

## Adrad achieves solid first half growth

**Adrad Holdings Limited** ('ASX: AHL', 'Adrad' or the 'Company') an Australian-based automotive aftermarket and industrial original equipment (OE) heat transfer solutions provider is pleased to announce its half year results for the period ending 31 December 2022 (1H FY23).

### Key highlights

- Revenue of \$68.3m, a 7% increase compared to the prior corresponding period
- Positive EBITDA of \$6.9m<sup>1</sup>
- Positive cashflow from operations of \$3.8M generated
- Aftermarket segment achieved growth in customers and expanded its product range during the half year
- Experiencing strong order books from key OE customers through calendar year 2023
- Revenue expectations maintained to be between \$135m to \$140m for FY23, approximately 5% - 10% higher than FY22
- Dividend of 0.7 cents per share declared

**Adrad CEO, Don Cormack** said: "The Company successfully completed its IPO and commenced trading on the ASX on 30 September 2022, having raised \$22.0 million with the support of both new and existing institutional, professional and retail investors."

"Adrad's underlying business performed solidly during its first months of listed life, with the group achieving 7% revenue growth in the first half of FY23, despite increasing inflationary cost pressures. As the Company heads into the latter half of the year we are experiencing strong operational signals from both the Aftermarket and OE segments, supporting the high end of FY23 revenue expectation between \$135m to \$140m."

### 1H FY23 Results

Adrad reported 1H FY23 revenue of \$68.3m and positive EBITDA of \$6.9m<sup>1</sup>. This was supported by the introduction of 600 new products in our Aftermarket segment. Additionally, our warehouse expansion has also contributed to customer growth with over 1,000 new customers during the first half of the year. Realisation of the full benefit of the Company's investment in expanding the Aftermarket's distribution footprint is expected to take an additional 6 – 12 months.

The OE business segment is well positioned to continue its performance through the second half of FY23, with global supply chains starting to normalise and a very strong order book from key customers; with over 60% of budgeted revenue for the second half of FY23 underpinned with committed orders.

Expansion of our Company owned factory located in Thailand is underway to provide increased manufacturing capacity and capability. A key growth initiative for the Company is to transition select OE production from the Company's Australian facilities to Thailand.

## Outlook

FY23 represents a year of both investment and consolidation following Adrad's ASX listing. The expectation for FY23 is for steady financial performance.

Due to seasonality the Company's trading results are historically weighted more strongly to the second half of the financial year. The Company expects FY23 revenue to be at the high end of the range between \$135 million to \$140 million. Revenue growth for the full year will be supported by continued Aftermarket expansion both in products and customers, lift in OE build rates as supply chain and labour shortages ease and utilising the Company's new Thailand facility to win new Powergen work in Southeast Asia.

Continued growth in both revenue and margin is expected in FY24 as the full benefit of initiatives gain traction.

## Results webinar

Adrad's CEO, Don Cormack, and CFO, Rod Hyslop, will host a live Q&A webinar today, Monday, 27 February at 12:15pm (AEDST). Please note, the webinar will be recorded, and a copy will be made available on Adrad's website shortly after it is completed.

Webinar link: [https://us02web.zoom.us/webinar/register/WN\\_Lj9GoCxERSqrnFWfrV9SIQ](https://us02web.zoom.us/webinar/register/WN_Lj9GoCxERSqrnFWfrV9SIQ)

Investors can submit questions prior to the webinar to [melanie@nwrcommunications.com.au](mailto:melanie@nwrcommunications.com.au) or do so via the Q&A function on Zoom, during the webinar.

