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ALEXIUM

**ALEXIUM INTERNATIONAL GROUP LIMITED**  
FY2021 Full Year Results  
27 August 2021

ABN 91 064 820 408

PRESENTED IN US DOLLARS



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# FY2021 REVIEW

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# Company Overview



- **Advanced materials** provider for thermal management and flame retardant applications
- Performance-driven products developed with **environmentally-friendly** materials
- Innovator of technology platforms backed by **granted/pending patents** that secure the Company's position in key markets
- Commercialisation strategy driven by **customer-centric innovations** developed in consultation with market partners
- Product manufacturing strategy is based on contract manufacturers which provides for a **flexible and capital-light operation**

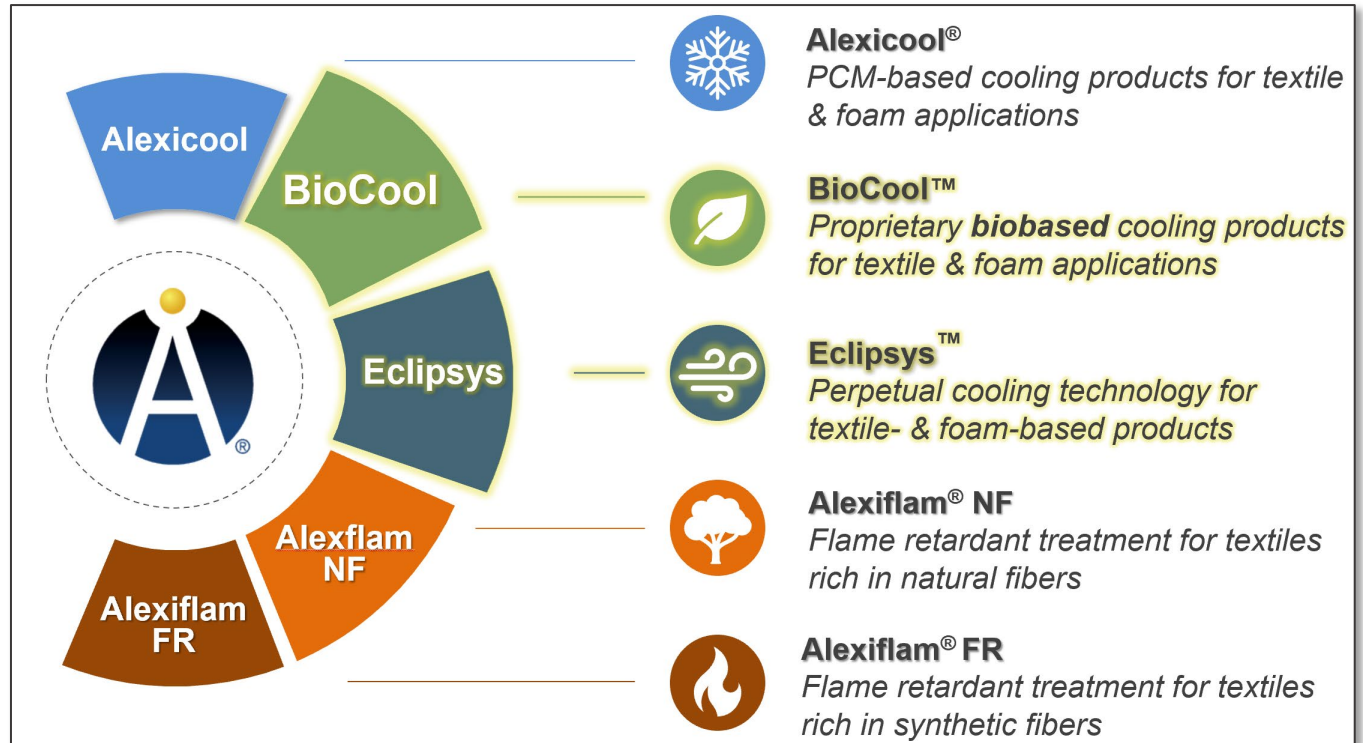


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# Company Overview



- ❖ Building from an initial set of three products, over the past few years Alexium has significantly expanded its product portfolio to five platforms
- ❖ Two new platforms (highlighted in yellow in the diagram) were introduced this year



<b>ADDRESSABLE MARKETS</b>	Mattress & Top of Bed		FR Socks for Foam Mattresses	Military Uniforms	Body Armor	
<b>ADDRESSABLE US MKT VALUE</b>	\$50M		\$20M	\$90M	\$30M	
<b>PLATFORM</b>						

All values in USD.

