ADRAD

AGM PRESENTATION

NOVEMBER 2022

adradholdings.com.au

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Overview of Adrad

$130.4m[1]
FY22 Revenue

$16.4m[1]
FY22 EBITDA

$10.8m[1]
FY22 NPAT

475
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	ORIGINAL EQUIPMENT (OE)
Australian manufacturer, importer and distributor of radiators and other heat exchange products for the Australian automotive and industrial aftermarket	**A vertically integrated designer and manufacturer of OEM industrial radiator and cooling solutions for high end applications.**

Note (1.) These headline results represent underlying operational results for the year

Key attributes

LEVERAGING OUR STRONG HISTORY IN MANUFACTURING AND KNOWLEDGE OF HEAT EXCHANGERS

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 8,000+ independent repairers

Strong financial track record

- Pro forma EBITDA of $16.4m
- Ability to leverage Thailand manufacturing facilities to increase margins

Key growth initiatives

1. CONTINUED EXPANSION IN THAILAND

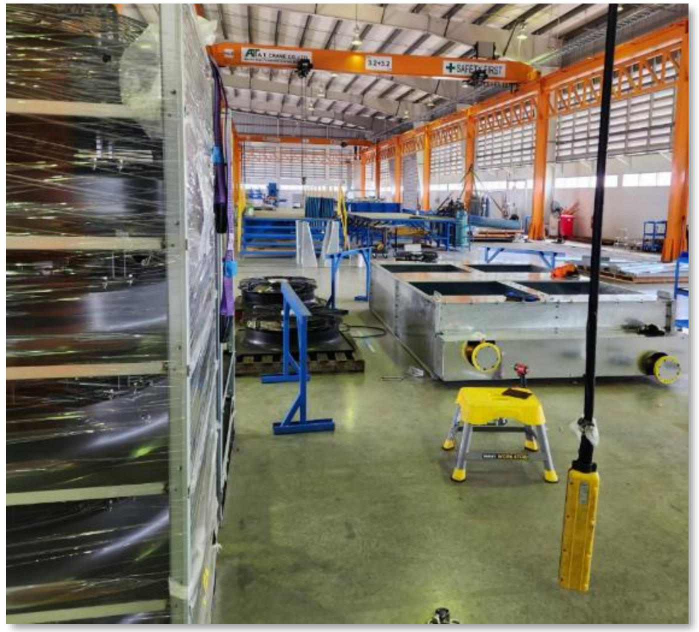
Established second factory in Thailand with coil production capabilities (and other products) for the Powergen sector in Southeast Asia

First project underway

~$0.6 million
total order value

Follow-up orders expected[1]

Strong sales opportunities
supported by business development team



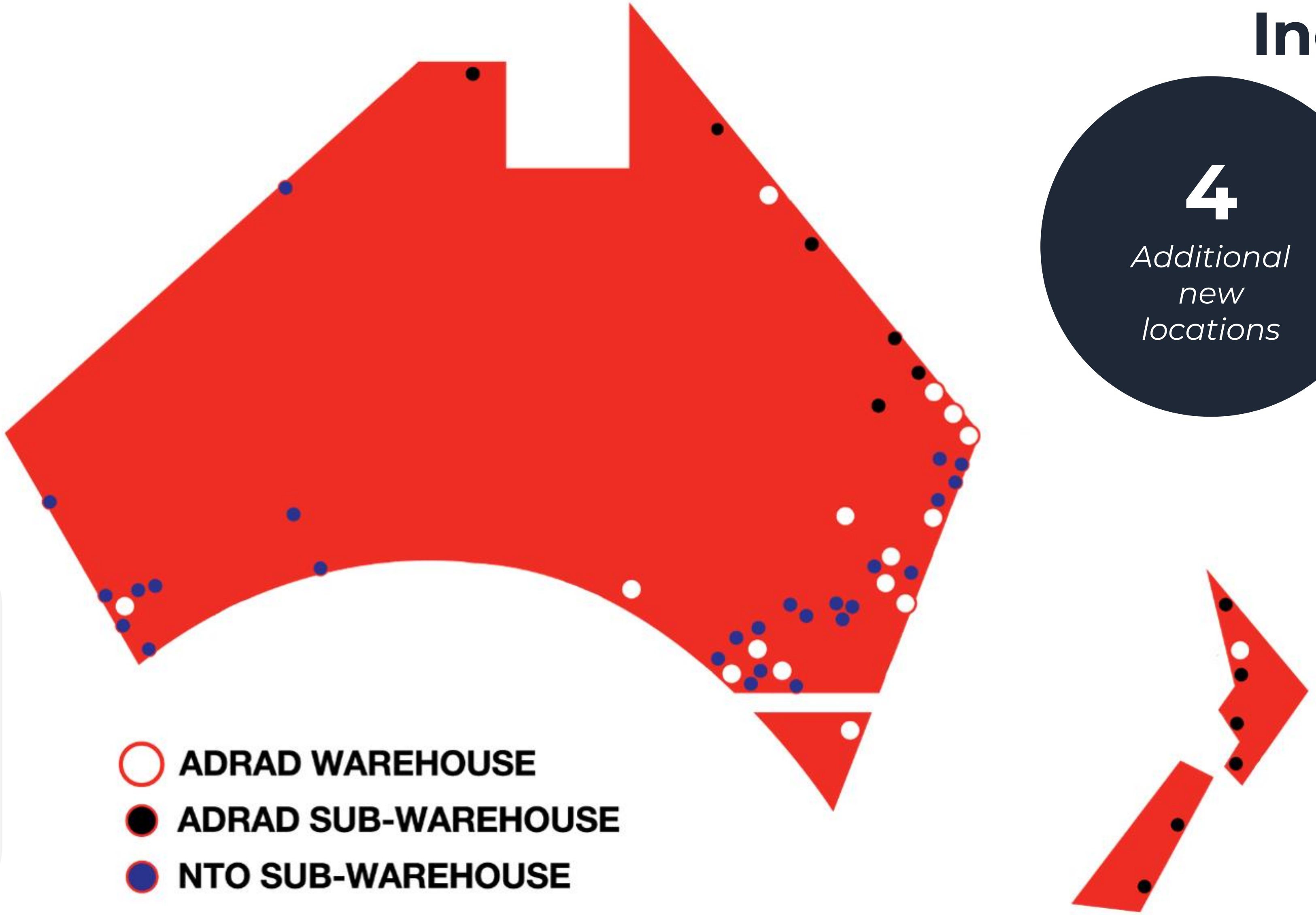
1. Subject to customer satisfaction with first module

