



PWR HOLDINGS LTD

H1 2019 RESULTS

ASX : PWH

25 FEBRUARY 2019

*Through passionate people and innovative solutions,
we lead the way in advanced cooling system design
and supply, to exceed the expectations of our global
partners across diverse industries.*

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H1 FY19 RESULTS HIGHLIGHTS

	H1 FY19	H1 FY18		
Revenue	\$24.8m	\$20.4m	↑ 22%	H1 FY18 included C&R South (exited) revenue. Increase of 25% on a LFL basis.
EBITDA	\$ 5.0m	\$ 3.8m	↑ 31%	
NPAT	\$ 3.1m	\$ 2.1m	↑ 53%	H1 FY18 write downs of \$635K. Increase of 16% on LFL basis.
Operating cash flow	\$ 3.7m	\$ 2.4m	↑ 55%	Increased revenue & working capital management.
Cash on hand	\$ 6.8m	\$ 3.1m	↑ 120%	
Interim dividend	1.6cps	1.1cps	↑ 46%	
Market capitalisation *	\$350 m	\$280 m	↑ 25%	TSR reflected in share price & dividends paid.
Group FTE	265	219	↑ 21%	Increase due to current and expected FY20 growth.

* As at 22 February 2019

H1 FY19 OVERVIEW

Solid first half and well prepared for H2 FY19 and beyond

- Revenue \$24.8m up 22% on pcp.
- Sales movement by currency to pcp. Europe sales up 42% mainly from motorsports. C&R USD sales up 6% and after removing non-core lines exited in FY18 up 20%. Australia sales up 4%.
- Statutory NPAT of \$3.1m up 53% on pcp ***including*** abnormal items in prior period (H1 FY18) totalling \$0.65m from :
 - \$176K reduction in net deferred tax assets resulting from changes in the US federal corporate tax rate increased tax expense
 - Provision for disposal of the non-core C&R business of \$646K (\$478K after tax)

Excluding the above, on a like for like basis, NPAT up 16%.

Increased dividend

- Fully franked interim dividend of 1.60 cents per share – an increase of 46% on pcp.
- Strong cashflow and working capital management resulted in EBITDA to cash conversion ratio of 73% (2018 : 53%) with growth and capital expenditure fully funded via cash and minimal financing. Increase in working capital focussed on inventory for H2 FY19.
- Cash on hand at 31 Dec 2018 was \$6.8m (2017:\$3.2m) with finance facilities available for future opportunities. NIL net debt.

FINANCIAL PERFORMANCE

A\$'000	H1 FY19	H1 FY18	Variance
Revenue	24,762	20,371	21.6% ↑
EBITDA ¹	5,038	3,832	31.5% ↑
EBITDA margin ¹	20.3%	18.8%	
EBIT	3,910	3,174	23.2% ↑
Profit before tax	4,404	3,072	43.4% ↑
Net profit after tax	3,139	2,059	52.5% ↑
Interim DPS	1.60	1.10	45.5% ↑

- Organic revenue growth of \$3.4m (16.6%).
- Currency movements resulted in net positive impact on revenue of \$1million (5%).
- Organic revenue growth across the board (motorsports, OEM and emerging technologies). Mix of growth skewed to motorsport.
- Hedged forward cover and exchange rate movements contributed a net \$0.5 million profit before tax at 31 December 2018.

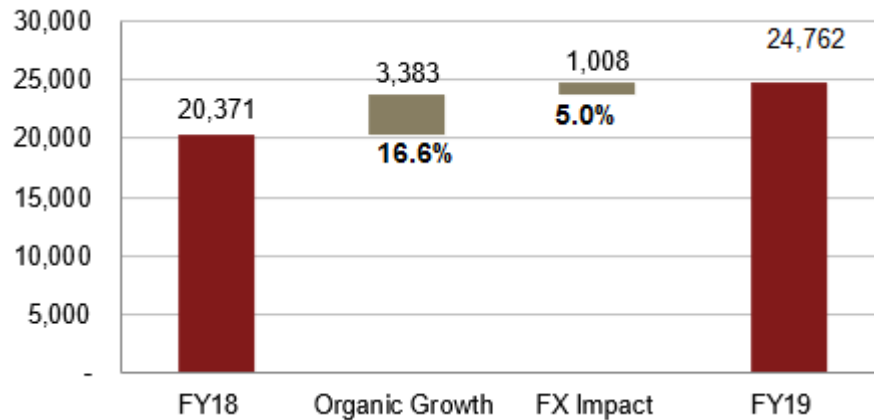
- Revenue, earnings and NPAT growth after the following H1 FY18 non-cash and/or non-recurring after tax adjustments :
 - USA corporate tax rate reduction in net tax deferred assets of \$0.176 million
 - Provision for C&R non-core assets held for sale of \$0.646 million (\$0.478 million after tax)
- Adjusting for the above, NPAT would have increased by 16% on prior period.

5 ¹ Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") is a non-IFRS term which has not been subject to audit or review but has been determined using information presented in the Group's financial report.

