



**Acrow Formwork**

**Investor Presentation  
FY18 Full Year Results**



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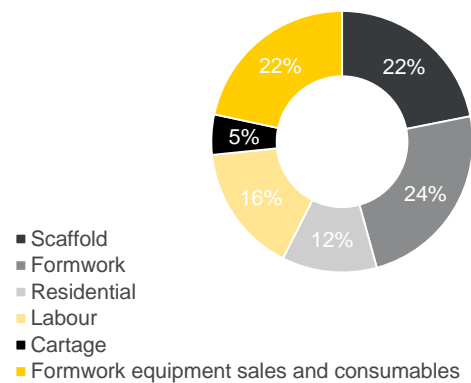
# Executive Summary

Following Acrow's successful listing, the underlying business has performed very strongly, achieving EBITDA growth of 21% pcp

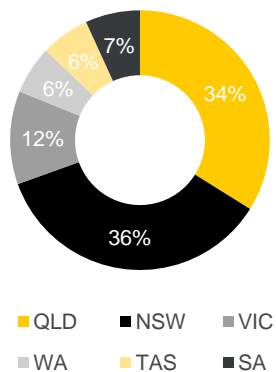
## Executive Summary

- Successful ASX listing of Acrow Formwork and Construction Services (ASX:ACF) in April 2018 at a share price of \$0.20, with a strong register of strategic industry investors and institutional fund managers. Positive broker support by Bell Potter and Morgans
- The underlying Acrow business performed very strongly for the 12 months to 30 June 2018:
  - Revenue of \$65.3m (highest number recorded since 2013)
  - Formwork Hire Revenue of \$15.6m (an increase of 23% and highest since 2013)
  - Sales Contribution of \$39.3m and Sales Contribution Margin of 60.2% (both record results since Boral divestment)
  - Underlying EBITDA of \$10.8m (+21%) and Underlying EBITDA Margin of 16.5% (up from 14.3%)
  - Strong Operating Cash Profit of \$9.0m (up 37%) and closing cash balance of \$4.9m (no debt)
- Declaration of maiden dividend of 0.5 cents per share, with dividend reinvestment plan (DRP) initiated
- Strategic Acquisition of Natform Pty Limited (Natform), the leading designer and hirer of screen systems for the construction industry. Key details include:
  - Natform's FY18 Underlying EBITDA of \$3.8m and total consideration of \$15m, representing a ~4x EBITDA multiple
  - Accretive acquisition with significant revenue synergy opportunities
- Outlook for FY19 remains strong with growing order book and new business wins in the east coast infrastructure market

## Total Revenue by Category (FY18)



## Total Revenue by Geography (FY18)



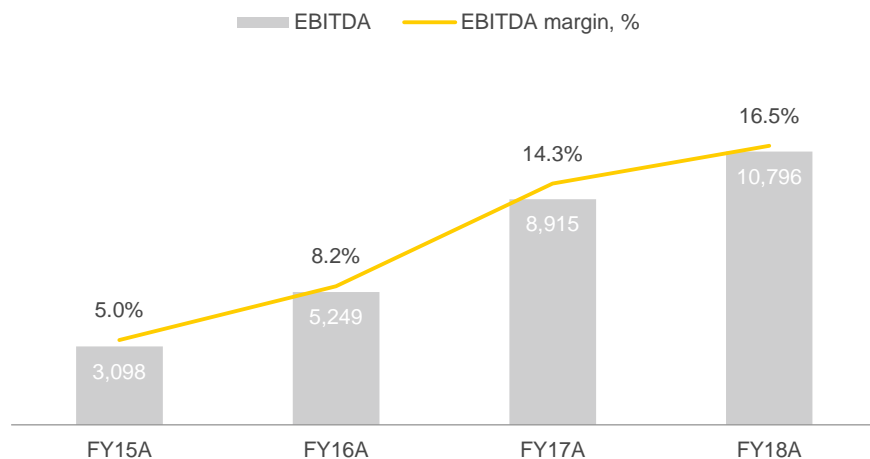
## Financial Results

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# Financial Performance

Acrow has increased EBITDA and improved cash conversion, providing the platform for the maiden dividend announcement

