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ASX RELEASE

21 November 2016

Boral to acquire Headwaters Incorporated – a strategically compelling portfolio of US businesses – supported by capital raising

OVERVIEW

- Boral has entered into a binding **agreement to acquire Headwaters Incorporated (NYSE: HW.US) for US$24.25 per share in cash, representing an aggregate enterprise value of ~US$2.6 billion (~A$3.5 billion)**[1] ("Acquisition")
  - The offer price represents a 34% premium on Headwaters' 1-month VWAP of US$18.16
  - Transaction **unanimously approved** by the board of Headwaters
- **Strategically compelling acquisition transforms Boral**, better positioning the Group to deliver more sustainable growth and above cost of capital returns through market cycles
  - ✓ **Highly complementary US businesses**, with combined revenue of over US$1.8 billion, more than doubling Boral USA, delivering **significant scale to Boral's US fly ash** business, which will play favourably into the infrastructure spend underway in the USA, and **accelerated development of Boral's light building products platform**
  - ✓ Delivers **scale**, **more product offerings**, **geographic breadth**, **multi-channel distribution** and increased **diversification across growing US construction markets**
  - ✓ Builds a more balanced portfolio of traditional and light weight products with **strengthened ability to grow in large, contestable US markets** and through **innovation**
- **Attractive financial metrics**:
  - **EPS accretive** on a pro forma FY2017F NPATA basis[2]
    - **High single digit** using synergies estimated to be delivered in the first full year of ownership[3]
    - **Low double digit** using estimated run rate synergies at the end of the first full year of ownership[4]
  - **Expect significant synergies** of **~US$100 million per annum within four years** of closing
  - **Implied multiple of ~10.6x EV / Adjusted EBITDA** for the 12 months ending 30 Sep-2017, based on Headwaters' earnings guidance[5] – multiple reduces to **~7.5x** incorporating full annual synergies[6]
- The **acquisition will be funded** via:
  - a fully underwritten A$450 million institutional **placement** and a fully underwritten A$1.6 billion, 1 for 2.22 pro rata accelerated **renounceable entitlement offer** with retail entitlements trading
  - balance funded by way of **existing cash** and a **fully underwritten debt bridge facility**
- The Acquisition is **subject** to customary closing conditions, including **Headwaters shareholder approval** and **regulatory approval**, and is **expected to be completed in mid CY2017**
- Boral to maintain **prudent capital structure**, with target pro forma net debt to EBITDA of ~2.5x following transaction close and current investment grade credit ratings expected to be maintained.

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[1] Enterprise value calculated based on 76.7 million diluted shares on issue and net debt as at 30 Sep-2016 of US$704 million.
[2] FY2017 pro forma EPS accretion on a NPATA basis assumes the Acquisition had come into effect from 1 Jul-2016 and excludes transaction costs, integration costs and amortisation of acquired identifiable intangibles. The impact of purchase price accounting has not been completed, which will impact future depreciation and amortisation charges. In accordance with AASB 133, Boral's basic EPS for the year ending 30 Jun-2017 has been adjusted to reflect the bonus element in the Entitlement Offer.
[3] Estimated synergies of US$30-35 million expected to be delivered in the first full year following transaction completion.
[4] Estimated run rate synergies of US$50-55 million at the end of the first full year following transaction completion.
[5] Based on Adjusted EBITDA of US$242.5 million, being the midpoint of Headwaters' Adjusted EBITDA guidance range for the 12 months ending 30 Sep-2017 of US$235-250 million, as disclosed by Headwaters in its FY2016 results on 1 Nov-2016. Adjusted EBITDA is as defined by Headwaters and detailed in footnote 7 on page 2.
[6] Based on estimated synergies of US$100 million per annum expected to be achieved within four years of transaction completion.

Acquisition of Headwaters

Boral has entered into a binding agreement to acquire Headwaters for US$24.25 per share in cash representing **an aggregate enterprise value of US$2.6 billion.**

The Acquisition is **subject to** customary closing conditions, including **Headwaters shareholder approval** and **regulatory approval**, and is **expected to complete in mid CY2017**.

