

ADRAD

Holdings Limited
(ASX: AHL)

**FY23 RESULTS
PRESENTATION**

29 AUGUST 2023

adradholdings.com.au

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Authorised for release by the Board of Adrad Holdings Limited.

- 1. Overview of Adrad Holdings Limited (AHL)**
- 2. FY23 Highlights**
- 3. FY23 Segment Achievements**
- 4. FY23 Financial Summary**
- 5. Growth Initiatives**
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Overview of Adrad

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 aftermarket parts.

Two major segments servicing all aspects of the engine cooling market: (1) Heat transfer solutions and (2) Automotive aftermarket.

HEAT TRANSFER SOLUTIONS (AIR RADIATORS)

A vertically integrated designer and manufacturer of industrial radiator and cooling solutions.

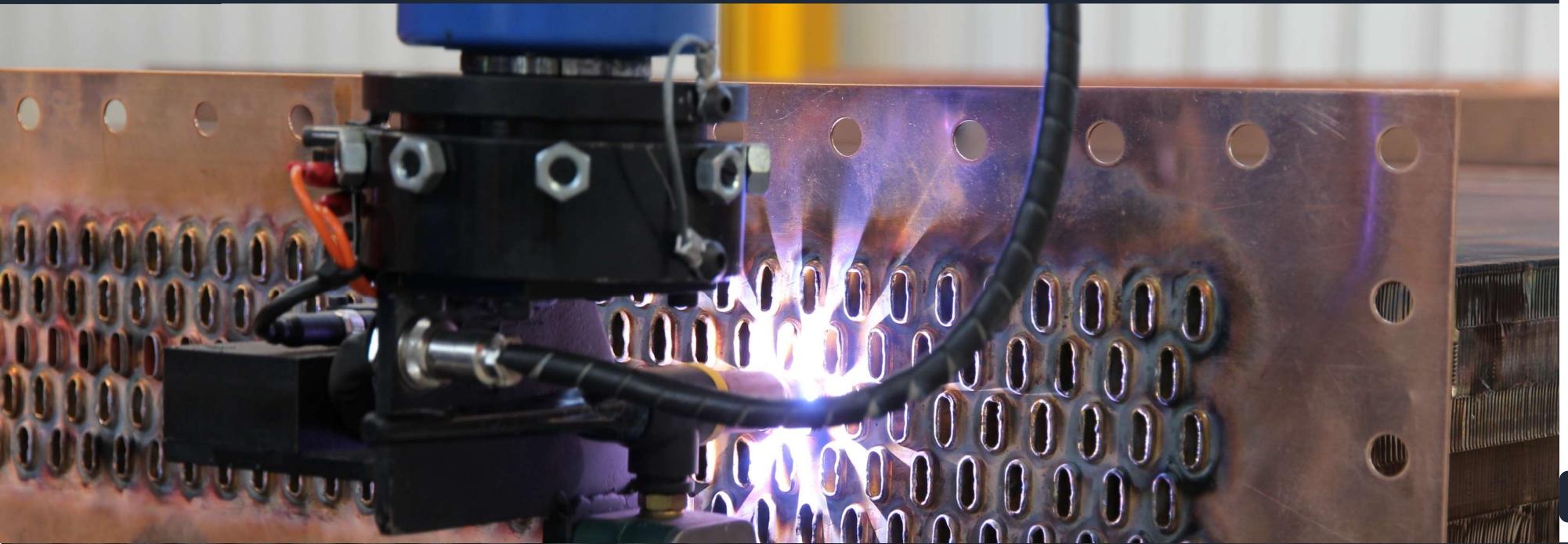


AUTOMOTIVE AFTERMARKET (ADRAD)

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



FY23 Highlights



Heat transfer solutions



Successfully transitioned volume part manufacturing to Thailand providing opportunity for margin improvement.



Established manufacturing capability in Thailand to pursue powergen opportunities in SE Asia.



Developing heavy duty aluminium radiators to replace copper/brass radiators in some applications.



Achieved prototype development phase utilising our Alu Fin technology for cooling of hydrogen fuel cells.

Kenworth supplier of the year.

Automotive aftermarket



13% revenue growth – growing number of customers and share of “basket”.



Warehouse additions supporting revenue growth and customer reach.



Continued development of product range including the introduction of brakes and rotating electrical.



Rationalisation of manufacturing footprint to generate efficiencies (closure of Molendinar (QLD) and NZ manufacturing).

