

Big River Industries Limited (ASX:BRI)

Contents

- Big River Diversity
- Positive ESG Story
- Project Images From 2021
- Performance Headlines
- Operational Summary
- Strategy Update
- Earnings Summary
- Balance Sheet
- Cash Flow
- FY2022 Outlook
- Appendix
- Disclaimer

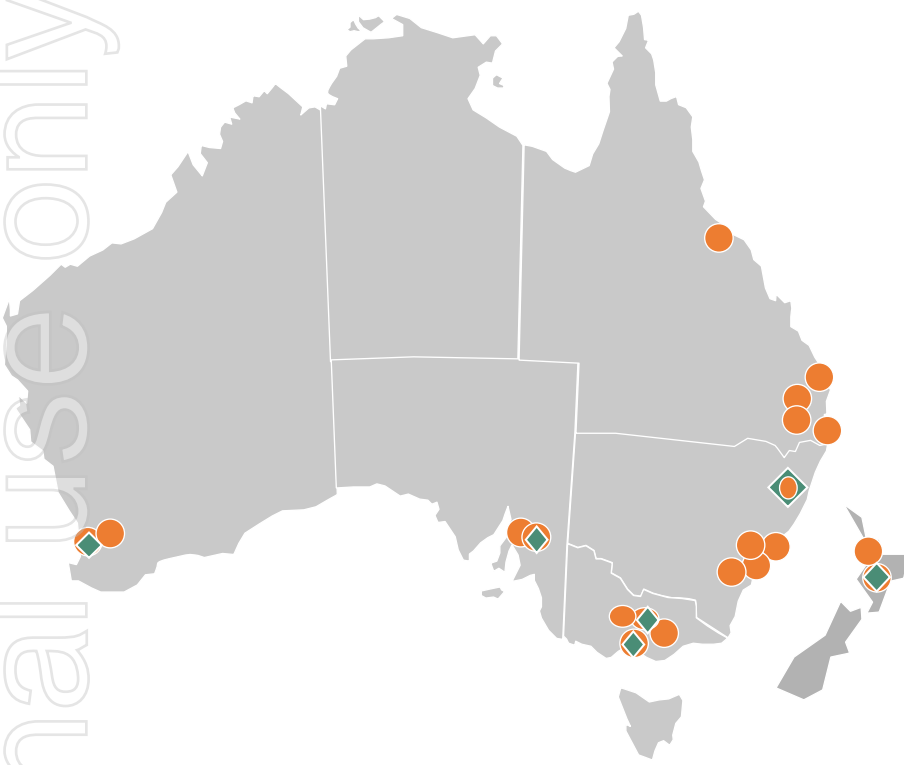


Big River Diversity



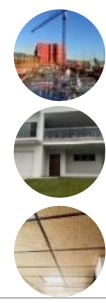
Diversified by geography, industry segment, construction type and customer ⁽¹⁾

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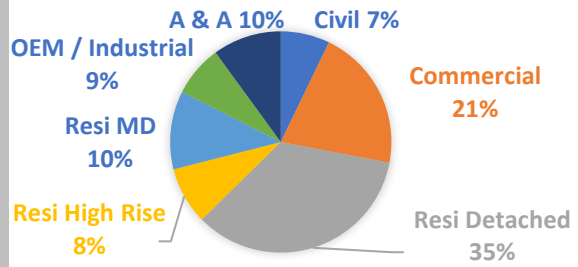
- ◆ Big River manufacturing facilities
- Big River sales / distribution sites

Target Product categories



- Formwork materials – 20%
- Building Products – 45%
- Panels – 35%

Revenue by construction market



Asset mix

- ❑ 21 x distribution sites
- ❑ 6 sites performing specialty manufacturing including Steel, Panels and Frame & Truss products

Revenue by region

- ❑ QLD – 25%
- ❑ NSW/ACT – 24%
- ❑ VIC/SA/WA – 42%
- ❑ NZ – 9%
- ❑ >8,500 active trading accounts

