

ASX Announcement
23 August 2022

1H22: Magontec delivers record half year profits and announces maiden dividend

Magontec Limited (ASX: MGL, 'Magontec' or 'the Group'), a global manufacturer of specialist magnesium products, today announced a record net profit after tax (NPAT) of \$13.8 million for the six months to 30 June 2022.

This result has been driven by high underlying magnesium prices, elevated levels of demand, and volume growth in some product lines. Amid buoyant commodity prices, all businesses recorded profits ahead of expectations.

Highlights:

- **Robust financial results underpinned by growth in key metrics:**
 - Net profit after tax (NPAT) of \$13.8 million compared to \$1.1 million in the prior corresponding period (pcp)
 - Gross profit up 247% vs pcp
 - Operating Cashflow up 438% vs pcp
- **Free Cashflow of \$18.7 million (excluding working capital movements)**
- **Group now debt free with a net cash position of \$1.2 million**
- **Board declares maiden unfranked interim dividend of 0.6 cents per share**

Key Financial Highlights '\$000 unless specified	6 months to 30 June 22	6 months to 30 June 21
Gross Profit	26,753	7,702
Gross Profit Margin (%)	28.5%	15.1%
EBITDA	21,269	3,381
Reported Net Profit After Tax	13,799	1,130
- Earnings per share (cents)	18.0	1.5
- Dividend per share (cents) – unfranked	0.6	-
Net Tangible Assets per share (cents)	62.8	35.3
Cashflow		
- Underlying Operating Cashflow*	21,251	2,655
- Reported Operating Cashflow	8,914	1,657
Borrowings		
- Net debt/(net cash)	(1,160)	10,232
- Net debt to net debt + equity (%)	(2.3%)	24.8%

*Cash from underlying operations = reported operating cashflow less working capital movements, interest and income tax payments

Executive Chairman Commentary

Mr Nicholas Andrews, Executive Chairman, said: “The Board is pleased to declare a maiden unfranked interim dividend of 0.6 cents per share, reflecting the strong result and financial position of the Group.

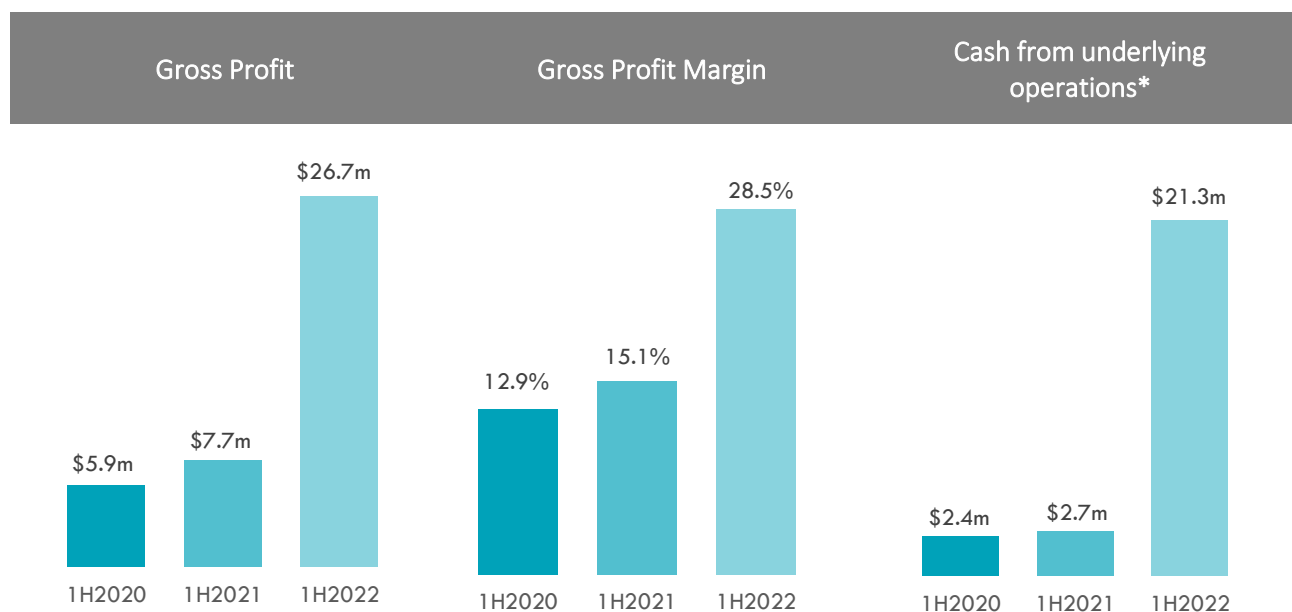
“Through continued disciplined execution of our strategy and favourable commodity prices and market conditions, we have delivered record profits for our shareholders and created a robust financial platform from which to continue this positive momentum.

“With magnesium prices and prevailing market conditions weakening, it is unlikely profitability will continue at the same rate through the second half of 2022, but our enhanced balance sheet and strong recurring cash flow from our Cathodic Corrosion Protection division will support the ongoing growth of the Group.

