Big River Industries Limited (ACN 609 901 377)

24th August 2023

Results Announcement – Full Year Ending 30th June 2023
Continued positive profit growth and strong cash management

Big River Industries Limited (ASX: BRI) is pleased to announce its final results for the Full Year ended 30th June 2023 (FY2023)

Highlights

- FY23 sales revenue of $449.5m was up 9.8% on FY22 from organic growth and a positive contribution from acquisitions.
- Comparable store sales grew 2.8% in FY23.
- EBITDA of $51.5m (before significant items) was up 7.3%, with continued strong EBITDA margin at 11.5% of revenue.
- Gross margin continued to expand and was up 55 basis points versus FY22, driven by product mix and disciplined price management.
- Strong Balance Sheet, with Working Capital to Revenue ratio at 15.5% compared to 18.1% in pcp, EBITDA to Cash conversion at 112% in FY23 compared to 89% in FY22.
- The acquisitions completed during the last 12 months (FA Mitchell and Epping Timber) have integrated well into the business and are delivering positive results.
- A final dividend of 8.5 cents per ordinary share fully franked was determined by the Board. This delivers a total of 17.1cps for the year which is up 10.3% on FY23.

John Lorente, Big River CEO, said: ‘It’s pleasing to deliver a positive result in my first announcement leading the Group, continuing the strong growth of the business over several years. Our geographic diversity, market segment exposure and supply chain model have helped continue the positive momentum through the cycles of the market. What’s truly satisfying is our strong cash result, achieved through disciplined operations across the group, positioning the business well for continued expansion.”

Results Summary (AUD’s)	FY23	FY22	Change
Revenue	$449.7m	$409.3m	9.9%
EBITDA	$51.5m	$48.0m	7.3%
NPAT (before significant items)	$23.2m	$22.5m	3.1%
NPAT (statutory)	$22.1m	$21.3m	4.3%
Earnings per share (before significant items)	28.0cps	27.6cps	1.4%
Earnings per share (statutory)	26.8cps	26.0cps	3.1%
Dividends	17.1cps	15.5cps	10.3%

Trading Summary

The Group continued its growth trajectory in FY23 with total revenue up 9.8%, including organic revenue growth of 2.8%. The year was marked by very strong sales in the first quarter, in line with the last quarter of FY22, which then (driven by site delays) softened and plateaued. The last five months of the year had strong consistent sales supported by the consistent high volumes of construction.

As has been well documented, the industry experienced job site delays in every market segment, driven predominantly by labour shortages. The team has managed this well with major customers and this has resulted in positive stock position and a pipeline of work stretching well into CY24.

The Group delivered another record result with Revenue of $449.5m driven by market growth in Qld, SA and WA and solid contributions from acquisitions. Following a soft start to the year, the NZ business delivered a stronger second half but is still behind the prior year and looks set to deliver growth into FY24.

The most recent acquisitions, FA Mitchell and Epping Timber, have integrated well into the group and all recent acquisitions are delivering positive results for the business.

Supply Chain pressures have now eased with international freight costs back to pre-covid levels. Supply pricing on average has been stable, with price deflation in some product categories (LVL, imported timber, steel) offset by increases in other local products.

The Grafton consolidation project is 90% complete, having experienced delays in equipment delivery and labour throughout the year. Despite the construction work and delays, Grafton achieved a positive result for the year and is expected to be fully operational by late 1H24.

Underlying the Group's growth in profitability over the past few years has been expansion in Gross Margins. This continued in FY23 with Gross Margins up 55 basis points compared to the prior corresponding period. This was due to a combination of product mix and disciplined price management.

The Group initiated several operational improvement initiatives which are aimed at improving systems, processes and support structures in Operations, IT, Finance and HR, that deliver efficiencies and synergies and position us for future expansion.