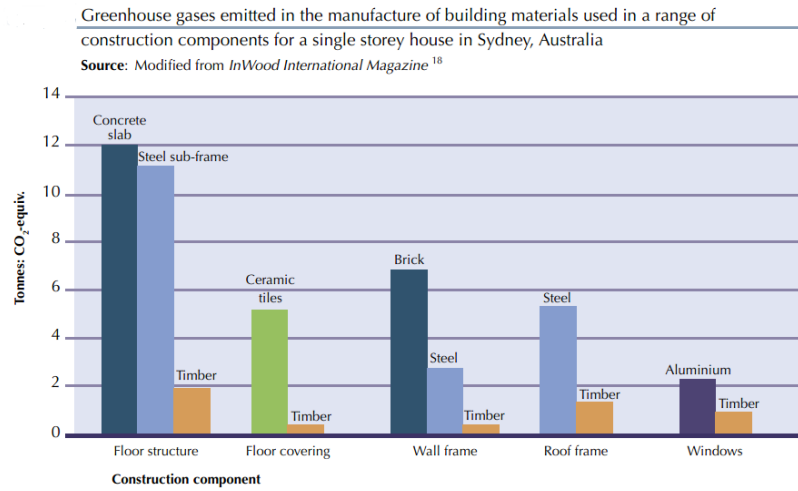
(1) All references are based on FY21 pro forma revenue

Positive ESG Story



Environmental

- ❑ GHG emitted during timber manufacture far lower than any other building materials
- ❑ Timber has the lowest embodied energy of all building materials
- ❑ Carbon sequestration of working forests results in net negative carbon contribution for the entire product lifecycle
- ❑ PEFC certified chain of Custody for our manufacturing plants



Social

- ❑ Partnership with Serko and Clarence Correctional Centre on the Toys Saves Lives indigenous inmate program
- ❑ Over 30 years of employee contributions to Rescue Helicopter Services in Australia and NZ



Governance

- ❑ Strong international supplier alignment on Illegal logging compliance and Chain of Responsibility accountability
- ❑ Modern Slavery policy rolled out to all international suppliers
- ❑ Strong Board independence policy resulting in 2 x additional independent Director recruitment underway



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Project Images From 2021

Feature project examples:

- 1. Regional NSW - Fully prefabricated engineered timber bridge
- 2. Queens Wharf Project Brisbane - Formwork materials
- 3. Taronga Zoo Sydney Giraffe Enclosure - Plywood and timber fit-out



Performance Headlines

Financial Results

- ❑ FY21 Revenue of **\$281m**, up **13%** on FY20
- ❑ Like for like sales grew **4%** for the full year, with **7%** growth in 2H21
- ❑ Underlying EBITDA of **\$22.5m** representing a **30%** increase on FY20 , while EBIT of **\$13.1m** was **47%** ahead of FY20
- ❑ Underlying NPAT up **68%** on FY20, despite materially higher tax payments during FY21
- ❑ Underlying EPS growth of 25% (before Wagga grant & exit costs) building on the **5%** EPS growth achieved in FY20
- ❑ Accounting for the full Plywood consolidation project generated a negative **\$4.5m** post tax significant item

Operating Highlights

- ❑ Distribution margin continues to increase, expanding **150bps** in FY21, despite the considerable pressure of rising supplier costs and international freight cost increases
 - Growth across all key product categories of Panels, Building Products and Formwork materials
 - Expansion of Panels category also a significant contributor to the weighted margin improvement
- ❑ A substantial turn around in the Plywood manufacturing contribution, with EBITDA up **80%** on FY20
 - Volume increases of **5%**, high value product mix, labour efficiencies and lower energy costs drove this result

Strategic Initiatives

- ❑ Gross margin improvements also aided by improved functionality of new ERP system implemented in FY20
- ❑ Successful acquisition of Timberwood Panels (TWP) a significant play in the Panels category, expanding the Company's network to 21 sites
- ❑ Profit growth achieved from every regional division and business category, as the construction cycle upswing provides more favourable market conditions

Operational Summary

Sales Revenue

- ❑ FY21 statutory revenue of \$281m was up 13% on FY20
 - Every region and product category grew except NSW formwork, which showed a 3% revenue decline
 - Overall addressable market grew 2% after 3 years of declines, held down by significant declines in multi-residential and commercial construction
- ❑ Supply chain disruptions have caused constraints and longer lead times, but revenue from the key affected structural timbers products still showed growth of circa 15% on the prior year
- ❑ Revenue growth achieved across 90% of product SKU's, highlights the breadth of the market improvement

