Conditions to the SGH Offer

The SGH Offer is unconditional.

SGH Bidder issued a Notice of Status of Conditions under section 650F of the Corporations Act, giving notice that the SGH Offer is freed from the no Prescribed Occurrences condition detailed in section 9.6 of the Bidder's Statement. This Notice of Status of Conditions accompanies the Second Supplementary Bidder's Statement.

7.6 SGH Offer Period and acceptance

Unless the SGH Offer Period is extended in accordance with the Corporations Act or the SGH Offer is withdrawn with the written consent of ASIC, the SGH Offer is open for acceptance from 4 March 2024 until 7.00pm (Sydney time) on 4 April 2024.

If you choose to accept the SGH Offer, then your acceptance must be received by SGH before the end of the SGH Offer Period.

You can accept the SGH Offer online by logging into www.sevengroupoffer.com.au or you can complete, sign and return the Acceptance Form by post to one of the addresses indicated on the Acceptance Form in sufficient time so that it is received by SGH before the end of the SGH Offer Period.

Further instructions on how to accept the SGH Offer are set out in section 9.3 of the Bidder's Statement and on the Acceptance Form. If you want to accept the SGH Offer, then you should follow these instructions carefully to ensure that your acceptance is valid.

(a) CHESS holdings

If your Boral Shares are in a CHESS holding (in which case your Holder Identification Number will commence with 'X') and you want to accept the SGH Offer, you can accept the SGH Offer online by logging into www.sevengroupoffer.com.au, or you can instruct your Controlling Participant to initiate acceptance of the SGH Offer on your behalf (if you do this and your Controlling Participant follows those instructions, you do not need to complete and return the Acceptance Form) or you can complete, sign and return the Acceptance Form by post to one of the addresses indicated on the Acceptance Form in sufficient time so that it is received by SGH before the end of the SGH Offer Period.

If you are a CHESS holder, SGH Bidder strongly recommends that you submit your online acceptance of the SGH Offer a reasonable period before the end of the SGH Offer Period. This is because SGH's registry will need to confirm any online submission of your acceptance of the SGH

Offer with your Controlling Participant before it can be taken as validly submitted.

(b) Issuer sponsored holdings

If your Boral Shares are in an issuer sponsored holding and you want to accept the SGH Offer, you can accept the SGH Offer online by logging into www.sevengroupoffer.com.au or you can complete, sign and return the Acceptance Form by post to one of the addresses indicated on the Acceptance Form in sufficient time so that it is received by SGH before the end of the SGH Offer Period.

(c) Unregistered purchaser

To accept the SGH Offer for Boral Shares which are not held in your name, but of which you are entitled to be registered as holder, you must complete, sign and return the Acceptance Form together with a copy of the contract note relating to your Boral Shares and all other documents required by the instructions on it to one of the addresses given on the Acceptance Form, in sufficient time so that they are received by SGH before the end of the SGH Offer Period.

(d) Foreign Shareholders

If you are a Foreign Shareholder and you accept the SGH Offer, you will not be entitled to receive SGH Shares as the consideration for the Scrip Consideration as a result of accepting the SGH Offer. You will instead, be offered and will receive a cash amount, calculated in accordance with section 9.11(g) of the Bidder's Statement. Further details are set out in sections 9.1(d) and 9.11(g) of the Bidder's Statement.

7.7 Extension of the SGH Offer Period

Given the SGH Offer is now unconditional (that is, the SGH Offer has now been freed from the no Prescribed Occurrences condition), SGH may extend the SGH Offer Period at any time before the end of the SGH Offer Period.

If the First Consideration Increase or the Second Consideration Increase occurs within the last 7 days of the SGH Offer Period, the SGH Offer Period will be automatically extended so that it ends 14 days after the date on which the First Consideration Increase or the Second Consideration Increase (as applicable) occurs.

7.8 Withdrawal of SGH 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.

7.9 Effect of acceptance

Accepting the SGH Offer would:

- prevent you from selling your shares on ASX in the event that the Boral Shares trade at prices above the implied value of the Scrip Consideration and the Cash Consideration being offered to you by SGH;
- expose you to fluctuation in the value of the Offer Consideration, given the Scrip Consideration is for a fixed number of SGH Shares (and not for a number of SGH Shares with a specified market value); and
- prevent you from accepting any higher takeover bid that may be made by a third party or any alternative transaction proposal (should a third party bid or alternative transaction proposal emerge) that may be recommended by the Boral Board.

The effect of acceptance of the SGH Offer is explained in more detail in sections 9.4 and 9.5 of the Bidder's Statement. Boral Shareholders should read those 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.

7.10 Your ability to withdraw your acceptance

On 4 March 2024, SGH Bidder announced that the SGH Offer is now unconditional. If you accept the SGH Offer, then you will not be able to withdraw your acceptance.

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

If you accept the SGH Offer in accordance with the instructions contained in section 7.6 and set out in full in section 9.3 of the Bidder's Statement, then you will be issued SGH Shares and sent the Cash Consideration due for your Boral Shares to which you are entitled under the SGH Offer within 7 Business Days from the date on which you accept the SGH Offer.

7.12 SGH Offer is best and final

The 'Why You Should Accept the Offer' section in the Bidder's Statement states that the SGH Offer is best and final and, therefore, SGH Bidder will not improve the consideration under the SGH Offer. However, if the relevant conditions for the First Consideration Increase and Second Consideration Increase are met before the close of the SGH Offer, Boral Shareholders that accept into the SGH Offer will receive the Maximum Consideration. See section 7.3 of this Target's Statement for further details.

7.13 Compulsory acquisition

SGH Bidder has indicated in sections 4.4 and 4.5 of its Bidder's Statement that, if it satisfies the requisite thresholds, it intends to compulsorily acquire any outstanding Boral Shares.

(a) Intentions upon acquisition of 90.6% of Boral Shares

If SGH Bidder acquires a Relevant Interest in at least 90.6% of Boral Shares, including Boral Shares held by SGH[32], during or at the end of the SGH Offer Period, SGH Bidder will be entitled to compulsorily acquire any remaining Boral Shares not accepted into the SGH Offer under Part 6A.1 of the Corporations Act.

SGH Bidder currently has a Relevant Interest in 66.45% of Boral Shares and a further interest in 6.2% of Boral Shares under the Swap (which does not give rise to a Relevant Interest in Boral for the purposes of the compulsory acquisition provisions of the Corporations Act).

If SGH Bidder acquires a Relevant Interest in approximately 90.6% or more of Boral Shares on issue, SGH Bidder intends to seek to compulsorily acquire the outstanding Boral Shares in accordance with Part 6A.1 of the Corporations Act. Where this occurs, SGH Bidder will have 1 month after the end of the SGH Offer Period within which to issue 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 later than if they had accepted the SGH Offer.

If compulsory acquisition is completed in accordance with Part 6A.1 of the Corporations Act:

- and you have not accepted the SGH Offer, you will receive the same consideration for your Boral Shares as the Offer Consideration to be paid under the SGH Offer;
- SGH Bidder would procure the removal of Boral from the official list of ASX;
- SGH intends to offer up to 2 SGH board seats to the independent directors of Boral, for the purpose of continuing to represent the former minority Boral Shareholders' interests on the SGH board post-completion of the SGH Offer; and
- SGH and SGH Bidder have assumed that a portion of the Boral Performance Rights currently on issue will vest on a pro-rata (to time) basis, and that any unvested Boral Performance Rights will be replaced with comparable SGH incentives. Further details on the treatment of Boral Performance Rights are set out in section 11.8 of this Target's Statement.

(b) Compulsory acquisition under Part 6A.2 of the Corporations Act

Even if SGH Bidder is not entitled to seek compulsory acquisition under Part 6A.1 of the Corporations Act at the end of the SGH Offer Period, it is possible that SGH Bidder may subsequently, at some time after the end of the SGH Offer Period, become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act, either because:

- while SGH Bidder did not acquire 75% of Boral Shares offered under the SGH Offer[33], it along with SGH, holds full beneficial interests in 90% or more of all Boral Shares; or
- SGH Bidder acquired additional Boral Shares in reliance on the 3% creep exception in item 9 of section 611 of the Corporations Act.

As at the date of the Bidder's Statement, SGH Bidder's intention is to exercise the general compulsory acquisition rights pursuant to Part 6A.2 of the Corporations Act to compulsorily acquire Boral should it become entitled to do so.

If SGH Bidder proceeds to compulsorily acquire Boral in accordance with Part 6A.2 of the Corporations Act, then it may only acquire the remaining Boral Shares for a cash sum.

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[32] SGH will reach this threshold where it acquires a Relevant Interest in at least 90% of all Boral Shares, and in at least 75% of the Boral Shares that SGH Bidder offered to acquire under the SGH Offer. SGH will reach this latter threshold where it acquires approximately 90.6% of all Boral Shares, including Boral Shares held by SGH.

[33] SGH will reach this threshold where it acquires approximately 90.6% of all Boral Shares, including Boral Shares held by SGH.

7.14 Possible removal of Boral from official list on the ASX where compulsory acquisition thresholds are not met

Section 4.4(b) of the Bidder's Statement states that, even if SGH does not acquire an interest in 90.6% or more of Boral Shares, it intends to have Boral delisted from the ASX as soon as it is able to do so, subject to compliance with, among other things, the requirements of the ASX Listing Rules.

If SGH was able to have Boral delisted from the ASX, this will affect the ability of Boral Shareholders to sell their Boral Shares, and the liquidity in trading of those Boral Shares. Boral Shareholders should note, however, that there are material constraints on SGH's ability to have Boral delisted in circumstances where SGH has not achieved compulsory acquisition under the SGH Offer. In particular:

- any decision for Boral to apply to the ASX to be delisted would be a matter for the Boral Board at the relevant time, having regard to the interests of all Boral Shareholders;
- the ASX's guidance does contemplate that a bidder can apply to delist a target company following close of a takeover offer, but only if certain conditions are met, which include:
    - the bidder and its related bodies corporate owning or controlling at least 75% of the target shares at the end of the bid; and
    - at the end of the offer, the target having less than 150 shareholders (excluding the bidder and its related bodies corporate) holding less than a 'marketable parcel' of target shares;
- given that Boral has approximately 47,000 shareholders on its register as at 15 March 2024, it is highly unlikely that these conditions will be satisfied at the end of the offer in circumstances where SGH has not achieved compulsory acquisition; and
- the ASX's guidance also contemplates that once 12 months have elapsed post-completion of a takeover offer, the target may apply to the ASX to be delisted. ASX has a discretion whether or not to approve the delisting, and will normally require that the delisting is approved by special resolution passed at a general meeting of the target. The ASX may exclude the bidder and its associates from voting on that resolution if the ASX is concerned that the bidder or its associates are likely to obtain a material informational advantage or other material advantage or benefit from delisting that may not be available to other shareholders generally, or if the ASX otherwise considers it appropriate to impose a voting exclusion.

For these reasons, there is no guarantee that SGH could effect the delisting of Boral in circumstances where it has not achieved compulsory acquisition under the SGH Offer.

8 Risk factors

8.1 Introduction

In considering the SGH Offer, Boral Shareholders should be aware that there are a number of risk factors associated with accepting the SGH Offer, 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 8 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 8 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.

8.2 Risks associated with accepting the SGH Offer

The BRC unanimously recommend that Boral Shareholders **REJECT the SGH Offer**. There are risks associated with accepting the SGH Offer, including those described below.

(a) 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 0.1116 SGH Shares and current $1.50 cash per Boral Share (although the BRC can give no assurances and make no forecast of whether this will occur).

(b) 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 10 of this Target's Statement. You should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

(c) Possibility of superior proposal emerging

A third party with a superior proposal may emerge (although the BRC can give no assurances that this will occur). However, SGH Bidder has stated in the Bidder's Statement that it believes it is highly unlikely that a competing bid or control proposal will emerge. SGH holds an aggregate 72.65% interest in Boral, as at the Last Practicable Date, and has indicated in its Bidder's Statement that it has no intention of handing over control of Boral. Given SGH holds an aggregate 72.65% interest in Boral and SGH's statements in its Bidder's Statement, the BRC thinks it is unlikely that a competing bid or control proposal will emerge.

Other risks associated with accepting the SGH Offer are set out in detail in section 6 of the Bidder's Statement.

8.3 Risks associated with rejecting the SGH Offer

The BRC believes that there is a risk the Boral Share price may fall after close of the SGH Offer if SGH does not reach 100% ownership of Boral, given that the current price is above the trading levels prior to announcement of the SGH Offer on 19 February 2024.

If SGH increases its shareholding in Boral as a result of acceptances in the SGH Offer, even if SGH does not become entitled to compulsorily acquire Boral, as majority shareholder, SGH will still hold a controlling interest in Boral. Therefore, there may be reduced liquidity of Boral Shares, meaning that you may have greater difficulty in realising value for your Boral Shares.

If you choose not to accept the SGH Offer, and if SGH becomes entitled to, and does, exercise compulsory acquisition rights, you are likely to be paid later than Boral Shareholders who accept the SGH Offer.

8.4 Risks associated with 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 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 Australia (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 2023 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 manages or uses a fleet of more than 3,500 on-road heavy vehicles which are required to meet national heavy vehicle legislation (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. The nature of certain parts of Boral's operations also requires close management of dust and other environmental issues which may pose risks to its employees, the environment and other stakeholders.
- **Manufacturing operations**: Any unanticipated failures, outages or force majeure events relating to Boral's manufacturing and related services which rely on critical plant could lead to failure to meet financial performance.
- **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. 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, 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. Boral's vertical integration and fixed asset footprint are important sources of Boral's competitive advantage. These positions require ongoing investment through brownfield capacity, as demand in geographic regions grows, or new greenfield investment to meet demand in growth corridors, which may incur continuous and further expenses for the business.
- **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. There is also a risk that, due to competitor actions and market pressures, Boral is not able to maintain pricing and / or achieve announced price increases to offset inflationary costs.
- **Carbon and climate-related impacts**: The transition to a low-carbon economy with heightened focus on carbon emissions is likely to result in changing customer preferences and a shift to less carbon-intensive construction materials. This could result in reduced demand for Boral's products if they do not meet customer expectations in terms of innovation and reduced emissions intensity. 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.

- **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 and optimisation of IT is required to support the needs of the business and adequately support Boral's operating model, 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.
- **Licence 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, including an obligation to protect Aboriginal heritage sites and biodiversity. Non-compliance or material breaches 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 an adverse effect on Boral's business, financial condition or results of operation, including causing greater reporting requirements and increased operational and financial demands. 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.
- **Supply chain / cost management**: There is a risk that Boral's business performance is exposed to inflationary impacts and market cost increases above expected levels and / or Boral is not able to achieve planned cost reductions or price increases to offset inflationary cost increase. 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 to a 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.
- **Surplus property valuation risk**: Management's belief of the development potential of its surplus properties as stated in this Target's Statement in section 5.7 is an opinion as at the date of this Target's Statement and is not a guarantee of present or future property values. The BRC appointed Colliers to provide an indicative assessment report in relation to Boral's surplus property portfolio which has been utilised by Grant Samuel to inform its assessment on the realisable value of Boral's surplus property portfolio.[34] Management's belief and Grant Samuel's indicative value attribution is as at the date of this Target's Statement and may change due to a variety of factors. Colliers' advice and opinion is current as at the date of Colliers' assessment of Boral's other surplus property portfolio and the opinions assessed may change significantly and unexpectedly over a relatively short period. Those factors may include general economic conditions, delays in planning approvals, rehabilitation and remediation requirements, 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

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[34] Refer to the Independent Expert's Report for further relevant information.

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 11.6 for further details.
- **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 and director appointments**: The SGH Offer may mean that there is an increased risk of not being able to retain key executives of Boral. If SGH Bidder compulsorily acquires Boral, SGH proposes to offer two SGH board seats to the independent directors of Boral, for the purpose of continuing to represent the former minority Boral Shareholders' interests on the SGH board post-completion of the SGH Offer. Independent to the outcome of the SGH Offer, SGH intends that the Boral Board composition be commensurate with its increased ownership interest in Boral. SGH therefore proposes to appoint a majority of nominees of SGH on the Board and only retain sufficient independent directors to satisfy ASX listing rule requirements. The interests of remaining Boral Shareholders may not align with what SGH considers to be in the best interests of Boral.
- **Industrial relations / disputes**: 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.
- **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.

9 Information relating to Boral Directors

9.1 Interests and dealings in Boral Shares

(a) 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
Ryan Stokes AO	1,000[35]	nil
Vik Bansal	nil	1,640,073[36]
Robert Sindel	71,060[37]	nil
Richard Richards	1,000[38]	nil
Mark Johnson	40,000[39]	nil
Jacqueline Chow	21,000[40]	nil
Total	**134,060**	**1,640,073**

(b) Dealings in Boral Shares

In the 4 month period ending on the date immediately before the date of this Target's Statement, Mr Vik Bansal was allocated 376,667 Boral Performance Rights under the Boral Equity Incentive Plan on 19 December 2023.

Other than this dealing, 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.

9.2 Interests and dealings in SGH securities

(a) 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
Ryan Stokes AO[41]	574,656	102,079

(b) Dealings in SGH securities

None of the BRC 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.

9.3 Benefits and agreements

(a) Benefits in connection with retirement from office

No Boral Director, company secretary or executive 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 as a result of the SGH Offer.

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35 Held directly by Ryan Stokes AO based on the Appendix 3Y filed by SGH with the ASX on 1 December 2023.
36 Held indirectly by the Trustee for VB Family Trust Ariana Vernon Holdings Pty Ltd.
37 This includes 1,000 Boral Shares held directly by Mr Robert Sindel and 70,060 Boral Shares held indirectly by Sindel Australia Pty Limited <Sindel Family A/C>.
38 Held directly by Mr Richard Richards based on the Appendix 3Y filed by Boral with the ASX on 3 September 2021. .
39 This includes 1,000 Boral Shares held directly by Mr Mark Johnson and 39,000 Boral Shares registered in the name of Netwealth Investments Limited for Mark Johnson's self-managed superannuation fund M G Johnson and K Apostolopolous Super Fund.
40 Held directly by Ms Jacqueline Chow.
41 Based on the Appendix 3Y filed by SGH with the ASX on 1 December 2023.

(b) 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 and/or Boral Performance Rights.

(c) Benefits from SGH

The Bidder's Statement notes SGH proposes, if it achieves compulsory acquisition under the SGH Offer, that up to two seats on the SGH board of directors be offered to independent Directors of Boral, for the purpose of continuing to represent the former minority Boral Shareholders' interests on the SGH board of directors post completion of the SGH Offer.

None of the Boral Directors have agreed to receive, or are entitled to receive, any benefit from SGH, SGH Bidder or any of their respective related bodies corporate which is conditional on, or is related to, the SGH Offer, other than in their capacity as a holder of Boral Shares and/or Boral Performance Rights.

(d) Interests of Directors in contracts with SGH

None of the BRC has any interest in any contract entered into by SGH.

Ryan Stokes and Richard Richards, who are not making a recommendation in this Target's Statement, have interests in agreements entered into between each of Mr Stokes and Mr Richards, respectively, and SGH relating to their executive positions within SGH.

10 Taxation implications

10.1 Introduction

This section 10 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 to 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.

This summary is based on the provisions of the *Income Tax Assessment Act 1936* (Cth) (**ITAA 1936**), the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**), the *Taxation Administration Act 1953* (Cth) (**TAA**) and the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) (**GST Act**) as at the date of this Target's Statement. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities.

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, or otherwise on revenue account;
- acquired their Boral Shares under an arrangement which qualifies as an employee share or rights plan for Australian tax purposes;
- may be subject to special taxation rules, such as partnerships, banks, insurance companies, tax exempt organisations, certain trusts or dealers in securities;
- are 'temporary residents' as that term is defined in section 995-1(1) of the ITAA 1997;
- change their tax residence whilst holding Boral Shares;
- are non-residents for Australian tax purposes and who hold their Boral Shares in carrying on a business through a permanent establishment in Australia;
- have a functional currency for Australian tax purposes other than an Australian functional currency;
- are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Boral Shares; or
- are subject to the Investment Manager Regime under Division 842 of the ITAA 1997 in relation to gains and losses on their Boral Shares.

This summary does not take into account the tax law of countries other than Australia. Boral Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the SGH Offer under the laws of their country of residence, as well as under Australian law, of acceptance of the SGH Offer.

10.2 Boral Shareholders that are Australian residents for tax purposes

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

Capital gains tax (**CGT**) event A1 should happen to Boral Shareholders that dispose of their Boral Shares pursuant to the SGH Offer. The CGT event should happen at the time when the Boral

Shareholder accepts the SGH Offer.

In the event that Boral Shares are compulsorily acquired by SGH, the time of the CGT event should be the time at which the Boral Shareholder ceases to be the owner of the Boral Shares.

(b) 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.

(c) Capital proceeds

The capital proceeds from the disposal of the Boral Shares should be the Cash Consideration plus the value of the Scrip Consideration.

(d) 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.

(e) 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.

(f) Net capital gain or net capital loss

A Boral Shareholder is required to work out their net capital gain or loss for the income year. A Boral Shareholder should reduce their capital gains for the income year (in the order they choose) by their capital losses for the income year. Any remaining capital gains are to be reduced by unapplied net capital losses for previous income years. Any remaining discount capital gains may then be reduced by the relevant discount percentage (discussed in paragraph (e) above).

Any remaining net capital gain should be included in the Boral Shareholder's assessable income. If the Boral Shareholder's capital losses for the income year exceed the capital gains, the difference is a net capital loss. A Boral Shareholder cannot deduct a net capital loss from assessable income, but may be able to apply the net capital loss against future taxable capital gains (subject to satisfying any applicable loss recoupment rules).

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.

10.3 Partial scrip-for-scrip CGT rollover relief

If the arrangement results in SGH Bidder holding 80% or more of the Boral Shares, Boral Shareholders who accept the SGH Offer may be eligible to choose partial scrip-for-scrip CGT rollover relief under Subdivision 124-M of the ITAA 1997 in respect of the disposal of their Boral Shares.

The 80% threshold must be satisfied as part of a "single arrangement". The term "arrangement" is broadly defined and it is unclear whether the relevant "arrangement" would include both the SGH Offer and the exchange of any Exchangeable Notes (noting that SGH could potentially achieve 80% legal ownership of Boral Shares under the SGH Offer, and then have its legal ownership reduced through the exchange of the Exchangeable Notes). If (1) the arrangement does include both the SGH Offer and the exchange of the Exchangeable Notes, and (2) SGH Bidder does not become the holder of 80% or more of the Boral Shares (taking both arrangements into account), then partial scrip-for-scrip CGT rollover relief would not be available. Boral may seek a ruling from the ATO regarding the availability of partial scrip-for-scrip CGT rollover relief if the SGH Offer results in SGH Bidder becoming the owner of 80% or more of the Boral Shares, but the exchange of the Exchangeable Notes reduces that holding below 80%.

If partial scrip-for-scrip CGT rollover relief is available and chosen, Boral Shareholders would defer any capital gains arising on the disposal of their Boral Shares to the extent they receive SGH Shares as consideration for the disposal of their Boral Shares.

Where a Boral Shareholder has applied partial scrip-for-scrip CGT rollover relief, the cost base of the SGH Shares received should be equal to the cost base of their original Boral Shares as reasonably attributable to the consideration received in the form of SGH Shares.

Partial scrip-for-scrip GCT rollover relief will not be available in respect of any Cash Consideration received by Boral Shareholders for the disposal of their Boral Shares. Under the SGH Offer, the Cash Consideration will be equal to $1.70 per SGH Share if the First Consideration Increase and the Second Consideration Increase apply to the SGH Offer. Any capital gain that arises in relation to the receipt of the Cash Consideration would not be disregarded. A Boral Shareholder should make a capital gain to the extent that the Cash Consideration that the Boral Shareholder receives (the **Ineligible Proceeds**) exceeds a proportionate part of the cost base for the Boral Shareholder's Boral Shares. The capital gain should be calculated as follows:

Ineligible Proceeds – ((Ineligible Proceeds / (Ineligible Proceeds plus the value of SGH Shares received)) x cost base of their original Boral Shares)

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

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

The disposal of Boral Shares for Boral Shareholders that are non-residents of Australia will generally only result in Australian CGT implications if the Boral Shares are 'indirect Australian real property interests'. In broad terms, the Boral Shares will be 'indirect Australian real property interests' if:

- that Boral Shareholder together with their associates (as defined under Australian taxation law) held an interest of 10% or more in Boral at the time of disposal or for at least a period of 12 months during the 24 months preceding the disposal of their Boral Shares (referred to as a 'non-portfolio interest'); and
- the aggregate market value of Boral's assets which are taxable Australian property (being direct and indirect interests in Australian real property, including land, leases of land, mining tenements and property affixed to land) exceeds the aggregated market value of Boral's assets which are not taxable Australian property (referred to as the 'principal asset test').

Accordingly, Boral Shareholders that are non-residents of Australia and who, together with associates, held less than 10% of the issued shares in Boral at the time of disposal or for at least a period of 12 months during the 24 months preceding the disposal, 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 an 'indirect Australian real property interest'.

Boral Shareholders that are non-residents of Australia (particularly those who, together with associates, hold 10% or more of the issued shares in Boral at the time of disposal or for at least a period of 12 months during the 24 months preceding 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.

As at the date of this Target's Statement, Boral management has confirmed that the aggregate market value of Boral's assets, which are taxable Australian property, exceeds the aggregate market value of Boral's assets which are not taxable Australian property. Accordingly, any foreign non-Australian tax resident Boral Shareholder that holds, together with their associates, a 10% or more interest in Boral Shares (at the time of disposal or for at least a period of 12 months during the 24 months preceding the disposal of their Boral Shares) should be subject to Australian CGT on the sale of their Boral Shares.

(b) Foreign resident capital gains withholding tax

SGH Bidder may be required to withhold and pay to the ATO an amount equal to 12.5% of the capital proceeds under Australia's foreign resident capital gains withholding regime if the Boral Shares qualify as "indirect real property interests" and SGH Bidder:

- knows or reasonably believes that a Boral Shareholder is a foreign resident; or
- does not reasonably believe that the Boral Shareholder is an Australian resident, and either has an address outside Australia or SGH Bidder is authorised to provide a financial benefit relating to the transaction to a place outside Australia.

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'.

To ensure that SGH Bidder does not withhold under Australia's foreign resident capital gains withholding regime, a Boral Shareholder may provide SGH Bidder with a signed and completed declaration (**CGT Declaration**) to declare that:

- the Boral Shareholder is an Australian resident for tax purposes; or
- the Boral Shares are 'membership interests' but not 'indirect Australian real property interests' (as those terms are defined in the ITAA 1997).

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.

10.5 GST

There should be no GST payable by Boral Shareholders in respect of the disposal of Boral Shares under the SGH Offer. If Boral Shareholders incur GST included in costs (such as advisor fees) that relate to the SGH Offer, Boral Shareholders that are registered for GST may be entitled to reduced input tax credits in connection with those costs depending on their individual circumstances.

10.6 Stamp duty

Boral Shareholders should not be liable for any stamp duty on the disposal of their Boral Shares, or on the receipt of Cash Consideration or SGH Shares as consideration for the acceptance of the SGH Offer.

11 Additional information

11.1 Boral Board composition

In section 4.3(c) of the Bidder's Statement, SGH stated that independent of the outcome of the SGH Offer, it intends for the composition of the Boral Board to be commensurate with its increased interest in Boral. SGH proposes to appoint a majority of nominees of SGH on the Boral Board and only retain sufficient independent directors to satisfy ASX Listing Rule requirements.

If SGH compulsorily acquires Boral pursuant to the SGH Offer, it proposes to offer 2 SGH board seats to the independent directors of Boral, for the purposes of continuing to represent the former minority Boral Shareholders' interests on the SGH board post-completion of the SGH Offer.

11.2 How does SGH's Swap affect SGH's interest in Boral for the purposes of compulsory acquisition and partial scrip-for-scrip CGT rollover relief?

(a) Swap

On 4 March 2023, SGH's Subsidiary, Westrac Holdings, which is the party to the Swap, took delivery of 33,092,652 Boral Shares (being, 3% of what was then SGH's 9.2% Swap interest in Boral Shares), under the physically settled Swap. This resulted in the increase of SGH's Relevant Interest in Boral from 62.4% to 65.45[42]% as at 5 March 2024.

SGH stated in its Bidder's Statement that Westrac Holdings proposes (subject to counterparty approval) to settle the Swap by taking delivery of the Boral Shares and paying the Swap counterparty the reference price of approximately $3.62 per Boral Share:

- with respect to up to 3%, using 'creep' capacity; and
- with respect to the balance of 6.2%, by settling it progressively, if and when Exchangeable Noteholders exercise their exchange rights. The acquisition by SGH of a Relevant Interest in those Boral Shares would occur simultaneously with SGH ceasing to have a Relevant Interest in an equivalent number of Boral Shares delivered on exchange of the Exchangeable Notes.

If the remainder of the Swap is physically settled or otherwise dealt with by SGH before the end of the SGH Offer Period in the way described above, then the Swap interest may form part of SGH's Relevant Interest in Boral for the purposes of meeting the relevant thresholds for compulsory acquisition.

On 1 March 2024, ASIC granted relief to SGH Bidder such that SGH Bidder is not required to make a cash offer of $3.62 per Boral Share to Boral Shareholders in order to comply with the takeovers rules in the Corporations Act.

(b) Compulsory acquisition

The 6.2% Swap interest held by SGH in Boral Shares is a disclosable relevant interest for substantial holding purposes, but is not attributable to the Relevant Interest of 90.6% in Boral Shares that SGH is required to achieve in order to be able to proceed with compulsory acquisition under Part 6A.1 of the Corporations Act.

If the Swap is physically settled or otherwise dealt with by SGH before the end of the SGH Offer Period as set out above, then the Swap interest may form part of SGH's Relevant Interest in Boral for the purposes of meeting the relevant thresholds for compulsory acquisition.

(c) Partial scrip-for-scrip CGT rollover relief

Section 7 of the Bidder's Statement states that Boral Shareholders who accept the SGH Offer may benefit from partial scrip-for-scrip CGT rollover relief on the Scrip Consideration if SGH acquires an interest of 80% or more of Boral Shares on issue under the SGH Offer. The 80% threshold for partial scrip-for-scrip CGT rollover relief to apply will require SGH Bidder to legally own at least 80% of the voting shares in Boral. There are no voting rights attached to SGH's 6.2% Swap interest in Boral and, therefore, unless SGH settles or otherwise deals with its Swap interest, it will not be included in the 80% threshold required for partial scrip-for-scrip CGT rollover relief. See also section 10.

[42] Based on SGH notice of change in substantial holding in Boral released on ASX on 5 March 2024 and includes acceptances under the SGH Offer.

11.3 SGH's Exchangeable Notes

(a) Terms of the Exchangeable Notes

SGH issued $250 million of Exchangeable Notes in October 2022.

The Exchangeable Notes are exchangeable into Boral Shares at an initial price of $3.77 per Boral Share (**Exchange Price**), calculated by dividing the aggregate principal amount of the Exchangeable Notes by the exchange price.

Under the terms of the Exchangeable Notes, noteholders may exchange their Exchangeable Notes for Boral Shares at any time until 7 days before their maturity on 18 October 2027. The exchange price is adjusted for in certain circumstances, including where a 'Free Float Event' occurs, which is when SGH's voting power in Boral increases to more than 85%, subsequent to which the exchange price will be reduced for a period of 30 days.

Exchangeable Noteholders may also exercise their right to exchange their Exchangeable Notes for Boral Shares during the SGH Offer Period. ASIC has granted SGH relief under section 655A(1) of the Corporations Act to dispose of Boral Shares deliverable upon exchange of the Exchangeable Notes to the relevant noteholders. The Exchangeable Noteholders may then accept into the SGH Offer if they so choose.

Additionally, if Boral is delisted, Exchangeable Noteholders will have the right to require SGH to redeem all or some of that holder's Exchangeable Notes.

(b) Number of shares which would be delivered upon exchange of Exchangeable Notes

SGH has indicated in its Bidder's Statement that:

- as at 3 March 2024, the total number of Boral Shares which would be delivered to Exchangeable Noteholders upon exchange of the Exchangeable Notes is 66,312,997. This represents 8.4% of SGH's current substantial holding in Boral (including the physically settled Swap position) and 6.0% of the total Boral Shares on issue as at 19 February 2024; and
- the total number of Boral Shares which would be delivered to Exchangeable Noteholders upon exchange of the Exchangeable Notes calculated as if such a 'Free Float Event' theoretically occurred on 3 March 2024 would be 80,737,708, which represents 10.2% of SGH's current substantial holding in Boral (including the physically settled Swap position) and 7.3% of the total Boral Shares on issue as at 19 February 2024.

(c) How will this affect SGH's interest in Boral and the application of partial scrip-for-scrip CGT rollover relief?

SGH could potentially achieve 80% legal ownership of Boral Shares under the SGH Offer, and then have its legal ownership reduced through the exchange of the Exchangeable Notes. Boral may seek a ruling from the ATO regarding the availability of partial scrip-for-scrip CGT rollover relief if the SGH Offer results in SGH Bidder becoming the owner of 80% or more of the Boral Shares, but the exchange of the Exchangeable Notes reduces that holding below 80%. See section 10.3 for further details on partial scrip-for-scrip CGT rollover relief.

11.4 Changes in financial position

As at the date of this Target's Statement, within the knowledge of the Boral Directors (other than Ryan Stokes and Richard Richards), there have been no material changes to the financial position of Boral since 31 December 2023, being the date of Boral's latest Half-Year Financial Report, except as disclosed in this Target's Statement or in Boral's announcements to the ASX since 31 December 2023.

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

Boral is not, after due inquiry, aware of any material contract entered into by Boral or any of its Subsidiaries, that Boral considers to be material in the context of Boral or the Boral Group as a whole, that contains a change of control provision which would be triggered if SGH Bidder acquires Boral Shares as part of the SGH Offer.

The following financing arrangements entered into by Boral or one of its Subsidiaries contain provisions regarding a change of control which may be triggered if SGH were to compulsorily acquire Boral in connection with the SGH Offer:

- a continuing agreement for standby letters of credit which governs each letter of credit issued by the lender; and
- a line letter for a line of credit up to the maximum amount of US$10,000,000.

If there is a change of control, then the lender may require Boral or its relevant Subsidiary to repay the amount outstanding under the arrangement, together with accrued interest, to be due and payable.

11.6 Material litigation

As at the date of this Target's Statement, there is no current litigation or any disputes of which Boral considers to be of a material nature against any member of the Boral Group.

11.7 Substantial holders

Based on the information contained in substantial holder notices filed with 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)	801,410,970	72.65%[43]
Macquarie Group Limited (and its controlled bodies corporate)	70,338,841	6.38%

11.8 Treatment of Boral Performance Rights

(a) Compulsory acquisition of Boral

As SGH noted in its Bidder's Statement, loss of key management and other personnel could have a negative impact on Boral. Having regard to the objective that equity incentives relating to Boral Shares should remain effective to incentivise and retain Boral key management personnel and other management, the BRC[44] intends that, if compulsory acquisition thresholds are satisfied by SGH Bidder during or following close of the SGH Offer, the Boral Board would resolve to deal with the outstanding Boral Performance Rights on the following basis:

- FY2023 LTIs and FY2024 LTIs will vest on a pro rata (to time) basis and the unvested portion of those Boral Performance Rights will not vest, but, consistent with what SGH has said in its Bidder's Statement, the intention is that those unvested Boral Performance Rights will be rolled over so as to become performance rights in respect of SGH Shares (with the number of shares, and any relevant performance conditions, being adjusted to reflect the fact that the amended rights would be over SGH Shares rather than Boral Shares);
- FY2023 Deferred STI grants will vest in full; and
- the CEO Sign-On Bonus will vest in full.

If compulsory acquisition of Boral were to occur prior to September 2024, being the anticipated time of grant of short term incentive grants for the 2024 financial year (i.e. the FY2024 STIs) (if applicable), then the BRC expects that the 50% share component of those grants would be rolled over in the form of SGH Shares.

(b) Delisting of Boral

SGH has indicated in its Bidder's Statement that if Boral is delisted or becomes increasingly illiquid, this may lessen the effectiveness of equity incentives relating to Boral Shares to incentivise Boral key management personnel and other management, and that SGH would evaluate alternatives involving incentives relating to SGH equity in that event, subject to appropriate conflict management and cost allocations measures. Having regard to the objective that equity incentives relating to Boral Shares should remain effective to incentivise and retain Boral key management personnel and other management, the BRC expects that the Boral Performance Rights will be treated in the same manner as set out in section 11.8(a) above in circumstances where SGH Bidder does not reach the compulsory acquisition thresholds during or after close of the SGH Offer, but there is a delisting of Boral in the future or Boral Shares otherwise become illiquid.

(c) Other circumstance

If SGH does not reach the compulsory acquisition thresholds and there is no delisting of Boral, and Boral Shares do not otherwise become illiquid, then the Boral Performance Rights will continue on foot in accordance with their current terms.

11.9 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;

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[43] Based on SGH notice of change in substantial holding in Boral released on ASX on 18 March 2024. SGH's 6.2% Swap interest is a disclosable Relevant Interest for substantial holding purposes, though does not confer voting power on SGH or any other member of the SGH Group.
[44] For the purposes of this section 11.8, the BRC excludes the Managing Director and CEO, Vik Bansal.

- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in those reports or statements, or that are based or referable to other statements made by those persons in the form and context in which they are included.

Name	Role or statements
Allens	Legal adviser to Boral
UBS Securities Australia Limited	Financial adviser to Boral
Link Market Services Limited	Boral Share registry
Macro Monitor Pty. Ltd.	Data sourced from Macromonitor as described in section 2.3.
CIVAS (NSW) Pty Ltd (Colliers)	Independent indicative desktop assessment views in relation to Boral's surplus property portfolio which has been utilised by Grant Samuel to inform its opinion in the Independent Expert's Report attached to this Target's Statement.

Each of the above persons:

- do not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; 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 as described in this section 11.9 with the person's consent.

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.

Colliers has not provided valuations on Boral's surplus property portfolio and is not providing advice about a financial product. Colliers has not been involved in the preparation of this Target's Statement or other material associated with the SGH Offer.

As permitted by *ASIC Corporations (Takeover Bids) Instrument 2023/683* (**ASIC Instrument 2023/683**) this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Boral with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Boral. Pursuant to ASIC Instrument 2023/683 the consent of SGH is not required for the inclusion of such statements in this Target's Statement. As required by ASIC Instrument 2023/683, any Boral Shareholder who would like to receive a copy of any of those documents (or relevant extracts from those documents) may obtain a copy (free of charge) during the SGH Offer Period by contacting the Boral Shareholder information line on 1800 218 694 (for calls made from within Australia) or +61 1800 218 694 (for calls made from outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time) (excluding public holidays).

See section 11.11 of this Target's Statement for further details.

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 data sourced from OECD, ABS and IRESS, each, provided without their consent.

11.10 Reliance on information obtained from SGH, SGH Bidder or public sources

The information in this Target's Statement about SGH or SGH Bidder has been compiled from or is otherwise based on information obtained from SGH or publicly available sources, and has not been independently audited or verified by Boral or its advisers. If the information obtained from SGH or the public sources is inaccurate or incomplete, this may affect the information included in this Target's Statement. In particular, if the information has been used as the basis for forward looking statements in this Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward looking statements.

11.11 Publicly available information

This Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Boral.

As required by ASIC Instrument 2023/683, any Boral Shareholder who would like to receive a copy of any of those documents (or relevant extracts from those documents) may obtain a copy free of charge by contacting the Boral Shareholder information line on 1800 218 694 (for calls made from within Australia) or +61 1800 218 694 (for calls made from outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time) (excluding public holidays).

11.12 ASIC declarations

ASIC has 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 Ryan Stokes and Richard Richards for the reasons set out in section 1.3. This is on the basis that Mr Stokes is the Managing Director and Chief Executive of SGH, and non-executive Chairman and non-executive director of Boral, and Mr Richards is the Chief Financial Offer of the SGH, and a non-executive director of Boral.

Mr Stokes and Mr Richards have recused themselves from any discussion by the Boral Board and the BRC in connection with making decisions in relation to, or the consideration of Boral's response to, the SGH Offer for the duration of the SGH Offer (other than where such discussions require, by law, all directors to determine a particular matter).

11.13 Continuous disclosure

Boral is a 'disclosing entity' under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require Boral to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Boral has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information that a reasonable person would expect to have a material effect on the price or value of Boral Shares.

Copies of the documents filed with ASX may be obtained from the ASX website (www.asx.com.au).

In addition, Boral will make copies of the following documents available for inspection at its registered office (between 9.00am and 5.00pm on business days):

- Boral's Annual Report for the year ended 30 June 2023;
- Boral's Constitution; and
- any continuous disclosure document lodged by Boral with ASX between the lodgement of its 2023 Annual Report on 10 August 2023 and the date of this Target's Statement.

Copies of the documents are also available on the Boral's website (www.boral.com.au/) or may be requested to be provided free of charge by contacting the Boral Shareholder information line on 1800 218 694 (for calls made from within Australia) or +61 1800 218 694 (for calls made from outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time) (excluding public holidays).

11.14 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 Ryan Stokes and Richard Richards, in accordance with an ASIC exemption granted to Boral as set out in section 11.12).

The BRC is 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 BRC has 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). However, the BRC does not take any responsibility for the contents of the Bidder's Statement and is 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 BRC has 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.

12 Glossary and interpretation

12.1 Glossary

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

Term	Meaning
$**, **A$ or **AUD**	Australian dollar.
1H FY24	the first half of the financial year that will end 30 June 2024.
2021 SGH Offer	the previous takeover offer for Boral made by SGH in 2021.
ABS	Australian Bureau of Statistics.
Acceptance Facility	an acceptance facility established by SGH Bidder that is open to all Boral Shareholders.
Acceptance Facility Agent	Computershare Clearing Pty Limited ACN 063 826 228, an independent third party acceptance facility operator.
Acceptance Form	the acceptance form enclosed with the Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of SGH Bidder.
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.
ASX Listing Rules	the Listing Rules of the ASX.
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532.
ASX Settlement Rules	the operating rules of the settlement facility provided by ASX Settlement, such rules being known as the 'ASX Settlement Operating Rules' as at the date of this Bidder's Statement.
ATO	Australian Taxation Office.
Australian Accounting Standards	the: • accounting standards from time to time approved under the Corporations Act; • the requirements of the Corporations Act in relation to the preparation and content of accounts; and • generally accepted accounting principles and practices in Australia consistently applied, except those principles and practices which are inconsistent with the standards or requirements in the Corporations Act.
Australian Accounting Standards Board	the Australian government agency that develops and maintains financial reporting standards applicable to entities in the private and public sectors of the Australian economy.
Bidder's Statement	the bidder's statement of SGH Bidder dated 19 February 2024 (as replaced by SGH Bidder on 4 March 2024) under Part 6.5 of the Corporations Act (as modified by *ASIC Corporations (Replacement Bidder's and Target's Statements) Instrument 2023/688*) relating to the SGH Offer, and includes any further Supplementary Bidder's Statement issued by SGH Bidder.
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 Plans	• the Boral equity incentive plan established under the plan rules dated 20 August 2013 (the **2013 Boral Equity Incentive Plan**); and • the Boral equity incentive plan established under the plan rules dated 26 October 2022 (the **2022 Boral Equity Incentive Plan**).

Term	Meaning
Boral Group	Boral and each of its Subsidiaries.
Boral Performance Rights	the unlisted performance rights granted in accordance with the Boral Equity Incentive Plans.
Boral Share	a fully paid ordinary share in the capital of Boral.
Boral Shareholder	a registered holder of Boral Shares.
BRC	the bid response committee formed by the Boral Board for the purposes of responding to the SGH Offer, which is chaired by Robert Sindel as Lead Independent Director and comprises all Boral directors other than the SGH nominees.
Business Day	any day that is each of the following: • a 'Trading Day' within the meaning given in the ASX Listing Rules; and • day that is not a Saturday, Sunday, public holiday or bank holiday in Sydney, New South Wales, Australia.
CAGR	compound annual growth rate.
Cash Consideration	the payment of cash, being $1.50 for each Boral Share, which may be adjusted pursuant to the First Consideration Increase and Second Consideration Increase.
CGT	capital gains tax.
CHESS	the Clearing House Electronic Subregister System, which provides for the electronic transfer, settlement and registration of securities in Australia.
Colliers	CIVAS (NSW) Pty Ltd ACN 168 282 728.
Controlling Participant	has the meaning given in the ASX Settlement Rules. Usually your Controlling Participant is a person, such as a broker, with whom you have a sponsorship agreement (within the meaning of the operating rules of the settlement facility provided by ASX Settlement).
Corporations Act	the *Corporations Act 2001* (Cth) (as modified or varied by ASIC).
Custodian Directions	a duly completed and executed direction to a Boral Shareholder's custodian in respect of all or some of their Boral Shares.
East Coast	the east coast of Australia.
EBIT	earnings before interest and tax.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Exchangeable Noteholders	holders of the Exchangeable Notes.
Exchangeable Notes	the $250 million of exchangeable notes issued by SGH in October 2022.
First Consideration Increase	an increase of $0.10 per Boral Share to the Cash Consideration (to bring the Cash Consideration to $1.60 per Boral Share) if one or both of the following occur: • SGH Bidder receives acceptances under the SGH Offer sufficient to increase its aggregate interest in Boral Shares to 80% or more prior to close of the SGH Offer; or • the Boral Board, excluding Ryan Stokes and Richard Richards, unanimously recommends that Boral Shareholders accept the SGH Offer.
First Half 2024 Report	Boral's half yearly financial report for the half year ended 31 December 2023.
Foreign Shareholder	a Boral Shareholder whose address as shown in the register of Boral is in a jurisdiction other than Australia or its external territories of New Zealand, unless SGH Bidder otherwise determines (in its absolute discretion) after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the SGH Offer to a Boral Shareholder in the relevant jurisdiction and to issue SGH Shares to such a Boral Shareholder on acceptance of the SGH Offer, and that it is not unlawful for such a Boral Shareholder to accept the SGH Offer in such circumstances in the relevant jurisdiction.
FY19	the financial year ended 30 June 2019.
FY20	the financial year ended 30 June 2020.
FY22	the financial year ended 30 June 2022.
FY23	the financial year ended 30 June 2023.
FY24	the financial year that will end 30 June 2024.
FY25 or **FY2025**	the financial year that will end 30 June 2025.
FY26	the financial year that will end 30 June 2026.
FY27	the financial year that will end 30 June 2027.

