



ENGINEERING THE UNFAIR ADVANTAGE

PWR Holdings Limited

(ASX:PWH)

2023 First Half Results Presentation

February 2023

Presented by:

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Performance Highlights



Strong Business Growth

Overall 15.5% growth – solid growth across all key markets

Aerospace and Defence

204% growth, now representing 6% of total revenue – increasing number and size of programs

Original Equipment Manufacturer (OEM)

17% growth, representing 26% of total revenue – commencement of new programs including AMG X1 and the continuation of existing programs to offset the completion of the Ford GT500 program in October

Automotive Aftermarket

15% growth, representing 17% of total revenue – continuing to increase production capacity to meet market demand

Motorsports

4% growth, representing 49% of total revenue – motorsports categories are back to traditional race programs. Minor timing impact due to race category cost caps

NPAT

Solid conversion of revenue to NPAT of 14.8%

Interim Dividend

Dividend policy of 40% to 60% of NPAT, with an interim dividend of 3.60 cents per share

Performance Challenges and Investments



Recruitment and Retention

Attraction, effective onboarding, upskilling and retention of employees in a challenging labour market is critical to growth and continued performance

Inflation

High global inflation will continue to put pressure on wage rates, raw material costs, supply chain costs, insurance and other expenses

Increasing sale prices – where possible to pass through cost increases for raw materials, wages and freight

Improving efficiency – streamlining our manufacturing processes, including investment in automation where appropriate to increase revenue per headcount

Investing for the future

\$5.8 million invested in plant and equipment to support expanded production capacity

Acquisition of Docking Engineering in the United Kingdom to provide a platform to build and grow a European manufacturing capability

Customer engagement – with international borders opening during 2022, it has been important to increase travel, attend tradeshow and invest in customer relationships and marketing

Investment in cyber security – protecting intellectual property and sensitive personal data, investment in systems and services to bolster cyber security is critical

Investment in the enterprise resource planning (ERP system development) – increasing the use of existing functionality to improve visibility, planning and costs control

New property leases – increased capacity to support future growth

Performance Overview



	H1 FY22	H1 FY21	Change
Shares on issue	100.4 m	100.3 m	0.1% ↑
Market capitalisation ¹	\$1,081 m	\$862 m	25.5% ↑
Cash & deposits ²	\$13.1 m	\$16.7 m	(21.9%) ↓
Lease liabilities ³	\$18.4 m	\$7.6 m	140.7% ↑
Net assets	\$76.3 m	\$66.1 m	15.3% ↑
Revenue	\$52.6 m	\$45.5 m	15.5% ↑
EBITDA ⁴	\$14.5 m	\$14.2 m	1.6% ↑
Net Profit after Tax (NPAT)	\$7.8 m	\$7.5 m	3.8% ↑
Earnings per Share (EPS)	7.77 cps	7.5 cps	3.8% ↑
Dividends per Share (DPS)	3.60 cps	3.50 cps	2.9% ↑
Return on Equity (ROE) ⁵	27.7%	26.8%	0.9% ↑

