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Adelaide Brighton Ltd
ACN 007 596 018

23 February 2017

The Manager
Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Adelaide Brighton full year report to December 2016 - presentation

We attach copy of slides being shown by Martin Brydon, Chief Executive Officer and Managing Director of Adelaide Brighton Ltd, during briefings on the Company's financial result for the full year ended December 2016.

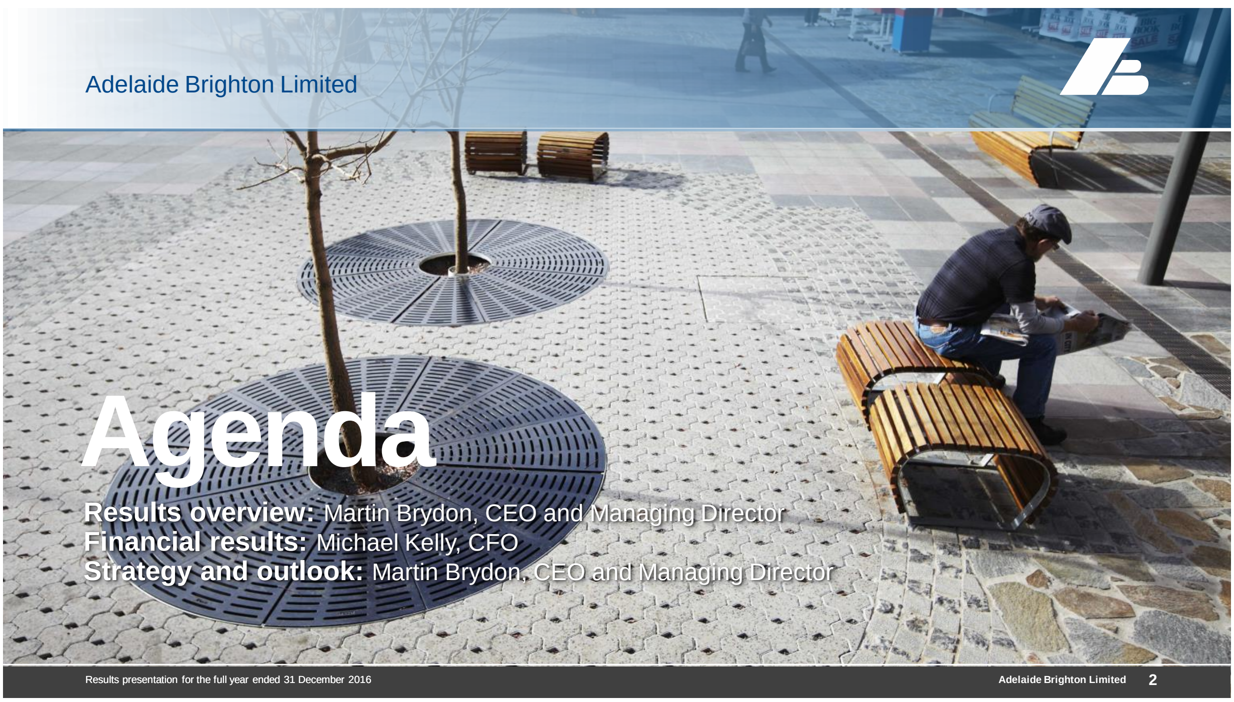
Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:

Luba Alexander
Group Corporate Affairs Adviser
Telephone 0418 535 636
Email luba.alexander@adbri.com.au


Adelaide Brighton Limited
Results Presentation
For the full year ended 31 December 2016
23 February 2017


Adelaide Brighton Limited
Agenda
Results overview: Martin Brydon, CEO and Managing Director
Financial results: Michael Kelly, CFO
Strategy and outlook: Martin Brydon, CEO and Managing Director
Results presentation for the full year ended 31 December 2016
Adelaide Brighton Limited
2

