
Adelaide Brighton Limited
JP Morgan
Australia Forum
Singapore/Hong Kong
19-20 March 2015
Martin Brydon
Chief Executive Officer


Agenda
• Adelaide Brighton overview
• Divisional review
• 2014 financial results
• Strategy and outlook
JP Morgan Australia Forum – Singapore/Hong Kong 19-20 March 2015
Adelaide Brighton Limited
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The Adelaide Brighton business

- A leading Australian integrated construction materials and lime producing company with balanced exposure across mining and construction sectors
- Commenced operation in 1882 in South Australia and today is an S&P/ASX100 company with operations in all states and territories
- 1,600 employees
- Market capitalization approximately A$3 billion
- Well positioned to supply cement to all mainland states from its domestic manufacturing base, coastal supply and import facilities
- Highly cash generative with low gearing

Market position

#1	Lime producer in the minerals processing industry
#2	Cement and clinker supplier to the Australian construction industry
#1	Cement and clinker importer with unmatched channels to market
#1	Market share in concrete products
#4	Market share in concrete and aggregates

The Adelaide Brighton brands

Concrete & Aggregates

HY-TEC
Penrice Quarry & Mineral
SOUTHERN QUARRIES
DIRECT MIX CONCRETE
PENINSULA QUARRIES

Joint Ventures

MAWSONS
Batesford quarry

Cement & Lime

Adelaide Brighton Cement Ltd
Swan Cement
COCKBURN CEMENT
Northern Cement
MCI

Joint Ventures

Sunstate Cement Ltd.
Independent Cement and Lime Pty. Ltd
aalborgportland

Concrete Products

adbri MASONRY

Joint Ventures

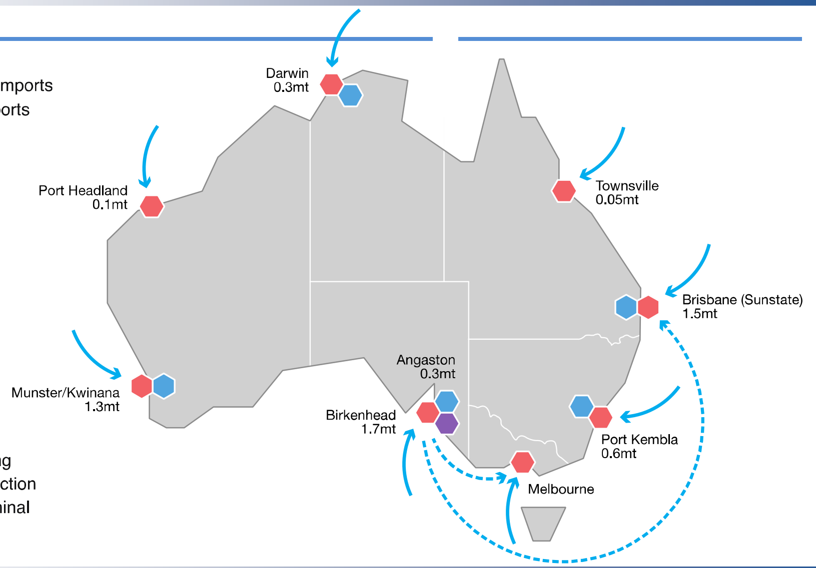
Burrell Mining Services

Adelaide Brighton cement manufacture and imports 2015

Estimated market size circa 10mt

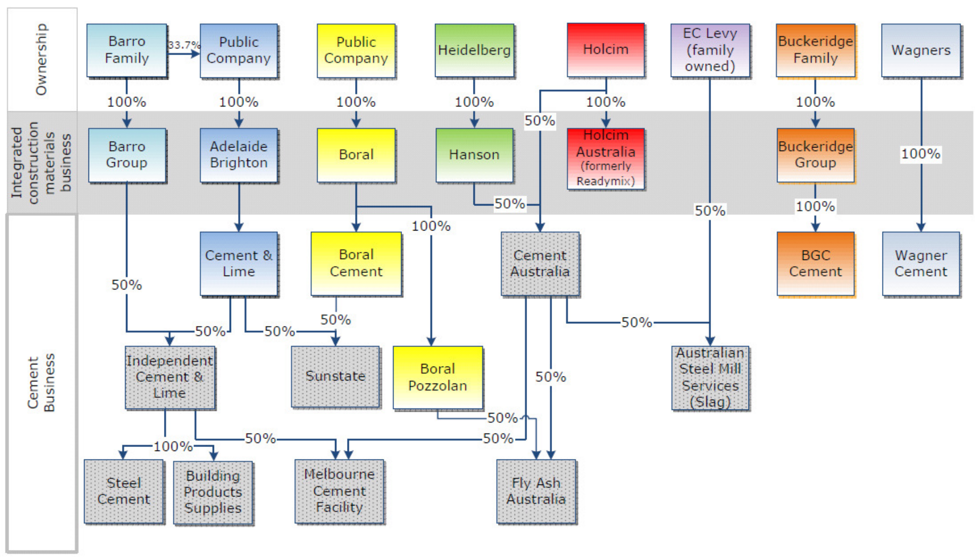
WA	1.8mt
NT	0.3mt
QLD	2.4mt
NSW	2.4mt
VIC	2.4mt
SA	0.8mt
TAS	0.1mt

