

PWR HOLDINGS LIMITED

FY17 HALF YEAR RESULTS PRESENTATION

FEBRUARY 2017



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KEY HIGHLIGHTS

- Revenue \$18.62 million up 0.8% on pcp
- Organic revenue growth in all currencies
- Strong revenue growth in Formula 1™
- Stronger AUD against GBP and USD offsets overseas organic growth
- EBITDA \$3.37 million down 37% on Pro Forma¹ pcp
- NPAT \$1.81 million down 44% on Pro Forma¹ pcp (up 47% on Statutory pcp)
- Operating cash flow \$1.3 million compared to the pcp of \$5.8 million
- New OEM programs being finalised
- 1H FY17 results and future growth required investments in:
 - Human resources - employee costs up 18% on pcp, average headcount up 20%
 - Capital resources - \$1.90 million to expand production capability
 - R&D - majority of costs are expensed as incurred
- Interim dividend declared 0.90 cents/share being 50% of NPAT (up 45% on 1H FY16 of 0.62 cents/share)

3 ¹ Pro forma adjustments in 1H FY16 relate to IPO costs (\$2.7 million before tax) and interest costs (\$0.2 million before tax) associated with bank facilities repaid from IPO proceeds

1H FY17 FINANCIAL PERFORMANCE

A\$'000	1H FY17	1H FY16	Variance
Revenue	18,624	18,472	0.8% ↑
EBITDA ^{1,2}	3,374	5,322	36.6% ↓
EBITDA margin ^{1,2}	18.1%	28.8%	10.7% ↓
EBIT ¹	2,671	4,754	43.8% ↓
Profit before tax ¹	2,546	4,641	45.1% ↓
Net profit after tax ¹	1,812	3,261	44.4% ↓
Pro forma adjustments:			
IPO costs	-	(2,666)	
Interest paid (USD/GBP loans repaid)	-	(235)	
Income tax effect	-	870	
Statutory net profit after tax	1,812	1,230	47.3% ↑

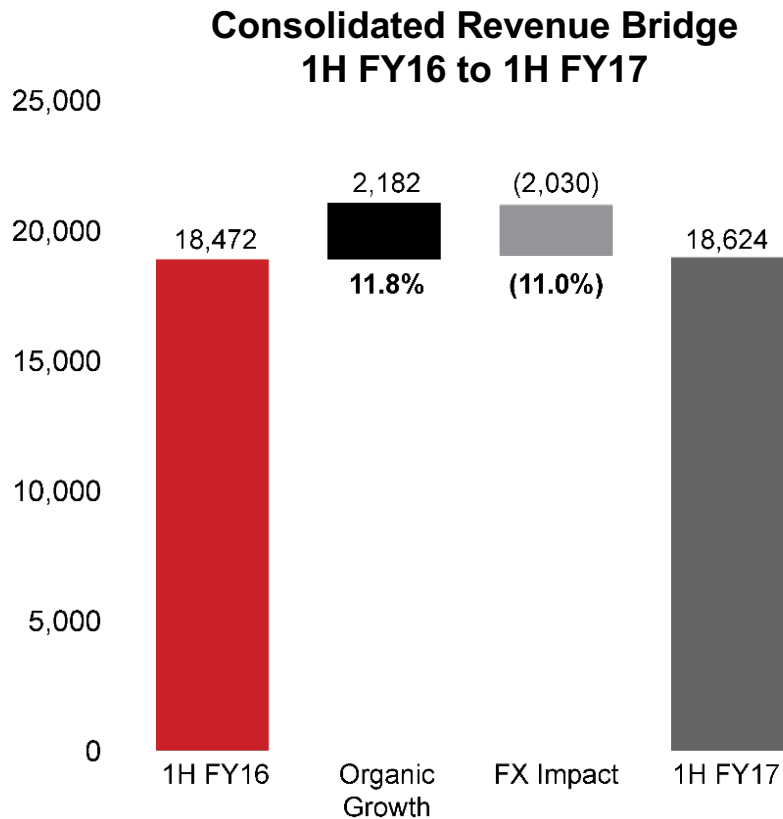
Key Points

- Organic revenue growth of \$2.18 million (11.8%) pcp:
 - GBP sales up 23.9%
 - USD sales up 4.4%
 - AUD sales up 8.6%
- Organic revenue growth primarily driven by motorsports
- Currency:
 - GBP down 25.0% pcp
 - USD down 4.1% pcp
 - Revenue impact \$2.03 million (11.0%)
 - Flow through impact on EBITDA and NPAT
- Organic revenue growth supported by investment in human resources:
 - Employee costs up 17.6% pcp
 - Average headcount up 19.5% pcp

¹ 1H FY16 Pro Forma

² 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 interim financial report.

