

25 March 2021

Australian Securities Exchange  
Attention: **Companies Department**  
**BY ELECTRONIC LODGEMENT**


Dear Sir / Madam

Please find attached a presentation to be made to analysts today regarding Brickwork's financial results for the half year ended 31 January 2021, for immediate release to the market.

This announcement has been authorised for release by the Brickworks Board of Directors.

Yours faithfully

BRICKWORKS LIMITED



**Susan Leppinus**

Company Secretary

25.03.2021

# Financial Results

Half year ended 31 January 2021

Mr. Lindsay Partridge  
Managing Director

Mr. Robert Bakewell  
Chief Financial Officer

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Today

## Agenda

1H21 Overview	01
Divisional Review	02
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Outlook	04
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# 1H21 Overview

## Section 01

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## 1H21 Overview

### Statutory NPAT up 22% to \$71m

Brickworks has delivered another strong performance, underpinned by a diversified portfolio of attractive assets

Property Trust value increasing, strong structural tailwinds

Value of WHSP stake up by \$720 million during the half

Momentum building in Australian Building Products

North American operations impacted by COVID-19 pandemic

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1H21 Financial Highlights

\$432m

Group revenue ↓4%

\$163m

Underlying EBITDA ↓4%  
(continuing operations)

\$90m

Underlying profit ↓10%  
(continuing operations)

\$71m

Statutory profit ↑22%

59 cents

Underlying EPS ↓12%  
(continuing operations)

21 cents

Final Dividend ↑5%  
fully franked

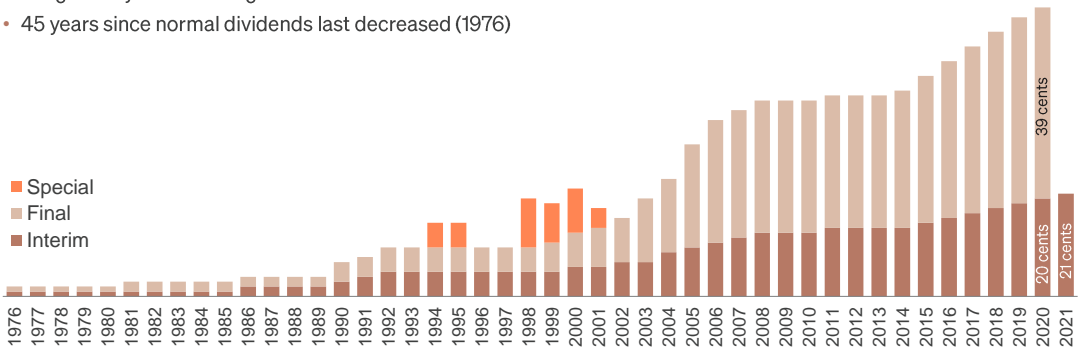
Dividends

Brickworks normal dividend has been maintained or increased since 1976

Brickworks Dividend History

Cents per share

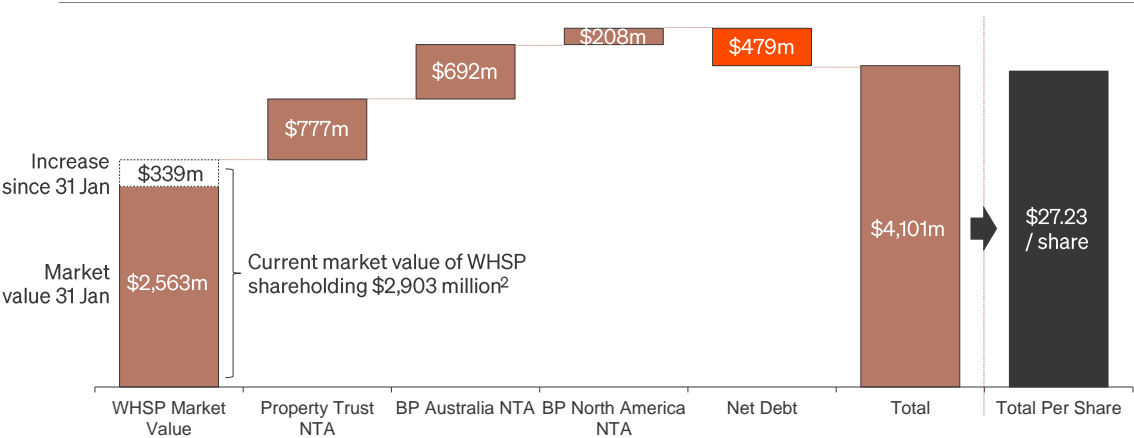
- 21 cents per share fully franked interim dividend, up 5% (Record date 13 April, payment 28 April)
- Long history of dividend growth
- 45 years since normal dividends last decreased (1976)



