

BRICKWORKS

LIMITED

Brickworks Limited

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29 May 2024

Australian Securities Exchange
Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir / Madam

Please find attached, for immediate release to the market, Investor Presentation to be given to:

- Bell Potter Emerging Leaders Conference today; and
- Morgans on 3 June 2024.

This announcement has been authorised for release by the Chairman and Managing Director.

Yours faithfully

BRICKWORKS LIMITED

Susan Leppinus

Company Secretary

PROUDLY SUPPORTS



Bell Potter Emerging Leaders Conference

29 May 2024

Morgans Investor Presentation

3 June 2024



Oakdale West Estate, Precinct 5

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Good Afternoon Ladies and Gentlemen. It is a pleasure to be here today to talk to you about Brickworks.

Disclaimer

The Chairman and Managing Director have authorised the release of this announcement to the market

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Today's Speakers

Mr. Mark Ellenor

Chief Executive Officer



Mr. Grant Douglas

Chief Financial Officer



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29.05.24

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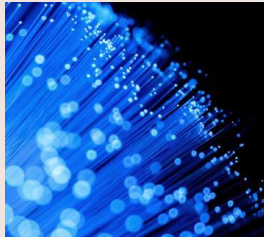
My name is Mark Ellenor, and I am the Chief Executive Officer.
Also with me today is Grant Douglas, our Chief Financial Officer.

Brickworks Overview

Brickworks has a diversified portfolio of attractive assets across four divisions

Investments

26.1% interest in SOL
14.8% interest in FBR



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Property

Joint Venture Industrial
& Manufacturing
Property Trusts with
Goodman Group



Building Products Australia

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



Building Products North America

Leading brickmaker in
the Midwest and
Northeast regions of
USA



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Brickworks can trace its history back to 1908, when our heritage business, Austral Bricks, was incorporated in Sydney.

In 1962 the company was listed on the stock exchange as Brickworks Limited.

Today, we have a market capitalization of around \$4.0 billion, with a portfolio that consists of:

- A 26% stake in Soul Patts, an ASX100 company;
- A significant property division, including two Joint Venture Property Trusts with Goodman Group; and
- Substantial building products businesses in Australia and North America.

Investment Proposition

Asset Backing

Brickworks' portfolio is backed by considerable asset value

Dividend Growth & Value Creation

Brickworks' has delivered superior shareholder returns and has a long history of dividend growth

Major Shareholder of Soul Patts

Brickworks' is the largest shareholder of Soul Patts, Australia's leading publicly listed investment house. The value of Brickworks stake is \$3.0 billion¹

Industrial Property Development Pipeline

Brickworks' holds a portfolio of prime industrial property that is exposed to structural tailwinds, with a strong development pipeline and rental growth profile

Exposure to Australian Housing

Through its position as Australia's leading brickmaker, Brickworks has significant exposure to the forecast uplift in Australian housing construction

Growth Platform in North America

Following several acquisitions and a period of plant rationalisation, Brickworks has established a strong platform to grow earnings in Building Products North America

1. As at 21 May 2024

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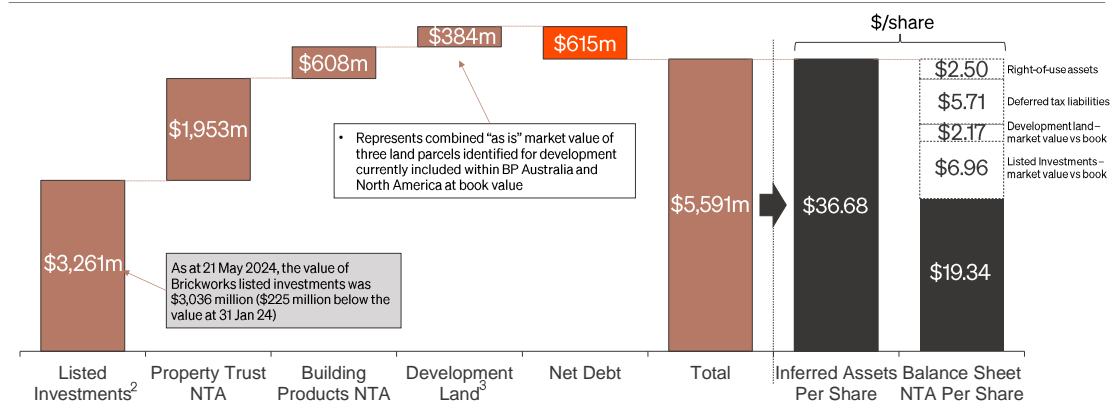
We believe Brickworks has a strong investment proposition, offering investors:

