



1H24

RESULTS PRESENTATION

27 February 2024

REDOX LIMITED (RDX.ASX)



Presenting today



Raimond Coneliano
Chief Executive Officer &
Managing Director

28 years tenure



Kim Yap
Chief Financial Officer

34 years tenure

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1H24 Highlights

Raimond Coneliano

Chief Executive Officer & Managing Director

1H24 Highlights

\$47.7m

Underlying NPATFX
+2.1% growth vs PCP

23.1%

Gross Profit Margin
2.6 pts above PCP

12.3%

Underlying EBITDAFX Margin
1.1 pts above PCP

\$80.3m

Cash Flow from operation

113.5%

Free Cash Conversion

18.1%

Underlying Return On Invested
Capital
(after tax ROIC)

6cps

Interim Dividend
payout ratio 80%

2

Acquisitions Completed

1H24 Acquisitions



- Two acquisitions in the period add products, customers, suppliers, expertise and capabilities which will drive future growth in line with stated acquisition strategy
- Redox continue to review several strategic acquisition targets in APAC and North America



Element Raw Materials
Specialty Plastics
New Zealand



Optigen Ingredients
Human Health & Nutrition
Australia

1H24 Sales Analysis vs PCP

- 1H24 sales declined by 8.4% due to global price deflation and weaker demand due to prevailing economic conditions
- Crop Production & Protection sales declined 22.9%, impacted by destocking and export controls
- Mining & Explosives segment sales increased 11.5% driven by Redox's successful Lithium & Uranium product launches
- Water Care Industry sales rose 8.8%, benefiting from upgraded technical support



