Carbon Revolution

Half Year Results FY2021

24th February 2021

Disclaimer

This Presentation is provided by Carbon Revolution Limited (“Carbon Revolution” or the “Company”) as a summary of the Company and its operations and for general information purposes only.

This presentation is not a disclosure document and should not be considered as investment advice or an offer or invitation to subscribe for or purchase any securities in Carbon Revolution, or an inducement to make an offer or invitation with respect to such securities. This presentation does not purport to cover all relevant information about any potential investment in Carbon Revolution. Accordingly, potential investors are advised to seek appropriate independent advice, if necessary, to determine the suitability of any investment. This presentation must not be relied on to make an investment or other financial decision and recipients should conduct their own investigations, enquiries and analysis and place no reliance on this presentation in evaluating any potential investment.

None of Carbon Revolution, or their respective employees, officers, related entities or advisers have audited or investigated the accuracy or completeness of the information, statements and opinions contained in this presentation. Accordingly, to the maximum extent permitted by applicable laws, none of them makes any representation and none of them gives any assurance, guarantee or warranty, express or implied, as to, and none of them takes any responsibility or assumes liability (including in negligence) for the authenticity, validity, accuracy, suitability or completeness of, or any errors in or omissions from, any information, statement or opinion contained in this presentation.

This presentation contains certain forward-looking statements which have not been based solely on historical facts but, rather, on Carbon Revolution’s current expectations about future events and on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside the control of Carbon Revolution and its directors, officers and advisors. Carbon Revolution undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such statements or to keep current any of the information provided. Any estimates or projections as to events that may occur in the future (including projections of revenue, expense, net income and performance) are based upon the best judgement of Carbon Revolution and there is no guarantee that any of these estimates or projections will be achieved. Actual results will vary from the projections and such variations may be material. Carbon Revolution has no obligation to tell recipients if it becomes aware of any inaccuracy in or omission from the information in this presentation.

Other than for the pictures of the Carbon Revolution facilities and machinery, the assets featured in the pictures in this presentation are not assets of the Company.

By accepting this presentation, you acknowledge and agree to be bound by each of the foregoing statements.

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

H1 FY21 Results Presentation Agenda

Highlights

Financial Results

Summary and Outlook

Highlights

Jake Dingle – CEO




Demand outlook strong

Demand outlook strong and aligning with Mega-line design readiness

- Current and potential customers seeking significant volumes
- Award of new wheel programs and extensions of existing programs are expected in the second half of FY21
- The initial design of the Mega-line is complete and ready for sourcing

Significant progress on industrialisation of our business

- Commercialisation of the new fascia technology achieved. Dramatically improves the conversion of moulded wheels to sold wheels, delivering a reduction in labour cost per wheel and increased product quality
- Substantial capital investment of $9.7m with new industrialised equipment installed. Total installed moulding capacity is now up to 80,000 wheels per annum, of which high-pressure moulding capacity is now up to 60,000 and sufficient for awarded programs

Aerospace development progressing well

- Helicopter wheel design progressing. Modelling reveals substantial weight savings
- New interest from major aircraft manufacturers, outside the project sponsors

H1 FY21 Highlights (cont.)

