

DIVERSIFIED PORTFOLIO & BALANCE SHEET STRENGTH UNDERPINS DIVIDEND, UP 5%

HALF YEAR	1H2020	1H2019	Change
Total Revenue (\$M) <i>Continuing operations</i>	449	442	↑ 1%
Underlying EBIT (\$M)	135	211	↓ 36%
Underlying EBITDA (\$M)	170	227	↓ 25%
Underlying NPAT (\$M)	100	160	↓ 37%
Statutory NPAT (\$M) <i>Inc. significant items and discontinued operations</i>	58	115	↓ 49%
Underlying EPS (cents)	67	107	↓ 37%
Interim Dividend (cents)	20	19	↑ 5%

Brickworks (ASX: BKW) today announced **underlying¹ Net Profit After Tax (NPAT)** from continuing operations of \$100 million for the half year ended 31 January 2020, down 37% from the prior corresponding period. The **statutory NPAT** was \$58 million, down 49%, after including discontinued operations and the impact of significant items.

Brickworks Chairman Mr Robert Millner said: “Despite the decline in earnings compared to the record underlying profit achieved in the prior period, significant progress was made during the first half on a number of key strategic initiatives. Our expansion into the United States provides the Group with additional diversification and prospects for growth over the long term.”

“Meanwhile, Property delivered yet another great result, with our prime industrial facilities continuing to increase in value,” he said.

“Clearly, economic conditions have deteriorated significantly over the past few weeks, following the rapid escalation of the Coronavirus pandemic. However, Brickworks confronts these challenges in a strong position. Our diversified portfolio of attractive assets and our robust balance sheet provides us with the resilience to overcome the anticipated downturn in the months ahead,” he said.

“Increasing rental income from the Property Trust and the reliable dividends from WHSP, gives Directors the confidence to increase dividends and support our shareholders, many of who rely on this income stream, particularly during these difficult times,” he added.

Directors declared a fully franked interim **dividend** of 20 cents per share, an increase of 1 cent, or 5% on the prior corresponding period. The record date for the interim dividend is 14 April 2020, with payment on 5 May 2020.

COVID-19 (Coronavirus)

The Coronavirus pandemic has resulted in significant uncertainty for Brickworks and the broader economy. This public health crisis, the like of which we have not seen for around 100 years, continues to evolve with far reaching consequences that are difficult to predict.

Brickworks Managing Director Mr Lindsay Partridge said: “Brickworks continues to monitor the situation closely, and our primary focus is on ensuring the safety and well-being of all employees and customers. As such we have put in place a range of procedures, including working from home where it is practical to do so, and daily temperature checks for all those employees and visitors who do enter our production plants or office locations.”

“Building Products North America has been significantly impacted. As previously announced, on the 19th March the Governor of Pennsylvania, Tom Wolf, ordered the closure of all non life-sustaining businesses,

¹ All Group underlying profit and earnings measures exclude significant items and results from discontinued operations, unless otherwise stated

and as a result our 5 Pennsylvania brick plants, including despatch, were closed and all sales activity ceased in that State. Subsequently, on the 25th March, the Governor granted an exemption approval for Brickworks to operate yards at those plants, and for our sales offices to reopen, thus allowing product distribution and sales to re-commence. Inventory within these yards is expected to provide adequate supply for at least 2-3 months," Mr Partridge said.

"On the 23rd March an order was made in Michigan, resulting in the closure of our distribution outlet in that state," he added.

"Elsewhere, some of our European suppliers of premium imported products have indicated that operations have already been, or will soon be suspended," Mr Partridge said.

There have been no other significant supply chain issues within our Building Products businesses at this stage, and all development activity within the Property Trust remains unaffected.

However, Mr Partridge said: "We recognize that significant disruption is inevitable in the coming months. We are rapidly heading for a building downturn that will result in reduced demand for at least the remainder of the current financial year. Builders are reporting reduced activity at display homes and are imposing restrictions on the number of trades on site."

"In terms of our operations, whilst we don't see any immediate concerns, key medium-term supply chain risks include access to critical spare parts for our factories and the supply of imported specialty brick glazes and stains," he said.

"Of course, it is possible that further lockdowns and restrictions on production will be imposed by governments to contain the spread of the virus. In any case, if the situation continues to escalate, we will not hesitate to cease manufacturing in order to protect the health and safety of our workforce," he said.

In response to the difficult conditions and ongoing uncertainty, Mr Partridge said the company is taking significant action. "We have developed business planning and scenario modelling tools to support our decision making over the coming months. To preserve cash, we have delayed all non-contracted capital spend and non-essential expenditure, and employees who need to take time off work will utilise accrued leave where possible," Mr Partridge said.

