

ADELAIDE BRIGHTON LTD (ABC)

22 AUGUST 2018

RESULTS	Half Year 2018	Half Year 2017	CHANGE
Revenue (\$m)	807.2	722.9	+11.7%
Bloomberg Consensus (\$m)	806.3	-	-
EBIT (\$m)	122.5	106.2	+15.3%
Bloomberg Consensus (\$m)	177.0	-	-
Net Profit after Tax (\$m)	84.5	71.8	+17.7%
Bloomberg Consensus (\$m)	123.0	-	-
Final Dividend (\$)	0.13	0.085	+52.9%

Adelaide Brighton Ltd (ABC) lifts earnings and declares bigger dividend

- Construction materials and lime producer **Adelaide Brighton (ABC)** reported a softer than expected 17.7% lift in half year net profit to \$84.5m. For the six months to 30 June, revenue growth met the expectations of three analysts surveyed by Bloomberg and was helped by improved demand for building in VIC, NSW, QLD and SA. Demand for materials used on significant infrastructure projects has helped offset some slowing in residential construction.
- ABC currently generates around a third of its revenue from **Engineering work** on infrastructure projects, another third from its **Residential business**, a quarter from **Non-Residential** and a little over 10% in Mining operations. ABC has made \$260m in acquisitions which has helped diversify its earnings over the past five years.
- Cement sales** - which accounted for 41% of the group's total sales - rose by 7.6% with both prices and margins increasing over the half. It attributed the growth mostly to strong demand on the east coast of Australia and the Northern Connector in SA. The infrastructure project will be a six-lane, 15.5 kilometre motorway in SA. Energy costs rose as did import spending due to higher shipping and material costs and a weaker Australian dollar. ABC is Australia's largest maker of the material.
- Concrete and Aggregates** – which make up 39% of the groups revenue - recorded a more than 20% lift in sales volume and was partly boosted by acquisitions made in 2017. Eastern states remained the principle drivers of the unit's results. Both prices and margins improved over the half. Its **Lime operations** accounted for 11% of the company's total revenue, with sale volume stable on 1H17. The result was weighed down by lower prices while higher coal costs impacted margins. ABC is expecting improved pricing over the second half.
- A \$0.09 per share ordinary **interim dividend** and \$0.04 **special dividend** were declared, both of which are fully franked. The \$0.13 is well ahead of the \$0.085 paid out 12 months earlier, it is scheduled to be paid to eligible investors on 11 October and is a touch above Bloomberg consensus.
- Looking forward**, ABC said it expects strong demand for construction materials over the rest of the year and is anticipating Underlying NPAT for FY18 to be in the range of \$200 - \$210m. This would be only a slight lift on its FY17 earnings of \$197.7m and is below the average forecasts of \$212m from 12 analysts surveyed by Bloomberg. **ABC shares** fell on the result and are underperforming the broader market Year-to-Date.

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