



ENGINEERING THE UNFAIR ADVANTAGE

19 October 2018

ASX Market Announcements  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000

**PWR Holdings Limited | Presentations to 2018 Annual General Meeting**

Pursuant to Listing Rule 3.13.3, please find attached, for presentation to shareholders at this morning's Annual General Meeting, commencing at 10 am (Sydney time):

- the welcome address by Ms Teresa Handicott, the company's Chairman; and
- the presentation by Mr Kees Weel, the company's Managing Director.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Lisa Dalton', is positioned above the printed name.

*Lisa Dalton*  
*Company Secretary*

19 October 2018

## **PWR Holdings Limited | Chairman's Address to 2018 Annual General Meeting**

Good morning Ladies and Gentlemen, my name is Teresa Handicott and I am the Chairman of PWR Holdings Limited and I will chair today's Annual General Meeting.

On behalf of the Board of Directors, I warmly welcome you all to the 2018 PWR Annual General Meeting.

We really appreciate this opportunity to speak with our shareholders and visitors and give shareholders the opportunity to ask questions about PWR in this wonderful Red Bull facility. There has been a long working collaboration between PWR and Red Bull (since 2009). I will leave Kees to elaborate but suffice it to say it is, and always has been, a very important, and in many ways, special relationship for PWR. I would like to particularly thank and acknowledge Jason Sargent, the Managing Director of Red Bull Australia for so generously hosting us today and for making this experience possible for our shareholders. I would also like to thank the Red Bull staff, and in particular Sophie Fewings, for their equally generous efforts in the organisation of today's meeting.

As you may have noticed, we will also be showing selected products to shareholders after this meeting. We have not done this in previous AGMs as we are very conscious of both our own IP as well as confidentiality clauses in place with our customers for product development. For this reason, the cameras on your phones were covered when you arrived, and I ask that no photographs or videos be taken of our products, as beautiful and photogenic as they are. As shareholders I am sure you will respect this request and I thank you in advance for your cooperation.

### **Introduction of Directors and Management**

Firstly, I would like to introduce the Board and Senior Management of PWR here today.

The full details of their background and experience are included in the Annual Report and on the Company website.

- Firstly, Kees Weel, the founding shareholder and Managing Director of PWR. Kees is our passionate and energetic visionary, a strong and unflappable leader and a globally recognised automotive cooling expert.
- Jeff Forbes, who has been a director since the company listed and chairs the Audit and Risk Committee. Jeff brings strong financial capability and disciplines to the board as well as extensive listed company experience. His experience with global operations and the US in particular is invaluable.
- Roland Dane, who joined the Board in March 2017. Roland obviously brings a wealth of experience and knowledge of the global motor sports industry to the board.

He is also a very capable and clear-thinking businessman whose insights add significant value.

- Lisa Dalton, our Company Secretary, joined PWR in 2015. Lisa is an experienced Company Secretary and Fellow of the Australian Institute of Company Directors and the Governance Institute of Australia
- Stuart Smith, our Chief Financial Officer, is a Chartered Accountant with over 20 years' experience in the UK, South Africa and Australia. Stuart joined PWR in November 2017

We are also joined by our very capable Senior Management Team. I will ask you to stand when I say your name:

- Matthew Bryson, General Manager of Engineering
- Andi Scott, Senior Engineer
- Ben Nielsen, Senior Engineer
- Ryan Hagedorn, Senior Designer
- Mick Cullen, Production Manager
- John Panozzo, Specialty Build Manager, and
- Rebecca Lonton, Human Resources Manager

Please make yourself known to our Senior Management Staff, especially if you have questions during the day regarding some of the fine samples we have on display.

I would also like to welcome Jason Adams, the audit partner at KPMG, the Company's auditors.

This Annual General Meeting will proceed in four parts:

1. Firstly, I will provide a short address summarising some key points for the 2018 year including progress in the execution of PWR's strategy
2. Secondly, Kees will review the financial performance and operational developments of the Company for the past year and will talk about our expectations and plans for the future
3. Shareholders will then be able to ask questions about the Company, my address or Kees' presentation;
4. This will be followed by the formal business of the meeting, at which time I will take your questions specifically regarding each of the proposed resolutions.

