

6 November 2023

ACROW BOLSTERS INDUSTRIAL SERVICES CAPABILITY WITH THE ACQUISITION OF MI SCAFFOLD

Acrow Formwork and Construction Services Limited (ASX: ACF) (“Acrow” or the “Company”) is pleased to announce that it has entered a Share Purchase Agreement to acquire 100% of the issued shares in MI Scaffold Pty Ltd (“MI Scaffold”) for an enterprise value of \$36.4 million on a cash-free and debt-free basis, comprising of upfront consideration of \$26.4 million and potential deferred consideration up to \$9.9 million (the “Acquisition”).

MI Scaffold is a leading provider of scaffolding, rigging and access solutions throughout the North and Central Queensland market and is highly complementary to Acrow’s existing portfolio of specialised industrial services and engineering solutions across Australia. MI Scaffold has a highly recurring, long standing, blue-chip client base, predictable revenues and has a strong focus on infrastructure, resources, industrial and marine sectors.

The upfront consideration of the Acquisition reflects a multiple of approximately 4.0x EV/EBITDA¹ and is expected to be high-single digit EPS accretive on a pro-forma basis. The Acquisition is currently expected to complete in mid-November and subject to customary conditions, financing and working capital adjustments.

Key Transaction Highlights

- Strategic acquisition extending growth of Acrow’s industrial services platform into new markets, capabilities, and customers nationally
- Structured acquisition consideration including material earn-out component based on future financial performance
- Acquisition to be funded by equity raising via institutional placement and newly expanded Westpac debt facility
- Financially attractive and is expected to be high single-digit EPS accretive on an underlying, pro-forma basis, before synergies
- Updated FY24 EBITDA guidance of \$72.0 to \$75.0 million (previously \$67.0 to \$70.0 million), reflective of Acquisition contribution

Steven Boland, CEO of Acrow, noted: “MI Scaffold is a highly attractive acquisition aligned with Acrow’s strategic plan to pursue selective growth in industrial services and enhance Acrow’s recurring revenue base and geographic footprint across Australia.”

“MI Scaffold will bolster Acrow’s recurring revenue base and geographic presence within the North Queensland region, strengthening Acrow’s existing industrial services expertise in scaffolding and

¹ Normalised average EBITDA over the three years FY2021 to FY2023.

access solutions across a diverse range of end-markets including the infrastructure, resources, industrial and marine sectors. Through this Acquisition, we are strategically enhancing our exposure to industrial services, acquiring new capabilities to deliver nationally, expanding our blue-chip client base, and capitalising on significant growth opportunities which we expect to unfold within the Queensland region over the next decade. MI Scaffold is an excellent cultural fit and we are excited to bring the business into the Acrow family as we embark on this next phase of growth.”

Overview of MI Scaffold

Founded in Mackay in 2012, MI Scaffold is a market leading scaffolding, access and rigging services provider to larger scale infrastructure in Northern and Central Queensland. MI Scaffold offers leading end-to-end industrial scaffolding services, including design engineering, labour and equipment with exceptional capability in complex, engineering-led solutions.

With approximately 180 employees across two established locations in Mackay and Gladstone, MI Scaffold’s customer base spans a diverse range of end-markets including marine & port operations, energy, mining & industrial, rail & logistics, infrastructure maintenance, construction, maintenance, government, and commercial. MI Scaffold maintains a strategic focus on blue-chip clients with long standing relationships underpinning success and revenue visibility.

MI Scaffold has invested heavily in Layher® scaffold equipment, a leading German technology synonymous with state-of-the-art equipment and a significant differentiator for clients requiring complex and safe scaffold solutions.

MI Scaffold is run by a highly capable and independent senior management team, which will continue to drive the growth and success of the business under Acrow’s ownership.

Strategic Rationale

The Acquisition represents a major expansion of Acrow’s industrial services presence in the North and Central Queensland market and is consistent with Acrow’s strategy of enhancing its recurring revenue business, and diversifying its service offering. The strategic rationale for the Acquisition includes:

- ✓ MI Scaffold is both a financially and strategically attractive industrial services business for Acrow
- ✓ Improved competitive positioning and scale
- ✓ The business is highly complementary to Acrow’s existing Industrial Services division, providing access to blue-chip clients and diversification opportunities into infrastructure, resources, industrial and marine markets
- ✓ Improved overall utilisation of scaffolding and best practice opportunities across both organisations
- ✓ Longer-term revenue synergy potential including cross-sell opportunities and national rollout of expanded capabilities
- ✓ Structured acquisition consideration based on future financial performance and expected to be high single-digit EPS accretive on an underlying, pro-forma basis, before inclusion of any synergies

Proposed Acquisition Structure and Financial Impact

Acquisition structure and consideration comprised of the following:

- **Upfront Cash Consideration:** upfront cash payment of \$26.4 million upon completion, representing ~4.0x EV/EBITDA (based on a three-year normalised average EBITDA between 2021 and 2023 of ~\$6.6 million)
- **Earn-Out Consideration:** up to an additional \$9.9 million in cash consideration over two individual 12-month periods following date of completion, based on EBITDA performance and in accordance with the following:
 - o **Tranche 1:** Period based on first 12 months following completion:
 - \$4.95 million cash payment based on achievement of \$9.1 million EBITDA and pro-rata down to nil based on EBITDA of \$6.6 million
 - o **Tranche 2:** Period based on subsequent 12-month period following Tranche 1 earn-out:
 - Additional \$4.95 million cash payment based on achievement of \$9.1 million EBITDA and pro-rata down to nil based on EBITDA of \$6.6 million
- Achievement of \$9.1 million EBITDA in each Tranche earn-out period would imply total consideration of \$36.4 million and ~4.0x EV/EBITDA
- Potential earn-outs to be funded through combined group cashflows

