Carbon Revolution

Full Year Results 2020

25th August 2020

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Authorised for lodgment to ASX by the Board of Directors of Carbon Revolution Limited.

30 June 2020 Results Presentation Agenda

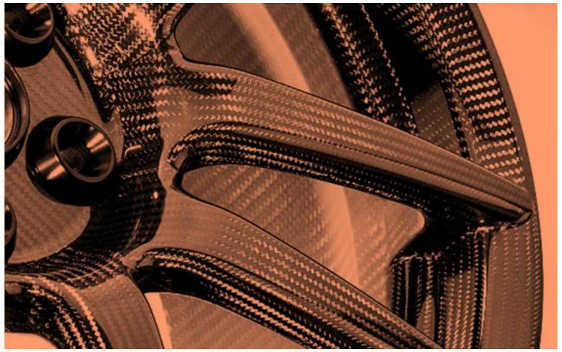
Highlights

Financial Results

Summary and Outlook

Highlights

Jake Dingle – CEO


Compelling Fundamentals

Demonstrated Value Proposition	Carbon fibre wheels make cars lighter, faster, quieter, and more fuel efficient and offer a compelling business proposition to global car manufacturers
Global Leader	The only company to have successfully developed and manufactured single piece carbon fibre wheels with commercial adoption across several major OEM models
Large and Growing Customer Base	Addressable market is very large with increasing penetration. 3 new OEM programs awarded during FY20 taking total awarded programs to 11. Progressing a new program with a new Asia-based customer
Track Record of Delivery	Demonstrated track record in the market, with over 30,000 wheels sold to date
Unique Technology	Product technology is globally unique and our leading market position and targeted R&D program are enabling us to extend our lead
Clear Industrialisation Pathway	Industrialisation pathway is clear and progressing well. Development of next stage Mega-line a focus to support market pull

FY20 Highlights

Very strong revenue growth notwithstanding COVID-19 impacts

- Revenue growth of 158% to $38.9m
    - $36.8m wheel revenue from 13,942 wheel sales
    - Engineering and Tooling revenue of $2.1m

The industrialisation of our business is progressing well

- Annualised wheel moulding rate of over 30,000 wheels p.a. achieved during Q4 FY20
- New fascia technology implementation underway will dramatically improve the conversion of moulded wheels to sold wheels

We're investing for efficient growth

- Substantial capital investment of $14.6m in new industrialised equipment installed
- $12.3m R&D capitalised expenditure on new program development and extension of core technology

FY20 Highlights (cont.)

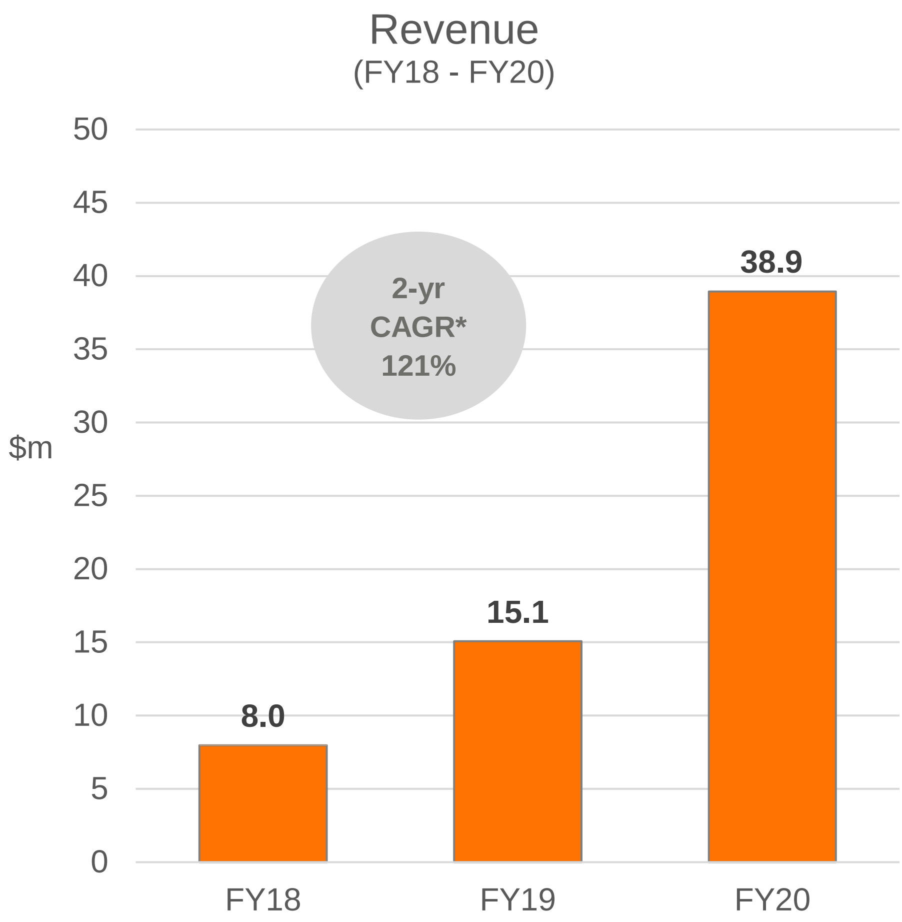
Pro-actively managing the impacts from COVID-19

- COVID-19 pandemic materially impacted our business, affecting our customers, our supply chains, our production and our ability to deliver on our prospectus forecasts after being on track at the half year
- The health and safety of the Carbon Revolution team continues to be our top priority
- Capital raise of $27.7m in March/April strengthened our financial position and other actions were implemented to protect our people and supply chain
- We have used the COVID-19 related volume slowdown to move to sea freight for some customers, providing order stabilisation and lower cost shipping. There were an additional 1,344 wheels shipped that will not be recognised as revenue ($4.5m) until the FY21.

