



ENGINEERING THE UNFAIR ADVANTAGE

PWR Holdings Limited

(ASX:PWH)

2022 Annual Results Presentation

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August 2022

Presented by:

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Performance Highlights



Strong Business Growth

Overall 28% revenue growth – solid growth across all key markets

Original Equipment Manufacturers (Automotive OEM)

65% growth – strong growth due to new programs including Aston Martin Valkyrie and Rimac Nevera, and the continuation of existing programs including Ford GT500

Aerospace and Defence

56% growth – strong performance for the second half of the year and expanding order book

Motorsports

23% growth – motorsport categories return to a more traditional race program and increasing use of emerging technologies

Automotive Aftermarket

Moderate growth of 6% while working to increase production capacity to meet market demand

Emerging Technologies¹

124% growth – broadening customer base with strong demand for both micro matrix and cold plate technologies. Now represents 19% of Group revenue

NPAT

Solid conversion of revenue to NPAT of 20.6%

Final Dividend

Dividend policy of 40% to 60% of NPAT. A final dividend of 8.50 cents per share takes total dividends for the year to 12.00 cents per share, representing 58% of FY22 NPAT

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

Performance Challenges – COVID-19



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COVID-19

FY22 was impacted by market uncertainty with frequently changing rules and guidelines

International and State border closures restricted movement of employees. These restrictions eased in the second half of the year, allowing for increased travel and in person client meetings

Employee availability due to Government imposed isolation requirements impacted production capacity in January and February 2022, with minimal ongoing impact

COVID-19 Vaccine Mandate

Due to the nature of a manufacturing facility, employees cannot work from home and fully effective social distancing is not always possible

The management team spent considerable time in the planning and implementation of a vaccine mandate for PWR Australia as well as maintaining COVID-19 safe operating procedures globally to minimise the current and future impact to operations

To protect our employees, in December 2021 PWR introduced a COVID-19 vaccine mandate for the Ormeau facility, that was effective from 4 January 2022

Prior to introducing the vaccine mandate, PWR engaged in extensive consultation with employees, including holding on site information sessions with Doctors

The introduction of the vaccine mandate resulted in the loss of 9 employees

Performance Challenges – Other



Supply Chain and Cash from Operating Activities

Supply chain shortages have resulted in increased prices, lead times and minimum order quantities for raw materials

We have increased forward orders and inventory of raw materials to ensure continuity of supply, reducing cash from operating activities. We would rather *“look at it than look for it”*

We have increased finished goods inventory for key programs and are warehousing these finished goods in the United Kingdom to reduce the shipping distance for the final delivery to the customer, reducing the risk of freight delays

Recruitment and Retention

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

Inflation

Increasing inflation as the global economies recover from COVID-19 and in response to the war in Ukraine will continue to put pressure on wage rates, raw material costs, supply chain costs and other expenses

Increasing sale prices – where possible to pass through cost increases for raw materials, wages and freight. We recognise that our customers are also under cost pressures

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

Performance Overview



	FY22	FY21	Change
Shares on issue	100.3 m	100.2 m	0.1% ↑
Market capitalisation ¹	\$633.9 m	\$710.3 m	(10.8%) ↓
Cash & deposits	\$21.5 m	\$19.9 m	8.3% ↑
Lease liabilities ²	\$6.7 m	\$8.5m	(20.3%) ↓
Net assets	\$76.4	\$64.0 m	19.4% ↑
Revenue	\$101.1 m	\$79.2 m	27.6% ↑
EBITDA ³	\$35.7 m	\$29.0 m	23.4% ↑
Net Profit after Tax (NPAT)	\$20.8 m	\$16.8 m	24.1% ↑
Earnings per Share (EPS)	20.8 cps	16.8 cps	24.0% ↑
Dividends per Share (DPS)	12.0 cps	8.8 cps	36.4% ↑
Return on Equity (ROE) ⁴	27.3%	26.3%	1.0% ↑

