

# Macquarie Australia Conference



5 May 2022



*We acknowledge Aboriginal and Torres Strait Islander peoples as the Traditional Owners of the lands and waters of Australia.*

*We recognise their continuing custodianship of Country and culture and pay respect to their Elders past, present and emerging.*





# Agenda

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1. Our business
2. Our strategy
3. Our performance
4. Our roadmap to net zero emissions
5. Outlook
6. How we create value for shareholders



# Our Business at a Glance

## An industry pioneer since 1882

Adbri produces and distributes cement, lime, concrete, aggregates, masonry products and industrial minerals that have helped build a better Australia for 140 years.

Today, Adbri is proudly one of this country's largest cement, lime and concrete producers.

 **1,500**  
people

 **200+**  
national locations<sup>1</sup>

## Building a Better Australia – Always Ready

 **#1** Lime producer in the mineral processing sector

 **#2** Cement and clinker supplier to construction sector

 **#1** Concrete masonry products supplier

 **#4** Concrete and aggregates producer



## 2021 Financials

**\$1.57b**  
Revenue

**\$116.7m**  
Reported net profit after tax attributable to members

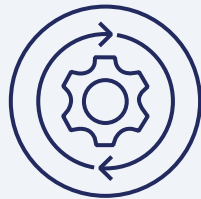
**\$2.3b**  
Total Assets

1. Location numbers include JV's

# Our strategy and key strategic initiatives

Operate in a **safe and sustainable** manner for the **long-term benefit** of our **shareholders**, our **customers**, our **team members** and the **community**

**Right size, reduce costs & improve operational efficiency**



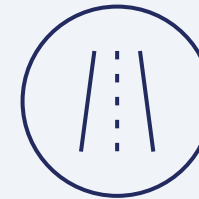
**Transform the Lime business**



**Grow Concrete & Aggregates**



**Enhance capability in infrastructure**



**Actively manage land holdings**



### Safety and sustainability targets

- Since 2019 TRIFR<sup>1</sup> has reduced by 41%. Action taken to address 2021 increase of 12% vs 2020 and lead indicators continue to improve
- GHG emissions reduced by 2% in 2021. This represents a 4% reduction against our Scope 1 and 2 emissions FY19 baseline and a 32% reduction since 2010

### Financial performance

- Revenue of \$1.57 billion, an 8% increase on pcp
  - Driven by improved demand across residential, infrastructure and commercial construction sectors
- Reported net profit after tax increased by 25% to \$116.7 million and underlying net profit after tax \$119.1 million, 3% increase
  - Excluding property sales, the underlying net profit after tax was \$113.0 million
- EBITDA margin 17.5% vs 2020 18.7%
  - Margins impacted by a challenging operating environment as a result of COVID-19, the decrease in Alcoa lime and Gunlake cement volumes and non-recurring operational costs, partially offset by targeted cost savings

### Cash flow and balance sheet

- Operating cash flow decreased to \$195.2 million, in line with expectations, recognising 2020 cash flow benefitted from tax refunds
- Net debt at \$437.4 million, gearing 34.5%, leverage 1.6x underlying EBITDA

### Delivering returns for our shareholders

- Total 2021 dividends of 12.5 cps paid, representing a pay-out ratio of 68.5% of underlying net profit after tax

1. Total recordable injury frequency rate (TRIFR)

## ESG performance continues to improve

- TRIFR<sup>1</sup> of 5.5, a 13% improvement as at end of Q122 compared to 31 December 2021
- RDF<sup>2</sup> usage now at a run-rate of 35% fuel substitution at the Birkenhead plant as at end of April 2022, up from 28% in 2020

## Demand in Q122 remains strong

- Concrete, aggregates, cement and masonry products sales volumes up 10%, 28%, 4% and 2% respectively, on pcp, despite wet weather
- Lime sales volumes are 18% lower than pcp (as expected), reflecting the reduction in the long-term Alcoa supply contract
- Wet weather has impacted cost and volumes in NSW and costs in QLD - overtime and truck hire used during “dry” periods to deliver pent up customer demand
- Average selling prices increased for most product lines – “out-of-cycle” price reset scheduled for early June to mitigate cost inflation (fuel, labour, raw materials)
- Good order book visibility on residential construction, infrastructure and commercial projects

