1,000 PRODUCTS
ENDLESS POSSIBILITIES

24 August 2023

Record sales drives strong FY23 result

Redox Ltd (ASX: RDX, 'Redox' or 'the Company'), a leading supplier and distributor of chemicals, ingredients and raw materials hereby announces its financial results for the year ended 30 June 2023 (FY23).

Key FY23 Financial Highlights:

- Revenue up 16.2% on pcp to $1.26 billion (FY22: $1.08 billion) and up 1.1% vs Prospectus forecast
    - Australian and New Zealand (ANZ) revenue up 15.3% to $1.17 billion (FY22: $1.02 billion)
    - US revenue up 42.0% to $76 million (FY22: $54 million)
- Gross profit margin of 20.8%, lower on pcp (FY22: 22.5%) however above Prospectus forecast of 20.5%
- Pro forma EBITDAFX[1] up 5.2% on pcp to $141 million (FY22: $134 million) and up 4.9% vs Prospectus forecast
- Pro forma NPATFX up 3.0% on pcp to $92 million (FY22: $89 million) and up 4.5% vs Prospectus forecast
- Statutory NPAT down 8.3% on pcp to $81 million (FY22: $88 million) and up 7.5% vs Prospectus forecast
- Underlying[2] net operating cash flow improved $184 million to a net inflow of $137 million, compared to a net outflow in FY22 of ($47 million)
- Strong balance sheet with Net Debt of $146 million, a reduction of $36 million on FY22 resulting in a core leverage (Net Debt/pro forma EBITDAFX) ratio of 1.0x. Net IPO cash proceeds of $227 million were received in early July 2023 which extinguished Net Debt, leaving a pro forma[3] net cash position of $82 million
- Significant improvement in net working capital as a % of revenue[4], falling to 29.3%, compared to 37.1% in FY22
- Earnings per share of 18.75c
- Return on Invested Capital of 21.3%[5]

Commenting on the result, Chief Executive Officer and Managing Director Raimond Coneliano said: "It is with pleasure that I present our first annual result since becoming a listed company following our float on the ASX on 3 July this year. 2023 will certainly go down in the company's history book as a banner year, with the listing being an important step in the evolution of the business.

"We achieved a record FY23 sales result with revenue increasing 16.2% to $1.26 billion over the prior year. This is a fantastic achievement despite the industry at large continuing to face uncertain global economic and trading conditions and pricing volatility. The record sales performance was supported by our strategic decision in the first half

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1EBITDAFX and NPATFX excludes unrealised currency revaluations relating to non-cash mark-to-market adjustments on Redox's open forward exchange contracts at period end. These amounts arise as Redox does not qualify for hedge accounting treatment under the terms of AASB 9 Financial Instruments and so is required to include the non-cash gain or loss on open foreign exchange positions at period end within its statutory result. Redox does not consider these amounts to form part of the Group's "underlying" earnings, and accordingly presents EBITDAFX and NPATFX metrics which exclude the impacts of these balances. Pre-tax pro forma adjustments included within both pro forma EBITDAFX and pro forma NPATFX are the addition of $1.7m of incremental listed company costs in FY23 (FY22: $1.4m) and the deduction of $2.1m of one-off ASX listing costs (FY22: $1.5m). Pro forma NPATFX also includes a pro forma interest add back before tax of $11.6m (2022: $5.7m) to reflect the Group's post listing debt structure.
2 Underlying cash from operations is cash generated from operations adding back cash spent on one-off ASX listing costs.
3 Net Debt of $145.7m + net IPO cash proceeds of $227.4m = pro forma net cash of $81.7m
4 Net working capital as a percentage of sales is calculated as period end working capital (the sum of trade and other receivables, inventory, prepayments, other assets, trade and other payables, accruals, provisions and other liabilities) divided by revenue.
5 Return on Invested Capital ("ROIC") is defined as net operating profit after tax (NOPAT), divided by average invested capital (total equity plus net debt including other financial assets and lease liabilities). Pro forma adjustments to NOPAT in order to derive a pro forma NPAT for the calculation are the exclusion of unrealised currency revaluation losses of A$4.1m, the exclusion of $2.1m of one-off ASX listing costs, and the addition of $1.7m of incremental listed company costs.

of the year to secure inventory to reliably meet our customers' demand.

"As such, Redox was able to maintain its strategic leadership in its core market of Australia and New Zealand, delivering important gains in share of wallet with some of our larger customers, which was supported by adding exciting new products to our diversified portfolio.

"In the US, a key growth market for Redox, we continued to grow our presence by expanding into four new locations, bringing our network to six. This geographic expansion and new customer wins have driven strong revenue growth, and we are confident the expanding platform will continue to maintain the positive momentum we are experiencing in the US.

