

Management Presentation

SHAPE AUSTRALIA CORPORATION LIMITED
ABN: 14 654 729 352

SHAPE

APRIL 2022



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Senior Management

FITOUTS | REFURBISHMENTS | FAÇADE UPGRADES | CONSTRUCTION



Peter Marix-Evans
Chief Executive Officer

- Peter was appointed as Chief Executive Officer in December 2017
- After joining SHAPE in 2011 as the Group Executive and General Manager of NSW, he became Chief Operating Officer in August 2016
- Peter brings over 30 years of wide-ranging construction and industry experience, including senior roles in both commercial and public sectors, including risk and commercial management, customer experience and environmental health and safety (EHS)
- Before joining SHAPE, Peter held several operational and strategic management positions at Lend Lease, including General Manager for NSW, Operations Manager for ACT, National Operations Manager and Head of EHS for the Asia Pacific. He has particular passions for customer experience, as well as developing and leading high-performance teams



Scott Jamieson
Chief Financial Officer

- After working as an external auditor of SHAPE for seven years, Scott joined SHAPE in 2008 as Group Financial Controller
- He has been an integral member of the SHAPE team for more than fourteen years and was appointed as Chief Financial Officer in May 2012
- He also has responsibility for the company's Business Technology and Risk Management areas
- Scott has a Bachelor of Business majoring in Accounting and Finance from the University of Technology, Sydney, and is a Chartered Accountant and Chartered Tax Advisor

Key Highlights



1

Dedicated national service coverage with seven offices and a physical presence in all mainland states and territories

2

Long-standing relationships with blue-chip customers driving repeat revenue

3

Diversified end market and geographic exposure

4

Reputation for high-quality projects delivered on-time and defect-free

5

Leadership effectiveness and superior organisational culture

6

High employee retention with an experienced management team and deep talent pool

7

Multiple levers for growth

Corporate Snapshot

FITOUTS | REFURBISHMENTS | FAÇADE UPGRADES | CONSTRUCTION

CAPITAL STRUCTURE

ASX Code	SHA
Shares on issue	83,241,085
Share price as at 22 April 2022	\$2.16
Market capitalisation as at 22 April 2022	\$179.8m
Net cash as at 31 December 2021	\$94.7
Enterprise value as at 31 December 2021	\$109.7m
Dividends Per Share in H1FY22	6.00c



H1FY22 Financial Highlights

REVENUE

\$329.3m

▲ 10.7% on H1FY21

EBITDA

\$10.5m

On par with H1FY21

EBITDA (UNDERLYING)