***This announcement is authorised for release by the Board of Directors of Adrad Holdings Limited.***

## Contacts

### CEO

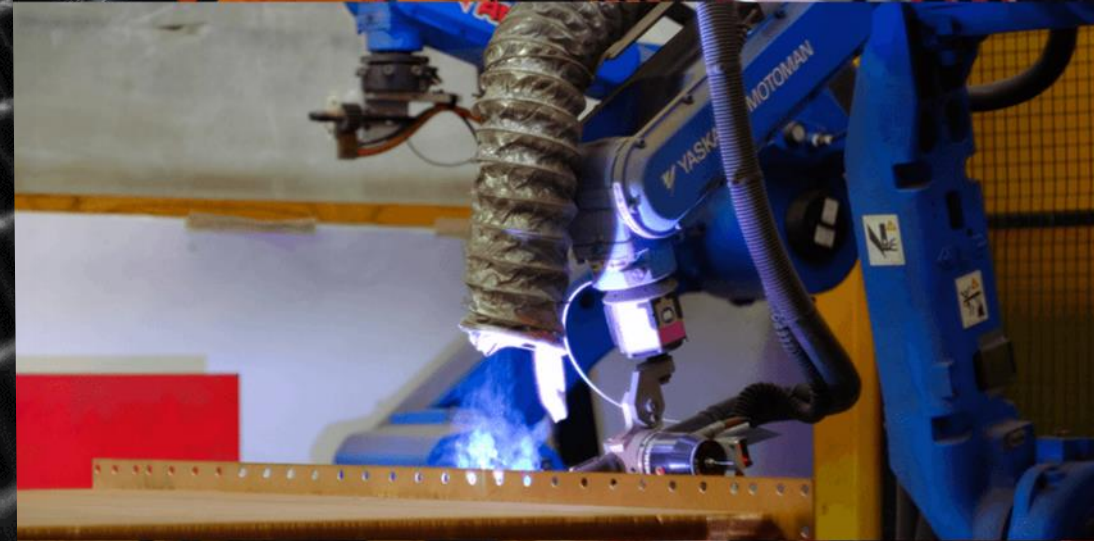
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1. Normalised EBITDA



# ADRAD

Holdings Limited  
(ASX: AHL)

**1H FY23 RESULTS  
PRESENTATION**

FEBRUARY 2023

[adradholdings.com.au](http://adradholdings.com.au)

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Authorised for release by the Board of Adrad Holdings Limited.

