



## 85<sup>th</sup> Annual General Meeting

26 November 2019



### **CHAIRMAN:**

Good afternoon ladies and gentlemen, my name is Robert Millner and I am Chairman of Brickworks Limited. I would like to welcome all shareholders and visitors to the 85th Annual General Meeting of Brickworks Limited.

If you have not yet been issued with a voting, non-voting or visitors registration card, please see the representatives of Computershare at the registration desk just outside the function room.

### **Opening:**

Today's meeting has been convened in accordance with both the Corporations Act and the ASX Listing Rules. The Company Secretary has advised me that there is a quorum present and I therefore declare the meeting open.

**Standing orders:**

The standing orders (rules for discussion) will be as follows:

- i. Questions will only be taken from shareholders and proxies or attorneys of shareholders.
- ii. Only those who are registered with an electronic handheld device or those who hold an ORANGE card are entitled to ask questions at today's meeting.
- iii. Shareholders wishing to ask a question are requested to raise your orange card or show your electronic device and an attendant will pass you the microphone. Please state your name before asking a question.
- iv. Would you please ensure that all mobile phones are turned off.

**Introduce directors:**

Before we go further with the meeting I would like to introduce those seated before you:

- Ms Susan Leppinus the General Counsel & Company Secretary;
- Mr Lindsay Partridge, the Managing Director;
- Mr Michael Millner, the Deputy Chairman;
- Mr Robert Webster;
- Ms Deborah Page;

- Mr Brendan Crotty;
- Our new director, Mr Malcolm Bunday; and
- Mr Robert Bakewell, the Chief Financial Officer.

Also here with us today in the audience, I'd like to welcome Ms Robyn Stubbs. As we have announced, Robyn will commence as a new Director on the 1<sup>st</sup> of January.

We also have with us a representative of our external auditors, Mr Mark Conroy of Ernst & Young.



Chairman's Address

Managing Director's Address

Investments

Property

Building Products Australia

Building Products North America

1<sup>st</sup> Quarter Update & Outlook

Questions

**BRICKWORKS**  
LIMITED

After I have completed my overview, Lindsay will give the Managing Director's Address, including a review of Investments, Property, Building Products Australia and our new Building Products North America division.

Following this, shareholders will have the opportunity to ask questions.

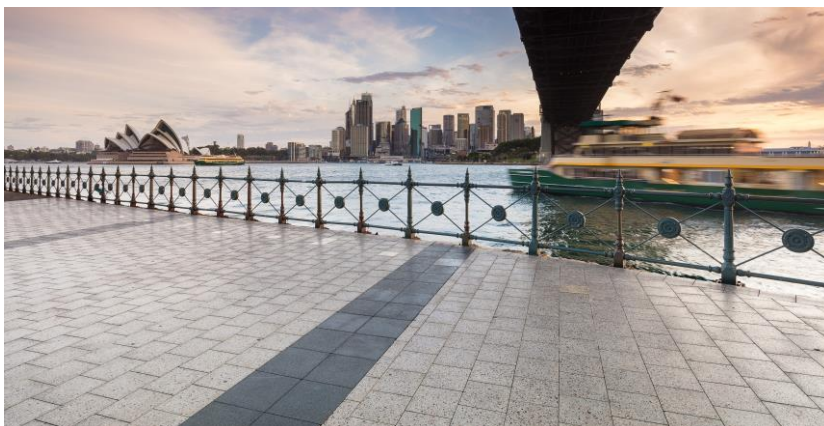
We will then proceed to the formal part of the meeting.

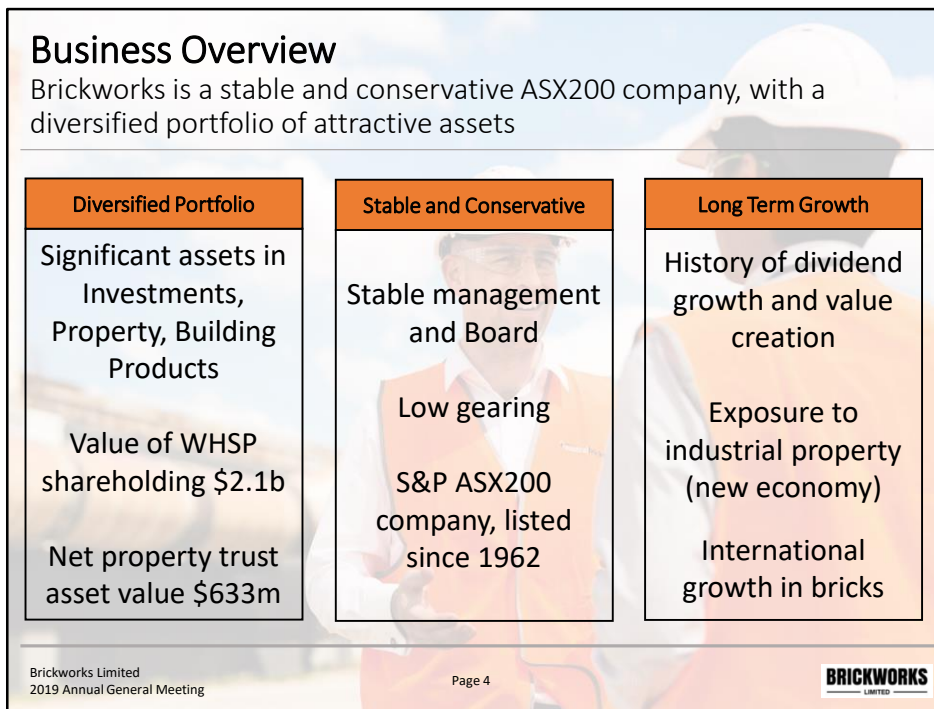
# BRICKWORKS

LIMITED

## Chairman's Address

Mr. Robert Millner





## Business Overview

Brickworks is a stable and conservative ASX200 company, with a diversified portfolio of attractive assets

Diversified Portfolio	Stable and Conservative	Long Term Growth
Significant assets in Investments, Property, Building Products	Stable management and Board	History of dividend growth and value creation
Value of WHSP shareholding \$2.1b	Low gearing	Exposure to industrial property (new economy)
Net property trust asset value \$633m	S&P ASX200 company, listed since 1962	International growth in bricks

Brickworks Limited  
2019 Annual General Meeting

Page 4

**BRICKWORKS**  
LIMITED

Brickworks' has a diversified portfolio that has provided stability of earnings and steady asset growth over the long term.

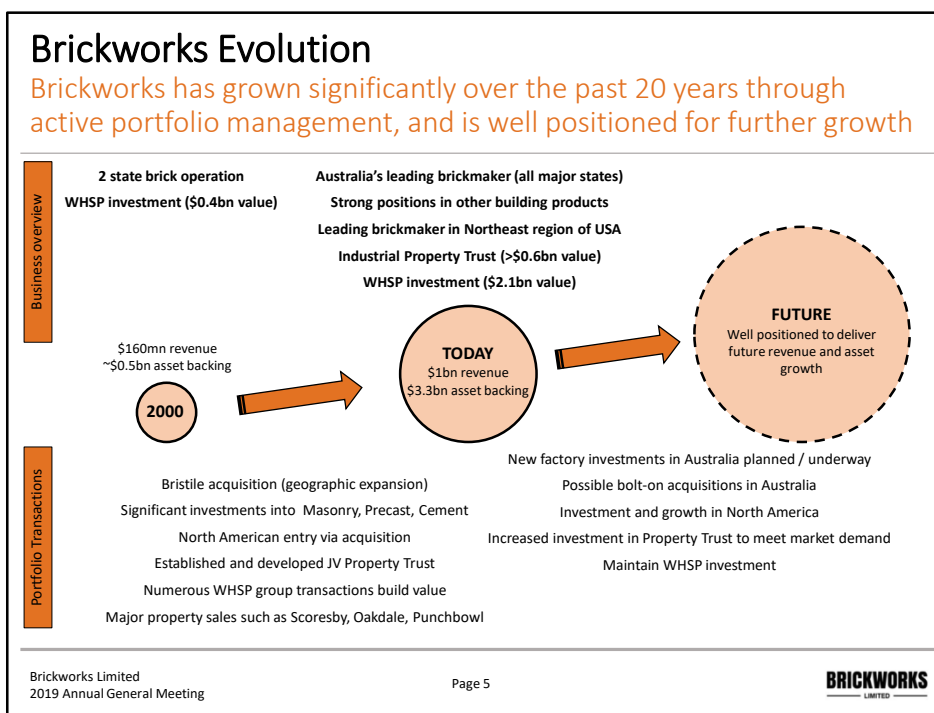
The company has significant assets in:

- Investments;
- Property;
- Building Products Australia; and
- In the last twelve months we have made a strategic investment in North America, and in doing so have created a fourth significant division within the Group.

