

Magontec Limited

ASX:MGL

FY 2021 Result

28 February 2022



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FY 2021 Full Year Result

Income statement and Cashflow Overview

(AUD '000)	12 months to 31 Dec 21	12 months to 31 Dec 20	
Revenue	115,151	95,068	21.1%
Cost of Sales	(95,919)	(82,872)	15.7%
Gross Profit	19,232	12,195	57.7%
<i>Gross Profit margin (%)</i>	<i>16.7%</i>	<i>12.8%</i>	
Other income	1,747	1,244	40.5%
Other operating expenses*	(10,902)	(9,966)	9.4%
EBITDA	10,077	3,473	190.2%
Depreciation and amortization	(2,823)	(3,115)	(9.4%)
EBIT	7,255	358	
Interest	(525)	(572)	(8.2%)
Tax	(1,722)	(502)	242.6%
Reported Net Profit After Tax	5,008	(717)	
Cash from Underlying Operations**	10,457	3,916	167.0%

Revenue growth inflated by raw material price increases

2H21 profit boost from Mg price rise benefits metals and CCP

Underlying Operating Cashflow** of +\$10.5m reduces debt, funds increased working capital

* In 2021, Other operating expenses here included add back of \$2.2m of D&A contained in Cost of Sales (2020: \$2.4m)

** Operating cashflow excluding working capital movements, interest and tax payments

FY 2021 Full Year Result

Reconciliation of significant items in earnings

(AUD '000)

Reported Net Profit Before Tax & Significant Items

Significant items before tax

	12 months to 31-Dec-21	12 months to 31-Dec-20
Reported Net Profit Before Tax & Significant Items	7,724	338
Less non-cash equity writeback / (expense)	(237)	118
Less MAQ depreciation (non-cash)	(917)	(1,013)
Less MAQ Primary Mg Alloy EBITDA losses	(891)	(821)
Add writeback on Romanian VAT legal win	468	-
Add COVID related govt subsidies	-	669
Add COVID related temporary salary & director fee reductions (EU & HO)	-	923
Reported Net Profit Before Tax excl. unrealised FX	6,147	215
Less tax expense	(1,722)	(502)
Reported Net Profit After Tax excl. unrealised FX (underlying NPAT)	4,426	(288)
Add/Less unrealised FX gains / (losses)	582	(429)
Reported Net Profit After Tax	5,008	(717)

2021 NPAT of \$4.4 million
(Excluding unrealised FX)

MAQ EBITDA losses and non-cash
depreciation costs reduced NPBT by
\$1.8 million

Other income included +\$468,000
on positive resolution of Romanian
VAT dispute in Magontec's favour

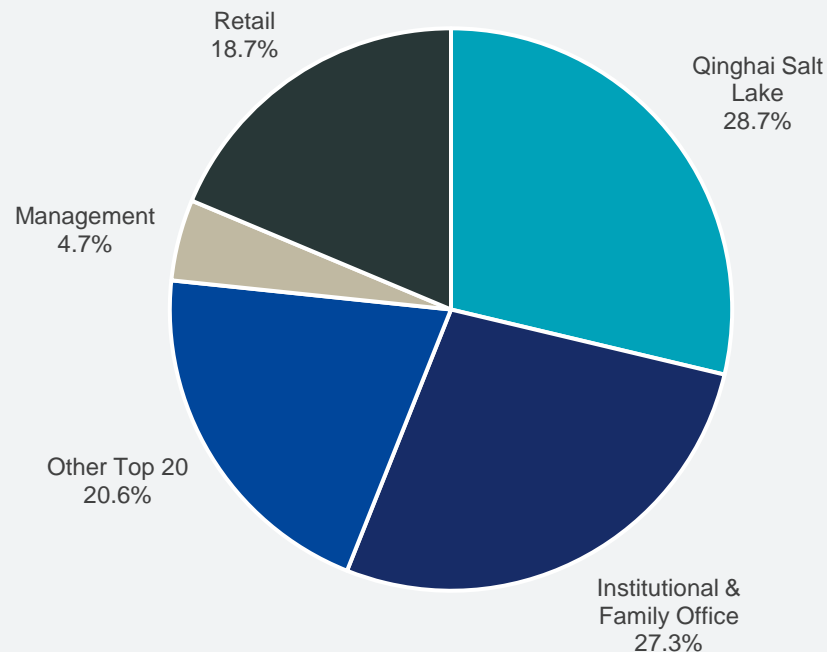
Magontec Limited Market Information

ASX Code: MGL	Total	Per Share
Ordinary shares on issue following 15:1 consolidation in August 2021	76,729,210	
Market capitalisation¹	\$29.9 million	39.0 cents/share
Book value of net assets – 31 December 2021	\$36.3 million	47.3 cents/share
Net debt – 31 December 2021	\$6.9 million	
Enterprise value	\$36.8 million	
LTM ² EBITDA to 31 Dec 2021	\$10.1 million	
LTM² Reported NPAT to 31 Dec 2021	\$5.0 million	6.5 cents/share
<i>Performance rights on issue 28 February 2022</i>	<i>5,349,877</i>	

