All right.

Welcome everyone. Hope you had a nice weekend.

Uh, we've got a good one for you this morning.

We're speaking to the team at Shape Australia.

SHA is the code here.

We're speaking to Peter Merrick Evans, the CEO,

and Scott Jamison, the CFO.

Uh, if you're not familiar with the business, uh,

this is a company that's all about our fit out

and construction services.

It works pri primarily, well historically,

at least in commercial office projects,

but moving into other sectors as we speak

and getting some good traction there.

It should be said. So I think things like government

departments, you know, defense, education, that kind

of thing, but also, you know, retail sites, hotels, uh,

any really large property environment is where, uh,

shape will operate.

Um, and it does so with a workforce about 680 people.

And as of, uh, the latest set of results, it's generating

around a billion dollars, uh, in revenue.

That's with a B. Um, ultimately it's, it's cashflow

and profits that matter, but there's some pretty solid

numbers on that, uh, front as well, which we'll get into.

Uh, also it's worth pointing out too, the, the nature

of the balance sheet, as far as I can see, there's not a,

not a, a a cent of debt there.

And there's 130 million in cash and cash equivalent.

So that's in great shape. And you've also got a business
that has been around for a while, uh, about 35 years,
as I think, uh, I might be corrected on that.
Um, since it, since its founding, um,
it hasn't been listed on the A SX for all that long,
but in the time it has existed
as a listed company, it's done pretty well.
The, uh, earnings per share have doubled over the
last two years alone.
So look, I'm really keen to dig into, into the company
and find out how it, you know, how it ticks, uh,
the opportunity it sees in front of it
and the strategy it's gonna get to get there.
Um, just a reminder that I always have to say, uh, none
of this is financial advice, which everyone knows all care,
no responsibility here.
And if you do have any questions, uh,
make sure you submit them via that link
and I'll, I'll put it to the guys when we get the chance.
So that's all out of the way.
Um, gents, thanks so much for your time today.
Thank you, Andrew. Um, so yeah,
my name's Peter Marek Evans, I'm CEF of Shape.
So I'll just start with a little bit of history. Yeah.
Um, on the business, just to sort of where,
where we came from, and then
talk about where we're going to.
So, um, we were founded back in 1989.

Um, six, six founders, um,

and a company called War, um, who was owned

by Tyco back then, started the business up.

So, um, worm, uh, had a private equity arm.

So one of the, one of the key sort of nuances

to our business and, and why some of our DNA is

what it is from, since inception,

we've had private equity sitting at the table.

Um, so I think that's quite important, um,

when we roll the clock forward as to the level

of corporate governance

and the investment in system and process.

So rather than just being a founder led business, we've had

that professional sort of approach since the inception.

That was 35 years ago, um, started up

as a Australian contractor.

Um, we very quickly scaled across Australia.

Um, so we operate in every single

mainland state and territory.

Um, and then in the last couple of years,

we've also opened up Tasmania and regional offices as well.

So we've opened Townsville, uh, Newcastle, Geelong,

gold Coast as well.

So we're basically,

Australia's only really truly national builder.

So we are established across the entire, um, entire country.

Um, the, I talked to private equity, so, uh,

when Worm milled cycled out there, private equity, um,

knackle cycled in,

which was National Australia Bank's
corporate venture arm back then.
Um, yep. And when they cycled their capital out,
advent Capital cycled in.
Um, so the last of the private equity, um, exited about
what, 2015?
2015. And when they cycled out management
and friends of founders bought into the business.
Um, so that was all good.
Again, a strong focus on governance,
independent board of directors very quickly.
Um, and the founders have all been out of the business
for at least 15 years.
Um, so they very quickly, um, got a management team in, um,
and grew leadership through the business to enable them
to be able to step away, um, from the business.
Um, so, uh, me, you mentioned earlier, we we're up
above the 700 mark from a, a number of staff now, um, right.
And we have grown out, we still do focus very much on
commercial office fit out.
Uh, the reason for that is it's very transparent.
So commercial offices in Australia are registered,
so we've got a very transparent viewpoint
of the work that's coming up.
So we can gear up for it,
we can plan for it, that sort of stuff.
We talk about pipeline, pipeline,
and when we talk about pipeline, that's actual projects

that we know the name of.

Um, and we know roughly when they'll come to market,

we've got in excess of $4 billion in pipeline.

So what that does is allows us to pick

and choose the types of jobs.

And obviously we have a, a lot of repeat business.

Plus 80% of our work is through repeat business.

So when we look at that pipeline, typically rough rule

of thumb will price half of it.

And typically of the half we price, we win 50%.

So as a contractor, our win rate for tendering, um, is,

is about 50%, which is very high.

Part of the reason or part of the, um, our ability to do

that is I go back to, um, the system and process.

So we invest very heavily in Salesforce as a CRM

and what we do with each of those opportunities,

um, in the pipeline.

And as I mentioned, there's $4 billion

worth of work in the pipeline.

We will rate those opportunities.

So we've got a, a, an opportunity predictor model built in.

Um, so an algorithm built in,

and that will allow us to, um, give a rating to a project.

So depending on the percentage, the score that it gets,

it'll go red, amber, or green.

If it's a green project,

then the general manager in that state contender it.

That's fine. If it's an amber project, then it has to go

through the general manager's state

leadership team for approval.

And if it's a red project, which means the opportunity,

chance of winning it is very low, low likelihood,

then it has to come up to ex X, um,

the executive level for approval.

So what that does is it means we don't price for practice.

And the, the types of questions that we ask in

that algorithm are, have you worked in the building before?

Have you worked with the client before?

Um, et cetera, et cetera.

So, so it's a very, um, sophisticated front end to the CRM.

And we've got good transparency of the pipeline.

And then because of our approach and,

and those good win rates, means that we get to, um, have a,

you know, good, strong, successful business.

Um, so that all, uh, falls into the backlog, um,

backlog being our revenue that we haven't turned over yet.

So as we win contract, so we win a contract

for a hundred thousand dollars,

that goes straight into backlog as we, as we bill it,

it'll come through as revenue, but that's it.

So our backlog is, is very healthy as well,

and it's a good indicator of the future.

And, and what might come outta that,

and I just finish a little bit on the, on the business.

So 35 years of profitability.

Um, apart from our, uh, inception year, we've,

we've always made profit, um,

and we've always had fairly good steady revenue growth.

The only two blips

that we've had in our revenue charts from a history point

of view is COVID and the G ffc.

Other than that, we've typically had some,

some reasonably good growth.

Our net promoter score plus 85, um,

and that leads to 85%

of our work being through repeat clients.

So that net promoter score at plus 85 for those familiar

with the scheme is a very high rating.

So we're very proud of that.

Um, and we challenge all of our teams to, um,

what we achieve, what we call perfect delivery.

So on every project, we challenge our teams to deliberate,

not just, um, perfectly, but so on time defect free,

and with the training and manuals

within a week of completion.

So that sounds like a small thing,

but in construction, for those that are familiar

with construction, just finishing on time, um,

if you do that is fantastic.

Yeah. And doing it defect free.

So that means that we don't have to come back into those

live environments and fixed

defects, um, and that sort of stuff.

So again, it's a program.

We reward our project teams on that.

