

# BRICKWORKS

LIMITED

ASX/MEDIA RELEASE

23 AUGUST 2019

## BRICKWORKS ACQUIRES U.S. BRICK MANUFACTURER SIOUX CITY BRICK<sup>1</sup>

- Brickworks Limited (ASX: BKW) (“Brickworks”) has entered into a binding agreement to acquire Sioux City Brick (“Sioux City”) for US\$32 million<sup>2</sup> (AU\$47 million)
- Sioux City has two modern manufacturing plants in Iowa, and has a leading position in the Midwest of the United States, where it has built a strong reputation for premium architectural products
- The acquisition supports Brickworks’ growth strategy in North America, and represents an attractive “bolt-on” opportunity, following the initial acquisition of Glen-Gery in December:
  - Sioux City has delivered consistent earnings for several years
  - Significant cost savings will be generated from operational and administrative synergies
  - Strengthens position in target region
- The acquisition is expected to deliver 3% EPS accretion, post realisation of cost synergies<sup>3</sup>
- It is anticipated the transaction will complete within one week

Brickworks, Australia’s largest brick manufacturer, is pleased to announce that it has entered into a binding agreement to acquire Sioux City Brick, a privately-owned US brick manufacturer, based in Iowa, for US\$32 million (AU\$47 million).

Sioux City has a long and proud history of brickmaking dating back to 1913 and has established a leading market position in the Midwest region of the United States. It has 3 modern production lines with a total capacity of around 160 million bricks per year<sup>4</sup>, located at 2 manufacturing plants, both in Iowa.

Sioux City offers a vast range of products, selling around 90 million bricks per year through direct sales to builders and resellers, and through 5 company-operated retail distribution outlets. It has broad end market exposure, with a strong reputation for architectural products, servicing the non-residential and multi-residential segments. Sioux City also holds the exclusive distribution rights in the United States to the “Feldhaus” thin brick system, offering Brickworks an attractive product growth opportunity.

The transaction will be funded by existing debt facilities, and is expected to deliver 3% EPS accretion, post realisation of cost synergies.

Brickworks Managing Director, Mr. Lindsay Partridge said: “We are pleased to welcome Sioux City and it’s 200 staff to the Brickworks Group, and we look forward to building on the strong position it has established in the Midwest region of the United States. Sioux City’s manufacturing facilities are among the best we have seen in the United States, reflecting the company’s focus on production efficiency and their reputation for product quality.”

<sup>1</sup> The transaction includes the acquisition of Sioux City Brick & Tile Company (100%) and certain assets of MHM Real Estate LLC (land assets related to Sioux City Brick operations)

<sup>2</sup> FX rate of AU\$1.00 = US\$0.68 used to convert all US\$ metrics. Headline price stated, subject to completion adjustments.

<sup>3</sup> Cost synergies are expected to be progressively realised over the first 12 months

<sup>4</sup> Current operating capacity is around 100 million bricks per year, with one production line mothballed

“The acquisition of Glen-Gery in November set the platform to pursue further growth in North America. Unlike Australia, the North American brick industry is highly fragmented, with significant over-capacity, and consists of numerous players operating at sub-optimal factory utilisation. As a result, targeted bolt-on acquisitions such as this allow plant utilisation and production efficiency to increase significantly, as operations are integrated.”

“The acquisition also strengthens our position in the architecturally focussed Midwest and Northeast regions of the United States. Through a prudent and targeted investment approach, and application of our operational expertise, we are confident that attractive returns will be achieved on our ongoing investment in this region.”

### **FY2019 Trading Update**

As outlined in its' half year results announcement released on 21 March 2019, Brickworks expects a strong earnings contribution from the Property Trust for FY2019, significantly above the prior year.

The increase in Property will more than offset a decline in Building Products Australia earnings, which have been impacted by reduced construction activity, lower sales volume and the impact of higher energy costs.

Glen-Gery, the company's US brick manufacturing operation, continues to perform in line with expectations and will make a positive earnings contribution in FY2019.

Subject to the WHSP full year result, it is expected that overall FY2019 NPAT will be broadly in line with the prior year.

Further information will be provided at the Company's full year results announcement, to be released on Thursday 19 September 2019.

**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, Bristile Roofing, Austral Precast, Auswest Timbers and Specialised Building Systems. 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](http://www.brickworks.com.au)

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