"In the United States, where our business has been most disrupted, we are focussed on workforce management, minimising costs, and putting in place plans so that operations can quickly ramp up when conditions allow," he said.

"Brickworks diversified portfolio of assets and strong balance sheet puts us in a strong position to confront the challenges presented by the Coronavirus pandemic. We currently have in excess of \$290 million in funding headroom, based on committed debt facilities and cash on hand," he said.

"In this challenging period, I would like to acknowledge all staff at Brickworks, who have remained steadfastly positive and committed. I have never felt more proud to work amongst such outstanding people," Mr Partridge said.

Given the level of uncertainty as to the extent and duration of the Coronavirus pandemic, Brickworks is withdrawing any previous outlook statements and is unable to provide any earnings guidance at this stage.

International Expansion on Track

In November 2019, Brickworks announced the acquisition of assets from Redland Brick in the United States. This acquisition was completed in February (post half year end) and marks the Company's third US brick acquisition, following the purchase of Sioux City Brick in August 2019 and Glen-Gery in November 2018.

Building Products North America now has significant scale, including almost 900 employees, 12 brick plants, 1 manufactured stone plant, and an extensive network of company owned retail outlets and resellers. The business is expected to generate annual revenue of around AU\$290 million, on sales volume of circa 400 million bricks.

During the first half, the performance of Building Products North America continued to exceed expectations.

Sales revenue for the period was AU\$110 million, including 5 months contribution from Sioux City operations. EBITDA for the period was AU\$13 million and EBIT was AU\$6 million.

Brickworks Managing Director Mr Partridge said: “We were pleased with the progress of our North American operations in the first half. During this period, demand was particularly strong in the northeast region, underpinned by commercial and residential projects in New York City and surrounding areas such as Philadelphia, Cleveland, Baltimore and Washington. Sales volume increased further in February and the first half of March, prior to the government imposed shutdowns as a result of the Coronavirus.”

“We are progressively implementing efficiency improvements, and this is driving lower manufacturing costs across most facilities.”

“In addition, the bolt-on acquisitions provide opportunities to rationalise operations and deliver significant cost savings. For example, in September, soon after the Sioux City Brick acquisition, the Redfield plant was closed and volume transferred to the nearby Adel plant, increasing the utilisation rate to 100%²,” Mr Partridge said.

Following the completion of the Redland acquisition last month, a key priority for the business is the effective integration of these operations to deliver further cost savings.

Mr Partridge said: “Integration activities will include a staged plant rationalisation and upgrade program, to deliver a modern network of efficient and highly utilised manufacturing facilities. We expect significant savings to be achieved from this program, although there may be short term impacts on production and earnings whilst it is being implemented over the next 2 years. Following the forced closure of Pennsylvania plants, and the possibility of additional closures, there is potential to accelerate these plant rationalisation activities as facilities are brought back online”

Cyclical Weakness in Building Products Australia during 1H20

Building Products Australia revenue was \$338 million for the half, down 10% on the prior corresponding period. EBIT from continuing operations was \$10 million, down by 62%, and EBITDA was \$39 million, down by 5%³.

A sharp slowdown in building activity across the country, particularly multi-residential construction in New South Wales and Queensland, had a significant impact on Austral Precast and Austral Masonry earnings, both with a high exposure to these markets. Additional headwinds from higher gas costs (\$4 million impact) and continued intense competition in Western Australia also contributed to the decrease in earnings for the half.

Mr Partridge said: “Another factor impacting earnings during the period was our decision to stop production across most of our brick kilns in order to complete significant upgrades and maintenance work. Despite the hit to short term earnings, we took these steps to ensure that our plant network was in the best possible condition, in anticipation of growing demand in the years ahead.”

“Prior to the Coronavirus outbreak, key lead indicators were very positive, with building approvals trending up, and steadily increasing sales and orders for our products. However, it is anticipated that the spread of the virus will cause a downturn in building activity over the next few months,” said Mr Partridge.

Continued development of prime industrial land

Property EBIT was \$89 million for the first half, driven primarily by a significant revaluation profit within the Property Trust⁴, following an average 25 to 50 basis point reduction in capitalisation rates across the New South Wales portfolio. In addition, the completion of two new warehouse facilities at Oakdale South provided development profits.

Total assets held within the Property Trust now stands at almost \$2 billion and after including debt, Brickworks’ share of net asset was \$710 million at the end of the period, up by \$77 million.

Mr Partridge said: “The strong demand for our industrial land reflects structural changes across the industry, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping.”

² 100% utilisation rate, based on the current 1 kiln operation at Adel

³ 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.

