



ALEXIUM

ALEXIUM INTERNATIONAL GROUP LIMITED
FY2022 Full Year Results
26 August 2022

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PRESENTED IN US DOLLARS



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COMPANY OVERVIEW



Alexium *Company Overview*

- *Alexium is an advanced materials provider* for thermal management and flame retardant applications
- Performance-driven products developed with *environmentally-friendly* materials and backed by *granted/pending patents* that secure the Company's position in key markets
- Product manufacturing strategy is based on contract manufacturers which provides for a *flexible and capital-light operation*



Alexium Management Team (effective September 1, 2022)



Billy Blackburn – Chief Executive Officer/Managing Director

- Accomplished customer-focused executive with a 20+ year track record of successful strategic and tactical leadership within the environmental services and specialty chemical markets. Creative visionary with high energy and a steadfast commitment to excellence.
- Proven expertise in positioning businesses to achieve maximum organizational results in both start-up and growth enterprises. Founded a high growth technology company specialising in high purity solvents which was subsequently sold to Nova Molecular.



Dr. Bob Brookins – Chief Technology Officer/Executive Director

- Inventor for 20 patents/patent applications and technology leader for the development and commercialization of Alexium's thermal management and flame-retardant product platform
- Involved in multiple facets of the business, including working with customers on product design and marketing, analyzing markets to assess opportunities, and planning for logistics and supply-chain management.



Jason Lewis – Chief Financial Officer

- Worked over 20 years in specialty chemical company for mining, fertilizer, phosphate, and oil/gas industries.
- Established a strong track record of value creation by way of revenue growth through pricing, long-term customer contracts, cost optimization through analysis tools, negotiation of services, department restructuring, debt management and working capital reduction through controls and process improvements. He also has strong international experience including greenfield start-ups.

ESG Commitment



- Alexium is built on a foundation of providing innovative, sustainable, and non-toxic solutions to our commercial partners and consumers.
- Being a leader in innovation comes with the duty to guide our industry to employ higher standards of ethics, social responsibility and corporate governance while continuing to set the framework for environmentally conscious solutions.
- Our commitment going forward is to comply with ESG standards for issuing policy statements and establishing comprehensive reporting to ensure compliance.

SETTING THE BAR FOR SUSTAINABILITY

Biocool™ | *Alexium's proprietary biobased cooling products for textile & foam applications*

- ✓ Biobased, sustainable raw materials
- ✓ 94% biobased content (highest in market)
- ✓ Registered with the USDA Biopreferred program
- ✓ Certified under the Ecocert COSMOS program

FY2023 GOAL

70% % of PCM Sales Utilizing Sustainable & Biobased Materials

FY2022 OVERVIEW



Summary of Key Achievements & Path Forward



FY18-22

Develop Company's Product Portfolio & Marketing Strategies

- ✓ Developed broad portfolio of thermal management products for microclimate regulation
- ✓ Demonstrated commercial advantage proposition for customers
- ✓ Accelerated growth with YoY increases in revenue while retaining strong margins
- ✓ Finalised manufacturing process for flame retardant treatment of nylon/cotton fabrics for military uniforms
- ✓ Expanded outside of bedding into adjacent markets (e.g., body armor)

FY23

Drive Commercial Growth

- ❑ Continued revenue growth through further market penetration in bedding and body armor market
- ❑ Drive market penetration through commercialisation of innovative product platforms (e.g., Eclipsys™)
- ❑ Strength the Company's supply chain to ensure resiliency
- ❑ Expand sales capabilities through the appointment of new CEO
- ❑ Cash flow positive within the fiscal year

