

# 88<sup>th</sup> Annual General Meeting

22 November 2022

**BRICKWORKS**



Xylem Facility, Oakdale West Estate

Welcome to the Brickworks Limited 2022 Annual General Meeting. My name is Robert Millner and I am your Chairman. We have a quorum and I am pleased to declare the meeting open. I would like to start by introducing my fellow directors:

- Mr Lindsay Partridge, the Managing Director;
- Mr Michael Millner, the Deputy Chairman;
- Mr Robert Webster;
- Mr Malcolm Bunday;
- Ms Deborah Page; and
- Ms Robyn Stubbs.

Also attending is the Company Secretary, Susan Leppinus, the CFO, Grant Douglas and representatives of our auditors and lawyers, Jodie Inglis of Ernst & Young and David Friedlander of KWM.

Richard Powell of Computershare Investor Services will act as returning officer for the purposes of conducting and determining the results of the poll.

The notice of meeting was made available to all shareholders and copies are also available on the ASX or on our website.

I take the notice of meeting as read.

Today

## Agenda

Chairman's Address	01
MD's Address	02
Sustainability	03
Questions	04
Formal Business	05

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Now to the agenda for today's meeting.

After I have completed my overview, Lindsay will give the Managing Director's Address, including a review of Investments, Property, and our Building Products businesses in Australia and North America.

Following Lindsay's address, Emily Antonio, our General Manager Operations, will provide an overview of the progress we are making on sustainability.

Shareholders will then have the opportunity to ask questions.

We will then proceed to the formal part of the meeting.

# Chairman's Address

Section 01

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## FY22 Overview

# Record Underlying NPAT \$746m, up 159%

FY22 was a landmark year for Brickworks, with record earnings achieved across our diversified portfolio of attractive assets

Underlying earnings growth across all divisions

Net assets held within Industrial JV Trust up by \$631 million

Launch of Brickworks Manufacturing Trust

Strong growth in North America

Gearing (net debt / equity) reduced to 15%

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Brickworks delivered another strong financial result in FY22, with record underlying profit of \$746 million, up 159% on the prior year.

All four divisions delivered higher earnings.

The contribution from Property was again a standout, with the completion of a number of developments and strong demand for our prime industrial land driving a significant increase in the value of our portfolio.

In July, we launched the Brickworks Manufacturing Trust, which is a natural extension of our strategy to maximise the value of our land assets.

We also delivered strong growth in North America. Following a number of acquisitions, we have built a business of significant scale and strong market position since our entry just four years ago. This has been achieved, despite the disruption of the COVID pandemic.

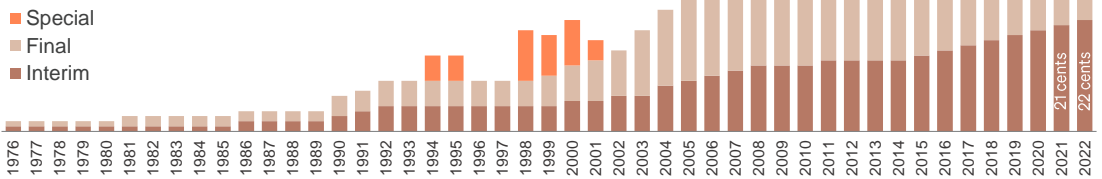
Over the past 12 months, we have built the asset base considerably and paid down debt, resulting in our gearing reducing to 15%. This is important as we look ahead to a period of increasing uncertainty.

# Dividends

Brickworks normal dividend has been maintained or increased since 1976

## Brickworks Dividend History

- 41 cents per share fully franked final dividend, up 3%. Payable on 23 Nov
- 63 cents per share total dividends (fully franked), up 3%
- Long history of dividend growth
- 46 years since normal dividends last decreased (1976)



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A fully franked final dividend of 41 cents per share is payable to shareholders tomorrow. This takes the full year dividend to 63 cents per share, up 3% on the prior year.

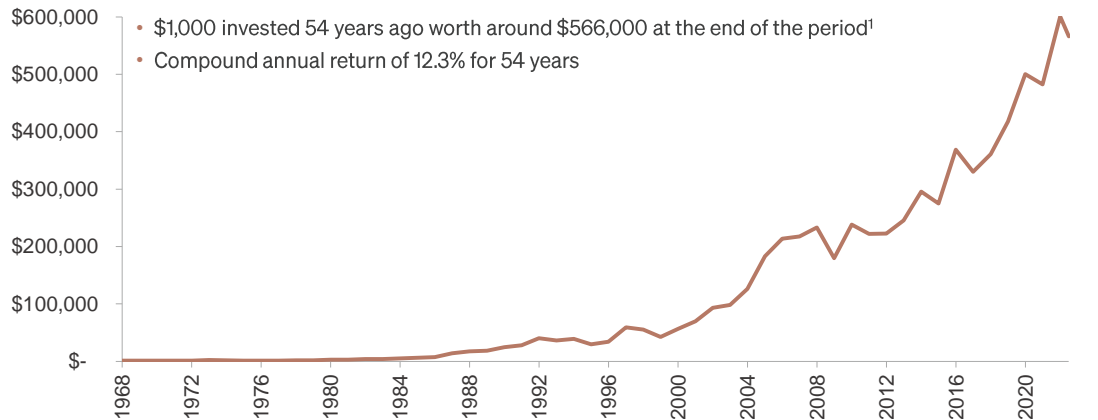
We are proud of our long history of dividend growth, and the stability this provides to our shareholders. As shown on screen, we have now maintained or increased normal dividends for the last 46 years.

Over the past 20 years we have increased our dividend at a compound rate of 7.1% per annum.

## Long Term Value Creation

Brickworks has created significant shareholder value over the long term

Value of \$1,000 invested in 1968 (at the time of the initial investment in WHSP)



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In addition to dividend growth, Brickworks also has a strong history of total value creation for shareholders.

Based on the share price at the end of the financial year, the Company has delivered shareholder returns of over 12% per annum since the initial investment in WHSP over 54 years ago. This incorporates both dividends and share price appreciation.

This means that \$1,000 invested in Brickworks in 1968 would be worth around \$566,000 today.

## Energy Security

- Brickworks is a large industrial user of natural gas
- Although gas cannot be easily substituted in the brick manufacturing process, Brickworks has led the industry in reducing gas consumption and carbon emissions
  - Significant capital investments to drive market leading fuel-efficiency
  - Product redesign
  - Use of renewable energy sources where possible
- Energy security is now a critical issue across the world
  - Supply impacted by lack of investment in reliable baseload energy
  - Energy shortages have resulted in extreme prices for households and manufacturers
  - Many manufacturers in Europe, including Brickworks' suppliers, have been forced to reduce or shutdown operations
- To avoid a similar situation, Australia must act quickly to bring on additional domestic gas supply that is reliable and affordable

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Energy security is an issue that has come into sharp focus over the past 12 months.

