

21 March 2019

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 2019, for immediate release to the market.

Yours faithfully
BRICKWORKS LIMITED



Susan Leppinus
Company Secretary

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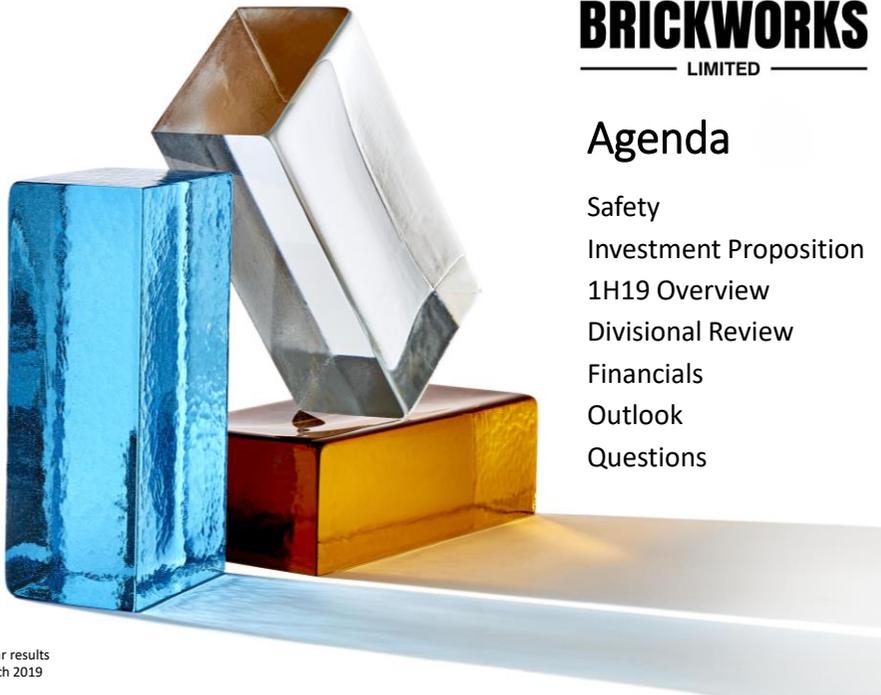
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Financial results

Half year ended 31 January 2019

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

Park Chelsea, Washington DC



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Agenda

- Safety
- Investment Proposition
- 1H19 Overview
- Divisional Review
- Financials
- Outlook
- Questions

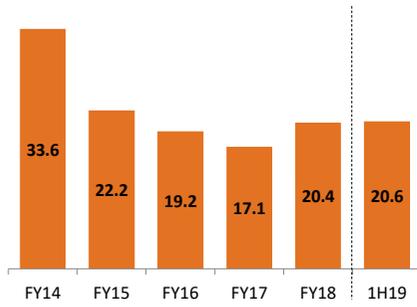
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Safety

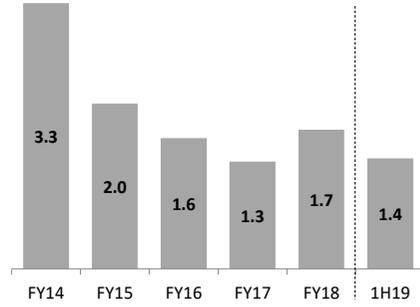
Continued focus on workplace safety and injury prevention

Note: Safety statistics represent Australian operations only

Total Workplace Injury Frequency Rate
Injuries per million work hours



Total Lost Time Injury Frequency Rate
Injuries per million work hours



Lost time injuries 9 6 5 4 5 2
Half yr only

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Investment Proposition

Bristle Solar



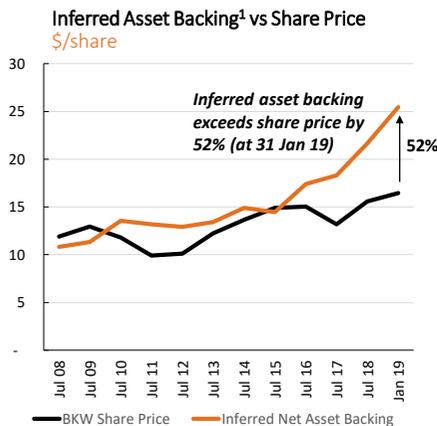
Brickwork's investment proposition

BKW offers compelling value, stability and potential for growth

Value	Stable and Conservative	Long term growth
<p>Inferred asset value at historic premium to share price</p> <p>Value of WHSP shareholding alone \$2.7b, in line with BKW mkt cap</p>	<p>Low gearing</p> <p>Diversified portfolio of assets</p> <p>Stable management and Board</p>	<p>History of dividend growth and value creation</p> <p>Exposure to industrial property (new economy)</p> <p>International growth in bricks</p>

