Market Release

24 February 2025

(ASX: SKS)

1H25 Record Results Comparable to Full Year 2024

1H25 Financial Highlights

Sales Revenue

$115.94 million (↑116.1%)

- More than doubled from $53.66 million in 1H24
- Equates to 85.1% of FY24 sales revenue

Profit Before Tax

$8.37 million (↑359.6%)

- An increase of more than 3.5x from $1.82 million in 1H24

Cash Flows from Operations

$18.99 million (↑5 x)

- Up by $15.19 million from $3.80 million in 1H24

Introduction of Interim Dividend

1.0 cent (↑1.0 cent)

- Fully franked and payable on 4 April 2025

Work on Hand

$174 million (↑102.3%)

- More than doubled from $86 million in 1H24

Chief Executive Officer's Overview

I'm pleased to report that the first half of FY25 delivered the material increases in earnings that we have been targeting for the past three to four years. During those years, we sacrificed higher profits to reinvest in our expansion strategy and accelerate our growth. Upon the decision to enter new markets, particularly the data centre market, it was necessary to act quickly to secure an early-to-market position and the value that such a position brings with it. Over a relatively short space of time, we have built an excellent reputation in that field, with the business now considered a key player in delivering critical infrastructure solutions for hyperscale facilities.

Throughout this focus on winning data centre work, however, we have also pursued and achieved growth in our more traditional markets where although contract values are generally not as large as those for data centres, we have seen growth from a continually larger base. While the data centre market is particularly buoyant with investment in facility capacity forecast to exceed $26 billion by 2030, we are continuing to experience buoyancy across all markets sectors. Our work on hand, which reached $174 million at the end of the half, is testament to that market-wide confidence.

We also achieved significant results in our cash performance with a five-fold increase in cash generated from operations, ultimately leading to a stronger balance sheet and ability to fund a constantly growing demand across all traditional markets and as well as already large and escalating predictions for the data centre space.

These results are the fruit of some years of planning, building capability, tight and judicious capital and resource allocation, excellence in project execution and a constant focus on risk.

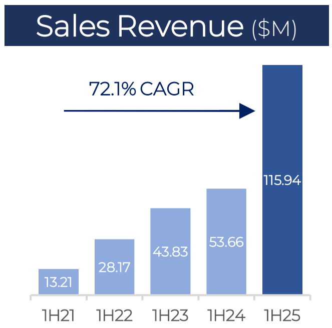
While there have been concerns for Australia's economic welfare over the past several years, as businesses emerge from the unprecedent trading conditions of 2020 and 2021, SKS Technologies has experienced a level of growth that has only magnified since that time. There are, no doubt, many explanations for this phenomenon, but I think the most obvious is that we had a clear vision and a set of services that were instrumental in keeping businesses connected during that time of disparate working arrangements. When I look back, I can also see that we knew precisely our capital limitations and the criticality of investing every dollar for maximum advantage. Then followed the data facility boom and we moved quickly to take a share of that market. Our strategy and our size gave us the flexibility to execute with speed.

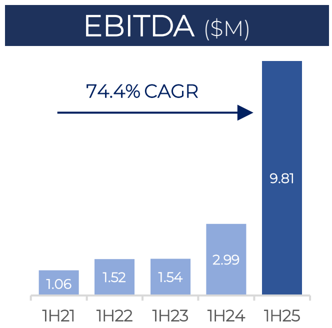
Undoubtedly, FY24 showed a healthy improvement in profitability and balance sheet strength. But it is our 1H25 results that mark the beginning of the next phase of the business's evolution. The pathway to today has been a remarkable experience and a testimony to the skill, professionalism and loyalty of the whole SKS team.

Matthew Jinks

Financial Performance

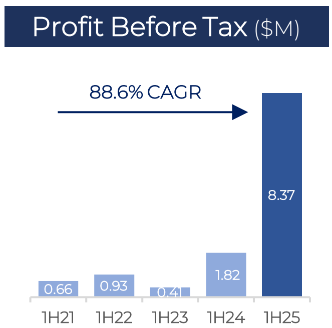
All earnings metrics showed considerable escalations, both from the previous corresponding period as well as when compared with the second half of FY24.

