BRICKWORKS LIMITED

ASX RELEASE **28 SEPTEMBER 2023**

BRICKWORKS DECLARE 10th CONSECUTIVE INCREASED FINAL DIVIDEND

- **Underlying NPAT of $508 million (statutory NPAT $395 million)**
- **Net asset value of Property Trusts increased by a further $520 million to $2,274 million**
- **Share of WHSP market value up $685 million to $3,108 million**
- **Building Products EBITDA lower in both Australia and North America, with margins impacted by inflationary pressures**
- **Final dividend 42 cents per share; ten years in a row of increasing dividends**

Year Ended July ($million)	FY22	FY23	Change
Total Revenue	**1,095**	**1,181**	8%
Underlying EBITDA	**1,058**	**784**	(26%)
Underlying EBIT	**982**	**709**	(28%)
Underlying NPAT	**746**	**508**	(32%)
Statutory NPAT *(including significant items and discontinued operations)*	**854**	**395**	(54%)
Underlying EPS (cents)	**492**	**334**	(32%)
Statutory EPS (cents)	**563**	**259**	(54%)
Final dividend (cents)	**41**	**42**	2%
Total full-year dividend (cents)	**63**	**65**	3%

FY23 underlying NPAT of $508 million; final dividend increased for 10th consecutive year

Brickworks Limited (ASX: BKW) ("Brickworks" or the "Company") today announced underlying Net Profit After Tax (NPAT) from continuing operations of $508 million for the year ended 31 July 2023. Including significant items and discontinued operations, the statutory NPAT was $395 million. Although lower than the prior year, earnings in FY23 were resilient in the face of a number of challenges such as rapidly increasing interest rates, significant inflationary pressures, widespread labour shortages and raw materials supply issues.

Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations was $784 million, and after depreciation and amortisation, EBIT was $709 million.

Once again, the Property division was a standout, with the highlight for the year 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 ongoing development of 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 capitalisation rates increasing to an average of 4.1% across the portfolio (from 3.7% at 31 July 2022).

Investments had another strong year, despite a lower earnings contribution, with higher dividend payments and a significant uplift in market value of WHSP. Within Building Products, sales remained resilient, despite the impact of lower building activity across Australia and North America. Operations in both countries were impacted by significant labour and raw materials cost increases, and this resulted in lower margins.

Directors declared a fully franked final dividend of 42 cents per share, an increase of 1 cent on the prior year. This marks the tenth year in a row that dividends have been increased (and 47 years since the last time they were reduced). The record date for the final dividend is 1 November 2023, with payment on 22 November 2023.

Net Asset Value of Property Trusts up a further $520 million to $2,274 million

Property delivered another strong result in FY23, generating EBITDA of $506 million. Although this is 21% down on last year's record earnings, the result is the second highest ever achieved. The $301 million sale of Oakdale East Stage 2 into the Industrial JV Trust was a highlight for the year.

Property Trust assets were revalued during the period, resulting in a profit of $112 million. A significant increase in the assessed market rent for the leased assets more than offset an increase in the average capitalisation rate across the portfolio.

A development profit of $78 million was also recorded, following the completion of new facilities at the Oakdale West Estate during the year, and substantial progress on the remaining sites at the Estate. As developments are completed, rental income continues to grow, and net trust income for the year was $50 million, up 37% on the prior year. This includes $9 million in net rent from the Brickworks Manufacturing Trust, launched in July 2022.

Total assets held within the Property Trusts now stand at $5,786 million. After including debt, Brickworks' share of net assets was $2,274 million at the end of FY23, up by a further $520 million over the past year.

Brickworks Managing Director, Mr. Lindsay Partridge said: "Despite increasing interest rates, we are continuing to experience strong demand for medium and large sized prime industrial property. Sydney has the tightest logistics property market of any major city in the world, with a vacancy rate of just 0.2%. Supply challenges across the industry are also being exacerbated by increasing construction and financing costs, and a range of planning and approvals issues. All these factors have driven up rent for prime industrial property in western Sydney by 48% in the past year[1].