Term	Meaning
FY28	the financial year that will end 30 June 2028.
FY29	the financial year that will end 30 June 2029.
FY50	the financial year that will end 30 June 2050.
GST	goods and services tax.
GST Act	the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
Holder Identification Number	the number used to identify a Boral Shareholder on the CHESS Subregister of Boral.
Independent Expert or **Grant Samuel**	Grant Samuel & Associates Pty Limited ACN 050 036 372.
Independent Expert's Report	the independent expert's report prepared by Grant Samuel & Associates Pty Limited and dated 18 March 2024 which is contained in Attachment 1 to this Target's Statement.
International Accounting Standards Board	the independent, accounting standard-setting body that develops and approves International Financial Reporting Standards.
International Financial Reporting Standards	the international financial reporting standards issued by the International Accounting Standards Board.
Investment Grade	a rating by Moody's, S&P or a recognised rating agency above BBB- / Baa3.
ITAA 1936	the *Income Tax Assessment Act 1936* (Cth).
ITAA 1997	the *Income Tax Assessment Act 1997* (Cth).
Last Practicable Date	18 March 2024, being the last practicable trading date before the date of this Target's Statement.
Management	Boral's executive management committee from time to time, which as at the date of this Target's Statement consists of: • Mr Vik Bansal • Mr Jean-Paul Wallace; • Ms Belinda Shaw; • Ms Sam Toppenberg; • Mr Paul Noakes; • Mr Lloyd Wallace; • Mr Matt McKenzie; • Mr Rajeev Ramankutty; • Mr Tim Richards; • Ms Kate Jackson; • Mr Mark Crawford; and • Ms Ashleigh O'Brien.
Maximum Consideration	the maximum Offer Consideration of 0.1116 SGH Shares and $1.70 cash for each Boral Share, which will apply if the First Consideration Increase and the Second Consideration Increase both occur.
Minimum Consideration	the minimum Offer Consideration of 0.1116 SGH Shares and $1.50 cash for each Boral Share, which will apply if neither the First Consideration Increase nor the Second Consideration Increase occurs.
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.
NPAT	net profit after tax.
OECD	Organisation for Economic Co-operation and Development.
Offer or **SGH Offer**	the off-market takeover offer by SGH to acquire all of the issued shares in Boral which SGH does not already own, which offer is contained in the 'Summary of the Offer and Other Important Information section and section 9 of the Bidder's Statement.
Offer Consideration	the Cash Consideration and the Scrip Consideration.
pcp	prior corresponding period.
PEMAF	people, environment, markets, assets and financials, the 5 strategic pillars of 'The Boral Way'.
Prescribed Occurrences	has the meaning given in section 9.6(a) of the Bidder's Statement.
Register Date	7.00pm (Sydney time) on 21 February 2024, being the date set by SGH Bidder under

Term	Meaning
	section 633(2) of the Corporations Act.
Relevant Interest	has the meaning given in sections 608 and 609 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).
Scrip Consideration	the issue of SGH Shares, being 0.1116 SGH Shares for each Boral Share.
Second Consideration Increase	a further increase of $0.10 per Boral Share to the Cash Consideration (to bring the Cash Consideration to $1.70 per Boral Share) if SGH Bidder receives acceptances under the SGH Offer sufficient to increase its voting power in Boral Shares to 90.6% or more prior to close of the SGH Offer, being the point at which SGH Bidder may proceed to compulsorily acquire the Boral Shares not accepted under the SGH Offer under Part 6A.1 of the Corporations Act.
Second Supplementary Bidder's Statement	the second Supplementary Bidder's Statement lodged by SGH Bidder on 4 March 2024 in relation to the SGH Offer.
SGH	Seven Group Holdings Limited ACN 142 003 469.
SGH Bidder	Network Investment Holdings Pty Limited ACN 078 448 512.
SGH Group	SGH and its Subsidiaries.
SGH nominees	Ryans Stokes and Richard Richards.
SGH Offer Period	the period during which the SGH Offer will remain open for acceptance in accordance with section 9.2 of the Bidder's Statement.
SGH Share	a fully paid ordinary share in the capital of SGH.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Supplementary Bidder's Statement	any supplementary bidder's statement dispatched by SGH Bidder in accordance with sections 643 and 647 of the Corporations Act.
Swap	SGH's interest in 67,941,779 or 6.2% of Boral Shares under a physically settled equity swap transaction.
TAA	the *Taxation Administration Act 1953* (Cth).
Target's Statement	this document (including the attachments), being the statement of Boral under Division 3 of Part 6.5 of the Corporations Act.
US$	United States dollar.
VWAP	volume weighted average price.
Westrac Holdings	Westrac Holdings Pty Ltd ACN 009 336 109.
YTD	year to date.

12.2 Interpretation

In this Target's Statement:

(a) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.

(b) Words of any gender include all genders.

(c) Words importing the singular include the plural and vice versa.

(d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.

(e) 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.

(f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(g) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.

(h) A reference to time is a reference to Sydney, Australia time.

(i) A reference to dollars, $, A$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

13 Authorisation

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

Signed for and on behalf of Boral:

date	19 March 2024
sign here ▶	
print name	Robert Sindel
position	Lead Independent Non-Executive Director, and Chairman of the Bid Response Committee

Attachment 1 - Independent Expert's Report

GRANT SAMUEL

18 March 2024

The Bid Response Committee
Boral Limited
Level 3, Triniti 2
39 Delhi Road
North Ryde NSW 2113

Dear Bid Response Committee

Seven Group Offer

1 Introduction

On 19 February 2024, Network Investment Holdings Pty Limited, a wholly owned subsidiary of Seven Group Holdings Limited ("Seven Group"), announced an off-market takeover offer (the "Seven Group Offer") for all of the ordinary shares it does not own in Boral Limited ("Boral"). At the time of the announcement, Seven Group disclosed an economic interest in approximately 71.6% of Boral shares.

The minimum total consideration comprises 0.1116 Seven Group shares and $1.50 cash for each Boral share. The minimum total consideration will be increased by:

- $0.10 cash per share, if either Seven Group reaches an aggregate interest of at least 80% or the Boral Board unanimously recommends that shareholders accept the Seven Group Offer; and
- a further $0.10 cash per share, if Seven Group reaches the 90.6% compulsory acquisition threshold.

If both of these conditions are met, the maximum consideration would be 0.1116 Seven Group shares and $1.70 cash for each Boral share. Seven Group has declared that the Seven Group Offer is best and final and the consideration will not be increased. Seven Group has also declared it will not acquire Boral shares for more than $6.25 per share for at least 12 months following close of the Seven Group Offer.

The Seven Group Offer is unconditional and is not subject to a minimum acceptance condition. Seven Group has subsequently established an acceptance facility which allows non associated shareholders to indicate their intention to accept the offer without being obliged to do so until the first consideration increase is triggered.

Boral has formed a committee of its directors excluding Mr Ryan Stokes (who is a director of Seven Group) and Mr Richard Richards (who is a Seven Group nominee to the Boral Board) (the "Bid Response Committee") to respond to the Seven Group Offer.

The Bid Response Committee has 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 other than Seven Group (the "non associated shareholders"). A copy of the report (including this letter) will accompany the Target's Statement to be sent to the non associated 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 not fair. It is also not reasonable although the judgement is finely balanced and:

- **for non associated shareholders with a low tolerance for risk there is a case for accepting the offer; and**
- **the conclusion may change if circumstances change.**

3 Key Conclusions

- **The equity in Boral has been valued in the range $7.2-7.9 billion, which corresponds to a value of $6.50-7.13 per share.**

  The valuation is summarised below:

BORAL - VALUATION SUMMARY ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Business operations	5.4	6,000.0	6,500.0
Property portfolio	5.5	1,400.0	1,600.0
Other assets and liabilities (net)	5.6	(28.4)	(28.4)
Enterprise value		**7,371.6**	**8,071.6**
Adjusted net borrowings	5.7	(162.9)	(162.9)
Value of equity		**7,208.7**	**7,908.7**
Fully diluted shares on issue (millions)	5.1	1,109.6	1,109.6
Value per share		**$6.50**	**$7.13**

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 Australian Securities Exchange ("ASX") in the absence of a takeover offer.

The full underlying value of Boral includes its Australian construction materials business operations and its property portfolio. The value of:

- Boral's business operations is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings (multiples of EBITDA and EBIT) and discounted cash flow ("DCF") analysis. While both methodologies have limitations (given the impact of cyclicality of the construction materials sector on earnings and the wide array of credible assumptions that can be adopted in a DCF analysis), they are still useful and the value range for Boral's business operations is supported by both methodologies; and
- the property portfolio takes into account an NPV analysis of three development sites (Donnybrook, Scoresby and Deer Park Northern Lands) and an independent indicative assessment prepared by CIVAS (NSW) PL ("Colliers") for the remaining properties. A number of subjective judgements were made to reflect the inherent development risks associated with the properties.

- **The DCF analysis for Boral's business operations incorporates a number of scenarios that support the value range of $6.0-6.5 billion**

  Simplified, high level financial models have been developed for Boral's business operations. The DCF analysis used the FY24 Outlook[1,2] and FY24 Strategic Plan[3] as its starting point.

  The DCF analysis:

  - allows key drivers of revenue and earnings (e.g. volume and price growth, gross margins by product group, EBITDA margins and capital expenditure) to be modelled;

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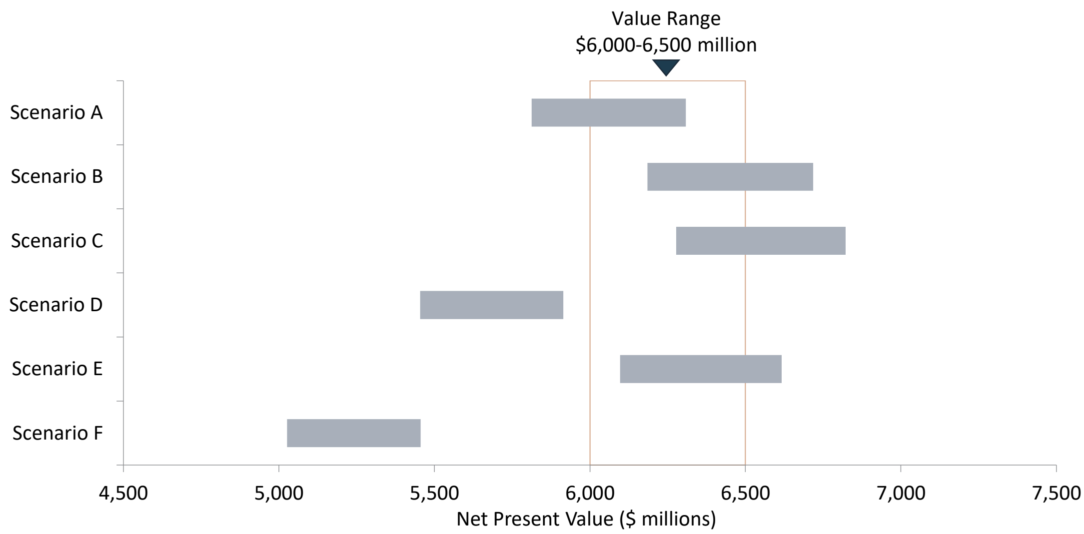
[1] The FY24 Outlook is the updated FY24 EBIT guidance ("FY24 Outlook") announced by Boral on 9 February 2024.
[2] FYXX is the financial year end 30 June 20XX (i.e. FY24 is the financial year end 30 June 2024).
[3] The FY24 Strategic Plan is the five year strategic plan prepared by Boral management including a summarised financial model.

- projects after tax cash flows from 1 January 2024 to 30 June 2034, with terminal values calculated to represent the value of cash flows in perpetuity (using a terminal growth rate of 2.5%);
- applies a discount rate in the range 9.0-9.5%; and
- considers a number of scenarios that reflect the cyclicality of the construction materials sector and the ability of Boral to protect (or grow) its margins through various initiatives (including pricing).

The NPV outcomes are depicted below:

BORAL'S BUSINESS OPERATIONS – NPV OUTCOMES



NPV outcomes from DCF analysis are subject to significant limitations and should always be treated with considerable caution. A wide array of credible assumptions can be adopted and a very broad range of NPVs can be calculated. Predicting the impacts of upcycles and downcycles is inherently difficult. The range of NPVs produced by the scenarios is wider than the value range Grant Samuel has placed on Boral's business operations.

Grant Samuel has considered the outcome of all of the scenarios in determining its value range for Boral's business operations and believes that the values produced by the DCF analysis support a value range of $6.0-6.5 billion.

The value range reflects a number of positive tailwinds:

- the refreshed strategy appears to be working. Boral continues to execute a turnaround of the business that commenced in 2022. Improved cost and pricing discipline across the business operations has lifted financial performance materially over the last 18 months;
- construction activity in the roads, highways, subdivisions and bridges ("RHS&B") end market is expected to remain robust (at least for the next 2-3 years). While the residential market has exhibited some short term weakness in key metrics (e.g. building approvals) there are fundamental drivers of growth over the medium term (e.g. shortage of supply) underpinned by strong support from federal and state governments; and
- the company is arguably in the best position it has been in years (from a balance sheet perspective) to reinvest in the business or capitalise on growth opportunities.

▪ **The multiples implied by the valuation of Boral's business operations reflect its specific attributes and are reasonable relative to the available market evidence**

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

BORAL'S BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS ($ MILLIONS)

	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range ($ millions)		**6,000**	**6,500**
Multiple of adjusted EBITDA			
FY23 (adjusted actual)	*468.8*	12.8x	13.9x
FY24 (adjusted based on midpoint of company outlook)	*586.1*	10.2x	11.1x
FY24 (adjusted median brokers' forecast)	*611.1*	9.8x	10.6x
FY25 (adjusted median brokers' forecast)	*642.6*	9.3x	10.1x
Multiple of adjusted EBIT			
FY23 (adjusted actual)	*246.0*	24.4x	26.4x
FY24 (adjusted based on midpoint of company outlook)	*356.1*	16.9x	18.3x
FY24 (adjusted median brokers' forecast)	*381.1*	15.7x	17.1x
FY25 (adjusted median brokers' forecast)	*411.2*	14.6x	15.8x

The multiples take into account the particular strengths, weaknesses, market position and track record of Boral's business operations, including factors such as:

- scale and market leading position (particularly as Australia's largest vertically integrated construction materials manufacturer);
- high quality network of upstream quarry assets;
- integrated network of high quality upstream and downstream assets; and
- significant exposure to roading and more broadly across civil construction end markets.

They also reflect the risks associated with operating in the construction sector and uncertainty of sustained success of Boral's strategy as the "easy pickings" may have already been identified.

In Grant Samuel's opinion, multiples of around 10-11 times forecast FY24 EBITDA (and around 16-18 times forecast FY24 EBIT) are reasonable relative to the market evidence as they should, in theory, reflect the weighted average of Boral's product range exposures to:

- aggregates. The market evidence generally supports higher multiples for aggregate producers:
  - sharemarket evidence for Martin Marietta Inc. and Vulcan Materials Company (among the largest listed aggregates producers in the United States) are in excess 16 times forecast EBITDA; and
  - transaction evidence involving for producers focussed on aggregates are generally supportive of historical EBITDA multiples of around at least 12 times.

  The profit contribution of aggregates (including through internal sales) represents a very significant proportion of Boral's earnings (albeit less than half);
- cement, for which the market evidence consistently shows much lower multiples (as low as 5-7 times forecast EBITDA for listed entities which excludes a premium for control); and
- concrete, where the transaction evidence supports multiples of around 10 times historical EBITDA.

- **The valuation of Boral's surplus property portfolio reflects a subjective balancing of the value upside in the property development strategy and its inherent risks**

  Boral has a vast portfolio of surplus property (around 4,500 hectares spread across approximately 25 properties) and has active programs underway to yield end use value and generate earnings over the next 20 years. As the property assets are separate assets to Boral's business operations, it is appropriate to attribute value to them.

The values for each of the identified surplus properties have been based on:

- for the contracted development assets, a DCF analysis based on expected future cash flows in which the analysis for:
  - Donnybrook and Scoresby reflect the 20 year development agreement contract terms between Boral and developer Mirvac under which Boral is entitled to receive certain fixed payments and its share of gross proceeds from future lot sales; and
  - Deer Park Northern Lands is premised on the latest agreed project model between Boral and its development partner LOGOS for an industrial logistics precinct. Operating assumptions used in the cash flow model have, at the request of Grant Samuel, been independently reviewed by Colliers and (where appropriate) adjusted in the model; and
- for the remaining surplus properties, an independent indicative assessment report prepared by Colliers and adjusted to reflect estimated remediation costs and selling costs.

Some of these projects have significant latent value but these have been risk adjusted due to the outstanding conditions and risks that still need to be addressed. Accordingly, the values are subject to considerable uncertainty and realised values could easily fall outside the estimated value range.

The value range attributed to Boral's property portfolio is materially higher than it was previously valued by Grant Samuel in its 2021 independent expert's report (of $730-900 million). The step up in the value of the property portfolio principally reflects the progress in development across the portfolio (e.g. rehabilitation, rezoning and the introduction of development partners). In particular, the Deer Park Northern Lands has a number of attractive features including:

- its proximity to major transport links, including rail and major highways;
- the scarcity of vast land estates of similar scale that are in close proximity to major metropolitan areas (in this case, just under 20 kilometres west of the Melbourne CBD); and
- other major industrial estate projects being developed (or investigated) in the area.

However, successfully delivering a brand new industrial estate carries a substantial amount of risk:

- rezoning and permitting, as the site is currently zoned for quarrying and limited industrial uses;
- rehabilitation, in the event the land is used for future (temporary) quarrying operations;
- construction and development of the industrial precinct (e.g. cost and budgets); and
- satisfaction of outstanding conditions precedent with LOGOS.

Moreover, the project (even once constructed) still carries operational and market risk as there is a limited track record to underpin its ability to attract future tenants on appropriate commercial terms (let alone the uncertainty involved in projecting assumptions 10-20 years down the track with any precision).

On the basis of the above, the value of Deer Park Northern Lands today would undoubtedly be at a substantial discount to the value once all these hurdles are cleared.

- **The assessed value of the minimum total consideration under the Seven Group Offer is $5.96-6.19 per share (and up to $6.39 per share if the two conditional payments are triggered)**

  The relevant measure of the consideration for Boral shareholders is the expected market value of the Seven Group shares plus the cash received as consideration. This involves an estimation of the trading price for Seven Group after the Seven Group Offer is implemented (rather than a pre bid price). The analysis is directed to the "cash equivalent" value of the consideration (albeit in a range).

Grant Samuel has attributed a value to the scrip component of the consideration of $4.46-4.69 per Boral share based on an estimated market value for Seven Group shares of $40.00-42.00. Including the cash component of the consideration, the value of the consideration to Boral shareholders is in the range $5.96-6.39 per share:

ASSESSMENT OF THE CONSIDERATION UNDER THE SEVEN GROUP OFFER

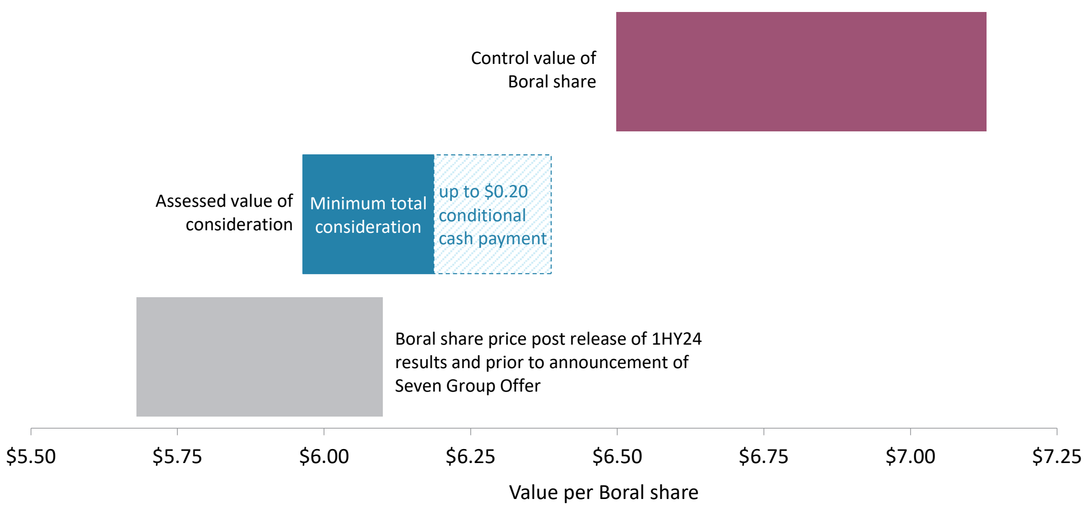
	VALUE OF THE CONSIDERATION		
COMPONENT	MINIMUM CONSIDERATION ($1.50 CASH PER SHARE)	INCL FIRST CONDITIONAL PAYMENT ($1.60 CASH PER SHARE)	INCL SECOND CONDITIONAL PAYMENT ($1.70 CASH PER SHARE)
Assessed value per Seven Group share	$40.00 – 42.00	$40.00 – 42.00	$40.00 – 42.00
Exchange ratio	0.1116	0.1116	0.1116
Value of scrip component	**$4.46 – 4.69**	**$4.46 – 4.69**	**$4.46 – 4.69**
Cash component	$1.50	$1.60	$1.70
Total value of the consideration	**$5.96 – 6.19**	**$6.06 – 6.29**	**$6.16 – 6.39**

The value of the scrip consideration, and therefore the value of the Seven Group Offer, will vary with movements in the Seven Group share price.

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

The assessed value of the consideration of $5.96-6.19 (and up to $6.39 including the conditional payments) falls below the bottom end of Grant Samuel's estimate of the full underlying value of Boral:

BORAL – COMPARISON OF VALUE RANGE



In evaluating the fairness of the Seven Group Offer, the bottom of the value range for Boral (i.e. $6.50 per share) represents the relevant threshold for fairness. Usually (and particularly for a cash offer), the value of the consideration would only need to be above the bottom end of the value range for the transaction to be "fair".

However, the Seven Group Offer is predominantly a scrip offer and Grant Samuel's assessment of the value of the consideration is based on a range of trading values for Seven Group shares. Fairness in these circumstances would require a meaningful degree of overlap with the value range for Boral.

Accordingly, the Seven Group Offer is not fair.

- **The Seven Group Offer is not reasonable but the judgement is finely balanced**

  Even when an offer is "not fair" it may still be reasonable in some circumstances. In the context of the Seven Group Offer, assessing reasonableness is a complex and challenging task and the conclusion could vary depending on the evolving circumstances of the offer (such as the level of acceptances) and the risk appetite and other preferences of each non associated shareholder.

  Non associated shareholders could be justified in rejecting the offer and retaining their shares. In this context, those shareholders who rejected Seven Group's 2021 offer of $6.50 (raised eventually to $7.40) have benefited with the current offer providing a value (at the top end) equivalent to around $9.00 per share (the offer value of around $6.39 plus the 2022 capital return and dividend).

  The case is essentially that:

  - the Seven Group Offer even including the potentially increased consideration provides a very modest premium (less than 10%) over the pre announcement Boral share price and it represents a discount of around 11% based on the midpoint of the value range for Boral and the midpoint of the value range for the minimum total consideration (and a discount of around 8% inclusive of the two conditional payments);
  - even assuming Boral does not pay dividends, the dividend yield on the Seven Group shares receivable as consideration of a little over 1% provides no meaningful benefit;
  - shareholders may have elected to invest in Boral because of its concentrated exposure to the Australian construction materials market and value Boral's large privileged upstream position in aggregates. They may see little benefit in the diversification of Seven Group (which they can efficiently achieve for themselves). With the other M&A activity currently occurring in the sector, there may be limited alternative opportunities for a direct, high quality and focussed exposure to Australian construction materials;
  - there is considerable value upside if:
    - Boral can remain on track with its current turnaround, even if future gains are likely to be incremental rather than transformational; and/or
    - Boral can continue to progress its surplus property strategy. The property values are, in some cases, discounted as a result of the lack of necessary zoning and planning approvals and the time expected to be required to obtain them. If the critical gating items can be achieved, project risks are materially reduced and the positive impact on value would be significant;
  - if Seven Group does not achieve the compulsory acquisition threshold (90.6%), there is potential for further "buy out" attempts down the track (albeit not above $6.25 for at least 12 months following the close of the offer period). Seven Group has clearly demonstrated its interest in moving to 100% ownership of Boral; and
  - there is uncertainty regarding the value of the Seven Group Offer. For the purposes of the analysis, Seven Group shares have been attributed a value of $40.00-42.00, in line with current trading. However, it needs to be recognised that in addition to the inherent volatility of share prices, there are reasons to be cautious about the price of Seven Group shares:
    - the current price and the range are effectively "all time" highs for the Seven Group share price and have only been reached in the last few weeks;
    - the share price is ahead of recent broker target prices;
    - the share price is not supported by dividends (as they currently yield a little over 1% based on recent dividends of 46 cents per share); and
    - Seven Group's business performance is sensitive to factors such as mining output and investment, interest rates, building costs and government expenditure on construction.

There are, of course, significant risks in deciding to remain a shareholder in Boral:

- the business is inherently cyclical and is exposed to downturns in both volume and prices and inflationary pressures on cost. The industry has demonstrated strong pricing discipline over the last two years underpinning the much improved earnings, but this has not always been the case historically and any softness in volumes could see a deterioration of that discipline;
- having a share price that properly reflects the underlying performance of Boral (and the value of the property assets) partly relies on having an active market for the shares. Realistically, this would require minimal acceptances of the offer by Boral shareholders. If Seven Group increases its holding above, say, 80% or 85% there could be a significant impact on the liquidity of the market for Boral shares which, in turn, could have an adverse impact on the Boral share price. There is no guarantee that it would remain at pre announcement levels of around $5.80 in these circumstances. Moreover, should the market capitalisation of the remaining interests not held by Seven Group fall below a certain threshold, there may be some indexation issues (i.e. removal from benchmark indices such as the S&P/ASX 200 Index) that would further accentuate issues around liquidity and the share price;
- Seven Group will assert much greater direct control over Boral through changes in board composition. Whether this is a good or bad thing is difficult to judge. There is limited interaction between Boral and Seven Group's other businesses so direct conflicts may be limited. In any event, there will be a lesser presence of independent voices around the boardroom table;
- Seven Group has indicated that there could be future capital raisings that are dilutive although:
  - if they are pro rata, the dilutionary impact is not really a concern (for shareholders able to participate); and
  - given Boral's financial position, the need for such raisings seems unlikely if Boral continues to perform and does not pursue any major inorganic acquisitions;
- Seven Group has stated that it will seek to delist Boral from the ASX. Such a move would have serious adverse consequences for remaining shareholders and severely limit their ability to realise value for their shareholding. However, whether this is a realistic intention is unclear. Historically, the ASX has been reluctant to delist companies and has generally only done so in particular circumstances. Boral has nearly 50,000 shareholders and even if most accepted the offer, there would likely be many thousands remaining and being "disenfranchised" (even 15% of the register would represent approximately $1 billion in value). It is also uncertain as to whether Seven Group could vote on the resolution and whether any independent directors would support it;
- despite making the Seven Group Offer, there is no certainty that Seven Group would make a subsequent "mop up" bid at any time in the foreseeable future. Seven Group:
  - will still be able to consolidate Boral's earnings and demonstrably control the business without 100% ownership;
  - has stated it will not acquire shares at a price above $6.25 for at least 12 months following the close of the offer period;
  - has not made any statement regarding an intention to make a subsequent "mop up" offer; and
  - has shown little appetite to acquire shares in Boral at either fair value or a significant premium to market values (as evidenced by both the 2021 offer and the current offer).

  In addition, any future offers may not have any scrip component in which case shareholders would be subject to full capital gains tax upon disposal; and
- Seven Group could use the creep provisions of the Corporations Act (i.e. 3% every six months) to move towards compulsory acquisition even if that took several years (depending on where its holding stood after the close of the Seven Group Offer).

- **At the same time, for some non associated shareholders there is a case for accepting the offer**

  Shareholders with a lower tolerance for risk could be justified in accepting the Seven Group Offer:

  - the Seven Group Offer provides some premium (potentially up to around 10% to pre announcement trading prices), albeit very modest by market standards;
  - the Boral share price may fall back towards pre announcement levels of around $5.80 post completion of the Seven Group Offer (assuming Seven Group does not achieve 100% ownership) and potentially further depending on the quantum of shares acquired by Seven Group and the resulting impact on trading liquidity;
  - there is no prospect of another offer from Seven Group at a price above $6.25 for at least 12 months from completion of the Seven Group Offer;
  - there is no realistic prospect of an alternative offer for Boral from a third party;
  - shareholders will retain some exposure to Boral and, through their Seven Group shareholding, benefit from a more diversified set of exposures (primarily to industrial services). However, shareholders could separately acquire Seven Group shares if they so wanted;
  - there is little or no prospect of Boral shares paying a dividend until at least 2025 (because of the lack of franking credits). While payment of a meaningful dividend after 2025 could be a financially affordable prospect, it will depend entirely on the decisions of the (restructured) Boral board. On the other hand, accepting shareholders can expect to receive a dividend on the Seven Group shares issued to them in exchange but, at a fully franked yield of just over 1%, the benefit is arguably marginal; and
  - they will not be exposed to any of the risks of remaining a shareholder in Boral including:
    - potentially reduced liquidity and resultant weaker share prices (particularly if Seven Group achieves a holding above, say, 80% or 85%);
    - potential delisting from the ASX;
    - much greater board control by Seven Group; and
    - potentially dilutive capital raisings.

  If a shareholder is inclined to accept the Seven Group Offer, it needs to be understood that:

  - if they accept the offer, they will be assured of receiving the minimum consideration but not of receiving either of the two incremental payments of 10 cents (unless the conditions are met). In this respect, the outcome is dependent on the collective decisions of all the other shareholders and they will also not be certain of receiving capital gains tax rollover relief;
  - if they instead utilise the acceptance facility, they will receive the first 10 cent increment but only if Seven Group reaches the 80% threshold. If it does not, they will be left holding Boral shares with all of the attendant considerations;
  - even if the first conditional payment becomes payable, shareholders may still not be eligible for capital gains tax rollover relief as the 80% threshold for capital gains tax purposes requires a higher level of acceptances than the 80% trigger for the first conditional payment of $0.10 per share. In either case, shareholders will be liable for capital gains tax on the cash component of the consideration; and
  - shareholders will then be exposed to risks relating to the Seven Group share price.

- **The conclusion may change if circumstances change**

  Circumstances could change in a manner which could lead to a change in the opinion as to reasonableness. In particular:

- the Seven Group share price (and therefore the value of the consideration) could increase to the point that it meaningfully overlapped the value range for Boral; and
- the level of acceptances could be such that Seven Group increases its holding to say 85% in which case the benefits of remaining a shareholder could be outweighed by the risks of severely reduced liquidity and the consequent impact on realisable value for the Boral shares (including loss of index inclusion and potential delisting and more generally lower trading activity particularly if institutions exit the register). If Seven Group increased its holding to 90.6% then it would proceed with compulsory acquisition of all of the remaining Boral shares (even for those shareholders who have rejected the Seven Group Offer).

It is imperative that non associated shareholders monitor the situation up until the close of the Seven Group Offer.

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, non associated shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Non associated 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 non associated shareholders in relation to the Seven Group Offer, the responsibility for which lies with the directors of Boral. In any event, the decision whether to accept or reject the Seven Group Offer is a matter for individual non associated 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. Non associated 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.

Similarly, it is a matter for individual non associated shareholders as to whether to buy, hold or sell shares in Seven Group. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to accept or reject the Seven Group Offer. Non associated shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. 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

18 MARCH 2024

GRANT SAMUEL

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 in relation to Seven Group Offer ("the Boral Report"), Grant Samuel will receive a fixed fee of $1.25 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 Offer.***
>
> ***Related entities of Grant Samuel have been retained to advise:***
>
> - ***Seven West Media Limited (an ASX listed entity in which Seven Group has a 40.2% shareholding), in relation to the refinancing of its existing debt facilities (completed in November 2023); and***
> - ***LOGOS Investment Management Pty Limited ("LOGOS") (a privately held logistics property specialist), in relation to an industrial development on the Deer Park property in partnership with Boral. Comprehensive development agreements between LOGOS and Boral have been signed but, as at the date of this report, they remain subject to the satisfaction of certain conditions precedent (including planning outcomes).***
>
> ***Grant Samuel does not consider these assignments capable of affecting its ability to provide an unbiased opinion in relation to the Seven Group Offer.***
>
> ***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 $1.25 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."***

Grant Samuel has internal complaints-handling mechanisms and is a member of the Australian Financial Complaints Authority, No. 11929. If you have any concerns regarding the Boral Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Australian Financial Complaints Authority at GPO Box 3 Melbourne VIC 3001 or 1800 931 678. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act.

Grant Samuel is only responsible for the Boral Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

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Appendix

1 Details of the Seven Group Offer

On 19 February 2024, Network Investment Holdings Pty Limited, a wholly owned subsidiary of Seven Group Holdings Limited ("Seven Group"), announced an off-market takeover offer (the "Seven Group Offer") for all of the ordinary shares it does not own in Boral Limited ("Boral" or the "Company"). At the time of the announcement, Seven Group disclosed an economic interest in approximately 71.6% of Boral shares.

The minimum total consideration comprises 0.1116 Seven Group shares and $1.50 cash for each Boral share. The minimum total consideration will be increased by:

- $0.10 cash per share, if either Seven Group reaches an aggregate interest of at least 80% or the Boral Board unanimously recommends that shareholders accept the Seven Group Offer; and
- a further $0.10 cash per share, if Seven Group reaches the 90.6% compulsory acquisition threshold.

If both of these conditions are met, the maximum consideration would be 0.1116 Seven Group shares and $1.70 cash for each Boral share. Seven Group has declared that the Seven Group Offer is best and final and the consideration will not be increased. Seven Group has also declared it will not acquire Boral shares for more than $6.25 per share for at least 12 months following close of the Seven Group Offer.

The Seven Group Offer is unconditional and is not subject to a minimum acceptance condition. Seven Group has subsequently established an acceptance facility which allows shareholders in Boral other than Seven Group (the "non associated shareholders") to indicate their intention to accept the Seven Group Offer without being obliged to do so until the first consideration increase is triggered.

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 $15 billion. As the largest shareholder in Boral, Seven Group also has two nominee directors on the Boral Board.

Boral has formed a committee of its directors excluding Mr Ryan Stokes (who is a director of Seven Group) and Mr Richard Richards (who is a Seven Group nominee to the Boral Board) (the "Bid Response Committee") to respond to the Seven Group Offer.

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, Seven Group (through Network Investment Holdings Pty Limited) has a 71.6% economic interest in Boral. Mr Ryan Stokes and Mr Richard Richards are directors of both Network Investment Holdings Pty Limited and Boral. Accordingly, the Bid Response Committee has 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, non associated 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. An offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

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 assessed value of the offer (which involves aggregating the cash component and attributing a value to the Seven Group shares). The Seven Group Offer will be fair if the assessed value of the offer falls within the estimated underlying value range for Boral. 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 or rejecting 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 2023;
- half year results announcement of Boral for the six months ended 31 December 2023;
- the updated FY24 EBIT guidance ("FY24 Outlook") announced by Boral on 9 February 2024;
- ASX releases, public announcements, media and investor presentation materials and other public filings by Boral including information available on its website;
- brokers' reports and recent media articles on Boral and the construction materials sector in Australia;
- sharemarket data and related information on Australian and international listed companies engaged in the construction materials sector and on acquisitions of companies and businesses in these sectors; and
- information on Seven Group, including ASX releases, investor presentation materials, website information, brokers' reports, media reports and sharemarket data.

Non Public Information Provided by Boral

- updated FY24[1] five year strategic plan ("FY24 Strategic Plan") prepared by Boral management including a summarised financial model;
- independent indicative assessment report in relation to Boral's surplus property portfolio and additional advice pertaining to input suitability (only) for the feasibility analysis conducted for Deer Park Northern Lands both prepared by CIVAS (NSW) PL "Colliers") dated 18 March 2024; and
- other confidential documents, board papers, presentations and working papers.

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[1] FYXX is the financial year end 30 June 20XX (i.e. FY24 is the financial year end 30 June 2024).

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).

The information provided to Grant Samuel included the FY24 Strategic Plan for the five years ending 30 June 2029 prepared by Boral management.

Boral is responsible for this information ("the forward looking information"). Grant Samuel has considered and, to the extent deemed appropriate, relied on it 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:

- Boral operates in a mature industry with (mostly) long established participants and stable market share (albeit in a cyclical industry). The FY24 Strategic Plan reflects the business "as is" and does not assume any significant change in market share over the period nor does it incorporate any inorganic developments such as acquisitions;
- the assumptions underpinning the FY24 Strategic Plan is based on a number of inputs, including macroeconomic and industry forecasts prepared by third party market specialists;
- the FY24 forecast included in the FY24 Strategic Plan is based on actual operating results for Boral for the six months ended 31 December 2023;
- the FY24 Strategic Plan has been approved by the Chief Executive Officer. While the FY24 Strategic Plan has not been approved by the Board, it has been shared with the Board for approval at the next Board Meeting in late March; and
- Boral has sophisticated management and financial reporting processes. The prospective financial 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 made guidance statements for FY24 (including an estimate of FY24 EBIT before significant items), the Bid Response Committee has decided not to include the forward looking information in the Target's Statement and therefore this information has not been disclosed in this report. The midpoint of the guidance has been adopted as a primary basis for determining implied FY24 multiples of earnings but has also considered brokers' forecasts.

To provide an indication of the expected financial performance of Boral in FY25, Grant Samuel has considered the FY24 Strategic Plan, in addition to brokers' forecasts for Boral (see Appendix 1). Grant Samuel has used the median of the brokers' forecasts to review the FY25 parameters implied by its valuation of Boral. These forecasts are sufficiently close to Boral's FY24 Strategic Plan to be useful for analytical purposes.

Grant Samuel has not relied on the FY24 Strategic Plan 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 5.4 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.

As part of its analysis, Grant Samuel has reviewed the sensitivity of net present values 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 Bidder's Statement sent by Seven Group and the Target's Statement sent by Boral, to Boral shareholders are 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.

3 The Building and Construction Industry in Australia

3.1 Overview

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.

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

- heavy 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) and ancillary services (IT, certification, security, traffic management).

Boral operates in the heavy construction materials sector in Australia.

3.2 Products and Services

Types of Products

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. This treatment is called calcination and accounts for approximately 70% of direct scope 1 emissions arising from cement manufacturing[2]. 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 has a wide variety of applications including infrastructure (roads, tunnels, etc.) and construction both as foundations and in multistorey developments. Concrete construction products include poured or pre-mixed concrete as well as:
  - concrete blocks, which are manufactured in factories by a continuous process of moulding and curing concrete into required dimensions. These products are primarily used in the residential market;
  - concrete pipes, which are manufactured using a range of processes, the most common of which involve the injection of concrete into a mould. These products are 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; and

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[2] Source: Cement Industry Federation, Carbon Leakage Review, December 2023.

- other major concrete products, such as 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.

The heavy construction materials industry is generally divided into "upstream" markets or "downstream" markets.

UPSTREAM

Upstream activities are generally considered to have "infrastructure-like" characteristics given their long lives and high barriers to entry. 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 urban residential expansion and land development. The increasing level of difficulty in obtaining planning permission for new quarries and tightening environmental regulation (dust, traffic, noise) adds significantly to the value of existing quarry resources (which, if the material is authorised for mining, becomes referred to as "reserves").

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, in most markets, 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 enables 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 Australia, there are only four[3] integrated cement manufacturing facilities that are owned and operated by Boral (Berrima in NSW), Adbri Limited ("Adbri") (Birkenhead in South Australia and a specialist cement plant at Angaston) and Cement Australia Pty Limited (Gladstone in Queensland and Railton in Tasmania). Domestic cement production (with locally sourced clinker) accounts for just over half of Australia's cement production. The remainder comprises cement produced from imported clinker (around 40%) or imported cement (around 9%)[4]. The majority of these imports are sourced from East Asian countries such as Japan,

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3 Excluding Adbri's Angaston facility in Australia which primarily manufactures specialist cement and lime products.

4 Source: L.E.K. Consulting, International Comparison of Australia's Freight and Supply Chain Performance, December 2020.

Indonesia and Thailand. In recent years, the impact of these imports has come under increasing scrutiny particularly as new regulations were introduced by the Australian Government to reduce the emissions intensity of certain industries, including cement manufacturing. The Safeguard Mechanism (commenced in July 2016) penalises Australia's highest greenhouse gas emitting facilities when emissions exceed certain emissions thresholds. However, the mechanism had ramifications for the import market, as carbon leakage arose from the varying climate ambitions of different countries which, in turn, undermined the objectives of the Safeguard Mechanism (as imports from more emissions-intensive countries competed against domestic supply subject to a stricter regime). The Australian Government is currently undertaking a review as to whether to introduce a carbon border adjustment mechanism ("CBAM") that would apply a "carbon tariff" to imports in specific circumstances. A similar pilot mechanism was recently rolled out in the European Union in late 2023.

DOWNSTREAM

In contrast, downstream activities such as pre-mixed concrete or concrete block are considered less attractive, particularly on a stand alone basis. Conditions in each location can vary widely depending on specific factors affecting that particular 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);
- access to required resources and raw materials;
- government spending on social infrastructure; and
- planning and other regulatory constraints.

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 construction materials, construction and services companies, although there are a large number of independent operators who source inputs from integrated industry participants or import bitumen.

3.3 Competitive Environment

The competitive environment is heavily shaped by the nature of the industry (in particular, the practical challenges of transporting bulky and sometimes perishable goods such as heavy construction materials) and the point in the value chain where the business operates.

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 production being established to supply multiple geographies (except for cement). Aggregates are primarily transported by truck with materials typically delivered within 50-100 kilometres. Although cement is extensively traded globally, most cement production is also consumed locally. As pre-mixed concrete and asphalt are heavy and perishable, it is also 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 major road projects.

In light of this dynamic, apart from cement, major heavy construction materials companies are characterised by:

- city/regional market strategy. While there are a number of very large scale global 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 a broad portfolio including diversification of risk, economies of scale in purchasing, head office efficiencies, resource utilisation and the ability to secure and manage larger contracts). In this context, regional market share is considered more relevant than national share;
- vertically integrated model (spanning both upstream and downstream categories). 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; and
- economies of scale. Construction materials are commodity products that lack any significant product differentiation and companies therefore seek to distinguish themselves:
  - the service provided (i.e. being able to reliably deliver products on a timely basis, technical capabilities and, more recently, environmental sustainability; and
  - cost efficiency in the supply chain (e.g. transport and logistics) and network optimisation.

Upstream operations (quarries, cement) have high barriers to entry (scarce resources, approval processes, capital intensity) and will tend to be dominated by a few large participants. In contrast, downstream operations require less capital and markets are more fragmented, with intense competition.

Boral is the largest integrated participant in the Australian construction materials industry with an estimated share of just over 20%. The vast majority of its operations are concentrated in the east coast of Australia. There are a number of other integrated participants with significant footprints, including:

- Hanson Australia, a subsidiary of HeidelbergCement AG. Hanson Australia owns 177 concrete plants, 63 quarries and four asphalt plants;
- Holcim Australia, a subsidiary of Holcim Limited ("Holcim") (previously LafargeHolcim Limited), a Swiss based global building materials and aggregates company. Holcim Australia operates what was the Readymix business previously owned by CSR. Holcim Australia operates 58 hard rock, sand and gravel quarries, 174 concrete batching plants and 11 pipe manufacturing operations across Australia, supplying aggregates, concrete and concrete pipe and products;
- Adbri, an ASX listed company that operates nationally with 20 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. It is one of the largest integrated construction materials operators in Australia, with established presences across lime, cement and clinker, concrete products and concrete and aggregates; and
- Barro Group Pty Limited ("Barro Group"), a privately owned business that owns 43% of Adbri and also has significant operations in the construction materials sector om Victoria, New South Wales and Queensland.

