

## Brickworks delivers another strong performance, underpinned by a diversified portfolio of attractive assets<sup>1</sup>

- Statutory NPAT up by 93% to \$299 million
- Share of Property Trust value increased by a further \$94 million, strong structural tailwinds
- US brick expansion strategy remains on track, two further bolt-on acquisitions completed during the year
- Australian Building Products demand resilient
- Final dividend 39 cents per share, 44-year record of maintaining or increasing dividends
- Dividend Reinvestment Plan introduced (to be partially underwritten)

Year Ended July (\$million)	2019	2020 <sup>2</sup>	Change
Total Revenue (continuing operations)	919	953	4%
Underlying EBITDA	346	281	(19%)
Underlying EBIT	310	206	(34%)
Underlying NPAT	234	146	(38%)
Statutory NPAT (including significant items and discontinued operations)	155	299	93%
Underlying EPS (cents)	157	98	(38%)
Statutory EPS (cents)	103	199	93%
Final dividend (cents)	38	39	3%
Full year dividend (cents)	57	59	4%

Brickworks (ASX: BKW) today announced **statutory Net Profit After Tax (NPAT)** of \$299 million for the year ended 31 July 2020, up 93% from the prior year. The statutory result included a significant one-off profit in relation to Brickworks' shareholding in WHSP, triggered by the merger of its associate TPG with Vodafone.

After excluding the impact of this, and a range of other significant items and discontinued operations, the **underlying NPAT** was \$146 million, down 38% from the record result achieved in the prior year.

Underlying **earnings before interest, tax and depreciation (EBITDA)** from continuing operations was \$281 million, down 19% on the prior year, and after depreciation, EBIT was \$206 million, down 34%.

Although underlying earnings were lower than the prior year, performance across most businesses was pleasing. Another strong contribution from Property was a key feature of the result. In addition, the Building Products businesses in Australia and the United States delivered strong operational performance, considering the significant disruption caused by COVID-19, and the associated impact on building activity.

Brickworks net debt was \$454 million at year end, with gearing of 19%, down from 21% at the end of the first half.

Directors declared a fully franked final **dividend** of 39 cents per share, an increase of 1 cent on the prior year. This brings the full year dividend to 59 cents, up by 2 cents. The record date for the final dividend is 15 October 2020, with payment on 25 November 2020.

A Dividend Reinvestment Plan (**DRP**) will be offered to shareholders for the first time. WHSP will not participate in the DRP. The final dividend will be partially underwritten for an amount of \$20 million (representing approximately 34% of the total dividend). Brickworks

<sup>1</sup> All underlying profit and earnings measures exclude significant items and results from discontinued operations, unless otherwise stated

<sup>2</sup> Comparative numbers for FY19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable FY2020 Group EBIT is \$201 million, and Group EBITDA is \$247 million. There is no impact on NPAT.

has taken the decision to partially underwrite this dividend to help preserve liquidity as the company moves through a period of significant capital investment and uncertainty around the global economic outlook.

**Chairman of Brickworks, Mr. Robert Millner said:**

*"In a year marked by the challenges of the COVID-19 pandemic, I am pleased to report that **our diversified portfolio of attractive assets has yet again delivered a strong and resilient performance.***

*We are proud to be one of the very few ASX200 companies who have increased dividends to our shareholders during the pandemic and have not needed to raise equity or receive government support payments.*

*This is testament to our strong financial position, prudent capital management and our diversified business model. We know that many of our shareholders rely on this income stream, particularly during these difficult times.*

*Including this year's dividend increase, **we have now maintained or increased dividends for the last 44 years.**"*

**Managing Director of Brickworks, Mr. Lindsay Partridge said:**

*"The contribution from Property was again the standout in financial year 2020, with **strong demand for our prime industrial land** driving a significant increase in the value of our property portfolio. This was highlighted by the 20-year lease commitment secured with Amazon in June. There can be no clearer example of how our facilities are integral to the accelerating structural trends within the economy such as the move to online shopping.*

*Considering the disruption caused by COVID-19, I was also pleased with the performance of our building products businesses during the year.*

***Our US brick expansion strategy remains on track.** With two bolt-on acquisitions completed during the year, we have strengthened our leadership position in the architecturally focussed Midwest and Northeast regions. Although the pandemic had an impact on demand due to intermittent restrictions put in place across various states, it also provided an opportunity to accelerate our plant rationalisation activities in Pennsylvania during the year.*

***In Australia, demand for our products remained resilient** throughout the year, despite the significant disruptions caused by the pandemic.*

*During the second half, we completed commissioning of the Southern Cross Cement terminal in Brisbane. Having now unloaded six ships, we are confident that we have the lowest cost position, and the lowest capital invested, of all south-east Queensland cement suppliers.*

## **Property Trust value up by a further \$94 million, strong structural tailwinds**

Property delivered another stellar result in 2020, generating EBIT of \$129 million, due primarily to earnings from the 50/50 joint venture property trust with the Goodman Group ("Property Trust").

