Citi 2020 Investment Conference

12th Annual Australia & New Zealand Investment Conference

14 October 2020

Nick Miller - Chief Executive Officer
Theresa Mlikota - Chief Financial Officer

Who we are

Nick Miller

Chief Executive Officer

About Adbri

Adbri has been building a better Australia since 1882

We're known for being Always Ready to deliver high performance cement, lime, concrete, aggregates, concrete products and industrial minerals on time.

We have a portfolio of respected brands and a national footprint.

Strategically located, counter-cyclical business

FY2019

Revenue by product

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

FY2019

Revenue by market

- 50% Non-residential & engineering
- 32% Residential
- 18% Mining operations

FY2019

Revenue by state

- 24% Victoria
- 20% New South Wales
- 19% Western Australia
- 16% South Australia
- 16% Queensland
- 5% Other

Financial review

Theresa Mlikota

Chief Financial Officer

Overview

- 1H20 earnings in line with expectations - underlying net profit after tax (NPAT) $47.6 million:
  - Strong EBITDA margins reflect benefit of cost-out program;
  - Diversified business across construction; and
  - Mining sectors and vertically integrated footprint
- Balance sheet remains strong with good cash flow generation
- Fully franked interim dividend of 4.75 cents per share paid – representing a payout ratio of 65% of underlying earnings
- Construction and mining sectors remain ‘open for business’ and all our sites remain operational, including Victoria although stage 4 restrictions limiting demand

Key financial metrics – underlying*

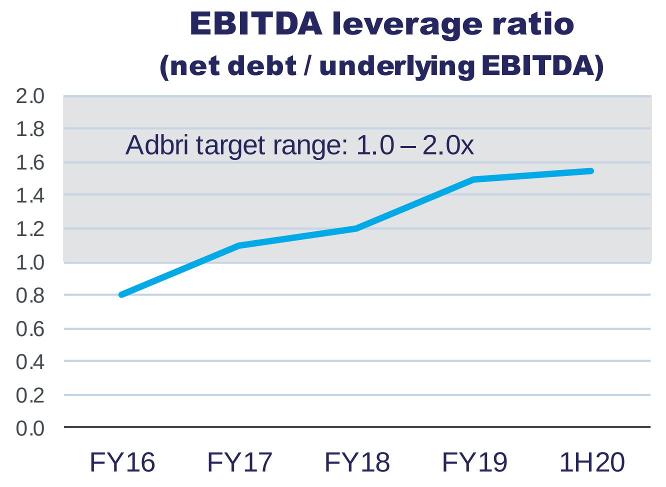
6 months ended 30 June	1H19 ($m)	1H20 ($m)	% Change pcp Fav / (Unfav)
Revenue	755.7	700.7	(7.3)
Earnings before depreciation, amortisation, interest and tax	133.0	122.5	(7.9)
EBITDA margin (%)	17.6	17.5	
Earnings before interest and tax	85.2	75.2	(11.7)
Net profit attributable to members	55.3	47.6	(13.9)
Basic earnings per share (cents)	8.5	7.3	(14.1)
Operating cash flow	44.8	116.3	160.0
As at	**Dec 2019**	**Jun 2020**	
Net debt ($m)	423.3	413.8	2.2
Liquidity ($m)	476.7	481.7	1.0
Leverage (times)	1.5	1.5	
Gearing - D/E (%)	35.4	34.6	

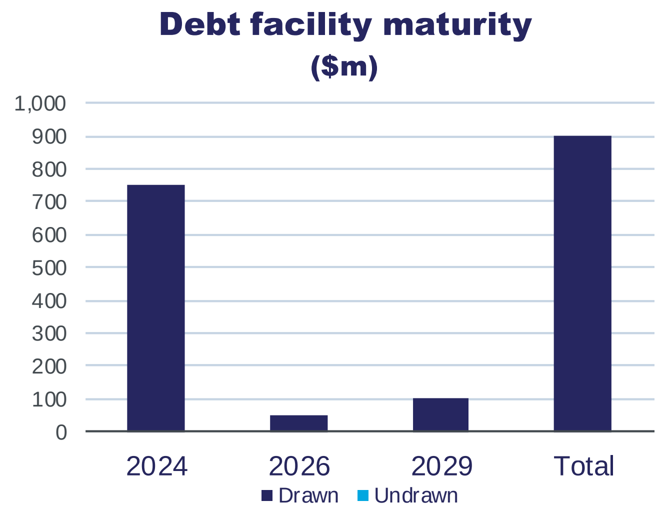
* Underlying earnings exclude significant items. Refer slide 25 for reconciliation to reported earnings

