

BRICKWORKS

LIMITED

ASX/MEDIA RELEASE

6 NOVEMBER 2019

BRICKWORKS ACQUIRES ASSETS OF U.S. BRICK MANUFACTURER REDLAND BRICK

- Brickworks Limited (ASX: BKW) (“Brickworks”), through a US subsidiary, has entered into a binding agreement to acquire assets of Redland Brick Inc. (“Redland Brick”) for up to US\$48 million¹ (AU\$70 million)
- The acquisition includes four modern manufacturing sites, including two in Maryland and one each in Pennsylvania and Virginia, with sales of circa 80 million bricks per year
- The acquisition supports Brickworks’ growth strategy in North America, and will deliver:
 - The opportunity to optimise production with existing facilities and deliver significant manufacturing cost savings
 - Administrative and overhead synergies
 - An enhanced leadership position in the northeast of the United States – the key target market for Brickworks, characterised by high usage of premium bricks in architectural applications
 - The addition of several well-established brands, each with a strong reputation in the market
- The acquisition provides a quicker and more cost-effective route to achieving a modern network of highly utilised manufacturing plants, compared to building new plant
- The acquisition is expected to deliver 3% EPS accretion within three years, following the realisation of identified cost synergies
- The transaction is expected to complete in February 2020

Brickworks, Australia’s largest brick manufacturer, is pleased to announce that it has entered into an agreement to acquire assets of Redland Brick, a wholly owned subsidiary of Belden Holding & Acquisition Company, Inc (Belden), based in Williamsport, Maryland, for up to US\$48 million (AU\$70 million).

The purchase price comprises US\$35 million in upfront payments and up to US\$13 million in deferred payments, subject to certain conditions being met.

Redland Brick has established a leading market position in the Northeast and Mid-Atlantic regions of the United States. With sales of circa 80 million bricks per year, sold under several well-established brands, it has built a strong reputation for premium architectural products.

The acquisition comprises five production lines across four manufacturing sites, including two in Maryland (Cushwa and Rocky Ridge plants), and one each in Pennsylvania (Harmer plant) and Virginia (Lawrenceville plant). With a total capacity of around 250 million bricks per year², the network of plants has the capability to produce a complete range of moulded and extruded face brick, pavers and thin brick for the architectural and residential markets.

¹ FX rate of AU\$1.00 = US\$0.68 used to convert all US\$ metrics. Headline price stated, subject to completion adjustments.

² Current operating capacity is around 170 million bricks per year, with two production lines mothballed

The acquired assets also include extensive raw material reserves, with the vast majority of clay used in production being sourced from quarries located on the manufacturing sites.

The transaction will be funded by existing debt facilities and is expected to deliver 3% earnings per share accretion following the realisation of identified cost synergies, including significant production rationalisation benefits. These cost savings are expected to be achieved within the first three years of the acquisition.

Brickworks Managing Director, Mr. Lindsay Partridge said: “We are pleased to welcome those Redland Brick staff joining the Brickworks Group, as we continue our expansion in the United States. With a suite of well-recognised brands, including the highly renowned Cushwa handmade and moulded bricks, the acquisition will further extend our industry-leading range and premium product positioning.”

Building Products North America - Market Leading Position Established

The Redland Brick purchase follows the acquisition of Iowa based brickmaker, Sioux City Brick, in August, and the purchase of Glen-Gery in November last year.

Mr. Partridge said: “These acquisitions follow a thorough strategic review, where the North American brick industry was identified as a highly attractive long-term growth opportunity for Brickworks. This strategy is underpinned by the significant value creation opportunities available through consolidation and rationalisation of under-utilised facilities across the industry.”

Once the acquisition of Redland Brick assets is completed, expected to occur in February 2020, Building Products North America will be a business of significant scale, with:

- Market share leadership in key states across the Northeast, Midwest and Mid-Atlantic regions;
- A portfolio of well recognised, premium brands;
- More than 1,000 employees;
- 12 operating brick plants and one manufactured stone plant;
- Circa 400 million brick sales per annum;
- Circa AU\$290 million sales revenue per annum; and
- An extensive reseller network and company operated retail outlets.

Mr Partridge said: “We have quickly established a strong position as the largest brickmaker in our key target market – the architecturally focussed Northeast, Midwest and Mid-Atlantic regions of the United States.”

