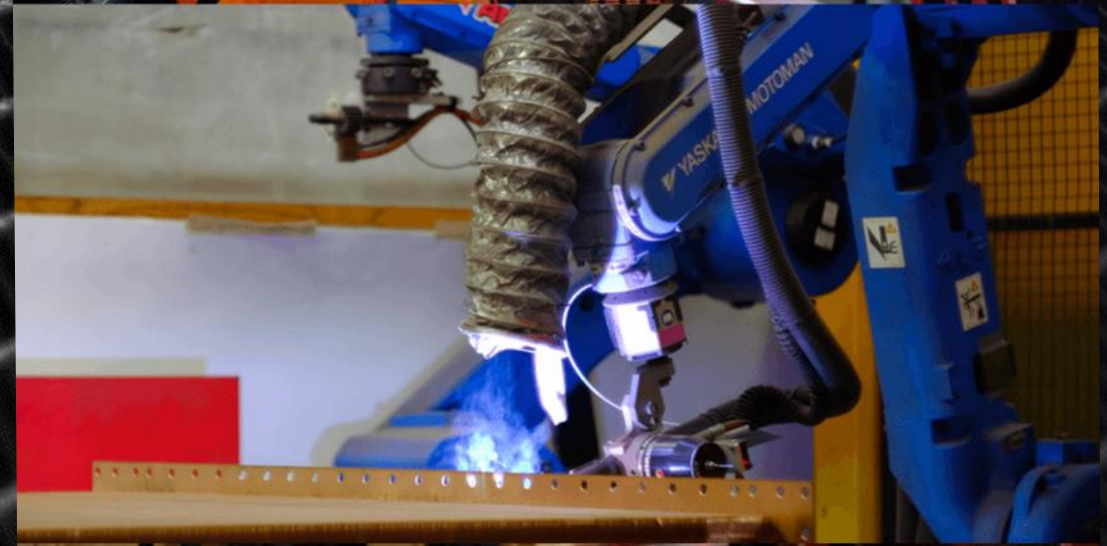


ADRAD

FY24 RESULTS PRESENTATION

AUGUST 2024

adradholdings.com.au



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Vision: 1st Choice for Industrial & Engine Cooling Solutions

Two major segments servicing all aspects of the engine cooling market:

HEAT TRANSFER SOLUTIONS (AIR RADIATORS)

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



DISTRIBUTION (ADRAD)

Importer and distributor of radiators and other products for the Australasian automotive and industrial aftermarket.



FY24 Financial Highlights

\$142.9m

Trading Revenue

↑ 1.2%

from FY23

\$18.1m

Pro forma EBITDA¹

↓ 10.9%

from pro forma FY23

\$14.7m

Operating Cash flow

↑ 162.5%

from FY23

\$6.0m

Statutory NPAT

↑ 6.6%

from FY23

6.3%

ROACE²

\$5.5m

Capital Investment

7.36cps

Basic EPS

2.94cps

Full year related dividend³ – fully franked

Notes:

1. Pro forma EBITDA on a post AASB-16 basis
2. Return on Average Capital Employed
3. Equates to 40% of statutory full year NPAT, fully franked. Final declared dividend of 1.61cps which when combined with the 1HFY24 interim dividend of 1.33 CPS equates to 2.94cps, a 26% increase on FY23 related dividends of 2.33cps. Final dividend has a record date of 19 September 2024 and a payment date of 3 October 2024.

HEAT TRANSFER SOLUTIONS (AIR RADIATORS)



“Customer Focus”

Drive growth in Australia and Asia



“Cost Focus”

Improve efficiency & rationalise what we make where



“Our Products”

Develop unique cooling solutions.

DISTRIBUTION (ADRAD)



“Customer Focus”

Great connections with customers digitally and personally



“Cost Focus”

Drive network efficiency reducing the cost to supply



“Our Products”