International imports
Domestic imports



Cement Milling
Clinker production
Cement Terminal

Australian cement industry



Performance highlights

Revenue	Underlying EBIT[1]	Underlying NPAT[1] attributable to members
$1,337.8m ↑	$245.2m ↑	$166.5m ↑
2013: $1,228.0m 8.9%	2013: $226.0m 8.5%	2013: $153.4m 8.5%

ROFE[2]	Basic EPS	Final ordinary dividend
17.5% ↑	26.9c ↑	9.5c ↑
2013: 17.2% 0.3ppts	2013: 23.7c 13.5%	2013: 9.0c 5.6%

1 Underlying results have been adjusted for significant items
An explanation of the adjustments and EBIT reconciliation to statutory results is provided on slide 21
2 Return on funds employed = underlying EBIT/average monthly funds employed

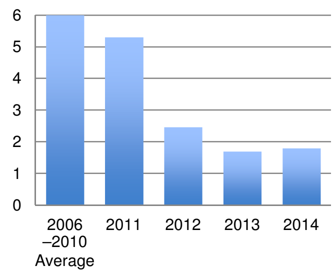
2014 – a record result

- Record statutory EBIT and NPAT assisted by earnings growth in cement; concrete and aggregates; and concrete products
- Cement and clinker volume up 3%
- Growth in NSW, QLD, WA and NT while SA and VIC were softer
- Lime earnings lower due to reduced sales to the gold sector but demand from the alumina sector remained strong
- ICL contribution down due to competitive Victorian market while Sunstate and other joint arrangements performed well
- Operational improvement delivered significant margin benefits
- Operating cash flow particularly strong resulting in gearing finishing the year below previous forecasts
- Outlook positive for 2015 with further volume and price growth anticipated to augment operational improvement

Safety leadership – everyone, everyday

- Safety is a key performance indicator at the business and group level
- LTIFR of 1.8 for the FY2014 reflects a sound safety culture across the business
- Safety initiatives in progress include:
  - safety leadership, coaching to understand role in building culture
  - planning work to minimise risk
  - embedding safety systems and culture in recently acquired businesses
- Management maintains a focus on continual improvement in safety culture and performance

LTIFR[1]

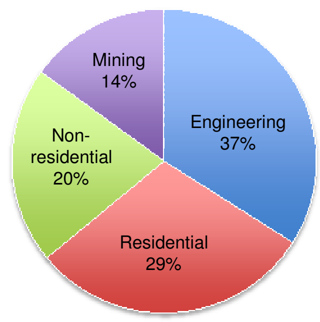


1 Lost time injury frequency rate (per million hours worked). Figures are total ABL numbers and cover employees and contractors.

Demand overview

- Uplift in residential, particularly in QLD and NSW, supported revenue growth in cement, concrete and aggregates and concrete products
- Non-residential building demand generally subdued in key markets
- Infrastructure and mining demand remained strong in WA and NT
- Lime volumes to gold sector down but alumina still strong

