



ASX RELEASE

25 February 2022

Carbonxt Group Limited – HY22 Results

ABOUT Carbonxt Group Limited (CG1.ASX)

Carbonxt is a cleantech company that develops and markets specialized Activated Carbon products, primarily focused on the capture of mercury and other contaminants in industrial processes that emit substantial amounts of harmful pollutants. The Company produces and manufactures Powder Activated Carbon ('PAC') and Activated Carbon ('AC') Pellets for use in industrial air purification, wastewater treatment and other liquid and gas phase markets.

[All results in AUD]

- Revenue of \$9.9 million, up 38% on HY21 reflecting several factors including increased economic activity at the tail end of the pandemic, higher natural gas pricing, a warmer summer and successful business development initiatives.
- The Company's Activated Carbon Pellet business segment continued its strong momentum achieving revenue growth of 171% over 2H21 and 66% over 1H21. The growth was driven by an increased demand from the Company's largest pellet customer as well as sales into new business verticals. Pellet sales accounted for 72% of revenue in line with the Company's strategy to focus on its pellet business segment.
- Gross margin of 36%, up from 26% in HY21 principally due to increased sales volume combined with lower production costs across all product lines.
- Underlying EBITDA for 1H22 of \$192k, compared to 1H21 EBITDA loss of \$2.0m, with the significant improvement driven by higher revenue, lower production costs and lower operating costs.
- The positive underlying EBITDA marks the first ever positive half for the Company demonstrating a swift recovery from the decrease in revenue resulting from the impact of COVID-19 and the growth in the revenue base as a result of the Company's market diversification strategy.



FINANCIAL OVERVIEW

| AU \$'000 | 1H22 | 1H21 | Change |
|-------------------------------|------------------|------------------|------------|
| Revenue | \$9,885 | \$7,153 | 38% |
| Gross margin | \$3,524 | \$1,889 | 87% |
| Gross margin % | 36% | 26% | - |
| Other income | \$0 | \$172 | - |
| Shipping costs | (\$810) | (\$727) | - |
| Operating costs | (\$2,522) | (\$3,311) | - |
| EBITDA | \$192 | (\$1,976) | - |
| Depreciation and amortisation | (\$1,062) | (\$831) | - |
| EBIT | (\$870) | (\$2,807) | 69% |
| Net interest | (\$539) | (\$573) | - |
| Share based payment expense | (\$705) | | - |
| Other non-cash items | \$123 | \$836 | |
| Net loss before tax | (\$1,991) | (\$2,544) | 22% |

REVENUE

- Total revenue was up 86% from 2H21, driven by strong growth in the Activated Carbon Pellet business segment.
- As the only US manufacturer of Activated Carbon Pellets for industrial markets, the Company continued developing its pellet toll manufacturing business segment with a successful run in November 2021 for a large industrial entity. This run was followed by additional orders being placed by the entity scheduled for production in 2H22, demonstrating a continued strengthening relationship.
- With strong demand continuing in the Activated Carbon market, Carbonxt increased operations at its Black Birch and Arden Hills facilities to 24/7 operations in January 2022.
- The Company sold out of its CTC pellet inventory in FY21 but continues to receive unsolicited requests for this product. Neither facility has the current capacity to meet this demand but is continuing to work on potential paths forward and has identified several opportunities to increase output as soon as possible.

MARGIN

- 1H22 gross margin was 36%, an increase from the 26% recorded in 1H21. The increase was driven by several factors including increased sales volumes and economies of scale, as mentioned above, as well as a continued focus on efficiency improvements in production costs, including reduction of unplanned downtime and maximizing throughput levels on different products.
- With both facilities now operating at 24/7, further improvements in margin are expected as higher volume outputs will result in lower fixed plant costs on a per unit basis.



OPERATING COSTS

- Shipping costs to customers decreased in 1H22 at 8% of sales, compared to 1H21 at 10% of sales. Although increases in terms of freight cost per mile have been seen across the industry, the Company's customer mix changed between the two halves resulting in fewer miles traveled per sales dollar. Still, freight costs continue to be a point of focus as driver shortages, port blockages and consolidation in ocean freight shipping continue to place pressure on costs.
- Operating costs of \$2.5m were decreased by 24% compared to 1H21, principally due to the successful completion of the Company's operating cost reduction program where US \$1m in costs were eliminated over the 2021 calendar year.

NON-CASH ITEMS

- In 1H22, the Company recognized share-based payment expenses of \$705k from equity-based instruments offered to employees and vendors in lieu of cash-based payments.
- Other non-cash items decreased from \$836k in 1H21 to \$123k in 1H22. In 1H21, the Company recognized a favourable fair value adjustment of \$836k to a licensing rights liability due to a change in assumed future volumes subject to royalties arising from the license.

STATEMENT OF FINANCIAL POSITION

The Company has a A\$5.5 million debt facility provided by PURE Asset Management, maturing in April 2023 with an interest rate of 9.5%. The Company has 20m listed options at an exercise price of \$0.24 maturing in June 2023.

In February, Carbonxt successfully raised \$4.5m through the placement of 18.7m new fully paid ordinary shares.

The Company has delivered two successive positive net operating cash flow quarters for the first time in its history and is well positioned to continue its strong growth trajectory.

SUMMARY AND OUTLOOK

Carbonxt is very encouraged with the results from our recent transition to a 24/7 operating pattern at both plants, our new customer acquisitions in both AC Pellets and PAC segments, and the development of plans to expand our production output to fuel growth and meet surging demand as industry seeks emission-reducing technologies and products which are central to Carbonxt's business.

This announcement has been authorised for release to the ASX by the Board of CG1.

ENDS



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