



**Brickworks Limited**  
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22 September 2016

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 2016, for immediate release to the market.

Yours faithfully

BRICKWORKS LIMITED

A handwritten signature in black ink, appearing to read "S Leppinus", written in a cursive style.

**Susan Leppinus**

Company Secretary

Proudly supports



# RESULTS FOR THE YEAR ENDED July 31, 2016



**22 September 2016**  
**Mr. Lindsay Partridge, Managing Director**

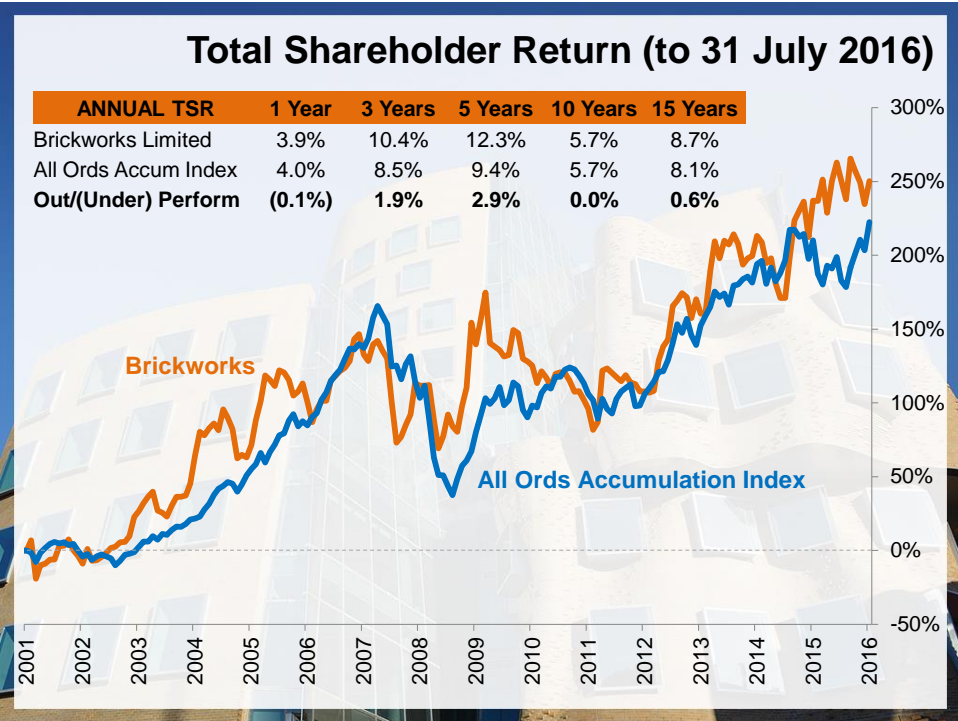
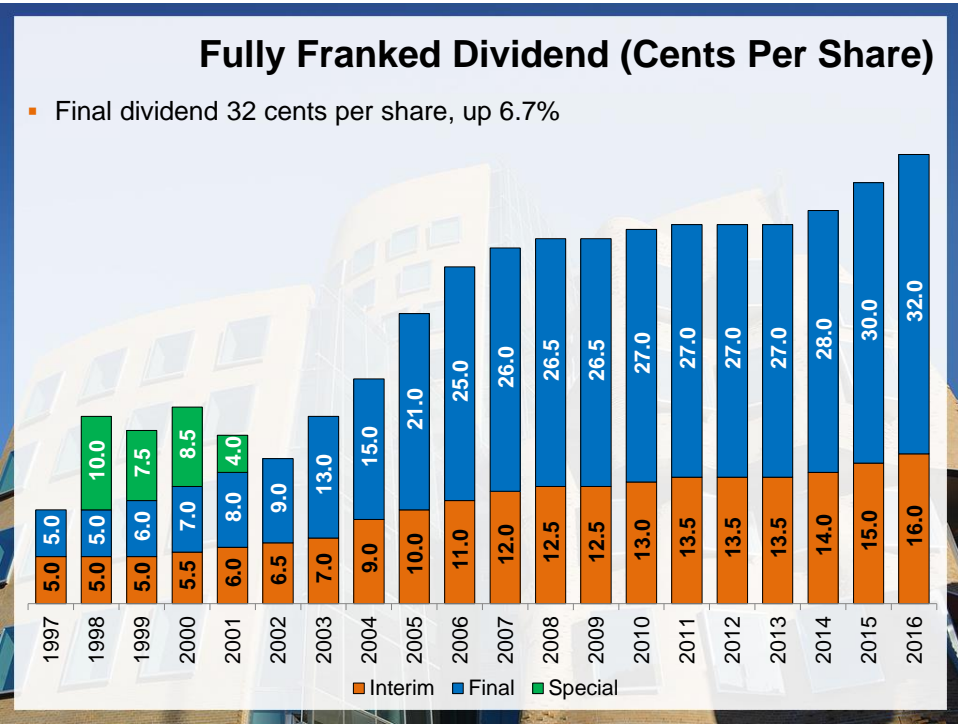
**BRICKWORKS**  
LIMITED