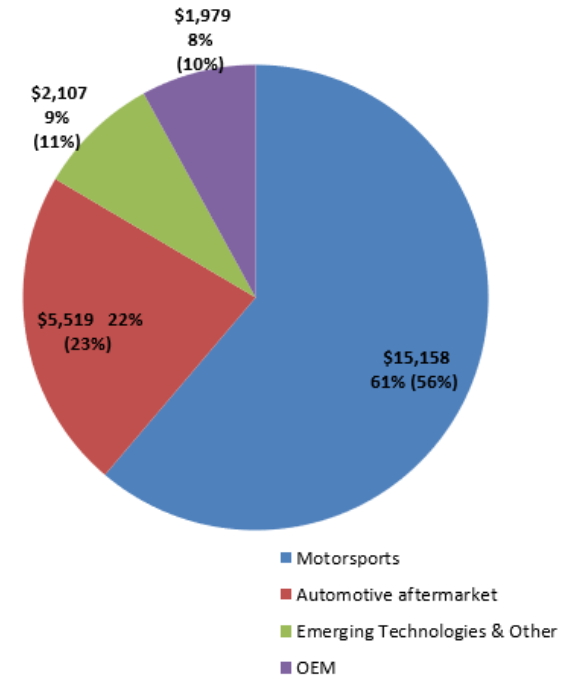


FINANCIAL PERFORMANCE

Consolidated Revenue Bridge
H1 FY18 to H1 FY19
AUD \$ 000



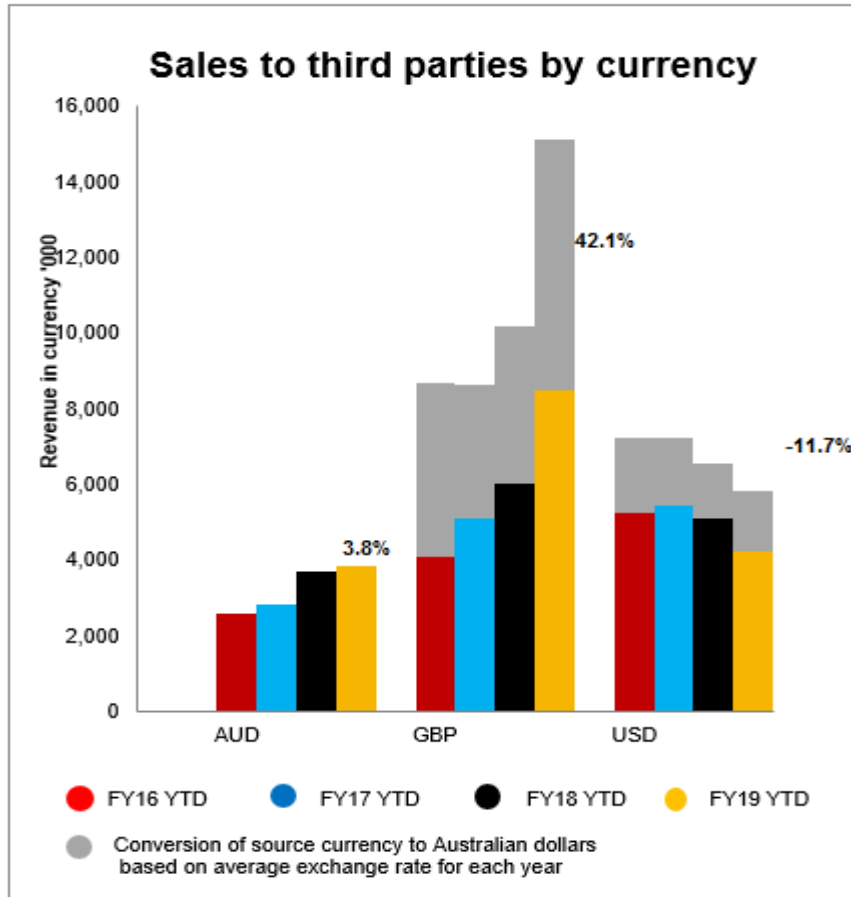
H1 FY19 Category Sales
(Prior year % comparative)



AUD vs GBP and USD movements during H1 FY19

Actual FX rates						
Currency	31/12/2018	31/12/2017	Change	Ave H1FY19	Ave H1FY18	Change
GBP	0.5568	0.5702	-2.4%	0.5544	0.5912	-6.2%
USD	0.7035	0.7299	-3.6%	0.7229	0.7790	-7.2%

FINANCIAL PERFORMANCE



Summary

- GBP and AUD revenue growth more than offset decrease in USD sales.
- PWR Europe continues to perform with revenue growth of 42% over pcp. Currency conversion of GBP to AUD has also been positive.
- Growth in PWR Australia sales of 4% over pcp.
- C&R revenue up 6% (in USD terms) compared to H1 FY18 due to:
 - Intercompany sales & production at C&R increasing by USD\$0.8 million from the prior period with selected European products now supplied by C&R.
 - Offset by discontinuation of non core lines (US\$0.5 million) revenue included in prior period.
- Excluding above, overall USD sales at C&R flat but up in AUD terms due to exchange rate movement.

