

Adrad delivers first half growth

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 2023 (1H FY24).

Key highlights

- Trading Revenue of \$73.5m, a 7.6% increase compared to the prior corresponding period
- Pro forma EBITDA of \$9.9m¹ up 8.4% on prior comparative period
- Positive cashflow from operations of \$11.1m including \$4.7m inventory reduction
- The Heat Transfer Solutions (HTS) business segment achieved 8% year-on-year revenue growth, underpinned by demand from key long term OE customers with expectations of this to continue into 2H FY24 and beyond
- The Adrad Distribution business segment achieved 7% year-on-year revenue growth as we continue to capitalise on the infrastructure investments made in CY 2022
- Revenue growth expectations for the FY24 year remain in the range of 5% - 8% higher than FY23
- The directors have declared an interim dividend of 1.33 cents per share declared, fully franked

	Pro forma				Statutory			
	1H FY24	1H FY23	Change		1H FY24	1H FY23	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Trading Revenue	73.5	68.3	5.2	7.6%	73.5	68.3	5.2	7.6%
EBITDA^{(1) (2)}	9.9	9.1	0.8	8.4%	9.4	8.7	0.7	7.7%
PBT⁽³⁾	5.8	5.2	0.6	11.5%	5.1	3.2	1.9	59.8%
NPAT					3.1	1.9	1.2	66.4%

(1) Pro forma EBITDA is presented on a post AASB-16 basis .

(2) 1H FY24 Pro forma EBITDA has been adjusted for IPO related share based payments plus non-recurring costs associated with manufacturing rationalisation; 1H FY23 has been adjusted for IPO related expenses net of recoveries.

(3) In addition to Note (2), 1H FY23 pro forma PBT has been adjusted for interest expense associated with convertible notes.

Adrad CEO, Darryl Abotomey said: "The Company achieved a solid result for the half year ending 31 December 2023. Revenue and pro forma EDITDA growth of 7.6% and 8.4% respectively was at the high end or above the forecast range of 5%-8% as advised at the November AGM.

"Both of Adrad's business segments performed well. While doing so we have completed a suite of executive appointments including the addition of Ms Annie Rafferty as GM- People and Culture, Mr Richard Rindfleish as GM – Adrad Distribution and Mr Kevin Boyle as Chief Executive Officer. Ms Raffertey and Mr Rindfleish have already joined the Company and Mr Boyle will join us in April 2024.

“With the senior team now in place and having substantially progressed development of the long-term strategy the Company is positioned to harness the potential of its two business segments and be the 1st choice in Asia Pacific for industrial engine and cooling solutions.”

1H FY24 Results

Adrad reported 1H FY24 revenue of \$73.5m and pro forma EBITDA of \$9.9m¹.

The HTS segment delivered revenue growth of 8.2% and pro forma EBITDA growth of 4.1% having directed significant effort into the 1,000sqm factory expansion in Thailand as well as rationalising manufacturing operations in Australia and New Zealand. The business segment will now prioritise market development for stationary heat transfer solutions in the SE Asia market and optimise its cost structure, while developing innovative cooling solutions such as its Alu Fin product.

The Adrad Distribution segment achieved revenue growth of 7.0% and pro forma EBITDA growth of 24.5% as we increase utilisation of the infrastructure additions of warehouses, staff and inventory made during CY 2022.

The Group's focus on improved inventory management netted a reduction of \$4.7 million (8.7%) in the half, with further improvements expected. This combined with reductions in other working capital areas and a positive underlying result generated cash flow from operations of \$11.1 million.

Outlook

FY24 represents a year of both investment and consolidation following Adrad's ASX listing during FY23.

Significant progress has been made on the long term strategic plan which will be finalised and presented at an investor day in May/June 2024.

Of top priority for the HTS business is the expansion of revenues in the Asian market, completion of the re-lay of factory equipment and processes in the Thailand manufacturing plant to improve efficiency, and further strengthen relationships with OE customers.

Adrad Distribution will continue to focus on extracting value from its infrastructure with an emphasis on cooling and associated products.

The Company maintains its outlook for y-o-y revenue and EBITDA growth in the range of 5%-8%.