Without pre-empting Kees's presentation, I would like to say a few words about the progress of the Company.

PWR is a business based on innovative, leading-edge technology and manufacturing capability. PWR has continued to increase its revenue and our Net Profit After Tax for FY2018 was \$11.0 million which was an 18.5% increase on the previous year. Our balance sheet has seen our net nil debt position continue, we had over \$12m in the bank at 30 June 2018 and our full year dividend increased by over 30% from FY17. I will let our Managing Director further discuss the drivers of our results.

I would like to assure shareholders that your Board is very focussed on PWR's strategy. We have spent considerable time developing the strategy with management and we continuously review and refine it as opportunities arise and the market changes. We have a significant discussion on targeted aspects of our strategy at every board meeting.

During FY18 PWR has focused on four strategic pillars which are:-

- Excellence in motorsports
- Engineering excellence
- Growth ready
- Revenue diversification.

I would now like to report to you on progress of strategy execution under the headings of our four pillars:

### **Excellence in motorsports**

Motorsports continues to be PWR's major revenue category. The leading-edge technology required by the sector also underpins our brand and is a major driver in our research and development efforts.

PWR now supplies most motorsport categories including electric vehicles. Both traditional motorsport categories and electric vehicles use batteries and our cooling technology extends to not only electronics cooling but battery cooling as well.

In addition, we have developed a new technology which we are confident will provide incremental revenue growth in the short term and beyond. This technology has been tested with some customers over recent months. As with most of our products, our IP resides in the manufacturing process which we believe provides us with a significant advantage over our competitors. PWR has named this technology Micro Matrix. Kees can discuss this in more detail when he does his presentation.

### **Engineering excellence**

Continuous improvement can only be achieved by extending capability and ongoing research and development.

Over the last 12 months Kees and his team have significantly enhanced PWR's capability through our investment in the centre of excellence building adjacent to the Queensland factory, now housing the research and development facility and speciality build area. The facility is now up and running. It provides:

- focus for R&D in recognition of this important aspect of PWR's future,
- state of the art facilities for the manufacture of our premium products,
- security of our IP through the separation of operations and
- freeing up space and therefore capacity in the main factory.

We continue to invest through our capital investment program which includes a CT scanner and 3D printer, which have now been ordered. This ensures we stay at the forefront of manufacturing developments which also helps our customers have the highest quality and most innovative products available in the market.

### **Growth ready**

Capability across the organisation is constantly being reviewed by both board and management through the dual lenses of people and capital equipment.

During the 2018 financial year staff numbers increased from 207 to 236. Our focus through Human Resources and Recruitment is on quality as well as numbers. We believe we are continuously improving capability as well as capacity.

Our capital equipment purchases during the last 18 months have been significant Kees will run through these in his presentation. This equipment will underpin delivery of our future growth over the coming years.

Our US operations, through C&R, continue to be a priority and leveraging this opportunity is central to our plans for FY19 and beyond. The new furnace, which was commissioned in August last year and has double the furnace capacity of the one we have here in Australia. This is key to our plan which will assist us for future growth, particularly in the USA and Europe.

### **Revenue diversification**

Diversifying our revenue base takes time and we are executing a considered plan to achieve this. Further OEM programs previously announced commence towards the end of FY19 and we expect the full benefits of these to be evident in FY20 and beyond. Other opportunities being pursued include battery cooling and electronics cooling whose applications in multiple industries are diverse and include aerospace and military.



At the same time as diversifying our revenue streams, we are aware of the need to ensure our existing business receives the support it deserves to continue growing at the same rate it has for the past 3 years.

### **Staff**

We currently employ over 250 staff worldwide and their continued dedication and effort is heartening evidence of their commitment. The Board also acknowledges PWR's strong leadership and world-class engineering and design talent all of which, when combined, result in a consistently top performing team. I would like to publicly express the board's appreciation for their sustained contributions over the year. I would like to particularly acknowledge the important ongoing contribution of Matt Bryson, for both his leading-edge engineering capability and his leadership in building a world class engineering team.

### **Directors**

I acknowledge and thank my fellow directors – Jeff Forbes, Roland Dane and our Managing Director Kees Weel. Our board has a strong and diverse mix of skills and is fortunate to be cohesive and collaborative resulting in constructive contributions and deliberations about PWR's exciting future potential.

