

# BRICKWORKS

LIMITED

21 September 2022

Australian Securities Exchange  
Attention: **Companies Department**

## BY ELECTRONIC LODGEMENT

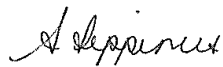
Dear Sir / Madam

Please find attached a presentation to be presented to analysts today regarding Brickworks Limited's financial results for the year ended 31 July 2022, 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

**Brickworks Limited**  
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PROUDLY SUPPORTS



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# Financial Results

Year end 31<sup>st</sup> July 2022

Mr. Lindsay Partridge  
Managing Director

Mr. Grant Douglas  
Chief Financial Officer

Today

## Agenda

FY22 Overview	01
Divisional Review	02
Financials	03
Outlook	04
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# FY22 Overview

Section 01

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## FY22 Overview

### Record Underlying NPAT \$746m, up 159%

FY22 has been a landmark year for Brickworks, with record earnings achieved across our diversified portfolio of attractive assets

Underlying earnings growth across all divisions

Net assets held within Industrial JV Trust up by \$631 million

Launch of Brickworks Manufacturing Trust

Strong growth in North America

Gearing (net debt / equity) reduced to 15%

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## FY22 Financial Highlights

# \$1,093m

Group Revenue ↑ 28%  
(continuing operations)

# \$1,058m

Underlying EBITDA ↑ 133%  
(continuing operations)

# \$746m

Record Underlying Profit ↑ 159%  
(continuing operations)

# \$854m

Record Statutory Profit ↑ 257%

# \$4.92

Underlying EPS ↑ 158%  
(continuing operations)

# 41 cents

Final Dividend ↑ 3%  
fully franked

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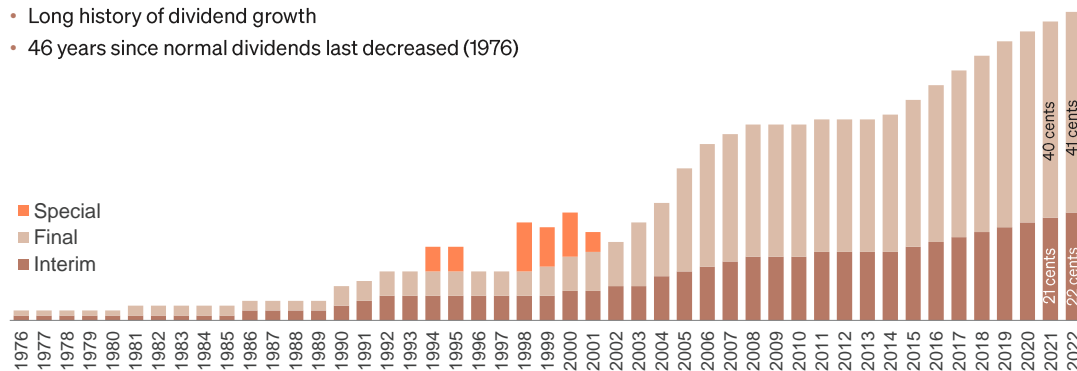
## Dividends

Brickworks normal dividend has been maintained or increased since 1976

### Brickworks Dividend History

Cents per share

- 41 cents per share fully franked final dividend, up 3% (Record date 2 Nov, payment 23 Nov)
- Long history of dividend growth
- 46 years since normal dividends last decreased (1976)



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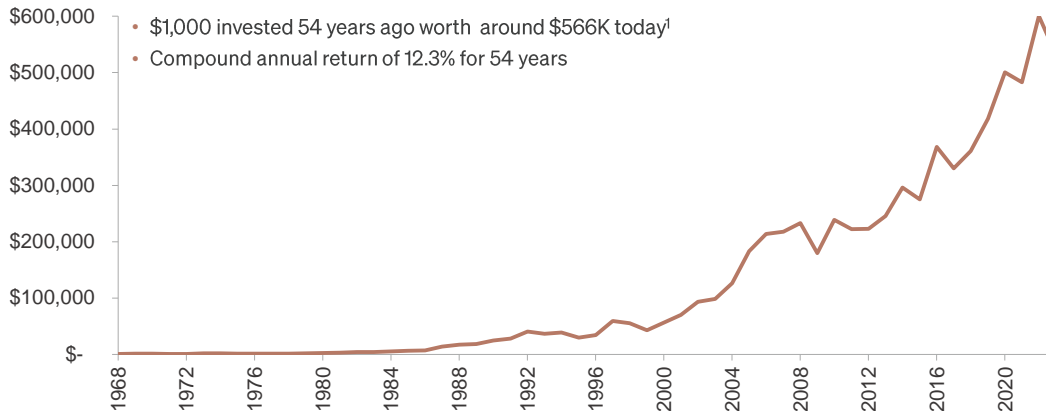
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## Long Term Value Creation

Brickworks has created significant shareholder value over the long term

Value of \$1,000 invested in 1968 (at the time of the initial investment in WHSP)

