

Big River Industries Limited (ASX:BRI)



FY2018 AGM - CEO Presentation – 24 October 2018

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Company Overview



Repair Aging Timber Bridge



Acoustic Ceiling

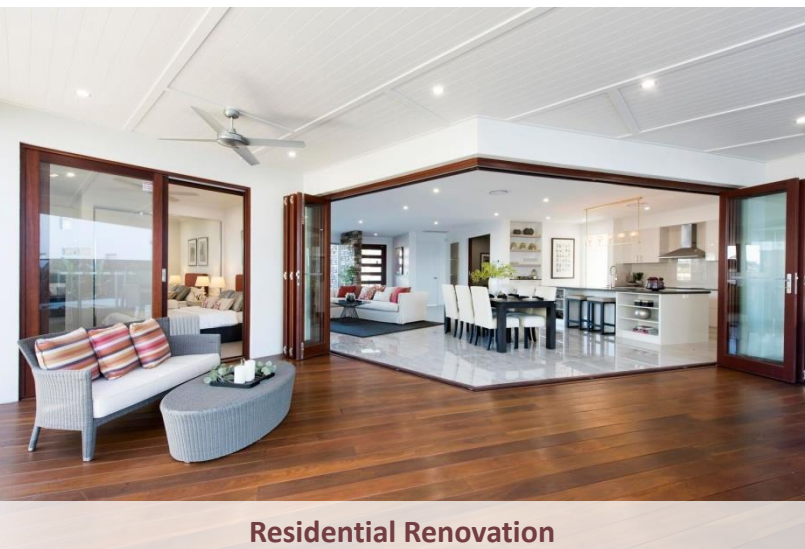
- ❑ Listed in May 2017 (ASX: BRI)
- ❑ Company origins dating back some 100 years
- ❑ 13 sites nationally covering the major population centres, including 2 manufacturing sites
- ❑ National branch network servicing the broad construction market
- ❑ Leading brand position in the manufacture and supply of specialty consumable formwork products
- ❑ Major distributor of a broad range of timber & buildings materials for the A&A and residential building markets
- ❑ Manufacture and distribute a specialty product range including engineered timber flooring, architectural panels, customised plywood, Bridgeply and specialty industrial products
- ❑ Supplies direct to over 3,000 trade customers in the Civil, Commercial, Residential and Industrial construction markets
- ❑ 310 employees (FTE)

FY2018 Financial Results



Oak Flooring

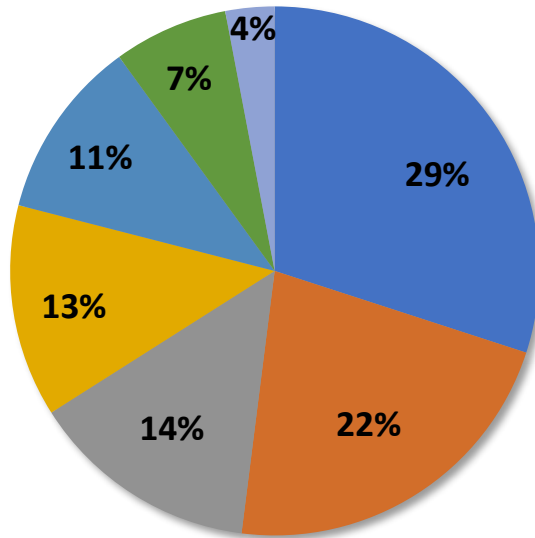
- ❑ Revenue growth of 19% to \$211m
- ❑ EBITDA up 7.2% to \$11m
 - Small gains in gross margin due to favourable product mix
 - Imported formply growth also helped improve gross margin at a branch level
 - Growth was despite a \$1.3m decline in manufacturing contribution
- ❑ Statutory NPAT up 32% on prior year to \$5.2m
- ❑ Strong operating cash flow performance saw cash conversion of 80% and gearing of 12.5% at June 30th 2018
- ❑ Working capital performance tightly managed despite considerable investment in new product inventories
 - TWC to Sales ratio of around 16.5%
 - Continued improvement in debtor day performance
- ❑ Dividends for FY18 of 7.0c per ordinary share fully franked



