

13 October 2021

Citi Group Investor Conference - Presentation

Attached are presentation slides being delivered today at the Citi Australia and New Zealand Investment Conference.

Authorised for release by the Company Secretary.

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Citi Group Investor Conference



13th Annual Australia & New Zealand Investment Conference

13 October 2021

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3Q21 Operational / market update



- **Sustainability a key pillar to Adbri's purpose**

- Improved safety - TRIFR reduced 4.1% to 7.1 since December 2020
- Aspiration for net zero carbon emissions by 2050 with roadmap to be delivered at 2022 AGM
- Alternate fuel usage at Birkenhead a key initiative to reduce carbon emissions – increased kiln fuel substitution rate from 25% in 2020 to a run-rate circa 40% since June 2021. Targeting 50% by 2025

- **3Q21 sales demand strong across all regions, costs impacted by COVID disruptions to shipping and production performance**

- COVID-19 restrictions in New South Wales, Victoria and South Australia impacted volumes for a portion of the period in 3Q21
- Sales volumes recovered from the earlier limitations placed on construction activity
- September sales volumes exceeded expectations across all products and were higher than prior year, with the exception of lime volumes following reduction in volumes supplied to Alcoa
- Demand appears to be strong across all regions delivering higher than expected sales volumes, however, costs have largely offset the benefits of higher volumes. COVID impacts have resulted in higher costs through demurrage from disrupted shipping and operational performance has reduced cement production, resulting in higher unit costs

3Q21 Operational / market update

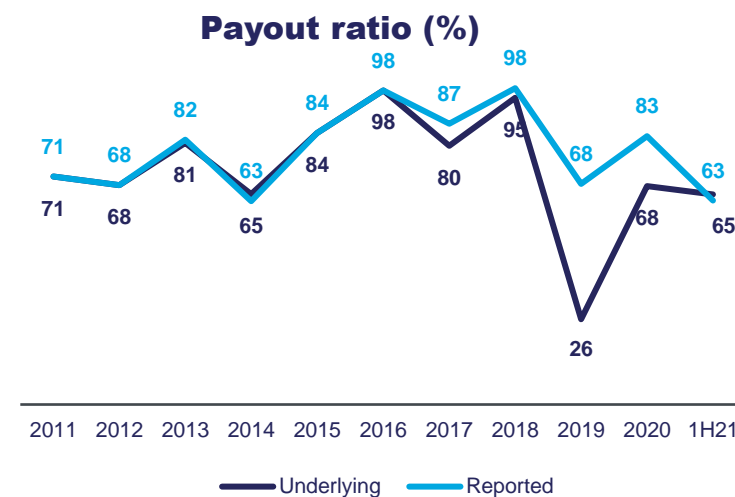
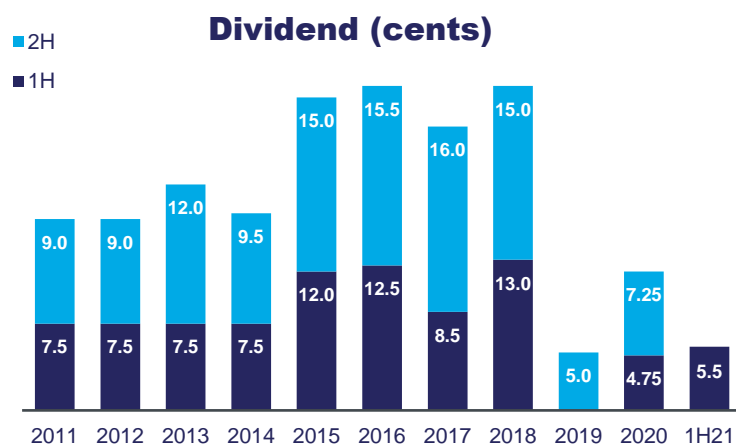
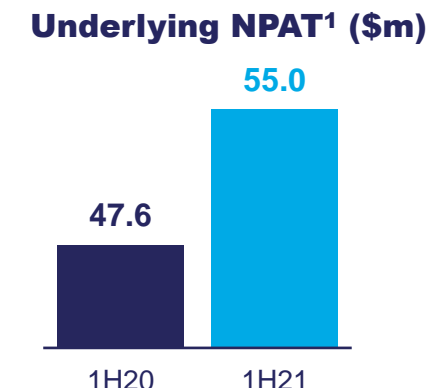
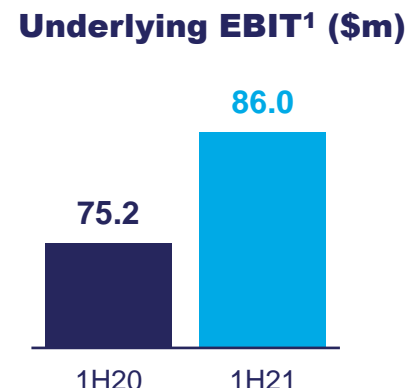
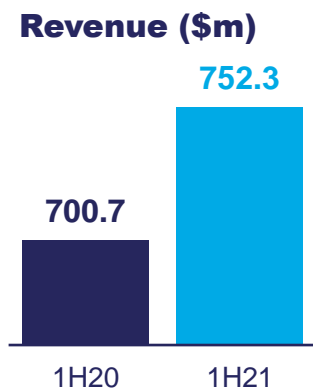
- **Vertical integration developments**

- Milbrae acquisition completed by Mawsons Joint Venture on 30 September 2021
- Acquisition of Victorian sand quarries from Metro Quarry Group in 50/50 joint venture with Barro Group

- **Positive outlook despite near term uncertainties**

- Demand through balance of 4Q21 dependent upon COVID-19 restriction impacts which create uncertainty, however current indication is that demand is strong
- 2H21 earnings will be impacted by previously announced reduction of lime volumes to Alcoa, anticipated commencement of competing cement import terminal in NSW, and COVID-19 impacts including, limitations on construction activity, delayed shipping and increased costs caused by the delayed return of the Accolade from its drydock in Singapore
- Transitional lime volume to Alcoa's Wagerup facility - secured through to 15 December 2021

Financial summary



(1) "Underlying" EBIT and NPAT exclude significant items. Refer slide 11 for reconciliation to reported earnings

Operational improvement and cost reduction

Progress on improvement initiatives supports our ability to reach gross cost efficiencies targeted to reach almost \$100 million^{(1),(2)} by 2025