Financial position and outlook

- Cash balance of $33.9m at 30 June 2020
- Refinancing of the $13m Ronal term loan with Export Finance Australia (“EFA”) is well progressed. Key terms and conditions have been agreed and the arrangement is in documentation stage. Completion is expected in the coming months
- Strong sales growth expected in FY21 despite COVID-19 related impacts
- 3 new programs awarded during FY20, including first premium SUV program. Also working with a new Asia-based OEM on engineering and development of a new program

Very strong revenue growth of 158% to $38.9m

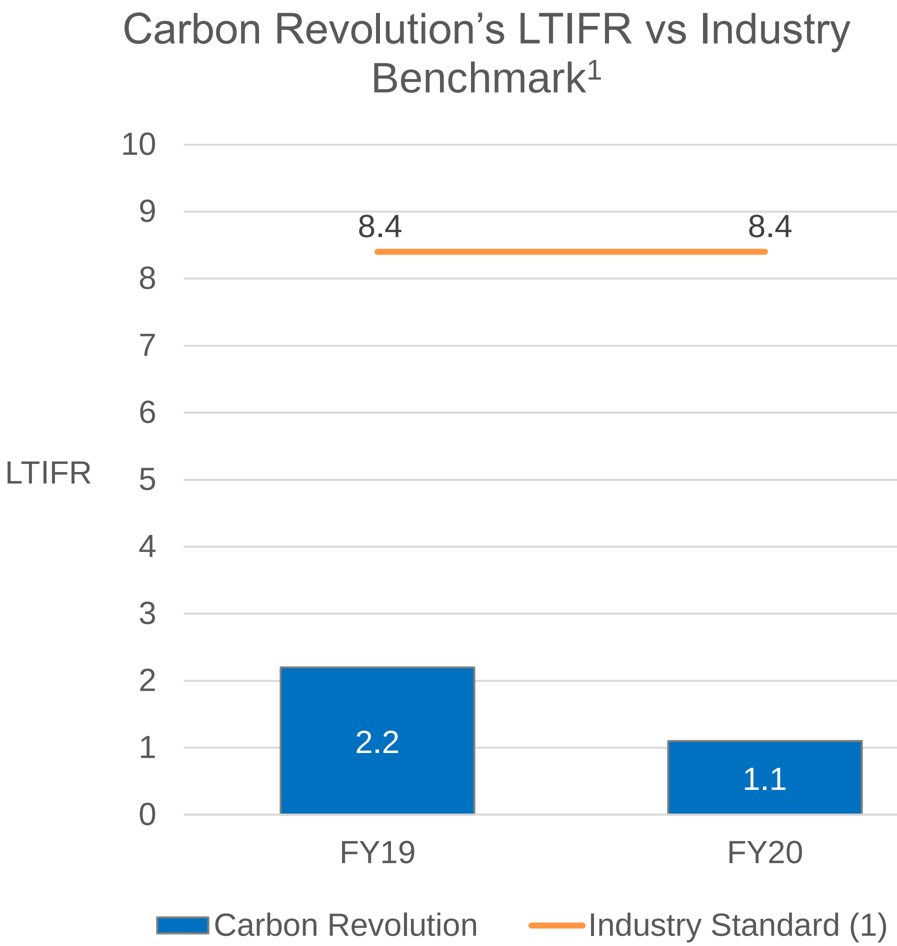


* CAGR is compound annual growth rate

Strong revenue growth notwithstanding COVID-19 impacts

- Very strong growth in H1 FY20 had the company on track to deliver prospectus revenue from
  - Strong consumer demand in key OEM programs
  - Investment in industrialisation assets and people delivering volume growth
- Growth continued in to H2 FY20 however two key factors impacted full year results
  - COVID-19 materially impacted the business – initially through disruption to hiring plans and supply chains but then to customer demand and shipping methods
  - Finishing wheels impacted by aesthetic quality issues hampering the conversion of moulded wheels to sold wheels
- A change of shipping method from air to sea freight due to COVID-19 for one customer means $4.5m for wheels in transit will be recorded as revenue for FY21
- Engineering Services and Tooling revenue up by $0.8m to $2.1m and in line with new programs and growth of existing programs

