



ENGINEERING THE UNFAIR ADVANTAGE

15 September 2021

Bell Potter Emerging Leaders Conference Presentation

The attached presentation will be provided to the Bell Potter Emerging Leaders Conference today.

This announcement has been authorised for release by the Company Secretary.

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PWR Holdings Limited (ASX:PWH)

Bell Potter Emerging Leaders Conference 2021



September 2021

Presented by:

Kees Weel – Managing Director

Martin McIver – Chief Financial Officer



Engineering the Unfair Advantage

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Leadership Team



Board of Directors



Teresa Handicott

Chairman and Non-Executive Director



Kees Weel

Managing Director



Jeff Forbes

Non-Executive Director



Roland Dane

Non-Executive Director

Executive and Senior Management Team



Kees Weel

Chief Executive Officer



Martin McIver

Chief Financial Officer



Paul Belshaw

Chief Operating Officer (commencing 2021)



Matthew Bryson

Chief Technical & Commercial Officer



Andi Scott

General Manager – Advanced Technology



Ben Nielsen

Engineering Manager



Melissa Morrison

People & Culture Manager



Mick Cullen

General Manager - Production



Steve Rasso

General Manager – North America

The executive and senior management team has recently been expanded to include Paul Belshaw as COO (commencing in late 2021) and Melissa Morrison as P&C Manager. Paul and Melissa increase the capability of the management team assisting us to capitalise on future opportunities

Financial Performance



Key Points

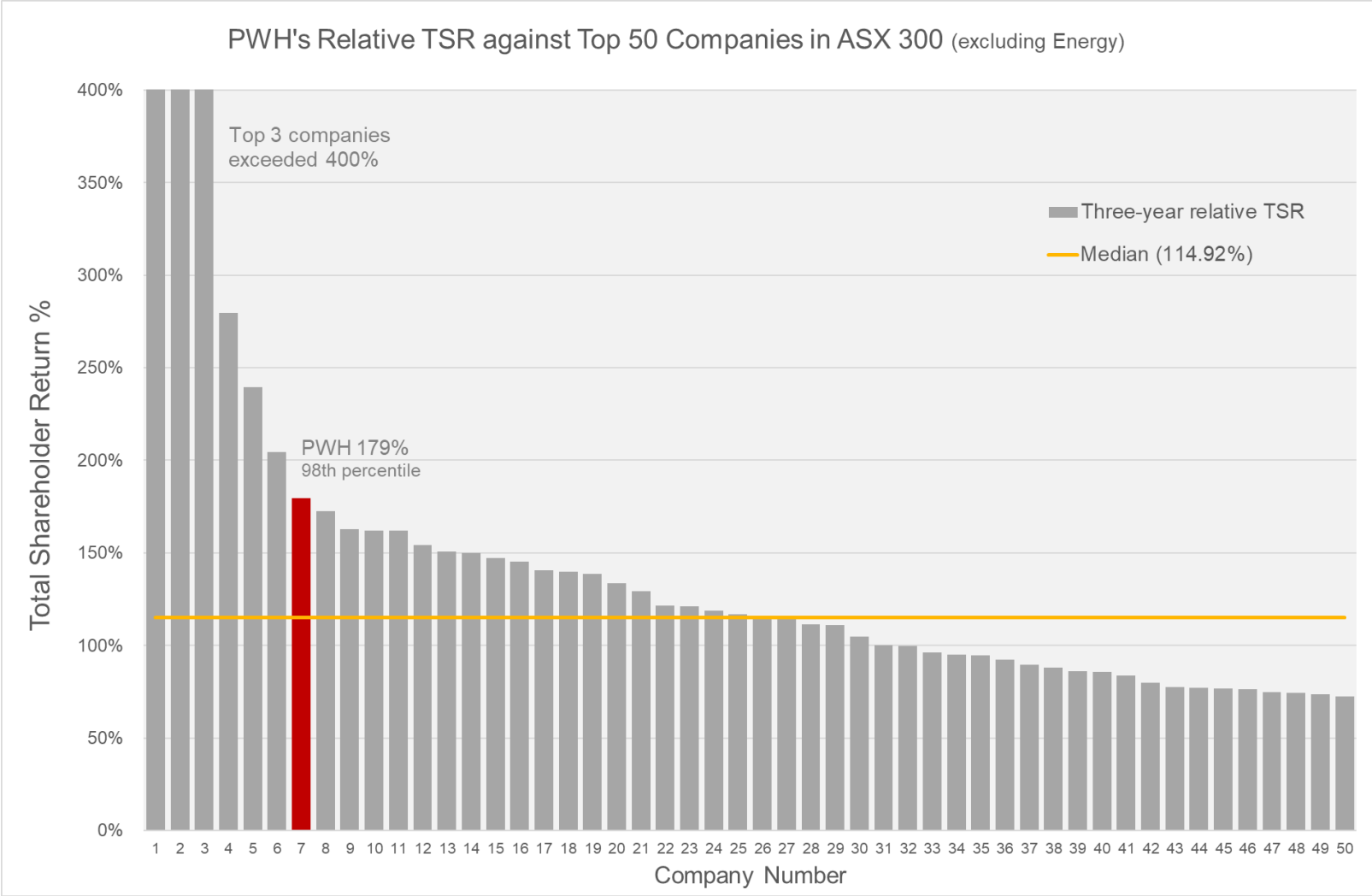
| A\$'000 | FY21 | FY20 | Variance |
|-----------------------------|--------|--------|----------|
| Revenue | 79,208 | 65,731 | 20.5% ↑ |
| EBITDA ¹ | 28,963 | 23,430 | 23.6% ↑ |
| EBITDA margin ¹ | 36.6% | 35.6% | |
| Statutory EBIT | 23,224 | 18,726 | 24.0% ↑ |
| Profit before tax | 22,547 | 18,235 | 23.6% ↑ |
| Net Profit after Tax (NPAT) | 16,797 | 13,049 | 28.7% ↑ |
| NPAT Margin | 21.2% | 19.9% | |
| EPS | 16.77 | 13.04 | 28.6% ↑ |
| DPS | 8.8 | 5.9 | 49.2% ↑ |

