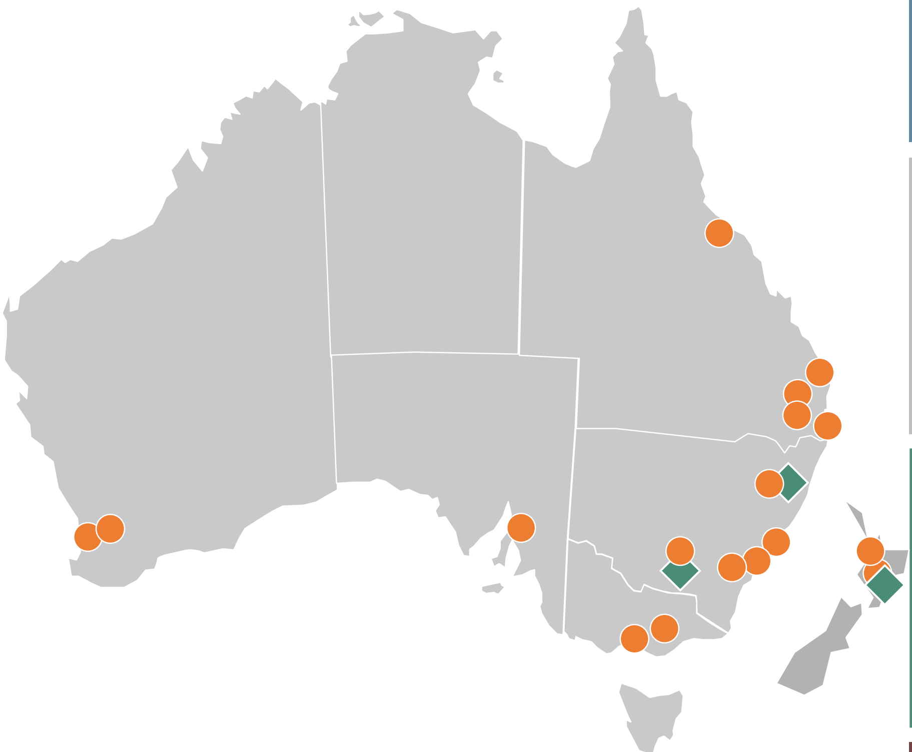
Big River Industries Limited (ASX:BRI)

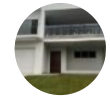
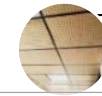
FY2019 Results Presentation – 27 August 2019

Contents

Big River Today

Diversified by geography, industry segment, construction type and customer [1]



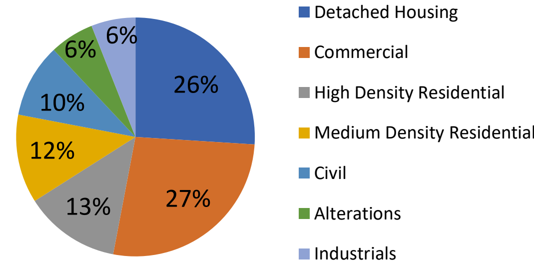
Target segments

Formwork Supplies – 30%

Building Products – 45%

Plywood & Specialty – 25%

Revenue by construction market



Asset mix

- 17 x Sales & distribution sites
- 2 x Plywood manufacturing facilities
- 2 x F&T fabrication sites
- 3 x Steel rolling lines
- 2 x Architectural panel manufacturing sites

Revenue by region

- QLD – 29%
- NSW/ACT – 31%
- VIC/SA/WA – 30%
- NZ – 10%
- >5000 active trading accounts

