



ASX RELEASE

14 September 2020

Investor Presentation

Carbonxt Group Limited (ASX:CG1) (Carbonxt or the Company), announces a copy of an investor presentation for Canaccord Genuity (Australia) Limited.

A copy of the presentation is attached to this announcement.

This announcement has been authorised for release to ASX by the Board of Directors of Carbonxt Group Limited.

ENDS



Canaccord Genuity Investor
Presentation
September 2020



P O W E R P L A N T

- 1 US developer, producer, and manufacturer of proprietary powdered and pelletised Activated Carbons for use in industrial pollution and emission control
- 2 Grew revenue from \$3.8m in FY17 to \$15.8m in FY20 – customers are typically large and sticky (3 – 5 year contract duration)
- 3 Excess manufacturing capacity to service expected revenue growth – increased plant utilisation and efficiency will drive further margin expansion
- 4 Anticipated FY20 growth was delayed due to contract delays and COVID-19 impact. Growth is picking back up.
- 5 40%+ revenue growth expected in FY21 – driven by: recent new contract wins; customer activities returning to normal; new Pellet product release in Q2FY21
- 6 Significant margin expansion expected in FY21 – driven by: increased plant utilisation; reduced reliance on third-party suppliers, and in-house manufacturing
- 7 Continuing transition from customer acquisition and establishment in new markets – becoming a recognised, profitable, and high growth player in US industry experiencing strong tail winds



Carbonxt produces patented, non-brominated, Activated Carbons used to eliminate mercury and other toxic pollutants from industrial flue gas and wastewater streams.

Our US-based manufacturing plants produce both powdered and pelletised products which are used by customers predominantly operating coal-fired power stations, cement plants, and other industrial processes.

Industry leading R&D capability enables us to be a solutions-based company, developing customised products for specific industrial needs.



COMPANY SUMMARY

| | |
|-------------------------|---------|
| Share Price (\$)¹ | \$0.17 |
| Shares on Issue (m) | 120.69 |
| Market Cap. (\$m)¹ | \$20.52 |
| Cash (\$m) (8 July 20) | \$2.40 |
| Debt (\$m) (31 Dec 19) | \$4.36 |
| Enterprise Value (\$m)¹ | \$22.56 |
| Options/Warrants (m) | 16.04 |

1. As at 11 September, 2020



BOARD OF DIRECTORS

| Name | Position | Shares (m) |
|------------------|----------|------------|
| Matthew Driscoll | Chairman | 0.66 |
| Warren Murphy¹ | MD | 0.41 |
| David Mazyck² | Director | 0.43 |

1. Warren Murphy holds 1,500,000 options exercisable at \$0.50
2. David Mazyck holds 1,000,000 options exercisable at \$0.50



SHARE REGISTER

| | |
|-----------------------------|--------|
| Pie Funds Management | 10.40% |
| Washington H Soul Pattinson | 4.47% |
| Beville Investments | 4.32% |
| L A Andrews Investments | 3.85% |



PRICE CHART



- Carbonxt develops, manufactures, and markets specialised Activated Carbon (“AC”) products
- Unique capability in market to develop products tailored to a particular customer or individual requirements
 - Key differentiator from commoditised competitor products
 - Allows realisation of premium pricing due to superior capability
- Our products are single-use consumables, creating reoccurring revenue with contracts typically several years in duration
- Unlike industry peers, our products are non-brominated, which means they do not corrode capital equipment



POWDERED ACTIVATED CARBON

- Powdered Activated Carbon (“PAC”) products are used by coal-fired power plants to achieve emissions compliance – injected into a plant’s flue gas to adsorb mercury emissions
- Generated FY20 revenue of A\$6.5m (\$9.0m vs FY19) on sales of 3,649t to 8 customers (avg price of A\$1,668/t)
- Realised improving economics of scale and manufacturing efficiencies during FY19, and expect future gross margins to increase to in the range of 28% - 38%



