

AoFrio H1 2024 Results Presentation

August 2024

AoFrio

Kia Ora. Thank you for making time today to join the call. Today we will outline AoFrio's results for the first half of 2024 and the outlook for the remainder of the year.

My name is **Greg Balla**, I am the CEO of AoFrio, and I am looking forward to presenting today.



Safe Harbour

We will be making some forward-looking statements today and as these are predictive in nature, they are subject to a number of risks and uncertainties relating to the Company, its operations and the markets in which it competes. Some things are beyond the control of the Company and actual results and conditions may differ materially from those expressed or implied by such forward-looking statements.

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Greg Balla: Before we get started, please review the safe harbour statement on the screen. I will give you a minute to read the statement.



Greg Balla
CEO AoFrio



John Scott
Chairman AoFrio



Howard Milliner
CFO AoFrio

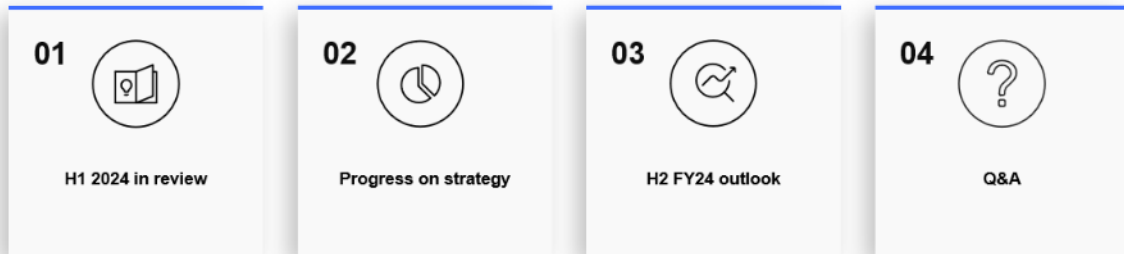


Greg Balla: Presenting with me today will be John Scott Chairman of AoFrio and Howard Milliner CFO of AoFrio.

We will be taking questions at the end of the presentation however you can submit your question anytime by selecting the Q&A tab on the right half of your screen.

Type your question into the field and press send.

Agenda



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Greg Balla: The agenda for today is on the screen. Firstly, we are going to provide context for the results for first half of 2024 , then we will update on the progress we have made against our business strategy. In the final part of the presentation, we will discuss the outlook for the remainder of.

At the end of the session, as discussed, we will have time for questions.

Now I'll hand over to **Howard** to provide some context to the results for the first half of 2024.

H1 2024 Business Commentary

Revenue

- Revenue for H1 2024 was \$38.5m
- 27.4% higher than H1 2023

Operating Expenses

- Operating expenses for H1 2024 were \$10.5m
- Consistent with H1 2023

EBITDA

- EBITDA was \$1.1m in H1 2024
- Up from a \$0.7m loss in H1 2023

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Metric (NZ\$m)	H1 FY24	H1 FY23	Variance
Revenue	38.4	30.1	8.3
IoT	21.8	17.1	4.7
Motors & Fans	16.6	13.0	3.6
Gross Margin %	30.0%	30.3%	(0.3)p
EBITDA	1.1	0.7	1.8
EBIT	(0.3)	(2.1)	1.8
Loss	(1.0)	(2.7)	1.6
Operating cash inflow/(outflow)	2.3	(2.8)	5.1



Howard Milliner: Thanks Greg.

When we updated the market on 23rd April, we reported a 13% lift in Q1 revenue and said that we expected robust revenue growth in Q2. We are pleased to report that this was achieved, and on 22nd July we reported a 41% increase in Q2 revenue compared to Q2-23.

We released our Interim Report earlier today and this includes a full commentary on the six-month period through to June 2024.

Today, I will provide context to the result and recent performance and highlight the more significant trends.

EBITDA for the six months was \$1.1m, a \$1.8m improvement on the loss reported last year for the same period. The improved EBITDA the result of higher revenue delivering increased gross profit dollars. Operating expenses were at a similar level to 2023.