Big River manufacturing facilities

Big River sales / distribution sites

(1) All references are pro forma FY19 including acquisitions

Performance Headlines

BigRiver

Financial Results	❑ FY19 Revenue of $218m, up 3.3% on FY18 ❑ Like-for-like revenue declined 3.7%, but only 2.5% from distribution activities in a softening market ❑ EBITDA of $9.8m (before acquisition costs) - including one month from the New Zealand businesses ▪ This is at the midpoint of guidance given in February 2019 (excluding the contribution from New Zealand), and ahead of the capital raise guidance by 4%, although down 10.6% on FY18 ❑ 2H19 EBITDA exceeded 1H19 EBITDA despite a continued weakening in the broad market conditions ❑ Excluding acquisitions, trade working capital (TWC) did not increase over the previous financial year ❑ Cash conversion rate of 86% (excluding initial TWC for the New Zealand businesses) and 76% overall even after additional TWC from all acquisitions during the financial year
Operating Highlights	❑ Grew formwork segment sales versus FY18 despite obvious challenges in the high-density construction market ▪ Market share gains in formply, LVL structural beams and steel products ❑ Improved distribution margin by 29 bps to 18.2% in tightening market conditions despite formwork revenue growth (this being the lowest margin category) ❑ Grew total formply volumes as solid traction was gained from sales of imported formply ❑ Reduced cash costs across manufacturing facilities by a combined $4.5m for the full financial year
Strategic Initiatives	❑ Successful capital raise to help finance the acquisition in New Zealand ❑ Executed debt funded acquisitions in Geelong and Perth (and Townsville post reporting period) ❑ Stabilised manufacturing divisions after considerable restructuring ❑ Developed frame & truss as a core component of the Group’s building products offer ❑ Established an expanded import supply chain, putting Big River in an excellent overseas sourcing position