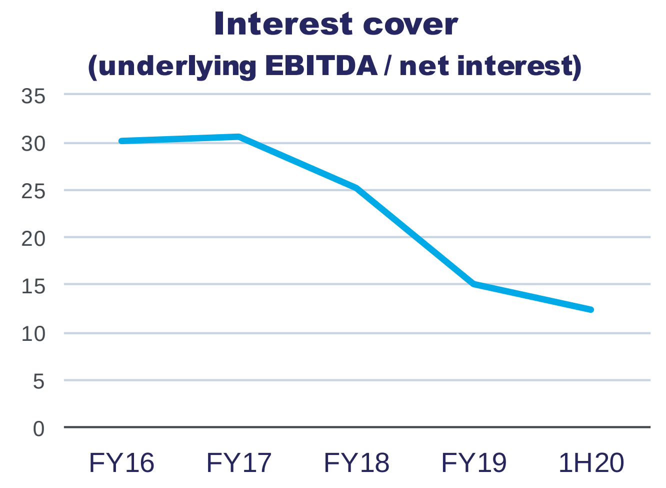
- Lower revenue
  - Stronger demand in Western Australia and relatively stable Victorian demand were offset by weaker demand, weather and bushfires in New South Wales and Queensland
  - Pricing generally stable
- Cost-out program delivering benefits
- EBITDA margin was stable despite lower revenue
- EBIT impacted by lower Sunstate earnings

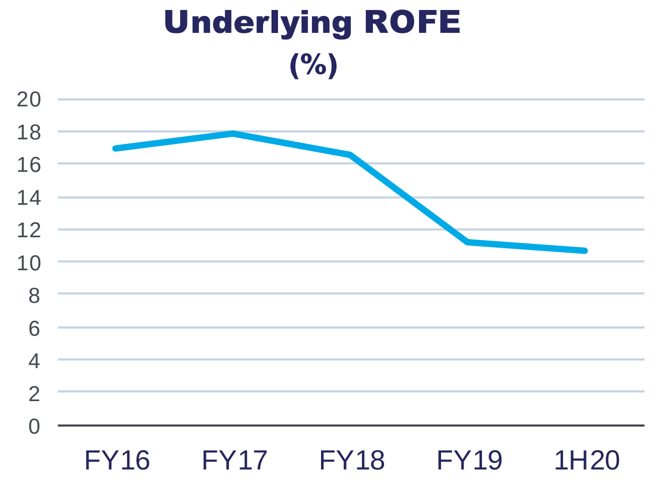
- Balance sheet remains strong
- Available cash provides liquidity to manage impacts of COVID-19
- Leverage and gearing remain mid-range of internal targets

