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19 May 2020

### **ADELAIDE BRIGHTON LIMITED – 2020 ANNUAL GENERAL MEETING**

In accordance with Listing Rule 3.13.3, attached is a copy of the prepared addresses and presentation to be given by the Chairman and CEO at the Annual General Meeting of the Company to be held at 10.00am AEST today.

Authorised for release by the Board.

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**2020 Annual General Meeting  
Tuesday, 19 May 2020  
Chairman's Address – Raymond Barro**

**OPENING REMARKS**

Good morning ladies and gentlemen, my name is Raymond Barro and I would also like to welcome you all to today's meeting. I am tremendously proud and privileged to be addressing you today as Chairman for the first time at an Annual General Meeting (AGM), and as a long-standing shareholder and member of your Board. Unfortunately, my first address is via this webcast, and I will not have the honour of meeting with you at the end of the meeting as in previous years.

No doubt, we are all facing unprecedented challenges associated with the global coronavirus pandemic which Nick will address more fully in a moment, but I am confident that Adelaide Brighton, its people and stakeholders will continue to have a great future underpinned by the robust financial position we have placed ourselves in.

On behalf of the Adelaide Brighton Board, our Management team and employees, I would like to start by expressing our heart-felt gratitude to the front-line health workers, emergency services, defence forces and the Federal and State Governments for their outstanding work, not only during the catastrophic fires and floods experienced earlier this year, but for continuing to keep our people safe from harm during the pandemic crisis we are currently facing. We thank and applaud the exceptional contribution you have made on our nation's behalf. THANK YOU and WELL DONE.

**RESPONSE TO IMPACTS OF COVID-19**

Typically, your AGM would commence with a review of operations and financials of the past year. However, 2020 presents us with even greater challenges and some uncharted waters to navigate and it is important that I address these first.

Your Management team and Board are rising and responding to the unique challenges presented by the impacts of COVID-19.

Under Nick's and the Executive team's leadership, we have positioned the Company well to weather what lies ahead. In response to COVID-19, a Crisis Management Team and a Pandemic Co-ordination Team were quickly established to proactively manage the unique risks associated with the pandemic. Hygiene and social distancing measures to protect our people and operations remain in place. We currently have over 400 staff working from home, so that our operations are less exposed to the transmission of COVID-19. Our production-critical process teams have been split and isolated to provide back-up teams in the event of infection. We have secured supply lines and are working closely with our customers to ensure continuity of supply to their operations and projects.

Nick will provide a more detailed overview but in short, our March and April trading was very much in line with our expectations.

We have experienced strong ongoing demand for cement and lime from the mining sector. Indications from respective governments are that there is strong support for continued operations in mining, given the high standards of health and safety, the remoteness of mining locations and the level of automation, which all reduce the risk of contracting the COVID-19 virus. We are uniquely positioned in this regard, with a broader exposure to mining than many of our competitors.

However, it is clear that housing approvals are coming off and it is difficult to predict with any certainty, how protracted this might be. Government stimulus through infrastructure spend will no doubt provide a boost to the demand for construction materials, and bringing forward the timing on these projects will be critical to filling the gap that the reduction in residential demand will create. Communication from all levels of government, indicate a consensus around this form of stimulus but at this stage it is still too early to predict what impact this will have on employment and the timing of demand for construction materials. We continue to work with the respective industry bodies to identify measures which will fast-track bringing these projects to market.

In summary, the Company is well placed to navigate the impacts of the coronavirus. At this time our operations remain COVID-19 free, and we continue to operate in all jurisdictions. Importantly, our balance sheet and lines of liquidity remain strong, with approximately \$450 million in available funds, and no near term debt maturities, having refinanced our entire debt portfolio in November 2019. Our supply lines have been secured and our channels to customers remain open. Our sector remains open for business at this time and we are grateful to all levels of federal, state and local governments of Australia, our employees, customers and suppliers for their support and dedication in this regard.

## **YEAR IN REVIEW**

Turning to the business of the meeting and the 2019 financial results.

Demand for residential construction softened in a number of our key markets. This, in combination with increased competition which resulted in lower pricing for our products and increased costs for our raw materials, shipping and energy, resulted in reduced margins.

As a result, Group sales revenue decreased by 7%, reported net profit after tax reduced to \$47.3 million, while underlying profit after tax was \$123.0 million, in line with our profit guidance.

In response to cost pressures, the Group has undertaken a cost-out programme targeting \$30 million in cost savings. As previously noted, these savings will be partially offset by 2020 cost headwinds of approximately \$20 million which are driven by sea freight, labour, energy and raw material costs.

The Management team is focused on delivering on the things we can control, including operational efficiencies and improvements which are critical to remaining cost competitive on a global scale. The Group remains well-positioned to continue to deliver strong returns to shareholders, underpinned by our long-term strategy.

Nick will provide further detail on our operational performance in 2019 and an overview of trading so far in 2020.

## **SHAREHOLDER RETURNS**

A fully franked final ordinary dividend of 5 cents per share was declared for the 2019 financial year, representing a payout ratio of 68% of reported earnings.

The Board continually reviews its capital requirements and maintains flexibility to pursue investment opportunities where these deliver long-term sustainable returns. When the Board determines the Group has surplus capital, we return it to shareholders in the most efficient method available.

## **BOARD RENEWAL**

Your Board recognises the importance of board renewal and maintaining an appropriate mix of skills, experience, and perspectives that align with our long-term corporate strategy.

In May 2019, we welcomed Rhonda Barro to the Board, after her election at last year's AGM. In October 2019, Arlene Tansey retired from our Board, following eight years as an independent director. Emma Stein was appointed to our Board in October 2019.