¹ Market capitalisation as at 31 December

² Cash and cash equivalents at 31 December

³ Right of use lease liabilities for property leases at 31 December

⁴ 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 FY23 H1 financial report

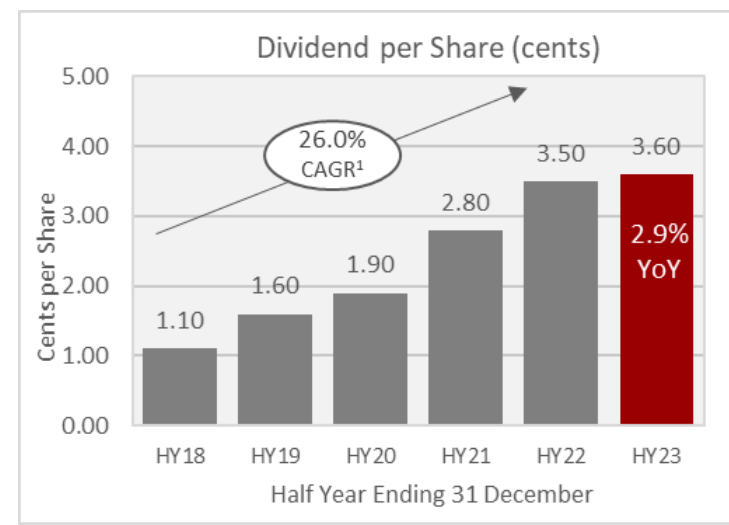
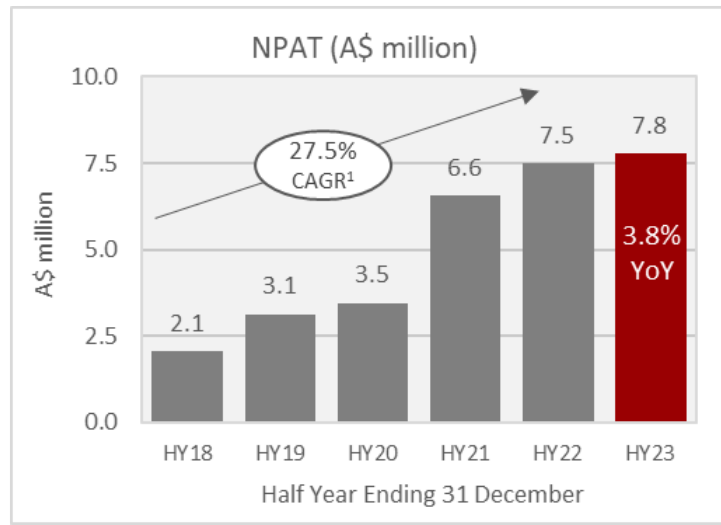
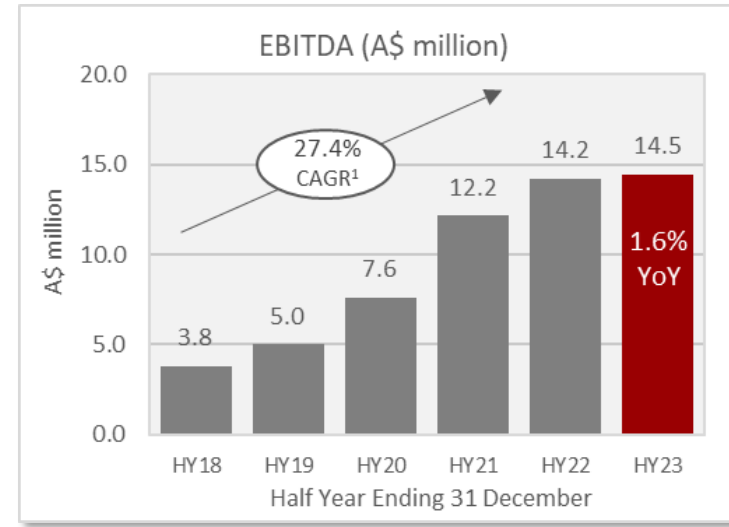
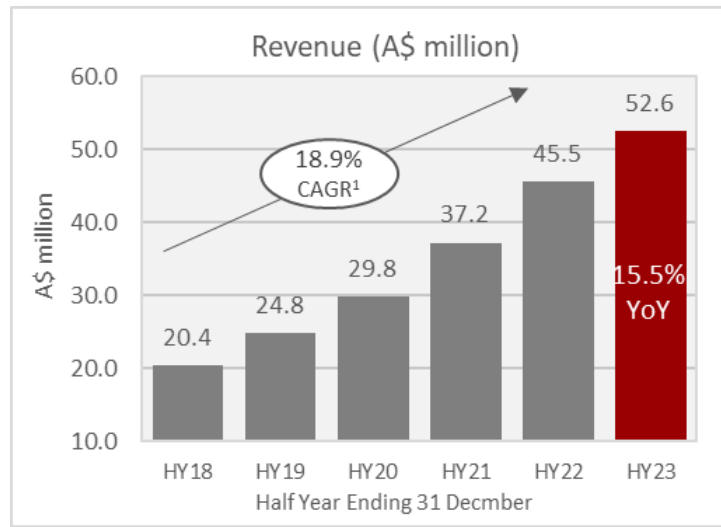
⁵ Return on Equity for the 12 month period ending 31 December