- A diversified portfolio of attractive businesses, underpinned by significant asset value;
- A long track record of dividend growth and value creation;
- Our major shareholding in Soul Patts, Australia's leading publicly listed investment house;
- A portfolio of prime industrial property, exposed to structural tailwinds and with a long development pipeline;
- Exposure to the domestic housing market through our Australian building products operations; and
- A significant growth opportunity in North America.

Asset Backing

Brickworks' portfolio is backed by considerable asset value

Inferred Asset Value¹ (31 Jan 24)



1. Asset values as at 31 Jan 2024. Building Products NTA includes AASB 16 (Leases) right-of-use assets

2. Includes SOL and FBR shareholding at market price 31 Jan 24

3. "Development Land" comprises three 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 \$384 million

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The chart on screen shows our considerable asset backing across the portfolio.

As at the end of our first half, on 31 January:

- Our investments in Soul Patts and FBR had a market value of almost \$3.3 billion;
- Our Property Trusts had a net asset value of almost \$2.0 billion;
- Building Products operations in Australia and North America, had net tangible assets of \$608 million; and
- We hold 3 parcels of land within Building Products that are identified for potential development. Based on independent market valuations, these development sites have a current "as is" value of \$384 million.

So, adding this up and subtracting our net debt of \$615 million, the total inferred asset backing was around \$5.6 billion at the end of the half.

On a per share basis, this equates to almost \$37 per share.

On the right-hand side of the chart, we have reconciled this value with the balance sheet net tangible assets per share of \$19.34. The key difference is due to the balance sheet not recognising the full market value of development land and our Investments, as well as deferred tax liabilities.

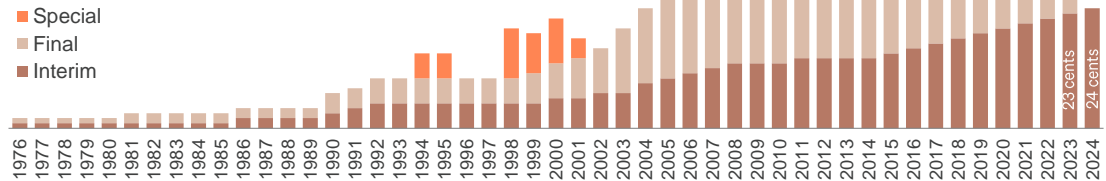
Dividend Growth

Brickworks' normal dividend has been maintained or increased since 1976

Brickworks Dividend History

Cents per share

- 24 cents per share interim fully franked dividend, up 4%
- 10th year in a row of increased interim dividend
- 48 years since full-year normal dividends last decreased (1976)



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We are proud of our long history of dividend growth, and the stability this provides to our shareholders.

In March we announced an interim dividend of 24 cents per share. This is an increase of 1 cent, or 4%, compared to the previous interim dividend.

As shown on screen, we have increased the interim dividend ten years in a row and have maintained or increased normal full-year dividends for the last 48 years.

