
Adelaide Brighton Limited
JP Morgan
Australian Investment Forum
New York
5 October 2015
Martin Brydon
Chief Executive Officer


Agenda
• Adelaide Brighton overview
• Financial results 1H 2015
• Divisional review
• Strategy and outlook
JP Morgan Australian Investment Forum – New York 5 October 2015
Adelaide Brighton Limited
2

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

Cement & Lime

Adelaide Brighton Cement Ltd
Swan Cement
COCKBURN CEMENT
Northern Cement
MCI

Concrete Products

adbri MASONRY

Joint Ventures

MAWSONS
batesford quarry

Joint Ventures

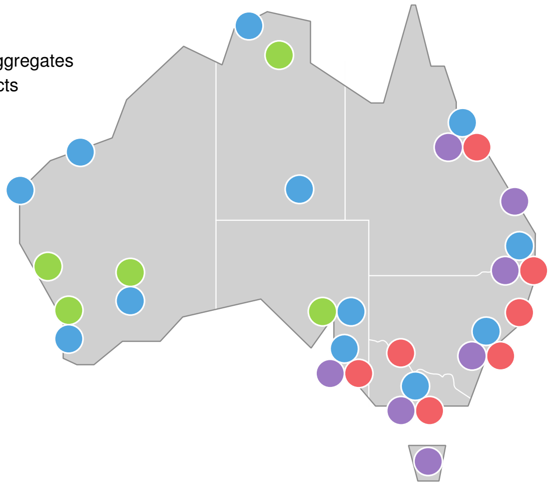
Sunstate Cement Ltd.
Independent Cement and Lime Pty. Ltd
aalborgportland

Joint Ventures

Burrell Mining Services

Adelaide Brighton operations

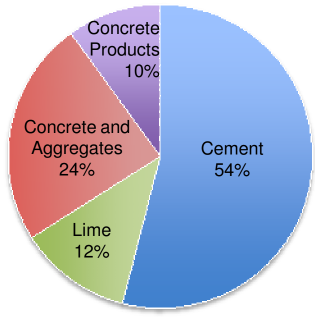
- Cement
- Lime
- Concrete and Aggregates
- Concrete Products



2014 Revenue by state

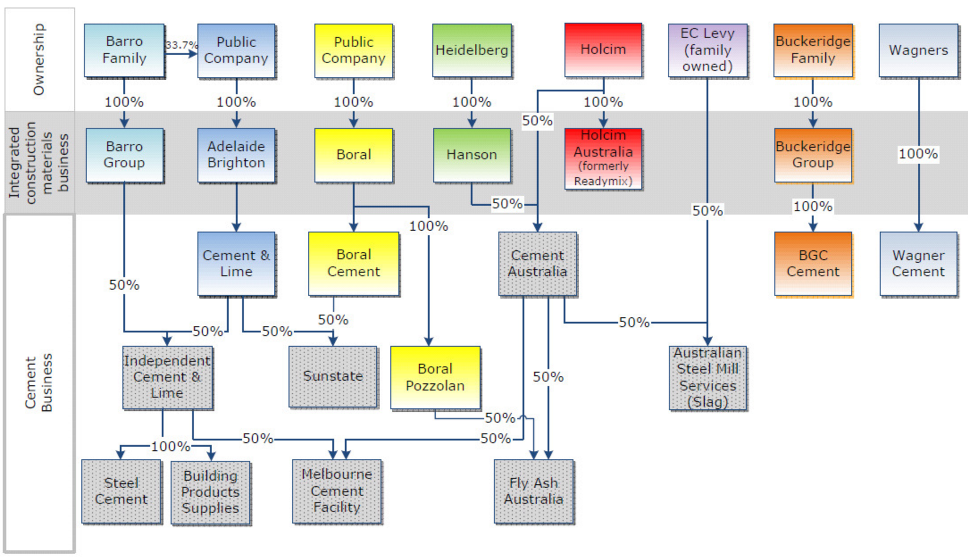
WA	25%
NSW	21%
VIC	17%
SA	16%
QLD	14%
Other	7%