Emma brings over 30 years' experience in board and senior executive positions in the building materials, oil and gas, energy and utilities, mining and resources, water and waste management sectors. Emma is an outstanding Board contributor who brings unique perspectives to many facets of our operations, given the breadth of her industry experience.

Rhonda has over 40 years' experience in the construction materials sector and provides first-hand insights into market dynamics, operational excellence and functional support, given her ongoing role as an executive of the Barro Group.

Both Emma and Rhonda bring a wealth of industry-specific experience to our Board and improve the balance between operational and financial skills, as well as gender diversity.

The majority of the Board remains independent, consistent with the principles and recommendations of the ASX Corporate Governance Council.

I would like to take this opportunity to thank Arlene for her service to the Company and to welcome both Rhonda and Emma to our Board.

## **REMUNERATION**

At last year's AGM, the Company received a 'first strike' on its Remuneration Report. The Company has consulted extensively with shareholders to understand the concerns that led to the 'first strike'. We acknowledge those concerns and the Board has outlined its response in this year's Remuneration Report.

The Board understands the concerns were predominantly in response to the exercise of the Board's discretion regarding the treatment of incentives awarded to the outgoing Managing Director and CEO, Martin Brydon. The Board has reflected on the concerns and the 'first strike', and has committed to consider alternative remuneration structures and to review the Company's Long Term Incentive Plan in 2020, to ensure ongoing alignment with shareholder objectives.

We have prepared the Remuneration Report in line with our objective of transparency in explaining our remuneration framework and practices and the link between Company and individual performance and incentive remuneration outcomes.

## **SUSTAINABILITY**

Your Board recognises that our licence to operate is contingent on our continued good corporate citizenship, which we never take for granted. We continue to respond to the increasing expectations of stakeholders in relation to sustainability matters such as environment and climate change, diversity and inclusion, community and social responsibilities.

In line with the commitment by the Board at the 2019 AGM in relation to more expansive disclosures which align to the recommendations of the Task Force on Climate-related Finance Disclosures, we have provided a more fulsome disclosure of the road-map and strategic priorities that the Group is focused on, to deliver against its ESG objectives. This year's Annual Report provides insights into the considerable investment the Company has made in delivering a more sustainable operational model and Nick will elaborate on some of the significant achievements we have made in this area.

## **CHANGE OF COMPANY NAME**

Today, shareholder approval is sought to change the Company's name from Adelaide Brighton Limited to ADBRI Limited. The Company has evolved from a South Australian cement manufacturer into a national, vertically-integrated, construction materials and industrial minerals business.

The change of name is appropriate at this point in our growth, to recognise the expanded nature of the enterprise. This change to ADBRI Limited will establish a strong national identity for the Company, both internally for staff and externally for customers, suppliers and contractors, while retaining a connection to the Company's proud history.

## **CONCLUSION**

I would like to thank our joint venture partners, our suppliers and, of course, our customers and the communities in which we operate for supporting our business. We continue to focus on mutually beneficial partnerships with longer term benefits for all stakeholders.

I would like to acknowledge my fellow Directors for their commitment and willingness to apply their expertise and effort in response to these unique challenges. Their energy and enthusiasm have provided the Management team with strong support ensuring our Company remains in a strong and competitive position going forward.

On behalf of your Directors, I would like to thank Nick, his Executive team and all of our people, for their professionalism and dedication during this difficult time. I have every confidence that we will emerge from the impacts of the coronavirus well-positioned and ready to respond to the opportunities the market presents as a direct consequence of their effective management of our operations and our financial flexibility through this crisis.

Let me conclude by thanking YOU – our shareholders – for your continued support of Adelaide Brighton during what has been an unprecedented and challenging period for the Company.

Thank you.

**ENDS**

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## **2020 Annual General Meeting**

**Tuesday, 19 May 2020**

### **Chief Executive Officer's Address – Mr Nick Miller**

Good Morning Ladies and Gentlemen

#### **RESPONSE TO COVID-19**

I would like to start by also adding my thanks to the front-line health workers, emergency services, defence forces and the State and Federal Governments of Australia, and also to the health workers and Government of my country of birth, New Zealand, for their tireless work and dedication through this difficult time. Keeping people safe and healthy is one of the primary responsibilities of any leader and I would like to acknowledge the exceptional work the Prime Ministers of both countries have done in delivering outstanding leadership in this time of crisis, and for protecting our friends and families from harm during this COVID-19 pandemic.

I pass on my sincere condolences to the many who have lost loved ones recently, not only through the pandemic, but also through the bushfires and floods which affected Australia earlier this year.

I would also like to acknowledge the Adelaide Brighton team who have tackled the challenges of this crisis head on, often at the expense of time with their families, to keep your Company operational and the Australian economy moving. The team has been working tirelessly to keep our people safe from harm, whilst maintaining largely uninterrupted production. It makes me incredibly proud to lead this Company, and to work alongside such committed and resilient colleagues.

Adelaide Brighton has a deep and rich history of delivering for its stakeholders. The Company is proudly Australian and has been integral in the construction and growth of Australia since 1882 and although we are facing some unusual and indeed unprecedented challenges, we have responded proactively and we are well-positioned to navigate and grow as the economy recovers.

As Raymond indicated earlier, we are in a very fortunate position of being able to continue our operations and delivery to our valued customers during this pandemic. We do not underestimate the privileged position this places us, and I wish to reassure you, we take our responsibility to keep our people safe, our business open and the economy going, very seriously.

