



Big River Industries Limited (ACN 609 901 377)

ASX Announcement

7 December 2020

Big River Industries Ltd announces acquisition of the business and assets of the Timberwood Group and a \$20.4 million Institutional Placement

- Big River Industries Limited (ASX: BRI) (**Big River** or the **Company**) to acquire the business and assets of the Timberwood Group (**Timberwood**) (the **Acquisition**) for an Enterprise Value of \$24.0 million
- Strategically compelling acquisition to buy a quality player with niche manufacturing and distribution capability across a range of panel products, consistent with Big River's strategy for geographical and segment growth
- Acquisition funded via a \$20.4 million Institutional Placement (**Placement**), comprising a \$14.3 million fully underwritten placement and a \$6.1 million conditional placement, \$0.8 million from existing debt facilities and \$4.0 million of Big River scrip
- The Acquisition and Placement together are expected to be 17.4% EPS accretive on a pro-forma basis for FY20, with additional upside potential to come from synergies once integrated

Acquisition of Timberwood

Big River has, through its subsidiary, Big River Group Pty Ltd, agreed to acquire the assets and trading business of Timberwood for an Enterprise Value of \$24.0 million.

The consideration payable for the Acquisition comprises an upfront cash payment of \$18.5 million, a working capital contribution of \$1.5 million, and the issue of \$4.0 million of fully paid ordinary shares in Big River ranking equally in all respects from the issue date with existing fully paid ordinary shares in Big River (**New Shares**)¹, to be issued at a deemed price of \$1.35 per share (i.e. 3.0 million shares) on completion of the Acquisition. The upfront cash payment will be subject to customary completion adjustments to reflect the final working capital position at completion. The Enterprise Value of \$24.0m represents a multiple of 5.3x pro forma average FY18 - FY20 EBITDA (pre AASB-16), or 5.1x FY20 pro forma EBITDA (pre AASB-16). In addition to the up-front consideration, there will be up to \$6.0m in earn out payments payable in cash to the vendors of Timberwood over three years after completion of the Acquisition, on the basis of achieving various EBITDA growth targets. The cash consideration will be funded on the basis set out above. Further details on the Placement are set out below.

Timberwood is a specialty manufacturer and distributor of a range of panel products, with a strong, diverse customer network and both local and overseas suppliers. Timberwood has operations across three sites in Victoria and the ACT, as well as customers across all States & Territories.

¹ Scrip issued to the vendors is subject to escrow for 2 years from the date of completion of the Acquisition.

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The Acquisition is in line with Big River's strategy for geographical and segment growth, transforming the Group into a major player in plywood and architectural panels markets across both Australia and New Zealand.

Completion of the Acquisition is subject to successful completion of the Placement and satisfying certain conditions precedent. These comprise the Company finalising its due diligence to its satisfaction, Big River shareholders approving the issue of the considerations shares to Timberwood, 3 premises leases (agreed in principle commercially) being formalised with the landlord parties who are members of the Timberwood Group, obtaining consents of certain contract counterparties, no material change occurring in the Timberwood Business or the Company and other customary procedural conditions precedent. These are all expected to be satisfied in the ordinary course. Shareholder approval under ASX Listing Rule 7.1 is required to issue the scrip consideration for the Acquisition and Big River intends to convene an extraordinary general meeting for that purpose in late January or early February 2021. Further information on the issue of the scrip consideration is set out in the Appendix 3B lodged by Big River today. Subject to satisfaction or waiver of those conditions precedent, the Acquisition is expected to complete by end March 2021. Anacacia, as the largest shareholder of Big River, with a pro forma shareholding of 43.4% post the fully underwritten institutional placement, has committed to vote in favour of this resolution and the resolution to approve the conditional placement.

Commenting on the transaction, Big River's CEO, Jim Bindon said:

"I am excited to announce today that Big River is embarking on a significant step in progressing its growth strategy in the specialty panels market, with a transaction that will transform us into a leading player in plywood and architectural panels markets. This is highly complementary with the expansion the Company undertook into New Zealand in 2019, together with the long history Big River has across a range of specialised panels products."