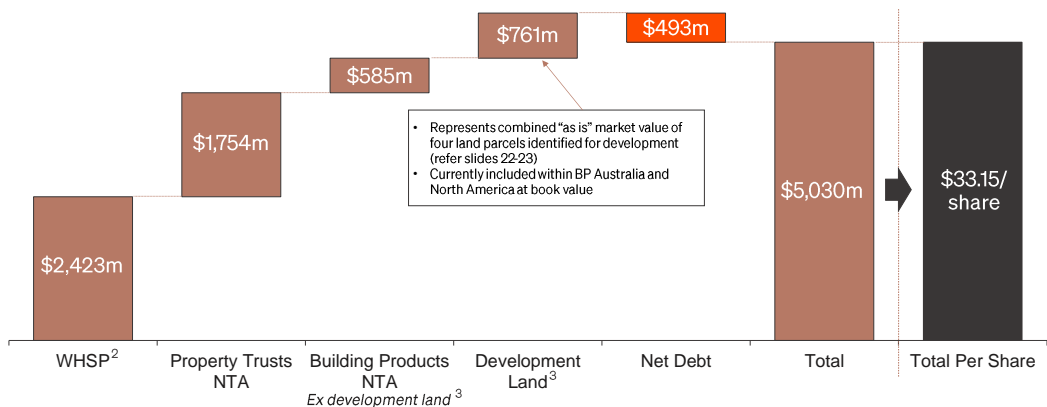


1. As at the close of trading on 31 July 2022

## Asset Backing

Brickworks' current inferred asset backing is over \$33 per share

Inferred Asset Value<sup>1</sup>



1. Asset values as at 31 Jul 2022. Building Products NTA excludes AASB 16 (Leases) right-of-use assets

2. Based on a cost base of \$3.44 per share, capital gains tax of around \$630 million would be payable if Brickworks sold its entire shareholding in WHSP at the market price on 31 July 22

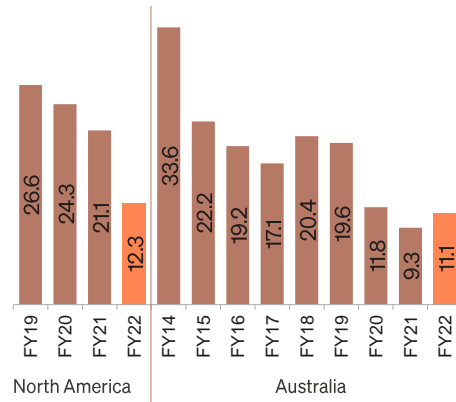
3. "Development Land" comprises four sites identified for development, currently held at book value within Building Products. Based on independent market valuations, these sites have a combined "as-is" value of \$0.761 billion and a "rezoned" value of \$1.266 billion

## Safety

A sustained decrease in workplace injuries has been achieved

- Overall, reportable injury rate decreased to 11.7 in FY22, down from 14.3
  - Slight increase in Australia, following last year’s record low rate
  - Significant improvement in North America, with injury rates now comparable to Australia
- Sustained decrease in injury rates over many years
- Five lost time injuries during the year (1 in Australia, 4 in North America)

**Total Reportable Injury Frequency Rate**  
Injuries per million work hours



## Sustainability

Brickworks is making steady progress across many aspects of sustainability

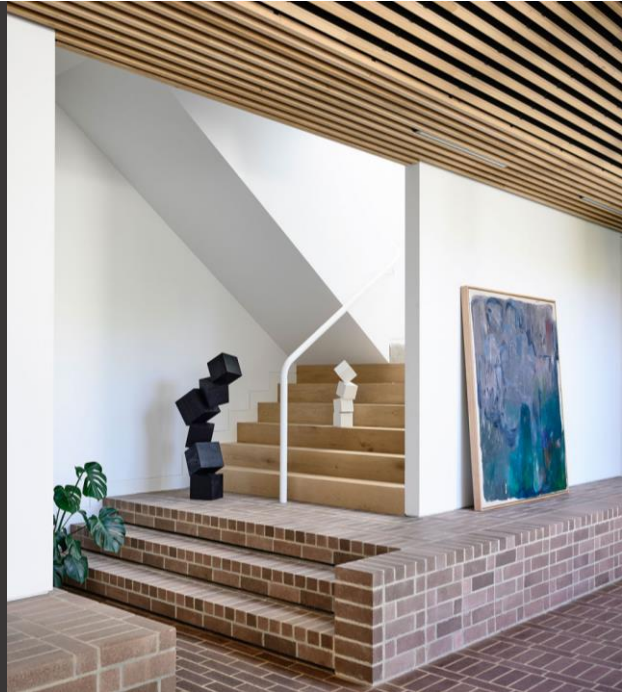
- Our purpose: “Beautiful products that last forever”
- On track to meet sustainability targets within our “Build for Living: Towards 2025” strategy
- 42% reduction in carbon dioxide emissions across Australian operations since FY06
- Continued investment in new plants to improve energy efficiency
- Investigating the feasibility of developing biogas facilities at our brick plants
  - The initial study at the Horsley Park Plant 2 facility has advanced to the development stage, following an initial concept study
- Long-standing partnership with Children’s Cancer Institute



# Divisional Review

## Section 02

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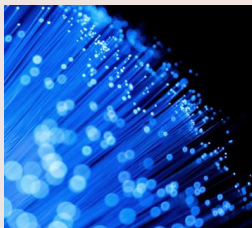


## Divisional Overview

Brickworks has a diversified portfolio of attractive assets across four divisions