## Presentation Outline

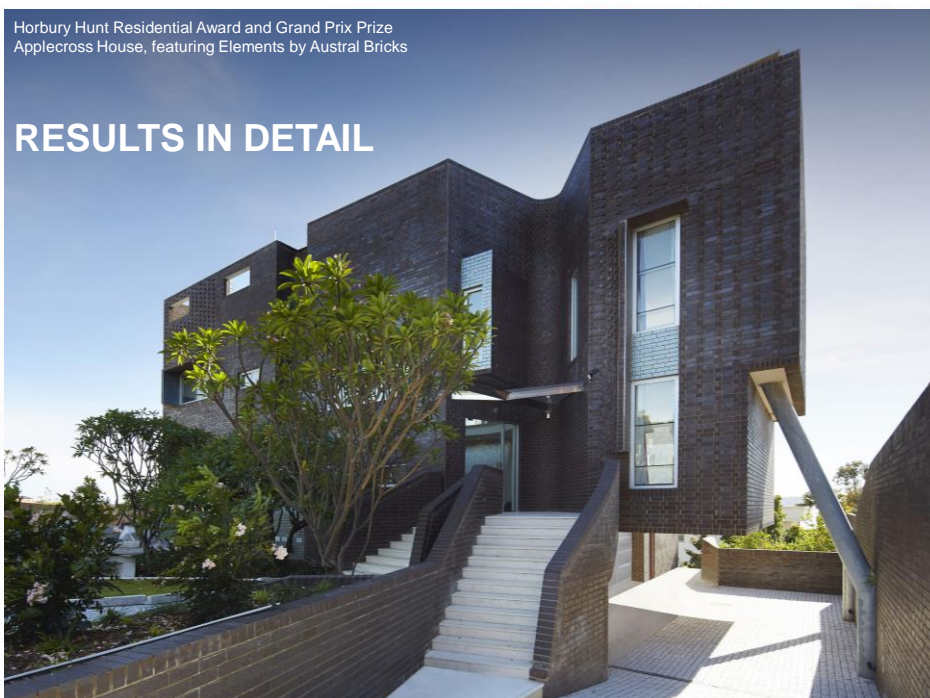
- Overview
- Results in Detail
- Building Products Results
- Building Products Outlook
- Land & Development
- Investments
- Group Outlook
- Questions





Horbury Hunt Residential Award and Grand Prix Prize  
 Applecross House, featuring Elements by Austral Bricks

## RESULTS IN DETAIL

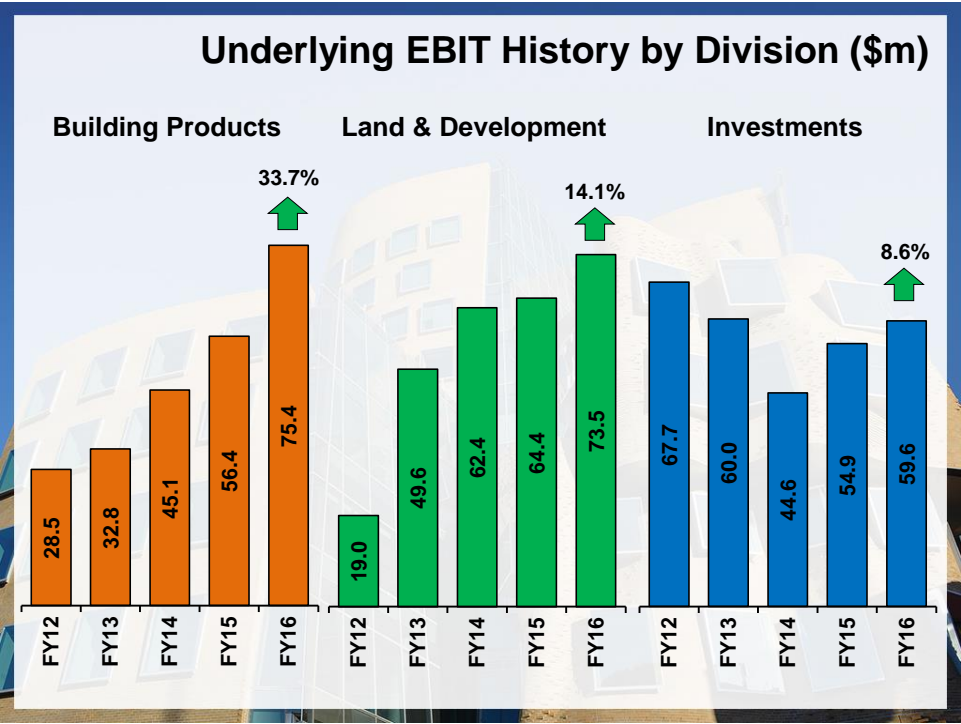


### Financial Snapshot

	FY2016	FY2015	% Change
Building Products EBIT	\$75.4m	\$56.4m	↑ 33.7
Land and Development EBIT	\$73.5m	\$64.4m	↑ 14.1
Investments EBIT	\$59.6m	\$54.9m	↑ 8.6
<b>Total EBIT</b>	<b>\$195.9m</b>	<b>\$165.9m</b>	<b>↑ 18.1</b>
<b>Total EBITDA</b>	<b>\$223.3m</b>	<b>\$191.1m</b>	<b>↑ 16.8</b>
Interest cost	(\$13.6m)	(\$17.1m)	↓ 20.5
Mark to market valuation of interest rate swaps	(\$0.4m)	(\$2.4m)	↓ 83.3
Underlying income tax	(\$34.8m)	(\$26.1m)	↑ (33.3)
<b>Underlying NPAT</b>	<b>\$147.1m</b>	<b>\$120.3m</b>	<b>↑ 22.3</b>
Significant items (after tax)	(\$68.9m)	(\$42.2m)	↓ (63.3)
<b>Statutory NPAT</b>	<b>\$78.2m</b>	<b>\$78.1m</b>	<b>↑ 0.1</b>



Significant Items			
Significant Items	Gross	Tax	Net
Goodwill impairment – Austral Bricks WA	(\$47.3m)	-	(\$47.3m)
Austral Bricks WA restructure	(\$6.8m)	\$2.0m	(\$4.8m)
Auswest Timbers restructure	(\$10.8m)	\$3.3m	(\$7.6m)
Costs relating to Perpetual litigation	(\$2.8m)	\$0.8m	(\$2.0m)
Significant items relating to WHSP	\$0.1m	(\$2.8m)	(\$2.7m)
Other significant items	(\$6.6m)	\$2.0m	(\$4.6m)
<b>Total</b>	<b>(\$74.2m)</b>	<b>\$5.3m</b>	<b>(\$68.9m)</b>