Pro-actively managing the impacts from COVID-19

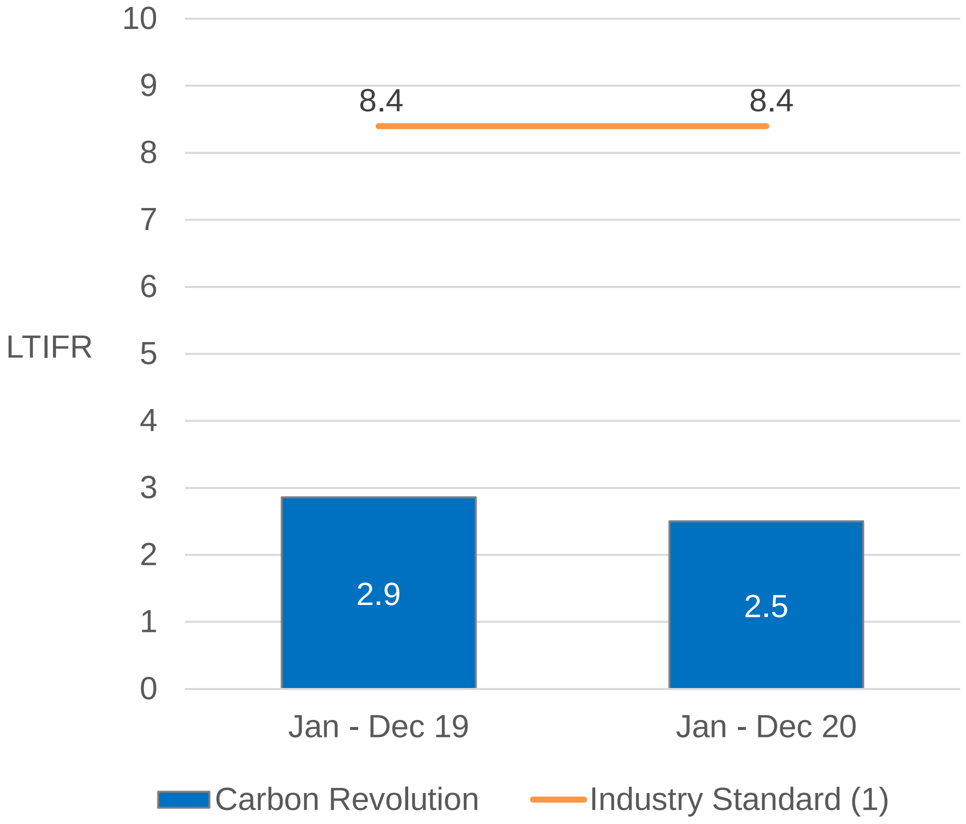
- Consistent with expectation, and as previously announced, the Company's H1 FY21 sales were impacted by issues related to COVID-19 with one customer and seasonality impacts with another
- Revenue was $17.2m, a reduction of 14.1% from the prior corresponding period (H1 FY20)
    - $16.6m wheel revenue from 6,397 wheel sales
    - Engineering and Tooling revenue of $0.7m
- Strong sales growth over FY20 is expected in FY21 despite COVID-19 related impacts

Focus on cash management

- Cash balance of $15.4m at 31 December 2020
- Second quarter cashflow from operations (including grants and reduction in work-in-progress) was positive and is expected to remain positive for H2 FY21
- Substantial capital investment of $9.7m (~70% of expected FY21 capex) with new industrialised equipment installed
- Refinancing of the $13m Ronal term loan with Export Finance Australia ("EFA") completed during H1 FY21 delivering substantial interest cost saving. A $7.5m working capital facility to augment this term loan, and support growth, is being finalised

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

Carbon Revolution's Rolling 12-month LTIFR vs Industry Benchmark[1]



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

- Strong and proactive focus on maintaining a safe work environment
- LTIFR of 2.5 over the 12 months to 31 Dec '20, well below industry benchmark of 8.4, despite a major maintenance program being carried out over the Christmas break and significant new equipment commissioning
- Proactive approach taken to managing the COVID-19 pandemic, with a program of risk reduction measures taken
- Key people and safety programs in focus:
  - Stop and Think culture
  - Life Saving Rules
  - Early intervention strength and conditioning program
  - Roll out Carbon Revolution mental health program (CARE)
  - Company-wide communications application (Bonfyre)
  - Strengthened contractor management regime
- 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, rolling 12 month)

Strong progress being made with OEM relationships. Increased demand expected for both conventional and EV applications