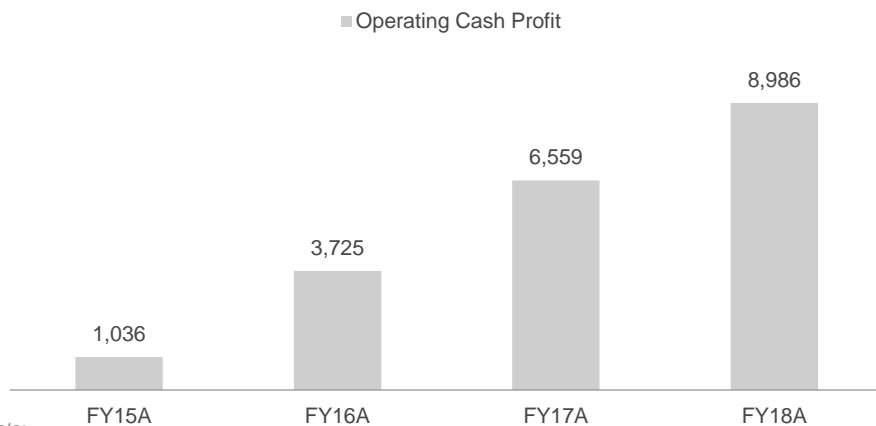
## Historical Underlying EBITDA<sup>(1),(2)</sup> (\$'000)



## Commentary

- Underlying EBITDA has increased steadily year-on-year, demonstrating the successful turnaround of Acrow
  - FY15 to FY18 EBITDA CAGR was c.52%
  - Growing margins over FY15 to FY18 a result of the increased contribution of dry hire of formwork and scaffolding to the sales mix
  - For FY18, Acrow's EBITDA was \$10.8m and margin was 16.5%
- Acrow is cash generative and increased operating cash profit<sup>(3)</sup> to \$9.0m in FY18, c.37% growth on FY17
- Strong cash generation and positive outlook drove announcement of maiden dividend of 0.5 cents per share

## Operating Cash Profit<sup>(3)</sup> (\$'000)



Note:

(1) EBITDA adjustments in appendix on page 18

(2) FY15-18A excludes costs of being a public company to allow comparability

(3) Operating cash profit is underlying EBITDA less maintenance capex (see page 8)

# Financial Overview

## Summarised Financial Performance (\$'000)

Y/E 30 June, \$'000	FY15A	FY16A	FY17A	FY18A
<b>Summary P&amp;L</b>				
Formwork Hire	12,625	10,960	12,669	15,583
Scaffold Hire	11,493	13,395	14,393	14,297
Residential	8,627	10,334	10,360	7,684
Labour & Cartage	17,603	16,023	12,243	13,643
Formwork Sales & Consumables	11,335	13,203	12,671	14,137
<b>Total Revenue</b>	<b>61,684</b>	<b>63,915</b>	<b>62,336</b>	<b>65,344</b>
Formwork Hire	12,625	10,960	12,669	15,583
Scaffold Hire	11,493	13,395	14,393	14,297
Residential	3,802	4,401	4,426	3,384
Labour & Cartage	2,597	2,308	1,852	2,128
Formwork Sales & Consumables	3,069	3,403	3,196	3,939
<b>Total Contribution</b>	<b>33,587</b>	<b>34,466</b>	<b>36,536</b>	<b>39,331</b>
<i>Contribution Margin</i>	<i>54.4%</i>	<i>53.9%</i>	<i>58.6%</i>	<i>60.2%</i>
Yard Related Expenses	(11,585)	(12,213)	(11,333)	(12,160)
Labour	(13,704)	(12,828)	(12,453)	(12,515)
Other	(5,200)	(4,175)	(3,835)	(3,860)
Holding Company Costs <sup>(2)</sup>	n.a.	n.a.	n.a.	(260)
<b>Total Overheads</b>	<b>(30,489)</b>	<b>(29,216)</b>	<b>(27,620)</b>	<b>(28,795)</b>
Restructure Costs and Provisions <sup>(1)</sup>	(290)	(530)	(625)	(536)
<b>Reported EBITDA</b>	<b>2,808</b>	<b>4,719</b>	<b>8,291</b>	<b>10,000</b>
<b>Underlying Acrow EBITDA<sup>(2)</sup></b>	<b>3,098</b>	<b>5,249</b>	<b>8,915</b>	<b>10,796</b>
<i>Margin</i>	<i>5.0%</i>	<i>8.2%</i>	<i>14.3%</i>	<i>16.5%</i>
Holding Company Costs <sup>(3)</sup>	n.a.	n.a.	n.a.	(192)
<b>Underlying Group EBITDA</b>	<b>3,098</b>	<b>5,249</b>	<b>8,915</b>	<b>10,604</b>

