



MEDIA RELEASE

27 NOVEMBER 2018

PROPERTY AND GLEN-GERY EARNINGS SET TO UNDERPIN BRICKWORKS FY2019 RESULT

Brickworks Limited (ASX: BKW) will tell shareholders at its 84th Annual General Meeting today that first half earnings from Property are expected to be similar to the prior full year, positioning the Company to deliver another strong result in financial year 2019.

Chairman Mr. Robert Millner said that the company is also building considerable asset value for shareholders. "Since the end of the financial year, the market value of our shareholding in WHSP has increased by around \$600 million, and now stands at \$2.8 billion. Including Property and Building Products, and taking into account debt, the total inferred net asset value of the company is almost \$3.8 billion¹. This provides considerable support for our current market capitalisation of \$2.3 billion," said Mr. Millner.

A fully franked final dividend of 36 cents per share is payable to shareholders tomorrow, and takes the full year dividend for 2018 to 54 cents, up 5.9% on the prior year.

Glen-Gery Acquisition

Brickworks announced last week the acquisition of Glen-Gery, a leading US brick manufacturer, with 10 plants based in the Midwest, Northeast and Mid-Atlantic states.

Brickworks Managing Director Mr. Partridge said: "The acquisition of Glen-Gery represents a significant milestone in the history of Brickworks, as our first major investment into an overseas market. The United States is an attractive country to invest and grow our business, with tax policies that are supportive of business, proactive energy policy that is placing downward pressure on prices, and efficient transport infrastructure. The contrast with Australia could not be more stark."

"Glen-Gery is a company with a long and rich history in brick making, dating back to 1890. We are excited by the opportunity to build on these strong foundations, by working with the existing executive team and more than 600 staff, to share operational best practice, and further enhance business performance", he said.

"Our expansion into the U.S. will not come at the expense of our existing operations. We have established a strong position in Australia, and we plan to continue our investment program to improve efficiency across our domestic plant network, with a particular focus on New South Wales operations in the coming years," Mr. Partridge said.

1st Quarter Update and Outlook

Commenting on the great start to the year for the Property division, Mr. Partridge said: "Continued capitalisation rate compression, the completion of new developments at Oakdale South, and the settlement of the previously announced Punchbowl sale, looks set to result in a record Property contribution in 2019".

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

“Over the medium and longer term, the Property Trust has a long pipeline of development, that will continue to drive growth in rent and asset value,” he added.

Meanwhile, Building Products earnings were materially lower in the first quarter, compared to the previous corresponding period. Mr. Partridge said: “Sales volume is marginally down, impacted by wet weather in October, particularly in New South Wales, and tightening credit availability causing project delays. In addition, manufacturing costs have been hit by higher energy prices and a series of one-off production issues, that are now resolved.”

Despite the difficult first quarter, Mr. Partridge said: “Market fundamentals remain supportive for new housing construction, with employment levels healthy, low interest rates and high immigration levels. Demand in Victoria is at unprecedented levels, and with the improved weather in New South Wales, overall brick sales across the country in November are tracking above the prior year.”

Overall, the increased earnings from Property and the contribution from Glen-Gery are expected to more than offset a decline in Australian Building Products earnings in 2019.

Exorbitant energy prices driving Australian manufacturers offshore

At the AGM, Brickworks will reveal the full extent of the energy price rises that are impacting east coast operations. In January 2018, wellhead gas prices increased by as much as 66% (in Victoria) and electricity prices increased by up to 160% (also in Victoria). From January 2019, an additional gas price increase of between 29-45%, depending on the state, has been contracted.

Chairman Mr. Robert Millner said: “Following repeated warnings from industry over many years, and a lack of meaningful response from government, the east coast energy supply crunch has well and truly arrived. Exorbitant gas and electricity prices have now hit the bottom line, with monthly energy costs this financial year being \$1 million higher than last year. Our experience is being shared by businesses all across Australia, and it is no surprise that investment is being driven offshore.”

Annual General Meeting

The Brickworks Annual General Meeting will be held today at midday, at the Establishment Hotel Ballroom, Level 2, 252 George Street, Sydney. The meeting will be webcast live on the following link: <https://www.streamgate.co/brickworks-agm-2018/>

Brickworks Limited was listed on the Australian Securities Exchange in 1962 and has paid a dividend every year since then. It has three Groups - Building Products, Land and Development and Investments. Building Products includes Australia’s largest brick producer Austral Bricks, Austral Masonry, Bristile Roofing, Austral Precast, Auswest Timbers, and Glen-Gery, America’s fourth largest brick manufacturer. Property operations maximise the value from surplus land and redundant building products sites. Investments include a 42.72% 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: (02) 9232 9500 or 0423 029 932