Big River Industries Limited (ACN 609 901 377)

Financial Results & Outlook

Big River Industries Limited (ASX: BRI) ('**BRI**' or the '**Group**') is pleased to announce its financial results for the 12 month period ending 30 June 2024 (FY2024).

Highlights

- Revenue of $414.7m, down 7.7% on the prior corresponding period (pcp)
  - Impacted by decline in residential market in late H1 which continued for the remainder of the year; commercial market remains robust
- Gross Profit Margins down 142 basis points to 26.0%, driven predominantly by reduced volumes in frame and truss manufacturing
- Prudent cost management and improved efficiencies: operating costs up only 4.1% on pcp or 1.3% like-for-like (excl. acquisitions), despite macro inflationary environment and continued investment in future growth
- EBITDA (before significant items) of $32.6m, down 36% on pcp
- Balance Sheet management a continued strength of the business; EBITDA to cash conversion of 98.2%, consistent with H1
- Acquired Specialised Laminators Qld (SLQ) in May 2024 with the business integrating well
- Expected positive commercial market segment offset in the short term by headwinds across residential and high-rise construction
  - Drivers for residential market upturn are positive – low vacancy rates and reducing inflation
- Established supply chains, streamlined operations and tight cost controls see the business well positioned to capitalise on improved operating leverage in the medium term as volumes and scale efficiencies improve
- Final dividend of 2.0 cents per ordinary share (fully franked) taking full year ordinary dividends to 7.5c.

Group CEO & Managing Director, John Lorente said: 'Despite the softness in the residential market this year, we continue to deliver solid results through the cycle, growing share in key market segments, while managing costs and cash tightly. We will continue to invest in the business, deliver scale efficiencies and synergies to improve offers to our customers and returns to shareholders. The commercial project pipeline continues to be buoyant, and we have a positive medium-term outlook for our markets."

Results Summary (AUD)	FY24	FY23	Change
Revenue	$414.7m	$449.5m	-7.7%
EBITDA (1)(before significant items)	$32.6m	$50.9m	-36.0%
NPAT (before significant items)	$8.4m	$22.6m	-62.8%
NPAT (statutory)	$8.1m	$22.1m	-63.8%
Earnings per share (before significant items)	10.0cps	27.3cps	-63.4%
Earnings per share (statutory)	9.6cps	26.8cps	-64.2%
Dividends cps	7.5cps	17.1cps	-56.1%

(1) Earnings before interest, taxes, depreciation and amortisation

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Trading Summary

The Group delivered revenue of $414.7m, down 7.7% on the top of the cycle the previous year, down 8.7% on a like-for-like basis (i.e. excluding revenue from the acquisition in May 2024).

FY2024 started strongly on a solid project pipeline, however it was a year of two halves as residential started to decline sharply in the latter part of Q2 and early Q3, combined with extended delays to customer projects. The decline in the residential housing sector initially impacted frame and truss operations before spreading to the rest of the residential build cycle by Q4. Despite a challenging residential market, the delivery of commercial projects increased in the second half and is forecast to remain relatively robust into FY25.

The Construction division was heavily impacted by the decline in the residential segment predominantly impacting our frame and truss operations. Despite this, we delivered solid growth in key product groups and geographies.

The Panels division, while performing better due to being later in the construction cycle and delivering bespoke products, was also impacted by the market predominantly in our key VIC and NSW markets, and also from weakness in the NZ market.

The Group's geographical and product segment diversity positioned the business well to capture growth tailwinds in certain markets. Western Australia was the Group's strongest region, well above target for the year and expected to continue to grow in future periods. Both the Qld and SA markets remain buoyant despite a drop-off from the historical highs in FY23. NSW, VIC and NZ markets were well down for the period on soft market conditions.

Several organic growth programs delivered positive above-market results in the period, including lightweight residential cladding, particularly Maxiwall and Fibre Cement, timber flooring, specialised decorative panels and commercial facades in NZ. The Group will continue to focus on high-value differentiated product opportunities as part of the strategy to grow overall market share.

Gross margins were under pressure, down 142 basis points versus FY23 to 26.0% driven by reduced frame and truss volumes and increased competitive pressures. Group restructuring efforts in Q4, particularly in our manufacturing sites, delivered improved results in the quarter which will position the business well and help offset competitive market pressures into the coming year. The Group has launched several initiatives to improve front-end pricing, supply synergies and manufacturing efficiencies which we expect will increase margins as volumes return in the medium term.

The business continued to invest in growth initiatives, which are expected to provide scale synergies and improved support structures for the business moving forward. By way of example, our IT team transitioned three more sites across to the Group ERP platform. This has improved collaboration, functionality and oversight between sites which we believe will ultimately lead to a greater experience for our staff and customers.

