

## ASX Announcement

31 August 2023

### 1H23: Magontec reports underlying net profit after tax\* of \$3.3m and a net cash balance of \$12 million

Magontec Limited (ASX: MGL, 'Magontec' or 'the Group'), a global manufacturer of specialist magnesium products, today announced underlying net profit after tax (Underlying NPAT\*) of \$3.3 million for the six months to 30 June 2023.

## Key Highlights

- Net cash balance has increased to \$12.0 million as at 30 June 2023 compared to \$1.2 million at the end of the previous corresponding period (pcp).
- Operating cashflow of \$11.5 million for the half, compared to \$8.9 million in the pcp.
- Board declares interim dividend (unfranked) of 0.6 cents per share, in line with HY22.
- No net debt.
- Robust result with EBITDA of \$5.9 million and Underlying NPAT\* of \$3.3 million, despite a 41% fall in average Pure Mg prices compared to pcp.
- Net Tangible Assets per share have increased to 71.6 cents compared to 62.8 cents per share in the pcp.

Key Financial Highlights '\$000 unless specified	6 months to 30 June 23	6 months to 30 June 22
Gross Profit	14,103	26,753
Gross Profit Margin (%)	23.3%	28.5%
EBITDA	5,949	21,269
Underlying NPAT*	3,250	13,051
Reported Net Profit After Tax	2,397	13,799
- Earnings per share (cents)	3.1	18.0
- Dividend per share (cents) – unfranked	0.6	0.6
Net Tangible Assets per share (cents)	71.6	62.8
Cashflow		
- Underlying Operating Cashflow**	5,984	21,251
- Reported Operating Cashflow	11,472	8,914
Borrowings		
- Net debt/(net cash)	(12,025)	(1,161)
- Net debt to net debt + equity (%)	(25.3%)	(2.3%)

\* Underlying NPAT is defined as Reported Net Profit After Tax Excluding unrealised FX gains and losses

\*\* Cash from underlying operations = reported operating cashflow less working capital movements, interest and income tax payments

## Executive Chairman Commentary

Mr Nicholas Andrews, Executive Chairman, said: "At the end of the first half of FY2023 Magontec is in a strong financial position. The company has no Net Debt and \$12 million of Net Cash. As we foreshadowed in previous commentaries, a lower selling price for magnesium has reduced working capital commitments and returned significant cash to the balance sheet.

"Based on the Group's strong fundamentals the Board is pleased to declare an unfranked interim dividend of 0.6 cents per share, in line with the first half of FY 2022.