Source the best products and deliver best value

Segment Overview

FY24 Segment Achievements

| | HTS | | | | Distribution | | | | Group Support | | | | Group Total | | | |
|---------------------------|------|------|--------|---------|--------------|------|--------|------|---------------|-------|--------|-------|-------------|-------|--------|---------|
| | FY24 | FY23 | Change | | FY24 | FY23 | Change | | FY24 | FY23 | Change | | FY24 | FY23 | Change | |
| | \$ m | \$ m | \$ m | % | \$ m | \$ m | \$ m | % | \$ m | \$ m | \$ m | % | \$ m | \$ m | \$ m | % |
| Trading Revenue | 78.3 | 79.3 | (1.0) | (1.2%) | 64.5 | 61.9 | 2.6 | 4.3% | | | | | 142.9 | 141.2 | 1.7 | 1.2% |
| EBITDA (Statutory) | 12.4 | 13.9 | (1.5) | (10.8%) | 9.7 | 9.4 | 0.3 | 3.0% | (4.6) | (4.0) | (0.6) | 15.0% | 17.5 | 19.3 | (1.8) | (9.2%) |
| EBITDA (Pro forma) | 12.4 | 13.9 | (1.5) | (10.8%) | 9.7 | 9.4 | 0.3 | 3.0% | (4.0) | (3.0) | (1.0) | 33.5% | 18.1 | 20.3 | (2.2) | (10.9%) |

Distribution segment growth continues HTS strong 1H results affected by project deferrals in 2HFY24

- Re-organisation of the business segments at the outset of FY24 delineating manufacturing and distribution; FY23 segment results re-stated accordingly;
- Distribution revenue growth continued, supported by increased part ranges & previously expanded footprint;
- HTS revenue affected by customer project slippage; deferred projects anticipated to re-start in FY25; and
- In conjunction with a key growth customer HTS commenced a product upgrade program which incurred additional one-off costs of ~\$1.5m affecting FY24 EBITDA. Customer forecast for this product group remains strong in FY25.



Structure for success continued to be a focus in FY24



Enhanced supporting functions in People & Culture, Finance and IT



Implemented organisational structure to focus on the two business segments



Clear accountability delineating manufacturing and distribution

Group Support

- ✓ **Addition of Ms Annie Rafferty as our new GM, People and Culture (P&C).**
- ✓ **Continued reduction in workplace injuries and incidents; well below industry benchmarks.**
- ✓ **Implemented an Employee Assistance and Wellbeing Program.**
- ✓ **Developed AHL's values of, Caring, Trustworthy, One Team, Innovative and We Deliver.**
- ✓ **Reviewing the corporate structure and processes to reduce costs and improve reporting.**
- ✓ **Enhanced cyber security and initiated an ERP upgrade, updated IT infrastructure, improved data and network security, connectivity and functionality.**



**12%
Inventory
reduction**



**Completed
restructure
of
engineering
and sales
teams**

- ✓ **Completed the Thailand facility production building expansion and planned commissioning of new equipment.**
- ✓ **Supplier Excellence recognition award from Caterpillar for the Thailand operations and Joint Design Category Supplier of the Year award from Kenworth.**
- ✓ **Heavy-duty aluminium product validated for jacket water cooling; air and oil applications due in FY25.**

Alu Fin

- **underground mining unit in field prototype testing commenced;**
- **surface mining design model externally validated for strength and durability;**
- **surface mining vehicle auxiliary coolers for electric and hybrid vehicles delivered for UAT; and**
- **on road heavy duty units in field testing.**

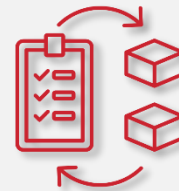
Production Capability

- ✓ Installed and commissioned key cutting, bending and forming production assets to increase capability which will deliver operational improvements in FY25.
- ✓ These strategic assets enable the Thailand facility to manufacture products currently purchased ultimately reducing COGS.
- ✓ Thailand capability and capacity continues to grow with further transfer of work from Australia; operational performance improvements supporting existing customers and future growth opportunities.





Range expanded to 28,000+ SKU's while reducing overall inventory value



Inventory reduction achieved via improved product lead times and continued system improvements



Improved margin through dynamic pricing & expanded parts range delivered growth in FY24