- Current customers have responded very positively to the aesthetic enhancements and flexibility delivered by the implementation of fascia technology. Complete transition of all programs to fascia is on track
- The Company expects award of new programs and extensions of existing programs in the second half, both with existing and new customers, and for conventional and EV applications
- A number of awarded programs are in the key design validation and prototype testing phase, including the previously discussed Premium SUV program and Asian OEM program – all are on track
- Strong momentum is now building from the EV segment, both with conventional OEMs and new ‘pure EV’ entrants. Our technology is a strong fit for this new and high growth segment of the global automotive market
- Expanded network of senior global automotive leaders coming onboard to drive uptake in key markets



Operations focus was on new technology to drive quality and flow and completing capacity commissioning

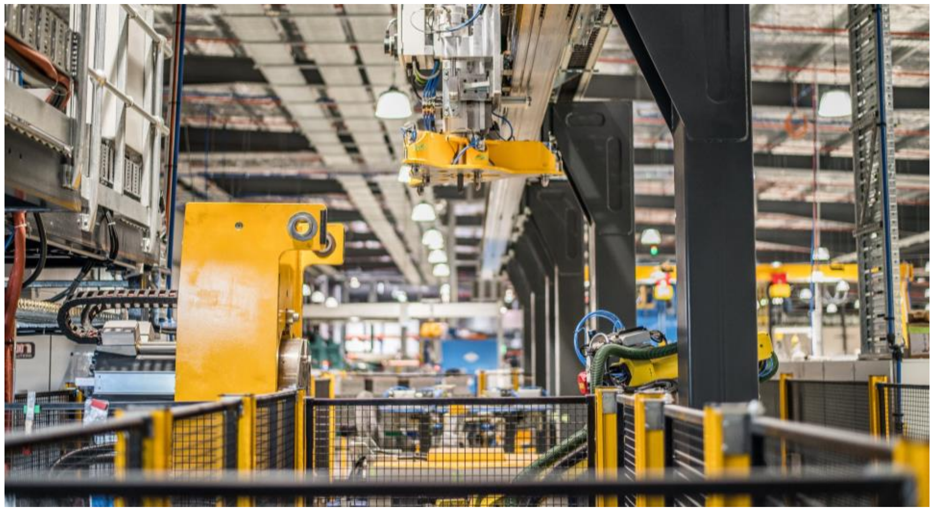
- The new fascia technology was successfully implemented, resulting in:
  - Improved conversion of moulded wheels to sold wheels, contributing to inventory reduction of ~3,100 wheels
  - Quality and flow benefits of fascia technology clearly evident as mould rate increases
- Capital expenditure of $9.7m in H1 FY21 with significant industrialised equipment commissioned
  - High-pressure moulding installed capacity now up to 60,000 wheels per annum and total installed capacity of 80,000 wheels per annum including low pressure moulding capacity
  - Automated face layup conveyor line, additional pre-form machine, thermal barrier cell and machining centre
  - As planned, around 70% of the expected FY21 cash outflow for equipment capital expenditure occurred in H1 FY21 and the business now has sufficient capacity for awarded programs
- The wheel moulding rate moderated due to COVID-19 impacts on wheel sales, targeted inventory reductions and manufacturing seasonality on one customer program
- R&D activities progressed well on all customer programs and technology development

Operations review - Investing for efficient growth (cont.)

