

# Adelaide Brighton Ltd

Results Presentation year end  
June 1999

## Results presentation

Introduction	<i>Richard Hammond</i>
Results and overview	<i>Chris Foll</i>
Western Division and lime	<i>Martin Brydon</i>
Business improvement	<i>Eion Turnbull</i>
Issues and prospects	<i>Richard Hammond</i>

## 1999 Financials

	June 1999	June 1998
SALES (\$m)	314	318
Profit pre-tax and abnormals (\$m)	20	24
Cash operating earnings (EBITDA) (\$m)	67	63
- Margin	21.3%	19.8%
EPS (cents)	7.3	8.4
Dividend (cents per share)	nil	2.5

## Financial summary

	June 99 \$m	Dec 98 \$m	June 98 \$m
EBIT	35.1	18.8	39.0
Interest	(14.6)	(7.7)	(14.7)
Profit before tax and abnormals	20.5	11.1	24.3
Abnormals	(106.1)	(16.0)	2.9
Profit (loss) before tax after abnormals	(85.6)	(4.9)	27.2
Tax	15.6	0.3	(3.7)
Profit/(loss) after tax and abnormals	(70.0)	(4.6)	23.5
Outside equity	32.1	1.7	(11.2)
Profit/(loss) due to ABL	(37.9)	(2.9)	12.3

## EBIT

	June 99 \$M	June 98 \$M
ABCL	30	29
Wholly owned operations	7	7
Investments	9	9
	<u>46</u>	<u>45</u>
Overheads	(7)	(6)
	<u>39</u>	<u>39</u>
Less changes in acctg	(4)	-
	<u>35</u>	<u>39</u>

## Abnormal items (before tax and minority interest)

	June 99 \$m	Dec 98 \$m
Rationalisation costs		
- ABCL	93	11
- Other ABL Group	8	1
Impact of Victoria Gas outage	1	1
Workers Compensation - ABC Inc	1	-
Settlement of Humes Steelpipes Claim	3	3
	<u>106</u>	<u>16</u>

## Merged balance sheet

	June 99	EM	June 98
Total Assets (\$m)	926	970	635
Net Assets (\$m)	426	451	298
Net Borrowings (\$m)	305	313	201
Gearing	40.1%	40.9%	40.3%
- real	41.7%		

## Net borrowings

	June 99	June 98
	\$m	\$m
Rugby Group	108	-
Bank debt	153	152
Convertible notes	58	58
Weighted average cost	7.1% 319	7.9% 210
Less cash	(14)	(9)
Net borrowings	305	201

## Divisions

- East: Birkenhead  
Angaston  
Geelong  
Darwin
- West: Munster (incl Kwinana)  
Dongara
- Investments:  
and Other FCT  
PTL (incl 50% SPA)  
ICL  
Sunstate

## Financial year

- New balance date
- First period - eighteen months July  
1999 to December 2000
- Synchronises with overseas parent

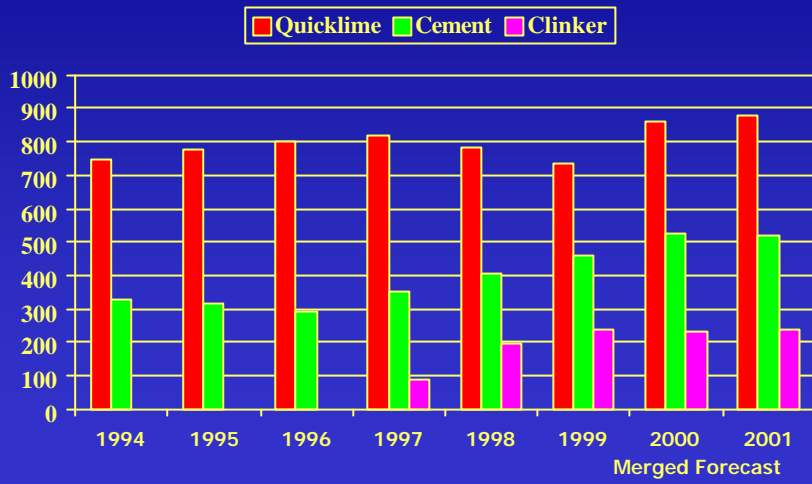
## Contribution to Group after tax profit