FY23 Highlights



\$141.1m

Trading Revenue
Up 8% from pro forma FY22

\$15.6m¹

Pro forma EBITDA
Down 5% from pro forma FY22

\$5.6m

NPAT

\$6.8m

Cash flow generated
from operations

6.6%²

ROACE

\$4.0m

Capital Investment

8.46 cents

Basic EPS

1.63

CPS
Final dividend
Full year dividend: 2.33 cps
34% of NPAT
Fully franked

1. Pro forma EBITDA, refer to slide 8 for EBITDA adjustments

2. EBIT + Average Capital Employed (Average Total Assets minus Average Current Liabilities)

Growing market presence delivers revenue growth

	FY23			FY22	Change	
	Stat	Other	pro forma	pro forma	\$m	%
Trading Revenue	141.1	0.0	141.1	130.7	10.4	8.0%
Other Income	1.7	(1.0)	0.7	1.4	(0.7)	(52.7%)
Operating expenses (ex depreciation)	(123.5)	2.0	(121.5)	(111.7)	(9.8)	8.8%
Lease payments	0.0	(4.7)	(4.7)	(4.0)	(0.7)	16.5%
Pro forma EBITDA	19.3	(3.7)	15.6	16.4	(0.8)	(5.2%)

Pro forma trading revenue growth of 8%; exceeded target range of \$135-\$140 million as disclosed at half year. Other income reduced by \$0.4M due to loss of management fee from discontinued operations and \$0.3M from reduced miscellaneous income.

Increased trading revenue offset by higher operating costs;

- Inflationary pressures on IT, insurance, freight and occupancy costs (leases).
- Substantial investment in staff and facilities to support future revenue growth.

FY23 Segment Achievements

Awarded Kenworth Supplier of the Year



FY23 Segment Achievements

Pro forma trading revenue increased 8% from \$130.7 million to \$141.1 million

	FY23			FY22		
	Heat Transfer Solutions	Automotive Aftermarket	Total	Heat Transfer Solutions	Automotive Aftermarket	Total
Trading Revenue (\$ m)	71.5	69.6	141.1	69.3	61.4	130.7

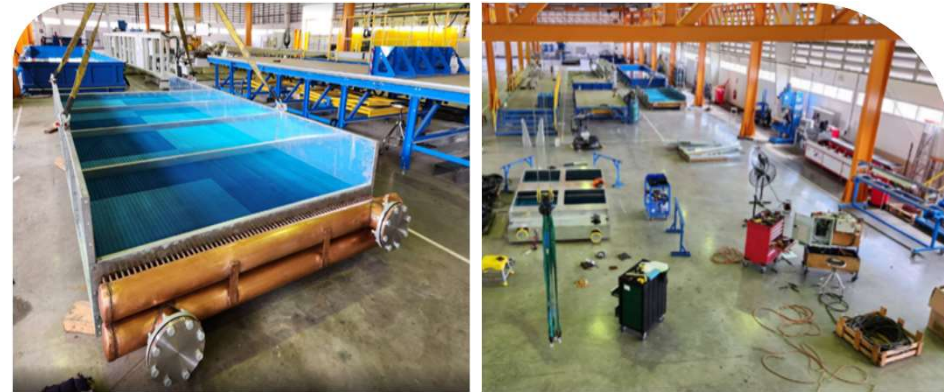
Strong revenue growth particularly in the Automotive Aftermarket segment with 13% Y-o-Y growth reflecting increased number of on-line accounts and broadened distribution footprint facilitating product range expansion.

Heat Transfer Solutions - Thailand production facilities

Heat transfer production facility commissioned; focus now on business development resourcing to build sales pipeline.

Thailand facility being expanded by an additional 1,000M² to accommodate increasing production demands. Building works scheduled for completion in FY24. Investing in additional production equipment.

**Successful transition of manufacturing to Thailand facility from Australia.
Progressed Alufin prototypes for two key OE customers.**



Automotive Aftermarket - warehouse additions contributed to increased revenue



Improved customer reach



Over 2,000 new Natrad Trade (on-line) customer accounts.

**+2,000 new accounts
to 9,200 accounts**



More transactions per month with an increased share of the basket.

28% yoy growth



Expanded product ranges including rotating electrical and friction.

24,000+ products

Automotive Aftermarket - Product expansion

More products, more reasons



Introduced a range of friction and rotating electrical products (brakes and alternators) during FY23; shock absorbers launched in July 2023.



Expanded range provides customers with a wider offering giving them more reasons to think Natrad Trade Online.



Introduction of additional part categories is being fast tracked.
Additional investment in inventory to underpin future revenue growth.