Um, and as I mentioned, we've got over 700 staff.

Uh, we also are very focused on leadership and culture.

So because our only assets are our people, um, we do a lot

of work, um,

because what we've found is you might have a technically

excellent, competent person,

but they might not be the best leader of people.

Um, and so we have teams all around Australia,

and so we have a really strong promotion, uh, from within,

but also promoting based on character.

Um, so we do a lot of work of training.

As soon as you become a team leader, um,

we invest in you as a leader as well.

So that's allowed us to grow the business.

And when we've got over 400 projects across the country,

we rely as management on people doing the right thing when

we're not watching, if that makes sense.

So that, yeah, that strong culture, um, we really,

really drum into it, spend a lot

of time, um, working on that.

I'll just pause there for a small second in case there's

Any, oh, it's a bunch. Yeah,

it, oh man, you, you just dropped a lot there,

which is, which is all really helpful.

Um, uh, I mean, it strikes me as I'm,

I was gonna make mention of the fact that, you know, a

as a people business, you, you started off by sort

of talking about the success you've had in scaling and,

and all businesses are hard to scale.

People businesses are probably the hardest to, to scale.

And you sort of touched on that, which is, which is really,

um, uh, interesting.

Um, the other thing you sort of said there was just in,

in terms of how you sort

of pride yourself on project delivery, I, I guess it,

it sort of makes sense economically for the project as well,

but it probably leads into that 80% repeat work, I dare say,

because it's a, it's a reason.

I mean, like a lot of industry, it,

Australia's a small country, it's a small economy, word

of mouth counts for a lot,

reputation counts for a, for a hell of a lot.

So is that a reason?

I mean, I guess the answer is

obvious, but I'll ask it anyway.

I, I guess there's one thing,

one thing lead to the other there.

Yeah, definitely. So we,

our client base is typically a SX 100, 200,

um, type companies.

Yeah. So we work at the, at the, the big end of town.

Um, they're spending more money on their fitouts.

Um, and so the, and,

and like I say, the leases are registered.

So for instance, you know, we did Alan's, uh,

head office in Melbourne, uh, this year.

We did it seven years ago as well.

So lease expires, typically a commercial lease will go for seven years or five plus two.

Um, and after seven years, the carpet

and furniture really needs a refresh.

So we're getting that

repeat business on that, on that cycle.

And if you think about how many commercial companies there

are in the, in the a 6, 100, 200, yeah.

Um, then, you know, you lay that across that constant, um,

recycling outside of that.

Um, so again, most of our work being in commercial office,

we also diversified, uh, across into other sectors.

Um mm-hmm. So, uh, importantly of recent, not only have we,

um, diversified across health, education,

and defense, um, that's the three areas

that the government spend money on any downturn.

Um, so we wanna make sure that we've always got a recent

and relevant capability in those sectors.

Um, and we're doing a fair bit across, across all of those.

Uh, we also purchased, um, a modular business, uh, a couple

of years back, um, which is

building pre-fabricated buildings inside, uh, um,

a manufacturing facility, so mm-hmm.

Victoria, and, uh, we bought a business in Victoria,

so we build schools, um, sports pavilions, uh, so work

for councils, that sort of stuff.

Um, yeah. All inside a building,

that means we can control the environment, the weather, the,

um, the sheet sizes, all that.

So we can design to the sheet sizes on the back of
what we learned after purchasing
that modular business in Victoria.
We actually started another one
from scratch in South Australia.
So we've got two manufacturing facilities,
one in South Australia, one in Victoria, um,
make prefabricated buildings as well.
Yep. Another part to the nuance of, of shape
and, um, I guess our approach to risk management,
we do work from a hundred thousand dollars to 150 million.
Um, our largest project's, uh,
180 million was the, the contract.
Um, but our average project across all 400 projects is
$3 million in 16 weeks.
Mm-hmm. Most of our work is complete, more than 50%
of our work is complete within six months.
So what that also does to our book is
that we don't have exposure to, when you read about, um,
contractors or builders, um,
experiencing financial difficulty, it's typically ones
that are bridging 2, 3, 4 years where they've had to take a,
um, a gamble or,
or take a position on escalation, cost
of goods going up, that sort of stuff.
Because that shape,
our average jobs only 16 weeks if the cost of steel
or timber or gas or whatever goes up,
we just adjust our pricing.

'cause we're constantly, every day we we're tendering more.

Yeah. So it's that short, sharp book.

And again, most of our work is

carried out inside a building.

So even with our modular business prefabricated building,

we are building it in a controlled environment.

Yeah. With the commercial fit outs, again, it's

inside a building, so we're not exposed to the weather

and we're not exposed to industrial typically.

So that risk profile, um, from a constructor or,

or a building, um, contractor is a different profile to some

of the, you know, those larger tier, um, businesses

that you see lose money hand over fist on a,

on a job if they make the wrong decision.

So shape don't have that sort of risk on our book.

Um, and, and it's a very quickly turned over book.

So, um, that points to the cash generation, which you,

you mentioned, we've sort of got, you know, in excess

of a hundred million sitting, um, on the balance sheet,

which, which is debt free.

Um, and I just probably get Scott to talk a little bit about

how that's made up and why we keep

so much cash sitting there.

Yeah. See, yeah.

So I mean, at the 30th of June, a hundred, $128 million,

um, of, of cash.

But so, but part of that, we actually have

invested into marketable securities,

which are investment grade highly liquid corporate bonds.
Yep. The reason that we have
that there is we pick up about an extra 200 points than
we would on cash.
Um, but also the, the main reason why we do do carry that is
because there's various, um,
prequalification external financial assessment criteria
that we need to meet certain ratios for certain projects.
So we positioned ourself in such a way that we are in a,
in a position that we can take on projects in excess
of a hundred million dollars.
So if you went, if you had a look at, say the whole
of FY 25, the lowest our cash position got down
to was $60 million.
So, and the reason that the, that the cash does fluctuate
because, you know, we, we, we, we are bound
by the security payments act that applies in each
of the jurisdictions as far as payment terms go.
So that dictates the number of business days.
So for example, a C t's 15 business days, new South Wales,
20 a CT, uh, sorry, uh, WA and Queensland 25
and, and, and so forth.
Uh, and then those where, um, we don't have
that strict criteria we pay on the first business day
of the, of the month.
So our, our cash will it, um, it throughout the month,
first day, it'll, it'll dip down, it'll, it'll trickle up
because we're getting client receipts
every, every single day.

Uh, it trickles up and it,

and it does these couple of dips throughout the course

of the month with, um, yeah.

In, in line with those, those payment terms.

But that's $60 million.

So we could, you could actually pull $60 million out

of the business, and the business would run exactly the same

way, but we wouldn't tick the, we wouldn't get green in the,

in the boxes for, for certain certain projects.

And so that's primarily the reason why we leave

that much cash in there.

Um, and you, we have no, no external debt.

Uh, we're very low capital intensive business.

So really, you know,

Pete talked about our assets, it's really our people.

Um, but what you'll see is for the, you know, property plant

and equipment on the, on the balance sheet, most

of it's gonna be some of our own internal office spit outs,

laptops, computers.

