

4 May 2020

Australian Securities Exchange  
Attention: **Companies Department**

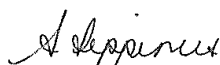
**BY ELECTRONIC LODGEMENT**

Dear Sir / Madam

Please find attached company presentation and additional comments to be given by the Managing Director through ASX CEO Connect on 5 May 2020, for immediate release to the market.

This announcement has been authorised for release by the Managing Director and the Chairman.

Yours faithfully  
BRICKWORKS LIMITED



**Susan Leppinus**  
Company Secretary

# **BRICKWORKS**

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## ASX CEO Connect

5 May 2020

Mr. Lindsay Partridge Managing Director



- Good morning.
- My name is Lindsay Partridge, CEO of Brickworks Limited.
- It is a pleasure to present to you today, and I thank you for attending and taking an interest in Brickworks Limited.
- Next slide please.

## Business Overview

Brickworks is a stable and conservative ASX200 company, with a diversified portfolio of attractive assets

Diversified Portfolio	Stable and Conservative	Long Term Growth
Significant assets in Investments, Property, Building Products  Value of WHSP shareholding \$1.7b  JV property trust net asset value \$710m	Stable management and Board  Conservative gearing  S&P ASX200 company, listed since 1962	History of dividend growth and value creation  Exposure to industrial property (new economy)  International growth in bricks

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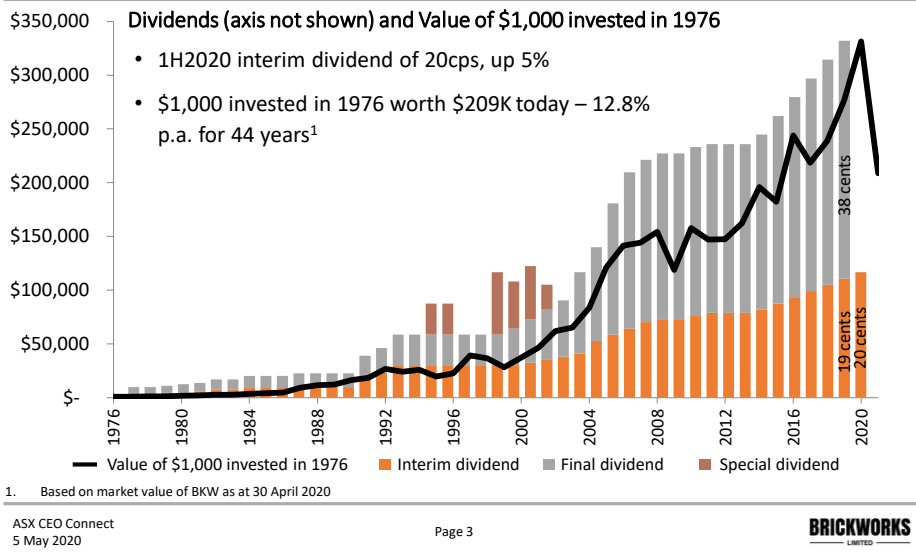
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- Brickworks can trace it's history back to 1908 when Austral Bricks was incorporated at St Peters in Sydney.
- In 1934, Austral Bricks was among a group of 26 brickmakers who formed Brickworks Limited, and in 1962 the company was listed on the Australian stock exchange.
- Today, Brickworks' offers investors:
  - A diversified portfolio of attractive businesses, each underpinned by significant asset value;
  - Stable and conservative management, with a low gearing level and a prudent approach to capital management; and
  - Attractive long term growth prospects, including international expansion in bricks and exposure to the new economy through our industrial property portfolio.
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## Dividends & Value Creation

