
17 December 2020

Kwinana Upgrade Project – Investor presentation

Further to the ASX release to the market on 17 December 2020 (“Announcement”), attached is a copy of the presentation referred to in the Announcement.

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Authorised for release by the Company Secretary.

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Investor presentation

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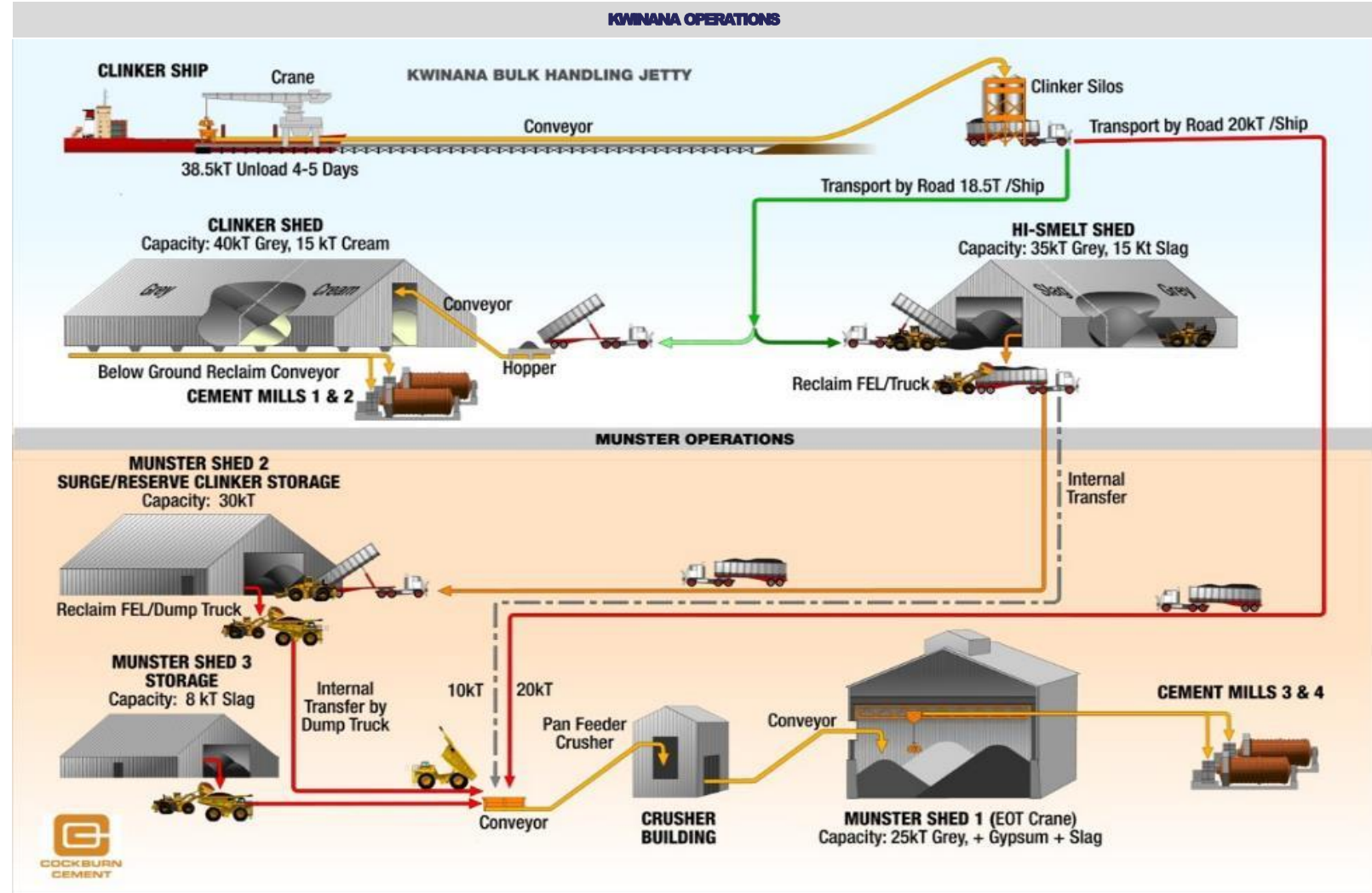
Kwinana Upgrade Project