Manufacturing & Operations

- ❑ Improved internal controls resulted in better stock performance, reduced aged debt and higher EBITDA margins
- ❑ Plywood manufacturing saw a really pleasing turnaround for the year (EBITDA + 80% on FY20), through volume growth, improved efficiencies enhanced product mix
- ❑ Greater investment in inventory than a normal year, to take advantage of our scale and supplier relationships, which aided revenue growth and margin expansion during periods of significant market shortages

Acquired Businesses

- ❑ NZ business year 2 earn out targets achieved in full; a pleasing result given the ongoing softness in commercial markets
- ❑ Strong start from TWP business in the first quarter of ownership (ahead of sales and EBITDA run rate)
- ❑ Growth of non-core categories in all acquired businesses continue to outstrip Group growth, suggesting positive revenue synergy extraction

Diversified Business Model

- ❑ Significantly improved Product category diversification achieved in FY21 with the execution of the TWP deal
- ❑ Strength of geographic diversity shone through despite different States having multiple lockdown conditions at various times during the year
 - Like for like revenue growth accelerated every quarter during FY21 despite these varying State circumstances
- ❑ Plywood consolidation project remains on track, with back-end production at Wagga ceasing in July 2021
 - Civil works, equipment ordering and production uplift at Grafton all underway

Grow Scale Through Expanded Distribution

- ❑ Continue to enhance the higher margin Panels category across Australia and NZ
 - TWP acquisition completed, expanding the group network by 3 sites
- ❑ Announcement of the Revolution Wood Panels (RWP) acquisition is an excellent geographic extension of the Panels category
- ❑ Significant traction on our manufactured civil product range achieved during FY21 is expected to continue to deliver revenue and margin growth in FY22

Enhanced Financial Performance

- ❑ Distribution gross margin continued to expand, up 150 bps
- ❑ Underlying EBITDA margin increased by 100bps in FY21, aided by strong cost control, gross margin expansion and revenue growth
- ❑ Despite the very challenging supply chains (both locally and internationally), working capital remained within the targeted range at 17.9%, whilst cash conversion was 77% due to growth in inventory

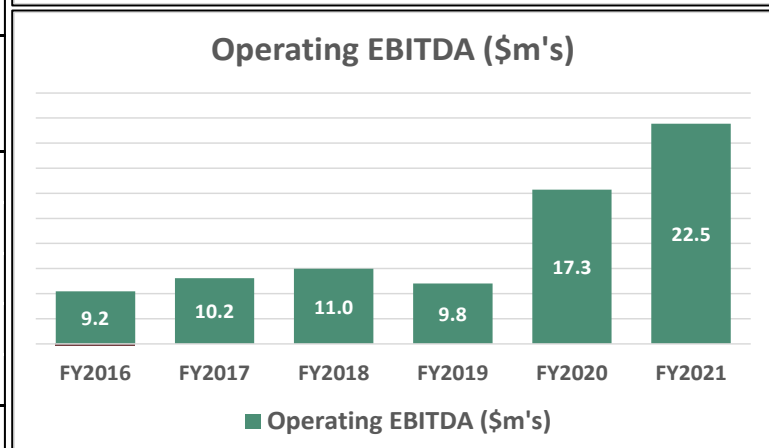
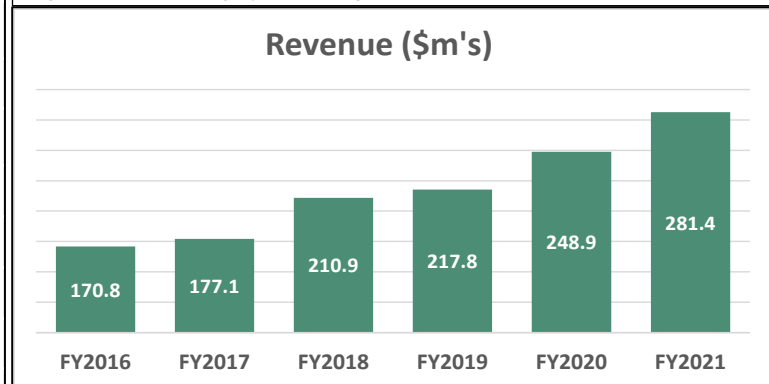
Earnings Summary



