



# Close the Loop GROUP

*Create - Recover - Reuse*

## INVESTOR PRESENTATION 1H'24

ASX: CLG

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## Presenters



**Joe Foster**  
Chief Executive Officer



**Marc Lichtenstein**  
Chief Financial Officer

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# DELIVERING OUR ZERO WASTE TO LANDFILL PROMISE

Close the Loop is a global leader in the fast-growing circular economy

Our recovery and sustainable solutions reduce waste to landfill by collecting consumer electronics, e-waste and plastic waste streams and repurpose them into value added products

We are deeply integrated with our OEM partners, retailers and industry bodies, where Close the Loop is developing and expanding its capabilities to take back more product to grow volume across our global network



Collecting from over 260,000 CLG sites



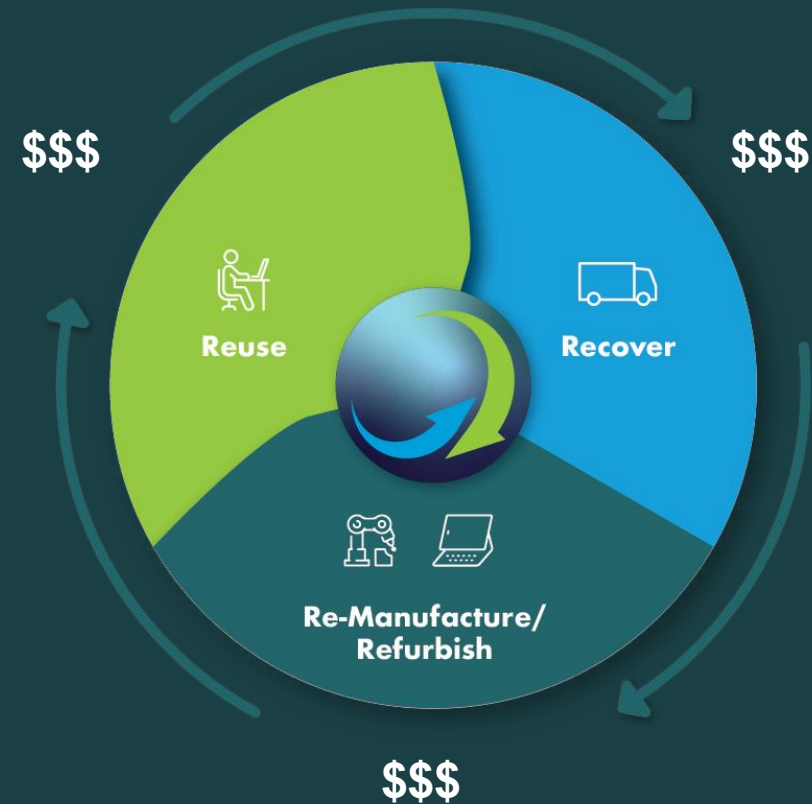
Re-manufacture over 500,000 electronic consumables per year



Processes over 25 million print consumables per year



What can't be reused is recycled



**THE HIGHER THE VOLUME, THE HIGHER THE VALUE**

# DELIVERING OUR STRATEGIC GROWTH OBJECTIVES

## ISP Tek Services has delivered:



1. Repositioned Close the Loop as a circular economy leader in the US, the world's largest market



2. Delivered revenue and EBITDA growth in 1H'24 ahead of our expectations



3. Provided access to the world's largest OEMs with deep and broad partnership discussions taking place



4. Opened significant expansion opportunities in new geographies, with an initial focus on Australia and Europe

## The business (excluding ISP Tek Services) has delivered:



1. Produced strong free cash flow



2. Invested into Recovery plant and equipment for future growth (ITAD, TonerPlas)



3. Launched pan-European multi-vendor collection programme



4. Maintained EBITDA margins from Packaging despite a challenging macro environment

*ISP Tek Services has delivered ahead of expectations and is presenting the Company with strategic global growth opportunities as per acquisition rationale*