¹ Market capitalisation as at 30 June

² Right of use lease liabilities for properties

³ 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 FY22 financial report

⁴ Return on Equity for the 12 month period ending 30 June

Key points

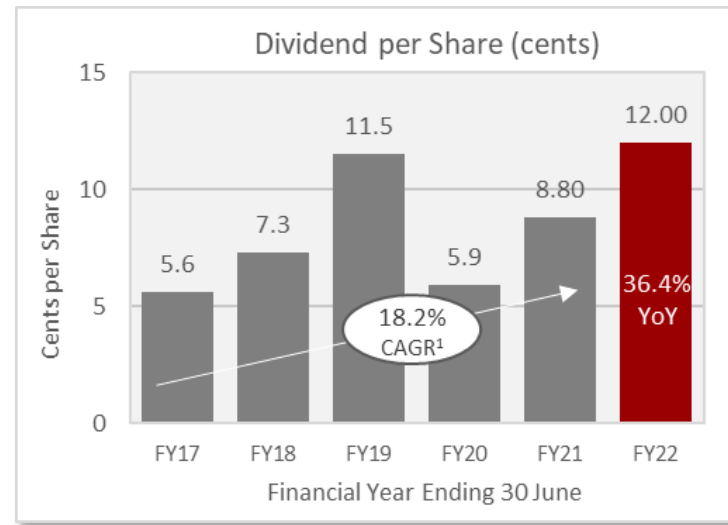
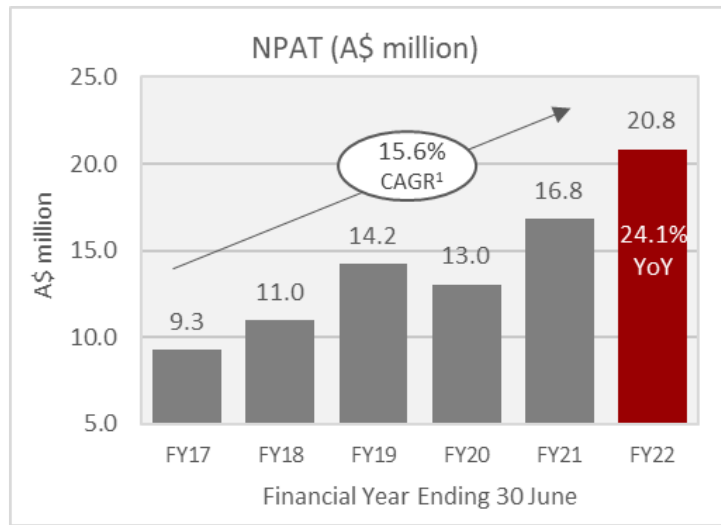
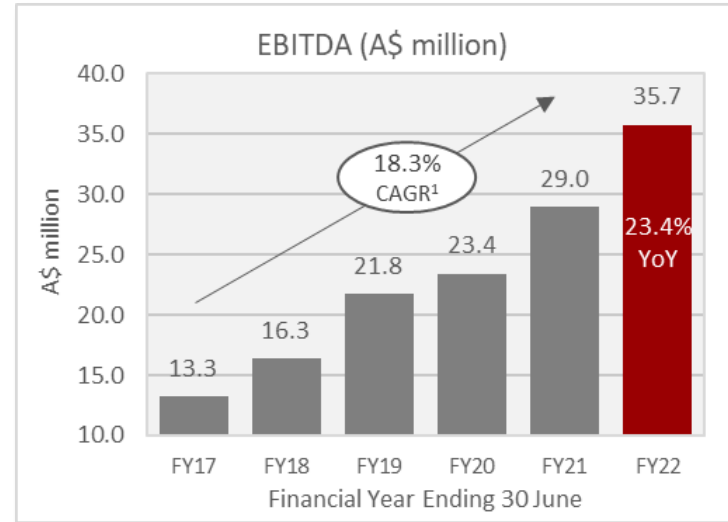
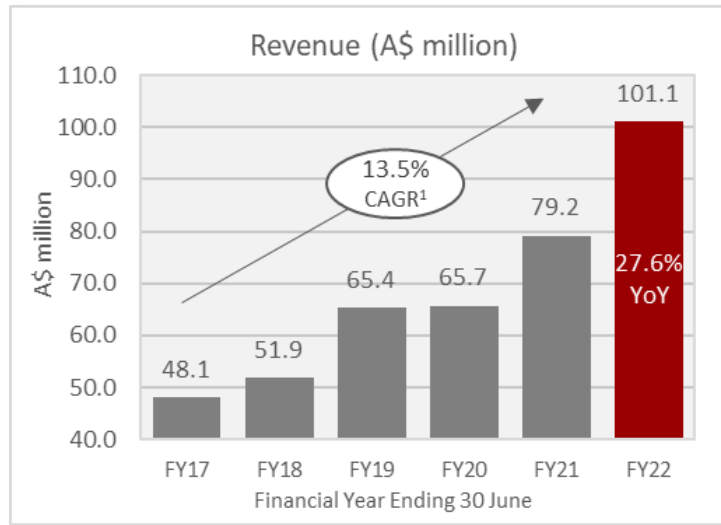
- COVID-19 Support – FY22 **\$0.07 million** (FY21: \$1.99 million)
- Strong H2 Revenue – second half revenue of \$55.6 million represented 55.0% of full year revenue. The strong second half result includes the seasonal increase in motorsports and strong sales of emerging technologies across all markets including aerospace and defence