Financial Summary	FY2021 (\$m's)	FY2020 (\$m's)	Change
Revenue	281.4	248.9	13.0%
EBITDA & Other:			
Distribution activities	23.4	19.1	22.7%
Corporate activities	(4.2)	(3.6)	-16.7%
Manufacturing facilities	3.3	1.8	86.2%
Operating EBITDA ⁽¹⁾	22.5	17.3	30.4%
Depreciation and amortisation	(9.4)	(8.3)	-12.8%
Operating EBIT ⁽²⁾	13.1	9.0	46.8%
Interest	(1.9)	(2.3)	15.7%
Taxation expense	(3.4)	(2.1)	-68.2%
NPAT (before significant items)	7.8	4.6	68.4%
Significant items (net of tax)*	(6.0)	(0.2)	
NPAT	1.8	4.4	-59.1%

Key Financial Measures			
Revenue	\$281.4m	↑	13.0%
Operating EBITDA ⁽¹⁾	\$22.5m	↑	30.4%
Operating EBITDA margin	8.0%	↑	15.4%
NPAT (before significant items)	\$7.8m	↑	68.4%
EPS (before significant items)	11.15 cps	↑	49.0%
EPS (before Wagga impairment & restructure)	8.95 cps	↑	25.4%
Cash Conversion (OCFBIT)	77%	↓	-28.7%
FY2021 Dividends (interim & final)	5.6 cps	↑	133.3%

⁽¹⁾ Operating EBITDA is earnings before interest, taxes, depreciation, amortisation, and significant items (including impairment charges).



⁽¹⁾ Operating EBITDA is earnings before interest, taxes, depreciation, amortisation, and significant items (including impairment charges).

⁽²⁾ Operating EBIT is earnings before interest, taxes and significant items (including impairment charges).

*** Significant items net of tax:**

Net Wagga Wagga impairment	(4.5)	-
Acquisition Costs	(1.0)	(0.6)
Contingent consideration	0.1	0.4
Share based remuneration	(0.6)	-
Significant items net of tax	(6.0)	(0.2)

Balance Sheet

Balance Sheet	30 Jun 21 (\$m's)	30 Jun 20 (\$m's)
Cash	7.8	8.7
Receivables	54.0	43.6
Inventories	54.1	38.2
Fixed assets	20.8	27.8
Right-of-use assets	22.5	18.5
Intangibles	43.8	29.6
Deferred tax	5.1	2.5
Other	1.6	1.1
Total Assets	209.7	170.0
Payables	41.2	38.4
Borrowings	27.4	28.7
Lease liabilities - Bank	2.2	2.0
Lease liabilities - Right-of-use	23.5	19.5
Current tax liability	1.0	0.9
Contingent consideration	7.2	3.7
Provisions / Other	12.5	5.1
Total Liabilities	115.0	98.3
Net Assets	94.7	71.7
<i>Net Bank Debt \$m's</i>	<i>21.8</i>	<i>22.0</i>
<i>Gearing %</i>	<i>18.7%</i>	<i>23.4%</i>
<i>TWC \$m's (exc. Government Grant)</i>	<i>62.5</i>	<i>44.5</i>
<i>TWC (% RTM revenue)</i>	<i>17.9%</i>	<i>17.2%</i>

- ❑ Trade working capital (TWC) as a percentage of revenue was 17.9% on a weighted average basis
- ❑ TWC increased \$24m in dollar terms
 - \$14m from Timberwood
 - \$6m balance of government grant
 - \$4m inventory increases
- ❑ A reduction in 90+ day debt, also saw average debtor days improve to 49 days from 56 days in FY2020
- ❑ Inventory growth of \$15.9m
 - \$11.4m from acquisition of Timberwood
 - \$4.5m from increased stock holdings of key products
- ❑ Increase in intangibles from the acquisition of Timberwood (includes Brand \$2.6m, Customer relationships \$3.5m, and goodwill \$8.3m)
- ❑ Net debt declined slightly to \$21.8m
- ❑ Gearing at 18.7% measured as net bank debt / (net bank debt + equity)
- ❑ Provision increase relates mainly to the Wagga Wagga factory closure:
 - \$4m Redundancy and site rehabilitation costs
 - \$2m deferred income (government grant to be recognised over the life of related assets)

