

26 March 2020

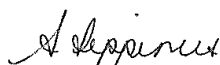
Australian Securities Exchange  
Attention: **Companies Department**

**BY ELECTRONIC LODGEMENT**

Dear Sir / Madam

Please find attached a presentation to be made to analysts today regarding Brickwork's financial results for the half year ended 31 January 2020, 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



Financial results  
Half year ended 31 January 2020

Mr. Lindsay Partridge Managing Director  
Mr. Robert Bakewell Chief Financial Officer



Austral Bricks La Paloma Miro

Agenda

- COVID-19
- 1H20 Overview
- Divisional Review
- Financials
- Outlook
- Questions



## COVID-19 (Coronavirus)

Brickworks has been pro-active in response to the Coronavirus pandemic

- The COVID-19 pandemic continues to evolve and has created significant uncertainty
- Brickworks primary focus is on ensuring the safety and well-being of all employees and customers
  - Self isolation of staff at risk
  - Daily temperature testing of all employees and any visitors to site
  - Limited travel to essential domestic travel
  - Meetings held remotely via videoconference
  - Segregating work teams
  - Social distancing protocols at all workplaces
  - Working from home where it is possible to do so
- Brickworks has been well prepared and has infrastructure in place to effectively manage operations

## COVID-19: Impact To Date

Brickworks North American operations have been significantly impacted

- No cases of COVID-19 reported amongst Brickworks staff
- The Governor of Pennsylvania ordered closure of non life-sustaining businesses on 19 March - all 5 manufacturing plants in Pennsylvania are now closed
  - On 25 March, the Governor granted an exemption approval for Brickworks to operate yards and sales offices in Pennsylvania, thus allowing sales to re-commence
- On the 23rd March an order was made by the Governor of Michigan, resulting in the closure of our distribution outlet in that state
- Brick manufacturing in Illinois and Ohio has been classified as an essential operation
- Aside from these impacts, trading within Building Products has been strong in early March across Australia and the United States
- Some of our European suppliers of premium imported products have indicated that operations have already been, or will soon be suspended
- No other major supply chain issues have impacted production or supply
  - Brickworks products are generally made from locally sourced materials, including owned clay reserves
  - Brickworks has multiple sites across the country providing production flexibility
- Development activity within the Property Trust is currently unaffected

# COVID-19: Expectations and BKW Response

A significant downturn is expected, but Brickworks is taking action and is in a strong position

- A significant reduction in activity and softening of demand is expected for the remainder of the financial year
  - Builders reporting reduced activity at display homes
  - Restrictions of trades on-site
  - Partially offset by increase in DIY sales
- Other related risks are emerging
  - Customer credit risks increasing
  - Medium term supply chain risks relate to critical spare parts for factories and specialty brick glazes and stains
  - Closure of manufacturing facilities to protect employee health and safety: Brickworks decision or government-imposed lock-down
- Brickworks is taking significant steps to prepare for a downturn and preserve cash
  - Business planning and scenario modelling tools to support decision making
  - All non-contracted capital expenditure non-essential expenditure delayed / suspended
  - Employees to utilise accrued leave where possible
- Brickworks withdraws any previous outlook statements and is unable to provide any earnings guidance at this stage
- Brickworks is in a strong position, with a diversified portfolio of attractive assets and a robust balance sheet

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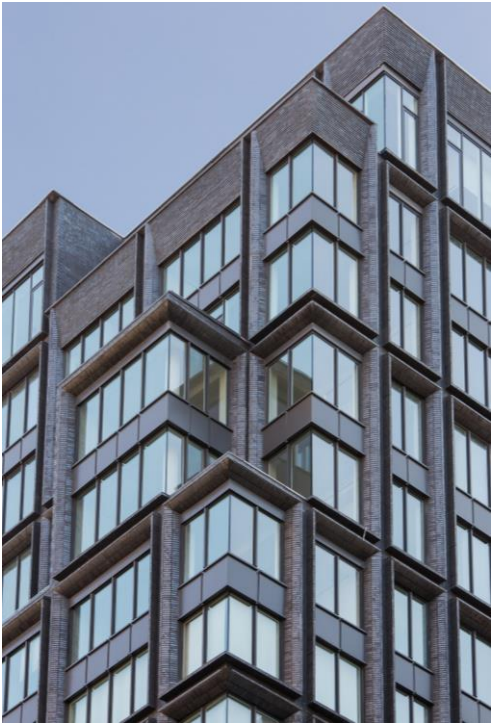
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## 1H20 Overview

