BigRiver

Big River Industries Limited (ASX:BRI)

FY2020 Results Presentation – 25 August 2020

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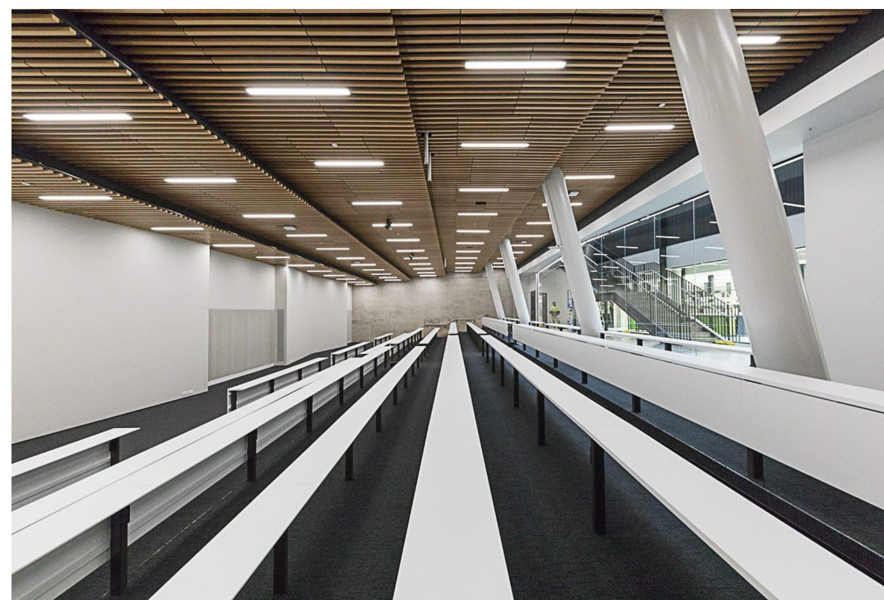
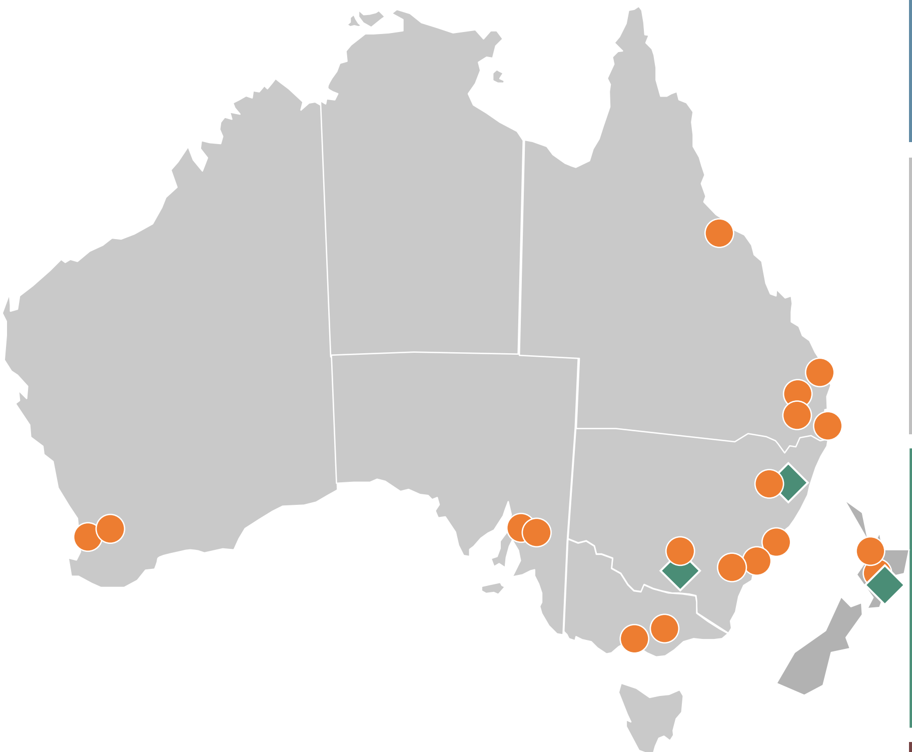


Big River Today

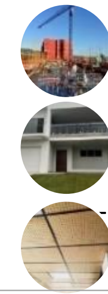
Diversified by geography, industry segment, construction type and customer [1]