Our Crisis Management Team has been meeting daily to consider the impacts of a very dynamic situation. We are actively engaged with our many stakeholders, working collaboratively across states and industries and with all levels of government, to support the continued operation of our businesses, maintaining the employment of our workforce, while at the same time practicing social distancing and keeping our operations and people COVID-19 free.

There will be many lessons learnt, and opportunities to be taken, following this pandemic. How we operate our business, how collaborative and flexible we, our customers, suppliers, governments and other stakeholders can be, how technology can be utilised and how adaptable we are as human beings.

Your Executive team and Board are now diligently working on our strategy to 'rebound' from COVID-19 and I will cover this in more detail shortly. On a positive note, mining and construction, two of the main sectors that our materials feed into, have remained operational through this pandemic. Government stimulus in the form of infrastructure spend is being fast-tracked at the local, state and federal level, to help accelerate employment, construction activity and economic recovery. We are working closely with industry associations also, to promote measures that would stimulate residential construction. Whilst it is difficult to predict how quickly these sectors of the economy will respond, we are confident our geographical footprint and vertically-integrated offering, will position us well to participate in this growth.

Before I go into greater detail on the 2019 operational and financial performance, I would like to follow up on the comments I made last year about the Group's safety performance.

## **HEALTH & SAFETY**

Last year I commented that our Total Recordable Injury Frequency Rate (TRIFR) was at an unacceptable level and I made a personal commitment to improve our safety performance so that we send all of our employees and contractors home from work unharmed every day.

Health and Safety is a continuous journey, and I am very pleased to report a significant improvement in safety with a 36% reduction in our TRIFR in 2019. The introduction and focus of the Group Safety Step Change Program has delivered exactly that, a "step change" in the culture of the organisation and has significantly impacted on our safety journey. On a very positive note, our Cement & Lime business reported single-digit TRIFR for the first time in its history, with one of its sites, the Kemerton lime facility, reporting 10,000 days Lost Time Injury free, an outstanding achievement by that team.

Step-change is a four-part program that addresses the incidence of harm and risk of high potential incidents, it incorporates visible leadership, critical risks and life-saving rules.



I am also pleased to be able to report that since 31 December to the end of April, our TRIFR has improved a further 22% and now stands at 12.6. A significant improvement, but as I said, safety is a continuous journey, we mustn't be complacent, so we have reaffirmed our commitment to Zero Harm. We will continue to invest in our safety development and have set ourselves a target of 10% year-on-year improvement in our TRIFR as part of our suite of sustainability targets.

Managing the mental health of our employees, through this difficult time is another critical risk we have identified. To that end, we have surveyed our employees on matters affecting their physical and mental health during the period of the coronavirus, either working from home or potentially more isolated at work. We recognise that social distancing and working from home, could impact members of our team at a time when financial pressures and concerns around family and personal well-being may well be heightened. The surveys were well received with a high response rate. We are communicating regularly with our people and allowing them to operate with a flexible schedule, recognising that many of them are home-schooling their children simultaneously with their work. We have provided them with the tools they need to operate safely from home and to keep themselves active, along with increased support from our Employee Assistance Program and we are now working with one of our banking partners to offer enhanced services to our people. I would like to acknowledge the HSE team for their dedicated leadership in these initiatives.

We genuinely believe that a safe business, operated by healthy people, deliver superior shareholder returns and I am personally committed to leading the organisation on this journey to Zero Harm.

## **2019 PERFORMANCE**

In 2019, construction markets softened significantly across the eastern seaboard of Australia, particularly in Queensland and New South Wales. This was driven by an oversupply of multi-residential dwellings, a general reduction in consumer confidence and lower levels of bank lending for residential construction.

Victorian and South Australian volumes were relatively stable, supported by ongoing demand for industrial and commercial construction in Victoria and infrastructure projects in Adelaide. The emergence of a new cement competitor in the South Australian market forced the redistribution of some cement volumes into the Victorian market. This impacted top-line revenue and gross margin and increased costs, due to the late cancellation of shipping on imported products.

In the Northern Territory, ready mix volumes were lower. However, cement demand remained stable supported by increased demand from the resources sector.

Western Australian cement volumes increased, largely in response to increased demand from the resources sector, in particular new gold and nickel projects and development activities in iron ore.

Lime sales volumes were stable across Australia, supported principally by demand from resource projects.

In 2019, this softening in eastern seaboard demand and pricing and volume pressures brought about by increased competition, resulted in a 7% or \$113.6 million reduction in revenue.

Underlying net profit after tax decreased to \$123.0 million resulting in earnings per share decreasing to 18.9 cents per share for the year. Reported net profit after tax was \$47.3 million including one-off significant items totalling \$75.7 million after tax. These items include impairment, retention payments, restructuring costs and the write-off of an old debt facility establishment cost.

Your Board declared a final ordinary dividend of 5 cents per share which represents a 68 percent payout ratio on reported profit.

Cash flow from operations remained strong at \$193.2 million. Capital expenditure and dividends were contained to improve gearing, which rose during the year following payment of the 2018 final dividend which totalled \$97.8 million.

Our balance sheet is in good shape and our liquidity position is strong following the establishment of \$900 million in debt facilities in November last year. These facilities were established with a longer term view in mind and have 5, 7 and 10-year maturities, which offer us incredible stability and flexibility to grow our business, through this tumultuous period.