1H FY17 FINANCIAL PERFORMANCE



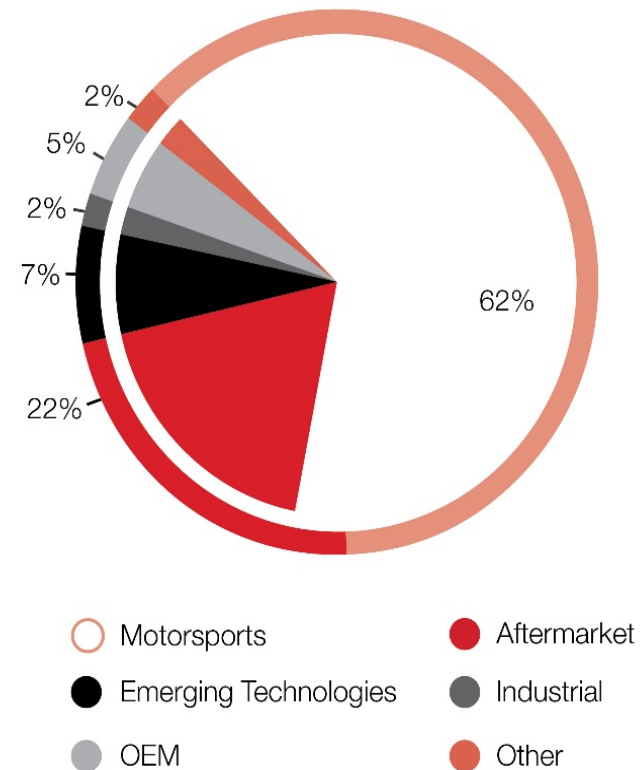
Organic revenue growth

Current period sales less prior period sales at current period exchange rate

FX impact

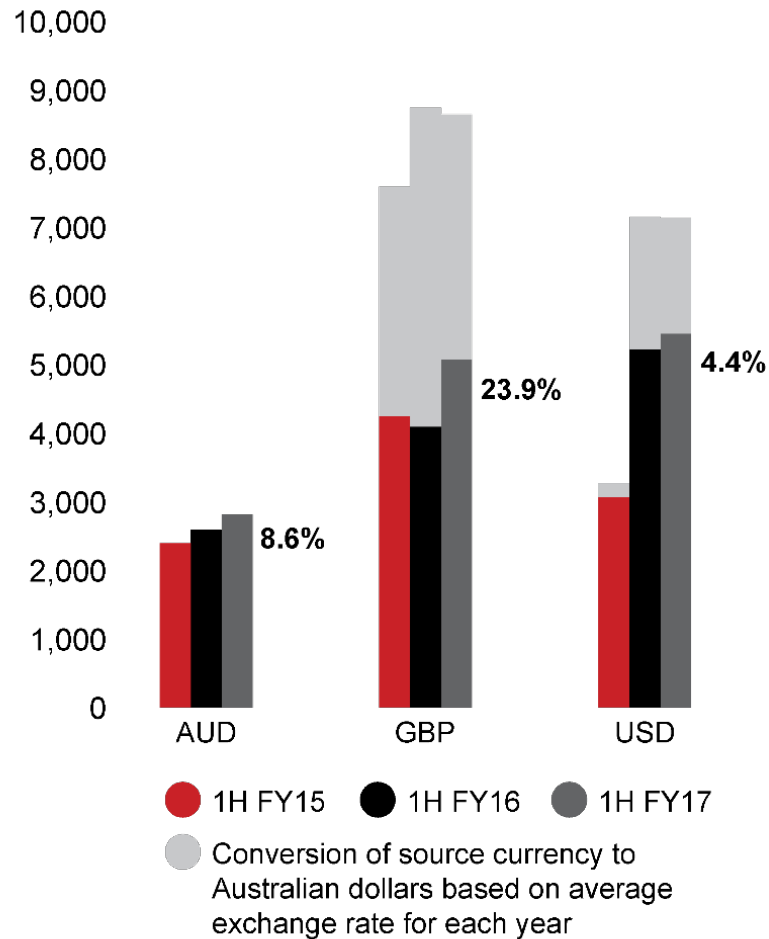
Prior period sales at FX movement from prior period to current period