Big River manufacturing facilities

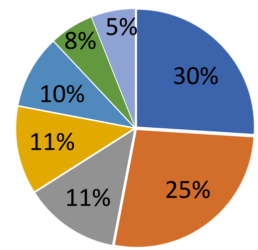
Big River sales / distribution sites

Target segments



- Formwork Supplies – 24%
- Building Products – 55%
- Plywood & Specialty – 21%

Revenue by construction market



Asset mix

- 18 x Sales & distribution sites
- 2 x Plywood manufacturing facilities
- 3 x Frame &Truss fabrication sites
- 3 x Steel rolling lines
- 2 x Architectural panel manufacturing sites

Revenue by region

- QLD – 30%
- NSW/ACT – 26%
- VIC/SA/WA – 34%
- NZ – 10%
- >6500 active trading accounts

(1) All references are pro forma FY20

Performance Headlines

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Financial Results	❑ FY20 Revenue of $249m, up 14% on FY19 ❑ Like for like sales declined 4%, ahead of the addressable market decline of 8% ❑ EBITDA of $12.3m (including unwinding earn-out payments not achieved and before acquisition costs) – pre AASB16 restatement representing a 25% increase on FY19 (or 22% excluding the earn-out reversal) ❑ EPS increased 5%, reflecting the July 2019 capital raise and higher debt levels resulting from the 3 acquisitions completed ❑ Trade working capital performance (17%) and cash conversion (112%) were very strong results
Operating Highlights	❑ Distribution margin continued to increase, up 270 bps to 20.9%, as product mix skewed to higher margin building products and specialty plywood categories ▪ Including the Frame & Truss sites, gross margin expansion was a further 170 bps ❑ Total Formply volumes grew 9% versus the prior period, despite a decline in overall Formwork segment sales ❑ Manufacturing cost-out initiatives totaled $1.2m in FY20, on top of $4.5m taken out in FY19 ❑ Manufacturing earnings were stable with prior period despite volume declines, reflecting a 50 bps EBITDA margin improvement
Strategic Initiatives	❑ New ERP package rolled out across all Australian sites during FY20 providing future upside on gross margin and working capital management ❑ Adelaide Pine Design acquisition completed in 2H20, taking national Frame & Truss fabrication sites to 3 ❑ Strong NZ division performance triggering a partial earn-out payment, despite the impacts of the Covid-19 lockdown ❑ Bridge System product range expanded to include a full prefabricated solution

Operational Summary

Sales Revenue

- FY20 revenue of $249m was up 14% on FY19 (albeit down 4% on a comparable basis)
  - Solid organic growth was achieved in WA, NZ and QLD, offset by weaker sales results in NSW and Victoria
  - Addressable markets fell by circa 8% in FY20, led by the decline in residential starts which fell by around 17%.
- Building Products showed flat like for like sales versus FY19 despite residential construction continuing to fall, representing pleasing market share gains
- While Formwork segment sales fell 10% on FY19 as multi-residential and Commercial markets were softer, the key product group of Formply sales grew over 9%, again reflecting solid market share improvements
- Specialty plywood products in both the architectural and industrial categories grew on a like for like basis by 10%, in addition to the growth seen in NZ sales

Manufacturing

& Operations

- Strong supply chain position with local manufacturing and international sourcing resulted in no product shortages despite significant impacts from Covid-19
  - International sourcing expanded to include additional key formwork products, sourcing product from multiple countries
  - Some signs of increased demand for Australian made products post Covid-19 augers well for manufacturing assets
- Upgrades completed at 3 distribution sites in the trade dispatch, ranging and showroom components of the facilities
- Pleasing manufacturing EBITDA contribution despite lower volumes, increasing EBITDA margins by 50 bps.