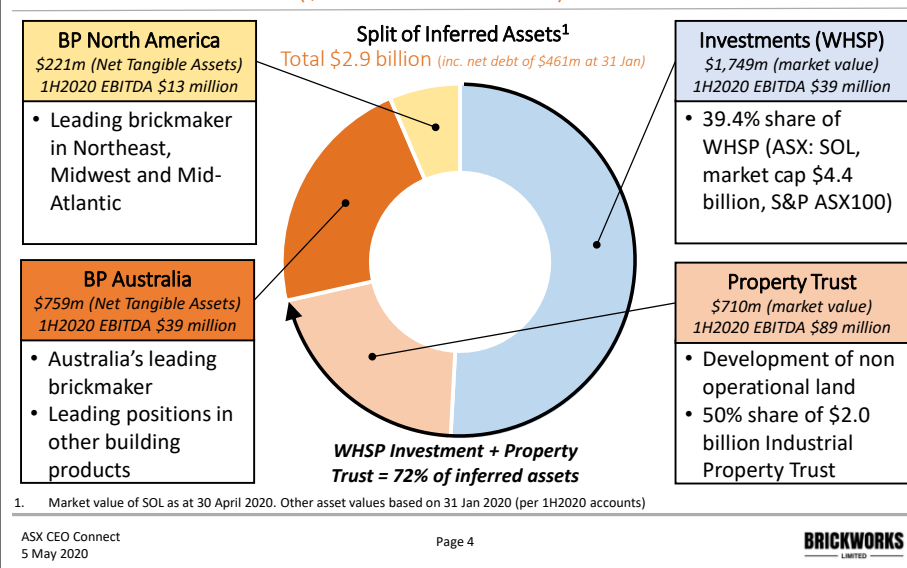
Brickworks has maintained or increased normal dividend since 1976



- Our diversified portfolio and conservative balance sheet provides us with the resilience to overcome short term challenges.
- Despite the uncertainty caused by the Coronavirus pandemic, our Board recently declared an increased interim dividend of 20 cents per share.
- Brickworks dividend is underpinned by the increasing rental income from the Property Trust and the reliable dividends from WHSP
- We are proud of our long history of dividend growth. Brickworks is one of only 8 companies to maintain or increase dividends every year since the turn of the century. In fact, as shown on screen, our record of maintaining or increasing dividends, dates back 44 years to 1976.
- Brickworks also has a strong history of total value creation, and has delivered shareholder returns of almost 13% per annum over 44 years, incorporating dividends and share price appreciation.
- This means that \$1,000 invested in Brickworks in 1976 would be worth around \$209,000 today, even after the recent decline.
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## Overview of Assets and Earnings

Brickworks has \$2.9 billion inferred asset backing, and generated \$170 million EBITDA in 1H20 (\$346 million FY2019)



- Looking now at our four investment categories. As I mentioned, each has significant asset backing, with total inferred net assets being \$2.9 billion, after including net debt. This provides significant support for our current market capitalization of \$2.0 billion.
- You can see on the chart that our investment in WHSP and the Property Trust make up 72% of assets.
- Investments consists primarily of a 39.4% interest in Washington H. Soul Pattinson, an ASX100 company with a current market capitalisation of around \$4.4 billion. Therefore the market value of Brickworks stake is over \$1.7 billion.
- Property has grown significantly over the past decade as we have developed surplus land assets. Property includes a 50% share in a JV industrial property trust with the Goodman Group, with Brickworks share of net tangible assets being \$710 million at the end of the first half.
- Building Products Australia is a large and diversified supplier of building product across all states, and has net tangible assets of \$759 million. This includes some parcels of surplus land, currently held at book value, but with a significantly higher market value.
- Eighteen months ago, we entered North America through the acquisition of Glen-Gery, America's fourth largest brick manufacturer. Since then we have completed two further bolt-on acquisitions, quickly establishing a leading position in the Northeast, Midwest and Mid-Atlantic regions of the United States. Including the most recent acquisition, net tangible assets in North America are now around \$260 million, up from \$221 million at the end of the half.
- We recently released our first half results, with the Group delivering total underlying EBITDA of \$170 million for the half. This compares to our most recent full year underlying EBITDA of \$346 million in FY2019.
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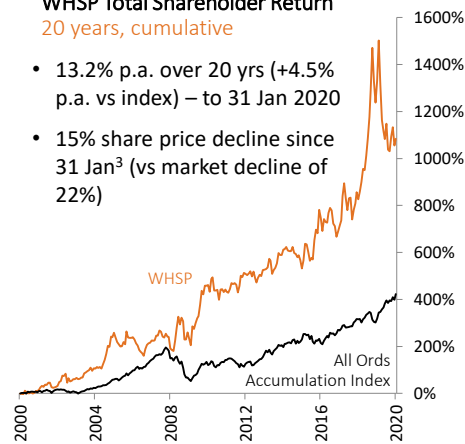
## Investments -WHSP

