



# Acrow Formwork & Construction Services Limited

Results Presentation  
2019 Full Year Financial Results

*30 August 2019*



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# Acrow Snapshot

A Leading Provider of Engineered Formwork Solutions and Scaffold Hire in Australia

Sales contribution

**Formwork**

**64%** (focus)

**Scaffold**

**36%**

National footprint

- 6 states
- 9 depots

Customers

**1,100**

Employees

**153** FTE

Enterprise value

**\$52m**

Revenue

**\$71.0m**

EBITDA

**\$11.6m**

Unrecognised tax losses

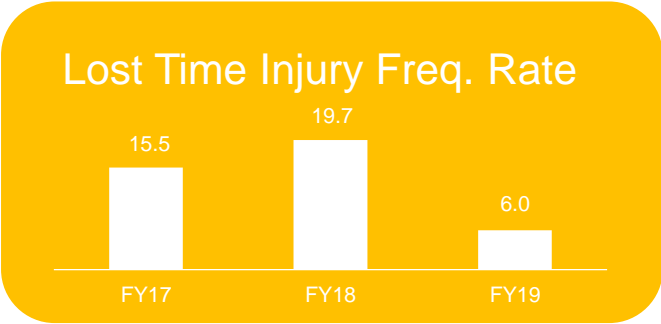
**\$40m**

Incorporated

**1950**

Listed

**Apr 2018**

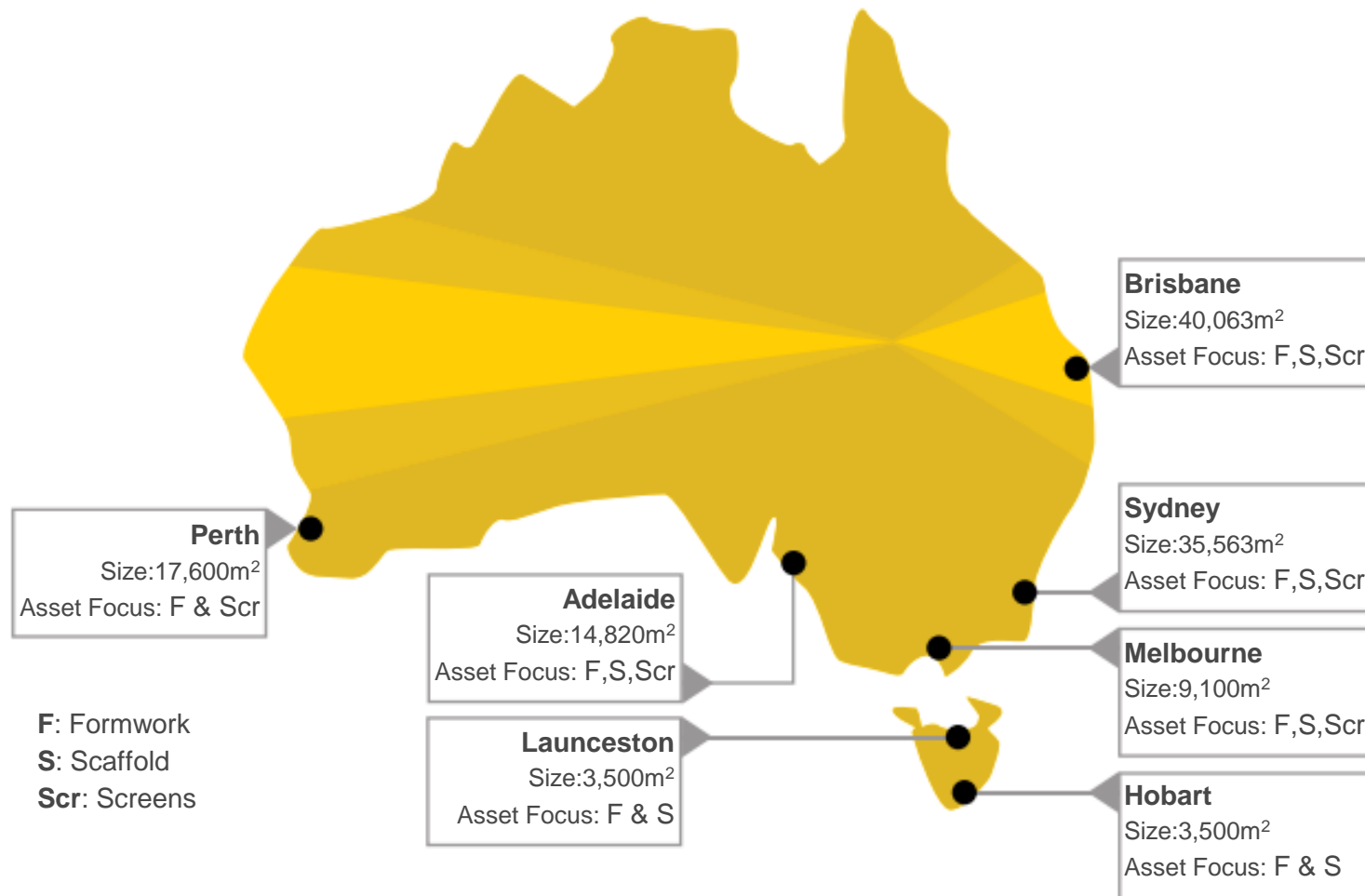


Replacement value

**>\$100m**

# Acrow Branch Network and Product Offering

Expanding Footprint - Becoming a Leading National Provider of Formwork, Scaffold and Screening Products