### **Shareholders**

Finally, thank you, our shareholders, for your ongoing loyal support.

I will now hand over to Kees to talk to you about his passion, PWR.

**PWR HOLDINGS LIMITED  
ANNUAL GENERAL MEETING**

**ASX : PWH**



**2018**

**19 OCTOBER 2018**



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**Teresa Handicott**



# PWR Video Presentation

<https://www.pwr.com.au/about/videos>



**Teresa Handicott**

## PWR's Four Strategic Pillars



- **Excellence in motorsports**
- **Engineering excellence**
- **Growth ready**
- **Revenue diversification**

**Managing Director's Address**



**Kees Weel**

# FY18 Financial Performance



## At 30 June 2018 (unless otherwise stated)

Shares on issue	100 million
Market capitalisation	\$ 363 million (16 Oct 18 close)
Cash & deposits	\$12 million
Net debt	Nil
Net assets	\$47 million
Revenue	\$52 million
EBITDA	\$16 million
NPBT	\$15 million
NPAT	Statutory - \$11 million Underlying - \$12 million
EPS	Statutory - 11.0 cents per share Underlying - 12.1 cents per share
DPS	7.3 cents per share
ROE	Statutory - 24% Underlying - 26%

### Directors

**Teresa Handicott**

Chairman  
Non-executive director

**Jeff Forbes**

Non-executive director

**Roland Dane**

Non-executive director

**Kees Weel**

Managing director

### Management

**Kees Weel**

Chief Executive Officer

**Stuart Smith**

Chief Financial Officer

**Matthew Bryson**

General Manager – Engineering

**Andrew Burton**

General Manager - Europe

**Jim Ryder**

General Manager – USA

# FY18 Financial Performance



A\$'000	FY18	FY17	Variance
Revenue	51,889	48,117	7.8% ↑
EBITDA	16,336	14,727	10.9% ↑
EBITDA margin	31.5%	30.6%	
EBIT	14,670	13,254	10.7% ↑
Profit before tax	14,688	12,949	13.4% ↑
Net profit after tax	11,001	9,280	18.5% ↑
EPS	11.00	9.28	18.5% ↑
DPS	7.30	5.60	30.3% ↑

- Organic revenue growth of \$3.1m (6.6%)
  - GBP sales up 27%
  - USD sales down 19%
  - AUD sales up 20%
- Organic revenue growth primarily driven by motorsports & OEM
- AUD currency changes net positive impact on revenue of 1.3% or \$0.6m

# FY18 Financial Overview



## Strong year has delivered record result

- Revenue \$52m up 8% on pcp
- Sales movement by currency to pcp - GBP sales up 27% mainly from motorsports, AUD sales up 20%, USD sales down 19% as expected during the transition and discontinuation of non-core lines
- Statutory NPAT of \$11m up 19% on pcp
- Underlying NPAT of \$12m up 30% on pcp

## Increased dividend

- Strong cashflow and EBITDA to cash conversion ratio of 101% (2017: 92%) with growth and capital expenditure fully funded via cash with available finance facilities
- Cash on hand at 30 June 2018 was \$12m
- Full year dividend payout ratio maintained at 60% but of higher underlying NPAT resulting in fully franked final dividend of 6.2 cents per share
- Total dividends for the year of **7.3 cents per share** all fully franked (up 30% on FY17)

## Financing

- Pound partly hedged to June 2019
- Revised multicurrency finance facilities renegotiated and extended to 2023



# Technology Developments



## Motorsports

- Demand for profiled cores expected to remain strong through FY's 19 & 20
- Increasing demand for billet machined tanking and passivation<sup>1</sup> services
- Wind tunnel testing facilities utilisation continues at full capacity
- Further developments for 3 Dimensional free formed shapes

## Electric vehicles & emerging technologies

- Interest and demand for cold plate and surface cooling technology increasing
- Electronics and battery cell cooling systems developed
- Recently commissioned cold plate cooler testing facility
- Micro Matrix
- Major supplier to Formula E Racing Teams

## Research and development

- PWR developing alternate cooling technology for both existing categories as well as new applications
- New & improved manufacturing processes applied to technologies being explored and on test with customers
- Majority of R&D is either in collaboration with customers or customer centric
- No technology developments are exclusive to any customer
- Application of cooling technology innovations to other industries increasing

<sup>1</sup> passivation is a process whereby a material becomes less affected or corroded by the environment during future use.