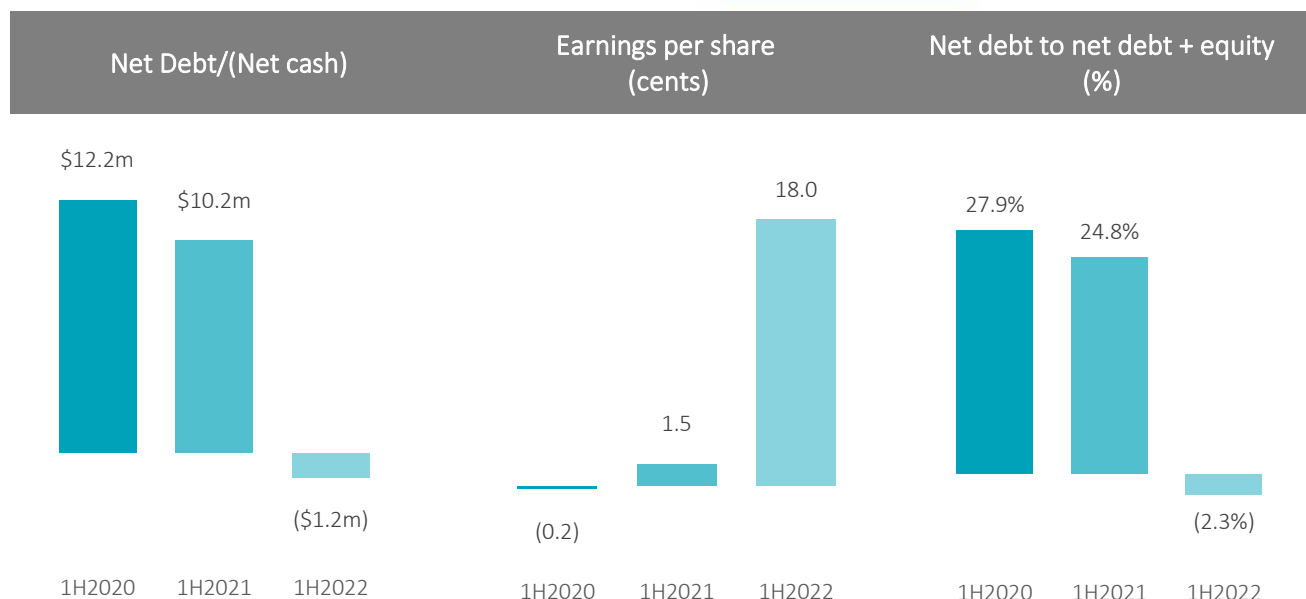
“Significantly, our partner company Qinghai Salt Lake Magnesium Co Ltd (QSLM) has now returned to production of pelletised magnesium following a lengthy period of shutdown.

“This marks a significant milestone in efforts to restart liquid magnesium supply to Magontec’s Qinghai-based magnesium alloy cast house. We expect to have a better understanding of timeframes around this process in the coming weeks.”

Operational Highlights



**Cash from underlying operations = reported operating cash flow less working capital movements, interest and income tax payments*



Divisional performance

▪ Primary Magnesium Alloy

Magontec operates a magnesium alloy cast house in Golmud in Qinghai province, China.

Magontec's partner company, QSLM, has successfully remediated the dehydration process at the Qinghai electrolytic magnesium smelter.

Supply of magnesium raw material is expected to commence in the next few months.

The Magontec Qinghai magnesium alloy cast house continues to operate at low levels of output and at a slight cash loss. Resumption of supply from QSLM will return this business to profit.

▪ Magnesium Alloy Recycling

Magontec operates two magnesium alloy recycling and specialist metal manufacturing facilities at Bottrop in Germany and Santana in Romania.

1H22 was a strong period for European recycling and specialist metals.

The surge in magnesium prices presented new opportunities for these businesses.

▪ Cathodic Corrosion Protection (CCP)

Magontec operates two magnesium and one electronic anode manufacturing facilities in China, Romania and Germany.

All CCP businesses continued to grow their respective outputs in 1H22. Magnesium anodes in China and Europe and electronic anodes ex-Europe also recorded higher levels of profitability compared with the pcp.

Volumes of Mg anodes rose 5% compared with the pcp.

Electronic anode revenues also grew in Europe and the USA.

Outlook

Looking ahead, Mr Andrews said: “Our strategy remains focused on two key pillars, that of diversification and technical innovation, and leveraging both to maximise the long-term value of what has proven a particularly profitable past six months.

“The return of liquid pure magnesium supply to Magontec’s Qinghai cast house, expected later this year, will not simply breathe new life into a critical asset for the Group, but also set a new benchmark in terms of low-carbon magnesium manufacturing – creating high volumes within a modern and highly automated facility to the highest environmental standards found anywhere in the world.

“In turn, resumed output from the Qinghai cast house will likely deliver additional scrap volumes to our European recycling businesses, while the demand for our specialist metals business will grow as manufacturers seek fresh techniques to shed weight from their products – particularly within the electric vehicle market.

“Our ability to maintain production across all three CCP businesses when supply chains came under extreme pressure in 2021 continues to deliver competitive advantage, including further opportunities to expand the customer base across the markets we serve.

Mr Andrews added: “This journey forward will continue to be fuelled by Magontec’s unique ability to move quickly under the direction of a highly experienced management team, united by the desire to grow our asset base and safeguard the Group’s reputation as a pioneering presence within the metals sector.”

ENDS

Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 23 August 2022.

To view the FY2022 Magontec Limited Half Year Report and for more information on Magontec Limited please visit our website at www.magontec.com

For further information, please contact:

Investor enquiries

Kirsten Thomson
Symbol Strategic Communications
E: magontec@symbolstrategic.com.au

Media enquiries

Richard Martin
Symbol Strategic Communications
E: rmartin@symbolstrategic.com.au