Value: Share price vs asset value

Inferred asset value at a historic premium to the BKW share price



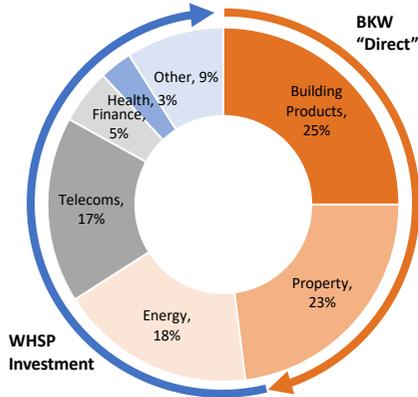
- Inferred asset backing \$25.05 per share as at 31 Jan 2019, exceeds share price by 52% (historic premium)²
- Inferred asset backing increased to \$26.74 per share as at 19 Mar 2019, following increase in value of WHSP
- Value of WHSP shareholding \$2.7 billion, approximately in line with BKW market capitalisation (as at 19 Mar 2019)

1. Inferred asset backing consists of the market value of WHSP shareholding, plus BKW share of net Property Trust assets, plus Building Products net tangible assets, plus development land at book value, less net debt
2. Largest premium to share price in over a decade. The premium was zero less than five years ago

Stable and conservative: diversified asset exposure

BKW has a diversified portfolio of assets

Brickworks Look Through Asset Exposure¹



- WHSP is a diversified investment house with interests in a range of assets, including TPG Telecom and New Hope Corporation
- As a result, Brickworks has a highly diversified portfolio of assets on a look through basis
- Diversity provides earnings stability and the ability to invest for the long term, through cycles
- Brickworks gearing reduced to a conservative 11% at the end of 1H19

1. Based on WHSP asset value (ex BKW) as disclosed in 2018 Annual Report

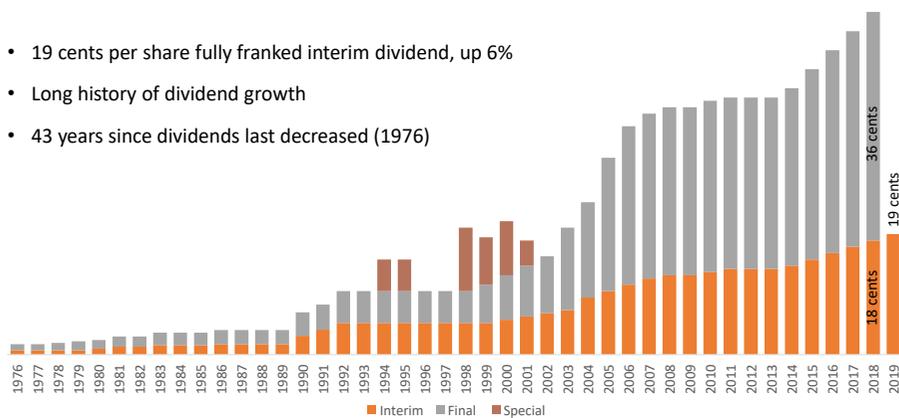
Long term growth: dividends

Brickworks normal dividend has been maintained or increased since 1976

Brickworks Dividend History

Cents per share

- 19 cents per share fully franked interim dividend, up 6%
- Long history of dividend growth
- 43 years since dividends last decreased (1976)