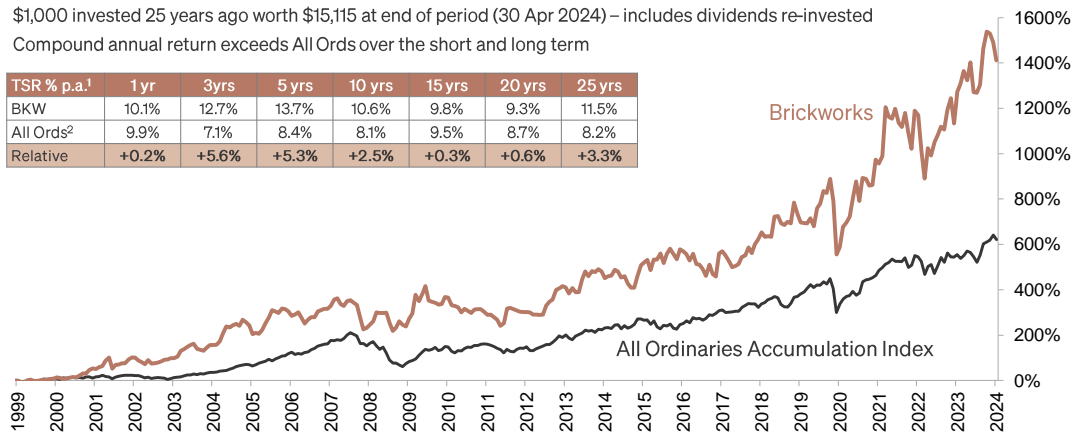
Total Value Creation

Brickworks has created significant shareholder value over the long term

Total Shareholder Returns (25 Years)¹

- \$1,000 invested 25 years ago worth \$15,115 at end of period (30 Apr 2024) – includes dividends re-invested
- Compound annual return exceeds All Ords over the short and long term

TSR % p.a. ¹	1 yr	3yrs	5 yrs	10 yrs	15 yrs	20 yrs	25 yrs
BKW	10.1%	12.7%	13.7%	10.6%	9.8%	9.3%	11.5%
All Ords ²	9.9%	7.1%	8.4%	8.1%	9.5%	8.7%	8.2%
Relative	+0.2%	+5.6%	+5.3%	+2.5%	+0.3%	+0.6%	+3.3%



1. Investment period shown is 30 Apr 1999 – 30 Apr 2024. Includes dividends re-invested.
 2. All Ordinaries Accumulation Index

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In addition to dividend growth, Brickworks also has a strong history of total value creation.

Based on the share price at the end of April, the Company has delivered shareholder returns of 11.5% per annum for 25 years, incorporating both dividends and share price appreciation.

This means that \$1,000 invested in Brickworks in 1999 would now be worth over \$15,000.

Performance over a range of periods is also shown on the slide, with Brickworks' performance exceeding the index over all time frames.

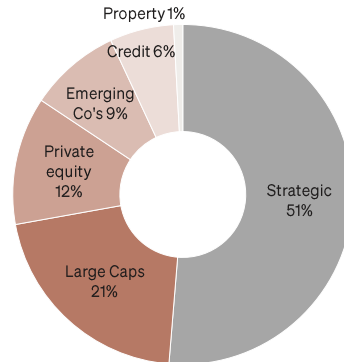
Major Shareholder in Soul Patts (ASX:SOL)

Brickworks is the largest shareholder in Australia's leading publicly listed investment house

Investment in Soul Patts

- Brickworks investment in WSHP (ASX: SOL) dates back to 1968
- The stake in WSHP has delivered outstanding returns, steadily increasing dividends and diversification
 - 12.0% p.a. total shareholder returns over the past 20 years¹
- Soul Patts is Australia's leading publicly listed investment house
 - Total portfolio net asset value (pre-tax) \$11.5 billion²
 - Diversified portfolio spanning various asset classes
 - Top 50 ASX listed company (by market cap)
- Brickworks holds 94.3 million shares (26.1% share), with a market value of \$3.0 billion³

Soul Patts Asset Exposure²



1. As at 30 April 2024
2. As at 31 January 2024
3. As at 21 May 2024

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Our shareholding in Soul Patts dates back to 1968.

Soul Patts is now Australia's leading publicly listed investment house, with a broad asset exposure as shown by the chart on the right of screen.

Soul Patts has delivered outstanding returns, with annualised total returns including dividends of 12.0% per annum for the past 20 years.

Our stake in Soul Patts has a current market value of around \$3.0 billion.

Property – Overview

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

Joint Venture Property Trusts

Industrial JV Trust



- \$1.758 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



- \$195 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:
 - Horsley Park (NSW)
 - Craigieburn (VIC)
 - Mid-Atlantic (PA, USA)

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An overview of our Property division is shown on the screen.

We hold a 50% share in a well-established Industrial JV Trust with Goodman. This trust was established in 2006 in order to maximise the long-term value of our surplus Building Products land, much of which is located on the urban fringes of our major cities. Today this trust includes estates in Sydney and Brisbane and is tenanted by blue chip customers such as Amazon, Woolworths, Coles, DHL and Telstra.