Key Assumptions:

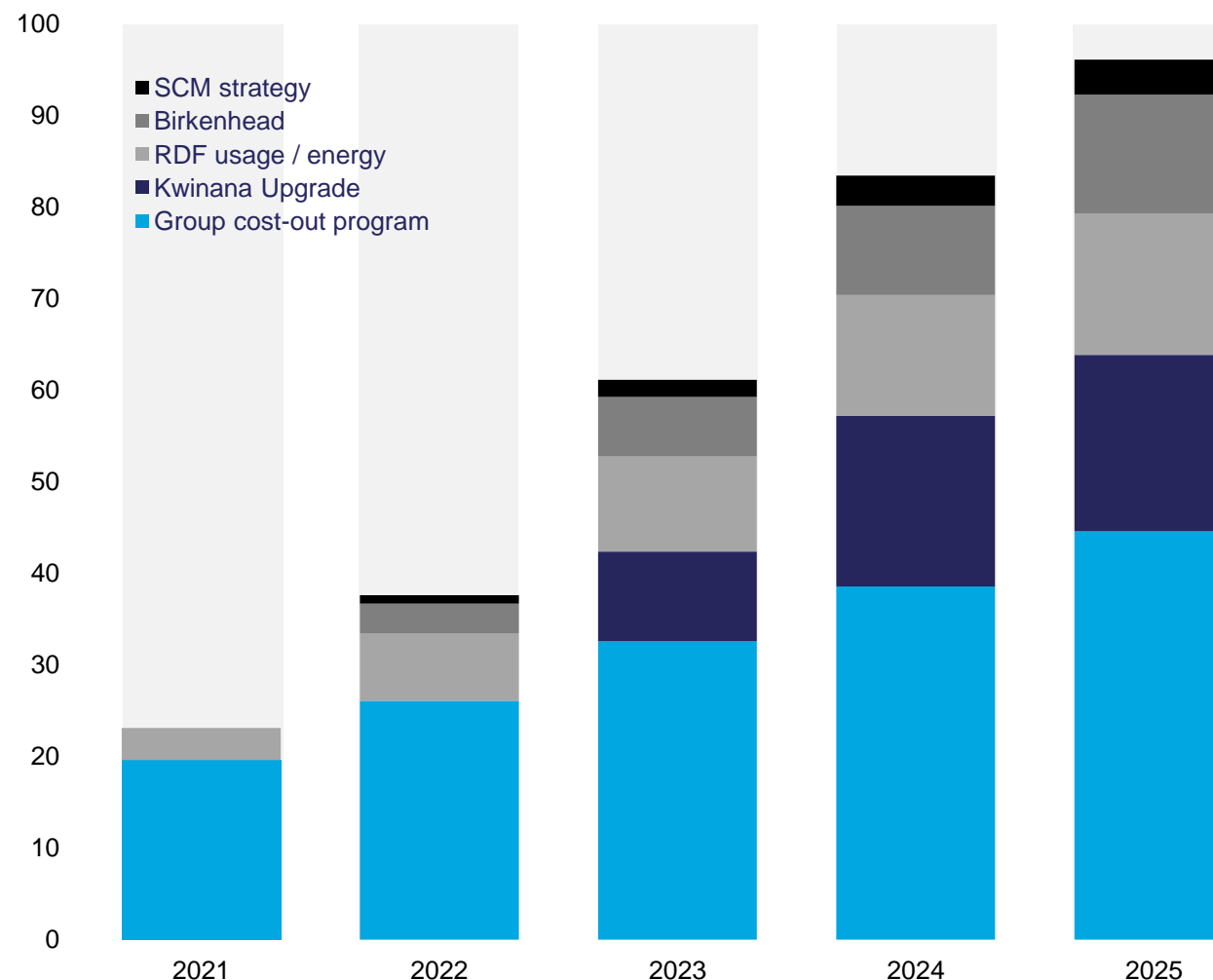
Group cost-out program – 2020 delivered \$35.5 million in gross savings. 2021 baseline a further ~\$20 million in cost savings. Future incremental savings projected at ~\$6 million per annum targeting organisational structure, operational technology savings, pallet cost recovery and process benchmarking for concrete and aggregates

Kwinana Upgrade – modelled estimates for project business case include cost savings on reduced labour, transportation, power, repairs and maintenance and other operational efficiencies

RDF usage/energy – baseline energy cost savings sourced in 2021 rising to 2023 and secured through to 2029. RDF savings targeting 50% RDF usage by 2025 versus current run-rate of circa 40%. Current EPA licencing allows up to 45%. Targeted RDF usage partially relies on alternate source of RDF, which the kiln is currently not licenced to use

Birkenhead process benchmarking – targeting \$10/t – from quarrying activities, through to production and delivery to customer. Early benchmarking suggests that opportunities exist to deliver this level of saving

Supplementary Cementitious Materials – 5-year target to increase tonnage used by 20%. Target is subject to market demand and supply



(1) Assumptions based on Management's assessment current at the date of this document which may change subject to risks and uncertainties including, but not limited to, Government licensing and regulations, market supply and demand, availability of kiln/calcliner fuels and supplementary cementitious materials, changing market conditions, costs and pricing, completion of capital projects and availability of funding

(2) Gross cost efficiencies are exclusive of cost headwinds and do not represent a forecast

Opportunities are being pursued in line with vertically-integrated business model, encompassing greenfield and brownfield projects in addition to acquisitions and joint ventures

Opportunity

- Mawsons completed Milbrae acquisition on 30 September 2021:
 - Milbrae operate 7 concrete plants and 13 quarries
 - Complementary business to Mawsons, highly aligned to the product offering of the existing business and providing a geographical expansion into the Riverina region of New South Wales
 - Synergies expected through procurement and operational efficiencies including transport
- Signed agreement to purchase sand quarry business of the Metro Quarry Group
 - Two operational sand quarries at Nyora and Lang Lang, south east of Melbourne
 - Acquisition provides strategic sand source to Adbri concrete plants in the Melbourne area
 - Purchase via a 50/50 joint venture with Barro Group, allowing access to operational expertise to unlock cost efficiencies and to maximise production offtake
- Further opportunities available to infill concrete and aggregate footprint and potential for complementary adjacent industries to maximise pull-through value of upstream products

