

ASX Announcement

26 August 2024

Close the Loop FY24 Results

Highlights:

- **Guidance achieved** – Total revenue of \$219m, up 59% on prior corresponding period (pcp), and EBITDA of \$45m, up 85% on pcp
- **Growing operating leverage** – NPATA of \$26m, up 87% on pcp
- **Strong cash generation** – Cash from operations of \$32m, up 57% on pcp, with a cash conversion rate of 71%
- **Funded for growth** – In a strong position to pursue future growth opportunities with a cash balance of \$41m, down \$8m on pcp, following one-off acquisition related payments of US\$5m (earnout) and investment in working capital
- **North American growth and investment** – Investment into new services and facilities in North America has been made to capture and accelerate growth. North America contributed 58% of revenue and 74% of EBITDA for the year
- **Debt management** – \$4m reduction in borrowings and the Company is in discussions to restructure its debt after the release of these results with a significant expected reduction in interest rate
- **Reduction in customer concentration** – Customer concentration within IT refurbishment has begun to decrease post year end as the feedstock from ITAD products provides a more diverse range of Original Equipment Manufacturer (OEM) product to be refurbished
- Investor webinar to be held at 9.45am AEST today, Monday 26 August 2023. [Click here to register](#)

Close the Loop Limited (Close the Loop or the Company) (ASX: CLG), a leader in the fast-growing circular economy, is pleased to announce its results for the year ended 30 June 2024 (FY24).

Commenting on the Company's performance, Group CEO Joe Foster said:

"Close the Loop has met its financial guidance for FY24 by achieving total revenue of \$219m and EBITDA of \$45m. Revenue and EBITDA have grown in line with our expectations following the acquisition of ISP Tek Services (renamed Close the Loop Renew Solutions) in April 2023.

"Renew Solutions has grown revenue since the completion of the acquisition. The strategic rationale for the acquisition, to open significant new revenue opportunities in the IT refurbishment space across multiple geographies, is clear and present. Renew Solutions has created future expansion opportunities, and the Company has invested in new services and facilities during the year as it actively pursues opportunities that it believes will capture and accelerate revenue and earnings to the group starting in FY25 with sustainable growth prospects.

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"Since listing in December 2021, the Company has proven to be a responsible custodian of shareholder capital, generating consistent revenue and earnings growth through organic and inorganic strategies. Profitable growth remains our goal, and we are in a strong position to capture and accelerate new revenue and earnings for the group with sustainable growth prospects.

"The Board and I want to acknowledge and thank our shareholders for your patience and support in the past year. As a substantial shareholder myself, I've also been affected by the underperformance in our share price. The Board and I firmly believe the share price is not a fair representation of our performance or the company's value this year. In my first role as the CEO of a public company many shareholders, including many of our largest, have been generous with their valuable time, vast experience and immense expertise. Much of the advice provided to me has been to focus on what we can control, executing on our expansion plans and providing our customers with market leading services and innovation, which is exactly what we have done. Ultimately as our revenue and profitability grow, the share price will take care of itself. I believe the FY24 results are another clear step towards our goal. Again, thank you for your support, patience and belief in the Close the Loop team."

North America

The acquisition of ISP Tek Services (now rebranded Close the Loop Renew Solutions) in April 2023 has successfully positioned the Company as a fast growing and profitable provider of IT-refurbishment services in North America and has provided the opportunity to expand in new geographies and service areas. North America now represents 58% of the Company's revenue and 74% of the Company's EBITDA.

Close the Loop Renew Solutions has made a strong contribution to the overall performance of the Group in the fourteen months since the acquisition of this business. The financial performance of this business continues to exceed expectations that we had at the completion of the acquisition due diligence investigation. The company is continuing to work towards delivering on new sales opportunities with a wide range of new customers and vendors, with a view to expanding its service offering to a wider market base.

Close the Loop renewed its alternate recovery program contract, which allows the Company to manage HP products returned within 30 days of purchase in North America. The renewed three-year contract, effective from November 1, 2023, includes exclusive rights for Notebooks, Chrome OS, Monitors, Accessories, and Hyper X products. A revenue share model with HP has improved profitability and cash flow for Close the Loop and HP. Additionally, a new facility in Mexicali, Mexico, is being established to support growth in the Renew Solutions business.

The feedstock volume from 30-day returns is stable and correlates with HP's new sales. Close the Loop is optimistic about expanding its services for these returns as HP pursues its goal of 75% circularity by 2030, especially with the introduction of AI products.

Close the Loop has enhanced its partnership with HP Inc. (HP) in FY24, becoming HP's first Renew Solutions Platinum Partner. As a HP "Certified Refurbished Platinum Partner", the company deepened its engagement in the product lifecycle and enables the Company to collect and refurbish HP products globally, in addition to managing 30-day returns. The certification opens new opportunities for sourcing older products from various institutions, significantly increasing potential volume and revenue. Following this accreditation, the Company will purchase and process 25,000 laptops per month from off-leases.