In addition, we hold a 50.1% interest in the Brickworks Manufacturing Trust, which is also a Joint Venture with Goodman. This was established in 2022 and includes a portfolio of our Australian manufacturing plants.

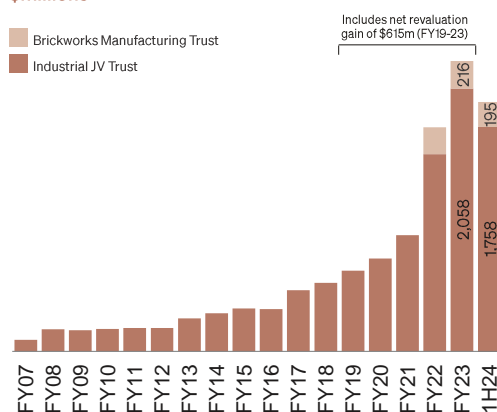
Brickworks also retains a 100% interest in many of our operational and surplus land across Australia and North America, including a number of sites identified for potential development.

Exposure to Structural Tailwinds in Industrial Property

Strong asset growth driven by development activity and structural tailwinds

- Brickworks has a well-established property strategy, focussed on maximising the long-term value of land assets originally held within Building Products
- Total gross assets \$5.2 billion
 - Includes leased assets of \$4.3 billion and \$1.0 billion development land
- After including debt, Brickworks 50% share of net assets is valued at \$2.0 billion (as at 31 Jan 24)
- Structural tailwinds have supported customer demand and asset growth
 - Industry trends to online shopping has increased the demand for “last-mile” logistics and warehousing
 - Growing demand for sophisticated and higher value facilities (including robotics, multi-storey)

BKW share of Net Property Trust Assets
\$millions



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Brickworks has a well-established property strategy, focussed on maximising the long-term value of land assets originally held within Building Products.

Since the establishment of the Industrial JV Trust, asset value has grown significantly.

The total value of leased assets held across the Property Trusts was \$4.3 billion at the end of the first half.

The Trusts also hold a further \$971 million in land that is currently under development.

After including borrowings of \$1.3 billion, total net asset value is \$3.9 billion. Brickworks’ 50% share of net asset value is almost \$2.0 billion. The valuation was impacted in the first half by the sale of one of our fully developed estates and an increase in capitalisation rates across the portfolio.

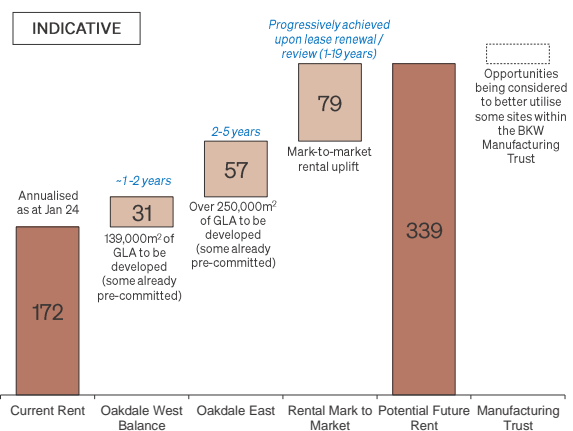
Longer term, we are confident that structural tailwinds will support customer demand and asset growth. Industry trends to online shopping has increased the demand for “last-mile” logistics and warehousing and we are seeing increasing demand for sophisticated and higher value facilities.

Significant Growth in Rental Income

There is a considerable opportunity to increase rental income from the Property Trusts over the coming years

- Current annualised rent is \$172 million
- The average passing rent within Industrial JV Trust is \$147/m², 35% below current market rent (~\$225/m²)
- At market, the rent potential (of current Trust assets) is circa \$340 million. This includes:
 - Completion of Oakdale West (+\$31m)
 - Completion of Oakdale East (+\$57m)
 - Mark-to-market rental uplift on currently leased assets - upon renewals (+\$79m)
- Around 35% of existing leases have rental caps that will likely delay the full realisation of the mark-to-market rental uplift on those facilities
- No further capital investment is required by Brickworks to achieve uplift in rent
- Future market rent to continue to be supported by the significant increase in construction costs, strong demand and tight supply

Potential Growth of Property Trust Net Rent¹



¹ Forecasts assume net rent of \$225/m² (representing the June 2023 average market rent for prime industrial property in Western Sydney)
Source: Colliers Research

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These structural trends, along with land supply issues, have driven up rent for prime industrial property in western Sydney by 55% in the past two years. We estimate that the current passing rent within the Industrial JV Trust of \$147/m² is now 35% below average market rent of \$225/m².