1H24 Price & Volume

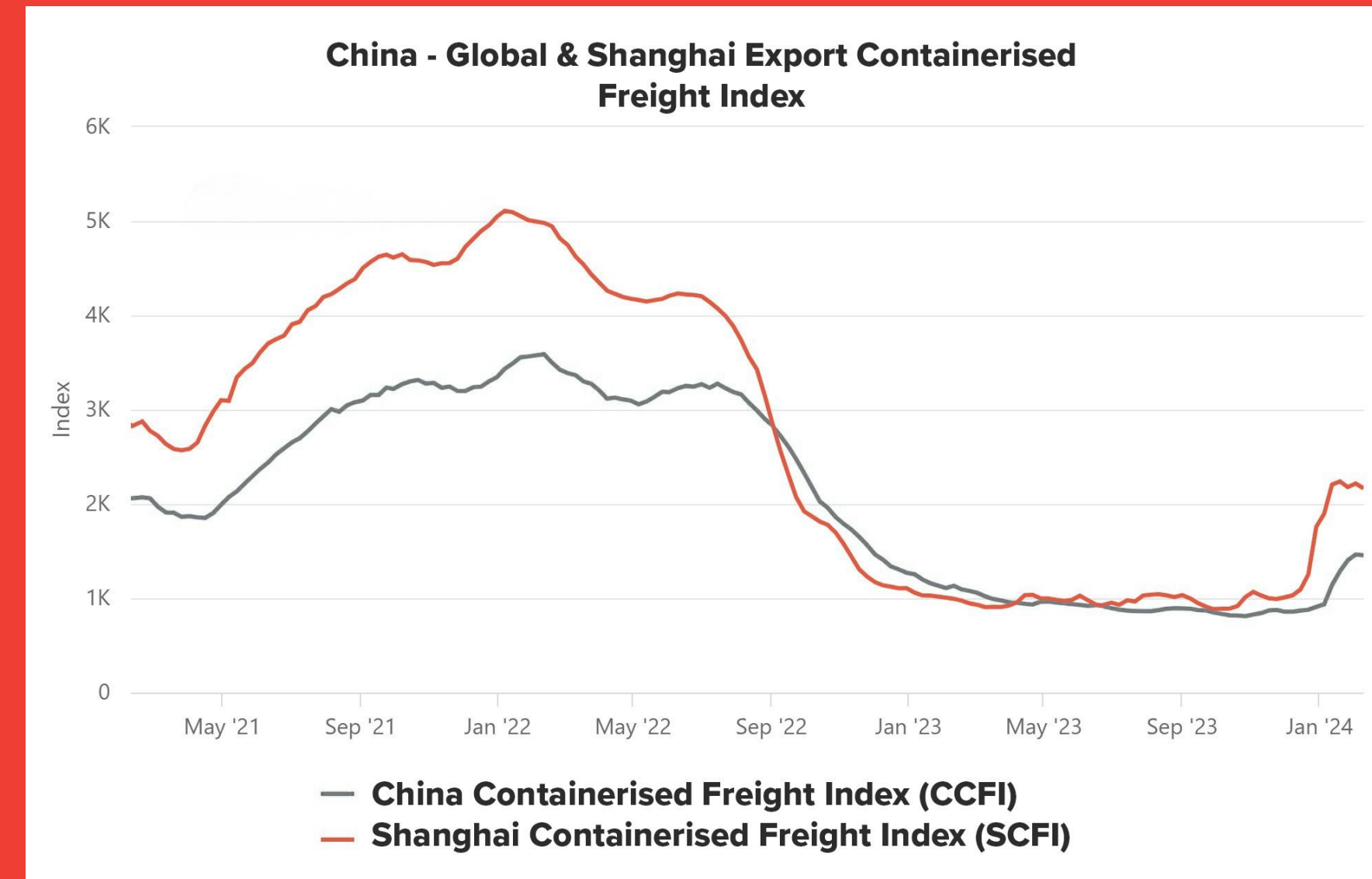


- Redox's product mix includes a broad range of product categories, amongst which are high/low priced items each with unique market dynamics
- Global price deflation in the sector has been widely publicised and has continued through the half as prices decline off the strong 1H23 pricing period (supply chain crunch post-COVID)
- Strong volume growth has partially offset the effects of deflation with strongest growth recorded from North America
- Animal Health & Nutrition, Plastics Rubber & Foam and Watercare sectors registered the strongest volume growth in the period due to buoyant demand especially in our core ANZ market

Sea Freight Update



- As the vast majority of Redox' product is imported, sea freight and in particular containerised freight rates are a key driver of price for customers
- Containerised freight made up roughly 10% of selling prices during the COVID supply chain crunch
- Due primarily to COVID supply chain constraints, containerised freight prices rose between June 2020, peaked in January 2022 before stabilising in 2023
- However, recent geopolitical events have driven containerised freight costs higher. Redox expects these higher costs to flow through to its customers in 2H24
- Redox will continue to provide value to clients during the current supply chain stresses



1H24 Gross Profit



- Strong Gross Profit Margin of 23.1%, beating PCP by 2.6 percentage points
- Margins have been particularly resilient in Australia due to improvements in product portfolio mix and larger proportion of smaller more profitable transactions.
- Due to global chemical prices stabilising and an expected increase in commodity sales margin is expected to moderate through the second half albeit at levels above historical averages.





