



# PWR HOLDINGS LTD

H1 2020 RESULTS

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# H1 FY20 RESULTS HIGHLIGHTS

	H1 FY20	H1 FY19		
Revenue	\$29.8m	\$24.8m	↑ 20%	Diversification commenced – refer to revenue commentary.
EBITDA				
- Statutory	\$ 7.6m	\$ 5.0m	↑ 51%	Increase in line with revenue with margins consistent at 20%.
- Excluding AASB 16	\$ 6.8m	\$ 5.0m	↑ 34%	
NPAT	\$ 3.5m	\$ 3.1m	↑ 10%	Increase after net foreign exchange losses (gains in pcp)
Operating cash flow				
- Statutory	\$ 5.4m	\$ 3.7m	↑ 48%	
- Excluding AASB16	\$ 4.6m	\$ 3.7m	↑ 24%	
Cash on hand	\$ 7.9m	\$ 6.8m	↑ 16%	Capex investment funded from operating cash flows.
Interim dividend	1.9cps	1.6cps	↑ 19%	
Market capitalisation *	\$455 m	\$350 m	↑ 34%	TSR reflected in share price & dividends paid.

\* As at 27 February 2020

# H1 FY20 PERFORMANCE

## H1 FY20 performance places us in a strong position for FY20 and beyond

- Revenue \$29.8m up 20% on pcp. Growth across all primary categories with 82% of revenue growth from emerging technologies and OEM categories.
- Sales movement by currency to pcp - GBP sales up 14% mainly from emerging technology and motorsports, USD sales up 30% from OEM sales and AUD sales up 22%.
- Underlying EBITDA margin of 22.7% up 12% (pcp 20.3%) from higher volumes, efficiencies of scale and exchange rate movements.
- NPAT of \$3.5m up 10% on pcp.

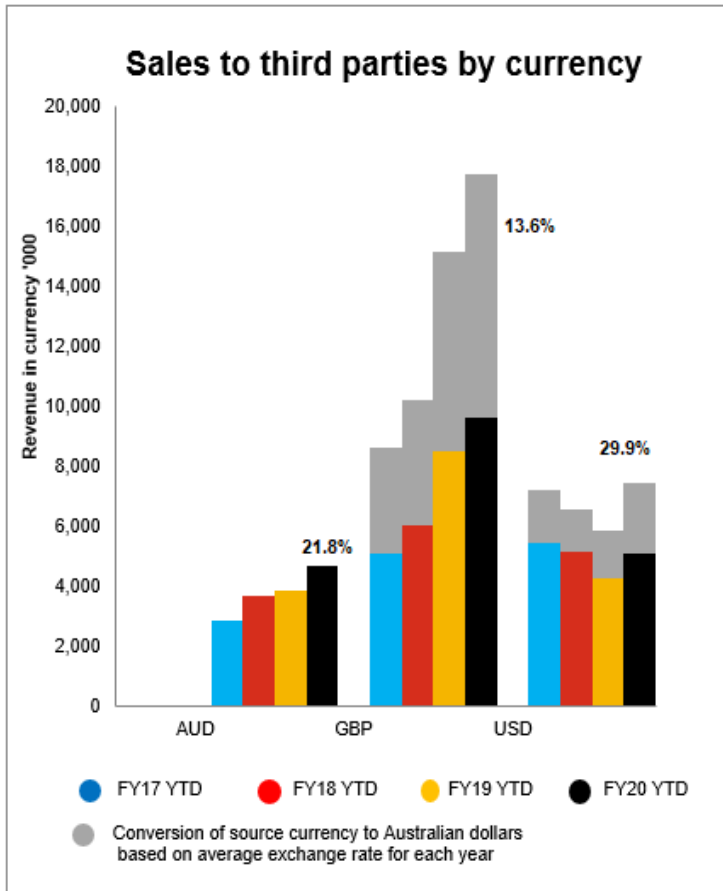
## Increased dividend

- Fully franked interim dividend of 1.90 cents per share – an increase of 19% on pcp.

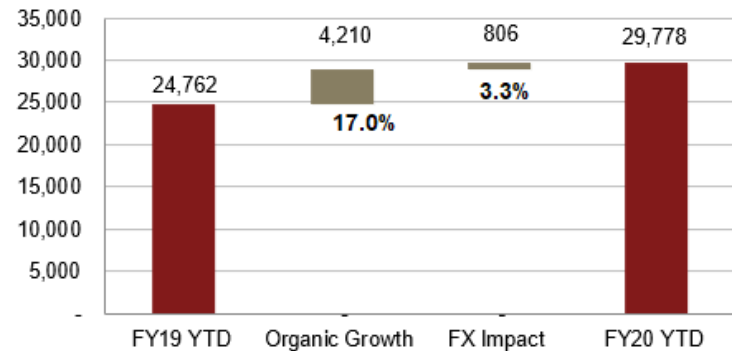
## Cash flows

- 24% increase in operating cashflow compared to pcp.
- Increased working capital from 30 June 2019 due to anticipated future growth.
- Excluding AASB 16, EBITDA to cash conversion ratio of 68% (2019 : 73%).
- Growth and capital expenditure fully cash funded. Working capital invested down 12% despite 20% increase in revenue.
- Cash on hand at 31 Dec 2019 of \$7.9m (2018:\$6.8m) with over \$12m of finance facilities available and unutilised.