This issue is becoming increasingly relevant to all households and manufacturers, but as a large industrial user of natural gas, it is of critical importance to Brickworks.

We are investing significant resources to support the transition to renewable energy, and as Emily will discuss later, we are leading the industry in reducing energy consumption and carbon emissions. This includes investing in waste to energy projects, and in research to examine the potential of hydrogen in the brickmaking process.

However, the gas we use to fire the bricks in our kilns cannot be easily substituted for alternative renewable energy sources. As such, ready access to reliable and affordable gas is essential for our industry.

We have been warning about a domestic gas shortage across Australia's east coast for many years. The supply crunch has now arrived, with extreme market volatility, price increases and threats of curtailment to industrial users.

We only need to look to Europe to understand the cost of continued inaction by government. In this region we are already seeing manufacturers being forced to shutdown operations. This includes some of our valued suppliers.

In order to avoid a similar situation in Australia, it is critical that additional sources of reliable and affordable gas supplies that are committed for domestic use, such as the Narrabri gas project, are brought online as quickly as possible.



## Board Governance

- The Board currently comprises seven directors, including four independent non-executive directors
- Robert Webster will retire following today's AGM
  - Robert has served on the board for 21 years, and in that time has made an invaluable contribution to the Company
- Michael Millner offers himself for re-election today. If elected, he plans to retire following next year's AGM
- Joel Fitzgibbon has been appointed as an independent non-executive Director, with effect from 1 January 2023
  - Joel will serve as a member of the Audit and Risk Committee, the Remuneration Committee and Nomination Committee

Brickworks has a strong and stable Board that is committed to acting in the best interests of shareholders and ensuring that Brickworks is well-positioned for future growth.

The Board regularly reviews its capabilities and composition to ensure an optimal mix of skills, knowledge, and experience to safeguard the continued long-term success of the Company.

The Board currently comprises seven directors, including four independent non-executive directors.

Robert Webster will retire following today's AGM. As such, I'd like to take this opportunity to thank Robert, who has served on the Board for 21 years, and made an invaluable contribution to the Company in that time.

Michael Millner's current term concludes today. With the retirement of Robert and to assist with an orderly Board transition process, Michael offers himself for re-election at today's meeting, but intends to retire at next year's AGM.

Following a thorough process, yesterday we were pleased to announce the appointment of Joel Fitzgibbon as a new independent non-executive Director.

Joel brings to our Board considerable expertise in public policy, social and environmental issues and is an ideal appointment for Brickworks in managing its multiple stakeholders and regulatory expectations.

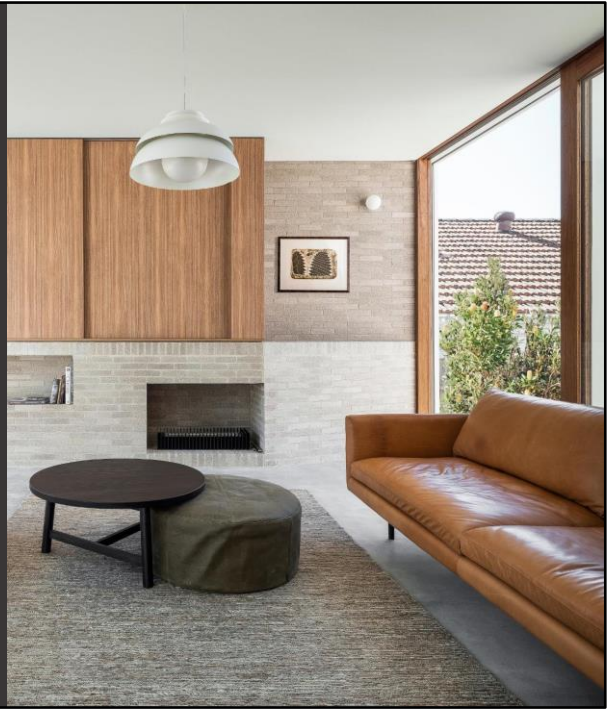
Joel will serve as a member of the Board's Audit and Risk Committee, the Remuneration Committee and Nomination Committee, and will commence in the role on 1 January 2023.

I will now hand over to Lindsay, for the Managing Director's Address.

# Managing Director's Address

## Section 02

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Thank you, Chairman. Good afternoon, ladies and gentlemen.

As the Chairman said, FY22 was a very strong year for the Company.

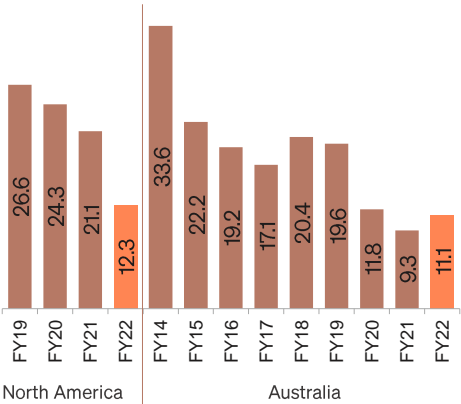
As well as delivering record earnings, we have also made significant progress in the implementation of a range of strategic initiatives to position the Company for further growth. I will talk more about this in a moment.

# Safety

A sustained decrease in workplace injuries has been achieved

- Overall, reportable injury rate decreased to 11.7 in FY22, down from 14.3
- Slight increase in Australia, following last year's record low rate
- Significant improvement in North America, with injury rates now comparable to Australia
- Sustained decrease in injury rates over many years
- Five lost time injuries during the year (1 in Australia, 4 in North America)

Total Reportable Injury Frequency Rate  
Injuries per million work hours



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But firstly, I am pleased to report that we continue to make steady progress in improving workplace safety.

The total recordable injury rate (injuries per million hours worked) has decreased to 11.7 in FY22, down from 14.3 in the prior year. This comprises an injury rate of 11.1 in Australia and 12.3 in North America.

We have shown the historical injury rates for each country on screen. This highlights the improvements in North American operations since our initial acquisition, with injury rates now comparable to Australia.

A sustained decrease in injuries has been achieved over the past decade, through disciplined implementation of safety management systems and procedures, together with behavioural leadership and safety training programs.

Across our operations there were five lost time injuries during the year – four in North America and just one in Australia.

FY22 Financial Highlights

**\$1,093m**

Group Revenue ↑ 28%  
(continuing operations)

**\$1,058m**

Underlying EBITDA ↑133%  
(continuing operations)

**\$746m**

Record Underlying Profit ↑ 159%  
(continuing operations)

**\$854m**

Record Statutory Profit ↑ 257%

**\$4.92**

Underlying EPS ↑ 158%  
(continuing operations)

**41 cents**

Final Dividend ↑3%  
fully franked

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Moving now to our financial performance for FY22.

Revenue of \$1.093 billion was up 28% on the prior year. This was primarily due a strong uplift in North America, where revenue almost doubled.

