Big River Industries Limited (ASX:BRI)

FY2019 Half Year Results Presentation – 25 February 2019

Contents

Melbourne Distribution Centre – South Dandenong, VIC

Headlines

Results Summary			
Revenue	$106.0m	↑	1.3%
EBITDA [1]	$4.5m	↓	-23.7%
NPAT	$1.8m	↓	-38.2%
NPATA	$2.0m	↓	-35.9%
EPS	3.4 cents	↓	-38.6%
Interim Dividend	2.2 cps	↓	-37.1%

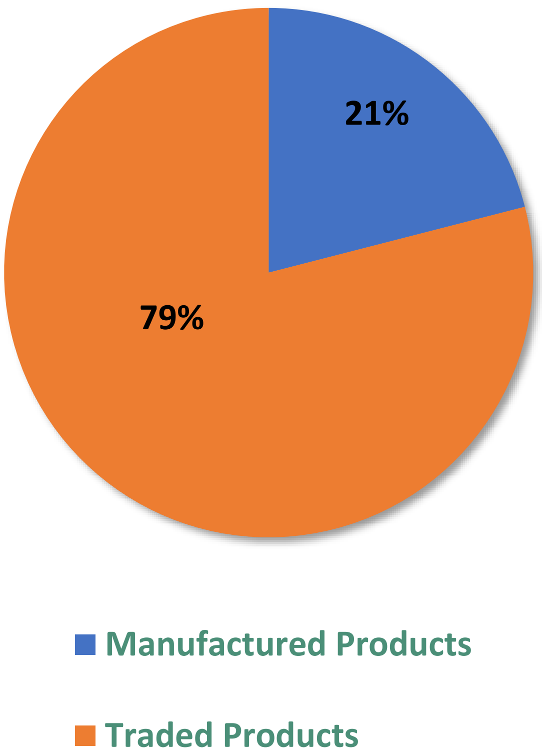
[1] Before acquisition costs

MB Prefab site – Geelong, VIC

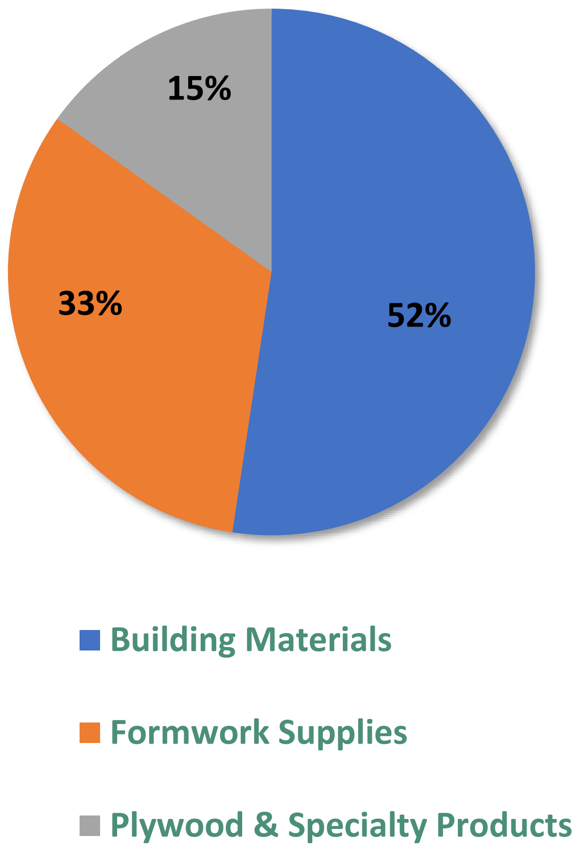
- Sales revenue up 1.3% on previous corresponding period, to $106m
- EBITDA (before acquisition costs) down 23% to $4.5m in line with guidance given on 10 December 2018
- NPAT of $1.8m down 38% on last year statutory result
- Distribution gross margin continues to improve, expanding 22bps versus 1H18
- Distribution contribution reduced 14% compared to prior period, with reduced like for like sales and some cost increases
- Contribution from manufacturing facilities was largely maintained despite a 30% reduction in volume. Considerable progress was made on reducing raw material costs, labour and energy expenses
- Completed the earnings accretive acquisition of MB Prefab in December 2018, giving the company a position in this strong growth region and in prefabrication products
- Cash conversion remained strong at 88% versus 59% last year

