

AGM & TRADING UPDATE

- **Resilient performance in FY20, despite impact of COVID-19 pandemic**
 - **Statutory NPAT \$299 million, up 93%. Underlying NPAT \$146 million, down 38%**
 - **Final dividend of 39 cents (payable tomorrow), bringing full year dividend to 59 cents, up 4%**
- **Property Trust development activity proceeding at an unprecedented scale**
- **Building Products Australia makes strong start to FY21**
- **Short term uncertainty in North America, growth strategy on track**

Increased dividend, despite the impact of COVID-19

In September, Brickworks Limited (ASX: BKW) announced a near record statutory Net Profit After Tax (NPAT) of \$299 million for financial year 2020 ('FY20'). After excluding significant items and discontinued operations, the underlying NPAT was \$146 million, down 38% from the record result achieved in the prior year.

An increased final dividend of 39 cents per share (fully franked) is payable to shareholders tomorrow, bringing the total full year dividend to 59 cents. Brickworks was one of the few ASX200 companies to increase dividends during the pandemic, without needing to raise equity or receive government support payments.

Chairman of Brickworks, Mr. Robert Millner said: "In the current environment of global uncertainty and record low interest rates, we recognise that a reliable source of income is more important than ever to our shareholders. Our ability to once again increase dividends is testament to our strong financial position, prudent capital management and our diversified business model."

"Brickworks provides investors with exposure to a portfolio of attractive businesses, with a long-term record of value creation and dividend growth," he said.

Property Trust development activity proceeding at an unprecedented scale

At the end of FY20, the total assets held within the 50/50 joint venture property trust with the Goodman Group ("Property Trust") stood at over \$2 billion. After including debt, Brickworks' share of net assets was \$727 million.

Since that time, development activity has continued at an unprecedented scale. At Oakdale West, construction of the state-of-the-art Amazon facility is well advanced, and due to be completed in September 2021. Major infrastructure works are also proceeding to schedule and will allow construction of the Coles distribution warehouse to commence early in calendar 2021.

Post completion of these two facilities, net rental distributions will increase by over 25%, and gross assets held within the Property Trust is expected to exceed \$3 billion, with sufficient remaining land to provide at least a further five-year development pipeline.

Brickworks Managing Director, Mr. Lindsay Partridge said: "The COVID-19 pandemic has only accelerated industry trends towards online shopping, and this is fueling demand for the Company's prime industrial property. Interest from potential new tenants is strong, with discussions well underway with several parties in relation to additional leasing opportunities within the Property Trust."

Building Products Australia makes strong start to FY21

Building Products Australia has made a strong start to FY21, with first quarter earnings well ahead of the prior corresponding period.

Mr. Partridge said: “Our home builder customers have a solid pipeline of work for the remainder of the financial year, underpinned by the various government stimulus measures currently in place in each state.”

“In Western Australia, trading conditions remain difficult, with the future competitive structure in this state remaining unclear until the ACCC makes a ruling on the proposed acquisition of Midland Brick by BGC”, he added.

Mr. Partridge said the Company had been pro-active throughout the pandemic to accelerate several important growth initiatives. “Last month we held B20, the biggest product launch event in our company’s history, introducing an exciting range of innovative new bricks, roof tiles and masonry products to the market.”

“We are also in the midst of a significant capital program that will strengthen our competitive position in a number of key markets. Following the completion of the Southern Cross Cement terminal in 2020, construction of our \$75 million Austral Masonry plant in Sydney is well on track for commissioning in 2021.”

“At Horsley Park, we have demolished the old brick kiln and associated equipment at Plant 2, paving the way for construction of a new \$125 million face brick plant. When complete, this will be the most advanced brick plant ever built,” Mr. Partridge added.

“Other major projects across the country have been impacted by extended state border closures that have restricted the movement of engineering crews and technical staff. This has resulted in significant challenges and delays to capital projects in Queensland, South Australia and Western Australia,” Mr. Partridge said.

Short term uncertainty in North America, growth strategy on track

During FY20, Brickworks completed two further bolt-on acquisitions in North America, to establish itself as the leading brick maker in the north-eastern region of the United States. This region incorporates major cities such as New York, Washington DC, Boston, Philadelphia, Baltimore, Pittsburgh, Columbus, Chicago and Detroit, each with a long heritage of brick construction in commercial and residential buildings.