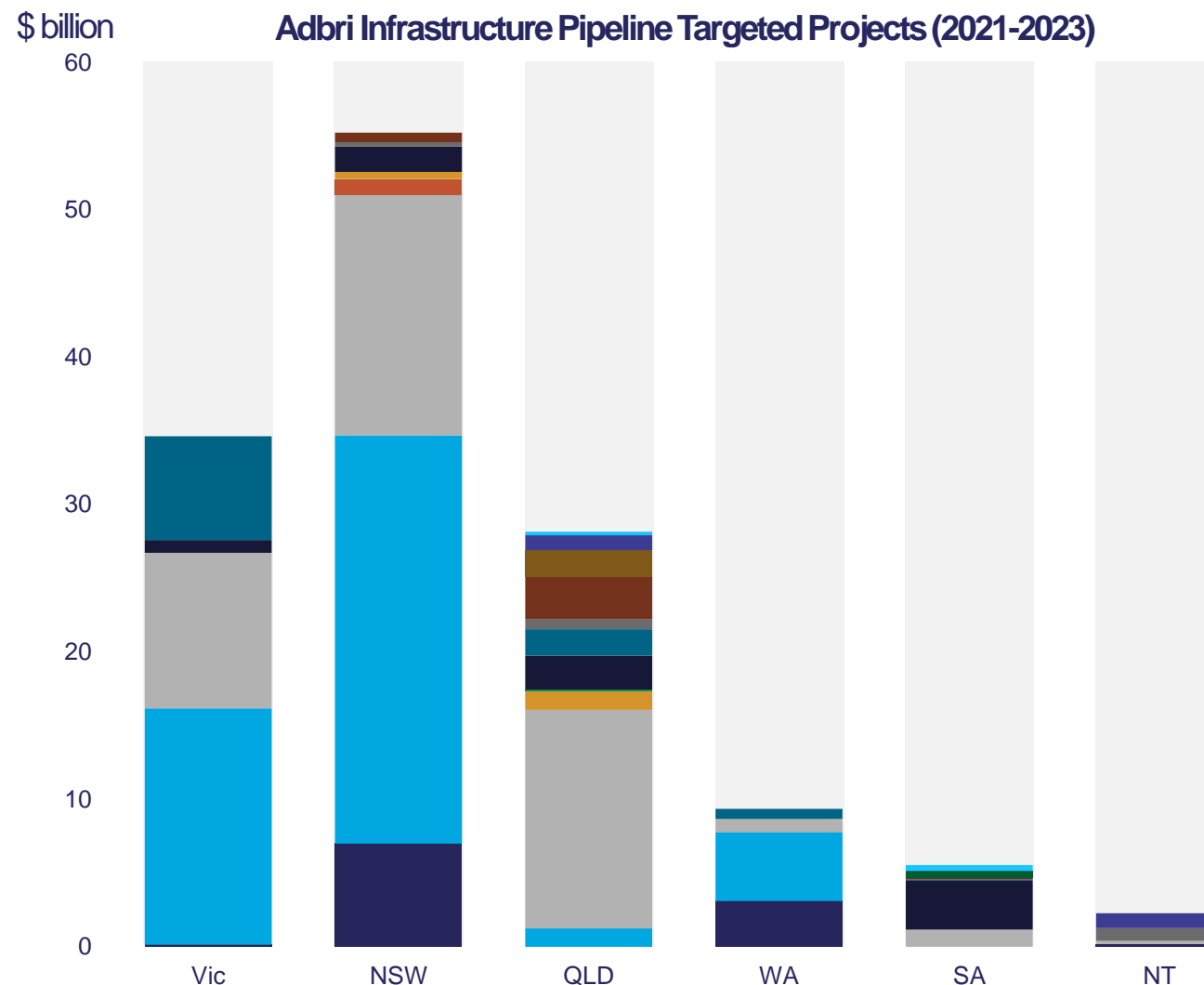
Focus on infrastructure

Targeted tendering delivered a strong win rate of 35% in 6 months to August 2021 for concrete and aggregates

Significant pipeline for infrastructure within Adbri's contestable market in next 2 years (2021 - 2023)

Split by geography and segment¹

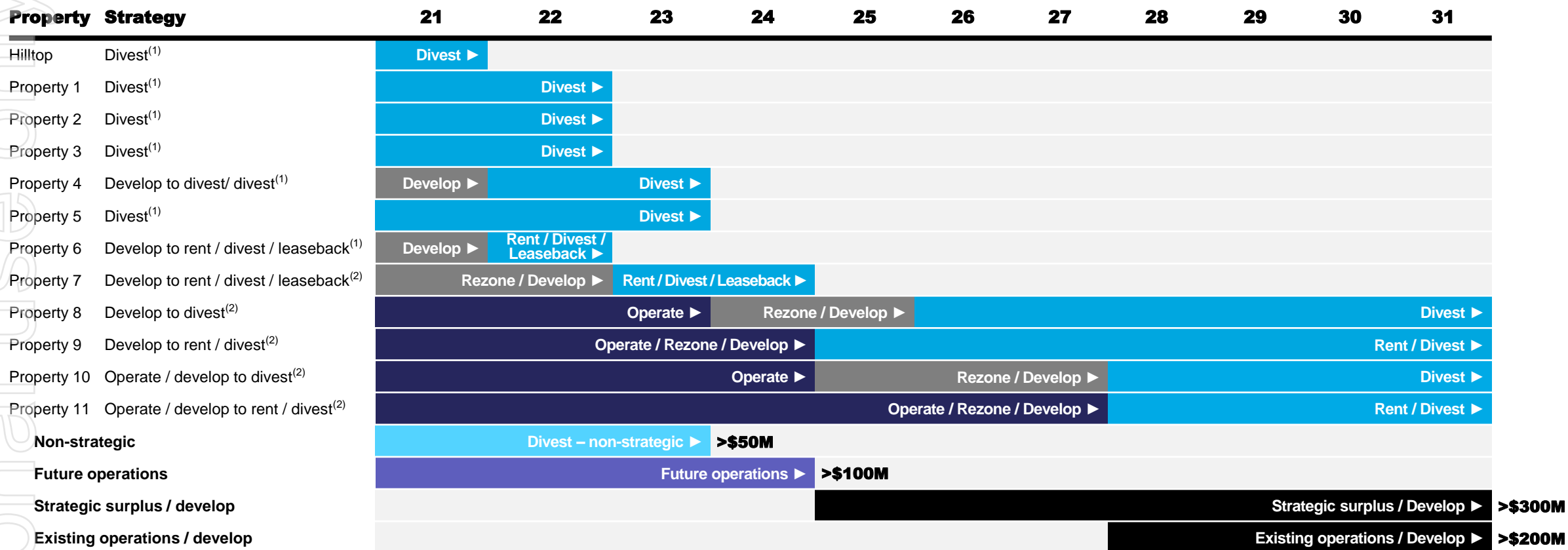
- | | | |
|---|---|--|
| ■ Dam | ■ Defence | ■ Solar |
| ■ Oil & gas | ■ Water | ■ Ports |
| ■ Building | ■ Windfarm | ■ Bridges |
| ■ Light Rail | ■ Tunnel | ■ Roads |
| ■ Rail | ■ Airport | |