EBITDA from continuing operations of \$1.058 billion, was up 133%. This is a significant milestone and marks the first time the Company has recorded EBITDA of more than \$1 billion.

As the Chairman mentioned, underlying net profit after tax from continuing operations was a record, at \$746 million.

This translates to underlying earnings per share of \$4.92.

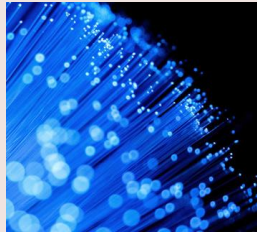
After including significant items and discontinued operations, the statutory profit was \$854 million, up 257% from last year.

## Divisional Overview

Brickworks has a diversified portfolio of attractive assets across four divisions

### Investments

26.1% interest in WHSP, an ASX100 diversified investment house and 19.7% interest in FBR



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### Property

Joint Venture Industrial & Manufacturing Property Trusts with Goodman Group



### Building Products Australia

Australia's leading brickmaker + strong positions in other building products



### Building Products North America

Leading brickmaker in Midwest and Northeast USA



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Brickworks has a strong portfolio of diversified businesses, consisting of:

- A 26.1% interest in WHSP and a strategic investment in FBR, which I will talk about in a moment;
- A substantial property division that includes joint venture industrial and manufacturing property trusts with Goodman Group, and additional wholly owned land for development;
- Building Products in Australia; and
- Building Products in North America.

At the end of the financial year, the net inferred asset backing of these assets was around \$5 billion, which equates to just over \$33 per share.

This valuation includes the market value of the WHSP shareholding, the net asset value of our Property Trust assets, 4 parcels of land identified for development at current "as is" value, and the net tangible assets held within our Building Products businesses, partially offset by net debt.

I will now provide a brief overview of each business.

## Investments - Major Shareholder in WHSP

Brickworks is the largest shareholder in Australia's leading publicly listed investment house

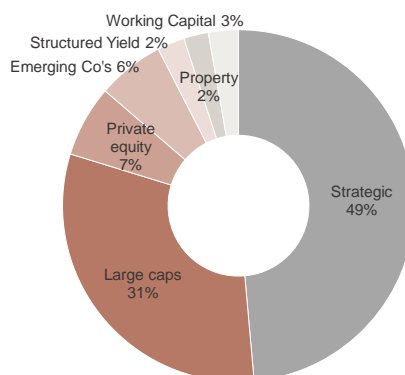
# \$181m

FY22 Underlying EBITDA

### Investment in WHSP

- Brickworks' investment in WHSP (ASX: SOL) dates back to 1968
- Brickworks holds 94.3 million shares (26.1% shareholding), with a current market value of around \$2.6 billion
- The stake in WHSP has delivered outstanding returns, steadily increasing dividends and diversification
- During FY22 WHSP completed a merger with Milton Corporation, providing WHSP with increased scale, diversification and liquidity to pursue additional investment opportunities
- In FY22, Investments delivered \$181 million in underlying EBITDA (up 86%) and \$61 million in cash dividends were received (up 5%)
- Special dividend declared in September (FY22 results), reflects strong cash generation of underlying investments

### WHSP Asset Exposure<sup>1</sup>



1. As at 31 July 2022, based on WHSP FY22 Results

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Brickworks is the major shareholder in WHSP, with our initial investment dating back to 1968.

The investment in WHSP has delivered outstanding returns, steadily increasing dividends and diversification.

In financial year 2022, Investments delivered an underlying earnings contribution of \$181 million, up 86% on the prior year.

During the year cash dividends of \$61 million were received, up 5%.

In the first half of FY22, WHSP completed a merger with Milton, another large ASX listed investment company. The larger WHSP has a market capitalisation of around \$10 billion, and is now a top 50 company on the ASX by market value.

The asset exposure of WHSP at the end of FY22 is shown by the chart on the right of screen. The merger has provided WHSP with increased diversification and liquidity to pursue additional investment opportunities.

Brickworks holds 94.3 million shares in WHSP with a current market value of around \$2.6 billion.

## Investment in FBR

- Brickworks has made a strategic investment in FBR (ASX: FBR), increasing its holding to 19.7%
- FBR is an ASX listed, Perth based robotics company and creator of Hadrian X, the world's first fully automated end to end robotic bricklayer
- Brickworks has maintained a long-term interest in FBR, since its original seed investment in 2006
- BKW sees a strong market opportunity for FBR's technology and will benefit from successful commercialisation
  - Addresses skills shortage / labour issues
  - Increases speed of bricklaying process
- The investment in FBR will be equity accounted and reported as part of Brickworks investment portfolio



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Over the past few months, Brickworks has established a strategic investment in FBR Limited ("FBR"), and now holds almost 20% of the total shares on issue.

We have maintained a keen interest in FBR since our initial seed investment in 2006. FBR recently commenced the commercialisation process for a bricklaying robot that has the potential to build walls faster than traditional methods, and with much reduced labour.

With an ongoing shortage of bricklayers, exacerbated by the current tight labour market, we see a strong market opportunity for this technology and as the largest brick maker in the country, we have much to benefit from its success. As such, we look forward to working collaboratively with FBR over the coming years to commercialise this exciting technology.

The investment in FBR will be equity accounted and reported as part of Brickworks' Investment portfolio.



## Property – Overview

Brickworks hold a vast portfolio of property assets with significant growth potential

# \$644m

FY22 Underlying EBITDA

### Joint Venture Property Trusts

#### Industrial JV Trust



- \$1.543 billion BKW net asset value
- Prime industrial / logistics, tenanted by third party customers
- Estates across Sydney and Brisbane
- Development land held within Trust provides significant further growth

#### BKW Manufacturing Trust



- \$211 million BKW net asset value
- Manufacturing sites, tenanted by Brickworks subsidiaries
- Properties located across Australia
- Some opportunities to develop sites to improve utilisation

### Brickworks 100% ownership

#### Operational + Surplus Land



- Significant additional value
- Key development sites include:
  - Oakdale East Stage 2 (NSW)
  - Horsley Park (NSW)
  - Craigieburn (VIC)
  - Mid-Atlantic (PA, USA)

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Turning to Property. An overview of our Property division is shown on the screen.

We hold a 50% share in a well-established Industrial JV Trust with Goodman. This trust was established in 2006 in order to maximise the long term value of our surplus Building Products land, much of which is located on the urban fringes of our major cities. Today this trust includes estates in Sydney and Brisbane and is tenanted by blue chip customers such as Amazon, Woolworths, Coles, DHL and Telstra.

As the Chairman mentioned, we recently launched a new property trust, also with Goodman Group, housing a portfolio of 15 of our Australian manufacturing plants. We call this the Brickworks Manufacturing Trust. We believe the recognition of more of our land at market value provides greater transparency for our shareholders and further demonstrates the significant underlying value of the Company's assets. We retain 50.1% ownership of this Trust.