Acquired Businesses

- Acquired businesses continue to perform well, with cumulative comparable EBITDA down only 4% on FY19, despite challenging trading conditions
  - Formwork sales up 37% versus FY19 across acquired sites, showing success of synergies and diversity strategy
  - Ply & Specialty segment sales up 26% across acquired sites, also a pleasing diversity achievement

Impact of Significant Events

	COVID-19
Market & revenue impacts	❑ Impact of the NZ lockdown on Group revenue was only 1% ❑ Australian revenue largely unaffected, other than general cautious purchasing by customers during March to May ❑ NZ lockdown negatively impacted EBITDA by $0.5m
Costs & working capital	❑ NZ wage subsidy received of $0.3m ❑ No Jobkeeper received in Australia ❑ Total landlord relief in Aust & NZ $0.2m ❑ Deferred Australian tax payments aided cash flow for FY20 by $2.0m ❑ Deferred supplier payments in Australia provided cash flow timing benefits of $0.4m ❑ NZ inventory increase due to long lead times (and reduced sales) totalled $1.5m ❑ One third of all staff took remuneration reductions during April – June (including Board & Management)

	BUSHFIRES
Market & Revenue impacts	❑ Force majeure periods saw disruption to log supplies across both manufacturing sites ❑ Minimal impact on revenue as stocks levels were sufficient in most categories ❑ Shortfall in log contract supply at Grafton site impacted earnings by $0.1m
Costs & efficiencies	❑ Despite Softwood log cost reductions of 3% to account for fire damage, efficiencies and yield losses increased costs by $0.2m ❑ Long term log supply re-assessment being conducted across both manufacturing sites

Group Strategy

Diversified business model	❑ Product and segment diversification have been the strength of the Group's strategy ▪ FY20 saw improved segment diversity across all company sites ❑ Leverage our Frame & Truss manufacturing in 3 States to further bundle customer offers ❑ FY20 saw increases in the number of account customers by circa 1000 (to 6500 in total) ▪ Share of wallet opportunities are significant ▪ Top 10 customer sales has fallen from 16.6% to 11.5% of sales over the last 2 years
Grow scale through expanded distribution	❑ 3 Acquisitions completed in FY20 ❑ Acquisition pipeline continues to look strong, despite a pause in our strategy since Covid-19 onset ❑ Specialist manufactured product range has upside as sentiment for Australian Made increases ❑ Further capital expenditure on Distribution showrooms offers increased ancillary sales opportunities ▪ 3 upgrades completed in FY20 and 3 more planned for FY21
Enhanced financial performance	❑ Gross margin continues to expand across Distribution ▪ Significant refinement of ERP and business processes offers further upside ❑ EBITDA margin improvement has begun in FY20, despite very challenging year (+50 bps) ❑ Working capital results and cash flow conversion showed significant improvement over FY19

Earnings Summary

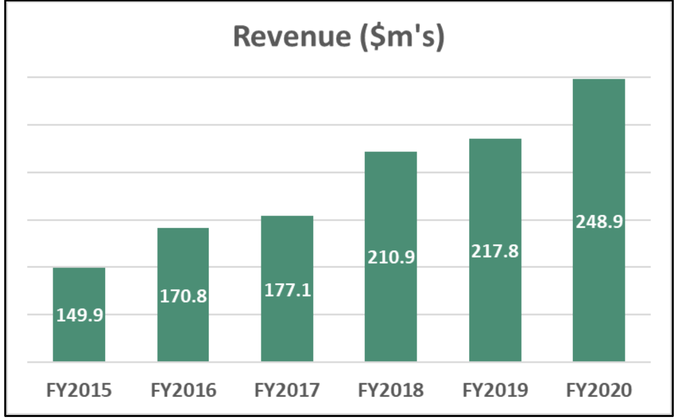
RESULTS SUMMARY	Statutory	Before AASB16		
REVENUE	**FY2020 ($m's)**	**FY2020 ($m's)**	**FY2019 ($m's)**	**Change**
Total Revenue	**248.9**	**248.9**	**217.8**	**14.3%**
EBITDA	**FY2020 ($m's)**	**FY2020 ($m's)**	**FY2019 ($m's)**	**Change**
Distribution activities	**19.1**	**13.8**	**11.3**	**22.8%**
Corporate activites	(3.3)	(3.3)	(3.3)	0.9%
Manufacturing facilities	1.8	1.8	1.8	-4.0%
EBITDA (before acquisition costs)	**17.6**	**12.3**	**9.8**	**25.7%**
Acquisition costs	(0.7)	(0.7)	(0.6)	-15.4%
EBITDA	**16.9**	**11.6**	**9.2**	**26.5%**
Depreciation and amortisation	(8.3)	(3.3)	(2.7)	-25.1%
Interest	(2.3)	(1.6)	(1.0)	-57.4%
Taxation expense	(1.9)	(2.0)	(1.6)	-19.3%
NPAT	**4.4**	**4.7**	**3.9**	**22.3%**
NPATA [1]	**4.8**	**5.1**	**4.2**	**21.2%**