### Investments

26.1% interest in WHSP, an ASX100 diversified investment house



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### Property

Joint Venture Industrial & Manufacturing Property Trusts with Goldman Group



### Building Products Australia

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



### Building Products North America

Leading brickmaker in Midwest and Northeast USA



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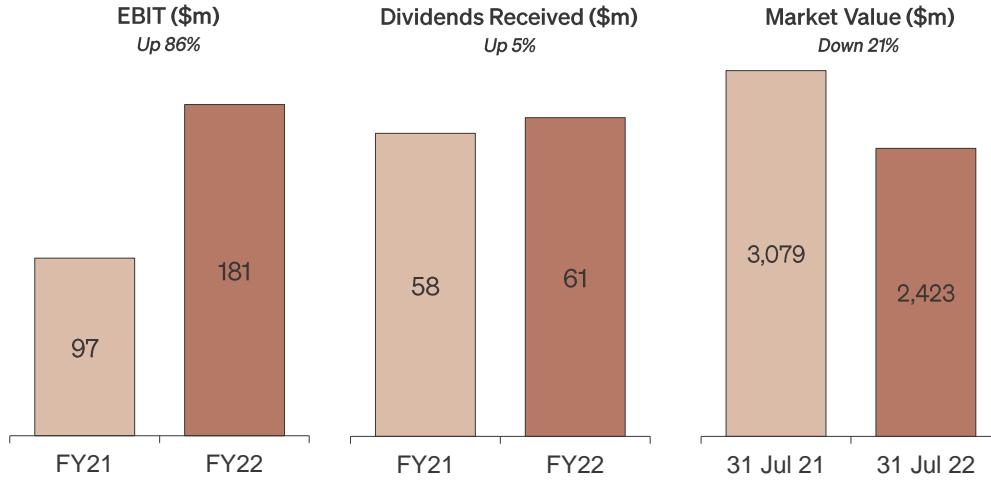
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## Investments – FY22 Result

The EBIT from Investments increased by 86% to \$181 million in FY22, however the market value declined by 21% to \$2.423 billion



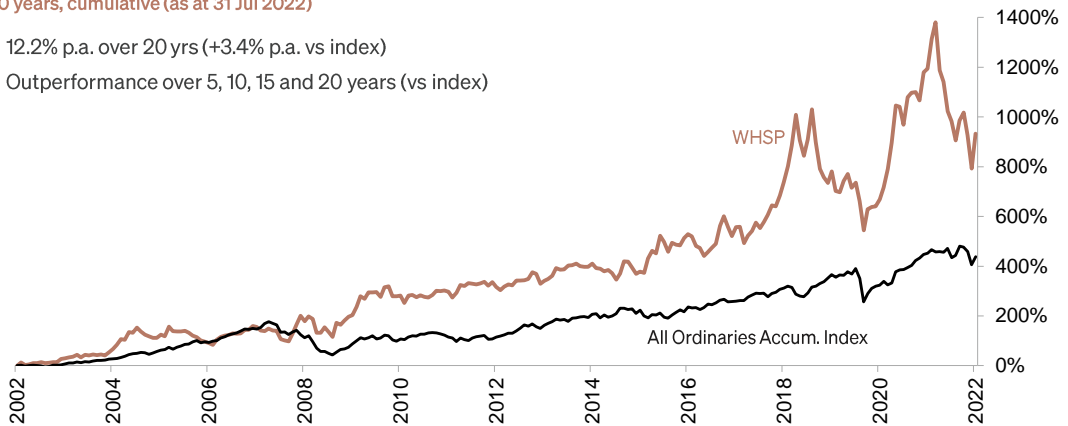
## Investments – Long Term Value Creation

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

### WHSP Total Shareholder Return

20 years, cumulative (as at 31 Jul 2022)

- 12.2% p.a. over 20 yrs (+3.4% p.a. vs index)
- Outperformance over 5, 10, 15 and 20 years (vs index)





## WHSP / Milton Merger

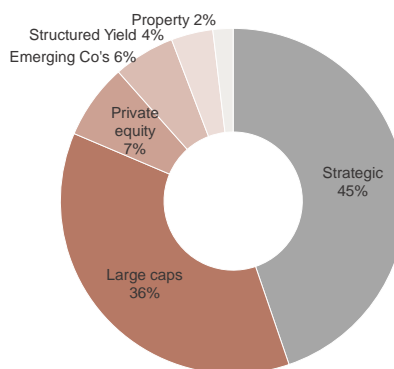
The merger with Milton provides WHSP with increased scale, diversification and liquidity

- Brickworks is now the major shareholder in Australia's leading publicly listed investment house
  - 26.1% shareholding
  - WHSP pre-tax net assets of ~\$9 billion<sup>1</sup>
- The merger resulted in a \$271 million one-off (non-cash) profit to Brickworks
  - \$452 million profit (post-tax) due to a “deemed disposal” of WHSP shares
  - Partially offset by Brickworks share of a goodwill impairment incurred by WHSP (\$181 million)
- The merger will provide WHSP with increased scale, diversification and liquidity to pursue additional investment opportunities
- Continued focus on long-term market outperformance and growth in dividends

<sup>1</sup>. As at 31 Jan 2022, based on WHSP 1H2022 Results

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## Post Merger WHSP Asset Exposure<sup>1</sup>



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## Property – Overview

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

### Joint Venture Property Trusts

#### Industrial Trust



- \$1.543 billion BKW net asset value
- Prime industrial / logistics, tenanted by third party customers
- Estates across Sydney and Brisbane
- Development land held within Trust provides significant further growth

#### BKW Manufacturing Trust



- \$211 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)

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## Property – FY22 Result

Property delivered record earnings, with EBIT up 155% to \$644 million for the year

