

ASX RELEASE

Trajan returns to growth in H2. Net Revenue and Core nEBITDA aligned with Guidance.

Financial Summary

- Net Revenue
 - Full Year Net Revenue \$155.0M (FY23: \$162.2M) within Financial Guidance of \$154.0M to \$157.0M.
- Normalised EBITDA¹ of the Core Business²
 - Full Year \$17.2M (FY23: \$23.9M) exceeding the top end of Financial Guidance of \$15.7M to \$17.1M.
 - H2 up 48.7% on H1 to \$10.3M (H1: \$6.9M).
 - Group nEBITDA \$12.3M (FY23: \$19.5M)
- Proforma Gross Margin 41.1% (FY23: 43.2%). H2 Proforma Gross Margin of 42.6%
- Operating NPATA³ \$0.6M (FY23: \$5.8M); aligned with lower nEBITDA
- Net Debt decreased by \$4.7M to \$32.9M (FY23: \$37.6M).
- \$11.2M Cash at June 30, 2024 (FY23: \$11.0M).

Outlook

- FY25 Net Revenue Guidance of \$160.0M to \$165.0M (FY24: \$155.0M).
- Group nEBITDA of \$17.0 to \$19.0M (FY24: \$12.3M).
 - Inclusive of Disruptive Technologies investment of circa \$1.0M.
- Components & Consumables expected to continue at historical growth rates following the completion of destocking activity in FY24.
- Capital Equipment softer demand is expected in H1 within the pharmaceutical sector. Expected to return to normal order demand in CY25.
- Microsampling, within the Disruptive Technologies, to be nEBITDA breakeven.
- Proforma Gross Margin expected to return to growth trend after compromised FY24.

29th August 2024 – Global analytical science and device company Trajan Group Holdings Limited (ASX: TRJ) (Trajan or the Company) has today released its Full Year FY24 financial results.

¹ Statutory EBITDA of (\$17.9M) adjusted for restructuring, non-recurring strategic investment and acquisition costs, Impairment, FEC revaluation, and Project Neptune.

² Trajan Core - Components & Consumables, Capital Equipment and Corporate Services.

³ NPAT + normalised items + amortisation of identifiable intangible assets.

The Company was pleased to see a rebound in performance in the second half of the financial year with Core nEBITDA up 48.7% on H1. The stronger H2 performance contributed to achieving Full Year Net Revenue within 5% of the previous year, despite the impact of industry-wide destocking activities in Components & Consumables and softer demand in Capital Equipment within the pharmaceutical sector.

As a result, the Company exceeded its Full Year Financial Guidance provided in May 2024 for Core nEBITDA reporting \$17.2M (Guidance: \$15.7M to \$17.1M) and within the range for Net Revenue reporting \$155.0M (Guidance: \$154.0M to \$157.0M).

Trajan Founder, Managing Director and CEO Mr. Stephen Tomisich said: “The first half of FY24 was extraordinary with the level of destocking by Trajan’s key customers in Q4 of FY23 and Q1 of this year placing significant strain on the business. It was a year of two halves, with a strong second half in Components & Consumables reporting close to record Net Revenue. We are confident that destocking activities are now complete, and we are back into a normal buying demand cycle.”

“The rebound in revenue for this segment in H2, combined with stronger revenue in the Disruptive Technologies and tightening of the cost base saw an improvement in Proforma Gross Margin across the Group, which was more in line with our expectations and contributed to approximately 50% increase in nEBITDA for the Core Business in the second half.”

“Capital Equipment segment performance was lower than expected due to a reduction in capital equipment orders and related components from the pharmaceutical sector, which has been experienced across the industry. We expect this softness to continue throughout the first half of FY25 with the broader industry view being that CY2025 will see a return to normal levels of activity.”

“Despite these unpredictable challenges, Trajan delivered a Net Revenue result for the full year within 5% of the prior year. This outcome in a challenging operating environment reflects the underlying strength of the Trajan business which is spread across a diverse range of customers, product lines, geographies and applications. We continue to be focused on our key customers with active and long-standing partnerships.”

“These will all be important elements to support our future success as a significant multi-national business providing important products and services that ultimately improve human health and well-being.”

KEY FINANCIAL DETAILS	H1 FY23	H2 FY23	H1 FY24	H2 FY24
Net Revenue - Components and Consumables	50.0	49.3	46.6	49.6
Net Revenue - Capital Equipment	27.1	30.2	27.6	26.3
Net Revenue - Disruptive Technologies	3.0	2.6	2.2	2.7
GP margin ⁽¹⁾ - Components and Consumables	41.6%	47.8%	39.6%	42.5%
GP margin ⁽¹⁾ - Capital Equipment	39.1%	41.3%	39.8%	40.5%
GP margin ⁽¹⁾ - Disruptive Technologies	40.9%	53.0%	39.1%	63.9%
nEBITDA ⁽²⁾	8.9	10.7	4.0	8.3
nEBITDA - Core ⁽²⁾	11.1	12.7	6.9	10.3

The Company reported an improved Net Revenue in H2 of \$78.6M, up 2.9% on H1 (\$76.6M), which contributed to a Full Year Net Revenue of \$155.0M (down 4.4% on FY23).

As expected at year end, the business did not fully clear the backorder book. There were approximately \$3.0M of orders for Components & Consumables due to be shipped, while the Capital Equipment order book was approximately \$9.0M.

Proforma Gross Margin for the Full Year was 41.1% (FY23: 43.2%), with H2 Proforma Gross Margin of 42.6%, a 2.9 basis point improvement on H1 (39.7%).