Long term growth: total value creation

Brickworks has created significant shareholder value over the long term



1. As at 19 March 2019

Long term growth: industrial property

Industrial property portfolio leveraged to growth in new economy



Australian Listed Property

Share price premium / (discount) to Net Asset Value¹

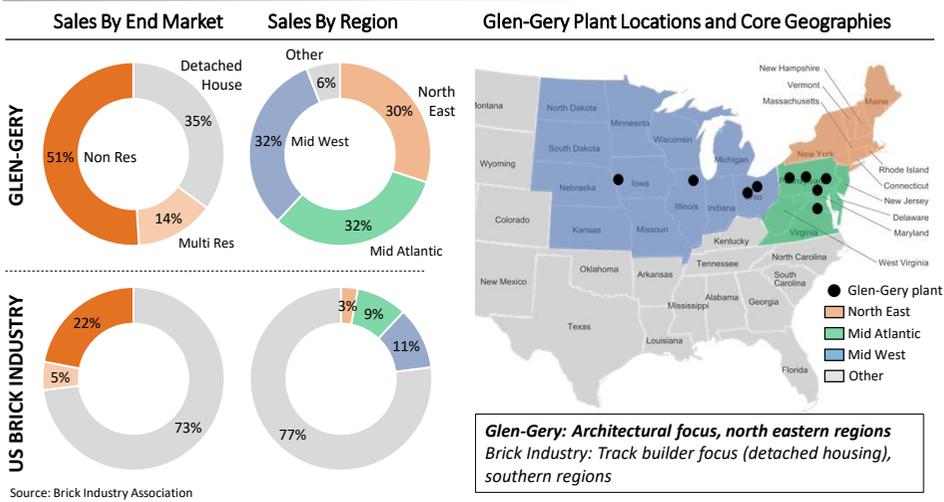


- Portfolio has well-located industrial facilities, close to end-customers, which are critical in the supply chain of the new economy
- Industrial capitalisation rates compressing and industrial focussed stocks trading at premiums

1. CLSA, Australian Real Estate Sector Outlook (Sholto Maconochie)

Long Term Growth: USA Bricks

A differentiated brick business – by geography and end-customer



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Long term growth: USA Bricks

A platform for further growth in the United States



1. BIA Annual Report (July 2018). US Census Bureau and Industry Insights Market Forecast

- Bolt-on opportunities exist, and are under investigation
 - Highly fragmented industry (~37 manufacturers in the US vs 5 in Australia)
 - Market rationalisation underway
 - Disciplined and methodical assessment process
 - Significant cost synergies available
- Plant rationalisation and capital investment in plant and equipment to improve utilisation, efficiency and returns
 - Supplier relationships well established (common equipment with Australian operations)

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1H19 Overview



Residential Tower, 3rd Avenue & E95th St, New York City

1H19 overview

Significant milestones across all Group activities

- International expansion, through the acquisition of Glen-Gery, provides a platform for long term growth
- Sale of 7.9 million WHSP shares
- WHSP admitted into S&P/ASX 100 Index on March 18
- Reclassification of the hardwood operations of Auswest Timbers as discontinued operations
- Pre-commitment for highest value facility ever developed by the JV Property Trust, with anticipated value >\$300 million at completion (66,000m², up to 34 metres high, 20 year lease to Coles Group)

1H19 result highlights

Record first half underlying earnings from continuous operations

Underlying EBITDA <small>(continuing operations)</small> \$227m ↑44%	Underlying profit <small>(continuing operations)</small> \$160m ↑37%	Statutory profit \$115m ↑18%
Net tangible asset / share \$13.04 ↑5%	Underlying EPS <small>(continuing operations)</small> 107 cents ↑37%	Dividend 19 cents ↑6%

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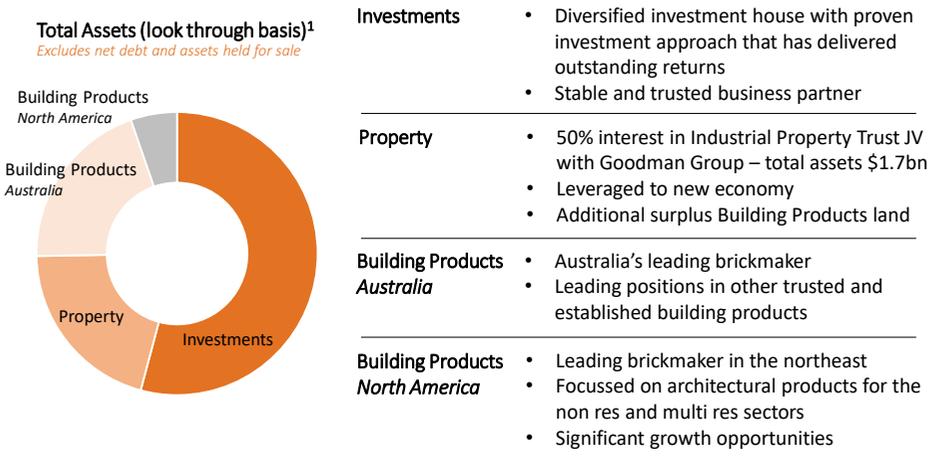
Divisional Review

