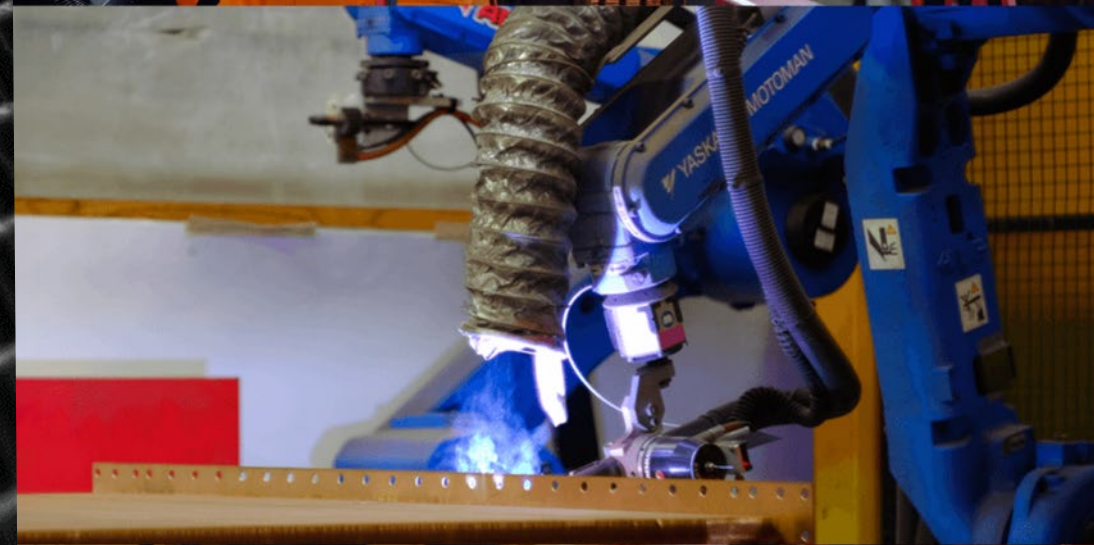


ADRAD

INVESTOR PRESENTATION

SEPTEMBER 2022

adradholdings.com.au



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Today's presenters



Gary Washington

*Founder,
Executive Director*

Gary along with his wife Karen, founded Adrad Pty Ltd in 1985

Gary was Chair of the Adrad board from the Company's establishment until the appointment of Mr Glenn Davis to the role in 2022

Gary has successfully led significant growth in Adrad's business since its establishment, both organically and by way of acquisition, including via the acquisition of the Natra Group of Companies in 2006

Gary has over 50 years' experience in the industrial and automotive heat exchange industries and in manufacturing in Australia



Don Cormack

*Chief Executive
Officer*

Don was appointed the CEO of Adrad in 2006

Don was previously a Partner at Ernst & Young for over 20 years

Don's qualifications are as follows:

Director and the Treasurer of the Australian Automotive Aftermarket Association

Fellow of the Institute of Chartered Accountants in Australia

Member of CPA Australia

Member of the Australian Institute of Company Directors

Member of the Institute of Taxation of Australia



Jamie Baensch

*General Manager –
Air Radiators*

Jamie is the General Manager of the Company's OE segment. Prior to his appointment in 2010, Jamie's career was in the automotive industry with senior management roles in Australia and China

Jamie's professional affiliations include:

- Advisory Council or to the Victorian and National Councils of the Ai Group
- Advisory Board Member, School of Engineering, Deakin University,
- Advisory Board Member, Institute for Intelligent Systems Research and Innovation, Deakin University
- Director of the Geelong Manufacturing Council
- Fellow of Engineers Australia

Section 1
**Company
Introduction**

Section 2
**Business
Operations**

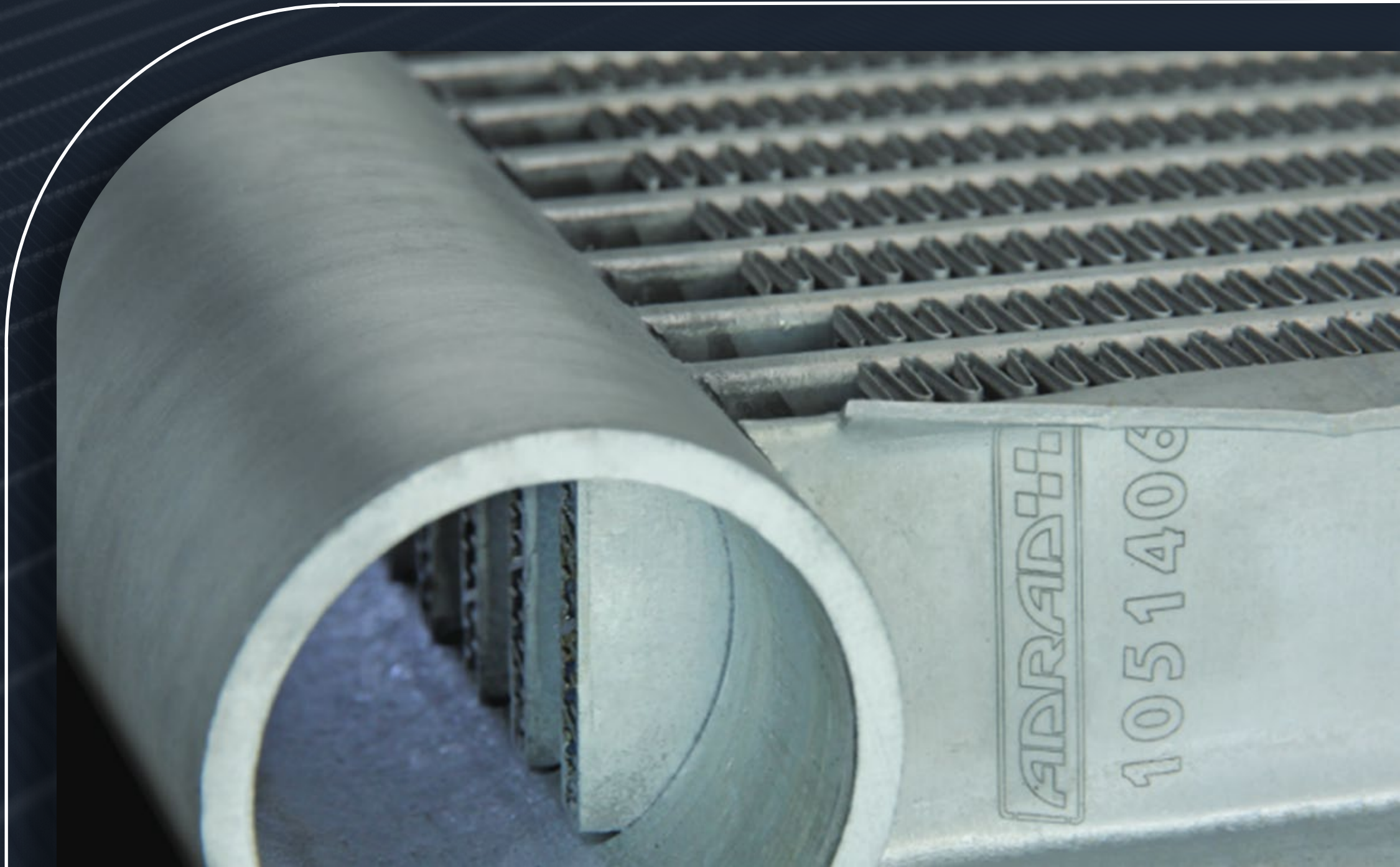
Section 3
**Growth
Opportunities**

Section 4
**Financial
Overview**

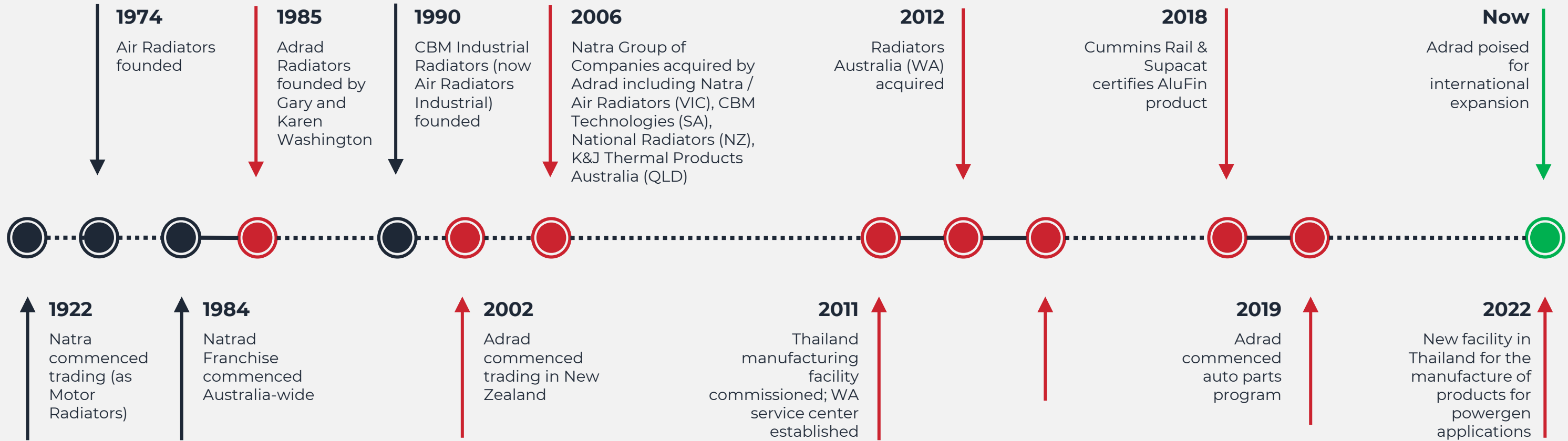
Section 5
Appendices



Company Introduction



Adrad's History



FOUNDED IN 1985, ADRAD HAS GROWN TO BECOME THE LARGEST SUPPLIER OF HEAT TRANSFER PRODUCTS FOR ENGINE COOLING IN AUSTRALIA