# FY18-19 Investments Incurred for the Future



## Staff

Increased overall headcount by 28% including:

- Increased engineering headcount by 55%
- Increased speciality production headcount by 57%

## Equipment

* 2 x variaxis machines, plus Palletech Automation for 24/7 operation	\$1,600,000	
* 4 x 3 axis CNC Haas Machining Centres	\$ 800,000	
* 1 x 5 axis CNC Haas Machining Centre (C&R)		\$ 220,000
* 1 x Lasercut Sheetmetal Automated Cell	\$1,400,000	
* 1 x Wirecut Machine	\$ 180,000	
* 1 x Roma measuring arm	\$ 50,000	
* Complete new compressed air system for the entire factory	\$ 165,000	
* 1 x Surface pre-treatment and passivation conditioning Rig	\$ 80,000	
New turbulator tooling		\$ 55,000
1 x Surface grinding machine	\$ 30,000	
2 x 3 Dimensional printer – additive manufacturing	\$2,500,000	
1 x CT scanner – Grant application pending 50%	\$2,000,000	
<b>Total</b>	<b>AU \$8,805,000</b>	<b>US \$275,000</b>

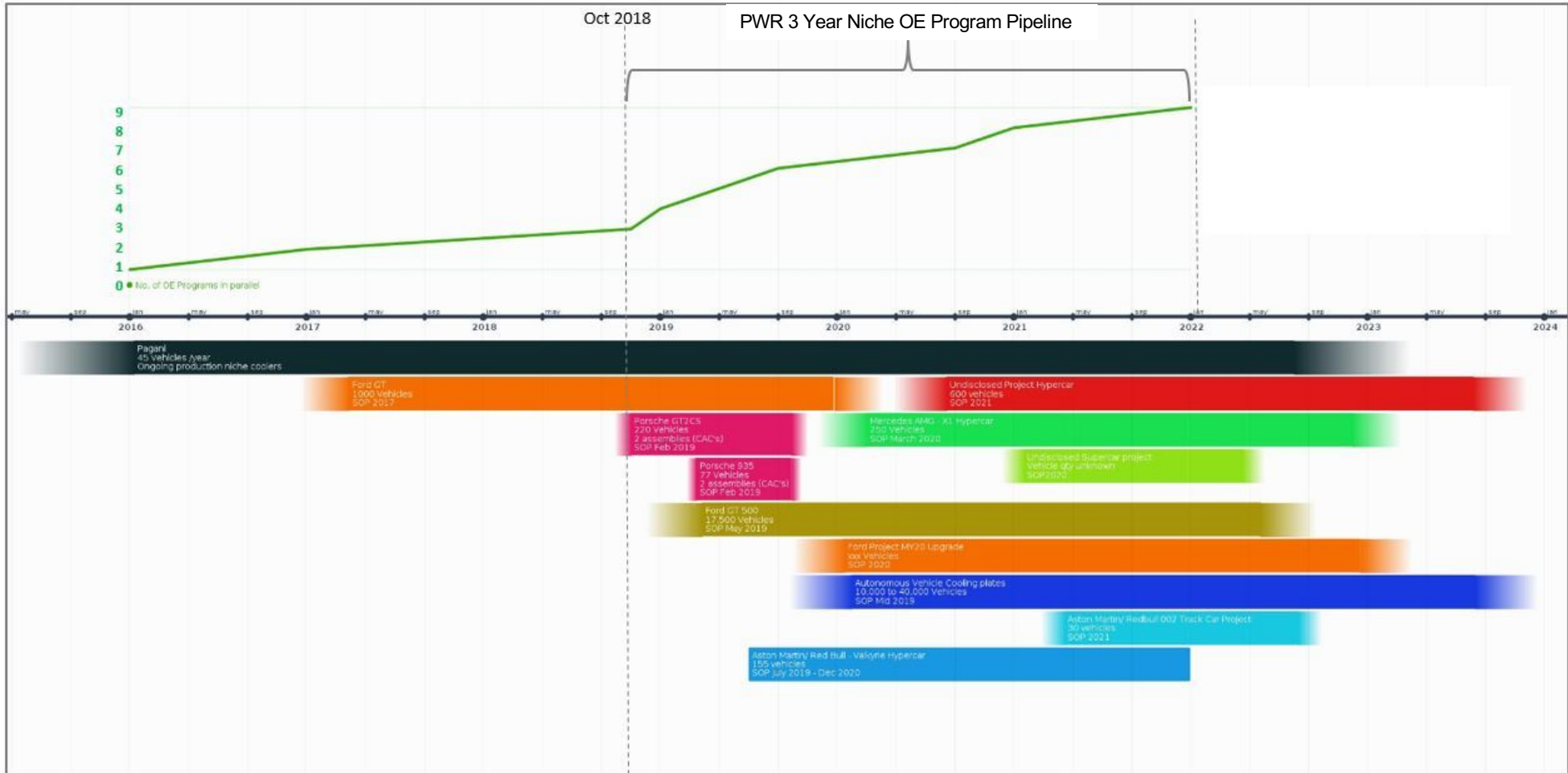
\* Equipment already acquired

# OEM Programs



	Nominated Supplier	In Discussion	No. of Vehicles	Start of Production
Ford GT Production Car	✓		1,000	In Production
Pagani	✓		50/yr	In Production
Porsche 935 70 <sup>th</sup> Edition Track Car	✓		77	Feb 2019
Porsche GT2CS Track Car	✓		200	Feb 2019
Ford GT500	✓		8,000	May 2019
Aston Martin / Red Bull – Valkyrie Hypercar	✓		155	Jul 2019
McLaren Automotive	✓		105	Jul 2019
Mercedes AMG – X1 Hypercar		✓	275	Mar 2020
Undisclosed		✓	~40/yr	May 2019
Undisclosed		✓	up to 40,000	Mid 2019
Undisclosed		✓	600	Jul 2019

# OEM Pipeline – Nominated Supplier and In Discussion



These figures and production timeframes are subject to change

