Big River Industries Limited (ASX:BRI)

BigRiver

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FY2018 Results Presentation - 28 August 2018

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Summary

Results Summary			
Revenue	$210.9m	↑	19.1%
EBITDA [1]	$11.0m	↑	7.2%
NPAT	$5.2m	↑	31.8%
NPATA	$5.5m	↑	36.9%
EPS	9.8 cents	↑	2.5%
Final Dividend	3.5 cps	-	0.0%

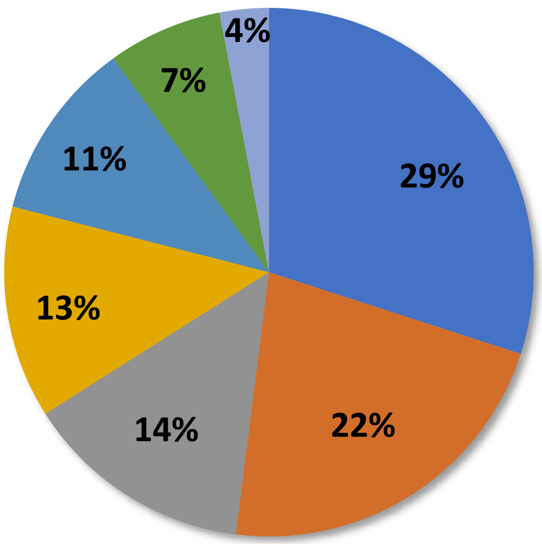
[1] Before acquisition & IPO costs


Unit Projects & Footbridge – Rhodes, NSW

- Sales revenue up 19.1% on previous corresponding period, to $211m, assisted by acquisitions
- EBITDA (before acquisition & IPO costs) up 7.2% to $11.0m at upper end of May 2018 guidance
- NPAT of $5.2m up 31.8% on last year statutory result
- Distribution activities continue to perform well, with gross margin expansion of 40bps versus prior year
- Manufacturing operations recorded lower contribution from reduced volumes
- Return on assets from distribution activities at an all time high of over 21.9%
- Completed two earnings accretive acquisitions during the year, strengthening the network in the key regions of the Gold Coast and Canberra
- Key new capital equipment installed and commissioned in Grafton helped deliver double digit revenue growth in architectural and specialty plywood categories
- Fully franked final dividend of 3.5 cps to be paid on 2 October 2018, together with the interim dividend already paid, representing a payout ratio of 72% for the full year

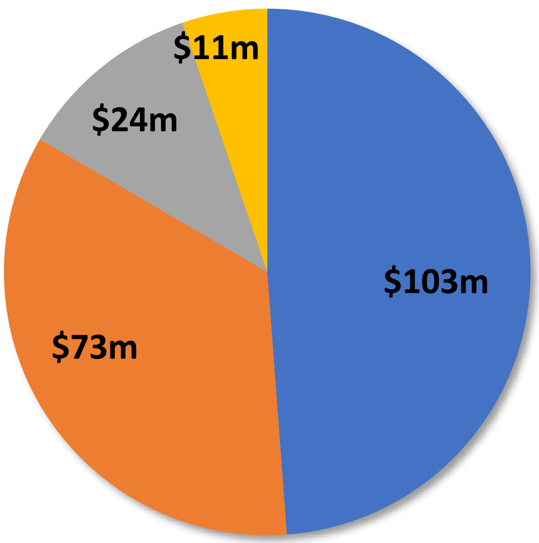
Business Diversity

Revenue by Industry Segment



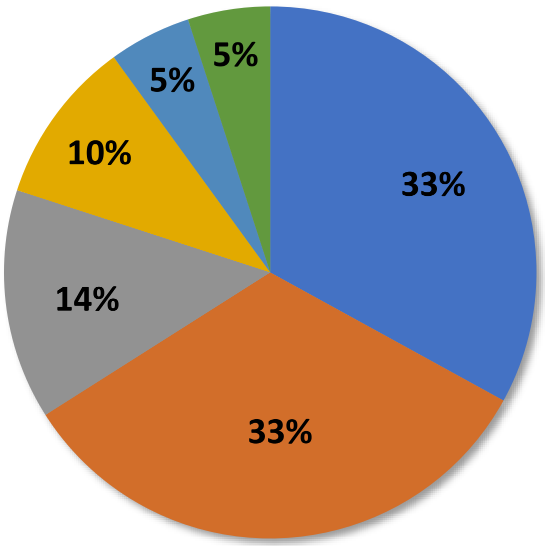
- Detached Housing
- Commercial
- High Density Residential
- Medium Density Residential
- Civil
- Alterations & Additions
- Industrial

