BigRiver

Big River Industries Limited (ACN 609 901 377)

26 August 2022

Big River Industries Limited (ASX:BRI)

Results Announcement – Year Ending 30 June 2022

Outstanding growth achieved in a volatile environment

Headlines

- Revenue grew strongly to a new record of $409.3m, 45.4% higher than the FY21 result. This came from strong organic growth across all the Company's key categories and solid contribution from acquired businesses.
- Importantly, comparable store sales grew 20.0% on a like for like basis, with growth continuing to accelerate throughout the financial year, topping off 7 quarters of accelerating organic revenue growth.
- Underlying EBITDA of $48.0m (before significant items) was up 113.3% on FY21, with growth achieved in every Division and geographic region in which the business operates.
- NPAT (before significant items) of $22.7m, up 191.0% on FY21.
- Group gross margin expanded 190 bps during FY22, as the business benefited from solid operating efficiencies in the manufacturing sites. An improved product mix, as high margin categories grew above par, also added to gross margin, while increased direct importation volumes also expanded margins.
- The completed acquisitions of Revolution Wood Products in Brisbane (Panels) and United Building Products in The Illawarra (Building Trade Centre) performed very strongly, and considerably ahead of forecast earnings targets.
- The fundamental markets the Company operates in continue to be positive, with the detached housing pipeline being stretched out due to tight supply of materials and labour and multi-residential consents showing strong improvements after cyclical lows. Commercial construction is bouncing back after Covid-19 related softness in the office, accommodation and entertainment sectors, while a long and strong pipeline of infrastructural projects exists.
- A final dividend of 10.0 cents per ordinary share fully franked was determined by the Board, with the Company's dividend reinvestment plan ("DRP") in effect. Total FY22 dividends of 15.5 cps (interim and final) represent an increase of 176.8% on the prior financial year, and this represented a 60% payout ratio for FY22.

Results Summary	FY22	FY21	Change %
Revenue	$409.3m	$281.4m	+45.4%
U-EBITDA*	$48.0m	$22.5m	+113.3%
NPAT (before significant items)	$22.7m	$7.8m	+191.0%
NPAT (Statutory)	$21.3m	$1.8m	+1083.3%
Earnings per share (statutory)	26.03 cps	2.58 cps	+989.1%
Dividends per share	15.5 cps	5.6 cps	+176.8%

*Underlying EBITDA is earnings before interest, tax , depreciation, amortisation and significant items

Trading Summary

FY22 was a period of substantial growth for the Company, with both a positive improvement in the businesses addressable market, combined with considerable inflationary impacts across most product ranges, driving organic revenue growth to 20.0%

Pleasingly, the growth was very broad across all geographies. South Australia showed outstanding organic revenue growth of 58.9%, while Western Australia grew by 26.2%, QLD by 21.4%, New Zealand by 20.3%, Victoria by 15.0% and NSW/ACT by 7.1%.

So too, growth was achieved across all our key reporting categories, with Building Trade Centres, heavily exposed to the strong detached housing market, growing by 27.3%, while Formwork & Commercial grew by 15.1% and Panels by 14.3%.

In addition to these solid organic revenue results, acquisitions (not in the prior period) contributed 25.4 percentage points of the revenue growth, and all tracked well ahead of the acquisition (and earn-out target) metrics.

These strong revenue numbers, combined with gross margin gains of 190 bps, drove overall gross profit improvements of 57.3%. Whilst like for like expenses grew 14.0% on the prior period, some 50% of this growth was variable in nature, and linked to strong revenue growth achieved across the business. Hence the overall result was excellent improvements in operating leverage, that drove Underlying EBITDA margins from 8.0% in FY21 to 11.7% for FY22.

Balance Sheet & Cashflow

Supply chain challenges were a very common theme across the industry during FY22, and the Company made material investments to position the business to capitalise on these challenges. Increasing volumes of direct importation aided in the solid gross margin improvement, but did contribute to elevated inventory levels, that rose 23.1% versus FY21 (excluding newly acquired businesses). However solid improvement in receivables management, which saw marked reductions in aged debt and average debtor days, continued to see net working capital levels in line with our target range, at 18.1% (to sales) for the year.

This strong working capital management helped deliver a cash conversion rate of 88.5%, a 7.1% improvement on the FY21 cash conversion rate. This was particularly pleasing given the higher costs for inventory, and the elevated direct imports. Closing net bank debt of $21.3m was a strong outcome, with gearing (measured as net bank debt to net bank debt plus equity) of 15.9% at 30 June 2022 also an improvement on the 18.7% at 30 June 2021.

Given the strong profitability and cash flow results, the Board determined a final dividend of 10.0 cps, payable on 6 October 2022. This takes full year dividends to 15.5 cps, an increase of 176.8% over FY21. 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

The construction markets continue to remain positive, and a significant pipeline exists which has been enhanced by project delays in the larger commercial and infrastructure segments. So too, detached housing has an elevated pipeline as product and labour shortages continues to see completions lag approval volumes.

Modest growth in the addressable market volumes are expected in FY23, and a full cycle of elevated product costs and inflationary factors also auger well for revenue outcomes.

Organic (like for like) revenue growth in the first eight trading weeks of FY23 is 23.3% higher than the corresponding period, although the FY21 period included some Covid related construction sector restrictions.

Acquisitions continue to be a fundamental component of the Company's growth strategy, and the business is confident the continued expansion of the network across Building Trade Centres, Formwork & Commercial and Panels will be achieved, regardless of the stage of the construction cycle. This has been proven in the five years since the Company listed, with revenue growing by 140% despite varying conditions prevailing.

Jim Bindon, Big River CEO, said: "FY22 was a period of substantial growth and success for our Company, but one that also presented major challenges for our staff, customers and suppliers alike. Covid-19 related illness put pressure on all staff, while major product shortages needed close and expert management. Significant weather events affected several of our sites, and inflationary pressure impacted everyone in the supply chain. Despite all these challenges, record revenue, profitability, earnings per share and free cash flow was achieved, which was a testament to all our employees, customers and suppliers. I thank every one of our staff and partners for helping deliver this result.".

Conference Call

Investors are invited to join a conference call hosted by Jim Bindon and John O'Connor on Friday 26 August 2022 at 11:00am AEDT. The dial in details are as follows:

Toll: +61 2 8038 5221 Conference ID: 3954729

For more information, contact:

Jim Bindon (CEO and Managing Director)	Ph: (02) 6644 0903	e: jbindon@bigrivergroup.com.au
John O'Connor (CFO and Company Secretary)	Ph: 0459503439	e: joconnor@bigrivergroup.com.au

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