ORD MINNETT RESEARCH

Building Products Sector

Building on Solid Foundations – Initiating Coverage of Acrow & Big River

Acrow Formwork and Construction Services ('ACF') and Big River Industries ('BRI') are key players within the Australian Building Products and Distribution markets. Acrow focuses upon Formwork, Industrial Services and Scaffolding; and Big River specialises in the manufacturing of timber veneer, plywood and formply, and distribution of building supplies. Both businesses have undergone significant strategic pivots over the past 4-5 years and are now reaping the rewards. Given the tough macroeconomic backdrop, our base case incorporates steep declines within detached housing and A&A. However, current valuations imply both trade at a 40%+ discount to their peer group and record earnings 5-10% below our base case. We are confident in ACF and BRI's ability to sustain recent market share momentum and believe both have a significant runway of growth. On that basis, we initiate with a BUY recommendation on both.

Base Set for Future Growth

- After previously being owned by Boral (BLD.ASX – *Not Covered*) and private equity, Acrow has increased its presence in Formwork and expanded into the less cyclical Industrial Services segment, which may act as a future re-rating catalyst.
- BRI has reduced manufacturing of more commoditised products, whilst using the strength of its supply chain and product suite to consistently win market share via a combination of organic and inorganic growth.

Significant Market Opportunities

- In our view, both companies have a significant runway of growth. Over the medium-term, we estimate ACF has a $90m+ revenue opportunity (+62% vs FY22A) and BRI has a $325m+ opportunity (+80% vs FY22A).

Valuation & Recommendations

- We initiate coverage of ACF with a BUY recommendation ($0.83 PT) and BRI with BUY recommendation ($2.95 PT). Both valuations are weighted 50/50 between a DCF and Peer Multiples approach.
- Key risks relate to the impact of rising domestic interest rates upon the construction cycle, adverse weather conditions, persistent supply chain pressures and increased competition.
- We believe these risks are more than reflected in current valuations, with ACF trading at 4.0x and BRI at 3.6x, representing a 40%+ discount to their domestic peer group at 7.5x (all referring to FY24e EV/EBITDA).

Acrow (Y/E June)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue ($m)	105.7	148.3	168.1	183.7	196.0
EBITDA ($m)	24.3	36.3	46.6	50.6	54.0
Normalised NPAT ($m)	8.7	17.8	24.3	25.6	26.2
Normalised EPS (c)	3.9	6.9	9.1	9.1	9.1
EPS Growth (%)	(3.8)	77.4	31.5	0.9	(0.8)
Normalised P/E (x)	16.6	9.4	7.1	7.1	7.1
Big River (Y/E June)	**FY21A**	**FY22A**	**FY23E**	**FY24E**	**FY25E**
Revenue ($m)	281.4	409.3	448.7	466.8	487.6
EBITDA ($m)	22.5	48.0	50.9	53.7	57.0
Normalised NPAT ($m)	7.7	22.7	23.2	24.9	26.9
Normalised EPS (c)	11.0	27.9	28.3	30.3	32.7
EPS Growth (%)	50.4	154.2	1.3	7.0	7.9
Normalised P/E (x)	19.3	7.6	7.5	7.0	6.5

Source: OML, Iress

Acrow (ACF)

Last Price
A$0.645
Target Price
$0.83
Recommendation
Buy
Risk
Higher

Big River (BRI)

Last Price
A$2.12
Target Price
$2.95
Recommendation
Buy
Risk
Higher

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Executive Summary

Acrow Formwork and Construction Services ('ACF') and Big River Industries ('BRI') are key players within the Australian Building Products and Distribution markets. Both have differing areas of expertise - with Acrow specialising in Formwork, Industrial Services and Scaffolding; and Big River focusing upon the manufacturing of timber veneer, plywood and formply, and distribution of building supplies.

Whilst ACF and BRI have operating histories dating back over 80 and 100 years respectively, both have made significant changes to their respective businesses over the past decade and are now reaping the rewards. After previously being owned by Boral (BLD.ASX – *Not Covered*) and private equity, Acrow has reduced its exposure to the commoditised scaffolding industry, increased its presence in Formwork and expanded into the less cyclical Industrial Services segment. Similarly, BRI has also reduced its exposure to manufacturing of more commoditised products, significantly increased its footprint in the more profitable Panels segment and continued taking market share across its key segments via a combination of organic and inorganic growth.

In our view, **Acrow is uniquely positioned to maintain its recent momentum, having upgraded its guidance on 10 separate occasions since the beginning of the pandemic**. Our BUY recommendation is based upon its **(1) strong organic growth opportunities, (2) growth in less cyclical earnings derived from its Industrial Services division, which may provide a potential re-rating catalyst, and (3) steep valuation discount relative to Australian Building Materials, Distribution and Global Contracting peers**.

The **strength of BRI's supply chain and manufacturing was a key point of difference throughout the pandemic, enabling it to consistently win market share**. Our BUY recommendation is predicated upon BRI's **(1) material organic growth opportunities, particularly within its Panels and Building Trade Centre divisions, (2) strong balance sheet and accretive M&A optionality, and (3) steep valuation discount relative to Australian Building Materials and Distribution peers**.

In our view, the macroeconomic backdrop remains front of mind for most investors. The pace of the RBA cash rate increases is the quickest seen since the 1994 and has created a large amount of uncertainty regarding future trends within the construction industry. We expect both detached housing and A&A commencements to fall by -5% CAGR between FY22-FY25e. On the other hand, we expect relative strength in both civil infrastructure (+5% CAGR) and Commercial construction (+0.5% CAGR) over the same period. Despite the RBA appearing to be close to the peak of the current interest rate cycle, we have maintained a cautious approach within our estimates, given the true impact is unlikely to become fully evident until FY24.

Despite the tough economic backdrop, we remain confident in both ACF and BRI's ability to continue growing their businesses. In our opinion, the benefits of structural changes made by ACF and BRI ~4-5 years ago became particularly evident in FY21 and FY22. **Our analysis shows that the organic volume growth generated by both companies materially outperformed our estimated underlying market volume growth (based on price-deflated ABS data and the end market exposure of each company).** On this basis, we believe this implies both have been able to consistently win market share.

In addition to winning market share, **both have also expanded profitability margins and successfully executed inorganic opportunities. In our view, the current share price of ACF and BRI imply that both trade at 40%+ discount to their peer group and record earnings 5-10% below our base case estimates,** which we do not believe is justified.

Coverage Summary & Investment Thesis

We initiate coverage of Acrow Formwork and Construction Services ('ACF') and Big River Industries ('BRI'), both with a BUY recommendation. In our view, both offer significant potential for both organic and inorganic growth opportunities, supported by attractive valuations. Macroeconomic concerns will likely remain front of mind for investors, however we believe this is more than reflected in ACF and BRI's steep valuation discount relative to peers (*see Table 3*).

Our positive view upon ACF is predicated upon: (1) strong organic growth opportunities, (2) growth in less cyclical earnings derived from its Industrial Services division, providing a potential re-rating catalyst, and (3) steep valuation discount, with ACF trading at a ~44% discount to its broader peer group.

Similarly, our positive view upon BRI is based upon: (1) material organic growth opportunities, particularly within its Panels and Building Trade Centre divisions, (2) strong balance sheet and accretive M&A optionality, and (3) steep valuation discount, with BRI trading at a ~49% discount to its broader peer group (ACF and BRI valuation discounts both based on FY24e EV/EBITDA).

Figure 1: Coverage Summary

Company	Ticker	Market Cap (A$m)	Recommendation	Risk	Last Price	Target Price	Dividend Yield	Implied TSR	P/E		EV/EBITDA	
									FY23e	FY24e	FY23e	FY24e
Acrow	ACF	170	Buy	Higher	0.645	0.83	5.6%	34.8%	6.9x	6.8x	4.3x	4.0x
Big River	BRI	176	Buy	Higher	2.12	2.95	7.7%	46.7%	7.5x	7.0x	3.9x	3.6x

Source: Ord Minnett Research, Bloomberg

Recommendations

Acrow Formwork and Construction Services (ACF): BUY, A$0.83 PT

- **We initiate coverage of ACF with a BUY recommendation and $0.83 price target.** We value ACF using a blended valuation methodology, weighted 50/50 between a DCF and Peer Multiples approach. Our DCF incorporates a WACC of 11.6% and our peer multiples approach utilises an EV/EBITDA multiple of 4.9x, reflecting a 30% discount to weighted average peer group multiples.
- **In our view, ACF has strong organic growth opportunities, particularly within its Formwork and Industrial Services division.** The latter provides ACF with a less cyclical earnings stream. Coupled with strong earnings growth potential, we believe it could provide ACF with more stable through-the-cycle earnings and therefore act as a catalyst for a stronger re-rating towards peers.
- **ACF currently trades at a 44% discount to its Australian Building Products peer group** (based on FY24e EV/EBITDA)**.** Our Base Case valuation incorporates a 30% discount to its peer group – however over time, we believe this gap could close further. In our view, catalysts for this include continued growth in its Formwork division (largely via product development), ongoing expansion in its nascent Industrial Services business (via both organic and inorganic routes) and additional M&A opportunities.

Table 1: Acrow Valuation Summary

Valuation Method	Weighting	Value
DCF	50%	0.85
Peer Multiples	50%	0.81
Weighted Average		*0.83*
Valuation/Target Price		**0.83**
Current Share Price		0.645
Upside/Downside		29.3%

Source: Ord Minnett Research, IRESS

Big River Industries (BRI): BUY, A$2.95 PT

- **We initiate coverage of BRI with a BUY recommendation and $2.95 price target.** We value BRI using a blended valuation methodology, weighted 50/50 between a DCF and Peer Multiples approach. Our DCF incorporates a WACC of 11.9% and our peer multiples approach utilises an EV/EBITDA multiple of 4.9x, reflecting a 30% discount to average peer group multiples.
- **In our view, BRI has material organic growth prospects supported by accretive M&A optionality.** Throughout the pandemic, BRI has consistently displayed its ability to win market share. We expect further organic growth via additional market share gains and product development. On top of this, we assume BRI maintains its existing M&A strategy and acquires 2-3 businesses per year. As the business continues to build scale, we believe it can achieve further economies of scale and demand a higher multiple.
- **BRI currently trades at a 49% discount to its Australian Building Products peer group** (based on FY24e EV/EBITDA)**.** Our Base Case valuation incorporates a 30% discount to its peer group – however, similar to ACF, we believe this gap could close further over time. We believe catalysts for a re-rating may come in the form of maintaining consistent market share gains, a stabilisation in detached housing construction and successfully identifying and executing additional M&A opportunities.

Table 2: Big River Valuation Summary

Valuation Method	Weighting	Value
DCF	50%	3.08
Peer Multiples	50%	2.81
Weighted Average		*2.95*
Valuation/Target Price		**2.95**
Current Share Price		2.12
Upside/Downside		38.9%

Source: Ord Minnett Research, IRESS

Table 3: Peer Group Comparison

Company Name	Market Cap (AUD)	Last Price	Currency	P/E (FY23e)	P/E (FY24e)	EV/EBITDA (FY23e)	EV/EBITDA (FY24e)	EV/EBIT (FY23e)	EV/EBIT (FY24e)
AUSTRALIAN BUILDING MATERIALS & DISTRIBUTORS*									
Acrow Formwork and Construction S	170	0.645	AUD	6.9x	6.8x	4.3x	4.0x	6.3x	6.0x
Big River Industries Pty Ltd	176	2.12	AUD	7.5x	7.0x	3.9x	3.6x	5.4x	5.0x
Adbri Ltd	1,116	1.71	AUD	11.2x	10.2x	6.3x	5.9x	10.8x	10.1x
Boral Ltd	3,420	3.10	AUD	32.0x	22.6x	9.4x	8.1x	21.0x	15.6x
Brickworks Ltd	3,505	23.02	AUD	9.6x	16.8x	7.7x	11.9x	8.1x	13.7x
CSR Ltd	2,380	4.98	AUD	11.4x	12.7x	6.0x	6.6x	7.7x	8.7x
Fletcher Building Ltd	3,508	4.48	AUD	7.6x	8.7x	5.1x	5.4x	7.3x	8.1x
Fleetwood Ltd	133	1.42	AUD	18.9x	6.4x	3.8x	2.2x	9.4x	3.4x
James Hardie Industries PLC	12,805	28.72	AUD	13.3x	14.4x	9.3x	9.5x	11.0x	11.7x
Maas Group Holdings Ltd	911	2.80	AUD	11.1x	8.1x	7.2x	5.4x	9.4x	6.7x
Reece Ltd	9,296	14.39	AUD	22.2x	23.0x	12.4x	12.6x	17.6x	18.3x
Reliance Worldwide Corp Ltd	2,536	3.21	AUD	12.3x	12.1x	9.0x	8.8x	11.3x	11.0x
Wagners Holding Co Ltd	151	0.81	AUD	16.4x	10.3x	6.8x	5.7x	14.7x	10.9x
AVERAGE				**13.9x**	**12.2x**	**7.0x**	**6.9x**	**10.8x**	**9.9x**
Average Ex BRI				**14.4x**	**12.7x**	**7.3x**	**7.2x**	**11.2x**	**10.4x**
Average Ex ACF				**14.5x**	**12.7x**	**7.2x**	**7.2x**	**11.1x**	**10.3x**
Average EX ACF, BRI				**15.1x**	**13.2x**	**7.5x**	**7.5x**	**11.7x**	**10.8x**
BRI Discount				**-48%**	**-45%**	**-46%**	**-49%**	**-52%**	**-51%**
ACF Discount				**-53%**	**-46%**	**-41%**	**-44%**	**-43%**	**-42%**
AUSTRALIAN CONTRACTORS & ENGINEERING									
Austin Engineering Ltd	181	0.31	AUD	7.8x	6.5x	4.8x	4.0x	5.0x	4.4x
Downer EDI Ltd	2,532	3.77	AUD	12.4x	10.0x	5.7x	5.3x	10.6x	9.0x
Monadelphous Group Ltd	1,254	13.06	AUD	21.8x	17.8x	9.8x	8.6x	14.0x	11.6x
SRG Global Ltd	300	0.67	AUD	10.0x	8.9x	4.2x	3.9x	6.9x	6.2x
Seven Group Holdings Ltd	7,930	21.83	AUD	12.3x	10.9x	8.5x	7.9x	12.1x	10.4x
Ventia Services Group Pty Ltd	2,087	2.44	AUD	11.2x	10.4x	6.2x	5.9x	9.8x	9.0x
AVERAGE				**12.6x**	**10.7x**	**6.5x**	**5.9x**	**9.7x**	**8.4x**
INTERNATIONAL CONTRACTORS & ENGINEERING									
ACS Actividades de Construccion y Se	12,538	28.40	EUR	14.0x	12.8x	5.1x	4.8x	7.2x	6.7x
Vinci SA	91,336	99.75	EUR	12.9x	11.9x	7.9x	7.5x	11.8x	11.0x
Bouygues SA	17,675	30.38	EUR	9.8x	8.5x	4.3x	4.0x	9.1x	8.1x
AVERAGE				**12.2x**	**11.1x**	**5.8x**	**5.4x**	**9.4x**	**8.6x**
TOTAL AVERAGE				**13.3x**	**11.7x**	**6.7x**	**6.4x**	**10.3x**	**9.3x**
TOTAL MEDIAN				**11.8x**	**10.4x**	**6.3x**	**5.8x**	**9.6x**	**9.0x**

*Source: Bloomberg, Ord Minnett Research, *OMLe estimates for ACF & BRI*

Valuation Sensitivity – Risk Priced In

The macroeconomic backdrop remains a key point of focus for most investors. The pace of the RBA cash rate increases is the quickest seen since the 1994 and has created a large amount of uncertainty regarding future trends within the construction industry.

We expect both detached housing and A&A activity to retrace from recent highs, but remain slightly above pre-pandemic levels. On the other hand, we expect relative strength in both civil infrastructure and non-residential construction. However, given the uncertain operating environment, we have included Peer Multiple valuation sensitivities for ACF and BRI in *Table 4 & Table 5,* respectively.

In our view, the current share price of ACF and BRI imply that both trade at 40%+ discount to their peer group and record earnings 5-10% below our base case estimates.