Headwaters is a leading manufacturer of building products and one of the largest marketers of fly ash in the USA, with **US$1.1 billion of revenue and Adjusted EBITDA of US$218 million**[7].

Headwaters operates across **two core divisions: Building Products and Construction Materials**[8], which have strong positions in the key segments in which they operate.

Two-thirds of Headwaters' revenues or around US$700 million[7] are derived from its Building Products division. It designs, manufactures and distributes nationally a comprehensive range of architectural manufactured stone, specialty roofing, and siding and trimboard across commercial, new residential and repair & remodelling. Headwaters is also one of the leading suppliers of high quality windows in South Central regions of the USA and concrete and specialty block in Texas.

Headwaters' Construction Materials division, delivers around US$370 million[7] of revenue a year and is one of the largest marketers of fly ash in the United States. Fly ash is most commonly used as a partial replacement for cement in producing concrete, and is forecast to experience strong growth driven by growing cement consumption in ready mix concrete and the competitive cost position of fly ash relative to cement.

Transaction Funding

The Acquisition is expected to be partially funded via a fully underwritten A$450 million institutional placement (**"Placement"**) and a fully underwritten A$1.6 billion, 1 for 2.22 pro rata accelerated renounceable entitlement offer with retail entitlements trading (**"Entitlement Offer"**) (together, the **"Equity Raising"**).

The **balance** of the Acquisition will be **funded through a combination of 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 following transaction close. **Boral's current investment grade credit ratings are expected to be maintained** after giving effect to the Acquisition.

The acquisition is supported by a strong strategic rationale

- The **Acquisition of Headwaters is a transformative step for Boral:**
  - Results in Boral having **three strong divisions** – the **high performing, well-positioned Boral Australia**; the **fast growing USG Boral business in Asia, Australia and the Middle East**; and **Boral USA, a scaled building products and fly ash business with** greater geographic reach, more diverse product offerings and **strong growth prospects.**
  - Significantly **increases** Boral's **exposure to large addressable US markets**, **at an attractive point in the cycle** including **improved market diversification** across non-residential, repair & remodel and infrastructure segments, in addition to the new residential sector.
  - **Better positions Boral to deliver above cost-of-capital returns** through market cycles.
- **Strong strategic fit with Boral's existing US business.** The Acquisition adds significant scale to Boral's US footprint by adding a portfolio of complementary businesses with improved geographic reach and ability to compete across the USA.
  - Combined, the new Boral USA is a ~US$1.8 billion revenue business, with an expanded product offering, a strong manufacturing and distribution footprint, and significantly improved earnings.

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[7] Revenue and Adjusted EBITDA for the year ended 30 September 2016 on a pro forma basis reflecting full year ownership of the Krestmark windows business, which was acquired by Headwaters on 19 August 2016. Adjusted EBITDA as defined by Headwaters is net income plus net interest expense, income taxes, depreciation and amortisation, stock-based compensation, cash-based compensation tied to stock price, goodwill and other impairments, and other non-routine adjustments that arise from time to time.

[8] Energy Technologies is a non-core business that generated revenue of ~US$10 million in the year ended 30 September 2016.

  - 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.

- **Significantly scales Boral's fly ash business.** The combination of the Boral and Headwaters fly ash businesses creates a national platform in the US with pro forma revenue of over US$450 million, approximately five times Boral's current fly ash business, enabling Boral to more efficiently serve customers' needs in a competitive environment.
- **Accelerates development of Boral's light building products platform.** Expands Boral's light building products business from a small but rapidly growing poly-ash trim and siding business into a larger platform with geographic breadth, a multi-channel distribution network and expanded product suite to better serve customers.
- **Substantial synergies[9] and FY17 pro forma EPS accretion.** This is a financially compelling Acquisition that is expected to be high single digit accretive to Boral's EPS on a full year pro forma FY17F NPATA basis using estimated delivered synergies in year one of ~US$30-$35 million. The acquisition becomes low double digit accretive to Boral's EPS on a full year pro forma FY17F NPATA basis using run rate synergies of ~US$50-55 million per annum expected by the end of the first full year. Within four years of transaction close, synergies are expected to be approximately US$100 million per annum. One-off implementation costs are estimated to be approximately US$100 million.

