



Big River Industries Limited (ACN 609 901 377)

Big River Industries Limited (ASX:BRI)
Results Announcement – Year Ending 30 June 2021
24 August 2021

(FY21 amounts and percentage changes are quoted on a post AASB16 basis)

Headlines

- Revenue of \$281m was up 13% from FY20, with a broad based market recovery driving a return to organic growth.
- Full year comparable store sales grew 4% on a like for like basis, with growth accelerating every quarter throughout the financial year.
- EBITDA of \$22.5m (before significant items) was up 30% on FY20, with growth achieved in every geographic and product category of the business.
- NPAT (before significant items) of \$7.8m, up 68% on FY20.
- Distribution gross margin expanded 150 bps during FY21, despite the challenges of many suppliers cost increases and substantial escalation in international shipping costs. This improvement was achieved across Panels, Building Products and Formwork materials, and highlights the positive impact of procurement scale, improved differentiated product mix and supply chain advantages.
- Whilst the detached housing and renovations markets were particularly strong during FY21, multi-residential markets and Commercial construction continued to contract, and remain below mid-cycle levels. This creates further upside in future years as these key markets return to growth.
- The completion of the Timberwood Panels (TWP) acquisition enhanced the Company's Panels business materially. The synergistic product mix and higher margin categories, together with the recent NZ acquisition and the acquisition referred to below, will positively contribute to growth of the Panels business.
- The proposed acquisition of the Revolution Wood Panels (RWP) business, also announced today, is an excellent bolt on to the expanding Panels product category and gives a strong foothold into the Queensland market.
- A final dividend of 3.0 cents per ordinary share fully franked was determined by the Board, with the Company's dividend reinvestment plan ("DRP") in effect. Total FY21 dividends of 5.6 cps (interim and final) represent an increase of 133% on the prior financial year.

Results Summary (AUD's)	FY2021	FY2020	Change
Revenue	\$281m	\$248.9m	13%
Operating EBITDA ⁽¹⁾	\$22.5m	\$17.3m	30%
NPAT (before significant items)	\$7.8m	\$4.6m	68%
NPAT (statutory)	\$1.8m	\$4.4m	-59%
Earnings per share (before significant items)	11.15 cps	7.49 cps	49%
Earnings per share (statutory)	2.58 cps	7.14 cps	-64%
FY2021 Dividends - interim & final (cps)	5.6 cps	2.4 cps	133%

⁽¹⁾ Operating EBITDA is earnings before interest, taxes, depreciation, amortisation, and significant items (including impairment charges).

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Trading Summary

Revenue growth of 13% to \$281m was a pleasing result with growth in the businesses addressable market for the first time in several years. With the additional contribution from TWP in quarter 4 of the financial year the business finished the year with strong momentum, which has continued in the first 7 weeks of trading of FY22.

The strongest growth came from New Zealand, Victoria and Western Australia, while it was pleasing to see every region grow their EBITDA contribution and ratio's.

The Formwork category was the only area of the business not to grow sales revenue, with the significant exposure to high density unit development and commercial construction impacting this business. The international supply chain disruptions also impacted this category significantly, so the minimal 3% decline in like for like revenue was a solid outcome.

Despite the announced closure of the Wagga plywood manufacturing site as part of the Company's 1H21 results, it was pleasing to see Group plywood output across the two sites grow by 5% versus FY20, reversing several years of declines. This sets a strong demand base for the consolidated manufacturing operations at the Grafton site that will prevail throughout FY22. The new capital project, together with the closure of the Wagga site, continue to progress to plan.

Significant items

The business once again managed the Covid-19 environment effectively, with no employee positive cases at any Company sites, and there were no Covid 19 related Government payments received by the Company at all during the period.

The largest significant item of FY21 related to the pending closure of the Wagga Plywood manufacturing site (announced in the 1H21 results) and the subsequent manufacturing consolidation project at Grafton, supported by the NSW Governments Bushfire Grant scheme. All components of the project have been bought to account in the FY21 year, with the total net profit after tax impact being negative \$4.5m.

Acquisition costs were also elevated in FY21, with the acquisition of Timberwood completed in March 2021, and the higher associated legal, financial, advisory and stamp duty costs related to the capital raise and completion of this transaction, the largest the Company has executed to date.

FY21 also saw the first year in which any share-based remuneration was accounted for in accordance with the Executive Long Term Incentive program adopted by the Board in 2018. This provision amounted to a \$0.6m for the full year.

Balance Sheet & Cashflow

Some material movements in the balance sheet occurred in FY21, with the closure of Wagga announcement triggering asset write-downs and closure costs, offset by the significant Bushfire Recovery Grant of \$10.0m awarded to the Company.

The acquisition of Timberwood Panels (and the resultant capital raise) also saw substantial increases in both fixed assets and inventory, together with contingent liabilities for the Earn-out component of the deal.

Net bank debt closed the year at \$21.8m (in line with the prior period) with gearing (measured as net bank debt to net bank debt plus equity) of 18.7% at 30 June 2021, compared to 23% at 30 June 2020.

After tight cash management during the early stages of Covid-19 in FY20, the Company returned to normal dividend payout ratios for FY21, resulting in the Board determining a final dividend of 3.0 cps, payable on 6 October 2021. 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

Whilst there remains considerable uncertainty as to the outlook, due to the ongoing lockdowns and industry restrictions in place, the fundamental market remains positive, and the Company expects the addressable market to grow by around 4% in FY22 (assuming no major restrictions to construction activity).

The resilience BRI has displayed during FY21 augers well for continued growth in FY22 given the wide geographic, construction sector and product category diversity of the Company. Despite the considerable restrictions in several States in recent months, most notably in Sydney (the largest construction market in Australia), comparable store sales revenue has continued to grow in early FY22.

The Homebuilder scheme remains a positive driver for the balance of the financial year, and with housing starts continuing to lag approvals, the pipeline of detached housing will remain elevated right through into FY23.

The addition of the RWP acquisition, as well as full year contribution from Timberwood Panels, provides a strong growth environment in the Company's highest margin product category, and this will contribute well to the FY22 financial results. Total revenue, including RWP contribution, is expected in the range \$335m - \$350m for FY22 (assuming no major restrictions to the construction sector arising from Covid-19), and underlying EBITDA and NPAT growth is expected to be in line with or above the revenue increases, as scale and improved margin mix of the business continues to deliver improved financial metrics.

Jim Bindon, Big River CEO, said: "FY21 represented a change in the construction cycle dynamics, with the headwinds of recent years turning more positive. The business performed at improved levels across all aspects of the Company, and this broad-based improvement in performance was the most pleasing element of the year. Expansion of the network continued with the successful acquisition of Timberwood Panels, and the subsequent announcement of the Revolution Wood Panels acquisition, a highly synergistic extension of the businesses Panels category. Despite what at times was a disrupted industry during FY21, the continued support of suppliers, customers and staff during this period of supply shortages and restricted operations, was most appreciated, and helped contribute to the positive results the Company has reported".

Conference Call

Investors are invited to join a conference call hosted by Jim Bindon and Steve Parks on Tuesday 24 August 2021 at 11:00am AEDT. The dial in details are as follows:

Toll: +61 2 8038 5221 Conference ID: 3954729

For more information, contact:

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