



ALEXIUM

ALEXIUM INTERNATIONAL GROUP LIMITED
Recapitalisation and Equity Raise
27 December 2023

ABN 91 064 820 408



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Recapitalisation and Equity Raise



Agreement for Recapitalisation and Equity Raise



- Alexium International Group Limited (“Alexium”) has entered into agreement for the recapitalisation of its balance sheet (“Recapitalisation”) through the exchange of the Convertible Note (plus accrued interest)¹ for ordinary equity, plus an equity raise via a fully underwritten entitlement offer and a placement to raise A\$4.0m (“Equity Raise”).
- The Recapitalisation will result in the repayment of existing debt² and raise of A\$4.0m of new capital
- The Convertible Note (plus accrued interest) will be extinguished via conversion to ordinary shares at a conversion price of **A\$0.015**, which is a \$A0.002 (15%) premium to the Equity Raise price and a A\$0.001 (7%) premium to the closing price of A\$0.014³. The Equity Raise price is **A\$0.013**, which is a A\$0.001 (7%) discount to the closing price of A\$0.014³
- Existing shareholders Colinton Capital Partners and Wentworth Williamson will cornerstone the equity raise and fully underwrite the entitlement offer through a \$3.5m investment⁴.
- The debt for equity exchange of the Convertible Note and Equity Raise are cross-contingent and subject to Shareholder approval
- Colinton Capital Partners will provide a A\$2.0m bridge loan to allow the Company to execute its business plan and strategy while awaiting Shareholder approval for the Recapitalisation.

(1) As at the date of this announcement, the Convertible Note has a face value of A\$7.0million and accrued interest of A\$0.9m. Refer to Alexium’s ASX announcement dated 23 December 2022 for further details with respect to the Convertible Note.

(2) The existing Alterna working capital facility will remain and be unaffected by the recapitalisation

(3) Closing price on the day prior to the announcement of the Recapitalisation

(4) \$2m investment from Colinton Capital Partners & \$1.5m investment from Wentworth Williamson

Rationale



- The Equity Raise will inject A\$4.0m of new capital into the business and provide:
 - sufficient capital for the new CEO and management team to execute the business strategy, with the aim of taking the business to a meaningful operating cash flow positive position
 - confidence to the Company's key stakeholders (employees, customers and suppliers) of its long-term future
- Exchange of the Convertible Note for ordinary equity will remove significant debt and interest burden from the balance sheet.
- The Convertible Note exchange is priced at a premium to both the current share price and equity raise price and the shares issued in the exchange will be subject to a 12-month lock-up.
- Key stakeholders supportive:
 - Alexium's independent directors are unanimously recommending recapitalisation transactions to shareholders
 - Alexium's directors and key management (including the CEO & CTO) are participating in the equity raising
 - Alexium's two largest shareholders, Colinton Capital Partners and Wentworth Williamson, and their affiliates have committed to fully underwrite the Entitlement Offer and invest a total of \$3.5M in the recapitalisation¹
- Colinton Capital Partners will provide a bridge loan to support the Company through the recapitalisation process. In the event that the various approvals required for the Recapitalisation are not received, the bridge loan will remain in place, but the interest rate charged will increase to reflect the increased risk and term of the loan.

(1) \$2m investment from Colinton Capital Partners & \$1.5m investment from Wentworth Williamson

Indicative timeline



Key Milestone	Date ¹
Agreement and announcement of Recapitalisation	Late December 2023
Lodgement of draft Notice of Meeting with ASX & ASIC	Early February 2024
Regulatory Review	Early February 2024
Notice of Meeting sent to Shareholders	Late February 2024
Dispatch of Entitlement Offer disclosure document and Entitlement Offer opens	Early March 2024
Extraordinary General Meeting to approve components of Recapitalisation	Late March 2024
Entitlement Offer and Placement Offer Close	End March 2024
Financial Settlement and Share Issue date	Early April 2024

(1) This timetable is indicative only and may change without notice at the Company's discretion or subject to the requirements of the Corporations Act 2001 (Cth) and the ASX Listing Rules. Alexium has the ability at its discretion to make changes including to extend the closing date for the Entitlement Offer, to withdraw the Entitlement Offer at any time prior to the issue of the new shares and/or to accept late applications either generally or in specific areas.

