Big River

FY23 Results Presentation

Big River Industries Ltd (ASX:BRI)

24/08/2023

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Presenters

John Lorente
CEO & Managing Director

John O’Connor
CFO

BigRiver

Financial Highlights

Revenue

+9.8%

from FY22 to

$449.5m

Revenue up 9.8% from FY22 to $449.5m

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U-EBITDA

+7.3%

Underlying EBITDA up 7.3% on FY22 to $51.5m with delivering strong EBITDA margin of 11.5%.

Working Capital

15.5%

Balance Sheet performance, net working capital to revenue ratio of 15.5% as compared to 18.1% in pcp.

Return on Funds Employed

28.6%

ROFE (EBIT/Funds Employed) of 28.6% a record result.

Dividends

17.1cps

Final dividend of 8.5c delivering a total dividend of 17.1c for the year up 10.3% on FY22.

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Operational Highlights

NPAT (Statutory)

+4.3%

Net Profit after Tax continued growth and was up 4.3% on a very strong result in FY22.

Cash Conversion

112%

Strong Cash position for the year

EBITDA to Cash conversion at 112% for FY2023 compared to 89% in FY2022.

Gross Margin

+55bps

Ongoing improvement in product mix and pricing disciplines delivered Gross Margin up 55bps on prior year.

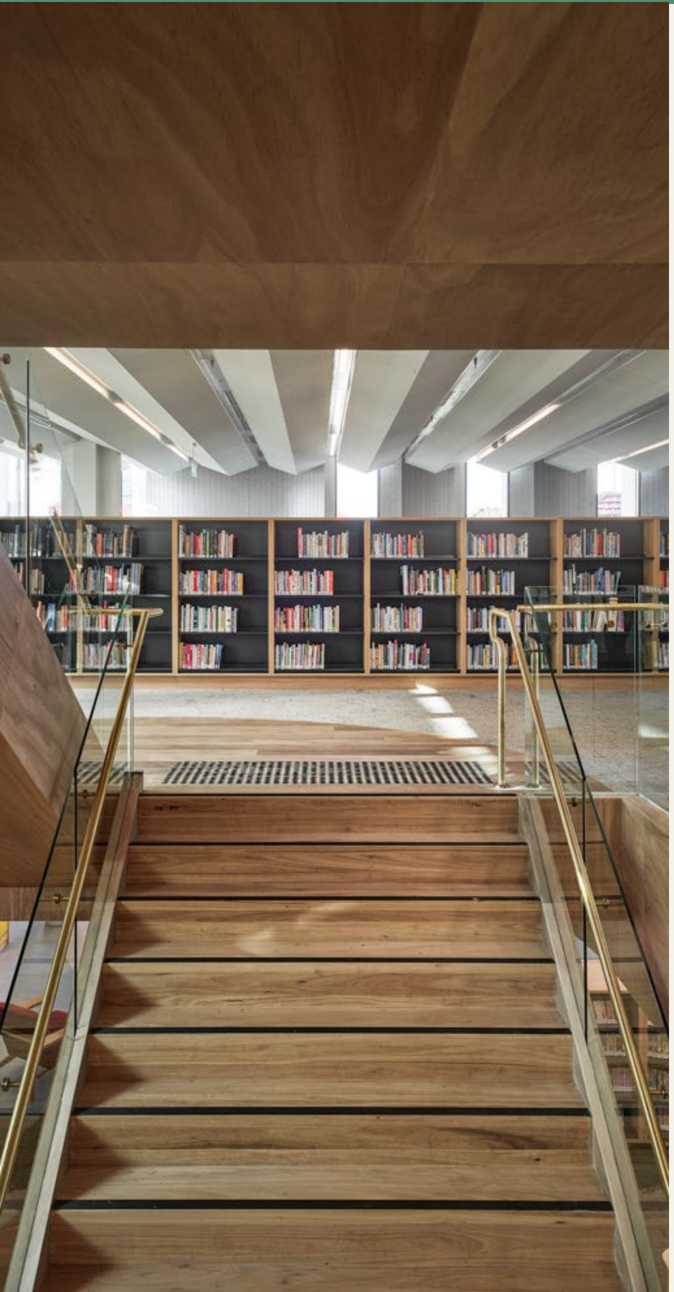
The teams managed industry wide site delays and labour shortages well **to record another record result for the Group.**

Increased focus on debtor management with restructured team delivered improvements in debtor days.