\$130.4m

FY22 Revenue

\$16.4m

FY22 EBITDA

\$10.8m

FY22 NPAT

30-40%

Dividend payout ratio

500

Employees

16

Warehouses across
Australia, NZ, Thailand

Adrad is an Australian-based business specialising in the design and manufacture of innovative heat transfer solutions for industrial applications and the manufacture, importation and distribution of automotive parts for the aftermarket in Australia and New Zealand and for OE customers globally

Two major segments servicing all aspects of the engine cooling market: (1) Aftermarket and (2) Original Equipment (OE)

AFTERMARKET

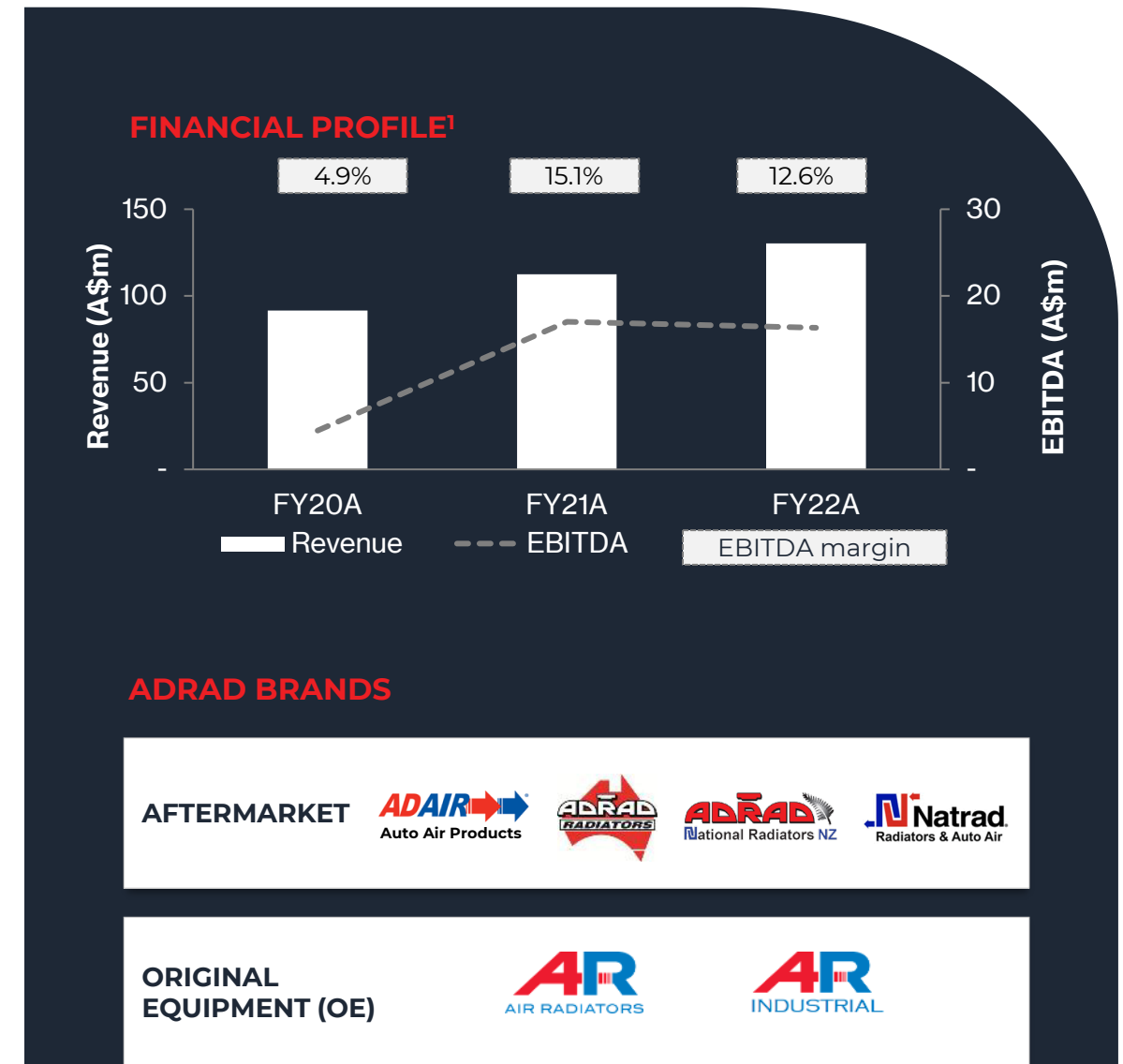
Australian manufacturer, importer and distributor of radiators and other heat exchange products for the Australian automotive and industrial aftermarket

ORIGINAL EQUIPMENT (OE)

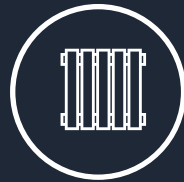
A vertically integrated designer and manufacturer of OEM industrial radiator and cooling solutions for high end applications.

A strong track record in servicing the engine cooling market

- Founded in 1985 and headquartered in Beverley, South Australia with approximately 500 employees across 8 main sites and 16 warehouse locations in Australia, New Zealand and Thailand
- Integrated industrial and automotive heat exchange business with an established network of branches, workshops and manufacturing facilities supplying customers across Australia, New Zealand and into Southeast Asia
- Extensive track record with over 100 years of experience and trusted brands with quality, reliability and response times as a point of difference
- Offers high value, reliable and efficient heat transfer solutions engineered to meet the exact needs of customers, across a broad range of industries including transport, mining, construction, agriculture, energy and defence
- High quality and diverse customer base with long term relationships with large global OEMs including Caterpillar, Kenworth, Cummins and Hitachi
- Purpose built facility in Thailand manufactures key industrial products and solutions. Adrad has recently established a second facility in Thailand to support ongoing growth initiatives
- Revenue growth is forecast for both Aftermarket and OE segments with the OE segment expected to grow more rapidly as additional revenues are generated by new Thailand facilities. Aftermarket segment sales are forecast to continue growing organically



CONTINUING TO GROW BOTH OPERATING SEGMENTS BY FURTHER LEVERAGING OUR STRONG TRACK RECORD IN AUSTRALIA AND NEW ZEALAND AND THE COMPETITIVE ADVANTAGES GAINED THROUGH OUR THAILAND FACILITIES



Designer of heat transfer technologies

- Integrated designer, manufacturer, importer and distributor of heat exchange products servicing its core Aftermarket and OE segments
- One of the most extensive ranges of copper/brass, aluminium and steel heat exchangers in Australia and New Zealand
- Nationwide network of franchised repair stores and workshops



Significant growth opportunities in a large addressable market

- Aftermarket growth via direct targeting of mechanical workshops supported by recent Investments in digital platforms and infrastructure
- Innovative new products and technologies supporting growth into key new international markets



Design and manufacturing capabilities

- extensive product range supported by a design and engineering team
- Design and engineering team developing products across on-highway, off-highway, rail and stationary applications
- Network of eight manufacturing locations including purpose-built facilities in Thailand providing low-cost manufacturing support



High quality and diverse customer base

- Blue chip customer base including large global OEMs of products requiring engine cooling systems.
- Long-term partnerships, including global equipment manufacturers such as Caterpillar, Kenworth Australia and Hitachi.
- Aftermarket sells through own franchise network and sells directly to 7,000+ independent repairers



Strong financial track record

- Pro forma EBITDA of \$16.4m and revenues growing at a CAGR of 19.3% over two years to \$130.4m in FY22
- Ability to leverage Thailand manufacturing facilities to increase margins
- Target dividend payout ratio of 30% to 40% of NPAT

Well-positioned to capitalise on the electrification of motor vehicles



While the electrification of motor vehicles is a growing trend, battery electric vehicles (BEVs) are not expected to comprise a significant proportion of the Australian registered vehicle population for many years



The very popular SUV's (Ford Rangers, Toyota Hilux, Mitsubishi Triton, etc.) are also likely to move towards plug in hybrid technologies meaning that a conventional internal combustion engine will still be utilised along with battery power



BEVs will continue to require service parts (heaters, condensers, evaporators, compressors brakes, filters, etc., as well as thermal management systems for the battery packs all of which are traditional products supplied by Adrad

