

Acquisition Presentation

Close the Loop Group
to acquire 100% of
American refurbished
Electronics business ISP Tek
Services registered in
Southlake, TX, USA



**Close the Loop
GROUP**

Create - Recover - Reuse



Presenters



Joe Foster
Chief Executive Officer



Marc Lichtenstein
Chief Financial Officer



Dania Saloum
ISP Tek Co-Founder



Sammy Saloum
ISP Tek Co-Founder

Agenda

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- 02 Financials
- 03 ISP Introduction
- 04 Growth Opportunities & Rationale
- 05 Equity Raising
- 06 Risks

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Strategic acquisition that provides significant scale with immediate EPS accretion

USA growth acceleration

- Company HQ is in Texas
- The owners have over 30 years of trading history in this space, providing Close the Loop with a significant recycling and reuse presence in the US

EPS accretive

- Strong business fundamentals with US\$32M revenue in CY21 with adjusted NPAT of US\$8.7M*
- Revenue for trailing 12 months to Oct 2022 of US\$49M with NPAT of US\$13.7M*

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

Strategic acquisition that provides significant scale with immediate EPS accretion

Transaction Summary

- CLG to pay US\$35M in cash upon closure of the transaction
- Earnout of up to US\$5M if CY23 EBITDA exceeds US\$12M
- US\$11M of CLG shares to be issued at settlement based on the 30 day VWAP. ISP 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 term note
- 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 after settlement up to the expiry of the term note
- Acquisition of the operating business on a cash free debt free basis including infrastructure
- Inventory on consignment paid for at cost as sold post sale

Group Financial Profile – Income Summary (post acquisition)

	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
Net Profit After Tax	23.8*
Net Debt	36.6
Net Debt / EBITDA	0.85 x

- ISP Tek Services converted at an exchange rate of AUD/USD 70 cents
- CLG proforma based on 1H23 annualised
- ISP /CTC historicals based on TTM12 at Oct 22
- In-Plas historicals based on TTM12 at Oct 22
- Includes annualised inputs for the In-Plas Recycling Acquisition that completed on 1 March 2023
- Financial information is annualised as at expected date of completion – 30 April 2023
- Excludes US\$3 million synergistic EBITDA opportunity
- The transaction is expected to be circa 100% accretive on an EPS basis post acquisition

* The NPAT includes the estimated annualised interest cost of \$40m term debt expected to be drawn and interest on convertible notes.

Pro Forma Balance Sheet

Pro forma B/S

Assets	(\$m)
Cash and cash equivalents	56.0
Trade and other receivables	23.9
Inventories	11.6
Other assets	7.2
Total Current Assets	98.7
Property, plant & equipment	12.4
Intangibles	115.2
Right of use assets	12.6
Other	1.5
Total Non-Current Assets	141.7
Liabilities	
Trade and other payables	20.1
Borrowings	18.6
Tax liabilities	0.1
Lease liabilities	2.0
Other	4.7
Total Current Liabilities	45.5
Non-current borrowings	74.0
Lease liabilities	12.4
Other	1.1
Total Non-Current Liabilities	87.5
Net Assets	107.4

Introduction to ISP

- Based out of Dallas, Texas, USA
- ISP Tek Services is a Tier 1 full consumer electronics life cycle management authorised refurbisher for several market leading OEMs
- The merger of the ISP Tek Services into the Group delivers on the Close the Loop strategy of focusing on resource recovery/reuse in the USA
- Enables USA based manufacturing utilising automation.
- Specialises in
 - post sales life cycle solutions,
 - returns
 - remarketing and
 - distribution.



ISP –Key Product Refurbishment Categories

Notebooks



Chromebooks



All-in-One
Systems



Monitors



Desktop PCs



Gamer PCs



Ink Jet Printers



Commercial
Printers



Refurbishment Focus

- Everything remade to OEM standards with highest standard data cleansing
- Focus on quality refurbishment
- Remanufactured devices have a defect rate <1%
- Scalable **Proprietary Automated (AI)** based testing and data collection software reduces the need for added skilled labour allowing for cost reduction
- Three stage quality control process
- Out of the box audits on 3-5% of all products
- Highly automated facility with low head count (non-unionised)



