

20 September 2018

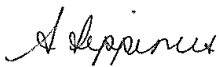
Australian Securities Exchange  
Attention: **Companies Department**

**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 2018, for immediate release to the market.

Yours faithfully  
BRICKWORKS LIMITED



**Susan Leppinus**  
Company Secretary

# RESULTS

## FOR THE YEAR ENDED JULY 31 2018

*Mr. Lindsay Partridge, Managing Director*



**BRICKWORKS**  
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### PRESENTATION OUTLINE

- Overview
- Operational Review
  - Building Products
  - Property
  - Investments
- Financials
- Group Outlook
- Questions



**CORPORATE STRUCTURE**

Building Products	Property	Investments
<ul style="list-style-type: none"> <li>• Austral Bricks</li> <li>• Bristile Roofing</li> <li>• Austral Masonry</li> <li>• Austral Precast</li> <li>• Auswest Timbers</li> </ul>	<ul style="list-style-type: none"> <li>• Development of non operational land</li> <li>• 50% share of \$1.5 billion Industrial Property Trust</li> </ul>	<ul style="list-style-type: none"> <li>• 42.7% share of WHSP (ASX: SOL, market cap \$6.0 billion)</li> </ul>

**BRICKWORKS OVERVIEW**

**Diversified portfolio**  
*Significant assets in Building Products, Property, Investments*

**Long term focus**  
*Formed in 1934 by a group of leading Sydney based brick manufacturers  
 Listed on the ASX in 1962  
 Invested in WHSP in 1969*