- Net trust income higher, on rent reviews and newly completed facilities
- The vast majority of property revaluations were completed in the first half and resulted in an average 50-basis point compression of cap rates
- Development profit includes:
  - Completion of facilities at Oakdale South, Rochedale and Oakdale West
  - Fair value assessments on an additional four facilities deemed >80% complete at the end of the period (all at Oakdale West)
- \$3 million in costs recorded in relation to preparing Oakdale East Stage 2 for sale
- Brickworks Manufacturing Trust earnings to be reported within Property going forward

YEAR ENDED JUL (\$M)	FY21	FY22	CHANGE
Net trust income	31	36	17%
Revaluations	149	227	53%
Development profit	24	387	>500%
<b>Property Trust</b>	<b>204</b>	<b>651</b>	<b>219%</b>
Land sales	52	(3)	(106%)
Admin and other	(4)	(4)	-
<b>Total</b>	<b>253</b>	<b>644</b>	<b>155%</b>

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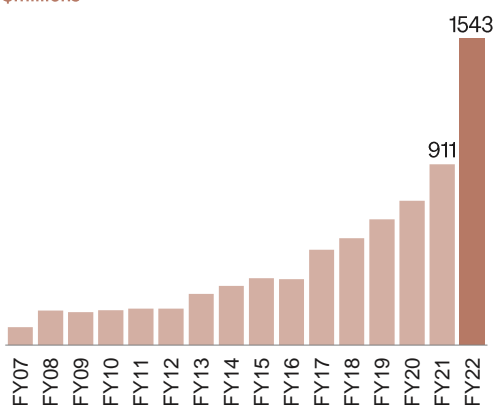
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## Industrial JV Trust Asset Value

The net value of Brickworks' share of Industrial JV Trust assets increased by \$631 million during the year

YEAR ENDED JUL (\$M)	FY21	FY22	CHANGE
Leased properties	1,982	3,341	69%
Land to be developed	686	867	26%
<b>Total Industrial JV Trust assets</b>	<b>2,668</b>	<b>4,208</b>	<b>58%</b>
Borrowings	(845)	(1,123)	33%
Net Property Trust assets	1,822	3,085	69%
<b>BKW 50% share</b>	<b>911</b>	<b>1,543</b>	<b>69%</b>

BKW 50% share of Industrial JV Trust Assets  
\$millions



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## Overview of Industrial JV Trust – Current Leased Assets

Estate	Status	Currently Leased				
		Asset Value (\$m)	Gross Rental (\$m p.a.)	WALE (yrs)	Cap. Rate	GLA <sup>1</sup> (000m <sup>2</sup> )
M7 Hub (NSW)	Fully developed	225	9	3.0	3.8%	64
Interlink Park (NSW)	Fully developed	581	26	5.0	3.7%	192
Oak. Central (NSW)	Fully developed	869	32	3.7	3.5%	245
Oak. East Stage 1 (NSW)	Fully developed	169	6	10.5	3.4%	36
Oak. South (NSW)	Fully developed	603	21	6.6	3.6%	177
Rochedale (QLD)	Fully developed	376	16	10.1	4.0%	126
Oak. West (NSW)	Partially developed	518	17	17.0	3.3%	78
<b>Total</b>		<b>3,341</b>	<b>127</b>	<b>7.3</b>	<b>3.6%</b>	<b>918</b>

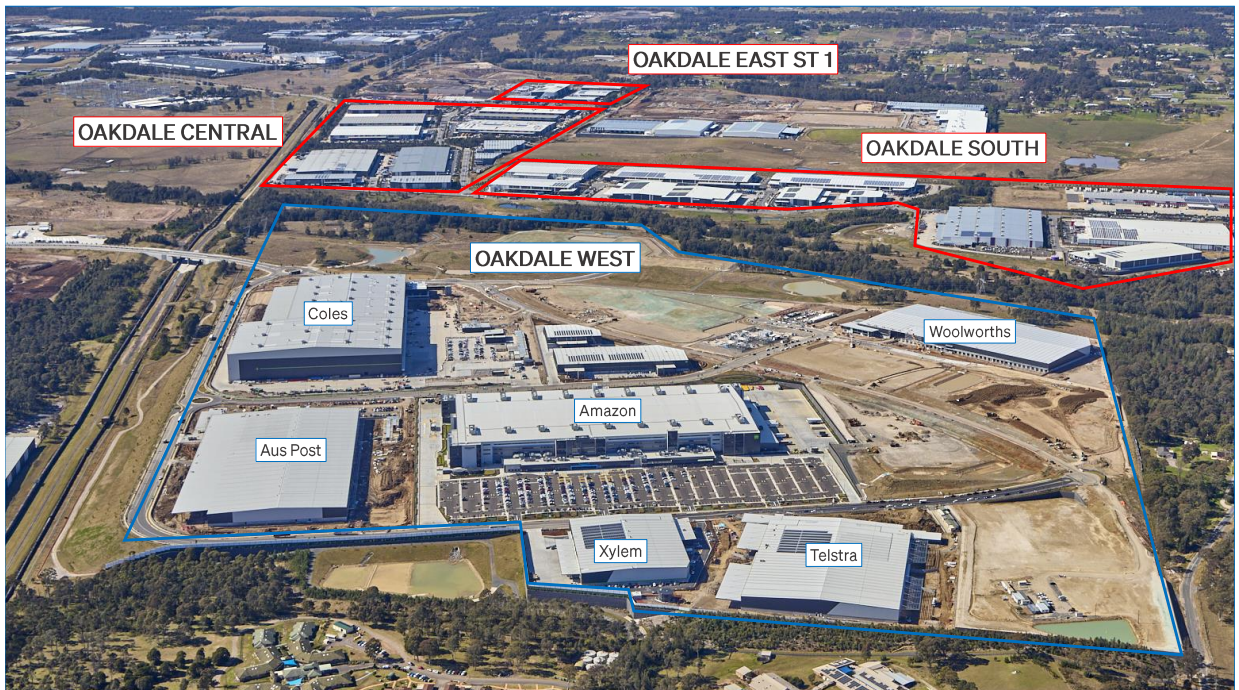
1. Gross lettable area

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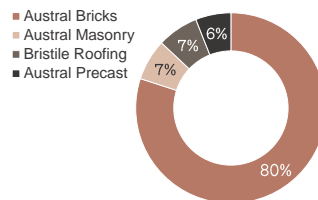
## Brickworks Manufacturing Trust – Overview

