

Close the Loop momentum continues with strong H1 results

24 February 2023

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, is pleased to announce its results for the six months ended 31 December 2022 ("**H1 FY23**").

Highlights:

- Revenue of \$58.6 million, up 44% on prior corresponding period (pcp)
- EBITDA of \$9.5 million, up 28% on pcp
- Underlying NPBT of \$6.6 million, up 32% on pcp
- Cash balance of \$13.2 million
- Strategic acquisition of In-Plas Recycling in January 2023 to expand plastics secondary market opportunities
- Investor webinar at 2.00pm (AEDT) on Friday, 24 February 2023. Register [HERE](#)

Commenting on the Company's financial performance, Group Chief Executive Officer Joe Foster said: "The Group is continuing to deliver on its strategy of growth through its existing businesses and inorganic growth with synergistic acquisitions. The Group has started 2023 well with a number of the business units continuing to grow and outperform compared to January 2022.

"The Company's strong growth in revenue has had some benefit from recent acquisitions, however importantly the strong growth in EBITDA has largely been driven by the core existing operations at IPO.

"We are excited about the progress that Close the Loop is making in becoming the leading global circular economy business."

Financial Review

Revenue for H1 FY23 was \$58.6 million, up 44% on the prior corresponding period (pcp) on the back of strong organic and inorganic revenue growth across all divisions.

Close the Loop's EBITDA for the period was \$9.5 million, up 28% on the pcp, and net profit before tax was \$5.6 million, up 12% on the pcp. The net profit before tax has been reduced by the amortisation of intangibles of \$1 million that relate to intangibles generated on consolidation as a result of the Business Combinations Accounting Standard. The underlying net profit before tax for the reporting period is \$6.6 million, an increase of 32% without this accounting adjustment.

(A\$m)	H1 FY23	H1 FY22*	Change
Revenue	58.6	40.7	44%
Gross Profit	19.2	14.8	30%
Underlying Operating Profit	6.6	5.0	32%
EBITDA	9.5	7.4	28%
EBIT	6.3	5.8	9%

* EBITDA and EBIT excludes the impact of ASX listing fees of \$2.4 million.

Divisional performance

Division	H1 FY23 Revenue	Revenue Percentage
Resource Recovery	\$21.5 million	36.7%
Packaging	\$37.1 million	63.3%
Total Revenue	\$58.6 million	100%

Operational review

Close the Loop's performance was underpinned by strong growth in both the packaging and resource recovery businesses. The Company continues to see strong demand for recyclable ready packaging and recycled content, which are products that are readily available through the various divisions. With foreign exchange movements and raw material increases putting margins under pressure during the reporting period, the Company has passed on increased costs when possible.

Close the Loop has continued to generate significant cash flows from its operations, which could be reinvested into acquisitions, such as Alliance Paper, The Pouch Shop and In-Plas Recycling, in the future.

The Close the Loop recycling division introduced several new collection programs in cosmetics, storage solutions, eyeglasses, phone case covers and cookware, complementing its traditional imaging consumables business. We would expect to see the benefits of the revenue in the second half of FY23.

The Australian recycling division, Close the Loop Operations, generated improved financial results compared to the pcp. Processing volumes have continued to improve during the reporting period and are approaching pre-COVID levels.

Recovery and rebuilding efforts after fire at Somerton facility

In response to the June 2022 fire at the Somerton facility, the Company has implemented a number of processing efficiencies in the business. The rebuilding of this facility is progressing as planned. The Company has been indemnified under the key insurance policy, with some funds provided to allow the Company to place deposits for new and improved replacement equipment. All processing lines and the TonerPlas manufacturing line will be commissioned and fully functional during the course of the year. A significant insurance payout was also received under the Company's environmental policy in January 2023 to ensure the Company complied with the Environmental Protection Agencies (EPA) demands, which have now all been met.

Performance and expansion of Close the Loop US and European operations

During the reporting period, Close the Loop's US business unit demonstrated stable performance, meeting expected levels and surpassing the results of the prior corresponding period. The unit has adeptly managed inflationary pressures and is poised to leverage upcoming growth opportunities for positive business outcomes.