# REVENUE



### Consolidated Revenue Bridge H1 FY19 to H1 FY20 AUD \$ '000

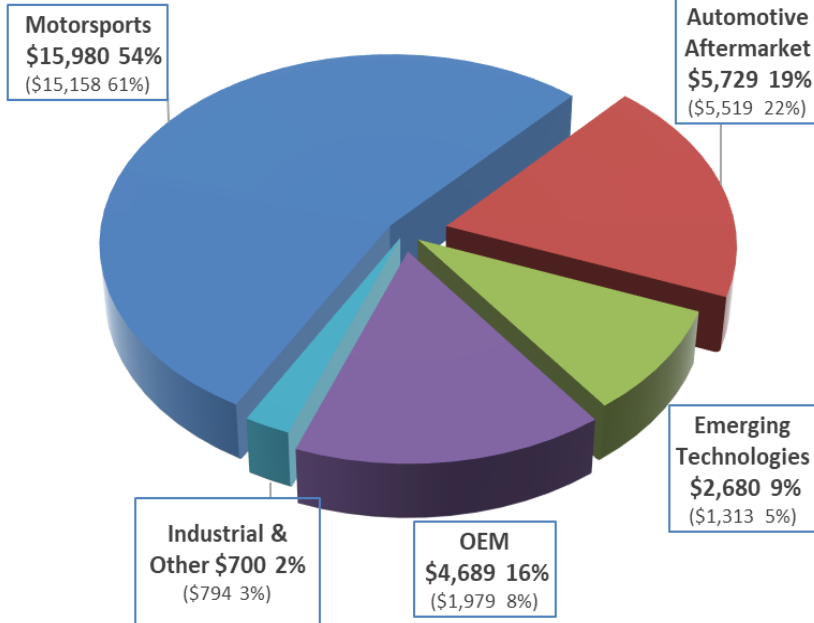


### Commentary

- Overall revenue growth of 20% with all major categories contributing.
- Revenue diversification a key feature of growth profile (refer to next slide for more details).
- Currency movements contributed \$0.8m to revenue growth.
- Forward revenue pipeline for H2 FY20 and FY21 is encouraging.

# REVENUE

## H1 FY20 SALES CATEGORY ANALYSIS (1H FY19 COMPARATIVES)



## REVENUE CATEGORY MOVEMENTS

	H1 FY20		H1 FY19		Change
	(A'000)	%	(A'000)	%	
Motorsports	\$ 15,980	54%	\$ 15,158	61%	5%
Automotive Aftermarket	\$ 5,729	19%	\$ 5,519	22%	4%
Emerging Technologies	\$ 2,680	9%	\$ 1,313	5%	104%
OEM	\$ 4,689	16%	\$ 1,979	8%	137%
Industrial & Other	\$ 700	2%	\$ 794	3%	-12%
	\$ 29,778	100%	\$ 24,762	100%	20%

## Commentary

- Motorsport still the major revenue source. Growth skewed to emerging technologies and OEM as part of diversification of revenue streams.
- 81% of revenue growth from OEM and emerging technologies.
- Revenue growth currency split between USD (54%) and GBP (46%).
- With OEM revenue increasing some smoothing between H1 and H2 expected.
- Emerging technologies and OEM organic revenue growth anticipated to continue through FY20 and FY21 and beyond.

# FINANCIAL PERFORMANCE

A\$'000	H1 FY20	H1 FY19	Variance
Revenue	29,778	24,762	20.3% ↑
EBITDA <sup>1</sup> - statutory	7,628	5,038	51.4% ↑
- underlying	6,747	5,038	33.9% ↑
EBITDA margin <sup>1</sup> - statutory	25.7%	20.3%	
- underlying	22.7%	20.3%	
Profit before tax	4,843	4,404	10.0% ↑
Net profit after tax	3,456	3,139	10.1% ↑
Interim DPS	1.90	1.60	18.75% ↑

## AUD vs GBP and USD movements – H1 FY20

Actual FX rates					
Currency	31/12/2019	31/12/2018	Ave H1 FY20	Ave H1 FY19	Change
GBP	0.5338	0.5543	0.5438	0.5544	-1.9%
USD	0.6983	0.7038	0.6847	0.7229	-5.3%

## Commentary

- Revenue growth of 20% previously discussed.
- Change in sales mix with OEM and emerging technologies key drivers with improved underlying EBITDA margin of 22.7%.
- Hedged forward cover positions and exchange rate movements contributed a loss of \$0.3 million at 31/12/19 (\$0.5 million profit at 31/12/18).
- ~50% of GBP revenue hedged through to 30 September 2020.
- Exchange rate fluctuations will continue to impact results.
- NPAT increased by \$0.32 million despite movement of \$0.8 million due to foreign currency movements (H1 FY19 \$0.5m gain vs loss of \$0.3m in H1 FY20).
- Interim dividend of 1.9c per share - an increase of 19%

<sup>1</sup> 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.

