

ASX:ACF

Acrow Formwork and Construction Services Limited

C/- Level 5, 126 Phillip Street

Sydney NSW 2000



## ASX Release

25 August 2021

### FY21 Full Year Financial Results

#### Key Highlights:

- Revenue growth of 22% inline with guidance
- EBITDA of \$24.3m at top end of guidance range
- Final dividend of 1.15cps (fully franked)
- Successful \$10.5m capital raise in July 2021 for growth opportunities
- Targeting FY22 growth of 20%+ for Revenue & EBITDA and 40%+ for Underlying NPAT and EPS

Acrow Formwork and Construction Limited (ASX:ACF) is today pleased to report record full-year sales revenue and underlying EBITDA, up 22% and 25%, respectively, for the twelve months ended 30 June 2021. A final dividend of 1.15 cents per share (fully franked) was declared. Total dividends paid and declared for the year were 1.90cps, up 81% on FY20.

12 months ended 30 June (\$000)	FY21	FY20	Variance	%change
Sales	105,744	86,984	18,760	22%
EBITDA	24,349	19,461	4,888	25%
Pre-tax Profit (underlying)	10,222	7,580	2,642	35%
NPAT (underlying)	8,713	7,901	812	10%
NPAT (reported)	3,963	3,013	950	32%
Operating Cash Profit <sup>2</sup>	13,192	11,196	1,996	18%
Dividends (cps)	1.90	1.05	0.85	81%

Key financial highlights include:

- Group revenue up 22% on PCP to \$105.7m, attributable to a very strong trading performance from the Industrial Services business, a significant uplift from the Formwork division across the east coast markets, the strategic focus on expanding product sales, and an additional 4-months contribution from the Uni-span acquisition
- Sales contribution of \$61.4m, up 18%
- Underlying EBITDA of \$24.3m at the upper end of guidance, up 25%, and EBITDA margin of 23.0%, up 60bps
- Underlying Pre-tax Profit up 35% to \$10.2m
- Underlying Net Profit After Tax up 10% to \$8.7m, impacted by a higher effective tax rate (+19% pts)
- Significant items of \$2.5m primarily relating to final Uni-span integration costs, redundancies, and a one-off pre-acquisition tax payment
- Net gearing of 26.7%<sup>1</sup>, up 6.7% pts on 30 June 20 levels.
- Operating Cash Profit of \$13.2m, up 18%<sup>2</sup>

<sup>1</sup> Net gearing = net debt/(net debt + equity).

<sup>2</sup> Excludes one-off IT spend of \$1.3m in FY21

Commenting on the result Acrow CEO, Steven Boland, said: "The strategic decision to pivot the business almost three years ago towards the highly engineered Civil Formwork and more recently the Industrial Services markets, and assisted by the acquisitions of Natform and Uni-span, has totally transformed our Company from the one that listed in April 2018."

"Acrow's expanded product range and capabilities are now enabling the Company to tap into the substantial pipeline of government funded civil transport projects around the country, which are forecast to remain elevated for several years. In addition, our entry into the industrial services shutdown & maintenance markets has created a new business vertical with considerable opportunities outside of the business' incumbent Queensland market, which we have already commenced developing and is reflective of our FY21 results."

During the year Acrow achieved a number of notable milestones that position the Company well for the new financial year, and beyond. These included:

- Another year of record secured hire contract wins, up 34% on the PCP, to \$39.3m, with strong growth achieved across all key divisions;
- A \$74m pipeline, up 3% on 1H21;
- The Industrial Services business achieved record sales and profit from a successful expansion outside of its incumbent Queensland market;
- Continued strong Formwork division growth following its expanded product and service offering across its key east coast markets;
- Natform's continued success across the east coast markets, particularly in Qld and NSW, with revenue up 31%;
- Product sales continuing to become a strategically important tool in the acquisition and retention of clients, with the business now representing 35% of group revenue; and
- The increasing pipeline of cross-sell opportunities arising from Acrow's expanded product suite, national operational footprint and service capabilities.

### Formwork

Formwork division revenue rose 19% on the PCP to \$60.5m, assisted by strong performances across Acrow's east coast markets, Natform's continued strong growth and the increasing contribution from product sales.

Sales contribution increased 20% to \$41.2m on the PCP. The sales contribution margin increased notably in 2H21 over 1H21 due to a greater mix of formwork hire revenue and improved product sales margins.

The Melbourne formwork business was the standout performer during the year, recording 84% revenue growth, with sizeable additional packages won in 2H21 across both the Melbourne Metro Rail and Melbourne Western Distributor projects.

Queensland reported a 32% increase in revenue over the year and remains Acrow's largest market representing 38% of formwork revenue (excluding Natform). During the year, Acrow won circa. \$3.5m of packages on the Cooroy to Curra section of the Bruce Highway upgrade project, and remains well-positioned for further package wins.

New South Wales reported a commendable 26% uplift in revenue but remains under-represented across the three east coast states. In response, Robert Caporella, who was influential in driving growth in our Victorian business has been recently relocated to the role of General Manager, NSW to assist in growing the business.