Holcim Australia and Hanson Australia each own 50% of Cement Australia Pty Limited (which owns the clinker and cement plants in Gladstone and Railton and a clinker grinding facility in New South Wales).

There is also 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 Limited and Wagners Holding Company Limited ("Wagners"), which are based in Western Australia and Queensland, respectively. Other operators, such as Maas Group Holdings Limited ("Maas Group") also have integrated upstream and downstream operations but are diversified across other sectors (e.g. civil construction and real estate).

3.4 End Market Demand and Outlook

The Australian construction materials industry is estimated to be a $15 billion market[5] when measured by revenue. Concrete is the largest product segment. Nearly 30 million cubic metres of concrete is supplied from 1,500 concrete batching plants around Australia each year. The market for the production of aggregates (approximately $5 billion[6] with around 200 million tonnes of aggregates extracted each year) and cement (approximately $4.0 billion[7] with approximately 12-13 million tonnes of cement produced annually) account for the remainder.

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") to existing dwellings;
- **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; 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.

The demand drivers and outlook for each end market is discussed below:

Residential

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.

The following chart depicts various historical and forecast measures of activity levels for Australian residential housing:

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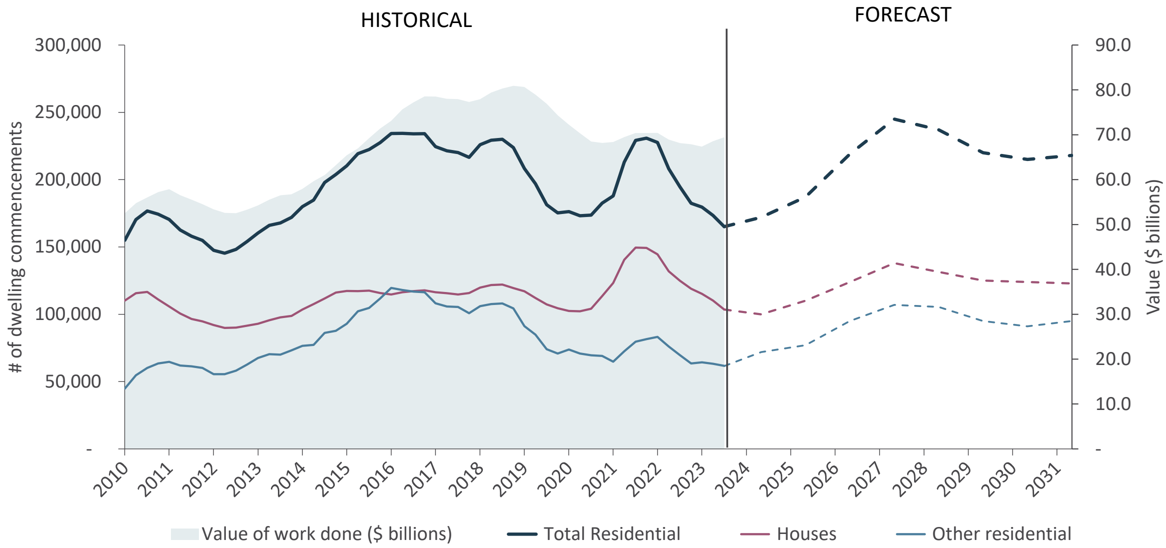
5 Source: Cement Concrete & Aggregates Australia ("CCAA").

6 Source: IBISWorld Gravel and Sand Quarrying in Australia, IBISWorld Rock, Limestone and Clay Mining in Australia.

7 Source: IBISWorld Cement and Lime Manufacturing in Australia.

RESIDENTIAL COMMENCEMENTS AND VALUE OF WORK DONE – ROLLING 12 MONTHS (30 JUNE YEAR END)



Source: Australian Bureau of Statistics (Series 8752.0), Macromonitor (February 2024)

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 (albeit not dramatically) 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 COVID-19 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.

As 2020 progressed, conditions started to improve as lockdowns (mostly) eased, interest rates fell and government stimulus (e.g. *HomeBuilder*) began to flow. Commencement levels flattened out and started to improve. Market conditions strengthened further into 2021 as construction activity was encouraged by various government initiatives. Record low interest rates (underpinned by official statements that they will prevail for several years) generated strong buying interest and strong house price growth which, in turn, has flowed into new house demand. In addition, A&A activity was boosted, attributed in part to travel restrictions leaving consumers with spare funds and a COVID-19 induced desire for better home facilities and certain government incentives. However, market conditions began to deteriorate in 2022 following a sharp correction in demand. The number of new dwellings approved and commenced fell following the uptick in activity in the previous two years (particularly as the "pull forward" of demand from *HomeBuilder* eased) which is believed to have been caused by:

- a rising interest rate environment (particularly through the second half of 2022 and most of 2023) placed further pressure on housing affordability as new loan commitments for new dwellings (often a leading indicator) fell sharply; and
- a very sharp rise in building costs in part as a result of the global supply chain issues during 2022 and 2023.

At the same time, house prices have largely remained strong and rental rates have escalated strongly. It is also important to note that approvals of multi-unit housing have not been as affected as single dwellings (and in fact have grown in recent months).

In the longer run, the residential sector is expected to 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 robust for both detached and multi-unit dwellings notwithstanding the current slump in approvals. In particular, the outlook for multi-unit dwellings is further supported by commitments from both federal and state governments that are pushing hard for substantial increases in higher density development to meet the very strong demand but with a focus on lower priced housing (with a view of easing the affordability "crisis"). The Commonwealth Government has a target of 1.2 million new homes built over the next five years. Record levels of overseas migration are expected to underpin demand. Interest rates (while substantially higher than they were three years ago) are generally expected to already be at or around peak levels for the current cycle (albeit still low compared to longer term historical levels) but there are signs of the potential for some easing which would further assist demand. A&A activity is also expected to rebound on the back of strong overseas migration after a sharp reversal in activity over the last 18 months.

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

- labour shortages for home builders;
- the impact of higher home production costs;
- supply chain issues that cause project delays or delivery disruptions; and
- a "higher for longer" inflationary environment that keeps interest rates at current levels (or higher).

Non-Residential

As the sector encompasses construction of buildings with disparate purposes, activity in the non-residential sector is dependent on broad economic factors. On one hand, social and institutional construction is principally determined by public spending at the national, state and local government levels. On the other hand, 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.

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. However, the 2021-2023 period was largely flat as activity was mixed across sectors (particularly as some segments such as offices and accommodation faced significant uncertainty on the level of activity moving forward).

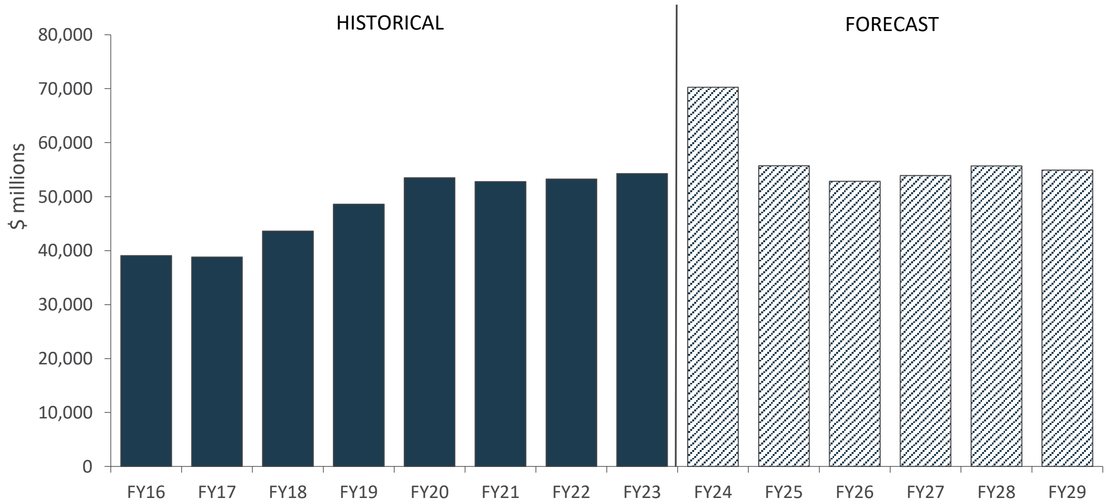
Public spending is expected to be a large "swing" factor in the future outlook:

- in the near term (next 12-18 months), a sharp uplift in non-residential activity is anticipated as a large wave of hospital upgrades and developments across the east coast is expected to commence in FY24 (over $15 billion, or around five times historical averages). Education building and public transport infrastructure investments (e.g. rail and airports) are also expected to rise over this period to meet the needs of a growing population; and
- over the longer term (beyond FY25), a reversal to flat-to-minimal growth is expected as federal and state governments are face budget pressures following the commitments of large investment programmes and higher inflation (which has also materially impacted project costs).

As a result, non-residential activity is expected to revert to FY20-FY23 levels and grow moderately over the subsequent years following a large spike in activity in 2024. With the exception of retail, all other major sectors of non-residential are expected to decline (and offices, albeit after a protracted downturn over the next four to five years).

The following chart shows measures of the non-residential value of work done in Australia:

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



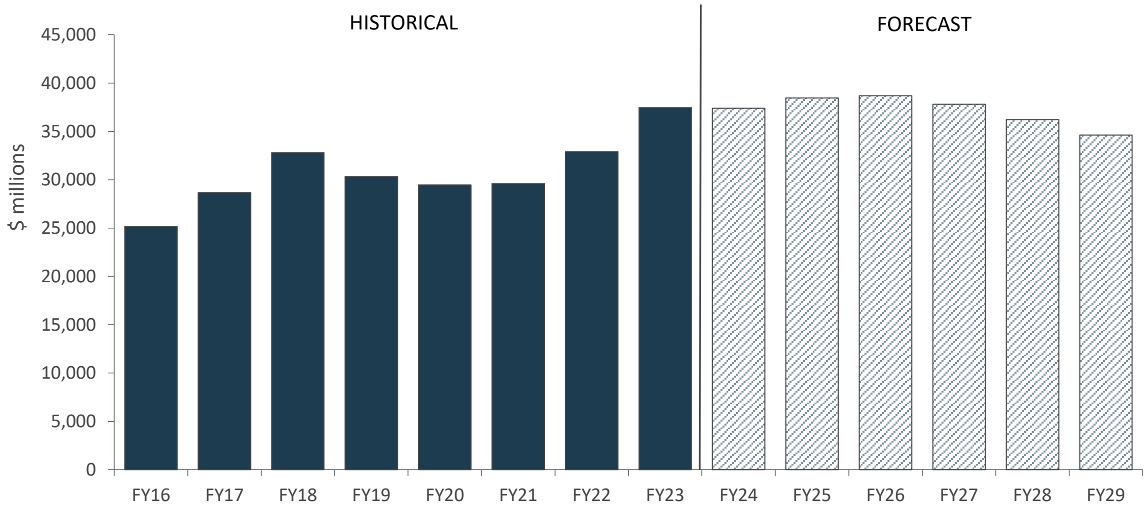
Source: Macromonitor (February 2024)

Civil Construction

The civil construction sector includes both resources and non-resource projects. Demand for construction materials is strongly 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.

The following chart depicts the 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 (February 2024). Includes Road Construction, Road Maintenance, Bridges and Subdivisions.

While activity in the broader civil construction sector in Australia can be susceptible to very wide swings in demand from the resources sector, the RHS&B segment has historically been much steadier, although still exhibiting some degree of cyclicality (falling during FY12-16, rising in FY16-18 and falling again over FY18-20). These movements in activity are largely impacted by the timing of large projects (e.g. completion, deferral, commencement).

Since FY21, the RHS&B segment has been in the midst of a major upswing cycle. Public infrastructure construction has been supported by government initiatives designed to stimulate the economy post COVID-19 including more than $350 billion of infrastructure investments committed by the federal and state governments in their 2020-21 budgets. Between FY21 and FY23, total RHS&B value of work done increased by 26%.

However, a number of issues have begun to arise that directly impact project costs and timetable:

- supply chain disruptions (e.g. steel supplies, labour constraints) and other delays to commencement;
- lengthening construction timelines (due to shortages of labour and/or materials);
- cost escalation; and
- increasing complexity of some projects (thereby narrowing the universe of contractors to just a handful of "Tier 1" operators).

The pressure on government finances has urged a review by federal and state governments of their public spending commitments. In November 2023, the Federal Government released its Infrastructure Investment Program Strategic Review which recommended the withdrawal of funding from certain infrastructure projects across the country. The New South Wales Government's review of the Sydney Metro project also resulted in some variations that extended the expected completion date to 2032. Other state sponsored projects such as the Beaches Link and the Blue Mountains tunnel have been either cancelled, paused or deferred. Notwithstanding these issues, a healthy pipeline of capital city projects (including urban road renewal and maintenance programmes) remains in the near term forecast, as they have already commenced or are funded and well progressed through planning phases.

In the near term (through FY26), activity should continue to rise as committed projects that have already commenced (and are due to be completed) continued to be executed. In the longer term (beyond FY26), activity should moderate and decline slightly as the current wave of big projects are completed and governments remain cautious about committing to major public infrastructure projects.

3.5 Product Demand Outlook

The outlook for end markets flows into forecasts for individual product demand across the construction sector. Overall, demand for Boral's key products is generally expected to trend in line with demand in end markets (albeit with a slight delay reflecting the mix of different end markets served and the timing for when each product is required in a construction cycle).

In general, the product demand outlooks illustrate:

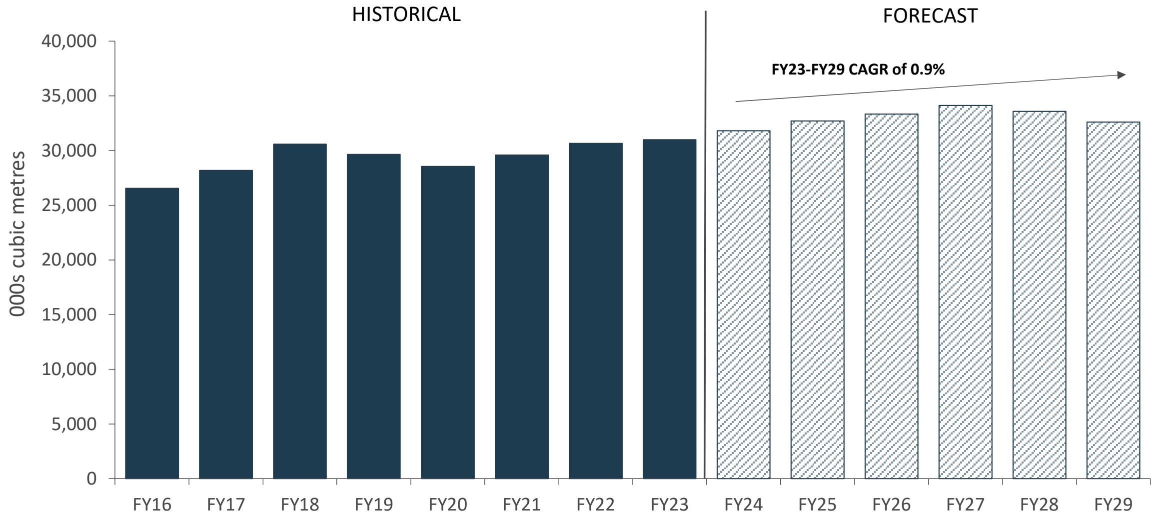
- moderate growth between FY23 and FY27 as the construction cycle continues on its upswing (with the exception of asphalt, which is projected to fall in FY24 after a very robust FY23); and
- slower growth (and a slight reversal in demand) thereafter following the peak in demand in FY27.

Forecasts for selected products of construction materials are set out below.

Concrete

Concrete demand (which can also be used as a proxy for upstream activity) is estimated to grow by 0.9% per annum over the period from FY23 to FY29 (albeit at a more robust rate of 3.3% per annum to FY27 before declining over the last two years as demand from RHS&B and non-residential projects subside):

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



Source: Macromonitor (February 2024)

The slower growth in concrete demand, however, needs to be considered in the context of longer term demand trends for the material. Since data on concrete consumption trends in Australia was first published in the late 1970s, demand for concrete has grown by an average of 2.4% per annum (albeit this was achieved amidst a period of industrialisation and rapid population growth in the country)[8].

Asphalt

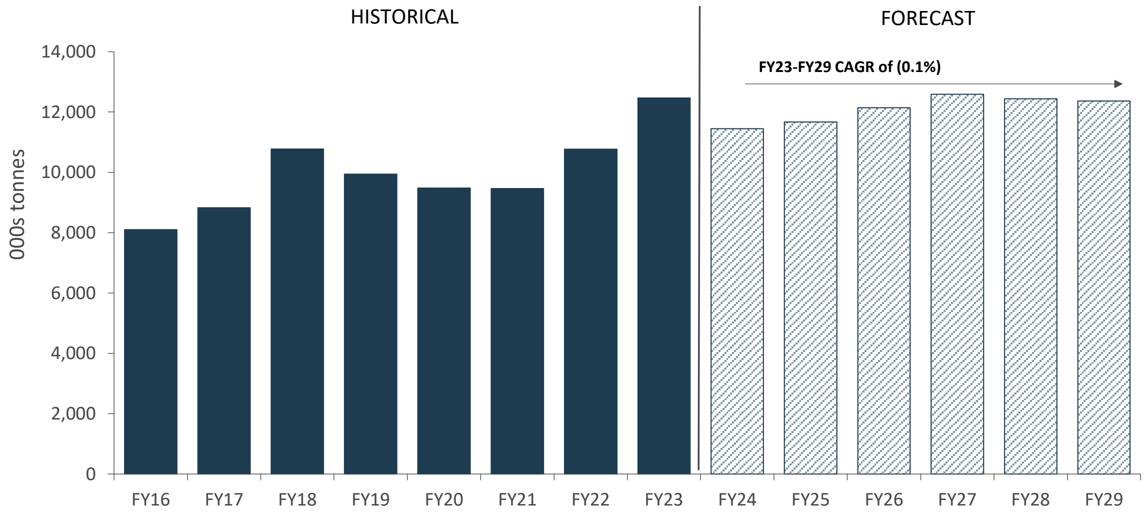
Asphalt demand has grown significantly over the past seven years and is expected to peak in FY23 following the timing and/or completion of certain major road projects. Demand for the material is largely influenced by major public infrastructure projects (which typically accounts for around 70% of demand in any given year[9]). Demand is expected to fall by 8% in FY24 and recover to broadly around FY23 levels by FY27 (an

8 Source: Australian Bureau of Statistics. 8301.0 Production of Selected Construction Materials.

9 Source: Infrastructure Australia, Infrastructure Market Capacity, 2022 Report.

average growth rate of around 0.3%). Between FY23 and FY29, demand growth is expected to be largely flat:

HISTORICAL AND FORECAST ASPHALT DEMAND (YEAR END 30 JUNE)

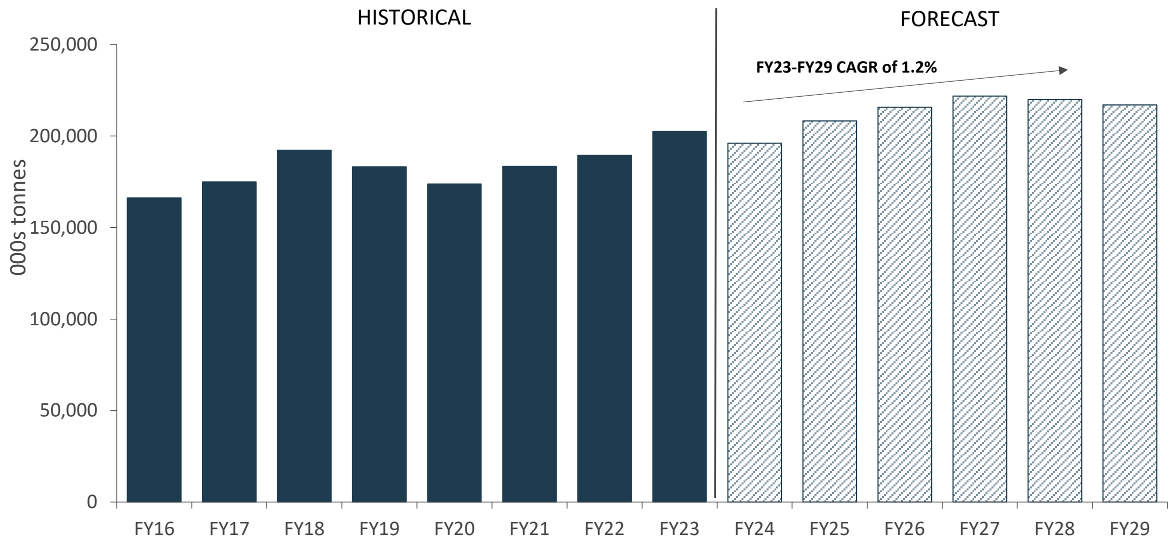


Source: Macromonitor (February 2024)

Quarry Products

Demand for quarry products is in the midst of an upswing in demand (growing from around 174Mt[10] in FY20 to over 200Mt by FY23) but is expected to moderate in FY24 before reverting to another 3-4 year period of growth. Between FY23 and FY29, demand is expected to grow by an average of 1.2% per annum (albeit at a more robust rate of 3% through to FY27 before peaking and moderating in subsequent years).

HISTORICAL AND FORECAST QUARRY PRODUCTS DEMAND (YEAR END 30 JUNE)



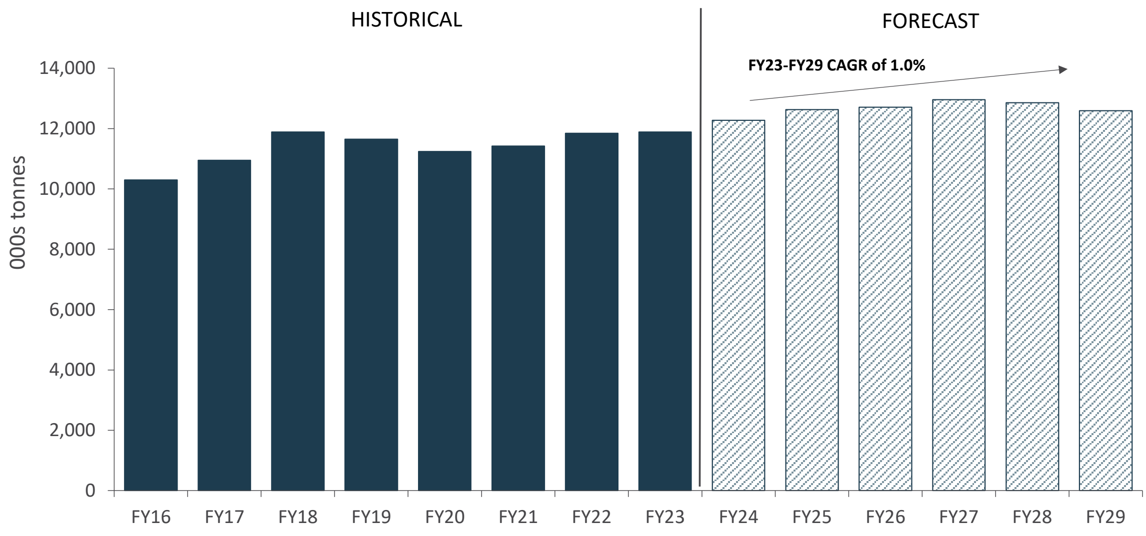
Source: Macromonitor (February 2024)

[10] Mt = million tonnes; kt = thousand tonnes; Mtpa = million tonnes per annum; ktpa = thousand tonnes per annum

Cement

Demand for cement broadly mirrors that for concrete (which is the primary downstream product for cement). The vast majority of cement is produced domestically (with around 40% of clinker imported from other markets[11]). Cement demand is expected to grow by around 1% per annum through to FY29 (albeit at a more robust rate of 3% per annum through to FY27 before demand peaks and declines slightly over the next two years):

HISTORICAL AND FORECAST CEMENT DEMAND (YEAR END 30 JUNE)



Source: Macromonitor (February 2024)

Similar to concrete (which often serves as a proxy for upstream demand), longer term demand growth for cement over the past 65 years (since data for cement demand was first published) has been at higher levels than currently projected for the next 2-3 years (closer to 2.5% per annum).

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11 Source: Cement Industry Federation.

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.

Over the next several decades, the company underwent several evolutions:

- the 1960s-1980s, during which Boral exited the petrochemical industry and expanded further into building materials by acquiring brick, masonry and pre-mixed concrete operations in Australia and internationally (as well as the oil and gas industry via manufacturing and engineering businesses);
- the 1990s, during which Boral refocussed on building and construction materials and energy businesses and divested several non-core operations and rationalised or closed other operations;
- the early 2000s, during which Boral spun off its energy business (Origin Energy Limited) and retained its building and construction materials business. Over the decade following the demerger, Boral focussed 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 capacity) and made a number of strategic acquisitions;
- the late 2000s, during which Boral's financial performance suffered (FY09 and FY10 net profit after tax and before significant items fell by almost 50% compared to FY08), prompting the company to undertake a strategic review of its business. Following the review, Boral fundamentally reshaped the business by divesting a number of smaller and non-core businesses and:
  - acquiring construction materials and quarries in Australia and a manufactured stone business in North America; and
  - entering into joint ventures for 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") and Meridian Brick with Forterra, Inc.; and
- the mid 2010s, during which Boral acquired the Headwaters Incorporated ("Headwaters") for US$2.6 billion, which 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.

However, the business experienced a number of challenges in subsequent years (including the recently acquired Headwaters business). Following a particularly 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 the near term and into the future, for each of its business operations. As a result of this review, Boral announced the sales of:

- its 50% interest in the USG Boral joint venture to its joint venture partner Gebr Knauf KG for US$1,015 million in October 2020 (completed in March 2021);
- the North American Building Products business to Westlake Chemical Corporation for US$2.15 billion (completed in October 2021);
- the North American Fly Ash business to Eco Material Technologies Inc for US$755 million (completed in February 2022); and

- other interests including its 50% interest in Meridian Brick (US$125 million) and Australian building products businesses ($77 million).

These initiatives were broadly supported by Boral's largest shareholder, Seven Group, which became a substantial shareholder in Boral in mid 2020 and, on 10 May 2021, announced a nil-premium off market takeover offer to acquire 100% of Boral for $6.50 cash per share (later increasing the offer to $7.40 per share). While Seven Group ultimately did not acquire 100% of Boral, it emerged with a controlling interest in the company after securing a relevant interest of approximately 70% of Boral shares at the end of the offer period.

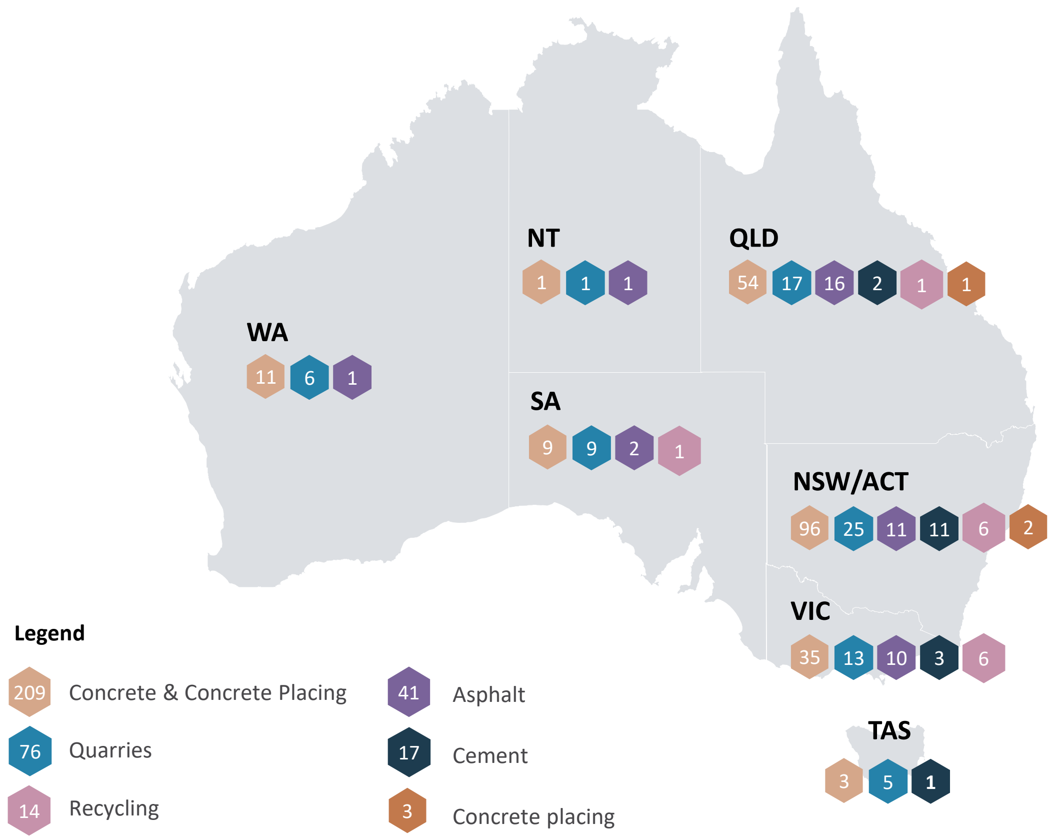
Following the strategy reset, Boral fundamentally reshaped (and downsized) its business to focus solely on the company's core business operations within the Australian heavy construction materials industry. It is a top 200 ASX listed company and, prior to announcement of the Seven Group Offer, had a market capitalisation of approximately $6.5 billion.

4.2 Business Overview and Strategy

Business Overview

Today, Boral is a the largest vertically integrated producer of heavy construction materials in Australia. Its integrated operations range from upstream quarrying operations and cement plants through to downstream production of concrete, asphalt and concrete placing, all of which are supported by a vast network of facilities and resources across Australia (particularly along the east coast):

BORAL – MAP OF OPERATIONS



Source: Boral

Boral's products are principally categorised as:

- **Quarries.** Boral's strategy has been based on securing strategically located reserves close to major residential and commercial areas (or rail networks) to drive distribution efficiencies. It has approximately 1 billion tonnes of quarry reserves across Australia. Its quarry network extracts a range of aggregates including hard rock, sand and gravel, and produces over 30 million tonnes per annum across its 76 quarries (64 hard rock and 12 sand and gravel) which are predominantly located on the east coast. The larger of these include Dunmore, Peppertree and Seaham 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 regularly reviews its quarry network where it actively maintains at least 10 years of reserves to service its customer demand. Mitigating measures include progressing brownfield development/consent approvals to convert quarry resources to reserves (which can be extracted), optimising pit mining strategies and pursuing strategic acquisitions of nearby quarry reserves;

- **Cement**. Boral 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 (co-owned with Adbri) in Queensland. Two of the facilities (Berrima and Maldon) are rail linked to support low cost operations and delivery. New clinker grinding capacity at the Geelong site will continue to further augment Boral's national reach and importing capacity. In addition, the business operates 11 depots and distribution facilities with several of these rail connected.

  It also purchases cement from industry participants in regions where it does not manufacture or distribute for use in concrete production (e.g. Western Australia). Approximately 50% 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). At 30 June 2023, Boral had clinker kiln capacity of 1.5 million tonnes per annum and over four million tonnes per annum of cement grinding capacity;

- **Concrete.** Boral manufactures and distributes 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 over 200 sites predominantly across New South Wales, Queensland and Victoria to service the Australia's east coast construction industry and produces approximately 6-7 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 that provides distribution and cost efficiencies.

  In addition to concrete production, Boral also operates a concrete placing business in New South Wales and Queensland (De Martin & Gasparini) that services customers across the multi-residential, commercial, industrial, road, and infrastructure segments with a range of solutions (e.g. mobile and stationery concrete pumps and placing booms);

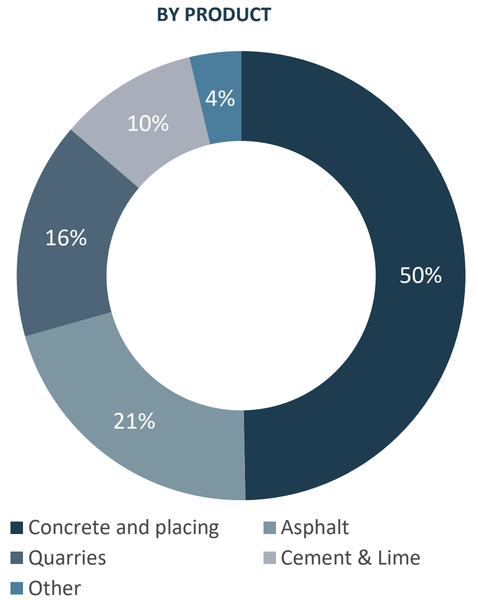
- **Asphalt.** Boral's operations service major road infrastructure developments as well as road surfacing and road network maintenance jobs. The manufacturing process combines bitumen sourced through supply agreements and through Bitumen Importers Australia (a joint venture with Downer EDI Limited), with aggregates supplied primarily from Boral's upstream operations. The asphalt business operates 41 sites that produce and distribute over two million tonnes of asphalt per year. The business also offers asphalt laying and sealing services to support the end-to-end asphalt surfacing process. The business also participates in road maintenance contracts through joint ventures (e.g. Connect Sydney); and

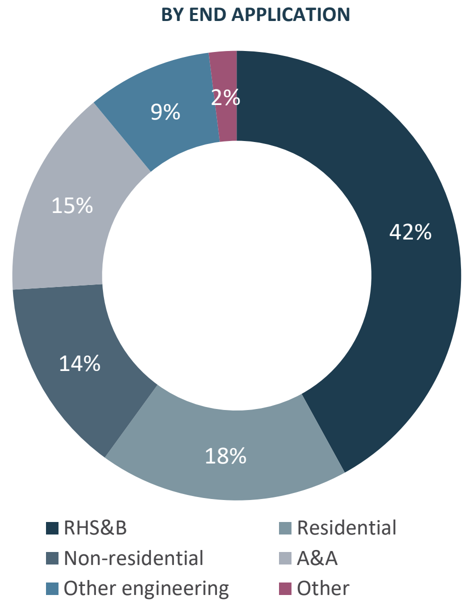
- **Recycling.** Boral operates 14 recycling operations, one of the largest construction and demolition recyclers in Australia at over 2 million tonnes per annum. Strong customer demand for recycled products is expected to continue. The business converts inbound concrete, brick, asphalt, excavation stone and excavation sand into aggregates and roadbase products.

Boral also operates an extensive transport fleet and logistics network (which distributes Boral products to its end customers, who are typically project owners, developers and contractors).

The charts below summarise Boral's external revenue by product and by end application:

BORAL – 1HY24 EXTERNAL REVENUE





Source: Boral

The revenue contribution by product reflects the integrated nature of the business. Although concrete and asphalt sales account for over 70% of Boral's external revenues, the relatively smaller contribution of upstream products (e.g. quarries and cement) reflects the integrated nature of its operations (as around 50% of these products are consumed internally to support concrete and asphalt production). In reality, aggregates and cement are the two largest contributors to Boral's gross margin.

More than half of the external revenues generated by Boral's products are sold to RHS&B and other engineering end markets. RHS&B typically comprises major civil construction projects committed to by State and Federal governments. Some of these large infrastructure projects awarded in recent years include Sydney Metro, Western Sydney International Airport, West Gate Tunnel (Melbourne) and the Tonkin Gap (Perth). Other engineering includes infrastructure projects outside of the RHS&B segment such as rail, utilities, mining and heavy industry structures. Boral's remaining end customers include residential development and A&A (which collectively represented around 33% of 1HY24 revenue) and non-residential development (which represented 14% of 1HY24 revenue).

There are four different distribution channels through which Boral markets and supplies its products and services:

- competitive tenders, typically 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, typically for smaller developments and small to medium sized construction businesses where products and services also supplied directly to the project site;
- in-store, typically through distributors and resellers; and
- online channels, typically for bagged cement and building products.

Strategy

At its annual general meeting on 3 November 2022, Boral announced its *Good to Great* strategy that sought to reshape the company's future as a focussed, profitable and customer-focussed Australian construction materials business. The strategy recognises the history of the Boral brand name and aims to tap into its legacy, infrastructure and extensive footprint to strengthen and grow its core business.

Execution of this strategy includes a new operating model that is focussed on accountability and role clarity. The "decentralised but standardised" approach targets value creation through customer proximity, simplification and standardisation of processes. The new strategy is centred around five key pillars being, people, environment, market, assets, financials (also known by its acronym, PEMAF).

In May 2023, Boral rolled out "Boral Way", the strategic plan on a page, as an alignment tool that is providing strategic alignment and direction across the business, which is distilled across PEMAF:

- **people**, which aims to on promoting safety as well as leadership and culture to empower its employees across its 300+ remote sites. Recent initiatives include:
  - establishing a flatter organisation structure (to drive alignment and accountability); and
  - standardising systems and processes across the organisation (to build efficiency).

  Ultimately, these efforts are focussed on prioritising the decentralisation (but standardisation) of business operations that ultimately will bring Boral closer to its customers;
- **environment**, which is focussed on Boral's decarbonisation pathway, while growing its lower carbon product and recycling businesses. Achieving this will require a multi-pronged approach, including:
  - continued expansion of the cement alternative fuel program;
  - increasing penetration and lower adoption of low carbon concrete; and
  - transitioning power supply to renewable sources.

  Implementing these measures are part of Boral's target to reduce scope 1 and scope 2 emissions by 12-14% from FY19 baseline by FY25. Longer term, Boral's ambition is to achieve net zero by 2050;
- **markets,** which aims to elevate the customer experience and has been identified by management as a major opportunity for the business. Some of the initiatives include:
  - streamlining ordering processes for customers as well as maintaining rigour around its pricing strategy; and
  - modernising the go-to-market strategy through better market segmentation and sales effectiveness;
- **assets,** which recognises Boral's vast network of assets across Australia and aims to enhance value for:
  - integrated networks, by exploring ways to extend the life of its prized upstream assets and optimising the degree of vertical integration and asset footprint across markets;
  - fixed and mobile assets, by improving the maintenance and utilisation of the assets and standardising tools and processes across the business; and
  - surplus property assets, by fully realising the value of its property portfolio by repurposing and developing these assets that have long term industrial, commercial or residential potential; and

- **financials,** which reinforces the strict capital discipline across the company and is ultimately the product of the other pillars. If successfully executed, it should translate into higher margins and improved returns.

  Boral's Financial Framework remains a foundational reference that guides its capital discipline. 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.

4.3 Financial Performance

Historical Financial Performance

The historical financial performance of Boral for FY21 to FY23 and 1HY24 is summarised below:

BORAL - FINANCIAL PERFORMANCE ($ MILLIONS)

	FY19 PRO FORMA[12]	FY20 PRO FORMA[12]	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	1HY24 ACTUAL
Concrete & placing	1,658.0	1,498.8	1,425.4	1,424.8	1,662.9	913.7
Asphalt	764.3	824.6	697.4	681.6	804.7	385.3
Quarry products	439.1	439.7	436.7	427.5	506.9	287.5
Cement	323.4	305.7	315.6	318.6	362.2	184.4
Other	326.2	266.8	48.3	102.2	123.7	68.2
Operating revenue	**3,511.0**	**3,335.6**	**2,923.4**	**2,954.7**	**3,460.4**	**1,839.1**
Operating EBITDA[13]	**500.9**	**381.0**	**366.1**	**304.5**	**436.2**	**305.5**
Depreciation and amortisation	(207.6)	(258.8)	(224.6)	(218.0)	(222.8)	(112.6)
Operating EBIT[14]	**293.3**	**122.2**	**141.5**	**86.5**	**213.4**	**192.9**
Results of equity accounted investments	25.8	13.7	19.1	19.9	18.9	7.0
Property EBIT	33.2	55.2	20.6	5.8	(0.8)	1.1
Reported EBIT	**352.3**	**191.1**	**181.2**	**112.2**	**231.5**	**201.0**
Significant items (before tax)	--	--	(41.2)	(74.7)	21.8	(16.7)
Net interest expense	--	--	(122.9)	(78.5)	(35.7)	(9.7)
Income tax expense	--	--	2.0	24.0	(59.6)	(52.6)
NPAT from continuing operations[15]	**--**	**--**	**19.1**	**(17.0)**	**158.0**	**122.0**
Discontinued operations	--	--	620.8	977.6	(9.9)	--
Reported NPAT attributable to Boral shareholders	**--**	**--**	**639.9**	**960.6**	**148.1**	**122.0**

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12 Pro forma FY19 and FY20 financials are calculated based on the sum of the reported segment financials of Boral Australia and Unallocated. No adjustments have been made for discontinued operations (e.g. building products).

13 Operating EBITDA is earnings before net interest, tax, depreciation and amortisation, share of profits of equity accounted associates, property EBITDA and significant items. Excludes EBITDA from discontinued operations.

14 Operating EBIT is earnings before net interest, tax, share of profits of equity accounted associates, property EBIT and significant items. Excludes EBIT from discontinued operations.

15 NPAT is net profit after tax.

BORAL - FINANCIAL PERFORMANCE ($ MILLIONS) (CONTINUED)

	FY19 PRO FORMA[16]	FY20 PRO FORMA[12]	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	1HY24 ACTUAL
STATISTICS						
Basic earnings per share	--	--	52.5c	87.0c	13.4c	11.1c
Dividends per share	--	--	--	7.0c	--	--
Dividend payout ratio	--	--	--	8.0%	--	--
Amount of dividend franked	--	--	--	0%	--	--
Operating revenue growth	(2.2%)	(5.0%)	(12.4%)	+1.1%	+17.1%	+9.4%
Operating EBITDA growth	(7.3%)	(23.9%)	(3.9%)	(16.8%)	+43.3%	+18.9%
Operating EBIT growth	(5.4%)	(58.3%)	+15.8%	(38.9%)	+146.7%	+12.2%
Operating EBITDA margin	14.3%	11.4%	12.5%	10.3%	12.6%	16.6%
Operating EBIT margin	8.4%	3.7%	4.8%	2.9%	6.2%	10.5%
Interest cover[17]	--	--	1.2x	1.1x	6.0x	19.9x
Reported ROFE	--	--	7.5%	7.2%	10.4%	18.1%

Source: Boral and Grant Samuel analysis

Boral's historical financial performance since FY21 reflects the company's transformation (and simplification) following its strategy review in FY20 and the subsequent implementation of the *Good to Great* strategy in FY23. The following factors are important to note for the period presented above:

- operating revenue, EBITDA and EBIT reflect financial performance from Boral's continuing operations only and exclude any contributions from discontinued operations that have been divested (or, at the time, categorised as an asset held for sale). Since June 2020, Boral has completed several divestments including its interests in the USG Boral joint venture (50%), North American Building Products business, North American Fly Ash business, Meridian Brick (50%) and Australian Building Products businesses. The contributions from these discontinued operations from FY20 onwards have been aggregated and included below NPAT from continuing operations;
- property sales have been excluded from operating revenue, EBITDA and EBIT. Earnings contributions from property sales have fallen over the period presented (particularly in FY23 and 1HY24 onwards when it fluctuated between a $1 million profit or loss). The property business unit has long been a key contributor to Boral's profits (accounting for EBIT of approximately ~$35 million per annum, albeit earnings can be lumpy on an annual basis). While some of the fall in the earnings may be caused by the natural lumpiness of the property business (e.g. timing of projects/developments), it also reflects Boral's new property strategy that was unveiled in FY22, which sought to employ a longer term "developer" mindset to its portfolio that may take longer to deliver long term recurring earnings;
- the results of equity accounted investments, which represent Boral's share of net profit after tax (and not its share of EBITDA, EBITA and EBIT) is excluded from operating EBITDA and EBIT the results of equity accounted investments (primarily Sunstate Cement and Bitumen Importers Australia Pty Limited), which represents Boral's share of net profit after tax (and not its share of EBITDA and EBIT) in these investments. The results of equity accounted investments are included in the reported EBIT shown in the table above; and
- significant items have been recorded in most years as Boral implemented the group's transformation program (incurring one off restructuring and information technology ("IT") related costs):

16 Pro forma FY19 and FY20 financials are calculated based on the sum of the reported segment financials of Boral Australia and Unallocated.

