
Adelaide Brighton Limited
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Hong Kong, 27–30 March 2017
Martin Brydon
Chief Executive Officer and Managing Director


Adelaide Brighton Limited
Overview of the business

Adelaide Brighton is a highly focused construction materials and lime business

Strong shareholder returns through operational improvement and growth investment

Our businesses:

- Leading Australian cement and clinker manufacturer and distributer
- Growing concrete and aggregates footprint
- World class lime business
- Leading concrete products manufacturer

Maximise returns through financial stability, flexibility and prudent capital management

Key information*

ASX Code:	ABC
Share price:	A$5.62
Market Cap:	A$3.65 billion
Index:	S&P/ASX 100
EPS (2016):	28.7 cents (Basic)
Dividends (2016):	19.5 cents Ordinary 8.0 cents Special

* Market Statistics as at 23 March 2017

Industry leadership provides scale benefits

Australian industry position

#1

- **Cement and clinker importer** *in Australia supplying all major markets*
- **Cement supplier** *in the resource rich states WA, SA and NT*
- **Lime producer** *in Australia*
- **Concrete products** *manufacturer*

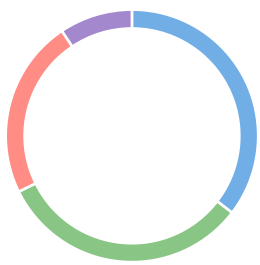
#2

- **Cement and clinker supplier** *to the Australian construction industry*

#4

- **Concrete and aggregates producer** *building presence in major markets*

FY2016 Revenue by market



34% Engineering
31% Residential
22% Non-residential
13% Mining operations

Geographic and economic diversification supports returns

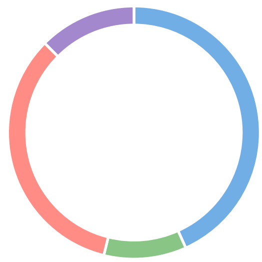
Operations

- Cement
- Lime
- Concrete and Aggregates
- Concrete Products

FY2016 Revenue by state*

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

FY2016 Revenue by product group*



- 45% Cement
- 11% Lime
- 35% Concrete and Aggregates
- 9% Concrete Products

* Percentage of FY2016 revenue of $1,396.2 million

Adelaide Brighton Brands

Concrete & Aggregates	Cement & Lime	Concrete Products
Hy-Tec, Central Pre-Mix Concrete, Direct Mix Concrete, Penrice Quarry & Mineral, Peninsula Quarries, Southern Quarries	Adelaide Brighton Cement Ltd, Cockburn Cement, MCI, Northern Cement, Swan Cement	adbri MASONRY
Joint Ventures	**Joint Ventures**	**Joint Ventures**
Mawsons, Batesford Quarry	Sunstate Cement Ltd., aalborgportland, Independent Cement and Lime Pty. Ltd	Burrell Mining Services

Demand environment – supportive

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

Outlook: **Growth in demand**

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

Outlook: **Strengthening**

WA
Construction weaker
- Residential and non-residential weak
- Resources subdued
- Lime stable

Outlook: **Stabilising**

South east QLD
Demand up
- Gold Coast and Sunshine Coast markets better

Outlook: **Sustained growth**

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

Outlook: **Strengthening**

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

Outlook: **Remaining pressured**

Success of strategy evident in FY16 results

Revenue
$1,396m
▼ 1.2%

NPAT
attributable to members
$186.3m
▼ 10.4%

NPAT ex-property
attributable to members
$178.4m
▲ 3.1%

Basic EPS
28.7c
▼ 10.3%

Total dividends
28.0c
▲ 3.7%

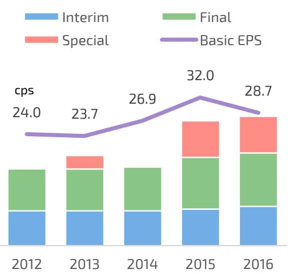
ROFE
excluding property
16.9%
▲

Results highlights 2016

- Increased NPAT (excluding property) despite weak cement demand in WA/NT and SA electricity disruptions
- Concrete and aggregates now 35% of revenue and significant earnings contributor
- Margins improved in lime, concrete and aggregates, concrete products and integrated joint venture operations
- Operational improvement remains a focus – $16 million in savings delivered