Our focus on developing the Product Sales business opportunity has resulted in another period of strong growth with revenue up 23% on PCP. Product sales now contribute 35% of group revenue and is proving to be a strategic tool in client acquisition and retention.

The Natform screens business grew revenue by 31% on the PCP. During the year, Natform secured its largest contract to date, winning a \$1.1m package to supply screens to Meriton's, 180 George Street, Parramatta development. Secured contract wins during the year were up 61%, with growth achieved across all three states. Notably, the Queensland business reported a circa. 150% increase in secured contract wins, with growth accelerating into the second half of the year.

### Industrial Services

The Industrial Services division was acquired as part of the purchase of Uni-span. During FY21, the division reported revenue and sales contribution growth of 114% and 109%, respectively. This included an additional 4-month contribution, as the business was acquired in October 2019.

During the year, the Industrial Services division successfully expanded outside of its incumbent Queensland market, with successful maintenance and shutdown contract wins across New South Wales at Visy's Tumut Kraft Paper Mill and the

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Bayswater, Liddell, Eraring, and Mt Piper power stations; Olympic Dam in South Australia; and the Nystar Zinc Refinery in Tasmania.

The division's capabilities are now being acknowledged by a growing list of Bluechip operators including Origin Energy, UGL, Downer EDI, Monadelphous, Visy, and Nystar.

Acrow expects that the Industrial Services business will become 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 continues to experience a difficult trading environment. Revenue for the year declined by 10% to \$23.6m on the PCP, impacted by continued weakness in the high-rise construction market, primarily impacting pricing more than volume. This was particularly evident in the New South Wales market.

Sales contribution and margin remained under pressure during the year, despite efforts to better manage labour contracts.

Early signs of recovery are being experienced in Victoria and South Australia, whilst New South Wales remains challenging.

### Balance Sheet & Cashflow

Net debt rose by \$7.9m to \$22.5m from 30 June 2020 levels, primarily due to a \$7.2m decline in Cash at Bank. Net gearing<sup>3</sup> increased by 6.7% pts to 26.7% over the period.

During the period, cash levels declined due to the \$3.5m deferred consideration for the acquisitions of Natform and Uni-span, elevated capital expenditure, and dividend payments. A remaining deferred consideration of \$3.3m for the Uni-span acquisition is payable in October 2021.

Cashflow generated from operations of \$23.8m<sup>4</sup> was up 10% on the PCP on strong cash conversion.

Total capital expenditure during the period totalled \$16.2m, including \$4.4m in maintenance, and \$10.1m in growth capital used to further expand the business' formwork and industrial services capabilities nationally, and \$1.3m in a substantial one-off IT upgrade.

Dividends paid during the year totalled \$3.1m, net of the dividend reinvestment plan.

The tax-paying status of the Natform and Uni-span entities resulted in the group paying tax during the period of \$0.6m. As the impacts of accelerated depreciation incentives reduce, the group's tax payments will increase in the tax-paying entities whilst still obtaining the benefit of carry forward tax losses in the Acrow operating legal entity.

### Post Balance Date

In July 2021, Acrow completed a \$10.5m capital raise that was very well supported by new and existing institutional shareholders and sophisticated investors. The proceeds will be used to fund growth in both the Industrial Services & Civil Formwork businesses.

### Outlook

Record new hire contracts secured over the six months to 30 June 2021, and a robust pipeline of opportunities provide a positive leading indicator for the commencement of the new financial year. The Acrow Board remains positive on the outlook for FY22, with current targets (based on a similar level of growth capital expenditure to FY21) for Revenue & EBITDA growth to exceed 20% and Underlying NPAT to exceed 40% on the FY21 levels. During FY22 the key drivers of growth are expected to include:

- the increasing recognition of Acrow's expanded product suite and engineering capabilities to generate cross-sell opportunities across Acrow, Uni-span & Natform;

<sup>3</sup> Net gearing = Net debt/(net debt + equity)

<sup>4</sup> 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"

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- an uplift in Queensland building activity levels as projects including Cross River Rail, the Bruce Highway upgrade, amongst many others, continues to ramp up;
- improved results from the NSW division, primarily in the formwork area with very large contracts secured on both the Waterloo and Crows Nest, Sydney Metro rail stations;
- further penetration of Natform into the Queensland and Victorian markets;
- pursuing new market opportunities for the Industrial Services business across various new industries and states; and
- converting on currently available product sales opportunities.

In concluding Steven Boland said: "Our record secured contract wins, particularly in 2H21 has set Acrow up for a strong start to the new financial year. In addition, the funding from the successful capital raise in July 2021 provides the resourcing for further anticipated contract wins across the pipeline of substantial government funded civil project packages that will be put to tender during the year, plus the opportunities we see within the Industrial Services business."

This release was approved by the Acrow Board of Directors.

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

The 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 AEST on Wednesday, 25 August 2021. Call access details were provided in a separate release to the ASX on Friday, 20 August 2021.

-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 1,300 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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