Moving now to some of our key operational highlights for the year:

- I have already mentioned the significant improvement in safety in 2019 and 2020;
- Operations commenced at our Scotchy Pocket quarry in July 2019. We expect this quarry to deliver 350,000 tonnes of production annually to service growth in the Sunshine Coast market;
- Our Pinkenba plant was substantially completed in 2019 and is now open and operational, servicing the Brisbane CBD market and further building out our vertically-integrated offerings in this market;
- Our Cement & Lime team delivered three key improvement projects which will increase productivity and reduce unit costs;
- Importantly, the Birkenhead team also delivered a major milestone by reaching its 1,000,000 tonne milestone for use of Refuse Derived Fuel at Birkenhead which I will touch on later;
- Our Concrete Products team have rolled out their solar initiative. The aim of this initiative is to install 1 MW of solar capacity at our own facilities by the end of 2021. Concrete Products are also running a concrete brick initiative. These award-winning architectural bricks are manufactured using environmentally-friendly materials and production processes. This is gaining real traction with the recent inclusion of this brick product in the design of the Victoria New Schools Program that will see 100 new schools open between 2019 and 2026. To date, we have been awarded the brick supply for 8 of the new school projects that will utilise over half a million value-added concrete bricks.

Turning to the operational detail

## **Cement**

Cement sales volumes decreased by 6.1% in 2019.

Weaker eastern seaboard demand driven by a decrease in residential construction and the entry of a new cement importer and distributor into the South Australian market were the primary drivers of lower sales. Demand for cement in both Western Australia and the Northern Territory remained relatively stable, supported by demand from the mining sector.

Cement selling prices decreased in the South Australian market, significantly impacting margins. This, combined with lower volumes and higher transport and raw material costs, translated to lower margins.

## **Lime**

Lime sales volumes increased marginally, supported by infrastructure projects and resource sector activity. A number of new contracts were secured against import competition as a result of strong cost competitiveness versus imported lime.

Lime margins remained stable during the period, with rising costs being offset by a small increase in prices.

## **Concrete and Aggregates**

Concrete and aggregate sales volumes were impacted by lower demand for residential construction. Selling prices were modestly up in 2019. However, operating costs, although well controlled, increased on a unit cost basis as the market slowed. Aggregate and transport costs were also higher during the reporting period.

Supply of materials to major infrastructure projects in South Australia and the Northern Territory were completed, including the Northern Connector Project and the Tindal RAAF Base Upgrade.

Major investments during 2019 included our new Pinkenba concrete plant and our Scotchy Pocket quarry. Both will service growth in the Queensland market.

## **Concrete Products**

Adbri Masonry is Australia's largest manufacturer of concrete masonry products, servicing customers in all Australian states and territories.

Earnings in this business reduced on the back of softer activity in the broader residential and commercial construction markets, particularly in Queensland and New South Wales. Modest selling price increases were able to be achieved during the period. Lower volumes also led to higher unit costs, impacting margins.

## **Joint Ventures**

Our joint venture businesses offer vertical integration with our fully owned operations and provide us with access to important markets.

Earnings from our joint ventures delivered \$31.5 million in 2019.

Pressure on volumes in Australia's east coast markets impacted our ICL and Sunstate Joint Ventures.

Our Mawsons Joint Venture is the largest premixed concrete and quarry operator in regional Victoria and also operates in southern New South Wales. Earnings from this business decreased as project volumes reduced to a more normal operating levels while non-infrastructure volumes remained stable during this period.

## **STRATEGY**

Our strategy continues to remain relevant in a post-COVID-19 world. But as I said earlier, there are lessons we have learnt that can be applied to our approach moving forward.

### *Focused construction materials and lime business*

Looking to the longer term, Adelaide Brighton's successful long-term growth strategy is supported by the Group's leading positions in many of the markets in which it operates, providing broad exposure to Australia's economic growth.

Nationally, we are the number one cement and clinker importer, lime producer and concrete products manufacturer. We are the number two supplier of cement and clinker to the construction industry in Australia. Our concrete and aggregates business is the number one or two player in a number of local or regional markets and is number four nationally.

### *Geographic and product diversification*

Adelaide Brighton has operations coast to coast and a balanced exposure to all Australian states and territories. Our assets are strategically located close to raw material sources and in locations well-positioned to support our customers.

In particular, our cement terminal positions in each of Australia's major cities, close to our customers, provide us with a significant competitive and operational advantage. Likewise, our lime manufacturing is uniquely linked to both its raw material source and the logistics network that feeds our mining customers by both rail and road.

The ongoing build-out of our vertically-integrated position has made Adelaide Brighton a more diversified Company, with a balanced portfolio which has the effect of reducing the overall Company risk profile. Within the existing strategy, there remain good opportunities for continued growth in geographic areas where full vertical integration has not yet been achieved. To this end, in 2019 and early 2020, we continued to build-out our downstream position in Queensland and have recently acquired a land position in Badgerys Creek to assist in the development of a fully-integrated offering in the Greater Western Sydney growth corridor.

Our east coast and west coast positions allow us to strike a good balance between mining and construction, which are often countercyclical to one another.

## **Mining**

Many of you may think of Adelaide Brighton as a construction materials company, but we are very importantly, also an industrial minerals manufacturing and distribution business, servicing the mining sector.

Mining is currently providing us with strong revenue support, as all levels of government support the continued operation of mines and the businesses that support them across Australia during this period of social distancing.

Mining is an important part of our business with over 1,000,000 tonnes of the lime we manufacture being delivered to our Australian-based mining customers. Likewise, our cement volumes into mining equate to almost 700,000 tonnes per annum.

Growth opportunities in mining will be driven by increases in the demand for gold and nickel and development opportunities in iron ore. Australian dollar gold prices remain high and gold exploration is experiencing strong growth. The Australian alumina sector remains cost competitive on a global scale and is a major user of our lime products.