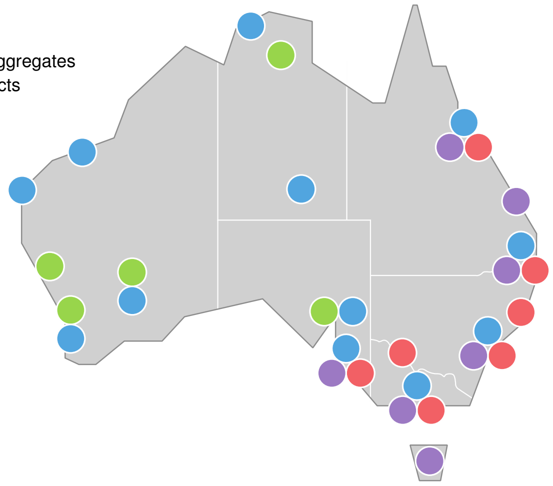
2014 Revenue by market



Divisional review

Adelaide Brighton operations

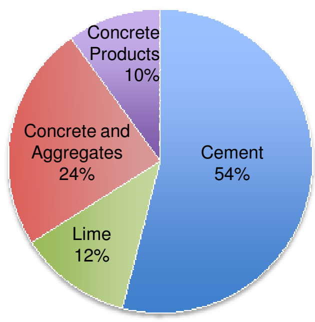
- Cement
- Lime
- Concrete and Aggregates
- Concrete Products



2014 Revenue by state

WA	25%
NSW	21%
VIC	17%
SA	16%
QLD	14%
Other	7%

2014 Revenue by product group[1]

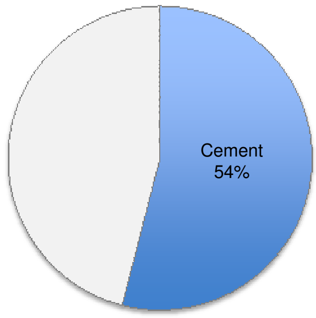


1 Percentage of 2014 revenue of $1,337.8 million

Cement

- Earnings growth in cement and clinker supported by 3% volume increase
- Healthy demand from residential, resources and projects, although VIC and SA markets down on 2013
- Cement and clinker prices increased more than CPI
- Energy costs increased and first half production issues affected margins
- Rationalisation of Munster cement works delivered cost savings of $5 million in 2014 – further savings in 2015
- Unwinding of carbon tax assisted second half earnings – further benefit in 2015
- Import volume up but currency constraining margins
- Cement supply to key customers secured in major markets underpinning utilisation

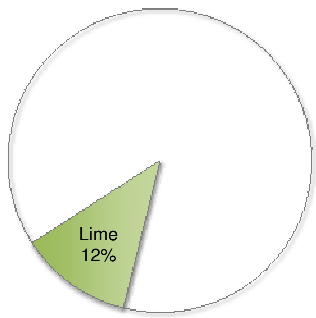
2014 Revenue



Lime

- Consistent demand and rising prices to alumina sector
- Contract prices to alumina customer increased
- Lime earnings declined due to lower sales in the NT and gold sector in WA
- Business continues to benefit from operational improvement program
- Small scale lime imports continue, but softening currency increases cost of imports
- Second half 2014 lime margins improved versus pcp due to stabilisation of demand and a price reset to an alumina customer

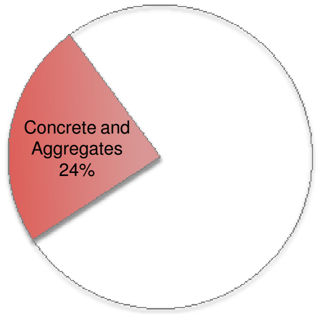
2014 Revenue



Concrete and Aggregates

- Concrete and aggregates volumes up supported by NSW and QLD residential and acquisitions
- Price increases in both aggregates and concrete, particularly Sydney
- Profitability and margins enhanced by higher volumes and prices as well as operational improvement
- Acquisition of businesses in SA and QLD during the year significantly expands downstream presence
- Integration of acquired assets has been very successful and starting to yield benefits in line with expectations
- Acquisition synergies of $4.4 million to be delivered in 2015

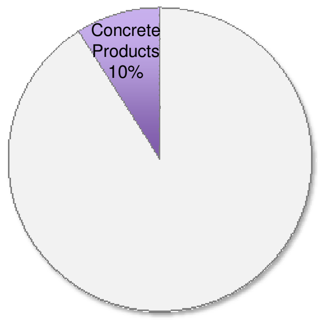
2014 Revenue



Concrete Products

- Adbri Masonry had a significantly improved year in 2014 with EBIT up 190% to $6.1 million
- Stronger volume and prices, particularly in NSW and QLD residential sector
- Higher volume and price, revenue up 11%
- Prices up slightly ahead of CPI
- Increased toll manufacturing delivering benefits
- Recovering demand and business improvement program undertaken over last two years lifting profitability

2014 Revenue



Joint arrangements

ICL (50%)

Cement and lime distribution

- Contribution declined due to lower volume and limited cost recovery in competitive Victorian markets
- Volume increased in New South Wales in line with market demand, slag-based products remained resilient and Victorian demand strengthened late in the second half

