

PWR HOLDINGS LTD

2020 ANNUAL RESULTS PRESENTATION

AUGUST 2020



Kees Weel – MD
Stuart Smith – CFO
Matthew Bryson – COO

BUSINESS DIVERSIFICATION

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STEADY RESULT IN UNCERTAIN TIMES

	FY20	FY19	Change
Revenue	\$65.7m	\$65.4m	↑ 0.5%
EBITDA ¹	\$23.4m	\$21.8m	↑ 7%
Pre AASB 16 EBITDA ²	\$21.6m	\$21.8m	↓ 1%
NPAT	\$13.1m	\$14.2m	↓ 8%
Pre AASB 16 NPAT	\$13.3m	\$14.2m	↓ 6%
Ordinary DPS	5.9cps	8.5cps	↓ 31%
Special DPS	-	3.0cps	-
ROE	24.1%	26.8%	↓ 10%
EPS	13.1cps	14.2 cps	↑ 8%
Cash on hand	\$20.8m	\$20.2m	3%
EBITDA to cash conversion	94%	103%	
Working capital decrease/(increase)	(\$1.6m)	\$0.4m	
FTE equivalent	292	291	

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.

2 Refer to slide 5 for the impact of the introduction of AASB 16.

SNAPSHOT

	30 June 2020	30 June 2019
Shares on issue	100 million	100 million
Market capitalisation	\$435 million	\$412 million
Cash & deposits	\$21 million	\$20 million
Debt	\$9 million	\$4 million
Net assets	\$54 million	\$53 million
Revenue	\$66 million	\$65 million
EBITDA – pre AASB 16	\$22 million	\$22 million
NPAT	\$13 million	\$14 million
EPS	13.1 cps	14.2 cps
DPS	5.9 cps	11.5 cps
ROE	24%	27%

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>
Key Management Personnel	<p>Kees Weel Chief Executive Officer</p> <p>Stuart Smith Chief Financial Officer</p> <p>Matthew Bryson Chief Operating Officer</p>

IMPACT OF INTRODUCTION OF AASB16 *LEASES*

	FY20 A\$'000	FY19 A\$'000
Statutory reported EBITDA¹	23,372	21,763
Less: lease repayments reclassified under AASB16	(1,803)	-
Pre AASB 16 EBITDA¹	21,569	21,763

Statutory reported NPAT	13,049	14,206
Less: lease repayments	(1,803)	-
Add: amortisation of deemed value of right of use assets	1,824	-
Add: deemed interest on the right of use liability	266	-
Less: foreign exchange fluctuation	(2)	-
Pre AASB 16 NPAT	13,334	14,206

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COVID-19 IMPACT ON FY20

Focus on cash preservation, cash flows and operating efficiencies

- COVID-19 forced a change in focus on cash ensuring substantial liquidity maintained
- Cash on hand of \$20.8m up 3% with \$5m facility drawn down
- Additional \$10m finance facility in place and undrawn
- Total available unutilised facilities over \$17.5m
- Cashflow closely monitored and managed
- No debts written down or off
- Staff working days reduced from 5 to 4 to end June utilising annual leave where available
- JobKeeper (Australia) program provided \$1.74m wages relief during most difficult phase of COVID-19 outbreak
- Pay Check Protection (USA) program provided \$1.77m wages and operating overhead relief during most difficult phase of COVID-19 outbreak
- Directors reduced fees by up to 30% from 1 April 2020 to 30 June 2020
- Working capital utilisation remains robust considering COVID-19
- Capital investment program temporarily paused but now continuing and well progressed
- MIQ2 grant funding of \$1.04m cash received for CT scanner

FY20 OVERVIEW

Growth trajectory temporarily paused - a good result considering global turmoil and disruptive events

- **Revenue** \$65.7m up 0.5% on FY19
- **Pre AASB 16 EBITDA** of \$21.6m consistent with FY19
- **NPAT** of \$13m down 8% on FY19
- **Sales by currency** to pcp - GBP sales down 10% due to temporary cessation of motorsport activity from COVID-19, AUD sales up 13%, USD sales up 14% due to commencement of OEM contracts
- **Diversification** strategy results in emerging technologies and OEM categories still growing by over 60% offsetting some of the decreases in motorsport category