371 Broadway New York, NY  
Ebonite Smooth



# 1H20 overview

## Significant achievements across the Group in 1H20

- Continued US brick expansion, with performance exceeding expectations
  - Acquisition of Sioux City Brick completed in August 2019
  - Additional bolt-on acquisition of Redland Brick assets announced in 1H20 and completed in February 2020
- Industrial property portfolio value increasing due to long term structural trends
  - \$77 million increase in net value to Brickworks
- Australian Building Products moving through low point in cycle
  - Plant upgrades and maintenance completed
- Record low injury rates across Australian operations during first half

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# 1H20 result highlights (financial)

## Underlying profit from continuing operations down 37%

<b>Underlying EBITDA</b> (continuing operations)	<b>Underlying profit</b> (continuing operations)	<b>Statutory profit</b>
\$170m ↓ 25%	\$100m ↓ 37%	\$58m ↓ 49%
<b>Net tangible asset / share<sup>1</sup></b>	<b>Underlying EPS</b> (continuing operations)	<b>Interim Dividend</b>
\$12.62 ↓ 5% <sup>1</sup>	67 cents ↓ 37%	20 cents ↑ 5%

Note: Comparative numbers for 1H19 have not been re-stated to take into account the impact of AASB 16 (leases). The impact of AASB 16 is shown in more detail in the supplementary slides

1. Compared to 31 July 2019

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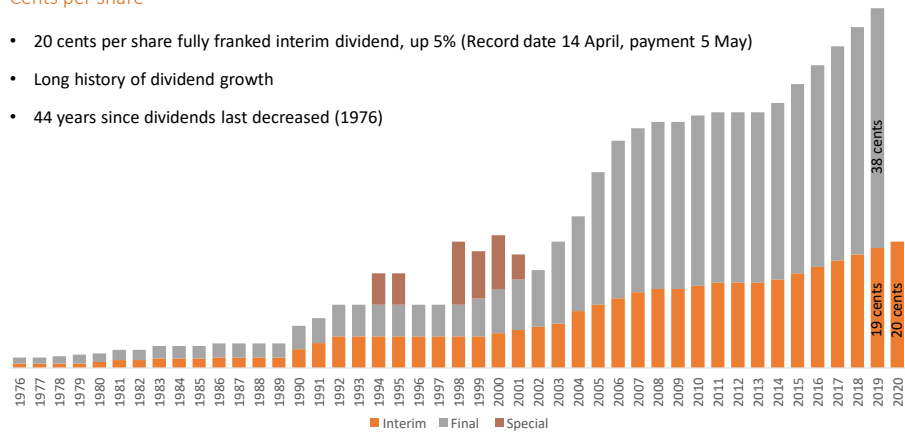
# Dividends

Brickworks normal dividend has been maintained or increased since 1976

## Brickworks Dividend History

Cents per share

- 20 cents per share fully franked interim dividend, up 5% (Record date 14 April, payment 5 May)
- Long history of dividend growth
- 44 years since dividends last decreased (1976)



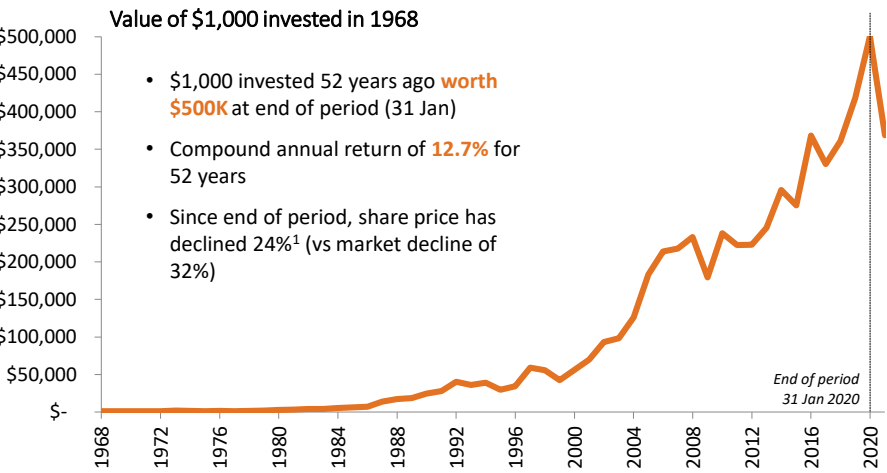
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# Total value creation