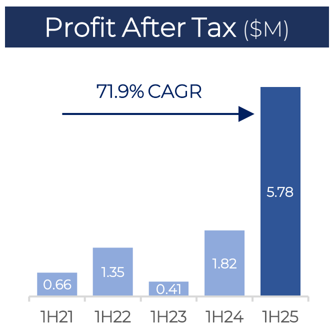




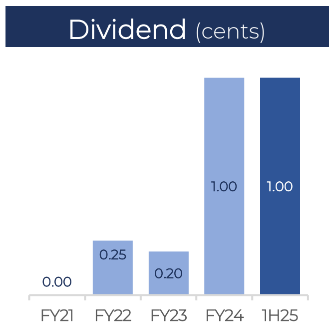
Sales revenue of $115.94 million for the first half almost equalled the full year revenue for FY24 of $136.31 million and was up 116.1% on the $53.66 million achieved in 1H24. Since the beginning of 1H21, sales revenue has grown annually at a rate of 72.1%.

While largely driven by substantial data centre projects, revenue across the traditional market sectors also grew, albeit at a lower rate given the average value of these contracts is lower than for the data centre market.





Total expenses increased by 108.5% compared with 1H24, indicating the effect of the scale benefits arising from stable fixed costs and a significantly higher level of revenue. The larger increase in employee benefits reflects the continually changing mix of work and associated operational requirements. The current fixed cost base can support revenue in excess of $300 million.



Earnings before interest, tax, depreciation and amortisation increased by 227.7% against 1H24 EBITDA and 9.1% higher than that achieved during the previous full year.

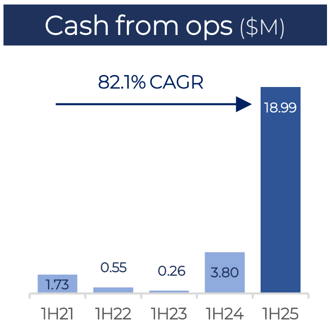
Earnings before interest and tax was $8.46 million, an increase of 297.2% over EBIT of $2.13 million in 1H24 and 19.9% above the $7.06 million achieved during the previous full year.

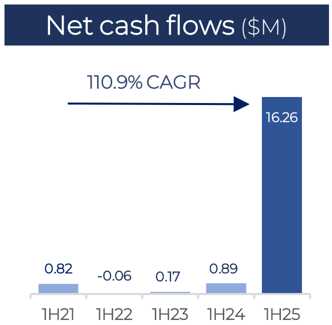
Profit before tax rose by 359.6% compared with 1H24 and 28.8% against the previous full year, while profit after tax increased by 217.2% on 1H24 and 87.2% of that achieved in the previous full year. PBT margin has more than doubled since the 3.4% achieved in

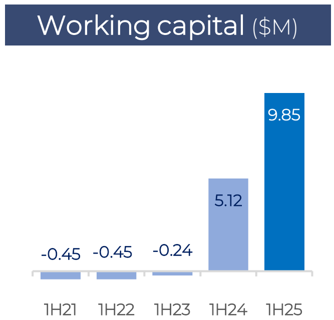
1H24 to the 7.2% achieved in 1H25, also increasing significantly from the 4.8% achieved in the previous full year. Earnings per share increased by 210.8% from 1.66 cents in 1H24 to 5.16 cents in 1H25.

Given the stellar performance of the business, balanced with the requirement for capital to continue the growth acceleration plans, the Board has declared an interim dividend, the first for the business, of 1.0 cent per share, fully franked, with a record date of 18 March 2025 and payable on 4 April 2025.

Off the back of the significant increase in revenue, cash flows from operations increased by a multiple of 5 to $18.99 million, compared with $3.80 million in 1H24. Accordingly, net cash flows increased by more than 18 times, from $0.890 million to $16.26 million. Cash generated during the period further strengthened working capital, with the effect of almost doubling it to $9.85 million from $5.12 million at 1H24. The strong cash position has been achieved whilst simultaneously reducing trade payables by 38.7%, or $7.44 million, between 30 June 2024 and 31 December 2024.





