

30 August 2024

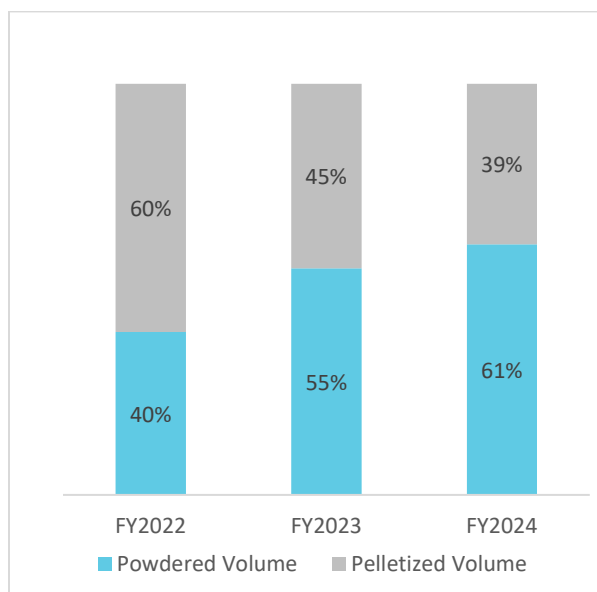
ASX Release

Carbonxt Group Limited – FY24 Results

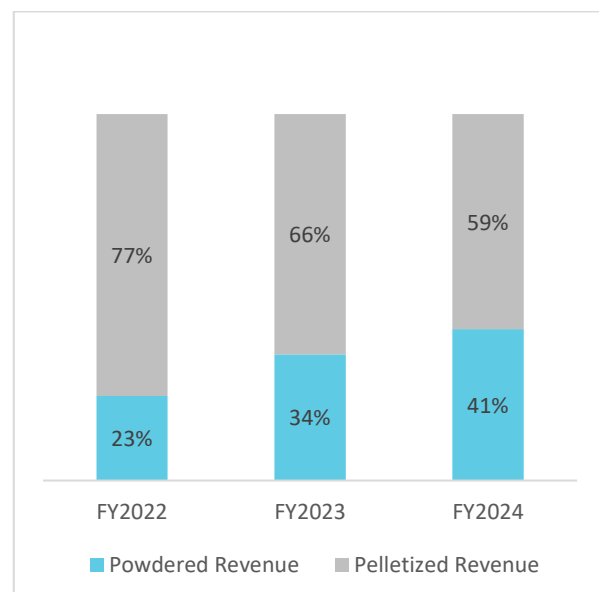
[All results in AUD]

- Revenues for the group were essentially stable (decreased by 2.2% in FY24 compared to FY23). During the year, the team was able to renegotiate multiple of its current powdered carbon contracts to increase pricing, much of which will be realised in the next fiscal year.
- In May 2024, the group announced a forward sale for \$4.2M to a major utility provider and Carbonxt's largest AC pellet customer, with the cash received prior to year-end.
- Adjustments to optimise existing operations across the group's two production facilities at Arden Hills and Black Birch, along with forward-looking production planning, have reduced the average cost of production with savings expected to flow through to future periods
- Logistics efforts with carriers and shipping vendors resulted in improvements in shipping rates with additional shipping lanes.
- Annual gross margin was 38%, compared to 30% in FY23.
- Underlying EBITDA for FY24 was a loss of \$2.7m, compared to FY23 EBITDA of a \$2.3m loss.
- Post balance-date in July 2024, the Company made another material revenue announcement with confirmation of a 4-year, \$24m contract extension with a major waste to energy provider.
- In line with strong market conditions for Powdered Activated Carbon (PAC) products in the US market, PAC sales made up an increased percentage of group revenues for the third straight year

Volume



Revenue



- Pellet sales represented 59% of revenue in FY24, down from 66% of revenue in the prior period.
- This decrease was driven by the strategic decision to reduce production of vapor phase CTC pellets, as the forthcoming commissioning of the Kentucky JV facility will be able to produce AC pellets at higher margins for the business in the near future.
- Tolling activities remained strong for the fiscal year, as a result of the management team's ability to optimize production efficiencies and increase selling volumes of this product line by over 59% from the previous fiscal year.

Powdered Activated Carbon

- The utilization of recovered wood-based char material from local Georgia based lumber sawmills to create a renewable powdered activated carbon continues to support strong margins in our powdered carbon business.
- Powdered carbon sales accounted for 41% of revenue and 61% of sales volume, both an increase from the previous reporting period (34% and 55% respectively).
- The group was able to extend a growing contract with a major waste to energy provider which is expected to see in excess of 25% increase in annualized group revenue, commencing in October 2024. In addition, the group renegotiated multiple of its current powdered carbon contracts to increase pricing, much of which will be realised in the next fiscal year.
- The group is looking in 2025 to invest in additional redundancy for the present mill to provide capacity for up to 5,000 tons per annum of incremental PAC volume. Additionally, renegotiations of the Carbon Concepts lease agreement are ongoing and expect to be concluded in 1H25.