**Stable and conservative**  
*Stable Board and management team  
 Low gearing level*



## FY2018 HIGHLIGHTS

**\$309m**

Underlying EBITDA

↑13%

**\$224m**

Underlying profit

↑14%

**\$175m**

Statutory profit

↓6%

**\$12.42**

Net tangible assets / share

↑5%

**150 cents**

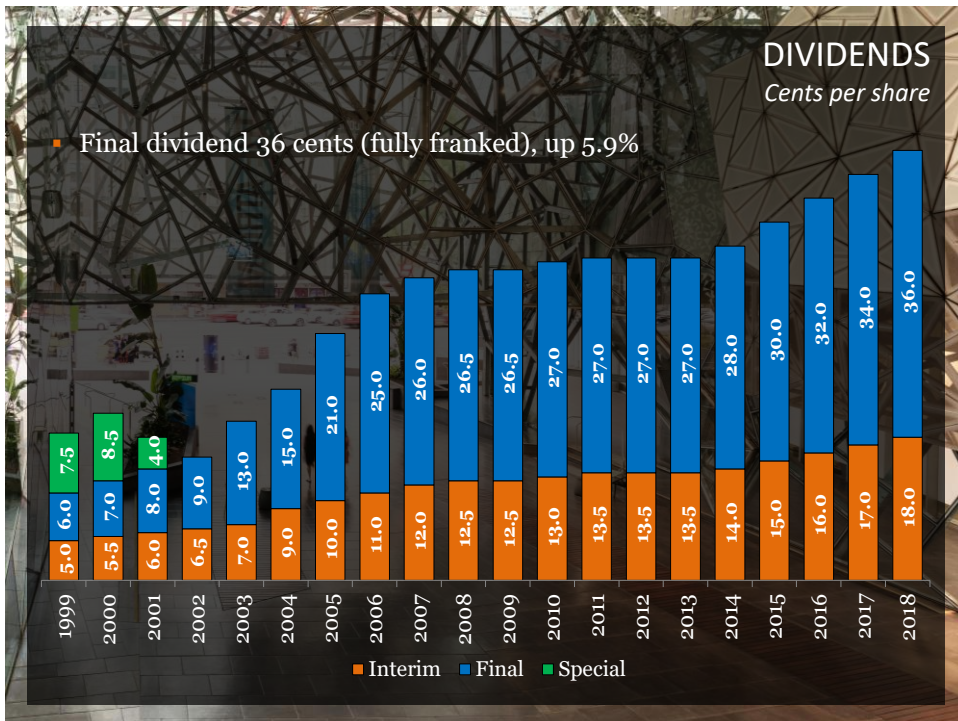
Underlying eps

↑14%

**36 cents**

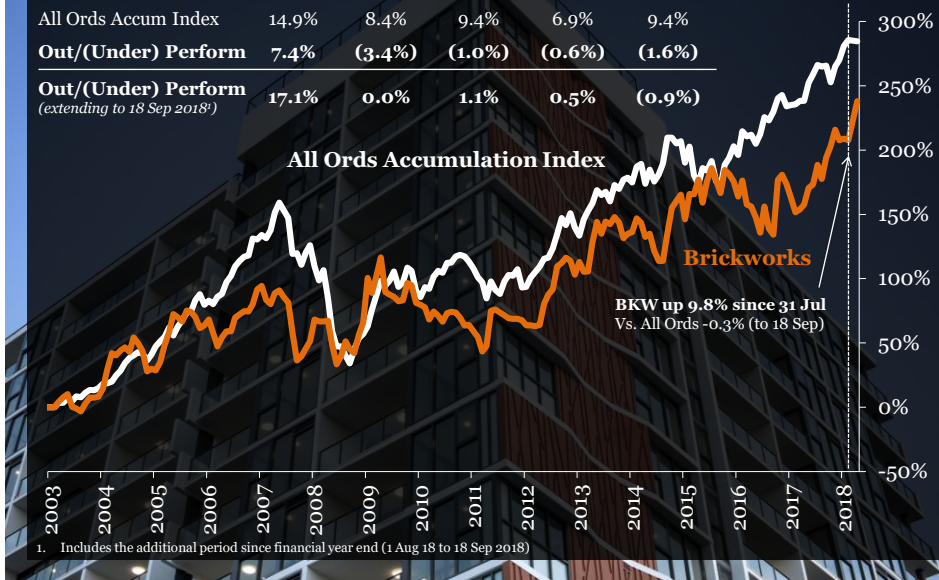
Final dividend

↑6%

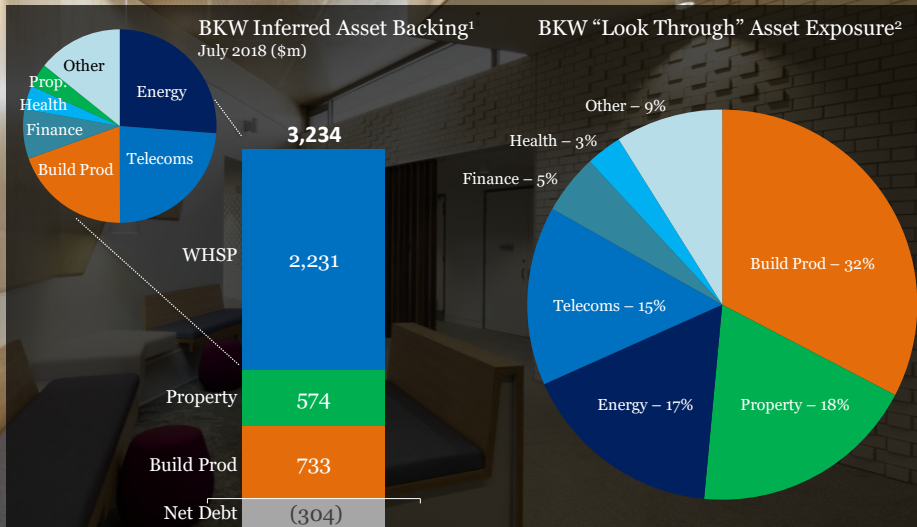


## SHAREHOLDER RETURNS (TO 31 JUL 18)

ANNUAL TSR	1 Year	3 Years	5 Years	10 Years	15 Years
Brickworks Limited	22.3%	5.0%	8.4%	6.3%	7.8%
All Ords Accum Index	14.9%	8.4%	9.4%	6.9%	9.4%
<b>Out/(Under) Perform</b>	<b>7.4%</b>	<b>(3.4%)</b>	<b>(1.0%)</b>	<b>(0.6%)</b>	<b>(1.6%)</b>
<b>Out/(Under) Perform</b> <i>(extending to 18 Sep 2018<sup>1</sup>)</i>	<b>17.1%</b>	<b>0.0%</b>	<b>1.1%</b>	<b>0.5%</b>	<b>(0.9%)</b>