# DELIVERING STRONG FINANCIAL METRICS

**\$106.2m**

## REVENUE<sup>1</sup>

Exceeding FY24 guidance of \$200m

**\$22.7m**

## EBITDA

Upgrading FY24 guidance to \$44m to \$46m

**\$15.2m**

## UNDERLYING NPBT

Adds back intangible amortisation of \$8.3m, a non-cash, business combination adjustment

**\$55.7m**

## CASH

Up 12.6% since 30 June 2023

**\$17.2m**

## NET CUSTOMER RECEIPTS<sup>3</sup>

76% cash conversion in 1H'24

**\$26.2m**

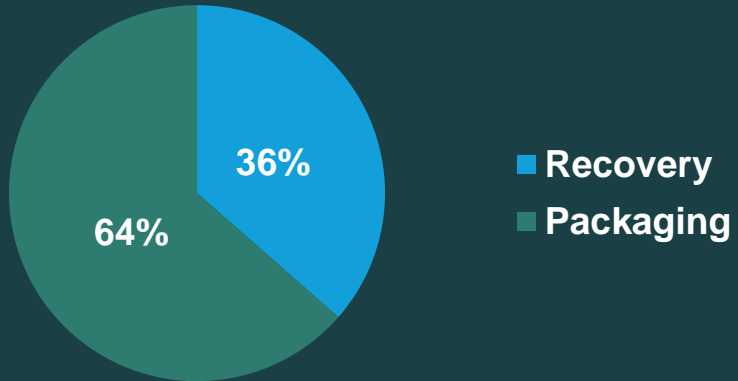
## NET DEBT<sup>2</sup>

Reduced \$11.8m since 30 June 2023

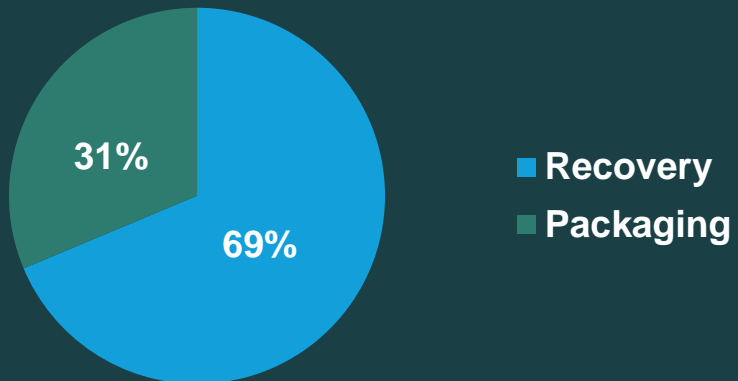
1. Revenue plus other income
2. Borrowings less cash at bank
3. Receipts from customers less payment to suppliers