Brickworks also retains a 100% interest in over 5,000 hectares of operational and surplus land across Australia and North America, and I will talk more about some of these holdings in a moment.

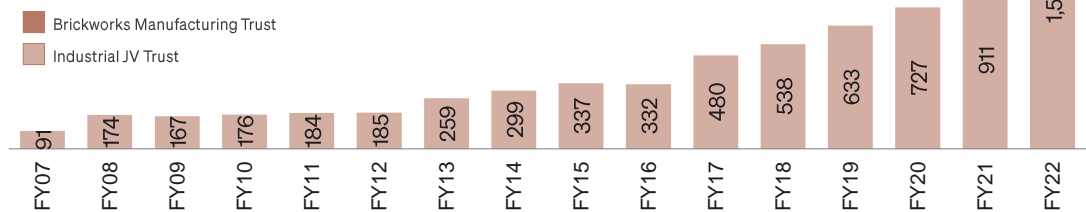
## Property – Net Property Trust Assets

The net asset value of Brickworks share of Property Trust assets now stands at almost \$1.8 billion

### Net Asset Value of BKW Share (JV Property Trusts)

\$ millions

- Current value of net property trust assets \$1.754 billion
- Value includes recently launched Brickworks Manufacturing Trust
- Pipeline of further development potential



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The chart on screen shows the net asset value of our property trust assets.

In the last few years the value of the Industrial JV Trust has grown significantly, with structural tailwinds fuelling strong demand for prime industrial property such as ours. Our developments are increasingly sophisticated, incorporating features such as robotics, automation and multi-storey warehousing and provide critical supply chain and logistics solutions for our customers.

During the year, the net value of our Industrial JV Trust assets increased by \$632 million and now stands at over \$1.5 billion.

Including our share of the Brickworks Manufacturing Trust assets, we now hold a total of almost \$1.8 billion in net assets across the two Trusts.



The current focus of development within the Industrial JV Trust is the Oakdale West Estate, in western Sydney.

An aerial photo of the estate is shown on screen. The Amazon facility, in the middle of the image, was completed during FY22. The Xylem facility, on the left of the image, reached practical completion last month. A number of other facilities are expected to be completed in the first half of FY23, including buildings for Telstra, Coles, Australia Post and Woolworths.

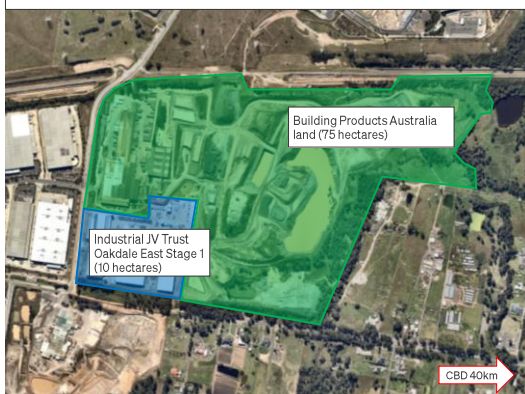
As shown on the image, there also remains significant additional area for development within the Estate. We are experiencing strong demand for this land, with around 69,000m<sup>2</sup> of development area to commence construction in the coming months. This includes 2 facilities totalling 42,000m<sup>2</sup> under heads of agreement with blue chip tenants, and several smaller infill developments.

## 100%-Owned Operational and Surplus Land – Development Sites (1 of 2)

Brickworks retains 100% ownership of several development sites

### Oakdale East Site, NSW

- Stage 1 (10 hectares) held within the Industrial JV Trust, with development fully completed
- The remaining 75 hectares is held within Building Products Australia as an operating brick plant and quarry. This land is earmarked for sale into the Industrial JV Trust in 1H23, with the brick plant to be closed and operations transferred to the new Horsley Park plant



### Craigieburn Site, VIC

- 332 hectares surplus to operational requirements, south of the Wollert factory site
- Subject to approvals, mixed use industrial and / or residential development may be possible over the medium term



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As I mentioned a moment ago, continued growth is anticipated for both the Industrial JV Trust and the Brickworks Manufacturing Trust, through the sale of additional Brickworks-owned surplus land into these Trust structures.

This includes four significant land holdings that have a combined current “as is” value of \$0.8 billion and a “rezoned” value of \$1.3 billion, based on independent market valuations.

On the left of screen is Oakdale East, in New South Wales. Highlighted in blue is land already developed and held within the Industrial JV Trust as Oakdale East Stage 1. Highlighted in green is the balance of the site comprising the existing Plant 3 site and associated quarry. We expect to complete the \$300 million sale of Oakdale East Stage 2 into the Industrial JV Trust in the first half of FY23, resulting in a significant profit to be recognised upon the sale. Once fully developed, this additional parcel of land is expected to add over \$1 billion of leased assets to the Industrial JV Trust.

On the right of screen is a 332-hectare land holding at Craigieburn, in Victoria. This site is also well suited for industrial development and is earmarked for sale into the Industrial JV Trust in the coming years, subject to approvals.

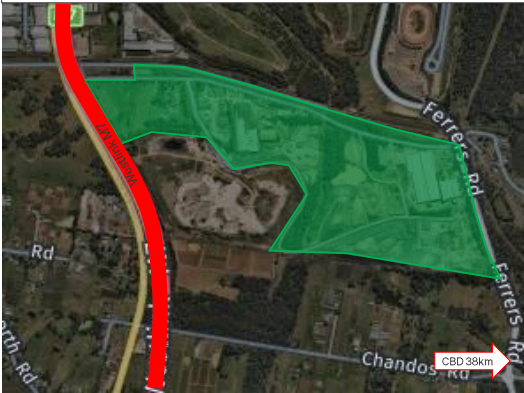


# 100%-Owned Operational and Surplus Land – Development Sites (2 of 2)

Brickworks retains 100% ownership of several development sites

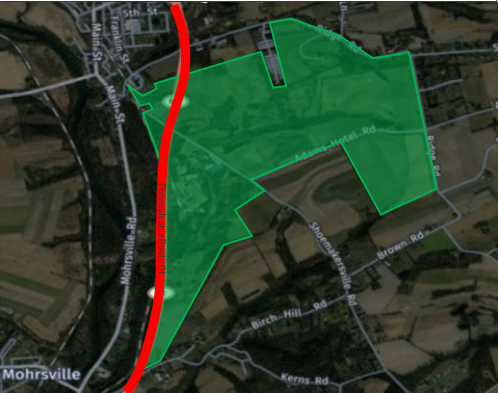
## Horsley Park Site, NSW

- 83 hectares comprising 2 brick plants, quarry and surplus land
- Subject to approvals, surplus land may be available for industrial development
- Potential for future sale into the Brickworks Manufacturing Trust



## Mid-Atlantic Site, Pennsylvania, USA

- 258 hectares comprising brick plant, quarries and surplus land
- Subject to approvals, industrial development may be possible over the medium term
- A non-binding Heads of Agreement executed with Goodman to investigate the feasibility of industrial development of 76 hectares at the site



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On the left of screen is the Plant 1 and Plant 2 site at Horsley Park in Sydney. This is an 83-hectare property, where our new brick plant is currently being built. Subject to rezoning, this site may be suitable for future sale into the Brickworks Manufacturing Trust.

