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19 August 2024

ASX Market Announcements Office
FY24 Results Conference Call Transcript

PWR Holdings Limited (ASX: PWH) encloses for release, a transcript of the FY24 Results Conference Call held on 16 August 2024.

Authorised for release by the Company Secretary.

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TRANSCRIPTION

Company:	**PWR Holdings Limited**
Date:	**16 August 2024**
Duration:	**1:01**
Reservation Number:	**10040115**

[START OF TRANSCRIPT]

Operator: Thank you for standing by, and welcome to the PWR Holdings Limited FY '24 Results Webcast and Conference Call. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone keypad.

I would now like to hand the conference over to Mr. Kees Weel, Managing Director. Please go ahead.

Kees Weel: Thank you. Good morning, everybody. Thanks for dialling in and listening to what we've got to say this morning. So I'll get straight into it.

On our first slide, particularly on our page turnover, we've moved it around a little bit. Last year, we've gone straight into our numbers. This year, we're going to achievements and highlights and etcetera.

So there's four pillars that we've been looking at; innovation, profitable growth, sustainability and investing in our people. I'm not going to go through every individual one in most detail, but I'll certainly pull out some of the areas that I think are worth talking about.

Probably the biggest outstanding thing is the Aerospace & Defence revenue growth, just a tad over 100% for the year, which I think is incredible for where we come from in that sector. And more so to get investing in our people, etcetera. So that's the first slide.

The second side is all about R&D. That's a significant growth opportunity. And I think what we've been able to achieve in the past two years, particularly has given us a lot of confidence to invest in the future and particularly people that we have to have for R&D and have some work we've talked internally investing now and collecting later, and the investments across '24 and '25, particularly R&D growth, between those two years, it's 52 extra headcount just for those two years. So there's 21 in '24 and we predict 31 in '25.

There's a lot of hidden fees that people don't see. I just want to explain that a little bit, particularly when we get into Aerospace & Defence. The extra quality certifications and the control processes and the cyber and IT systems, our design, simulation, planning and procurement controls, production and not the least, factory space and specialised equipment. So there's quite a bit of stuff that goes on behind that to make sure that we are what we call race ready going into the next few years, particularly in Aerospace & Defence.

Our full year performance highlights; growth, investing in the future, which we just talked about, and shareholder return. The growth highlights are 17.8% of revenue. For NPAT and the revenue growth is in the particular order of 100% of Aerospace & Defence, 8% Motorsports, 9% in OEM and 9% in Automotive Aftermarket.

Moving along, I spoke about investing in people and the shareholder return have a full dividend of $0.14 for the full year, which is $0.092 on this final dividend to be coming out shortly.

The five-year performance trend, that's certainly tracking very good for us across all sectors there. So I'll let you look at that yourself in your own time. The total TSRs, shareholder return against the ASX 300, excluding energy companies, were the 88 percentile of that over the ASX 300.

Our performance overview, some key points. Revenue growth of 17.8%. Our EBIT margin certainly impacted by employee expenses from headcount growth and the NPAT growth of 14%. EBITDA to cash, a solid conversion of EBIT to operating cash and plus a solid cash balance to fund future growth.

The revenue by market sector has altered a little bit compared to last year. The Motorsports topped off a tad to 48%, OEM to 20%, Automotive Aftermarket was 14%, Aerospace & Defence was 15% and the other is 3% to bring up the 100%.

The Aerospace & Defence, as we've spoken about before, has been massive. The growth in F1 particularly has increased in the last 12 months. And OEM, the Valkyrie and the AMG X1 programs have gone off and there are other small programs going in there. So we'll see a small -- a little more decrease in the automotive coming for the '25 year. Certainly, a lot of focus on the Automotive Aftermarket, growing into USA and Europe.

The revenue by currency, I would like to just hand over to Martin. There's three or four pages of that, certainly his wheelhouse, and I'll hand it over to you, Martin.

Martin McIver: Thanks, Kees. You'll see on the slide that we've split out the organic growth and the impact of favourable FX movements, which is always helpful. To put that into context and how that flows down to NPAT, we have an extensive hedging program for the pound, the movement in the pound. And we also have increasing pound and USD costs, which help buffer against the FX movements.