Brickworks has created significant shareholder value over the long term



1. As at the close of trading on Monday 24<sup>th</sup> March

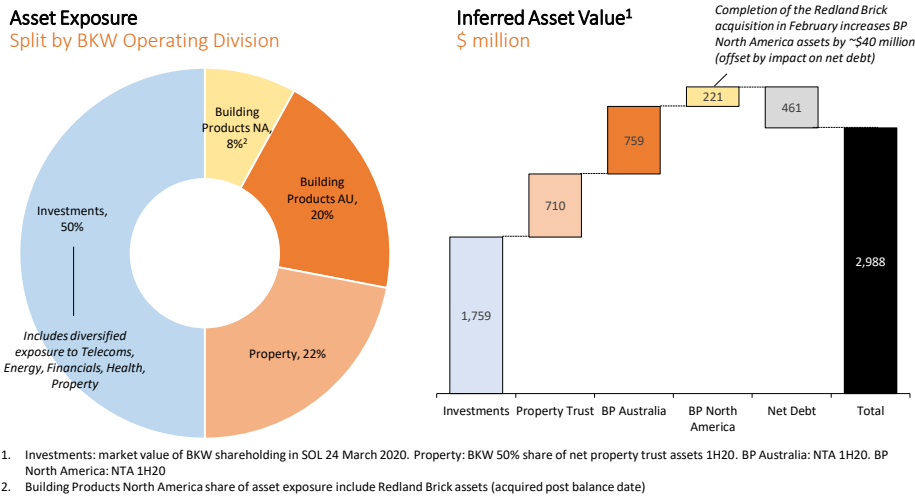
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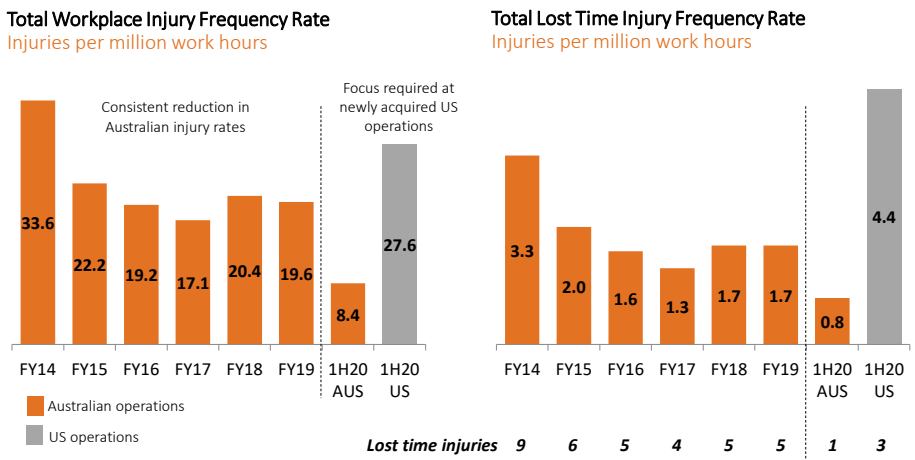
# Diversification & Asset Backing

BKW has a diversified portfolio of assets, with an inferred asset value of almost \$3.0 billion



# Safety

Record low injury rates achieved in Australian operations during 1H20



# Sustainability

Continued focus on a broad range of sustainability initiatives

Category	Initiatives and Achievements
Governance & Reporting	<ul style="list-style-type: none"><li>Sustainability formally incorporated into the charter of the Board Audit &amp; Risk Committee during 2019</li><li>Published inaugural Sustainability Report during 1H2020</li><li>Formal 2025 sustainability targets to be launched in 2020</li></ul>
Environmental	<ul style="list-style-type: none"><li>FY2019 Carbon emissions (ktCO<sub>2-e</sub>) down 27% vs FY2006 (base year)</li><li>Landfill gas utilized at Horsley Park (NSW) and sawdust at Longford (Tasmania)</li><li>Improvements in production waste management and recycling</li></ul>
Community	<ul style="list-style-type: none"><li>Long-term partnership with Children's Cancer Institute (since 2002). In excess of \$3.5 million in direct and indirect support to date.</li><li>Launched bushfire support package for impacted homeowners in January 2020</li></ul>
Diversity	<ul style="list-style-type: none"><li>Diversity council established</li><li>Women in senior leadership roles increased from 7% in 2015 to 27% currently</li><li>Additional female Director, Robyn Stubbs, appointed to the Board on 1 Jan 2020</li></ul>