Business Diversity

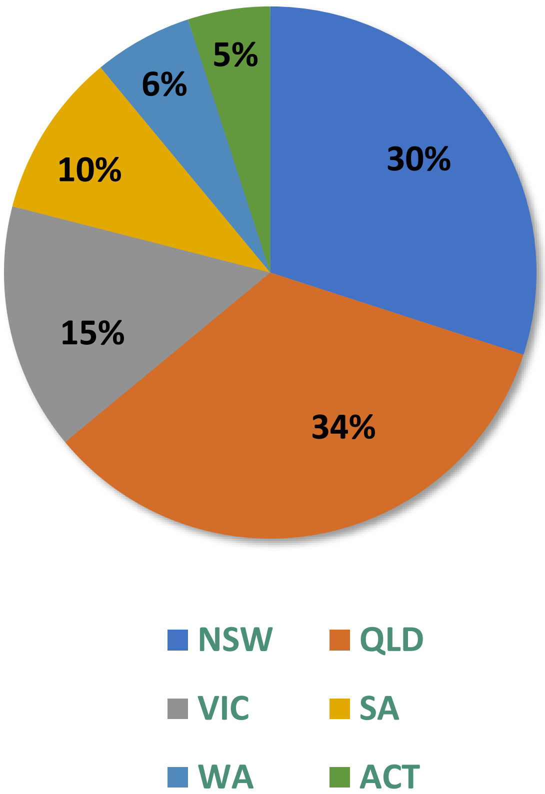
Revenue by Function



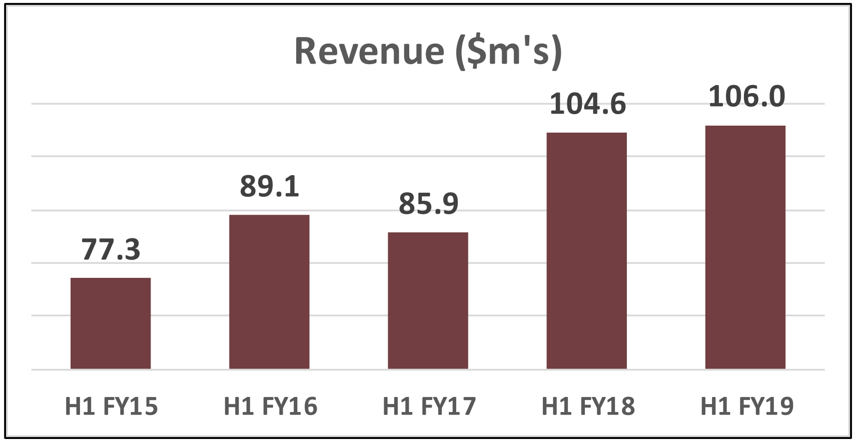
Revenue by Product Category



Revenue by State



Sales Highlights

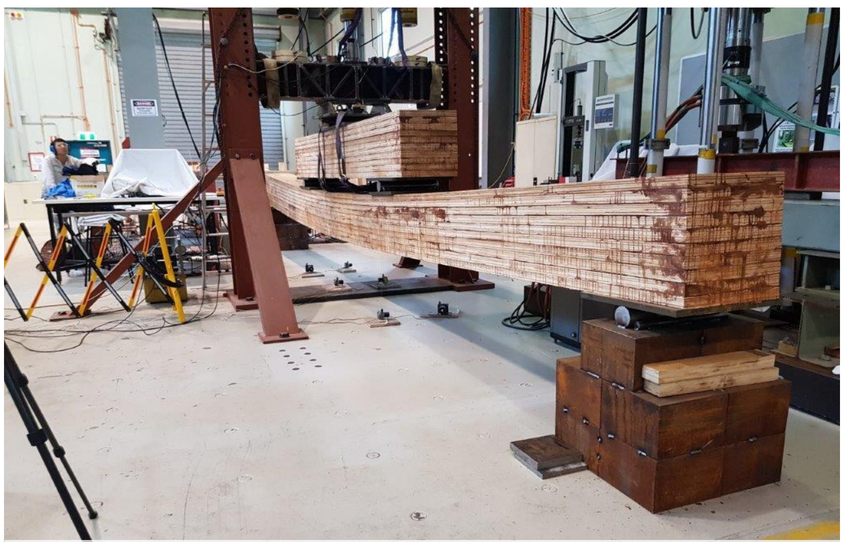


Drive-Thru at Sunshine Coast site, QLD

- Total revenue grew by 1.3% to $106m, on the back of acquisition contribution not in the prior period
- Despite weaker residential markets, Building Products sales grew 9% (or flat on like for like basis), further increasing market share penetration
  - Growth of second fix products exceeded 20%, improving the whole of house supply
- Solid like for like sales growth in Victoria of 2.5%, together with future contribution from the Geelong acquisition in December 2018 materially improves the Company's position in this State
- Sales of imported Formply continued to grow strongly, doubling compared to the prior period
  - A strong supply chain has been established and market share of imports continues to grow

Acquisition & Growth

Prefabricated frames and trusses



Specialty Products - Engineered Beam testing

- The acquisition of MB Prefab in Geelong is part of a broad strategy towards a prefabrication presence in all States
  - This complements our broad Building Materials distribution footprint
- The segment expansion of acquired businesses continues to improve, with Formwork sales through acquired businesses up 50% in 1H19 compared to the prior corresponding period
- Strong growth of specialty plywood into industrial and civil applications
  - Growth of 40% compared to prior corresponding period in this product category
- R&D and testing completed on a new major engineered beam for civil and commercial applications
  - This is a further addition to the prefabricated product range
- Multiple acquisitions continue to be assessed across all segments

Earnings Summary