2014 Revenue by product group[1]



1 Percentage of 2014 revenue of $1,337.8 million

Australian cement industry



Financial Results First Half 2015

Performance highlights – first half 2015

Revenue	$678.1m ↑	2014: $602.0m	12.6%
Underlying EBIT[1]	$117.3m ↑	2014 $92.5m	26.8%
Underlying NPAT[1] attributable to members	$83.0m ↑	2014: $61.2m	35.6%
Basic EPS	12.8c ↑	2014: 8.0c	58.8%
Interim ordinary dividend	8.0c ↑	2014: 7.5c	6.7%
Interim special dividend	4.0c ↑	2014: Nil	

1 Underlying results have been adjusted for significant items.
An explanation of the adjustments and EBIT reconciliation to statutory results is provided on slide 35

2015 half year result

- Revenue $671.8 million up 12.6% due to higher cement and lime volumes, improved prices, property revenue and 2014 acquisitions
- Underlying EBIT $117.3 million up 27% assisted by $13 million pre-tax profit from property transactions
- Underlying EBIT, excluding property transactions, up 14%
- Excluding property, modest margin expansion assisted by volumes and cost reduction
- Operational improvement on track to deliver $7 million pre tax benefits in 2015
- Operating cash flow grew strongly
- Acquisitions in concrete and aggregates in 2014 delivering in line with expectations
- Increased interim dividend of 8.0 cents and special dividend of 4.0 cents, fully franked
- Positive outlook for remainder of 2015 supported by market demand, cost initiatives and property sales

Demand overview

NSW
- Demand driven by strength in the residential sector
- Infrastructure activity to improve in 2016 and beyond

VIC
- Demand recovering
- Increased demand from residential and non-residential sectors
- Strength in central Melbourne

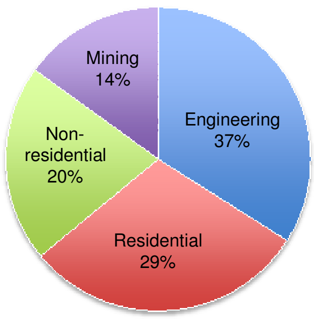
WA
- Residential recovery
- Stable project volumes
- Increased lime sales to non-alumina and gold sectors

QLD
- ABL business mainly south east Queensland
- Demand up, due to strength in the residential sector

SA
- Stable residential demand, non-residential down
- Sales to mining operations down
- Infrastructure projects to commence in 2016

NT
- Stable project volumes
- Sales recovered to large lime customer

2014 Revenue by market



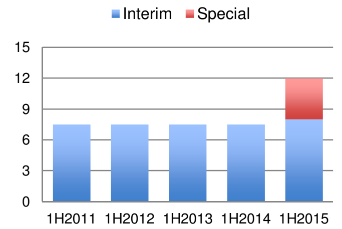
Underlying EBIT margins

Key drivers of underlying margin	Impact on EBIT margin %
Property $13 million PBT – resulted in 1.9 ppts improvement in EBIT margin	↑
Cement and clinker volumes increased	↑
Cement and clinker costs – OIP, fuel, operational performance offset by forex	↑
Average cement and clinker sales price – due to change in geographic mix	↓
Lime - volumes and price improvement	↑
Equity accounted contribution down $1.7 million	↓
Concrete and Aggregates - volume and selling prices increased	↑
Concrete Products – volume, prices, costs	↑

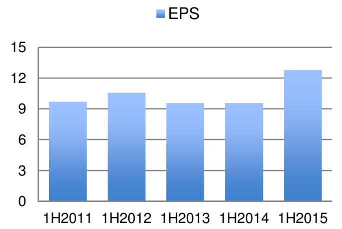
- Underlying EBIT margin improved to 17.3% (prior year 15.4%)
- Excluding property, underlying EBIT margin improved to 15.4% (15.2% pcp)
- EBIT margins remain healthy on growing revenue base

Shareholder returns

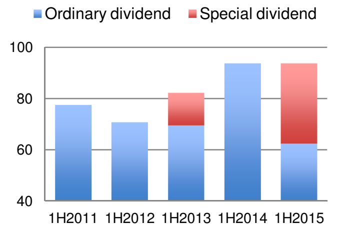
Dividend (cents)



EPS (cents)



