

Brickworks Curtails Operations at a Number of Facilities in NSW and QLD

Brickworks (ASX: BKW) acknowledge the efforts of the New South Wales Government, public servants, health officials and construction industry representatives who have worked tirelessly throughout the COVID-19 pandemic, but particularly over the past few weeks to confront the considerable challenge faced by the industry in the wake of the latest outbreak across the state.

Managing Director, Mr. Lindsay Partridge said: “Despite the best efforts of all involved, the restrictions are now having a significant impact across our operations. In June and early July our brick sales in New South Wales were approximately in line with local production capacity, however dispatches abruptly reduced by 80% during the pause in construction activity across Sydney in late July. These were the most severe restrictions that our business has faced since the onset of the pandemic, with sales limited to the ACT and regional areas only.”

“The partial re-commencement of construction activity in August has resulted in some improvement, however brick sales remain at only 50% of pre-lockdown levels, resulting in a number of our storage yards reaching full capacity. As such, we have been forced to temporarily curtail production at two of our five brick kilns across the state, representing 30% of total production capacity. As part of the multi-day shutdown process, kilns at Punchbowl and Horsley Park Plant 3 were taken off-line over the weekend. Plant 1 at Horsley Park, Bowral and the 2nd kiln at Plant 3 remain operational, with significant production volume being transported south, to meet the continued strong demand in Victoria.”

“The impact is similar across our other building products businesses. Operations at our Precast facility in Wetherill Park have been significantly reduced, and we have removed one production shift at our roof tile plant in Brisbane that supplies the Sydney market.”

“Whilst we have been forced to temporarily reduce staffing across several manufacturing facilities, we have no intention of laying off any staff, and are committed to working closely with our valued and highly skilled employees to preserve their employment throughout this period of uncertainty. Across our sales and despatch functions, we continue to maintain full staffing levels to ensure the best possible service levels to our customers.”

“As our largest and most profitable market, the restrictions in New South Wales are now having a material impact on Building Products Australia earnings. With the situation remaining highly volatile and unpredictable, it is difficult to quantify the ongoing impact and we have no confidence in being able to accurately forecast business performance until there is a full re-opening of construction activity across the state.”

Mr. Partridge also noted that major capital projects are being affected by the restrictions. “Our new masonry plant at Oakdale East has reached practical completion, however the commissioning process is being severely disrupted, with several critical technicians being stranded overseas, due to a scarcity of inbound flights, despite having been approved for travel to Australia.”

“Work on our new brick facility at Horsley Park, located in the Fairfield local council area, is currently stopped due to the ban on all construction activity in that area. If these bans are eased, our crews are on standby to re-commence work on this state significant project in whatever capacity allowed.”

“Development activity within the Property Trust has also been affected, with our various Oakdale Estates being impacted by numerous intermittent closures and reduced workforce numbers,” Mr. Partridge said.

In relation to activity across other parts of the country, Mr. Partridge said: “Despite the lock downs in Melbourne and Brisbane, demand in these cities remains largely unaffected at this stage. However, with the outlook across the entire country becoming increasingly uncertain, this could change at any moment.”

FY2021 Earnings Update

In relation to FY2021 earnings, Mr. Partridge said: “Given the timing of the restrictions in New South Wales, which commenced just two weeks prior to our financial year end, the impact will not be material to our FY21 result.”

“Further to our trading update on the 9th June 2021, we now expect FY21 EBIT¹ from Building Products Australia to finish around 35% higher than FY20. In North America, trading in July was slightly softer than our forecast, and this will result in FY21 EBIT being slightly below the prior year, in local currency terms. Property will deliver a record EBIT result of around \$250 million, near the middle of the range previously advised.”

Due to the 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 on the FY2021 result and a further update on trading conditions will be provided at Brickworks’ full year results announcement, on Thursday 23rd September.

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 Bristile 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.

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¹ All references to EBIT reflect underlying earnings before interest and tax