Note : this is currency specific and not company or country specific

BALANCE SHEET

A\$000	December 2018	June 2018
Assets		
Cash and cash equivalents	6,781	12,110
Trade and other receivables	4,335	4,054
Inventories	8,111	6,785
Plant & equipment	15,420	11,573
Deferred tax asset	2,176	2,114
Intangible assets	14,232	14,102
Prepayments and other assets	3,241	1,734
Total Assets	54,296	52,472
Liabilities		
Trade and other payables	4,591	3,397
Asset finance	269	483
Current tax liabilities	-	278
Employee benefits and provisions	1,963	1,839
Long term loans	3,726	-
Total Liabilities	10,549	5,997
Net Assets	43,747	46,475

Key points

- Zero net debt and strong cash position.
- Improved working capital management.
- Finance facilities extended to 2023 and renegotiated to match growth expectations and earnings currency.
- Plant & equipment increase represents majority of capex program announced in April 18.
- Intangible assets:
 - PWR trademark \$8.3m
 - C&R trademark \$2.6m
 - Goodwill on C&R acquisition \$3.2m
- Long term debt of £2m utilised in capex funding linked to GBP Libor (refer to separate slide).
- Participating forward cover contracts and hedging of approximately 50% of GBP denominated revenue to 30 June 19.

WORKING CAPITAL & CASH FLOW

A\$'000	H1 FY19	H1 FY18
Trade, other receivables & prepayments	7,576	6,898
Inventories	8,111	7,162
Trade & other payables	(6,552)	(5,371)
Net working capital	9,135	8,689
<i>Movements from 1 July to 31 December for each reporting period</i>		
Working capital (increase)/decrease	(2,131)	(248)
Gross cash from operating activities (excluding working capital change)	5,824	2,635
Net cash from operating activities	3,693	2,387
Tax & interest paid	(1,613)	143
Capital expenditure	(4,713)	(3,884)
Free Cash Flow	(2,633)	(1,354)
Dividend Paid	(6,200)	(4,700)
Loan funding	3,503	-
Other	1	158
Net cash movement	(5,329)	(5,896)

Key points

- Net operating cashflow up 55% from prior comparative period.
- Improved working capital management with working capital increase focussed on inventory supporting current and future revenue growth.
- Strong net cash conversion from operating activities at 73% of EBITDA (H1 FY18 : 53% after adjusting for non-cash abnormal items).
- Nil net debt and capital expenditure paid for from mixture of retained earnings and minimal debt.

FINANCING

Facilities available (AUD \$000's)	Total	Used*	Available
Multi Currency	\$10,000	\$3,503*	\$6,498
Asset financing	\$7,500	-	\$7,500
Overdraft	\$750	-	\$750

Key points

- Amount used will fluctuate depending on exchange rate movement of relevant currency drawn down.
- Nil net debt position remains and facility maturity extended to 2023.
- £ draw down at lower interest rates than asset finance and £ debt provides a hedge against AUD/GBP movements.

Use of Funds			
Loan drawdown		£	2,000
Rate	0.57		
AUD received		\$	3,503
Primary assets			
Variaxis machine		\$	1,681
Laser cutter		\$	1,030
Wirecutter		\$	179
Compressors		\$	128
CNC machines X2		\$	460
		\$	3,478

BUSINESS OUTLOOK - OVERVIEW

H2 FY19 and FY20 on track for growth

- **2 year** capital expenditure program largely complete. Awarded \$1.095m grant from Queensland Government for purchase of a 3D CT scanner.
- **Business growth, efficiency and quality** improvements ongoing.
- **Benefits** of manufacturing sites in USA and Australia beginning to be realised.
- **OEM programs** coming on stream as previously advised and anticipated (refer page 12).
- **USD hedged** naturally through C&R.
- **GBP partial hedging** and some exposure to AUD/GBP rates remains.
- **Brexit** developments being closely monitored and new entity in process of being established in EU to ensure minimal supply chain and distribution disruption.
- **Competitor position** closely monitored for both opportunities and threats. Investing in capacity and technology ensures we stay at the forefront of technology developments.
- **New facility** at Ormeau fully operational and housing a dedicated speciality product build team, micro matrix team and ongoing R&D development.
- **Staff** numbers up 21% in 6 months for current and expected growth with incentive plan extended to over 30 staff.
- **Research & development** centred in Australia.

OEM programs

- Largely driven through C&R where production capacity exists and fully operational.
- No significant changes in expected timing or volumes.
- Staff recruited and trained, processes refined and production has commenced as expected.
- IATF16949 certification well progressed with first audit expected in March 2019.
- Electronic data interfaces between ERP systems in process of being implemented in conjunction with customers.
- Some revenue anticipated in FY19 but majority anticipated in FY20 and FY21.
- Discussions around additional OEM programs for FY21 and beyond in progress.

Thank You

