

20 February 2024

ACROW REPORTS ANOTHER PERIOD OF RECORD FINANCIAL RESULTS

Key Highlights

- EBITDA of \$35.2m up 53% on PCP
- NPAT (underlying) up 33% on PCP
- EPS (underlying) up 24% on PCP, including effective tax rate of 28% (1H FY23: 9%)
- Interim dividend of 2.85 cents (fully franked), up 68% on PCP
- Return on Equity of 32.0%
- Record new hire contracts secured up 18%, and pipeline up 39%
- MI Scaffold acquisition expands Industrial Services division and bolsters group recurring revenue
- Maintain FY24 guidance for Revenue and EBITDA growth of 31% and 38%, respectively on PCP

Acrow Limited (ASX: ACF) ("Acrow" or the "Company") is today pleased to report the FY24 half-yearly financial results. The Company continues to report record sales revenue, EBITDA, and underlying NPAT, up 28%, 53%, and 33%, respectively. An interim dividend of 2.85 cents per share (fully franked) was declared.

Six months ended 31 December (\$000)	1H FY24	1H FY23	Variance	% change
Sales	101,026	79,155	21,871	28%
EBITDA	35,198	23,019	12,179	53%
NPAT (underlying)	16,217	12,190	4,095	33%
NPAT (reported)	12,263	10,490	1,841	17%
EPS (underlying) (cps)	5.87	4.72	1.15	24%
Dividends (cps)	2.85	1.70	1.15	68%

Key financial highlights include:

- Group revenue up 28% on PCP to \$101.0m, assisted by a strong, primarily organically generated, trading performance across the Formwork and Industrial Services divisions, up 30% and 45%, respectively on PCP. MI Scaffold provided a 2-month revenue contribution
- Sales contribution of \$64.1m, up 33%, with 76% of uplift generated from increased equipment hire across all divisions. Margin climbed to 63.5%, up 2.3 pts, benefitting from a larger contribution from hire revenue as a share of total revenue
- Underlying EBITDA of \$35.2m, up 53%, with EBITDA margin up 5.8 pts to 34.8%, from scale-related benefits
- Underlying NPAT of \$16.2m, up 33%
- Underlying Earnings Per Share up 24% to 5.9 cents per share

- Net debt increased by \$17.0m to \$63.4m, due to the MI Scaffold acquisition and growth initiatives, and supported by a \$15.0m capital raise. Gearing metrics remained at comfortable levels and were relatively flat on June 2023 levels
- Return on Equity remains strong at 32.0%

Formwork division continues to drive growth with strong performances across most states, particularly in NSW and Victoria, where we continue to introduce new products and services and capture market share. Jumpform has commenced strongly with a national pipeline of around \$34m. Since launching in May 2023, Jumpform has won 10 contracts, in conjunction with the securing of seven screens contracts.

Importantly, the business secured its first Jumpform and screens contracts in Western Australia, opening new revenue opportunities in this important growth market.

The Industrial Services division was significantly bolstered during the half by the acquisition of MI Scaffold in November 2023. MI Scaffold introduces new capabilities to the business, particularly in the areas of complex scaffolding undertakings in the mining and marine environments. Its long-standing relationships with its blue-chip customers and sites ensure that a large share of its revenue is generated from highly recurring maintenance contracts. On a pro-forma basis, Industrial Services should now contribute around 40% of group revenues. Notable project wins during the period included:

- a five-year, \$56m labour hire contract relating to the Snowy 2.0 pumped hydro project;
- a \$5m contract for industrial scaffold requirements on the Kidston hydropower station development;
- a \$6m contract with Kent on the Ampol Lytton oil refinery upgrade; and
- Acrow's first industrial services contract in Western Australia through UGL, for hire equipment at the Kemerton Lithium plant.

In the Commercial Scaffold division, the strategic exit from labour-hire contracts has resulted in total commercial scaffold sales declining during the period. However, continued strength in hire rates and volumes has seen equipment hire revenues grow. Profits and margins also improved on the previous corresponding period.

MI Scaffold Acquisition

In November 2023¹, Acrow acquired MI Scaffold, a leading and highly complementary provider of scaffolding, rigging and access solutions throughout the North and Central Queensland markets.

The business generated average revenue of \$33.5m and EBITDA of \$6.6m over the three years to FY23. The acquisition was valued at an enterprise value of \$36.4m on a cash-free and debt-free basis, comprising an upfront consideration of \$26.4m and a potential deferred consideration of up to \$9.9m.

