

PWR HOLDINGS LTD

2019 ANNUAL RESULTS PRESENTATION

AUGUST 2019



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MANAGING GROWTH

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RECORD RESULT

	FY19	FY18	Change
Revenue	\$65.4m	\$51.9m	↑ 26%
EBITDA	\$21.8m	\$16.3m	↑ 34%
NPAT	\$14.2m	\$11.0m	↑ 29%
Underlying NPAT	\$14.2m	\$12.1m	↑ 17%
DPS	11.5 cps	7.3 cps	↑ 58%
ROE	26.8%	23.7%	↑ 13%
EPS	14.2 cps	11.00 cps	↑ 29%
Underlying EPS	14.2 cps	12.11 cps	↑ 17%
Cash on hand	\$20.2m	\$12.1m	↑ 67%
EBITDA to cash conversion	102.9%	96.8%*	
Working capital decrease	\$0.4m	\$0.9m	
FTE equivalent	291	238	↑ 22%

* FY18 EBITDA to cash ratio after adjusting statutory EBITDA for non-cash write off at C&R totalling \$0.85 m.

SNAPSHOT

	30 June 2019	30 June 2018
Shares on issue	100 million	100 million
Market capitalisation	\$412 million	\$271 million
Cash & deposits	\$20 million	\$12 million
Debt	\$4 million	\$1 million
Net assets	\$53 million	\$46 million
Revenue	\$65 million	\$52 million
EBITDA	\$22 million	\$16 million
NPAT - statutory	\$14 million	\$11 million
EPS	14.2 cps	11.0 cps
DPS	11.5 cps	7.3 cps
ROE	27%	24%

Directors	<p>Teresa Handicott Chairman Non-executive director</p> <p>Jeff Forbes Non-executive director</p> <p>Roland Dane Non-executive director</p> <p>Kees Weel Managing director</p>
Management	<p>Kees Weel Chief Executive Officer</p> <p>Stuart Smith Chief Financial Officer</p> <p>Matthew Bryson General Manager - Engineering</p> <p>Andrew Burton General Manager - Europe</p> <p>Jim Ryder General Manager - USA</p>

FY19 OVERVIEW

Another record result

- **Revenue** \$65m up 26% on FY18
- **EBITDA** of \$22m up 33% on FY18 (statutory)
- **NPAT** of \$14m up 29% on FY18 (statutory)
- **Sales by currency** to pcp - GBP sales up 40% mainly from motorsports, AUD sales up 17%, USD third party sales down 7% due to exit from non-core lines included in FY18 revenue.

Strong cashflow and higher dividend

- Improved working capital utilisation with less working capital supporting a 26% growth in sales
- Capital investment program largely completed. Cash on hand of \$20.2m up 67% with £2.0m debt – excluding £ borrowing, cash on hand up 38%
- Total dividend for the year of 11.5 cents per share fully franked
 - Interim dividend of 1.6 cents per share paid.
 - Full year dividend at 60% of NPAT resulting in final dividend of 6.90 cents per share.
 - Special dividend of 3.0 cents per share declared.
- Final and special dividends both fully franked and payable on 19 September 2019

FINANCIAL PERFORMANCE

A\$'000	FY19	FY18	Variance	
Revenue	65,411	51,889	26.1%	↑
EBITDA ¹	21,763	16,336	33.2%	↑
EBITDA margin ¹	33.3%	31.5%		
EBIT	19,293	14,670	31.5%	↑
Profit before tax	19,836	14,688	35.0%	↑
Net profit after tax	14,206	11,001	29.1%	↑
Underlying net profit after tax	14,206	12,110	17.3%	↑
EPS	14.21	11.00	29.1%	↑
DPS	[11.5]	7.30	57.5%	↑

