



MEDIA RELEASE

28 NOVEMBER 2017

EAST COAST DEMAND DRIVES HIGHER BUILDING PRODUCTS EARNINGS¹

Brickworks Limited (ASX: BKW) told shareholders at its 83rd Annual General Meeting today that first quarter earnings from Building Products are significantly higher than the prior corresponding period, positioning the Company to deliver another strong result in financial year 2018.

Chairman Mr. Robert Millner said: "Elevated levels of construction activity on the east coast continue to drive strong demand for our Building Products, particularly in Sydney and Melbourne."

"The Company is also building considerable asset value for shareholders. The share price is well supported by total asset backing across the Group of almost \$3 billion, compared to a market capitalisation of around \$2.1 billion."

"This steady asset growth and strong earnings outlook again reinforces the benefits of having a diversified portfolio of businesses," said Mr. Millner.

A fully franked final dividend of 34 cents per share is payable to shareholders tomorrow, and takes the full year dividend to 51 cents, up 6.3% on the prior year.

Building Products 1st Quarter Trading Update and Outlook

Building Products unaudited 1st quarter revenue was up 14% compared to the prior corresponding period to \$216 million. First quarter unaudited EBIT increased significantly to almost \$23 million.

Brickworks Managing Director Mr. Lindsay Partridge said: "Building Products performance in the first quarter has been extremely pleasing, with momentum on the east coast continuing from the prior year. During the first few months of the year we have also benefitted from improved weather compared to the prior corresponding period."

"Whilst conditions in Western Australia remain difficult, our earnings have improved as a result of restructuring initiatives undertaken last year to reduce the cost base of our operations in that state," said Mr. Partridge.

"As previously flagged, new gas and electricity contracts will take effect on the east coast from 1 January 2018. However brick price increases and efficiency improvements have already been implemented to fully offset this additional cost impost in the second half," Mr. Partridge said.

Mr. Partridge remains positive about the outlook for Building Products, citing ABS data that shows a significant backlog of work in the system. "In New South Wales alone there have been 45,000 fewer residential completions than approvals in the past three years. This backlog has translated to a long pipeline of work and a very strong order book in the major east coast states," Mr. Partridge said.

¹ All earnings measures refer to unaudited underlying EBIT

Urbanstone Acquisition Completed

On 22nd November the company completed the purchase of Urbanstone, a market leading distributor of premium paving and masonry block products, for \$13.5 million from Schaffer Corporation.

Mr. Partridge said: "Urbanstone has built a strong brand and reputation for high quality and innovative products. The acquisition is a logical bolt-on to our existing masonry business. Importantly, it allows us to expand our premium product offering, in line with our strategy to invest in style and product leadership. With our design studios and displays across the country and our relationships with the architectural community, we are excited by the opportunity to introduce the Urbanstone range to our customers, and look forward to growing this already strong business."

Southern Cross Cement

The company has established Southern Cross Cement, a Joint Venture company owned by Brickworks, the Neilsen Group and the Neumann Group, following approval being granted for the construction of a circa \$50 million cement import terminal in Brisbane. Combined cement demand from the shareholders is in excess of 200,000 tonnes per year, with the terminal expected to be fully installed and commissioned within 18 months.

Mr. Partridge said: "This project will enhance our quarry to end-use strategy by securing high quality and cost effective raw material supply to our downstream concrete products businesses. In addition investment returns will be underpinned by the competitive cost structure of the facility and the significant shareholder volume."

Property Trust Development Activity and Outlook

Development activity in the Property Trust has continued at pace since the end of financial year 2017, with 130,000m² of new developments to be completed by April 2018.

Meanwhile, the completion of infrastructure works at Oakdale South in April 2018 will trigger settlement on the sale of 30 hectares of land, delivering \$100 million in gross receipts to the Property Trust.

Mr. Partridge said: "The strong development activity within the Trust will continue to drive growth in rent and asset value, with Brickworks share of net Trust assets expected to increase by around \$50 million during financial year 2018. Overall 2018 Property EBIT will depend on the outcome of any additional land sales that continue to be investigated across our portfolio."

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. Building Products includes Australia's largest brick producer Austral Bricks, Austral Masonry, Bristile Roofing, Austral Precast and Auswest Timbers. Property operations maximise the value from surplus land and redundant building products sites. Investments include a 42.72% holding in Washington H. Soul Pattinson & Company.

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