

19 September 2019

Australian Securities Exchange
Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir / Madam

Please find attached a presentation to be presented to analysts today regarding Brickworks Limited's financial results for the year ended 31 July 2019, for immediate release to the market.

Yours faithfully
BRICKWORKS LIMITED



Susan Leppinus
Company Secretary

BRICKWORKS

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Financial results

Year ended 31 July 2019

Mr. Lindsay Partridge Managing Director

Mr. Robert Bakewell Chief Financial Officer

Oakdale Industrial Property Estate



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Arc by Crown, Sydney

Agenda

Safety

FY19 Overview

Divisional Review

Financials

Outlook

Questions

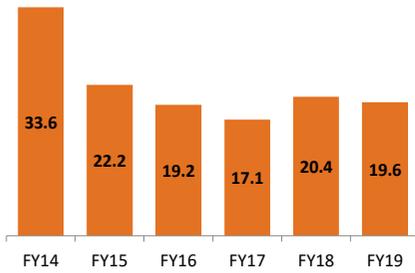
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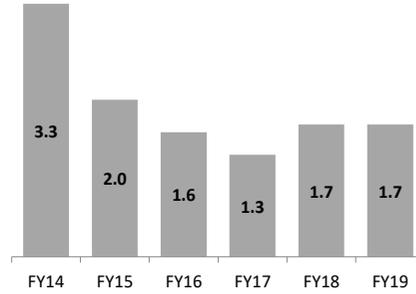
Safety

Continued focus on workplace safety and injury prevention

Total Workplace Injury Frequency Rate - AUS
Injuries per million work hours



Total Lost Time Injury Frequency Rate - AUS
Injuries per million work hours



US Safety Performance
Period since acquisition

- 6 lost time injuries
- LTIFR 7.6
- TRIFR 29.1

AUS Lost time injuries 9 6 5 4 5 5

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FY19 Overview



Glen-Gery thin tech, New York City

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FY19 overview

Significant achievements across the Group in FY19

- Record underlying earnings from continuing operations
- International expansion, through the acquisition of Glen-Gery, provides a platform for long term growth
 - Subsequent bolt-on acquisition of Sioux City completed in August 2019
- Sale of 7.9 million WHSP shares
- Industrial property portfolio value increasing due to long term structural trends
 - \$95 million increase in net value to Brickworks
 - Pre-commitment for highest value facility ever developed by the JV Property Trust, with anticipated value >\$300 million at completion (66,000m², up to 34 metres high, 20 year lease to Coles Group)

FY19 result highlights

Record underlying earnings from continuous operations

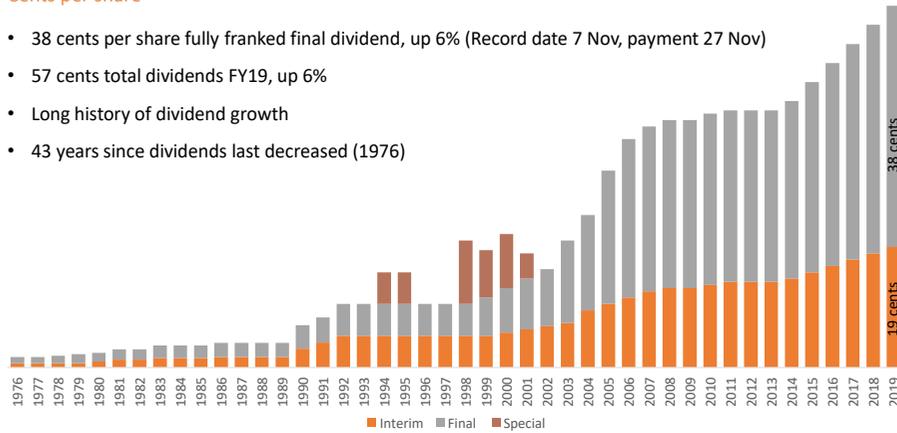
Underlying EBITDA (continuing operations)	Underlying profit (continuing operations)	Statutory profit
\$346m ↑12%	\$234m ↑ 4%	\$155m ↓12%
Net tangible asset / share	Underlying EPS (continuing operations)	Total Full Year Dividend
\$13.28 ↑7%	156 cents ↑ 4%	57 cents ↑6%

