

Boral 2022 Annual General Meeting

Thursday 3 November 2022

Chairman's Address

by Ryan Stokes AO

I want to start by reflecting on the past year – a year of significant change for Boral, in which we reshaped the company and strengthened its foundations with the objective of building a more profitable, competitive and customer-focused business.

We completed the strategic realignment of our portfolio towards the Australian construction materials business; a journey that began in FY21.

The sale of non-core businesses delivered proceeds of \$5.5 billion, including \$4.1 billion from the sale of the Boral North America and Australian Building Products businesses in FY22. This enabled Boral to return \$3.0 billion in surplus capital to shareholders in February 2022, which was approved by you, our shareholders, at our 2021 Annual General Meeting.

Today, Boral is a focused Australian construction materials business with a privileged asset position, and we are committed to realising its full potential.

Seven Group Holdings, of which I am Managing Director and CEO, holds a 72.6% interest in Boral. This investment not only reflects our confidence in the underlying business and its growth potential, but also our belief in the partnership to deliver meaningful and profitable change. Through the adoption of an Owner's Mindset, driving operating discipline, efficiency and engagement, we have clear aspirations of returning Boral to double-digit EBIT margins and mid-teens return on funds employed.

FINANCIAL RESULTS

Turning now to our FY22 financial results.

Boral Group's financial performance in FY22 reflects the realignment of our portfolio towards the Australian construction materials business, and the impact of several external operating challenges on our continuing operations.

The continuing operations results were impacted by government-mandated construction shutdowns, extended periods of extraordinary rainfall across a number of our key regions, and sharp rises in energy prices, which have also driven broader inflationary costs that affected our business.

Despite this, our strategy delivered 1% year-on-year revenue growth to reach \$2,956 million, and 3% growth on a comparable basis.

Revenue benefitted from stronger demand in infrastructure and residential construction, although this was curtailed by the industry-wide shutdowns, rain and floods in NSW and Queensland, as well as ongoing supply chain constraints.

Continuing operations EBIT, excluding Property, declined 32% to \$107 million. The result highlighted areas of focus for Boral's performance journey, and we are confident that the changes we are making will better equip Boral to handle changing market conditions going forward.

The Property segment contributed an EBIT of \$6 million, compared to \$24 million in the prior year, and I will touch on our refreshed property strategy shortly.

Group net profit after tax and before significant items was \$150 million, down 40% on FY21. This reflected a part-year contribution from the divested Boral North America and Australian Building Products businesses, and lower earnings from our continuing operations.

Group statutory profit was \$961 million and included a post-tax significant gain of \$811 million, primarily relating to the profit on the sale of the North American businesses.

To mitigate external challenges – most notably the heightened inflationary pressures that are expected to continue in FY23 – we responded by taking pricing actions and prioritised our review of overhead costs. We are already seeing the benefit of these actions in FY23.

We brought forward our annual price increases to August 2022. These were in addition to the national out-of-cycle price rises we implemented in January and February, and the transport charges introduced in late FY22 to help recover increased fuel and cartage costs.

The simplified corporate organisational structure we implemented in June 2022 will deliver an annualised cost saving of \$35 million, including \$24 million in FY23. We realise there is more work to be done on building an effective operating model.

We continue to focus on disciplined capital management. Our balance sheet is strong, with net debt below our target range of 2–2.5 times EBITDA. This provides significant flexibility and is prudent as we navigate ongoing inflationary pressures.

We have also reduced our gross debt position to align with our reduced operational footprint and decreased interest costs.

In addition to the early repayment of US\$235 million in US Private Placement facilities in April 2022, we made early repayment of US\$300 million in 144A/Reg S bonds in July 2022. And on 30 September 2022, we repaid a US\$127 million US Private Placement facility that was due this month.

These capital management initiatives have reset our gross debt profile to appropriate levels while ensuring we maintain adequate levels of liquidity.

We completed a \$3 billion return of surplus capital to shareholders on 14 February 2022 by way of a \$2.65 per share capital return and a 7 cents per share unfranked dividend. The Australian Tax Office confirmed that no part of the \$2.65 return of capital will be assessable as a dividend for Australian taxation purposes.

SAFETY PERFORMANCE

As always, our number one priority is the health and safety of our people and all those we interact with through our operations.

In FY22, our recordable injury frequency rate was 11.8, an increase from 11.5 in FY21. We also reported six actual serious harm injuries compared to two in the prior year.

We acknowledge there is more work to be done to improve our performance. There is a renewed focus in FY23, including implementing a refreshed approach that incorporates more visible leadership. Vik will touch on some of the improvement initiatives we've implemented in his address.

STRATEGY AND FY23 PRIORITIES

I have already touched on the excellent progress we have made in our strategy execution during FY22, highlighted by the completion of the portfolio divestment program, our capital return and organisational restructure.