Capital management





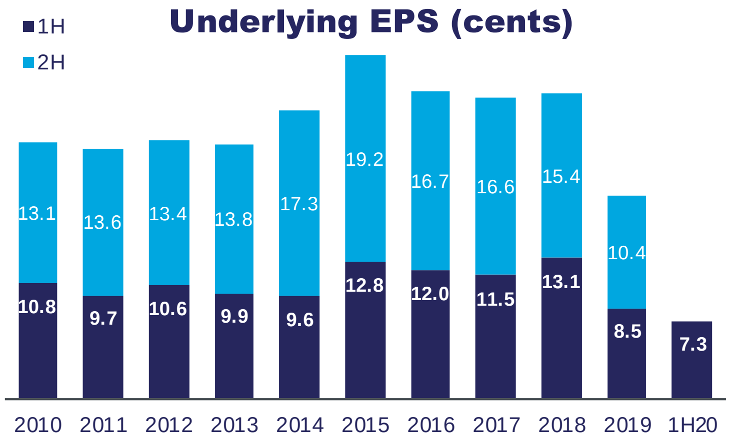


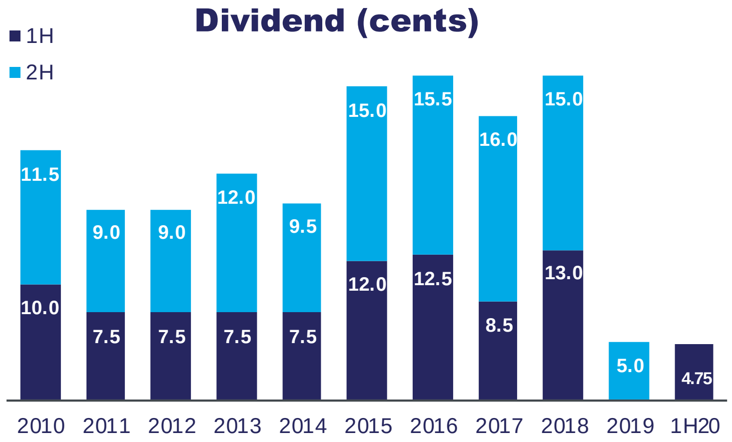


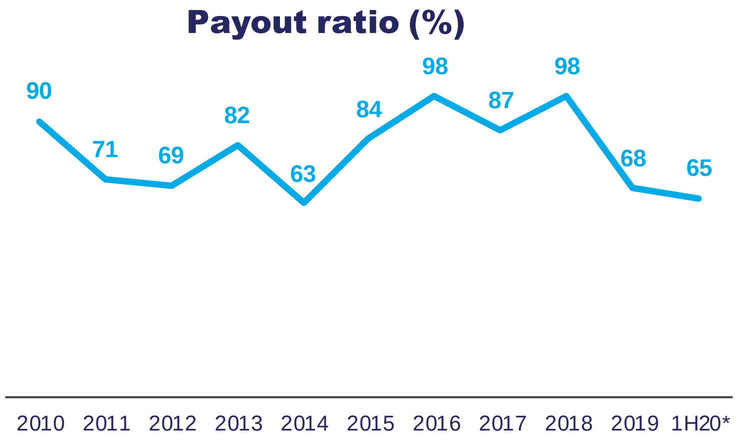
- Investment grade metrics and balance sheet flexibility maintained
- Leverage and gearing mid-range of Board target range
- Liquidity remains strong at $481.7 million. No debt maturing until 2024
- Significant headroom within debt covenants*
  - Interest cover* > 3x, compares to 13.9x at June 2020
  - Leverage* < 55%, compares to 25.7% at June 2020
- Underlying ROFE remains above cost of capital

* Debt covenants may not align with financial statements
Debt covenants:
- Interest cover is underlying EBITDA / net interest, calculated on a 12-month rolling basis
- Leverage is net debt / (net debt + equity)
- EBITDA and interest exclude equity earnings, unwind of discounts, capitalised interest and interest on leases
- Debt excludes lease liabilities

Long-term value to shareholders







* % of underlying

Long-term earnings

- Long-term earnings reflect robust business model and diverse portfolio of assets
- Recent softness in residential construction impacting earnings – now improving
- Geographic spread of operations and products well placed to participate in stimulus measures

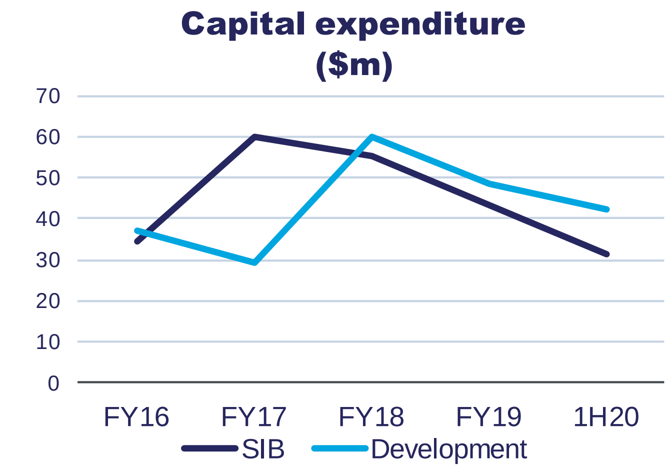
Capital returned to shareholders

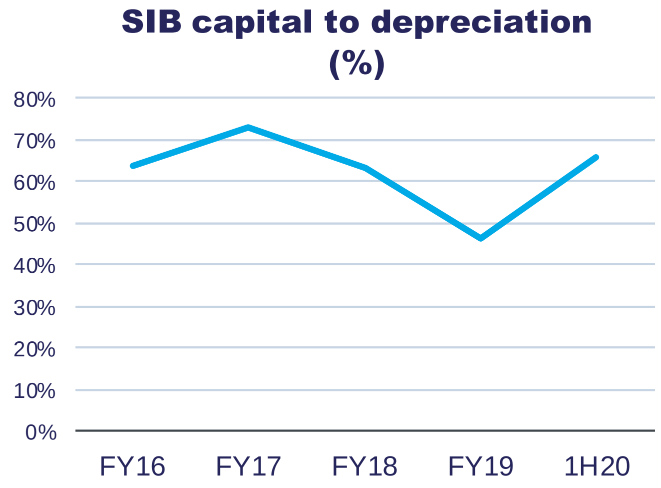
- Strong balance sheet and cash flows underpin payment of an interim dividend to shareholders
- Dividends utilised to return excess capital to shareholders
- Payouts have reflected capital position and future capital needs