17 Interest cover is operating EBIT divided by net interest expense.

BORAL – SIGNIFICANT ITEMS ($ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	1HY24 ACTUAL
Restructure and onerous contracts	(31.2)	(74.7)	8.4	--
Gain on United States senior notes repayment	--	--	11.2	--
Fair value adjustment to Power Purchase Agreement derivative	--	--	2.2	(0.4)
One off loss in relation to equity accounted investment	--	--	--	(16.3)
One off advisory costs (takeover defence)	(10.0)	--	--	--
Total significant items before tax (excl discontinued operations)	**(41.2)**	**(74.7)**	**21.8**	**(16.7)**
Significant items from discontinued operations	398.9	1,105.6	(10.9)	--
Total significant items before tax	**357.7**	**1,030.9**	**10.9**	**(16.7)**

Source: Boral

Despite the transformation of the business over the last four years, there are several clear trends that emerge. FY19 was the last full year prior to the COVID-19 pandemic and arguably represented a "normal" year (albeit down from FY18) for the business. The second half of FY20 was heavily impacted by the initial COVID-19 outbreak and the closing down of significant parts of the economy (although construction was allowed to continue albeit with restrictions). The issues impacting Boral in FY20 carried over into FY21 and FY22, as the company's financial performance continued to deteriorate. Boral faced challenging market conditions across:

- the RHS&B segment, which saw softening activity as a result of major project completions (e.g. Norfolk Island airport, North Connex, Melbourne Metro Rail), project pipeline delays (e.g. West Gate Tunnel) and project disruptions. Lower materials intensity across major projects placed further pressure on financial performance (with the estimated share of construction materials demand falling from around 5% of major projects' demand in FY20 to just 3% in FY21);
- the non-residential segment, for which value of work done contracted as commercial office and retail segments were heavily impacted by the uncertainty of behavioural patterns in a "post pandemic" environment (foot traffic in metro areas was slow to recover and has still not recovered to pre-2020 levels); and
- energy markets, which saw a significant spike in prices for coal, gas, electricity and diesel in response to the uneven reopening of global economies (and consequent supply-demand imbalances) and was further strained by the Russia-Ukraine War that started in February 2022).

While the residential segment showed promising signs of a rebound in 2021 (particularly following government stimulus programmes such as the *HomeBuilder* scheme and low interest rate environment), demand began to soften in FY22.

In FY22, Boral's financial performance bottomed as operating EBITDA and operating EBIT margins fell to just 10.3% and 2.9%, respectively (despite revenues remaining flat) reflecting both the lingering impacts of COVID-19 and a number of issues across the business including the loss of market share, operational shortcomings (e.g. lack of price discipline, logistical inefficiencies) and excess overhead (for a smaller organisation). The sharp fall in EBIT margins reflects the large, relatively fixed depreciation charge (which, in turn, reflects the high level of ongoing capital expenditure) and the point in the cycle.

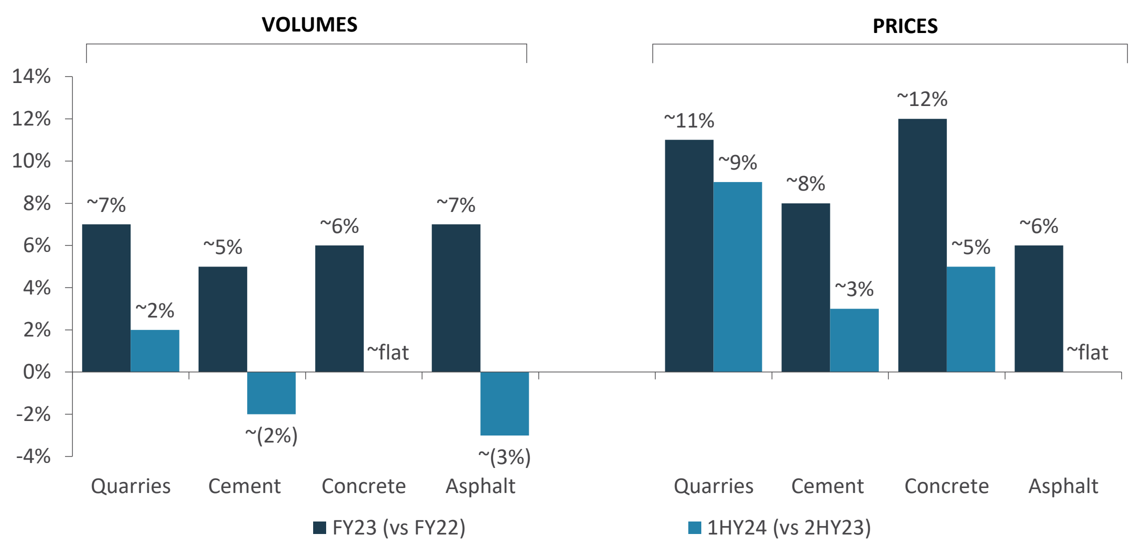
In response to these challenges, Boral refreshed its pricing strategy (e.g. introducing out-of-cycle price increases and implementing dynamic pricing to account for cost inflation which started to ramp up substantially in 2022). It also simplified its corporate organisational structure (reducing headcount to deliver annual cost savings of $35 million). The rollout of the *Good to Great* strategy in November 2022 as well as the appointments of new senior management (CEO and CFO) helped reinforce the focus on commercial, operational and financial rigour and capital discipline across the business.

With the exception of the residential market, Boral's end markets began to rebound in FY23 as volumes increased across its product range and across most of its end markets (especially in the RHS&B segment where Boral has the largest exposure). While inflationary cost pressures (particularly across transport, labour and energy) weighed on its margins, Boral's pricing initiatives began to offset some of these inflationary pressures as it generated strong price gains across its product range (allowing it to pass on some or most of the cost increases). Recent efforts to standardise process (e.g. IT systems, procurement function) and instil cost discipline enabled it to reduce overhead costs by 7% from the prior year. Combined with the inherent operating leverage, operating EBITDA and operating EBIT jumped by 43% and 147%, respectively (outpacing revenue growth of 17%).

This positive momentum carried into 1HY24. While volume growth slowed considerably (with volumes from some product lines such as cement and asphalt declining by 2-3% from the prior half year period) and cost inflation moderated slightly, Boral continued to execute its pricing strategy (with most recent price increases announced for January 2024) as well as a range of cost initiatives (including additional IT investments and hedging of its commodity price exposure, bringing overhead costs down further an additional 6% from the prior half year period). As a result of these efforts, operating EBITDA and operating EBIT margins continued their strong upwards trend towards 16.6% and 10.5% respectively (with EBIT margins benefiting from the operating leverage working in its favour).

The chart below illustrates the volume and price trends for Boral's key products in FY23 and 1HY24 (although downstream volumes still remain below FY18 and FY19 peaks):

BORAL – VOLUMES AND PRICE TRENDS (LAST 18 MONTHS)[18]



Source: Boral

While Boral's recent financial performance has been promising, it is also important to recognise that the business remains susceptible to cyclicality in the construction materials industry as depicted below, with its operating leverage supporting strong EBIT in buoyant markets but with significantly weaker profitability in less supportive markets (as seen in FY20 through FY22):

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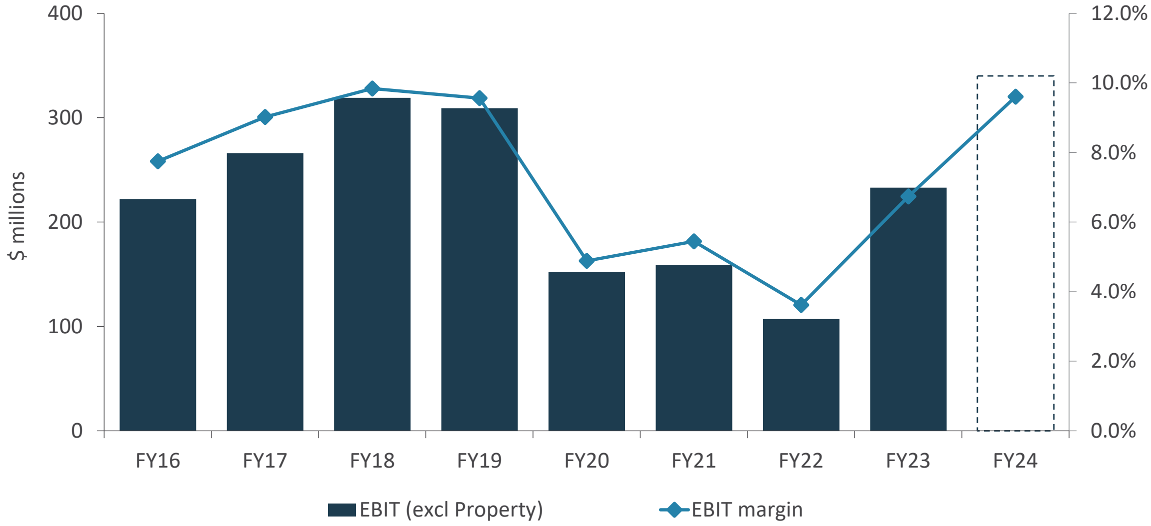
18 As reported by Boral. Asphalt price growth in FY23 (vs FY22) is based on asphalt exbin prices whereas it is based on asphalt lay prices for the 1HY24 period.

BORAL'S AUSTRALIAN OPERATIONS – HISTORICAL EBIT AND EBIT MARGINS (EXCLUDING PROPERTY)



Source: Boral

While the analysis above is crude and simplistic given the change in accounting standards (i.e. AASB 16 implemented from FY20) and the assumption that all unallocated corporate costs are attributable to Boral's Australian operations, it is clear that a wide variability in earnings has been a consistent theme for the company. Since peaking in FY18 on the back of a buoyant end market environment (i.e. growth in major projects across commercial and residential markets), Boral's EBIT fell in each of the four subsequent years. The decline was precipitated by a number of factors affecting the business including the impacts of COVID-19, floods and bushfires as well as internal business distractions (e.g. portfolio review in 2020). It was not until FY23 that earnings began to rebound as the business responded favourably to the new strategy and operating model (with further growth anticipated in FY24).

Boral's dividend policy is guided 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. In accordance with the Financial Framework, Boral announced a $3 billion return of surplus capital to shareholders on 1 February 2022 following completion of the sale of the North American Building Products and Meridian Brick businesses, and Australian Building Products businesses (the sale of the North American Fly Ash business was completed after the capital return was declared). The cash distribution was primarily in the form of a capital reduction and supplemented by an unfranked dividend of 7 cents per share ($77 million total). No other dividend was declared or paid in the period presented.

Outlook

On 9 February 2024, in conjunction with the release of its 1HY24 financial results, Boral provided earnings guidance for FY24. Subject to there being no material change in market conditions, Boral expects:

- underlying EBIT (excluding significant items) of $330-350 million in FY24. Boral has upgraded its guidance for underlying FY24 EBIT twice in the last 12 months (from previous estimates of $300-330 million dated 11 November 2023 and, prior to that, $270-300 million announced on 10 August 2023);
- typical seasonality patterns to resume in FY24 (unlike in FY23, which was an exception to the trend as it was impacted by the rollout of the new operating model and strategy in 1HY23). The group's earnings have historically been weighted towards the first half; and
- incremental capital expenditure of $300-400 million over the next four years to:

- replace old heavy mobile equipment;
- optimise the mix between owned and contracted heavy road fleet; and
- upgrade and developing its integrated network, mainly upstream in quarries.

Boral has not publicly released detailed or specific earnings forecasts for FY24 or subsequent years (other than the FY24 EBIT guidance as set out above). To provide a more defined indication of the expected future financial performance of Boral, Grant Samuel has considered brokers' forecasts for Boral (see Appendix 1) as follows:

BORAL – FINANCIAL PERFORMANCE ($ MILLIONS)

	FY23 ACTUAL	BROKER CONSENSUS	
		FY24[19] ADJUSTED GUIDANCE	FY25 ADJUSTED MEDIAN
Operating revenue	3,460.4	3,716.5	3,824
Operating EBITDA	436.2	545.5	602.0
Operating EBIT	213.4	315.5	370.6
RECONCILIATION OF FY24 OPERATING EBIT TO BORAL'S FY24 OUTLOOK			
FY24 EBIT Outlook (midpoint)		340.0	
excluding property earnings		(0.5)	
excluding share of NPAT from equity accounted investments[20]		(24.0)	
Operating EBIT		**315.5**	

Source: Grant Samuel analysis (see Appendix 1)

Nearly all brokers expect FY24 EBIT to exceed the guidance provided by Boral, with estimates ranging from $350 million to $383 million (median of $365 million).

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19 Based on midpoint of Boral's FY24 EBIT outlook and broker estimates for other items.

20 Based on the FY24 Strategic Plan.

4.4 Financial Position

The financial position of Boral as at 30 June 2023 (audited) and 31 December 2023 (reviewed by Boral's external auditor) is summarised below:

BORAL - FINANCIAL POSITION ($ MILLIONS)

	AT 30 JUNE 2023 AUDITED	AT 31 DECEMBER 2023 REVIEWED
Receivables	550.3	453.6
Inventories	270.9	267.9
Trade creditors	(497.1)	(430.5)
Net working capital	**324.1**	**291.0**
Property, plant and equipment (owned)	2,002.1	1,994.0
Property, plant and equipment (leased)	116.4	116.2
Goodwill	71.2	71.2
Equity accounted investments	36.1	37.3
Loans to associated entities	19.0	2.5
Provisions	(361.6)	(369.8)
Derivative financial instruments (net)	4.2	(25.9)
Other	56.4	66.8
Net tax balances	96.1	35.9
Net assets employed	**2,364.0**	**2,219.2**
Cash and cash equivalents	658.1	888.7
Borrowings	(873.9)	(850.3)
Net borrowings (excluding lease liabilities)	**(215.8)**	**38.4**
Lease liabilities	(122.4)	(122.9)
Net borrowings (including lease liabilities)	**(338.2)**	**(84.5)**
Net assets	**2,025.8**	**2,134.7**
STATISTICS		
Shares on issue at period end (million)	*1,103.1*	*1,103.1*
Net assets per share	*$1.84*	*$1.94*
NTA[21] per share	*$1.77*	*$1.87*
Gearing[22] (excluding lease assets and lease liabilities)	*10%*	*(2%)*
Gearing (including lease assets and lease liabilities)	*14%*	*4%*

Source: Boral and Grant Samuel analysis

Property, plant and equipment represents the vast majority of Boral's net assets employed and reflects the high capital intensity of the heavy construction materials business. The vast majority of the balance is in relation to land and buildings as well as associated plant and equipment across its operations such as fixed assets (e.g. crushers, conveyors, screens), heavy road assets (e.g. road trucks, tippers) and heavy mobile assets (e.g. front end loaders, dump trucks and excavators). Mineral reserve, licences and quarry stripping comprise most of the remainder (around 10% of the total balance).

Boral's financial position also includes $67.4 million which represents the carrying value of Boral's surplus property and quarry end use activities (see Section 4.5).

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

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

Boral's equity accounted investments are summarised below:

BORAL – EQUITY ACCOUNTED INVESTMENTS AT 31 DECEMBER 2023 ($ MILLIONS)

INVESTMENT	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST	BOOK VALUE ($ MILLIONS)
Bitumen Importers Australia Pty Limited	Bitumen importer	50%	12.1
ConnectSydney Pty Limited	Road maintenance	38.5%	5.3
Flyash Australia Pty Limited	Fly ash collection	50%	1.6
Penrith Lakes Development Corporation Limited	Property development	40%	--
South Australian Road Services Pty Limited	Road maintenance	50%	0.0
South East Asphalt Pty Limited	Road maintenance (asphalt)	50%	1.9
Sunstate Cement Limited	Cement manufacturer and distributor	50%	16.4
Total			**37.3**

Source: Boral

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 31 December 2023 totalled $(25.9) million including instruments relating to borrowings.

Boral's financial position includes over $260 million in provisions (excluding employee benefit liabilities) for future obligations for which the company may be liable. The vast majority of the provisions are in relation to restoration and environmental rehabilitation ($190 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. Other provisions were recognised in relation to rationalisation and restructuring ($5 million) or other future claims (e.g. insurance, workers compensation insurance, legal and other claims arising in the ordinary course of business).

Gearing has declined over recent years as financial performance improved (bolstering liquidity headroom) and Boral focussed on reducing its net debt (including the termination of $125 million in undrawn committed facilities in light of the surplus liquidity). The weighted average cost of Boral's debt for the most recent full year period (FY23) was around 5.1%.

As at 31 December 2023, Boral had an investment grade credit rating of Baa2 from Moody's Investor Services ("Moody's") but was placed under review for a downgrade following the announcement of the Seven Group Offer. In its ratings update announced on 20 February 2024, Moody's noted that the review reflected the uncertainty regarding Boral's future business and financial profile as a wholly-owned entity of Seven Group as it views Seven Group's credit quality to be weaker than Boral's (which is a constraining factor on Boral's credit rating).

4.5 Property Portfolio

Boral has a vast portfolio of surplus property (around 4,500 hectares spread across approximately 25 properties) and has active programs underway to yield end use value and generate earnings over the next 20 years. These surplus properties only include properties where the primary site use no longer serves an operational need (e.g. end of operational lives, unused land).

Repurposing the land, however, usually requires a series of steps, including the remediation and rehabilitation of the original site (typically disturbed due to previous operations or facilities). While Boral often progressively rehabilitates disturbed land (including around 118 hectares of land in FY23), some of this work can only be done once operations have fully ceased. Repurposing the land typically also requires planning approvals, rezoning permits (e.g. from primary earth resource uses to industrial, residential or other uses) as well as, in some cases, engagement with relevant state earth resources agencies (to ensure appropriate consideration of earth resource planning overlays and alternate resource availability). These processes can be subject to significant uncertainty and take several years to resolve.

The major repurposing projects are summarised below:

BORAL – KEY SURPLUS PROPERTY ASSETS AT 31 DECEMBER 2023

SITE	LOCATION	STATUS
OPPORTUNITIES UNDER CONTRACT		
Scoresby (residential development)	Victoria (25 kilometres southeast 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) Boral has entered into a 20 year development agreement with Mirvac under which Boral is expected to receive cash and retained revenue over the life of the agreement Mirvac managing rezoning and rehabilitation of site, with ministerial approval for rezoning expected within 12 months. Rehabilitation currently underway of former clay extraction void for initial development stages
Donnybrook (residential development)	Victoria (30 kilometres north of Melbourne's CBD)	Boral acquired the site as a potential hard rock quarry, but subsequent inclusion within the Urban Growth Boundary by government (followed by rezoning) precluded any future quarry development Boral has entered into a 20 year development agreement with Mirvac under which Boral is expected to receive cash and retained revenue over the life of the agreement Development is underway of the Olivine masterplanned estate with staged pre-sales of new dwellings; construction and settlement ongoing
Deer Park Northern Lands (industrial development)	Victoria (17 kilometres west of Melbourne's CBD)	Approximately 1,105 ha site (developable area - ~450 ha[23]) Identified by government as "State Significant Industrial Land –Future" Pursuing industrial development opportunities with LOGOS Property Group (subject to planning and other conditions)
OPPORTUNITIES IN PROGRESS		
Waurn Ponds	Victoria (12 kilometres south west of Geelong)	Cement operations ceased in 2022 Rehabilitation underway, taking tunnelling spoil and fill materials from infrastructure projects for a fee (which partially offsets rehabilitation costs) Rezoning of approximately 1,030 ha land for a range of end uses (with local council supporting a planning scheme amendment to identify the northern portion of the site as an investigation area to facilitate a rezoning)
Western Sydney Lakes	New South Wales (52 kilometres west of Sydney's CBD)	Up to 1,300 ha of dedicated lakes and recreation land and ~330 ha developable land Pending Government support, rezoning is contemplated for ~100ha of land 40% owned, in a joint venture with Holcim and Hanson Carrying value has been reduced to zero
Bombo	New South Wales (2 kilometres north of Kiama)	Site identified for a mix of uses including residential, commercial, tourism and employment by NSW and local planning authorities Pursuing planning approvals for rehabilitation and rezoning for the 110 ha quarry precinct (46 ha Boral owned, with the adjoining landowner the New South Wales Transport Asset Holding Entity)
Maldon	New South Wales (65 kilometres south of Sydney's CBD)	Currently operational cement manufacturing facility Seeking rezoning of 22 ha of rural land surplus to existing operation to support 11ha of heavy industrial zoned land and the balance being environmental conservation area

Source: Boral

23 ha = hectare

4.6 Cash Flow

Boral's cash flow for FY21 to FY23 and 1HY24 is summarised below:

BORAL - CASH FLOW ($ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	1HY24 ACTUAL
Operating EBITDA[13]	366.1	304.5	436.2	305.5
Property EBITDA	20.6	5.8	(0.8)	1.1
Dividends received	21.4	6.6	14.5	5.8
Changes in working capital and other adjustments[24]	(77.2)	13.4	(46.6)	20.1
Capital expenditure (net)	(152.0)	(301.0)	(209.1)	(91.5)
Free Cash Flow	**178.9**	**29.3**	**194.2**	**241.0**
Discontinued operations (EBITDA, dividends, capital expenditure and restructuring costs)	320.7	51.5	(34.7)	--
Net interest paid (incl borrowing costs)	(133.9)	(84.8)	(33.2)	(6.9)
Tax (paid) / received	(7.0)	(77.3)	23.3	10.0
Cash flow from operations	**358.7**	**(81.3)**	**149.6**	**244.1**
Sale of controlled entities and associates, sale of non-current assets, less caital contibution for equity accounted investments	1,449.6	3,994.7	19.4	2.5
Repayment of loans by associates	(0.3)	--	--	--
Dividends paid	--	(77.2)	--	--
Other capital returns and share buybacks	(506.6)	(3,276.1)	--	--
Repayment of lease principal	(88.0)	(57.0)	(25.9)	(13.4)
Net cash generated / (used)	**1,213.4**	**503.1**	**143.1**	**233.2**
Net cash / (borrowings) - opening[25]	*(2,196.5)*	*(770.2)*	*(356.7)*	*(215.8)*
Adjustments[26]	*212.9*	*(89.6)*	*(2.2)*	*21.0*
Net cash / (borrowings) - closing	*(770.2)*	*(356.7)*	*(215.8)*	*38.4*
STATISTICS				
Free Cash Flow as a % of operating EBITDA	*49%*	*10%*	*45%*	*79%*
Capital expenditure as a % of operating EBITDA	*42%*	*99%*	*48%*	*30%*
Stay-in-business capital expenditure as a % of total	*70%*	*61%*	*87%*	*82%*

Source: Boral and Grant Samuel analysis

Boral's cash flow from operations has generally been more than sufficient to support its ongoing capital expenditure requirements through the cyclicality of the business (with the exception of FY22 where capital expenditure was approximately the same as operating EBITDA although that included "growth" capital). Capital expenditure has focussed predominantly on Boral's upstream quarries and cement infrastructure. Since FY21, approximately 75% of capital expenditure has been attributable to "stay-in-business" investments (e.g. annual shutdown of the Berrima kiln). Over the period, Boral has also invested in a number of growth projects including the construction of a new clinker grinding and storage facility at the Port of Geelong and acquisitions of Hillview Sands and several other strategic land parcels including Badgerys Creek, Dunmore, Peats Ridge and Dunnstown (approximately $80 million in FY22). However, the combined impact of a decline in earnings and growth capital invested in FY22 resulted in negative cash flows from operations (after interest and tax) for the year.

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24 Changes in working capital and other adjustments may include certain cash flow items in relation to discontinued operations.

25 Excludes lease liabilities.

26 Adjustments primarily represent transfer of net debt to assets held for sale, changes in fair value of borrowings, exchange rate impact on borrowings and exchange rate impacts on cash held in foreign currencies.

However, assessment of its free cash flow generation capacity should be treated with caution. Free cash flow in FY21 and FY22 was distorted by the fall in earnings and the impact of divestments. Boral's cash flows also reflect the significant surplus capital unlocked by the divestments that completed in FY21 and FY22, which yielded nearly $5.5 billion in cash (most of which was surplus to Boral's capital requirements at the time) and supported capital returns and dividends to shareholders of around a $3.9 billion in accordance with Boral's Financial Framework (including $3 billion return of surplus capital to shareholders announced in February 2022). The remaining proceeds were retained to reduce net debt and gearing (excluding lease assets and liabilities), which fell from 33% in FY20 to nearly zero by 1HY24.

4.7 Taxation Position

Under the Australian tax consolidation regime, Boral and its wholly owned Australian resident entities have elected to be taxed as a single entity.

At 31 December 2023, Boral did not recognise any carried forward capital or income tax losses. However, Boral had unrecognised capital losses carried forward of approximately $297 million (or $89 million tax effected). These losses had not been accounted for due to the uncertainties relating to their future utilisation.

At 31 December 2023, Boral had $15.4 million accumulated franking credits.

4.8 Capital Structure and Ownership

Capital Structure

Boral has the following securities on issue:

- 1,103,088,419 ordinary shares; and
- 6,473,890 performance share rights over unissued ordinary shares.

Boral operates:

- a short term incentive ("STI") plan under which senior executives may be entitled to an award for achievement of annual performance. 50% of any STI awarded is delivered in cash and 50% 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 to the satisfaction of long-term performance conditions over a three-year performance period. 100% of the LTI is awarded as performance rights and may vest following the applicable performance period. For LTI grants made in FY22 and FY23, up to 100% of the LTI grant may vest subject to Boral's total shareholder return performance relative to a group of comparable companies. For LTI grants made in FY24 up to 50% of the LTI grant may vest subject to Boral's total shareholder return performance relative to a group of comparable companies, and separately, up to 50% of the LTI may vest based on achieving earnings per share 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.

Ownership

There were approximately 47,000 registered shareholders in Boral at 15 March 2024. The top ten shareholders accounted for approximately 76% of the ordinary shares on issue (or around 85% inclusive of the physically settled equity swap held by Seven Group). Boral has received notices from the following substantial shareholders:

BORAL – SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	DATE OF NOTICE	NUMBER OF SHARES	PERCENTAGE[27]
Seven Group	5 March 2024	790,379,498	71.65%
Macquarie Group Limited	18 March 2024	70,707,529	6.41%

Source: Boral

Seven Group is by far the largest shareholder in Boral and controls a majority of outstanding shares in the company. Seven Group provided its initial substantial shareholder notice to Boral on 2 June 2020 and, over the next ten months, progressively increased its interest in the company until it reached 19.984% by mid September 2020. On 9 April 2021, it lodged a substantial shareholder notice disclosing that it had increased its interest in Boral by 3% to 22.984% using the "creep" provisions under the Corporations Act (later rising to 24% in June 2021 as a result of the cancellation of issued shares bought back under Boral's on-market share buyback).

Seven Group's off market takeover offer for Boral in May 2021 resulted in a dramatic increase in its interest. Following conclusion of the offer period at end of July 2021, Seven Group lodged a substantial shareholder notice disclosing that it has secured a 69.6% interest in the company. Since then, Seven Group's ownership interest has remained at or around 72%, with the most recent transaction a block sale of 11,100,000 shares at a price of $4.90 per share as notified by Seven Group on 30 August 2023 (reducing its ownership interest in Boral from 72.6% to 71.6%).

Since the offer period for the Seven Group Offer opened on 4 March 2024, Seven Group has increased its relevant interest in Boral to 71.65% (which comprises a physical shareholding of 65.4% and a further interest in 6.2% under a physically settled equity swap).

4.9 Share Price Performance

Share Price History

Analysis of historical movements in the Boral share price is impacted by the $3 billion return of surplus capital to shareholders announced in February 2022 (which also complicates the comparison of historical share prices to Seven Group's previous takeover offer for Boral). Accordingly, an analysis of Boral's historical share price performance requires consideration of both the:

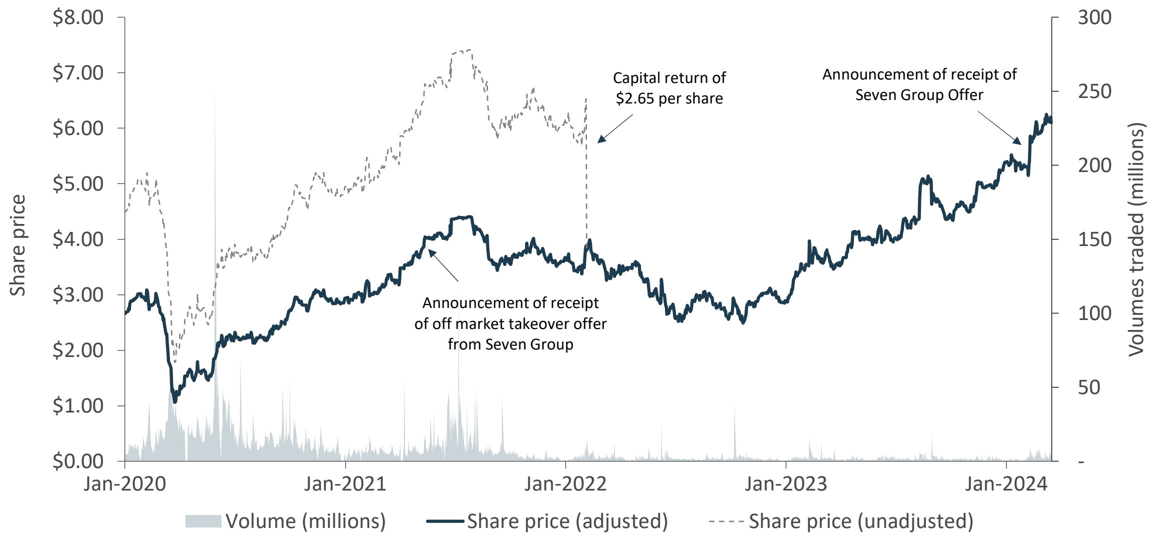
- unadjusted price for Boral shares, in the period leading up to the capital return; and
- adjusted price of Boral shares, in subsequent periods.

The following graph illustrates the movement in the Boral share price (adjusted for capital returns and buybacks) and trading volumes since 1 January 2020:

[27] Based on Boral issued shares as the date of notice.

BORAL – SHARE PRICE AND TRADING VOLUME

1 JANUARY 2020 TO 15 MARCH 2024



Source: IRESS

In January 2020, the unadjusted Boral share price had just stabilised at around $4.50 after nearly two years of uninterrupted declines (from a high of around $8.00 in early 2018) following the market's adverse reaction to its deteriorating financial performance (e.g. operational issues, adverse weather conditions, project delays) and financial irregularities identified in its North American Building Products business. However, the reaction to the COVID-19 pandemic was swift and severe, as it was for the market as a whole. Boral's unadjusted share price fell from a close of $5.09 on 21 February 2020 (the day following the announcement of its 1HY20 financial results) to close at $2.05 by the end of March 2020 reflecting the impact of government sanctioned lockdowns and restrictions on building and construction activities and the withdrawal of FY20 earnings guidance by Boral on 19 March 2020.

Since the low point of April 2020, the unadjusted Boral share price has generally 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 unadjusted share price increasing from around $2.50 in mid May 2020 to just under $3.50 in early June 2020. The unadjusted share price then climbed back to around $4.95 by the end of 2020, responding positively to announcements of a new CEO and Board renewal as well as 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 unadjusted share price was trading around $5.86, and continued to steadily improve following commencement of the share buyback on 19 April 2021.

Over the next three months, the unadjusted share price continued to climb higher in response to Seven Group's off market takeover offer for Boral which started at $6.50 per share (on 10 May 2021) and was later increased to $7.40 per share. Following the completion of the offer at the end of July (when the share price traded at the final offer price), Boral's share price retreated to around $6.00-6.50 per share (or around $3.35-3.85, adjusted for the subsequent capital return) over the remainder of the year amidst challenging market conditions (despite the announcements of the sales of the North American Building Products and North American Fly Ash businesses). Following the completion of the $3 billion capital return in February 2022 ($2.65 per share in total excluding dividends), the share price continued to decline (trading as low as $2.48 adjusted per share on 21 October 2022) as adverse market conditions weighed on its business operations.

The announcement of the new *Good to Great* strategy and renewal of senior management (including the appointments of a new CEO and CFO) in late 2022 stemmed (and reversed) some of these losses with the share price closing at $2.89 at the end of the year. Since January 2023, the Boral share price has consistently trended upwards as the company delivered successive positive earnings updates in 1HY23 and FY23 and guided towards an even stronger FY24. The share price reacted positively to the FY23 earnings announcement and traded as high as $5.15 in late August 2023 but retreated over the next months (possibly due to Seven Group's block sale of a 1% interest in Boral) and then rebounded in the final weeks to close at $5.39 for the year.

The share price resumed its upward trend over the next several months, rising by 8% on 9 February 2024, the day of its 1HY24 earnings announcement (closing at $5.86) before closing at $5.85 on 16 February 2024, the last trading day prior to the announcement of the Seven Group Offer. Since the announcement of the Seven Group Offer (through to 15 March 2024), Boral shares have traded in the range $5.79-6.28, and at a volume weighted average price ("VWAP") of $6.07.

Liquidity

Boral has been a moderately liquid stock despite around 72% of issued shares are held by Seven Group. Average volumes over the 12 months prior to announcement of the Seven Group Offer represented turnover of around 45% of total average issued capital but represents 160% of the free float, which is broadly in line with other reasonably liquid stocks.

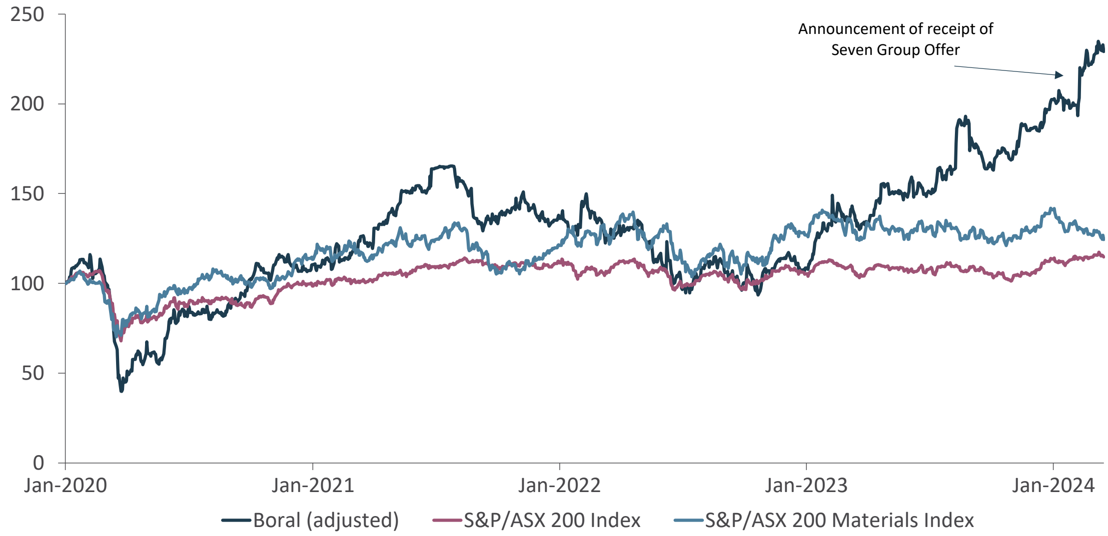
Relative Performance

Boral is a member of various indices including the S&P/ASX 200 Index and the S&P/ASX 200 Materials Index. Based on its last undisturbed price (as at 16 February 2024), its weighting in these indices was approximately 0.26% and 1.13% respectively (the weighting excludes Seven Group's interest in Boral).

The following graph illustrates the performance of Boral shares since 1 January 2020 relative to both indices:

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

1 JANUARY 2020 TO 15 MARCH 2024



Source: IRESS

Boral shares have historically undergone through distinct periods of outperforming or underperforming the S&P/ASX 200 Index and the S&P/ASX 200 Materials Index:

- between March and April 2020, its share price underperformed both the market as a whole (represented by the S&P/ASX 200 Index) and the materials sector (represented by the S&P/ASX 200 Materials Index). The differential impacts of the COVID-19 pandemic meant that some industries such as the construction industry was more severely impacted (at least initially) than other sectors (that could migrate business operations to a virtual environment) by government mandated shutdowns;
- between May 2020 and July 2021, Boral outperformed the two indices as its business operations resumed;
- between August 2021 into October 2022, the share price underperformed the two indices as a result of disappointing financial performance; and
- from late 2022 and for most of 2023, the share price outperformed both indices as the market responded favourably to Boral's continued execution of its refreshed and strategy, which has translated to strong improvements in financial performance.

However, there are some limitations to the analysis. The S&P/ASX Materials Index is a broad index that includes Australia's major listed resources companies (BHP Group Limited, Fortescue Metals Group Limited and Rio Tinto Limited) which collectively represent over 85% of the S&P/ASX Materials Index (growing substantially over the last three years) and whose collective market capitalisation has increased by almost 80% over the period. In contrast, the building products and construction materials companies in the index (James Hardie Industries plc ("James Hardie"), Boral, Brickworks Limited ("Brickworks") and CSR) accounted for just 7% of the index (although their collective market capitalisation grew by nearly 35% over the period). Other peers such as Fletcher Building Limited ("Fletcher Building") and Adbri were removed from the index during the period presented.

Alternatively, a more relevant benchmark may be Boral's share price performance against other listed ASX peers that primarily operate within the Australian heavy construction materials industry (in this case Adbri and Wagners). The relevance is however limited in that the majority of Boral's direct competitors are either divisions within large globally diversified construction materials companies or privately held. Nevertheless, the performance of these two peers may offer some insights as to Boral's share recent price performance.

While the analysis shows some level of correlation in share prices between the three companies (at least from 2020 to mid 2022), it also underlines the strong recovery in Boral's share price in 2023 that was not replicated by its peers:

BORAL VS ADBRI VS WAGNERS

1 JANUARY 2020 TO 15 MARCH 2024

Source: IRESS

5 Valuation of Boral

5.1 Summary

Grant Samuel has valued Boral in the range $7.2-7.9 billion which corresponds to a value of $6.50-7.13 per share. The valuation is summarised below:

BORAL - VALUATION SUMMARY ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Business operations[28]	5.4	6,000.0	6,500.0
Property portfolio	5.5	1,400.0	1,600.0
Other assets and liabilities (net)	5.6	(28.4)	(28.4)
Enterprise value		**7,371.6**	**8,071.6**
Adjusted net borrowings	5.7	(162.9)	(162.9)
Value of equity		**7,208.7**	**7,908.7**
Fully diluted shares on issue (millions)[29]		1,109.6	1,109.6
Value per share		**$6.50**	**$7.13**

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. Shares in a listed company normally trade at a discount of 15-25% to the underlying value of the company as a whole (and has widened in recent years but, in any event, this discount does not always apply).

The value range of $6.50-7.13 per share is higher than Grant Samuel's valuation of Boral shares in its 2021 independent expert's report (of $8.25-9.13 per share, or $5.53-6.41 per share adjusted for the capital return and dividend). While the comparison is not straightforward due to the differences between the value attributed to the North American business and final realised proceeds, there is reasonable evidence for an increase in the value of Boral. The step up in value is principally driven by the increase in value of Boral's property portfolio, particularly where Boral has made significant advances (e.g. introducing a development partner) since the 2021 report. The value range also reflects an increase in the value of Boral's Australian construction materials business.

5.2 Methodology

5.2.1 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;

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28 The value of Boral's business operations is after corporate overhead cost savings (i.e. listed company costs) which are available to acquirers of 100% of the company.

29 Fully diluted shares on issue include 6,473,890 performance rights that have not vested as at the date of this report. While the nature of the Seven Group Offer means that a range of outcomes can occur (depending on Seven Group's interest in Boral at the end of the offer period), it is appropriate for the valuation to make allowance for all of the performance rights. For simplicity, the calculation assumes that all performance rights vest.

- 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.

5.2.2 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.

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 indicator of ongoing capital expenditure. In addition, there can be differences between companies in the basis of calculation of depreciation. Where this is an issue, another metric that can be useful is EBITDA-Capital Expenditure (sometimes referred to as Operating Cash Flow); 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).

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 primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. 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;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.

A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. While averages or medians can be determined it is not appropriate to simply apply such measures to the business being valued. The 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. The most important part of valuation is to evaluate the attributes of the specific business being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs.

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. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor. To convert sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a "premium for control" to allow for the premium which is normally paid to obtain control through a takeover offer. This premium is typically in the range 20-35%.

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. 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. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

Acquisitions of 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.

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.

5.2.3 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. Discounted cash flow valuations involve calculating the net present value 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 net present value is 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, discounted cash flow 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.

5.2.4 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.

5.2.5 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.

5.3 Approach for Boral

5.3.1 Overview

Grant Samuel's valuation of Boral has been estimated by aggregating the estimated market value of its business operations (on a "control" basis) together with the realisable value of non-trading assets (e.g. property portfolio) and deducting external borrowings, non-trading liabilities and corporate overheads (adjusted for potential savings). The value of the business operations has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised for 100% of Boral in an open market over a reasonable period of time assuming that potential buyers have full information.

In valuing Boral's business operations, Grant Samuel focussed on both discounted cash flow ("DCF") analysis and earnings multiples analysis. 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 range selected for Boral's business operations is a judgement. 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.

5.3.2 Specific Issues

The following factors should be noted when considering the value range assessed by Grant Samuel:

Single Business or Sum of the Parts Valuation

Specific aspects of the methodology adopted by Grant Samuel include the following:

- Boral has been valued as a single business (i.e. the products (concrete, asphalt, quarry products and cement) have not been valued separately and then aggregated). There are a number of reasons for adopting this approach:
  - Boral operates as a single business and its operations (across products or geographies) are not structured as independent businesses. The *Boral Way* pursues a "decentralised but standardised" operating model across the firm. The *Boral* brand is consistent across all products across Australia. Key functions such as procurement, pricing, order allocation and IT systems are managed centrally. The vast majority of Boral's revenue and earnings are generated from sales in Australia (particularly along the east coast). It is unlikely that any of the products or regions (e.g. by state) could easily be separated from Boral;
  - the economic drivers across products and geographies are similar, albeit it may be exposed to different end market cycles (e.g. residential, RHS&B);
  - evidence of transactions involving businesses discretely focussed on a single product line (e.g. concrete, asphalt, quarry products and cement) is limited; and
  - construction materials businesses included in the comparable company and comparable transaction evidence generally have operations across multiple products and geographies and operate a similarly vertically integrated business. Grant Samuel's valuation of Boral's business operations includes its interests in equity accounted investments; and
- EBITDA and EBIT have been used in the earnings multiple analysis. While Grant Samuel's preferred approach is to rely on EBITA multiples (as opposed to EBIT) as EBITA is before the impact of amortisation of identifiable intangible assets acquired in prior transactions (e.g. customer contracts and relationships), Boral does not have material finite lived intangible assets (which means that there is no meaningful difference between Boral's EBITA and EBIT).

  The contribution from equity accounted investments included in Boral's EBITDA and EBIT is a share of NPAT which underestimates the earnings contribution from these investments. Accordingly, the historical NPAT contribution has been excluded and Boral's share of historical EBITDA and EBIT from equity accounted investments has been included in Boral's adjusted EBITDA and EBIT (other than the Penrith Lakes joint venture which is included in the valuation of Boral's property assets).

The property portfolio has been separately valued as it is not part of Boral's business operations and has its own dedicated team of property specialists responsible for execution of the realisation/monetisation strategy. If required, the property portfolio can be easily separated from the rest of the business (as individual assets or as a portfolio).

Earnings for Valuation Purposes

For valuation purposes, Grant Samuel has used as its starting point:

- for FY23, historical operating EBITDA and EBIT (see Section 4.3);
- for FY24:
  - the midpoint of the FY24 Outlook (for EBIT) with the median broker depreciation and amortisation expense used to calculate EBITDA (see Appendix 1); and alternatively
  - the adjusted median of broker forecast for Boral (see Appendix 1); and
- for FY25, the adjusted median broker forecast for Boral (see Appendix 1).

Boral's earnings for valuation purposes are summarised in the table below:

BORAL – CALCULATION OF EARNINGS FOR VALUATION PURPOSES ($ MILLIONS)

	FY23 ACTUAL	FY24 ADJUSTED OUTLOOK	FY24 ADJUSTED BROKERS MEDIAN	FY25 ADJUSTED BROKERS MEDIAN
CALCULATION OF ADJUSTED EBITDA				
Operating EBITDA (excludes NPAT from equity accounted investments)	436.2	545.5	570.5	602.0
add: share of EBITDA from equity accounted investments[30]	29.6	37.6	37.6	37.6
add: listed company savings	3.0	3.0	3.0	3.0
Adjusted EBITDA	**468.8**	**586.1**	**611.1**	**642.6**
CALCULATION OF ADJUSTED EBIT				
Operating EBIT (excludes NPAT from equity accounted investments)	213.4	315.5	340.5	370.6
add: share of EBIT from equity accounted investments[30]	27.5	34.9	34.9	34.9
add: listed company savings	3.0	3.0	3.0	3.0
Adjusted EBIT	**243.9**	**353.4**	**378.4**	**408.5**

Source: Boral, broker reports and Grant Samuel analysis

Tax Losses

Boral has an outstanding balance of capital tax losses (all of which are not recognised). The extent and timing of utilisation of these tax losses will depend on the outcome of any sales of property or capital assets. For the purposes of the valuation, Grant Samuel has assumed that the capital tax losses will be available to offset against expected capital gains on Boral's property assets.

Synergies

In its Bidder's Statement, Seven Group has estimated that the Seven Group Offer, if implemented in full, is expected to provide synergy through various corporate costs that will no longer be incurred by Boral (e.g. listing fees, director's fees, share registry costs, investor relations costs and directors and officer insurance costs). These costs have been estimated to be approximately $3 million annually.