# FY19 Financial Highlights

5<sup>th</sup> Consecutive Year of EBITDA Growth

REVENUE

\$71m

+ 9%

EBITDA<sup>1</sup>  
\$11.6m  
+ 9%

NPAT<sup>1</sup>  
\$7.5m

NET DEBT  
\$3.6m

EPS<sup>1</sup>  
4.4¢ps

DIVIDEND<sup>2</sup>  
2.0¢ps

OP. CASH  
PROFIT<sup>1,3</sup>  
\$8.8m

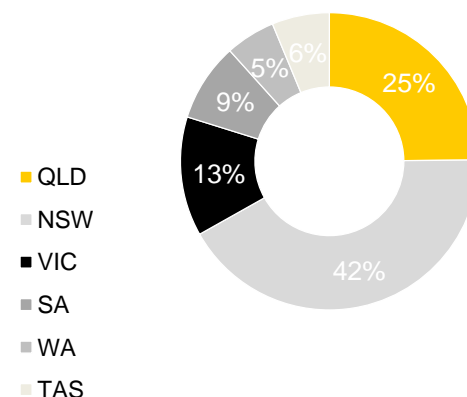


1. Underlying performance. 2. Maiden final dividend of 0.5¢ps declared in FY18. Payout ratio based on 30-50% of EBITDA less maintenance capital expenditure and tax paid. Defined as EBITDA less maintenance capital expenditure less tax paid.

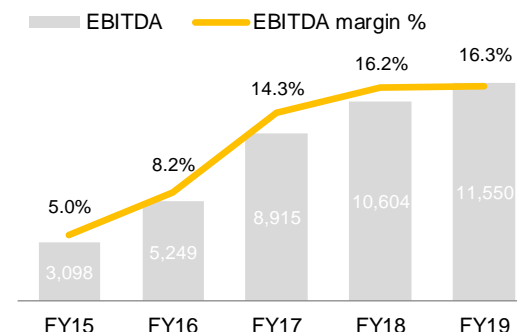
# Executive Summary

- 5<sup>th</sup> consecutive year of EBITDA growth for the Group, supported by 10-month contribution from Natform acquisition and growth capex deployed along the east coast
- Wind down of existing projects and delays in new project starts dampened 2H19 performance. Operating metrics remained positive year on year:
  - Revenue of \$71m, an increase of 9% on the prior year
  - Sales contribution of \$42.6m and Contribution margin of 60%. Supported by higher mix from Formwork business
  - Underlying EBITDA of \$11.6m, +9% on FY18, and Underlying EBITDA margin flat
  - Strong Operating Cash Profit of \$8.8m
- Natform trading was subdued, reflective of project delays in key Queensland and New South Wales markets. Meeting strategic initiatives, with sales teams fully integrated and successfully converting multiple cross-sell wins across new and existing east coast markets
- Acrow businesses well positioned across geographies and products to leverage construction opportunities across civil, commercial/industrial
- Potential acquisition of Uni-span progressing. Successful outcome should produce both revenue and cost synergies. Capacity to fund through expanded debt facilities with Westpac
- 1Q20 currently trading in-line with 4Q19 performance. Pipeline of opportunities across Formwork and Natform remains strong. Commercial Scaffold showing signs of improvement

## Total Revenue by Geography



## EBITDA & Margin<sup>1</sup>



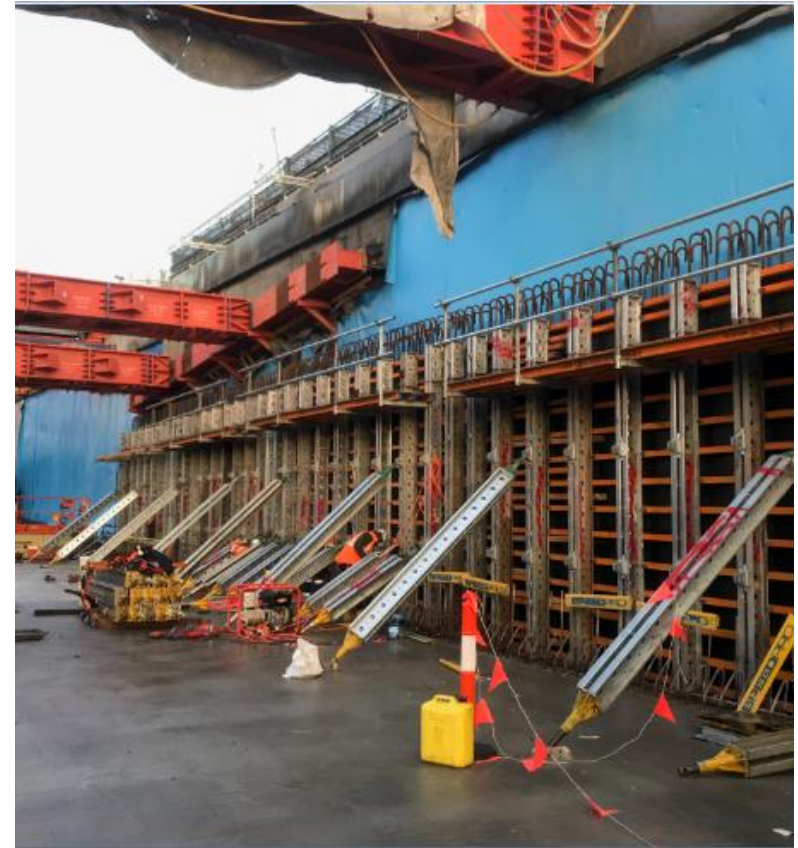
<sup>1</sup>.FY18 and FY19 include costs of being a public Company