Industrial real estate has been particularly resilient throughout the COVID-19 pandemic. This is reflected in Property Trust rent collections which have experienced negligible rental arrears or deferrals. For the year, net trust income increased by 15% to \$30 million.

All Property Trust assets were revalued during the year and this resulted in another strong revaluation profit of \$53 million. In addition, a development profit on the completion of facilities at Oakdale South contributed \$25 million in earnings.

Total assets held within the Property Trust now stands at over \$2 billion and after including debt, Brickworks' share of net asset was \$727 million at the end of the period, up by \$94 million.

A major highlight for the year was securing a lease pre-commitment for 20 years with Amazon at the Property Trust's Oakdale West Estate in Western Sydney. This is the second major pre-commitment secured at this site, following the announcement of Coles Group in January 2019.

Amazon is well known around the world as a symbol of the accelerating trend to online shopping. As such, securing this tenancy demonstrates how Brickworks is well positioned to benefit from the ongoing ecommerce revolution, with our facilities playing a pivotal role in helping our customers meet the supply chain needs of this new economy.

Post completion of the Amazon and Coles facilities, the gross assets held within the various Property Trust assets across Western Sydney and Brisbane is expected to exceed \$3 billion, with sufficient remaining land to provide at least a further five-year development pipeline.

## **North American brick expansion strategy on track<sup>3</sup>**

In February, Brickworks completed the acquisition of assets from Redland Brick. This marked the Company's third US brick acquisition, following the purchase of Sioux City Brick in August 2019 and Glen-Gery in November 2018.

Brickworks is now well established as the leading player in north-eastern region of the United States, incorporating major cities such as New York, Washington DC, Boston, Philadelphia, Baltimore, Pittsburgh, Columbus, Chicago and Detroit, each with a long heritage of brick construction in commercial and residential buildings.

<sup>3</sup> All earnings amounts are expressed in AU\$

Building Products North America delivered EBIT of \$10 million for financial year 2020, up 63% on the prior year. EBITDA was \$27 million<sup>4</sup>, an increase of 122%. The uplift reflects the benefit of a full year of operation (vs around 8 months in the prior year), offset by the adverse impact of COVID-19 during the second half, with various state and local government restrictions impacting sales activity.

Whilst the COVID-19 pandemic had a short-term impact on earnings, the North American operations provide Brickworks with additional diversification and strong prospects for growth over the long term.

## Australian Building Products demand resilient

Building Products Australia revenue was \$687 million for the year, down 9%. EBIT from continuing operations was \$33 million, down by 43%, and EBITDA was \$91 million<sup>5</sup>.

Demand was resilient throughout the year, despite the impact of the COVID-19 pandemic. In response to the uncertainty caused by the pandemic, several unplanned shutdowns across the plant network were implemented in March and April to prevent stock build. This followed planned shutdowns at major brick kilns in the first half in order to complete significant upgrades and maintenance work.

Operational performance across most divisions was encouraging, given the challenges associated with the pandemic, and the headwinds due to declining market activity. Austral Bricks earnings on the east coast proved particularly resilient, with improved earnings recorded in Queensland, South Australia and Tasmania.

### Mr. Lindsay Partridge said:

*"Like all businesses, we have been severely disrupted by the COVID-19 pandemic over the past six months. The biggest ongoing challenge we now face is the limited mobility of our staff, which is being exacerbated by inconsistent border policies by state governments across Australia. At some plants, such as where specialised engineering crews are required to service machinery, these policies are making it extremely difficult to keep our manufacturing facilities operational.*

*I call on state governments across the country to take a more unified and consistent approach to borders and put in place practical measures that allow the safe movement of personnel for critical work-related travel. This is essential in order to maintain industry, support the economy and ultimately preserve the employment and livelihood of many Australians."*

## Investments

EBIT from Investments was down 51% to \$51 million for the year, primarily due to the impact of lower coal prices on earnings from New Hope Corporation.