Note:

Totals may differ due to rounding

(1) Unaudited and based on management accounts. Restructuring costs consist of redundancy, branch relocation, duplicate rents, other non-recurring costs associated with the business restructure; (2) FY18A excludes costs of being a public company, including listing and director fees, to allow for comparability; (3) Represents recurring costs for Acrow

## Commentary

- Revenue of \$65.3m (highest number since 2013)
- Formwork Hire Revenue of \$15.6m (an increase of 23% on FY17 and highest number since Boral divestment)
- Sales Contribution of \$39.3m and Sales Contribution Margin of 60.2% (both record results since Boral divestment). Result driven by favorable revenue mix to higher margin Formwork Hire away from lower margin Residential
- Disciplined cost control
- Underlying EBITDA of \$10.8m (+21%) and Underlying EBITDA margin of 16.5% (up from 14.3% in FY17)

# Balance Sheet

Acrow had ~\$39.0m of net assets at June 2018, which includes ~\$31.2m of hire equipment and \$4.9m of cash (no debt)

## Consolidated Balance Sheet (\$'000)

\$'000	Jun-18
<b>Summary Balance Sheet</b>	
Cash	4,918
Receivables	10,549
Inventory	2,111
Other Financial Assets	492
Other Current Assets	193
<b>Total Current Assets</b>	<b>18,263</b>
Other Financial Assets	312
Property, Plant & Equipment	31,711
<b>Total Assets</b>	<b>50,285</b>
Creditors & Accruals	7,813
Provisions	3,427
<b>Total Liabilities</b>	<b>11,240</b>
<b>Net Assets</b>	<b>39,046</b>

## Commentary

- Strong balance sheet position at 30 June 2018
- Net cash position of \$4.9m, with nil debt
- Post acquisition asset revaluation exercise completed, resulting in Hire Equipment carrying value of \$31.2m, with a replacement value of greater than \$100m
- Depreciation for the 3 months to June 30, 2018 was \$456k reflecting the newly adopted depreciation policy for the Group
- Available carry forward tax losses of approximately \$40m are not reflected in the balance sheet

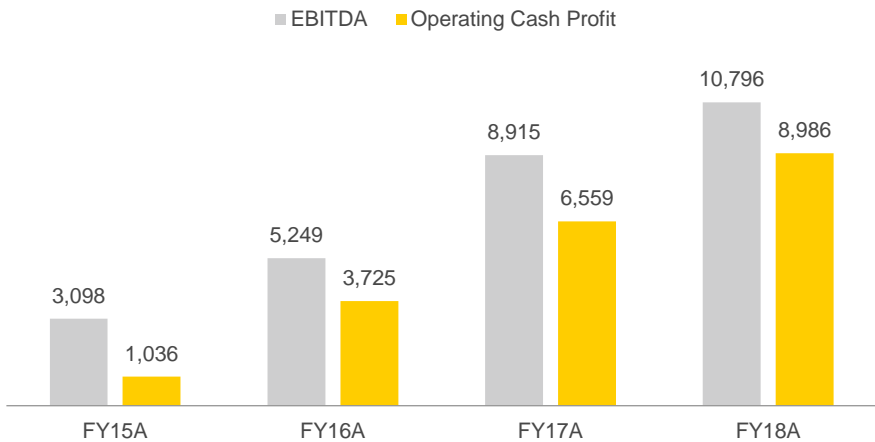
# Cash Flow

Acrow has increased Operating Cash Profit from \$1.0m in FY15 to \$9.0m in FY18

## Cash Flow Statement (\$'000)

\$m	FY15A	FY16A	FY17A	FY18A
Summary Cash Flow Statement				
Underlying EBITDA	3,098	5,249	8,915	10,796
Maintenance capex	(2,062)	(1,524)	(2,356)	(1,810)
Cash tax	-	-	-	-
Operating Cash Profit	1,036	3,725	6,559	8,986