Brickworks was listed on the ASX in 1962 and in 1969 made a significant investment in Washington H. Soul Pattinson that remains in place today.

The company is stable and conservative, with a low gearing level, a prudent approach to capital management, and a stable Board and management team.

We have a proud track record of dividend growth that dates back over 40 years, and we believe our portfolio of businesses is well placed to continue to deliver long term earnings growth in the years ahead.



As we approach 2020, it is appropriate to take a look back at the evolution of Brickworks over the past 20 years, and also look forward to where the company is headed in the future.

Back in 2000, Brickworks had just five brick plants, operating across 2 states - New South Wales and Queensland – in addition to its' stake in WHSP. Total revenue was \$160 million and asset backing was around \$500 million.

Since then, Brickworks has grown significantly through active portfolio management. Major transactions have included:

- The acquisition of Bristle Limited in 2003, providing geographic expansion to other major states in Australia in bricks, and a new roofing business;
- Significant acquisitions in Masonry and Precast, and a major investment in cement;
- The establishment and development of the JV Property Trust;
- Major property sales such as Brookvale, Eastwood, Scoresby, Oakdale and Punchbowl; and

- Entry into North America through acquisitions over the past 12 months.

At the same time M&A across WHSP and its Group companies has added significant value to Brickworks.

Today the company is backed by net asset value of \$3.3 billion, and in the current financial year we expect to generate around \$1 billion in revenue. Company assets now include:

- Australia's leading brickmaker with operations in all major states;
- Leading positions in a range of other building products in Australia;
- The largest brickmaker in the north-eastern region of the United States;
- A 50% share in an industrial property trust with net value to Brickworks of more than \$600 million; and
- A 39.4% stake in WHSP, worth around \$2.1 billion.

Looking ahead, we believe the company is well positioned for further growth. In particular, we will invest to meet the growing demand for prime industrial property, and we will continue to support our North American business as it pursues growth opportunities. In addition, we have exciting new plant investments underway or planned within our Australian building products operations.

So, as you can see, we have achieved a lot in the past 20 years, and we are excited by the opportunities available for continued growth well into the future.



## FY19 result highlights

Record underlying earnings from continuous operations

<b>Underlying EBITDA</b> (continuing operations)	<b>Underlying profit</b> (continuing operations)	<b>Statutory profit</b>
\$346m ↑12%	\$234m ↑ 4%	\$155m ↓12%
<b>Net tangible asset / share</b>	<b>Underlying EPS</b> (continuing operations)	<b>Total Full Year Dividend</b>
\$13.28 ↑7%	156 cents ↑ 4%	57 cents ↑6%

Brickworks Limited  
2019 Annual General Meeting

Page 6

**BRICKWORKS**  
LIMITED

Financial year 2019 was very successful for Brickworks.

The company delivered a record full year EBITDA from continuing operations of \$346 million, up 12% compared to the prior year.

Underlying net profit after tax from continuing operations was also a new record, up 4% to \$234 million.

This translates to underlying earnings per share of 156 cents.

After including the impact of significant items and discontinued operations, statutory NPAT for the period was \$155million.

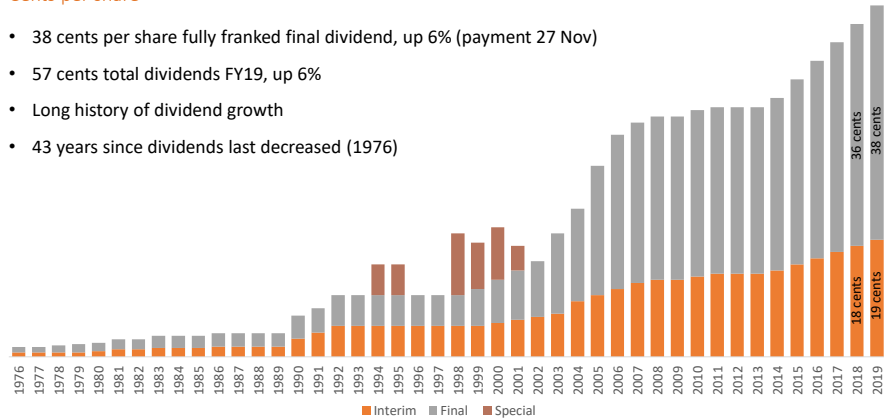
Total shareholders equity was up by \$96 million and now stands at almost \$2.2 billion. Net tangible assets per share was up 7% to \$13.28.

# Dividends

Brickworks normal dividend has been maintained or increased since 1976

## Brickworks Dividend History Cents per share

- 38 cents per share fully franked final dividend, up 6% (payment 27 Nov)
- 57 cents total dividends FY19, up 6%
- Long history of dividend growth
- 43 years since dividends last decreased (1976)



Brickworks Limited  
2019 Annual General Meeting

Page 7

**BRICKWORKS**  
LIMITED

A fully franked final dividend of 38 cents per share is payable to shareholders tomorrow. This takes the full year dividend to 57 cents per share, up 6%.

Based on our current share price, this represents a grossed-up dividend yield of around 4.5%, including the benefit of franking credits.

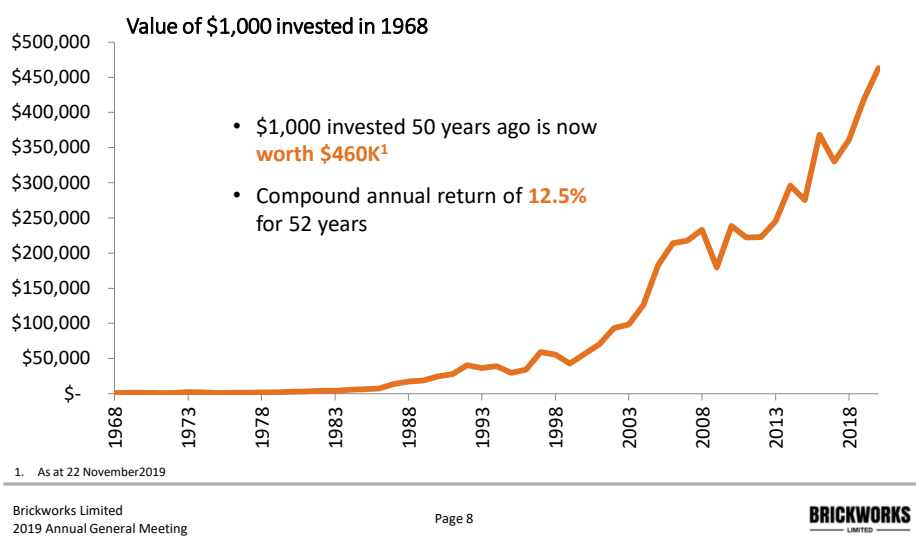
The chart on the screen shows our dividend history going back over 40 years. We recognise the importance of dividends to our shareholders and are proud of our strong and stable dividend history.

Brickworks is one of only 8 companies to maintain or increase dividends every year since the turn of the century.

In fact, since listing on the ASX in 1962, we have only reduced dividends once, in 1975.

## Total value creation

Brickworks has created significant shareholder value over the long term

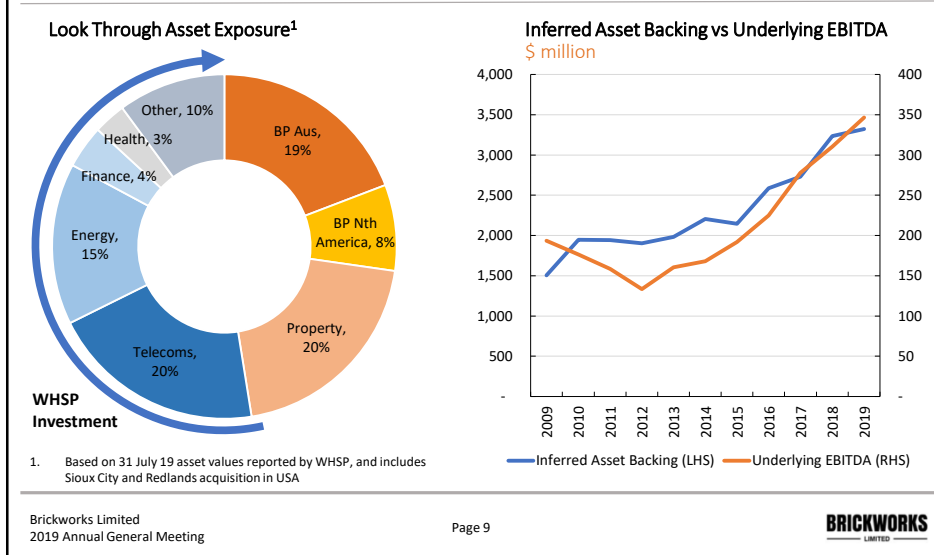


In addition to dividend growth, Brickworks also has a strong history of total value creation.