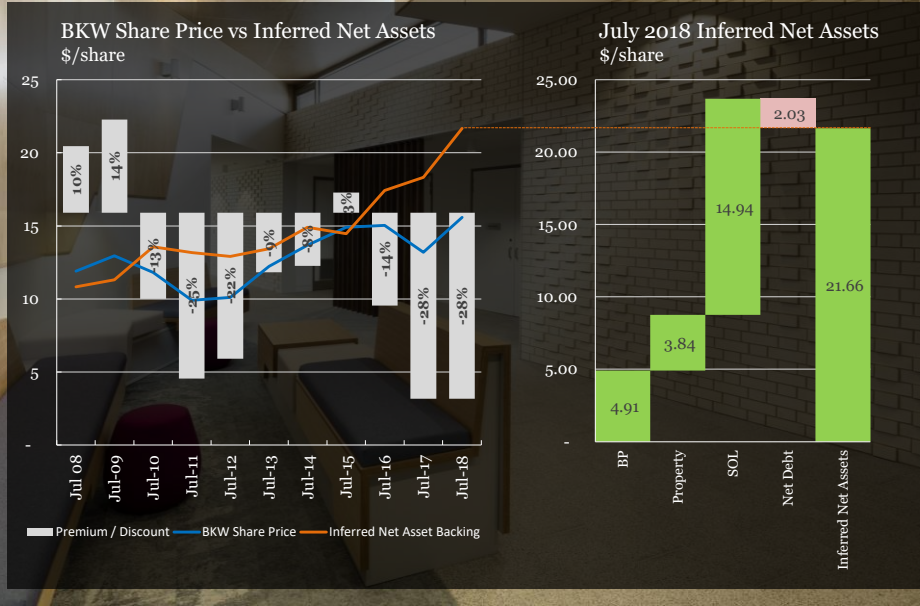
## “LOOK THROUGH” ASSET EXPOSURE



1. Inferred asset backing includes Building Products net tangible assets, Brickworks share of net Property Trust assets, book value of development land held for resale and the market value of Brickworks stake in WHSP, less net debt

2. Based on share of inferred asset backing, where WHSP asset exposure is split based on market value of each investments at 31 July 2018 for listed entities, or value at 31 Jan 2018 (as per WHSP accounts) for non listed entities, property portfolio and cash

## NET ASSET BACKING VS SHARE PRICE

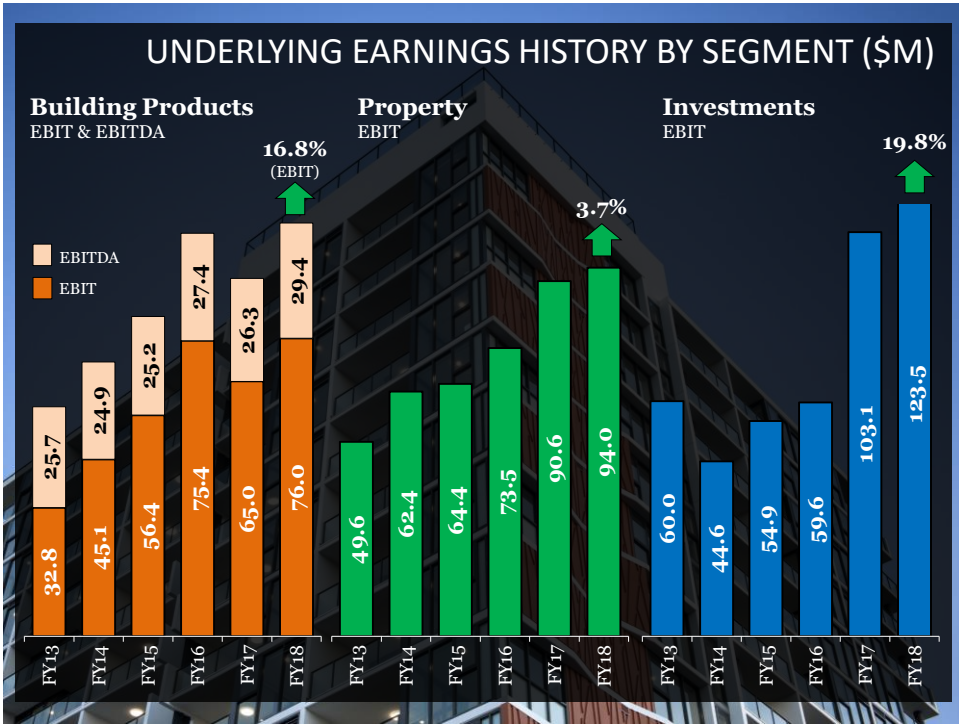


## OPERATIONAL REVIEW



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*Operational Review*  
**BUILDING PRODUCTS**