## Key Financial Indicators

	FY 2016	FY 2015	% Change
Net tangible assets (NTA) per share	<b>\$10.96</b>	\$10.59	↑ 3.5
Shareholders' equity	<b>\$1,838m</b>	\$1,824m	↑ 0.8
Shareholders' equity per share	<b>\$12.37</b>	\$12.30	↑ 0.6
Underlying return on shareholders equity	<b>8.0%</b>	6.6%	↑ 21.3
Cash flow from operations	<b>\$148.5m</b>	\$133.3m	↑ 11.4
Net debt	<b>\$269.2m</b>	\$301.9m	↓ (10.8)
Net debt/capital employed	<b>12.8%</b>	14.2%	↓ (10.1)
Interest cover	<b>14.4x</b>	9.7x	↑ 48.5

## Capital Expenditure and Acquisitions

	FY 2016	FY 2015
"Stay in Business" capital expenditure	<b>\$23.5m</b>	\$26.3m
Major projects	<b>\$20.6m</b>	\$13.7m
Growth capital and acquisitions	<b>\$8.6m</b>	\$6.7m
<b>Building Products total</b>	<b>\$52.7m</b>	<b>\$46.6m</b>
Property related capital items	<b>\$5.4m</b>	\$17.9m <sup>1</sup>
<b>Total capital expenditure and acquisitions</b>	<b>\$58.1m</b>	<b>\$66.2m<sup>2</sup></b>

1. Includes property acquisitions at Yatala and Cairns in Queensland and Berrima in New South Wales

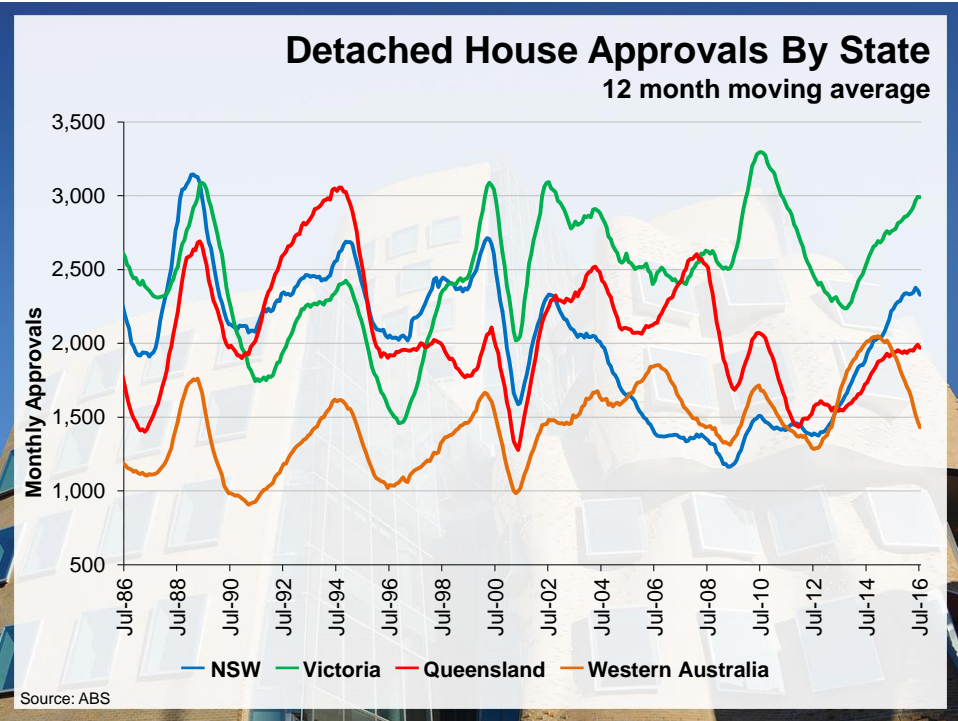
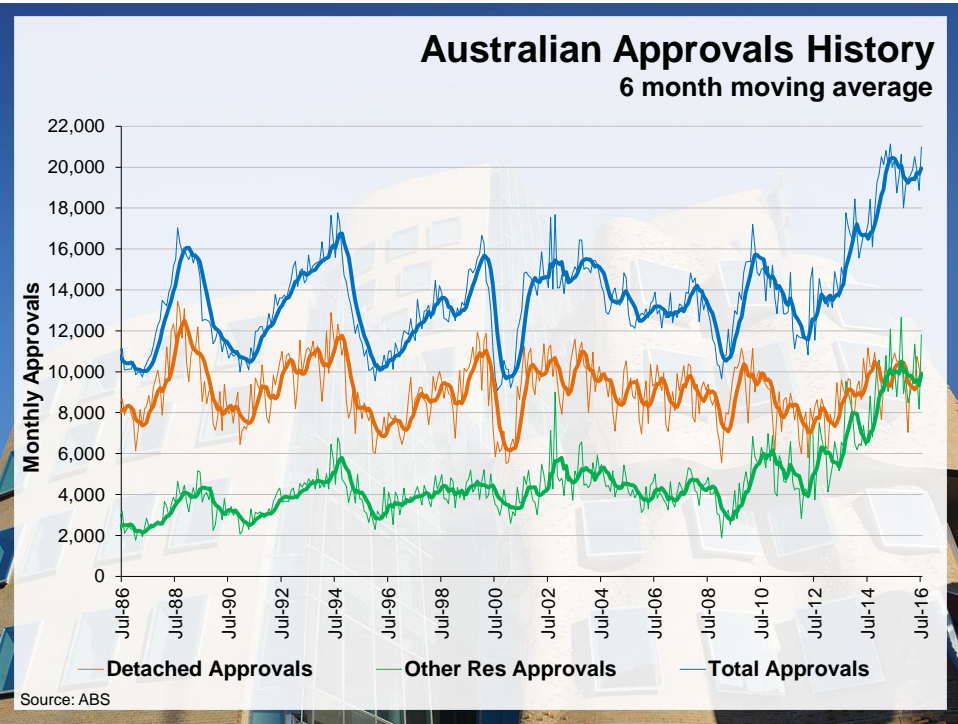
2. Includes capital costs associated with rebuilds covered by insurance (not shown separately in table)

