

# Launch of Brickworks Manufacturing Trust

22 July 2022



**BRICKWORKS**



# Presentation Overview

## Brickworks Manufacturing Trust launched

- Sale of a 49.9% interest in Brickworks Manufacturing Trust, housing 15 operational sites, to Goodman
- The assets comprise 496 hectares, with a gross asset value of \$416 million (100% interest)
- All sites will be tenanted by Brickworks' operating businesses, on long duration leases

## Significant profit and cash proceeds

- The sale price represents a \$280 million premium to the book value of the assets<sup>1</sup>, resulting in an equivalent net profit to be recognised (partially deferred)
- The sale will deliver gross cash proceeds of \$207 million (representing 49.9% of the asset value) and net proceeds of around \$193 million are anticipated (after tax, duty and transaction costs)

## Extends partnership with Goodman

- Extends partnership with Goodman, the market leaders in industrial property
- Opportunity to maximise the value of assets over the long term, with some properties having the potential for additional development and greater utilization

## Further property development opportunities

- Brickworks retains 100% ownership of around 5,300 hectares of land
- There remains significant development opportunities and valuation upside across Brickworks' property portfolio

<sup>1</sup>. After allowing for various transaction-related costs and provisions

# Brickworks Manufacturing Trust – Overview (1 of 2)

The Brickworks Manufacturing Trust will comprise 15 sites with a gross asset value of \$416 million

## Brickworks Manufacturing Trust – Key Details

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Ownership:	Brickworks 50.1%, Goodman Group 49.9%
Properties:	15 manufacturing sites, predominantly zoned industrial
Location (by asset value):	Queensland 38%, Victoria 36%, Western Australia 14%, New South Wales 6%, South Australia 5%, Tasmania 1%
Portfolio Valuation:	Gross asset value \$416 million
Debt and gearing	None
Tenants:	All tenants are 100% owned Brickworks subsidiaries, including Austral Bricks, Bristile Roofing, Austral Masonry and Austral Precast
Net rent:	Initial net rent \$17.75 million, with annual increases of 2.5% for most properties
Weighted average lease expiry (WALE):	16 years (weighted by income)

