



27 October 2020

Boral agrees to sell its 50% share in USG Boral to Knauf as the Company progresses its portfolio review and other key priorities

Boral Limited ("Boral" ASX: BLD) today announced that it has made substantial progress on its portfolio review including entering into an agreement with Gebr Knauf KG ("Knauf") to sell Boral's 50% interest in USG Boral for US\$1.015 billion (~A\$1.43 billion at current exchange rate), subject to typical conditions precedent including in relation to regulatory matters.

USG BORAL TRANSACTION HIGHLIGHTS

- Boral to sell its 50% interest in USG Boral for US\$1.015 billion, which represents an attractive multiple of 15.1 times FY2020 normalised EBITDA¹ and 11.3 times FY2019 EBITDA¹ (based on 50% share of underlying EBITDA for the joint venture).
- Profit on sale before tax ~A\$540 million, subject to working capital adjustments and FX.
- The agreement is binding and only subject to typical conditions precedent including in relation to regulatory matters.
- The transaction is expected to close in FY2021. If the transaction has not closed by 30 September 2021 where Knauf has not completed certain divestments required by regulators, then if either party terminates Knauf must pay Boral a Termination Fee of US\$50 million.
- Final cash proceeds from the transaction are subject to typical post completion adjustments and will be applied to reduce net debt and fund growth investment in the retained portfolio.
- Prior to transaction close, Boral to receive a normal dividend of US\$32 million from USG Boral.

Boral's 50% owned USG Boral JV with Knauf, which includes the plasterboard-based businesses in Australia, New Zealand, Asia and the Middle East, has attractive positions in mature markets and good business positions in a number of emerging markets. Boral has made the decision to sell its stake in USG Boral to Knauf after a comprehensive assessment of all options and because of the compelling offer from Knauf.

The agreed transaction will unlock immediate value for Boral's shareholders and provides USG Boral's employees and customers with an exciting future under long-term ownership by the world's leading plasterboard company, Knauf.

Zlatko Todorovski, Boral CEO & Managing Director, said:

"We have been working with Knauf for some time to find the best path forward for the business following Knauf's acquisition of our joint venture partner, US Gypsum (USG). We recognise that it makes sense for Knauf – being the world's largest plasterboard player – to have 100% ownership of the business.

"USG Boral is a great business, and very well positioned to perform strongly under the ownership of Knauf. The strength of the joint venture business and its prospects are fully reflected in the sale price as demonstrated by the attractive premium, which is a great outcome for Boral shareholders.

"The sale of Boral's interest in USG Boral to Knauf will be a step to simplifying Boral's geographic footprint and product portfolio."

¹ Excluding significant items and the impact of IFRS leasing standard (AASB 16). FY2020 multiple is based on reported EBITDA for USG Boral of A\$190m 'normalised' to adjust for A\$10m reported COVID related production impacts, and converted at FY2020 AUD/USD exchange rate of 0.6703. FY2019 multiple is based on reported EBITDA for USG Boral of A\$252m converted at FY2019 exchange rate of 0.7145.

The USG Boral transaction is an important step in Boral's progress to deliver on its key priorities of:

- Leadership and Board renewal
- Completion of the portfolio review, including opportunities for USG Boral, and
- An improvement plan for Boral Australia to fully realise its potential.

The Company has been making considerable progress on all fronts.

Substantial leadership change and Board renewal

Boral's Board and senior management renewal plans have been extensively implemented in recent months.

On 1 July 2020, Zlatko Todorcevski commenced as Boral's new CEO & Managing Director. More recently Boral appointed a new Chief Finance & Strategy Officer, Tino La Spina, effective 14 October 2020. Both Mr Todorcevski and Mr La Spina are highly credentialed executives with deep experience and bring important strategic and operational capability to the roles.

In addition, Darren Schulz is now confirmed as President & CEO of Boral North America.

Three new non-executive directors – Rob Sindel, Deborah O'Toole and Ryan Stokes – were appointed to the Board in September and are seeking election at today's AGM. These new directors have highly relevant industry, finance and business experience.