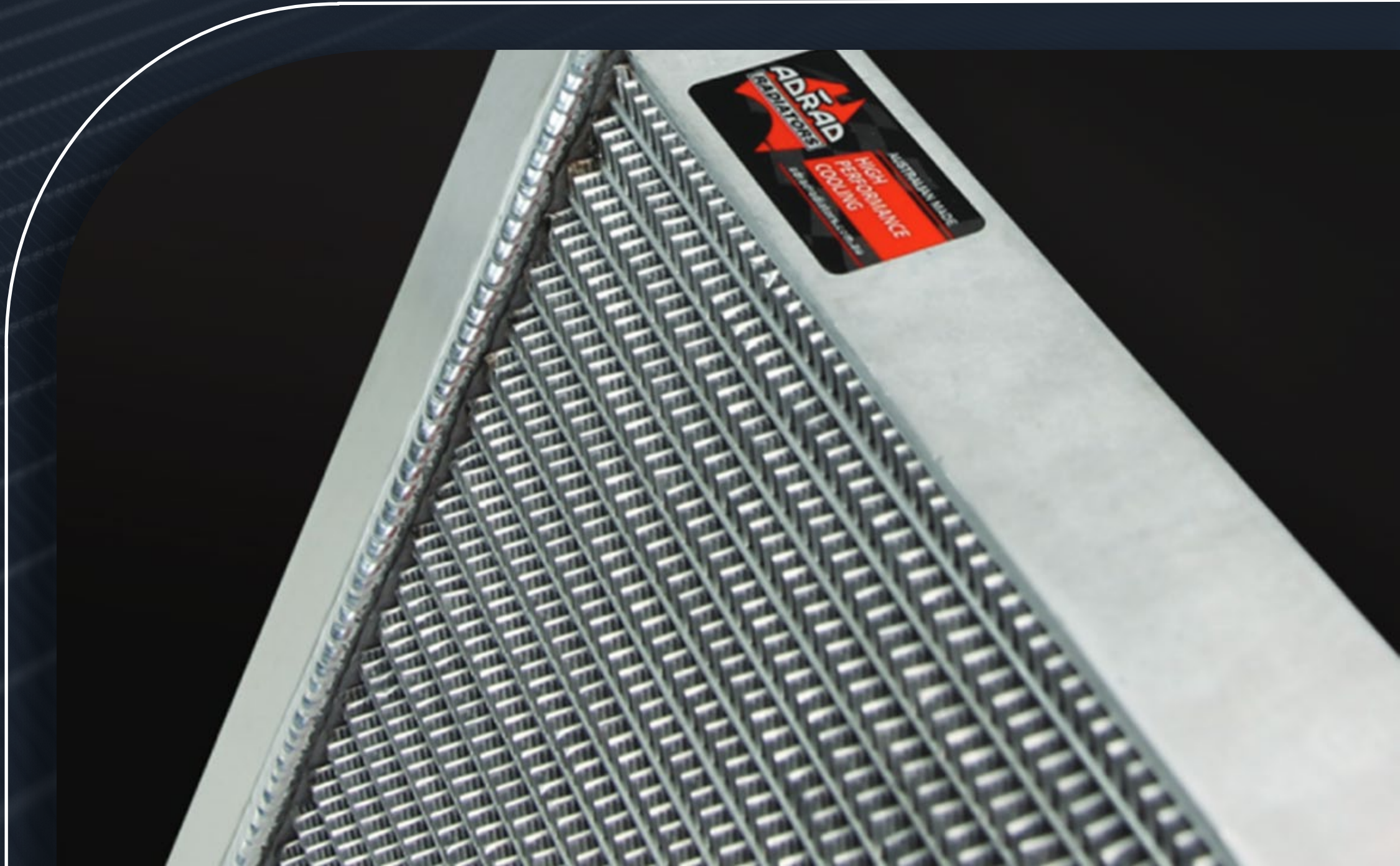


Large horsepower engines are moving towards hydrogen as a fuel source and our OE team is already working on multiple projects for cooling hydrogen fuelled engines



Hydrogen fuelled engines present a significant opportunity for the OE business as the demands on the cooling systems are greater than for conventional diesel or gas fuelled engines

Business Operations



AUSTRALIA'S LARGEST MANUFACTURER, IMPORTER AND DISTRIBUTOR OF RADIATORS AND OTHER HEAT EXCHANGE PRODUCTS FOR THE AUSTRALIAN AUTOMOTIVE AND INDUSTRIAL AFTERMARKET



Manufacturer, importer and distributor of radiators and other heat exchange products for the Australian automotive and industrial aftermarket



Extensive product range suiting applications from passenger and commercial vehicles to large heavy duty heat exchangers for mining dump trucks and rail locomotives



Stocks over 2,000 dedicated models of complete radiators and holds an extensive range of components, distributed via 16 warehouse facilities throughout Australia and New Zealand



Broad customer base consisting of radiator repairers, trade mechanics, auto electricians, crash repairers and wholesalers



Significant growth opportunity via online channel directly targeting a broad range of mechanical workshops

ADRAD

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\$62.6m
FY22 Revenue

\$4.7m
FY22 EBITDA

227
Employees

69:31
Purchased :
Manufactured

66:34
Automotive :
Industrial

2,000+
Product
Catalogue

KEY BRANDS



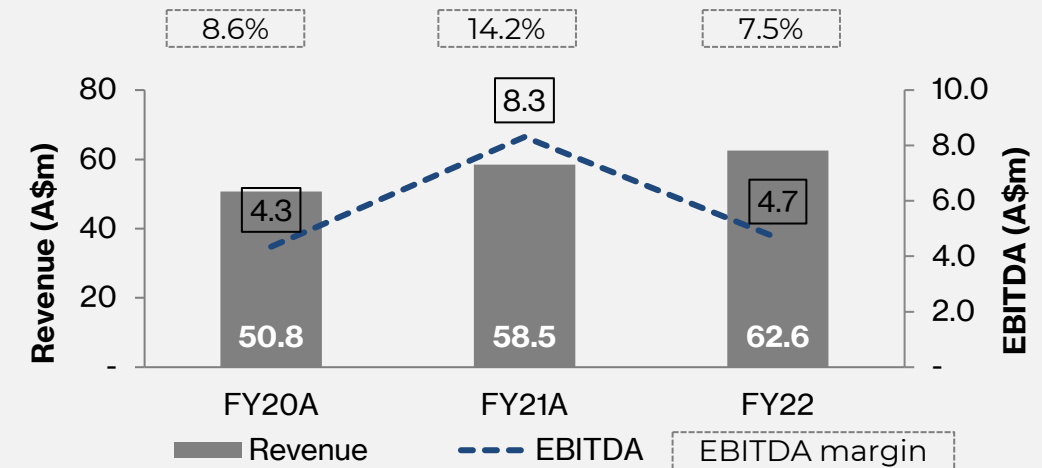
KEY CUSTOMERS



KEY COMPETITORS



SEGMENT REVENUE AND EBITDA (A\$m)¹



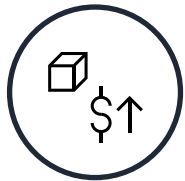
1. Excludes corporate overhead costs

Original Equipment (OE)

ADRAD OE IS A DESIGNER AND MANUFACTURER OF OEM INDUSTRIAL RADIATOR AND COOLING SYSTEMS ACROSS A BROAD RANGE OF MARKET SECTORS



Designer and manufacturer of original equipment manufacturer (OEM) industrial radiator and cooling systems



Low volume, high value solutions-based model where engineered engine cooling for stationary and mobile heat exchangers are specifically designed to suit the customer's application and verified to Australian and international design standards



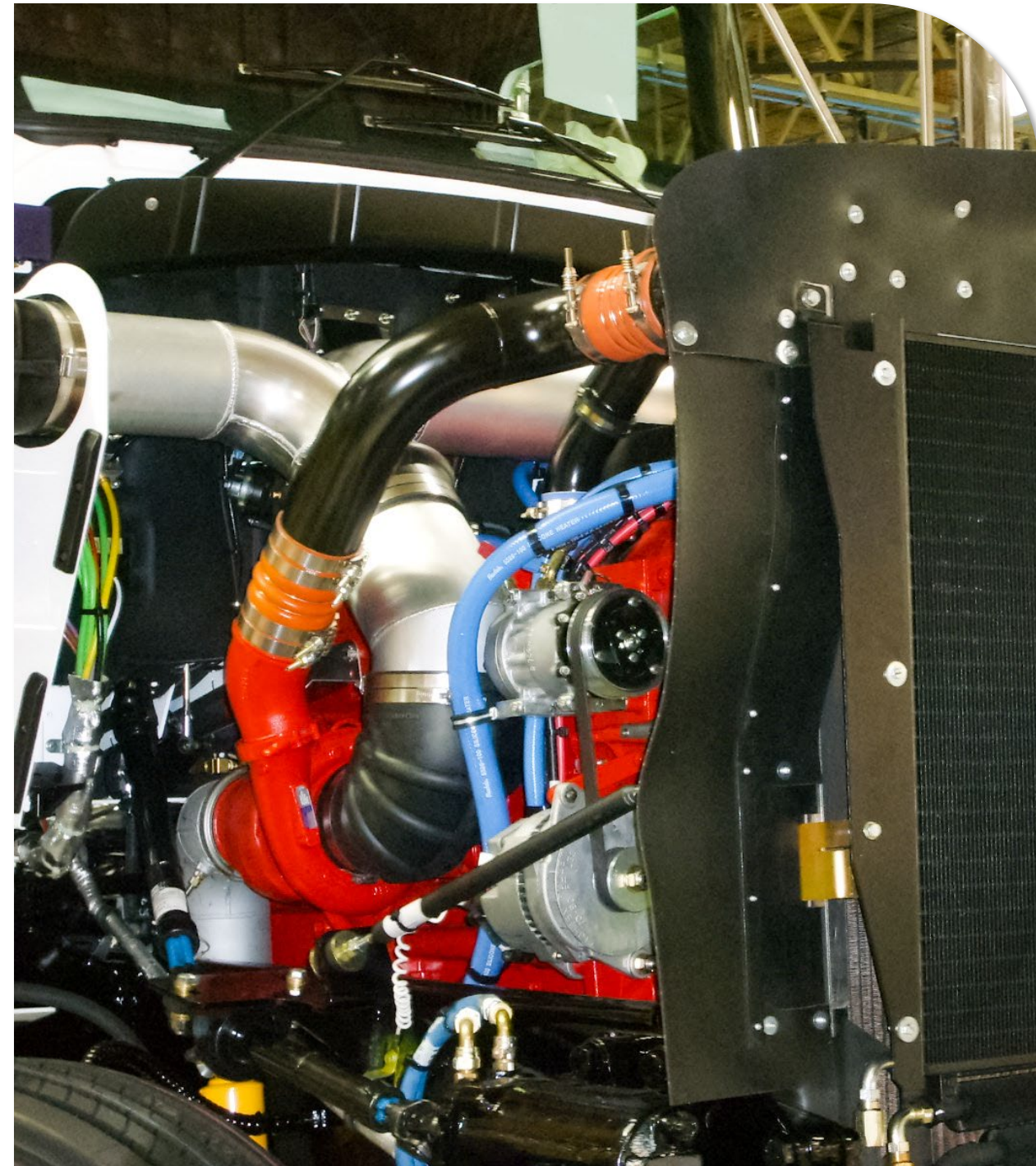
Customer base comprises large, global OEMs of products requiring engine cooling, with some enduring partnerships in excess of 40 years