Dividend policy

- Board dividend policy 65-75% of earnings, subject to future capital needs
- Interim 2020 dividend of 4.75 cents per share represents a payout ratio of 65% of underlying earnings and 107% of reported earnings
- Balanced capital structure to maximise value to shareholders
- Franking account in excess of $100 million

Capital expenditure





Investing for growth

- Re-investment in asset base increased
  - Growth capex aligned with vertical integration strategy
  - Increased maintenance capex program spend to preserve earnings generation
- Kwinana cement milling project in final feasibility. Decision likely in 2H20

Major Projects in 2020

- Acquisition of land at Badgerys Creek in Western Sydney aerotropolis precinct for future concrete plant following rezoning process
- Pinkenba concrete plant was commissioned and is now fully operational
- Upgrade to the Birkenhead drymix plant

2020 spend outlook

- Capital expenditure expected to be in line with $130 million previously indicated (excluding Kwinana project)

Strategy and ESG performance

Nick Miller

Chief Executive Officer

Business improvement and growth strategy

Ongoing cost reduction and operational improvement

Lime volume recovery

Downstream diversification

Increased exposure to 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**

Business improvement and growth strategy

Ongoing cost reduction and operational improvement

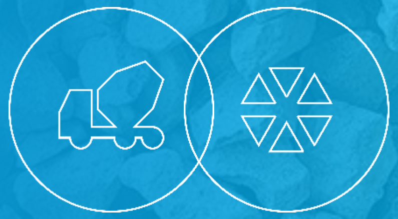
- Cost saving initiatives identified across all parts of business
- ‘On-track’ to deliver $30 million in incremental cost savings during 2020, subject to impact of COVID-19 on operations
- Implemented cost savings across areas including quarry materials, gas, electricity, labour costs through shared service model for back-office functions

Lime volume recovery

- Operations and logistics capabilities strategically located to supply mining customers in Western Australia, South Australia and the Northern Territory
- Adbri’s lime operations remain resilient despite non-renewal of contract by Alcoa beyond June 2021
- Munster kiln 5 into care and maintenance in 2H21 to align capacity to post-Alcoa demand
- Finalisation of strategies to mitigate possible loss of earnings from Alcoa contract in 2021 expected to be completed 2H20
- Lime operations remain cost competitive against imported product and uniquely positioned to deliver reliable and high quality product efficiently into mining markets

Business improvement and growth strategy

Downstream diversification



- Downstream integration and diversification continues to provide significant strategic revenue and cost benefits via the ‘pull-through’ of cement and aggregate volumes
- Pursue opportunities to in-fill existing operations by greenfield investment coupled with acquiring high quality concrete and aggregate businesses
- Explore complementary adjacent industries to maximise ‘pull-through’ value of high margin products

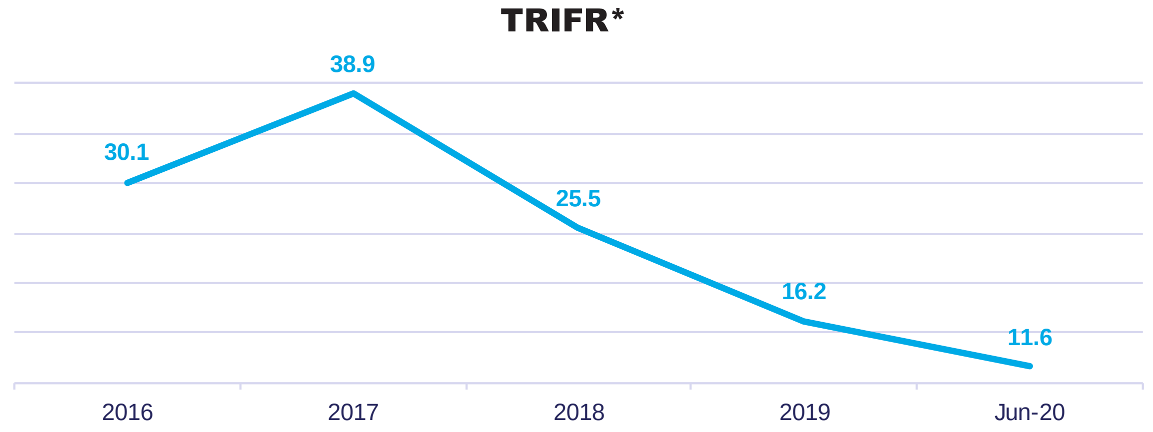
Increased exposure to infrastructure

- Infrastructure spending to remain a key driver of construction demand
- Adbri offers a fully integrated construction materials product offering into all of Australia’s major markets, supported by geographic spread of operations in all of Australia’s major markets, business development capabilities and Adbri brand
- 2020 Federal budget has expanded on existing pipeline of infrastructure projects which are being fast-tracked by government to stimulate the economy
- Focus on projects where Adbri has a fully integrated and cost competitive position
- Tendering pipeline remains very strong