Well positioned to deliver on future opportunities

Performance Trend

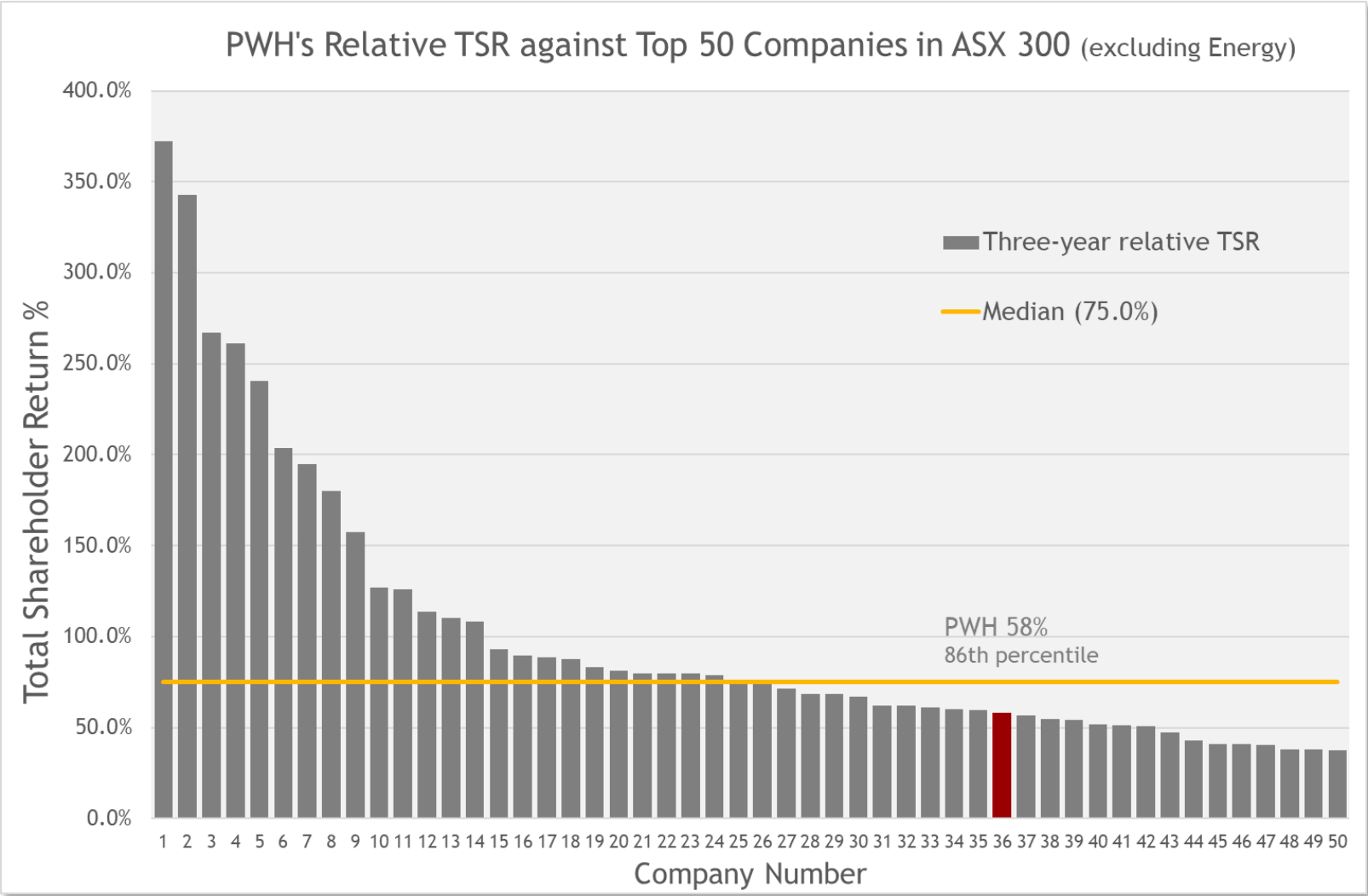


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1 CAGR - Compound Annual Growth Rate over 6 years

Total Shareholder Return



Three year relative TSR ending 30 June 2022

Revenue by Customer Market



Revenue by Customer Market										
	FY22				FY21				Growth	
	Advanced	Emerging	Total		Advanced	Emerging	Total			
	Cooling	Technologies ¹			Cooling	Technologies ¹				
	\$'000	\$'000			\$'000	%			\$'000	\$'000
Motorsports	47,476	7,809	55,285	55%	42,813	2,267	45,080	57%	10,205	23%
Automotive OEM	18,007	3,462	21,469	21%	11,732	1,254	12,986	16%	8,483	65%
Automotive Aftermarke	15,485	360	15,845	16%	14,867	12	14,879	19%	966	6%
Aerospace & Defence	-	7,130	7,130	7%	-	4,574	4,574	6%	2,556	56%
Other	671	672	1,343	1%	1,113	576	1,689	2%	(346)	(20%)
	81,639	19,433	101,072	100%	70,525	8,683	79,208	100%	21,864	28%

