23 March 2023

Half Year 2023 Report

REVIEW OF **OPERATIONS**

Authorised for release by the Board of Brickworks Limited

Investor relations enquiries
Lindsay Partridge, Managing Director
Phone: +61 2 9611 4216
Email: IR@brickworks.com.au

Media enquiries
Lelde Smits / Julia Maguire, The Capital Network
Phone: +61 2 8999 3699
Email: info@thecapitalnetwork.com.au

Brickworks Achieves Record 1st Half Underlying Earnings

	1H2022[1] $m	1H2023 $m	Change[2]
Revenue			
Building Products Australia	328	364	11%
Building Products North America	187	220	18%
Total revenue	**515**	**584**	**13%**
Underlying EBITDA			
Property	358	453	26%
Investments	73	100	37%
Building Products Australia	53	50	(6%)
Building Products North America	12	14	16%
Head office and other expenses	(9)	(10)	(5%)
Total Underlying EBITDA	**487**	**607**	**25%**
Total Underlying EBIT	**450**	**569**	**26%**
Finance costs	(9)	(23)	(159%)
Income tax	(111)	(136)	(23%)
Underlying NPAT[3] - Continuing Operations	**331**	**410**	**24%**
Significant items and discontinued operations (net of tax)	245	(56)	NA
Statutory NPAT	**575**	**354**	**(38%)**
Per share earnings and dividends			
Underlying earnings per share (cents)	218	269	24%
Basic earnings per share (cents)	379	233	(39%)
Interim ordinary dividend per share (cents)	22	23	5%
Net tangible assets per share ($) (vs 31 July 2022)	18.34	19.79	8%

[1] 1H2022 has been re-stated to adjust for discontinued operations, consistent with 1H2023, and to reflect adjustments to the Group's share of earnings from Associates.
[2] All percentage changes are based on $ figures to the nearest thousand (not millions as shown in table).
[3] This is an alternative measure of earnings that excludes significant items, which are separately disclosed in the consolidated financial statements.

Financial

Overview

- **Statutory NPAT** including significant items, down 38% to $354 million.
- **Underlying NPAT from continuing operations** before significant items, up 24% to $410 million.
- **Underlying EBITDA from continuing operations** before significant items, up 25% to $607 million (EBIT up 26% to $569 million).
  - **Property EBITDA** up 26% to $453 million.
  - **Investments EBITDA** up 37% to $100 million.
  - **Building Products Australia EBITDA** down 6% to $50 million.
  - **Building Products North America EBITDA** up 16% to $14 million.
- **Operating cash flow** down 27% to $46 million.
- **Net tangible assets per share** up 8% to $19.79 (vs 31 July 2022).
- Share of **net assets held within Property Trusts** up $484 million, to $2.238 billion.
- Share of **WHSP market value** up $285 million, to $2.708 billion.
- **Interim dividend** of 23 cents fully franked, up 1 cent or 5% (Record date 11 April 2023, payment date 2 May 2023).

Earnings

Brickworks Group (ASX: BKW, the "Company") posted a Statutory Net Profit After Tax (**'NPAT'**) of $354 million for the half year ended 31 January 2023, down 38% on the previous corresponding period (with the prior period boosted by a significant one-off profit in relation to the deemed disposal of Washington H Soul Pattinson (ASX: SOL, "WHSP") shares upon its merger with Milton).

Underlying NPAT from continuing operations was a record $410 million, up 24% on the prior period.

Property Earnings Before Interest, Tax, Depreciation and Amortisation from continuing operations ('EBITDA') was a half year record, up 26% to $453 million, driven by the sale of Oakdale East Stage 2 into the Industrial JV Trust[4]. In addition, earnings were supported by revaluation profits, development profits and net rental income. During the period, Brickworks' share of the net asset value within its Property Trusts increased by a further $484 million, and now stands at $2,238 million. This includes the Company's 50.1% interest in the Brickworks Manufacturing Trust[5].

Investments EBITDA was $100 million, up 37%, with WHSP earnings benefitting from an increase in the contribution from New Hope Corporation. The market value of Brickworks'

[4] The Industrial JV Trust is a 50/50% partnership between Brickworks and Goodman
[5] The Brickworks Manufacturing Trust is a 50.1/49.9% partnership between Brickworks and Goodman and comprises operational properties tenanted by Building Products Australia

shareholding in WHSP was $2.708 billion at 31 January 2023, up by $285 million compared to 31 July 2022. During the half, Brickworks increased its investment in FBR Limited (ASX: FBR), and held approximately 19% of shares on issue, with a market value of $24 million, at the end of the period.