## Divisional Review

Poesia Glass Bricks, Market St, Sydney





# Overview of Operating Divisions

An attractive portfolio of diversified businesses

<b>Investments</b> <i>50% of Group assets</i>	<ul style="list-style-type: none"><li>Diversified investment house with proven investment approach that has delivered outstanding returns</li></ul>
<b>Property</b> <i>22% of Group assets</i>	<ul style="list-style-type: none"><li>50% interest in Industrial Property Trust JV with Goodman Group – total assets \$2.0bn</li><li>Leveraged to new economy</li><li>Additional surplus Building Products land</li></ul>
<b>BP Australia</b> <i>20% of Group assets</i>	<ul style="list-style-type: none"><li>Australia’s leading brickmaker</li><li>Leading positions in other trusted and established building products</li></ul>
<b>BP North America</b> <i>8% of Group assets</i>	<ul style="list-style-type: none"><li>Leading brickmaker in the Northeast of USA</li><li>Focussed on premium architectural products for the non-residential and multi-residential sectors</li><li>Significant growth opportunities</li></ul>

## Investments -WHSP

Long history of strong returns

\$million	1H2020	1H2019	Change
Underlying earnings <sup>1</sup>	39	61	(36%)
Dividends from WHSP	32	33	(3%)
WHSP Share price (\$) (vs 31 Jul 19)	21.55	22.71	(5%)
BKW Market Value (vs 31 Jul 19)	2,032	2,141	(5%)

- Underlying earnings of \$39 million, down 36%, primarily due reduced earnings from New Hope Corporation
- \$32 million in dividends received, with increase in dividend /share offset by lower shareholding<sup>2</sup>
- \$109 million decrease in market value during the half
- Long history of strong returns

1. Includes interest income in addition to WHSP contribution  
2. 7.9 million shares sold in November and December 2018  
3. As at close of trading on 24<sup>th</sup> March

**WHSP Total Shareholder Return**  
20 years, cumulative

- 13.2% p.a. over 20 yrs (+4.5% p.a. vs index) – to 31 Jan 2020
- 13% share price decline since 31 Jan<sup>3</sup> (vs market decline of 32%): Proven resilience through diversification and balance sheet strength



# Investments

WHSP is a diversified investment house with an attractive portfolio of assets



**Value of WHSP holding (25.3% share) \$1.64 billion<sup>1</sup>**

- EBITDA \$809 million in FY2019
- Valuable and extensive infrastructure network
- Low cost, high value service provider
- Utility like subscription (defensive)
- VHA merger complementary and synergistic

**Value of financial services portfolio \$353 million**



1. As at 24 March 2020

All other values shown as at 31 July 2019, as per WHSP 2019 Annual Report



**Value of WHSP holding (50% share) ~ \$0.52 billion<sup>1</sup>**

- EBITDA \$517 million in FY2019
- Low cost producer – globally competitive
- Global coal constraints from limited new mines
- Strong and growing demand of clean Australian coal from customers in the Asian region
- Generates strong cashflows and high dividend yield
- Further long-term development upside

**Value of pharmaceutical portfolio \$265 million**



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# Property – 1H20 result

Continued strong revaluations driven by favourable industry trends

\$million	1H2020	1H2019	Change
Net Trust Income	15	12	25%
Revaluations	52	67	(22%)
Development Profit	24	19	26%
<b>Property Trust</b>	<b>90</b>	<b>99</b>	<b>(9%)</b>
Land Sales	0	35	-
Property Admin <sup>1</sup>	(2)	(2)	-
<b>Total</b>	<b>89</b>	<b>132</b>	<b>(33%)</b>

- Net trust income higher, on rent reviews and addition of new developments
- Revaluation profit driven by 25 to 50 basis point reduction in cap rates in NSW
- 2 developments completed at Oakdale South
- No land sales during the period

1. Property administration includes the holding costs of surplus land

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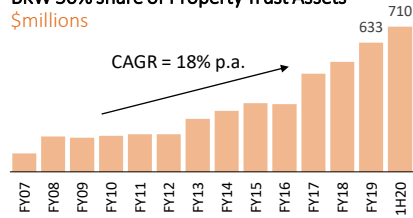
## Property – JV Trust Asset Value

Total JV Trust assets now almost \$2 billion

\$million	1H2020	FY2019	Change
Leased properties	1,661	1,411	18%
Land to be developed	295	345	(14%)
<b>Total Property Trust assets</b>	<b>1,956</b>	<b>1,756</b>	<b>11%</b>
Borrowings	(536)	(490)	(9%)
Net Property Trust assets	1,420	1,266	12%
<b>BKW 50% share</b>	<b>710</b>	<b>633</b>	<b>12%</b>

- Total leased properties \$1.7 billion
  - 5 year weighted average lease expiry
  - “Blue chip” tenants
- Total return on leased assets 17%
  - Rental return on leased assets 6%<sup>1</sup>
  - Revaluation return 11% during 1<sup>st</sup> half<sup>2</sup>
- Gearing on leased assets 32%