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

"Headwaters has a portfolio of strong businesses with recognised brands, quality products, diverse end market exposures and solid earnings performance.

"The businesses of Headwaters are highly complementary with Boral's existing US operations – in fly ash, roofing, stone and light building products. And it's this strong alignment that means we can deliver substantial value through synergies – ramping up to approximately US$100 million per annum of synergies within four years of closing.

"It's the synergy opportunities that help make this a highly compelling acquisition, and I am confident that we have the right team in place to bring together the two portfolios, drive integration and deliver strong value creation for Boral's shareholders.

"While the acquisition of Headwaters significantly transforms Boral USA, it is also highly transformative for Boral as a Group. We can now be confident in Boral's position as a global building products and construction materials group with three very strong divisions," Mr Kane also added.

Brian Clark, Boral's Chairman, said:

"While this acquisition is significant in scale, we have maintained a disciplined approach to reviewing growth opportunities in the USA. Headwaters has been rigorously assessed and with its highly complementary portfolio of assets, which are strategically aligned with a number of Boral's existing US businesses, this is a highly compelling acquisition for Boral.

"Together with support from external advisors, a team of Boral's senior executives has done an extensive amount of work to make sure we understand the portfolio of Headwaters businesses and the opportunities presented. Detailed due diligence has been completed, synergies have been identified and integration planning is underway. We anticipate that this transaction will have a strong positive impact on Boral's shareholder value."

Kirk A. Benson, Chairman & CEO of Headwaters, added:

"We are looking forward to working with Boral to ensure a smooth transition for our stakeholders, as we create one of the leading manufacturers and distributors of building products and construction materials for infrastructure, new residential, repair and remodel, commercial and institutional construction."

[9] Synergies include estimated cost synergies and cross-selling and distribution revenue synergies, excluding one-off implementation costs estimated at ~US$100 million.

Equity Raising

Boral intends to raise approximately A$2,058 million in new equity to partially fund the acquisition through:

- a fully underwritten placement to institutional investors, at A$4.80 per new share to raise A$450 million, and
- a fully underwritten, 1 for 2.22 pro rata accelerated renounceable entitlement offer with retail rights trading to eligible shareholders at an offer price of A$4.80 per new share to raise A$1.6 billion.

Details of the Entitlement Offer

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new Boral share ("**New Shares**") for every 2.22 existing Boral shares held as at Thursday, 24 November 2016. All New Shares in the Entitlement Offer will be issued at a price of A$4.80 per New Share, which represents a discount of:

- 22.0% to the last close of A$6.15 on Friday, 18 November 2016; and
- 15.1% to the theoretical ex-rights price ("**TERP**").

The Entitlement Offer will consist of:

- an accelerated institutional component to be conducted from Monday, 21 November 2016 to Tuesday, 22 November 2016 ("**Institutional Entitlement Offer**"), and
- a retail component which will open on Wednesday, 30 November 2016 and close at 5.00pm (AEDT) on Friday, 9 December 2016 ("**Retail Entitlement Offer**").

Each New Share will rank equally with existing shares on issue. Boral will seek quotation of the New Shares on ASX.

As the Equity Raising is expected to complete in December 2016, Boral's shares outstanding will initially increase without a corresponding increase in earnings until the Acquisition is completed (expected mid calendar year 2017). Notwithstanding that it will result in a temporary increase in Boral's dividend payout ratio, it is Boral's intention to maintain dividend payment per share for its 2017 interim dividend at levels consistent with recent periods, which will apply equally to existing shares and New Shares issued pursuant to the Equity Raising, subject to the Company's financial position.

Institutional Entitlement Offer

Eligible Institutional shareholders will be invited to participate in the Institutional Entitlement Offer which opens on Monday, 21 November 2016 and will close on Tuesday, 22 November 2016.