- The Kwinana Upgrade Project will deliver a new “state-of-the-art” raw materials import, cement grinding, silo and dispatch facility, centralising cement operations in Perth at one location
- This compelling investment will strengthen Adbri’s long-standing position as one of WA’s leading low-cost suppliers of cementitious materials well into the future
- Expected completion of construction and commissioning by mid 2023
- Budgeted cost of \$199 million (including contingency), funded through existing debt facilities
- Project delivered through a self-managed project delivery model
- The project is expected to deliver key benefits including:
 - Post commissioning year 1 cost savings of approximately \$19 million – lower energy, maintenance, transport and production costs
 - Lower carbon footprint – through reduced road transport and more efficient plant
 - Maintaining reliable supply of high-quality cement products into the WA market through an increase in annual production capacity to 1.5Mt
 - Redirects capital investment into more efficient, modern technology
- Adbri’s Cockburn Cement business remains a key contributor to WA’s economy. This investment demonstrates the Company’s commitment to and confidence in WA’s mining and construction sectors, which are projected to grow over coming years.
- Projected financial returns – NPV in excess of \$125 million, IRR > 15%

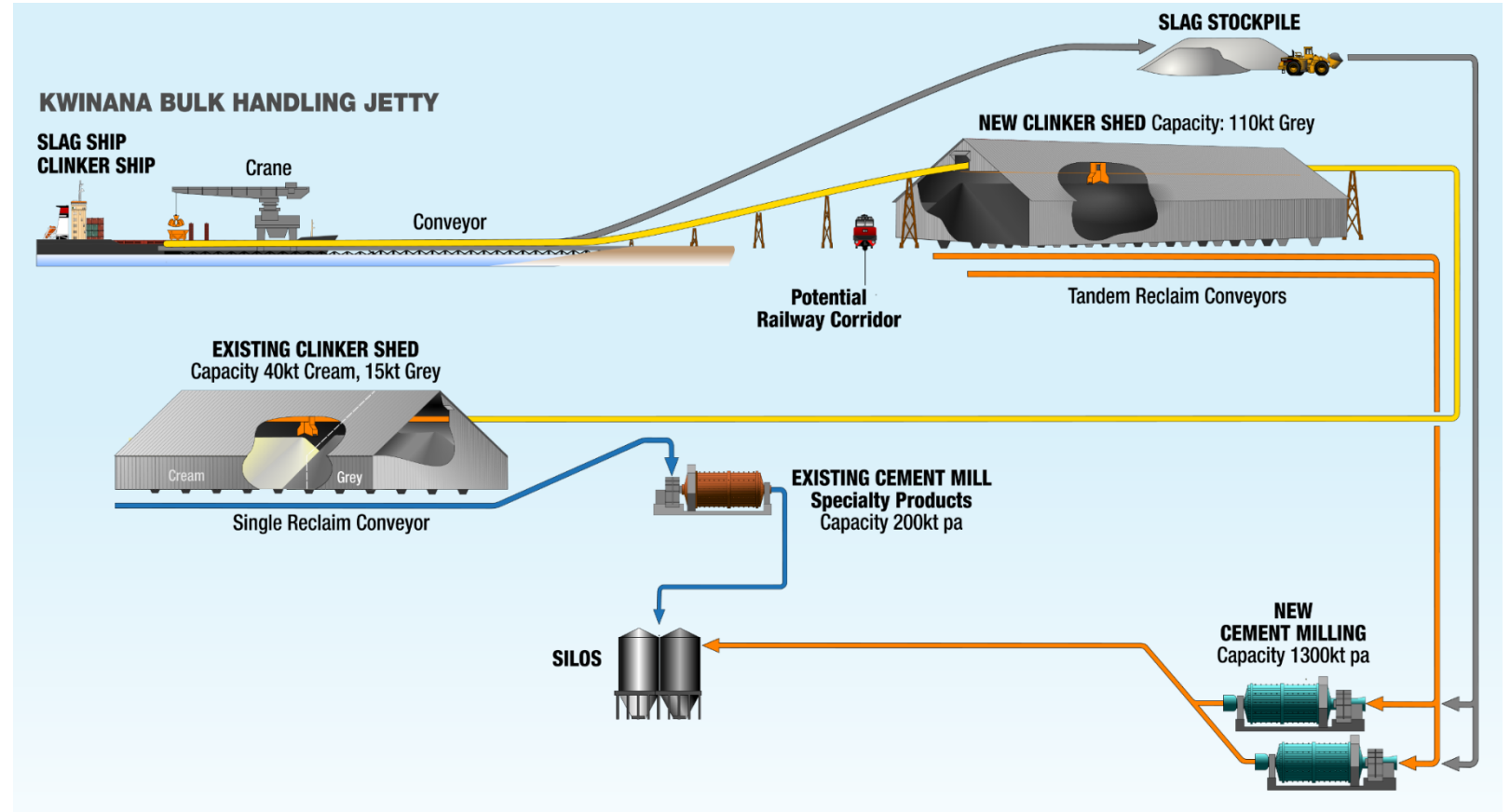
Current cement production

- Currently cement production is split across two sites at Munster and Kwinana (9km apart) – annual capacity of 1.1 million tonnes per annum (including speciality products)
- Raw materials imported via Kwinana Bulk Terminal (KBT) and transferred by road to Munster
- Inefficient operating model with higher carbon footprint
- Freight intensive activity, reliant on significant mobile equipment
 - site deliveries
 - inter-site transfers
 - intra-site movements
- Munster assets (50 to 60 years old) with profile of increased repairs and maintenance cost and significant future investment in SIB capital to maintain current production levels



Future cement production

- The Kwinana Upgrade Project will consolidate cement milling at Kwinana, delivering a substantially simplified operation that is strategically located next to the existing wharf import facility
- Modern “state-of-the-art” facility – highly automated and digitised operation
- Low cost operation – with projected reduction in Year 1 (post commissioning) costs equating to ~\$19 million per annum critical to remaining cost competitive
- Increased production capacity to 1.5Mt per annum (including specialty products), capable of meeting future growth in market demand
- Lower carbon footprint (CO₂ emissions projected to reduce by ~20% compared to existing operations) with improved safety, environment and sustainability profile