The recently launched Brickworks Manufacturing Trust comprises 15 sites, with Brickworks holding an equity value of \$211 million at year end

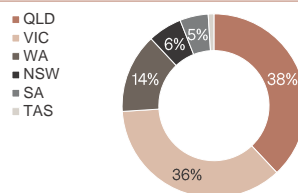
### Brickworks Manufacturing Trust – Key Details

Ownership:	Brickworks 50.1%, Goodman Group 49.9%
Properties:	15 manufacturing sites, predominantly zoned industrial
Portfolio Valuation:	Gross asset value \$416 million (Brickworks equity value of \$211 million includes capitalised stamp duty costs)
Debt and gearing	None
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)

### Tenant diversification (by asset value)



### Geographic diversification (by asset value)



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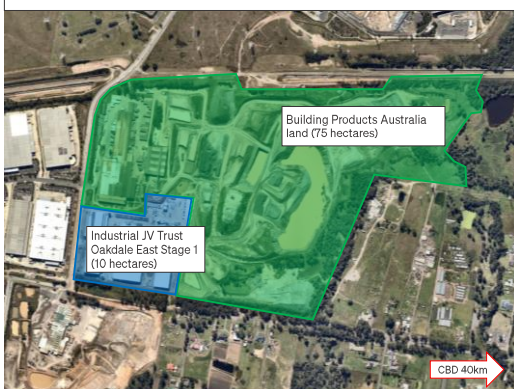
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## 100%-Owned Operational and Surplus Land – Development Sites (1 of 2)

Brickworks retains 100% ownership of several development sites

### Oakdale East Site, NSW

- Stage 1 (10 hectares) held within the Industrial JV 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, once brick operations are replaced by the new Horsley Park plant



### 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



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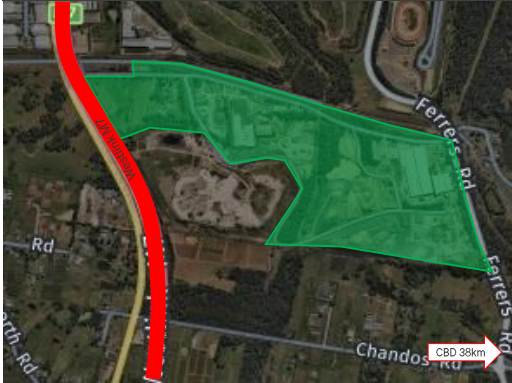


## 100%-Owned Operational and Surplus Land – Development Sites (2 of 2)

### Brickworks retains 100% ownership of several development sites

#### 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



#### 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
- A non-binding Heads of Agreement executed with Goodman to investigate the feasibility of industrial development at the site



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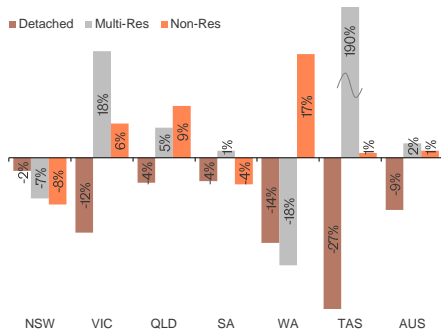
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## Building Products Australia – Market Activity

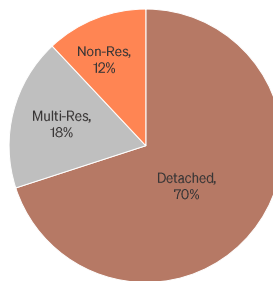
### Building Activity by State<sup>1</sup>

12 months to Jun 22 (vs 12 months to Jun 21)



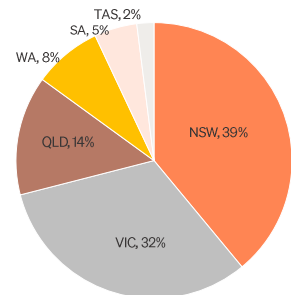
### Segment Exposure

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 June 2022 forecast. Data shown for NSW also includes ACT, to align with Brickworks' sales regions.