Business Update



Key Business Updates



➤ **Bedding market YoY growth**

- Phase Change Materials (Alexicool and BioCool) – Alexium has continued to grow and diversify our qualified pipeline providing confidence that we will deliver YoY growth over the next fiscal year. Progress has been made to improve PCM performance that should support customer retention and product economics.
- DelCool™ – Launched in early 2023, DelCool™ is now selling successfully in pillows in a major US retail store under the Hi-Cool™ brand, with multiple other retailers considering adoption in 2024 in pillows, mattresses and toppers. DelCool™ provides an increase in dollars per bed unit relative to PCM.
- Alexiflam in Bedding – Alexium is now formally engaged with a number of customers to embed Alexium's FR technology in an FR Sock with new sustainability attributes that solve a current market problem.

➤ **Military fabric and tactical gear**

- Military Uniforms (FR NyCo) – Alexium had a significant breakthrough in 2023 in passing the US Military's most stringent burn testing requirement (the "Pyroman"). We remain well positioned to bid on large volume placements for military uniform fabrics, and potentially fabrics in industrial work wear. Alexium's FR NyCo is lighter, stronger, more breathable and less expensive than the incumbent fabric for these applications.
- Eclipsys® – Eclipsys® has now been tested successfully in tactical vests and is expected to go live in market in early 2024. Our strategy is to position ourselves to participate in large public placements for law enforcement, homeland security and prison systems.

➤ **New market entry**

- Cold Chain and Footwear – Progress continues to be made with a number of alpha customers in both the cold chain (PCM) and footwear (Eclipsys®) markets, although initial sales are not expected until late FY24.

Appendix: Strategy Overview



FY24 – 27 Strategic pathway

FY23 Focus

- ✓ **Team** : Strengthen the organisation with the addition of a new CEO
- ✓ **Culture** : One Team.
- ✓ **Growth (70:20:10)**
 - ✓ Year-on-year revenue growth in core bedding market (Alexicool®, BioCool®, DelCool™, Eclipsys®)
 - ✓ Progress FR Nyco for military.
 - ✓ Commercialise Eclipsys® for Tactical gear
 - ✓ Commence product testing with Alpha customers in new markets (e.g., Shoes, cold chain)
- ✓ **Operations** : Secure the Company's supply chain to ensure resiliency
- x **Financial** : Cash flow positive

FY24 Diversify

- **Team** : Build out direct sales and BD
- **Culture** : Sales and marketing centric
- **Growth (40:20:40)**
 - Year-on-year revenue growth in core bedding market (Alexicool®, BioCool®, DelCool™, Eclipsys®)
 - Progress FR Nyco for military.
 - Commercialise Eclipsys® for Tactical gear
 - Commercialise Eclipsys® and FR in new markets (e.g., Shoes, cold chain, workwear)
- **Operations** : Secure the Company's supply chain to ensure resiliency
- **Financial** : Cash and commercial discipline. Cashflow positive
- **Funding** : Adequate funding in place

FY25-27 Profitable Growth

- **Team** : Bolster operations team, mature sales execs
- **Culture** : One Team – Customer-centric, Success breeds success.
- **Growth**
 - Capitalise on globally unique and patent protected product range
 - Commercialise key product platforms in major international markets
 - Expand the product application range into large adjacent markets (e.g. Outdoor apparel/gear, Shoes, Automotive, Electronics)
- **Operations** : Realise benefits of increased scale
- **Financial** : Material growth in earnings, cashflow and share price