1H24 Financials

Kim Yap
Chief Financial Officer

Profit & Loss overview

3.1%

Increase in Gross Profit vs PCP due to disciplined margin management

1.1 ppts

Improvement in underlying EBITDAFX margin vs pcp

\$48m

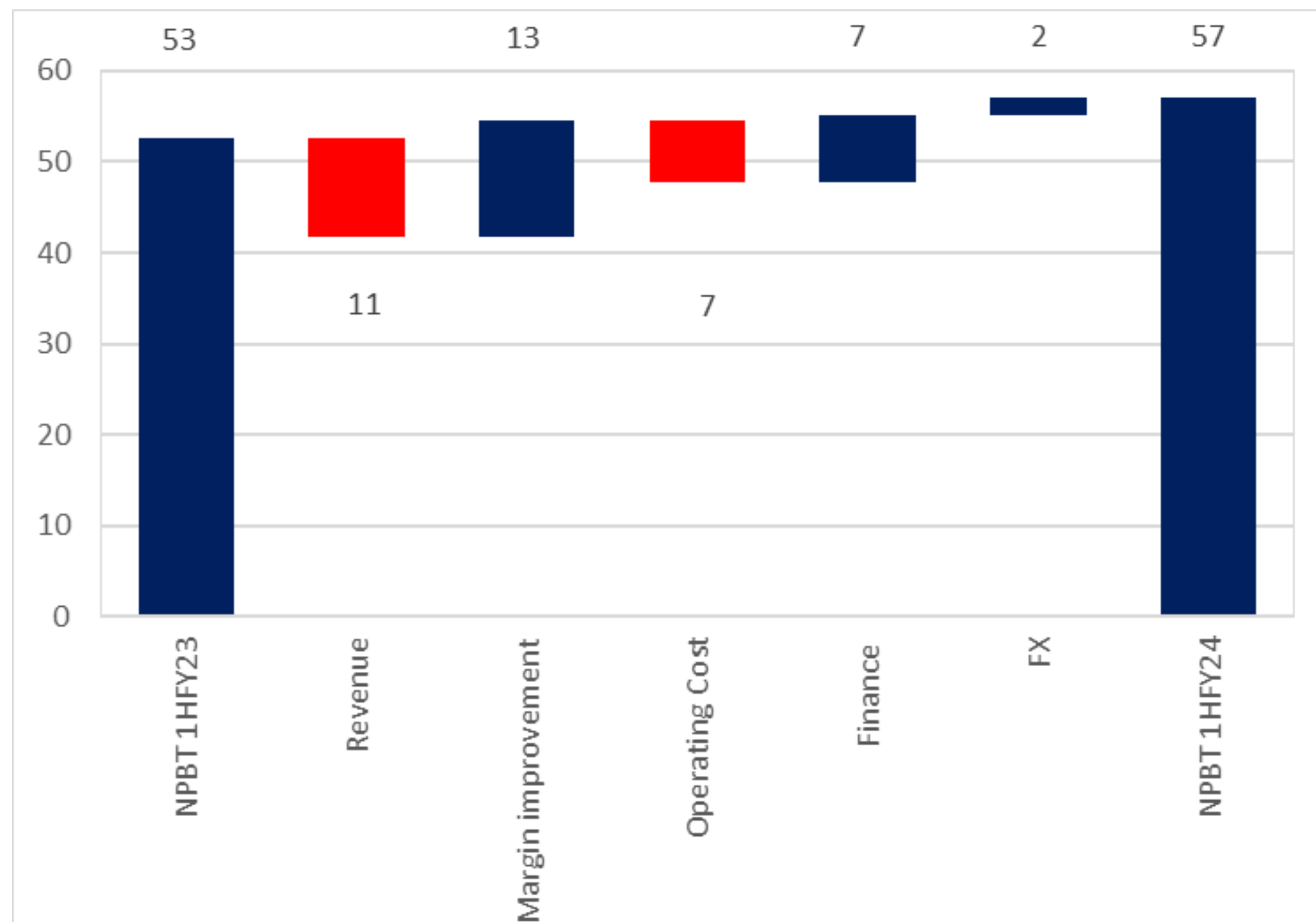
Underlying NPATFX improved due to higher GP margin and interest income

	1HFY24	Proforma 1HFY23	Proforma Change PCP	Statutory 1HFY23	Statutory Change PCP
	\$m	\$m	%	\$m	%
Revenue	582	635	-8.4%	635	-8.4%
Gross profit	134	130	3.1%	130	3.1%
Gross margin	23.1%	20.5%	2.6ppts	20.5%	2.6ppts
Underlying EBITDAFX ¹	71	71	0.6%	72	-0.7%
Underlying EBITDAFX ¹ margin	12.3%	11.2%	1.1ppts	11.3%	1.0ppts
Underlying NPATFX ¹	48	47	2.1%	44	8.9%
Underlying NPATFX ¹ margin	8.2%	7.3%	0.9ppts	6.9%	1.3ppts
Underlying earnings per share (cents)	9.08	8.89	2.1%	10.21	-11.1%
ROIC ²	18.1%	21.3%	-3.2ppts	20.0%	-1.9ppts