Life Cycle of Refurbished Products from Purchase

PRODUCT PURCHASE



PRODUCT RETURN

**Circa. 4% of
products
returned by
end customer**



REFURBISHMENT

**Products undergo
refurbishment process
for resell**

PRODUCT RESELL



Growth Opportunities

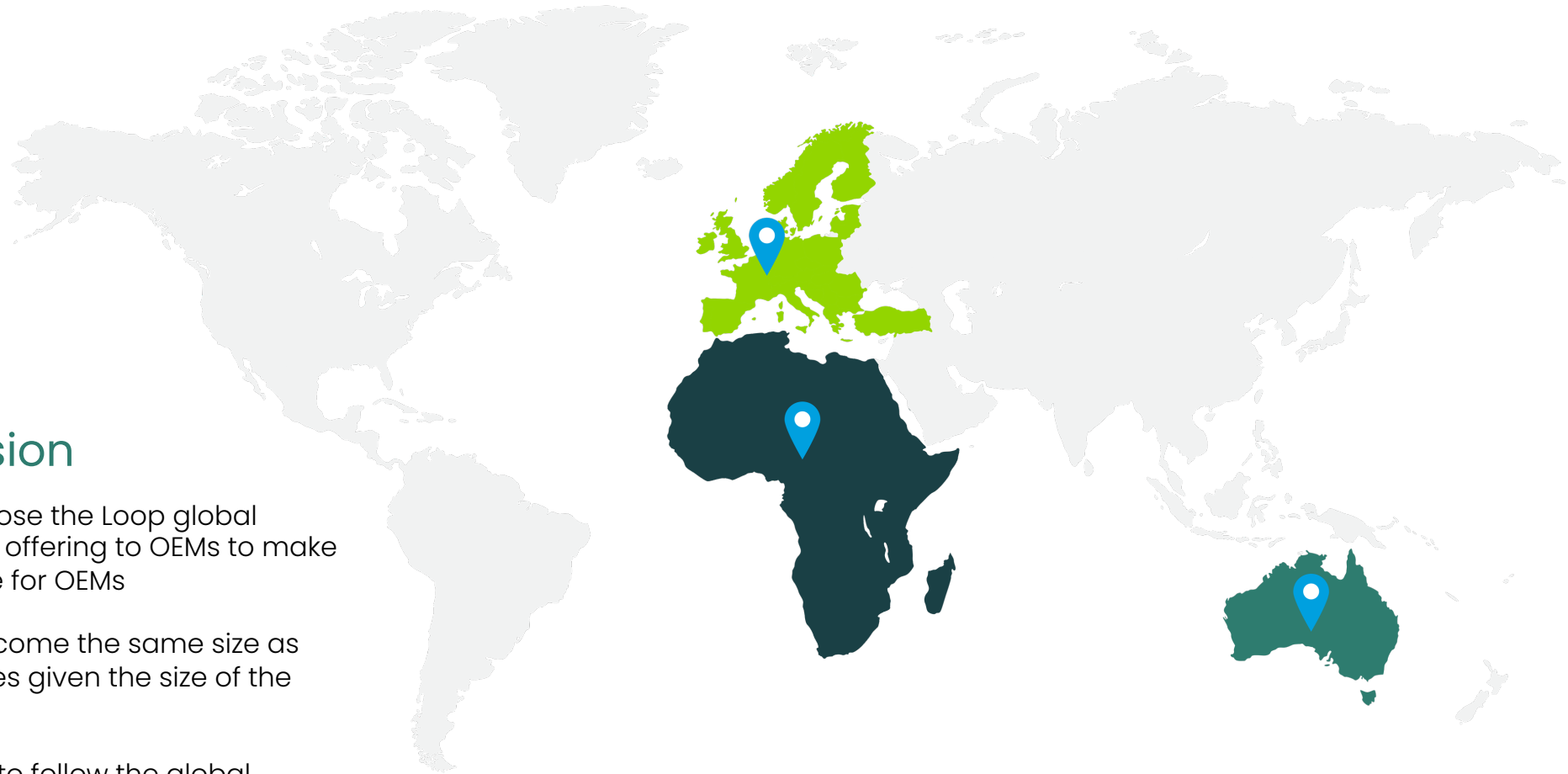
STAGE ONE

STAGE TWO

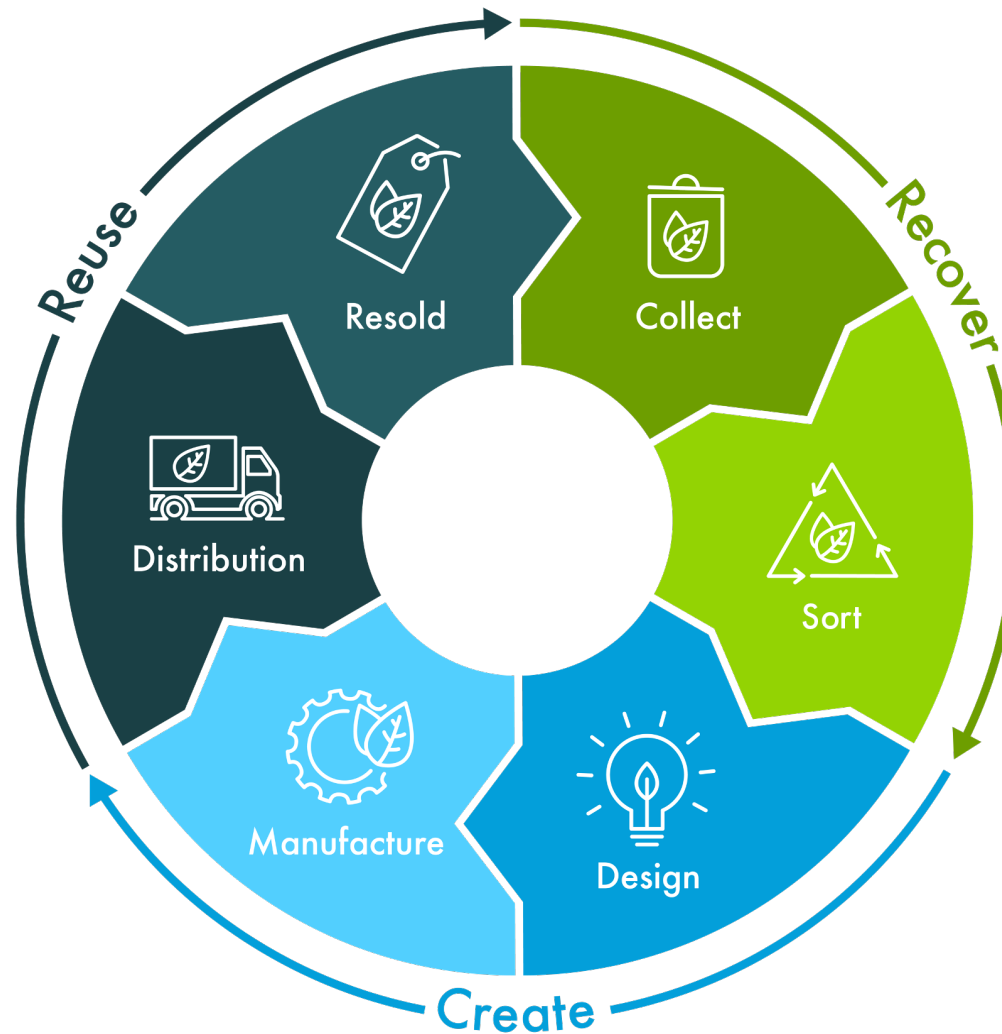
STAGE THREE

International Expansion

- ISP Tek Services will use the Close the Loop global footprint to expand its service offering to OEMs to make it the global solution of choice for OEMs