### Long history of strong returns

- WHSP is a diversified investment house with an attractive portfolio of assets
- Key sector exposures include Telecoms, Energy, Building Products, Financials, Health / Pharmaceuticals and Property
- BKW holds 39.4% share, with total market value of \$1.7 billion
- \$56 million in dividends received in FY2019
- Long history of strong returns

#### WHSP Total Shareholder Return 20 years, cumulative

- 13.2% p.a. over 20 yrs (+4.5% p.a. vs index) – to 31 Jan 2020
- 15% share price decline since 31 Jan<sup>3</sup> (vs market decline of 22%)



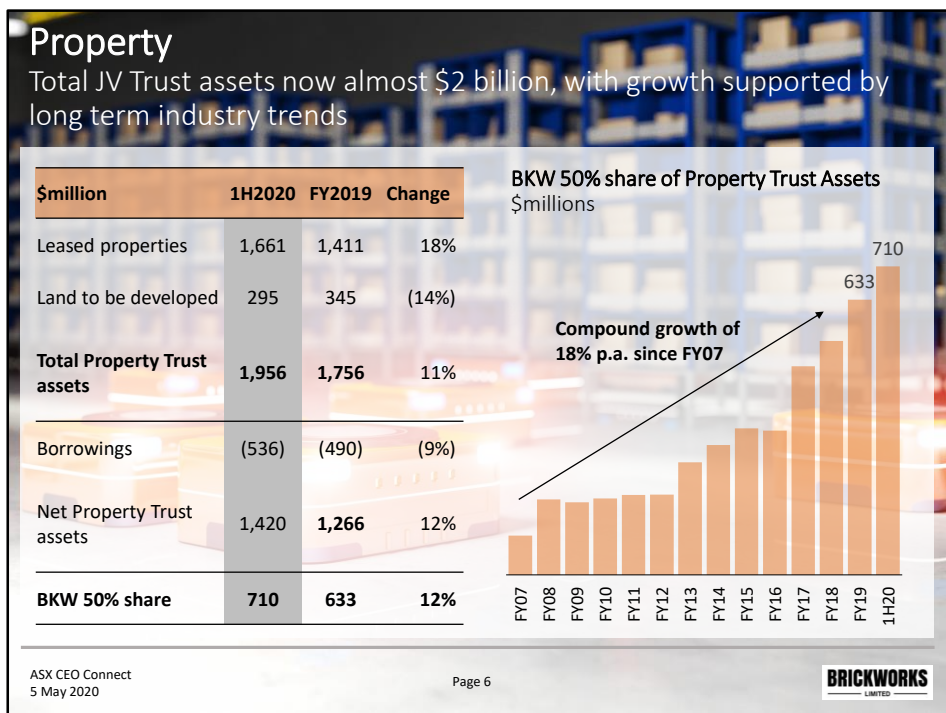
1. Includes interest income in addition to WHSP contribution
2. 7.9 million shares sold in November and December 2018
3. As at close of trading on 30 April

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- Looking now at our investment in WHSP.
- WHSP has a diversified portfolio of assets and has a proven investment approach that has delivered outstanding returns over the long term. As well as a 44% stake in Brickworks, these investments include significant interests in TPG Telecom, New Hope Coal, a diversified financial services portfolio and healthcare and pharmaceuticals.
- Investments delivered \$39 million EBITDA in 1H2020 and \$104 million in FY2019.
- Like Brickworks, WHSP has a long history of consistent and growing dividends. Cash dividends of \$56 million were received by Brickworks in FY2019.
- As I have mentioned, the current market value of Brickworks shareholding in WHSP is just over \$1.7 billion.
- Over the long term WHSP has delivered outstanding returns, with annualised total returns of 13.2% per annum for the past 20 years, to the end of the half (31 Jan 2020). This represents outperformance of 4.5% per annum versus the ASX All Ordinaries Accumulation Index.
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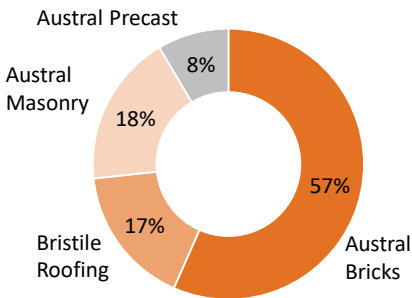