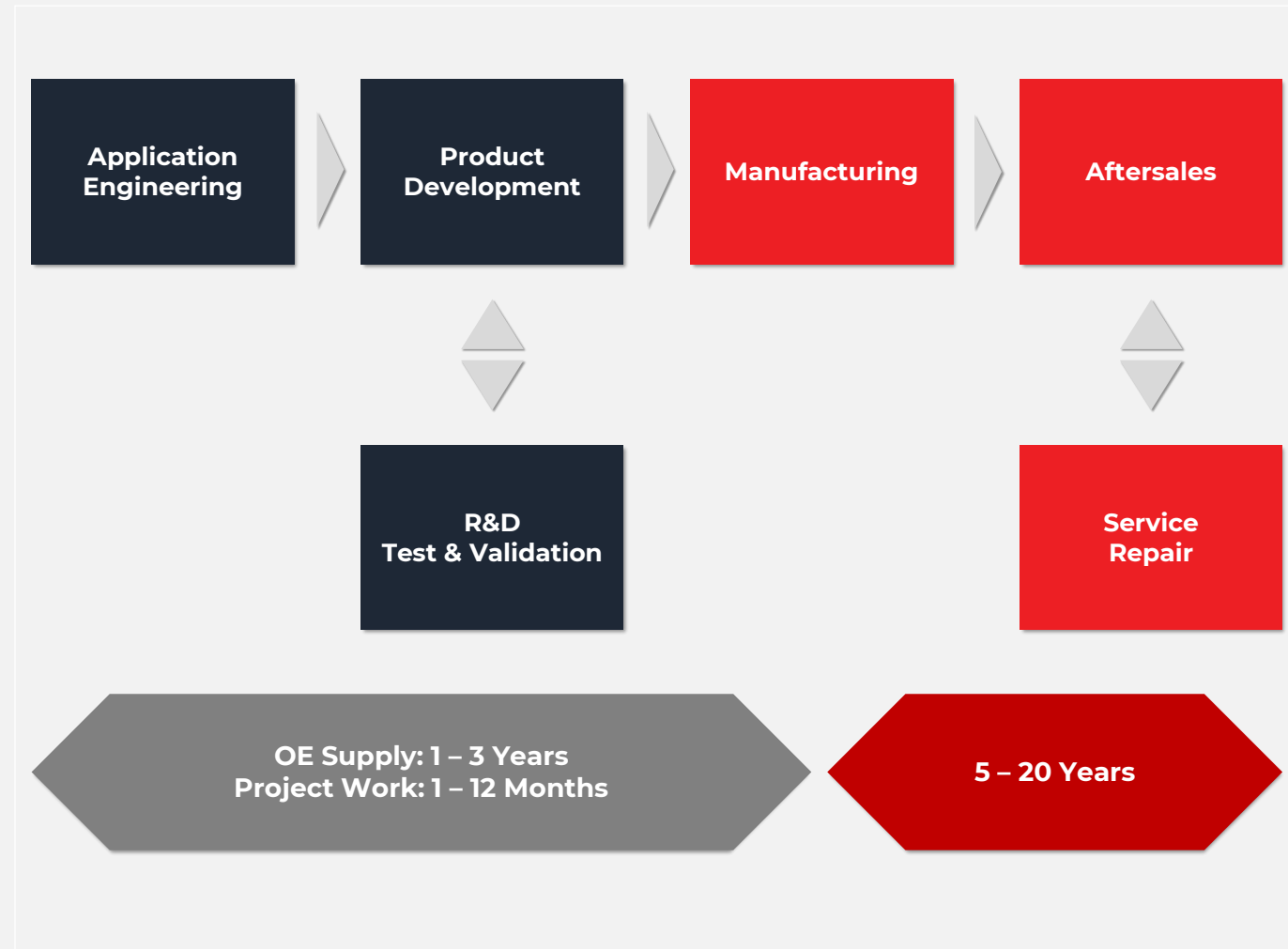
Significant R&D capabilities providing validated thermal performance with in-house wind tunnel, pressure, cycle, noise and vibration testing facilities



269 employees across Australia and Thailand with sales generated across Australia, Southeast Asia, Europe and the Americas

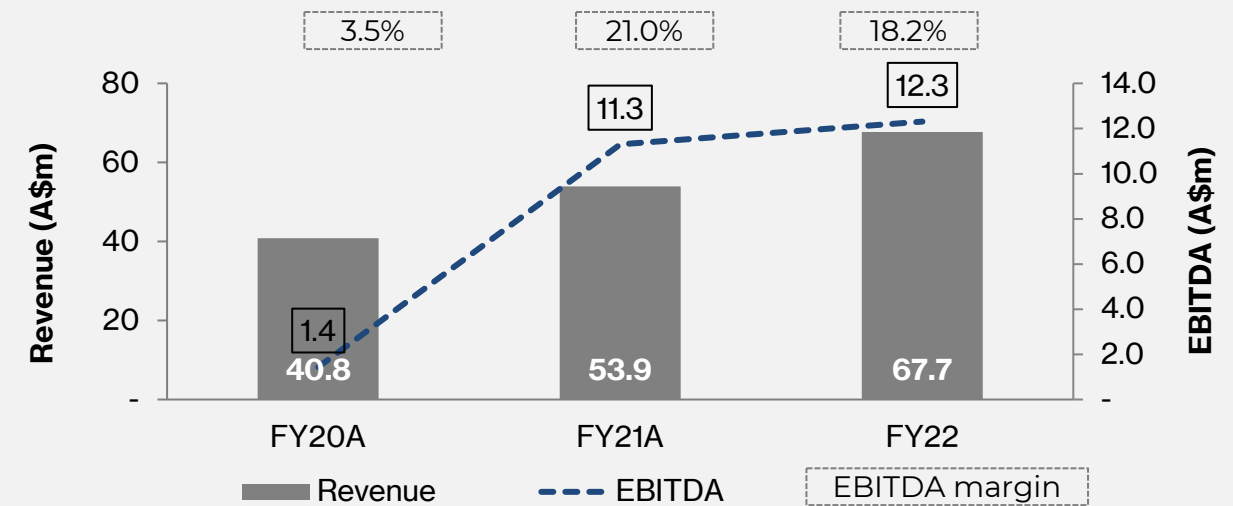


OE PROJECT LIFECYCLE




















KEY BRANDS	AR AIR RADIATORS	AR INDUSTRIAL
KEY CUSTOMERS	KEY COMPETITORS	

SEGMENT REVENUE AND EBITDA (\$AM)¹

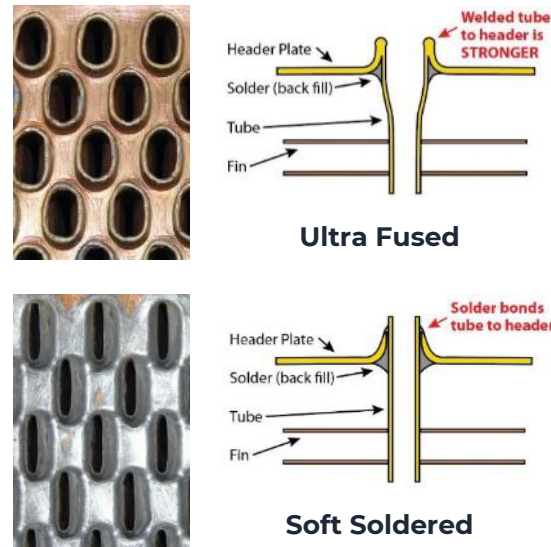


¹Excludes corporate overhead costs

Industrial end markets

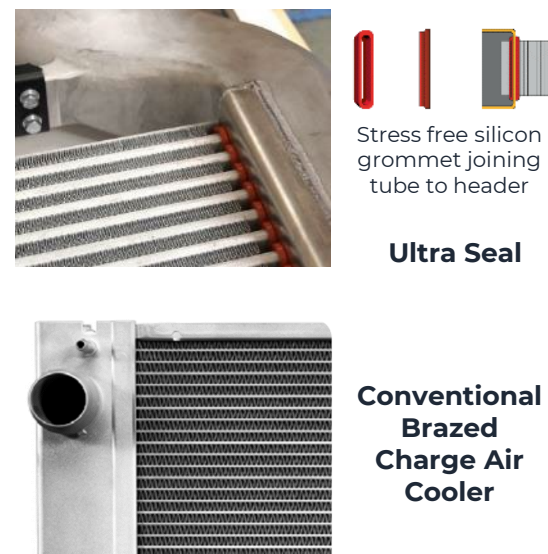
		MOBILE			STATIONARY	
		ON HIGHWAY	OFF HIGHWAY	RAIL	POWER & ENERGY GEN	INDUSTRIAL
						