So when you flow all that through, we had a 677,000 improvement in our NPAT due to the favourable FX movements in the year. We've extended our hedging now, as you will see from that, just under 20,000, so GBP20 million to protect the balance of FY '25. So we've hedged all the way out to settlements in July '25.

Moving onto operating expenses. The total operating expense, as you see, has moved or has increased by 18.7%. The biggest call out there is the employee expenses. And the three main factors that have resulted in the employee expenses growing by the 21.5% is the increase in headcount, of which 21 of the headcount is investing ahead of the growth that we're expecting in A&D, Aerospace & Defence.

Also during the year, we start the year with a pay review process. However, during the year, we also had the market moves in certain areas, so we had to increase some of our wage rates during the year to keep competitive in the market to keep attracting the correct skill level of people. And even some of the skill levels that we're now putting on for like-for-like roles are at a more expensive pay point.

We've also, over the past few years, expanded the long-term incentive program to include more of the key people in the business, and that's also had a small impact on the employee expenses this year as that flows through.

As far as the balance sheet goes, the net assets have increased by 13.4% year-on-year. Our return on equity is maintained at around 25%, which is pleasing. And the other item just to note here is the contract liabilities has increased from June '23 to June '24. That relates to milestone in revenue or milestone invoices that we raised towards the end of the year but relate to delivery of some of the items in July and August. So we've got that in as part of that trade debtors, but also a contract liability as that relates to early FY '25.

Moving on to the working capital and cash flow. So we pleasingly saw the operating cash or cash from operating activities increased by 15.9%, which is a good solid step-up. It leaves us in a strong liquid position -- liquidity position with cash of 21.7 million. But free cash flows also pleasingly increased by 10.2 million or just 95%. So it sets us up well for the investments that we've called out in the investor presentation into '25 and '26.

We're also flagged in the presentation which we're well advanced in finalising the documentation of a new $30 million debt facility, which will provide additional headroom as we go into the '25 investment phase, and that will replace the existing facilities, which are currently undrawn.

Kees Weel: Thanks, Martin. Business outlook. Vertical integration is very strong for us. To be very fully integrated in the three sites globally is a very big asset, particularly when you're looking at the Aerospace & Defence, particularly in Europe and the USA. The new factories, there's obviously a lot going on here. And we have started work there already to get the factory ready.

So our plan is to have all the internal work and offices and power and all the upgrades that we need to do to the training facility and all that sort of stuff, all the internal things that we have to do for that factory to be ready for us -- ready to start on that, as I said, and that will go through to March next year and then we'll start moving equipment and, etcetera, over to the factory.

The continued growth and investment and expanding in Aerospace & Defence is key to us. Motorsports, the motorsport with the '26 regulation on the F1 category, that certainly are key to us, and it's probably like it was in 2014 when they went to a turbo car. This new category regulation coming out in 2026 gives enormous opportunity for extra dollars to come in, particularly on the battery cooling side, etcetera, for that category.

The OEM program. As I've said before, a few of them have dropped off the Valkyrie and the AMG X1 program have finished now. And we have started to fill them up. There will be a bit of a hole in this year particularly, but then we'll see next year, we have the -- with the new S650 Mustang coming in on America, so on for that.

Automotive Aftermarket, obviously, we keep pushing for growth in North America and we have just started doing that in the U.K. Our U.K. manufacturing site has been very, very good for this last 12 months, certainly set a very good platform for future business over there. And we have invested in a brand new furnace there that will be delivered sometime in early December.

Organic growth opportunities, particularly with Aerospace & Defence, which is a great thing. And we're looking at ERP investment late '26 onwards. And in the new building, we also have the PWR Training Academy, which will certainly be a big improvement to what we do, particularly in the premises, etcetera, in the future.

The new factory, it's nearly 90% more floor capacity on that factory space. A lot of them moved, which we will come into in a minute, a lot of the move with capex, that's essentially new machinery and particularly machinery that will help us to improve our automation and cut down in extra staff but also help us with more volume of capacity of the work going through that factory.