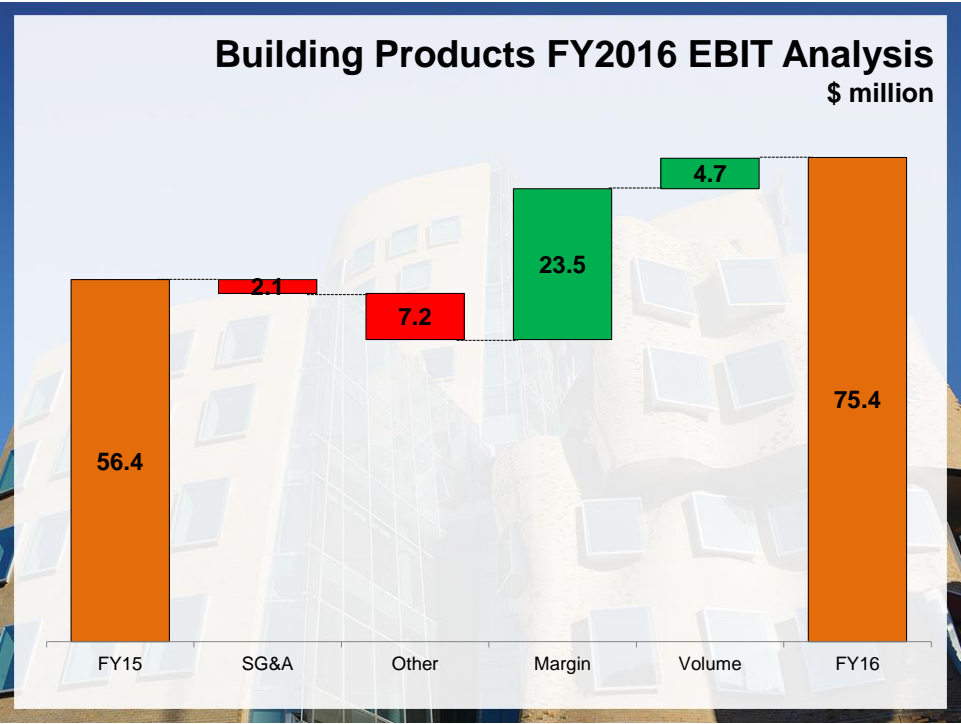
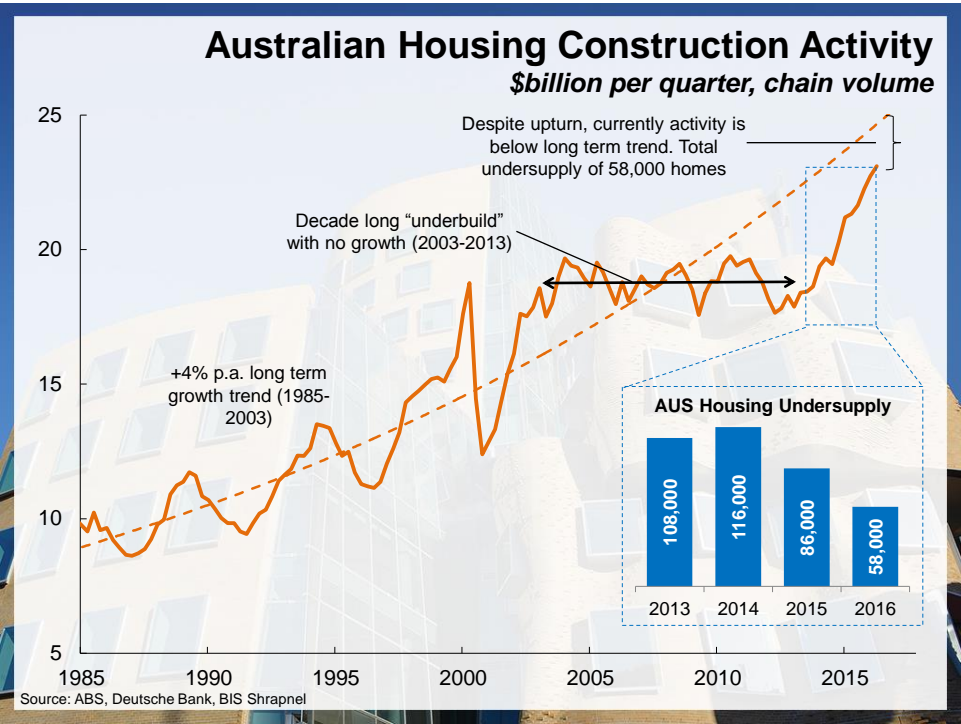


