

ASX Release

9 February 2022

FY22 Interim Financial Results (Unaudited)¹

Key Highlights:

- Revenue growth of 38%
- EBITDA growth of 51%
- Underlying net profit after tax (NPAT) up 118% and EPS up 94%
- Interim dividend of 1.2 cents, 20% franked
- Successful \$10.5m capital raise in July 2021 for growth opportunities
- Upgraded FY22 guidance – EBITDA up 42%, Underlying NPAT up 84%, EPS up 59% on PCP²

Acrow Formwork and Construction Services Limited (ASX:ACF) (“Acrow” or the “Company”) is today pleased to provide the following unaudited FY22 Interim Financial Results update. For the six months ended 31 December 2021 the Company reports record sales revenue, EBITDA and Underlying NPAT, up 38%, 51% and 118%, respectively. The Company is also declaring an interim dividend of 1.2 cents per share (20% franked). The Company’s audited FY22 Interim Financial Results and Appendix 4D will be released later this month.

Six months ended 31 Dec (\$000)	1H22	1H21	Variance	%change
Sales	69,315	50,408	18,907	38%
EBITDA	16,715	11,095	5,620	51%
NPAT (underlying)	8,020	3,672	4,348	118%
Signif. items/share based payments	(667)	(1,806)	1,139	-63%
NPAT (reported)	7,353	1,866	5,487	294%
Operating Cash Profit ²	10,186	5,537	4,649	84%
EPS (underlying) (cps)	3.28	1.69	1.58	94%
Dividends (cps)	1.2	0.75	0.45	60%

Key financial highlights include:

- Group revenue up 38% on PCP to \$69.3m, attributable to a strong trading performance across all divisions, led by the Industrial Services, up 158%. Notably, performance was all organically generated.

¹ Results currently under review with Auditor Grant Thornton

² Based on mid-point of guidance range.

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- Sales contribution of \$37.6m, up 30%, driven primarily by growth in the Formwork hire business
- Underlying EBITDA of \$16.7m, up 51%, and EBITDA margin of 24.1%, up 2.1% pts
- Underlying NPAT up 118% to \$8.0m.
- Statutory NPAT up 294% to \$7.4m, assisted by a decline in significant items and share-based payments, down 63% to \$667k.
- Underlying EPS up 94% to 3.28¢ per share
- Net gearing of 27.3%³, up 0.6% pts on 30 June 21 levels.
- Operating Cash Profit of \$10.2m, up 84%

Acrow CEO, Steven Boland, noted: “This tremendous performance is the result of the combined benefits of the Company’s strategic pivot around the time of the IPO and the two successful acquisitions over the last three years. Most pleasing is that this result has all been organically generated.”

“Notably, the Formwork hire business was the standout performer for the group, generating \$5.6m of the \$8.7m of incremental sales contribution margin of \$37.6m. Notwithstanding this, the Industrial Services division continued its expansion into new states and market segments, contributing an additional \$3.1m in sales contribution margin. It was also pleasing to see the Commercial Scaffold division now stabilising and following a re-focus of the business towards dry hire and smaller-scale projects, the division reported 7% revenue growth and only a slight decrease in profit for the half.”

Key operating highlights during the period included:

- Another six months of record hire contract wins, with \$23.4m in new hire contracts in the six months 31 December 2021, up 33% on the PCP;
- An \$81m pipeline, up 13.5% on the PCP, with formwork related projects comprising around 90% of the pipeline;
- The Industrial Services division continues its strong growth trajectory with revenue and sales contribution margin up 158% and 76%, respectively. New work continues to be won as the business expands into new states and markets;
- Smaller state markets of Western Australia, South Australia & Tasmania contributed a combined revenue and sales contribution growth rate of 62% and 118%, respectively.

Formwork

Formwork division revenue rose 17% on the PCP to \$35.1m, with the Formwork hire business generating all of the growth.

Sales contribution increased 20% to \$25.0m on the PCP. The sales contribution margin increased notably in 1H22 over 1H21 due to the higher mix of Formwork hire revenue.

Queensland was the standout performer with total revenue up 29% and hire revenue up 80% over the period. Queensland remains Acrow’s largest formwork market by state, generating 36% of total formwork revenue. During the half-year, Acrow won an additional \$6.1m of new work relating to the Bruce Highway, Cooroy to Curra upgrade. This project remains Acrow’s largest project, with an estimated \$10m+ expected to be generated over FY22.

Albeit a smaller market for the group, the West Australian business performed very strongly in 1H22, with revenue up 150% since 1H20. During this current period, revenue was up 90% on PCP to \$4.0m. During the half, this business won \$1.5m in bridge work on the Metronet – Yanchep rail extension project.

The Melbourne formwork business continues to perform well, with the Melbourne Metro Rail and Melbourne Western Distributor projects expected to contribute circa \$8m in revenue over FY22.

NSW Formwork hire revenue doubled during the period, but was offset by a substantial reduction in ex-hire equipment sales, brought about by fleet rationalisation in the PCP. This resulted in total NSW Formwork revenue declining over the period. Strong activity levels are continuing into 2H22, and will see gains made in this period.

The Product sales business (including consumables) reported flat sales during the half, with strong timber and new equipment sales offset by lower ex-hire equipment sales. Sales contribution margin increased by 6% due to a significantly increased profit contribution from timber.

Cartage revenue and profit declined in 1H22 over the PCP, due to the completion of the Sun-Metals project in PCP

³ Net gearing = $\frac{\text{net debt}}{\text{net debt} + \text{equity}}$.

Industrial Services

The Industrial Services division reported revenue and sales contribution growth of 158% and 76%, respectively. Notably, the growth was all organically generated, and a result of the strategic initiative to expand the operations outside of its primary Queensland market and into new market segments.