# Laying the Foundations for Growth

## A Transformational Year for Acrow

- First full year as a publicly listed Company
- Business continues to re-base from highly fragmented, price competitive residential scaffold market towards value-added, highly engineered civil formwork solutions market:
  - \$5.5M of formwork growth capex committed into east coast civil infrastructure market, most of which has been recently deployed
  - Exiting of highly competitive Melbourne residential market to accommodate shift in product mix towards formwork equipment in Melbourne yard
- Strengthening of senior management team:
  - Refresh of senior management team with energetic, like-minded talent
  - Key appointments of highly experienced talent to boost civil infrastructure capability
- Natform acquisition provides benefits on multiple fronts:
  - Broadening of product offering with introduction of screening systems
  - Leverage Acrow relationships to enter new geographic markets in Victoria, South Australia and Western Australia
  - Cross-fertilisation of clients across Acrow and Natform
  - Product packaging and cross-sell opportunities



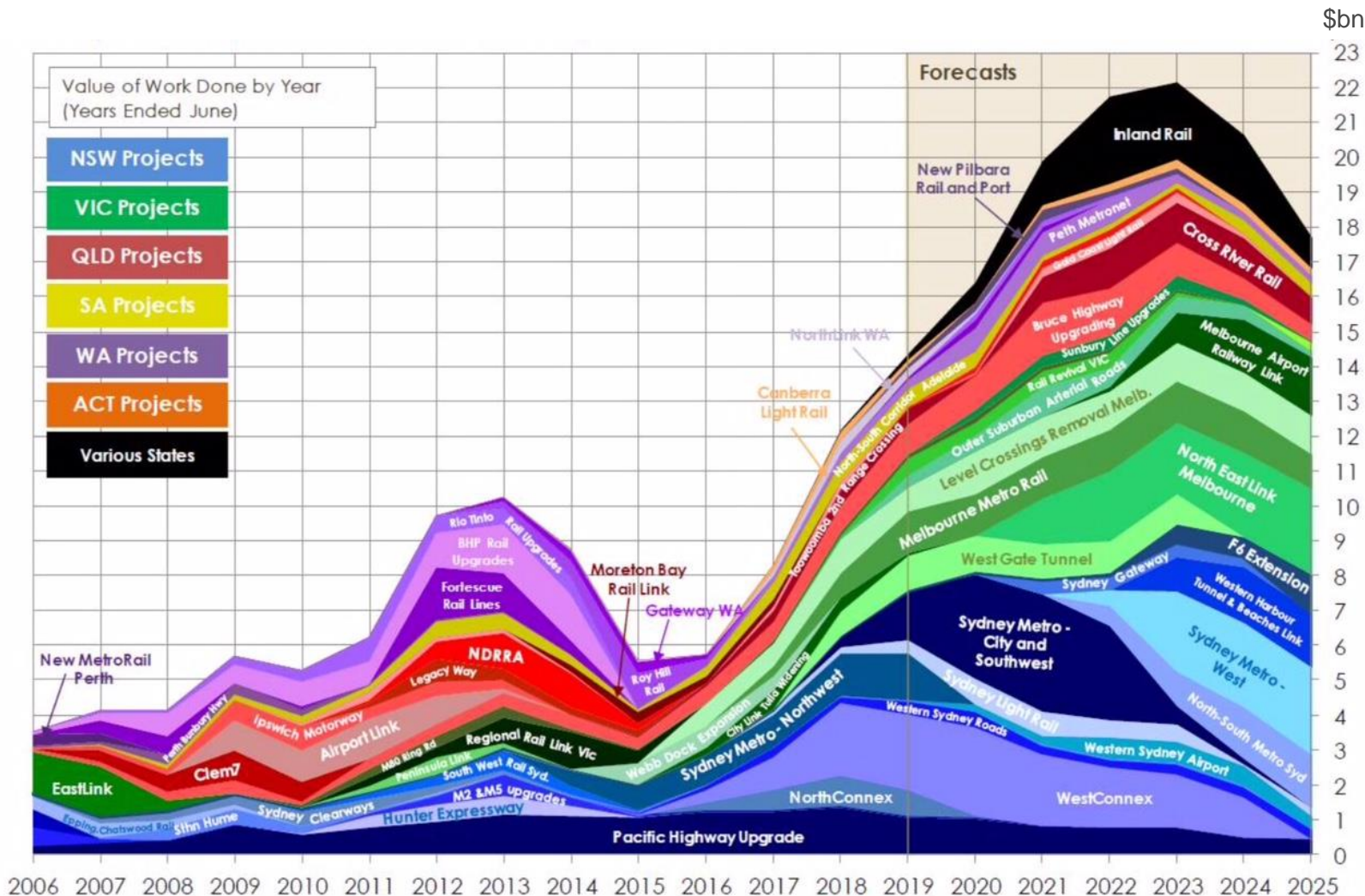
## Our Markets





# Major Transport Infrastructure Projects – Australia



















## Value of Work Done Predicted to Increase by over 50% over Next Four Years



Source: Macromonitor, June 2019

# State of the Markets

Markets Conditions Vary by State and Segment

State	Civil	Commercial	Residential
Queensland			
New South Wales			
Victoria			
South Australia			
Western Australia			
Tasmania			

