



SHAPE Australia Corporation Limited (ASX: SHA)

ASX Announcement & Media Release

23 November 2023

CEO's Address at 2023 Annual General Meeting

A warm welcome to everyone in attendance today.

FY23 growth underpinned by both core and non-core segments

As Greg touched on, FY23 has been both challenging and rewarding; we saw a 31% increase in revenue despite ongoing challenges in our trading environment.

Market conditions rallied despite rising inflation and interest rates, and we have seen a general return to office trend for most CBDs, though not to pre-COVID levels. Supply chain issues have generally settled, and availability of labour, though still constrained by record low unemployment levels, is slowly improving. We achieved significant improvements in both underlying EBITDA and NPAT, with EBITDA improving 104% to \$19.4 million and NPAT rising 225% to \$10.5 million. Pleasingly, we also achieved a 56% improvement in our EBITDA margin, this was supported by expanding SHAPE's capabilities into higher margin services such as Modular Construction.

We finished the year with record project wins of over \$800 million and an identified pipeline of \$3.8 billion. Our backlog order book finished at \$343 million, providing opportunities for the business to continue delivering strong shareholder returns.

SHAPE's order book is heavily weighted by short duration projects, which offer some protection against the cost escalations that have challenged most contractors over the last 12 months. This, along with the strength of the SHAPE brand, our ability to attract and retain high-quality talent, and the loyalty of our supply chain, allows us to be nimble and resilient in responding to market conditions, strengthening our FY23 financial performance.

We continue to execute our growth and diversification strategy, and our strong cash position and balance sheet represent an attractive proposition for clients and prospective clients.

FY23 Operational Highlights

At SHAPE we pride ourselves on bringing attention to detail across all our construction projects with a focus on relationships, a commitment to quality and industry leading safety practices. Our safety commitment and culture are led by our 'Path to Perfect Safety' programme. While we have delivered more work than ever over the last 12 months, with record financial performance, we continue our commitment to having a best practice safety culture, with our recordable injuries down 37% in FY23. Our Lost Time Injury Frequency Rate (LTIFR) reducing from 2.0 to 0.9 and our Total Recordable Injury Frequency Rate (TRIFR) dropping from 6.7 to 3.8.

We are proud of our performance in this area and will continue our efforts to ensure the safety of every single person that comes into contact with our operations.

As unemployment is at all-time lows, we recognise how important our team is in achieving continued success. We continue to strive for high levels of employee engagement and are committed to creating an exceptional workplace, evidenced by our 'Great Place To Work' certification. FY23 saw an 8% increase in our total workforce to 571 employees, and pleasingly, 22% of our employees were promoted.

Our Net Promoter Score remains world-class at +84 and is a key reason for our strong conversion rate of over 45%, which underpinned our strong performance with secured orders of \$802.1 million.

Defence sector project wins this year were our best ever, delivering \$48.8 million in revenue in spite of the slowdown of projects coming to market pending the release of the findings of the Defence Strategic Review. Cladding projects continued to contribute to the diversification of our order book, with a record 12 projects secured this year.

Additionally, the regional offices that we opened this year in Newcastle and on the Gold Coast as part of our organic growth plan have already gained strong traction and will contribute to SHAPE's growth trajectory in the years to come. We are also building a track record and pipeline of work in Tasmania with the delivery of six projects, totalling \$15 million in FY23.

Modular Construction Services

KLMSA, the modular business acquired in 2022, contributed to the Group's bottom line in year one with \$24 million in project wins, and we have strengthened the existing team with a number of experienced operational staff from SHAPE. The KLMSA business started the year strongly with \$11 million of project wins, supporting current production capacity.

Our ongoing commitment to the Modular sector continued this year with the establishment of a 2,000 square metre facility in Adelaide in August 2023. This further strengthens our growth strategy pillar to expand our service offerings and reflects SHAPE's focus on growing its Modular capability. Moreover, as Modular Construction grows as a percentage of our revenue, we expect to observe margin improvement across the business.