Ecommerce initiatives targeting better customer experiences

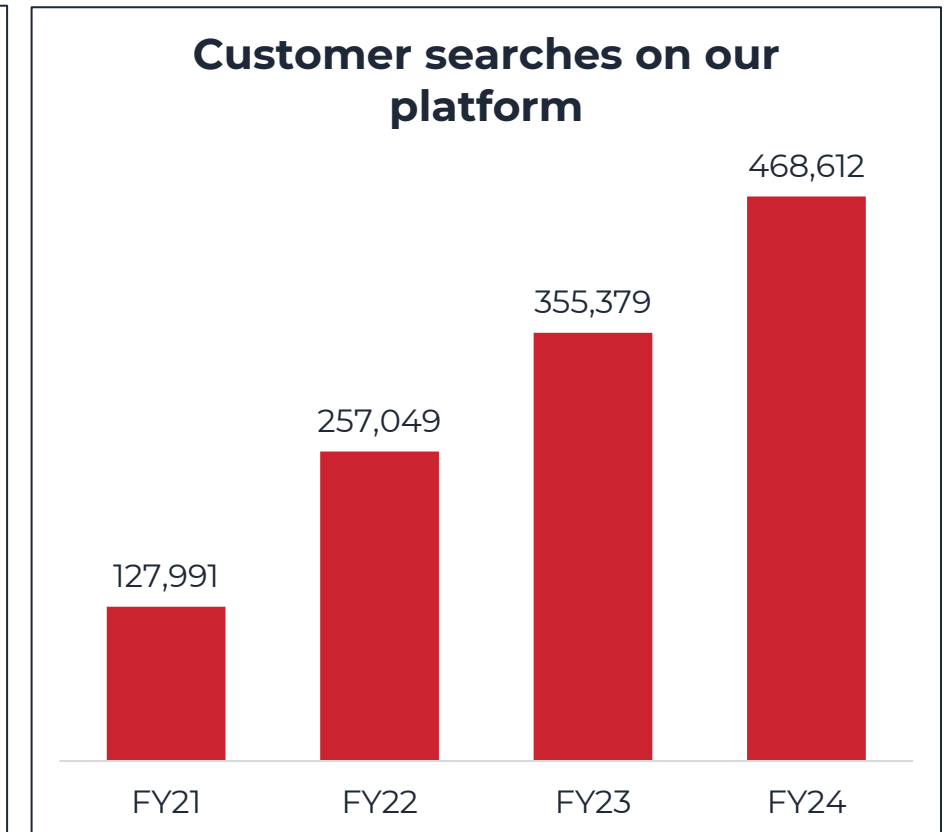
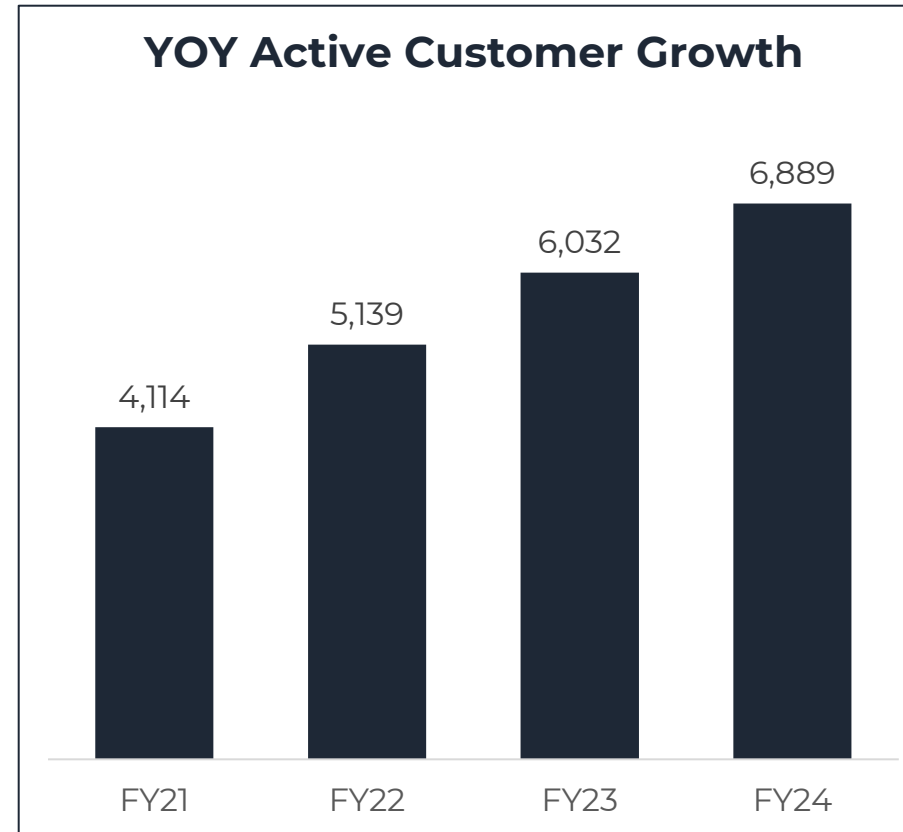
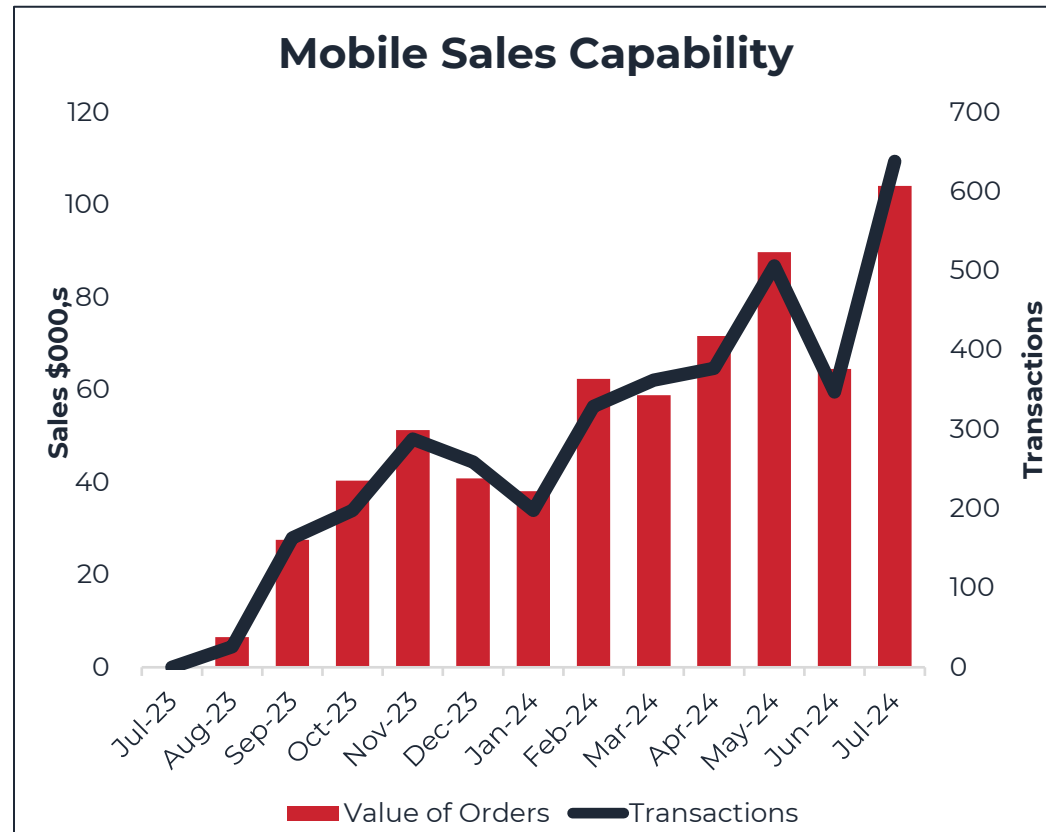