Over the past 50 years the company has delivered shareholder returns of over 12% per annum, incorporating dividends and share price appreciation. This means that \$1,000 invested in Brickworks in 1968 would be worth around \$463,000 today.

## Consistent Growth in Asset Value

BKW has a diversified portfolio of assets, that have doubled in value over the past decade



As I mentioned earlier, the inferred net tangible asset backing of the Group is now more than \$3.3 billion. This value includes the net tangible assets held within the Building Products businesses, and the Property Trust, plus the market value of Brickworks' stake in WHSP, offset by net debt.

The growth in inferred asset value is shown by the blue line on the chart. It has doubled over the past decade, and as I mentioned increased from around \$500 million over the past 20 years.

Our history of value creation is underpinned by the company's diversification strategy. This diversity provides earnings stability and the ability to invest for the long term, through cycles.

Brickworks look through asset exposure is shown on the left hand chart, including the breakdown of the assets held by WHSP. So in addition to Building Products and Property, this shows that the company has exposure to other industries such as telecommunications, energy, finance and health.

Our North American brick operations are now of sufficient size and scale to make a meaningful contribution to Group earnings, whilst also providing diversification and strong prospects for growth, and Lindsay will talk in more detail about this business later.

# Sustainability

Brickworks sustainability strategy incorporates the community, the environment, our people and responsible business practices



*We are committed to social responsibility and we aim to make a valuable contribution to our communities*

- Partnerships
- Community Engagement and Support



COMMUNITY

*We are committed to managing our operations in an environmentally sustainable manner*

- Energy and Emissions
- Understanding Carbon Risks and Opportunities
- Resource Efficiency
- Waste Management
- Rehabilitation and Local Communities
- Environmental Performance and Compliance



ENVIRONMENT

*We create BEAUTIFUL PRODUCTS that last forever*



OUR PEOPLE

*Sustaining a strong culture driven by diverse and talented people is critical to our long-term success*

- Health, Safety and Wellbeing
- Training and Education
- Diversity and Inclusion



RESPONSIBLE BUSINESS

*We continue to lead the way through design, style, innovation, sustainability and collaboration*

- Innovation and Sustainable Products
- Product Compliance
- Risk Management
- Responsible Procurement
- Governance

Brickworks Limited  
2019 Annual General Meeting

Page 10

**BRICKWORKS**  
LIMITED

At Brickworks, we recognize the importance of sustainability and this year sustainability has been formally incorporated into the charter of the Audit and Risk Committee.

In 2019 we launched our Sustainable Business Framework, incorporating our community, the environment, our people and responsible business practices.

These issues are covered in depth, in our first stand-alone Sustainability Report that we released in conjunction with our full year results.

Brickworks' purpose has sustainability at our core – to create beautiful products that last forever, and we are proud that our products support energy efficient and sustainable housing.

For example, bricks are made from non-toxic ingredients, are non-flammable, low maintenance, weatherproof, reusable, recyclable, inert, have excellent acoustic properties, and sold with a 100-year warranty.

## Board Governance

### New Board appointments

- Two new independent non-executive directors appointed
  - Mr Malcolm Bunday (effective 1 October 2019)
  - Ms Robyn Stubbs (effective 1 January 2020)
- Mr Bunday will serve as a member of the Board's Audit and Risk Committee, Independent Board Committee, Remuneration Committee and the Nomination Committee
- Ms Stubbs will serve as a member of the Board's Independent Board Committee and the Remuneration Committee
- Increases the number of independent non-executive directors to 5
- Increases the total number of directors to 8, including the Managing Director
- Will facilitate a smooth transition in the period until the retirement of Brendan Crotty at next year's AGM

The continued strong performance of the company is a credit to our staff. On behalf of the Board, I would like to thank all our staff and our executive management team for their ongoing efforts and commitment.

I would also like to thank my fellow directors and our shareholders for your continued support.

As I mentioned earlier, we have recently announced the appointment of two new independent non-executive directors.

I again welcome Malcolm Bunday who commenced as a Director on 1st October. Malcom has valuable experience as a managing director with expertise in complex manufacturing operations in Australia and the USA, strategy, mergers and acquisitions and business portfolio management. His broad business knowledge, manufacturing experience in Australian and the USA and

strong financial background will complement the Board's existing mix of skills and experience. Malcolm will serve as a member of the Board's Audit and Risk Committee, Independent Board Committee, Remuneration Committee and the Nomination Committee.

As I mentioned, we are also pleased to welcome Ms Robyn Stubbs who is with us today in the audience and who will commence as a Director on 1 January. Robyn's executive career spans 25 years in senior sales and marketing roles, including at two of Australia's largest property groups: Stockland and Lend Lease. Robyn will serve as a member of the Board's Independent Board Committee and the Remuneration Committee.

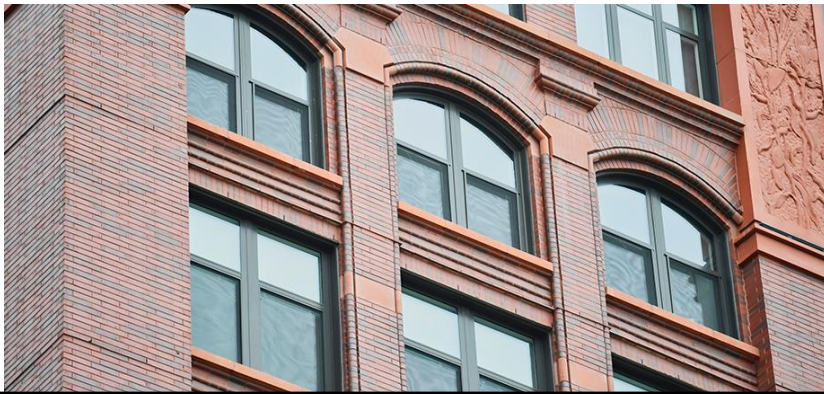
The two new appointments will increase the number of independent non-executive directors to 5, and the total number of directors to 8, and will facilitate a smooth transition in the period until the retirement of Brendan Crotty at next year's AGM.

I will now hand over to Lindsay for the Managing Director's address.



## Managing Director's Address

Mr. Lindsay Partridge



Thank you Chairman. Good afternoon ladies and gentlemen.

It gives me great pleasure to report that Brickworks has delivered another strong financial result in 2019. We have also made significant progress in the implementation of a range of strategic initiatives to position the company for further growth.



## Safety

Continued focus on workplace safety, injury prevention

### US Safety Performance

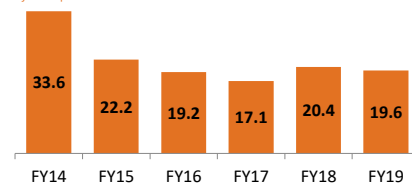
Period since acquisition

- 6 lost time injuries
- LTIFR 7.6
- TRIFR 29.1



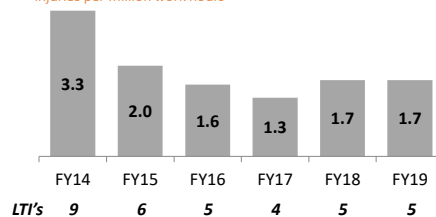
### Total Workplace Injury Frequency Rate - AUS

Injuries per million work hours



### Total Lost Time Injury Frequency Rate - AUS

Injuries per million work hours



LTI's

9 6 5 4 5 5

Brickworks Limited  
2019 Annual General Meeting

Page 13

**BRICKWORKS**  
LIMITED

But first, and most importantly, I will talk about safety.

The health and safety of our people is our number one priority, and the Company has made steady progress in reducing the number of workplace injuries over many years.

As shown, the number of lost time injuries sustained within our Australian operations has progressively decreased over the past five years.

There were 5 Lost Time Injuries during 2019. This translated into a Lost Time Injury Frequency Rate of 1.7 injuries per million hours worked, in line with the prior year.