Dividends

Brickworks normal dividend has been maintained or increased since 1976

Brickworks Dividend History Cents per share

- 38 cents per share fully franked final dividend, up 6% (Record date 7 Nov, payment 27 Nov)
- 57 cents total dividends FY19, up 6%
- Long history of dividend growth
- 43 years since dividends last decreased (1976)

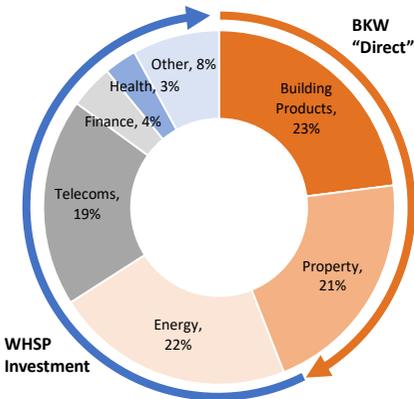


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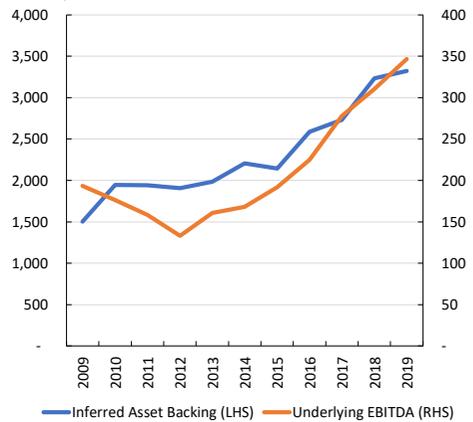
Consistent Growth in Asset Value

BKW has a diversified portfolio of assets, that have doubled in value over the past decade

Brickworks Look Through Asset Exposure¹ Split by Industry



Inferred Asset Backing vs Underlying EBITDA \$ million



1. Based on WHSP asset value (ex BKW) as disclosed in 1H2019 Results Presentation

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Divisional Review

Park Chelsea, Washington DC

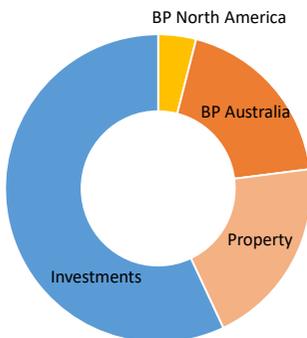


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Overview of Operating Divisions

An attractive portfolio of diversified businesses

Look Through Asset Exposure¹ Split by BKW Operating Division



Investments 57% of Group assets

- Diversified investment house with proven investment approach that has delivered outstanding returns

Property 20% of Group assets

- 50% interest in Industrial Property Trust JV with Goodman Group – total assets \$1.8bn
- Leveraged to new economy
- Additional surplus Building Products land

BP Australia 19% of Group assets

- Australia's leading brickmaker
- Leading positions in other trusted and established building products

BP North America 4% of Group assets

- Leading brickmaker in the Northeast of USA
- Focussed on premium architectural products for the non res and multi res sectors
- Significant growth opportunities