On sales revenue of $364 million (up 11%), **Building Products Australia** EBITDA was $50 million, down 6% on the previous corresponding period. The decrease in earnings was primarily due to a decline in Bristile Roofing and Austral Bricks Western Australia, with most other business units recording improved earnings.

Building Products North America delivered an 18% increase in revenue, to $220 million, driven by increased sales to the multi-residential market and the continued growth of retail operations. EBITDA was up 16% to $14 million, despite the ongoing impact of cost inflation and labour shortages across many operations.

The underlying **income tax** expense from continuing operations was $136 million, up from $111 million in the prior corresponding period, due primarily to the higher earnings from Property.

Net borrowing costs increased to $23 million, with underlying interest cover finishing the half at a conservative 23 times.

Significant items decreased NPAT by $48 million for the period. This comprised:

- A non-cash impairment in Austral Bricks Western Australia of $32 million (post-tax), in accordance with AASB 136. This primarily comprises impairments to plant and equipment and right-of-use assets and is based on management's re-assessment of the outlook for the business following failed attempts to improve margins, and lost market share over the past 6 months.
- Plant relocation and commissioning costs of $9 million (net of tax), including the new Oakdale East masonry plant and costs associated with the new Horsley Park brick plant.
- Restructuring and site closure costs of $3 million (net of tax), primarily relating to the closure of the Bellevue brick plant in Western Australia.
- A $2 million benefit arising from the net impact of the income tax expense in respect of the equity accounted WHSP profit, offset by the impact of fully franked WHSP dividend income, adjusted for the movements in the franking account and the circular dividend impact.
- A $4 million cost in relation to significant items from Investments (SOL and FBR).
- Other costs of $2 million (net of tax), primarily in relation to acquisition, legal and IT costs.

Significant Items ($m)	**Gross**	**Tax**	**Net**
Impairment of Austral Bricks Western Australia	(46)	14	(32)
Plant relocation and commissioning costs	(12)	4	(9)
Restructuring and site closure costs	(4)	1	(3)
Income tax from the carrying value of SOL		2	2
Significant items relating to Investments (SOL and FBR)	(4)	-	(4)
Other costs	(3)	1	(2)
Total (Continuing Operations)	**(70)**	**21**	**(48)**

Discontinued operations contributed an after-tax loss of $7 million for the period. This is primarily related to a non-cash impairment of assets and closure costs within Austral Precast.

Statutory Earnings Per Share ('**EPS**') was 233 cents, down 39% on the previous corresponding period. Underlying EPS from continuing operations was 269 cents, up 24%.

Cash Flow

Total **cash flow from operating activities** was $46 million, down from $63 million in the previous corresponding period, with cash generation impacted by plant commissioning costs and increased inventory within Building Products, together with higher Group interest costs.

Capital expenditure was $56 million during the period, with the Company nearing the end of a significant investment program. The majority of major project spend was the construction of a new brick plant at Horsley Park in New South Wales.

Balance Sheet

During the half **total shareholders' equity** was up $271 million to $3.531 billion, primarily reflecting the increased statutory profit, offset by dividends paid to shareholders.

Net tangible assets ('NTA') per share was $19.79 at 31 January 2023, up from $18.34 at 31 July 2022.

Total interest-bearing debt was $658 million at the end of the period. After including cash on hand, **net debt** was $595 million, an increase of $102 million during the half. **Gearing** (net debt to equity) increased slightly to 17%, with the higher debt level partially offset by the increased asset base.

Brickworks has $1,001 million in committed debt facilities, with significant headroom across all banking **covenants.** At the end of the period, bank gearing[6] as defined for covenant calculations was 14% (vs. a covenant of <40%), interest cover was 13.2x (vs. a covenant of >3.5x) and the leverage ratio was 1.5x (vs. a covenant of <3.5x).

Net working capital was $288 million at 31 January 2023, including **finished goods inventory** of $277 million. Finished goods inventory was up $10 million during the half, due primarily to Building Products North America inventory increasing over the winter period (corresponding to the end of the reporting period).

Dividends

Directors have declared a fully franked interim **dividend** of 23 cents per share for the half year ended 31 January 2023, up 5% from 22 cents. The record date for the interim dividend will be 11 April 2023, with payment on 2 May 2023.

[6] Gearing, interest cover and leverage ratio outlined here are based on the Group's banking covenant calculation (and differ from standard calculations used for these metrics, as quoted elsewhere in this report). Interest cover and leverage ratio covenants only apply if gearing exceeds 22.5%.

Sustainability

Our People

Full-time equivalent **employee** numbers were 2,193 at 31 January 2023, comprising 1,151 based in Australia and 1,042 in North America.

Brickworks continues to focus on inclusion and diversity. At the end of the period, female employees made up approximately 23% of the workforce. At the Senior Executive level, female representation has increased significantly in recent years, and was 31% at the end of the period. This compares to 7% in 2015.

