

STATUTORY NPAT \$175 MILLION

RECORD UNDERLYING NPAT - 6th CONSECUTIVE YEAR OF GROWTH

FULL YEAR	2017	2018	Variance %
Total Revenue (\$M)	841.8	821.1	↓ 2%
Building Products Revenue (\$M)	763.3	820.0	↑ 7%
Underlying EBIT¹ (\$M)	246.3	279.8	↑ 14%
Underlying EBITDA (\$M)	274.1	309.2	↑ 13%
Underlying NPAT (\$M)	196.4	223.7	↑ 14%
Statutory NPAT (\$M) <i>Inc. Significant Items</i>	186.2	175.4	↓ 6%
Underlying EPS (cents)	131.8	149.8	↑ 14%
Final Dividend (cents)	34.0	36.0	↑ 6%
Full Year Dividend (cents)	51.0	54.0	↑ 6%

Brickworks (ASX: BKW) today announced a record **underlying Net Profit After Tax (NPAT)** of \$223.7 million for the year ended 31 July 2018, up 13.9% from the prior year. This marks the sixth consecutive year of growth in underlying NPAT.

The **statutory NPAT** was \$175.4 million, down 5.8%, after including the impact of significant items. These items include \$7.1 million (after tax) in restructuring and commissioning costs within Building Products and \$39.2 million in net cost relating to WHSP significant items.

Brickworks Chairman Mr Robert Millner said: “Our strong financial performance during the year again reinforced the benefit of our diversification strategy, which has consistently grown net asset value over the long term and helped to deliver solid returns and stability to our shareholders.”

“During financial year 2018, inferred net assets² held by the Group increased in value by \$504 million to over \$3.2 billion. Since then, the market value of Brickworks stake in WHSP has increased by a further \$350 million³, bringing total inferred assets to almost \$3.6 billion. This provides ample support for our current market capitalisation of around \$2.6 billion,” he said.

Underlying earnings were 149.8 cents per share for the year, up 13.7% from 131.8 cents for the prior year.

Directors have declared a fully franked final **dividend** of 36 cents per share, taking the full year dividend to 54 cents fully franked, an increase of 3 cents, or 5.9% on the prior year. The record date for the final dividend is 8 November 2018, with payment on 28 November 2018.

Building Products

Building Products recorded Earnings Before Interest and Taxes (EBIT) of \$76.0 million in financial year 2018, up by 16.8% on the prior year. Strong demand across most operations resulted in record sales revenue of \$820.0 million.

Brickworks Managing Director Mr Lindsay Partridge said: “The result was characterised by another strong performance from east coast divisions, buoyed by continued robust demand in New South Wales and

¹ All Group underlying profit and earnings measures exclude significant items, unless otherwise stated

² Building Products net tangible assets + Brickworks share of net Property Trust assets + book value of development land held for resale + market value of Brickworks stake in WHSP, less Brickworks net debt

³ Based on the WHSP share price of \$25.24 at the close of trading on 18 Sep 2018

Victoria. In addition, performance in Western Australia improved following a range of restructuring initiatives, despite a further deterioration in market activity.”

Austral Bricks delivered another strong result, on the back of a sustained strategy to achieve margin growth from increased sales of premium products.

“An example of the success of this strategy is the Darling Square project in Sydney. Construction of this high-rise development in 2018 was the culmination of over 2 years of design, product development and collaboration. Ultimately the project involved the supply of almost 600,000 ultra-premium high margin bricks, with various shapes, sizes and surface finishes,” Mr Partridge said.

“Another example is the recent Horbury Hunt awards, which recognise excellence in the use of building products in architectural design. Our products featured in four out of the six winning projects,” Mr Partridge added.

During the year, upgrade works were completed at the Rochedale plant in Queensland and the Cardup plant in Western Australia. In addition, overdue maintenance was carried out on the Wollert East kiln in Victoria following over a decade of near continuous operation.

Mr Partridge said: “This continued investment in our facilities has delivered lower manufacturing costs and allows more flexible production, positioning the business well for sustained performance over the long term.

Bristle Roofing, Austral Precast and Auswest Timbers all delivered improved performance in 2018, whilst Austral Masonry was approximately in line with the prior year.