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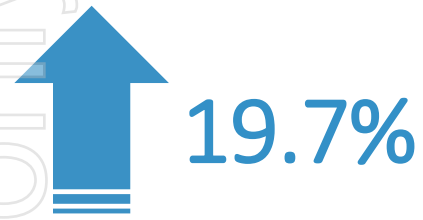


# Financial Snapshot

Continued Improvements versus prior year

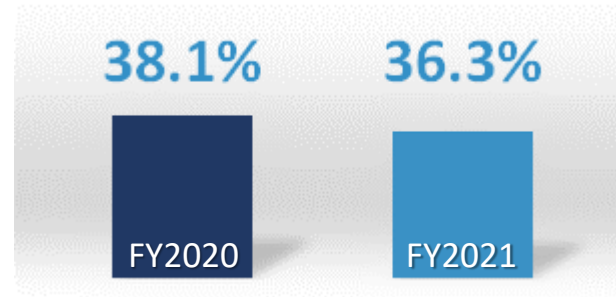


## Revenue Growth



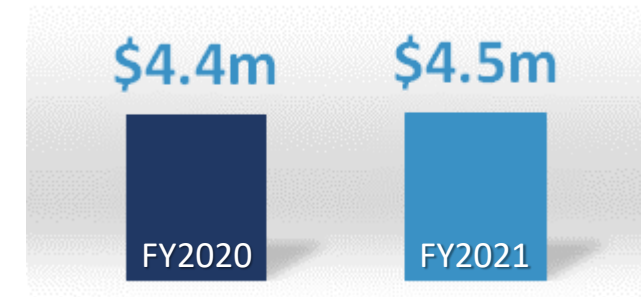
Revenue growth from new customers and Total Mattress Cooling System

## Gross Margin



Decrease due to product mix, H2 gross margin over 40% with new product scale up

## Operating Expenses



Headcount and travel expenses down, offset by reduced capitalization of R&D costs

## Operating EBITDA



Improved gross profit and stable operating expenses

## Operating + Investing Cash Outflow



Cash receipts up, payments to suppliers & employees down, and reduced cash interest