Vehicle fleet modernisation to reduce operating costs and improve safety



Addition of Mr Richard Rindfleish as our GM, Distribution

Adrad Distribution – Leveraging our network



- ✓ **Launch of mobile sales capability to transact live at customer sites**
- ✓ **Continued growth in customer activity via our Ecommerce platforms**
- ✓ **Improved customer product search capability introduced in Q4**
- ✓ **1200+ new customer accounts signed up**
- ✓ **850+ (14%) growth in annual active customers compared to FY23**

FY24 Financials

Growing market presence delivers revenue and earnings growth

| | Pro forma | | | | Statutory | | | |
|---------------------------|-----------|-------|--------|---------|-----------|-------|--------|--------|
| | FY24 | FY23 | Change | Change | FY24 | FY23 | Change | Change |
| | \$m | \$m | \$m | % | \$m | \$m | \$m | % |
| Trading Revenue | 142.9 | 141.1 | 1.7 | 1.2% | 142.9 | 141.1 | 1.7 | 1.2% |
| EBITDA¹ | 18.1 | 20.3 | (2.2) | (10.9%) | 17.5 | 19.3 | (1.8) | (9.2%) |
| NPAT² | 6.5 | 8.5 | (2.0) | (23.6%) | 6.0 | 5.6 | 0.4 | 6.6% |

1. FY24 Pro forma EBITDA has been adjusted for IPO related share-based payments plus non-recurring costs associated with manufacturing rationalisation; FY23 has been adjusted for IPO related expenses.
2. FY24 Pro forma NPAT has been adjusted for IPO related costs and non-recurring manufacturing rationalisation costs; FY23 Pro forma NPAT has been adjusted for IPO related costs and costs associated with convertible notes.

