

SKS Technologies' Growth Strategy Produces Results

1H24 Highlights



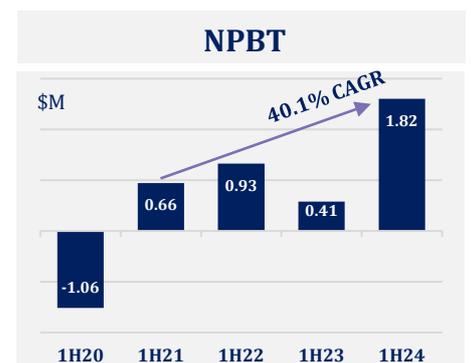
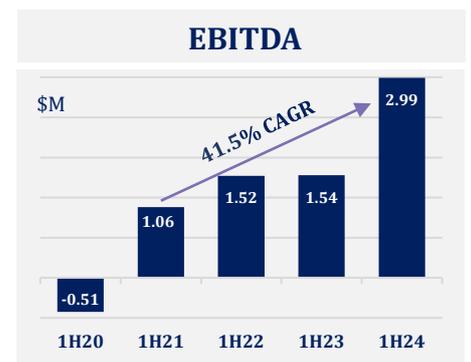
SKS Technologies Group Limited (ASX: SKS) has achieved a 20.1% increase in sales revenue to \$53.69 million translating into a 4.5 times increase in after-tax profit to \$1.82 million, after several years spent executing an aggressive organic national expansion strategy to broaden existing capability and capture work in attractive new sectors.

Chief Executive Officer, Matthew Jinks, said, “Two years ago, we began laying the foundations to capture work in specific new market sectors, and it's pleasing to see the anticipated upturn in work on hand now starting to translate. Given the substantial and rapid growth we planned, we also knew that the significant investment necessary to support that growth would delay the achievement of increased profit in the short-term. Our plans showed FY24 as the year in which would see improved profits from our operations, and while we're pleased to have achieved that milestone, we still have much to execute to fully realise our potential.”

Financial Performance

During the half, revenue rose by 20.1% to \$53.69 million compared with the \$44.43 million achieved in the previous corresponding period, and by 79.0% from \$29.99 million in 1H22. Notwithstanding a slight dip during Covid, first half revenue over the last four years has increased by an average of 37.4% per year. This result does not contain any material contribution from the large data centre contract that was won and announced in November last year, with most of the revenue impact due in the 2H24 and 1H25.

Accordingly, first half EBITDA rose by 95.0% to \$2.99 million from \$1.54 million in 1H23 and a compound annual growth rate of 41.5% over the last three years. Before-tax profit was \$1.82 million, up 4.5 times from the \$0.41 million achieved in the previous corresponding period, which also equalled after-tax profit. First half net profit before tax has increased by a compound annual growth rate of 40.1% since 1H21.



In line with all earnings increases, earnings per share rose to 1.66 cents, representing an increase of 4.5 times the 1H23 result, and growing an average of 36.0% annually since 1H21.

Cash flows from operations increased to \$3.80 million, representing a multiple of almost 15 times over the previous corresponding period. Net cash flows grew by over five times, increasing to \$0.89 million from \$0.17 million in 1H23.

The balance sheet was strengthened over the half with working capital of \$1.65 million, up by a multiple of almost 16 times on the \$0.10 million at the beginning of the half. The business has no long-term borrowings and no outstanding amount on its overdraft as at the end of the half year. Cash in hand was \$0.90 million as at 31 December 2023, up from \$0.01 million as at the beginning of the half. Net tangible assets per share doubled from 1.64 cents since 31 December 2022 to \$3.28 cents as at 31 December 2023.

During the half, the company secured an additional \$4 million in total facilities under the existing Commonwealth Bank agreement, bringing the CBA financing facilities to a total of \$12 million. The increase consisted of a \$2 million equipment leasing facility and a \$2 million increase in the existing bank guarantee facility to \$5 million.

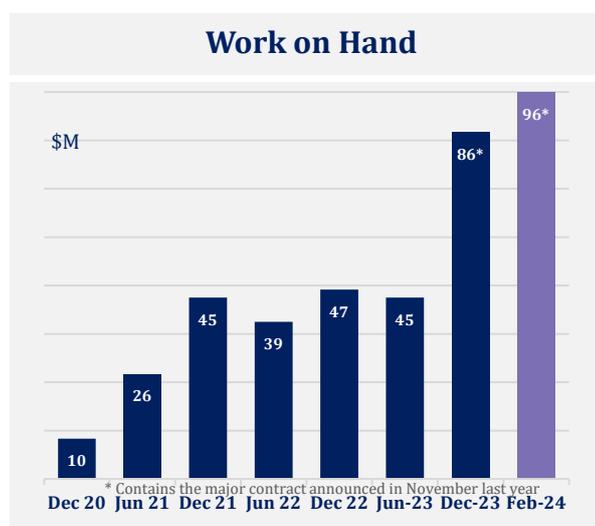
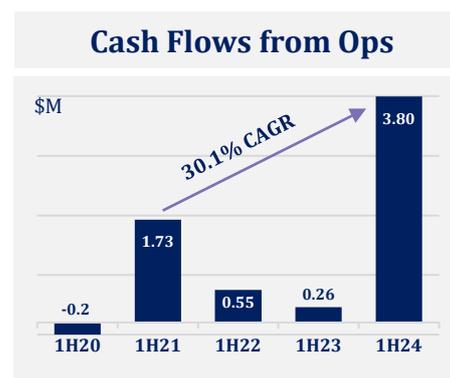
Operational Performance

“Perhaps the most illustrative measure of our operational performance is work on hand and the continual acceleration of the rate at which we have won and completed projects over the past several years,” Mr Jinks said.

