



Big River Industries Limited (ACN 609 901 377)

Big River Industries Limited (ASX:BRI)
Results Announcement – Half Year Ending 31 December 2020
23 February 2021

Headlines

- Revenue of \$133.5m was up 5.9% on 1H20, driven by strong growth in Q2, where revenue exceeded the prior period by over 7% on a like for like basis. The growth also reflected contribution from the Pine Design acquisition completed in March 2020.
- Comparable store sales grew 1% in 1H21, as construction sector trends turned more positive after declining for the previous 2 years.
- Queensland, SA, WA and ACT all experienced strong sales growth results, while NSW and Victoria trailed the corresponding period, where the continued decline in multi-residential building impacted the most.
- Underlying EBITDA of \$10.0m, was up 14.8% on 1H20, with a particularly strong result from manufacturing operations being the highlight.
- Underlying NPAT of \$3.1m, was up 38.8% on the 1H20 result, and well ahead of the guidance provided in the Timberwood acquisition capital raise documents released to the market in December 2020.
- On 3 November 2020, the Company announced the decision to consolidate the Company's two plywood manufacturing sites onto a single site at Grafton. This decision was triggered by the impact to the long term wood supply available to the Wagga Wagga site following the major fires in the region in early 2020, and the successful awarding of \$10m to the Company under the Government's Bushfire Grants scheme. Whilst this has resulted in non-cash asset impairment during the period of \$9.4m, the impact on both future earnings and cash flow of the project are very positive.
- Working capital continued to be tightly managed, with cash conversion of 77% (or ~ 100% when the impact of deferred government covid-19 payments is adjusted). This was achieved despite some changes in the Company's supply chain that saw materially higher volumes of imports.
- The Board have determined a final dividend of 2.6 cents per ordinary share, fully franked. The Company's dividend reinvestment plan ("DRP") will be in effect for this dividend.

Financial Summary:	H1 FY21 \$000's	H1 FY20 \$000's	%
Revenue	133,529	126,116	5.9%
EBITDA (before acquisition costs)	10,018	8,726	14.8%
Acquisition costs	-222	-325	31.7%
EBITDA	9,796	8,401	16.6%
Depreciation & amortisation	-4,375	-3,908	-11.9%
EBIT	5,421	4,493	20.7%
Interest	-965	-1,279	24.6%
Tax	-1,314	-950	-38.3%
NPAT before significant items	3,142	2,264	38.8%
Significant item (net of tax impact):			
Asset impairment	-9,354	-	-
NPAT	-6,212	2,264	-374.4%
Earnings per share	4.95 cps	3.65 cps	35.7%
Interim Dividend (cents per share)	2.6 cps	0 cps	-

EBITDA is earnings before interest, taxes, depreciation, amortisation and significant items including impairment charges.

EBIT is earnings before interest, taxes and significant items including impairment charges.

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Trading Summary

The ongoing effects on construction of Covid-19 changed the segment mix and construction exposure of the business during 1H21.

Comparable sales revenue in the Formwork segment grew 4% despite the obvious weakness in multi-residential markets, and the uncertainty in the commercial construction market. This result was predominantly due to the strength of the civil and infrastructure markets as well as some positive market share initiatives.

Building Products grew by 1% on a comparable basis (or 6% including acquisitions) as the renovation markets remained strong, and detached housing and medium density residential projects improved after the lockdown periods eased. Whilst there was excellent uptake of the Governments Homebuilder scheme, an immaterial amount of this work commenced during 1H21, leaving a strong pipeline for calendar year 2021 and beyond.

While specialty plywood & architectural products revenue softened around 3% on the prior period, margins improved as the product mix was more favourable, and demand for locally manufactured products increased, particularly due to challenging international freight conditions. The New Zealand business unit also performed solidly despite a significant exposure to deferred commercial projects in the retail, university and airport segments.

Despite small declines in overall manufacturing volumes of some 5%, EBITDA contribution was more than double the prior period, as the Company's manufactured Bridge Systems, Industrial Plywoods and architectural range performed well, and material improvements in energy and labour efficiencies were achieved.

Covid-19 Impacts

The Company received no direct financial benefits during 1H21 from either the New Zealand or Australian Governments with respect to Covid-19.

As noted, a positive response to the Homebuilder scheme has seen the Company quoting on materially higher volumes of products to our detached housing building clients, but the majority of this construction activity had yet to commence during 1H21. This particularly relates to the Company's Frame & Truss fabrication sites in Victoria and South Australia.

As previously noted, cash flow was negatively impacted by \$2m during the period, due to deferral of FY20 tax and BAS payments, which were paid in full during 1H21.

Balance Sheet & Cashflow

Net debt remained stable (excluding the capital raise proceeds received in December 2020), despite the cash flow impacts of the deferred tax payments, recommencing of dividends in October 2020 and a material earn out payment on the New Zealand acquisition (based on EBITDA achieved in FY20). This was a pleasing operating cash flow outcome during a period where average creditor days fell as direct importation volumes increased. Tight control of debtors and inventory helped offset this impact.

Whilst gearing (measured as net debt to net debt plus equity) fell to 10.5% as a result of the December capital raise, this will clearly change when completion of the Timberwood acquisition occurs in March, with gearing returning to around 25% post completion, well within the Boards target range.

The Company is pleased to determine an interim dividend of 2.6 cents per ordinary share fully franked, recognising the continuing strength and the Company's balance sheet, solid operating cash flow generated during 1H21 and strong franking credit position of the Company. 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

Anticipated declines during 1H21 in the Company's addressable market did not fully materialise, despite continued weakness in the high density residential and commercial construction segments.

Improved macro-economic factors have put the residential construction segment (including the alterations market) in a more positive position, aided by the strong pipeline of work generated by the Homebuilder scheme. And whilst a challenging environment continues for construction of retail, office and accommodation projects, health and industrial construction remains positive, along with the long pipeline of large scale civil projects.

Accordingly, the Company expects no material change in market conditions during 2H21, with the exception of higher detached housing starts, which will see continued revenue growth in the Building Products category.

The addition of the Timberwood business from Q4 FY21 will further strengthen the outlook for 2H21, and increase the Group's exposure to the renovation and industrial markets in particular. This contribution will grow expected revenue by 10% in 2H21.

Jim Bindon, Big River CEO, said: "The business has again navigated an uncertain market environment well, with growth in underlying sales revenue, EBITDA and NPAT, as well as retaining tight control of the balance sheet. The continued diversification of the business through the acquisition of Timberwood also positions the Company very favourably for the upswing in the construction cycle".

Conference Call

Investors are invited to join a conference call hosted by Jim Bindon and Steve Parks on Tuesday 23 February 2021 at 11:00am AEDT. The dial in details are as follows:

Toll: +61 2 8038 5221, Conference ID: 4381907

For more information, contact:

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