Key points – Customer Markets

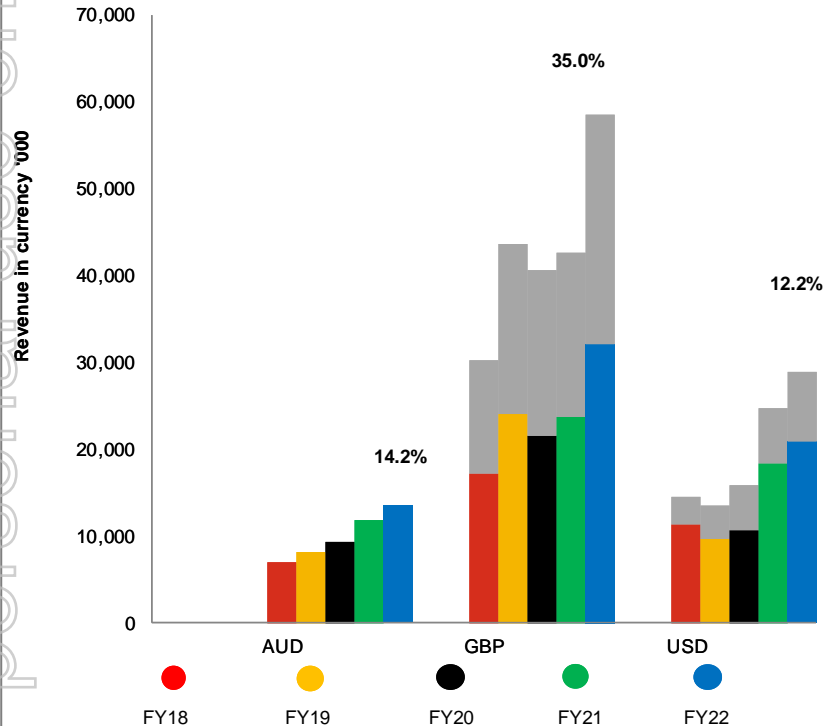
- Motorsports – growth driven by a broad-based return of motor racing events for 2022 and adoption of emerging technologies including micro matrix
- OEM – growth includes the Aston Martin Valkyrie and Rimac Nevera programs, with strong growth in the sale of cold plates to cool batteries and electronics in high end electric and hybrid vehicles
- Automotive aftermarket – growth was constrained by limits on production capacity and prioritisation of higher margin sectors including motorsports. Further growth potential is evident
- Aerospace and Defence –
 - Strong second half with recommencement of a large program and further growth from existing programs
 - Broadening of customer base and several new early-stage programs

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

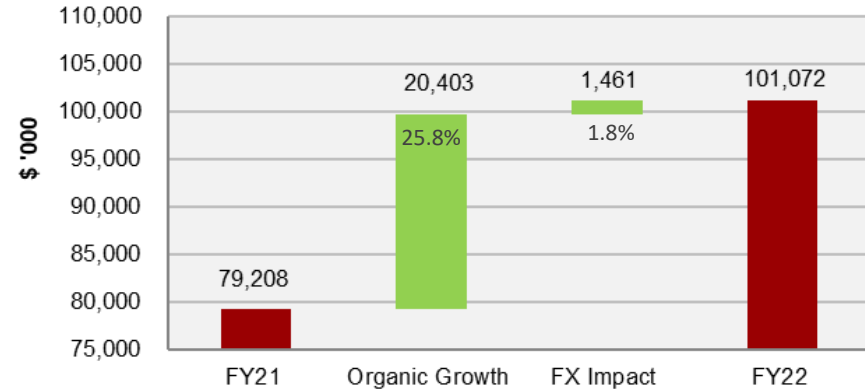
Revenue by Currency



Sales to third parties by currency



Conversion of source currency to Australian dollars based on average exchange rate for each year



Currency	30/06/2022	30/06/2021	Change	FY22 Avg	FY21 Avg	Change
GBP	0.5676	0.5426	4.6%	0.5457	0.5547	(1.6%)
USD	0.6886	0.7512	(8.3%)	0.7257	0.7469	(2.8%)

Key points

- Participating forward contracts in GBP used to manage foreign exposure to sales in GBP where production costs are in AUD and sales in GBP. Participating forward contracts of GBP 3.1 million (30 June 2021: GBP 3.9 million)
- USD exposure to sales largely offset by USD production costs

Operating Expenses



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A\$'000	FY22	FY21
Usage of raw materials and consumables ¹	(20,851)	(18,013)
Employee expenses ¹	(38,897)	(30,932)
Employee Headcount (#)	451	363
Occupancy expenses	(750)	(562)
Other expenses	(6,417)	(3,498)
Total Operating Expenses	(66,915)	(53,005)

1. Movement in Finished Goods Inventory and Work in Progress (WIP) adjusted against raw materials and employee expenses

Key points

- **Raw materials and consumables**
 - Usage increased by \$2.8m or 15.8%
- **Employee expenses**
 - 88 or 24.2% headcount increase to support current and future growth
 - Includes increase on wage and salary rates, Australian super guarantee rate from 9.5% to 10.0%, and bonus payable (FY22 corporate gate met)
- **Occupancy expenses** – Includes increase in land tax and waste disposal
- **Other expenses** – Includes increased external recruitment and other human resource costs, consultant fees for specific projects, computer and information technology costs for increased cyber security and system development, marketing and travel as global border restrictions ease, insurance and a bad debt provision