In our newly acquired operations in the United States, there were 6 lost time injuries for the period since the acquisition of Glen-Gery in late November.

We are committed to rolling out best practice safety standards across all operations, and this will include a special focus on the newly acquired North American business, where workplace injury rates are significantly higher than Australia.

# Overview of Operating Divisions

Brickworks has four operating divisions

<b>Investments</b> <i>\$2,142m (market value)</i> <ul style="list-style-type: none"> <li>39.4% share of WHSP (ASX: SOL, market cap \$5.4 billion, S&amp;P ASX100)</li> </ul>	<b>Property</b> <i>\$668m<sup>1</sup> (market value)</i> <ul style="list-style-type: none"> <li>Development of non operational land</li> <li>50% share of \$1.8 billion Industrial Property Trust</li> </ul>
<b>BP Australia</b> <i>\$626m (Net Tangible Assets)</i> <ul style="list-style-type: none"> <li>Australia's leading brickmaker</li> <li>Leading positions in other trusted and established building products</li> </ul>	<b>BP North America</b> <i>\$271m<sup>2</sup> (Net Tangible Assets)</i> <ul style="list-style-type: none"> <li>Leading brickmaker in Northeast, Midwest and Mid-Atlantic</li> </ul>

1. Net tangible asset value of Property Trust + development land held at book value

2. Post completion of Redland Brick acquisition

Brickworks Limited  
2019 Annual General Meeting

Page 14

As the Chairman mentioned, Brickworks has a diversified portfolio of businesses.

Investments consists primarily of a 39.4% interest in Washington H. Soul Pattinson, an ASX100 company with a current market capitalisation of around \$5.3 billion.

Building Products Australia consists of leading brands such as Austral Bricks, Bristle Roofing, Austral Masonry and Austral Precast.

We have established a new Building Products North America business, with 3 acquisitions over the past 12 months, quickly establishing ourselves as the leading brickmaker in the Northeast, Midwest and Mid-Atlantic regions of the United States.

The Property business has grown significantly over the past decade, through developing surplus land within the Building Products business, and includes a 50% share in a \$1.8 billion Industrial Property Trust.

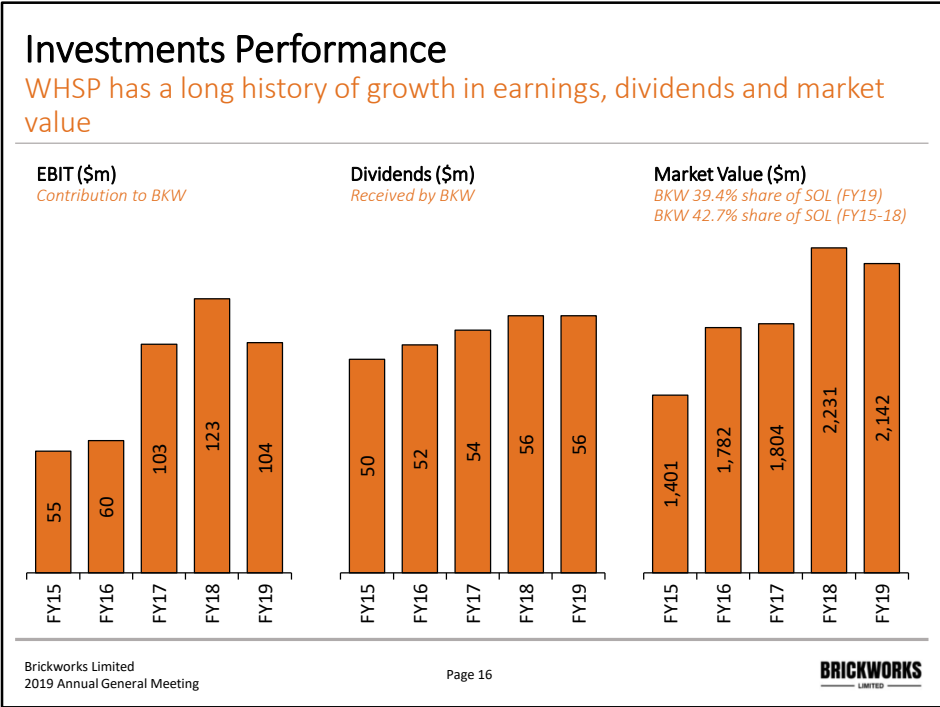
As outlined, each of these businesses has a strong position in its own right, with significant asset value, and good prospects for growth.



## Investments



I will now discuss each in more detail, starting with our investment in WHSP, the largest part of the Group by asset value.



The underlying EBIT contribution from Investments was \$104 million for 2019, down by 16%. The decline was due primarily to a decrease in contribution from Round Oak Minerals.

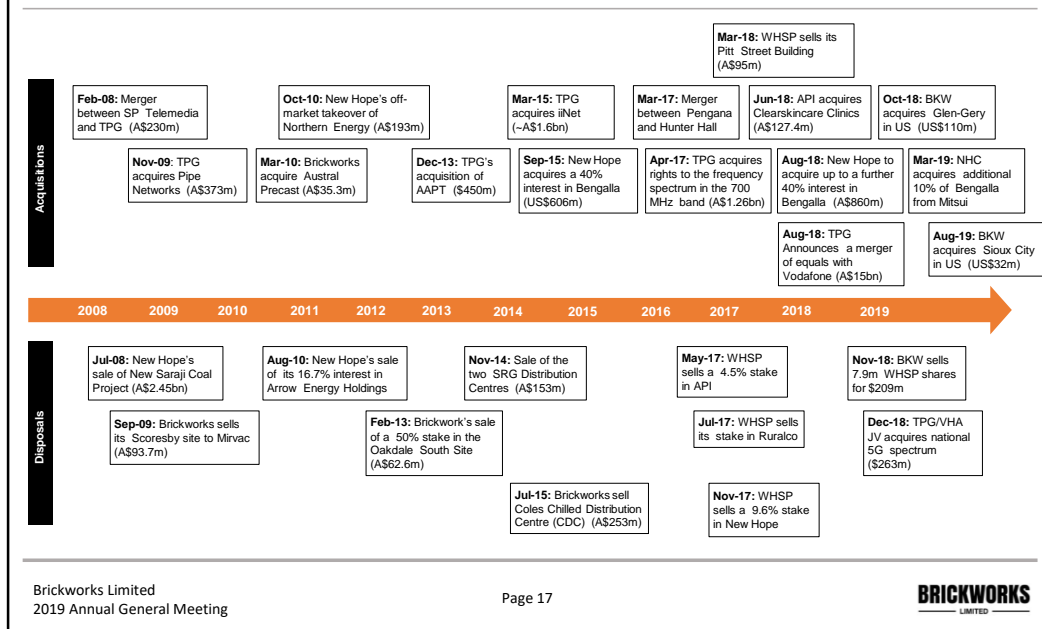
\$56 million in fully franked dividends were received during the year, in line with the prior year.

As shown on the chart, our investment has provided a steadily increasing cash flow stream via dividends, and this is of critical strategic importance, allowing the company to make long term investment decisions in spite of cyclical downturns. It also underpins Brickworks’ dividend to our shareholders.

Brickworks share of WHSP had a market value of just over \$2.1 billion at the end of the financial year. Although the share price was up compared to the prior year, the market value of Brickworks shareholding decreased by \$89 million. This was due to the sale of shares in November and December, reducing Brickworks shareholding to 39.4%, from 42.7%. This sale delivered \$208 million in cash proceeds, before tax.

# Investments

Active M&A across WHSP and Group Companies has added value over a long period of time



Our investment has delivered outstanding returns over the long term, with annualised total returns of 11.6% per annum for the past 15 years. This represents an outperformance of 2.6% per annum versus the ASX All Ordinaries Accumulation Index.

The company has a track record of disciplined, but opportunistic investment and capital allocation that has added significant value over a long period of time.

The slide on screen shows a selection of acquisitions and divestments across WHSP and Group companies over the past decade.

One recent example is the sale of the Pitt Street head office building, which the company had occupied for 145 years. The sale demonstrates the pragmatism of the Board and the willingness to sell an asset at the right price, achieving a record per metre rate for Pitt Street mall.