Sunstate Cement (50%)

Cement milling and distribution

- Although the south east Queensland market remains competitive, improved demand in the region led to higher sales volume, margins and earnings in 2014

Aalborg Portland Malaysia (APM) (30%)

Specialty cement manufacturer

- Clinker production capacity project was completed on budget and first shipment of white clinker to Adelaide Brighton dispatched in December 2014

Mawsons (50%)

Concrete and aggregates

- Earnings stable – returns have more than doubled since the 2007 acquisition of the 50% interest

Financial summary – underlying basis[1]

12 months ended 31 December	2014 $m	2013 $m	Change pcp %
Revenue	**1,337.8**	**1,228.0**	**8.9**
Underlying depreciation and amortisation	(73.0)	(70.6)	3.4
Underlying earnings before interest and tax	**245.2**	**226.0**	**8.5**
Net finance cost	(15.0)	(14.1)	6.4
Underlying profit before tax	**230.2**	**211.9**	**8.6**
Underlying tax expense	(63.8)	(58.5)	9.1
Underlying net profit after tax	**166.4**	**153.4**	**8.5**
Non-controlling interests	0.1	–	–
Underlying net profit attributable to members	**166.5**	**153.4**	**8.5**
Return on funds employed[2] (%)	17.5	17.2	
Underlying basic earnings per share (cents)	26.0	24.0	8.3

- Underlying NPAT up 8.5% to $166.5 million
- Statutory NPAT up 14.3% to $172.7 million
- Healthy growth in revenue, EBIT and profit
- Lower borrowing margins and underlying interest rates but capitalised interest also lower
- Effective tax rate lower due to non-taxable gain on fair value accounting
- Excluding fair value gain, effective tax rate was 27.9% which is within expected range

1 Underlying results have been adjusted for significant items.
An explanation of the adjustments and EBIT reconciliation to statutory results is provided on slide 21
2 Return on funds employed = underlying EBIT/average monthly funds employed

Financial summary – statutory basis

12 months ended 31 December	2014 $m	2013 $m	Change pcp %
Revenue	**1,337.8**	**1,228.0**	**8.9**
Depreciation, amortisation and impairments	(75.0)	(70.6)	6.2
Earnings before interest and tax (EBIT)	**247.5**	**222.7**	**11.1**
Net finance cost	(15.0)	(14.1)	6.4
Profit before tax	**232.5**	**208.6**	**11.5**
Tax expense	(59.9)	(57.5)	4.2
Net profit after tax	**172.6**	**151.1**	**14.2**
Non-controlling interests	0.1	–	–
Net profit attributable to members	**172.7**	**151.1**	**14.3**
Return on funds employed (%)	17.7	17.0	
Basic earnings per share (cents)	26.9	23.7	13.5
Dividends per share – fully franked (cents)	17.0	19.5	
Net debt ($ millions)	359.8	248.0	
Gearing (%)	31.7%	23.4%	

Underlying earnings reconciliation

12 months ended 31 December	2014 $m	2013 $m
Statutory EBIT	**247.5**	**222.7**
Munster rationalisation of clinker production	7.6	–
Corporate restructuring	5.4	3.3
Acquisition expenses	6.2	–
Fair value gain	(17.8)	–
Claim settlement	(3.7)	–
Underlying EBIT	**245.2**	**226.0**

Measure of profit that excludes significant items to highlight underlying performance

Key items in 2014:

- Munster $7.6 million – savings $5 million pretax in 2014 and further $5 million pretax in 2015
- Corporate restructure $5.4 million – savings $4 million in 2014 and further $2 million in 2015
- Acquisition expenses $6.2 million and fair value gain of $17.8 million
- Legal settlement net $3.7 million

Underlying EBIT margins

Key drivers of underlying margin	Impact on EBIT margin %
Cement: Volumes up 3%; pricing above CPI	⬆
Concrete and Aggregates and Concrete Products	⬆
Lime: Volumes down, but prices better, 2H2014 margins improved	⬇
Equity accounted Joint Ventures contribution down $2.5 million	⬇
Australian dollar weakness versus USD	⬇
Operational improvement benefits of $19.7 million • Corporate restructure $4 million • Munster cement rationalisation $5 million • Energy $4.9 million • Other initiatives $5.8 million	⬆

- Underlying EBIT margin stable at 18.3% (prior year 18.4%)
- EBIT margins remain healthy on growing revenue base

