Big River Industries Limited (ASX:BRI)

Full year results presentation FY 2022

26th August 2022

Big River Industries Limited

BigRiver

Index

Business Overview

~25% of revenue - manufactured by BRI
~25% of revenue - direct imported by BRI
~50% of revenue - sourced from large local supply partners

23 sites
across the major population centres of Australia and NZ

~ 570 staff
Average L.O.S ~ 10 years

6 manufacturing sites

- 1 x Plywood manufacturing
- 3 x Steel rolling lines
- 3 x Panels manufacturing sites
- 3 x Frame & Truss prefabrication plants
- 1 x Bridge pre-fab manufacturing

Revenue split by construction segment

- 41% Detached housing
- 15% Multi-residential
- 9% Alterations & Additions
- 21% Commercial
- 7% Civil
- 7% OEM (re-manufacturing)

Strong geographic and category diversity

Construction Products – 71% of revenue

Building Trade Centres – **44% of revenue**

Formwork & Commercial – **27% of revenue**

Panels – 29% of revenue

Building Trade Centres x 11

Formwork & Commercial x 4

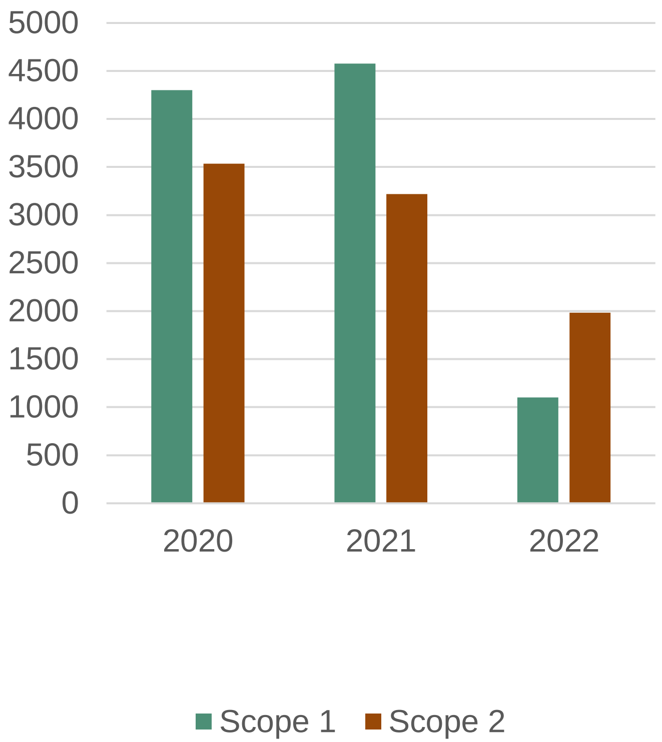
Panels x 8

120 year sustainable history drives positive ESG initiatives

Environmental

- Plywood manufacturing Consolidation Project resulted in 74% reduction in Scope 1 manufacturing emissions in last 3 years
  - Ceased use of gas in August 2021 to generate heat for processing
  - Heat now generated entirely from processing of wood residues from manufacturing
- Scope 2 emissions reduced by 45% as part of the changed manufacturing strategy
- Solar installed (or approved for installation) at the Company's 3 largest energy consuming sites

Scope 1 & 2 emissions
Plywood manufacturing
(tonnes of CO_2 equivalent)



120 year sustainable history drives positive ESG initiatives

Social

- 1000 toys produced at Clarence Correctional Centre using BRI donated plywood
  - Serco has also partnered with Big River Industries, which donates the timber needed to make the toys. Working with local partners to deliver meaningful programs provides opportunities for the community and businesses to support Serco's rehabilitation and reintegration strategy. (Serco media release June 2022)
- Ongoing donations to The Mens Shed organisations in Auckland and Brisbane to support their work
- Continued support of the Westpac rescue helicopter service

120 year sustainable history drives positive ESG initiatives

Governance

- Modern slavery audits conducted on 75% of international suppliers, with compliance achieved in all cases
- Achieved an increase of 4 percentage points in ratio of women in the BRI workforce in the last 2 years
- Board independent majority maintained with the appointment of 2 new NED’s in FY22