The health and safety of the Carbon Revolution team is the top priority



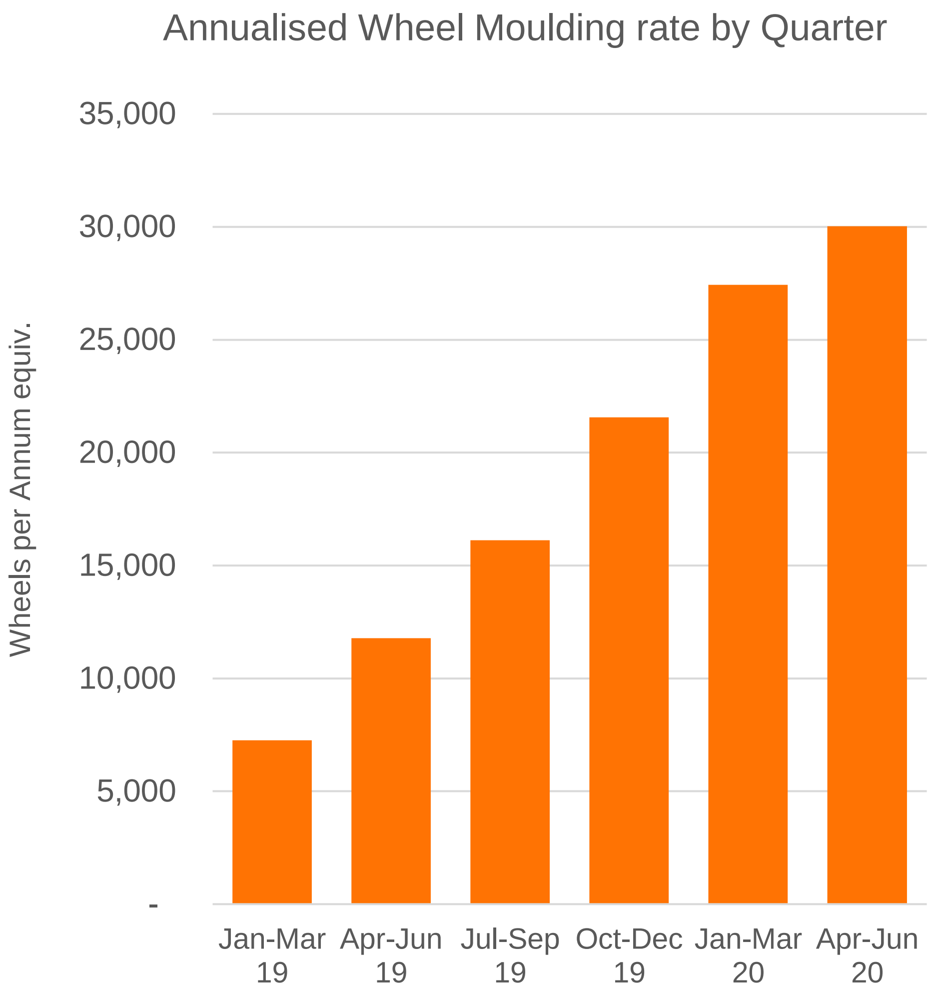
Our goal is to achieve zero harm to people and the environment

- Strong and proactive focus on maintaining a safe work environment, in this period of rapid growth
- LTIFR of 1.1, well below industry benchmark of 8.4 and has improved by further by 50% during the past 12 months
- Key safety programs:
  - Thorough induction programs
  - Stop and think culture
  - Life Saving Rules
- Proactive approach taken to managing the COVID-19 pandemic, with a strong program of measures taken
- Zero environmental incidents as benchmarked against and certified to ISO 14001 certification

1. Industry benchmark is the Safe Work benchmark for Motor Vehicle and Motor Vehicle Part Manufacturing as of 6th August 2020

LTIFR is Lost Time Injury Frequency Rate (Lost time injuries per million hours worked)

Operations review - Investing for efficient growth



Key industrialisation activities delivered in FY20 increased the annualised moulding rate to > 30,000 wheels p.a.

New installed equipment across the production process included:

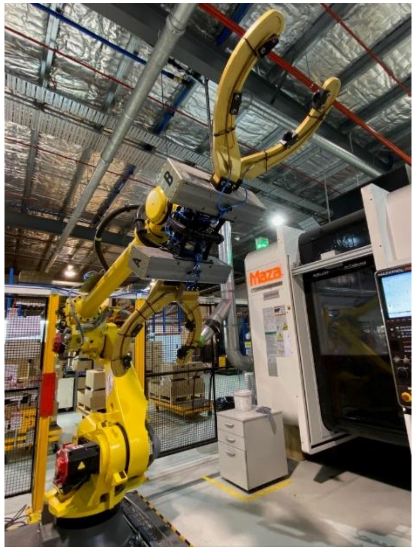
- Additional cutting machines and preforming equipment
- Additional Generation 2 rim forming machines
- Additional High Pressure Moulding Stations and Upgrades
- Robotic machine tending and additional robotic surface preparation

Aesthetic surface quality issue impacted sales and efficiency however the new fascia technology being implemented will dramatically improve the conversion of moulded wheels to sold wheels

