



Tuesday, 26 August 2024

CEO's Address at 2024 Annual General Meeting

Thank you, Greg, and welcome to everyone joining today. As we reflect on our achievements over the 2024 financial year, it is clear to me that our success is a testament to the dedication and hard work of our entire team across the country.

Financially, SHAPE delivered significant uplift in profitability in FY24. Whilst strong at \$838.7 million, revenue was down slightly by 2.7% compared to the previous year, primarily due to project commencement delays, as Greg mentioned. Importantly, a large percentage of these projects have already commenced this current financial year.

EBITDA increased by 33% to \$25.9 million and NPAT by 53% to \$16 million. SHAPE's operational efficiency and ability to generate sustainable growth was reflected in FY24 gross margins, which increased by 19%, reaching 9.1%, aided by a higher than usual percentage of projects being closed out during FY24.

At the time of our results, we explained that, historically, on average, our margins have improved towards the completion of projects. FY24 saw an increase in the concluding stages of projects, which supported margin expansion, as project exit margins are higher than opening margins.

Importantly, we closed FY24 with a strong balance sheet, with cash and marketable securities of \$98.6 million.

SHAPE's success is built on a culture of customer service, people and culture. Throughout FY24, these values fortified our operations, and we were rewarded with a client Net Promoter Score of +88. A strong NPS emphasises our client's appreciation for the value we provide, resulting in repeat business of around 84%. This loyalty is foundational to our success and speaks volumes about the quality of our work, specifically as approximately 90% of our clients signed off that their projects achieved Perfect Delivery.

Safety remains our top priority, and although our TRIFR increased slightly in FY24, we continue to outperform the industry average significantly. We continue to strive for an environment where every team member goes home safe and healthy every day.

In terms of our workforce, we are proud to report an 11.5% increase in total staff, with over 5,700 hours allocated to training. This investment in our people is crucial, as 19% of our employees were promoted during the year. We continue to maintain a strong commitment to diversity, with 29% female representation across the team and an overall focus on fairness for all people from all backgrounds.

Finally, we received a Cultural Achievement Award from Human Synergistics for maintaining a constructive culture for five consecutive years, reflecting our belief that our greatest asset is our people. Their well-being and development are at the core of our business strategy.

Diversification has underscored our continued growth; the SHAPE business has expanded beyond fitout and refurbishment to include expertise across modular construction, new builds, facade remediation, facilities maintenance, and design and build services. This strategic approach strengthens our resilience while advantageously positioning us to adapt to market demands to avoid volatility. Our extensive experience across multiple segments allows us to navigate economic cycles effectively and demonstrate agility in bouncing back from global macroeconomic challenges.

Our diversification thesis guided us to add two new capabilities in FY24, being Aftercare and Facilities Maintenance (AFM by SHAPE) and Design & Build.

Launched in November 2023, AFM by SHAPE currently services commercial office clients in Sydney and Melbourne and helps us maintain relationships with clients beyond the initial project lifecycle and attract new clients through contracted maintenance agreements.

The capability complements the existing business as we ensure the safe and efficient operation of buildings, equipment and systems through scheduled maintenance and immediate response to work. This style of work allows us to remain in continual contact with clients and their assets and will typically lead to larger projects or fitouts. Over time, we see an opportunity to expand the offering through new clients, locations, and contracted maintenance agreements, with the potential to create regular and recurring income for the business.

Additionally, the Design & Build offering added in February 2024, enhances our ability to serve clients looking to procure workplace design and strategy services, particularly for projects typically under \$1 million. Delivering an end-to-end turnkey service allows us to enhance buildability and ensure cost certainty, adding to higher gross margins, and aligning with having stronger relationships over a long period of time with our clients.

Looking ahead, we started FY25 with a robust backlog order book of \$457.4 million, up 33% from the previous year. Year-to-date, backlog orders have increased by 5% to \$480 million.

In the first four months of this fiscal year, SHAPE have secured project wins totalling \$350 million. We have seen a moderation in costs and labour challenges, and as we head into the final months of the half, and we are pleased to confirm that the business is tracking largely in line with expectations.

Our 120-day pipeline of known project opportunities remains healthy at approximately \$1.3 billion, and the overall pipeline is approximately \$3.3 billion. This strong pipeline consists of known projects that align with our skill set and expertise, ensuring we can execute effectively under the right terms and conditions.

At SHAPE, we are continually looking to grow our business in a sustainable manner to benefit all shareholders. Our strategy for growth has long been defined by three strategic pillars covering new sectors, capabilities and geographic locations, as outlined by Greg. All three growth and diversification pillars are performing well in FY25.