Key growth initiatives

2. CONTINUED AFTERMARKET EXPANSION – GROWING CUSTOMER BASE

~$0.9 m
FY23 YTD
Additional sales generated via new warehouses

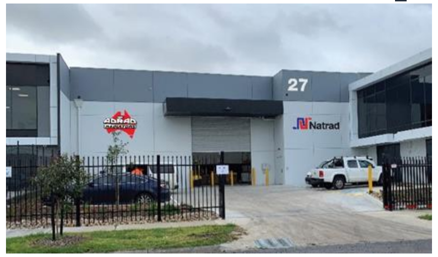
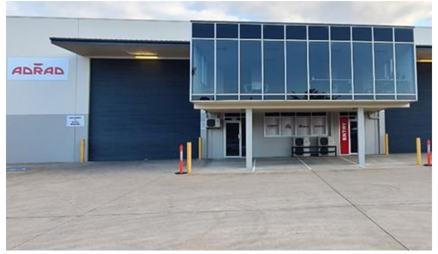
~150-200
new accounts per month
continued growth of mechanical workshop customer base



Warehouses expected to reach maximum potential in 12-18 months

Increased footprint

4
Additional new locations

Key growth initiatives

3. CONTINUED AFTERMARKET EXPANSION – GROWING PRODUCT RANGE

Radiators and automotive air conditioning product remain our cornerstone focus

Developing the mechanical workshop channel to market enables leveraging our product sourcing and distribution infrastructure to provide additional automotive product

(engine belts, filters, spark plugs, alternators, starter motors, EGR’s, gas struts, coolant bottles, brakes …)