- Solid growth in revenue across all key markets and geographies
- Revenue increased by 25.7% or \$16.9m offset by an unfavourable currency movements of (5.2%) or (\$3.4m):
 - USD sales up 71.4%
 - AUD sales up 27.9%
 - GBP sales up 10.8%
- Revenue mix continues to change with Emerging Technologies² increasing to 11% (2020: 6%) of Group revenue
- Automotive Aftermarket growth demand remains strong. The online store is ready to “go live” subject to production capacity

1 Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) is a non-IFRS term which has not been subject to audit or review but has been determined using information presented in the Group’s financial report

2 Emerging Technologies includes revenue from Aerospace and Defence across all technologies, and revenue from other market sectors generated by cold plate, micro matrix and additive manufacturing

Total Shareholder Return



Three year relative TSR ending 30 June 2021

Investment Highlights



Leader in Advanced Cooling Technology

Invested \$8.5m in research and development, and \$10.4m in leading edge manufacturing capability. Maintaining market leadership

AS9100 Certification

Certified to AS9100. An aerospace and defence standard released by the International Aerospace Quality Group. Key to expanding capacity for the aerospace and defence markets

Strong Business Growth

Solid growth across all markets and geographies. Including revenue growth of 41.9% year on year in the USA

Emerging Technologies¹

Further development and commercialisation of Emerging Technologies with revenue growth of 112.7% year on year, now representing 11% of Group revenue

NPAT

Strong conversion of revenue to NPAT of 21.1% (2020: 19.9%)

Total Shareholder Return (TSR)

179% three year TSR ending 30 June 2021. 98% percentile relative to the ASX300, excluding energy (coal, oil and gas) companies