Revenue by Product Category



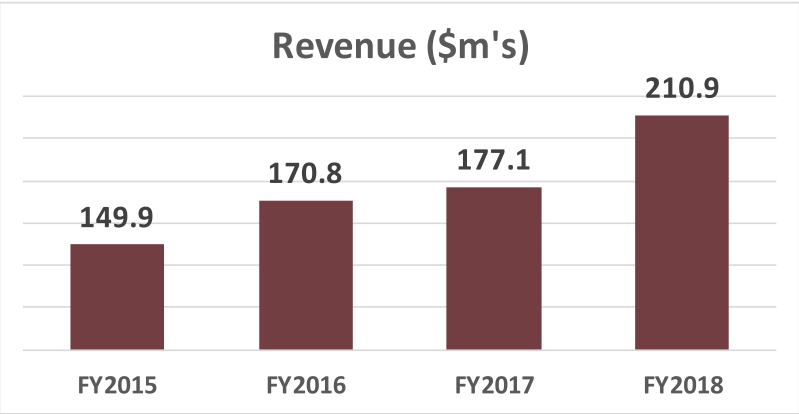
- Building Materials
- Formwork Supplies
- Plywood & Specialty Industrial Products
- Architectural Range

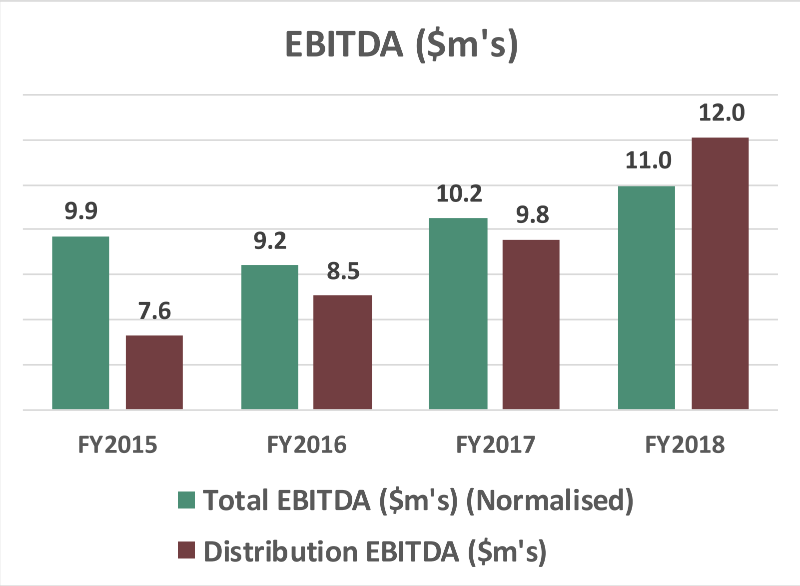
Revenue by State



- NSW
- QLD
- VIC
- SA
- WA
- ACT

Sales Highlights





- Revenue has grown 19.1% in the last 12 months as Big River executes the acquisition component of its strategy
- Acquisitions contributed $41.7m of revenue in FY2018 up from $9.7m on pcp
- Western Australia and North Queensland performed well with revenue up 17% versus FY2017 and EBITDA more than tripling
- Distribution activities achieved revenue growth of 2.5% over last year (same stores basis) which flowed through to a 3.2% increase in EBITDA (same stores basis)
- Growth of architectural product sales 13% (like-for-like basis) continues the strong 3 year trend in this high value segment following the launch of new panel and flooring products
- Sales of imported Formply over 150% ahead of the prior period, a key growth strategy for the Formwork segment
- Sales to wholesale customers were 5% of Group revenue, a useful secondary channel

