

ASX Announcement

26 February 2024

Close the Loop reports strong 1H'24 revenue and EBITDA growth

Close the Loop Limited (“**Close the Loop**” or the “**Company**”) (**ASX: CLG**), the circular economy industry leader, is pleased to announce its results for the half year ended 31 December 2023 (“1H'24”).

Highlights:

- **1H'24 is an inflection point for Close the Loop, with the first reporting period that includes the full impact of ISP Tek Services**
- **The ISP Tek Services acquisition has delivered revenue growth and EBITDA ahead of expectations, with rationale for the acquisition proven**
- **ISP Tek Services is an industry leader in the USA with deep OEM partnerships that will facilitate new global growth opportunities for the Group**
- **Revenue¹ of \$106.2m on track to exceed FY24 guidance of \$200m**
- **EBITDA of \$22.7m, guidance upgraded to \$44m to \$46m**
- **\$11.8m reduction in Net Debt² to \$26.2m**
- **\$55.7m Cash at Bank**
- **Investor webinar to be held today at 11.30am, Monday 26 January 2024. Register [here](#)**

Business overview

With locations across the United States, Australia, South Africa and Europe, Close the Loop collects and repurposes products through takeback programs across its Recovery Division; and provides sustainable packaging products through its Packaging Division, which allow for greater recoverability and recyclability. The Company’s overall premise is ‘Zero Waste to Landfill’. From recovering a wide range of electronic products, print consumables, cosmetics, plastics, paper and cartons, through to the reusing of toner and post-consumer soft plastics for an asphalt additive, the Company is a global leader in the fast-growing circular economy with a focus on global expansion and sustainability.

	31 December 2023	31 December 2022
	\$'000	\$'000
Revenue	103,125	58,587
Gross Margin %	36.2%	32.8%
EBITDA	22,689	9,491
Net Profit before tax	6,988	5,598
Net Profit after tax	5,009	4,004
Amortisation of intangible assets	8,245	1,006
Underlying Net Profit after tax	13,254	5,010



	31 December 2023	31 December 2022
	\$'000	\$'000
Current Assets	108,965	51,552
Current Liabilities	61,452	27,766
Current Ratio	1.77	1.86
Total Assets	303,197	103,561
Equity	132,899	54,598

Financial Summary

The profit before interest, tax, depreciation, and amortisation charges (“EBITDA”) attributable to the members of the parent entity for the half year ended 31 December 2023 is \$22,689,000 (31 December 2022: \$9,491,000) which is a 139% increase compared to the previous corresponding reporting period. The growth in the financial results for the period ending 31 December 2023 are a result of this being the first reporting period that includes the full impact of the ISP Tek Services, Alliance Paper and Close the Loop Plastic Recycling acquisitions. The Company has upgraded FY24 EBITDA guidance to \$44m to \$46m.

The profit for the Company after providing for income tax and non-controlling interest amounted to \$4,927,000 (2022: \$4,044,000). The profit for the half year ended 31 December 2023 has been impacted by the amortisation of intangible assets of \$8,245,000 that occurs as a result of the Company recognising customer relationships, brand names and internally generated software upon the business combinations accounting standard and that is required to be amortised over their useful lives.

The Company has generated \$12,324,000 cash from operations for the half year that has been invested into the upgraded TonerPlas manufacturing line in Melbourne; and working capital to fund the growth of the overall business. The cash flows from operations have been used to reduce the overall debt position. Net debt which is calculated as total borrowings less cash on hand at 31 December 2023 has reduced by \$11,810,000 to \$26,246,000 since 30 June 2023.

Operational summary

The plastic recycling business increased its processing volumes during the period, introducing several new collection programs, complementing its traditional imaging consumables business, and the half year inclusion of ISP Tek Services performance.

ISP Tek Services has made a strong contribution to the overall performance of the Company since the acquisition of this business. The financial performance is ahead of the expectations at the time of the completion of the acquisition due diligence investigation. The Company is continuing to work towards delivering on new sales opportunities with existing customers and with a view to expanding its service offering to a wider market base. During the reporting period, Close the Loop Operations in Australia has commenced and successfully completed a number of new Information Technology Asset Disposition (“ITAD”) projects. The ITAD projects could become a significant revenue stream for this business unit in the future. The Australian ITAD engagement is a direct result of the ISP Tek Services acquisition. ISP Tek Services’ industry knowledge and the Company utilising cross selling opportunities has led to new ITAD opportunities in Australia and Europe, utilising the ClozDloop infrastructure.