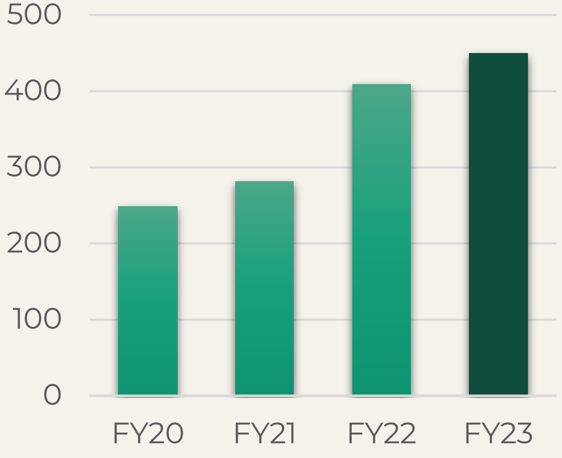
New acquisitions completed in FY23 (FA Mitchell and Epping Timber) have integrated well into the group and all recent acquisition are delivering positive results for the business.

Supply chains improved during the year, price deflation impacts managed well through prudent stock and price management.

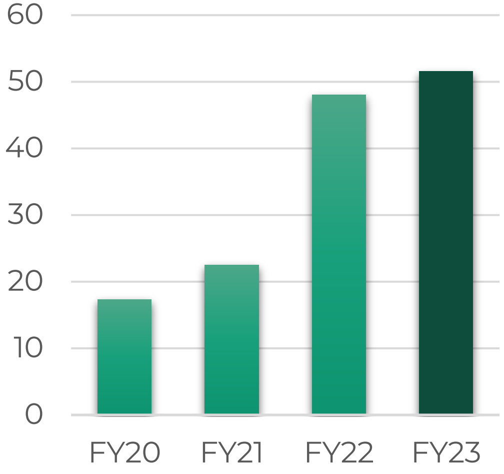
03 Growth Momentum Continues



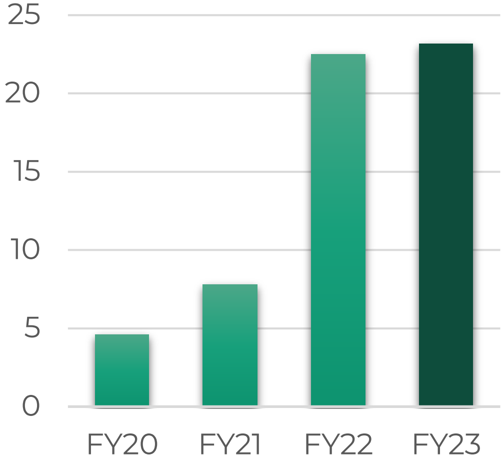
Revenue ($m)



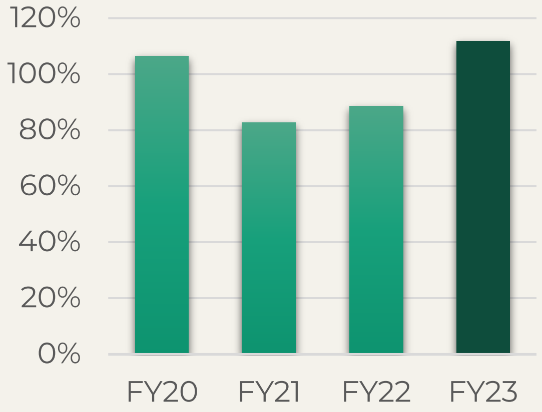
EBITDA ($m)