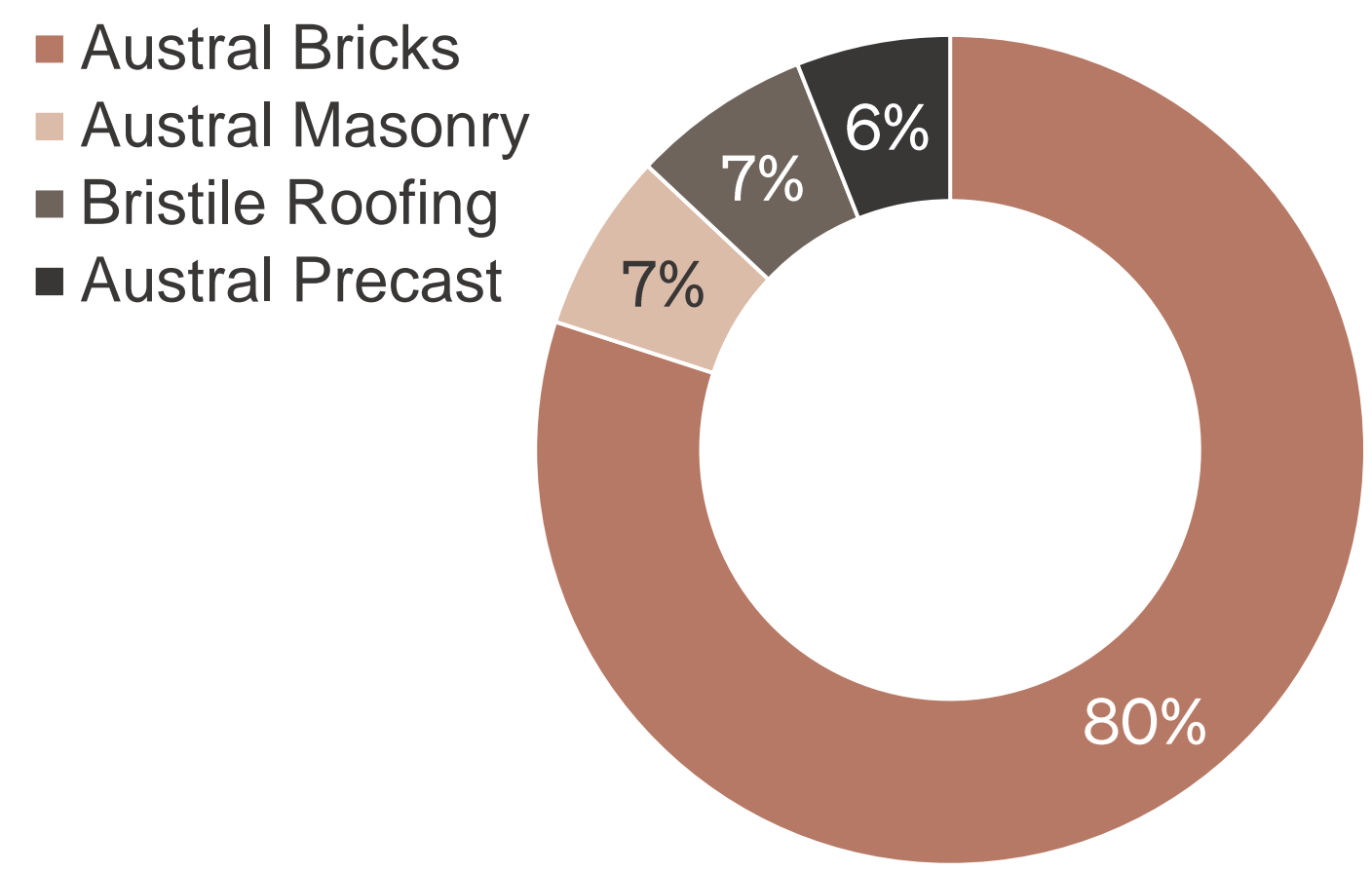
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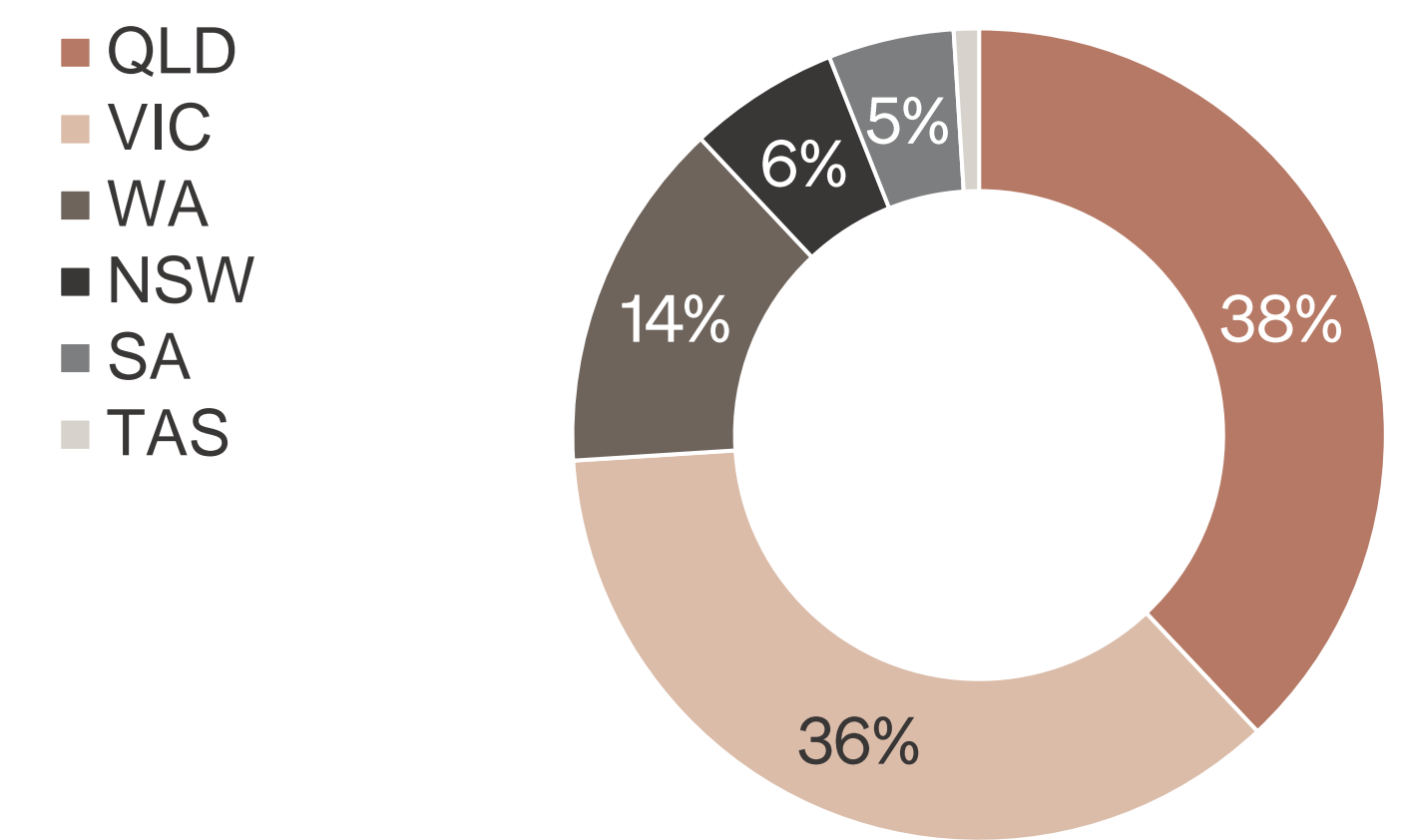
# Brickworks Manufacturing Trust – Overview (2 of 2)

