

Uplift in Building Products EBITDA, Dividend Increased

- Interim dividend increases for the 10th consecutive year, to 24 cents per share
- Increase in Building Products EBITDA in both Australia and North America
- Market value of listed investments up by \$140 million to \$3.261 billion, at 31 Jan 2024
- Net asset value of Property Trust assets \$1.953 billion following revaluations and sale of M7 Hub Estate
- Statutory Net Loss After Tax of \$52 million (underlying NPAT loss \$37 million), adversely impacted by property sale and non-cash property revaluations

Six Months Ended January (\$million)	1H23	1H24	Change
Total Revenue	584	547	(6%)
Underlying EBITDA (detail below)	607	(40)	(107%)
Underlying NPAT	410	(37)	(109%)
Statutory NPAT <i>(including significant items and discontinued operations)</i>	354	(52)	(115%)
Interim dividend (cents per share)	23	24	4%

Breakdown of Underlying EBITDA	1H23	1H24	Change
Building Products Australia	50	52	5%
Building Products North America	14	21	43%
Property - ex revaluations & sales	76	72	(6%)
Investments	100	76	(24%)
Group Expenses	(10)	(11)	(12%)
Underlying EBITDA ex property revaluations & sales	231	210	(9%)
Property revaluations	114	(233)	(305%)
Property sales	263	(16)	(106%)
Underlying EBITDA (continuing operations)	607	(40)	(107%)

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Statutory loss, adversely impacted by property revaluations; interim dividend increased

Brickworks Limited (ASX: BKW) (“Brickworks” or the “Company”) today posted a Statutory Net Loss After Tax of \$52 million for the half year ended 31 January 2024. The Underlying Loss After Tax from continuing operations was \$37 million.

Earnings were adversely impacted by a non-cash property devaluation of \$233 million (vs. \$114 million gain in 1H23) and a \$16 million loss on property sales (vs. \$263 million profit in 1H23), as announced to the market on 22 December 2023.

Group Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (‘EBITDA’) was a loss of \$40 million in the first half, compared to a gain of \$607 million in the prior corresponding period. Excluding the impact of the property revaluations and property sales, EBITDA was \$210 million, down 9%.

Building Products EBITDA was higher in both Australia and North America. A period of significant investment and portfolio rationalisation has been completed over the past five years, and this is now supporting higher margins, despite the impact of inflationary pressures and lower building activity in some key markets.

Property earnings were lower, due primarily to the devaluations within the Property Trusts¹. Outside of this impact, it was another strong period of growth. Within the Industrial JV Trust, net trust income continued to increase, despite the impact of higher borrowing costs. During the period, development approval was secured at the Oakdale East Estate (Stage 2), along with a lease pre-commitment from a large anchor tenant. This site will facilitate further growth of the Industrial JV Trust in the coming years, to meet strong customer demand.

Although Investment earnings were lower, the market value of Brickworks’ listed investments increased by \$140 million during the period, to \$3.261 billion².

Directors declared a fully franked interim dividend of 24 cents per share, an increase of 1 cent on the prior corresponding period. The record date for the interim dividend is 10 April 2024, with payment on 1 May 2024.

Building Products Australia EBITDA up 5% to \$52 million

On revenue of \$323 million (down 11%), Building Products Australia EBITDA was up 5% to \$52 million in the first half. An increase in margins was achieved, driven by rationalisation and re-structuring activities, the implementation of price increases and productivity improvements across most operations.

Brickworks Managing Director, Mr. Partridge said: “Although we continue to see a decline in building activity, performance within the Australian Building Products business was more resilient than expected in the first half.

We are benefiting from a more focussed portfolio, following the exit of underperforming business units in recent years. A range of additional initiatives were implemented at the end of the first half to further streamline operations. This included the consolidation of Austral Bricks and Austral Masonry into one operating division, a restructure of Bristle Roofing and a rationalisation of divisional support functions. In total, these initiatives are expected to deliver annualised savings of \$15 million (from 2H24), through a reduction in headcount of approximately 100 staff.

Commissioning works progressed on our new brick plant at Horsley Park during the first half. The plant is meeting expectations and is now operating at approximately 95% of design capacity.

Despite the positive first half, order intake is softening, and we expect conditions to become more challenging for the remainder of FY24. In response to the short-term weakness, we are taking the opportunity to carry out maintenance activities at our plants, in preparation for the years ahead.

With record immigration levels exacerbating an already chronic housing undersupply, ambitious home building commitments by governments across the country and long-overdue reforms to facilitate increased supply, we expect strong demand for our building products over the next decade.”

Building Products North America EBITDA up 43% to \$21 million

In North America, sales revenue of AU\$224 million in the first half was broadly in line with the prior corresponding period. EBITDA was up 43% to AU\$21 million, with improved margins driven by a combination of price increases, a mix shift towards higher value products, and strong sales growth through the vertically integrated retail division.

Mr. Partridge said: “The North American business has achieved a pleasing result in the first half and is now building strong momentum, following the implementation of a range of strategic initiatives over recent years.