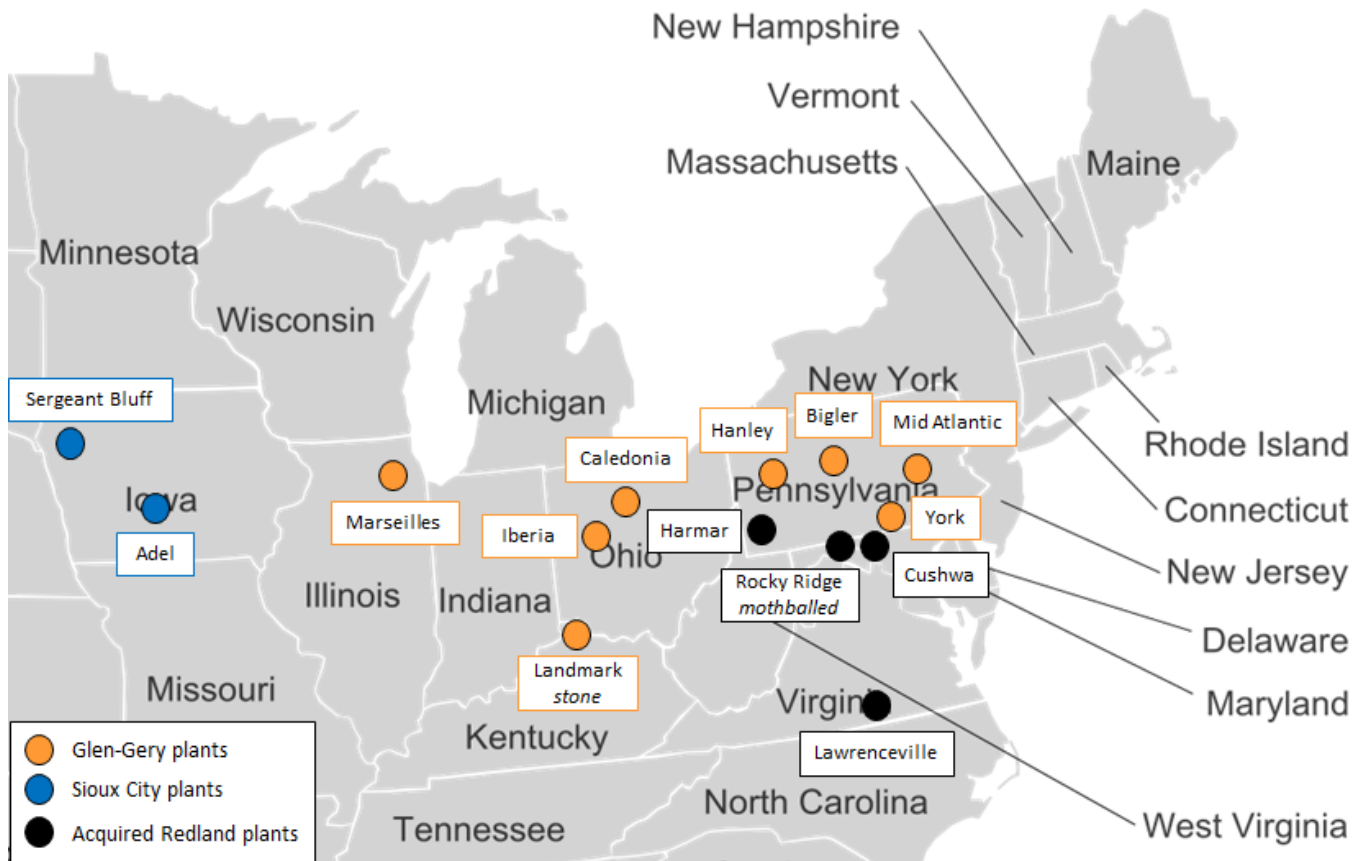
“We are pleased with the performance of the US business over the past 12 months, with our initial targets being achieved, and a range of growth initiatives being progressively implemented. The integration of Sioux City Brick is now largely complete. This includes the planned closure of the Redfield plant, with volume transferred to nearby Adel, allowing significant manufacturing efficiencies to be achieved,” he said.

“The next priority for the business will be the effective integration of the Redland operations, and delivering already identified cost reduction initiatives. Longer term, we believe significant additional upside will be generated through optimisation of distribution channels, introducing new products, and applying our unique market strategy focussed on style and premium product positioning.”

“As we have done in Australia, we will take an active role to lead the industry in the promotion of bricks. In light of the well-publicised structural failures and concerns over other sub-standard building materials being used around the world, we take pride in the timeless appeal and durability of our products.”

“Major cities in our target market like New York, Washington DC, Boston, Philadelphia, Baltimore, Pittsburgh, Columbus, Chicago and Detroit, all have a strong heritage of brick construction, and we are confident the superior technical and aesthetic qualities of brick will ensure a bright future and continued strong demand”, Mr. Partridge said.

Figure 1: Brickworks North America manufacturing plants and brands, post completion of the Redland Brick acquisition



End

Brickworks Limited was listed on the Australian Securities Exchange in 1962 and has paid a dividend every year since then. It has three Groups - Building Products, Land and Development and Investments. The Building Products Group includes Australia’s largest bricks producer Austral Bricks, Austral Masonry, Bristle Roofing and Austral Precast. The Property Group maximises value from surplus land and redundant building products sites. Investments include a 39.4% holding in Washington H. Soul Pattinson & Company.

BRICKWORKS LIMITED (ASX CODE: BKW) www.brickworks.com.au

For further information:

Lindsay Partridge, Managing Director
Robert Millner, Chairman

Tel: (+612) 9830 7800
Tel: (+612) 9210 7030