A \$244 million profit (after tax) was recorded by Brickworks in relation to WHSP significant items. This primarily relates to a one-off profit triggered by the merger of its associate TPG with Vodafone, resulting in a change in accounting treatment of this investment.

Cash dividends totalling \$56 million were received from WHSP during the year.

The market value of Brickworks shareholding in WHSP was \$1.844 billion at 31 July 2020. Since then, the value has increased by 17%<sup>6</sup>, and now stands at \$2.149 billion.

## Outlook

The COVID-19 pandemic has only accelerated industry trends towards online shopping, and this is fuelling demand for the Company's prime industrial property. Interest from potential new tenants is strong, with discussions well underway with several parties in relation to leasing opportunities within the Property Trust.

As always, **Property** earnings will depend on the timing of development activity and land sale transactions. At this stage there are no major land sales planned in financial year 2021.

Within **Building Products Australia**, orders and sales have increased in September across most businesses, reflecting the various government stimulus measures in place. Feedback from home builders suggests that the pipeline of activity is building across the country. With stimulus measures less effective in Sydney due to higher land prices and lockdowns still in place in Melbourne, conditions in these regions are expected to be more challenging.

In **North America**, the COVID-19 pandemic has impacted short term demand and may continue to cause rolling delays across the network for some time. However, the improved efficiency and cost reductions delivered by plant rationalisation activities, together with plant upgrades to enhance performance, are expected to result in improved earnings as building conditions normalise post the pandemic.

The **investment in WHSP** is expected to continue to deliver a stable and growing stream of earnings and dividends over the long term.

The Company has a diversified portfolio of attractive assets and a robust balance sheet that provides resilience to any short-term challenges and economic uncertainty caused by the COVID-19 pandemic, whilst also providing strong growth prospects over the long term.

<sup>4</sup> Excluding the impact of AASB 16, the FY2020 BP North America EBITDA is \$23 million. No significant impact on EBIT.

<sup>5</sup> Excluding the impact of AASB 16, the FY2020 BP Australia EBIT is \$28 million, and EBITDA is \$61 million.

<sup>6</sup> As at the close of trading on 22 September

**Mr. Lindsay Partridge said:**

*"We have been proactive over the past 6 months to accelerate several exciting initiatives across the Group and position the Company to emerge stronger following the pandemic.*

*Within the Property Trust, infrastructure and development work has continued at pace, in order to meet **strong tenant demand**.*

*Next month we will hold the **biggest product launch event in our company's history**, with an exciting range of innovative new bricks, roof tiles and masonry products.*

*We are **transforming the way we interact with our customers**, with a pilot "Supercentre" retail trade concept being developed, and a new ERP system currently being rolled out. In addition, we have revamped our online and digital interfaces and launched a dedicated architectural news channel.*

*During the pandemic, we have taken the opportunity to complete an **extensive training program** across the Company, using online channels.*

*I am also pleased to say that after initially pausing a number of capital projects to preserve cash during the peak period of uncertainty, **we have now re-initiated our capital program**, where we have mobility and availability of engineering crews. Major upgrades to the Hanley plant in Pennsylvania, and the construction of our new \$75 million Austral Masonry plant in Sydney are both expected to be completed during financial year 2021. Focus will then turn towards the construction of a new \$125 million face brick plant at Horsley Park. When complete, this will be the most advanced brick facility in the country.*

*All of these initiatives will strengthen our competitive position in the years ahead. We also expect that construction and housing sectors will emerge as one of the stronger and more resilient sectors in both Australia and the United States and play an important role in the post COVID-19 recovery."*

## Dividend Reinvestment Plan

Directors have adopted a DRP which provides holders of ordinary shares in Brickworks with a convenient method of reinvesting all or part of their dividends in ordinary shares in Brickworks. The Plan will commence in respect of the forthcoming dividend, and full details will be sent to shareholders and published on the ASX shortly.

The following settings will apply to the DRP for the final dividend:

- The last election date will be at 5:00pm (Australian Eastern Daylight Time) on 16 October 2020;
- A discount of 2% will be applied for the purposes of calculating the offer price according to the DRP for participating shareholders;
- The "Pricing Period" for determining the offer price applicable to Brickworks shareholders will be the period commencing on 16 October 2020 and concluding on 19 November 2020; and
- There will be no limit on the number of shares that may participate in the DRP.