Eligible institutional shareholders can choose to take up their Entitlement in whole, in part or not at all. Institutional entitlements ("**Institutional Entitlements**") cannot be traded or sold on the ASX. As the Entitlement Offer is renounceable, the New Shares that would have been issued in respect of Institutional Entitlements not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer and the Institutional Entitlements of ineligible institutional shareholders (had such eligible institutional shareholders taken up their Institutional Entitlements and had such ineligible institutional shareholders been eligible and taken up their Institutional Entitlements) ("**Institutional Shortfall Shares**") together with the right to subscribe for those Institutional Shortfall Shares, will be offered through an institutional shortfall bookbuild to be conducted on Wednesday, 23 November 2016 ("**Institutional Shortfall Bookbuild**"). Any premium over the A$4.80 per New Share offer price under the Entitlement Offer which is achieved from the offer of the Institutional Shortfall Shares (and the right to subscribe for those Institutional Shortfall Shares) through the Institutional Shortfall Bookbuild will be remitted proportionally to those institutional shareholders, less any applicable withholding tax. There is no guarantee that there will be any such premium remitted to those institutional shareholders as a result of the offer of the Institutional Shortfall Shares (and the right to subscribe for those Institutional Shortfall Shares) through the Institutional Shortfall Bookbuild.

Boral shares have been placed in a trading halt while the Institutional Entitlement Offer and Institutional Shortfall Bookbuild are undertaken.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date will be invited to participate in the Retail Entitlement Offer. The Retail Entitlement Offer will open on Wednesday, 30 November 2016 and close at 5.00pm (AEDT) on Friday, 9 December 2016. Eligible retail shareholders will have the opportunity to participate at the same offer price and offer ratio as the Institutional Entitlement Offer. Eligible retail shareholders will be allotted Entitlements ("**Retail Entitlements**") which can be traded on the ASX. If eligible retail shareholders do not wish to take up all or part of their Retail Entitlements they can seek to sell all or part of their Retail Entitlements on the ASX or realise value for those Retail Entitlements by transferring them directly to another person ahead of the retail shortfall bookbuild (referred to below). Retail Entitlements can be traded on the ASX by certain eligible shareholders from Thursday, 24 November 2016 to Friday, 2 December 2016.

The New Shares that would have been issued in respect of Retail Entitlements not taken up by eligible retail shareholders by the close of the Retail Entitlement Offer and the Entitlements of ineligible retail shareholders (had such eligible retail shareholders taken up their Entitlements, and had such ineligible retail shareholders been eligible and taken up their Entitlements) ("**Retail Shortfall Shares**") together with the right to subscribe for the Retail Shortfall Shares, will be offered through a retail shortfall bookbuild to be conducted on Wednesday, 14 December 2016 ("**Retail Shortfall Bookbuild**"). Any premium over the A$4.80 per New Share offer price under the Entitlement Offer which is achieved from the offer of the Retail Shortfall Shares (and the right to subscribe for those Retail Shortfall Shares) through the Retail Shortfall Bookbuild will be remitted proportionally to those retail shareholders, less any applicable withholding tax. There is no guarantee that there will be any such premium remitted to those retail shareholders as a result of the offer of the Retail Shortfall Shares (and the right to subscribe for those Retail Shortfall Shares) through the Retail Shortfall Bookbuild. Entitlements may only be exercised by eligible retail shareholders or eligible assignees, being persons who have a registered address in Australia and New Zealand, and certain categories of institutional investors in other jurisdictions.