1H FY17 category sales analysis

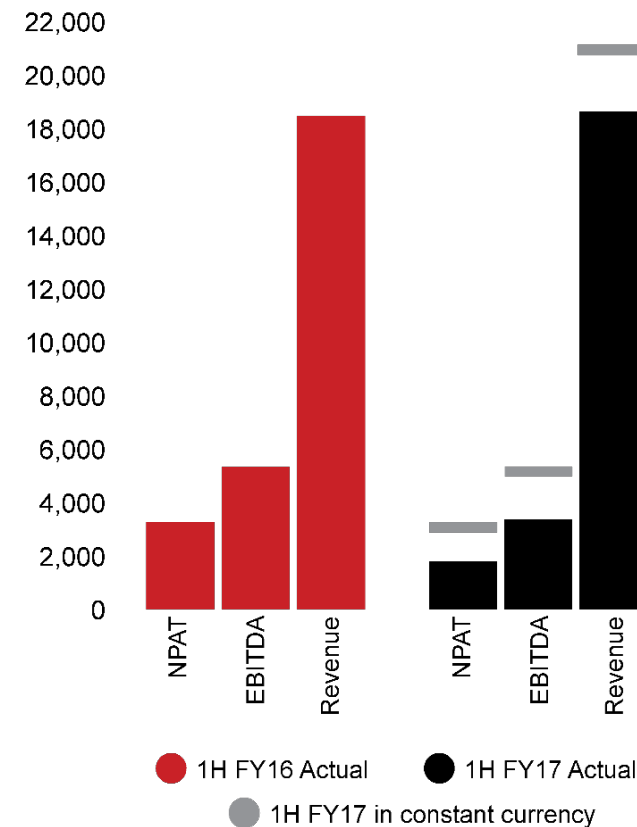


1H FY17 CURRENCY IMPACTS

Revenue by Currency



Actual and Constant Currency Results H1 FY16 vs H1 FY17



1H FY17 BALANCE SHEET

A\$000	December 2016	June 2016
Assets		
Cash and cash equivalents	2,118	8,797
Trade and other receivables	3,775	4,090
Inventories	8,498	6,744
Plant & equipment	6,983	5,909
Intangible assets	14,201	14,174
Prepayments and other assets	3,810	2,453
Total Assets	39,385	42,167
Liabilities		
Trade and other payables	2,275	2,662
Asset finance	964	1,160
Employee benefits and provisions	1,421	1,622
Total Liabilities	4,660	5,444
Net assets	34,725	36,723

Key points

- Inventories higher by \$1.8m due to:
 - Raw material build up in 1H for 2H motorsports season
 - Raw material and finished goods build up for broader range of products offered – billet tanks, industrial, intercooler kits
 - Increased levels of PWR manufactured cores held at C&R for motorsports and aftermarket sales
 - Organic growth
- Intangible assets:
 - PWR trademark \$8.3m
 - C&R trademark \$2.6m
 - Goodwill on C&R acquisition \$3.3m
- Finance facilities:
 - Working capital facility \$0.5m
 - Asset finance facility \$5.0m

1H FY17 WORKING CAPITAL

A\$'000	1H FY17	FY16	Variance
Trade, other receivables & prepayments	4,747	4,721	26↑
Inventories	8,498	6,744	1,754↑
Trade & other payables	(2,275)	(2,662)	387↓
Net working capital	10,970	8,803	2,167↑
Trade debtor days	33.6	32.4	3.7%↑
Trade creditor days	25.3	26.9	5.9%↓

Key points

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 - Raw material build up in 1H for 2H motorsports season
 - Raw material and finished goods build up for broader range of products offered – billet tanks, industrial, intercooler kits
 - Increased levels of PWR manufactured cores held at C&R for motorsports and aftermarket sales
 - Organic growth

1H FY17 CASH FLOW

A\$'000	1H FY17	1H FY16
Cash from operating activities (excluding working capital)	3,420	5,697
Working capital change	(2,167)	111
Cash from operating activities	1,253	5,808
Tax & interest paid	(2,137)	(1,031)
Capital expenditure (net of asset finance)	(1,901)	(262)
Other	85	44
Free cash	(2,700)	4,559
Dividend paid	(3,780)	-
IPO net funds raised	-	20,366
Debt/asset finance repaid	(196)	(22,838)
Net cash movement	(6,676)	2,087