FY24-25

Deliver Meaningful Shareholder Returns

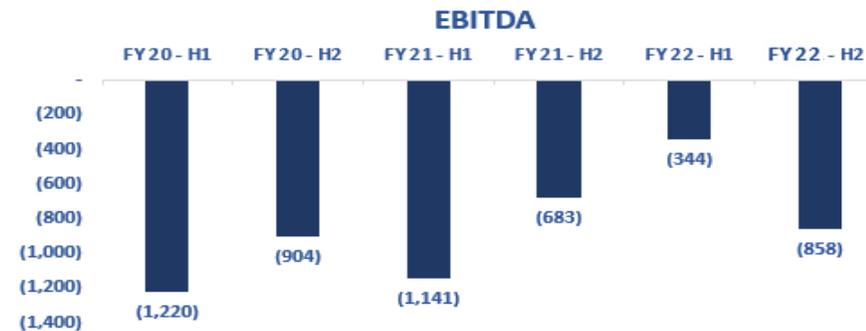
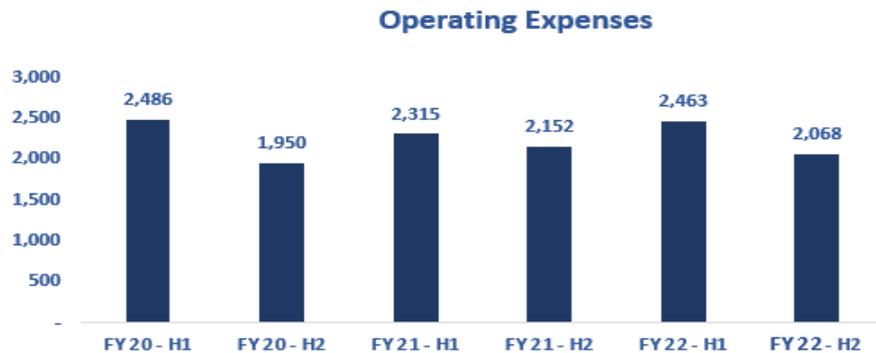
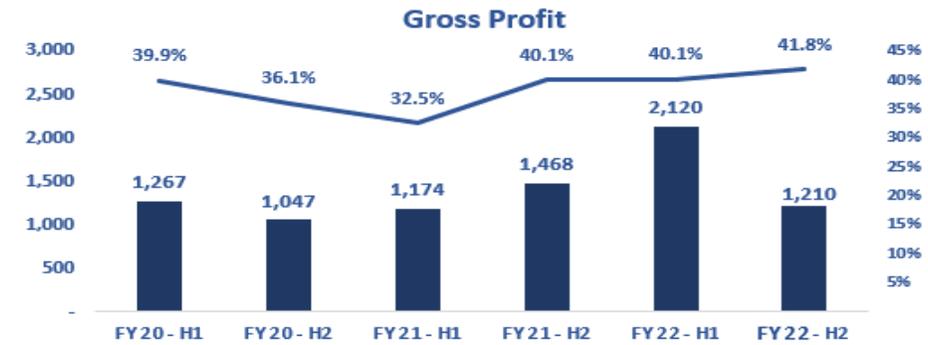
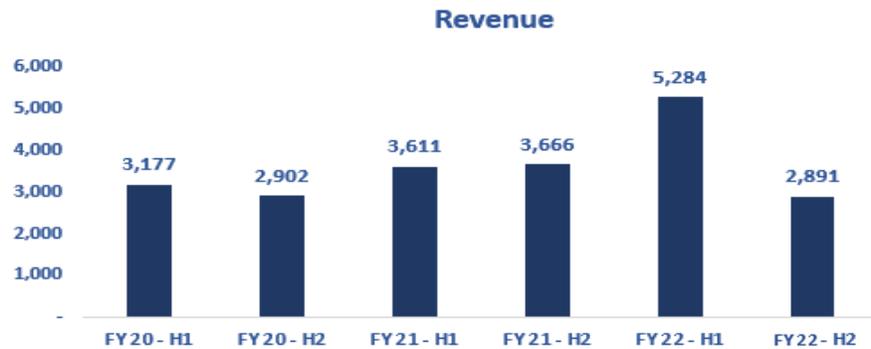
- ❑ Capitalise on globally unique and patent protected product range
- ❑ Expand the product application range into large adjacent markets
 - Outdoor apparel/gear
 - Shoes
 - Automotive
- ❑ Commercialise key product platforms in major international markets
- ❑ Realise benefits of increased scale
- ❑ Deliver material growth in earnings and cashflow