## **Infrastructure**

The outlook for Government infrastructure spend remains very strong and indeed will be likely fast-tracked as all levels of government in Australia seek to bring the economy back on-line as COVID-19 restrictions are gradually eased. As mentioned earlier, we are working collaboratively with our customers, government and across industries to accelerate bringing projects to market.

The build-out of our vertically-integrated position in combination with our investment in business development, will assist in increasing our level of participation in these infrastructure projects.

We have a strong track record for delivering into infrastructure projects. In 2018 and 2019, we delivered over 1,000,000 tonnes of aggregates into the Northern Connector project and 270,000 tonnes of aggregates and 60,000 cubic metres of concrete into Stage 5 of the RAAF Tindal upgrade, both for Lend Lease.

The long-term outlook for population growth, which will drive demand for construction materials in both residential and infrastructure construction, also remains robust.

### *Land Development*

We also intend to maximise our land development opportunities. We are working with the Geelong City Council to develop the Batesford Quarry and more recently, we commenced demolition works at our Hilltop land site in Geelong to enhance this surplus land for future development.

### *Cost Reduction and Operational Improvement*

Remaining cost competitive and customer-focused in an increasingly competitive landscape is critical to the long-term sustainability of the Company. The Group's cost-out programme continues to progress with targeted savings of \$30 million against cost headwinds of \$20 million in 2020. Technology and the application of capital to make our operations more cost-effective will help support the cost advantage we enjoy against local competitors and imports.

## **ENVIRONMENTAL SOCIAL AND GOVERNANCE**

Adelaide Brighton acknowledges its role in managing and governing impacts on the environment, our people and the communities in which we operate. We have an important part to play in contributing to a sustainable future.

Culturally, we seek to make a positive contribution in each of these areas, and we believe our actions can provide an enduring benefit to the communities in which we operate.

Following feedback from our investors, we have increased the level of disclosure, to share with you the substantial progress we have made to build a more sustainable business.

This year's report provides insights into the considerable investment the Company has made in delivering a more sustainable operational model. As the Chairman touched on, we have provided a more fulsome disclosure of the road-map of strategic priorities the Group is focused on, to deliver against its ESG objectives. It is worth highlighting some of our significant achievements in this area:

- As I mentioned earlier, during 2019 the Group achieved its 1,000,000 tonne milestone with respect to usage of Refuse Derived Fuel, or RDF, since the initial use of the fuel in 2003. This redirects waste destined for landfill, to use as an alternative fuel at our Birkenhead plant.
- We continue to target increased usage of alternative fuels at our major operations and have recently completed a series of successful trials to vary our operating licence to increase our use of RDF at our Birkenhead plant. This has the potential to allow RDF to substitute for natural gas for approximately 40% of our kiln fuel needs at Birkenhead. This reduces our carbon footprint while also reducing our costs. We have set a 5-year target to increase our use of alternative fuels in SA to 50% and these trials put us in a good position to progress towards this target. I would argue that our South Australian produced cement is one of the greenest produced in Australia.

- The Group reported an increase of 8% in the use of alternative raw materials, which are renewable or recoverable waste from other industrial processes. We have set a 5-year target to increase our usage by 20%.
- It is important to note that our major cement producing facilities operate almost entirely on gas and renewable and alternative energy sources. This is in direct contrast to many of our onshore and offshore competitors who still use coal-fired plants. This gives them a short-term cost advantage. Our use of coal is limited to lime operations in WA, where we are phasing out our use of coal by early 2021. We believe our progress in this regard will place the Company in a better cost-competitive position in the long-term.

## OUTLOOK

At this stage we cannot predict with any certainty the impacts on demand for our products following the imposition of social distancing measures and the consequential slow-down in the Australian economy.

What we can tell you is what we know:

After a slightly slower start to the year due to rain, bushfire, smoke and heat events which were all factored into our now withdrawn guidance, March and April trading was largely in line with our expectations.

We have experienced strong and ongoing demand from the mining sector for both cement and lime in Western Australia, South Australia and the Northern Territory. Retail sales for our masonry products are very strong, likely a direct consequence of households being productive during their home isolation. Victorian demand for all products continues to hold firm and indeed, has exceeded our forecasts, driven by commercial and industrial activity.

Whilst we expected a steeper decline in South Australia, we have enjoyed the benefit of demand from defence project work to buffer the impacts of a subdued residential market. Queensland concrete and aggregates demand is largely in line with our expectations. However, our Sunstate Joint Venture has experienced lower cement sales due to contractual agreements between Boral (our joint venture partner) and some of our competitors. The New South Wales market remains subdued.

It is clear that housing approvals will decline, and as Raymond previously stated, it is difficult to predict with any certainty how protracted this might be. All levels of Australian Government are working with industry to fast-track infrastructure projects to bring necessary stimulus to the economy, and again, it is difficult to forecast exactly when each project will come to market.

We are monitoring this closely and working collaboratively with industry and our customers to secure future opportunities for our business.

The mining sector continues to operate, largely uninterrupted. We are working closely with our suppliers, to ensure this continues so that we can ensure continuity of supply to our customers. The mining sector is a key contributor to the Group's profitability, supported by low-cost production and regionally located customers.

The Company is in a sound financial position with approximately \$450 million in cash and undrawn facilities at the end of April. This provides us with a significant liquidity buffer to withstand any long-term impacts of COVID-19 and also provides us with the flexibility to pursue new opportunities that may arise in a challenging market.

