# Half Year (1HFY25) Results

# Revenue Growth Continues

**Adrad Holdings Limited** ('ASX: AHL', 'Adrad' or the 'Company') Adrad is an Australian-based business specialising in the design and manufacture of innovative heat transfer solutions for industrial applications and the importation and distribution of automotive aftermarket cooling and other vehicular service parts. Adrad is pleased to announce its half year results for the period ending 31 December 2024 (1HFY25).

**Key highlights:**

- Trading Revenue of $77.9m, up 6.0% on prior corresponding period (pcp).
- Pro forma EBITDA of $8.2m[1] down 16.9% on pcp.
- Positive cashflow from operations of $10.1m; 123% cash conversion ratio.
- Interim dividend of 1.40 cents per share (cps) declared, fully franked.
- The 1HFY25 declared interim dividend is equal to 40% of half year NPAT.

| | Pro forma | | | | Statutory | | | |
|---|---|---|---|---|---|---|---|---|
| | 1HFY25 $m | 1HFY24 $m | Change $m | % | 1HFY25 $m | 1HFY24 $m | Change $m | % |
| **Trading Revenue** | 77.9 | 73.5 | 4.4 | 6.0% | 77.9 | 73.5 | 4.4 | 6.0% |
| **EBITDA[2]** | 8.2 | 9.9 | (1.7) | (16.9%) | 8.2 | 9.4 | (1.2) | (12.4%) |
| **NPAT[3]** | 2.8 | 3.6 | (0.8) | (22.2%) | 2.8 | 3.1 | (0.3) | (9.7%) |

Both segments of Adrad's business grew over the half-year. Heat Transfer Solutions (HTS) witnessed increasing demand for cooling solutions in the powergen market, specifically growth in projects relating to backup generators in the data centre sector. This growth alongside increased sales volumes for off-highway (e.g. mining vehicles) cooling units resulted in 7.1% revenue growth for HTS. The Distribution segment delivered a 4.6% increase in revenue as it continued to grow new sales channels.

**Several factors impacted 1HFY25 profit:**

- Increase in materials and consumable costs; 1HFY25 input costs were 48.5% of revenue versus pcp at 47%.
- Increase in employee costs due to wage rates and superannuation increases resulting in an increase of 0.4% as a % of revenue versus pcp.
- Doubtful debt provisions increased, relating to an increasingly unlikely collectable from an overseas entity.
- FX losses greater than pcp due to the deteriorating purchasing power of the Australian dollar.
- Insurance costs increased due to broadened cover for Cyber, Professional Indemnity and asset insurance.

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The Company responded by adjusting selling prices following the completion of our growth campaign initiated in FY24, re-negotiating an OEM contract at renewal date effective from 1 January 2025, implementing a freight cost reduction program and better recovery of freight costs incurred. Further, the Company deployed more active foreign currency exposure management and continued to consolidate manufacturing in Australia and transfer manufacturing to its Thailand facility.

**Adrad CEO, Kevin Boyle** said: "We continued to execute on the growth initiatives we highlighted in our FY24 results. This strategy resulted in growing customer engagement across both segments of the business, with ongoing expansion of activity across Australia and Asia.

EBITDA was impacted by inflationary and other cost pressures reducing margin during the period.

Actions to pass on costs in selling prices have been taken in Q2FY25. We have through contract negotiations secured improved selling prices from January 2025 with a key customer for our HTS on highway products. The margin outlook for our Distribution segment has improved through a combination of cost control actions and selling price adjustments.

Overall, we are experiencing an improved demand outlook for both business segments. We are confident we can continue to leverage our growing customer base and forecast revenue growth to continue."

**Outlook**

Significant progress has been made in positioning the business for long term growth across its core markets.

We continue to invest in product development for the HTS business segment, with ongoing demand for our bespoke engineered solutions across the Australian and Asian markets. In December 2024 HTS received its first order to build two prototype Alufin units for large above ground mining vehicles to go into infield testing 2025/6. Our investments and product upgrades in the data centre space are being rewarded with increased customer demand in 2HFY25.

The Distribution segment will continue to focus on extracting value through ongoing improvement initiatives such as distribution network efficiency, freight management, enhancements to e-commerce and ERP systems, while targeting new areas for growth such as the crash repair sector.