¹ Based on share price of \$0.39 as of 25 February 2022

² LTM = Last 12 Months

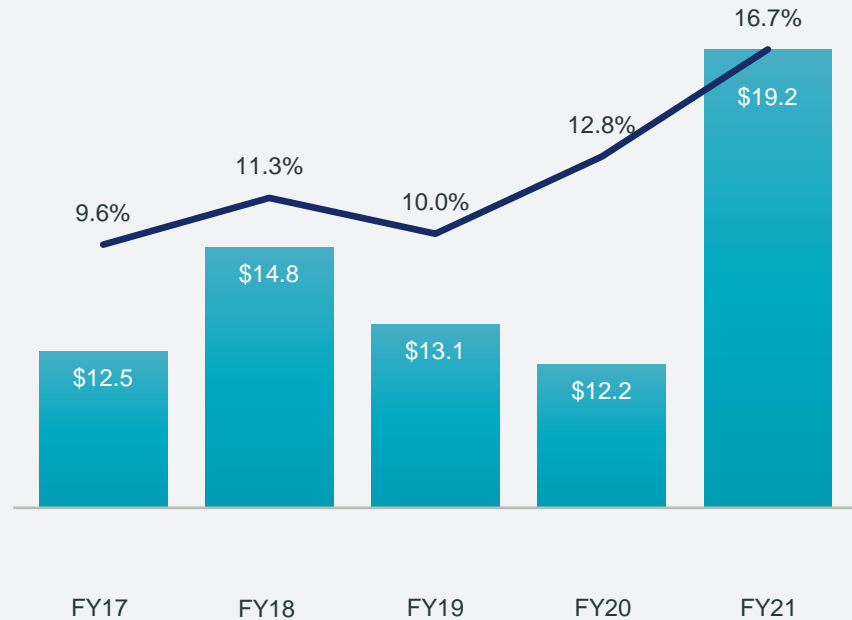
Shareholder Structure 28 February 2022



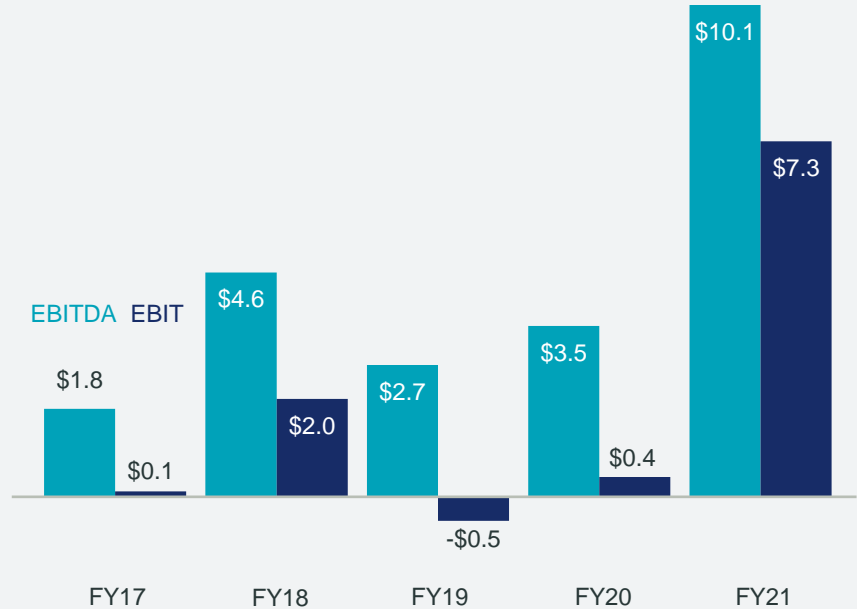
FY 2021 Full Year Result

Sharp improvement in 4Q metals performance, strong CCP performance throughout FY2021
EBITDA and EBIT reflect favourable supply & pricing conditions

Gross Profit (\$M) and GP margin (%)