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Financial

- Revenue growth of 45.4% to $409.3m, including 20.0% store on store organic growth, well ahead of addressable market changes
- Underlying EBITBA of $48.0m, represented 113.3% growth over FY21
- Underlying NPAT of $22.7m, 191.0% ahead of FY21, with Statutory NPAT up ten fold
- Strong working capital management, with 18.1% net working capital to sales ratio, despite pressure of increased inventories
- ROFE (EBIT/debt + equity) of 26.6%, well ahead of strategic targets
- Record dividends of 15.5 cps (interim and final), up by 176.8% on FY21, after a strong cash conversion performance of 88.5%. This represents a 60% payout ratio
- Net debt of $21.3m, reflecting gearing of 15.9%, leaving significant headroom for growth

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Operating Highlights

- 2H22 showed accelerated revenue growth over 1H22, with store on store organic growth of over 23.1% (versus 14.0% in 1H22)
- Revenue growth achieved in every business category and geography in which the business operates
- Gross margin expansion of 190 bps (to 26.9%) during FY22, continuing the long term expansion achieved since listing
- Two acquisitions completed in FY22 that contributed $27m in revenue and ~$4m in EBITDA for the period
- Acquisition of FA Mitchell Panels business in Lidcombe, Sydney (completed post reporting date) provides a solid base for a brownfield expansion into Sydney Panels market
- Strong disciplines on Receivables saw improvements in average debtor days and aged profile (despite general commentary of the elevated credit risks of construction companies)
- Supply chain challenges well managed, with inventory growth contained

Divisional Performance

Divisional Restructure completed

Realigned Management into Panels and Construction Divisions, to achieve better management cover for our increasing number of sites, and a stronger focus and enhanced synergy extraction

	Panels		Construction Products		Corporate		Total	
	FY22	**FY21**	**FY22**	**FY21**	**FY22**	**FY21**	**FY22**	**FY21**
Revenue	$117.1m	$54.9m	$292.2m	$226.5m	-	-	$409.3m	$281.4m
U-EBITDA	$21.4m	$10.6m	$31.9m	$16.1m	($5.3m)	($4.2m)	$48.0m	$22.5m
U-EBITDA margin	18.3%	19.3%	10.9%	7.1%	N/M	N/M	11.7%	8.0%

Panels

- Consolidated product development implemented
- Full supplier procurement aligned
- Acquisition of Revolution a strong EBITDA contributor
- Lidcombe acquisition in Sydney (1 Aug 2022) provides solid platform for growth
- New eco Panels range introduced in NZ, with Australian launch in FY23

Construction

- Procurement analyst driving further purchasing synergies
- Acquisition of United Building Products an excellent addition to the Building Trade Centre network
- Strong market share growth achieved into residential construction segment
- Positive new supplier partnership developed with CSR on medium density product range

Financial Performance

	FY2022 ($m)	FY2021 ($m)	Change (%)
Revenue	**409.3**	**281.4**	**45.4%**
Gross Profit	110.3	70.1	57.3%
*Gross profit margin % **	*26.9%*	*25.0%*	*7.6%*
Operating EBITDA (1)	**48.0**	**22.5**	**113.3%**
EBITDA margin	**11.7%**	**8.0%**	**46.3%**
Depreciation & amortisation	(12.2)	(9.4)	(29.8%)
Operating EBIT	**35.8**	**13.1**	**173.3%**
Interest	(3.2)	(1.9)	(68.4%)
Tax expense	(9.9)	(3.4)	(191.2%)
NPAT (before significant items)	**22.7**	**7.8**	**191.0%**
Significant items (net of tax) (2)	(1.4)	(6.0)	80.0%
NPAT	**21.3**	**1.8**	**1083.3%**
EPS cps	26.03 cps	2.58 cps	989.1%