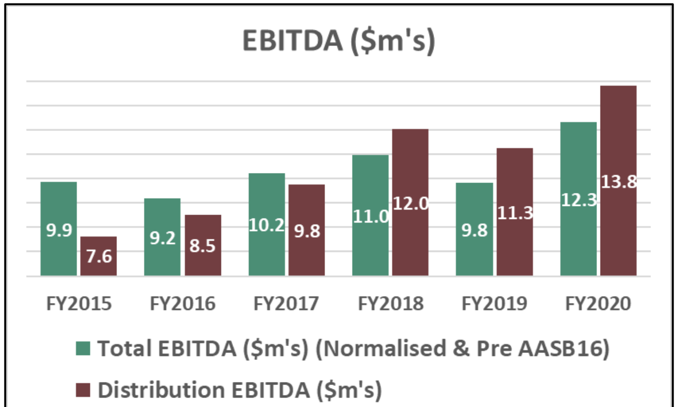
[1] NPATA = NPAT before post tax amortisation of acquired intangibles.

The impact of AASB16 "Leases" at 30 June 2020 on NPAT was a reduction of $0.3m. This comprised recognition of additional depreciation and interest of $5.0m and $0.7m respectively, along with reductions of rent and tax of $5.3m and $0.1m respectively

Key Financial Measures			
Revenue	$248.9m	↑	14.3%
EBITDA (Statutory) [1]	$17.7m	↑	79.9%
EBITDA (Pre AASB16) [1]	$12.3m	↑	25.7%
NPAT (Statutory)	$4.4m	↑	22.3%
NPAT (Pre AASB16)	$4.7m	↑	21.2%
EPS (Pre AASB16)	7.6 cps	↑	4.7%
Cash Conversion (Pre AASB16)	112%	↑	42.4%
Final Dividend	2.4 cps	↑	9.1%

[1] Before acquisition costs





Balance Sheet

Balance Sheet	Statutory 30 Jun 20 ($m's)	Before AASB16 30 Jun 20 ($m's)	Before AASB16 30 Jun 19 ($m's)
Cash	8.7	8.7	1.2
Receivables	43.6	43.6	43.1
Inventories	38.2	38.2	37.2
Fixed assets	27.8	27.8	28.0
Right-of-use assets	18.5	-	-
Intangibles	29.6	29.6	26.3
Deferred tax asset	2.8	2.5	2.4
Other	1.1	1.1	0.8
Total Assets	**170.3**	**151.5**	**139.0**
Payables	38.4	38.4	36.3
Deferred consideration	-	-	16.6
Borrowings	28.7	28.7	14.0
Lease liabilities	21.5	2.0	2.3
Current tax liability	0.9	0.9	0.1
Deferred tax liability	0.3	0.3	0.1
Contingent consideration	3.7	3.7	3.6
Provisions	5.1	5.1	4.5
Total Liabilities	**98.6**	**79.1**	**77.5**
Net Assets	**71.7**	**72.4**	**61.5**
Net Bank Debt $m's	*22.0*	*22.0*	*15.1*
Gearing %	*23.4%*	*23.2%*	*19.7%*
TWC $m's	*44.5*	*44.5*	*44.8*
TWC (% RTM revenue)	*17.2%*	*17.2%*	*17.8%*

- ❑ Trade working capital (TWC) as a percentage of revenue was 17.2% on a rolling 12 month basis (including pro forma revenue from acquisitions)
- ❑ No increase in TWC in dollar terms. Increase from acquisitions was offset by allowed COVID-19 payment deferrals of $2.4m (including government tax payment deferrals of $2.0m)
- ❑ Average debtor days improved to 56.4 days from 58 days in FY2019
- ❑ Inventory increased by $1.4m from acquisitions and $1.5m in New Zealand due to COIVID-19, offset by improved stock management in Australia
- ❑ The increase in intangibles primarily reflects the acquisition of Big Hammer, Pine Design, and rollout of Pronto ERP system
- ❑ Change in deferred consideration relates to the acquisition of the New Zealand businesses, comprising shares issued and cash paid to the vendors in July 2019
- ❑ Net debt increased by $6.9m to $22.0m, primarily from the acquisitions undertaken during the year
- ❑ The impact of AASB16 “Lease” at 30 June 2020 included recognition of Right-of-use assets of $18.5m and corresponding lease liabilities of $19.5m