Notes:

1. Underlying EBITDAFX and NPATFX excludes unrealised currency revaluations relating to non-cash mark-to-market adjustments on Redox's open forward exchange contracts at period end and the listing cost of \$4 million. The mark to market adjustments arise as Redox does not qualify for hedge accounting treatment under the terms of AASB 9 Financial Instruments and so is required to include the non-cash gain or loss on open foreign exchange positions at period end within its statutory result. Redox does not consider these amounts to form part of the Group's "underlying" earnings, and accordingly presents NPATFX metrics which exclude the impacts of these balances.
2. Return on Invested Capital ("ROIC") is defined as net operating profit after tax (NOPAT), divided by average invested capital (total equity plus net debt and lease liabilities).

Net Profit Before Tax bridge 1H23 to 1H24



Higher profit margin has more than offset the decline in sales during 1H24



Improvement in working capital provided a positive contribution to 1H24

-8.4%

Revenue decline due to price deflation. Partially offset by share of wallet gains, product portfolio expansion and new customer wins

2.6%

Revenue growth in US driven by new customers, volume growth and sales team / geographical expansion

2.6ppts

Margin improvement vs PCP

Note
 • Revenue impact of two acquisitions in 1H24 not material

Revenue and Gross Profit

	1H24	Proforma 1H23	Change
	\$m	\$m	%
Revenue – Australia	494	532	-7.3%
Revenue – New Zealand	44	57	-22.8%
Revenue – USA	40	39	2.6%
Revenue – Other	4	7	-42.9%
Total revenue*	582	635	-8.4%
COGS	-447	-505	59
Gross profit	134	130	3.7%
Gross margin	23.1%	20.5%	2.6ppts

1.3%

Increase in admin expenses due to salary inflation and growth in headcount offset by lower bonus payment

6.8%

Increase in logistics costs due to sales volume growth, rate increases and CPI indexation

Operating costs

	1H24	Proforma 1H23	Change
	\$m	\$m	\$m
Administration expenses	32	31	-1
Distribution and storage expenses	25	24	-1
Other expenses	6	4	-2
Total underlying operating expenses¹	63	59	-4
One-off ASX listing costs	4	0	-4
Depreciation and Amortisation	4	4	0
Total operating expenses	71	63	-8
Unrealised currency revaluations ² (gain)/loss	8	10	-2

Notes:

1. Underlying operating expenses are total operating expenses less one-off ASX listing costs.

2. Unrealised currency revaluations relate to non-cash mark-to-market adjustments on Redox’s open forward exchange contracts at period end. These amounts arise as Redox does not qualify for hedge accounting treatment under the terms of AASB 9 Financial Instruments and so is required to include the non-cash gain or loss on open foreign exchange positions at period end within its statutory result. Redox does not consider these amounts to form part of the Group’s “underlying” earnings.

\$80M

Cash from operations

Due to improvement in net working capital

113.5%

Free cash flow conversion

29.0%

Net working capital as a percentage of revenue

Cash flow

	1H24	1H23	Change	Change
	\$m	\$m	\$m	%
Cash from operations	80	37	44	118%
Cash flows from investing ¹	-84	-2	-4	
Cash before financing	-4	35	-39	
Free cash flow conversion ²	113.5%	56.2%		
Net working capital (NWC) ³	337	419	82	20%
NWC as % of revenue ³	29.0%	33.0%		
Net cash position	95	26	69	

Notes:

1. \$80 million was invested in short term deposit
2. Free cash flow conversion is calculated as underlying cash from operations divided by underlying EBITDA (EBITDA minus one off ASX listing costs)
3. Net working capital as a percentage of sales is calculated as period end working capital (the sum of trade and other receivables, inventory, prepayments, other assets, trade and other payables, accruals, provision for income tax and other liabilities) divided by revenue.