- Turning to Property.
- Brickworks generates property earnings through sales of surplus building products land, and through it's 50% owned industrial property trust. Property generated EBITDA of \$89 million in the first half of 2020 and \$158 million in financial year 2019.
- At the end of the period, the total value of assets held within the Property Trust was almost \$2 billion. After including borrowings, Brickworks' 50% share of net asset value was \$710 million as at 31 January 2020.
- Since the Trusts' inception in 2008, Brickworks net asset value has increased at 18% per annum, generating significant value for shareholders.
- The property trust generates steady earnings through rental income and revaluations, as well as development profits.
- The total return on the leased property assets for the period was 17%, comprising a rental return of 6% and revaluation return of 11%.
- The strong demand for our industrial land reflects structural changes across the industry, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping.
- These trends are driving an evolution towards more sophisticated and specialised and higher value facilities.
- Development land held within the Trust will support continued development and further growth for many years to come.
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## Building Products Australia

A leading supplier of bricks, masonry, roof tiles and precast concrete

Building Products Australia Revenue 1H20  
\$338 million



- 26 manufacturing sites and more than 40 design centres and design studios across the country
- 1,300 employees
- Austral Bricks is Australia's largest clay brick manufacturer with significant positions in every state
- Austral Masonry is Australia's second largest masonry manufacturer with operations in the major states
- Bristile Roofing is a leading roofing supplier with a strong presence in all major states
- Austral Precast is a supplier of precast walling and flooring products, with a state of the art factory in Sydney

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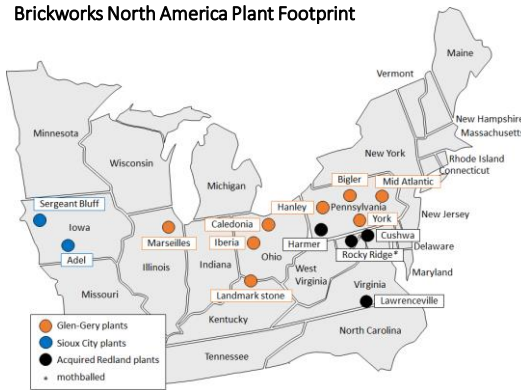
- Building Products Australia has around 1,300 employees and is a leading manufacturer and distributor of building products across all states.
- Since 2000, it has grown from a two state brick manufacturer, in New South Wales and Queensland, to a diversified national building products business.
- It now comprises 26 manufacturing sites and more than 40 design centres and design studios across the country.
- The portfolio includes:
  - Austral Bricks, Australia's largest clay brick manufacturer with significant market positions in every state.
  - Austral Masonry, Australia's second largest masonry manufacturer.
  - Bristile Roofing, a leading roofing supplier with a strong presence in all major states; and
  - Austral Precast, a supplier of precast walling and flooring products.
- We have also recently completed the construction of the Southern Cross Cement import terminal in Brisbane, a joint venture of which Brickworks own 33%.
- Building Products Australia generated revenue of \$338 million and EBITDA of \$39 million in the first half of 2020. EBITDA in FY2019 was \$88 million.
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## Building Products North America

A business of significant scale has been established, with a market leading position in the Northeast, Midwest and Mid-Atlantic regions

### Brickworks North America Plant Footprint



- Combination of three strong businesses
- Market share leadership across Northeast, Midwest and Mid-Atlantic
- Portfolio of well recognised, premium brands
- Almost 900 employees
- 12 operating brick plants and one manufactured stone plant
- Circa 400 million brick sales per annum
- Circa AU\$290 million revenue per annum
- Extensive reseller network and company operated retail outlets

**Glen-Gery**

**Sioux City Brick**  
Since 1913

**Cushwa**  
BRICK

**Lawrenceville**  
BRICK

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- Now looking at North America.
- Having now completed 3 acquisitions in the past 18 months, we have quickly established a business of significant scale in North America, able to make a meaningful contribution to Group earnings, and a platform for growth.
- The EBITDA contribution in the first half was \$13 million, and this excludes the latest bolt on acquisition of Redland Brick which was completed after the end of the period.
- These acquisitions followed a thorough strategic review, which identified the North American brick industry as a highly attractive long-term growth opportunity for Brickworks.
- Building Products North America now has:
  - Market leadership in key states across the Northeast, Midwest and Mid-Atlantic regions;
  - A portfolio of well recognised, premium brands;
  - Almost 900 employees;
  - 12 operating brick plants and one manufactured stone plant;
  - Annualised sales of approximately 400 million bricks and AU\$290 million revenue; and
  - An extensive reseller network and company operated retail outlets.
- We are excited by the opportunities available to grow the North American business in the years ahead.
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## COVID-19