Cash flow

12 months ended 31 December	2014 $m	2013 $m
Net profit before tax	232.5	208.6
Depreciation, amortisation & impairment	75.0	70.6
Income tax	(72.9)	(49.3)
Change in working capital	(12.8)	0.3
Gain on fair value accounting	(17.8)	–
Other	(10.0)	(2.9)
Operating cash flow	194.0	227.3
Stay in business capex	(41.6)	(52.3)
Asset sales	13.6	6.5
Development capex	(174.4)	(15.6)
Dividends	(100.1)	(105.2)
Other	6.8	1.9
Net cash flow	(101.7)	62.6

Operating cash flow constrained by non-recurring items:
- – payments for carbon tax increased $14.3 million
- – monthly tax instalments added $11 million

- Working capital increased less than revenue growth
- Excluding acquisitions, capex declined – tight control – stay in business less than 60% of depreciation
- Development capex $174.4 million
- Acquisitions $172 million
- Proceeds from asset sales $13.6 million, primarily land sales

Borrowings and gearing

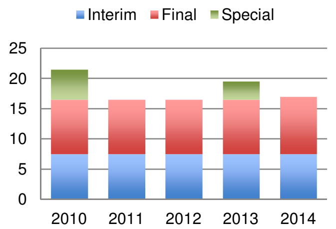
Year ended 31 December		2014 $m	2013 $m
Net debt	$m	359.8	248.0
Net finance expense	$m	15.0	14.1
Gearing – net debt/equity	%	31.7	23.4
Net debt/EBITDA[1]	Multiple	1.1	0.8
Net tangible assets/share	Cents	135	138
Return on funds employed[2]	%	17.5	17.2

- Due to strong second half cash flow net debt finished year lower than expected and well within the target range of 25% to 45%
- Balance sheet is efficiently utilised while retaining flexibility to fund growth strategy as opportunities are identified
- Debt refinancing increased term and lowered borrowing margins
- Underlying EBIT return on funds employed (ROFE) increased from 17.2% in 2013 to 17.5% in 2014

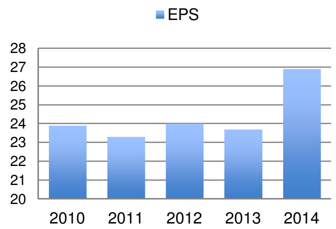
1 Net debt at 31 December 2014/EBITDA for 12 months to 31 December 2014
2 Return on funds employed = underlying EBIT/average monthly funds employed

Shareholder returns

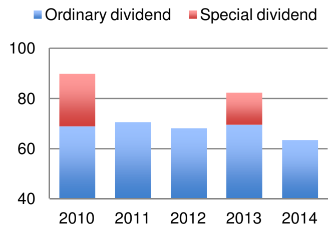
Dividend (cents)



EPS (cents)



Payout ratio %



- Final ordinary dividend up 0.5 cents to 9.5 cents (fully franked)
- Basic EPS 26.9 cents, underlying EPS 26.0 cents
- Target payout remains 65% - 75% of basic EPS

Strategy and 2015 outlook

Consistent long term strategy

Strategy has delivered strong shareholder returns

1	Cost reduction and improvement across the business	• Corporate restructure • Rationalisation of inefficient production • Import strategy
2	Grow the lime business to supply the resources sector	• Environmental and capacity upgrades • Lowest cost producer • Long term customer contracts
3	Focused and relevant vertical integration	• Acquisitions in Queensland and South Australia • Sydney aggregates investment driving returns

Operational improvement

Total benefits of $19.7 million in 2014

Corporate restructure

$4.0 million

2015: **$2.0m** further benefits

Energy efficiency programs

$4.9 million

2015: continued focus

Munster rationalisation EBIT benefit

$5.0 million

2015: **$5.0m** additional

Other initiatives

$5.8 million

2015: ongoing focus

Lime growth and improvement

- Price increases with alumina
- Significant investment in environmental performance lifted lime capacity by 250,000 tonnes per annum and delivered operating cost savings
- Further savings following rationalisation of Munster site
- Focus on continuous improvement to maintain cost leadership in WA lime market
- Long term outlook for alumina demand remains attractive and well positioned for any recovery in non-alumina demand

Capacity up
250,000
tonnes per annum

Vertical integration

- 2014 acquisitions:
  – BM Webb (QLD)
  – Penrice Quarry (SA)
  – Direct Mix/Southern Quarries (SA)
- Strategic quarries and major concrete business consuming large volumes of aggregates and cement
- Performed in line with expectations to Dec 2014
- Accelerated integration to deliver $4.4 million synergies in logistics, procurement and administration in 2015
- Tightening of Sydney aggregates market due to depletion of traditional sources
- Sydney aggregates could increase EBIT $8-10 million over three to five years