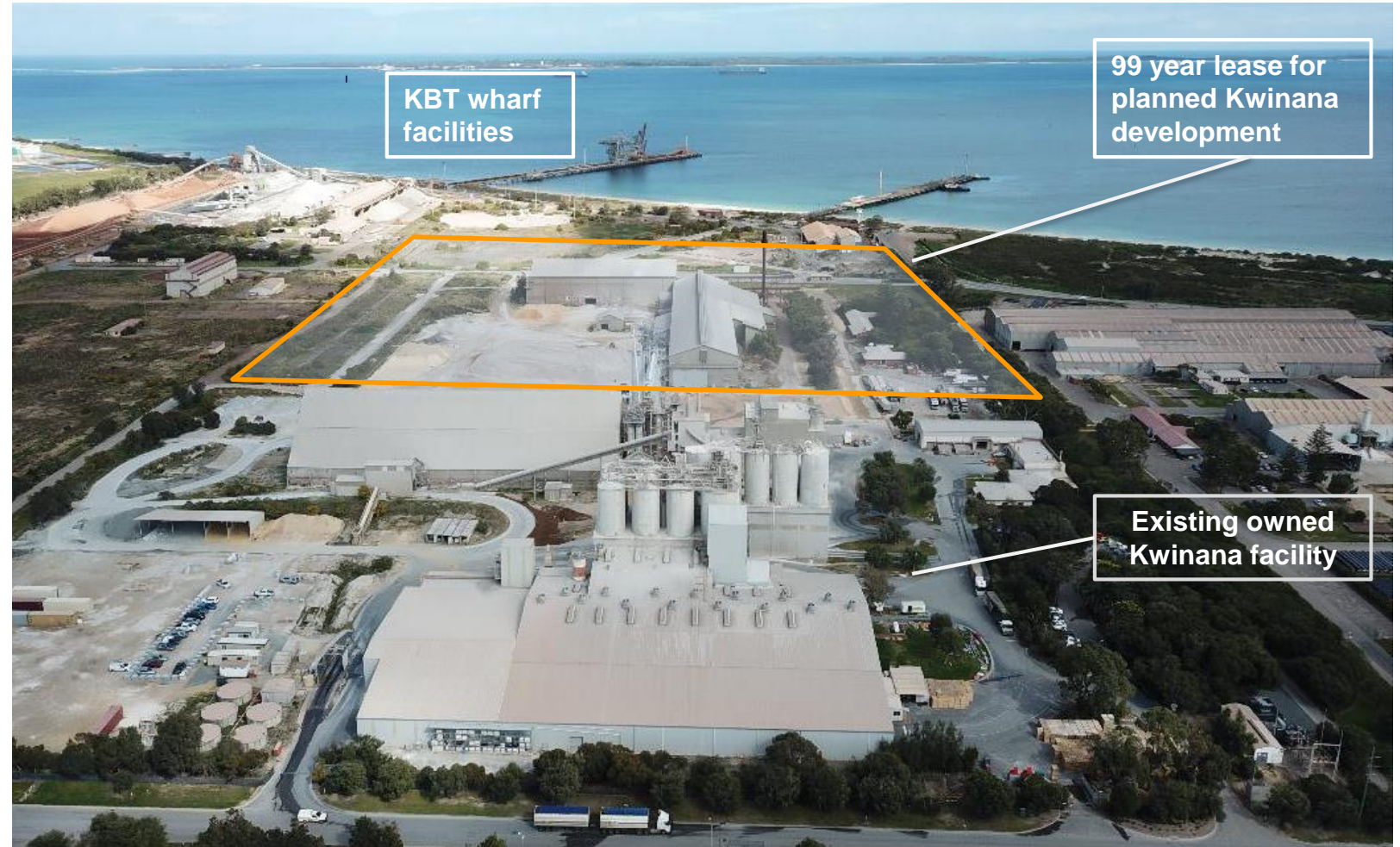
Summary of project scope

- **Fully integrated and automated facility:** Bulk materials conveyor linking the KBT facility to a new 110,000 tonne clinker storage shed, incorporating an automated reclaim system, to eliminate road transport and minimise clinker handling using mobile equipment
- **Slag feed system:** Granulated blast furnace slag and additives (gypsum and limestone) feed system
- **Modern ball mill circuit:** Installation of two new latest generation cement mills capable of grinding slag and clinker with total plant design capacity of 1.3Mt per annum (plus existing 0.2Mt specialty products)
- **Silo and Dispatch:** New 21,000 tonnes finished product storage, truck loading and weighbridge infrastructure



New Kwinana Facility - located in close proximity to wharf

- Kwinana facility is within the Kwinana Industrial Area secured under a 99-year lease with Development WA (formerly Landcorp)
- Clinker transfer fully automated
- New modern facility with capacity and land for future growth if required
- As part of the consolidation plan, the following upgrades were completed over the last 5 years:
 - 60 tonnes per hour fluid bed drying facility, for drying granulated blast furnace slag which is used as a low carbon supplementary cementitious material
 - Cement and dry mix packaging facility upgraded and modernised



Operational benefits

Materials handling	Repairs & Maintenance	Energy efficiency	Productivity	Other operational savings