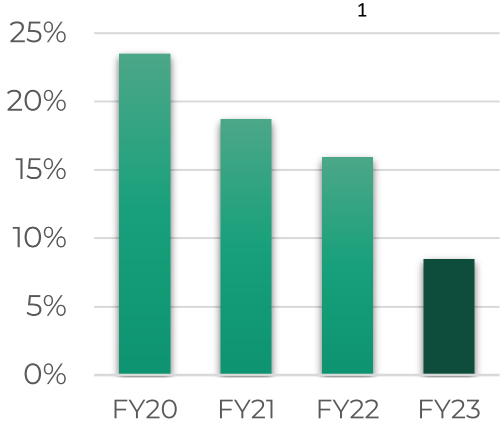
U-NPAT ($m)



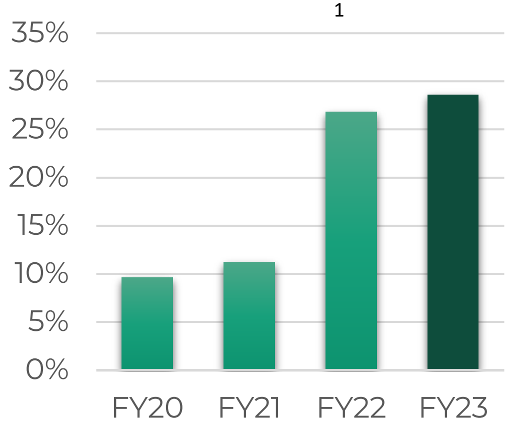
Cash Conversion



Gearing[1]



ROFE[1]



1. U-NPAT is NPAT before significant items.
2. Definitions of Gearing Ratio and ROFE covered within the appendix – page 15.

04 Business Overview

Supply chain diversity

20% of revenue
Manufactured by BRI

20% of revenue
Direct Import by BRI

60% of revenue
Sourced from local supply partners

Revenue by construction market

- 44% Detached housing
- 16% Multi-residential
- 6% Alterations & Additions
- 21% Commercial
- 7% Civil
- 6% OEM (re-manufacturing)

Revenue by region

- 27% Queensland
- 26% Victoria
- 23% New South Wales/ACT
- 17% SA/WA
- 7% New Zealand