Um, so we don't have the, the heavy plant equipment

because what we do is, uh, we have our people,

our 700 plus people, uh, primarily we manage the project,

so we've got really carry two types of people.

Um, we have on site, which is our site managers,

so they make sure, 'cause we have about, uh,

just over 2000 subcontractors,

so we subcontract out all of our work.

Yeah. Yep. The subcontractors, they may manage all

of those subcontractors to make sure that they're,
they're on program, they're, you know,
doing everything in accordance with safety,
uh, those types of things.
And then we've got our project managers,
and so they managing the head contract up
and also all of those subcontracts down.
Mm-hmm. Yeah. Um, and so that's why we don't, so
whenever we need work, whether it's, um, you know,
it's cranes or, uh, any of that, you know, the big,
the big tools you may need is all the
subcontractors carry, carry, all that.
So very low capital intensive, um, strong cash flows.
Um, so if you've seen the, the last year, I think we, our,
uh, our operating cash flows po um, we're close
to $53 million with a conversion rate against EBITDA
of about 160%.
So we, um, that's the other thing that, uh,
that differs us from, say those large contractors
that go into those long-term projects.
We get, we might have very few sort
of startup costs that are quite low.
It's just our own internal people, you know? Yep.
Gearing up for things, but
because of the velocity is so quick.
So as soon as we are, we've run a job often, you know,
we're, we're on site within, within a week or two,
and so it's only at some of our own internal time,
but as soon as we're on site,

and the way that the, the payment system works is
that our contractors will do a month's worth of work,
put their invoice in and get paid
towards the end of the next month.
But in the meantime, we've already submitted an invoice,
and generally we're collecting that cash in
before the cash goes out.
So we're very quickly ahead of the curve.
So we maintain positive liquidity on, well, we try
to do it on every single project, um,
and, and throughout the course.
So we are constantly generating cash, so as we grow,
we actually generate more cash.
There's no drain on our working capital. Mm-hmm.
That's lovely. Um, Scott, you've, you've,
you've done a great job of sort of laying that out there
and, and, and particularly in explaining the level of cash,
I, I do wonder, is part of that, uh,
are you a bit on the front foot there, there,
because I, I can expect when you speak to a lot
of particularly finance types, you might get accused
of having a lazy balance sheet.
The old saying, uh, you'll never get
that accusation from us.
But, uh, do, do you find that you get a bit
of pushback from the, from, you know, the fundies
and whatever, and sort of say, what are
you doing for all that cash?

Yeah. So I mean, you've given, you've given the answer,
but I mean, I wonder if that, if
that's why you've been a bit proactive
in explaining it that way.
Yeah, well, it's, uh, I mean, it is a
very, a very common question.
And once we sort of walk through that Yeah. Uh, yeah.
Then the, the understanding's there. Yeah.
Uh, I mean, even from my own point of view, like, oh,
I never lose a second sleep, you know,
wondering whether we're gonna make a payment run
or pay wages or any of those sorts of things.
Like, I never, ever even have to give that any level
of consideration because, you know, I mean,
it's such a great place to be.
Yeah. Gosh, it's so, it, it is one of those things that,
you know, you don't really see the value
of until you see the value.
Like when you find yourself on the tide particularly goes
out, which I, I, you know, as I understand it,
in the construction sector, this can be a hyper cyclical,
sort of very volatile place.
I mean, it's, it's just rampant in terms of like some
of the, the companies that get in in trouble here,
and yet, as you say, 35 years, remarkable history,
almost always profitable with the big cash balance.
And, and the other thing that, that made my,
my ears prick up a little bit, there was, well,
a lot in fact was this, this, um,

des not desire, I suppose,

but willingness, preparedness to say no to work.

And, and I, I know that that can be a difficult thing,

particularly as you become a listed company

and you've got a bunch of investors jumping up

and down on the sidelines saying, give us growth,

give us growth, give us growth.

Is that an, is that a perspective that is informed, um,

by, by a long experience in knowing, you know,

I'll quote Charlie, Munger, tell me

where I'm gonna die so I don't go there.

Right. So what do you do?

You don't take on the long dated work.

You don't take, you don't operate with a, with a,

a balance sheet that's highly lever,

or am I, I'm, it's a horribly leading question,

but am am I barking up the wrong tree?

Or is, is, is that sort of what sort of, uh,

instills the discipline

and sort of choosing what work to take and,

and choosing how you sort of structure the finances?

You know, I think that you definitely

hit the nail on the head there.

Um, we're very,

and that's the one I talked about,

our front end being quite sophisticated

with the CRM and Salesforce.

Um, so the level of rigor that we put into each project, um, around the ones that we, and,

and again, we, we only price half of our pipeline

so we can pick and choose.

Um, yeah, we're also very conscious of, um, the contract.

So the contract conditions set the scene for how, um,

how you can move and, and exit that contract.

So we're very particular about, we won't sign, um,

as I've sort of quoted to client clients

before, we are contractors, were not gamblers.

So if I can't identify the risk

and understand how to manage it, then I won't take the risk.

Yeah. Um, and that's instilled all, all the way through, um,

all of our general managers, um, yeah.

All the way down the team. So, um, at the end of the day,

what we, what we, you know, basically do is we buy, um,

we buy risk and manage it

and then sell it off to the subcontractors.

Yes. And if you think about our standard great framing, um,

where our average projects $3 million 16 weeks,

that will eventuate with, we'll get a set of drawings.

Mm. We will take those drawings

and we'll pass it out to the joiner, the carpenter,

the petitioner, the painter,

the electrician and the plumber.

So we'll, we'll go out to all of our trades

and Scott mentioned we've got over 2000 subcontractors.

Yeah. We'll give them those drawings

and we will get pricing back from them.

So when we put our price into the client, we'll take all those trade prices,

we'll put our costs on top, and then our margin,

and we put that into the client when the client comes back

to us and says, okay, shape, uh, we've selected you.

And typically, uh, again, we win 50% of what we price.

So we, we've got good relationships with the client.

Often it's repeat business,

then we typically know which ones we're gonna

win and, and which ones we're not.

Client will come back and say,

okay, shape, it's now your job.

When when we go back to the market, the subcontract market,

when they were pricing it to us originally,

we were probably one of four or five builders.

Mm-hmm. And they were one of four or five contractors.

So their chance of winning is

anywhere from one in 10 to one 20.

Yeah. When we come back to them

and say, okay, it's actually our job.

Now your chance of winning this is one in five. Yeah.

They'll sharpen their pencil. Mm.

So before we've even even started the job,

depending on again, how much, how busy they are,

if they're trying to place labor, um,

we get preferential pricing come back again.

So we start to, um, de-risk the project

before we've even started it.

And as we move along, um,

we also get variations from the client.

There's no client that won't change their mind. Sure.

So typically on a, on a given job, we'll make, uh, 10% of

that revenue we're making variations.

Yeah. Or 10 to 15%.

And of that portion will make 10 to 15% margin as well.

Yeah. We probably would, um, mention on the business,

if you look at, you know, billion dollars revenue, um,

you could argue that we're high volume,

I don't say low margin, I say thin margin.

Yeah. Um, and what we're doing as we go forward, um,

we talked about our diversification strategy in moving into

other areas is as we go forward, uh,

we are blending that bottom line.