Property

Property EBIT was up 3.7% to \$94.0 million, marking a sixth consecutive year of earnings growth. The improved result was due to significantly higher earnings from the Property Trust, following the completion of developments at Oakdale Central in New South Wales and at Rochedale in Queensland.

In addition, infrastructure works were completed at the Oakdale South Estate in June, delivering a significant uplift in the value of this property and triggering the settlement on the sale of 30 hectares of land. This sale resulted in \$100 million in gross receipts to the Property Trust, and a \$25.9 million profit contribution to Brickworks.

Mr Partridge said that continued growth of the Property Trust is an important priority for the company. “We have re-invested the cash proceeds of our recent sales, to support development activity and reduce debt held within the Trust. Over the past year, our share of net Property Trust assets increased by \$58 million, and Trust gearing reduced to 39%,” he said.

At 31 July 2018, the combined value of Brickworks share of net Property Trust assets and land to be developed was \$574 million.

Investments

EBIT from Investments increased 19.8% to \$123.5 million and cash dividends totalling \$56.2 million were received for the year ended 31 July 2018. The market value of Brickworks 42.72% shareholding in WHSP was \$2.231 billion at 31 July 2018, up \$427 million during the year.

Outlook

Mr Partridge said: “Market fundamentals remain supportive for new housing construction, with employment levels healthy, low interest rates and high immigration levels projected to be sustained. External analysis indicates that a housing undersupply still exists in New South Wales and Victoria⁴.”

However, Mr Partridge noted that tighter bank lending controls have reduced personal borrowing capacity, and this is now impacting building activity, due to delays and cancellations of dwelling construction.

“As a result of these delays and cancellations, we are currently experiencing patchy sales, despite our strong order book in the major east coast markets. Weakness is evident in businesses exposed to the multi residential market in Sydney. Elsewhere, demand is being supported by the continued resilience of

⁴ BIS Oxford Economics Building in Australia Report 2018 (as at end June 2018)

the detached housing market, and strong activity in regional centres such as Newcastle and Wollongong in New South Wales and Geelong in Victoria,” he said.

“There are reports of trade shortages in Victoria and South Australia, and in Tasmania housing approvals are at the strongest level for almost a decade. In Western Australia, a wet winter period has adversely impacted demand in an already difficult market,” Mr Partridge added.

Meanwhile, the company recently executed a new five-year wholesale gas supply agreement with Santos for its’ New South Wales, Queensland, Victorian and South Australian operations, commencing on 1 January 2020. “At a time of considerable uncertainty within the Australian energy market, we are pleased to secure a flexible and market competitive long-term gas deal until the end of 2024. Our transition to the wholesale market will deliver significant advantages, particularly in regard to flexibility of supply,” Mr Partridge said.

“Despite this positive development, current energy costs and contracted price increases to take effect on 1 January 2019, will have a significant adverse impact on Building Products earnings. These increases are likely to exceed our ability to recover them, through price rises in the current market or other initiatives to reduce cost in the short term,” he added.

Turning to Property, development activity within the Trust remains strong. The completion of new facilities at Oakdale South and Rochedale will drive growth in rent and asset value over both the short and longer term.

Mr Partridge said: “The sale of the Punchbowl property is also on schedule to be completed next month. With a sale price of \$41 million and total book value and costs of approximately \$8 million, this transaction will deliver a profit of around \$33 million to Brickworks.”

“In 2019 we expect another solid earnings contribution from Property, but as always, the final outcome will depend on the timing of development activity and transactions, and extent of any revaluations,” Mr Partridge said.

The diversified nature of Brickworks’ holding in WHSP is expected to continue to deliver steadily increasing earnings and dividends to Brickworks over the long term.

Results briefing

Chairman Robert Millner and Managing Director Lindsay Partridge will present Brickworks’ results at a briefing today at 12.15pm, for a 12.30pm start, at the Brickworks Sydney Design Studio, Ground Floor, 2 Barrack Street, Sydney.

The briefing will be webcast live on the following link:

<https://www.streamgate.co/brickworks-full-yearly-results-2018/>

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 42.72% holding in Washington H. Soul Pattinson & Company.

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