Key points

- Cash Balance – reflects the increased investment in plant and equipment, the acquisition of Docking Engineering and increase raw material stocks
- EBITDA and NPAT – reflects growth in revenue offset by increased labour costs and insurance, and the investment in travel, cyber security and ERP development

*Investing in capability
and capacity to deliver
on future opportunities*

Performance Trend – Half Year



1 CAGR - Compound Annual Growth Rate over 6 years

Revenue by Market Sector – Half Year



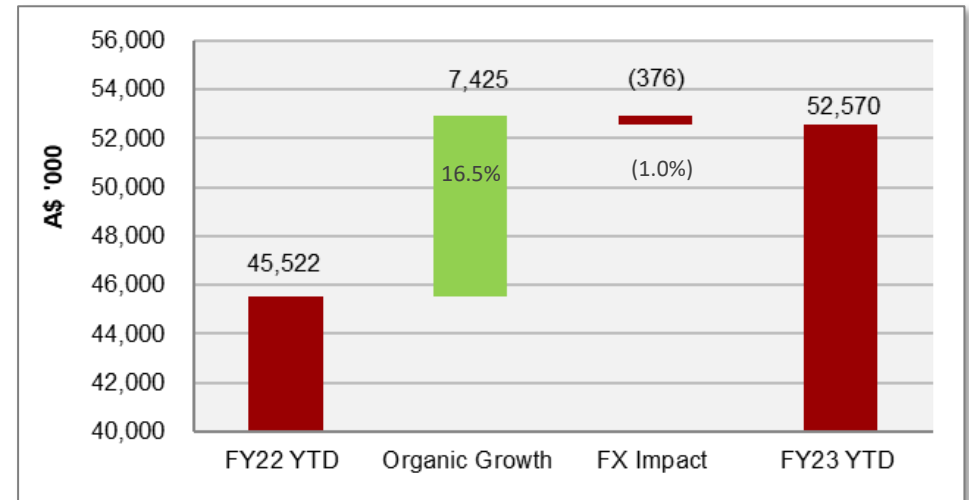
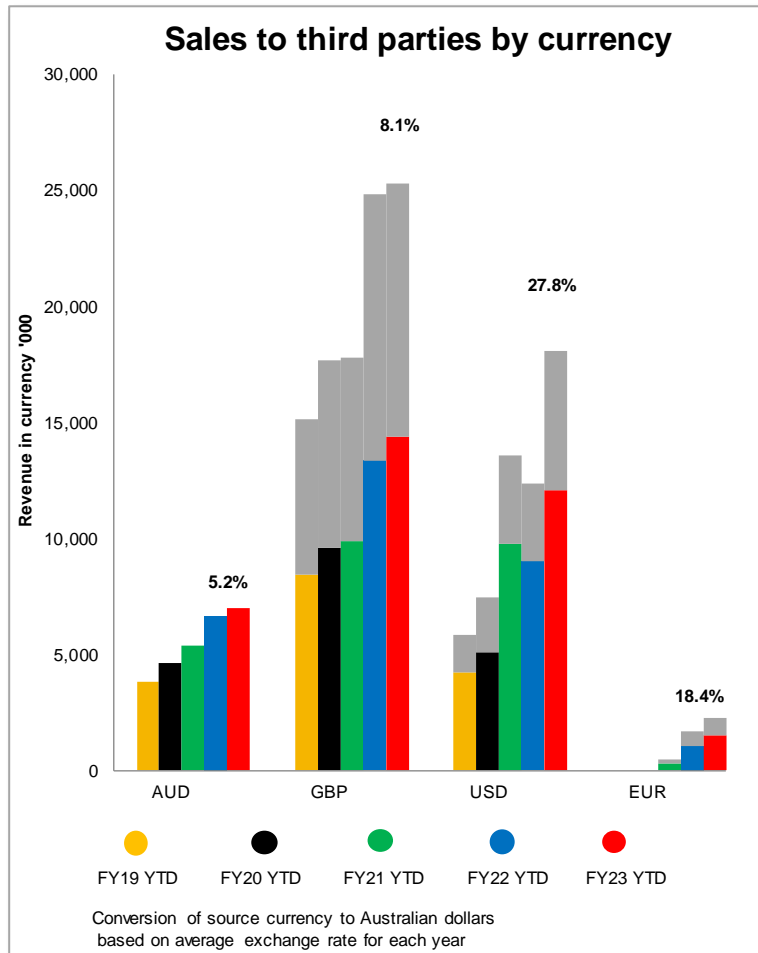
Revenue by Customer Market										
	HY23				HY22				Growth	
	Advanced	Emerging	Total		Advanced	Emerging	Total			
	Cooling	Technologies ¹			Cooling	Technologies ¹				
	\$'000	\$'000			\$'000	%			\$'000	\$'000
Motorsports	23,130	2,520	25,650	49%	21,871	2,729	24,600	54%	1,050	4%
Automotive OEM	11,601	1,974	13,575	26%	9,352	2,291	11,643	26%	1,932	17%
Automotive Aftermarket	8,738	9	8,747	17%	7,615	1	7,616	17%	1,131	15%
Aerospace & Defence	-	3,457	3,457	6%	-	1,138	1,138	2%	2,319	204%
Other	839	302	1,141	2%	398	127	525	1%	616	117%
	44,308	8,262	52,570	100%	39,236	6,286	45,522	100%	7,048	15.5%

