ASX Announcement

21 August 2024

ACROW REPORTS ANOTHER PERIOD OF RECORD FINANCIAL RESULTS

Key Highlights

- EBITDA of $74.6m up 40% on PCP
- Pre-tax profit (underlying) of $46.1m up 39% on PCP
- NPAT (underlying) of $33.0m up 8% on PCP, despite effective tax rate of 30% (FY23: 8%)
- EPS (underlying) down 1% on PCP to 11.5 cps, impacted by effective tax rate increase
- Final dividend of 3.0 cents (fully franked), up11% on PCP
- Return on Equity of 27.1% after factoring in higher effective tax rate
- Record new hire contracts secured up 17%, and pipeline up 33%
- MI Scaffold and Benchmark Scaffolding acquisitions expand Industrial Services division and bolsters group recurring revenue
- FY25 forecasting circa 20% revenue growth and double-digit EBITDA growth

Acrow Limited (ASX: ACF) ("Acrow" or the "Company") is today pleased to report its FY24 full year financial results. The Company continues to report record sales revenue, EBITDA, and NPAT. A final dividend of 3.0 cents per share (fully franked) was declared.

Year ended 30 June ($000)	FY24	FY23	Variance	% change
Sales	215,256	168,495	46,761	28%
EBITDA	74,624	53,237	21,387	40%
NPAT (underlying)	33,000	30,488	2,512	8%
NPAT (reported)	25,559	23,457	2,102	9%
EPS (underlying) (cps)	11.5	11.6	(0.1)	-1%
Dividends (cps)	5.9	4.4	1.5	+33%

Key financial highlights include:

- **Group revenue** up 28% on PCP to $215.3m. This growth was driven by a robust trading performance, primarily from organic growth, with the Formwork division up 19% and the Industrial Services division up an impressive 78% on PCP.
- The group continues to enhance its **recurring revenue** through the Industrial Services division, which accounted for 33% of total group revenue. The acquisition of MI Scaffold contributed for eight months, while Benchmark Scaffold added four months of revenue.
- **Group sales contribution** of $133.8m, up 28%, with 71% of uplift generated from increased equipment hire. Margins across all divisions were up, with group margin steady at 62.1%, due to increased Industrial Services contribution.

- **Overhead costs** climbed 15%, due to increased activity levels and acquisitions. Importantly 73% of the growth in gross margin found its way to the EBITDA. Bad debt expense declined by $1m to $2m.
- **Underlying EBITDA** of $74.6m, up 40%, with EBITDA margin up 3.1 ppts to 34.7%, resulting from benefits associated with scaling operations.
- **Underlying NPAT** grew by 8% to $33.0 million, despite an effective tax rate of 30%, compared to 8% in FY23.
- **Underlying Earnings Per Share** Underlying earnings per share decreased by 1% to 11.5 cents, influenced by the higher effective tax rate and increased share capital.
- **Net debt** rose by $22.3 million to $68.6 million, driven by the acquisitions of MI Scaffold and Benchmark Scaffold as well as growth initiatives. Year-end gearing metrics remained stable and at comfortable levels compared to the previous year.
- **Return on Equity (ROE)** decreased by 6 ppts to 27.1%, due predominantly to the higher effective tax rate. On a like-for-like tax basis, ROE increased from 25.0%.

The Formwork division continues to be the largest contributor to group revenues and sales contribution, generating 56% and 67%, respectively. Sales contribution grew by 26%, with all states delivering year on year growth, with the exception of Queensland where activity levels slowed in the second half of the year due to delays in the commencement of a very strong pipeline of both civil and commercial projects. During the second half of the year, the division won a $5m formwork package on the Melbourne North-East Link project. This was a milestone achievement, representing the largest signal equipment supply contract in the company's history.

Jumpform, our jacking systems business, continues to build market acceptance with 16 project wins across most states, including 7 projects involving cross-sells with screens hire. The pipeline of work remains healthy, finishing at $42.5m at year-end.

Our Screens business continued to win market share, delivering a record $15.9m in revenue in FY24. During the year the business won 57 projects, including its largest project win to-date, a $2.5m premium screens systems package on the Gold Coast for Royal Formwork, contracting for Meriton projects.