1. Based on WHSP asset value (ex BKW) as disclosed in 1H2019 Results Presentation

Investments

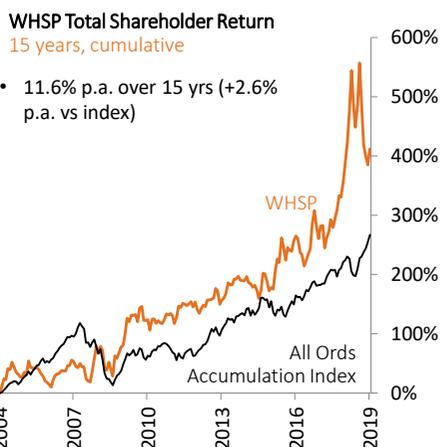
Long history of strong returns

\$million	FY2019	FY2018	Change
Underlying earnings	104	123	(16%)
Dividends from WHSP	56	56	0%
WHSP Share price (\$)	22.71	21.82	+4%
BKW Market Value	2,142 (39.4% share)	2,231 (42.7% share)	(4%)

Sale of WHSP Shares

- 7.9 million shares sold at \$26.37 / share
- Gross cash proceeds of \$208 million
- 13.7% p.a. return since investment in 1969¹
- Brickworks retains 94.3 million shares (39.4% share of WHSP)

1. Total return assumes re-investment of dividends and other special shareholder distributions



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Property – FY19 result

Record full year profit, driven by Property Trust revaluations

\$million	FY2019	FY2018	Change
Net Trust Income	26	22	+17%
Revaluations	70	24	+195%
Development Profit	19	26	(33%)
Sale of Assets	12	26	(53%)
Property Trust	127	101	+26%
Land Sales	35	(3)	N/A
Property Admin ¹	(4)	(4)	-
Total	158	94	+68%

- Net trust income higher, on rent reviews and addition of new developments
- Revaluation profit driven by 50 basis point reduction in cap rates in NSW
- 3 developments completed at Oakdale South
- Land sale: Completion of Punchbowl sale in August 2018 delivered earnings of \$35 million (total sale proceeds \$41 million)

1. Property administration includes the holding costs of surplus land

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Property – JV Trust Asset Value

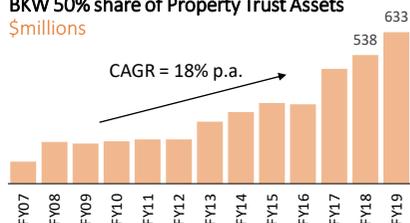
Joint Venture asset value continues to benefit from structural trends

\$million	FY2019	FY2018	Change
Leased properties	1,411	1,167	+21%
Land to be developed	345	360	(4%)
Total Property Trust assets	1,756	1,527	+15%
Borrowings	(490)	(451)	(9%)
Net Property Trust assets	1,266	1,076	+18%
BKW 50% share	633	538	+18%

- Total leased properties \$1.4 billion
 - 6 year weighted average lease expiry
 - “Blue chip” tenants
- Rental return on leased assets 6%¹
- Revaluation return 15% during FY19²
- Gearing on leased assets 35%

BKW 50% share of Property Trust Assets

\$millions



1. Based on Net Trust Income of \$26m, divided by \$460m. This represents Brickworks share of leased properties (net of borrowings on leased land of \$490m)
 2. Methodology as above, but applying revaluation profit of \$70 million

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Property – Future growth

Industrial property portfolio leveraged to growth in new economy



- Portfolio has well-located industrial facilities, close to end-customers, which are critical in the supply chain of the new economy
- Industrial capitalisation rates compressing and industrial focussed stocks trading at premiums
- Pre-commitment for highest value facility ever developed by the JV Property Trust, with anticipated value >\$300 million at completion (66,000m², up to 34 metres high, 20 year lease to Coles Group)

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Building Products Australia – FY19 result

Resilient performance despite market headwinds and higher energy costs

\$million (Continuing operations)	FY2019	FY2018	Change
Revenue	755	784	(4%)
EBITDA	88	107	(18%)
EBIT	57	79	(27%)
EBIT margin	8%	10%	(24%)
Capital expenditure	38	43	(12%)
Net tangible assets	626	667	(6%)
Return on net tangible assets	9%	12%	(23%)

Residential Housing Starts¹ FY19 vs FY18



Earnings decline due primarily to:

- Lower residential construction activity across the country
- Increased energy prices increased costs by \$12 million vs prior year
- Brick kilns taken offline to control inventory levels and complete necessary maintenance (some have operated continuously for up to 8 years)

1. For 12 months to June 2019 (vs June 2018). Source: HIA

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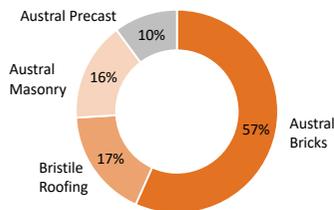
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Building Products Australia - Business Unit Performance

Resilient performance across Building Products business units

Building Products Australia Revenue FY19 \$755 million



FY19 vs FY18	Revenue	EBIT
Austral Bricks	↓	↓
Bristile Roofing	↓	↓
Austral Masonry	↑	↓
Austral Precast	↑	↑

- Resilient performance from Austral Bricks, despite +\$12 million impact of higher energy costs.
- DA submitted for new face brick plant at Plant 2 site, Horsley Park, and plans for a new dry press facility under development.
- Bristile Roofing earnings marginally lower (inc. Auswest operations at Fyshwick).
- Austral Masonry earnings impacted by high exposure to decline in apartment construction on the east coast. Acquisition of Aussie Concrete Products in May.
- Austral Precast sales and earnings increased, with strong performance in Queensland. A second production line at Wetherill Park has been installed to cater for architectural and specialised panels.

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Building Products Australia – Innovation & Projects

New projects and innovation will support growth



Fastbrick Australia



Southern Cross Cement

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Building Products Compliance

Regulatory change needed to restore confidence



The Lacrosse Building in Docklands, Melbourne (2014). Flames fueled by aluminium cladding (The Age 10 Sep 2018)



Air pocket in a concrete blade wall at Verve building, Newcastle (Newcastle Herald 10 Aug 2019)



Compressed Fibre Cement Sheet cladding AS5113 fire test

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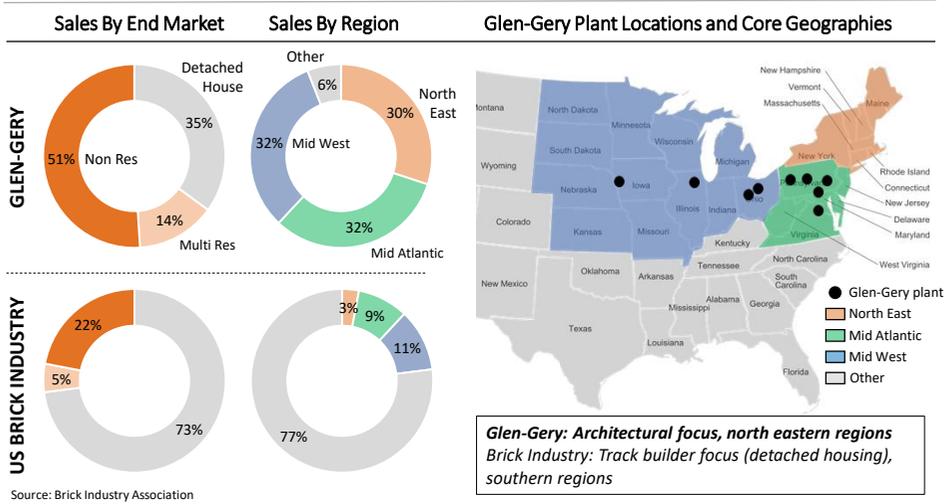
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Building Products North America

A differentiated brick business – by geography and end-customer



Source: Brick Industry Association

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Building Products North America - Performance

Performance ahead of expectation, integration proceeding well

\$million (Continuing operations)	\$US	\$AU
Revenue	80	121
EBITDA	8	12
EBIT	4	6
EBIT margin		5%