Revenue for the half year was \$38.4m, 27.4% above H1-23. This increase was achieved in the Americas and across the product segments. I will talk more about that shortly.

Gross margin was largely maintained – there has not been much opportunity to lift customer pricing in motors generally, nor for our IoT solutions to the Cold Drinks Equipment market. We are focussed on reducing product cost which we will begin to see as inventory in the supply chain is consumed. In the longer term, we expect a lift in gross margins as we deliver on our growth strategy.

Operating cash flows also improved despite increased working capital demands. We have seen a change in customer mix in the Americas which has resulted in an increase in receivables and inventory. We are seeing more sales to customers with longer payment terms, more products being supplied from in-market warehousing rather than ex-factory and longer shipping times. We have funded this increase in working capital by utilising extended payment terms from our contract manufacturer.

H1 FY24 General Comments

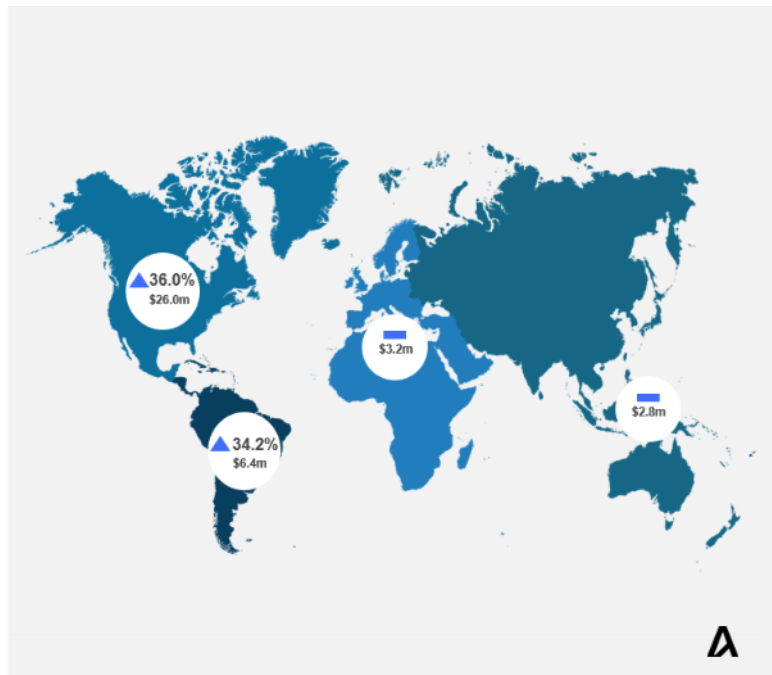
Product performance

- IoT solution revenue was 57% of total revenue and 76% of gross profit.
- Advanced billing of multi-year data insights was \$2.5m for the period (\$2.1m in H1-23)
- Launch of AoFrio IoT in the US market

Regional performance

- North America revenue 36.0% higher than H1 FY23
- South America recorded 34.2% year-on-year revenue growth
- EMEA and APAC revenue for the period was consistent with H1 FY23
- IoT solutions order to one of the biggest Coca-Cola bottlers in Brazil

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Howard Milliner: Looking at product performance, 57% of this revenue came from IoT solutions – hardware and software. The share of gross profit was 76%.

We currently sell our IoT solution to customers under a capex model which customers demand. This means that we are paid upfront for our data insights platform. In the six months we invoiced \$2.5m and recognised through the income statement \$1.3m of SaaS revenue. At 30 June, there was \$14.1m of SaaS revenue on the balance sheet to recognise over future periods.

We have been unsuccessful in IoT in past years in the US and Europe because those markets require a cellular connected solution and we didn't have this product. We do now. We launched our solution into the market in H1 as a bundled offer (our SCS controller, a network device that is cellular connected, a 5-year platform fee and cellular data plan). This has been a successful strategy and generated revenue of \$0.5 million in H1-24. There is significant potential to grow this further.