Dividend

- Total dividend for the year of 5.9 cents per share fully franked and representing ~45% of NPAT
 - Interim dividend of 1.9 cents per share fully franked and paid in March 2020
 - Final dividend of 4.0 cents per share fully franked and payable on 25 September 2020

FINANCIAL PERFORMANCE

A\$'000	FY20	FY19	Variance	
Revenue	65,731	65,411	0.5%	↑
Pre AASB 16 EBITDA ¹	21,569	21,763	7.4%	↑
Pre AASB 16 EBITDA margin ¹	32.8%	33.3%		
Statutory EBIT	18,667	19,293	3.2%	↓
Profit before tax	18,235	19,836	8.1%	↓
Net profit after tax	13,049	14,206	8.1%	↓
EPS	13.05	14.21	8.2%	↓
DPS	5.9	11.5	51.3%	↓

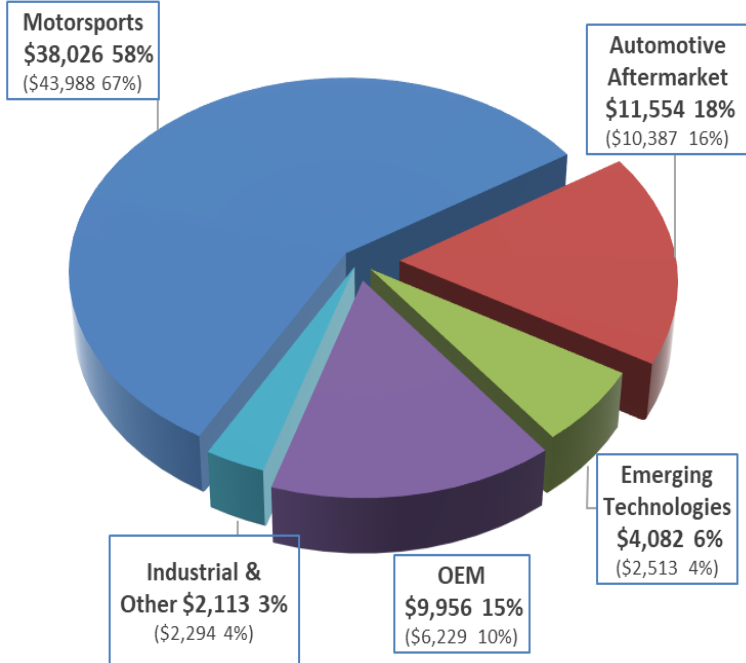
- COVID-19 has impacted financial performance
- Results largely in line with FY19 despite turmoil from COVID-19
- Revenue declined by 3.5% or \$2.3m offset by favourable currency movements of 4.0% or \$2.6m:
 - AUD sales up 13%
 - USD sales up 14%
 - GBP sales down 10%
- Revenue decline saw mix in sales change with growth in emerging technologies, new products and OEM programmes.

Average exchange rates (before hedging) relatively stable during FY20.

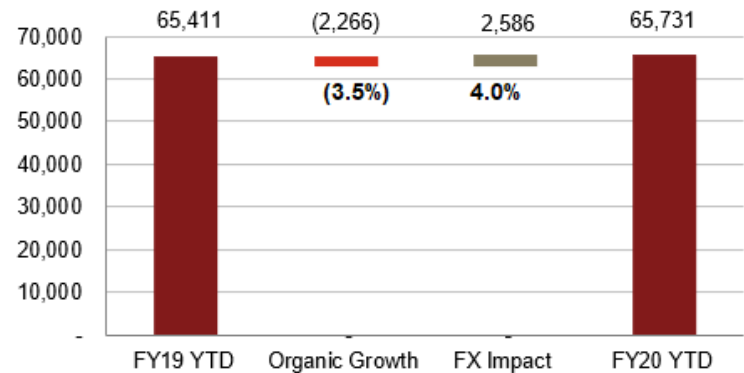
Currency	30/06/2020	30/06/2019	Change	FY20 Ave	FY19 Ave	Change
GBP	0.5579	0.5524	1.0%	0.5329	0.5523	-3.5%
USD	0.6854	0.7012	-2.3%	0.6716	0.7155	-6.1%