The estimated expenditure for the factory upgrades internally, that's internally, that includes power upgrade to the factory, but also solar and the expense to the offices and serves throughout the factory and also data, etcetera, comes to roughly 25 million. And the capex for equipment to the Australian facility is around about 13 million. Some of that may be moved into '26 because of timing. But at this stage, that's what it is.

And then you've got the operating expenses there, which is fairly well self-explanatory. So I don't think I need to go through that line by line. The pipeline for Aerospace & Defence, as you'll see, there's a few more there since we spoke early in the year, which is increasing over time. And as these programs start coming to fruition, particularly from R&D into production, and which is starting to happen, and as that happens, there'll be more opportunities to push on to that pipeline.

The pipeline for OE is very similar. As we have said, some of those have dropped off from last year, particularly those bigger ones as in AMG and Valkyrie. Our investment in people. Headcount is paramount to make sure that we are, hopefully, race ready with these programs as they start to go into some R&D and prototypes moving into production.

We have to make sure we are ready for that. And there's a lot of people behind the scenes that we've already invested in, and we will continue to invest that because it's what has given us a tremendous amount of confidence to keep moving forward with that.

We currently have 38 apprentices across a range of trades. That will increase. We plan -- we're endeavouring as hard as it might be to put on an extra 30 apprentices by the end of this calendar year for future trades, etcetera, that we need.

Our engineer program. Our graduate from engineering program has been very good for us, working with a couple other universities, etcetera, and doing very well.

Our employee secondment across the globe, particularly we have people in Europe that we've sent over there for a two-year employee secondment, which has been fantastic, and that's really put a lot of that what I call PWR DNA into that facility. And as we say to everybody, we are one PWR, so we want one set of rules for PWR in the three global factories.

Work experience goes hand in hand, particularly with the apprentices and working with the schools and future apprentices which has been working out pretty well in past years.

Retaining our staff. I think everybody globally has a problem with the retainment of people and being cost effective and what have you. But we do offer long and short-term incentive programs to the right people. We do feed everybody breakfast, morning tea and lunch every day. And when we were doing 400 a day at our current facility, it is a challenge, but the new facility will help us do that.

Employee assistance programs, we have a career development planning, reward and recognition and retaining our people. So that all goes hand in hand.

So the rest of the stuff there on our presentation is just a little bit of stuff that might interest you in general information about what we're doing and our leadership team, etcetera, and obviously, our latest new Board member of Jason Conroy.

So thank you very much. We're certainly open for questions. And hopefully, between Martin and myself, we'll be able to answer those questions.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. And if you're on the speakerphone, please pick up the handset to ask your question.

Your first question comes from Jack Dunn from Citi. Please go ahead.

Jack Dunn: Morning, Martin. Morning, Kees.

Martin McIver: Hi, Jack.

Kees Weel: Hi, Jack.

Jack Dunn: Thanks for taking my questions. Can I just start on A&D? So the second half was quite strong growth in revenue. I remember the half year, we thought '25 and '26 is going to be a really big year, even massive. So I was wondering what level of growth you're expecting is sort of doubling to your possibility in the growing pipeline?

Kees Weel: Well, I think the growth from last year to this year -- well, from '23 to '24 is a pretty good indication of what is achievable and what have you. We have to grow our people in that business of what I spoke about before to make sure they're ready for the next big phase.

Certainly, for us, in '25, I don't think we can do 100% on -- I'm being very practical here. I don't think we can do quite 100% on our 21 that we've just achieved, but there'll be -- certainly, without giving any guidance, it will be certainly a fairly good uptake in '25. We have the business there.

And as I said before, as some of these programs, particularly in what we're doing in those programs on the eVTOL side of it, when those programs are starting to move from R&D and prototypes now into production. So, yes, we are starting to see some of that come through. That will be certainly weighted on the second half of this year. But what we see today I think it's going to be a very good uptake on what we've done this year.

Jack Dunn: Perfect. And so that would just mean that '26, you're expecting that to be probably a higher growth rate than '25, if more of those eVTOL programs?

Kees Weel: Definitely.