Brickworks is also active in the community and has a long-standing partnership with the Children's Cancer Institute, having made direct and indirect contributions of over $4.4 million since 2002.

Safety

The Company continues to make steady progress on improving workplace safety. The total recordable injury rate (injuries per million hours worked) decreased to a record low 10.3 in the first half, down from 11.7 in the prior year. At the same time the lost time injury frequency rate decreased to 0.9, from 1.1 in the previous year.

Across our operations there were three lost time injuries during the half – one in Australia and two in North America.

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.

Environmental

Sustainability is at the heart of Brickworks' purpose: to make beautiful products that last forever. Products that stand the test of time.

Bricks are a sustainable product, made from clay and shale that is naturally abundant and often recycled. They are guaranteed for 100 years, and many installed 100 years ago remain in service today. Their longevity also allows bricks to be recycled and re-used, unlike many competing building products.

Currently 17% of raw materials used to manufacture building products in Australia are recycled, including clay from local infrastructure projects, fly ash and other by-products.

Clay bricks are a naturally energy efficient material, absorbing heat energy, storing this energy 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.

Brickworks also recognise the need to minimise carbon emissions in the manufacturing process and have long understood the step change reductions possible through kiln refurbishment and upgrade programs.

Across its Australian operations, Brickworks has achieved a reduction in carbon emissions of 42% (scope 1 and 2) since FY2006, through manufacturing rationalisation, capital investments into modern, fuel-efficient production processes, as well as product redesign, use of recycled material and firing our kilns with green fuels such as landfill gas.

At Horsley Park, the Company is currently building the most energy efficient brick plant in the country. Once complete, it will replace two plants that are both more than 45 years old. Investigations are ongoing into the feasibility of developing a biogas facility at the new brick plant. The study, being completed in collaboration with Delorean (ASX: DEL) is progressing well and has advanced to the development application stage, following an initial concept study.

Within Property, Brickworks together with its joint venture partner Goodman (ASX: GMG), aim to be world leaders in sustainable industrial property design and development.

At the 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. In addition, all properties will have solar installed, with 11.6 MW already committed. This is equivalent to the environmental saving of taking around 7,500 cars off the road.

Property

Overview of Property Result

Property delivered EBIT of $453 million for the first half, up 26% on the prior corresponding period.

The highlight of the first half was the sale of **Oakdale East Stage 2** into the Industrial JV Trust, for $301 million. The 75-hectare site, located in Western Sydney, has an estimated 50 hectares of net development area and currently comprises a brick plant and associated quarry (operated by Austral Bricks). The brick making operations will be consolidated at the nearby Horsley Park site, following the completion of a new plant in the coming months.

$million	1H2022	1H2023	Change
Net Trust Income	17	25	47%
Revaluations	228	113	(50%)
Development Profit	115	54	(53%)
Property Trusts	**360**	**192**	**(47%)**
Property Sales	-	263	NA
Admin and Other	(2)	(2)	-
Total	**358**	**453**	**26%**

The sale delivered a profit of $263 million after taking into account the book value, rehabilitation provisions and transaction costs.

The **Property Trusts,** comprising the Industrial JV Trust and the Brickworks Manufacturing Trust, delivered an EBIT contribution of $192 million, down 47%.

Rent during the period was $74 million (100% share). After including interest costs and management fees, net trust income was $50 million. Brickworks 50% share of this income was $25 million, up 47% on the prior corresponding period. This includes a $5 million contribution from the Brickworks Manufacturing Trust, launched in July 2022. Excluding this impact, net trust income from the Industrial JV Trust was up 18% to $20 million for the half.

The Industrial JV Trust completed an independent revaluation process in December, resulting in a revaluation profit of $113 million attributable to Brickworks. Although the revaluation process resulted in capitalisation rate expansion, this was more than offset by a 19% increase in the assessed average market rent for the leased assets within the Trust.

During the first half, development activity within the Industrial JV Trust was focussed on the Oakdale West Estate. Construction of the 66,000m^2 Coles Distribution facility reached practical completion in January 2023. Other facilities for Australia Post, Telstra and Woolworths were also completed, resulting in a development profit of $54 million for the period. This is in addition to development profits of $178 million recognised in relation to these facilities in FY2022.

Property administration expenses totalled $2 million, in line with the prior half. These expenses include holding costs, such as rates and taxes on properties awaiting development.