 Good

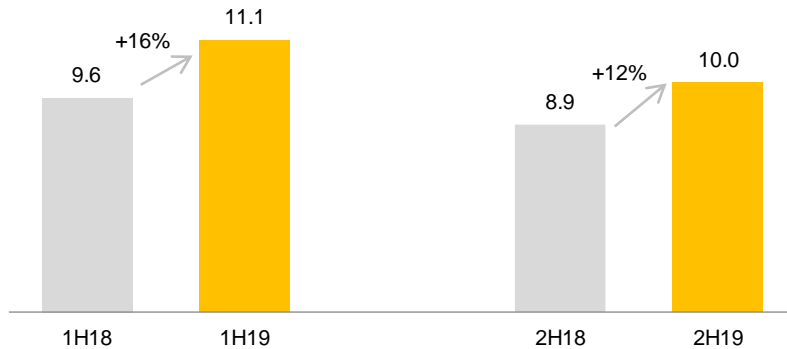
 Stable

 Soft

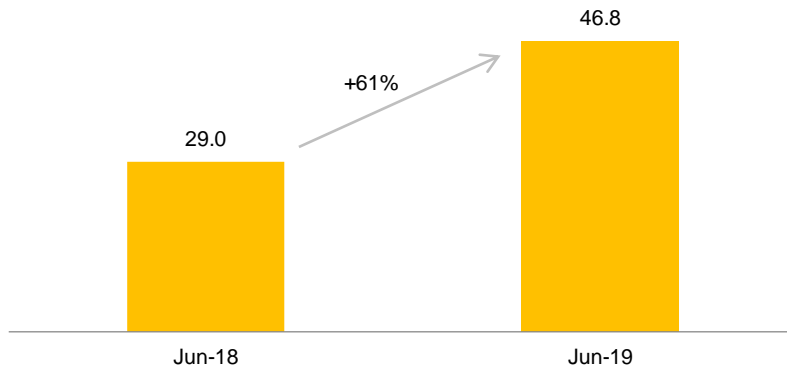
# Acrow Equipment Hire Wins & Pipeline

Outlook for Equipment Hire Remains Positive into FY20

## Hire Contracts Won (\$m)



## Current Pipeline – Potential Hire Revenue (\$m)



## Commentary

- New contract wins in second half traditionally softer due to Christmas/New Year period
- Equipment hire contracts won remained buoyant in 2H19 versus prior corresponding period
- Current pipeline of equipment hire opportunities at record levels



## Financial Results



# Financial Results Summary

## Summarised P&L (\$'000)<sup>1</sup>

Year ended 30 June	FY18 Pro-forma	FY19	Var %	Var \$
Sales	65,344	71,010	9%	5,666
Total Contribution	39,331	42,615	8%	3,284
Contribution Margin	60.2%	60.0%	0%	
<b>EBITDA<sup>2</sup></b>	<b>10,604</b>	<b>11,550</b>	<b>9%</b>	<b>946</b>
EBITDA Margin	16.2%	16.3%	0%	
Depreciation		-3,262		
EBIT		8,288		
Net Interest		-723		
Pre-tax Profit		7,565		
Tax Expense		-59		
<b>NPAT</b>		<b>7,506</b>		
NPAT (reported)		4,948		
EPS (¢ps)		4.36		
DPS (¢ps)		2.00		

## Reconciliation to Underlying NPAT (\$'000)

Year ended 30 June	FY19
<b>NPAT (reported)</b>	<b>4,948</b>
add: Share based payments	1,420
add: Significant items	1,138
<b>NPAT (underlying)</b>	<b>7,506</b>

## Commentary

- Sales revenue up 9%, supported by 10-month contribution from Natform and stronger Formwork business revenue
- Sales contribution up 8%, with Margin down 20bps on lower Scaffold business earnings
- EBITDA up 9%. EBITDA margin flat, assisted by diligent cost control
- Depreciation of \$3.3m includes adoption of new depreciation policy, Natform assets, and additional formwork equipment acquired in line with Acrow's growth strategy
- Available carry forward tax losses of \$40m to be utilised against profits in Acrow business. Tax losses utilised during the year
- Significant items predominantly relate to share-based payments (\$1.4m), non-recurring acquisition costs & finance restructuring costs
- Final dividend of 1.0 cent per share (unfranked) declared. Full year dividend of 2.0 cents per share

Note: 1. Underlying results unless otherwise stated. 2. EBITDA is a non-statutory disclosure that is calculated as earnings before interest, tax, depreciation, amortisation and share based payment expense. Underlying EBITDA excludes significant items.