Iron Mountain Development, Oakdale South, New South Wales



Divisional Overview

An attractive portfolio of diversified businesses



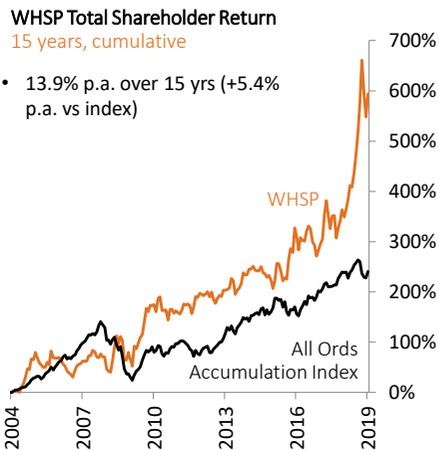
1. Based on WHSP asset value (ex BKW) as disclosed in 2018 Annual Report

Investments -WHSP

Long history of strong returns

\$million	1H2019	1H2018	Change
Underlying earnings	61	61	-
Dividends from WHSP	34	33	+3%
WHSP Share price (\$) <small>(vs 31 Jul 18)</small>	26.31	21.82	+21%
BKW Market Value <small>(vs 31 Jul 18)</small>	2,481 <small>(39.4% share)</small>	2,231 <small>(42.7% share)</small>	+11%

- Underlying earnings steady
- \$250 million increase in market value during the half
- Additional \$254 million increase in market value since 31 Jan 19 (as at 19 March)



Sale of WHSP shares

First sale of WHSP shares since acquisition in 1969

- In November and December, Brickworks sold 7.9 million shares at a weighted average sale price of \$26.37 / share
- Cash proceeds of \$208 million, enabled the Group to reduce debt following the acquisition of Glen-Gery
- Including dividends received, the sale price represents an annualised return of 13.7% for the 49 years since the original investment in 1969¹
- WHSP remains an important strategic asset, and Brickworks retains 94.3 million shares (39.4% share of WHSP)

1. Total return assumes re-investment of dividends and other special shareholder distributions

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Property – 1H19 result

Record first half profit, on revaluations and Punchbowl sale

\$million	1H2019	1H2018	Change
Net Trust Income	12	11	+9%
Revaluations	67	7	>500%
Development Profit	19	34	-44%
Property Trust	99	51	+94%
Land Sales	35	-	N/A
Property Admin ¹	(2)	(2)	-
Total	132	50	+167%

- Net trust income higher, on rent reviews and addition of new developments
- Revaluation profit driven by 50 basis point reduction in cap rates in NSW
- 3 developments completed at Oakdale South
- Land sale: Completion of Punchbowl sale in August 2018 delivered earnings of \$35 million (total sale proceeds \$41 million)

1. Property administration includes the holding costs of surplus land

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Property – JV Trust Asset Value

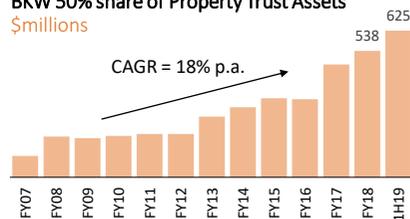
Joint Venture asset value continues to benefit from structural trends

\$million	1H2019	FY2018	Change
Leased properties	1,406	1,168	+20%
Land to be developed	308	360	-14%
Total Property Trust assets	1,715	1,527	+12%
Borrowings	(466)	(451)	-3%
Net Property Trust assets	1,249	1,076	+16%
BKW 50% share	625	538	+16%

- Total leased properties \$1.4 billion
 - 6 year weighted average lease expiry
 - “Blue chip” tenants
- Rental return on leased assets 6%¹
- Revaluation return 16% during 1st half²
- 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 (in line with 1H19)

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Building Products Australia – 1H19 result