Dividends

Dividend policy of 40% to 60% of NPAT

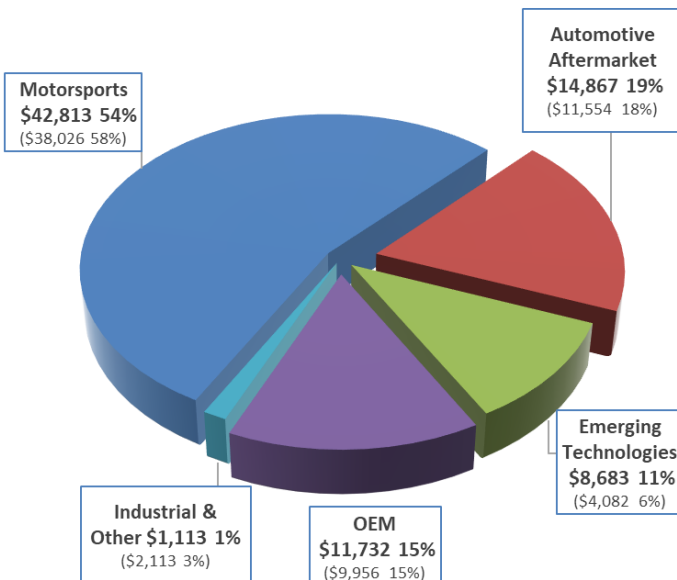
¹ Emerging Technologies includes Aerospace and Defence across all technologies, and other market sectors generated by cold plate, micro matrix and additive manufacturing

FY21 Review

Financial Performance



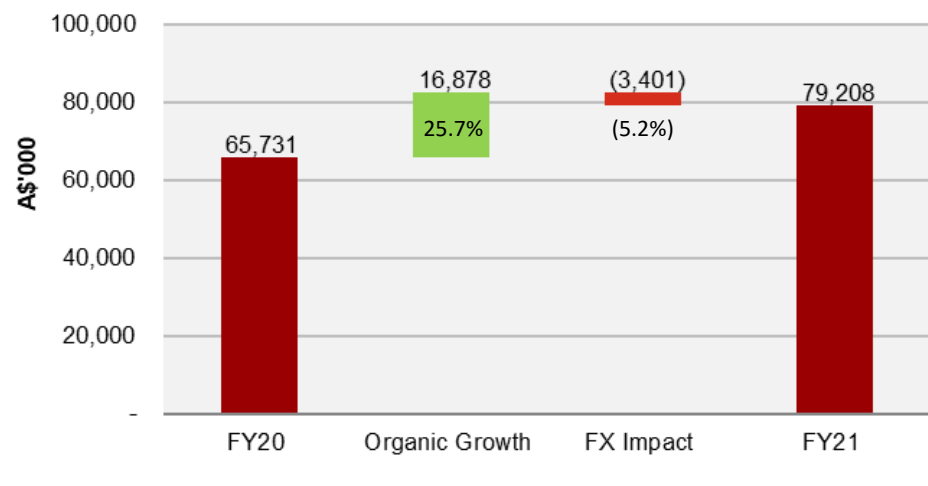
FY21 Revenue Category Analysis (A\$'000)
(FY20 Comparatives)



Revenue by Market Sector

| | YTD Jun 21 | | YTD Jun 20 | | Growth |
|------------------------------------|------------|------|------------|------|--------|
| | (A\$'000) | % | (A\$'000) | % | |
| Motorsports | \$ 42,813 | 54% | \$38,026 | 58% | 13% |
| Automotive Aftermarket | \$ 14,867 | 19% | \$11,554 | 18% | 29% |
| OEM | \$ 11,732 | 15% | \$ 9,956 | 15% | 18% |
| Emerging Technologies ¹ | \$ 8,683 | 11% | \$ 4,082 | 6% | 113% |
| Industrial & Other | \$ 1,113 | 1% | \$ 2,113 | 3% | (47%) |
| | \$ 79,208 | 100% | \$65,731 | 100% | 21% |

**PWR Consolidated Revenue Bridge
FY20 to FY21**



1. Emerging Technologies includes revenue from Aerospace and Defence across all technologies, and revenue from other market sectors generated by cold plate, micro matrix and additive manufacturing