Cash Flow

Cash Flow	FY2021 (\$m's)	FY2020 (\$m's)
Receipts from customers	305.6	274.6
Payments to suppliers/employees	(291.0)	(256.7)
Other revenue	4.0	0.5
OCFBIT	18.6	18.4
Interest paid	(1.7)	(2.2)
Income tax paid	(2.7)	(1.3)
Operating Cash Flow	14.2	14.9
Capital expenditure	(1.7)	(1.1)
Business acquisitions	(21.0)	(19.6)
Intangibles	(0.4)	(1.0)
Contingent consideration	(1.2)	(0.2)
Investing Cash Flow	(24.3)	(21.9)
Net proceeds from issue of shares	19.2	6.1
Borrowings - proceeds	0.2	12.3
Net lease payments	(5.3)	(4.9)
Dividends paid	(3.4)	(1.4)
Financing Cash Flow	10.7	12.1
Net Cash Flow	0.6	5.1

- ❑ Operating cash flow before interest and tax (OCFBIT) as a percentage of actual EBITDA remained strong at 77% despite growth in working capital (inventory)
- ❑ OCFBIT rises to 80% when excluding the Wagga restructure and including \$2.2m of allowed FY20 COVID payment deferrals paid in 1H21
- ❑ Capital expenditure is a combination of mobile plant and equipment, tool of trade vehicles, and specialised manufacturing equipment
- ❑ Business acquisitions comprises payment of the cash component for the Timberwood acquisition
- ❑ Contingent consideration paid to vendors on achievement of prior year earnout targets
- ❑ Issue of shares raised \$19.2m after costs, to assist with funding the Timberwood acquisition
- ❑ Dividends paid during the year (FY2020 final 2.4cps, FY2021 interim 2.6cps)
- ❑ Final dividend determined for FY2021 of 3.0 cps, with DRP discount of 2.5% and the following key dates:

FY2021 Final Dividend Timetable	
Ex-Date	2/09/2021
Record Date	3/09/2021
DRP election Date	6/09/2021
VWAP begins	7/09/2021
VWAP ends	20/09/2021
Payment Date	6/10/2021

Market Conditions

- ❑ Big River expects the addressable market to grow by circa 4% in FY22, assuming no significant lockdown scenarios for the construction industry
- ❑ Detached housing starts will continue to lag approvals, as materials and labour shortages extend the Homebuilder pipeline well into FY23
- ❑ Some positive Multi-residential projects now in planning stage, with growth expected again by 2023
- ❑ Recent construction sector restrictions implemented in NZ, ACT, NSW and Victoria create some uncertainty
- ❑ Access to international freight capacity creates some risk for the 25% of BRI revenue exposed to direct importation

Strategy Execution

- ❑ Plywood consolidation project remains a key focus for FY22, with \$6m in Grant cash still to be received
- ❑ Continued focus on extracting synergies in the Panels category offers further upside to profitability
- ❑ RWP acquisition announced today will contribute from quarter 2, assuming customary condition precedents are met
- ❑ Further acquisition opportunities continue to be pursued and are expected to contribute to FY22 results

Financial Expectations FY2022

- ❑ Revenue growth to continue during the cyclical upswing, with sales expected in the range of \$335m - \$350m (assuming no major disruptions to the industry), including contribution from RWP
- ❑ Growth of underlying EBITDA, NPAT and EPS to be in line with or above the revenue growth
- ❑ Cash conversion to be in line with long term averages of 80-90%