2016 full year performance highlights

Revenue

$1,396m ↓ 1.2%

FY15: $1,413m

NPAT
attributable to members

$186.3m ↓ 10.4%

FY15: $207.9m

NPAT ex-property
attributable to members

$178.4m ↑ 3.1%

FY15: $173.0m

Basic EPS

28.7c ↓ 10.3%

FY15: 32.0c

Final ordinary dividend

11.5c ↑ 4.5%

FY15: 11.0c

Final special dividend

4.0c

FY15: 4.0c

2016 full year result

- Continuation of our long term strategy resulted in 3.1% growth in NPAT (excluding property)
- This was despite decline in sales volume of 20% in WA and NT and electricity market disruptions in SA which impacted PBT by $9 million
- Reported NPAT declined 10.4% to $186.3 million, primarily due to lower property profits
- Property contributed $7.9 million to NPAT, compared to $34.9 million in 2015
- Margins improved in concrete, aggregates, concrete products, lime and joint ventures
- Cement margins eased due to lower demand in WA and NT and higher import costs
- SA electricity and gas costs up, but overall reduced energy costs
- SA and Qld acquisitions performing ahead of expectations
- Strong cash generation and low gearing
- Continue to invest for growth and assess opportunities
- Financial stability, flexibility and prudent capital management remain key
- Full year dividends 28.0 cents, fully franked

2016 full year – Demand overview

NSW
Demand strong
- Residential strong
- Non-residential up
- Infrastructure – road and rail

VIC
Demand up
- Led by multi-residential
- Non-residential improving
- Infrastructure in pipeline

WA
Construction weaker
- Residential subdued
- Non-residential weak
- Construction of major LNG projects completed
- Lime stable

South east QLD
Demand up
- ABL favourable geographic mix; Gold Coast and Sunshine Coast markets

SA
Return to growth
- Major infrastructure projects commenced 2016
- Increased sales to mining

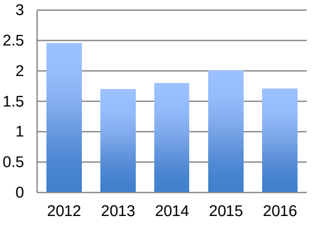
NT
Demand weaker
- Construction of major resource projects completed
- Lime stable

Safety performance

'Safety Leaders – Everyone, Everyday'

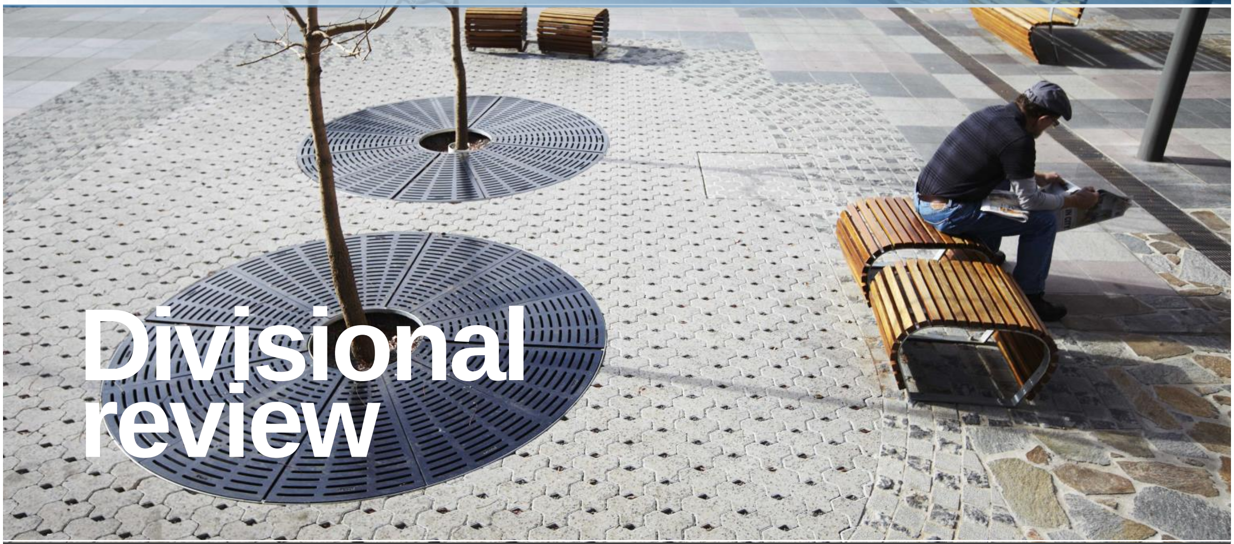
- Safety is a key performance indicator at the Group and business level
- Technology initiatives for improved employee engagement - smartphone app for reporting hazards, mobile system for contractor HSE compliance
- Increased rollout of safety leadership workshops focussing on:
  - Employees as safety leaders
  - How actions shape safety culture
  - The consequences of wrong actions
  - How we all can make a difference in the future
- Support the wellbeing of employees through the Employee Assistance Program (utilisation up from1.6% in 2013 to 5.2% in 2016)

LTIFR[1]



1 Lost time injury frequency rate (per million hours worked). Figures are total ABL numbers and cover employees and contractors.