Properties will be tenanted by Brickworks subsidiaries, and are located across all states

## Tenant diversification (by asset value)



## Geographic diversification (by asset value)



### Example Trust Asset – Rochedale (QLD)

- 62 hectare site, adjacent to existing Industrial Property Trust





# Financial Impact of Transaction

Net cash proceeds of around \$193 million are anticipated from the transaction

## Key Financial Impacts of Transaction

Cash proceeds (gross)	\$207m	• 49.9% of gross portfolio asset value
Est. transaction costs	(\$14m)	• Estimate of stamp duty, capital gains tax and other transaction costs
Cash proceeds (net)	\$193m	• Gross proceeds less transaction costs
Pre-tax profit on sale	\$280m <sup>1</sup>	<ul style="list-style-type: none"><li>• Sale value represents significant premium to book value</li><li>• Profit is attributable to Building Products Australia, with circa \$90m to be reported up front (in 2H22)</li><li>• In accordance with accounting standards, the majority of profit is to be recognised over the life of the lease term</li></ul>
BKW Net Assets	+\$74m	• Due to uplift vs book value and share of assets retained

<sup>1</sup>. Around \$90 million of this pre-tax profit is expected to be recognised on completion of the transaction, with the remainder recognised over the life of the lease terms (up to 20 years)

## Financial Impact – Future Divisional Impacts

Whilst there will be some divisional impacts, Brickworks Group PBT and cashflow are not expected to be significantly impacted on an ongoing basis (excluding property revaluations or developments)

### Key Financial Impacts of Transaction

Division	Comments
Building Products Australia	<ul style="list-style-type: none"><li>• Additional rental costs payable</li><li>• Recognition of upfront portion of profit in 2H2022</li><li>• Recognition of deferred portion of profit over the initial lease period (calculated on an individual property basis)</li></ul>
Property	<ul style="list-style-type: none"><li>• Additional net rental income</li><li>• Potential for revaluation profits</li><li>• Potential for development profits</li></ul>
Corporate / Group	<ul style="list-style-type: none"><li>• Reduction in interest costs due to reduced bank debt</li></ul>

 The overall impact on Brickworks Group profit before tax and cashflow is expected to be less than \$5 million p.a. (excluding any property revaluations and development profits)

## Strategic Rationale

The launch of the Brickworks Manufacturing Trust is the next step in Brickworks' strategy to maximise the long-term value of its property assets

### Rationale for Partial Land Sale

- Industrial property valuations have strengthened considerably over the past decade, providing an opportunity to realise value
- The transaction will provide a significant upfront cash injection
- Provides shareholders with improved transparency of operational property value
- Balance sheet strength properly recognised

### Partnership with Goodman

- Goodman are the undisputed market leader in industrial property with unrivalled development expertise and customer relationships
- Strong existing relationship, with proven success
- Opportunity to value-add across portfolio, with some properties under-utilised
- Developments to be fast-tracked and completed within Trust structure
- Potential synergies with existing industrial JV Trust (i.e. at end of operating life)