Acquisition & Growth Initiatives

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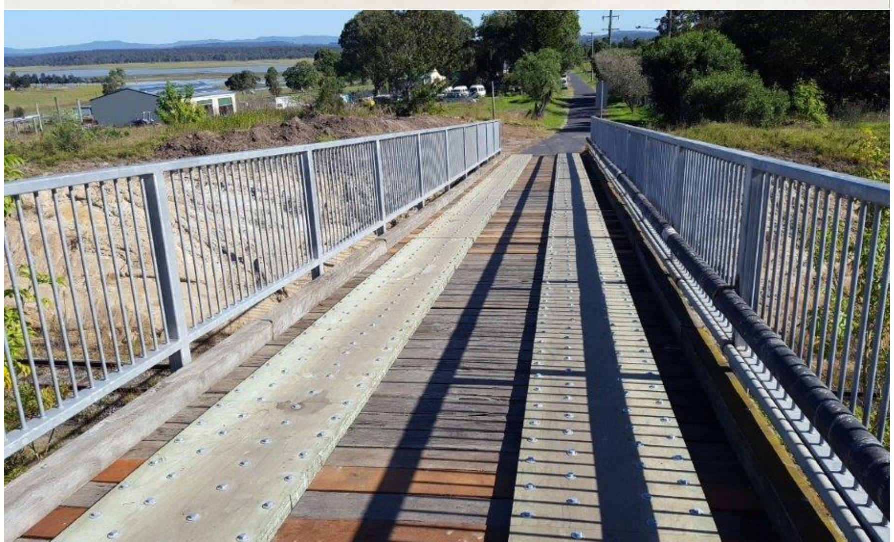
Oak Flooring - David Jones Store Refurbishment



Repair Aging Timber Bridge - Maitland, NSW

- ❑ Two further acquisitions completed in FY2018 (following two in FY2017), continuing a disciplined approach to assessing potential acquisitions
- ❑ FY2018 EBITDA from these four acquisitions was $2.7m on revenue of $41.7m
- ❑ Currently assessing a number of potential acquisitions
- ❑ Decorative architectural panel sales in FY2018 were up 140% on corresponding period, with further growth expected after small Capex installations in early FY2019
- ❑ Made-to-order specialty plywood grew by 11% on prior period, as value adding focus of manufacturing continues
    - This included train floors, prison doors, truck bodies and bridge infill panels and Bridgeply

Earnings Summary

REVENUE	FY2018 ($m's)	FY2017 ($m's)	Change
Same stores	169.2	167.3	1.1%
Acquisitions	41.7	9.7	327.8%
Total Revenue	**210.9**	**177.0**	**19.1%**

EBITDA	FY2018 ($m's)	FY2017 ($m's)	Change
Distribution activities (same stores)	9.3	9.0	3.2%
Acquisitions	2.7	0.7	273.6%
Distribution activities (sub-total)	**12.0**	**9.7**	**23.2%**
Corporate expenses	(3.1)	(2.9)	-8.8%
Manufacturing facilities	2.1	3.4	-37.9%
EBITDA (before acquisition & IPO costs)	**11.0**	**10.2**	**7.2%**
IPO costs	-	(1.9)	-
Acquisition costs	(0.3)	(0.2)	-
Statutory EBITDA	**10.7**	**8.1**	**31.1%**
Staturory NPAT	**5.2**	**3.9**	**31.8%**
NPATA [1]	**5.5**	**4.1**	**36.9%**
Distribution activities GM%	*17.9%*	*17.5%*	
EBITDA margin	*5.2%*	*5.8%*	
Effective tax rate	*29.9%*	*25.2%*	
Final dividend (cps)	*3.50*	*3.50*	

[1] NPATA = NPAT before post tax amortisation of acquired intangibles.

- Revenue of $211m up 19.1% over corresponding period last year of $177m, assisted by acquisitions
- All States showed positive revenue growth except NSW, which was flat with last year (although holding at record levels)
- EBITDA (before acquisition & IPO costs) up by 7.2% driven by a strong contribution from distribution activities
- Further growth in gross margin from distribution activities of 40 bps
- The EBITDA margin of acquired businesses continue to perform to the acquisition metrics
  - $41.7m of revenue and EBITDA of $2.7m at an EBITDA margin of 6.5%
- NPAT of $5.2m up 31.8% on Statutory FY2017

Balance Sheet

Balance Sheet	2018 ($m's)	2017 ($m's)
Cash	2.0	3.6
Receivables	39.1	36.8
Inventories	29.4	24.4
Fixed assets	25.3	24.6
Intangibles	9.2	7.4
Deferred tax	2.3	2.3
Other	0.9	0.9
Total Assets	**108.2**	**100.0**
Payables	34.2	30.9
Borrowings	10.4	7.6
Current tax liability	0.7	1.2
Deferred tax liability	0.3	0.4
Provisions	3.6	3.4
Total Liabilities	**49.2**	**43.5**
Net Assets	**59.0**	**56.5**
Net Debt $m's	*8.4*	*4.0*
Gearing %	*12.5%*	*6.6%*
TWC $m's	*35.2*	*31.2*
TWC (% RTM revenue)	*16.7%*	*15.8%*