FINANCIAL PERFORMANCE

FY20 SALES CATEGORY ANALYSIS
(FY19 COMPARATIVES)



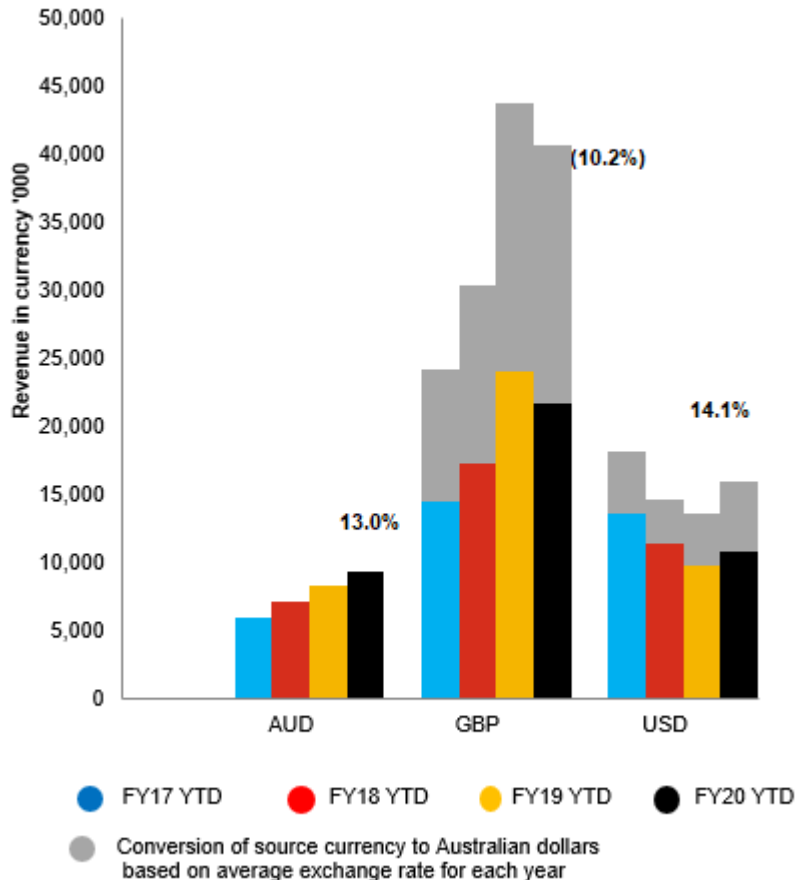
Consolidated Revenue Bridge
FY19 to FY20
AUD \$ 000



Growth Rates	FY20	FY19	Change
Motorsports	\$ 38,026	\$ 43,988	-14%
Automotive Aftermarket	\$ 11,554	\$ 10,387	11%
Emerging Technologies	\$ 4,082	\$ 2,513	62%
OEM	\$ 9,956	\$ 6,229	60%
Industrial & Other	\$ 2,113	\$ 2,294	-8%
	<u>\$ 65,731</u>	<u>\$ 65,411</u>	<u>0.5%</u>

FINANCIAL PERFORMANCE

Sales to third parties by currency



Summary

- COVID-19 impacted the Group during the reporting period. Currency conversion of GBP to AUD has remained relatively stable
- Increase in USD revenue mainly due to OEM contracts commencing prior to COVID-19 related factory closures
- C&R production capability well established and successfully ramped up prior to COVID-19 impacts
- Increased manufacturing split between PWR and C&R resulting in improved utilisation of production capacity

Revenue by currency

	FY20	FY19	FY18
USD	24.1%	20.7%	28.3%
GBP	61.8%	66.7%	58.1%
AUD	14.1%	12.6%	13.6%
	100.0%	100.0%	100.0%

BALANCE SHEET

A\$000	June 2020	June 2019
Assets		
Cash and cash equivalents	20,805	20,223
Trade and other receivables	6,932	4,689
Inventories	6,528	7,194
Plant & equipment	20,368	15,350
Right of use lease assets	8,928	-
Deferred tax asset	876	1,721
Intangible assets	15,034	14,237
Prepayments and other assets	2,912	1,563
Total Assets	82,383	64,977
Liabilities		
Trade and other payables	4,770	4,812
Deferred income	1,006	-
Loans and borrowings	8,814	3,642
Right of use lease liabilities	9,213	-
Tax liabilities	1,886	1,293
Employee benefits and provisions	2,444	2,233
Total Liabilities	28,133	11,980
Net Assets	54,250	52,997

