



Big River Industries Limited (ACN 609 901 377)

ASX RELEASE

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BIG RIVER INDUSTRIES LTD (ASX:BRI)

FY2018 AGM - CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Sales Revenue grew 19% in the year, with small like-for-like growth assisted by acquisitions that were completed in F17 and F18. Underlying EBITDA, defined as earnings before acquisition and IPO costs, was up 7.2% to \$11.0 million and it was pleasing that the recent acquisitions made a meaningful contribution to this increase. Dividends declared for the year totalled 7 cents per share, fully franked and this represents a payout ratio of 72%,

Our strategy, which we have outlined previously, continues. We are pursuing geographic and segment diversity through both driving organic growth and from pursuing strategic acquisitions. Organic growth objectives include leveraging existing products into wider markets, product innovation that provide opportunities in a larger market, and a focus on increasing our market share in existing markets. We also completed two additional acquisitions during the year – on the Gold Coast and in Canberra. Both of these were timber and building supplies distribution businesses with a focus on home building and renovation, rather than high-rise construction. They followed two acquisitions completed in the previous year.

We continue to believe that considerable scope remains to grow our network of branches nationally by this strategy, as well as to strengthen the Company from product range expansion, which can be assisted by the acquisitions. At any one time, a number of target businesses are being evaluated but we will not act unless we are convinced the transaction strengthens the Company and adds value for shareholders. This strategy of selective acquisitions will be maintained whilst, at the same time, we continue to focus on retaining a balance sheet that is not overly stretched. We recognise that the segments we focus on are within a cyclical industry and therefore it is important to maintain appropriate financial strength through the more subdued periods as well as in the strong ones.

In our traditional product area, formply, which is used in the concrete construction industry, competition intensified from low-cost imports, mainly coming from China, and in response, we have entered this market sector ourselves with Chinese sourced product. As previously reported, the low-cost Chinese imports have placed pressure on our manufactured formply operations, impacting particularly our Wagga Wagga facility. Here, the year was characterised by restructuring initiatives to improve financial results with lower total formply volume.



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We believe that our position as both a very experienced manufacturer of formply and an importer, provides an important differentiator in our market and we will maintain that and continue to leverage our uniqueness.

These changes are, helpfully, allowing both of our manufacturing facilities to focus increasingly on higher value, niche and specialised manufactured products.

On other matters, let me report that in the F18 year we continued to work to develop further our corporate governance framework. The Audit & Risk Committee met four times during the year and the Nomination & Remuneration Committee met three times. The Audit & Risk Committee commenced the implementation of a risk management framework and also internal audit functionality. The Nomination and Remuneration Committee reviewed senior executive remuneration, using a highly regarded external consultant, and this review included the development of a long-term incentive plan, for which the approval of shareholders is sought later in this meeting.

Finally, I would like to thank all of Big River's employees for their hard work and commitment during the year, noting that we recognise that the changes flowing from the implementation of our strategy places pressure on our people. I would also like to thank my fellow directors for their support and advice.

Importantly, I also thank our shareholders for their continuing support and interest in our Company. In particular, I welcome and thank those new shareholders over the last two years, who have expressed confidence in Big River by acquiring shares as a result of their position as vendors of businesses that we have acquired.

I now invite Jim to address the meeting and give an overview of the operations of the Company, a comment on current trading conditions and the outlook, as best we can see it, for the remainder of the Fiscal 19 year.

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