The Directors have resolved that WHSP is not for the purposes of the DRP eligible to participate in the DRP with respect to the forthcoming dividend as a result of the adverse consequences of participation should sections 259C and 259D of the Corporations Act 2001 (Cth) apply.

## Underwriting arrangements

Brickworks has entered into an underwriting agreement with UBS AG, Australia Branch (the **Underwriter**) to underwrite an amount of \$20 million in relation to the forthcoming dividend (**Underwritten Amount**).

The number of Brickworks shares issued to the Underwriter will be calculated by reference to the daily volume weighted average price of Brickworks shares during the period commencing on 16 October 2020 and concluding on 23 November 2020 (excluding certain days as provided in the underwriting agreement). No discount will be applied to shares issued to the Underwriter.

The Underwriter will receive an underwriting fee of 0.15% of the Underwritten Amount. The underwriting agreement may be terminated by the Underwriter if certain events occur, including:

- Brickworks alters its share capital, varies its constitution, or varies, suspends or terminates the DRP;
- Certain regulatory actions are commenced in connection to Brickworks;
- Trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited for one or substantially all of a day on which that exchange is open for trading;
- Material hostilities occur involving Australia, New Zealand, the US, Japan, UK or any member of the EU, or a national emergency is declared by any of those countries after the date of the underwriting agreement, or a major terrorist act is perpetrated in any of those countries;
- There is a general moratorium on commercial banking in Australia, the US or UK or a material disruption in commercial banking or security settlement or clearance services in any of those countries;
- Any adverse change or disruption to the political or economic conditions or financial markets of Australia, the United Kingdom or the United State of America which makes it impractical or inadvisable (in the opinion of the Underwriter, acting reasonably) to proceed with the issue or enforce contracts to issue shares under the DRP or issue the shortfall shares;

- Any government agency takes an action that materially restricts or prohibits stock borrowing, short selling or other dealing (in each case, in respect of shares) that is reasonably necessary for the Underwriter to manage its risk in respect of the issue of shortfall shares;
- Brickworks or any other person requests a court to make an order to approve a scheme of arrangement in respect of Brickworks; or
- Any director of Brickworks is disqualified from managing a corporation.

## Results briefing

To avoid the risk of spreading Coronavirus and to ensure the health and safety of all staff and guests, the company will not hold an analyst briefing event at the Sydney Design Studio.

Managing Director Lindsay Partridge and Chief Financial Officer Robert Bakewell will present Brickworks' results via webcast at 12.30pm today. The briefing will be webcast live on the following link: <https://www.streamgate.co/brickworks/>

Questions may be asked by following the prompts on screen.

## About Brickworks (ASX: BKW)

Brickworks has been building the Australian dream for over a century. Today, Brickworks is more than Australia's largest and most trusted brick manufacturer. It comprises a diversified portfolio of attractive assets, offering shareholders stability and long-term growth. The company has a proud track record, having paid a dividend every year since listing on the ASX in 1962. Brickworks comprises four divisions – Building Products Australia, Building Products North America, Industrial Property, and Investments.

Building Products Australia includes Austral Bricks, the country's largest bricks producer, and other leading brands such as Austral Masonry, Austral Precast and Bristle Roofing. Building Products North America is the leading brick producer in the North-east of the United States and includes the flagship brand of Glen-Gery.

On surplus land assets, Brickworks has developed extensive industry property assets in conjunction with Joint Venture partner the Goodman Group. These facilities help our customers to meet the supply chain needs of the growing digital economy.

Brickworks also has a long-standing investment in Washington H. Soul Pattinson, a diversified investment house and ASX100 company. This investment has delivered outstanding returns for the company and provides stability and growing cash dividends.

*The Brickworks Board has authorised the release of this announcement to the market.*

### Contact details and further information:

<p><i>Investor relations enquiries</i></p> <p>Lindsay Partridge, Managing Director</p> <p>Phone: +61 2 9611 4216</p> <p>Email: <a href="mailto:IR@brickworks.com.au">IR@brickworks.com.au</a></p>	<p><i>Media enquiries</i></p> <p>Lindsay Partridge, Managing Director</p> <p>Phone: +61 2 9611 4216</p> <p>Email: <a href="mailto:IR@brickworks.com.au">IR@brickworks.com.au</a></p> <p><i>Lelde Smits / Julia Maguire, The Capital Network</i></p> <p>Phone: +61 2 8999 3699</p> <p>Email: <a href="mailto:info@thecapitalnetwork.com.au">info@thecapitalnetwork.com.au</a></p>
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