## Adelaide Brighton Ltd

# ASX CEO CONNECT CONFERENCE

15 OCTOBER 2019

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CHIEF EXECUTIVE OFFICER

# OUR INDUSTRY POSITIONS

## Australian industry position

### #1

- **Cement and clinker importer** *in Australia supplying all major markets*
- **Cement supplier** *in the resource rich states WA, SA and NT*
- **Lime producer** *in Australia*
- **Concrete products** *manufacturer*

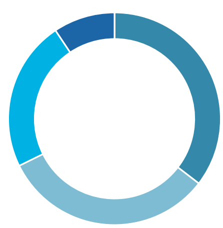
### #2

- **Cement and clinker supplier** *to the Australian construction industry*

### #4

- **Concrete and aggregates producer** *growing presence in major markets*

**FY2018**
**Revenue by market***




* Estimated share of FY2018 segmental revenue of $1,610m

# WHERE WE ARE

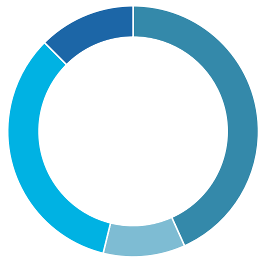
## OPERATIONS

- Cement
- Lime
- Concrete and Aggregates
- Concrete Products

**FY2018**
**Revenue by state***

| | |
|---|---|
| WA | 17% |
| NSW | 21% |
| Vic | 24% |
| SA | 17% |
| Qld | 16% |
| Other | 5% |

**FY2018**
**Revenue by product group***



- 38% Cement
- 10% Lime
- 43% Concrete and Aggregates
- 9% Concrete Products

* Percentage of FY2018 segmental revenue of $1,610m



# HOW THE COMMUNITY IDENTIFIES WITH US

| Concrete and Aggregates | Cement and Lime | Concrete Products |
|---|---|---|
| HY-TEC, Central Pre-Mix Concrete, Penrice Quarry & Mineral, Direct Mix Concrete, Resourceco Concrete, Davalan Concrete, Southern Quarries, Peninsula Quarries | Adelaide Brighton Cement Ltd, Cockburn Cement, MCi Northern Cement, Swan Cement | adbri MASONRY |
| **Joint ventures** | **Joint ventures** | **Joint ventures** |
| Mawsons, Batesford quarry | Sunstate Cement Ltd., aalborgportland Cementir Holding, Independent Cement and Lime Pty. Ltd | Burrell Mining Services |

# LONG TERM FOCUSED, SUSTAINABLE BUSINESS

## Quality asset base delivering superior returns to shareholders

- Long history of delivering superior returns to shareholders
- ROFE remains strong, demonstrating quality of asset base
- Top line revenue remains robust despite slowing demand
- Business being right sized to respond to changing market
- Prudent capital management initiatives activated to maintain flexibility for reinvestment and growth

## Low cost production and industry leading market position

- Industry leading position – supply chain efficiency in procurement, transport, storage – under long term supply agreements
- Low cost production maintained through ongoing investment in vertical integration and business improvement
  - In-fill opportunities in aggregates to buffer raw material cost increases
  - Portfolio approach to energy supply and procurement and increased use of alternative energy sources
  - Increased use of alternative cementitious materials

## Geographic footprint provides countercyclical balance

- Geographic footprint provides countercyclical balance between mining and residential growth and infrastructure

**Construction**

- Demand for residential construction materials slowing
- Pipeline for infrastructure is very strong

**Mining**

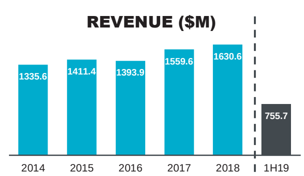
- Lime and cement demand in WA at an inflection point with a positive outlook
- Capacity expansion in gold, alumina and iron ore will drive long term growth of WA business

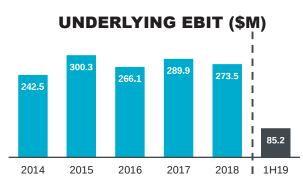
## Safe and sustainable business

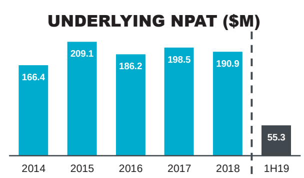
- 8 years of continuous improvement in safety – TRIFR down 70%
- 10 years of continuous improvement in environment – carbon emissions down by 30%
- Alternative energy usage at 13%
- Alternative cementitious material usage – 1.1 million tonnes
- Electricity contract with renewable energy provider