Balance Sheet



| A\$000 | June 2021 | June 2020 |
|----------------------------------|---------------|---------------|
| Assets | | |
| Cash and cash equivalents | 19,857 | 20,805 |
| Trade and other receivables | 9,341 | 6,932 |
| Inventories | 6,489 | 6,528 |
| Plant & equipment | 34,280 | 29,296 |
| Deferred tax asset | 770 | 876 |
| Intangible assets | 14,915 | 15,034 |
| Prepayments and other assets | 1,646 | 2,912 |
| Total Assets | 87,298 | 82,383 |
| Liabilities | | |
| Trade and other payables | 5,333 | 4,770 |
| Deferred income | 2,189 | 1,006 |
| Contract liabilities | 2,252 | - |
| Loans and borrowings | 8,456 | 18,027 |
| Tax liabilities | 2,001 | 1,886 |
| Employee benefits and provisions | 3,105 | 2,444 |
| Total Liabilities | 23,336 | 28,133 |
| Net Assets | 63,962 | 54,250 |

Key points

- Strong liquidity and cash position
- ROE increased to 26% (FY20: 24%) due to higher revenue flowing through to an increased NPAT margin
- Plant & equipment increase reflects completion of majority of previously announced capital investment programs and includes right of use assets
- Loans and borrowings (includes right of use liabilities) is lower after repaying A\$5m and £2m loans. A\$10m multi currency and A\$7.5m equipment loan facilities undrawn
- Balance sheet strength and unutilised facilities provides ability to seize organic or other opportunities
- Intangible assets unchanged apart from foreign exchange movements

Working Capital & Cashflow



| A\$'000 | FY21 | FY20 |
|--|----------------------|---------------------|
| Trade, other receivables & prepayments | 9,341 | 6,932 |
| Inventories | 6,489 | 6,528 |
| Trade & other payables | (5,333) | (4,770) |
| Net working capital | <u>10,497</u> | <u>8,690</u> |
| Working capital (increase)/decrease | (1,807) | (1,619) |
| Cash from operating activities (excluding working capital change) | 33,175 | 21,942 |
| Cash from operating activities | 31,368 | 20,323 |
| EBITDA to cash conversion ratio | 115% | 94% |
| Tax & interest paid | (4,959) | (4,154) |
| Capital expenditure | (10,365) | (7,763) |
| Free Cash Flow | 16,044 | 8,406 |
| Dividends Paid | (6,812) | (11,802) |
| Borrowings | (8,585) | 5,000 |
| Other | (1,595) | (1,022) |
| Net cash movement | <u>(948)</u> | <u>582</u> |

Key points

- Strong sales in June resulted in an increase in debtors at 30 June 2021 compared to prior comparative period
- Operating cashflow increased by 54% compared to prior period due to solid revenue growth
- Strong cash conversion from operating activities at 115% of EBITDA¹
- Overall net cash position and capital investment financed from operating cash flows and retained cash reserves
- Liquidity position strong – in addition to cash reserves of \$19.9m, finance facilities of over \$17.5m available.

1. Cash Conversion = Cash from operating activities excluding working capital change divided by EBITDA

The background of the slide is a high-angle, wide-area photograph of a flat, arid landscape. The terrain is a mix of light tan and beige, with subtle undulations and shadows that suggest a vast, open space. The horizon is a sharp, straight line in the distance, where the land meets a clear, pale blue sky. A bright, circular sun is positioned just above the horizon on the right side of the frame, creating a soft, warm glow that permeates the sky and the landscape below. The overall mood is serene and expansive.

Supporting Information

About PWR



PWR Holdings Limited (PWR) is a global designer, manufacturer and supplier of technically advanced high performance cooling solutions. We invest in research and development to provide solutions to our customers using advanced cooling technology. We adopt a flexible manufacturing approach and take pride in supporting our customers through a truly unique technical partnership

Our Vision

The Global Leader in Cooling Technology Inspired by Engineering Excellence

Key Markets

- Motorsports
- Automotive OEM (including electric and hybrid vehicles)
- Automotive Aftermarket
- Aerospace (included in Emerging Technologies)
- Defence (included in Emerging Technologies)
- Other Emerging Technologies (including cold plates, micro matrix and additive manufacturing)



