Big River Industries Limited (ACN 609 901 377)

24 February 2023

Big River Industries Limited (ASX:BRI)
Results Announcement – Half year ending 31 December 2022
Growth momentum continues

Headlines

- Revenue of $232.4m was up 19.9% from 1H22 as a consequence of continued organic growth across all divisions and positive contributions from new acquisitions.
- Comparable store revenue grew 10.8% on a like for like basis.
- EBITDA of $28.2m (before significant items) was up 31.2% on 1H22, with continued EBITDA margin growth to 12.1% of revenue, well ahead of through-cycle long-term targets.
- Comparable store EBITDA growth was up 19.4% compared to the prior year.
- Gross margin continued to expand and was up 116 basis points versus 1H22. This was largely driven by product mix and operational efficiencies.
- Acquisitions completed across the last 18 months (Revolution Wood Panels, United Building Products, FA Mitchell and Epping Timber) have all integrated well into the business and are performing strongly. EBITDA contributions were ahead of original targets for all four acquisitions.
- The Residential market segment continues to outperform, while growth in Commercial and Civil Infrastructure remains strong on the back of solid project pipelines.
- An interim dividend of 8.6 cents per ordinary share fully franked was determined by the Board. This is up 56.4% on the 1H22 interim dividend. The Company's dividend reinvestment plan ("DRP") remains active.

Results Summary (AUD's)	1H23	1H22	Change
Revenue	$232.4m	$193.8m	+19.9%
EBITDA[1]	$28.2m	$21.5m	+31.2%
NPAT (before significant items)	$13.4m	$9.9m	+35.4%
NPAT (statutory)	$12.8m	$8.8m	+45.8%
Earnings per share (before significant items)	16.3cps	12.3cps	+32.5%
Earnings per share (statutory)	15.6cps	10.9cps	+43.1%
Dividends - interim (cps)	8.6cps	5.5cps	+56.4%

[1] EBITDA is net profit before interest, taxes, depreciation, amortization and significant costs which are share-based remuneration and acquisition costs).

Trading Summary

The Group continued the momentum of the past 24 months with organic revenue growth of 10.8% in 1H23. The first quarter was particularly strong, albeit slowing slightly in Q2 due predominantly to delays on job sites caused by inclement weather and labour shortages.

A record revenue result of $232.4m for 1H23 was delivered by the Group, led by strong growth in Qld, SA and WA. The New Zealand business result was tempered by softer market dynamics and continued higher costs from imported European products. All divisions continued the growth trajectory led by the Building Trade Centres, up 31.7% on last year (or 18.5% like for like), with most builders continuing to report a strong orderbook and a positive view on forward pipelines.

Strong contributions from recent acquisitions helped grow total Group revenue by 19.9%, and delivery of synergies from these new businesses contributed to accelerated profit growth.

Supply Chain pressures started to improve in Q2 with international freight costs easing from Asia in particular.

Gross margin has continued to expand, up 116 basis points compared to the previous corresponding period. This was due to growth of higher margin imported products particularly from Asia, and continued improvements in manufacturing efficiencies and pricing disciplines.

Balance Sheet & Cash Flow

Total working capital balances increased by $8.2m due to a combination of the additional two acquisitions completed in 1H23 (Epping Timber and FA Mitchell), as well as organic increases in working capital of circa 8.1%.

Inventory levels grew by $7.7m (as compared to June 2022) to $80.5m in part due to the new acquisitions. Like for like inventory (excluding acquisitions) grew by 7.6% however this compares favourably to organic revenue growth of 10.8%.

Trade receivables reduced by $7.1m to $56.3m largely on the back of the seasonality of sales and focused debtor management. Trade Creditors were down $7.6m to $54.3m, reflecting a change in the supply mix with a greater percentage of imported product.

This resulted in a working capital to sales ratio of 17.7%, broadly consistent with June 2022 and within the Group's target range.

Net debt increased for the 1H23 by $7.9m to $29.1m, reflecting the cash paid in respect of new acquisitions and contingent consideration payments for acquisitions completed in prior years. The gearing ratio (measured as net bank debt / net bank debt + equity) was 19.7%.

An extension to the Group's corporate debt facility of a further $16m to $62m (approved in January 2023) provides the business with significant capacity for further expansion.

Cash conversion (measured as EBITDA / gross operating cash flow) came in at 74.1%, slightly ahead of the prior corresponding period and a pleasing result given the elevated inventory investments the Company has made.

The solid position of both the balance sheet and cash flows allowed the Board to determine a record fully franked interim dividend of 8.6 cps, up 56.4% on the 1H22 dividend. The dividend will be paid on 29 March 2023.

Outlook

The outlook for our addressable market remains positive, particularly given the segmental and geographic diversity of the business. Despite the drop in approvals, the backlog of residential housing work already in play suggests relatively strong sales well into FY24, albeit possibly at a slower run rate than at the peak. The growing commercial and multi-residential construction pipeline, which experienced delays in 1H23, will see growth as projects start to be delivered over the coming 12 months. The civil market remains strong with multiple projects across all States.

Supply constraints are expected to further improve into 2H23 from both international and local suppliers.

Overseas supply costs are also expected to further improve, predominantly due to improved shipping costs. However this will be offset in part from some local suppliers where labour and energy costs increases will likely impact. The diversity of our supply chain has us well positioned to maximise the upside.

The Queensland and Western Australian markets remain buoyant. This is expected to continue well into next year. New Zealand, which has been affected by a market downturn, should see improvements in 2H23 with an improved pipeline of work across our two sites. New South Wales and Victoria are most likely to benefit from immigration returning to pre-pandemic levels, and growing commercial and multi-residential segments where the Company has a strong market position.

The continued growth in Gross Margin, that has been particularly apparent over the last 18 months, is expected to ease in 2H23, as price increases flatten out and the segment mix changes. This will be partly offset by supply diversity, continued synergistic cost improvements, and improving pricing disciplines across the business.

The acquisition pipeline remains strong, and we are in a good position to deliver new opportunities in the next six months in line with our expansion strategy. As previously reported, we are confident that our strategy will continue to deliver EBITDA margins above 10% through the construction cycle.

As previously announced, Jim Bindon will be stepping down as Big River CEO and Managing Director on 1st March 2023 and John Lorente, the current Executive General Manager, will be formally appointed to this role.

Jim Bindon, Big River CEO, said: 'Once again, it has been pleasing to see the Company deliver record results despite some challenging macro-economic factors. The breadth of the Company's customers, products, market exposures and geographic diversity has helped ensure the growth momentum has been maintained. Acquisitions continue to complement the solid organic growth, and the Company is well positioned for further growth in the future. John Lorente's appointment to the CEO role will ensure a seamless transition, and I am very confident of the ongoing success of the business.'

Conference Call

Investors are invited to join a conference call hosted by Jim Bindon, John Lorente and John O'Connor on Friday 24 February 2023 at 11:00am AEDT.

To avoid potential delays on the day, please pre-register using the following link: https://s1.c-conf.com/diamondpass/10028335-hf71ex.html This will streamline your access on the day.

For more information, contact:

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