(1), Operating EBITDA is pre significant items

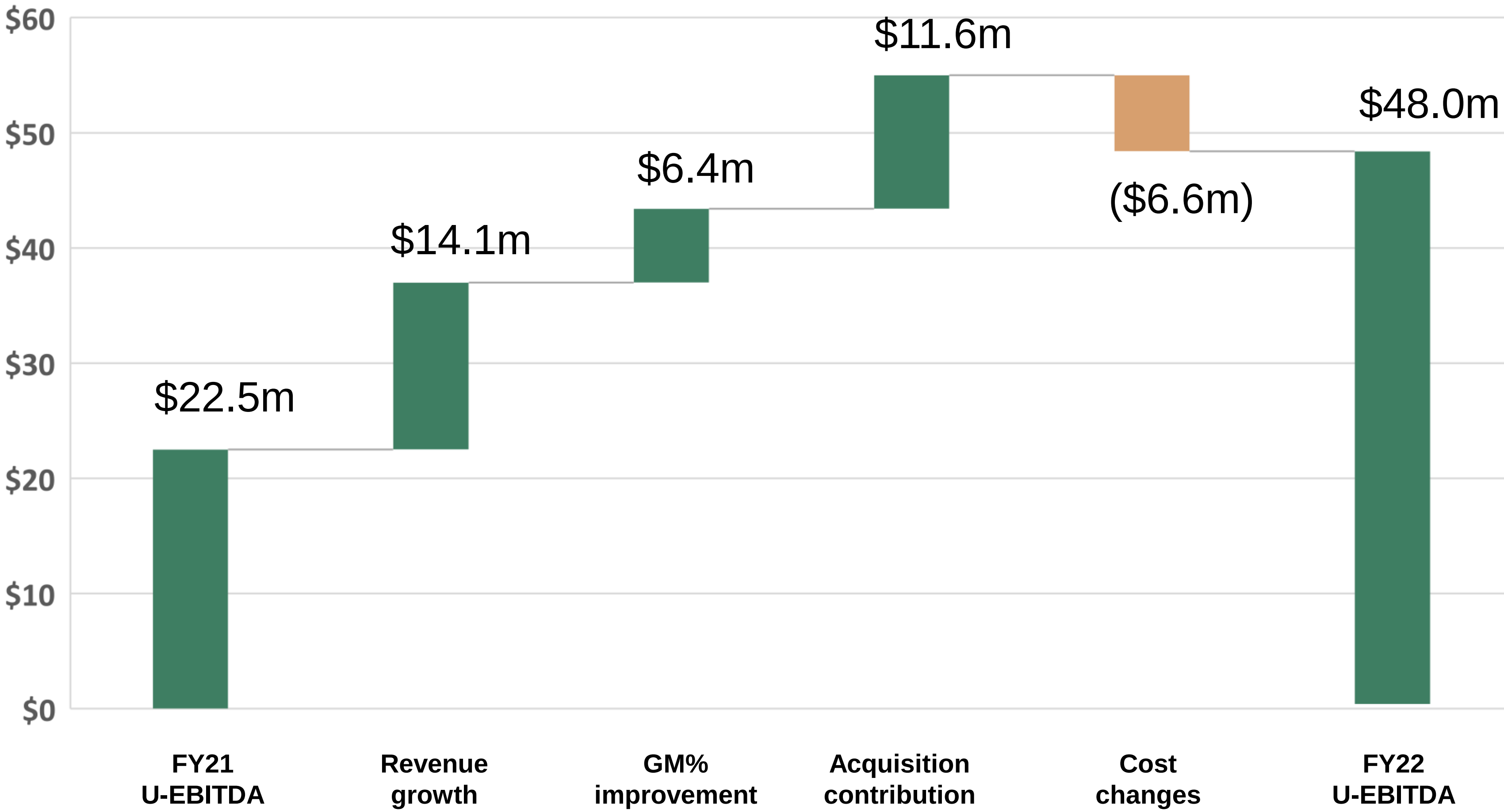
- Strong revenue growth achieved through both organic growth and acquisition contribution
- Gross profit margin increased by 190 bps, driven by enhanced product mix and a rising price environment
- Corporate overheads increased to $5.3m (versus $4.2m in FY21)
- Strong operating leverage drove a 46.3% increase in U-EBITDA margin

(2). Significant items detailed below

	FY2022 ($m)	FY2021 ($m)
Net Wagga impairment	0.5	(4.5)
Acquisition costs	(1.0)	(1.0)
Contingent consideration	-	0.1
Share based remuneration	(0.9)	(0.6)
Total	**(1.4)**	**(6.0)**

* The Company made a change in the classification of expenses in FY2022. In FY2022, direct labour from manufacturing operations is included in “Raw materials and consumables used” resulting in a gross margin of 26.9%, an increase of 190bps from 25.0% gross margin achieved in FY2021 on a like for like basis. FY2021 has been restated in this table to include $9.4m of direct labour from manufacturing operations recorded in the profit or loss as an “Employee benefits expense”. Excluding this adjustment the gross margin reported in FY2021 was 28.2%.