Key points – Customer Markets

- Motorsports – motor racing events are back to a traditional race season. Minor timing impact due to race category cost caps
- Automotive OEM – commencement of new programs including AMG X1 and the continuation of existing programs to offset the completion of the Ford GT500 program in October
- Automotive aftermarket – improved production capacity; however, production capacity remains constrained. Further growth potential is evident
- Aerospace and Defence – increasing size and number of programs across a range of customers

1. Emerging Technologies includes revenue from Aerospace and Defence across all technologies, and revenue from other market sectors generated by cold plate, micro matrix and additive manufacturing

Revenue by Currency – Half Year



Currency	31/12/2022	31/12/2021	Change	HY23 Avg	HY22 Avg	Change
GBP	0.5637	0.5377	4.8%	0.5705	0.5367	5.8%
USD	0.6820	0.7252	(6.0%)	0.6707	0.7318	(5.9%)

Key points

- Convertible forward contracts with a protected rate and a trigger rate in GBP used to manage foreign exposure to sales in GBP where production costs are in AUD and sales in GBP. Convertible forward contracts of GBP 13.6 million (31 December 2021: GBP 3.4 million)
- GBP exposure will reduce with increasing UK manufacturing
- USD exposure to sales largely offset by USD production costs

Operating Expenses



Key points

- **Raw materials and consumables**
 - Usage increased by \$0.7 million or 6.5%
- **Employee expenses**
 - 84 or 20.9% headcount increase to support current and future growth
 - Includes increase on wage and salary rates, Australian super guarantee rate from 10.0% to 10.5%, and bonus payable
- **Occupancy expenses** – Includes increases in land tax, waste disposal and new properties
- **Other expenses** –
 - Investment in customer engagement and marketing, cyber security and ERP system development, in line with strategic goals
 - Increased insurance premiums

