ASX:ACF

Acrow Formwork and Construction Services Limited

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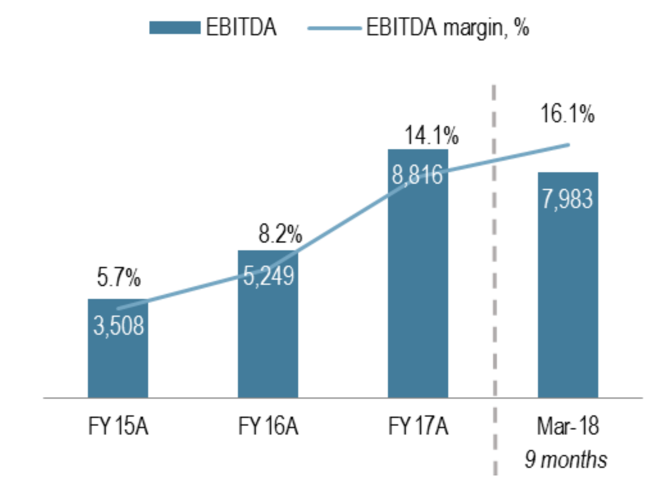
Earnings momentum continues - trading update for the quarter ended 31 March 2018

- Growing project pipeline driven by increasing exposure to the East Coast civil infrastructure market (including NSW and VIC)
- $2.9m of Capex deployed to 31 March 2018, including $1.7m of growth capex. A further $3.7m of growth capex has been approved by the Board with targeted 40% ROIC - full benefits expected from FY19
- Unaudited underlying EBITDA of A$7.9m and operating cash profit of $6.8m for the nine months to 31 March 2018
- Nil debt and positive cash on hand as at 31 March 2018 of $1m
- Undrawn debt facilities of up to $12m
- Dividend policy - payout ratio of between 30% to 50% of operating cash profit in the FY19 fiscal year
- $40m of carried forward tax losses to utilise

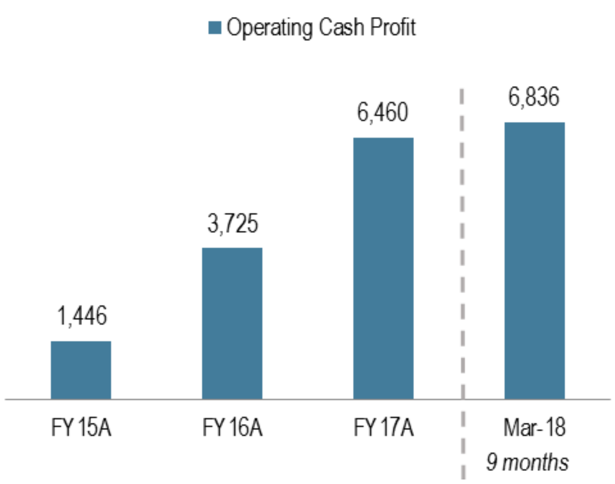
Acrow Formwork and Construction Services Limited (ASX: ACF), a market leading hirer of formwork and scaffolding systems with over 1,100 construction and civil infrastructure customers across Australia, today announces its Q3 and Year To Date (YTD) trading update for the financial year 2018 (FY18).

During the nine months ended 31 March 2018, the company continues to generate strong ongoing earnings growth and following the ASX listing on 9 April 2018, is well funded to meet customer demand in the formwork infrastructure sector. The business continues to secure customer contracts in all states, and remains focused on growing its market share in New South Wales and Victoria.

Historical underlying EBITDA ($'000)



Operating cash profit(^) ($'000)



(^) Operating cash profit is defined as EBITDA less maintenance capex

Financial update (quarterly and YTD figures are unaudited)**:**

Total Income for the nine months to March 2018 is $49.5m. YTD trading EBITDA $7.9m.