Asset mix

26
Sites across major population centres

7
Manufacturing Sites

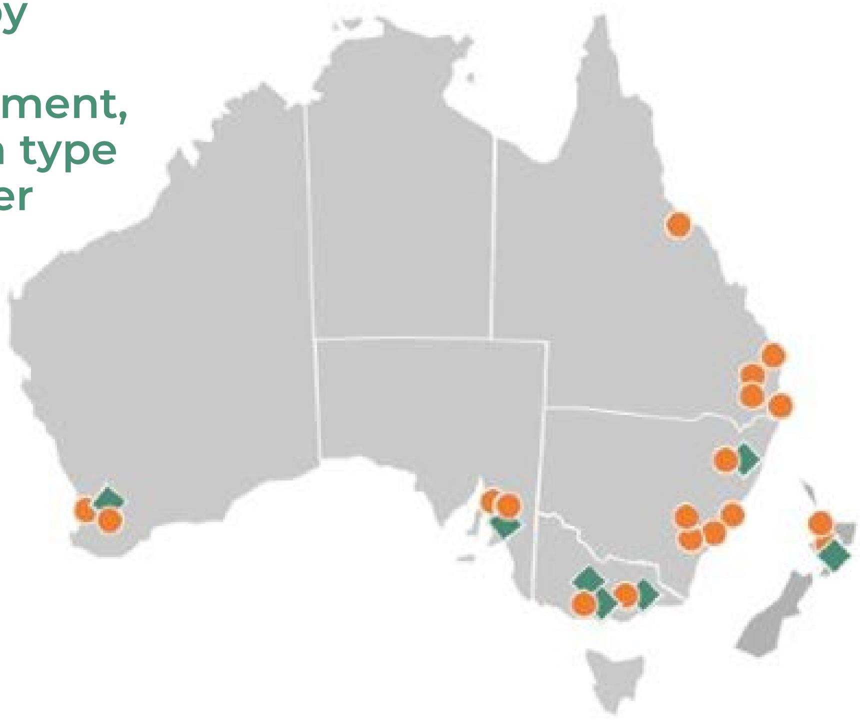
4
Frame & Truss prefabrication plants

3
Plywood / panel manufacturing plants

Diversified by geography, industry segment, construction type and customer

◆ Big River manufacturing facilities

● Big River sales / distribution sites



05 Divisional Performance

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	Revenue			EBITDA			EBITDA margin	
AUD in millions	FY23	FY22	% Change	FY23	FY22	% Change	FY23	FY22
Construction products	321.0	292.2	9.9%	39.3	31.9	23.2%	12.2%	10.9%
Panels	128.5	117.1	9.7%	19.2	21.4	(10.3%)	14.9%	18.3%
Corporate costs	-	-	-	(7.0)	(5.3)	32.1%	-	-
Total	**449.5**	**409.3**	**9.8%**	**51.5**	**48.0**	**7.3%**	**11.5%**	**11.7%**

Construction products

- Continued strong growth in the Construction Division up 9.9% from FY22, with organic revenue growth of 3.1% and additional contributions from acquisitions.
- Strong profit growth in Construction, led by Building Trade Centres on the back of favourable product mix and pricing disciplines.

Panels

- Revenue was up 9.7% from FY22, with continued organic growth of 1.9% and additional contributions from new acquisitions.
- The Grafton Consolidation project is 90% complete and is expected to be fully operational this calendar year.
- Panels EBITDA margins impacted predominantly by softness in NZ.

