

Brickworks Achieves Record Full Year Earnings in FY22¹

- Record statutory NPAT of \$854 million, up 257%
- Record underlying NPAT from continuing operations of \$746 million, up 159%
- Industrial JV Trust value increased by \$631 million to \$1,543 million
- Launch of Brickworks Manufacturing Trust, with equity value of \$211 million
- Building Products earnings higher in Australia and North America
- EBIT from Investments up 86% to \$181 million
- Final dividend of 41 cents per share, continuing 46-year record of maintaining or increasing dividends

Year Ended July (\$million)	FY21 ²	FY22	Change
Total Revenue	851	1,093	28%
Underlying EBITDA	454	1,058	133%
Underlying EBIT	387	982	154%
Underlying NPAT	288	746	159%
Statutory NPAT <i>(including significant items and discontinued operations)</i>	239	854	257%
Underlying EPS (cents)	190	492	158%
Statutory EPS (cents)	158	563	256%
Final dividend (cents)	40	41	3%
Total full-year dividend (cents)	61	63	3%

Record statutory NPAT of \$854 million, dividend increased

Brickworks Limited (ASX: BKW) (“Brickworks” or the “Company”) today announced a statutory Net Profit After Tax (NPAT) of \$854 million for the year ended 31 July 2022 (FY22), up 257% on the prior year. Excluding significant items and discontinued operations, the underlying NPAT from continuing operations was \$746 million, up 159%.

Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations was \$1,058 million, up 133% on the prior year, and after depreciation, EBIT was \$982 million, up 154%.

The earnings contribution from Property was a standout, with the Group’s portfolio of industrial property in western Sydney and Brisbane experiencing a strong uplift in valuation in response to burgeoning demand for prime logistics and warehousing space. In addition, strong development activity contributed to the Property result.

Earnings across Building Products operations in Australia and the United States were also higher, as was the contribution from the Company’s investment in Washington H Soul Pattinson (ASX: SOL, “WHSP”).

¹ All revenue and earnings measures throughout this release exclude significant items and discontinued operations unless otherwise stated

² Certain comparative amounts have been restated due to the re-classification of Austral Precast as a discontinued operation.

Despite a significant investment program over the past few years, including the acquisition of Illinois Brick Co. (“IBC”) and purchase of land at Bringelly (in western Sydney) during FY22, Brickworks’ borrowing level remains conservative. Net debt declined by \$25 million during the year, to finish at \$493 million, with gearing (net debt / equity) of 15%.

Directors declared a fully franked final dividend of 41 cents per share, an increase of 1 cent on the prior year. This brings the full-year dividend to 63 per share, up 2 cents. The record date for the final dividend is 2 November, with payment on 23 November.

Industrial JV Trust value up a further \$631 million to \$1,543 million

Property delivered an outstanding result, generating EBIT of \$644 million.

Earnings from the 50/50 joint venture property trust with the Goodman Group (“Industrial JV Trust”) were again the key driver of the result. All assets were revalued during the year, and this resulted in a strong revaluation profit of \$227 million (representing Brickworks’ 50% share of the overall valuation gain). Significant development profits were also recorded, as a result of the completion of several new facilities.

The revaluations and developments during the year have resulted in total gross assets within the Industrial JV Trust increasing by around \$1.5 billion to \$4.2 billion. After including debt, Brickworks’ share of net assets was \$1,543 million at the end of the year, up by another \$631 million. Gearing within the Industrial JV Trust was down to 26% at the end of the period.

Brickworks Managing Director, Mr. Lindsay Partridge said: “A highlight for the year was the completion of the state-of-the-art Amazon distribution centre, the first facility at Oakdale West, in Sydney. This followed many years of planning and investment in site preparation and infrastructure at this Estate. With further facilities now close to completion, Oakdale West is well on the way to becoming one of the most prestigious industrial property precincts in the southern hemisphere.

Other Estates at Oakdale South (Sydney) and Rochedale (Brisbane) have now been fully built out, following the completion of final developments at these precincts during the second half.”

Launch of Brickworks Manufacturing Trust, with BKW equity value of \$211 million

In July, Brickworks announced the launch of a new joint venture property trust with Goodman Group, comprised of a portfolio of 15 manufacturing plants, tenanted by the Company’s Building Products Australia businesses such as Austral Bricks, Bristle Roofing and Austral Masonry (“Brickworks Manufacturing Trust”).