Profitability Waterfall



- Organic revenue growth delivered 63% growth in U-EBITDA
- Gross margin expansion of 190 bps delivered 28% growth in U-EBITDA
- Acquisitions delivered 52% growth in U-EBITDA versus FY21
- Cost increases of 14% reduced U-EBITDA by 29% versus FY21

Balance Sheet

Balance Sheet	30 June 22 ($m)	30 June 21 ($m)
Cash	19.8	7.8
Receivables	63.4	54.0
Inventories	72.8	54.1
Fixed assets	21.9	20.8
Right of use assets	21.5	22.5
Intangibles	58.4	43.8
Deferred tax	-	5.1
Assets held for sales & Other	3.3	1.6
Total assets	**261.2**	**209.7**
Payables	61.9	41.2
Borrowings	41.1	29.6
Lease liabilities – right of use	22.7	23.5
Current tax liability	5.3	1.0
Contingent consideration	7.9	7.2
Provisions / other	10.0	12.5
Total Liabilities	**148.8**	**115.0**
Total Equity	**112.4**	**94.7**

- Growth in receivables of 17.4% well below the revenue growth achieved
- Like for like inventory increased by 23% to $72.8m, reflecting additional inventory volumes and the price rises elevating book values
- Growth of net intangibles reflect the acquisitions of United Building products and Revolution Wood Panels
- Fixed asset increases includes assets acquired as part of acquisitions of $1.0m, and the $6.1m FY22 capex program
- Growth in Payables reflects the record revenue months achieved in May & June 2022 (increasing creditors accordingly)
- Assets held for sale (Wagga L&B) and Government grant of $1m relate to finalisation of the Consolidation Project

Capital management

	30 June 22 ($m)	30 June 21 ($m)
Total bank facility	68.1	58.1
Drawn Debt	41.1	29.7
Cash	(19.8)	(7.9)
Net Debt $m	21.3	21.8
Dividends declared (cps)	15.5 cps	5.6 cps
Gearing %	15.9%	18.7%
Working capital to revenue ratio %	18.1%	17.9%

- Strong collections lifted closing cash balance to $19.8m.
- Nab term debt facility increased by $10m in FY22
- Term debt ($46m) split into two tranches, expiring in FY25 ($30m) and FY27 ($16m) respectively
- Strong working capital to sales performance helped reduce Gearing to 15.9% (measured as net bank debt / net bank debt + equity)
- Dividends increased to 15.5 cps, fully franked, an increase of 176.8% over FY21
- Gearing (measured as net debt / net dent + equity) reduced to 15.9%

Final dividend determined for FY22 of 10.0 cps will be payable based on:

- Ex Date – 5/9/2022
- Record date – 6/9/2022
- DRP election date – 7/9/2022
- VWAP period – 8/9/2022 to 21/9/2022
- Payment date – 6/10/2022

Cash Flow

Cash Flow	FY2022 ($m)	FY2021 ($m)
Receipts from customers	398.1	305.6
Payments to suppliers & employees	(360.6)	(291.0)
Government Grants	5.0	4.0
Operating cash flow before interest & tax	**42.5**	**18.6**
Interest paid	(2.4)	(1.7)
Income tax paid	(2.9)	(2.7)
Operating Cash Flow	**37.2**	**14.2**
Capital expenditure	(6.1)	(1.8)
Business acquisitions & investments	(13.5)	(21.0)
Intangibles	(0.1)	(0.4)
Contingent consideration	(2.0)	(1.2)
Investing cash flow	**(21.7)**	**(24.4)**
Net proceeds from issue of shares	-	19.2
Borrowing proceeds	10.0	0.2
Net lease payments	(7.9)	(5.3)
Dividends paid	(6.7)	(3.4)
Financing cash flow	**(4.6)**	**10.7**
Net Cash Flow	**10.9**	**0.5**