¹ The Property Trusts include a 50% share of the Industrial JV Trust and a 50.1% share of the Brickworks Manufacturing Trust

² Includes a 26.1% stake in WHSP (ASX: SOL) and a 16.5% stake in FBR Limited (ASX: FBR)

During the half, the business completed the five-year plant rationalisation program, which has resulted in a total of 9 plants being closed over that period, as we have integrated new bolt-on acquisitions. While disruptive to the business throughout the implementation phase, the end result of this process is a more efficient plant network and a more focussed capital investment program. In total, the rationalisation program has resulted in an increase in brick plant utilisation to 75% (from 46%) a significant reduction in the average age of kilns and a 29% headcount reduction across the business.

In North America, a strong pipeline of commercial projects and continued growth in housing construction is expected to underpin demand in the years ahead. We are experiencing an increase in specifications for our products in major projects, through our design studios and architectural sales teams.”

Net asset value of Property Trust assets \$1.953 billion following revaluations and sale of M7 Hub Estate

Excluding revaluations and land sales, Property EBITDA was \$72 million, down by 6%. A continued increase in net trust income was offset by a reduction in development profits within the Industrial JV Property Trust, as the Oakdale West estate nears completion.

A non-cash devaluation of \$233 million was recorded on Property Trust assets, following the independent valuation process completed in December 2023. This loss reflects an increase in capitalisation rates across the portfolio to 5.1% (4.1% at July 2023) and follows \$615 million in revaluation gains being delivered in the prior five years, as capitalisation rates compressed.

In December 2023, Brickworks sold its 50% interest in the “M7 Hub”, one of the Estates held by the Industrial JV Trust. The sale delivered \$117 million in gross proceeds, representing a 154% increase in value since the Estate was completed in 2012 (when it had a book value of \$46 million). However, a \$16 million loss was incurred, due to the sale value being below the 31 July 2023 book value. While the sale price represented a discount to book, the transaction was able to be executed quickly, tax efficiently and with limited transaction costs.

Including revaluations and property sales, Property delivered an EBITDA loss of \$178 million for the first half, compared to a profit of \$453 million in the prior corresponding period.

At the end of the period, Brickworks’ share of the net asset value within its Property Trusts was \$1.953 billion (vs. \$2.274 billion at 31 July 2023), taking into account the development profits, impact of revaluations and the M7 Hub sale.

Mr. Lindsay Partridge said: “We continue to experience strong lease enquiry for large-sized industrial facilities. Structural trends are driving our customers to seek well-located facilities and sophisticated supply chain solutions, with consumers increasingly demanding faster and more flexible delivery of goods.

Sydney has the tightest logistics property market of any major city in the world, with supply challenges 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 55% in the past two years³.

We are very well placed to meet the strong demand and benefit from the higher market rents. With development at Oakdale West to be completed by the end of FY24, the Oakdale East Stage 2 precinct will then be one of the only large scale “shovel ready” industrial development sites in Western Sydney. Brickworks pro-actively brought-forward the release of this estate, by consolidating brick manufacturing at Horsley Park in recent years.

At Oakdale East Stage 2, the initial 58,000m² pre-committed facility is forecast to be completed by mid-2025, and we expect to develop the remaining 193,000m² of gross lettable area within four to five years.

Once this estate is complete, total market rent potential from the Property Trust assets is expected to be around \$340 million⁴ (100% share), up from the passing rent of \$172 million on currently leased facilities. The uplift on new developments will be achieved as developments are completed at Oakdale West and Oakdale East Stage 2. The uplift on existing facilities will be progressively realised over a longer period upon lease renewals and reviews. Around 35% of current leases have rent increase caps, and this is likely to extend the time period to achieve full market rent on those facilities.”

Market value of listed investments up by \$140 million during period, to \$3.261 billion

Brickworks holds 94.3 million shares in Washington H. Soul Pattinson & Company (“Soul Patts”) (ASX: SOL), representing a 26.1% ownership stake and 731.7 million shares in FBR Limited (ASX: FBR), representing a 16.5%

³ JLL Research

⁴ Based on \$225/m², representing the June 2023 average market rent for prime industrial property in Western Sydney (Colliers Research)

shareholding. The market value of Brickworks' listed investments increased by \$140 million during the period, and stood at \$3.261 billion at 31 January 2024.

EBITDA from Investments was \$76 million for the half, down 24%, driven mainly by a decline in the contribution from New Hope Corporation to Soul Patts earnings.

Group Outlook

Mr Partridge said: "Although macroeconomic conditions may cause some short-term challenges across the portfolio, each of our businesses have a strong longer-term outlook.

Within Property, structural trends towards e-commerce and the digital economy will continue to drive demand for our prime industrial facilities for many years to come. Our Building Products business is well placed to meet the demands of the expected building boom over the next decade in Australia and North America. Meanwhile, WHSP is expected to continue to deliver a stable and growing stream of earnings and dividends over the long term.

Following a period of significant investment, our short-term priority is to maximise 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

Mr Lindsay Partridge (Managing Director), Mr Grant Douglas (Chief Financial Officer) and Mr Mark Ellenor (Chief Operating Officer), 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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