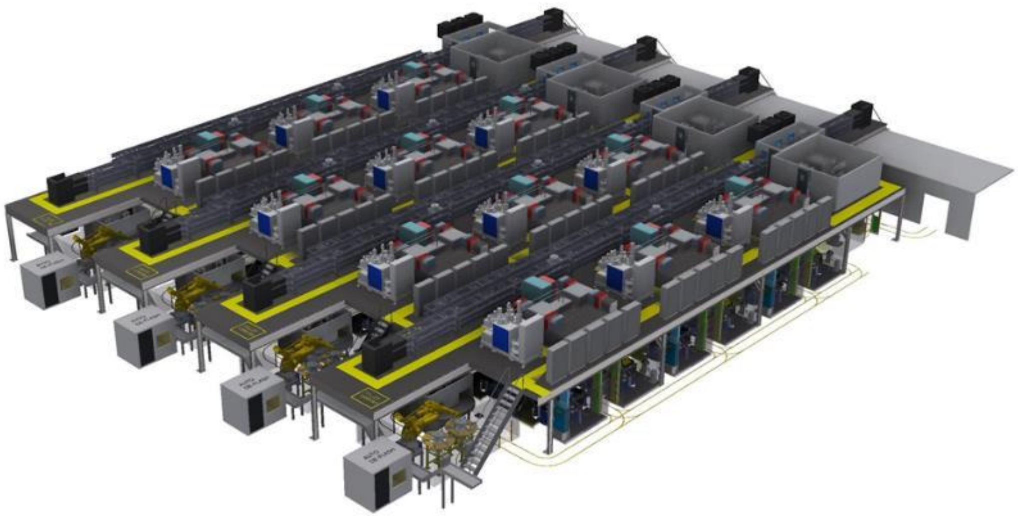
Automated Face Layup Line - Commissioned

Automated Materials Handling and Processes

High Pressure Moulding – Additional Stations Commissioned, high-pressure installed capacity now up to 60,000 wheels pa.



Mega-line Development – Ready for Sourcing



Compelling Fundamentals

Demonstrated Value Proposition	Carbon fibre wheels make cars lighter, faster, quieter, and more fuel efficient, providing a compelling business proposition to global car manufacturers
Global Leader	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, both in production or under development. New programs expected to be secured in the second half of FY21
Track Record of Delivery	Demonstrated track record in the market, with over 35,000 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

Financial Results

Gerard Buckle – CFO




Profit and Loss – Impacted by reduced volumes and mix

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income	31-Dec-20 $m	31-Dec-19 $m	*change %*
Sale of wheels	16.6	18.4	*-10%*
Engineering services & tooling	0.7	1.7	*-62%*
Total revenue	**17.2**	**20.1**	***-14%***
Cost of goods sold	(25.7)	(24.6)	*4%*
Gross loss	**(8.4)**	**(4.6)**	***84%***
% of total revenue	*-51%*	*-25%*	*104%*
SG&A	(8.9)	(6.2)	*42%*
Research and development	(4.1)	(3.0)	*39%*
Capital raising transaction costs	-	(1.3)	*-100%*
Total expenses	**(13.0)**	**(10.5)**	***24%***
% of total revenue	*75%*	*52%*	*44%*
Other income	7.5	5.2	*44%*
EBIT (for before gains and losses related to IPO for H1 FY20)	**(14.0)**	**(9.9)**	***41%***
Anti-dilutive shares issued on IPO	-	(35.8)	*-100%*
Gain/(loss) on revaluation of financial instruments	-	(48.4)	*-100%*
EBIT	**(14.0)**	**(94.1)**	*-85%*
Net interest expense	(0.8)	(4.5)	*-81%*
Loss before tax	**(14.8)**	**(98.6)**	*-85%*
Income tax expense	-	-	
Loss after tax	**(14.8)**	**(98.6)**	*-85%*
EBITDA adjusted[1]	**(8.9)**	**(6.9)**	*30%*
% of total revenue	*-52%*	*-34%*	*51%*

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

(1) EBITDA adjusted is earnings before interest, tax, depreciation and amortisation and, for H1 FY20, was before the losses from anti-dilutive shares issued on IPO and loss on conversion of financial instruments