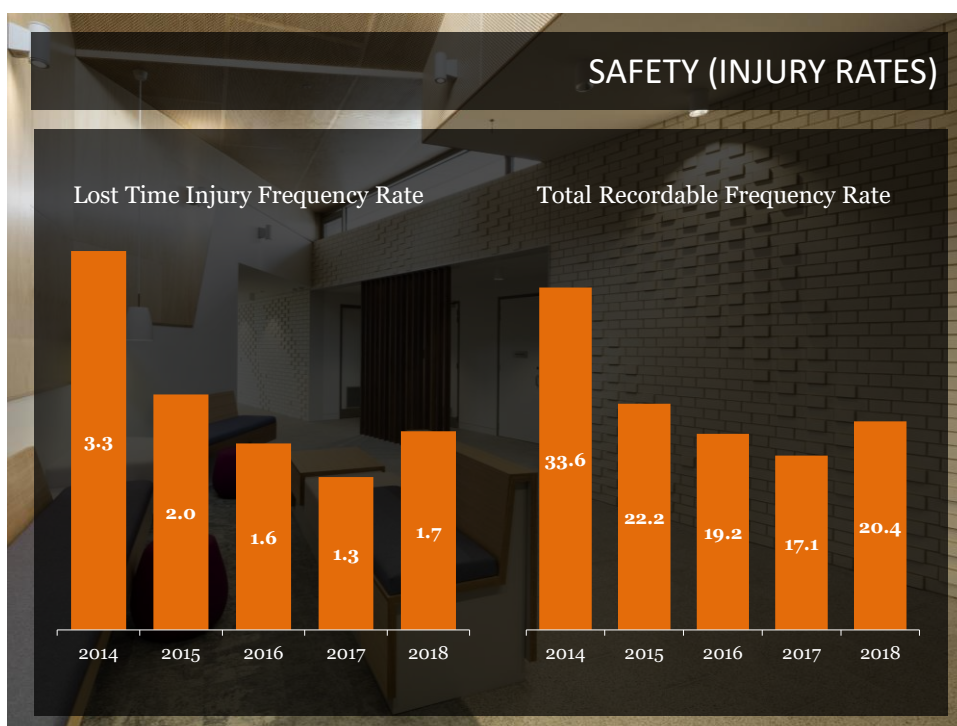


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## BUILDING PRODUCTS SEGMENT RESULT

	FY 2017	FY 2018	% Change
Sales revenue	\$763.3m	<b>\$820.0m</b>	↑ 7.4
EBITDA	\$92.9m	<b>\$105.4m</b>	↑ 13.4
<b>EBIT</b>	\$65.0m	<b>\$76.0m</b>	↑ 16.8
EBITDA to sales	12.2%	<b>12.8%</b>	↑ 5.6
EBIT to sales	8.5%	<b>9.3%</b>	↑ 8.8
Net Tangible Assets	711.6	<b>733.3</b>	↑ 3.0
Return on Net Tangible Assets <sup>1</sup>	12.6%	<b>14.3%</b>	↑ 13.9
Full Time Employees	1,511	<b>1,485</b>	↓ (1.7)
Injury Frequency (TRIFR)	17.1	<b>20.4</b>	↑ 19.3
Lost Time Injury Rate (LTIFR)	1.3	<b>1.7</b>	30.8

