

21 February 2024

Results Announcement – Half year ending 31 December Continued solid performance, disciplines & building for growth

Big River Industries Limited (ASX: BRI) is pleased to announce its results for the Half Year ending 31st December 2023 (1HFY24)

Highlights

- The Group’s 1HFY24 revenue of \$218.8m was broadly consistent with the prior half, up 0.8% on 2HFY23 and down 5.9% as we cycle off a stronger than usual performance in 1HFY23.
- Continued strong EBITDA margin to revenue at 9.2%. EBITDA for the half of \$20.0m (before significant items) was however down 28.3%, against 1HFY23 on the back of lower sales.
- Operating expenses were well managed given the macro inflationary environment and were up 3.8%, however flat on a like for like basis, as the business continued to invest for future growth while maintaining prudent cost management across the group.
- Continued improvements in operational efficiencies and disciplined cash management delivered a strong Balance Sheet, with Working Capital to Revenue ratio at 15.7% compared to 17.7% in pcp. EBITDA to Cash conversion at 98.0% in 1HFY24 compared to 74.9% in 1HFY23.
- Ample capacity for future acquisitions with a gearing ratio of 13.6%. The Group is continuing to actively explore opportunities for value-accretive acquisitions.
- An interim dividend of 5.5 cents per ordinary share fully franked was determined by the Board.

John Lorente, Big River CEO, said: ‘It is satisfying to deliver solid results, in a challenging macro environment as we continue to invest in the business for future growth. We strive to deliver an average 10% EBITDA margin through the cycle, and we remain on that trajectory while managing costs and cash extremely well. Project pipelines continue to be solid across all segments with a positive medium-term outlook for our markets.’

Results Summary (AUD’s)	1H24	1H23	Change
Revenue	\$218.8m	\$232.4m	-5.9%
EBITDA	\$20.0m	\$27.9m	-28.3%
NPAT (before significant items)	\$6.9m	\$13.1m	-47.3%
NPAT (statutory)	\$7.1m	\$12.8m	-44.8%
Earnings per share (before significant items)	8.3cps	15.9cps	-47.8%
Earnings per share (statutory)	8.5cps	15.6cps	-45.5%
Dividends - interim (cps)	5.5cps	8.6cps	-36.0%

Trading Summary

The Group delivered solid revenue in line with the preceding half with total revenue at \$218.8m, up 0.8% on 2HFY23 but down 5.9% off a stronger than usual performance in 1HFY23. As per the previous half, construction site delays driven primarily by labour shortages, across all our segments, subdued further sales growth. These factors are likely to push revenue into FY25. December trading was softer with many customers deciding to take extended leave for the holidays, with trading improving in late January and February.

The Group revenue of \$218.8m was driven by growth in the Commercial market offset by reduced volumes in residential F&T which recorded historical highs in the prior year. The Qld, SA and WA markets remain buoyant while the NZ performance improved from the previous year, finishing flat for the half. Several of the Group's organic growth initiatives delivered positive results for the half, in particular strong growth in lightweight external cladding with both Maxiwall and Fibre Cement on the back of a joint major promotion with James Hardie.

The most recent acquisitions, FA Mitchell and Epping Timber, have now been with the group for 12 months and have integrated well.

International supply chain performance was consistent for the half with pressures from the falling Australian dollar impacting costs through the period. The business experienced price deflation in key imported commodity items, in particular framing timber and LVL which was partly offset by increases in locally supplied products. We continue to monitor costs of international freight particularly from Eastern Europe.

Following several years of consistent gross margin growth across the business, gross margins were down 130 basis points as compared to pcp, due to unfavourable product mix and competitive pressures, offset by continued strong pricing disciplines and improved purchasing consolidation synergies. These initiatives will continue and accelerate moving forward.

The Grafton consolidation project is now complete with the official Grand Opening scheduled for April. The site has been delivering increased volumes of decorative panels and formply over the past few months.