- The European location will become the same size as the current USA ISP Tek Services given the size of the European population
- Australia and Africa are soon to follow the global expansion of ISP Tek Services



How ISP Tek fit into the Circular Economy

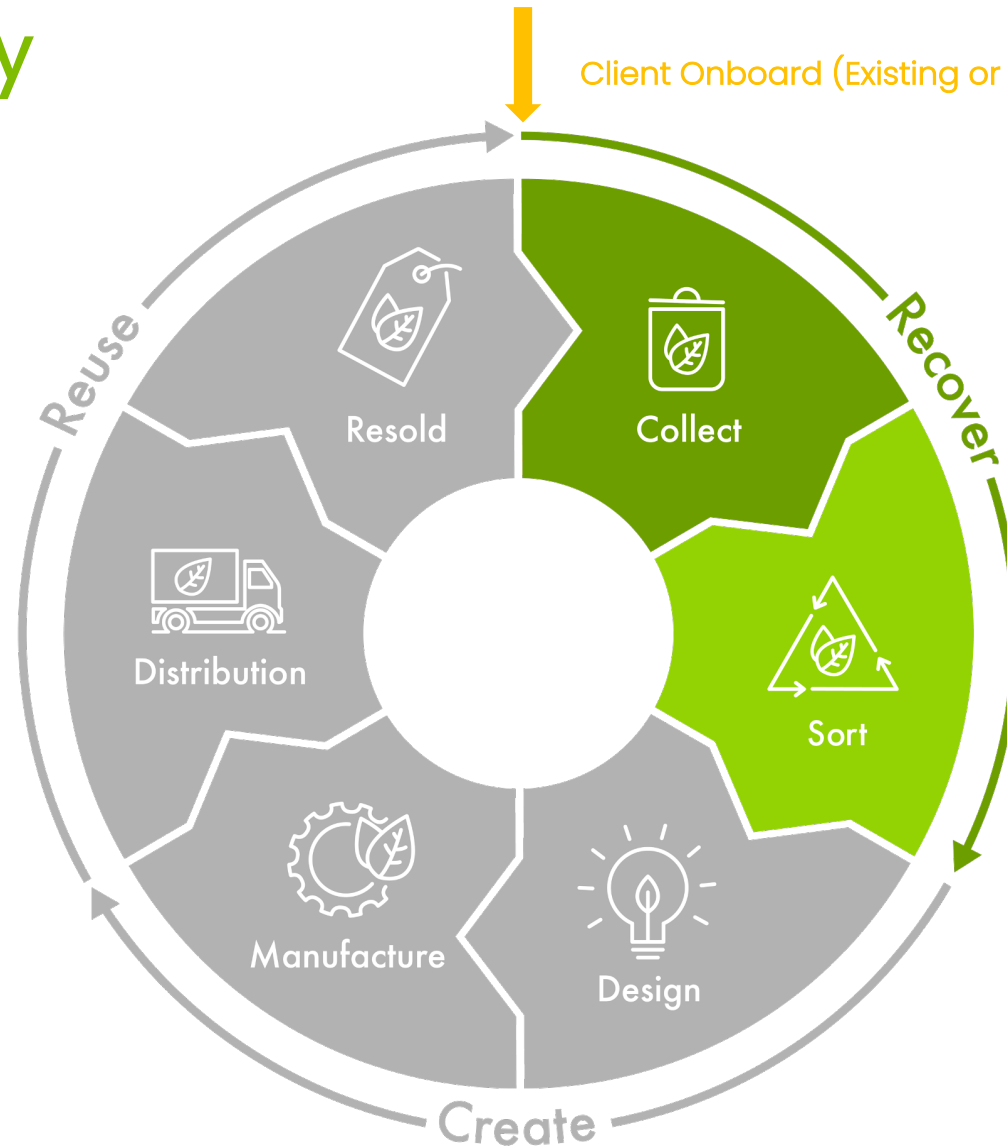


Circular Economy

Recover

Products

- Notebooks
- Chromebooks
- Ink Jet Printers
- Gaming PC's
- All in one systems
- Monitors
- Commercial Printers