Table 4: Acrow Peer Multiple Valuation Sensitivity

	-10%	***-5%***	***Base****	***+5%***	***+10%***
	43.9	46.3	48.7	51.2	53.6
4.0x	0.57	0.61	0.64	0.68	0.72
4.5x	0.65	0.70	0.74	0.78	0.82
4.9x	0.72	0.77	0.81	0.86	0.90
5.5x	0.82	0.88	0.93	0.98	1.03
6.0x	0.91	0.97	1.02	1.08	1.13

Source: Company Data, Ord Minnett Research
**FY23e/24e Time-weighted EBITDA*

Table 5: Big River Peer Multiple Valuation Sensitivity

	-10%	***-5%***	***Base****	***+5%***	***+10%***
	47.1	49.7	*52.4*	55.0	57.6
4.0x	2.00	2.13	2.26	2.39	2.51
4.5x	2.29	2.43	2.58	2.72	2.86
4.9x	2.50	2.66	2.81	2.97	3.12
5.5x	2.86	3.04	3.21	3.39	3.56
6.0x	3.15	3.34	3.53	3.72	3.91

Source: Company Data, Ord Minnett Research
**FY23e/24e Time-weighted EBITDA*

Company Overviews

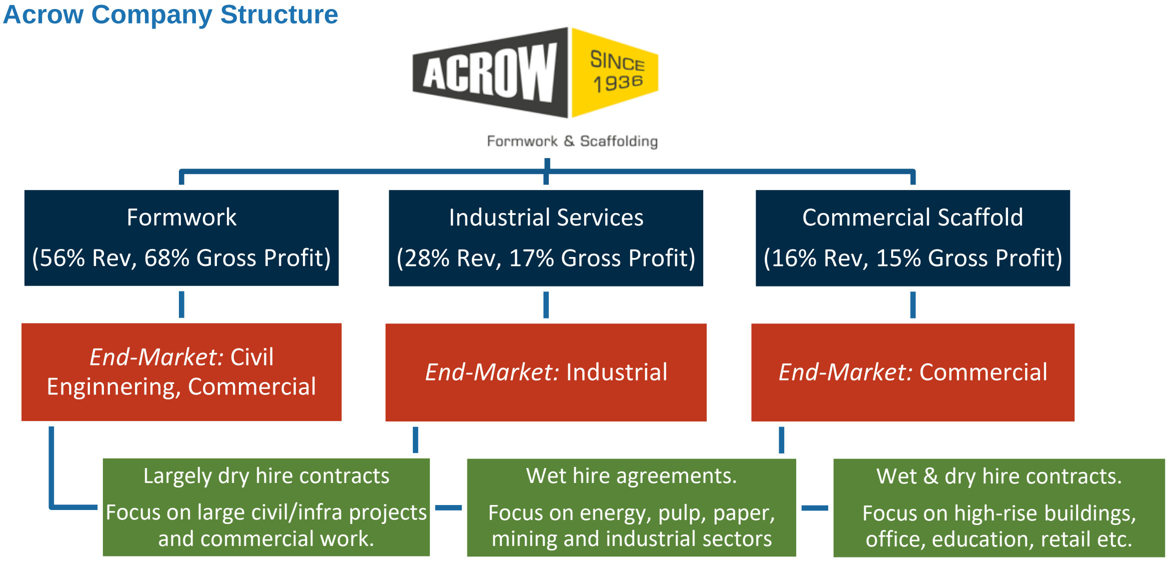
Both Acrow ('ACF') and Big River ('BRI') have grown substantially in recent years, easily outpacing underlying industry growth and becoming major players in each of their respective market segments. BRI has achieved strong organic growth, supported by a consistent strategic acquisition strategy. ACF has been predominantly driven by organic growth, supported by increased Formwork market share and expansion into Industrial Services. In addition, both businesses have undergone significant strategic pivots over the past 4-5 years – resulting in an exit from the manufacturing or distribution of commoditised and low margin products. As a result, we believe both are now poised to maintain above market levels of growth.

Acrow

Acrow has a long history dating back to 1936, when the brand was established in the UK. The Australian entity was incorporated in 1950. More recently, Acrow was owned by Boral (BLD.ASX – *Not Covered*) and formed part of its 'Formwork and Scaffolding' business. In 2010, Boral sold this business to Anchorage Capital for A$35m after deeming it be a non-core asset. At the time it generated revenue of $69m and an EBIT loss of ~$4m. Under the ownership of Anchorage, the business was rebranded 'Acrow Formwork and Scaffolding.' In 2018, Acrow listed on the ASX with Anchorage selling its interest in the business.

ACF's business has transformed since the time of its listing, from both structural and operational perspectives. The business now comprises of three distinct business units, which are Formwork, Industrial Services and Commercial Scaffold. Formwork is the key driver of earnings, accounting for 68% of FY23e Gross Profit. Industrial Services is a nascent segment, gained through ACF's acquisition of Uni-Span in 2019 and has achieved strong organic growth over the past three years. As the segment gains scale, we expect the revenue and earnings profile to exhibit far less cyclicality relative to other Building Materials/Products related businesses, due to the longer-term nature of the contracts (typically 3-5 year contracts). Lastly, given the more commoditised nature of the Commercial Scaffold industry, Acrow has progressively reduced its exposure via exiting contracts with low profitability within the segment.

Figure 2: Acrow Company Structure



Source: Company Data, Ord Minnett Research & Estimates

Big River

Big River's history dates back over 100 years. The operating company was created in 1920 by the Pidcock family and has since established itself as a major manufacturer and distributor of timber products in Australia. In 2016, two private equity firms (Anacacia Capital and Pantheon Entities) acquired a controlling stake in the company. In 2017, Big River listed on the ASX with both Private Equity firms retaining substantial holdings in the company equating to 18m shares each. Since the IPO, both Anacacia Capital and Pantheon have reduced their stakes, which stand at ~14.5m shares (17.5%) and ~11.9m shares (14.4%), respectively.

Today, Big River focuses on the manufacturing of timber veneer, plywood and formply, and the distribution of building supplies. In FY22, it completed a strategic realignment of its operating divisions. The business is now comprised of two business units (Panels & Construction Products), which contain three separate divisions (Panels, Building Trade Centres and Formwork & Commercial).

Figure 3: Big River Company Structure

Strategic Business Unit	Panels	Construction Products	
Division	Panels	Building Trade Centres	Formwork & Commercial
Focus	**Decorative and technical panel solutions for the trade** Architectural / Decorative Commercial Fitout Transport Manufacturers Bridge Systems	**Building Products / Residential** General building Renovations Fitout Frame & Truss Local trade supplier	**Large Construction** Concrete placement Site Works Heavy Construction Bulk Products Distribution Centres
Market Segments	Residential Housing Alterations & Additions Commercial OEM	Residential Housing Medium Density Alterations & Additions	Commercial Multi Residential Specialist Building Civil / Infrastructure
Customers	Cabinet Makers Fitout trades Architects/designers Manufacturers & OEM Kitchen and Joinery businesses	Home builders Carpenters Renovators Medium density builders Fitout trades (Flooring, plasters etc)	Formworkers Civil companies Concreters Site contractors Large structural builders
Current sites	8 Sites 3 Panels Manufacturing plants	11 Sites 3 Frame & Truss manufacturing plants 1 x engineered flooring line	4 Sites 2 steel lines 1 x plywood manufacturing plant
FY23e:	**29% Rev, 40% EBITDA**	**43% Rev, 36% EBITDA**	**28% Rev, 24% EBITDA**

Source: Company Data, Ord Minnett Research and estimates

End Market & Geographical Exposure

End Market Exposure

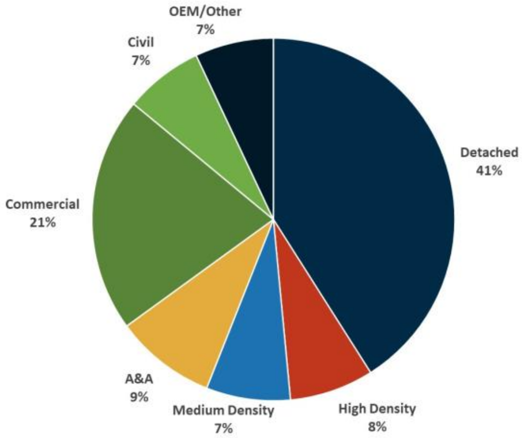
Despite having some overlap, both Acrow and Big River largely focus on differing end market exposures. Acrow is more highly leveraged to Engineering/Civil infrastructure, whilst Big River has a greater skew towards Detached Housing and Commercial construction (*see Table 6*).

Table 6: Big River and Acrow End Market Exposure

	Detached Housing	Multi-Fam	Civil	Commercial	Industrial	A&A	OEM/Other
Big River	41%	15%	7%	21%		9%	7%
Acrow			60%	15%	25%		

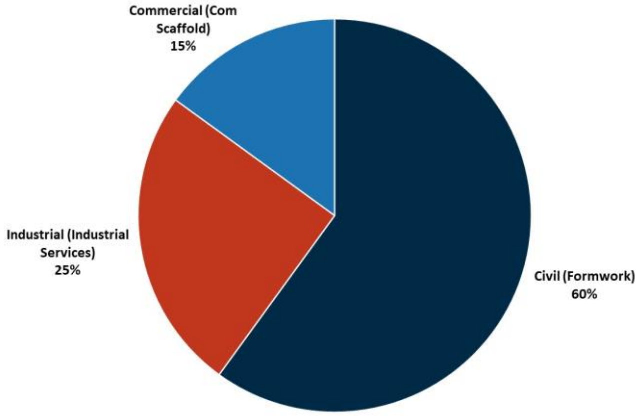
Source: Company Data, Ord Minnett Research

Figure 4: BRI FY22A Revenue End Market Exposure



Source: Company data, Ord Minnett Research

Figure 5: ACF FY22A Revenue End Market Exposure

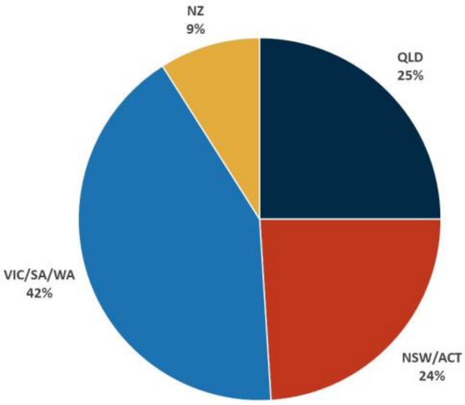


Source: Company data, Ord Minnett Research

Geographical Exposure

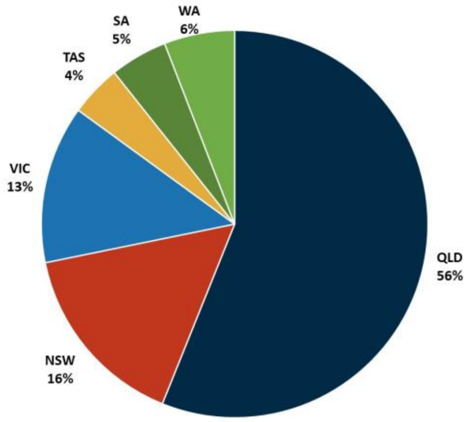
From a geographical standpoint, both ACF and BRI are heavily weighted towards the Australian East Coast. Queensland remains an important State for both and may present a lucrative opportunity in the lead up to the 2032 Brisbane Olympics.

Figure 6: BRI Geographical Exposure (based on FY21A Rev)



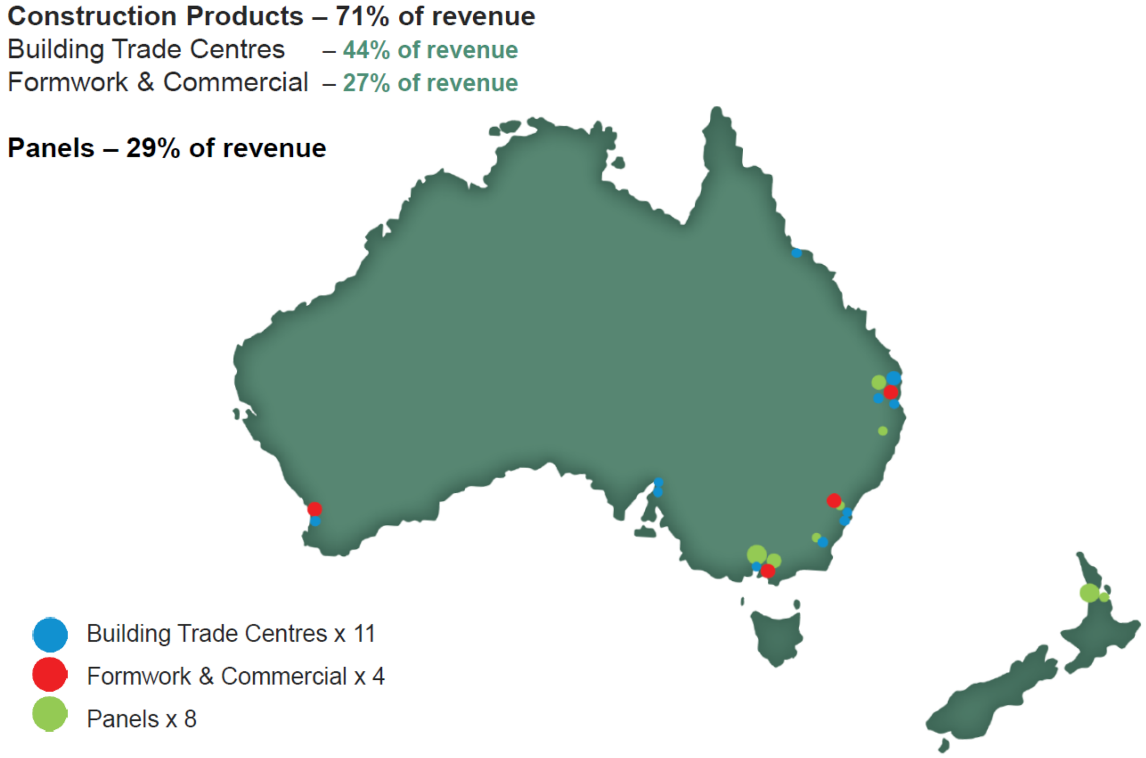
Source: Company data, Ord Minnett Research

Figure 7: ACF Geographical Exposure (based on FY22A Rev)



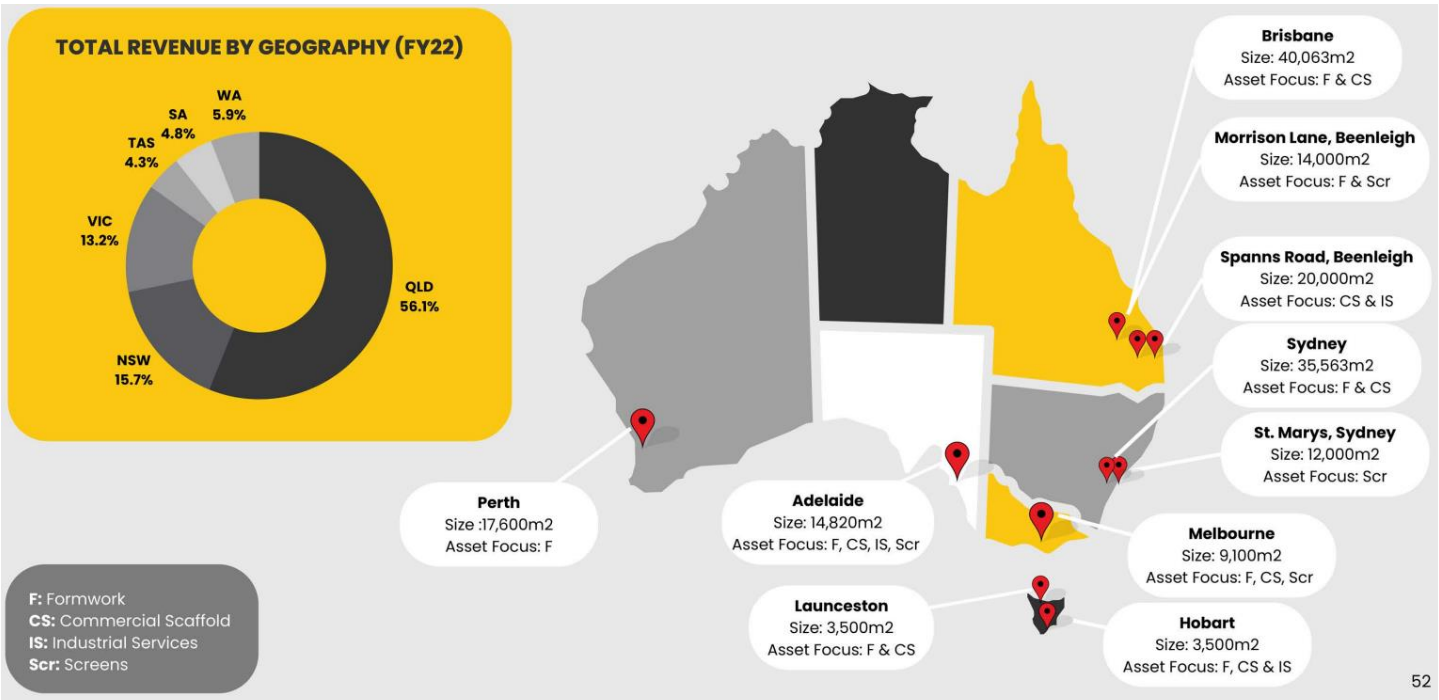
Source: Company Data, Ord Minnett Research

Figure 8: Big River Operational Footprint



Source: Company Data

Figure 9: Acrow Operational Footprint



Source: Company Data

Plenty of Room to Grow

BRI and ACF have displayed impressive growth over the past three years, achieving ~24% and ~28% revenue CAGR between FY19-22. BRI's growth has been supported by a combination of organic growth (~13% CAGR) and inorganic growth (~10% CAGR). We estimate ACF's organic and inorganic CAGR over the same period was ~17% and ~11%, respectively, buoyed by the acquisition of Uni-Span and subsequent entry into Industrial Services.

Maintaining Market Share Momentum

Both companies have made significant structural changes to their businesses over the past few years, with the benefits becoming particularly evident in FY21 and FY22. **The organic volume growth generated by both companies has materially outperformed our estimated underlying market volume growth (based on price-deflated ABS data and the end market exposure of each company). In our view, this implies both have been able to consistently win market share** (*see Table 7 & Table 8*).