RESULTS SUMMARY			
REVENUE	**H1 FY19 ($m's)**	**H1 FY18 ($m's)**	**Change**
Total Revenue	**106.0**	**104.6**	**1.3%**
EBITDA	**H1 FY19 ($m's)**	**H1 FY18 ($m's)**	**Change**
Distribution activities	**5.5**	**6.5**	**-14.3%**
Corporate expenses	(1.7)	(1.4)	-21.8%
Manufacturing facilities	0.7	0.8	-18.4%
EBITDA (before acquisition costs)	**4.5**	**5.9**	**-23.7%**
Acquisition costs	(0.2)	(0.2)	-
EBITDA	**4.3**	**5.7**	**-24.7%**
Depreciation and amortisation	(1.3)	(1.2)	-5.8%
Interest	(0.4)	(0.3)	-29.8%
Taxation expense	(0.8)	(1.3)	37.6%
NPAT	**1.8**	**2.9**	**-38.2%**
NPATA [1]	**2.0**	**3.1**	**-35.9%**
Distribution activities GM%	*18.2%*	*18.0%*	
EBITDA margin	*4.3%*	*5.7%*	
Interim dividend (cps)	*2.20*	*3.50*	

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

- Revenue of $106.0m up 1.3% over corresponding period last year, assisted by acquisitions
- Same store sales down 3.9%, but only down 2.5% at a distribution level
- Growth in gross margin from distribution activities of 22 bps
- Group EBITDA (before acquisition costs) down by 23.2%
- Contribution from distribution activities was down 14.3% on the previous corresponding period
- Contribution from manufacturing facilities was largely maintained despite a 30% reduction in volume as a result of restructuring undertaken in 2H18
- NPAT of $1.8m down 38% on Statutory 1H18

Balance Sheet

Balance Sheet	31 Dec 18 ($m's)	30 Jun 18 ($m's)
Cash	0.1	2.0
Receivables	28.6	39.1
Inventories	32.9	29.4
Fixed assets	26.9	25.3
Intangibles	11.6	9.2
Deferred tax	2.6	2.3
Other	1.8	0.9
Total Assets	**104.5**	**108.2**
Payables	27.2	34.2
Borrowings	13.9	10.4
Current tax liability	0.1	0.7
Deferred tax liability	0.2	0.3
Provisions	4.3	3.6
Total Liabilities	**45.7**	**49.2**
Net Assets	**58.8**	**59.0**
Net Debt $m's	*13.8*	*8.4*
Gearing %	*18.9%*	*12.5%*
TWC $m's	*36.1*	*35.2*
TWC (% revenue)	*17.1%*	*16.7%*