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

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30 Calculated based on the implied growth rate for Boral's share of NPAT from equity accounted investments in the FY24 Strategic Plan.

- 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 5.4.3).

5.4 Value of Business Operations

5.4.1 Summary

Grant Samuel has estimated the value of the business operations of Boral to be in the range $6.0-6.5 billion.

Valuation of Boral's business operations is an overall judgement having regard to a number of valuation methodologies and parameters, including DCF analysis and capitalisation of earnings or cash flows (multiples of EBITDA and EBIT).

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 duration and extent of building and construction cycles in Australia and any future changes in government policy in relation to public infrastructure spending) 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" growth in key metrics (e.g. volume, price and margin) but even this is challenging to estimate with any degree of accuracy; and
- cyclical industries (such as construction materials) 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.

Notwithstanding the limitations, these methodologies are still useful and the value range for Boral's business operations is supported by both the earnings multiple analysis and the DCF analysis.

5.4.2 DCF Analysis

Overview

Grant Samuel has developed a simplified high level financial model for Boral's business operations to examine the impact of key drivers on value. The DCF model uses the FY24 Strategic Plan as its starting point. Grant Samuel has developed a number of scenarios based on the FY24 Strategic Plan (which runs to FY29) and has extended the model for a further five years based on broad assumptions in relation to volume and price growth, gross margins (by product group), EBITDA margins and capital expenditure.

The DCF model projects nominal after tax cash flows from 1 January 2024 to 30 June 2034, a period of 10 ½ years, with a terminal value calculated at 30 June 2034 to represent the value of cash flows in perpetuity. The terminal value has been calculated by capitalising net after tax cash flows using a perpetual growth assumption.

LIMITATIONS

The DCF model is based on a number of assumptions and is 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 net present value outcomes need to be treated with considerable caution. The calculated net present values 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 to reflect the impact on value of key assumptions relating to volume and price growth and EBITDA margins and capital expenditure. These scenarios have been adopted following discussions with Boral's management.

It should be recognised that the scenarios are highly simplified and focus on several key value drivers rather than detailed "bottom up" parameters. 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 business could make. The scenarios do not, and do not purport to, represent the full range of potential outcomes for Boral's business operations. They are simply theoretical indicators of the sensitivity of the net present values 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 net present values of alternative assumptions regarding the future growth and financial performance of Boral's business operations.

DCF Assumptions

The DCF assumptions adopted in Scenario A reflect a view on the outlook for activity levels in the Australian construction sector. In summary, FY25 should see a slight tempering of volume growth across products (except quarries and asphalt due to their exposure to RHS&B markets) before more robust growth is achieved in FY26 and FY27 across all products. In this regard:

- RHS&B end markets remain robust as they continue on their major upswing cycle of the past several years, with activity expected to peak towards the end of FY26 (with some spillage into FY27); and
- residential end markets rebound following a softening over the past 18-24 months. Multi-unit housing construction is expected to contribute to the upcycle as a result of strong federal and state government support for increasing housing supply (particularly higher density development).

For Scenario A, the DCF model assumes the following:

- construction materials revenue has been projected for each key product based on:
  - volumes sold of approximately:

  - 6.5-7.0m^3 of concrete per annum;
  - 35Mt of quarry products per annum;
  - 2.5Mt of asphalt per annum; and
  - 4.5-5.0Mt of cement per annum.

  FY25 volume growth is mixed across products, with concrete and cement volumes declining marginally and quarries and asphalt growing by approximately 1%. In FY26 and FY27, volume growth for all products accelerates at around 3-4% per annum, reflecting the strong demand across both RHS&B and residential end markets. Following the peak in construction activity in FY27, volumes across all major products are assumed to fall in both FY28 and FY29 before commencing a new upswing in demand in the two following years.

  Longer term, volume growth gradually declines to around 1-2% per annum (through the cycle), broadly in line with population growth (and at a discount to long term cement and concrete growth of just under 2.5% per annum, which was achieved during a period of rapid population growth and urbanisation in Australia); and

- while significant price increases have been achieved over the last 18 months (between 10% and 20%, apart from asphalt), those increases are regarded as one off although they appear to have held steady so far with evidence of pricing discipline apparent across the industry. While this new discipline might be sustainable (and result in further above average price increases relative to historical levels), a more modest assumption is considered appropriate going forward.

  Accordingly, external price increases are assumed to be at a slight discount to inflation, which results in price growth of approximately 2% per annum over the projection period.

Approximately 8-10% of external revenue is in relation to concrete placing and recycling sales, the latter of which is assumed to grow at a higher rate than the rest of Boral's products (albeit from a much smaller base).

These assumptions result in:

- average revenue growth of just under 3.5% per annum over the projection period, with higher growth through to FY27 before tapering down in the latter years of the projection period; and
- product mix being largely unchanged over the projection period, with concrete continuing to account for around 40-45% of external revenue;

▪ gross margins improve from around 23% in FY24 to 26% by FY30 and remain broadly at that level for the remainder of the projection period. The gross margins reflect the associated costs of goods sold and relevant direct costs including production costs, labour costs, ongoing rehabilitation costs as well as freight and distribution costs. The gross margins reflect a blend of the different products (albeit product mix remains broadly unchanged over the projection period), with upstream products (e.g. quarries) generating higher gross margins than downstream products (e.g. concrete);

▪ corporate overhead costs decline by around 1% per annum through to FY29 as a result of continued cost discipline and other cost reduction initiatives, before growing at inflation for the remainder of the projection period. Corporate overhead costs have been adjusted to reflect expected listed company cost savings of around $3 million per annum, which relate to costs associated with directors fees, annual reports and shareholder communications, share registry and listing fees and dividend processing;

▪ the result of the above assumptions is operating EBITDA growth of around 6% per annum over the projection period and an improvement in the EBITDA margin from approximately 16% in FY24 to around 20% by FY32, remaining broadly at this level thereafter. Similarly, the EBIT margin gradually expands from around 10% to 15% over the projection period (albeit with EBIT margins lower in the initial years due to depreciation associated with upfront capital expenditure). Part of this increase comes from the benefits of the "catch up" capital expenditure. It also reflects benefits from operating leverage and the large fixed depreciation expense;

- Boral's share of EBITDA from equity accounted investments grows at the same rate as operating EBITDA over the projection period;
- capital expenditure of $2.8 billion over the projection period, which can be broadly categorised into two phases:
  - capital expenditure of around $300 million per annum between FY24 and FY28 due to upfront "catch up" capital expenditure to replace old heavy mobile equipment, optimise heavy road fleet and upgrade/develop the upstream quarry network; and
  - capital expenditure stepping down in FY29 and reaching $250 million per annum by FY34 reflecting stay-in-business capital expenditure (which has historically been around $190 million per annum, escalated to allow for inflation) and an allowance for growth capital to meet real growth expected in the business (i.e. to meet future volume growth requirements);
- working capital of approximately 9% of revenue, consistent with historical levels;
- a corporate tax rate of 30%; and
- terminal growth of 2.5%.

Discount Rate

For the purposes of the analysis, Grant Samuel has utilised a nominal discount rate (weighted average cost of capital) ("WACC") in the range 9.0-9.5%.

The cost of equity has been derived from the application of the capital asset pricing model ("CAPM") methodology. The CAPM is probably the most widely accepted and used methodology for determining the cost of equity capital. There are more sophisticated multivariate models which utilise additional risk factors but these models have not achieved any significant degree of usage or acceptance in practice.

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 which have questionable empirical validity (and competing formulation);
- 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 they do not warrant. 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.

While strict application of the CAPM in recent years gave results that were arguably unrealistically low (primarily because of very low government bond rates) and were often inconsistent with other measures, these issues around understating the cost of capital (for say Boral) have subsided considerably over the last 12-18 months as government bond rates have risen and approached historical averages.

Grant Samuel has calculated a cost of equity in the range 10.2-10.8% using the CAPM based on the following parameters:

- a risk-free rate of 4.1% based on the 10-year Commonwealth Government bond rate as at 29 February 2024;
- 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 1.0-1.1. It is difficult to determine a reliable beta for Boral:
  - Boral's betas vary significantly depending on the measurement source:
    - over the last four years, Boral's beta as measured by the Securities Industry Research Centre of Asia-Pacific (Rozetta Institute Ltd ("Rozetta")) has varied between 1.42 and 1.92 and was measured at 1.44 at 31 December 2023 (which has steadily declined from around 1.9 in early 2021);
    - estimated historical betas by MSCI Barra Inc. ("Barra") are substantially lower at around 0.55 (albeit with predicted beta closer to 0.92); and
    - betas measured by Bloomberg vary across a very wide range depending on the time period and index its share price is benchmarked against, but with the exception of the measured beta against world indices, generally sit well above 1.0.

    It is difficult to explain the wide discrepancy in beta estimates although a collection of factors may have contributed to it. Boral has undergone a significant transformation in its business following the divestments of its North American Building Products and North American Fly Ash businesses. It has also underperformed (at least initially in FY20) and subsequently outperformed (from FY23 onwards) the broader market during the measurement period. Over the last four years, it has also significantly de-geared its capital structure. These factors may in part explain the wide range of measurements (with some at very high betas) over the past four years;
  - the measured betas for Boral's peer group sits across a very wide range, but generally fall in two categories:
    - aggregates focussed producers such as Martin Marietta Inc. ("Martin Marietta") and Vulcan Materials Company ("Vulcan") generally have betas in the range 0.8-0.9 when measured by Bloomberg against their respective local index over four years (and are marginally higher at 0.9-1.1 when measured over two years); and
    - cement focussed producers consistently have higher betas than their aggregates-focussed peers at above 1.0 (albeit lower than building products focussed producers).

    At the same time, assessment of an "appropriate" beta from the peer group is difficult as some individual company betas vary significantly depending on which market index is utilised (Local or MSCI). The difference can be as much as 0.35; and
  - gearing levels vary significantly but are not always consistent with the beta factors.

  Intuitively, it would be expected that a company such as Boral would have a beta of greater than 1.0 given that activity in the construction materials sector is highly cyclical and correlated with the market as a whole. Given Boral's relatively high exposure to aggregates production, a beta closer to 1.0 (than say 1.5) would be more appropriate.

  Taking these factors into account, Grant Samuel believes that a beta of 1.0-1.1 is a reasonable estimate of the appropriate beta for Boral (and reflecting market gearing as opposed to actual gearing).

The resultant WACC calculation (of 8.9-9.7%) assumes:

- an after tax cost of debt of 4.0%, reflecting a 1.7% margin over the risk free rate (which is broadly consistent with credit spreads for similarly rated Australian construction materials producers and allows for establishment costs and the cost of liquidity); and
- a debt/equity mix of 80-85% debt and 15-20% equity. The estimated gearing ratio is based on the gearing levels over the past four years of comparable listed companies and does not reflect of Boral's current gearing (as its gearing has been changed materially with the sale of businesses and its improving financial performance, albeit with no dividends declared). For comparative purposes, it is equivalent to net debt of approximately $1.0-1.3 billion or around 1.8-2.4 times FY24 EBITDA (based on guidance).

Grant Samuel considers a discount rate in line with the calculated WACC to be an appropriate measure of the cost of capital. Accordingly, for this purpose Grant Samuel has adopted a discount rate in the range 9.0-9.5%. This range is broadly consistent with the rates adopted by equity analysts that follow Boral (which fall in the range of 6.7-9.7%, or a median of 8.8%).

DCF Scenarios

The key assumptions underlying each of the scenarios considered are outlined below:

BORAL – DCF SCENARIOS

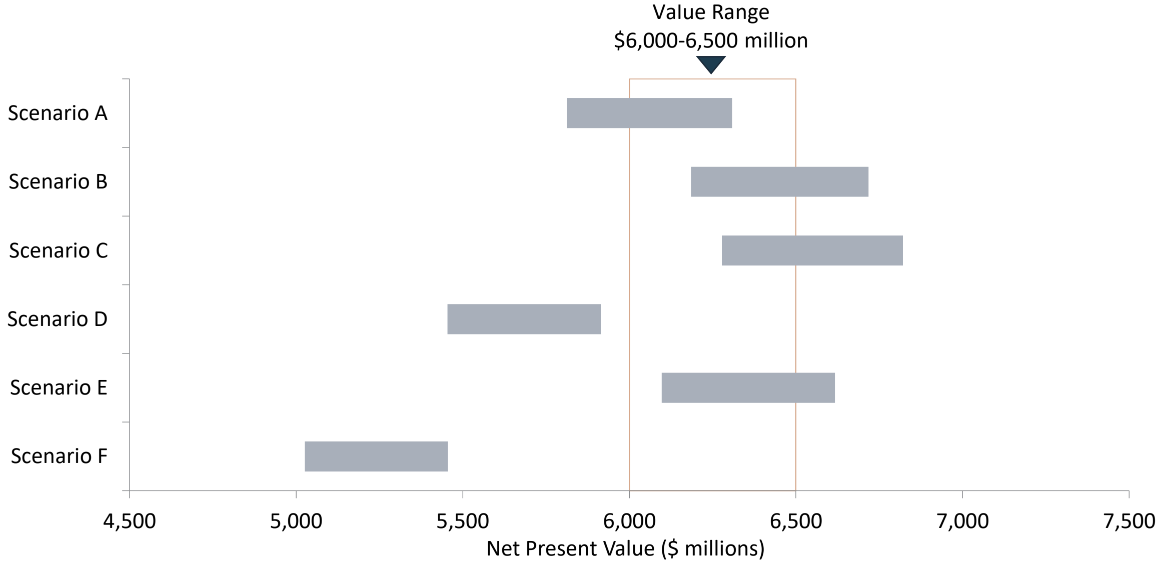
SCENARIO	DESCRIPTION
Scenario A	As above
Scenario B	Scenario A, except additional volume growth of 0.5% per annum is achieved across all products over the projection period, driven by greater demand and higher growth across the RHS&B and residential construction segments. Average revenue growth increases to 4% per annum over the projection period and EBITDA margins increase to approximately 20.5% by FY34 (and EBIT margins to around 16%)
Scenario C	Scenario B, except pricing growth across all products between FY30 and FY34 is in line with inflation. Average revenue growth increases marginally to over 4% per annum over the projection period and EBITDA margins increase to approximately 20.5% by FY34 (and EBIT margins to around 16%)
Scenario D	Scenario A, except there is a 0.5% decline in volume growth across all products over the period. Average revenue growth declines to around 3% per annum over the projection period and EBITDA margins increase to approximately 20% by FY34 (and EBIT margins remain at around 15%)
Scenario E	Scenario A, except cement pricing benefits from a one-off 10% uplift in FY26 due to the implementation of a CBAM that favours domestic cement production
Scenario F	Scenario A, except less expansion of gross margins, which results in EBITDA margins growing to only 18% by FY34 (and EBIT margins to around 13.5%)

NPV Outcomes

Grant Samuel's selected value range of $6.0-6.5 billion for Boral's business operations reflects a subjective balancing of the scenarios and a view that the appropriate discount rate to apply is 9.0-9.5%. This is depicted diagrammatically below:

BORAL – NPV OUTCOMES

(AT 9.0-9.5% DISCOUNT RATE)



Grant Samuel's value range incorporates at least half (if not most) of Scenarios A, B, C and E. The NPV outcomes for Scenarios D and F sit outside the value range. Grant Samuel has considered the NPV outcomes for all the scenarios in determining its value range for Boral's business operations. In this regard:

- Scenario A reflects volume growth based on high level industry projections for construction activity across Boral's end markets and price increases below inflation (which collectively result in long term EBIT margins of 15%). In many respects, achieving a 15% EBIT margin presents a "stretch" target for Boral. It has not been achieved by the business in the past (even in FY18). It is also a step-up from 1HY24 (of around 10.4%). However, there is reason to believe that Boral's strategy can be successfully executed and ultimately translate to higher sustained margins for the business:
  - the "catch-up" capital expenditure programme is tailored to target the "low hanging fruit" of the business and (short of any material surprises) should support an expansion in EBIT margins (even from 1HY24 levels which were inhibited by Boral's suboptimal asset base);
  - the inherent operating leverage in the business should see increases in EBITDA margins mirrored by even larger increases in EBIT margins (albeit the reverse is also true); and
  - a long term EBIT margin of 15% is not unreasonable when compared to Boral's other construction materials peers. It sits broadly between higher margin aggregates focused producers (e.g. Martin Marietta and Vulcan) that often generate EBIT margins in excess of 20% and cement focused producers (most of which are substantially larger in scale than Boral) that typically have EBIT margins in the low teens (if not single digits).

  Given Boral's recent track record in executing its strategy and instilling price discipline (at least recently), there is reason to believe that Boral can deliver to the upside of this scenario;
- Scenarios B and D show the sensitivity of the NPV outcomes to small changes in volume. It is entirely possible (if not likely) that actual future volume growth will differ from industry projections. In this regard:

   - higher than anticipated construction activity (Scenario B) could result from a number of factors including increased spend in the RHS&B market and/or a sharper and faster rebound in residential end market activity; and
   - it is also possible that industry projections turn out to be overstated (Scenario D) as demonstrated when the industry was forced to downgrade the outlook for infrastructure spend following the government's review into public spending. However, this is considered a less likely outcome as the government's review has been completed and a number of projects have already been culled (and therefore reflected in forecasts). Moreover, the near term outlook is supported by the backlog of committed projects and projects that are already under construction.
- perhaps the most difficult parameters to evaluate are pricing discipline and margins (Scenarios C and F). The construction materials sector has historically demonstrated poor pricing discipline. While it can be argued that further real price increases can still be extracted, there is uncertainty as to whether or not Boral's recent price increase experience can be repeated, especially when inflationary pressures eventually ease and/or macroeconomic conditions deteriorate. At the same time, these risks are balanced by the presence of large multinational construction materials companies that should exercise some discipline as they are arguably driven by global return requirements.

  Failure of Boral's reinvestment into its business and broader strategy to meet expectations (Scenario F) is considered an unlikely outcome as there are real immediate gains to be made from the current strategy (e.g. "catch up" capital expenditure) and the scenario does not consider any mitigating action management might take; and
- Scenario E shows the impact on NPV outcomes of the potential introduction of a CBAM in Australia. While the nature and extent of these changes are uncertain (as are the timing of the reforms), it is likely that change will come in some form. The extent to which the introduction of a CBAM impacts Boral's business is even less certain. In any event, introduction of a CBAM or even a limited version of it should, on balance, tilt the competitive environment in favour of domestic production whether in the form of improved pricing power (as certain importers face increased tariffs) or higher volumes.

Taking these factors into account, Grant Samuel believes that NPV outcomes produced by the DCF analysis support a value range for Boral's business operations of $6.0-6.5 billion.

5.4.3 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 as to 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.

As Boral operates primarily in the heavy construction materials sector in Australia, Grant Samuel's review of the market evidence has considered transactions and listed companies involved in similar activities in Australia, as well as globally where appropriate.

Transaction Evidence

In considering the transaction evidence, it should be noted that:

- all the transactions that occurred prior to 2019 were before the introduction of AASB16 (and are therefore on a pre AASB16 basis); and

- EBIT multiples, 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. Accordingly, no charts have been prepared for these multiples and only a brief discussion of EBITA multiples has been included in this section.

Several key participants in the Australian construction materials sector changed ownership over the period from 2007 to 2009 with Hanson Australia acquired by HeidelbergCement (now Heidelberg Materials), 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:

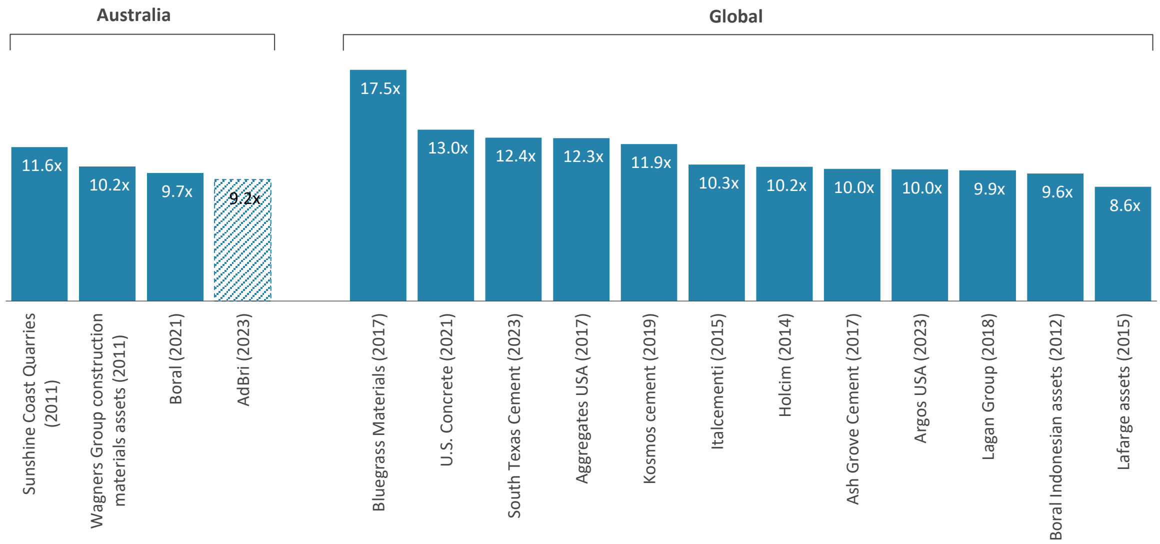
- the acquisition of Hanson Australia was part of the broader acquisition of Hanson plc by HeidelbergCement in May 2007 (which took place at reportedly all time high historical multiples of 12.2 times EBITDA and 16.9 times EBITA);
- Rinker's Australian Readymix business represented only 15% of Rinker's 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. 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.

EBITDA MULTIPLES

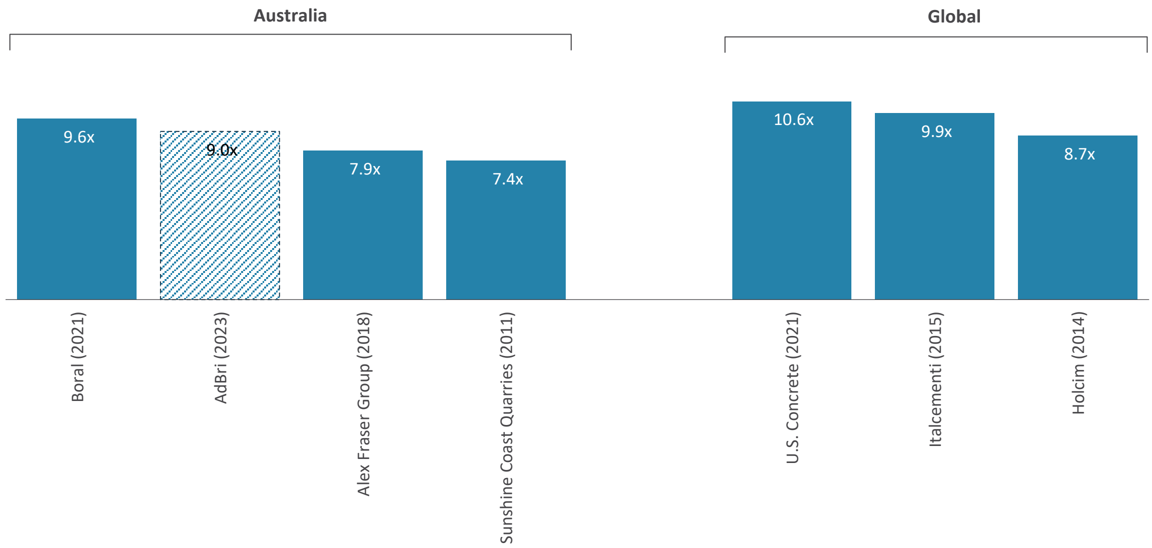
The following charts summarise the historical and forecast EBITDA multiples for more recent transactions in Australia and for larger transactions globally (with proposed transactions subject to shareholder approval shaded in hatched columns):

RELEVANT COMPARABLE TRANSACTIONS
HISTORICAL EBITDA MULTIPLES



Source: Grant Samuel analysis[31]

RELEVANT COMPARABLE TRANSACTIONS
FORECAST EBITDA MULTIPLES



Source: Grant Samuel analysis[31]

The most recent transaction involving one of Australia's largest heavy construction materials producers is CRH plc's ("CRH") proposed acquisition of a 57% interest in Adbri. Despite its scale and the acquisition premium offered (at a 41% premium to Adbri's undisturbed closing price), the relatively modest multiples likely reflect a number of factors including its:

- limited exposure to higher margin aggregates production. More than 40% of Adbri's external revenue is derived from the sale of cementitious materials (which, as demonstrated in the sharemarket

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[31] 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.

evidence later in this section, often attracts much lower multiples than companies with larger exposures to aggregates). It also generates around 10% of its external revenue from concrete masonry products, which is exposed to intense pricing competition (generating EBIT margins of 1-2%);

- headwinds facing its lime business, which is principally focused on supplying lime products to the mining sector but has faced longer term challenges given the decline in sales to its largest customer Alcoa and the uncertainty of future contract renewals (particularly at Alcoa's Kwinana refinery, which has been operating below nameplate capacity and flagged for full curtailment by late 2024);
- exposure to residential end markets (around 32% of FY23 revenue), for which activity levels can be often more highly cyclical and volatile than other end markets (e.g. non-residential and RHS&B); and
- major near-term capital expenditure outflows, particularly in relation to the $370-400 million Kwinana clinker and cement plant upgrade project (although this is well progressed and due to be completed by late 2024).

Moreover, the purchase price may also have been influenced by the shared ownership of the asset with the Barro Group (which will retain its 43% interest if the proposed scheme is approved by non associated shareholders).

Seven Group's 2021 off market takeover offer for Boral was one of the largest transactions in the Australian heavy construction materials sector. While Seven Group failed to acquire 100% of Boral, it still gave it a controlling stake (albeit not unfettered control) over the globally diversified construction materials and building products company. However, analysis of the implied multiples is complicated by:

- the large exposure to non-Australian businesses, particularly its North American Building Products and North American Fly Ash business. Both businesses were undergoing sale processes at the time of the takeover offer and were carried at close to $3 billion (on a net basis) on its balance sheet (and later sold for in excess of $4 billion); and
- the material upside from Boral's surplus property portfolio, which Grant Samuel (as the independent expert) valued at $730-900 million.

Adjusting for these two factors results in implied multiples of 12.8 times adjusted historical FY21 EBITDA (and 26.3 times adjusted historical FY21 EBITA) for Boral's Australian construction materials business. The relatively high multiples reflect the impact of COVID-19 on Boral's business operations as well as the anticipated recovery in earnings as Boral executed its transformation initiatives (EBIT uplift of around $200-250 million per annum, if successful) and tailwinds from the recovery in broader market sentiment across new dwelling starts and infrastructure projects spend in Australia.

The other Australian transactions have occurred in a relatively right range of 10-12 times historical EBITDA (but 7-8 times forecast EBITDA). These 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 over 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).

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 (i.e. quarries, concrete plants and a 60% interest in a fly ash joint venture) 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.

Material synergies are likely to have been available (as both businesses could be absorbed into larger networks) which would lower the effective multiple.

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 implied multiples for global transactions show general support for historical EBITDA multiples of 10-12 times (although the evidence for forecast multiples is much thinner). With the exception of Eagle Materials' acquisition of Kosmos Cement, transactions at the top end of this range (around 12 times historical EBITDA) typically involved producers with established upstream positions particularly in aggregates that are adjacent to key demand centres such as:

- the acquisition of Aggregates USA, which serviced high growth markets in the southeastern region of the United States and was expected to benefit from major state highway funding programmes; and
- the acquisition of U.S. Concrete, which had over 25 aggregate operations across large, attractive metropolitan areas that complemented Vulcan existing footprint.

Martin Marietta acquisition of Lehigh Hanson's West Region in 2021 (not illustrated due to lack of public information) was estimated by analysts to have occurred in excess of 12 times historical EBITDA, which is broadly in line with these two other transactions involving upstream producers. The relatively high multiple reflects the nature of the aggregates business and its strong position in proximity to key demand centres (i.e. spanning across three of 11 "megaregions" that were expected to experience above average population growth and employment growth).

The higher multiples for aggregates focussed produces are perhaps best illustrated by Martin Marietta's acquisition of Bluegrass Materials Company (albeit the multiples occurred at a large premium to the rest of the transaction evidence). At the time, Bluegrass Materials Company was the largest privately held, pure play aggregates company in the United States. The very high historical EBITDA multiple implied by the transaction may have reflected the scale and scarcity of the upstream 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.

The other transactions that occurred around 12 times historical EBITDA involved companies with relatively smaller exposure to upstream/aggregates production but their multiples likely reflected the strong underlying market growth in the United States at the time (e.g. certain plant and related assets of Kosmos Cement Company and South Texas Cement). These acquisitions were "bolt-on" acquisitions that enhanced or complemented the acquirer's existing footprint, securing additional cement manufacturing facilities in key regions. Both transactions would have generated substantial synergies.

The vast majority of the remaining global transactions occurred at around 10-10.5 times historical EBITDA. These transactions generally involved producers focussed on cement and/or concrete including:

- 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
- Argos USA, which was acquired by Summit Materials Inc. ("Summit Materials") in 2023, which shared many features with other transactions that occurred at higher multiples (e.g. proximity to high growing demand centres, upstream exposure). While the transaction was expected to produce substantial synergies for the combined group, the scrip heavy nature of the deal (70% of total consideration) likely meant that shareholders would see the upside post-completion of the transaction (as opposed to upfront in say a cash only offer).

Despite being one of the largest ever transactions in the construction materials sector, the 2014 merger of Lafarge S.A. ("Lafarge") and Holcim also occurred at around 10 times historical EBITDA. The transaction brought together 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. However, the relatively low multiple was likely due to the nature of the transaction, which was structured as a merger of equals (across shareholders and board representation) and may have not included a full premium for control

CRH's acquisition of a portfolio of LafargeHolcim's assets in North America, western Europe, and central and eastern Europe which occurred at the bottom end of the range but may have reflected the unique circumstances surrounding the transaction. While the acquisition broadened CRH's global reach, the assets were required to be divested as a condition of regulatory approval of the merger of Lafarge and Holcim.

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).

EBITA MULTIPLES

EBITA multiples were able to be calculated for the acquisition of Italcementi S.p.A ("Italcementi") and the merger of Lafarge and Holcim 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.

Sharemarket Evidence

The major participants in the Australian construction materials sector are subsidiaries of global construction materials companies. Consequently, Grant Samuel has reviewed the trading multiples of their listed parent companies in addition to the listed domestic participants, Adbri and Wagners. Other global and United States operators have also been considered.

Grant Samuel considered but excluded from its analysis heavy construction materials participants that have diversified business interests such as:

- Maas Group, which is an ASX listed business with a growing integrated construction materials business (from upstream quarries through to downstream assets) that comprises around 35-40% of revenue and EBITDA. The majority of its revenue is generated from other businesses including real state and industrial equipment hire. As at 29 February 2024, Maas Group was trading at around 16 times historical EBITDA (albeit at a much lower forecast EBITDA of 10 times);
- Eagle Materials Inc. ("Eagle Materials"), which is one of the largest building materials producers in the United States. Heavy construction materials (i.e. cement) comprise only half of its revenue, with the remainder from "light" materials such as gypsum wallboard and paperboard. As at 29 February 2024, Eagle Materials was trading at around 13 times historical EBITDA and 11 times forecast EBITDA; and
- Knife River Corporation ("Knife River"), which produces aggregates, ready-mix concrete and asphalt in the pacific and northwest United States but also has a large contracting services business (heavy civil construction, asphalt paving, site development and grading) that accounts for nearly 40% of revenue.

As at 29 February 2024, Knife River was trading at around 11 times historical EBITDA and 10 times forecast EBITDA.

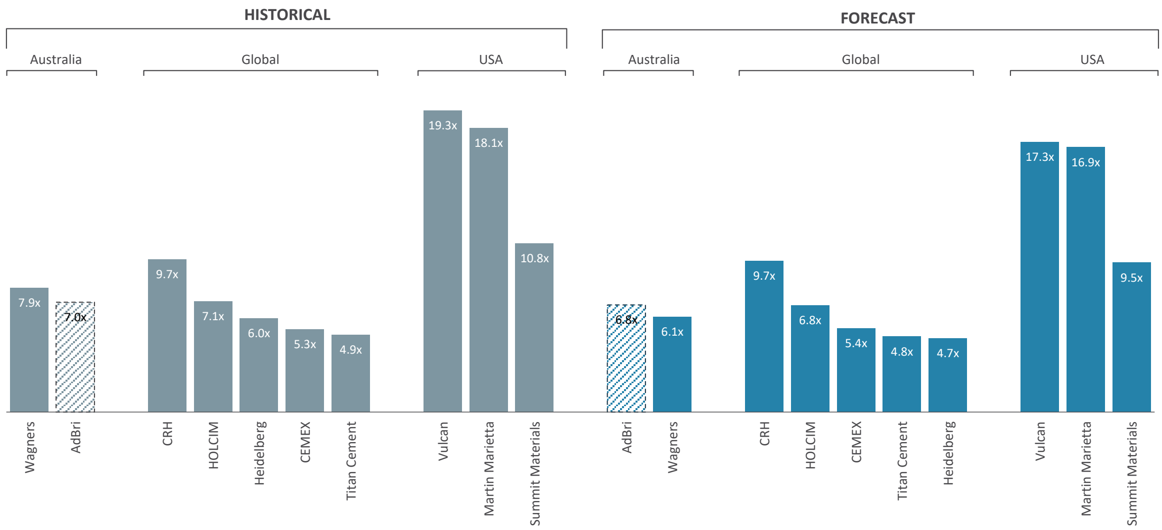
The diversified mix means financial performance reflects different sets of industry and operating risks and growth opportunities from those companies that have a more focussed exposure on the heavy construction materials sector.

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. With the exception of Wagners (which has a 30 June year end), all comparable listed companies have a 31 December year end.

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 29 February 2024[32]:

COMPARABLE LISTED COMPANIES

2023 HISTORICAL AND 2024 FORECAST EBITDA MULTIPLES



Source: Grant Samuel analysis[33]

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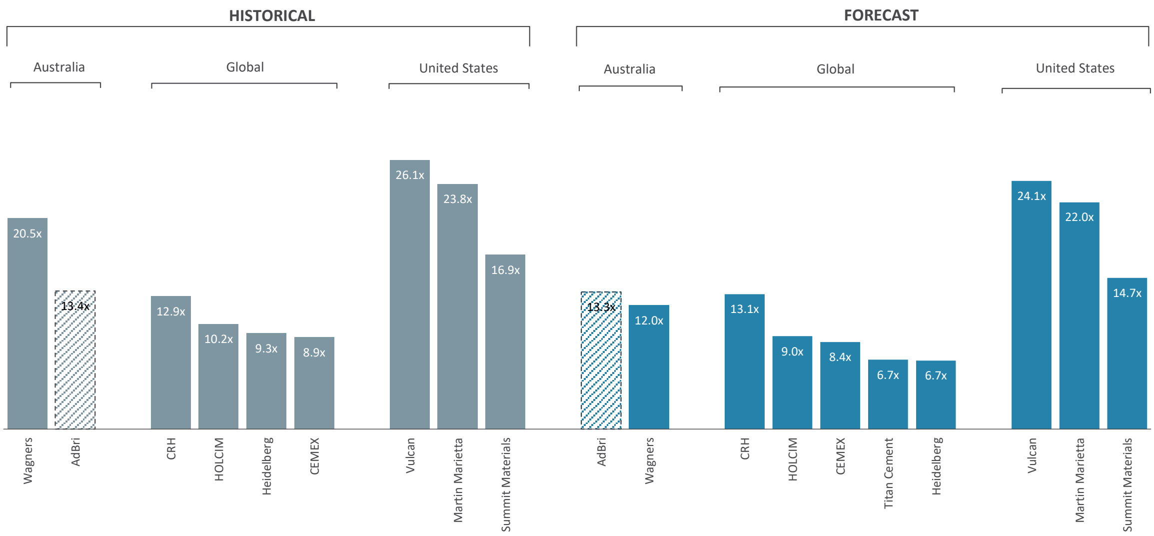
32 Adbri multiples have been calculated using the closing share price on 15 December 2023 (the last trading day prior to announcement of the acquisition proposal from CRH and Barro Group). As a result, the historical multiple is based on FY22 results and the forecast is based on FY23 estimates at the time.

33 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.

COMPARABLE LISTED COMPANIES

2023 HISTORICAL AND 2024 FORECAST EBITA MULTIPLES



Source: Grant Samuel analysis[33]

The data shows a very wide dispersion of trading multiples, largely reflecting the characteristics and market exposures of the individual businesses.

The two largest United States-based aggregates producers, Martin Marietta and Vulcan, trade at much higher multiples than their peers (greater than 18 times historical EBITDA and 20 times historical EBITA). These multiples reflect their:

- focus on upstream aggregate activities which represent approximately 75% and 65% of revenue, respectively. A greater exposure to upstream production, which enjoys high barriers to entry, enables both companies to generate superior EBITDA margins to their peers (in excess of 30%); and
- almost exclusive presence in the United States with strong alignment to "megaregions" (particularly those in the south and southeastern regions) which are expected to continue delivering population growth, new household formation and employment growth (that in turn should drive demand across construction end markets such as infrastructure, commercial and residential).

Summit Materials shares a similar geographic footprint with both Martin Marietta and Vulcan (especially following the acquisition of Argos USA). However, it trades at a lower multiple of around 11 times historical EBITDA likely due to its smaller size, lower aggregates position (around 30% of revenues) and larger downstream exposure. CRH trades at a broadly similar historical EBITDA multiple as Summit Materials despite its much larger size. While CRH also has a significant presence in the United States and is predominantly an aggregates, concrete and roads business, its implied multiples may be impacted by its:

- significant exposure to Europe which is experiencing subdued construction activity relative to the United States (especially following the United States Government's rollout of a once-in-a-generation public investment in infrastructure); and
- building products business, which represents circa 30% of revenue (and attracts lower margins than its core construction materials business).

The lowest rated companies (trading at approximately 5-7 times forecast EBITDA) such as Holcim, CEMEX, Heidelberg Materials and Titan Cement have:

- a primary focus on cement (capital intensive with lower operating margins and significant carbon emissions issues that will need to be dealt with); and
- high exposures to European markets (which are experiencing a slowing market) and emerging/developing markets (which may have significant growth potential, but arguably at a higher risk weighting).

For example, cement represents approximately:

- 40% of CEMEX's revenue, while ready-mix concrete comprises just over 30%. CEMEX has a global presence, but principally has a strong position in the Americas regions (particularly in Mexico and the United States, where it generates around 60% of its revenues and 70% of its EBITDA);
- 45% of Heidelberg Material's revenue, while ready-mix concrete and asphalt account for most of the remainder. More than half of its revenue is generated in Europe, Central Asia and other growth markets in Africa and Mediterranean regions;
- 45% of Holcim's revenues. Holcim is geographically diversified with most of its revenue generated across North America and Europe. However, it has also recently invested in expanding its advanced roofing and insulation systems business (which generates lower margins than its core heavy construction materials business); and
- 60% of Titan Cement's revenues. Titan Cement's operations are largely concentrated in the United States and Greece (collectively around 70% of revenue), with the remainder primarily in eastern Europe and Mediterranean markets. It is most heavily exposed to residential end markets (which are highly cyclical and for which activity levels can be volatile).

The two listed Australian businesses, Adbri and Wagners, trade slightly above the bottom end of the range of EBITDA multiples at around 6-7 times forecast EBITDA (although their EBITA multiples sit closer to the middle of the range at around 12-13 times forecast EBITA). Both Adbri and Wagners share some features that would support a higher multiple:

- solid market positions in their respective markets as:
  - Adbri's operations are dispersed across Australia and, as a group, is the second largest cement and clinker supplier to the construction sector; and
  - Wagners' operations are principally concentrated in southeast Queensland where it accounts for a third of the region's cement requirements; and
- broadly improving conditions in the Australian construction materials sector, where there has been some evidence of better pricing discipline amongst the major participants.

However, the lower multiples might also reflect their product mix which in Adbri's case, is impacted by its exposure to cement (which accounts for around 40% of revenue) as well as size (as Wagners has a market capitalisation of less than $200 million).

Analysis of the trading multiples for Adbri and Wagners should be treated with caution due to the influence substantial shareholders may have on trading activity in their shares. Approximately 43% of Adbri shares are held by longstanding shareholder Barro Group, while around 55% of Wagner's shares are held by the Wagner family.

In broad terms, the evidence supports the thesis that aggregates are the most attractive, and most highly rated, segment of the construction materials sector.

Implied Multiples for Boral

Grant Samuel has valued the business operations of Boral in the range $6.0-6.5 billion. Based on the adjusted earnings set out in Section 5.3.2, the value range represents the following multiples:

BORAL'S BUSINESS OPERATIONS – IMPLIED VALUATUON PARAMETERS ($ MILLIONS)

	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range ($ millions)	--	6,000	6,500
Multiple of adjusted EBITDA			
FY23 (adjusted actual)	*468.8*	12.8x	13.9x
FY24 (adjusted based on midpoint of company outlook, median brokers' forecast for depreciation and amortisation)	*586.1*	10.2x	11.1x
FY24 (adjusted median brokers' forecast)	*611.1*	9.8x	10.6x
FY25 (adjusted median brokers' forecast)	*642.6*	9.3x	10.1x
Multiple of adjusted EBIT			
FY23 (adjusted actual)	*243.9*	24.6x	26.7x
FY24 (adjusted based on midpoint of company outlook)	*353.4*	17.0x	18.4x
FY24 (adjusted median brokers' forecast)	*378.4*	15.9x	17.2x
FY25 (adjusted median brokers' forecast)	*408.5*	14.7x	15.9x

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

- scale and market leading position. Boral 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;
- high quality network of upstream quarry assets (including sand) that have long life resources and reserves and are located in close proximity to major metropolitan areas;
- integrated network of high quality upstream and downstream assets, including the Berrima cement facility which is the only integrated clinker and cement facility in New South Wales (where it produces up to 60% of the total amount of cement consumed within the state);
- significant exposure to roading (including asphalt) and more broadly across RHS&B and civil construction end markets, much more so than most of its listed peers and comparable transactions included in the market evidence; and
- the positive near-to-medium term industry backdrop in Australia particularly in:
  - the RHS&B end market, which is buoyed by the wave of public infrastructure projects that have already been committed and are underway (albeit some risk remains on the outlook beyond FY27); and
  - the residential end market, which many market participants expect to bottom in the near term and rebound (on the back of broader government support for increased housing supply). New commencements for multi-unit housing supply have been relatively resilient through the housing downturn and are expected to be a key contributor to the rebound in the near term.

On the other hand, executing the strategy is not without risk for Boral, in particular:

- continued success of Boral's pricing initiatives is not certain (especially within the construction industry which has historically been exposed to cyclical swings). End market activity will inevitably slow down at some point and perhaps decline (even sharply). Maintaining pricing discipline through a downturn would be challenging especially as customers would arguably have a lower appetite to accept price increases and competitors may revert to engaging in intense price competition; and
- public and regulatory scrutiny over carbon footprints has continued to intensify, particularly for high emissions industries such as cement (all of which can have direct costs to the business, e.g. application of the Safeguard Mechanism).

In Grant Samuel's opinion, multiples of around 10-11 times forecast FY24 EBITDA (and around 16-18 times forecast FY24 EBIT) are reasonable relative to the market evidence as they should, in theory, reflect the weighted average of Boral's product range exposures to:

- aggregate products. The market evidence generally supports higher multiples for aggregate producers. For instance:
  - sharemarket evidence for Martin Marietta and Vulcan (both of which are among the largest listed aggregates producers in the United States) demonstrate multiples in excess of 16 times forecast EBITDA); and
  - transactions for producers focussed on aggregates have also occurred at the top end of the observed range and are generally supportive of historical EBITDA multiples of around at least 12 times.

  The profit contribution of aggregates (including through internal sales) represents a very significant proportion of Boral's earnings (albeit less than half); and
- producers with a heavy cement weighting for which the market evidence consistently shows clearly much lower multiples (albeit to varying extents). Listed cement focussed producers such as Holcim, CEMEX, Heidelberg Materials and Titan Cement trade at approximately 5-7 times forecast EBITDA (which exclude a premium for control). Transactions involving downstream producers, however, have occurred at historical EBITDA multiples closer to 10 times. While cement accounts for a relatively small proportion of Boral's external revenues, it is the next largest contributor to gross margin after aggregates; and
- producers with established vertically integrated concrete positions, for which the transaction evidence is broadly supportive of a multiple at around 10 times historical EBITDA.

The market evidence for Boral's remaining products is less clear-cut. There is no established market evidence for asphalt producers (with the exception of Knife River, although its operations are diversified across other markets). Concrete placing and recycling are still (at this stage, at least) relatively minor contributors to the overall value of Boral's business operations.

Balancing the different margins, growth outlooks, risk factors and market evidence for each of these products would suggest that a forecast FY24 EBITDA multiple of around 10-11 times is not an unreasonable outcome for the value range of Boral (with FY25 EBITDA multiples in the 9-10 times range).