The Company is confident of achieving continued revenue growth.

**Results webinar**

Adrad's CEO, Kevin Boyle, and CFO, Rod Hyslop, will host a webinar to discuss the results on Tuesday, 25 February at 12:00pm (AEDST).

Investors may register via the webinar link:

https://us02web.zoom.us/webinar/register/WN_IKmCkxY3RsKh30zk9UKO7A

Investors can submit questions prior to the webinar to 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.***

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For more information, please visit http://adradholdings.com.au/

1. Pro forma EBITDA presented on a post-AASB-16 basis
2. There were no 1HFY25 adjustments. 1HFY24 Pro forma EBITDA has been adjusted for IPO related costs.
3. There were no 1HFY25 adjustments. 1HFY24 Pro forma NPAT has been adjusted for IPO related costs.


ADRAD

# 1HFY25 RESULTS PRESENTATION

FEBRUARY 2025

adradholdings.com.au

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Authorised for release by the Board of Adrad Holdings Limited.

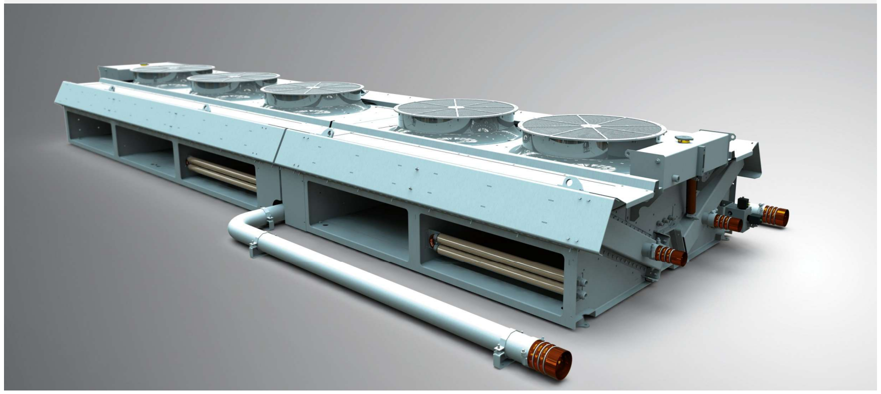
# Our diversified business

## 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.**

# 1HFY25 Financial Highlights

ADRAD Holdings Limited

**$77.9m**
Trading Revenue
⬆ 6.0%
from 1HFY24

**$8.2m**
Pro forma EBITDA[1]
⬇ 16.9%
from pro forma 1HFY24

**$10.1m**
Operating Cash flow
Pro forma cash conversion ratio[2]: 123%; 1HFY24: 105%

**$2.8m**
Statutory NPAT
⬇ 9.7%
from 1HFY24

**$2.9m**
Capital Investment

**3.5cps**
Basic EPS

**1.40cps**
Interim dividend[3] – fully franked

Notes:
1. Pro forma EBITDA on a post AASB-16 basis; note, there were no pro forma adjustments to the 1HFY25 results
2. Cash from operations ÷ pro forma EBITDA
3. Equates to 40% of statutory half year NPAT, fully franked. Interim dividend has a record date of 26 March 2025 and a payment date of 2 April 2025.

# 1HFY25 Key take aways

ADRAD Holdings Limited

## 1HFY25 Summary

- 6% increase in revenue, EBITDA and NPAT are lower than pcp due to input costs increases (labour and raw materials) outpacing selling price adjustments and other cost reduction measures.
- Other cost increases for the period include foreign exchange impacts; insurance premium increases on a broader program; and the provision for a doubtful debt.

## Actions Implemented

- Distribution selling price adjustments implemented in Q2FY25 will increase revenue by ~$1M on a same sales volume annualised basis.
- HTS renegotiated a contract (effective 2HFY25) with key OEM customer that would increase revenue by ~$1.5M on a same sales volume annualised basis.
- Freight cost reduction program implemented expected to deliver annualised savings of ~$1M.

## 2HFY25 Economic Outlook

- The Company is confident that full year revenue will continue to grow off the back of actions taken and a strong order book particularly in data centre backup powergen; industrial service and maintenance activity in rail and powergen sectors.