Reduction in stevedoring, port and truck costs as the use of the conveyor from the KBT to Kwinana reduces duplication of materials handling and increases discharge rate from shipping	Cessation of using ageing milling equipment resulting in lower repair and maintenance spending	Energy efficient mills and surplus capacity enabling utilisation of off-peak energy	Consolidated modern and automated operation at Kwinana rationalises duplicated resources	Reducing on-site materials handling at both Munster and Kwinana, mobile plant maintenance, Munster cleaning and product changeover losses

Post commissioning year 1 cost savings ~\$19 million

Redirected sustaining capital

Redirects capital expenditure required to maintain the existing ageing equipment in a safe and reliable condition over the next 20 years previously budgeted at \$231 million, including ~\$160 million over initial 10 years

- Project will be funded using existing debt facilities
 - Debt facilities of \$900 million with an average maturity of 4.7 years
 - Liquidity at November 2020 of \$500 million (cash and undrawn facilities), with net debt of \$400 million
- Strong balance sheet provides flexibility of options to fund the Kwinana Upgrade Project
 - Credit metrics support an investment grade rating
- Capacity within existing facilities for Project spending of \$199 million over 2 years before delivery of benefits. Peak net debt projected to reach \$535 million during construction
- Adbri well within bank covenants
 - Interest cover* > 3 times underlying EBITDA
 - Leverage* (net debt) / (net debt + equity) < 55%

* Debt covenants may not align to financial statements. For debt covenant purposes the following definitions apply:
- EBITDA excludes equity earnings, unwind of discounts, capitalised interest and interest on leases.
- Debt excludes lease liabilities.