(1) Adbri analysis of infrastructure announcements. Data relates to projects within contestable market areas for the Group

Land development business strategy

Adbri's land portfolio presents a significant opportunity to uplift shareholder value with a focus on developing long-term annuity streams



(1) Property not subject to rezoning, development or government approvals to achieve projected value

(2) Property subject to successful rezoning, development and government approvals to achieve projected value and may also be subject to development funding

(3) Market conditions will impact values and timing of realisation with greater certainty for near term projects

(4) Strategy represents Management's current assessment. Future strategy may differ from current representation

Appendices



Income statement – underlying*



6 months ended 30 June	2020 (\$m)	2021 (\$m)	Change pc (%) Fav / (Unfav)
Revenue	700.7	752.3	7.4
Earnings before depreciation, amortisation, interest and tax	122.5	133.1	8.7
Depreciation, amortisation and impairment	(47.3)	(47.1)	0.4
Earnings before interest and tax	75.2	86.0	14.4
Net finance cost	(9.9)	(9.6)	3.0
Profit before tax	65.3	76.4	17.0
Tax (expense)	(17.7)	(21.4)	(20.9)
Minority interest	-	-	-
Net profit attributable to members	47.6	55.0	15.5
Basic earnings per share (cents)	7.3	8.4	15.1

- Revenue increased as a result of improved demand across most products, particularly in New South Wales and Queensland
- Lime pricing declined in accordance with contractual arrangements, while average cement price increased marginally. Concrete and aggregate prices were stable overall
- Cost out measures and the leverage of higher revenue increased EBITDA margins from 17.5% to 17.7%
- Net finance cost improved as a result of lower total borrowings in 2021 compared to 2020. In 1H20, Adbri fully drew on debt facilities to provide liquidity during COVID-19. This was repaid in 2H20
- Tax expense increased due to improved earnings and an increase in contribution from wholly owned companies. This increased the effective tax rate from 27.1% to 28.0%
- EPS increased 15.1% in line with higher earnings

* Underlying earnings exclude significant items. Refer slide 18 for reconciliation to reported earnings

Reconciliation of underlying profit

6 months ended 30 June

**2020
(\$m)**

	Profit before tax	Income tax	Profit after tax
Underlying profit attributable to members	65.3	(17.7)	47.6
Impairment	(20.5)	6.2	(14.3)
Change in loss provision	(0.1)	-	(0.1)
Corporate restructuring costs	(5.9)	1.8	(4.1)
Statutory profit	38.8	(9.7)	29.1
Minority interest	-	-	-
Statutory profit attributable to members	38.8	(9.7)	29.1

**2021
(\$m)**

	Profit before tax	Income tax	Profit after tax
	76.4	(21.4)	55.0
	-	-	-
	4.4	(1.3)	3.1
	(2.1)	0.6	(1.5)
	78.7	(22.1)	56.6
	-	-	-
	78.7	(22.1)	56.6

- Impairment in 2020 relates primarily to Munster lime assets being placed into care and maintenance, following announcement of the cessation of the Alcoa lime contract. Minor impairments were also taken in relation to mothballed assets as a result of optimising the Group's production footprint
- Following successful litigation, the Group recovered \$8.4 million (net of GST) relating to financial discrepancies identified in 2017. A net credit of \$4.4 million was recognised after deducting the carrying value of related debtors balances and recovery costs
- Corporate restructuring costs include redundancy and one-off employment costs. In 2020, a \$5.0 million restructuring provision was taken up in relation to the closure of lime kiln 5 at Munster

Reported profit

6 months ended 30 June	2020 (\$m)	2021 (\$m)	Change pc (%)
Revenue	700.7	752.3	7.4
Earnings before depreciation, amortisation, impairment, interest and tax	116.5	135.4	16.2
Depreciation, amortisation and impairment	(67.8)	(47.1)	30.5
Earnings before interest and tax	48.7	88.3	81.3
Net finance cost ⁽¹⁾	(9.9)	(9.6)	3.0
Profit before tax	38.8	78.7	102.8
Tax (expense)	(9.7)	(22.1)	(127.8)
Minority interest	-	-	-
Net profit attributable to members	29.1	56.6	94.5
Basic earnings per share (cents)	4.5	8.7	93.3