Emerging Technologies



Defence & Aerospace – all technology solutions, capitalising on AS9100 certification

Cold plates – ruggedised vacuum brazed cold plates for use in radar systems, avionics, power electronics and energy storage systems

Micro matrix – use on platforms with cost per unit mass trade offs and high thermal requirements, such as unmanned aerial vehicles (UAV), electric vertical take-off and landing (EVTOL), aircraft pre coolers and motor generator unit (MGU) cooling

Hydrogen fuel cell heat exchangers – light weight thermal management systems for use on air, land and sea platforms

Bar and plate applications – complete system design, manufacture and testing for bar and plate heat exchangers suitable for a range of applications for aircraft, maritime and heavy land vehicles

Battery and hybrid system cooling – bespoke cooling solutions for battery storage, electronics, motors, energy recovery systems

Additive manufacturing applications – manufacturing of structural components, rotating parts and cooling assemblies from ceramic filled resin or F357 Aluminium, to service the motorsport, aerospace and emerging technologies markets

Computational Fluid Dynamics (CFD), simulation and modelling services – PWR offer flow simulation services and mathematical modelling to develop complete cooling system architecture, assisting our customers in overall system design, performance and efficiency

Super alloy brazing capabilities – capitalising on our recent vacuum brazing furnace investment to develop solutions for high temperature heat exchangers in emerging markets, such as hydrogen fuel cell systems



Business Outlook



- **AS9100 certification** – PWR are one of a small number of independent Australian companies that are certified to the aerospace and defence quality standard. This certification demonstrates PWR's commitment to the aerospace and defence markets and will position PWR for further opportunities
- **Emerging technologies** – showing strong potential growth in FY22 and beyond as products and manufacturing capability are commercialised and expanded
- **OEM programs** – continuing to ramp up, with long awaited programs now in production and negotiations continuing on future programs
- **Headcount Increases** – to deliver on the current and future opportunities PWR will continue to expand headcount, with a focus on employee development and productivity. Expecting to increase from 363 at 30 June 2021 to 450+ by December 2022
- **Facility expansion** – while maximising the use of current facilities, including installation of mezzanine floors, options are being evaluated for expanding production facilities in both Australia and North America
- **Capital investment** – ongoing targeted capital investment program to expand capability and production capacity, supporting growth in existing programs and to deliver new programs
- **Asset utilisation** – focus on increasing utilisation of equipment and facilities by expanding to a second shift for selected operations
- **Website** – new website launched in August 2021, updated for key markets and capabilities
- **Online store** – key to PWR's global performance automotive aftermarket penetration. Online store has been completed and will be launched pending production capacity

Pipelines – Key Automotive OEM¹



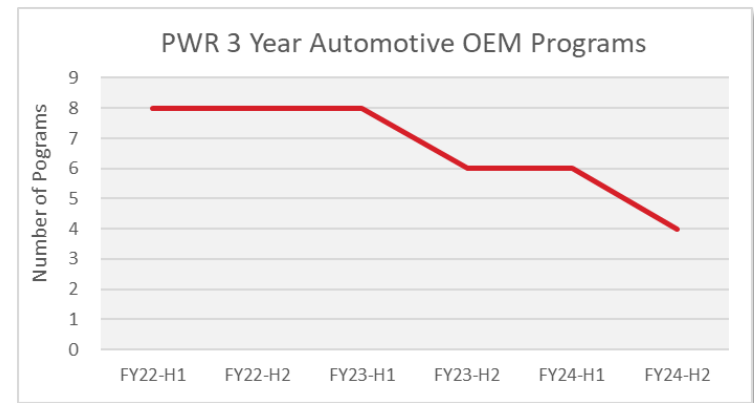
| Program | Remaining Vehicles | Status | SOP FY | Prod. Years | FY22 | | FY23 | | FY24 | |
|--|--------------------|--------------------|--------|-------------|------|----|------|----|------|----|
| | | | | | H1 | H2 | H1 | H2 | H1 | H2 |
| Ford GT500 | 6,000 | Nominated Supplier | 2020 | 1.1 | | | | | | |
| Ford GT40 | 240 | Nominated Supplier | 2020 | 1.0 | | | | | | |
| Valkyrie Road Car 001 | 155 | Nominated Supplier | 2022 | 2.0 | | | | | | |
| Valkyrie Track Car 002 | 39 | Nominated Supplier | 2022 | 1.5 | | | | | | |
| Mercedes AMG X1 | 255 | Nominated Supplier | 2022 | 2.5 | | | | | | |
| Rimac - Nervera | 300 | Nominated Supplier | 2022 | 3.0 | | | | | | |
| Undisclosed | TBA | In Discussion | 2022 | 2.0 | | | | | | |
| Undisclosed | TBA | In Discussion | 2022 | 2.0 | | | | | | |
| Undisclosed | TBA | In Discussion | 2023 | 4.0 | | | | | | |
| Undisclosed | TBA | In Discussion | 2024 | 3.0 | | | | | | |
| Undisclosed | TBA | In Discussion | 2024 | 6.0 | | | | | | |
| Number of Key Programs (in production + in discussion) | | | | | 8 | 8 | 8 | 6 | 6 | 4 |

