26 March 2024

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

Takeover bid by Seven Group Holdings Limited for Boral Limited – third supplementary bidder's statement

We enclose the third supplementary bidder's statement dated 26 March 2024 with a minor correction to Figure 5 (previously Figure 4 and Figure 5 had been inadvertently duplicated).

Yours sincerely

Warren Coatsworth
Company Secretary

Seven Group Holdings Limited is an Australian diversified operating group, with market leading businesses across industrial services, energy and media. In industrial services, SGH owns WesTrac and Coates, and holds a 72.73% interest in Boral. WesTrac is the sole authorised Caterpillar dealer in Western Australia, New South Wales and the Australian Capital Territory. Coates is Australia's largest industrial and general equipment hire business. Boral is Australia's largest and leading integrated construction materials business. In Energy, SGH has a 30.0% shareholding in Beach Energy, as well as interests in other energy assets in Australia and the United States. In Media, SGH has a 40.2% shareholding in Seven West Media, one of Australia's largest multiple platform media companies, including the Seven Network, 7plus and The West Australian.

Seven Group Holdings Limited | ABN 46 142 003 469
Level 30, 175 Liverpool Street, Sydney NSW 2000 | Postal Address: PO Box 745, Darlinghurst NSW 1300
Telephone +61 2 8777 7574

SGH | Industrial Services, Media, Energy and Investments

26 March 2024

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

SEVEN GROUP HOLDINGS LIMITED OFFER FOR BORAL

Third Supplementary Bidder's Statement

Seven Group Holdings Limited ACN 142 003 469 (ASX: SVW) (**SGH**), through its wholly owned subsidiary Network Investment Holdings Pty Ltd (ACN 078 448 512) (**SGH Bidder**), refers to the target's statement (**Target's Statement**) disclosed by Boral Limited (**Boral**) dated 19 March 2024.

SGH is extremely disappointed that there were fundamental errors in the Independent Expert Report in Boral's Target's Statement dated 19 March 2024, which directly affected the valuation range and the Independent Expert's conclusion. As a consequence, the Target's Statement is unbalanced, selective and risks fundamentally misleading Boral minority shareholders.

In particular, SGH highlights that Grant Samuel inappropriately:

1. attributed value to a carbon border adjustment mechanism to its forecast Scenario E;
2. included unrealistic price and margin increases for which there were no reasonable grounds in its forecast Scenario C;
3. included scenarios E and C in its valuation assessment;
4. failed to consider critical cost of capital inputs (including an incorrect beta range and stating the incorrect debt / equity mix); and
5. failed to appropriately consider relevant multiples as part of its valuation.

While SGH cannot express an opinion based on the Independent Expert's Report, mathematically the median of the bottom end of the valuation range across the remaining scenarios if:

- Scenario E or C is excluded is reduced by $0.13; and
- Both Scenario E and C are excluded is reduced by $0.29.

In addition, the Independent Expert's Report:

- does not incorporate material CSR lease termination costs to allow the assumed development of Scoresby;
- does not address the impact of Victorian Windfall Gains Tax or alternatively Growth Areas Infrastructure Contribution in its property revaluation; and
- does not address the impact of Capital Gains Tax in its property revaluation.

Despite these fundamental errors, Grant Samuel valued the Maximum Consideration of SGH's Offer to be up to $6.39[1], which is only $0.11 or 1.7% below its headline valuation range, which includes a full control premium despite SGH already having obtained control of Boral in July 2021. **This suggests if Scenarios C and E had not been incorrectly included, the conclusion should have been that SGH's Offer was "fair".**

Separately, Grant Samuel concluded that SGH's Offer was not reasonable "but the judgement was *finely balanced".* Assuming the errors listed above were not made and greater emphasis was placed on (i) SGH already having control of Boral; (ii) the very low prospects of an alternative proposal; (iii) SGH's commitment not to purchase Boral shares above $6.25 for 12 months following close of the

[1] This takes into account the two cash uplifts to SGH's Offer that may occur if certain conditions are satisfied as set out in detail in the Bidder's Statement. The value of SGH's Offer will vary depending upon movements in the SGH share price and is subject to the effect of rounding down to the nearest whole share.

Offer; and (iv) the real risk of Boral's share price falling to a pre-announcement levels of around $5.80 if the Offer closes and SGH does not achieve compulsory acquisition, then **Grant Samuel should have at least found the Offer to be "reasonable" and Boral's Bid Response Committee should have recommended that Boral Shareholders accept the Offer.**

SGH considers that Grant Samuel should revise its Independent Expert's Report to correct these fundamental errors, and Boral's Bid Response Committee should amend its recommendation to Boral Shareholders as a result.

Risks for Boral Shareholders not accepting the Offer

SGH also reiterates that there are a number of considerations and risks to remaining a Boral shareholder as outlined in its Bidder's Statement:

1. potential reduction in Boral's trading liquidity and index-weighting;
2. your Boral Shares may fall in value if you do not accept the Offer; and
3. Boral has not paid a dividend for two years[2] and through a combination of limited franking credits and a significant investment program, is unlikely to pay dividends for some time.

Accepting the Offer

SGH encourages the shareholders of Boral to ACT NOW and ACCEPT the Offer. The Offer to Boral Shareholders is open until 7.00 pm (Sydney time) on 4 April 2024, unless extended. Key reasons why Boral Shareholders should accept the Offer include:

1. Shareholders who accept the Offer will now be issued with SGH Shares and sent payment within 7 Business Days.
2. SGH Bidder has also established an acceptance facility that is open to all Boral Shareholders to facilitate the receipt of the acceptance of the Offer. This enables Boral Shareholders to indicate their intention to accept the Offer without being obliged to do so until First Consideration Increase is effective.
3. The Offer consideration is 29-33% higher than SGH's previous offer for Boral,[3] despite the fact that control has already passed.
4. The Offer consideration is higher than any closing price at which Boral has traded since 2007 (after adjusting for the $2.65 capital return on 14 February 2022).
5. Boral Shareholders have the opportunity to exchange Boral Shares for SGH shares which has a superior track record of delivering shareholder returns and has traded higher since the announcement of the Offer.
6. The Maximum Consideration under the Offer is Best and Final and will not be increased, with a competing bid highly unlikely.
7. SGH will not acquire Boral shares for an amount above $6.25 per share for at least 12 months following the close of the Offer.