- **Trading revenue growth of 1.2%**
- **Increased trading revenue growth across Adrad Distribution network offset by project deferrals in HTS**
- **Pro forma EBITDA down 11% to \$18.1m – in line with trading update provided 31 May 2024**
- **Higher than anticipated warranty claims in manufacturing; issues identified and rectified with the expectation of cost abatement in FY25 and beyond.**

Income Statement - Statutory

| | FY24 | FY23 | Change | |
|---------------------------------|--------------|--------------|--------------|----------------|
| | \$ m | \$ m | \$ m | % |
| Revenue | 142.9 | 141.1 | 1.7 | 1.2% |
| Other Income | 0.9 | 1.7 | (0.8) | (47.4%) |
| Operating Expenses ¹ | (126.3) | (123.6) | (2.7) | 2.2% |
| EBITDA² | 17.5 | 19.3 | (1.8) | (9.2%) |
| Depreciation and amortisation | (7.3) | (7.0) | (0.3) | 3.6% |
| Operating Profit | 10.3 | 12.3 | (2.0) | (16.5%) |
| Finance costs | (1.2) | (2.8) | 1.6 | (58.2%) |
| Profit before tax | 9.1 | 9.5 | (0.4) | (4.0%) |
| Income tax expense | (3.1) | (3.9) | 0.8 | (19.7%) |
| NPAT | 6.0 | 5.6 | 0.4 | 6.6% |
| Pro forma EBITDA | 18.1 | 20.3 | (2.2) | (10.9%) |
| Pro forma NPAT | 6.5 | 8.5 | (2.0) | (23.6%) |

1. Excludes depreciation and amortisation for purposes of calculating EBITDA.

2. Earnings before interest tax, depreciation and amortisation

- Trading revenue increase following prior investment in additional warehouse locations and product range expansion.
- Experienced project deferrals in 2H; most anticipated to be re-initiated in FY25.
- EBITDA negatively impacted by warranty expense and product upgrade.
- FY23 finance costs included \$1.5m convertible note costs.
- NPAT up 7%; declared final dividend of 1.61 cps. Total FY24 dividend of 2.94 cps being 40% of statutory NPAT, fully franked

Balance Sheet

| | FY24 | FY23 | Change | |
|-----------------------------|--------------|--------------|--------------|---------------|
| | \$ m | \$ m | \$ m | % |
| Cash | 15.8 | 13.9 | 1.9 | 13.7% |
| Trade and other receivables | 24.5 | 21.5 | 3.0 | 14.1% |
| Inventory | 47.3 | 54.3 | (7.0) | (12.9%) |
| PP&E | 17.7 | 15.0 | 2.6 | 17.4% |
| Right-of-use assets | 43.5 | 43.3 | 0.2 | 0.4% |
| Other assets | 41.8 | 41.6 | 0.2 | 0.6% |
| Total assets | 190.6 | 189.6 | 1.0 | 0.5% |
| Trade and other payables | 11.9 | 14.1 | (2.1) | (15.2%) |
| Provision for income tax | (0.7) | 0.3 | (1.0) | (334.8%) |
| Borrowings | 1.4 | 2.9 | (1.5) | (51.5%) |
| Lease liabilities | 47.4 | 46.0 | 1.4 | 3.0% |
| Other liabilities | 9.8 | 9.4 | 0.4 | 4.1% |
| Total liabilities | 69.8 | 72.7 | (2.9) | (4.0%) |
| Net assets | 120.8 | 116.9 | 3.9 | 3.3% |

- **Cash increased \$1.9m.**
- **Reduced inventory by \$7m.**
- **Continue focus on working capital management.**
- **Creditor position supports negotiations for better supplier terms and conditions.**
- **Continued investment (+\$5.2M) in operational assets including:**
- **Thailand plant expansion and further investment in new equipment.**