Property Trust Assets

Estate	Currently Leased				
	Asset Value ($m)	Rent ($m p.a.)	WALE[7] (yrs)	Cap. Rate	GLA[8] (m^2)
M7 Hub (NSW)	270	10	2.5	4.0%	64,200
Interlink Park (NSW)	642	26	3.9	3.9%	192,200
Oakdale Central (NSW)	920	32	3.4	4.0%	245,200
Oakdale East 1 (NSW)	176	6	9.9	3.8%	35,900
Oakdale South (NSW)	674	23	6.4	3.6%	177,200
Rochedale (QLD)	382	16	9.5	4.1%	126,000
Oakdale West (NSW)	1,407	47	15.5	3.5%	235,000
Industrial JV Trust Total	**4,471**	**160**	**8.3**	**3.8%**	**1,075,700**
BKW Manufacturing Trust	436	18	15.6	5.0%	NA
Total	**4,907**	**178**	**9.0**	**3.9%**	

Following the completion of developments during the period, the Industrial JV Trust has reached the significant milestone of over 1 million square metres of leased gross lettable area.

As at 31 January 2023, the total value of leased assets held within the two Property Trusts was $4.9 billion. The annualised rent generated from these assets is $178 million and the weighted average lease expiry is 9.0 years (8.3 years for the Industrial JV Trust). The average capitalisation rate across the portfolio is 3.9%, and there are currently no vacancies in the portfolio.

Including $772 million worth of land to be developed, the total value of assets held within both Property Trusts was $5.7 billion at the end of the period. Borrowings of $1.2 billion are held within the Industrial JV Trust, giving a total net asset value of $4.5 billion. Brickworks' 50% share of net asset value is $2.2 billion, up by $484 million during the half.

Gearing within the trusts was 21% at the end of the period, down from 24% at 31 July 2022. This comprises gearing of 23% within the Industrial JV Trust (well below the covenant of 60%), and no debt within the Brickworks Manufacturing Trust. At the end of the period the Interest Cover Ratio (ICR) for leased assets within the Industrial Property Trust was 3.7 (vs a covenant of 1.5).

$million	July 2022	Jan 2023	Change
Leased properties	3,763	4,907	30%
Land under development	867	772	(11%)
Total Property Trust assets	**4,630**	**5,679**	**23%**
Borrowings	(1,123)	(1,204)	(7%)
Net Property Trust assets	**3,507**	**4,476**	**28%**
Brickworks 50% share	**1,754**	**2,238**	**28%**
Gearing on leased assets[9]	24%	21%	(13%)

[7] Weighted average lease expiry (by income)
[8] Gross Lettable Area
[9] Borrowings / total trust assets

Investments

Investments consists of Brickworks shareholdings in WHSP (ASX: SOL) and FBR (ASX: FBR), in addition to interest income on cash holdings. The EBIT from Investments was $100 million in the half year ended 31 January 2023, up 37% on the prior corresponding period.

Washington H. Soul Pattinson Limited ('WHSP')

Brickworks holds 94.3 million shares in WHSP (representing a 26.1% ownership stake), with the initial investment dating back to 1968. This shareholding is an important source of earnings and cash flow diversification for the Company and has been a key contributor to Brickworks' success for more than five decades.

WHSP holds a diversified investment portfolio of investments, and significant stakes in a number of listed companies including Brickworks, TPG Telecom and New Hope Corporation.

The market value of Brickworks shareholding in WHSP was $2.708 billion at 31 January 2023, up $285 million for the half.

WHSP has delivered strong returns to Brickworks, with 20-year total shareholder return of 12.3% per annum (to 31 January 2023), 3.0% per annum ahead of the All-Ordinaries Accumulation Index. Shareholder returns comfortably exceed the benchmark over five, ten and fifteen years periods.

The investment in WHSP returned an underlying contribution of $101 million for the half year ended 31 January 2023, up from $73 million in the previous corresponding period.

During the period cash dividends of $55 million were received from WHSP (including a special dividend of $14 million), up 61% on the prior period.

FBR Limited ('FBR')

Brickworks made an initial seed investment in FBR Limited in 2006. During the first half of the current financial year, Brickworks significantly increased its stake, and now holds 655.4 million shares. At the end of the period this represented a 19.1% shareholding. Subsequently, FBR completed a share placement, diluting Brickworks' shareholding to approximately 18%.

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, there is a strong market opportunity for this technology. As the largest brick maker in the country, Brickworks has much to benefit from the success of FBR.

Due to the increased shareholding, the investment in FBR is now equity accounted. For the six-month period to 31 January 2023, the stake in FBR contributed a loss of $1 million to Brickworks.

At the end of the period, the market value of Brickworks stake in FBR was $24 million.