Jack Dunn: Perfect. And then still on R&D, so there's a lot of new programs, one, and my thinking was most of them were likely outside eVTOL given there isn't a large number of manufacturers. So I was hoping maybe to touch on where you saw some of these program wins and maybe what is the largest type of contract size in terms of revenue you saw from some of these programs?

Kees Weel: That was probably a little bit difficult to quantify. Certainly, the eVTOL area of the business has been very strong but also the liquid cold plate business on the Aerospace & Defence is also being very, very strong as well. So I do think in both parts they'll grow fairly evenly across the board.

What's pleasing is, in addition to the eVTOL and the cold plates, we also have a broadening range of programs that are in various phases of development. So the Aerospace & Defence pipeline itself is maturing as we would like a turn and expect it to. So other programs outside of that will also start to mature and develop in size over the coming years as well.

Jack Dunn: Okay. And just last quick one. Just to understand what size of a contract would need to be for you to make an announcement to the market? Is it still that $5 million per year?

Kees Weel: Yes. It's an individual of about $5 million, I think we should be essentially in that.

Jack Dunn: Sure. Okay, perfect. Thanks. I'll jump back in the queue and thanks for taking my questions.

Kees Weel: Thank you.

Operator: Thank you. Your next question comes from Alex Lu from Morgans Financial. Please go ahead.

Alex Lu: Good morning, Kees. Good morning, Martin. Hope you guys are well. Can I just start with Motorsports, please? It looks like there was some pull forward of Motorsports revenue into the first half of '24 as that second half growth looked a bit soft. So just wondering if you can just talk through that, please, Kees?

Kees Weel: Yes. I think if you remember the year before, it was the other way around, which just certainly wasn't pulled forward, Alex, and it's hard as what it is. It's hard to do that, particularly when you work with orders and that particularly on time sensitive when they're going to be produced by certainly in the right area.

Yes, it was probably a lot of the extra, I guess, R&D type work that we've done for Motorsports and particularly for F1 for the 2026 program. So that was released last year of exactly where it was going to be. And so there was quite a few of the teams that jumped in early for some of that development, which certainly led for an uptake on that first half. That's certainly probably a very good explanation of that.

Alex Lu: Okay. All right. Thanks for that. And then on to employee costs, that went up quite a bit in the second half. And you mentioned that was due to higher headcount and also the increased rates to remain competitive in the market. But just wondering, do you expect that pressure on rates to continue?

And also, I think, Martin, you mentioned that you're hiring more skilled labour. So are you hiring more of the higher skilled labour versus historically where you've hired at the lower end and trained people up? I just wonder if you could just talk to that, please.

Kees Weel: Yes, the employee cost is obviously a big thing for us. We're very labour -- laborised in what we do. The big thing is, which I called out a bit earlier, particularly with the Aerospace & Defence of all the other areas that we have in place to qualify to do any of that work and particularly with certifications and quality control, procurement, cyber, a lot of that stuff that people don't see, but because we're doing it here in Australia and also doing it in America, so it's a bit of a double up of some of those wages that were being -- had to do which is fine and we're backing ourselves of that industry to certainly kick some goals as we have with the equipment side of what we've invested in the American facility as well.

So as far as meeting the market, I think everybody would know that wages have certainly gone up and we're going to meet the market. And I think we're a little bit behind really. And now that we're certainly looking for that upper skilled person, particularly to be qualified and ready to work in that Aerospace & Defence industry side, it's a bit more expensive than Automotive in general. So the uptick of wage and employment costs has been mainly driven by Aerospace & Defence.

Martin McIver: Just adding to Kees' comments, the people that we're putting on as we've described it ahead of the curve, just to give us the really solid foundation to grow from, they are -- you'd probably say they are at the higher end of the skill spectrum and that's also reflected in their wage cost. So that investment in the short term sets us up well. And then as we get volume through the production, we'll be able to leverage off those roles. So it is skewed somewhat to those 21 and the 31 roles that we've called out.

Alex Lu: Okay, great. That's helpful. I will leave it there. Thanks, guys.

Kees Weel: Thank you.

Operator: Your next question comes from Elijah Mayr from Goldman Sachs. Please go ahead.