Two longer term directors, Eileen Doyle and John Marlay, will retire at the AGM, with further Board renewal to come with Kathryn Fagg's retirement in 2021 and Paul Rayner's retirement in his next term.

Portfolio review

In parallel with assessing the opportunities and agreeing on the USG Boral transaction, Boral has progressed a **portfolio review** of its North American and Australian businesses. Boral's new CEO has been focused on the portfolio review since taking on the role on 1 July 2020. Boral's new Chief Finance & Strategy Officer and expanded Board have also been assessing the outcomes in recent weeks.

The portfolio review has confirmed that the integrated construction materials business in **Boral Australia has strong underpinnings with outstanding assets and positions**. However, there are significant opportunities to deliver stronger results including by improving the operating leverage of Boral's assets. Therefore, plans are progressing to strengthen Boral Australia so that it is more customer focused, nimble and cost-efficient. Medium-term adjacent growth opportunities are also being fully explored, including extensions of recycled concrete and asphalt, development of supplementary cementitious materials and related products, and potential extension of our landfill strategy in Victoria to other markets.

Boral's **North American building products business** has strong brands and good positions in many geographies. However, Boral has not yet unlocked the full value of these businesses and we strongly believe that they have the potential to earn improved returns through the cycle. As a result, we are **taking steps to strengthen returns through operational improvements, product innovation and enhanced go-to-market strategies**, and to better **position the businesses to leverage the cyclical recovery in US markets**.

The attractiveness of Boral's portfolio of building products businesses is recognised widely and reflected in the direct and indirect approaches we have had for the US businesses. **We plan to explore third-party interest in our North American building products businesses to assess if there are enhanced value creation opportunities beyond the prospects we see for business improvement outcomes. We will fully assess divestment opportunities but will only consider third-party interests where a superior value outcome is achievable for shareholders.**

Boral remains focused on the **Fly Ash business in North America**, which has been an attractive cash generating business with a leading position, strong returns on capital and a solid customer demand profile. While the business has access to well positioned medium and longer-term contracts, the decline of coal-fired power generation necessitates the development of alternative supply options to sustain the attractive return profile longer term. The Company is bolstering resources to **expedite its strategies to secure viable alternate sources of fly ash supply**, including harvesting from landfills and wet ponds, imports and the use of natural pozzolans.

Commenting on the portfolio review, Mr Todorcevski said:

“We have conducted a very thorough process in recent months to scrutinise and assess all of the businesses in our portfolio.

“The work we have done has confirmed the strength and inherent value of our businesses, while shining new light on the challenges and opportunities these businesses face.

“The review has also confirmed that there are significant opportunities for improvement in almost every business we own, necessitating a considered and measured approach to how we move forward.

“Our focus has been on completing the portfolio review and finalising terms of the USG Boral sale transaction with Knauf.

“Work continues around the assessment and implementation of revenue growth and improvement opportunities for Boral Australia including finalising plans to support a leaner, nimble and more cost-efficient business with greater customer focus.

“In the US we also see significant upside potential and we are implementing strategies to strengthen performance.

“It is also clear that others recognise the attractiveness of our US building products assets and we will be exploring the interest in these assets to assess if there are enhanced value creation opportunities beyond the prospects we see for business improvement outcomes.”

Further comments on Boral’s portfolio review process and outcomes will be provided as part of the CEO Address at Boral’s AGM today, together with a Q1 FY2021 trading update.

Boral’s virtual AGM will take place today at 10.30am (Australian Eastern Daylight Time).

See www.boral.com for details of Boral’s AGM.

An investor conference call will be held after the AGM at 3.00pm (Australian Eastern Daylight Time) for the CEO to comment on the USG Boral transaction and portfolio review and to answer questions.

To register for the conference call and receive dial in details, please use this link:

<https://s1.c-conf.com/DiamondPass/10010609-Fg78h6.html>

For assistance dial: 1800 954 501 or +61 2 8072 4187 and quote passcode 10010609

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

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