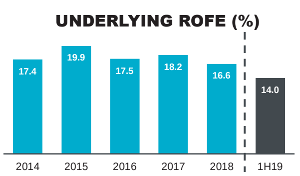


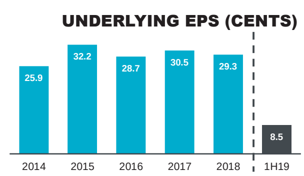
# FINANCIAL SUMMARY

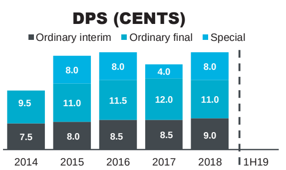


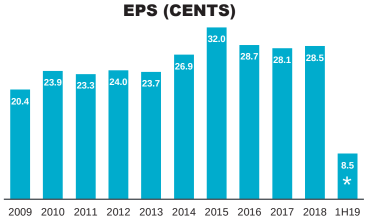



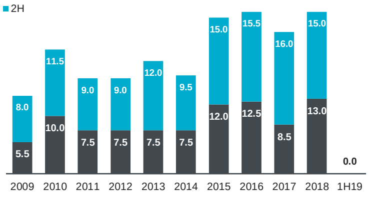
# SUSTAINABLE SHAREHOLDER RETURNS

### EPS (CENTS)

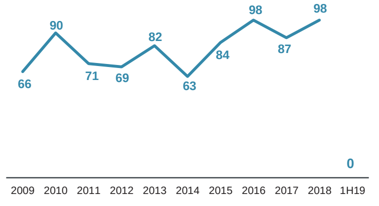



* Underlying earnings per share

### DIVIDEND (CENTS)




### PAYOUT RATIO (%)




**Stable earnings profile**

- The quality of the Adelaide Brighton asset base is reflected in its sustainable earnings delivery through the cycle
- Earnings remain robust, despite softening market conditions
- Underlying EPS 8.5 cents per share
- Reported basic EPS decreased to a loss of 2.7 cents per share as a result of an after tax impairment charge of $69.9 million

Source: Adelaide Brighton

**Returns to shareholders strong**

- Surplus capital routinely returned to shareholders
- Balance sheet leveraged to optimise capital efficiency
- Final and special dividend payment for 2018 made in April 2019 totaled $97.8 million
- To maintain flexibility for near term reinvestment and growth opportunities, no interim dividend for 1H19 has been declared

Source: Adelaide Brighton

**Dividend policy**

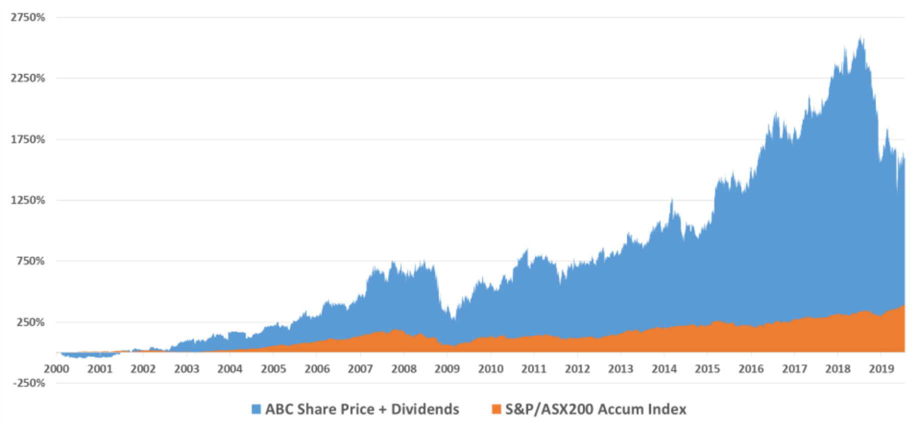
- Payout ratio over past 4 years has exceeded 90%
- Gearing has increased accordingly, now 45.9%
- Flexible dividend policy which delivers surplus capital back to shareholders over the longer term

Source :Adelaide Brighton



# ADELAIDE BRIGHTON HAS OUTPERFORMED THE ASX200 ON A TOTAL SHAREHOLDER RETURN BASIS

### Total Returns[1] from an investment in ABC vs S&P/ASX200 Accum. Index




Note (1): Total Returns = Growth in (share price + reinvested dividends)