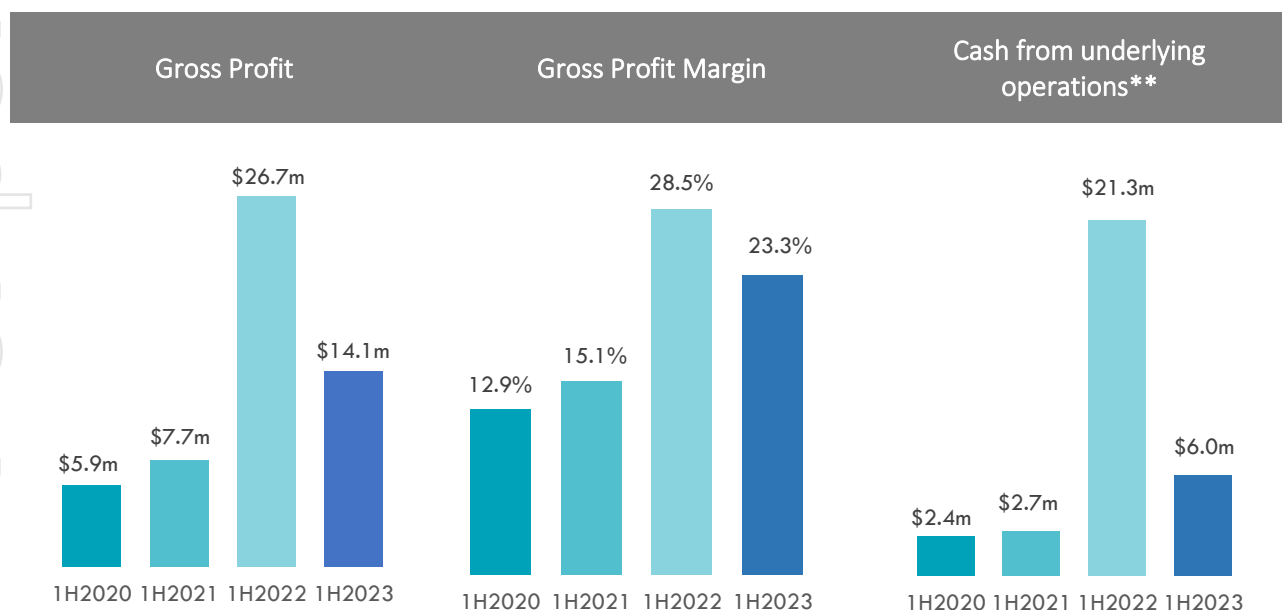
"The Group Gross Profit margin of 23.3% was sustained at a high level compared to the long-term average, but below the prior corresponding period. The key drivers in the six months to 30 June 2023, compared to the prior corresponding period, were a 41% decline in the average price of pure magnesium and a drop in the volume of sales achieved, particularly in the second quarter.

"In April this year Magontec's Xi'an magnesium anode plant was closed for nearly 4 weeks for a major factory refurbishment, impacting earnings in the half. This business has now significantly increased its production capacity with the installation of new extrusion and processing equipment and a new factory layout that will enhance productivity and competitiveness into the Chinese, other Asian and North American markets.

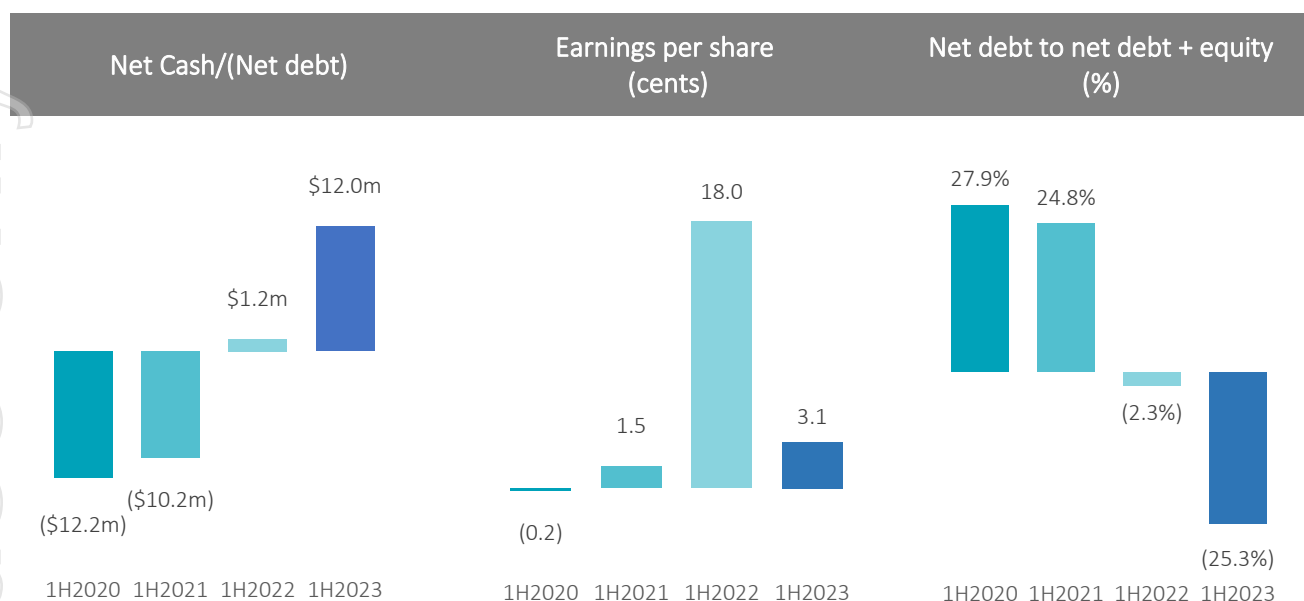
"Market conditions are very different to the same period in 2022 and present a considerable challenge to Magontec's teams in China and Europe as the current economic settings have reduced consumer activity among key customers in the automotive and hot water appliance industries.