Total trust assets of \$416 million represents a premium of \$280 million to the book value prior to the sale. A pre-tax profit of \$89 million was recorded by Building Products Australia in FY22, with the remaining benefit to be recognised through reduced right-of-use asset depreciation over the life of each lease. Gross cash proceeds of \$207 million, representing 49.9% of the asset value, were used to pay down Group debt.

Brickworks holds a 50.1% interest in the Trust, with an equity value of \$211 million, as at 31 July 2022.

Mr. Partridge said: “The partial sale and lease back of these properties allows Brickworks to realise value for shareholders and capitalise on the strong growth in industrial land values over the past few years.

Importantly, the lease terms have been structured to ensure minimal impact to the operational flexibility of our Building Products businesses during the lease period.

Together with Goodman we plan to actively manage the assets within the Trust, with several properties having the potential for additional development and greater utilisation.”

Building Products Australia EBITDA \$205 million, strong underlying demand

Building Products Australia recorded an EBITDA from continuing operations of \$205 million in FY22. This includes the profit of \$89 million from the sale of operational land into the Brickworks Manufacturing Trust. Excluding this impact, EBITDA from continuing operations was \$116 million, up 19%, and EBIT was \$64 million, up 34%.

The performance of Austral Bricks was particularly strong, with a broad-based improvement in earnings across all regions, due to higher sales and improved margins. The margin expansion was achieved despite inflationary pressures, following a pro-active price rise strategy to fully recover the impact of increasing costs.

Excluded from the underlying earnings, Building Products Australia recorded a non-cash impairment of \$117 million (post-tax), reflecting a more conservative forecast for building activity over the medium term (due to higher inflation and interest rates and pressure on global supply chains), an increase in the leased asset base and a higher discount rate applied.

Mr. Partridge said: “Whilst we are pleased to report a strong underlying financial result, in many ways it has been a frustrating year for Building Products Australia. Underlying demand was strong throughout the year but sales momentum was repeatedly stifled by uncontrollable events, resulting in the business not reaching its full potential. This included COVID-related building restrictions at the start of the year, supply chain pressures that have slowed the speed of construction across the industry, and unprecedented wet weather in Sydney and Brisbane during the second half.

It is testament to the effort of our team, that despite these many challenges, a number of our state operating divisions delivered record earnings during the year.

Our major investment program continues to progress, even though it has been significantly impacted by the same challenges faced by our operating divisions. Construction of the new brick plant at Horsley Park has suffered multiple flooding events, shipping delays, a lack of critical parts and significant cost increases of steel and other materials.

On a more positive note, construction of the Oakdale East masonry plant was completed and commissioned during the year. The associated value-added plant remains under construction, following lengthy delays.”

Building Products North America EBITDA \$48 million, on strong sales growth

Building Products North America delivered EBITDA of \$48 million and EBIT of \$25 million. This result includes a contribution of \$13 million from the sale of several surplus land holdings. Excluding the impact of land sales in both FY21 and FY22, EBITDA was up 113% to \$35 million, and EBIT increased to \$12 million. The impact of exchange rate movements had a positive impact of \$2 million on EBIT in FY22, compared to the prior year.

Sales revenue of \$399 million was almost double the prior year, driven by the acquisition of IBC in August, and an increase in sales to the southern residential market, primarily in Texas.

Mr. Partridge said: “Following the lingering impacts of COVID-related disruptions in the first half, it was pleasing to see a strong recovery in revenue and earnings in the second half of the year.

The business has made strong progress on key strategic priorities, including the completion of two acquisitions to bolster the company’s retail distribution network. This vertical integration strategy provides Glen-Gery with enhanced customer relationships and underpins sales volume in support of our manufacturing operations.

The plant rationalisation strategy also continued, with the closure of two more plants during the year. We commenced this program back in 2019, and since that time have reduced the number of operating plants from 16 to 9. We are now confident that the plant network is right-sized for our forecast production, with each plant operating at much higher utilisation and improved efficiency.

In March, I was proud to attend the launch of our new flagship design studio on 5th Avenue, New York City. This store sets a new benchmark for the building products industry globally, offering unparalleled opportunity for product promotion, customer engagement and industry collaboration.”

EBIT from Investments up 86% to \$181 million

Investments consists primarily of a 26.1% shareholding in ASX-listed WHSP. As at 31 July 2022, the market value of Brickworks’ stake in WHSP was \$2.423 billion.