Key points

- Cash conversion from operating activities in line with exchange rate movements
- Investment in working capital to achieve current organic growth and deliver on future growth opportunities
- Tax on monthly PAYG cycle from 1 July 2016
- FY15 final income tax instalment paid in June 2015
- Capital expenditure paid in cash including Variaxis CNC machine and Haas high speed CNC to expand production capability
- Fully franked interim dividend 0.9 cents per share, payable 7 April 2017 = \$0.9 m

STRATEGIC GROWTH INITIATIVES

- Continued focus on achieving revenue growth in UK, Europe and USA
- Revenue growth flows out of existing customers, global engineering contacts, motorsports track record and bespoke production capabilities
- Continued investment in plant and equipment, human resources, R&D and technology
- Growth opportunities often require earlier commitment to resources and costs
- Engineering and human resource costs expensed as incurred
- Continue development of bespoke cooling solutions in Australia
- Leverage off motorsports and engineering network to attract OEM opportunities
- New OEM programs focus on FY18 and beyond
- Increase product offering and market share for motorsports and specifically Formula 1™

SALES CATEGORIES

Motorsports

- Up 15% pcp¹, new and existing customers
- Increased take-up of complete assemblies instead of core only in Formula 1™ plus spreading into other motorsports categories

Automotive Aftermarket

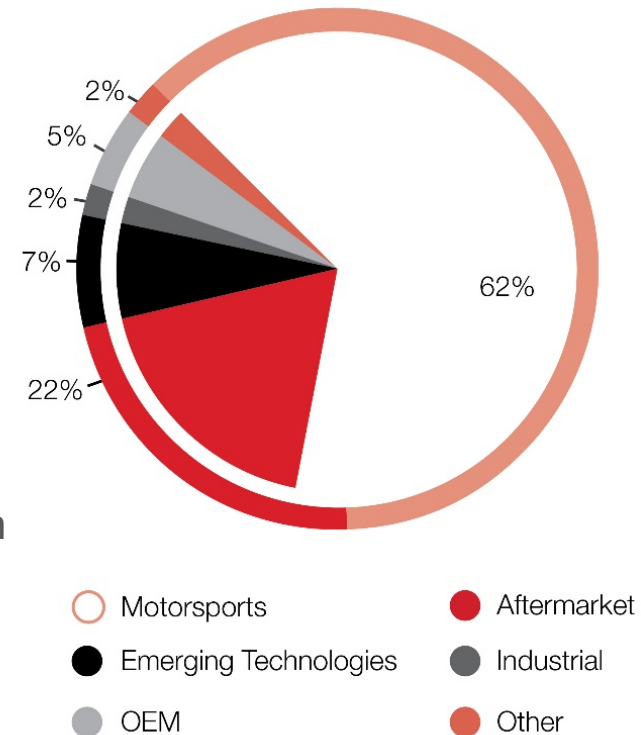
- Up 5% pcp¹, primarily driven by C&R where revenue up 35% pcp
- Australia flat but new SUV intercooler range gaining traction

Industrial

- Down 51% pcp¹, mainly due to industry consolidation and project timing of two US customers
- Further product development in 1H FY17
- Opportunities in mining and construction equipment

Emerging Technologies

- Up 67% pcp¹
- Growing use of cold plate cooling in motorsports driven by energy capture and battery storage



¹¹ ¹ Constant currency basis

OEM PROGRAMS

- Up 27% pcp¹
- Client confidentiality requirements limits disclosure
- Selected as cooling assembly supplier to a niche USA OEM program for a planned 5 years production run of 250 vehicles per year commencing in Q1 CY17, PWR supplying 3 cooling units per vehicle, quoting on a further 3. Anticipated minimum revenue of US\$2.4m over 5 years.
- Selected as cooling assembly supplier for a medium size USA OEM program for a planned 2 to 3 year production run of circa 6,000 vehicles per year commencing Q4 CY18, PWR supplying 2 cooling units per vehicle, quoting on a further 2. Anticipated minimum revenue of US\$7.3m over 2 to 3 years.
- Australian OEM program of 300 vehicles commenced delivery Q1 CY17 through Q3 CY17, PWR supplying 3 cooling units per vehicle. Anticipated minimum revenue of \$0.3m
- Negotiating on 5 other OEM programs in UK/Europe
- C&R core production line will have TS16949 quality accreditation, aligning with OEM requirements