We commenced marketing Acrowdeck during the year, our in-house developed modular slab formwork system. To-date, 15,000 sq. metres has been deployed across New South Wales, Victoria, South Australia and Queensland, with strong adoption particularly in New South Wales. Utilisation rates averaged around 70% in the period.

The Industrial Services division experienced significant growth this year, driven by the strategic acquisitions of MI Scaffold in November 2023 and Benchmark Scaffold in March 2024. Both businesses, based in Queensland, are highly complementary and bring new capabilities to the Acrow group, particularly in complex scaffolding projects within the mining and marine sectors.

The division's strong relationships with blue-chip customers and established sites have ensured a substantial portion of revenue from recurring maintenance contracts. In FY24, Industrial Services contributed 33% of group revenues, reflecting a 78% increase to $72.1 million. This growth was fuelled by the two acquisitions, alongside strong organic performance. Sales contribution surged by 81% to $27.5 million, with margins improving by 0.5 ppts to 38.2%. Some recent key contract wins included:

- Visy Tumut: renewal of contract - 5 years, $16m
- Ampol Refinery Lytton: upgraded from $5m to $13m
- Sun Metals Zinc Refinery Townsville - $3 m per annum
- Kidston Hydro Project Nth Qld: circa $5m
- Abbott Point Coal Terminal Bowen Basin: circa $5m

In the Commercial Scaffold division, a decline in activity levels in the second half of the year resulted in lower hire equipment volumes and prices, leading to lower revenue and profits on the previous year. Volumes and pricing are stabilising above historic levels. The strategic exit of labour hire contracts assisted in supporting margins, which rose by 4.2 ppts to 73.3%.

Outstanding Ordinary Issued Shares

During FY24, Acrow increased its outstanding issued ordinary shares by 35.1m to 301.4m, an increase of 13.2% on the prior year. This was primarily due to the following:

- In November 2023, Acrow acquired MI Scaffolding. The acquisition was partly funded by a $15m capital raise, resulting in the issuance of 18.8m new shares;
- In March 2024, Acrow issued 1.8m new shares to the vendors of Benchmark Scaffolding as part payment for the acquisition;
- Acrow issued a total of 8.1m new shares as part of the dividend reinvestment plans (DRP) in November 2023 and May 2024, including a DRP shortfall underwrite of 6.6m new shares in May 2024, to assist in funding short and mid-term growth opportunities; and
- The balance of approximately 6.4m new shares came from the conversion of performance rights.

Capital Expenditure

Total capital expenditure, excluding the acquisitions of MI Scaffold and Benchmark Scaffold in FY24 was $30.4m (excluding $9.8m of ex-hire replacement), with $5.1m spent on maintenance capital and $25.3m deployed on growth capital. The majority of growth capital expenditure related to Jumpform, Acrowdeck, new product initiatives and industrial services equipment.

Acrow continues to target a minimum 40% return on its investments. During FY24 Acrow achieved an annualised return on investment of 58%.

Acrow is currently budgeting for around $25m to $30m in total capital expenditure in FY25, focusing around 90% of growth capital on Jumpform, Acrowdeck and industrial services products. We expect maintenance capital to be around $5m.

Balance Sheet and Cashflow

Over the 12 months to 30 June, net debt rose by $22.3m to $68.6m, primarily due to the acquisition of MI Scaffold, Benchmark Scaffolding and growth initiatives. Net debt increased $5.2m in the second half FY24.

The Company remains comfortable with its current gearing ratios. From 31 December 2023 to 30 June 2024, net gearing declined by 1.9 ppts to 35.5% and net debt to EBITDA[1] decreased from 1.2 times to 1.1 times.

[1] *EBITDA is calculated on a pre-AASB16 basis.*

Dividends paid during the year totalled $14.3m, and tax paid rose from $3.0m to $7.6m, as the carry-forward tax losses were depleted.