- OCFBIT or cash conversion was strong at 88.5% achieved
- Government funding receipts of $5.0m for the period were in line with the total FY22 cash exit costs from Wagga site
- Elevated FY22 capital expenditure of $6.1m is ~ 65% comprised from the Consolidation Project investments at Grafton
- Business acquisitions reflect the cash components of the United Building Products and Revolution Wood Products acquisitions
- Contingent consideration includes payments for the New Zealand (Year 2) earn out and the Pine Design (Adelaide) (Year 2) earn out and Townsville (Year 2) earn-out
- Dividend payments include FY21 (final) and FY22 (interim) dividends of 3 cps and 5.5 cps respectively

Outlook

Market Conditions

- The addressable market volumes are forecasts to grow modestly versus FY22
    - Improvements in Multi-residential and commercial construction expected to be offset by slight moderation in Detached Housing and the Alteration & Additions market
- Weighted average price growth still expected to be an element of FY23, although the price rise cycle is certainly slowing
- An extended pipeline due to project delays, and material and labour shortages, continues to underpin FY23 outlook
    - This is particularly the case in Detached Housing, Multi-residential and Infrastructure investment
- Freight and supply chain pressure expected to continue easing in FY23

Outlook

Strategy execution

- Consolidation Project not yet delivering strategic benefits due to equipment delays and contractor limitations
  - Final $2m in Capex expected in FY23
  - This provides potential upside to FY23 earnings
- Consolidation of our small Sydney Panels site into the newly acquired FA Mitchell Panels business, will improve our Sydney market position
- History of successful acquisition expansion expected to continue in FY23

Outlook

Financial

- Trading in the first 8 weeks of FY23 has shown organic (like for like) revenue growth of 23% *
- Expect a moderating of inventory levels (relative to sales revenue) as supply chains improve
- Expect cash conversion rates for FY23 in line with the strong FY22 result

* FY22 comparable period was influenced by Covid related construction site restrictions

Appendix

Key Financial Measures ($m's)	FY2017 Pre AASB16	FY2018 Pre AASB16	FY2019 Pre AASB16	FY2020 Pre AASB16	FY2020 Post AASB16	FY2021 Post AASB16	FY2022 Post AASB16
Profitability							
Revenue	177.1	210.9	217.8	248.9	248.9	281.4	409.3
Operating EBITDA (before significant items)	10.2	11	9.8	12.3	17.3	22.5	48
Reported EBITDA	8.1	10.7	9.2	11.6	16.9	22.5	46.8
NPAT (before significant items)	5.4	5.4	4.4	5.3	4.6	7.8	22.7
Reported NPAT	3.9	5.2	3.9	4.7	4.4	1.8	21.3
Earnings Per Share (cents)	9.55cps	9.79cps	7.24cps	7.58cps	7.14cps	2.58cps	26.03cps
Cash flow							
OCFBIT	7.0	8.6	7.0	13.1	18.4	18.6	42.5
Operating cash flow	4.7	5.0	3.8	10.3	14.9	14.2	37.2
EBITDA to OCFBIT % (cash conversion)	87%	80%	76%	112%	108%	82%	88%
Dividends							
Dividend	3.5cps	7.0cps	4.4cps	2.4cps	2.4cps	5.6cps	15.5 cps
Dividend payout ratio (%)	47%	72%	66%	32%	34%	246%	60%