In North America, we have completed an extensive review of land holdings to identify key sites with future development potential and any opportunities for surplus land sales. One significant opportunity for development is the industrial-zoned land surrounding our Mid-Atlantic brick plant in Pennsylvania, shown on the right of screen. We have executed a non-binding Heads of Agreement with Goodman, to investigate the feasibility of industrial development of 76 hectares at this site.

## Building Products Australia

Australia's leading brickmaker, with strong positions in other building products

# \$205m

FY22 Underlying EBITDA  
Includes \$89m Property Sales



27 Manufacturing Sites<sup>1</sup>

● Brick Plant

● Roofing Plant

● Softwood Mill

● Masonry Plant

● Precast Plant

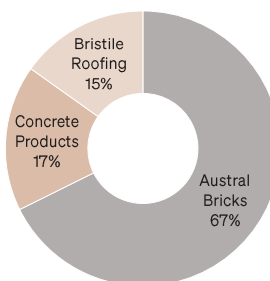
● Cement Terminal (JV)

1. Operating sites only. As at 31 Jul 2022

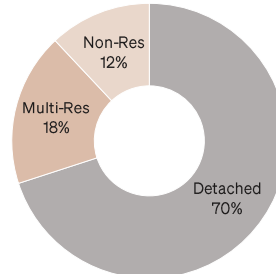
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### Building Products Australia FY2022 Revenue \$694 million

#### By Division



#### By End-Market



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Building Products Australia is a leading manufacturer and distributor of building products across all Australian states. Since 2000, the Building Products Group has grown from a two-state brick manufacturer, in New South Wales and Queensland, to a diversified national building products business.

In total, Building Products Australia comprises 27 manufacturing sites that are currently operating and more than 45 design centres and studios across the country.

The portfolio includes:

- Austral Bricks, Australia's largest clay brick manufacturer with significant market positions in every state;
- Concrete Products, comprising Austral Masonry and Southern Cross Cement; and
- Bristle Roofing.

Building Products Australia is primarily exposed to the residential housing market, with 88% of sales into this segment.

In financial year 2022, revenue from Building Products Australia was \$694 million and underlying EBITDA was \$205 million. This includes a profit of \$89 million associated with the sale of properties into the Brickworks Manufacturing Trust.

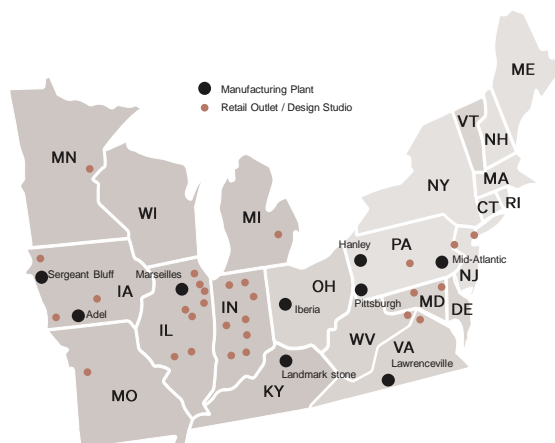
Excluding this impact, EBITDA from continuing operations was \$116 million, up 19%.

## Building Products North America

Brickworks has established itself as the largest brickmaker in the Midwest and Northeast

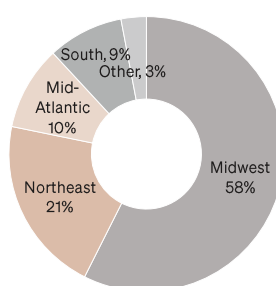
# \$48m

FY22 Underlying EBITDA  
Includes \$13m Property Sales

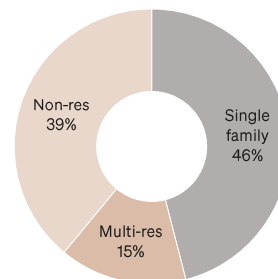


### Building Products North America FY2022 Revenue AU\$399 million

#### By Region



#### By End-Market



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Our newest division is Building Products North America.

We initially entered this market in 2018 with the acquisition of Glen-Gery, a leading brick manufacturer in the north-eastern region of the United States.

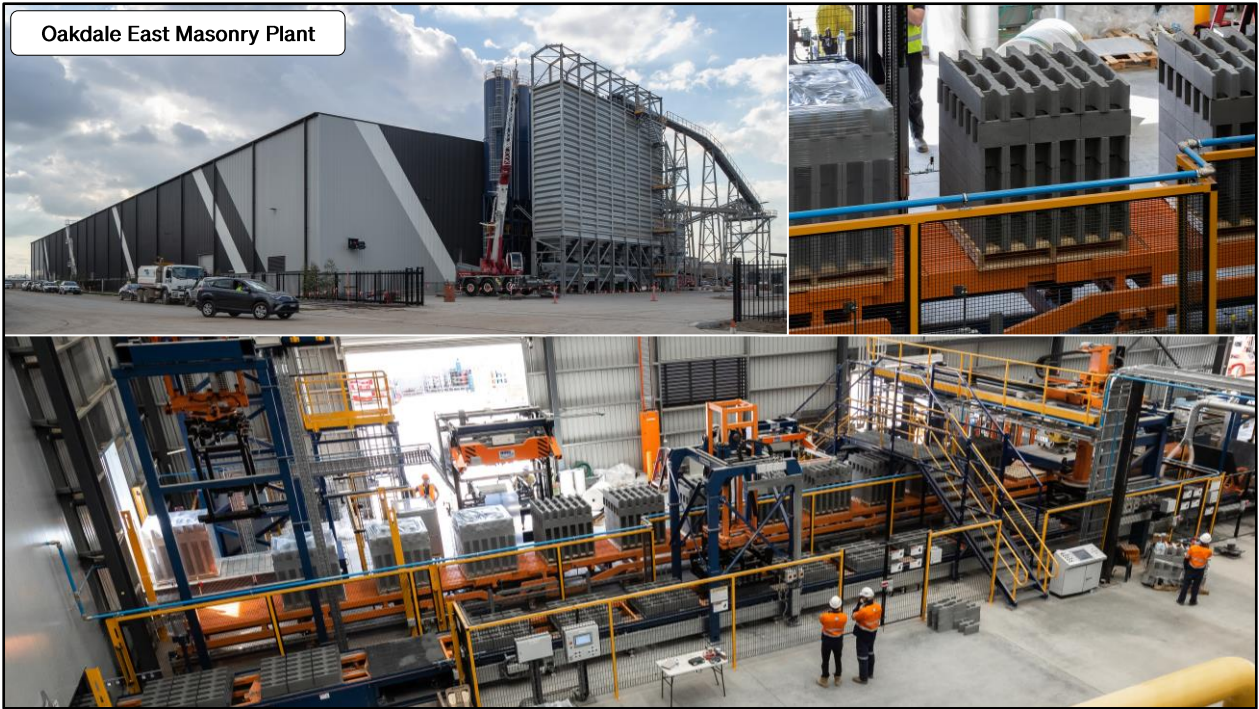
Since then, we have completed 4 additional acquisitions and have established a business of significant scale.