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## Building Products Australia - FY22 Result

Building Products Australia EBIT was up by 34%, excluding the impact of the sale of operational land

- **Property sales** represents \$89 million profit in relation to sale of operational properties into Brickworks Manufacturing Trust
  - Remaining benefit to be recognised through reduced right-of-use asset depreciation over the life of each lease
- Strong underlying demand across the country
- Sales in Sydney and Melbourne impacted by construction restrictions in the first half
- Severe wet weather along the east coast in the second half
  - Reduced construction activity and sales
  - Impacted construction of new brick facility

YEAR ENDED JUL (\$M)	FY21	FY22	CHANGE
Revenue	648	694	7%
EBITDA	98	205	110%
EBIT	48	153	220%
EBITDA (ex Property sales)	98	116	19%
EBIT (ex Property sales)	48	64	34%
EBITDA margin (ex Property sales)	15%	17%	11%
EBIT margin (ex Property sales)	7%	9%	25%

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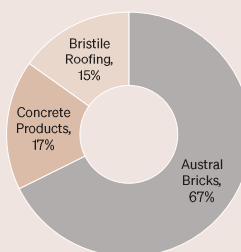
## Business Unit Performance

- **Austral Bricks** earnings and revenue increased across all states
  - Record earnings in QLD, VIC, SA and TAS
  - Construction of new plant at Horsley Park to be completed within 12 months
- **Concrete Products** earnings lower
  - Austral Masonry transitioned to a new plant in NSW and completed the acquisition of a masonry plant in Mackay
  - High energy and shipping costs adversely impacted Southern Cross Cement margins
- **Bristle Roofing** earnings adversely impacted by supply chain constraints, particularly in Victoria
  - Acquisition of Alice Roof Tiles
- **Austral Precast** reclassified as “discontinued operation”
  - Sale process initiated
  - Underlying result in line with the prior year

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### Building Products Australia Revenue FY22

\$694 million



FY22 vs FY21	Revenue	EBIT
Austral Bricks	↑	↑
Concrete Products	↑	↓
Bristle Roofing	↓	↓

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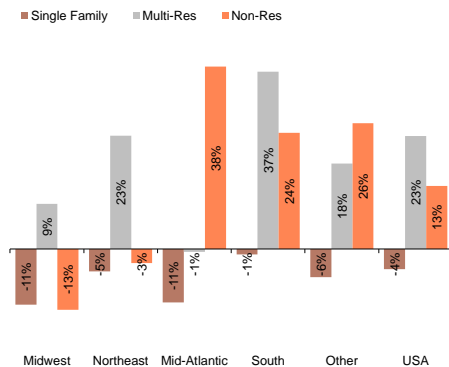
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## Building Products North America – Market Activity

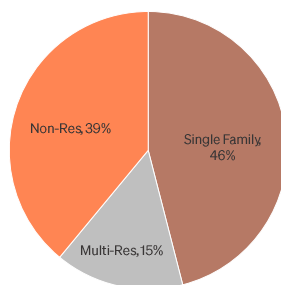
### Building Activity by Region<sup>1</sup>

12 months to Jun 22 (vs 12 months to Jun 21)



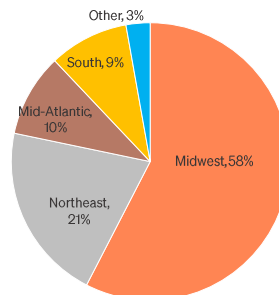
### Segment Exposure

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 – FY22 Result<sup>1</sup>

Building Products North America EBIT up significantly following strong revenue growth

- **Property sales** contributed \$13 million in earnings in FY22 (vs \$10 million in FY21)
  - Sale of surplus quarry sites
- Revenue significantly higher
  - Benefit of IBC acquisition
  - Increased sales to the Texas homebuilder market
- Positive \$2 million impact on EBIT due to exchange rate movements
- Margins impacted by supply chain issues
  - Transportation costs
  - Labour constraints and staffing issues
- Higher proportion of sales into the lower margin residential segment

YEAR ENDED JUL (AU\$M)	FY21	FY22	CHANGE
Revenue	202	399	97%
EBITDA	26	48	84%
EBIT	9	25	192%
EBITDA (ex Property sales)	17	35	113%
EBIT (ex Property sales)	(1)	12	NA
EBITDA margin (ex Property sales)	8%	9%	8%
EBIT margin (ex Property sales)	0%	3%	NA

1. An average exchange rate for each half year period is used to convert from US\$ to AU\$. The conversion rates used are: 1H22 US\$0.73; 2H22 US\$0.71; 1H21 US\$0.73; 2H21 US\$0.77

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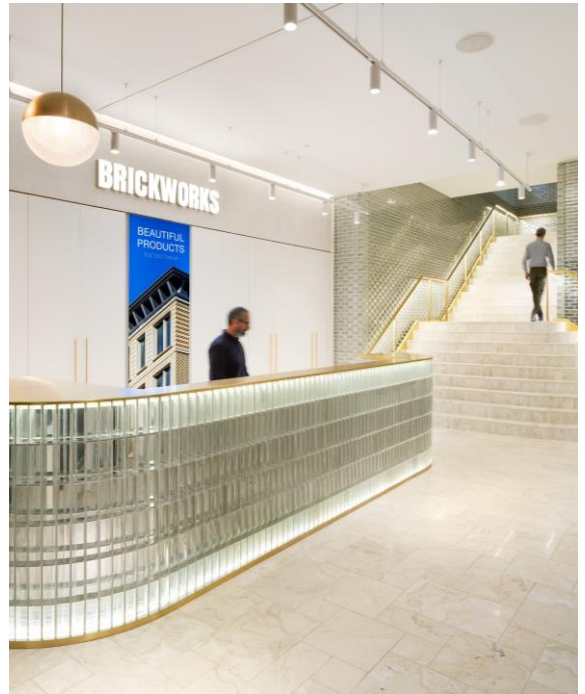
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## Building Products North America - Achievements