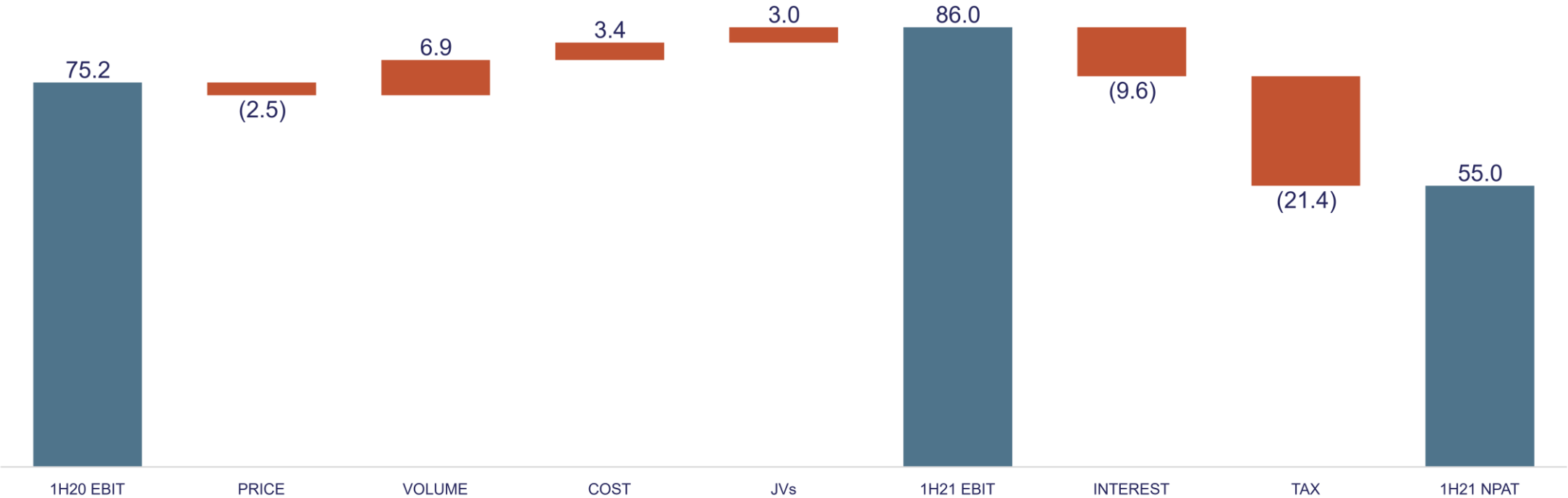
- Improvement in earnings compared to 2020 is due to improved revenue driven by market growth, improved cost efficiencies and nil impairment compared to the prior year
- 2020 pre-tax impairment of \$20.5 million reflecting impairment of Munster Kiln 5

(1) Net finance cost is the net of finance costs shown gross in the consolidated income statement and interest income included in other gains/ losses

Profit drivers

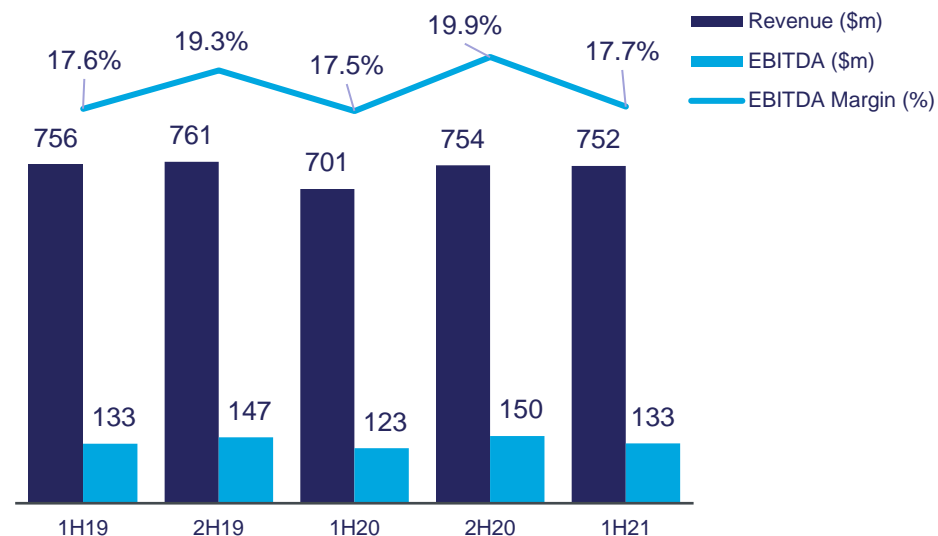


RECONCILIATION OF UNDERLYING EARNINGS (\$m)

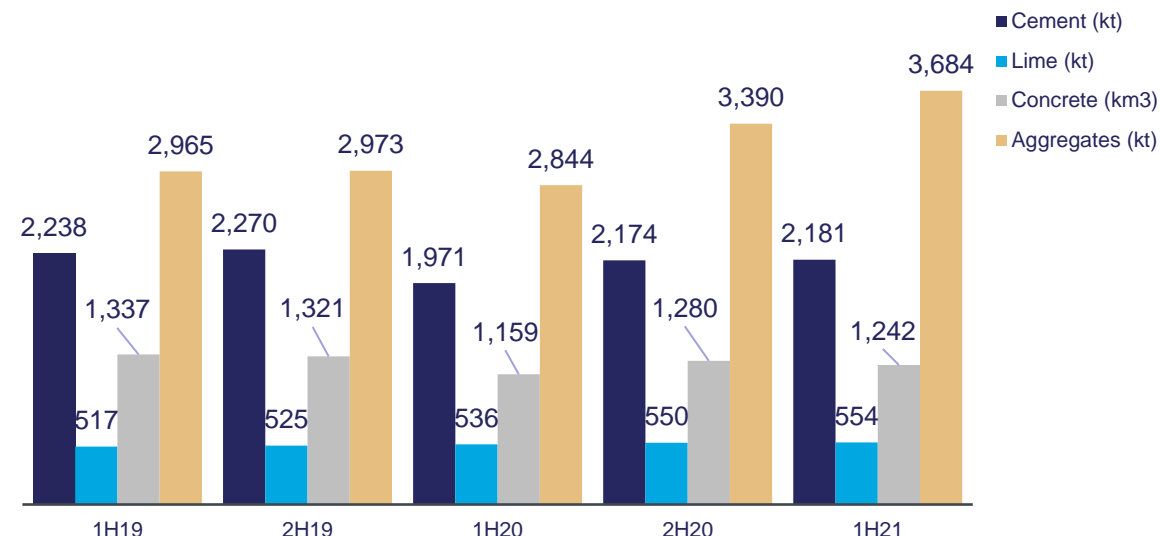


H1 v H2 Performance

REVENUE⁽¹⁾ & UNDERLYING EBITDA⁽¹⁾



VOLUME



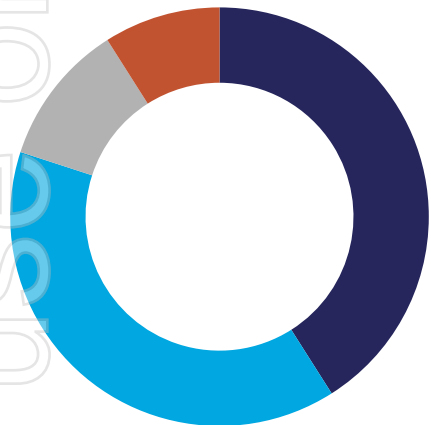
1H20 v 1H21

- Volume up across all products - cement, lime, concrete and aggregate volumes up 10.6%, 3.4%, 7.1% and 22.3% respectively on pcg
- Significant growth in aggregates driven by strong residential and infrastructure demand
- Leverage of increased revenue and cost-out initiatives led to higher margins despite cost headwinds
- Improvement in east coast markets driving higher demand, supported by strong mining sector in SA, WA and NT
- 1H20 impacted by weather events