	June 99	Dec 98	June 98
	\$m	\$m	\$m
Core cement and lime operations	10.9	6.7	13.3
-other (past owned)	8.1	3.7	8.7
	19.0	10.4	22.0
Other operations	1.0	0.3	0.9
	20.0	10.7	22.9
less Group overheads	(5.4)	(2.7)	(5.2)
Group EBIT	14.6	8.1	17.7
Interest	(4.7)	(2.5)	(5.4)
Profit before tax	9.9	5.5	12.3
Tax	1.6	-	-
Profit after tax	11.5	5.5	12.3

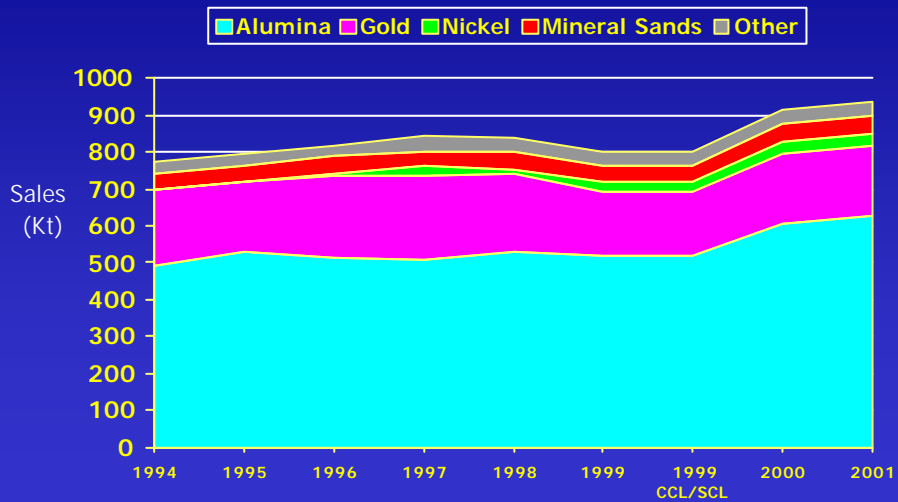
## Operational sites

- Munster
- Kwinana (Swan site)
- Dongara
- Malaga
- Kemerton
- Other smaller plants/depots

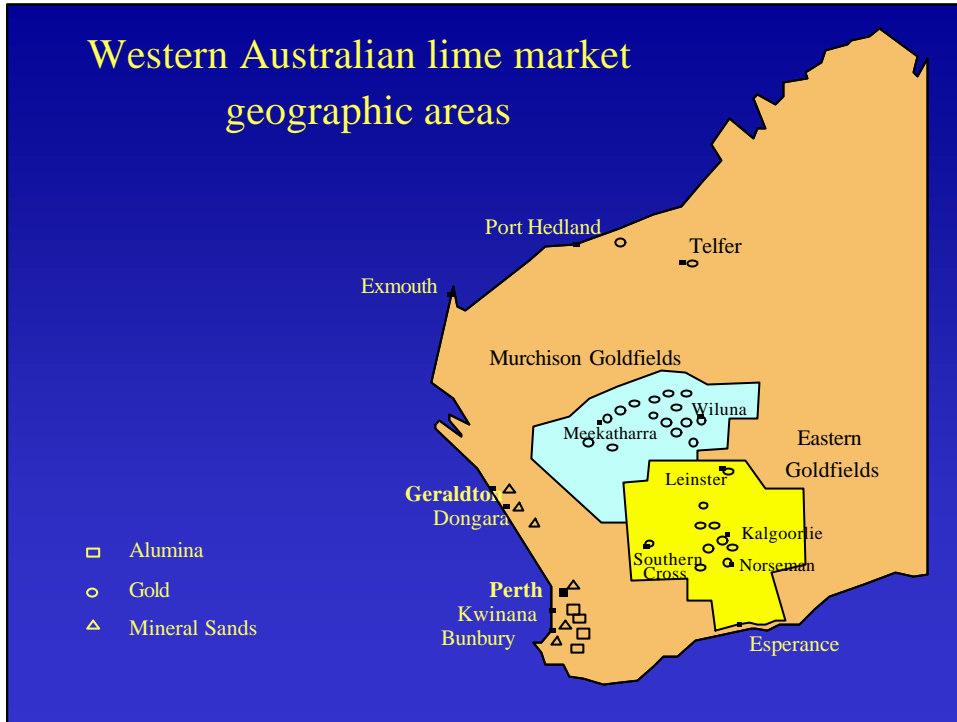
## Sales volumes (000tpa)



