

*Level 1  
157 Grenfell Street  
Adelaide SA 5000*

*GPO Box 2155  
Adelaide SA 5001*



*Adelaide Brighton Ltd  
ABN 15 007 596 018*

*Telephone (08) 8223 8000  
International +618 8223 8000  
Facsimile (08) 8215 0030  
[www.adbri.com.au](http://www.adbri.com.au)*

16 October 2017

The Manager  
Market Announcements  
Australian Securities Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

#### **ADELAIDE BRIGHTON INVESTOR NEWSLETTER**

Attached for release to the market is an investor newsletter which will be dispatched to Adelaide Brighton Ltd shareholders today.

FOR FURTHER INFORMATION:

MS LUBA ALEXANDER  
GROUP CORPORATE AFFAIRS ADVISER  
TELEPHONE 08 8223 8005 OR 0418 535 636

# Investor News

Adelaide Brighton Investor News

October 2017

## From the CEO and Managing Director

I am pleased to report that, while Adelaide Brighton faced a number of operational challenges in the first half of 2017, the Company achieved record revenues and maintained the ordinary dividend at 8.5 cents per share (fully franked). Our balance sheet remained strong and we continued to make strategic investments to underpin our future growth.

Our interim results reflect the resilience of the Group's diversified business model and the success of our long term business strategy.

Group revenue of \$718.4 million for the half year was 4.7% higher than in the prior corresponding period, underlining the continuing strength of the Victorian, NSW and Queensland construction and infrastructure sectors and an improvement in the South Australian (SA) market.

However, lower cement demand in Western Australia (WA) and the Northern Territory (NT), due to weak residential and non-residential activity, partly offset growth in demand in other States. Demand for lime in WA and in the NT remained stable.

Earnings and margins were higher in the concrete and aggregates business, underpinned by strong volume growth and rising prices.

We have a geographically balanced business that is now more resilient to cyclical swings in demand in any one market and our greater vertical integration has enhanced value through cost synergies, logistics benefits and raw materials pull through.

Adelaide Brighton's long term growth strategy has remained consistent over several years and, because it accommodates fluctuations in demand by sector and by geography, the Group is well-positioned to absorb variations in State-by-State performance while continuing to meet shareholders' expectations.



The Company's growth strategy has three principal elements:

- Continuing Group-wide cost reduction and operational improvement
- Growth in our lime business to supply the resources sector
- Focussed, relevant and value-adding vertical integration

In the past five years we have invested \$300 million in productive acquisitions, including \$85.5 million invested in bolt-on acquisitions in 2017. Since the beginning of the year we have acquired three downstream premixed concrete and upstream aggregate businesses that have added strategic positions and scale to the Company's existing operations, on attractive financial metrics.

The immediate and longer term benefits of the acquisitions are reviewed in detail on pages 2 and 3 of this newsletter.

## Outlook

The Company expects sales volumes of cement and clinker to be higher than in 2016 and sales volumes of premixed concrete and aggregates are projected to increase this year due to infrastructure projects on the east coast and in SA. The recent business acquisitions will add further sales in Victoria, SA and the NT.

We had a strong finish to the first half and are looking forward to improved earnings in the second half, with strong demand anticipated on the east coast as well as favourable pricing and further efficiency benefits.

**Martin Brydon**

## Financial results for the half year ended 30 June 2017

- Half year Group revenue of \$178.4m, up 4.7%
- Statutory net profit after tax and transaction costs, was \$68.7 million for the half
- Underlying net profit after tax, which excludes restructuring and transaction costs, was \$74.5 million, down 2.7%
- Underlying earnings before interest and tax was \$108.5 million

## Interim Dividend

# 8.5cps

Fully franked,  
paid on 5 October 2017

Adelaide Brighton's 2017 Acquisitions p2/3 ▶

## Adelaide Brighton's 2017 Acquisitions: A continuing strategy of vertical integration

On our website, we describe Adelaide Brighton as “a leading Australian integrated construction materials and lime producing group of companies.” There’s a key word in that sentence – integrated – and it goes to the heart of our growth strategy.