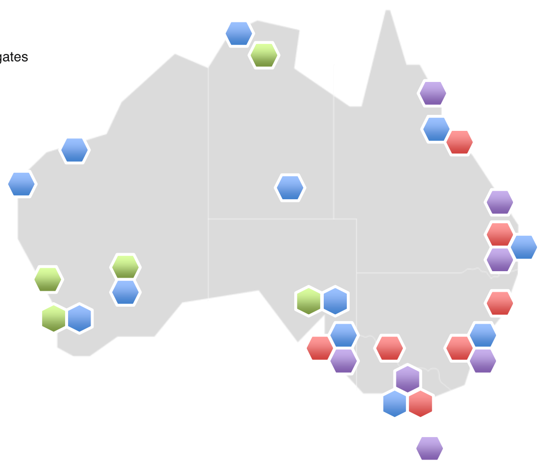
Adelaide Brighton Limited



Divisional review

Adelaide Brighton operations

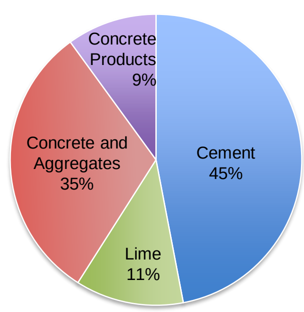
- Cement
- Lime
- Concrete and Aggregates
- Concrete Products



FY2016 Revenue by state[1]

WA	22%
NSW	21%
VIC	21%
SA	14%
QLD	17%
Other	5%

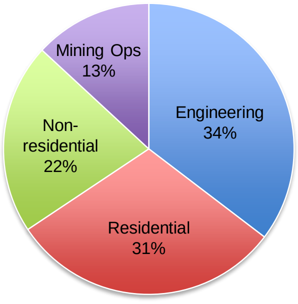
FY2016 Revenue by product group[1]



1 Percentage of FY2016 revenue of $1,396.2 million

Diversified business

FY2016 Revenue by market



Australian industry position

#1

- Lime producer in the minerals processing industry
- Concrete products producer
- Cement and clinker importer with unmatched channels to market

#2

- Cement and clinker supplier to the Australian construction industry

#4

- Concrete and aggregates producer

Cement

- Cement and clinker sales volume declined 4%
- Continued strong east coast demand and return to growth in South Australia
- Demand declined more than 20% in Western Australia and the Northern Territory
- Cement price rises achieved in most markets but geographic mixed affected average price
- Lower average price, reduced volume, import costs due to A$ and SA electricity costs impacted margins
- SA gas prices up but cost savings provided some buffer
- Energy cost in South Australia up $13 million. $9 million due to electricity market disruptions
- Import costs increased $7 million before tax, due to decline in the Australian dollar compared to pcp

Lime

- Lime sales volumes similar to pcp
- Non-alumina demand was stable at higher levels in 2H16; alumina sector affected in first half by customer operational requirements
- Average selling price increased in line with inflation
- Margins improved supported by significant cost savings in energy, maintenance and transport
- Significant reduction in gas price
- Renegotiation of maintenance and transport contracts
- Demand stable, import pressures remain
- Increases in the alumina price a positive for expansion

Concrete and Aggregates

- Sales volumes of concrete and aggregates strong in New South Wales, Victoria and Queensland
- South Australia volumes up
- Premix concrete prices up 3.7%
- Aggregate prices up significantly ahead of CPI, particularly in Sydney
- Margins improved on higher volumes and prices and cost reductions
- Focus on efficiency, logistics and margin improvement
- Profitability of acquisitions in South Australia and Queensland that were completed in 2014 and 2015 ahead of expectations