Building Products Result <sup>1</sup>				
	FY 2016	FY 2015	% Change	
Sales revenue	\$748.1m	\$700.9m	↑	6.7
EBITDA	\$102.8m	\$81.6m	↑	26.0
EBIT	\$75.4m	\$56.4m	↑	33.7
EBITDA to sales	13.7%	11.6%	↑	18.1
EBIT to sales	10.1%	8.0%	↑	26.3
Return on Net Tangible Assets	12.2%	9.5%	↑	28.4
Full Time Equivalent Employees (vs. FY15)	1,490	1,468		1.5
Injury Frequency (TRIFR) (vs. FY15)	19.2	22.5	↓	(14.7)
Lost Time Injury Rate (LTIFR) (vs. FY15)	1.6	2.0	↓	(20.0)

1. Underlying earnings, not including significant items









## Austral Bricks

- Earnings significantly higher, up 22%
- Sales revenue of \$406 million, up 7%
- 670 million bricks sold, margins up
- Investments in style and product development delivering results
- East coast performance particularly strong, driven by NSW and VIC
- Rochedale refit in QLD ongoing
- Restructure in WA well underway, including refit of Cardup plant and closure of Malaga







## Austral Masonry

- Earnings increased on prior year
- Sales revenue up 4% to \$91 million
- Sales volume over 475,000 tonnes
- Strong momentum in south east Queensland and New South Wales, buoyed by multi-residential activity
- Focus on premium products such as honed and polished blocks
- Increased sales of engineered retaining wall systems such as “Keystone” and “Magnumstone”



## Bristle Roofing

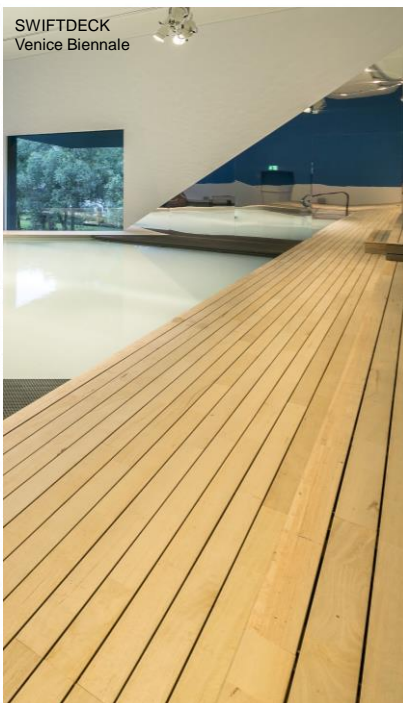
- Earnings increased on prior year
- Revenue of \$124 million, up 11%
- 3.7 million m<sup>2</sup> of tiles sold
- Strong demand for La Escandella ceramic roof tiles, now established as the premium roofing product in the market
- Acquisition of three metal fascia and gutter installers on the east coast to deliver diversification and earnings growth
- “Full service” roofing supplier





## Austral Precast

- Strong turn-around in performance, earnings significantly higher
- Sales revenue \$74 million, up 11%
- 20,000+ precast panels sold (300,000m<sup>2</sup>)
- Increased penetration into high rise market with 50% of sales now into this market
- Improved production efficiency and process improvements
- Focus on consolidating back office functions



## Auswest Timbers

- Earnings down marginally on prior year
- Sales revenue \$53 million, down 6%
- 62,300m<sup>3</sup> timber sales
- Purchased Whittakers timber mill in WA in February, resulting in transfer of volume from now closed Deanmill
- Low cost modern mill, suited to smaller sized Jarrah resource, in line with supply
- Mill performance ahead of expectations and further rationalisation in WA planned
- Victorian log supply remains unresolved



## Specialised Building Systems

- New division established during the year
- Focused on developing and distributing market leading products
- Launched Pronto™ panel in November, a lightweight non-load bearing panel for internal and external use
- INEX™ boards, a range of lightweight cementitious sheets for any building surface
- Terracade™ façade system for residential and commercial applications



## Building Products Strategy

**“We Believe In Making Beautiful Products That Last Forever”**

**Our Goal Is To Be Australia’s Best Building Products Company**

### STRATEGY

#### Strengthen the Core

- *Operations excellence*
- *Consolidate and grow*
- *Customer focus & relationships*
- *Style / product leadership*

#### Build Growth Businesses

- *Invest in affiliated businesses*
- *Distribute market leading products*
- *Create better building solutions*

#### Sustaining Our Strong Culture

*by embedding our values*

## Strengthen The Core

### 1. Operations excellence

- Lowest cost manufacturing position in commodity products:
  - Capital investment in our facilities
  - Relentless focus on productivity improvement
- Quality beyond repute

### 2. Consolidate and grow

- Invest in value enhancing market consolidation and growth opportunities

### 3. Customer focus & relationships

- Develop the strongest customer and stakeholder relationships in the industry
- Be the easiest company to do business with, including adoption of new technology

### 4. Style / product leadership

- Be the industry leader in style and product development

## Build Growth Businesses

### 1. Invest in Affiliated Businesses

- Invest in value enhancing complimentary acquisitions (e.g. horizontal expansion or up/downstream integration)

### 2. Distribute Market Leading Products

- Leverage customer relationships and channels to market to distribute complimentary products

### 3. Create Better Building Solutions

- Develop new and innovative products
- Develop composite building solutions, in conjunction with customers and partners

## Building Products Outlook

- Building approvals remain at elevated levels
- Strong outlook on east coast:
  - Continued resilience of building activity reflected in strong order book
  - Higher margins in most east coast divisions
- Conditions in Western Australia are challenging with restructuring initiatives ongoing in affected business units
- Brickworks products continue to prove very popular, with increasing penetration into key market segments
- Overall, the short term outlook for Building Products remains positive