- Reported NPAT impacted by reduced property sales but ex-property NPAT up 3.1%
- Strong cash flow; low gearing, flexible balance sheet and distributing surplus capital
- Total dividends of 28.0 cents, including 8.0 cents of special dividends
- Dividends have been a key driver of strong shareholder returns over long term

Dividends and EPS



- Total 2016 dividends 28.0 cents (fully franked)
- Target payout ratio remains 65% – 75% of basic EPS
- Gearing target 25% – 45% net debt to equity

Adelaide Brighton's highly focused strategy

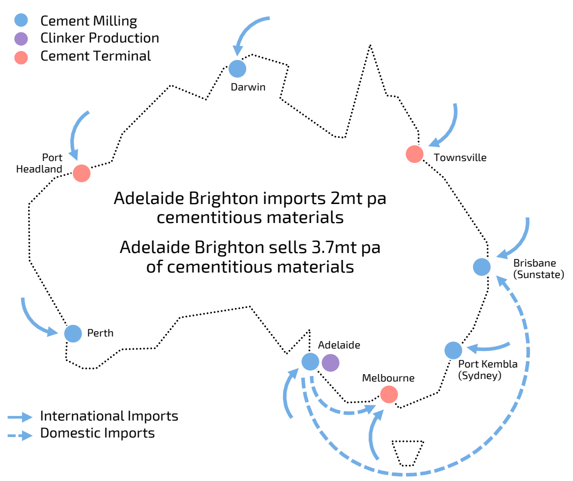
Consistent long term strategy delivering returns

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

Leading cement production, import and distribution

Manufacture and import model

- World class SA production – fully utilised
- Model – supply flexibility; minimise fixed cost; release surplus capital
- Leading importer – more than 20% of national demand
- Unmatched logistics footprint – competitive and flexible long term supply
- Virtual capacity – variable import cost structure allows full loading of Birkenhead through cycle
- Angaston rationalisation in 2017 to leverage import capability and improve returns
- Import and other costs expected to decline in 2017 while average prices should improve



Concrete and Aggregates – success story of 2016

- Vertical integration strategy – share of revenue doubled in 5 years to 35%
- Attractive returns on quarry investments plus vertical integration benefits
- Demand strong in New South Wales, Victoria and Queensland, and improving in South Australia
- Prices increasing at more than CPI due to strong demand and leadership from Adelaide Brighton
- Focus on efficiency, logistics, vertical integration benefits and margin improvement
- South Australia and Queensland acquisitions made in 2014 and 2015 performing ahead of expectations
- Continue to examine opportunities for growth with preference for strategic aggregates positions
- Earnings outlook positive given demand

Concrete and aggregates growth – vertical integration continues

Concrete and aggregates acquisition

- Acquired Central Pre-Mix Concrete in March 2017 for $61 million
- Integrated concrete and aggregates – five concrete plants and a hard rock aggregate quarry serving metropolitan Melbourne
- Provides entry into Melbourne aggregates and increases the downstream concrete presence in the attractive Melbourne market
- High quality operation offers an industry consolidation opportunity and potential for bolt-on investments
- Purchase 7.0 times 2016 EBITDA with earnings growth expected in 2017

Central Campbellfield site

Concrete Products – turnaround gains momentum

- EBIT (excluding property sales) increased 20% on FY15 with margins higher on prices and operational efficiency
- Further efficiency in medium term from tolling, general improvements, transport efficiencies
- Product innovation offers exciting new revenue opportunities
- Actively managing price for margin not market share
- Growing customer for the cement, sand and aggregates businesses
- Optimistic about outlook given further business improvement

Unique lime business – one of largest in the world

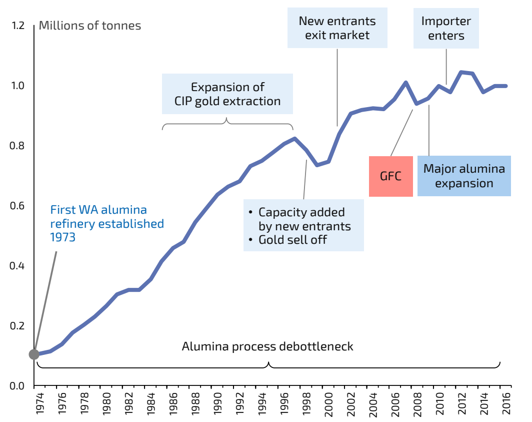
- One of largest & lowest cost operations globally – total capacity 1.5 million tonnes per annum
- Only WA producer – low cost long term resource
- Key supplier to minerals processing sector
- WA alumina sector 70% of lime demand
- Gold and other minerals better although more vulnerable to imports, which hold 7% of market
- Improved returns and added value through significant efficiency and environmental projects
- Further margin growth expected on lower costs

