



Key personnel changes. Performance steady.

Company/ASX Code	Adelaide Brighton (ABC)
AGM date	Friday 10 May 2019
Time and location	10am Adelaide Intercontinental Hotel
Registry	Computershare
Webcast	No
Poll or show of hands	Poll on all items
Monitor	Bob Ritchie assisted by Malcolm Keynes
Pre-AGM Meeting?	Yes, with Chairman Zlatko Todorovski

An individual (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

While well managed, governance and culture presently are significant matters. There are two distinct issues: board changes in progress and adjustment to a significant theft in a previous period.

This company has had a substantial shareholder for some years: the Barro Group, headed by Adelaide Brighton NED Ray Barro. The initial shareholding of 19% has crept up to 43%. Barro nominated NEDs have increased from one to two, now three; and Ray Barro is about to become chairman following the AGM. The relationship between Barro Group and Adelaide Brighton has been well managed in the past and good preparations are in place for the anticipated changes. A comprehensive statement on these aspects of governance was published with the notice of meeting. We enquired of missing elements and ascertained, for example, that chairs of all board committees will be independent directors.

While statements to shareholders have provided assurance that appropriate action has been taken to ensure no repetition of anything like the previous theft of around \$17 million, we nevertheless tested this matter with rigorous enquiry and were well satisfied.

Financial performance including dividends and shareholder returns

While the company's record profit year was in 2015, 2018 was a record year for revenue and net profit after tax was 89% of the previous record. Overall financial performance could be described as steady from a longer-term perspective, although there have been ups and downs across the years as economic conditions have changed.

Dividends of 28 cents were an equal record with 2016 but total shareholder return was a large negative: - 30%; a fall in share price possibly attributable to a lower guidance statement issued in December 2017. With payout ratio around 70%, supplemented by special dividends on occasions, we interpret this as a mild

growth strategy based on a protected balance sheet and around 30% of earnings available to fund expansion which could be supplemented by borrowing or issue if warranted by an acquisition.

Key events

See below.

Key Board or senior management changes

Board changes noted above.

Resignations of three KMP, including the CEO and CFO.

Summary

(As at FYE)	2018	2017	2016	2015	2014
NPAT (\$m USD)	185.3	182.7	186.3	207.9	172.7
UPAT (\$m USD)	185.2	189	179	174	154
Share price (\$ AUD)	4.27	6.52	5.43	4.75	3.63
Dividend (cents US / AU)	28	24.5	28	27	17
TSR (%)	-30%	24.6%	20.2%	42.6%	0.5%
EPS (cents)	28	28	29	32	27
CEO total remuneration, actual (\$m AUD)	5.8	1.9	2.8	3.2	2.8

For 2018, the CEO's total actual remuneration was **68 times** the Australian Full-time Adult Average Weekly Total Earnings (based on May 2018 data from the Australian Bureau of Statistics).

Item 2	Election of Ms Rhonda Barro as a Director
ASA Vote	For

Summary of ASA Position

Ms Barro is a nominee of Barro Group which holds 43% of the company shares.

She is an executive director of Barro Group and is a director of Independent Cement and Lime Pty Ltd.

We have made some enquiries and obtained satisfactory answers. We also will make enquiries of her at the AGM and, assuming satisfactory responses, we will vote open proxies in favour of her election.

Item 3	Re-election of Mr K B Scott-Mackenzie as a Director
ASA Vote	For

Summary of ASA Position

Appointed in July 2010, Mr Scott-Mackenzie has extensive experience in infrastructure, construction and mining services in Australia and elsewhere. He also has experience in the financial, legal and commercial aspects of projects. He chairs one board committee and is a member of another.

He holds only 5,000 shares in Adelaide Brighton and would not be regarded by us as independent because of tenure before this appointment expires.

Item 4	Re-election of Mr Zlatko Todorcevski as a Director
ASA Vote	For

Summary of ASA Position

Appointed in March 2017, Mr Todorcevski became chairman in May 2018. He has extensive experience in oil & gas, logistics and manufacturing sectors in Australia and elsewhere. He also has experience in the finance, strategy and planning.

He holds 20,000 shares in Adelaide Brighton. Following this AGM, if re-elected he will become lead independent director and deputy chairman of the board.

Item 5	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The remuneration report is clear in almost all respects but does not provide a table of actual take home pay and particularly lacks clarity on the actual pay received by the outgoing CEO. We had to make an estimate in the table we presented above.

With three senior resignations, an arrangement for the outgoing CEO to remain in place for an extended period, and action to enhance probability of retaining two other senior executives, the complexities involved were explained well in descriptive passages but not so well in regard to all figures (although some were clearly presented).

Our typical concern for retention payments for two KMP was canvassed in conversation with the chairman who provided satisfactory answers, given the circumstances and the limitation of total available payment within the envelope already established by incentive awards in play.

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