\$4.5m

▼ 11.4% on H1FY21

NET PROFIT

\$8.3m

▼ 5.3% on H1FY21

GROSS MARGIN

8.6%

▼ 1.2% on H1FY21

EARNINGS PER SHARE

7.1c

▼ 4.1% on H1FY21

CASH

\$94.7m

BACKLOG ORDERS

\$405m

▲ 65.5% on H1FY21

PROJECT WINS

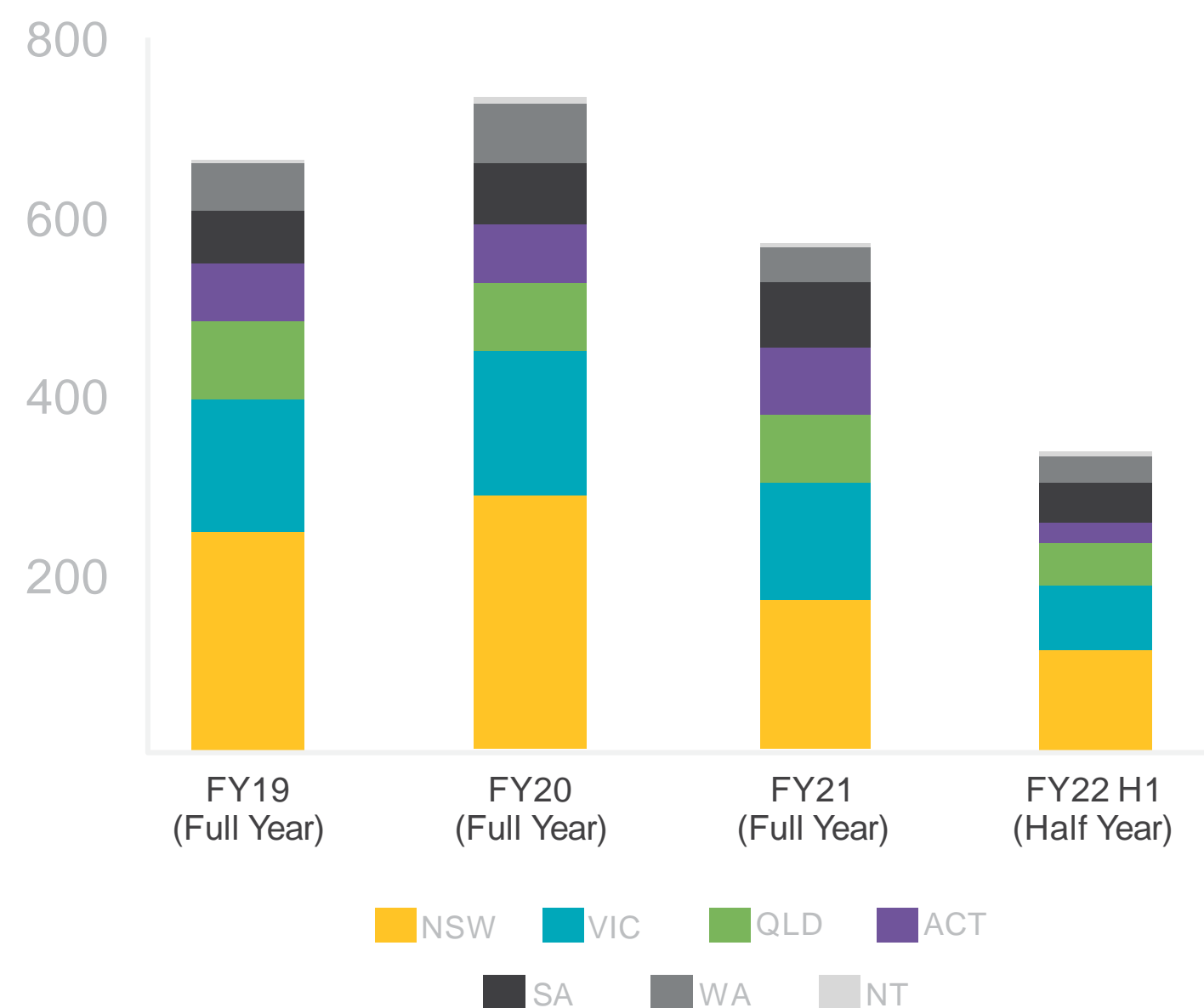
\$475m

▲ 36% on H1FY21

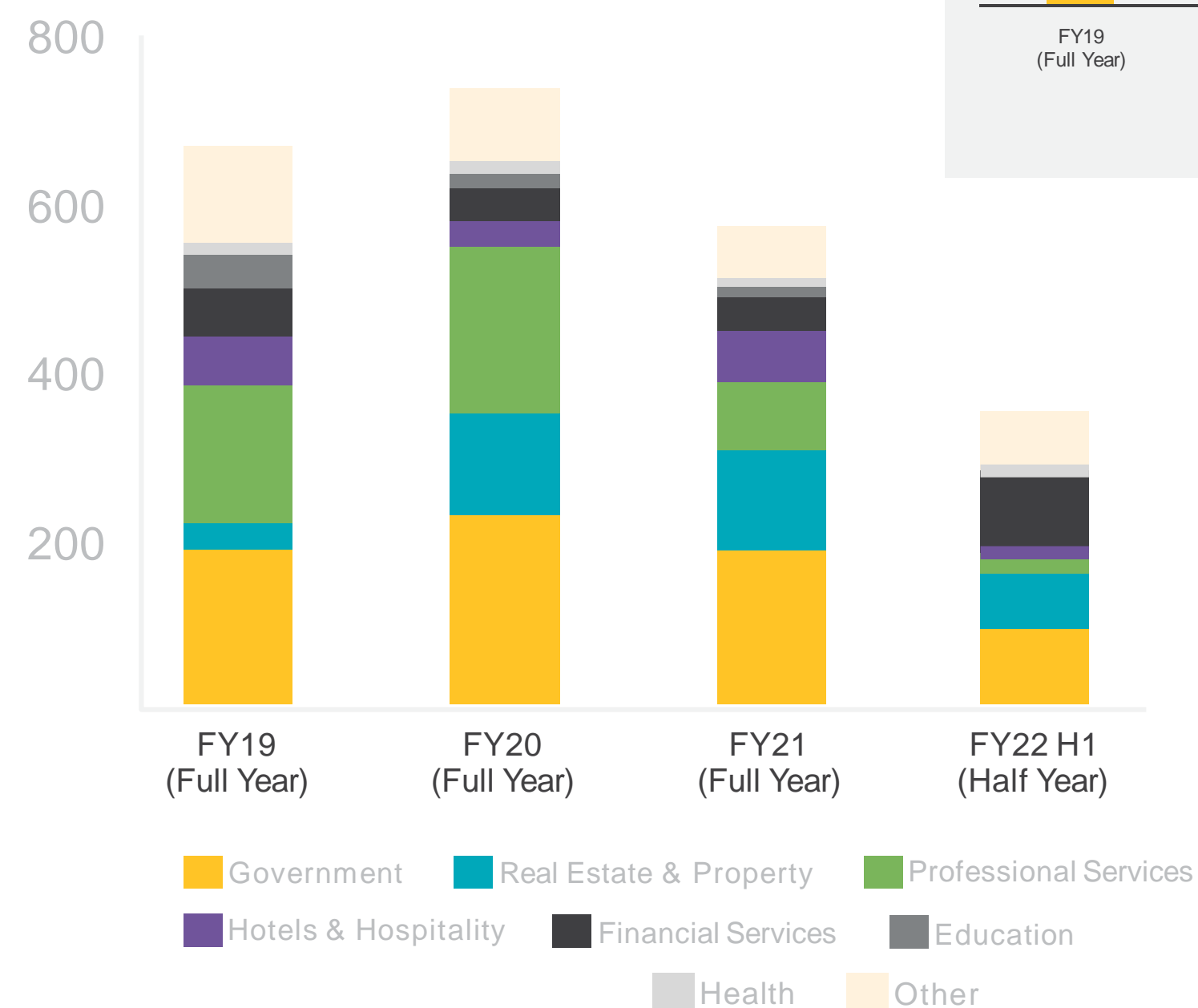
Key Sector & Project Overview

FIGURES AS AT 31 DEC 2021

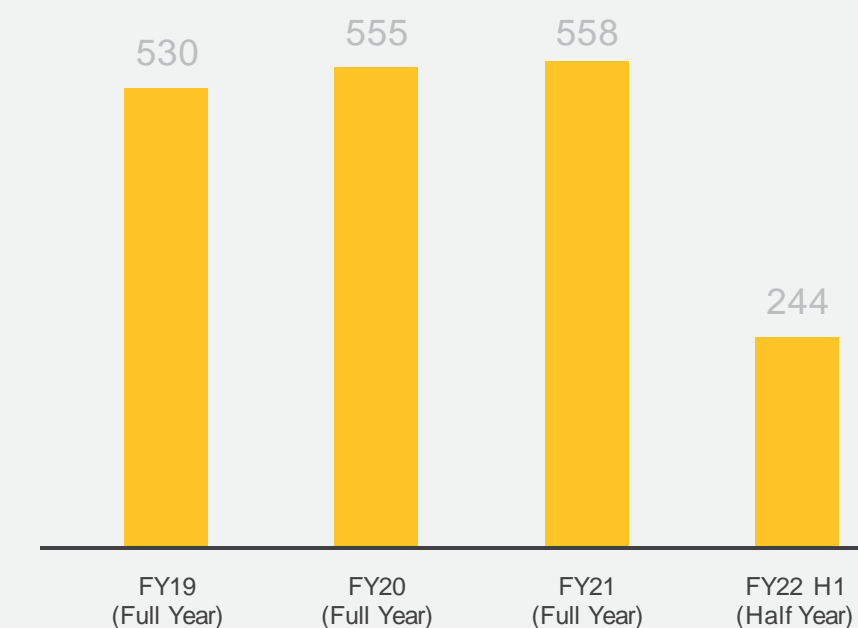
REVENUE BY REGION



REVENUE BY END MARKET



NO. OF PROJECTS UNDERTAKEN



**MAINTAINED A
STRONG TENDER
CONVERSION
RATE**

51.8%
(by number)

Key Sector & Project Overview



People and Culture

- SHAPE employs approximately 455 people¹ including professional, technical, corporate and support personnel nationwide. SHAPE's primary workforce comprises project managers, construction managers, project engineers and site managers
- SHAPE's business model is akin to that of a professional services firm, with a core focus on leadership development and ongoing cultural focus to achieve business targets
- Recognised by Human Synergistics for its leadership effectiveness and organisational culture, benchmarking it in the top 10% of companies globally when compared to the global research group²
- SHAPE's senior leadership effectiveness has separately been benchmarked in the top 5% of the Human Synergistics global data base²
- The culture SHAPE has created encourages excellence in project delivery through constructive interpersonal interaction