# REVENUE BREAKDOWN

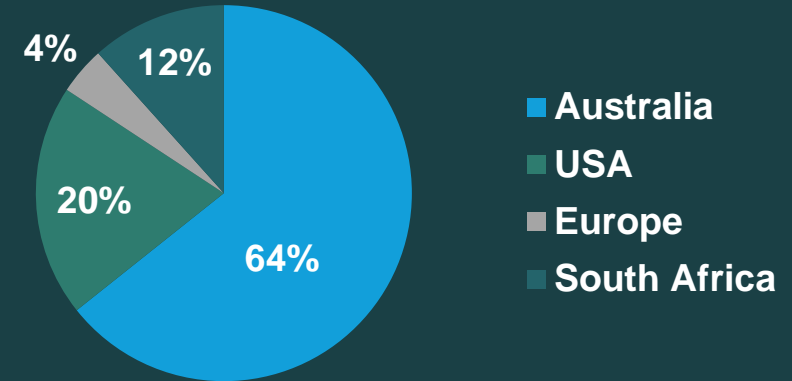
## DIVISION 1H'23



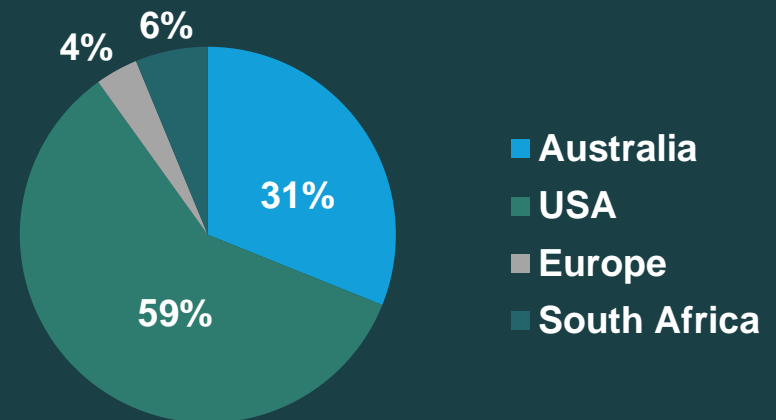
## DIVISION 1H'24



## REGIONAL 1H'23



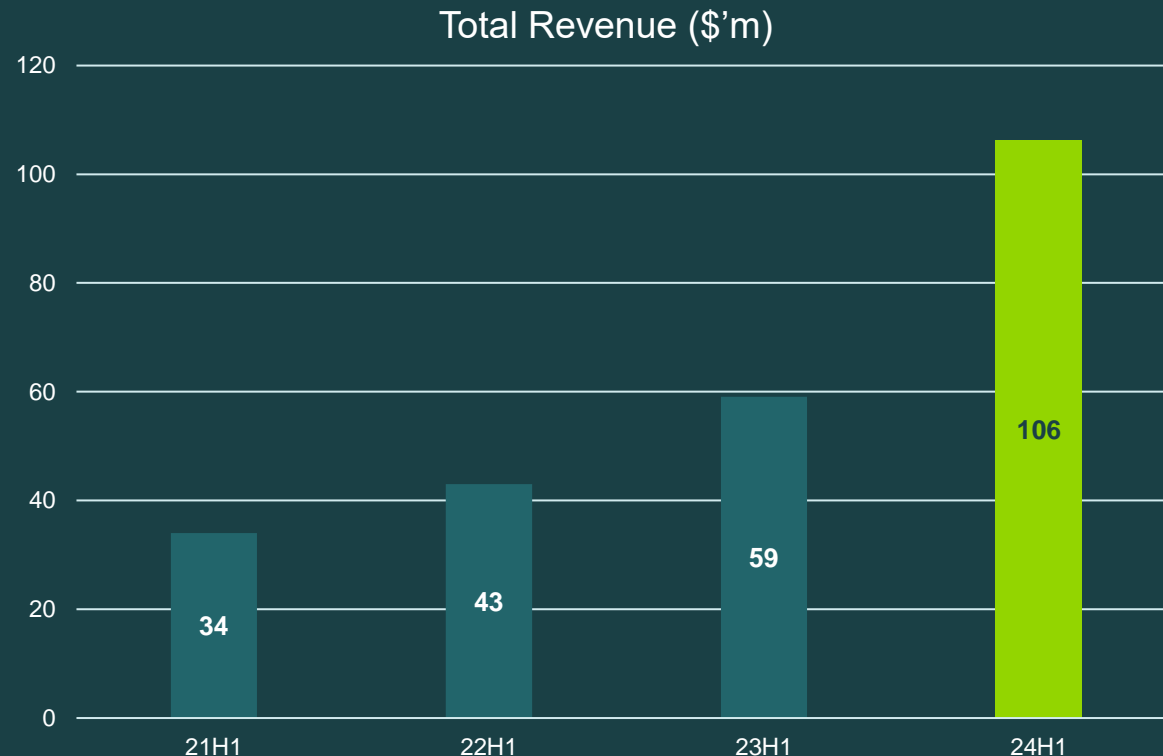
## REGIONAL 1H'24



# REVENUE<sup>1</sup>

# \$106.2m

Exceeding FY24 guidance of \$200m



1. Revenue plus other income

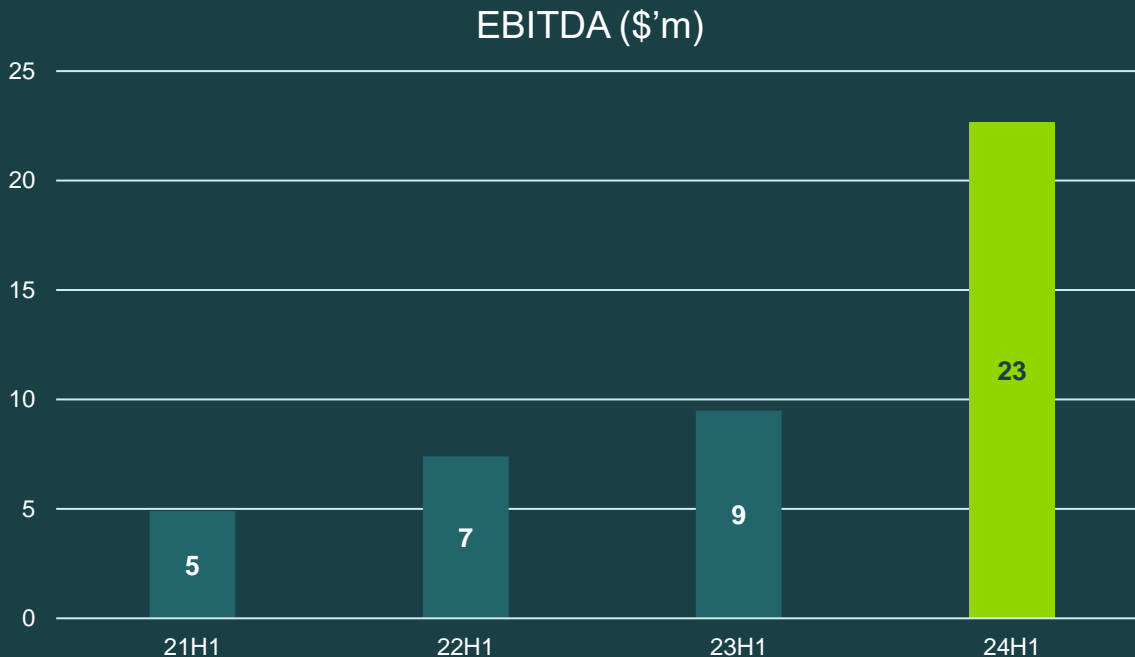
## Commentary:

- First reporting period that includes the full impact of ISP Tek Services, Alliance Paper and Plastic Recycling
- Strong growth from Recovery Division driven by increased volumes and new programs
- ISP Tek Services has performed better than expected and opened opportunities in other jurisdictions, expanding refurbishment and remanufacturing opportunities across the group for consumer and commercial electronic equipment
- Packaging revenue down 14%, with DP industrial dispute in Australia and international shipping delays in the Red Sea
- Macro conditions and logistics challenges have improved since year end