- Continued focus on working capital management with a trade working capital (TWC) ratio of 16.7% on a rolling 12 month basis (including pro forma revenue from acquisitions)
- Average debtor days during the year of 56 improved from an average of 57 in FY2017
- Increase in inventory is from acquisitions and from an increased range including imported products such as Formply, engineered flooring and Maxiwall
- Increase in intangibles from the recent acquisitions
- Borrowings – net debt increased to $8.4m, up from $4.0m in FY2017, primarily from $3.7m for acquisitions and an increase in like-for-like working capital
- Total banking facilities of $32.7m and a gearing ratio of 12.5% (Net Debt/(Net Debt + Equity)) ensures Big River is well positioned to continue its acquisition growth strategy

Cash Flow

Cash Flow	FY2018 ($m's)	FY2017 ($m's)
Receipts from customers	229.6	189.8
Payments to suppliers/employees	(221.2)	(183.0)
Other revenue	0.2	0.2
Sub-total	**8.6**	**7.0**
Interest paid	(0.8)	(0.9)
Income tax paid	(2.8)	(1.4)
Operating Cash Flow	**5.0**	**4.7**
Capital expenditure	(2.1)	(1.2)
Business acquisitions	(3.7)	(5.1)
Investing Cash Flow	**(5.8)**	**(6.3)**
Net proceeds from issue of shares	-	16.5
Borrowings - repayments	(0.5)	(12.4)
Borrowings - proceeds	3.4	5.0
Dividends	(3.7)	(2.4)
Financing Cash Flow	**(0.8)**	**6.7**
Net Cash Flow	**(1.6)**	**5.1**

- Operating cash flow of $5.0m was strong, taking into account the higher tax payment in FY2018 versus last year
- Cash conversion was again strong at 80% versus 86% last year
- Capital expenditure of $2.0m was as forecast and weighted towards to the new capital equipment installed and commissioned in Grafton.
  These assets are focussed on high value, differentiated products and are expected to benefit FY2019 and beyond
- Business acquisitions represent the cash component of the purchase of Midcoast Timbers and Ern Smith Timber & Hardware
- Total dividends paid of $3.7m

FY2019 Outlook

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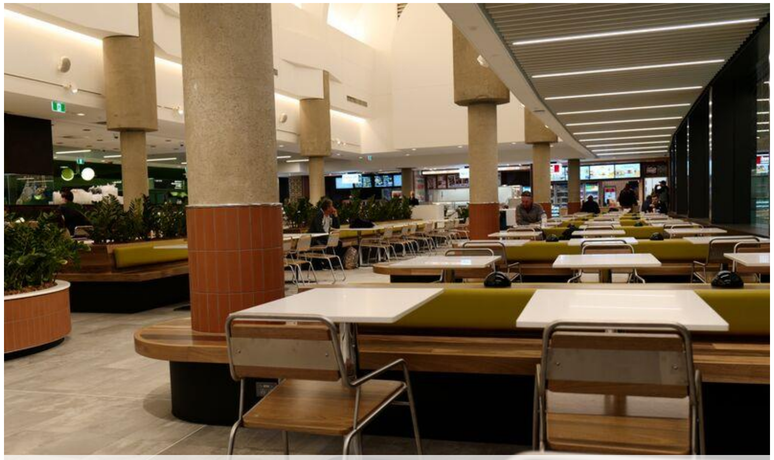

Brisbane Airport Upgrade - Brisbane, QLD

Bridge Infill Panels - Toowoomba, QLD

- Organic revenue growth expected to be in the low single digits despite the contraction expected in the medium and high density residential market
- Additional investment in sales resources will help grow the four core product categories, including the launch of several new specialised manufactured products
- Acquisitions are expected to contribute meaningfully to the expansion of the business
- Manufacturing expected to generate improved returns and profit contribution after the considerable restructuring that occurred in H2FY18
- Direct imports from China to be enhanced by a full time representative on the ground in China
- The Company expects organic growth in NPAT in FY2019 along with additional growth from acquisitions. Further guidance will be provided at the AGM in October 2018

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