



30 August 2022

ASX Release

Carbonxt Group Limited – FY22 Results

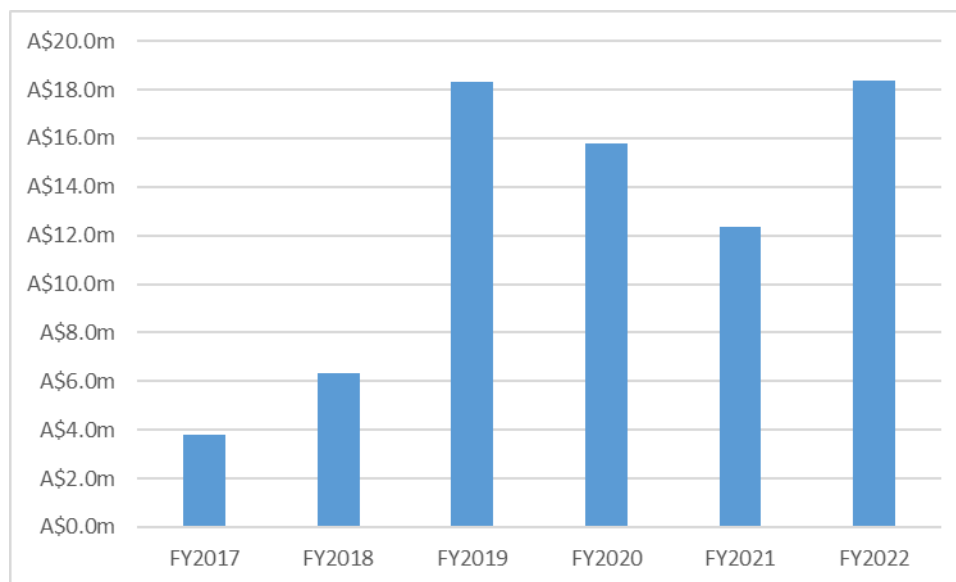
ABOUT Carbonxt Group Limited (CG1.ASX)

Carbonxt (ASX:CG1) is a cleantech company that develops and markets specialized Activated Carbon products, primarily focused on the capture of contaminants in industrial processes that emit substantial amounts of harmful pollutants. The Company produces and manufactures Powdered Activated Carbon and Activated Carbon pellets for use in industrial air purification, waste water treatment and other liquid and gas phase markets.

[All results in AUD]

- Record annual revenues of \$18.4 million, up 49% on FY21. Exchange rate fluctuations positively impacted comparative revenue accounting by \$515k or 2.9%.
- Pellet sales accounted for 70% of revenue and 55% of sales volume – pellet revenue was up 87% from FY21.
- Powdered activated carbon (PAC) accounted for 30% of revenue and 45% of sales volume – PAC revenue was largely unchanged from FY21.
- Annual gross margin of 34%, up from 28% in FY21 principally due to operational improvements and stronger sales from the pellet business line driven by higher customer demand.
- Underlying EBITDA for FY22 was around breakeven, compared to FY21 EBITDA loss of \$2.4m – representing a significant milestone for the Company.

ANNUAL REVENUE



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ACTIVATED CARBON PELLETS

- The Company increased its revenue in this segment by 87% year on year.
- Pellet sales volume to the Company's largest customer (an electric utility) was over 4,000 tons for FY22, compared to 1,600 tons in the prior year.
- Volume was driven by higher production requirements as a result of rising natural gas costs, which in turn resulted in higher demand for the client's products from its own customers
- Pellet tolling production at the Arden Hills facility continued during FY22 with growing sales volume to a large industrial customer for customized Carbonxt pellets, which they sell and distribute to a growing market. Carbonxt anticipates sales to this customer to increase in FY23 relative to FY22.

POWDERED ACTIVATED CARBON

- The production of low-cost renewable powdered activated carbon supports strong margins in the contaminant-reduction pellet product line.
- In January 2022, deliveries commenced under a contract for powdered activated carbon for an industrial company with expected volumes of up to 3,000 tons per year.
- To support overall demand, the PAC facility transitioned to working 24-hour shifts in the Spring of 2022.