Since 30 June 2023, work on hand has more than doubled to \$96 million as at the time of this announcement. Again, due to the significant investment in growth made largely during FY22, this increase has been largely absorbed by current management levels in the business. Work on hand is also an indicator, to some extent, of the increasing speed at which work being won is being completed, given the ongoing and growing demand on the existing structure and size of the workforce.

Notwithstanding the large data centre contract, work on hand across the business is also maintaining a rapid growth rate. Boosting this performance is SKS Indigenous Technologies, launched approximately 18 months ago, with a \$15 million contribution to total work on hand spread across Victoria, South Australia, Western Australia and the Northern Territory. These contracts are sometimes for multi-million-dollar projects. Another significant milestone achieved was the 5% indigenous employee target.

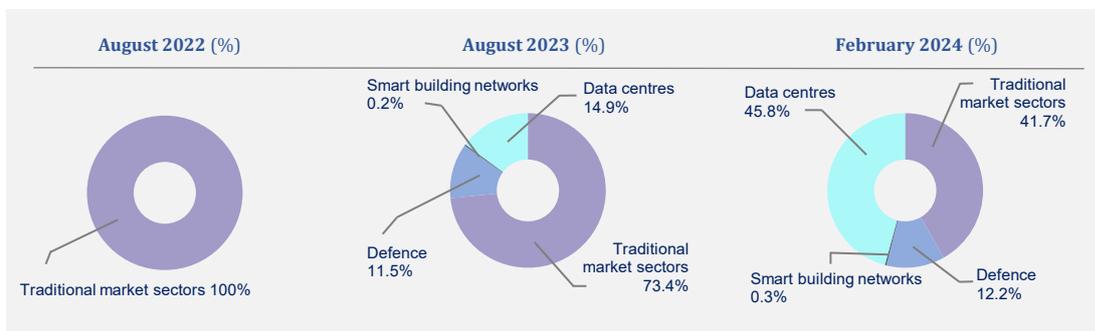
These quantum increases in total work on hand as well as in newly targeted sectors are the direct result of plans laid out in FY20 and FY21 to acquire the necessary bolt-on capability to expand the business’ core offering to a larger and wider customer base. To this end, approximately \$3 million was invested in new teams



with the experience and expertise to capture work in the defence and data centre sectors, and in doing so, target a greater share of end-user customers.

The results of this investment are becoming increasingly apparent in the work on hand by sector split, although the growth in defence and smart building networks has been skewed somewhat by the large data contract that was secured in November last year.

Increase in work on hand in targeted market sectors (%)



While the business will continue to aggressively target this sector, the drive to expand work in all other sectors continues in order to maintain the current diversity of work on hand, albeit at an increasingly higher level.

Major contracts completed over the half include projects for Collingwood Football Club, Monash University, a Westfield shopping centre in Brisbane, the Koorie Heritage Trust, the Australian Energy Market Operator, and the Australian Defence Force in South Australia.

State-based operations continue to grow with new management in Sydney to build up targeted NSW market sectors, and expanded sites in Melbourne and Adelaide to accommodate the increasing workforce to deliver the rising level of work on hand.

Strategy and Outlook

With demand for SKS Technologies’ systems and services unabated and expected to sustain its growth in the short to medium term, the strategy remains valid for the foreseeable future. With SKS Technologies now firmly positioned as one of the most sophisticated and well-resourced supplier of systems and services to the data centre market, we will continue to pursue work across a diversity of market sectors and locations.

Mr Jinks also said, “With the strategic move into new sectors and the completion of our fully national footprint, we have evolved into a larger and better resourced business to negotiate the next level of our expansion. However, we remain mindful of the constant challenges presented by such vigorous growth, and equally mindful of the need to improve processes and systems that evolve in tandem with work on hand levels to support the consistently high quality of work that has become a strong brand attribute into this next phase of operations.”

Given the level of demand and the backdrop of a more resilient national economy than was predicted over the medium term, the Board believes that a more realistic revenue target for FY24 is in the vicinity of \$120 million plus. It also expects the current rate of growth to continue at least over the current and next financial years, as targeted sectors further accelerate their growth, and the operations expand as required to support the increasingly higher levels of work on hand won. While it was anticipated that FY24 would begin to bear fruit, it is also anticipated that FY25 will build on these gains.

~ ENDS ~

Approved for release by the Board of SKS Technologies Group.

Further Information

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About SKS Technologies Group Limited (ASX: SKS)

SKS Technologies delivers advanced electrical technology solutions via creative design and installation of converged AV/IT, electrical and communication networking systems across Australia. Servicing a blue-chip clientele of business-to-business customers, the business can offer integrated electrical technology packages to customers in any market sector. The SKS Technologies offering enjoys a 78% repeat business rate, notwithstanding its recent expansion into new market sectors. It is now recognised nationally as one of the most adept suppliers of electrical and communication systems and services to the large and growing data centre market in Australia. The launch of SKS Indigenous Technologies has also further extended the reach of its brand and helped with the significant and rapid augmentation of work on hand over the past few years.