Including the Brickworks Manufacturing Trust, the current annualised rent across our portfolio is \$172 million.

At market rates, the rent potential of Property Trust assets once fully developed is around \$340 million. This includes an additional \$88 million in rent from completion of our development estates (Oakdale West and Oakdale East) in western Sydney over the next five years.

A mark-to-market rental uplift on currently leased assets would deliver an additional rental increase of \$79 million. This will be progressively realised over a longer period, upon lease renewals and reviews. Around 35% of existing leases have rent increase caps, which has the potential to extend the time period to achieve full market rent on those facilities.

The forecast growth in rent will require no further capital from Brickworks, due to our funding model, whereby the value of our land contribution is matched by development funding from Goodman.



Our key development property is called Oakdale East Stage 2. A photo of this site from last month is shown on screen. Oakdale East Stage 1, shown at the bottom right of the image, was completed a few years ago.

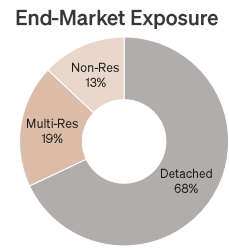
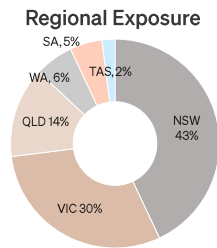
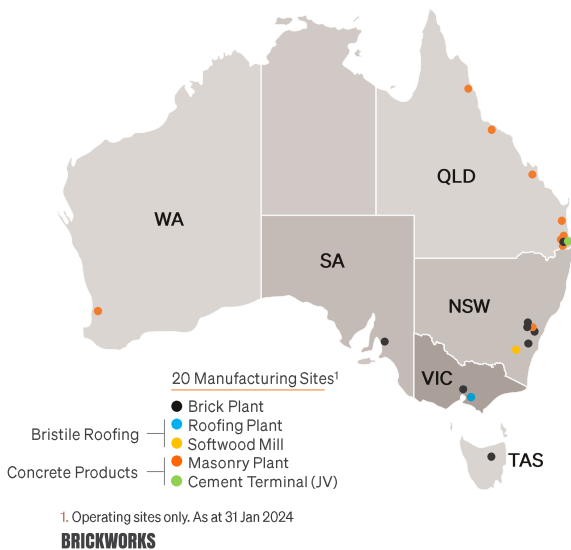
We achieved development approval for Stage 2 during the first half of 2024 and as you can see, work is well underway on the rehabilitation and preparation of the site.

Last month Amazon was announced as the anchor tenant for this development, with a 58,000m² facility that is forecast to be completed by mid-2025. The pad for this facility can be seen in the middle of the image.

Strong demand for serviced land capable of accommodating facilities over 30,000m² provides the opportunity to develop the remaining 193,000m² of gross lettable area within four to five years.

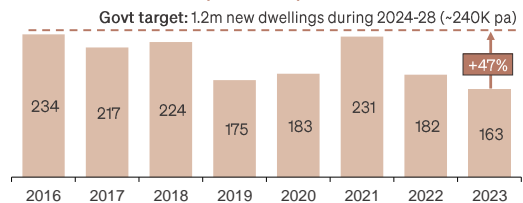
Exposure to Australian Housing

As Australia's leading brickmaker, and with strong positions in other building products, Brickworks has significant exposure to the anticipated increase in residential construction activity



Australian Residential Commencements

'000 Commencements (Source: ABS)



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Turning now to Building Products.

In Australia, we are the leading brickmaker, and have strong positions in concrete products and roof tiles. We are primarily exposed to the residential housing market, which drives around 87% of our sales revenue.

Conditions in this market are expected to be challenging for the next 12 months as we move through a cyclical low in building activity.