## Investments

WHSP is a diversified investment house with an attractive portfolio of assets



**Value of WHSP holding (25.3% share) \$1.64 billion**

- EBITDA \$809 million in FY2019
- Valuable and extensive infrastructure network
- Low cost, high value service provider
- Utility like subscription (defensive)
- VHA merger complementary and synergistic (if approved)



**Value of WHSP holding (50% share) \$1.04 billion**

- EBITDA \$517 million in FY2019
- Low cost producer – globally competitive
- Global coal constraints from limited new mines
- Strong and growing demand of clean Australian coal from customers in the Asian region
- Generates strong cashflows and high dividend yield
- Further long-term development upside

**Value of financial services portfolio \$353 million**



**Value of pharmaceutical portfolio \$265 million**



All values shown as at 31 July 2019, as per WHSP FY2019 results announcement

Brickworks Limited  
2019 Annual General Meeting

Page 18

**BRICKWORKS**  
LIMITED

Looking more closely at WHSP's key holdings.

It has \$1.64 billion invested in a 25.3% stake in TPG Telecom. This business is a low cost and high value service provider, with a utility like subscription customer base. It has announced a merger of equals with Vodafone that has the ability to deliver significant cost reduction synergies, albeit remains subject to regulatory approvals.

It also has over \$1 billion invested in New Hope Group, through a 50% holding. New Hope is a low cost coal producer, meeting the increasing demand for clean Australian coal from customers in Asia.

In addition to these two major investments, it has \$353 million invested across a diversified financial services portfolio, and \$265 million invested in healthcare and pharmaceuticals.

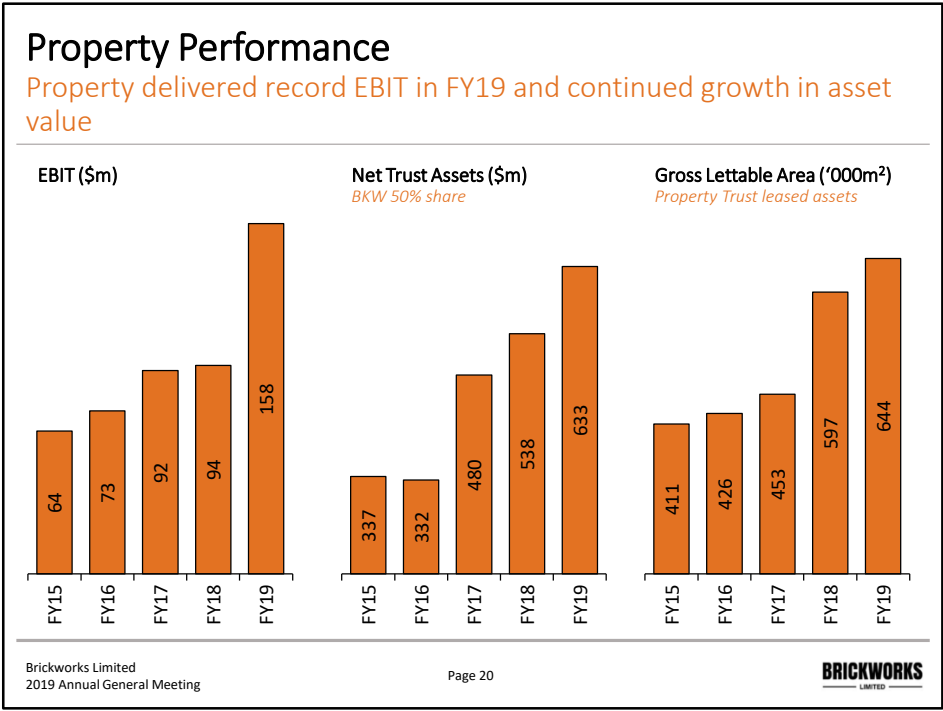
WHSP is a stable and trusted business partner to Brickworks, and we are confident that it will continue to add value and deliver a growing stream of earnings and dividends over the long term.



## Property



Turning now to Property.



Property delivered a record EBIT of \$158 million in FY2019, up significantly on the prior year.

This represents the sixth consecutive year of earnings growth.

The improved result was due to significantly higher earnings from the Property Trust, including a revaluation profit of \$70 million. This was driven by continued industry-wide capitalisation rate compression for prime industrial property assets.

The total value of assets held within the Property Trust was almost \$1.8 billion at the end of the year. Borrowings of \$490 million are held within the Property Trust, giving a total net asset value of \$1.3 billion. Brickworks’ 50% share of net asset value was \$633 million at the end of the year.

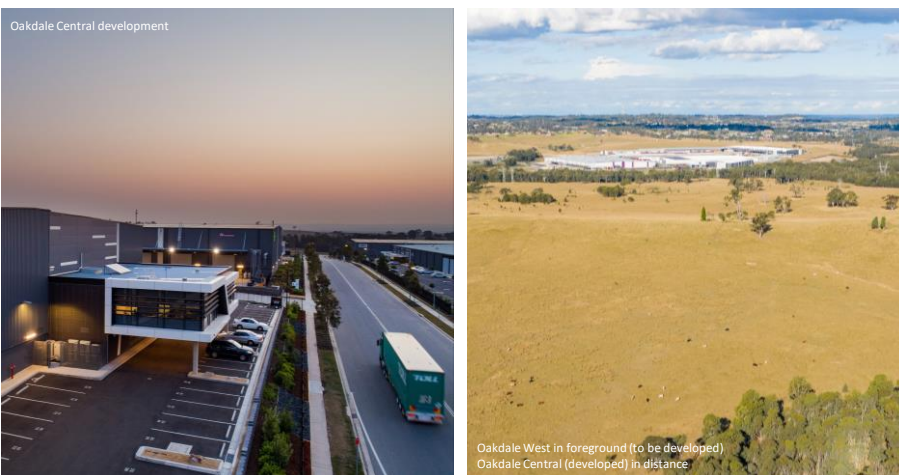
After a decade of methodical investment and development within the Property Trust, we are very pleased with the progress that has been achieved. Since its’ inception in 2008, consistent development activity has resulted in the Trust now having a gross lettable area of leased assets of 644,000m².

In the same period, Brickworks net asset value has increased at 18% per annum, generating significant value for shareholders.



## Property – Development Pipeline

Development land at Oakdale (NSW) will provide further growth for up to a decade



Brickworks Limited  
2019 Annual General Meeting

Page 21

**BRICKWORKS**  
LIMITED

We are focused on continuing to build asset value in the Property Trust.

Since the end of the financial year, development activity continues to be strong, with the completion of two further developments anticipated in the first half. This will drive further growth in asset value and rental income, with each of these properties tenanted on long-term leases.

In addition to the completion of new developments, the sale of 10 hectares of surplus land into the Trust at Oakdale East, will underpin the Property result in financial year 2020. This land, part of the 88-hectare Plant 3 site, has been identified for the development of a mixed use industrial site, to include a new masonry plant, replacing our existing masonry plant at Prospect.

In September we also announced that the Trust has secured development approval for 89 hectares of land Oakdale West. This site, shown on the right of screen, provides the opportunity for further growth over the next 5-10 years.

## Property – Future

- Brickworks (100% owned) and the JV Property Trust (50% owned) have well located land and developed industrial property assets close to end-customers and key transport infrastructure
- These facilities are critical in the supply chain of the new economy
- In addition, technological advances are improving efficiency and allowing industrial land to be utilized more effectively
  - Full automation and robots
  - High bay warehousing
  - Order picking and tracking technology
- As a result industrial capitalisation rates are continuing to compress, driving increased valuations

Brickworks Limited  
2019 Annual General Meeting

Page 22

**BRICKWORKS**  
LIMITED

The strong demand for our industrial land reflects a wider structural change across the economy, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping.

Well-located industrial facilities, close to consumers are increasing in value, as they are now a critical component in the supply chain solution of the new economy.

In addition, technological advances are rapidly changing the look of modern warehouse facilities. These advances are improving efficiency and allowing industrial land to be utilized more effectively, with trends such as:

- Full automation and robots, to enable efficient picking and packing; and
- Multi-level industrial facilities and high bay warehousing

These trends are driving the increasing valuations, and we expect this to continue, with tight supply of large industrial zoned land in prime areas, such as those held by Brickworks and the Property Trust.

With Goodman, we have a JV partner who is a world leader in multi-storey logistics, with scale and operational capacity to deliver, in response to this strong demand from blue chip tenants.