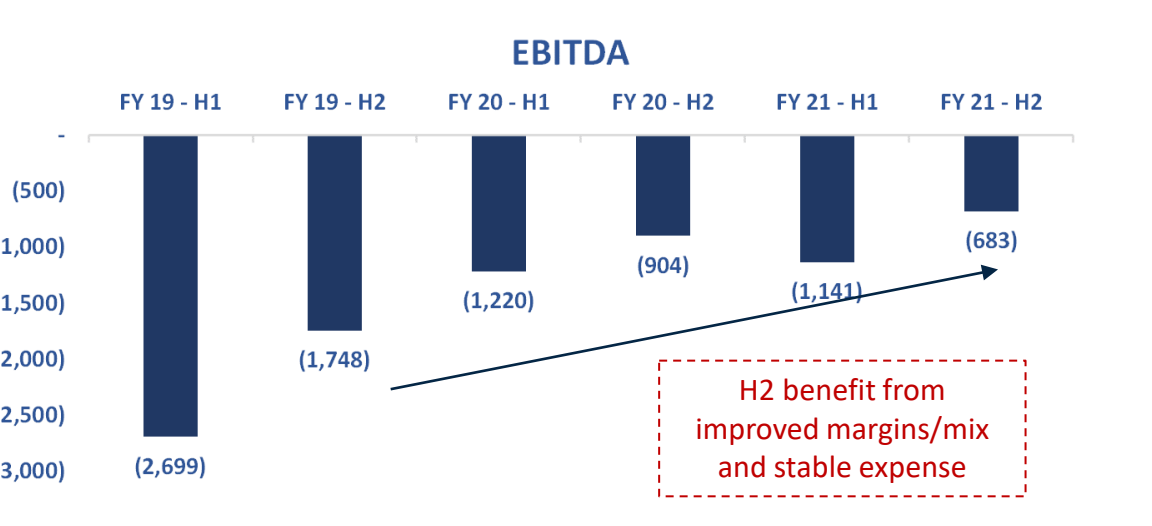
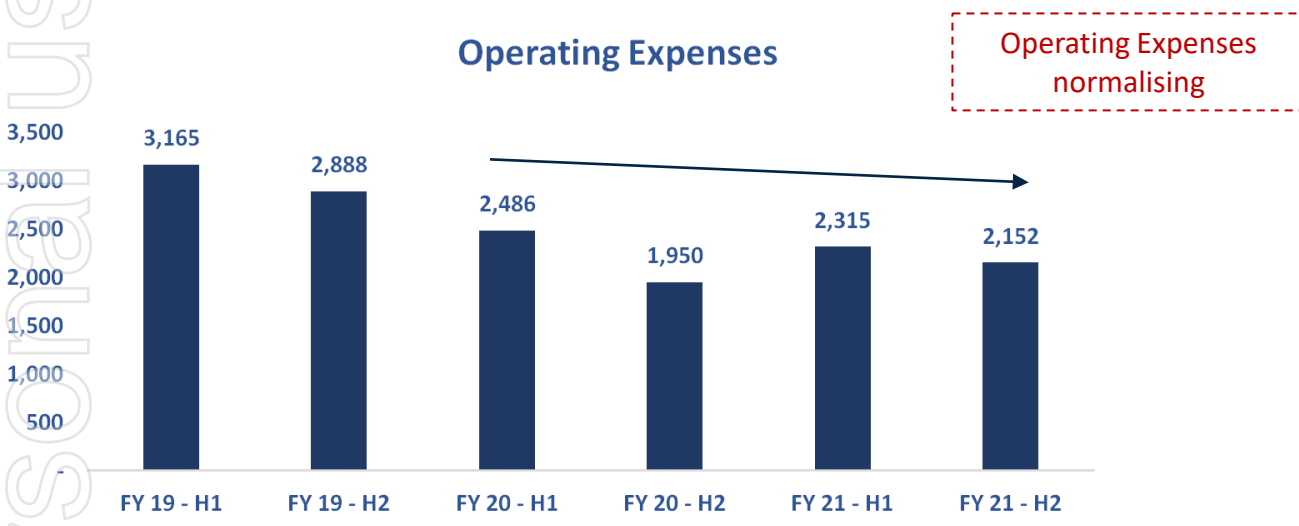
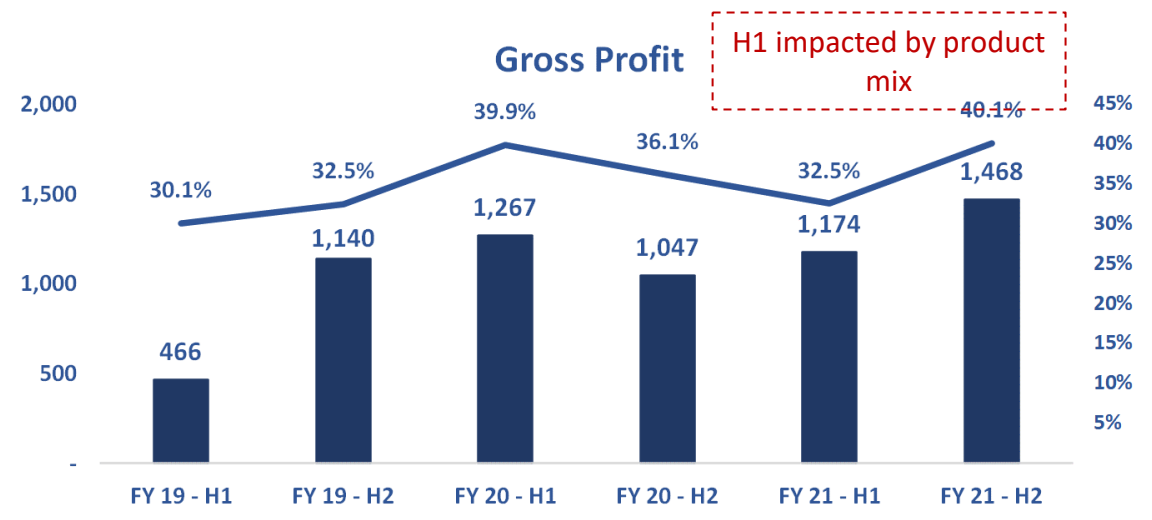
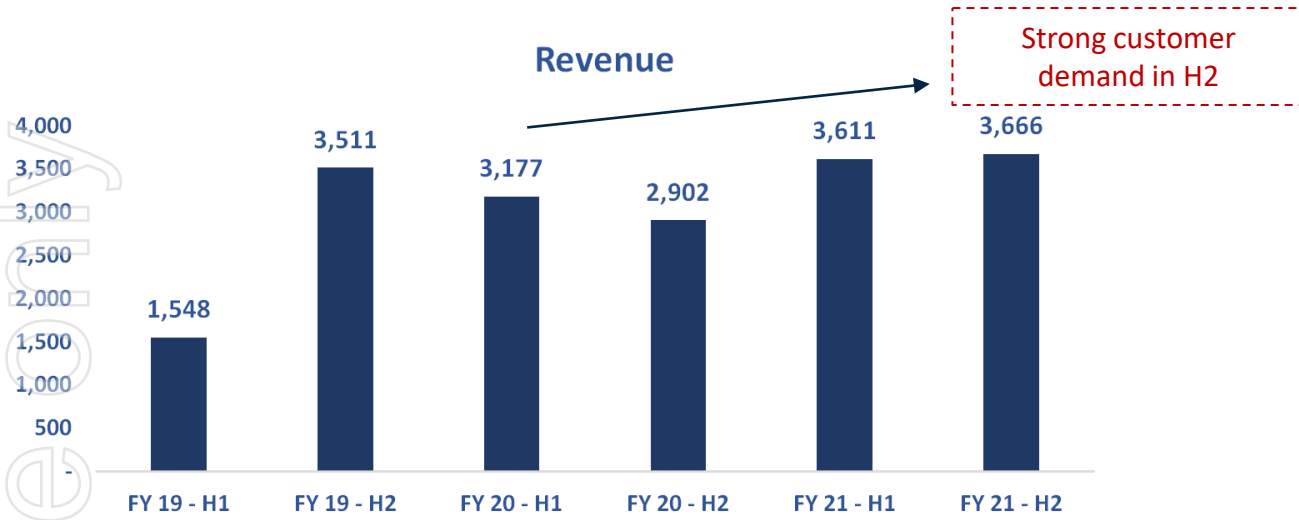
## Cash Interest