Balance Sheet



A\$000	June 2022	June 2021
Assets		
Cash and cash equivalents	21,499	19,857
Trade and other receivables	13,813	9,341
Inventories	12,746	6,489
Plant & equipment	32,594	34,280
Intangible assets	15,027	14,915
Deferred tax asset	-	770
Prepayments and other assets	2,847	1,646
Total Assets	98,526	87,298
Liabilities		
Trade and other payables	7,532	5,333
Deferred income	1,688	2,189
Contract liabilities	1,347	2,252
Lease liabilities	6,742	8,456
Tax liabilities	218	2,001
Employee benefits and provisions	3,935	3,105
Deferred tax liabilities	667	-
Total Liabilities	22,129	23,336
Net Assets	76,397	63,962

Key points

- **Strong liquidity and cash position**
- \$9.5 million cash dividend paid during FY22
- ROE increased to 27.3% (FY21: 26.3%), noting that the prior period included \$1.99 million in COVID support
- Plant & equipment investment offset by depreciation and lower than expected capital expenditure due to the timing of purchase orders and lead time for key equipment
- Inventory and prepayments were greater as we responded to supply chain pressures, ensuring production continuity, and increased finished goods to ensure we stayed ahead of production delivery schedules for OEM programs
- Lease liabilities consist of right of use liabilities for factory space. \$10m multi currency and \$7.5m equipment loan facilities remain undrawn
- Balance sheet strength and unutilised facilities provides ability to seize organic or other opportunities
- Intangible assets unchanged apart from foreign exchange movements

Cash Movement Analysis



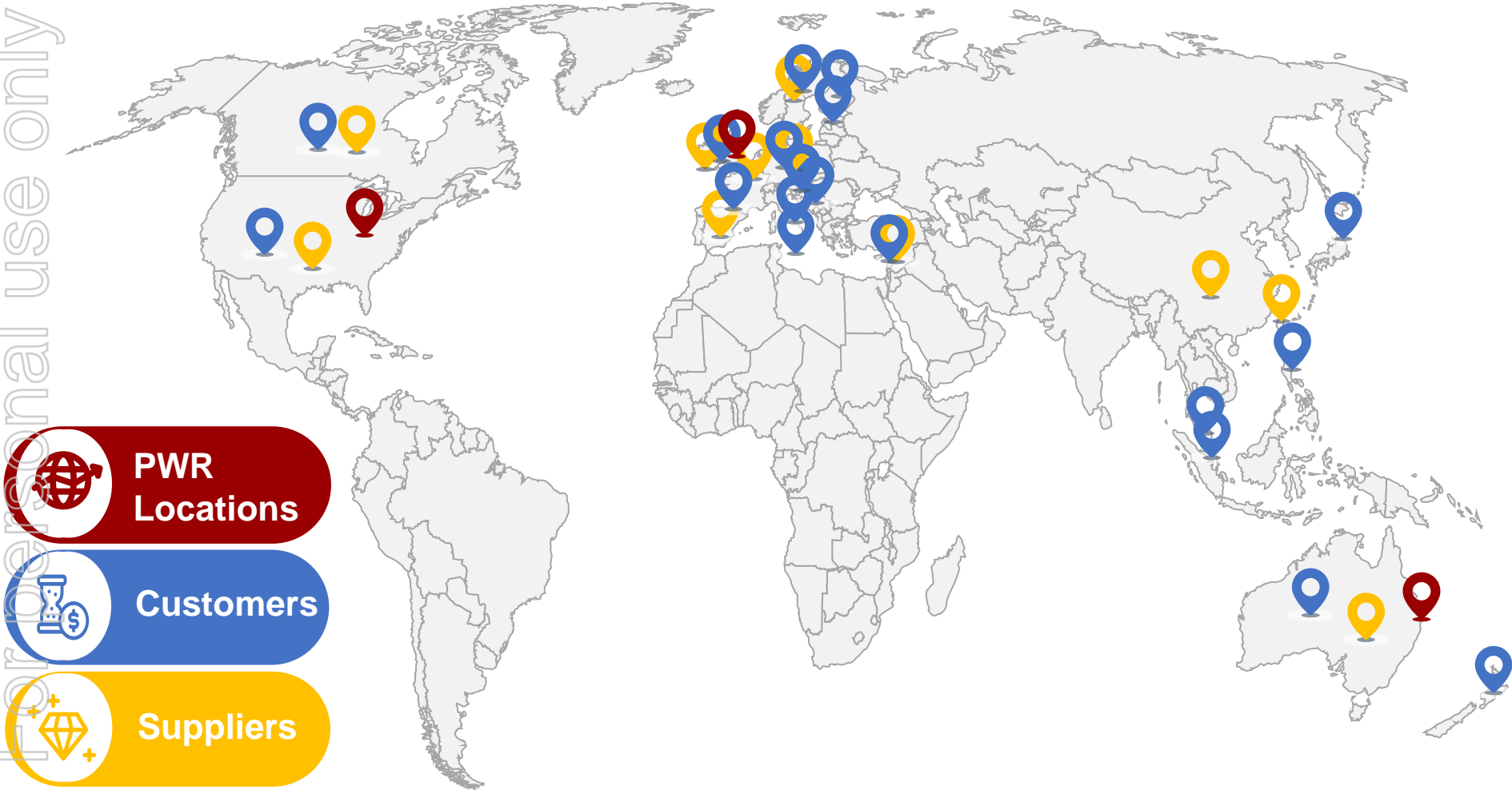
A\$'000	FY22	FY21
Trade and other	13,813	9,341
Prepayments	2,125	829
Inventories (excluding raw material investment ¹)	9,082	6,489
Trade & other payables	(7,532)	(5,333)
Net working capital	17,488	11,325
Working capital (increase)/decrease ²	(6,163)	(1,921)
Raw material investment ¹	(3,664)	-
Cash from operating activities (excluding working capital change and raw material investment)	33,349	33,289
Cash from operating activities	23,522	31,368
EBITDA to cash conversion ratio ³	65.8%	108.3%
Net tax & interest paid	(6,461)	(4,935)
Net capital expenditure	(4,953)	(10,361)
Free Cash Flow	12,108	16,072
Dividends Paid	(9,521)	(6,812)
Borrowings	-	(8,585)
Leases and Other	(945)	(1,623)
Net cash movement	1,642	(948)