The Group rebranding project, unifying the business brands, and leveraging our scale was launched on 12th February 2024. Our investments in growth initiatives and support structures in Sales, Operations, IT, Finance, HR and Safety, have delivered improved efficiencies and synergies for the Group and will position us well for the future.

Safety & People

The Safety of our people is a core value and key pillar of the strategy for the Group. The investment in safety has accelerated with external safety audits, site improvements and increased engagement and training across all branches.

The planned investment in growth has seen the appointment of two senior executives to the Group: Scott Barclay (ex-Laminex and James Hardie) has been appointed EGM Panels, who with his extensive experience in the market will help drive accelerated growth. Gareth Watson (ex-Dulux Group and Boral) has been appointed General Manager Supply Chain and Manufacturing and will lead and drive alignment and best practice initiatives that deliver efficiencies, synergies, and increased profitability.

Balance Sheet & Cash Flow

The Group's investment in people, systems & processes continues to deliver improvements in cash flow and working capital. Total working capital decreased by \$1.4m to \$68.3m on reduced inventory and debtor levels. This resulted in a working capital to revenue ratio of 15.7%, similar to the strong result in June 23 and in line with the Group's target.

Trade Receivables were a highlight with Debtor Days decreasing from 43 Days to 39 Days with improved discipline and focused debtor management. Inventory continued to be well managed, down 1.0% to \$68.8m on a strong result the previous year due to operational efficiency initiatives.

The Group gearing ratio (measured as net bank debt / net bank debt + equity) was 13.6%, with headroom for future investment and acquisitions. Cash conversion (measured as EBITDA / gross operating cash flow) came in at 98.0%.

Profitability for the period combined with the strong position of the balance sheet and cash flows allowed the Board to declare a fully franked interim dividend of 5.5cps. The Company's dividend reinvestment plan ("DRP") remains active. The dividend will be paid on 27th March 2024.

Outlook

A key component of the Group's successful strategy is to acquire and integrate quality businesses, focus on trade customers, market diversification and local service while leveraging national scale. We will also continue to invest in people, systems and processes to deliver consistency, best practice and synergies across the group.

The market outlook is supported by buoyant residential housing and commercial demand in the short to medium-term, with the Group's market segment diversity positioning us well to capture market opportunities through the cycle. Extended site delays have pushed the pipeline into the second half of CY2024 and there are signs that the market in the short-term will be less predictable than previous years. If projects continue to be delayed then 2HFY24 revenue could be below the first half result.

Housing approvals have been declining in recent periods, but the medium-term outlook is more positive given the reduction in inflation, plateauing of interest rates, growth in migration, low vacancy rates and high demand for housing. This combined with both state and federal government initiatives should see increased residential market growth in 2025 and beyond.

The business has seen an increase in acquisition opportunities as baby boomer business owners look to retire. As a key part to our strategy, the business is continuing to actively explore opportunities to add value-accretive businesses to the Group.

Supply Chain pressures have eased. There will be further opportunities to consolidate purchasing and align with key suppliers delivering synergies across the Group over the coming half.

The focus for the business moving forward is.

- Enhance safety and team development initiatives.
- Continue a growth agenda organically and deliver value accretive acquisitions.
- Prudently invest in people, systems and processes and increase efficiency across the group.
- Improve supply chain logistics and deliver synergies along with increased profitability.
- Consolidate and extend Big River branding and marketing initiatives.

Conference Call

Investors are invited to join a conference call hosted by John Lorente and John O'Connor on Wednesday 21 February 2024 at 11:00am AEDT.

Call in details are as follows:

Conference Call Link: Link for investors to register to phone in and participate in the Q&A session:

<https://s1.c-conf.com/diamondpass/10036172-jg876.html>

Webcast Link: Link for investors to listen to the event and scroll through the slide deck:

<https://webcast.openbriefing.com/bri-hyr-2024/>

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