**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)

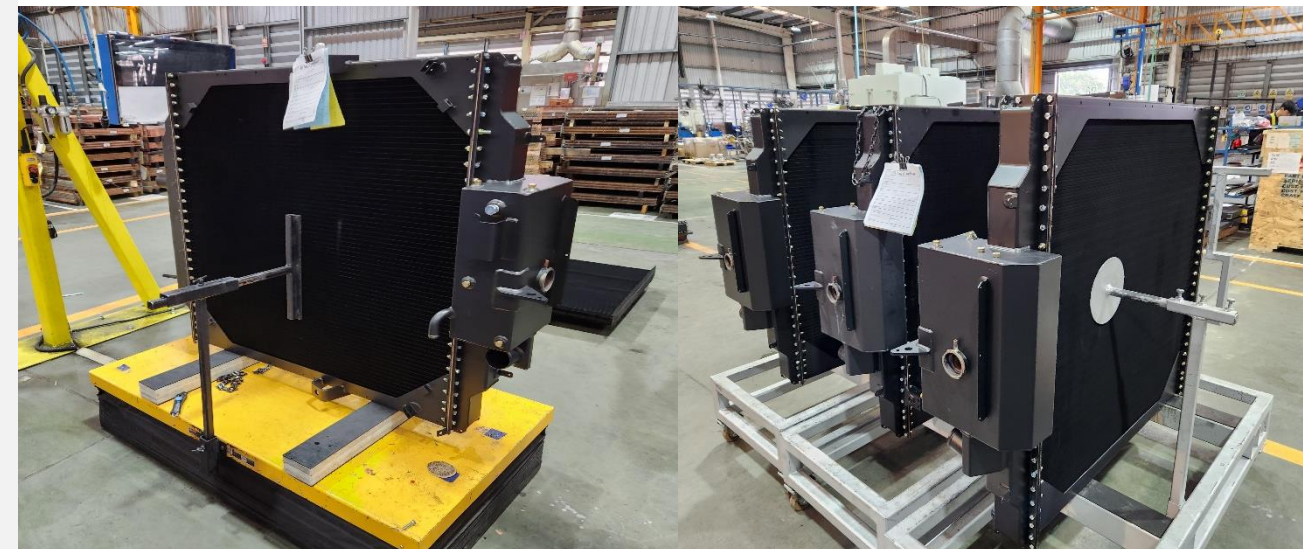
## AFTERMARKET

**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.**



**\$68.3m**

Revenue

**\$6.9m<sup>1</sup>**

EBITDA

**\$1.9m**

NPAT

**\$3.8m**

Cash flow generated  
from operations

**~600**

Products added

**1,000+**

New Aftermarket  
customers added

**\$0.04**

EPS

**0.7**

CPS  
Dividend declared

1. Normalised EBITDA, refer to slide 7 for EBITDA adjustments

# Statutory to Pro Forma Reconciliation

A\$m	Statutory 31 December 2021	Adjustments to 31 December 2021			Pro Forma 31 December 2021	Statutory 31 December 2022
		Add Adcore Holdings Pty Ltd <sup>1</sup>	Less Harrop Group <sup>1</sup>	Less other adjustments <sup>1</sup>		
Revenue	56.0	8.8	0.0	(1.2)	63.7	68.3
Expenses	(48.5)	(8.7)	0.0	0.0	(57.2)	(64.1)
EBITDA	10.4	0.7	0.0	(1.2)	9.9	8.7
D&A	(2.4)	(0.2)	0.0	0.0	(2.5)	(3.3)
Finance Costs	(1.0)	(0.4)	0.0	0.0	(1.4)	(2.2)
Profit before tax	7.1	0.1	0.0	(1.2)	6.0	3.2
Income tax expense	(2.1)	0.0	0.0	0.3	(1.8)	(1.1)
Discontinued operations	2.0	0.0	(2.0)	0.0	(0.0)	0.0
NPAT	7.0	0.1	(2.0)	(0.9)	4.2	1.9

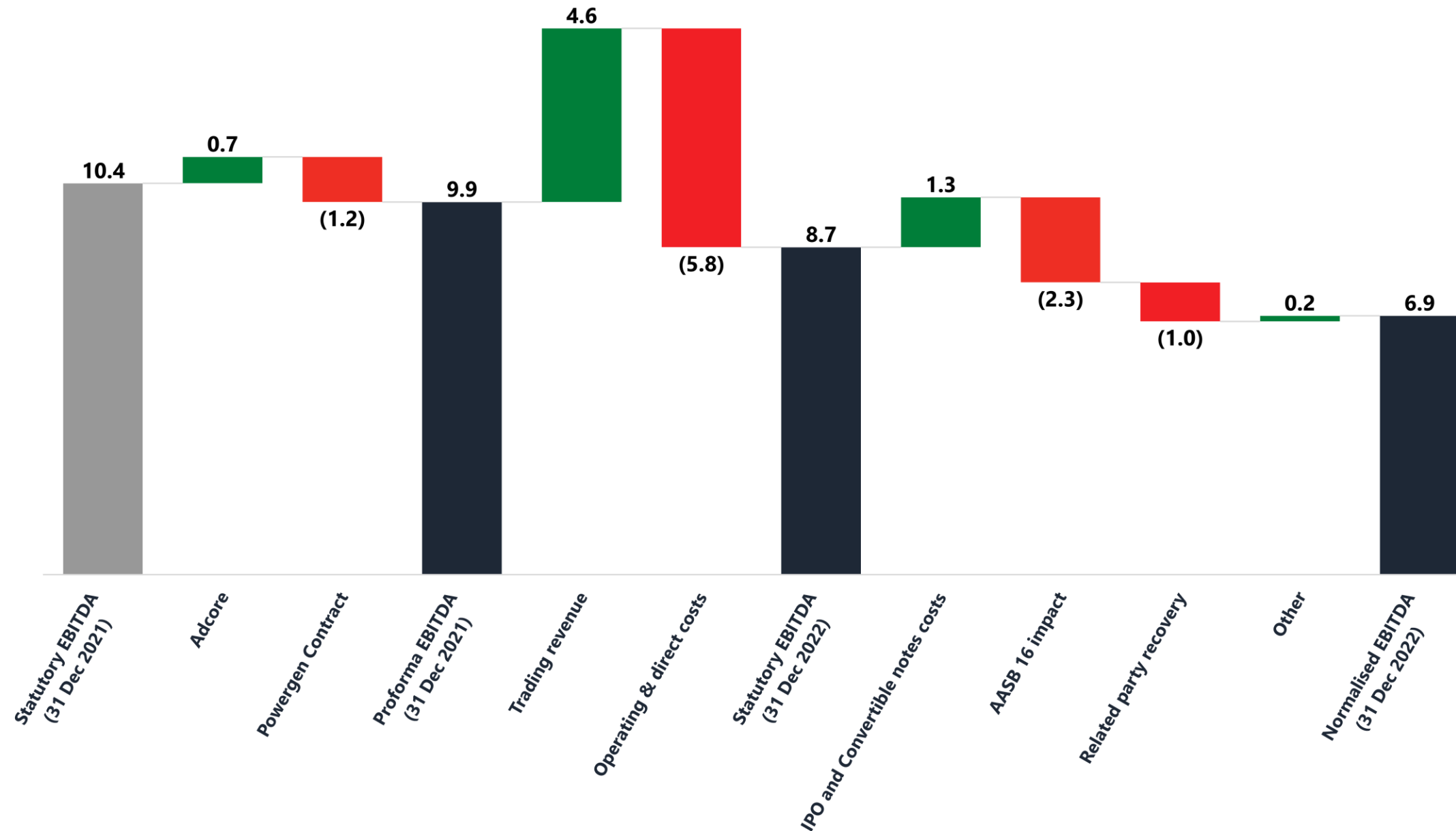
- **7% revenue growth aided by new product ranges and warehouses**
- **Operating expenses increased at a slightly higher rate than sales growth**
- **Inflationary pressure on inputs particularly materials, labour and freight**
- **New warehouses requiring additional staffing and stocking**

