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ASX RELEASE

H1 Result Impacted by Customer Destocking as Anticipated. Returning to Normal Revenue Growth Rates in H2 to Deliver 13th Full Year of Consecutive Growth.

Summary

- As anticipated, industry destocking impacted Trajan's Components and Consumables revenue in H1.
- Half-year Total Net Revenue of $76.4M, down 4.6% on PCP ($80.1M).
    - In late Q2 Components and Consumables order demand commenced returning to normal levels. Total order book value of $21.9M at December 31 of which more than $4.0M was in backlog consumables orders.
- Period of lower Components and Consumables manufacturing activity utilised to bring forward cost savings from restructuring, Project Neptune, and acquisition synergies with benefits to be realised in H2.
- Global headcount reduced by 40 FTE in November with annualised savings of $3.5M (excluding restructuring cost); Net 72 FTE reduction across the business in CY 2023.
- Normalised EBITDA[1] of the Core Business was $6.9M (PCP $11.1M).
- Proforma Gross Margin 39.7% (PCP 40.7%).
- Operating NPATA[2] was $1.3M (PCP $3.6M).
- Net Debt decreased by $0.9M from June 2023.
- $11.2M Cash at December 31, 2023 ($11.0M June 30, 2023).
- Integration of acquired businesses continues with focus on revenue growth and cost synergy benefits.

Outlook

- H2 Net Revenue expected to approach $90.0M, supported by the H1 closing order book, representing double digit growth on PCP.
- Revenue returning to historical growth rates combined with resized cost base to underpin Core EBITDA % expansion into the high teens, setting the foundations for FY25.
- Full impact of industry destocking in H1 has resulted in full year re-forecast to $163.0M-$167.0M Net Revenue and $22.3M-$23.7M Core nEBITDA.
- No change in the Company's market or customer position. Underlying market demand growth is in line with historical trends.

[1] Statutory EBITA of $3.4M adjusted for restructuring, non-recurring strategic investment and acquisition costs, Project Neptune, and acceleration of non-recuring product commercialisation.

[2] NPAT + normalised items + amortisation of identifiable intangible assets.

27th February 2024 – Global analytical science and device company Trajan Group Holdings Limited (**ASX: TRJ**) (**Trajan** or **the Company**) today reported its Half Year Results for the 2024 financial year (H1 FY24).

The Company reported Net Revenue of $76.4M, which was down on the previous corresponding period (PCP) by 4.6% (11.3% on a constant currency), primarily due to the previously reported industry wide destocking activity by Trajan's major Consumables and Components customers. The destocking activity occurred predominantly in Q1 and was largely complete by late Q2 with a return to normal growth trends. The closing order book at 31st December was healthy at $21.9M, comprising Components and Consumables $12.1M, Capital Equipment $8.7M, and Disruptive Technologies $1.1M. More than $4.0M is backlog orders due to the late Q2 demand uplift.

Proforma Gross Margin in H1 was 39.7% (PCP 40.7%) and was influenced by the softer Components and Consumables sales volumes against relatively fixed manufacturing costs. The company expects Proforma Gross Margin to trend back towards its expansion target and be above 44.0% in H2 and closer to 42.0% for the Full Year. The Company continued to advance Project Neptune initiatives as well as implement restructuring activities in November resulting in the reduction of FTE employees by 40.0 with an annualised cost saving of $3.5M. Restructuring payments, relating to the FTE reduction of $1.2M, were recorded in H1. This brings the total headcount reduction to 72.4 FTE in the last 12 months.

Restructured staffing levels are sustainable as part of Project Neptune and were originally planned for later in the financial year.

Normalised EBITDA of the Core Business[3] of $6.9M, down 38.0% from PCP, was impacted by industry destocking. EBITDA adjustments were for non-recurring items including redundancies, strategic investment and acquisition costs, and revaluation of forward exchange hedge book. The Company no longer normalises for other commercialisation costs. Statutory Core EBITDA was $6.3M.