Elijah Mayr: Good morning, Kees and Martin. Just a couple of questions. Very different results on Motorsports and just sort of noticing a bit softer, I guess, in consensus expectations. Can you kind of talk to if there's any sort of timing impact around the results and perhaps price rises that went through in the FY '24 year end expectations for FY '25?

Martin McIver: So as far as the year-end of '24, we're not calling out any particular timing impact. As Kees said, we had a stronger than expected first half which was supported by some of the additional development work for the '26 cap and that, I guess we have the impact of cost caps of our calendar year and cost caps for some of our customers. So there is a desire to spend.

If you're below your cost, you'll spend up leading up to Christmas. And if you're above your budget, you'll hold off until the third quarter of our financial year. So we've seen both ways in the last couple of years. But as far as coming to the last part of your question -- sorry, Elijah?

Elijah Mayr: I was just talking about price rises going into FY '25 sort of noting that you guys have had sort of, I guess, increase wages and increased employees on your side on the cost side. Should we expect any increases in price to sort of call back some of that margin into '25?

Martin McIver: We apply price rise to our customers ideally once a year. And that's -- there is a little bit of a difference in when the price increases apply to different customer categories. Our aftermarket and some of our -- essentially aftermarket and perhaps some Motorsport is 1st of July price increases, but the majority of Motorsport categories operate on a calendar year.

So the ability to pass price increases on is really for the next calendar year's parts which we start delivering in circa November. So they're sort of a little bit delayed. And then the OEM programs, depending on the length of the program, have different rise and fall mechanisms in them. So we do attempt to pass on costs, and we do pass on costs. And this year, we're also doing that in circa around the 5% range.

Elijah Mayr: No problem. Thanks. And just with, I guess, the commentary around OEM with a few programs rolling off, does that mean there's capacity there for some of the other markets that in sort of, I guess, fill the gap? And just with the transition into the new facility during FY '25, is there any disruption we should expect from the top line across some of the other markets?

Kees Weel: I think that if we're sitting here, we're saying there won't be any disruption, that's in a perfect world, obviously. But obviously if there is disruption that's out of our hands, that will be. So we're going to be cautious of that. But we have got a plan, a very structural and educated plan put together of the move and how we are less disruptive to the business.

So from where we sit today, we think there will be little -- as little as possible disruption. But I'm sure there will be something out there that might grab us, but I don't think it's going to be huge. But I think we're certainly being upfront about it that we feel that next year is going to be fairly flat because of what we're doing. It's a big move. It's a lot of moving parts and have to work and make sure we get there.

And then also looking towards the '26 year, we want to make sure that we are very, very ready for '26 because there's a lot of programs that have been rolling in, particularly with Aerospace & Defence and also there's a new OE program coming at 2026 in America and what have you. So we want to make sure that we are very ready for that, and particularly on the automation side and the efficiency side that we want to gain out of this new building.

Martin McIver: The extra capacity, as you called out of the OEM programs that are coming off, we constantly assess and move capacity around to various programs. And we do have, I guess, a lot of cross-skillings to be able to service different markets with the same team. So that will be a constant focus to make sure we're getting the maximum productivity out of the team we have and the machines we have.

Elijah Mayr: And just to clarify, Kees, just on your comment of the next year being fairly flat. Is that in relation to I guess NPAT year-on-year?

Kees Weel: Correct.

Elijah Mayr: And is that including the one-off costs that you've guided to into the presentation on an adjusted basis?

Kees Weel: Adjusted.

Elijah Mayr: And then maybe just one final one, if I could. Just in terms of the ramp-up profile, obviously, FY '26 there's a lot of programs coming through. Should we I guess expect then a material step-up or is this going to be a lower sort of ramp-up profile as you sort of get used to the new facility?

Kees Weel: I think it will be certainly a material step-up in '26.

Elijah Mayr: No problem. Thanks for the questions.

Kees Weel: Thank you.

Martin McIver: Thanks.

Operator: Thank you. Your next question comes from Tim Piper from UBS. Please go ahead.

Tim Piper: Morning, Kees and Martin. Just first one on the capex for the new facility, what's the delta between the 22 million you called out in October last year and the 38 million today?