Land & Development EBIT			
\$ millions	FY2016	FY2015	% Change
Property Trust	74.9	61.1	22.6
Land Sales	1.4	4.6	(69.6)
Waste	1.3	2.6	(50.0)
Property Admin and other <sup>1</sup>	(4.2)	(3.8)	(10.5)
<b>Total<sup>2</sup></b>	<b>73.5</b>	<b>64.4</b>	<b>14.1</b>
<div><div>1. Property administration includes the holding costs of surplus land</div><div>2. Excluding significant items</div></div>			

## Industrial Property Trust EBIT

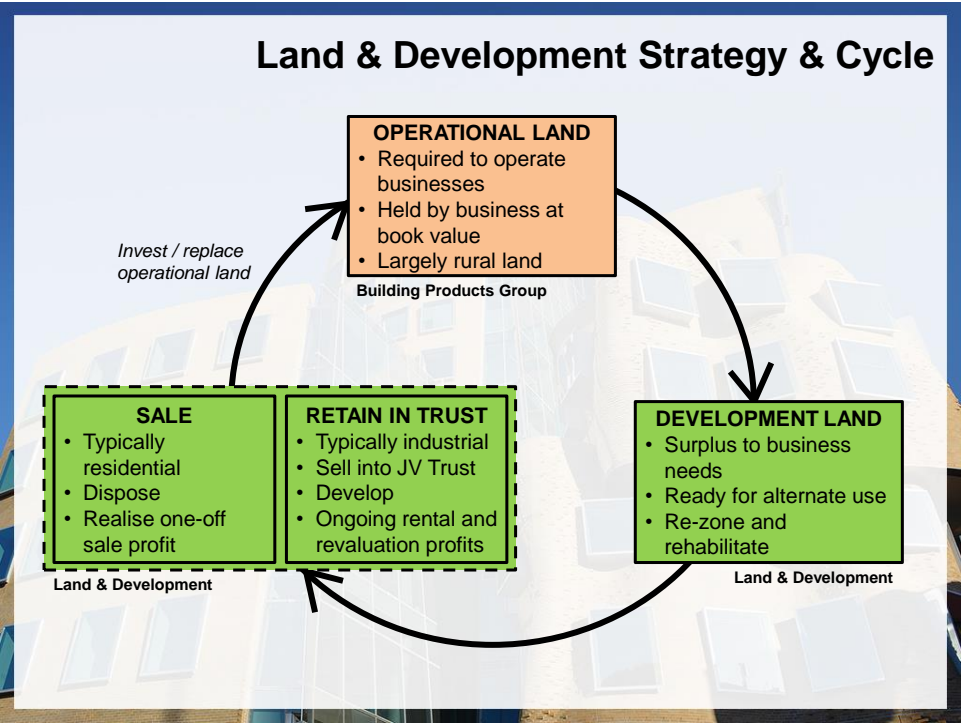
\$ millions (BKW share)	FY2016	FY2015	% Change
Net Trust Income	15.3	15.3	-
Revaluation of properties	41.8	30.9	35.3
Development Profit	17.8	2.7	>500
Sale of assets	0.0	12.1	-
<b>Total</b>	<b>74.9</b>	<b>61.1</b>	<b>22.6</b>

## Industrial Property Trust Value

(\$ millions)	FY2016	FY2015	% Change
Leased properties	787.3	828.5	(5.0)
Land to be developed	223.8	258.5	(13.4)
<b>Total</b>	<b>1,011.1</b>	<b>1,087.0</b>	<b>(7.0)</b>
Less borrowings	347.4	413.0	(15.9)
Net trust assets (100%)	663.7	674.0	(1.5)
<b>Brickworks equity (50%)</b>	<b>331.9</b>	<b>337.0</b>	<b>(1.5)</b>
<b>Gearing</b>	<b>34.4%</b>	<b>38.0%</b>	<b>(9.5)</b>
Return on Leased Properties (excluding revaluations) <sup>1</sup>	7.0%	6.9%	1.4
Additional revaluation return <sup>2</sup>	15.2%	13.0%	16.9
<b>Total Return on Leased Properties</b>	<b>22.2%</b>	<b>19.9%</b>	<b>11.6</b>

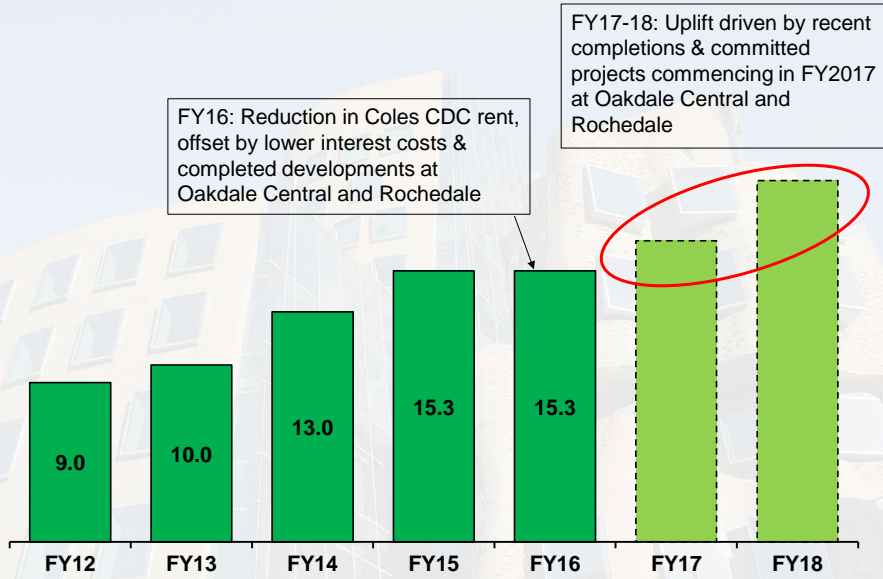
1. Based on Net Trust Income and Brickworks share of equity on leased properties of \$220.0 million (FY16)