Existing Key Programs – Valkyrie, AMG X1, Ford GT and Rimac C2 programs in production

In Discussion – ongoing discussion for new programs that will underpin the OEM forecast into the medium - long term

Early Stage – in addition to the program outlined above, PWR is in early discussion on other OEM programs

¹ Program timing, volume and term are dependent upon manufacturer requirements and are subject to change. Above information provided on current expectations



Pipelines – Emerging Technologies¹

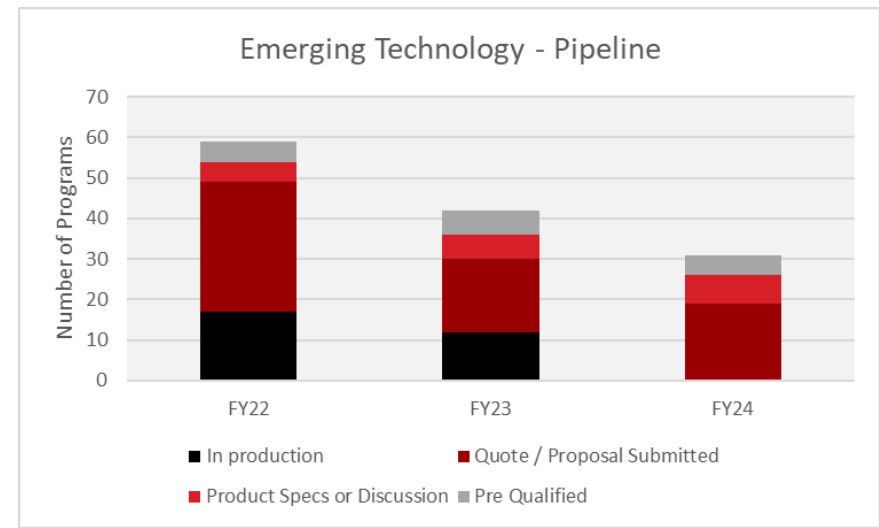


Continuing to build – Expecting continued growth in pipeline as opportunities are progressed from early stage concept to long term production

AS9100 Certification – Recent certification expected to increase opportunity flow

Program Diversity – The programs utilise a range of manufacturing technology, range from weeks to 10+ years and from less than A\$100,000 to greater than A\$50 million

Program Timing – Program commencement and manufacturing ramp up profile differ between programs based on customer requirements



¹ Program timing, volume and term are dependent upon customer requirements and are subject to change. Above information provided on current expectations