# HTS Segment - Growth initiatives continue

ADRAD Holdings Limited

| | | |
|---|---|---|
| 1 | Expand revenue in Asia through focused sales activity | ● Asia regional sales director hired to drive SE Asian customer engagement<br>● 1st Asian rail project won ($+0.5M) and will commence in 2HFY25 |
| 2 | Driving Alu Fin application sales | ● Received first orders for prototypes for above ground mining vehicles<br>● Exhibited at MINExpo 2024 (USA) increased enquiries for Alu Fin and other products |
| 3 | Product development opening new markets | ● Continued product development driving interest from customers for greater applications |
| 4 | Improvement of Thailand facilities to drive efficiencies | ● Thai manufacturing facility completed<br>● Progressing final equipment commissioning |
| 5 | Increased industrial maintenance leveraging OE skills in Aus | ● Increased orderbook of $9m to be executed over CY25 and CY26 |

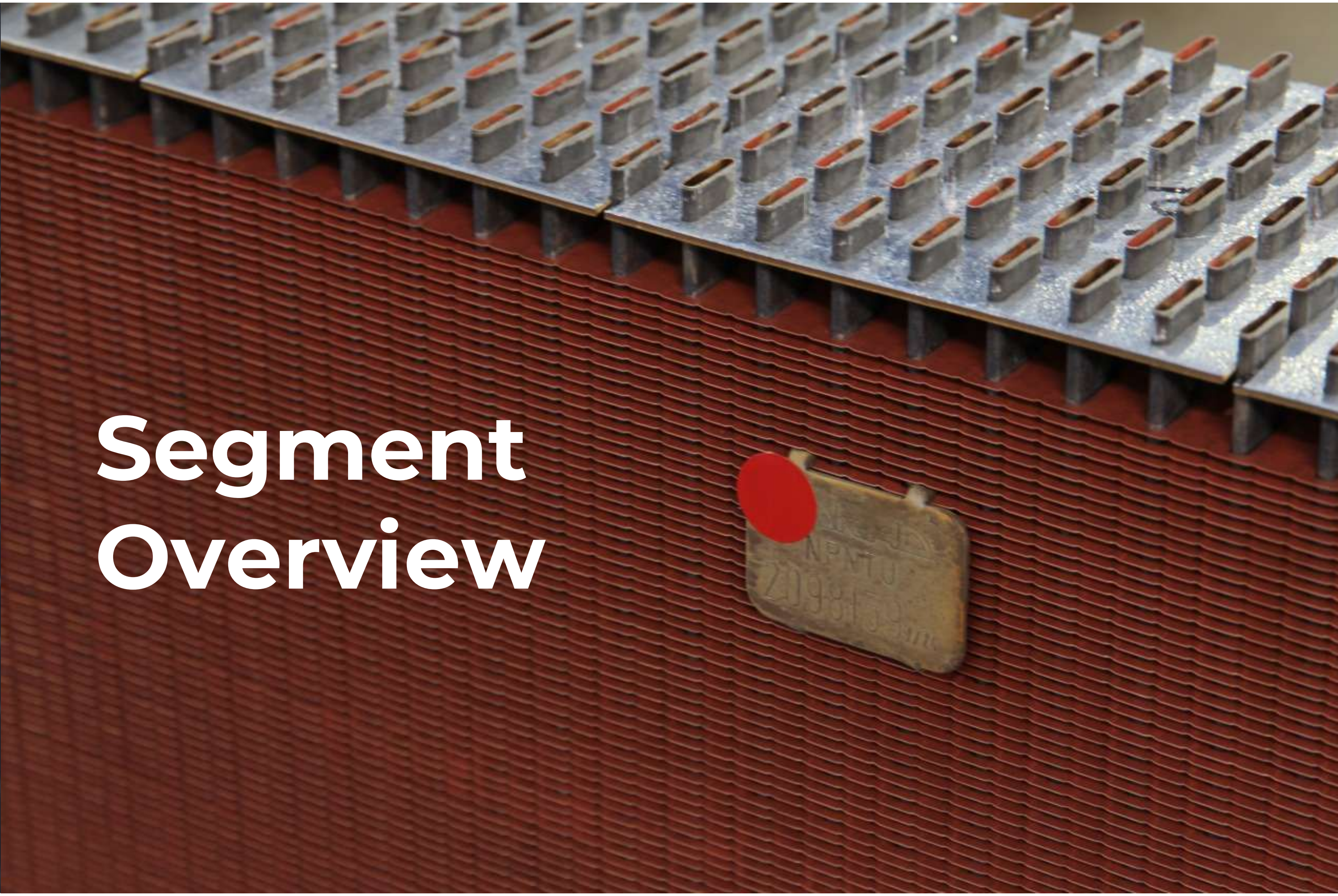
● Completed ● Still in progress

# Distribution - Growth initiatives continue

| | | |
|---|---|---|
| 1 | **Growing customer engagement and sales via our digital interfaces** | ● Completed upgrade to main online platforms design<br>● Launch due 2HFY25 |
| 2 | **Leverage growing customer base to be 1st choice for cooling solutions** | ● Growth in trade customer base continues to deliver increased cooling product range sales |