### To date in calendar year 2017, Adelaide Brighton has acquired three businesses at a total cost of \$85.5 million:

- » Central Pre-Mix Concrete in Victoria,
- » Davalan Concrete in South Australia and
- » Holcim’s concrete and aggregates operations in the Northern Territory.

As Executive General Manager of the Concrete and Aggregates Division, George Agriogiannis puts it: “each of those businesses is a strategic fit with our existing operations. Central Pre-Mix offers us an

improved concrete position in Victoria and, importantly, our first foray into aggregates in Melbourne; Davalan complements our existing concrete operations in South Australia which are highly complementary to existing South Australia hard rock and sand operations, while Holcim NT, a strong, integrated business with four concrete plants and two quarries provided a downstream customer for our cement position in the Territory.”

Mr Agriogiannis says that at Adelaide Brighton, an acquisition that ‘fits’ may offer various benefits: additional scope to supply a market; opening up a new market; creating a new customer or supplier or reinforcing our presence or competitiveness in a particular market.

“For example, the Holcim NT business – rebranded Hy-Tec – gives Adelaide Brighton access to a number of tenements where, in the future, we can open up new quarries. It also shores up a cement customer in the Territory and is the first footprint by Concrete and Aggregates there. Central Pre-Mix gives us an important quarry asset, while Davalan directly complements the acquisition of Direct Mix in South Australia in 2014. As a result, Adelaide Brighton is now number one in Concrete and Aggregates in South Australia.

“Very often, the integration process is a two-way street – both companies benefit.”

George Agriogiannis



▼ Central Campbellfield site

● Adelaide Brighton Operations  
Concrete and Aggregates



**All of our acquisitions have an eye, not just on today, but on what we might need to do at some point in the future.**

“It should be noted that, along with the business opportunity that each acquisition presents, there are also significant challenges. For instance, it’s critical that the acquired businesses are value-adding and to do that requires more than simply understanding how the new operations ‘fit’ with what we have already.

“Integrating a new business and settling in a new group of employees is as much an art as a science,” according to Mr Agriogiannis, “and it doesn’t happen by chance. We appoint an integration team, headed by a project manager, it is their task to look at every aspect of the newly-acquired business and how things are done there. Then, in an intensive period, we drive a consistency of approach.

“Nevertheless, we also learn much from the businesses we acquire. They are well run, innovative and dynamic and they can often demonstrate proficiency that we then adopt. Very often, the integration process is a two-way street – both companies benefit.



“We pay particular attention to introducing new staff to the Adelaide Brighton Group. Once they join us, we want them to stay with us and we work hard to ensure this happens,” said Mr Agriogiannis.

One area of particular focus is on occupational health and safety (OH&S). It is, at times, Adelaide Brighton’s biggest challenge.

“Company cultures differ and there are privately-owned companies that may see OH&S costs as overheads – to the contrary, we see them as an investment both in the business and in our staff. Our insistence on this critically important area is non-negotiable.

So, how important is it for this conglomeration of businesses – many of them with quite different cultures – to become a part of a single Adelaide Brighton Group?

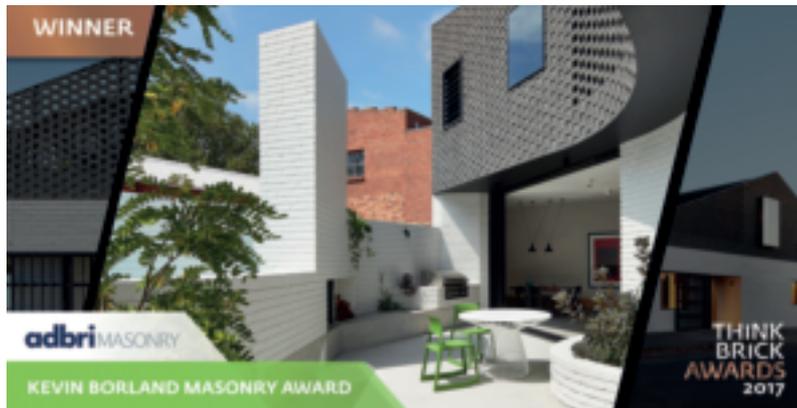
It is vitally important, says Mr Agriogiannis, but there is merit in allowing some differences in approach for those businesses that operate under a different brand, especially in the front-end transactional space.