Results webinar

Adrad's CEO, Darryl Abotomey, and CFO, Rod Hyslop, will host a live Q&A webinar today, Monday, 26 February 2024 at 1:30pm (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_MtO8bBGNTGGzQNVxdGSY2Q

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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1. Pro forma EBITDA presented on a post-AASB-16 basis



ADRAD

Holdings Limited
(ASX: AHL)

**1H FY24 RESULTS
PRESENTATION**

26 February 2024

adradholdings.com.au

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Authorised for release by the Board of Adrad Holdings Limited.

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1. Overview of Adrad Holdings Limited (AHL)
 2. 1H FY24 Highlights
 3. 1H FY24 Segment Achievements
 4. 1H FY24 Financial Summary
 5. Growth Initiatives
 6. FY24 Outlook

Vision: 1st Choice for Industrial & Engine Cooling Solutions

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

HEAT TRANSFER SOLUTIONS (AIR RADIATORS)

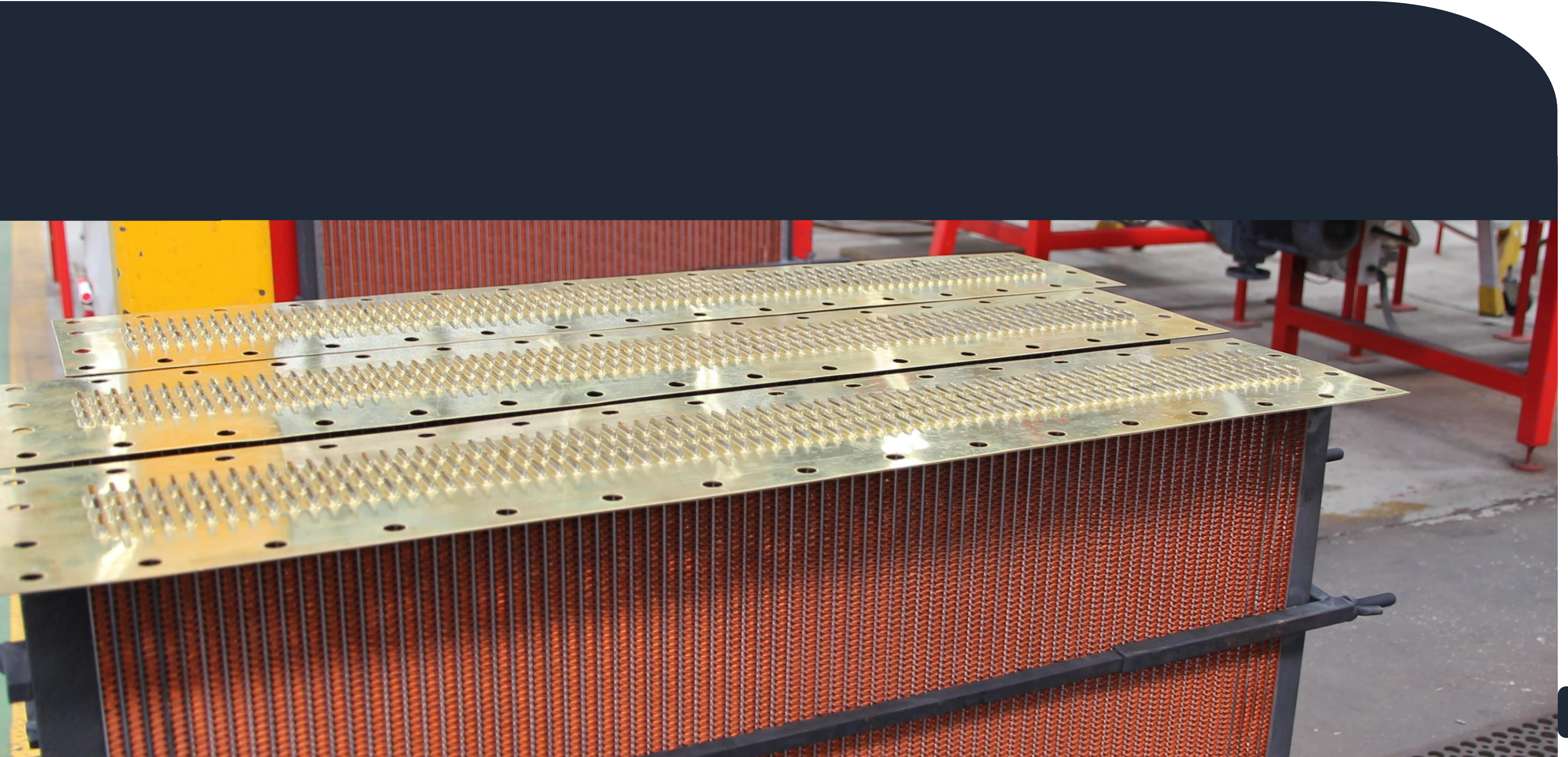
A vertically integrated designer and manufacturer of industrial and automotive radiator and cooling solutions.