Snowy Hydro 2.0 continues to be a marquee project for the division, with an additional \$7m of new work successfully won during the half.

During the period, the division won an additional \$4m in maintenance shutdown related work at the Mt Piper power station in New South Wales, and a combined \$1.2m in new work in South Australia, at Whyalla and Olympic Dam.

Acrow expects that the Industrial Services business will continue to be a key earnings driver for the Company, with significant opportunity to further expand the business across new and existing markets via both expansion of the national business footprint and by investment into specialist equipment that will complement the existing service offering.

Commercial Scaffold

The Commercial Scaffold division reported a turnaround in revenue for the first time since the business commenced its decline in 2H19. Revenue increased by 7% on the PCP and sales contribution has begun to stabilise.

During the period management successfully re-focused the business to a primarily dry hire model and commenced strategically targeting smaller-scale projects.

Trading conditions improved across New South Wales and Victoria, with some pricing improvement now evident.

Balance Sheet & Cashflow

Net debt rose by \$6.4m to \$28.9m from 30 June 2021 levels primarily due to capital expenditure, the final deferred payment for the Uni-span acquisition, and the final dividend payment. Net gearing⁴ increased by 0.6% pts to 27.3% over the period.

New product sales increased by 64% to \$8m, despite the imposts of a severely disrupted and delayed international logistics situation as well as increases in raw material costs. The growing Product sales business overlaid with disrupted logistics and product cost increases, resulting in inventory balances and prepayments increasing by \$3.5m and \$2.5m, respectively. Despite this \$6m increase in cost of inventory holdings, cashflow generated from operations only reduced by \$3.3m to \$7.4m⁵.

In July 2021, Acrow completed a \$10.5m capital raise that was well supported by new and existing institutional shareholders and sophisticated investors. The proceeds are being deployed in funding growth in both the Industrial Services & Civil Formwork businesses.

Capital expenditure during the period totalled \$13.1m, including \$2.6m in maintenance capital, and \$10.0m in growth capital deployed across various Formwork and Industrial Services projects nationally.

Dividends paid during the half totalled \$2.2m, net of the dividend reinvestment plan.

There was no tax paid in the period due to the use of carry forward tax losses combined with the utilisation of the government's instant asset write-off scheme.

Outlook

A strong lead from 1H22, combined with continued record hire contract wins (up 43% for 7-months to Jan 2022) and a healthy pipeline of opportunities provides the Acrow Board with the confidence to further upgrade full-year guidance.

⁴ Net gearing = $\text{Net debt} / (\text{net debt} + \text{equity})$

⁵ Includes recoveries from lost or damaged hire equipment and sale of ex-hire equipment, reported as "Proceeds from disposal of PPE in the Statement of Cashflows"

A summary of the upgraded guidance for FY22 is as follows:

Metric	FY22 Guidance Current	FY22 Guidance Previous	chg on FY21 ⁶
Revenue	\$140 - \$145m	\$130 - \$135m	up 34%*
EBITDA	\$33.5 - \$34.5m	\$31.5 - \$32.5m	up 42%
NPAT (underlying)	\$15.5 - \$16.5m	\$13.8 - \$14.5m	up 84%
EPS	6.2 - 6.5¢	5.8 - 6.2¢	up 59%

For the short-medium term the key drivers of growth are expected to include:

- **Industrial Services** - Continue to expand revenue base on the East Coast. Push hard into SA and WA markets via targeted new contract wins and potential M&A activity
- **NSW Formwork** - Continue to grow market share and overall revenues with a specific focus on major projects such as Snowy 2.0 and Sydney Metro West
- **Qld Formwork** - Capitalise on significant major project opportunities on Bruce Highway upgrade, Cross River Rail, and Inland Rail, amongst others
- **National Formwork organic growth** - Continue to grow revenues in all other states outside of Queensland via the use of Ulma products that will continue to drive significant new revenue channels
- **Integrated Engineering Service** - Expand on our Engineering Services to include providing complete turn-key design solutions for customers across all product groups
- **Natform** - Continued market share growth via innovation and service capability

In concluding Steven Boland said: "FY22 is shaping up to be a pivotal year for Acrow. Net profit after tax and Earnings per share are guided to be up circa 85% and 60%, respectively, and will represent a record financial achievement for the group. Moreover, FY22 will be a year that all the Company's growth will have been generated organically, in spite of the impact of the well documented pandemic related supply chain management issues that we have also had to overcome."

"Our lead indicators including new hire contract wins and the project pipeline are also at record levels, and we are still to see the profit impact from the \$7m of the \$10.5m in new capital raised in July 2021, used to purchase new equipment and not expected to be landed in the country and deployed in the field until the last quarter of this financial year."

"We also continue to strongly focus on the strength of our team across all departments and especially in engineering. In the last few months, we have recruited a number of very talented and experienced new employees in senior positions as well as made a number of internal promotions that give this business a clear industry leading position."

In closing, Acrow remains well positioned to report record results across all key financial areas in FY22 and the combination of the government funded civil construction tailwinds and growth opportunities across all of our business units and geographic markets provides me with a lot of confidence for the future."

This release was approved by the Acrow Board of Directors.

This summary should be read in conjunction with the presentation released to the ASX today

The unaudited results will be presented by CEO & Managing Director, Steven Boland, and CFO Andrew Crowther, on an investor and analyst briefing call at 11.00 am AEDT on Thursday, 10 February 2022. Call access details were provided in a separate release to the ASX on Tuesday, 1 February 2022.

⁶ Calculated on mid-point

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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 280 people. The business services a diversified customer base of approximately 1,300 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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