Table 7: ACF Performance vs Weighted. Av. Real Volume Growth of Underlying Market

Acrow	FY19	FY20	FY21	FY22
Weighted Av. Market Real Volume Growth	-11.1%	0.4%	-2.3%	-0.4%
Acrow Organic Volume Growth	-1.0%	-8.3%	11.2%	40.3%
Volume Performance vs Underlying Market	**10.1%**	**-8.7%**	**13.4%**	**40.7%**

Source: Company Data, ABS, Ord Minnett Research

Table 8: BRI Performance vs Weighted. Av. Real Volume Growth of Underlying Market

Big River	FY19	FY20	FY21	FY22
Weighted Av. Market Real Volume Growth	-1.9%	-2.8%	3.8%	4.1%
Big River Organic Volume Growth	-1.2%	-1.8%	4.6%	8.0%
Volume Performance vs Underlying Market	**1.0%**	**0.9%**	**0.8%**	**3.9%**

Source: Company Data, ABS, Ord Minnett Research

Significant Runway of Growth Lies Ahead

In our view, both companies have a large runway of growth, which is best depicted through their addressable market opportunities. **Big River has been able to achieve market share growth by maintaining consistent supply of key materials and utilising cross-selling opportunities in acquired businesses. In Acrow's case, it has achieved its strongest organic growth via its push into the Industrial Services segment and continued product development in its key Formwork division.** We expect these trends to remain; allowing both companies to continue taking incremental market share despite macroeconomic headwinds.

Table 9: ACF & BRI Key Market Sizes and Opportunities

	Estimated Market Size	Big River				Acrow			
		FY22 Rev	Implied Market Share	Market Share Target	Implied Rev. Opportunity	FY22 Rev	Implied Market Share	Market Share Target	Implied Rev. Opportunity
Panels	$2bn	117.1	5.9%	10.0%	82.9				
Building Trade Centres	$15bn	180.1	1.2%	2.5%	194.9				
Formwork	$2bn	112.1	5.6%	8.0%	47.9	78.8	3.9%	6.5%	51.2
Industrial Services*	$375m					45.6	12.2%	20.0%	29.4
Scaffold	$3-4bn					23.9	0.7%	1.0%	11.1

Source: Company Data, Ord Minnett Research, Downer EDI, IBISWorld
**Assumed market size relating to sub-contractors within 'Outsourced Maintenance within Power Generation & Heavy Manufacturing'*

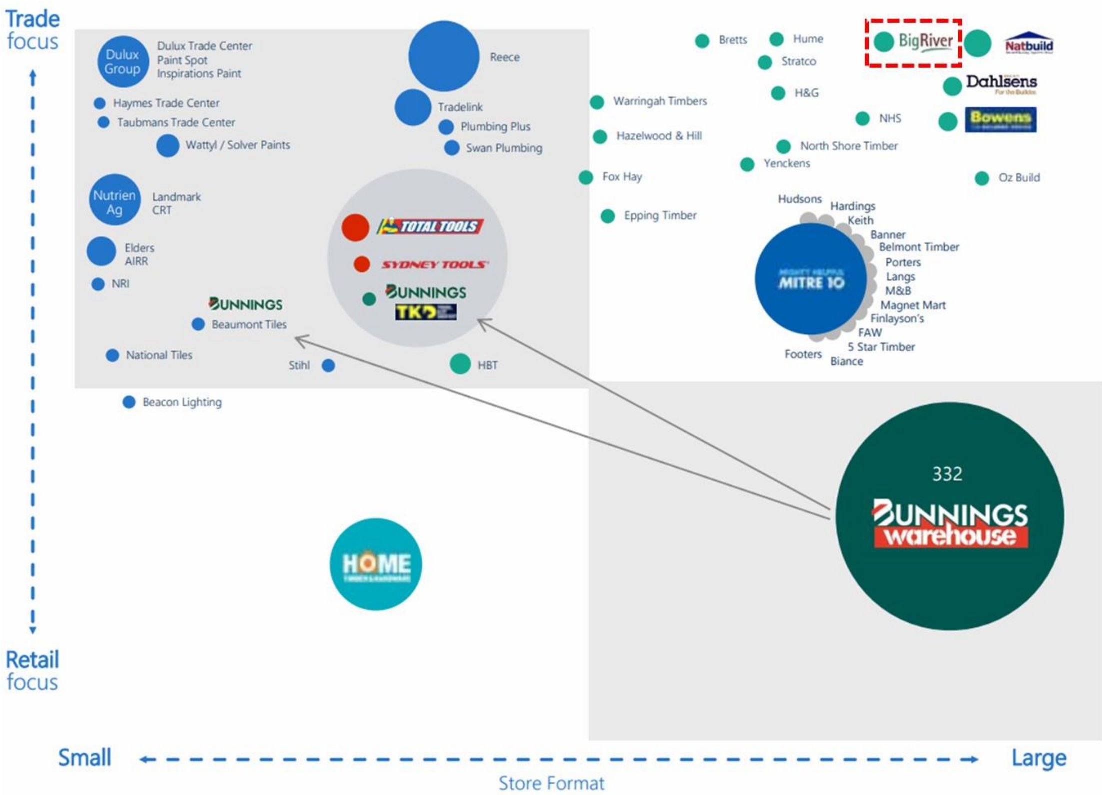
Building Trade Centres: Large & Fragmented Market

- ***Total Addressable Market Size:*** *$15bn (trade distribution only, not retail)*
- ***Key Competitors:*** *Bunnings Trade (owned by Wesfarmers, WES.ASX – Not Covered), Metcash Hardware (owned by Metcash, MTS.ASX – Not Covered, OMLe ~13% market share), Bowens*

Within the Trade distribution market, Bunnings Trade (separate to its 'Big-box' style retail hardware stores) and Metcash Hardware (which operate under various banners) are the dominant players. Outside these large players, **the market remains highly fragmented. BRI estimates that there are ~700+ privately-owned operators.** BRI has been particularly acquisitive within its Building Trades Centres division. We expect this to continue, with smaller independent operators to remain the focus of its M&A strategy in the space.

In total, BRI estimates the total addressable market (excluding retail distribution) is ~A$15bn. On this basis, we assume BRI currently has 1-1.5% market share. **Over the medium-term, we believe BRI could increase its market share via a combination of organic and inorganic growth to 2-3%, which would imply an additional ~A$120m-$270m revenue opportunity.**

Figure 10: AUS Hardware Distribution Market Structure



Source: Metcash, Ord Minnett Research

Panels: Lucrative Growth Opportunity

- ***Total Addressable Market Size:*** *$2bn*
- ***Key Competitors:*** *Laminex (owned by Fletcher Building, FBU.ASX – Not Covered), Borg*

BRI is a manufacturer and importer of timber panel products. The Group's Panel segment has grown exponentially over the past three years, supported by a number of acquisitions. The most significant acquisitions were PlyTech & Decortech (NZ-based businesses) in FY19 and Timberwood in FY21. In FY22, BRI's Panels division generated revenue of ~A$117m and EBITDA totalling A$21.4m. This implies an EBITDA margin of 18.3%, **making it the most profitable segment for the group** (in terms of margins, given both Building Trade Centres and Formwork & Commercial had FY22 EBITDA margins of ~11%).

BRI estimates the total addressable market in Australia for Plywood and Panels is ~$2bn. Based on the FY22 results of the Panels segment, we assume BRI currently has ~6% market share. We note that **research from IBISWorld predicts revenue for the Timber Wholesaling industry in Australia to grow at 2.3% CAGR between FY23-28.** Over the same period, we forecast revenue for BRI's Panels division will grow at 5.6% CAGR, implying further market share growth**. Over the medium-term, we believe BRI could attain 10% market share, through a combination of organic and inorganic opportunities. This would represent an $80m+ opportunity for BRI (+70% growth vs FY22).**

Figure 11: AUS Plywood & Panels Market

Source: Company Data

Formwork: Product Driven Market Growth

- ***Total Addressable Market Size:*** *$2bn, however we note the total addressable market is heavily dependent upon the product offering.*
- ***Key Competitors:*** *Doka, PERI, Stramit (owned by Fletcher Building, FBU.ASX – Not Covered), BKH Group*

Both Acrow and Big River are leading players within the domestic Formwork industry. Formwork refers to temporary moulds used to support concrete structures during the construction process. Industry players typically also offer Falsework, which refers to temporary structures used to support permanent structures until they are able to sufficiently support themselves and other systems to support small and large construction equipment (*see examples in Figure 12 & Figure 13*).

Figure 12: BRI Formwork – LVL

Source: Company data

Figure 13: AcrowForm System (from Eastlink, Perth)

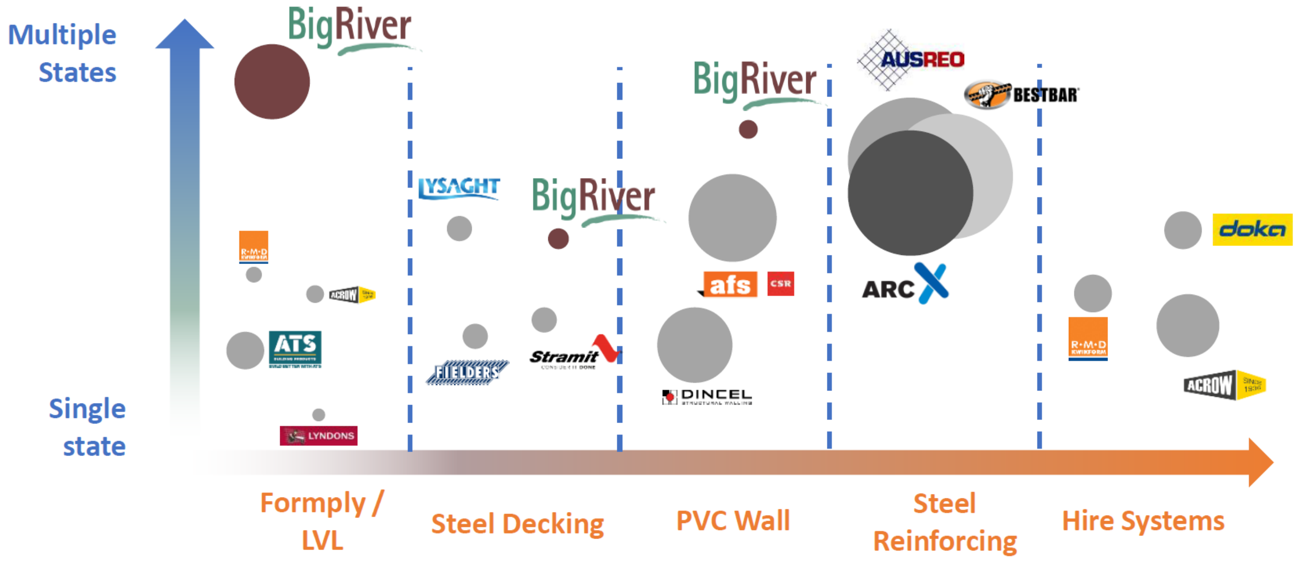
Source: Company data

ACF primarily focuses upon Hire Systems, whilst BRI has exposure across Formply/LVL (Laminated Veneer Lumber), Steel Decking & PVC Walls. BRI estimates the total addressable market size is $2bn (*see Figure 14*). Based on FY22 results, this would imply BRI and ACF have Formwork market shares of 5.5%-6% and 3.5%-4%, respectively. **In saying this, we note the total addressable market for each is heavily dependent upon its product offering.**

Historically, BRI has relied solely on organic growth within the Formwork & Commercial segment. We continue to expect BRI to take incremental market share, based on the proven reliability of its supply chain and strong national reputation. On that basis, **we believe BRI could increase its market share to ~8% over the medium-term, representing a $45m-$50m revenue opportunity, or ~40-45% growth vs FY22**.

ACF's growth in the past few years has been largely organic. In saying this, ACF has added a number of products to its suite, assisting in an acceleration of its growth. Prior to the addition to 'Jump Form' late in FY22**, we estimate ACF's total addressable market based upon its product offering was ~$250-$260m, of which it had ~30% market share.** In Aug-22, ACF announced that it had entered into an exclusive 10yr licensing agreement to market Jump Form systems via a New Zealand-based vendor ('Jacking Systems') in the Australian market. Whilst ACF is initially targeting $20m annualised revenue within a 30-month period**, it believes the longer-term opportunity could be in the vicinity of $100m-$120m**. Over the medium-term, **we believe ACF could achieve 40% market share in hire systems (from 30%) and a 20% share of the Jump Form market. If successful, this would create a $50m+ revenue opportunity**. In this context, we continue to expect ACF to achieve strong organic growth within its Formwork division, driven by product development and expansion into adjacent verticals.

Figure 14: AUS Formwork Market



Source: Company Data

Industrial Services: A New Frontier

- ***Total Addressable Market Size:*** *$9bn, of which we estimate $375m is currently relevant to ACF (being sub-contracting within the Power Generation & Heavy Manufacturing sectors)*
- ***Key Competitors:*** *WEICO, SRG Global (SRG.ASX – Not Covered), Calendonia Group*

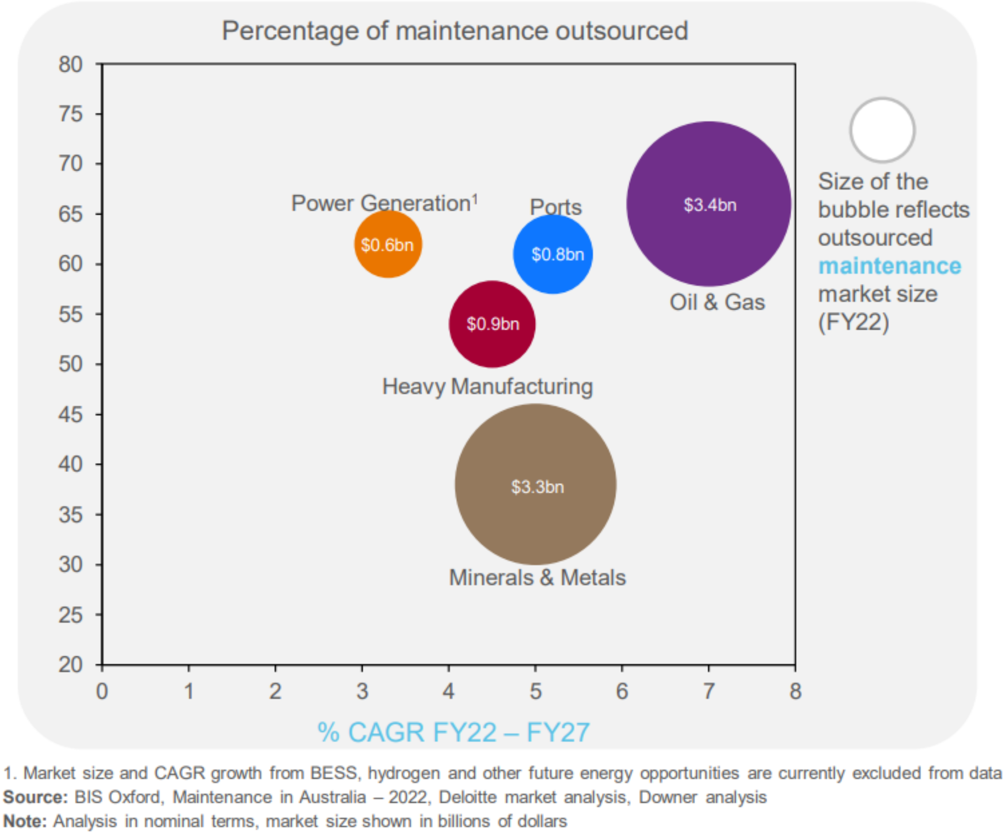
Acrow entered the Industrial Services market in Oct-19 through its acquisition of Uni-span, which had a relatively small exposure to the segment at the time. In FY20, ACF reported revenue of $10.2m within its Industrial Services division. Since then, the division has grown exponentially – recording revenue of $45.6m in FY22. This growth has been purely organic, highlighted by recent major contract wins with clients such as Origin Energy, Visy and Snowy Hydro.

ACF largely acts a subcontractor to Tier 1 contractors (e.g. the likes of Monadelphous [MND.ASX – *Not Covered*], Downer [DOW.ASX – *Not Covered*]). **We estimate the total addressable market for sub-contractors equates to ~25% of the broader Industrial Services market.** ACF has primarily focused upon industrial shutdown services within the Energy and Heavy Manufacturing sectors. Research suggests that the market for 'Outsourced Maintenance' within these sectors totals $1.5bn. **Based upon this figure, we estimate the total addressable market for subcontractors within these segments equates to**

~$375m, with ACF currently having ~12% market share. We believe this figure could rise to 20% in the medium-term, which would create a ~$30m opportunity.

ACF has indicated a desire to enter the mining and oil & gas sectors in coming periods, which would significantly increase its addressable market *(see Figure 15)*.

Figure 15: AUS Outsourced Maintenance Market



Source: Downer EDI, BIS Oxford, Deloitte

Commercial Scaffold: Care & Maintenance Mode

- ***Total Addressable Market Size:*** *$3-4bn*
- ***Key Competitors:*** *PERI, BKH Group, WEICO, Layher*

ACF has progressively reduced its exposure to the Commercial Scaffold market, given its commoditised nature. In FY15, Commercial Scaffold accounted for 61% of group revenue. In FY22, this figure had fallen to 16%. ACF has clearly stated that "*…it will not focus on growing business in this market segment*"[1] – but rather will aim to maintain its current revenue and earnings base, whilst remaining opportunistic in regard to new projects. Consequently, we do not expect major market share gains. We estimate ACF's current share of the domestic scaffold market is ~0.7% and may rise marginally over the medium to longer-term.

