



Close the Loop GROUP

Create - Recover - Reuse



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Close the Loop to acquire American refurbished electronics business, ISP Tek Services

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Highlights:

- **Close the Loop enters agreement to acquire leading US electronics refurbisher and trading platform, ISP Tek Services LLC and Captive Trade Corporation, for up to US\$66m**
- **Acquisition to provide significant remanufacturing and reuse presence in the US**
- **ISP Tek Services founders to become substantial shareholders of Close the Loop**
- **A\$45 million capital raising via a placement at 33 cents per share, no discount to last close**
- **Debt facility of up to US\$52.5 million secured**
- **Balance of the remaining interest in Belgian operation acquired through a share swap**
- **The transaction is expected to be circa 100% accretive on an EPS basis post acquisition**
- **Investor webinar to be held at 11.00am (AEDT) today, Friday, 17 March 2023. Register [HERE](#)**

Close the Loop Limited (**Close the Loop** or the **Company**) (**ASX: CLG**), an end-to-end solutions provider from design and manufacturing, through to collection and recycling of products, today announces it has entered into an agreement to acquire 100% of ISP Tek Services LLC and Captive Trade Corp., US-based electronics refurbisher and trading platform businesses based in Southlake, Texas, USA, for a total consideration of up to US\$66m (A\$99.7m).

The acquisition will provide the Company with significant consumer and commercial electronics remanufacturing and technological capabilities, a considerable US market sales and trading presence, and extensive distribution networks. It will also add reuse capabilities to the Company's portfolio and further strengthen its service offering to original equipment manufacturers (OEMs), supporting sustainability and circular economy initiatives.

ISP Tek Services and Captive Trade Corp. overview

ISP Tek Services LLC. and Captive Trade Corp. are leading refurbishers and distributors of consumer electronics within a blue-chip customer base that has helped deliver phenomenal growth in its last two years of trading.

ISP Tek Services LLC is an HP Remarketing Partner and Authorized Distributor, as well as a third-party refurbisher (TPR) for Microsoft, Samsung, LG and other industry-leading manufacturers. It refurbishes high volumes of off-lease or previously-owned computers as well as inkjet, LaserJet and commercial printers. Products are obtained from OEM's return route channel and mass retailer returns, plus a variety of different sources including excess inventory, bulk purchases, customer returns, cancelled orders, damaged products, and demo products. ISP Tek Services then refurbishes these products and re-sells to the education, healthcare and private sectors, as well as providing a marketplace for direct-to-consumer sales, utilising its signature highly automated processes to reduce reliance on skilled labour and maximizing accuracy.

ISP Tek Services and Captive Trade Corp recorded US\$32m of revenue in CY21 with adjusted NPAT of US\$8.7m¹, and revenue for the trailing 12 months to October 2022 of US\$49m with NPAT of US\$13.7m¹.

¹ NPAT is inventory-adjusted and normalised for future expected costs as part of the merged Group.

ISP Tek Services founders, Sammy and Dania Saloum, have over 30 years of industry experience in consumer electronics and the returns lifecycle management space, working with fortune 500 companies across the US. Sammy Saloum is a leader in omni channel retail, merchandising, marketing, financial services and reverse logistics, and has developed a global network in all aspects of the industry. He has a reputation for delivering strong revenues and profits, and positioning start-up and existing businesses for sustainable growth in the US and international markets. Dania Saloum has extensive experience in designing and implementing go-to-market strategies for programs, products, and services. She has a proven track record of delivering accelerated business growth and achieving strategic and financial objectives.

Following the completion of the transaction, the Saloum's will be substantial shareholders of Close the Loop. They will continue to manage the ISP Tek Services business and assist the existing Close the Loop management team with the global expansion of ISP Tek Services.

Close the Loop Group Chief Executive Officer Joe Foster said: "The acquisition of ISP Tek Services delivers on our strategy of focusing on resource recovery, particularly in the world's largest capital market, North America. This acquisition is expected to deliver approximately 100% earnings per share accretion to the Group on a historical annualised basis. ISP Tek Services is a Tier 1 full consumer electronics life-cycle management business with a keen focus to provide US-based remanufacturing capabilities for market-leading OEMs, which provides the Group with significant opportunities to expand in further regions around the world. We do not, however, expect to make any further acquisitions in the near future due to our already strong global foothold on the circular economy."

Sammy Saloum, founder and CEO of ISP, said: "We are excited about the opportunities that the combined Group can deliver in the remanufacturing space globally. With our complimentary service offerings, the Group can provide Tier 1 manufacturers with a responsible and secure end-to-end solution to manage their product lifecycles closer to home. Considering the chances of supply-chain instability and due to the sensitivity of data security of enterprise, corporate and consumer devices, bringing returns refurbishment closer to the original point of sale is a high priority for OEMs. The combined service offering allows the Tier 1 manufacturers to deliver on their circularity pledge and remanufacturing targets."