“In Melbourne for example, Hy-Tec and Central Pre-Mix are clearly members of the Adelaide Brighton Group, but if they go about aspects of their business somewhat differently from one another, we see that as a positive in market awareness.”

Mr Agriogiannis, a civil engineer by profession who has been with Adelaide Brighton for six years but has over 20 years’ experience in concrete and aggregates, sees the acquisitions as a means of reinforcing and diversifying the company’s operations in Australia.

“Swooping planes, chunky masses, thick buttressing, paper thinness, lacy transparency, basket weave patterns: it’s all here.”

What on earth could we possibly be talking about? Actually, it’s bricks.



Perimeter House

The words described the way Adbri Masonry bricks were used in Perimeter House in Abbotsford, Melbourne. They were used so well and so innovatively, that the building won this year’s prestigious Kevin Borland Masonry Award, one of five announced at the annual Think Brick Awards. This is the third consecutive year in which Adbri Masonry’s products have been used in the winning entries.

Executive General Manager, Concrete Products, Andrew Dell, says Adbri Masonry is delighted once again to have won an award which is highly sought-after and which, each year, is attracting superb entries, including many now from architects who recognise the prestige attaching to the imaginative and creative use of masonry bricks.

“To be one of the top five finalists in a highly contested area of the Think Brick Awards is cause for great satisfaction; to win – especially for the third successive year – is wonderful.

“Adbri Masonry is the number one supplier of concrete masonry products in Australia and our success in these awards is doing a great deal both to enhance our market presence and to showcase the beauty of our products within excellent designs.

“The willingness of architects to enter their designs in these Masonry product awards is noteworthy and it is encouraging to see the use of concrete masonry building products in some of the country’s most interesting and innovative buildings,” Mr Dell added.

## Attracting women to heavy industry

It can be hard sometimes to persuade young women that there are worthwhile and exciting career prospects in businesses engaged in heavy industry.



KIC iWOMEN Project students

“...sponsorship of the project as an excellent way to support the local community”

Well, at Adelaide Brighton’s Cockburn Cement Munster and Kwinana plants in Western Australia recently, 32 young women, all students from high schools in the Rockingham, Kwinana and Cockburn areas, got a first hand look at the cement and lime business.

The visit was part of the innovative iWOMEN project promoted by the Kwinana Industries Council (KIC) of which Cockburn Cement is an enthusiastic supporter.

Mr Brad Lemmon, Executive General Manager, Cement and Lime, said Cockburn Cement had been a long-time supporter of the KIC’s education and training programs. “However this is the first time we have sponsored its ground-breaking iWOMEN project,” he said.

The project, now in its sixth year, provides Year 10 female students with the opportunity to explore career options, especially in heavy industry. Since its inception in 2012, more than 150 girls have participated in the project.

iWOMEN activities this year included industry visits, workshop sessions, resume preparation, mock interviews, meeting women in industry, industry review and research, plus a visit to the sailing ship The Leeuwin II, in Fremantle.

“We see Cockburn Cement’s sponsorship of the project as an excellent way to support the local community and it is in line with Adelaide Brighton’s policy of establishing a culture across the business whereby diversity is the norm and where women feel they can thrive.

“Sponsoring important projects such as the KIC iWOMEN project is one of the initiatives designed to achieve these important goals,” Mr Lemmon added.

### Contact details

#### Head office

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

GPO Box 2155  
Adelaide SA 5001  
Telephone (61 8) 8223 8000  
adelaidebrighton@adbri.com.au