ADRAD DISTRIBUTION

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





1H FY24 Operational Highlights

- Increased revenue and earnings at all levels and across both segments; strong cash flow including \$4.7m reduction in inventory
- Implemented an organisational structure to focus on the two business segments with clear accountability and supporting functions in People & Culture, Finance and IT
- Progressed review of Group strategy

Heat transfer solutions



Restructured the manufacturing organisation with associated plant closures to improve efficiencies and remove duplication.



Completed the Thailand facility production building expansion and have begun commissioning new equipment. Office construction commenced.



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

Progressed with global OEMs the development of Alu Fin for use in hydrogen fuel cell applications.



Supplying Alu Fin into battery/electric cooling in mining vehicles

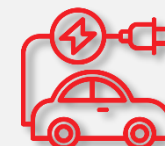
Adrad Distribution



Increased utilisation of our distribution network.



Inventory turnover improved and achieved reduction in stock levels.



Improved margin through dynamic pricing.

Introduction of shock absorbers and suspension parts.

1H FY24 Financial Highlights

\$73.5m

Trading Revenue
Up 7.6% from 1H FY23

\$9.9m¹

Pro forma EBITDA
Up 8.4% from 1H FY23

\$3.1m

NPAT
Statutory
Up 66% from 1H FY23

\$11.1m

Cash flow generated
from operations

\$3.0m

Capital Investment

\$4.7m

8.7% Inventory
reduction

3.81cents

Basic EPS
Statutory
Up 7% from 1H FY23

1.33

CPS
Interim dividend
35% of NPAT
Fully franked

1. Pro forma EBITDA, refer to slide 8

Growing market presence delivers revenue and earnings growth

	Pro forma				Statutory			
	1H FY24	1H FY23	Change		1H FY24	1H FY23	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Trading Revenue	73.5	68.3	5.2	7.6%	73.5	68.3	5.2	7.6%
EBITDA ^{(1) (2)}	9.9	9.1	0.8	8.4%	9.4	8.7	0.7	7.7%
PBT ⁽³⁾	5.8	5.2	0.6	11.5%	5.1	3.2	1.9	59.8%
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(3) In addition to Note (2), 1H FY23 pro forma PBT has been adjusted for interest expense associated with convertible notes.

- Trading revenue growth of 7.6%; within outlook range of ~5-8%.
- Pro forma EBITDA up 8.4% to \$9.9m exceeding outlook range of ~5-8%.
- Increased trading revenue growth across both HTS and the Adrad Distribution network.
- Benefits of increased revenue partially offset by higher operating costs;
- Higher than anticipated warranty claims in manufacturing.

1H FY24 Segment Achievements



Trading revenue increased 7.6% from \$68.3 million to \$73.5 million

Pro forma EBITDA increased 8.4% from \$9.1 million to \$9.9 million

	HTS				Distribution				Corporate				Group Total			
	1H FY24	1H FY23	Change		1H FY24	1H FY23	Change		1H FY24	1H FY23	Change		1H FY24	1H FY23	Change	
Trading Revenue \$ m	40.7	37.6	3.1	8.2%	32.8	30.7	2.1	7.0%					73.5	68.3	5.2	7.6%
EBITDA ^(Pro forma) \$ m	6.7	6.5	0.3	4.1%	5.1	4.1	1.0	24.5%	(2.0)	(1.5)	(0.5)	34.4%	9.9	9.1	0.8	8.4%