- Vertical integration with continued growth of company owned distribution network
  - IBC acquisition completed in Aug 21
  - Capital Brick acquisition completed Feb 22
  - Network of company-owned masonry supply centres now stands at 25 stores
- Plant rationalisation and upgrades, in line with strategy
  - Closure of York and Caledonia plants
  - Completion of upgrades at Hanley and Lawrenceville
- New York City design studio opened in Mar 2022
  - Design studios also located in Philadelphia and Baltimore

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## Financials

### Section 03

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## Financials – FY22 Overview

- EBIT increases in all divisions
- Net borrowing costs marginally higher
- Underlying tax higher due to the increase in Building Products and Property earnings
- Significant items increased statutory NPAT by \$124 million
- After-tax loss on discontinued operations, made up primarily of a non-cash impairment to plant and equipment

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YEAR ENDED JUL (\$M)	FY21	FY22	CHANGE
Total EBITDA	454	1,058	133%
Depreciation & amortisation	(68)	(76)	(11%)
<b>EBIT</b>	<b>387</b>	<b>982</b>	<b>154%</b>
Borrowing costs	(19)	(20)	(8%)
Underlying income tax	(80)	(216)	(170%)
<b>Underlying NPAT (from continuing operations)</b>	<b>288</b>	<b>746</b>	<b>159%</b>
Significant items	(45)	124	NA
<b>NPAT (from continuing operations)</b>	<b>243</b>	<b>870</b>	<b>258%</b>
Discontinued operations	(4)	(15)	NA
<b>Statutory NPAT</b>	<b>239</b>	<b>854</b>	<b>257%</b>

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## Financials – Significant items

- \$271 million net gain from WHSP / Milton merger
- Various other WHSP items and a tax expense arising from the carrying value of WHSP
- A non-cash impairment in Building Products Australia, reflecting more conservative forecasts for building activity over the medium term, an increased leased asset base and a higher discount rate
- Plant relocation and commissioning includes non-cash impairments of buildings, plant and equipment in relation to the closure of Plant 3
- Restructuring includes the planned shutdown of the Bellevue plant and the closure of the Caledonia plant
- Unabsorbed fixed costs and incremental expenses related to COVID-19

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\$MILLION	GROSS	TAX	NET
Net impact of WHSP merger with Milton	464	(193)	271
Other WHSP significant items	57	(17)	40
Income tax arising from the carrying value of WHSP	-	(17)	(17)
Building Products Australia impairment	(132)	15	(117)
Plant relocation and commissioning costs	(40)	11	(28)
Restructuring activities	(14)	4	(10)
COVID-19 costs	(11)	3	(8)
Acquisition costs	(4)	1	(3)
Other costs	(6)	2	(4)
<b>TOTAL (Continuing Operations)</b>	<b>315</b>	<b>(191)</b>	<b>124</b>

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## Financials – Cash Flow Reconciliation

- Decrease in operating cash flow, primarily due to:
  - Increased inventory within Building Products operations
  - Higher interest payments, including interest payments on leases
- Major capital expenditure items include the new brick plant at Horsley Park, the new Oakdale masonry plant and upgrades in North America
- Purchase of 121 hectares of land at Bringelly to support future brick operations
- Acquisition costs of \$75 million primarily reflects the purchase of assets of Illinois Brick Co. (“IBC”)
- Dividend payments of \$94 million

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\$MILLION	FY21	FY22
<b>Statutory net profit after tax</b>	<b>239</b>	<b>854</b>
Depreciation, amortisation	70	78
Non cash impairments	2	164
Gain on deemed disposal of an associate	-	(722)
Non cash revaluations within Property Trust	(222)	(614)
Share of profits of associates not received as dividends	(28)	82
Losses / (gains) on disposals of PPE	(7)	(115)
Working capital movements	(11)	(6)
Changes in tax provisions	95	413
Other items	3	(4)
<b>Operating cash flow</b>	<b>140</b>	<b>130</b>
Business acquisitions (net of cash)	2	75
Capital expenditure and land purchases	117	134
Dividends paid	84	94

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## Financials – Key Indicators

- Total shareholders equity increased by \$780 million, or \$5.07 per share
  - Reflects significant uplift in value of property trust assets
- Net debt decreased by \$25 million to \$493 million
- Gearing (net debt / equity) decreased to 15%

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	FY21	FY22	CHANGE
NTA per share	\$13.78	\$18.34	33%
Shareholders equity	\$2,480m	\$3,260m	32%
Shareholders equity per share	\$16.41	\$21.48	31%
<b>Underlying return on shareholders equity</b>	<b>11.6%</b>	<b>22.9%</b>	<b>97%</b>
<b>Operating cash flow</b>	<b>\$140m</b>	<b>\$130m</b>	<b>(7%)</b>
Net debt	\$519m	\$493m	(5%)
Gearing (net debt / equity)	20.9%	15.1%	(28%)
Interest cover	17.8x	35.2x	98%

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## Debt Maturity and Metrics

- Circa \$1 billion in debt facilities committed
  - Syndicated multi-currency facility ~\$742 million
  - Bilateral cash advance facility \$75 million
  - Institutional term loan facility \$186 million
- Next maturity in FY24
- Net debt of \$493 million<sup>1</sup> at 31 Jul 2022:
  - Total drawn debt \$599 million
  - Offset by cash of \$106 million
- Significant headroom within existing covenants:
  - Gearing 12%<sup>1</sup> (vs covenant <40%)
  - Interest cover 13.0x<sup>1</sup> (vs covenant of >3.5x<sup>2</sup>)
  - Leverage ratio 1.7x<sup>1</sup> (vs covenant of <3.5x<sup>2</sup>)