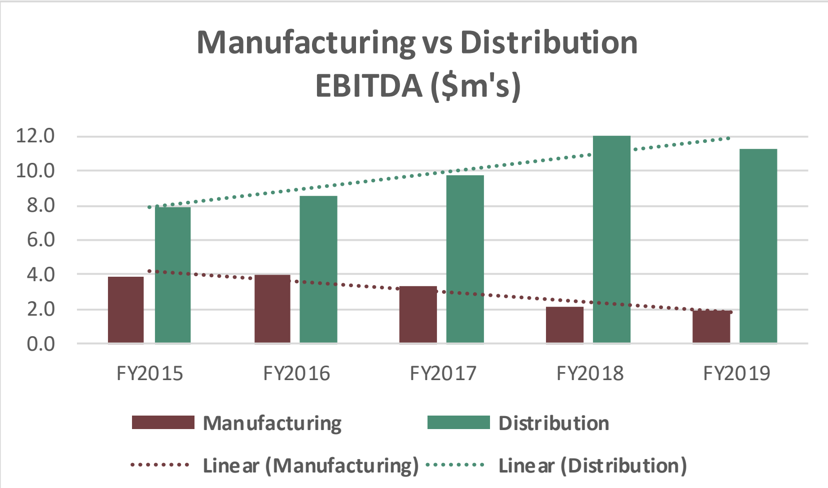
Operational Summary

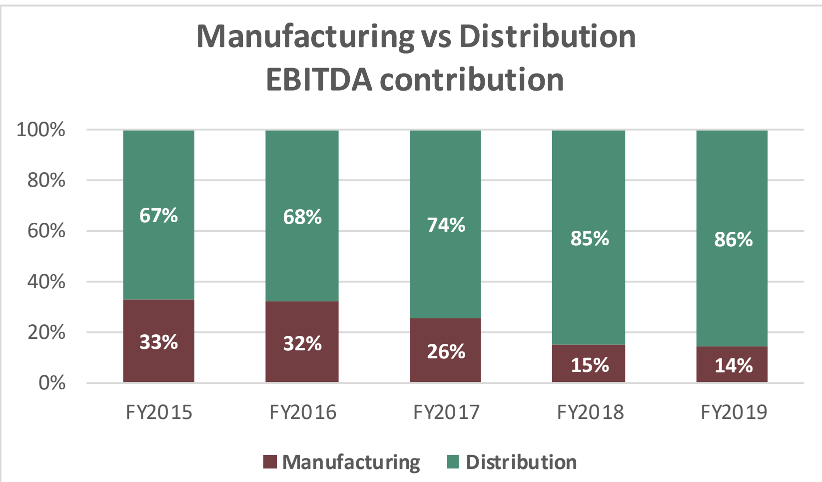
BigRiver

Sales Revenue	❑ FY19 Revenue of $218m, up 3.3% on FY18 ▪ Like-for-like revenue declined 3.7%, but only 2.5% from distribution activities ❑ Formwork Segment sales grew strongly in 2H19, offsetting the 3% decline at 1H19 ▪ Solid revenue growth achieved in steel decking, imported formply and LVL structural beams ▪ Growth in total formply volumes for the first time in several years, reflecting the success of the import strategy and stabilised sales of manufactured products ❑ Despite weakening residential markets, building products revenue grew 9% on the back of the acquired businesses ▪ Like-for-like growth in fibre cement sales of 5% reflects the share penetration of this product category ❑ Revenue growth from Queensland (2.7%) despite challenging overall market conditions in that state ❑ Acquired businesses and a focus on expanding our customer base has seen customer numbers grow to over 5,000 trading accounts
Manufacturing	❑ Manufacturing cash costs reduced by $4.5m, the majority coming from reduced labour expenses ❑ Increase in Steel decking production volumes of 5%, reflecting market share gains ❑ Long-Term Wood Supply Agreement volumes reduced to reflect the lower local manufacturing volume ❑ New gas and electricity contracts negotiated, reflecting the first reductions in some 10 years ❑ Manufacturing contribution down 12.3% despite a 20% reduction in overall manufacturing volumes
Acquired Businesses	❑ Acquisitions in Geelong and Perth provide a sound entry position in frame and truss fabrication ❑ Execution of New Zealand acquisition provides stronger market diversity whilst leveraging Big River's core competencies ❑ Townsville acquisition (post reporting period) creates excellent synergies of combining two businesses onto one site ❑ Organic revenue growth of 5% in Big River core differentiated products into acquired sites

Operational Summary - continued

Consistent with strategy, business acquisitions increase the weighting of Big River's earnings towards distribution[1]





Note: FY2019 includes one month for the recently acquired New Zealand businesses. Manufacturing EBITDA contribution would reduce further to approximately 11% on a pro forma basis.
(1) Presented before corporate and acquisition costs

Group Strategy

BigRiver

Three in one business model

- ❑ Implement revised structure of four key regions, and three key market segments
- ❑ Ensure all sites have exposure to Big River's core three market segments
- ❑ Cost leadership position maintained through market diversity and large project exposure
- ❑ Maintain strong market positions in the niche formwork supplies and specialty plywood segments
- ❑ Continue to build scale in the very large building products distribution segment

Grow scale through expanded distribution

- ❑ Double the distribution network over the medium term
- ❑ Expand the geographic reach to cover all major city markets in Australia and New Zealand
- ❑ Expand the use of multi-site pick ups to maximise customer service and efficiency (~ 90% of sales are delivered)
- ❑ Extract scale benefits from the expanding national distribution model
- ❑ Nationally leverage our long-term customer relationships; > 5000 trading accounts, 70 accounts exceed $500k purchases p.a., top 20 customers average > 20 years trading with BRI

Enhanced financial performance

- ❑ Margin improvement through enhanced specialised product focus
- ❑ Standardised ERP system being implemented to improve pricing discipline and gross margin
- ❑ Improved purchasing scale to add competitiveness and increase EBITDA margins
- ❑ Refocused and specialised manufacturing to enhance gross margin levels