[1] Source: ACF FY21 Annual Report

Divergent Construction Trends

Similar to central banks around the world, the RBA has embarked on an aggressive interest rate hiking cycle in a bid to tame inflation. The pace of rate hikes is the quickest seen since the 1990's and has already caused divergent trends to emerge in leading indicators within the construction industry. This has been further compounded by adverse weather conditions and supply chain issues, both of which have resulted in delays and an inflated backlog. Based upon industry forecasts, **we expect leading indicators in detached housing and A&A to experience the largest declines, as both normalise back towards pre-covid levels. Despite this, we assume volumes remain above historical averages, as the industry continues to work through the significant pipeline of work.** We expect weakness in detached housing and A&A to be partially offset by relative strength in both civil infrastructure and non-residential construction.

Table 10: Summary of Macroeconomic Forecasts

		FY21	FY22	FY23e	FY24e
Detached					
Starts/Commencements					
Volume	no.	140,448	132,433	118,558	113,207
...Change (YoY)	*%*	*37.4%*	*-5.7%*	*-10.5%*	*-4.5%*
High Density					
Starts/Commencements					
Volume	no.	38,188	37,995	37,547	37,192
...Change (YoY)	*%*	*-0.8%*	*-0.5%*	*-1.2%*	*-0.9%*
Medium Density					
Starts/Commencements					
Volume	no.	33,539	37,073	34,306	34,436
...Change (YoY)	*%*	*6.6%*	*10.5%*	*-7.5%*	*0.4%*
A&A					
Starts/Commencements					
Volume	no.	10,721	10,310	9,352	8,874
...Change (YoY)	*%*	*29.8%*	*-3.8%*	*-9.3%*	*-5.1%*
Civil/Engineering Infrastrcture					
Value of Work Done					
Value	A$bn	94	97	107	113
...Change (YoY)	*%*	*-19.9%*	*2.7%*	*10.6%*	*5.3%*
Commercial					
Value of Commencements					
Value	no.	19,597	18,489	18,160	18,334
...Change (YoY)	*%*	*0.3%*	*-5.7%*	*-1.8%*	*1.0%*
Industrial					
Value of Commencements					
Value	A$bn	8,008	10,647	11,171	10,424
...Change (YoY)	*%*	*-1.1%*	*33.0%*	*4.9%*	*-6.7%*

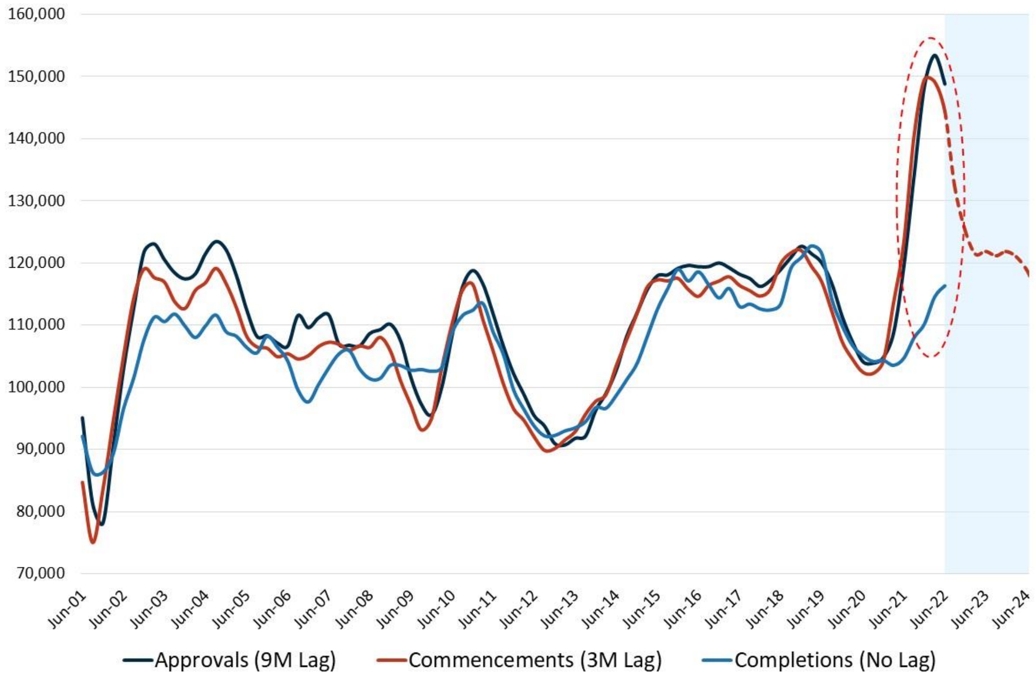
Source: ABS, BIS Oxford Economics, HIA, Ord Minnett Research

Detached Housing: Falling Leading Indicators to be Partially Offset by Strong Pipeline

Detached Housing: The detached housing market rose substantially throughout the course of the pandemic, boosted by the Australian Government Homebuilder program and record low mortgage rates. However, we expect the sharp rise in interest rates to have the greatest impact upon detached housing lead indicators on a relative basis. Our forecasts assume detached housing commencements fall from ~132k (MAT as at Jun-22) to ~113k (MAT) by the end of FY24. We note that over the past 20 years, housing commencements have averaged ~109k (MAT).

We note that supply chain issues, labour constraints and inclement weather has created a **significant dislocation between housing approvals (on a 9-month lag), commencements (on a 3-month lag) and completions (no lag** - *see Figure 16***)**. As a result, we expect activity levels to remain elevated, as the industry continues to work through the significant backlog of work. **We expect the backlog to support volumes into FY24, partially offsetting the impact of falling lead indicators.**

Figure 16: Detached Housing (MAT) – Approvals (9M Lag), Commencements (3M lag & Forecast) & Completions

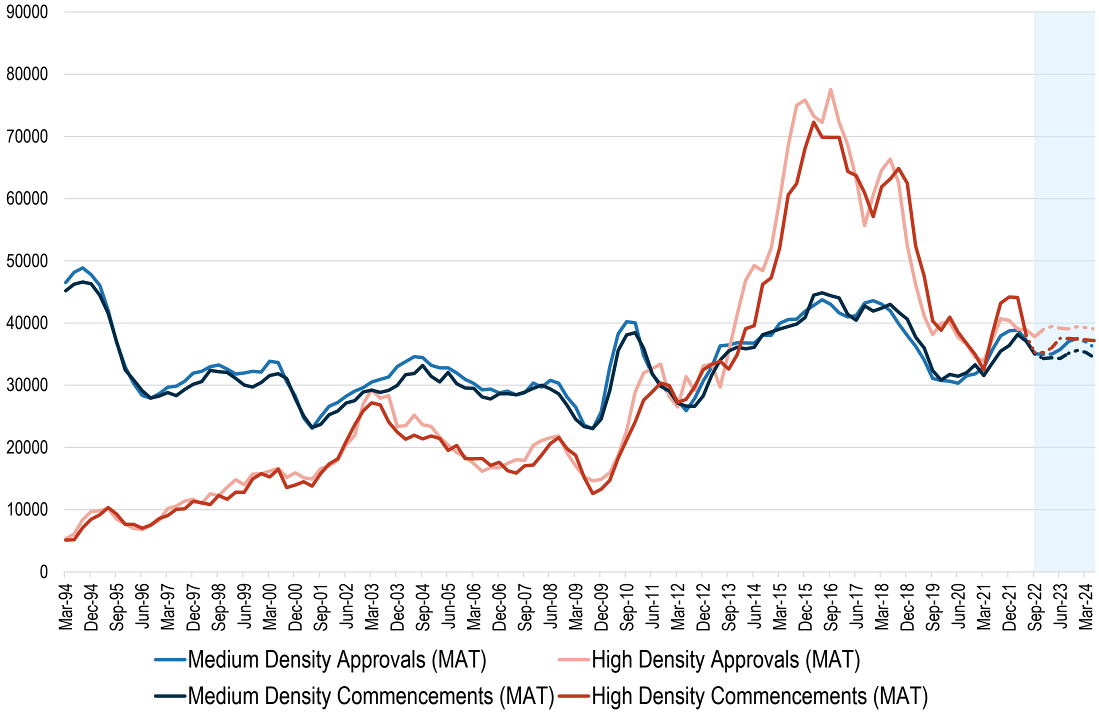


Source: ABS, Ord Minnett Research, BIS Oxford Economics, HIA

Multi-Family: Playing catch-up, driven by migration and the rental market

Multi-Family Residential construction: Medium and high-density residential (i.e. multi-family) construction has lagged both detached and A&A activity over the past few years. Whilst the sector certainly isn't immune to the impact of interest rates, we expect both medium and high-density housing to outperform detached housing over the next three years. We believe this will be primarily driven by a recovery in overseas migration and a strong rental market.

Figure 17: Medium & High-Density Approvals and Commencements (MAT)

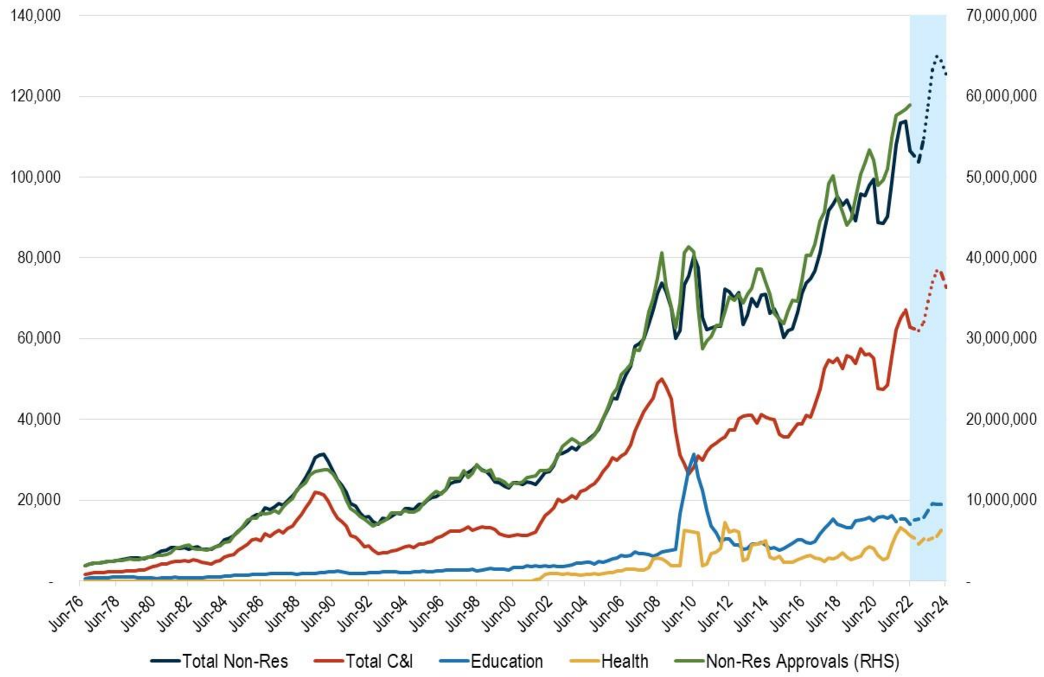


Source: ABS, Ord Minnett Research, BIS Oxford Economics

Non-Residential: Pushing higher

Non-Residential Construction: Non-residential construction has remained strong throughout the pandemic. We expect this trend to remain, driven by strength in the Industrial segments (factories, warehouses) and a recovery in sectors heavily hit by the pandemic (retail, education). This is expected to be partially offset by office activity, which continues to be impacted by trends emerging from the pandemic (*see Figure 18*).

Figure 18: Non-Res Commencements (LHS, A$m, MAT), Non-Res Approvals (RHS, A$m, MAT)



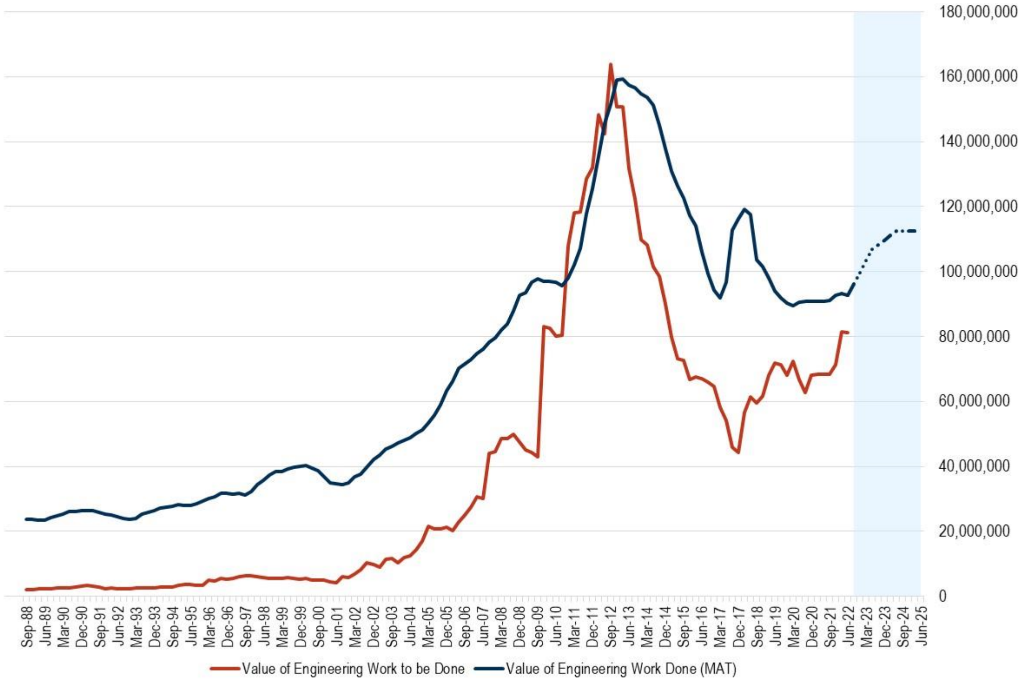
Source: ABS, Ord Minnett Research, BIS Oxford Economics Forecasts

Civil/Engineering: Continued Strength, with the Brisbane Olympics representing a lucrative long-term opportunity

Civil/Engineering Construction: We expect engineering construction to grow at a 5% CAGR over the next three years. Our view is underpinned by a large increase in forecasted infrastructure spend[2] and an inflated pipeline stemming from weather disruptions and supply chain issues.

Over the longer-term, we note that the **Brisbane 2032 Olympics presents a lucrative opportunity for the construction industry**. Reports suggest the initial budget for the Olympics was set at $4.5bn+. However, this excluded transport related infrastructure spend. Interestingly, research from Oxford University found host cities from the last eight Summer Olympics spent on average three times their original budget[3]. **Queensland is a significant state for both Acrow and Big River, representing 56% and 29% of FY22 revenue**, **respectively**. In this context, both firms are well-placed to take advantage of the significant increase in projected investment.

Figure 19: Engineering Construction – Value of Work Done and Yet to be Done ($'000, MAT)



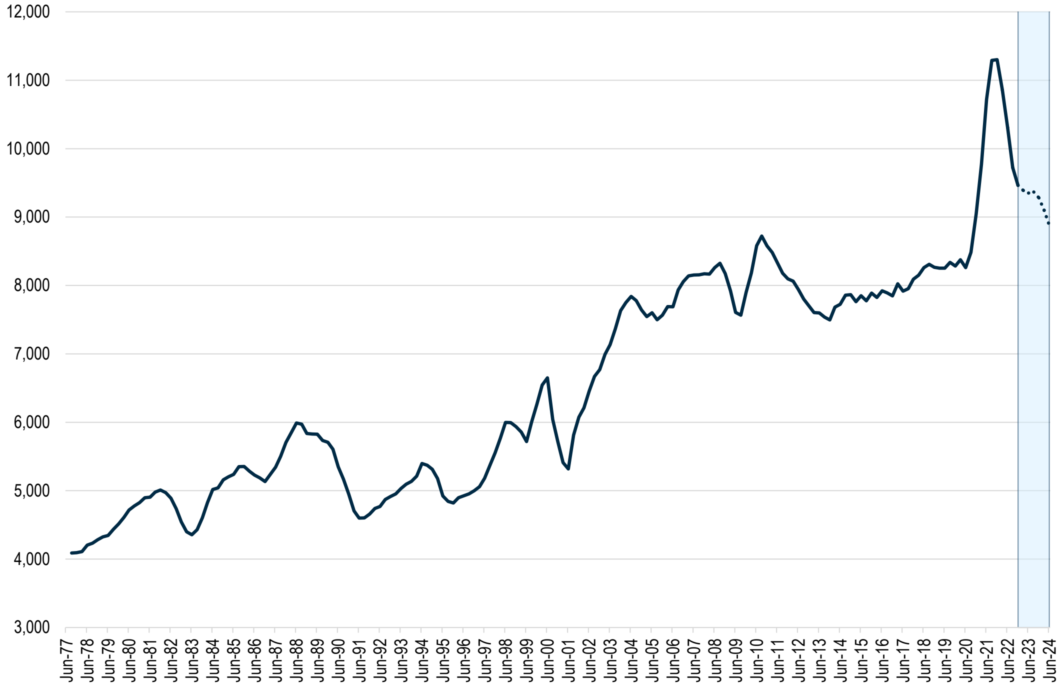
Source: ABS, BIS Oxford Economics, Deloitte Access Economics, Fletcher Building, Ord Minnett Research & Forecasts

Alteration & Additions: Reversion to pre-pandemic levels

Alterations & Additions ('A&A'): The total value of A&A work approved rose sharply post the onset of the pandemic, benefitting from the surge in home improvement activity and the Government renovation grant. At its peak, A&A activity rose +46% vs pre-pandemic levels. Whilst it has historically been resilient relative to other construction sectors, we expect cost inflationary pressures and project delays to weigh upon activity. Despite this, lower housing turnover and solid underlying demand should partially offset these factors. As a result, we assume A&A activity will experience a mean reversion, but remain above long-run trends (*see Figure 20*).