Interim Dividend

Interim Dividend for FY24 of 6 cents per share, representing a pay out of 80% of profits

Dividend to be paid on the 20th of March 2024

Record date 4th of March 2024.

Dividend Policy

Long term Dividend payout ratio will be 60%-80% of profits



STRATEGY & OUTLOOK

Raimond Coneliano
CEO and Managing Director

Leading distributor of chemicals, ingredients and raw materials



6,400+
ACTIVE CUSTOMERS



4,700+
SKU'S



100+
STOCK LOCATIONS



950+
ACTIVE SUPPLIERS



400+
STRONG TEAM*



1100+
PRODUCT GROUPS

Primary focus organic growth complimented by acquisitions & geographic expansion

Extensive and growing customer, supplier and product base



Largest supplier in Australia by revenue

30-year revenue CAGR of 11.9%

Trained the Redox way

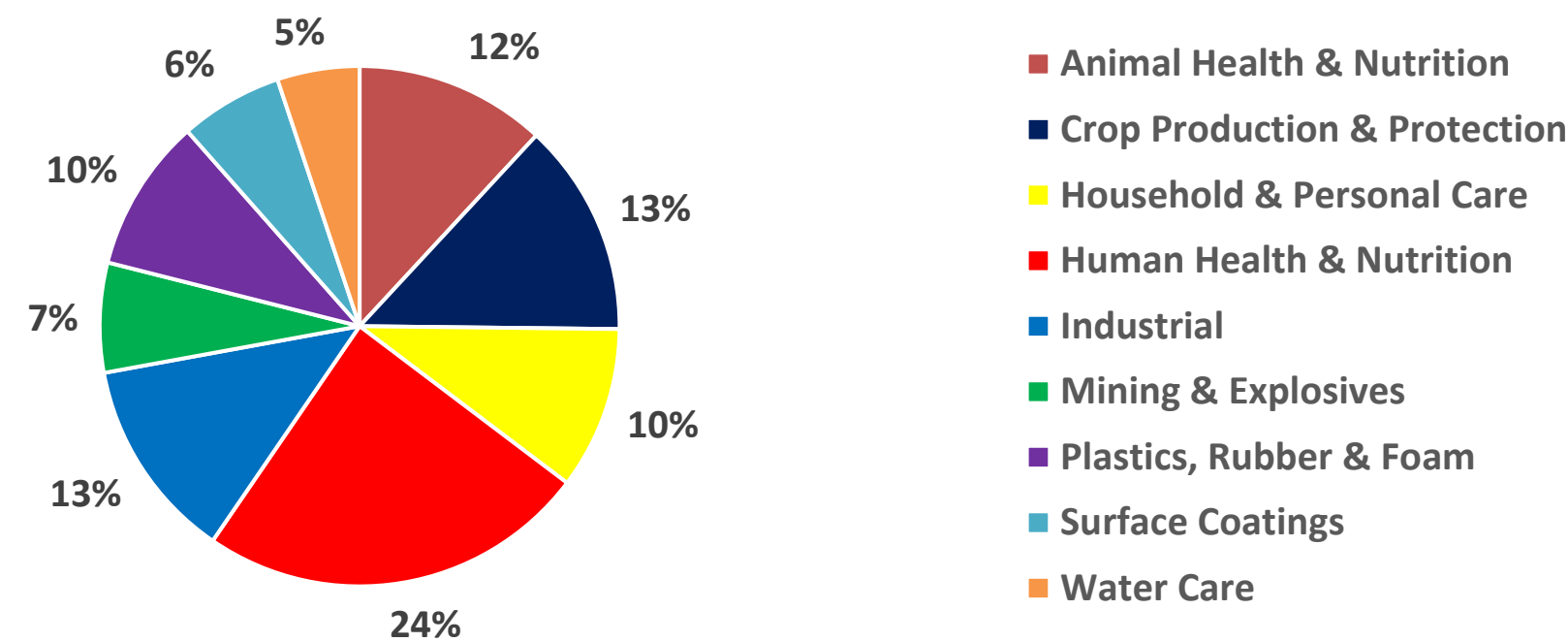
* Team includes 170+ salespeople across APAC & USA