A\$'000	H1 FY23	H1 FY22
Usage of raw materials and consumables	(11,875)	(11,148)
Adjustment for Finished Goods and WIP	1,358	2,434
Raw materials and consumables expense	(10,517)	(8,716)
Employee expenses	(23,625)	(20,293)
Employee Headcount (#)	485	401
Occupancy expenses	(537)	(401)
Other expenses	(4,224)	(2,220)
Total Operating Expenses	(38,903)	(31,630)

Balance Sheet



A\$000	December 2022	June 2022
Assets		
Cash and cash equivalents	13,060	21,499
Trade and other receivables	12,904	13,813
Inventories	16,742	12,746
Plant & equipment	47,153	32,594
Intangible assets	15,634	15,027
Current tax asset	1,532	-
Prepayments and other assets	2,551	2,847
Total Assets	109,576	98,526
Liabilities		
Trade and other payables	7,195	7,532
Lease liabilities	18,365	6,742
Deferred income	1,452	1,688
Contract liabilities	901	1,347
Employee benefits and provisions	4,312	3,935
Current tax liabilities	-	218
Deferred tax liabilities	1,051	667
Total Liabilities	33,276	22,129
Net Assets	76,300	76,397

Key points

- **Strong liquidity and cash position**
- \$8.5 million cash dividend paid in September 2022
- ROE increased to 27.7% (H1 FY22: 26.8%)
- Inventory includes a \$3.0 million increase in raw material stocks after receiving delivery of the long lead raw material orders in response to supply chain pressures
- Plant & equipment includes \$5.8 million investment in additional plant and equipment (H1 FY22: \$3.7 million) and right of use assets
- Lease liabilities include right of use liabilities
- \$12.6 million in right of use assets and liabilities (H1 FY22: nil) from three new property leases for between 5 and 20 years to support production expansion
- \$10 million multi currency and \$7.5 million equipment loan facilities remain undrawn
- Balance sheet strength and unutilised facilities provides ability to seize organic or other opportunities
- Intangible assets include \$0.569 million of goodwill from the acquisition of Docking Engineering and foreign exchange movements

Working Capital & Cashflow



A\$'000	H1 FY23	H1 FY22
Trade and other receivables	12,904	8,890
Prepayments	2,551	3,073
Inventories	16,742	9,536
Trade & other payables	(7,195)	(6,406)
Net working capital	25,002	15,093
Working capital (increase)/decrease ¹	(9,909)	(6,438)
Cash from operating activities (excluding working capital change)	21,109	16,043
Cash from operating activities	11,200	9,605
EBITDA to cash conversion ratio ²	77.5%	67.6%
Net tax & interest paid	(3,549)	(2,973)
Net capital expenditure	(6,554)	(3,651)
Free Cash Flow	1,097	2,981
Dividends Paid	(8,525)	(6,011)
Leases and Other	(1,011)	(110)
Net cash movement	(8,439)	(3,140)

Key points

- Strong sales in December resulted in an increase in debtors compared to prior comparative period
- Inventories include a \$3.0 million investment in raw materials receiving delivery of the long lead raw material orders in response to supply chain pressures
- Capital expenditure for new plant and equipment and the acquisition of Docking Engineering. These investments were financed from operating cash flows and retained cash reserves
- Liquidity position strong – in addition to cash reserves of \$13.1 million, undrawn finance facilities of \$17.5 million available

1. Working capital movement from 30 June to 31 December
2. Cash Conversion = Cash from operating activities excluding interest and tax divided by EBITDA