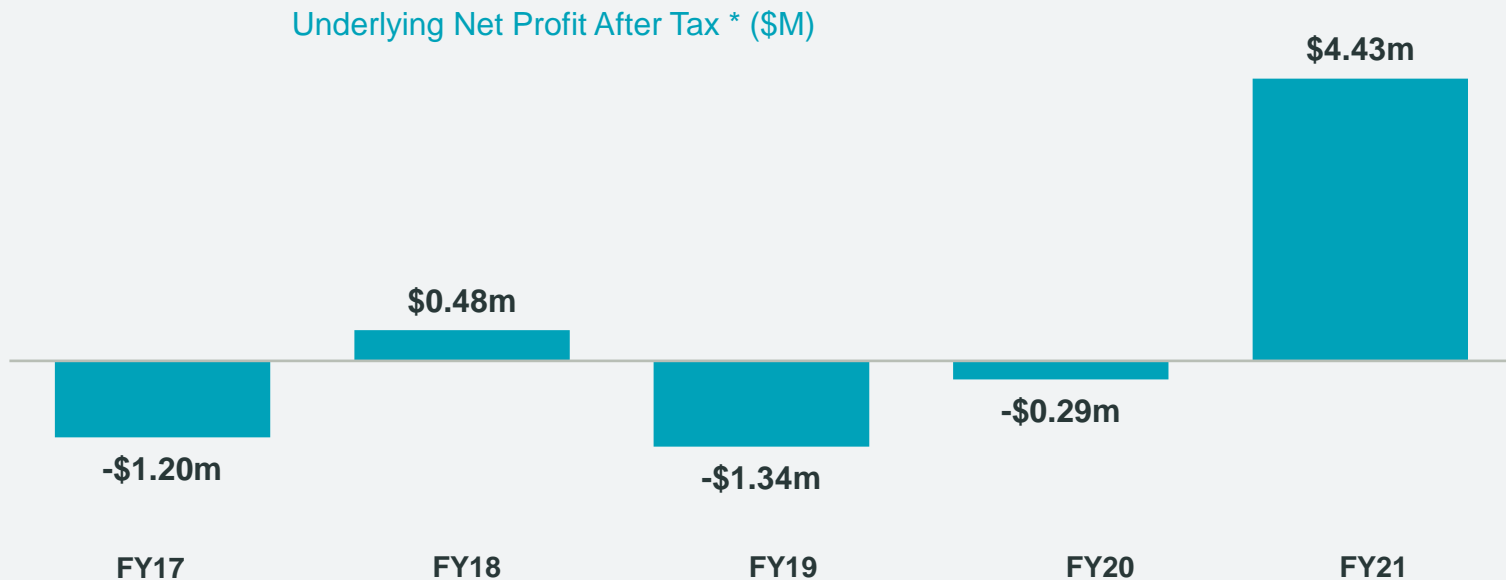


Reported EBITDA and EBIT (\$M)



FY 2021 Full Year Result

Underlying Net Profit* of \$4.4m for the year to 31 December 2021



* Reported net profit/loss excluding the effects of unrealised foreign exchange

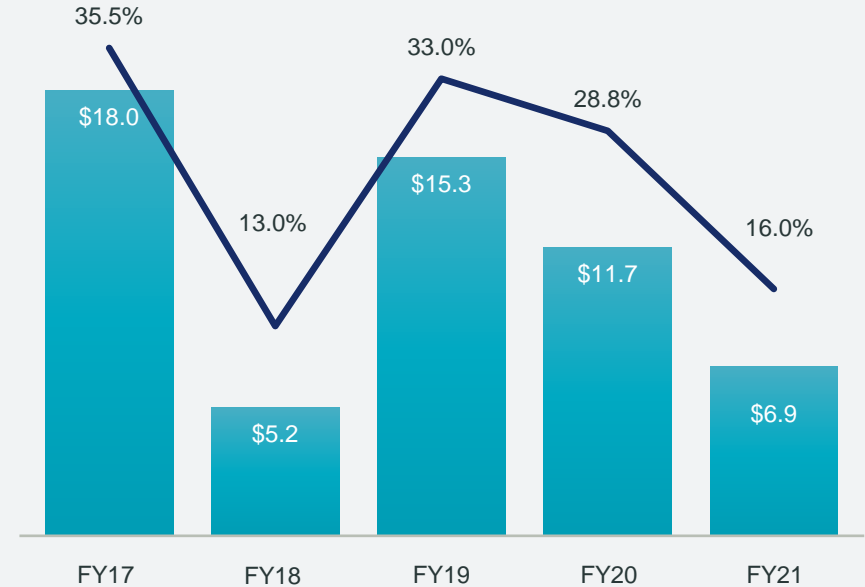
FY 2021 Full Year Result

Strong cashflows lead to continuing reduction in net debt and gearing

Underlying Operating Cashflow(\$M)*



Net Debt (\$M) and Gearing** (%)



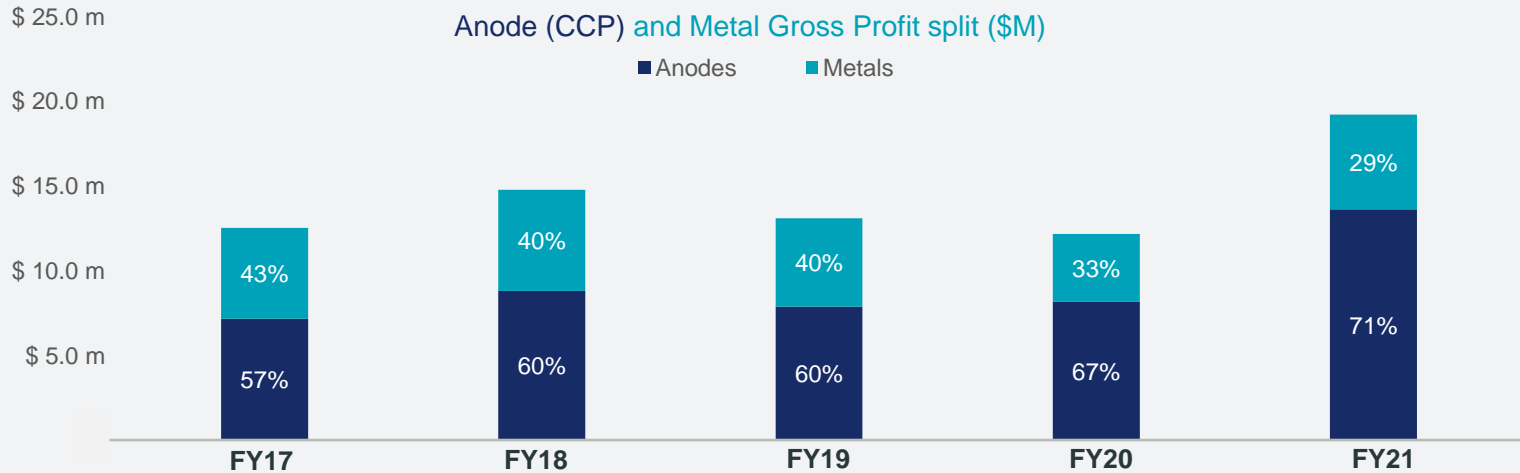
* Operating cashflow excluding working capital movements, interest and tax payment

**Gearing = net debt / (net debt + equity)

FY 2021 Full Year Result

CCP business contributed 71% of Gross Profit in 2021

Both metals & anodes businesses strong despite delays at Magontec Qinghai Mg alloy cast house



