



1,000 PRODUCTS
ENDLESS POSSIBILITIES

22 August 2024

Redox reports strong margins in FY24

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 year ended 30 June 2024 (FY24).

Key FY24 Financial Highlights:

Underlying NPATFX \$94.8 million	GP Margin 23.4%	Underlying EBITDAFX margin 12.2%	Cashflow from Operations \$115.9 million
Earnings per share growth 11.8%	ROIC 19.1%	Final Dividend 6.5 cps	Net working capital 30.8%

Raimond Coneliano, Chief Executive Officer and Managing Director adds his commentary:

Despite the geopolitical and macroeconomic headwinds that impacted the industry in FY24, Redox was able to achieve volume growth in line with historical average and successfully improve gross profit margins.

Industry wide trends of price discovery continued throughout the period as global prices of chemicals and ingredients continued to normalise post the COVID supply chain crunch.

Customer demand was unevenly distributed depending on niche industry segment developments. Some industry sectors such as Crop Production experienced destocking, geopolitical uncertainty affected trade flows and shipping alongside ongoing weakness in the general economy, reflected in subdued customer demand. As a result of these factors sales revenue fell 9.6% versus the strong FY23.

We have continued to invest in our sales team which has expanded to 181 representatives. We have sought out new business opportunities, increasing our active customer list by 20% in North America. Our product portfolio expanded in FY24 as we consolidated exciting new products from our acquired businesses alongside new product launches successfully expanding our product offering by over 71 active product groups. Our unique, in-house developed CRM Redebiz continues to facilitate growth with more than 30,500 new sales opportunities being tracked, representing growth of 9.4% in unique customer/product combinations added to our impressive pipeline.

Volume growth was evident in most sectors despite softer trading conditions and a volatile pricing environment. Animal Health & Nutrition benefited from supplemental feeding opportunities due to dry weather conditions, particularly in the first half of the year, while Crop Production & Protection volumes rose as the sales environment improved and fertiliser prices stabilised. Plastic, Rubber & Foam volumes continued to perform well, boosted by the integration of the Element Raw Materials business and the onboarding of new suppliers and customers while Water Care volumes and revenue increased on the back of upgraded technical support.

While operating conditions remain challenging, Redox has maintained a focus on continuing to deliver value, evidenced by stronger margins which ended the year at 23.4%, well above their historical average.

The US market continued to demonstrate strong growth in FY24. We expanded our product range, won new customers and increased our presence. As a result, our sales volumes grew strongly with a 36% increase in the number of invoiced sales to customers. We anticipate that a new entity will be incorporated in Canada, and we will have 'boots on the ground' in Arizona and Ohio by the end of calendar 2024.

We continued to deliver strong operational cashflow in FY24, generating \$116 million. As at 30 June we maintained a net cash position of \$177 million and remained debt free. Post balance date we acquired Oleum, a leading Australian distributor of specialty surfactants. Our strong balance sheet will continue to ensure we have the financial flexibility to execute on growth opportunities as they arise.

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Two acquisitions were completed during the year and with the purchase of Oleum after year end we have delivered on our acquisition strategy, adding products, customers, suppliers, expertise and capabilities to Redox, which will help generate and drive future growth.

Sales and Gross Profit margins

Sales revenue in FY24 eased 9.6% to \$1,137 billion. Price deflation remained the dominant driver of this decline while weaker demand due to prevailing economic conditions also impacted revenues.

Despite similar headwinds experienced by the US business, sales growth in that market increased 2.6% to \$78 million. This performance was driven by new customer wins and progressive expansion of business operations. Redox now has representation in six cities across North America and expects this to expand further in calendar 2024.

Gross profit margins increased 2.6 percentage points to 23.4% in FY24, offsetting the sales decline. The improvement in the gross profit margin was driven by a range of product enhancements, a business focus on the sale of a larger proportion of smaller but more profitable transactions and diligent margin control. Due to the stabilisation of global chemical prices and an increase in commodity sales, margins eased through the second half of FY24, albeit remaining at levels above their historical average.

Underlying NPATFX and operating expenses

Underlying NPATFX increased 11.4% to \$95 million while total underlying operating expenses increased \$8 million to \$135 million. Earnings per share, normalised for the number of shares at listing, increased 11.8% in FY24.

The increase in the underlying NPATFX was driven by the improved gross profit margin and a positive contribution from interest income resulting from a higher cash balance in FY24.

The increase in operating expenses in FY24 reflected increased volumes and warehouse rates, higher freight costs driven by geopolitical events, higher insurance costs, annual salary increases, and the addition of extra sales employees focused on driving growth. They were in part offset by lower bonus payments during the year. This result demonstrates Redox strong commitment to managing costs tightly in an uncertain operating environment.

Cash flow from operations and working capital

Cash flow from operations fell \$19 million to \$116 million, resulting in a free cashflow conversion rate of 87.6% in FY24. This reflected the turnaround in the business' working capital from FY23 which fell \$18 million. Redox finished FY24 with a net cash position of \$177 million.

Net working capital as a percentage of revenue increased 1.5 percentage points to 30.8% in FY24, in line with its long-term historical average.

Dividend policy

The Board has declared a final FY24 dividend of 6.5 cents per share, payable on 20 September 2024, taking the full-year FY24 dividend to 12.5 cents. This represents a payout ratio of 73% of statutory net profit, in line with our policy of distributing 60%-80% of NPAT.

Outlook

During FY25 Redox will continue to expand our geographic footprint in North America, bolster our product portfolio, increase our share of wallet and grow our client base.

We remain focused on driving organic revenue growth and anticipate strong volume growth at or above historical average in FY25. We continue to review strategic M&A opportunities which will contribute to positive momentum.

Due to uncertain geopolitical and macroeconomic conditions the company has chosen not to give specific guidance currently, however the company believes that price deflation and destocking to be largely complete.

Gross Profit Margins are expected to ease towards the longer-term average in the medium term because of expected expansion in the US and commodity sales volume increase.

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.

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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 \$1.13 billion in the financial year 2024. 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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