1. During 1H FY22 the Company divested itself of the Harrop group of companies and acquired the automotive aftermarket operations owned by the Existing Shareholder (Adcore Holdings Pty Ltd). The results for the period ending 31 December 2021 are adjusted accordingly to arrive at Pro-Forma results for the period to facilitate year on year comparisons:

- Add back approximately \$8.8M in revenue generated through Adcore Holdings Pty Ltd from 1 July 2021 to 31 October 2021;
- Add back approximately \$8.7M in operating expenses generated through Adcore Holdings Pty Ltd from 1 July 2021 to 31 October 2021;
- Deduct approximately \$2M in net profit after tax from discontinued operations related to the Harrop group of companies.

2. During 1H FY22 the OE segment finalised the completion of a power generation contract resulting in a final revenue payment of \$1.2 million for which the cost of good sold were recognised in the prior financial year when incurred.

# EBITDA remains positive



- Growth costs include additional lease costs, stocking, staffing and occupancy
- Full benefit of investment in new distribution warehouse footprint will take a further 6-12 months to reach full potential
- EBITDA remains positive but reflects inflationary cost pressures and cost of business growth



## Aftermarket Australian and New Zealand



Growth of car parcs in both Australia and New Zealand continue



Increasing average age of car parcs is a positive for aftermarket operations



Very resilient business providing predominantly non-discretionary products

## Original Equipment Manufacture



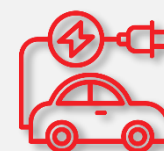
Very strong order books for key OE customers; 60%+ of budgeted revenue for 2H already confirmed through orders



Increased demand expected as global supply chains stabilise



Significant work continuing in relation to the development of cooling systems for applications using alternative fuel sources



Well positioned to win work significant work in relation to electrification and hydrogen fuel cells

# Establishment of a second facility driving market expansion

Providing greenfield opportunities for Powergen in Southeast Asia

Key growth initiative

1.

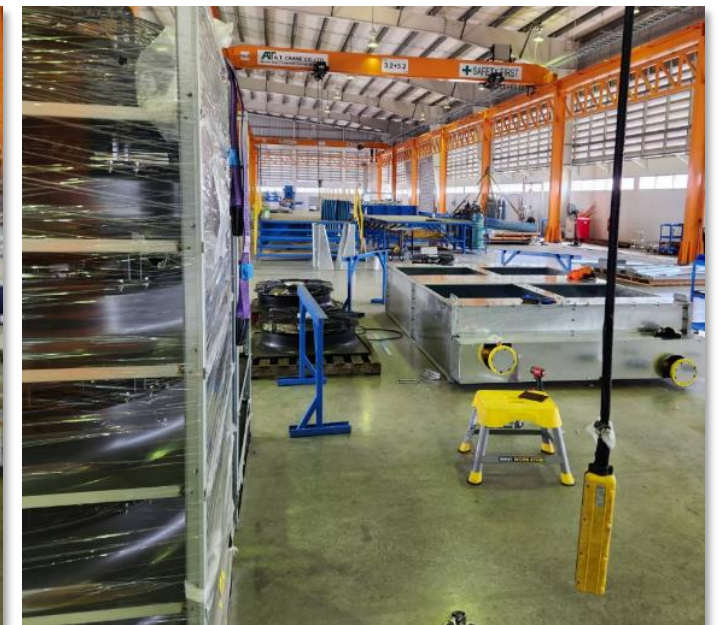
Established second factory in Thailand with coil production capabilities (and other products) for the Powergen sector in Southeast Asia

First project underway – 2 of 6 modules delivered

~\$0.6 million total order value

Follow-up orders expected pending delivery of engines

Strong sales pipeline



# Increasing warehouse footprint delivering additional benefit

Investment in warehousing is supporting customer & revenue growth

Key growth initiative

2.