First full year of new loan interest

# Financial Snapshot (cont.)

Deliberate and systematic changes throughout the company drive conclusive results



All values in USD and thousands unless otherwise noted

# COVID-19 Impact



FY 2021  
IMPACT

## Market Dynamics

- Consumer demand has been strong in Alexium’s core market – bedding, and Alexium has improved its supply position with major retail and online brands
- Supply chain disruptions in other markets have negatively impacted Alexium’s commercial activities for new product launches; Alexium’s contract manufacturers have had no disruptions to their operations
- Customer engagement was limited in 1H FY2021, but improved significantly in 2H FY2021

## Alexium Operations

- Headcount remained the same throughout the year with the daily check-in safety procedures removed on 1 June 2021 when vaccinated employee percentage reach majority
- Received second loan of \$0.5M from US CARES Act in H2; first loan was forgiven, second loan expected to be forgiven in H1 FY2022

EXPECTED  
FY 2022  
IMPACT

- Consumer demand has been strong for two years with no indicators that this will change
- Supply chain disruptions in other markets are expected to continue for the foreseeable future with intermittent impact on Alexium’s commercial activities
- Delays for Alexium’s strategic initiatives will be limited to FR NyCo and FR Sock commercialization efforts which have more complex supply chains



# FY2021 in Review

## Successes

- **YoY Revenue growth of 20%**
  - Growth driven by greater market penetration in thermal management products for bedding applications
  - Significant share of growth is PCM applications to foam (20% of total FY2021 revenue)
- **Expansion of Product Portfolio**
  - Two new product lines introduced – BioCool™ and Eclipsys™ with ongoing sales for the former in 2H FY2021
  - Expansion increases opportunities in bedding and adjacent markets
- **New Revenue Sources for FY2022**
  - Total mattress cooling system (based on Alexicool® product line)
  - BioCool™ product line
  - Eclipsys™ for body armor applications
  - Reorganized sales force to work more closely with customers and to align product development with customer needs
- **Successful Management of COVID-19 Impact on Business**
  - Customer engagement impact limited to 1H FY2021
  - Limited supply chain disruption

## Challenges

- **Progressing FR Strategic Initiatives**
  - The impact of COVID-19 was most significant on flame retardant (FR) strategic initiatives such as FR Sock and FR NyCo due to its impact on development partner operations; both efforts now moving forward well