New Zealand Acquisition

Acquisition consideration

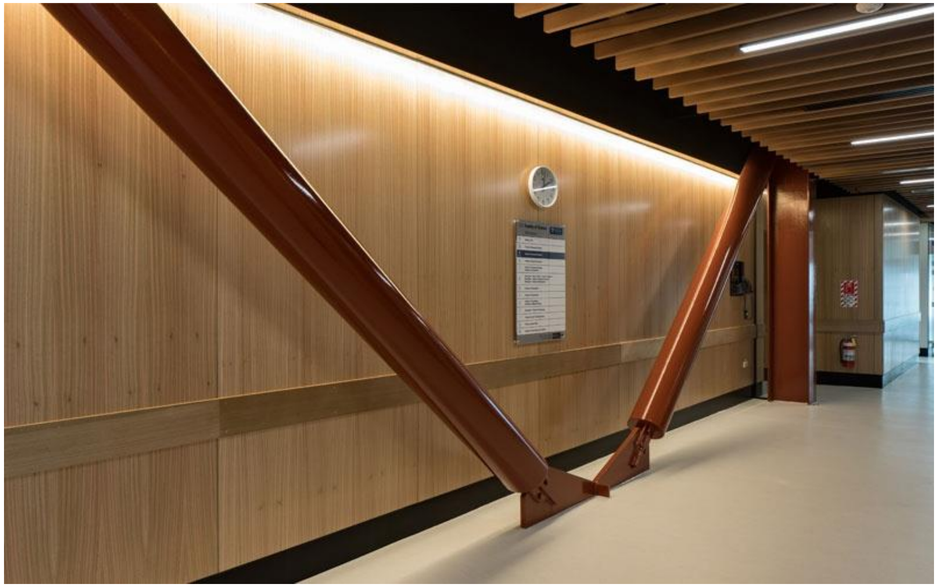
- Total upfront consideration of AUD$16.6 million
- Potential earn-out for vendors of up to AUD$3.3 million over 2 years
- Annual revenues exceeding AUD$24m
- Annual EBITDA contribution expected to exceed AUD$3m

Core product ranges

- Specialty plywood for architectural, industrial and construction applications
- Specialty veneer panels, with focus on fire rated, acoustic and pre-finished product ranges

Synergy targets

- Introduce key specialty European plywood products into Big River Australian network
- Expand Plytech site to include core formwork product range, creating an additional segment
- Ranging the key Big River manufactured plywoods and flooring into the NZ businesses
- Early trading results have exceeded expectations



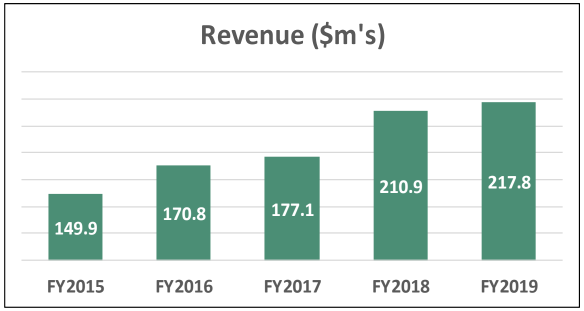
Earnings Summary

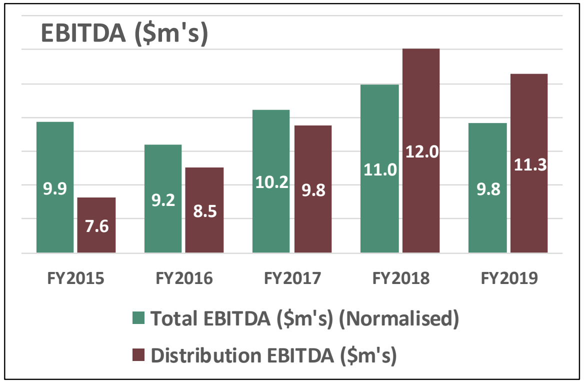
REVENUE	FY2019 ($m's)	FY2018 ($m's)	Change
Total Revenue	**217.8**	**210.9**	**3.3%**
EBITDA & Profit	**FY2019 ($m's)**	**FY2018 ($m's)**	**Change**
Distribution activities	11.3	12.0	-6.4%
Corporate expenses	(3.3)	(3.1)	-4.4%
Manufacturing facilities	1.8	2.1	-12.3%
EBITDA (before acquisition costs)	**9.8**	**11.0**	**-10.6%**
Acquisition costs	(0.6)	(0.3)	-110.9%
Statutory EBITDA	**9.2**	**10.7**	**-14.0%**
Depreciation & amortisation	(2.7)	(2.5)	-6.8%
Interest	(1.0)	(0.8)	-27.9%
Taxation Expense	(1.6)	(2.2)	25.8%
NPAT	**3.9**	**5.2**	**-25.5%**
NPATA [1]	**4.2**	**5.5**	**-23.8%**