# Asset Backing

Brickworks current inferred asset backing is over \$27 per share

## Inferred Asset Value<sup>1</sup>



1. Asset values as at 31 Jan 2021, except the market value of WHSP, updated as at the close of trading on 23 March. Building Products NTA includes AASB 16 (Leases) right-of-use assets  
2. Based on a cost base of \$3.44 per share, capital gains tax of around \$773 million would be payable if Brickworks sold its entire shareholding in WHSP at the current market price

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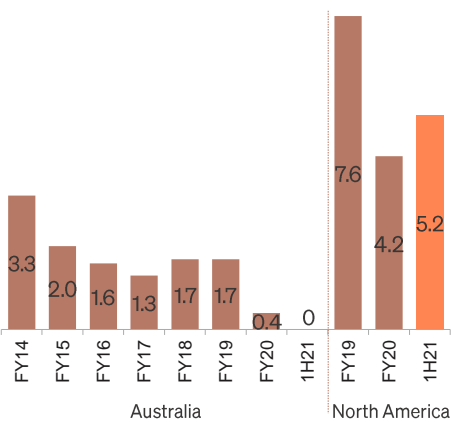
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# Safety

No lost time injuries were recorded in Australian operations during the first half

- Strong safety performance in Australian operations
  - No lost time injuries during the first half
  - Sustained decrease in injury rate over many years
- Injury rates are currently higher in acquired US operations
  - 5 lost time injuries in the first half translated to a lost time injury frequency rate of 5.2
- Additional health and safety initiatives are being implemented in the United States to improve performance

## Total Lost Time Injury Frequency Rate Injuries per million work hours



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# Divisional Review

## Section 02

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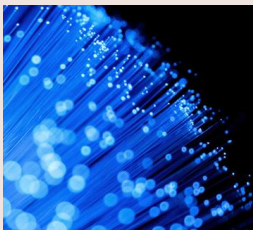
## Divisional Overview

Brickworks has a diversified portfolio of attractive assets across four divisions

### Investments

60% of Group assets

39.4% interest in WHSP, an ASX100 diversified investment house



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### Property

18% of Group assets

Joint Venture Industrial Property Trust with Goodman Group



### Building Products Australia

16% of Group assets

Australia's leading brickmaker + strong positions in other building products



### Building Products North America

5% of Group assets

Leading brickmaker in north east USA



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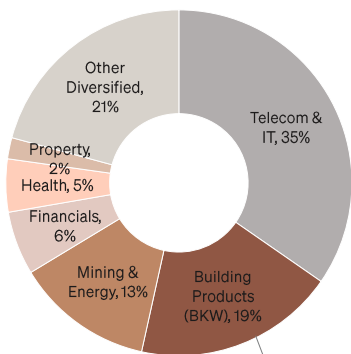
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# Investments – Diversification and Long Term Value Creation

WHSP is a diversified investment house that has delivered strong returns over many years