| 3 | **Improving data analytics to drive targeted growth** | ● Completed the initial roll out of a new BI tool<br>● Analytics will further support sales, product and pricing teams |
| 4 | **Development of new sales channels** | ● Hired crash sector business development manger |
| 5 | **Continued expansion of direct to trade sales channel & industrial cooling products** | ● 10+% growth versus pcp in number of active customers<br>● Made available 2000+ new parts and cooling products |

● Completed ● Still in progress

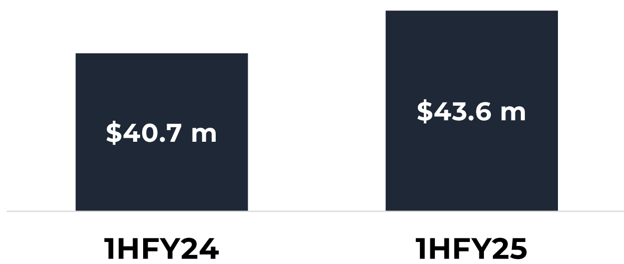
# Segment Overview



# Revenue growth achieved across both HTS and Distribution

Holdings Limited

HTS Revenue
(up 7.1% on pcp)

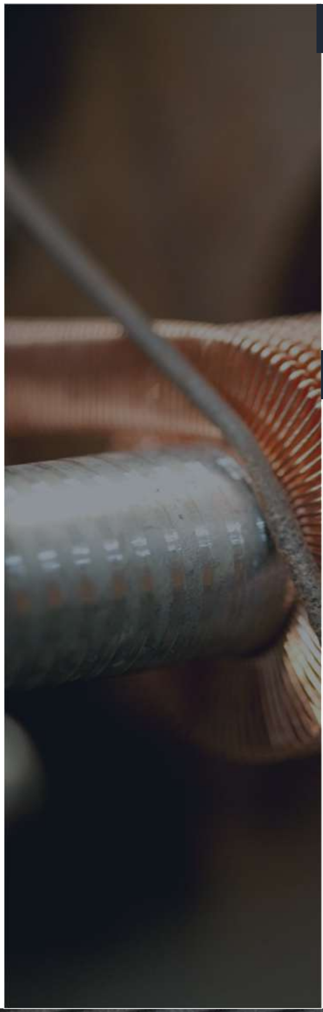



- Increased sales in off-highway (eg mining vehicles) cooling in Asia.
- Growing demand for powergen – specifically in back up generation for data centres.
- Upturn in demand in off-highway cooling and data centre powergen expected to continue in 2HFY25.

Distribution Revenue
(up 4.6% on pcp)


- Distribution revenue growth derived from:
  - branch improvement projects; and
  - selling price driven customer growth campaign.
- Ongoing refinement and expansion of product offering.

# Heat Transfer Solutions



## Highlights

- Design and delivery of 5 custom radiators for a 95MW hybrid thermal power station in WA; our largest manufactured units to date at 12.5m by 15.5m.
- Australian rail service project to take place over CY25 and CY26.
- HTS warranty costs lower compared to pcp, this remains a continuous improvement area of focus.