Key points

- Operating cashflow decreased by (26.6%) compared to prior period, noting:
 - prior period included \$2.0 million in COVID support payments
 - Prior period included a \$2.7m customer contract pre-payment
 - FY22 includes (\$6.2m) increase in working capital, including (\$4.5m) increased trade debtors due to strong June sales
 - (\$3.7m) investment in raw materials in response to global supply chain challenges. This investment will be unwound once global supply chain challenges ease
- Cash conversion from operating activities at 65.8%
- Capital investment financed from operating cash flows and retained cash reserves
- Liquidity position strong – cash reserves of \$21.5 million, and \$17.5m in undrawn finance facilities

- Strategic decision to invest in raw material inventories in response to global supply chain challenges. This investment will be unwound once the global supply chain challenges ease
- Working capital movement from 30 June 2021 to 30 June 2022, including pre payments
- Cash Conversion = Cash from operating activities excluding interest and tax divided by EBITDA

Global Operations



Business Outlook



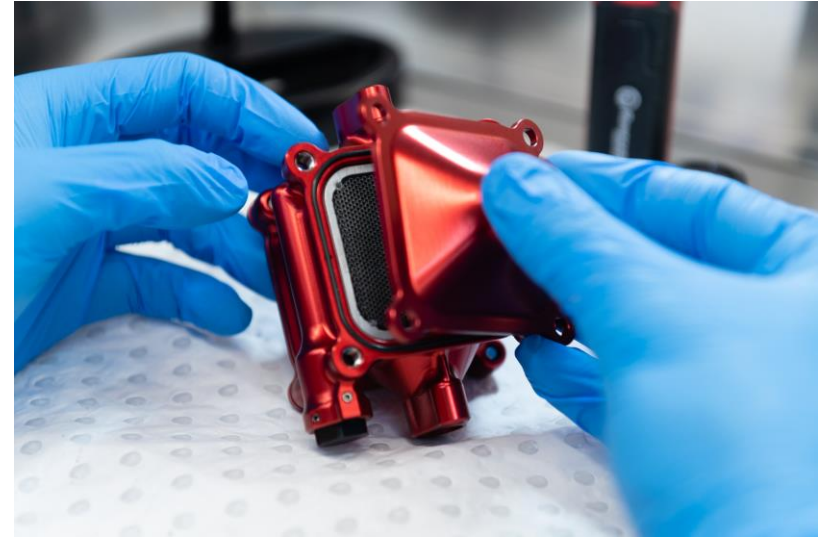
- **Organic Growth** – extensive organic growth opportunities. Disciplined approach to selecting which opportunities to progress
- **Motorsports** – continue to support all major motorsports categories as they strive to develop more efficient cooling technology
- **OEM programs** – continued growth in OEM programs, with long awaited programs now in production including the Mercedes AMG X1 program. Negotiations continuing on future programs
- **Aerospace & Defence** – continued growth in existing and new programs. NADCAP accreditation for heat treatment and chemical processing to assist in securing future contracts
- **Automotive Aftermarket** – solid market demand but impacted by insufficient production capacity. We have increased production capacity in recent months but further capacity required to meet existing demand