[2] Source: Macromonitor, Acrow
[3] TPM Builders

Figure 20: Alterations & Additions, Value of Approvals (MAT)*



Source: ABS, BIS Oxford Economics, Ord Minnett Research
**BIS Oxford Economics Forecasts*

Acrow – Keeping the Momentum

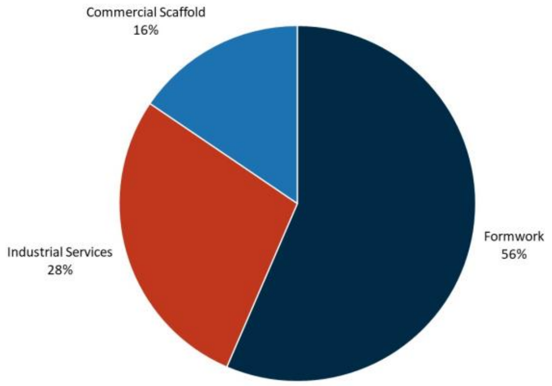
After being spun out of Boral's ownership in 2010, ACF's business has changed significantly. It has reduced its exposure to the highly commoditised scaffold segment, whilst increasing its focus upon the Formwork market. In addition, it has entered the Industrial Services segment via its acquisition of Uni-span; providing a less cyclical earnings stream. Looking forward, we expect Formwork and Industrial Services to remain the key growth drivers, given the significant product expansion market share and opportunities.

Post the withdrawal of guidance at the start of the pandemic due to heightened uncertainty, ACF has upgraded its guidance on 10 separate occasions. We firmly believe ACF remains in an upgrade cycle, buoyed by strength in civil infrastructure and continued growth in its burgeoning Industrial Services business.

ACF operates three distinct business units, which are (1) Formwork, (2) Industrial Services and (3) Commercial Scaffold. In our view, both Formwork and Commercial Scaffold are more exposed to economic cycles, whilst Industrial Services provides more stable, through-the-cycle earnings.

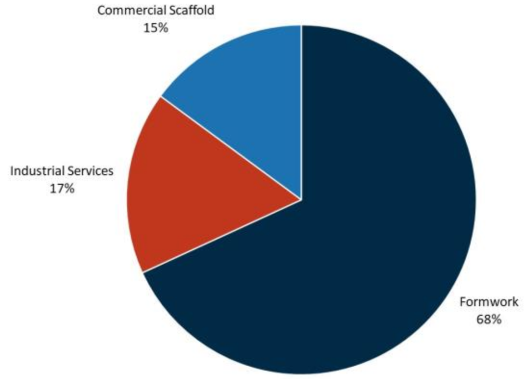
- **Formwork:** Focuses on formwork equipment, which act as the temporary moulds to support concrete structures during construction. In addition, ACF also provides Falsework, which support horizontal structures during construction. The company typically provides dry hire (i.e. equipment only, no labour) for this equipment, but also sells the equipment directly to customers in some instances.
- **Industrial Services:** Nascent segment for Acrow, which provides full turnkey solutions. Revenue and earnings are typically generated from wet hire contracts (i.e. equipment and labour), however also include the sale of consumables directly to customers. To-date, ACF's Industrial Services division has focused upon industrial shutdown services within the Energy and Heavy Manufacturing sectors. The company has ambitions to expand into the mining and mineral processing segments, which would significantly increase the total addressable market.
- **Commercial Scaffold:** Provides both scaffold and screen systems for the construction industry via both wet and dry hire contracts. These solutions are typically focused on the commercial construction segment, but can also include civil infrastructure and high rise developments; amongst other types of projects.

Figure 21: ACF FY23e Revenue Split



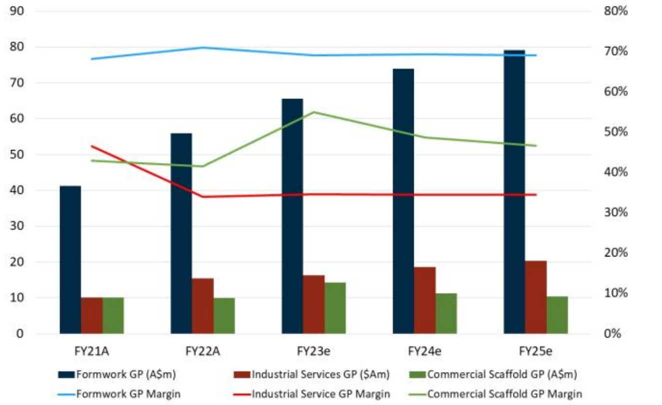
Source: Company data, Ord Minnett Research

Figure 22: ACF FY23e Gross Profit Split



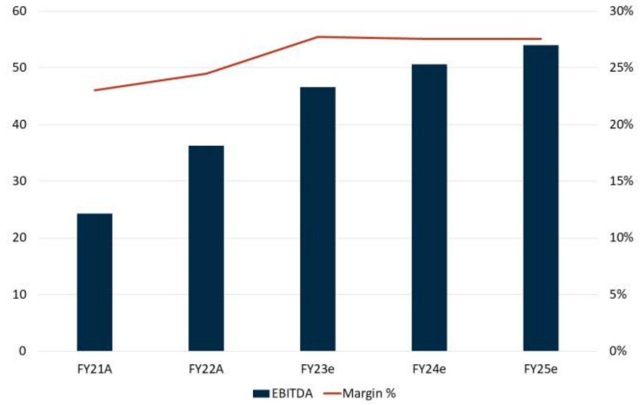
Source: Company data, Ord Minnett Research

Figure 23: ACF FY21A-25e Gross Profit by Segment



Source: Company data, Ord Minnett Research

Figure 24: ACF FY21A-25e EBITDA (A$m)



Source: Company data, Ord Minnett Research

Key Financial Forecasts

Acrow has achieved strong financial growth in recent years. Since 2019, Sales and EBITDA have grown by 28% and 46% CAGR, respectively. Post the withdrawal of guidance at the start of the pandemic due to heightened uncertainty, Acrow has upgraded its guidance on 10 separate occasions. In our view, this highlights that Acrow remains in the midst of a strong period of growth.

This trend has continued into FY23, with Acrow increasing its guidance in Oct-22. In FY23e, we expect a greater weighting towards higher margin earnings streams. In this context, we sit slightly above the top-end of earnings guidance, despite our Sales forecast being towards the bottom-end of revenue guidance (*see Table 11*).

Table 11: Acrow FY23e Guidance

		Guidance	OMLe
Sales	A$m	165 - 175	168.1
EBITDA	A$m	45.5 - 46.5	46.6
NPAT	A$m	23.0 - 24.0	24.3
EPS	c	9.0 - 9.4	9.4

Source: Company Data, Ord Minnett Research

Income Statement

Below we outline our key P&L forecasts for ACF:

- **Formwork:** Acrow's Formwork division is primarily exposed to the domestic civil infrastructure market. We expect robust conditions within civil infrastructure markets over the next three years, which should support activity in the Formwork division. In FY23e, company feedback suggests Formwork Hire is performing particularly strongly, which has a 100% pass-through to gross profit. Following a strong FY22 performance, we expect more moderate growth in Product Sales, which tend to be more lumpy in nature. FY23 will also see Acrow generate its first revenue and earnings from Jump Form. The Group has stated its ambition to generate annualised revenue of $20m within 30 months (i.e. by FY25). Whilst we believe this is readily achievable, we have adopted a more conservative stance, with our forecasts assuming Jump Form reaches $20m in annualised revenue by the end of FY26. We expect additional product development across the segment to support further market share gains – resulting in outperformance relative to the domestic civil infrastructure market.
- **Industrial Services:** ACF's Industrial Services segment has achieved strong organic growth since it was acquired as part of the Uni-span acquisition in FY20. Growth to-date has been purely organic, highlighted by several major contracts wins. These include contracts with Visy, Snowy Hydro, Origin Energy and Incitec Pivot; all of which we expect to support near-term growth. However, given the relatively small size of the division, new contract wins can provide material upside to current estimates. We assume revenue growth of 9% CAGR between FY22A-25e, which we view as conservative relative to the 100%+ growth achieved in both FY21 & FY22. We note profitability margins decreased in FY22 due to a higher proportion of Product Sales (stemming from the Snowy Hydro contract). FY22 gross margins fell to 34% (vs 46.6% in FY21). We have taken a more conservative stance in our forecasts, assuming margins rise marginally from those achieved in FY22 throughout our forecast period.
- **Commercial Scaffold:** As noted earlier, ACF has progressively reduced its exposure to Commercial Scaffold, given its commoditised nature. This has been done via exiting low margin contracts. Looking ahead, we expect the division to be managed in a 'steady state', whilst remaining opportunistic to attractive contracts. Company feedback suggests FY23 could be a prime example of this – with hire rates almost doubling, due to steep rises in the cost of new equipment. As a result, we expect Scaffold Hire revenue to rise sharply in FY23e, before reverting over the course of FY24e and FY25e, with gross margins following a similar trend.

Cash Flow

- **Cash flow conversion:** ACF's cash conversion (CFO/EBITDA) suffered in the past two years, due to a combination of the pandemic, ramp-up in Industrial Services and higher product sales. Prior to the addition of the Industrial Services segment, working capital as a percentage of revenue was 8-9%. As a result of the ramp-up in Industrial Services and Product Sales, this figure rose to 18.7% in FY22A. Looking forward, the company expects it to remain within the range of 18-20%. However, with working capital already within the targeted range, we expect cash conversion to rise (and remain) between ~73-80% throughout our forecast period.
- **Capex:** Similar to working capital, capex has risen substantially in the past two years, largely due to the ramp-up in Industrial Services and continued growth in Formwork. We assume total FY23e capex is similar to FY22 (FY22A $22.4m, OMLe FY23e $22m), before rising to ~$26m p.a. in FY24e-25e, in-line with expected growth in Jump Form and broader activity levels.

Balance Sheet

- **Strong Balance Sheet Position:** ACF maintains a conservative balance sheet position. As at the end of FY22, gearing and Net Debt/EBITDA stood at 28.3% and 1.1x, respectively. We assume further deleveraging in future periods, as profit and cash generation continues to rise. The group stated in its FY22 results that is seeking to maintain a net debt to EBITDA "*…around current levels.*"
- **Headroom – Restricted by size of Debt Facility:** Assuming acquisitions are completed at 4x FY23e EBITDA, we estimate ACF could invest $70m of debt, before reaching 1.5x Net to EBITDA. However, we note that it is restricted by the size of its debt facility. As at the of FY22, the company had ~$13m of debt headroom.

M&A

ACF has completed two acquisitions since its IPO (*see Table 12*). Whilst the company has relied on organic growth over the past few years, we expect it to remain opportunistic in its approach to future acquisitions. **In our view, the company will look to target future acquisitions within Industrial Services, particularly centred upon expanding into the WA and SA markets.**

ACF has remained disciplined in its approach to potential acquisitions. Assuming acquisitions are completed at 4x EV/EBITDA (or lower), we estimate that every $10m of debt invested is 3-4% EPS accretive in FY23e.

Table 12: Acrow Past Acquisitions

Target	Date	Consideration	EV/EBITDA Multiple
Natform	Aug-18	15	4.0x
Uni-span	Oct-19	21.25	4.4x

Source: Company Data, Ord Minnett Research

Valuation

We value ACF using a blended methodology, weighted 50%/50% between a DCF/Peer Multiples approach. **This results in a target price of $0.83.**

- Our DCF is based on a forecast period ending in 2030, terminal growth rate of 2.5% and a WACC of 11.6%. This produces a valuation of $0.85.
- In our peer multiples approach, we use a 4.9x EV/EBITDA multiple. This reflects a -30% discount to both Australian Building Materials & Distributors, as well as both domestic and international contractors. Over time, we expect this discount to decrease, particularly as the less cyclical Industrial Services division gains scale. This methodology produces a valuation of $0.81.

Figure 25: ACF – DCF Summary

DCF BREAKDOWN		KEY ASSUMPTIONS	
Net Present Value of Cash Flows	117	Risk free rate of return	4.0%
Terminal Value of Cash Flows	132	Cost of Equity	13.0%
Enterprise Value	**249**	Cost of Debt	6.4%
Less: Net Debt	28	**WACC**	**11.6%**
Equity Value	**221**		
Shares Outstanding	258.7	**Terminal Growth Rate**	**2.5%**
Equity Value Per Share	**0.85**		

Source: Ord Minnett Research

Figure 26: ACF – Peer Multiple Valuation Summary

	Metric	Multiple/Rate	Implied EV
Group EBITDA	Time-weighted FY23e/24e EBITDA	4.9x	238
Less: Net Debt			28
Equity Value			**210**
Shares Outstanding			258.7
Equity Value Per Share			**0.81**

Peer Multiple Av. Breakdown	EV/EBITDA FY23	EV/EBITDA FY24	Time-weighted Av.	Discount	Discounted Multiple	Segment Weighting	Valuation Multiple
Aus Building Materials & Distributors	7.3x	7.2x	7.2	-30%	5.1x	80%	4.0x
Aus + Int. Contractors & Engineering	6.2x	5.9x	6.0	-30%	4.2x	20%	0.8x
						Total	**4.9x**