06 Profit & Loss

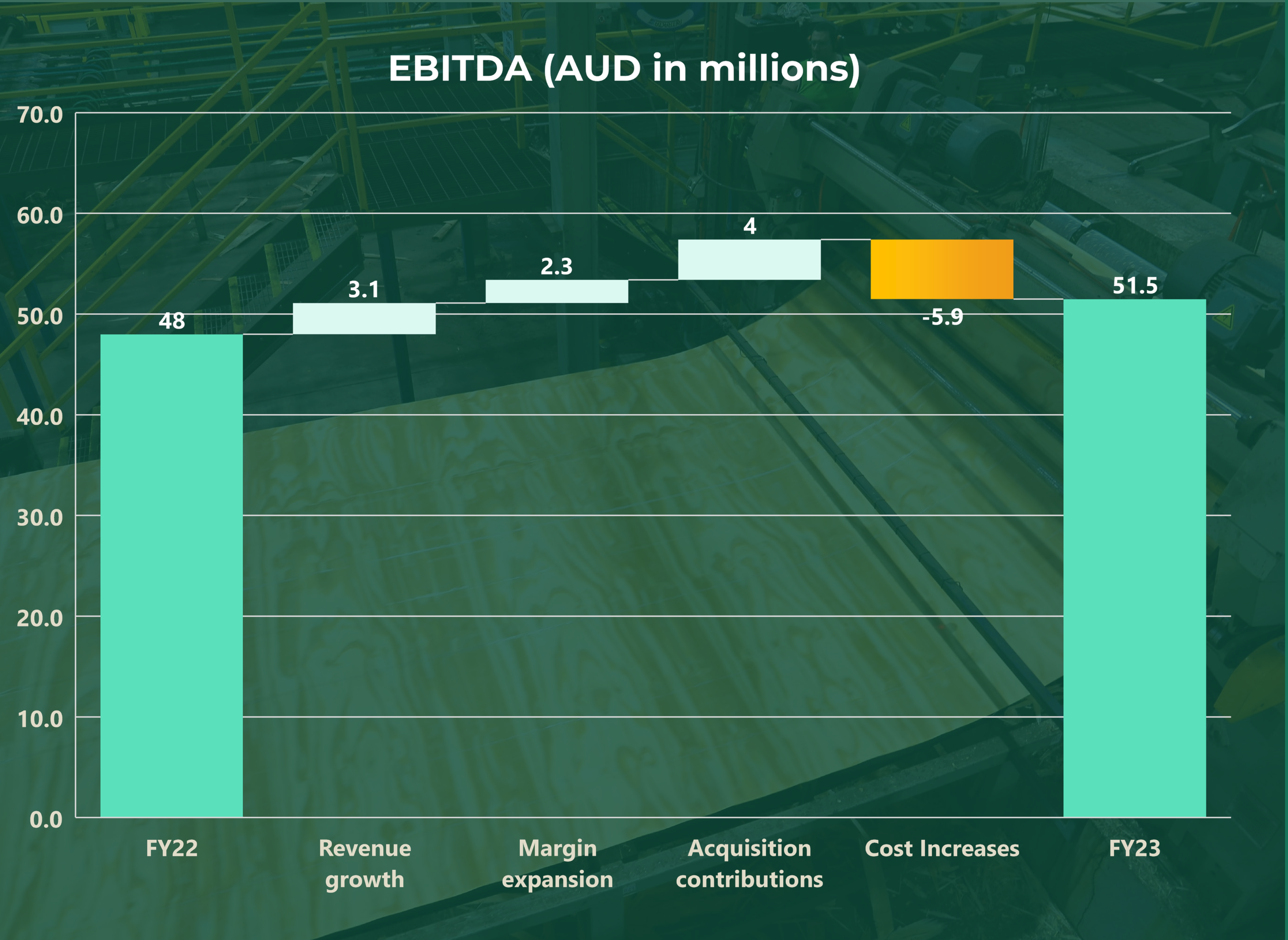
BigRiver

AUD in millions	FY23	FY22	% Change
Revenue	449.5	409.3	9.8%
Raw materials and consumables	(326.2)	(299.3)	9.0%
Gross profit	**123.3**	**110.0**	**12.1%**
Operating expenses	(71.8)	(62.0)	15.8%
EBITDA	**51.5**	**48.0**	**7.3%**
Depreciation and amortisation	(13.8)	(12.2)	13.1%
EBIT	**37.7**	**35.8**	**5.3%**
Finance costs	(4.8)	(3.2)	50.0%
PBT before significant items	**32.9**	**32.6**	**0.9%**
Income tax expense	(9.6)	(10.1)	(5.0%)
NPAT before significant items	**23.3**	**22.5**	**3.6%**
Significant items:			
- Acquisition costs	(0.6)	(1.0)	(40.0%)
- Share-based remuneration	(0.6)	(0.9)	(33.3%)
- Recovery of assets and restructuring costs	-	0.7	100.0%
NPAT to equity owners	**22.1**	**21.3**	**4.3%**

Highlights

- Revenue up 9.8% driven by organic growth and acquisitions.
- Gross margin up 55 basis points versus FY22. This key driver was improvements in manufacturing efficiencies, pricing disciplines and product mix.
- Operating expenses – increasing ahead of revenue growth as we invest in people, processes and systems to right size the business for future growth.
- Finance cost increase was in line with additional borrowing to fund the acquisitions and interest rate changes.

07 Profitability Waterfall



2.8%

Organic revenue growth of 2.8% delivered 6.5% growth in EBITDA

55bps

Gross margin improvement of 55 bps delivered 4.8% growth in EBITDA.

8.3%

Acquisitions delivered 8.3% growth in EBITDA.

12.3%

Cost increases of 12.3%

08 Balance Sheet

BigRiver

AUD in millions	30 Jun 2023	30 Jun 2022
Cash	34.3	19.8
Trade and other receivables	59.9	63.4
Inventories	69.5	72.8
Fixed assets	23.9	21.9
Right-of-use assets	25.5	21.5
Intangibles	60.8	58.4
Other assets	1.7	3.4
Total assets	**275.6**	**261.2**
Trade and other payables	59.7	61.9
Borrowings	45.5	41.0
Lease liabilities (right-of-use)	26.9	22.7
Current tax payable	5.4	5.3
Contingent consideration	5.8	7.9
Provisions and other liabilities	11.6	10.0
Total liabilities	**154.9**	**148.8**
Net assets	**120.7**	**112.4**

Highlights

- Strong balance sheet to support the growth and acquisition strategy.
- Inventories decreased by $3.3 million (4.5%) – even with $2.2 million addition through acquisitions.
- Continued focus on maintaining strong disciplines with receivables in a challenging trading environment.
- Additional $5 million debt drawn in December 2022 to fund acquisition of Epping Timber.
- Completed sale of land and building relating to Wagga site.
- Contingent consideration paid at 100% of earnout caps for all recent acquisitions, on well executed integrations/synergies and strong growth.