### Brickworks is in a strong position to withstand the expected downturn in construction activity in Australia and the United States

- Current operations are largely unaffected – government imposed closures in the US have been removed
- Trading activity remains resilient in Australia (April 20 sales revenue approximately in line with April 19), but is down circa 30% in the United States due to lock downs in some states
- However, a reduction in activity and softening of demand is expected
  - Builders in Australia are reporting reduced activity at display homes and lower levels of sales
- Brickworks is taking significant steps to prepare for a downturn and preserve cash
  - Business planning and scenario modelling tools to support decision making
  - Selected plant closures to reduce inventory
  - All non-contracted capital expenditure non-essential expenditure delayed / suspended
  - Employees utilising accrued leave where possible
- Governments in Australia and the United States have indicated that residential and commercial construction is integral to the post COVID-19 economic recovery
- An acceleration of industry trends to online shopping is expected to increase Property Trust demand in future years
- Whilst the situation remains dynamic and the outlook is uncertain, Brickworks is in a strong position, with a diversified portfolio of attractive assets and a robust balance sheet

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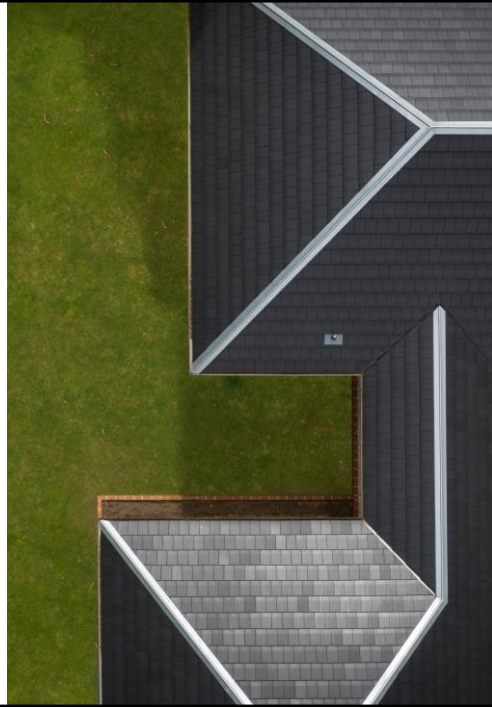
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- The impact of the Coronavirus pandemic is at the top of mind for all investors.
- Brickworks primary focus is on ensuring the safety and well-being of all employees and customers.
- Unfortunately we now have one confirmed case of Coronavirus, with a manufacturing worker at the Sergeant Bluff plant in the United States testing positive.
- While there are no current government imposed restrictions on our operations, we continue to monitor the situation closely, and will not hesitate to close plants if necessary to protect our employees.
- Trading activity remains resilient in Australia with like for like sales in April being approximately in line with the same month last year. However, April sales are down around 30% in the United States due to more extensive lock downs in some states that has restricted building activity.
- It appears inevitable that we are heading for building downturn that will result in reduced demand, as the existing pipeline of work is exhausted.
- In Australia, builders are reporting reduced activity at display homes and lower levels of new sales.
- We are taking significant steps to prepare for the expected downturn.
  - We have delayed all non-contracted capital and non-essential expenditure
  - Employees are utilising accrued leave where possible
  - We have also closed some plants to prevent inventory build and will continue to do so as necessary
- We are re-assured by the response of Governments in Australia and the United States – both have indicated that construction is integral to the post COVID-19 recovery. In Australia we are expecting to see additional Government stimulus to support the recovery.
- As such, we believe that the construction and housing sectors will emerge as one of the stronger and more resilient sectors within the economy.
- In relation to our Property division, we anticipate an acceleration of industry trends to online shopping, and an increase in demand for our industrial Property Trust assets.
- Whilst the situation continues to be dynamic, and there remains significant uncertainty in terms of the outlook, Brickworks diversified portfolio of attractive assets and our robust balance sheet puts us in a strong position to effectively confront the challenges ahead.



## Questions

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I will now take any questions.

# Disclaimer

*The Chairman and Managing Director have authorised the release of this announcement to the market.*

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