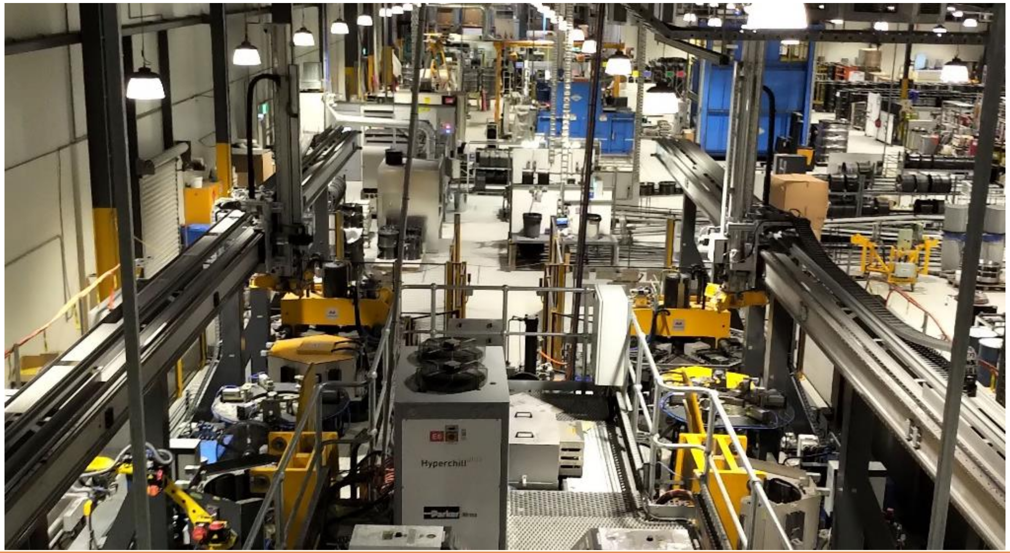
Operations review - Investing for efficient growth (cont.)

Conveyor Line Implementation

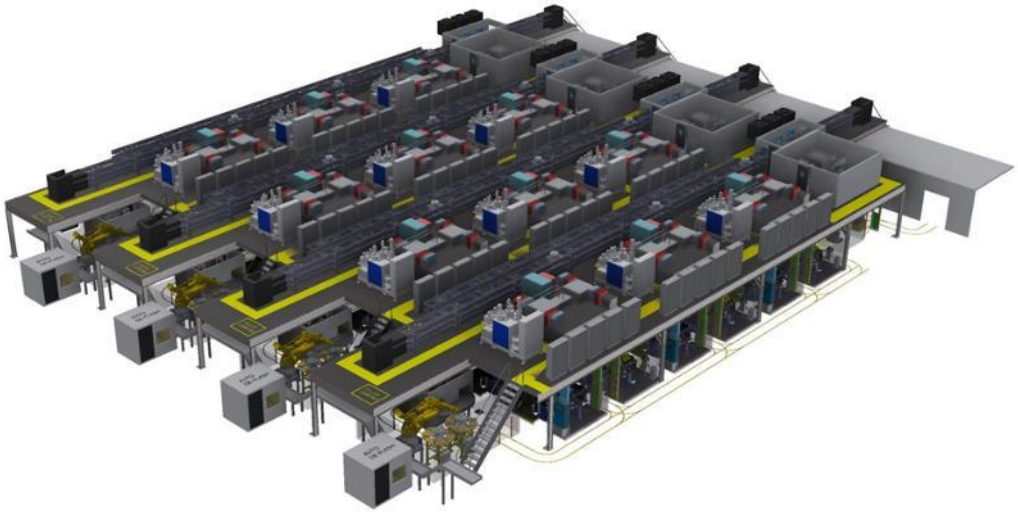
Automated Materials Handling and Processes



Additional Moulding Stations



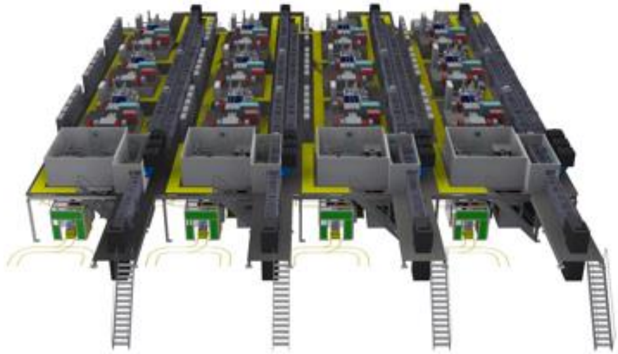
Mega-line Development



Operations review - Investing for efficient growth (cont.)

