

BRICKWORKS ACQUIRES U.S. BRICK MANUFACTURER GLEN-GERY

- Brickworks Limited (ASX: BKW) (Brickworks) has entered into a binding agreement to acquire America's fourth-largest brick manufacturer Glen-Gery, for AU\$151 million¹ (US\$110 million)
- Glen-Gery is a 100% owned subsidiary of Ibstock PLC (IBST.L)
- Glen-Gery has leading positions in the Midwest, Northeast and Mid-Atlantic states
- The transaction provides Brickworks with:
 - Exposure to a large, attractive market with strong demand drivers
 - The ability to add value through investment and leveraging operational expertise
 - Significant long-term growth opportunities
- Low single digit normalised EPS accretion in the first full year of operation²
- Transaction anticipated to complete within the next few days

Brickworks, Australia's largest brick manufacturer, is pleased to announce that it has entered into a binding agreement to acquire America's fourth-largest brickmaker Glen-Gery, for AU\$151 million (US\$110 million). Glen-Gery is a 100% owned subsidiary of U.K.-based Ibstock PLC.

Glen-Gery has leading market positions in the Midwest, Northeast and Mid-Atlantic states and sells around 230 million US bricks per year. It has 10 manufacturing plants (nine brick and one manufactured stone) and controls circa 95% of raw material inputs, through ownership of 29 quarries located near its manufacturing sites.

Glen-Gery offers a vast range of bricks, servicing the market through direct sales to builders and resellers, and through 10 company-operated retail distribution outlets. It has broad end market exposure, with 65% of sales being architectural products for the non-residential, multi-residential and paving segments.

EBITDA for the 12 months to August 2018 was AU\$18 million (US\$13 million), on sales revenue of AU\$162 million (US\$118 million). Following the transaction, Brickworks expects to deliver low single digit normalised EPS accretion, not including any cost or operational synergies.

The transaction will be funded by a committed US\$ acquisition bridge facility, and is expected to complete within the next few days.

Strategic rationale and benefits

The transaction is consistent with Brickworks' Building Products strategy, to deliver growth by investing in affiliated businesses.

- The acquisition provides Brickworks with exposure to a large, attractive market, with strong growth drivers:
 - The U.S. brick market is approximately three times larger than the Australian market with annual sales revenue estimated at AU\$2.2 billion (US\$1.6 billion)

¹ FX rate of AU\$1.00 = US\$0.73 used to convert all US\$ metrics

² Based on underlying NPAT, excluding one-off transaction costs

- The U.S. has a strong tradition of brick usage in both residential and commercial / architectural applications
- The outlook for residential and commercial construction activity in the U.S. remains positive
- The acquisition allows Brickworks to create value through leveraging operational expertise:
 - Share operational best practice across Australia and the U.S.
 - Share products / IP across Australia and the U.S.
 - Leverage existing relationships to introduce premium imported products in the U.S.
 - Build on existing premium product positioning with increased marketing and style leadership initiatives
- The acquisition offers Brickworks a platform to pursue long-term growth:
 - The U.S. brick industry is highly fragmented (circa 37 manufacturers vs five in Australia)
- The acquisition brings geographic diversity to Building Products, with exposure to the U.S. and Australian construction cycles

Brickworks Managing Director, Mr. Lindsay Partridge said: “The acquisition of Glen-Gery represents a significant milestone in the history of Brickworks. We believe the transaction provides an ideal entry into the U.S. market, with Glen-Gery having established a leading market position in the key North-Eastern region, a reputation for premium products, and high exposure to the architectural market.”

“The U.S. is an attractive country to invest and grow our business, with tax policies that are supportive of business, proactive energy policy that is placing downward pressure on prices, and efficient transport infrastructure. The contrast with Australia could not be more stark, where we are faced with high taxes and wages, including taxes on wages, a shortage of energy for domestic use that is causing exorbitant prices, and costly approval processes for business investment,” said Mr. Partridge.

Despite the hurdles faced by the local manufacturing industry, Mr. Partridge said Brickworks’ remains fully committed to the Australian market. “Our expansion into the U.S. will not come at the expense of our existing operations. We have established a strong position in Australia, with consistent investment over many years to refit plants and consolidate operations across the country. This investment program will continue, with a focus on New South Wales operations, where we expect to soon confirm significant investments in a new masonry plant, and a new brick plant. We are also investigating a new dry press facility at Brickworks’ industrial estate at New Berrima, to replace the Bowral plant,” Mr. Partridge said.

Business integration

Brickworks intends to operate Glen-Gery separately to its business in Australia, with the existing Glen-Gery management team remaining in place, reporting to Mark Ellenor, (previously Group General Manager of Austral Bricks and Bristle Roofing), who will re-locate to the United States³.

“Glen-Gery is a company with a long and rich history in brick making, dating back to 1890. We are excited by the opportunity to build on these strong foundations, by working with the existing executive team and more than 600 staff, to share operational best practice, and further enhance business performance,” Mr. Partridge said.

Investor Briefing

Further details of the acquisition are provided in the Investor Presentation, also released to the market this morning. This will be presented by Brickworks Managing Director Lindsay Partridge, at an analyst briefing to be held at 10.00am today, at the Brickworks Sydney Design Studio, Ground Floor, 2 Barrack Street, Sydney.

End

³ Subject to visa approval

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, 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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