During the year we upgraded and consolidated three sites. We had the grand opening of an upgraded Grafton manufacturing site which is now delivering increased volumes of specialised decorative panels. The two Brendale sites were consolidated into one larger site giving us capacity to capture growth opportunities in the

Qld market. Finally, the FA Mitchell and Timberwood Sydney sites were consolidated into an improved facility in Smeaton Grange, closer to our customer base in Sydney.

Supply availability has improved substantially from our international and local supply partners. Supply Chain and manufacturing synergies have been a major focus of the business these past 12 months. Consolidation of supply with aligned supply partners to achieve cost benefits and consistent supply is continuing as is a focus on manufacturing efficiencies and labour utilisation. This is a key pillar of our strategic framework.

Specialised Laminators Queensland was acquired and joined the Group on 1st May 2024. The business has integrated well into the Group given its aligned culture and strong capability. The team is working on delivering operational and market synergies moving forward. There will be further market consolidation opportunities, and our acquisition pipeline remains strong. The Group will continue to explore value-accretive and strategically aligned opportunities to add to the Group in the medium term.

The Group rebrand was launched in Q3 and is being rolled out across the business. This has been very well received by staff, customers and suppliers, unifying the business and leveraging our scale. This will be delivered in a staged process over the next two years to manage costs.

Safety & People

The Group has continued investment in our People and Safety throughout the year. Two of our manufacturing sites achieved safety milestones during the period. Breakwater Frame and Truss was 1,000 days LTI free and Penrose in Auckland achieved 1,500 days LTI free. The investment in safety has accelerated with external safety audits, site improvements and increased engagement and training across all branches. The safety of our people is a core value and key pillar of the strategy for the Group.

Three senior executives have been appointed during the year as part of the planned investment in growth. Scott Barclay (ex-Laminex and James Hardie) has been appointed EGM Panels, Gareth Watson (ex-Dulux Group and Boral) has been appointed General Manager Supply Chain and Manufacturing and Damien O'Loughlin (ex CTO at Youfoodz) has been appointed EGM Business Transformation and Technology. These appointments add extensive experience to the business and are responsible for delivering strategy, driving growth and best practice.

Balance Sheet & Cash Flow

Inventory has been well managed, down 1.7% on a like-for-like basis to $72.5m on continued operational efficiencies. Trade receivables continued to improve year on year with Debtor Days down to 42 for the period versus 43 in pcp, resulting in a relatively stable Net Working Capital to Revenue ratio of 16.6% compared to 15.5% in pcp.

This delivered another strong Cash Conversion ratio of 98.2% for the business. Initiatives and investment in systems and processes to streamline operations delivered $32.0m in operating cashflow (pre interest and taxes), closely mirroring EBITDA of $32.6m, highlighting the quality of our earnings profile.

Total working capital decreased by 2.3% on a like-for-like basis to $72.4m or 16.6% of revenue.
The Group gearing ratio (measured as net bank debt / net bank debt + equity) was 18.8%, up on pcp following the SLQ acquisition but well within the company's range and giving continued headroom for future expansion.

The Board has declared a final dividend of 2.0cps. The Company's dividend reinvestment plan ("DRP") remains active. The dividend will be paid on 4th October 2024.

Outlook

Consumer confidence around residential building sector remains subdued given market uncertainty around interest rates, with data indicating building activity (approvals and housing starts) in the addressable residential markets to be down low single digits over the coming 12 months. This also extends to multi-residential which is expected to be flat with high-rise construction down, but more opportunities in smaller low-density construction.

Despite the short-term headwinds, the medium-term outlook is more positive given the increasing need for housing in the market, low vacancy rates, expected reduction in interest rates, reduced inflation and Federal and State initiatives to increase housing. This should deliver the expected increased residential market growth in the latter half of CY2025.

The Commercial segment outlook for the business remains positive given solid commercial project pipelines that should extend well into the coming year.

The Group's market and regional diversity has the business well positioned to take advantage of growth markets particularly in Queensland where the business has the largest footprint, as well as Western Australia and South Australia.

The Group's strategy continues to be focused on trade market segments both organically and by acquisition. Local service close to the customer while leveraging national scale with market and supply chain diversification.

Prudent investments in people, systems and processes will continue, re-setting the business for improved service offering and profitability metrics.

The market is expected to remain challenging over the coming year and the business has taken steps to address the cost base. Our focus is on delivering growth above market, scale benefits, synergies and operational efficiencies position the business well for the expected market turnaround in the 2025 calendar year.

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Conference Call

Investors are invited to join a conference call hosted by John Lorente and John O'Connor on Thursday 22nd August 2024 at 11:00am AEDT. The dial in details are as follows:

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/10040009-uqfDg.html

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

http://webcast.openbriefing.com/bri-fyr-2024/

For more information, contact:

John Lorente (CEO and Managing Director)	Ph: +61 448 265 81	e: jlorente@bigrivergroup.com.au
John O'Connor (CFO and Company Secretary)	Ph: +61 459 503 39	e: joconnor@bigrivergroup.com.au

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