A$'000	FY15A	FY16A	FY17A	HY18A 6 months	Mar-18 9 months
Summary P&L	Audited	Audited	Audited	Audited	Unaudited
Formwork Hire	12,625	10,960	12,669	6,992	11,173
Scaffold Hire	11,493	13,395	14,393	7,922	11,196
Residential	8,627	10,334	10,360	4,001	5,729
Labour & Cartage	17,603	16,023	12,243	7,434	10,592
Other	11,294	13,190	12,664	7,259	10,837
Total Revenue	**61,642**	**63,902**	**62,329**	**33,608**	**49,527**
Formwork Hire	12,625	10,960	12,669	6,992	11,173
Scaffold Hire	11,493	13,395	14,393	7,922	11,196
Residential	3,802	4,401	4,426	1,690	2,494
Labour & Cartage	2,597	2,308	1,852	1,064	1,586
Other	3,028	3,389	3,189	1,925	2,931
Total Contribution	**33,545**	**34,453**	**36,529**	**19,592**	**29,381**
Contribution Margin	*54.42%*	*53.92%*	*58.61%*	*58.30%*	*59.32%*
Yard Related Expenses	(11,773)	-12,254)	(11,470)	(6,032)	(9,219)
Labour	(12,523)	-12,009)	(11,759)	(6,145)	(9,405)
Other	(5,741)	-4,941)	(4,484)	(2,373)	(2,774)
Total Overheads	**(30,037)**	**-29,204)**	**(27,713)**	**(14,550)**	**(21,399)**
Restructure costs and provisions[*]	(700)	(530)	(525)	-	(432)
Reported EBITDA[1]	**2,808**	**4,719**	**8,291**	**5,042**	**7,550**
Underlying EBITDA	**3,508**	**5,249**	**8,816**	**5,042**	**7,983**
Margin	*5.69%*	*8.21%*	*14.14%*	*15.00%*	*16.12%*

[*] *Unaudited and based upon management accounts. FY15,16,17 - restructuring costs consists of redundancy, branch relocation, duplicate rents and other non-recurring costs associated with the business restructure. Mar-18 excludes costs associated with ACF:ASX listing (c. $432k).*
[1] *EBITDA is defined as earnings before interest, income taxes, depreciation, amortisation and non-trading items.*

Extended trading highlights:

- ✓ ASX listing successfully completed with strong institutional support underpinning an attractive valuation
- ✓ Unaudited YTD EBITDA of A$7.9m for the nine months to 31 March 2018
- ✓ Unaudited Revenue YTD of $49.5m for the nine months to 31 March 2018 – continued growth trajectory driven by the higher margin Formwork segment, also leading to overall higher margins:
    - Contribution margin 59.32% (up from 58.30% in December)
    - EBITDA margin 16.12% (up from 15.00% in December)
- ✓ Unaudited operating cash of $6.8m generated from operations for the nine months to 31 March 2018 (EBITDA minus maintenance capex)
- ✓ Capital Expenditure (Capex) takes two forms: Maintenance Capex (existing assets) and Growth Capex (additional Return On Invested Capital (ROIC))

  - ✓ Maintenance Capex of $1.1m for the nine months to 31 March 2018 (annualised at $1.6m - considered to be normal Maintenance Capex requirement)
  - ✓ Growth Capex of $1.7m for the nine months to 31 March 2018
  - ✓ Board has approved additional $3.7m in Growth Capex to meet customer demand since IPO – majority to be invested in new formwork equipment
  - ✓ New formwork equipment will increase revenue base. ROIC for Growth Capex expected to generate a 40% contribution margin once equipment is deployed
- ✓ Annualised Depreciation charge of $3.8m ($2.9m YTD for nine months ending 31 March 2018)
- ✓ The Company has no debt and positive cash on hand as at 31 March 2018 of $1m

Management commentary:

Managing Director Steve Boland said: "We are pleased to provide shareholders with the Company's first trading update since its recent ASX listing, highlighting strong revenues and healthy EBITDA that has been underpinned by a growing national customer base."

"The Company is now firmly focused on further growing its presence in the New South Wales and Victorian formwork infrastructure sector, and the planned investment into new equipment allows Acrow to actively build its contract pipeline in these markets to expand its revenue base while increasing margins."

-ENDS-

About Acrow

Acrow Formwork and Construction Services Limited ACF has 161,707,615 shares on issue at listing.

Acrow has been active in the Australian construction industry since 1950 and its heritage dates back to 1936 when it first launched in the United Kingdom.

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 150 people. The business services a diversified customer base of approximately 1,100 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.

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