# FY2022 OUTLOOK

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# FY2022: Pivotal Year for Alexium's Growth

Culmination of FY2018 – FY2021 Technical & Commercial Developments

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## Increased Revenue

### REVENUE DRIVERS

Total mattress cooling system full commercialization – *Ramp begun in 4Q FY2021, full rate in 1H FY2022*

Continued market penetration for BioCool™ products – *First sales in 4Q FY2021, continuing into FY2022*

Continued growth in Alexicool® sales for foam apps – *Greatest area of growth in FY2021*

Eclipsys™ products commercialized for body armor – *New product launching in 1H FY2022*

## Improved Margins

### MARGIN DRIVERS

Increasing product volumes drive economies of scale

New product lines provide stronger margins to improve profitability

## Leverage Asset Light Model

### BUSINESS MODEL BENEFITS IN FY2022

Negligible capital investment needed to support revenue growth

Contract manufacturing model allows for facile scaling of production capacity to meet growth needs

Adequate cash resources through FY2022

# Key Milestones for FY2022

Optimization of FR NyCo manufacturing process and submission for military testing & evaluation



Broader market penetration of BioCool™ products in bedding market



Major customer has fully commercialized mattresses based on TMCS



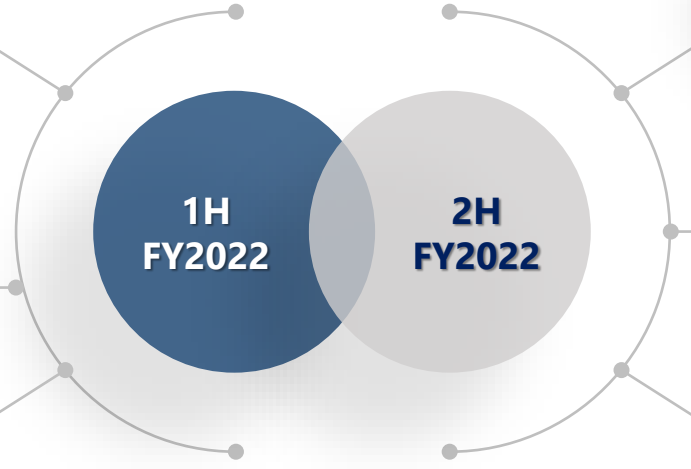
Complete commercialisation of Alexiflam® NF for FR Sock products with supply chain partners