Cash Flow

Cash Flow	Statutory FY2020 ($m's)	Before AASB16 FY2020 ($m's)	Before AASB16 FY2019 ($m's)
Receipts from customers	274.6	274.6	235.2
Payments to suppliers/employees	(256.7)	(262.0)	(228.3)
Other revenue	0.5	0.5	0.1
OCFBIT	**18.4**	**13.1**	**7.0**
Interest paid	(2.2)	(1.5)	(1.0)
Income tax paid	(1.3)	(1.3)	(2.2)
Operating Cash Flow	**14.9**	**10.3**	**3.8**
Capital expenditure	(1.1)	(1.1)	(1.4)
Business acquisitions	(19.6)	(19.6)	(6.6)
Intangibles	(1.0)	(1.0)	(0.8)
Contingent consideration	(0.2)	(0.2)	-
Investing Cash Flow	**(21.9)**	**(21.9)**	**(8.8)**
Net proceeds from issue of shares	6.1	6.1	1.4
Borrowings - proceeds	12.3	12.3	6.6
Borrowings - repayments	-	-	(1.2)
Net lease repayments	(4.9)	(0.3)	-
Dividends	(1.4)	(1.4)	(3.0)
Financing Cash Flow	**12.1**	**16.7**	**3.8**
Net Cash Flow	**5.1**	**5.1**	**(1.2)**

- Operating cash flow before interest and tax (OCFBIT) as a percentage of revenue was very strong at 112% on a pre AASB16 basis
- Allowing for permitted cash deferrals of $2.4m as a result of COVID-19 at 30 June 2020, the OCFBIT is still very strong at 92%
- Capital expenditure is a combination of mobile plant and equipment, tool of trade vehicles, and specialised manufacturing equipment
- Intangibles is product development costs and new ERP system implementation
- Business acquisitions comprise settlement of New Zealand acquisition of $14.7m in July 2019, and cash component of the purchase of Big Hammer and Pine Design
- Issue of shares raised $6.1m to partly fund the New Zealand acquisition
- Final dividend in respect of FY2019 of 2.2 cents per share was paid in October 2019

FY21 Outlook

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Market conditions	❑ Big River expects the addressable market to be down 10% in FY21 ❑ Homebuilder program showing positive early signs in boosting sales rates for project builders ▪ Three of the Company's largest 5 trading accounts are project builders ❑ Concerns regarding the office and retail shopping centre markets putting pressure on Commercial construction pipeline ❑ High density residential construction, particularly important to the Formwork segment, continues to expect material declines ❑ The Company is focusing increased sales resources on specialty products, as well as the Civil and Alterations & Additions segments which have more positive outlooks
Strategy execution	❑ Continuing to diversify the business is key to reducing the cyclical impacts of the construction sector ▪ Product extension and new segment penetration in acquired sites will continue ❑ Significants investments in new product development in Plywood & Specialty segment has resulted in a strong pipeline of new project tenders ❑ New acquisition opportunities are continuing to be pursued, with some completions expected in 2H21 ❑ Close management of working capital to continue to free up capital for growth initiatives
Financial expectations FY21	❑ The Company expects sales revenue to decline, but by less than the falls in the addressable market ▪ Organic growth is expected to re-start in FY22 ❑ Gross margin improvements expected to continue due to enhanced scale benefits and a weighting towards higher margin product categories ❑ Tight cash management should continue to allow for fully franked dividend payments to be made

Appendix

Key Financial Measures	FY2017	FY2018	FY2019	FY2020 Pre AASB16	FY2020F Statutory
Profitability					
Revenue	$177.1m	$210.9m	$217.8m	$248.9m	$248.9m
EBITDA (before acquisition costs)	$10.2m	$11.0m	$9.8m	$12.3m	$17.6m
EBITDA	$8.1m	$10.7m	$9.2m	$11.6m	$16.9m
NPAT	$3.9m	$5.2m	$3.9m	$4.7m	$4.4m
NPATA	$4.1m	$5.5m	$4.2m	$5.1m	$4.8m
Earnings Per Share (cents)	9.55 cps	9.79 cps	7.24 cps	7.58 cps	7.14 cps
Cash flow management					
OCFBIT	$7.0m	$8.6m	$7.0m	$13.1m	$18.4m
Operating cash flow	$4.7m	$5.0m	$3.8m	$10.3m	$14.9m
EBITDA to OCFBIT % (cash conversion)	87%	80%	76%	112%	108%
Working capital (% annualised revenue)	15.8%	16.7%	17.8%	17.2%	17.2%
Dividends declared per share (cents)	3.5 cps	7.0 cps	4.4 cps	2.4 cps	2.4 cps
Dividend payout ratio (%)	47%	72%	66%	32%	34%