- Trade working capital to sales ratio remains a focus and at 17.1% remains controlled despite the increase from MB Prefab and some stock growth
- Debtor days averaged 55 for 1H19 compared to 56 for FY2018
- Increase in inventory is from the MB Prefab acquisition and from an increased investment in imported products, predominately Formply
- Increase in intangibles is due to the recent acquisition of MB Prefab
- Borrowings – net debt increased to $13.8m, up from $8.4m at June 2018, primarily from the $4.4m for MB Prefab acquisition
- Total banking facilities of $32.7m and a gearing ratio of 18.9% (Net Debt/(Net Debt + Equity)) ensures Big River is well positioned to continue its acquisition growth strategy

Cash Flow

Cash Flow	H1 FY19 ($000's)	H1 FY18 ($000's)
Receipts from customers	127.0	119.6
Payments to suppliers/employees	(123.3)	(116.3)
Other revenue	0.1	0.1
Sub-total	**3.8**	**3.4**
Interest paid	(0.4)	(0.3)
Income tax paid	(1.5)	(2.0)
Operating Cash Flow	**1.9**	**1.1**
Capital expenditure	(0.9)	(1.6)
Business acquisitions	(4.4)	(3.6)
Investing Cash Flow	**(5.3)**	**(5.2)**
Borrowings - repayments	(1.3)	(0.4)
Borrowings - proceeds	4.5	3.6
Dividends	(1.8)	(1.8)
Financing Cash Flow	**1.4**	**1.4**
Net Cash Flow	**(2.0)**	**(2.7)**

- Operating cash flow of $1.9m was strong, up $0.8m on the previous corresponding period helped by lower tax payments
- Cash conversion remained strong at 88% compared with 59% last year
- Interest payments $0.1m higher than the previous corresponding period due to increased debt to fund acquisitions
- Capital expenditure of $0.9m was in line with expectations
- Business acquisitions represent the cash component of the purchase price of MB Prefab
- Borrowings increased to cover the purchase of MB Prefab
- FY18 final dividend paid of $1.8m
- An interim fully franked dividend of 2.2 cps to be paid on 4 April 2019

Outlook

Commercial fit-out – Melbourne, VIC

Big River Branch – Sunshine Coast, QLD

- Whilst 1H19 profitability was impacted by challenging market conditions, the longer term growth outlook for the Company remains strong
- Expansion of the distribution network expected to accelerate in the next 2 years
  - Revised business structure implemented in 1H19 to prepare for this
- Continuation of initiatives to stabilise manufacturing and further lower the cost base, while retaining the strategic advantage of these assets
- A stronger Commercial construction pipeline should assist 2H19 results
- Full impact of residential slow down still uncertain, with market intelligence revealing significant variances in expectations
- Previous guidance of EBITDA (before acquisition costs) in the range $9m to $10m confirmed, subject to no further market deterioration

Important Notice and Disclaimer

- This presentation is dated 25 February 2019.
- Big River Industries Limited (the "Company") advises that the information contained in this presentation is intended to be general background information about the Company's activities as at the date of this presentation. It is information given in summary form and is therefore not necessarily complete.
- It is not intended that it be relied upon as advice to investors or potential investors, who should seek independent professional advice depending upon their specific investment objectives, financial situation or particular needs. The material contained in the presentation may include information derived from publicly available sources that has not been independently verified.
- The information in the presentation contains forward looking statements, which include statements regarding the Company's intent, belief or current expectations with respect to the business and operations, market conditions, results of operations and financial condition, which may be subject to uncertainties outside the Company's control and therefore no representation or warranty, express or implied, is made or given as to the accuracy, reliability or completeness of the information, opinions or conclusions expressed in this presentation. There can be no assurance that future developments will be in accordance with the Company's expectations or that the effect of future developments on the Company will be those anticipated. Actual results could differ materially from those which the Company expects, depending on the outcome of various factors.
- The Company is under no obligation to disseminate updates or revisions to any forward looking statements in this presentation to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any such statement is based.
- This presentation should not be relied upon as a recommendation or forecast by the Company.
- This presentation should be read in conjunction with the FY2019 Half Year Results Announcement and the Appendix 4D Half Year report.