(1) Figures rounded to nearest \$ million

Economic diversification

1H21
Revenue by product



- 41% Concrete and aggregates
- 39% Cement
- 11% Lime
- 9% Concrete products

1H21
Revenue by market



- 48% Non-residential & engineering
- 36% Residential
- 16% Mining

1H21
Revenue by state



- 25% Victoria
- 22% Western Australia
- 17% New South Wales
- 17% Queensland
- 15% South Australia
- 4% NT & Tasmania

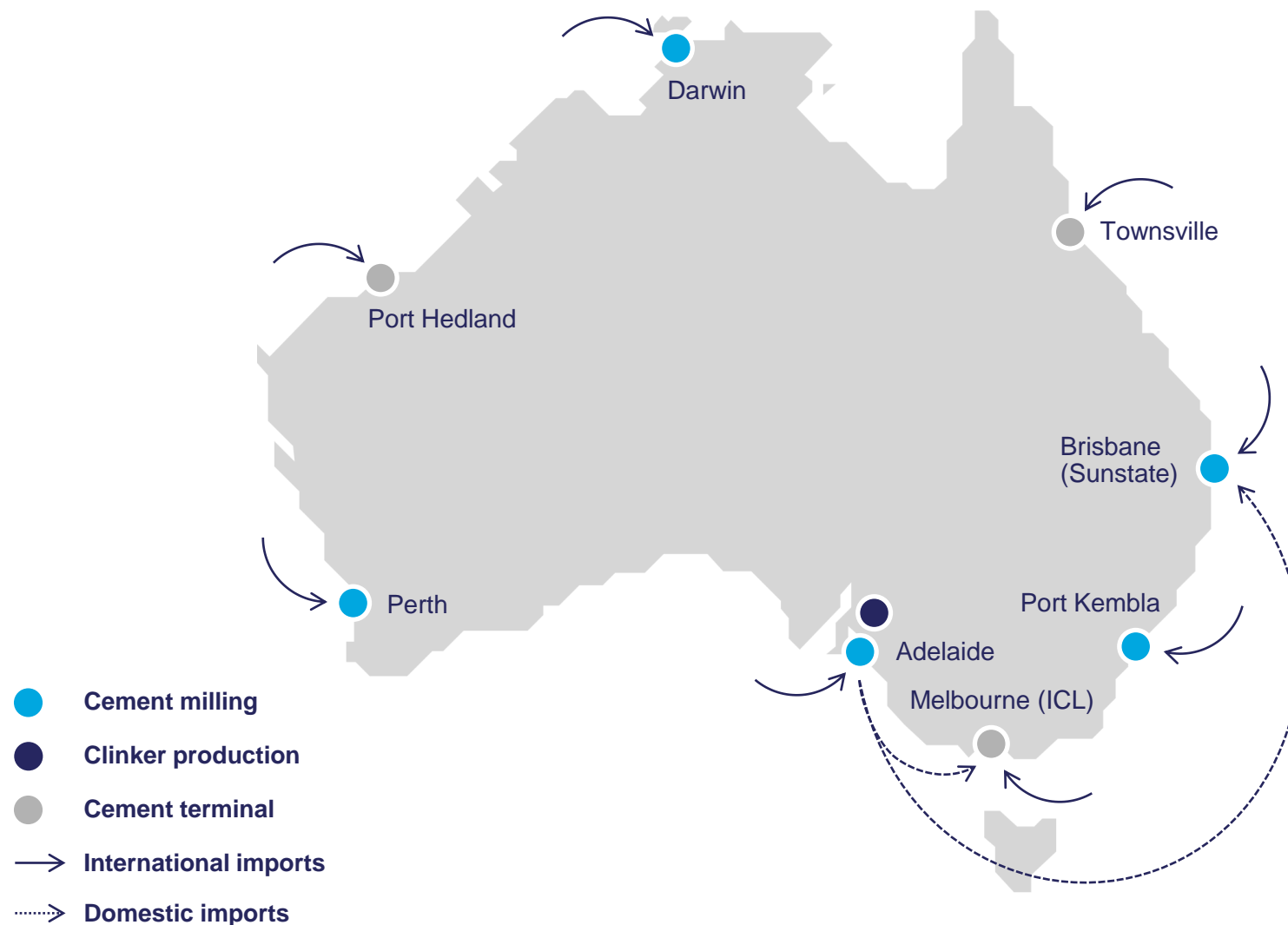
Cement production, import and distribution

In 2020 Adbri:

- Imported 2.3 million tonnes of cementitious materials
- Sold 4.1 million tonnes of cementitious materials

In 1H21 Adbri:

- Imported 1.4 million tonnes of cementitious materials
- Sold 2.2 million tonnes of cementitious materials

