

14 August 2023

ACROW ANNOUNCES RECORD FY23 FINANCIAL RESULTS, FY24 GUIDANCE FOR 29% EBITDA GROWTH (UNAUDITED)

Key Highlights

- Record financial results
- NPAT (underlying) up 71% on PCP, EPS (underlying) up 63% on PCP
- Final dividend of 2.7 cents, fully franked
- Return on Equity of 32.7%, up 9.7 ppts
- Record new hire contracts secured up 34%, and pipeline up 70%
- Strategic capital investment across Jumpform, premium screens and panels assets
- FY24 guidance for EBITDA growth of 29% on PCP

Acrow Formwork and Construction Services Limited (ASX: ACF) (“Acrow” or the “Company”) is today pleased to report the FY23 full year financial results. The Company reported record sales revenue, EBITDA, and underlying NPAT, up 14%, 47%, and 71%, respectively. A final dividend of 2.7 cents per share (fully franked) was declared with record full year dividends of 4.4 cents per share paid and declared in FY23.

Year ended 30 June (\$000)	FY23	FY22	Variance	% change
Sales	168,495	148,346	20,149	14%
EBITDA	53,237	36,312	16,925	47%
NPAT (underlying)	30,488	17,812	12,676	71%
NPAT (reported)	23,456	15,694	7,763	49%
EPS (underlying) (cps)	11.7	7.2	4.5	63%
Dividends (cps)	4.4	2.7	1.7	63%

Key financial highlights include:

- Group revenue up 14% on PCP to \$168.5m, assisted by a strong trading performance in the formwork division, up 29% on PCP and commercial scaffold division, up 9%. Performance continues to be predominantly organically generated
- Sales contribution of \$104.6m, up 29%, with 77% of uplift generated from stronger equipment hire across all divisions. Margin up 7.3 ppts to 62.1%, benefitting from the mix change towards hire revenue as a proportion of total revenue
- Underlying EBITDA of \$53.2m, up 47%, accelerating in 2H FY23 due to scale benefits. EBITDA margin of 31.6%, up 7.1ppts
- Underlying NPAT of \$30.5m, up 71%
- Underlying Earnings Per Share up 63% to 11.7 cents per share

- Full year dividend per share up 63% to 4.4 cents per share
- Net debt to EBITDA reduced to 1.0 times vs. 1.1 times in PCP. Includes only 2 months of earnings contributions from asset acquisitions reported in May 2023 against directly associated borrowings of \$16m¹
- Return on Equity at a record level of 32.7% up 9.7 ppts

Commenting on the results, Acrow CEO, Steven Boland, said: "I am thrilled to reflect on our incredible journey over the past five years. Our mission was to become the leading engineered formwork sales and hire equipment solutions provider in Australia, and I'm proud to say that we have achieved that goal."

"I'm particularly pleased about the remarkable progress we've made in expanding our market presence. Our products, engineering expertise, and national footprint have allowed us to become involved in most major transport infrastructure projects across the country. Additionally, our recent entry into the industrial scaffold market has opened new opportunities for us to replicate our formwork market success in the maintenance shutdown market and general industrial sectors."

"Our unwavering commitment to efficiently deploying capital has resulted in substantial value creation for our shareholders. The scale benefits we've achieved across the group have driven record profits, margins, operating leverage, and returns. Our return on equity of 32.7% in FY23 is undoubtedly one of the highest returns achieved in the industry, and it reinforces our dedication to maximizing shareholder value as well as the success of our disciplined capital investment program."

"Our Formwork division had an exceptional year in FY23, marked by several key milestones. We successfully launched the Jumpform business, made strategic acquisitions of premium screens and panel assets along with accompanying contracts, and developed and deployed proprietary formwork products specifically designed for the Australian market. Our first product *Powershore 150* was launched into the market during the year, with our second product *Acrowdeck* due to launch in the first half of this year. Over time we will continue to develop and deploy new Acrow designed products into the market."

"Market share gains and the deployment of our extensive product portfolio around the country resulted in some notable achievements during the year:

- Queensland and New South Wales delivered strong growth, up 46% and 41%, respectively;
- the screens business reported record revenues and profits; and
- early revenues generated from our new Jumpform business have been very promising. We secured some pleasing contract wins in the June/July period and generated a robust \$26m pipeline within just two months of active marketing."

"Improvements in hire rates and volumes continued into the second half of the year in the Commercial Scaffold division, largely due to higher funding costs leading customers to opt for hiring equipment instead of purchasing."

"As previously guided, the Industrial Services division experienced softer conditions in the second half of the year due to fewer maintenance shutdowns scheduled during the period. Nevertheless, I am very confident that FY24 will bring a return to an enhanced program of work for this division,

¹ EBITDA is calculated on a pre-AASB16 basis.

including our recently announced contract on the Snowy 2.0 project. Revenues and profits are forecast to show substantial improvements in this division in FY24.”

Capital Expenditure

Total capital expenditure in FY23 was \$23.4m (excluding screen and panel acquisitions in April and June of \$23.5m), with \$5.6m spent on maintenance capital and \$17.8m deployed on growth capital.

Acrow continues to target a minimum 40% return on its investments. During FY23 Acrow achieved an annualised return on investment of 58%.