Residential Renovation

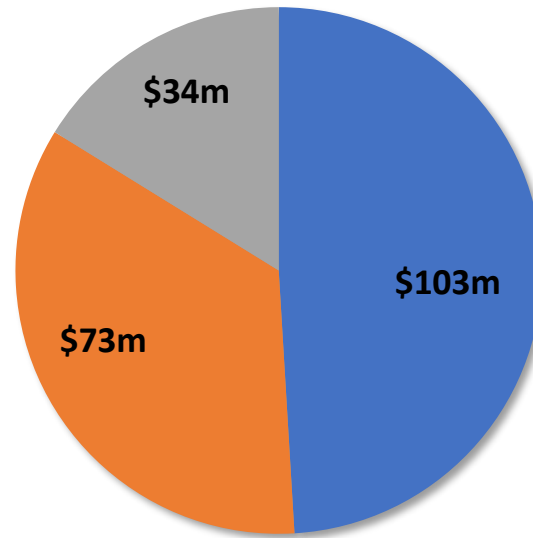
Improved business segmentation to enhance focus

Revenue by Industry Segment



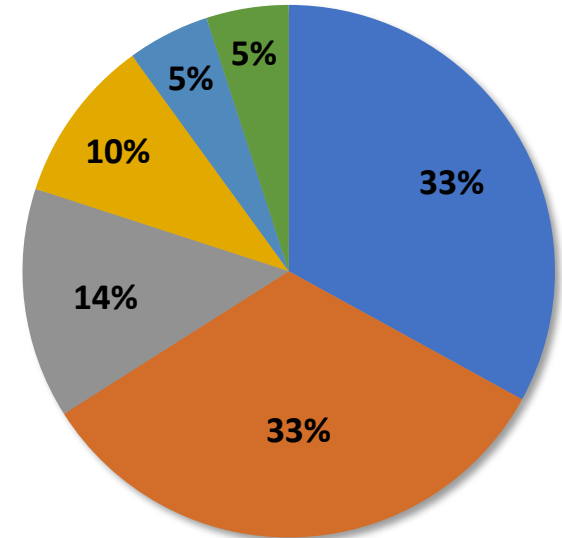
- Detached Housing
- Commercial
- High Density Residential
- Medium Density Residential
- Civil
- Alterations & Additions
- Industrial

Revenue by Product Category



- Building Materials
- Formwork Supplies
- Plywood & Specialty Products

Revenue by State



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

All Regions contribute positively to Group results



NSW
Region



QLD
Region



Southern
Region

FY2018 - EBITDA: \$11.0m, ROFE: 16.2%

Revenue: \$75m
ROFE: 16.0%

Revenue: \$75m
ROFE: 17.4%

Revenue: \$61m
ROFE: 15.2%

All product categories contribute positively to Group results



Formwork



**Building
Products**



Specialty

FY2018 - EBITDA: \$11.0m, ROFE: 16.2%

**Revenue: \$73m
ROFE: 10.4%**

**Revenue: \$104m
ROFE: 25.6%**

**Revenue: \$34m
ROFE: 13.0%**

Both functions contribute positively to Group results



**Manufactured
Products**



**Traded
Products**

FY2018 - EBITDA: \$11.0m, ROFE: 16.2%

**Revenue: \$50m
ROFE: 11%**

**Revenue: \$161m
ROFE: 21%**

Key Strategic initiatives 2019

- ❑ Implement the new three region and three pillar growth strategy
 - Leverage Big River's unique 3-in-1 business model
 - Solid organic growth opportunities in implementing this successfully
- ❑ Acquisition pipeline being assessed is very healthy, and new opportunities being identified regularly
 - Are across all three growth pillars
 - Potentially softening markets may create further opportunities here
- ❑ Improve Return on Funds Employed after a small decline in FY18
 - Focus on working capital management
 - Improved contribution from manufacturing after the restructure last year
 - Improve underperforming divisions
 - Continued expansion of high ROFE building products category
- ❑ Continue to expand position in the Pre fabrication market - a considerable macro-trend in construction