So we want to thicken that bottom line margin up.

So not just grow the top line,

but as we do it, we wanna increase that bottom line.

The way we are doing that is when we look at

diversification, so moving into, for instance, defense

barriers to entry and defense, because

unless you've got the clearances,

you can't go and work on base.

Um, health education, again, there's barriers to entry

'cause you need specialist people.

And when we look at modular, um, again, the manufacturing,

uh, barriers to entry.

Um, so what we've found is certainly for modular our in,

in the shape BAU, our average gross margins, uh, eight

to 9% mm-hmm.

I look at the modular business,

the average gross margins are 15 to 20%.

So as we grow that top line, we,

we are thickening the bottom line so that we can continue

to build resilience within there.

Yeah. Um, tell us more about those barriers to entry.

We, we love a good barrier to entry around here.

Um, uh, a challenge to overcome,

but nice, once you're on the other side of the fence, uh,

how, how have you gone about that?

Again, partly, I, I assume there's, there's reputation that

that's in there, but yeah.

Fill that out a a a bit more for us and,

and, um, you know, perhaps where,

where did the incumbents there err a little bit in allowing

you to sort of sneak through the cracks there,

I suppose. 'cause that can be informative too.

Yeah, we, I mean we've probably,

because we've been doing this for 35 years, we,

we've certainly grown into it over that time.

One of, one of the big barriers

to entry is our balance sheet.

So if you wanna price, so for instance,

we're just finishing off BP's head office in Perth.

Okay. That was two stages of 50 million.

So a hundred million dollar job, if you wanna price that,

you've gotta have a hundred

million dollars on your balance sheet.

Yeah. So straight away

that narrows down a lot of those players.

And as I mentioned, most of our clients are a SX 100, 200.

So that balance sheet's the first barrier. Yeah.

Um, and then depending on which sector you're in,

so defense, for instance, um, you have to know

how to write a dcap.

We, we actually started pricing defense six years ago,

and we weren't winning any work, um, in that.

So I went down to Canberra and met with some of the generals

and, and they said, well, well,

you don't know the defense language.

You don't know, you don't have defense people.

So we went out and we hired defense people. So yeah.

Got people with, with various levels of clearance, um,

that know where to get decisions from in Canberra.

Um, so you hire ex-military or defense people,

and that's the same for your education and your health,

and certainly hotels.

So, um, we have the experienced personnel that, um,

you know, we just refurbished the Hilton in Sydney.

Um, so come in and do 250 rooms, um, in a live environment.

It's, it's a different sort of skillset.

So yeah, if you don't have those people

and the CVS we mentioned, we've got over 700 people, um,

then you can't do the work.

The other thing about the people, um,

because that's a risk in itself is we measure

what we call unplanned churn.

Um, so unplanned churn being people that leave the business
that we don't want to leave.
Um, and our unplanned churns less than 10%, which
for the construction industry is almost unheard of.
So construction industry would normally operate
around about 20%, um Yep.
Unplanned churn. Um, versus we keep it,
so we actually measure one.
We measure it, and whatever you measure, you can improve.
Yep. But two, we actually have, um, uh, churn on,
on our balance scorecard.
So people are remunerated based on, um,
unplanned churn from a bonus point of view.
What that does that's on a balanced scorecard.
So it just drives the behavior of hiring the right people,
onboarding them the right way, and then keeping them engaged
and trained and, and developing their careers,
um, as they go along.
And that means that I think our,
our average tenure is seven years
or something, which is really high,
particularly when you consider every year we take on 20
to 30 sort of brand new cadets as well
as we're building those numbers up. Yeah.
Yeah. Pete, I, I, I threw in a manger quote
before I do another one, which was,
what did he, what did he say?
Show me the incentive and I'll show you the outcome.

You know, when you, when you can sort of make it a,

a win-win sort of proposition.

Gosh, that, that helps a lot.

So, um, yeah, that's, that's really great to hear.

Um, I, I'm hoping you can tell me a bit more about the

nature of these sort of contracts.

So from what you're, from

what it sounds like these are just sort of fixed price.

You, you, you sort of price it based on

what you think the risks are, what the flex

and stuff might, may be in the spend.

And, and, um, is that about right

or is there something I'm missing there?

Typically? So we do, we do have cost plus projects mm-hmm.

As well. Um, typically I prefer not to do cost plus

because in, in their very nature it's cost plus,

therefore there's no risk.

And as I mentioned before, I buy risk manage it

and then sell it because it's subcontracted.

Yes. So in a cost plus love that frame, my ability to,

to earn money is capped at whatever my margin is.

The plus part, um, versus in a lump sum contract,

our ability to earn money is not just the margin,

it's also based on what we can do that's smart

or innovative as we go along.

So if we can quicken the program, if we can, you know, talk

to our subcontractors and work a bit of extra time

and do it a week earlier, we save

that money both on our time,

the exposure to site and that sort of stuff.

So, um, typically we prefer lump sum. Yep.

What we do have on certainly some

of the larger projects are more technically complex is

what we call ECI, which is early contractor involvement.

Uh, and what will happen there is the client will award it

to the builder, so they'll give us the job.

Mm-hmm. And we will help them finish the design

and we will actually price up the, um,

the trades in a non-competitive environment.

So it's, we're the only person there

and we'll price it up and put a package together.

So the benefit of that for us is,

obviously we we're negotiating the job,

so we get better margin benefit for the client is

because they've got the builder engaged early

during the design, we're getting rid

of all the buildability issues.

So they're actually getting it probably cheaper

because we are removing, you know, if a client,

if an architect's drawing something that's very beautiful,

but very difficult to build Yep.

The price goes up, versus having the builder there we're

able to say, well actually if we change this material for

that material, then you don't have to air freight it.

Or we can get this locally

or, so we build those builder smarts

and bring them to the client early

so the client gets a benefit in
that they're getting certainty
and less, yes, we are getting a benefit
because we're competitive, we're,
we're tendering it in a non-competitive environment
so it's not a race to the bottom.
Um Yep. But what happens with that ECI is,
it does become a lump sum.
So a point in time we'll draw a line
under it and it's a lump sum.
And again, that goes back to my earlier comment
around in the lump sum environment, we're able
to make money off our smarts, our innovations, um, you know,
even changing materials
or finding alternate sources, uh, uh, as well.
So, um, we clip the ticket as we build that, that,
that project all the way through.
And if you think about what Scott sort of said earlier, that
that billion dollars, that's not our cost.
So we are clipping the ticket on other people's work. Yeah.
And, and again, we managed to re all of our risk is back
to back with our subcontractors.
Um Yep. So whether it be time or cost
or quality, it's all back to back with subcontractors.
Yep. Um, so even if say the price
of glass went up tomorrow mm-hmm.
I've got lump sums from all of my contractors,
so they can't actually charge me extra.
And by the love it, then

it comes around, we just move it up.

So as far as the risk profile goes, we're very different

to those large tier one contractors that you read about

It. It's, it really is

surprising.

I mean, you, you, you, I mean, I won't speak for others,

but it's very easy to sort of come to these kind

of discussions with all kinds of, uh, uh, assumptions

and prejudices, which, and it's,

and it's always in the exceptions to the rule.