Diversity that has delivered over the long term

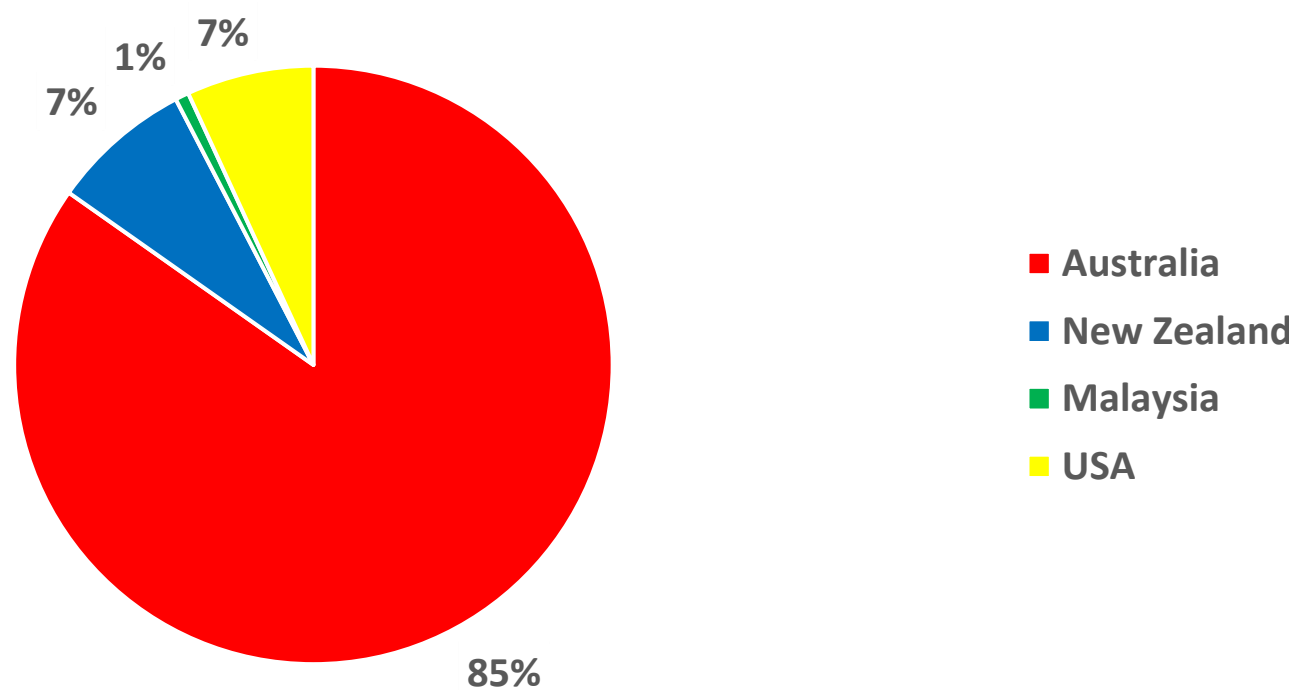


- Largest customer represents ~2.2% of 1H24 sales
- Top 10 customers represent ~15.8% of 1H24 sales
- Largest individual supplier accounted for ~3.2% of 1H24 sales
- Broad geographical supply base that reduces supply risks
- Sourced products from 53 countries in FY23