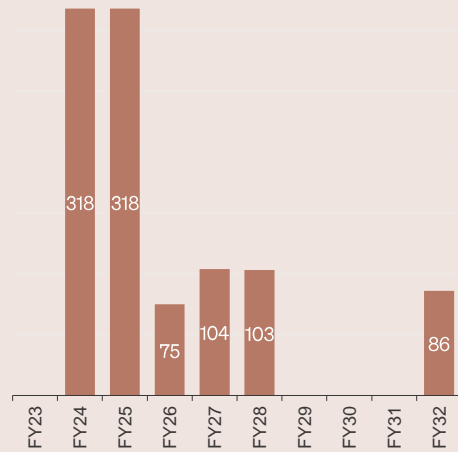
1. Gearing, interest cover and leverage ratio outlined here are based on the Group's banking covenant calculation (and differ from standard calculations used for these metrics, as quoted elsewhere in this report)

2. Covenant only applies if gearing > 22.5%

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### Debt Maturity Profile

Total ~\$1.0 billion in debt facilities



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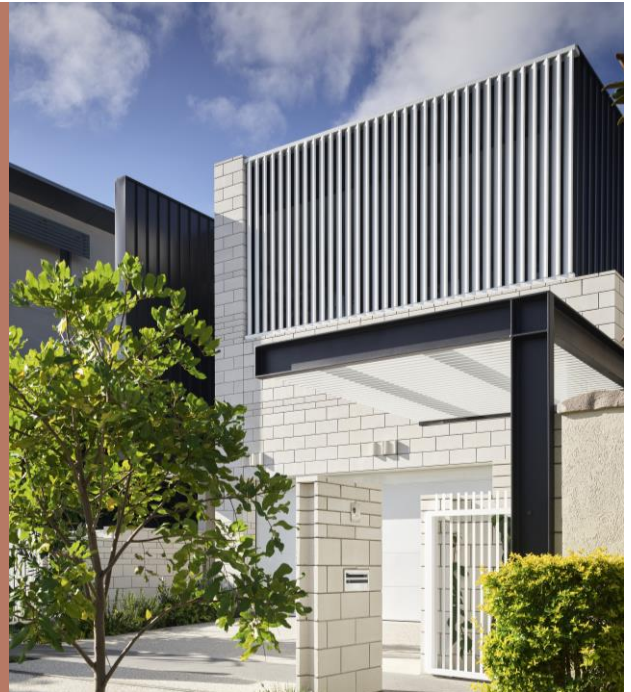
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# Outlook

## Section 04

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## Outlook

- Merger with Milton provides increased scale, diversification and liquidity to pursue additional investment opportunities

### Investments

- History of long-term outperformance expected to continue

### Property

- Development activity at Oakdale West will drive growth within the Industrial JV Trust
- Anticipated sale of Oakdale East Stage 2 into the Industrial JV Trust in FY23
- A non-binding Heads of Agreement executed with Goodman Group, to investigate the development of the Mid-Atlantic site in Pennsylvania

### Building Products Australia

- A strong order book is expected to sustain sales activity in 1H23
- A period of weaker demand is expected once the existing backlog of work is completed
- Completion of major capital projects will support earnings over longer term

### Building Products North America

- Consistent with Australia, a strong order book provides good support for sales in the short-term, but rapidly rising interest rates creates a more cautious medium-term outlook
- Manufacturing costs will benefit from period plant rationalisation and upgrades

### Group

- Brickworks Manufacturing Trust is not expected to materially impact Group NPAT or cashflow in FY2023 (however there will be divisional impacts – refer to supplementary slide)
- Increasing uncertainty including rising interest rates and energy crisis in Europe
- With a diversified portfolio of high-quality assets and low gearing, Brickworks is well-placed to meet any future challenges

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# Questions

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# Supplementary Slides

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## Impact of Brickworks Manufacturing Trust on FY2023 Earnings and Cash

Whilst there will be some divisional impacts, Brickworks Group EBIT and cashflow are not expected to be significantly impacted in FY2023 (excluding property revaluations or developments)

### Key Financial Impacts of Brickworks Manufacturing Trust

Division	FY2023 Profit Impact	FY2023 Cashflow Impact
Building Products Australia	<ul style="list-style-type: none"> <li>Right-of-use asset depreciation over the life of each lease – circa \$8 million (non-cash)</li> </ul>	<ul style="list-style-type: none"> <li>Additional cash rental costs payable – circa \$18 million</li> </ul>
Property	<ul style="list-style-type: none"> <li>Additional net rental income – circa \$9 million (post costs)</li> <li>Potential for revaluation and development profit / loss (non-cash)</li> </ul>	<ul style="list-style-type: none"> <li>Additional net rental income – circa \$9 million (post costs)</li> </ul>
Corporate	<ul style="list-style-type: none"> <li>Reduction in bank interest charges<sup>1</sup> – circa \$7 million</li> <li>Additional lease interest expense in relation to AASB16 (Leases) – circa \$9 million (non-cash)</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in bank interest charges<sup>1</sup> – circa \$7 million</li> </ul>
<b>Group Outcome</b>	<b>Less than \$2 million pre-tax profit impact</b> <i>(excludes any revaluation or development profit /loss)</i>	<b>Less than \$2 million cashflow impact</b>

<sup>1</sup> Compared to a no transaction scenario. Assumes gross proceeds from sale are used to reduce bank debt. Interest savings calculated based on lower bank debt and BKW average interest rate

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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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