## Market review

- Western Australia: strong cement volumes continue to be driven by residential, infrastructure and mining demand. Lime volumes ahead of expectations driven by alumina and gold
- South Australia: volumes slightly ahead of pcp driven by subdivision and asphalt demand for aggregates in particular
- Victoria: commercial and residential demand driving strong concrete sales volumes
- New South Wales: wet weather the key driver of unfavourable cost and volumes across all product categories
- Queensland: concrete demand strong across all sectors, despite wet weather. Costs impacted by truck hire and overtime costs during “dry” periods. Aggregate supply constrained by interrupted quarry access (flooding)
- Northern Territory: mining continues to drive strong demand

## Key projects

- Cost-out program continues to deliver month-on-month savings as we strive to be the lowest cost and lowest carbon producer of clinker and cement in Australia
- Kwinana Upgrade project
  - Finalizing design, procurement contracts 50% let and civil works underway, project 14% complete
  - On-going review of cost escalation and supply chain impacts on costs and schedule

1. Total recordable injury frequency rate (TRIFR)

2. Refuse derived fuel (RDF)

### Strategic investments supporting vertical integration in target markets

- Zanows acquisition – completed April 2022
  - Building out Adbri’s sand, gravel and hard rock quarries and concrete plants footprint in the growing south-east Queensland market
- Metro Quarry Group acquisition – completed November 2021
  - Creating B&A Sands 50/50 joint venture with Barro Group, expanding Adbri’s footprint in Victoria’s concrete sand market
- Milbrae acquisition through Mawsons JV – completed September 2021
  - Increasing Adbri’s exposure to concrete, aggregate and mobile crushing facilities, a complementary footprint build in regional NSW

### Debt maturity profile extended

- \$950 million facility – average maturity extended from 3.5 years to 5.1 years

### Net Zero Emissions Roadmap

- Launched 2 May 2022
- Competitive advantage opportunity



# Net Zero by 2050 is core to our strategy

## Our short-term 2024 target

### Scope 1 and 2 emissions

7%

absolute reduction target by FY24 vs FY19

4%

reduction achieved since FY19

32%

reduction achieved since FY10

## Our medium-term 2030 targets

### Cement

20%

reduction in cement emissions intensity  
kg CO<sub>2</sub>e net/tonne of cement from a  
FY20 baseline of 557kg CO<sub>2</sub>e net/tonne

### Lime

10%

reduction in lime emissions intensity  
kg CO<sub>2</sub>e/tonne of lime from a FY20  
baseline of 1,100kg CO<sub>2</sub>e/tonne

### Electricity

100%

zero emissions electricity from a  
FY20 baseline of zero

## Our actions

### Reduce emissions

- Improve process and energy efficiency
- Increase use of alternative fuels
- Increase use of supplementary cementitious materials (SCMs)
- Grow expertise in breakthrough technologies

### Create new products

- Develop new SCMs
- Innovate and develop lower carbon products
- Launch Environmental Product Declarations (EPDs) to inform choice
- Create product awareness to grow market demand

### Collaborate with key partners

- Technology partners: innovation across our operations
- Customers: new product specifications
- Governments: policy settings
- Suppliers: inputs into our processes
- Joint venture partners: knowledge sharing and shared goals

## Our long-term 2050 goal

# Net zero emissions

- Rain events in Q1 across Queensland and New South Wales disrupted operations, however volumes expected to rebound as weather improves
- Favourable market conditions support strong demand for Adbri's products

#### *Cement, Concrete, Aggregates and Masonry*

- Residential and commercial construction buoyant across all states
- Multi-residential activity increasing
- Healthy pipeline of infrastructure projects
- Strong order book visibility

