Big River Industries Limited (ASX:BRI)

Results Announcement – Half Year ending 31 December 2017

27 February 2018

Highlights

- Revenue of $104.6m up 21.8% from 1H17, assisted by acquisitions
- NPAT of $2.9m, up 15.8% on 1H17
- EBITDA of $5.9m (prior to acquisition costs of $0.2m), up 19.3% on 1H17 but slightly down on a like-for-like basis
- EBITDA from acquisitions since the pcp of $1.2m
- Strong gross margin improvement from distribution operations due to favourable product mix and improved procurement scale from acquisitions
- Increased formwork importing led to lower manufactured volume and reduced EBITDA from Wagga manufacturing facility
- Strong balance sheet with net debt of $9.9m and gearing of 14.5%
- Interim dividend declared of 3.5 cents per ordinary share, fully franked

RESULTS SUMMARY			
REVENUE	**H1 FY18 ($m's)**	**H1 FY17 ($m's)**	**Change**
Same stores	86.4	85.9	0.7%
Acquisitions (since pcp)	18.2	-	-
Total Revenue	**104.6**	**85.9**	**21.8%**
EBITDA	**H1 FY18 ($m's)**	**H1 FY17 ($m's)**	**Change**
Distribution activities (same stores)	5.3	4.6	14.2%
Acquisitions (since pcp)	1.2	-	-
Distribution activities (sub-total)	**6.5**	**4.6**	**40.5%**
Corporate expenses	(1.4)	(1.5)	-4.2%
Manufacturing facilities contribution	0.8	1.8	-53.0%
EBITDA (before acquisition costs)	**5.9**	**4.9**	**19.3%**
Acquisition costs	(0.2)	-	-
EBITDA total	**5.7**	**4.9**	**14.4%**
NPAT	**H1 FY18 ($m's)**	**H1 FY17 ($m's)**	**Change**
NPAT	**2.9**	**2.5**	**15.8%**

Big River Industries Limited (ASX: BRI), which listed on the ASX on 1 May 2017, advises that Net Profit After Tax for the half-year ended 31 December 2017 was $2.9m, up 15.8% the corresponding period last year.

The Directors have declared a fully franked interim dividend of 3.5 cents per share, payable on the 4 April 2018, with a record date of 23 March 2018. The dividend is approximately 64% of after tax profit for the first half of FY2018.

Acquisitions in the Gold Coast in September and in Canberra just prior to Christmas, have been successfully integrated into the Group. They will deliver a positive contribution including revenue and cost synergies and continue the Group's diversification across states and construction segments. These new businesses increase the Group's exposure to detached housing and the alteration & additions market, to better balance activities in other sectors. The Company continues to assess several earnings accretive acquisitions as part of its strategy.

Markets in Western Australia and North Queensland continue to improve, with revenue up 20% in both markets compared with the previous corresponding period and EBITDA more than doubling in these branches.

The movement in market demand towards imported Formply continued, and the Company's objective is to maintain its market share by balancing imports and manufactured product, as appropriate. Sales of imported Formply increased six-fold during the period. These changes presented some challenges for the Wagga manufacturing facility, which generated lower profit contribution and have been addressed by resource restructuring.

Excellent growth of architectural product sales of 17% (on a like-for-like basis) continues the strong three year trend in this high value segment following the launch of new panel and flooring products.

Balance Sheet & Cashflow

Net debt increased $5.9m to $9.9m as a result of the cash component of acquisitions totalling $3.6m and a small increase in like-for-like working capital.

Gearing levels (measured as net debt to net debt plus equity) of only 14.5%, highlights the strength of the balance sheet and continues to position the Company well to fund future growth opportunities and pursue the strategies outlined in the prospectus.

Outlook

There has been some slowdown in residential housing (confirmed in recent housing and loans data), but the impact on Group EBITDA is expected to be minimal in FY2018. Although medium density and high density construction has softened in some regions, the pipeline for the Group is still healthy for the balance of FY2018.

Increased customer demand for imported Formply is expected to continue, placing pressure on contributions from the Wagga manufacturing facility, mitigated by the restructure at the site, now implemented.

The Company continues to actively pursue its acquisition strategy having successfully completed 4 acquisitions in the last 12 months and a continuation of this is expected, as opportunities arise.

Jim Bindon, Big River CEO, said: "It's been a solid start for Big River in FY2018 with most initiatives outlined in the Prospectus implemented. The Group has undertaken significant work in the first half, with new manufacturing assets installed and commissioned at Grafton, further new product development completed and expansion of the import supply chain. These will contribute to the second half of this financial year and beyond".

Customer project timing significantly influences the Company's results but at this stage, EBITDA for the full financial year 2018 is expected to be in the range $11.5m to $12.5m, with annual revenue expected to be in the range $208m to $212m.

Conference Call

Investors are invited to join a conference call hosted by Jim Bindon and Steve Parks on Tuesday 27 February 2018 at 10:00am AEDT. The dial in details are as follows:

Toll Free: 1800 123 296
Toll: +61 2 8038 5221
Conference ID: 8497226

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