**Average 5.5+ years
employment among
SHAPE employees**

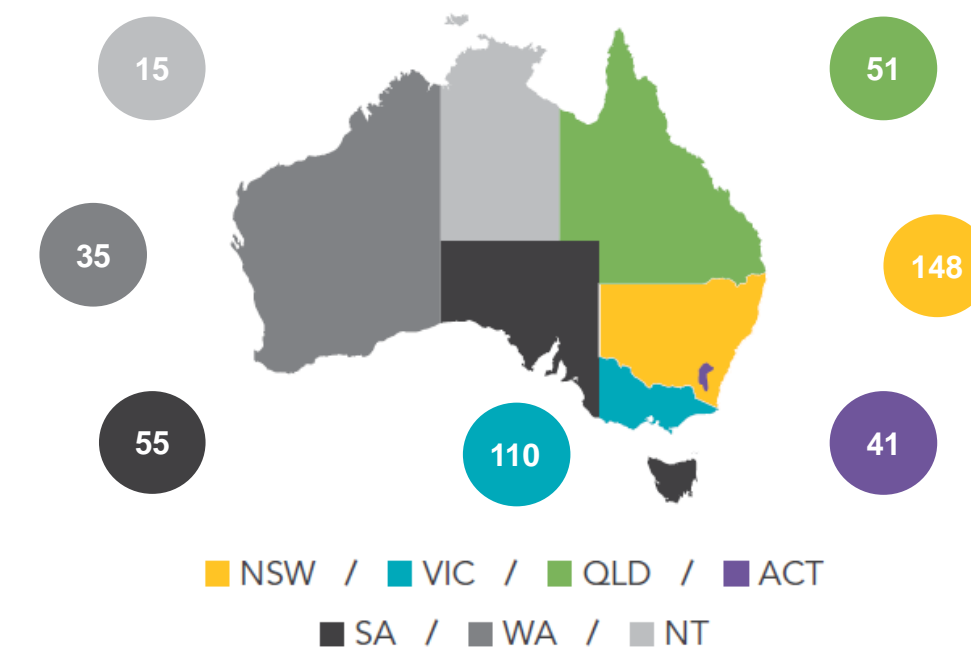


**Senior management
100+ years
industry experience**

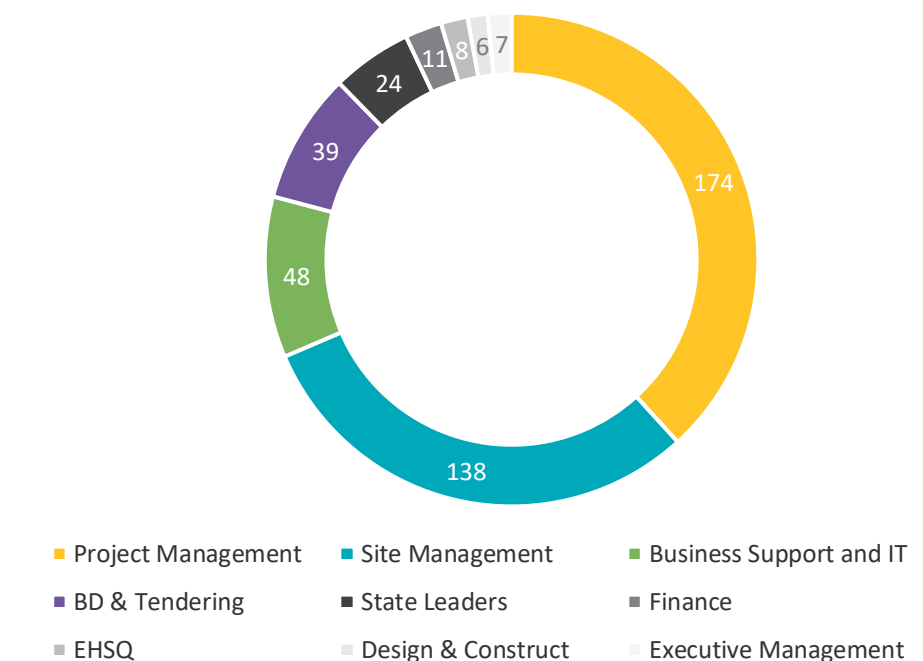


**Senior management
average 15 year
tenure at SHAPE**

Employee numbers by State

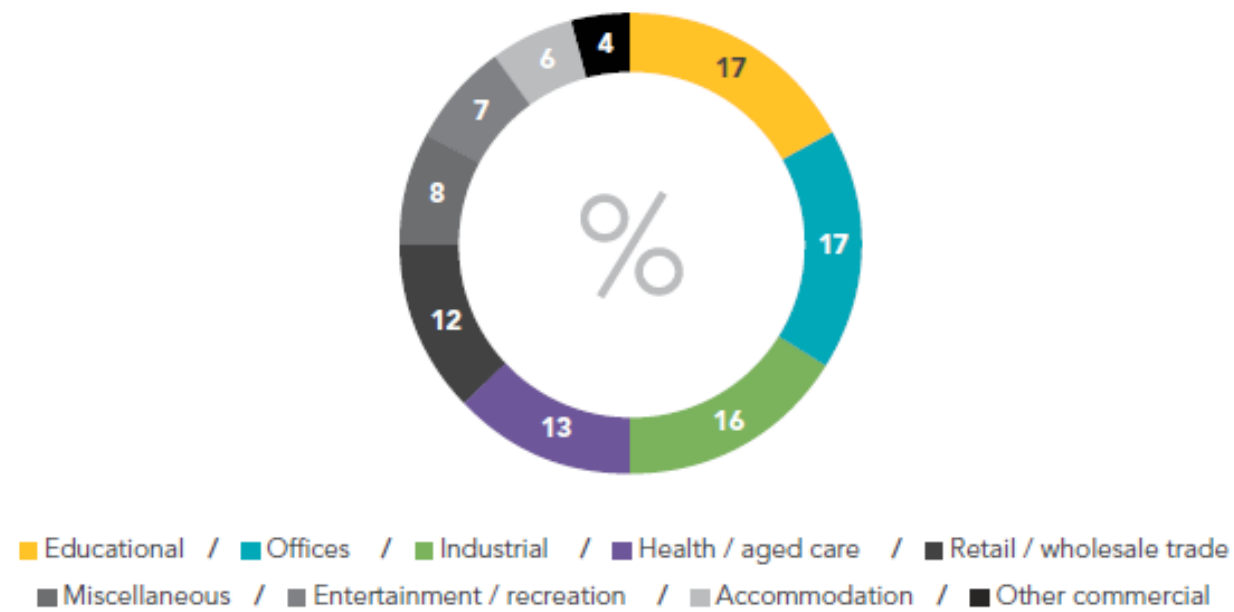


Employee numbers by function

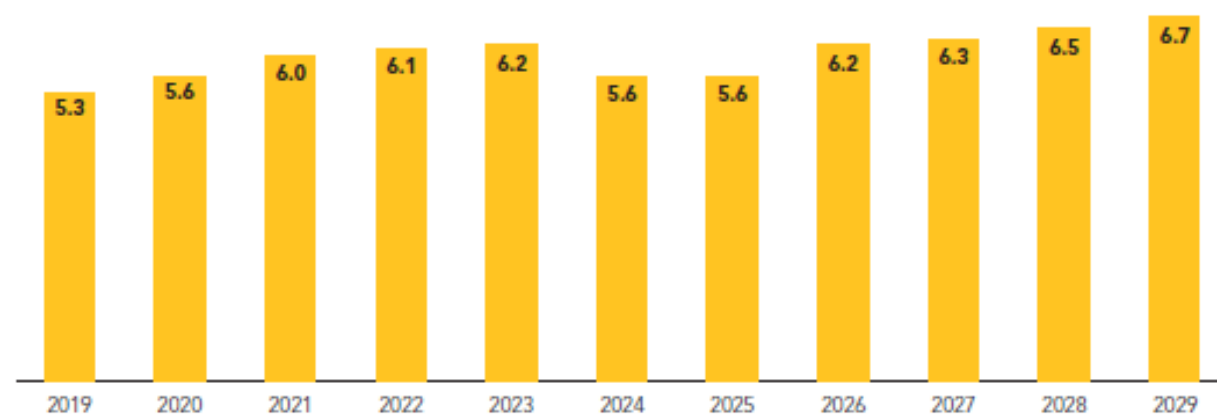


Industry Overview

Non-residential building construction (2021)

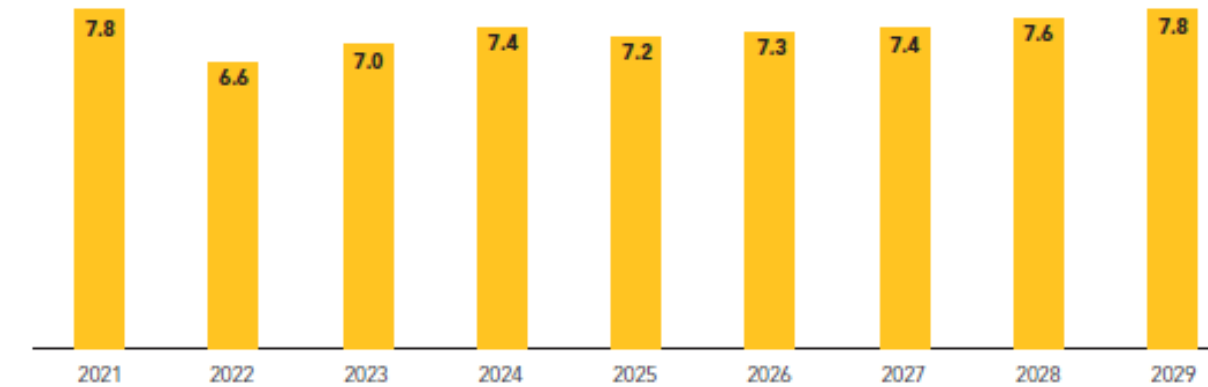


Health - value of construction work (\$bn)



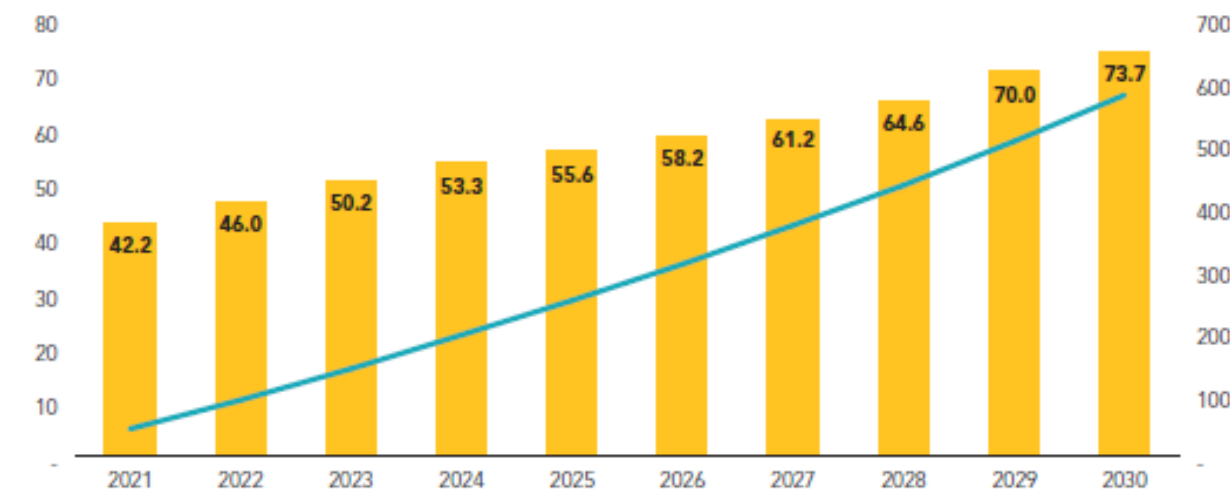
- Drivers include Australia's ageing population, investment in healthcare following the coronavirus pandemic and government spending on aged care reforms following the Royal Commission

Office - value of construction work (\$bn)



- Drivers include the flight to quality thematic - reduction in workplace density, increase in open plan offices and collaboration spaces and a focus on health and sustainable workplaces

Australian defence spend (\$bn)



- The Australian government has committed significant funding to the expansion of Australia's defence industry, including infrastructure and local civil disaster recovery authorities

Multiple Levers for Growth

Service Offering Expansion

Acquisition of complementary, bolt-on businesses

Currently considering acquisitions that would facilitate both **vertical and horizontal integration**

Geographical Expansion

Resourcing to establish capabilities in target areas over the next six - 18 months

Increase market penetration in mainland capital cities

Regional offices in identified growth hubs

Expansion into Target Growth Sectors

Replacement of **combustible cladding façades** on commercial and residential buildings