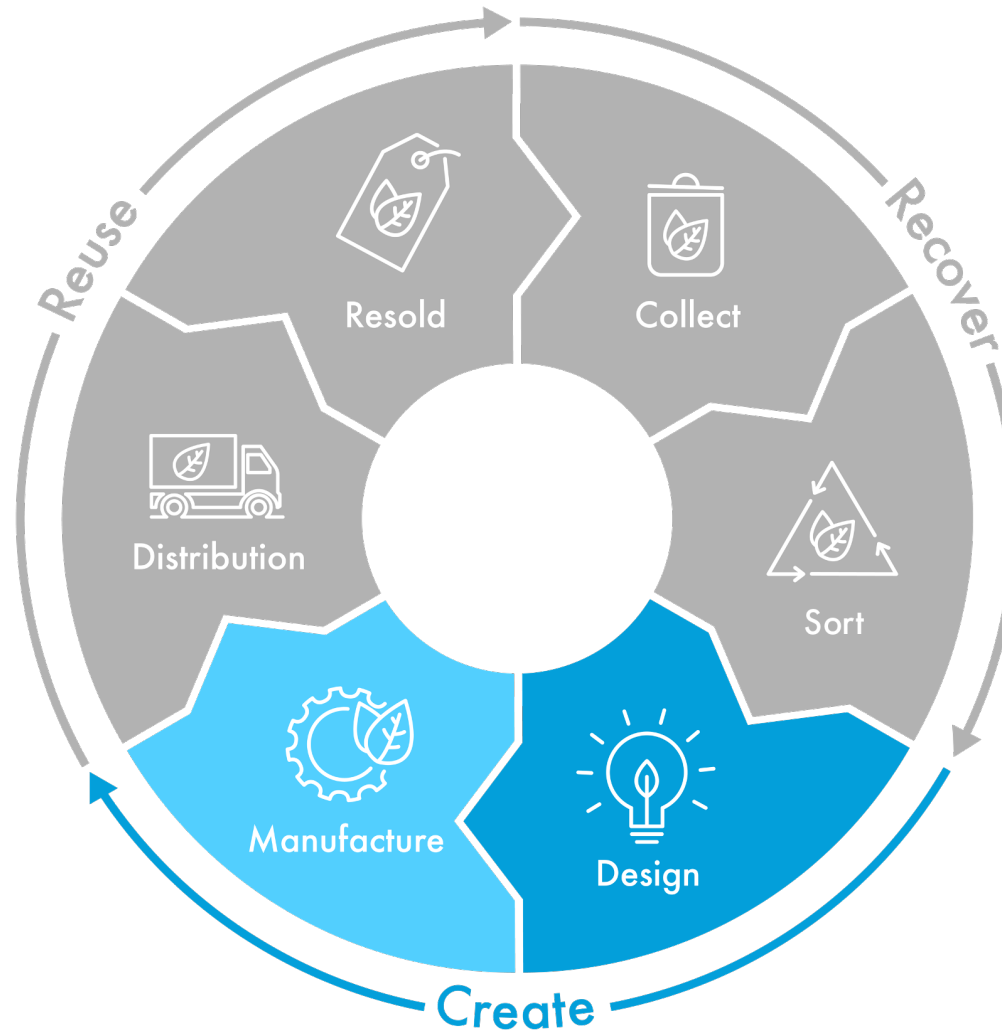


Products are recovered from multiple collection sites across USA and Canada

Circular Economy

Create

- Remade to OEM standards
- Highest data cleansing process
- Three stage quality control
- All products hold 90 day OEM guarantee.