New Applications

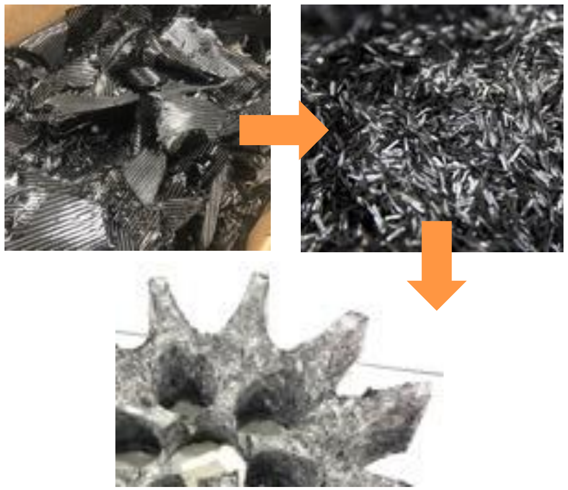
Industry 4.0 & Simulation



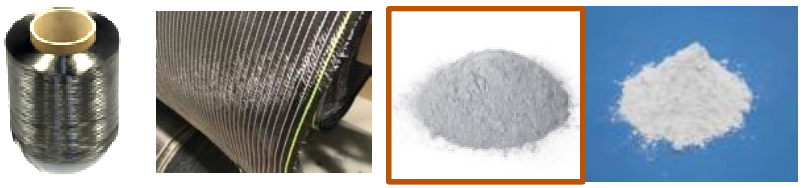
R&D Focus Areas

Additive manufacturing & waste elimination

Recycling & Circular economy

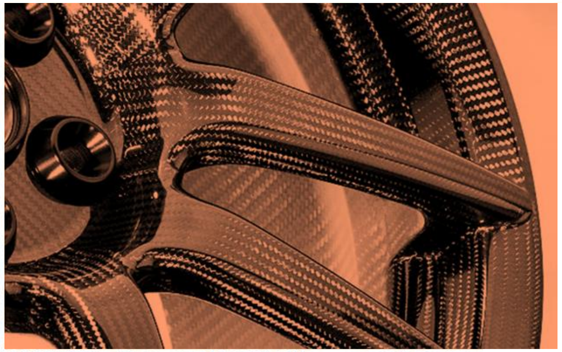


Materials development



Financial Results

Gerard Buckle – CFO


Financial highlights

Continued investment for future growth

- Very strong revenue growth during the year with progress made on manufacturing efficiency, albeit impacted by COVID-19 and aesthetic quality
- $26.9m invested for growth, with $14.6m of capital expenditure and $12.3m of capitalised R&D activities

Balance sheet bolstered by completion of IPO and Share Placement

- The company completed its IPO in November 2019, which included a primary raise of $30 million
- In April 2020 the company completed a $27.7 million raising. This strengthened the company's financial position as we managed the significant impacts on the business from COVID-19
- Refinancing of the $13m Ronal term loan with EFA is well progressed. Completion is expected in the coming months

Significant non-recurring or reversing cash impacts during year

- Global supply chains have stabilised, therefore the COVID-19 related raw material safety stock buffer held in inventory, of approximately $2.2m will be released over coming quarters,
- Moulded wheel inventory will reduce by approximately $4.6m during FY21 due to both the new fascia technology allowing build up of moulded wheels to be finished and selling wheels through painted programs
- The expansion capital requirements will reduce in the coming months as the current industrialisation assets are commissioned and the business has sufficient capacity for awarded programs. Capital expenditure in P,P&E not likely to exceed $14m in FY21
- The Q4 investment in research and development was abnormally large, due to fast tracking of the fascia and spoke core programs, with over $1.6m of R&D attributable to these programs

Profit and Loss - Scale clearly benefits the bottom line

	2020 $m	2019 $m	Change %
Sale of wheels	36.8	13.8	167%
Engineering services & tooling	2.1	1.3	62%
Total revenue	**38.9**	**15.1**	**158%**
Cost of goods sold	(50.5)	(22.5)	124%
Gross loss	(11.6)	(7.4)	57%
% of total revenue	*(30%)*	*(49%)*	19 pts
Selling, general and administration expenses	(13.0)	(11.1)	17%
Research and development expenses	(4.8)	(4.5)	7%
Capital raising transaction costs	(1.4)	(7.7)	(82%)
Total expenses	**(19.2)**	**(23.3)**	**(18%)**
% of total revenue	*49%*	*154%*	105pts
Other income	6.2	5.0	24%
Gain on revaluation of financial instruments		0.5	
EBIT before gains and losses related to the IPO	**(24.6)**	**(25.2)**	(2%)
Anti-dilutive shares issued on IPO	(35.8)	-	
Loss on conversion of financial instruments on IPO	(51.4)	-	
EBIT	**(111.8)**	**(25.2)**	**344%**
Net interest expense	(2.2)	(2.0)	10%
Loss before tax	**(114.0)**	**(27.2)**	**319%**
Income tax	-	-	
Loss after tax	**(114.0)**	**(27.2)**	**319%**
EBITDA adjusted (1)	**(17.1)**	**(22.4)**	(24%)
% of total revenue	*(44%)*	*(148%)*	104 pts

Individual items of income and expense are consistent with the statutory information.

(1) EBITDA adjusted is earnings before interest, tax, depreciation and amortisation and before the losses from anti-dilutive shares issued on IPO and loss on conversion of financial instruments

Significant increase in revenue with higher volume driving improved gross margin

- Wheel sales volume increased 145% to 13,942 wheels with revenue increasing by 158%
- Gross margin is improving due to:
  - Favourable mix impacts on pricing with average price per wheel increasing by almost 9%
  - Larger sales volume and industrialisation progress
  - However impacted by COVID-19 disruption and wheel aesthetic quality issue hampering throughput

Overheads also benefiting from scale

- SG&A per wheel is 49% down from FY19, reflecting control of fixed costs as volume has grown
- Other income stronger due to larger R&D tax incentive claim
- Healthy investment in research and development continues

Significant one-off items of $87.2m arising from IPO

COVID-19 impacted the second half in a number of ways

Recruitment frozen and operational changes made to protect staff impacted wheel production from March to June

- Recruitment associated with the volume ramp was frozen in March to minimise the risks from increased contact through the recruitment and hiring process
- Shift separation and physical distancing was introduced along with increased use of personal protective equipment
- Indirect staff all required to work from home as much as possible

