Big River Industries Limited (ACN 609 901 377)

Big River Industries Limited (ASX:BRI)

Results Announcement – Year Ending 30 June 2020

25 August 2020

(FY20 amounts and percentage changes are quoted on a pre AASB16 basis)

Headlines

- Revenue of $249m was up 14% from FY19, driven by contributions from the NZ, Townsville and Adelaide acquisitions, as well as solid organic growth achieved in the QLD market.
- Comparable store sales fell 4% in FY20, slightly ahead of the decline in the addressable market of some 8%, which reflects the continued slow-down in residential construction with housing starts now 30% below cyclical highs.
- EBITDA of $12.3m (including the unwinding of earn-out payments not achieved of $0.4m and prior to acquisition costs of $0.7m), was up 26% on FY19, aided by the full year contribution of the NZ acquisition completed in June 2019, and a stable manufacturing contribution despite further declines in production volumes.
- NPAT of $4.7m, was up 22% on FY19.
- As has been the case for several years, distribution gross margin continues to improve as product ratios swing towards the higher value sectors of building products and architectural categories. The combined impact meant gross margin expanded 270 bps above FY19.
- Despite the significant disruptions from the bushfires, Covid-19 and the residential construction declines, improved diversity saw stronger contribution from the alterations & additions markets, growth in specialty plywood products and improved total customer numbers.
- The completion of three acquisitions during FY20, saw gearing close the financial year at 23%, only marginally above 20% at 30 June 2019. This was aided by strong operating cash flow generation in the final quarter of FY20, particularly driven by significant reductions in net working capital.
- A final dividend of 2.4 cents per ordinary share, fully franked, was declared. The Company's dividend reinvestment plan ("DRP") will be in effect for this dividend.

Results (AU$m's)	Statutory FY2020	Pre AASB16 FY2020	Statutory FY2019	Change
Revenue	$248.9m	$248.9m	$217.8m	14.3%
EBITDA (before acquisition costs)	$17.7m	$12.3m	$9.8m	25.7%
EBITDA (Statutory)	$16.9m	$11.6m	$9.2m	26.5%
NPAT (Statutory)	$4.4m	$4.7m	$3.9m	22.3%
Earnings per share	7.14 cps	7.58 cps	7.24 cps	4.7%
Final Dividend (cents per share)	2.4 cps	2.4 cps	2.2 cps	9.1%

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Trading Summary

Revenue growth of 14% to $249m reflects the continued expansion of the Group, with further acquisitions in Townsville and Adelaide during FY20 expanding the network to 18 sites across Australia and New Zealand.

Comparable revenue growth was achieved in New Zealand, Western Australian and Queensland, while New South Wales and Victorian markets saw declines.

Market share growth continues in the building supplies segment, where comparable sales were flat with the prior period despite the overall decline in residential starts. However, formwork segment sales declined 10%, reflecting the sharp slowdown in high density residential construction, as well as flat commercial construction markets.

Despite manufacturing volume declining by 15% versus FY19 production levels, manufacturing EBITDA remained on par with the prior period, reflecting EBITDA margin expansion of 50 bps. The dual supply chain strategy of manufacturing higher value plywood products while importing the high-volume commodity range, continues to improve both market share and profitability outcomes.

Covid-19 Impacts

The business has managed the Covid-19 period successfully, with no positive cases at any Company site, and all businesses remaining open throughout the pandemic period. The only exception to this was the forced 30-day lockdown in New Zealand in April. This impacted Group EBITDA by around $0.5m despite NZ Government wage support of $0.3m, and rental relief granted by landlords of $0.1m.

Given the minor revenue declines experienced in Australia, the Company was not eligible for any Jobkeeper payments, and total rental relief received from landlords was $0.1m.

Cash flow was aided by the deferral of taxes, particularly related to BAS and Company tax payments to the Federal Government. This aided cash follow by some $2.0m, contributing to the strong OCFBIT result of 112%.

Balance Sheet & Cashflow

Net debt reduced by $3.5m in the 2H20, despite the completion of the $3.1m Adelaide acquisition in March 2020. This improvement came on the back of a (like for like) $4m reduction in net working capital in the 2H20. This contributed to the stronger than usual cash conversion metrics of 112% noted above.

Gearing (measured as net debt to net debt plus equity) fell accordingly to 23% at 30 June 2020, compared to 27% at 31 December 2019.

After cancellation of the interim dividend as the Company focused on tightly managing cash flow during the Covid-19 crisis, the Board has declared a final dividend of 2.4 cents per ordinary share fully franked, recognising the improved cash position at 30 June 2020. The Company's DRP will be in effect for this dividend with the relevant issue price being the volume-weighted average share price of the Company's shares sold on the ASX during the ten trading days commencing on the second trading day following the relevant record date. A DRP discount of 2.5% will apply to the dividend.

Outlook
There remains considerable uncertainty as to the outlook for the various components of the construction sector in Australia and New Zealand for FY21. Covid-19 restrictions have impacted construction sites across most States, although they have clearly been most pronounced in Victoria in recent times.

Forecasters, on average, are predicting declines in the addressable market of 10% in FY21. High density residential construction is expected to be the most affected sector with reductions of over 20%, while commercial construction is also forecast to fall by 10%.

However, the Company expects to reduce this impact by continuing to target the alterations & additions markets that are expected to be stronger, and the business is prioritising sales growth initiatives in this area. Continued focus on Civil construction where the Company has a long history, will also assist to minimise the impacts of the general market declines.

Whilst acquisitions have been paused since the onset of Covid-19, the Company remains engaged with several opportunities across all the businesses sales regions. The fundamental consolidation in the building supply segment continues to present an excellent opportunity to further expand the Company.

Jim Bindon, Big River CEO, said: “To achieve revenue, EBITDA, earnings per share and operating cash flow growth in a really challenging year for the building products industry, was a pleasing outcome. The support of the shareholders, governments, staff, suppliers and customers during the Covid-19 crisis exemplifies the commitment all the Company’s key stakeholders have towards the business. I thank everyone for their contribution is helping deliver this solid trading outcome”.

Conference Call

Investors are invited to join a conference call hosted by Jim Bindon and Steve Parks on Tuesday 25 August 2020 at 11:00am AEDT. The dial in details are as follows:

Toll: +61 2 8038 5221, Conference ID: 6992546

For more information, contact:

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This announcement has been authorised for release to the ASX by order of the Board.