ASX Announcement

ADBRI
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29 August 2023

Media Release - Adbri First Half 2023 Results and Outlook

We attach Media Release in relation to the Company's financial result for the half year ended 30 June 2023.

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

adbri.com.au

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ADBRI FIRST HALF 2023 RESULTS AND OUTLOOK

Leading construction materials and lime producer Adbri Limited ("Adbri" or "the Company") (ASX: ABC) today reported results for the half year ended 30 June 2023 (1H23).

Financial headlines

- Revenue[1] increased to $926.4 million, up 14.0% on 1H22
- Underlying[2] EBITDA of $149.1 million, up 20.9% on 1H22, while Statutory EBITDA was $145.8 million, up 15.6% on 1H22
- Underlying EBITDA margins increased to 16.1% from 15.2%, driven by pricing discipline
- Underlying NPAT of $52.1 million, up 12.8% on 1H22, while Statutory NPAT attributable to members of Adbri was $49.8 million, up 3.5% on 1H22
- Leverage[3] at 2.3 times
- The Board has decided not to declare an interim dividend considering capital requirements for the Kwinana Upgrade and elevated leverage

Operating and strategic headlines

- Improved safety performance, with TRIFR[4] improving 19% to 6.4 from 31 December 2022
- Implemented decentralised business model
- Kwinana Upgrade project is over half complete as at 31 July 2023, with $203 million invested
- Solid price traction across all product lines

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

"Adbri has delivered a strong first half performance. We have refocused the business, delivering double digit revenue growth and improved earnings.

Our refocus has seen the implementation of key initiatives which support a more resilient Adbri with strong cost and operational management disciplines.

All of our product lines recorded revenue growth, supported by continued solid demand and traction on price increases.

Our highest priority remains safety and pleasingly the team has lifted its safety performance. We have also continued to make strides on sustainability, increasing the use of alternative fuels to reduce both our emissions and cost profile, which underpin Birkenhead's low-embodied carbon characteristics which we anticipate will make our products more appealing to carbon conscious customers.

We expect demand in the second half of the year to be similar to the first half, with the benefits of price increases and cost discipline supporting moderately higher earnings than 1H23."

Strong demand for Adbri's products across our diverse geographical footprint

In 1H23 Adbri experienced strong demand for its products reflecting our significant customer focus and the strength of our offerings. The commercial and engineering & infrastructure sectors were strong, particularly on the east coast, driving higher demand for concrete and aggregates compared to 1H22.

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[1] Reference Appendix 4D Note 2 Segment Reporting. Above total revenue includes freight $75.1m ($71.6m 1H22), royalties $1.7m ($1.5m 1H22), concrete testing $4.3m ($2.7m 1H22). Performance measures reported includes Group's proportionately consolidated joint operations
[2] Underlying measures exclude property (profit)/expense and significant items
[3] Leverage ratio = (net debt/2)/underlying EBITDA
[4] Total Reportable Injury Frequency Rate (TRIFR) is the number of recordable injuries per million of man hours worked, including employees and contractors

Earnings overview

Revenue increased 14.0% driven by price growth across most product lines and geographies, and supported by modest volume growth.

Underlying[5] EBITDA was $149.1 million, an increase of 20.9% against the 1H22 (1H22: $123.3 million) with underlying[5] EBITDA margins increasing 90 basis points to 16.1%. Underlying[5] NPAT was up 12.8% on 1H22 (1H23: $52.1 million). This improved earnings performance was supported by pricing and cost discipline.

Statutory EBITDA was $145.8 million, up 15.6% against 1H22, while Statutory NPAT was $49.8 million, up 3.5% (1H22: $48.1 million). This was driven by improved underlying performance and lower significant items, partially offset by the benefit recognised in 1H22 from property sales of $11.6 million (pre-tax) and $8.1 million (post-tax).
The earnings contribution from joint ventures and operations was up 7.9% on 1H22, reflecting continued strong demand.

Operating review

Products	**Revenue (vs 1H22)**	**Performance drivers**
Cementitious material	Up 8.4%	• Improved pricing across the mining, commercial, infrastructure and residential sectors • Demand steady
Lime	Up 4.0%	• Positive price traction in all markets • Slight reduction in demand in alumina and non-alumina customers (due to mine closures)
Concrete	Up 23.1%	• Improved pricing • Continued strong demand across all sectors
Aggregates	Up 30.3%	• Strong demand from the infrastructure sector supporting record volumes • Improved pricing across all products and regions
Masonry	Up 11.2%	• Improved pricing and an increase in contracting revenue • Small decline in volumes, primarily due to reduced demand from retail sector

Cash flow and financial position

Operating cash flow improved $10.0 million to $78.0 million compared to 1H22, largely due to improved trading performance.

Capital expenditure increased relative to 1H22, from $115.1 million to $173.0 million, and was split between stay-in-business capital of $75.4 million (up $7.6 million on 1H22) and development capital of $97.6 million (up $50.3 million on 1H22), of which $83.4 million was for the Kwinana Upgrade project.

Net debt increased by $96.5 million over the reporting period to $672.9 million at 30 June 2023, representing a leverage ratio[6] of 2.3 times underlying[5] EBITDA. The leverage ratio is outside the Board's target range of 1.0 – 2.0 times as anticipated during the construction period of the Kwinana Upgrade project. However, the Group continues to have significant headroom in its bank covenants and substantial liquidity to support the business through the elevated investment period.

The Board has decided not to declare an interim dividend considering the capital required for the completion of the Kwinana Upgrade project and the elevated leverage position at 30 June 2023. The Board continually reviews the Company's capacity to return funds to shareholders.

Sustainability and climate change

During the half we engaged extensively with the Federal Government on the Safeguard Mechanism reform, with Adbri confident the legislation as at 1 July 2023 will not have a material impact on earnings. We will continue to engage with the Government to pursue opportunities such as the Government's $400.0 million in targeted funding available for industries providing critical inputs to clean energy industries, as well as seeking implementation of a Carbon Border Adjustment Mechanism (CBAM) for the cement and lime industries.

[5] Underlying measures exclude property (profit)/expense and significant items
[6] Leverage ratio = (net debt/2)/underlying EBITDA

2H23 priorities

- Safety remains our highest priority, with key focus areas including psychological wellbeing, contractor engagement, revitalising the Take 5 program and embedding risk assessments
- Progressing Kwinana Upgrade project delivery
- Undertaking lime operations optimisation reviews to improve asset performance and customer offerings
- Complete negotiations for a multi-year cement supply agreement with Independent Cement & Lime (ICL)
- Deliver ongoing improvements to Birkenhead cement operations including seeking approval to increase alternative fuels usage and progressing a feed study for a new mill to increase capacity and improve blending capability
- Review land portfolio across the Group

2023 outlook

We expect demand for our products to remain strong throughout the second half of the year with trading conditions similar to the first half, notwithstanding a slight softening in the residential and retail sectors.

The benefits of price increases and cost discipline are expected to continue in 2H23, in an environment of continued elevated inflationary pressures, and as such we anticipate 2H23 EBITDA to be moderately higher than 1H23.

We anticipate total capital expenditure for the year to be between $330 million and $350 million.

-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