# Segmental Overview

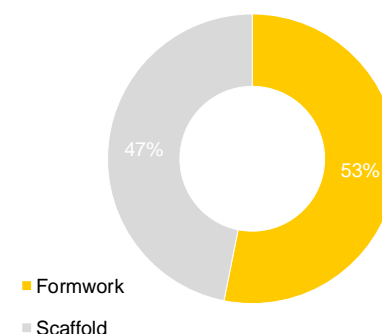
## Summarised Segmental Performance (\$000)<sup>1</sup>

Year ended 30 June	FY18	FY19	% Var.	\$ Var.
Formwork	29,720	37,730	27%	8,010
Scaffold	35,624	33,280	-7%	-2,344
<b>Total Revenue</b>	<b>65,344</b>	<b>71,010</b>	<b>9%</b>	<b>5,666</b>
Formwork	19,522	27,340	40%	7,818
Scaffold	19,809	15,275	-23%	-4,534
<b>Total Contribution</b>	<b>39,331</b>	<b>42,615</b>	<b>8%</b>	<b>3,284</b>
<i>Contribution Margin</i>	60.2%	60.0%		
Yard Related Expenses	12,160	13,977	15%	1,817
Labour	12,515	14,029	12%	1,514
Other	4,052	3,060	-24%	-992
<b>Total Overheads</b>	<b>28,727</b>	<b>31,065</b>	<b>8%</b>	<b>2,338</b>
Significant Items	-536	-897	67%	-361
<b>Reported EBITDA</b>	<b>10,068</b>	<b>10,653</b>	<b>6%</b>	<b>585</b>
<b>Underlying EBITDA<sup>2</sup></b>	<b>10,604</b>	<b>11,550</b>	<b>9%</b>	<b>946</b>
<i>Margin</i>	16.2%	16.3%		

## Commentary

- Formwork business, including 10-month contribution from Natform reported a 27% increase in revenue over the year
- Scaffold business revenue down 7%, primarily from softer Queensland and New South Wales markets
- Group sales contribution up 8% on prior year to \$42.6m, supported by 40% growth in Formwork business. Contribution margin stable over the year with margin gains in Formwork offset by weakness in Scaffold
- Strong cost discipline contained total overheads increase to just 8%, including Natform overheads over the year. Excluding Natform, total overheads declined 3%

## Revenue by Business Unit



Note: 1. Tables over following three pages represent new segmental reporting format to better reflect business unit performance. Traditional segmental breakdown has been provided in Appendix for comparative purposes only. 2. Underlying EBITDA excludes significant items.

# Formwork Overview

## Summarised Performance (\$000)

Year ended 30 June	FY18	FY19	% Var.	\$ Var.
Formwork Hire	15,583	21,666	39%	6,083
Formwork Sales & Consumables	14,137	16,065	14%	1,928
<b>Total Revenue</b>	<b>29,720</b>	<b>37,730</b>	<b>27%</b>	<b>8,010</b>
Formwork Hire	15,583	21,666	39%	6,083
Formwork Sales & Consumables	3,939	5,674	44%	1,735
<b>Total Contribution</b>	<b>19,522</b>	<b>27,340</b>	<b>40%</b>	<b>7,818</b>
<i>Contribution Margin</i>	65.7%	72.5%	7%	

## Commentary

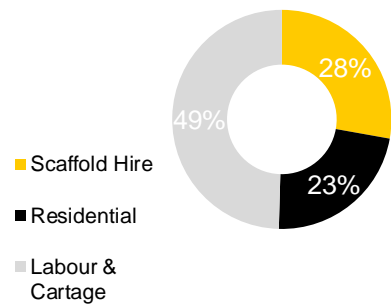
- Formwork hire revenue up 39% on prior period, includes 10-month contribution from Natform. Like for like sales up 5%.
- Sales contribution up 40% to \$27.3m and Contribution margin up 680bps to 72.5%
- Softer equipment hire revenues in Queensland, offset by benefit from growth capital deployment in Victoria and South Australia
- Growth capital of \$5.5m delivered into east coast yards. Majority deployed towards end of 4Q19. Specific capex returns are in line with expectations of greater than 40%
- Natform trading below expectations, impacted by project delays in traditional markets
- Strategic rationale for Natform acquisition remains intact. Sales teams integrated, with seven contract wins from cross-sell opportunities, including four in non-traditional Natform markets of Melbourne and Adelaide. Six of the seven contract wins have commenced delivery.
- Formwork Sales & Consumables strength reflective of higher formwork hire activity levels and enforced discipline on recouping losses on hire equipment
- Pipeline of opportunities as at 30 June 19 up strongly on same time last year

# Scaffold Overview

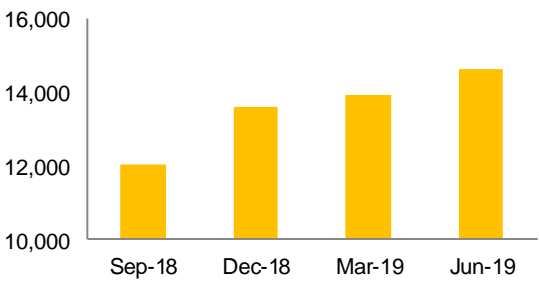
## Summarised Performance (\$000)

Year ended 30 June	FY18	FY19	% Var.	\$ Var.
Scaffold Hire	14,297	9,257	-35%	-5,040
Residential	7,684	7,529	-2%	-155
Labour & Cartage	13,643	16,494	21%	2,851
<b>Total Revenue</b>	<b>35,624</b>	<b>33,280</b>	<b>-7%</b>	<b>-2,344</b>
Scaffold Hire	14,297	9,257	-35%	-5,040
Residential	3,384	3,074	-9%	-310
Labour & Cartage	2,128	2,944	38%	816
<b>Total Contribution</b>	<b>19,809</b>	<b>15,275</b>	<b>-23%</b>	<b>-4,534</b>
<i>Contribution Margin</i>	55.6%	45.9%	-10%	