# EBITDA

# \$22.7m

FY24 guidance upgraded to \$44m to \$46m



## Commentary:

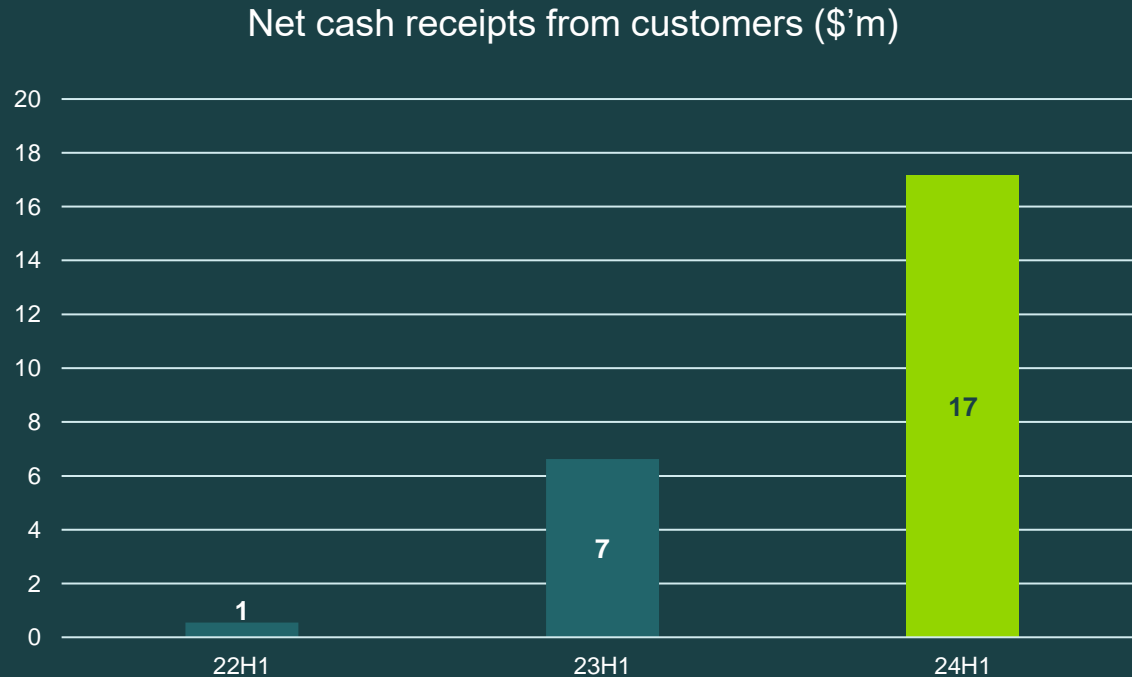
- Recovery Division has performed strongly
- EBITDA as a percentage of revenue at 21%
- Packaging EBITDA has been consistent despite shipping and industrial delays with management actively reducing costs to maintain margins
- Increase in volume resulting in operational efficiencies with gross profit margin up from 33% to 36%



# CASH CONVERSION

## \$17.2m

### Net cash receipts from customers<sup>1</sup>



1. Receipts from customers less payment to suppliers

### Commentary:

- 76% net cash<sup>1</sup> conversion to EBITDA
- Investment in working capital
- Investment in plant and equipment (TonerPlas, ITAD)
- Net debt decreases \$11.8m (\$26.2m)
- Repayment of borrowings \$4.2m
- Finance costs \$5.4m

# INCOME STATEMENT

	1H'24	1H'23	Change
Revenue	103.1	58.6	76%
Cost of Sales	65.8	39.4	67%
Gross Profit	37.3	19.2	94%
Operating Expenditure	17.0	10.2	67%
Other Income <sup>1</sup>	3.0	0.5	500%
EBITDA	22.7	9.5	139%
Depreciation & Amortisation	11.0	3.2	244%
Operating Profit	12.4	6.3	97%
Underlying NPBT <sup>2</sup>	15.2	5	204%

1. Includes interest received

2. Excluding amortization of business combinations (non-cash)

# BALANCE SHEET

Statement of financial position	31 Dec 2023	30 Jun 2023
	\$'m	\$'m
<b>Assets</b>		
Cash and cash equivalents	55.7	49.5
Trade and other receivables	29.9	26.1
Inventories	19.7	15.9
Other	3.7	5.1
<b>Total current assets</b>	<b>109.0</b>	<b>96.6</b>
Property, plant, and equipment	20.7	20.2
Right-of-use assets	22.8	20.8
Intangibles	146.4	131.3
Other	4.3	2.4
<b>Total non-current assets</b>	<b>194.2</b>	<b>174.7</b>
<b>Liabilities</b>		
Trade and other payables	26.5	29.2
Borrowings	14.8	16.1
Lease liabilities	3.4	3.8
Income tax	4.1	1.6
Other	12.7	3.1
<b>Total current liabilities</b>	<b>61.5</b>	<b>53.8</b>
Borrowings	67.1	71.4
Lease liabilities	21.0	19.6
Deferred tax liability	19.7	1.4
Other	1.0	1.1
<b>Total non-current liabilities</b>	<b>108.8</b>	<b>93.5</b>
<b>Net assets</b>	<b>132.9</b>	<b>124.0</b>