As SHAPE expands into new markets outside the traditional office space, we are concentrating on sectors such as hotels, healthcare, education and defence, which are expected to benefit from macro trends. These segments are leveraged to population growth, an aging population, and geopolitical tension, and promise continued growth as beneficiaries of ongoing government investment.

The second growth pillar focuses on diversifying our capabilities. I touched on the two new capabilities added in FY24, which we continue to grow in the first four months of FY25. To date in FY25, Design & Build has delivered strong results, securing a number of design fees, with the potential to convert to construction in the second half of FY25. One project for a large ASX listed client converted to construction in the YTD, valued at over \$20 million.

Although in relative infancy and only operating across two cities, AFM by SHAPE is witnessing positive adoption rates.

Additionally, we remain focused on implementing our modular growth plan, and FY24 saw an expansion of the modular capability with the addition of a new 5,000 square metre facility in South Australia and investments in several key professionals to strengthen that revenue in both the South Australian and Victorian facilities. In the first four months of FY25, we have secured \$10.9m in modular project wins (including SHAPE and its associate DLG SHAPE).

Our third growth pillar, being our strategic focus on geographic expansion and market share growth, has covered the Gold Coast, Newcastle, and Tasmania, and we recently established a Hobart office, positioning us to capture opportunities in these regions. Year-to-date project wins for these regions amounted to \$45.9 million, compared to total FY24 project wins of \$120 million. Notably, we've secured key projects in Newcastle with national clients such as Ausgrid and Allianz.

We will continue to assess opportunities in adjacent areas and remain opportunistically acquisitive for synergistic businesses to SHAPE, which will further diversify the business and grow value for shareholders.

In closing, I want to thank you, our valued shareholders, for your continued trust and support. Together, we will build on our successes, embrace new opportunities, and navigate challenges with the resilience that has defined our company for 35 years. I look forward to another successful year ahead as we continue to lead the industry in quality, service, and innovation.

Thank you. I will now pass back to Greg to continue with the formalities of the meeting.

ENDS

This announcement was authorised for release by the Board of Directors.

Supporting presentation slides to this announcement are appended below.

About SHAPE:

SHAPE Australia (ASX: SHA) is a leading national fitout and construction services specialist. Headquartered in Sydney, with operations across all capital cities and a number of large regional centres, SHAPE delivers projects across multiple sectors, including Commercial Buildings, New Build and Modular Construction, Facades, Defence, Education, Health, Hospitality, and Retail. With more than 630 people, an award-winning company culture, and an impressive Net Promoter Score of +88, SHAPE brings transparency, a partnership approach, and three decades of experience to undertake any type of construction project.

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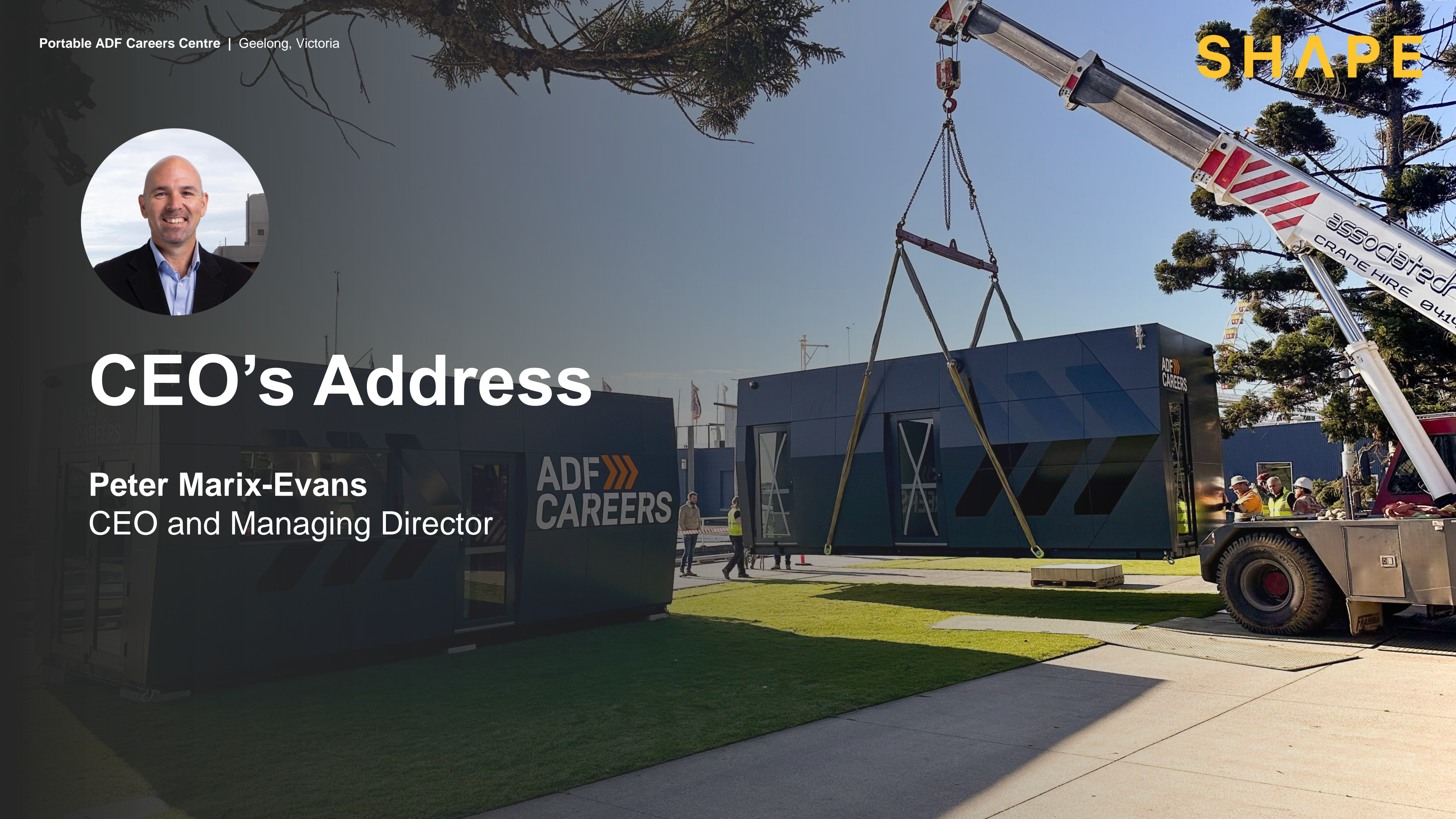
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CEO's Address