I personally, I find that, that the, the more interesting,

um, uh, uh, in, in areas to investigate, um,

speaking of things that are unexpected,

and I'm just putting my biases out here.

It's like, okay, we're gonna talk to a company.

It's in this space. I,

and you, you come with all these, these assumptions.

Now one of the assumptions that I came with, you just sort

of reading the fin

or you know, the various media outlets out there,

it would tell you, well the impression is

that it's just diabolical out there in the commercial land

at, at the moment, in the ever, ever since COVID,

everyone's working from home office,

vacancy rates are through the roof.

It just seems like an absolute disaster of a space.

And yet you look at shape's performance

and it's, uh, it's order book and all of these things, and they go like, there's a, there's a disconnect there.

So that's interesting.

Can, can you sort of square that circle

for me a little bit there and,

and what's the difference between sort

of the media narrative and,

and what, what you guys are actually delivering?

Yeah, so the, um, so

I mentioned we've got a diversified book.

So I'll, I'll talk about commercial office,

but outside of commercial office, if,

if everyone did there was another COVID

and everyone just worked from home forever.

Yep. That's fine for us.

We just pivot into health education, hotels

or the rest of us 'cause Sure.

Gonna be there. Um, regardless of that,

when we're not seeing that with commercial office space, so

what we are seeing with commercial office space right.

Is um, build, uh, building owners having

to upgrade their facility in order to attract tenants.

Um, so that's your interesting,

this lobby is your end of trip facility.

So just about every building now has like a Qantas lounge.

Yeah. Um, certainly has good biking

facilities and all that sort of stuff.

Um, new on floor amenities,

new lifts, all that sort of stuff.

So that's the asset owner in a downturn, they have to refurbish their buildings

'cause they need to attract tenants.

Then, then you've got the end user.

So your Westpac, your Commonwealth Bank, they need

to continually have a good work environment

'cause they want to attract their employees into the office.

Um, yeah. So they're constantly, uh,

looking at the, the way that they do. It's

Counterintuitive. Yeah.

Yeah. Um, the other nuance to, um, commercial office,

and again, commercial office is 60% of our, our work.

Whoop. Um, sure. We, we absolutely love it.

'cause it's like I say, it's very

quick and very transparent.

Yeah. But if you look at the way

that the office has evolved,

so offices came from typing halls.

That's, that's what started.

And it used to be a desk the same size as a typewriter

with a sheet of paper on either side.

Right. That was the desk. Um, and then they've evolved.

We had PCs, so the desk got longer,

then you got laptops, they got shorter again.

Um, activity based working came in where,

which is basically the hot desking concept.

Yeah. There all these trends that go through.

What happens with those trends is that you don't want

to be in the old typing hall.

You have to upgrade because otherwise you're not gonna go
and work for CBA or for Westpac or whatever.
So there's all these commercial trends that come through
that drive, uh,
people spending more money on the back of that.
You've also got your leases, like I say,
there's the lease expiry
and you can't have carpet
for more than seven years in the commercial environment
because it'll be thread bare.
Um, so there's all these sort of pressure on, on, um,
both end users and asset owners to do that work
that work's not actually cyclical.
That work's going the whole time
because Sydney wasn't leased in a day.
Um Yep. So these leases are overlapping each other. Yeah.
The other nuance to the commercial market is when it's
booming, there's new business, new buildings being built,
and they have to be fitted out.
Yeah. Then you've got your long term fit out.
So every seven years there's a new fit out going through.
Then you've got your ongoing maintenance and refresh.
So whether it's the end of trip facility
or just maintaining a business, um, then you've got, uh,
when the tenancies come back on, you get tenant churn.
And even in a downturn market,
you might have a large company that's taken space
and if they want to get rid of that space,
typically they won't get rid of it completely.

What they do is they sublease it. Mm-hmm.

So on a downturn market, we get lots of subleases

and we do the work all the way through.

So in, in any cycle, in any state,

we get work on the way up, we get work on the flat part

and we get work on the way down.

It's, again, it's a, it's a really good nuance

to our building and that's why we've stayed, stayed

so heavily weighted in commercial.

Yeah. For such a long time.

It's only really been since COVID that we said, look,

diversification's not an option.

It's something that you have to do.

Um, and so we've used that diversification, uh,

to diversify into areas that have better than BAU margin.

So as we diversify, build the top line,

we strengthen that bottom line.

Yeah. Gosh, that's fascinating.

Is it is really unexpected.

Um, it's exactly why we have these, these conversations.

Um, here's another angle I is, is that, and this is,

and I don't think anyone would sort of hope

for it necessarily, but there are silver linings

to cyclical downturns or industry downturns.

And that being is they tends to flush out all of the cowboys

or, or put another way e even even that's,

that's too strong a word.

Even just people who have probably flown a little too close to the sun in terms of their operation.

So everyone sort of suffers in terms of the work

that they're getting, but when the dust settles,

there's far far fewer competitors out there.

And you get to sort of, you're the only one of few standing

as, as we come out the other end of, of the cycle.

And I guess feeding into that also is,

is the balance sheet discussion that we we had before.

And probably more of a comment than a question, but,

but let us know if, if I'm off base on that

Know the other.

It's a good point. And at our entry level,

so I mentioned our average job being $3 million.

Yeah. Um, and I also said we do

jobs down to a hundred thousand.

So, um, at that lower level, there are a lot

of competitors entering the market

because you, you can be, you know, two men, um, you know,

every time a big building company goes broke mm-hmm.

Smaller building companies start up.

So we are constantly getting these new competitors at

that level because we operate a SX 100, 200 typically they

that they will come up and nip at our heels.

But the larger, um, government

and larger corporate clients typically wanna deal

with a business of substance.

Yeah. Um, and again, we've, we've,

we've earned our immunity, um, through, you know,

the 35 years of, of building, um, sustainably.

Um, and again, certainly in the last six, seven years, that

diversity as we spread across, um, the, there's not too many

companies out there that can actually do.

In fact, if you said who are your closest competitors,

we don't actually have a competitor

that is exactly what we do.

So in different states we can

I was gonna ask Yeah, right.

Um, so, you know, you might have heard

of companies like built, um mm-hmm.

We price against them a bit, but they do much more new build

and long work than they do fit out.

Yeah. Um, DC's another one, um, who we price against,

but there is no other truly

national builder that we price against.

We, and we price against everyone from two men in a year all

the way through to Lendlease.

Yeah. Fascinating. But again, typically our,

our win rates, we win 50% of what we price.

Um, let me ask you this.