Key points

- Strong liquidity and cash position
- ROE decreased to 24% (FY19 : 27%) due to timing combination of capex program and COVID - 19 impact
- Plant & equipment increase reflects completion of majority of previously announced capital investment programs
- Balance sheet strength and unutilised facilities provides ability to seize organic or other opportunities
- Intangible assets unchanged apart from retrospective deferred tax accounting standard change:
 - PWR trademark \$8.3m
 - C&R trademark \$2.6m
 - Goodwill on C&R acquisition \$4.1m.



WORKING CAPITAL & CASHFLOW

A\$'000	FY20	FY19
Trade, other receivables & prepayments	6,932	4,689
Inventories	6,528	7,194
Trade & other payables	(4,770)	(4,812)
Net working capital	<u>8,690</u>	<u>7,071</u>
Working capital (increase)/decrease	(1,619)	371
Cash from operating activities (excluding working capital change)	21,942	22,026
Cash from operating activities	20,323	22,397
EBITDA to cash conversion ratio	94%	103%
Tax & interest paid	(4,154)	(3,746)
Capital expenditure	(7,763)	(5,985)
Free Cash Flow	8,406	12,666
Dividends Paid	(11,802)	(7,800)
Borrowings	5,000	3,503
Other	(1,022)	(256)
Net cash movement	<u>582</u>	<u>8,113</u>

Key points

- Strong return to sales in June saw an increase in debtors at 30 June 2020 compared to prior comparative period
- Operating cashflow down net 13% compared to prior period due to COVID-19 impact
- Strong cash conversion from operating activities at 94% of pre AASB 16 EBITDA, despite COVID-19
- Overall net cash position and capital investment financed from operating cash flows and retained cash reserves
- Liquidity position strong – in addition to cash reserves of \$20.8m, finance facilities of over \$17.5m available.

SEGMENT ANALYSIS

	PWR		C&R		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue - products	49,635	52,070	15,407	12,691	65,042	64,761
Revenue – services	525	433	164	217	689	650
External revenues	50,160	52,503	15,571	12,908	65,731	65,411
Inter-segment revenues	923	1,676	1,987	3,994	2,910	5,670
Segment revenue	51,083	54,179	17,558	16,902	68,641	71,081
Operating EBITDA ^{1, 2}	20,494	20,399	2,792	1,487	23,286	21,886
Depreciation	(3,126)	(1,433)	(1,578)	(1,037)	(4,704)	(2,470)
Segment profit/(loss) before interest and tax	17,368	18,966	1,214	450	18,582	19,416

Key points

- FY20 segment external revenue growth 21% at C&R
- C&R OEM sales increase main driver of increased external revenue at C&R
- Increased manufacturing throughput at C&R results in economy of scale benefits
- Sales in Europe reduced due to COVID-19
- Emerging technologies offset motorsport sales COVID-19 shut down impact.

BUSINESS OUTLOOK

Remainder of FY20 and FY21 look positive but key unknown is COVID-19

- **Diversification** of revenue on track and this helped during recent COVID-19 lock downs
- **2 year** business growth and investment program still on track
- **Benefits** of dual manufacturing sites in USA and Australia apparent during COVID-19 shutdowns
- **Speciality** builds, R&D, most emerging technology products and F1™ products continue to be developed and manufactured in Australia
- **Motorsport** continues despite COVID. F1™ on track to deliver 17 of 22 GP races in this calendar year. New F1™ 5 year Concorde Agreement signed by all teams. MotoGP™ and NASCAR™ resumed
- **OEM programs** in production as previously advised and anticipated. Only changes due to COVID-19 restrictions
- **Brexit** uncertainty continues but prepared for outcomes
- **Capital** programs are in progress to support revenue diversification and growth across all categories
- **MIQ3 grant** funding of \$1.3m awarded for 3D aluminium printer

THANK YOU