# Business Outlook - Overview



## FY19 & FY20 Positive Outlook

- **C&R restructure completed.** New furnace in USA now fully operational with double the throughput capacity of Australia. This provides us with the ability to manufacture where, amongst other considerations, the best after tax return to shareholders can be achieved
- **New facility** at Ormeau operational & housing a dedicated speciality product build team and significant ongoing R&D development. Specialty builds and F1<sup>TM</sup> products will continue to be developed & manufactured in Australia
- **Research & development** centred in Australia
- **Capital investment** of over \$10m to provide additional capacity for future growth across existing offerings as well as new & emerging technology design, development, manufacturing & testing
- **Efficiency** improvements in operations to ensure sales & opportunity pipeline can be capitalised on cost effectively
- **Continued diversification** of offering to broader applications including electronics & battery cooling
- **Emerging technologies** long development cycle should start converting into revenue streams in FY19
- **Managing** growth effectively & efficiently whilst still maintaining culture, safety & quality. Employee incentive program extended to over 20 additional staff

# Blue Chip Relationships



Some of the Customers who trust in PWR to deliver

 <b>Ferrari</b>	 ASTON MARTIN	 <b>Audi</b>	 BENTLEY	 BMW	 Ford	Google 
 LAND ROVER	 Volkswagen	 Mercedes-Benz	 JAGUAR	 RENAULT	 HONDA	 TOYOTA
 Lamborghini	 PAGANI AUTOMOBILI MODENA	 PORSCHE	 CITROËN	 CHEVROLET	 HYUNDAI	
 SCUDERIA FERRARI	 Haas F1 Team	 WILLIAMS MARTINI RACING	 McLaren	 Sauber F1 Team	ASTON MARTIN  Red Bull RACING	 HONDA
 SCUDERIA Toro Rosso	 e.dams RENAULT Formula-E Team	 Mahindra RACING FORMULA-E TEAM	 Panasonic JAGUAR RACING	 DS AUTOMOBILES Virginia RACING	 NEXTEV NIO Formula-e Team	 RIMAC AUTOMOBILI



**Thank You**