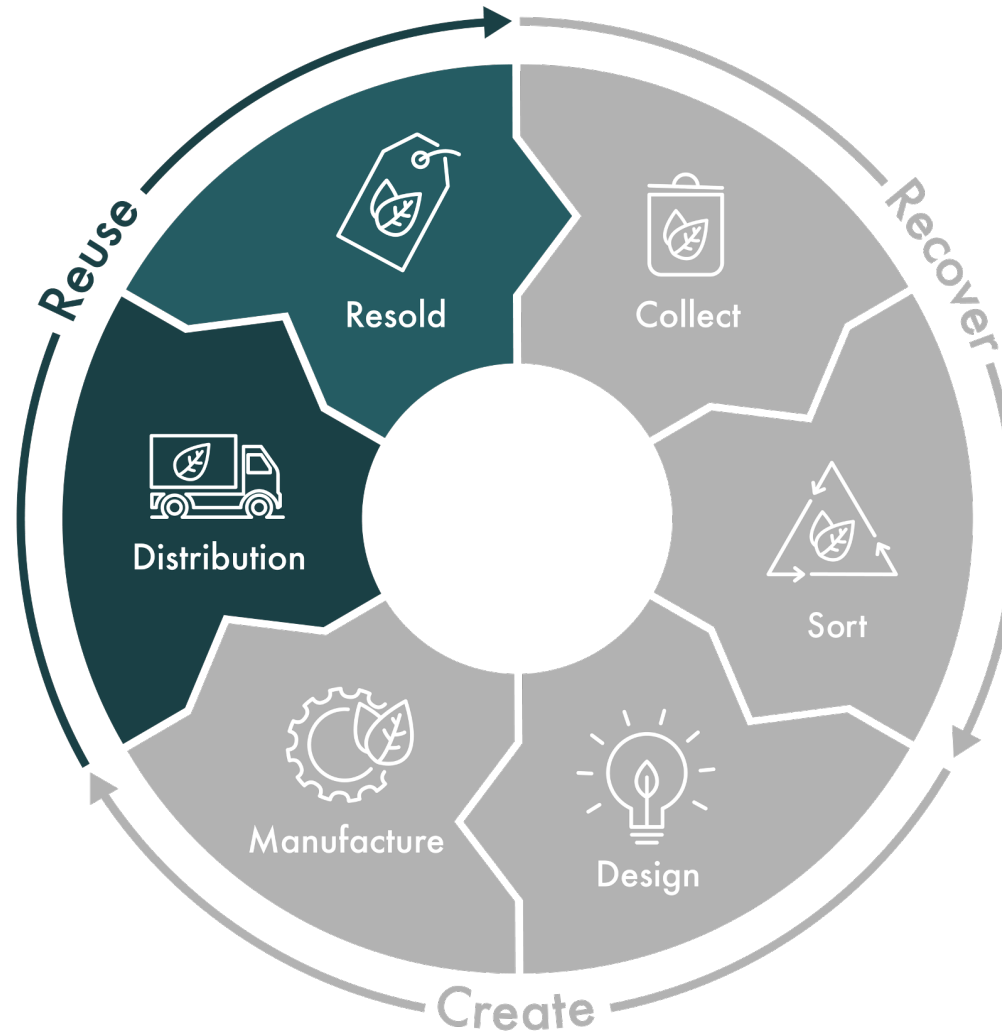


Products are sorted, categorised and processed through the remanufacturing process.

Circular Economy

Re-use

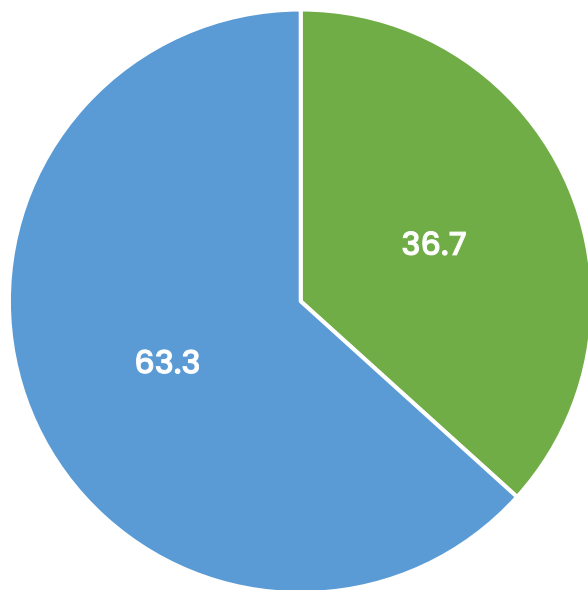
- Notebooks
- Chromebooks
- Ink Jet Printers
- Gamer PC's
- All in one systems
- Monitors
- Commercial Printers



Products are sold back to retailers and online platforms

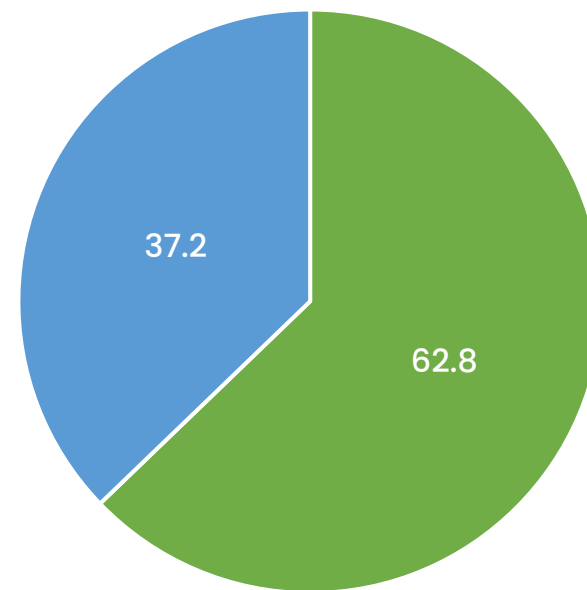
Acquisition drives strong share of segment