**BKW 50% share of Property Trust Assets**  
\$millions



1. Based on annualised Net Trust Income of \$24m (2 x 1H19), divided by \$425m. This represents Brickworks share of leased properties (net of borrowings on leased land of \$456m), less \$51 million of newly completed assets that did not contribute any rent during the period  
2. Methodology as above, but assuming annualised revaluation profit of \$67 million

## Property – Structural Trends

- Brickworks (100% owned) and the JV Property Trust (50% owned) have well located land and developed industrial property assets close to end-customers and key transport infrastructure
- Increasing demand for sophisticated and specialised facilities
- Technological advances are improving efficiency and allowing industrial land to be utilized more effectively
  - Full automation and robots
  - High bay warehousing
  - Order picking and tracking technology
- Capitalisation rates are continuing to compress, driving increased valuations

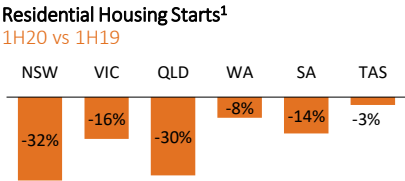


## Building Products Australia – 1H20 result

Earnings adversely impacted by difficult conditions

\$million (Continuing operations)	1H2020	1H2019	Change
Revenue	338	375	(10%)
EBITDA	39	41	(5%)
EBIT	10	26	(62%)
EBITDA margin	11%	11%	-
EBIT margin	3%	7%	(57%)

Comparative numbers for 1H19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable 1H2020 EBIT is \$8 million and EBITDA is \$23 million.



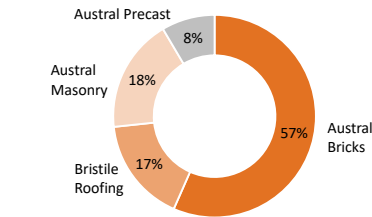
- Earnings decline due primarily to:
- A sharp slowdown in building activity across the country
  - Continued intense competition in Western Australia
  - Numerous brick plant shutdowns on the east coast to complete significant maintenance and upgrades
  - A net \$4 million increase in gas costs during the period

1. For 6 months to September 2019 (vs Sep 2018). Source: ABS

# Building Products Australia - Business Unit Performance

Mixed performance across Building Products business units

## Building Products Australia Revenue 1H20



1H20 vs 1H19	Revenue	EBIT
Austral Bricks	↓	↓
Bristle Roofing	↓	↓
Austral Masonry	↑	↓
Austral Precast	↓	↓

- Austral Bricks performance on the east coast was resilient
  - Decline in sales volume less than the market
  - Earnings were approximately in line with the prior period, after excluding impact of gas costs and plant shutdowns for kiln maintenance and upgrades
- Transition to wholesale gas commenced 1 Jan 2020 has now reduced gas costs
- The Western Australian building industry remains in a state of flux amidst excess capacity and widespread corporate restructuring activity
- Bristle Roofing (inc. Capital Battens operations at Fyshwick) earnings lower with strong competition
- Austral Masonry and Austral Precast significantly impacted by sharp slowdown in multi-res activity
- Newly acquired Aussie Concrete Products performing well
- Commissioning of Southern Cross Cement Terminal almost complete

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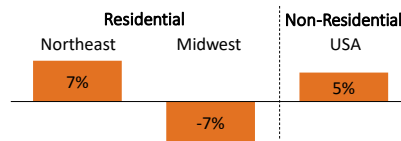
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# Building Products North America - Performance

Performance ahead of expectation, integration proceeding well

\$million	1H2020	1H2019 2 mths
Revenue (\$US)	75	18
EBITDA (\$US)	8	0
EBIT (\$US)	4	(1)
Revenue (\$AU)	110	26
EBITDA (\$AU)	13	0
EBIT (\$AU)	6	(1)

## Building Activity<sup>1</sup> 1H20 vs 1H19



- Performance includes 5 months operation of the acquired Sioux City Brick plants
  - Integration of these operations complete, with consolidation of both manufacturing operations and retail outlets
- Demand is strong in the northeast region, underpinned by commercial and residential projects in New York City and surrounding areas
- Redland Brick acquisition completed 10 February, post the end of the half

1. Residential data: US Census Bureau commencements for the 6 months to September 2019 (vs Sep 2018). Non residential data: US Census Bureau total value of construction put in place for the 6 months to January 2020 (vs Jan 2019)  
2. An average exchange rate of 1AUD=0.68 USD has been used to convert earnings