Source: Ord Minnett Research, Bloomberg

Figure 27: Acrow – P&L Summary & 1H23e Preview

		FY21A	1H22A	2H22A	FY22A	1H23e	2H23e	FY23e	FY24e	FY25e
PROFIT & LOSS										
Revenue										
Formwork	A$m	60.5	35.1	43.7	78.8	43.0	51.9	94.9	106.6	114.6
Change (yoy)	%		*16.6%*	*43.8%*	*30.3%*	*22.5%*	*18.9%*	*20.5%*	*12.3%*	*7.5%*
Industrial Services	A$m	21.7	21.3	24.3	45.6	21.5	25.6	47.1	54.0	58.9
Change (yoy)	%		*157.9%*	*80.8%*	*110.1%*	*0.8%*	*5.3%*	*3.2%*	*14.6%*	*9.2%*
Commercial Scaffold	A$m	23.6	12.9	11.0	23.9	14.2	11.9	26.0	23.1	22.5
Change (yoy)	%		*7.1%*	*-4.1%*	*1.6%*	*9.8%*	*7.6%*	*8.8%*	*-11.3%*	*-2.7%*
Corporate/Other	A$m	-	-	-	-	-	-	-	-	-
Change (yoy)	%									
Total Sales	**A$m**	**105.7**	**69.3**	**79.0**	**148.3**	**78.6**	**89.4**	**168.1**	**183.7**	**196.0**
Change (yoy)	%		*37.5%*	*42.8%*	*40.3%*	*13.4%*	*13.1%*	*13.3%*	*9.3%*	*6.7%*
Total Cost of Goods Sold	A$m	(44.3)	(31.7)	(35.3)	(67.0)	(33.3)	(38.5)	(71.8)	(79.9)	(86.1)
Gross Profit/Contribution Margin										
Formwork	A$m	41.2	25.0	30.9	55.9	29.8	35.8	65.6	73.9	79.2
...margin	%	*68.1%*	*71.3%*	*70.8%*	*71.0%*	*69.3%*	*68.8%*	*69.1%*	*69.3%*	*69.1%*
Industrial Services	A$m	10.1	7.1	8.4	15.5	7.3	9.0	16.3	18.6	20.3
...margin	%	*46.6%*	*33.3%*	*34.6%*	*34.0%*	*34.0%*	*35.2%*	*34.7%*	*34.5%*	*34.5%*
Commercial Scaffold	A$m	10.1	5.5	4.4	9.9	8.2	6.1	14.3	11.3	10.5
...margin	%	*43.0%*	*42.7%*	*40.0%*	*41.5%*	*58.0%*	*51.5%*	*55.0%*	*48.7%*	*46.6%*
Corporate/Other	A$m									
Gross Profit	**A$m**	**61.4**	**37.6**	**43.7**	**81.4**	**45.3**	**50.9**	**96.2**	**103.8**	**109.9**
Margin	%	*58.1%*	*54.3%*	*55.3%*	*54.8%*	*57.6%*	*56.9%*	*57.2%*	*56.5%*	*56.1%*
			30.2%	*34.5%*	*32.5%*	*20.5%*	*16.3%*	*18.2%*	*7.9%*	*5.9%*
Operating Expenses										
Yard Related Expenses	$Am	11.6	6.8	7.6	14.4	7.5	8.4	15.8	17.2	18.2
...change (YoY)	%		*17.7%*	*29.7%*	*23.7%*	*10.0%*	*10.0%*	*10.0%*	*8.7%*	*5.7%*
Labour	$Am	21.0	11.7	13.5	25.1	12.6	14.5	27.2	28.9	30.3
...change (YoY)	%		*17.9%*	*21.6%*	*19.9%*	*8.0%*	*8.0%*	*8.0%*	*6.5%*	*4.7%*
Other	$Am	4.5	2.5	3.1	5.5	2.9	3.7	6.6	7.1	7.4
...change (YoY)	%		*14.4%*	*31.8%*	*23.4%*	*20.0%*	*20.0%*	*20.0%*	*6.9%*	*5.0%*
Total Operating Expenses	**$Am**	**37.1**	**20.9**	**24.1**	**45.1**	**23.0**	**26.6**	**49.6**	**53.2**	**55.9**
Change (YoY)	%		*17.4%*	*25.3%*	*21.5%*	*10.1%*	*10.2%*	*10.1%*	*7.3%*	*5.1%*
EBITDA										
Total Underlying EBITDA	**A$m**	**24.3**	**16.7**	**19.6**	**36.3**	**22.3**	**24.3**	**46.6**	**50.6**	**54.0**
Margin	%	*23.0%*	*24.1%*	*24.8%*	*24.5%*	*28.4%*	*27.2%*	*27.7%*	*27.5%*	*27.6%*
Depreciation & Amortisation										
Depreciation	$Am	(11.2)	(6.3)	(6.7)	(13.1)	(7.2)	(8.1)	(15.3)	(16.9)	(18.0)
...of which relates to Leases (AASB-16)	$Am	(5.9)	(3.4)	(3.3)	(6.7)	(2.9)	(3.3)	(6.3)	(6.9)	(7.4)
Total D&A	**$Am**	**(11.2)**	**(6.3)**	**(6.7)**	**(13.1)**	**(7.2)**	**(8.1)**	**(15.3)**	**(16.9)**	**(18.0)**
as a % of Rev	%	*10.6%*	*9.2%*	*8.5%*	*8.8%*	*9.1%*	*9.1%*	*9.1%*	*9.2%*	*9.2%*
EBIT	**A$m**	**13.2**	**10.4**	**12.9**	**23.2**	**15.2**	**16.2**	**31.3**	**33.7**	**36.0**
Margin	%	*12.5%*	*15.0%*	*16.3%*	*15.7%*	*19.3%*	*18.1%*	*18.6%*	*18.3%*	*18.4%*
Change (yoy)	%		*80.5%*	*73.3%*	*76.5%*	*46.2%*	*25.5%*	*34.7%*	*7.6%*	*6.8%*
Net Financial Result	**A$m**	**(2.9)**	**(1.6)**	**(1.9)**	**(3.5)**	**(1.8)**	**(1.8)**	**(3.6)**	**(3.6)**	**(3.3)**
Profit Before Tax	**A$m**	**10.2**	**8.8**	**11.0**	**19.8**	**13.4**	**14.3**	**27.7**	**30.1**	**32.7**
Margin	%	*9.7%*	*12.7%*	*13.9%*	*13.3%*	*17.0%*	*16.0%*	*16.5%*	*16.4%*	*16.7%*
Change (yoy)	%		*109.4%*	*82.3%*	*93.5%*	*52.1%*	*30.5%*	*40.1%*	*8.5%*	*8.9%*
Corporate Income Tax	A$m	(1.5)	(0.8)	(1.2)	(2.0)	(1.6)	(1.8)	(3.4)	(4.5)	(6.5)
Effective Operational Tax Rate	%	*14.8%*	*8.9%*	*10.7%*	*9.9%*	*12.0%*	*12.3%*	*12.1%*	*15.0%*	*20.0%*
Net Profit After Tax (Underlying)	A$m	**8.7**	**8.0**	**9.8**	**17.8**	**11.8**	**12.6**	**24.3**	**25.6**	**26.2**
Change (yoy)	%		*118.4%*	*94.3%*	*104.5%*	*47.0%*	*28.3%*	*36.7%*	*5.0%*	*2.5%*
Significant Items/Other	A$m	(2.5)	(0.3)	(0.6)	(1.0)	0.0	0.0	0.0	0.0	0.0
Share-based Payments	A$m	(2.2)	(0.4)	(0.8)	(1.2)	(1.2)	(2.4)	(3.7)	(3.7)	(2.5)
Consolidated Net Profit (Reported)	A$m	**4.0**	**7.4**	**8.3**	**15.7**	**10.6**	**10.1**	**20.7**	**21.9**	**23.7**
Margin	%	*3.7%*	*10.6%*	*10.6%*	*10.6%*	*13.4%*	*11.3%*	*12.3%*	*11.9%*	*12.1%*
Change (yoy)	%		*293.9%*	*298.1%*	*296.1%*	*43.7%*	*21.3%*	*31.8%*	*5.8%*	*8.2%*
Basic Adjusted EPS	**c**	**4.00**	**3.28**	**3.97**	**7.17**	**4.62**	**4.82**	**9.41**	**9.48**	**9.40**
Growth	%		*93.3%*	*71.0%*	*79.0%*	*41.0%*	*21.3%*	*31.3%*	*0.8%*	*-0.9%*

Source: Company data, Ord Minnett Research

Management & Board

Table 13: Acrow Management Team & Board

Name	Position	Tenure	Professional Background
Steven Boland	CEO & Executive Director	2013	Joined Acrow as CEO in 2013. Prior to that, has over 30 years' experience across industries such as waste management and sports management. This includes position as CEO of the Melbourne Rebels Rugby Club and Global Executive Director of Visy Industries. We note that he currently holds ~5.3m shares, equivalent to ~2.0% holding in the group.
Andrew Crowther	Chief Financial Officer	2019	Joined Acrow as CFO in Jul-19. Prior to that, he held several senior positions in companies such as Colonial First State, BT Financial Group, SFG Group and Thorn Group.
Peter Lancken AM	Chairman & Non-Executive Director	2011	Joined Acrow in 2011 He was formerly the MD and Non-Executive Chairman of Kennards Hire – where he managed the business for over 20 years. He was also the Chairman and Non-Executive director of Propertylink Group, prior to its acquisition in Apr-19. We note that he currently holds ~11.6m shares, equivalent to ~4.5% holding in the group.
Melanie Allibon	Non-Executive Director & Chair of Remuneration & Nomination Committee	2021	Joined Acrow in 2021. She has extensive experience across human resources and operating risk, gained through a number of industries including mining, manufacturing and FMCG. This includes executive roles within companies such as Newcrest Mining, Seven Group Holdings, Amcor and Pacific Brands, amongst others.
David Moffat	Non-Executive Director	2019	Joined Acrow in Sep-19. His career spans over 35 years and includes over 29 years at Lipman Group, where he was MD from 2013-2018. He also founded Cornerstone (NSW) Pty Ltd in 2019, which provides strategic business planning and advisory services to subcontractors, head contractors and clients within the construction industry.
Laurie Lefcourt	Non-Executive Director & Chair of Audit and Risk Committee	2021	Joined Acrow in 2021. She has extensive experience across financial, strategic and risk management in industries such as resources, construction and infrastructure. She has previously held executive roles in companies such as Rio Tinto, Queensland Rail and Sinopec Oil and Gas, amongst others.

Source: Company data, Ord Minnett Research

Variable Remuneration Structure

Table 14: Acrow Variable Remuneration Incentive Structure

Type of Incentive	Criteria
Short-term Incentives (‘STI’)	• The Group’s STI’s are stated as being linked to “*…the main drivers of value creation at the group, business unit or individual levels, as may be appropriate to the role and subject to Board decision.*” The specific criteria are not disclosed.
Long-term Incentives (‘LTI’)	• The Group’s Long-term Variable Remuneration plan is based upon total shareholder return (‘TSR’) and earnings per share (‘EPS’) CAGR. The criteria for each are as follows:

- ***TSR:***

Performance Level	Company’s Annulised TSR Compared to the Annualised TSR of the ASX Small Industrials total Return Index	% of Tranche Vesting
Stretch and Above	Index TSR + 160% TSR CAGR	100%
Between Target and Stretch	> 130% Index TSR, < 160% TSR CAGR	Pro-rata
Target	130% Index TSR	50%
Between Threshold and Target	> Index TSR, < 130% TSR CAGR	Pro-rata
Threshold	Index TSR	0%
Below Threshold	< Index TSR	0%

- ***EPS CAGR:***

Performance Level	Earnings Per Share (EPS) CAGR	% of Tranche Vesting
Stretch and Above	20%	100%
Between Target and Stretch	> 10%, < 20%	Pro-rata
Target	10%	50%
Between Threshold and Target	> 8%, < 10%	Pro-rata
Threshold	8%	0%
Below Threshold	< 8%	0%

Source: Company data, Ord Minnett Research

Top Shareholders

Table 15: Acrow Top Shareholders

	Holder Name	No. of Shares Held	% Held
1	Perennial Value Management Limited	21,214,257	8.1%
2	Salter Brothers Emerging Companies Limited	13,500,000	5.2%
3	Keneco Property Pty Ltd	13,086,667	5.0%
4	Evergreen Partners Limited	12,351,252	4.7%
5	Peter Lancken	11,637,493	4.4%
6	Schroder Investment Management Limited	10,037,550	3.8%
7	Margaret Prokop	7,126,209	2.7%
8	Netwealth Investments Ltd.	6,148,691	2.4%
9	Steven Boland	5,563,473	2.1%
10	Mrp Property Pty Ltd	4,751,043	1.8%

Source: IRESS, Ord Minnett Research

Big River – Playing to its' Strengths

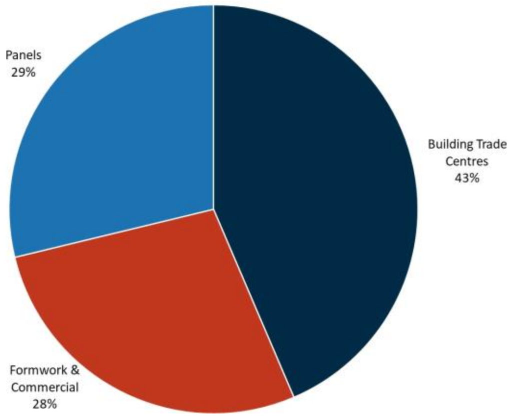
Big River has grown and adapted throughout its history, which dates back over 100 years. The business was founded by the Pidcock family in 1920. Following a brief period of ownership by private equity firms in 2016 (Anacacia Capital and Pantheon Entities), Big River listed on the ASX In 2017. We note that both private equity firms have retained substantial holdings, which stand at ~14.5m shares (17.5%) and ~11.9m shares (14.4%), respectively.

Today, Big River focuses on the manufacturing of timber veneer, plywood and formply, and the distribution of building supplies. **BRI has been able to develop a strong supply chain, which has been instrumental in allowing it to gain market share throughout the pandemic.** The Group manufactures ~25% of revenue (significant proportion of materials sourced via agreements with NSW Government), imports ~25% of revenue (predominantly from Europe) and sources ~50% of its revenue from large local partners (e.g. James Hardie [JHX.ASX – *Not Covered*], CSR [CSR.ASX, *Not Covered*]).

In FY22, Big River completed a strategic realignment of its operating divisions. The business is now comprised of two business units (Panels & Construction Products), which contain three separate divisions (Panels, Building Trade Centres and Formwork & Commercial). Looking forward, we expect strong organic growth in both the Panels and Formwork & Commercial divisions. We assume Building Trade Centres faces greater headwinds due to its higher exposure to detached housing (OMLe 66% of Building Trade Centres FY22 Rev), partially offset by recent acquisitions. Regarding the latter, we expect BRI to remain acquisitive; particularly within its Panels and Building Trade Centres divisions.

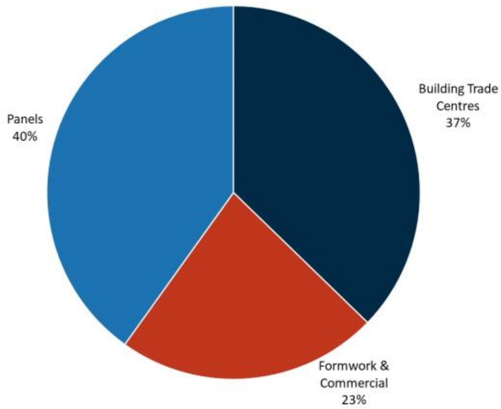
- **Panels:** BRI manufactures and imports timber panel products, which are used for decorative and technical solutions. The division currently has 8 sites, 3 of which are manufacturing plants. We estimate detached housing is the largest end market exposure (OMLe 41% of FY22 Rev), followed by Commercial (OMLe 28%) and OEM (OMLe 24%).
- **Building Trade Centres:** BRI's Building Trade Centres ('BTC') are responsible for the distribution of various building products for trade segment (i.e. for tradespeople as opposed to retail customers). We estimate that BTC's have the highest relative exposure to detached housing (OMLe 66% of FY22 Rev), with Medium Density housing and A&A comprising the bulk of the remaining exposure, at 17% and 16% respectively (both OMLe). The BTC segment has 11 sites, excluding the recent acquisition of Epping Timber. We expect BRI to continue acquiring additional BTC sites to broaden its geographic footprint.
- **Formwork & Commercial:** The Formwork and Commercial segment ('F&C') largely focuses upon providing formwork solutions for Commercial (OMLe 48% of FY22 Rev), Civil Infrastructure (OMLe 26%) and High Density (OMLe 26%) end markets. The F&C segment currently has 4 sites, predominantly based on the East coast.

Figure 28: BRI FY23e Revenue Split



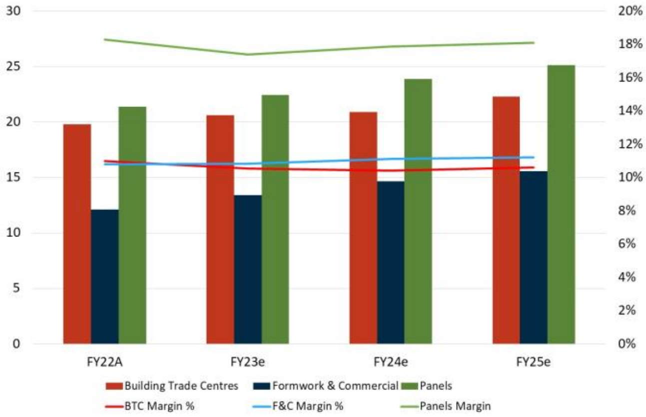
Source: Ord Minnett Research

Figure 29: BRI FY23e EBITDA Split



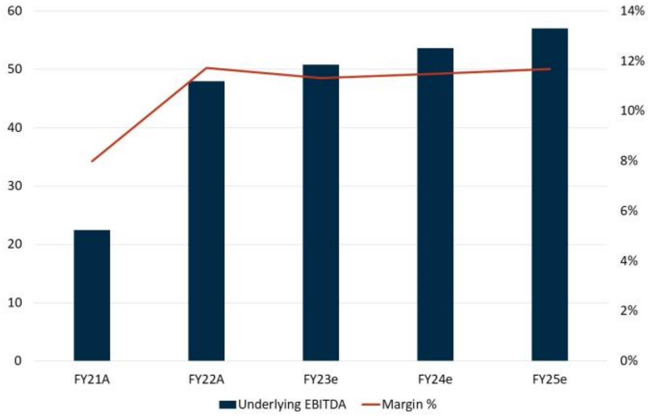
Source: Ord Minnett Research

Figure 30: BRI FY21A-25e EBITDA by Segment



Source: Company data, Ord Minnett Research

Figure 31: BRI FY21A-25e Group EBITDA



Source: Company data, Ord Minnett Research

Key Financial Forecasts

BRI has achieved strong organic growth in the past two years, further boosted by contributions from recent acquisitions. Looking forward into FY23, the macroeconomic backdrop is likely to be a key point of focus as the impact of interest rate increases becomes more evident. BRI have provided both volume and price growth guidance, stating that:

- ***FY23e Volumes:*** BRI expects that "*…addressable market volumes are forecasted to grow modestly versus FY22.*" Within this expectation, the company expects strength in muti-res and commercial to be partially offset by a moderation in both detached housing and A&A.

  Despite a slowing in leading construction indicators, recent project delays and persistent supply chain issues are expected to support volumes into FY24e.
- ***FY23e Price growth:*** The company expects to achieve price growth in FY23e, however notes that the "*…price rise cycle is certainly slowing.*"

Income Statement

Below we outline our key P&L forecasts for BRI:

- **Panels:** BRI's Panels division has a relatively diversified end market exposure, which in our view helps to create a smoother earnings profile through-the-cycle. In saying this, its end market exposure is skewed towards detached housing (OMLe 41% of FY22A Rev), which we expect to weigh upon near-term growth. However, we assume this is more than offset by relative strength in Commercial and OEM end markets (OMLe 28% & 24% of FY22A Rev, respectively). Taking these factors into account, we expect revenue and EBITDA growth of 3.7% & 5.8% CAGR between FY23e-25e, respectively.
- **Building Trade Centres ('BTC'):** We expect BTC's to be most heavily impacted by recent interest rate rises, given its greater relative exposure to detached housing (OMLe 66% of FY22A Rev). As discussed earlier, despite a sharp decline in leading detached housing indicators, we expect the backlog of work to support volumes into FY24. As a result, we expect broadly flat organic revenue growth between FY23e-25e. We assume the recent acquisitions of Epping Timber (expected to complete in Dec-22) and United Building Products (completed in Nov-21) to boost headline revenue growth in the short-term. We have incorporated slight margin compression within our forecasts given slowing price increases and the challenging macroeconomic backdrop.
- **Formwork & Commercial ('F&C'):** In our view, F&C has the most positive end market exposure within the Group, given our constructive view across Commercial, Civil and High Density construction (OMLe 48%, 26% & 26% of FY22A Rev, respectively). On this basis, we assume F&C generates revenue and EBITDA of 5.8% and 7.7% CAGR between FY23e-25e. We expect EBITDA margins to remain relatively stable throughout the same period.

