

ASX Release

22 February 2021

FY21 Half Year Financial Results

Acrow Formwork and Construction Limited (ASX:ACF) is today pleased to report record half yearly sales revenue and underlying EBITDA, up 32% and 41%, respectively, for the six months ended 31 December 2020. An interim dividend of 0.75 cents per share (fully franked) was declared.

Six months ended 31 December (\$000)	1H21	1H20	Variance	%change
Sales	50,408	38,122	12,287	32%
EBITDA	11,095	7,861	3,234	41%
NPAT (underlying)	3,672	2,139	1,533	72%
NPAT (reported)	1,866	380	1,486	391%
Operating Cash Profit	5,537	4,401	1,136	26%
Dividends (cps)	0.75	0.00	0.75	na

Key financial highlights include:

- Group revenue up 32% on PCP to \$50.4m, attributable to a very strong trading performance from the Melbourne Formwork division a significant uplift in NSW Natform performance, strong product sales and a full six-month contribution from the Uni-span acquisition.
- Sales contribution of \$28.9m, up 24%
- Underlying EBITDA of \$11.1m, up 41%, and EBITDA margin of 22.0%, up 140bps
- Underlying net profit after tax of \$3.7m, up 72%
- Significant items of \$0.6m relating to final Uni-span integration costs, including redundancies.
- Net gearing of 23.8%¹, up 380bps on 30 June 20 levels.
- Operating cash profit of \$5.5m, up 26%.

Commenting on the result Acrow CEO, Steven Boland, said: "Acrow has had another half year of strong growth in all key financial areas. The acquisition and successful integration of the Uni-span and Natform businesses into Acrow have created a truly unique Company, providing a national offering of specialised, high-quality equipment and engineering capabilities that are second to none in our industry."

"It is a very exciting time to be at Acrow, where we are now invited to tender for packages of work on marquee projects that were not too long ago beyond our capabilities. I commend the Board of Acrow and the team for what has been achieved in the short space of time since we listed on the ASX."

Notable achievements during the half year included:

- Record secured hire contract wins, up 31% to \$17.5m on the PCP;

¹ Net gearing = net debt/(net debt + equity).

- A \$71m pipeline, up 12% on the PCP;
- Strong industry recognition of the Melbourne formwork business' capabilities, resulting in a 120% uplift in revenue over the period;
- Natform reporting its largest ever contract win - \$1.1m Betaform/Meriton contract, and trading well ahead of budget in 1H21 with revenue up 33%;
- Product sales becoming an important strategic tool in the acquisition and retention of clients. This business now represents 18% of group revenue (up from 11% in the PCP);
- The continued national rollout of Acrow's expanded product suite and service capabilities; and
- Key contract renewal for the Industrial Scaffold division in the Bowen Basin (Origin Energy) and new contract wins across Queensland, New South Wales and South Australia.

Formwork

Formwork division revenue rose 46% on the PCP to \$30.1m, assisted by an additional 4-month contribution from Uni-span, a strong performance from the Melbourne formwork and Natform businesses, and an increasing contribution from product sales.

Sales contribution increased 28% to \$19.2m on the PCP. The sales contribution margin declined by 910bps to 63.8% due to the change in sales mix, with a greater share from lower margin product sales. Excluding the product sales contribution to revenue and earnings, the Formwork division's margin declined by a lesser 140bps to 72.9%.

The Melbourne formwork business was the standout performer during the period, recording 120% revenue growth. Acrow is now well recognised in the Melbourne civil infrastructure market for its high-quality formwork equipment and engineering capabilities. This has resulted in contract wins on marquee civil transport infrastructure projects including Melbourne Metro Rail and Melbourne Western Distributor.

The focus on expanding our product sales capabilities is proving to be an effective tool for acquiring new clients and retaining existing clients. Acrow's focus on developing this business opportunity has resulted in another period of strong growth with revenue up almost 200% on PCP. Product sales now contribute 22% of Formwork revenue, up from 11% in the PCP.

The Natform screens business maintained the momentum achieved in 4Q20, growing revenue by 33% in 1H21 on the PCP. During the period, Natform secured its largest contract to-date, winning a \$1.1m package to supply screens to Meriton's, 180 George Street, Parramatta development. During the period, Natform secured contracts wins totalling \$4.8m, and the pipeline of opportunities increased to \$32m.

Industrial Scaffold

The Industrial Scaffold division was acquired as part of the purchase of Uni-span. During 1H21, the division reported a revenue and sales contribution of \$8.3m (up 130%) and \$4.0m (up 125%), respectively. This includes an additional 4-month contribution in the half year versus the PCP. Underlying revenue grew 25%.

On 17 August 2020, Acrow announced the renewal of the industrial scaffold and services contract at Origin Energy's Surat Basin Oil & Gas facility for three years, with an option to extend an additional two years. Assuming the contract runs for the full term of the agreement (i.e. 5 years), it is expected to generate around \$13 million of revenue for the group.