Business improvement and growth strategy

- Active management of excess land is anticipated to provide value to shareholders
- Excess land provides an opportunity to deliver value to shareholders
- Alternate divestment strategies are actively considered to ensure maximum value is extracted
- Batesford Quarry operation is included in the Western Geelong Growth Area. Hearings completed on the draft Precinct Structure Plan and being deliberated by Geelong City Council. Northern section of quarry currently under consideration for rezoning to higher value use
- Demolition of silos at the Geelong Hilltop land has been completed, development alternatives and marketing strategies are being formulated

Safety

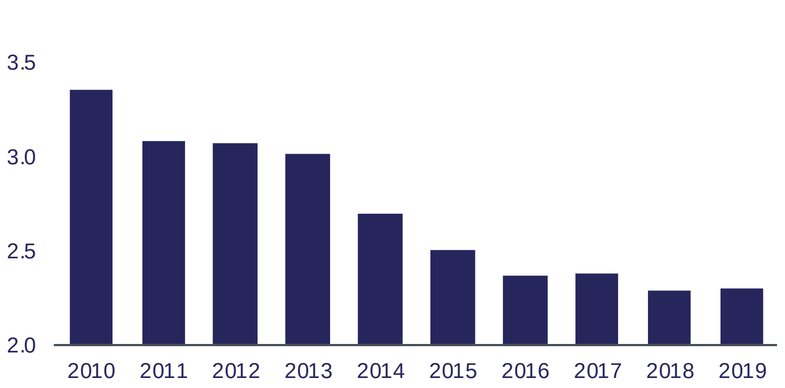


- Total Recordable Injury Frequency Rate (TRIFR) declined to 11.6, a 28% reduction since December 2019 and 41% reduction since June 2019
- TRIFR further reduced to 9.4 at September 2020
- Safety 'Step Change' program implemented in 2019 driving improvement

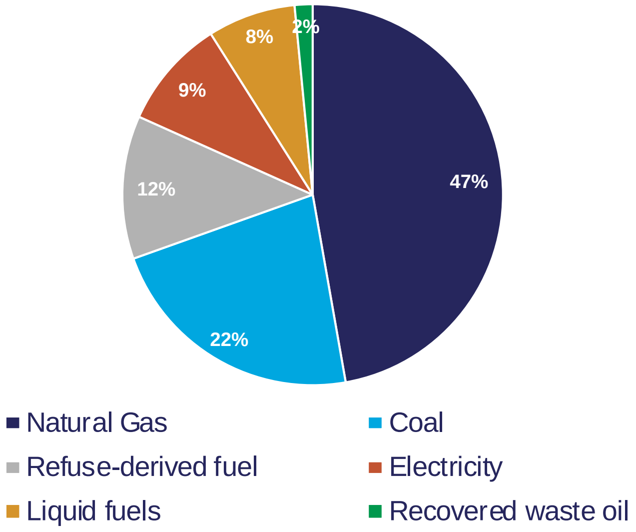
*Total Reportable Injury Frequency Rate (TRIFR) is the number of recordable injuries per million man hours worked
Adbri TRIFR includes employees and contractors.

Long term improvements to GHG emissions

Carbon emissions (mill. tonnes)