The first projects to be built in our new Adelaide facility will be modular buildings for the Royal Flying Doctor Service in William Creek and Purple House in Coober Pedy. Over time, we believe there will be beneficial opportunities to grow revenues with strong demand from the Health and Education sectors for this style of construction.

Sustainability

SHAPE has a longstanding commitment to sustainability in the built environment and is a member of the Green Building Council of Australia since its foundation. This year we achieved an important milestone in our decarbonisation journey, with our corporate operations being certified as carbon neutral by Climate Active. We were also able to support our clients in their sustainability ambitions through the successful delivery of 13 Green Star projects, worth \$191 million in total.

Four out of seven of our state offices are now using GreenPower and five of our SHAPE offices are Green Star accredited.

Operational Update and Outlook

FY24 has started positively. Despite sustained industry headwinds, we secured \$291 million of project wins in the first four months of FY24, compared to \$239 million for the same four months last year.

Our reputation for exceptional quality and long-standing relationships underpins our strong pipeline of repeat business and secured project wins. We have seen a significant increase in the 120-day pipeline of opportunities, which is currently at \$1.3 billion compared to the average 120-day pipeline over the last two years of approximately \$650 million.

As we move closer to the end of the first half of FY24, we are pleased with the momentum being witnessed across all core capabilities and growth pillars. We are currently observing buoyant tender activity and anticipate this will continue despite concerns about a slowdown in construction activity.

Thank you for joining us today and for your continued support. I look forward to updating you with our half-year results in February.

Supporting presentation slides to this announcement are appended below.

ENDS

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

About SHAPE:

SHAPE Australia (ASX:SHA) is a leading national fitout and construction services specialist. Headquartered in Sydney, with nine additional branches across major capital cities and 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 600 people, an award-winning company culture, and an impressive Net Promoter Score of +84, SHAPE brings transparency, a partnership approach, and three decades of experience to undertake any type of construction project.

For further information, contact:

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SHAPE

Annual General Meeting Presentation



SHAPE

Chairman's Welcome



Introduction of Directors



Greg Miles
Chairman and Non-Executive Director



Peter Marix-Evans
CEO and Managing Director



Michael Barnes
Non-Executive Director



Jane Lloyd
Non-Executive Director



Kathy Parsons
Non-Executive Director

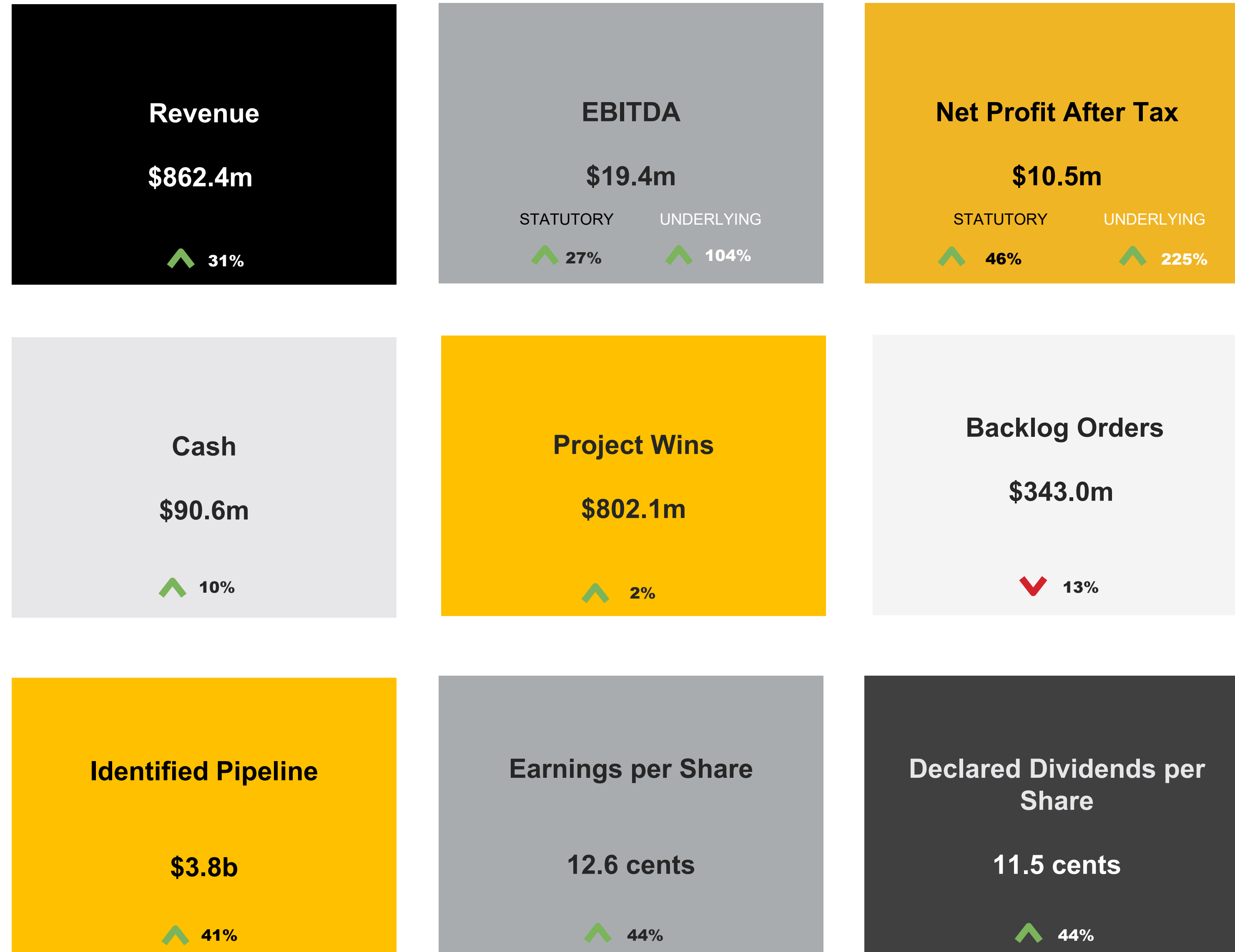


Scott Jamieson
CFO and Company Secretary

Chairman's Address

Greg Miles
Chairman and Non-Executive Director

FY23 Financial Summary



There are no differences between the underlying and statutory results for FY23.
Underlying and statutory comparison variances differ as a result of one-off items as outlined in Appendix A.