WHSP Asset Exposure



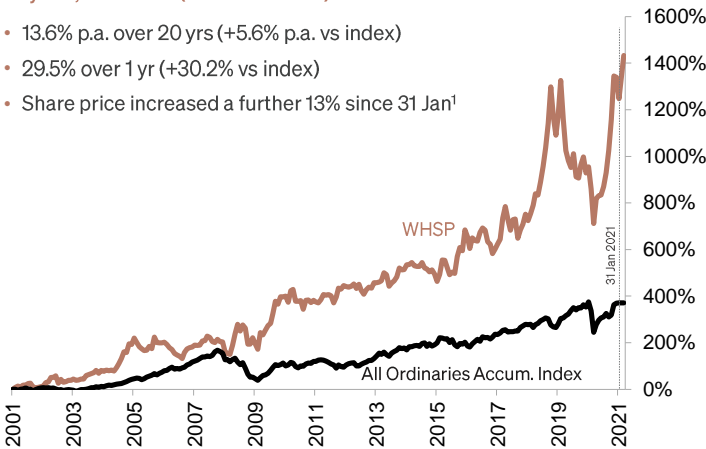
Note: Reported profit from WHSP is based on equity accounting, and excludes that part of WHSP earnings that are attributable to Brickworks

1. As at the close of trading on 23 March

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WHSP Total Shareholder Return  
20 years, cumulative (as at 31 Jan 2021)

- 13.6% p.a. over 20 yrs (+5.6% p.a. vs index)
- 29.5% over 1 yr (+30.2% vs index)
- Share price increased a further 13% since 31 Jan<sup>1</sup>



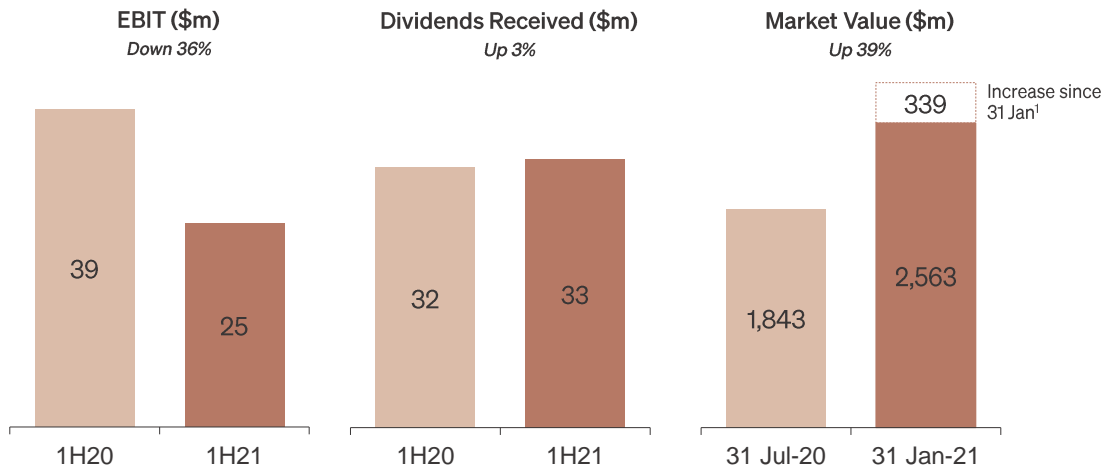
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## Investments – 1H21 Result

The market value of the WHSP stake (39.4% ownership) increased by \$720 million during the half (and a further \$339 million since then)



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## Property – 1H21 Result

Property delivered another increase in earnings, with EBIT up 3% to \$92 million for the 1<sup>st</sup> half

- Industrial real estate resilient through the COVID-19 pandemic
- Net trust income higher, on rent reviews and additional developments
- Revaluation profit driven by 25 basis point reduction in cap rates
- Recognition of deferred land sale profit at Oakdale West upon Coles and Amazon lease agreements becoming unconditional

HALF ENDED JAN (\$M)	1H20	1H21	CHANGE
Net trust income	15	16	7%
Revaluations	52	40	(23%)
Development profit	24	0	NA
<b>Property Trust</b>	<b>90</b>	<b>56</b>	<b>(38%)</b>
Land sales	0	38	NA
Admin and other	(2)	(2)	-
<b>Total</b>	<b>89</b>	<b>92</b>	<b>3%</b>