Resource Recovery / Packaging – pre 1H23



■ Resource Recovery ■ Packaging

Resource Recovery / Packaging – post acquisitions



■ Resource Recovery ■ Packaging

- Significant re-weighting to North America and stronger diversification across geographies
- Increased exposure to global markets
- Based on percentage revenue for business units

Creating a more valuable group

- Close the Loop and ISP Tek Services combined will be a highly profitable, cash flow generating company servicing the circular economy
- The new Group can provide full recovery life cycle solutions of choice to OEMs
- Creates a platform for stronger organic growth
- Close the Loop is in a prime position to execute on its first mover advantage to support OEMs with their ESG initiatives
- Significant North American presence
- Global expansion
- Greater integration and service offerings into OEM supply chains
- Immediate cross-pollination between business units
- Increased life cycle management leading to growing sustainable revenue and earnings streams

Capital Raising Overview

INDICATIVE TIMETABLE	
Announcement of the Offer and trading halt lifted	Friday, 17 March 2023
DvP Settlement of the Unconditional Placement	Wednesday, 22 March 2023
Allotment of Unconditional Placement Shares	Thursday, 23 March 2023
Lodge Notice of Meeting for shareholders to approve tranche 2 of the placement	Monday, 20 March 2023
General Meeting to approve Tranche 2	Friday, 21 April 2023
Settlement date of tranche 2 of the Placement	Thursday, 27 April 2023
Allotment and Trading of Tranche 2 Placement Offer shares	Friday, 28 April 2023

Funded using debt and equity placement, in-line with capital management strategy

Amount	US\$45,000,000 of US\$ Senior Secured Term Loan US\$7,500,000 Multi-Currency Revolving Credit Facility US\$5,000,000 Delayed Draw Term Loan Facility
Term	6.5 years from closing
Interest Rate	SOFR or BBSW plus 675 bps
Covenants	Quarterly testing of leverage ratio, net debt to capitalisation ratio and fixed charge cover ratio
Timeframe to Completion	Within 4 weeks– Binding Term Sheet Signed by Investment Committee
Security	A first priority security interest in all assets of the Group
Repayments	0.625% each quarter for years 1 and 2 1.25% each quarter after year 2

Risk Factors

- There are a number of factors, both specific to Close the Loop and of a general nature, which may affect the future operating and financial performance of Close the Loop, its products, the industries in which it operates and the outcome of an investment in Close the Loop.
- There can be no guarantee that Close the Loop will achieve its stated objectives or that forward-looking statements will be realised.
- This section describes certain, but not all, risks associated with an investment in Close the Loop.
- Each risk set out below could, if it eventuates, have a materially adverse impact on Close the Loop's operating performance, financial performance, financial position, liquidity and the value of its shares.
- You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

SPECIFIC RISK FACTORS

The Directors believe that there are a number of specific factors that should be taken into account before investors decide whether or not to apply for New Shares.

Each of these factors could have a materially adverse impact on Close the Loop, its expansion plans, operating and product strategies and its financial performance and position.

These include the following:

ACQUISITION RISKS

ISP acquisition – Information risk	<ul style="list-style-type: none"> CLG has undertaken a due diligence review in respect of the acquisition of ISP (Acquisition). Despite taking reasonable efforts, CLG may not have been able to verify the accuracy, reliability or completeness of all the information provided against independent data. There is a risk that: <ul style="list-style-type: none"> Information disclosed to CLG was incomplete, inaccurate or unreliable. Due diligence conducted has not identified issues that would have been material to the decision to enter into the acquisition agreement..
ISP acquisition – Completion risk	<ul style="list-style-type: none"> Completion of the Acquisition is conditional on CLG shareholder approval along with a number of other conditions precedent as set out in the share sale agreements in respect of the Acquisition (Sale and Purchase Agreements). Completion of the Acquisition may not occur if: <ul style="list-style-type: none"> The conditions precedent are not satisfied and/or waived, or Any of the completion deliverables are not delivered If a party to the Acquisition defaults in the performance of their obligations, it may be necessary for CLG to approach a court to seek a legal remedy. If completion of the Acquisition is delayed, CLG may: <ul style="list-style-type: none"> Incur additional costs and it may take longer than anticipated for CLG to realise the benefits of the Acquisition. Have adverse effects on the ISP business including in terms of growth, employee engagement or funding costs. Have a material adverse effect on CLG's financial position and trading prices of CLG shares. If the Acquisition is not completed as a result of a failure to satisfy the conditions precedent (or otherwise) CLG will consider alternative uses for and/or ways to return the proceeds of any money received from investors under the Capital Raising. Any action required to be taken to return capital may have a material adverse effect on CLG's financial position and share price.
ISP acquisition – Integration and synergy risk	<ul style="list-style-type: none"> The acquisition of ISP has the potential for integration risk. CLG has undertaken financial, tax, legal, employment, commercial, insurance, and separation analysis of ISP in order to determine its attractiveness to CLG (including in relation to synergies) and whether to proceed with the Acquisition. There is a risk that: <ul style="list-style-type: none"> Despite such analysis, the conclusions drawn are inaccurate or are not realised, The performance of CLG following the Acquisition may be different (including in a materially adverse way) from what is reflected in this Presentation.
ISP acquisition – Historical liabilities	<ul style="list-style-type: none"> If the Acquisition completes, CLG may become directly or indirectly exposed to liabilities that ISP has incurred or is liable for in respect of prior acts or omissions, including: <ul style="list-style-type: none"> Legal and regulatory liabilities for which it may not be adequately indemnified or insured against Liabilities which were not identified during CLG's due diligence or which are greater than expected Such liabilities may adversely affect the financial performance or position of CLG after the Acquisition.