Energy source



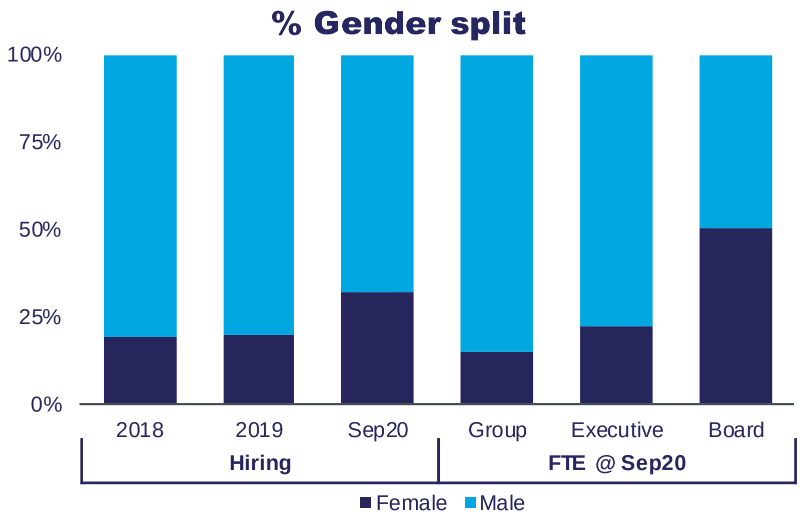
Focus on reducing carbon emissions

- Displacement in kilns of fossil based fuels with bio-mass refuse derived fuel
- Closure of old inefficient production facilities
- More than 50% of electricity is now sourced from renewable energy generator

Majority fuels are low carbon

- Adbri has moved majority of fuel sources away from higher emissions intensive coal
- Switch remaining coal usage at the Munster plant to natural gas from end of 2020, further enhancing lower emission footprint
- Well progressed to increase hourly limit on refuse derived fuel usage at Birkenhead to 25 tonnes per hour. Target to increase alternate fuel usage to 50% of Birkenhead kiln demand within 4 years

Improved diversity and inclusion



Improved hiring outcomes

- Higher levels of female applicants has led to an improved rate of female hiring
- Support to improve female participation in industry
- Unconscious bias, diversity and inclusivity training held across recruiting managers

Reconciliation action plan

- Adbri employees who identify as Indigenous of 3.2% is consistent with the general population of 3.3% (ABS 2016 census)
- Inaugural Reflect Reconciliation Action Plan launched
- Senior management participated in cultural training, and expanded to further levels of management

Trading update and budget stimulus

Theresa Mlikota

Chief Financial Officer

Trading since 1H20 results announcement

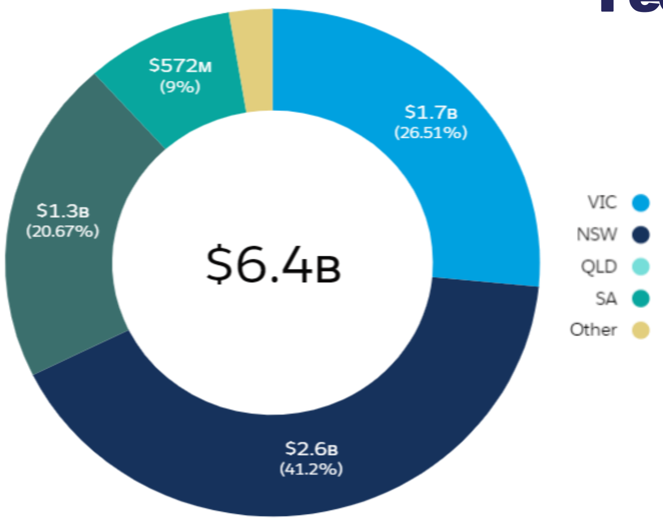
- All our sites remain operational
- Victoria sites allowed to operate under stage 4 restrictions, however demand fluctuating as customers manage construction site staffing. Demand in Victoria approximately 80% of pre-lockdown restrictions during August and September
- Aggregate sales buoyant (3Q20 volumes up 18% on 3Q19) as residential sub-division work drives demand - primarily lower value fill materials. Lead indicator of future demand for cement, aggregates and concrete volumes
- Outside of aggregates, in 3Q20:
  - Volumes – concrete, cement and concrete products sales were within 5% of 3Q19 volumes despite the impact of Victorian stage 4 restrictions
  - Average selling price – stable prices, with movement for 1H20 period reflected in 3Q20
- Mining sector continues to operate largely uninterrupted. Production outlook for gold, nickel, iron ore and alumina supporting positive outlook in Western Australia