Lime demand drivers – alumina

- Alumina represents 70% of WA lime demand
- WA refineries are in the bottom quartile of the cost curve

- Western Australia represents 12% of global alumina capacity
- Long term lime supply contracts with two alumina customers
- Reduced cost of gas in WA further improves competitiveness
- Alumina expansions could add 15% to WA lime demand

Adelaide Brighton WA lime sales



Source: Adelaide Brighton

Operational improvement and growth investment

Operational improvement

- Ongoing improvement key driver of value
- > $85 million annualised savings in 5 years from rationalisation and improvement
- Rationalisation of Angaston oil well cement to deliver $2.6 million in annual savings
- Further savings in 2017 from transport, shipping and materials purchasing

Energy costs

- Total energy costs declined in 2016 despite SA electricity disruptions
  - Alternative fuels
  - Lower gas costs in WA
  - Reduced transport fuel costs

Acquisitions

- More than $300m in acquisitions in 5 years
- Have met returns targets, diversified earnings and provided benefits to other businesses

Organic growth

- Invested > $200 million in low risk/high return organic growth projects in the last 5 years

Property – capital management

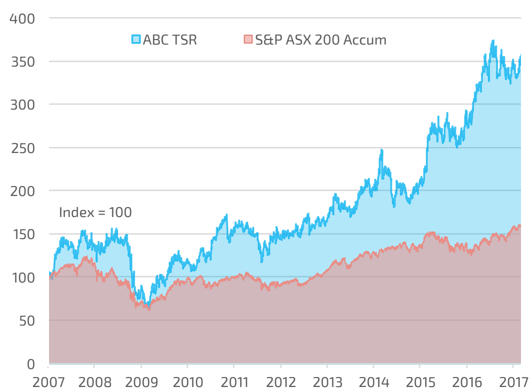
- Operational improvement program released more than $85 million surplus land in 4 years
- More than $120 million in proceeds expected in next decade from program

Summary – leading integrated construction materials and lime company

Consistent strategy – strong returns

- Successful long term strategy – ROFE (excluding property) improved to 16.9%
- Consistent strategy of operational improvement and vertical integration
- Pursuing both organic and acquisitive growth opportunities
- Balance sheet efficiently utilised while retaining flexibility to fund growth
- In 2017, expect higher volumes, prices and margins
- Cement import and other costs to decline
- Where Board identifies surplus capital, shareholder returns remain a priority

Total shareholder return accumulation — dividend reinvestment



Source: Factset

Building shareholder value – clear process

Drivers of business and shareholder value

Financial performance
Delivering attractive return on capital

Market leadership
Maximise operating efficiencies

Capital management
Optimise utilisation of capital and returns

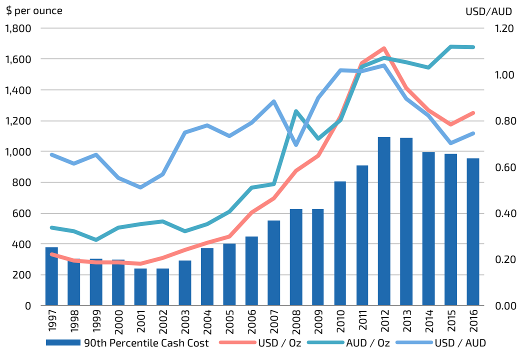
Governance and social licence
Licence to operate for our shareholders and stakeholders

Risk management
Balance sheet and operational risks

Lime demand drivers – gold and alumina

- Lime demand from gold sector improving
- Gold represents 20% of WA lime demand

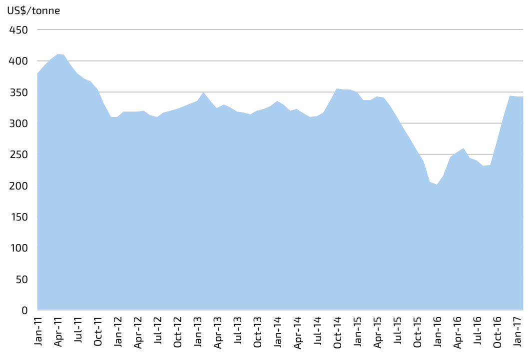
Gold price versus cash cost – 20 years



Source: Company reports and ABL estimates

- Alumina around 70% of WA lime demand
- Expansions could add 15% to WA demand

Alumina price



Source: Platts Alumina Pricing Index (API)