## Revenue by Business



## Commercial Scaffold Hire tonnage (qtlly average)



## Commentary

- Scaffold business revenue impacted by weaker activity and increased competitive pressures, primarily in key Queensland and New South Wales markets
- Sales contribution down 23% and Contribution margin down 970bps to 45.9%
- Acrow meeting the market on aggressive pricing behaviour on commercial scaffold hire rates by competitors. Volume steadily trending up over the year represents market share gains.
- Early signs of market stabilising, with recent quotations on hire rates showing price growth, particularly in New South Wales
- Labour & Cartage revenue and Sales contribution up strongly, reflecting market share and volume gains over the year
- Executing on strategic decision to exit Residential businesses in Sydney and Melbourne, to accommodate yards for higher margin formwork product:
  - Melbourne exited April 2019 (~\$300k impact to sales contribution)
  - Sydney market to be reviewed over the next six months
- Pipeline remains stable

# Balance Sheet

## Consolidated Balance Sheet (\$'000)

Year ended 30 June	Jun-18	Jun-19
Cash	4,918	3,290
Receivables	10,549	13,498
Inventory	2,111	3,413
Other Financial Assets	492	-
Other Current Assets	193	780
<b>Total Current Assets</b>	<b>18,263</b>	<b>20,981</b>
Other Financial Assets	312	-
Intangibles	-	7,302
Deferred Tax assets	-	-
Property, Plant & Equipment	31,711	46,993
<b>Total Assets</b>	<b>50,286</b>	<b>75,276</b>
Creditors & Accruals	7,813	10,220
Provisions	3,427	3,872
Loans and borrowings	-	6,939
Current tax liabilities	-	556
Deferred tax liabilities	-	1,684
Other Payables	-	4,437
<b>Total Liabilities</b>	<b>11,240</b>	<b>27,708</b>
<b>Net Assets</b>	<b>39,046</b>	<b>47,568</b>
<b>Net cash/(debt)</b>	<b>4,918</b>	<b>-3,649</b>

## Commentary

- Strong balance sheet position as at 30 June 19
- Net debt position of \$3.6m, significant financing headroom with four year \$15M facility in place with Westpac
- Net working capital has increased by ~\$2m, reflective of increase in debtors' days
- Intangibles relates to goodwill associated to Natform acquisition
- Replacement value of Hire Equipment continues to be greater than \$100m
- Available carry forward tax losses of approximately \$40m are not reflected in the balance sheet. However, tax losses are able to be utilised against profits in the core Acrow business.
- AASB9 and AASB15 were fully implemented during the year

# Cash Flow

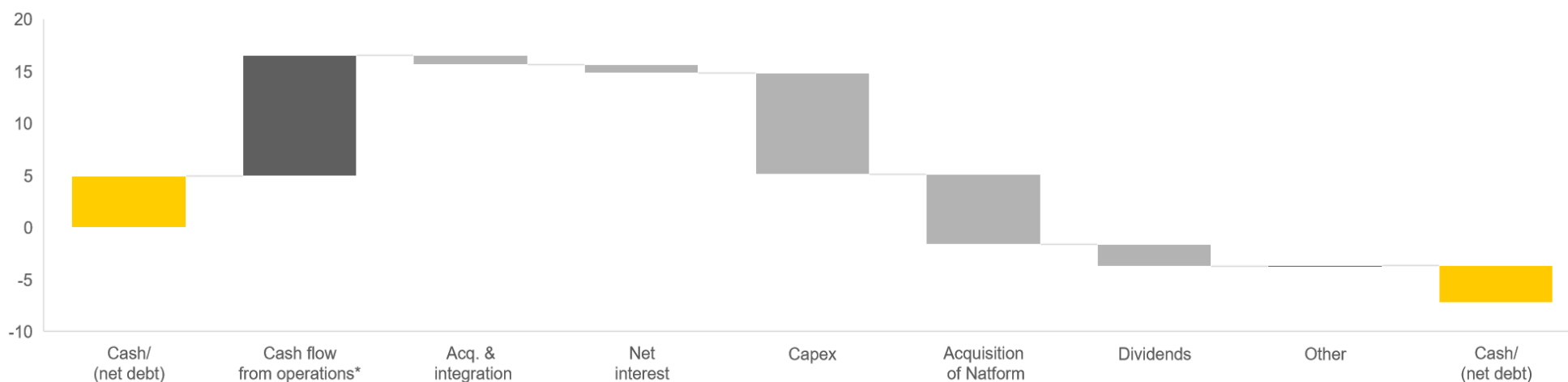
## Operating Cash Profit (\$'000)

Year ended 30 June	FY15	FY16	FY17	FY18	FY19
<b>Underlying EBITDA</b>	<b>3,098</b>	<b>5,249</b>	<b>8,915</b>	<b>10,604</b>	<b>11,550</b>
Maintenance capex	-2,062	-1,524	-2,356	-1,810	-2,741
Cash tax	-	-	-	-	-
<b>Operating Cash Profit</b>	<b>1,036</b>	<b>3,725</b>	<b>6,559</b>	<b>8,794</b>	<b>8,809</b>