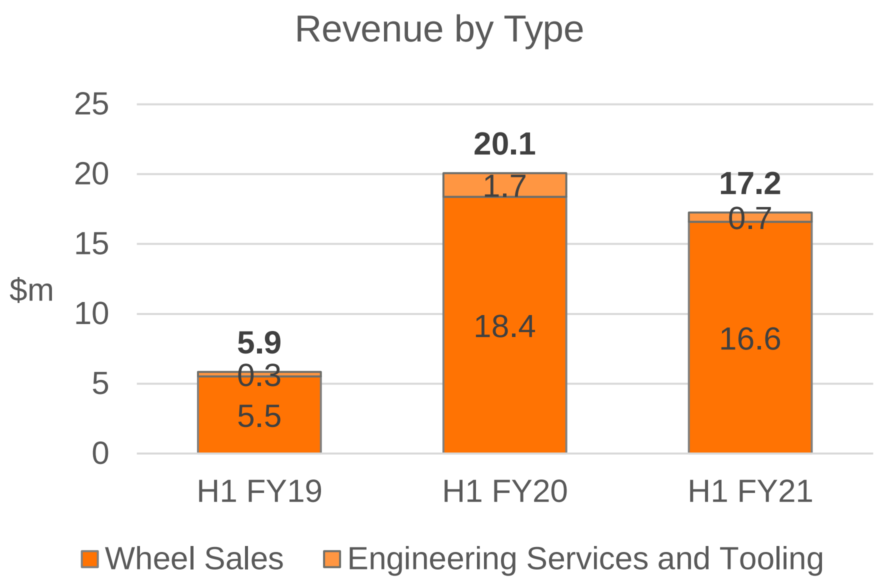
Previously announced reduced sales volumes impacted both revenue and gross margins

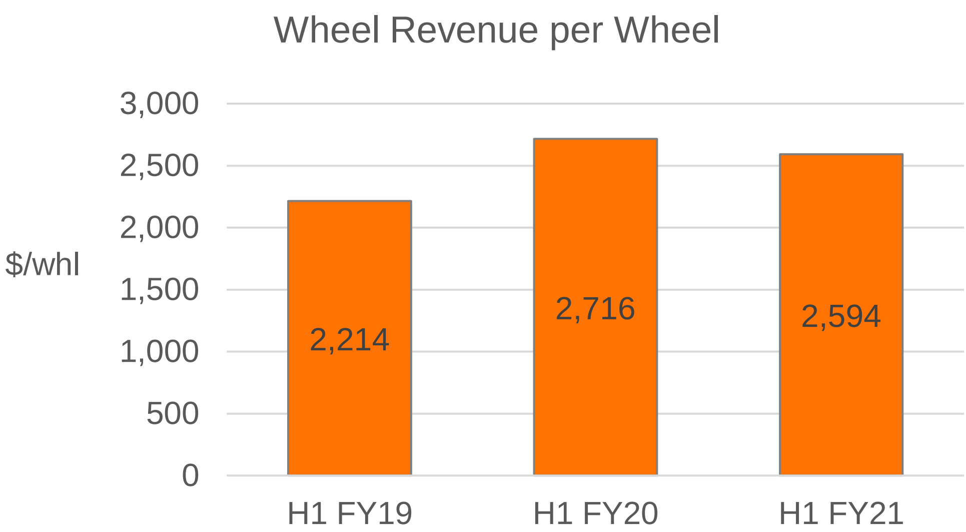
- Wheel sales volume reduced by 5.4% to 6,397 wheels with revenue decreasing by 14.1% impacted, as expected, by issues related to COVID-19 on one program and seasonality on another program
- Engineering services and tooling revenue was lower and variable on a half to half basis based on program milestones
- Gross margin impacted by:
  - Reduced production volumes impacting allocation of fixed costs and production efficiency
  - Cost of finishing work-in-progress wheels
  - Volume mix impact on pricing with average price per wheel decreasing slightly

Overheads also impacted by reduced volumes

- S,G&A increases arising mainly from treatment of equity-based remuneration schemes and long-term incentives ($1.5m non cash) and insurance premiums ($0.7m)
- R&D increase with significant fascia and new program development