# Overview of Brickworks Property Holdings (post transaction)

Brickworks hold a vast portfolio of property assets with significant growth potential

## Joint Venture Property Trusts

### Industrial Trust



- \$1.5 billion BKW net asset value<sup>1</sup>
- Prime industrial / logistics, tenanted by third party customers
- Estates across Sydney and Brisbane
- Development land held within Trust will provide significant further growth

### BKW Manufacturing Trust



- \$208 million BKW net asset value
- Manufacturing sites, tenanted by Brickworks subsidiaries
- Properties located across Australia
- Some opportunities to develop sites to improve utilisation

## Brickworks 100% ownership

### Operational + Surplus Land



- Significant additional value
- Key development sites include:
  - Oakdale East Stage 2 (NSW)
  - Horsley Park (NSW)
  - Craigieburn (VIC)
  - Mid-Atlantic (PA, USA)

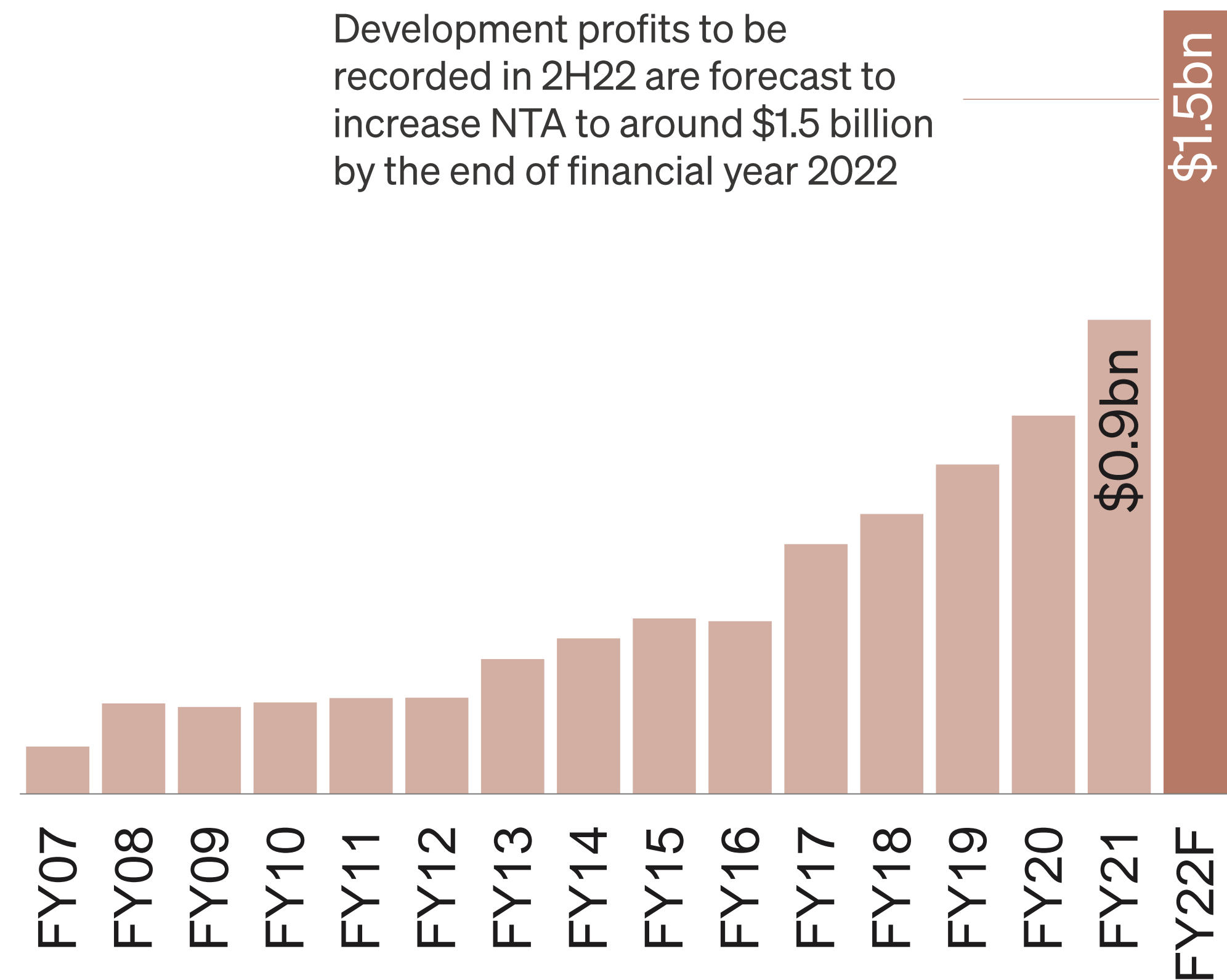
1. Unaudited, estimated value at 31 July 2022, based on 31 January 2022 value and development activity in 2H2022