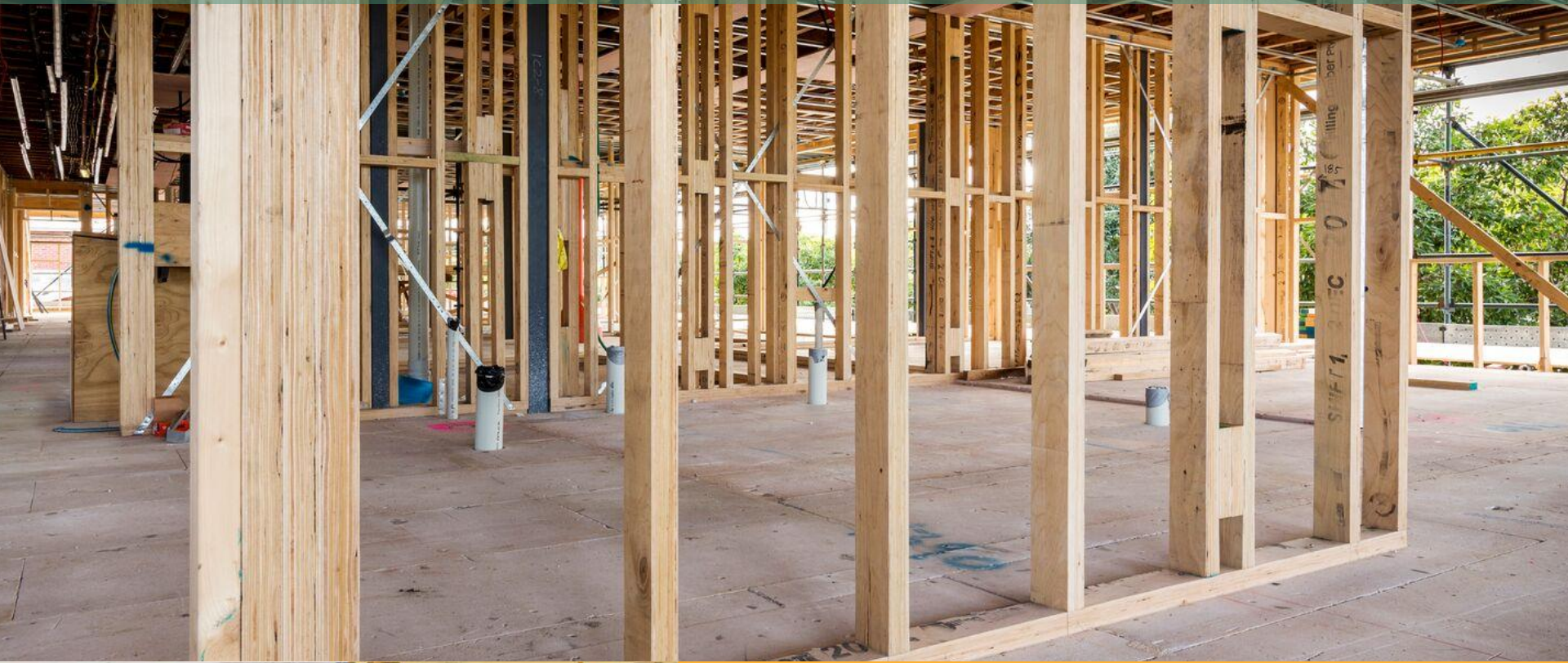
Current Distribution Sites and Target Areas



Q1 FY2019 Trading Conditions

- ❑ Q1 like-for-like distribution sales up 2%
 - Actual growth of 6% including acquisition contribution
 - Small decline in manufactured wholesale sales, as planned
- ❑ Solid Q1 growth in like-for-like building products revenue of 9%
 - Offset by small declines in other product categories, as the multi-res segment slows
- ❑ Sales to civil markets up 10% in Q1, reflecting this segments strength
 - Westgate tunnel, metro rail and rail crossing removal projects - Melbourne, VIC
 - Pacific Highway, Westconnex, NorthConnex and Northwest Rail – NSW
 - Logan Motorway enhancement and Mackay bypass projects – QLD
 - Northlink stage 3 and Gruyere Gold project – WA
- ❑ Revenue growth in all markets except NSW and SEQ
 - Above trend growth in VIC, SA and WA
 - SEQ revenue down 5% and NSW down 1% consistent with industry data
 - Declines in the larger formwork market, in particular multi-res
- ❑ Margin pressure occurring in Q1 particularly as price increases from some suppliers flow through
 - October 1st price rises should help address this issue

- ❑ We believe the market is showing some signs of softness
 - October is soft so far, although weather is a big factor
- ❑ Multi-residential has slowed, in particular NSW and SEQ
 - Several projects have been delayed or deferred
 - Bank lending policy appears a significant factor
- ❑ Uncertainty exists with declining house prices, loan approvals and consumer sentiment
- ❑ Commercial construction looks positive, although several large projects have been delayed
- ❑ Civil continues to have a strong pipeline
- ❑ Manufacturing is showing positive signs of increased contribution, despite lower volumes
 - Contribution up 5% in Q1
 - This is despite further material increases in gas prices at the Wagga manufacturing site
- ❑ We expect full year revenue and NPAT to exceed FY2018
 - Weaker trading will likely see 1H19 trail the prior year
 - A stronger 2H19 is expected with several positive initiatives underway



The future in flooring is here...

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