## ALU FIN Update

***ALU FIN DEVELOPED TO PROVIDE THE MARKET WITH A LIGHTER, LOWER COST, HIGH PERFORMING ALTERNATIVE TO CONVENTIONAL COPPER BRASS SOLUTIONS IN HEAVY VEHICLES***

**Alu Fin progress during the half included:**

- **Received first order to build two prototype units for large above ground mining vehicles to go into infield testing 2025/2026.**
- **Underground mining unit in field prototype testing continues with positive customer feedback.**
- **On highway heavy duty (truck) units in field testing exceed 360,000 kms in service supporting target to sell 50 more units for infield testing in 2025.**

# Heat Transfer Solutions - Thailand

ADRAD Holdings Limited

## Production Capability

- **Thailand manufacturing capability continues to grow with further transfer of work from Australia.**
- **Performance in 1HFY25 better than pcp as cost reduction activities are realised and recovering Asian demand for mining vehicle units.**
- **Received first orders for two Alu Fin prototype units to be manufactured for large above ground mining vehicles in 2025.**


# Distribution

Range expanded to 30,000+ SKU's from 28,000

Continued to work with suppliers for improved terms and shorter lead times

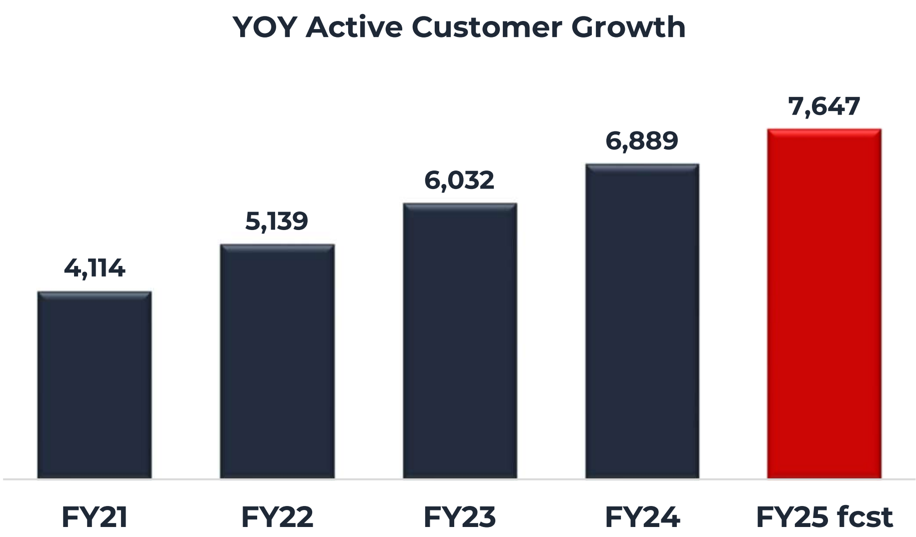
Selling price campaign targeting customer growth

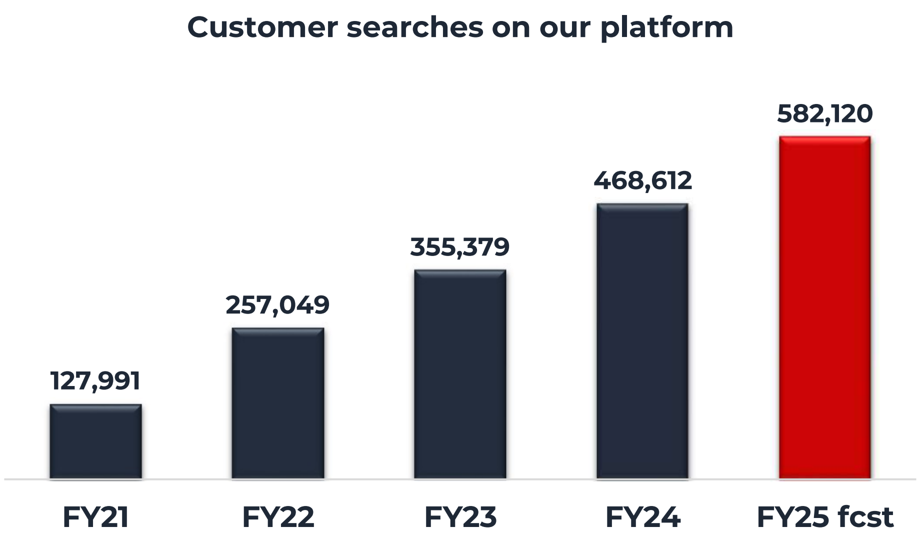
Ecommerce improvement projects progress towards completion in 2HFY25