In order to accept the Offer, Boral Shareholders should follow the instructions in the Bidder's Statement and the enclosed Acceptance Form.

[2] Excluding 7 cps unfranked special dividend paid on 14 February 2022 to enable Boral's $3 billion capital return.

[3] After adjusting for the $2.65 capital return on 14 February 2022. Based on the closing price of SGH Shares of $41.31 at close of trading on 25 March 2024. The implied aggregate value of the Offer will vary depending on the market price of SGH shares and subject to the effect of rounding down to the nearest whole share.

Seven Group Holdings Limited | ABN 46 142 003 469

Level 30, 175 Liverpool Street, Sydney NSW 2000 | Postal Address: PO Box 745, Darlinghurst NSW 1300

Telephone +61 2 8777 7574

For further information regarding the Offer, please call the SGH Offer Information Line on 1300 373 947 (toll-free within Australia) or +61 2 8023 5462 (from outside Australia) or contact your legal, financial or other professional adviser.

This release has been authorised to be given to ASX by the Board of SGH.

For investor information, contact:

Daniel Levy - Head of IR

+61 2 8777 7106

investorrelations@sevengroup.com.au

For media enquiries, please contact:

Lauren Thompson | +61 438 954 729

Jim Kelly | +61 412 549 083

Hayley Ashburner | +61 497 554 588

Seven Group Holdings Limited is an Australian diversified operating group, with market leading businesses across industrial services, energy and media. In industrial services, SGH owns WesTrac and Coates, and holds a 72.73% interest in Boral. WesTrac is the sole authorised Caterpillar dealer in Western Australia, New South Wales and the Australian Capital Territory. Coates is Australia's largest industrial and general equipment hire business. Boral is Australia's largest and leading integrated construction materials business. In Energy, SGH has a 30.0% shareholding in Beach Energy, as well as interests in other energy assets in Australia and the United States. In Media, SGH has a 40.2% shareholding in Seven West Media, one of Australia's largest multiple platform media companies, including the Seven Network, 7plus and The West Australia.

Third Supplementary Bidder's Statement

by **Network Investment Holdings Pty Limited** (ACN 078 448 512), a wholly owned subsidiary of **Seven Group Holdings Limited** (ACN 142 003 469), in relation to its off-market takeover bid for all of the ordinary shares in **Boral Limited** (ACN 008 421 761) (**Offer**).

1 Important information

This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth) (**Corporations Act**). It is the third supplementary bidder's statement (**Third Supplementary Bidder's Statement**) issued by Network Investment Holdings Pty Limited (ACN 078 448 512) (SGH Bidder), a wholly owned subsidiary of Seven Group Holdings Limited (ACN 142 003 469) (SGH), in relation to the Offer.

This Third Supplementary Bidder's Statement supplements, and should be read together with, the replacement Bidder's Statement dated 4 March 2024 (**Bidder's Statement**), as supplemented on 4 March 2024 and prevails to the extent of any inconsistency with the Bidder's Statement or the prior supplementary bidder's statements.

A copy of this Third Supplementary Bidder's Statement has been lodged with ASIC and provided to ASX on 26 March 2024. Neither ASIC, ASX nor any of their respective officers take any responsibility for its contents.

Unless the context otherwise requires, terms defined in the Bidder's Statement have the same meaning in this Third Supplementary Bidder's Statement. The rules of interpretation in section 10 of the Bidder's Statement also apply to this Third Supplementary Bidder's Statement.

2 Introduction

SGH refers to Boral's Target's Statement released on 19 March 2024 (**Target's Statement**) and the accompanying independent expert's report prepared by Grant Samuel & Associates Pty Limited (**Grant Samuel**) (**Independent Expert's Report**)

SGH is highly concerned with the approach taken by Grant Samuel in its Independent Expert's Report in several key respects, including but not limited to:

1. **Grant Samuel used inappropriate forecast scenarios in its valuation assessment, in particular scenarios E and C;**
2. **Grant Samuel failed to consider critical cost of capital inputs;**
3. **Grant Samuel has failed to appropriately consider relevant multiples as part of its valuation;**
4. **Grant Samuel's revised property valuation incorporates errors, which have contributed to an uplift of \$0.36 – \$0.54[4] per share compared to the valuation last disclosed as part of FY23 results;**

[4] Estimated impact to the IER valuation range based on the median of the scenarios if the property portfolio was assumed to be \$1bn in the valuation summary table on page 2 of Grant Samuel's report. Target's Statement 'Letter from the Bid Response Committee' page 4, section 1.2 and section 2.5.

Seven Group Holdings Limited | ABN 46 142 003 469
Level 30, 175 Liverpool Street, Sydney NSW 2000 | Postal Address: PO Box 745, Darlinghurst NSW 1300
Telephone +61 2 8777 7574

5. **Grant Samuel's property revaluation did not incorporate the impact of Windfall Gains Tax, or alternatively Growth Areas Infrastructure Contribution, or Capital Gains Tax;**
6. **Grant Samuel should have found the Offer to be "fair and reasonable", or at a minimum, "reasonable"; and**
7. **Grant Samuel should revise its Independent Expert's Report and Boral's Bid Response Committee should recommend that Boral Shareholders accept the Offer.**

These errors were material to the Independent Expert's valuation range and conclusion. The IER conclusion said that the reasonableness finding was *"finely balanced"* and that the Independent Expert's conclusion *"may change if circumstances change".*

Contained within this Third Supplementary Bidder's Statement are SGH's views regarding the erroneous approach taken by Grant Samuel for the consideration of Boral Shareholders. SGH considers that Grant Samuel should revise its Independent Expert's Report, and Boral's Bid Response Committee should amend its recommendation to Boral Shareholders as a result.

Section 10 below notes the potential impact of rounding down on small shareholders.

