



**Close the Loop GROUP**

Create - Recover - Reuse



**Close the Loop Limited**

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## **Close the Loop earnings exceed Prospectus forecasts, creating strong momentum after record organic and inorganic growth**

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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 year ended 30 June 2022 (FY22).

### **FY22 Highlights:**

- **Revenue of \$89.2 million, 20.7% above Prospectus forecast and up 32.3% on prior corresponding period (pcp)**
- **EBITDA of \$14.3 million, 16.3% above Prospectus forecast and up 8.3% on pcp**
- **NPBT of \$7.0 million, 17.2% above Prospectus forecast and up 7.7% on pcp**
- **Strong organic revenue growth across all divisions contributed to significant earnings uplift**
- **Acquisitions of Oceanic Agencies, Crasti & Co. and post year-end, Alliance Paper delivers on Prospectus strategy and adds to sales and profitability levels**
- **Cash balance of \$10.3 million**
- **Robust growth expected in FY23 via further earnings accretive acquisitions and organic growth**

Commenting on the Company's financial performance, Group Chief Executive Officer Joe Foster said: "Close the Loop Group's strong performance in our first full year reporting period as an ASX-listed company has ensured we have achieved or exceeded key Prospectus metrics and delivered on our strategic pillars.

"We acquired complementary and earnings accretive businesses in Oceanic Agencies and Crasti & Co. and, in July, added Alliance Paper. These three acquisitions add to the cumulative power Close the Loop has in its ability as the only ASX-listed company operating in all parts in the circular economy - from product design, manufacturing, collection and recycling and then eventually recovering it as new packaging or secondary products, or simply packaging to packaging.

"We achieved strong organic growth in niche packaging and recycling and increased sales from an increasing range of circular economy products. To meet demand we increased production capacity, made further investment in resource recovery equipment and efficiency improvements and added additional resources to implement new take-back programs. We expanded our presence internationally, increasing our packaging presence in the USA and expanded the sustainable packaging business in South Africa through our Foster International Packaging division. Our Close the Loop USA division also reported a strong revenue increase in FY22, with a solid recovery from COVID-19 losses."

"Revenue of \$89.2 million and EBITDA of \$14.3 million was 20.7% and 16.3% above Prospectus forecast respectively, with this strong financial performance driven by significant revenue uplift across all divisions of our business.

"We enter the new financial year in a strong position to continue to deliver on our growth strategy and accelerate our growth momentum through further earnings accretive acquisitions and organic growth as we use our industry leading innovation to create new take-back, re-use and recycle programs and circular economy solutions."

## Financial Review

Revenue was \$89.2 million, 20.7% above Prospectus forecast and up 32.3% on prior corresponding period (pcp) due to strong organic revenue growth across all divisions.

Close the Loop's EBITDA was \$14.3 million, 16.3% above Prospectus forecast and up 8.3% on pcp and net profit before tax was \$7.0 million, 17.2% above Prospectus forecast and up 7.7% on pcp.

The acquisition of Oceanic Agencies added revenue of \$4.4 million over seven months, while Crasti & Co. had revenue of \$2.5 million for the three months after its acquisition.

(A\$m)	FY22	FY21	Change
<b>Revenue</b>	89.2	67.4	32.3%
<b>Gross Profit</b>	28.3	20.8	30.7%
<b>Operating Profit</b>	12.4	8.5	45.9%
<b>EBITDA*</b>	14.3	13.2	14.3%
<b>EBIT*</b>	9.9	8.1	22.2%

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

## Divisional performance

Division	FY22 Revenue (Pro forma)
O F Pack	\$27.4 million
Close the Loop USA	\$22.1 million
Foster International Packaging	\$8.6 million
O F Resource Recovery	\$8.2 million
Close the Loop Australia	\$7.4 million
Close the Loop Europe	\$5.6 million
Oceanic Agencies	\$4.4 million
O F Flexo	\$3.0 million
Crasti & Co.	\$2.5 million

## Operational Review

The Close the Loop Australia division performed well, achieving sales of \$7.4 million, ahead of a budgeted \$7.2 million. Sales revenue recovered in the second half, as volumes improved after COVID-19 lockdown impacts, and increased TonerPlas® sales. In addition, the division bolstered its battery and cosmetic collection network, generating additional revenue.

In the Close the Loop Europe division, revenue was about \$220,000 above budget or an organic growth rate of almost 12%. This was due to new business activities such as toner bottle cleaning and development of new circular economy models for customers beyond the printing business. These activities commenced in the last quarter of FY22.

For Close the Loop USA, FY22 saw a faster rebound from COVID-19 than expected, resulting in the division exceeding budget by 14% for FY22 revenue, and 50% for FY22 EBITDA. This was accomplished through efficiency gains and the continuation of strong relationships with customers.

The O F Packaging division performed well, revenues were \$27.4 million, surpassing the FY22 budget by 11% despite challenging supply chain issues and increasing raw material costs. This was achieved through proactive

management of the supply base, successful customer communication and maintaining strong relationships to ensure continuity of supply.

O F Resource Recovery performed incredibly well in FY22, with 33% revenue growth year-on-year (yoy) due to a consistent supply chain and strong pricing points. The division enjoyed strong front-end relationships, sound operations and broadened our commodity base.

O F Flexo achieved all targets in a very positive FY22, with a 45% revenue increase yoy. Despite economic challenges affecting many in the client sectors, the focus on sustainability allowed the division to gain higher exposure to more customers keen to improve their ESG credentials.

Foster International Packaging exceeded its sales budget by 12% which was achieved whilst overcoming challenging conditions in the South African market as well as in the international operating environment. In South Africa, management successfully navigated the tail-end of COVID-19 interruptions to normal trading, devastating floods which severely hampered port operations at Durban harbour, industrial action specifically targeting trucking operators and highly volatile exchange rates which impacted pricing consistency.