# Industrial JV Trust – Future Growth (Existing Assets)

The Industrial JV Trust has a strong history of growth, and holds additional development land at Oakdale West that will be built out over the next few years, adding to rental income and leased asset value

## BKW 50% Share of Industrial JV Trust Net Asset Value



### Oakdale West Estate

- Amazon facility completed. Coles, Woolworths, Aust Post and Telstra now approaching completion
- Significant additional land under development over the next 2-3 years to add to rent and asset values





## BKW Manufacturing Trust – Future Growth

Development opportunities within the Brickworks Manufacturing Trust will be pursued in partnership with Goodman

- Opportunities exist across some locations to add value, and these will be pursued in partnership with Goodman
- Selected sites, such as Yatala in Queensland (shown right) are under-utilised and have the potential for development in the medium term
- Some sites have potential for industrial development in the long term, subject to approvals, including Wollert (Victoria) and Rochedale (Queensland)
- Additional Building Products Australia sites may be sold into the Brickworks Manufacturing Trust in future years (for example Horsley Park in NSW)
- Future new plant developments may be funded within the Brickworks Manufacturing Trust structure

### Example: Yatala Site, Queensland

- Underutilised site, with a significant parcel of surplus land adjacent to Austral Masonry plant





## 100% Owned Operational and Surplus Land

Building Products retains 100% ownership of around 5,300 hectares of operational and surplus land across Australia and North America. Some of these property assets have significant valuation upside if / when developed

- Building Products retains 100% ownership of around 5,300 hectares of operational and surplus land:
  - Circa 3,500 hectares in Australia
  - Circa 1,800 hectares in North America
- Land holdings include operational brick sites, quarries, clay lands, sales centres and surplus land
- Includes four significant land holdings that may be suitable for sale into the Industrial JV Trust or Brickworks Manufacturing Trust in the coming years:
  - Oakdale East Stage 2 (NSW)
  - Horsley Park (NSW)
  - Craigieburn (VIC)
  - Mid-Atlantic (PA, USA)
- Based on independent market valuations, these four sites have a combined current “as is” value of \$0.8 billion and a “rezoned” value of \$1.3 billion