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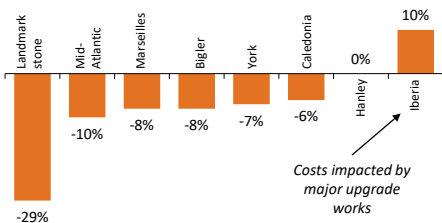
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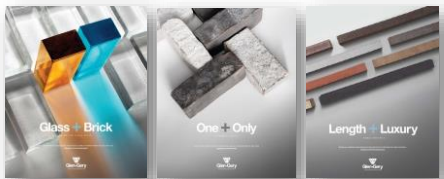
# Building Products North America - Performance

Manufacturing and sales and marketing initiatives implemented

## Unit Manufacturing Cost (1H20 v 1H19)



## Sales and Marketing



- Manufacturing costs were lower across most facilities, as efficiency improvement initiatives were rolled out
- The installation of a new extruder at Iberia (Ohio) was completed during the period – short term impact on costs due to shutdown
- Revamp of product brochures, websites and other marketing material
- Sales incentive program launched
- Dedicated pricing team established
- New design studios will soon launch in Philadelphia and New York

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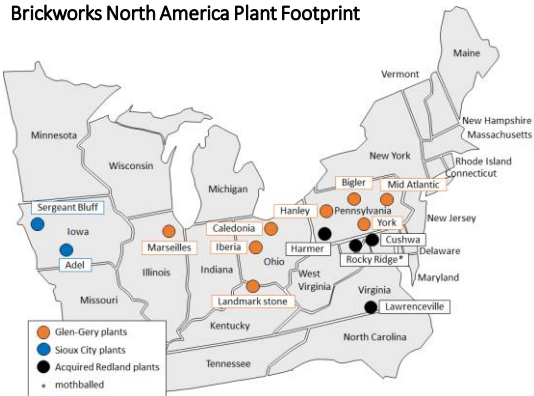
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# Building Products North America

A business of significant scale has been established, with a market leading position in the Northeast, Midwest and Mid-Atlantic regions

## Brickworks North America Plant Footprint



- Combination of three strong businesses
- Market share leadership in key states across Northeast, Midwest and Mid-Atlantic regions
- Portfolio of well recognised, premium brands
- Almost 900 employees
- 12 operating brick plants and one manufactured stone plant
- Circa 400 million brick sales per annum
- Circa AU\$290 million revenue per annum
- Extensive reseller network and company operated retail outlets

**Glen-Gery**

**Sioux City Brick**  
Since 1913

**Cushwa**  
BRICK

**Lawrenceville**  
BRICK

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Financials

University of Rochester, Wegmans Hall  
53-DD Molded Brick



Financials – 1H20 Overview

37% decrease in underlying NPAT from continuing operations

\$million	1H2020	1H2019	Change
Total EBITDA	170	228	(25%)
Depreciation <sup>1</sup>	35	16	126%
<b>Total EBIT</b>	<b>135</b>	<b>211</b>	<b>(36%)</b>
Borrowing costs	(12)	(11)	(17%)
Underlying income tax	(22)	(41)	46%
<b>Underlying NPAT (From continuing operations)</b>	<b>100</b>	<b>160</b>	<b>(37%)</b>
Significant items	(35)	(12)	
<b>NPAT (From continuing operations)</b>	<b>65</b>	<b>148</b>	<b>(56%)</b>
Discontinued operations	(7)	(34)	
<b>Statutory NPAT</b>	<b>58</b>	<b>115</b>	<b>(49%)</b>

- For 1H20, AASB 16 (Leasing) resulted in:
  - +\$16 million EBITDA impact
  - +\$2 million EBIT impact
- Increase in Building Products North America earnings offset by decreases across other divisions
- Underlying tax decreased due to lower earnings
- Significant items contributed net -\$35 million to NPAT from continuing operations
- Auswest hardwood operations at Greenbushes (WA) and East Gippsland (Victoria) classified as discontinued operations during the half. These assets were sold in October 2019.