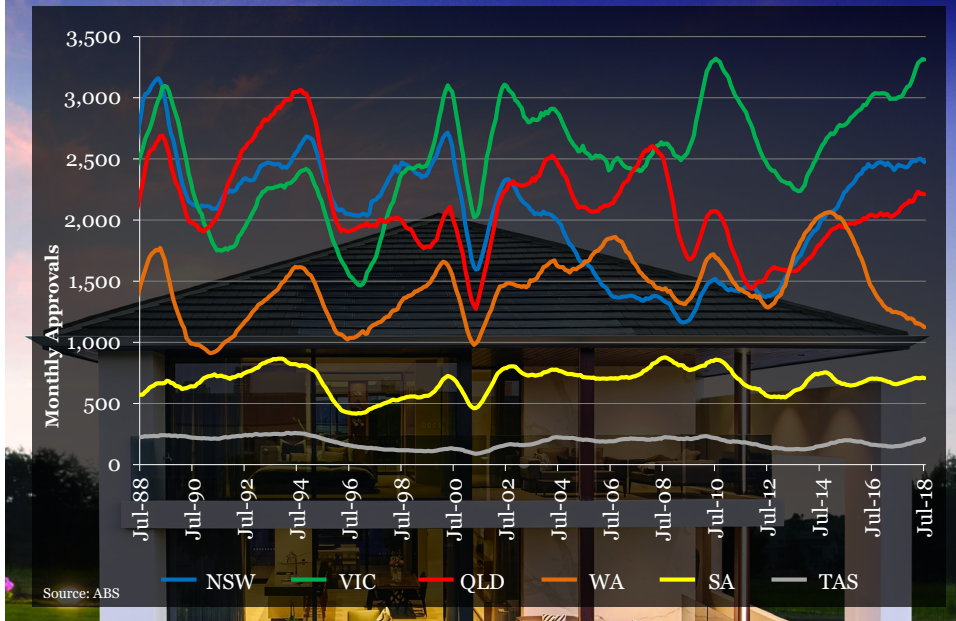
1. Assumes all Brickworks net debt and interest charges are allocated to Building Products





## DETACHED HOUSING BUILDING APPROVALS

12 month moving average



## AUSTRAL BRICKS

- Earnings significantly higher, up 12.8%
- Sales revenue of \$447.3 million, up 8.1%
- Particularly strong performance in New South Wales and Victoria
- WA result much improved following restructuring
- Focus on premium products driving higher margins
- Rochedale upgrade completed
- Next phase of capital upgrades to focus on New South Wales



- Earnings flat on increased sales revenue of \$109.7 million
- Improved result in NSW offset by weakness in Queensland
- UrbanStone acquisition progressing well with strong sales volume



- Earnings up on increased sales revenue of \$136.4 million
- Increasing contribution from metal
- Sales of imported premium terracotta tiles continue to increase
- Bristile Solar launched in first half



- Improved earnings on decreased sales revenue of \$73.2 million
- Further automation of NSW plant
- Strong demand in NSW and increasing demand in Queensland (\$50 million order pipeline)



- Improved earnings on decreased sales revenue of \$44.6 million
- Ongoing commissioning of large log line in Greenbushes, WA
- Victorian operations improved in 2<sup>nd</sup> half, despite poor log feedstock

## ENERGY SECURITY

- 5 year gas supply agreement executed with Santos for east coast operations
- Market competitive, stable and long term pricing
- Supplying up to 15 PJ of natural gas over the term
- Firm gas supply for NSW, VIC, QLD and SA operations, commencing 1 Jan 2020
- Flexibility of supply to accommodate variable brick production
- Advantage of volume flexibility gained from entering into a wholesale agreement

## BUILDING PRODUCTS OUTLOOK

- Market fundamentals remain supportive for housing:
  - Strong employment, low interest rates, high immigration
  - Housing undersupply still exists
- However, tightening credit conditions are impacting the market
- Strong order book in place in major east coast markets, but current sales are patchy:
  - Weakness in Sydney multi-res market
  - Resilience in detached houses and regional areas
  - Strong demand in SA and TAS
  - WA remains difficult, exacerbated by wet weather
- Energy prices are significantly impacting earnings

