



ALEXIUM

ALEXIUM INTERNATIONAL GROUP LIMITED

Investors' Webinar

FY2024 Q3 Quarterly Activities Report

26 April 2024

ABN 91 064 820 408

PRESENTED IN US DOLLARS

INTRODUCTION





FY24 Q3 FOCUS



“Alexium’s value to customers is technology enabling them to create a unique user experience that drives higher sales volumes at improved margins...”



Focus shifting to business and product development activities adjacent to thermal regulation in bedding in North America



New opportunities in flame-resistant (FR) technologies in bedding due to changes in the regulatory environment



Developing new customer relationships in Australasian region



Growing the commercial team



FY24 Strategic Objectives Update

- **Team:** Build out direct sales and business development.
Status: Two new sales executives joined the team in late Q3 and early Q4 to increase business development activities globally across all AJX product markets. AJX has retained a former senior executive of a competitive thermal management business to consult and lead product development initiatives for adjacent markets (medical, packaging and electronics).
 - **Culture:** Become more sales and marketing centric.
Status: The team at Alexium is highly motivated to drive the full commercialisation of all existing company technologies. They are excited to have the new team members on board so they can support our *Grow and Diversify Revenue* strategy. All team members at AJX know this phrase well: “We are ALL in sales, because we ALL serve the customer”.
 - **Diversify and Grow**
Status: All five initiatives below are on track and progressing nicely.
 - Shift Core/Adjacent/Breakthrough focus priorities from 70:20:10 → 40:20:40.
 - Achieve year-on-year revenue growth in core bedding market with core product offerings (Alexicool®, BioCool®, DelCool™ and Eclipsys® products).
 - Progress FR Nyco for military.
 - Commercialise Eclipsys® fabric for tactical gear.
 - Commercialise PCM, Eclipsys® fabric, and FR into new markets (e.g. shoes, cold chain, workwear).
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FY24 Strategic Objectives Update (cont.)



- **Operations:** Secure the Company's supply chain to ensure resiliency. Status: Over the last year, Alexium has added a textile engineer to lead the qualification of additional suppliers in textile finishing to increase quality and reduce costs. Alexium has added backup sources of critical raw material ingredients to bolster our supply chain. In addition, we have identified new contract manufacturers for AJX FR technologies that have led to significant cost reductions.
- **Financial:** Cash and commercial discipline. Cashflow positive. Status: Alexium's business development pipeline has enough qualified opportunities to deliver these results in the near term. With the addition of the new business professionals, revenue growth is imminent.
- **Funding:** Adequate funding in place to execute the business plan. Status: The recent shareholder vote held at the EGM approved the recapitalisation of AJX, thus affording the company adequate funding to meet its near-term objectives.



FY24 Q3 Highlights & Focus Priorities

In Q3 FY24 we made significant progress against these FY24 objectives, including:

Achieving year-on-year revenue growth in our core focus areas:


- ***PCM – Maintain and Grow North American share, Penetrate Global Markets***
 - Three new BioCool® product placements in OEM foam mattress production with starts intended for Q4 FY24 and H1 FY25.
 - Two BioCool® product placements in Europe in H1 FY24 open new opportunities for volume growth abroad.
 - Alexicool® and BioCool® products under review by multiple mattress producers targeting lines sold in Australasia and Europe.
- ***DelCool™ fabric sales growth in bedding***
 - Fabric: Version 2, with enhanced aesthetics, continues to run well with the new textile partners secured in H1 FY24.
 - Pillows: Orders from the initial large department store placement were flat in Q3.
 - Pillows: Placements at an additional large department store and a television shopping network projected to commence in Q4 and Q1 FY25.



FY24 Q3 Highlights & Focus Priorities


- ***DelCool™ fabric sales growth in bedding (cont)***
 - Mattress: Product development underway for inclusion in a luxury mattress launch by a major bedding brand. If this development proves successful, the target launch would be for FY26 and could result in a significant increase in Group revenues with a conservatively estimated annual opportunity of \$3 million - \$5 million in revenue.
 - DelCool™ sales growth underpins diversification of revenue within the Company's core market (bedding)
- ***New Eclipsys® fabric placements in bedding underway***
 - National Brand targeting placements of an Eclipsys® fabric for mattresses to be sold via a home shopping network. A small order for initial launch has been received. The size of the total opportunity is unknown at this time due to the nature of their marketing approach. If it is successful in FY25 Q1, then we expect repeat orders and will be able to better estimate the total opportunity. However, a large “big box” discount retailer is watching the success of this launch as they may also be interested in purchasing this mattress if it is successful (it would be included in their “as seen on TV” marketing).
 - National Brand targeting placements of an Eclipsys® fabric for pillows in a large “big box” discount retailer. If successful, the estimated size of the opportunity is \$0.5 million to \$1.4 million in additional revenue.
 - Renewed interest from a Top 5 mattress brand to launch an Eclipsys®-based mattress in FY25.