# BUSINESS IMPROVEMENT AND GROWTH STRATEGY

| Right size, reduce costs and improve **operational efficiency** | Grow the **lime** business | Grow **concrete & aggregates** | Enhance capability in **infrastructure** | Actively manage **land** holdings |
|---|---|---|---|---|

Operate in a **safe and sustainable** manner for the **long term benefit**
of our **shareholders,** our **customers,** our **team members** and the **community**



# IMPROVE OPERATIONAL EFFICIENCY AND COST

**Adelaide Brighton is Australia's largest cement and clinker importer and Australia's second largest producer**

Import strategy to maximise asset utilisation

Unmatched cement and clinker distribution network underpins competitive long term position

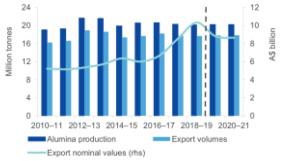
**OPPORTUNITY**

› Right size overhead and fleet
› Rationalise operational footprint
› Recycle capital for investment
› Improve supply chain efficiency in procurement, transport, storage and distribution
› Improve utilisation of alternative fuels and cementitious materials
  - Use imported materials where demand exceeds the Company's manufacturing capacity
  - Seek opportunities to use supplementary cementitious materials (e.g. ground granulated blast furnace slag and fly ash) in the production of concrete to enhance durability, reduce natural resource consumption and reduce environmental impacts
  - Manage energy costs and operating risks – targeting use of lower cost alternatives through 30% substitution of 6PJ of fuel supply in South Australia in the medium term and increased use of supplementary cementitious materials

# GROW LIME

## Alumina

### AUSTRALIA'S ALUMINA EXPORTS AND PRODUCTION




- World alumina consumption forecast to increase to 123 million tonnes by 2021
- China is expected to remain the world's largest (and growing) source of alumina demand, accounting for 57 per cent of world alumina consumption
- Australian annual output forecast to remain at 20 million tonnes of alumina through to 2021
- Potential refinery expansion may drive increased long term demand for lime

## Gold

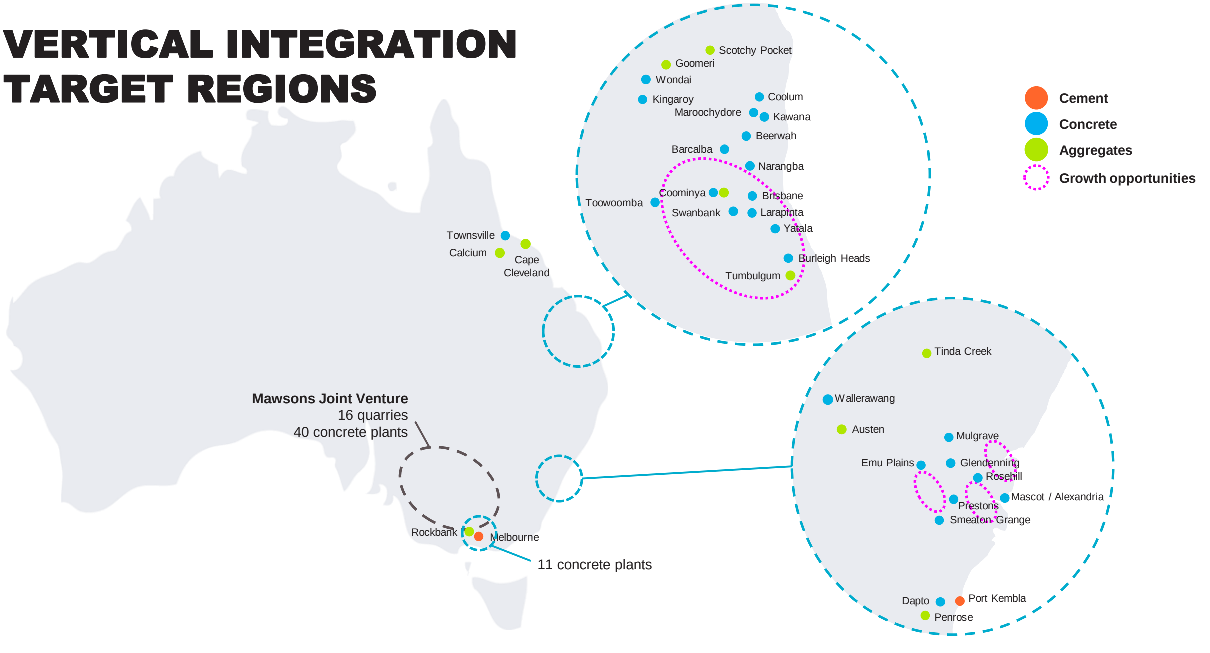
### AUSTRALIA'S GOLD PRODUCTION


Chart source: ABS (2018) Mineral and Petroleum Exploration (cat. no. 8412.0)