## Underlying EBITDA and Operating Cash Profit (\$'000)



## Commentary

- The proxy for operating cash profit in the Acrow business is Underlying EBITDA less maintenance capex
- **Operating cash profit** has increased from \$1.0m in FY15 to \$9.0m in FY18, representing a 105% CAGR (note that, the FY18 operating cash flow result excludes ~\$260k of public company costs)
- **Cash flow conversion** is strong and improving at c.74% in FY17, and c.83% in FY18
- **Working capital** (largely comprising trade debtors and trade creditors), is predictable and consistent, with minimal seasonal fluctuations

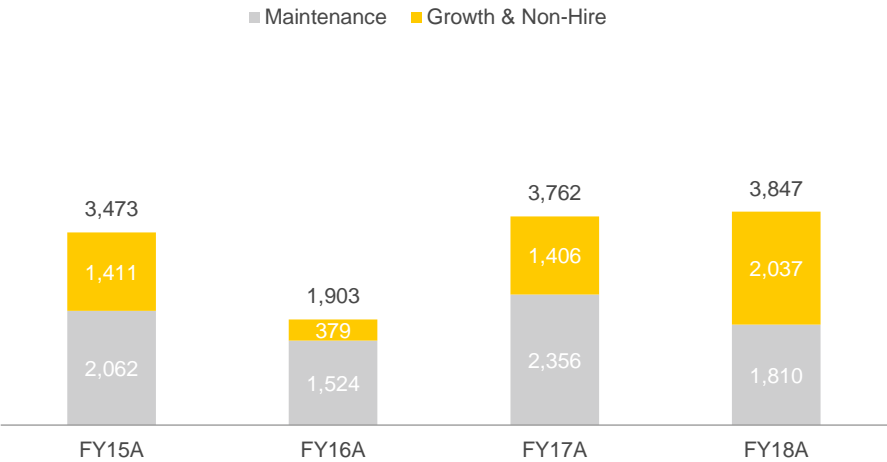
Note:  
Totals may differ due to rounding