H1 Revenue drivers





Revenue for the half was $17.2m, a 14.1% decrease from H1 FY20

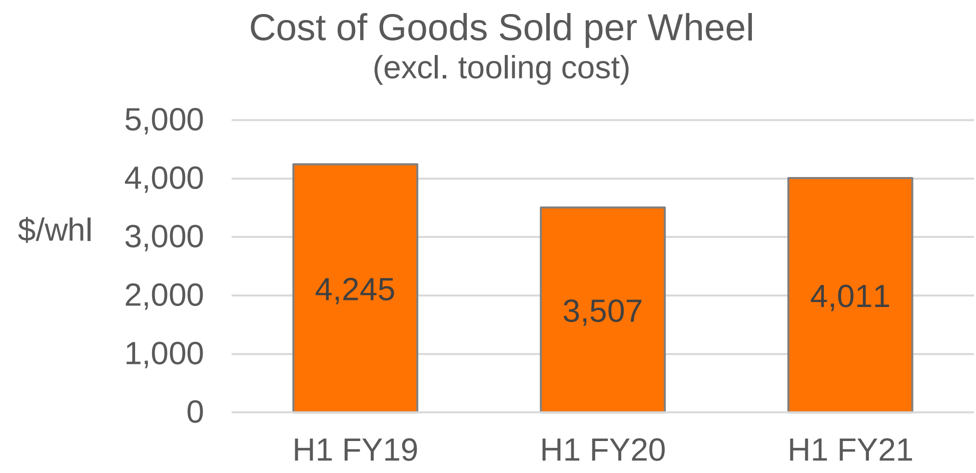
Wheel sales revenue reduced by 9.7% to $16.6m as expected, driven by issues related to COVID-19 for one customer and seasonal manufacturing on another program

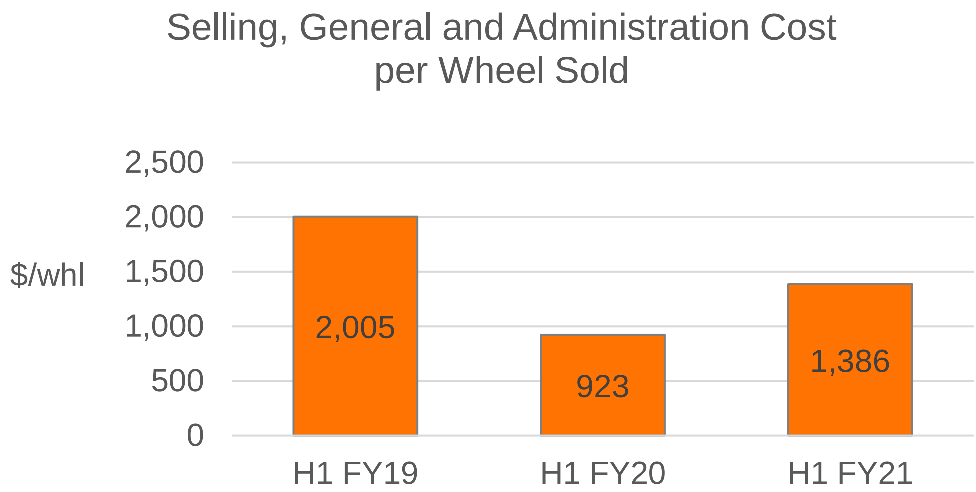
- Wheel sales volume reduced by 5.4% to 6,397 wheels
- Slight average wheel price reduction is a COVID-19 driven mix impact relating to the lower sales to one OEM

Engineering Services and Tooling reduced by $1m driven by variable timing of milestones related to new programs

Expect that wheel sales growth will return in the second half of FY21

Efficiency metrics impacted by reduced volumes





COGS per wheel was impacted by reduced production volumes

- Labour productivity and recovery of manufacturing overheads were impacted by significantly lower production volumes
- Cost to finish work-in-progress wheels that were subject to the previously discussed aesthetic quality issue
- Implemented a series of operational changes, including reductions in the workforce engaged in production activities and the restructuring of shifts