Defence and associated defence industry projects

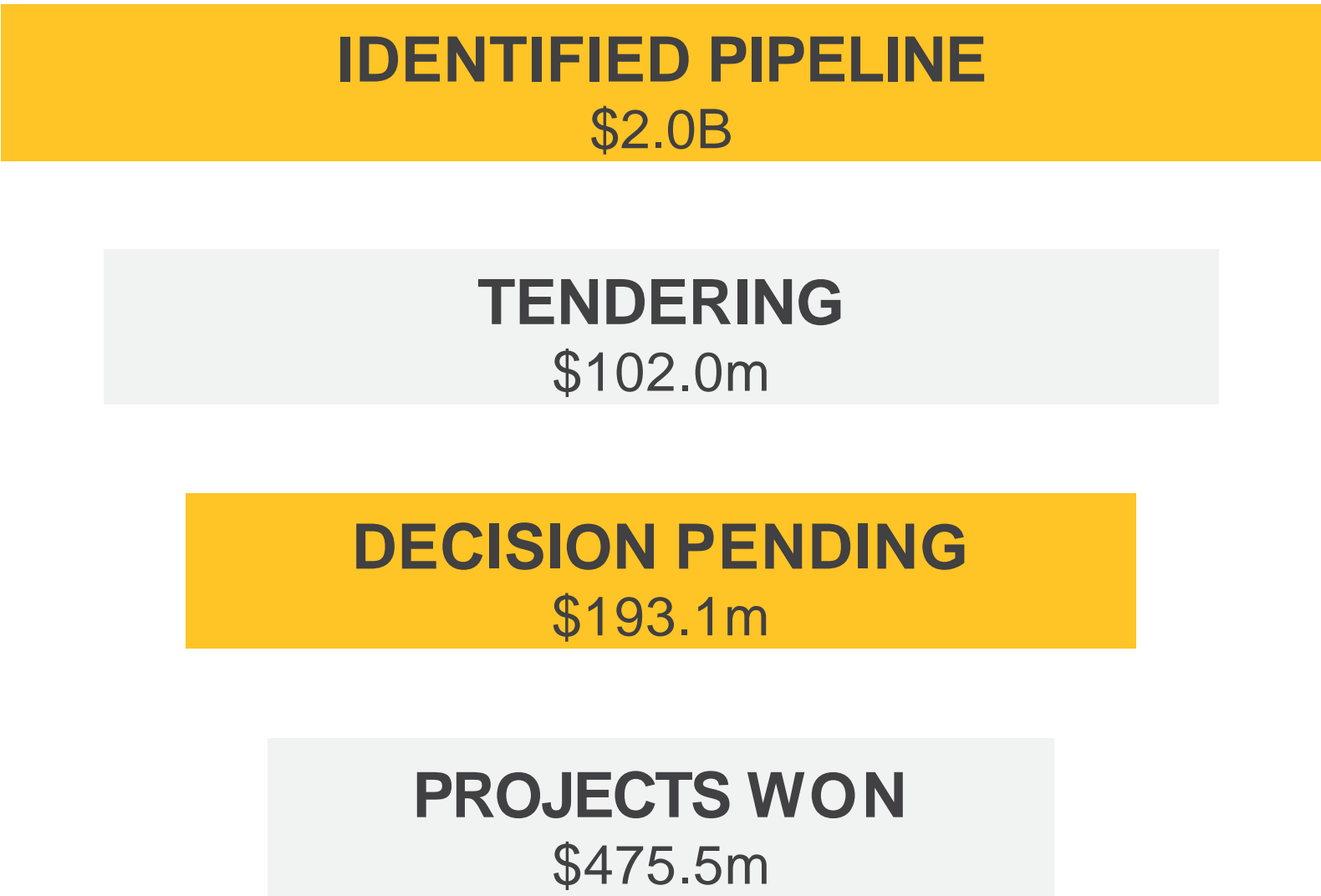
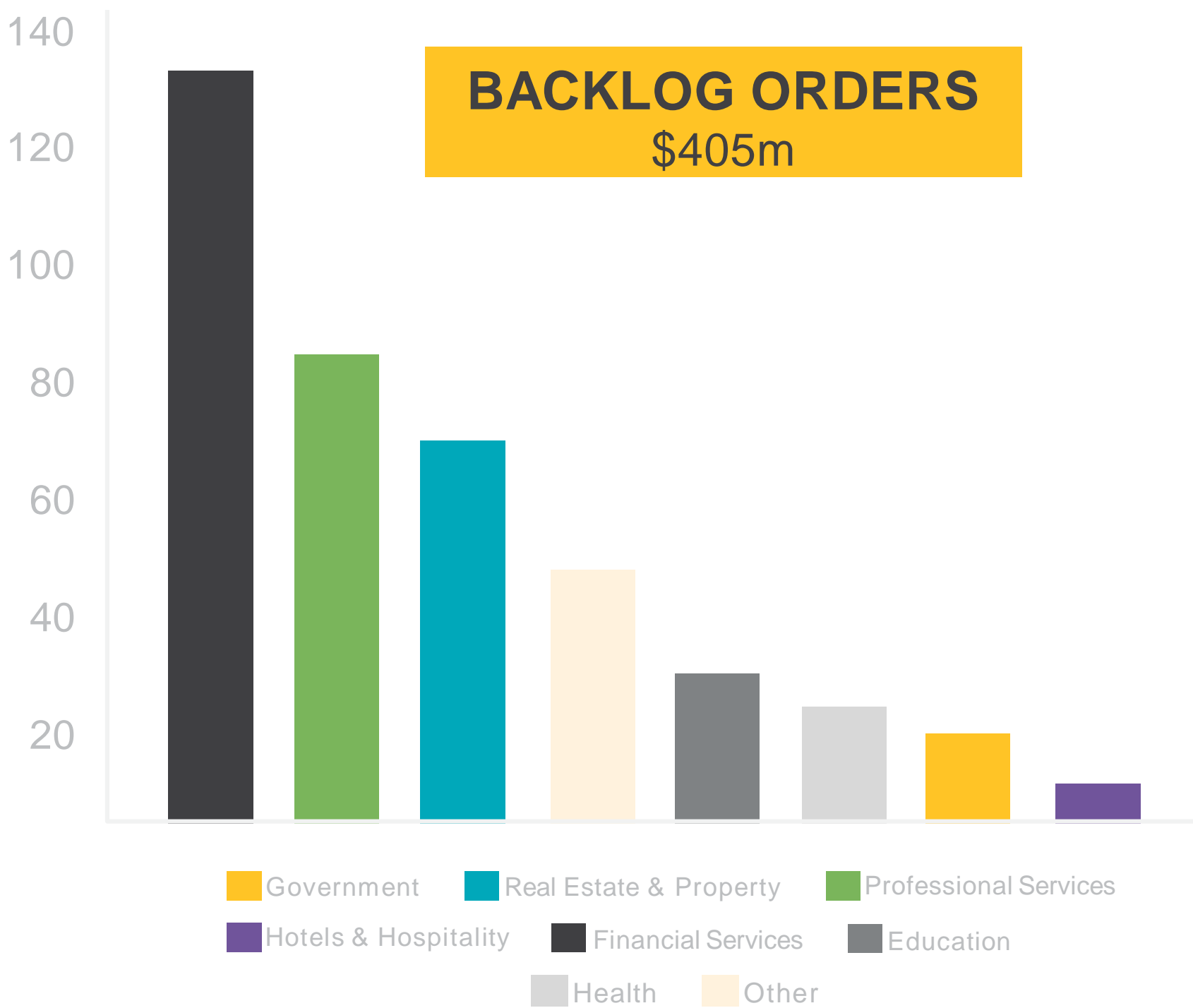
Healthcare and science works