All of the above developments further diversify Alexium technologies sold in the bedding market.



FY24 Q3 Highlights & Focus Priorities (cont.)


- **Progressing FR Nyco for military and commercialising Eclipsys® fabric for tactical gear Flame Resistant (FR) Technologies:**
 - *Alexiflam® chemistry – FR NyCo:* After passing the **Pyroman** burn test at NC State University, product development work has continued to enhance the aesthetics of the fabric targeting a large military uniform fabric supply opportunity starting in FY26. The initial aesthetic enhancements have been approved by the military’s textile lead, which led to a request for additional fabric yardage for testing at the US Army Combat Capabilities Development Command (“DEVCOM”) before the end of their fiscal budget year (30 September).
 - Product development is collaborating with a leading international brand to perfect a FR NyCo application in mattresses designed to meet unique flame resistance criteria for the hospitality industry and public buildings. Fabric has been produced and supplied with test mattress burns to occur in early Q4. New FR chemistry finalized in late Q3. The new chemistry meets the increasingly stringent environmental regulations being levied on FR chemicals in the US at the state and federal level. The new formula is in active trials at one textile finisher of FR fabrics for mattresses, with a second trial commencing in early Q4. Both textile finishers are working with AJX to support development with a top-three worldwide bedding brand. If successful, this new technology would be incorporated into a significant percentage of this customer’s mattresses. If successful, this one opportunity could result in \$1.0 to \$1.6 million in additional revenue. Furthermore, initial success should lead to significant market penetration and revenue growth thereafter.



FY24 Q3 Highlights & Focus Priorities (cont.)

Commercialising PCM, Eclipsys® fabric, and FR into new markets (e.g., shoes, cold chain, workwear):

- ***Eclipsys® fabric for footwear***
 - Successful internal testing concluded on an athletic shoe application. Results were presented to a prospective industry-leading customer in Q3. Discussions have led to a redesign of the Eclipsys® placement in the shoe build to reduce the overall cost impact without sacrificing performance.
 - Samples have been provided to an additional top-10 worldwide brand manufacturer for thermal testing in their performance laboratory. Initial results expected in Q4.
- ***Eclipsys® fabric and PCM for Cold Chain Packaging***
 - Product development is underway to extend the thermal regulation effectiveness of existing biomedical packaging. No change in Q3. Development work has been temporarily paused to allow the Company to get new team members up to speed and re-prioritize. This development project will recommence in H1 FY25.



FY24 Q3 Highlights & Focus Priorities (cont.)

Commercialising PCM, Eclipsys® fabric, and FR into new markets (e.g., shoes, cold chain, workwear):

- ***Alexiflam® products for workwear***
 - Alexium is working on improvements to the wash durability of Alexiflam® chemistry incorporated into Nylon/Cotton blended fabric to meet the rigors of industrial laundering to ready it for applications in the FR work wear market. These development efforts benefit from the continued work and learnings on the military apparel fabric. With the addition of the new sales professionals, business development efforts will ramp up in this market in early FY25.

In summary, Alexium technologies are proving to be competitive for use in a wide array of end products and market applications with both new and existing customers. With the expanded sales team, we will now increase development activities across all sectors mentioned here.

Expansion of Commercial Strategies

SUPPLY AGREEMENTS WITH MAJOR CUSTOMERS: We worked with multiple larger customers to move away from spot purchasing and specific program buying to long-term product supply agreements that define pricing, supply capabilities and Alexium's analytical support.

- Supply Agreement - BekaertDeslee NV - Q2

It has the terms for the supply of Alexicool® and BioCool® phase change material (PCM) products for bedding systems across North America with an initial term of 3 years and a provision for automatic renewal. It also paves the way for growth and collaboration on textiles finishing projects globally. BekaertDeslee NV is the world's leading specialist in the development and manufacturing of mattress textiles, mattress covers and on-trend sleep solutions with headquarters in Waregem, Belgium. BekaertDeslee NV employs 4000+ people in 27 business locations in 19 countries.

- Supply Agreement - Serta Simmons Bedding (SSB) – Q3

This Supply Agreement details the supply of thermal regulation technologies for applications in mattresses. It replaces multiple legacy Agreements, thus consolidating terms for ease of managing new projects and growth between the two companies. It contains pricing and details for tiered pricing based on annual volumes purchased. Serta Simmons Bedding, LLC (SSB) is one of the leading global sleep companies. With a 150-year heritage in delivering industry-leading sleep solutions and a mission to help people sleep better so they can live healthier lives, the company is headquartered in Doraville, GA, and owns top brands such as Serta®, which has five other independent licensees, Beautyrest®, Tuft & Needle® and Simmons®.