Kees Weel:	Well, the capex for next year is actually 19. 13 million of that is here for Australia. There's three for the UK and three for the US. What was the rest of the question?
Tim Piper:	I was just going back to the release when you announced the new facility last year, I think you called out $22 million of capex associated with the new facility. So what this 38 million is not just solely new facility capex?
Kees Weel:	Correct.
Martin McIver:	The factory upgrades circa 25. And through the process there's been a lot of planning and a lot of thought and analysis put into what do we invest now given it now will be a lower cost wave of offsetting ourselves up to success given this factory is in place for the next 20-plus years, whereas if we don't set it up correctly now, we have to come back in a few years' time there's disruption and higher costs. So it's taking a few years as to what we need to establish now to set us up.
Tim Piper:	Got it. Thanks. Can I just clarify, sorry, the last question, you sort of dropped out a little bit choppy the line. Did you say you're expecting NPAT to be flat in '25 versus 24?
Kees Weel:	Yes.
Tim Piper:	Okay. Got it. Thanks.
Kees Weel:	That's excluding those additional factory-related move costs.
Tim Piper:	Yes, understand. Just a question on the receivables balance. You called out some additional sales you made in the fourth quarter. What segment of the business was -- were those strong sales made in the fourth quarter?
Martin McIver:	It was across different sectors but a highlight of it would be Aerospace & Defence. It did finish the second half of the year strongly including the last quarter.
Tim Piper:	And was that a bit more R&D prototyping revenue or actual production type revenue from A&D?
Kees Weel:	Both it's a mixture of both, Tim.

Tim Piper: Got it. I just ask one last one. And then jump back in the queue. Just thinking about the balance sheet from here. You've obviously got a new debt facility. You've called out the estimated interest expense funding from drawing down that. What sort of a minimum level of cash that you would look to sort of carry on the balance sheet as a minimum from here given the scale of the business?

Martin McIver: We're focusing on carrying in the order of $10 million of cash.

Tim Piper: Great colour. Thanks.

Martin McIver: Plus maintain the headroom in any debt facility so we can adjust as needed.

Tim Piper: Yes, got it. Thanks for taking the questions.

Martin McIver: Thank you.

Operator: Thank you. Your next question comes from Sarah Mann from MA Moelis Australia. Please go ahead. Apologies. Your next question comes from Ray Tollesfsen, a Private Investor. Please go ahead.

Ray Tollesfsen: Good morning, Kees and Martin. I'm also a member of team invest, which you spoke to last year. First up, thanks very much for posting the results last night. I wish more companies would do that. First question relates to the Moon to Mars Grant. Whereabouts is it shown in the financial pages because I can see section B2, which talks about government grants but that's only 35,000. So whereabouts did that new million dollars get shown in the accounts?

Martin McIver: We received that grant over a number of tranches. So we've received the first portion of that. The first portion of that and it sits in deferred income because it's funding. We're supporting the funding of capex, we only recognise that grant revenue over the life of that asset. So that will trickle in over the next five to eight years depending on something to which asset we're referring to.

Ray Tollesfsen: Okay. Thank you very much. Now that you've mentioned a couple of times the new Formula 126 regs or whatever they are. Do you see that as a potential threat? In other words, an opportunity for other suppliers to get a foothold in particular with a couple of new teams likely to be around?

Kees Weel: No, I don't see it that way. No, we've -- we're certainly dealing with every team and also Audi, who is going from next year as well. So we're very well entrenched with those guys. And I certainly don't see it as a threat. We certainly see it as an opportunity, a huge opportunity for the battery program on that vehicle is twice the capacity of what they're using now.

We're very, very much into what we call the cell carrier program right now and for prototypes and some production types that's being tested by all teams that currently test that. So there's got to be a big focus I think focus on electronic cooling for that car. So, yes or they spend heaps of money.

Ray Tollesfsen: Great. Thanks. And just out of curiosity, you talked about investing in people ahead of the curve. What do you presently utilising them for?

Kees Weel: Come again?

Ray Tollesfsen: The different roles for the new people?