Key growth initiatives

4. DRIVING MARGIN IMPROVEMENT - TRANSITIONING PRODUCTION TO THAILAND

TRANSITION TO THAILAND

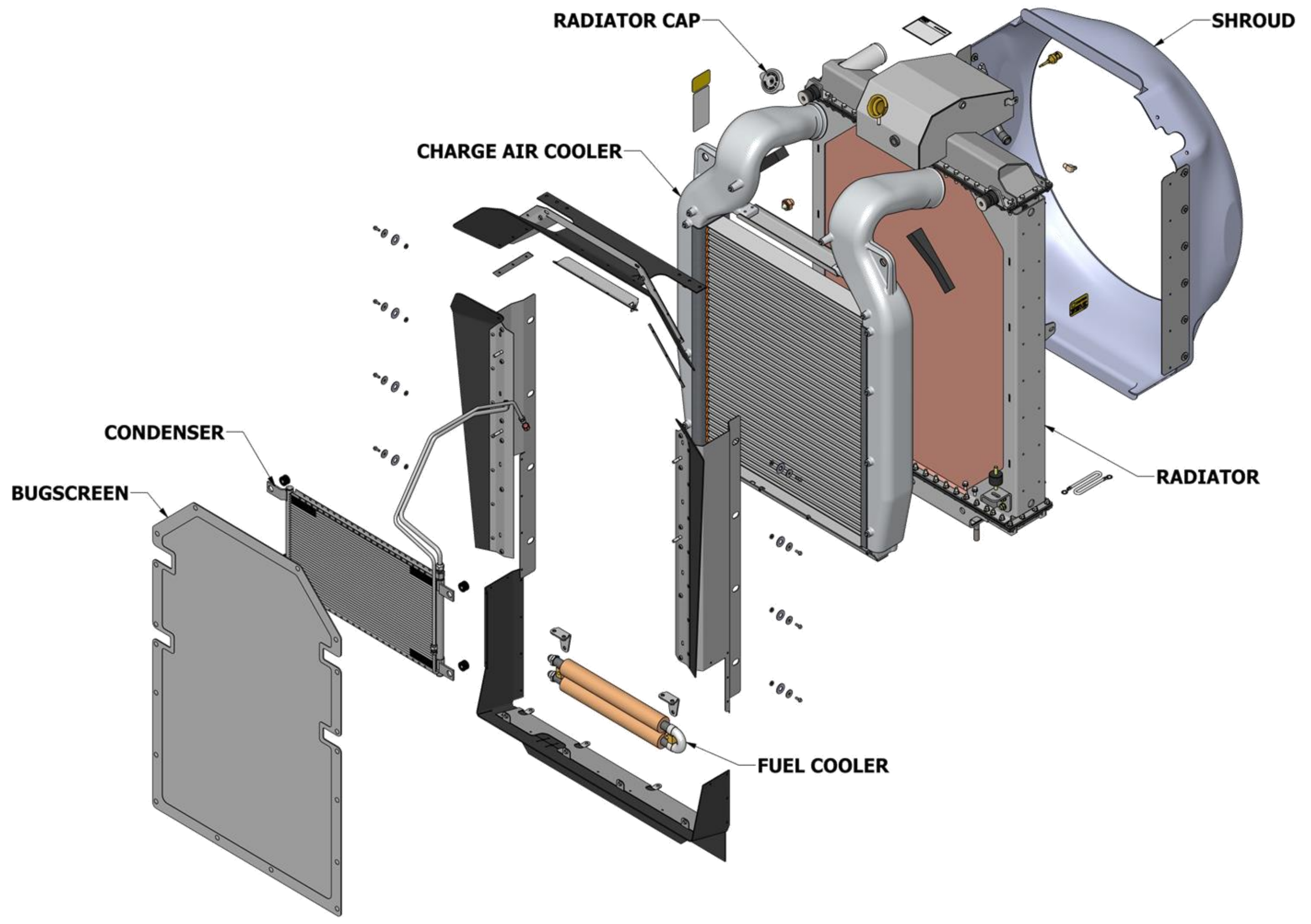
- Transitioning production from Australia to Thailand is a key initiative to drive margin growth

PRODUCTION UNDERWAY

- Commenced production of radiator panels in Thailand to support Australian operations

DEVELOPMENT OF FABRICATION CAPABILITIES

- Further developing capabilities in steel fabrication within the Thailand facilities to drive further growth