- Memorandum of Understanding (MOU) – Leading Bedding Brand - FR

Regulatory changes have generated increased interest in the Company's flame-resistant (FR) technologies. This has led to the Company entering into an MOU with an industry-leading bedding brand to supply a cutting-edge FR material for incorporation into their mattresses. The two parties will be negotiating terms and working in good faith towards a Supply Agreement in the coming months.

Expansion of Commercial Strategies (cont.)

EXPANSION OF THE BUSINESS TEAM: The Company laid out plans to restructure the sales and marketing team in Q2 FY24, then began recruiting sales/business development professionals in Q3. The Company identified and hired two new sales professionals who joined the Alexium team in Q3/early Q4. The Company also set out to recruit a new marketing consultant as well as an industry advisor to lead efforts to diversify sales to non-bedding adjacent markets. The industry advisor started in late January and is already making significant contributions.

DIVERSIFICATION OF PRODUCTS, CUSTOMERS AND MARKETS: Alexium's business and product development pipeline is more robust than it has ever been. By bolstering our sales team with new, experienced professionals and assigning them to active pipeline projects as well as qualified prospects, we are confident that Alexium will deliver on the past 3 years of hard work developing and commercialising its significant intellectual property and product portfolio. Alexium will also embark on marketing campaigns to drive awareness of the Company's significant IP globally. Finally, the new product development efforts led by the industry advisor will expediate the company's strategy to *Grow and Diversify Revenue* in adjacent markets.

Capital Raise, Refinancing and Bridge Loan

In the previous quarter, the Company announced its intentions to enter into a capital raise and refinancing transaction (“Transaction”), pending shareholder approval (see the ASX announcement on 27 December 2023). The capital raise will provide a minimum equity of A\$4.0 million via a fully underwritten entitlement offer and placement. In addition, the Company’s existing A\$7.0 million convertible note and accrued interest thereon would be retired in exchange for shares. Related to the Transaction, Colinton Capital Partners (CCP) provided a bridging loan of A\$2.0 million (US\$1.3 million) to the Company in December 2023 to allow it to continue to pursue a number of significant near-term opportunities while the Company sought the necessary shareholder approvals for the Transaction. This bridge loan carries an initial interest rate of 15% but the bridge loan principal will be applied to meet Colinton Capital Partners’ commitments with respect to the equity raise.

Q3 FY2024 Cash Flow Commentary

Alexium continues to apply a disciplined approach of prioritising short-term revenue opportunities while advancing secondary new business focus areas to ensure medium to long-term growth objectives are met. The Company has been applying the same level of discipline to managing expenses, timing of raw material purchases and the entire cash conversion cycle. This is evidenced in the YTD US\$0.5 million reduction year over year in cash used in operating activities. In addition, the Company has been successful in negotiating cost reductions in several raw material products used in both current and future sales opportunities. This combined disciplined approach positions the business to meet the near-term objective of cash-positive operating results as we shift focus to longer-term significant revenue gains to meaningfully increase the profitability and, ultimately, the value of the Company.

Cash receipts for the period were US\$1.4 million with revenue of US\$1.6 million. Cash receipts are in line with the previous quarter.

Sales for the quarter at US\$1.6 million were up US\$0.3 million versus the prior quarter and is the strongest quarter thus far this fiscal year. Overall, US mattress market conditions remained soft amid inflationary concerns, high interest rates and geopolitical concerns. However, the Company has seen some volume improvement at specific customers. In addition, there has been an increase in the sales of products adjacent to the mattress industry (i.e. Top of Bed and DelCool™).

Q3 FY2024 Cash Flow Commentary (cont.)

Operating activity outflows (refer to Appendix 4C Item 1.2) primarily consist of raw material purchases, manufacturing costs, staffing costs, and corporate/administrative costs. The Company experienced a quarter-over-quarter increase in raw material purchases and production-related costs of US\$0.3 million due to the timing of raw material purchases and higher sales. Q3 staff costs were up US\$0.1 million versus Q2 largely due to the addition of new positions. Other cash outflows are in line with typical quarterly expenses. Total aggregate payments to related parties for the quarter equal US\$228 thousand which include payments to non-executive directors and compensation for executive directors, William “Billy” Blackburn, CEO and Robert “Bob” Brookins, CTO.

Cash flows from financing activities for the quarter include the normal activity on the Line of Credit while YTD activity includes the proceeds from the bridging loan (A\$2.0 million) provided by CCP (see above discussion under the Capital Raise, Refinancing and Bridging Loan section).

The outstanding balance on the Line of Credit at the end of the period was US\$96 thousand on the total eligible borrowing base of US\$885 thousand leaving US\$789 thousand available for use. This line availability plus the cash on hand of US\$723 thousand gives the company total available funding of US\$1,512 thousand.