3 Grant Samuel used inappropriate projected scenarios in its valuation assessment, in particular scenarios E and C

Grant Samuel says in its report that it "considered the NPV outcomes for **<u>all scenarios</u>** in determining its value range for Boral's business operations"[5]. However, the Corporations Act and ASIC regulatory guidance require independent expert reports to be based on reasonable grounds, and not hypothetical or unrealistic assumptions[6].

For the reasons set out below, Scenarios E and C are not based on reasonable grounds and are based on hypothetical and unrealistic assumptions.

Scenario E and Scenario C should be excluded from Grant Samuel's valuation assessment as they are both based on inappropriate assumptions. While it is debatable whether Scenario B meets the ASIC guidance requirements, SGH has accepted for the purpose of this analysis that it might.

Scenario A (extrapolated from Management's FY24 Strategic Plan) and Scenarios B, D and F are the only scenarios that should have influenced Grant Samuel's valuation assessment.

It is notable that the Independent Expert range only covers the top section of Scenario A (the stretch Strategic Plan) and more optimistic outcomes than that, and, unusually, has no overlap with either downside case.

Based on the diagram prepared by Grant Samuel on page 51, without Scenarios E and C, the Independent Expert range appears to lack support. Grant Samuel states "*the Independent Expert range reflects a subjective balancing of the scenarios*" and in particular "*incorporates at least half (if not most) of Scenarios A, B, C, and E".* However, Grant Samuel has not provided clarity on the weighting it has placed on each of its scenarios either qualitatively or quantitatively, even if it is indeed subjective. If the implicit weighting placed on Scenarios C and E was sufficiently meaningful to justify the Independent Expert's valuation range, then it stands to reason that excluding these inappropriate scenarios must shift the Independent Expert's valuation range lower.

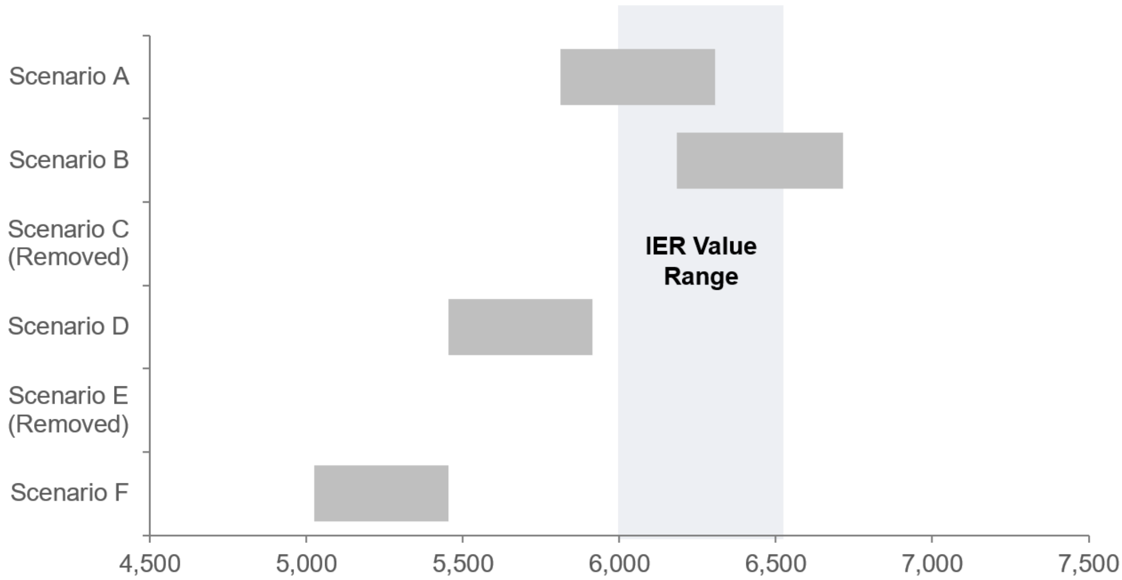
[5] Page 51 of Grant Samuel's report.

[6] Section s670A(2) of the Corporations Act or s12DA of the ASIC Act, ASC Regulatory Guides 111 *Content of Expert Reports* and 170 *Prospective Financial Information*

On the other hand, if the implicit weighting placed on Scenarios C and E was not meaningful, the Independent Expert's valuation range could not have relied upon their support in the first place and they should not have been included at all as doing so could lead shareholders to draw incorrect conclusions.

Furthermore, while Grant Samuel may also have had regard to multiples of earnings relative to comparable transactions and trading multiples of comparable listed companies, the lack of fundamental support provided by the DCF analysis, even with optimistic assumptions, suggests the Independent Expert range is inappropriately high.

Figure 1: Grant Samuel's Boral NPV outcomes (excluding Scenarios C and E)

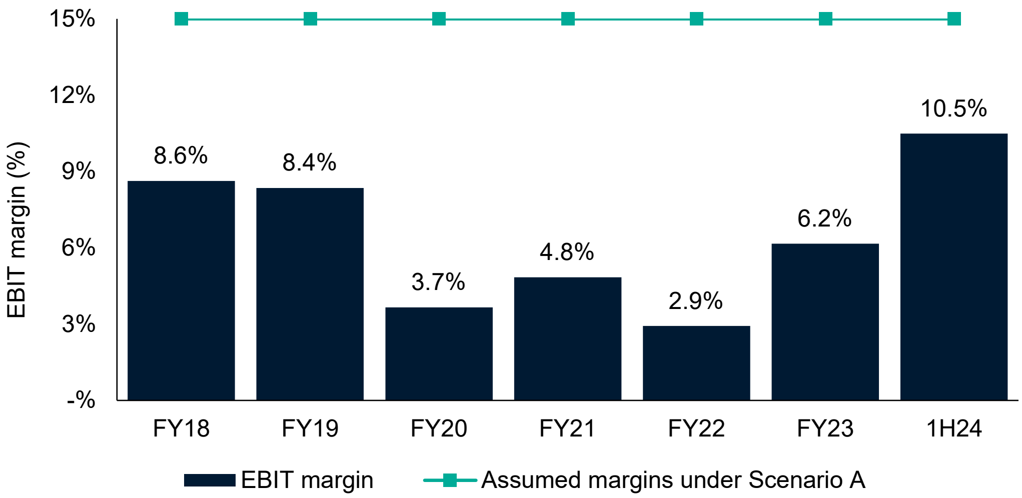


Scenario A is ambitious, but accepted by SGH:

Scenario A (which is based on Management's FY24 Strategic Plan) in the Independent Expert's Report, is based on the ambitious assumptions set out below:

- EBIT margins expand from ~10% to 15% over the projection period, margins that as noted by Grant Samuel have *"not been achieved by the business in the past."* Grant Samuel describes 15% margins as a "stretch target for Boral";
- an ambitious gross margin improvement from 23% in FY24 to 26% by FY30;
- corporate overhead costs decline by ~1% per annum through to FY29; and
- significant EBITDA growth of 6% per annum over the projection period

Figure 2: Boral's Australian construction materials (or equivalent) segment EBIT[7] margin over time



Scenario A is a "stretch" scenario at the outer limits of having a reasonable basis. SGH accepts Scenario A despite this because SGH pushes for high performance at Boral and it is based on stretch targets which SGH has driven accordingly. However, as Grant Samuel has acknowledged, to achieve even scenario A would require the achievement of measures materially beyond what Boral has ever achieved before.

Scenario E inappropriately includes a carbon border adjustment mechanism

Scenario E inappropriately includes the NPV impact of the potential introduction of an Australian carbon border adjustment mechanism (**CBAM**) that would apply a "carbon tariff" to imports in specific circumstances.

The incorporation of impacts from a potential CBAM is inappropriate because:

- a CBAM has not been legislated in Australia, nor is there any indication of the likely timing of that or any alternative speculated legislation[8]; and
- to the extent a CBAM is legislated in Australia, the Australian Government has indicated in industry consultations that any such regime would be designed to have a neutral financial impact on companies such as Boral, and not to provide them with incremental profits.

Any proposed introduction of an Australian CBAM would seek to level the playing field for domestic producers such as Boral that are subject to carbon pricing and the Safeguard Mechanism and who face competition from foreign producers' imported products not subject to the same rules. It could not result in an uplift in Boral's earnings or value.

As such, there are no reasonable grounds for Scenario E and it should be excluded from Grant Samuel's valuation assessment under the Corporations Act and ASIC guidance.

[7] Note: EBIT is calculated as earnings before net interest, tax, depreciation and amortisation, share of profits of equity accounted associates, property EBITDA and significant items. FY18 to FY20 financials are calculated based on the sum of the reported segment financials of Boral Australia and Unallocated, which is most representative of Boral's business today. FY18 presented on a pre-AASB 16 basis.

[8] Carbon Leakage Review – Consultation Paper (November 2023), page 4; Chris Bowen, Speech to Australian Business Economists (15 August 2023).

As outlined above, Grant Samuel says in its report that it "considered the NPV outcomes for **all scenarios** in determining its value range for Boral's business operations"[9] and its "value range incorporates at least half (if not most) of scenarios A, B, C and E" [10]. Scenario E is the scenario that appears to fit and overlap to the greatest extent with the valuation range. Therefore, removing Scenario E must have an impact on Grant Samuel's valuation range.

Scenario C inappropriately includes greater price and margin increases

Scenario C inappropriately assumes greater price and margin increases than Scenario A (which Grant Samuel noted already reflected a stretch target). These price and margin increases appear to be purely hypothetical and not based on reasonable grounds, including:

- pricing growth across all products between FY30-F34 in line with inflation;
- average revenue growth increases to over 4% per annum over the projection period;
- EBITDA margins increase to approximately 20.5% by FY34; and
- EBIT margins to around 16%.

SGH considers that there is no basis for this further upside, and market / customer dynamics, particularly given the potential impact of the entry of a global new competitor in CRH. Furthermore, it is completely at odds with what Grant Samuel describe as a "slowing infrastructure and construction outlook"[11].

As such, Scenario C is not a realistic potential outcome and must be excluded from Grant Samuel's valuation assessment. As outlined above, Grant Samuel says in its report that it "considered the NPV outcomes for **all scenarios** in determining its value range for Boral's business operations"[12] and its "value range incorporates at least half (if not most) of scenarios A, B, C and E"[13]. Therefore, removing Scenario C must have an impact on Grant Samuel's valuation range.

Scenario B suffers from the same shortcomings as Scenario C, to a lesser degree. Despite the questionable basis for Scenario B, SGH has included it for the purpose of this analysis and assumed that only Scenarios E and C are excluded.

Impact of adopting Scenario A

Based on the Independent Expert's analysis of Scenario A, even with the inclusion of the full and uncorrected property revaluation, the valuation range would have been approximately \$6.33 – \$6.95. The bottom of this range is below the IER's assessment of the Offer consideration of up to \$6.39 based on the Maximum Consideration[14].

<u>In the absence of Scenarios C and E in the Independent Expert's Report, the valuation range should be substantially reduced and more closely aligned with Scenario A, which overlaps with SGH's Offer, at least if the two price uplifts were achieved, and should result in a "fair and reasonable" or at a minimum "reasonable" finding.</u>

[9] Page 51 of Grant Samuel's report.

[10] Page 51 of Grant Samuel's report.

[11] Page 74 of Grant Samuel's report.

[12] Page 51 of Grant Samuel's report.

[13] Page 51 of Grant Samuel's report.

[14] This takes into account the two cash uplifts to SGH's Offer that may occur if certain conditions are satisfied as set out in detail in the Bidder's Statement. The value of SGH's Offer will vary depending upon movements in the SGH share price and is subject to the effect of rounding down to the nearest whole share.

Failure to consider and factor in the downside cases

Similarly, it is appropriate for Grant Samuel to consider and factor into its determination the downside cases. It is not obvious that Grant Samuel has done so given the degree of distance between the downside cases and the value range.

As highlighted in Figure 1, the Independent Expert's Report value range does not incorporate any of the downside cases (Scenarios D and F).