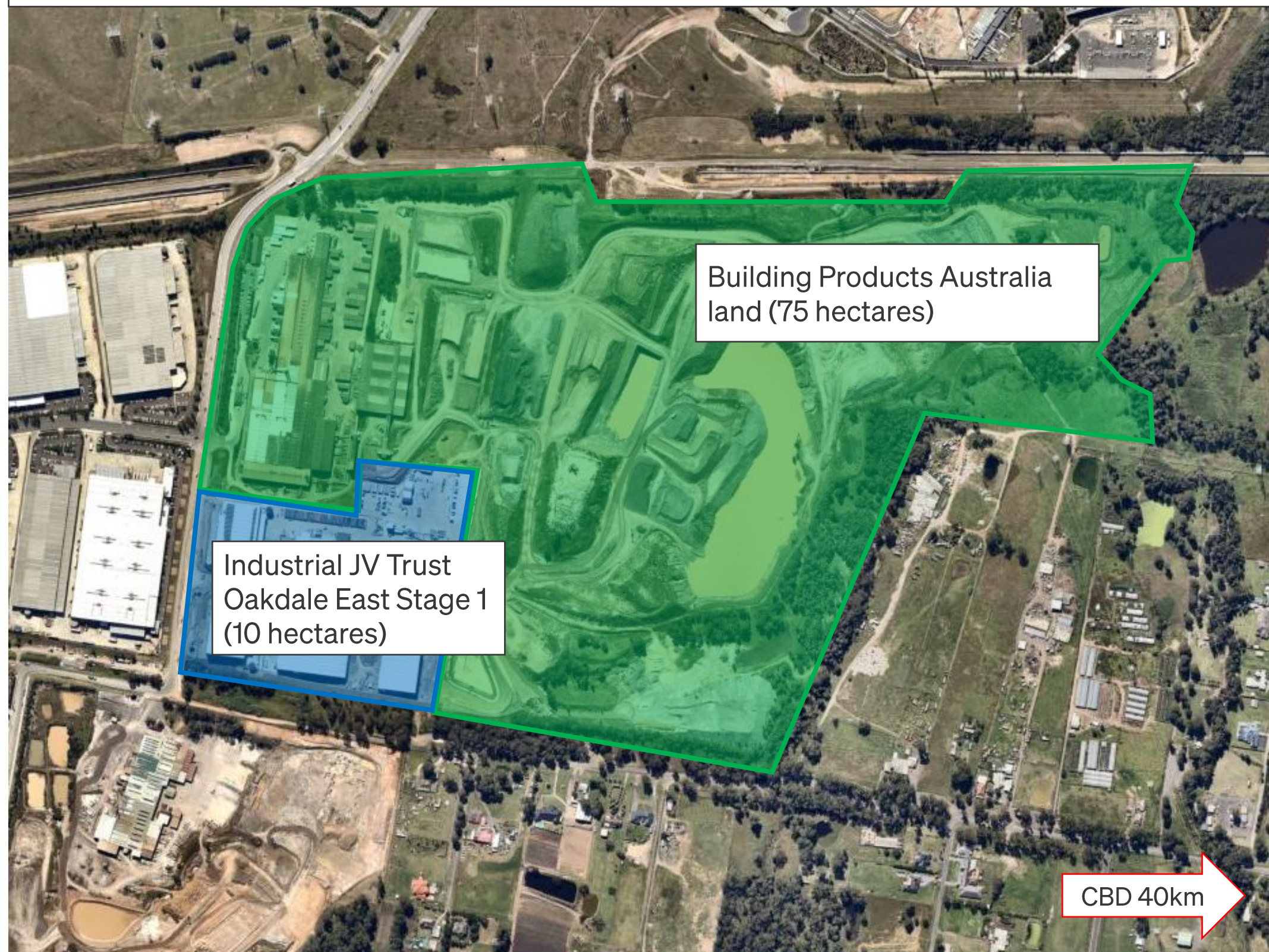


# 100%-Owned Operational and Surplus Land – Development Sites (1 of 2)

## Brickworks retains 100% ownership of several development sites

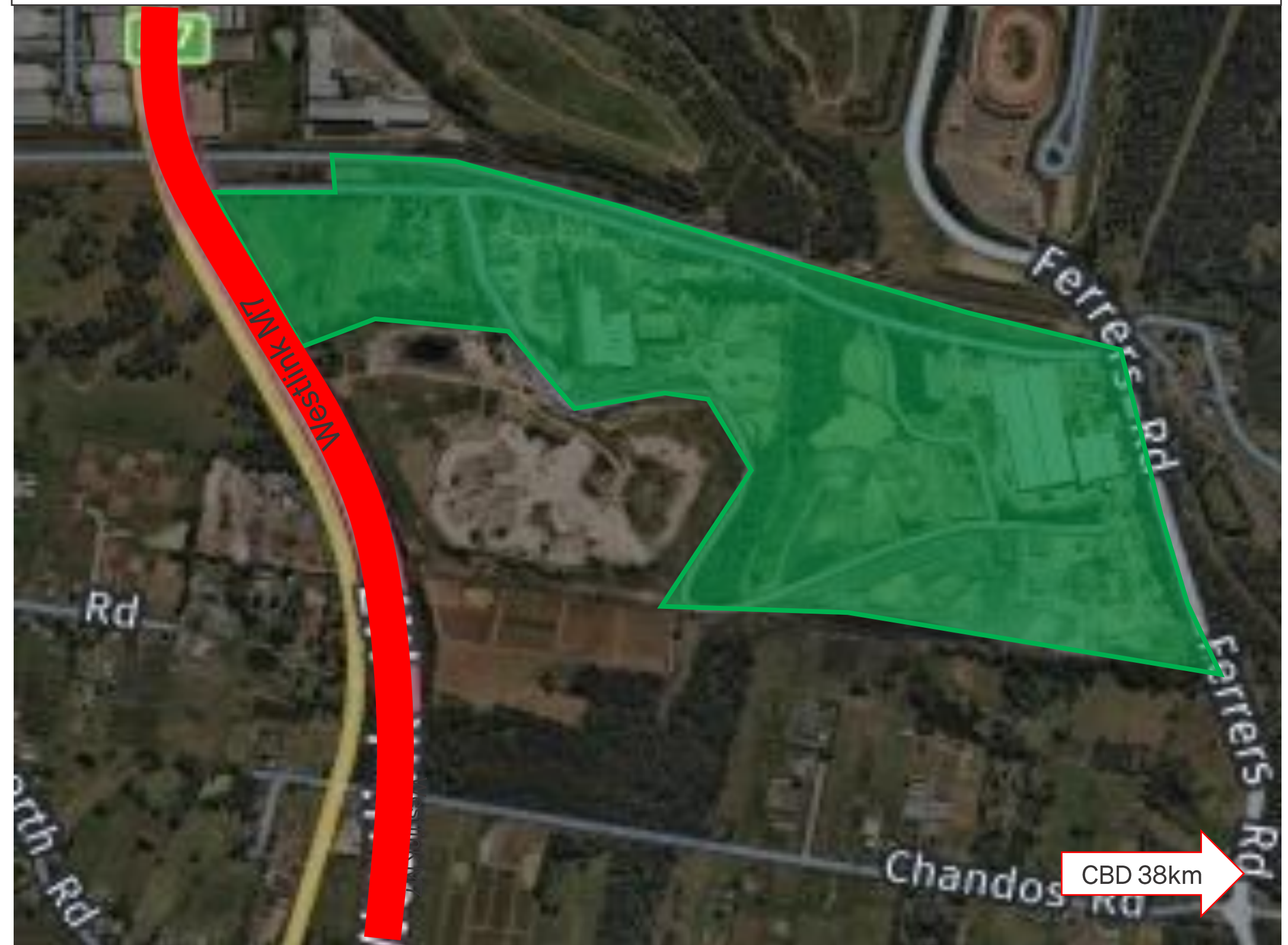
### Oakdale East Site, NSW

- Stage 1 (10 hectares) sold into Property Trust, with development fully completed
- The remaining 75 hectares is held within Building Products Australia as an operating brick plant and quarry. This land is earmarked for sale into the Industrial JV Trust for development, once brick operations are replaced by the new Horsley Park plant (within 12 months)



### Horsley Park Site, NSW

- 83 hectares comprising 2 brick plants, quarry and surplus land
- Subject to approvals, surplus land may be available for industrial development
- Potential for future sale into the Brickworks Manufacturing Trust





# 100%-Owned Operational and Surplus Land – Development Sites (2 of 2)

## Brickworks retains 100% ownership of several development sites

### Craigieburn Site, VIC

- 332 hectares surplus to operational requirements, south of the Wollert factory site
- Subject to approvals, mixed use industrial and / or residential development may be possible over the medium term



### Mid-Atlantic Site, Pennsylvania, USA

- 258 hectares comprising brick plant, quarries and surplus land