ACQUISITION RISKS

ISP acquisition – Warranties and representations

The Sale and Purchase Agreements contain a number of representations, warranties and indemnities. These are subject to certain financial claims thresholds and other limitations, and could be subject to the warrantor or indemnifier's capacity to make good the applicable representation, warranty, or indemnity. Any material unsatisfied warranty or indemnity claims could adversely affect CLG's business, operations or financial performance.

ISP acquisition – Risks associated with employees

- Employees employed by ISP at the time it is acquired will be covered by contractual terms and conditions which may differ to CLG's standard practices.
- CLG will have to meet employees' existing employment terms and conditions or if those conditions cannot be met because of operational or commercial constraints, CLG will have to provide commensurately beneficial terms to the employees or implement variations to terms and conditions of employment.
- Given the potential cultural differences between ISP and CLG, there is a risk that these differences may lead to a loss of employees or give rise to potential industrial disputes. Any inability to attract, retain and motivate key ISP and/or CLG employees following the Acquisition could also adversely impact CLG's future operating and financial performance.
- In undertaking work and delivering programs for its customers, ISP's employees and subcontractors can operate in potentially hazardous environments and perform potentially hazardous tasks. ISP has a wide range of controls and proactive programs to prevent injuries to employees and subcontractors.
- However, there remains a risk of non-compliance with these controls and programs, which may result in personal injury or property damage and associated claims, regulatory non-compliance and consequent fines, and adverse publicity and additional cost to ISP and CLG.

KEY RISKS ASSOCIATED WITH CLOSE THE LOOP'S BUSINESS

Sales and revenue risk	<ul style="list-style-type: none"> • CLG's revenue depends on the extent and timing of future product sales. • There is a risk that due to current economic factors, expected revenue levels may not be realised at all.
Supply chain risk	<ul style="list-style-type: none"> • There is a risk that future events may have an adverse impact on CLG's supply chain. • In the event that CLG's supply chain is disrupted, this may have a material adverse effect on CLG's operating performance and earnings. • If CLG is unable to secure key supply inputs, it could have a materially adverse effect on its ability to meet customer demand and sell products profitably.
Liquidity risk	<ul style="list-style-type: none"> • There is a risk that CLG's ability to collect receivables may be slower than assumed and bad debts may also be higher than assumed • As a result, CLG may have insufficient liquidity to cover payments or meet its own capital requirements.
IT risk, privacy and cybersecurity	<ul style="list-style-type: none"> • CLG's technologies and other systems and operations could be exposed to damage or interruption from system failures, computer viruses, cyber-attacks, power or telecommunication providers' failure, fire, natural disasters, terrorist acts, war or human error. • Should these not be adequately maintained, secured or updated or CLG's disaster recovery processes not be adequate, system failures may negatively impact on its performance. • Any interruptions to these operations would impact CLG's ability to operate and could result in business interruption and could therefore adversely affect CLG's operating and financial performance. • Cyber-attacks may compromise or breach the systems used by CLG to protect confidential information. Any data security breaches of CLG's failure to protect confidential information could result in the loss of information integrity, or breaches of CLG's obligations under applicable laws or agreements, each of which may materially adversely impact CLG's financial performance and reputation.
Changes in technology	<ul style="list-style-type: none"> • Technology plays an increasingly important role in the delivery of services to CLG's customers. CLG's ability to compete in its industry sectors may be impacted by its ability to maintain or develop appropriate technology platforms in the efficient delivery of its services.
Competition risk	<ul style="list-style-type: none"> • The loss of customers may negatively affect earnings. Additionally, the risk from increased competition may negatively impact on sales and profitability. The actions of an existing competitor or of new competitors may make it difficult for CLG to grow or maintain its business, which in turn may have a material adverse effect on its profitability.