Business Outlook



- **Organic Growth** – extensive organic growth opportunities. Disciplined approach to selecting which opportunities to progress
- **Europe** – consolidate new acquisitions and expand manufacturing from the new 3,590 m² facility at Rugby, United Kingdom
- **Aerospace and Defence (A&D)** – continued growth in existing and new programs across a range of applications. Expand A&D manufacturing capability in the US with the installation of vacuum braze and heat treatment furnaces, and an anodizing plant
- **OEM programs** – continuing to deliver on existing programs, including the Mercedes AMG X1 program, while negotiating to secure future programs
- **Automotive Aftermarket** – solid market demand. We are working to further increase production capacity
- **Motorsports** – continue to support all major motorsports categories as they strive to develop more efficient cooling technology



Artisan TIG Welding – world class tradesman



Business Outlook – Emerging Technology and Testing Services



- **Electric Vehicle (EV) Market** – well placed to deliver high performance battery and electronics cooling products to the ever-expanding prestige EV market
- **Cold Plates** – the cold plate market previously limited to automotive applications is now spreading to adjacent markets providing an overall larger market
- **Micro Matrix (MMX)** – MMX opportunities continue to grow as the technology matures in current markets and is an R&D focus for Aerospace and Defence
- **Additive Manufacturing** – 3D Aluminium printed parts are now included in a growing number of high end PWR cooling systems
- **Testing Services** – including the largest thermal wind tunnel in the Southern Hemisphere, industrial CT scanning, Computer Fluid Dynamics (CFD) simulation modelling, finite element analysis, durability and pressure testing, plus more...



Nadcap Certified Vacuum Brazing Furnace – used to braze cold plates. Facility being replicated in the United States to support expansion in the Aerospace and Defence market



Computational Fluid Dynamics (CFD) Modelling – world leading CFD modelling for thermal applications

Pipelines – Key Automotive OEM



Program	Remaining Vehicles ¹	Status	SOP FY	Prod. Years	FY23	FY24	FY25
Rimac - Nevera (300)	186	Nominated Supplier	2022	4			
Valkyrie Road Car (166)	35	Nominated Supplier	2022	2			
Valkyrie Spider (92)	92	Nominated Supplier	2023	2			
AMG X1 Road car (275)	201	Nominated Supplier	2022	3			
EV Pickup	TBC	Nominated Supplier	2022	5			
EV Delivery Vehicle	TBC	Nominated Supplier	2022	5			
EV Road Car	100	Nominated Supplier	2022	3			
Road Car (70)	70	Nominated Supplier	2023	2			
European Hyper Car (100)	55	Nominated Supplier	2023	2			
European Track Car (30)	30	Nominated Supplier	2023	2			
Roadcar (100)	100	Nominated Supplier	2023	2			
Hypercar (125)	80	Nominated Supplier	2023	2			
Track Car (27)	27	Nominated Supplier	2023	2			
Roadcar (420)	420	Nominated Supplier	2023	5			
Undisclosed	TBC	Nominated Supplier	2023	4			
Additive car	50	Nominated Supplier	2024	2			
European Road Car (300)	300	Nominated Supplier	2024	3			
Roadcar (300)	300	Nominated Supplier	2024	6			
Undisclosed	650	In Discussion	2024	7			
Undisclosed	499	In Discussion	2024	4			
Undisclosed	TBC	In Discussion	2024	3			
Undisclosed	50	In Discussion	2024	2			
Undisclosed	18,000	In Discussion	2025	5			
Undisclosed	300	In Discussion	2025	3			
Undisclosed	1,500	In Discussion	2025	2			
Undisclosed	120,000	B Sample Phase - Nominated	2026	4			
Undisclosed	20,000	In Discussion	2026	4			
Number of Key Programs (Nominated Supplier + In Discussion)					15	21	16

Secured / Won
In production / future production

In discussion / potential program
Design and/or planning phase

Program timing, volume and term are dependent upon manufacturer requirements and are subject to change. Information provided on current expectations

Previously we included an undisclosed program for 500,000 vehicles over 10 years that was expected to commence FY25, where we were nominated for the B Sample Phase. The timing of this program is now unknown, so it has been removed from the pipeline until the timing becomes more certain