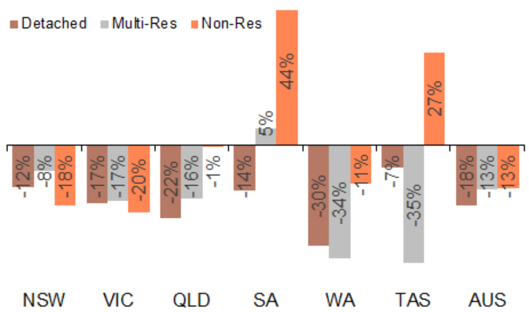
Building Products

Australia

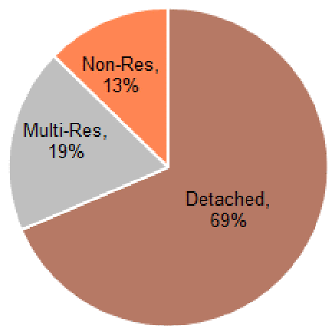
Market Conditions

Building Activity by State[10]

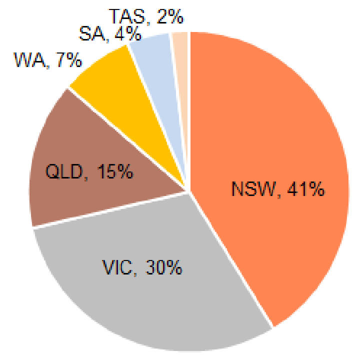
6 months to Dec 22 vs 6 months to Dec 21



Sales by Segment



Sales by Region



Residential commencements declined significantly in the first half of the 2023 financial year, in response to rising interest rates and a reducing backlog of work from the HomeBuilder program.

Nationally, detached house commencements were down 18%, with relatively consistent declines across all states. Although the decline in commencements has been significant, there remains a healthy pipeline of projects under construction. Over the past two years, building timelines have been extended due to supply chain delays and labour constraints. As a result, the usage of bricks and roof tiles on-site is now typically lagging commencements by 6 months or more.

Multi-residential commencements were also lower during the period, with supply constraints delaying many new projects. Current activity levels in this sector are around the weakest since 2012.

Looking across the states, residential housing activity has been weakest in Western Australia, with detached house and multi residential commencements down 30% and 34% respectively. The major east coast states have typically seen declines in the range 10-20%.

Non-residential building is also weaker across major states, with New South Wales down 18% and Victoria down 20%. Activity in Queensland, the other key non-residential market for Brickworks, was relatively steady compared to the prior corresponding period.

[10] Detached House and Multi-residential Commencements. Non-residential value of work done. Source: BIS Oxford Economics Australian Building Forecasts, Dec 2022. Figures shown are for the 6 months ended in December. Data shown for NSW also includes ACT, to align with Brickworks sales regions.

Overview of Result

Revenue for the half year to 31 January 2023 was $364 million, up 11% on the prior corresponding period. Increases in Austral Bricks and Concrete Products were partially offset by a decline in Bristile Roofing.

EBIT from continuing operations was down 10% on the prior corresponding period to $25 million. The launch of the Brickworks Manufacturing Trust resulted in an adverse impact of $2 million to EBIT, compared to the prior period. This relates to the additional right-of-use asset depreciation in respect of the new property leases.

$million	1H2022	1H2023	Change
Revenue	**328**	**364**	11%
EBITDA	**53**	**50**	(6%)
EBIT	**28**	**25**	(10%)
EBITDA margin	**16%**	**14%**	(15%)

EBITDA was down 6% to $50 million, resulting in an EBITDA margin of 14%. The weakness was primarily due to a decline in Bristile Roofing and Austral Bricks Western Australia earnings, with most other business units delivering an improved result.

Nationally, **Austral Bricks** earnings increased by 5% on the prior period, with sales revenue up 12% to $244 million. Sales volume continues to be supported by the large number of detached housing projects already started and steadily moving through the construction process.

Higher earnings across New South Wales and Victoria were partially offset by the decline in Western Australia. Performance in South Australia was impacted by an unplanned shut down at the Golden Grove plant, to undertake critical kiln repairs.

The construction of the new brick plant at Horsley Park in Sydney is now expected to be completed in the second half of the current financial year. Construction activity has been impacted by wet weather, shipping delays, a lack of critical parts and significant cost increases of steel and other materials.

The completion of the project will allow Plant 3, at Oakdale East, to be permanently closed in the second half, with brick operations in Western Sydney to be consolidated on the Horsley Park site. Plant 3 has been operational since 1975, and over its life has produced in excess of 4 billion bricks, enough to build around 450,000 homes.

Sales volume in Western Australia was sharply lower as a result of the slowdown in building activity and the loss of key customer accounts, following attempts to increase margins. As a result, production was reduced to one plant at Cardup, with the Bellevue facility closed in November. Operations in this state are now sub-scale, and brick prices are approximately half those across the rest of the country. Based on the losses being incurred and the poor market outlook, further capital investment cannot be justified. As such, a detailed review of future options in this state is underway, including a potential business sale or exit. During the period, an impairment of $32 million (post-tax) has been recognised in relation to Austral Bricks Western Australia.