New dedicated printer refurbishment facilities were brought online in Kentucky during the year, adding capacity to the Company's existing printer refurbishment service, which is expected to grow strongly in coming years as synergies between the Renew Solutions and print consumables businesses are realised.

The Company's print consumable business in North America continued to grow during the reporting period. An investment into new take back programmes has added volume and revenue to the business, leveraging the same equipment and cost base. Additionally, investment into value added services has resulted in growing operational efficiencies and deeper, more imbedded supply chain relationships with the OEMs.

The Close the Loop Plastics Recycling business in the US has resumed growth in the second half, following investment into plant and equipment and the addition of new management. The plastics recycling plant now has ample additional capacity and was profitable for the second half of the year.

The outlook for North America is strong and the Company expects continued growth in future periods in each of the North America businesses.

Australia

Revenue in Australia is down 9% and EBITDA is down 6% compared to the previous corresponding period. Australia now represents 32% of the Company's revenue and 18% of the Company's EBITDA. As reported with the 31 December 2023 half year result, the Packaging business did not achieve the expected growth in FY24. Packaging has had an improved second half of FY24 from a revenue perspective following a realignment and restructure program in the second half of the year. The Australian Packaging business has seen an uptick in demand for its specialised range of sustainable packaging. While the profitability was lower in the second half of the year, management expects a return to planned profitable growth in the coming year in the Australian packaging business.

On the Resource Recovery side of the Australian business, the Company was awarded up to \$2.2m in government funding that will be used towards the commissioning of a second TonerPlas facility outside of Victoria, to be constructed over the next 24 months. In Melbourne, following consultation with regulators regarding some of the challenges experienced in the commissioning of the TonerPlas plant, the Company has resolved to relocate the existing TonerPlas line to a new site. Relocating the TonerPlas site will mitigate the risk of operating the Company's print consumable line within the same facility as the TonerPlas line. The reuse of soft plastic waste is a critical initiative for the Company and the community.

South Africa

The South African packaging operations have grown revenue by 10% while EBITDA is up by 19%. The South African businesses now represent 6% of the Company's revenue and 5% of the Company's EBITDA. The South African business has delivered a solid result, particularly considering a challenging macroeconomic environment. During the year the South African team has targeted work with much larger, multinational organisations and has been successful in winning work with several of these customers. This bodes well for the coming year as the business looks to build sustainable long-term relationships with large tier-1 customers.

Europe

The potential to grow our operations in Europe is significant. With a total addressable market equivalent to North America, the European business represents 4% of the Company's revenue and 3% of the Company's EBITDA. Revenue from Europe was up 48%



and EBITDA up 13% compared to the previous corresponding period as the benefits of the investment made in Europe into the multi-vendor take back programme called “Circular Planet” is reflected in the financial performance of the current reporting period.

Close the Loop’s Circular Planet initiative is a strategic and coordinated industry response to assist the OEMs achieve their sustainability and product circularity goals, while complying with upcoming EU legislation aimed at reducing electronic waste. The Company plans to deploy its Circular Planet program in several new European and Scandinavian regions in the next 12 months.

Close the Loop is in ongoing discussions with several OEMs and hopes to announce the addition of three OEMs to the program before the end of calendar 2024.

In addition, with Close the Loop Renew Solutions capabilities and expertise, the company can replicate its North American IT Refurbishment operations in Europe (i.e. refurbishing printer hardware), with its existing relationship with print OEMs.

Outlook

The Group is continuing to pursue its policy of profitable growth and expanding its market share of its major business sectors during the next financial year. This will require further investment in areas such as refurbishing capability and sale of goods and services, which have performed well over recent years and offer sound opportunities for future development.

Since 30 June 2024, the company has identified potential acquisition targets for share and or asset purchases for their businesses that are complimentary to the current service offerings of the Group. At the time of this report no binding agreements have been entered into with any of these potential acquisition targets.

The outlook for FY25 is encouraging. We have strong macro, regulatory and social tailwinds, where governments, companies and individuals are seeking sustainable solutions to reduce waste to landfill, and circularity has emerged as the leading solution. Operationally, Close the Loop is positioned to grow revenue and earnings by several times in the next three to five years. With our considerable cash balance on hand, strong cash generation from operations and the expected restructured debt with associated interest savings, we have a clear capital management strategy that provides optionality and growth.

Investor briefing

The Company is pleased to invite shareholders and investors to its FY24 results briefing later today. The briefing will be provided by Group CEO Joe Foster and CFO Marc Lichtenstein. There will be a Q&A session following the briefing. Questions can also be sent to investors@ctlgroup.com.au.

Date: 26 August 2024

Time: 9.45am AEST

Registration link: [click here](#)

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

- ENDS -

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For further information, please contact:

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About Close the Loop

With locations across the United States, Australia, South Africa and Europe, Close the Loop collects and refurbishes products such as laptops, printers, teleconferencing equipment and gaming devices; and provides sustainable packaging, which allow for greater recoverability and recyclability. The Company's overall goal is 'Zero Waste to Landfill'. From recovering a wide range of electronic products, through to print consumables, cosmetics, plastics, paper and cartons, and 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.

Further information: www.closetheloop.com