FY24 GROWTH OPPORTUNITIES

Company Outlook

Growth from existing operations will be underpinned by the new contract win with a major waste-to-energy provider, which is expected to see an increase of over 25% in annualized revenue. This does not include any additional contribution from the commencement of the Kentucky investment mentioned below. We expect gross margins to exceed 40% as the portfolio-wide price increases and operational improvements flow through. In turn, with the commencement of the Kentucky plant, we expect to see a step change in the scale of Carbonxt's business in FY25.

Update on Kentucky JV – NewCarbon Processing LLC.

The construction of the new activated carbon plant in eastern Kentucky, USA is nearing completion. The plant will have an initial capacity of 10,000 tons per annum, with the ability to expand to 20,000 tons per annum for a small additional investment.

The investment in NewCarbon Processing, LLC ("NewCarbon"), is alongside our US partner KCP. Carbonxt currently holds a 35.5% ownership interest in NewCarbon, with options to invest a further USD \$4.5m to move to 50% ownership interest.



The construction of the plant experienced some delays in FY24 with respect to finalizing connectivity of the electrical controls for the operations, which have delayed the initial start of production to FY25. However, construction activities have not seen any further material delays and we expect the commencement of initial commissioning in the next month.

Negotiations have commenced on initial supply contracts for the forthcoming new capacity from the Kentucky plant, with a letter of intent being entered into for 1,000 to 1,500 tons of supply. The Company expects to see additional contracts advance towards completion over the coming weeks. Recent discussions with prospective customers indicate that market pricing for both GAC products as well as 4mm AC pellets is in line with our previous guidance.

Update on legislation for PFAS and PFOA

The final rules on PFAS/PFOAs were announced by the US EPA earlier this calendar year. These rules were the first-ever national, legally enforceable drinking water standards in the USA. PFAS, or per and polyfluoroalkyl substances, are a large chemical family of over 4,700 chemicals.

They are often referred to as “forever chemicals” as they barely degrade. Long-term exposure to these chemicals is linked to significant health risks. In April 2024, the US EPA confirmed the new legal limits for six PFAs of 4 parts per trillion – a ~90% reduction from the previous enforceable limit of 70ppt.

The Company believes that the introduction of these rules will see a circa 3-fold increase in the size of the existing GAC market, as water utility providers take steps to ensure compliance with EPA rules.

FINANCIAL OVERVIEW

AU \$'000	FY24	FY23	Change
Revenue	\$15,125	\$15,462	-2.2%
Gross margin	\$5,737	\$4,579	21%
Gross margin %	38%	30%	8%
Other income	\$648	\$484	34%
Shipping costs	-\$1,797	-\$1,667	-8%
Operating costs	-\$7,338	-\$5,658	-29%
EBITDA	-\$2,749	-\$2,262	-22%
Depreciation and amortisation	-\$2,370	-\$2,444	7%
EBIT	-\$5,119	-\$4,706	-9%
Net interest	-\$2,894	-\$1,168	-148%
Share based payment expense	-\$74	-\$178	
Share in losses in joint ventures	-\$33	\$0	
Net loss before tax	-\$8,118	-\$5,984	-36%



REVENUE

- Total revenue was essentially the same as the prior year (down by 2% from FY23) due principally to strategic change in pelletized customer retention as the Kentucky facility comes online to supply liquid phase pellets to the industrial market.
- The Company successfully converted several lower margin PAC volume sales and replaced with higher margin composition as shown in a 21% increase in gross margin increase from FY23.
- Group revenue profile was further enhanced by material sales contract (4 years, \$24m) post balance-date with large waste-to-energy customer
- Funded research and development activities remained strong with grant revenue of \$615K, under other revenue, supporting water treatment efforts in nutrient reduction and red tide activities. A subsequent grant has been funded after the close of the fiscal year to continue progressing these efforts.

MARGIN

- FY24 gross margin was 38%, an 8% absolute increase from the 30% recorded in FY23 as a result of price increases realized in the current PAC and pellet portfolio.
- Additional price increases have been implemented to further increase these values FY25.

OPERATING COSTS

- Shipping costs to customers were slightly higher than in the prior period due to product mix variability and location of new customers' facilities.
- Operating costs of \$7.3m were up over 25% in FY24 compared to the prior year due to an increase in employee costs associated with the business gearing up for the much larger scale of the Kentucky investment, both in operational and sales activity.
- Interest costs were \$1.7m higher in FY24 compared with FY23 reflecting the increase in debt assumed in May 2023 to assist in funding the Kentucky investment.

STATEMENT OF FINANCIAL POSITION

During the financial year, the Company continued to make service payments on a A\$15.0 million debt facility provided by PURE Asset Management. The facility matures in May 2027 with an interest rate of 9.5%, and was drawn down in the previous financial year in connection with financing for the investment in the new AC manufacturing facility in Kentucky.

As at 30 June 2024, Carbonxt had cash at bank of \$4.108m.

This announcement has been authorised for release to the ASX by the Board of CG1.

ENDS



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ABOUT Carbonxt Group Limited (CG1.ASX)

Carbonxt (ASX:CG1) is a cleantech company that develops and markets specialized Activated Carbon products, primarily focused on the capture of contaminants in industrial processes that emit substantial amounts of harmful pollutants. The Company produces and manufactures Powdered Activated Carbon and Activated Carbon pellets for use in industrial air purification, waste water treatment and other liquid and gas phase markets.