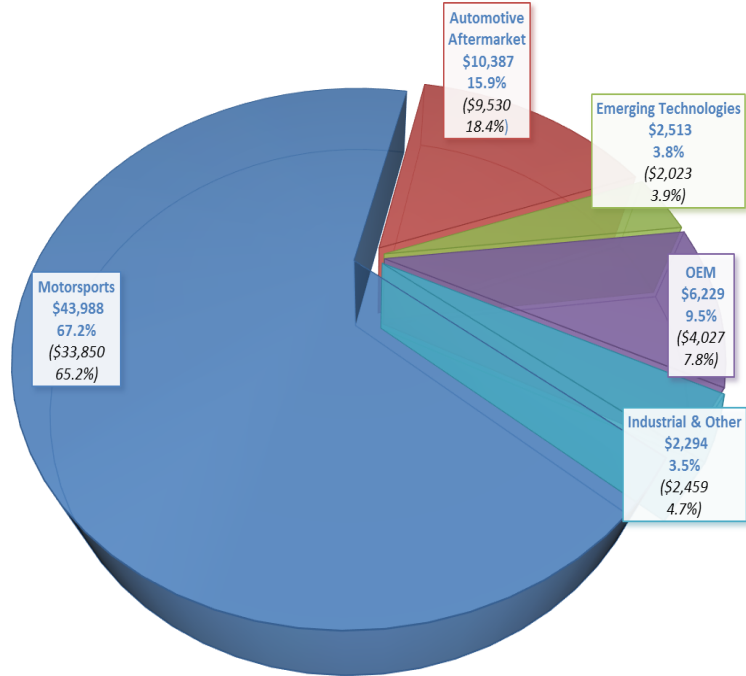
- Organic revenue growth of 21.6% or \$11.2m :
 - GBP sales up 40%
 - AUD sales up 17%
 - USD sales down 7%
- Organic revenue growth primarily driven by new products, growth in motorsports and OEM.
- Currency movements resulted in positive revenue impact of 4.5% or \$2.3m.

Exchange rates relatively stable during FY19 and hedging benefits realised.

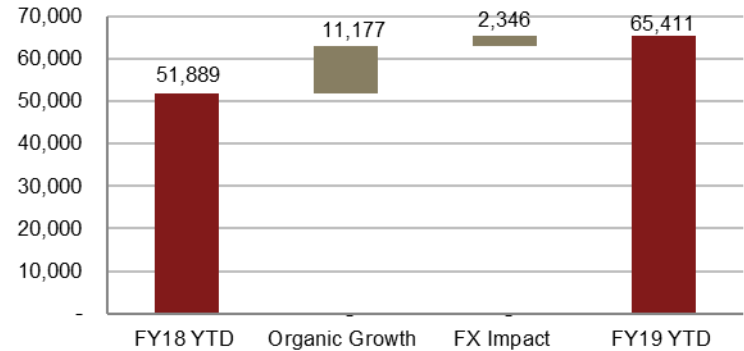
Currency	30/06/2019	30/06/2018	Change	FY19 Ave	FY18 Ave	Change
GBP	0.5524	0.5620	-1.7%	0.5523	0.5762	-4.2%
USD	0.7012	0.7354	-4.7%	0.7155	0.7754	-7.7%

FINANCIAL PERFORMANCE

FY19 SALES CATEGORY ANALYSIS (FY18 COMPARATIVES)



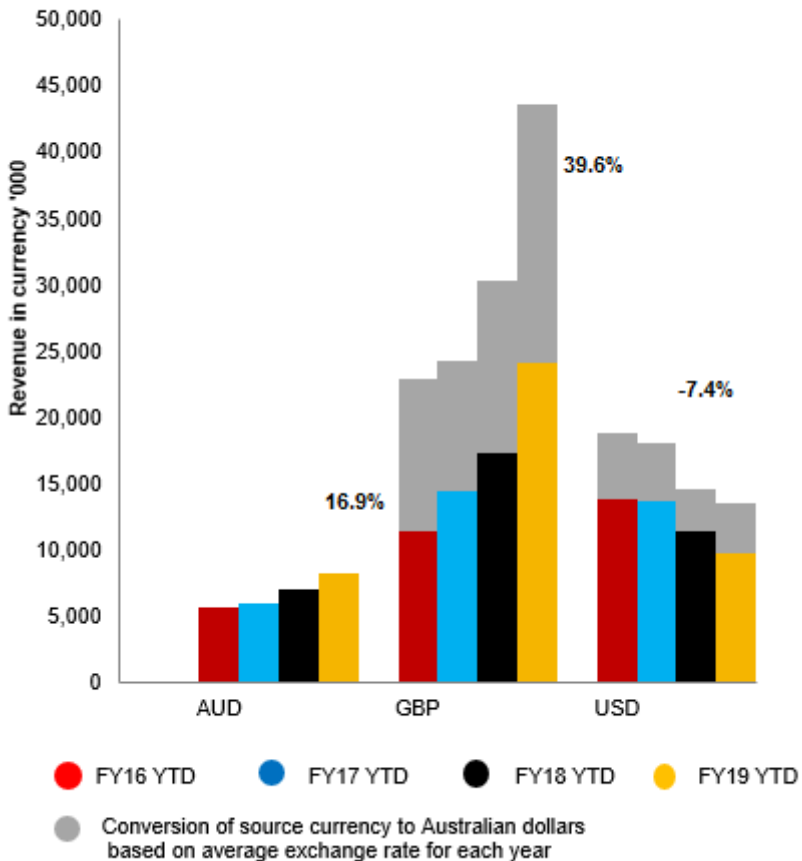
Consolidated Revenue Bridge FY18 to FY19 AUD \$ 000