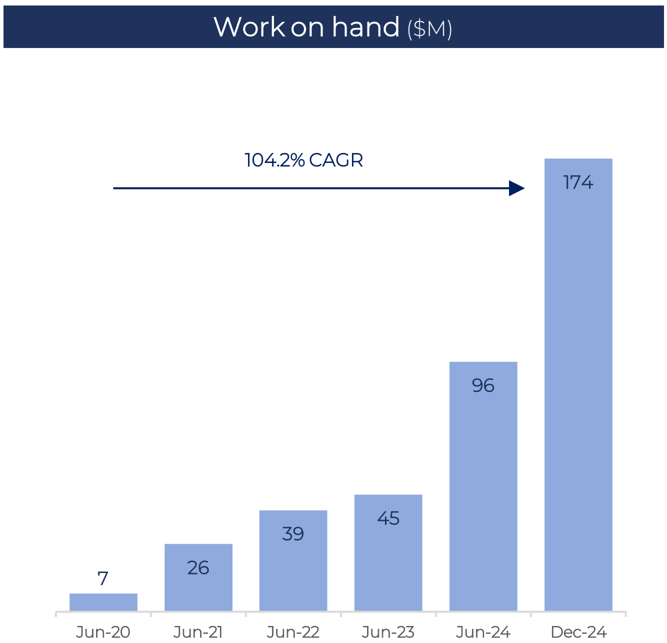


Having paid down all debt during FY23, the business has no long or short-term debt, having the ability to rely on bank facilities totalling $21 million as well as internal cash reserves to fund its rapidly growing revenue growth.

Operational Performance

The strength of the financial results mirrors the operational performance, which is characterised by increased tendering, higher levels of work won, more repeat business, and sustained excellence in project execution.

Work on hand increased to $174 million at the end of the half, up 102.3% on that achieved by the end of 1H24. Part of the increase related to a $90 million contract for electrical installation and integration works for the expansion of an Airtrunk data facility in Melbourne to achieve 185MW data campus capacity. In the four and a half years since June 2020, the order book has increased by an average of 104.2% annually. Other data centre contract awards were announced in September for projects with Built Australia and Erilyan Projects for $20 million and $22 million respectively. In the pipeline, there is approximately $570 million of open tenders with approximately $334.8 million in the data facility space.



During the half, a number of large contracts were completed on projects such as data facilities for Stack Infrastructure in Melbourne and NextDC in Darwin as well as for the new Lyndoch Barossa Park sports venue which has been designed to AFL standards and will host some of its Gather Round football matches.

Work won over the six months includes further works at Tindal RAAF Base in the Northern Territory, audiovisual works for the new Nyaal Banyul Geelong Convention and Event Centre and works for the expansion of an AirTrunk data centre from 100MW to 185MW.

With a series of financial results from the first half of 2025 that are quantum jumps from 1H24, the business's ability to deliver on projects of increasing size, value and complexity proves the efficacy of its continually evolving support structure. Underneath the very visible growth trajectory, a raft of work occurs on managing the cost base, maintaining margins and allocating capital, as well as continually building the safety culture, and implementing new technical systems and site-based processes to boost efficiency.

An excellent safety culture has endured, despite enormous increases in new recruits, with no serious injuries in the ten-year history of operations. During the half, there was one lost time injury. Between the two corresponding periods, there was an 81.1% increase in total hours worked.

Strategy

During FY24, the strategy was refined to reflect the increasing need to enhance the operating platform to support a business that was in perpetual expansion mode. With unerring strength in all market sectors, and the novelty of the burgeoning data centre market in Australia, the business was in the fortunate position of experiencing continual growth. It was, therefore, imperative that a program of consolidation ran alongside that steadfast growth to enable the operating environment to keep abreast of the demands of a larger and more complex business. SKS Technologies' dual focus on concurrent consolidation and growth has required a combined measure of diligence and inspiration to ensure that work is won, planned, funded and executed with the excellence that is only possible with systems, processes and resources of the right calibre.

Our strategy remains founded on targeting and winning work across all market sectors, with a particular attention on data centre work and defence contracts. While forecast growth estimates vary, there is an undeniable consensus that the capital expenditure in the data centre space, including its service providers will grow to a value of many billions over the next five to ten years. As an early entrant in providing services to that market, SKS Technologies has built an excellent reputation, as evidenced by its high level of repeat business.

Outlook and forecast

The outlook for the business remains promising with increasing demand in open tenders, which has risen by $216 million from $354 million in August 2024 to $570 million, as well as a strong and established presence in all markets in which the business operates. Based on this enduring market strength and the level of repeat business that the company has built across all sectors, the SKS Technologies Board considers it reasonable to forecast full-year revenue for FY25 of $260 million on a before-tax margin in the vicinity of 7%.

~ ENDS ~

Approved for release by the Board of SKS Technologies Group

Further Information:

Matthew Jinks
Chief Executive Officer
(03) 9289 5000

About SKS Technologies Group Limited (ASX: SKS)

SKS Technologies Group specialises in the design and installation of electrical, audio visual, and communication networking solutions across Australia, serving the full spectrum of industry sectors, including data centres, defence, mining, health, retail and commercial buildings. SKS Technologies' mission is to create sustainable and profitable business growth by focusing on delivery capabilities and integration synergies across its regions and divisions.