The Group will continue to focus on operational and cost improvements to ensure it remains competitive in a global market. Importantly, we will do this whilst doing our very best to keep our people and their families safe and healthy.

## **CONCLUSION**

In closing, I would like to offer my sincere thanks to the Board, for their professional guidance, challenge, and support, my Executive team for their leadership and commitment and to all of our employees for their hard work and dedication during the year.

Finally, I thank you, our shareholders, for your support, understanding and patience, as we navigate these difficult times.

Together, we intend to deliver attractive long-term returns for shareholders and a sustainable future for Adelaide Brighton.

Thank you for your ongoing interest and time today.

**ENDS**





**Adelaide Brighton Ltd**

# **ANNUAL GENERAL MEETING**

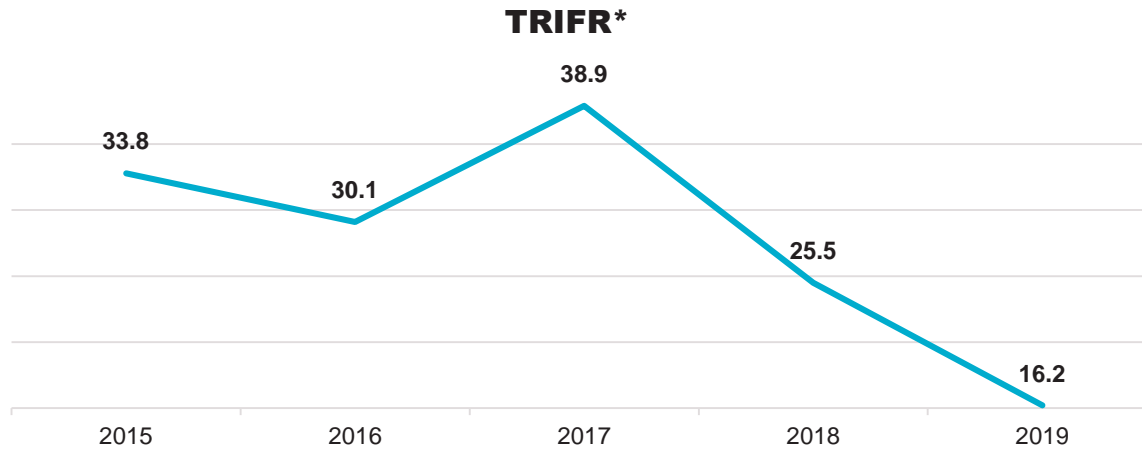
19 MAY 2020



# COVID-19 UPDATE

- › Crisis Management Team established and meeting daily to manage coronavirus impacts on our business
- › Employees and sites remain COVID-19 free
- › Over 400 non-operational staff working from home
- › Duplicate control rooms and teams established to protect ongoing operation of major facilities in case of COVID-19 infection
- › All sites remain operational
- › Construction and mining sectors remain 'open for business' with government support

# SAFETY 'STEP CHANGE' PROGRAM



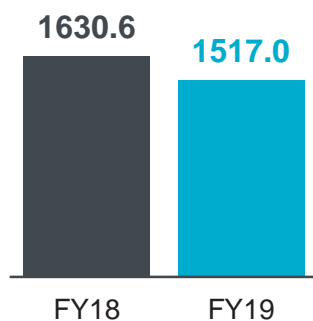
- › Sustained focus on safety and injury reduction delivering results
- › Total Recordable Injury Frequency Rate (TRIFR) 16.2 at December 2019, 36% improvement over the last 12 months
- › Safety “Step Change” – newly staged program to deliver next phase of continuous improvement in health and safety



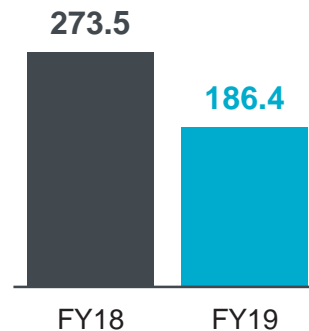
\*Total Reportable Injury Frequency Rate (TRIFR) is the number of recordable injuries per million man hours worked  
Adelaide Brighton's TRIFR includes employees and contractors.

# 2019 FINANCIAL SUMMARY

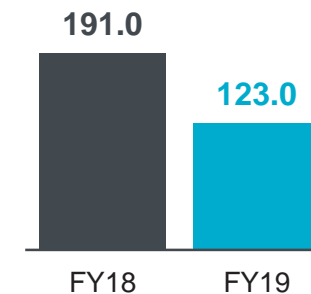
## REVENUE (\$M)



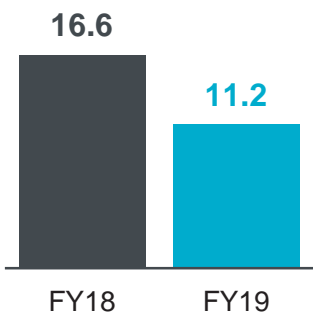
## UNDERLYING EBIT<sup>1</sup> (\$M)



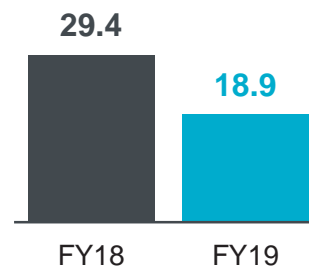
## UNDERLYING NPAT<sup>1</sup> (\$M)



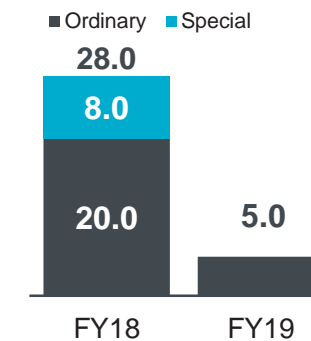
## UNDERLYING ROFE<sup>1</sup> (%)