Appendix

Key Financial Measures	FY2017	FY2018	FY2019	FY2020	FY2021
Profitability					
Revenue	\$177.1m	\$210.9m	\$217.8m	\$248.9m	\$281.4m
Operating EBITDA (before significant items)	\$10.2m	\$11.0m	\$9.8m	\$17.3m	\$22.5m
Actual EBITDA	\$8.1m	\$10.7m	\$9.2m	\$16.9m	\$24.1m
NPAT	\$3.9m	\$5.2m	\$3.9m	\$4.4m	\$1.8m
Earnings Per Share (cents)	9.55 cps	9.79 cps	7.24 cps	7.14 cps	2.58 cps
Cash flow management					
OCFBIT	\$7.0m	\$8.6m	\$7.0m	\$18.4m	\$18.6m
Operating cash flow	\$4.7m	\$5.0m	\$3.8m	\$14.9m	\$14.2m
EBITDA to OCFBIT % (cash conversion)	87%	80%	76%	108%	77%
Working capital (% annualised revenue)	15.8%	16.7%	17.8%	17.2%	17.9%
Dividends - interim & final (cents)	3.5 cps	7.0 cps	4.4 cps	2.4 cps	5.6 cps
Dividend payout ratio (%)	47%	72%	66%	34%	246%

CASH FLOW (\$m's)	FY2017	FY2018	FY2019	FY2020	FY2021
Actual EBITDA	8.1	10.7	9.2	16.9	24.1
Non-cash items & working capital changes	-1.1	-2.1	-2.2	1.5	-5.5
OCFBIT	7.0	8.6	7.0	18.4	18.6
Interest paid	-0.9	-0.8	-1.0	-2.2	-1.7
Tax paid	-1.4	-2.8	-2.2	-1.3	-2.7
Operating Cash Flow	4.7	5.0	3.8	14.9	14.2
Net capital expenditure	-1.2	-2.1	-1.4	-1.1	-1.7
Intangibles	-	-	-0.8	-1.0	-0.4
Free cash flow	3.5	2.9	1.6	12.8	12.1
Business acquisitions	-5.1	-3.7	-6.6	-19.6	-21.0
Contingent consideration	-	-	-	-0.2	-1.2
Net proceeds from issue of shares	16.5	-	1.4	6.1	19.2
Proceeds/(repayment) of borrowings	-7.4	2.9	5.4	12.3	0.2
Lease repayments	-	-	-	-4.9	-5.3
Dividends paid	-2.4	-3.7	-3.0	-1.4	-3.4
Increase/(decrease) in cash	5.1	-1.6	-1.2	5.1	0.6

PROFIT & LOSS (\$m's)	FY2017	FY2018	FY2019	FY2020	FY2021
Revenue	177.1	210.9	217.8	248.9	281.4
EBITDA from Operations:					
- Distribution activities	9.7	12.0	11.3	19.1	23.4
- Corporate activities	-2.9	-3.1	-3.3	-3.6	-4.2
- Manufacturing facilities	3.4	2.1	1.8	1.8	3.3
EBITDA	10.2	11.0	9.8	17.3	22.5
Depreciation	-1.7	-2.0	-2.2	-7.6	-8.8
Amortisation	-0.2	-0.5	-0.5	-0.7	-0.6
EBIT	8.3	8.5	7.1	9.0	13.1
Interest	-0.9	-0.8	-1.0	-2.3	-1.9
Taxation Expense	-2.0	-2.3	-1.7	-2.1	-3.4
NPAT (before significant items)	5.4	5.4	4.4	4.6	7.8
<i>Significant items net of tax:</i>					
Wagga Wagga Impairment	0.0	0.0	0.0	0.0	-4.5
IPO costs	-1.4	0.0	0.0	0.0	0.0
Acquisition costs	-0.1	-0.2	-0.5	-0.6	-1.0
Contingent consideration	0.0	0.0	0.0	0.4	0.1
Share-based remuneration	0.0	0.0	0.0	0.0	-0.6
NPAT (statutory)	3.9	5.2	3.9	4.4	1.8

NET CASH/(DEBT) (\$m's)	FY2017	FY2018	FY2019	FY2020	FY2021
Cash at bank	3.6	2.0	1.2	8.7	7.8
Overdraft and trade finance	0.0	0.0	-0.5	-2.8	-1.4
Bank bills	-5.0	-7.9	-13.5	-25.9	-26.0
Bank lease liability	-2.6	-2.5	-2.3	-2.0	-2.2
Net Bank Debt	-4.0	-8.4	-15.1	-22.0	-21.8
Lease liability AASB16	0.0	0.0	0.0	-19.5	-23.5
Total	-4.0	-8.4	-15.1	-41.5	-45.3
Gearing % (based on net bank debt)	6.6%	12.5%	19.7%	23.5%	18.7%

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