The Acquisition is expected to have the following financial effect on Acrow on a pro forma basis:

- High single digit EPS accretion on underlying, pro-forma basis, before inclusion of any synergies
- Net debt / EBITDA of 0.8x²

Acquisition Funding and Debt Facility Update

Completion of the transaction is scheduled to occur in mid-November 2023, subject to customary conditions for an acquisition of this nature and final funding approval from Westpac.

The acquisition will be funded by a combination of:

- \$15.0 million - Proceeds from an underwritten equity placement; and
- \$15.0 million - Expanded Westpac debt facilities

Subject to final approval, the debt component of the transaction will be funded through an enlarged debt facility with Acrow's incumbent and highly supportive bank, Westpac Banking Corporation. Acrow's new facilities have been enlarged to assist to fund the Acquisition as well as support Acrow's ongoing growth.

² Calculation based on Acrow net debt at 30-June 23 of \$46.4m plus \$15.0m new acquisition debt facility divided by midpoint of new FY24 guidance range of \$72m - \$75m.

Placement Details

Acrow has today completed a placement to institutional and sophisticated investors to raise \$15.0 million to partly fund the Acquisition (“Placement”). The Placement was well supported by new and existing shareholders by way of a fixed price offering at \$0.80 per share, representing a 6.9% discount to the 5-day VWAP and a 7.0% discount to last close, and will result in an issue of approximately 18.7 million new ordinary shares.

Secondary Offering

Concurrent with the Placement, Mr Steven Boland will sell up to 2.0 million existing fully paid ordinary shares to investors via a secondary offering (Secondary Offering). The shares offered under the Secondary Offering will be sold at the same price as the Placement.

Approximately 0.63 million shares (\$0.5 million) will be sold to interests associated with, the chairman of Acrow, Mr Peter Lancken.

Mr Boland remains committed to Acrow and has confirmed that no further shares will be sold over the next 12 months.

Upgraded FY24 Guidance to Reflect Acquisition Contribution

Acrow’s underlying business continues to trade in line with the previous guidance range. As a result of today’s announcement, Acrow has upgraded its FY24 earnings guidance to reflect the contribution for the Acquisition. A summary is as follows:

Metric (Underlying)	FY24 Guidance (New)	FY24 Guidance (Previous)	% Chg on FY23 ³
Revenue	\$215m - \$225m	\$190m - \$200m	up 31%
EBITDA	\$72m - \$75m	\$67m - \$70m	up 38%

The forecasts are underpinned by the following:

- Secured hire revenue contracts in FY23 of \$67.5 million up 35% on pcp.
- Asset acquisitions and MI Scaffold to contribute estimated \$12.4 million in incremental EBITDA (\$17.1 million annualised)
- Revenue and profit to be generated from FY23 capital expenditure program
- FY24 capex budget including MI Scaffold circa. \$25 million. Stay in business \$6 million, Growth \$19 million.

³ Based on midpoint

Key Dates

Trading Halt	Friday, 3 November 2023
Resume normal trading and announce Acquisition and results of Placement	Monday, 6 November 2023
Settlement of new shares issued under the Placement	Thursday, 9 November 2023
Allotment and trading of new shares issued under the Placement	Friday, 10 November 2023

Note: The dates in the timetable above are Sydney, Australia time. All dates are indicative only and may change without notice.

Advisers

Morgans Financial Limited and Shaw & Partners Limited are acting as Joint Lead Managers of the Placement. MA Moelis Australia is acting as corporate and financial adviser, Grant Thornton is acting as accounting and tax due diligence advisers and Owen Hodge is acting as legal adviser to Acrow on the Acquisition.

Investor Briefing Invitation

Investors and analysts are invited to attend a briefing to be presented by CEO, Steven Boland, and CFO, Andrew Crowther, which is scheduled for today at 11.00am AEDT. Participants can register using the link below:

<https://s1.c-conf.com/diamondpass/10034922-hfytu7.html>

Once the registration form is completed, participants will receive a confirmation email with details on how to access the briefing.

This release was approved by the Acrow Board of Directors.

-ENDS-



About Acrow

Acrow Formwork and Construction Services Limited (ASX: ACF) is a leading provider of smart integrated construction systems across formwork, industrial services and commercial scaffolding in Australia. Enhancing our portfolio are falsework and shoring, screen solutions, Jacking Systems (also known as Jumpform), and internal engineering capabilities.

With over 80 years of experience, Acrow has grown from a small local business to a national leader in the construction industry. Our journey is marked by continuous innovation, expansion, and a vision to set the national standard in engineered industrial and construction services. We're committed to removing barriers to success for construction and industrial professionals through our smart solutions, can do attitude, and strong partnerships.

Operating in 10 locations with over 60,000 tonnes of equipment, Acrow aims to expand its presence in Australia's civil infrastructure market. Our national network with local expertise ensures efficient project delivery while adhering to best practices. To learn more, please visit: www.acrow.com.au

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