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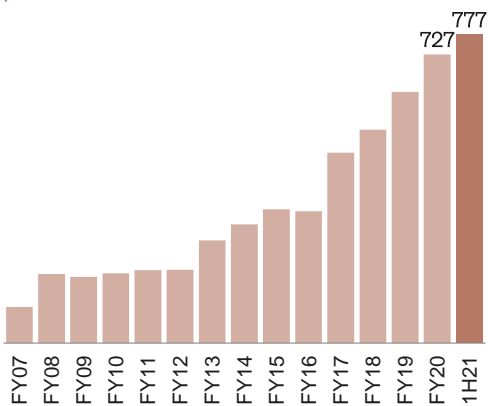
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## Property Trust Asset Value

The net value of Brickworks' share of Property Trust assets increased by \$50 million during the half

HALF ENDED JAN (\$M)	FY20	1H21	CHANGE
Leased properties	1,663	1,749	5%
Land to be developed	397	410	3%
<b>Total Property Trust assets</b>	<b>2,060</b>	<b>2,159</b>	<b>5%</b>
Borrowings	(606)	(605)	-
Net Property Trust assets	1,455	1,554	7%
<b>BKW 50% share</b>	<b>727</b>	<b>777</b>	<b>7%</b>

**BKW 50% share of Property Trust Assets**  
\$millions



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## Overview of Property Trust

Estate	Currently Leased					Additional	
	Asset Value (\$m)	Gross Rental (\$m p.a.)	WALE (yrs)	Cap. Rate	GLA <sup>1</sup> (m²)	Pre-Committed GLA <sup>1</sup> (m²)	Additional GLA <sup>1</sup> (m²)
M7 Hub (NSW)	167	8	2.7	5.0%	64,200	Fully developed	
Interlink Park (NSW)	459	26	3.0	4.8%	192,200	Fully developed	
Oak. Central (NSW)	633	31	4.6	4.6%	245,200	Fully developed	
Oak. South (NSW)	279	13	7.5	4.6%	111,300	25,100	40,000
Rosedale (QLD)	211	11	10.8	5.1%	95,600	10,600	19,600
Oak. West (NSW)	-	-	-	-	-	119,500	257,600
Oak. East (NSW)	-	-	-	-	-	16,100	19,700
Total	1,749	88	5.1	4.8%	708,500	171,300	336,900

The completion of these pre-committed facilities will increase gross rent by \$38 million within the next two years

1. Gross lettable area

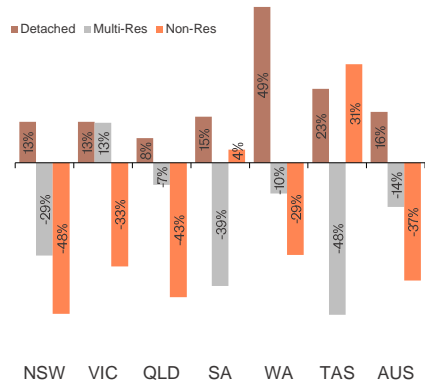




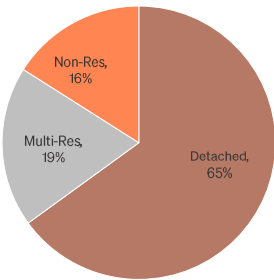


## Building Products Australia – Market Activity

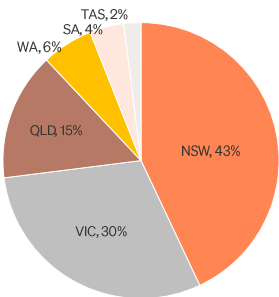
**Building Activity by State<sup>1</sup>**  
6 months to Dec 20 (vs 6 months to Dec 19)



**Segment Exposure**  
Sales revenue by end market



**Regional Exposure**  
Sales revenue by state



1. Detached House and Multi-residential Commencements. Non-residential value of work done. Source: BIS Oxford Economics Dec 2020 forecast. Data shown for NSW also includes ACT, to align with Brickworks' sales regions.