New Natrad Trade customer accounts continues to grow above expectations



Enabling customer service improvements and revenue growth



Over 1000 new customers in 1H23



New warehouses are now cash flow positive and expected to reach maximum potential in 6-12 months

## Increased footprint



# Continued Aftermarket product expansion to drive growth

Developing the product range to support growth via the mechanical workshop channel

Key growth initiative

3.



Leveraging our product sourcing and distribution infrastructure to drive product growth



Successful introduction in July 2022 of a range of friction and rotating electrical products (brakes, alternators, etc.)



Further introduction of additional part categories is being fast tracked – this will require additional investment in inventory to underpin future revenue growth



# Transitioning production to drive margin improvements

Margin improvements of ~20% being realised from transitioning manufacturing activities to Thailand

Key growth initiative

4.



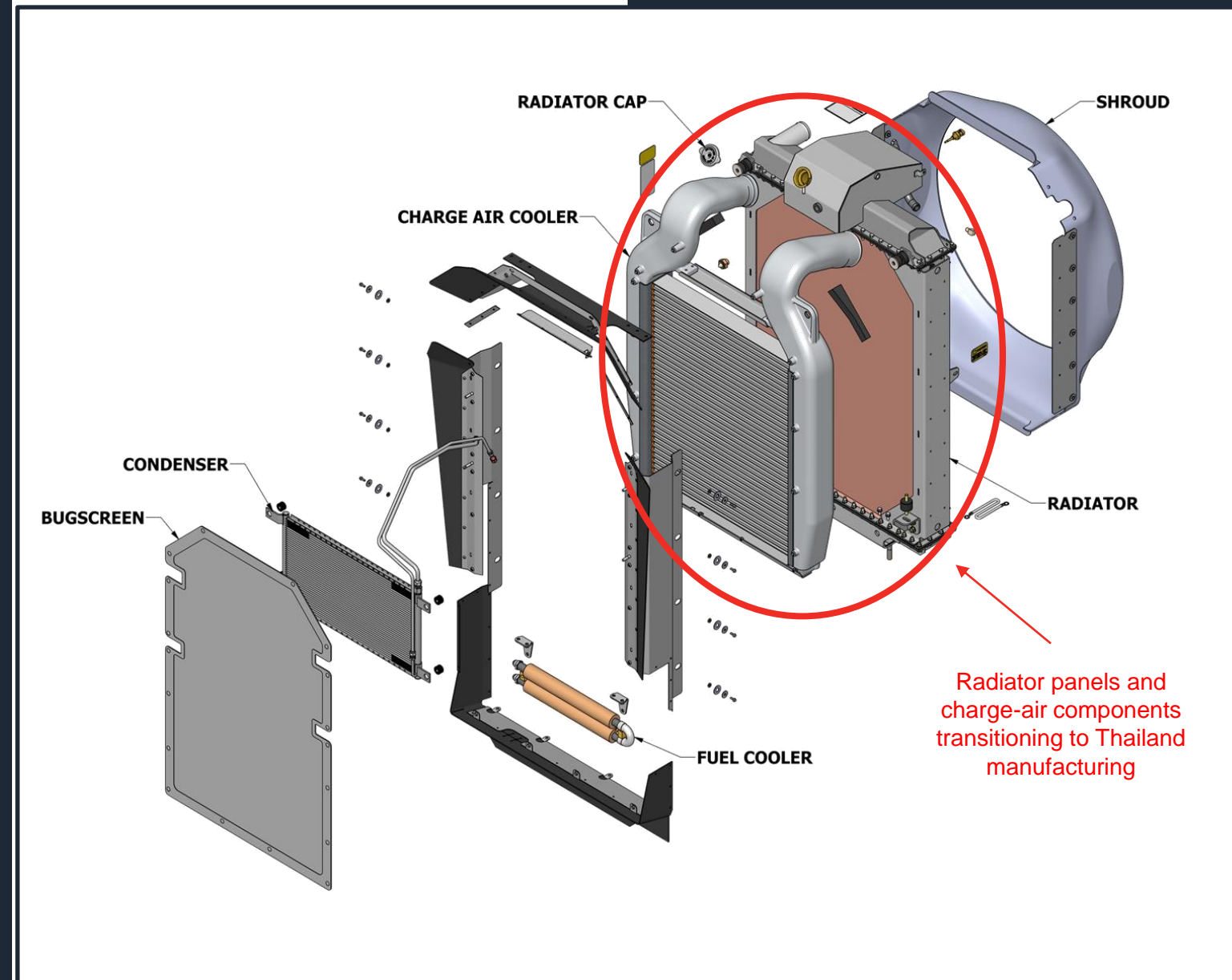
## TRANSITION TO THAILAND

- The bulk of OE radiator panels are now being successfully manufactured in Thailand for shipment to Australia and final assembly – this is a key initiative to drive margin growth over the next 12-18 months



## DEVELOPMENT OF FABRICATION CAPABILITIES

- New fabrication plant is on order so that the business can better control quality, inventory levels and workflow
- Plant on order includes laser cutter, turret punch and brake press.