RELEVANT MARKET		Heat transfer systems for on-highway vehicles	Heat transfer systems for construction and mining vehicles	Heat transfer systems for rail transport and track equipment	Custom designed heat transfer systems for remote power generation projects	Heat transfer systems for industrial standby generators and specialty equipment
KEY CUSTOMERS		 	  <small>Hitachi Construction Machinery</small>	 	 	   
MARKET POSITION		Leading supplier of cooling solutions for locally designed and manufactured trucks	International supplier of Heavy Duty Mining Radiators	Australian DMU Cooling System Supplier	Supplier across Australia and SE Asia with custom designed systems	Adaptable and AS1210 compliant locally manufactured product range
GROWTH Domestic	FOCUS International	Penetrate further into Kenworth supply chain and increase non radiator products to aftermarket	Alu Fin and Pin Fin engine cooling packages to global mining OEM's and Aftermarket repair channels	Continued penetration and organic growth in the rail engine cooling segment	Duplicate capability and capacity at Thailand facility to capitalise on growing biogas market	Supply partner and/or technology partnership to increase product range and develop local capability

ULTRA FUSED



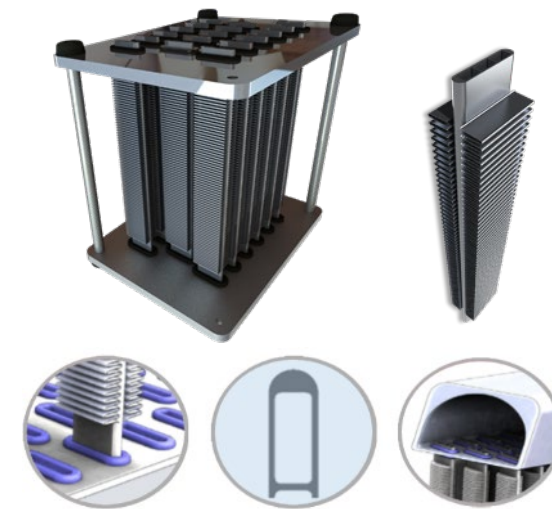
- Fusion welded joint with solder back-fill facilitating a seal
- Improved distribution of mechanical stresses from solder fillet support
- Stronger than conventional soft soldered designs

ULTRA SEAL



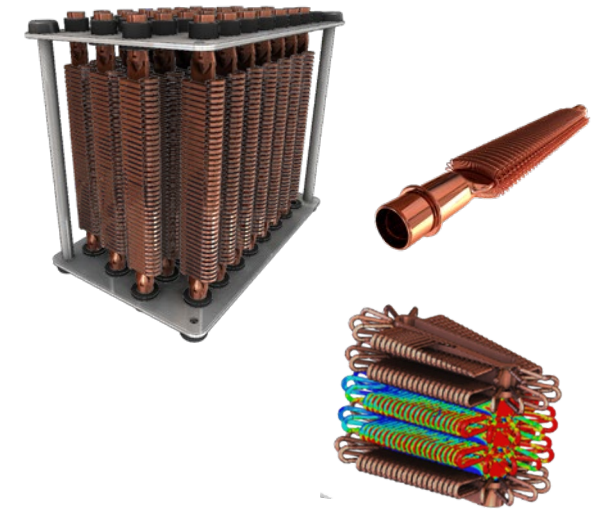
- Silicon grommet joint design providing significant improvements to performance and durability
- Conventional brazed charge air coolers are prone to failures in tubes, joints, headers & manifolders

ALU FIN



- Flexibly mounted individual finned aluminium tubes
- Replacing traditional bolt-on and fully brazed heat exchangers
- Greater design flexibility and increased service life

PIN FIN



- Redefined Pin Fin technology provides flexibility and performance in the harshest environments
- Innovative heat transfer technology with individual oval tubes and grommated joints

TWO MANUFACTURING FACILITIES LOCATED IN AMATA CITY RAYONG, INDUSTRIAL ESTATE ON THE EASTERN SEABOARD OF THAILAND

FACILITY

1

(EXISTING)

- Manufacture of copper/brass and aluminium cores, complete radiators and charge air coolers, metal fabrication and assembly for Caterpillar and Hitachi mining equipment
- 16,000 m² site, 3,900 m² factory
- Designed to complement the capability of the Lara facility in Victoria
- The property, owned by Adrad, comprises a developed functioning factory and adjacent land allowing for future factory expansion

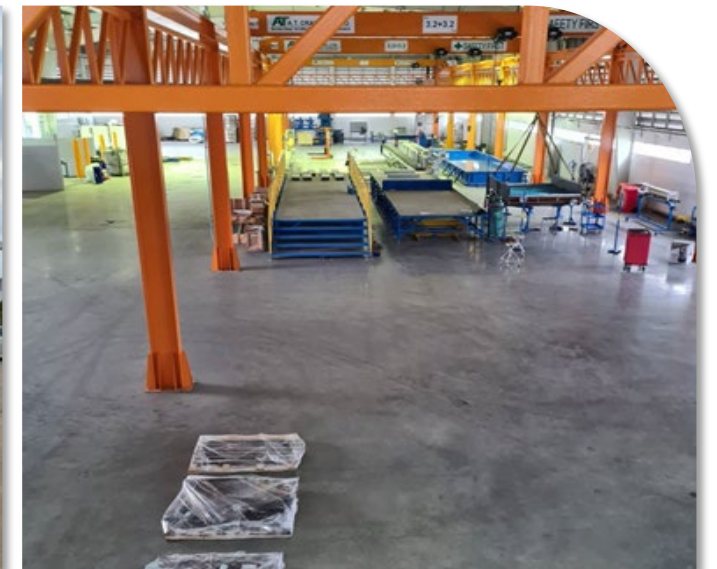


FACILITY

2

(RECENTLY ESTABLISHED)

- Located ~20 minutes from Adrad's existing factory road in the same industrial estate
- 2,400 m² factory
- Designed to replicate the capabilities of the Gillman facility in South Australia
- Manufacture of coil fin heat exchangers for power gen applications primarily for the Southeast Asian market – immediate focus on biogas projects underway in the region suited to Adrad's product offering
- Expand and improve fabrication capability and capacity



Financial Overview



PRO FORMA FINANCIAL PERFORMANCE ⁴

A\$m	FY20A	FY21A	FY22F	FY22A
Revenue	91.6	112.4	134.5	130.4
Cost of sales	(61.6)	(71.9)	(86.4)	(80.8)
Gross Profit	30.0	40.5	48.1	49.6
<i>GP margin %</i>	<i>32.7%</i>	<i>36.0%</i>	<i>35.8%</i>	<i>38.0%</i>
Other income	1.3	1.1	0.0	0.0
Distribution expenses	(2.1)	(2.5)	(2.5)	(2.9)
Selling expenses	(15.0)	(13.1)	(18.8)	(17.1)
Administration expenses	(9.8)	(9.0)	(10.3)	(13.2)
EBITDA¹	4.5	17.0	16.3	16.4
<i>EBITDA margin %</i>	<i>4.9%</i>	<i>15.1%</i>	<i>12.1%</i>	<i>12.5%</i>
Depreciation / amortisation	(1.6)	(1.8)	(1.7)	(1.8)
EBIT	2.8	15.3	14.6	14.6
Finance costs	(1.0)	(0.7)	(0.5)	(0.5)
NPBT	1.8	14.5	14.1	14.1
Income tax	(0.8)	(3.6)	(3.9)	(3.3)
NPAT³	1.0	10.9	10.1	10.8

Note (1): FY22 EBITDA has been pro forma adjusted for \$0.65m in listed company costs

Note (2): Compound annual growth rate

Note (3): FY22 NPAT has been pro forma adjusted for restructurings

Note (4): Includes results of common control acquisition of Adcore Holdings Pty Ltd ATF The Gary Washington Family Trust

COMMENTARY

- Revenue expanded at a CAGR² of 19.3% from FY20 to \$130.4m in FY22 driven by strong revenue growth across both Aftermarket and OE segments despite challenges of COVID-19 disruptions, global supply chain disruptions and floods. There were some slight timing delays on the OEMs customer build rate which led to delays in revenue recognition in FY22. The costs were managed so that Gross Profit and EBITDA margins still exceeded forecasts
- Gross margin increased to 36.0% in FY21 and was maintained through FY22 as a result of growth in the OE segment which achieved higher margins from power generation projects and industrial products. Improved margins to Prospectus forecasts due to increased recoveries in manufacturing contributing to COS
- Significant EBITDA growth from \$4.5m in FY20 to \$16.4m in FY22 reflective of increased scale and margin expansion
 - EBITDA margin increased to 15.1% in FY21, enhanced by cost efficiencies achieved through increasing scale in the OE segment, which attracts higher margins reflecting the customised nature of project work
 - FY22 EBITDA margin of 12.6% as a result of operating expenses, as a percentage of revenue, increasing from 21.8% in FY21 to 24.9% as Adrad establishes a second manufacturing facility in Thailand for the OE segment and expands its Aftermarket distribution footprint in Australia
 - Significant investment activity in FY23 provides increased capacity and a strong platform for growth for FY23 and beyond