SHAPE is well positioned to drive future benefit from key growth initiatives, more than doubling its revenue in the Defence sector from FY20 to FY21, along with doubling the number of cladding projects awarded

Pipeline & Order Book

FIGURES AS AT 31 DEC 2021

BACKLOG ORDERBOOK BY MARKET



Project Conversion and Win Rate Ratio

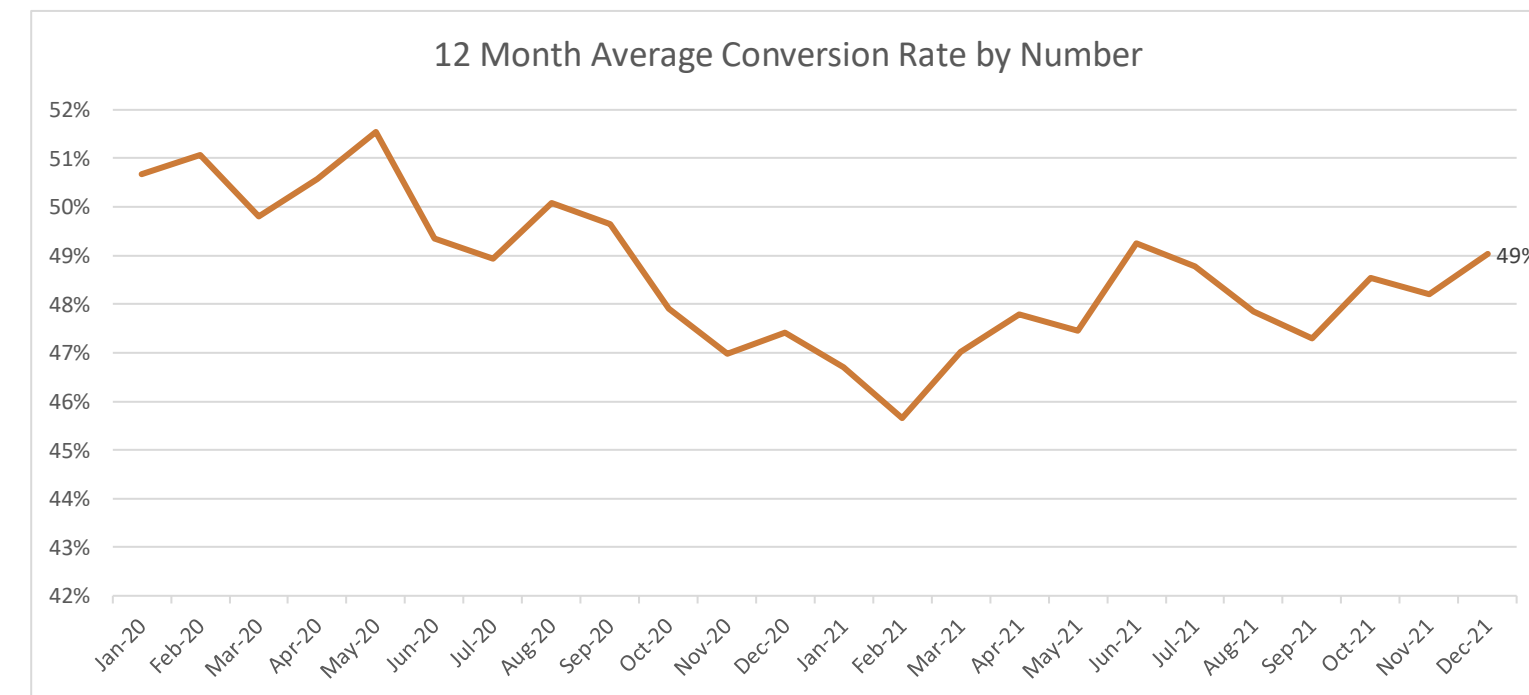
MAINTAINED A
STRONG
CONVERSION RATE

49%

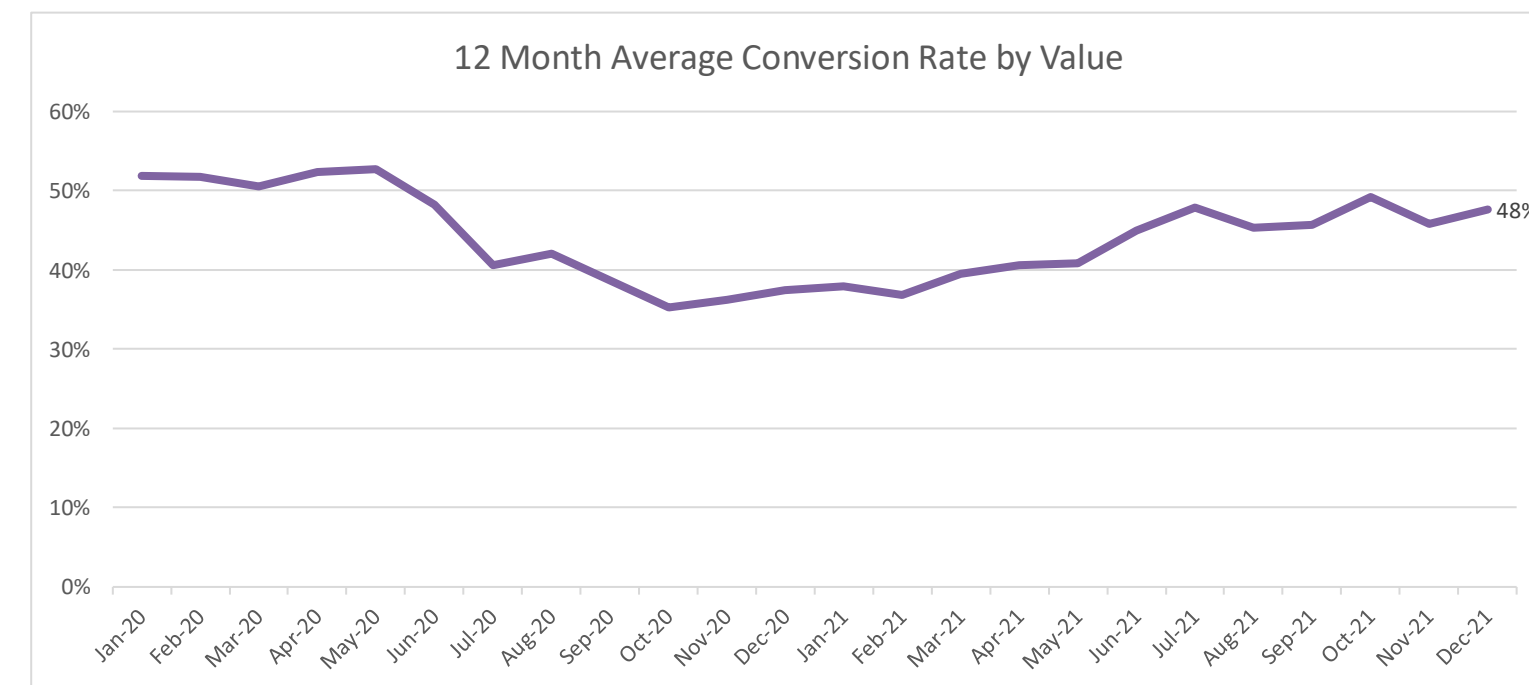
(by number)