"Despite this, we believe Magontec's current capital investment strategy and marketing initiatives will enable the group to emerge strongly from this slower period, supported by a strong balance sheet and positive cash flow."

## Operational Highlights



\*\*Cash from underlying operations = reported operating cash flow less working capital movements, interest and income tax payments



## Divisional activity

### ▪ Cathodic Corrosion Protection (CCP)

Magontec operates magnesium and electronic anode manufacturing facilities in China, Romania and Germany supplying to the global hot water appliance industries.

In the period under review the Company's Chinese facility was substantially upgraded. Sales to manufacturers of magnesium anodes were slightly lower than the pcp in absolute volumes and more significantly lower in revenue terms, reflecting lower magnesium prices.

Powered anode (electronic) sales continued to reflect rising demand for energy efficient heat pump devices.

### ▪ Magnesium Alloy Recycling

Magontec operates magnesium alloy recycling and specialist metal manufacturing facilities at Bottrop in Germany and Santana in Romania.

In the six months to 30 June 2023 sales volumes were slightly below the previous corresponding period and revenues also reflected the sharp correction in magnesium prices.

The decline in magnesium prices reduced working capital in the period, contributing to higher net cash on the balance sheet.

### ▪ Primary Magnesium Alloy

Magontec operates a magnesium alloy cast house at Golmud in Qinghai province, China.

Magontec's partner company, QSLM, continues to work on restarting the electrolytic facility and has indicated recommencement of supply to Magontec's primary magnesium alloy cast house in 2024.

Magontec's Chinese magnesium alloy business continues to operate at low levels of output and, in the period under review, with a positive EBITDA contribution. On resumption of magnesium raw material supply from QSLM we expect this business unit to make a significant net profit contribution.

## Outlook

“While economic conditions have changed considerably in the last 12 months, Magontec has maintained a strong position in its chosen markets and is leveraged to rising material prices and improving economic activity.

“The Company is a leading global manufacturer and recycler of magnesium alloys, a leading supplier of magnesium and powered anodes and has developed profitable niche markets in specialist metal alloys. It enjoys high market shares in each of these sectors and continues to enhance its competitive position through cost reduction programs at its manufacturing locations.

“In Qinghai, our QSLM partners continue to work very hard to bring their electrolytic magnesium plant on stream as quickly as possible and recommence supply to Magontec’s primary magnesium alloy cast house. This project remains a keystone asset for the Company as it will enhance downstream activities, providing access to high volumes of low CO<sub>2</sub> emission magnesium alloys in a global industry that remains wholly reliant on high CO<sub>2</sub> emission Pidgeon process material from China.

“The Board has reviewed a number of potential acquisitions and investment opportunities over the last 12 months as management continues to seek new avenues for growth. As asset prices return to more normalised levels these opportunities are expected to become more accessible.

“A strong position in global magnesium alloy and anode markets combined with a very healthy balance sheet provide the Company with a powerful platform to exploit recovering markets and acquisition opportunities.”

## ENDS

Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 31 August 2023.

To view the FY2023 Magontec Limited Half Year Report and for more information on Magontec Limited please visit our website at [www.magontec.com](http://www.magontec.com)

For further information, please contact:

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