# CASH FLOW

	31 Dec 2023	31 Dec 2022
	\$'m	\$'m
Receipts from customers	98.3	64.7
Payments to suppliers and employees	(81.1)	(58.1)
<b>Cash flows from operating activities</b>	<b>17.2</b>	<b>6.6</b>
Other revenue	1.5	0.5
Interest and other finance costs paid	(4.1)	(0.7)
Business combination costs	-	(0.3)
Income taxes paid	(2.3)	(0.1)
<b>Net cash (used in)/from operating activities</b>	<b>12.3</b>	<b>6.0</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary	-	(2.7)
Payments for property, plant and equipment	(3.2)	(2.2)
<b>Net cash used in investing activities</b>	<b>(3.2)</b>	<b>(4.9)</b>
<b>Cash flows from/(used in) financing activities</b>		
Proceeds from share issue net of issue costs	4.7	-
Net Proceeds from borrowings	-	6.0
Repayment of borrowings	(4.2)	(2.1)
Repayment of lease liabilities	(2.6)	(1.7)
<b>Net cash from/(used in) financing activities</b>	<b>(2.1)</b>	<b>2.2</b>
Net increase/(decrease) in cash and cash equivalents	7.0	3.3
Cash and cash equivalents at the beginning of the financial half-year	49.5	9.7
Effects of exchange rate changes on cash and cash equivalents	(0.8)	-
<b>Cash and cash equivalents at the end of the financial half-year</b>	<b>55.7</b>	<b>13.0</b>

# MEDIUM TERM OUTLOOK

- Expansion of ISP Tek Services model into new geographies and broadening of product offering for existing and new OEMs
- Capitalising on the \$1.4bn<sup>1</sup> ITAD opportunity in Australia where the Company is strongly positioned to leverage existing relationships
- Launching multi vendor program across Europe
- ISP Tek Service well positioned to take advantage of HP's refurbishment and remanufacturing strategy



1. <https://www.statista.com/outlook/tmo/data-center/servers/australia-oceania>

# THE GLOBE HAS A CIRCULARITY PROBLEM

## THE PROBLEM

### RECOVERY:

- A small percentage of consumer electronics is reused
- Major OEMs have ambitious ESG targets to increase circularity in the economy
- All OEMs will want to partner with providers to achieve these goals and Close the Loop is at the forefront of this global market trend