# Capital Expenditure

Acrow has averaged maintenance capex of ~\$2m between FY15 to FY18

## Growth and Maintenance Capex (\$'000)



## Commentary

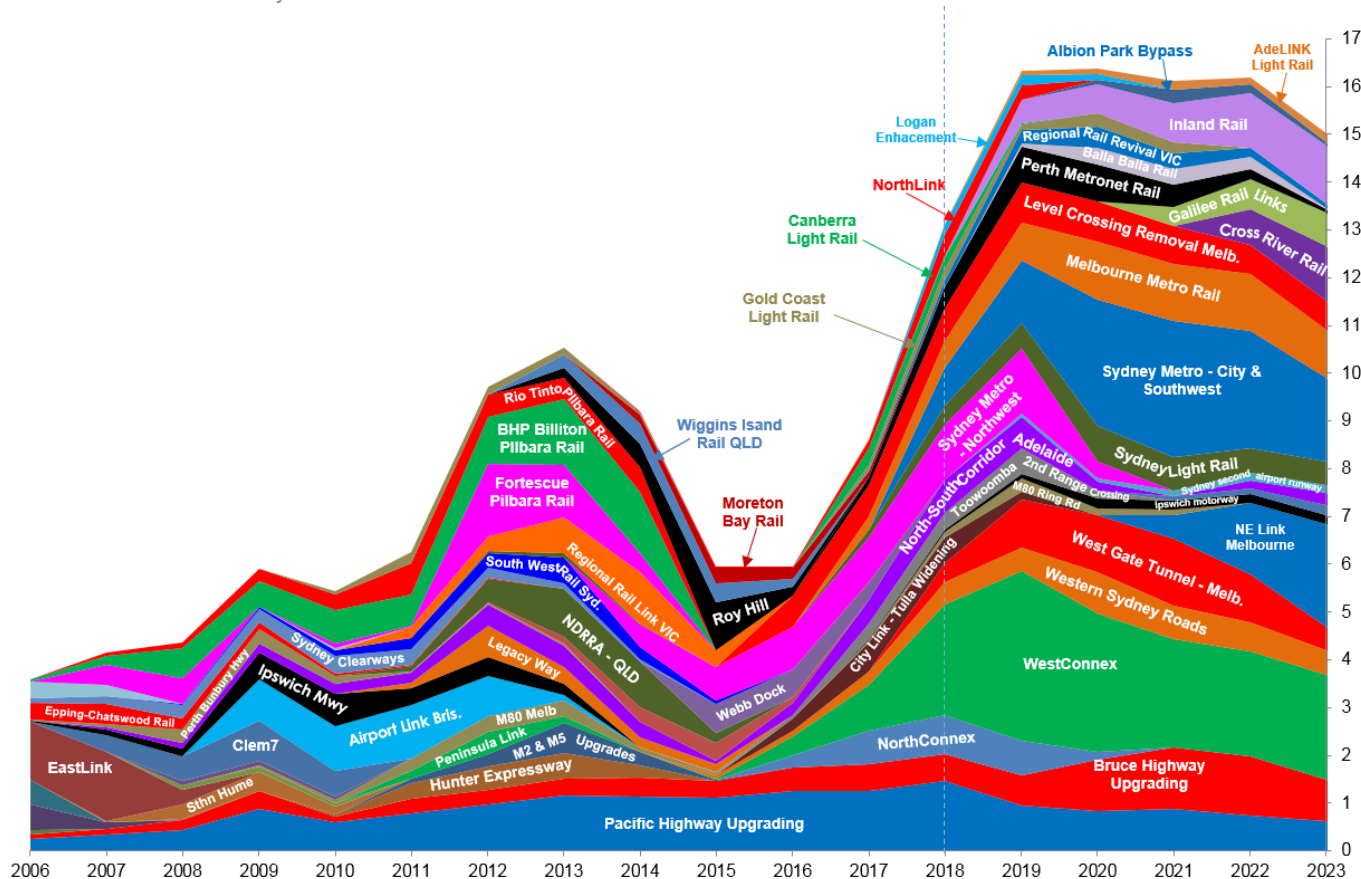
- The charts at left present the historical gross and net capex spend, split between growth and maintenance, for the historical periods FY15 to FY18
- **Maintenance capex** has averaged ~\$2m over the historical period. This capex represents spend on maintaining the existing hire equipment
- **FY18 capex** includes:
  - \$0.2m IT platform upgrade
  - \$0.9m further investment to expand the fleet of GASS equipment (high demand product)
  - Remainder of expenditure is new scaffolding and formwork equipment to accommodate strong market activity / high utilisation of existing equipment
- **Update on deployment of recent growth capex:**
  - Acrow committed ~\$5m of growth capex in the 12 months to June 2018 for the strategic acquisition of formwork and scaffolding equipment to service the high growth infrastructure sector
  - ~\$2m has been paid in FY18 with the balance being paid in FY19. This equipment is being allocated to targeted new projects and the Board reiterate their confidence of achieving annualised returns of greater than 40% on this investment

# Formwork

The outlook for east coast civil infrastructure construction is strong, in particular transport related projects, as evidenced with the pipeline of transport infrastructure projects

## Major Transport Infrastructure Projects – Australia (\$Bn)

Value of Work Done by Year



## Commentary

Acrow is currently working on the following projects:

- Pacific Highway upgrade
  - Divided highway, bridges and underpasses
- NorthConnex
  - Bridges and structures
- WestConnex
  - Bridges, structures and tunnel
- Toowoomba 2nd range
  - Bridges, culverts, tunnels and underpasses
- Gateway Motorway North
  - Bridges and structures
- Western Distributor Melbourne
  - Divided highway, tunnel, bridges and structures
- Perth Freight Link
  - Divided highway, bridges and underpasses
- Kingsford Smith Drive
  - Cantelevered structures (extra lane), bypasses and underpasses
- Sydney Metro North West
  - Rail upgrade (metro), tunnels, stations and carparks