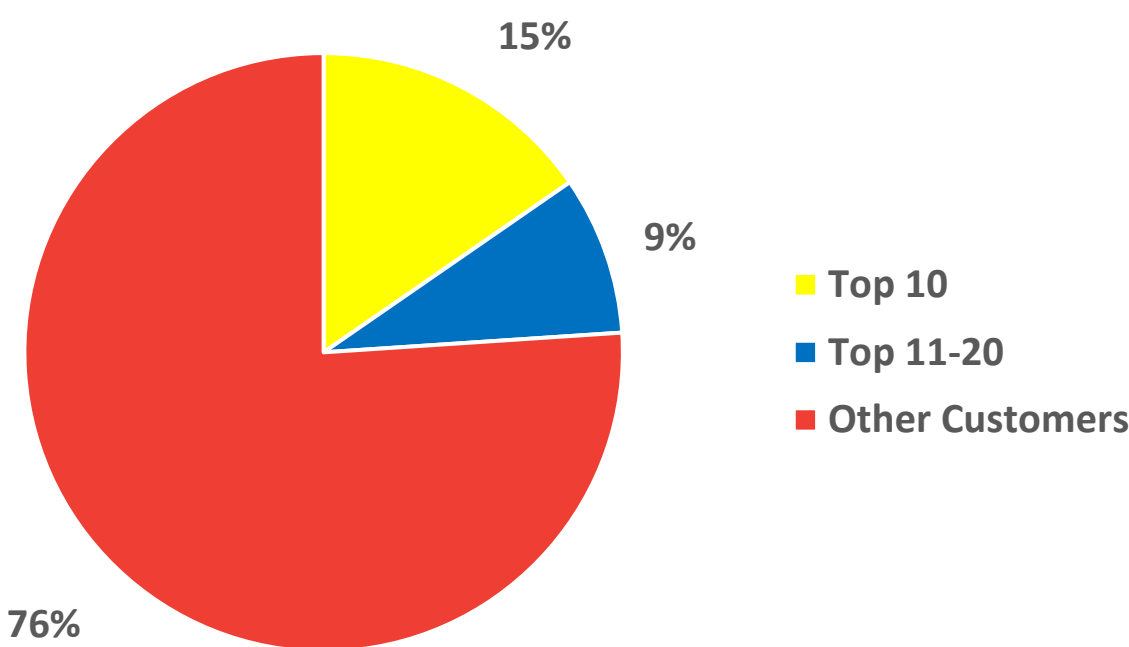
Sales by industry sectors (% 1H24)



Sales by geographical jurisdiction (%: 1H24)



Sales by customer concentration (%: 1H24)



Outlook & Guidance FY24



- In 1H FY24, revenue was impacted by significant global price deflation and weaker economic conditions. This was partially offset by higher volumes
- Based on H1 performance and trading conditions so far in H2, the Board has updated FY24 guidance
- Prospectus forecasts for EBITDAFX, EBITFX and NPATFX fall within updated guidance
- Underlying operating costs in H2 are expected to be similar to H1
- Net interest income is forecast to be higher than prospectus forecast
- Redox’s strategy and resilient business model has delivered consistent long-term growth and business expansion. The fundamentals of the business are strong and remains well placed to grow into the future, both organically and by acquisition.

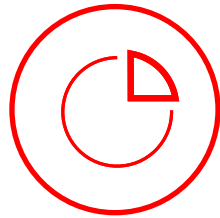
	H1 FY24	H2 FY24 Estimate	FY24 guidance	Prospectus Forecast
Revenue	582	600 - 660	1,182 - 1,242	1,328
Revenue growth vs PCP	(8.4%)	(11.2%) - (2.3%)	(6.0%) - (1.2%)	5.6%
Gross Profit	134	135 - 148	269 - 282	276
GP margin	23.1%	22.5%	22.7%	20.7%
Underlying EBITDAFX ¹	71	69 - 80	140 - 151	148
Underlying EBITDAFX margin	12.3%	11.5% - 12.2%	11.9% - 12.1%	11.2%
Underlying NPATFX ^{1, 2}	48	46 - 54	94 – 102	97
Underlying NPATFX margin ^{1, 2}	8.2%	7.8% - 8.3%	8.0% - 8.3%	7.3%