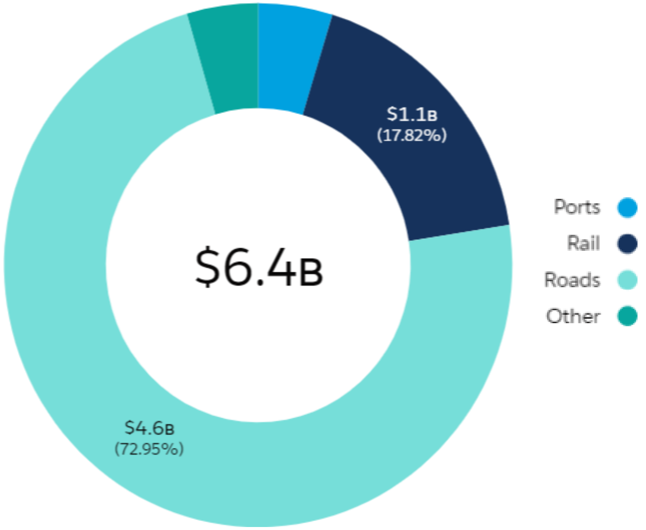
Trading since 1H20 results announcement

- Summary by state:
  - Queensland demand improved, with residential construction and other building works supporting volumes. Tendering for commercial, industrial and unit development projects supporting outlook. Sunstate continues to be subdued
  - New South Wales demand remains subdued, with residential stimulus measures in Sydney not as effective as other regions, however infrastructure demand improves outlook
  - Victoria volumes have been impacted by stage 4 restrictions, however demand from the commercial sector recovering
  - South Australia aggregate volumes supported by residential sub-divisions that are benefitting from HomeBuilder and infrastructure projects. Balance of market is slower than the prior year
  - Northern Territory market is slow due to timing of projects and limited residential construction activity
  - Western Australia demand rebounding, with strengthening economy and growing confidence. Adbri exposure to recovering WA economy higher than domestic peers

Job focussed 2020 federal budget

Federal new infrastructure spend





Incremental infrastructure announced

- Additional projects announced including:
  - Coomera connector stage 1 ($750m) (QLD)
  - Hahndorf township improvement ($200m) (SA)
  - South road duplication stage 2 ($136m) (SA)
  - Metronet Morley-Ellenbrook line ($125m) (WA)
  - Centenary bridge upgrade ($112m) (QLD)
- State project spending aligned with Federal efforts to stimulate economy such as $2.39bn in Western Australian budget

Job focussed 2020 federal budget

- Adbri well-placed to benefit from government stimulus supporting the construction sector:
- Geographic position of operations will help Adbri participate in projects across:
  - Metro areas of eastern states
  - Regional Victoria through Mawsons and ICL joint ventures
  - Across majority of South Australia and Northern Territory
  - Western Australia with exposure to the mining sector and through the supply to non-mining customers that have a broad geographic spread of operations
- No extension to HomeBuilder, however residential construction customers reporting robust demand generated from the scheme which is supplemented by State government stimulus packages including grants and stamp duty relief. Customer feedback suggests orders for new homes remain robust into early 2021

Appendices

Appendix 1

Reconciliation of underlying profit

6 months ended 30 June	1H19 ($m)			1H20 ($m)		
	Profit before tax	Income tax	Profit after tax	Profit before tax	Income tax	Profit after tax
Underlying profit	**76.0**	**(20.7)**	**55.3**	**65.3**	**(17.7)**	**47.6**
Impairment	(96.1)	26.2	(69.9)	(20.5)	6.2	(14.3)
Doubtful debts	(0.7)	0.2	(0.5)	(0.1)	-	(0.1)
Corporate restructuring costs	(3.9)	1.2	(2.7)	(5.9)	1.8	(4.1)
Acquisition expenses	(0.1)	-	(0.1)	-	-	-
Statutory (loss) / profit	**(24.8)**	**6.9**	**(17.9)**	**38.8**	**(9.7)**	**29.1**

- Significant items affecting underlying profit
  - 2020 impairment primarily associated with Munster lime assets to be placed into care and maintenance in 2021
  - 2019 impairment reflecting updated outlook and strategy and reassessment of carrying values
  - Doubtful debt charges pertain to costs incurred to recover unpaid amounts in relation to financial discrepancies identified in 2017
  - Corporate restructuring costs include redundancy and one-off employment costs
- Additional item in 1H19 included:
  - Costs associated with acquisition of businesses such as stamp duty and legal costs