In FY22, we also launched a refreshed property strategy that will maximise long-term value creation from Boral's deep property portfolio and drive recurring earnings. Under the strategy, we will repurpose surplus property assets to deliver the best combination of recurring and divestment earnings, and focus on developing and retaining sites with industrial, commercial or tourism potential. Over the coming years, we expect this to deliver significant earnings and valuation growth on the current ~\$1.0 billion surplus property valuation.

I'm pleased with the progress we've made so far, and I would like to thank the management team and our employees for the effort that has gone into building a better Boral.

The challenges of FY22, most notably the heightened inflationary environment that is expected to continue, have sharpened our focus for the year ahead.

To this end, we have shifted focus from our transformation program to performance, where we are driving earnings improvement through a combination of strong pricing actions and discipline, cost focus, and other performance initiatives. We are also focussed on lifting the engagement of our people in both the Business and the performance journey as part of a drive to build a stronger culture, with the Owner's Mindset at its core.

We still have significant work to do. In FY23, we will accelerate our improvement initiatives to build a more resilient core business that delivers improved earnings and is positioned for future growth.

Our strategy also focuses on growing our integrated network, positioning Boral to harness demand opportunities and executing our refreshed property strategy.

Another important element of our strategy is reshaping our business to focus on decarbonisation and increasing the use and re-use of recycled materials to build a more circular economy.

This isn't only the right thing to do for our people, customers and communities, but is directly linked to the long-term sustainability and success of our business.

As we operate in a carbon emissions-intensive industry, we understand that we have an important role to play.

Boral was the first company in the global cement sector to set a 2030 target aligned with a 1.5°C pathway for Scope 1 and Scope 2 emissions. In FY22, our emissions reduction 2030 targets for Scope 1 and 2, and for Scope 3 emissions, were approved by the Science Based Targets initiative.

The approval confirmed that our targets are consistent with the levels required to meet the goals of the Paris Agreement, a significant milestone that demonstrates our ambitious approach to decarbonisation.

This will continue to be a key focus area as we future-proof our business and work towards our purpose of *creating a world that future generations will be proud of*.

Supporting this ambition is our focus on offering more sustainable and differentiated products and solutions tailored to our customers' needs.

In FY22, we substantially grew the proportion of concrete sales volumes that came from our lower carbon product suite, which comprises ENVISIA®, Envirocrete® Plus and Envirocrete®. The penetration run rate of our lower carbon concrete products increased more than fourfold in the year, representing 19% of concrete volumes by the end of June 2022.

We expect these adoption rates to continue to increase as we launch our lower carbon concretes across Sydney, Victoria and South Australia this year. By the last week in September 2022, the adoption rate had further increased to 24%.

We are also growing our circular economy products and solutions through our Boral Circular Materials Management solutions, which aim to further build on our position as one of the largest recyclers of construction and demolition materials in Australia.

More broadly, a year after launching our Sustainability Framework, we are continuing to embed the framework's priorities into our broader business strategies and decision-making – as we understand that environmental and social sustainability is intricately linked to the sustainability of our business.

NEW LEADERSHIP

Now turning to our new leadership.

Vik Bansal commenced as CEO and Managing Director on 10 October 2022.

Vik is an accomplished CEO with deep leadership expertise in managing industrial businesses through periods of growth, transition and improvement. His proven track record gives me confidence that he will get the entire Boral team engaged and invested in the journey to delivering the full performance potential of Boral.

Vik succeeds Zlatko Todorcevski, whose departure was announced in June this year.

On behalf of the Board, I would like to commend and thank Zlatko for his contribution and dedication over the past two years.

Zlatko has led the business through a successful transformative period in the company's history, realigning the business portfolio to Australian construction materials, and refocusing the organisation to build a stronger foundation.

BOARD RENEWAL AND GOVERNANCE

In line with the Board's renewal plan outlined before the 2021 AGM, this year we welcomed two new independent non-executive Directors to the Board, Mark Johnson and Jacqueline Chow. This followed the retirement of Peter Alexander and Deborah O'Toole after the 2021 AGM.

Mark and Jacqueline are experienced directors with a wealth of expertise and knowledge that complement the skills of our existing Board members.

Both Mark and Jacqueline will seek election from shareholders at today's meeting.

As the majority shareholder, Seven Group has made a public commitment to have a majority of independent Directors and an appropriate governance framework. As at 30 June 2022, the Board consisted of eight Directors, five of whom are considered independent.

We believe that this is in the best interests of all shareholders.

As part of this commitment, Rob Sindel was appointed as lead independent Director in September 2021 and Chair of the Independent & Related Party Committee. Rob has been an independent Director on the Board since September 2020.

CLOSING COMMENTS

On behalf of the Board, I would like to thank you – Boral's shareholders – for your ongoing support.

I would also like to thank and congratulate the entire Boral team for what we've achieved. We are on the right track to realising Boral's full potential, and it would not be possible without the contribution of our people.

I look forward to the year ahead and to working with the Board and Management to drive the company's strategy and maximise value for all shareholders.

I now welcome Vik Bansal to give his first address to the market as CEO.