

AGM & TRADING UPDATE

- **Record underlying NPAT in FY21, despite the impact of COVID-19**
- **Full year dividend 61 cents, up 3%**
- **Unprecedented development pipeline within Property Trust**
- **BP Australia experiencing strong demand, 1Q22 disrupted by COVID-19 restrictions**
- **BP North America sales buoyed by recent IBC acquisition, margin pressures remain**
- **Brickworks is the largest shareholder in Australia's leading investment house**

Record underlying NPAT in FY21, increased dividend

In September, Brickworks Limited (ASX: BKW, the "Company") announced a record underlying Net Profit After Tax (NPAT) of \$285 million for financial year 2021 ('FY21'), up 95% from the prior year. After including significant items and discontinued operations, the statutory NPAT was \$239 million, down 20%.

An increased final dividend of 40 cents per share (fully franked) is payable to shareholders tomorrow, bringing total full year dividends to 61 cents (fully franked). This represents the 45th consecutive year that the Company has maintained or increased normal dividends to shareholders.

Chairman of Brickworks, Mr. Robert Millner said: "Brickworks' business model is focussed on building a diversified portfolio of assets with increasing value. Therefore, in addition to delivering record underlying earnings, it was particularly pleasing to report an exceptional year of asset growth for our Company. For financial year 2021, the net asset backing of Brickworks increased by \$1.5 billion to \$4.5 billion¹. This represents almost \$30 per share."

Unprecedented development pipeline within Property Trust

At the end of FY21, the total value of leased assets held within the 50/50 joint venture industrial property trust with the Goodman Group ("Property Trust") stood at \$2 billion². These assets generate around \$89 million in gross annual rent.

Strong demand for prime industrial property is being fuelled by structural tailwinds, resulting in an unprecedented development pipeline within the Property Trust. At Oakdale West, construction of the state-of-the-art Amazon facility is due to be completed in the coming months. Construction of the even larger Coles distribution warehouse is also well advanced and is expected to be completed towards the end of 2022.

The completion of these landmark facilities, and the long pipeline of other pre-committed developments, will result in an increase in leased assets of around \$1.2 billion and gross rent of \$50 million within the Property Trust over the next two years.

Brickworks Managing Director, Mr. Lindsay Partridge said: "The pandemic has accelerated industry trends towards online shopping, and this is continuing to drive industrial property values higher. With our annual revaluation process to be completed prior to the end of the first half, we anticipate these trends will result in further revaluation gains across our portfolio."

¹ As at the close of trade on 31 July 2021

² Total assets held within The Property Trust were \$2.7 billion at 31 July 2021, including \$0.7 billion of land for development. After including debt, Brickworks 50% share of the Property Trust Net Asset Value was \$911 million.

BP Australia experiencing strong demand, 1Q22 disrupted by COVID-19 restrictions

Building Products Australia has made a steady start to FY22, with first quarter revenue and EBITDA³ slightly ahead of the prior corresponding period.

Mr. Partridge said: "In the first quarter, brick sales across all states that were not impacted by restrictions, were considerably higher than the prior corresponding period. This reflects the strong underlying demand across the country, with a large backlog of detached housing construction work in the pipeline."

"However, early in the period, sales in Sydney and Melbourne, our two largest markets, were impacted by construction restrictions imposed by state governments in response to the pandemic. Pleasingly, since these restrictions were lifted, both markets have recovered well, with brick despatches increasing steadily."

Sales across Concrete Products, including Austral Masonry, were down on the prior period, with this business more exposed to the current weakness in the multi-residential segment.

Mr. Partridge said: "We have continued our major investment program, and this will place us in a strong competitive position in key markets as we emerge from the pandemic."

"The commissioning process is well advanced at our new masonry plant in Sydney. Construction of the associated value-added facility, capable of applying a wide range of architectural finishes to our products, is now in progress. This is one of the most advanced masonry plants in the world and will deliver lower costs and a broader product range."

"Meanwhile, construction of our brick facility at Horsley Park in Sydney is also well underway and is expected to be completed in approximately 12 months."

BP North America sales buoyed by recent IBC acquisition, margin pressures remain

Building Products North America has recorded a significant uplift in sales revenue during the first quarter of FY22⁴, primarily due to the acquisition of IBC⁵, completed on 2 August 2021.

Mr Partridge said: "The integration process of the 17 new IBC retail outlets has been very smooth, and we are pleased with the initial contribution from these stores."

"Whilst we have recorded a strong increase in sales, margins in North America remain subdued. We are experiencing cost pressures across the supply chain, including direct production inputs and transportation. Labour shortages across the industry, and the economy more broadly, are resulting in higher wage rates to attract and retain staff."

