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28 August 2019

The Manager
Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Adelaide Brighton half year report to 30 June 2019 – media statement

We attach a media statement covering Adelaide Brighton's half year report to 30 June 2019 for release to the market.

Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:

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28 August 2019

ADELAIDE BRIGHTON JUNE 2019 HALF YEAR RESULTS

Leading construction materials and lime producer Adelaide Brighton Limited (ASX:ABC) (Adelaide Brighton or "the Company") today reported its half year results for the period ended 30 June 2019.

Adelaide Brighton CEO Nick Miller said the Company benefited from a strong market position that would allow the business to withstand softer market conditions and invest for long term growth.

"In the context of prevailing market conditions, we have taken decisive steps in order to maintain flexibility to pursue reinvestment and growth opportunities while actively implementing cost reduction and operational improvement initiatives.

"Adelaide Brighton is a durable business with strong share in its key markets. While we expect demand conditions to remain soft in the near term, the Company is well placed to weather the cycle and maintain and grow our strong market position.

"We see significant opportunities to create long term shareholder value including the growth of our lime business, expansion of our concrete and aggregates footprint, increased exposure to large scale projects in the infrastructure sector and maximising value from our extensive land holdings," Mr Miller said.

Results summary

- First half revenue of $755.7 million, down 6.3% compared to 1H18 due to further softening of conditions in the residential and civil construction market and continued competitive pressure in Queensland and South Australia.
- Reported net loss after tax of $17.9 million, mainly due to an after tax non-cash impairment charge of $69.9 million.
- Underlying net profit after tax (NPAT) of $55.3 million (excluding significant items) impacted by competitive pricing pressure, a reduction in volumes and a sustained increase in raw material costs.
- Underlying earnings before interest and tax (EBIT) of $85.2 million (excluding impairment, restructuring and transaction costs), down 31.0% on 1H18. Reported loss before interest and tax was $15.6 million.
- Net debt increased to $519.2 million due to lower operating cash flow and payment of $97.8 million in dividends.
- Underlying earnings per share was 8.5 cents and reported earnings per share decreased to a loss of 2.7 cents per share as a result of the impairment charge.

As disclosed to the ASX on 31 July 2019, no interim dividend has been declared in order to maintain balance sheet flexibility for reinvestment in the business and to pursue growth opportunities.

Operational review

Demand for construction materials slowed further during the period. Australian residential construction approvals declined more than 25% on seasonally adjusted terms for the six months to June 2019 and residential construction is forecast to continue to decline until 2021, until it returns to growth.

However, the Company expects both mining and infrastructure to increase demand for construction materials in the near term. Capacity expansion in iron ore and gold production, along with the reopening of nickel capacity, will increase the demand for both cement and lime in Western Australia and the Northern Territory.

Infrastructure spending is expected to remain high with a significant number of projects commencing or in planning for commencement. This increased demand is expected to flow through to the business in 2020.

These market conditions impacted Adelaide Brighton's operational performance in the following ways:

- **Cement** sales decreased 8.6% compared to the prior corresponding period (pcp). While east coast construction activity declined across the market, demand in Western Australia and the Northern Territory remained subdued. Cement margin pressure was due to: lower demand, higher costs and pricing pressure from imports.
- **Lime** sales were stable compared to 1H18 with Adelaide Brighton's local production facility retaining its cost competitive position and offering customers security and quality of supply.
- **Concrete** volumes decreased by 7.8% compared to 1H18, with demand across all markets (except the Northern Territory) slowing. While average concrete prices improved across the majority of markets, the price increases were insufficient to offset the impact of higher raw material and input costs. Scotchy Pocket quarry, which services the Sunshine Coast region in Queensland, received operational approval in July 2019 and the Company expects this will positively impact volumes in the second half.
- **Concrete Products** revenue was modestly down on the pcp. Demand weakened somewhat across Queensland and New South Wales but was partially offset by improvement in the Victorian, South Australian and Tasmanian markets where several one-off commercial projects bolstered underlying demand. Disciplined pricing has delivered price improvement across all product segments, with key segments up, on average by 2.4% on prior corresponding period.
- The contribution of the **joint venture operations** also declined consistent with the subdued demand environment and competitive pressures.