⁴ The Joint Venture Industrial Property Trust is a 50/50% partnership between Brickworks and Goodman Industrial Trust

“These trends are driving an evolution towards more sophisticated and specialised facilities, incorporating features such as robotics, automation, temperature controlled and multi-storey warehousing. As such, our well-located prime industrial land is likely to become even more valuable, with these advanced facilities providing companies with a critical competitive advantage in the new economy,” Mr Partridge said.

Investments

EBIT from Investments was down 36% to \$39 million, and cash dividends totalling \$32 million were received from WHSP for the half. The market value of Brickworks shareholding in WHSP was \$2.032 billion at 31 January 2020, down \$109 million over the period. Since the end of the period the value has declined by a further 13%⁵ (vs a market decline of 32% over the same period).

Results briefing

To avoid the risk of spreading Coronavirus and to ensure the health and safety of all staff and guests, the company will not hold an analyst briefing event at the Sydney Design Studio.

Managing Director Lindsay Partridge and Chief Financial Officer Robert Bakewell will present Brickworks' results via webcast at 12.30pm today. The briefing will be webcast live on the following link: <https://www.streamgate.co/brickworks/>

Questions may be asked by following the prompts on screen.

The Board has authorised the release of this announcement to the market.

End

Brickworks Limited was listed on the Australian Securities Exchange in 1962 and has paid a dividend every year since then. It has four divisions - Building Products Australia, Building Products North America, Property, and Investments. Building Products Australia includes the country's largest bricks producer Austral Bricks, and other leading brands Austral Masonry, Bristle Roofing and Austral Precast. Building Products North America includes Glen-Gery, the leading brick producer in the northeast of the United States. Property maximises the value of surplus land from building products sites and includes a 50/50% Joint Venture Industrial Property Trust with Goodman. Investments include a 39.4% holding in Washington H. Soul Pattinson & Company.

BRICKWORKS LIMITED (ASX CODE: BKW) www.brickworks.com.au

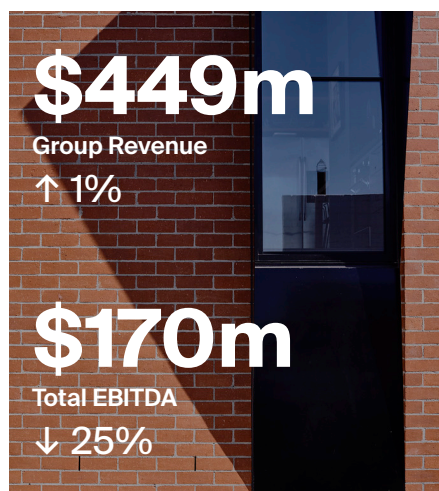
For further information:

Lindsay Partridge, Managing Director	Tel: (02) 9830 7800
Robert Millner, Chairman	Tel: (02) 9232 7166

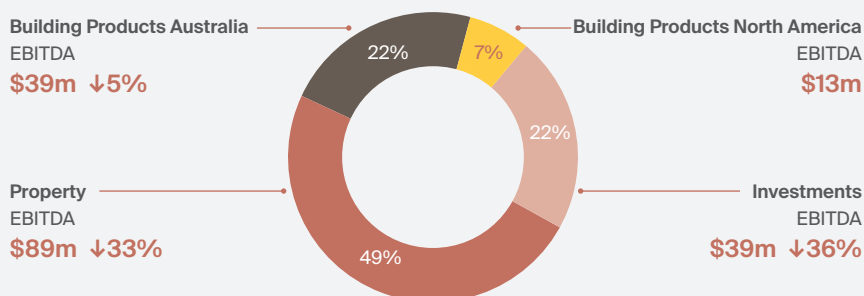
Media inquiries:

Jo Collins, Newgate Communications	Tel: 0423 029 932
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⁵ As at the close of trading on 24 March



Overview of underlying EBITDA



Building Products Australia



\$338m

revenue

1300

employees

26

manufacturing sites

Building Products North America



\$110m

revenue

888

employees

13

manufacturing sites

\$100m

Underlying profit

↓ 37%

\$58m

Statutory profit

↓ 49%

\$461m

Net debt

21% Gearing

\$1,759m

Market value of
WHSP shareholding
as at 24 March

\$710m

Property Trust
net asset value

\$980m

Building Products
net tangible assets

\$2,988m

Total inferred
asset value
including net debt

67 cents

Underlying earnings per share

↓ 37%

20 cents

Interim ordinary dividend

↑ 5%

Record date 14 April
Payment date 5 May

12.7% p.a

BKW total shareholder
return over 52 years
(to 31 Jan 2020)

10,076

Shareholders