KEY RISKS ASSOCIATED WITH CLOSE THE LOOP'S BUSINESS

Warranty risk and product liability exposure	<ul style="list-style-type: none"> There is an inherent risk of defective workmanship or materials in the manufacture of products sold by CLG Defective products may have a materially adverse impact on CLG's reputation, its ability to achieve sales and commercialise its products and on its financial performance due to warranty obligations. It may also give rise to product liability claims which could impact on CLG's viability. CLG will mitigate this risk via the usual contractual provisions
Insurance risk	<ul style="list-style-type: none"> CLG seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry sectors. CLG is exposed to the risk of liability, which is mitigated by maintaining certain insurances. However, the relevant insurance(s) may not always be available to Close the Loop or may only be available on terms. The occurrence of an event that is not fully or partially covered by insurance maintained by CLG may have a material impact on the business and financial condition of CLG.
Intellectual property risk	<ul style="list-style-type: none"> The ability of CLG to maintain protection of its proprietary intellectual property and operate without infringing the proprietary intellectual property rights of third parties is integral There can be no assurances that the validity, ownership or authorised use of intellectual property relevant to CLG's business cannot or will not be challenged.
Maintenance of reputation	<ul style="list-style-type: none"> CLG's success is reliant on the maintenance of its reputation. Any factors that damage the reputation of CLG may potentially result in a failure to win new revenue and impinge on the ability to maintain relationships with existing counterparties, as well as affect its ability to attract key employees.
Key personnel risk	<ul style="list-style-type: none"> CLG relies heavily on the experience and knowledge of its management team. CLG is also dependent on its ability to recruit and retain suitably qualified personnel. In the event that such key personnel leave CLG and CLG was unable to recruit suitable replacements in a timely manner, this could have a materially adverse effect on CLG
Asset impairment risk	<ul style="list-style-type: none"> Changes to the carrying amounts of CLG's assets could have an adverse impact on reported financial performance of CLG and could increase volatility of reported earnings in cases where there is further impairment or a reversal of impairment provisions that were recorded in previous periods.
Dividends	<ul style="list-style-type: none"> There is no guarantee as to future earnings of CLG or that CLG will be profitable at any time in the future, and there is no guarantee that CLG will be in a financial position to pay dividends at any time in the future.
Regulatory and compliance risk	<ul style="list-style-type: none"> There can be no guarantee that CLG will be able to comply with the regulatory requirements imposed on it (whether in Australia or overseas). Further, there is the prospect of the cost of compliance exceeding expectations and having an adverse impact on the financial position of Close the Loop.
Sovereign risk	<ul style="list-style-type: none"> Certain suppliers of CLG are subject to the risks associated with foreign emerging countries. No assurances can be given that the co-operation of such authorities, if sought by CLG, will be obtained, and if obtained, maintained. It cannot be ruled out that any government in any foreign jurisdiction in which CLG operates may adopt substantially different laws, policies or conditions which impact on CLG's business. CLG may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Any future materially adverse changes in government policies or legislation may affect the viability and profitability of CLG.
Exchange rates	<ul style="list-style-type: none"> CLG is potentially exposed to movements in exchange rates. Exchange rate movements affecting currencies may impact the profit and loss account or assets and liabilities of CLG (to the extent the foreign exchange rate risk is not hedged or not appropriately hedged) and the general competitiveness of CLG's products in the market.

GENERAL RISK FACTORS

Share market	<ul style="list-style-type: none"> On completion of the Placement, the New Shares may trade on ASX at higher or lower prices than the issue price. Investors who decide to sell their New Shares after the Placement may not receive the amount of their original investment. The price at which the New Shares trade on ASX may be affected by the financial performance of CLG and by external factors over which the Directors and CLG have no control. Investors should consider the historical volatility of Australian and overseas share markets. The Directors make no forecast in regard to the strength of the equity and share markets in Australia and throughout the world.
Dependence on general economic conditions	<ul style="list-style-type: none"> The operating and financial performance of CLG is influenced by a variety of general economic and business conditions. A prolonged deterioration in general economic conditions, including increases in interest rates and inflation, which are anticipated to continue over the current financial year, or a decrease in consumer and business demand, could be expected to have a materially adverse impact on CLG's business or financial condition. Changes to laws and regulations or accounting standards which apply to CLG from time to time could adversely impact CLG's earnings and financial performance. The Directors and CLG make no forecast in regard to the future demand for CLG's products and services, nor warrant the future performance of CLG
Tax risk	<ul style="list-style-type: none"> Changes to the rate of taxes imposed on CLG or tax legislation generally may affect CLG and its Shareholders. In addition, an interpretation of Australian tax laws by the Australian Taxation Office that differs to CLG's interpretation may lead to an increase in CLG's tax liabilities, a reduction in shareholder returns, of impact the level of dividend imputation and franking. CLG is not responsible either for tax or tax penalties incurred by investors.
Litigation risk	<ul style="list-style-type: none"> CLG may in the ordinary course of business become involved in litigation, claims and disputes. This could be costly and damaging to CLG's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.
Legislative and regulatory changes	<ul style="list-style-type: none"> Legislative or regulatory changes in jurisdictions in which CLG operates could have an adverse impact on CLG.
Funding risk	<ul style="list-style-type: none"> There is no guarantee that the monies raised under the Placement will be adequate or sufficient to meet the ongoing funding requirements of CLG under its current business plan. If CLG requires access to further funding at any stage in the future, there can be no assurance that additional funds will be available either at all or on terms and conditions that are commercially acceptable to CLG. Given current global market and economic conditions, access to equity capital markets may be negatively impacted over the medium to long term. If CLG is unable to obtain such additional capital, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business.
Speculative investment	<p>The above list of risk factors ought not to be taken as exhaustive of the risks faced by CLG or by investors in CLG. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of CLG and the value of the securities offered under the Placement. Therefore, the shares to be issued pursuant to the Placement carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities. Potential investors should consider that an investment in CLG is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to the Placement.</p>



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Contact Us

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