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Dear Sir

Moody's Ratings Update

Moody's Investors Service have today affirmed their issuer rating of 'Baa2' for Boral Limited (ASX: BLD). The outlook on this rating has been revised from stable to negative.

We attach a copy of the Moody's Investor Service Ratings report.

Authorised for lodgment by:



Dominic Millgate
Company Secretary

Rating Action: Moody's affirms Boral's Baa2 ratings; changes outlook to negative

08 Apr 2020

Sydney, April 08, 2020 -- Moody's Investors Service, ("Moody's") has affirmed Boral Limited's Baa2 issuer rating as well as its (P)Baa2 senior unsecured MTN program rating. At the same time, Moody's has also affirmed the Baa2 backed senior unsecured ratings on Boral Finance Pty Limited and Boral Industries Inc.

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The outlooks on all ratings were changed to negative from stable.

RATINGS RATIONALE

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. The building materials sector has been one of the sectors significantly affected by the shock given its sensitivity to consumer demand and sentiment. More specifically, Boral's exposure to residential construction in the US and Australia have left it vulnerable to shifts in market sentiment in these unprecedented operating conditions and Boral remains vulnerable to the outbreak continuing to spread. Moody's regards the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. Today's action reflects the impact on Boral, of the breadth and severity of the shock, and the broad deterioration in credit quality it has triggered.

The change in outlook to negative reflects Moody's expectation for weak earnings given a significant pull back in housing starts in both the US and Australia. In addition, Moody's expects certain nonresidential construction projects to be delayed or canceled as a result of broad weakness in economic demand.

Nevertheless, the ratings affirmation reflects Boral's solid and leading market positions in diverse product lines, including cement, concrete, quarry products, plasterboard, asphalt and roofing products. The rating also benefits from the company's geographic diversification, with operations in Australia, Asia and a significant presence in the US. Moody's also expects Boral to benefit, over the mid-term, from public infrastructure spending as governments look to stimulate economic growth.

For at least the next three months, Moody's expects the coronavirus pandemic will lead to a period of severely reduced demand for Boral's products and supply chain disruptions. Moody's assumes a gradual recovery from the third quarter. However, there are high risks of more challenging downside scenarios, and the severity and duration of the pandemic and social distancing rules remain uncertain.

As a consequence, Moody's expects pressure on Boral's earnings and earnings-based credit metrics such as debt/EBITDA and interest cover ratios.

In terms of corporate governance, Boral has demonstrated prudent financial management over the years.

Boral has a good liquidity profile. The company's primary sources of liquidity include the group's operating cash flow and cash balances of AUD84 million as of 31 December 2019. Liquidity is also supported by a multi-currency syndicated loan facility with a limit of USD750 million maturing on 1 July 2021. This facility was undrawn at 31 December 2019. However, since then, the company has drawn down the facility to repay Swiss notes equivalent to around AUD 221 million which matured in February 2020. Boral has no further near term maturities other than around US\$76 million of USPP notes due in April 2020. Boral has also taken additional measures including the reactivation of its dividend reinvestment plan (DRP). The DRP is fully underwritten for the interim and full year dividend for fiscal 2020. The company sold its Midlands Bricks business late last year. The company expects to receive the proceeds of around AUD82 million in the current quarter.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Boral's ratings could be downgraded if the disruption from the pandemic persists into the second half of the year, supply chain disruptions continue and financing markets remain weak. Any reduction in infrastructure spending by governments, further than expected delays on large projects, significantly weaker housing market conditions, or a meaningful weakening in liquidity could also lead to a downgrade. Moody's expects there could be greater clarity around some of the risk factors over the next couple of quarters which in turn could influence the timing of the next rating action.

Boral's rating is not likely to be upgraded in the near term, given the challenging operating environment. A return to a stable outlook would likely require evidence of a recovery in the operating environment and the company demonstrating it is able to maintain adjusted debt/EBITDA below 3.0x and adjusted RCF/net debt above 20% through the cycle.

The principal methodology used in these ratings was Building Materials published in May 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1158917. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Boral Limited, based in Australia, generates earnings from building and construction materials operations in Australia, the US and Asia. Boral manufactures and distributes a wide range of building and construction materials, including quarry products, cement, fly ash, premix concrete and asphalt, and building products, including pavers, clay and concrete roof tiles, plasterboard and timber.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

At least one ESG consideration was material to the credit rating outcome announced and described above.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on www.moody's.com.

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