## Building Products Australia 1H21 Result

Building Products Australia EBIT was up by 60%, with momentum building during the half

- Demand subdued early in the half, but steadily improved over the period
- All business units posted improved results
- Improved operating efficiency and lower overhead costs
- B20 product launch in September
  - Largest launch event in the Company's history
  - Strong customer feedback
- Major capital investment program well underway
- New ERP system rolled out in Victoria, South Australia and Tasmania

HALF ENDED JAN (\$M)	1H20	1H21	CHANGE
Revenue	338	330	(2%)
EBITDA	39	43	10%
EBIT	10	16	60%
EBITDA margin	12%	13%	8%
EBIT margin	3%	5%	67%

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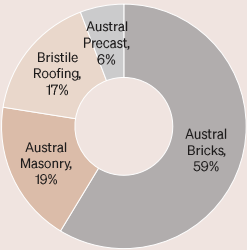
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## Business Unit Performance

- **Austral Bricks** earnings increased, with a particularly strong performance in Qld
- **WA** remained challenging during the period, but prospects are improving:
  - Market consolidation
  - Significant increase in building activity
  - Upgrades at Armadale and Cardup plants
- **Austral Masonry** earnings higher with continued growth of premium paving and retaining wall products
- **Bristle Roofing** earnings increased on lower unit manufacturing costs
- **Austral Precast** earnings improved, “Double Wall” gaining traction in market
- **Southern Cross Cement** operational performance exceeding design capacity

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Building Products Australia Revenue 1H21  
\$330 million



1H21 vs 1H20	Revenue	EBIT
Austral Bricks	↔	↑
Bristle Roofing	↓	↑
Austral Masonry	↔	↑
Austral Precast	↓	↑

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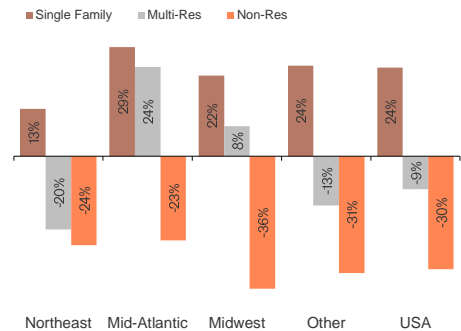
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## Building Products North America – Market Activity

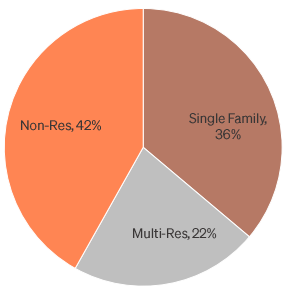
### Building Activity by Region<sup>1</sup>

6 months to Dec 20 (vs 6 months to Dec 19)



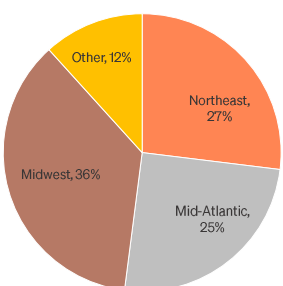
### Segment Exposure

Sales revenue by end market



### Regional Exposure

Sales revenue by region



1. Single Family and Multi-residential Commencements. Non-residential value of work done. Source: Dodge Data & Analytics

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## Building Products North America – 1H21 Result<sup>1</sup>

Building Products North America EBIT decreased, impacted by the COVID-19 pandemic

- Revenue steady, with impact of Redland Brick acquisition offset by decline in building activity across key markets
- Severe winter weather also impacted sales in December and January
- Earnings impacted by lower plant utilisation and workforce challenges related to the pandemic
- Around 90 COVID-19 cases amongst employees and more than half of all staff unable to work for various periods