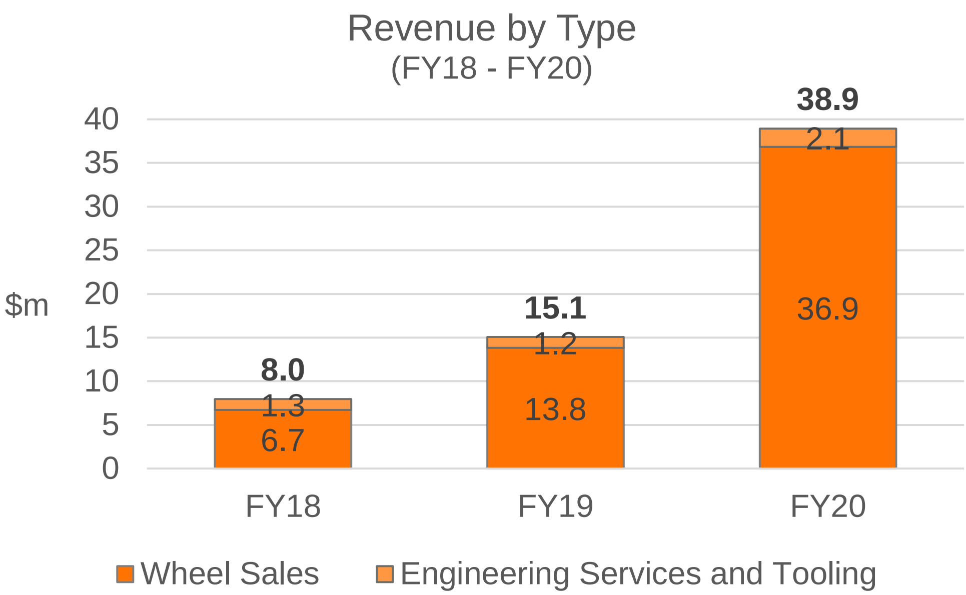
Global supply chains were interrupted

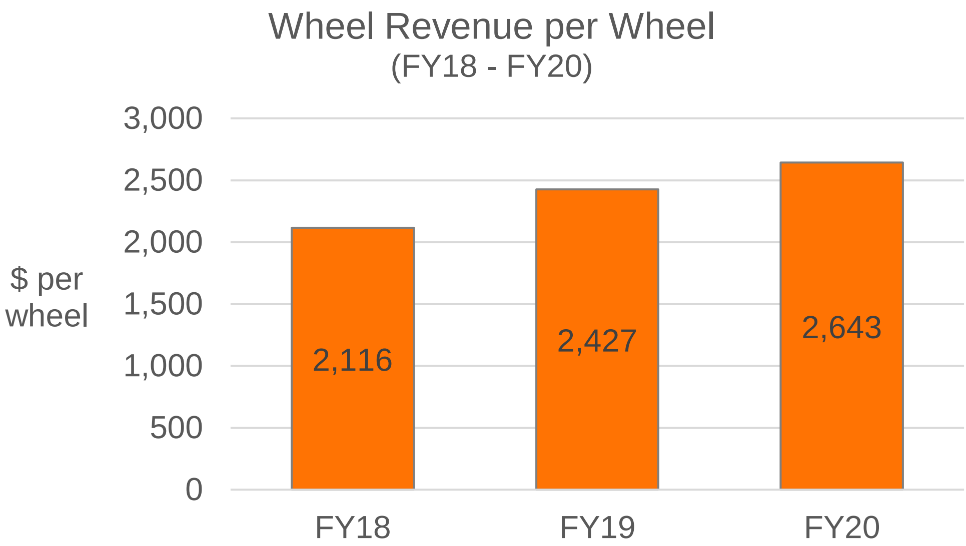
- Raw material manufacturers in Europe and the USA shut for extended periods. To reduce the risk of stock outs, the business increased raw materials stock levels and incurred significant freight costs during this period
- Cost of consumables (particularly face masks and gloves) rose significantly in March

Revenue impacts

- COVID-19 created material uncertainty around some customers' ability to receive wheels in March and April and the timing of their resumption of vehicle production post lock down
- We have taken the COVID-19 related volume slowdown as an opportunity to fill the customer pipeline with sea freight where possible, providing order stabilisation and lower cost shipping. There were an additional 1,344 wheels shipped, or revenue of $4.5m, that will not be recognised as revenue until next financial year