#### *Lime*

- Volumes anticipated to reduce by around 7% vs pcp, entirely driven by the decrease in Alcoa volumes
- Pricing expected to improve with new customers seeking reliable local supply as a result of supply chain disruptions
- Incremental gross cost savings of more than \$10 million, will partially mitigate ongoing cost headwinds in areas including pallets, shipping, labour, west coast gas supply, fuel and raw material prices. Mid-cycle price adjustments to address additional cost pressures, created by Ukraine crisis (fuel, raw materials and shipping)
- Excluding business acquisitions, 2022 capex investment in the order of \$250-\$300m, including \$150 million for Kwinana Upgrade project
- Kwinana Upgrade project currently on track to meet mid-2023 completion schedule
- Net proceeds from surplus land sales over next 12 months expected to be at least \$20 million
- Growth in underlying earnings in 2022 is expected, driven by increased contributions from cement, concrete, aggregates, masonry, joint ventures and recent business acquisitions, reflecting growth of business and an increase in market demand, as well as property sale profits

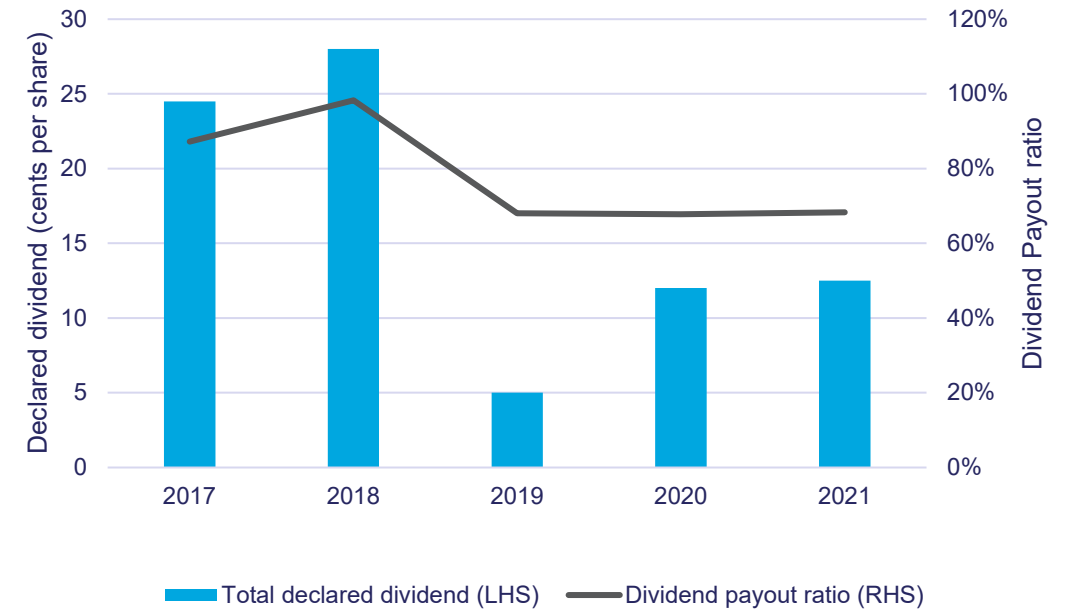
# Creating value

## Dividend policy

- The Board maintains a sustainable dividend policy, targeting a payout ratio of 65-75% of earnings

## Strong execution against long-term growth strategy

- Geographic and product diversity
  - De-risks earnings volatility
- Vertical integration strategy
  - Creating future earnings growth
- Net Zero Emission Roadmap
  - Preparing Adbri for the future and creating a competitive advantage
- \$650m NPV land strategy
  - Maximising value of our landholdings for shareholders through development and divestment



# Questions



# Appendices

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## Concrete, Aggregates and Masonry



## Cement and Lime



## Joint Ventures



## Joint Ventures



[adbri.com.au](http://adbri.com.au)

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Authorised for release by the Managing Director and CEO

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