  - Subject to approvals, industrial development may be possible over the medium term
- Discussions commenced with Goodman in relation to development of site





# Appendices

- Brickworks Manufacturing Trust Assets
- Brickworks 100% Owned Land Holdings





# Brickworks Manufacturing Trust – 50.1% Owned

Site	Asset Value (\$m)	State	Tenant	Gross Rental (\$m p.a.)	Initial Lease Term (yrs)	Area (ha)
Wetherill Park Plant	27	NSW	Austral Precast	1.2	5	2
Rochedale Plant	118	QLD	Austral Bricks	5.0	20	62
Wacol Plant	13	QLD	Bristile Roofing	0.6	10	2
Gympie Plant	4	QLD	Austral Masonry	0.2	15	38
Cairns Plant	7	QLD	Austral Masonry	0.4	15	1
Yatala (6-12 Greyhound Rd)	5	QLD	Austral Masonry	-	-	8
Yatala Plant (Burnside Rd)	7	QLD	Austral Masonry	0.3	20	4
Rockhampton Plant	4	QLD	Austral Masonry	0.2	10	2
Ayr Sales Office & Yard	2	QLD	Austral Masonry	0.1	10	1
Golden Grove Plant	19	SA	Austral Bricks	0.8	20	49
Longford Plant	4	TAS	Austral Bricks	0.2	15	11
Wollert Plant	132	VIC	Austral Bricks	5.3	20	276
Dandenong Plant	16	VIC	Bristile Roofing	0.7	10	3
Armadale Plant	42	WA	Austral Bricks	2.0	10	23
Bellevue Plant	17	WA	Austral Bricks	0.8	5	15
<b>Total - Gross Assets</b>	<b>416</b>			<b>17.8</b>	<b>16</b>	<b>496</b>
Borrowings	-					
<b>Net Trust Assets (100%)</b>	<b>416</b>					
<b>Brickworks Net Asset Value (50.1%)</b>	<b>208</b>					