Freight and distribution cost improvement program launched

Opening new channels through the addition of crash business development manager

# Distribution – Leveraging our network




- Active customer growth forecast to rise based on 1HFY25 achievements.
- 650+ new customer accounts added during 1HFY25.
- Product searches on our platforms continue to grow at expected rates.
- Mobile sales 1HFY25 >$600k up 72% on 2HFY25.
- 70% of sales to general mechanical market segment via Adrad's ecommerce platforms.

# 1HFY25 Financials

# Financial results 1HFY25

| | Pro forma | | | | Statutory | | | |
|---|---|---|---|---|---|---|---|---|
| | 1HFY25 $m | 1HFY24 $m | Change $m | % | 1HFY25 $m | 1HFY24 $m | Change $m | % |
| Trading Revenue | 77.9 | 73.5 | 4.4 | 6.0% | 77.9 | 73.5 | 4.4 | 6.0% |
| EBITDA [1] | 8.2 | 9.9 | (1.7) | (16.9%) | 8.2 | 9.4 | (1.2) | (12.4%) |
| NPAT [1] | 2.8 | 3.6 | (0.8) | (22.2%) | 2.8 | 3.1 | (0.3) | (9.7%) |

- **Trading revenue growth of 6%**
- **Pro forma EBITDA down 16.9% from pcp to $8.2m largely driven by increases in:**
  - **Materials and consumable costs driven by deteriorating AUD purchasing power and increased direct input costs.**
  - **Employee cost increases through wage and superannuation uplift effective 1 July 2024.**
  - **Doubtful debt provisions of $0.3m for an overseas customer account.**
  - **FX related losses of $0.3m due to deteriorating purchasing power of AUD.**
  - **Insurance costs due to broadened and improved cover for Cyber, Professional Indemnity and asset insurance.**
- **Reduced trading margins in 1HFY25 reflect customer growth campaigns in the Distribution segment initiated in FY24; pricing has now returned to pre-campaign norms.**
- **NPAT down 9.7% versus pcp.**
- **Declared interim dividend of 1.40 cps being 40% of statutory half year NPAT, fully franked.**

[1] No pro forma adjustments to 1HFY25 results; comparison is to 1HFY24 pro forma results adjusted for IPO associated costs.

# Balance Sheet

| | 31-Dec-24 $ m | 30-Jun-24 $ m | Change $ m | % |
|---|---|---|---|---|
| Cash | 19.1 | 15.8 | 3.3 | 20.9% |
| Trade and other receivables | 20.4 | 24.5 | (4.1) | (16.7%) |
| Inventory | 47.7 | 47.3 | 0.4 | 0.8% |
| PP&E | 19.3 | 17.7 | 1.6 | 9.0% |
| Right-of-use assets | 41.9 | 43.5 | (1.6) | (3.7%) |
| Other assets | 41.7 | 41.8 | (0.1) | (0.2%) |
| **Total assets** | **190.1** | **190.6** | **(0.5)** | **(0.3%)** |
| | | | | |
| Trade and other payables | 12.1 | 11.9 | 0.2 | 1.7% |
| Provision for income tax | (2.1) | (0.7) | (1.4) | 200.0% |
| Borrowings | 0.7 | 1.4 | (0.7) | (50.0%) |
| Lease liabilities | 46.3 | 47.4 | (1.1) | (2.3%) |
| Other liabilities | 9.1 | 9.8 | (0.7) | (7.1%) |
| **Total liabilities** | **66.1** | **69.8** | **(3.7)** | **(5.3%)** |
| | | | | |
| **Net assets** | **124.0** | **120.8** | **3.2** | **2.6%** |