Joint ventures – vertical integration story

- Cement manufacture, distribution, concrete and aggregates operations
- Provides efficient capital structure, broader operational footprint and vertical integration benefits
- Outlook appears positive given solid demand and improving efficiency

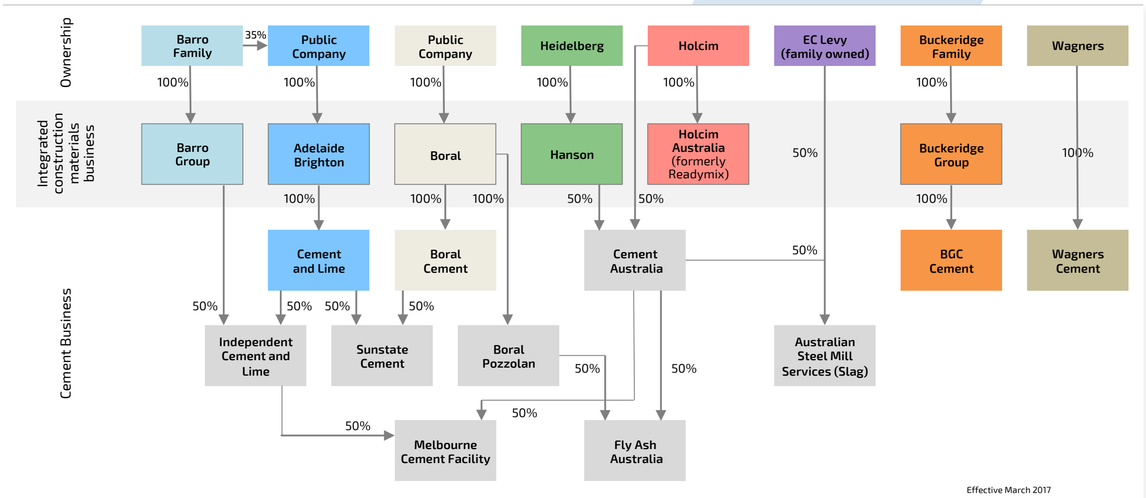
Joint Ventures	
ICL (50%)	Cement distribution • Strong demand across Victoria and New South Wales • Margins improved; price increases and lower input costs
Sunstate Cement (50%)	Cement milling and distribution • Improved volumes and price increases • Market remains highly competitive
Others (50%)	Cement, concrete and aggregates • Mawsons higher margin products to major projects offset by pressure on concrete margins • Improved Aalborg production following expansion

NPAT contribution

up 44%

to $30.9m

Structure of the Australian construction materials industry



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 2016

	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

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

- Strong lift in operating cash flow
- Stay in business remains well below depreciation
- Asset sales largely property; down from 2015 levels
- Growth capex $36.8 million on a range of projects
- Significant increase in dividends
- Positive net cash flow – decline in gearing