Advanced Cladding Systems, a new business unit within Austral Bricks, was launched during the period. This business will focus on commercialising thin brick cladding systems, a product category that is experiencing growing demand, particularly in high rise commercial and multi-residential segments.

Concrete Products earnings significantly increased compared to the prior corresponding period, on a 23% increase in sales revenue to $72 million.

Within Austral Masonry, commissioning of the Oakdale East plant in Sydney was completed during the period. This new facility, with a capacity of around 300,000 tonnes per year, incorporates the latest block-making technology, and includes an associated value-added facility, to create products such as polished pavers and split face retaining walls. Performance of the plant has been pleasing, with product cycle times and plant efficiency progressively improving during the period.

Sleeper sales continue to grow strongly, with Austral Masonry utilising its retail and distribution presence to increase sales in New South Wales and Victoria. When this Brisbane based business was acquired in 2019, sales were predominantly focussed on the local market.

Southern Cross Cement delivered a significantly improved result, and continues to provide quality, cost-effective cement to Austral Masonry and Bristile Roofing operations in Brisbane, as well as to other joint venture shareholders. A new cement supply contract was secured in December that will further reduce the delivered cost of cement to the terminal.

Bristile Roofing earnings were lower than the previous corresponding period, on a 4% decrease in revenue to $49 million. The decline in revenue was primarily attributable to lower sales volume in Victoria and New South Wales.

Across the country, trade shortages remain a significant issue for both tile and metal roof installations and continue to impact the ability to meet market demand. Exacerbating the issue, higher labour rates were necessary to secure installation crews, resulting in reduced margins being achieved on fixed price installation contracts.

Labour constraints also impacted tile production at Wacol (Queensland) and Dandenong (Victoria), due to a loss of skilled employees at both sites.

Severe wet weather in Queensland impacted the availability and quality of sand supply to the Wacol plant. Sand is a critical input material in the production of tiles, and the flow-on effect caused manufacturing inefficiencies and product quality issues.

Sales of premium imported terracotta tiles were lower, with high shipping rates and the extreme energy prices in Europe adversely impacting unit costs. These supply chain issues are now easing.

Capital Battens recorded higher revenue and earnings, despite the impact of a log supply shortage that necessitated the procurement of alternative, lower quality feedstock.

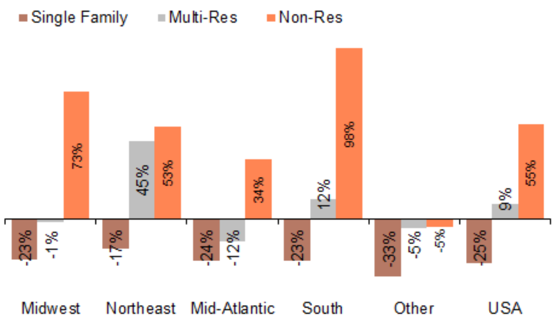
Building Products

North America

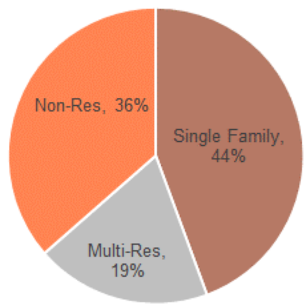
Market Conditions

Building Activity by Region[11]

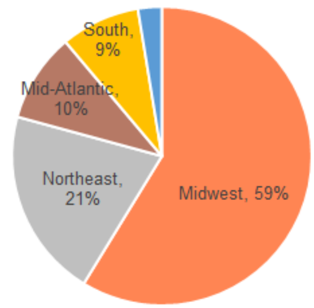
6 months to Dec 22 vs 6 months to Dec 21



Sales by Segment



Sales by Region



Building activity in the United States has been mixed during the period, varying significantly by region and segment.

Across the country, the total value of building activity commenced for the 6 months to December 2022 was up 18% compared to the prior period. A 55% increase in non-residential and 9% increase in multi-residential was offset by a 25% reduction in single-family commencements.

Building activity in the non-residential segment was heavily impacted following the pandemic, with many major projects delayed or cancelled by state authorities. Since then, there has been a steady improvement in activity, and this has gathered momentum in the past 6 months.

By contrast, following two years of strong activity, the single-family segment has softened significantly across the country, with declines of more than 15% in all regions. Within residential building, there has been a trend back towards the more affordable multi-residential segment, particularly in the Northeast region, including states such as New York, New Jersey and Pennsylvania. This is reflected in strong sales growth to this segment, which now makes up 19% of total sales revenue (up from 14% in the prior corresponding period).