# Recent Project – Pacific Highway, Harwood Bridge

Harwood Bridge upgrade over the Clarence river is a project within a project and forms part of the larger c.A\$4.4 billion Woolgoolga to Ballina Pacific Highway upgrade along the Eastern corridor connecting Sydney and Brisbane

## Acrows Engagement and Role in the Project

- Full turn key solution provided in relation to the design and supply of four 170 square meter table systems using a mixture of custom fabricated steel and proprietary formwork
- Each table designed to support loads up to 500t and reusable up to 10 times
- 32 headstocks formed in total over both land and water
- Over 150 lineal meters of custom steel circular column formwork designed and supplied in diameters of 2.2m and 2.4m
- The coordination and supply of over 70 custom fabricated elements including logistics of oversized loads transported over two different states
- 24-hour support from our team of in-house Engineers
- Over 350 hours of design time invested into the project including 3D modelling and constructability methods

## Project Details

- Construction of a 1.5km dual carriageway bridge
- Location: Harwood, NSW, Australia
- Lead Contractor, ACCIONA Infrastructure part of the Acciona Ferrovial Joint Venture
- Project value: Part of the overall A\$4.4 billion Woolgoolga to Ballina Pacific Highway upgrade
- Acrow revenue ~\$2M
- Estimated completion date: End 2019



## Acquisition of Natform

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# Natform Acquisition

Strategic acquisition of Natform, the leading designer and hirer of screen systems for the construction industry

## Overview of Natform

- Natform Pty Limited (Natform) is 100% privately Australian owned and is a provider of screen based formwork systems which support the construction of commercial and residential high rise buildings and civil infrastructure. It adopts a dry-hire model and provides a highly engineered solutions to a wide range of customers, with Natform's engineering capabilities a key competitive advantage
- Since formation in 1989, Natform has experienced strong growth reflecting market acceptance
- Natform's business is geographically concentrated in NSW, ACT and QLD markets, with the engineering team based in Sydney and with operational sites in Sydney, and Brisbane
- The key exposure for Natform is the Commercial High rise construction industry, which is enjoying strong growth
- Natform's screen systems are very specific to types of jobs in which they are utilised, lowering competition intensity. Natform's equipment is targeted to be a superior pre-packaged solution to key competitors. Key competitors include Peri and Doka
- Strong Management team, led by founder Margaret Prokop, being retained and incentivised in the business
- Margaret Prokop will also be joining the Acrow Board

## Key terms and metrics of acquisition

- Consideration of \$15m (pre earn-outs), representing a c.4x EBITDA multiple (\$3.8m FY18 underlying EBITDA):
  - Initial consideration of \$10.5m, consisting of \$7m cash and \$3.5m of ACF shares (issued at \$0.35 per share and under 12 month escrow), representing a 2.8x EBITDA multiple
  - Deferred consideration of \$4.5m paid over two equal annual instalments of \$2.25m (funded by cash flow)
- Initial consideration funded by existing cash and debt funding with completion targeted 31 August 2018
- Earn-out of up to \$1m per annum for the next two years, subject to EBITDA of \$4.5m and \$5m, respectively
  - Option to take as cash or shares at a share price of \$0.40 per share and \$0.60 per share, respectively (to be confirmed)



# Financials

FY18 Natform EBITDA of c.\$3.8m and EBITDA margin of c.50%

## Natform Standalone Summary P&L (\$m)

\$m	FY17	FY18	% Growth
<b>Summary P&amp;L</b>			
Revenue	6.8	7.6	11.5%
Total Contribution	4.9	5.3	7.1%
<i>Contribution Margin</i>	<i>72.1%</i>	<i>69.3%</i>	
Underlying EBITDA	3.2	3.8	17.4%
<i>Underlying EBITDA Margin</i>	<i>47.3%</i>	<i>49.8%</i>	

