

1H22 Results Presentation

February
2022



Close the Loop
GROUP

Create - Recover - Reuse

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INTRODUCTION & 1H22 RESULT HIGHLIGHTS

Joe Foster - CEO



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About Us

As the only ASX-listed company offering end-to-end solutions, Close the Loop is focused on the future growth, sustainability and the circular economy.

- We create innovative products and packaging that includes recyclable and made-from-recycled content, as well as collect, sort, reclaim and reuse resources that would otherwise go to landfill.
- Close the Loop consists of the merging of two secondary business groups - Close the Loop and O F Pack.
- The combining of these two entities allows for end-to-end solutions across packaging and consumables to a variety of markets, with advanced innovation in product development, sustainable packaging offerings as well as end of life take-back and recovery systems for complex commodities to greatly reduce waste to landfill.
- We create innovative products and packaging that includes recyclable and made-from-recycled content, as well as collect, sort, reclaim and reuse resources that would otherwise go to landfill.



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Our Divisions



Medium- Large Volume
Offshore Gravure Print
Production Orders

Complimentary Packaging
Services (Technical and
Artwork Support)



Close the Loop

Print Consumables & Cosmetics
Take-Back

Post Consumer Recyclate (PCR)
Products (Including Use of Soft
Plastics)



Commercial Paper and
Cardboard Materials
Recovery



Australian-Made Flexographic
Print Packaging



Australian-Made Short Run
Digital Print Packaging

Unprinted Off-the-Shelf Bags



OCEANIC AGENCIES

Bulk Handling and Retail
Seafood Packaging



Acquisition of Crasti & Co.



Bag
Closures &
Bread Clips



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Market Overview: Circular Economy



- A circular economy is an economic system that tackles climate change, biodiversity loss, waste, and pollution.
- It seeks to correct the problems of the linear economy where consumers and businesses follow a “take, make, waste” process, meaning most products and resources become waste.
- It employs reuse, sharing, repair, refurbishment, remanufacturing and recycling to create a closed-loop system, minimising the use of resource inputs and the creation of waste, pollution and carbon emissions.
- This results in products, materials, equipment and infrastructure being in use for longer and improving their productivity.



How We Fit Into the Circular Economy

Create & Reuse Divisions:

 **Close the Loop**

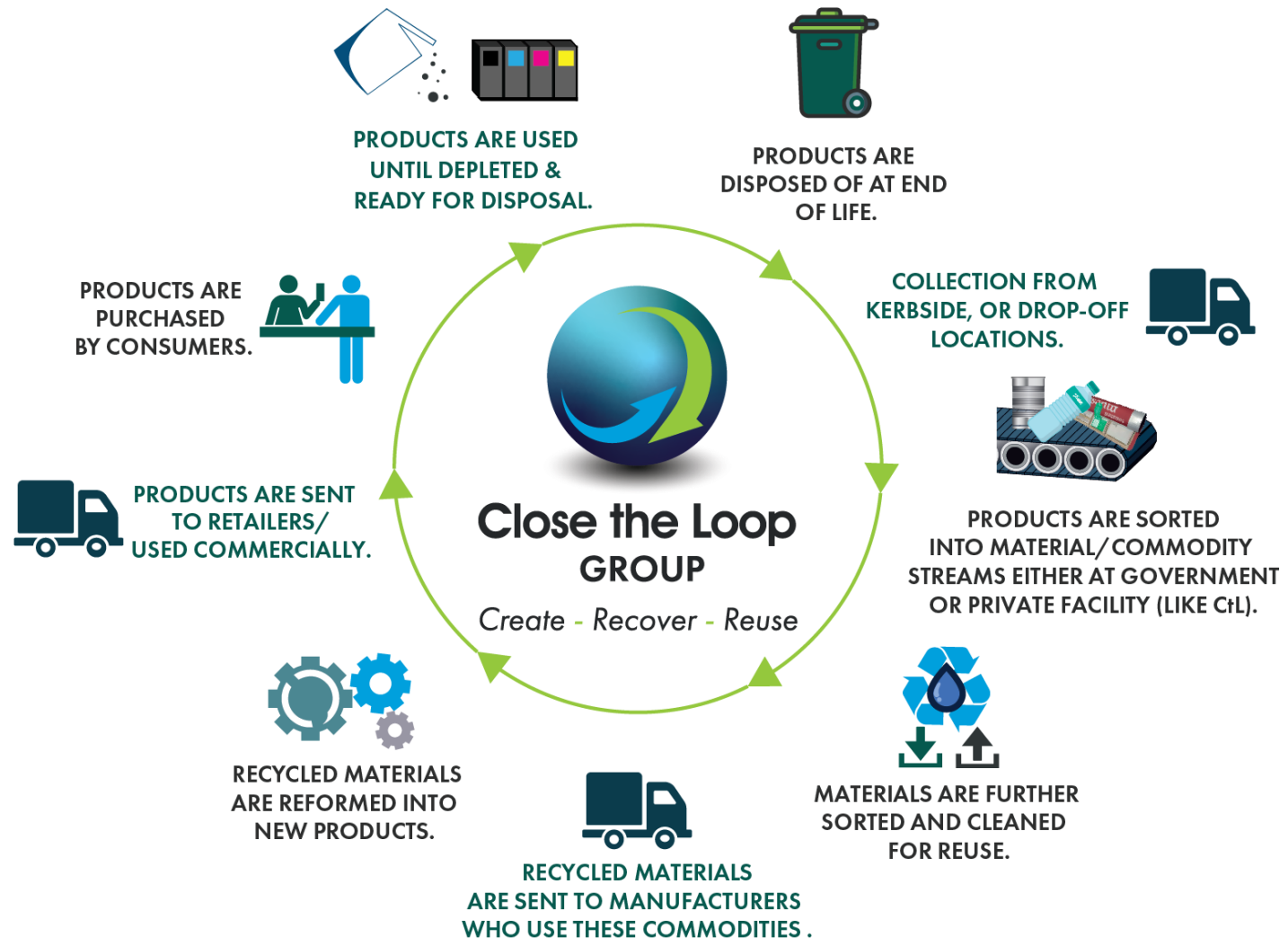












Collection & Recovery Divisions:

 **Close the Loop**



Macro and Regulatory Tailwinds

- Almost US\$3 trillion (per year) of additional capital investment is required to meet increasing sustainability metrics¹
- Continued high landfill rates for plastic and print consumables
- Low adherence to recycling²
- Single-use plastics: There continues to be widespread use of single-use plastic despite ban by many countries.³
- Customers are examining more effective and efficient recovery and take back/re-use of valuable product resources to increase their “social license to operate”
- The Australian Government has been proactive for several years:
 - 2018 promoted the National Waste Management Policy
 - 2020 by legislating the *Recycling and Waste Reduction Bill 2020*⁴
 - 2021 Plastics Export Waste Ban
 - 2022 Pure Recycled Stream
- EU's Waste Electrical and Electronic Equipment (WEEE) Directive
- Chinese National Sword ban on importing mixed recycled plastic waste⁵

¹<https://www.iea.org/reports/world-energy-model/sustainable-development-scenario>

²https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Waste_statistics

³<https://www.unep.org/interactive/beat-plastic-pollution/>

⁴<https://www.legislation.gov.au/Details/C2020A00119>

⁵<http://documents.packagingcovenant.org.au/public-documents/Market%20Impact%20Assessment%20Report%20Chinese%20Import%20Restrictions%20For%20Packaging%20in%20Australia>



ONLY 2% OF PLASTIC PACKAGING GLOBALLY IS RECYCLED CLOSED LOOP

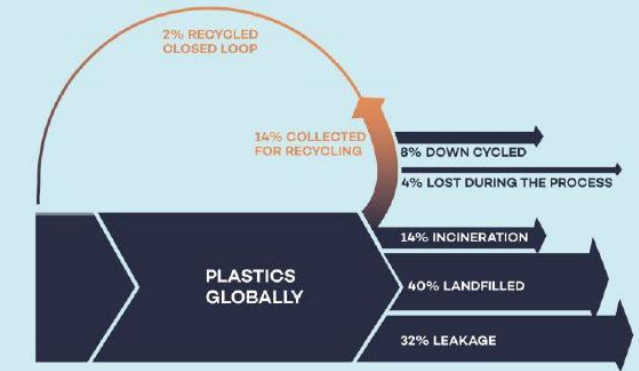


Figure 8: Closed loop recycling. Note, this graphic was pulled from The Ellen MacArthur Foundation.