- **Cash position improved increasing $3.3m from 30 June 2024.**
- **Receivables down through improving debtor days as we focus on working capital management.**
- **Inventory up $0.4 as Distribution stock reduces (increased turns) while HTS raw materials increased in preparation for uplift in 2HFY25 manufacturing activity.**
- **1HFY25 supplier engagement leading to successful negotiation of better terms and conditions including reduced lead times.**
- **Continued capital investment ($2.9M) to support growth and enhance productivity.**
- **Net tangible assets per ordinary share increased 4.3% to 101.3 cps from 30 June 2024 (97.1 cps).**

# Cash Flow

| | 1HFY25 $ m | 1HFY24 $ m | Change $ m | % |
|---|---|---|---|---|
| Operating cash flow | 12.4 | 13.2 | (0.8) | (6.1%) |
| Finance (costs)/income | 0.1 | 0.1 | 0.0 | 0.0% |
| Tax paid | (2.4) | (2.9) | 0.5 | (17.2%) |
| **Cash flows from operating activities** | **10.1** | **10.4** | **(0.3)** | **(2.9%)** |
| | | | | |
| Capital expenditure (net of disposal) | (2.9) | (2.8) | (0.1) | 3.6% |
| **Cash flows from investing activities** | **(2.9)** | **(2.8)** | **(0.1)** | **3.6%** |
| | | | | |
| Borrowings proceeds/(repayments) | (0.7) | (0.6) | (0.1) | 16.7% |
| Lease payments (principle) | (1.9) | (1.8) | (0.1) | 5.6% |
| Dividends paid | (1.3) | (1.3) | 0.0 | 0.0% |
| **Net cash from financing activities** | **(3.9)** | **(3.7)** | **(0.2)** | **5.4%** |
| | | | | |
| **Net increase/(decrease) in cash and cash equivalents** | **3.3** | **3.9** | **(0.6)** | **(15.4%)** |
| Cash and cash equivalents at the beginning of the financial year | 15.8 | 13.9 | 1.9 | 13.7% |
| **Cash and cash equivalents at the end of the financial year** | **19.1** | **17.8** | **1.3** | **7.3%** |

- **Cash flow from operating down $0.3m versus pcp driven by increased input costs offset by debtor collection efforts and lower tax payments.**
- **Cash conversion ratio (cash from operations/EBITDA) improved to 123% from 105% in pcp.**
- **Continued capital investment to increase overall capability, expand the range of products manufactured and improve operating costs.**
- **$1.3m dividends paid in relation to FY24 final dividend.**
- **1HFY25 interim dividend declared of 1.40 cps will be paid in April 2025 and has not been brought to account in these results.**

# Outlook

# 2HFY25 outlook – Continued revenue growth

ADRAD Holdings Limited

- Management remain confident in continued revenue growth through 2HFY25.
- This view is supported by a strong orderbook and improvements regarding increased selling prices initiated in 1HFY25.
- During 2HFY25 we will further consolidate radiator core manufacturing into our Beverley and Thailand facilities.
- Our Victorian (Lara) facility will focus on growing its existing OEM, industrial service and project-based work.
- Underlying costs and FX fluctuations will remain a key focus point of management.
- Volume reduction forecast for our HTS OE on highway (truck) market is being offset by increased demand in data centre back up powergen and Asian off highway (mining vehicle) demand.