09 Capital Management

BigRiver

AUD in millions	30 Jun 2023	30 Jun 2022
Total borrowing facility	86.1	68.1
Facility drawn	**45.5**	**41.0**
Utilisation ratio %	52.8%	60.2%
Cash	34.3	19.8
Net debt (Facility drawn – Cash)	**11.2**	**21.2**
Share capital	98.5	96.7
Reserves	22.2	15.7
Equity	**120.7**	**112.4**
Funds employed (Net debt + Equity)	**131.9**	**133.6**
Gearing ratio % (Net debt over Funds employed)	**8.5%**	**15.9%**
Working capital to revenue ratio %	**15.5%**	**18.1%**

Cents per share	FY23	FY22
Dividend declared	17.1	15.5
Basic earnings per share (cents)	26.8	26.0
Dividend pay-out ratio %	**63.9%**	**59.6%**

Highlights

- Net debt decreased by $10.0 million reflecting strong cash conversion of 112% in FY23 compared to 89% in FY22.
- Borrowing facility reflects the additional $16m approved with NAB in January 2023
- Gearing ratio of 8.5% is well within target range.
- Working capital to revenue ratio improved from 18.1% at June 2022 to 15.5% at June 2023.
- Increasing dividend to 17.1 cps up by 10.3%.

10 Cash Flow

AUD in millions	FY23	FY22
Receipt from customers	497.8	434.8
Payment to suppliers and employees	(441.2)	(397.3)
Government grants	1.0	5.0
Operating cash flow before interest and tax	**57.6**	**42.5**
Interest paid	(3.1)	(2.4)
Income tax paid	(9.3)	(2.9)
Cash generated from operating activities	**45.2**	**37.2**
Business acquisitions	(5.6)	(13.5)
Contingent consideration paid	(3.6)	(2.0)
Capital expenditure	(4.2)	(6.1)
Proceeds from sale of land	2.7	-
Investment in financial assets	(0.1)	(0.1)
Cash used in investing activities	**(10.8)**	**(21.7)**
Proceeds from borrowings	5.0	10.0
Lease payment	(9.9)	(7.9)
Dividends paid	(15.1)	(6.7)
Cash used in financing activities	**(20.0)**	**(4.6)**
Net increase in cash and cash equivalent [1]	**14.4**	**10.9**

1. Cash and cash equivalents = Cash – Bank Overdraft.

Highlights

- OCFBIT to EBITDA conversion of 112% ahead of 89% in pcp.
- Working capital reduced by 6.2% compares favourably to organic growth of 2.8%.
- Additional $5 million debt drawn to fund acquisition of Epping Timber & Hardware.
- Final dividend of 10.0 cps for FY22 and interim dividend of 8.6 cps for FY23 paid during FY23.
- Higher tax payment in FY23 includes payment of tax liability relating to FY22.

Big River's growth supported by underlying demand

- The Outlook for the Group remains positive given our market segment diversity.
- Current Housing pipeline will extend into CY24, stretched out by construction delays.
- Strong medium to long term prospects for housing given the housing shortage, immigration growth and government investment in housing construction.

- The commercial projects pipeline is at record levels and should deliver growth over the next 12 months.
- High rise developments will be led by a growing Build to Rent sector in the medium term and growing medium density work.

- Market growth expected to continue in Queensland and Western Australia.
- Softer markets in Sydney and Melbourne but will benefit from immigration growth in the medium to long term.
- NZ results expected to improve in FY24.

Strategy & Financial

- Our acquisitions strategy has delivered well over the past few years, with good opportunities for further value accretive acquisitions.

- Our Grafton Consolidation project which was delayed due to equipment and labour shortages, will be completed in 1HFY24.
- Margins expected to be under pressure in the coming year. Alignment with our key partners and our supply chain diversity has us well positioned to mitigate.

- We will continue to increase investment in the business over the coming year to deliver efficiencies, synergies and long-term growth.
- This will have a short-term impact but position the business for continued expansion.
- The daily sales run rate has been consistent over the past 6 months, this is expected to continue into 2HFY24.