Acrow expects that the Industrial Scaffold business will become a key earnings driver for the Company, with a significant opportunity to expand the business across new and existing markets via both expansion of the national business footprint and by investment into specialist equipment that will complement the existing service offering. During the period, several contracts were secured to supply maintenance/shutdown packages in the coal-fired power, hydro power, and mining sectors. These included:

- **Coal-Fired Power** - UGL Limited contract for Tarong (Qld), Tarong North (Qld), Stanwell (Qld) & Bayswater (NSW);
- **Hydro Power** – Downer EDI – Mineron (Qld) & Wivenhoe (Qld); and
- **Mining** – Allstate – Olympic Dam (SA)

Commercial Scaffold

The Commercial Scaffold division reported a revenue decline of 13% to \$12.0m on the PCP, impacted by continued weakness in the high-rise construction market, affecting both volume of supply and pricing. This was particularly evident in the New South Wales market.

Sales contribution was down in-line with revenue, but margin remained flat, with the effect of lower prices offset by better management of labour contracts.

Early signs of recovery are being experienced in Victoria and South Australia, whilst New South Wales remains challenging.

Balance Sheet & Cashflow

In October 2020, the group re-commenced debt repayments (following the COVID-19 related repayment holiday) and paid down \$1m in debt. Gross debt stood at \$20.8m as at 31 December 2020.

Net debt rose by \$4.1m to \$18.7m from 30 June 2020, due to a \$5.1m decline in Cash. Net gearing² increased by 3.8% to 23.8% over the same period.

During the period, a \$3.5m deferred consideration was paid for the acquisitions of Natform and Uni-span. A remaining deferred consideration of \$3.3m for the Uni-span acquisition is payable in October 2021.

Cashflow generated from operations of \$11.7m³ was up 98% on the PCP on strong EBITDA and product sales growth.

Total capital expenditure during the period totalled \$6.0m, including \$1.6m in maintenance, \$3.5m in growth capital to further expand the business' formwork capabilities nationally, and \$0.9m in a substantial one-off IT upgrade.

A final dividend of 1.05cps (fully franked) was declared and paid during the period, totalling \$1.9m, net of the dividend reinvestment plan.

The tax-paying status of the Natform and Uni-span entities resulted in the group paying tax during the period of \$0.6m. As the impacts of accelerated depreciation incentives reduce, the group's tax payments will increase in the tax paying entities whilst still obtaining the benefit of carry forward tax losses in the Acrow operating legal entity.

Continued focus on receivables management resulted in debtors' days declining by 3 days to 55 days over the PCP.

COVID-19

With the construction sector deemed an essential service by the government, Acrow experienced minimal disruption to business activity during the period and to-date has reported no cases of employees contracting COVID-19. Albeit Acrow continues to follow all government health regulations and guidelines to ensure the health and safety of our employees, customers, suppliers, and contractors.

Outlook

Record new hire contracts secured over the last six months and a robust pipeline of opportunities provide a positive lead indicator for the second half of the year. Over 2H21 the drivers of growth are expected to include:

- the increasing recognition of Acrow's expanded product suite and engineering capabilities to generate cross-sell opportunities across Acrow, Uni-span & Natform;
- an uplift in Queensland building activity levels as projects including Cross River Rail, the Bruce Highway upgrade, and Queens Wharf continue to ramp-up;
- improved results from the NSW division, primarily in the formwork area with very large contracts secured on both the Waterloo and Crows Nest, Sydney Metro rail stations.
- pursuing new market opportunities for the Industrial Scaffold business across various new industries and states; and

² Net gearing = Net debt/(net debt + equity)

³ Includes recoveries from lost or damaged hire equipment, reported as "Proceeds from disposal of PPE in the Statement of Cashflows"

ASX:ACF

Acrow Formwork and Construction Services Limited

C/- Level 5, 126 Phillip Street

Sydney NSW 2000

- converting on currently available product sales opportunities.

Following an exceptional growth trajectory over the last three quarters, Natform's 2H21 performance is anticipated to stabilise at these higher levels, in-line with 1H21 earnings.

The outlook for privately funded high rise commercial/residential projects remains difficult to predict at this time and will depend to a large degree on the extent of any permanent shift in work habits and demographic movements post COVID-19.

Overall, Acrow is positive on the outlook for the second half of the year and remains comfortable with the current broker consensus forecast for FY21 EBITDA of \$22.3m, a projected increase of 15% on the PCP.

Steven Boland concluded: "Acrow is better placed now than it has been in the history of the Company. Our growing recognition as a leader in its field; our record secured contract wins; a substantial pipeline of opportunities, and the projected outlook for new infrastructure projects across Transport, Mining, Defence & Utilities around the country over an extended period, bodes well for our business in the years to come."

This release was approved by the Acrow Board of Directors.

This summary should be read in conjunction with the Appendix 4D and Presentation released to the ASX today

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 AEDT on Tuesday, 23 February 2021. Call access details were provided in a separate release to the ASX on Wednesday, 3 February 2021.

-ENDS-

About Acrow

Acrow is a leading hirer of formwork and scaffolding systems to large construction and civil infrastructure providers across Australia, operating a network of formwork and scaffolding branches in six states and employing approximately 245 people. The business services a diversified customer base of approximately 1,300 customers.

Acrow has a high quality and versatile portfolio of assets and has identified a number of near term growth opportunities, most particularly through the investment in capital equipment to take advantage of a range of opportunities in the growing East Coast civil infrastructure market, particularly in New South Wales and Victoria where the business is still underrepresented.

For further information, please contact:

Steven Boland
Managing Director
Ph: +61 (02) 9780 6500

Andrew Crowther
Chief Financial Officer
Ph: +61 (02) 9780 6500