Magnesium anode contribution boosted by inventory effect

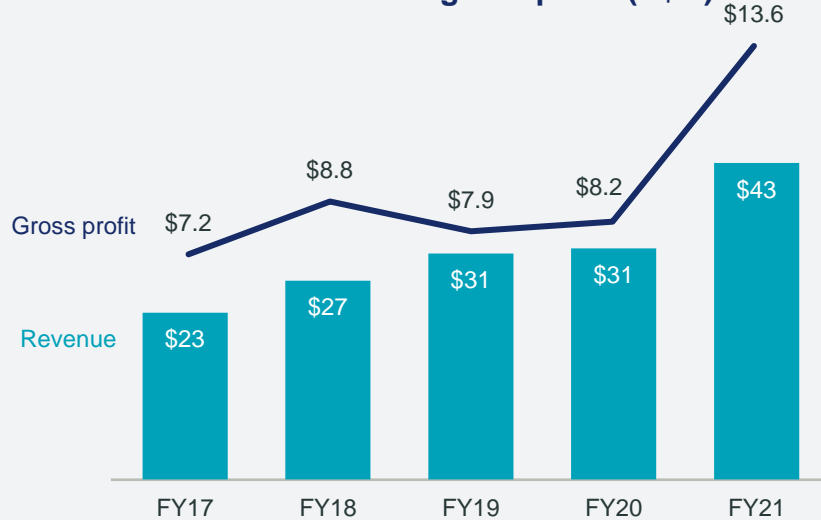
CCP business a higher gross margin product than primary / recycling Mg alloys

MAQ at full production will increase Metals contribution above CCP

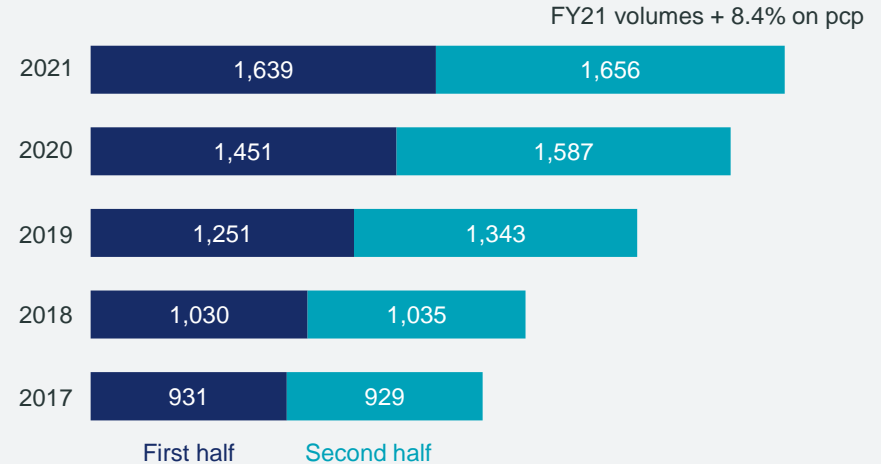
FY 2021 Full Year Result – CCP / anodes

89.8% sales growth in FY21 over 5 years since FY17

Global CCP revenues and gross profit (A\$M)



Global magnesium anode sales volumes (metric tonnes)



Magontec market share growth
in Europe and North America

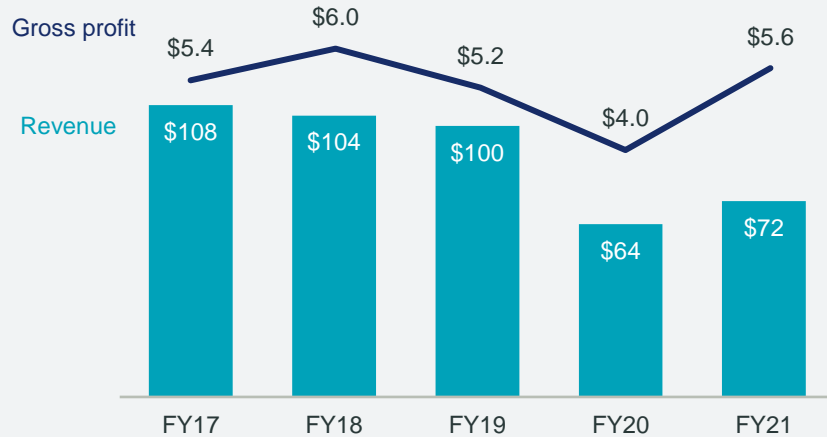
Steady capex driving cost
efficiencies and competitiveness

Flexible global production base
and price makes Magontec #1

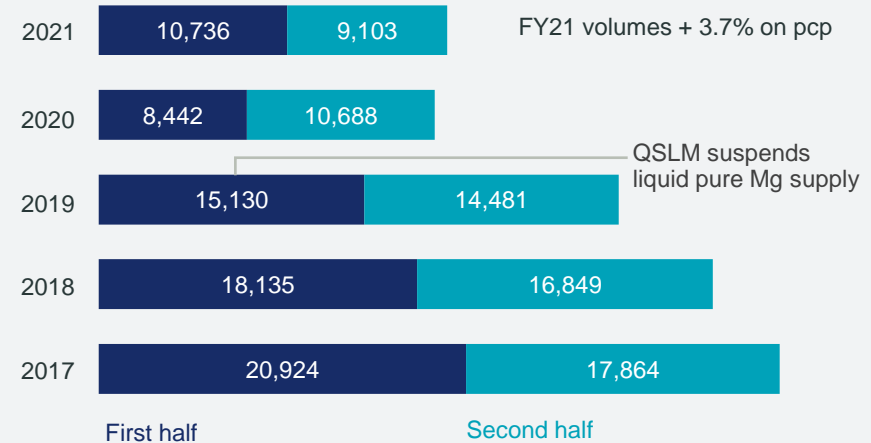
FY 2021 Full Year Result - Metals

Metals division GP up to \$5.6 million in 2021 supported by strong pricing environment for pure Mg