Acquisition Terms

- CLG to pay US\$35M in cash upon closure of the transaction, which is expected to be on or around 30 April 2023.
- US\$11M of CLG shares to be issued at settlement based on the 30-day VWAP. ISP Tek Services founders Sammy and Dania Saloum will be substantial shareholders of CLG following the transaction.
- 3 years, 4% interest bearing convertible note of US\$7.5M that can be converted into CLG shares at a rate of 74 cents or repaid in cash at the discretion of the vendor at the expiry of the note term.
- 3 years, 4% interest bearing convertible note of US\$7.5M that can be converted into CLG shares at a rate of 74 cents or repaid in cash at the discretion of the purchaser at any time during note term.
- Earnout of up to US\$5m if CY23 EBITDA exceeds US\$12m, with the additional US\$5m committed to be paid within five working days of the audited financial report being published.
- Acquisition of the operating business on a cash-free and debt-free basis including infrastructure.
- Inventory on consignment paid for at cost as sold post sale.



Group financial profile post-acquisition on a pro forma annualised basis

	Proforma Group as at settlement date based on historicals \$M (AUD)
Revenue	199.2
Gross Profit	71.5
Gross Profit Margin	35.9%
EBITDA	43.2
NPAT	23.8

Acquisition Rationale

Close the Loop and ISP Tek Services combined will be a highly profitable, cash flow generating company servicing the circular economy.

The combined group will provide full recovery life-cycle solutions of choice to OEMs. There is significant scope for the Group to grow into further geographies and scale organically. Close the Loop is in a prime position to execute on its first mover advantage to support OEMs with their ESG initiatives:

- Results in a significant North American presence;
- Provides a strong platform for further global expansion, starting in Europe;
- Greater integration into OEM supply chains;
- Immediate cross-pollination between business units; and
- Increased life-cycle management leading to growing sustainable revenue and earnings streams.

Capital Raising Details

The Company has completed a A\$45m placement of new fully paid ordinary shares (New Shares) to sophisticated and institutional investors, to help fund the ISP Tek Services and Captive Trade Inc acquisitions.

The Placement is being undertaken in 2 tranches. In total, the Placement will involve the issue of 136.36 million New Shares at a price of \$0.33 per New Share to raise a total of \$45 million (before costs).

In the first tranche of the Placement, the Company is issuing 80 million New Shares to raise approximately A\$26.4 million (before costs). The New Shares under this first tranche of the Placement will be issued on 23 March 2023 under the Company's existing placement capacity under ASX Listing Rules 7.1 and 7.1A.

In the second tranche of the Placement, the Company will issue a further 56.36 million New Shares to raise approximately \$18.6 million (before costs). This issue of New Shares under this second tranche of the Placement is subject to shareholder approval under ASX Listing Rule 7.1. The Company plans to hold a general meeting of shareholders on 21 April 2023 to obtain shareholder approval for the second tranche of the Placement, in which case these New Shares will be issued on or around 28 April 2023.

Aitken Mount Capital Partners Pty Ltd (AMCPS) and Shaw and Partners Limited (Shaw) acted as Joint Lead Managers of the Placement.



“The capital raise was heavily oversubscribed, with no discount to market, which is a testimony to the strength of the CLG business and the ISP Tek Services acquisition and opportunities that this business transformation brings to the Group,” said Joe Foster, Close the Loop Chief Executive Officer.

Debt Facilities

Close the Loop has partnered with Pricoa Private Capital, the private capital arm of PGIM, to establish a US\$40.0 million senior secured term loan, a US\$7.5 million revolving credit facility and a US\$5.0 million delayed draw term loan facility to support the acquisition and future growth ambitions of the Group.

Belgium Acquisition

Close the Loop has acquired the remaining interest of ClozDloop BV through a share swap. Close the Loop will issue 2 million shares in exchange for the 20% of equity it did not own in its Belgian operations.

Close the Loop Group Chief Executive Officer Joe Foster said: “This will allow Close the Loop to accelerate its investment into its European operations and expand the ISP business via the ClozDloop European footprint.”

This announcement has been authorised for release by the Board of Close the Loop Limited.

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About Close the Loop

With locations across Australia, Europe and the United States, Close the Loop creates 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. From recovering print consumables, eyewear, cosmetics, and phone cases, through to the reusing of toner and post-consumer soft plastics for an asphalt additive, the Company is focused on the future, sustainability and the circular economy.

Well positioned within the circular economy, 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, as well as end of life take-back and recovery systems for complex commodities to greatly reduce waste to landfill.

Further information: www.ctlgroup.com.au, www.closeheloop.com.au and www.ofpack.com.au

About Pricoa Private Capital / PGIM Private Capital

For nearly 100 years, Pricoa Private Capital / PGIM Private Capital has been partnering with a wide range of corporations, sponsors, and institutions to provide valuable insights, guidance, and customized capital solutions that enable them to achieve their growth and funding goals. With regional teams in 15 offices around the world, Pricoa Private Capital manages a portfolio of over \$96 billion (as of 31.12.22).