Building Products North America now has:

- Market leadership in key states across the Northeast, Midwest and Mid-Atlantic regions;
- 932 employees;
- 9 manufacturing sites currently in operation, with additional mothballed facilities; and
- 26 retail distribution outlets, plus design studios in New York, Baltimore and Philadelphia.

On revenue of AU\$399 million, Building Products North America delivered EBITDA of AU\$48 million in FY22.

Excluding the impact of land sales in both FY21 and FY22, EBITDA was up 113% to AU\$35 million.



Our building products businesses in Australia and North America are making strong progress on key strategic priorities. One of our key strategic pillars is to be the lowest cost manufacturer in our key markets.

Over the past few years, we have completed an extensive capital investment program, including upgrades to a number of our brick facilities in Australia and North America, a new JV cement import terminal in Brisbane and a new masonry plant in Sydney.

Pictures of the new masonry plant are shown on screen. It is located within our Industrial JV Trust, at the Oakdale East Stage 1 precinct, that I mentioned a moment ago.

This new facility was fully commissioned during FY22. With a capacity of 220,000 tonnes per year, it incorporates world leading block-making technology, and will deliver lower costs and a broader product range.





The capital program will be capped off by the completion of our new Sydney brick plant, at the Horsley Park Plant 2 site.

Construction of this plant has been impacted by a number of challenges over the past two years, including multiple flooding events, shipping delays, a lack of critical parts and significant cost increases of steel and other materials.

Our team has shown great resilience to overcome these challenges, with project completion now expected in the second half of FY23.

The aerial photo on screen was taken just last week.

As you can see, the building structure, including emissions control stack and clay storage bins is largely complete.

The kiln and dryer building is shown at the front, with the production building behind.

External work is now focussed on the yard hardstand, carparking, offices and water tanks.



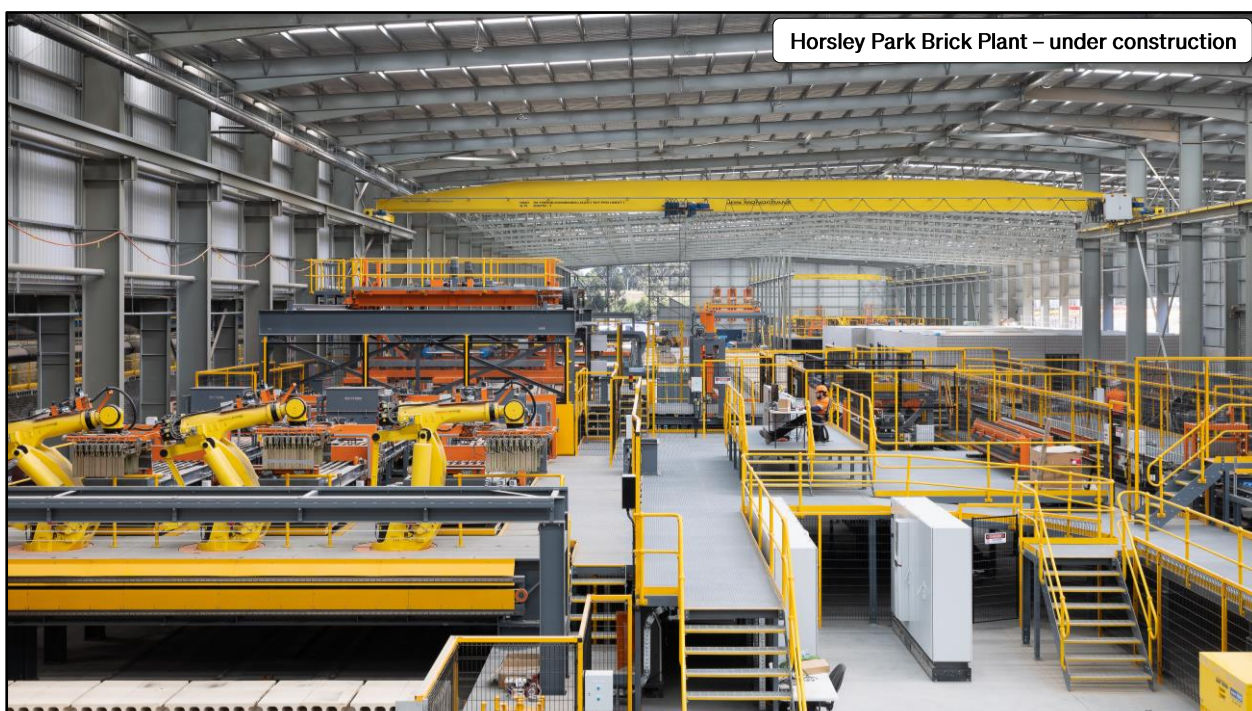
Works inside the plant building are also well progressed.

This photo shows the external lining of the kiln and associated ductwork.

The 210 metre long kiln is fully complete, including internal walls and refractory. The majority of kiln cars have also been assembled.

Final ductwork and fans are currently being installed.





The plant design includes a high output JC Steele 120 extruder that will drive industry leading production efficiency. This extruder is now in place, along with setting machines, which are shown in the foreground of this image.

The dehacker is currently being installed.

Works in the production area is now mainly focussed on establishing services and the testing of robotics and programming systems.

Once completed, the plant will produce 130 million bricks per annum, and will be the most advanced brick plant in the world.

In light of inflationary pressures across the industry, and the significant increase in capital costs for new projects, the completion of this facility and our other plants, is particularly valuable for our business.

With much improved fuel efficiency and increased automation, these investments will offset the impact of rising operating costs and will significantly strengthen our competitive position.

