



ASX RELEASE

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Boral completing its acquisition of Headwaters Incorporated in early May

Boral Limited announced today that the **Federal Trade Commission (FTC)** of the United States **has completed its review** under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, with respect to Boral's proposed acquisition of Headwaters Incorporated and cleared the transaction for closing. This action is the last regulatory clearance required for the acquisition to be completed.

Boral expects that the transaction will close within two business days, and the Headwaters financial results will be consolidated from this time.

A transformative acquisition for Boral

Headwaters has a strong strategic fit with Boral's existing US business, adding significant scale to Boral's US footprint through complementary businesses with improved geographic reach and ability to compete across North America.

The acquisition significantly grows Boral's fly ash business, expands its light building products offering, and doubles the size of Boral's roofing and manufactured stone positions.

Boral is acquiring Headwaters for an aggregate enterprise value of US\$2.6 billion. The acquisition is funded via a **A\$2.1 billion equity raise, which was completed in December 2016**, together with **US\$0.8 billion of debt from a committed bridge acquisition facility and existing cash.**

Boral will maintain its prudent capital structure with a target pro forma net debt to EBITDA ratio of approximately 2.5x and gearing (net debt/net debt + equity) of approximately 30%, following transaction close. **Boral expects to maintain its investment grade credit ratings** after giving effect to the acquisition.

Headwaters and Boral USA come together as Boral North America

Boral USA and Headwaters combined will form **a new division to be named Boral North America – a ~US\$1.8 billion revenue business**, with an expanded product offering, a strong manufacturing and distribution footprint, significantly larger earnings and improved opportunities.

On 28 April, Headwaters reaffirmed its Adjusted EBITDA¹ guidance range for the 12 months ending 30 September 2017 of US\$235 million to US\$250 million.

Boral USA reported US\$25 million² of EBITDA for the first half of Boral's FY2017.³

Together with US\$30 million to US\$35 million of synergies expected to be delivered in year one, and in excess of US\$100 million per annum by year four, Boral North America will be a significant and growing contributor to Boral's Group earnings.

For the remainder of Boral's financial year ending 30 June 2017, Boral expects to consolidate an EBITDA contribution from Headwaters in line with a pro-rata proportion of Headwaters Adjusted EBITDA guidance of US\$235 million to US\$250 million for the 12 months ending 30 September 2017. This translates to an expected EBIT contribution to Boral for FY2017 from Headwaters businesses in the order of approximately US\$20 million to US\$25 million.

The Company plans to use Boral's **carry forward tax losses in the USA against the combined earnings**, subject to meeting the requirements of the US tax code at the time of utilisation, reducing tax payable in the USA and positively impacting cash flow for the next 3-4 years.

¹ Headwaters defines Adjusted EBITDA as income from continuing operations plus net interest expense, income taxes, depreciation and amortization, equity-based compensation, cash-based compensation tied to stock price, goodwill and other impairments, and other non-routine adjustments that arise from time to time.

² Excluding EBITDA from Denver Construction Materials reported under Discontinued Operations in Boral's 1HFY2017.

³ Boral's FY2017 ends on 30 June 2017.

Boral's financial results for Boral North America will be reported under Construction Materials (Fly ash, Block and Denver construction materials) and Building Products (Stone, Roofing, Light Building Products and Windows) as well as the Meridian Brick joint venture, with commentary to be provided on each business unit within the reporting segments. At Boral's results announcement in late August, commentary will also be provided on early synergy performance and Boral's FY2018 outlook for the North American business.

Closing of the transaction remains subject to the satisfaction or waiver of the remaining customary closing conditions set forth in the Merger Agreement.

Integration

David Mariner, President and Chief Executive of Boral North America, will lead a team of experienced executives from both Boral and Headwaters, to integrate the two businesses and deliver the identified synergies.

A dedicated project management office has been established to support the integration and synergy realisation process, and a specialist M&A consulting firm, Pritchett, has been engaged to assist with the process. In addition, Boral's CEO Mike Kane will spend approximately half of his time in the USA during the early years of integration and synergy delivery.

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

"We have been eagerly awaiting the approval from US regulators to allow us to complete the acquisition and to deliver on our strategy. In the meantime, we have continued to develop our integration plans and we are confident in our ability to deliver on the synergy targets we established when the transaction was announced.

"Both organisations are highly aligned strategically and culturally so it's an exciting time as we come together to deliver substantial value for our customers, shareholders and employees.

"This important acquisition strengthens Boral's position as a global building products and construction materials group with three very strong divisions.

"We have our high performing, well-positioned Boral Australia division capitalising on a growing pipeline of infrastructure work and strength in other construction markets. Our fast growing USG Boral business in Asia, Australia and the Middle East is leading the way in product innovation in attractive, high growth markets. And now we have Boral North America, a scaled building products and fly ash business with greater geographic reach, more diverse product offerings and strong growth prospects."

Brian Clark, Boral's Chairman, said:

"On behalf of the Board, I would like to thank shareholders for supporting the strategic rationale of the transaction through their participation in the equity raising.

"Boral's management is focused on integrating the two businesses as efficiently and smoothly as possible and delivering long-term value to shareholders from this transformative acquisition."

For more information about Headwaters Incorporated and Boral's acquisition, refer to Boral's ASX Release dated 21 November 2016.

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