

1H FY24 Financial Result at top end of guidance range

IPD Group Limited (ASX:IPG, "IPD" or the "Group") is pleased to release the Group's financial results for the half year ended 31 December 2023 ("1H FY24").

1H FY24 Results Highlights

- Record half-year revenues and earnings at the top end of the guidance range
- Revenue of \$120.7 million representing 8.8% growth on pcp
- EBIT of \$14.0 million representing 21.7% growth on pcp
- NPAT of \$9.8 million representing 22.5% growth on pcp
- Fully franked interim dividend of 4.6 cents per share declared
- Strong balance sheet, with \$142.7 million of net assets at period-end (net debt of \$23.7 million as at 31 January 2024)
- Successful completion of the acquisition of EX Engineering Pty Ltd ("EX Engineering")
- Announced acquisition of 100% of CMI Operations Limited ("CMI Operations"), a leading distributor of electrical cables and manufacturer & distributor of plug brands in Australia, from ASX-listed Excelsior Capital Limited (ASX:ECL)
- Raised \$65.0 million of new equity capital in December 2023
- Post financial year-end:
 - Entered into new \$40 million debt facility to partially fund acquisition of CMI Operations
 - Completed acquisition of CMI Operations on 31 January 2024

1H FY24 Results Summary

| \$m | Underlying¹ | | |
|------------------------------------|-------------------------------|----------------|-------------------|
| | 1H FY24 | 1H FY23 | Change (%) |
| Revenue | 120.7 | 110.9 | 8.8% |
| Gross profit | 48.3 | 41.7 | 15.8% |
| EBITDA | 16.5 | 13.4 | 23.1% |
| EBIT | 14.0 | 11.5 | 21.7% |
| NPAT | 9.8 | 8.0 | 22.5% |
| Gross profit margin | 40.0% | 37.6% | 2.4% |
| Operating expenses as % of revenue | 26.7% | 25.6% | 1.1% |
| EBITDA margin | 13.7% | 12.1% | 1.6% |
| EBIT margin | 11.6% | 10.4% | 1.2% |
| NPAT margin | 8.1% | 7.2% | 0.9% |

¹ Underlying EBITDA, EBIT and NPAT from ordinary activities is a non-IFRS measure reported to provide a greater understanding of business performance. Underlying EBITDA and EBIT have been calculated by adding back acquisition-related costs totalling \$362,000. Underlying NPAT from ordinary activities has been calculated by adding back acquisition-related costs after tax totalling \$253,000.

1H FY24 Result Overview

Delivered record half-year revenues and earnings for the half year ended 31 December 2023. Sales revenue of \$120.7 million was up 8.8% on the pcp, while gross profit of \$48.3 million was up 15.8% on the pcp. The acquisition of EX Engineering and growth in daily trade business resulted in stronger gross profit margins for the Group during 1H FY24.

Completed two key strategic acquisitions:

- On 21 July 2023, IPD acquired EX Engineering, a Perth-based business that specialises in the design, stocking, supply, modification, and repair of electrical hazardous area equipment (known as Ex equipment). This work involves a critical focus on safety, including adherence to rigorous certification processes, which results in significant barriers to entry in this segment. Work has commenced on expanding IPD's hazardous area capabilities into to the east coast, with IPD now set up and assembling level one hazardous area equipment. EX engineering continues to track towards earn-out targets for FY24.
- On 28 November 2023, IPD announced it had entered into a conditional agreement to acquire 100% of the issued shares in CMI Operations, a leading distributor of electrical cables and manufacturer & distributor of plug brands in Australia, from ASX-listed Excelsior Capital Limited (ASX:ECL) for total consideration of up to \$101.0 million. This consideration comprised an upfront payment of \$92.1 million, subject to customary working capital and net debt adjustment, and a maximum contingent payment of \$8.9 million. The CMI Operations acquisition was funded through a combination of a fully-underwritten \$65m equity raising and a new \$40m debt facility, and was completed on 31 January 2024. The CMI Operations acquisition extends IPD's product suite, increases supplier diversity, strengthens its overall value proposition with existing customers, and broadens customer reach.

Enhancing its EV infrastructure team by merging Addelec and Gemtek to capitalise on the growing EV infrastructure market. The integration is currently in progress and is due for completion by 1 July 2024, with this integration anticipated to boost operational efficiencies. Post-integration, the merged business is poised to meet the increasing demand for efficient electrical infrastructure within the sustainable energy sector.

Underlying operating expense (excluding acquisition-related costs) as a percentage of revenue increased by 1.1% on the pcp as the Group recognised the full cost base of strategic investments made last year, including:

- the Group's operational expansion into an additional 4,000sqm warehouse facility at Eastern Creek; and
- the full recruitment of specification-focused business development managers across the country.

Acquisition related costs amounted to \$0.4m during 1H FY24, with a majority of the remaining CMI Operations acquisition costs incurred in 2H FY24.

IPD has invested in these strategic initiatives during the period while also delivering a 120 basis point improvement in Underlying EBIT margin to 11.6% (reported EBIT margin 11.3%).

Strong Balance Sheet

As at 31 December 2023, the Group had \$142.7 million of net assets and no borrowings on its balance sheet following the acquisition of EX Engineering and the successful \$65 million capital raise for the acquisition of CMI Operations. Post 31 December 2023, IPD entered into a new \$40 million debt facility to partially fund its 100% acquisition of CMI Operations, which completed on 31 January 2024. As a result of this transaction, Net Debt stood at \$23.7 million as of 31 January 2024.

With the combination of EX Engineering, net working capital increased to \$48.2 million. Inventory increased by \$7.6 million on the prior corresponding period, with over \$2.5 million contributed by EX Engineering. Cashflow conversion was up 11% on the pcp, with operating free cash flow conversion (before interest and tax) at 50% for the half-year ended 31 December 2023. The inventory build during H1 will be used to support the ongoing revenue growth into H2.

Dividend

On 3 October 2023, the Group paid the 2023 financial year-end dividend of 4.7 cents per share, fully franked, resulting in a total payout of \$4.1 million.

On 26 February 2024, the Directors declared a fully franked interim dividend of 4.6 cents per share, payable on 10 April 2024. This equates to a payout of \$4.8 million and a payout ratio of 50% for the half-year ended 31 December 2023.

Outlook

The outlook for our markets remains buoyant. The tailwinds from the electrification of the economy continue to have a positive impact and the Group is expecting a number of significant projects to commence in the second half of the year.

The outlook for the business remains positive.

1H FY24 Results Call

IPD Group Limited's CEO Michael Sainsbury and CFO Jason Boschetti will host an investor webinar at 11:00 am (AEDT) on Monday 26 February 2024.

Webcast URL: <https://webcast.openbriefing.com/ipg-hyr-2024/>

For further information, please visit our website <https://ipdgroup.com.au> or contact us directly at investorrelations@ipd.com.au.

The release has been authorised by the IPD Group Limited Board of Directors.

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About IPD

As a provider of electrical solutions in energy management and automation, IPD is dedicated to enhancing electrical infrastructure. The company focuses on energy efficiency, automation, and secure connectivity, prioritising the safety and wellbeing of people. Committed to innovation, IPD plays a pivotal role in the electrification and decarbonisation of the economy, paving the way for a cleaner, interconnected tomorrow.

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