Growth Rates	FY19	FY18	Change
Motorsports	\$ 43,988	\$ 33,850	30%
Automotive Aftermarket	\$ 10,387	\$ 9,530	9%
Emerging Technologies	\$ 2,513	\$ 2,023	24%
OEM	\$ 6,229	\$ 4,027	55%
Industrial & Other	\$ 2,294	\$ 2,459	-7%
	<u>\$ 65,411</u>	<u>\$ 51,889</u>	<u>26%</u>

FINANCIAL PERFORMANCE

Sales to third parties by currency



Summary

- PWR Europe continues to excel with 40% organic £ growth over prior period. Currency conversion of GBP to AUD has also been relatively stable.
- Decrease in USD revenue mainly due to discontinuation of non core lines in FY18.
- C&R sales to third parties stable with OEM sales to commence in FY20.
- C&R production capability well established and provisional IATF 16949 certification received.
- Increased manufacturing split between PWR and C&R resulting in improved utilisation of production capacity.

Revenue by currency

	FY19	FY18	FY17
USD	20.7%	28.3%	37.4%
GBP	66.7%	58.1%	50.4%
AUD	12.6%	13.6%	12.1%
	100.0%	100.0%	100.0%

BALANCE SHEET

A\$000	June 2019	June 2018
Assets		
Cash and cash equivalents	20,223	12,110
Trade and other receivables	4,689	4,054
Inventories	7,194	6,785
Plant & equipment	15,350	11,573
Deferred tax asset	1,721	2,114
Intangible assets	14,237	14,102
Prepayments and other assets	1,563	1,734
Total Assets	64,977	52,472
Liabilities		
Trade and other payables	4,812	3,397
Loans and borrowings	3,642	483
Tax liabilities	1,293	278
Employee benefits and provisions	2,233	1,839
Total Liabilities	11,980	5,997
Net Assets	52,997	46,475

Key points

- Strong cash position.
- Continued improvement in working capital management with decrease in invested working capital supporting a 26% increase in revenue.
- ROE improvement to 27% (FY18 : 24%)
- ROA improvement to 24% (FY18 : 22%)
- Plant & equipment increase reflects completion of majority of FY18 announced capital investment program.
- Balance sheet strength and unutilised facilities provides ability to seize organic or other opportunities.
- Intangible assets unchanged:
 - PWR trademark \$8.3m
 - C&R trademark \$2.6m
 - Goodwill on C&R acquisition \$3.3m.

WORKING CAPITAL & CASH FLOW

A\$'000	FY19	FY18
Trade, other receivables & prepayments	4,689	4,054
Inventories	7,194	6,785
Trade & other payables	(4,812)	(3,397)
Net working capital	<u>7,071</u>	<u>7,442</u>
Working capital (increase)/decrease	371	863
Cash from operating activities (excluding working capital change)	22,026	15,776
Cash from operating activities	22,397	16,639
EBITDA to cash conversion ratio ¹	103%	97%
Tax & interest paid	(3,746)	(2,627)
Capital expenditure	(5,985)	(5,199)
Free Cash Flow	12,666	8,813
Dividends Paid	(7,800)	(5,800)
Borrowings	3,503	-
Other	(256)	42
Net cash movement	<u>8,113</u>	<u>3,055</u>

Key points

- Increased revenue (26%) with reduced working capital invested resulted in improved cash position.
- Operating cashflow up 35% from prior period.
- Strong cash conversion from operating activities at 103% of EBITDA.
- Nil net debt and capital investment financed from operating cash flows and retained cash reserves.
- Liquidity position strong – apart from cash reserves and nil net debt, finance facilities available for opportunities which may arise.
- No factoring or reverse factoring used.