Concrete Products

- Revenue up 0.9% on stronger residential and commercial sales and CPI selling price rises
- Second half revenue softer due to weather, project delays and competitive markets
- EBIT (excluding property) increased 20% on FY15 with margins higher on prices and operational efficiency
- Further efficiency to come from tolling, general improvements, transport efficiencies
- Product innovation offers exciting revenue opportunities
- Growing customer for the cement, sand and aggregates businesses

Joint ventures

Joint Ventures		Contribution $m 2016	Contribution $m 2015	Change
ICL (50%)	**Cement distribution** • Demand across Victoria and New South Wales remain strong • Margins improved; price increases and decreased input costs	10.5	7.9	33%
Sunstate Cement (50%)	**Cement milling and distribution** • Improved volumes and price increases • Market remains highly competitive	11.0	8.3	33%
Others (50%)	**Cement, concrete and aggregates** • Mawsons saw strong demand for higher margin quarry products to major projects which was offset by competitive pressure impacting premixed concrete margins • Improved production output following commissioning of kiln upgrade at Aalborg	9.4	5.3	77%
Total	Overall increased contribution	**30.9**	**21.5**	**44%**

Energy

- Total energy costs less than pcp
  - Gas savings of $8 million in WA helped lime operations
  - Significant benefits of $5 million from diesel and bunkerage savings
  - Other savings eg alternative fuels, delivered benefits of $3 million in savings
- Electricity disruptions in SA impacted 2016 by $9 million
  - Increases in SA electricity and gas costs
  - Temporary production losses at Adelaide Brighton and customer facilities
  - Expanded interconnect capacity and better industry management expected to lower risk

Proactive energy strategy

- Reduced consumption – operational improvement
- Alternative fuels – targeting 30% of 6PJ consumption in SA
- Short term demand management
- Portfolio approach to energy supply
- Financial strategies, where it adds value

Financial results

Michael Kelly
Chief Financial Officer

Financial summary

12 months ended 31 December	2016 $m	2015 $m	Change pcp %
Revenue	**1,396.2**	**1,413.1**	**(1.2)**
Depreciation, amortisation and impairments	(78.1)	(77.8)	0.4
Earnings before interest and tax (EBIT)	**266.1**	**298.6**	**(10.9)**
Net finance cost	(11.5)	(13.0)	(11.5)
Profit before tax	**254.6**	**285.6**	**(10.9)**
Tax expense	(68.4)	(77.8)	(12.1)
Net profit after tax	**186.2**	**207.8**	**(10.4)**
Non-controlling interests	0.1	0.1	–
Net profit attributable to members	**186.3**	**207.9**	**(10.4)**
Basic earnings per share (cents)	28.7	32.0	(10.3)
Final ordinary dividend – fully franked (cents)	11.5	11.0	4.5
Final special dividend – fully franked (cents)	4.0	4.0	–
Net debt ($ millions) at period end	288.5	297.2	
Gearing (%) at period end	23.6%	24.6%	
Return on funds employed (including property)	17.5%	19.8%	
Return on funds employed (excluding property)	16.9%	16.8%	

- Slight decline in revenue but marginally up excluding freight revenue
- Excluding property profits, EBIT up 1.6% and NPAT up 3.1% on pcp
- Effective tax rate 26.9%
- Net debt $288.5 million and net debt to equity of 23.6%
- Strong operating cash flow
- Final ordinary dividend 11.5 cents and special dividend 4.0 cents
- Total dividends for year 28.0 cents per share fully franked
- Return on funds employed (excluding property) increased to 16.9%

Reported EBIT margins

	Key drivers	Margin %
Cement	• Volumes declined 4%: WA and NT decline circa 20%; stronger SA and east coast • Higher energy and import costs, favourable transport and contractor services	↓
Lime	• Volumes stable; prices better • Lower energy, transport and contractor services	↑
Concrete	• Prices up 3.7% versus pcp; volumes better • Efficiency benefits; transport savings	↑
Aggregates	• Prices up significantly above CPI • Focus on further margin improvement, particularly Sydney	↑
Concrete Products	• Favourable prices; focus on margins • Improved plant efficiency	↑
JV's and Associates	• ICL: Prices, volumes and costs all favourable • Sunstate: Higher prices, improved sales volume and cost discipline	↑
Property	• Property sales lower in 2016	↓