CEO's Address

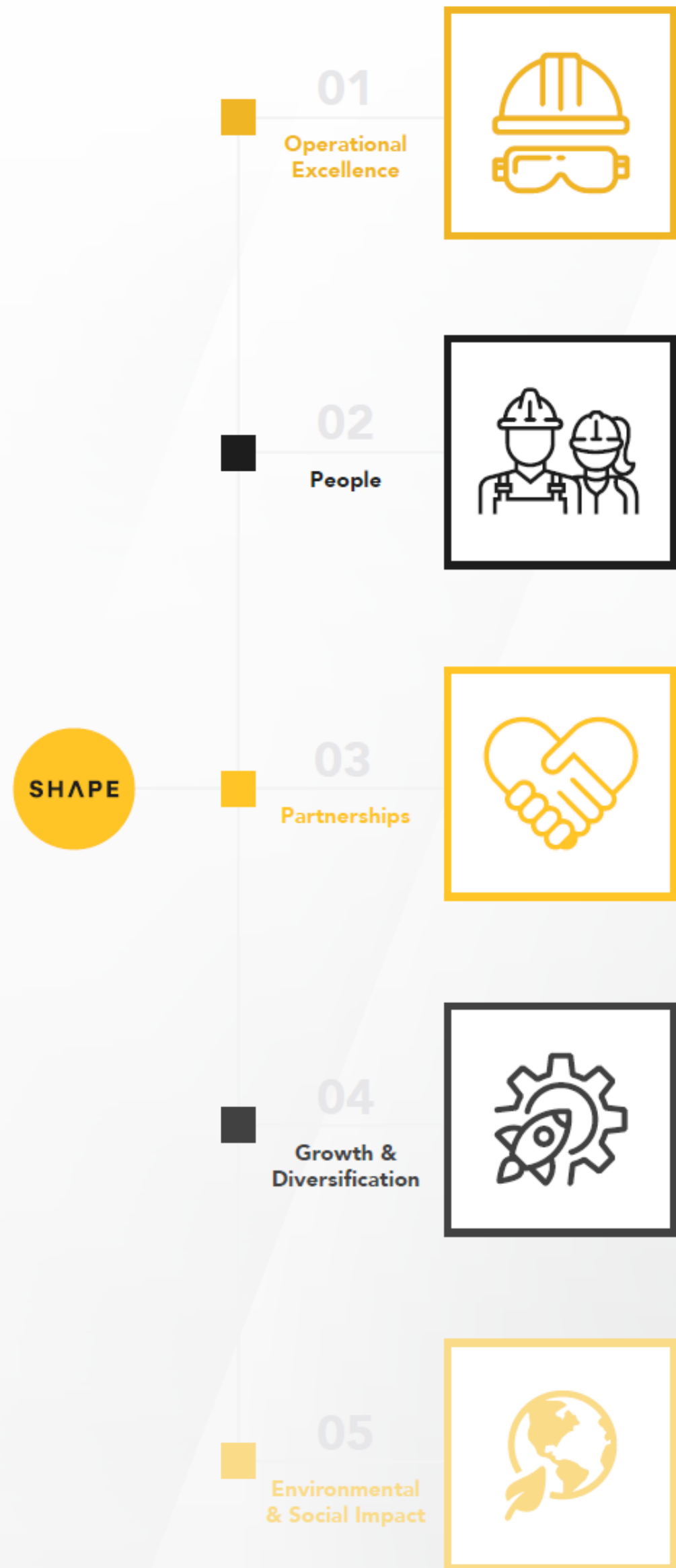
Peter Marix-Evans
CEO and Managing Director

FY23 growth underpinned by both core and non-core segments

- Positive business performance in FY23 with 31% increase in Revenue.
- FY23 Statutory and Underlying metrics were identical.
- Underlying NPAT increased 225% on prior corresponding period.
- Well-positioned for growth, maintaining a strong backlog order book of \$343m.
- Sound cash management and strong cash position of \$90.6m, maximising opportunities through interest rate increases.
- Scalability of overhead provides efficiencies as revenue grows. Increase in underlying gross margin with continued focus on increased commercial outcomes.
- Excellent client relationships, high net promoter score, and healthy win rates support continued performance.

\$'000	FY23	FY22	Movement
Revenue	862,367	658,327	↑ 31%
Underlying EBITDA	19,444	9,534	↑ 104%
Underlying NPAT	10,497	3,232	↑ 225%
Other Metrics			
Underlying EBITDA margin	2.25%	1.45%	↑ 56%

FY23 Operational Highlights



OPERATIONAL EXCELLENCE

Our safety commitment and culture is led by our "Path to Perfect Safety" programme:

- › Recordable injuries reduced by 37% - down from 27 to 17.
- › TRIFR improved by 41% - down from 6.7 to 3.8.
- › LTIFR improved by 55% - down from 2.0 to 0.9.
- › All State Operations recorded a TRIFR below the 6.1 target.
- › Proactive Safety, Quality, and Environmental observations increased by 7% from 49,959 to 53,608.