For Period 23 Nov 18 – 31 Jul 19

- Performance ahead of expectations, for ~ 8 month period
- Significant seasonal impact on earnings
 - EBITDA neutral during initial winter period (Dec – Feb) due to extended plant shutdowns and low sales volume
 - Strong earnings momentum through March – July period
- Integration activities largely completed
- Exclusive supply agreements with Brickworks European partners for supply of premium imported bricks
- Philadelphia design studio under construction

Market Conditions

- US non-residential construction activity up 5% on the prior year
- Offset by mild decline in residential construction in key Glen-Gery regions (circa 6%)

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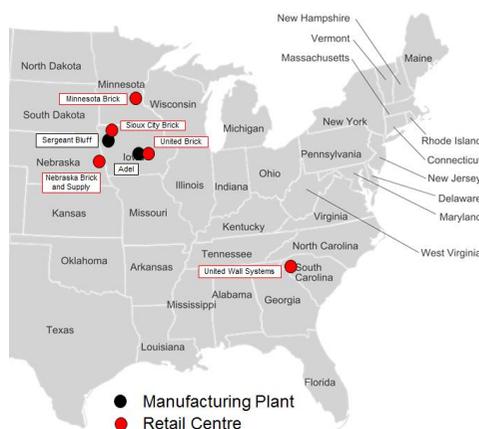
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Building Products North America – Sioux City Brick

In August, Brickworks acquired Sioux City, a leading US brickmaker, with manufacturing operations based in Iowa

- Completed the acquisition of Sioux City Brick (Sioux City) for US\$32 million (AU\$47 million) on 27th August 2019
- Sioux City has two modern manufacturing plants in Iowa, and has a leading position in the Midwest of the United States
- Strong reputation for premium architectural products – in line with Brickworks focus
- Significantly strengthens Brickworks North America:
 - Sioux City has delivered consistent earnings for several years
 - Significant cost savings will be generated from operational and administrative synergies
 - Strengthens position in target region

Map of Sioux City Brick Operations



Brickworks North America – Strategy and Growth

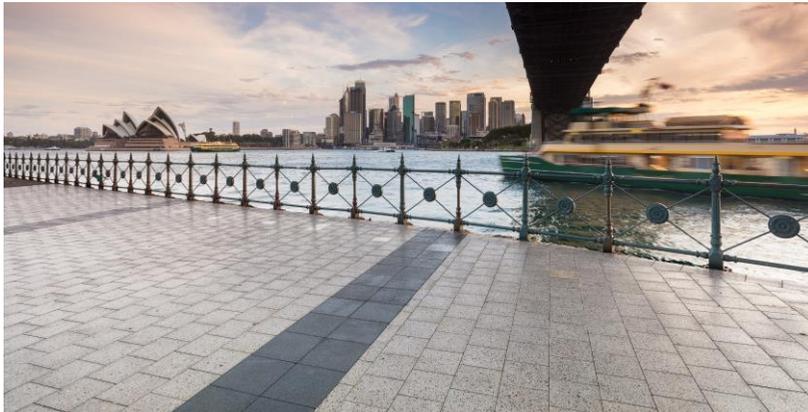
Growth is anticipated in the US market

- USA identified as an attractive growth market
- Steady growth in construction activity expected over the long term
- Favourable cost and ease of doing business vs Australia
- Highly fragmented industry (~37 manufacturers in the US vs 5 in Australia)
 - Market rationalisation underway
 - Significant cost synergies available
- Plant rationalisation and capital investment in plant and equipment to improve utilisation, efficiency and returns



Financials

Urbanstone engineered stone, Sydney



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Financials – FY19 Overview

Record underlying earnings from continuing operations

\$million	FY2019	FY2018	Change
Total EBITDA	346	311	+12%
Depreciation	36	29	+24%
Total EBIT	310	282	+10%
Borrowing costs	(24)	(15)	(65%)
Underlying income tax	(52)	(42)	(22%)
Underlying NPAT <i>(From continuing operations)</i>	234	226	4%
Significant items	(37)	(47)	NA
NPAT <i>(From continuing operations)</i>	197	179	+10%
Discontinued operations	(42)	(3)	NA
Statutory NPAT	155	175	(12%)