Now looking at regional performance, there was strong revenue growth in the Americas, in part because 2023 was impacted by higher inventories carried over from 2022.

- North American year-on-year growth was 36.0%
- South America was 34.2%
- EMEA and APAC revenue for the period was consistent with H1 FY23. We have recently recruited additional staff in these regions to progress our growth strategy.

There were significant market share wins during the period:

- ECR®2 motors launching in the USA – AoFrio has been working with its USA distributor to secure ECR2 motor demand from a major USA manufacturer of hot water heaters. First

orders were received in May 2024 and revenue in H1 FY24 was \$0.6 million. Again, with significant potential.

- IoT in Brazil – AoFrio won volume from a local competitor during the first half of the year, including providing IoT solutions to one of the biggest Coca-Cola bottlers in the country.

H1 2024 in review – Financials

Revenue Revenue increased 27.4% y-o-y to \$38.4 million	Gross margin Gross margin down 0.3 pp y-o-y to 30.0%
EBITDA EBITDA up \$1.8m y-o-y to \$1.1 million	Cash Flow Operating cashflow improved \$5.1m y-o-y to \$2.3 million

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Howard Millner: To summarise then, we are pleased with the H1-24 performance and look forward to continuing this into H2. We will comment on guidance later in this presentation.

Back to you Greg.

Progress on Strategy

AoFrio has two strategic growth objectives:

- Protecting and growing the core business in the Cold Drink Equipment (CDE) market
- Diversifying into new market segments

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Greg Balla: Thankyou Howard.

Overall, we are focused on delivering valuable solutions that support customers' intense drive to become more sustainable and efficient in the food and beverage industry.

We have two strategies to drive growth:

- Protecting and growing our core business, the Cold Drink Equipment (CDE) business
- Diversifying into new market segments.

I am now going to spend some time discussing the initiatives we have been progressing for each of these strategies.

Protect and grow in our core market:

Cold Drink Equipment

- Entering USA and Europe with new IoT solution
- Refrigeration Energy Management Solution: AoFrio@ INSIDE™
- Remote Fleet Management powered by advanced analytics and workflow technology: AoFrio iQ™
- Growing AoFrio's Data Ecosystem
- Motor range expansion

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Greg Balla: Our core market today is the Cold Drink Equipment market. This market includes customers like Coca-Cola, PepsiCo, AB InBev, and Heineken which have large fleets of commercial refrigerators.

The key customer problems, our hardware-enabled SaaS solutions help solve are:

- Asset location
- Asset utilisation
- Energy management
- Predictive maintenance

We continue to be positive about this market and the opportunities for growth. We are targeting 20% growth year on year.

We have five key initiatives that will allow us to achieve this target:

The first initiative is entering the USA and European markets with our IoT solution.

Our IoT solution has been very successful in South and Central America and Australia. However, we needed a different solution for the US and European markets which we launched early this year. We have many trials underway, and as we have communicated, we have won our first group of customers in the US. There are over 50 Coca-Cola bottlers and many others for the other brands in the US alone and we have to sell bottler by bottler.

While we expect to receive further orders this year, the trial work predominately positions us for the FY25 customer capital purchase cycle.

We have invested in additional Sales resource for the European region to build an opportunity pipeline and support solution implementation.

The Total Addressable Market for our IoT solution for the US and European market is approximately \$75M.

The second initiative is launching our Energy Management Solution: Aofrio Inside

Our customers have quoted that up to 35% of their carbon footprint comes from their refrigeration fleets and they have targets to reduce this by up to 50% over the next few years.

This month, we are launching a new solution to the market that combines our high-quality hardware with our software. It provides real-time energy usage analytics and reduces energy consumption by up to 54% from a standard cooler.

The third initiative is Remote Fleet Management

As part of the launch of our energy management solution, AoFrio Inside, we are releasing new functionality in our software platform. This new functionality will allow our customers to manage their fleets, or an individual cooler, remotely. The solution allows customers to upload new parameters e.g a temperature profile, to their coolers or initiate a maintenance workflow request without visiting the coolers.