Peter Marix-Evans
CEO and Managing Director

ADF
CAREERS



Delivered Significant Profitability Uplift

\$'000	FY24	FY23	Movement
Revenue	838,732	862,367	↓ 2.7%
EBITDA	25,929	19,444	↑ 33%
NPAT	16,014	10,496	↑ 53%
Other Metrics			
EBITDA margin	3.09%	2.25%	↑ 37%
Dividend Declared	17 Cents	11.5 Cents	↑ 48%

- Revenue remained strong at \$838.7m, although down slightly (2.7%) on pcp due primarily to project commencement delays.
- Gross Margin increased by 19% to 9.1%. FY24 numbers include a higher than usual percentage of projects being closed out in the period (higher Gross Margin percentage at the tail end of a project on average).
- EBITDA increased 33% to \$25.9m.
- NPAT increased 53% to \$16m.
- Well-positioned for growth with a strong backlog order book of \$457.4m, up 33%.
- Enhanced returns from sound cash management, with a strong cash and marketable securities position of \$98.6m at 30 June 2024.



New Capabilities in FY24

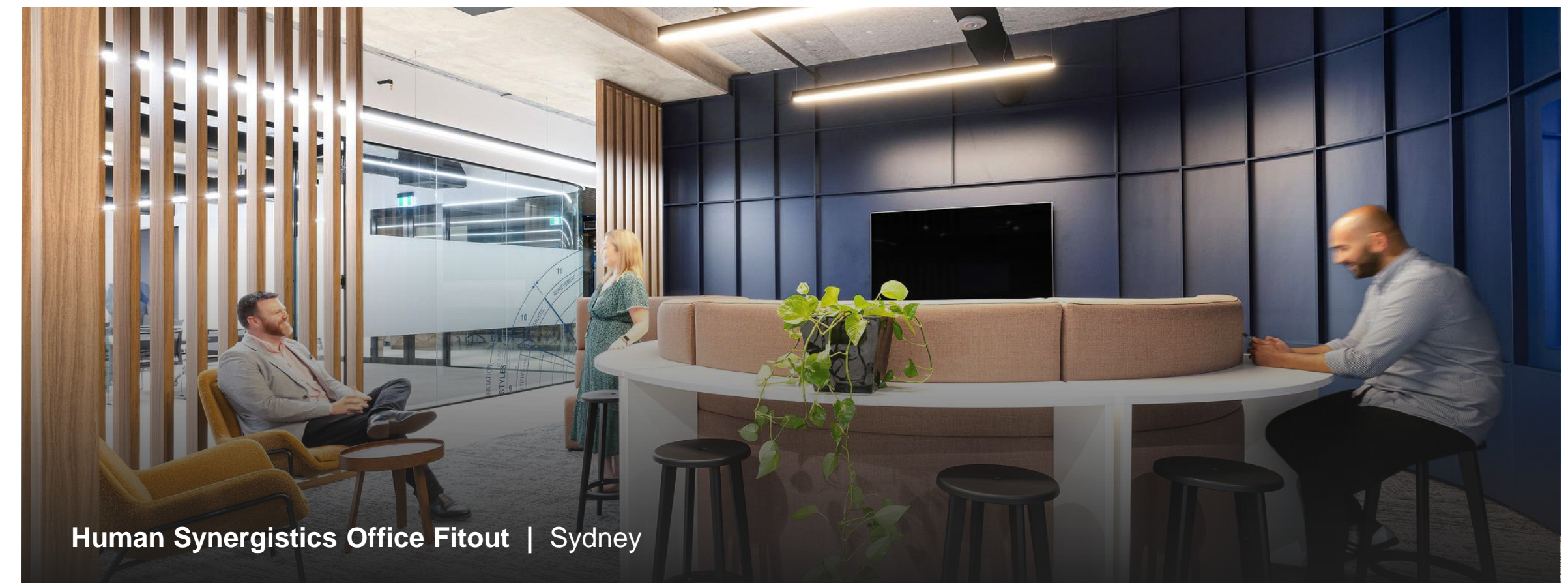
Aftercare and Facilities Maintenance (AFM by SHAPE)