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Financials

<p>\$40.7M REVENUE +22.6% on pcp</p>	<p>\$7.4M EBITDA +51% on pcp</p>
<p>\$4.97M NPBT +67.7% on pcp</p>	<p>\$14.4M CASH +109% on 30 June</p>

Key Comments:

- On track to exceed prospectus forecasts
- Strong year-on-year growth across the Group
- Business generating strong free cash flows
- Results based on aggregated accounts

Highlights 1H22



- Showing good performance against forecasts and would expect to achieve budget despite the challenges with supply chain logistics from Asia and Foreign currency pressures
- Orders inwards are positive over the course of the next three months, giving us confidence that we will meet the expected budget for FY22



- Year-on-year is showing positive growth of 40% following strong demand from international markets for recycled cardboard with stable prices
- Sales are tracking well to date and performing strongly against forecast as new sales opportunities continue to grow



- Sales are up on last year, showing excellent growth following the high demands for local production of flexible packaging for Horticulture, Petfood and Confectionery markets
- Sales are expected to achieve the forecast showing growth of 85% on revenue compared to last year
- We are seeing high demand for locally produced packaging containing high percentages of recycled content and more recyclable-ready packaging



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Highlights 1H22



- As a specialist in bulk and retail seafood packaging in Australia, this business was natural bolt on to the current O F Packaging business with opportunities for excellent growth through cross selling across the Packaging divisions
- With two months of trading since the purchase of Oceanic Agencies, we have seen strong sales compared to the previous period
- As this is the busy period for harvesting within the aquaculture industry, we expect to see strong sales over the next two months



- Revenue is tracking above forecast and we expect to achieve the FY22 budget based on the strong forward sales and order book
- We are seeing strong demand for recyclable-ready packaging and recycled content which are products that are readily available through the O F Pack offering
- With FX movement and raw material increases putting margins under pressure, these adjustments are been passed on when possible



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Highlights 1H22

Close the Loop - Australia

- Close the Loop's Australian operations have been impacted by the COVID pandemic and the lockdowns in its major markets of Melbourne and Sydney during the half year
- Close the Loop is a volume-based business and collection volumes continue to be subdued compared to before the start of the pandemic

Close the Loop - USA

- The USA recycling businesses has bounced back strongly post-COVID with collection volumes approaching pre-pandemic levels
- This business unit continues to trade ahead of budget for FY22
- Close the Loop USA is expanding with a number of new collection programs outside its traditional imaging consumables business commencing during the reporting period

Close the Loop - EU (ClozDloop)

- The European business has continued to have COVID-related challenges yet it is still tracking to its FY22 budget
- The business is in the process of expanding its service offering that will see it become more ingrained in the supply chain of its existing customers
- The expansion of service offering will be extended to other existing and new customers in the future
- The new service offering is expected to drive increased revenue opportunities in Q4 of FY22 and into FY23 where the true impact of the new services will be reflected in the financial results of this business unit



1H22 Summary

- EBITDA of \$7.4 million
- Revenues of \$40.7 million
- ASX listing following strongly supported \$12 million IPO: Close the Loop becomes the first company to list on the ASX that provides full circular-economy solutions – from design, manufacture, collection and reuse or recycling
- Acquisition of Oceanic Agencies strengthens Close the Loop's bulk and commercial seafood packaging capability with good strong cross-selling opportunities
- Post the end of the half, expansion into bulk packaging market through acquisition of Crasti & Co., who are one of the leading bulk handling specialists in the Australian market with over 25 years market experience





Financial Results

Marc Lichtenstein - CFO



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Income Statement

Proforma	1H22*	1H21*	Change	FY22/Prospectus
Revenue	40.7	33.2	22.6%	73.9
Cost of sales	25.9	21.1	22.7%	45.1
Gross profit	14.8	12.1	22.3%	28.8
Operating expenditure	9.8	8.0	22.5%	16.9
Operating profit	5.0	4.1	22.0%	11.9
Other Income	2.4	0.8	200.0%	0.5
EBITDA	7.4	4.9	51.0%	12.4
Depreciation & Amortisation	1.6	1.7	(5.9%)	5.2
EBIT	5.8	3.2	81.3%	7.2
Oceanic Agencies*	0.1			0.7
Crasti & Co.**	-			0.5
Adjusted EBIT				8.4