- Excluding property, EBIT margin up from 17.9% to 18.5%
- Electricity and gas costs, and market disruptions $9 million impact pcp
- Demand for cement in WA and NT down 20%, higher demand on the east coast – cement, concrete, aggregates and JV's
- Lime margins up; gas costs lower by $8 million
- Concrete Products Division continues to improve through pricing discipline and improving plant efficiency
- All business units making progress in operational efficiency and pricing

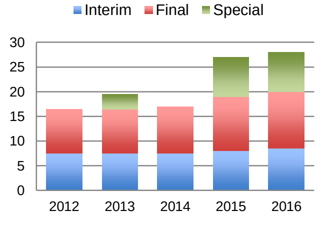
Cash flow

12 months ended 31 December	2016 $m	2015 $m
Net profit before tax	254.6	285.6
Depreciation, amortisation & impairment	78.1	77.8
Income tax	(62.8)	(54.3)
Change in working capital	(4.9)	(29.2)
Net loss/(gain) on sale of assets	(8.4)	(45.9)
Other	(8.2)	(4.1)
Operating cash flow	248.4	229.9
Stay in business capex	(49.7)	(46.3)
Asset sales	23.2	50.8
Development capex	(36.8)	(34.5)
Dividends	(178.5)	(139.5)
Other	2.6	2.5
Net cash flow	9.2	62.9

- Strong cash flow:
  - Improved operating cash flow excluding property
  - Increased dividends
  - Stronger cash conversion of revenues and dividends from joint ventures partially offset by increased tax payments

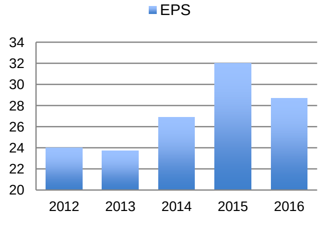
Shareholder returns

Dividend (cents)



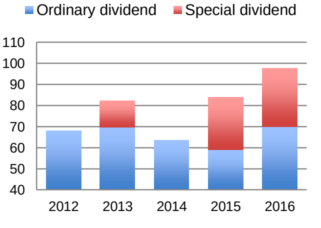
- Final ordinary dividend 11.5 cents (fully franked)
- Final special of 4.0 cents
- Total dividends 28.0 cents (fully franked)

EPS (cents)



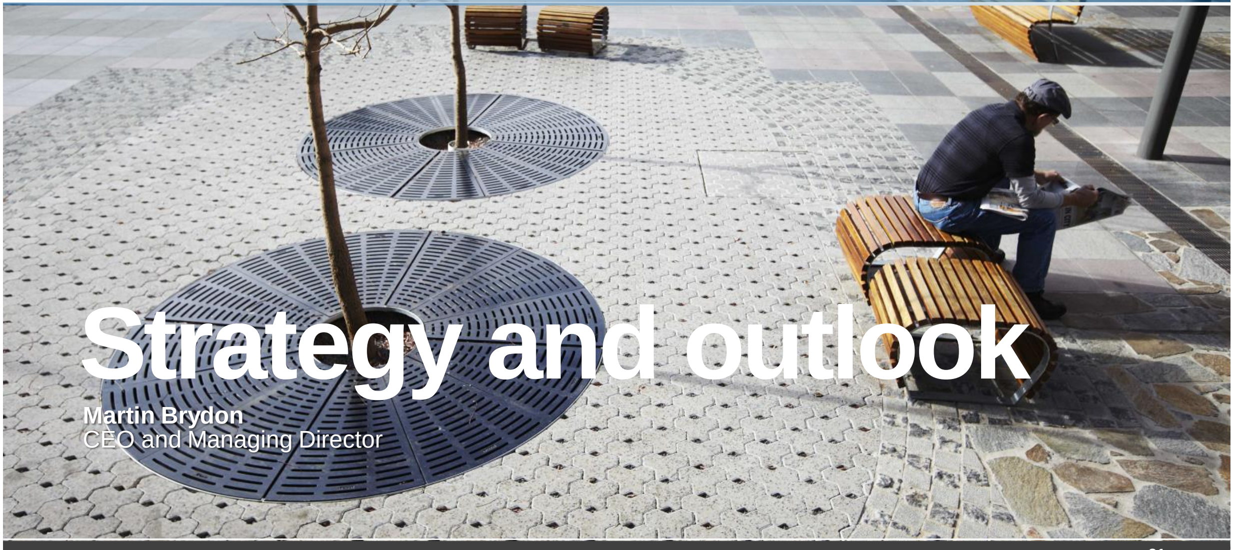
- 2016 basic EPS 28.7 cents, ex-property 27.5 cents