Complete commercialisation of Eclipsys™ technology in body armor market

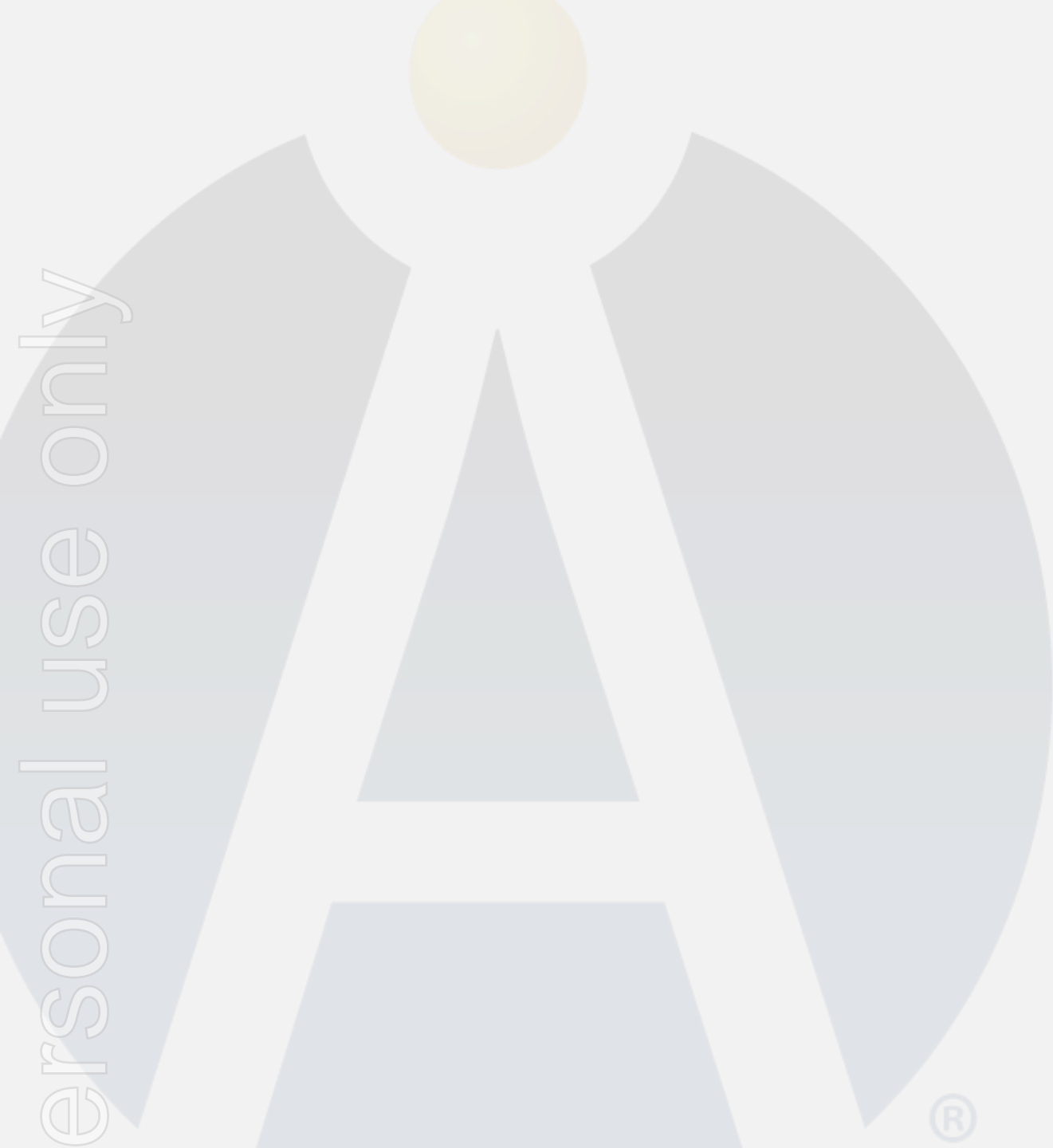


Complete commercialisation Eclipsys™ technology in bedding market



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# FINANCIAL RESULTS

# Profit & Loss Statement



- Increased revenue from a combination of new products and full run rates year over year
- Although down 170BPS for the year, gross margin in H2 improved to over 40% due to product mix, scale up of new products and new customer sales
- Operating expenses were flat versus prior year with headcount expense and travel decreasing offset by reduced R&D internal development moving to intangible assets
- Operating EBITDA improved by \$0.3M versus FY20
- Other Income of \$0.9M reflects the forgiveness of the first US Cares Act loan (\$460K) received in prior year and the expected forgiveness of the second loan received in current year
- Finance costs overall favorable with decrease in interest and gain on the derivative related to the loan

	FY21 (USD)	FY20 (USD)	Change	% Change
Sales Revenue	7,276	6,079	1,198	19.7%
Cost of Goods Sold	(4,634)	(3,766)	(869)	23.1%
<b>Gross Profit</b>	<b>2,642</b>	<b>2,313</b>	<b>329</b>	<b>14.2%</b>
<b>Gross Margin</b>	<b>36.3%</b>	<b>38.1%</b>	<b>(1.7%)</b>	
Operating expenses	(4,466)	(4,437)	(29)	0.7%
<b>Operating EBITDA <sup>(1)</sup></b>	<b>(1,824)</b>	<b>(2,124)</b>	<b>299</b>	<b>14.1%</b>
Other Income	921	-	921	
Depreciation & Amortisation	(911)	(589)	(322)	54.8%
<b>EBIT</b>	<b>(1,814)</b>	<b>(2,712)</b>	<b>898</b>	<b>(33.1%)</b>
Interest & Amortisation of Convertible Notes	(682)	(1,882)	1,200	(63.8%)
(Gain)/ Loss on Debt Extinguishment	-	(1,522)	1,522	(100.0%)
(Gain)/ Loss Change in FV of Derivative	1,044	(28)	1,071	(3892.9%)
Finance income	7	19	(12)	(64.7%)
<b>Finance Costs Total</b>	<b>369</b>	<b>(3,413)</b>	<b>3,782</b>	<b>(110.8%)</b>
<b>Net Loss</b>	<b>(1,445)</b>	<b>(6,125)</b>	<b>4,680</b>	<b>76.4%</b>

(1) Operating EBITDA is a non-GAAP financial measure see appendix for reconciliation of Operating EBITDA to statutory net profit/(loss) after tax.