FY24 Strategic priorities



- **Build out and increase the bandwidth of Alexium's direct sales and business development team (adding manufacturing reps)**
 - **Cash and commercial discipline** to improve funding runway while investing in new product-market initiatives
 - Drive **pipeline conversion**, and **strike supply, agency and partnership agreements** to increase our go to market flywheel
 - **YoY growth in our core bedding market (Alexicool®, BioCool®, DelCool™ and Alexiflam®)**
 - **Commercialise FRNyco** for military and/or non-military workwear
 - **Commercialise Eclipsys®** for tactical gear
 - **Commercialise Eclipsys®** in adjacent markets (Cold Chain and Footwear)
 - **Commercialise FR** in adjacent markets (Mattresses, Textiles and Workwear)
 - **Operations highlight** – secure additional contract manufacturers to de-risk the supply chain and seek savings through efficiencies
 - **Adequate funding** in place to support our “Focus, Diversify and Grow” Strategy
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Go to market



Bedding Market YoY Revenue Growth

Bedding Market

- **Target market:** US produced mattresses, pillows and toppers and FR Socks
 - 10m mattresses sold each year in the US ⁽¹⁾
 - 45% of mattresses sold are produced by Serta Simmons and Tempur Sealy
 - Bed in a box and foam-based mattresses are a high growth segment
- **Go to market:**
 - Direct sales to Brand, Tier 1 and Tier 2 suppliers
 - New product introductions
 - International

Military Fabric & Tactical Gear Commercialise

Military Uniforms

- **Target market:** US Army and Marine Corps uniforms
 - Fabric is flame resistant
 - 650k⁽²⁾ active personnel and 200k⁽²⁾ reservists
 - 5 sets of fatigues issued per person per annum.
- **Go to market:** Partner with one of the worlds largest textile manufacturers

Tactical Gear

- **Target market:** US law enforcement market
 - 700,000 law enforcement officers in US ⁽³⁾
- **Go to market:** Direct sales to tactical vest producers

Cold Chain, Shoes, Workwear New market entry

Cold Chain

- **Target market:** US Cold chain packaging market
 - Total market \$3.0bn., 14% CAGR ⁽⁴⁾. Insulated container, boxes and cold packs 60% of market
 - Strong market fit with pharmaceutical and medical
- **Go to market:** Direct and Alpha customer R&D

Shoes

- **Target market:** Athletic footwear
 - 100m pairs sold p.a. ⁽⁵⁾
- **Go to market:** Alpha customer R&D with top 5 shoe company.

Workwear

- **Target market:** US flame resistant workwear market
 - Target industrial worker base
- **Go to market:** Partner with one of the world's largest textile manufacturers

Source:

(1) Q2 2023 ISPA BMP quarterly data

(2) 2021 Demographics Profile of the Military Community issued by the Department of Defense






(3) Oct 2023 Statista (Veera Korhonen) - Number of law enforcement officers U.S. 2004-2022

(4) Grandview research –Cold Chain Packaging Market Size, Share & Trends Analysis Report By Product, By Material (Insulating Material, Refrigerants, Hydrocarbon), By Application, By Region, And Segment Forecasts, 2023 – 2030

(5) Nov 2023 Statista (P Smith) - Athletic footwear revenue in the United States 2018-2028