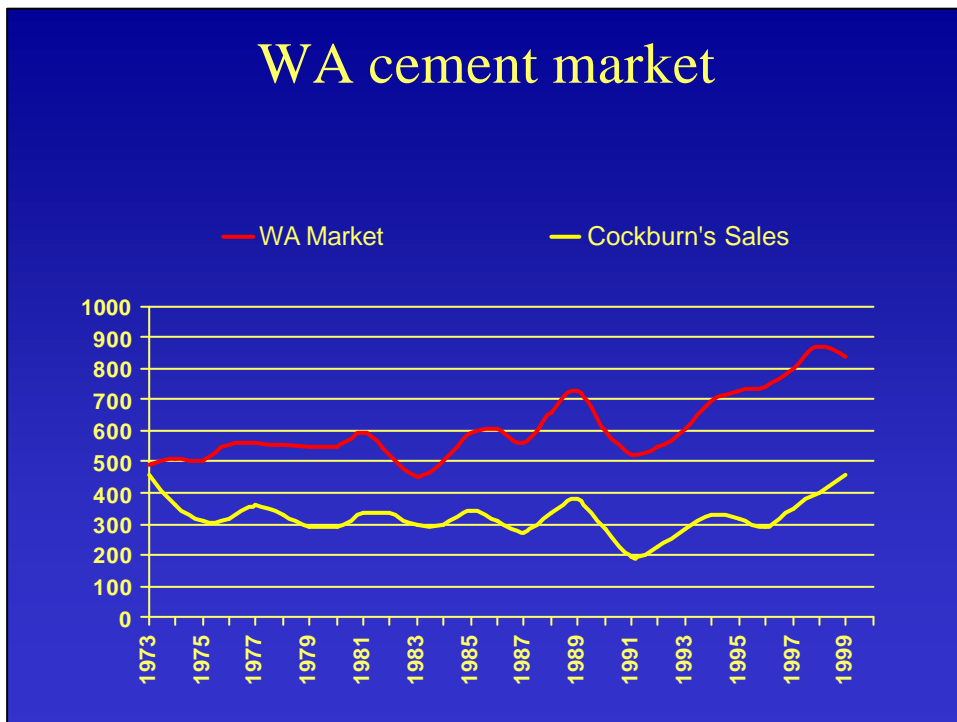
## WA lime market



## Western Australian lime market geographic areas



## WA cement market



## Merger rationalisation - WA

- Most cement milling will occur at Swan
- All cement blending and packing at Swan
- Only one cement mill at Munster
- The Malaga hydrate plant will close and this business transferred to Swan
- The Swan lime kiln will close - all quicklime produced at Munster
- Clinker production at Munster optimised - shortfall from Adelaide

## Headlines

- Aim to lift performance to sustainable level
- Detailed review identified target of \$26m
- Full implementation to take 24-36 months
- Restructuring costs of the order \$10m

## Reliability improvement

- Implementing a strategy based on best practice eg Dupont
- Several process improvements:
  - organisational changes
  - implementation of planners
  - preventive and predictive focus
  - root cause analysis of failures
- Monitoring of key performance indicators