Cash Flow

| | FY24 | FY23 | Change | |
|---|--------------|--------------|---------------|-----------------|
| | \$ m | \$ m | \$ m | % |
| Operating cash flow | 20.2 | 13.1 | 7.1 | 53.9% |
| Finance costs | (1.2) | (1.2) | 0.1 | (4.5%) |
| Tax paid | (4.3) | (6.3) | 2.0 | (31.8%) |
| Cash flows from operating activities | 14.7 | 5.6 | 9.1 | 164.7% |
| Capital expenditure (net of disposal) | (5.2) | (3.9) | (1.4) | 35.9% |
| Cash flows from investing activities | (5.2) | (3.9) | (1.4) | 35.9% |
| Proceeds from issue of shares (net) | 0.0 | 14.2 | (14.2) | |
| Borrowings proceeds/(repayments) | (1.5) | (1.5) | (0.0) | 1.6% |
| Lease payments | (3.7) | (3.5) | (0.2) | 6.0% |
| Dividends paid | (2.4) | (0.6) | (1.8) | 325.7% |
| Net cash from financing activities | (7.5) | 8.8 | (16.3) | (186.1%) |
| Net increase/(decrease) in cash and cash equivalents | 1.9 | 10.5 | (8.5) | (81.7%) |
| Cash and cash equivalents at the beginning of the financial year | 13.9 | 3.5 | 10.5 | 300.7% |
| Cash and cash equivalents at the end of the financial year | 15.8 | 13.9 | 1.9 | 13.7% |

- **Cash flow from operating up \$9m driven by inventory reduction and lower tax payments.**
- **Continued capital investment to increase overall capability, expand the range of products manufactured and improve operating costs.**
- **\$2.4m dividends paid during the year.**
- **Full year FY24 final dividend declared of 1.61 cps will be paid in October 2024 and has not been brought to account in these results.**
- **Brings FY24 related dividends declared to 2.94cps or 40% of full year NPAT – fully franked.**

Outlook

HEAT TRANSFER SOLUTIONS (AIR RADIATORS)

- ❖ Expand revenue in Asia through focused sales activity.
- ❖ Driving Alu Fin application sales through higher levels of customer engagement and trade show marketing activities.
- ❖ Product development opening new markets.
- ❖ Continued improvement of Thailand facilities capability and efficiency.
- ❖ Increased industrial service activity leveraging our skills as an OE manufacturer and our locations in Australia.

DISTRIBUTION (ADRAD)

- ❖ Growing customer engagement and sales via our digital interfaces.
- ❖ Leverage our growing customer base to be 1st choice for cooling solutions.
- ❖ Improving data analytics external and internal to drive targeted growth.
- ❖ Development of new sales channels.
- ❖ Continued expansion of direct to trade sales channel & industrial cooling products.

HEAT TRANSFER SOLUTIONS (AIR RADIATORS)



“Customer Focus”

Drive growth in Australia and Asia



“Cost Focus”

Improve efficiency & rationalise what we make where



“Our Products”

Develop unique cooling solutions.

DISTRIBUTION (ADRAD)



“Customer Focus”

Great connections with customers digital and personal



“Cost Focus”