PELLETISED ACTIVATED CARBON

- Only manufacturer of pelletised Activated Carbon in the US
- Our Activated Carbon Pellet (“ACP”) products have a wide range of industrial applications in removal of pollutants, particularly in wastewater and other fluids
 - Mostly competes against imported products (typically from China) which suffer from supply side challenges and tariffs
- Generated FY20 revenue of A\$9.3m on sales to 6 customers
- Started producing ACP products from our own facilities during FY19, and expect future gross margins in the range of 30% - 40%

- Foundation of our business
- Developed revolutionary proprietary Powdered Activated Carbon (PAC) for capture of mercury
 - Mercury capturing PAC that doesn't contain bromine
 - Doesn't corrode capital equipment
- Long sales lead time and competitive market
- Once obtained, customers are typically large (utilities) and sticky, long term contracts (typically 3 – 5 years in duration)
- Carbonxt manufacturing facility in Black Birch (Georgia, USA)
 - 10,000 t p.a. capacity
 - Currently around 50% utilisation (8 – 10 customers)
- Will continue to add new customers or additional business from existing customers
 - Sales lead times expected to shorten as we move into scale and profitability



Our Activated Carbon Pellet business – key features

- Developed proprietary Activated Carbon Pellet (ACP) technology
- Carbonxt is the only North American manufacturer of Pellet (ACP) products, in a fast growing and largely underpenetrated market
- Entered US market in FY18 – achieved \$9m+ revenue in first full year of sales and again in FY20 despite our largest customer being affected by COVID-19.
 - Inbound enquiries continue to increase as awareness of our Pellet capabilities grows
- Manufacturing facility in Arden Hills (Minnesota)
 - 7,000t p.a. capacity
 - Currently 70% utilisation
 - As volumes increase, we expect to expand production capacity at our Arden Hills manufacturing facility by 1,500t - 2,000t p.a. (expected expansion costs of ~A\$2m)
- Opportunities for Pellet use are increasing across a range of industrial applications
- The development of new solutions continues to expand our addressable market into industries not previously serviced by Carbonxt; strong and immediate growth opportunities
 - Multiple applications
 - Multiple industries
 - Multiple potential customers

TARGET INDUSTRIES



BENEFITS



- Shorter sales cycle
- Customers are typically large and sticky - long term contracts
- Higher margin opportunity longer term
- Broadens and diversifies the customer base across multiple industries
- Significantly increases the company's addressable market

CARBONXT'S NEW PELLET PRODUCT

- Carbonxt will soon commercialise an new Pellet (ACP) product aimed at removing phosphate from liquid streams
 - Leveraged existing patent-pending Pellet formulation to develop a range of novel Pellet solutions
 - New Pellet product has a competitive advantage: compact vessel design that is scalable, has better aesthetics, and is easier to use
- Carbonxt is in early stage discussions with potential customers to advance the commercialisation of its new Pellet product
 - Have sold to one wastewater utility in Florida already
 - Three further commercial tests with municipalities will occur shortly
 - Expect that grant opportunities will accelerate commercialisation

PHOSPHATE AND NUTRIENT CONTAMINATION MARKET

- Phosphate (and nutrient contaminants in general) are receiving significant attention across the US due to their negative economic impacts on industry, tourism, and local communities
 - Florida passed a bill in March 2020 (SB12) aimed at curbing nutrient runoff into waterways and groundwater
- Carbonxt is at the forefront of this growing phosphate and nutrient contamination market:
 - Market includes wastewater treatment, agriculture, hotel, and beverage production industries
 - Competitive environment includes biological solutions