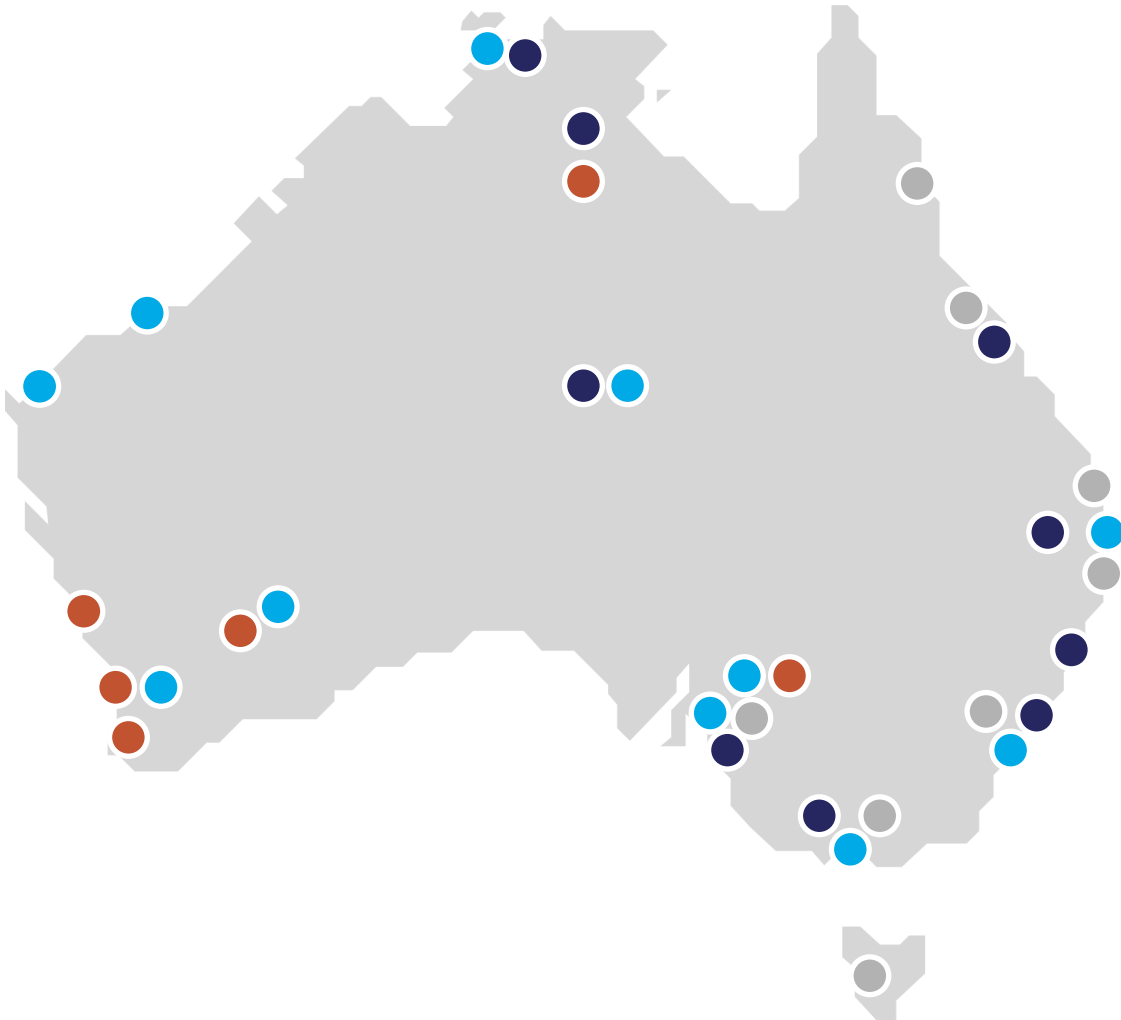


Geographic diversification



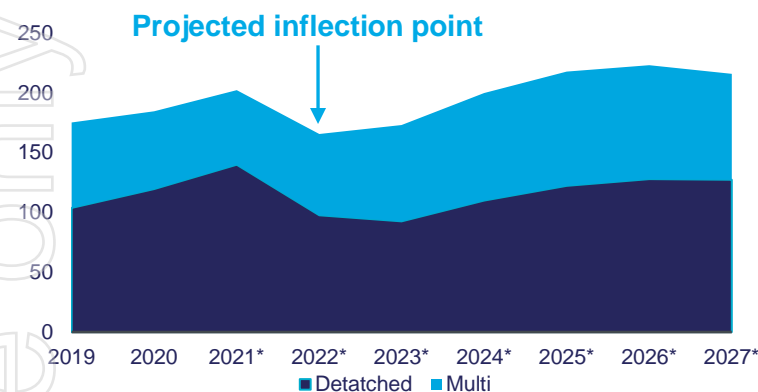
Operations

- Cement
- Lime
- Concrete and aggregates
- Concrete products



Projections

Residential approvals (000's)



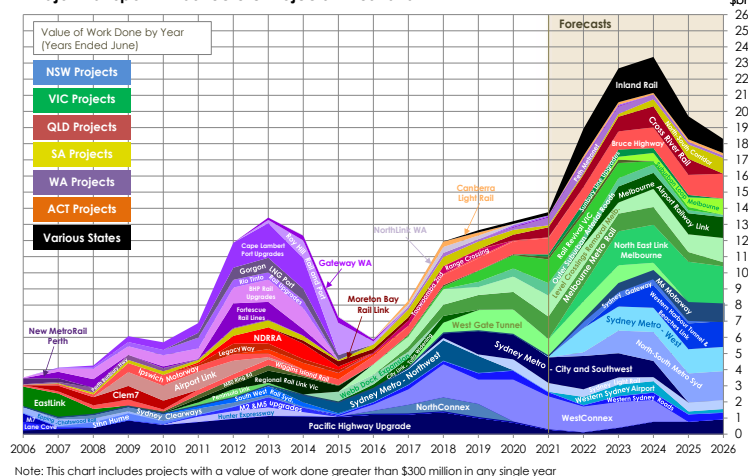
*Forecast

Long-term outlook remains strong

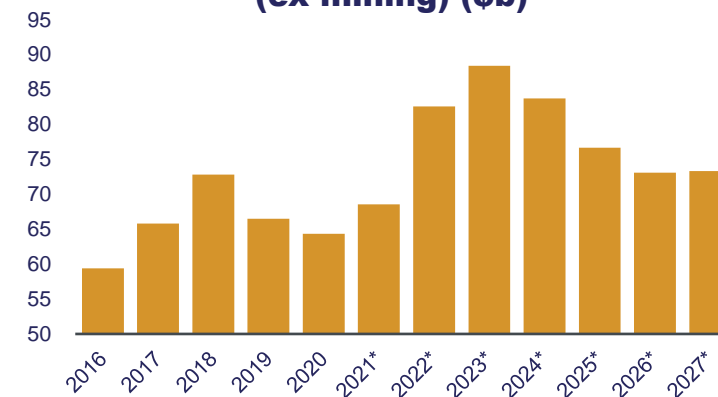
- HomeBuilder program lifted approvals in 2020 and early 2021
- Approvals post 2021 expected to slow due to pull forward by HomeBuilder and lower of immigration likely until vaccination roll-out
- Longer term demand positive with population growth

