

BRICKWORKS DELIVERS SOLID 1H21 RESULT

- **Statutory NPAT up 22% to \$71 million**
- **Value of WHSP stake up \$720 million during period, currently valued at \$2.9 billion¹**
- **Share of Property Trust value increased by a further \$50 million to \$777 million, strong structural tailwinds**
- **Building Products Australia EBIT up 60%, with momentum building**
- **North American earnings down, significantly impacted by the COVID-19 pandemic**
- **Interim dividend 21 cents per share, 45-year record of maintaining or increasing dividends**
- **Dividend reinvestment plan terminated**

Six Months Ended January (\$million)	1H20	1H21	Change
Total Revenue	449	432	(4%)
Underlying EBITDA	170	163	(4%)
Underlying EBIT	135	127	(6%)
Underlying NPAT	100	90	(10%)
Statutory NPAT <i>(including significant items and discontinued operations)</i>	58	71	22%
Underlying EPS (cents)	67	59	(12%)
Statutory EPS (cents)	39	47	21%
Interim dividend (cents)	20	21	5%

Statutory profit up 22%, dividend increased

Brickworks (ASX: BKW) today announced statutory Net Profit After Tax (NPAT) of \$71 million for the half year ended 31 January 2021, up 22% from the prior corresponding period. Excluding the impact of significant items and discontinued operations, the underlying NPAT was \$90 million, down 10% from the prior period.

Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations was \$163 million, down 4% on the prior corresponding period, and after depreciation, EBIT was down 6% to \$127 million.

Another strong contribution from Property was a key feature of the result. Performance across Building Products was mixed, with the Australian operations largely unaffected by the COVID-19 pandemic and delivering significantly higher earnings. However, with building activity in the key US non-residential market severely disrupted by the pandemic, reduced earnings were reported by the Building Products North America division.

Brickworks net debt was \$479 million at the end of the half, with a conservative gearing level.

Chairman of Brickworks, Mr. Robert Millner said: "In addition to delivering solid earnings, asset growth has been particularly strong during the first half. The value of our 39.4% stake in WHSP increased by \$720 million over the

¹ As at close of trade on 23 March

period. Including further gains since the end of the half, the market value of this investment now stands at around \$2.9 billion. Adding the net asset value of our Property and Building Products assets, and taking into account net debt, the total asset backing is over \$4.1 billion. This equates to over \$27 per share and provides considerable support for our current share price.”

Directors declared a fully franked interim dividend of 21 cents per share, an increase of 1 cent on the prior corresponding period. The record date for the interim dividend is 13 April 2021, with payment on 28 April 2021.

The Company has terminated the Dividend Reinvestment Plan (DRP) that was introduced in 2020, with effect from 26 March 2021. This DRP was a prudent but temporary measure, put in place to help preserve liquidity through a period of significant uncertainty around the global economic outlook. Accordingly, shareholders who have elected to participate in the DRP will not be receiving shares in respect of the forthcoming dividend or any future dividends.

Property Trust value up a further \$50 million, strong structural tailwinds

Property delivered another stellar result in the first half, generating EBIT of \$92 million, due primarily to earnings from the 50/50 joint venture property trust with the Goodman Group (“Property Trust”).

Industrial real estate has been particularly resilient throughout the COVID-19 pandemic. This is reflected in Property Trust rent collections which have experienced negligible rental arrears or deferrals. For the period, net trust income increased by 7% to \$16 million.

Property Trust assets were revalued during the half and this resulted in another strong revaluation profit of \$40 million. In addition, a land sale profit of \$38 million was recorded, primarily relating to the recognition of previously unrealised profits associated with the prior sale of Oakdale West, after lease agreements with Coles and Amazon became unconditional.

Total assets held within the Property Trust now stand at almost \$2.2 billion. After including debt, Brickworks’ share of net assets was \$777 million at the end of the half, up by another \$50 million over the six-month period.

Brickworks Managing Director, Mr. Lindsay Partridge said: “The COVID-19 pandemic has only accelerated industry trends towards online shopping, and this is fuelling demand for our prime industrial property. We are seeing increasing interest from our customers for more advanced, high-value facilities. An example of this trend is the state-of-the-art Amazon facility, currently under construction and due to be completed in September.”

Building Products Australia EBIT up 60%, with momentum building

Building Products Australia EBIT was up 60% to \$16 million for the first half, and EBITDA was \$43 million. The higher earnings were due to a broad-based reduction in operating costs, supporting improved margins across all business units and regions.

Mr. Partridge said: “Demand was relatively subdued early in the period. However, as government stimulus packages were progressively introduced, consumer confidence improved and this translated into increased building activity and greater demand for our building products.”

“With demand across the country gathering momentum in recent months, we have re-started our previously mothballed brick kiln at Plant 3 in New South Wales, and all east coast brick, roof tile and masonry plants are now operating at capacity. Our Queensland masonry plants are currently supplying into the New South Wales market, as we complete the construction of our new Sydney plant.”

“During the first half, the performance of our brick business in Queensland was particularly strong, with this business now returning to a market leading position following plant upgrades that have been completed over the past few years.”

“Whilst conditions in Western Australia remained challenging during the period, prospects are improving, with a sharp increase in building activity and consolidation of the brick market to two players. In this state we have completed upgrades to our face brick plant at Cardup and will soon commence minor upgrades at our Armadale plant, allowing the transition to a two-plant operating model with capacity aligned with anticipated demand.”