4 Grant Samuel has failed to consider critical cost of capital inputs

Selected beta range is too low

Grant Samuel has selected a beta of 1.0-1.1 for Boral and concluded that a beta closer to 1.0 (than say 1.5) would be more appropriate given Boral's relatively high exposure to aggregates production. Whilst SGH appreciates that Boral's exposure to aggregates is high relative to Australian peers, as evidenced earlier this is not factually accurate when compared with global aggregates focussed producers such as Martin Marietta and Vulcan materials, who notably have a lower beta as referenced in the Independent Expert's Report.

SGH agrees with Grant Samuel that many of referrable data points suggest a beta above 1.0, including Bloomberg which references a beta in the range of 1.15-1.50[15] for Boral. Given the aggregates focused producers are clearly different to Boral (as outlined above), it is inappropriate to use a beta for Boral that is substantially in line with these businesses.

The stated debt / equity mix is clearly incorrect

The capital structure assumed by Grant Samuel states an 80-85% debt[16] and 15-20% equity mix has been used for the purpose of the weighted average cost of capital (**WACC**) calculation. Gearing of these levels would be in breach of Boral's own capital management framework which states that leverage is to be capped at 50%. Further, existing debt covenants would be breached if gross debt to equity exceeds 60%.

Whilst SGH has inferred that this error is presentational in nature only and does not impact the underlying calculation of the WACC, SGH believes this error is illustrative of the broader inaccuracies and errors Grant Samuel has made in its report.

5 Grant Samuel has failed to appropriately consider relevant multiples as part of its valuation

It is clear that DCF valuations formed the key focus of Grant Samuel's valuation range.

Grant Samuel's analysis of multiples is clearly cursory in nature and has failed to recognise the key comparability factors that should form part of a fulsome valuation exercise.

<u>The Offer consideration represents an attractive multiple to the most recent Australia transactions[17].</u>

[15] Range refers to Boral's 2-year raw beta (1.15) and 5-year raw beta (1.50) in Bloomberg.

[16] Page 50 of Independent Expert's Report

[17] Offer metrics are based on the last trading day before SGH's takeover announcement for Boral being 16 February 2024.

When selecting appropriate multiples as part of a control valuation, due consideration should be given to recent precedent transactions within the same market as Boral. The Building Materials market in Australia has had two recent transactions in CRH's proposed acquisition of Adbri and Saint-Gobain's proposed acquisition of CSR.

CRH's proposed acquisition of Adbri is particularly relevant given the significant overlap in cement, aggregates and concrete businesses.

This transaction implies an EV / EBITDA[18] multiple of 9.2x and a P / E[19] multiple of 17.0x, both representing a meaningful discount to the multiples implied by SGH's Offer for Boral at 12.1x – 12.5x EV / EBITDA and 29.9x – 30.9x P / E.[20] Whilst the integrated nature of Boral's operations and scale should demand a premium valuation, this is more than evidenced in the significant differential in implied multiples.

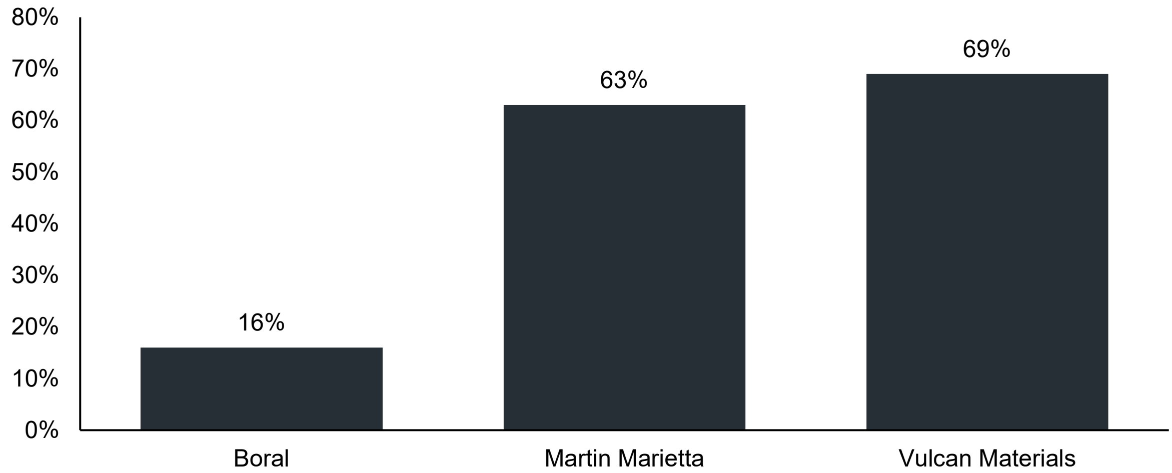
Whilst considered less relevant given the nature of the business, Saint-Gobain's proposal to acquire CSR at 12.4x EV / EBITDA[21] and 20.7x P / E[22] represents another valuation reference point. It is again obvious that SGH's Offer for Boral compares favourably and represents a full valuation.

Grant Samuel does not appear to have given appropriate consideration to these recent and relevant control transactions which represent tangible valuation reference points. Instead Grant Samuel has disproportionately weighted its opinion on hypothetical DCF scenarios.

Grant Samuel has cited Vulcan Materials Company and Martin Marietta Inc. as comparable to Boral. However, the nature and geographic exposure of Vulcan Materials' and Martin Marietta's businesses are fundamentally different to Boral.

As outlined in Figure 3, while Boral is an integrated player, its exposure to aggregates (via its upstream quarries) represents only ~16% of revenue in 1H FY24. By comparison, Vulcan Materials' aggregates represent ~69% of revenue and Martin Marietta's aggregates represent ~63% of revenue in calendar year 2023.

Figure 3: Quarries / Aggregates Contribution to Last Reported Revenue (%)[23]



[18] Adbri LTM EBITDA as at December 2023 based on the mid-point of Adbri guidance at the time of proposal.

[19] Adbri LTM P/E as at June 2023.

[20] Multiples represent LTM Dec-23.

[21] CSR LTM EBITDA as at September 2023.

[22] CSR LTM P/E as at September 2023.

[23] Boral represents 1H FY24; Martin Marietta and Vulcan Materials represent CY23.

Further, Boral's quarry reserve life would be less than 30 years if the Deer Park site was developed as contemplated in Grant Samuel's valuation. This compares to a reserve life of approximately 75 years for Martin Marietta.