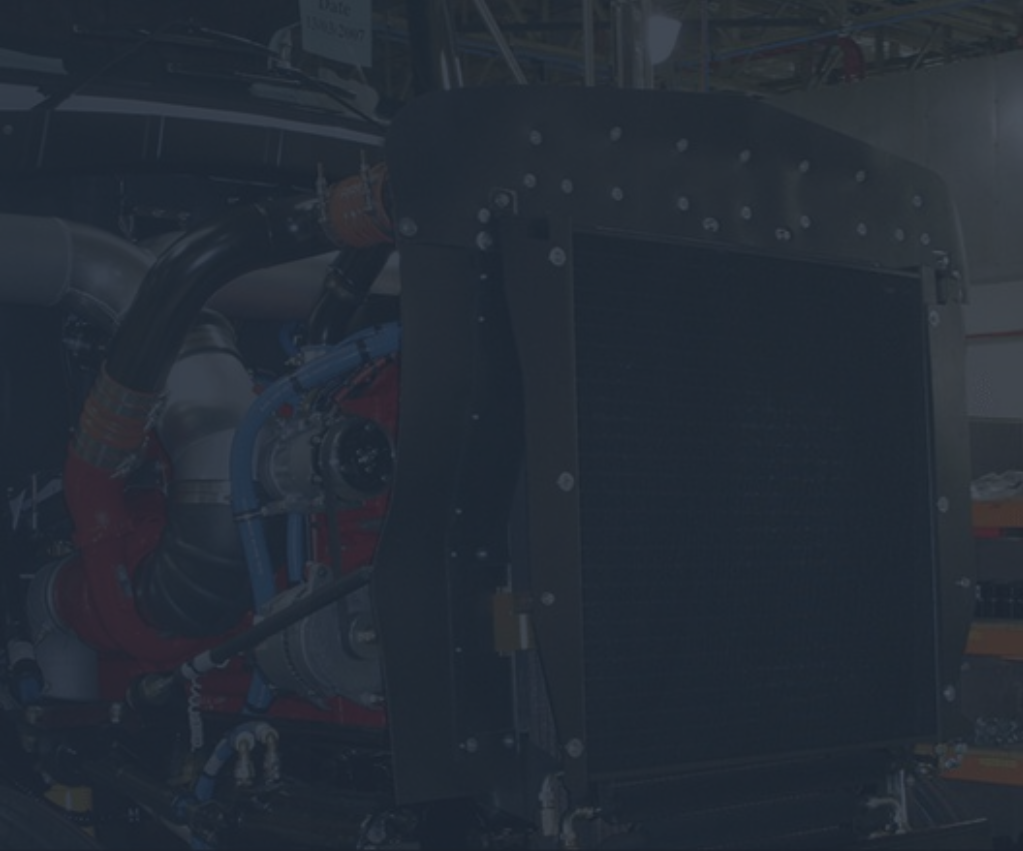
Drive network efficiency reducing the cost to supply



“Our Products”

Source the best products and deliver best value

AHL is confident in the long-term outlook for the business focussed on growth supported by its products and a commitment to our customers' evolving needs.



APPENDIX

Reconciliation of Statutory to Pro forma results

| | FY24 | FY23 | Change | Change |
|--|-------------|-------------|--------------|----------------|
| | \$m | \$m | \$m | % |
| Revenue and other income | 143.8 | 142.9 | 0.9 | 0.6% |
| Other expenses (ex depreciation & interest) | (126.3) | (123.6) | (2.7) | 2.1% |
| Statutory EBITDA | 17.5 | 19.3 | (1.8) | (9.2%) |
| <i>Abnormal items not in the ordinary course of operations</i> | | | | |
| IPO related costs net of recovery ¹ | 0.5 | 0.7 | (0.3) | (36.2%) |
| Other (manufacturing, redundancies) | 0.1 | 0.3 | (0.2) | (58.9%) |
| Pro forma EBTIDA | 18.1 | 20.3 | (2.2) | (10.9%) |

1. Non-recurring IPO cost net of cost recovery. FY24 includes \$0.5 million in share based payments made in respect of the successful listing on the ASX.

| | FY24 | FY23 | Change | Change |
|---|------------|------------|--------------|----------------|
| | \$m | \$m | \$m | % |
| Statutory NPAT | 6.0 | 5.6 | 0.4 | 6.6% |
| <i>Significant and abnormal items (net of tax at 30%)</i> | | | | |
| IPO costs net of recovery ¹ | 0.3 | 0.6 | (0.3) | (47.0%) |
| Other (redundancies, DTA, stock) | 0.2 | 1.2 | (1.0) | (83.5%) |
| Convertible notes costs ² | | 1.1 | (1.1) | (100.0%) |
| Pro forma NPAT | 6.5 | 8.5 | (2.0) | (23.6%) |

1. Non-recurring IPO cost net of recovery from the Original Shareholders. FY24 includes \$0.3m (post tax) share based payments to staff on successful IPO.

2. Non-recurring establishment and interest costs in respect of the convertible notes which converted at IPO on 30 September 2022.

- The Company has made pro forma adjustments to its FY23 and FY24 EBITDA results to eliminate the non-recurring financial costs associated with listing on the ASX.
- In addition, other abnormal non-recurring costs associated with manufacturing rationalization have been adjusted.
- Where applicable costs have been adjusted at the Australian corporate tax rate of 30% to arrive at a pro forma NPAT.
- In addition, during FY23 non-recurring financing costs associated with the convertible notes and adjustments to deferred tax assets had been taken up to arrive at a pro forma NPAT. As these costs are financing and tax related they did not impact EBITDA.

ADRIAD



CONTACT US

Investor Relations
Melanie Singh
+61 439 748 819

melanie@nwrcommunications.com.au