- SHAPE adopts a disciplined and strategic approach to tendering, focusing resources on projects identified as having the greatest likelihood of success, with acceptable risk and return dynamics
- SHAPE utilises data analytics to identify these opportunities taking into consideration available resources, opportunity costs, historical track record and win rate, strength of relationships and the type / risk profile of the works to be undertaken
- This has aided SHAPE's win rate by number of projects in remaining relatively consistent during the coronavirus pandemic with a monthly rolling twelve month average of ~48% since March 2020
- While SHAPE's win rate by value saw a significant decline post the onset of the coronavirus pandemic, the Company has seen an upturn in win rates by value as economic recovery continues

12 month trailing win rate (by number of tenders)



12 month trailing win rate (by value of tenders)



Acquisition of



- Recent acquisition of KLMSA, a modular construction business based in VIC with a focus on the education and community infrastructure sectors
- Total consideration is ~\$10.7m, funded through a 3-year amortising term loan facility
- The acquisition is expected to contribute an additional \$25m in revenue and \$2.5m in EBITDA
- The acquisition allows SHAPE Australia to diversify its capabilities to deliver greater value for clients through additional, value add services
- The acquisition provides synergies by combining KLMSA's deep understanding and experience in designing and manufacturing innovative and attractive modular buildings and SHAPE's strength in high quality, risk management and stakeholder management
- This enables SHAPE to offer all the benefits of offsite construction, including faster schedules, improved safety, minimal on-site disruption and more sustainable construction



- Continued strong performance for DLG SHAPE.
- SHAPE maintained 49% ownership, with 51% David Liddiard Group (DLG).
- Continued commitment to increasing aboriginal participation. 1 Indigenous intern appointed at SHAPE during the reporting period and \$845k spent through indigenous supply chain.
- DLG SHAPE remain committed to promoting indigenous employment and targets local indigenous engagement on every project.

SPEND WITH INDIGENOUS BUSINESS

000's	SPEND TO DATE	SPEND IN H1 FY22
SHAPE	\$16,802	\$671.6
DLG SHAPE	\$3,365	\$173.9
TOTAL	\$20,167	\$845.6



Management fees generated to SHAPE increased by 59.4% from \$431k to \$681k during the reporting period.

IDENTIFIED DLG PIPELINE

\$150m

TENDERING

\$10m

DECISION PENDING

\$40m

PROJECTS WON

\$21.2m

Note: Figures as at 31 December 2021

H1FY22 Operational Highlights

SAFETY	<p>Our safety commitment and culture is spearheaded by our “Path to Perfect Safety” programme:</p> <ul style="list-style-type: none"> ^ 6% improvment to TRIFR result (6.2) ^ 12% Number of proactive safety observations logged (21,676) ✓ Campaign releasing our internally developed SHAPE Minimum Standards Safety App to the wider Constrction Industry (452 downloads)
PEOPLE & CULTURE	<ul style="list-style-type: none"> ✓ Strong company culture maintained (as evidenced by Human Synergistics OCI measure) ^ 15% increase in our total workforce (455 total employees) ✓ 15% employees promoted during the reporting period ✓ Formalised commitment to increasing workplace flexibility
PARTNERSHIPS	<ul style="list-style-type: none"> ^ 36% Increase in secured orders (totalling \$475m) / ✓ Secured orders will be delivered across FY22 & FY23 (securing a strong forward order workbook) ✓ 80% of projects secured from repeat clients ^ 4% improvement to our Net Promoter Score (+83) ✓ 85% of projects delivered during H1FY22 achieved Perfect Delivery
GROWTH & DIVERSIFICATION	<ul style="list-style-type: none"> ✓ Diverse projects across 7 regional offices ✓ Significant growth in Defence and Facade Upgrade sectors
ENVIRONMENT & SOCIAL IMPACT	<ul style="list-style-type: none"> ✓ FY22 Diversity and Inclusion Action Plan implemented ✓ WGEA compliant and female participation increased to 30% ✓ Achieved all objectives defined in our Reconciliation Action Plan (Innovate) ✓ Over \$370k in value of goods, services & donations to support charities as part of our positive commitment to social impact through our Community+ program ✓ Carbon reduction targets on track

Financial Commentary

- Solid business performance in H1FY22
- Lower net profit result due to ongoing pressures from COVID. Construction activity was constrained by delays in the commencement of new projects, site shutdowns and lower productivity due to social distancing protocols
- Well positioned with a record backlog orderbook of \$405m and recovering markets expected to present over FY23
- Traction on growth initiatives; particularly Facade Upgrade and Defence projects

\$'000	H1FY22	H1FY21	MOVEMENT
Revenue	\$329,137	\$297,125	^ 10.7%
Reported EBITDA	10,504	10,462	^ 0.4%
Underlying EBITDA	4,487	5,064	v 11.4%
Statutory NPAT	5,781	6,051	v 4.5%
Key Operating metrics			
Reported EBITDA	3.2%	3.5%	v 9.4%
Underlying EBITDA	1.4%	1.7%	v 20.0%



Impacts & Response to Pandemic

- Demonstrated resilience in challenging and enduring market conditions
- Construction activity was constrained by delays in the commencement of new projects, site shutdowns and lower productivity due to distancing protocols
- SHAPE did not obtain JobKeeper or any Government support
- SHAPE has looked after our people with a view that we would be rewarded with loyalty post pandemic
- Trading conditions remain impacted by restrictions and inefficiencies however, market activity is increasing
- Next 2 quarters are likely to be less impacted by restrictions, with a strong recovery possible in FY23



Summary

FINANCIAL

- SHAPE was very well positioned at the start of the pandemic and is poised to maximise upside on the recovery
- Record project wins, combined with a strong pipeline have SHAPE positioned for a successful FY23