## Commentary

- The proxy for operating cash profit in the Acrow business is Underlying EBITDA less maintenance capex and tax paid. Operating cash profit has remained flat
- Cashflow from operations \$11.6m<sup>1</sup>.
- Capital expenditure of \$9.6m relates to growth capex of \$6.9m and maintenance capex of \$2.7m
- Natform acquisition in Sept 18 included cash consideration of \$7.1m in FY19
- Company has commenced paying dividends. 0.5 cent per share maiden dividend paid in Oct 18 and 1.0 cent per share interim dividend paid in Apr 19

## Cashflow Bridge (\$m)

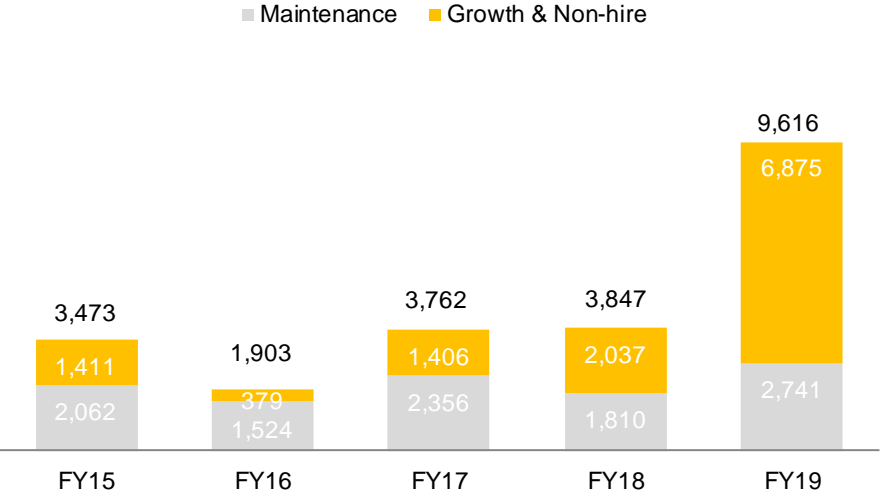


Note: 1. Cashflow from Operations includes recoveries from lost or damaged hire equipment, reported as "Proceeds from disposal of PPE in the Statement of Cashflows"



# Capital Expenditure

## Growth and Maintenance Capex (\$'000)



## Commentary

- The charts at left present the historical gross and net capex spend, split between growth and maintenance, for the historical periods FY15 to FY19
- Maintenance capex has averaged ~\$2.5m p.a. over the historical period. This capex represents spend on maintaining the existing hire equipment
- FY19 capex includes:
  - \$6.9m of new equipment to accommodate developing sales pipeline/ high utilisation of existing equipment to service the high growth infrastructure sector
  - Elevated maintenance capex due to Natform acquisition
- Update on deployment of recent growth capex:
  - This equipment is being allocated to targeted new projects and the Board reiterate their confidence of achieving annualised returns of greater than 40% on this investment

## Business Strategy



# Business Strategy

Continue to Execute on Strategy of Creating Long-term Shareholder Value



Vision of becoming  
the leading  
Engineered  
**Formwork**  
**Hire**  
**Equipment**  
**Solutions**  
provider in Australia



Recruit train and  
retain the best  
management and  
engineering  
**Talent** to drive  
the business



**Organic**  
**Growth**  
opportunities  
across States,  
cross-sell and new  
products



Earnings accretive  
**Acquisitions**  
primarily across  
formwork solutions  
but may include  
strategically  
positioned scaffold  
businesses

# Our Vision

To be the Leading Provider of Engineered Formwork Hire Equipment Solutions to the Australian Construction Market

- The acquisition of Natform and the success of its integration into Acrow has crystalised the vision of our business.
- Future investment in our business will focus on organic growth and M&A opportunities

1

## Full-Service Provider

- Opportunity to develop into a full service provider of formwork hire solutions to the Civil, Commercial and Residential Construction sectors across all states and territories

2

## Value-driven Service Offering

- Acrow provides service solutions for the the highly technical, critical path, non-commoditised segments of the construction industry, where engineering capability, flexibility and innovation of design and reliability of equipment are valued more than price

# Our People

It is the Customer Solutions Focus, Flexibility, Urgency, and Can-Do Attitude of our People that will Drive the Acrow Difference

- Acrow is investing heavily in its people -
  - Maintaining a strong, experienced and successful Senior Management team
  - Developing in-house Engineering expertise with a commercial customer solutions focus.
  - Education and training – Encourage upskilling and accreditation for key professional staff
  - Recruitment – Continue to recruit highly experienced and qualified like minded professionals to continue growth

## Recent Senior Appointments

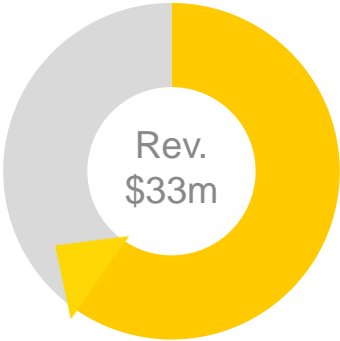
<b>Andrew Crowther</b> Chief Financial Officer	<ul style="list-style-type: none"><li>- Andrew has 20 years experience in the financial services sector including property &amp; infrastructure funds and asset management, superannuation and financial advice, consumer finance and leasing and business finance. He has held senior finance roles in both institutional and medium sized financial services businesses and joined Acrow in July.</li></ul>
<b>Jan Pienaar</b> QLD General Manager Acrow.	<ul style="list-style-type: none"><li>- Jan has 10 years of experience in the Australian Formwork market having held senior management positions with two of Acrow’s main competitors over this period</li></ul>
<b>Nicolas Dunn</b> National General Manager Business Development.	<ul style="list-style-type: none"><li>- Nicolas has 21 years of experience in the Australian and South East Asian Formwork markets having held both Managing Director and National Sales Manager roles with one of Acrow’s main competitors over this period</li></ul>
<b>Mick Miller</b> Project Sales Representative - Civil	<ul style="list-style-type: none"><li>- Michael brings 20 years’ experience in infrastructure projects specialising in FRP scope on power stations, water and wastewater treatment plants, dams and large-scale bridge and underpass structures. He recently joined the Acrow team to spearhead NSW formwork growth in the industrial and civil markets</li></ul>