Global metals revenues and gross profit (A\$M)



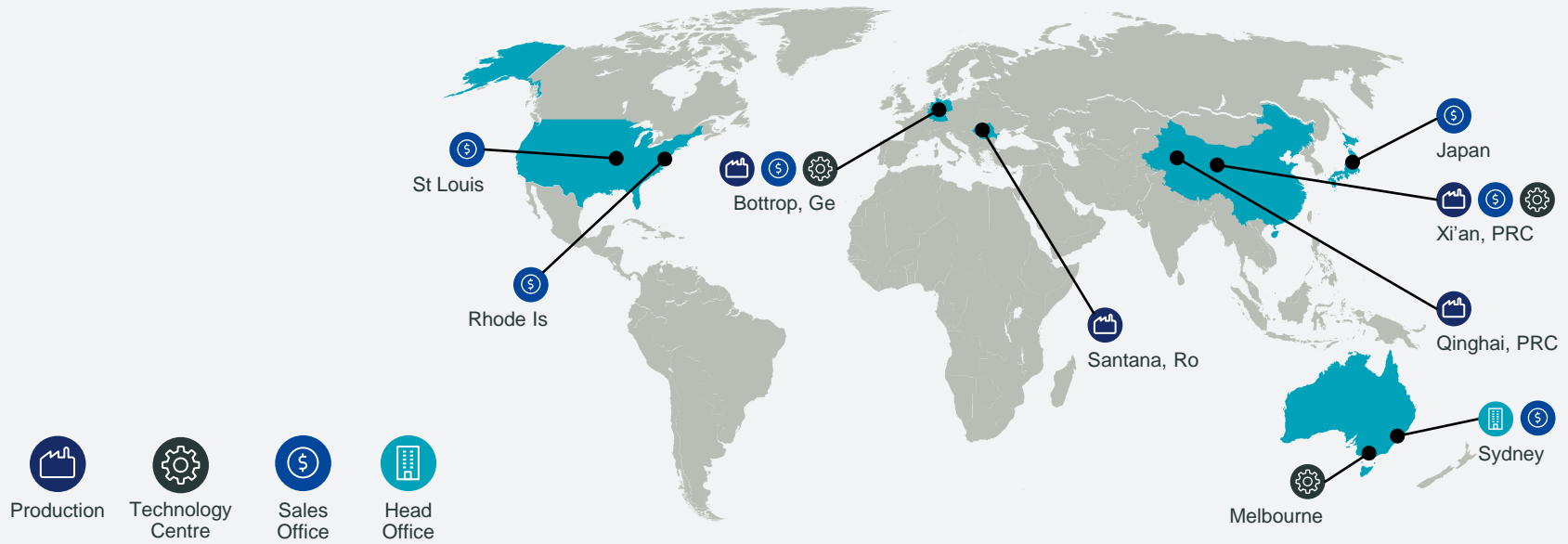
Global Mg alloy and specialist metals sales volumes (metric tonnes)



Volumes and overall profitability reduced due to QSLM hiatus

Continued innovation to reduce conversion costs

Global Manufacturing & Distribution Platform



4 manufacturing
locations for:

Mg
alloys

Mg
anodes

Sales distribution
in all major markets

Research activities/
Technology associations

Qinghai electrolytic magnesium smelter complex

100,000 tonnes per annum > ~ 10% of global production

Dehydration*



Reduction*



Cast house#



Agreements

Lease Agreement 10 + 10 Year option

56,000 mtpa supply

Mg alloys exclusivity

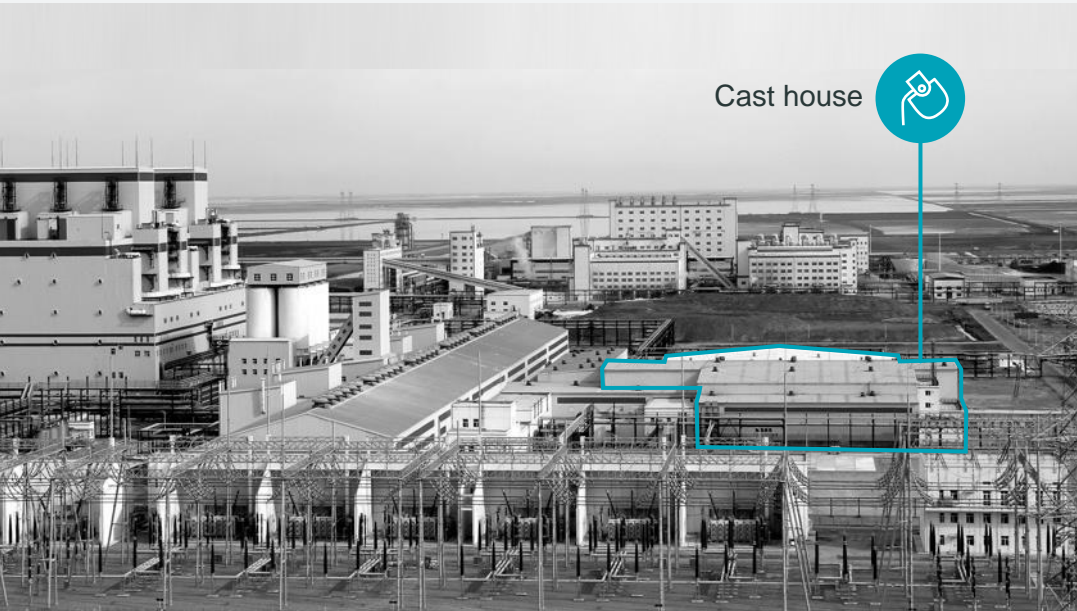
Off Take Price formula

Magontec Qinghai magnesium alloy cast house

Revenue and profit opportunity

Delayed SOP

Currently operating at low levels



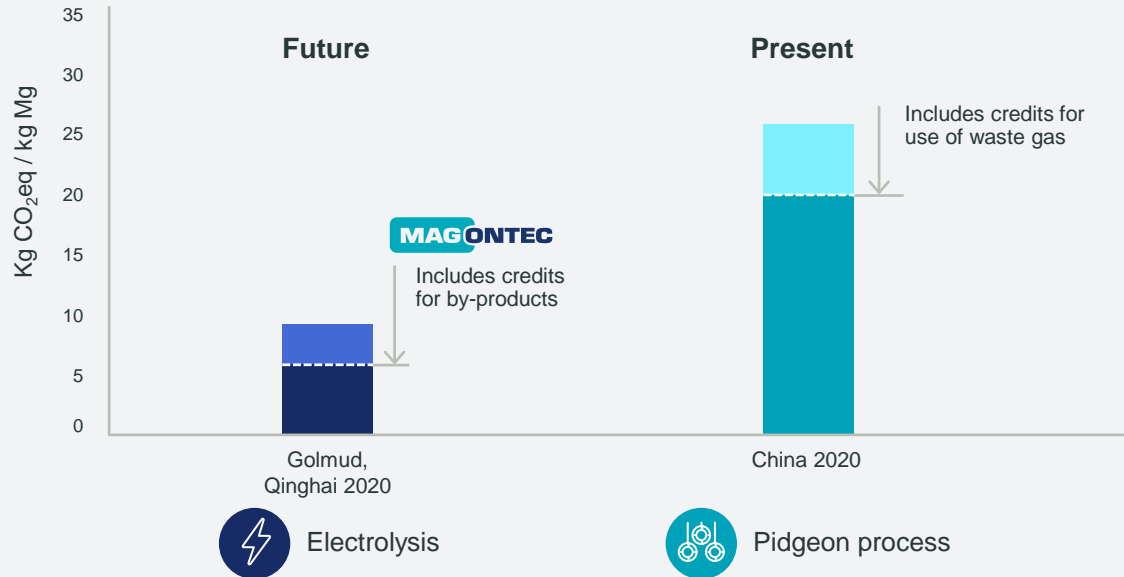
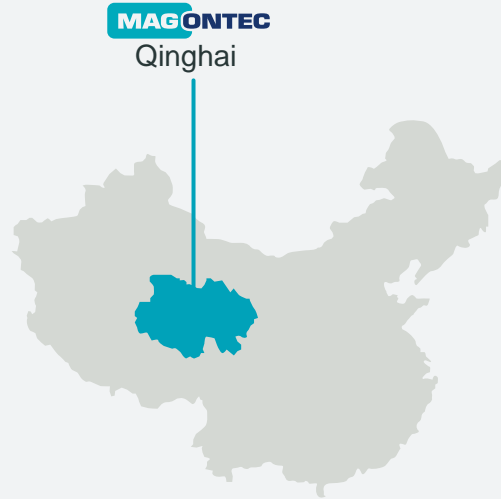
Cast house impact

	2021		Target
Mg production mtpa	7k	>	56k
Revenue A\$	\$30m	>	\$500m+*
Contribution	Loss	>	Profit
Industry CO ₂ output	High	>	Low

SOP Timetable

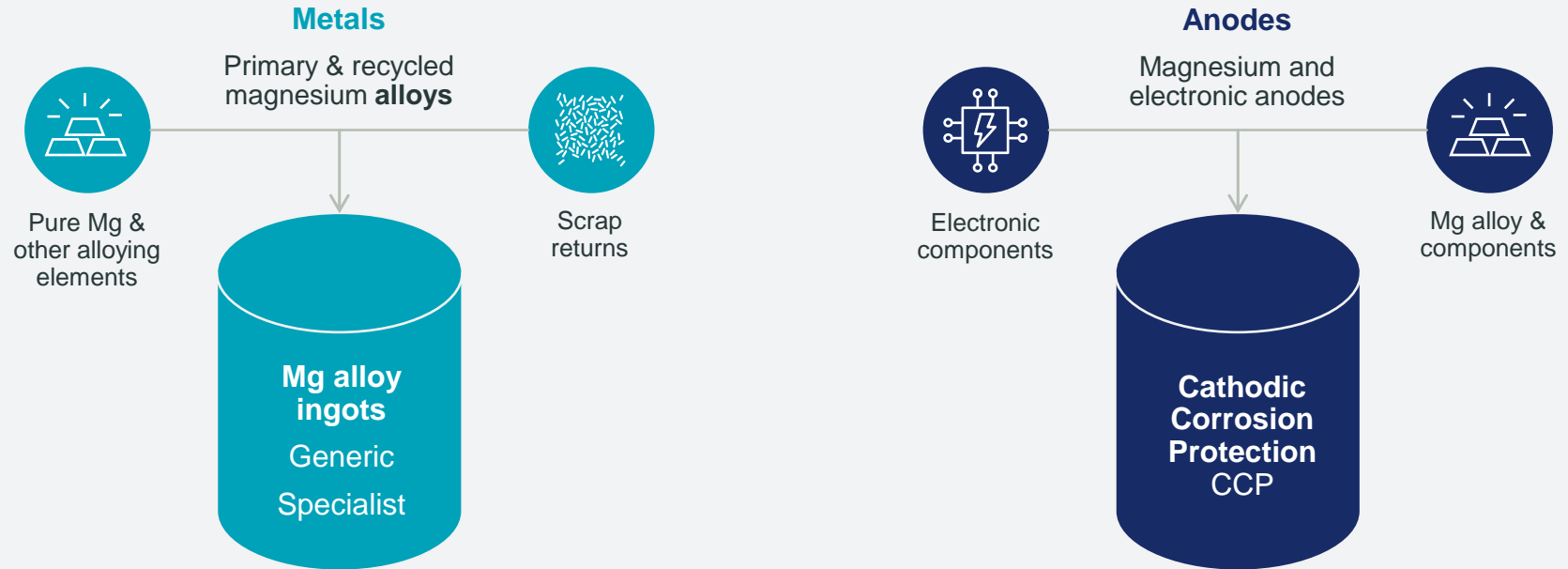
Production restart	>	2 nd Half 2022
Initial volumes	>	~1k mt/month
Full production	>	2+ years