## PROPERTY



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## PROPERTY SEGMENT EBIT

\$ millions	FY2017	FY2018	% Change
Net Trust Income	\$18.3m	\$22.0m	↑ 20.2
Revaluation of properties	\$14.3m	\$23.8m	↑ 66.4
Development Profit	\$10.8m	\$28.9m	↑ 167.6
Sale of assets	\$1.0m	\$25.9m	↑ >500
<b>Property Trust</b>	<b>\$44.4m</b>	<b>\$100.6m</b>	↑ 126.6
Land Sales	\$50.3m	(\$3.0m) <sup>1</sup>	↓ N/A
Property Admin <sup>2</sup>	(\$4.1m)	(\$3.6m)	↓ (12.2)
<b>Total<sup>3</sup></b>	<b>\$90.6m</b>	<b>\$94.0m</b>	↑ 3.8

1. Costs associated with the preparation of the Punchbowl site have been included in FY2018, with settlement expected in FY2019
2. Property administration includes the holding costs of surplus land
3. Excluding significant items



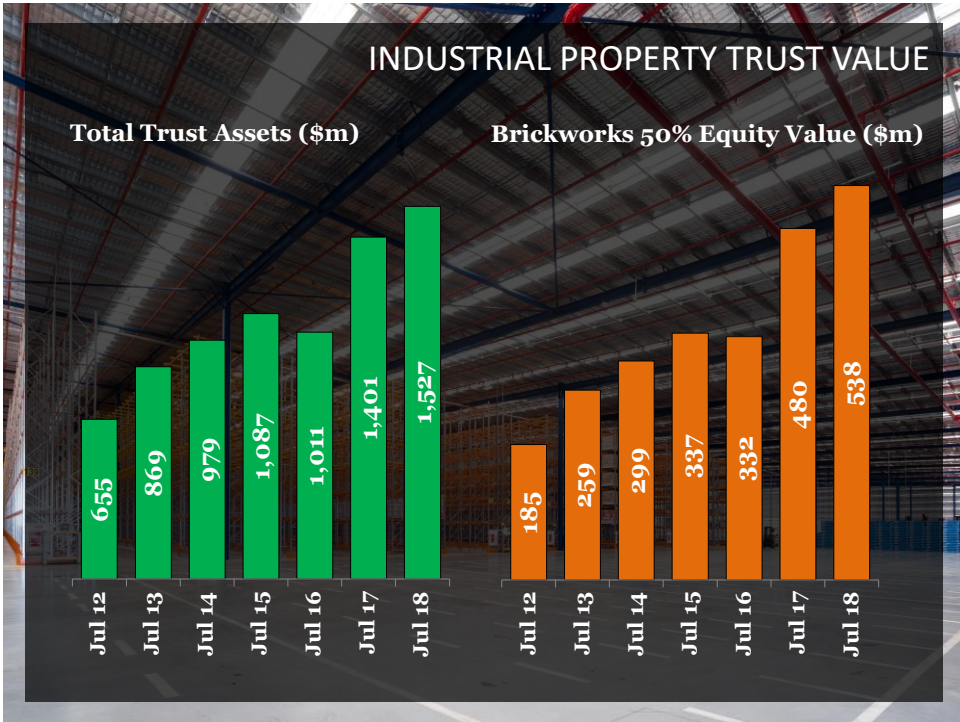
## INDUSTRIAL PROPERTY TRUST VALUE

\$ millions	FY2017	FY2018	% Change
Leased properties	\$878m	\$1,168m	↑ 33.3
Land to be developed	\$523m	\$360m	↓ (31.3)
<b>Total assets</b>	<b>\$1,401m</b>	<b>\$1,527m</b>	↑ 9.0
Borrowings	\$441m	\$451m	↑ 2.3
Net trust assets	\$960m	\$1,076m	↑ 12.2
<b>Brickworks 50% equity value</b>	<b>\$480m</b>	<b>\$538m</b>	↑ 12.2
Rental return <sup>1</sup>	7.8%	6.1%	↓ (21.2)
Revaluation return <sup>2</sup>	6.1%	6.6%	↑ 9.1
<b>Total return</b>	<b>13.9%</b>	<b>12.8%</b>	↓ (7.9)
<b>Gearing<sup>3</sup></b>	<b>46.4%</b>	<b>38.6%</b>	↓ (16.8)

1. Based on Net Trust Income, divided by Brickworks share of leased properties less associated borrowings
2. As above, but using revaluation profit
3. Borrowings on leased assets / total leased assets.