A consequence of the differences in business mix is the divergence between EBIT outcomes on an absolute and margin basis between the two types of businesses.

The defensive nature of the aggregate-heavy US peers can be seen in Figures 4 and 5, with largely consistent EBIT growth over the last 10 years and margins largely bound between ~15% and ~20% for Vulcan Materials, or between ~15% and ~22% for Martin Marietta.

Figure 4: Vulcan Materials EBIT (US$M) and margin (%) over time[24]

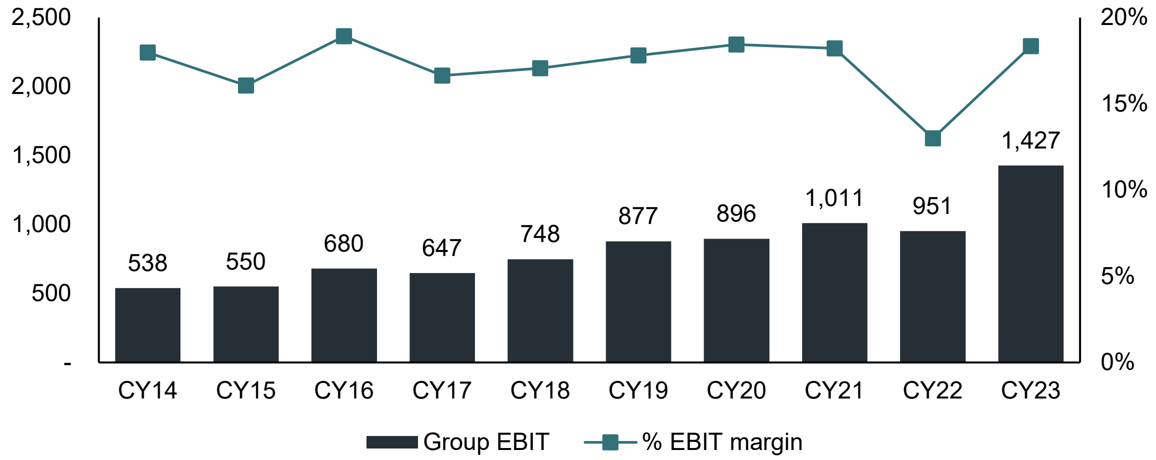
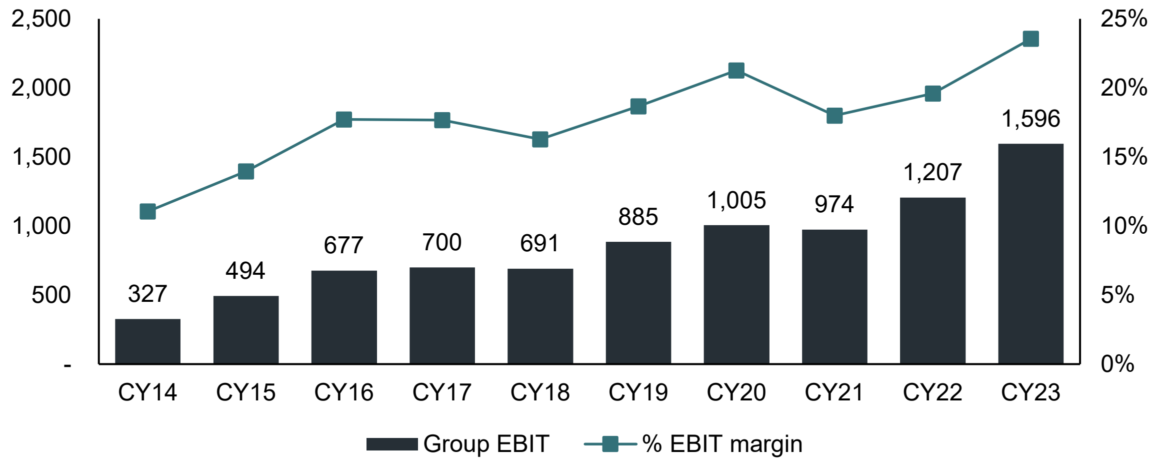


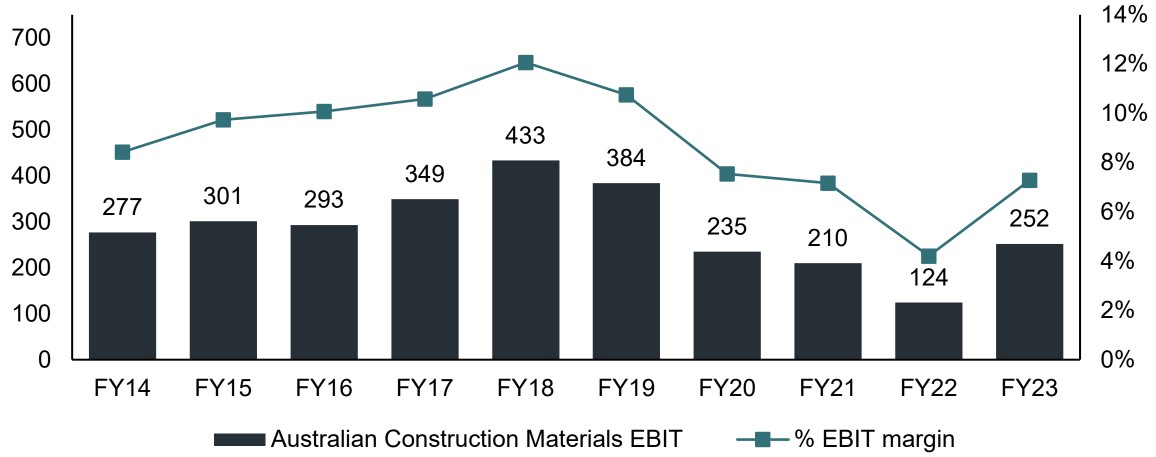
Figure 5: Martin Marietta EBIT (US$M) and margin (%) over time[24]



By comparison, as outlined in Figure 6, Boral's Australian construction materials business has seen significant volatility at the EBIT level, both in absolute terms as well as margin.

[24] EBIT represents reported operating income.