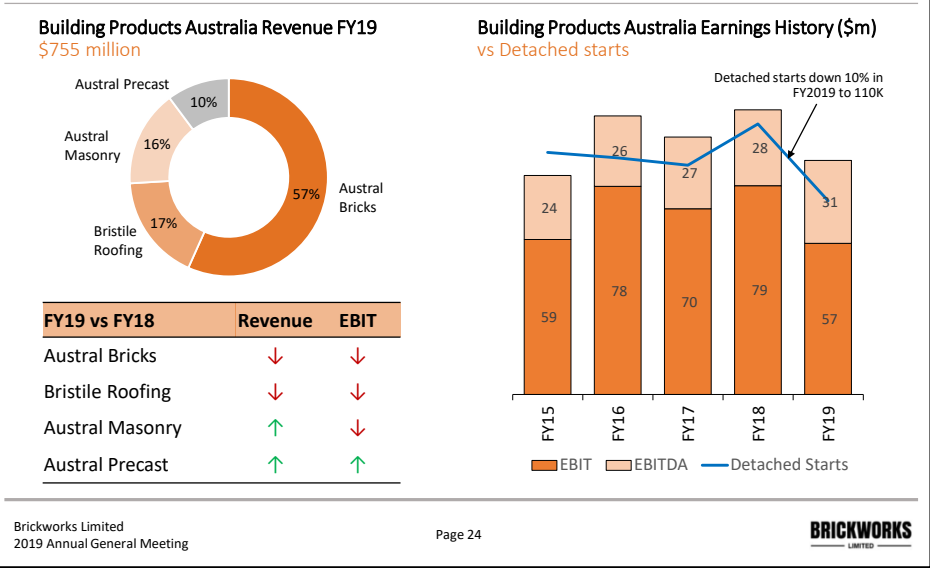
## Building Products Australia



Turning now to Building Products Australia.

# Building Products Australia - Performance

Resilient performance across Building Products business units




Revenue from continuing operations for the period was \$755 million and EBITDA was \$88 million, down by 18%.

Despite the lower earnings, operational performance across most divisions was encouraging, given the headwinds associated with declining market activity and significantly higher energy costs.

After a period of strong residential building activity, detached house starts were down 10% for the year, with a broad-based fall across all major states. In Western Australia, market conditions remain extremely difficult, and this had a significant impact on our operations and earnings.

Gas price increases of between 29-45% across east coast states on 1 January 2019, resulted in a \$12 million increase in costs compared to the prior year, primarily within Austral Bricks.




---

- Australia's largest brick business
- Leading positions in all major states. Supplies into New Zealand and other export markets
- Total sales revenue \$428 million in FY2019
- Consistent investment in plant and equipment over many years to ensure lowest cost position
- Planning commenced for a major new plant investment at Horsley Park, NSW
- Bricks are the dominant external walling material for detached houses in all states
- Technical superiority and aesthetic appeal driving increased demand for brick in commercial and higher density residential applications

---

Brickworks Limited  
2019 Annual General Meeting



Page 25

I will now provide a brief overview of each of our major divisions within Building Products Australia, starting with Austral Bricks.

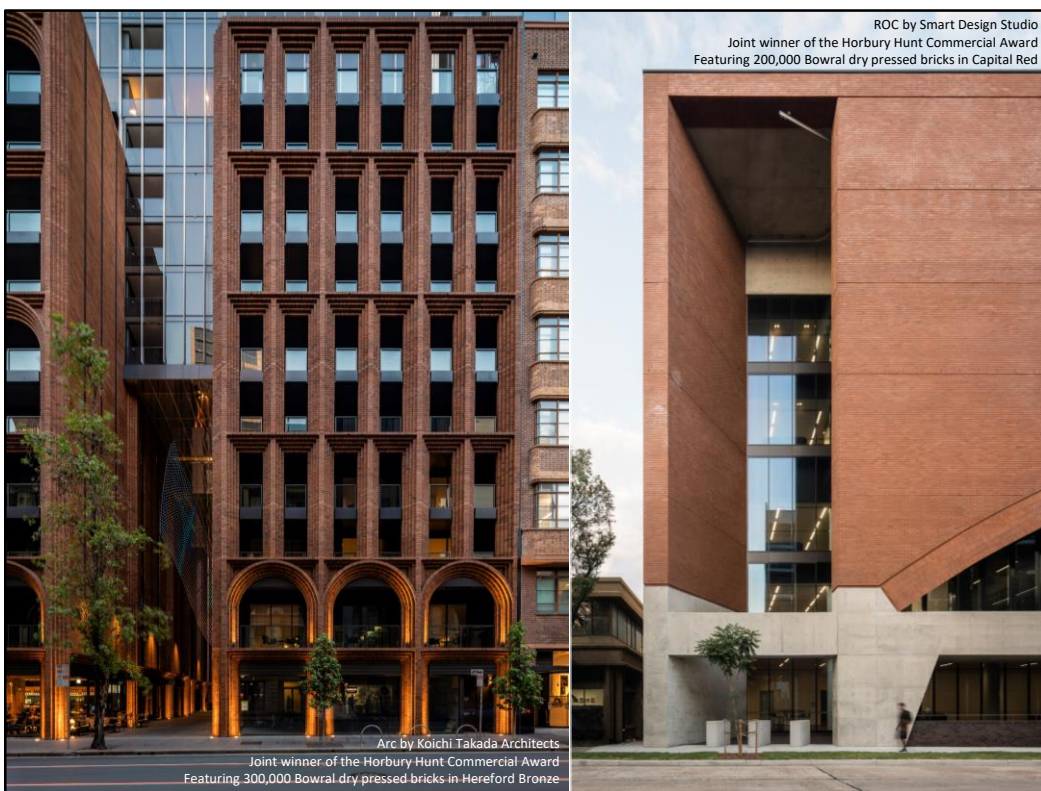
Austral Bricks is Australia's largest brick business, with leading positions in all major states, and supplying into New Zealand and other export markets across Asia.

Total sales revenue was \$428 million in FY2019.

Brickworks is committed to investing in manufacturing facilities to achieve the lowest cost position in each market. Following significant investments in Victoria, Western Australia and Queensland in recent years, the focus for capital investment has now turned to New South Wales. A review of the future operational footprint within the Horsley Park precinct has been completed, with a development application for a new face brick plant at the current Horsley Park Plant 2 site submitted in the second half.

Our investment is supported by continued strong demand for bricks. Surveys of builders across the country, as completed by BIS Oxford Economics, show that bricks remain by far the most popular building material for external walls in housing across Australia.





Looking also at high rise and commercial construction, Austral Bricks has had great success in recent years in benefitting from the growth in this segment.

We have made significant investments to increase the penetration of bricks into this market, including the roll-out of capital city design studios across the country, product development, and a focus on building improved relationships with architects and engineers.

At the recent Horbury Hunt awards, which recognise excellence in the use of building products in architectural design, our products featured in four winning projects.

Two winning projects are shown on screen.

- On the left is the Arc by Crown building in Sydney, joint winner in the commercial category. This project, inspired by the heritage buildings in the area, incorporates 300,000 dry pressed bricks in Hereford Bronze, from our Bowral plant.
- On the right is Rail Operations Centre by Smart Design Studio, the other joint winner in the commercial category, featuring 200,000 Capital Red bricks, also from our Bowral plant.

- Australia's second largest masonry business
- Full range of blocks, retaining walls and pavers
- Total sales revenue \$119 million in FY2019
- Exposure to high density residential and non-residential building
- Acquisition of Aussie Concrete Products, a leading concrete sleeper retaining wall manufacturer, completed in May 2019
- Earthworks commenced for new plant at Oakdale East in New South Wales



Over the past decade Austral Masonry has grown rapidly through acquisition, and is now established as Australia's second largest masonry manufacturer. It offers a full range of masonry products and provides Brickworks with increased exposure to the multi-residential and non-residential markets.

Masonry also provides geographic diversification, with the North Queensland market being particularly attractive due to masonry's superior performance in cyclone conditions.

Total sales revenue was \$119 million in FY2019.

In May, Austral Masonry completed the acquisition of Aussie Concrete Products, a leading concrete sleeper retaining wall manufacturer, based in Brisbane. This acquisition provides immediate market leadership in a fast-growing product category, and the opportunity to expand sales through Austral Masonry's nationwide distribution network.

In New South Wales, earthworks are underway, ahead of the construction of a highly advanced masonry plant, to be located on Property Trust land at Oakdale East. This plant is scheduled for commissioning in late 2020.