Financial Snapshot



Very strong H1 overshadowed by poor H2 as consumer confidence softened in the US

- ✓ Overall revenue growth of 12.3%
- ✓ Gross margin at 40.1% is consistent with the 2H FY21 and from same period last year
- ✓ Operating expenses up 1.5% or \$65K versus prior year in a tight labor market
- ✓ Net cash outflows from operating activities increased by \$0.2m to (\$1.6m) due to planned inventory purchase increases to support growth



All values in USD and thousands unless otherwise noted

Financial Spotlights



Profit and loss items

- ✓ 12.3% revenue growth; very strong H1 overshadowed by a poor H2 as consumer confidence softened in the US
- ✓ Operating expenses in line with prior year in a tight labor market

Impairment

- ✓ Lack of near-term revenue driving accounting treatment; these intangible assets would have been fully amortised within two years
- ✓ Commercial activities continue to advance despite impairment

Going concern

- ✓ Cash flow forecast created with current business and strong opportunity pipeline
- ✓ Expect to successfully commercialise current efforts to future revenue
- ✓ Access to working capital facility to support cash needs and growth
- ✓ The Noteholders continue to be supportive of the business

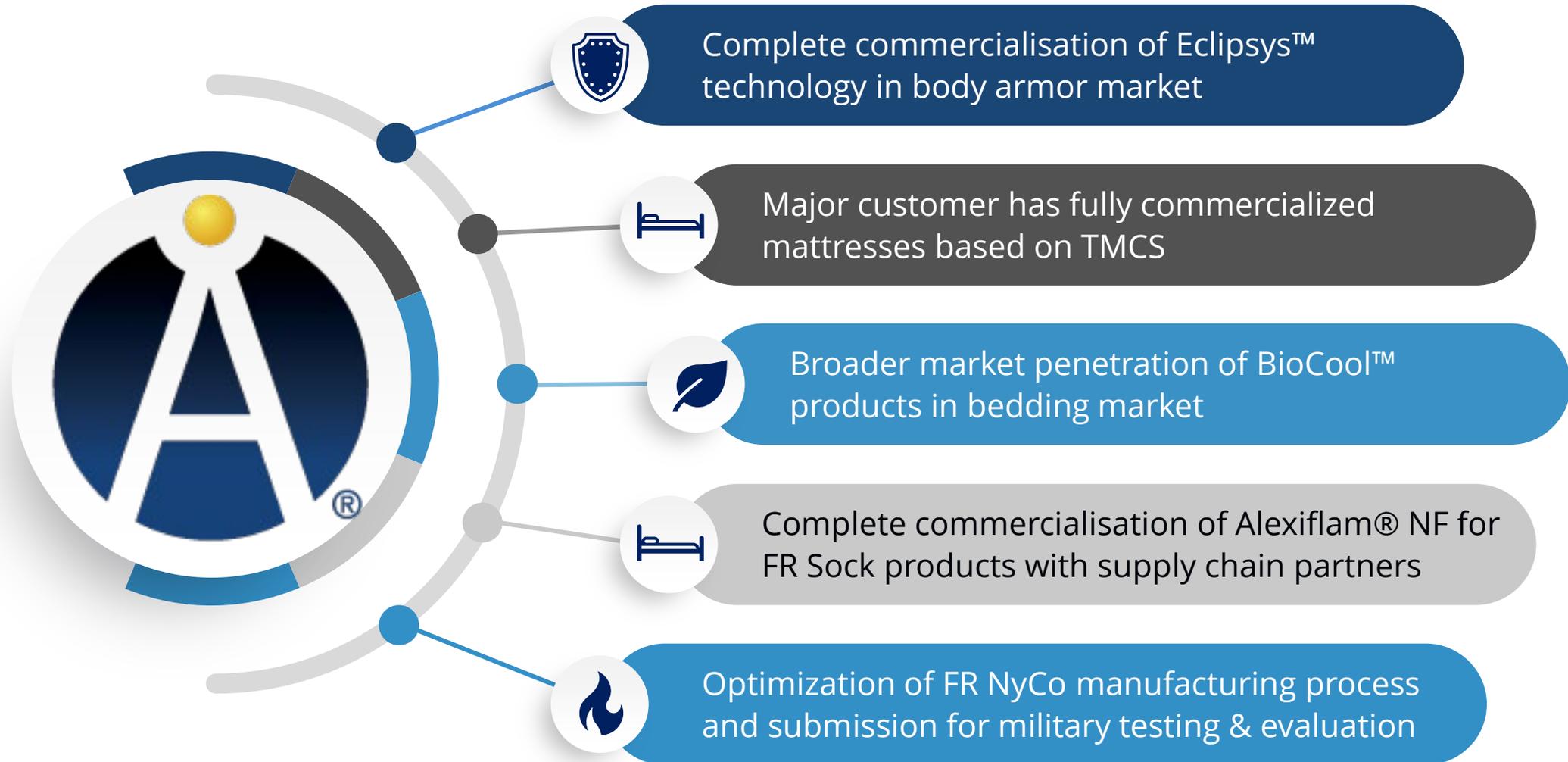
Asset based line of credit working well

- ✓ Alterna CS has been seamless in funding
- ✓ Internal cash management optimized for funding needs and outlook

Risks

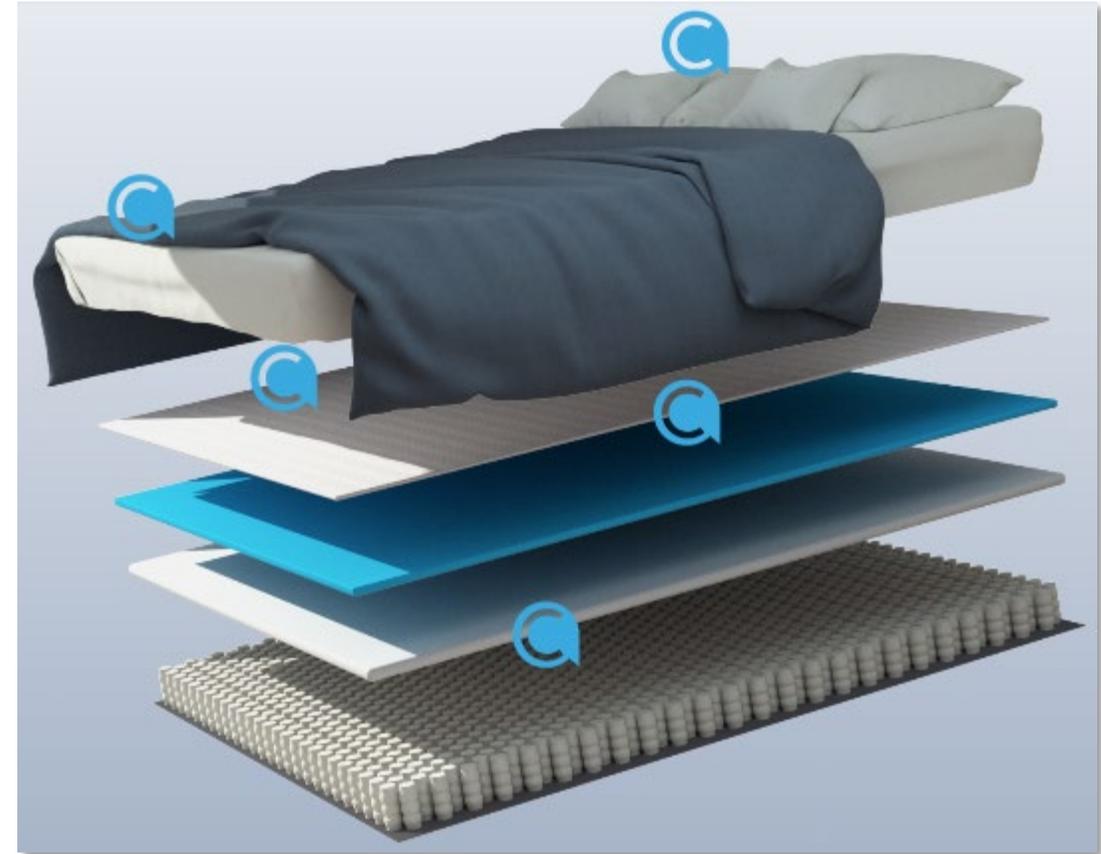
- ✓ Supply chain issues and a focus on building out resilience
- ✓ Increase in interest rates impacting end customers, slow down did not impact accounts receivable negatively