Payout ratio %



- Ordinary dividend payout 70% of basic EPS
- Target payout ratio remains 65% – 75% of basic EPS
- Gearing target 25% – 45% net debt to equity

Adelaide Brighton Limited



Strategy and outlook

Martin Brydon
CEO and Managing Director

Adelaide Brighton is a highly focused Australian construction materials business

Consistent long term strategy delivering returns

1	Cost reduction and operational improvement across the business	• Best practice operational performance • Import strategy to maximise asset utilisation • Focus on energy usage and procurement
2	Grow the lime business to supply the resources sector	• Unique resource and cost position • Long term customer contracts and growth • Continuous improvement to maintain cost leadership
3	Focused and relevant vertical integration	• Operational performance to realise long term value • Targeting strategic aggregates positions • Strong emphasis on shareholder value creation

Strategic developments

Concrete and aggregates acquisition

- Agreed to acquire Central Pre-Mix Concrete (Central), an integrated concrete and aggregate operation with five concrete plants and a hard rock aggregate quarry serving the metropolitan Melbourne market
- The $61 million acquisition is expected to complete in March 2017
- Provides an entry into the aggregates market and increases the downstream concrete presence providing a strategic position in the attractive Melbourne market
- The high quality operation which offers an industry consolidation opportunity and the prospect of further bolt-on investments
- The purchase represents 7.0 times 2016 EBITDA. Expected 2017 EBITDA will increase on 2016

Central Campbellfield site

Strategic developments

Property

- Land sales proceeds exceeded $85 million since 2013
- Proceeds from the sale of properties in the next 10 years estimated to exceed $120 million

