



Boral Limited

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www.boral.com

16 July 2021

The Manager, Listings
Australian Securities Exchange
ASX Market Announcements
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam,

Letter to Shareholders from Boral's Chairman

We attach a letter from Boral's Chairman being issued to shareholders today. This letter has been authorised for release by Boral's Independent Board Committee.

Yours faithfully,

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Dominic Millgate
Company Secretary

For personal use only



Letter from Boral's Chairman

Seven Group Holdings has now acquired a majority shareholding however Boral's Independent Board Committee continues to recommend shareholders **REJECT the offer by SGH to acquire your Boral Shares for \$7.40 per share**

16 July 2021

Dear shareholder

As you will be aware Network Investment Holdings Pty Limited, a wholly-owned subsidiary of Seven Group Holdings Limited (**SGH**), has offered to acquire all of the issued shares in Boral for \$7.40 per share.

On 15 July 2021, SGH announced the Offer Period had automatically been extended and is scheduled to close at 7.00pm (Sydney time) on 29 July 2021, which will have been as a result of SGH attaining voting power in Boral of more than 50%.

The Boral Independent Board Committee continues to unanimously recommend that you REJECT the SGH Offer of \$7.40 per Boral Share, as it undervalues your Boral Shares. The reasons for the Boral Independent Board Committee's recommendation are outlined in the Sixth Supplementary Target's Statement, dated 15 July 2021 and which is available at www.boral.com/BoralResponse, and are summarised below.

However, as SGH now holds a controlling interest in Boral, there are some **additional considerations that Boral Shareholders should be aware of**, which are set out on page 2 of this letter.

The reasons for the Boral Independent Board Committee's recommendation to REJECT the Offer

1. The SGH Offer of \$7.40 per Boral Share is **materially below the Independent Expert's assessment of value of \$8.25 - \$9.13 per share.**
2. Boral's renewed strategy (i) **is expected to unlock significant value in the near-term** from potential divestment of assets, notably in North America, and (ii) will aim to **drive value creation** and earnings growth, including through its transformation program.

As outlined in Boral's Third Supplementary Target's Statement dated 25 June 2021, following the completion of the sale of its North American Building Products business, and based on Boral's financial framework, **Boral estimates it will have surplus capital (prior to any reinvestment alternatives) of ~\$3.6 billion which equates to \$3.02 per Boral share.**¹ The Company will determine the appropriate form of any return to shareholders, which may involve further shareholder approvals.

3. The SGH Offer is **opportunistic and appears to be timed to take advantage of an improving outlook for Boral.**
4. **SGH is attempting to increase its influence over Boral without paying fair value for it.** The SGH Offer represents a 3.4% premium to Boral's share price of \$7.16 as at 23 June 2021² and a 7.2% premium to Boral's share price of \$6.90 as at 24 June 2021³ and **does not reflect a sufficient premium for an increase in control.**

The Target's Statement dated 10 June 2021 also provides further information regarding the reasons for the Independent Board Committee's recommendation. This can be found at www.boral.com/BoralResponse.

1. Based on cash balance and number of shares as at 31 May 2021. Includes additional proceeds of US\$125 million (A\$167 million) expected from the announced divestment of Meridian Brick, anticipated to complete in the first quarter of FY22.
2. Boral's share price closed at its then 52 week high of \$7.16 on 23 June 2021.
3. Boral's share price closed at \$6.90 per share on 24 June 2021 (the last trading day prior to SGH's Second Supplementary Bidder's Statement).



Potential consequences for Boral Shareholders of SGH acquiring a majority ownership of Boral

In light of SGH's majority ownership, the Boral Independent Board Committee advises that Boral Shareholders should have regard to their own personal circumstances and seek professional advice when deciding whether to accept SGH's Offer or maintain their holding in Boral.

In particular, Boral Shareholders should carefully read the Sixth Supplementary Target's Statement, dated 15 July 2021, and consider the following factors:

- the Boral Independent Board Committee will seek the governance arrangements detailed in the Target's Statement, dated 10 June 2021, noting **SGH's commitment to a majority of independent directors** set out in its release dated 15 July 2021, however SGH will be in a position to cast the majority of votes at a general meeting of Boral. As such, SGH will be able to control the composition of the Boral Board and influence Boral's dividend policy, the composition of Boral's Management and the strategic direction of the businesses of Boral and its Subsidiaries;
- in its Bidder's Statement dated 10 May 2021 SGH indicated that, should it own less than 90% of Boral's Shares, it intended to "continue to support the current publicly disclosed strategy of the Boral board", and in its release dated 15 July 2021 SGH stated it "**looks forward to re-engaging with the Boral board to collectively drive Boral's renewed strategy and maximise value for all shareholders**". However, these intentions may change at any time and without notice;
- Boral's share price may fall after the end of the Offer Period. However, since the commencement of the SGH Offer there have been **a number of positive announcements**, including the sale of Boral's North American Building Products business for US\$2.15 billion (~A\$2.9 billion) and Boral's estimated surplus capital (prior to any reinvestment alternatives) of ~\$3.6 billion which equates to \$3.02 per Boral share¹ following the completion of the sale of its North American Building Products business. **Following these announcements, Boral's share price closed as high as \$7.16** prior to the announcement of SGH's conditional Offer increase to \$7.40;
- a number of Boral's financing arrangements and material contracts have provisions which may be triggered by a change of control of Boral (see section 13.1 of Boral's Target's Statement dated 10 June 2021 for further information in this regard), however **no material detriment is expected to result from these provisions**;
- while **Boral will likely continue to have a substantial free float**, the liquidity of Boral Shares may be lower and Boral's weighting in S&P/ASX market indices may be reduced; and
- the Corporations Act **allows SGH to increase its holding by up to 3% every six months** without making a full takeover offer, which could increase its ability to control Boral over time. SGH has stated that it will not acquire Boral Shares at a price that exceeds \$7.40 per Boral Share for twelve months from 25 June 2021.

Boral Shareholders should refer to the **Sixth Supplementary Target's Statement**, dated 15 July 2021, which is available at www.boral.com/BoralResponse.

The SGH Offer is scheduled to **close at 7.00pm** (Sydney time) **on 29 July 2021** (unless extended).

Boral Shareholders who have any questions in relation to the SGH Offer should call the **shareholder information line** on **1300 513 794** (for callers within Australia) or **+61 2 9066 4081** (for callers outside Australia) between 9.00am to 6.00pm (Sydney time) Monday to Friday (excluding public holidays).

Yours sincerely



Kathryn Fagg
Chairman
Boral Limited

1. Based on cash balance and number of shares as at 31 May 2021. Includes additional proceeds of US\$125 million (A\$167 million) expected from the announced divestment of Meridian Brick, anticipated to complete in the first quarter of FY22.