The upfront consideration of the acquisition reflected a multiple of approximately 4.0x EV/EBITDA and is expected to be high-single digit EPS accretive on a pro-forma basis.

The acquisition was funded by a combination of debt and a \$15.0m placement to institutional and sophisticated investors at \$0.80 per share.

¹ ASX announcement 6 November 2023.

Capital Expenditure

Total capital expenditure (excluding MI Scaffold acquisition) in 1H FY24 was \$17.3m (excluding \$5.4m of ex-hire replacement), with \$2.4m spent on maintenance capital and \$13.9m deployed on growth capital.

Acrow continues to target a minimum 40% return on its investments. During 1H FY24 Acrow achieved an annualised return on investment of 58%.

Acrow continues to budget for a total of \$26m in capital expenditure in FY24 (\$19.0m growth, \$7.0m stay-in-business), representing <10% of FY23 total assets.

Balance Sheet and Cashflow

Net debt rose by \$17.0m to \$63.4m, primarily due to the acquisition of MI Scaffold and growth initiatives.

The Company remains comfortable with its current gearing ratios. Net gearing rose by 2.7 ppts to 33.8%, net debt to EBITDA¹ increased from 1.0 times to 1.2 times (noting that MI Scaffold was consolidated from November 2023 with just two months of earnings contributions).

Dividends paid during the year totalled \$6.6m, net of the dividend reinvestment plan.

Tax paid rose to \$2.4m, as the carry-forward tax losses were depleted.

Priorities and Outlook

The Acrow Board is pleased to re-iterate FY24 revenue and EBITDA guidance, underpinned by the following:

- record secured hire contract wins of \$34.8m (+18% on PCP);
- a record pipeline of \$150.9m (+39% on PCP);
- asset acquisitions and MI Scaffold to contribute an estimated \$12.4m in incremental EBITDA (\$17.1m annualised)
- revenue and profit to be generated from FY23 and 1H FY24 capital expenditure program

Metric	FY24 guidance	FY23 actual	% change on FY23 ²
Sales	\$215.0m - \$225.0m	\$168.5m	+31%
EBITDA	\$72.0m - \$75.0m	\$53.2m	+38%

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

- **Jumpform / screens** – synergies between our Jumpform and screens businesses will continue to drive cross-sell opportunities;
- **Organic growth** – market share gains through the deployment of our extensive product portfolio into new markets;

² Midpoint



- **Industrial Services** – we will continue to explore M&A opportunities, particularly around North Queensland, South Australia and Western Australia. MI Scaffold also provides additional capabilities to assist in expanding 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, said: "It is very pleasing to see momentum continuing into FY24. All divisions experienced solid profit growth, with exceptional performances from Formwork and Industrial Services, with each growing profits by over 30% YoY. In achieving these results, we have continued to maintain our rigid investment philosophy of a minimum 40% return on investment (ROI). In doing so, the Company has proudly reported another strong period of returns with ROI of 58% and Return on Equity of 32%."

"Our market presence continues to expand across the country as we deploy our expansive portfolio of hire equipment and engineering talent. In future periods, this will be enhanced by the rollout of innovative, internally developed products designed specifically for the needs of the Australian market, including *Powershore 150*, *Acrowdeck* and our newest innovation our *Universal Soldier* system."

"We are also very excited by the opportunities that our new Jumpform system is creating. Our Jumpform and screens businesses are proving to be highly complementary systems, enabling Acrow to jointly tender both systems for projects. Since Jumpform launched in May 2023, seven of the 10 Jumpform contracts won have successfully included screen hire contracts."

"In November 2023, we successfully acquired MI Scaffold, a leading industrial services provider in central and north Queensland, with an exceptional blue-chip client base and a complementary portfolio of services and equipment providing new capabilities for Acrow. Importantly, it also provides a stable and highly recurring revenue stream for the Acrow group. Our ambition is to continue to grow this division, through a combination of complementary acquisitions and organic growth opportunities, with a focus on the Queensland, South Australian and Western Australian markets."

"Acrow has evolved substantially since listing in 2018. As such, it was time to refresh the Acrow brand to better encapsulate our vision, values and purpose. This was accomplished through a rebrand of the Company, which was rolled out in September 2023, and has been well received both internally and by our clients."

"As we look towards the second half of the year, I believe that we remain well positioned to deliver another exceptional performance and meet our full-year guidance, which was upgraded at the time of the MI Scaffold acquisition in November 2023. Beyond the current year, I expect that the positive outlook for construction activity and our established position in the market as the leading provider of smart integrated construction systems positions us well into the future."

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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