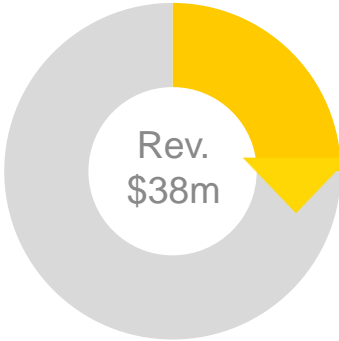
# Growth Opportunities

Leverage Cross-sell Opportunities to Expand into New Markets with New Products and Services

## Scaffold



## Formwork



### Competitive Advantage

National Footprint  
Equipment Flexibility

National Footprint  
Engineering Capability  
Equipment Flexibility  
Reliability

### Growth Opportunity

Cross-sell Formwork/Scaffold/Screens  
New Products - Industrial Scaffold  
New Markets – Industrial Scaffold

Cross-sell Formwork/Scaffold/Screens  
Increase Product Range - Civil  
New Markets – Civil  
Strategic Acquisitions

### FY20 Priorities

Uni-span Acquisition  
Enter Industrial Scaffold Market - National

NSW & Vic. Expansion  
Uni-span Acquisition

## Trading Update & Outlook



# Trading Update & Outlook

## Hire Revenue Pipeline at Record Levels

### Commentary

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- New financial year has commenced in line with 4Q19
- Potential pipeline at record levels, up 61% on same time last year
- Industry forecasts point to buoyant transport infrastructure construction activity through to FY23, especially in the key growth markets of New South Wales and Victoria.
- Commercial construction predicted to remain buoyant for the balance of the year
- Residential construction activity predicted to remain soft for at least 18 months
- Balance sheet well positioned to execute on strategic organic and M&A growth opportunities
- Potential acquisition of Uni-Span progressing. Business would provide scale benefits and highly complementary and strategic assets across formwork and industrial scaffold markets. Potential for sizeable cost-synergies. Capacity to fund acquisition through expanded debt facilities
- Acrow businesses well positioned to leverage growth opportunities
- A further update will be provided at the time of the Annual General Meeting

## Appendix



# Segmental Overview (Traditional Format)

## Summarised Segmental Performance (\$000)

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<b>Total Revenue</b>	<b>65,344</b>	<b>71,010</b>	<b>9%</b>	<b>5,666</b>
Formwork Hire	15,583	21,666	39%	6,083
Scaffold Hire	14,297	9,257	-35%	-5,040
Residential	3,384	3,074	-9%	-310
Labour & Cartage	2,128	2,944	38%	816
Formwork Sales & Consumables	3,939	5,674	44%	1,735
<b>Total Contribution</b>	<b>39,331</b>	<b>42,615</b>	<b>8%</b>	<b>3,284</b>
<i>Contribution Margin</i>	60.2%	60.0%		
Yard Related Expenses	12,160	13,977	15%	1,817
Labour	12,515	14,029	12%	1,514
Other	4,052	3,060	-24%	-992
<b>Total Overheads</b>	<b>28,727</b>	<b>31,065</b>	<b>8%</b>	<b>2,338</b>
Significant Items	-536	-897	67%	-361
<b>Reported EBITDA</b>	<b>10,068</b>	<b>10,653</b>	<b>6%</b>	<b>585</b>
<b>Underlying EBITDA</b>	<b>10,604</b>	<b>11,550</b>	<b>9%</b>	<b>946</b>
<i>Margin</i>	16.2%	16.3%		

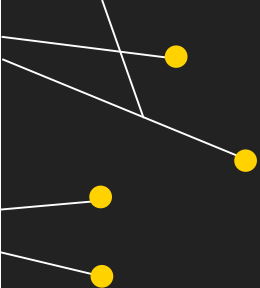
## Commentary

- Traditional segmental reporting format to be replaced by new format, more reflective of business unit performance
- Formwork business unit** to comprise Formwork Hire and Formwork Sales & Consumables
- Scaffold business unit** to comprise Scaffold Hire, Residential and Labour & Cartage



# Reconciliation of Earnings (\$000)

Year ended 30 June	Underlying	Significant items adj.	Reported
<b>EBITDA</b>	<b>11,550</b>	<b>-897</b>	<b>10,653</b>
Depreciation	-3,262		-3,262
Net interest	-723	-241	-964
<b>Pre-tax profit</b>	<b>7,565</b>	<b>-1,138</b>	<b>6,427</b>
Share based payments		-1,420	-1,420
Tax expense	-59		-59
<b>Net Profit after tax</b>	<b>7,506</b>	<b>-2,558</b>	<b>4,948</b>



Thank you