Oceanic Agencies performed exceptionally well in a strong market, with another year of continued growth and a solid return with yoy sales growth of 15%. Growth was enabled by excellent support and relationships with suppliers and long-term consistent supply.

Crasti & Co. performed well despite supply chain challenges and increased manufacturing costs. Sales continue to grow due to organic growth from existing customers as well as new business.

International factors included shipping logistical disruptions and sharp price increases, supplier interruptions in China due to COVID-19 and increased costs of raw materials impacted supply chains during FY22.

### **Acquisitions deliver on Prospectus strategy**

Close the Loop delivered on its Prospectus strategy of acquiring complementary, earnings accretive businesses to create additional synergies, with the acquisitions of Oceanic Agencies and Crasti & Co. in FY22.

Oceanic Agencies is a profitable, fast-growing seafood packaging group and strengthens Close the Loop's bulk and commercial seafood packaging capability in a growing and highly complementary sector to the Group's existing seafood business offering. The transaction is earnings per share accretive, with significant revenue and cost synergies.

The acquisition of Crasti & Co. in February 2022 was completed one month earlier than planned and was immediately earnings accretive, adding 14% to Close the Loop's EBITDA on a FY22 annualised basis.

Close the Loop completed successful recycling trials with Crasti & Co. products and finalising a take-back program for Crasti bulk bag customers that includes multinationals, national corporates, and major government departments. The bags can be reused or sold, depending on their condition with some product being repurposed into production of TonerPlas®, Close the Loop's patented, high-performance asphalt additive made from soft plastics and waste printer cartridge toner.

In late July, Close the Loop agreed to acquire leading chemical free thermal paper supplier and sustainable paper products group, Alliance Paper, strengthening its capability in the paper products and packaging sector. It allows the Group to develop new sustainable paper products that can replace some traditional plastic packaging, based on technologies that Alliance has developed and has been trialled successfully by Close the Loop's O F Flexo business. Alliance has also developed sustainable paper products such as recyclable coffee cups, disposable and recyclable eskys.

The transaction will enhance Close the Loop's revenue and profitability levels in FY23, with Alliance expected to grow revenues to \$19.7 million in FY23 from \$11.7 million in FY22 and EBITDA to \$2.4 million in FY23 from a loss in FY22. The revenue growth is being driven by new supply contracts and investment in inventory to meet the increased demand for Alliance products.

### **New market and product development**

During the financial year, Close the Loop expanded its packaging presence into the United States with the formation of Close the Loop Packaging. With dedicated resources working from within the current US Close the Loop headquarters at Hebron, Kentucky, Close the Loop Packaging harnesses existing connections that Close the Loop resource recovery business units have with their US-based customers to examine possible expansion into packaging-related services, in addition to investigating further options for product take-back programs.

The Group expanded its sustainable packaging business in South Africa via its Foster International Packaging division following the withdrawal of the market leading competitor, Amcor. Foster International Packaging is a leader in the supply of sustainability flexible packaging products across a wide range of Southern African markets.

### **Upgrades to further increase capacity and operating leverage**

The Close the Loop's USA division is undertaking initiatives to increase production capacity to leverage volume increases across a range of products. This includes the facility implementing a new automatic optical recognition system to improve efficiency, with the system to then be introduced across Australian and European facilities. In addition, the US plant is installing a new washing and separation line due for completion this calendar year.

Furthermore, the Group has launched its European packaging business to handle flexible packaging sales for new and existing customers, expanded recovery and remanufacturing offerings in the print space across all geographic regions, and developed soft plastics programs for key packaging, retail and divisional clients.

### **Production line upgrades**

On 9 June 2022, a fire broke out on the TonerPlas<sup>®</sup> production line in Australia and was brought under control using normal remediation processes. There were no injuries, with the building and all equipment fully insured. The collection operations, which generate the largest financial contribution from the Somerton site, were largely unaffected by the fire, with operations back up and running after four business days.

The supply of TonerPlas<sup>®</sup> is on track to resume full-scale production by the end of the calendar year. Close the Loop is developing manufacturing options with third parties for the production of TonerPlas<sup>®</sup> in the short to medium term.

Plans were under way to upgrade the TonerPlas<sup>®</sup> line in FY23 to meet increased demand, so these upgrades will now occur at the same time, and we will take the opportunity to realign and improve the production flow of the Somerton facility to allow for future growth.

The Company expects the maximum impact of the fire would be \$1.5 million including insurance excess and additional warehouse costs of approximately \$350,000 for recovery items and potential double handling. A make good provision of \$1 million has been recorded in FY22 for this amount. The revenue impact of this incident is expected to be approximately \$600,000 in FY23.



## Outlook

Close the Loop enters FY23 in a robust position to continue to accelerate its growth trajectory. The Group will continue to focus on acquisitions of complementary, earnings accretive businesses for additional operational synergies, with several discussions in advanced stages. At the same time, Close the Loop expects further upgrades of TonerPlas® and Close the Loop recycled product manufacturing capability. The Group will continue to undertake further financial and technical due diligence regarding the manufacture of the Resin8® waste plastics product range for the construction industry in Australia.

## Investor Webinar

An investor webinar will be hosted by Chief Executive Officer, Joe Foster and Chief Financial Officer, Marc Lichtenstein, at 11:00am (Australian Eastern Standard Time) on 26 August 2022.

Participants can register for the webinar by navigating to: <https://ccmediaframe.com/?id=BQe8ZOLq>

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.*

- ENDS -

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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](http://www.ctlgroup.com.au), [www.closeheloop.com.au](http://www.closeheloop.com.au) and [www.ofpack.com.au](http://www.ofpack.com.au)