PEOPLE & CULTURE

We aim to recruit, train, and retain the best people in the industry:

- › SHAPE maintained exceptional levels of employee engagement, reflecting our commitment to create a truly exceptional workplace. This was evidenced by Great Place to Work™ Certification and a result in the top 10% of Culture Amp's Australian database (compared to Australia 500-1000 employees Top 10% January 2023).
- › 8% increase in our total workforce (571 total employees).
- › 22% of employees were promoted.
- › 5,237 training hours.

PARTNERSHIPS

- › Maintained strong performance with secured orders of \$802.1m.
- › Client Net Promoter Score +84.
- › Subcontractor Net Promoter Score +74.
- › 91% of projects delivered achieved Perfect Delivery™ (projects completed on-time with zero defects and O&M Manuals delivered within a week of handover).

GROWTH & DIVERSIFICATION

- › Best year to date for Defence sector sales.
- › Continued strong revenue in facade remediation works.
- › Establishment of new regional offices (Gold Coast and Newcastle).
- › Record number and value of projects delivered in Tasmania.
- › Acquired modular business (KLMSA) earnings accretive in year one.
- › First two modular projects secured in South Australia.

ENVIRONMENTAL & SOCIAL IMPACT

- › SHAPE corporate operations achieved Climate Active certification.
- › Delivered 13 Green Star projects with a combined value of \$191m.
- › More than \$1.5m in value of goods, services, and donations to support charities as part of our positive commitment to social impact through our Community+ programme.



Bacchus Marsh Grammar
Construction of Classrooms and Library at Maddingley Campus secured in Q4



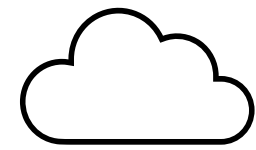
SHAPE Modular providing further opportunities for growth

KLMSA (acquired in March 2022)

- Sales of \$24.6m and earnings accretive in year one.
- Strong pipeline of work with the business already taking inquiries for projects in FY25.
- Starts FY24 with project wins of \$11m and a revenue backlog of \$12.3m, which will support current production capacity.
- Operational capability strengthened through transplanting of SHAPE personnel into the modular business, including new General Manager.

SHAPE Modular (National)

- Group Manager - Modular appointed to lead the growth of SHAPE's modular offering nationally.
- Two projects secured.
- Appointment of a Modular Lead in Adelaide to start building a modular team in response to strong market demand in SA and secured projects for Purple House (Coober Pedy) and Royal Flying Doctor Service (William Creek).
- Good opportunities to grow revenues with strong growth in Education and Health sectors.



2,959t Co2-e

Carbon footprint measured for the first time to establish impact



Carbon Neutral

Climate Active certification achieved for Corporate Operations



Projects Delivered

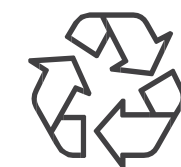
13 projects worth \$191m



GreenPower

4 out of 7 State offices now using GreenPower

Carbon Footprint Offset with renewable energy



Carbon Accounting Software Implemented

Co2-e accounting reduction strategies in place for each office

5

SHAPE Offices

Green Star accredited or in process of accreditation (QLD and VIC pending)

FY24 Operational Update & Outlook

- Headwinds remain across the industry and the broader economy; however, SHAPE has secured project-wins totaling \$291 million in the first four months of FY24
- 120-day pipeline of opportunities currently at \$1.3 billion compared to the average 120-day pipeline over the last two years of approximately \$650 million, supported by buoyant tender activity
- Expanded operational footprint of Modular with the establishment of a 2,000m² manufacturing facility in Adelaide
- Attainment of ISO/ IEC 27001 certification and the Defence Industry Security Program (DISP) membership
- The DISP membership is critical to our pursuit of capital works projects for the Australian Department of Defence and Defence Primes



Cox Architecture,
Sydney

Consideration of Financial Statements

Item 1: Financial and Related Reports

To receive and consider the Financial Report of the Company and its controlled entities and the related Directors' and Auditor's Reports in respect of the financial year ended 30 June 2023.