OPERATIONS

- Highly engaged workforce and strong market relationships with clients, consultants and subcontractors
- Experienced and embedded leadership team poised to steer out of the pandemic
- 85% of projects completed within the period achieved Perfect Delivery
- SHAPE maintained a high NPS (net promoter score) & commitment to excellent customer experience





Additional Information

H1FY22 Financials

Income Statement

\$'000	H1FY21	H1FY22
Revenue	297,125	329,137
Construction costs	(267,510)	(300,061)
Employee benefits	(13,614)	(13,810)
Other expenses	(5,539)	(4,762)
EBITDA	10,462	10,504
Depreciation and amortisation	(1,809)	(2,113)
Net interest income	111	(88)
Profit before income tax	8,764	8,303
Income tax expense	(2,713)	(2,522)
Net profit after tax	6,051	5,781

Key metrics

Revenue growth %	N/A	10.8%
Gross margin %	10.0%	8.8%
Reported EBITDA margin %	3.5%	3.2%
Underlying EBITDA margin %	1.7%	1.4%

EBITDA reconciliation

\$'000	H1FY21	H1FY22
Reported EBITDA	10,462	10,504
IPO Costs	-	2,794
Customer legal dispute	1,092	(3,400)
Revised revenue recognition accounting estimate ¹	(6,907)	(6,335)
Shares granted to employees in conjunction with IPO	-	924
Transaction costs related to previous liquidity events	781	-
COVID-19 related redundancies	166	-
Workers compensation provision ²	(530)	-
Total adjustments	(5,398)	(6,017)
Underlying EBITDA	5,064	4,487

1. The accounting estimate in relation to revenue recognition has changed during the period ended 31 December 2021 based on new information identified and analysed. The impact of this for the period ended 31 December 2021 was an increase in profit of \$6.335M and \$6.907M for the prior period.
2. Workers compensation provision adjustment arose to reverse the impact of the initial recognition (in FY20) of a provision raised in connection with possible changes to worker classification under the workers compensation scheme which was not required.

H1FY22 Balance Sheet

\$'000	H1FY21	H1YFY22
Assets		
Cash and cash equivalent	115,147	94,728
Trade and other receivables	53,968	54,663
Other assets	3,253	5,017
Finance lease receivable	497	438
Total current assets	172,865	154,846
Plant and equipment, intangible assets	6,367	21,814
Deferred tax assets	4,897	4,808
Investment in associate	98	98
Finance lease receivable	647	452
Total non-current assets	12,009	27,172
Total assets	184,874	182,018
Liabilities		
Trade and other payables	131,290	116,362
Lease liabilities	2,255	2,313
Current tax liability	541	-
Employee benefits	9,670	9,805
Provisions	9,842	6,268
Total current liabilities	153,598	134,748
Trade and other payables	7,417	7,168
Lease liabilities	3,177	14,775
Employee benefits	1,679	1,828
Provisions	558	765
Total non-current liabilities	12,831	24,536
Total liabilities	166,429	159,284
Issued capital	9,477	12,872
Reserves	(2,409)	(2,407)
Retained earnings	11,377	12,269
Total equity	18,445	22,734

Pro forma Historical Income Statement

\$'000	FY19	FY20	FY21
Revenue	661,717	748,208	557,212
Construction costs	(594,306)	(678,961)	(514,773)
Employee benefits	(25,563)	(26,726)	(23,835)
Rent, rates and outgoings	(2,656)	(2,483)	(2,006)
Other expenses	(9,426)	(10,503)	(9,175)
EBITDA before significant items	29,765	29,534	7,423
Significant items	(1,531)	(3,431)	(1,515)
EBITDA after significant items	28,234	26,103	5,908
Depreciation and amortisation	(3,638)	(3,901)	(3,630)
Net interest income	1,340	869	737
Profit before income tax	25,936	23,071	3,015
Income tax expense	(7,999)	(7,200)	(1,078)
Net profit after tax	17,938	15,871	1,937

Key metrics

Revenue growth %	N/A	13.1%	(25.5)%
Gross margin %	10.2%	9.3%	7.6%
EBITDA margin % before significant items	4.5%	3.9%	1.3%
EBITDA margin % after significant items	4.3%	3.5%	1.1%

Source: Company IPO Prospectus December 2021.

Commentary

- Revenue is primarily generated by SHAPE in their role as head contractor and construction manager on construction, fit-out and refurbishment projects
- Revenue fell by 25.5% to \$557.2m in FY21 and was impacted by lockdowns and restrictions on access to workplaces, with some projects being delayed or amended
- The project pipeline and new project win rates have improved since July 2021, although project margins have not yet increased to pre-pandemic levels
- With vaccination rates increasing and the recent end of lockdowns in Sydney and Melbourne, SHAPE is well positioned to take advantage of future market opportunities, as restrictions continue to ease and SHAPE's major markets reopen
- SHAPE anticipates that changes will be required to the design of offices and other commercial interiors when business restrictions ease, driving future work in the fit-out and refurbishment sector specifically.

Corporate Snapshot

FITOUTS | REFURBISHMENTS | FAÇADE UPGRADES | CONSTRUCTION

BOARD MEMBERS



Phillip Arnall
(Phil Arnall)

NON-EXECUTIVE
CHAIR



Michael Barnes
NON-EXECUTIVE
DIRECTOR



Rhonda Jane Lloyd
(Jane Lloyd)
NON-EXECUTIVE
DIRECTOR



Peter Marix-Evans
CHIEF EXECUTIVE
OFFICER & MANAGING
DIRECTOR



Gerard McMahon
NON-EXECUTIVE
DIRECTOR



Kathy Parsons
NON-EXECUTIVE
DIRECTOR



James Sloman OAM
(Jim Sloman)
NON-EXECUTIVE
DIRECTOR



**Craig Van der Laan
de Vries**
(Craig Van der Laan)
NON-EXECUTIVE
DIRECTOR



Corporate Snapshot

FITOUTS | REFURBISHMENTS | FAÇADE UPGRADES | CONSTRUCTION

SHARE REGISTER AT IPO

SHAREHOLDERS	SHARES HELD AT COMPLETION OF THE OFFERS ON AN UNDILUTED BASIS	
	%	Number of Shares
Biramont Pty Ltd	17.8%	14,782,938
Drayton Holding Company Pty Ltd, Drayton No.1 Pty Ltd & Drayton No.2 Pty Ltd	13.6%	11,313,938
Supercomp No.25 Pty Ltd and Kerry Ann McMahon	11.7%	9,737,920
Veroxo Pty Ltd	7.0%	5,818,297
Dakov Pty Limited	5.9%	4,875,825
Josephine Theresa Mary Hynes and Hynes Super Pty Limited	5.5%	4,585,623
SET Australia Pty Limited	5.0%	4,145,700
Other Existing Shareholders	32.4%	26,960,436
IPO Shareholders	1.2%	1,020,408