- Australia's second largest roof tile business
- In addition to concrete and terracotta tiles, product range also includes solar tiles, metal roofing and fascia and guttering
- Timber roof tile battens produced at Fyshwick, ACT
- Total sales revenue \$131 million in FY2019
- Rooftile accessory packing line completed at Wacol plant, Brisbane

Brickworks Limited  
2019 Annual General Meeting

Page 28



Bristile Roofing is Australia's second largest manufacturer and installer of roof tiles, with concrete roof tile plants in Melbourne and Brisbane, and premium imported terracotta tiles distributed across the country. Bristile Roofing's product offer also includes solar tiles, metal roofing and fascia and guttering.

Total sales revenue was \$131 million in FY2019.

This includes sales from the Fyshwick roof tile batten mill, operating as the newly branded "Capital Battens", following the sale of Auswest Timbers hardwood assets.





- Manufacturing plants in Sydney, Brisbane and Perth
- Offers standard and bespoke wall panels
- Total sales revenue \$77 million in FY2019
- Exposure to high density residential and non-residential building
- Australia's most advanced precast walling plant at Wetherill Park, Sydney
- "Double Wall" launched, a cost effective permanent structural framework that offers significant advantages over alternatives

Brickworks Limited  
2019 Annual General Meeting

Page 29



Austral Precast has manufacturing plants in Sydney, Brisbane and Perth, offering standard and bespoke walling and flooring panels. This includes Australia's most advanced precast facility, at Wetherill Park in Sydney.

Sales revenue was \$77 million in FY2019.

Austral Precast continues to focus on a range of product development initiatives. In August 2019, "Double Wall" was launched, a cost effective permanent structural framework that offers significant advantages over alternative systems.



- Southern Cross Cement is a joint venture company owned by Brickworks (33% interest), the Neilsen Group and the Neumann Group
- Cement import terminal in Brisbane with shareholder volume >200,000 tonnes per annum
- Construction of the terminal throughout FY2019
- Commissioning currently underway
- Will provide reliable and cost effective cement to Austral Masonry and Bristile Roofing

Brickworks Limited  
2019 Annual General Meeting

Page 30



We have also made a significant investment in Southern Cross Cement, a Joint Venture company in which we hold a 33% interest.

This cement import terminal, located in Brisbane, will have shareholder volume throughput in excess of 200,000 tonnes per year.

The terminal is currently being commissioned, with the first shipment of cement being unloaded in October.

This facility will provide a reliable, cost effective source of cement for our Austral Masonry and Bristile Roofing businesses and is expected to deliver solid returns on invested capital.



## Building Products North America

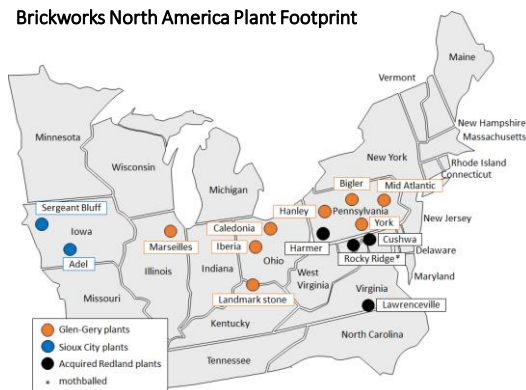


Turning now to our newly established Building Products North America division.

## Building Products North America

A business of significant scale has been established, with a market leading position in the Northeast, Midwest and Mid-Atlantic regions

### Brickworks North America Plant Footprint



- 3 acquisitions in the past 12 months (Redland acquisition to be completed Feb 2020)
- Market share leadership in key states across Northeast, Midwest and Mid-Atlantic regions
- 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 revenue per annum
- Extensive reseller network and company operated retail outlets

**Glen-Gery**

**Sioux City Brick**  
Since 1913

**Cushman**  
BRICK

**Lawrenceville**  
BRICK

Brickworks Limited  
2019 Annual General Meeting

Page 32

**BRICKWORKS**  
LIMITED

As the Chairman mentioned, with 3 acquisitions over the past 12 months, we have quickly established a business of significant scale in North America, able to make a meaningful contribution to Group earnings, and a platform for growth.

Earlier this month we announced the acquisition of Redland Brick assets. This followed the purchase of Iowa based brickmaker, Sioux City Brick, in August, and the purchase of Glen-Gery in November last year.

Once the acquisition of Redland Brick assets is completed, expected to occur in February 2020, Building Products North America will have:

- 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.

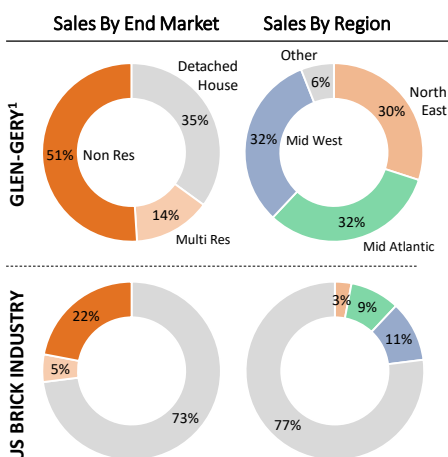
Most importantly, as I have travelled around our operations, I have been encouraged by the level of skill and motivation across the workforce.

## Building Products North America - Strategy

A differentiated brick business – by geography and end-customer

- USA identified as an attractive market
  - Steady growth in construction activity
  - Favourable cost (including tax rates) and ease of doing business vs Australia
  - Abundant access to cheap energy
  - Strong heritage of brick construction
- Highly fragmented industry offers rationalisation opportunities
  - Improve utilization, efficiency and returns
- Earnings from US operations able to be distributed as franked dividends to Australian shareholders
- Brickworks differentiated from other majors: focussed on higher margin architectural market in north eastern region

1. FY19 Glen-Gery sales. Subsequent acquisitions focussed in similar regions / markets



Source: Brick Industry Association

Brickworks Limited  
2019 Annual General Meeting

Page 33

These acquisitions followed a thorough strategic review, which identified the North American brick industry as a highly attractive long-term growth opportunity for Brickworks, with:

- A forecast for steady growth in construction activity;
- Supportive policy settings for business:
- Low costs, including abundant cheap energy; and
- A strong heritage of brick construction

In addition, due to the fragmented nature of the North American brick market, there is an opportunity to participate in the ongoing industry rationalisation that is underway, increasing plant utilisation and improving production efficiency.

It is important to note that our brick operations are differentiated compared to the other major brick companies in the United States.

Our focus is on the Northeast, Mid-Atlantic and Midwest regions, an area where other major players have minimal presence. Our product mix reflects the traditional building styles of this region, with higher margin architectural products into the non-residential and multi-residential segments making up 65% of sales. This compares to the wider US brick industry, where sales into these sectors make up only 27% of the total.

## Building Products North America

### Performance ahead of expectations

- Performance ahead of expectations, for FY2019 (~ 8 month ownership period)
  - Revenue AU\$121 million
  - EBITDA US\$12 million
- Sioux City acquisition completed in August (post FY2019) - integration activities largely completed, including closure of Redfield plant and transfer of volume to Adel plant
- Additional acquisition of Redland Brick assets announced earlier this month
- Exclusive supply agreements with Brickworks European partners for supply of premium imported bricks
- Philadelphia design studio under construction
- New York showroom renovated

Brickworks Limited  
2019 Annual General Meeting

Page 34



Financial performance since the acquisition of Glen-Gery in November 2018 has been ahead of expectations. Sales revenue for the initial 8-month period was \$121 million and EBITDA was \$12 million.

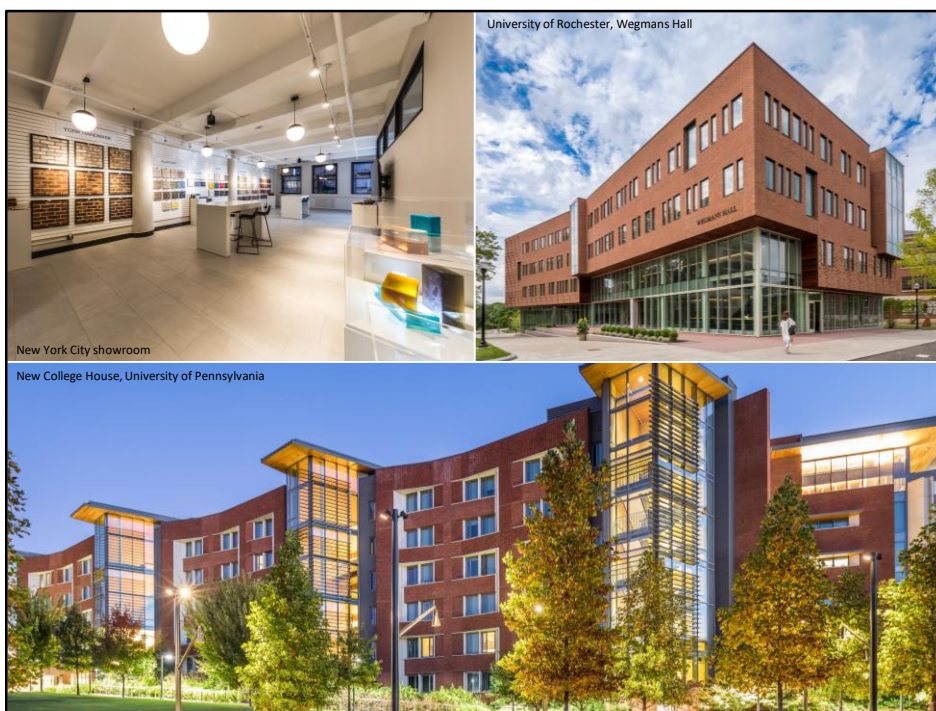
Following the harsh winter conditions from December to February, when plants were shut down and EBITDA was break-even, earnings momentum was strong in the final five months of the financial year.