"In Asia, sales in Malaysia were relatively stable in FY23 while we also registered a new entity in Singapore to take advantage of the opportunities in that market.

"Further, as we unwound our higher-than-normal inventory position, we were able to deliver a strong cash flow performance, generating $137 million in net cash from operations. As a result, our net debt position was significantly reduced, providing a core leverage ratio of 1.0x. Supporting our growth strategy, the strong balance sheet will ensure we have the financial flexibility to execute on growth opportunities as they arise."

Sales and Gross Profit margins

FY23 sales revenue increased 16.2% to $1.26 billion.

Sales were particularly strong in 1H FY23 after the business deliberately and strategically elevated its inventory levels to provide reliable supply to its customers under difficult industry procurement and logistic conditions. These challenging industry conditions largely abated in 2H FY23, resulting in a comparative flattening of year-on-year sales growth in that half.

The Company's core market of Australia and New Zealand continued to grow strongly in FY23, up 15.3% to $1.17 billion. Expansion in our product range, new agency agreements and growth in share of customer wallet were the primary drivers of this growth.

North American sales increased 42.0% in FY23 to $76 million, driven by new customer wins and by the business opening operations in four new cities, increasing the number of locations in the US to six.

Gross profit margins decreased to 20.8% in FY23, which is above the historical average, but lower than FY22 (22.5%). The margin decline was attributed to a softening of pricing volatility, which was unusually high in FY22.

Pro forma EBITDAFX and underlying operating expenses

Pro forma FY23 EBITDAFX increased by 5.2% to $141 million while total underlying operating expenses increased 10.0% to $127 million[6.]

The overall increase in EBITDAFX was driven by the strong sales growth in the year.

The increase in operating expenses was primarily driven by higher distribution and storage expenses which were reflective of increased volumes from sales growth, increases in freight and warehouse rates and higher costs due to supply chain inefficiencies stemming from the COVID-19 pandemic.

Insurance costs in FY23 also increased, largely in line with strong growth in sales and profitability while employee-related costs increased on the back of annual salary increases and the addition of sales employees to drive growth.

Cash flow from operations

FY23 underlying cash flow from operations increased by $184 million to $137 million from an outflow of $47 million in FY22. The improved result in FY23 was primarily due to the business recording a working capital net inflow of $33 million in 2023 compared to a $141 million net outflow in 2022. The outflow in 2022 was mainly due to the large inventory build-up which occurred in that year resulting from the Board's strategic decision to provide reliable supply to Redox's customers under difficult industry procurement and logistics conditions, but also partly due to input prices falling during FY23, and customer orders softening driven by the deflationary environment and increased confidence

[6] Underlying operating costs are operating costs excluding one-off ASX listing costs.

in supply.

Balance Sheet and working capital

As at 30 June 2023, Redox's net debt was $146 million, down $36 million from a year earlier. The reduction was primarily due to a strong working capital inflow of $33 million. As a result, the Group's working capital to sales percentage ratio improved by 7.8 ppts to end the year at 29.3%.

Dividend policy

Redox reaffirms its dividend payout policy of distributing 60%-80% of NPAT. The Company's next dividend is planned to be an interim dividend for the six-months ending 31 December 2023, which is expected to be paid in March 2024.

Outlook

Guidance (as per Prospectus)

- FY24F Revenue: $1.33 billion (forecast to increase 5.6% (FY23: 1.26 billion))
- FY24F Gross Profit: $275million (forecast increase of 5.1% (FY23: $262 million))
- FY24F Pro forma EBITDAFX: $148million (forecast increase of 4.8% (FY23: $141 million))
- FY24F Pro forma NPATFX: $97 million (forecast increase of 5.9% (FY23: $92 million))
- FY24F NPAT: $94 million (forecast increase of 16.4% (FY23: $81 million))

Commenting on the outlook Raimond Coneliano added: "Redox remains confident that the continued strategic delivery of new customer and product growth that was achieved in FY23 will continue to drive growth in FY24. However, in light of macroeconomic uncertainty, revenue growth is expected to only increase by approximately 5.6% in FY24, while margins are expected to soften slightly towards their longer-term averages."

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This announcement is authorised for release by the Board of Redox Limited.

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About Redox

Established in 1965, Redox markets a range of more than 1,000 different chemicals, ingredients and raw materials, sourced from leading manufacturers supplied to clients throughout Australia, New Zealand, Malaysia and the United States. Our dedicated team of more than 400 employees operate from 16 locations across the globe, with more than 100 convenient storage locations. A growing business with sales revenue of over $1.25 billion in the financial year 2023. Redox looks for long term partnerships, where shared values and common goals align for mutual benefit. Our relationships are open, innovative and based on teamwork.

https://redox.com

Forward Looking Statements