SEGMENT ANALYSIS

	PWR		C&R		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue - products	52,070	38,678	12,691	12,679	64,761	51,357
Revenue – services	433	396	217	136	650	532
External revenues	52,503	39,074	12,908	12,815	65,411	51,889
Inter-segment revenues	1,676	2,856	3,994	379	5,670	3,235
Segment revenue	54,179	41,930	16,902	13,194	71,081	55,124
Operating EBITDA ¹	20,399	17,856	1,487	(630)	21,886	17,226
Significant items	-	-	-	(1,269)	-	(1,269)
Depreciation	(1,433)	(993)	(1,037)	(673)	(2,470)	(1,666)
Segment profit/(loss) before interest and tax	18,966	16,863	450	(2,572)	19,416	14,291

Key points

- FY19 segment revenue growth 28% at C&R and 29% at PWR.
- Increased manufacturing throughput at C&R results in benefits from economies of scale.
- Sales growth in Europe supported by manufacturing operations in both USA and Australia.
- As OEM sales increase in FY20 at C&R, the mix of inter-segment sales may vary.
- Managing growth while maintaining quality a key performance measure and deliverable.

BUSINESS OUTLOOK

FY20 and FY21 look positive - managing organic growth efficiently a key focus

- **2 year** business growth and investment program with additional adjacent facility leased effective 1 July 2019. Investment to be funded from operating cash flows and cash reserves.
- **Optimising benefits** of multiple manufacturing sites in USA and Australia with centralisation in Australia of engineering and support services for Europe, USA and Australia.
- **C&R production** capability to continue being leveraged providing a robust, scalable platform for continuing growth opportunities. Expanding on FY19 use of C&R manufacturing capacity supporting European and OEM growth in FY20.
- **Speciality** builds, R&D and F1™ products will continue to be developed and manufactured in Australia.
- **OEM programs** coming on stream as previously advised and anticipated. Immaterial changes to volumes (up and down) and commencement dates, which is not unexpected.
- **USD transactions hedged** naturally through C&R.
- **Hedging of approximately 50% of expected GBP revenue** to June 2020 completed in March 2019 and June 2019.
- **Brexit** uncertainty continues but prepared for all outcomes.

-**Focus is on managing** organic growth effectively and efficiently whilst still

-maintaining culture, safety and quality.

BUSINESS OUTLOOK

In addition to continually exploring and investing in new customer solutions, new manufacturing technologies and methodologies are also reviewed and include:

Additive manufacturing

- Extensive discussions with 3D printer manufacturers has resulted in selection of preferred supplier which will provide additional manufacturing capability.
- Commissioning expected in H2 FY20.

Additional industries and value added services

- 3D CT scanner to be delivered towards end of calendar 2019 which, in addition to providing value added benefits, will also assist in our constant pursuit of higher quality products and processes.
- Cold plate technology product applications increasing through electronics, electric and autonomous vehicle developments.
- Micro matrix dedicated facility in process of being fitted out.

Customer solutions

- Commercialisation and monetising recent product developments a key focus in FY20.
- Micro matrix sales commenced late FY19 and expected to increase through FY20.
- Demand for profiled cores expected to remain strong.
- No technology developments are exclusive to any customer.

MACRO OUTLOOK

- Primary market is niche, high end, bespoke motorsport and OEM products which are less price or demand sensitive to general economic conditions.
- Primary market categories are expected to continue growing and any changes unlikely to be driven by broad economic factors.
- Diversification strategy focussed on verticals such as aerospace, military and electronic cooling which, similarly, are less demand sensitive to general economic conditions.
- FY20 is about ensuring we manage organic growth opportunities efficiently and effectively.
- Initial due diligence conducted on a small number of acquisitions, but none progressed. Continue to keep an open mind on acquisitions.

THANK YOU