Key Milestones Met in FY2022



Key Market Overview: Bedding

- Current US bedding market is at a 15 year low of sales driven by a downturn in consumer confidence
- Alexium is managing this downturn with a focus on ensuring strong customer retention and increasing market share in bedding accessories which has shown stronger performance in current market
- As a result, Alexium now has large market share (>50%) of PCM sales for mattress/textiles which was driven by the successful commercial launch of our Biocool™ product line.
- Alexium is steadily increasing its market share of PCM sales to mattress/foam
- New products (e.g., Biocool™, Eclipsys™) are driving new growth for both bedding accessories and mattresses with new customer products launching in FY2023.



Key Areas of Alexicool®/Biocool™ Integration

Emerging Market Opportunity: Body Armor

- Received first Eclipsys Body Armor order in the United States
- Developed a meaningful sales pipeline with global customers
- Currently being considered by a national defence force and a national police force
- Opportunity to retrofit existing Body Armor in addition to supply as a new product
- Increased brand awareness of Eclipsys across the Body Armor market

Areas of ongoing Eclipsys Body Armor business development



FINANCIAL RESULTS



Cash Flow Statement



- Operating Activities outflows increased \$0.2m with changes in:
 - ✓ \$1.9m – cash receipts
 - ✓ (\$2.1m) - product purchases & manufacturing
 - ✓ (\$0.0m) – all other costs
- Investment Activities outflows decreased \$0.5m with changes in:
 - ✓ \$0.1m – Capex
 - ✓ \$0.4m – Internal development costs
- Financing Activities include draw from new asset-based loan of \$0.3m

	FY22 (USD)	FY21 (USD)
Cash flow from operating activities		
Receipts from customers and other income	8,924	7,042
Payments to suppliers and employees	(10,247)	(8,137)
Interest received	2	6
Interest and other costs of finance paid	(276)	(331)
Goods & services tax received	24	28
Net cash flows (used in) operating activities	(1,572)	(1,392)
Cash flows from investing activities		
Purchase of property, plant and equipment	(52)	(108)
Payments for development costs	(302)	(774)
Net cash flows (used in) investing activities	(355)	(882)
Cash flows provided by financing activities		
Proceeds from borrowings	251	468
Share issuance transaction costs	(4)	(2)
Transaction costs related to loans and borrowings	(58)	-
Repayment of borrowings	(115)	(143)
Net cash flows from/(used in) financing activities	74	323
Net increase / (decrease) in cash and cash equivalents	(1,852)	(1,950)
Cash and cash equivalents at beginning of year	2,933	4,741
Effect of exchange rate changes on cash	(53)	142
Cash and cash equivalents at end of year	1,027	2,933

Profit & Loss Statement



- Revenue growth in H1 offset by low US consumer confidence in H2 which resulted in lower sales
- Gross Profit up \$0.7m due to increased revenue complemented by better gross margin
- Operating expenses contained to an increase of \$0.1m in a tight labor market
- Depreciation and Amortization expense up over \$1.1m due to the impairment of the Alexiflam™ intangible assets following a fair value assessment (refer note 12 of the FY22 Financial Statements). The Company believes these innovative technology assets are commercially viable given the continuing progress towards commercialization within target markets such as the US military.