In FY24, Acrow is budgeting for \$23.5m in capital expenditure (\$19.5m growth, \$4m stay-in-business), representing approximately 10% of FY23 total assets.

Balance Sheet and Cashflow

Debt headroom rose by \$3.4m to \$16.6m, and net debt rose by \$13.5m to \$46.6m, primarily due to the acquisition of the premium screen and panel assets in April/May that contributed a net \$16m to debt.

The Company remains comfortable with gearing ratios. Net gearing rose by 2.8 ppts to 31.1%, net debt to EBITDA¹ remained flat at 1.1 times (noting that \$16m was deployed in April/May for asset acquisitions with just two months of earnings contributions).

Dividends paid during the year totalled \$7.4m, net of the dividend reinvestment plan.

Tax paid rose to \$3.0m, as the carry forward tax losses become depleted.

Priorities and Outlook

The Acrow Board is pleased to provide FY24 revenue and EBITDA guidance, underpinned by the following:

- record secured hire contract wins of \$67.5m (+34% on PCP);
- a current pipeline of \$142.3m (+70% on PCP);
- an additional 10-months of EBITDA contributions of approximately \$8m, associated with the premium screens and panels acquisitions in April/May 2023; and
- full year contributions from the FY23 capital investment program.

Metric	FY24 guidance	FY23 actual	% change on FY23 ²
Sales	\$195.0m - \$200.0m	\$168.5m	+16%
EBITDA	\$67.0m - \$70m	\$53.2m	+29%

Longer-term, the key drivers of growth are expected to include:

- **Jumpform** - expansion of the business across Acrow's national footprint;

² Midpoint

- **Screens** – continued market share gains for the Natform screens, and deployment of the premium screens outside of the Queensland market;
- **Industrial Services** – expansion into new products and markets around Australia, plus an active M&A pipeline to enter new territories and markets; and
- **New product development** – the design and delivery of proprietary new equipment for the Australian formwork market.

“In concluding, Steven Boland said: “I am very optimistic about FY24, which is shaping up to be another year of substantial growth for Acrow. The record number of hire contracts secured in FY23 and our solid pipeline gives us the confidence to anticipate another year of achieving record hire revenues.”

“In the civil formwork market, Acrow is strategically positioned nationwide to capitalise on the projected increase in major transport infrastructure spending. Industry projections indicate that investment in projects is expected to double over the next five years compared to the last five years³. This bodes well for our company's growth prospects in this sector.”

“Our recently launched Jumpform business has exceeded expectations, generating an impressive \$26m pipeline within just two months of active marketing. The strong early support for our new jacking system demonstrates the potential it holds and reaffirms our commitment to investing in innovative new products.”

“The acquisition of the premium screens assets has further enhanced our existing screens business. These assets grant us access to the Tier 1 multi-storey market, where heavy-duty protection screens are in demand. As part of our expansion strategy, we plan to position the premium screens, currently limited to Queensland, nationwide over time.”

“The strategic shift of our engineering efforts to also focus on the development of new products designed specifically for the Australian formwork market will consolidate our position as the leading seller and hirer of formwork equipment in Australia and will open up significant new channels across the country for revenue and profit growth.”

“At Acrow, we place great emphasis on succession planning, internal training, and fostering talent through our broad cadetship program. These efforts, combined with the addition of high-calibre external appointments over the past year, continue to reinforce Acrow's standing as a market leader in the sectors we operate in.”

“As we move into FY24, I am confident that our strategic positioning, commitment to innovation, and focus on talent development will drive our continued success. The dedication of our team and the ongoing support from our valued clients will be instrumental in achieving our ambitious goals. I thank all our team for their efforts that led to this remarkable set of results. Together, we look forward to another year of substantial progress and achievements for Acrow.”

This release was approved by the Acrow Board of Directors.

This summary should be read in conjunction with the presentation released to the ASX today.

³ *Macromonitor, August 2023*

The results will be presented by CEO & Managing Director, Steven Boland, and CFO Andrew Crowther, on an investor and analyst briefing call at 11.00 am AEST on Tuesday, 15 August 2023. Call access details were provided in a separate release to the ASX on Monday, 31 July 2023.

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About Acrow

Acrow Formwork and Construction Services Limited (ASX: ACF) provides engineered formwork, scaffolding and screen systems solutions as well as in-house engineering and industrial labour supply services to its construction sector clients.

Acrow is made up of three distinct business divisions: Acrow Formwork and Scaffolding Pty Ltd, which hires high-quality scaffolding and provides bespoke engineered formwork for major building construction and infrastructure projects in Australia; Natform Pty Ltd, a specialist screen systems provider which designs and hires screen systems for the construction industry; and Uni-span Australia Pty Ltd, a provider of formwork and scaffolding solutions, equipment and services, which is complemented by in-house engineering and industrial labour supply.

Acrow currently operates in 10 locations across Australia and owns over 60,000 tonnes of formwork and scaffolding products. The Company has identified a number of near-term growth opportunities and is focused on growing its footprint in the civil infrastructure market of Australia's east coast, with a particular focus on New South Wales and Victoria. To learn more, please visit: www.acrow.com.au

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