Big River Industries Limited (ACN 609 901 377)

25 February 2022

Big River Industries Limited (ASX:BRI)
Results Announcement – Half year ending 31 December 2021
Record result drives doubling of dividend

Headlines

- Revenue of $193.8m was up 45% from 1H21, with strong organic growth accompanied by excellent contribution from recent acquisitions.
- Comparable store sales grew 14% on a like for like basis, with growth accelerating each quarter of the period. This adds to the four consecutive quarters of accelerated revenue growth achieved in FY21, highlighting the strong upward swing in the construction industry cycle.
- EBITDA of $21.5m (before significant items) was up 115% on 1H21, with growth achieved in every geographic region and division of the Company.
- Like for like growth in EBITDA (excluding acquisition contribution) increased 64% compared to the prior year
- NPAT (before significant items) of $9.9m, was up 204% or $6.7m on 1H21.
- Gross margin continued to expand, up 200 basis points(2) versus 1H21. This was driven by improved product mix, more contribution from higher margin direct importation and operational efficiencies, combined with a strong ability of the business to pass through cost increases.
- The growth in detached housing construction continues to be impacted by tight supply chains and Covid-19 related disruptions, with this construction lag underpinning the strength of demand in this sector well into FY23. So too, commercial and multi-residential construction was impacted by reduced staff density allowances on large construction sites and supply chain restrictions, impacting the industry's ability to meet the demand growth.
- The three recent acquisitions (not in the prior corresponding period) all performed strongly, with their cumulative revenue growth in line with that of the broader Group. EBITDA contribution was also ahead of the earn-out run rate targets for all three acquisitions.
- An interim dividend of 5.5 cents per ordinary share fully franked was determined by the Board. This is up 112% on the 1H21 interim dividend. The Company's dividend reinvestment plan ("DRP") remains active.

Results Summary (AUD's)	1H22	1H21	Change
Revenue	$193.8m	$133.5m	45%
Operating EBITDA (1)	$21.5m	$10.0m	115%
NPAT (before significant items)	$9.9m	$3.3m	204%
NPAT (statutory)	$8.8m	($6.2m)	242%
Earnings per share (before significant items)	12.3cps	5.2cps	137%
Earnings per share (statutory)	10.9cps	(9.8cps)	211%
Dividends - interim (cps)	5.5cps	2.6cps	112%

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

(2) In 1H22, direct labour from manufacturing operations is included in "Raw materials" resulting in a gross margin of 26.5%, an increase of 200bps on 1H21. When calculated on a like-for-like basis, the prior period (1H21) gross margin is 24.5%. In 1H21, $5.0m of direct labour from manufacturing operations was recorded in the statement of profit or loss as an "Employee benefits expense".

Trading Summary

The Group achieved strong organic revenue growth of 14% in 1H22, and this momentum has continued into the first seven weeks of the new calendar year, despite substantial Omicron related impacts.

Group sales grew 45% when the solid contribution from acquisitions is included, taking 1H22 revenue to a record $193.8m. This was despite the first quarter being dominated by Covid-19 lockdowns, as well as considerable supply chain disruptions that impacted the construction sector as a whole. With 25% of Group revenue coming from imported products, container availability and international freight costs were a major headwind for the business to successfully manage. Local supply partners also suffered from production and supply bottlenecks which added to the product shortages widely seen in the market.

Growth was achieved in all geographic regions and across all business divisions, a pleasing outcome given parts of the construction sector remain below mid cycle levels (multi-residential in particular).

Gross margin has continued to expand, up 200 basis points(2) compared to the previous corresponding period. This reflects improved manufacturing efficiencies, as well as a higher proportion of Panels product sales following the acquisition of Timberwood Panels and Revolution Wood Panels. It was also assisted by strong pricing disciplines that allowed rapidly changing product costs to be passed through to the market.

The higher operating expenses during 1H22 were predominantly variable in nature and related to the strong trading period experienced. Total expense increases were restricted to 9% versus 1H21 (on a like for like basis), which was a solid performance in a market with considerable capacity constraints.

The Group was not entitled to any Covid-19 related government support in Australia during the period but did receive a small payment from the New Zealand Government of AUD$0.1m in relation to the Company's New Zealand operations.

Balance Sheet & Cash Flow

The two acquisitions completed during the 1H22 have added to the working capital balances on the balance sheet. Net debt increased for the 1H22 by $12.9m to $34.7m, reflecting the cash paid in respect of these acquisitions. This resulted in gearing as at 31 Decemeber2021 (measured as net bank debt / net bank debt + equity) of 24.9%, still comfortably within the Company's target range.

Whilst inventory levels increased, this reflected in part management's decision to secure inventory during a period of significant market shortages. The 12% increase in like for like stock levels also recognises higher product costs, during a period where material price increases were applied across all parts of the supply chain.

Solid working capital performance was aided by the strong management of receivables, with average debtor days of 45 for the period, significantly below the previous corresponding period.

Cash conversion came in at 73%, a little below the Company's long term average, but a strong result given the additional investment in inventory made during 1H22.

The solid position of both the balance sheet and cash flows allowed the Board to determine a record fully franked interim dividend of 5.5 cps, up 112% on the 1H21 dividend. The dividend will be paid on 6 April 2022.

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Outlook

The strength of the construction market continues, with ongoing growth in the addressable market expected for the 2H22. Supply constraints remain, particularly on imported product lines, which is not expected to be fully resolved before FY23. However they are not expected to worsen versus the 1H22.

The sales run rate in 2H22 is expected to be in line with 1H22, albeit that there are seven less working days in the 2H22. The considerable lag in residential completions (compared to approval volumes) will result in elevated activity well into FY23. Together with improving approvals for multi-residential construction and the commercial construction market, the outlook for the business remains strong.

Whilst the strong growth in gross margin seen in these results is expected to ease a little in the 2H22 as higher cost inventories cycle through the business, the financial metrics of the business continue to improve.

Acquisitions continue to contribute very positively to Group results, and the pipeline of new opportunities continues to support the 3-year strategic goals set for the business.

Jim Bindon, Big River CEO, said: “1H22 represented one of the strongest trading periods I have experienced during my 21 years at the Company. The results delivered are very pleasing with the Company being rewarded for generating solid organic revenue growth, showing a continued ability to expand gross margin through enhanced product mix and disciplined pricing, and displaying strong management of expenses despite a challenging inflationary period. These have combined to deliver a record financial result and one that rewards the shareholders for their support of the business.”

Conference Call

Investors are invited to join a conference call hosted by Jim Bindon and Steve Parks on Friday 25 February 2022 at 11:00am AEDT. The dial in details are as follows:

Toll:	+61 2 9007 3187	Conference ID: 10018752

For more information, contact:

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