



## **ASX Release**

25<sup>th</sup> May 2020

### **Market Update**

Acrow Formwork and Construction Services Limited (ASX: ACF) ("Acrow" or "the Company") is pleased to provide the following market update.

#### **Key Points:**

- Group net debt as at 30 April 2020, \$1.5m better than what was expected at the time of the market update and cash savings measures announcement on 24 March 2020.
- Uni-span acquisition is now fully integrated into Acrow with annualised cost savings of circa \$2.2m (previous guidance \$1.5 - \$2.0m) to be realised in FY21.
- General trading conditions and current EBITDA results better than Company expectations, following the onset of the COVID-19 lockdown restrictions.
- Record levels of new work secured across March/April 2020.
- Value of total Hire Revenue pipeline up 20% from 31 December 2019.

#### **Net Debt Position**

The Company has experienced no deterioration in debtors from our pre COVID-19 levels and this in conjunction with the tight cash flow management initiatives announced on 24 March 2020, as well as better than anticipated EBITDA results, has contributed to the net debt position of the Group as at 30 April 2020 being \$1.5m better than what was originally forecast at that time. We are very comfortable with both our net debt position and our ongoing debt serviceability.

#### **Uni-span**

The Uni-span business has now been fully integrated into Acrow. As at the end of April, two of the three Uni-span depots have been closed and the operations integrated into the existing Acrow depots. This along with other synergies in the areas of staffing and overheads will contribute to cost savings of circa \$2.2m per annum (up from previous guidance of \$1.5m - \$2.0m), to be fully realised in FY21.

From a market perspective, the combination of superior Uni-span/Ulma equipment, coupled with existing Acrow equipment and engineering capability is providing a compelling offering to key Civil Infrastructure projects across the Eastern Seaboard.

#### **Recent Trading**

Since the onset of the COVID-19 pandemic and the introduction of government measures to mitigate the spread of the disease, the Company has experienced better than originally anticipated EBITDA results.

Whilst we have experienced a slowdown in commercial building activity and deferment of several shut-down programs in our industrial scaffold business, activity levels in our key civil infrastructure related businesses have remained buoyant, offsetting much of the impact.

Throughout the pandemic all Acrow branches have continued to operate as normal, with no standing down of staff or the need to seek assistance from government funded COVID-19 related initiatives.

Following minor delays in the early days of the pandemic, product supply chains from international destinations have returned to normal levels.

#### **Pipeline**

In March and April, the Company has secured new Hire Revenue contracts of more than \$6.5m. This is the largest two-month cumulative result in the Group's recorded history.

ASX:ACF

Acrow Formwork and Construction Services Limited

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Some notable wins during this period include:

- **Melbourne Metro Rail and Melbourne Western Distributor projects** – more than \$1.3m across multiple contracts; and
- **Sun Metals** - an additional \$4.5m across multiple contracts for a range of Acrow/Uni-span equipment and services, including around \$1.5m in equipment hire. This takes total Sun-Metals awarded contracts from the initial \$2.8m, announced in October 2019, to over \$7.0m today.

The total value of our Hire Revenue pipeline has increased by 20% from 31 December 2019, to the current level of \$76.3m.

We remain confident that we are well-positioned on several tenders expected to be awarded over the next few months in major Civil Infrastructure and Industrial Scaffold related projects.

### **Managing Director's Comments:**

Steven Boland, CEO Acrow, said: "To help keep the economy moving, we have welcomed the Federal Government's decision to classify the building and construction sectors as essential services during this pandemic. Extended working hours across the East Coast States and a commitment by State Governments to fast track major projects will assist in supporting building activity as the economy recovers."

"I have been delighted by the attitude and commitment of all the Acrow team over this period and have been especially proud that none of our staff have been financially affected by the need of the Company to make changes to their employment conditions."

"Our strategy two years ago to expand our footprint into the New South Wales and Victorian civil infrastructure markets are now paying very strong dividends. Gaining market traction, particularly in Victoria, coupled with the strong results emanating from our acquisition of Uni-span, has largely insulated Acrow from the slowdown experienced by other companies across some of the construction segments. By way of example, we expect our Victorian operations in the Civil Infrastructure space to report Hire Revenue of around \$4.5m in FY20, from a standing start just two years ago."

"Medium-term, with the combination of the engineering led expertise of our Group, along with the market-leading suite of equipment provided by the combination of Acrow, Natform, and Uni-span, I feel confident that the Company is well placed to participate in some of the sizeable upcoming civil projects, across the breadth of the Country and especially in the key East Coast markets."

The Board will continue to provide further updates, as necessary.

This announcement has been approved by the Acrow Board of Directors for release to the ASX.

-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 245 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 several 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.

### **For further information, please contact:**

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