Magontec Qinghai will use the lowest CO₂ Mg ever produced*

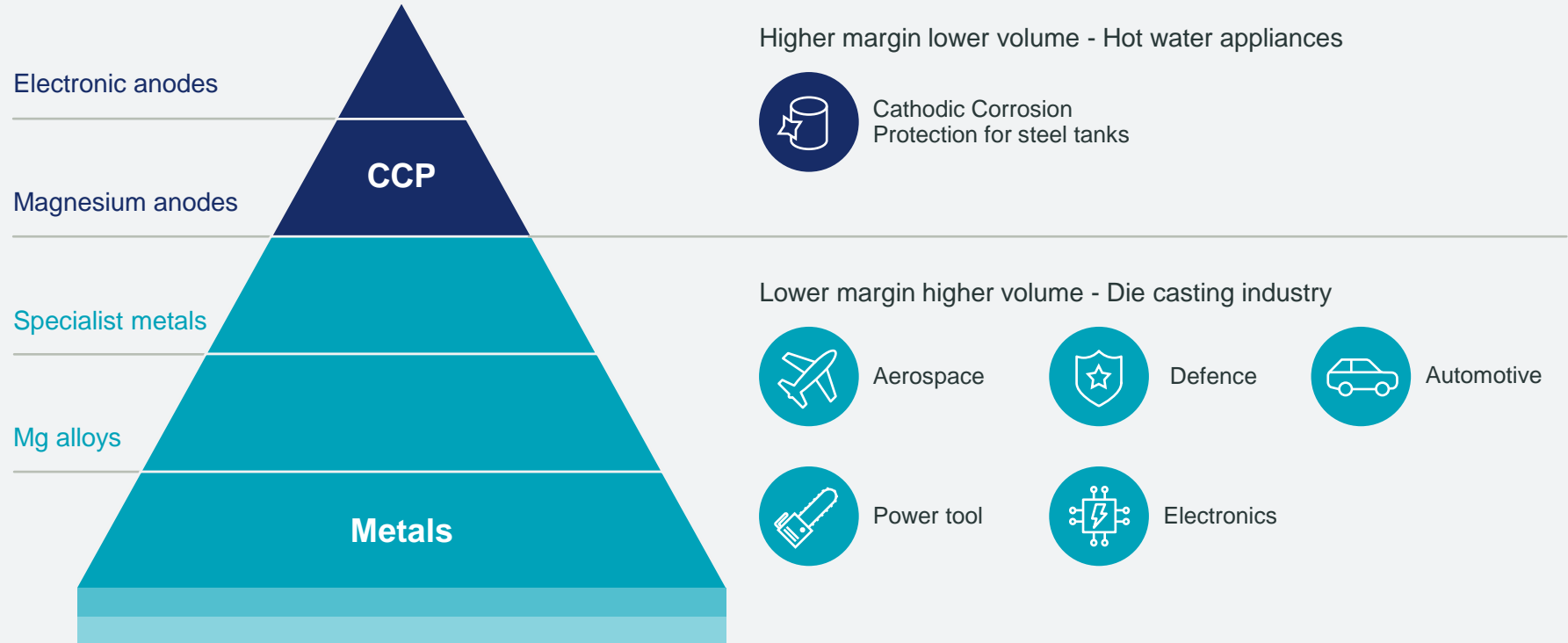


Magontec Limited: ASX Code: MGL

Two businesses



Magontec is a manufacturing business



Magnesium (Mg) alloys



Low density



Light and strong structural metal

Aluminium

2.70g/cm³

Mg 36% lighter

Iron

7.87g/cm³

Mg 78% lighter

Magnesium

1.74g/cm³

Unique properties

Specific applications



Stress resistance



Thermal conductivity



Corrosion

Mg alloy recycling: At Bottrop (Germany) and Santana (Romania)