- Launched in November 2023
- AFM by SHAPE focuses on SHAPE's commercial office clients in Sydney and Melbourne
- Ensures the safe and efficient operation of buildings, equipment, and systems through scheduled maintenance and immediate response works
- Drives customer loyalty via ongoing contact
- Opportunities to expand existing clients and projects and attract new clients through contracted maintenance agreements
- Provides an annuity stream to revenue



Design & Build

- Launched in February 2024
- Delivering an end-to-end service from bespoke workplace strategy and design to defect-free delivery
- Currently operating nationally, targeting smaller scale projects
- New client stream of those that are looking to procure design and strategy services
- Working with the client earlier to understand their needs, minimise risks, and enhance buildability to ensure cost certainty
- Average project value \$1.0m, adding to higher gross margin percentages



FY25 Operational Update

- SHAPE has secured project wins totalling \$350m in the first four months of FY25
- Backlog orders of \$480.3m, up 5% since 30 June 2024 (FY24: \$457.4m)
- 120-day pipeline of opportunities remains healthy at approximately \$1.3bn
- Overall pipeline is approximately \$3.3bn



Allianz Brisbane Office Fitout | Brisbane

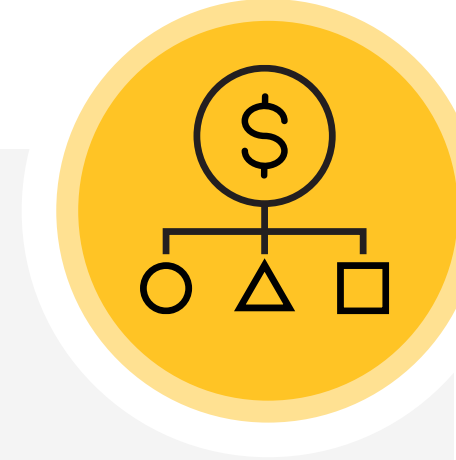
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Growth into non-office market sectors

- Significant opportunities to continue growing revenues into non-office markets (Hotels, Health, Education, Retail, Defence, etc.)
- Macro trends like population growth, an aging population, and geopolitical tensions are expected to drive ongoing government investment in many of these sectors
- Well-positioned for Defence and Defence Prime projects
- While investing in growth strategies, we remain focused on maintaining our significant market share in the commercial office sector

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Continued diversification of capabilities

- We remain focused on the implementation of our modular growth plan. In FY24 we expanded our modular capability, with the addition of a new 5,000m² facility in South Australia and invested in several key modular professionals to strengthen revenue growth in FY25
- We secured \$10.9m in modular project wins¹ in the first four months of FY25 (Full Year FY24: \$29.7m)
- To date in FY25, Design & Build secured a major project win of over \$20m for a large ASX listed client, with construction scheduled to begin in early 2025
- Although in relative infancy and only operating across two cities, AFM by SHAPE is witnessing positive adoption rates
- SHAPE will continue to seek additional merger and acquisition opportunities

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Geographic Expansion

- Continue to focus on expansion in three key areas: the Gold Coast, Newcastle, and Tasmania
- Year-to-date FY25 project wins for our regional operations amounted to \$45.9m (FY24: \$120m). Notably, key projects secured in Newcastle with national clients such as Ausgrid and Allianz
- In FY25, a permanent office was established in Hobart for our Tasmania team
- We will look to secure a new office location for our Gold Coast team to cater for growing headcount and expanding operations
- Continue to explore additional regional locations

¹ Includes SHAPE and its associate DLG SHAPE Pty Limited.