Proforma Gross Margin was influenced in H1 by underutilisation of manufacturing infrastructure, and then in H2 by higher costs such as wages due to overtime and contractors to fulfil order demand. The Company expects margins to expand in FY25.

nEBITDA of the Core Business⁴ was above Financial Guidance of \$17.2M (FY23: \$23.9M) with the second half of the Financial Year contributing an additional \$10.3M on H1.

Statutory EBITDA was (\$17.8M) which was materially influenced by a \$26.7M non-cash impairment of intangible and financial assets announced to the ASX on 1st August 2024.

⁴ Trajan Core - Components & Consumables, Capital Equipment and Corporate Services.

Operational Segments Update

Core: Components & Consumables

Components & Consumables segment reported Net Revenue in H2 of \$49.6M, up 6.7% on H1 (H1: \$46.6M), demonstrating a return to normal ordering trends and was within \$0.4M of the highest reported Revenue for this segment in H1 FY23.

The Full Year Net Revenue was \$96.2M (FY23: \$99.3M), Proforma Gross Margin of 41.1% (FY23: 44.7%), and nEBITDA of \$32.3M (FY23: \$33.8M).

As predicted, customer order behaviour has now returned to normal following the period of destocking activity.

Core: Capital Equipment

Capital Equipment segment reported Net Revenue in H2 of \$26.3M (H1: \$27.6M), down 5%. This flowed through to a Full Year Net Revenue of \$53.9M (FY23: \$57.3M), Proforma Gross Margin of 40.2% (FY23: 40.3%), and nEBITDA of \$9.7M (FY23: \$12.0M).

As shared with the market in May, there was an unexpected softening of demand in the pharmaceutical sector for Trajan's specialised automation platforms due to timing and budget cycles. There is no indication that market share or long-term demand has changed.

There is, however, growing demand for automated testing particularly in food analysis and environmental testing such as Trajan's Automated PFAS testing systems. New product platforms are scheduled for launch in FY25 including the CHRONECT Workstation PFAS for soil samples aligned with US EPA recommendations.

Disruptive Technologies

Disruptive Technologies segment Net Revenue was \$4.9M (FY23: \$5.6M), Proforma Gross Margin of 52.7% (FY23: 46.5%), and nEBITDA was (\$4.9M) (FY23: (\$4.4M)).

The higher Proforma Gross Margin in this segment, particularly in H2 where it was 63.9%, is influenced by high margin blood microsampling products and is offset by other early-stage products in the Disruptive Technologies which are currently sold for research-use only at lower margins.

In this segment, revenue is predominantly derived from a suite of Microsampling products where demand grew by circa 30% in H2 compared to H1. The \$0.9M nEBITDA improvement in H2 was aligned with expectations. The revenue growth expectations support the Company's commitment to Microsampling being nEBITDA breakeven in FY25.

As an example, Harpera, the Company's microbiopsy device, is currently available as an Investigational Use Only (IUO) device with revenue more than doubling in the last 12 months, and an expectation of a further doubling in the coming Financial Year as it progresses towards registration as a medical device.

Corporate Update

Capital Management

Despite the challenging and unprecedented circumstances of FY24 the Company achieved a Net Debt reduction of \$4.7M to \$32.9M (FY23: \$37.6M).

The Company has an active program of working capital initiatives. Throughout the year, inventory decreased to \$27.9M (FY23: \$31.9M). In May, Trajan advised the market its intention to consider other working capital initiatives including the potential divestment of property assets. The Company will ensure an optimum outcome before executing these elements of the broader working capital management strategy.

Project Neptune

A second phase of the Company's margin enhancement program Project Neptune is under development and is expected to focus on expanded automation technologies and sustainability improvements. This follows the completion of the first 3-year program that contributed to advancements in manufacturing automation and the expansion of the Malaysian Assembly Centre of Excellence capabilities along the value chain, delivering improved responsiveness and working capital benefits.

Guidance

Trajan's business fundamentals are strongly influenced by its product and geographic diversification, customer relationships and retention strength, and its position as an innovator and essential partner to delivering products that meet the demands of the industry. The expectation is that the Components & Consumables segment will return to historical growth rates following destocking activity in FY24. However, softness is expected to prevail in the pharmaceutical market within the Capital Equipment segment. Trajan expects Net Revenue to be between \$160.0M and \$165.0M in FY25.

In FY24, Trajan introduced segment reporting and the metric of nEBITDA for its Core business (Components & Consumables and Capital Equipment) to provide greater transparency to shareholders on the relative performance of the foundational business and level of investment in the Disruptive Technologies segment. The Company is working towards the Microsampling portfolio of products that sit within Disruptive Technologies to be nEBITDA breakeven in FY25, and the level of investment in this segment to be circa \$1.0M. As a result, Trajan is reverting back to reporting on a Group nEBITDA level from FY25. This also reflects shareholder feedback on simplifying Trajan's reporting metrics.

Guidance for Group nEBITDA is between \$17.0 to \$19.0M (FY24 \$12.3M) representing a significant improvement on FY24, with Proforma Gross Margin returning to growth after a compromised FY24.

Authorised for ASX release by the Board of Trajan Group Holdings Limited.

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About Trajan

Trajan is a global developer and manufacturer of analytical and life sciences products and devices founded to enable science that benefits people by enriching personal health through scientific tools and solutions. These products and solutions are used in the analysis of biological, food, and environmental samples. Trajan has a portfolio and pipeline of new technologies which support the move towards decentralised, personalised data-based healthcare.

Trajan is a global organisation of more than 600 people, with seven manufacturing sites across the US, Australia, Europe and Malaysia, and operations in Australia, the US, Asia, and Europe.