Source: Macromonitors: 'Australian construction outlook – Overview' June 2021

Major Transport Infrastructure Projects - Australia



Engineering work done (ex mining) (\$b)



*Forecast

Pipeline of infrastructure investment

- COVID-19 stimulus measures announced by Federal and State Governments have added to the existing infrastructure pipeline
- Tender activity growing as projects progress through to procurement stage

Source: Macromonitors, 'Transport and Infrastructure' August 2021

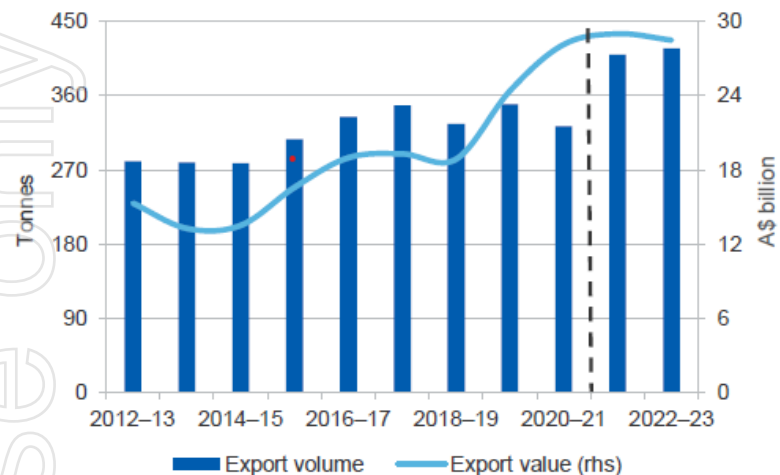
Infrastructure spending to pick up speed

- Infrastructure work done has moderated following a peak in 2018, however projects are anticipated to start in the near term, lifting demand for construction materials
- Long-term demand for construction materials from infrastructure is expected to grow, remaining at elevated levels until at least 2027

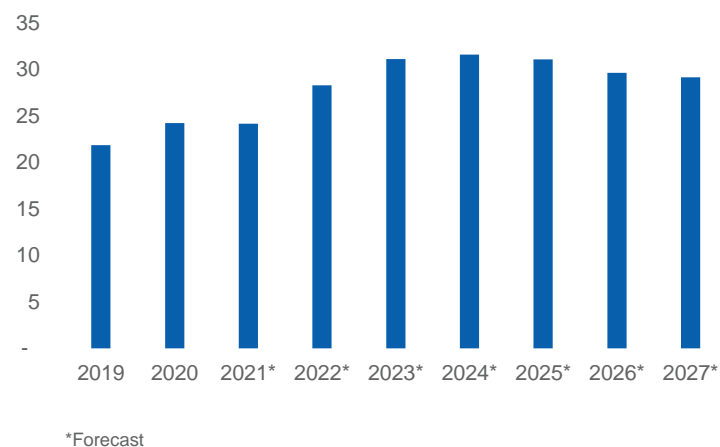
Source: Macromonitors: 'Australian construction outlook – Overview' June 2021

Projections

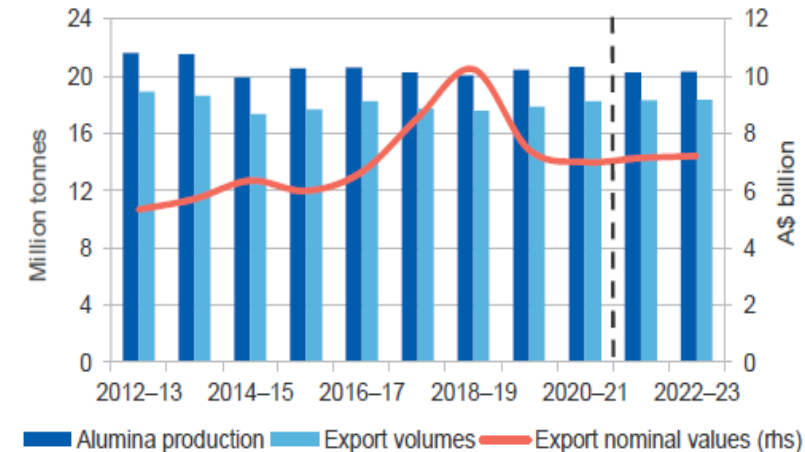
Outlook for gold



Value of mining work done (\$b)



Australian alumina production and price



Price for gold and nickel supports growth

- Step change increase in gold production volumes forecast with global prices supporting re-opening of mothballed mines and new operations. Exploration expenditure for gold has increased since 2015
- Nickel developments supported by push for development of battery power

Source: Department of Industry, Science, Energy and Resources Resource and Energy Quarterly June 2021

Mining investment increasing

- Demand from mining forecast to grow to 2024
- Mining activity supports demand for:
 - Cement – mine development and backfill binder
 - Lime – minerals processing and water management

Source: Macromonitors: 'Australian construction outlook – Overview' June 2021

Stable outlook for alumina

- Global demand and cost profile of local operations supports stable volumes from Australian alumina producers

Source: Department of Industry, Science, Energy and Resources Resource and Energy Quarterly June 2021

Adbri brands



Concrete, Aggregates and Masonry



adbri MASONRY

Cement and Lime



Northern Cement
LIMITED



Joint ventures

Joint ventures

Joint ventures



**Independent
Cement**



**Adbri has been
building a better
Australia since
1882.**

**We're known for being always
ready to deliver high performance
products on time, every time. We
provide cement, lime, concrete,
aggregates, concrete products
and industrial minerals that last the
test of time.**

**We have a portfolio of respected
brands and a national footprint.**

ersonal use only



Safety

We put safety first

We care about each-
other's wellbeing

We live by our Life
Saving Rules

Work Safe, Home Safe



Customer Focus

We deliver on our
promises

We are agile in
meeting our
customers' needs

We build long-term
partnerships that add
value

We act with integrity



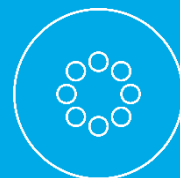
Inclusivity

We work together

We embrace
differences

We respect and listen
to each other

We empower our
people



Sustainable Growth

We create value for
our investors and our
communities

We contribute to a
sustainable future

We learn and innovate

We invest in our
people



Disclaimer

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