## UK Brick Supply Agreement

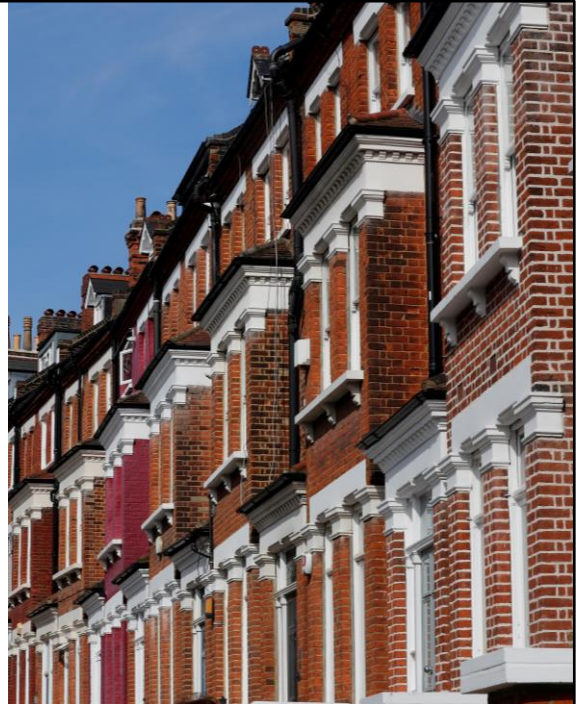
- Strategic entry into UK market via supply agreement executed with Brickability
  - Attractive brick market, dependent on imports to meet domestic demand
- Brickability is a market leading supplier of facing bricks to the UK construction sector
- Ten-year supply agreement includes a minimum purchase quantity of 10 million bricks per year
  - Potential for significant future growth
- Brickworks will initially supply from the Hanley and Pittsburgh plants in Pennsylvania
  - The currently mothballed Rocky Ridge plant will also be re-commissioned, to produce bricks for the UK
- Investigating feasibility of additional supply from Australian plants

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We are also focussed on growing our sales.

Last month we executed a supply agreement with Brickability, a market leading building products company in the UK, for the sale of bricks into the UK market.

This supply agreement marks a significant strategic milestone for Brickworks. The UK is an attractive expansion opportunity, with bricks commanding an 85% share in external walling in housing. With domestic manufacturing capacity below annual demand of around 3 billion bricks, around 10-20% of UK supply is sourced from imports.

Our low-cost manufacturing position and production expertise, means we are well positioned to supply this market cost effectively. We will initially supply from plants in North America, including the Hanley and Pittsburgh plant in Pennsylvania. Our currently mothballed Rocky Ridge plant in Maryland will also be re-commissioned to produce dedicated bricks specifically tailored for the UK market. We are also investigating the feasibility of additional supply from Australian plants.

The ten-year supply agreement includes a minimum purchase quantity of 10 million bricks per year, and we hope to build on this over time.

## First Quarter Update and FY23 Outlook

### Investments

- WHSP special dividend (declared FY22) will boost cash receipts in 1H23
- History of long-term outperformance by WHSP expected to continue
- FBR holding to be equity accounted as part of Investments

### Property

- Continued development at Oakdale West, within the Industrial JV Trust
- Anticipated sale of Oakdale East Stage 2 into the Industrial JV Trust in 1H23
- Strong growth in rental rates currently being achieved on new developments and lease renewals
- Brickworks Manufacturing Trust will contribute to Property earnings in FY23

### Building Products

- A strong order book has resulted in higher sales and earnings across Australia and North America in the first quarter (vs pcg)
- A period of weaker demand is expected once the existing backlog of work is completed
- Labour and trade availability issues are easing across most operations
- Inflationary pressures continue to persist (particularly energy), however pro-active price increases are being implemented
- Prior period rationalisation activities and capital investments will improve production efficiency

### Group

- With a diversified portfolio of high-quality assets and low gearing, Brickworks is well-placed to meet future challenges

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Turning now to an update on first quarter performance and the outlook.

Looking firstly at Investments. The special dividend declared by WHSP in September, on top of the normal final dividend, will boost our cash receipts in the first half. Over the longer term, we expect WHSP to continue to deliver superior long-term returns and consistent dividend growth well into the future.

Within Property, as I have discussed, development is continuing at Oakdale West. The anticipated sale of Oakdale East Stage 2 into the Trust in the first half will deliver a significant profit on sale and will then provide an additional development pipeline.

As a result of strong tenant demand, we are experiencing significant rental growth across our new developments and lease renewals. This is expected to offset the impact of higher interest rates.

In FY23, the Brickworks Manufacturing Trust will also contribute to Property earnings for the first time.

Momentum across Building Products operations in Australia and North America has continued in recent months. A strong order book has resulted in first quarter revenue and EBITDA being ahead of the prior corresponding period in both countries.

Once the existing pipeline of work is completed, a period of softer demand is expected, with tightening monetary policy set to act as a handbrake on the housing industry in the medium term. In Australia, this is increasingly evident in declining

building approvals data and builders reporting reduced sales activity and display home foot traffic. In North America, we are more insulated from a housing slowdown, with a much larger share of sales into the non-residential sector, which is expected to remain resilient.

Across both countries, we have faced challenges such as labour and trade availability in many of our operations, however these issues have eased in recent months.

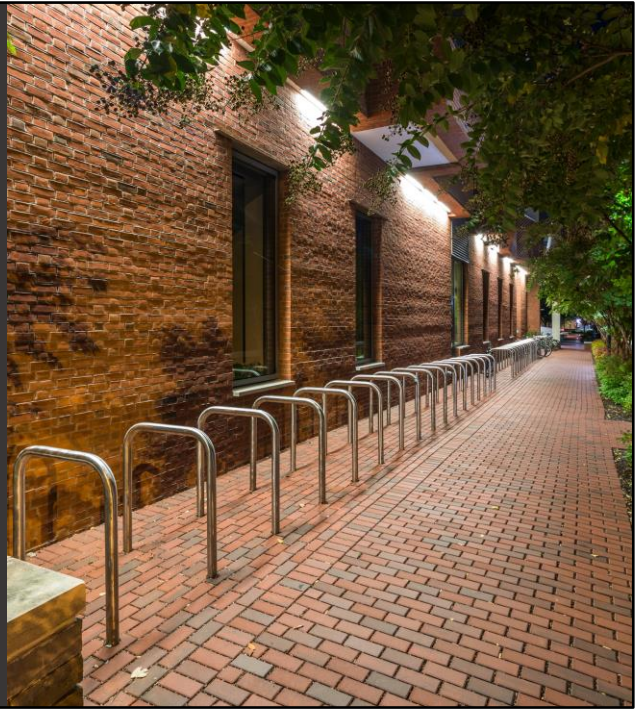
As the Chairman mentioned earlier, we have built the asset base considerably over the past 12 months, resulting in a conservative gearing level. This strong financial position, together with our diversified portfolio of high-quality assets, makes us confident that Brickworks is well-placed to meet any future challenges and continue to deliver strong performance for shareholders.



# Sustainability

## Section 03

BRICKWORKS



Before I finish, I would like to acknowledge all staff at Brickworks.

We now have 2,100 employees, and it is their energy and dedication that will continue to drive our success.