Against this backdrop, we are in the strong position of having approved and development ready land, to meet the strong demand. Rental income is expected to grow significantly over the coming years, on the back of continued development of new facilities (at Oakdale West and Oakdale East Stage 2) and the mark-to-market impact as existing leases are renewed.

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% twelve months ago. At the end of the year the effective interest rate across the Trust assets was 4.9% and interest rate hedges were in place over 75% of the loan book."

Building Products Australia EBITDA $100 million, down 13% (ex land sales impact)

On revenue of $734 million (up 6%), Building Products Australia EBITDA was $100 million in FY23, down 13% (excluding the one-off impact of the sale of land into the Brickworks Manufacturing Trust in the prior year).

Mr. Partridge said: "Despite a significant decrease in new residential construction projects being commenced, demand was resilient throughout the year, with a large backlog of work under construction.

However, our margins decreased as a result of cost pressures across the supply chain. Across Austral Bricks, unit electricity costs were up 28% year on year, labour was up 13% and maintenance was up 12%. Fortunately, our brick operations are protected from raw material input cost increases, through our direct ownership of clay quarries. In our Concrete Products and Bristile Roofing businesses, where we source raw materials such as sand and cement from external suppliers, our unit raw materials costs were up by around 20%.

The implementation of price rises and productivity improvement initiatives over FY23 partially offset the impact of cost increases. We also implemented additional price increases late in the year, to restore margins to prior levels.

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 was capped off by the substantial completion of our new Sydney brick plant, which is now in the final commissioning phase. This has allowed the closure of Plant 3, at Oakdale East, and the consolidation of brick operations in Western Sydney to one site at Horsley Park.

[1] Colliers Research. 12 months to June 2023.

We have also rationalised our portfolio, to focus in areas where we generate the highest returns and have the best long-term prospects. To this end, during the second half we made the difficult decision to exit our brick operations in Western Australia, following many years of sustained losses in this business. This follows the closure of Austral Precast and sale of Auswest Timbers in recent years.

These business rationalisations and our investments in plant upgrades and automation, has seen the headcount across our Australian operations reduce by around 26% over the past five years, with our business operations now more productive and streamlined. Over the same period, the revenue per employee in Australia has increased by 27%."

More Action Required to Solve Housing Crisis

According to BIS Oxford Economics, there is a sizeable residential dwelling stock deficiency in Australia, estimated at more than 70,000 dwellings, as at June 2023. This housing shortfall is reflected in record low rental vacancy rates, which has driven up rents and home prices across the country and rendered housing unaffordable for many Australians.

Mr. Partridge said: "The deepening housing crisis is only going to get worse, with housing approvals currently at ten-year lows and population growth at a record high. More homes are desperately needed right now, however there remain fundamental issues that act as a handbrake on new home construction, such as a lack of trades, excessive taxes and a dis-functional planning and approvals system.

We currently do not have the trades to deliver the government's new housing ambitions, so I welcome recent announcements to boost skilled immigration. We stand ready to support the industry to bring in qualified bricklayers, who can build the homes we need.

We continually hear about new home grants and subsidies, but the irony is that there are very few things in our economy that are more heavily taxed than newly constructed homes. If we want to deliver more homes, we need to stop the excessive taxes on them.

The other critical enabler for increasing housing supply is tangible reform to our dis-functional planning and approvals systems, currently characterised by multiple layers of bureaucracy. Therefore, it was encouraging to see the recent housing reform agenda announced by the Victorian government and we encourage other states to follow with similar initiatives as soon as possible."

