

ASX Release

17th October 2019

Acquisition of Uni-span Australia Pty Limited

Acrow Formwork and Construction Limited (ASX:ACF) is pleased to announce the acquisition of Uni-span Australia Pty Limited ("Uni-span").

Key highlights include:

- Acrow to acquire Uni-span for \$21.25m (pre-earnouts), representing a multiple of 4.4x normalised FY19 EBITDA. Initial consideration of \$16.25m, comprising \$12.75m cash and shares of \$3.5m (issued at 35cps).
- Earnout payment capped at \$4.3m and based on exceeding FY21 group EBITDA hurdle.
- Acquisition to be funded from expanded finance facilities with Westpac.
- Uni-span is an Australian, privately owned, leading Queensland based formwork and industrial scaffolding/labour hire company. The Company also has operations in New South Wales and Victoria.
- Revenue synergies - highly complementary products and services to provide new opportunities across clients, geographies and markets.
- Joint Acrow/Uni-span contract secured with Western Downs Contracting (as sub-contractor to Watpac) for Sun Metals Zinc Refinery expansion in North Queensland for \$2.75m, commencing December 2019.
- Integration benefits expected to provide substantial cost savings in the areas of yard consolidation, staffing, and overhead reductions.
- Acquisition to be 22% EPS accretive on pro-forma FY19 results (pre-synergies).

Acrow has today executed a Sale & Purchase Agreement for the acquisition of Uni-span and has signed a binding term sheet for an expanded finance facility from Westpac to service the acquisition. The deal is expected to complete on 31st October 2019.

Uni-span is an Australian owned and operated Company, founded in Queensland in 2002. Uni-span is a leading provider of engineered formwork systems servicing primarily the Civil infrastructure market and scaffold hire solutions, focusing primarily on the industrial markets. In addition, it supplies an industrial labour service to complement its scaffold hire, to the energy, mining and industrial sectors currently focusing on the Queensland market.

Uni-span also has the exclusive Australian licence to distribute ULMA products. ULMA is a leading Spanish manufacturer and supplier of formwork, shoring and temporary scaffold systems.

Uni-span delivers a highly complementary business to Acrow, across its formwork systems, industrial scaffold hire and labour services offerings, and sale of new equipment into both the formwork and scaffold markets.

- **Formwork** – Uni-span proprietary systems opens new markets in formwork solutions that will fully complement Acrow products. Uni-span utilises products via its relationship with ULMA that will strongly complement Acrow's product offering to the civil infrastructure market. The joint success on the Sun Metals Zinc Refinery expansion is a strong example of this opportunity.
- **Industrial Scaffold/Labour Hire** – Uni-span's expertise in this area opens up an opportunity for Acrow to develop this area on a national basis, leveraging off Acrow's national operational footprint.
- **Sale of new equipment** – As part of Uni-span's arrangement with ULMA, Uni-span sells ULMA equipment into the Australian market. In addition, Uni-span has developed a fire-retardant mesh product ("Uni-mesh"), sales of which are benefiting from upgraded safety standards across the country. Again, Acrow's customer relationships and national footprint will open up sales growth opportunities for Uni-span/ ULMA products.

The key terms of the deal include:

- Consideration of \$21.25m (pre-earnouts), representing 4.4x FY19 normalised EBITDA multiple;
- An initial consideration of \$16.25m, comprising cash of \$12.75m and shares of \$3.5m (10m shares issued at 35 cents per share¹ escrowed for 12 months);
- The initial cash consideration will be funded from an expanded finance facility provided by Westpac;
- A deferred consideration of \$5.0m, payable in two tranches at 12 months (\$1.5m) and 24 months (\$3.5m) from settlement date (to be paid in cash or shares); and
- A capped earn-out payment of up to \$4.3m to be payable at 24 months. Earn-out is payable subject to FY21 group EBITDA² exceeding \$18m, based on the following formula:

$$\text{Earn-out} = (\text{FY21 group EBITDA} - \$18\text{m}) \times 28\% \times 4.25 \text{ multiple}$$

In FY19 Uni-span reported revenue of \$34.4m and normalised EBITDA of \$4.8m. On an FY19 pro-forma basis, if Uni-span was consolidated for the full year, EPS accretion would equate to 22%³.

Commenting on the acquisition, Managing Director, Steven Boland said: "We are very pleased to be combining the Acrow and Uni-span businesses. Uni-span's product and service offering is not only highly complementary, but also provides Acrow with access to new clients and markets across the energy, mining and industrial sectors, and scale benefits across our national footprint."

"As strong evidence of this we are pleased to advise that the combined Acrow/Uni-span group has been awarded a \$2.75m contract with Western Downs Contracting (as sub-contractor to Watpac) for the provision of formwork support systems as part of the expansion of the Sun Metals Zinc Refinery in North Queensland. This contract has been secured utilising a combination of Acrow and Uni-span proprietary products. The contract is expected to commence in December 2019 and run for a period of 6-9 months."

"As an added benefit to this acquisition we are excited by the prospect of working with ULMA, providing a product range and formwork engineering expertise operating globally at the cutting edge of new developments in our industry."

"Once integrated, we anticipate the combined businesses will generate sizeable revenue and cost synergies across the group. On the revenue side, we see:

- further cross-sell opportunities across our expanded client base and product range; and
- the rollout of the Uni-span range of products and services on a national basis."

"Furthermore, the rationalisation of yards, integration of staff and overhead reductions should result in substantial cost savings, with the full benefit to be realised in FY21."

"Like Natform, Uni-span contributes towards Acrow's strategic vision of becoming a national full-service provider of engineered formwork solutions and scaffold hire to the civil, commercial and industrial construction markets."

"Over the period of our Due Diligence process and commercial negotiations, I have been very impressed by the quality of the Uni-span team and look forward to welcoming them to the Acrow family."

An investor and analyst briefing will be provided by ACF CEO & Managing Director, Steven Boland, and CFO Andrew Crowther, at 9.15am AEDT on 18th October 2019.

To access the call please use the following dial-in details:

¹ If the share price is below 35 cents per share at the completion of the escrow period, Acrow will provide a true-up to the vendors, payable in cash or shares.

² EBITDA calculation is on a comparable accounting basis to the FY19 results

³ Calculation based on initial cash consideration of \$13.8m (including deal and integration costs) and issuance of 10m new shares, pre-earnouts and pre-synergies

ASX:ACF

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Dial in number(s)	Australia Toll-Free: 1800 093 431 New Zealand Toll-Free: 0800 452 257 International: +61 2 8047 9393 https://events.arkadin.com/ev/APAC/itfs/DialinNumbers.pdf
Participant PIN Code	66962445#

The accompanying Investor Presentation was lodged with the ASX today.

-ENDS-

About Acrow

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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