158% increase in revenue driven by both wheel volume and price





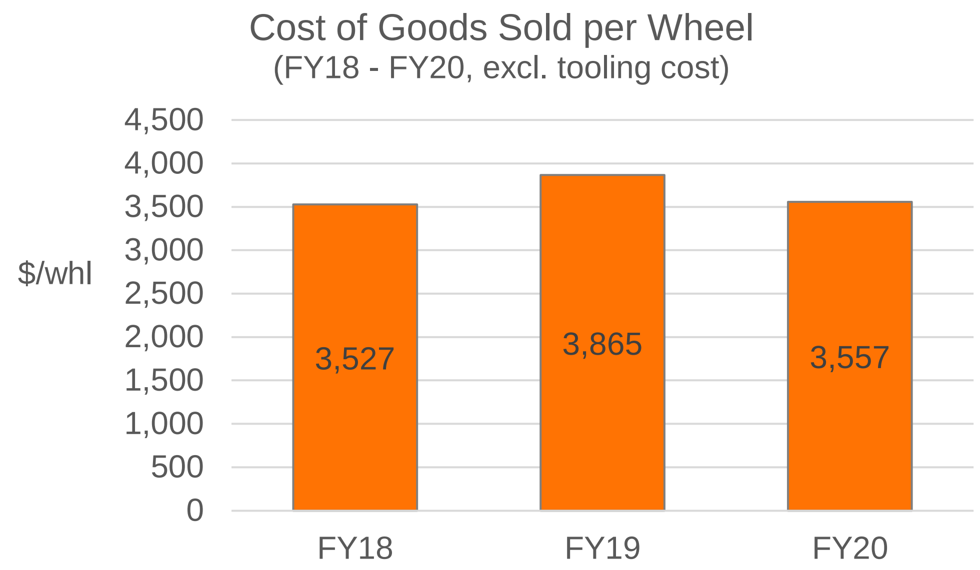
Total revenue increased 158% to $38.9m

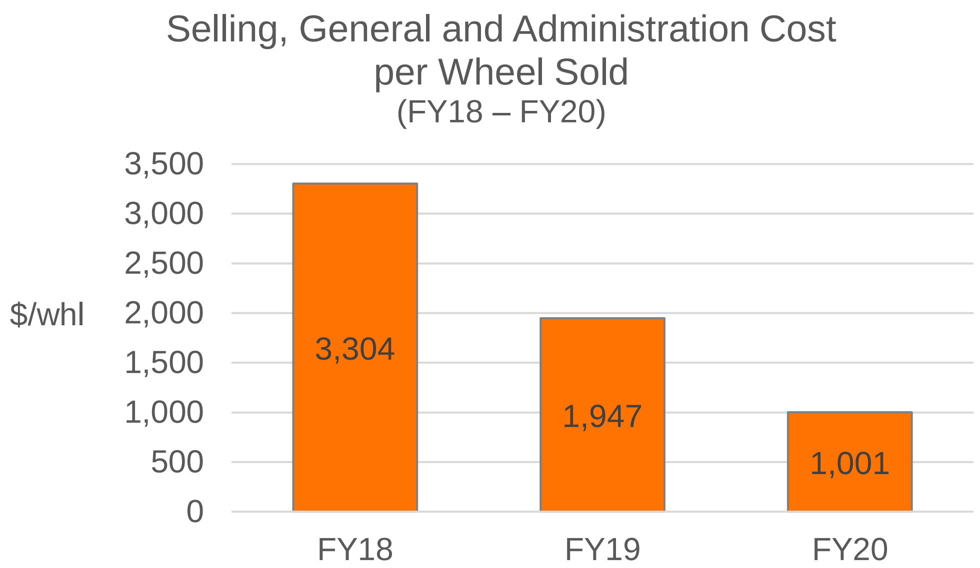
Very strong growth 166% to $36.8m in wheel sales revenue

- Volume grew by 145% to 13,942 wheels with strong sales on programs already in production, while programs starting in FY20 contributed 38% of FY20 sales revenue
- An 8.9% increase in wheel price also contributed to overall revenue growth as a result of a change in sales mix and favourable foreign currency movements, in particular the weakening of the Australian dollar relative to the Euro

Engineering Services and Tooling increased by $0.8m driven by timing of milestones related to new programs

Substantial industrialisation benefits remain to be realised





COGS per wheel improved in FY20 relative to FY19

- A higher proportion of wheels manufactured through more automated manufacturing processes
- Improved recovery of manufacturing overheads arising from higher production volumes
- Overall expenses as proportion of revenue improved substantially

However, these improvements were partially offset

- Adverse foreign currency movement for raw material purchases.
- A range of COVID-19 related input price impacts were felt, including both inbound and outbound freight costs
- Increased processing time and operational costs associated with the aforementioned aesthetic quality issues experienced

Accordingly, the business is still to realise the full operational cost benefits of its industrialised manufacturing technology

Capital employed increased as capacity increased and investment in new programs and technology

	2020 $m	2019 $m	Change $m
Receivables	7.9	9.0	(1.2)
Inventories	27.8	9.7	18.2
Less: Payables	(17.0)	(11.7)	(5.3)
Working capital	18.7	7.0	11.7
Working capital / sales revenue	48%	46%	(2%)
Debtor days	74	218	(144)
Inventory days	201	156	45
Property, plant and equipment	44.0	31.5	12.5
Intangible assets	17.9	7.9	10.0
Capital employed	80.6	46.4	34.2

Working capital increase with volume, COVID-19 raw material risk mitigation and increased moulded wheel inventory

- Raw materials ($2.2m increase) attributable to growth in stock levels associated with mitigating the risks of COVID-19 supply chain disruptions
- Work in progress ($10.2m increase) driven by the ramp-up in wheel sales and 2,750 moulded wheels held due to aesthetic quality issues experienced
- Finished goods ($5.8m increase) mainly relates to the change to sea freight for one customer

Significant expansion of industrialised capacity and intangible R&D

- Productive capacity throughout the year to support expected growth in current and near-term future programs
- Increased development activities being undertaken on customer programs and core technology development