So in terms of growth, I, I'll I'll preface this by sort

of saying I, I, I think most of our members,

I mean I investors we love growth,

but we've talked a lot recently about

how growth can really undo a lot of great businesses in,

in the, in the pursuit of growth, uh, for the sake

of growth, you often end up pushing into

less attractive kind of areas

and it can actually undo you in, in, in a lot of ways.
Um, and a lot of what you've said there is given a great
deal of comfort already, but, but in terms of growth
and that, that, when you sort of look out on the horizon
and you see your opportunity in the Australian marketplace,
how, how much scope is there
or how, how much room is there to run in terms
of either capturing market share or as you've already hinted
or discussed, moving into other, other spaces, um, you know,
if we were to sort of look at shape in five or 10 years time
or whatever timeframe you like, what sort of, what does,
what does success look like to you on, on, in, in, in terms
of that, that growth potential?
Yeah, so if we look at, um, market share for instance, um,
and market share's quite difficult to ascertain.
Uh, we've, over the years we've paid consultants lots
of money to try and tell us what it is.
Um, of recent, we've probably come as close
as we think we ever have in being able to look at it.
Um, and so if we look at, uh, Oxford economics,
non-residential construction starts,
so the investment going into non-residential construction
and we break it up, um, through the sectors,
we're probably low single digit percentage of market share.
So there's still a huge market to grow in there.
So we'd be the biggest fit out provider in the country.
Um, and when I say fit out provider nonintegrated,
so if Lendlease, for instance, built a tower
and they fit it out, that that's never coming to the market.

So, so that, um, so there's certainly, uh,

a good opportunity just from an organic point of view

to grow our biggest restriction on growth

other than acquisition.

I can talk about that, um, in a minute.

Our biggest restriction is actually how quickly we can hire

good people and onboard them.

So we've got 707 40

staff as we speak today.

We hire, we're constantly hiring.

We probably build our people numbers between six

and 10% per annum.

Um, so our biggest restriction is, I,

I could hire more people, but you can't guarantee good

people and then you can't onboard them quickly enough.

So as we go, I, I talked about our culture

and we're very particular about that.

So I don't want to just go, um, you know, in Canberra

and hire 50 people and put them into the mix

because they won't know what they're doing.

They won't know the system.

And even if they are good people, um, we won't have the time

to onboard them properly

and train them properly and take them through the system.

So as I said, uh, earlier,

we rely on our teams doing the right thing

while we're not watching.

Yep. We're very particular about how we, how we hire.

So our ability to grow is not the market share,

it's not the pipeline.

It's actually how quickly we can hire good people.

And like I say, the onboarding part,

'cause you don't just drop 'em in and

then say, yeah, good luck.

Um, we're very particular about that.

So going back to the, I won't call it conservative,

but you talk about growth being, you know, both,

um, an opportunity.

Yeah. But also, um, an opportunity to attract more risk.

We're very particular about how quickly we, we will grow

and do grow, um, and we won't price projects

that we don't have a team for.

So I won't price a project, win it, and then hire a team.

Yeah. I'll, I'll only price projects.

So we can only grow as quickly

as we can hire those good people. Um, and that's,

I I actually love to hear that.

I mean, that's fantastic.

I, and again, I, I know in, in your guys' space, i,

in positions and just with people like us and,

and other, uh, stakeholders in the industry, that,

that there, there is a huge amount of pressure just

to grow it all, all, um, or no matter what.

Um, so I will, I for one will certainly, uh,

congratulate you for your stance and,

and the approach that you're taking

because it's, it's better, it's,

it's a hair in the tortoise kind of stuff, and I say that,
but looking at the numbers, there's,
there's hair is probably not the, uh,
the tortoise is probably not the right, uh, uh,
analogy to use there.
Um, uh, Pete, you mentioned, um, acquisitions there, is
that something that is, is a, uh,
you take an opportunistic sort of stance on
or you're proactive in that area?
And if so, you know, what, what are the kinds
of characteristics you're looking for if you were to sort
of, um, uh, take on another business?
Yeah. Um, so when we first listed,
so we listed in December of 21.
Um, uh, and we bought a business about the same time.
Back then I used to describe it, uh,
that we were opportunistically acquisitive.
Um, yep. I'd actually say we've moved past that now in
that we're strategically, um, acqui acquisitive.
So we, we, um, have a number of things that we look at
for the short, medium, and long term.
So we get plenty of opportunities come across our desk.
Um, we've built an internal team, um, that's able
to assess those activities and,
and run them through uh, uh, sort of a siv, um, to look
for the right opportunity where we would,
so I wouldn't buy a competitor, um,
because buying a competitor

that doesn't actually give me market share long term
because the people don't necessarily stay with the business.
And I rely on people.
So as I said, I can only grow as quickly
as I can hire good people.
Now you can buy another company and you get their people,
but you're not guaranteed that they're gonna stay,
particularly if it's the same industry.
And, um, so our, uh, acquisition activity has been based
around areas that we understand the risk
that we don't currently have revenue in.
And that will give us a jumpstart.
So for instance, the modular business,
so the reason we bought that business was we,
we actually were doing modular, uh, projects,
but we were using modular subcontractors to deliver the,
the, um, the facility.
Mm-hmm. What we found was
that the modular contractors we were using,
they were fine when they were in their factory,
but as soon as the building left the factory,
they didn't have the project management
or the risk management skills, uh, to take it from there.
So we found that we were managing that for them.
So we thought wouldn't it be great if there was a builder
with a manufacturing capability?
And, and that's what we are,
is we've got the full project management
ability to manage that risk.

Plus we bought the manufacturing,

um, facility on the back of that.

Like I say, we opened another one in Adelaide from scratch.

Um, yeah, that was a little bit of an experiment

of is it better to build or better to buy?

Um, yeah. And the moment the one we bought is getting better

revenue, uh, the one

that we've built is getting good revenue,

but they're just different traction.

So it's a traction, um, yep.

Going back to what we would, would look at, so it's

where are we not currently operating that we would be able

to get a track, um, get traction.

So for instance, whether it be something in maintenance, um,

I don't do a lot of maintenance work, uh, retail, uh,

whilst we're strong across health, hotels, education,

we don't do a lot in retail.

So there's a whole retail sector there.

So if there's an ability to um, I guess go sort of sideways,

um, to, um, to businesses

that would have that, have the synergies.

And again, they have, uh, their projects,

so they have a start and a finish

and a risk management process.

So we understand it

and we can, we can get ahead around it versus, you know,

I wouldn't buy a, you know, a toothpaste factory

'cause I just, I don't know.

Um, that, yeah. So, so we sort of stick
to our knitting branch out
around us every time we look at anything
that's acquisitive has to be, um,
far superior margin to the BAU.
So every time we tip something in, we wanna thicken
that bottom line again going forward.
So, um, so there's a number
of opportunities that we have looked at.
We, the board have not given us a target for, you know,
by build, build a business every year
or there's no seed capital set aside for it.
Um, it's around if you find the right opportunity
that we think we can be accretive to them
and they can be accretive to us.
So, you know, I i I, I wouldn't buy something
that cannibalizes, um, the business.
That's where, you know, perhaps our client base can
assist that business.
Um, and certainly for,
if you look at it from a modular point of view,
they weren't doing any defense work.
Um, but when we bought them, we allowed them
to do defense work now as well.
So, um, it's looking for businesses
where we can get those synergies so
that one plus one equals four rather
than one plus one equal two.
Yeah, a hundred percent. Uh, love that.

I better do some questions 'cause

we're gonna run out of time otherwise.

Um, I got a couple good ones from Matt here.

Uh, he said, um, you've correctly said staff are your

most important asset.

How do you incentivize staff from the project

manager level up?

I guess there's a listed company, there's a potential

for employee share schemes and that kind of stuff,

or is more to it than that?