## INVESTMENTS



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### INVESTMENT IN WHSP (ASX: SOL)

- BKW holds a 42.7% stake in SOL
- SOL is a diversified investment house with interests in a wide range of companies such as TPG, New Hope, API and Brickworks
- FY2018 underlying EBIT contribution from Investments of \$123.5 million, up 19.8% (SOL \$122.4 million, up 19.0%)
- \$56.2 million fully franked dividends received by BKW during FY2018
- Market value \$2.231 billion at 31 Jul 18





## FINANCIALS



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## FINANCIAL OVERVIEW

	FY2017	FY2018	% Change
<b>Total EBITDA</b>	\$274.1m	<b>\$309.2m</b>	↑ 12.8
Depreciation	\$27.8m	<b>\$29.4m</b>	↑ 5.8
<b>Total EBIT</b>	\$246.3m	<b>\$279.8m</b>	↑ 13.6
Borrowing costs	(\$12.4m)	<b>(\$14.5m)</b>	↑ (16.2)
Underlying income tax	(\$37.4m)	<b>(\$41.6m)</b>	↑ (11.1)
<b>Underlying NPAT</b>	\$196.4m	<b>\$223.7m</b>	↑ 13.9
Significant items (after tax)	(\$10.2m)	<b>(\$48.3m)</b>	
<b>Statutory NPAT</b>	\$186.2m	<b>\$175.4m</b>	↓ 5.8



## SIGNIFICANT ITEMS

Significant Items	Gross	Tax	Net
Restructuring and commissioning	(\$10.1m)	\$3.0m	(\$7.1m)
Net legal and advisory cost (inc. acquisitions)	(\$3.0m)	\$0.9m	(\$2.1m)
Significant items relating to WHSP	(\$22.3m)	(\$16.9m)	(\$39.2m)
<b>TOTAL</b>	<b>(\$35.3m)</b>	<b>(\$13.0m)</b>	<b>(\$48.3m)</b>





## KEY FINANCIAL INDICATORS

	FY 2017	FY 2018	% Change
Net tangible assets (NTA) per share	\$11.77	<b>\$12.42</b>	↑ 5.5
Shareholders' equity	\$1,968m	<b>\$2,071m</b>	↑ 5.2
Shareholders' equity per share	\$13.20	<b>\$13.87</b>	↑ 5.0
Underlying return on shareholders equity	10.0%	<b>10.8%</b>	↑ 8.2%
Cash flow from operations	\$115.4m	<b>\$170.9m</b>	↑ 48.1
Net debt	\$293.4m	<b>\$303.8m</b>	↑ 3.6
Gearing (net debt / equity)	14.9%	<b>14.7%</b>	↓ 2.3
Interest cover	16.7x	<b>18.0x</b>	↑ 7.2



## CASH FLOW RECONCILIATION

\$million	FY2017	FY2018
Statutory net profit after tax	\$186.2m	\$175.4m
Depreciation, amortisation, impairment	\$27.8m	\$29.4m
Share of profits of associates not received as dividend	(\$100.0m)	(\$84.6m)
Non cash profit on land sale	(\$31.3m)	-
Changes in tax provisions	\$40.3m	\$43.2m
Changes in working capital and other non cash items	(\$7.6m)	\$7.5m
<b>Operating cash flow</b>	<b>\$115.4m</b>	<b>\$170.9m</b>
Capital expenditure	(\$61.4m)	(\$43.5m)
<b>Free cash flow</b>	<b>\$54.0m</b>	<b>\$127.4m</b>
Re-investment into Property Trust		(\$37.5m)
Acquisitions and investments	(\$12.6m)	(\$21.8m)
Dividends paid	(\$72.9m)	(\$77.7m)



## GROUP OUTLOOK



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## GROUP OUTLOOK

- Residential building activity is likely to decline in major east coast markets, but a strong order book will soften the impact
- Energy prices are significantly impacting earnings
- Another solid earnings contribution from Property is expected in FY2019, but the final outcome will depend on the timing of development activity and transactions, and extent of any revaluations
- The WHSP investment is expected to deliver steadily increasing earnings and dividends over the long term

# THANKYOU



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