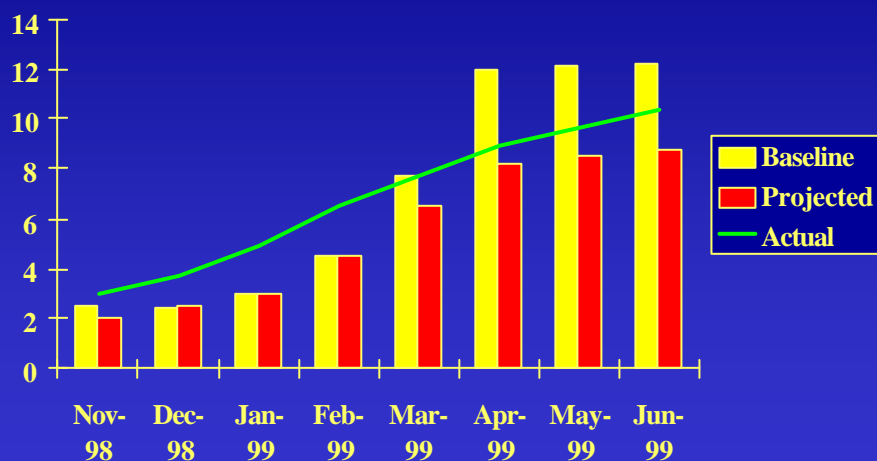
## Other areas

- Sourcing:
  - Consolidation of purchasing power
  - Reduction in number of suppliers eg general engineering, 50 to <10
- Labour
  - Simplification of processes eg test schedules
  - Centralisation of processing

## Results to date

- Current target is \$20m
  - Revenue improvements unrealistic
- Annualised savings of \$10m already achieved :
  - \$5-6m in 98/99 financial year
  - Full reconciliation to be performed

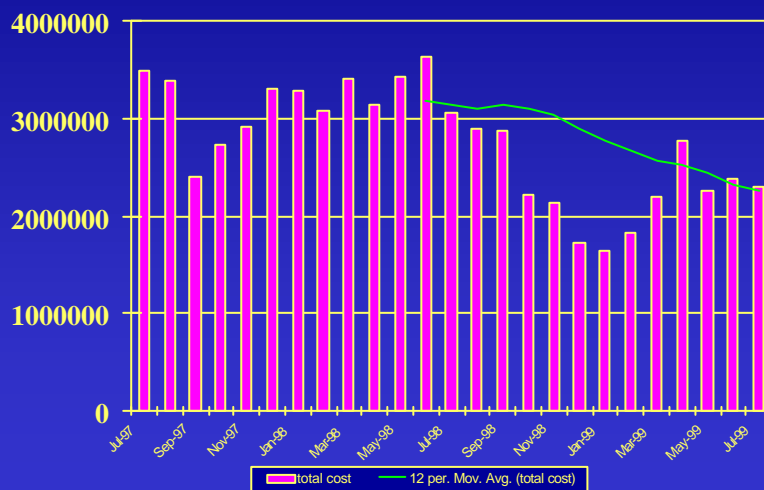
## Annualised savings



## 98/99 Kiln performance

- Produced 975kts versus historical average of 1100kts and target in two yrs of 1300kts
- Analysis:
  - Market 40kts
  - Strike 30kts
  - Refractory failure 70kts

## Group maintenance costs



- Sourcing
  - Preferred engineering contractors \$938k
  - Limestone costs \$150k
  - Freight \$140k
  - Hydraulics \$ 50k
- Labour
  - Target reduction of 98 positions
  - Achieved 63

## Looking forward

- Project management approach continues
- Reliability is key focus
- Evolving into continuous process
- Price competition eroding some saving

**BUT**...Excellent progress, and management confident we can deliver, and find more savings

## Major issues

- Cement markets
- Lime, gold and alumina
- Integration, merger savings, and BIP
- Board and management

## Cement markets

- Imports (bags and bulk bags) into Queensland, Territory, SA, Victoria. Threat into NSW
- Volumes so far very small (>5% of the market)
- Bags viable but only at dumped prices
- Anti-dumping action by CIF : retrospective duties
- So far, not enough “material injury”
- Keeping customers competitive - price pressures
- Anticipated in Explanatory Memorandum

## Lime markets

- Gold mining closures (WA,NT) :
  - reduced demand for lime about 70 000 t/year
  - Now stabilising (Washington Gold Institute)
- Alumina expansions :
  - Alcoa on stream, Worsley late 1999
  - Increased demand 120 000 tonnes a year
  - likely to be stable (lowest cost producers)

## Integration and improvement

- Integration progressing well
- Merger savings on target - not this half, early 2000 will start to see benefits in WA and Admin
- Geelong closure progressing to end 2000
- BIP already delivering results - more to come

## Board and management

- New Board working well
- Board additions later this year
- Search for new MD progressing.
- Management team settling well.