The business case for the Kwinana Upgrade Project is compelling:

- Projected returns:
 - NPV in excess of \$125 million
 - Internal rate of return in excess of 15%
- Lower cost profile for cement, a key part of Adbri's operations in Western Australia
 - Lower cement milling costs
 - Improved efficiencies of new equipment compared to existing assets
 - Consolidates cement milling operations across current sites of Munster and Kwinana, removing need to move product between sites
- Redirected capital into new modern technology
 - Adbri's existing cement milling assets are in excess of 50 years old
 - Project will remove the future need to invest in substantial stay-in-business capital which does not provide incremental unit cost benefits versus Kwinana Upgrade which provides projected incremental ~\$19 million in Year 1 cost savings post commissioning
- Substantial fixed cost savings result in low sensitivity of business case to volume

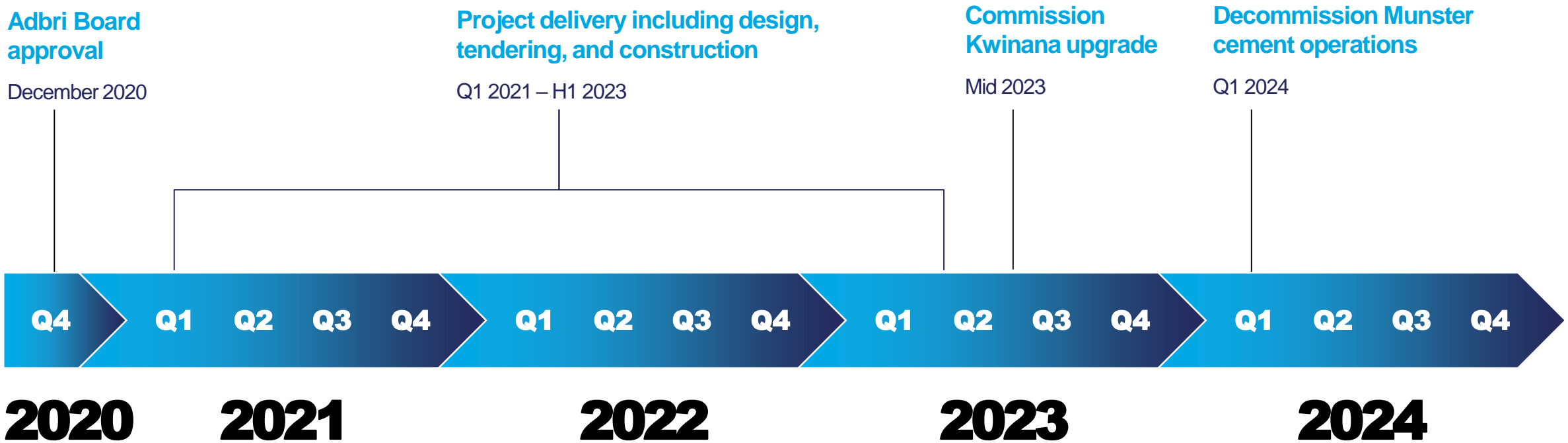
Self-delivery model

- Self-delivery model to improve control of Project
- Adbri retains principal oversight of works packages delivered by sub-contractors
- Construction separated into individual packages to manage risk
- Focus on sub-contractor selection, scope and delineation of responsibilities

Project delivery team

- Internal project structure and resources to support self-managed delivery model
- Experienced / expert people and leadership team
- Project delivery team:
 - Specialist Project Director to be recruited to lead the cross functional delivery team, taking a “hands on” approach
 - Dedicated Project team, with specific responsibilities for delivery of components of the Project
- Project oversight by Adbri Executive Team (Steering Committee) and supported by experienced project delivery consultant