	FY22 (USD)	FY21 (USD)	Change	% Change
Sales Revenue	8,175	7,276	899	12.3%
Cost of Goods Sold	(4,845)	(4,634)	(211)	4.5%
Gross Profit	3,330	2,642	688	26.0%
<i>Gross Margin</i>	<i>40.7%</i>	<i>36.3%</i>	<i>4.4%</i>	
Operating expenses	(4,531)	(4,466)	(65)	1.5%
Operating EBITDA ⁽¹⁾	(1,202)	(1,824)	623	34.1%
Other Income	-	921	(921)	(100.0%)
Depreciation & Amortisation	(2,073)	(911)	(1,162)	127.6%
EBIT	(3,274)	(1,814)	(1,461)	80.5%
Interest & Amortisation of Convertible Note (Gain)/ Loss on Debt Extinguishment	(776)	(682)	(94)	13.8%
Loss/(Gain) Change in FV of Derivative	688	1,044	(356)	(34.1%)
Finance income	2	7	(4)	(66.9%)
Finance Costs Total	(86)	369	(454)	(123.3%)
Net Loss	(3,360)	(1,445)	(1,915)	(132.5%)

(1) Operating EBITDA is a non-GAAP financial measure see appendix for reconciliation of Operating EBITDA to statutory net profit/(loss) after tax.

Balance Sheet



- Working Capital
 - Overall working capital increased by \$0.7m. Trade receivables were lower due to lower revenue in H2, offset by an inventory build for growth.
- Non-Current Assets
 - Decrease of \$1.6m with increased amortization of fixed assets along with an impairment of Alexiflam™ intangible assets of \$1.0m. Right of use amortizing at its normal rate.
- Current Liabilities
 - Trade payables in FY21 ended at higher-than-normal rate with increased inventory purchases
 - New asset-based line of credit secured with working capital assets had a net draw of \$179k.
- Non-Current Liabilities
 - Colinton Capital A\$5.15m four-year 6% convertible note.
 - Reduction in derivative liability due to lower spot share price
 - All equipment related leases ended by the end of the period.

	FY22 (USD)	FY21 (USD)
Current Assets		
Cash and cash equivalents	1,027	2,933
Trade and other receivables	579	1,368
Inventories	1,599	1,224
Other current assets	91	75
Total Current Assets	3,296	5,599
Non-Current Assets		
Other financial assets	17	18
Property, plant and equipment	968	1,056
Intangible assets	1,569	2,961
Right of use asset	575	846
Total Non-Current Assets	3,128	4,881
Total Assets	6,424	10,480
Current Liabilities		
Trade and other payables	816	1,893
Lease liabilities	118	81
Borrowings	179	-
Total Current Liabilities	1,113	1,974
Non-Current Liabilities		
Borrowings	2,815	2,510
Derivative liability	182	949
Lease liabilities	737	869
Total Non-Current Liabilities	3,735	4,328
Total Liabilities	4,848	6,302
Net Assets	1,576	4,178
Equity		
Contributed equity	66,524	66,265
Reserves	(1,196)	(1,695)
Accumulated losses	(63,752)	(60,392)
Total Equity	1,576	4,178

APPENDIX



Non-GAAP Financial Measure Reconciliation

Reconciliation of Operating EBITDA (non-GAAP financial measure) to statutory Net Profit/(Loss)



The consolidated financial statements of the Group are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards Board (IASB).

This presentation includes a non-GAAP financial measure which is not prepared in accordance with IFRS being:

Operating EBITDA: calculated by adding back (or deducting) finance expense/(income), depreciation, amortisation, gain/(loss) in FV of derivative liability, and loss on debt extinguishment to net profit/(loss) after tax.

The Group uses this measure internally and believes this non-GAAP financial measure provides useful information to readers to assist in position or returns, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

	FY22 (USD)	FY21 (USD)
Net Loss for the period	(3,360)	(1,445)
Add		
(+) Depreciation	370	423
(+) Amortization	1,703	488
(+) Interest expense	776	682
(+/-) Gain/(Loss) in FV of derivative liability	(688)	(1,044)
	2,161	549
Less		
(-) Interest Income	2	7
	2	928
Operating EBITDA	(1,202)	(1,824)