S,G&A per wheel was impacted by reduction in volumes, equity-based incentives and insurance

Moulding rates now increasing and benefits of fascia technology to quality and flow clearly evident

With low production volumes and fascia only implemented late in the half, full operational cost benefits will come through in second half

With the expected increase in demand in H2 FY21 and strong progress on labour productivity with fascia introduction, the business expects to become gross profit positive during H2 FY21

Delivering operating cashflow and financing improvements

Second quarter cashflow from operations (including grants and reduction in work-in-progress) was positive and is expected to remain positive for H2 FY21

Cashflow	31-Dec-20	31-Dec-19	Change
	$m	$m	$m
EBIT	**(14.0)**	**(94.1)**	**80.1**
Change in working capital and other	3.4	(10.9)	14.3
Net interest paid (excl convertible loan interest)	(0.8)	(4.5)	3.7
Non-cash losses related to IPO	–	84.2	(84.2)
Other non-cash items in EBIT	9.4	9.8	(0.4)
Net cash used in operating activities	**(2.0)**	**(15.5)**	**13.5**
Capital Expenditure	(9.7)	(6.4)	(3.3)
Intangible Expenditure	(4.1)	(4.0)	(0.1)
Net cash used in investing activities	**(13.9)**	**(10.4)**	**(3.4)**
Net cash from financing activities	**(2.6)**	**20.0**	
Net cash outflows	**(18.4)**	**(5.9)**	**(12.5)**

New $7.5m working capital facility expected to be finalised in the next month.

- Key terms and conditions have been agreed and this arrangement is now in the process of being finalised

Planned inventory reductions are underway:

- Reduction in wheel inventory during the half of ~3,100 wheels with further reduction of at least 1,000 wheels expected in H2 FY21
- Raw materials are expected to reduce in H2 FY21 as wheel moulding increases delivering an expected $2m benefit

Significant expansion of industrialised capacity and intangible R&D

- Productive capacity throughout the half year to support expected growth in contracted programs. The business now has sufficient capacity for awarded programs
- Majority (~70%) of FY21 expected capital expenditure has already been spent

Refinancing of the Ronal facility was completed, delivering a lower cost of debt

Summary and Outlook

Jake Dingle – CEO




Status of Key FY21 Expectations

Sales	Deliver strong sales growth over FY20

- Although there remain uncertainties arising from the ongoing impacts of COVID-19 and the automotive industry's response in the near-term, the Company expects to deliver strong sales growth in FY21
- Two programs in development are expected to move into production status by the end of the FY21
- Current and potential customers seeking significant volumes and award of new wheel programs and extensions of existing programs are expected in the second half of FY21

Gross Profit	Become gross profit positive during the second half of FY21

- With expectation of increased demand in H2 FY21 and strong progress on labour productivity with fascia introduction, the business expects to become gross profit positive during H2 FY21

Cashflow	Realise cashflow benefits of reducing inventories

- Ongoing reduction of wheel inventory by at least a further 1,000 wheels in H2 FY21 on top of ~3,100 in H1 FY21
- Continued release of COVID-19 related raw material safety stock buffer - almost $2m benefit expected to be realised for FY21
- Net cashflow from operating activities (including grants and reduction in work-in-progress) was positive in Q2 FY21 and is expected to remain positive in H2 FY21
- Substantial capital investment of $9.7m undertaken (~70% of expected FY21 capex) with new industrialised equipment installed

Financing	Refinance term debt & establish working capital facility

- $13m three-year term debt facility with EFA in place and Ronal AG debt repaid, delivering interest cost savings
- Working capital facility to augment this term loan, and support growth, is expected to be finalised in the next month

Contact details

Investors

Nick Batchelor
Nick.batchelor@carbonrev.com

Andrew Keys
investors@carbonrev.com

Media

John Fergusson
Daymark
+613 407 826 952