Statutory basis	**6 months ended 30 June**		
($million)	**2019**	**2018**	**% change pcp**
Revenue	**755.7**	806.3	(6.3)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**128.3**	166.2	(22.8)
Depreciation, amortisation and impairment	**(143.9)**	(43.7)	229.3
Earnings/(loss) before interest and tax ("EBIT")	**(15.6)**	122.5	(112.7)
Net finance cost[1]	**(9.2)**	(6.7)	37.3
Profit/(loss) before tax	**(24.8)**	115.8	(121.4)
Tax (expense)/credit	**6.9**	(31.3)	(122.0)
Net profit/(loss) after tax	**(17.9)**	84.5	(121.2)
Non-controlling interests	**–**	–	–
Net profit/(loss) attributable to members ("NPAT")	**(17.9)**	84.5	(121.2)
Basic earnings/(loss) per share (cents)	**(2.7)**	13.0	(120.8)
Ordinary dividends per share – fully franked (cents)	**-**	9.0	
Special dividends per share – fully franked (cents)	**-**	4.0	
Net debt[2]	**519.2**	414.5	

1 Net finance cost is the net of finance costs shown gross in the Income Statement and interest income included in other income.
2 Net debt is calculated as total borrowings less cash and cash equivalents. Lease liabilities are excluded from net debt.

Strategic developments

Adelaide Brighton is focused on its strategy to create long term shareholder value underpinned by:

- **Improved operational efficiency.**
  The Company is targeting net cost savings in 2020 of $10 million via initiatives including: rightsizing footprint and overheads; centralisation of functional support and procurement; improved supply chain and distribution; use of alternative cementitious materials; and use of alternative fuels.
- **Growth of the lime business through increased supply to the resources sector.**
  The Company's lime business in Western Australia has available capacity and is supported by low cost mineral resources secured by a State Agreement Act and long term statutory approvals. The lime business is well positioned for growth, driven by an anticipated increase in gold and nickel production
- **Targeted downstream integration and diversification.**
  Adelaide Brighton will continue to pursue its strategy of acquiring complementary concrete and aggregate businesses that enhance its long term competitive position. Ongoing investment in downstream organic growth projects including new concrete plants at Swanbank, Larapinta and Pinkenba will provide the Company with greater capacity and access to projects in the Brisbane CBD and south east Queensland growth corridor. Vertically integrated build-out opportunities are also being considered to provide raw material certainty.
- **Increased exposure to the infrastructure sector.**
  The Company has expanded its executive capability to take advantage of growth opportunities in the infrastructure sector and will pursue large scale infrastructure projects with construction majors in markets where it has a competitive, fully integrated offering.
- **Actively managing land holdings.**
  Surplus land holdings have the potential to create value for Adelaide Brighton over the medium to long term. Opportunities such as the Batesford Quarry land (which forms part of the City of Greater Geelong growth strategy) will be developed more fully over the coming years. Where possible, land sales will be brought forward to recycle capital in the near term.

Outlook

For the balance of 2019, Adelaide Brighton expects demand for construction materials to:

- Weaken in east coast markets and South Australia, until the commencement of further planned infrastructure projects;
- Remain stable in the Northern Territory and Western Australia;
- Improve in the lime business as a result of increased gold and nickel production in Western Australia; and
- Increase in concrete and aggregates due to more available work days, seasonality and volumes generated via Scotchy Pocket quarry.

Efficiency initiatives being pursued in the second half are not expected to deliver full benefits until 2020.

Adelaide Brighton will continue to maintain an efficient balance sheet, while retaining the flexibility to fund reinvestment in the business and long term growth opportunities to create shareholder value. Prudent capital management will remain an important part of this approach.

The Company continues to operate within a flexible dividend policy to deliver surplus capital back to shareholders over the long term.

Full year underlying NPAT, excluding property, is anticipated to be in the range of $120 - $130 million.

-ENDS-

For further information please contact:

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