Cash Flow

- **Cash flow conversion:** BRI is targeting cash flow conversion (defined as cash from operations before interest and tax divided by EBITDA) in excess of 85%. We expect cash flow conversion to remain within 88-90% throughout our forecast period (88% in FY22A), consistently exceeding the group's target. However, we note that historically acquisitions have typically resulted in a working capital drag in the short-term, as the group invests to integrate and grow acquired businesses. We expect the group's acquisitive strategy to remain in the foreseeable future; but have not explicitly included this within our forecasts. Consequently, this may present minor downside risk to our cash conversion forecasts, potentially offset by higher earnings.

Balance Sheet

- **Strong balance sheet position:** In our view, BRI maintains a strong balance sheet position. Our forecasts imply it will reach a net cash position by FY28e. Similar to ACF, we believe BRI's debt headroom is restricted by its debt facility size, rather than its ability to service its debt. As at the end of FY22, BRI has term debt facility totalled $46m, of which it had drawn down ~$41; plus an additional working capital facility of $15m.

M&A

BRI has been consistently acquisitive throughout its listed history (*see Table 16*). The Group has stated its intent to maintain this strategy; aiming to complete ~2-3 acquisitions per year. More specifically, BRI outlined its medium-term goal of acquiring the following:

- *Building Trade Centres*: 5-6 additional sites
- *Panels:* 3-4 additional sites
- *Formwork & Commercial:* 2-3 additional sites

We expect future acquisitions to be executed at ~4-5x EV/EVITDA, after which BRI would be able to generate both cost and revenue synergies. Regarding the latter, we note that BRI has been able to double the revenue of several of the acquired business over the past 5 years. This has been largely achieved through the cross-selling of existing products through newly acquired networks.

Similar to ACF, BRI has remained disciplined in its approach to potential acquisitions. Assuming acquisitions are completed at 5x EV/EBITDA (or lower), we estimate that every $10m of debt invested is 2.5-3% EPS accretive in FY23e.

Table 16: Big River Past Acquisitions

Target	Completion Date	Consideration (A$m)	Acquisition Multiple EV/Rev	EV/EBITDA
Adelaide Timber and Building Supplies	Mar-17	7.5	-	-
Sabdia Mitre	Mar-17	1.3	-	-
Midcoast Timbers	Sep-17	2.7	0.3x	
Ern Smith Timber & Hardware	Dec-17	1.7	0.2x	
M. B. Prefab Framing Pty Ltd	Dec-18	4.9	0.5x	
Midland Timber Co	May-19	2.4	0.5x	
Plytech Pty Ltd & Decortech Pty Ltd ("NZ Acqusitions")	Jul-19	20.6	0.8x	6.1x
Big Hammer Building Supplies	Jul-19	2.0	-	-
Pine Design Holdings	Mar-20	3.5	0.2x	
Timberwood Group	Mar-21	24.0	0.5x	4.0x
Revolution Wood Panels	Oct-21	7.8	0.5x	4.3x
United Building Products	Nov-21	9.0	0.4x	4.5x
Epping Timber	Early Dec-23'	6.0	0.4x	
Average			*0.4x*	*4.7x*

Source: Company Data, Ord Minnett Research

Valuation

We value BRI using a blended methodology, weighted 50%/50% between DCF/Peer Multiple approaches. **This results in a target price of $2.95.**

- Our DCF is based on a forecast period ending in 2030, terminal growth rate of 2.5% and a WACC of 11.9%. This produces a valuation of $3.05.
- In our earnings multiple approach, we use a 4.9x EV/EBITDA multiple. This represents a 30% discount to BRI's peer group, reflective of BRI's lower market liquidity relative to larger peers and greater risk stemming from its higher exposure to detached housing. This produces a valuation of $2.81.

Figure 32: BRI – DCF Summary

DCF BREAKDOWN		KEY ASSUMPTIONS	
Net Present Value of Cash Flows	128	Risk free rate of return	4.0%
Terminal Value of Cash Flows	149	Cost of Equity	13.3%
Enterprise Value	**277**	Cost of Debt	5.9%
Less: Net Debt	24	**WACC**	**11.9%**
Equity Value	**254**		
Shares Outstanding	82.4	**Terminal Growth Rate**	**2.5%**
Equity Value Per Share	**3.08**		

Source: Ord Minnett Research

Figure 33: BRI – Peer Multiple Valuation Summary

	EBITDA		Time-weighte	Multiple	Implied EV
Group EBITDA	50.9	53.7	52.4	4.9x	255
Less: Net Debt					24
Equity Value					**231**
Shares Outstanding					82.3
Equity Value Per Share					**2.81**

Peer Multiple Av. Breakdown	**EV/EBITDA FY23**	**FY24**	**Time-weighted**	**Discount**	**Discounted Multiple**	**Segment Weighting**	**Valuation Multiple**
Aus Building Materials & Distributors	7.0x	6.9x	7.0	-30%	4.9x	100%	4.9x

Source: Ord Minnett Research, Bloomberg

Figure 34: Big River – P&L Summary & 1H23e Preview

		FY21A	1H22A	2H22A	FY22A	1H23e	2H23e	FY23e	FY24e	FY25e
PROFIT & LOSS										
Revenue										
Building Trade Centres	A$m	129.8	85.3	94.8	180.1	95.5	99.9	195.5	201.0	209.8
Change (yoy)	%	*-15.9%*			*38.7%*	*12.0%*	*5.4%*	*8.5%*	*2.8%*	*4.4%*
Formwork & Commercial	A$m	96.7	50.4	61.8	112.1	55.9	68.1	124.1	132.2	138.9
Change (yoy)	%	*61.9%*			*16.0%*	*11.0%*	*10.3%*	*10.6%*	*6.5%*	*5.1%*
Construction Products	***A$m***	***226.5***	***135.7***	***156.6***	***292.2***	***151.5***	***168.1***	***319.6***	***333.2***	***348.7***
Change (yoy)	%		*15.1%*	*44.1%*	*29.0%*	*11.7%*	*7.3%*	*9.4%*	*4.3%*	*4.7%*
Panels	***A$m***	***54.9***	***58.1***	***59.0***	***117.1***	***65.9***	***63.2***	***129.1***	***133.6***	***138.9***
Change (yoy)	%		*216.8%*	*61.3%*	*113.3%*	*13.4%*	*7.2%*	*10.3%*	*3.5%*	*4.0%*
Corporate/Other	A$m	-	-	-	-	-	-	-	-	-
Change (yoy)	%									
Total Sales	**A$m**	**281.4**	**193.8**	**215.5**	**409.3**	**217.4**	**231.3**	**448.7**	**466.8**	**487.6**
Change (yoy)	%		*42.3%*	*48.4%*	*45.5%*	*12.2%*	*7.3%*	*9.6%*	*4.0%*	*4.5%*
Total Cost of Goods Sold	A$m	(211.3)	(142.4)	(156.6)	(299.0)	(159.4)	(170.6)	(330.0)	(344.3)	(359.2)
Gross Profit										
Building Trade Centres	A$m	-	-	-	46.8	24.5	25.2	49.7	50.4	52.8
...margin	%				*26.0%*	*25.6%*	*25.3%*	*25.4%*	*25.1%*	*25.2%*
Formwork & Commercial	A$m	-	-	-	26.6	13.0	15.8	28.8	30.7	32.4
...margin	%				*23.7%*	*23.2%*	*23.2%*	*23.2%*	*23.3%*	*23.3%*
Construction Products		-	-	-	*73.4*	*37.4*	*41.0*	*78.5*	*81.1*	*85.1*
...margin					*25.1%*	*24.7%*	*24.4%*	*24.6%*	*24.3%*	*24.4%*
Panels	A$m	-	-	-	36.9	20.6	19.6	40.2	41.4	43.3
...margin	%				*12.6%*	*13.6%*	*11.7%*	*12.6%*	*12.4%*	*12.4%*
Corporate/Other	A$m									
Gross Profit	**A$m**	**70.1**	**51.4**	**58.9**	**110.3**	**58.0**	**60.6**	**118.6**	**122.5**	**128.4**
Margin	%	*24.9%*	*26.5%*	*27.3%*	*26.9%*	*26.7%*	*26.2%*	*26.4%*	*26.2%*	*26.3%*
Change (yoy)	%		*53.9%*	*60.4%*	*57.3%*	*13.0%*	*2.9%*	*7.6%*	*3.3%*	*4.8%*
Operating Expenses										
Total Operating Expenses	**$Am**	**(47.6)**	**(29.9)**	**(32.4)**	**(62.3)**	**(32.9)**	**(34.9)**	**(67.8)**	**(68.8)**	**(71.4)**
Change (YoY)	%	*-12.3%*	*27.8%*	*33.8%*	*30.8%*	*10.1%*	*7.7%*	*8.8%*	*1.6%*	*3.8%*
EBITDA										
Building Trade Centres	A$m				19.8	10.2	10.4	20.6	20.9	22.3
Margin	%				*11.0%*	*10.7%*	*10.4%*	*10.5%*	*10.4%*	*10.6%*
Formwork & Commercial	A$m				12.1	6.0	7.4	13.4	14.7	15.6
Margin	%				*10.8%*	*10.7%*	*10.9%*	*10.8%*	*11.1%*	*11.2%*
Construction Products	A$m	***16.1***	***13.1***	***18.8***	***31.9***	***16.2***	***17.9***	***34.1***	***35.6***	***37.9***
Margin	%	*7.1%*	*9.7%*	*12.0%*	*10.9%*	*10.7%*	*10.6%*	*10.7%*	*10.7%*	*10.9%*
Panels	A$m	***10.6***	***10.9***	***10.5***	***21.4***	***11.6***	***10.8***	***22.4***	***23.9***	***25.1***
Margin	%	*19.3%*	*18.7%*	*17.8%*	*18.3%*	*17.6%*	*17.1%*	*17.4%*	*17.9%*	*18.1%*
Corporate/Other	A$m	(4.2)	(2.5)	(2.8)	(5.3)	(2.7)	(3.0)	(5.6)	(5.8)	(6.0)
Change (yoy)	%		*25.0%*	*27.3%*	*26.2%*	*7.3%*	*5.5%*	*6.3%*	*3.0%*	*3.4%*
Total Underlying EBITDA	**A$m**	**22.5**	**21.5**	**26.5**	**48.0**	**25.1**	**25.7**	**50.9**	**53.7**	**57.0**
Margin	%	*8.0%*	*11.1%*	*12.3%*	*11.7%*	*11.6%*	*11.1%*	*11.3%*	*11.5%*	*11.7%*
Total D&A	**$Am**	**(9.4)**	**(5.9)**	**(6.3)**	**(12.2)**	**(6.8)**	**(7.5)**	**(14.4)**	**(14.9)**	**(15.6)**
as a % of Rev	%	*-3.4%*	*-3.0%*	*-2.9%*	*-3.0%*	*-3.2%*	*-3.3%*	*-3.2%*	*-3.2%*	*-3.2%*
EBIT	**A$m**	**13.1**	**15.6**	**20.2**	**35.8**	**18.3**	**18.2**	**36.5**	**38.7**	**41.4**
Margin	%	*4.6%*	*8.0%*	*9.4%*	*8.8%*	*8.4%*	*7.9%*	*8.1%*	*8.3%*	*8.5%*
Change (yoy)	%	*46.1%*	*178.6%*	*170.9%*	*174.2%*	*17.2%*	*-10.0%*	*1.9%*	*6.1%*	*6.9%*
Net Financial Result	**A$m**	**(1.9)**	**(1.5)**	**(1.7)**	**(3.2)**	**(1.7)**	**(1.7)**	**(3.4)**	**(3.2)**	**(2.9)**
Profit Before Tax	**A$m**	**11.1**	**14.1**	**18.5**	**32.6**	**16.6**	**16.5**	**33.1**	**35.6**	**38.5**
Margin	%	*4.0%*	*7.3%*	*8.6%*	*8.0%*	*7.6%*	*7.1%*	*7.4%*	*7.6%*	*7.9%*
Change (yoy)	%	*67.4%*	*206.5%*	*183.2%*	*192.8%*	*17.6%*	*-10.8%*	*1.5%*	*7.5%*	*8.2%*
Corporate Income Tax	A$m	(3.4)	(4.2)	(5.7)	(9.9)	(5.0)	(5.0)	(9.9)	(10.7)	(11.5)
Effective Operational Tax Rate	%	*30.5%*	*29.8%*	*30.8%*	*30.4%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*
Net Profit After Tax (Underlying)	A$m	**7.7**	**9.9**	**12.8**	**22.7**	**11.6**	**11.6**	**23.2**	**24.9**	**26.9**
Change (yoy)	%		*200.0%*	*188.7%*	*193.5%*	*17.3%*	*-9.7%*	*2.1%*	*7.5%*	*8.2%*
One-off items	A$m	0.0	0.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0
Acquisition costs	A$m	(1.0)	(0.7)	(0.3)	(1.0)	0.0	0.0	0.0	0.0	0.0
Contingent Consideration	A$m	0.1	0.0	0.8	0.8	(2.9)	0.0	(2.9)	(2.5)	(2.0)
Share-based Remuneration	A$m	(6.0)	(0.4)	(0.5)	(0.9)	(0.5)	(0.5)	(0.9)	(1.0)	(1.1)
Consolidated Net Profit (Reported)	A$m	**0.8**	**8.8**	**13.3**	**22.1**	**8.2**	**11.1**	**19.3**	**21.4**	**23.9**
Margin	%	*0.3%*	*4.5%*	*6.2%*	*5.4%*	*3.8%*	*4.8%*	*4.3%*	*4.6%*	*4.9%*
Change (yoy)	%		*-233.3%*	*78.9%*	*2555.8%*	*-6.3%*	*-16.5%*	*-12.5%*	*10.7%*	*11.5%*
Basic Adjusted EPS	**c**	**11.0**	**12.2**	**15.8**	**27.9**	**14.1**	**14.1**	**28.1**	**30.2**	**32.6**
Growth	%	*50.4%*	*134.3%*	*137.8%*	*154.2%*	*15.8%*	*-10.3%*	*0.7%*	*7.3%*	*8.0%*

Source: Company Data, Ord Minnett Research

Management & Board

Table 17: Big River Management Team & Board

Name	Position	Tenure	Professional Background
Jim Bindon	Managing Director & Chief Executive Officer (Outgoing)	2001	Joined Big River in 2001 and has been CEO & MD since 2005. We note that he has recently announced his retirement and will conclude his position post the 1H23 results. Prior to joining Big River, he was a Business Manager of Sugar and Horticulture at Incitec. We note that he currently holds ~840k shares, equivalent to ~1% holding in the group.
John Lorente	Managing Director & Chief Executive Officer (Incoming)	2018	Joined Big River in early 2018 and is currently the Executive General Manager of Construction Products. In Nov-22, he was appointed Managing Director and CEO of Big River, effective from 1-Mar-23. Prior to joining Big River, he was worked for GWA Group (GWA.ASX – *Not Covered*) for 12 years, in both the U.S and Australia. He also spent several years working within the coatings and construction markets, in companies such as Mirotone, Polycure and Corian.
John O’Connor	Chief Financial Officer & Company Secretary	2022	Joined Big River in Jun-22. He has broad experience across a number of manufacturing and distribution businesses in both Australia and Europe. He was most recently CFO of Youfoodz Holdings, during which it listed publicly and was subsequently sold to the Hello Fresh Group.
Malcolm Jackman	Independent Non-Executive Chairman	2016	Joined Big River as an Independent Non-Executive Director in Feb-16 and became Chairman in Jul-19. He is currently member the Anacacia Capital Business Advisory (Anacacia is a major shareholder of Big River). He has previously held positions of MD at Elders and MD of Coates Hire.
Vicky Papachristos	Independent Non-Executive Director and Chair of the Nomination and Remuneration Committee	2017	Joined Big River in Oct-17. She has extensive operational, strategic and creative experience gained from companies such as Shell, Wesptac and Myer. She is also a current Non-Executive director of Aussie Broadband, GMHBA and Scale Investors.
Martin Kaplan	Non-Executive Director	2015	Joined Big River as a Non-Executive director in Nov-15. He is currently an investment director of Anacacia Capital and is a Non-Executive director of Direct Couriers Group.
Brendan York	Non-Executive Director	2019	Became a Non-Executive director in Oct-19. He is currently a portfolio manager of NAOS Asset Management (BRI’s largest shareholder) and was previously the CFO Enero Group.
Brad Soller	Independent Non-Executive Director & Chair of the Audit and Risk Committee	2021	Joined Big River as a Non-Executive director in Sep-21. He has held several senior financial executive roles within organisations such as Metcash, David Jones and Lendlease Group.
Martin Monro	Independent Non-Executive Director	2021	Joined Big River as a Non-Executive director in Sep-21. He has more than 30 years’ experience in Australian and international construction markets and was previously the CEO and MD of Watpac. He remains a Non-Executive director of Watpac and is also a Non-Executive director of Fleetwood Limited.