FY23 Financial Summary



Income Statement



\$m			% Change
	FY23	FY22	
Revenue	141.1	122.8	14.9%
Other income	1.7	1.4	21.4%
Operating Expenses ⁽¹⁾	(123.5)	(105.9)	16.6%
EBITDA	19.3	18.3	5.5%
Depreciation and amortisation	(7.0)	(5.7)	22.8%
Operating profit	12.3	12.6	(2.4%)
Finance costs	(2.8)	(5.0)	(44.0%)
Profit before tax	9.5	7.6	25.0%
Income tax expense	(3.8)	(3.2)	18.8%
Discontinued operations		2.7	(100.0%)
NPAT	5.6	7.1	(21.1%)
Pro forma Revenue	141.1	130.7	8.0%
Pro forma Operating Expense	(121.5)	(111.7)	8.8%
Pro forma EBITDA	15.6	16.4	(5.2%)
Pro forma NPAT	8.5	8.4	1.5%

(1) FY22 excludes annualization of acquired business operations which would increase operating expenses by approximately \$5.8 million

Pro forma revenue growth of 8%; exceeded target range of \$135-\$140 million as disclosed at half year.

Increased revenue offset by higher operating costs;

- Inflationary pressures on IT, insurance, freight and occupancy costs (leases).
- Substantial investment in staff and facilities to support future revenue growth.

Pro forma EBITDA impacted by;

- Other income down \$0.7M.
- Trading revenue offset by increased costs.

Balance Sheet



\$m	FY23	FY22
Cash	13.9	3.5
Trade and other receivables	21.5	18.2
Inventory	54.3	46.7
PP&E	15.0	13.6
Right-of-use assets	43.3	46.0
Other assets	41.6	41.4
Total assets	189.6	169.4
Trade and other payables	14.4	13.5
Borrowings	2.8	27.8
Lease liabilities	46.0	47.5
Other liabilities	9.5	8.6
Total liabilities	72.7	97.4
Net assets	116.9	72.0

Solid cash position in preparation for further Thailand facility building, plant and equipment investment to grow capability and capacity to meet future demand.

Additional inventory from product range expansion and short term increase to support transition of manufacturing to Thailand.

\$20M borrowings (convertible notes) converted to equity on IPO.

Strong balance sheet to support future organic growth and pursue acquisitions.

Cash Flow

\$m	FY23	FY22
Operating cash flow	13.1	13.3
Finance costs	(0.0)	(1.7)
Tax paid	(6.3)	(3.5)
Operating cash flow after finance and tax	6.8	8.1
Capital expenditure	(4.0)	(4.2)
Net proceeds on sale/(acquisition) of shares	0.0	(0.9)
Acquisition of business operations, net of cash received	0.0	(15.5)
Proceeds from disposal of property, plant and equipment	0.2	
Cash flows from investing activities	(3.8)	(20.6)
Proceeds from issue of shares (net of transaction costs)	14.2	3.8
Proceeds from convertible notes	0.0	20.0
Borrowings proceeds/(repayments)	(1.5)	3.3
Lease payments	(4.7)	(4.0)
Payments to related parties	0.0	(9.9)
Dividends paid	(0.6)	(2.0)
Net cash from financing activities	7.4	11.2
Net increase/(decrease) in cash and cash equivalents	10.4	(1.3)
Cash and cash equivalents at the beginning of the financial year	3.5	4.8
Cash and cash equivalents at the end of the financial year	13.9	3.5

Operating cash flow before interest and tax down 1.5% compared to FY22.

Capital expenditure predominately directed towards Thailand manufacturing capability and capacity enhancements.

Strong cash position provides flexibility to further develop Thailand facilities and pursue acquisitions.

Final FY23 dividend declared of 1.63 cents per share fully franked with distribution of \$1.3M in late September 2023; full year declared dividend of 2.33 cents per share fully franked in line with dividend payout ratio of 30% to 40% of NPAT at 34%.

Growth Initiatives



Heat Transfer Solutions

- Expand revenue in Asia market via Thailand direct sales.
- Continue to expand manufacturing capacity in Thailand.
- Transfer of volume part manufacturing from Australia to Thailand.
- Development of heavy-duty aluminium range.
- Improve operating efficiency in manufacturing.
- Continue to grow relationships with key international customers and potential customers.
- Support shift to renewables (see following slide).

Automotive Aftermarket

- Continue to grow product range – shock absorbers launched in July 2023.
- Continue to expand direct to trade focus.
- Capitalise on prior year warehouse footprint expansion.

Supporting Move To Renewables

Innovative Cooling Products

Heat Transfer Solutions business is engaged in the development of cooling modules to support the introduction of hydrogen fuel cells into the mining sector and other heavy industry.

The innovative Alu Fin product is gaining much attention in the mining sector with a number of global OEM's now seeking prototypes for trialing.