2. Based on BKW revaluation profit on leased properties and Brickworks share of equity on leased properties of \$220.0 million (FY16)



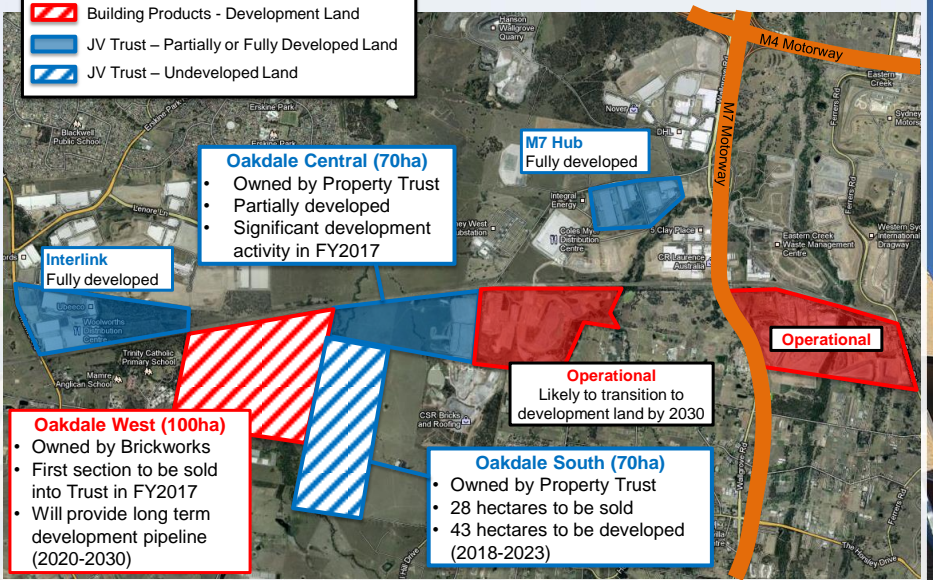


# Property Trust Outlook – Net Rental Income (\$m)




## Property Trust Outlook Oakdale Development Pipeline

- Building Products - Operational Land
- Building Products - Development Land
- JV Trust – Partially or Fully Developed Land
- JV Trust – Undeveloped Land













## Investment in WHSP (ASX: SOL)





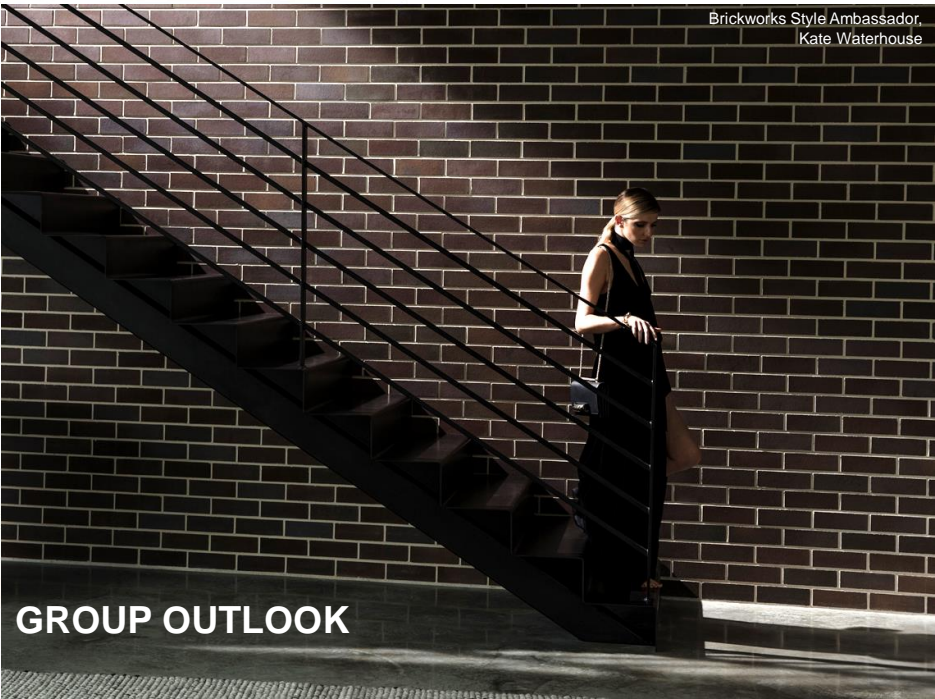
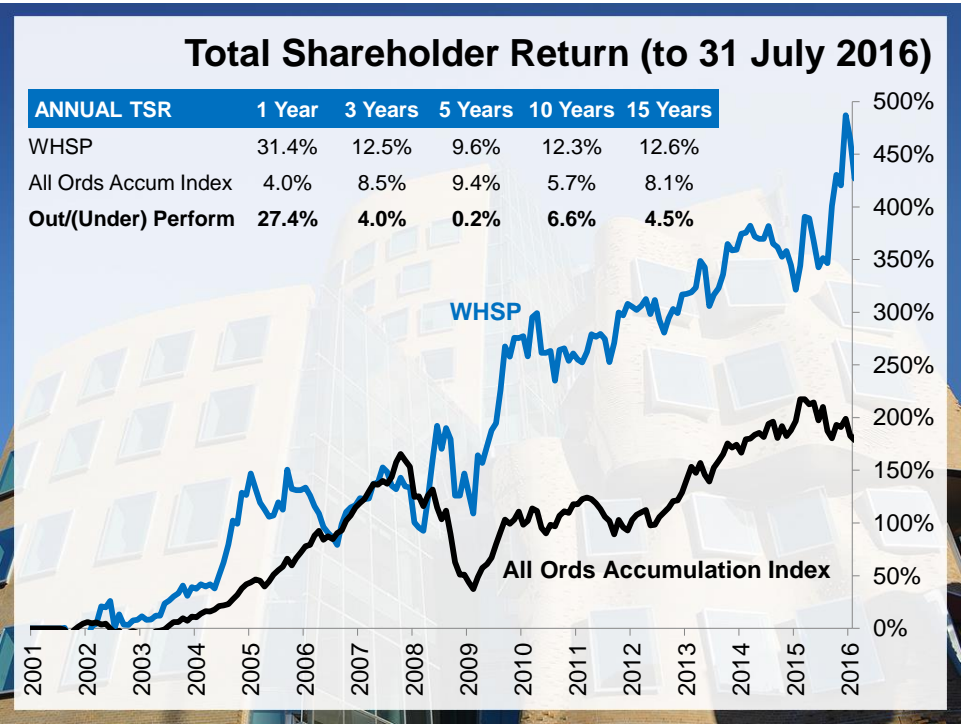
**New Hope**  
Corporation Limited