- Results based on aggregation for the reporting periods
- Strong year-on-year revenue growth
- Gross profit margin consistent at 36% for each period
- IPO costs of \$1.1m in 1H22
- Core operating expenditure growing slower than revenue growth reflecting operating leverage
- PPP Term Note forgiven in 1H22 of \$1.4m

* Based on aggregation financial report

** Oceanic Agencies incorporated from 1 Dec 2021 included above

*** Crasti & Co incorporated from 30 April 2022

Balance Sheet

(\$m)	1H22	30 June 2021	Change
Assets			
Cash and cash equivalents	14.4	6.9	109%
Trade and other receivables	15.3	13.0	18%
Inventories	3.6	2.2	64%
Other assets	1.2	0.4	200%
Total Current Assets	34.5	22.5	53%
Property, plant & equipment	8.0	8.5	(6%)
Intangibles	24.9	1.2	1,975%
Right of use assets	14.0	14.8	(5%)
Other	1.6	2.6	(38%)
Total Non-Current Assets	48.5	27.1	79%
Liabilities			
Trade and other payables	7.8	11.1	(30%)
Borrowings	3.5	4.5	(22%)
Tax liabilities	0.4	0.9	(56%)
Lease liabilities	2.3	2.2	(5%)
Other	3.9	1.7	129%
Total Current Liabilities	17.9	20.4	(12%)
Non-current borrowings	3.7	5.2	(29%)
Lease liabilities	13.5	14.0	(4%)
Other	0.7	0.6	17%
Total Non-Current Liabilities	17.9	19.8	(10%)
Net Assets	47.2	9.4	402%

- Strong working capital position
- Intangibles generated by merger and acquisition accounting
- Significant borrowing capacity for organic and inorganic growth options
- 30 June 2021 based on aggregated financial report



Cashflow Statement

(\$m)	1H22	30 June 21	Change
Cash flows from operating activities			
Receipts from customers	21.4	74.9	
Payments to suppliers and employees	(20.8)	(62.5)	
Interest paid	(0.4)	(1.6)	
Income taxes paid	(1.4)	(1.3)	
Other receipts	-	2.6	
Net cash provided by/(used in) operating activities	(1.2)	12.1	
Cash flows from investing activities			
Payment for intangible asset		(0.1)	
Purchase of property, plant and equipment	(0.6)	(0.9)	
Purchase of subsidiary net of cash acquired	(0.5)	0.1	
Purchase of financial assets		(0.3)	
Net cash provided by/(used in) investing activities	(1.1)	(1.2)	
Cash flows from financing activities			
Proceeds from share issue net of issue costs	11.4	-	
Proceeds from borrowings	1.0	-	
Payment of lease liability	(0.3)	(2.2)	
Repayment of borrowings	-	(3.3)	
Dividends paid	(1.0)	(0.5)	
Net cash provided by/(used in) financing activities	11.1	(6.0)	
Net increase/(decrease) in cash and cash equivalents held	8.8	4.9	
Cash and cash equivalents at beginning of year	5.6	2.0	
Cash and cash equivalents at end of financial year	14.4	6.9	109%

- 1H22 cashflow statement reflects acquisition accounting
- Generating strong cash flows from operations
- Ongoing Investment in new capital equipment expanding offerings in USA, EU and Australia
- Strategic synergistic acquisitions where appropriate
- 30 June 2021 based on aggregated financial report



Strategy and Outlook

Joe Foster CEO



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Growth Strategy

- **Greater investment** in plastic washing and separation capability in Australia and the US
- More **automation** in the US to drive higher operational efficiencies; estimated savings of US\$500K p.a.
- International market **expansion in Q3 FY22**
- **Further acquisition targets identified** to grow within the niche packaging and recycling space
- Additional investment in resource recovery equipment for recycling with pyrolysis
- Further urban mining opportunities identified, and new projects being implemented
- Cross-selling opportunities identified for the packaging division
- Soft plastics programs being developed for key packaging divisions clients