1 Remaining vehicles as at 31 December 2022

Pipelines – Other Production Pipelines



Market	Vehicles/ Parts	Status	SOP FY	Prod. Years	FY23	FY24	FY25
Motorsports - Emerging Tech - F1 current	Ongoing	Nominated Supplier - multiple Teams	2023	Ongoing			
Motorsports - Hybrid & Electric	Ongoing	Nominated Supplier - multiple Teams	2023	Ongoing			
Aerospace & Defence	Ongoing	Nominated Supplier	2022	Ongoing			
Aerospace & Defence	Ongoing	Nominated Supplier	2023	2			
Aerospace & Defence	Ongoing	Nominated Supplier	2023	2			
Aerospace & Defence	TBC	Nominated for Prototyping	2023	TBC			
Aerospace & Defence	TBC	Nominated for Prototyping/B Samples	2023	TBC			
Aerospace & Defence	TBC	Nominated for Prototyping/B Samples	2023	TBC			
Aerospace & Defence	TBC	Nominated for Prototyping	2023	2			
Aerospace & Defence	TBC	Nominated for Prototyping	2023	2			
Aerospace & Defence	TBC	Nominated for Prototyping	2023	3			
Aerospace & Defence	Ongoing	Nominated Supplier	2023	8			
Aerospace & Defence	Ongoing	Nominated Supplier	2023	3			
Aerospace & Defence	Ongoing	Nominated for Prototyping	2023	TBC			
Aerospace & Defence	TBC	Nominated for Prototyping	2023	3			
Aerospace & Defence	TBC	Nominated Supplier	2024	4			
Motorsports - Emerging Tech - F1 2026	Ongoing	Nominated Supplier - multiple Teams	2026	Ongoing			
Aerospace & Defence	TBC	Contract Negotiations	2023	2			
Aerospace & Defence	TBC	In Discussion	2023	8			
Aerospace & Defence	TBC	In Discussion	2023	2			
Aerospace & Defence	TBC	In Discussion	2024	3			
Aerospace & Defence	TBC	In Discussion	2023	2			
Aerospace & Defence	TBC	In Discussion	2023	1			
Aerospace & Defence	TBC	In Discussion	2023	TBC			
Aerospace & Defence	TBC	In Discussion	2023	3			
Aerospace & Defence	TBC	In Discussion	2023	3			
Aerospace & Defence	TBC	In Discussion	2024	3			
Aerospace & Defence	TBC	In Discussion	2023	2			
Aerospace & Defence	TBC	In Discussion	2023	1			
Aerospace & Defence	TBC	In Discussion	2025	7			
Number of Key Programs (Nominated Supplier + In Discussion)					24	27	20

Secured / Won
In production / future production

In discussion / potential program
Design and/or planning phase

Program timing,
volume and term
are dependent
upon manufacturer
requirements and
are subject to
change.
Information
provided on current
expectations

Investing in Europe



New Facility – to increase support for our European customers, we have secured a 20 year lease for a 3,590 m² manufacturing facility in Rugby, United Kingdom

We will relocate all UK operations to this facility, including the recent acquisitions of Docking Engineering and Bespoke Motorsport Radiators. Followed by expanding capability and capacity with additional equipment and staff

Management Team – We have appointed Wayne Rodgers as Executive General Manager of PWR Europe, with over 22 years of experience within the motorsport and performance aftermarket sectors

Wayne will be supported by several new senior appointments and short term secondments from PWR Australia, including Mick Cullen the General Manager of Production, to assist with the facility set up and embedding of the PWR DNA

Investing in full manufacturing capability to deliver on future European opportunities



Investing in Capability and Capacity



Capital Investment – An ongoing targeted capital investment program is critical to stay at the forefront of technology developments and to ensure we have sufficient capacity for anticipated and planned growth. Future capex will be focused on increased capacity, new facility fit out and program specific equipment.