Key Dates

Event	Date
Trading halt and announcement of Acquisition, Placement and Institutional Entitlement Offer opens	Monday, 21 November 2016
Institutional Entitlement Offer closes	Tuesday, 22 November 2016
Institutional Shortfall Bookbuild	Wednesday, 23 November 2016
Trading halt lifted – shares recommence trading on the ASX on an "ex-entitlement" basis	Thursday, 24 November 2016
Retail Entitlements commence trading on the ASX on a deferred settlement basis	Thursday, 24 November 2016
Record Date for determining entitlement to subscribe for New Shares	7:00pm (AEDT) Thursday, 24 November 2016
Retail Entitlement Offer opens	9:00am (AEDT) Wednesday, 30 November 2016
Retail Offer Booklet despatched and Retail Entitlements allotted	Wednesday, 30 November 2016
Retail Entitlements commence trading on the ASX on a normal settlement basis	Thursday, 1 December 2016
Settlement of Placement and Institutional Entitlement Offer	Thursday, 1 December 2016
Retail Entitlement trading on the ASX ends	Friday, 2 December 2016
Allotment and normal trading of New Shares under the Placement and Institutional Entitlement Offer	Friday, 2 December 2016
Retail Entitlement Offer closes	5:00pm (AEDT) Friday, 9 December 2016
Retail Shortfall Bookbuild	Wednesday, 14 December 2016
Settlement of Retail Shortfall Bookbuild	Monday, 19 December 2016
Allotment of New Shares under the Retail Entitlement Offer	Tuesday, 20 December 2016
Normal trading of New Shares issued under the Retail Entitlement Offer	Wednesday, 21 December 2016
Despatch of holding statement in respect of New Shares issued under the Retail Entitlement Offer	Thursday, 22 December 2016

Note: The above timetable is indicative only and subject to change without notice. All dates and times are Australian Eastern Daylight Time.

Summary of Key Merger Agreement Terms

Provision	Description
Structure	An indirect wholly owned subsidiary of Boral will merge with and into Headwaters, with Headwaters surviving the merger and becoming an indirect wholly owned subsidiary of Boral.
Merger Consideration	US$24.25 per share in cash. If completion of the merger is delayed beyond 1 September 2017, then the Merger Consideration is increased by US$0.09 per share per month.
Closing Conditions	Receipt of Headwaters shareholder approval, receipt of regulatory approvals and other customary closing conditions.
Regulatory Obligations / Reverse Termination Fee	Boral and Headwaters must use reasonable best efforts to obtain certain required regulatory approvals, including to agree to divestitures up to a specified threshold. If such regulatory approvals are not obtained, Boral is required to pay a reverse termination fee of US$75 million.
Competing Proposals / Termination Fee / Stockholder “No Vote”	Headwaters is required to pay Boral a termination fee of US$65 million if, among other things, the Merger Agreement is terminated to accept an alternative acquisition proposal that it deems to be a superior proposal. If Headwaters stockholders do not approve the transaction, Headwaters must reimburse Boral’s expenses up to a cap of US$37 million (US$18.5 million if the equity offering has not yet been consummated).
No Post-Closing Recourse	No post-closing indemnification or purchase price adjustments.
Representations, Warranties & Covenants	Boral and Headwaters each make representations, warranties and covenants that are customary for a transaction of this type.

Further Information

Further details of the Acquisition and the Equity Raising are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Equity Raising.

Citigroup and Macquarie Capital are acting as financial advisers. Citigroup, J.P. Morgan and Macquarie Capital are acting as joint lead managers, joint bookrunners and joint underwriters. Citibank N.A. and JPMorgan Chase Bank N.A. have provided the acquisition bridge facility and are acting as mandated lead arrangers and bookrunners. underwriters of the bridge acquisition facility. Alston & Bird, Herbert Smith Freehills, and Skadden, Arps, Slate, Meagher & Flom, are serving as legal advisors to Boral.

If you have any questions in relation to the Equity Raising, please contact the Boral Offer Information Line on 1300 420 208 (within Australia) or +61 1300 420 208 (outside of Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

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Forward looking statements

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the Acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of Boral and cannot be predicted by Boral and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which Boral operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of Boral or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statements. Statements about past performance are not necessarily indicative of future performance.

Investor Contacts		Media Contacts	
Boral Limited Investor Relations		**Domestique Consulting**	
Kylie FitzGerald +61 401 895 894	Linda Assatoury +61 2 9220 6414	Jim Kelly +61 412 549 083	Ross Thornton +61 418 233 062
Boral Limited ABN 13 008 421 761 – PO Box 1228, North Sydney, NSW, 2059 - www.boral.com.au			