ASX Announcement

ADBRI
Building Australia since 1882

28 February 2023

Media Release - Adbri Full Year 2022 Results and Outlook

We attach Media Release in relation to the Company's financial results for the full year ended 31 December 2022.

Authorised for release by the Board.

For further information please contact:

Sarah McNally
General Manager Corporate Finance
and Investor Relations
+61 477 999 238
sarah.mcnally@adbri.com.au

Jon Snowball
Domestique
Media Advisor
+61 477 946 068
jon@domestiqueconsulting.com.au

Media Release

ADBRI
Building Australia since 1882

28 February 2023

ADBRI FULL YEAR 2022 RESULTS AND OUTLOOK

Leading construction materials and lime producer Adbri Limited ("Adbri" or "the Company") (ASX: ABC) today reported its financial results for the full year ended 31 December 2022 (FY22).

Financial Headlines

- Revenue increased to $1.7 billion, up 8.4% on the prior year, driven by price increases and volume growth across most product lines.
- Statutory NPAT of $102.6 million, down from $116.7 million in FY21, driven by higher operating costs as a result of inflation, particularly energy costs, and wet weather events.
- Underlying NPAT[1] decreased 0.9% to $118.0 million (FY21: $119.1 million). Excluding profits from property sales, underlying NPAT was $77.7 million (FY21: $113.0 million), in line with the guidance range provided in October 2022.
- Net debt of $576.4 million (2021: $437.4 million) reflecting the Zanows acquisition and Kwinana Upgrade project, partially offset by surplus land sales.
- Bank debt facilities increased by $50 million to $940 million with an average maturity profile of 4.3 years as at 31 December 2022. Key credit metrics remain well within banking covenant thresholds.
- Considering the capital required for the completion of Kwinana Upgrade project, the Board has decided not to declare a final dividend.

Operating and Strategic Headlines

- Completion of Zanows acquisition, extending our vertically integrated footprint and network in South East Queensland.
- Launch of Net Zero Emissions Roadmap, including new medium-term 2030 targets.
- Birkenhead Type General Purpose (GP) cement verified as the lowest embodied carbon of any currently known Type GP cement in Australia[2].
- Cash sale proceeds of property, plant and equipment $96.8 million.
- Quicklime supply agreement with Alcoa extended until October 2024, announced post year end.

A detailed review of operations and market demand is provided in the Appendix 4E and Financial Statements.

Adbri's Chief Executive Officer, Mark Irwin, said:

"Demand for Adbri's products remained strong, with volume growth delivered across most product lines and price increases driving 8.4% growth in revenue year-on-year to $1.7 billion. Our full year profit result was impacted by higher operating costs caused by inflationary pressures and wet weather events.

Despite some significant operational headwinds during the year, the company made solid progress on a number of strategic initiatives, including our Kwinana Upgrade project, growth of our concrete and aggregates footprint through the Zanows acquisition, further recovery in our lime business, increased exposure to the infrastructure sector and divestment of some surplus land holdings.

Although we anticipate cost headwinds to persist in 2023, we expect the demand environment to remain buoyant across the resources and construction sectors and that the benefits of price increases should rebuild resilience and margin in response to the challenging external operating environment.

[1] Includes property profits and excludes significant items.
[2] Adbri Cement Environmental Product Declaration as at 18 November 2022.

Safety and Sustainability

Safety remains of utmost importance at Adbri. Disappointingly, the period saw our total recordable injury frequency rate (TRIFR) increase to 7.9 compared to 6.3 in 2021. Adbri continues to prioritise safety and is implementing measures including engineering solutions, visible leaderships walks, critical control verifications and workplace inspections.

In May 2022, Adbri released its Net Zero Emissions (NZE) Roadmap setting new medium-term emissions reduction targets for cement, lime and electricity, working towards the goal of net zero emissions by 2050. Collaboration with partners forms a key action of our Roadmap. As part of this, Adbri remains in consultation with government and regulatory bodies as they seek to embed emission reduction targets and measures into legislation, including the Safeguard Mechanism reform.

Key updates on strategic initiatives

During the year, Adbri continued to execute against our strategic priorities.

Reduce cost and improve operational efficiency

The review of the Kwinana Upgrade project is largely complete, and whilst there are capital cost pressures likely to push the final budget above our most recent cost estimate of $290 million, the project review work confirmed its robust economics due to strong operational cost savings. The final component of the review will help determine an updated capital cost estimate, and a schedule for achieving commissioning and commencement of operations.

Once the Kwinana Upgrade is commissioned and operational in 2024, the benefits from ceasing cement operations at Munster and operating solely at Kwinana are estimated to deliver greater operating cost savings than originally projected.

Construction continues, with the remaining packages of work still to be awarded being predominately on-site construction related. These are expected to be higher costs than originally budgeted and will be awarded in coming weeks.