In FY22, Investments delivered an underlying EBIT contribution of \$181 million, up by 86% on the prior year, and cash dividends of \$61 million, up by 5%.

Group Outlook

Mr Partridge said: “Although we are facing an increasingly uncertain outlook, including rising interest rates and recessionary fears, we are confident that Brickworks’ diversified portfolio of assets is well-placed to meet any future challenges and continue to deliver strong performance for shareholders. Over the past 12 months, we have built the asset base considerably and paid down debt, resulting in a conservative level of gearing.

There is a significant development pipeline within the Industrial JV Trust, and the continued development of Oakdale West will drive asset growth over the coming years. The anticipated sale of the balance of Oakdale East into the Trust in FY23 will support continued growth over the medium term.

We continue to explore property opportunities in North America, and have recently executed a non-binding Heads of Agreement with Goodman, to investigate the development of the Mid-Atlantic site in Pennsylvania.

From FY23, Property will also include earnings generated by the Brickworks Manufacturing Trust.

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 translate to strong sales for at least the first half of FY23. 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.

In North America, market conditions are similar to Australia, with a strong order book providing confidence in the short-term sales trajectory, but rapidly rising interest rates driving a slowdown of new housing starts and a more cautious medium-term outlook.

Following the recent merger with Milton Corporation, we expect the larger WHSP to continue to deliver superior long-term returns and consistent dividend growth well into the future.”

Results briefing

Managing Director Lindsay Partridge and Chief Financial Officer Grant Douglas will present Brickworks’ results via webcast at 12.00pm 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, 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 and Midwest of the United States and includes the flagship brand of Glen-Gery.

On surplus land assets, Brickworks has developed extensive industry 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.

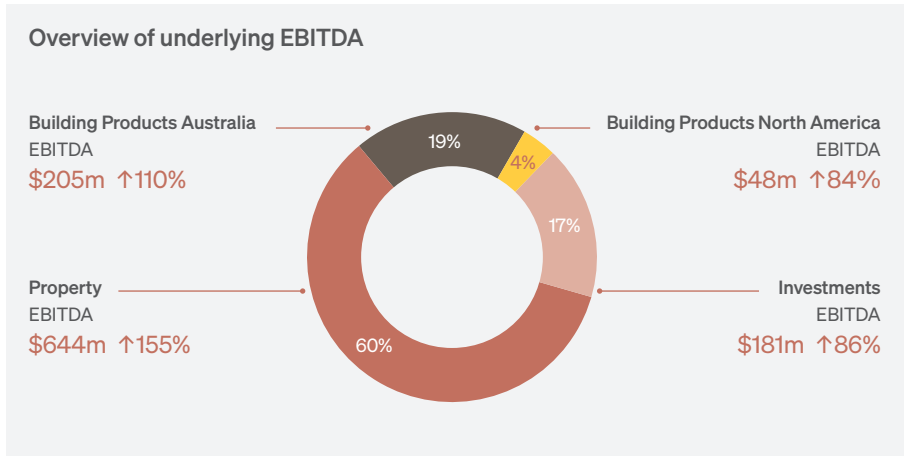
The Brickworks Board has authorised the release of this announcement to the market.

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\$1,093m
Group Revenue
↑ 28%

\$1,058m
Total EBITDA
↑ 133%



Building Products Australia

\$694m revenue

1,187 employees

29 manufacturing sites

37 company owned display and sale centres

11.1 safety (TRIFR)

\$746m Underlying profit ↑ 159%

\$854m Statutory profit ↑ 257%

\$493m Net debt
15% Gearing (net debt / equity)

Building Products North America

\$399m revenue

932 employees

9 manufacturing sites

28 company owned display and sale centres

12.3 safety (TRIFR)

\$2,423m Market value of WHSP shareholding as at 31 July

\$1,754m Property Trusts combined net asset value

\$585m Building Products net tangible assets (excluding four identified development sites)

\$761m Four identified development sites at current market value

\$5,030m Total inferred asset value including net debt

\$4.92 Underlying earnings per share ↑ 158%

\$5.63 Statutory earnings per share ↑ 256%

41 cents Final ordinary dividend ↑ 3%

63 cents Total full year dividend ↑ 3%

record date 2 November
payment date 23 November

12.3% p.a. BKW total shareholder return over 54 years (since the initial investment in WHSP)
as at 31 July

25,003 Shareholders
as at 31 July

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

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