# Cash Flow Statement



- Operating Activities
  - Cash collections increased with increased revenue, no collection issues
  - Payments for raw materials and manufacturing flat versus prior year
  - Operating cost cash outlays decreased \$0.6M
  - Interest expense down \$0.6M with the refinancing of the debt 24-Dec-19
- Investment Activities
  - Intangible assets additions decreased year over year as most assets have been placed in service
- Financing Activities
  - Proceeds from second loan from the US Cares Act received (\$460K)

	FY 21 USD	FY 20 USD
<b>Cash flow from operating activities</b>		
Receipts from customers and other income	7,042	6,422
Payments to suppliers and employees	(8,137)	(8,762)
Interest received	6	19
Interest and other costs of finance paid	(331)	(906)
Goods & services tax received from ATO	28	52
<b>Net cash flows (used in) operating activities</b>	<b>(1,392)</b>	<b>(3,175)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(108)	(102)
Payments for development costs	(774)	(1,098)
<b>Net cash flows (used in) investing activities</b>	<b>(882)</b>	<b>(1,201)</b>
<b>Cash flows provided by financing activities</b>		
Proceeds from issue of ordinary shares	-	11,769
Proceeds from borrowings	468	4,072
Share issuance transaction costs	(2)	(635)
Convertible note issuance transaction costs	-	(112)
Repayment of borrowings	(143)	(9,588)
<b>Net cash flows from/(used in) financing activities</b>	<b>323</b>	<b>5,506</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(1,950)</b>	<b>1,131</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>4,741</b>	<b>3,843</b>
Effect of exchange rate changes on cash	142	(233)
<b>Cash and cash equivalents at end of year</b>	<b>2,933</b>	<b>4,741</b>

All values in USD and thousands unless otherwise noted

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# Balance Sheet



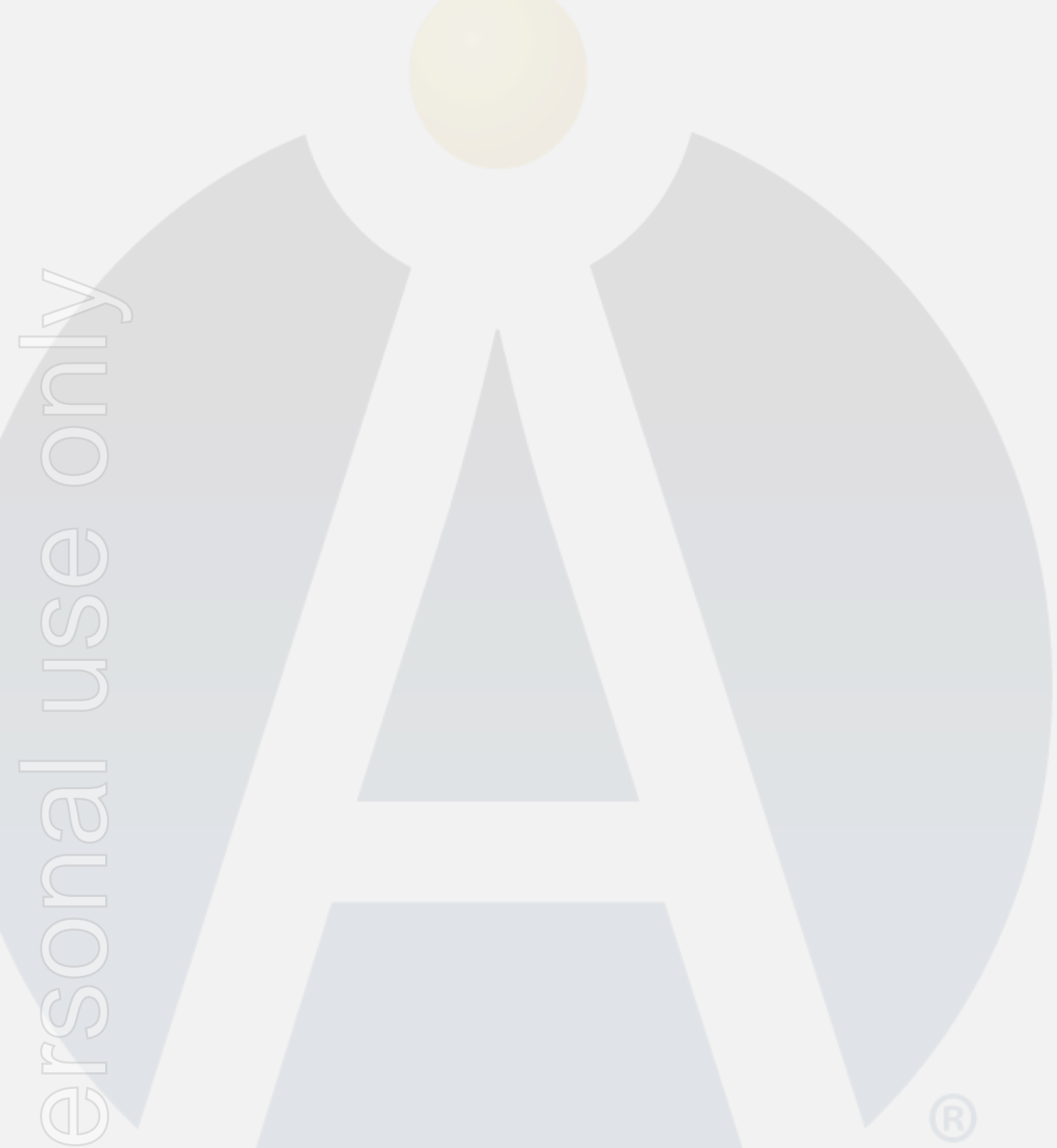
- Working Capital
  - A/R all current and a level higher than same period last year due to increased sales
  - Inventory and A/P levels up with increased activity to support business
- Non-Current Assets
  - Minimal capex requirements
  - Majority of intellectual property assets are placed in service and being amortised; additions to these assets have decreased year over year
- Non-Current Liabilities
  - Large decrease to derivative liability for the year
  - First loan received under the US Cares Act has been forgiven (\$460K)