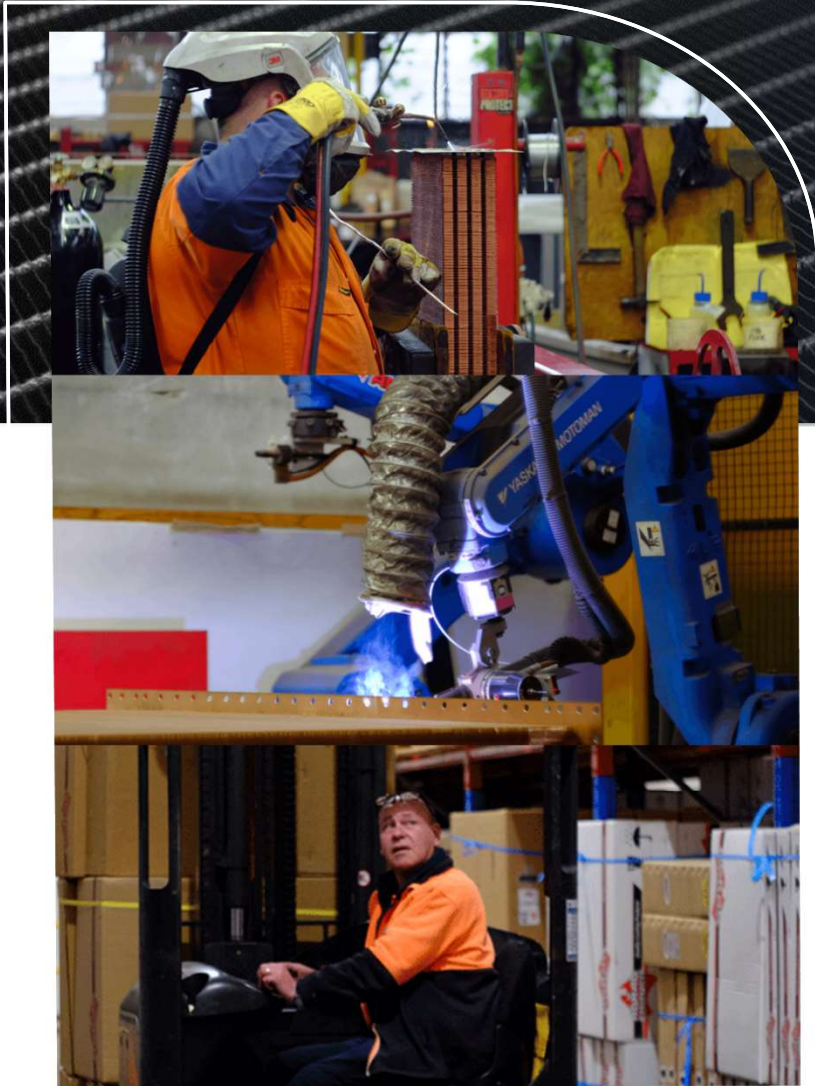
Alu Fin provides an ideal solution for the demanding cooling needs associated with the introduction of hydrogen fuel cells.



FY24 Outlook



- **Business organization restructure to focus on core segments and clarify accountability.**
- **The business is resilient to economic challenges and is well positioned for growth due to the non-discretionary aftermarket offering and strong OE order book.**
- **Lift in build rates as major OEM customer's supply chains and labour shortage constraints ease.**
- **Heat Transfer Solutions product development and customer acceptance testing is a long process.**
- **Working with our key OEM customers on product development designed to utilize Alu Fin across multiple off-highway applications.**
- **Increase traction in Alu Fin prototypes and applications being refined for future deployment.**
- **Target to grow powergen work in SE Asia and further utilize Thailand production capabilities.**
- **Revenue growth expected to continue in line with recent trend**



ADRIAD

Holdings Limited

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Appendix



NPAT

	FY23			FY22	Change	
	Stat	Other	pro forma	pro forma	\$m	%
NPAT	5.6	0.7	6.3	6.0	0.3	4.5%
Convertible notes	0.0	1.1	1.1	2.4	(1.3)	(53.3%)
NZ DTA write down	0.0	0.8	0.8	0.0	0.8	
Obsolete equipment write downs	0.0	0.2	0.2	0.0	0.2	
Pro forma NPAT	5.6	2.9	8.5	8.4	0.1	0.8%

Pro forma marginally above FY22 following post-tax adjustments for non-recurring costs associated with issue of convertible notes, write down of the deferred tax asset related to New Zealand operations and the write down of obsolete equipment.

Growth Investments

- **Extension of Thailand facility to increase capability is underway – estimated completion in FY24.**
- **Fabrication equipment (laser cutter, turret punch & brake press) for Thailand are on order.**
- **Expansion of aftermarket product range planned for FY24.**
- **Opportunistic investments.**