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ISP Tek Services entered into an exclusive North American Alternative Recovery Program agreement with HP Inc. during the period. The agreement is effective for three years from 1 November 2023 with the following products being exclusive to ISP Tek Services - Consumer Notebooks, Consumer Chrome OS, Consumer Monitors, Consumer Accessories and Hyper X products including headsets, microphones, keyboards and mice. ISP Tek Services has entered into a revenue share model with HP Inc. for the products listed above. The revenue share model is expected to improve the profitability, recovery value and cash generated from this agreement for all parties. All other product lines continue to be processed with no change to existing “as-is” arrangements.

The recycling operations in Australia, United States and Europe have continued to grow and provide services across the respective geographies. New activity has been progressed with the installation of a new TonerPlas line in Melbourne, which will produce revenue in the second half. O F Resource Recovery, which provides recycling, reuse, and waste services, for the paper, board and magazine industries in Australia has been impacted by its exposure to reducing commodity prices during the period. Commodity prices have started to improve towards the end of the reporting period and the business has generated profits in December 2023 and January 2024.

The European business launched a pan-European multi-vendor collection program, which resulted in significant interest from all the major print original equipment manufacturers (“OEMs”) with the majority of the OEMs joining the program. The program was launched on 1 November 2023 in Benelux, Germany and the United Kingdom. The multi-vendor collection program is being expanded across Europe, with more OEMs joining the program. The full financial impact of this collection program will begin to be reflected in the 2025 financial year.

The Packaging businesses have not achieved the expected growth due to some challenging economic conditions, namely inflation, shipping issues, industry demand and pricing impacts. However, these conditions have improved as we enter the second half. Despite the challenges, the Packaging Division has delivered similar EBITDA to previous period after adjusting costs to meet the market. Management have ensured that margins are upheld while taking steps to ensure the cost base of the business unit is commensurate with revenue. The Packaging Division continues to have strong demand for its specialised range of sustainable packaging. The future forecasts see a return to planned growth. The South African operations have performed exceptionally well during the period.

Commenting on the Company’s 1H’24 results, Close the Loop Group CEO Joe Foster said: *“Following the acquisition of ISP Tek Services nearly one year ago, we are pleased to report that the financial performance of ISP Tek Services is tracking ahead of our revenue and EBITDA expectations.*

More importantly, the ISP Tek Services acquisition has strategically positioned Close the Loop as a global leader in the circular economy, where we have broadened and deepened our OEM relationships, which has provided the Company with geographic expansion opportunities.

The global tailwinds for the circular economy are building strongly, with many major OEMs making public commitments regarding product circularity, reuse, and recycling. Close the Loop’s leadership in the IT recovery space and our trusted relationship with the world’s largest OEM, provides the Company with an opportunity to expand its Recovery Division globally.



We are only at the beginning of this circular economy journey, and with a coalition of entrepreneurial founders and management strongly aligned with shareholders, we are confident that our Recovery businesses' first-mover advantage in the global circular economy will be rewarded.

Close the Loop's Packaging Division has delivered strong free cash flow for the period and new growth opportunities have been uncovered. While the second quarter of 1H'24 presented several challenges for Packaging, including disruptions to shipping lines, volatility in commodity pricing, and dampened sales volumes due to deteriorating economic conditions, we are pleased to report that Packaging maintained its EBITDA profitability. Conditions have improved post the reporting period, and management has actively addressed areas of underperformance in Packaging.

This announcement has been authorised for release by the Board of Close the Loop Limited.

- ENDS -

Notes:

1. Group Revenue is Revenue plus Other Income
2. Net Debt is calculated as total borrowings less cash on hand

For further information, please contact:

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About Close the Loop

With locations across Australia, Europe, South Africa 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 a wide range of electronic products, print consumables and cosmetics, 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, www.closeheloop.com.au and www.ofpack.com.au