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

Key Financial Measures			
Revenue	**$217.8m**	↑	**3.3%**
EBITDA [1]	**$9.8m**	↓	**-10.6%**
NPAT	**$3.9m**	↓	**-25.5%**
NPATA	**$4.2m**	↓	**-23.8%**
EPS	**7.2 cents**	↓	**-26.0%**
Final Dividend	**2.2 cps**	↓	**-37.1%**

[1] Before acquisition costs





Balance Sheet

Balance Sheet	2019 ($m's)	2018 ($m's)
Cash	1.2	2.0
Receivables	43.1	39.1
Inventories	37.2	29.4
Fixed assets	28.0	25.3
Intangibles	26.3	9.2
Deferred tax	2.4	2.3
Other	0.8	0.9
Total Assets	**139.0**	**108.2**
Payables	36.3	34.2
Deferred consideration	16.6	-
Borrowings	16.3	10.4
Current tax liability	0.1	0.7
Deferred tax liability	0.1	0.3
Provisions	8.2	3.6
Total Liabilities	**77.6**	**49.2**
Net Assets	**61.4**	**59.0**
Net Debt $m's	*15.1*	*8.4*
Gearing %	*19.7%*	*12.5%*
TWC $m's	*44.8*	*35.2*
TWC (% RTM revenue)	*17.8%*	*16.7%*

- Trade working capital (TWC) as a percentage of revenue was 17.8% on a rolling 12 month basis (including pro forma revenue from acquisitions)
- No increase in TWC on a like-for-like basis. The increase in dollar terms of $9.6m is due to acquisitions executed during the financial year
- Average debtor days increased slightly to 58 days from 56 days in FY2018
- The increase in inventory is primarily from acquisitions and an increased investment in imported Formply
- The increase in intangibles primarily reflects the acquisition of MB Prefab, Midland Timber and the New Zealand businesses
- Deferred consideration relates to the acquisition of the New Zealand businesses, comprising shares issued and cash paid to the vendors in July 2019
- Net debt increased by $6.7m to $15.1m, primarily from the acquisitions undertaken during the year
- The Group's bill facility is primarily used for acquisition funding and increased during the year to $30.0m. Headroom on this facility at 27 August 2019 is $7.5m after settlement of the New Zealand and Big Hammer businesses in July

Cash Flow

Cash Flow	FY2019 ($m's)	FY2018 ($m's)
Receipts from customers	235.2	229.6
Payments to suppliers/employees	(228.3)	(221.2)
Other revenue	0.1	0.2
OCFBIT	**7.0**	**8.6**
Interest paid	(1.0)	(0.8)
Income tax paid	(2.2)	(2.8)
Operating Cash Flow	**3.8**	**5.0**
Capital expenditure	(1.4)	(2.1)
Intangibles	(0.8)	-
Business acquisitions	(6.6)	(3.7)
Investing Cash Flow	**(8.8)**	**(5.8)**
Net proceeds from issue of shares	1.4	-
Borrowings - repayments	(1.2)	(0.5)
Borrowings - proceeds	6.6	3.4
Dividends	(3.0)	(3.7)
Financing Cash Flow	**3.8**	**(0.8)**
Net Cash Flow	**(1.2)**	**(1.6)**

- Excluding the initial working capital for the acquisition of the New Zealand businesses, operating cash flow before interest and tax (OCFBIT) as a percentage of revenue was very strong at 86%
- Overall cash conversion was 76% compared with 80% in the previous financial year
- Capital expenditure - a combination of mobile plant and equipment, tool of trade vehicles, and specialised manufacturing equipment
- Intangibles - product development costs and new ERP system implementation
- Business acquisitions - cash component of the purchase of MB Prefab and Midland Timber
- Cash component of New Zealand acquisitions of $14.7m was paid in July 2019
- Issue of shares - $1.4m raised from a small placement and a share purchase plan.
- Final dividend in respect of FY2019 of 2.2 cents per share payable on 4 October 2019