Figure 6: Boral's Australian construction materials (or equivalent) segment EBIT (A$M) and margin (%) over time[25]



Given the significant difference in business composition, earnings stability and geographic mix, Martin Marietta and Vulcan Materials should be excluded from any comparison of multiples with Boral.

The cursory nature of Grant Samuel's assessment of comparable multiples reiterates that DCF was its primary focus in assessing the valuation of Boral.

6 Grant Samuel's revised property valuation incorporates errors, which have contributed to an uplift of $0.36 – $0.54 per share compared to the valuation last disclosed as part of FY23 results

Grant Samuel's revised property valuation has resulted in an uplift of $0.36 - $0.54[26] per share compared to the valuation last disclosed as part of Boral's FY23 results. However, the revised property valuation contains certain fundamental errors.

These fundamental errors include:

- undertaking inappropriate valuation methodologies, not aligned with ASIC Regulatory Guide 111.100;
- suggesting Western Sydney Lakes has any value despite Boral impairing capitalised development costs in 1H FY24 and writing down the property value to zero;
- not incorporating material lease termination payment costs payable to CSR to enable a residential development of Scoresby; and
- not accounting for Deer Park Northern Lands' hard rock quarry 2P resource, which Boral would have to replace if it decided to redevelop the land.

[25] Represents *Construction Materials & Cement* segment from FY14 to FY16, *Boral Australia* segment from FY17 to FY21 and *Construction Materials* segment from FY22 to 23.

[26] Estimated impact to the IER valuation range based on the median of the scenarios if the property portfolio was assumed to be $1bn in the valuation summary table on page 2 of Grant Samuel's report.

Inappropriate valuation methodologies:

The Independent Expert's Report inappropriately values properties Donnybrook, Deer Park and Scoresby on an NPV basis based on expected cash flows. Per ASIC Regulatory Guide 111.100, real property assets that are planned or are in the process of development should be valued on the basis of their current market value, rather than on an 'as complete' basis.

Additionally, SGH's development timeline means there will be no development benefit for in excess of 20 years.

Western Sydney Lakes:

Suggesting Western Sydney Lakes / Penrith Lakes Development Corporation (**PLDC**) has any value is contrary to the position of Boral and its other shareholders. As disclosed by Boral in its 1H FY24 results, Boral recognised an equity accounted loss of $16.3m on its net investment as a result of an impairment of capitalised development costs within PLDC.

This impairment was due to there being no prospect of development given the Government's determination regarding flood risk.

As noted by the Independent Expert, Boral has since written down the property value to zero.

Scoresby:

The Independent Expert's Report fails to incorporate material lease termination cost payable to CSR to enable a residential development of Scoresby.

Deer Park Northern Lands:

Deer Park Northern Lands has hard rock quarry resource, which Grant Samuel did not deduct the value of the potential development. For Grant Samuel's hypothetical scenario to become real, Boral would need find an alternative quarry in Victoria, which would have a low probability given that no new quarries have been approved in Victoria for over 20 years.

Furthermore, Deer Park Northern Lands requires Cleanaway consent for any development, and is a specific condition precedent to the proposed JV with LOGOS which has not been provided.

7 Grant Samuel's property revaluation did not include the impact of Windfall Gains Tax and Capital Gains Tax

Grant Samuel's conclusion and the Boral Bid Response Committee's recommendation are dependent on the property revaluation. In the absence of this revaluation, under Scenario A, the median of Grant Samuel's valuation ranges would (based on the per share value uplift disclosed in the Target's Statement of \$0.36 – \$0.54) have been reduced to approximately \$5.97 – \$6.41, overlapping with the IER's assessment of the Offer consideration of at \$6.19 – \$6.39[27].

The Independent Expert's Report property revaluation does not incorporate the impact of:

- Victorian Windfall Gains Tax (**WGT**); and
- Liability to Capital Gains Tax (**CGT**).

Windfall Gains Tax

From 1 July 2023, a WGT applies to land that is subject to a government rezoning resulting in a taxable value uplift to the land of more than \$100,000. In determining the value uplift, all land owned by the person or group and subject to that rezoning is taken into account.

For a rezoning of land that results in a taxable value uplift:

Value uplift	Rate of WGT
Up to and including \$100,000	Nil
More than \$100,000 but less than \$500,000	Marginal rate of 62.5% on the uplift above \$100,000
\$500,000 or more	50% of the total value uplift

Boral's surplus property monetisation plan is premised on re-zoning applications within Victoria that are expected to deliver significant increases in value to the properties.

The Independent Expert's Report has included in its valuation uplifts in value based on rezoning in Victoria without allowing for associated 50 per cent Victorian Windfall Gains Tax which flows from that rezoning.

In relation to Scoresby, it has been suggested that Boral's rezoning was registered before WGT was introduced. However, SGH understands that Boral currently holds no exemption or proof of registration and until such time as it receives an outcome from the private ruling from the Victorian Commissioner must assume that WGT would be payable on the value uplift from rezoning.

It should also be noted that independent third parties tendering on developing Deer Park assumed material Boral contribution in associated Infrastructure and Growth Areas Infrastructure Contribution (**GAIC**) as an alternative development partway to 50 per cent Victorian Windfall Gains Tax. If this is the basis of the exclusion then the GAIC contribution needs to be disclosed.

The property value should reflect direct leakage associated with Windfall Gains Tax or GAIC referable to the valuation uplift.

[27] This takes into account the two cash uplifts to SGH's Offer that may occur if certain conditions are satisfied as set out in detail in the Bidder's Statement. The value of SGH's Offer will vary depending upon movements in the SGH share price and is subject to the effect of rounding down to the nearest whole share.

Capital Gains Tax

SGH expects Boral would incur significant CGT in the sale of the surplus property portfolio. The portfolio is currently carried at a value of $67.4 million which represents the historical cost of the investment adjusted for any write downs to value.

Applying a 30% tax rate to these gains implies a potential tax payable of up to ~$460 million (at a $1.6 billion valuation), compared to Boral's carry forward capital losses position of $297 million, as disclosed to the market in the FY23 Annual Report. This results in a net tax payment of $377 million which has not been considered in the Independent Expert's valuation.