Factory footprint – we continue to assess the optimal factory footprint to ensure we plan for growth while maintaining efficiency:

- United Kingdom – New 3,590m² manufacturing facility secured in December 2022 for 20 years
- North America – New 1,300m² PWR North America – Aerospace & Defence Machining Centre operational in October 2022
- Australia – Discussions continuing for a new purpose-built factory to be ready in late 2025. The new factory is expected to support growth for the next 10-20 years. A 1,500m² raw material warehouse was secured in November 2022 to provide additional space ahead of the new factory becoming available.

Cyber Security – protecting intellectual property, customer data and sensitive personal data is critical. We are continuing to invest in the latest technology and services to secure our systems. This is an important investment as we pursue Aerospace and Defence programs.

Enterprise Resource Planning (ERP) System – we are underutilising the functions of our current ERP system and have embarked on several programs to expand our use of the ERP, improving visibility, planning and cost control.

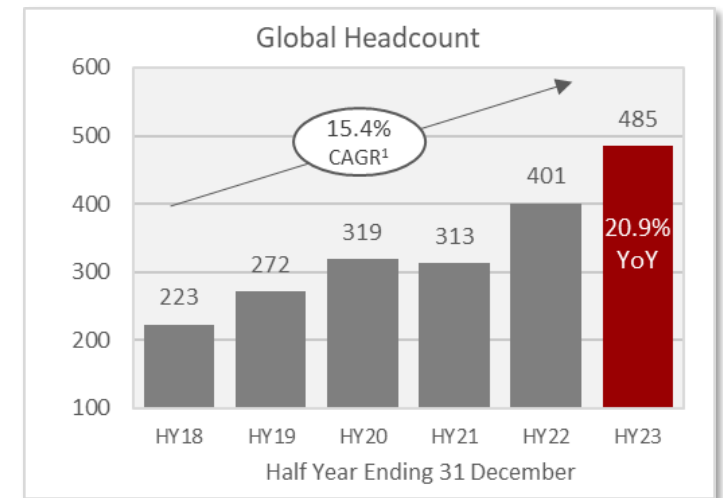
Investing in People



PWR recognises that our People are core to our future success. To deliver on current and future opportunities, PWR is investing in growing headcount and developing the skills of our people

The People strategy includes:

- **Investment in Headcount** – growth requires an ongoing investment in people to build headcount, with a focus on targeted selection and efficient upskilling
- **Apprentice Program** – PWR employs 41 apprentices across a range of trades and is continuing to expand the apprentice program
- **Graduate Engineer Program** – PWR has a 2 year graduate engineer program, where graduates rotate between engineering teams to gain valuable experience before deciding their preferred specialisation
- **Global Engineer Exchange Program** – PWR has an exchange program between Australia, North America and the United Kingdom to expand the professional experience of the Engineers and to reinforce the PWR DNA across all operations
- **Work Experience Program** – PWR runs a work experience program for high school students interested in a career in advanced manufacturing



1 CAGR - Compound Annual Growth Rate over 6 years

Retaining our Staff



Retaining skilled staff is crucial to achieving our growth plans. We invest in upskilling our staff and strive to provide a rewarding career path

Our staff retention strategies include:

- **Short Term Incentive (STI)** – the PWR STI program has been expanded in recent years to include supervisors and key team members, providing a direct link between PWR's performance and personal reward
- **Career Developing Planning** – we are developing individual career plans and training pathways
- **Supervisor Training** – regular training for Supervisors so they can better support their teams
- **Employee Assistance Program** – independent and confidential support for our staff and their immediate families
- **Weely's Diner** – PWR Australia provides morning tea and lunch daily for all staff and PWR North America provides lunch 1 day a week
- **Employee Feedback** – we actively seek feedback from our staff through one on one meetings and staff surveys, and build this feedback into our action plans



For all thermal system requirements, PWR is your development and innovation partner to help design, develop, manufacture and test all cooling solutions by:

“Engineering The Unfair Advantage”