FY2020 Outlook

Market conditions	❑ The broader construction market remains in a period of some uncertainty ❑ FY20 forecast for housing construction expected to be negative by circa 15% ❑ Notwithstanding the positive metrics for a residential construction recovery, the lag time suggests minimal benefits of this expected in FY20 ❑ Commercial and infrastructure markets outlook is more positive, and growth is expected ❑ New Zealand conditions expected to be largely stable with FY19
Strategy execution	❑ The diversity of Big River has often resulted in less earnings volatility than many in the building products sector ❑ The staged roll out of key products from New Zealand into the Australian network will further enhance earnings diversity ❑ Solid prospects from high value manufactured products auger well for FY20 ❑ The new sales and marketing structure to execute the strategy will continue to deliver benefits
Growth	❑ Significant investments made in FY19 will deliver growth in both revenue and EPS in FY20 ❑ Refocused and specialised manufacturing will continue to enhance gross margin levels ❑ Several acquisitions continue to be assessed, with further expansion of the network expected in FY20 despite the New Zealand acquisition reducing the headroom in Big River's banking facility

Appendix

PROFIT & LOSS ($m's)	FY2017	FY2018	FY2019
Revenue	**177.1**	**210.9**	**217.8**
EBITDA from Operations:			
- Distribution activities	9.7	12.0	11.3
- Corporate expenses	-2.9	-3.1	-3.3
- Manufacturing facilities	3.4	2.1	1.8
EBITDA (before acquisition costs)	**10.2**	**11.0**	**9.8**
IPO costs	-1.9	0.0	0.0
Acquisition costs	-0.2	-0.3	-0.6
Statutory EBITDA	8.1	10.7	9.2
Depreciation & amortisation	-1.9	-2.5	-2.7
EBIT	6.2	8.2	6.5
Interest	-0.9	-0.8	-1.0
Taxation Expense	-1.4	-2.2	-1.6
NPAT	**3.9**	**5.2**	**3.9**
NPATA	**4.1**	**5.5**	**4.2**

Key Financial Measures ($m's)	FY2017	FY2018	FY2019
Profitability			
Revenue	177.1	210.9	217.8
EBITDA (before acquisition costs)	10.2	11.0	9.8
Statutory EBITDA	8.1	10.7	9.2
NPAT	3.9	5.2	3.9
NPATA	4.1	5.5	4.2
Earnings Per Share (cents)	9.55	9.79	7.24
Cash flow management			
OCFBIT	7.0	8.6	7.0
Operating cash flow	4.7	5.0	3.8
EBITDA to OCFBIT % (cash conversion)	87%	80%	76%
Working capital (% annualised revenue)	15.8%	16.7%	17.8%
Dividends declared per share (cents)	3.5	7.0	4.4
Dividend payout ratio (%)	47%	72%	66%

CASH FLOW ($m's)	FY2017	FY2018	FY2019
Statutory EBITDA	8.1	10.7	9.2
Non-cash items & changes in working capital	-1.1	-2.1	-2.2
OCFBIT	**7.0**	**8.6**	**7.0**
Interest paid	-0.9	-0.8	-1.0
Tax paid	-1.4	-2.8	-2.2
Operating Cash Flow	**4.7**	**5.0**	**3.8**
Net capital expenditure	-1.2	-2.1	-1.4
Intangibles	0.0	0.0	-0.8
Free cash flow	**3.5**	**2.9**	**1.6**
Business acquisitions	-5.1	-3.7	-6.6
Net proceeds from issue of shares	16.5	0.0	1.4
Proceeds/(repayment) of borrowings	-7.4	2.9	5.4
Dividends paid	-2.4	-3.7	-3.0
Increase/(decrease) in cash	**5.1**	**-1.6**	**-1.2**

NET CASH/(DEBT) ($m's)	FY2017	FY2018	FY2019
Cash at bank	3.6	2.0	1.2
Bank overdraft and trade finance	0.0	0.0	-0.5
Bank bills	-5.0	-7.9	-13.5
Lease libility	-2.6	-2.5	-2.3
Net Debt	**-4.0**	**-8.4**	**-15.1**
Gearing % (Debt to Debt + Equity)	6.6%	12.5%	19.7%

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