Notes:

1. EBITDAFX and NPATFX excludes unrealised currency revaluations relating to non-cash mark-to-market adjustments on Redox’s open forward exchange contracts at period end. These amounts arise as Redox does not qualify for hedge accounting treatment under the terms of AASB 9 Financial Instruments and so is required to include the non-cash gain or loss on open foreign exchange positions at period end within its statutory result. Redox does not consider these amounts to form part of the Group’s “underlying” earnings, and accordingly presents EBITDAFX and NPATFX metrics which exclude the impacts of these balances. There were no such unrealised currency movements forecast within the Group’s FY24 result in the Prospectus as the Directors were of the opinion that it was not possible to reliably estimate the nature of short term currency fluctuations which would occur at around the end of FY24. Pre-tax pro forma adjustments included within both FY24 pro forma EBITDAFX and FY24 pro forma NPATFX are the deduction of \$5.5m of one-off ASX listing costs.

2. Forecast Pro forma NPATFX was not specifically disclosed in the Group’s Prospectus, but is the same as Forecast Pro Forma NPAT, which was disclosed. This is because the Group does not forecast unrealised currency movements at year end (ie the amount included in forecast was \$nil).

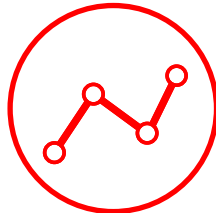
Summary



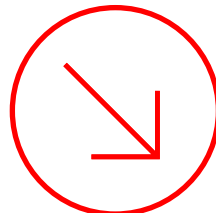
Leading position in APAC and growing North American presence



Highly cash generative business



Strong operating margins and ROIC



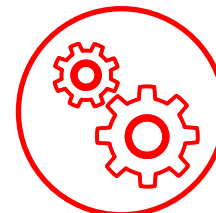
Net working capital has unwound from previous highs



Flexible balance sheet which will be used to fund future growth and a 60-80% dividend payout ratio



Over-achieved versus FY23 and FY24 profit guidance reaffirmed



Continue driving future growth both organically and through strategic acquisitions



Q&A

Raimond Coneliano

CEO and Managing Director

Kim Yap

Chief Financial Officer

Supplementary information

Profit & Loss 1H24

	1H24	Proforma 1H23	Change	Statutory 1H23	Change
	\$m	\$m	\$m	\$m	\$m
Revenue	582	635	-53	635	-53
COGS	-448	-505	58	-505	58
Gross profit	134	130	4	130	4
Operating expenses excluding depreciation	-63	-59	-4	-58	-5
Underlying EBITDAFX	71	71	0	72	-1
Depreciation and amortisation	-4	-4	0	-4	0
Underlying EBITFX	67	67	0	68	-1
Net finance costs	2	-1	3	-6	8
Underlying profit before tax	69	66	3	62	7
Effective tax	-21	-20	-2	-18	-3
Underlying NPATFX	48	47	1	44	4
Unrealised loss on foreign exchange contracts	-8	-10	2	-10	2
Listing cost	-4	0	-4	0	-4
Statutory NPAT	40	40	0	37	3



**Gross Profit increased by \$4m
due to improvement in margin**



**Underlying profit before tax
improved by \$3m due to
outperformance in margin**

Corporate Social Responsibility



Redox aims to be a good corporate citizen embracing positive societal and industry engagement, responsible operation and practical initiatives



Silver Medal for Sustainability received from Ecovadis in 2023

Redox is committed to ethical sourcing, seeks to adhere to the highest ethical standards

Disclaimer



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This Presentation contains summary information about RDX and its activities current as at 31 December 2023. The information in the Presentation is of a general nature and does not purport to be complete or comprise all information which a shareholder or potential investor may require in order to determine whether to deal in RDX shares. It should be read in conjunction with RDX's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

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