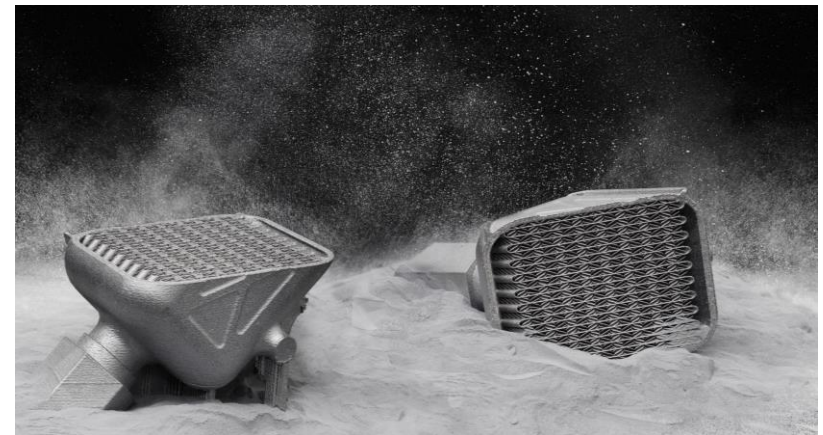
Business Outlook – Emerging Technology



- **Electric Vehicle (EV) and Hybrid Vehicle Markets** – well placed to deliver high performance battery and electronics cooling products to the ever-expanding prestige EV and Hybrid markets
- **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. PWR continue to develop and extend the application of additive manufacturing together with our technical partner Velo 3D



Micro Matrix – highly efficient and compact



Additive Manufacturing – 3D aluminium printed parts

Business Outlook – Aerospace & Defence



- **Strong Second Half for FY22** – strong second half sales for key US customers and expanding new opportunities
- **Australian Defence** – Government decision on large Australian Defence program expected to be made in September 2022 or soon thereafter. PWR continues to position itself as part of the supply chain to take advantage of future growth opportunities
- **International Travel** – PWR has resumed international travel to visit important customers and has exhibited at several international trade shows in the 2nd half of FY22
- **Prototypes** – PWR continue to secured prototyping contracts with Aerospace and Defence Primes for bespoke systems which have the potential to lead into production for future platforms
- **Electric Vertical Take Off and Landing (EVTOL)** – EVTOL market remains a high future growth area for PWR, with several Aerospace manufacturers turning to PWR for thermal system support and manufacture
- **Hydrogen Fuel Cell** – Hydrogen Fuel Cell cooling technology has been a focus for PWR, providing light weight and compact solutions to allow our customers to increase energy density of their platform solutions
- **NADCAP** – Accreditation now obtained for heat treatment and chemical processing to assist in securing future contracts



DO-160G approved sub module for an aerospace platform

Pipelines – Key Automotive OEM



Program	Remaining Vehicles	Status	SOP FY	Prod. Years	FY23	FY24	FY25
Ford GT500	1,580	Nominated Supplier	2020	4			
Ford GT40	160	Nominated Supplier	2019	5			
Rimac - Nevera (300)	200	Nominated Supplier	2022	3			
Valkyrie Road Car (155)	85	Nominated Supplier	2022	2			
AMG X1 Road car (275)	250	Nominated Supplier	2022	2			
EV Pickup	6,000	Nominated Supplier	2022	5			
Additive car	50	Nominated Supplier	2022	2			
EV Road Car	150	Nominated Supplier	2022	3			
Valkyrie Convertable 001 (85)	85	Nominated Supplier	2023	2			
Road Car (70)	70	Nominated Supplier	2023	2			
European Hyper Car (100)	100	Nominated Supplier	2023	2			
European Track Car (30)	30	Nominated Supplier	2023	2			
Hypercar (50)	50	Nominated Supplier	2023	2			
Hypercar (200)	200	Nominated Supplier	2023	3			
Track Car (27)	27	Nominated Supplier	2023	2			
European Road Car (300)	300	Nominated Supplier	2024	3			
Undisclosed	300	In Discussion	2023	2			
Undisclosed	499	In Discussion	2023	3			
Undisclosed	500	In Discussion	2023	2			
Undisclosed	500	In Discussion	2023	4			
Undisclosed	1,000	In Discussion	2024	3			
Undisclosed	650	In Discussion	2024	7			
Undisclosed	50	In Discussion	2024	2			
Undisclosed	18,000	In Discussion	2024	5			
Undisclosed	500,000	B Sample Phase - Nominated	2025	10			
Undisclosed	25,000	In Discussion	2026	5			
Undisclosed	100,000	A Sample Phase - Nominated	2026	4			

Number of Key Programs (Nominated Supplier + In Discussion)