# BALANCE SHEET

<b>A\$000</b>	<b>December 2019</b>	<b>June 2019</b>
<b>Assets</b>		
Cash and cash equivalents	7,873	20,223
Trade and other receivables	5,331	4,689
Inventories	7,499	7,194
Plant & equipment	18,328	15,350
Right of use lease asset	9,819	-
Deferred tax asset	2,278	1,721
Intangible assets	14,243	14,237
Prepayments and other assets	1,929	1,563
<b>Total Assets</b>	<b>67,300</b>	<b>64,977</b>
<b>Liabilities</b>		
Trade and other payables	3,970	4,812
Asset finance	283	227
Current tax liabilities	326	1,293
Employee benefits and provisions	2,398	2,233
Right of use lease liabilities	9,972	-
Long term loans	3,747	3,415
<b>Total Liabilities</b>	<b>20,696</b>	<b>11,980</b>
<b>Net Assets</b>	<b>46,604</b>	<b>52,997</b>

## Commentary

- Strong net cash position.
- Continued focus on working capital utilisation.
- FY 20 capex program well advanced with installation and commissioning of CT scanner, 3D printers and vacuum braze equipment due for H2 FY20.
- Intangible assets unchanged:
  - PWR trademark \$8.3m
  - C&R trademark \$2.6m
  - Goodwill on C&R acquisition \$3.2m
- Long term debt of £2m unchanged.
- Forward cover contracts hedging approximately 50% of GBP denominated revenue to 30 September 2020.



# WORKING CAPITAL & CASH FLOW

(NORMALISED FOR AASB 16)

A\$'000	H1 FY20	H1 FY19
Trade, other receivables & prepayments	7,260	7,576
Inventories	7,499	8,111
Trade & other payables	(6,756)	(6,552)
<b>Net working capital</b>	<b>8,003</b>	<b>9,135</b>
<i>Working capital (increase)/decrease from 1 July to 31 December for each reporting period</i>	(2,827)	(2,131)
Gross cash from operating activities (excluding working capital change)	7,410	5,824
<b>Net cash from operating activities</b>	<b>4,583</b>	<b>3,693</b>
Tax & interest paid	(2,612)	(1,633)
Capital expenditure	(4,378)	(4,713)
<b>Free Cash Flow</b>	<b>(2,407)</b>	<b>(2,653)</b>
Dividends Paid	(9,900)	(6,200)
Loan funding	-	3,503
Other	(43)	21
<b>Net cash movement</b>	<b>(12,350)</b>	<b>(5,329)</b>

## Commentary

- Net operating cashflow up 24% from prior comparative period.
- Continued focus on working capital management.
- Net working capital invested down 12% with revenue up 20% compared to pcp.
- Cash from operating activities up 24%. Working capital investment up 33%. Net result is EBITDA to cash ratio of 68% (H1 FY19: 73%) normalised for AASB16. Excluding working capital investment, normalised EBITDA to cash ratio is 78%.
- Net cash with capital expenditure paid for from cash reserves and cash generated from operating activities.

# BUSINESS OUTLOOK - OVERVIEW

## H2 FY20 and FY21 on track for growth

- **New UK facilities** at Silverstone from July 2020.
- **Additional** adjacent property leased and commissioned in Australia for dedicated micro matrix and vacuum brazing facilities.
- **Capital expenditure** program for FY20 and FY21 expanded for anticipated growth and productivity benefits.
- **Efficiency and quality** improvements ongoing in conjunction with capital program.
- **OEM** programs ramping up as previously outlined. This will continue to impact the category composition.
- **USD** operations hedged naturally through C&R. Portion of debt from C&R to PWR converted to equity.
- **GBP** partial hedging to September 2020 with some residual exposure to AUD/GBP rates.
- **Brexit** developments continue to be closely monitored.
- **Potential** impact of coronavirus across the business being closely monitored.
- **Additional OEM** program discussions for FY22 and beyond, in progress.

# AASB 16 impact on statutory results (\$'000)

	H1 FY20	H1 FY19	Change %
Statutory profit before depreciation, net finance costs and income tax	7,628	5,038	
Lease payments	(881)	-	
<u>Normalised profit before depreciation, net finance costs &amp; income tax</u>	<b>6,747</b>	<b>5,038</b>	<b>34%</b>
Depreciation & amortisation	(1,412)	(1,128)	
Right of use asset amortisation	(912)	-	
Net finance income/(costs)	(337)	494	
Right of use deemed interest	(124)	-	
Lease payments - above	881	-	
<u>Profit before income tax</u>	<b>4,843</b>	<b>4,404</b>	
Income tax expense	(1,387)	(1,265)	
Net profit after tax	<b>3,456</b>	<b>3,139</b>	<b>10%</b>

Impact on EBITDA is an increase of \$881K  
Impact on profit before tax is a reduction of \$154K

Thank You