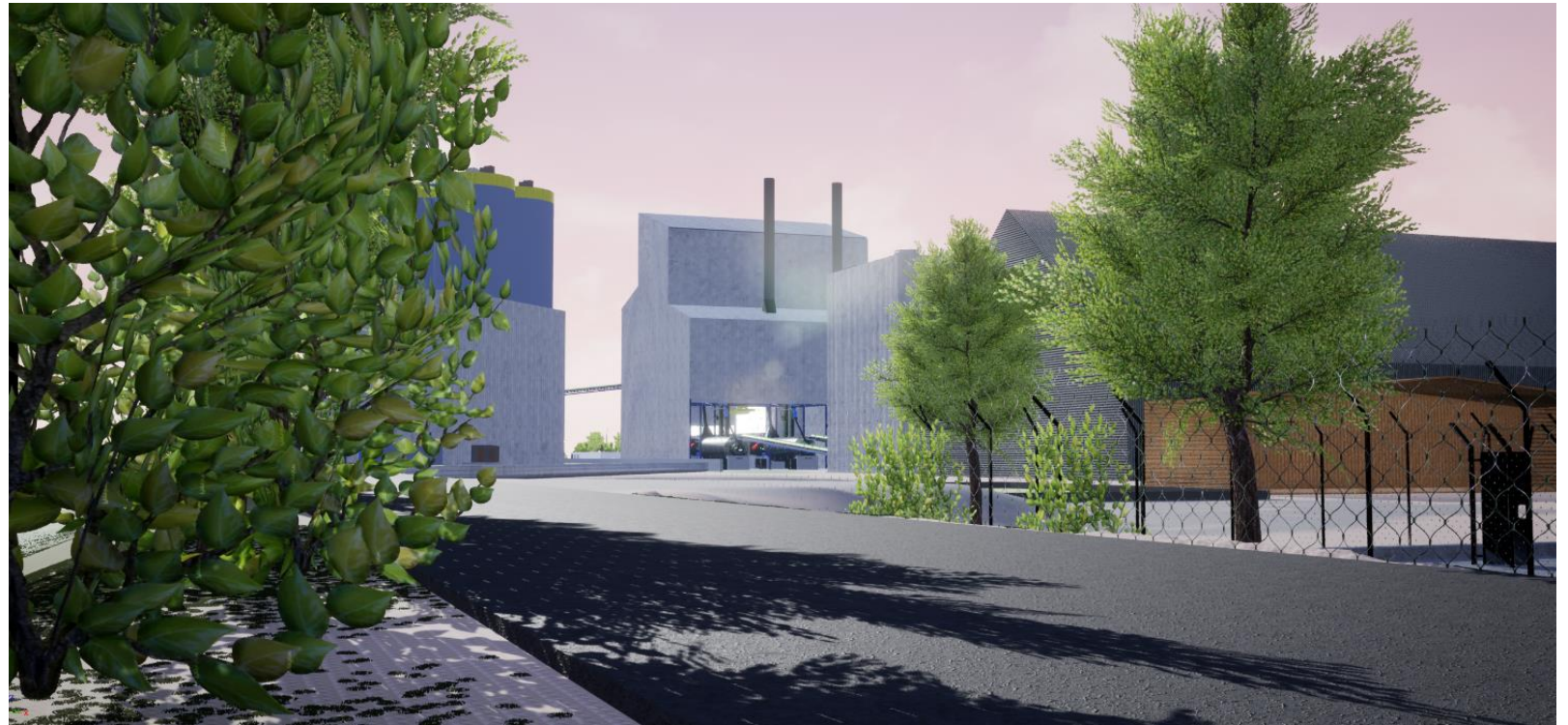
Project delivery timeline



- Adbri has longstanding expertise in cement milling operations, operational requirements and related processes and plant & equipment, which are highly relevant to determining the functional requirements and overall design of the project
- It is acknowledged, the design and construction of the Kwinana upgrade presents greater risks than past projects due to its scale and relative complexity
- The controls that are, or will be put in place to reduce or eliminate risks include:
 - Highly qualified and expert team - ensuring appropriate resourcing with demonstrated skills and experience matched to internal and external project roles
 - Dedicated engineering and design management
 - Early long-lead procurement of overseas supply / COVID environment / third party inspections
 - Cost and schedule management
 - Subcontractor interfaces – scope definition, contractor selection and clear delineation of responsibilities
 - Commissioning – team supported by in-house experts and OEM representatives
- The project delivery includes recruiting external expertise to undertake the specific design, engineering, construction and project management activities, incorporating peer reviews, audit, hold points and other risk controls, giving Adbri visibility and overarching control of the project.

Projected benefits to Western Australian economy

- **Major Investment:** important investment in WA construction materials capability
- **Local Employment:** WA based manufacturer since 1955, currently employs a workforce of 188 in manufacturing and distribution facilities throughout WA
- **Economic Stimulus:** circa 130 construction jobs over 2 years
- **Sustainability:** reduced environmental footprint, improved energy efficiency, reducing greenhouse gas emissions by ~20% through elimination of road transport and mobile plant for materials handling
- **Reduced Road Traffic:** eliminate raw material delivery trucks from wharf to Munster and Kwinana
- **Better for community:** reduction of heavy vehicle movements with improved amenity for local residents



- The project is expected to deliver key benefits including:
 - Cost savings
 - Maintaining reliable supply of high-quality cement products into the WA market
 - Redirects capital investment into more efficient, modern technology
 - Lower carbon footprint
 - Improved community outcomes for local residents and road users
- Adbri's Cockburn Cement business remains a key contributor to WA's economy as it has for the last 65 years. This investment demonstrates the Company's commitment to and confidence in WA's mining and construction sectors which are projected to grow over coming years.

Questions?

Disclaimer

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