Close the Loop's European operation has continued to broaden its service offering, aiming to integrate further into its customers' supply chain to provide comparable recycling services to its US counterpart. The European business faced setbacks during the reporting period, with equipment failure causing an increase in operating costs while the equipment underwent repairs and the product backlog was processed. The business returned to normal operating levels in early 2023 and has a number of exciting new business opportunities that can lead to significant growth of the European operations in the medium term.

Successful integration of acquisitions

In December 2021, the Company acquired Oceanic Agencies, which strengthened the Packaging division's capabilities in bulk and commercial seafood packaging, as well as provided cross-selling opportunities across all packaging businesses and the Australian recycling division. Due to the strong performance of Oceanic Agencies over the past 12 months, the maximum earnout of \$750,000 became payable to the vendors on 1 December 2022. On 12 January 2023, the Company paid the maximum earnout to the vendors, concluding the acquisition of Oceanic Agencies.

On 30 August 2022, the Company settled the acquisition of thermal paper and paper products group, Alliance Paper Pty Ltd, and its wholly owned subsidiary, Sustain Paper Ltd (Alliance) for a total purchase price of \$1.00. Since the settlement, Close the Loop has relocated the business to new premises in the Greater Brisbane area which generates significant cost savings and has implemented a number of operational changes to this business. The Alliance financial performance has improved steadily during the reporting period and is expected to generate a strong contribution in the future.

The Pouch Shop, a niche provider of ready-to-label packaging and pouches for food products in South Africa, was acquired on 1 October 2022. The Pouch Shop is the largest stockist of off the shelf readymade pouches in Southern Africa. The business was due to be incorporated in the original IPO; however, due to COVID travel restrictions all due diligence on site was not able to be performed until last year.

The Pouch Shop's range and customer base complement the South Africa-based Foster International Packaging offer. The two South African businesses share warehouse and manufacturing facilities as well as back-end office and logistics processes. The purchase price for the business was R8,000,000 (A\$701,000) plus stock on hand less an amount equal to what is owed to trade creditors, with 50% paid at settlement on 1 October 2022 and the balance to be paid on 1 October 2024.

In-Plas acquisition

In January, the Company announced it strengthened Close the Loop's position in the recycling market via the acquisition of US recycling company, In-Plas Recycling. Headquartered in Cincinnati, Ohio, In-Plas Recycling is a recycler and processor of post-industrial scrap plastics, pellets, regrind and by-products, and also sells a broad range of recovered plastic products on the market. In-Plas operates at three sites located at key customer facilities. The purchase price for In-Plas Recycling is US\$4,000,000 (including up to US\$500,000 of inventory) of which US\$3,000,000 is payable at completion and US\$250,000 is payable per annum for four years. The acquisition is expected to settle on 28 February 2023.

Packaging

During the reporting period, the O F Packaging divisions, including O F Pack, The Pouch Shop, O F Flexo, and Foster International Packaging, have all experienced strong sales growth and demand for their specialised sustainable packaging services. Foster International Packaging delivered record financial results, despite operational challenges in South Africa and exchange rate volatility. O F Resource Recovery was impacted by falling commodity prices, but management has made changes to improve its performance. O F Flexo, meanwhile, has traded ahead of budget, with high demand for locally produced packaging containing high percentages of recycled content and more recyclable ready packaging. The O F Flexo business has faced machine breakdown and space challenges due to the growth of the business, which are being addressed. Crasti & Co. has performed in line with expectations during the period.



Outlook

Since 31 December 2022, the Company has commenced or continued discussions with a number of potential acquisition targets for share and or asset purchases for businesses that are complimentary to the current service offerings of the Group. At the time of this announcement, no binding agreements have been entered into with any of these potential acquisition targets, although some are at an advanced stage.

The Company is pleased to advise that a number of business units have continued to show strong growth in January 2023 compared to the previous corresponding period.

Investor Webinar

The Company will host an investor webinar, with CEO Joe Foster and CFO Marc Lichtenstein, at 2.00pm AEDT today (Friday, 24 February 2023) to discuss the results.

Register for the investor webinar via the link below:

https://us02web.zoom.us/webinar/register/WN_FyywR8F-TGquwp_p0b5e1Q

Please note that registered participants will receive a confirmation email with details on how to join the webinar upon registration.

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.closeitheloop.com.au and www.ofpack.com.au