

BRICKWORKS ACHIEVES RECORD HALF-YEAR UNDERLYING EARNINGS

- Record half-year underlying NPAT of \$410 million (statutory NPAT \$354 million)
- Net asset value of Property Trusts increased by a further \$484 million to \$2,238 million
- Building Products EBITDA steady, with uplift in North America offset by a modest fall in Australia
- EBITDA from Investments up 37% to \$100 million
- Interim dividend 23 cents per share, extending Brickworks' 47-year record of maintaining or increasing dividends

Six Months Ended January (\$million)	1H22	1H23	Change
Total Revenue	515	584	13%
Underlying EBITDA	487	607	25%
Underlying EBIT	450	569	26%
Underlying NPAT	331	410	24%
Statutory NPAT <i>(including significant items and discontinued operations)</i>	575	354	(38%)
Underlying EPS (cents)	218	269	24%
Statutory EPS (cents)	379	233	(39%)
Interim dividend (cents)	22	23	5%

Record half-year underlying NPAT of \$410 million; interim dividend increased

Brickworks Limited (ASX: BKW) ("Brickworks" or the "Company") today announced record underlying Net Profit After Tax (NPAT) from continuing operations of \$410 million for the half-year ended 31 January 2023, up 24% from the prior corresponding period. Including significant items and discontinued operations, the statutory NPAT was \$354 million, down 38%. The prior corresponding period was 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 earnings before interest, tax and depreciation (EBITDA) from continuing operations was \$607 million, up 25%, and after depreciation, EBIT was \$569 million, up 26%.

Once again, the Property division was a standout, with the highlight for the half being the sale of Oakdale East Stage 2 into the Industrial JV Trust with Goodman Group (ASX: GMG). Property earnings were also supported by the completion of a number of new developments at the Oakdale West Estate, in Western Sydney. In addition, a strong uplift in market rent for prime industrial property underpinned a revaluation gain, despite the impact of increasing capitalisation rates.

Across the rest of the portfolio, the contribution from Investments was higher, and earnings from Building Products was relatively steady.

Directors declared a fully franked interim dividend of 23 cents per share, an increase of 1 cent on the prior corresponding period. The record date for the interim dividend is 11 April 2023, with payment on 2 May 2023.

Net Asset Value of Property Trusts up a further \$484 million to \$2,238 million

Property delivered another stellar result in the first half, generating EBITDA of \$453 million, up by 26%. The \$301 million sale of Oakdale East Stage 2 into the Industrial JV Trust delivered earnings of \$263 million, after taking into account the book value, rehabilitation provisions and transaction costs.

Industrial JV Trust assets were revalued during the period, resulting in a profit of \$113 million. An average 19% increase in the assessed market rent for the leased assets within the Trust more than offset an increase in the average capitalisation rate across the portfolio.

A development profit of \$54 million was also recorded, following the completion of new facilities at the Oakdale West Estate during the period. As developments are completed, rental income continues to grow, and net trust income for the half was \$25 million, up 47% on the prior corresponding period. This includes \$5 million in net rent from the Brickworks Manufacturing Trust, launched in July 2022.

Total assets held within the Property Trusts now stand at \$5,679 million. After including debt, Brickworks' share of net assets was \$2,238 million at the end of the half, up by a further \$484 million over the past six months.

Brickworks Managing Director, Mr. Lindsay Partridge said: "Despite increasing interest rates, we are continuing to experience strong demand for prime industrial property. Major customers are seeking well-located sites, with large land footprints, on which to develop specialised, high-value facilities. The addition of a significant new parcel of land at Oakdale East is well suited to accommodate this demand. This new Estate will provide an additional development pipeline of around five years and once completed, is expected to deliver around \$1 billion in additional leased asset value to the Trust.

In response to the rising interest rates, we have taken a pro-active strategy to reduce gearing within our Property Trusts, by retaining some funds that may otherwise have been distributed. As a result, gearing across the Property Trusts is now down to 21%, from 24% six months ago.

Outside of the Trusts, Brickworks also 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 we have identified for potential sale into the Trusts over the coming years, subject to receiving the necessary development approvals. We expect that these additional properties will continue to support the longer-term growth of our Property Trusts."

Building Products Australia EBITDA down 6% to \$50 million

On revenue of \$364 million (up 11%), Building Products Australia EBITDA was down 6% to \$50 million in the first half. The decrease in earnings was primarily due to a decline in Bristle Roofing and Austral Bricks Western Australia, with most other business units recording improved earnings.

Mr. Partridge said: "Sales have remained relatively robust across most businesses, despite a decline in new home sales. This is due to a large backlog of work from previous government stimulus, supply chain issues and tightness in the labour market, all of which have resulted in delays and extended construction timelines across the industry.

Earnings within Austral Bricks were higher than the prior period, on the back of a strong performance in our two largest markets – New South Wales and Victoria.

Improved earnings were also recorded by Austral Masonry, with the new Oakdale East masonry plant in Sydney fully commissioned during the period. We are seeing strong demand for many of our new masonry products and this is supporting continued expansion into additional markets.