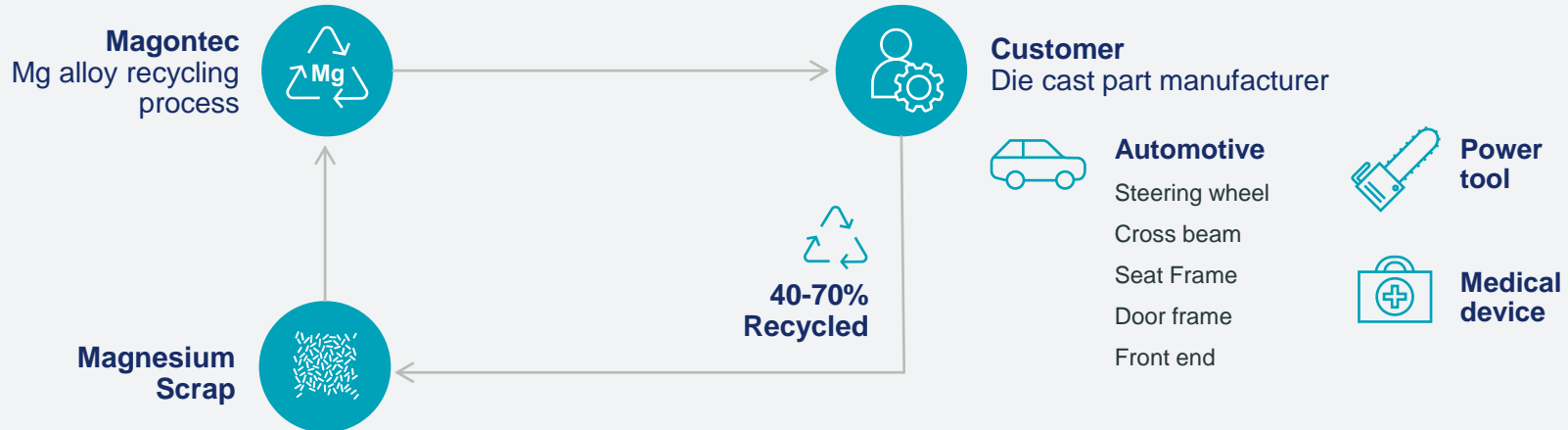
An essential part of the European and North American die casting industry

Mg is **100% recyclable**

Recycling adds just 0.59 kg CO₂ equivalent/kg of Mg*

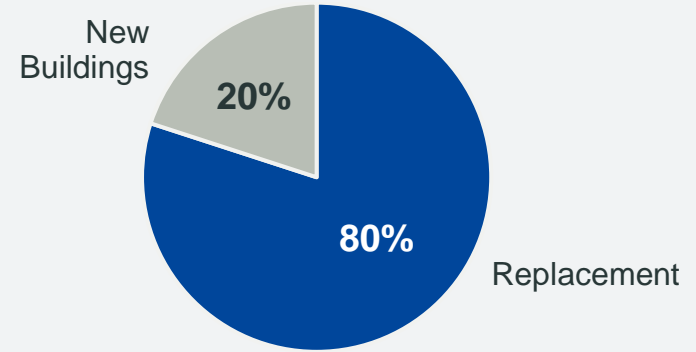
Installed capacity 24k mtpa

Europe's largest Mg recycler



Cathodic Corrosion Protection (CCP)

Every water tank in every house requires corrosion protection



Industry drivers

Urbanisation (water heater installation)
80% replacement (5 to 10 year c)



Climate change

Switch from oil/gas to electric heat pump
Accelerated replacement of installed appliances

Magontec's corporate transformation creates an exceptional platform for growth



ASX Listed
Capitalisation

\$29.9m



Improving
financial
fundamentals



Primary Mg alloy
production growth



"Green"
magnesium



Profit
"inflexion" point

Thank You



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Appendix Current Year FY 2021 Result by Region

Segment P&L

(AUD '000)	EUR	PRC	Head office	12 months to 31 Dec 21
Gross Profit	16,021	3,211	-	19,232
Other income	974	773	-	1,747
Operating expenses	(7,841)	(3,318)	(1,924)	(13,082)
Add back D&A in Cost of Sales	1,077	1,104	-	2,180
EBITDA	10,231	1,770	(1,924)	10,077
Depreciation and amortization	(1,603)	(1,184)	(35)	(2,823)
EBIT	8,628	585	(1,959)	7,255
Interest	(251)	(273)	(1)	(525)
Tax	(1,748)	27	-	(1,722)
Reported Net Profit After Tax	6,629	339	(1,959)	5,008

EUR key driver of Group result in 2021, including \$468k other income from VAT legal case win

PRC business holds significant upside from QSLM restart

Head office costs \$1.96 m in 2021

Appendix Prior Year FY 2020 Result by Region

Segment P&L

(AUD '000)	EUR	PRC	Head office	12 months to 31 Dec 20
Gross Profit	10,153	2,043	-	12,195
Other income	282	882	80	1,244
Operating expenses	(7,720)	(2,757)	(1,890)	(12,366)
Add back D&A in Cost of Sales	1,210	1,190	-	2,400
EBITDA	3,925	1,358	(1,810)	3,473
Depreciation and amortization	(1,777)	(1,314)	(24)	(3,115)
EBIT	2,148	44	(1,834)	358
Interest	(371)	(201)	-	(572)
Tax	(576)	74	-	(502)
Reported Net Profit After Tax	1,201	(83)	(1,834)	(717)

EUR was profitable to the extent of \$1.2m in 2020 despite COVID disruptions

PRC business in 2020 was similarly COVID impacted

Head office costs \$1.83m in 2020

Magontec Limited

ASX:MGL

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