1. Includes \$14 million related to leased assets in accordance with AASB 16 (Leasing)

## Financials – Significant items

Net impact of significant items - \$35 million

\$million	Gross	Tax	Net
Acquisition costs, net of “bargain purchase”	(4)	-	(4)
Restructuring activities	(7)	2	(5)
Significant items relating to WHSP	(33)	-	(33)
Income tax arising from the carrying value of WHSP	-	6	6
<b>Total (Continuing Operations)</b>	<b>(44)</b>	<b>8</b>	<b>(35)</b>

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## Financials – Cash flow reconciliation

Operating cash flow down, on lower AUS Building Products earnings

\$million	1H2020	1H2019
<b>Statutory net profit after tax</b>	<b>58</b>	<b>115</b>
Depreciation, amortisation	35	17
Non cash revaluations within Property Trust	(76)	(87)
Share of profits of associates not received as dividend	26	(16)
Non cash impairments	1	85
Gain on sale of WHSP shares (investing activity)	-	(110)
Changes in tax provisions	(59)	61
Other items	(3)	(1)
<b>Operating cash flow</b>	<b>(18)</b>	<b>65</b>
Proceeds received from WHSP share sale	-	208
Acquisitions (net of cash)	(63)	(141)
Capital Expenditure	(57)	(18)
Dividends paid	(57)	(54)

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## Financials – Key Indicators

Net debt and gearing have increased following the US brick acquisitions

	1H2020	FY2019	Change
NTA per share	\$12.62	\$13.28	(5%)
Shareholder's equity	\$2,184m	\$2,167m	1%
Shareholder's equity per share	\$14.57	\$14.48	1%
Return on shareholders equity <sup>1</sup>	9%	11%	(16%)
Operating cash flow (vs 1H19)	(18)	65	NA
Net debt <sup>2</sup>	\$461m	\$253m	82%
Gearing (net debt / equity) <sup>2</sup>	21%	12%	81%
Interest cover <sup>2</sup>	13x	18x	(39%)

- Total shareholder's equity increased by \$17 million during the period, or 26 cents per share
- Decrease in operating cash flow, primarily due to:
  - \$54 million in tax paid in January 2020, following the sale of WHSP shares in December 2018
  - Lower Building Products Australia earnings
- Net debt increased, primarily due to:
  - The settlement payment for the Sioux City Brick acquisition (\$47 million)
  - The up front payment on the Redland Brick acquisition (\$15 million)
  - Lower operating cashflow, including the tax payment on the WHSP share sale
- Gearing increased to 21%

*Note: Comparative numbers for 1H19 have not been re-stated to take into account the impact of AASB 16 (Leases). Comparable numbers with 1H19, excluding the impact of AASB 16, are outlined in the supplementary slides*

1. Underlying return, based on 2x1H2020 Underlying NPAT from continuous operations

2. Net debt, gearing and interest cover excludes the impact of AASB 16 (Leases), in line with banking covenant calculations

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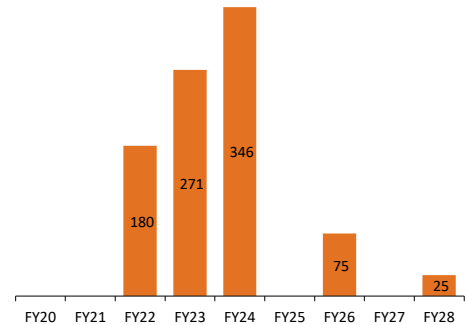
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## Debt Maturity and Metrics

Brickworks has significant headroom within existing debt facilities

### Debt Maturity Profile

Total \$897million facilities



- Circa \$897 million in debt facilities available
  - Syndicated multi-currency facility ~\$697 million
  - Bilateral cash advance facility \$100 million
  - Institutional term loan facility \$100 million
- Syndicated multi-currency facility established in May 2019, with varying tenor
- Next maturity in FY2022
- Net debt of \$461 million<sup>1</sup> at 31 Jan 2020:
  - Total drawn debt \$500 million
  - Offset by cash of \$39 million
- Brickworks has in excess of \$290 million in funding headroom
- Significant headroom within existing covenants:
  - Gearing 17%<sup>2</sup> (vs covenant <40%)
  - Interest cover 5.8x<sup>2</sup> (vs covenant of >3.5x<sup>3</sup>)
  - Leverage ratio 3.1x<sup>2</sup> (vs covenant of <3.5x<sup>3</sup>)
- Additional lease liabilities of \$104 million

1. Net debt excludes the impact of AASB 16 (Leases), in line with banking covenant calculations

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

3. Covenant only applies if applies if gearing > 22.5%

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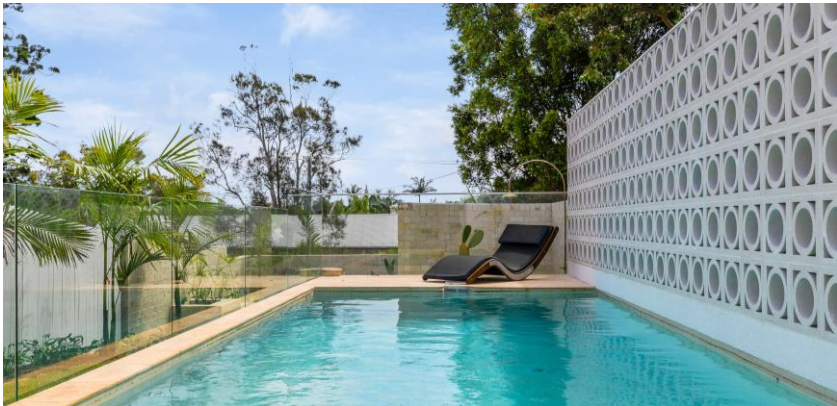
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# Outlook