Looking beyond the short-term weakness, Australia appears to be on the cusp of a significant building boom, with record immigration levels and population growth exacerbating an already chronic housing undersupply issue. This has emerged as a key government priority, driving ambitious building targets and long-overdue reforms to facilitate increased housing supply.

The federal government's target of 1.2 million new dwellings over the period 2024-28 equates to 240,000 per year, well above historical levels. Although supply chain constraints may impact the ability to achieve this forecast, we are expecting strong demand for our building products over the next decade.

Building Products – Simplification and Rationalisation

Having modernised our plant fleet over the past five years through a significant investment program, Building Products is well-placed to meet increased demand over the next decade

Building Products Australia

- Significant investment program now completed
- Modern plants across all key markets:
 - New brick and masonry plants in NSW
 - Plant investment / consolidation completed in VIC a decade ago (bricks)
 - Major upgrades completed in QLD and SA (bricks)
- Limited new capital expenditure required
- Portfolio simplification and restructuring completed
 - Operating sites reduced from 33 (in 2018) to 20 (as at Jan 2024)
 - Focus on higher returning operations
 - Consolidation of Austral Bricks and Masonry

Building Products North America

- Multi-year plant rationalisation program complete
- The program has caused short-term disruption, however, together with plant upgrades, will deliver improved efficiency and lower costs

Production Metrics	Before ¹	Current
Plants (Bricks + Stone)	16	7
Kilns (Bricks)	19	9
Production capacity (m bricks)	748	450
Utilisation (Bricks)	46%	75%
Ave age of brick kilns (yrs)	42	29
Manufactured bricks	900	600
Headcount	1,275	901

1. Sum of all acquired operations in North America (at time of acquisitions)

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Before I finish, I would like to expand briefly on the significant steps we have taken to reshape our Building Products businesses across both Australia and North America.

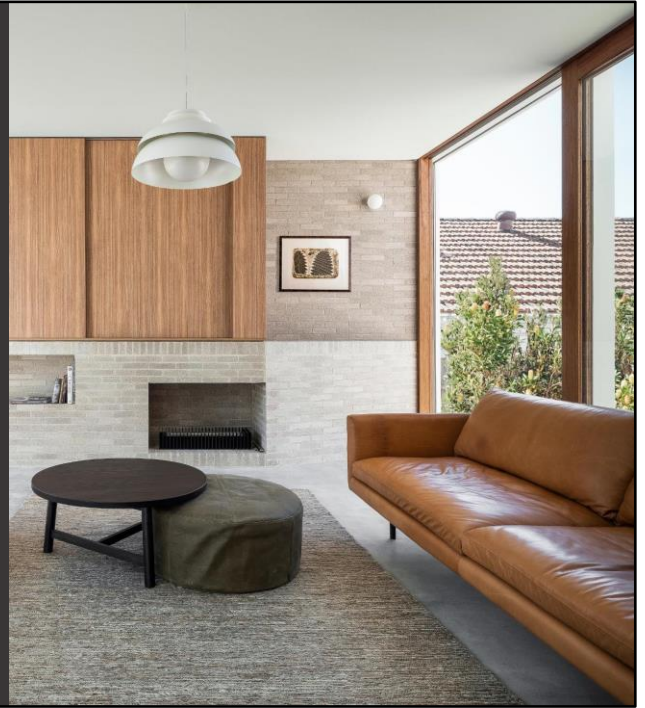
In Australia, we have made significant new plant investment over a number of years and this program is now largely complete. We now have world leading brick and masonry plants in Western Sydney. This follows prior investment and consolidation in Victoria and major upgrades at our brick plants in Queensland and South Australia. Looking ahead, we will require limited new investment in our brick plants over the medium term.

We have also simplified our business in recent years, resulting in a more focussed portfolio of higher returning assets.

In North America, we have completed a plant rationalisation program that has resulted in the closure of 9 plants, as we have integrated new bolt-on acquisitions. While disruptive to the business in the short-term, the end result of this process is a more efficient plant network and a more focussed capital investment program. As shown on screen, the program has resulted in an increase in brick plant utilisation to 75% (from 46%) a significant reduction in the average age of kilns and a 29% headcount reduction across the business.

Questions

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We will now take questions.

Thank you

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