Kees Weel: Different roles for new people is vary and particularly on the quality side like even the certifications we need for brazing and the heat treatment and the likes but also the CMM machines, the measuring machines for our quality partner. And that's not only here, we're doing the same in America. So we are getting a bit of a double whammy in some of those people costs as well.

So cybersecurity and IT its a huge one. That's paying quite a bit of money to finance that. And simulation and our procurement particularly going to be traceable and certified. So there's a lot of that stuff that goes unseen. People think it just happens but it doesn't. And yes, that's where a lot of the people are as well as designers and CNC programs such as Tesla as we step-up.

And you'd be surprised when you get into that level of machining or have a few qualified machines here in Australia are up to it. So we've certainly had to import some people particularly from the UK and that's an extra cost as well. So yes, there's a fair few hidden costs that I've seen. And that's why we want to call them out. So people do understand what the depth of infrastructure we have to have behind the scenes to get into this market.

The key thing there too, Ray, as we expand that part of our business these roles are -- majority of these roles don't expand at the same rate. There's functional roles that are needed to allow us to actually be able to deliver into the market in a successful way but we can scale up more efficiently.

Ray Tollesfsen: I guess, just mentioning what I was being a bit -- wondering about was if the excess at the moment, what are they doing but you basically haven't got people sitting around doing nothing, which I assume you wouldn't but I just -- I was just curious, you said you'd invested ahead of the curve. Well, yes, you've got extra people. So they're sort of starting on that sort of stuff now, are they?

Martin McIver: Getting our systems and processes upgraded, it's getting the foundation there to allow us to expand that robustly.

Ray Tollesfsen: Right, thanks very much and I'm a happy investor and I think actually just bought some more. So thanks for your time. Bye

Martin McIver: Thank you.

Kees Weel: Thanks, Ray.

Operator Thank you. Your next question comes from Jack Dunn from Citi. Please go ahead.

Jack Dunn: Hi Kees and Martin. I just want to just probably follow-up on a couple of questions before. Just on the NPAT being flat comments. Just trying to understand if you're expecting large revenue growth in A&D and Motorsports just to be your flat 10% to 15%? Sort of implies that you're expecting margins to fall to sort of 15%, 16%. Or am I misreading something here? Thank you.

Kees Weel: I don't think the -- we don't expect the margin to fall, we just don't want to be out a bit confident because we got a lot on this year without the cost of as we just rolled out and keep talking about the particularly with people cross what have you. Just for a matter of fact that, the 21 people that we put on the R&D in '24 has cost of a little bit over $3 million for those. And then we're doing and maybe not get to that high level, but we have in our budget for 31 extra people throughout the '25 year.

So the close another $4 million just for that. So no we -- there's a lot of expense in turn in the early stage of getting really for the uptake of -- particularly in the Aerospace & Defence. So we're just being cautious, Jack. We don't want to be overconfident and what have you because some of these programs are difficult to get.

	And we don't know exactly -- the time does move around a little bit of when they go from prototype in production. We've got a fair idea about working with these companies, but as you know, things slip a little bit here and there, and we don't want to be given the market or yourself of impression.
Jack Dunn:	Okay, perfect. Thanks. And then I want to want to clarify the capex comments. You mentioned 19 million spend. I think it was FY '25 on machinery being 30 million odds and that was 3 million each of the UK and US Is that you're expecting to spend your capex in '25?
Kees Weel:	That's correct. Yes.
Jack Dunn:	And then there's the 25 mil for factory upgrades on top?
Martin McIver:	Yes, that's correct.
Jack Dunn:	And that's all in '25. So would then do a large step down in '26?
Martin McIver:	Yes, that's correct also.
Jack Dunn:	Okay, perfect. Thanks, Martin. Appreciate your time.
Martin McIver:	Thank you.
Operator:	Thank you. Your next question comes from Sarah Mann from MA Moelis Australia. Please go ahead.
Sarah Mann:	Morning, guys. Sorry about before. Can you hear me?
Martin McIver:	Yes, we can, Sarah.
Kees Weel:	Yes, we got you there now, Sarah.
Sarah Mann:	Perfect. My apologies. Just want to ask, I guess, on margins once you are in the new facility. So given you started from scratch. You can probably optimise the floor plan, you can invest in stuff that will drive better automation, do you think it's reasonable to kind of start to move back towards the historic 19% to 20% NPAT margins? Or because you're going into new markets, sorry, when the margins are potentially not as attractive as Motorsports. Like how should we think about where that kind of normalises there?