While an acquirer of 100% of Boral would be entitled to allocate the allocable cost amount (**ACA**) across the market value of all assets including property, which may result in a step-up in the tax cost base of the surplus property portfolio, this also may result in the costs base of existing depreciable assets being reduced and does not eliminate the requirement to incur CGT on the future sale of these properties.

In addition to the above, the company's existing capital losses will not be sufficient to absorb future CGT entirely. Furthermore, the ACA would be required to be allocated to the carry forward capital losses, thereby reducing ACA allocated to property, plant and equipment and the properties. It is more likely that the losses would be forgone to mitigate the dragging of the deductible cost base from other depreciable assets.

In either case, the CGT payable would remain significant for Boral or SGH.

Assuming a minority investment case, there is no property revaluation. Full CGT would be borne by Boral and thus need to be considered by minority investors.

Accordingly, the property valuation should be corrected to reflect future CGT leakage.

8 Grant Samuel should have found the Offer to be "reasonable"

Grant Samuel has noted that the assessment of reasonableness was "finely balanced". However, their approach to assessing these factors is inadequate with respect to Boral's specific circumstances.

Grant Samuel said that its conclusion "may change if circumstances change". This suggests that the errors identified in this Supplementary Target's Statement prevented the correct conclusion, that the Offer is "reasonable".

Minority valuation

ASIC's Regulatory Guide 111 Content of expert reports (**RG111)** required the Independent Expert to value Boral on a 100% control basis for the purpose of testing fairness. However, in deciding whether the Offer is reasonable, ASIC guidance indicates that the independent expert should consider quantifying the size of the minority discount[28]. Grant Samuel should have also considered Boral's value on a minority basis, as a proxy for where Boral shares will trade in the absence of the Offer. This should have been a key factor in Grant Samuel's assessment of "reasonableness".

SGH already has an aggregate interest of 72.73%[29], and control in Boral already passed to SGH in July 2021.

Recently, there have been a number of relevant precedent transactions of takeover offers made by majority shareholders, in which the independent experts included and considered a minority valuation range.

[28] ASIC Regulatory Guide 111 paragraph 17(b).

[29] See Acceptance Facility Notice dated 20 March 2024

The Independent Expert should have presented a minority valuation range, which with a discount in the range of 20% – 30% would have resulted in substantial overlap with the value of SGH's Offer consideration.

This should have resulted in a finding of "reasonable" and, in SGH's view, a recommendation to accept SGH's offer by Boral's Board Response Committee.

Precedent: Kin Group / Pact Group

On 13 September 2023, Kin Group launched an unconditional takeover offer for Pact Group with a pre-existing interest in Pact Group of 50.0%.

The independent expert in this transaction valued Pact Group on both a control and a non-controlling minority valuation basis.

Following Kin Group revising its offer price (**Revised Offer**), in determining the reasonableness limb of its determination, the independent expert took into consideration that Kin Group's Revised Offer was within the independent expert's valuation for Pact Group on a minority interest basis, despite it falling below the control valuation range.

The independent expert in this case found that Kin Group's Revised Offer was not fair, but reasonable.

Offer in excess of trading price

Grant Samuel's report specifically acknowledges that in line with RG111, an offer that is in excess of pre-bid market prices but less than full value will not be fair but may be reasonable, if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price.

Grant Samuel's report also outlines that the assessed value of $6.50 – $7.13 per Boral share exceeds the price at which, based on current market conditions, they would expect Boral shares to trade on the ASX in the absence of a takeover offer.

However, Grant Samuel fails to extrapolate that Boral shareholders are unlikely, in the foreseeable future, to realise an amount for their shares in excess of the offer price. Seven Group's offer represents a premium to recent trading of up to 2.6% at the Maximum Offer consideration.

SGH considers that, if the errors described above had not been made, Grant Samuel should have found the Offer "reasonable". In the absence of the above factors, Grant Samuel already found that its decision on "reasonableness" was "finely balanced" – SGH considers that correctly incorporating these factors is sufficient for Grant Samuel to change its view.

9 Grant Samuel should revise its Independent Expert's Report and Boral's Board Response Committee should recommend that Boral Shareholders accept the Offer

Had Grant Samuel appropriately taken into consideration the items listed in the sections above, SGH's Offer for Boral would have been determined to be "fair and reasonable" or at a minimum, "reasonable".

Examples of precedent takeovers where the independent expert found that the offer was not fair, but reasonable with a pre-bid holding of less than 71%:

- Kin Group / Pact Group (2023)
- AP Eagers / Automotive (2019)
- CIMIC / Devine (2015)

Had the Independent Expert conclusion been that the Offer was "fair and reasonable" or "not fair, but reasonable", the Boral Bid Response Committee should have recommended the Offer to Boral Shareholders.

SGH considers that Grant Samuel should revise its Independent Expert's Report, and Boral's Bid Response Committee should amend its recommendation to Boral Shareholders as a result.

10 Impact of rounding

SGH's Offer is 0.1116 SGH shares and $1.50 cash for every one Boral share. As set out in the Bidder's Statement[30] the Offer is subject to the effects of rounding.

If the calculation of a Boral shareholder's consideration results in an entitlement to a fraction of an SGH share, that fraction will be rounded down to the next whole number of SGH shares. This can have the greatest proportionate impact on some very small shareholders. For example, a Boral shareholder with 8 shares or less would receive the $1.50 cash per Boral share and no SGH shares if they accepted the Offer or their Boral shares were acquired under compulsory acquisition.

Since the Offer is subject to the effects of rounding and the SGH share price at the time a Boral shareholder receives its consideration, each Boral shareholder should calculate how many SGH shares they expect to receive having regard to the SGH share price and the effect of rounding down to the nearest whole share and seek independent financial or professional advice if required.

11 Approval of Supplementary Bidder's Statement

This Supplementary Bidder's Statement has been approved by a unanimous resolution of the directors of Network Investment Holdings Pty Limited.

Signed for and on behalf of Network Investment Holdings Pty Limited by:

RJ Richards

Richard Richards
Director

26 March 2024

[30] See 'Important Information' and section 9.1(c)