Investing in technology, industrialised assets and working capital

Cashflow	2020 $m	2019 $m	Change $m
EBIT	**(111.8)**	**(25.2)**	**(86.6)**
Change in working capital and other	(11.3)	(2.7)	(8.6)
Net interest paid (excl convertible loan interest)	(2.2)	(2.0)	(0.2)
Non-cash losses related to IPO	87.2	–	87.2
Other non-cash items in EBIT	7.2	10.0	(2.8)
Net cash used in operating activities	**(30.9)**	**(19.9)**	**(11.0)**
Capital Expenditure	(14.6)	(14.9)	0.3
Intangible Expenditure	(12.3)	(7.8)	(4.5)
Net cash used in investing activities	**(26.9)**	**(22.7)**	**(4.2)**
Net cash from financing activities	**45.7**	**69.3**	**(23.6)**
Net Cash outflows	**(12.1)**	**26.7**	**(38.8)**

Net cash used in operating activities

- The increase is largely due to growth in working capital, especially inventory, which grew in line with business growth in 2020
- Inventory includes 2,750 moulded wheels in work in process awaiting the new fascia technology and painted programs which will be finished and released for sale in the coming year

Net investing cashflows

- Significant investment in industrialisation assets which support future growth plans
- Increased R&D activities on the core wheel technology and new program developments

Net financing cashflows

- Funds raised in the company's IPO ($30m primary raise) and also the COVID-19 Placement ($27.7m)

Net debt decreased by $68.9m to a net cash position of $15.2m

	2020 $m	2019 $m	Change $m
Loans and borrowings			
Current	18.7	74.0	(55.3)
Non-current	–	25.5	(25.5)
Total loans and borrowings	18.7	99.5	(80.8)
Less: Cash and cash equivalents	(33.9)	(45.8)	11.9
Net debt/(cash)	**(15.2)**	**53.7**	**(68.9)**

Net debt decreased by $68.9m to a net cash position of $15.2m, driven by:

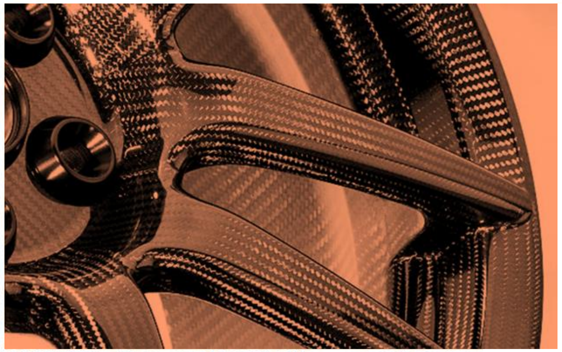
- Capital raised during both the IPO and COVID-19 raising
- Conversion of convertible notes into equity during the IPO
- Offset by the $5m repayment of principal associated with the Ronal loan and the staged repayment of a grant advance to the State of Victoria as milestones associated with that grant were achieved
- The level of net debt was also impacted by the cash used in both operating and investing activities throughout the year

Refinancing is underway:

- Arrangements to repay the $13m Ronal term loan are well progressed. Key terms and conditions for a 3 year term loan facility with EFA have been agreed and this arrangement is now being documented. The EFA loan will be a $13m 3-year term debt facility that will amortise over the three years, have quarterly repayments and the interest rate will be BBSY plus 5.95%. Completion is expected in the coming months.
- Working capital facilities are being investigated

Summary and Outlook

Jake Dingle – CEO


FY21 Outlook

Sales growth, signing new programs and the industrialisation of the manufacturing process remain key priorities for FY21

The company continues to invest strongly in new customer programs, core wheel technology and industrialisation technology. Our products are underpinned by an extensive intellectual property portfolio

Although some OEM customers have delayed the introduction of some programs, all customers are currently in production and demand for our technology remains strong

In FY21 the company expects to:

- Deliver strong sales growth over FY20
- Become gross profit positive during the second half of the FY21 year, when the production levels lift and the full impact of industrialisation benefits can be realised
- Realise the cashflow benefits of reducing inventories (both raw materials and work in progress), reduced expansion capital spend and reduced investment in research and development
- Repay the Ronal term debt, obtain an EFA $13m term debt facility and obtain working capital funding

Continued growth in new OEM programs a key priority

Programs announced by OEMs





- The company continues to invest strongly in new customer programs and industrialisation technology
- The company was awarded three new wheel programs during the year
- The company's wheel programs cover most vehicle segments, including wheels for several performance sedans, a hot hatch, a SUV and supercar
- Now nominated / awarded 11 contracts with 5 global OEMs with 6 programs publicly announced by the OEM and in production
- The company is also working with an Asia-based OEM on the engineering and development of a new program

Stage of Program Lifecycle		Number of Programs
Awarded programs in production during FY20		6
Programs in development	Awarded	5
	Under engineering order	1
Programs entering run out during FY21		3
Awarded programs planned to enter production in FY21		2

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Large and Growing Customer Base	Addressable market is very large with increasing penetration. 3 new OEM programs signed during FY20 taking total awarded programs to 11. Progressing a new program with a new Asia-based customer
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Clear Industrialisation Pathway	Industrialisation pathway is clear and progressing well. Development of next stage Mega-line a focus to support market pull

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