## UNDERLYING EPS<sup>1</sup> (CENTS)



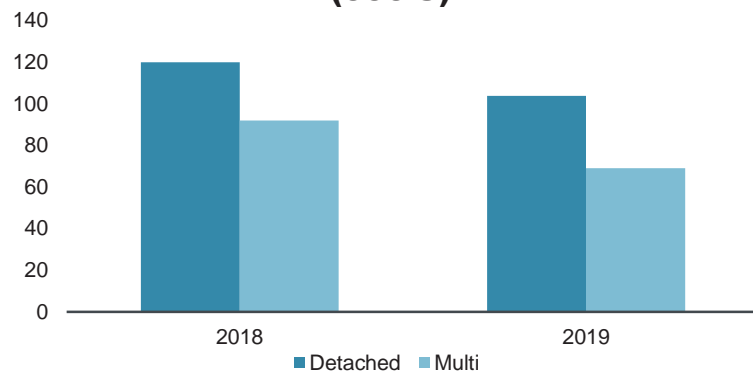
## DPS (CENTS)



<sup>1</sup> "Underlying" EBIT, NPAT, ROFE and EPS exclude significant items. Refer to page 50 of the 2019 Annual Report for a reconciliation of reported earnings

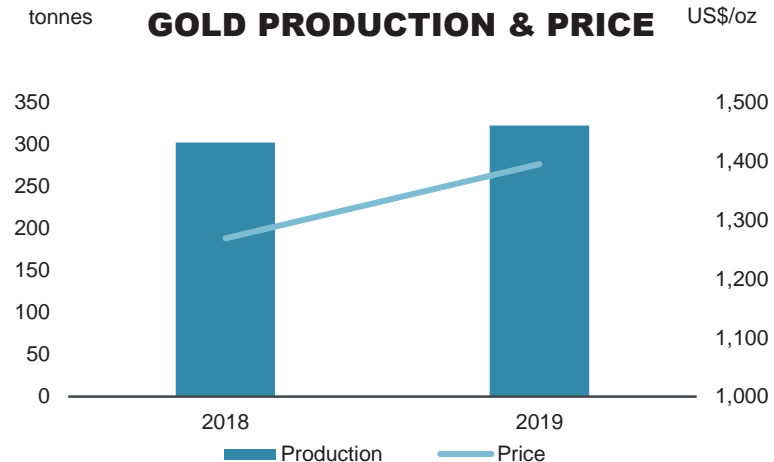
# 2019 OPERATING CONDITIONS

## RESIDENTIAL APPROVALS (000'S)



Source: ABS

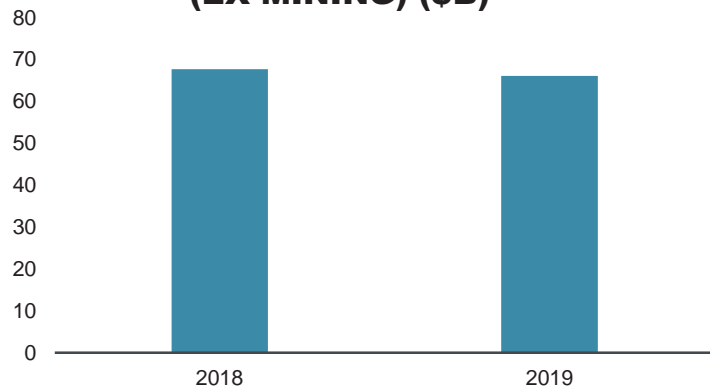
## GOLD PRODUCTION & PRICE



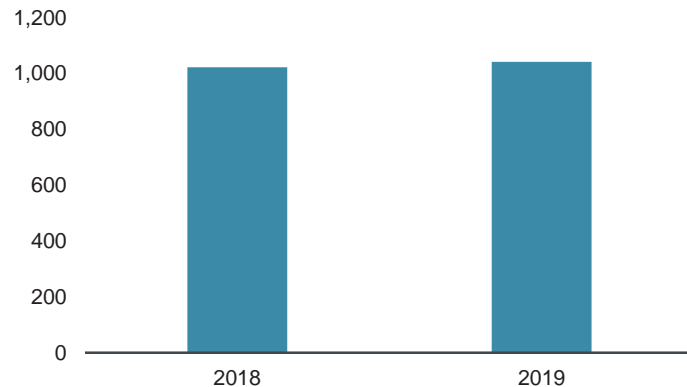
## Construction

- › Decline in both detached and multi-residential approvals impacted revenue
- › Access to funding and lower consumer confidence impacted residential demand
- › Delays have pushed out infrastructure project timelines, adversely impacting 2019 demand for construction materials

## ENGINEERING WORK DONE (EX MINING) (\$B)



## LIME SALES (000'S T)



## Mining

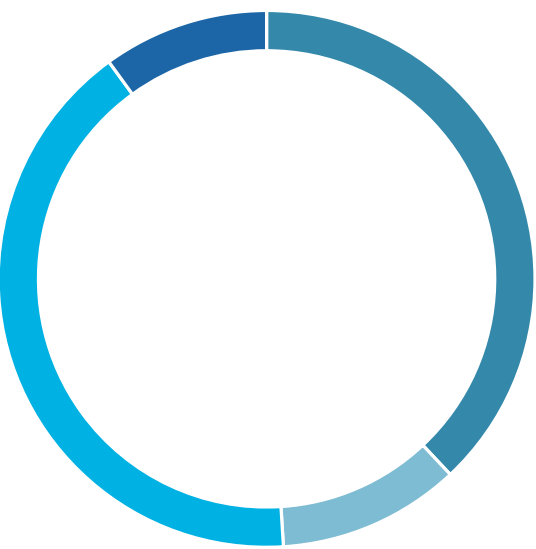
- › 2019 has seen multi-year highs for the US dollar gold price and record highs for the Australian dollar gold price.
- › Market responding to global economic slowdown and geopolitical uncertainty
- › Gold exploration rose by approximately 15% year on year with WA exploration accounting for almost 70% of total gold exploration spend
- › Mining supported increases in lime and cement volumes in WA and NT
- › Alumina production and sales volumes remained stable in 2019