Further details of the Acquisition can be found in the Investor Presentation released to the ASX today.

Big River business performance

Big River notes an improved FY21 earnings outlook with the market performing better than originally forecast, supported by the lifting of Covid-19 restrictions and construction sector related Government stimulus measures. Underlying 1H21 NPAT is now expected to be >10% ahead of 1H20.

Details of the Placement

Big River intends to issue 15.1 million New Shares under the Placement to raise approximately \$20.4 million, representing 24.2% of the current shares on issue. The Placement includes a \$14.3 million fully underwritten placement and a \$6.1 million conditional placement.

Shareholder approval under ASX Listing Rule 10.11 is required to facilitate the participation of Big River's substantial shareholder NAOS who holds over 30% of Big River's issued capital. NAOS has committed to taking up the conditional placement subject to Big River shareholder approval. The Company's major shareholder, Anacacia has confirmed it will support the required resolution being passed. If for any reason the conditional placement is not approved by shareholders, the amount of the conditional placement will be funded by debt from existing debt facilities.

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Proceeds from the Placement will fund the Acquisition, associated costs and working capital.

The offer price for the Placement is \$1.35 per share (**Offer Price**) and represents a 6.9% discount to the last close of Big River shares of \$1.45.

Moelis Australia Advisory Pty Limited ACN 142 008 446 is acting as Lead Manager to the Placement and Underwriter to the fully underwritten placement and as Financial Adviser to Big River.

The Placement is being made under Big River's 25% placement capacity in Listing Rule 7.1 and 7.1A. A presentation on the Acquisition and Placement has been lodged with the ASX today and is available to download from ASX's website (www.asx.com.au). Further information on the Placement is also set out in the Appendix 3B lodged by Big River today.

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Proposed timetable

Big River expects the Placement and Acquisition to be conducted according to the following timetable:

Event	Date
Trading halt (pre-market open) announcement of Acquisition and Placement	Monday, 7 December 2020
Institutional bookbuild opens	10.00am Monday, 7 December 2020
Institutional bookbuild ends	4.00pm Tuesday, 8 December 2020
Announcement of results of Placement, normal trading resumes	Wednesday, 9 December 2020
Settlement of Underwritten Placement	Monday, 14 December 2020
Lodge cleansing notice for Underwritten Placement shares	Tuesday, 15 December 2020
Underwritten Placement shares commence trading	Tuesday, 15 December 2020
Despatch notice of extraordinary general meeting (Meeting)	Monday, 18 January 2021
Hold Meeting and obtain shareholder approvals	Thursday, 18 February 2021
Complete Acquisition and issue scrip consideration to the vendors	On or about the end of March 2021

Management briefing:

Investors are invited to join a conference call hosted by Jim Bindon and Steve Parks on Monday 7 December 2020 at 11:00am AEDT. The dial in details are as follows:

Toll: +61 2 8038 5221, Toll Free: 1800 123 296, Conference ID: 3468749

Notes:

All times are AEDT, Sydney.

This timetable is indicative only and subject to change. The Board of Directors of Big River may vary these dates, in conjunction with the Underwriter, subject to the ASX Listing Rules.

For more information, contact:

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

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IMPORTANT NOTICES

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This announcement may contain certain forward-looking statements, forecasts, estimates, projections, beliefs and opinions (Forward Statements). Forward Statements can be identified by the use of 'forward-looking' terminology, including, without limitation, the terms 'believes', 'estimates', 'anticipates', 'expects', 'projects', 'predicts', 'intends', 'plans', 'propose', 'goals', 'targets', 'aims', 'outlook', 'guidance', 'forecasts', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology, and include financial outlook information as defined below.

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This announcement is not financial product advice and has not taken into account your objectives, financial situation or needs.

OTHER

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