HALF ENDED JAN (\$M)	1H20	1H21	CHANGE
Revenue (\$US)	75	75	-
EBITDA (\$US)	9	9	-
EBIT (\$US)	4	3	(25%)
Revenue (\$AU)	110	102	(7%)
EBITDA (\$AU)	13	13	-
EBIT (\$AU)	6	4	(33%)
EBITDA margin	12%	12%	-
EBIT margin	6%	3%	(50%)

1. An average exchange rate of 1AUD=0.73 USD has been used to convert earnings in 1H21 (1AUD=0.68 USD in 1H20)

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# Building Products North America - Achievements

- Philadelphia design studio opened in August with a number of COVID safe events held
  - An additional studio is under construction in New York City, to be completed in the second half
- Rationalisation of manufacturing sites
  - 16 plants transitioning to 10 operational
  - Transfer of almost 200 products to new plants
- Focused capital expenditure program
  - Upgrade works completed at Iberia, Hanley and Mid-Atlantic
- Price rise successfully implemented in February

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# Financials

## Section 03

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## Financials – 1H21 Overview

- Increase in Property and Building Products Australia earnings offset by decreases in Investments and Building Products North America
- Underlying tax higher due to the increase in Australian Building Products and Property earnings
- Significant items reduced NPAT from continuing operations by \$17 million

HALF ENDED JAN (\$M)	1H20	1H21	CHANGE
Total EBITDA	170	163	(4%)
Depreciation & amortisation	35	36	3%
<b>EBIT</b>	<b>135</b>	<b>127</b>	<b>(6%)</b>
Borrowing costs	(12)	(10)	17%
Underlying income tax	(22)	(27)	(23%)
<b>Underlying NPAT (from continuing operations)</b>	<b>100</b>	<b>90</b>	<b>(10%)</b>
Significant items	(35)	(17)	51%
<b>NPAT (from continuing operations)</b>	<b>65</b>	<b>72</b>	<b>11%</b>
Discontinued operations	(7)	(1)	86%
<b>Statutory NPAT</b>	<b>58</b>	<b>71</b>	<b>22%</b>

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## Financials – Significant items

- A \$6 million cost in relation to WHSP significant items
- A \$3 million tax cost arising from the carrying value of WHSP
- \$5 million restructuring cost, primarily relating to the relocation of the Austral Masonry plant in Sydney, the post upgrade commissioning of the Austral Bricks plant in Cardup (Perth) and the closure of retail outlets in North America.
- \$2 million COVID-19 related costs, primarily reflecting unabsorbed fixed costs in our North American plants
- Other significant costs of \$1 million

\$MILLION	GROSS	TAX	NET
Significant items relating to WHSP	(6)	-	(6)
Income tax arising from the carrying value of WHSP	-	(3)	(3)
Restructuring activities	(7)	2	(5)
COVID-19 costs	(3)	1	(2)
Other costs	(1)	0	(1)
<b>TOTAL</b>	<b>(17)</b>	<b>1</b>	<b>(17)</b>

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## Financials – Cash Flow Reconciliation

- Increase in operating cash flow, primarily due to:
  - \$71 million in higher tax payments in 1H20, including \$54 million in tax paid on the sale of WHSP shares in December 2018
  - Higher Building Products Australia earnings
- Elevated capital expenditure of \$61 million for the period reflects several major projects underway
- Net dividend payments of \$52 million (net of DRP uptake)

\$MILLION	1H20	1H21
<b>Statutory net profit after tax</b>	<b>58</b>	<b>71</b>
Depreciation, amortisation	35	36
Non cash revaluations within Property Trust	(76)	(78)
Share of profits of associates not received as dividends	26	15
Changes in tax provisions	(59)	31
Other items	(2)	1
<b>Operating cash flow</b>	<b>(18)</b>	<b>76</b>
Acquisitions (net of cash)	(63)	-
Capital expenditure	(57)	(61)
Dividends paid (net of DRP uptake)	(57)	(52)

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## Financials – Key Indicators