Earnings adversely impacted by higher energy costs

\$million (Continuing operations)	1H2019	1H2018	Change
Revenue	375	376	-
EBITDA	41	55	-25%
EBIT	26	41	-35%
EBIT margin	11%	14%	-21%
Capital expenditure	18	26	-31%
Net tangible assets	639	605	6%
Return on net tangible assets	8%	14%	-43%

Residential Housing Starts¹

1H19 vs 1H18



Earnings decline due primarily to:

- Lower brick sales volume in NSW and WA, approximately in line with starts
- Increased energy costs (unable to be fully recovered by price)
- Brick kilns taken offline to complete necessary maintenance after running continuously for up to 8 years

1. For 6 months to December 2018 (vs Dec 2017). Source: ABS (3 months to September 2018) and BIS Oxford Economics forecast for the 3 months to December 2018

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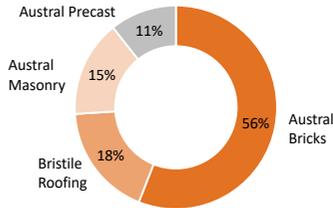
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Building Products Australia - Business Unit Performance

Mixed performance across Building Products business units

Building Products Australia Revenue 1H19

\$375 million



1H19 vs 1H18	Revenue	EBIT
Austral Bricks	↓	↓
Bristle Roofing	↓	↑
Austral Masonry	↑	↓
Austral Precast	↑	↔

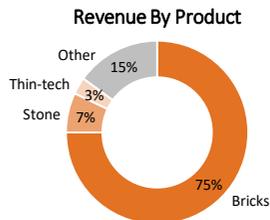
- Austral Bricks margins impacted by kiln maintenance and higher energy costs (+\$6 million vs prior half). Volume increases in Victoria and other states offset by decline in NSW and WA.
- Plans being developed for new face brick plant at Plant 2 site, Horsley Park
- Bristle Roofing (inc. Auswest operations at Fyshwick) earnings higher on resilient demand in Victoria
- Austral Masonry earnings higher in QLD, plus full period contribution from Urbanstone, offset by weakness in NSW
- Austral Precast sales increasing, but earnings impacted by major project delays in NSW. Strong pipeline of work remains in NSW.
- Construction of Southern Cross Cement Terminal proceeding well

Building Products North America

Performance ahead of expectation, integration proceeding well

Glen-Gery Overview

- 9 brick plants, 655 employees
- 1 manufactured stone plant
- Annual sales, circa 230 million bricks, AU\$162 million revenue¹
- EBITDA margin circa 11%¹



1. Based on 12 months to August 2018

For Period 23 Nov 18 – 31 Jan 19

- As per usual during winter period:
 - Plants offline for extended shutdowns; and
 - Sales volume significantly lower than balance of year
- Performance ahead of expectations, due primarily to sale of surplus clay from Capitol site:
 - Revenue of AU\$26 million;
 - EBIT of -AU\$1 million; and
 - EBITDA positive
- Integration progressing well
- Exclusive supply agreements with Brickworks European partners for supply of premium imported bricks
- Investigations commenced for a heavy refit of the Mid-Atlantic plant, and a new state of the art kiln at the same location



Financials

Google Corporate office, Michigan, United States



Financials – 1H19 Overview

37% increase in underlying NPAT from continuing operations

\$million	1H2019	1H2018	Change
Total EBITDA	227	158	+44%
Depreciation	16	14	+15%
Total EBIT	211	145	+46%
Borrowing costs	(11)	(6)	-77%
Underlying income tax	(41)	(22)	-90%
Underlying NPAT (From continuing operations)	160	117	+37%
Significant items	(12)	(18)	NA
NPAT (From continuing operations)	148	99	+50%
Discontinued operations	(34)	(2)	NA
Statutory NPAT	115	97	+18%

- Earnings higher on strong Property result, offset by Building Products Australia
- Borrowing costs up due to mark to non-cash mark loss in interest rate swaps (vs gain in prior period)
- Underlying tax increased due to higher earnings
- Significant items contributed net -\$12 million to NPAT from continuing operations
- Auswest hardwood operations at Greenbushes (WA) and East Gippsland (Victoria) classified as held for sale during the half (\$30 million impairment, and \$4 million operating loss)

Financials – Significant items

Net impact of significant items (\$12 million)