# Building Products Australia Property Holdings – 100% Owned

Site	State	Area (Ha)
Wallgrove Rd Horsley Park (Plants 1 & 2)	NSW	82.9
Oakdale East (Plant 3)	NSW	75.0
Kiama Street, Bowral	NSW	8.7
Parry Dr, Bowral	NSW	12.0
Paddy's River, Marulan	NSW	91.0
Bunnygalore Rd, Bellanglo	NSW	40.6
Chesley Park, Berrima	NSW	51.0
Mandurama, Berrima	NSW	100.1
Bringelly	NSW	121.0
German Church Rd, Redland	QLD	22.3
161 Ford Rd, Burbank	QLD	16.1
205 Ford Rd, Burbank	QLD	34.4
6 David Muir St, Mackay	QLD	1.3
Corica Rd, Mt Kelly	QLD	163.3
Lot 1172 Goodburrm Rd, Welcome Creek	QLD	31.5
Poultons Quarry, Golden Grove	SA	27.3
Dreckos Quarry, Golden Grove	SA	27.2
Denton's Fricker's, Golden Grove	SA	83.4
1 Wilmores Lane, Longford	TAS	73.9

Site	State	Area (Ha)
Kilmore Rd, Wallan	VIC	157.2
Craigiburn Rd, Craigieburn	VIC	332.1
Atkinsons Rd, Buninyong	VIC	42.5
Harper St Caversham	WA	35.9
Lot 2, Pile Rd, Dardanup	WA	24.3
1055 Morangup Rd, Toodyay	WA	685.4
Lot 83, Great Northern Hwy, Chittering	WA	440.9
2070 Great Northern Hwy, Bullsbrook	WA	40.4
Lot 201, Great Northern Hwy	WA	76.4
Lot 1 Martin Pelusey Rd, Dardanup	WA	11.7
Lot 3 Martin Pelusey Rd, Dardanup	WA	6.1
Lot 4 Waterloo-Dardanup Rd, Dardanup	WA	4.9
Lot 25 South West Hwy, Dardanup	WA	55.5
Lot 23 Railway Rd, Waterloo	WA	47.5
Lot 26 Railway Rd, Waterloo	WA	50.0
Lot 4 Railway Rd, Waterloo	WA	21.2
Lot 5 Waterloo Rd, Waterloo	WA	103.0
Kiln Rd, Cardup	WA	297.0
Almeria Pde, Upper Swan	WA	19.6
<b>Total</b>		<b>3,514.5</b>



# Building Products North America Property Holdings – 100% Owned

Site	State	Area (Ha)
Cushwa Plant	MD	161.2
Rocky Ridge Plant	MD	288.2
Adel Plant and associated quarries	IA	117.4
St Bluff Plant and associated quarries	IA	79.1
Marseilles Plant and associated quarries	IL	118.0
Caledonia Plant and associated quarries	OH	26.0
Iberia Plant and associated quarries	OH	171.5
Hanley Plant and associated quarries	PA	26.5
Oxford Quarry (York region)	PA	116.2
Mid Atlantic Plant and associated quarries	PA	258.4
Landmark Stone Plant	KY	28.5
Pittsburgh Plant	PA	84.8
Lawrenceville Plant	VA	242.6

Site	State	Area (Ha)
Corporate Office (Wyomissing)	PA	16.5
Palos Hills Office	IL	0.3
Des Plaines MSC	IL	2.1
Schaumburg MSC	IL	1.4
New Lenox MSC	IL	1.0
Champaign MSC	IL	1.8
Naperville MSC	IL	2.8
Bridgeview MSC	IL	3.4
South Bend MSC	IN	1.9
Chesterton MSC	IN	1.6
Carmel MSC	IN	1.6
Indianapolis MSC	IN	2.6
Kokomo MSC	IN	1.8
Reading MSC	PA	3.6
<b>Total</b>		<b>1,760.7</b>



Thank you

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

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