Payout ratio %



- Interim ordinary dividend up 0.5 cents to 8.0 cents (fully franked)
- Interim special dividend of 4.0 cents (fully franked) (2014: Nil)

- Basic and underlying EPS 12.8 cents

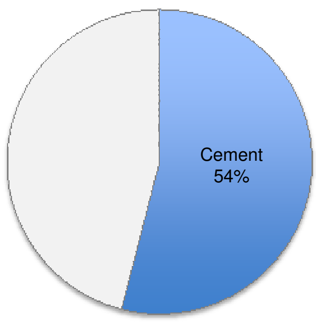
- Target payout for ordinary dividend remains 65% - 75% of basic EPS

Divisional review

Cement

- Cement and clinker volumes increased in 1H2015 compared to pcp
- 1H 2015 price increases achieved in majority of markets
- Average realised cement and clinker prices softer due to change in sales mix towards lower priced markets
- Import volumes continued to grow with 2015 imported cementitious material to exceed 2.1 million tonnes
- Excluding property, underlying cement margins increased in 1H2015 compared to pcp
- Margins supported by sales volumes; improved Birkenhead production; WA clinker rationalisation, lower energy costs and other cost initiatives
- WA clinker rationalisation on track to meet 2015 target of $5 million pre-tax savings

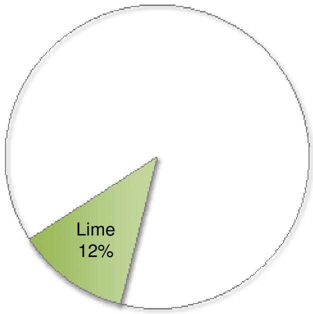
2014 Revenue



Lime

- 1H 2015 lime profit improved versus pcp supported by resumption of sales to major customer in NT
- Lime sales volumes increased approximately 5% in 1H 2015 compared to pcp
- Improved demand from non-alumina sector
- Average selling prices in 1H 2015 increased
- Small scale lime imports continue, but softening currency increases cost of imports
- Business continues to benefit from investment in environmental performance, which also benefits cost and capacity

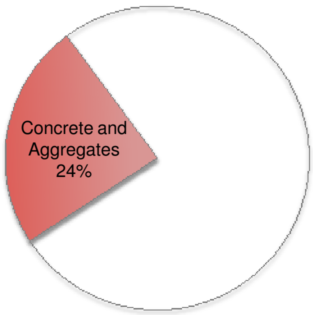
2014 Revenue



Concrete and Aggregates

- Improved demand across all markets supported by residential construction and commercial projects
- 1H 2015 average selling prices for concrete improved by more than CPI on pcp while aggregate selling prices improved significantly more than CPI
- Acquisitions completed in 2014 in SA and north QLD added approximately 9% to Group revenue versus pcp. Earnings from these acquisitions were in line with expectations
- Acquisition synergies have been delivered on an accelerated program, on target for $4.4 million in 2015, in line with prior guidance

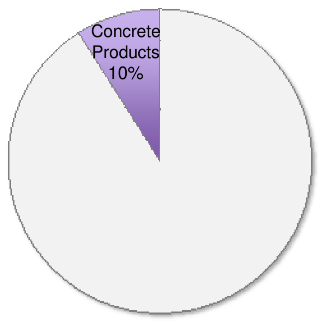
2014 Revenue



Concrete Products

- Adbri Masonry 1H 2015 revenue increased 8.2% and increased EBIT by $1.2 compared to the pcp
- Demand improvement from residential and commercial construction segments
- 1H 2015 prices increased in line with CPI
- Business improvement program – rationalisation of production facilities and restructuring – assisted earnings as market demand improved

2014 Revenue



Joint arrangements

ICL (50%)

Cement and lime distribution
- 1H 2015 lower contribution due to higher input costs impacting margins
- Victorian demand improved and high level of demand maintained in New South Wales

Sunstate Cement (50%)

Cement milling and distribution
- Although the south east Queensland market remains competitive, improved demand in the region supported improved volumes in 1H 2015
- Price increases in 1H 2015 assisted earnings

Aalborg Portland Malaysia (APM) (30%)

Specialty cement manufacturer
- Earnings in 1H 2015 declined due to slower than anticipated commissioning of capacity expansion