The implied multiples for Boral are at a premium to the multiples implied by CRH's proposed acquisition of Adbri (which remains subject to shareholder approval but is occurring under similar market conditions as the Seven Group Offer). Boral and Adbri share many similarities (i.e. leading construction materials producers, Australia-focussed), but there are plausible reasons that justify Adbri's discount:

- cement exposure. In contrast to Boral, Adbri generates a large share of its revenue from cementitious products (more than 40%). The market evidence shows a clear distinction between cement focussed producers which trade at a substantial discount to upstream focussed producers;
- residential end market exposure. While construction activity in the residential markets (across both single detached and multi-unit housing) is expected to improve over the next 3-4 years, activity levels in this end market have historically been more cyclical and volatile than other end markets such as civil construction or RHS&B;
- higher capital intensity. A larger share of Adbri's operating EBITDA is consumed by capital expenditures (even excluding the Kwinana upgrade project). As a result, a smaller proportion of its operating EBITDA is converted into free cash flow (which ultimately translate to lower implied multiples); and

- uncertainty in relation to Adbri's lime business. The future path for the lime business is unclear following the expected loss of one of its largest customers (i.e. full curtailment of Alcoa's Kwinana refinery).

On the other hand:

- 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;
- Boral's implied multiples need to reflect the "catch-up" capital expenditure that is expected to be incurred in the near term (which increase the effective multiple if the incremental expenditure is included). While this investment should translate into improved operating performance in the future (through cost reductions), the reality is that large sums of capital need to be invested first and returns are inherently uncertain; and
- the FY23 EBITDA and EBIT multiples do not take account of the significant profit uplift generated in 1HY24 (and continuing for the full FY24 year) and also reflect the distortion in EBIT caused by the low EBITDA margin.

In Grant Samuel's view, the implied EBITDA and EBIT multiples for Boral reflect a reasonable balancing of these factors taking into account of the available market evidence and the current stage of the building and construction cycle.

5.5 Value of Property Portfolio

Grant Samuel has attributed a value of $1.4-1.6 billion 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).

The property assets are separate assets to Boral's business operations and it is appropriate to attribute value to them. Descriptions of Boral's key property assets are set out in Section 4.5 of this report. The surplus property portfolio can be categorised as:

- contracted assets, which include Donnybrook, Scoresby and Deer Park Northern Lands (which is the most advanced industrial property development that Boral is pursuing); and
- other surplus property assets, which include all land parcels and properties that not contracted yet and are in varying stages of development (e.g. Waurn Ponds, Penrith Lakes).

The approach to attributing value to each of the identified surplus properties is set out below.

Contracted Assets

The value range for Boral's contracted assets has been estimated using a DCF analysis based on expected future cash flows. In regards to:

- the Donnybrook residential development, the cash flows are based on a 20 year development agreement with Mirvac. It is well advanced in development (currently progressing pre-sales of individual lots). The agreement allows for certain fixed payments to be received by Boral through to FY27 after which Boral will be entitled to payments (through to FY37) for its share of gross proceeds from the sale of lots by Mirvac (e.g. a royalty-like stream). Boral is responsible for holding costs (e.g. land taxes and council rates) over the projection period; and

- the Scoresby residential development, the cash flows are also based on a 20 year development agreement with Mirvac. However, it is at a slightly earlier development stage than Donnybrook. Rehabilitation and rezoning are underway. The cash flow profile for Scoresby broadly mirrors that for Donnybrook, except fixed payments are received between FY25 and FY29 and the royalty-like streams are received from FY30 through to FY38.

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, with corporate income tax rate applied to the cash flows. Grant Samuel has discounted the cash flows at an after tax discount rate of 9% to reflect the blended risk profile of the cash flows (i.e. lower risk of near term fixed receipts and higher risk for future royalty-like receipts, which represent the majority of the cash flows).

The value range for Deer Park Northern Lands has also been estimated using a DCF analysis based on expected future cash flows. The cash flow model is based on the latest agreed project model between Boral and its development partner LOGOS for an industrial development for a logistics precinct (i.e. warehouses and related infrastructure). The model reflects the overarching framework agreed between the two parties, which is assumed to be developed over a number of different stages over the next two decades. The extended staging of the development reflects the scale of Deer Park Northern Lands (which covers 450 ha).

While it is difficult to be precise about the operating assumptions adopted in the cash flow model, especially when they are unlikely to be tested until several years into the future, there are several factors that provide comfort that these assumptions reflect arm's length commercial terms. For instance, both parties have executed transaction documents although some conditions still need to be met prior to completion and the operating assumptions have been agreed with LOGOS and, at the request of Grant Samuel, have been independently reviewed by Colliers (albeit the review by Colliers focused solely on the operating assumptions and not the model outputs). Where appropriate, adjustments have been made to reflect Colliers' recommendations (but individually and collectively these adjustments do not have a material impact on value).

The value range reflects the attractive features of Deer Park Northern Lands including:

- its proximity to major transport links, including rail and major highways;
- the scarcity of vast land estates of similar scale that are in close proximity to major metropolitan areas (in this case, just under 20 kilometres west of the Melbourne CBD); and
- other major industrial estate projects being developed (or investigated) in the area.

However, successfully delivering a brand new industrial estate at Deer Park Northern Lands carries a substantial amount of risk (not atypical for an industrial property development of its scale and nature):

- rezoning and permitting, as the site is currently zoned for quarrying and limited industrial activities;
- rehabilitation, in the event the land is used for future (temporary) quarrying operations;
- construction and development of the industrial precinct (e.g. cost and budgets), which Boral shares some exposure to via top up payment mechanisms that kick in if costs exceed original budgets; and
- satisfaction of conditions precedent, as a number of which remain outstanding following the execution of transaction documents.

Moreover, the project (even once constructed) still carries operational risk as there is a limited track record to underpin its ability to attract future tenants on appropriate commercial terms. The cash flow model assumes a certain set of assumptions which may change depending on market conditions at a later date.

Grant Samuel has discounted the cash flows at higher discount rates than those applied to Boral's business operations (12% after tax).

On the basis of the above, the value of Deer Park Northern Lands today would undoubtedly be at a substantial discount to the value once all these hurdles are cleared.

As a cross check, Grant Samuel has calculated the implied $ per square metre for the value range of Deer Park Northern Lands. The implied $ per square metre is:

- at a discount to the other adjacent land parcels in Deer Park owned by Boral (which form part of the land included in the indicative assessment report by Colliers). This discount is justified given consideration to the substantially larger land size for the development and the longer time period and staging required to fully develop the site (than would be required for a smaller site); and
- at a very substantial discount to recent transactions in the Deer Park area. On 15 February 2024, Orica completed the sale of a 66 ha surplus land parcel in Deer Park to UniSuper for $260 million (approximately $394 per square metre of land) where UniSuper intends to convert the former explosives manufacturing hub into a $1 billion logistics, warehousing and manufacturing estate. The implied price per square metre reflects the more advanced development status of the land holding (which was largely cleared of potential hazardous material that would have possibly limited the future alternative uses of the site) as well as the substantially smaller scale of the development (which in theory, can be developed in fewer stages over a much shorter timeframe than Boral's land holding). Moreover, the discount reflects the existing zoning for Deer Park Northern Lands (which due to the extractive nature of its operations, may require further planning approvals from different government organisations).

Other Surplus Property Assets

Due to the time constraints required to prepare the Target's Statement, Boral has not commissioned a formal independent valuation of its other surplus property assets. At Grant Samuel's request, Boral has commissioned Colliers to prepare an independent indicative assessment report to identify the "highest and best use" for each of the other surplus property assets.

These assessments have been prepared on the basis that the respective sites are:

- not contaminated;
- fully remediated and environmentally compliant; and
- suitable for redevelopment in accordance with the respective sites' "highest and best use".

As some sites may require further rezoning and rehabilitation, Colliers' indicative assessment is on an "as is" basis, taking into account a discount for size, timing and planning risks that would be reflective of what a willing buyer would pay as part of an arms' length transaction.

However, the assessments do not account for remediation costs, estimated selling costs and capital gains taxes (if appropriate) associated with a sale of the properties. To reflect the estimated value realisable by Boral in the current market environment, Grant Samuel has made certain adjustments to Colliers' indicative assessment of the surplus properties as follows:

- remediation costs of $15 million, which reflect the costs Boral has to incur to bring the sites to a condition that they can be sold; and
- a 1-2% adjustment to both the low and high ends of the value range to reflect selling and other relevant transaction costs (e.g. legal and advisory fees).

While a capital gains tax may be payable on the sale of each of these properties (albeit partly offset by Boral's existing capital tax losses), the reality is that a buyer of 100% of Boral would not necessarily seek to immediately monetise these property assets and also benefit from a step up in the tax base (from allocation of its purchase cost). On this basis, Grant Samuel has not applied a capital gains tax against the value of the surplus property assets.

Waurn Ponds is by far the largest contributor to value of the other surplus property assets. Its value reflects the unique scale of a future potential development (around 1,030 ha). While Waurn Ponds sit outside the residential growth area identified in "The City of Greater Geelong Settlement Strategy (August 2020)", it was identified as an area of opportunity given its proximity to the settlement area and existing access to key transportation links (e.g. road and rail).

Western Sydney Lakes is also one of the largest parcels of surplus land held by Boral (around 444 ha on a 100% basis). There are a number of risks associated with this property. The site is unzoned but deemed to be suitable for development of a number of different uses including industrial, tourism, commercial and education. It has also faced some planning challenges given the flood risk in the region. There is, however, potential to raise the elevation of the site to above the 1 in 500 year flood plain (albeit with additional costs). A neighbouring parcel of land was successfully rezoned for industrial use and development has already commenced. While there is still a number of conditions to be met before the site is in saleable condition, there are arguments to believe that the "highest and best use" (as identified by Colliers) would result in value to Boral.

The surplus property portfolio includes a small number of properties in the United States (that were retained following the sale of Boral North America's business operations). These assets have negligible value and have been included in the value range at historical cost.

Other Considerations

COMPARISON TO PRIOR VALUATION

The value range attributed to Boral's property portfolio is materially higher than it was previously valued by Grant Samuel in its 2021 independent expert's report (of $730-900 million). The step-up in value reflects a combination of factors including a general rise in land values (notwithstanding the rise in interest rates) as well as progress in development across the portfolio (e.g. rehabilitation, rezoning and introduction of development partners).

COMPARISON TO CARRYING VALUE

The estimated value of the property portfolio is substantially higher than Boral's carrying value for these assets as at 31 December 2023 of $67.4 million. Boral's carrying value represents the historical cost of the investment (adjusted for any writedowns to value). In comparison, Grant Samuel's value estimate is a judgement as to the price that an acquirer may be willing to pay for the property portfolio by reference to an independent indicative assessment report prepared by Colliers as well as NPV analyses prepared by Boral for certain property assets that are in development.

Other Matters

Neither the individual property values nor the Colliers indicative assessment report have been disclosed in this report on the grounds of commercial sensitivity.

5.6 Other Assets and Liabilities

Boral's other assets and liabilities have been valued $(28) million:

BORAL – OTHER ASSETS AND LIABILITIES ($ MILLIONS)

	SECTION REFERENCE	VALUE
Loans receivable from associated entities	4.4	2.5
Derivative financial instruments (net)	4.4	(25.9)
Rationalisation and restructuring provision (net of tax)	4.4	(5.0)
Other assets and liabilities (net)		**(28.4)**

Boral has a number of other assets and liabilities on its balance sheet that have not been included in other assets and liabilities for the following reasons:

- Boral's investments in equity accounted investments, which are reflected in the valuation of its business operations;
- franking credits, which do not have value to shareholders unless they are distributed as fully franked dividends (see Section 5.8). In any event, Boral does not have any material franking account balance (circa $15.4 million at 31 December 2023); and
- the outcome of any potential material litigation. Boral has been served with two shareholder class action proceedings alleging disclosure breaches in relation to financial irregularities in Boral North America's Windows business. A provision has not been raised by Boral as the company believes that an outflow is not probable nor is it possible to determine the ultimate impact (if any). Boral is defending the proceedings and is, in any event, insured for any loss.

5.7 Net Borrowings

Boral's adjusted net borrowings for valuation purposes are $162.9 million. The amount reflects Boral's net borrowings (including leases) as at 31 December 2023 and the following adjustments:

BORAL – ADJUSTED NET BORROWINGS ($ MILLIONS)

	SECTION REFERENCE	VALUE
Reported net borrowings as at 31 December 2023	4.4	84.5
less: capitalised borrowing costs	--	(3.4)
add: pro-rata share of debt held by joint ventures and associates	--	81.8
Adjusted net borrowings		**162.9**

Adjusted net borrowings have been calculated on a post AASB 16 basis, which is consistent with the basis on which Boral's business operations has been valued (i.e. as annual lease payments have not been included in the cash flows used in the DCF analysis and earnings are presented on a post AASB 16 basis).

Adjustments have been made for:

- capitalised borrowing costs, as these are accounting assets (i.e. cash amounts incurred previously but capitalised and amortised over the life of the relevant borrowings; and
- the pro-rata share of debt held by joint ventures and associates, which is consistent with the basis on which Boral's business operations has been valued. The DCF analysis and earnings multiple approach both include Boral's share of revenues, EBITDA and EBIT from its equity accounted investments.

5.8 Franking Credits

Under Australia's dividend imputation system, domestic equity investors receive a taxation credit (franking credit) for tax paid by a company. The franking credit attaches to any dividends paid by a company and the franking credit offsets personal tax for Australian investors. To the extent that personal tax has been fully offset the individual will receive a refund of the balance of the franking credit. Franking credits therefore have value to the recipient.

However, in Grant Samuel's opinion, while acquirers are attracted by franking credits there is no clear evidence that they will actually pay extra for a company with them (at any rate the sharemarket evidence used by Grant Samuel in valuing the Boral business will already reflect the value impact of the existence of franking credits). Further, franking credits are not an asset of the company in the sense that they can be readily realised for a cash sum that is capable of being received by all shareholders. The value of franking credits can only be realised by shareholders themselves when they receive distributions. Importantly, the value of franking credits is dependent on the tax position of each individual shareholder. To some shareholders (e.g. overseas shareholders) they may have very little or no value. Similarly, if they are attached to a distribution which would otherwise take the form of a capital gain taxed at concessional rates there may be minimal net benefit (in fact, there may be some categories of shareholders who are worse off in this situation such as shareholders with a capital loss on disposal of the shares).

Accordingly, while franking credits may have value to some shareholders they do not affect the underlying value of the company itself. No value has therefore been attributed to Boral's accumulated franking credit position in the context of the value of Boral as a whole. In any event, the franking credit balance at 31 December 2023 was negligible.

6 Profile of Seven Group

6.1 Background

Seven Group is a diversified operating group, with businesses and investments across the industrial services, energy and media sectors. The company was formed and listed on the ASX in April 2010 following the merger of Seven Network Limited and WesTrac Group ("WesTrac"). The merger combined Seven Network's leading position across the media sector (free-to-air, newspapers, pay TV, magazines and online) and WesTrac's equipment solutions business (which also held a 66% interest in National Hire Limited ("National Hire"), which in turn held a 46% interest in Coates Hire Limited ("Coates")).

Seven Group actively manages its portfolio to deliver long term sustainable returns to shareholders. Over the decade following the merger, the company completed a number of acquisitions and divestments to reshape its portfolio, including:

- sale of its metro free-to-air TV, magazines and online media business to West Australian Newspapers Limited to create Seven West Media (in which it retained a 29.6% interest) in April 2021;
- acquisition of the remaining stake in National Hire that it did not already own in December 2011, (and acquiring the remainder of Coates in 2017);
- sale of its 25.3% interest in Consolidated Media Holdings, which held its pay television interests in November 2012 (e.g. Fox Sports and Foxtel);
- entry into energy markets through the acquisitions of 100% of Nexus Energy Limited (which held a 15% interest in the Crux liquefied natural gas project) and substantial holdings in Beach Energy Limited ("Beach Energy") and Drillsearch Limited ("Drillsearch") in 2014 and 2015;
- expansion of its energy business by supporting Beach Energy's merger with Drillsearch and acquisition of Lattice Energy in 2016 and 2018 (with Seven Group pre-committing its full equity entitlement and sub-underwriting the equity raising for the acquisition); and
- acquiring an initial substantial holding in Boral in 2020 and launching an off-market takeover offer for all of the company in May 2021, which concluded with Seven Group holding a controlling 69.6% interest in Boral.

Today, Seven Group is a top 50 ASX listed company with approximately 15,000 employees across its key operations and investments. Prior to announcement of the Seven Group Offer, it had a market capitalisation of approximately $14.8 billion.

6.2 Business Overview and Strategy

Business Overview

Seven Group's key business operations and investments are summarised below:

SEVEN GROUP – SUMMARY OF BUSINESS OPERATIONS AND INVESTMENTS[34]

		INTEREST	DESCRIPTION
INDUSTRIAL SERVICES	WesTrac CAT	100.0%	• Exclusive authorised Caterpillar dealer in Western Australia, New South Wales and the Australian Capital Territory • One of the top three largest Caterpillar dealers globally (by sales) • Solely exposed to mining production, predominantly across iron ore and coal (as well as lithium and gold) • Leading mining market share with 4,500 employees across 28 sites • End-to-end service including capital sales and whole-of-life machine management (aftermarket) services
	Coates	100.0%	• Australia's largest industrial and general equipment hire company providing end-to-end equipment solutions (around 25% market share) • Services over 16,000 customers primarily across infrastructure and construction sectors • National footprint of 150 branches, 2,200 employees and over one million pieces of equipment across 22 product categories
	BORAL	71.6%	• See Section 4.2
ENERGY	beach	30.0%	• ASX listed oil and gas exploration and production company with a market capitalisation of $3.8 billion • Owns a portfolio of strategic oil and natural gas infrastructure, exploration prospects and a joint venture interest in the Waitsia LNG Project • Key supplier to Australia's East Coast gas market
	SGH | Energy	100.0%	• Includes a 15% in the Crux gas and condensate field (under construction) that is due to commence production in FY27 • Other interests include 100% of Longtom gas and condensate project and 11.2% of in Bivins Ranch oil, gas and non-gas liquids producing asset
NEDUA	("Seven West Media")	39.8%	• ASX listed diversified media company with a market capitalisation of $340 million • Media assets span metro and regional free-to-air television, broadcast video on demand and news publishing (print and digital) • Australia's #1 television broadcaster, with a reach of over 91% of national audience (and 82% reach for publication)

Seven Group's diversified portfolio has been designed to meet specific investment characteristics including:

- strategic sector exposure, particularly in mining production (WesTrac), infrastructure and construction (Coates and Boral) and transitional energy such as gas and LNG (Beach Energy and SGH Energy);
- "core plus" (or "pick and shovel"), which gives Seven Group exposure to selected sectors indirectly (e.g. in the case of mining production, WesTrac is exposed to production volumes and activity levels as opposed to commodity prices); and
- market leadership, particularly on a national level where each of WesTrac, Coates, Boral and Seven West Media are clear leaders in their respective markets.

These investments often also own and operate "privileged assets", which are hard to replicate and have key strategic differentiators within their industries that offer commercial advantages, economic moats or other barriers to entry. In the case of WesTrac, this includes its exclusivity with Caterpillar and aftermarket support (which entrenches its position). Boral's quarry positions close to demand centres and transport

[34] Seven Group completed the sale of its interest in the Allight business (mobile lighting and power solutions) and Sykes business (pump and dewatering equipment solutions) on 5 December 2023 and no longer has any interest in either business.

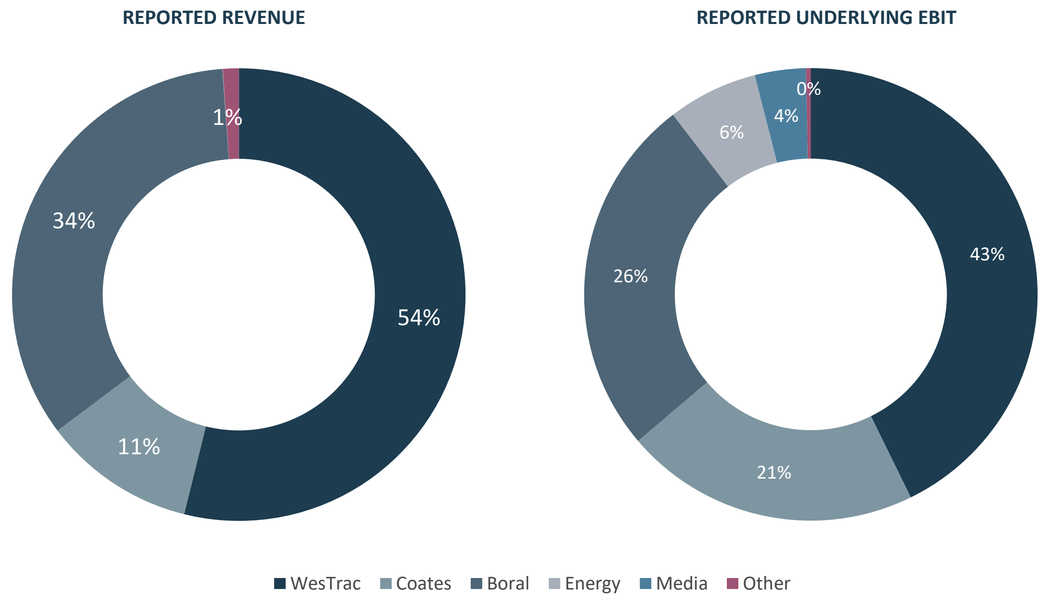
infrastructure are also a competitive differentiator for its integrated network. More recently, there has been larger focus by Seven Group to allocate capital to companies that have limited fixed price contract exposure (thereby limiting inflationary impacts and liquidated damages) as well as a proven track record against inflation (e.g. pricing discipline to mitigate margin erosion).

Seven Group also has an investment in funds managed by China Media Capital Group (an equity investment group in Greater China focussed on media, entertainment and technology industries in Chinese consumer markets).

Seven Group has a corporate office which includes company secretariat, directors and senior management, group accounting and statutory reporting, taxation, treasury, insurance, investor relations, group human resources functions and other functions Seven Group requires as a listed company.

Seven Group's business operations are focussed on Australia (where over 99% of revenues are generated). The majority of Seven Group's reported revenue and underlying EBIT[35] is generated by its industrial services businesses (i.e. WesTrac, Coates and Boral), which collectively accounted for almost all of Seven Group's 1HY24 revenue and around 90% of 1HY24 underling EBIT (before corporate costs):

SEVEN GROUP – CONTRIBUTION BY BUSINESS (1HY24)



Source: Seven Group

However, reported revenue and earnings do not represent a true picture of Seven Group's actual interests in each of its operations and investments. Under the relevant accounting standards:

- the revenue and earnings contribution from Boral is overstated. While Seven Group only holds a 71.6% interest in Boral, it is consolidated in Seven Group's financial statements (i.e. included on a 100% basis) with the 28.4% interest that it does not own shown separately as a single line adjustment to NPAT (i.e. as NPAT attributable to a non-controlling interests); and
- the revenue and earnings contributions from Seven West Media and Beach Energy (which are accounted for using the equity method in Seven Group's financial statements) are understated. Under this approach, there is no revenue contribution from either of the investments and only Seven Group's share of each investment's NPAT is included in underlying EBIT.

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35 Underlying EBIT is profit before net finance expense, income tax and significant items.

Despite these limitations, the analysis still highlights the large exposure Seven Group has to different end markets within the industrial services segment.

Strategy

The primary objective of Seven Group is to deliver long-term sustainable returns[36] to its stakeholders by exercising financial discipline and decisive management of a diversified portfolio of operating businesses. As a conglomerate with a diversified portfolio of operations and investments, Seven Group recognises that its strategy should be centred on the company's purpose, which is to "recognise and serve exceptional businesses."

The *Owner's Mindset* operating model is the foundation upon which Seven Group distils its strategy and objective across the organisation. It promotes accountability, disciplined execution and, ultimately, delivery of outcomes. The operating model is built on four core pillars:

- **group and business unit delineation**, which requires businesses to have their own fully functional Board structure to promote accountability of financial performance. Each division in the group:
  - is empowered with their own decision-making (where possible) to ensure accountability is enforced across all levels of the organisation; and
  - is overseen by a fully functional board of directors, which holds each of the divisions accountable to deliver on Seven Group's objectives. This approach ensures there is a clear delineation between the head office and the individual divisions and promotes accountability and ownership of results.

  No corporate costs are allocated to business units and business units must fund day-to-day operations;
- **a front-line focus,** which delegates decision making to the business, particularly to the employees that are directly engaged with the day to day operations and customer facing activities of the business. The emphasis on the front-line promotes a lean and empowered workforce with accountability across all levels of the organisation;
- **scalability,** which encourages each business operation to run independently and maintain its own funding structure; and
- **execution and growth focus,** which encourages disciplined execution and delivery over process and bureaucracy, as well as emphasis on targeting superior sustainable growth over a long term investment horizon.

Successful implementation of the operating model across the group enables Seven Group to ultimately deliver on its strategic objectives of securing value from its investments and driving new opportunities and shaping the group in a changing environment.

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36 Returns are measured by comparing Seven Group's total shareholder return ("TSR") against the return achieved by the S&P/ASX 100 Index as well as return on capital employed ("ROCE") against Seven Group's annual budget (with reference to its cost of capital).

6.3 Financial Performance

Historical Financial Performance

The historical financial performance of Seven Group for FY21 to FY23 and for 1HY24 is summarised below:

SEVEN GROUP - FINANCIAL PERFORMANCE ($ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	1HY24 ACTUAL
Total revenue	4,838.7	8,013.4	9,626.5	5,385.8
Operating EBITDA	**857.0**	**1,212.1**	**1,493.5**	**931.4**
Depreciation and amortisation	(260.3)	(477.9)	(502.0)	(253.2)
Operating EBIT	**596.7**	**734.2**	**991.5**	**678.2**
Results of equity accounted investments	195.4	252.9	195.0	85.5
Reported EBIT	**792.1**	**987.1**	**1,186.5**	**763.7**
Significant items (before tax)	128.5	(161.7)	(36.9)	(239.3)
Net interest expense	(157.9)	(253.6)	(283.4)	(142.3)
Income tax expense	(128.1)	(128.6)	(209.8)	(157.6)
NPAT from continuing operations	**634.6**	**443.2**	**656.4**	**224.5**
NPAT from discontinued operations	--	164.2	(9.9)	--
NPAT attributable to non-controlling interests	(3.2)	(49.9)	(49.9)	(35.6)
NPAT attributable to Seven Group shareholders	**631.4**	**557.5**	**596.6**	**188.9**
STATISTICS				
Basic earnings per share (continuing operations)	*$1.84*	*$1.22*	*$1.66*	*$0.52*
Dividends per share	*46c*	*46c*	*46c*	*23c*
Dividend payout ratio (based on reported EPS)	*25%*	*38%*	*28%*	*44%*
Amount of dividend franked	*100%*	*100%*	*100%*	*100%*
Total revenue growth	*+6.1%*	*+65.6%*	*+20.1%*	*+16.9%*
EBITDA growth	*+0.6%*	*+41.4%*	*+23.2%*	*+28.0%*
EBIT growth	*+1.4%*	*+23.0%*	*+35.0%*	*+41.1%*
EBITDA margin	*17.7%*	*15.1%*	*15.5%*	*17.3%*
EBIT margin	*12.3%*	*9.2%*	*10.3%*	*12.6%*
Interest cover	*3.8x*	*2.9x*	*3.5x*	*4.8x*

Source: Seven Group and Grant Samuel analysis

Seven Group's historical 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 over the past three and a half years and the application of the relevant accounting standards. In particular:

- the relevant accounting standards overstate Boral's revenue and operating EBITDA and EBIT contributions (as it is 100% consolidated) but understates the contributions from Beach Energy and Seven West Media (as they are accounted for using the equity method). These accounting requirements are further complicated by the acquisition of a substantial shareholding in Boral over a number of years as a result of which the accounting treatment for Boral changed during the presented period (from an equity accounted investment in FY21 to a controlled subsidiary in FY22); and
- significant losses (pre-tax) of more than $300 million (net of gains) have been recorded over the past three and a half years (both by Seven Group as well as by its equity accounted investments). These losses primarily relate to:

- several impairments of its equity accounted investment in Seven West Media (FY22 to 1HY24);
- acquisition and integration costs in relation to Boral in FY22 (revaluation of equity accounted investment, subsequent impairment of goodwill and transformation/restructuring costs); and
- Seven Group's share of a one-off impairment charge incurred by Beach Energy in 1HY24 in relation to its Cooper Basin operating assets and other exploration assets.

A more appropriate approach would be to analyse Seven Group's share of revenue and EBIT for each of its primary business operations and investments. While the analysis is crude and simplistic (i.e. it assumes Seven Group's current pro-rata share of revenue and EBIT from its investments, ignoring the impact of individual funding structures and changes in equity ownership over the presented period) and excludes contributions from corporate costs or Seven Group's other investments, it provides a useful guide to the key contributors to recent historical financial performance:

SEVEN GROUP – PRO FORMA BUSINESS OPERATIONS FINANCIAL PERFORMANCE ($ MILLIONS)

	SOURCE	FY21 PRO FORMA	FY22 PRO FORMA	FY23 PRO FORMA	1HY24 PRO FORMA
PRO FORMA REVENUE					
100% of WesTrac	*Seven Group*	3,809.6	3,961.7	4,905.2	2,906.6
100% of Coates	*Seven Group*	945.6	1,009.3	1,143.2	585.1
71.6% of Boral	*Boral*	2,093.7	2,116.4	2,477.8	1,317.4
30.0% of Beach Energy	*Beach Energy*	455.7	524.7	485.1	286.2
39.8% of Seven West Media	*Seven West Media*	505.3	612.3	591.9	308.7
Pro forma business operations revenue		**7,809.9**	**8,224.5**	**9,603.2**	**5,404.0**
PRO FORMA UNDERLYING EBIT (AS REPORTED BY EACH COMPANY)					
100% of WesTrac	*Seven Group*	400.2	425.6	500.1	332.7
100% of Coates	*Seven Group*	211.6	246.1	300.2	164.0
71.6% of Boral	*Boral*	129.7	76.3	165.8	143.9
30.0% of Beach Energy	*Beach Energy*	157.2	220.5	171.0	79.5
39.8% of Seven West Media	*Seven West Media*	91.2	123.0	94.8	42.1
Pro forma business operations EBIT		**989.9**	**1,091.4**	**1,231.9**	**762.2**
STATISTICS					
Pro forma revenue growth		*+1.7%*	*+5.3%*	*+16.8%*	*+16.3%*
Pro forma EBIT margin		*12.7%*	*13.3%*	*12.8%*	*14.1%*

Source: Grant Samuel analysis

The analysis above demonstrates that Seven Group has delivered strong revenue and earnings growth since FY21 (with growth accelerating over the last 18 months). In relation to the above:

- the Industrial Services segment has historically accounted for the largest share of Seven Group's financial performance and its contribution has increased in recent years as:
  - WesTrac (44% of pro forma 1HY24 business operations EBIT) benefited from strong customer activity driving demand for machines, parts and labour across the resources sector. Revenues grew by over 20% in FY23 and 1HY24 following these tailwinds (with EBIT margins at around 10-11%);
  - Coates (22% of pro forma 1HY24 business operations EBIT) benefited from improving operating leverage amidst a buoyant (albeit slowing) infrastructure and construction market. Between FY21 and 1HY24, pro forma EBIT margins expanded by more than 550 basis points to 28%; and

- Boral (19% of pro forma 1HY24 business operations EBIT, having increased from around 7% in FY22) continued to execute its turnaround strategy and has delivered strong gains across the business since FY23;

- Beach Energy has consistently accounted for around 5-7% of Seven Group's pro forma business operations revenue but its contribution to pro forma business operations EBIT has been more inconsistent (at 10-20%) due to its exposure to commodity prices and varying production levels (which can have a more pronounced impact on earnings due to fixed cost absorption rates); and
- Seven West Media accounted for the smallest share of Seven Group's earnings (around 5% of pro forma business operations EBIT) as its contribution has deteriorated since FY22 due to weaker revenues and earnings amidst a softening TV market.

Seven Group's corporate overhead costs are not allocated to the individual business operations and have generally been in the range $25-28 million over the period.

Seven Group does not disclose a formal dividend policy. It determines dividend payouts and franking levels based on the group's medium term underlying profitability, Australian tax payable position, total number of ordinary shares on issue and available investment opportunities. Seven Group has typically aimed to maintain dividends per share through the cycle and, in the period presented above, has declared a 23c dividend per share for each half year period (all of which have been fully franked).

Outlook

Seven Group has not publicly released earnings forecasts for FY24 or subsequent years. However, on 14 February 2024, in conjunction with the release of its 1HY24 results, Seven Group provided guidance that:

- FY24 group EBIT is expected to deliver "mid to high-teen" growth particularly on the back of strong 1HY24 performance from its Industrial Services businesses (which is expected by Seven Group to deliver 20-25% growth in FY24). The positive outlook is underpinned by:
  - WesTrac, which is supported by positive outlook in bulk commodity production as well as inventory build-up in 1HY24 to meet the expected step-up in demand; and
  - Coates and Boral, which are supported by customer activity arising from resilient infrastructure and construction investment; and
- FY24 performance from its equity accounted investments is expected to be broadly stable, with:
  - Beach Energy expected to produce 18-20 mmboe[37] in FY24 (19.5 mmboe in FY23); and
  - Seven West Media expected to maintain a 40% market share and to continue executing its cost reduction programme (with 2HY24 costs expected to be reduced by $20-25 million from 2HY23 levels).

Seven Group did not provide an updated outlook statement in its Bidder's Statement.

[37] mmboe = million barrels of oil equivalent

6.4 Financial Position

The financial position of Seven Group as at 30 June 2023 (audited) and 31 December 2023 (reviewed by Seven Group's external auditor) is summarised below:

SEVEN GROUP - FINANCIAL POSITION ($ MILLIONS)

	AT 30 JUNE 2023 ACTUAL	AT 31 DECEMBER 2023 ACTUAL
Trade receivables	1,649.3	1,518.5
Inventories	1,846.7	2,063.2
Creditors and accruals	(1,126.6)	(1,040.7)
Net working capital	**2,369.4**	**2,541.0**
Property, plant and equipment (net)	3,497.9	3,526.1
Producing and development assets	476.5	537.8
Lease assets	711.8	711.8
Goodwill	1,652.4	1,652.4
Other intangible assets (net)	569.8	568.0
Equity accounted investments	1,701.3	1,512.9
Deferred income	(555.1)	(499.4)
Deferred tax assets (net)	(462.8)	(549.4)
Provisions	(789.0)	(809.0)
Derivatives (net)	120.5	34.9
Other assets and liabilities (net)	323.8	271.0
Total funds employed	**9,616.5**	**9,498.1**
Cash and cash equivalents	876.5	1,066.5
Borrowings	(4,893.2)	(4,775.2)
Net borrowings (excluding lease liabilities)	**(4,016.7)**	**(3,708.7)**
Lease liabilities	(984.5)	(988.9)
Net borrowings (including lease liabilities)	**(5,001.2)**	**(4,697.6)**
Net assets	**4,615.3**	**4,800.5**
Non-controlling interests	(705.0)	(766.6)
Net assets attributable to Seven Group shareholders	**3,910.3**	**4,033.9**
STATISTICS		
Shares on issue at period end (million)	*363.3*	*363.6*
Net assets per share	*$12.70*	*$13.20*
NTA per share	*$6.59*	*$7.10*
Gearing (excluding lease assets and lease liabilities)	*51%*	*51%*
Gearing (including lease assets and lease liabilities)	*52%*	*49%*

Source: Seven Group and Grant Samuel analysis

Seven Group's reported financial position is not a true reflection of its funds employed and net debt as it consolidates Boral's financial position and accounts for its interests in Beach Energy and Seven West Media as equity investments. Despite these limitations, Seven Group's reported financial position does reflect the nature of its conglomerate model and the capital intensity of its industrial services businesses.

Net working capital of $2.5 billion at 31 December 2023 is a combination of working capital requirements of WesTrac, Coates and Boral. Seven Group also recognised nearly $550 million in deferred income at 31 December 2023 primarily in relation to advance payments (e.g. major machine deliveries for WesTrac).

Long term fixed assets and liabilities represent over 65% of Seven Group's funds employed and include:

- property, plant and equipment (including lease assets), which represent 45% of total funds employed. The majority of this balance relates to mining and construction equipment (including hire equipment) which is deployed across mining, quarries and construction sites;
- goodwill and other intangible assets, which represent 23% of total funds employed and primarily relate to historical acquisitions. The majority of these assets have indefinite life assets (e.g. goodwill, distribution network and brand names), with a small amount for finite life assets;
- producing and development assets, which include capitalised development costs in relation to the construction, installation or completion of infrastructure facilities (e.g. platforms, pipelines and drilling of development wells) incurred by SGH Energy at the Crux LNG project and other gas assets; and
- provisions, which primarily relate to future restoration and environmental rehabilitation (for quarries and oil and gas fields) and other claims.

Seven Group reported $1.5 billion in equity accounted investments at 31 December 2023, which principally represent its investments in Beach Energy and Seven West Media (collectively over 85% of the balance). Seven Group also has a number of other immaterial associates and joint ventures that operate across various markets.

Seven Group's funding structure reflects its *Owner's Mindset* model under which each of its business operations has its discrete funding strategy and capital structure (in addition to one at the holding company level). In aggregate, Seven Group has a diversified funding structure with over $4.8 billion in gross borrowings, comprising a mix of short term working capital facilities, equity settled swaps, convertible notes, exchangeable bonds (tied to Boral ordinary shares), syndicated loans and fixed term US dollar denominated notes. The weighted average cost of Seven Group's debt for the most recent full year period (FY23) was approximately 5.6%.

As at 31 December 2023, Seven Group was not rated by either Standard & Poor's ("S&P"), Moody's or Fitch Ratings ("Fitch").

6.5 Cash Flow

Seven Group's cash flow for FY21 to FY23 and for 1H24 is summarised below:

SEVEN GROUP - CASH FLOW ($ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	1HY24 ACTUAL
Operating EBITDA	857.0	1,212.1	1,493.5	931.4
Dividends received (net of contributions)	24.1	25.7	48.8	22.7
Cash flows relating to significant items	--	(50.9)	(34.7)	--
Changes in working capital and other adjustments	(3.5)	(227.6)	28.1	(239.0)
Capital expenditure[38] (net)	(159.7)	(608.2)	(563.8)	(279.7)
Free cash flow	**717.9**	**351.1**	**971.9**	**435.4**
Net interest paid (incl borrowing costs)	(143.5)	(250.7)	(258.1)	(128.2)
Tax paid	(111.7)	(196.2)	(84.0)	(65.3)
Cash flow from operations	**462.7**	**(95.8)**	**629.8**	**241.9**
(Purchase)/sale of controlled entities and associates (net)	(422.9)	1,155.0	(30.6)	136.5
Dividends paid	(150.0)	(192.0)	(170.3)	(84.1)
Other capital returns and share buybacks	(8.7)	(1,070.1)	2.8	(13.7)
Proceeds from issue of shares	524.1	-	-	-
Repayment of lease liabilities	(56.3)	(115.2)	(85.1)	(43.3)
Other cash flows	(8.6)	131.4	51.6	(0.3)
Net cash generated/(used)	**340.3**	**(186.7)**	**398.2**	**237.0**
STATISTICS				
Free cash flow as a % of operating EBITDA	84%	29%	65%	47%
Capital expenditure as a % of operating EBITDA	*19%*	*50%*	*38%*	*30%*

Source: Seven Group and Grant Samuel analysis

Analysis of Seven Group's historical cash flows is complicated by the acquisition of Boral (consolidated from FY22) as well as material divestments (e.g. North American Building Products and North American Fly Ash in FY21 and FY22) and various capital management initiatives undertaken by Boral (in FY22).

Despite these limitations, there is clear evidence that the cash flow from Seven Group's business operations is more than sufficient to meet its capital expenditure needs although cash flow was negatively impacted:

- in FY22, by one-off growth investments by Boral as well as required investment in WesTrac's inventory and machine advance payments. Net interest expense also increased by $100 million in this period due to costs in relation to the bridge facility to fund the acquisition of Boral; and
- in 1HY24, by a targeted investment in WesTrac's inventory levels to meet growing customer demand expected in 2HY24 and the subsequent year.

Seven Group has a history of evaluating its portfolio of investments. Depending on its investment thresholds and capital requirements at the time, Seven Group may elect to increase its stake in certain investments (e.g. increasing its holding in Beach Energy by 1% in FY21) or reduce its stake in others (e.g. $122 million sale of a portfolio of listed and unlisted equity securities in FY22). The active management of its portfolio can impact cash flow as demonstrated in FY22.

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[38] Includes net purchases of property, plant and equipment and other net payments in relation to production, development and exploration expenditure.

6.6 Taxation Position

Under the Australian tax consolidation regime, Seven Group and its wholly owned Australian resident entities have elected to be taxed as a single entity (with Seven Group as the head entity within the tax-consolidated group). Boral Limited and its wholly-owned Australian resident entities are part of a separate tax-consolidated group (see Section 4.7).

Seven Group has not updated its taxation position in its half year accounts as at 31 December 2023. Accordingly, the latest available information is sourced from its FY23 full year accounts.

As at 30 June 2023, Seven Group had approximately $120.8 million in carried forward tax losses (tax effected) but did not recognise any of the losses due to the uncertainties relating to their future utilisation.

As at 30 June 2023, Seven Group had $299.6 million of accumulated franking credits.

6.7 Capital Structure and Ownership

Capital Structure

As at 19 February 2024, Seven Group had the following securities on issue:

- 365,585,587 ordinary shares;
- 386 convertible notes (which, if converted, would result in up to 1,608,333 ordinary shares being issued) that mature in March 2025; and
- 1,816,598 performance share rights over unissued ordinary shares.

Seven Group operates:

- an LTI plan, under which executives and senior employees are granted performance share rights subject to achievement of performance hurdles, service conditions and vesting periods; and
- an STI plan, under which senior executives may be entitled to a cash and deferred share rights payment (up to 50% of the total award) for achievement of established annual performance objectives.

Performance share rights have no dividend entitlements or voting rights. Each performance share right entitles the participant to receive one Seven Group ordinary share at a future time for nil consideration subject to achievement of the thresholds as defined under the relevant plan (i.e. STI or LTI). In the event of a change of control, the Board has discretion to determine whether, and the extent to which, unvested LTI performance rights vest (although unvested deferred share rights will vest).

Seven Group also operates an employee share acquisition plan under which employees can elect to purchase shares from their pre-tax salary.

Seven Group does not have a dividend reinvestment plan.

Ownership

Based on the latest publicly available information, there were approximately 15,600 registered shareholders in Seven Group. The top 20 shareholders accounted for approximately 91% of the ordinary shares on issue (with the two largest shareholders accounting for around 62%).

Seven Group has received notices from the following substantial shareholders:

SEVEN GROUP – SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	DATE OF NOTICE	NUMBER OF SHARES	PERCENTAGE[39]
Mr Kerry Stokes and associates	27 April 2021	207,304,349	57.02%
Australian Super Pty Limited	7 June 2022	19,186,237	5.28%

Source: Seven Group Bidder's Statement

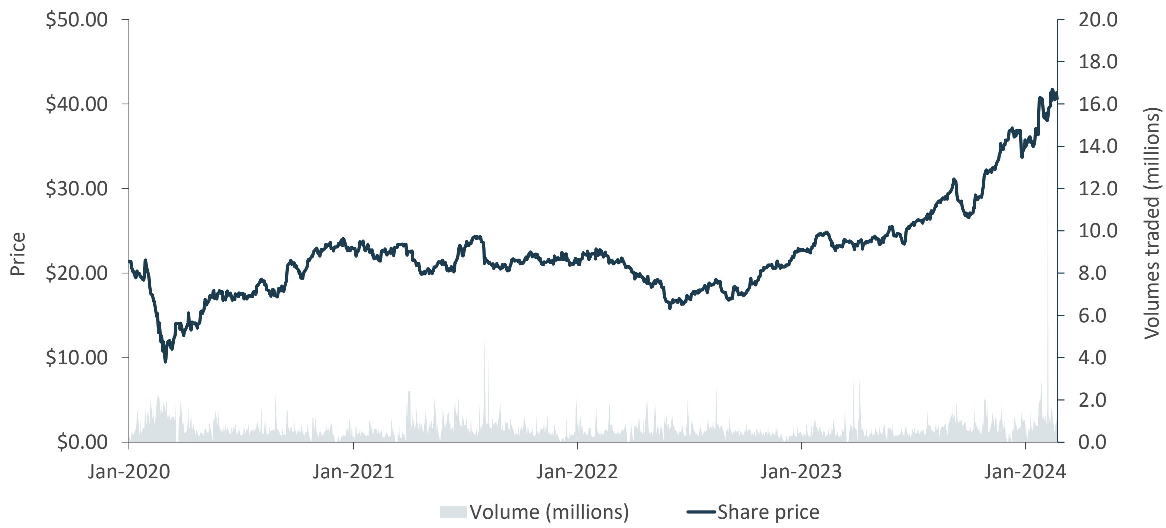
6.8 Share Price Performance

Share Price History

The following graph illustrates the movement in the Seven Group share price and trading volumes since 1 January 2020:

SEVEN GROUP – SHARE PRICE AND TRADING VOLUME

1 JANUARY 2020 TO 15 MARCH 2024



Source: IRESS

Since January 2020, movements in the Seven Group share price have largely corresponded to the trading performance of its business operations (and to a lesser extent investments) and, for the last 18 months, the improving sentiment across its key end markets.