- Total shareholder's equity decreased by \$26 million during the half, or \$0.25 per share
  - Decline due to a decrease in the market value of WHSP's listed investments
  - Excluding the WHSP impact, net assets across the Group increased by \$61 million
- Net debt increased by \$25 million to \$479 million
- Gearing up marginally to 20%

	FY20	1H21	CHANGE
NTA per share	\$14.08	\$13.79	(2%)
Shareholder's equity	\$2,404m	\$2,378m	(1%)
Shareholder's equity per share	\$16.04	\$15.79	(2%)
<b>Return on shareholder's equity<sup>1</sup></b>	<b>6.1%</b>	<b>8.0%</b>	<b>31%</b>
<b>Operating cash flow (v 1H20)</b>	<b>(\$18m)</b>	<b>\$76m</b>	<b>NA</b>
Net debt	\$454m	\$479m	8%
Gearing (net debt / equity)	19%	20%	6%
Interest cover	8x	12x	50%

1. Based on annualised underlying NPAT from continuous operations. (1H21 NPAT x 2)

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## Debt Maturity and Metrics

- Circa \$863 million in debt facilities committed
  - Syndicated multi-currency facility ~\$617 million
  - Bilateral cash advance facility \$100 million
  - Institutional term loan facility \$100 million
  - Construction loan facility \$46 million
- Next maturity in FY2022 (construction facility)
- Net debt of \$479 million<sup>1</sup> at 31 Jan 2021:
  - Total drawn debt \$594 million
  - Offset by cash of \$115 million
- Significant headroom within existing covenants:
  - Gearing 16%<sup>1</sup> (vs covenant <40%)
  - Interest cover 12x<sup>1</sup> (vs covenant of >3.5x<sup>2</sup>)
  - Leverage ratio 1.9x<sup>1</sup> (vs covenant of <3.5x<sup>2</sup>)
- Additional lease liabilities of \$107 million

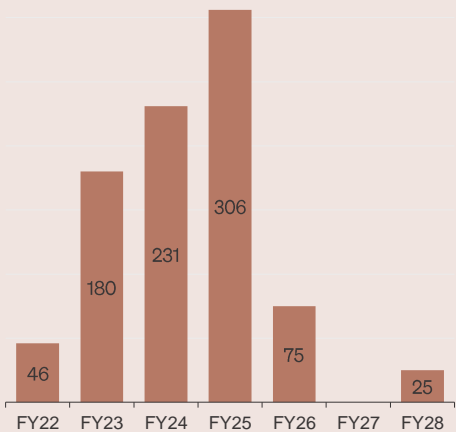
<sup>1</sup> Gearing, interest cover and leverage ratio outlined here are based on the Group's banking covenant calculation (and differ from standard calculations used for these metrics, as quoted elsewhere in this report)

<sup>2</sup> Covenant only applies if gearing > 22.5%

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### Debt Maturity Profile

Total \$863 million facilities



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# Outlook

## Section 04

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# Outlook

## Investments

60% of Group assets

- Strong history of outperformance over the long term and across business cycles

## Property

18% of Group assets

- Development activity within the Property Trust continues at unprecedented scale
- Completion of pre-committed facilities over the next two years will result in a significant uplift in rental income and asset value
- Trend towards online shopping, and demand for more sophisticated facilities to drive growth

## Building Products Australia

16% of Group assets

- Significant pipeline of work, beginning to translate into increased building products demand
- Strong second half anticipated, with all east coast brick and roof tile plants operating at capacity
- Major capital projects on schedule - will improve competitive position in key markets
- Medium term uncertainty, post stimulus induced surge

## Building Products North America

5% of Group assets

- Severe winter weather continued to impact sales in February
- Strong recovery in demand during March, with improved weather and increased optimism of a stimulus led post-pandemic recovery. Daily order intake now at pre-pandemic levels.
- Improved earnings and long-term growth anticipated, once conditions normalise

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# Questions

## Section 05

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Thank you

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The Board has authorised the release of this announcement to the market

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