"In addition, we are selling a higher proportion of products to the residential segment, with activity in the higher margin commercial segment expected to remain weak until Spring."

"It has now been three years since our entry into the North American market. Whilst we are pleased with the underlying performance of the business and the progress we have achieved against our strategic priorities, there remains work to do to ensure this business reaches its full potential."

"With the worst of the pandemic now hopefully behind us, we are confident that our North American operations will deliver improved earnings in the years ahead."

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

The merger of WHSP (ASX: SOL) and Milton Corporation became effective on 21 September, thus creating a diversified investment company with market capitalisation of over \$11 billion.

Due to the addition of new shareholders to the register, Brickworks share of the larger WHSP has reduced to 26.1% (previously 39.4%).

As reported in September, the merger triggered a one-off non-cash profit to Brickworks, due to the deemed disposal of WHSP shares. This profit will be in the range of \$375-425 million (after-tax), and will be recorded in the first half of the 2022 financial year.

Mr. Partridge said: "We are proud to be the largest shareholder in the expanded WHSP, which can now be considered as Australia's leading investment house. The merger provides WHSP with increased scale, diversification and liquidity to pursue additional investment opportunities, and we expect WHSP to continue to deliver superior long-term returns and consistent dividend growth well into the future."

³ Underlying earnings before interest, tax, depreciation and amortisation (unaudited)

⁴ Compared to the prior corresponding period

⁵ The acquisition comprised certain assets of Southfield Corporation, including Illinois Brick Company ("IBC").

Progress on sustainability strategy, record low injury rate in Australia

During FY20, the Company developed a new sustainability strategy, 'Build for Living: Towards 2025'.

The strategy focuses on opportunities to make buildings and cities safe, resilient, and sustainable. It sets a clear pathway to achieving this, with 15 measurable targets and commitments across three pillars: Responsible Business, Environment, Our People and Community.

Mr. Partridge said: "We are achieving good progress across many aspects of sustainability. For example, across our Australian operations we have achieved a reduction in carbon emissions of 45% since 2006. This is supported by 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."

"Last month we were also pleased to announce a collaboration agreement with Delorean (ASX: DEL), whereby we will work together to investigate the feasibility of developing green synthetic natural gas facilities at our brick plants. If successful, each facility has the potential to displace up to 100,000 gigajoules per annum of fossil fuel gas with renewable biomethane."

Another core element of the Company's sustainability strategy is the support of life cycle thinking in building design. Mr Partridge said: "When considering a building material's energy efficiency, a holistic lifecycle assessment rather than a simplistic focus on embodied carbon is essential."

"Over the life cycle of a home, the majority of carbon emissions are attributable to operational factors, such as the use of artificial heating and cooling. Due to their thermal mass, bricks absorb heat energy, store it and releases it later to the environment, thus reducing the need for artificial heating and cooling. In fact, independent research shows that the energy use in a brick veneer home is less than half of a similar home made from lightweight materials."

Turning to workplace safety, Mr. Partridge said: "We maintained a record low workplace injury rate in our Australian operations, with just one lost time injury during the year. A sustained decrease in injuries across Australian operations has been achieved over the past decade, through the disciplined implementation of safety management systems and procedures, together with behavioural leadership and safety training programs. These initiatives continue to be rolled out across our operations in North America where injury rates are significantly higher than in Australia."

Group Outlook

Brickworks is in a strong position, with a conservative debt level and a diversified portfolio of attractive assets.

Mr Partridge said: "Within Building Products Australia, sales momentum is improving, and we are hopeful that all states will experience an elevated period of activity for the remainder of the financial year."

"In North America, despite the ongoing margin pressures, FY2022 earnings will benefit from prior period plant rationalisation and upgrade works, our investment in sales and marketing initiatives and the additional contribution from IBC."

"In both countries, there remains an ever-present threat of further unforeseen disruptions from the pandemic and related supply chain issues."

"Another strong half is expected for Property, and WHSP is expected to deliver a stable and growing stream of earnings and dividends over the long term," he added.

Annual General Meeting

To avoid the risk of spreading Coronavirus and to ensure the health and safety of all staff and shareholders, the company this year will host a virtual Annual General Meeting.

The virtual AGM will be held today, commencing at midday AEST, and will be webcast live on the following link:

www.web.lumiagm.com/394308641

Shareholders may ask questions and vote 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, Austral Precast and Bristle 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, Brickworks has developed extensive industrial property assets in conjunction with Joint Venture partner the Goodman Group. These facilities help our customers to 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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