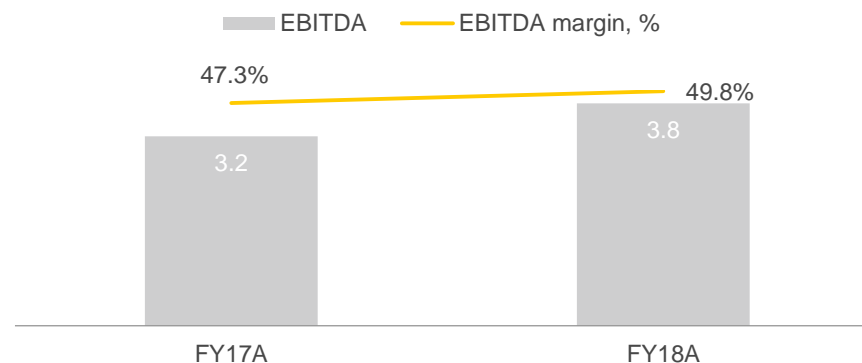
## Pro Forma Combined FY18 P&L (\$m)

\$m	Acrow <sup>(1)</sup>	Natform	Pro Forma Combined Group
<b>Summary P&amp;L</b>			
Revenue	65.3	7.6	<b>72.9</b>
Total Contribution	39.3	5.3	<b>44.6</b>
<i>Contribution Margin</i>	<i>60.2%</i>	<i>69.3%</i>	<b>61.1%</b>
Underlying EBITDA	10.8	3.8	<b>14.6</b>
<i>Underlying EBITDA Margin</i>	<i>16.5%</i>	<i>49.8%</i>	<b>20.0%</b>

## Commentary

- The business has demonstrated a strong track record of stable earnings and growth
- Natform generated c.\$7.6m of revenue in FY18, representing 11.5% growth yoy
- High margin business, generating c.70% contribution margin and c.50% EBITDA margin

## Natform Underlying EBITDA (\$m)



Note:

(1) Excludes public company costs from April to June 2018

# Strategic Outlook for Natform

Natform provides a range of strategic upsides for the group

1

## Commercial high rise opportunities

- Continue to pursue developed pipeline of opportunities in the commercial high rise construction industry, which is enjoying strong growth

2

## Strong revenue synergies

- Acrow on Natform jobs (Formwork and Scaffold assets, commercial high rise)
- Natform on Acrow jobs (civil infrastructure)
- New geographic markets (VIC, SA, WA, TAS)

3

## Engineering expertise

- Combination of Acrow and Natform engineering teams provides a strong competitive advantage across all markets serviced
- There will be a specific focus on innovation and new product development

# Outlook Statement

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- The business will continue to focus primarily on capitalising on the unprecedented project pipeline of civil infrastructure projects on the Eastern seaboard
- There are also growing signs of increased activity in the resource sector in Western Australia, in which Acrow's formwork capabilities are very well suited
- The acquisition of Natform broadens Acrow's product range servicing the commercial sector and potentially civil. Leveraging the combined capability will be a strong focus
- The NSW Commercial / Residential scaffold market has also stabilised with evidence now of an improved project pipeline
- The business will continue to invest in growth capital to capitalise on the strength of the civil market. Low debt position, financial facility headroom and strong operating cash flows provide financial flexibility in this regard
- Acrow will continue to assess complementary bolt on acquisition opportunities
- Revenue growth remains a key objective, while also improving margins and ensuring operating cash flow growth
- Annualised depreciation of combined group (Acrow and Natform) is expected to be in the range of \$2.5m - \$3.0m
- Continued utilisation of tax losses expected to be utilised across the consolidated group

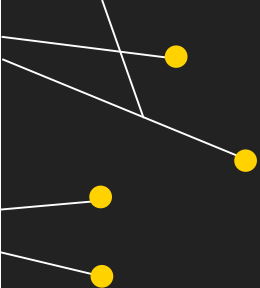


# Appendix – EBITDA Reconciliation

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## FY18A Reconciliation of Statutory Accounts to Underlying EBITDA

Net Profit	10,511
Gain on Bargain Purchase	(10,825)
ACF (NMG) Full Year	2,540
<b>Q4 Net Profit</b>	<b>2,225</b>
Depreciation	446
Finance Costs	76
<b>Q4 EBITDA</b>	<b>2,747</b>
March 2018 YTD EBITDA	7,512
Significant Items	536
<b>FY18A Underlying EBITDA</b>	<b>10,796</b>



Thank you