Mawsons (50%)

Concrete and aggregates
- 1H 2015 earnings declined slightly from strong levels due to a slowdown in major projects, weaker residential and competitive pressures across markets

Strategy and 2015 outlook

Consistent long term strategy

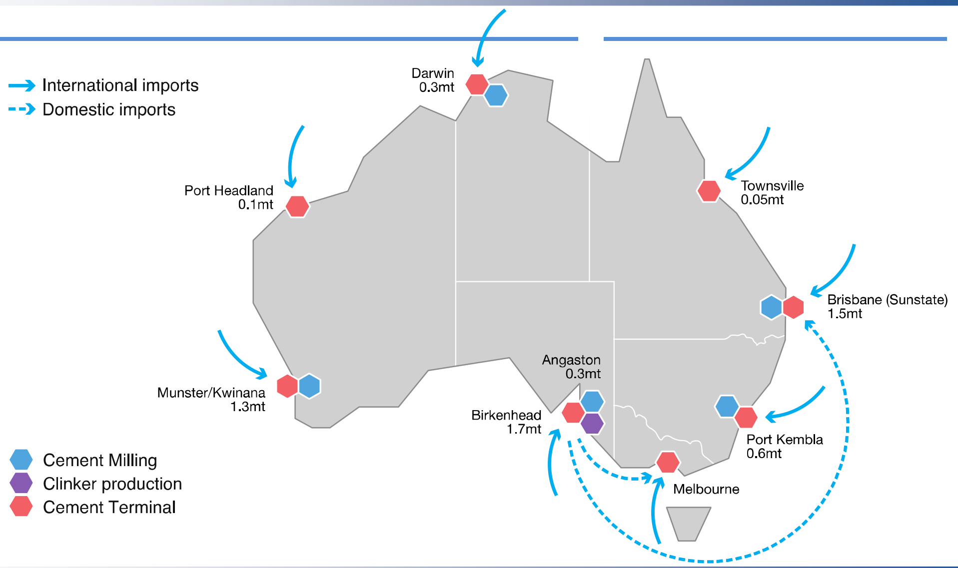
Strategy has delivered strong shareholder returns

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

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



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

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

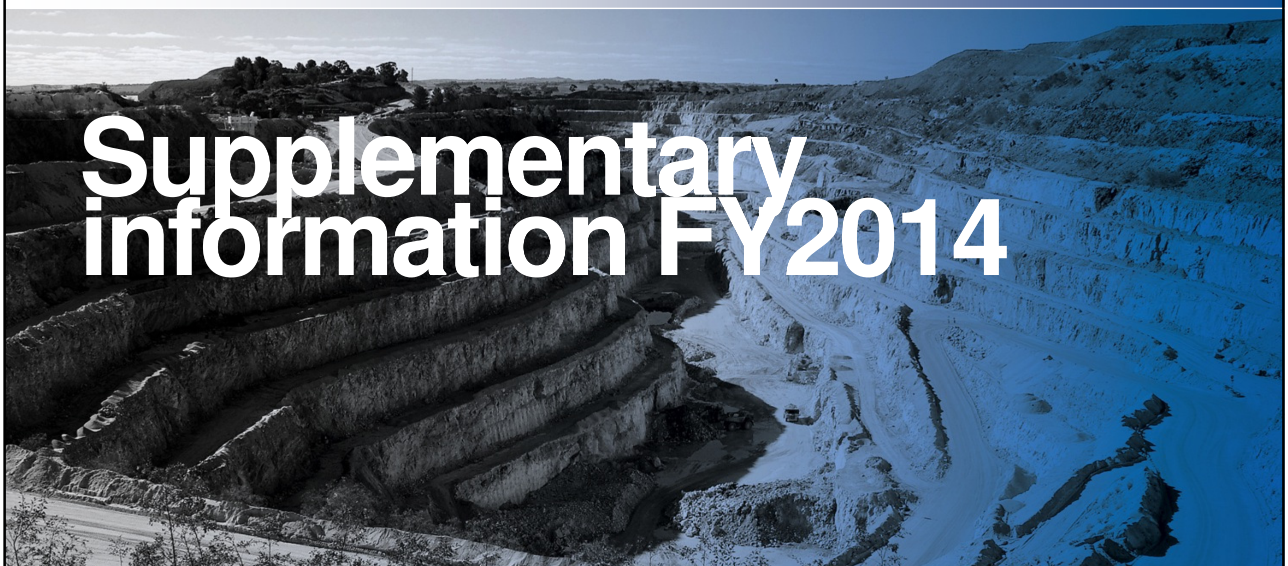
- Sales volume of cement and clinker in 2015 to be slightly higher than 2014
- Reduced cement sales in SA are expected to be more than offset by increased volumes in other markets; new contracts and demand
- Lime sales volume anticipated to be slightly higher in 2015; average prices expected to increase
- On a like-for like basis, construction materials prices are expected to rise
- Average realised cement prices are expected to be lower due to an increased portion of sales into lower priced markets
- Earnings in Concrete and Aggregates and Concrete Products expected to improve – acquisitions, improved demand and pricing
- Full year import costs estimated to increase by approximately $7 million versus the prior year; full year position hedged
- A number of items are anticipated to support full year 2015 EBIT versus pcp:
  - Potential transport cost savings in excess of $4 million from lower fuel costs
  - Further Munster rationalisation savings of $5 million; and
  - Further corporate rationalisation savings of $2 million