	FY21 USD	FY20 USD
<b>Current Assets</b>		
Cash and cash equivalents	2,933	4,741
Trade and other receivables	1,368	980
Inventories	1,224	922
Other current assets	75	42
<b>Total Current Assets</b>	<b>5,599</b>	<b>6,684</b>
<b>Non-Current Assets</b>		
Other financial assets	18	18
Property, plant and equipment	1,056	1,096
Intangible assets	2,961	2,679
Right of use asset	846	1,194
<b>Total Non-Current Assets</b>	<b>4,881</b>	<b>4,986</b>
<b>Total Assets</b>	<b>10,480</b>	<b>11,670</b>
<b>Current Liabilities</b>		
Trade and other payables	1,893	906
Lease liabilities	81	137
<b>Total Current Liabilities</b>	<b>1,974</b>	<b>1,042</b>
<b>Non-Current Liabilities</b>		
Borrowings	2,510	2,440
Derivative liability	949	1,810
Lease liabilities	869	950
<b>Total Non-Current Liabilities</b>	<b>4,328</b>	<b>5,201</b>
<b>Total Liabilities</b>	<b>6,302</b>	<b>6,243</b>
<b>Net Assets</b>	<b>4,178</b>	<b>5,428</b>
<b>Equity</b>		
Contributed equity	66,265	65,944
Reserves	(1,053)	(927)
Accumulated losses	(61,034)	(59,589)
<b>Total Equity</b>	<b>4,178</b>	<b>5,428</b>

All values in USD and thousands unless otherwise noted

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# APPENDIX

# Non-GAAP Financial Measure Reconciliation

Reconciliation of Operating EBITDA (non-GAAP financial measure) to statutory Net Profit/(Loss)



	FY21 (USD)	FY20 (USD)
Net Loss for the period	(1,445)	(6,125)
Add		
(+) Depreciation	423	431
(+) Amortization	488	158
(+) Interest expense	682	1,882
(+/-) Gain/(Loss) in FV of derivative liability	(1,044)	28
(+) Loss on debt extinguishment	-	1,522
	549	4,020
Less		
(-) Other Income	921	-
(-) Interest Income	7	19
	928	19
<b>Operating EBITDA</b>	<b>(1,824)</b>	<b>(2,124)</b>

The consolidated financial statements of the Group are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards Board (IASB).

This presentation includes a non-GAAP financial measure which is not prepared in accordance with IFRS being:

**Operating EBITDA:** calculated by adding back (or deducting) finance expense/(income), depreciation, amortisation, gain/(loss) in FV of derivative liability, and loss on debt extinguishment to net profit/(loss) after tax.

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