The integration of Sioux City Brick is now largely complete, including the planned closure of the Redfield plant, with volume transferred to nearby Adel, allowing significant manufacturing efficiencies to be achieved.

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





Significant progress has also been made on key strategic initiatives.

In July an exclusive supply agreement was executed with Italian manufacturer San Selmo, for the supply of premium imported products into the United States. San Selmo products will compliment other imported ranges introduced since the acquisition, including La Paloma and ultra-premium glass bricks.

A new design studio is under construction in central Philadelphia, with a ten-year lease executed. This studio will open early next calendar year.

Renovations have also been completed at the existing New York showroom, shown on screen.

As mentioned, our North American business has a significant portion of sales into non-residential applications, in projects such as schools, offices, hospitals and sports stadiums.

Two recently completed examples are shown on screen – the Wegmans Hall building, at the University of Rochester in New York and the New College House building at the University of Pennsylvania.



## 1<sup>st</sup> Quarter Update and Outlook



Turning now to the first quarter update and outlook.



# 1<sup>st</sup> Quarter Update and FY2020 Outlook

The outlook varies across each division within the Group

<b>Group</b>	<ul style="list-style-type: none"> <li>Conservative debt level</li> <li>Diversified portfolio of assets across two continents provides stability</li> <li>Dividends underpinned by cash generated from Investments and Property Trust</li> </ul>
<b>Investments</b> <i>52% of Group assets</i>	<ul style="list-style-type: none"> <li>Earnings, dividends and market value of WHSP are expected to grow over the long term</li> </ul>
<b>Property</b> <i>20% of Group assets</i>	<ul style="list-style-type: none"> <li>The Property Trust is expected to deliver another strong result in FY2020, due to the completion of new developments and possible capitalisation rate compression</li> <li>Additional land sale profit anticipated from sale of 10 hectares at Oakdale East into the Trust in 2H FY2020</li> </ul>
<b>Building Products Australia</b> <i>19% of Group assets</i>	<ul style="list-style-type: none"> <li>1H2020 earnings expected to be the low-point, impacted by high energy costs, low building activity and particularly difficult conditions in WA</li> <li>The transition to wholesale gas supply on 1 January 2020 will provide some relief from rising gas prices</li> <li>First quarter sales and earnings are down on the prior year, however order intake has progressively strengthened during the period, and builders are reporting increased home sales</li> </ul>
<b>Building Products North America</b> <i>8% of Group assets</i>	<ul style="list-style-type: none"> <li>Market conditions supportive for steady growth – low unemployment, low interest rates, stable housing market, growth in non-residential building</li> <li>Business performance is in-line with acquisition business cases, with Sioux City and Redland Brick acquisitions to provide efficiency benefits</li> </ul>

Brickworks Limited  
2019 Annual General Meeting

Page 37

**BRICKWORKS**  
LIMITED

Brickworks is in a strong position, with conservative debt levels and a diversified portfolio of attractive assets that provides stability of earnings and consistent dividend and asset growth.

The outlook across the divisions varies.

Our investment in WHSP is expected to deliver a stable and growing stream of earnings and dividends over the long term.

Another strong year is expected for Property. In addition to the sale of 10 hectares at Oakdale East into the Property Trust, and the completion of Trust developments, it is possible that further revaluation profits will be recognised during the year, based on continued capitalisation rate compression for prime industrial property across the industry.

Within Building Products Australia, the first half of the current financial year is expected to be the low-point for

earnings, with high energy costs and difficult market conditions in Western Australia exacerbating the slowdown on the east coast. In response to these market conditions, we have taken the opportunity to undertake maintenance and capital upgrades at many facilities, as we prepare for increased demand in the coming years. These temporary plant shutdowns will have a further impact on first half earnings.

The transition to wholesale gas supply, to take effect from January 2020, will deliver significant cost savings for the business. We are anticipating a cost reduction of around \$8-10 million on an annualized basis once the new arrangement is in place.

Although first quarter sales and earnings are down on the prior year, order intake has progressively strengthened during the period, and builders are reporting increased home sales.

Performance in North America is expected to continue in line acquisition forecasts. These acquisitions have come at an opportune time and will provide a new and significant earnings contribution as the building industry in Australia moves through the current downturn.



Thankyou



Once the Redland Brick acquisition is completed, we will have more than 2,500 staff.

Our people are the key to our success. I am very proud that at Brickworks we have been able to maintain a stable and highly experienced workforce, and I believe this gives us a competitive edge.

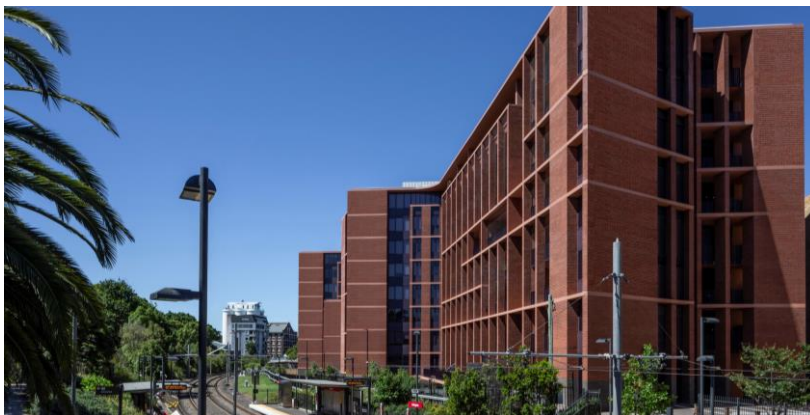
I would also like to take this opportunity to thank the Board of Directors for their guidance and support during the year.

Finally I'd like to thank all our shareholders, including those in attendance today for your continued support of Brickworks Limited.

I will now hand back to the Chairman for any questions.



## Questions



**CHAIRMAN:**

Thankyou Lindsay. I will now take questions.

# Disclaimer

---

IMPORTANT: The information in this document has been provided to you for information only by Brickworks Limited ("BKW") and is subject to change without notice. Nothing contained in this document constitutes investment, legal, tax or other advice. The information in this does not take into account your investment objectives, financial situation or particular needs. Before making an investment decision, you should consider, with or without the assistance of a professional securities adviser, whether an investment in BKW is appropriate in the light of your particular investment needs, objectives and financial circumstances.

Nothing in this document should be considered a solicitation, offer or invitation to buy, subscribe for or sell any security in any jurisdiction. The distribution of this document outside Australia may be restricted by law. Persons who come into possession of this document who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Neither this document nor any copy hereof may be transmitted in the United States of America ("US") or distributed, directly or indirectly, in the US or to any US person including (1) any US resident, (2) any partnership or corporation or other entity organised or incorporated under the laws of the US or any state thereof, (3) any trust of which any trustee is a US person, or (4) an agency or branch of a foreign entity located in the US.

By accepting this document you agree to be bound by these limitations. BKW has prepared this document based on information available to it. Although reasonable care has been taken to ensure that the facts stated and opinions given in this document are fair and accurate, the information provided in this document has not been independently verified. Accordingly, no representation or warranty, expressed or implied is made as to the reliability, fairness, accuracy, completeness or correctness of the information and opinions contained in this document. To the fullest extent permitted by law, none of BKW, its related bodies corporate, directors, employees or agents nor any other person accepts any liability for any loss whatsoever arising from any use of this document or its contents, or otherwise arising in connection therewith.