2015 outlook

In addition to first half land NPAT of $12 million, subject to necessary approvals there is potential for two further land transactions in 2015, which would deliver additional:

- Cash proceeds of circa $32 million
- Earnings before tax of $28 million
- NPAT of circa $20 million

Including anticipated NPAT from land transactions of $32 million, full year statutory NPAT is expected to be in the range of $200 million - $215 million



Performance highlights – full year 2014

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 31
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

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 31
2 Return on funds employed = underlying EBIT/average monthly funds employed

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

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 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

Supplementary information H12015

Cash flow

6 months ended 30 June	2015 $m	2014 $m
Net profit before tax	110.3	71.1
Depreciation, amortisation & impairment	37.9	36.7
Income tax	(29.9)	(40.3)
Change in working capital	(19.6)	(30.2)
Other	(14.9)	(11.5)
Operating cash flow	83.8	25.8
Stay in business capex	(21.5)	(21.4)
Asset sales	17.6	9.1
Development capex	(7.4)	(30.1)
Dividends	(61.6)	(76.6)
Other	3.0	8.4
Net cash flow	13.9	(84.8)

- Strong operating cash flow:
  - Significant improvement in operational result
  - Decline in tax payments – pcp included change to monthly tax installments
  - Working capital increase below revenue growth
- Positive net cash flow:
  - Stay in business capex less than 60% of depreciation
  - Decline in development capex to $7.4 million
  - Increase in proceeds from asset sales to $17.6 million

Underlying earnings reconciliation

6 months ended 30 June	2015 $m	2014 $m
Statutory EBIT	**116.8**	**78.3**
Munster rationalisation of clinker production	–	7.4
Corporate restructuring	0.5	4.8
Acquisition expenses	–	2.0
Underlying EBIT	**117.3**	**92.5**

Measure of profit that excludes significant items to highlight underlying performance

- Corporate restructure $0.5 million in 1H2015, compared to $4.8 million in pcp

Borrowings and gearing

6 months ended 30 June		2015	2014
Net debt	$m	346.1	333.0
Net finance expense	$m	6.5	7.2
Gearing – net debt/equity	%	29.8	32.1
Net debt/EBITDA[1]	Multiple	1.0	1.2
Net tangible assets/share	Cents	139	133

- Net debt increased slightly versus pcp
- Very good result given 2014 acquisitions
- While debt levels are slightly higher, lower interest rates, lending margins and FX gain, reduced net finance expense to $6.5 million
- Gearing declined to 29.8%, lower end of the target range of 25%-45%
- Net debt/EBITDA declined to 1.0 times

1 Net debt at 30 June 2015/EBITDA for 12 months to 30 June 2015

Head office

Adelaide Brighton Ltd
Level 1, 157 Grenfell Street
Adelaide SA 5000

GPO Box 2155
Adelaide SA 5001

Disclaimer