Enterprise value
$172 million

Year one multiple
7.8 x EBITDA
after synergies

Synergies
$4.4 million
per annum

Update on cement contracts

- Reduced cement sales from Jan 2015 to a major customer in SA are expected to be offset by:
  - sales of alternate cementitious products to that customer;
  - increased sales in WA; and
  - improved demand in VIC, NSW and QLD
- Secured supply to a major customer
  - contract to supply at least 50% of requirements in WA for three years – 12 month notice
  - secured supply for 25% of SA requirements – innovative product offering
- In Jul 2014 secured supply to major independent in SA for seven years
- In Dec 2014 confirmed supply to another major in SA until 31 Dec 2015. Supply in WA to this major customer also contracted until 31 Dec 2016

2015 outlook

- Sales volume of cement and clinker to be similar to, or slightly higher than 2014
- Reduced cement sales from Jan 2015 in SA are expected to be offset by new contracts and improving demand
- Lime sales volume anticipated to be similar to, or slightly higher in 2015 with average prices likely to increase
- Price increases announced for Mar and Apr 2015 in cement, clinker, aggregates, concrete and concrete products
- Price increases in 2015 are expected to exceed those achieved last year
- Earnings in Concrete and Aggregates and Concrete Products expected to improve
- At Yen90 and USD0.75, import costs could increase by approximately $7 million in a full year, prior to mitigation through price increases

2015 outlook

A number of items are anticipated to support EBIT:

- the unwinding of the carbon tax to benefit circa $3 million pre-tax compared to 2014
- potential transport costs savings of $4 million from lower fuel costs
- further Munster rationsalisation savings of $5 million; and
- further corporate rationsalisation savings of $2 million

Adelaide Brighton will continue to pursue growth in shareholder returns through projects that:

- improve efficiency and competitiveness; and
- capitalise on long term demand growth in key markets

Supplementary information

Underlying earnings adjustments

Rationalisation of clinker production

- As a result of the rationalisation of production at Munster recognised redundancies and asset impairment charge totalling $7.6 million pre-tax

Staff restructuring

- In addition to the Munster clinker rationalisation, restructuring has occurred across the business resulting in further redundancies of $5.4 million pre-tax

Acquisition expenses

- Costs associated with acquisitions, including stamp duty, legal fees and other consulting costs of $6.2 million pre-tax has been recognised as an expense in the income statement

Acquisition fair value gain

- A gain of $17.8 million relating to acquisition fair value accounting has been recognised as other income in the income statement

Claim settlement

- Receipt of $4.7 million from long standing litigation claim, less legal costs of $1.0 million

Working capital

Year ended 31 December			2014	2013	Variance %
Trade and other receivables (including JV's)		$m	199.3	182.4	9.3
Days sales outstanding		Days	44.3	47.6	(6.9)
Inventories:	Cement and Lime	$m	89.5	78.9	13.4
	Concrete and Aggregates	$m	22.2	17.8	24.7
	Concrete Products	$m	43.0	39.6	8.6
Total inventory		$m	154.7	136.3	13.5
			2014	2013	Variance %
Bad debt expense		$m	2.2	1.5	46.7

Free cash flow and net cash flow

12 months ended 31 December	2014 $m	2013 $m
Operating cash flow	194.0	227.3
Capital expenditure – stay in business	(41.6)	(52.3)
Proceeds of sale of fixed assets	13.6	6.5
Free cash flow	166.0	181.5
Capital expenditure – acquisitions and investments	(155.6)	(1.0)
Capital expenditure – development	(18.8)	(14.6)
Joint Venture and other loans	(1.3)	(1.8)
Dividends paid – Company's shareholders	(100.1)	(105.2)
Proceeds on issue of shares	8.1	3.7
Net cash flow	(101.7)	62.6

Finance expense

12 months ended 31 December	2014 $m	2013 $m
Interest charged	16.2	16.0
Exchange (gains) on foreign currency forward contracts	–	(0.1)
Unwinding of the discount on restoration provisions and retirement benefit obligation	1.2	1.2
Interest capitalised in respect of qualifying assets	(0.6)	(1.2)
Total finance expense	16.8	15.9
Interest income	(1.8)	(1.8)
Net finance expense	15.0	14.1
Interest cover (EBIT times)	16.5	15.8

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