Following a resilient performance in FY20, sales have been below expectations in recent months. Mr. Partridge said: “The impact of the pandemic, including the deferral of many projects by state authorities due to financing concerns, and the uncertainty in relation to the recent Presidential election, have combined to cause a slowdown in non-residential construction activity.”

“There still remains significant uncertainty in this market, with the current surge in infections across many parts of the United States causing ongoing disruptions to sales activity and manufacturing operations.”

“Despite these short-term impacts, we are pleased with the underlying performance of the business and the progress we have achieved against our strategic priorities over the past two years. In August, we officially opened our new design studio in central Philadelphia, and this will further enhance our strong position in the high value architectural segment.”

“We are confident that once conditions normalise, our North American operations will deliver improved earnings and growth for many years to come,” Mr. Partridge said.

Sustainability strategy launched, record low injury rates achieved in Australia

During FY20, the Company developed a new sustainability strategy, ‘Build for Living: Towards 2025’.

The strategy focuses on opportunities to make buildings and cities safe, resilient, and sustainable. It sets a clear pathway to achieving this, with 15 measurable targets and commitments across three pillars: Responsible Business, Environment, Our People and Community.

Mr. Partridge said: “We recognise the importance of increasing our disclosure and reporting on sustainability. During the year we formed a sustainable supply chain working group, developed a Modern Slavery Policy and a Supplier Code of Conduct. We are also working towards meeting the recommendations set out by the Task Force on Climate-Related Financial Disclosures”.

“Our sustainability strategy includes a number of stretch targets such as 35% female senior executives by 2025, doubling sales of our most sustainable products, and a 10% improvement in gas efficiency at our brick plants by 2030.”

In the area of diversity, Brickworks has made good progress in recent years with a significant increase in female representation in leadership roles since 2015. “Our progress in this area is being achieved in spite of union representatives, who have harassed and intimidated our female staff. Ironically, these are the same organisations that, through their super funds, are only too happy to lecture us about improving diversity,” Mr. Partridge said.

The Company also delivered improved safety performance in FY20. “A record low workplace injury rate was achieved in our Australian operations, with just one lost time injury, and we are seeing improved safety outcomes in the United States as we rapidly embed our procedures across all sites,” Mr. Partridge said.

Group Outlook

Brickworks is in a strong position, with a conservative debt level and a diversified portfolio of attractive assets.

Mr Partridge said: “Within Building Products Australia, we have made an encouraging start to the year and our customers are reporting a strong pipeline of work in place. However, in North America conditions are more challenging, due to the ongoing impact of COVID-19. Of course, until a vaccine becomes widely available, there remains considerable uncertainty in both markets.”

“Another strong half is expected for Property, and WHSP is expected to deliver a stable and growing stream of earnings and dividends over the long term,” he added.

Annual General Meeting

To avoid the risk of spreading Coronavirus and to ensure the health and safety of all staff and shareholders, the company this year will host a virtual Annual General Meeting.

The virtual AGM will be held today, commencing at midday AEST, and will be webcast live on the following link: <https://www.web.lumiagm.com/395224100>

Shareholders may ask questions and vote by following the prompts on screen.

About Brickworks (ASX: BKW)

Brickworks has been building the Australian dream for over a century. Today, Brickworks is more than Australia’s largest and most trusted brick manufacturer. It comprises a diversified portfolio of attractive assets, offering shareholders stability and long-term growth. The company has a proud track record, having paid a dividend every year since listing on the ASX in 1962. Brickworks comprises four divisions – Building Products Australia, Building Products North America, Industrial Property, and Investments.

Building Products Australia includes Austral Bricks, the country’s largest bricks producer, and other leading brands such as Austral Masonry, Austral Precast and Bristile Roofing. Building Products North America is the leading brick producer in the North-east of the United States and includes the flagship brand of Glen-Gery.

On surplus land assets, Brickworks has developed extensive industry property assets in conjunction with Joint Venture partner the Goodman Group. These facilities help our customers to meet the supply chain needs of the growing digital economy.

Brickworks also has a long-standing investment in Washington H. Soul Pattinson, a diversified investment house and ASX100 company. This investment has delivered outstanding returns for the company and provides stability and growing cash dividends.

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

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