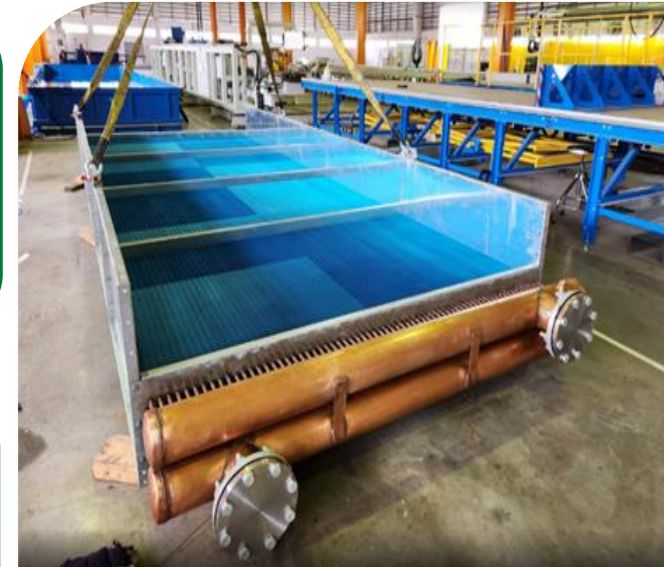
- Revenue growth increasing 7.6% over prior comparative period. Reflects increased demand for on-highway and industrial products, product range expansion and increased demand for OE product.
- Pro forma EBITDA for the Group is up 8.4% to \$9.9m; HTS and Adrad Distribution segments pro forma EBITDA increased 4.1% and 24.5% respectively. Reflects 1H powergen cooling package demand and increased Adrad Distribution revenue building on existing warehouse network infrastructure.

Highlights: Heat Transfer Solutions

**Thailand production building expansion completed;
New equipment being commissioned;
Administration building underway;
Business Development resource recruitment underway.**

**Growing demand in backup powergen for data centres;
Increased demand for “on-road” OE radiators;
Building a pipeline of backup powergen applications.**

**Progressed Alu Fin prototypes for two key customers;
Warranty issues addressed and corrected – with some flow through still occurring;
New WA workshop building completed and commissioned in October 2023;
Focus on inventory management yielded reduction.**



Highlights: Adrad Distribution



Optimising assets through increased revenue whilst maintaining cost base – ie increased throughput utilising warehouses and infrastructure added during CY 2022.



Refined approach to strategic pricing to maintain competitive position and improved margin.



Providing customers with a wider offering giving them more reasons to think Natrad Trade Online.



Increased inventory turnover with clear focus on reducing stock levels leading to reduction in inventory investment.

Introduced shock absorbers and suspension parts.





Income Statement - Statutory

		1H FY24	1H FY23	Change	
				%	
Revenue	\$ m	73.5	68.3	5.2	7.6%
Other Income	\$ m	0.7	1.2	(0.6)	(45.4%)
Operating Expenses ⁽¹⁾	\$ m	(64.8)	(60.8)	(4.0)	6.5%
EBITDA ⁽²⁾	\$ m	9.4	8.7	0.7	7.7%
Depreciation and amortisation	\$ m	(3.7)	(3.3)	(0.4)	13.8%
Operating Profit	\$ m	5.7	5.4	0.2	4.0%
Finance costs	\$ m	(0.6)	(2.2)	1.7	(75.4%)
Profit before tax	\$ m	5.1	3.2	1.9	59.8%
Income tax expense		(2.0)	(1.3)	(0.7)	50.6%
NPAT	\$ m	3.1	1.9	1.2	66.4%
Pro forma Revenue ⁽³⁾	\$ m	73.5	68.3	5.2	7.6%
Pro forma EBITDA	\$ m	9.9	9.1	0.8	8.4%
Pro forma Profit before tax	\$ m	5.8	5.2	0.6	11.5%

⁽¹⁾ Excludes depreciation and amortisation for purposes of calculating EBITDA

⁽²⁾ Earnings before interest tax, depreciation and amortisation

⁽³⁾ Pro forma results are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by the Company's external auditors.

Revenue growth of 7.6%; within target range of ~5-8% growth over prior comparative period.

Increased revenue offset by higher operating costs;

- Inflationary pressures on IT, insurance, freight and occupancy costs (leases).

Statutory EBITDA up 7.7% but impacted by;

- Trading revenue offset by increased costs affected by inflation.
- Other income during 1H FY24 includes \$0.3m government grant for traineeships. Prior comparative period included \$1.0m in non-recurring IPO cost recoveries.