Priorities and Outlook

Looking towards FY25, the Board anticipates that revenue will increase by circa. 20% and EBITDA will experience double digit growth, underpinned by the following:

- record secured hire contract wins of $78.3m (+17% on PCP);
- a record pipeline of $189.0m (+33% on PCP);
- a full year's contribution from the MI Scaffold and Benchmark Scaffold acquisitions; and
- revenue and profit to be generated from the FY24 capital expenditure program including the rollout of Jumpform and Acrowdeck.

Longer-term, the key drivers of growth are expected to include:

- **Jumpform** – continued market adoption of our proprietary electric and computer-controlled jacking system that saves time on site and has market leading safety features;
- **Screens** – market share gains across under-represented states and increased adoption of our premium screens;
- **Cross-sell opportunities** – particularly in high rise projects including, tender packages of Jumpform, Screens, Acrowdeck and our recently launched loading platforms system;
- **Organic growth** – market share gains through the deployment of our extensive product portfolio into new markets;
- **Industrial Services** – we will continue to explore M&A opportunities, particularly around New South Wales and Western Australia. MI Scaffold/Benchmark Scaffolding provide expanded capabilities to assist in extending into new markets; and
- **New product development** – the design and delivery of proprietary new equipment for the Australian formwork market.

Commenting on the results, Acrow CEO Steven Boland stated, "I am thrilled with the company's performance in FY24. We achieved another year of remarkable growth, with revenue increasing by 28% and pre-tax profit rising by 39%. This clearly demonstrates the advantages of scaling our operations and also is reflective of the strong market positions we now hold in the markets we serve."

"During the past year, we expanded and enhanced our Industrial Services division through the acquisition of MI Scaffold and Benchmark Scaffold in Queensland, both of which have exceeded expectations. The additional capabilities from these acquisitions will enable us to explore new opportunities in other states. Furthermore, our strategic focus on diversifying the business towards recurring revenue streams has resulted in Industrial Services contributing 33% of our total revenue in FY24. This division will continue to deliver exceptional growth opportunities and I expect it to represent upwards of 50% of group revenues in the near future."

"The launch of Jumpform, our proprietary jacking system, has delivered greater than expected outcomes. To-date, we have secured 16 projects, many of which will impact the FY25 financial year. Additionally, our cross-selling efforts have led to seven screen hire wins, three of which are in Western Australia, opening a new market for Acrow. With the development and launch of new products like

Acrowdeck, and more recently, our new loading platform system, we anticipate that cross-selling opportunities will continue to grow as we progress towards the delivery of a one-stop offering to customers over time.

In the general Formwork product hire and sales business in Australia, we are the clear market leader and we now have a very nice mix between our highly profitable, established Formwork business and our rapidly growing Industrial Services business that offers a high degree of predictability of results due to the nature of its contract base. We have similar aspirations in achieving a market position in Industrial Services as we currently enjoy in our Formwork division."

"What truly sets Acrow apart from our peers is the pride and professionalism we bring to our brand, quality, and service. Over the years, we've taken significant steps to control product manufacturing and quality across much of our business. This year, we also successfully refreshed the Acrow brand to better reflect our vision, values, and purpose. In line with these principles, we're currently exploring the best approach to establishing a training facility to recruit and upskill talent for our growing Industrial Services division. We anticipate sharing more details at the time of the Annual General Meeting."

"As we look to the current year, I remain optimistic that our team, our work in hand and our pipeline of opportunities, should deliver another record year of growth for Acrow."

This release was approved by the Acrow Board of Directors.

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About Acrow

Acrow Limited (ASX: ACF) is a leading provider of smart integrated construction systems across formwork, industrial services and commercial scaffolding in Australia. Enhancing our portfolio are falsework and shoring, screen solutions, Jacking Systems (also known as Jumpform), and internal engineering capabilities.

With over 80 years of experience, Acrow has grown from a small local business to a national leader in the construction industry. Our journey is marked by continuous innovation, expansion, and a vision to set the national standard in engineered industrial and construction services. We're committed to removing barriers to success for construction and industrial professionals through our smart solutions, can do attitude, and strong partnerships.

Operating in 10 locations with over 60,000 tonnes of equipment, Acrow aims to expand its presence in Australia's civil infrastructure market. Our national network with local expertise ensures efficient project delivery while adhering to best practices. To learn more, please visit: www.acrow.com.au

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