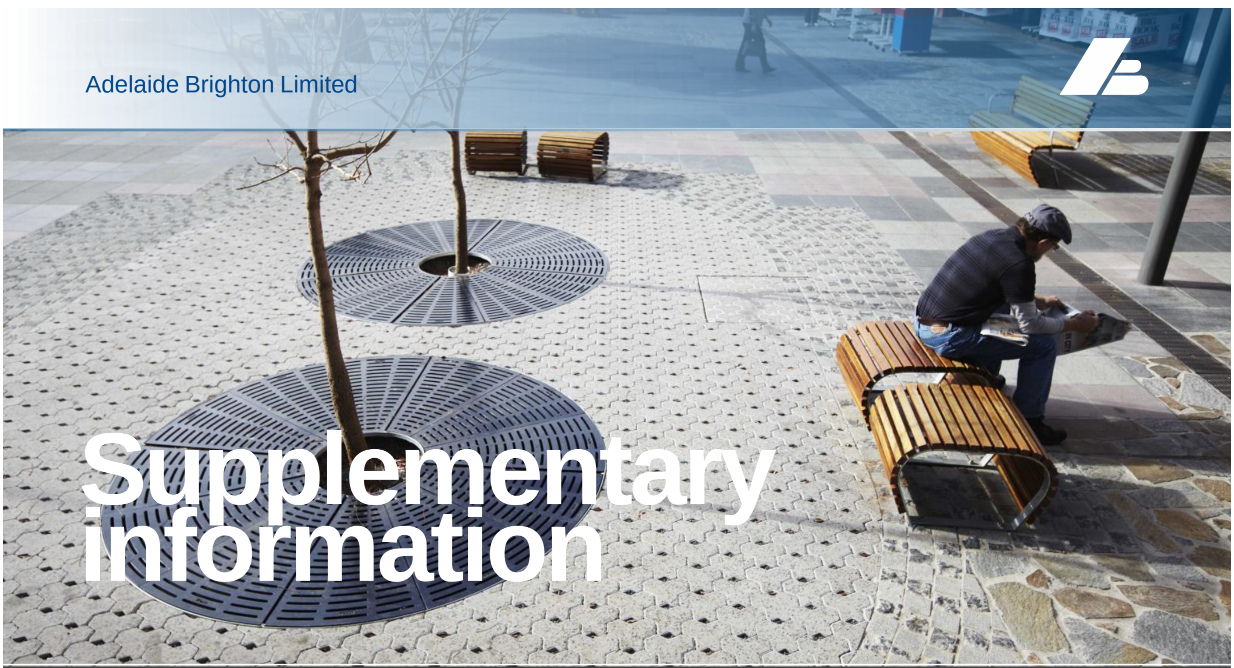
Operational improvement

- Rationalisation of cement manufacturing at Angaston in South Australia expected to deliver $2.6 million in annualised savings once fully implemented
- The rationalisation of speciality cement production will leverage the extensive and highly competitive importation network
- Cost initiatives delivered incremental benefits of $16 million pre-tax compared to 2015:
  - Energy initiatives delivered benefits of $9 million. WA lime benefit of $8 million from natural gas renegotiations
  - Reduction in headcount – $1 million
  - Improved efficiency in transport and usage of alternative materials - $6 million

Outlook

- Sales volume of cement and clinker in 2017 is expected to be higher than 2016
- Stabilisation of demand in WA and NT and major SA project timing
- Cement and clinker demand on the east coast to benefit from infrastructure projects
- Premixed concrete and aggregates volumes to increase in 2017 due to infrastructure projects
- Central acquisition to add sales
- Price increases in cement, aggregates, concrete and concrete products
- Geographic mix expected to have reduced impact on weighted average cement prices
- Aggregate prices to increase significantly above CPI, particularly in Sydney
- Lime sales volumes are expected to be higher in 2017 and margins higher given lower costs
- Joint venture operations to see further benefit from demand and prices
- Import costs expected to be lower in 2017 due to savings in shipping, materials purchasing and favourable foreign exchange
- Ensure the balance sheet is efficiently utilised while retaining the flexibility to fund long term growth
- 2017 is expected to see strong demand for most products particularly on the east coast, improved pricing and further efficiency improvements

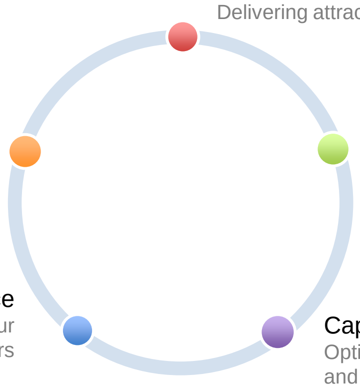
Adelaide Brighton Limited



Supplementary information

Building shareholder value

Drivers of business and shareholder value



Working capital

			December 2016	December 2015	Variance %
Trade and other receivables (including JV's)		$m	204.6	208.3	(1.8)
Days sales outstanding		Days	45.3	45.6	(0.7)
Inventories:	Cement and Lime	$m	96.1	97.9	(1.8)
	Concrete and Aggregates	$m	21.9	21.0	4.3
	Concrete Products	$m	42.2	42.6	(0.9)
Total inventory		$m	160.2	161.5	(0.8)
			December 2016	December 2015	Variance %
Bad debt expense		$m	0.7	0.7	0.0

Free cash flow and net cash flow

12 months ended 31 December	2016 $m	2015 $m
Operating cash flow	248.4	229.9
Capital expenditure – stay in business	(49.7)	(46.3)
Proceeds of sale of assets	23.2	50.8
Free cash flow	221.9	234.4
Capital expenditure – acquisitions and investments	–	(6.5)
Capital expenditure – development	(36.8)	(28.0)
Joint Venture and other loans	(1.4)	(0.3)
Dividends paid – Company's shareholders	(178.5)	(139.5)
Proceeds on issue of shares	4.0	2.8
Net cash flow	9.2	62.9

Finance expense

12 months ended 31 December	2016 $m	2015 $m
Interest charged	12.3	14.5
Exchange (gains)/loss on foreign currency forward contracts	0.2	(0.2)
Unwinding of the discount on restoration provisions and retirement benefit obligation	1.1	0.9
Interest capitalised in respect of qualifying assets	(0.6)	(0.5)
Total finance expense	13.0	4.7
Interest income	(1.5)	(1.7)
Net finance expense	11.5	13.0
Interest cover (EBIT times)	23.1	23.0
Net debt/EBITDA (times)	0.84	0.79

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Disclaimer