Balance Sheet

		31-Dec-23	30-Jun-23	Change	
					%
Cash	\$ m	17.9	13.9	3.9	28.2%
Trade and other receivables	\$ m	19.1	21.5	(2.4)	(11.1%)
Inventory	\$ m	49.6	54.3	(4.7)	(8.7%)
PP&E	\$ m	16.3	15.0	1.3	8.6%
Right-of-use assets	\$ m	45.9	43.3	2.6	6.0%
Other assets	\$ m	41.5	41.6	(0.1)	(0.2%)
Total assets	\$ m	190.2	189.6	0.6	0.3%
Trade and other payables	\$ m	10.3	14.4	(4.0)	(28.0%)
Borrowings	\$ m	2.3	2.9	(0.6)	(21.4%)
Lease liabilities	\$ m	49.3	46.0	3.2	7.1%
Other liabilities	\$ m	9.1	9.4	(0.3)	(3.6%)
Total liabilities	\$ m	71.0	72.7	(1.7)	(2.4%)
Net assets	\$ m	119.3	116.9	2.4	2.0%

The Company has a balance sheet and cash position to support future organic growth and pursue acquisitions.

\$4.7m (8.7%) lower overall inventory through clear focus on reducing inventory levels and increasing inventory turnover.

Cash Flow

		1H FY24	1H FY23	Change	
					%
Operating cash flow	\$m	13.9	8.4	5.5	65.6%
Finance costs	\$m	0.1	(0.7)	0.7	(114.4%)
Tax paid	\$m	(2.9)	(3.9)	1.1	(27.4%)
Cash flows from operating activities	\$m	11.1	3.8	7.3	193.2%
Capital expenditure (net of proceeds on disposal)	\$m	(2.8)	(1.7)	(1.1)	62.7%
Cash flows from investing activities	\$m	(2.8)	(1.7)	(1.1)	62.7%
Proceeds from issue of shares (net of transaction costs)	\$m	0.0	14.3	(14.3)	(100.0%)
Borrowings proceeds/(repayments)	\$m	(0.6)	(1.5)	0.9	(60.1%)
Lease payments	\$m	(2.5)	(2.3)	(0.2)	8.5%
Dividends paid	\$m	(1.3)	0.0	(1.3)	N/A
Net cash from financing activities	\$m	(4.4)	10.5	(14.9)	(142.0%)
Net increase/(decrease) in cash and cash equivalents	\$m	3.9	12.5	(8.6)	(68.7%)
Cash and cash equivalents at the beginning of the financial year	\$m	13.9	3.5	10.5	300.7%
Cash and cash equivalents at the end of the financial year	\$m	17.9	16.0	1.8	11.5%

Operating cash flow before interest and tax of \$11.1m up \$5.5M (65.6%) compared to 1H FY23.

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

Cash position provides flexibility to further develop capability and pursue acquisitions.

1H FY24 dividend declared of 1.33 cps fully franked (1H FY23: 0.7 cps).



Heat Transfer Solutions

- Expand revenue in Asia – employ Asia based business development manager.
- Optimise manufacturing capacity in Thailand – re-lay site to improve efficiency.
- Transfer additional manufacturing from Australia to Thailand
- Reduce cost base.
- Development of heavy-duty aluminium range.
- Improve operating efficiency in manufacturing – all sites.
- Grow relationships with key international customers and potential customers.
- Support shift to renewables (see following slide)

Adrad – Distribution

- Focus on cooling related products and be the 1st choice for cooling solutions.
- Expand direct to trade channel and industrial offering in cooling related products.
- Capitalise on infrastructure enhancements.

Other

- Consider adjacencies and expansion opportunities.

Supporting Move To Renewables

Innovative Cooling Products

Heat Transfer Solutions business has developed 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.

Progressing with prototypes in this field noting development and customer acceptance testing can take multiple years.





Business organisation has been restructured to focus on core segments with clear accountability; all senior executive appointments made including new CEO.

The business is resilient and well positioned for growth due to the non-discretionary products sold.

Lift in build rates as major OEM customers increased demand for AHL's key products.

Heat Transfer Solutions product development and customer acceptance testing takes multiple years.

Working with our key OEM customers on product development designed to utilise Alu Fin across multiple off-highway applications.

Grow powergen work in SE Asia and further utilise Thailand production capabilities.

Focus on Adrad Distribution segment on cooling applications especially industrial customers.

Revenue and EBITDA growth expected to continue in line with recent trend ~5-8%.

Following commencement of new CEO we plan to have an investor day in May/June 2024

- **Introduce management team**
- **Outline strategic plan**
- **Tour of key facilities**



ADRIAD

Holdings Limited

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