# Thank you


AIR RADIATORS
ATTENTION
NO PARKING IN FRONT OF GATE
ATTENTION
ALL DELIVERIES TO REAR
5 Kmh

# Appendices

# Profit Before Tax 1HFY24 to 1HFY25 bridge

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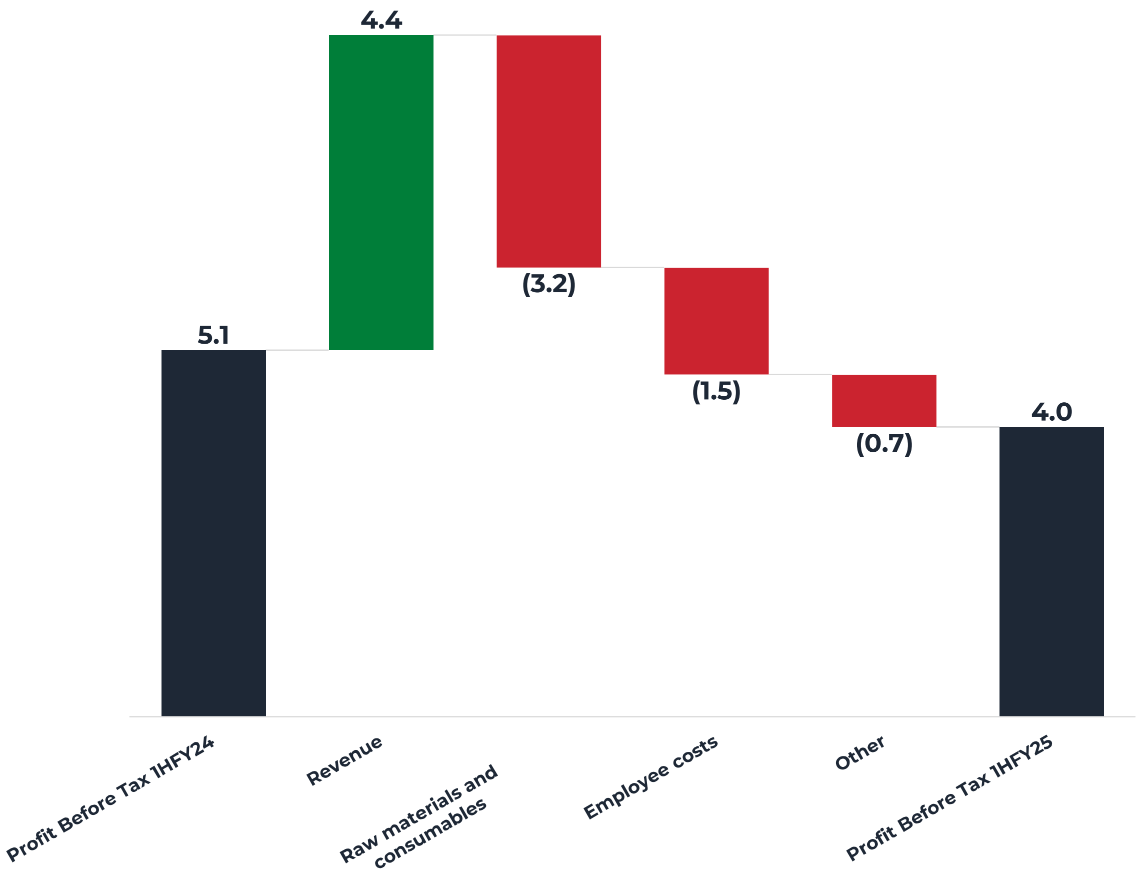


- Revenue up in both business segments.
- Thailand up $2M vs pcp through growth in Asia demand for mining vehicle units; local manufacturing revenue up $2M largely from data centre backup powergen demand.
- Distribution parts continues revenue growth trajectory.
- Additional revenue from price increases effective 2HFY25 would have added $1.5M to Distribution revenues and $1.5M to HTS revenue on an equivalent volume, annualised basis had they been in place during 1HFY25;.
- Input costs (COGS) increase due to deteriorating AUD purchasing power; inflationary pressures increasing supplier costs; labour costs increases and product mix.
- Employee costs up (with lower FTE staff numbers) due to wage increase and superannuation increase effective 1 July 2024 and impact on associated on-costs; overall attraction and retention costs increasing.
- Other expenses in 1HFY25 include provision for overseas related doubtful debts; higher FX losses; higher insurance with expanded cyber, product, professional indemnity and asset base; offset by lower labour hire and professional fees.
- Share based payments in 1HFY24 related to IPO did not repeat in 1HFY25.

# NPAT 1HFY24 to 1HFY25 bridge

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- **Refer to prior slide for Profit before tax bridge.**
- **Profit before tax lower in 1HFY25 by $1M vs pcp. @30% corporate tax rate = ~$0.3M lower notional tax for 1HFY25 vs pcp.**
- **1HFY24 included non-deductible share based payment expense = ~$0.1M in lower comparative tax in 1HFY25.**
- **~$0.1M difference in overseas rates (Thailand and New Zealand).**
- **Prior period tax adjustment of ~$0.3M related to FY23 was taken up in 1HFY24; this did not repeat in 1HFY25.**


ADRAD

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