Growth Opportunities & Outlook





COMPETITIVE ADVANTAGES

<p>Brand and reputation</p>	<ul style="list-style-type: none"> ▪ Supplier of heat exchangers to the Australian and NZ aftermarkets ▪ Natrad is a trusted brand in Australia recognised by motorists across automotive and industrial markets
<p>Demonstrated quality and reliability</p>	<ul style="list-style-type: none"> ▪ Reputation established over 37 years for supplying quality, value-for-money automotive products and after sales support processes
<p>Product range and manufacturing capability</p>	<ul style="list-style-type: none"> ▪ Broad range of heat exchangers in Australia / NZ ▪ Local manufacturing capabilities for heavy duty commercial and industrial heat exchangers in both copper / brass and aluminium
<p>Stock management and pricing systems</p>	<ul style="list-style-type: none"> ▪ Continued investment in systems and processes has ensured Adrad remains agile ▪ Efficient processes for regular pricing adjustments on over 24,000 SKUs coupled with an innovative and responsible inventory management process
<p>Online sales channels</p>	<ul style="list-style-type: none"> ▪ Directly targeting mechanical workshops leveraging Adrad's NTO online system ▪ Currently servicing over 7,000 customers



GROWTH OPPORTUNITIES

<p>Expand channels to market to the broader trade in Australia</p>	<ul style="list-style-type: none"> ▪ Increase customer base in direct-to-mechanics channel utilising Adrad's online sales platform ▪ Increase distribution footprint by establishing new sales/warehouse facilities to support growth
<p>Increase range of aftermarket products</p>	<ul style="list-style-type: none"> ▪ Increased customer demand for Adrad to provide other automotive products outside of radiators (as a single supplier) ▪ Highly credentialed team capable of driving a growing distribution platform ▪ Increase focus on air conditioning products
<p>Enhance channels to market for industrial products</p>	<ul style="list-style-type: none"> ▪ Increase Adrad's market share in the aftermarket supply of industrial products ▪ Expand business development initiatives directly to the end users of industrial products where maintenance work is conducted in-house



COMPETITIVE ADVANTAGES

Longstanding relationships with local industry knowledge

- Well established with long-term customer relationships
- Reputation for engineering capability, quality and sales support
- Customers seek support from established, reliable operators when technology changes

Vertically integrated solutions

- Guarantees a solution to its customers, not just components
- Vertically integrated capabilities in-house from design through to manufacturing and support
- 269 staff in OE across 3 manufacturing sites: Victoria, South Australia and Thailand

Technology and IP

- Wealth of knowledge, systems and processes to efficiently develop and manufacture tailored heat transfer solutions for the most challenging of operating conditions
- Significant R&D capabilities providing validated thermal performance with in-house wind tunnel testing along with pressure, cycle, noise and vibration test facilities

Innovative new products

- Award winning innovative new products including individual tube technology fixed flexibly using rubber grommets
- Alu Fin and Pin Fin

Global capabilities

- Low-cost, reliable manufacturing base in Thailand providing support across Australia and Thailand
- Lean and flexible manufacturing principles ranging from one-off projects to full just-in-time (JIT) capabilities



GROWTH OPPORTUNITIES

Manufacturing investment to provide capacity and scale

- Further develop Thailand capability to support the power generation sector with local manufacturing
- Create heavy duty aluminium production capabilities
- High volume production equipment for Alu Fin
- Replicate coil manufacturing capability in Thailand
- Increase steel fabrication capability to enable a shift in production from Australia to Thailand to benefit from the lower cost of production

Establish OE segment in SE Asia

- Position as an alternative to other sourced products within the region
- Expand from Thailand into neighbouring markets including Vietnam, Philippines and Cambodia
- Leverage strong credentials in power generation engine cooling

Develop product range to increase penetration

- Increase Adrad's market share in the aftermarket supply of industrial products
- Expand business development initiatives directly to the end users of industrial products where maintenance work is conducted in-house

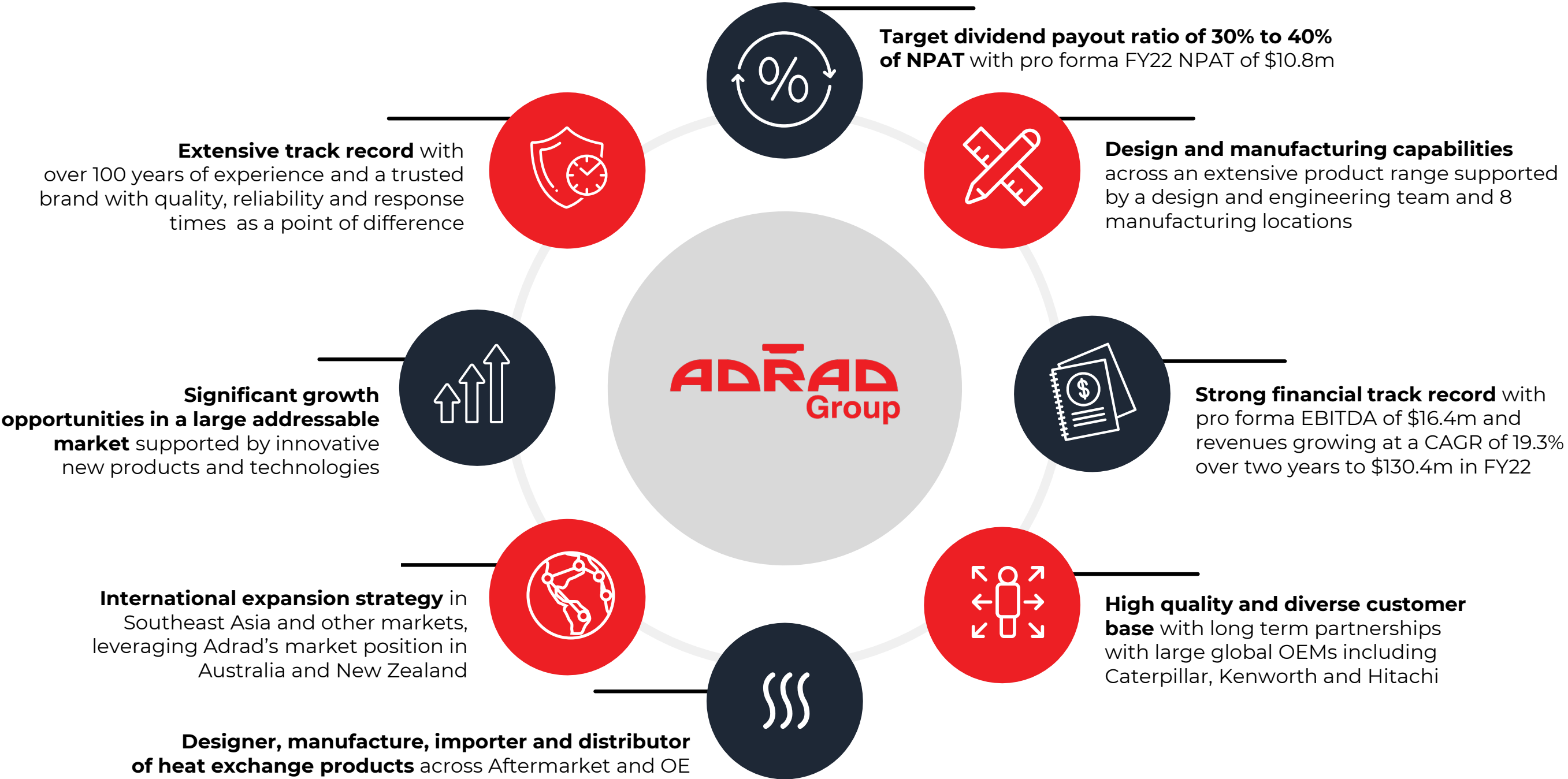
Medium term expansion into new markets

- Leverage Adrad's performance record with key customers and unique products to investigate the prospect of medium-term expansion into potential high-growth new markets

COMMENCING IN FY22, ADRAD HAS A DEFINED INVESTMENT STRATEGY TO DELIVER GROWTH THROUGH FY25

	FY22	FY23	FY24	FY25
Aftermarket				
▪ New customer acquisition				
▪ Expand range of aftermarket products				
▪ Extend distribution footprint				
▪ Develop Natrad Trade Online concept into New Zealand market				
OE				
▪ Develop sales of heat exchanges for power gen applications in Southeast Asia – Expand business development function across Thailand and Vietnam				
▪ Develop Air Radiator branded service centre network				
▪ Thailand facilities – Establish second manufacturing facility in Thailand				
– Extend Thailand facility building – Additional plant & equipment				
▪ Transition of certain Australian-based manufacturing to Thailand				
▪ Lease new facility and rationalise Australian-based manufacturing				
Product Development & Innovation				
▪ Develop portfolio of aluminium products				
▪ Market new aluminium products				
▪ Substitute Air Radiators Bar & Plate product into Air Radiators Industrial products				
▪ Development global configurator for Bar & Plate and other heavy duty aluminium product				

- Following on from the positive end to FY22, the initial start to FY23 has been inline with management expectations
 - Aftermarket segment is performing positively against the same period in FY22 with continued increase in volumes
 - Build rates in OEM segment remain stable with the impact of supply chain disruptions reduced, underpinned by significant order books
- FY23 expectations are for less disruptions including the impact of COVID-19, floods and reduced impact of supply chain related events
- The benefits of strategic investment in FY22 and continued planned investment in FY23 should begin to be seen in the later part of FY23 and into FY24:
 - Aftermarket: continued new customer acquisition, expansion of range, extension of distribution footprint and development of Natrad Trade Online platform into the New Zealand market
 - OEM: Develop sales of heat exchangers for power gen applications in Southeast Asia, and expand business development function across Thailand and Vietnam
- Current and ongoing investment is planned to drive continued growth in the business in its core markets in future years