Appendix 2

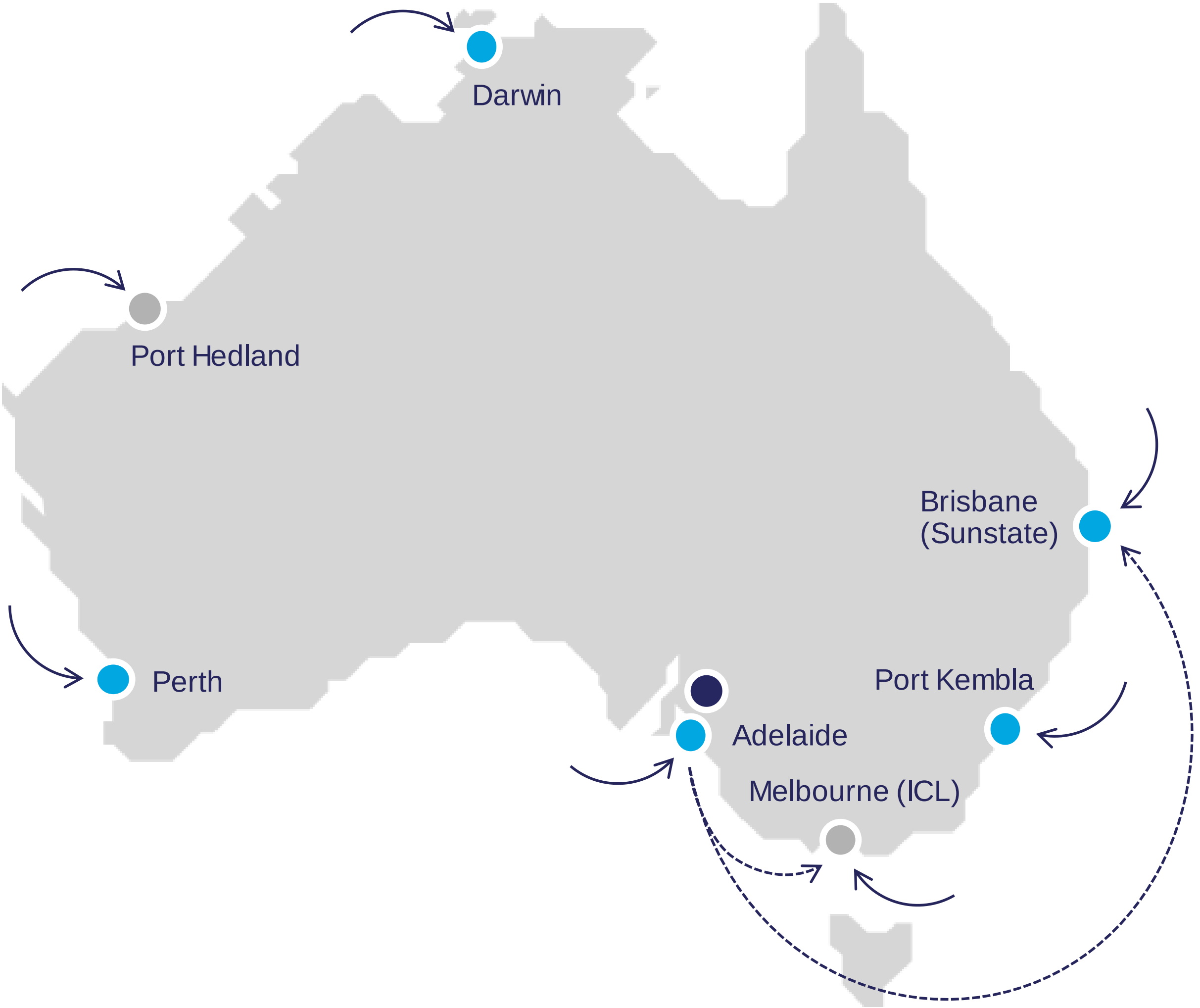
Reported profit

6 months ended 30 June	1H19 ($m)	1H20 ($m)	% Change pcp Fav / (Unfav)
Revenue	755.7	700.7	(7.3)
Earnings before depreciation, amortisation, impairment, interest and tax	128.3	116.5	(9.2)
Depreciation and amortisation	(47.8)	(47.3)	1.0
Impairment	(96.1)	(20.5)	78.7
Earnings / (loss) before interest and tax	(15.6)	48.7	412.2
Net finance cost	(9.2)	(9.9)	(7.6)
Profit / (loss) before tax	(24.8)	38.8	256.5
Tax (expense) / credit	6.9	(9.7)	(240.6)
Minority interest	-	-	-
Net profit / (loss) attributable to members	(17.9)	29.1	262.6
Basic earnings / (loss) per share (cents)	(2.7)	4.5	266.7

- Reduced demand, particularly in New South Wales and Queensland impacted revenue for the period
- EBITDA margins improved as cost-out program delivered benefits
- Depreciation and amortisation flat
- Impairment declined from $96.1 million to $20.5 million
- Interest costs increased as a result of fully drawn debt facilities to manage uncertainty through the COVID-19 period
- Reported income tax rate of 25% is lower than the expected range of 27-28% due to the proportion of post-tax joint venture income. Prior comparator period income tax expense impacted more heavily by impairment charge

Appendix 3

Cement production, import and distribution



Cement milling

Clinker production

Cement terminal

International imports

Domestic imports

Building Australia since 1882

adbri.com.au

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