Building Products North America EBITDA $40 million, down 18%

In North America, revenue of $447 million in FY23 was up 12% on the prior year. The uplift was primarily driven by price increases and sales growth through the vertically integrated retail division. EBITDA for the year was down 18% to $40 million, including a $7 million contribution from the sale and leaseback of a retail outlet. Excluding the impact of land sales in both FY22 and FY23, EBITDA was down 5% to $33 million.

Mr. Partridge said: "Like in Australia, margins in our North American operations were impacted by cost pressures. Our three largest cost items – labour, maintenance and raw material additives – were up 7%, 13% and 11% respectively on a per unit basis. If not for our plant rationalisation program and investments in automation, labour cost increases would have been significantly higher, with ongoing constraints across the industry resulting in higher wage rates to attract and retain staff.

The plant rationalisation program continued during the year, with the closure of Caledonia, in Ohio, and Marseilles, in Illinois. Following these closures, the rationalisation program is now largely complete and has resulted in a reduction in operating brick plants from 16 to 7, an increase in plant utilisation from 46% to 72% and a more modern and fuel-efficient fleet.

In October 2022, we executed a supply agreement with Brickability for the export 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 us. Initially, product will be supplied from the Hanley and Pittsburgh plants, in Pennsylvania. In addition, the Rocky Ridge plant in Maryland is currently being re-commissioned and will produce a range of bricks specifically tailored for the UK market."

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, order intake is now softening, and we are anticipating a decline in demand in the months ahead. Offsetting the impact of lower sales, unit margins will be supported by price increases and previously implemented plant rationalisation and upgrades. In addition, the exit of the loss-making Austral Bricks Western Australia business will provide a positive impact on earnings.

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

Having modernised our plant fleet and expanded scale over the past five years through our significant investment program, our priority has now turned to maximising the returns delivered by the enlarged asset base and improving cash generation. With our diversified portfolio of high-quality assets, Brickworks is well placed to meet any future challenges and continue to deliver good performance for shareholders."

Results briefing

Managing Director Lindsay Partridge, Chief Financial Officer Grant Douglas and Chief Operating Officer Mark Ellenor 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 northeast 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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Brickworks FY2023 Results Snapshot

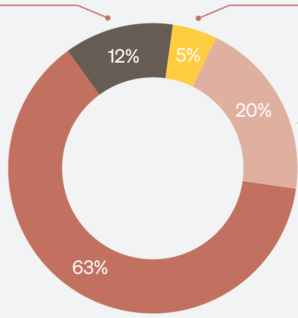
BRICKWORKS

$301m
Sale of Oakdale East Stage 2

>1 million m²
leased area in Industrial JV Trust

$1,181m
Group Revenue
↑ 8%

$784m
Total Underlying EBITDA
↓ 26%



Building Products Australia
EBITDA
$100m ↓13%
excluding the impact of property sales in FY22

Property
EBITDA
$506m ↓21%

Building Products North America
EBITDA
$40m ↓18%

Investments
EBITDA
$159m ↓12%

Building Products Australia

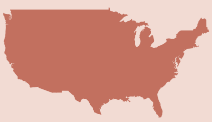
$734m
revenue

1093
employees

20
manufacturing sites

6.4
safety (TRIFR)

Building Products North America



$447m
revenue

934
employees

8
manufacturing sites

13.8
safety (TRIFR)

$508m
Underlying profit
↓ 32%

$395m
Statutory profit
↓ 54%

$652m
Net debt
18% Gearing

$3,121m
Market value of listed investments
as at 31 July

$2,273m
Property Trusts combined net asset value

$579m
Building Products net tangible assets
excluding development land and including ROU assets

$384m
Development land at current market value

$5,705m
Total inferred asset value
including net debt and development properties

$37.47
Per share

$3.34
Underlying earnings per share
↓ 32%

$2.59
Statutory earnings per share
↓ 54%

42 cents
Final ordinary dividend
↑2%
record date 1 November
payment date 22 November

12.20% p.a
BKW total shareholder return over 25 years
as at 31 July

26,120
Shareholders
as at 31 July

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