

## TRADING UPDATE

- **Record Property earnings expected in FY2021**
- **Building Products EBIT expected to be higher in both Australia and North America<sup>1</sup> in FY2021, with sales gathering momentum**

Brickworks (ASX: BKW) today announced a significant revaluation profit within its Joint Venture Industrial Property Trust ("Property Trust"), with Brickworks' share expected to be around \$100 million. This will contribute to record Property **underlying earnings before interest and tax** ("EBIT") of \$240-260 million for FY2021, up from \$129 million in the prior year.

Building Products Australia and North America are both expected to record higher EBIT in FY2021 in local currency terms. However, with two more months of trading activity to come, it is too early to accurately forecast the extent of the EBIT uplift. Operations in these divisions remain exposed to unpredictable COVID-19 related impacts, currently ranging from a rapid re-opening of the economy across the United States, to newly imposed lockdowns in Melbourne.

Due to the uncertainty within Building Products and a lack of visibility of Investment earnings in the second half, which are driven by the Company's 39.4% shareholding in Washington H. Soul Pattinson, no guidance can be provided in relation to Brickworks' **net profit after tax** ("NPAT").

More detail will be provided at Brickworks' full year results announcement, on Thursday 23 September.

### Record Property earnings expected in FY2021

Brickworks expects to report record Property earnings in the current financial year, with Property EBIT in the range \$240-260 million, driven by the continued increase in the value of its Property Trust.

Brickworks Managing Director, Mr. Lindsay Partridge said: "Since the end of the first half, there has been a number of significant industrial property transactions in western Sydney. The pricing of these transactions has reinforced the strong investor appetite for prime industrial property assets."

"Given the number of sales and the steep movement in transaction pricing, an independent valuation of our Property Trust assets has been completed, and this process has resulted in further compression of capitalisation rates across our portfolio. As such, a revaluation profit of around \$100 million will be recorded in the second half, representing Brickworks' 50% share of the valuation gain."

"In addition, Property earnings are expected to be boosted further by the completion of developments at Oakdale East, currently forecast to occur in July."

"We have seen strong demand and sustained growth in the value of our Property Trust over a number of years. The COVID-19 pandemic has only fuelled this growth, by accelerating industry trends towards online shopping and increasing the importance of well-located distribution hubs and sophisticated supply chain solutions."

"Practical completion of the Amazon facility at Oakdale West is expected to occur in the first half of financial year 2022. The even larger Coles distribution warehouse is now under construction, with completion of this facility scheduled early in financial year 2023."

<sup>1</sup> Comparative North American EBIT measured in local currency (\$US)

## Building Products sales gathering momentum in Australia and North America

The Company also reported that sales momentum is gathering in its Building Products businesses in both Australia and North America.

Mr. Partridge said: "In Australia, the significant uptick in housing approvals is now translating to increased building activity, with our sales particularly strong in Queensland and Western Australia over recent months. That said, the availability of some materials, such as timber for house trusses, is an issue in some areas, with the resultant delays likely to flatten and extend the duration of the existing pipeline of work."

"We expect EBIT from Building Products Australia to finish FY21 higher than last year, noting that EBIT in the prior year included a significant write-back of costs to take into account the impact of the COVID-19 pandemic."

Operations in North America have been harder hit by the pandemic, particularly in the first half of FY21. However, with the vaccine program in the United States well advanced, building activity in the United States is now ramping up.

Mr. Partridge said: "We have seen a strong rebound in sales volume to our housing customers in May, with this segment currently making up around 60% of total sales. Pleasingly, we are now meeting the sales targets set at the time of the Redland Brick acquisition, prior to the pandemic."

"A strengthening of commercial sales is anticipated as delayed and deferred projects re-commence over the coming months."

"Based on the current momentum and including earnings from the sale of our York facility, we expect US dollar EBIT from Building Products North America to finish the year higher than FY20, despite the lower first half".

## 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:

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