Financial summary – 10 year history

Year Ended	Dec	Dec	Dec[2]	Dec	Dec[1]	Dec	Dec	Dec	Dec	Dec
(A$ million unless stated)	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Statements of financial performance										
Sales revenue	1,396.2	1,413.1	1,337.8	1,228.0	1,183.1	1,100.4	1,072.9	987.2	1,022.4	888.4
Depreciation, amortisation and impairments	(78.1)	(77.8)	(75.0)	(70.6)	(65.2)	(57.8)	(52.8)	(56.8)	(56.8)	(52.4)
Earnings before interest and tax	266.1	298.6	247.5	222.7	222.1	219.8[1]	216.2	185.3	189.1	171.3
Net interest earned (paid)	(11.5)	(13.0)	(15.0)	(14.1)	(14.6)	(17.0)	(14.0)	(16.7)	(33.8)	(21.7)
Profit before tax, abnormal & extraordinary items	**254.6**	285.6	232.5	208.6	207.5	206.4	202.2	168.6	155.3	149.6
Tax expense	(68.4)	(77.8)	(59.9)	(57.5)	(54.6)	(58.0)	(50.8)	(45.4)	(34.5)	(35.7)
Profit from discontinued operations	–	–	–	–	–	–	–	–	–	–
Non-controlling interests	0.1	0.1	0.1	–	0.1	–	0.1	(0.1)	–	–
Net profit after tax attributable to members	**186.3**	207.9	172.7	151.1	153.0	148.4	151.5	123.1	120.8	113.9
Group balance sheet										
Current assets	390.1	403.1	387.4	390.2	363.7	307.8	274.1	308.8	290.8	233.1
Property, plant & equipment	978.4	986.1	994.2	889.7	902.5	851.0	760.6	774.3	801.9	742.5
Receivables	34.4	32.9	32.7	31.4	29.6	27.2	30.4	30.4	28.4	29.5
Investments	151.2	142.2	139.9	138.5	129.0	97.2	87.7	72.5	67.6	66.9
Intangibles	270.3	272.9	266.4	183.9	184.8	183.0	179.1	169.0	169.4	164.4
Other non-current assets	2.3	1.3	0.0	0.0	3.5	0.0	0.0	0.0	0.0	2.7
Total assets	1,826.7	1,838.5	1,820.6	1,633.7	1,613.1	1,466.2	1,331.9	1,355.0	1,358.1	1,239.1
Current borrowings & creditors	117.4	123.9	122.7	105.4	115.0	99.2	106.4	106.5	98.4	145.5
Current provisions	50.6	55.4	44.2	105.8	78.5	34.5	52.6	55.4	44.5	49.5
Non-current borrowings	309.6	329.5	390.1	259.1	299.3	258.7	150.2	200.5	410.5	281.9
Deferred income tax & other non-current provisions	129.0	122.4	126.9	101.6	114.4	116.7	88.4	95.6	102.8	94.3
Total liabilities	606.6	631.2	683.9	571.9	607.2	509.1	397.6	458.0	656.2	571.2
Net assets	1,220.1	1,207.3	1,136.7	1,061.8	1,005.9	957.1	934.3	897.0	701.9	667.9

1. Restated for changes to accounting policies (Note 42 to the 2013 Financial Statements)
2. Restated for final acquisition accounting values for businesses purchased in 2014

Financial summary – 10 year history

Year Ended	Dec	Dec	Dec[2]	Dec	Dec[1]	Dec	Dec	Dec	Dec	Dec
(A$ million unless stated)	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Share capital	731.4	729.2	727.9	699.1	696.6	694.6	692.7	690.4	540.4	514.0
Reserves	2.9	1.2	3.3	4.3	2.1	2.3	2.6	2.9	3.5	14.5
Retained profits	483.3	474.3	402.8	355.6	304.4	257.3	236.0	200.6	155.0	136.4
Shareholders' equity attributable to members of the Company	1,217.6	1,204.7	1,134.0	1,059.0	1,003.1	954.2	931.3	893.9	698.9	664.9
Non-controlling interests	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.1	3.0	3.0
Total shareholders' funds	1,220.1	1,207.3	1,136.7	1,061.8	1,005.9	957.1	934.3	897.0	701.9	667.9
Share information										
Net Tangible Asset Backing ($/share)	1.46	1.44	1.34	1.38	1.29	1.22	1.19	1.15	0.97	0.93
Return on funds employed	17.5%	19.8%	17.7%	17.0%	18.0%	19.4%	20.0%	17.3%	18.0%	18.1%
Basic earnings per share (¢/share)	28.7	32.0	26.9	23.7	24.0	23.3	23.9	20.4	22.2	21.0
Diluted earnings (¢/share)	28.6	31.9	26.8	23.4	23.8	23.2	23.7	20.3	22.0	20.8
Total dividend (¢/share) (fully franked)	28.0	27.0	17.0	19.5	16.5	16.5	21.5	13.5	15.0	18.5
Interim dividend (¢/share) (fully franked)	8.5	8.0	7.5	7.5	7.5	7.5	7.5	5.5	6.5	6.0
Final dividend (¢/share) (fully franked)	11.5	11.0	9.5	9.0	9.0	9.0	9.0	8.0	8.5	9.0
Special dividend (¢/share) (fully franked)	8.0	8.0	–	3.0	–	–	5.0	–	–	3.5
Gearing	23.6%	24.6%	31.6%	23.4%	30.9%	26.0%	15.9%	19.6%	55.3%	48.4%

1. Restated for changes to accounting policies (Note 42 to the 2013 Financial Statements)
2. Restated for final acquisition accounting values for businesses purchased in 2014

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