Mr. Partridge said the Company was in the midst of a significant capital program that will strengthen its 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 the second half.”

“At Horsley Park, building works are now well underway for a new \$130 million face brick plant. When complete, this facility with a capacity to produce 130 million bricks per annum, will be the most advanced brick plant in the world.”

North American EBIT² down, significantly impacted by the COVID-19 pandemic

Operations in North America were significantly disrupted by the pandemic, resulting in a 33% decrease in EBIT to \$4 million (EBITDA was \$13 million).

Building activity in Glen-Gery's key non-residential markets was significantly lower, with the disruption caused by the pandemic exacerbated by uncertainty in the lead-up to the US Presidential election in November and then severe winter weather from December. In addition, state and federal government financial difficulties resulted in many major projects being delayed or withdrawn. The lower market activity resulted in reduced like-for-like sales volume and had a flow-on impact on plant utilisation across the network, resulting in higher unit costs.

Mr. Partridge said: “We have been hit harder by the pandemic in North America, with around 90 COVID-19 cases amongst employees, and more than half of all staff unable to work at varying times during the period. This has created significant workplace challenges, just to keep some of our plants operating.”

“Despite these short-term impacts, we are pleased with the progress we have achieved against our strategic priorities since we entered the US market two years ago. In August, we officially opened our new design studio in central Philadelphia, and an additional studio is under construction in New York City, scheduled to open in the second half. These studios will further enhance our strong position in the high value architectural segment.”

“We have also undertaken a significant plant rationalisation program, with a total of 16 manufacturing plants transitioning to 10. This has enabled a focussed capital investment program, with a range of upgrade projects already completed across our plant network.”

Group Outlook

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

Mr Partridge said: “Development activity within the Property Trust is continuing at an unprecedented scale. This includes the construction of new facilities to meet lease pre-commitments across four of our Estates in Sydney and Brisbane. The completion of these facilities within the next two years will result in gross rent within the Trust increasing by over 40%, with significant further land remaining for development.”

“Within Building Products Australia, the short-term outlook is positive, with demand gathering momentum in recent months. As demand grows, we anticipate sales volume will be limited by the availability of tradespeople such as brick layers and roof tilers, and this is likely to extend the existing pipeline of work, resulting in an elevated period of activity for at least a year. However, looking beyond the current stimulus induced surge in activity, significant uncertainty remains.”

“In North America, we have seen a strong recovery in demand during March, with improved weather and increased optimism of a stimulus led recovery. Daily order intake is now back to pre-pandemic levels, and as conditions continue to normalise, we are confident that our North American operations will deliver improved earnings and growth for many years to come.”

“WHSP is expected to deliver a stable and growing stream of earnings and dividends over the long term.”

Results briefing

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.

² North American earnings are shown in \$AU, based on an exchange rate of 1AUD=0.73USD

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 Bristle 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.

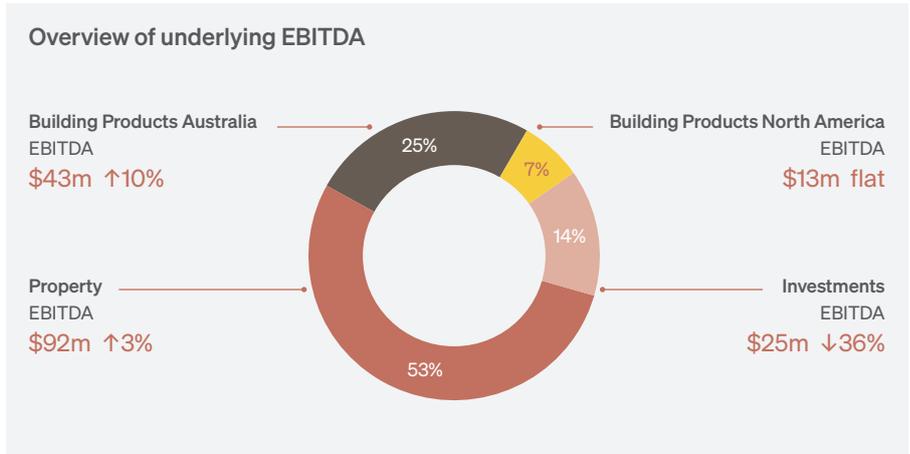
The Brickworks Board has authorised the release of this announcement to the market.

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\$432m
Group Revenue
↓ 4%

\$163m
Total EBITDA
↓ 4%



Building Products Australia

\$330m revenue
1140 employees
27 manufacturing sites

Building Products North America

\$102m revenue
797 employees
11 manufacturing sites

\$90m Underlying profit ↓ 10%	\$71m Statutory profit ↑ 22%	\$479m Net debt 20% Gearing
\$2,903m Market value of WHSP shareholding as at 23 March	\$777m Property Trust net asset value	\$900m Building Products net tangible assets
		\$4,101m Total inferred asset value including net debt

59 cents
Underlying earnings per share
↓ 12%

21 cents
Interim ordinary dividend
↑ 5%

Record date 13 April
Payment date 28 April

10.5% p.a
BKW total shareholder return
over 20 years (as at 31 Jan 2021)

18,401
Shareholders

All underlying profit and earnings measures exclude significant items and discontinued operations