For customers with our latest technology our machine learning and artificial intelligence solution allows maintenance actions to be taken automatically without a person intervening i.e algorithms will detect that a cooler needs defrosting and then initiate a defrost cycle and report on the improved performance saving energy and expensive visits to the cooler.

The fourth initiative is expanding AoFrio's data ecosystem

Today we connect more than 2.7 million coolers worldwide, we gather data from them, and this extensive database enables us to provide customers with significant insights to optimize their fleet performance. This asset is unparalleled in the industry and allows AoFrio's to develop valuable Machine Learning algorithms to customers.

Our customers, Bottlers, want to be able to manage their complete fleet through one software platform. To allow this to happen we have commenced integrating third party controllers' data into our platform. This expands the data we have available to provide actionable insights to our customers. We now have one of the largest Bottlers in South America using this solution.

The last initiative is expanding our Motor range.

ECR® 2 26W motor is set for launch in Q3 2024. It has been developed to meet the demand for a more powerful motor in supermarket or large cooler applications. Several customer trials are currently being conducted. AoFrio is in the final stages of obtaining compliance and certification for each geography and has already received its first order from China.

Diversifying into new market segments

- Two proof-of-concept initiatives have been completed for the Food retail market
- Commercial discussion in progress for a rollout for a supermarket in Argentina
- Official launch of AoFrio Food Service/Retail solution in Q4 FY24
- Two large commercial proposals (in NZ and the USA) are underway

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Greg Balla: We believe there is significant opportunity to diversify the market segments we operate in to closely aligned segments. One of the first segments we have been investigating is the Food Service/ Retail market. The Total Addressable Market for Food Service/Retail segment is estimated at \$17 billion

In H1 FY24, we had two proof of concept (POC) initiatives running in the Food Retail market; these ran from Q4 FY23 to the end of Q2 FY24. The proof of concepts allowed us to test our products and optimize or develop them to meet customers' requirements.

Both POCs were successful in terms of assisting solution development, and one of these, a supermarket chain in Argentina, has progressed to commercial discussion. These discussions are ongoing and are expected to be completed in Q3 FY24.

The main customer benefit of this solution is improved management of food safety compliance. (monitoring, alerting and workflow).

Ahead of the official launch of our initial Food Retail solution, targeted for Q4 FY24, we are working on two additional large commercial proposals – one in NZ and one in the USA.

Looking forward

- AoFrio is maintaining its FY 2024 guidance
- Revenue in FY24 is expected in the range \$70m to \$80m
- Full year EBITDA around \$2.5m
- Strong sales pipeline
- Investing to grow while managing cost and cash. We are not asking for capital. This is constraining growth through diversification.

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John Scott: Thanks Greg & Howard

Off the back of a strong first half performance, we are maintaining our 2024 guidance as always normal risks apply however revenue in FY24 is expected in the range \$70m to \$80m, a 13% increase at the midpoint of the range compared to FY23. AoFrio's EBITDA guidance for FY24 is targeting around \$2.5m noting that we are investing to grow.

We have a strong pipeline of opportunities, including several large opportunities, that if they eventuate, they will push us towards the top end of guidance.

To fund growth, mainly investment in new product development and sales resources, we plan to use internally generated cashflow. We are continuing to balance investment in these growth strategies while tightly managing cost to manage cash flow and working capital requirements.

We remain focused on delivering sustainable growth and shareholder value by utilising the existing capital and resources available to the business.

The Board, Greg and I would like to thank the team for the great first half result and the continued focus on delivering our strategy.



Questions on business update

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Greg Balla: John, Howard, and I will take questions now. You can submit a question by selecting the Q&A tab on the right half of your screen anytime. Type your question into the field and press send.



Meeting closed Thank you.

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Greg Balla: If there are any other questions on the matters discussed today this is your final opportunity to ask questions in the meeting.

Thank you for your questions and for attending our meeting today.

We are looking forward to seeing you next year.

[END OF MEETING]