Building Products North America's key regional exposure is in the Midwest and Northeast. Combined, these two regions make up around 80% of total sales revenue. Building activity in these regions was relatively consistent with the rest of the country, with increased activity in non-residential building offset by weakness in the single-family segment.

[11] Single Family and Multi-residential Commencements. Non-residential value of work done. Source: Dodge Data & Analytics.

Overview of Result[12]

$million	1H2022	1H2023	Change
Revenue ($US)	136	**148**	9%
EBITDA ($US)	9	**10**	11%
EBIT ($US)	1	**1**	-
Revenue ($AU)	187	**220**	18%
EBITDA ($AU)	12	**14**	16%
EBIT ($AU)	1	**1**	-
EBITDA margin[13]	6%	**7%**	5%

Building Products North America revenue was $220 million (US$148 million) for the six months to 31 January 2023, up 18% on the prior corresponding period.

The uplift in revenue was driven primarily by strong growth in sales to the multi-residential segment and through the vertically integrated retail division. Retail sales were further supported by the acquisition of Washington D.C. brick distributor, Capital Brick, in February 2022.

Sales volume to the core commercial market is steadily recovering but remains below pre-pandemic levels.

EBITDA for the period was up 16% to $14 million (US$10 million) and EBIT was steady at $1 million (US$1 million). The prior period earnings include a $1 million contribution from property sales.

Margins continue to be impacted by labour constraints across the industry, resulting in higher wage rates to attract and retain staff. In addition, cost pressures are persisting across the supply chain, including a significant increase in transportation and mining costs, driven by elevated fuel and oil prices. Favourable long-term natural gas supply agreements, at fixed prices, provide insulation against the volatility of market prices.

The increased proportion of sales to the multi-residential segment, typically base range products at lower prices, also had an adverse impact on the average sales margin.

The business made strong progress on key strategic priorities over the period. Extensive upgrades to the Sergeant Bluff and Adel plants (both in Iowa) were completed during the half. These upgrades were focussed on providing additional output to meet growing market demand and included works to expand kiln capacity and upgrades to the kiln car fleet and dryers.

In addition, production of handmade and thin bricks was consolidated to the Mid-Atlantic and Pittsburgh plants respectively (both in Pennsylvania). This will provide more efficient and sustainable production methods to support improved quality and higher production output to meet the growing demand for these products.

The plant rationalisation program continued during the period, with the closure of the Caledonia site, based in Ohio. This program has resulted in the number of operating brick plants reducing from 16 to 8. Together with plant upgrades, this has reduced unit manufacturing costs across most plants in the fleet, despite the impact of higher labour costs and other inflationary pressures.

Following numerous acquisitions, the retail distribution network now comprises 25 locations. All stores have been unified under one brand, “Brickworks Supply”, with locations, market strategy and product range fully aligned. During the period, a key outlet in the Washington D.C. area was

[12] An average exchange rate of 1AUD=0.67 USD has been used to convert earnings in 1H23 (1AUD=0.73 USD in 1H22)
[13] Property sales earnings of $1 million in 1H22 removed to calculate Building Products EBITDA margin

re-located to an upgraded site, with increased under-cover storage and an expanded showroom, to capitalise on the strong growth in this region.

The global flagship design studio on 5th Avenue, New York City has been open for almost a year and has become a premier destination for architects and designers to collaborate on projects. In February, the studio hosted an event during New York Fashion Week attended by over 300 architects, designers, distributors and fashion icons. The event showcased Glen-Gery's new range of premium brick products and marked the launch of the 2023 "Brick Styles" catalogue.

During the half, the North American business implemented an ERP software upgrade, migrating to a version that is consistent with Australian operations. This version has improved software support and is more aligned with business processes.

UK Supply Agreement

In October 2022, Brickworks executed a supply agreement with Brickability PLC, a market leading building products company in the UK, for the sale of bricks into the UK market. The ten-year supply agreement includes a minimum purchase quantity of 10 million bricks per year.

Initially, product will be supplied from the Hanley and Pittsburgh plants in Pennsylvania. The currently mothballed Rocky Ridge plant in Maryland will also be re-commissioned to produce dedicated bricks specifically tailored for the UK market.

The UK supply agreement marks a significant growth opportunity for Brickworks North America. Bricks command 85% share in external walling in UK housing and the total market demand is estimated at around 3 billion bricks per year. Of this, around 10-20% of UK supply is sourced from imports due to a shortfall in domestic production capacity and demand for premium, differentiated product lines.