Operating NPATA was $1.3M (PCP $3.6M) with normalisations applied for restructuring costs of $1.2M, amortisation of acquisition goodwill of $1.5M, Project Neptune, foreign exchange revaluation, and acquisition costs.

Since full year reporting at 30 June 2023, the Company's cash position improved to $11.2M at December 31, up by $0.2M. In line with previously mentioned working capital reduction initiatives, inventory levels were reduced by $4.1M to $27.8M. Net Debt was reduced by $0.9M. Receivables were reduced by $3.9M and were marginally offset by cash outflows in payables of $2.1M over the same period.

Commenting on the result Trajan Founder, CEO and Managing Director Mr. Stephen Tomisich said: "Last August we forecast only single digit growth for FY24 knowing that the first half would be strongly impacted by industry destocking. Based on our industry-wide visibility to end user demand, we are expecting Trajan's second half forecast to revert to double digit growth."

"Importantly we were able to use this period to accelerate the benefits of Project Neptune and anticipated savings from synergies from our acquisitions to lower our cost base ahead of schedule. The extent to which we are able to catch up in H2 will largely rely on our ability to execute operationally."

[3] Trajan Core - Components & Consumables, Capital Equipment and Corporate Services.

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"Given the extent of industry destocking, the recovery to normal ordering levels occurred later than we anticipated in Q2, albeit with conviction. As a result, we are now expecting to achieve full year results of Net Revenue between $163.0M-$167.0M and $22.3M-$23.7M for Core nEBITDA."

"With order demand returning to normal, we are expecting positive momentum in the second half to achieve our 13th year of annual revenue growth, establishing the right velocity going into FY25."

Key Financial Details	H1FY24 (M)	H1FY23 (M)	VARIANCE (%) PCP
Net Revenue - Components and Consumables	46.6	50.0	(6.8%)
Net Revenue - Capital Equipment	27.6	27.1	1.8%
Net Revenue - Disruptive Technologies	2.2	3.0	(26.7%)
GP margin (1) - Components and Consumables	39.6%	41.6%	-
GP margin (1) - Capital Equipment	39.8%	39.1%	-
GP margin (1) - Disruptive Technologies	39.1%	40.9%	-
nEBITDA (2)	4.0	8.9	(55.1%)
Statutory NPAT	(0.4)	3.2	(112.5%)
Operating NPATA (3)	1.3	3.6	(63.9%)
Earnings per share	(0.0025)	0.021	-

(1) Gross profit excludes depreciation on assets and right of use assets, and interest expense
(2) Normalised EBITDA (nEBITDA) is Statutory EBITDA excluding restructuring costs, acquisition costs, Project Neptune related costs, and impact on FEC revaluation.
(3) Operating Net Profit After Tax plus Amortisation (NPATA) is Statutory NPAT excluding restructuring costs, acquisition costs, Project Neptune related costs, impact on FEC revaluation, and amortisation of acquired intangible assets.

Segment Reporting

Trajan has historically reported under two segments: Analytical Products and Life Sciences Solutions. Given the Company's diversification through acquisitions, Management has introduced an evolved segment reporting structure to promote transparent reporting, and to reflect the Company's expanded product and customer mix.

Trajan now separates its Core business into the following segments:

- Components and Consumables – includes all parts, supplies, components, and consumable products across the Group.
- Capital Equipment – includes all robotic workflow automation systems, online and laboratory instruments.

Trajan reports separately activities related to Disruptive Technologies (considered to be non-Core). These include products and services related to microsampling, (devices, services, and other related investments) and miniaturised, portable instrumentation (E.g Hummingbird).

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Core Business Performance

Trajan's Core Business generated Net Revenues of $74.2M (PCP $77.1M), Proforma Gross Margin of 39.7% (PCP 40.7%), and nEBITDA of $6.9M (PCP $11.1M).

Components and Consumables segment was substantially impacted by the industry destocking activity recording Net Revenue of $46.6M (PCP $50.0M), Proforma Gross Margin of 39.6% (PCP 41.6%), and nEBITDA of $14.7M (PCP $15.6M).