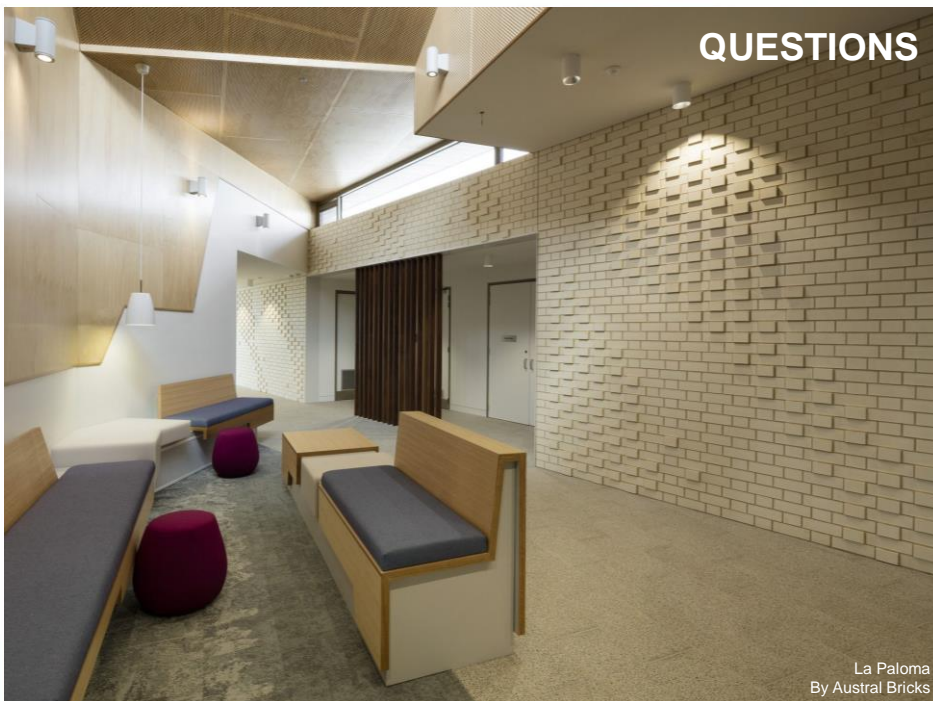
**BKI INVESTMENT  
COMPANY LIMITED**

- BKW holds 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 BKI and Brickworks
- FY2016 underlying EBIT contribution from Investments of \$59.6 million, up 8.6%
- \$52.1 million fully franked dividends received by BKW
- Market value up \$381 million to \$1.782 billion



## Brickworks Group Outlook

- Building Products earnings for the 2017 financial year will be underpinned by the strong order book and higher margins in major east coast divisions
- Land and Development earnings will be supported by the sale of Oakdale West into the Property Trust, and an unprecedented level of development activity within the Trust
- The diversified nature of our holding in WHSP's investments is expected to deliver steadily increasing earnings and dividends to Brickworks over the long term





## APPENDICES



### Cash Flow Reconciliation

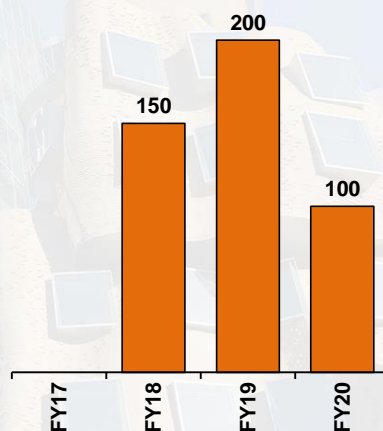
\$million	FY 2016	FY 2015
Net profit after tax	78.2	78.1
Depreciation, amortisation, impairment	90.1	41.3
Share of profits of associates not received as dividend	(20.2)	(23.0)
Other non cash items	3.7	(1.9)
Changes in working capital (ex cash & tax provisions)	(22.7)	7.3
Changes in tax provisions	19.4	18.4
Changes in land held for resale	-	13.1
<b>Operating cash flow</b>	<b>148.5</b>	<b>133.3</b>
Acquisitions and capital expenditure	(58.1)	(66.2)
Net proceeds from sale or purchase of investments	7.5	(0.9)
<b>Free cash flow</b>	<b>97.9</b>	<b>66.2</b>
Asset and business sales and other	3.2	0.5
<b>Operating and investing cash flow</b>	<b>101.1</b>	<b>66.7</b>



## Funding

- Total facilities \$450 million end FY16
- \$180 million of cash and committed undrawn facilities available end FY16
- Average interest rate for total drawn and undrawn funding ~4%
- Refinanced \$100 million maturing working capital facility in August 16 – 2 year period
- Next significant maturity FY2018

Debt Maturity Profile (\$m)



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