19

21

12

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

Pipelines – Other Production Pipelines



Market	Vehicles/Parts	Status	SOP FY	Prod. Years	FY23	FY24	FY25
Motorsports - MMX	Ongoing	Nominated Supplier	2022	Ongoing			
Motorsports - MMX	Ongoing	Nominated Supplier	2022	Ongoing			
Motorsports - MMX	Ongoing	Nominated Supplier	2022	Ongoing			
Motorsports - MMX	Ongoing	Nominated Supplier	2022	Ongoing			
Motorsports - MMX	Ongoing	Nominated Supplier	2022	Ongoing			
Motorsports - MMX	Ongoing	Nominated Supplier	2022	Ongoing			
Motorsports - Cold Plates	Ongoing	Nominated Supplier	2022	Ongoing			
Motorsports - Cold Plates	Ongoing	Nominated Supplier	2022	Ongoing			
Motorsports - Cold Plates	Ongoing	Nominated Supplier	2022	Ongoing			
Motorsports - Cold Plates	Ongoing	Nominated Supplier	2022	Ongoing			
Aerospace & Defence	6,000	Nominated Supplier	2023	8			
Aerospace & Defence	1,200	Nominated Supplier	2023	2			
Aerospace & Defence	Ongoing	Nominated Supplier	2023	1			
Aerospace & Defence	Ongoing	Nominated for Prototyping	2023	TBC			
Aerospace & Defence	Ongoing	Nominated for Prototyping	2023	TBC			
Aerospace & Defence	TBC	Nominated for Prototyping	2023	TBC			
Aerospace & Defence	TBC	Nominated for Prototyping	2023	TBC			
Aerospace & Defence	TBC	Nominated for Prototyping	2024	TBC			
Aerospace & Defence	TBC	Nominated for Prototyping	2024	4			
Energy	TBC	Nominated for Prototyping	2023	TBC			
Industrial	TBC	Nominated for Prototyping	2023	2			
Energy	TBC	Nominated for Prototyping	2023	TBC			
Energy	TBC	In Discussion	2023	TBC			
Energy	TBC	In Discussion	2024	1			
Aerospace & Defence	450	In Discussion	2024	4			
Aerospace & Defence	TBC	In Discussion	2024	TBC			
Aerospace & Defence	300	In Discussion	2025	7			
Aerospace & Defence	TBC	In Discussion	2025	TBC			
Number of Key Programs (Nominated Supplier + In Discussion)					21	25	22

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

Planning for Future Success



In addition to achieving current year targets, the management team are laying the foundations for our future growth and success

We will continue to partner with our customers to develop the leading edge high performance cooling systems, applying this knowledge to new applications and expanding to adjacent markets where commercial opportunities exist

To ensure we position PWR to capitalise on future opportunities over the medium and longer term, we are:

- **Investing in People**
- **Investing in Capability and Capacity**
- **Investing in Staff Retention**

*Laying the Foundations
for the next 10+ Years of
Growth and Success*

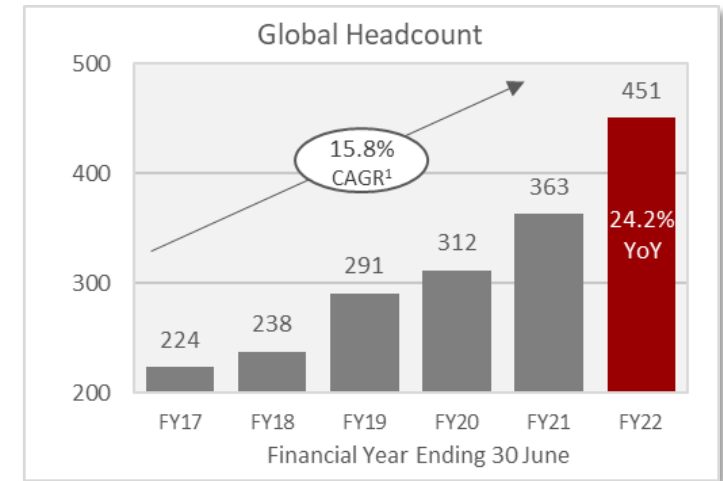
Investing in People



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

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 42 apprentices across a range of trades and is continuing to expand the apprentice program
- **Graduate Engineer Program** – PWR has commenced 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 and North America to expand the professional experience of the Engineers and to reinforce the PWR DNA across all operations. PWR is also sending a senior Engineer from Australia to PWR Europe for 2 years to increase local support for our Customers
- **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

Recruitment remains challenging due to low unemployment rates and limited international migration of skilled workers

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 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:

- North America – new additional 14,000 square foot PWR North America – Aerospace & Defence Machining Centre in operation in September 2022
- Australia – decision expected by December 2022 on a new factory plan to support growth for the next 10+ years
- United Kingdom – reviewing options to commence small scale manufacturing in the United Kingdom to support the European market



Certifications – Rigorous systems and processes are a prerequisite to supplying to our key markets and are essential to improve operating efficiency. In addition to the AS9100 and ISO14001 certifications, PWR recently obtained NADCAP certification for heat treatment and chemical processing and is progressing security certifications in Australia and North America to support expansion of defence programs

Investing in Staff Retention



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** – upskilling 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 breakfast, morning tea and lunch daily for all staff free of charge



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”