Capital Equipment segment performed similarly to H1 FY23 with Net Revenue of $27.6M (PCP $27.1M), Proforma Gross Margin of 39.8% (PCP 39.1%), and nEBITDA of $4.8M (PCP $5.3M).

Trajan is currently delivering ahead of the three-year Project Neptune plan, to deliver $2.7M in annual cost benefits, and is on track to deliver more than $3.0M in annualised benefits by the end FY24. The Company will commence Project Neptune Phase 2 in FY25 to drive further operational efficiencies.

Operationally, in Louisville automated production has commenced of OEM products previously produced with manual labour in the Melbourne facility.

CRS products are increasingly leveraging the traditional Trajan pathways to market through OEM and distribution channels, as well as utilising CRS capabilities in Trajan's supply chain, highlighting the ongoing acquisition synergies.

The combination of Axel Semrau and LEAP Technologies legacy automation businesses are operating at a global level within Trajan Workflow Solutions, resulting in cross fertilisation in product and customer knowledge. Examples include multiple automated demonstrator workflow systems now being deployed at OEM facilities, OEMs placing equipment in Trajan facilities to enable integration, and the consolidation of LPP and LEAP Technologies into a single site in Raleigh, North Carolina.

Disruptive Technologies Performance
Disruptive Technologies segment Net Revenue was $2.2M (PCP $3.0M), Gross Margin of 39.1% (PCP 40.9%), and nEBITDA was ($2.9M) (PCP ($2.3M)).

The Company is realigning its investment in Disruptive Technologies in H2 to be compatible with the rate of market and customer adoption.

The commercialisation of Trajan's Hummingbird product continues to advance with an industrial design team involved in progressing the design for commercial release. Hummingbird is being used with US pharmaceutical and Australian companies to measure analytes including PFAS levels in environmental samples at major airports and other sites. This month the Company was notified that the United States Patent and Trademark Office is granting a patent covering Hummingbird's unique miniaturised and configurable architecture. Trajan is also seeking patent protection in other key markets.

Whilst microsampling sales had slowed since the COVID peak in FY20, the increase in non-covid related sales and applications are now contributing more significantly, growing at a Compound Annual Growth Rate of 21%. COVID-related product sales are expected to represent approximately 1% of total microsampling Net Revenue in FY24.

Trajan believes its Disruptive Technologies portfolio is of high value and will ultimately translate into meaningful and profitable levels of commercialisation to support medium-to-long term growth.

Outlook: FY24 FY Result Revised

Despite the positive trends going into H2, the industry-wide destocking activities has resulted in the Company expecting the full year results to fall short of initial guidance. Trajan has revised full year guidance to $163.0M-$167.0M Net Revenue and $22.3M-$23.7M Core nEBITDA.

With H2 commencing with the return to normal growth demand levels and a significant order backlog, the H2 organic growth rate is expected to return to double digit growth once more, with the execution of production activities to play a key role in achieving an improved full year result.

The Company is maintaining its target to expand EBITDA Margin to 20%.

Investor conference call

Investors are invited to join a live webcast and Q&A hosted by Trajan CEO and Managing Director, Stephen Tomisich and Chief Financial Officer Alister Hodges, on **Tuesday 27 February 2024 at 9:15am Australian Eastern Daylight Time (AEDT)**. Investors are invited to submit questions beforehand via the webinar registration page.

To register for the webcast, please follow this link:
https://trajanscimed.zoom.us/webinar/96761999287

Authorised for ASX release by the Board of Trajan Group Holdings Limited.

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About Trajan

Trajan is a global developer and manufacturer of analytical and life sciences products and devices founded to enable science that benefits people by enriching personal health through scientific tools and solutions. These products and solutions are used in the analysis of biological, food, and environmental samples. Trajan has a portfolio and pipeline of new technologies which support the move towards decentralised, personalised data-based healthcare.

Trajan is a global organisation of more than 600 people, with seven manufacturing sites across the US, Australia, Europe and Malaysia, and operations in Australia, the US, Asia, and Europe.