

ASX Release

29 August 2019

FY2019 Preliminary Final Results

Acrow Formwork and Construction Limited (ASX:ACF) is pleased to report an EBITDA before significant items of \$11.6m for the year ended 30 June 2019. The Board has declared a final dividend of 1.0 cent per share (unfranked). This represents a total dividend of 2.0 cents per share for the 2019 financial year.

Financial highlights included:

- Sales revenue of \$71m, up 9% on the prior year reflecting solid growth in the Formwork business¹ and the contribution from the Natform acquisition
- Underlying EBITDA of \$11.6m, was up 9% and margin was flat
- Underlying net profit after tax of \$7.5m. Reported net profit after tax \$4.9m.
- Significant items of \$2.6m primarily comprising share-based payments (\$1.4m), non-recurring acquisition related costs and finance restructuring costs
- Underlying earnings per share was 4.4¢ps
- A final dividend of 1.0¢ps (unfranked) was declared, up from a maiden final dividend of 0.5¢ps in FY18
- Balance sheet remains strong with net gearing at 8%²
- Operating cash profit of \$8.8m was flat on the prior year

Commenting on the result Acrow CEO, Steven Boland, said: "I'm very pleased with the Acrow results for FY19. The returns generated by our Formwork Capital Growth program, coupled with the acquisition of Natform have more than offset the soft conditions in the east coast residential market.

FY19 has been a transformational year for the Company, which has seen us:

- Complete our first full year as a publicly listed Company;
- Re-base the business towards the higher value-added formwork hire and solutions market to capture the unprecedented growth outlook for civil infrastructure projects;
- Our senior management team has been refreshed with experienced, energetic and like-minded talent; and
- We have completed and fully integrated a sizeable acquisition which is already providing revenue synergies across the group. Albeit, softer trading conditions across its traditional markets dampened its performance for the year."

Formwork

Formwork business revenue was up 27% to \$37.7m on the prior year, assisted by the Natform acquisition and stronger Formwork hire and Formwork sales and consumables activity. Sales contribution rose 40% to \$27.3m.

Formwork hire revenue generated a record \$21.7m, up 39%.

On a like-for-like basis (pre-Natform), Formwork hire revenue increased 5%. Softer activity levels in Queensland were offset by the benefit from the growth capital deployment into the Victorian and South Australian markets.

Total sales contribution from Formwork on a like-for-like basis was up 10% on the prior year, reflective on both increased hire revenue and improved margin management on sales of consumables and ex hire equipment.

In-line with the Company's strategy of building its presence in the east coast formwork market, the Formwork business now comprises 64% of group sales contribution, up from 43% just two years ago.

¹ Formwork business unit comprises Formwork hire and Formwork Sales and Consumables segments.

² Gearing = Net debt/equity.

Natform

Natform, acquired in September 2018, has been fully integrated into the group. The sales teams collaborated on a number of new business opportunities, with early cross-sell wins generated in the non-traditional markets of Melbourne and Adelaide. In total, seven contracts were awarded due to cross-sell initiatives over the year. Six of these seven new contracts commenced, or are commencing in 4Q19 and 1Q20.

On a standalone basis, and as highlighted at the time of the 3Q19 Trading Update (21 May 2019), softer trading conditions persisted throughout the balance of the year in Natform's traditional markets. This resulted in lower than expected revenue and sales contributions.

Commenting on the acquisition, Steven Boland noted that, "Whilst the Natform trading result for the year was below expectations, the real traction now being achieved through integration of the sales teams highlights the long-term strategic importance of the business to the Acrow group."

Scaffold

The Scaffold business³ reported a revenue decline of 7% to \$33.3m on the prior year. Sales contribution was down by 23% to \$15.3m.

The notable slowdown in residential construction activity over that last twelve months has impacted Scaffold hire revenue by 35% on the prior year, falling to \$9.3m.

Softer trading activity and increased competitive pressures were primarily observed in Queensland and New South Wales.

Commercial scaffold hire rates fell substantially over the year. Acrow has responded by meeting the aggressive pricing behaviour of competitors, successfully growing volumes and market share over the period. With early signs of price growth, particularly in New South Wales, Acrow is now well positioned to benefit as the market improves.

To provide capacity in the Melbourne yard for the higher margin formwork product, Acrow took the strategic decision towards the end of the year to exit the fragmented and competitive two storey residential scaffold market in Melbourne. Over the next six months Acrow will also review its position in this market in Sydney.

Uni-span Acquisition Update

Discussions for the proposed acquisition of Uni-span Australia Pty Ltd (Uni-span) are progressing. It is envisaged that the two businesses would be highly complementary, across product offerings, geographies and clients. In addition, Uni-span could provide sizeable scale and integration benefits that could likely be implemented in a timely manner.

Should the deal complete, Acrow anticipates it to be funded from expanded banking facilities.

Acrow will continue to keep the market updated under its continuous disclosure obligations.

Outlook

Commenting on the outlook for the Company, Steven Boland said: "Trading activity in 1Q20 has commenced at similar levels achieved in the closing quarter of FY19. However, with a record pipeline of opportunities, particularly in the Formwork market, we remain optimistic for a positive year ahead."

"Acrow is now better placed than at any time in its history, with an exceptional team and a portfolio of assets that are well positioned to leverage opportunities across the civil and commercial/industrial construction markets."

"We intend to continue on our strategic path, as outlined at the time of the IPO, of building our capabilities and market presence in the formwork hire and solutions market, both organically and by accretive acquisitions, that we consider will create long-term value for shareholders."

A further update will be provided at the time of the Annual General Meeting.

This summary should be read in conjunction with the Appendix 4E and Presentation released to the ASX today

³ Scaffold business unit comprises Scaffold hire, Residential and Labour & Cartage segments.

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The results will be presented by CEO & Managing Director, Steven Boland, and CFO Andrew Crowther, on an investor and analyst briefing call at 11.00am AEST tomorrow. Call access details were provided in a separate release to the ASX on Monday, 26 August 2019.



-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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