GB Masonry, Circle Breeze Blocks



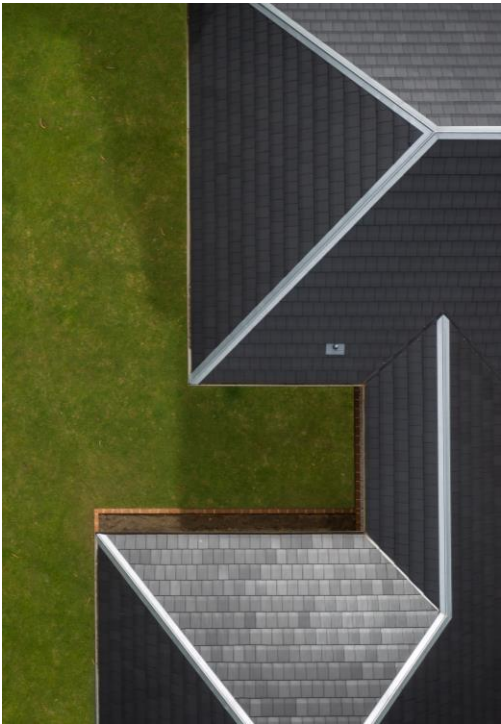
# Outlook

The outlook is clouded by the COVID-19 pandemic, but Brickworks is well placed

<b>Investments</b> <i>50% of Group assets</i>	<ul style="list-style-type: none"><li>• Strong history of outperformance over the long term and across business cycles</li></ul>
<b>Property</b> <i>22% of Group assets</i>	<ul style="list-style-type: none"><li>• Trend towards online shopping, and more sophisticated and specialised industrial facilities to drive medium and longer term growth</li><li>• Planning for the sale of 10 hectares at Oakdale East into the Trust in 2H2020</li></ul>
<b>Building Products Australia</b> <i>20% of Group assets</i>	<ul style="list-style-type: none"><li>• Trading has been strong, particularly in March, with increasing sales and orders</li><li>• Now preparing for a downturn in activity, including likely disruptions to operations</li><li>• Impossible to determine the extent and timing of the downturn</li></ul>
<b>Building Products North America</b> <i>8% of Group assets</i>	<ul style="list-style-type: none"><li>• Redland Brick acquisition completed, and operations integrated in February</li><li>• Record sales levels being achieved in early March prior to the shutdown in Pennsylvania</li><li>• Trading is now severely disrupted due to government imposed shutdowns</li><li>• Current focus is on workforce management, minimising costs, and putting in place plans so that operations can quickly ramp up when conditions allow.</li></ul>
<b>Group</b>	<ul style="list-style-type: none"><li>• Diversified portfolio of assets and robust balance sheet provides stability in uncertain times</li></ul>



Questions



La Escadella Planum



Supplementary Slides



## Financials – AASB 16 (Leases)

AASB 16 (Leases) had an impact on comparative financials in 1H20

Balance Sheet	Income Statement	Cashflow
Assets + \$99 million	EBITDA + \$16 million	Operating cashflow +\$14 million
Liabilities + \$104 million	EBIT + \$2 million	Investing cashflow No change
	NPAT No change	Financing cashflow -\$14 million
	Depreciation + \$14 million	
	Interest +\$2 million	

Half year results  
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## Financials – AASB 16 (Leases)

AASB 16 (Leases) had an impact on comparative financials in 1H20

\$million	1H2020 (inc AASB 16)	Change (inc AASB 16)	1H2020 (ex AASB 16)	Change (ex AASB 16)	1H2019
Total EBITDA	170	(25%)	154	(32%)	228
Depreciation	35	126%	21	31%	16
Total EBIT	135	(36%)	133	(37%)	211
Underlying NPAT (From continuing operations)	100	(37%)	100	(37%)	160
Cashflow from operations	(18)	NA	(32)	NA	65
NTA / share (vs 31 July 19)	12.62	(5%)	13.28	-	13.28

Half year results  
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*The Board has authorised the release of this announcement to the market.*

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