- Australia's gold exploration expenditure rose by 17 per cent year-on-year in the March quarter 2019, to $220 million, driven by higher Australian gold prices
- Western Australia remains the centre of gold exploration activity in Australia, accounting for 71 per cent of total gold exploration expenditure
- Near term growth in gold production is expected to be driven by a number of new mines coming online including Gold Roads' Gruyere gold mine (annual production of 8.4 tonnes) expected to commence in the second half of 2019. Capricorn Metals' Karlawinda gold mine project (annual production of 4.0 tonnes) is expected to be commissioned in 2020. Regis Resources' Rosemont mine (annual production of 3.7 tonnes) is expected to commence production in 2020

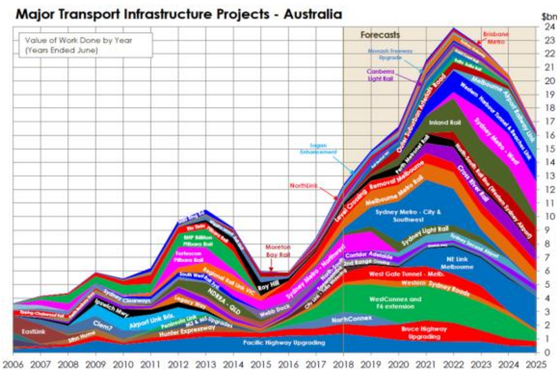


# VERTICAL INTEGRATION TARGET REGIONS



# INFRASTRUCTURE DELIVERY CAPABILITY

**Demonstrated experience in delivering cement, concrete and aggregates into infrastructure projects**



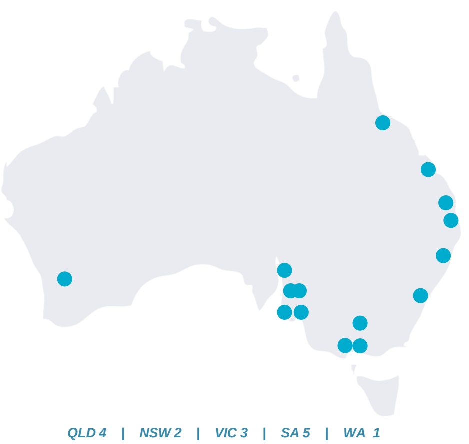

Source: Macromonitor, 'Australian Construction Outlook 2019'

**Northern Connector project South Australia**

Photo courtesy: Government of South Australia – Department of Planning, Transport and Infrastructure



# ACTIVELY MANAGE LAND HOLDINGS



QLD 4 | NSW 2 | VIC 3 | SA 5 | WA 1

Land sale and development opportunities


Left: Artists impression of proposed lake with housing and infrastructure - Western Geelong Growth Area
Right: Map of proposed Western Geelong Growth Area

Above: Artists impression of future lake at Batesford Quarry

# 2019 OUTLOOK

### Robust and sustainable business

- Quality asset base delivering superior returns to shareholders
- Low cost production with market leading position
- Broad geographic footprint across mining and construction
- Safe and sustainable

### Demand Outlook

#### Construction

- Continued softening in residential construction market with expected inflection point in 2021
- Infrastructure pipeline to support east coast demand for construction materials over next five years

#### Mining

- Iron ore and gold expansion to increase demand for cement and lime in WA in the near term
- Alumina demand for lime to remain stable over the medium term with potential to increase in the long term

### Earnings Guidance

- Underlying NPAT estimated to be in the range of $120 – 130 million
- Targeting net cost savings of $10 million for 2020

### Balance sheet and dividend policy

- Prudent capital management to maintain balance sheet flexibility for reinvestment in the business and to pursue growth opportunities
- Flexible dividend policy, which delivers surplus capital back to shareholders over the longer term



## Adelaide Brighton Ltd

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