Offer Summary

THE OFFER

Offer Price per Share	\$1.50
Total proceeds from the Offer, comprising:	\$22.0 million
Total proceeds from the issue of New Shares under the Offer	\$15.0 million
Total proceeds from the sale of Existing Shareholder Shares under the Offer	\$7.0 million
Total number of Shares available under the Offer	14.7 million
Total number of New Shares available under the Offer	10.0 million
Total number of Existing Shareholder Shares available under the Offer	4.7 million
Number of Shares on issue before the Offer	54.0 million
Conversion Shares to be issued under Convertible Note Offer	16.7 million
Total number of Shares on issue at Completion of the Offer ¹	80.7 million
Market capitalisation at the Offer Price	\$121.0 million
Pro forma net cash / (debt) ² <i>exclusive of lease liabilities and provisions</i>	\$20.8 million
Pro forma net cash / (debt) ² <i>inclusive of lease liabilities and provisions</i>	\$(21.1 million)
Enterprise Value at the Offer Price ³	\$99.9 million
Enterprise Value / pro forma FY22F EBITDA ⁴	6.1 x
Offer Price / pro forma FY22F NPAT ⁵ per Share	12.0 x

Note (1): Calculated as the aggregate of Existing Shares, New Shares and Conversion Shares

Note (2): as at 31 December 2021

Note (3): Enterprise value calculated as the sum of market capitalisation of the Company at the Offer Price less Pro forma net cash (debt) (as at 31 December 2021) exclusive of lease liabilities and provisions

Note (4): The pro forma FY22F EBITDA of \$16.3 million

Note (5): The pro forma FY22F NPAT of \$10.1 million

- The Company is seeking to raise \$22.0 million by inviting investors to subscribe for up to 14.7 million shares at an Offer Price of \$1.50 per Share
- The Offer provides funds to support Adrad's continued growth and also provides the Existing Shareholder with an opportunity to realise part of their investment in the Company

Use of Funds and Capital Structure

USE OF FUNDS ¹	
Purchase of additional manufacturing plant and equipment to support the growth and expansion plans for the Thailand and Australian OE operations	\$5.3 million
Expansion of the existing manufacturing facility owned by the Company in Thailand, to facilitate the expansion referred to above	\$1.0 million
Purchase of additional plant and equipment to support the growth and expansion plans for the Aftermarket segment in Australia	\$2.0 million
Working capital to support the growth in operations across the Group (debtors, inventory and costs associated with the planned increased distribution footprint)	\$4.3 million
Transaction costs associated with the Offer	\$3.6 million
Payment to Existing Shareholder ⁴ (net of Existing Shareholder's share of transaction costs)	\$5.8 million
Total use of funds	\$22.0 million

SHAREHOLDER STRUCTURE ^{2,3}				
million	Pre-Offer Shares	% Total	Post-Offer Shares	% Total ³
Existing Shareholder ⁴	54.0	100.0%	49.3	61.2%
Convertible Note Holders	-	-	16.7	20.7%
IPO Shareholders	-	-	14.7	18.2%
Total	54.0	100.0%	80.7	100.0%

SUBSTANTIAL SHAREHOLDERS ^{2,3}				
million	Pre-Offer Shares	% Total	Post-Offer Shares	% Total ³
Existing Shareholder ⁴	54.0	100.0%	49.3	61.2%
Ellerston Capital ⁵	-	-	7.8	9.6%
Perennial Value Management ⁵	-	-	4.5	5.6%
Total	54.0	100.0%	88.7	76.3%

Note (1): Use of funds is a statement of current intentions as at the date of this presentation and is subject to change. The Board reserves its right to alter the way funds are applied

Note (2): Based on ordinary shares outstanding expected at the date of the Offer

Note (3): Subject to rounding

Note (4): Existing Shareholder represents Adcore Holdings Pty Ltd as trustee for the Gary Washington Family Trust which currently holds 100% of the issued capital in Adrad.

Note (5): Based on conversion of existing convertible notes

This section describes some of the potential risks associated with the Company's business and the industries in which the Company operates, and the risks associated with an investment in fully paid ordinary shares in the Company (**Shares**). The Company is subject to a number of risks which may, either individually or in combination, adversely impact its future operating and financial performance, investment returns and the value of the Shares. The occurrence or consequences of some of the risks described below are partially or completely outside of the control of the Company or its Directors and management. The Company does not purport to list every risk that may be associated with the business or the industries in which the Company operates, or associated with an investment in Shares, now or in the future. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the date this presentation was prepared.

There is no guarantee or assurance that the risks will not change or that other risks or matters that may adversely affect the Company's business, the industry in which it operates or an investment in the Shares, will not emerge.

There can be no guarantee that the Company will achieve its stated objectives, deliver on its business strategy, or that any forward-looking statement contained in this presentation will be achieved or realised. You should note that past performance may not be a reliable indicator of future performance.

Before applying for Shares you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment for you, having regard to your investment objectives, financial circumstances and taxation position. You should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before investing in the Company.

Company-specific risks

Competition risk

Adrad operates in a competitive market and may experience reduced revenue, earnings and market share as a result of competitor activity.

Adrad may experience increased competition in relation to its Aftermarket operations from:

- existing and new competitors adopting more aggressive marketing campaigns, price discounting or greatly enhanced customer service levels;
- possible competitor consolidation in the aftermarket automotive space providing increased scale and bargaining power; and
- manufacturers selling products directly to workshops, bypassing distributors such as Adrad.

Adrad may experience increased competition in relation to its OE operations from:

- new technologies developed by domestic and international competitors that reduces the cost of traditional products;
- an acceleration in the transition to renewable energy technologies that enables global competitors to gain access to the Company's customers;
- competitors developing lower cost durable aluminium heat exchangers for heavy duty industrial applications faster than the Company can achieve;
- key management establishing a business in competition with Adrad's OE business (subject to contractual restraints); and
- costs of manufacture in Australia accelerating at a faster pace than cost increases encountered by international competitors.

The above factors, individually or in combination, may impact Adrad's operations and profitability.

Customer risk

Adrad's aftermarket operations receive repeat orders from automotive workshop customers in Australia and New Zealand. Other than workshops within the Natrad Franchise network, these customers are not contracted and may

switch to different distributors thereby providing them with bargaining power. An increase in bargaining power from these customers may result in a decrease in prices which may in turn result in a reduction in Adrad's Aftermarket related revenue and earnings.

Adrad's OE business operates primarily on a purchase order basis with its customers. Whilst there is a long-term supply agreement with Kenworth, a significant proportion of the OE business is project-based and while historically there has been a high level of repeat business with OE customers, there is no guarantee that these customers will engage Adrad for future OE work.

For FY21, Adrad's top 10 customers accounted for approximately 36% of revenue. Local and global supply chain disruptions are impacting some of these key customers. The loss of one or more of these customers or a reduction in their respective purchases could lead to a reduction in Adrad's revenue and earnings.

Disruption to business operations

The Company and its customers are exposed to a range of operational risks relating to both current and future operations. Such operational risks include loss or damage to operating assets and equipment, prolonged equipment failures or breakdowns, human error, accidents, information system failures, external services failure, industrial action or disputes, inclement weather, natural disasters, wars, terrorist attacks and other disasters. While the Company endeavours to take appropriate action to mitigate these operational risks and insure against them, the Company cannot control the risks its customers are exposed to, nor can it completely remove all possible risks relating to its own business. A disruption in the operations of the Company or its customers may have an adverse impact on the financial performance and / or financial position of the Company.

Supplier relationships

Adrad's Aftermarket business relies on access to a wide range of automotive parts with established domestic and global suppliers. Any increase in pricing from suppliers or a damaged relationship with a supplier may result in an increase in the price which Adrad pays for parts or a reduction in Adrad's ability to source parts. If this was to occur, Adrad will be required to absorb the increase in price or pass it on to customers which may result in a reduction in the demand for Adrad's products and its profitability. If Adrad is unable to source parts from a key supplier, it may result in a reduction in sales and profitability.

The nature of domestic and international supplier relationships in Adrad's OE operations could change impacting the Company's ability to source raw materials and other parts required for its manufacturing processes. Any increase in the cost of raw materials to Adrad could impact Adrad's ability to supply its customers profitably.

Increased input costs

Any unexpected large increase in the cost of labour, raw materials, freight, energy and key consumables could have a material impact on Adrad's operations and profitability if these costs cannot be passed on to customers.

Disruptions to product sourcing

Adrad's Aftermarket business relies on sourcing in excess of 1,500 SKUs from its domestic and global suppliers and ensuring these parts are provided to customers in a timely manner. As a result, Adrad is exposed to potential delays and defaults in having parts supplied and delivered to Adrad. Such delays may negatively impact Adrad's ability to supply its customers in a timely manner which may impact customer relationships and potentially profitability.

Technological change

The transition to a lower-carbon economy will result in changes leading to greater take-up of electric vehicles, hybrid vehicles and hydrogen fuel cell vehicles. Whilst these vehicles will all continue to require heat exchangers and other parts that Adrad will design, manufacture and source, there could be an impact on financial performance of Adrad if the need to repair and / or replace parts on these vehicles was to occur at a lesser rate than for conventional combustion powered vehicles. Technological advancements reducing the need for, or frequency of, replacement of automotive products in the aftermarket may negatively impact Adrad's financial performance.

Relationships with landlords may deteriorate

As of June 2022, Adrad has 25 property leases covering its manufacturing, warehousing, distribution and workshop sites in Australia, New Zealand and Thailand. There are 18 non-related party leases and 7 related party leases. Leases are typically for terms between 3 and 5 years with options to extend. The terms and conditions vary but typically Adrad cannot readily terminate these leases.

Any default by Adrad, or failure to renew an existing lease on acceptable terms may have an adverse impact on Adrad's ability to operate in preferred locations and could have an adverse impact on Adrad's financial performance.

