



**1,000 PRODUCTS  
ENDLESS POSSIBILITIES**

27 February 2024

## 1H24 Results driven by higher sales volumes and increased margins

Redox Ltd (ASX: RDX, 'Redox' or 'the Company'), a leading supplier and distributor of chemicals, ingredients and raw materials hereby announces its financial results for the half year ended 31 December 2023 (1H24).

### Key 1H24 Financial Highlights:

|                                     |                    |                                     |   |
|-------------------------------------|--------------------|-------------------------------------|---|
| Underlying NPATFX<br>\$47.7 million | GP Margin<br>23.1% | Underlying EBITDAFX margin<br>12.3% | Cashflow from Operation<br>\$80.3 million |
| Free Cash Conversion<br>113.5%      | ROIC<br>18.1%      | Dividend<br>6 cps                   | Acquisitions<br>2                         |

**Commenting on the result, Chief Executive Officer, and Managing Director Raimond Coneliano said:** "The first half of 2024 was challenging with global commodity price deflation and weaker demand impacting sales revenue which fell 8.4% versus PCP. Revenue declines were most evident in the Crop Production & Protection market segment as customers continued to destock but was in part offset by strong revenue growth in the Mining & Explosives segment which benefited from successful product launches in the Lithium and Uranium subsectors."

"With respect to our sales volumes, Redox continued to demonstrate robust growth, particularly in the Animal Health & Nutrition and Plastic, Rubber & Foam segments of the business. Gross Profit Margins were strong at 23.1% in the first half, driven by improvements in our product portfolio mix and by selling a larger proportion of smaller but more profitable transactions."

"Pleasingly, Redox was able to maintain its strategic leadership in its core market of Australia and New Zealand, delivering important gains in share of wallet with some of our larger customers, which was supported by adding exciting new products to our diversified portfolio. The Company also completed two small but strategic acquisitions in the first half of the year, enhancing and growing our diversified product range and distribution capability."

"In the US, a key growth market for Redox, we continued to expand our geographic presence and grow our sales volumes. This was a good result, despite the challenge of price deflation which has impacted revenues."

"Following our successful IPO last July, we have continued to deliver strong cashflow, generating \$80.3 million in cash from operations. As a result of the IPO, our net debt position has been extinguished. Supporting our growth strategy, the strong balance sheet will ensure we have the financial flexibility to execute on growth opportunities as they arise."

"Finally, the Board was pleased to announce a dividend of 6 cents per share for the six months to 31 December. This is our first dividend as a listed company. The dividend represents a payout ratio of 80% of statutory profit and was at the top-end of our full-year target payout range of 60% to 80% of statutory profit."

### Sales and Gross Profit margins

Sales revenue in the first half of FY24 fell 8.4% to \$582 million. Sales were particularly impacted by price deflation and weaker demand due to prevailing economic conditions.

Sales growth in North America continued despite the challenging price and economic conditions. Sales increased 2.6% to \$40 million, driven by new customer wins and by the geographic expansion of business operations. Redox has operations in six cities across North America.

Gross profit margins increased 2.6 percentage points to 23.1% in the first half of FY24, the result of a number of enhancements to our product portfolio mix and the sale of a larger proportion of smaller but more profitable transactions. Gross profit margins remain above their long-term historical average.

## Underlying NPATFX and operating expenses

Underlying NPATFX increased 2.1% to \$48 million while total underlying operating expenses increased \$4 million to \$63 million<sup>1</sup>.

The small increase in the underlying NPATFX was driven by the improved gross profit margin and contribution from interest income during the half.

The increase in operating expenses was evenly spread across distribution and storage expenses which were reflective of increased volumes, increases in freight and warehouse rates, higher insurance costs, annual salary increases and the addition of sales employees to drive growth.

## Cash flow from operations and working capital

Cash flow from operations was strong in the first half FY24, increasing \$44 million to \$80.3 million. This equates to a free cashflow conversion of 113.5%. The improved result in this half was driven by a strong turnaround in the business' working capital net inflow which declined \$82 million to \$337 million. As a result, Redox finished the half with a net cash position of \$95 million, up \$69 million from the first half of FY23.

Net working capital as a percentage of revenue declined 4 percentage points to 29.0% in the first half of FY24. This is in line with this metrics long-term historical average.

## Dividend policy

The Board has declared an interim 2024 dividend of 6 cents per share, representing a payout ratio of 80% of statutory net profit. The Company reaffirms its dividend payout policy of distributing 60%-80% of NPAT. The dividend is to be paid on 20 March 2024.

## Outlook and 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.

Gross Profit margins have continued to demonstrate resilience in the first 7 weeks of 2H FY24, in-line with 1H FY24 levels.

Underlying operating costs in 2H2 FY24 are expected to be similar to 1H1 FY24.

Net interest income is forecast to be higher than the 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 the Company remains well placed to grow in the future, both organically and by acquisition.

|                                       | 1H FY24 | 2H FY24 Estimate | FY24 Guidance   | Prospectus Forecast |
|---------------------------------------|---------|------------------|-----------------|---------------------|
| Revenue                               | 582     | 600-660          | 1,182 – 1,242   | 1,328               |
| 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                   | 71      | 69-80            | 140-151         | 148                 |
| Underlying EBITDAFX Margin            | 12.3%   | 11.5% - 12.2%    | 11.9% - 12.1%   | 11.2%               |
| Underlying NPATFX                     | 48      | 46-54            | 94-102          | 97                  |
| Underlying NPATFX Margin <sup>2</sup> | 8.2%    | 7.8% - 8.3%      | 8.0% - 8.3%     | 7.3%                |

<sup>1</sup> Underlying operating costs are operating costs excluding one-off ASX listing costs vs proforma in the prospectus.

<sup>2</sup> 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

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This announcement is authorised for release by the Board of Redox Limited.

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**About Redox**

Established in 1965, Redox markets a range of more than 1,000 different chemicals, ingredients and raw materials, sourced from leading manufacturers supplied to clients throughout Australia, New Zealand, Malaysia and the United States. Our dedicated team of more than 400 employees operate from 16 locations across the globe, with more than 100 convenient storage locations. A growing business with sales revenue of over \$1.25 billion in the financial year 2023. Redox looks for long term partnerships, where shared values and common goals align for mutual benefit. Our relationships are open, innovative and based on teamwork.

<https://redox.com>

**Forward Looking Statements**

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices, or potential growth of the Company, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.

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“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. 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 (i.e. the amount included in forecast was \$nil).