In early 2020, Seven Group shares traded at around $19.50-20.50 (having risen by over 50% from around $13.50 towards the end of 2018). The shares traded as high as $21.92 on 20 February 2020 following the release of strong 1HY20 trading results and a positive FY20 outlook across its portfolio. However, the market's adverse reaction to the spread of the COVID-19 pandemic saw Seven Group shares fall (along with the broader sharemarket) by over 55% from $21.57 on 20 February to $9.49 by 23 March. The sharp fall in oil prices (Beach Energy) and weaker advertising market from major sporting events (Seven West Media) placed further pressure on Seven Group's financial performance. However, the shares rebounded quickly over the following months as Seven Group's key business operations (e.g. WesTrac and, to a lesser extent, Coates) were considered "essential services" and allowed to resume services sooner than other sectors with minimal interruption. By the end of 2020, the share price had recovered and closed the year at $23.35.

[39] Based on Seven Group issued shares as the date of notice.

The rise in Seven Group's share price stalled over the next 14 months. Between January 2021 and April 2022, its shares traded within a relatively tight range of around $20.00-23.00 and deviated only temporarily from that range due to company specific events (e.g. the off market takeover offer for Boral in mid 2021). The market responded favourably to the announcement of the bid and the subsequent revised bids, as it became increasingly evident that Seven Group would successfully secure a controlling interest in the company. The share price traded as high as $24.55 in mid August but returned to around $21 in the days following the release of its FY21 results.

The share price trended downwards over the next few months, closing at $15.83 on 23 June 2022. Over the following 18 months, the share price had a largely uninterrupted ascent following positive trading updates and strong financial performance across its businesses (particularly at Boral, which began turning around its performance). It traded above $30 for the first time in late September 2023 and, after a brief correction in October, resumed its rise. The increase in the share price continued largely unabated into early 2024, with the market responding favourably to Seven Group's 1HY24 earnings update and outlook (sending the share price to a then all time high).

The Seven Group share price closed at $40.77 on 16 February 2024, the day prior to announcement of the Seven Group Offer. Since announcement of the Seven Group Offer, Seven Group shares have traded in the range $37.73-42.28, and at a VWAP of $39.39.

Liquidity

Seven Group has been a moderately liquid stock despite around 57% of issued shares are held by Mr Kerry Stokes and his associates. Average weekly volume over the 12 months prior to announcement of the Seven Group Offer represented approximately 1.0% of average total shares on issue (or annual turnover of around 51.1%). Excluding shares associated with Mr Kerry Stokes, average annual turnover over the 12 months was around 119%.

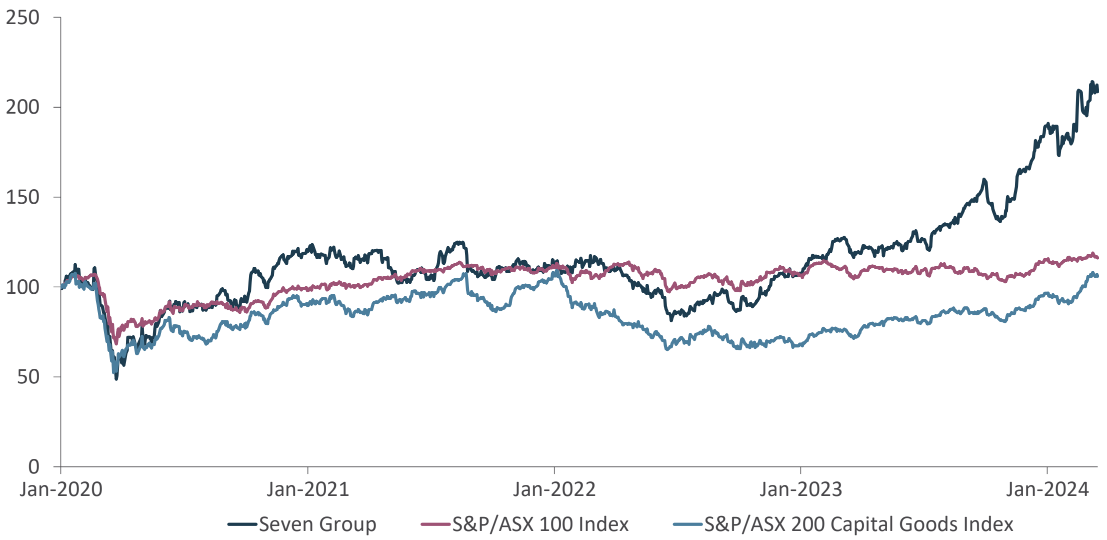
Relative Performance

Seven Group is a member of various indices including the S&P/ASX 100 Index and S&P/ASX 200 Index, where its weighting is 0.64% and 0.57%, respectively. It is also the second largest member of the S&P/ASX 200 Capital Goods Index (after Reece Limited ("Reece")) with a weighting of around 27%.

The following graph illustrates the performance of Seven Group shares since January 2019 relative to the S&P/ASX 100 Index and S&P/ASX 200 Capital Goods Index:

SEVEN GROUP VS S&P/ASX 100 INDEX VS S&P/ASX 200 CAPITAL GOODS INDEX

1 JANUARY 2020 TO 15 MARCH 2024



Source: IRESS

In considering the performance of Seven Group shares against the indices, it is important to recognise that there are no genuinely comparable companies to Seven Group due to its conglomerate model and diversified business interests:

- the S&P/ASX 100 Index is a broad based index across all sectors of the economy (that are listed on the ASX);
- the S&P/ASX 200 Capital Goods Index only comprises nine listed entities which are predominantly construction and engineering companies (e.g. Worley Limited, Monadelphous Group Limited, Johns Lyng Group Limited and Ventia Services Group Limited) and building products companies (e.g. Reece and Fletcher Building Limited), none of which are directly comparable to Seven Group; and
- other ASX listed conglomerates such as Wesfarmers Limited ("Wesfarmers") (consumer goods, chemicals, industrial and health) or Washington H. Soul Pattison & Company Limited ("Soul Pattison") (telecommunications, resources and building construction) have a very different mix of end market exposures from Seven Group.

Nevertheless, some broad observations can be made from the above analysis. Seven Group shares have generally trended in line with the broader market (represented by the S&P/ASX 100 Index) and, to a lesser extent, its sector group (represented by the S&P/ASX 200 Capital Goods Index) for most of the period presented above. While the fall in its share price in February and March 2020, was perhaps sharper than the S&P/ASX 100 Index, it was similar to the S&P/ASX 200 Capital Goods Index. However, while Seven Group exhibited a stronger recovery than the S&P/ASX 200 Capital Goods Index over the next four months, it largely traded in line with it until late 2022. Subsequently, Seven Group shares have significantly outperformed both indices as Seven Group has delivered strong financial performance over consecutive periods (partly due to the turnaround in the operating and financial performance of Boral).

Further discussion of Seven Group's share price performance is set out in Section 7.3 of this report.

7 Value of the Consideration

7.1 Summary

Under the Seven Group Offer, Boral shareholders will receive, for each Boral share held, a minimum consideration of:

- 0.1116 Seven Group shares; plus
- $1.50 cash.

The minimum total consideration will be increased by:

- $0.10 cash per share, if either Seven Group reaches an aggregate interest of at least 80% or the Boral Board unanimously recommends that shareholders accept the Seven Group Offer; and
- a further $0.10 cash per share, if Seven Group reaches the 90.6% compulsory acquisition threshold.

If both of these conditions are met, the maximum consideration would be 0.1116 Seven Group shares and $1.70 cash for each Boral share.

Grant Samuel has attributed a value to the scrip component of the consideration of $4.46-4.69 per Boral share based on a range for Seven Group shares of $40.00-42.00. Including the cash component of the consideration, the value of the consideration to Boral shareholders is in the range $5.96-6.39 per share (rounded to two decimal places) as follows:

ASSESSMENT OF THE CONSIDERATION UNDER THE SEVEN GROUP OFFER

COMPONENT	VALUE OF THE CONSIDERATION		
	MINIMUM CONSIDERATION ($1.50 CASH PER SHARE)	INCL FIRST CONDITIONAL PAYMENT ($1.60 CASH PER SHARE)	INCL SECOND CONDITIONAL PAYMENT ($1.70 CASH PER SHARE)
Assessed value per Seven Group share	$40.00 – 42.00	$40.00 – 42.00	$40.00 – 42.00
Exchange ratio	0.1116	0.1116	0.1116
Value of scrip component	**$4.46 – 4.69**	**$4.46 – 4.69**	**$4.46 – 4.69**
Cash component	$1.50	$1.60	$1.70
Total value of the consideration	**$5.96 – 6.19**	**$6.06 – 6.29**	**$6.16 – 6.39**

Shareholders can elect either accept the Seven Group Offer or tender their shares via the acceptance facility (which allows non associated shareholders to indicate their intention to accept the Seven Group Offer without being obliged to do so until the first consideration increase is triggered). A shareholder accepting the Seven Group Offer (rather than utilising the acceptance facility) can only be assured of receiving the minimum consideration (unless Seven Group has already moved above 80% or 90.6% of outstanding shares in Boral).

The value of the scrip consideration, and therefore the value of the Seven Group Offer, will also vary with movements in the Seven Group share price. Accordingly, until the shares under the Seven Group Offer are issued, Boral shareholders are exposed to events or other factors that impact the Seven Group share price. The Seven Group share price could fall below or move above the range of $40.00-42.00. Depending on the circumstances, significant (and sustained) movements in the Seven Group share price could change the evaluation of the Seven Group Offer. In addition, the value of the consideration could move if triggers for the additional conditions are met. Accordingly, Boral shareholders should monitor the trading price of Seven Group shares and the progress of the Seven Group Offer up until the Seven Group Offer closes.

7.2 Approach

The relevant measure of the consideration for Boral shareholders is the expected market value of the Seven Group shares plus the cash received as consideration. This involves an estimation of the trading price for Seven Group after the Seven Group Offer is implemented (rather than a pre bid price).

It is normal practice in a takeover (as opposed to a "merger") to use the post announcement market price as the starting point for estimating the value of an offer with a scrip component. An alternative method is to estimate the underlying value of the combined entity and then to apply a discount to reflect a portfolio interest. However:

- access to the detailed financial and operational information (such as earnings and operational forecasts or asset plans) of both parties is required to undertake such a fundamental analysis of the value of the consideration; and
- while the portfolio discount could generally be expected to fall somewhere in the approximate range of 15-25%, the precise amount of the discount to apply is uncertain.

Furthermore, the consensus view of a well traded market is likely to be a more reliable estimate than that of a single external observer. Market prices (particularly for entities such as Seven Group that enjoy reasonable levels of market liquidity and are followed by a number of market analysts) usually incorporate the influence of all publicly available information on an entity's prospects, future earnings and risks (at the time).

Grant Samuel has had regard to the market price of Seven Group following the announcement of the Seven Group Offer and addressed the following questions:

- is there any reason why the market price is not a true reflection of the fair market value of Seven Group shares? For example, there could be:
  - important information about the entity and its business/assets which would affect the share price but is not in the public domain;
  - mispricing by the market; and/or
  - abnormal trading activity in Seven Group shares; and
- will the proposed transaction, if implemented, have a material impact on Seven Group's financial metrics, growth prospects, risk profile or other factors that would be likely to result in a change in the share price?

In considering these questions, Grant Samuel has:

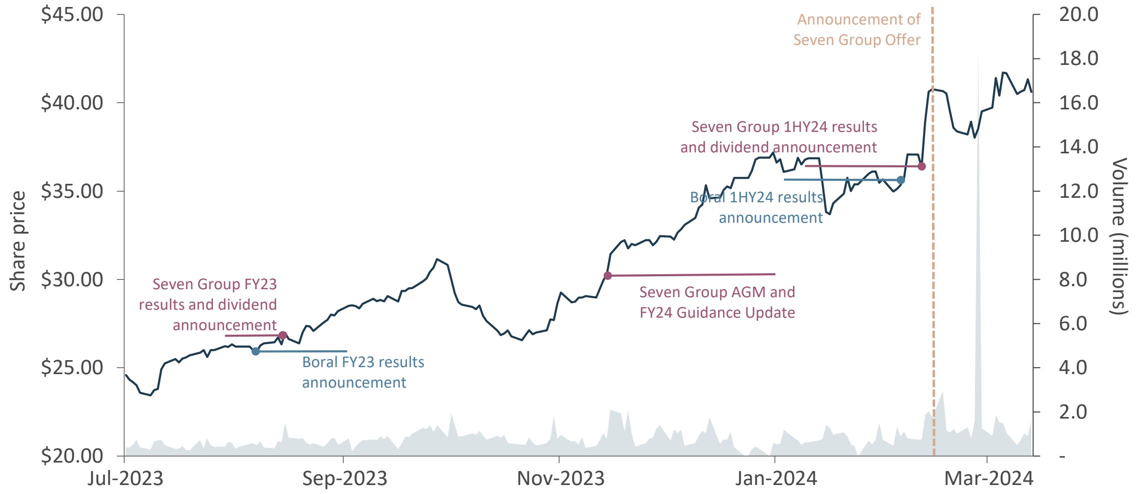
- analysed the recent trading in Seven Group shares;
- compared key value metrics for Seven Group to those of its peers;
- reviewed broker analyst research on Seven Group;
- analysed the impact of the Seven Group Offer on Seven Group's key financial metrics; and
- considered the implications for Seven Group's share price of acquiring less than 100% of Boral.

7.3 Analysis of Sharemarket Trading in Seven Group Shares

Share Price Performance

Seven Group's share price performance since January 2020 is discussed in Section 6.8 of this report. Share price performance and trading volumes since 1 July 2023 are summarised in the chart below:

SEVEN GROUP – SHARE PRICE AND TRADING VOLUME
1 JULY 2023 TO 15 MARCH 2024



Source: IRESS

Seven Group's share price in the period before announcement of the Seven Group Offer is of limited relevance in assessing the likely trading price of shares in the Merged Group. However, it is useful to consider it briefly to provide background context to the assessment.

Over the period between 1 July 2023 and 16 February 2024 (being the last day prior to announcement of the Seven Group Offer), trading in Seven Group shares was in the range $23.37-41.26 (at a VWAP of $31.00) but, over the period, there was a strong upwards trend (carrying forward the positive momentum from the previous 12 months).

This trend in the share price reflected the positive momentum across Seven Group's business operations, reaffirmed by the announcements:

- on 17 August 2023, of a strong FY24 outlook. Seven Group expected earnings momentum to carry into FY24 (from the last 12 months), with EBIT guided to grow at "high single digits" (led by the Industrials Services business, which was guided to deliver "high single to low double digit EBIT growth"). The strong results and robust outlook sent the share price higher over the following weeks from around $26 to over $31 by the end of September; and
- on 16 November 2023, of an upgrade in EBIT guidance during Seven Group's annual general meeting. The upgrade reflected the strong customer activity across mining production, infrastructure and construction (i.e. Boral) as well as the strong committed order book for 1HY24 to-date. Seven Group upgraded guidance for FY24 group EBIT to "high single to low teen EBIT growth" (led by an upgrade in the Industrial Services guidance to "low to mid-teen EBIT growth"). The market responded favourably and Seven Group shares moved higher from around $30 to just over $37 by the beginning of January 2024.

Notwithstanding these large increases in the share price, there also have been short periods of declines in the share price (although no material announcements were released by Seven Group during these periods). In the month of October, the Seven Group share price fell on 14 of 22 trading days, registering nearly an 11% loss over the period (with the trough at just under a 15% loss in the last week of October). The decline likely reflected the uncertainty across the market particularly as inflation remained well above the Reserve Bank of Australia's ("RBA") target levels and there was uncertainty as to the extent to which interest rates may go higher. The market as a whole (represented by the S&P/ASX 200 Index) fell by 4% over this period.

However, market sentiment appeared to recover in subsequent days (leading up to Seven Group's AGM in mid November) as, while the RBA announced an interest rate increase on 7 November 2023, many viewed it to be the last interest rate hike needed.

Similarly, the Seven Group share price fell from around $37 on 2 January 2024 to a close of $33.69 on 18 January (a decline of 9%) even though there were no material announcements by Seven Group. The share price then trended slightly upwards leading up to the announcement of Boral's 1HY24 results, closing at $35.71 on 8 February 2024 (the day before the announcement).

Over the next week, Seven Group shares rose by over 14% following the announcements of:

- robust 1HY24 results from Boral on 9 February 2024, which upgraded its FY24 EBIT guidance to $330-350 million (from $300-330 million previously) which was still widely regarded by analysts as conservative. Seven Group shares climbed by 4% during the day (closing at $37.08); and
- strong 1HY24 results from Seven Group on 14 February 2024, which also upgraded its earnings guidance to "mid to high-teen EBIT growth" in FY24 (led by Industrial Services, which was set to grow EBIT by 20-25%). Seven Group shares jumped by 7% during the day (closing at $38.91) and continued to increase in each of the two subsequent days leading up to announcement of the Seven Group Offer.

Over the three trading days between release of Seven Group's 1HY24 results and the day prior to the announcement of the Seven Group Offer, trading in Seven Group shares was in the range $37.33-41.26 at a VWAP of $39.94. On 16 February 2024, the Seven Group share price closed at $40.77.

Over the first two weeks of trading since the announcement of the Seven Group Offer, the share price fell by around 6-7%. However, it has since rebounded particularly after the spike in activity in a single day (29 February 2024) which was likely due to portfolio rebalancing actions (especially after the significant rise in Seven Group share price over the preceding few months) that also saw an increase in shorting activity on the same day. As at 15 March 2024, the Seven Group share price closed at $40.61.

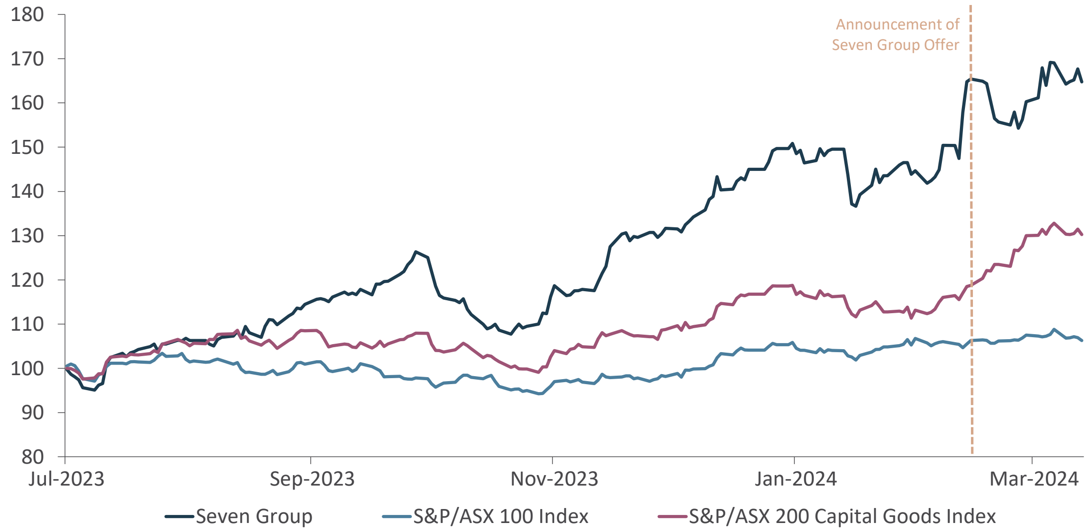
The important question is whether the recent share price performance and current share price (at the date of this report) reflect the rational view of a well informed market or, alternatively, whether Seven Group is out of line with its peers or the market.

In addressing this issue Grant Samuel has considered the factors set out below.

Seven Group Share Price Compared to its Peers and Market

The following graph illustrates the performance of Seven Group shares since 1 July 2023 relative to the S&P/ASX 100 Index and S&P/ASX 200 Capital Goods Index:

SEVEN GROUP VS S&P/ASX 100 INDEX AND S&P/ASX 200 CAPITAL GOODS INDEX
1 JULY 2023 TO 15 MARCH 2024



Source: IRESS

As discussed in Section 6.8, it is difficult to make any meaningful observations on Seven Group's share price relative to indices. Even the S&P/ASX 200 Capital Goods Index is not comparable to Seven Group as nearly all of its constituents have completely different offerings. For instance, Reece is the largest constituent (accounting for nearly 30% of the index) but is principally a plumbing and bathroom products supplier.

In any event, Seven Group does not have any genuine peers in the ASX or in international sharemarkets that are directly comparable to it. Its unique mix of business operations and investments each have materially different risks and growth outlooks (although the cyclical upswing across the markets appears to have been converging in recent months). Very few (if any) brokers value Seven Group on a "top-down" basis (as many use a sum-of-the-parts approach to value each of its underlying operations and investments).

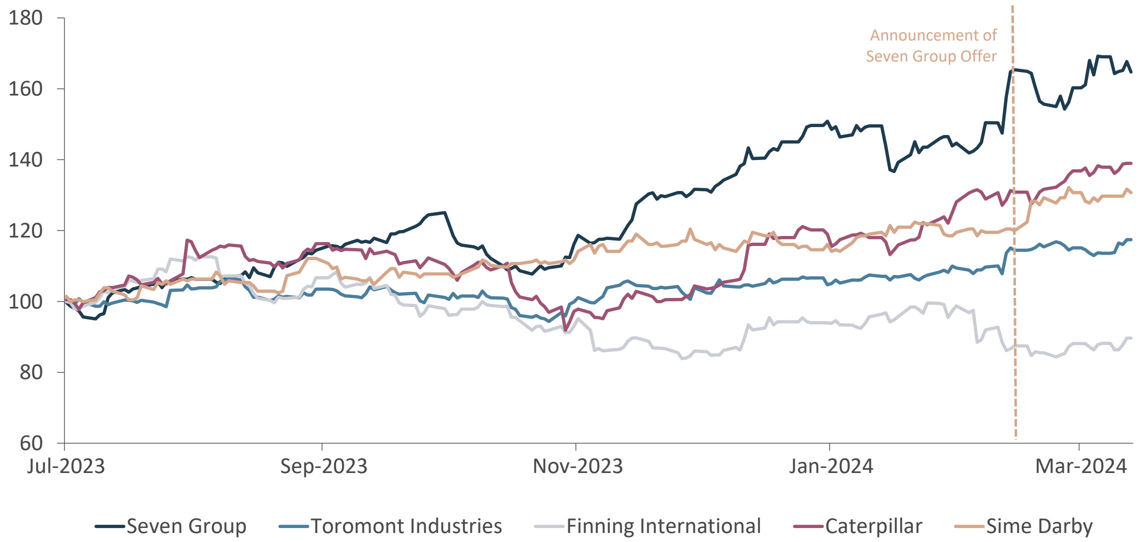
Accordingly, Grant Samuel has considered a wider range of ASX and international listed peers that are exposed to similar end markets as Seven Group, in:

- mining production, particularly other independent authorised Caterpillar equipment dealers; and
- infrastructure and construction, particularly other equipment solutions providers focussed on industrial and construction end markets.

Less weight has been placed on ASX listed energy and media sector participants (as they account for a much smaller proportion of Seven Group's earnings and cash flows) or other ASX listed conglomerates such as Wesfarmers and Soul Pattison (as they participate in very different end markets from Seven Group).

The following graph illustrates the movement in Seven Group's share price since 1 July 2023 relative to other peers exposed to mining production:

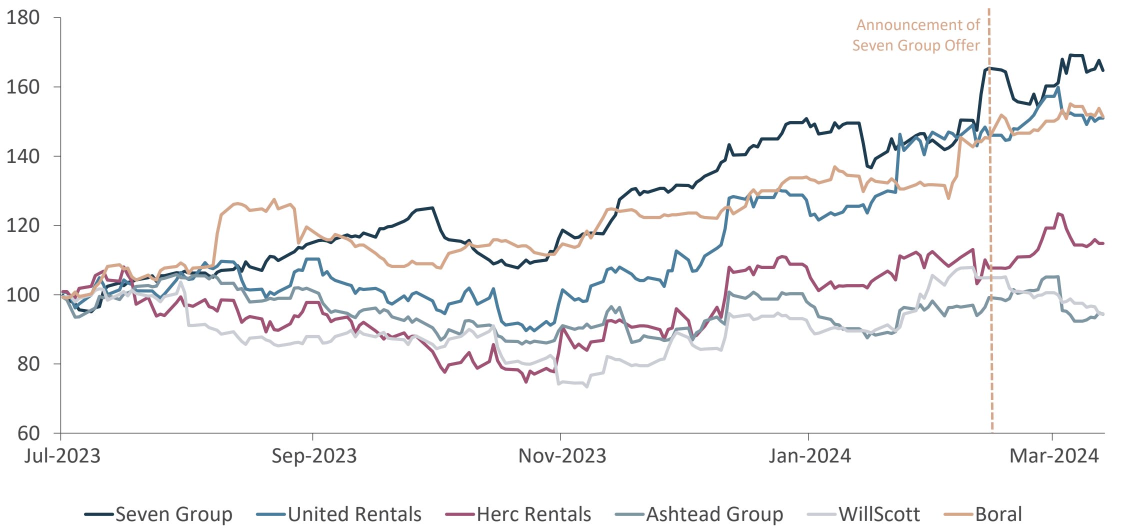
SEVEN GROUP VS SELECTED PEERS — MINING PRODUCTION EXPOSURE
1 JULY 2023 TO 15 MARCH 2024



Source: CapitalIQ

The following graph illustrates the movement in Seven Group's share price since 1 July 2023 relative to other peers exposed to infrastructure and construction:

SEVEN GROUP VS SELECTED PEERS — INFRASTRUCTURE AND CONSTRUCTION EXPOSURE
1 JULY 2023 TO 15 MARCH 2024



Source: CapitalIQ

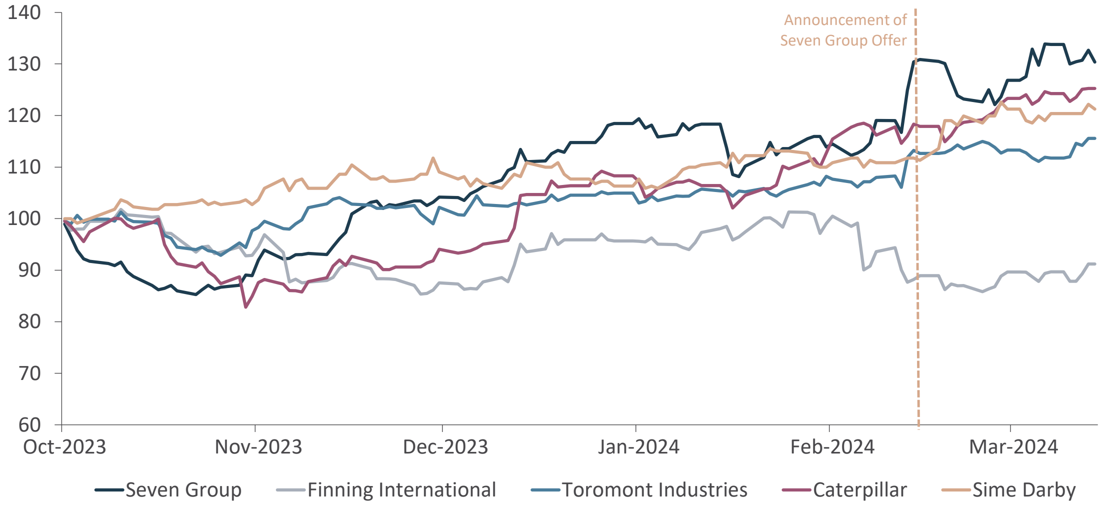
The analysis is imperfect (and incomplete). As set out in Section 6.3, WesTrac has historically accounted for around 40-50% of pro forma revenue and EBIT from business operations, while Coates and Boral have accounted for 35-40%. Seven Group's financial performance would be expected to be a blend of these two businesses and its share price performance should in theory fall between these two groups (ignoring the impact of energy and media as they make a substantially smaller contributions to earnings and value). At the same time, none of the peers presented above directly compete in the same markets in which Seven Group's portfolio companies operate and, as a result, may be exposed to vastly different cycles and market risks.

Nevertheless, although the share prices of the vast majority of peers have generally trended upwards over the period presented, it is clear that Seven Group's share price has materially outperformed most of them since July 2023 regardless of the end market they target.

The separation of Seven Group from its peers appears to have occurred sometime around August 2023 (in the case of infrastructure and constructure peers) and September 2023 (in the case of mining production peers). The disparity between the Seven Group share price and the peer group (as a whole), however, appears to subside substantially over a more recent timeframe (say from October 2023).

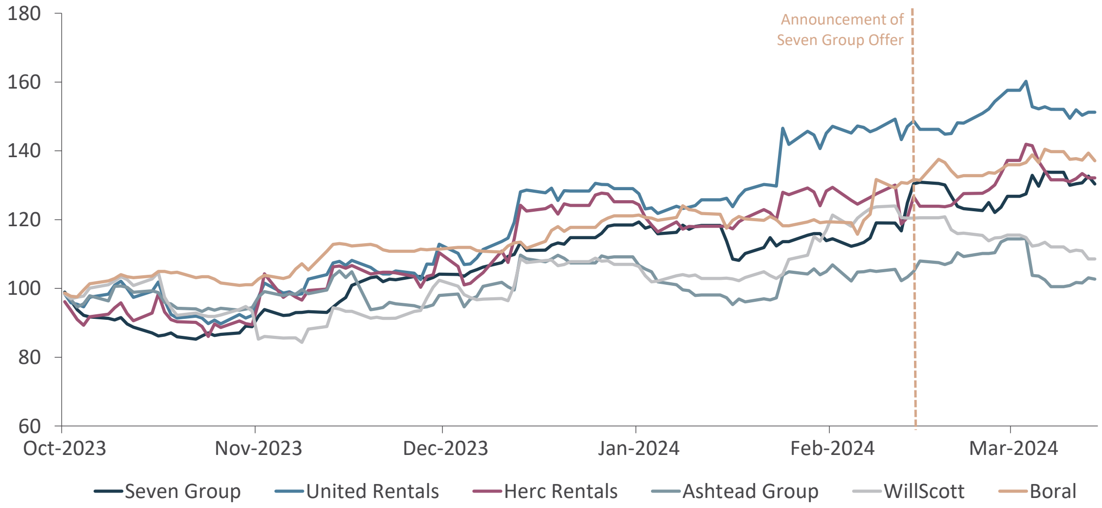
The analysis suggests a greater level of correlation after October 2023 (although caution is warranted as each of the companies faces different risks and growth opportunities that impact their share prices):

SEVEN GROUP VS SELECTED PEERS — MINING PRODUCTION EXPOSURE
1 OCTOBER 2023 TO 15 MARCH 2024



Source: CapitalIQ

SEVEN GROUP VS SELECTED PEERS — INFRASTRUCTURE AND CONSTRUCTION EXPOSURE
1 OCTOBER 2023 TO 15 MARCH 2024



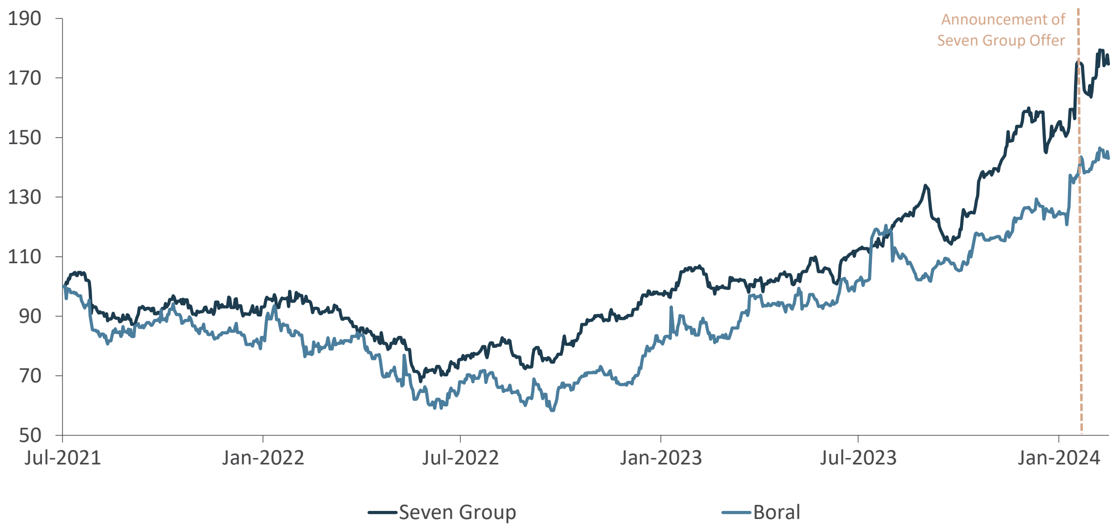
Source: CapitalIQ

While it is difficult to be too definitive (especially given the limitations of the analysis and the uniqueness of Seven Group's portfolio of business operations), the analysis indicates there is nothing to suggest that trading in Seven Group shares relative to its peers is unwarranted or irrational. It is likely to reflect the strong earnings performance across Seven Group's Industrial Services businesses. The FY24 EBIT guidance has been materially upgraded from "high single digit EBIT growth" prior to August 2023 to "20-25% growth" by mid February 2024. None of the peers have had such a material upgrade in earnings guidance over the same period.

Another lens through which to evaluate Seven Group's share price performance is to compare it to Boral's share price performance since the offer period for Seven Group's original takeover offer lapsed in July 2021. The graph below illustrates the relative share price performance of the two companies since 30 July 2021:

SEVEN GROUP VS BORAL

30 JULY 2021 TO 15 MARCH 2024



Source: IRESS

While the direct relevance is arguably limited (given the extent of Seven Group's other businesses), it does not suggest any degree of abnormal trading in Seven Group shares.

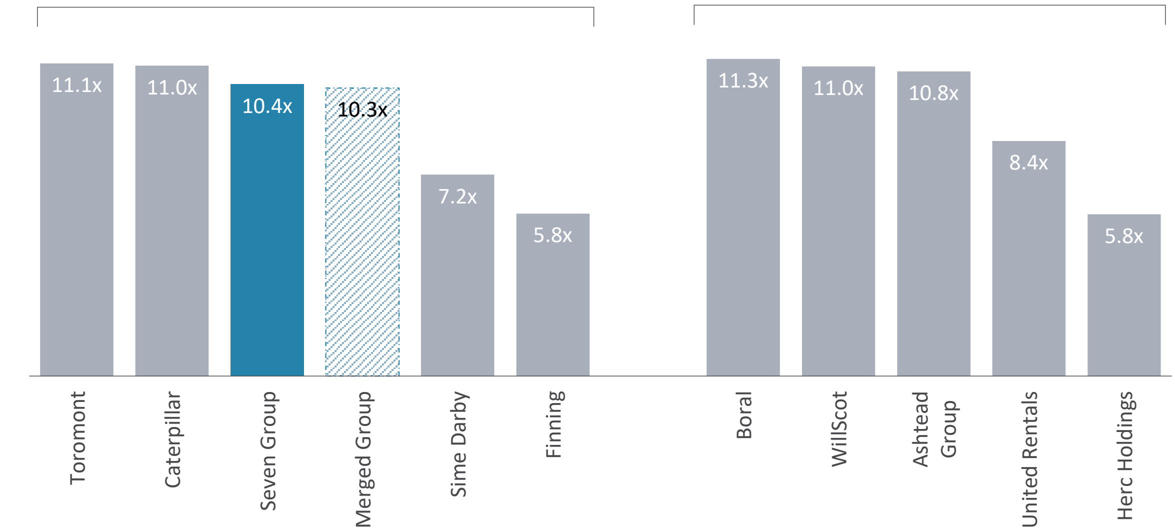
Seven Group Market Ratings Compared to its Peers

Seven Group's and the Merged Group's (assuming 100% ownership of Boral is achieved) market ratings (in terms of forecast 2024 EBITDA multiples[40], forecast dividend yields and gearing) relative to selected peers are illustrated below:

40 All of the listed entities have a 31 December year end except Seven Group (30 June), Sime Darby (30 June), Boral (30 June) and Ashtead Group plc (30 April). Forecast EBITDA multiples and dividend yields for all of the listed entities are for FY24 or 2024 (as appropriate).

SELECTED LISTED PEERS

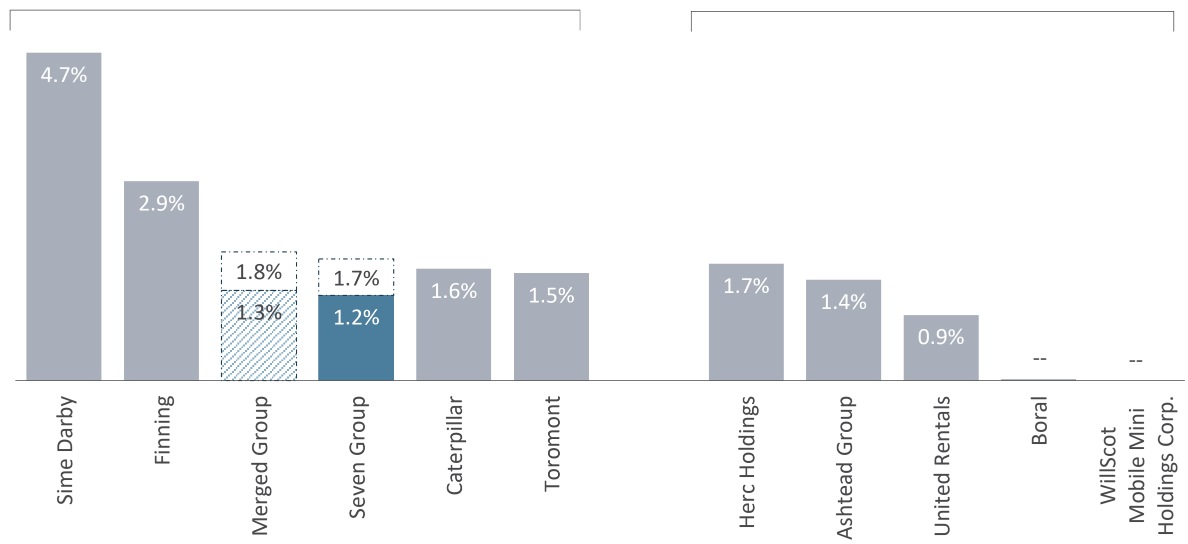
FORECAST EBITDA MULTIPLES[41]



Source: Grant Samuel analysis

SELECTED LISTED PEERS

FORECAST DIVIDEND YIELDS[41,42]



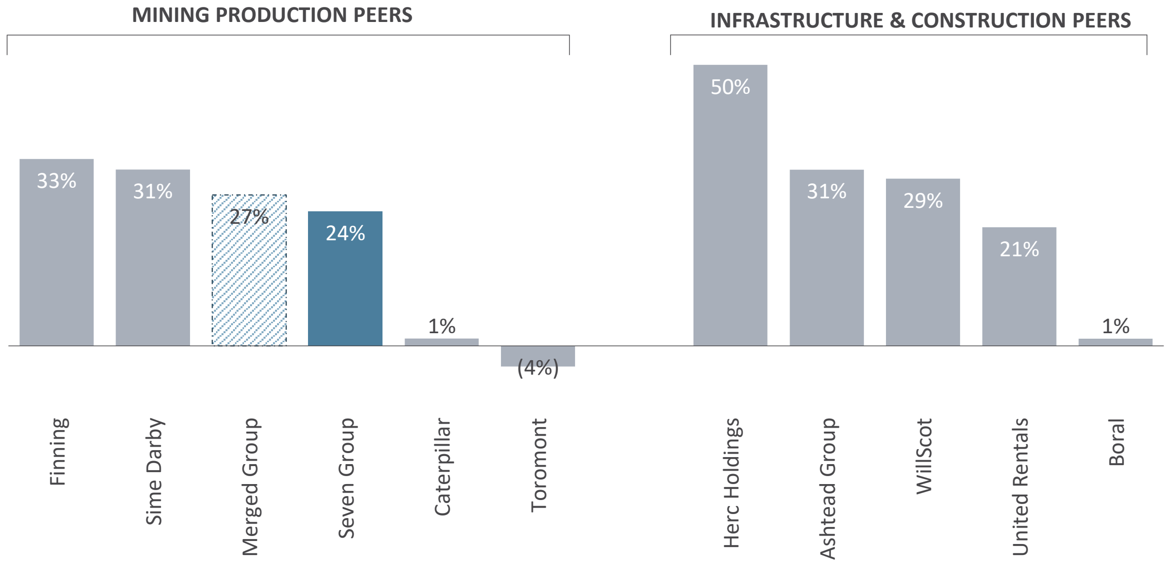
Source: Grant Samuel analysis

41 Based on sharemarket prices at 29 February 2024 except for Boral (standalone) and Seven Group (standalone) which are based on sharemarket prices at 16 February 2024 (the last trading day prior to announcement of the Seven Group Offer).

42 Seven Group and Merged Group dividend yields are adjusted to reflect the incremental yield from franking credits. With the exception of Boral (which has a zero dividend yield), no other selected peer would benefit from such an uplift.

SELECTED LISTED PEERS

GEARING (NET BORROWINGS / ENTERPRISE VALUE) [41,43]



Source: Grant Samuel analysis

Each of the listed peers offers equipment or raw material solutions (e.g. heavy construction materials in the case of Boral) for either mining production end markets or infrastructure and construction end markets. However, there are still significant differences among the peers in terms of their:

- scale. Caterpillar is by far the largest of the peers and has a market capitalisation of approximately US$165 billion ($260 billion). Its scale contrasts starkly with other smaller (but still large) companies such as Boral, Finning International Inc. ("Finning") and Herc Holdings Inc. ("Herc Holdings"), which each have market capitalisations of less than $10 billion;
- geographic exposure, as each of these companies (with the exception of Sime Darby Berhad ("Sime Darby")) primarily operate in either Australia, the United States, Canada or Europe (albeit in different markets). Sime Darby principally operates in Asia Pacific markets including China and Malaysia (Australia and New Zealand account for just around 30% of revenue); and
- diversification, as Sime Darby is one of the largest authorised distributors of Caterpillar products (particularly across the Asia Pacific) but nearly 70% of its revenue is derived from its automotive dealership and aftermarket services division.

The analysis shows that:

- forecast EBITDA multiples are generally in the range 10-11 times, excluding outliers which appear to be trading at a discount due to factors including:
  - higher near term capital expenditure requirements (e.g. United Rentals and Herc Holdings);
  - relatively higher gearing levels (Herc Holdings); and/or
  - relative lack of scale (e.g. Finning, which also has the lowest EBITDA margins among the peer group).

  There does not appear to be a significant difference in forecast EBITDA multiples between peers exposed to mining production and those exposed to infrastructure and construction end markets. The

43 Gearing is based on the latest publicly available net borrowings for each listed entity at the date the market capitalisation is calculated. For most of the listed entities net borrowings is at 31 December 2023.

Merged Group pro forma forecast EBITDA multiple (post synergies) is consistent with this range and is not materially different to Seven Group's current rating;

- the Merged Group dividend yield sits around the middle of the range along with that of Seven Group. Seven Group has not indicated any change to its approach for paying dividends and expects to "maintain the payment of fully-franked dividends per share through the cycle with a view to increasing the dividend over the long-term".

  To enable equivalent comparison, the forecast dividend yields for both Seven Group and the Merged Group have been grossed up for franking credits as Seven Group has historically paid fully franked dividends; and

- the majority of peers have relatively modest gearing ratios (based on the market value of equity). Excluding outliers, gearing ratios are generally around 20-30%. The Merged Group pro forma gearing ratio sits within this range. It is higher than Seven Group's standalone gearing ratio as a result of the incremental debt required to fund the cash component of the consideration (assuming 100% ownership of Boral is achieved).

Based on the above analysis, there is no evidence to suggest that Seven Group is trading on a basis materially out of line with the market or its peers.

Broker Target Prices

Broker target prices are generally estimates by analysts of the trading price of shares in 12 (and sometimes up to 18) months' time.