13 Appendix - Profitability

BigRiver

AUD in millions	FY20	FY21	FY22	FY23
Revenue	**248.9**	**281.4**	**409.3**	**449.5**
EBITDA				
- Construction	19.1	16.1	31.9	39.3
- Panels	1.8	10.6	21.4	19.2
- Corporate costs	(3.6)	(4.2)	(5.3)	(7.0)
Total EBITDA	**17.3**	**22.5**	**48.0**	**51.5**
Depreciation	(7.6)	(8.8)	(10.8)	(11.4)
Amortisation	(0.7)	(0.6)	(1.4)	(2.4)
EBIT	**9.0**	**13.1**	**35.8**	**37.7**
Finance costs	(2.3)	(1.9)	(3.2)	(4.8)
Income tax expense	(2.1)	(3.4)	(10.1)	(9.6)
NPAT (before significant items)	**4.6**	**7.8**	**22.5**	**23.3**
Significant items:				
- Acquisition costs	(0.6)	(1.0)	(1.0)	(0.6)
- Share-based remuneration	-	(0.6)	(0.9)	(0.6)
- Wagga Wagga impairment	-	(4.5)	0.7	-
- Fair value gain	0.4	0.1	-	-
NPAT (statutory)	**4.4**	**1.8**	**21.3**	**22.1**
Earnings per share (basic)	7.1 cps	2.6 cps	26.0 cps	26.8 cps
Dividend per share	2.4 cps	5.6 cps	15.5 cps	17.1 cps
Dividend pay-out ratio %	33.8%	215.1%	59.6%	63.9%

Appendix – Cash Flow

AUD in millions	FY20	FY21	FY22	FY23
EBITDA	**17.3**	**22.5**	**48.0**	**51.5**
Working capital changes & other items	1.1	(3.9)	(5.5)	6.1
Operating cash flow before interest and tax (OCFBIT)	**18.4**	**18.6**	**42.5**	**57.6**
Interest paid	(2.2)	(1.7)	(2.4)	(3.1)
Income tax paid	(1.3)	(2.7)	(2.9)	(9.3)
Operating cash flow	**14.9**	**14.2**	**37.2**	**45.2**
Net capital expenditure	(1.1)	(1.7)	(5.9)	(1.5)
Payment for intangibles	(1.0)	(0.4)	(0.2)	-
Investment in financial assets	-	-	(0.1)	(0.1)
Free cash flow	**12.8**	**12.1**	**31.0**	**43.6**
Business acquisitions	(19.6)	(21.0)	(13.5)	(5.6)
Contingent consideration paid	(0.2)	(1.2)	(2.0)	(3.6)
Net proceeds from issue of shares	6.1	19.2	-	-
Proceeds from borrowings	12.3	0.2	10.0	5.0
Lease repayments	(4.9)	(5.3)	(7.9)	(9.9)
Dividends paid	(1.4)	(3.4)	(6.7)	(15.1)
Net increase in cash and cash equivalents[1]	**5.1**	**0.6**	**10.9**	**14.4**

1. Cash and cash equivalents = Cash – Bank Overdraft.

Appendix – Capital Management

AUD in millions	FY20	FY21	FY22	FY23
Overdraft and trade finance	2.8	1.4	2.5	2.6
Bank bills	25.9	26.0	36.0	41.0
Equipment finance liability	2.0	2.2	2.5	1.9
Less: cash	(8.7)	(7.8)	(19.8)	(34.3)
Net debt	**22.0**	**21.8**	**21.2**	**11.2**
Equity	71.7	94.7	112.4	120.7
Funds employed (Net debt + Equity)	**93.7**	**116.5**	**133.6**	**131.9**
Gearing ratio [1]	**23.5%**	**18.7%**	**15.9%**	**8.5%**
EBIT before significant items (LTM)	**9.0**	**13.1**	**35.8**	**37.7**
Return on funds employed (ROFE) [2]	**9.6%**	**11.2%**	**26.8%**	**28.6%**

1. Gearing ratio = Net debt over Funds employed.
2. ROFE = EBIT before significant items over Funds employed.

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