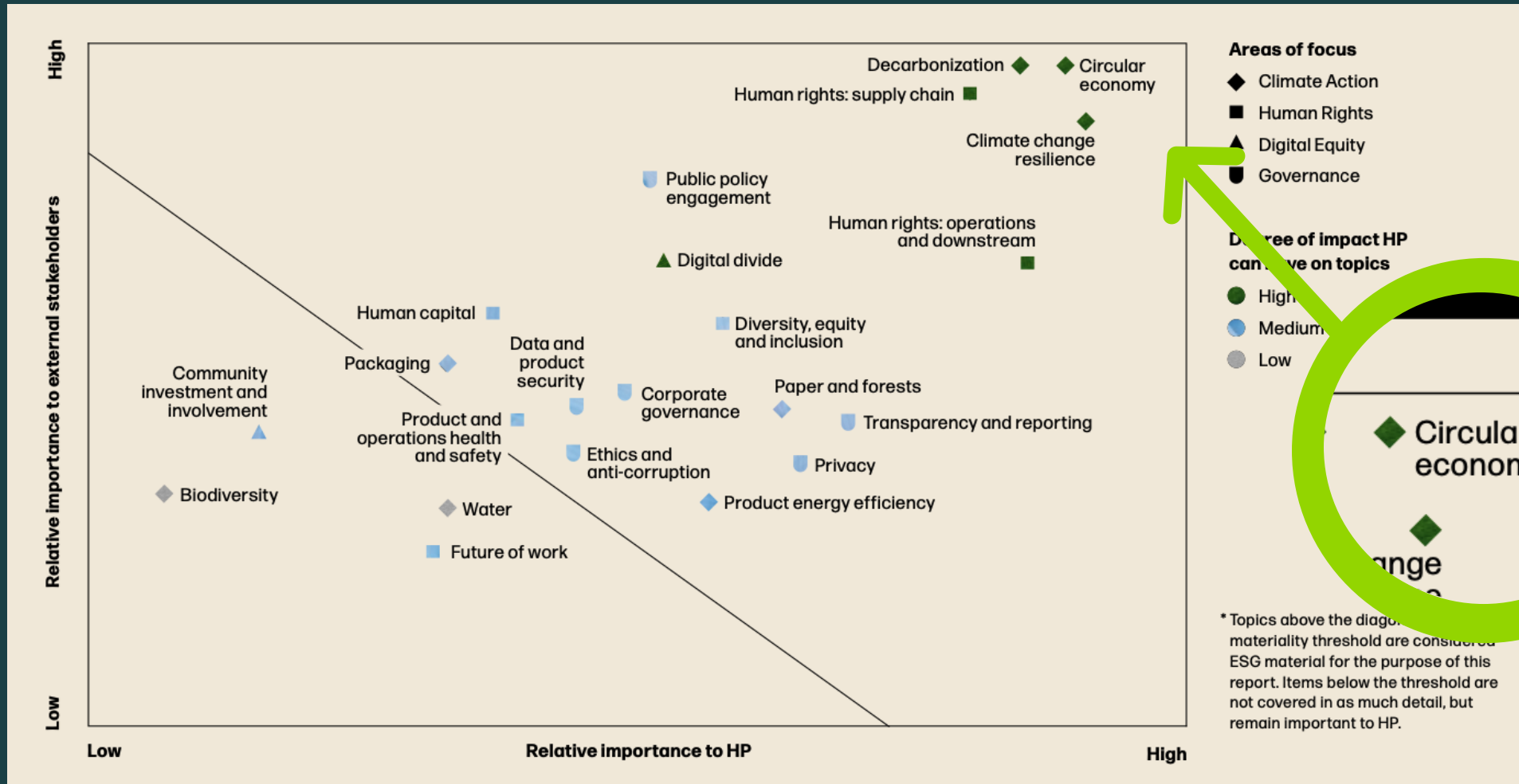
### PACKAGING<sup>1</sup>:

- There will be more plastic than fish in the oceans by 2050
- 95% of disposable plastic value lost after its use, estimated at roughly \$100 billion annually
- Health issues are clear, with scientists finding microplastics in human blood for the first time in March 2022



1. <https://www.weforum.org/impact/accelerating-reuse-models-world-free-of-plastic-waste/>

# HP CIRCULARITY OBJECTIVES, CLOSE THE LOOP PROVIDING SOLUTIONS



# HP CIRCULARITY OBJECTIVES, CLOSE THE LOOP PROVIDING RECOVERY AND PACKAGING SOLUTIONS

Circularity	
Reach 75% circularity for products and packaging, by 2030 <sup>5</sup>	Reached 40% circularity, by weight. <sup>6</sup> <a href="#">Learn more.</a>
Recycle 1.2 million tonnes of hardware and supplies by 2025, since the beginning of 2016	Recycled 879,100 tonnes. <a href="#">Learn more.</a>
Use 30% postconsumer recycled content plastic across HP's personal systems and print product portfolio by 2025 <sup>7</sup>	In 2022, we used 32,200 tonnes of postconsumer recycled content plastic in HP products—equivalent to 15% achieved. <a href="#">Learn more.</a>
Eliminate 75% of single-use plastic packaging by 2025, compared to 2018 <sup>8</sup>	55% reduction, from an average of 221 grams/unit in 2018 to 99 grams/unit in 2022. <a href="#">Learn more.</a>
Reach zero waste in HP operations by 2025 <sup>9</sup>	In 2022, we achieved an 87.7% landfill diversion rate globally. <a href="#">Learn more.</a>



# INVESTMENT PROPOSITION

The circular economy is in its infancy with only a small percentage of consumer electronics and plastics being recovered, reused or recycled

The volume of consumer electronics and plastics is set to grow with regulatory and social pressure placed on companies, with 2025 being a key milestone

Close the Loop is positioned to lead the circular economy's global growth being the first to market due to its deep integrations with OEMs and innovative product development



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**Q&A**



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