¹ Constant currency basis

CAPITAL INVESTMENT

C&R Core Production Line

- Building new aluminium heat exchanger core production line in Indianapolis USA at a cost of US\$4.25 million:
 - Planning – Q4 CY16/Q1 CY17
 - Implementation – Q3 CY17
 - Production – Q4 CY17
- C&R manufacturing will be certified to ISO9001, ISO14001 and TS16949 (for OEM supply programs)
- To increase overall production capacity, focusing on longer run production programs
- C&R will produce cores currently supplied by PWR Australia for USA aftermarket
- Free up capacity on PWR Australia line for R&D, design, testing, bespoke production and domestic aftermarket



CAPITAL INVESTMENT

Machine Shop

- Second Variaxis CNC machine
- Fourth high speed CNC machine
- Increased volume of billet tanks in complete assemblies in motorsports
- Increased volume of shaped core work
- Capital cost combined \$1 million

Cold plate test rig

- Measure and validate PWR manufactured cold plate
- PWR experience that testing facilities increases sales
- Capital cost \$80,000

Batch vacuum purge braze furnace

- Currently being commissioned
- Cold plate and battery cooler brazing
- Allows iterative prototyping and development for testing
- Capital cost circa \$75,000



PWR REVENUE STRATEGY

Motorsports

- Expand relationships with motorsports teams in depth and number
- Expand presence in other categories through reputation

Automotive OEM

- Access through relationships built with motorsports teams
- Cooling solutions to low production run, high performance vehicles
- Building new core production at C&R in USA to service US market

Automotive Aftermarket

- Use new production facility to grow automotive aftermarket in USA
- Increase in marketing activities in Australia and USA
- New SUV intercooler packages released in Australia

Emerging Technologies

- Build on relationships in motorsports to provide cooling solutions
- Invest into R&D to drive product improvement
- New cold plate cooler test rig commissioned

Industrial

- Use trade shows to bridge between motorsports and industrial
- Develop broader channels to market

OUTLOOK

Revenue

- 2H revenue bias to continue in FY17 due to timing of motorsports seasons
- Organic revenue growth in underlying currencies expected to continue

Working capital

- Given revenue growth opportunities and new C&R production line, working capital expected to increase

Investment

- Continuing investment in R&D, people, systems and processes to deliver on future growth opportunities

Currency

- With 85% of revenue generated offshore, foreign currency volatility will continue to impact the business

ABOUT PWR



A LEADER IN AUTOMOTIVE COOLING

- Established reputation in elite international motorsports for innovative and customised cooling solutions
- Competitive advantage provided by fully integrated offering – design, engineer, manufacture and validation
- Strong financial position – track record of revenue growth
- Significant growth opportunities in high margin “niche” markets where customised cooling solutions are required
- Growth supported by industry trends demanding smaller, lighter and more efficient engines

PASSION, WINNING, RESULTS

INDUSTRY TAILWINDS

Super, lighter, faster

- Focus on reducing engine size while increasing power – achieved through forced induction (turbo, super charging and hybrid technology)
- Forced induction requires additional cooling

Technology shifts

- Development of hybrid and electric vehicles to supplement or replace traditional internal combustion engine

Environmental regulation

- Increasing controls placed on vehicle emissions, e.g. Euro 6 standards

Motorsports standardisation

- Changes in automotive market are being reflected in motorsports
- Reduced engine sizes are mooted for most major race series, increasing use of hybrids, diesel racing series

Technology adoption

- New technologies are introduced in a controlled manner. This typically starts with demonstration through low production run releases

THE PWR DNA

Our focus on **PROFIT**.... allows us to succeed.

We show **PASSION** in everything we do.

COMPETING and **WINNING** with leading edge solutions – PWR is the “Go To – Can Do” company.

Our product **VISION**.... delivered through **INNOVATION**.... using our engineering, R&D, manufacturing and testing skills.

LISTENING... to our people, our network of customers and the market to create the “PWR engineered cooling solutions”.

Ensuring we are **RESOURCE READY**.... from materials, latest equipment and technology, specialist tools, vertical manufacturing processes.... to the right **PEOPLE**.

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