Investing in our People

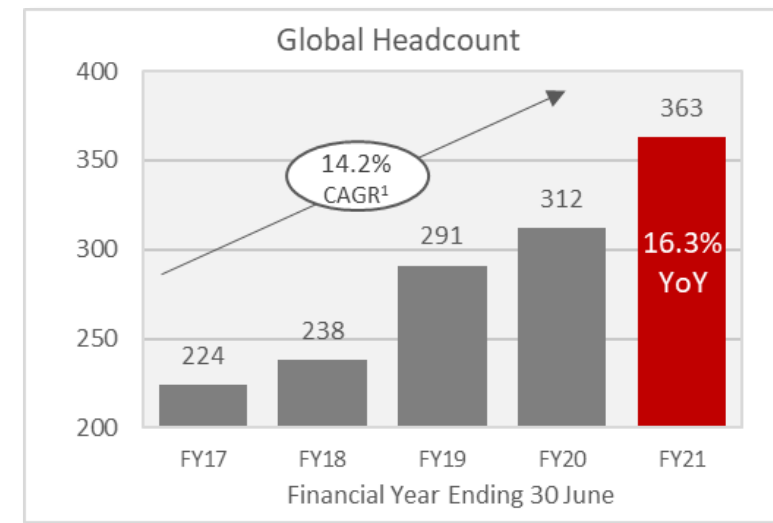


PWR recognises that our People are core to our future success. To deliver on current and future opportunities, PWR is investing in growing headcount to 450+ by December 2022

PWR has expanded the senior management team to include the role of People and Culture Manager. The P&C Manager will ensure the required structures and processes are implemented

The People strategy includes:

- **Recruitment** – expand sourcing strategies to identify and attract quality candidates
- **Development** – ensure development and career pathway plans are prepared for all employees, including leadership training for supervisors and managers
- **Retention** – implement support and retention strategies to minimise unplanned turnover
- **Apprentice Program** – PWR currently employs 30 apprentices across a range of trades
- **Work Experience Program** – PWR runs a work experience program for high school students interested in a career in advanced manufacturing
- **Employee Assistance Program (EAP)** – to support the PWR Team