Um, yeah, so we, we actually did have an employee share

scheme, um, which we, we changed mainly

because what we found was, particularly with our volumes,

we don't, you know, we we're, we're still sort

of building out the volume side of things, um,

because we were, uh,

giving shares out staff were getting them for free.

So we had, you know, young staff that wanna go to Bali.

The first thing they do is sell their shares.

They don't care what they get for us.

So we'll get big price fluctuations from our own staff Yes.

On holidays. Um, so we changed that to now we have, um,

there's a couple of parts to the incentive scheme.

So we have, um,

I bet you they regret that by the way,

just quietly if looking at the share

share show. Well, they could had

A couple of trips to buying now.

Exactly. Exactly.

Yeah. So, um, and,

and so we also thought, well, it is somewhat arrogant of us

to give them a bonus

and say, well, it's gonna be in shape shares.

'cause if they wanna, now that we're publicly this,

that if they wanna buy shape share, they can.

Yeah. Um, so what we have is two buckets.

Um, we operate a balanced scorecard.

So there's a balanced scorecard which has people, quality,

safety, financial, sort of the full metrics, um,

from a general manager level, their short term incentive

or bonus, um, or actually from my level down,

the general manager is all based on that scorecard.

So you percentage, um, so again, you,

you say show me a bonus system.

I'll, I'll show you the answer. Um, so that,

and then below that we have, um, two bonus pools.

So we have the state bonus pool

and we have an exceptional performer bonus pool.

So the state bonus pool is actually also

related to the balance scorecard.

So every single employee is remunerated,

they have an ability to earn a bonus.

Yep. Based on that balance.

Scorecard would link to their state.

And then there's the exceptional performer bonus pool.

So as the state opens up its gate, so you've gotta get

through your budget, um, budget profit.

And then as you start beating, that money drops into the,
those two bonus pools.
And the exceptional bonus pool is, is obviously
for exceptional performers.
So that goes to the people that are going above
and beyond, um, that are doing the extras that are,
you know, developing quickly through.
Um, and we look at both high impact, um, staff
and high potential staff.
Yeah. So they're typically the ones that sort
of participate in that second bonus pool as well.
I mean, yeah.
I love, I mean, you know, in a way it's sort of the more
the, the bigger your remuneration bill,
the happier you guys are, I suppose
I'd Love to pay out 120% of bonuses. Yeah,
Yeah. We are maxing out bonuses.
Yeah.
The more money we make, because the way
that the system works is that,
'cause we, you can earn more against the, the budget, right?
Yeah. So your versus budget and, and,
and as that goes up, you, you can earn more,
but the actuals are after you've already
provided for the bonus, right?
So as they go up, like your bonus goes up,
your provision goes up, but it's all still calculated
after you've made that provision.

So the mathematics means that the more the bonus,
the more profit, the more the, everyone's a winner.
It's just brilliant and it, it really the antithesis of
what you encounter so much, you know, where it's just like,
you know, everyone's trying to minimize costs obviously
for a lot of reasons, but sometimes you really, it's
that pennywise pound foolish kind of, um, mentality, which,
you know, particularly in a people business just undoes you.
So Yeah. Well done, well done on that. I, I love that.
Um, the next question from Matt is in the 2025 financial
statements, there's an item for management fees.
I said we weren't gonna get into the nitty gritty, but,
but I've got one for you anyway. Uh, it's a good one.
I'll start sitting up now Sharp with the pencils. Um,
Bring them on In 2025, the financial statements,
there's an item for management fees
for an amount of four and a half million.
Are these fees gained from the cost plus contracts?
Uh, well, the short answer is no.
Um, but I will explain what they are. Okay.
Um, so we also have an interest in a majority indigenous
owned business called DLG Shape.
Um, we established that business
with a guy called David Lillard, uh, back in 2016.
So what, so what that is, is there's, there's work
that runs through that business.
There's about 60 odd million dollars worth of work
that that runs through there.
Um, we act like the capability partner.

So rather than duplicate all the back office and,

and everything in relation to the two businesses,

we've still got, um, shape

with all the corporate services and what have you.

So all of the overheads still remain with shape.

And so to, in order to undertake those works there, um,

there is a management fee that comes across to then cover

for all the costs that, that are in shape.

Yep. And so that's, that's what

that the management fees are.

Excellent. No, thank you so much for that.

Um, I mean, I, I know it's a cliched question question guys,

but, but what are the, what are the,

keep you awake at night kind of things when you're sort

of looking across the business?

Uh, it's certainly safety. I mean, again,

we seven 50 people, it's construction.

Um, it, it, we're exposed to different risks, um,

and whether that be, uh, life safety

or even safety of the asset.

Like for instance, you know, we're working in the, um,

Sydney airport at the moment.

So, uh, redoing, you know, all the areas for the,

for the busing, so, um, new gates and that sort of stuff.

So they're high complex environments, a lot of services.

Um, so that, and we have a really,

really strong focus on that.

The reason why, you know, clients like casinos

and airports like working with us is again,
back to that system and process.
So we, you know, yeah, we've got a cut
and core process, so we won't cut a cable
until we've traced it end to end and know whether it's live
or dead or what it turns on or off or that sort of stuff.
Um, so certainly from a, a, a safety point of view,
um, to be honest,
Look, well, I think the way, I mean, just the way
that we've got all of our systems and process set up
and the, like, the levels
of different authority throughout the business,
there's cross checks all the way through.
So yeah, I mean, you got, your,
your estimating team are putting together,
that gets overlooked by like a bid manager.
Then that goes up to like a commercial
manager and a general manager.
And depending on what the size is
and the complexities of the project, you'll, we've got a,
a group executive of commercial looking at that,
then it comes up to, to Pete,
and then depending on how high
it goes, goes up to the board.
So there's just layer upon layer.
Um, and then when we talk about the risk profile
and what we're willing to accept
and not willing to accept, so going back, um, you know,
some live examples for example was, um, we were doing,

and look, we'd still do facade work,

but the amount of facade work

that we were undertaking dropped off a little bit.

And that wasn't because the facade work went away.

It was because the building owners started to change the,

the risk profile or put more

of the owners back on the builders.

And we weren't, we weren't prepared to accept that

because, you know, for latent conditions, for example,

latent condition, meaning that, you know, there's something

that you can't see if you uncover that it's your problem.

Well, that that's not, not, it's not how we do business.

So we walked away from that.

Um, then we go back, we, years ago we did a lot of work.

We did $210 million worth of work for WeWork,

and they were through some financial woes at the time.

Yeah. And so we said, all right, well hang on.

Like let's, let's, let's change how we play this game now.

If you want us to continue to do your work,

you'll pay us 50% front otherwise.

Mm-hmm. We're not prepared to do your work.

We're not prepared to do work that we may not get paid for.

So if you want to give us 50% front, we'll continue to do,

to do the work because we are protected.

And so that's that. So we changed the way that we contracted

and did work work with, with WeWork.

So there's Love it. Yeah.

So, and then, you know, we're going back to the liquidity on projects.

Like, I like track every single project

and we got like a, you know,

finance business partners and a finance team.

And I can see every single project, uh,

Like what their current liquidity is,

like what's coming up for payment when it's due in,

like all of those sorts of things.