- Earnings higher on strong Property result, contribution from Building Products North America
- Borrowing costs up due to non-cash mark to market loss on interest rate swaps (vs gain in prior period)
- Underlying tax increased due to higher earnings
- Significant items contributed net -\$37 million to NPAT from continuing operations
- Auswest hardwood operations at Greenbushes (WA) and East Gippsland (Victoria) classified as held for sale during the half (\$35 million impairment, and \$7 million operating loss)

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Financials – Significant items

Net impact of significant items (\$37 million)

\$million	Gross	Tax	Net
Gain on sale of WHSP Shares	110	(38)	71
Bristle Roofing and Austral Masonry goodwill impairment	(52)	-	(52)
Acquisition costs	(15)	1	(14)
Restructuring activities	(10)	3	(7)
Significant items relating to WHSP	(28)	-	(28)
Income tax arising from the carrying value of WHSP	-	(8)	(8)
Total (Continuing Operations)	5	(42)	(37)

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Financials – Cash flow reconciliation

Operating cash flow down, on lower Building Products Australia earnings and Property Trust distributions

\$million	FY2019	FY2018
Statutory net profit after tax	155	175
Depreciation, amortisation	37	29
Non cash revaluations within Property Trust	(89)	(40)
Share of profits of associates not received as dividend	(18)	(44)
Non cash impairments	56	-
Non cash losses on discontinued operations	49	-
Gain on sale of WHSP shares (investing activity)	(109)	-
Changes in tax provisions	53	43
Other items	(11)	8
Operating cash flow	123	171
Proceeds received from WHSP share sale	208	
Acquisitions (net of cash)	(143)	(13)
Capital Expenditure	(49)	(43)
Dividends paid	(82)	(78)

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Financials – Key Indicators

Conservative balance sheet maintained post Glen-Gery acquisition

	FY2019	FY2018	Change
NTA per share	\$13.28	\$12.42	+7%
Shareholder's equity	\$2,167m	\$2,071m	+5%
Shareholder's equity per share	\$14.48	\$13.87	+4%
Return on shareholders equity	11%	11%	-
Operating cash flow	\$123m	\$171m	(28%)
Net debt	\$253m	\$304m	(17%)
Gearing (net debt / equity)	12%	15%	(21%)
Interest cover	18x	18x	-

- Total shareholder's equity increased by \$96 million during the period, or 61 cents per share
- Decrease in operating cash flow, primarily due to lower Building Products earnings and Property Trust distributions
- Net debt reduced, with proceeds from WHSP sale more than offsetting Glen-Gery acquisition costs
- Gearing decreased to a conservative 12%

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Outlook

La paloma bricks, The Calile, Melbourne



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Outlook

The outlook varies across each division within the Group

Investments <i>57% of Group assets</i>	<ul style="list-style-type: none">Earnings, dividends and market value of WHSP are expected to grow over the long term, albeit the contribution to Brickworks will be impacted by the reduced shareholding
Property <i>20% of Group assets</i>	<ul style="list-style-type: none">Strong outlook for Property Trust earnings and valuation, due to significant development pipelineLikely sale of 10 hectares at Oakdale East into the Trust in late calendar 2019
Building Products Australia <i>19% of Group assets</i>	<ul style="list-style-type: none">Although orders and sales are currently steady in most divisions, a soft first half is anticipatedIn the second half, we expect the market to strengthen, based on the current level of home builder salesThe transition to wholesale gas supply on 1 January 2020 will provide some relief from rising gas prices
Building Products North America <i>4% of Group assets</i>	<ul style="list-style-type: none">Sioux City acquisition, completed in August, will provide significant efficiency benefits when operations are rationalised with existing Glen-Gery facilitiesSignificant opportunities for growth



Questions



GB Masonry Smooth