Safety & People

Safety is, and will remain, a priority at Big River. The group had a strong focus on safety during the year, particularly on vehicle and pedestrian separation, safety toolbox talks and hazard identification. This saw an improvement in Total Injury Frequency Rate (TRIFR) decreasing from 8.5 to 5.8 for the year. The focus on safety and team will continue as a key pillar to our strategy. The appointment of Stephanie Bassett as Head of People and Culture is a welcome addition to the Executive team and will give additional focus to our people and their safety.

Balance Sheet & Cash Flow

The cash management of the Group was a highlight of the year, positioning the business well for future opportunities. Total working capital decreased by $4.6m for the year to $69.7m as a consequence of inventory and debtor reductions. This resulted in a working capital to revenue ratio of 15.5%, a strong improvement from June 2022 result and well within the Group's target range.

Inventory levels declined by $3.3m for the year to $69.5m, on prudent operational management and the Group's focus on stock reductions since January.

Trade Receivables improved for the year with Debtor Days decreasing to 43 Days from 44 Days in the prior year. The formation of a new National Credit team for the group is continuing to deliver positive results.

Net debt decreased for the year by $10.0m to $11.2m, due to the strong cash flows in the year. The Group gearing ratio (measured as net bank debt / net bank debt + equity) was 8.5%, giving plenty of headroom for future acquisitions. Cash conversion (measured as EBITDA / gross operating cash flow) came in at 112%.

The very strong position of both the balance sheet and cash flows allowed the Board to declare a fully franked final dividend of 8.5cps bringing the total dividend for the year to 17.1cps. The Company's dividend reinvestment plan ("DRP") remains active. The dividend will be paid on 6th October 2023.

Outlook

The outlook for our addressable market remains positive given the Group's market segment diversity.

The pipeline of Residential housing is buoyant, stretched out by delays in construction, and will extend into CY24. The housing pipeline is less clear beyond that, however, low vacancy rates and increases in immigration will put upward pressure on rents and drive demand and investment in the medium and long term. Last week's announcement by National Cabinet to offer $3.5 billion to the states and local councils, to fast track the construction of 1.2 million homes, will add further impetus to the industry and will be beneficial to the business.

Medium Density opportunities are looking positive in the coming year and the build-to-rent sector will support growth in high rise in the medium term backed by Government incentives.

Commercial projects are strong, and work in the pipeline is at record levels which will underpin sales in FY24. The civil market remains strong with multiple projects across all States.

International supply constraints have eased, and supply is expected to be back to normal levels in the coming year. Local product inflation impacts have been largely offset by declines on imported products. Gross margins will likely be under some pressure in FY24, though the business is working closely with supply partners to identify synergistic cost improvements to mitigate. The diversity of the business supply chain has us well positioned to maximise the upside.

Strong growth is expected to continue in Queensland and Western Australia in buoyant markets. The New Zealand business should see continued improvement on growth initiatives and the strong pipeline of work. Melbourne and Sydney are expected to be the softest markets but will be the most likely to benefit from immigration growth.

Given the expansion of the business over several years, the company is increasing investments in people, systems and processes over the coming 12 months to deliver group efficiencies and synergies and support long-term growth. While this will have a short-term impact on the bottom line, it will reset the business to accelerate growth and profitability moving forward.

The successful acquisition strategy continues to deliver well for the Group. Big River will continue to seek out acquisition opportunities that deliver value.

As previously reported, we are confident that our strategy will continue to deliver EBITDA margins averaging above 10% through the construction cycle.

Conference Call

Investors are invited to join a conference call hosted by John Lorente and John O'Connor on Thursday 24 August 2023 at 11:00am AEDT.

Call in details are as follows:

Conference Call Link: Link for investors to register to phone in and participate in the Q&A session:

https://s1.c-conf.com/diamondpass/10031815-gkfpw8.html

Webcast Link: Link for investors to listen to the event and scroll through the slide deck:

https://webcast.openbriefing.com/bri-fyr-2023/

For more information, contact:

John Lorente (CEO and Managing Director)	Ph: +61 448 265 181	e: jlorente@bigrivergroup.com.au
John O'Connor (CFO and Company Secretary)	Ph: +61 459 503 439	e: joconnor@bigrivergroup.com.au

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