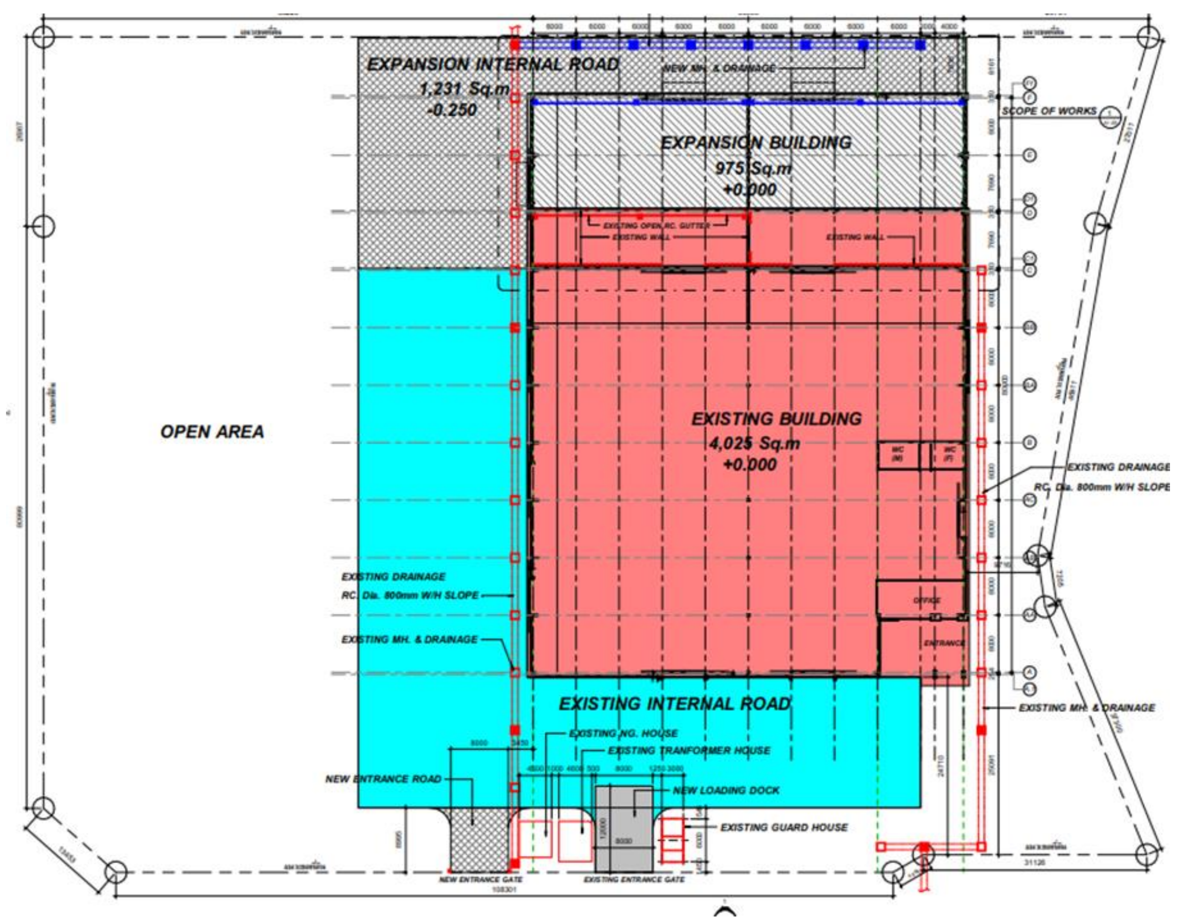


Key growth initiatives

5. DRIVING MARGIN IMPROVEMENT – EXPANDING THAILAND FACTORY

Additional space required to facilitate the transition of production from Australia to Thailand

- Takes advantage of lower production cost
- Assists with margin expansion over time
- Building works currently underway extending the existing factory by 975 M²
- Completion expected mid-23



Area plan

- Red area = current factory
- Blue area =current carpark & road
- Light grey = expansion area
- Dark grey = road expansion
- White = site for expansion ART 2

Key growth initiatives

6. INNOVATIVE PRODUCT DEVLOPMENT

DEVELOPMENT OF OUR GROMMETED SINGLE TUBE PRODUCT "ALUFIN" CONTINUES

- We are close to securing a contract for the development and trialing of prototype units for a major OEM to use this product in heavy applications

OE PROJECT LIFECYCLE

Application Engineering → Product Development → Manufacturing → Aftersales

Product Development ↕ R&D Test & Validation

Aftersales ↕ Service Repair

OE Supply: 1 – 3 Years
Project Work: 1 – 12 Months

5 – 20 Years
Ongoing sales of new build & spare parts

The diagram above explains the OE business cycle in winning new work for large OEM's

Disciplined Growth Capital Allocation

~$8.1M OF UPCOMING CAPEX		
A$m	**Growth**	**Maintenance**
THAILAND		
Building Expansion	1.0	0
Fabrication Equipment	1.6	0.4
Other equipment	0.8	0.6
OE AUSTRALIA		
Fabrication Equipment	1.8	1.0
AFTERMARKET		
Material handling	0.4	0
Motor vehicle upgrades	0.2	0.3
TOTAL	**5.8**	**2.3**

Strong Pipeline of Opportunities

FY23 KEY ACHIEVEMENTS & TARGETS

Secured a $7.5m contract

Supplying cooling packages to support back up power generation projects with delivery over CY23

Final stage negotiations

To supply prototype cooling packages for trial by a major global OEM using our Alufin product

Bidding for 150 haul trucks

Bidding to supply cooling packages for 150 haul trucks being converted to hydrogen fuel cells by a major global business

Hydrogen fuel cells

Hydrogen fuel cells are emerging as a key focus for large horsepower engines presenting growth opportunities for the OE segment

FY23 Outlook

$32.4m

1QFY23 Revenue

COMMENTARY

- Following on from the positive end to FY22, the initial start to FY23 has been inline with management expectations
- Q1 is historically the lowest trading quarter for the business - trading is weighted towards Q2-Q4.
- Aftermarket segment remains stable and growing strongly in line with management expectations; with growth in both customer numbers and product range
- Our key OEM customer retains very strong order books
- FY23 expectations are for less disruptions including the impact of COVID-19, floods and reduced impact of supply chain related events
- Revenue for FY23 is expected to be in the range of $135m to $140m
- 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
- Q1 FY23 EBITDA results are in line with management expectations
- FY23 EBITDA expected to be similar in dollar value to FY22 with growth expected in FY24 and beyond as growth initiatives in place gain traction

THANK YOU

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