Southern Cross Cement delivered a strong uplift in earnings, and a new cement supply contract that was secured in December is set to further reduce our costs.

Over the past few years, we have completed an extensive capital investment program across Building Products, including numerous plant upgrades, the JV cement import terminal in Brisbane and the new masonry plant. The capital program will be capped off by the completion of our new Sydney brick plant within the next six months. This will allow the closure of Plant 3, at Oakdale East, and the consolidation of brick operations in Western Sydney to one site at Horsley Park."

Building Products North America EBITDA up 16% to \$14 million

In North America, sales revenue of \$220 million in the first half was 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.

EBITDA for the period was up 16% to \$14 million, despite the ongoing impact of cost inflation and labour shortages across many operations.

Mr. Partridge said: “Although earnings in North America have not yet reached our expectations, we continue to make good progress on key strategic priorities. Over the past five years we have undertaken a plant rationalisation program that has seen the number of operating brick plants reduce from 16 to 8. This program continued during the first half, with the closure of the Caledonia site, in Ohio. The reduced plant footprint has allowed a more focussed capital investment program, and during the period extensive upgrades were completed at the Sergeant Bluff and Adel brick plants, both in Iowa.

In addition, production of handmade products and brick slips were consolidated at the Mid-Atlantic and Pittsburgh plants respectively (both in Pennsylvania). This will facilitate more efficient production, to support the growing demand for these products.

Following numerous acquisitions, the retail distribution network now comprises 25 locations. During the period, all stores have been unified under one brand, “Brickworks Supply”, with locations, market strategy and product range fully aligned.

In October, we executed a supply agreement with Brickability PLC, 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. This agreement marks a significant growth opportunity for Brickworks, with total market demand in the UK estimated at around 3 billion bricks per year. Of this, around 10-20% is sourced from imports, due to a shortfall in domestic production capacity and demand for premium, differentiated product lines.”

Group Outlook

Mr Partridge said: “Within our Property Trusts, the development pipeline is strong, and we expect a significant increase in rental income over the coming years as new developments are completed and rent reviews are undertaken.

Across Building Products, we are confident that sales will remain resilient in the second half. However, there is no doubt that a slowdown in activity will arrive before the end of the calendar year, once the existing pipeline of work is built out. The impact of the slowdown is likely to be more significant for our Australian business, where exposure to detached housing is greatest. By contrast, the North American operations have a broader end market exposure, and stand to benefit from the relative strength of the non-residential segment. Across both countries, manufacturing costs will benefit from the extensive plant rationalisation and upgrade activities completed over the past few years.

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

As a result of our significant investment program, the gross asset base of the Company has doubled over the past five years and now stands at more than \$6 billion. This strong financial position, together with our diversified portfolio of high-quality assets, means that Brickworks is well placed to meet any future challenges and continue to deliver strong performance for shareholders.”

Results briefing

Lindsay Partridge (Managing Director), Grant Douglas (Chief Financial Officer) and Mark Ellenor (Executive General Manager, Building Products), will present Brickworks’ results via webcast at noon today. The briefing will be webcast live on the following link: <https://www.streamgate.co/brickworks/>

Questions may be asked by following the prompts on screen.

About Brickworks (ASX: BKW)

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

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

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


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

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

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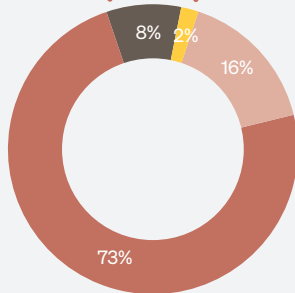
\$301m
Sale of Oakdale East Stage 2



>1 million m²
leased area in Industrial JV Trust

\$584m Group Revenue **↑ 13%**

\$607m Total Underlying EBITDA **↑ 25%**



Category	EBITDA	% Change
Property	\$453m	↑ 26%
Building Products North America	\$14m	↑ 16%
Investments	\$100m	↑ 37%
Building Products Australia	\$50m	↓ 6%

Building Products Australia



\$364m revenue
1151 employees
27 manufacturing sites
9.8 safety (TRIFR)

Building Products North America



\$220m revenue
1042 employees
9 manufacturing sites
10.9 safety (TRIFR)

\$410m Underlying profit **↑ 24%**

\$354m Statutory profit **↓ 38%**

\$595m Net debt **17% Gearing**

\$2,732m Market value of listed investments as at 31 January	\$2,238m Property Trusts combined net asset value	\$577m Building Products net tangible assets <small>excluding development land and including ROU assets</small>	\$461m Development land at current market value	\$5,413m Total inferred asset value <small>including net debt and development properties</small>
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269 cents Underlying earnings per share **↑ 24%**

233 cents Statutory earnings per share **↓ 39%**

23 cents Interim ordinary dividend **↑ 5%**
record date 11 April
payment date 2 May

10.0% p.a BKW total shareholder return over 20 years
as at 31 January

25,950 Shareholders
as at 31 January