1 CAGR - Compound Annual Growth Rate over 5 years

Investing in Capability

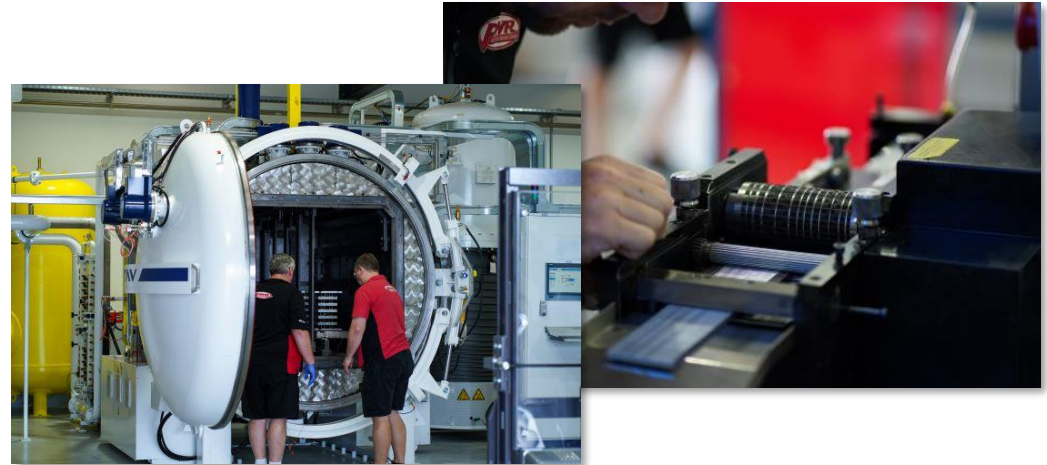


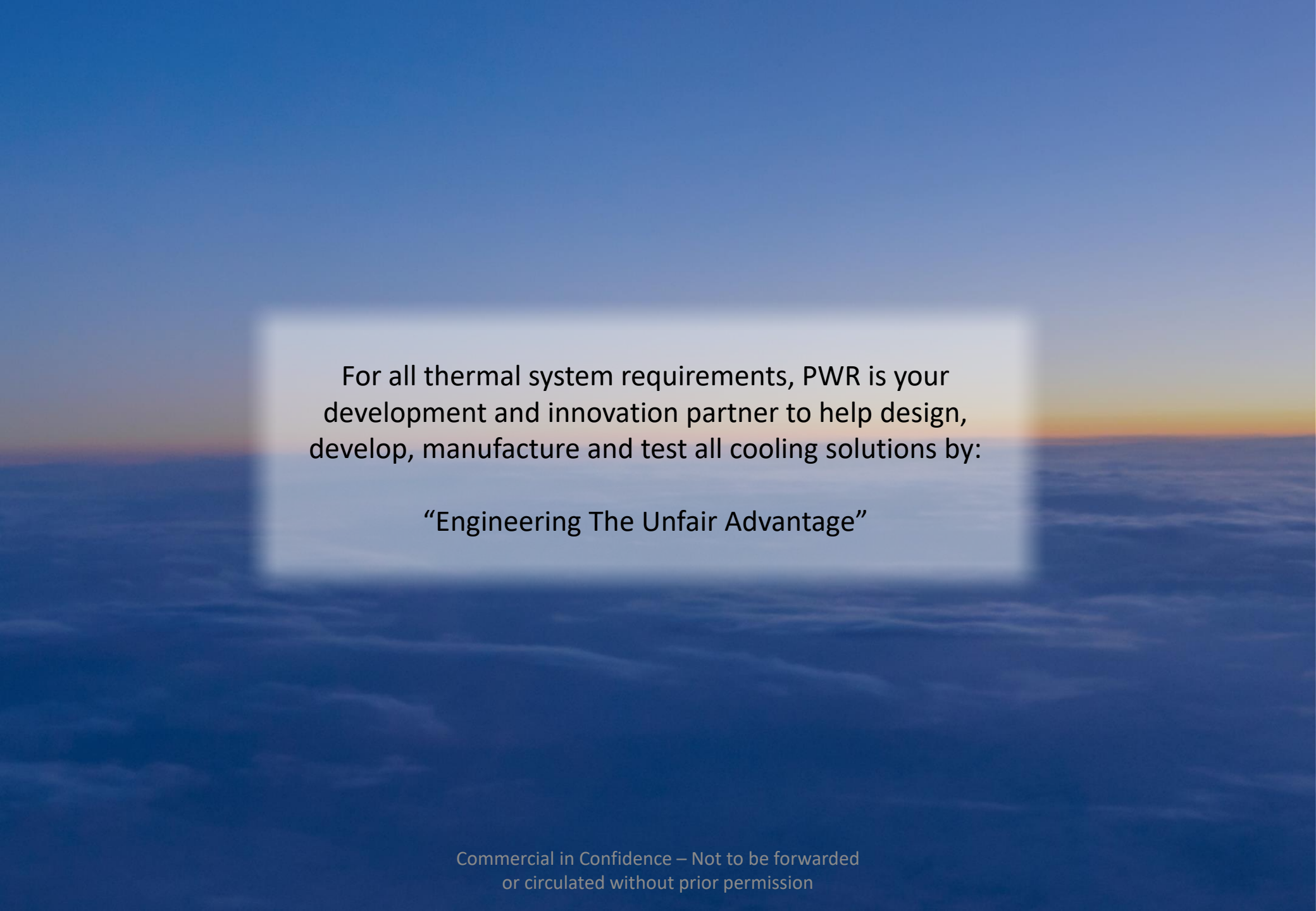
Capital Investment – An ongoing targeted capital investment program is critical to stay at the forefront of technology developments and to ensure we have sufficient capacity for anticipated and planned growth

The quantum of the FY22 capital investment program is expected to be similar to FY21, and is likely to be impacted by the timing of various customer programs. The current capital investment program includes:

- Variaxis machine
- CNC machines
- Fin machine with updated die designs
- Furnaces - controlled atmosphere brazing furnace and/or vacuum brazing furnace
- Extrusion machine
- Software system upgrades

Factory footprint – we continue to assess the optimal factory footprint to ensure we plan for growth while maintaining efficiency





For all thermal system requirements, PWR is your development and innovation partner to help design, develop, manufacture and test all cooling solutions by:

“Engineering The Unfair Advantage”