I would also like to take this opportunity to thank the Board of Directors for their guidance and support during the year. In particular, I'd like to echo the Chairman's comments in acknowledging Robert Webster's contribution to the Company and I wish him well following his retirement from the Board.

Finally, I'd like to thank all our shareholders for your continued support of Brickworks Limited.

I will now hand over to Emily, who will provide an overview of the great progress we are making in the area of sustainability.

# Build for Living: Towards 2025 – Brickworks Sustainability Strategy

## THERMAL DESIGN

We will provide leading research on passive thermal design, enabling reduced lifetime energy use.

## LIFE CYCLE EDUCATION

We will support design tools, guidance and information to incorporate life cycle thinking into building design.

## SUSTAINABLE PRODUCTS

By 2025, we will double our volume of products sold in Australia that hold leading sustainable qualities.

## RESPONSIBLE BUSINESS

- **Supply Chain** – Reduce supply chain risk
- **Governance** – Business ethics and whistle-blower programs

## OUR PEOPLE & COMMUNITY

- **Safety** – Continued reductions in injury rates
- **Engagement** – 100 Community activities each year
- **Community Support** – Supporting charities like Children's Cancer Institute
- **Diversity and Inclusion** – Stretch target: 35% female senior executives, develop and implement a diversity and inclusion strategy

## ENVIRONMENT

- **Carbon** – Invest in the transition to the hydrogen fuel economy
- **Water** – Reduced potable water use in water stressed areas
- **Rehabilitation & Cultural Heritage** – Drive progressive rehabilitation
- **Circular economy** – Year on year increase in recycled material use
- **Emission Control** – Over \$2 million investment in emission abatement
- **Energy Efficiency** – Stretch target: 10% increase in gas efficiency at Austral Bricks plant by 2030 (baseline FY18)

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Thankyou Lindsay.

In 2020 we developed our five-year sustainability strategy, “Build for Living: Towards 2025”. This strategy includes measurable targets and commitments across the key pillars of responsible business, our people and community and the environment.

Our central sustainability commitment is to drive leading environmental building design, that brings to life our purpose: to make beautiful products that last forever.



## FY22 Sustainability Highlights

Brickworks is committed to social and environmental responsibility and continues to make progress against sustainability targets

42%

Decrease in carbon emissions compared to base year 2006

57%

Of our Australian product portfolio identified for future sustainability labelling

17%

Recycled content in Australian raw materials

270,000m<sup>2</sup>

Area of our sites that were rehabilitated in FY22

27%

Female executive leadership in Australia, up from 7% in 2015

>\$4 million

Children's Cancer Institute total partner value since 2002

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We are happy to report that we are achieving significant progress on our Towards 2025 sustainability strategy.

As Lindsay mentioned, we are making steady progress on improving workplace safety with reduced injury rates from continually strengthening safety systems.

Brickworks has driven a general downward trend in carbon emissions, with a 42% decrease compared to the base year 2006.

During FY22, we identified up to 57% of our Australian product portfolio for future sustainability labelling, with 6% of product volume receiving third party sustainability labels this year.

Measured recycled content of Australian Building Products was 47% higher than the previous year. This is approximately 17% of Australian Building Products total production by weight.

This year we also completed rehabilitation activities across 270,000m<sup>2</sup> of our sites including revegetation and transitioning our operating facilities into industrial property estates.

Also, we are continuing our focus on inclusion and diversity. Gender diversity has significantly improved, with 27% of the executive leadership team in Australia being female. This compares to 7% in 2015. In North America we have increased from 15% in 2020 to 21% in 2022.

Brickworks is active in the community, having completed 100 community engagement activities during the year. We also have a a long-standing partnership with the Children's Cancer Institute, having made direct and indirect contributions of over \$4 million since 2002.

## Sustainable Products Strategy

- Life-cycle benefit of bricks
  - By acting as a thermal battery, bricks reduce heating and cooling demands in homes
- Increased use of recycled raw materials
- Verifying our sustainable products
  - Verified products include carbon neutral bricks
  - A range of other products identified for future verification
- Carbon reduction strategy
  - Investment in modern, fuel efficient kilns
  - Firing kilns with renewable fuels such as landfill gas
  - Investigating the feasibility of developing biogas facilities at our brick plants

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Climate Active  
Carbon Neutral Products

Central to our sustainability strategy is the development of building products with clear environmental or social benefits, including lower embodied carbon, use of renewable energy, recycled content and health and well-being benefits.

Clay bricks are a naturally energy efficient material, absorbing heat energy, storing it and releasing it later into the environment. This thermal lag from thermal mass saves lifetime carbon emissions by reducing demand for artificial heating and cooling in homes.

As I just mentioned, currently 17% of raw materials used to manufacture our Australia products are recycled, including recycled clay from local infrastructure projects, fly ash and other by-products.

We are continuing to verify our sustainable products. Current verifications include Climate Active Carbon Neutral Bricks, manufactured at Longford in Tasmania, and our blocks and pavers from Rockhampton, which are accredited by GECA as having 10-20% of the total energy in the manufacturing process coming from solar. A range of other products have been identified for future verification including lower carbon masonry blocks and bricks that are partly fired with biogas. There is also a range of opportunities across our North American products.

Our sustainable product strategy is also underpinned by reducing the carbon intensity of our manufacturing operations. This is supported by capital investments into

modern, fuel-efficient production processes and firing our kilns with renewable fuels such as landfill gas.

During FY22 we announced a collaboration agreement with Delorean to investigate the feasibility of developing biogas facilities at our brick plants. This project is focused initially on our new Horsley Park brick plant and following an initial concept study has now progressed to the development stage.

## Sustainable Property Development

Together with our JV partner Goodman, we aim to be world leaders in sustainable industrial property design and development

- Our industrial property estates incorporate sustainable design initiatives such as:
  - Solar PV
  - LED lighting
  - Translucent roof sheeting
  - Energy and water monitoring
  - Drought resistant landscaping
  - Rainwater harvesting with smart irrigation systems
  - Water sensitive urban design
  - Electric vehicle charging stations
- The latest development at Oakdale West includes 9.9MW of solar already committed (equivalent to the environmental saving of taking approximately 6,500 cars off the road)

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Together with our JV partner Goodman, we aim to be world leaders in sustainable industrial property design and development.

For example, at our latest development at Oakdale West, all buildings have sustainable design initiatives incorporated, including drought-resistant landscaping, rainwater harvesting, electric vehicle charging stations, LED lighting and recycling facilities.

All properties at Oakdale West will have solar installed, with 9.9 MW already committed. This is equivalent to the environmental saving of taking around 6,500 cars off the road.

We are also focused on social aspects of our property developments, with Estates such as Oakdale Central incorporating an on-site café, providing a convenient food and beverage option for staff and visitors.

# Thankyou

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I will now hand back to the Chairman for any questions.

# Questions

Section 04

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Thank you

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