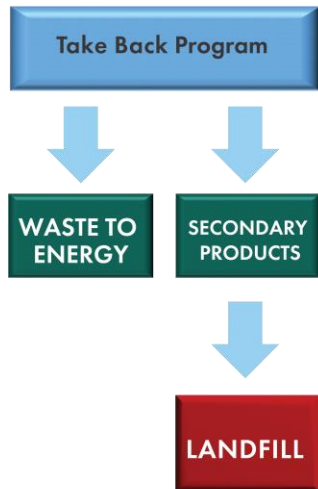


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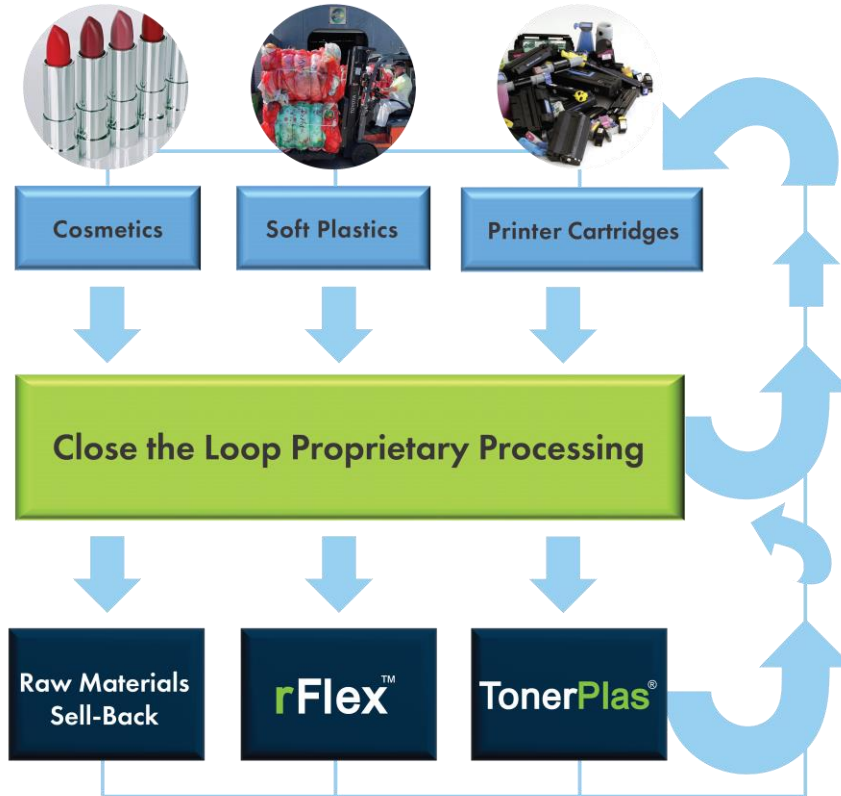
Current and Future Growth Opportunities

Standard INDUSTRY

Linear Economy



Close the Loop GROUP CURRENT URBAN MINING



Close the Loop GROUP URBAN MINING OPPORTUNITIES



Cross Division Integration

National Pet Store

PARTNERSHIP

We partner with customers and retailers create a take-back program.



COLLECT

We leverage our national logistics infrastructure to collect the soft plastic packaging from customer stores.



RECYCLE

All packaging is recycled and recovered with zero waste to land fill.



CREATE

From the recycled output streams we create circular products:

TonerPlas® **rFlex™**

Outlook

- Close the Loop accelerates growth momentum with record 1H22 results
- Strong organic growth enhanced by the acquisition of Oceanic Agencies and Crasti & Co.
- Integration of the business progressing well
- Expertise gained through the O F Packaging and Close the Loop division merger bodes well for future acquisitions



Investment Summary

- ✓ **Significant market opportunity:** with the growing need for a circular economy solution
- ✓ **Leading industry player** for **urban mining** in the **rapidly growing** circular economy
- ✓ Global business with **significant growth options** in the USA, EU and South Africa
- ✓ **Deep and widely regarded** management team
- ✓ **Well capitalised** to pursue growth options
- ✓ Committed to ongoing **innovative customer solutions to drive future growth**
- ✓ Track record of **profitability** and **cash generation**
- ✓ Well positioned within the **sustainability** packaging space



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