CASH FLOW ($m's)	FY2017	FY2018	FY2019	FY2020 Pre AASB16	FY2020 Statutory
Statutory EBITDA	8.1	10.7	9.2	11.6	16.9
Non-cash items & working capital changes	-1.1	-2.1	-2.2	1.5	1.5
OCFBIT	**7.0**	**8.6**	**7.0**	**13.1**	**18.4**
Interest paid	-0.9	-0.8	-1.0	-1.5	-2.2
Tax paid	-1.4	-2.8	-2.2	-1.3	-1.3
Operating Cash Flow	**4.7**	**5.0**	**3.8**	**10.3**	**14.9**
Net capital expenditure	-1.2	-2.1	-1.4	-1.1	-1.1
Intangibles	0.0	0.0	-0.8	-1.0	-1.0
Free cash flow	**3.5**	**2.9**	**1.6**	**8.2**	**12.8**
Business acquisitions	-5.1	-3.7	-6.6	-19.6	-19.6
Contingent consideration				-0.2	-0.2
Net proceeds from issue of shares	16.5	0.0	1.4	6.1	6.1
Proceeds/(repayment) of borrowings	-7.4	2.9	5.4	12.3	12.3
Lease repayments				-0.3	-4.9
Dividends paid	-2.4	-3.7	-3.0	-1.4	-1.4
Increase/(decrease) in cash	**5.1**	**-1.6**	**-1.2**	**5.1**	**5.1**

PROFIT & LOSS ($m's)	FY2017	FY2018	FY2019	FY2020 Pre AASB16	FY2020 Statutory
Revenue	**177.1**	**210.9**	**217.8**	**248.9**	**248.9**
EBITDA from Operations:					
- Distribution activities	9.7	12.0	11.3	13.8	19.1
- Corporate activites	-2.9	-3.1	-3.3	-3.3	-3.3
- Manufacturing facilities	3.4	2.1	1.8	1.8	1.8
EBITDA (before acquisition costs)	**10.2**	**11.0**	**9.8**	**12.3**	**17.6**
IPO costs	-1.9	0.0	0.0	0.0	0.0
Acquisition costs	-0.2	-0.3	-0.6	-0.7	-0.7
Statutory EBITDA	8.1	10.7	9.2	11.6	16.9
Depreciation	-1.7	-2.0	-2.2	-2.6	-7.6
Amortisation	-0.2	-0.5	-0.5	-0.7	-0.7
EBIT	6.2	8.2	6.5	8.3	8.6
Interest	-0.9	-0.8	-1.0	-1.6	-2.3
Taxation Expense	-1.4	-2.2	-1.6	-2.0	-1.9
NPAT	**3.9**	**5.2**	**3.9**	**4.7**	**4.4**
NPATA	**4.1**	**5.5**	**4.2**	**5.1**	**4.8**

NET CASH/(DEBT) ($m's)	FY2017	FY2018	FY2019	FY2020 Pre AASB16	FY2020 Statutory
Cash at bank	3.6	2.0	1.2	8.7	8.7
Overdraft and trade finance	0.0	0.0	-0.5	-2.8	-2.8
Bank bills	-5.0	-7.9	-13.5	-25.9	-25.9
Bank lease libility	-2.6	-2.5	-2.3	-2.0	-2.0
Net Bank Debt	**-4.0**	**-8.4**	**-15.1**	**-22.0**	**-22.0**
Lease liability AASB16	0.0	0.0	0.0	0.0	-19.5
Total	**-4.0**	**-8.4**	**-15.1**	**-22.0**	**-41.5**
Gearing % (Debt to Debt + Equity)	6.6%	12.5%	19.7%	23.3%	36.7%

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