Outlook

Property

Property Trusts

Independent research indicates that the market rent for prime industrial property in Western Sydney has increased by around 23% over the past 12 months[14]. As a result, the average rent achieved by the **Industrial JV Trust** is currently around \$35-40/m^2 below market. This provides a significant opportunity for the Trust to benefit from rental uplift on lease renewals and market reviews over the coming years.

At Oakdale West, the new facilities that were completed late in 1H2023 will contribute combined gross rent of \$32 million. This additional rent will be fully recognised from the second half of the current financial year.

An additional 142,000m^2 of gross lettable area ("GLA") remains available for development at Oakdale West and is expected to deliver an additional \$0.5 billion in leased asset value and \$20-25 million in gross rent. Two facilities are already pre-committed to tenants (26,500m^2 to Maersk and 15,800m^2 to EBOS), and planning is well underway for the development of the remainder of the site.

The addition of Oakdale East Stage 2 into the Industrial JV Trust during the first half provides a significant new parcel of land to accommodate the strong customer demand for well-located sites, with large land footprints. Work has already commenced on the rehabilitation of the former quarry area, which has a longer lead time than other sections of the site. It is expected that the first parcel of land within the estate will be fully serviced and ready for construction to commence by early calendar 2024.

Over 260,000m^2 of GLA will be delivered on this site over the medium term, and once completed, is expected to add around \$1 billion in leased asset value and \$40-45 million in gross rent to the Trust.

Within the **Brickworks Manufacturing Trust**, a vacant parcel of land at Yatala, in Queensland, has been identified for development into a unit estate providing 24,000m^2 of GLA and over \$3 million gross rent. Development approval will be sought in the coming months, with construction planned for calendar 2024.

Brickworks 100% owned land

Outside of the Trusts, Brickworks retains a 100% interest in over 5,000 hectares of land across both Australia and North America. This includes at least three additional properties that have been identified for potential sale into the Trusts over the coming years, subject to receiving the necessary development approvals.

The largest additional parcel of surplus land for development is at Craigieburn in Victoria, directly south of the Wollert factory site. Industrial development may be possible at this site over the

[14] Source: Colliers Research

medium term, subject to approvals. With an expected yield of around 600,000m^2 of GLA, if sold into the Industrial JV Trust, this site will extend the development pipeline well beyond the next five years.

In conjunction with Goodman Group, due diligence has commenced in relation to the industrial development of 77 hectares of surplus land at the Mid-Atlantic site in Pennsylvania. The site, located close to the I-78 motorway linking New York to Washington D.C., is currently zoned industrial. Investigations to date indicate that the site will be suitable for redevelopment, subject to necessary approvals.

Building Products Australia

Within Building Products Australia, there remains a significant amount of detached house construction work in the pipeline. This healthy pipeline of work is expected to support sales for the remainder of the financial year.

Once the current backlog of housing work is completed, a period of softer demand is expected, with the rapid increase in interest rates set to provide challenges for the housing industry in the medium term. This is evident in building approvals and new home sales data both having declined significantly over the past year. Brickworks' home builder customers are also reporting reduced foot traffic through display homes.

Across the east coast, a significant rise in electricity prices will result in a $7 million annualised cost increase over the next two years. This will necessitate continued strong price rises in order to maintain margins.

A key focus over the next 12 months will be the completion and commissioning of the new brick plant at Horsley Park. Product ranges will be transferred from Plant 3 and production will be gradually ramped up to the design capacity of 130 million bricks per annum.

Austral Masonry will benefit from continued efficiency improvements at the new Oakdale East plant in Sydney and upcoming site consolidation activities in southeast Queensland, with concrete sleeper manufacturing being relocated to a surplus area at the existing block plant in Yatala.

The review of Austral Bricks Western Australia options is expected to be completed in the second half, with a decision to be made on whether to maintain brick operations in this state.

Building Products North America

Despite rising interest rates, the outlook for commercial building in North America remains resilient, and this is reflected in steadily increasing demand from customers within this segment. Given that the commercial market represents a large proportion of sales for Building Products North America, this is expected to provide support for overall sales volume.

With extensive plant rationalisation activities undertaken to increase utilisation, and upgrades completed at Sergeant Bluff, Pittsburgh, and Mid-Atlantic, manufacturing cost reductions and improved margins are anticipated.

Over the long term, North American operations are expected to deliver earnings growth, with Brickworks focussed on implementing its proven market strategy focussed on style and premium product positioning.

Investments

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

Group

Over the past five years, Brickworks has made significant growth investments across all divisions within the Group. As a result, the gross asset base of the Company has doubled and now stands at more than $6 billion. This strong financial position, together with the Company's diversified portfolio of high-quality assets, means that Brickworks is well placed to meet any future challenges and continue to deliver ongoing strong performance for its shareholders.