Bedding – YoY revenue growth



FY24 Priorities	Target market	Products	Current Status	FY24 Intent
YoY Alexicool® and BioCool® revenue growth	<ul style="list-style-type: none"> Innerspring Mattress Foam Mattress Low-cost/Hi-Volume Mattress Applications (“bed in a box”) Top of Bed – Pillows and Mattress Toppers 	 	<ul style="list-style-type: none"> #1 PCM supplier to SSB tier 1 and 2 suppliers First global sales of PCM 	<ul style="list-style-type: none"> 20% YoY growth Further diversify customer base and # technologies per customer Additional global sales of PCM
Commercialise DelCool™ in bedding and build direct to retail pipeline	<ul style="list-style-type: none"> Top of Bed – Pillows and Mattress Toppers 		<ul style="list-style-type: none"> Channel partner agreements in place Sold in Macys under “Hi-cool™” brand 	<ul style="list-style-type: none"> Contract 2 - 3 large retail placements Create retail market pull with direct to retail engagement Higher revenue per unit by selling a component closer to the finished retail goods
Commercialise Alexiflam® in bedding	<ul style="list-style-type: none"> Flame-resistant mattress textile 	 	<ul style="list-style-type: none"> Client discovery Formulating an FR chemistry free of organic-phosphorous 	<ul style="list-style-type: none"> Commitment from a world leader in bedding to adopt the more sustainable FR chemistry Initial sales to FR sock producers






Military fabric and tactical gear - Commercialise



FY24 Priorities	Target market	Products	Current Status	FY24 Intent
Commercialise FR NyCo in military	<ul style="list-style-type: none">• Marines• Army• Foreign Military	The logo for alexiflam, with 'alexiflam' in lowercase, 'alex' in grey and 'flam' in red.	<ul style="list-style-type: none">• Passed Army Pyroman• Working on fabric softness and breathability with global textile manufacturer	<ul style="list-style-type: none">• Position Alexium's FR for commercial success with the military with the goal of a CY25 start.
Commercialise Eclipsys® for tactical gear	<ul style="list-style-type: none">• Tactical vests	The logo for Eclipsys, with 'Eclipsys' in orange and blue, and a stylized sun/moon icon.	<ul style="list-style-type: none">• Product testing with 3 customers• Initial sales commenced in 2023• Targeting public contract opportunities to generate large volumes	<ul style="list-style-type: none">• Goal is to obtain \$1M - \$2M in sales under contract

Cold chain, shoes and workwear – New market entry



FY24 Priorities	Target market	Products	Current Status	FY24 Intent
Commercialise Eclipsys® and PCM in Cold Chain	<ul style="list-style-type: none"> Cold chain packaging 	  	<ul style="list-style-type: none"> Early-stage testing with 2 cold chain packaging companies Business development initiated with broader target customer base 	<ul style="list-style-type: none"> Define the market potential for Alexium Increase Alexium's target customer network in this segment New revenue to start in late FY24
Commercialise Eclipsys® in Shoes	<ul style="list-style-type: none"> Athletic Shoes Work Boots/Shoes Military Boots 		<ul style="list-style-type: none"> Early-stage testing with top 5 global shoe company 	<ul style="list-style-type: none"> Break into a new market segment with large revenue growth potential Diversify from concentration of PCM sales and the bedding market
Commercialise FR NyCo for workwear	<ul style="list-style-type: none"> PPE - Workwear 		<ul style="list-style-type: none"> Initial discovery with global textile manufacturer 	<ul style="list-style-type: none"> Break into a new market segment with large revenue growth potential Diversify from concentration of PCM sales and the bedding market

Strategic plan



Market Priority	Strategy	FY23	FY24	FY25	FY26	FY27
Bedding	Thermal Regulation	Share First international sales	Grow Alexicool and BioCool revenue (US and International)			
	Top of Bed comfort		Initial sales	Commercialise DelCool in bedding and build direct to retail pipeline		
	FR Sock		Disc	Late-stage testing	Initial sales	Commercialise Alexiflam in bedding
Military and Tactical Gear	Military Uniforms	Late-stage testing			Initial sales	Commercialise FR Ny Co in military
	Tactical Gear		Initial sales	Commercialise Eclipsys for tactical gear		
Innovation	Cold Chain		Disc	Late-stage testing	Initial sales	Commercialise Eclipsys in Cold Chain
	Shoes		Disc	Late-stage testing	Initial sales	Commercialise Eclipsys in Shoes
	Workwear		Disc	Late-stage testing	Initial sales	Commercialise FR Ny Co for workwear
		Discovery	Late-stage testing with customer	Initial sales	Fully commercialised	