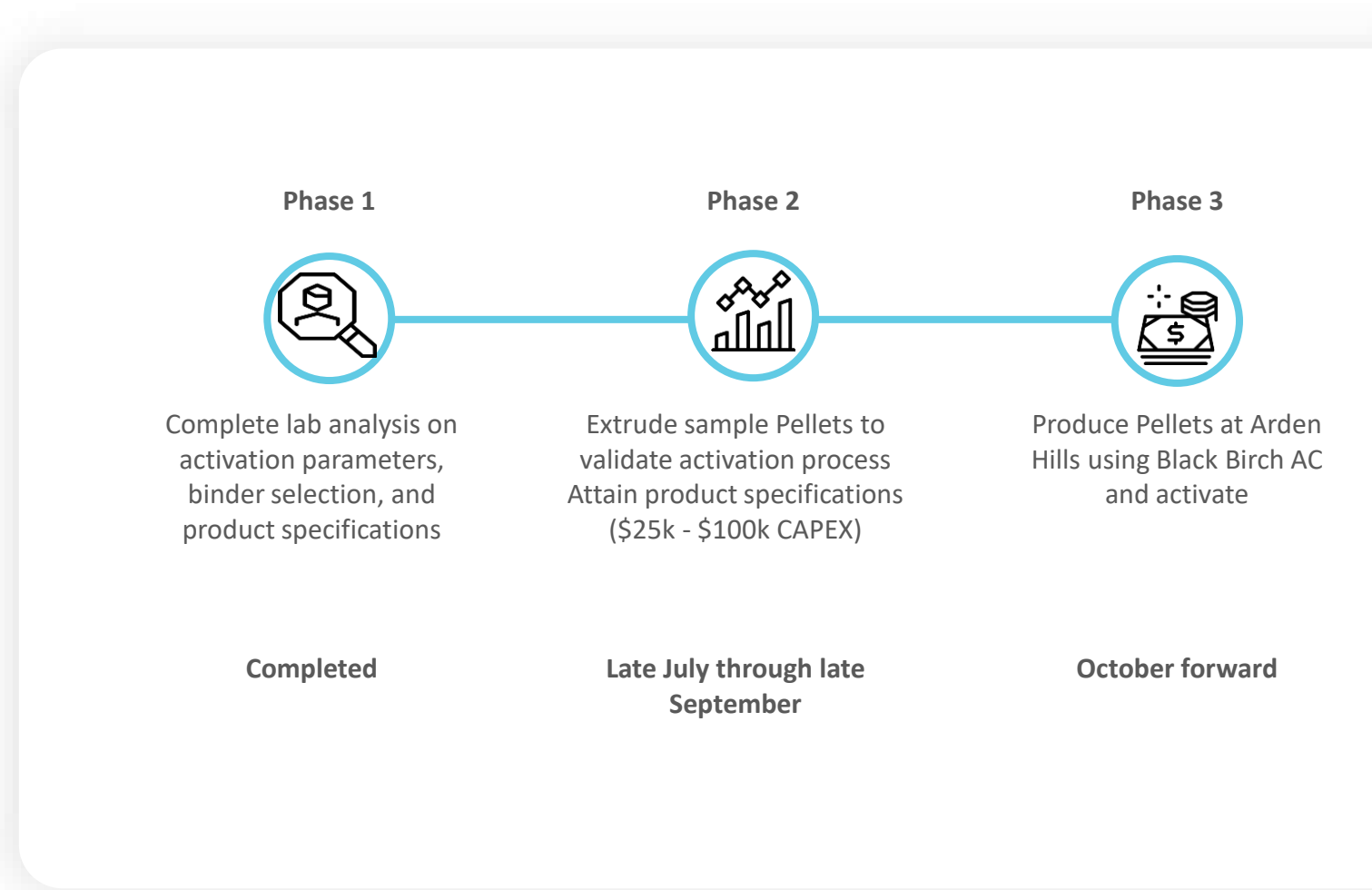
According to the EPA...

“Nutrient pollution is one of America's most widespread, costly and challenging environmental problems, and is caused by excess nitrogen and phosphorus in the air and water”.

“When too much nitrogen and phosphorus enter the environment - usually from a wide range of human activities - the air and water can become polluted. Nutrient pollution has impacted many streams, rivers, lakes, bays and coastal waters for the past several decades, resulting in serious environmental and human health issues, and impacting the economy”.