# Disciplined Approach To Growth Investments

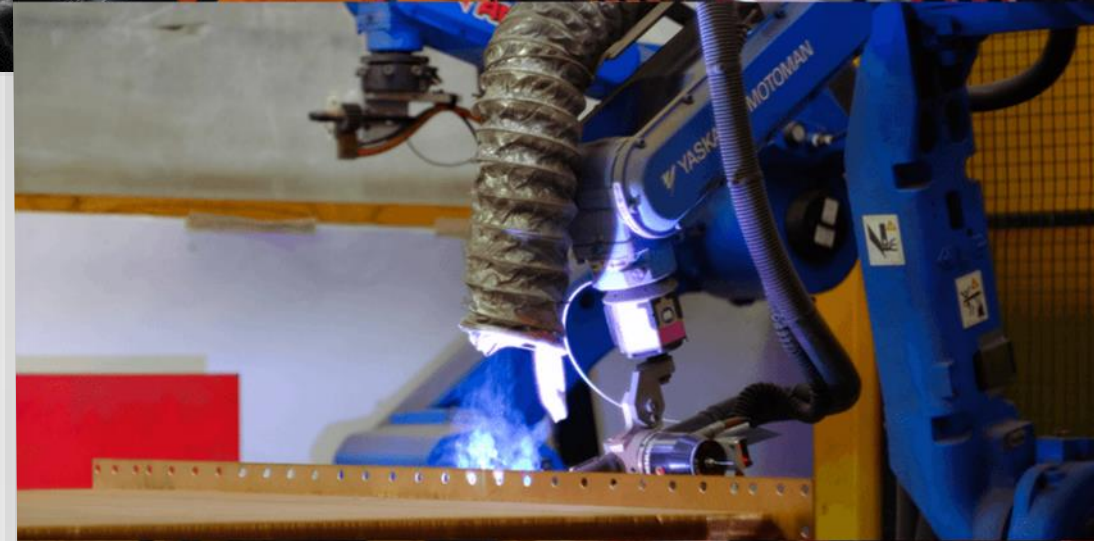
## ~\$8.9M OF UPCOMING INVESTMENT

A\$m	Growth	Maintenance
<b>THAILAND</b>		
Building Expansion	1.0	0
Fabrication Equipment	1.1	0
Other equipment	0.1	0.3
<b>OE AUSTRALIA</b>		
Fabrication Equipment	1.8	1.0
<b>AFTERMARKET</b>		
Material handling	0.4	0
Inventory	1.5	0
Production equipment	0.5	0
Facilities improvements	0	0.6
Motor vehicle upgrades	0.2	0.3
<b>TOTAL</b>	<b>6.7</b>	<b>2.2</b>

## COMMENTARY

- Extension of Thailand factory to increase production capacity is underway – estimated completion in Q1 FY24 ~ \$1M
- Fabrication equipment (laser cutter, turret punch & brake press) for Thailand are on order ~ \$700K
- Expansion of aftermarket product range planned for Q4 ~ \$1M

- The first half of FY23 has been broadly inline with management expectations
- Due to seasonality factors trading results are historically weighted more strongly towards 2H
- Aftermarket segment growing strongly in line with management expectations; with growth in both customer numbers and product range
- Our key OEM customers have very strong order books through CY23; 60%+ of budgeted 2H revenue already confirmed
- We continue to expect revenue for FY23 to be at the high end of the range between \$135m to \$140m as previously advised
- Growth in revenue will come from:-
  - Continued Aftermarket expansion
  - Winning new powergen work in SE Asia utilising our Thailand facility
  - Lift in build rates of major OEM's as supply chains and labour shortage constraints ease
- Whilst challenges remain with global supply chain disruptions, there are signs of improvements
- We continue to expect FY23 EBITDA to be similar in dollar value to FY22 with growth expected in FY24 and beyond as growth initiatives in place gain traction



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