Every single project goes through a, uh,

a cost report every single month by the,

by the project manager gets reviewed

by the commercial manager, general manager comes up

to the finance team, and we go, we go through everything.

So there's just this constant

and ongoing checks, balances.

Um, you know, and so for that reason, you, you get a hell

of a lot of comfort around,

you know, where everything's up to.

And, um, you know,

and to Pete's point, like there's not much that we,

you know, that that, that we worry about.

I mean, safety 'cause things can, can happen, you know,

obviously people's livelihood at stake touchpoint us.

We've never had an issue.

But, um, yeah, it's certainly

something you never wanna see happen.

But even the, um, uh, the, the risk profile of the business,

just say something did go wrong on

one of our $3 million jobs.

We, we somehow forget
to add the plumber's pricing or I don't know.
Um, even if that happened, it's a $3 million job
and it's complete in 16 weeks.
It's like, it's one of 400 projects.
So if something did go wrong, it's doesn't,
Nothing's existential on, on one outcome or, yeah,
No. 'cause the risk, again,
our risk profiles just, it's,
it's not like a, you know, a big tier one builder
that's building a bridge over a river, like Yeah.
You know, it can be laid by rock
or, you know, for 2, 3, 4 years or industrial.
It's just, we don't, we just don't
have exposure to those risks.
It's, yeah, like I say, short duration typically inside
no adverse impact from weather or industrial or,
or, you know, escalation, that sort of stuff.
So it's that risk profile in itself
allows us to sleep at night.
Yeah. And then we've got the system and process on top.
We're actually both 85 years of age, but we don't look that,
That's a good sign.
If you are both 26, I'd be worried.
Um, uh, I've gotta say guys, it just, I, I, I really,
the, the conversation got my mind racing
because I, I really did come in with, um, pre, you know,
or prejudices really just of the type

of industry or whatever.

And I think you've, you've very clearly demonstrated that

you, you know, you know where the pitfalls lie, you know,

where the strength, where it's important to have strength

and you're, you're, you're leaning, um,

in the appropriate directions there.

What is it, this will be my last question

'cause I know we've only got you for an hour

and also you've got more important

stuff to do than talk to us.

But when you do speak to investors,

what is the biggest mis apprehension

or miscomprehension of it?

You know, what, what is the thing

that you find yourself explaining again and again and again

and you log off the call and go the love of God?

If I have to answer that one more time,

I'm gonna go, go mad.

Um, 'cause that can be illuminating too,

because if I, I've found personally as an investor,

it's sort of like there is great opportunity in areas where,

where there is a lot of mis misunderstanding.

So where's the misunderstanding?

I reckon the number one thing when we first went to market

was people just thinking that we're a builder

and we're like all the other builders.

And there was a lot in the headlines around insolvencies.

Yeah. Um, lump sum positions, uh, and price rises

and you're going broke.

Um, yeah. Which you look at the size, the velocity, the way
that we manage that risk, the way
that our payment terms all work, that
that just totally got turned on its head.
And once people understood that, um, obviously there's a,
there's a number of other things,
but for me, um, Pete might have a different view from,
from his point of view, but for me that was the,
the big differential between, uh, the way we roll
and other, you know, 'cause if you're saying you're doing a
billion, billion dollars, you're a big builder, you know?
Yeah. They're building big commercial, you know,
20, 30, 40 story buildings that'll go for, you know,
three plus years and you're gonna lock a price in
and uh, if prices go up by 50%,
uh, you're in a world of hurt.
Yeah. That's not what happens with us. Yeah.
Fascinating. Would you add anything there, Peter?
No. Probably only other thing is the balance sheet.
We always that that's hence
why we sort of talked about that earlier.
Yeah. Why we carry so much cash is, is
'cause yeah, they do sort
of, so why, why are you doing that?
Can I strip that out altogether?
You know, um, which look, if, if a big company were to bias,
um, yeah, you probably could.
But, um, so just understanding that one

that we've got it there, but also that it is a barrier
to entry and gives us that, that sort of ability
to price things that a lot of other people can't.
Well, you know, I, I'll um, I'll confess this as well.
You mentioned private equity at the start too,
and I've been, been in the game for a little bit.
Usually a lot of red flags go off there.
It's sort of like, oh gosh, you know, um,
they don't have a great re reputation for, for, for, for
what happens after they leave.
And it's, it's been fascinating to, to, to, to hear what,
and observe what's happened there and,
and prove that there is exceptions to the rule.
So that's just, that's fantastic.
And as I say, there's been a lot of things
that have been really surprising about this chat
and I'll, I'll be pondering this for a good while yet
after we, after we, uh, finish the call.
Any closing thoughts or, or will we call it done?
Um, no, probably just, um, you know, we've,
we've listed on the as SX that, um, took some adjustment
to go from private to public.
Yeah. We, we did that quite easily, really.
I mean, Scott had a few more reports and that sort of stuff,
but, um, again, it's, that's sort of testimony to the type
of business and how it was set up.
Um, from a going forward point of view, um, you know,
we've had some good strong growth.
Uh, we plan on continuing that.

Like I say, we've got the organic growth, um,

which we'll continue to do, uh, scale around Australia.

We've got the sector growth, which we'll continue

to make sure that we have relevant

and recent, um, capabilities.

And then there's the bolt on of, of any sort

of acquisition that we may come across.

So, um, you know, if you,

if you roll the clock forward five years, um, you know,

we plan on being one of Australia's largest

construction services provider.

Um, uh, but again, with quality, quality projects

that are not going to impact

that risk profile that we've got.

'cause um, I'm more fascinated about what I can do next year

and the year after than I am about this year.

Um, yes. And in my role that's,

that's what I've gotta be looking at. But,

Well, you say you'd say that,

but you'd be surprised how often

that doesn't happen in, in this game.

Yeah, we, we get a lot of people who talk

to us exactly about this quarter and what next quarter,

and it's like, well, sometimes you gotta think

beyond that horizon. So I guess

Great, great example of that. Like

the reason we, the quarter is not

because of it's 3% of revenue, um, at the moment, and in Australia it's about 3% of construction.

So it's not about today,

but in 10 years time, modular will be, you know,

if you look at the US

and, um, Europe modular is 30 to 40% of their construction.

So, so we're getting on early with a view to building

that business to be, um, into the future.

Yeah. We're doing, we're doing, our business plans are out

to 2030, so we are, we are focusing to 2030.

Love it. Um, a a lot of the time in this game, you, you,

you, you sort of feel as though everyone sort

of pushes you towards innovation

and doing things differently and how can you do this?

And I, and I tend to think

that actually if you've got a winning formula, just,

you know what, just keep doing that.

Right? Like, you don't have to reinvent the wheel here.

Clearly it's working.

So, so generally speaking, the more, the more you know, out

of the box kind of thinking you do, the more,

the more you just sort of risk, uh,

upsetting the apple cart.

So anyway, that, that, my,

my humble 2 cents are just keep up the great work guys.

It's clearly working, really glad we had this conversation

and we'd love to, we'd love

to touch base again sometime next year and, and,

and stay across the story.

Yeah, no problem. Excellent. Alright, thanks Aaron.

Nice to meet you. Thank you for your time.

Excellent. Cheers guys. Thank you. Yeah.