Kees Weel: I think once we get in there and saw particularly, at the end of the '26 year to give us a good year to bend that down, yes, we feel very confident to bringing the margins up to where, certainly from where we are today. So it will take longer, but that's what the whole deal is. We simply want to invest in the holders money.

We need to have a return. And the best way we get return being efficient and be more profitable. So efficiency is key, and efficiency and productivity and cost. So we're -- can we get 20-plus that we'd struggle? Can we get through that ‘19 and ‘20? I think it's certainly doable.

Sarah Mann: That's helpful. And then just on the Aerospace & Defence result, which was clearly very good, can you give us a rough split in terms of what percent of that kind of came from EV take-off landing work versus everything else?

Kees Weel: Yes. Martin's got it.

Martin McIver: So, 40% was in EBITDA, 30% from cold plates and 30% other.

Sarah Mann: Got it. That's really helpful. And then I guess also just thinking about the ramp-up. I mean looking at the pipeline and the fact that you're investing ahead of the curve means that clearly the pipeline is very large, right? Just wondering how much visibility do you have around the time line of those programs ramping up.

` And like how, I guess, reliable have some of your potential customers been around time line of that given to you versus what's actually transpired, if that makes sense?

Kees Weel: Well, I think the time lines that we've been given, obviously, move around from different players in the market, which is difficult to sort of work with at times, but particularly on the eVTOL that there's pressure for those companies to deliver. And there have been some announcements over this last 48 hours that the different companies that we deal with are sort of planning to produce aircrafts in the last half of this financial year.

So early next calendar year, there's some suppliers in the market that are happy to announce that they're going to be building aircrafts for -- that will be move from a product type to an actual aircraft that's going to fly?

Sarah Mann: Thank you. Last question for me. Just on aftermarket. Obviously, you ran that marketing campaign earlier this financial year. Just wondering how that's kind of flowed through to kind of new interest in your aftermarket products, if there's any kind of positive lead indicators. And is that kind of mainly coming from, I guess Europe and the US like slightly flagged kind of target growth areas for that product?

Kees Weel: Yes, a little bit of both, really. It's being very well received for sure, and we're starting to see that to go on the airline still on what have you. So the good part about that is that we've dialled down the discount rates that we're offering to different people. And that certainly hasn't put a dent in our in the volume of revenue.

So yes, we're all the same and a little bit more hope from last year, but with the -- our value to the bottom line and the profit margin that has certainly stepped up quite a bit.

Sarah Mann: Right. Thank you so much. Appreciate that.

Kees Weel: Thank you.

Operator: Thank you. You have a follow-up question from Tim Piper from UBS.

Tim Piper: Thanks. Just a follow-up on the Queensland grant award that you've got that almost $9 million. Sorry, Martin, can you just confirm what's the timing around starting to receive that? Will that start contributing in FY '25? And what does the cadence of that look like? I assume it will be recognised in other income in the P&L and the underlying profit figure. Is that right?

Martin McIver: Correct, it will. It comes in two parts. There's 3.5 of equipment-related grants and the balance is payroll tax abatement. So we'll get payroll tax relief over the course of a 10-year period for increasing headcount above where we started FY '24. So in the early years, that will trickle in the bulk of that is in the back half of the 10-year period.

But the equipment finance or the equipment support will come in in early FY '27. Once we've completed all of our installations in the new factory, and we've verified that everything we had committed to has been done. And then that will show up over the life of that equipment. So the majority of that $9 million will be back ended in the sort of year four onwards.

Tim Piper: Great. Thanks for that.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr. Weel for closing remarks.

Kees Weel: Okay. Thank you very much. Thanks very much, everybody, for getting on the call this morning. We appreciate it, and those who haven't been to our AGM, certainly, a big opportunity to see the factory running and whatever we have Phase II, etcetera, for the AGM. So please keep that date free late in October. And so thank you very much, and we'll see everybody soon.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]