Source: Company data, Ord Minnett Research, Bloomberg

Variable Remuneration Structure

Table 18: Big River Variable Remuneration Incentive Structure

Type of Incentive	Criteria
Short-term Incentives ('STI')	• The Group's STI's are primarily related to EBITDA performance and certain KPI's being achieved. The KPI's include profit contribution, cash management, customer satisfaction, safety performance, leadership contribution and product management.
Long-term Incentives ('LTI')	• The Group's Long-term Variable Remuneration plan is based on earnings per share ('EPS') over the vesting period. The criteria and range are as follows: o Nil: EPS CAGR < 3% o 100%: EPS CAGR > 10% o *Final payments are subject to Board discretion.*

Source: Company data, Ord Minnett Research

Top Shareholders

Table 19: Big River Top Shareholders

	Holder Name	No. of Shares Held	% Held
1	Naos Asset Management Limited	29,697,241	35.8%
2	Anacacia Capital Pty Limited	14,575,177	17.6%
3	Pantheon Ventures (UK) LLP	11,912,721	14.4%
4	SG Hiscock & Company Ltd.	4,927,960	5.9%
5	Kinetic Investment Partners Limited	4,045,158	4.9%
6	MAM Pty Limited	2,231,517	2.7%
7	Anne Parsonson	2,222,222	2.7%
8	Lennox Capital Partners	1,721,062	2.1%
9	Regal Partners Limited	1,237,796	1.5%
10	Victor Said	988,894	1.2%

Source: IRESS, Ord Minnett Research

Key Risks

Below we outline key risks to our investment thesis:

- **Macroeconomic cycle:** The pace of the Reserve Bank's tightening cycle is the quickest since 1994. Leading construction indicators have already begun to fall. Consequently, we have factored in material declines in domestic construction volumes. However, given the pace of the tightening cycle and typical lag associated with monetary policy, the risk remains that construction conditions continue to deteriorate more than expected.
- **Increased competition:** The Australian Building Products and Distribution segments may face increased competition from existing players or new entrants. If this were to occur, it may result in heightened price competition, thereby potentially eroding potential revenue growth and margin expansion.
- **Supply chain pressures:** Global supply chains have faced immense pressure during the pandemic. These pressures have begun to materially ease in the past few months. However, if these trends were to stall, this may create further delays and/or cost inflationary pressures to rise.
- **Adverse weather conditions:** Above average rainfall in the year-to-date – particularly across the East Coast of Australia; has caused significant delays in the construction industry. If similar conditions were to persist, this may result in further delays and negative financial implications.
- **Inability to execute further M&A transactions:** We expect both BRI and ACF to remain acquisitive in the future. M&A is a particularly integral part of BRI's strategy, with the company clearly stating its intention to continue acquire 2-3 businesses per year. If either company were unable to identify and execute attractive M&A opportunities in the coming years, this may limit future expansion and revenue growth opportunities.

Financial Summaries

Acrow Formwork and Construction Services Limited

Buy

PROFIT & LOSS (A$m)	2021A	2022A	2023E	2024E	2025E
Revenue	105.7	148.3	168.1	183.7	196.0
Operating costs	(37.1)	(45.1)	(49.6)	(53.2)	(55.9)
Operating EBITDA	**24.3**	**36.3**	**46.6**	**50.6**	**54.0**
D&A	(11.2)	(13.1)	(15.3)	(16.9)	(18.0)
Non-operating items	-	-	-	-	-
EBIT	**13.2**	**23.2**	**31.3**	**33.7**	**36.0**
Net interest	(2.9)	(3.5)	(3.6)	(3.6)	(3.3)
Pre-tax profit	**10.2**	**19.8**	**27.7**	**30.1**	**32.7**
Net tax (expense) / benefit	(1.5)	(2.0)	(3.4)	(4.5)	(6.5)
Significant items/Adj.	(4.8)	(2.1)	(3.7)	(3.7)	(2.5)
Associate NPAT	-	-	-	-	-
Normalised NPAT	**8.7**	**17.8**	**24.3**	**25.6**	**26.2**
Reported NPAT	**4.0**	**15.7**	**20.7**	**21.9**	**23.7**
Normalised dil. EPS (cps)	3.9	6.9	9.1	9.1	9.1
Reported EPS (cps)	1.8	6.1	7.7	7.8	8.2
Effective tax rate (%)	14.8	9.9	12.1	15.0	20.0
DPS (cps)	1.9	2.7	3.6	3.9	4.1
DPS (cps)	-	-	-	-	-
Dividend yield (%)	2.9	4.2	5.6	6.0	6.4
Payout ratio (%)	49.0	39.2	39.8	42.7	45.2
Franking (%)	-	60.0	75.0	100.0	100.0
Diluted # of shares (m)	224.5	258.8	269.0	279.8	289.0

CASH FLOW (A$m)	2021A	2022A	2023E	2024E	2025E
EBITDA incl. adjustments	70.8	90.7	46.6	50.6	54.0
Change in working capital	(57.9)	(79.3)	(5.1)	(2.5)	(1.8)
Net Interest (paid)/received	(3.1)	(3.1)	(3.6)	(3.6)	(3.3)
Income tax paid	(0.6)	(0.0)	(3.0)	(4.1)	(5.9)
Other operating items	-	-	-	-	-
Operating Cash Flow	**9.2**	**8.2**	**34.9**	**40.4**	**43.1**
Acquisitions	(3.6)	(3.6)	-	-	-
Other investing items	(11.3)	(16.2)	(16.0)	(20.0)	(20.0)
Investing Cash Flow	**(9.8)**	**(18.4)**	**(22.0)**	**(25.9)**	**(26.3)**
Inc/(Dec) in equity	0.1	9.9	-	-	-
Inc/(Dec) in borrowings	0.5	10.5	(5.0)	(5.0)	(5.0)
Dividends paid	(3.1)	(4.9)	(6.5)	(8.6)	(9.4)
Other financing items	(4.2)	(5.1)	(1.6)	(1.9)	(1.9)
Financing Cash Flow	**(6.7)**	**10.3**	**(13.1)**	**(15.5)**	**(16.4)**
FX adjustment	-	-	-	-	-
Net Inc/(Dec) in Cash	(7.3)	0.1	(0.2)	(1.0)	0.4

BALANCE SHEET (A$m)	2021A	2022A	2023E	2024E	2025E
Cash	1.8	3.0	2.8	1.8	2.2
Receivables	24.6	34.4	39.9	43.2	45.5
Inventory	9.0	14.9	16.8	17.9	19.1
Other current assets	4.5	5.3	5.3	5.3	5.3
PP & E	83.0	95.5	102.2	111.2	119.5
Investments	-	-	-	-	-
Financial Assets	-	-	-	-	-
Intangibles	-	-	-	-	-
Other non-current assets	28.8	24.5	24.5	24.5	24.5
Total Assets	**159.0**	**184.9**	**198.8**	**211.2**	**223.5**
Short term debt	9.8	20.0	20.0	20.0	20.0
Payables	28.6	21.5	23.9	25.7	27.4
Other current liabilities	9.3	11.2	9.6	7.7	5.8
Long term debt	14.4	15.8	10.8	5.8	0.8
Other non-current liabilities	28.0	23.7	23.7	23.7	23.7
Total Liabilities	**97.5**	**101.6**	**97.7**	**93.1**	**88.6**
Total Equity	**61.5**	**83.3**	**101.1**	**118.1**	**134.9**
Net debt (cash)	22.5	32.8	28.1	24.1	18.7

DIVISIONS	2021A	2022A	2023E	2024E	2025E
Revenue (A$m)					
Formwork	60.5	78.8	94.9	106.6	114.6
Industrial Services	21.7	45.6	47.1	54.0	58.9
Commercial Scaffold	23.6	23.9	26.0	23.1	22.5
Gross Profit (A$m)					
Formwork	41.2	55.9	65.6	73.9	79.2
Industrial Services	10.1	15.5	16.3	18.6	20.3
Commercial Scaffold	10.1	9.9	14.3	11.3	10.5

KEY METRICS (%)	2021A	2022A	2023E	2024E	2025E
Revenue growth	21.6	40.3	13.3	9.3	6.7
EBITDA growth	25.1	49.1	28.3	8.6	6.8
EBIT growth	30.5	76.5	34.7	7.6	6.8
Normalised EPS growth	(3.8)	77.4	31.5	0.9	(0.8)
EBITDA margin	23.0	24.5	27.7	27.5	27.6
OCF /EBITDA	52.9	31.3	89.0	95.0	96.7
EBIT margin	12.5	15.7	18.6	18.3	18.4
Return on assets	7.3	12.2	14.3	14.0	13.3

VALUATION RATIOS (x)	2021A	2022A	2023E	2024E	2025E
Reported P/E	36.6	10.6	8.4	8.2	7.9
Normalised P/E	16.6	9.4	7.1	7.1	7.1
Price To Free Cash Flow	45.3	79.1	5.8	5.0	4.9
Price To NTA	2.6	2.1	1.8	1.6	1.4
EV / EBITDA	6.7	5.3	4.2	3.9	3.7
EV / EBIT	12.4	8.3	6.2	5.9	5.5

LEVERAGE	2021A	2022A	2023E	2024E	2025E
ND / (ND + Equity) (%)	26.7	28.3	21.7	16.9	12.2
Net Debt / EBITDA (%)	92.2	90.4	60.3	47.6	34.5
EBIT Interest Cover (x)	4.5	6.7	8.7	9.3	11.0
EBITDA Interest Cover (x)	8.3	10.5	12.9	13.9	16.6

SUBSTANTIAL HOLDERS	m	%
Perennial Value Management Limited	21.2	8.1%
Salter Brothers Emerging Companies Limit	13.5	5.2%
Keneco Property Pty Ltd	13.1	5.0%

VALUATION	
Equity NPV Per Share ($)	**0.85**
Multiples valuation	0.81
Target Price Method	Blended (DCF/Peer Multiples)
Target Price ($)	0.83
Valuation disc. / (prem.) to share price (%)	29.3

Big River Industries Limited

Buy

PROFIT & LOSS (A$m)	2021A	2022A	2023E	2024E	2025E
Revenue	281.4	409.3	448.7	466.8	487.6
Operating costs	(47.6)	(62.3)	(67.8)	(68.8)	(71.4)
Operating EBITDA	**22.5**	**48.0**	**50.9**	**53.7**	**57.0**
D&A	(9.4)	(12.2)	(14.4)	(14.9)	(15.6)
Non-operating items	-	-	-	-	-
EBIT	**13.1**	**35.8**	**36.5**	**38.7**	**41.4**
Net interest	(1.9)	(3.2)	(3.4)	(3.2)	(2.9)
Pre-tax profit	**11.1**	**32.6**	**33.1**	**35.6**	**38.5**
Net tax (expense) / benefit	(3.4)	(9.9)	(9.9)	(10.7)	(11.5)
Significant items/Adj.	(6.9)	(0.6)	(3.8)	(3.5)	(3.1)
Associate NPAT	-	-	-	-	-
Normalised NPAT	**7.7**	**22.7**	**23.2**	**24.9**	**26.9**
Reported NPAT	**0.8**	**22.1**	**19.3**	**21.4**	**23.9**
Normalised dil. EPS (cps)	11.0	27.9	28.3	30.3	32.7
Reported EPS (cps)	1.2	27.2	23.6	26.1	29.0
Effective tax rate (%)	30.5	30.4	30.0	30.0	30.0
DPS (cps)	5.6	15.5	16.4	17.4	18.5
DPS (cps)	-	-	-	-	-
Dividend yield (%)	2.6	7.3	7.7	8.2	8.7
Payout ratio (%)	51.0	55.5	57.9	57.4	56.6
Franking (%)	100.0	100.0	100.0	100.0	100.0
Diluted # of shares (m)	70.4	81.2	81.8	82.2	82.4

CASH FLOW (A$m)	2021A	2022A	2023E	2024E	2025E
Net Interest (paid)/received	(1.7)	(2.4)	(3.4)	(3.2)	(2.9)
Income tax paid	(2.7)	(2.9)	(9.9)	(10.7)	(11.5)
Other operating items	27.5	12.5	-	-	-
Operating Cash Flow	**14.1**	**37.2**	**32.2**	**34.5**	**37.0**
Capex	(1.8)	(6.1)	(5.8)	(5.8)	(6.1)
Acquisitions	(22.3)	(15.5)	(9.4)	(2.5)	(2.0)
Other investing items	(0.4)	(0.3)	-	-	-
Investing Cash Flow	**(24.3)**	**(21.7)**	**(15.2)**	**(8.3)**	**(8.1)**
Inc/(Dec) in equity	19.3	(0.0)	-	-	-
Inc/(Dec) in borrowings	0.2	10.0	-	-	-
Dividends paid	(3.4)	(6.7)	(13.3)	(13.6)	(14.4)
Other financing items	(5.3)	(7.9)	(8.5)	(8.9)	(9.3)
Financing Cash Flow	**10.7**	**(4.6)**	**(21.8)**	**(22.5)**	**(23.7)**
FX adjustment	0.0	-	-	-	-
Net Inc/(Dec) in Cash	0.6	10.9	(4.8)	3.7	5.3

BALANCE SHEET (A$m)	2021A	2022A	2023E	2024E	2025E
Cash	7.9	19.8	15.0	18.7	23.9
Receivables	54.0	63.4	70.0	74.7	79.0
Inventory	54.1	72.8	78.5	82.2	86.6
Other current assets	1.6	0.6	0.6	0.6	0.6
PP & E	20.8	21.9	30.2	31.7	33.3
Financial Assets	43.8	58.4	57.4	56.2	55.1
Intangibles	43.8	58.4	57.4	56.2	55.1
Other non-current assets	22.5	24.2	23.6	22.9	22.2
Total Assets	**209.8**	**261.2**	**275.2**	**287.0**	**300.7**
Short term debt	1.4	2.5	2.5	2.5	2.5
Payables	41.2	61.9	68.9	71.9	75.1
Other current liabilities	11.4	13.6	12.2	10.9	10.1
Long term debt	26.0	36.0	36.0	36.0	36.0
Other non-current liabilities	23.8	21.8	20.3	19.1	17.9
Total Liabilities	**115.1**	**148.8**	**152.9**	**153.4**	**154.6**
Total Equity	**94.7**	**112.4**	**122.3**	**133.6**	**146.1**
Net debt (cash)	19.6	18.7	23.5	19.9	14.6

DIVISIONS	2021A	2022A	2023E	2024E	2025E
Revenue (A$m)					
Construction Products	226.5	292.2	319.6	333.2	348.7
Panels	54.9	117.1	129.1	133.6	138.9
EBITDA (A$m)					
Construction	16.1	31.9	34.1	35.6	37.9
Panels	10.6	21.4	22.4	23.9	25.1
Corporate/Other	(4.2)	(5.3)	(5.6)	(5.8)	(6.0)

KEY METRICS (%)	2021A	2022A	2023E	2024E	2025E
Revenue growth	13.1	45.5	9.6	4.0	4.5
EBITDA growth	30.1	113.4	5.9	5.5	6.2
EBIT growth	46.1	174.2	1.9	6.1	6.9
Normalised EPS growth	50.4	154.2	1.3	7.0	7.9
EBITDA margin	8.0	11.7	11.3	11.5	11.7
OCF /EBITDA	-	62.5	89.6	90.1	90.4
EBIT margin	4.6	8.8	8.1	8.3	8.5
Return on assets	4.8	10.6	9.5	9.6	9.9
Return on equity	9.3	21.9	19.7	19.5	19.3

VALUATION RATIOS (x)	2021A	2022A	2023E	2024E	2025E
Reported P/E	179.3	7.8	9.0	8.1	7.3
Normalised P/E	19.3	7.6	7.5	7.0	6.5
Price To Free Cash Flow	12.1	5.5	6.6	6.1	5.7
Price To NTA	2.9	3.2	2.7	2.3	1.9
EV / EBITDA	7.5	4.0	3.9	3.6	3.3
EV / EBIT	12.9	5.3	5.4	5.0	4.6

LEVERAGE	2021A	2022A	2023E	2024E	2025E
ND / (ND + Equity) (%)	17.1	14.3	16.1	13.0	9.1
Net Debt / EBITDA (%)	86.9	39.0	46.3	37.1	25.6
EBIT Interest Cover (x)	6.8	11.1	10.7	12.2	14.2
EBITDA Interest Cover (x)	11.6	14.9	14.9	17.0	19.5

SUBSTANTIAL HOLDERS	m	%
Naos Asset Management Limited	29.7	35.8%
Anacacia Capital Pty Limited	14.6	17.6%
Pantheon Ventures (UK) LLP	11.9	14.4%

VALUATION	
Equity NPV Per Share ($)	**3.08**
Multiples valuation	2.81
Target Price Method	Blended (DCF/Peer Multiples)
Target Price ($)	2.95
Valuation disc. / (prem.) to share price (%)	38.9

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Guide to Ord Minnett Recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.