# GEOGRAPHIC AND ECONOMIC DIVERSIFICATION



2019  
Revenue by product group



- 38% Cement
- 11% Lime
- 41% Concrete and Aggregates
- 10% Concrete Products



# VERTICAL INTEGRATION

## Recent investments in vertical integration:

- › Pinkenba concrete plant construction was substantially completed in 2019. Operational in Q1 2020, now servicing the Brisbane city market
- › Scotchy Pocket quarry commenced operation in July 2019. Located to the north of Gympie in Queensland, the quarry services the Sunshine Coast market
- › Land at Badgerys Creek, NSW was purchased in Q1 2020. Following rezoning, the site will support delivery of concrete and materials to the development of the Western Sydney aerotropolis.



# MINING

## Mining and mineral processing are major drivers of demand for both cement and lime

- › Mining demand generates significant earnings for the Group
- › ABL customer base characterised by globally low-cost, efficient operations – particularly alumina and gold sectors
- › Our raw material supply, operations and logistics networks are well located and connected to deliver reliable, high quality and low-cost materials to the mining sector in WA, SA and NT





# FOCUS ON INFRASTRUCTURE

## Government fast-tracking infrastructure

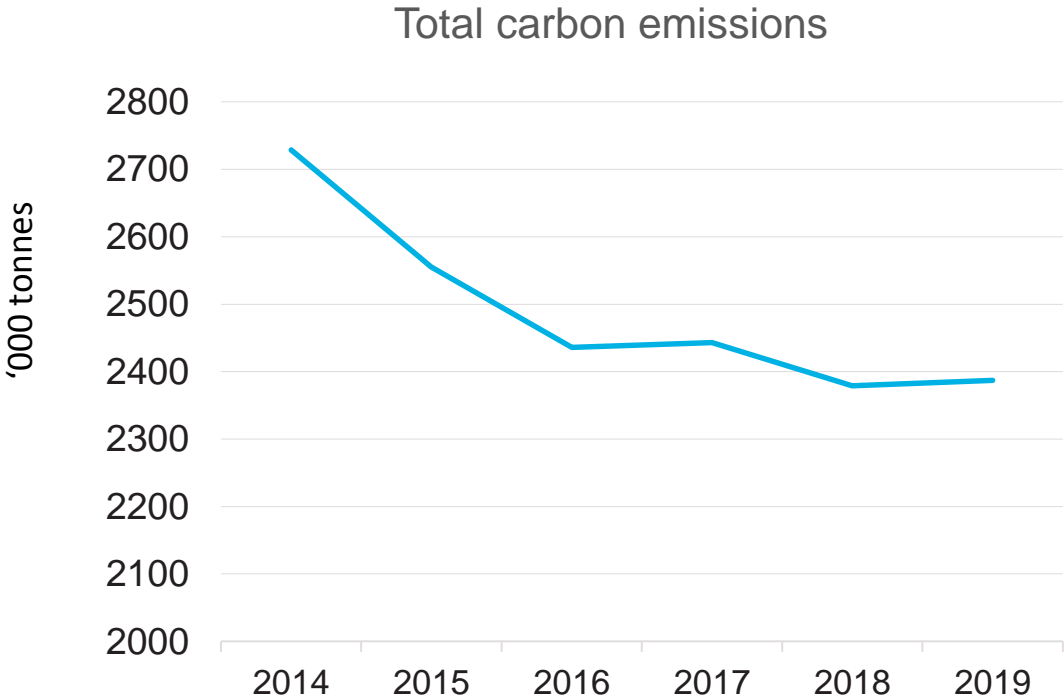
- › Proven capability in the delivery of bulk construction materials into major infrastructure projects.
  - › Northern Connector project in South Australia - over 1,275,000 tonnes of aggregates, sand and slag
  - › RAAF Base Tindal in the Northern Territory - 270,000 tonnes of aggregates and 60,000 cubic metres of concrete
- › Vertically integrated and geographically diverse footprint position the business well to participate in fast-tracked government infrastructure spend stimulus



# LONG-TERM SUSTAINABILITY



FROG POND, MORGAN CEMENT, PORT KEMBLA, NSW





# 2020 TRADING PERFORMANCE



- › January and February affected by rain, bushfire, smoke and heat events, resulting in a slower start to the year
- › March and April trading largely in line with expectations
- › Strong demand from mining sector for both cement and lime across Western Australia, South Australia and the Northern Territory
- › All levels of government are working on post-COVID stimulus plans, with a focus on infrastructure. Our product and geographic spread mean we are well-positioned to participate
- › Cost pressures remain, with anticipated increase to costs of \$20 million offset by cost-out program savings in 2020 of \$30 million which remain 'on target'

# Adelaide Brighton Ltd

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**Adelaide Brighton Ltd**

# **ANNUAL GENERAL MEETING**

19 MAY 2020