OUTLOOK

- In early FY23, the Company signed a term sheet for 50% ownership in a new state-of-the-art activated carbon plant in eastern Kentucky, USA in a joint venture with US partner KCP. The new facility will be operated by KCP and significantly increases available production capacity and gross margins. In turn, the new facility will facilitate the repositioning of existing capacity to produce more specialized technologies at higher margins.
- Cost of production from the new plant is expected to be materially less than existing costs reflecting access to higher quality feedstock, a low-cost renewable power source, and shared services with KCP.
- The Company's current and prospective customers continue to emphasize a desire for US-made pellets. Carbonxt is the only activated carbon industrial pellet developer and supplier located in the United States.
- There is a renewed and continuing emphasis among US companies to match or exceed their stated ESG objectives with a particular focus on environmental considerations. Carbonxt's PAC products utilize renewable feedstock and thus satisfy the needs of those who are seeking a renewable footprint.
- Carbonxt expects the broader market conditions, which underpinned a +100% increase in Activated Carbon Pellet sales volumes along with ongoing growth in Powdered Activated Carbon segments, will continue to drive the positive trends in top-line revenue and operating EBITDA that the Company enjoyed in FY22.

FINANCIAL OVERVIEW

AU \$'000	FY22	FY21	Change
Revenue	\$18,363	\$12,327	49%
Gross margin	\$6,217	\$3,392	83%
Gross margin %	34%	28%	-
Other income	\$482	\$1,584	
Shipping costs	(\$1,660)	(\$1,371)	-
Operating costs	(\$5,088)	(\$6,017)	-
EBITDA	(\$49)	(\$2,413)	98%
Depreciation and amortisation	(\$2,138)	(\$1,694)	-
EBIT	(\$2,187)	(\$4,107)	47%
Net interest	(\$1,091)	(\$1,135)	-
Share based payment expense	(\$841)	(\$92)	-
Non-cash items (net)	(\$339)	\$0	-
Net loss before tax	(\$4,459)	(\$5,333)	16%

REVENUE

- Total revenue was up 49% from FY21 with increased sales in both the Pellet and PAC segments as described above. Sales to our largest customers in both segments are anticipated to continue at least through FY23 via existing contracts or projected contract extensions.
- The Company is working on potential paths forward to develop and produce new innovative technologies to meet new customer opportunities that have been identified.

MARGIN

- FY22 gross margin was 34%, an increase from the 28% recorded in FY21. The increase was attributable primarily to two factors: 1) more efficient operations at both of our facilities (e.g., implementing actions that resulted in higher throughput), and 2) higher natural gas prices, which make our customers' economic models comparatively more favorable resulting in higher demand for their services. This strong demand is expected to continue for the foreseeable future.

OPERATING COSTS

- Shipping costs to customers were lower than the prior year as a percentage of revenue, from 11% in FY21 down to 9% in FY22. Decreases were due to increased demand from customers located closer to our facilities.
- Operating costs of \$5.1m were down 16% in FY22 compared to the prior year due to strong focus and implementation of a cost reduction program which was successful notwithstanding the significant increase in revenues.

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%.

Inventories increased by 90% year-on-year from \$1.6m in FY21 to \$3.1m in FY22 due to several factors including timing and supply chain security. Regarding timing, the Company produced a materially large batch of pellets at the end of June which will be sold in FY23. Regarding supply chain, the Company focused on securing raw materials in response to unpredictable supply chains and lengthening lead times. As part of that strategy, it chose to carry higher inventory levels in targeted items to strengthen its ability to take advantage of customer demand, which can be seasonal and market-price driven.

FURTHER GROWTH OPPORTUNITIES

US Policy Environment Supporting Cleantech

The US Policy environment continues to be supportive of cleantech solutions. In the past several years, both COVID-19 and heightening geopolitical conflict have contributed to ongoing global supply chain interruptions. These factors are driving a demand for a more diversified regional marketplace including more domestic sourcing.

New Technologies

Carbonxt's HydRestor technology was selected as an innovative technology for an extensive research program funded through the state of Florida and local municipalities. The award funds \$400,000 of testing and will treat over 8 million gallons of water over a four-month period with the aim of reclaiming wastewater for irrigation purposes.

Carbonxt was awarded a US\$147,000 grant as part of the Florida Red Tide Mitigation and Technology Development Initiative by the state of Florida to support development of a technology to address the impact of red tides on coastal environments and communities in Florida.

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

ENDS

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