The broker estimates set out below were published after Seven Group's 1HY24 results were released to the market. Excluding outliers, the broker target trading prices are generally within a reasonably tight range of $39.00 to $42.10, with a median of $40.10:

SEVEN GROUP – LATEST BROKER TARGET PRICES AND RECOMMENDATIONS

BROKER	DATE OF LAST REPORT	TARGET PRICE	STOCK RECOMMENDATION[44]
Broker 1	14-Feb-24	$34.50	Buy
Broker 2	14-Feb-24	$40.15	Hold
Broker 3	14-Feb-24	$42.10	Buy
Broker 4	15-Feb-24	$30.50	Underperform
Broker 5	14-Feb-24	$40.10	Buy
Broker 6	14-Feb-24	$44.30	Buy
Broker 7	14-Feb-24	$39.00	Hold
Broker 8	14-Feb-24	$42.10	Hold
Broker 9	19-Feb-24	$39.43	Outperform
Low		*$30.50*	
High		*$44.30*	
Median		***$40.10***	

Source: Brokers' reports and Grant Samuel analysis

The median target price of $40.10 represents a slight discount to Seven Group's closing price immediately prior to announcement of the Seven Group Offer. While Seven Group is currently trading above the broker target prices, it must be noted that the target prices do not assume that the remainder of Boral is acquired.

[44] Different broker's use different terminology for stock recommendations. The stock recommendations in the table are shown on an equivalent basis (i.e. hold is the same as market perform, sector perform, equal weight and neutral).

Liquidity

Average share trading metrics for Seven Group shares over various periods prior to and following announcement of the Seven Group Offer on 19 February 2024 are summarised below:

SEVEN GROUP – SHARE TRADING

PERIOD	AVERAGE WEEKLY VOLUME ('000 SHARES)	AVERAGE WEEKLY TRANSACTIONS
PRIOR TO ANNOUNCEMENT		
17 February 2023 to 16 February 2024 (one year prior to announcement of Seven Group Offer)	3,570	56,453
17 August 2023 to 16 February 2024 (six months prior to announcement of Seven Group Offer)	4,329	72,055
17 November 2023 to 16 February 2024 (three months prior to announcement of Seven Group Offer)	4,493	79,555
17 January 2024 to 16 February 2024 (one month prior to announcement of Seven Group Offer)	5,209	97,670
12 February 2024 to 16 February 2024 (one week prior to announcement of Seven Group Offer)	7,151	134,248
POST ANNOUNCEMENT		
19 February 2023 to 15 March 2024 (post announcement of Seven Group Offer)	10,573	112,766

Source: IRESS and Grant Samuel analysis

Seven Group is a reasonably liquid stock despite the 57% shareholding of Kerry Stokes and his associates. It is a member of a number of major sharemarket indices such as the S&P/ASX 100 Index and S&P/ASX 200 Index. It is also the second largest member of the S&P/ASX 200 Capital Goods Index. The shares other than those controlled by Kerry Stokes and his associates have a market capitalisation of over $6 billion.

While an argument can be made that the substantial interest held by Kerry Stokes and his associates may be an impediment to trading activity (at least for some), there is evidence that Seven Group shares have reasonable amounts of liquidity:

- average weekly volume over the 12 months prior to announcement of the Seven Group Offer represented approximately 1.0% of average shares on issue (or around 2.3% excluding the shares held by Kerry Stokes and his associates, which is equivalent to average annual turnover of around 119%.); and
- the market value of shares traded over that period is in excess of $100 million a week (over the 12 month period leading up to announcement of the Seven Group Offer) and increasing to nearly $200 million a week in the month leading up to the announcement (across nearly 100,000 transactions a week). These are still substantial quantums that suggest an active market for Seven Group shares.

Moreover, there has been no change in the holdings of Kerry Stokes and his associates since April 2021 (nor have they flagged any intention to either increase or decrease their holding in Seven Group). Given their controlling interest in 57% of Seven Group shares, any movement in their holdings (or any intention signalling to buy or sell more Seven Group shares) may cause an increased level of trading activity (at least temporarily) in Seven Group shares that may impact its share price. There is no evidence that these factors are currently present.

The step up in trading activity post announcement of the Seven Group Offer is largely the result of significant amounts of trading that occurred on 29 February 2024 when nearly 5% of the outstanding shares, or around 12% of free float, changed hands but did not materially impact the price (see Section 7.3 for further discussion). Excluding volumes from this day, trading activity for Seven Group shares appears broadly in line with the pre-announcement period.

Based on this evidence, there is no obvious reason to believe that there is any abnormal trading activity in Seven Group shares.

Non Public Information

Under ASX Listing Rules, Seven Group is required to keep the market informed of events and developments in a timely manner as they occur. Once Seven Group becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, it must inform the market of that information.

Seven Group announced its financial results for 1HY24 (which incorporated disclosure of subsequent events of note and FY24 outlook statements) on 14 February 2024. Seven Group also disclosed its announcement of the Seven Group Offer on 19 February 2024 (which incorporated a Bidder's Statement and was accompanied by an ASX announcement and investor presentation).

Consequently, there is no reason to consider that any information relating to Seven Group's existing business that would have a material impact on its share price has not been publicly disclosed.

7.4 Impact of Seven Group Offer on Seven Group

Overview of Implications

The Seven Group Ofer has no impact on Seven Group's business profile. From a financial perspective, it already has control over Boral and consolidates Boral (on a 100% basis) in its financial statements. It is simply buying out the 28% minority in exchange for equity in Seven Group (converting a "non-controlling interest" into equity in Seven Group) plus cash (increasing borrowings by approximately $700 million, assuming 100% ownership).

Nevertheless, the acquisition has a number of benefits for Seven Group in that it:

- represents the next logical step in Seven Group's acquisition of Boral, which began with an initial substantial shareholding in 2020 and, over the next year, turned into a controlling interest following an off market takeover offer for 100% of the company;
- assuming it achieves 100% ownership, creates a more efficient holding of Boral as it provides Seven Group with absolute control and unfettered access to Boral's cash flow; and
- increases the free float, liquidity and index weighting of its shares. If the Seven Group Offer results in the acquisition of 100% of Boral, the free float percentage would increase from around 43% currently to around 50%.

At the same time, these benefits are neither quantifiable nor testable.

Financial Implications

In its Bidder's Statement, Seven Group has provided estimated pro forma FY23 financial statements assuming that the Seven Group Offer had been implemented on 30 June 2022 (financial performance) and 30 June 2023 (financial position).

Selected pro forma financial metrics are summarised below:

PRO FORMA IMPACT OF SEVEN GROUP OFFER ON SEVEN GROUP'S FINANCIAL PARAMETERS

	SEVEN GROUP ACTUAL	PRE SEVEN GROUP OFFER PRO FORMA[45]	MERGED GROUP PRO FORMA (PRE SYNERGIES)	MERGED GROUP PRO FORMA (POST SYNERGIES)
Weighted average number of shares (basis)	*363.3*	*363.3*	*399.0*	*399.0*
Financial performance for FY23				
Total revenue	9,626.5	9,626.5	9,626.5	9,626.5
Operating EBITDA	1,496.5	1,496.5	1,496.5	1,499.5
Operating EBIT	991.5	991.5	991.5	994.5
NPAT from continuing operations	656.4	701.4	668.0	670.1
NPAT attributable to Seven Group shareholders	596.6	635.7	651.7	653.8
KEY STATISTICS				
Basic EPS	*$1.66*	*$1.75*	*$1.63*	*$1.63*
Dividends per share	*$0.46*	*$0.46*	*$0.46*	*$0.46*
EBITDA margin	*15.5%*	*15.5%*	*15.5%*	*15.6%*
Interest cover	*3.5x*	*3.6x*	*3.1x*	*3.1x*
Financial position at 30 June 2023				
Total assets	13,629.9	13,695.8	13,654.0	13,654.0
Total liabilities	(9,014.6)	(8,759.8)	(9,506.7)	(9,506.7)
Net borrowings (excluding leases)	(4,016.7)	(3,732.9)	(4,535.0)	(4,535.0)
Net assets	4,615.3	4,936.0	4,147.3	4,147.3
Non-controlling interests	(705.0)	(956.2)	23.5	23.5
Net assets attributable to Seven Group shareholders	3,910.3	3,910.3	4,170.8	4,170.8
NTA	2,393.1	2,713.8	1,925.1	1,925.1
KEY STATISTICS				
NTA per share	*$6.59*	*$7.47*	*$4.83*	*$4.83*
Net borrowings / operating EBITDA	*2.7x*	*2.5x*	*3.0x*	*3.0x*
Leverage ratio[46]	*2.2x*	*2.0x*	*2.4x*	*2.4x*
Gearing (ex leases) (based on book value of equity)	*47%*	*43%*	*52%*	*52%*

Source: Seven Group Bidder's Statement and Grant Samuel analysis

The pro forma analysis indicates that the Seven Group Offer has the following impacts on Seven Group:

- it will not have a significant impact on Seven Group's consolidated financial statements. Boral is already consolidated in Seven Group's financial statements. If Seven Group successfully acquires 100% of Boral shares, the non-controlling interest relating to Boral will be removed from Seven Group's consolidated financial statements and replaced by additional equity in Seven Group and debt (circa $700 million).

  To the extent the Seven Group Offer does not reach the compulsory acquisition threshold, the non-controlling interest will be reduced proportionately to reflect the interest that Seven Group does not own;

- the direct financial benefits (in the form of synergies) are expected to be immaterial, as Seven Group expects only to be able to reduce Boral's compliance and listing costs by around $3 million per annum (around 0.2% of the Merged Group's pro forma operating EBITDA). These savings primarily relate to various corporate costs that will no longer be incurred by Boral (e.g. annual listing fees, director's fees,

45 Pre transaction pro forma financial information is based on Seven Group's FY23 results adjusted for the 1% sell down in Boral shares and the $250 million exchangeable bond raising (as reported in the Bidder's Statement).

46 Leverage is calculated as net borrowings divided by last 12 months of EBITDA ($1,864 million).

share registry costs, annual general meeting and investor relations costs, and directors and officers insurance). Accordingly, the pro forma Merged Group financials are largely unchanged on a pre synergy or post synergy basis;

- it is slightly dilutive to pro forma FY23 EPS (from continuing operations) due to the higher price earnings ratio of Boral compared to Seven Group;
- pro forma gearing at 30 June 2023 (based on the book value of equity) increases from 43% to 52% and pro forma leverage increases from 2.0 times to 2.4 times[47], remaining within Seven Group's target of less than 2.5 times. Pro forma interest cover also falls from 3.6 times to 3.1 times. The higher indebtedness of the Merged Group reflects the incremental debt Seven Group will need to fund the cash component of the Seven Group Offer; and
- pro forma NTA per share at 30 June 2023 falls from $7.47 to $4.83 as a result of the goodwill recognised on the acquisition of Boral.

Seven Group has not disclosed its intentions for future dividends or a formal dividend policy. Seven Group has a track record of maintaining fully franked dividends through the cycle (since at least FY11) with a view to increasing the dividend over the long term.

If the Seven Group Offer does not result in the full ownership of Boral (i.e. less than 90.6% is acquired), Seven Group may not fully realise the synergy benefits of the transaction (especially if Boral remains an ASX listed entity). Partial ownership may also have some implications on the financial metrics (e.g. continued recognition of a non-controlling interest (albeit smaller), less EPS dilution and less gearing required to fund the cash component of the Seven Group Offer.

In any event, the pro forma financial information has been in the public domain since 19 February 2023 and, accordingly, any effects are likely to have been incorporated into the Seven Group share price since that date.

7.5 Assessed Value of the Consideration

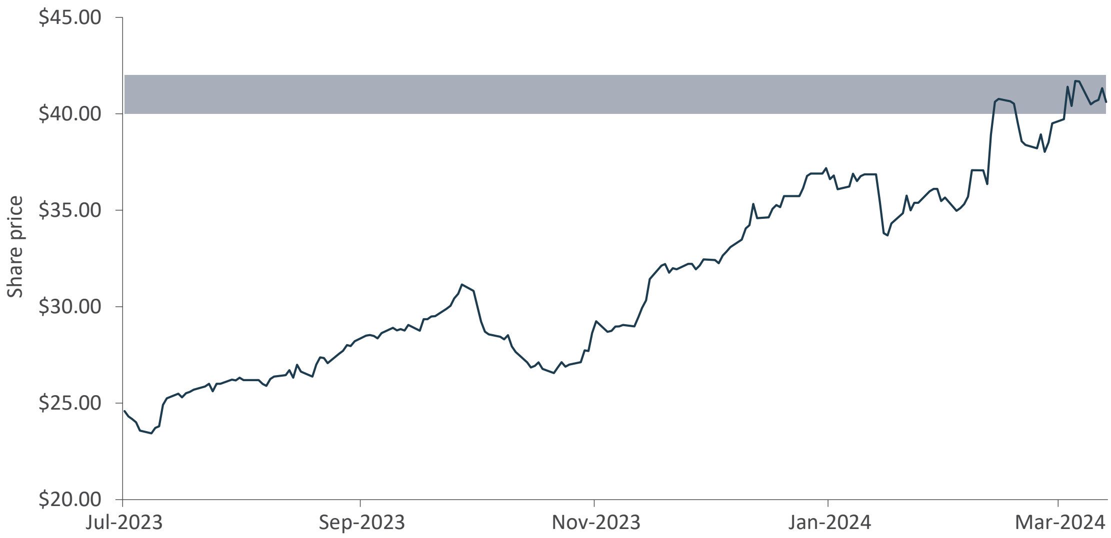
Based on the analysis set out in Sections 7.3 and 7.4, Grant Samuel believes it is reasonable to adopt the "default" position of utilising a value in line with the current share price of Seven Group as a basis for attributing a value to the scrip component of the Seven Group Offer.

Accordingly, Grant Samuel has adopted a Seven Group share price in the range $40.00-42.00. This range is compared to recent trading in the chart below:

[47] Pro forma leverage ratios differ from the figures disclosed in Seven Group's Bidder's Statement which have been calculated based on 31 December 2023 net borrowings.

ASSESSED VALUE OF SEVEN GROUP SHARE PRICE VS HISTORICAL SEVEN GROUP SHARE PRICE

1 JANUARY 2023 TO 15 MARCH 2024



Source: IRESS

Nevertheless, there are reasons to be cautious as to the sustainability of this price level:

- the current price and the range are effectively "all time" highs for the Seven Group share price and have only been reached in the last few weeks. The price was less than $30 as recently as November 2023 (and was less than $25 in July 2023);
- the share price is ahead of very recent broker target prices which have a median of $40.10 (albeit marginally);
- with a fully franked dividend yield of a little over 1% (based on recent dividends of 46 cents per share), the share price is not supported by dividends (in the way that a share with a yield of, say, 4-5% might be); and
- Seven Group's business performance is sensitive to factors such as mining output and investment, interest rates, building costs and government expenditure on construction.

Shareholders should therefore closely monitor the Seven Group share price during the offer period until the Seven Group offer closes. There is no guarantee, and Grant Samuel does not warrant, that the share price, and therefore the value of the consideration will remain within the range adopted. Share prices are inherently volatile and can move materially up or down in response to both external events and/or company specific news.

8 Evaluation of the Seven Group Offer

8.1 Conclusion

In Grant Samuel's opinion, the Seven Group Offer is not fair. It is also not reasonable although the judgement is finely balanced and:

- **for non associated shareholders with a low tolerance for risk there is a case for accepting the offer; and**
- **the conclusion may change if circumstances change.**

8.2 Fairness

Value of Boral

Grant Samuel has estimated the full underlying value of Boral to be in the range $7.2-7.9 billion, which corresponds to $6.50-7.13 per share. The value is the aggregate value of Boral's business operations (net of corporate overheads) and the surplus property portfolio together with the realisable value of other non-trading assets less external borrowings and non-trading liabilities.

In particular:

- the valuation is (as required by ASIC's RG111), an estimate of the value per share that could be realised for 100% of Boral assuming that it was freely able to be sold to any potential acquirer;
- the value of Boral's business operations of $6.0-6.5 billion has been estimated having regard to a high level DCF analysis and a capitalisation of earnings analysis (EBIT and EBITDA).

  The valuation takes into account the strengths, weaknesses, market position and track record of Boral as well as the inherent risks associated with operating in the construction sector (e.g. cyclicality). In this context:

  - the refreshed strategy appears to be working. Boral continues to execute a turnaround of the business that commenced in 2022. Improved cost and pricing discipline across the business operations has lifted financial performance materially over the last 18 months;
  - construction activity in the RHS&B end market is expected to remain robust (at least for the next 2-3 years). While the residential market has exhibited some short term weakness in key metrics (e.g. building approvals) there are fundamental drivers of growth over the medium term (e.g. shortage of supply) underpinned by strong support from federal and state governments; and
  - the company is arguably in the best position it has been in years (from a balance sheet perspective) to reinvest in the business or capitalise on growth opportunities.

  On the other hand:

  - the construction sector remains susceptible to cyclicality that results in swings in demand and construction activity. Given the operating leverage inherent in the business, a downcycle should naturally lead to weaker profitability (albeit the reverse is also true on the upside);
  - some uncertainty remains in the macroeconomic environment (e.g. interest rates and inflation, particularly for building costs) that threaten to delay (or worsen) the near term improvements for construction activity; and
  - it is not clear whether Boral can sustain further cost outs to protect profitability through the cycle as some of the "easy pickings" may have already been identified.

  Grant Samuel determined an appropriate value range for Boral's business operations taking into account the NPV outcomes of various DCF scenarios and market evidence from other methodologies (i.e. multiples of earnings for comparable transactions and comparable listed companies). The value is not based on any one scenario or set of assumptions; and

- the value of Boral reflects an estimated value for the surplus property portfolio of $1.4-1.6 billion. The valuation takes into account a desktop NPV analysis of three development sites (Donnybrook, Scoresby and Deer Park Northern Lands) and an independent indicative assessment report prepared by Colliers for the remaining properties.

  However, arriving at an estimated value range for the property portfolio requires a number of subjective judgements in relation to the:

  - risk inherent in property development. The developments are expected to occur over a long period (more than 10 years) and it is extremely difficult to predict rent, selling price and costs this far out. Moreover, many of the sites do not have the relevant zoning and other planning approvals in place and these represent a significant risk factor;
  - impact that a very narrow investor universe and potential capital requirements would have on a sale process for large scale assets; and
  - appropriate "scaling" to determine a discount rate when assessing risks along a very wide spectrum as, while the gating process for a development may be common to all projects (e.g. rezoning, approvals, rehabilitation, etc.), the circumstances for each project will inevitably be unique.

  Some of these projects have significant latent value but these have been risk adjusted due to the outstanding conditions and execution risks that still need to be addressed.

  Accordingly, the values are subject to considerable uncertainty and realised values could easily fall outside the estimated value range.

The value range of $6.50-7.13 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 the Seven Group Offer (or speculation as to a takeover offer).

The valuation is set out in Section 5 of this report.

Assessed Value of the Consideration

Under the Seven Group Offer, Boral shareholders will receive, for each Boral share held, a minimum consideration of:

- 0.1116 Seven Group shares; plus
- $1.50 cash.

The minimum total consideration will be increased by:

- $0.10 cash per share, if either Seven Group reaches an aggregate interest of at least 80% or the Boral Board unanimously recommends that shareholders accept the Seven Group Offer; and
- a further $0.10 cash per share, if Seven Group reaches the 90.6% compulsory acquisition threshold.

RG111 requires that the expert assess the value of the consideration as a minority interest as that is what the target shareholder is receiving. As a result, scrip consideration is typically valued with reference to its market trading price rather than the underlying value of the bidder's securities. Grant Samuel has attributed a minimum value of $5.96-6.19 per Boral share to the consideration based on:

- an estimated market value for Seven Group shares of $40.00-42.00 reflecting recent trading; and
- the minimum cash consideration of $1.50 per share.

Based on the estimated value of the scrip component of the consideration noted above, the consideration under the Seven Group Offer including the conditional payments is:

ASSESSMENT OF THE CONSIDERATION UNDER THE SEVEN GROUP OFFER

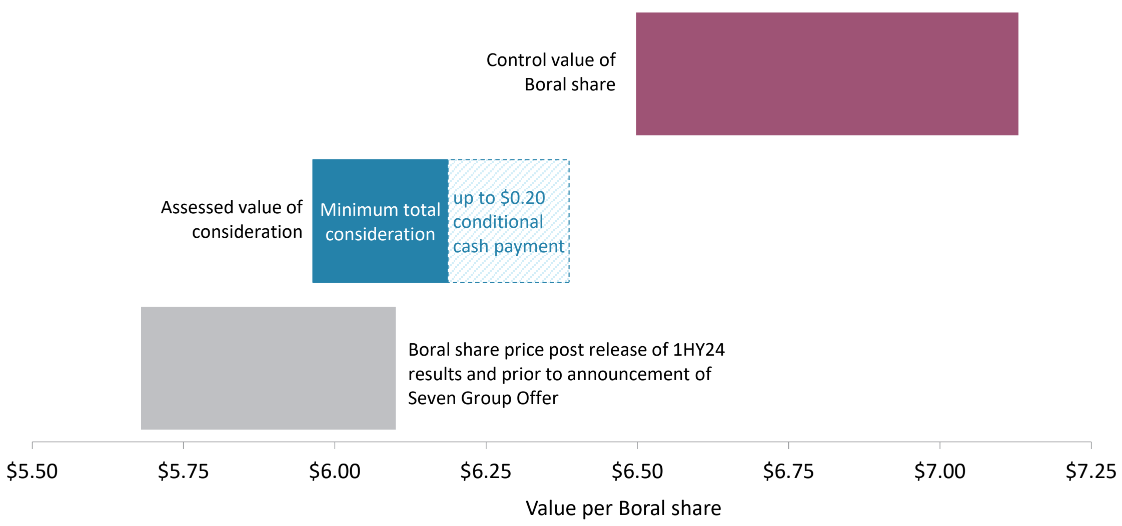
COMPONENT	VALUE OF THE CONSIDERATION		
	MINIMUM CONSIDERATION ($1.50 CASH PER SHARE)	INCL FIRST CONDITIONAL PAYMENT ($1.60 CASH PER SHARE)	INCL SECOND CONDITIONAL PAYMENT ($1.70 CASH PER SHARE)
Assessed value per Seven Group share	$40.00 – 42.00	$40.00 – 42.00	$40.00 – 42.00
Exchange ratio	0.1116	0.1116	0.1116
Value of scrip component	**$4.46 – 4.69**	**$4.46 – 4.69**	**$4.46 – 4.69**
Cash component	$1.50	$1.60	$1.70
Total value of the consideration	**$5.96 – 6.19**	**$6.06 – 6.29**	**$6.16 – 6.39**

The assessment of the value of the consideration is set out in Section 6 of this report.

Analysis and Conclusion

The value attributed to the consideration compared to Grant Samuel's estimate of the full underlying value of Boral is illustrated in the chart below:

BORAL – COMPARISON OF VALUE RANGE



In evaluating the fairness of the Seven Group Offer, the bottom of the value range for Boral (i.e. $6.50 per share) represents the relevant threshold for fairness. Usually (and particularly for a cash offer), the value of the consideration would only need to be above the bottom end of the value range for the transaction to be "fair".

However, the Seven Group Offer is predominantly a scrip offer and Grant Samuel's assessment of the value of the consideration is based on a range of trading values for Seven Group shares. Fairness in these circumstances would require a meaningful degree of overlap with the value range for Boral.

Accordingly, the Seven Group Offer is not fair.

8.3 Reasonableness

Even when an offer is "not fair" it may still be reasonable in some circumstances. In the context of the Seven Group Offer, assessing reasonableness is a complex and challenging task and the conclusion could vary depending on the evolving circumstances of the offer (such as the level of acceptances) and the risk appetite and other preferences of each non associated shareholder.

Background Factors to Consider

PREMIUM FOR CONTROL

Takeover transactions are commonly analysed by reference to the extent of the control premium being paid by the acquirer relative to the pre-bid share price. 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 PRICE/VWAP	PREMIUMS		
		BASED ON ASSESSED VALUE RANGE OF CONSIDERATION (MINIMUM)	BASED ON ASSESSED VALUE RANGE OF CONSIDERATION (MAXIMUM)	BASED ON SEVEN GROUP'S LATEST SHARE PRICE
Closing price on 16 February 2024	$5.85	1.9-5.8%	5.4-9.2%	5.2-8.6%
1 week prior to 16 February 2024	$5.78	3.2-7.1%	6.7-10.5%	6.5-10.0%
1 month prior to 16 February 2024	$5.56	7.4-11.4%	11.0-15.0%	10.8-14.4%
3 months prior to 16 February 2024	$5.30	12.5-16.7%	16.2-20.4%	16.0-19.8%
6 months prior to 16 February 2024	$4.97	20.0-24.5%	24.1-28.5%	23.8-27.9%
12 months prior to 16 February 2024	$4.47	33.5-38.5%	38.0-43.0%	37.8-42.2%

The level of premiums observed in takeovers varies depending on the circumstances of the target and other factors (such as the potential for competing offers) but tend to fall in the range 20-35%. The premiums for control implied by the Seven Group Offer fall below this range for pre-announcement prices measured over periods less than three months.

In this context, it is the premium measured over the more recent periods (rather than three or more months) that is the more relevant benchmark for Boral shareholders. The 1HY24 results released on 9 February 2024 were very positively received by the market and resulted in analysts upgrading their forecast earnings. Share prices before this date would not have reflected this outlook. Accordingly, the primary benchmark for considering the premium should be the closing price on 16 February 2024 and the VWAP for the prior week. The table demonstrates that the premium on this basis is around 10% or less even assuming the maximum consideration.

SEVEN GROUP'S EXISTING SUBSTANTIAL HOLDING IN BORAL

As at the date of this report, Seven Group has a relevant interest in Boral of 71.65% (comprising a physical shareholding of 65.4% and a further interest of 6.2% under a physically settled equity swap). Since opening the offer facility on 4 March 2024, Seven Group has acquired additional shares on market (representing around 0.50% of Boral outstanding shares).

Seven Group's relevant interest in Boral is an impediment to any alternative proposal. It means that another acquirer will not succeed without Seven Group's "blessing".

SEVEN GROUP OFFER IS "BEST AND FINAL" AND UNCONDITIONAL

Seven Group has declared its offer as "best and final" and will not acquire Boral shares for an amount above $6.25 a share for at least 12 months following the close of the offer period. There is no minimum acceptance condition and accordingly Seven Group's relevant interest in Boral could ultimately be anywhere between 71.65% and 100%.

SEVEN GROUP INTENTIONS

Seven Group has stated that irrespective of the outcome of the Seven Group Offer, it intends to:

- restructure the board of Boral so that its representation is commensurate with its interest (currently over 70%) and only have sufficient independent directors to satisfy ASX Listing Rules requirements; and
- have Boral removed from the official list of the ASX as soon as it is able to (subject to, among other things, the requirements of the ASX Listing Rules).

ACCEPTANCE FACILITY

Shareholders who wish to accept the Seven Group Offer can either:

- accept the offer and receive their shares in Seven Group and cash within seven days; or
- utilise the acceptance facility in which case their acceptance does not become effective until Seven Group obtains an 80% interest in Boral.

Assessment and Opinion

In Grant Samuel's opinion, the Seven Group Offer is not reasonable.

Non associated shareholders could be justified in rejecting the offer and retaining their shares. In this context, those shareholders who rejected Seven Group's 2021 offer of $6.50 (raised eventually to $7.40) have benefited with the current offer providing a value (at the top end) equivalent to around $9.00 per share (the offer value of around $6.39 plus the 2022 capital return of $2.65, or $2.72 including the dividend).

The case is essentially that:

- the Seven Group Offer even including the potentially increased consideration provides a very modest premium (less than 10%) over the pre-announcement Boral share price and it represents a discount of around 11% based on the midpoint of the value range for Boral and the midpoint of the assessed value range of the minimum total consideration (and a discount of around 8% inclusive of the two conditional payments);
- even assuming Boral does not pay dividends, the dividend yield on the Seven Group shares receivable as consideration of a little over 1% provides no meaningful benefit;
- shareholders may have elected to invest in Boral because of its concentrated exposure to the Australian construction materials market (at least since the divestments of 2021) and value Boral's large privileged upstream position in aggregates. They may see little benefit in the diversification of Seven Group (which they can efficiently achieve for themselves). In this regard, with the other M&A activity currently occurring in the sector, there may be limited alternative opportunities for a direct, high quality and focussed exposure to Australian construction materials;
- there is considerable value upside if:
  - Boral can remain on track with its current turnaround, even if future gains are likely to be incremental rather than transformational; and/or
  - Boral can continue to progress its surplus property "realisation/monetisation" program. The property values are, in some cases, discounted as a result of the lack of necessary zoning and planning approvals and the time expected to be required to obtain them. If rezoning and other

critical gating items can be successfully achieved, project risks are materially reduced and the positive impact on value would be significant;

- if Seven Group does not achieve the compulsory acquisition threshold (90.6%), there is potential for further "buy out" attempts down the track (albeit not above $6.25 for at least 12 months following the close of the offer period). Seven Group has clearly demonstrated its interest in moving to 100% ownership of Boral; and
- there is uncertainty regarding the value of the Seven Group Offer. For the purposes of the analysis, Seven Group shares have been attributed a value of $40.00-42.00, in line with current trading. However, it needs to be recognised that in addition to the inherent volatility of share prices, there are reasons to be cautious about the price of Seven Group shares:
  - the current price and the range are effectively "all time" highs for the Seven Group share price and have only been reached in the last few weeks;
  - the share price is ahead of recent broker target prices;
  - the share price is not supported by dividends (as they currently yield a little over 1% based on recent dividends of 46 cents per share); and
  - Seven Group's business performance is sensitive to factors such as mining output and investment, interest rates, building costs and government expenditure on construction.

There are, of course, significant risks in deciding to remain a shareholder in Boral:

- the business is inherently cyclical and is exposed to downturns in both volume and prices and inflationary pressures on cost. Volumes may be impacted by slowdowns in government expenditure and/or delays or cancellations of existing projects. Interest rates, labour shortages or building cost inflation could hit residential activity. The industry has demonstrated strong pricing discipline over the last two years underpinning the much improved earnings across the board, but this has not always been the case historically and any softness in volumes could see a deterioration of that discipline;
- having a share price that properly reflects the underlying performance of Boral (and the value of the property assets) partly relies on having an active market for the shares. Realistically, this would require minimal acceptances of the offer by Boral shareholders. If Seven Group increases its holding above, say, 80% or 85% there could be a significant impact on the liquidity of the market for Boral shares which, in turn, could have an adverse impact on the Boral share price. There is no guarantee that it would remain at pre-announcement levels of around $5.80 in these circumstances. Moreover, should the market capitalisation of the remaining interests not held by Seven Group fall below a certain threshold, there may be some indexation issues (i.e. removal from benchmark indices such as the S&P/ASX 200 Index) that would further accentuate issues around liquidity and the share price;
- Seven Group will assert much greater direct control over Boral through changes in board composition. Whether this is a good or bad thing is difficult to judge. There is limited interaction between Boral and Seven Group's other businesses so the direct conflicts may be limited. Nevertheless, there will certainly be a lesser presence of independent voices around the boardroom table;
- Seven Group has indicated that there could be future capital raisings that are dilutive although:
  - if they are pro rata, the dilutionary impact is not really a concern (for shareholders able to participate); and
  - given Boral's financial position, the need for such raisings seems unlikely if Boral continues to perform and does not pursue any major inorganic acquisitions;
- Seven Group has stated that it will seek to delist Boral from the ASX. Such a move would have serious adverse consequences for remaining shareholders and severely limit their ability to realise value for their shareholding. However, whether this is a realistic intention is unclear. Historically, the ASX has

been reluctant to delist companies and has generally only done so in particular circumstances. Boral has nearly 50,000 shareholders and even if most accepted the offer, there would likely be many thousands remaining and being "disenfranchised" (even 15% of the register would represent approximately $1 billion in value). It is also uncertain as to whether Seven Group could vote on the resolution and whether any independent directors would support it;

- despite making the Seven Group Offer, there is no certainty that Seven Group would make a subsequent "mop up" bid at any time in the foreseeable future. Seven Group:
  - will still be able to consolidate Boral's earnings and demonstrably control the business without 100% ownership;
  - has stated it will not acquire shares at a price above $6.25 for at least 12 months following the close of the offer period;
  - has not made any statement regarding an intention to make any subsequent "mop up" offer; and
  - has shown little appetite to acquire shares in Boral at either fair value or a significant premium to market values (as evidenced by both the 2021 offer and the current offer).

  In addition, any future offers may not have any scrip component in which case shareholders would be subject to full capital gains tax upon disposal; and
- Seven Group could use the creep provisions of the Corporations Act (i.e. 3% every six months) to move towards compulsory acquisition even if that took several years (depending on where its holding stood after the close of the Seven Group Offer).

However, there is a case for non associated shareholders that have a low tolerance for risk to accept the Seven Group Offer:

- the Seven Group Offer provides some premium (potentially up to around 10% to pre-announcement trading prices), albeit very modest by market standards;
- the Boral share price may fall back towards pre-announcement levels of around $5.80 post completion of the Seven Group Offer (assuming Seven Group does not achieve 100% ownership) and potentially further depending on the quantum of shares acquired by Seven Group and the resulting impact on trading liquidity;
- there is no prospect of another offer from Seven Group at a price above $6.25 for at least 12 months from completion of the Seven Group Offer;
- there is no realistic prospect of an alternative offer for Boral from a third party;
- shareholders will retain some (albeit reduced by approximately 2/3) exposure to Boral and, through their Seven Group shareholding, benefit from a more diversified set of exposures (primarily to industrial services). Such a less concentrated investment could reduce the shareholder's overall risk profile. However, shareholders could separately acquire Seven Group shares if they so wanted;
- there is little or no prospect of Boral shares paying a dividend until at least 2025 (because of the lack of franking credits). Having regard to the balance sheet position of Boral and the expected earnings and cash flows, payment of a meaningful dividend after 2025 would be a financially affordable prospect but it will depend entirely on the decisions of the (restructured) Boral board. On the other hand, accepting shareholders can expect to receive a dividend on the Seven Group shares issued to them in exchange. However, that dividend represents a fully franked yield of slightly over 1% (based on recent Seven Group dividend payments of 46 cents per annum) so the benefit is arguably marginal; and
- they will not be exposed to any of the risks of remaining a shareholder in Boral including:

- potentially reduced liquidity and resultant weaker share prices (particularly if Seven Group achieves a holding above, say, 80% or 85%);
- potential delisting from the ASX;
- much greater board control by Seven Group; and
- potentially dilutive capital raisings.

If a shareholder is inclined to accept the Seven Group Offer, it needs to be understood that:

- if they accept the offer, they will be assured of receiving the minimum consideration but not of receiving either of the two incremental payments of 10 cents (unless the conditions are met). In this respect, the outcome is dependent on the collective decisions of all the other non associated shareholders. Moreover, they will also not be certain of receiving capital gains tax rollover relief unless Seven Group obtains an interest of at least 80% (which is measured differently for capital gains tax relief purposes from the first conditional payment available under the Seven Group Offer)[48] (see Section 8.4); but
- if they instead utilise the acceptance facility, they will definitely receive the first 10 cent increment but only if Seven Group reaches the 80% threshold. If it does not, they will be left holding Boral shares with all of the attendant considerations;
- even if the first conditional payment becomes payable, shareholders may still not be eligible for capital gains tax rollover relief as the 80% threshold for capital gains tax purposes requires a higher level of acceptances than the 80% trigger for the first conditional payment of $0.10 per share. In either case, shareholders will be liable for capital gains tax on the cash component of the consideration; and
- shareholders will then be exposed to risks relating to the Seven Group share price (see Section 7.5).

Moreover, circumstances could change in a manner which could lead to a change in the opinion as to reasonableness. In particular:

- the Seven Group share price (and therefore the value of the consideration) could increase to the point that it meaningfully overlapped the value range for Boral; and
- the level of acceptances could be such that Seven Group increases its holding to say 85% in which case the benefits of remaining a shareholder could be outweighed by the risks of severely reduced liquidity and the consequent impact on the realisable value of Boral shares (including loss of index inclusion and potential delisting and, more generally, lower trading activity particularly if institutions exit the register). If Seven Group increased its holding to 90.6% then it would proceed with compulsory acquisition of all of the remaining Boral shares (even for those shareholders who have rejected the Seven Group Offer).

It is imperative that non associated shareholders monitor the situation up until the close of the Seven Group Offer.

The essential question for shareholders considering rejection or acceptance of the offer is the trade-off between the potential benefits and the risks outlined above. Ultimately, each shareholder has to decide for themselves.

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[48] The 80% threshold for capital gains tax purposes requires a higher level of acceptances than the 80% trigger for the first conditional payment of $0.10 per share. The issue is complex but essentially Seven Group will start from its shareholding in Boral (i.e. 65.4%) as opposed to its relevant interest of 71.65% as a result of its physically settled equity swaps and the exchangeable bonds held by Seven Group (that are tied to Boral ordinary shares). See Section 10 of the Target's Statement.

8.4 Other Matters

Other factors that non associated shareholders should take into consideration are:

- accepting shareholders will be treated as having disposed of their Boral shares for tax purposes. A capital gain or loss may arise on disposal depending on the cost base for the Boral shares, the length of time held, whether the securities are held on capital or revenue account and whether the shareholder is an Australian resident for tax purposes. Partial scrip-for-scrip rollover relief will be available to Boral shareholders in certain circumstances. If Seven Group acquires an interest of 80% or more in Boral as part of the Seven Group Offer, shareholders who accept the offer may be eligible to choose partial scrip-for-scrip capital gains tax rollover relief (which allows shareholders to defer any capital gains arising on the disposal of their Boral shares to the extent they receive Seven Group scrip as consideration)[48]. No rollover relief will be available for the cash component of the consideration.

  Details of the taxation consequences of the Seven Group Offer are set out in Section 10 of the Target's Statement. If in any doubt, shareholders should consult their own professional adviser;

- the investment grade credit rating of Boral may be downgraded by Moody's (which has already placed Boral's ratings on review for a downgrade as at 20 February 2024). While it is not certain what the outcome of review will be (as it is dependent on the outcome of the Seven Group Offer and Boral's future business strategy and financial policy), a downgrade may have an impact on Boral's access to capital markets and/or cost of debt. At the same time, it must be recognised that Seven Group is unrated and has historically been able to access capital markets as required; and

- if Seven Group does not acquire 100% of Boral, Boral will incur transaction costs of approximately $8 million (including legal and other adviser's fees, as well as printing and mailing costs).

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 the non associated shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to non associated shareholders in relation to the Seven Group Offer, the responsibility for which lies with Boral's Bid Response Committee.

In any event, the decision whether to accept or reject the Seven Group Offer is a matter for individual shareholders based on each shareholder's 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.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Seven Group. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to accept or reject the Seven Group Offer. Shareholders should consult their own professional adviser in this regard.

9 Qualifications, Declarations and Consent

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 585 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Wilson MCom (Hons) CA SF Fin and Jaye Gardner BCom LLB (Hons) CA SF Fin GAICD. Each has a significant number of years of experience in relevant corporate advisory matters. Shaun Yu BBA CFA, Mitchell Skene BEng (Hons) BCom, Aidan Foott BCom LLB (Hons) and Mathew Hildebrand BProfAccg BProfPrac 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 non associated 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 Offer.

Related entities of Grant Samuel have been retained to advise:

- Seven West Media Limited (an ASX listed entity in which Seven Group has a 40.2% shareholding), in relation to the refinancing of its existing debt facilities (completed in November 2023); and
- LOGOS Investment Management Pty Limited ("LOGOS") (a privately held logistics property specialist), in relation to an industrial development on the Deer Park property in partnership with Boral. Comprehensive development agreements between LOGOS and Boral have been signed but, as at the date of this report, they remain subject to the satisfaction of certain conditions precedent (including planning outcomes).

Grant Samuel does not consider these assignments capable of affecting its ability to provide an unbiased opinion in relation to the Seven Group Offer.

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 $1.25 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.

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 material breach of its engagement letter, negligence, wilful misconduct or fraud 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 guilty of material breach of its engagement letter, negligence, wilful misconduct or fraud 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 18 March 2024 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

18 March 2024

Grant Samuel & Associates

GRANT SAMUEL

APPENDIX 1

BROKER CONSENSUS FORECASTS

While Boral has provided guidance in relation to FY24 group EBIT, it has not publicly release detailed earnings forecasts for FY24 or subsequent years. Accordingly, the prospective multiples implied by the valuation of Boral in the Grant Samuel report are based on Boral's FY24 outlook statement and median brokers' forecasts.

Set out below is a summary of forecasts prepared by brokers that follow Boral in the Australian stockmarket:

BORAL – BROKER FORECASTS ($ MILLIONS)

BROKER	DATE	REVENUE		EBITDA		EBIT	
		FY24	FY25	FY24	FY25	FY24	FY25
Broker 1	9 Feb 24	3,805.0	4,050.0		643.0		404.0
Broker 2	12 Feb 24	3,654.0	3,753.0		639.3		409.6
Broker 3	9 Feb 24	3,608.0	3,565.0		610.0		392.0
Broker 4	11 Feb 24	3,690.0	3,866.0		708.0		454.0
Broker 5	11 Feb 24	3,557.7	3,510.5		582.8		351.6
Broker 6	9 Feb 24	3,746.6	4,049.6		673.9		437.4
Broker 7	9 Feb 24	3,638.0	3,765.0		685.0		450.0
Broker 8	4 Mar 24	3,729.0	4,026.0		720.0		495.0
Broker 9	9 Feb 24	3,710.8	3,804.1		623.5		390.7
Broker 10	9 Feb 24	3,721.0	3,828.0		615.0		378.0
Broker 11	9 Feb 24	3,722.0	3,839.0		654.0		420.0
Broker 12	19 Feb 24	3,717.0	3,901.0		629.0		395.0
Broker 13	9 Feb 24	3,725.0	3,883.0		641.0		413.0
Median		***3,717.0***	***3,839.0***	***570.0***	***641.0***	***340.0***	***409.6***
excluding property earnings		*(0.5)*	*(15.0)*	*(0.5)*	*(15.0)*	*(0.5)*	*(15.0)*
excluding share of NPAT from equity accounted investments		--	--	*(24.0)*	*(24.0)*	*(24.0)*	*(24.0)*
Adjusted Median		***3,716.5***	***3,824***	***545.5***	***602.0***	***315.5***	***370.6***

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data, the following should be noted:

- the starting point for FY24 is the disclosure provided by Boral in its outlook statement provided as part of its 1HY24 earnings release that FY24 EBIT is expected to be approximately $330-350 million. The mid point of this range ($340 million) has been adopted for the purposes of this analysis.

  The median broker forecast for depreciation and amortisation in FY24 (of $230 million) has been added to the mid point operating EBIT to determine operating EBITDA of $570 million;

- in relation to the forecasts presented above:
  - the FY24 and FY25 forecasts represent the latest available broker forecasts for Boral following the announcement of its 1HY24 results on 9 February 2024;
  - the median FY24 EBIT forecast provided by brokers is slightly higher than the guidance provided by Boral (at $365 million, across a range of between $350 million and $384 million) but is sufficiently close to Boral's guidance and, in addition, gives some confidence that the basis of its projections for FY25 and beyond can be useful for analytical purposes;

- only six brokers separately disclose forecasts for Boral's Australian operations and its property segment. In any event, the property segment is expected to contribute a negligible proportion of the group's earnings (around $0-1 million to FY24 EBIT and around $10-20 million to FY25 EBIT). Only one broker separately disclosed forecasts for unallocated corporate costs.

  Grant Samuel has adjusted the FY24 and FY25 EBIT to exclude the midpoint of the property contributions;

- as far as Grant Samuel is aware, Boral is currently followed by 13 brokers, all of which are presented above; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that the earnings forecasts:
  - include share of results of equity accounted investments; and
  - do not incorporate any one-off adjustments or non-recurring items.

  Grant Samuel has adjusted the broker forecast EBITDA and EBIT to exclude Boral's forecast share of NPAT from equity accounted investments.

These forecasts are sufficiently close to Boral's internal projections to be useful for analytical purposes.

Attachment 2 - ASX announcements

The following table lists announcements made to the ASX in respect of Boral over the period between 19 February 2024 (following the announcement of the SGH Offer) and the Last Practicable Date.

Date	Title
19 February 2024	Boral recommends take no action to SGH takeover offer
19 February 2024	Change in substantial holding from SVW
4 March 2024	SVW: First Supplementary Bidder's Statement
4 March 2024	SVW: Replacement Bidder's Statement
4 March 2024	Boral recommends take no action to SGH takeover offer
4 March 2024	SVW: Commencement of Dispatch of Replacement Bidder's Stmnt.
4 March 2024	SVW: Offer Declared Unconditional and Improved Payment Terms
4 March 2024	SVW: Second Supplementary Bidder's Statement
4 March 2024	SVW: Establishment of Acceptance Facility for Boral t/o bid
5 March 2024	Change in substantial holding from SVW
5 March 2024	Change in substantial holding from MQG
5 March 2024	Change in substantial holding from MQG (Notice of correction)
6 March 2024	SVW: Completion of Dispatch of Bidder's Statement
18 March 2024	Change in substantial holding from MQG
18 March 2024	Change in substantial holding from SVW
18 March 2024	Change in substantial holding from MQG (Notice of correction)

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Boral information line for the SGH Offer

t: 1800 218 694 (within Australia)
t: +61 1800 218 694 (outside Australia)
w: https://www.boral.com.au/shareholder-information/sgh-takeover-bid

BORAL

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