Transform the lime business

- Continued execution of the lime recovery strategy, building volumes from new and existing customers.
- Revenue in line with the prior year, despite volumes decreasing 11% due to the wind-down in the historical Alcoa contract.
- Average selling price increased 11.4% as a number of customers switched from imported product to domestic manufactured supply.
- Quicklime supply agreement with Alcoa extended to the end of October 2024, announced after period end.

Grow concrete and aggregates

- Concrete and aggregates revenue increased 12.5% on the prior period driven by solid demand from residential and infrastructure sectors and price increases particularly achieved in the fourth quarter.
- Completed Zanows concrete and quarries acquisition, extending our vertically integrated footprint and adding to our network of concrete assets in South East Queensland.
- Contributions from relevant joint ventures and acquisitions was lower than expected, however progress has been made on initiatives to improve operational efficiency and performance.

Enhance capability in infrastructure

- Notable infrastructure projects secured or delivered in the year included: the Brisbane International Airport apron works, RAAF Base Tindal Western Access Road in the Northern Territory, Western Sydney Airport civil pavements package and Gold Coast Light Rail - Stage 3.

Actively manage land holdings

- Finalised the sale of select surplus land holdings, realising cash proceeds of $57.0 million from the Moorebank sale and $5.7million from the Kewdale sale; generating total proceeds of $62.7 million.
- Sale of Rosehill in the first half of the year as part of the Government's compulsory land acquisition strategy for the Sydney Metro Rail.

Financial Position

Operating cash flow of $166.4 million (FY21: $195.2 million), represented a decline of $28.8 million compared to FY21, largely due to lower earnings and an increase in working capital associated with higher receivable and inventory levels. The Group continues to closely monitor the trading activity of its customers in the building sector and proactively manage any credit default risks identified.

Capital expenditure of $255.1 million (FY21: $140.5 million) increased $114.6 million compared to FY21, largely due to the spend on the Kwinana Upgrade project. Capital spend for the period was split between stay-in-business capital of $123.9 million (FY21: $106.0 million) and development capital of $131.2 million (FY21: $34.5 million).

Property disposal proceeds of $96.8 million mainly from the compulsory acquisition and cost reimbursement of the Rosehill land and equipment and the sale of surplus land holdings at Moorebank, NSW and in Kewdale, WA.

Net debt increased by $139.0 million year-on-year to $576.4 million at 31 December 2022; up on the prior year due to the Zanows acquisition and Kwinana Upgrade project, partially offset by surplus land sales. This level of debt has resulted in a leverage ratio of 2.0 times underlying EBITDA and gearing of 44.3%, while interest cover was 14.3 times underlying EBITDA. Excluding property profits, interest cover was 11.5 times underlying EBITDA. These key credit metrics remain well within banking covenants. As part of its proactive capital management strategies, Adbri increased and extended its bank debt facilities through 2022. This has resulted in bank debt facilities increasing by $50 million to $940 million with an average maturity profile of 4.3 years as at 31 December 2022 (2021: 5.1 years).

In October 2022, Adbri paid a fully franked interim dividend of 5 cents per share. Considering the capital required for the completion of Kwinana Upgrade project, the Board has decided not to declare a final dividend. The Board continually reviews the Company's capacity to return funds to shareholders.

2023 Priorities and Outlook

2023 Priorities

The Board is prioritising the appointment of permanent CEO and CFO and has engaged an external recruitment firm who is well progressed.

Adbri's leadership team is implementing an accelerated transformation program aimed at improving business resilience in the context of difficult macroeconomic circumstances. Key components of the transformation strategy include:

- operational efficiency improvements;
- business simplification;
- workplace development and diversity;
- acceleration of our strategy to divest surplus assets such as land to realise value and recycle capital; and
- implementing our NZE 2050 Roadmap.

2023 Outlook

Strong demand for Adbri's products is expected to continue across the commercial and industrial, multi-residential and infrastructure segments. While residential construction activity is forecast by some to decline due to the conclusion of the HomeBuilder scheme and the rising interest rate environment, a backlog of residential works, attributed to the shortage of trades and wet weather will continue to underpin good order books for much of 2023. Demand from the mining sector for cement and lime is anticipated to remain strong as Australia continues to supply the critical minerals needed for the energy transition.

The Company anticipates cost headwinds to persist in 2023. However, the strong demand for products and the benefits of price increases should rebuild resilience and margin.

-ENDS-

For further information please contact:

Sarah McNally
GM Corporate Finance
and Investor Relations
+61 477 999 238
Sarah.McNally@adbri.com.au

Jon Snowball
Domestique
Media Advisor
+61 477 946 068
jon@domestiqueconsulting.com.au

adbri.com.au

GPO Box 2155
Adelaide SA 5001

Adbri Limited
ABN 15 007 596 018