\$million	Gross	Tax	Net
Gain on sale of WHSP Shares	110	(38)	71
Bristile Roofing and Austral Masonry goodwill impairment	(52)	-	(52)
Acquisition costs	(8)	-	(8)
Restructuring activities	(7)	2	(5)
Significant items relating to WHSP	(10)	-	(10)
Income tax arising from the carrying value of WHSP	-	(7)	(7)
Total (Continuing Operations)	31	(43)	(12)

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Financials – Impairments

Non cash impairments have been recorded within Building Products Australia

Business	Impairment	Comments
Bristile Roofing	\$32m	<ul style="list-style-type: none"> Non-cash Goodwill impairment to reflect updated cash flow forecast for the business, in accordance with AASB 136 Goodwill acquired as part of 2003 acquisition of Bristile Limited (included bricks and roofing operations) Total cumulative EBITDA generated from acquired operations exceeds \$900 million, on purchase price of circa \$520 million
Austral Masonry	\$20m	<ul style="list-style-type: none"> Non-cash Goodwill impairment to reflect updated cash flow forecast for the business, in accordance with AASB 136 Goodwill acquired as part of various acquisitions since 2006 Total cumulative EBITDA generated from acquired operations exceeds \$180 million, on total acquisition costs of \$96 million
Auswest Timbers <i>Hardwood operations</i>	\$30m	<ul style="list-style-type: none"> Non-cash impairment of assets (\$15 million inventory and \$15 million plant and equipment) to reflect estimated fair value, in accordance with AASB 5, Assets Held for Sale and Discontinued Operations Faced with structural challenges, including long term log-supply uncertainty (impacted by government policies), WA market decline Additional capital investment not justified given other priorities

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Financials – Cash flow reconciliation

Operating cash flow down, on lower AUS Building Products earnings

\$million	1H2019	FY2018
Statutory net profit after tax	115	97
Depreciation, amortisation	17	14
Non cash revaluations within Property Trust	(87)	(41)
Share of profits of associates not received as dividend	(16)	(22)
Non cash impairments	85	0
Gain on sale of WHSP shares (investing activity)	(110)	-
Changes in tax provisions	61	21
Other items	(1)	4
Operating cash flow	65	74
Proceeds received from WHSP share sale	208	
Acquisitions (net of cash)	(141)	(13)
Capital Expenditure	(18)	(26)
Dividends paid	(54)	(51)

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Financials – Key Indicators

Conservative balance sheet maintained post Glen-Gery acquisition

	1H2019	FY2018	Change
NTA per share	\$13.04	\$12.42	+5%
Shareholder's equity	\$2,134m	\$2,071m	+3%
Shareholder's equity per share	\$14.26	\$13.87	+3%
Return on shareholders equity ¹	15%	11%	+36%
Operating cash flow (vs 1H18)	\$65m	\$74m	-12%
Net debt	\$242m	\$304m	-20%
Gearing (net debt / equity)	11%	15%	-27%
Interest cover	24x	18x	+18%

- Total shareholder's equity increased by \$62 million during the period, or 39 cents per share
- Decrease in operating cash flow, primarily due to lower Building Products earnings
- Net debt reduced, with proceeds from WHSP sale more than offsetting Glen-Gery acquisition costs
- Gearing decreased to a conservative 11%

1. Underlying return, based on 2x1H2019 Underlying NPAT from continuous operations

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Outlook

Briggs & Stratton Development, Oakdale South, New South Wales



Outlook

The outlook varies across each division within the Group

Investments <i>54% of Group assets</i>	<ul style="list-style-type: none"> Earnings, dividends and market value of WHSP are expected to grow over the long term, albeit the contribution to Brickworks will be impacted by the reduced shareholding
Property <i>21% of Group assets</i>	<ul style="list-style-type: none"> Strong outlook for Property Trust earnings and valuation, due to significant development pipeline Likely sale of 10 hectares at Oakdale East into the Trust in late calendar 2019
Building Products Australia <i>20% of Group assets</i>	<ul style="list-style-type: none"> Sales volume expected to decline on the east coast in the last quarter of FY2019, as the existing pipeline of housing is built out Rising energy costs to continue to adversely impact earnings in FY2019 – full year impact -\$12 million (vs FY2018)
Building Products North America <i>5% of Group assets</i>	<ul style="list-style-type: none"> Stable short term outlook, with healthy forward order book Medium and longer term growth anticipated due to increased building activity and market consolidation

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Questions