- Development of Kiln-Activated Pellets (“KAP”) has been accelerated since onset of COVID-19
 - Testing underway with initial promising results
 - KAP would meet CTC requirements and be suitable for use in high humidity environments
- KAP would eliminate any reliance on third-party and foreign-sourced input materials – Carbonxt’s Black Birch facility can produce required input materials
 - Reduces supply chain risk; and
 - Significantly reduces product costs
- Currently undertaking pilot activation which has gone well
- Looking for ways to accelerate this commercialisation process as the demand for liquid phase pellets is higher than we had initially anticipated



- Delivered strong revenue growth FY17 – FY19 (\$3.8m to \$18.3m), with increasing margins
- Anticipated FY20 growth did not eventuate
 - **Final FY20:**
 - **Revenue: \$15.8m**
 - **Gross Profit: \$5.0m**
 - **EBITDA: (\$1.3m)**
 - Revenue growth delayed due to:
 - Some delay in new customer contracts – customer site access and product testing restricted
 - Prudent conservatism in reducing supply to some Pellet customers seeking longer payment terms during COVID-19
 - As demand for electricity decreased significantly during COVID-19 lockdown, many power plants brought forward maintenance outage plans and/or reduced operating hours (and therefore used less Activated Carbon)



- **FY21 revenue guidance - 40%+ revenue growth** - driven by:
 - Power plant activity returning to pre COVID-19 lockdown levels
 - New Pellet business lines:
 - Pelletising for other major AC players
 - **Two new Pellet contracts signed in June are expected to contribute materially to FY21 revenue**
 - **These contracts are performing in line with our expectations**
 - Launch of new Pellet products for removal of phosphate and other nutrient contaminants from water
- Strong margin expansion expected in FY21, driven by:
 - Higher margin new Pellet business line (gross margin increase to 40%)
 - Higher plant utilization
 - Elimination of reliance on third party input materials
- Expecting to be profitable and cashflow positive from 2QFY21