CASH FLOW ($m's)	FY2017 Pre AASB16	FY2018 Pre AASB16	FY2019 Pre AASB16	FY2020 Pre AASB16	FY2020 Post AASB16	FY2021 Post AASB16	FY2022 Post AASB16
Reported EBITDA	8.1	10.7	9.2	11.6	16.9	24.1	48.0
Non-cash items & working capital changes	-1.1	-2.1	-2.2	1.5	1.5	-5.5	-5.5
OCFBIT	**7.0**	**8.6**	**7.0**	**13.1**	**18.4**	**18.6**	**42.5**
Interest paid	-0.9	-0.8	-1.0	-1.5	-2.2	-1.7	-2.4
Tax paid	-1.4	-2.8	-2.2	-1.3	-1.3	-2.7	-2.9
Operating Cash Flow	**4.7**	**5.0**	**3.8**	**10.3**	**14.9**	**14.2**	**37.2**
Net capital expenditure	-1.2	-2.1	-1.4	-1.1	-1.1	-1.7	-6.0
Intangibles	-	-	-0.8	-1.0	-1.0	-0.4	-0.2
Free cash flow	**3.5**	**2.9**	**1.6**	**8.2**	**12.8**	**12.1**	**31.0**
Business acquisitions	-5.1	-3.7	-6.6	-19.6	-19.6	-21.0	-13.5
Contingent consideration	-	-	-	-0.2	-0.2	-1.2	-2.0
Net proceeds from issue of shares	16.5	-	1.4	6.1	6.1	19.2	-
Proceeds/(repayment) of borrowings	-7.4	2.9	5.4	12.3	12.3	0.2	10.0
Lease repayments	-	-	-	-0.3	-4.9	-5.3	-7.9
Dividends paid	-2.4	-3.7	-3.0	-1.4	-1.4	-3.4	-6.7
Increase/(decrease) in cash	**5.1**	**-1.6**	**-1.2**	**5.1**	**5.1**	**0.6**	**10.9**

PROFIT & LOSS ($m's)	FY2017 Pre AASB16	FY2018 Pre AASB16	FY2019 Pre AASB16	FY2020 Pre AASB16	FY2020 Post AASB16	FY2021 Post AASB16	FY2022 Post AASB16
Revenue	**177.1**	**210.9**	**217.8**	**248.9**	**248.9**	**281.4**	**409.3**
EBITDA from Operations:							
- Panels	3.4	2.1	1.8	1.8	1.8	10.6	21.4
- Construction	9.7	12.0	11.3	13.8	19.1	16.1	31.9
- Corporate activities	-2.9	-3.1	-3.3	-3.3	-3.6	-4.2	-5.3
Operating EBITDA	**10.2**	**11.0**	**9.8**	**12.3**	**17.3**	**22.5**	**48.0**
Depreciation	-1.7	-2.0	-2.2	-2.6	-7.6	-8.8	-10.8
Amortisation	-0.2	-0.5	-0.5	-0.7	-0.7	-0.6	-1.4
Operating EBIT	8.3	8.5	7.1	9.0	9.0	13.1	35.8
Interest	-0.9	-0.8	-1.0	-1.6	-2.3	-1.9	-3.2
Taxation Expense	-2.0	-2.3	-1.7	-2.1	-2.1	-3.4	-9.9
NPAT (before significant items)	**5.4**	**5.4**	**4.4**	**5.3**	**4.6**	**7.8**	**22.7**
Significant items net of tax:							
Wagga Wagga Impairment	-	-	-	-	-	-4.5	0.5
IPO costs	-1.4	-	-	-	-	-	-
Acquisition costs	-0.1	-0.2	-0.5	-0.6	-0.6	-1.0	-1.0
Contingent consideration	-	-	-	-	0.4	0.1	0.8
Share-based remuneration	-	-	-	-	-	-0.6	-0.9
NPAT (statutory)	**3.9**	**5.2**	**3.9**	**4.7**	**4.4**	**1.8**	**21.3**

NET CASH/(DEBT) ($m's)	FY2017 Pre AASB16	FY2018 Pre AASB16	FY2019 Pre AASB16	FY2020 Pre AASB16	FY2020 Post AASB16	FY2021 Post AASB16	FY2022 Post AASB16
Cash at bank	3.6	2.0	1.2	8.7	8.7	7.8	19.8
Overdraft and trade finance	-	-	-0.5	-2.8	-2.8	-1.4	-2.7
Bank bills	-5.0	-7.9	-13.5	-25.9	-25.9	-26.0	-36.0
Bank lease liability	-2.6	-2.5	-2.3	-2.0	-2.0	-2.2	-2.4
Net Bank Debt	**-4.0**	**-8.4**	**-15.1**	**-22.0**	**-22.0**	**-21.8**	**-21.3**
Lease liability AASB16	-	-	-	-	-19.5	-23.5	-22.8
Total	**-4.0**	**-8.4**	**-15.1**	**-22.0**	**-41.5**	**-45.3**	**-44.1**
Gearing *	6.6%	12.5%	19.7%	23.3%	23.5%	18.7%	15.9%

* Gearing is measured as: net bank debt / (net bank debt + equity)