Future capital requirements

The Company may require future debt or equity financing for growth initiatives including acquisitions. Any additional equity financing may be dilutive to shareholders, may be undertaken at lower prices than the current market price (or Offer Price) or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities. Although the Directors believe additional capital can be obtained, no assurances can be made that appropriate capital or funding, when needed, will be available on terms favourable to the Company.

Insurance Risk

Adrad seeks to maintain appropriate insurance policies in line with industry practice for companies in its sector. No assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims.

Adrad maintains insurance cover in respect of:

- Corporate Travel;
- Crime;
- Cyber Liability;
- Directors and Offices;
- Industrial Special Risk;
- Marine Transit;
- Motor Vehicle Fleet;
- Product Recall;
- Professional Indemnity;
- Public & Products Liability;
- Statutory Liability;
- Workers Compensation; and
- Income Protection.

Ability to attract and retain key personnel

The Company's operational success and implementation of its key strategies will depend substantially on the continuing efforts of its senior executives. The loss of services of one or more senior executives may have an adverse effect on the Company's operations if there was a delay in recruiting appropriate replacements.

Further, the Company relies on its ability to attract, retain, motivate and train both skilled and unskilled employees. If the Company fails to retain existing employees and recruit and retain additional personnel at appropriate labour costs, this may have an adverse effect on the Company's ability to achieve its business plan.

If labour costs were to increase substantially, the Company may be unable to pass such increased costs onto customers in the short term, adversely impacting Adrad's profitability.

Litigation risk

Legal proceedings may arise from time to time in the ordinary course of business. Litigation risks may include, but are not limited to, contractual claims (with suppliers or customers), environmental claims, occupational health and safety claims, landlord claims, employee claims and regulatory disputes. There is a risk that material or costly disputes could affect the financial performance or reputation of the Company.

As at the date of this presentation, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

Climate change risk

Changes in government policy, technological innovation and consumer or investor preferences could adversely impact the Company's business strategy, particularly in the event of a transition (which may occur in unpredictable ways) to a lower-carbon economy. If the transition from combustion engines to electric, hydrogen or other technologies was to accelerate rapidly, the Company may experience a reduction in its revenue and earnings.

Maintenance of equipment risk

The Company's facilities and equipment will require maintenance and replacement over time. The Company has made estimates regarding the maintenance and repair costs and the market value of used equipment.

Future operating and financial performance could be adversely affected because:

- maintenance and repair costs may be higher than estimated;
- maintenance and repairs need to be undertaken earlier than anticipated; or
- there is a significant operational failure requiring unplanned maintenance expenditure.

Future operating and financial performance could be adversely affected because market values of used equipment may fluctuate and are generally lower as an item of equipment ages. In addition, the cost of the new equipment used may increase and therefore the Company may spend more on replacement equipment. Any such cost increases could materially and adversely impact the operating and financial performance of the Company.

Occupational Health and Safety

The operation of manufacturing, warehousing and repair workshop facilities exposes the Company and its workforce to occupational health and safety risks which must be carefully managed. Relevant laws and regulations may become more complex and stringent or the subject of increasingly strict interpretation and / or enforcement. Failure to comply with applicable regulations or requirements may result in significant liabilities, suspended operations and increased costs.

Industrial accidents may occur in relation to the performance of the Company's business. Such accidents may have operational and financial implications for the Company which may negatively impact on the financial performance and reputation of the Company.

Termination of arrangements with Capricorn Society

Capricorn Society is a co-operative that provides both credit and payment terms to a significant number of independent automotive workshops in Australia and New Zealand. Adrad is an authorised supplier to Capricorn Society members. If the arrangement as an authorised supplier to Capricorn Society members was terminated, Adrad may lose access to customers who utilise Capricorn Society's services and Adrad would become directly exposed to increased credit risk in managing workshop debtor accounts.

Execution of growth strategies

Adrad's current growth strategies include growing market share in its existing markets and expanding its technology into adjacent markets and products. There is a risk that these strategies are ineffective or achieved later than expected which may impact Adrad's operations and profitability.

The capacity of management to properly execute the Company's growth strategies after Admission may affect the Company's financial performance.

Transition from Private to Public Company

As a private company Adrad has maintained appropriate management, business, reporting and operational systems to meet its needs and to comply with legislation and regulations. Adrad has implemented governance systems and processes appropriate to managing and operating a public company to ensure continued compliance with legislation and regulations. There is a risk that prior to implementing these systems and processes or as a consequence of them, unforeseen events may arise that could have an adverse impact on the Company's financial performance.

Technology and Information Systems

The Company relies on the effective and efficient operation of information technology, software systems, communications technology and other systems and equipment for its operations, including technology and systems provided by third parties. If any of these systems, software or technologies failed to operate effectively, or new system implementations or significant upgrades are required, the Company could suffer interruption to its services and loss of data which could lead to financial loss and damage to its reputation. This may be as a result of issues including hardware, software or system failures, computer viruses, third party service failures, cyber-attacks or other cyber incidents. Further, failure of the Company's disaster recovery arrangements to operate effectively could also result in financial loss and damage to the reputation of the Company.

Liability Risk

The manufacture and supply of goods and the provision of services by the Company carries with it a risk of liability for losses arising from the provision of defective goods or services, environmental damage, personal injury or property damage and indirect or consequential losses suffered by third parties. The Company's insurance and contractual arrangements may not adequately protect it against such liabilities and any loss falling outside the scope of insurance may adversely affect the Company's financial performance and reputation.

Unforeseen expenses

The Company's cost estimates, and financial forecasts include appropriate provisions for material risks and uncertainties and are fit for purpose for the proposed activities of the Company. If risks and uncertainties prove to be greater than expected, or if new currently unforeseen material risks and uncertainties arise, the expenditure proposals of the Company are likely to be adversely affected.

Impact of COVID-19

COVID-19 and other pandemics that may occur can be disruptive not only to the Company directly but also to the Company's customers and suppliers. These disruptions can include employee absenteeism, supply chain limitations, increased freight and logistics costs and reduced use of motor vehicles which individually or collectively may adversely affect the Company's financial performance.

General risks

Price of Shares

Once the Company becomes a publicly listed company, it will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in the Company's share price that are not explained by the Company's fundamental operations and activities.

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following quotation on ASX, even if the Company's earnings increase.

Some of the factors which may adversely impact the price of the Shares include, but are not limited to, the number of potential buyers or sellers of Shares on ASX at any given time, fluctuations in the domestic and international markets for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, commodity prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, recommendations by brokers or analysts, global hostilities, tensions and acts of terrorism, the nature of the markets in which the Company operates and general operational and business risks.

Deterioration of general economic conditions may also affect the Company's business operations, and the consequent returns from an investment in Shares.

Shareholder dilution

In the future, the Company may elect to issue further Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders at the time may be diluted as a result of such issues.

Inability to pay dividends or make other distributions

The ability for future dividends or other distributions to be paid by the Company will be at the discretion of the Board and contingent on its ability to generate profits. Furthermore, to the extent that the Company pays any dividends, the ability to offer fully franked dividends is contingent on making taxable profits in excess of accumulated losses. Taxable profits may be volatile, making the payment of dividends unpredictable.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

Taxation changes

An investment in Shares involves tax considerations which differ for each Shareholder depending on their individual financial affairs. Each prospective investor is encouraged to seek independent financial advice about the consequences of acquiring Shares pursuant to the Offer from a taxation viewpoint and generally.

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted, may impact the Company's tax liabilities or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change.

To the maximum degree permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under the Prospectus.

General economic conditions

Factors such as inflation, currency fluctuations, interest rates, legislative changes, political decisions and industrial disruption have an impact on operating conditions and costs. The Company's future income, asset values and Share price can be affected by these factors and by exchange rate movements.

Adrad purchases parts from both local and global suppliers in Australian dollars. Currency fluctuations may affect the price at which Adrad purchases parts and materials from suppliers and impact Adrad's profitability if price changes cannot be passed on to customers.

Commodity prices for key inputs into the manufacturing process (copper, brass, steel and aluminium) fluctuate according to supply and demand constraints which are influenced by external factors.

Reputational risk

Any negative publicity or announcement relating to any of the Company's substantial Shareholders, key personnel or activities may adversely affect the performance of the Company's Shares, whether it is justifiable or not. Examples of such negative publicity or announcements may include involvement in legal or insolvency proceedings, failed business transactions or joint ventures.

Accounting standards

Changes in the Australian Accounting Standards and subjective assumptions, estimates and judgements by management related to complex accounting matters could significantly affect the Company's financial results or financial condition.

There is also a risk that interpretations of existing Australian Accounting Standards, including the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Company's financial statements.

Force majeure

Force majeure is a term used to refer to an event beyond the control of a party claiming that the event has occurred. Significant catastrophic events (such as war, acts of terrorism, pandemics, loss of power, cyber security breaches or global threats) or natural disasters (such as earthquakes, fire or floods or the outbreak of epidemic disease) could disrupt the Company's operations and those of its customers. Such impacts may affect the Company's ability to deliver goods and services to its customers by interrupting critical functions, reducing demand for the Company's goods and services, preventing customers or suppliers from honouring their contractual obligations to the Company, or otherwise harming the Company's business. To the extent that some disruptions or uncertainties result in delays to the delivery of goods or services, or the cancellation of contracts, the Company's business, results of operations and financial condition could be harmed.

Unforeseen risk

There may be other risks of which the Directors are unaware as at the date of this presentation which may impact on the Company, its operations and / or the valuation and performance of its Shares.

Speculative nature of investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under the Prospectus.

As a result, the Shares to be issued or transferred pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consult their professional advisers before deciding whether to apply for Shares pursuant to the Prospectus.

ADRAD



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This presentation has been approved for release by the Board of Adrad Holdings Limited.