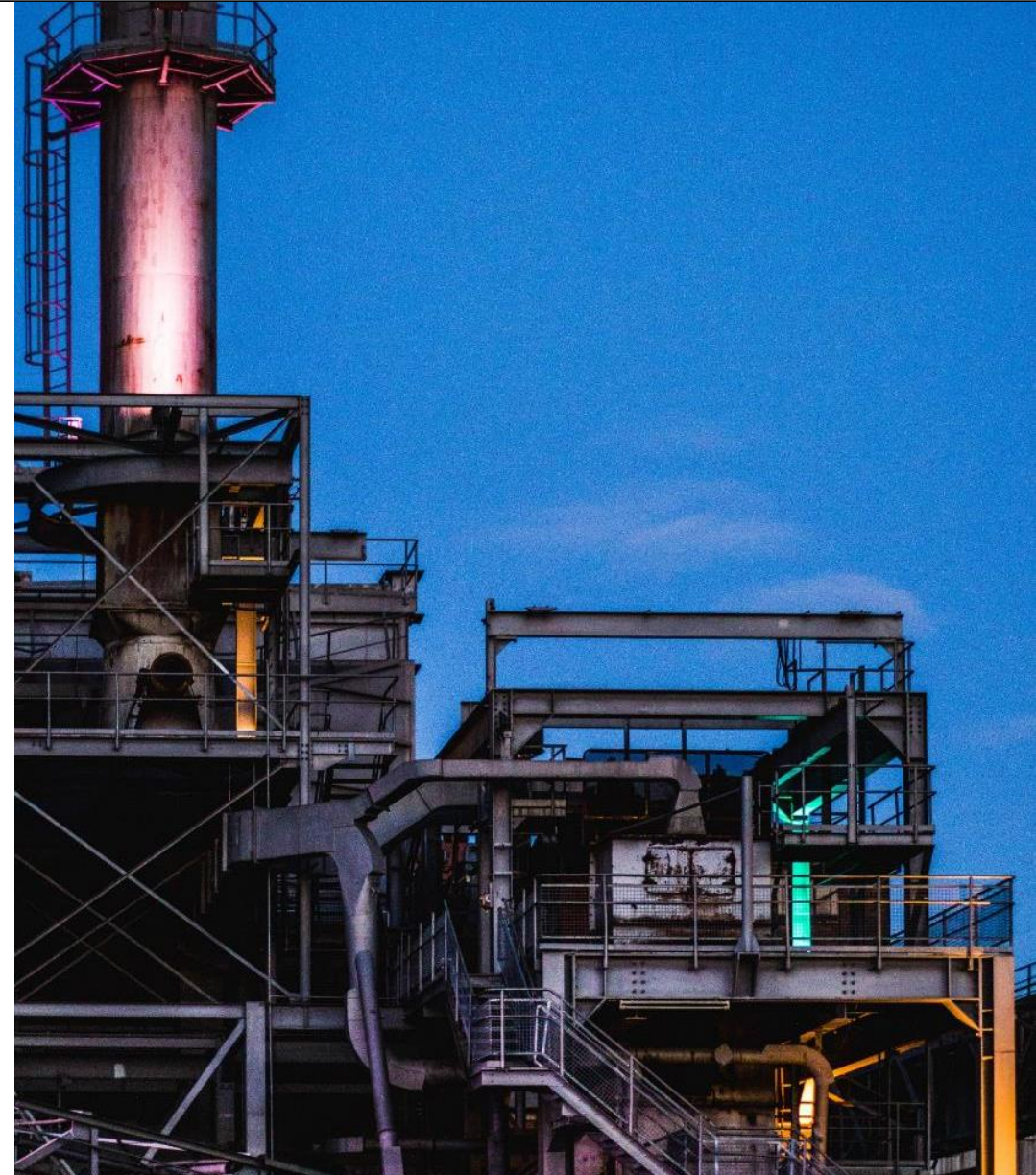


The background of the slide is a close-up photograph of numerous dark grey, cylindrical pellets. These pellets are densely packed and have a rough, porous texture, characteristic of activated carbon or similar industrial materials. The lighting creates highlights and shadows, emphasizing their three-dimensional shape.

**RECENT CAPITAL
RAISING**

Recent Capital Raise Completed

| | |
|---------------------------------|---|
| Offer Structure and Size | Carbonxt undertook a placement in early July 2020 which raised \$2.08 million via the issue of 13.0 million new fully paid ordinary shares in the Company at A\$0.16 per share. |
| Offer Price | Offer Price of A\$0.160 represented: <ul style="list-style-type: none">• 13.5% discount to last closing price of \$0.185¹• 6.8% discount to 10 day VWAP of \$0.172¹• 17.0% discount to 30 day VWAP of \$0.193¹ |
| Lead Manager | Canaccord Genuity (Australia) Limited |



1. As at June 30, 2020



MANAGING DIRECTOR

Warren Murphy

Warren was Co-Head of the Australian Infrastructure & Project Finance Group and Head of Energy at Babcock & Brown. Warren led the development of Babcock & Brown's energy sector capability in Australia and New Zealand, including the founding of Infigen Energy. He was also a director of the ASX listed Alinta Limited and Sydney Gas Limited, and development of over 2,000MW of Greenfields power stations and the acquisition of over 3,000MW of generation.



INDEPENDENT CHAIRMAN

Matthew Driscoll

Matthew has significant experience across several industries, including online technologies, financial services, fintech, property and resources. He has more than 30 years' experience in capital markets and the financial services industry and is an accomplished company director in roles across listed and private companies. He has significant experience in international business growth, mergers and acquisitions, equity and debt raisings and building strategic alliances, and remains committed to ethical, commercial and consumer-based outcomes. Matthew is NED Energy Technologies Limited (EGY), NED Blina Minerals (BDI), NED buyMyplace.com.au (BMP), NED Smoke Alarms Holdings.



EXECUTIVE DIRECTOR

Dr. David Mazyck

David is a world-leading expert on activated carbon (AC) and its applications including mercury capture. He has developed AC products for the major multinationals. Dr. Mazyck is the former Chairman of the Activated Carbon Standards Committee for the American Waterworks Association and has developed products for NASA. He is a member of the World Coal Association and an appointee to the United Nations.

CONTACT

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