

ASX Announcement

29 August 2024

Magontec delivers 1H24 underlying net profit after tax of **-\$4.9 million**¹

Underlying NPAT* excluding Qinghai impairment loss and related tax write off of **-\$1.1 million**

Magontec Limited (ASX: MGL, 'Magontec,' 'the Group'), a global manufacturer of specialist magnesium products, today announced net profit after tax (NPAT) of **-\$4.9 million**, excluding unrealised FX losses² for the 6 months to 30 June 2024. Magontec closed and wrote down assets associated with its Qinghai project amounting to \$3.652 million.

Highlights

- **Net cash (Cash less borrowings on the balance sheet) increased to \$9.5 million as at 30 June 2024**
- **1H24 Operating Cashflow was \$2.5 million**
- **Metal Segment saw stabilisation of earnings compared with the December 2023 half**

Key Financial Highlights '\$000 unless specified	6 months to 30 June 24	6 months to 30 June 23
Gross Profit	6,607	14,103
Gross Profit Margin (%)	14.7%	23.3%
EBITDA excluding MAQ impairment loss	473	5,949
Underlying NPAT* excl MAQ impairment loss and related DTA write off	(1,093)	3,250
Reported EBITDA	(3,179)	5,949
Underlying NPAT*	(4,937)	3,250
Reported Net Profit After Tax	(5,250)	2,397
- Earnings per share (cents)	(6.6)	3.1
- Dividend per share (cents) – unfranked	-	0.6
Net Tangible Assets per share (cents)	60	72
Cashflow		
- Underlying Operating Cashflow**	251	5,984
- Reported Operating Cashflow	2,528	11,472
Borrowings		
- Net debt/(net cash)	(9,544)	(12,025)
- Net debt to net debt + equity (%)	(23.0%)	(25.3%)

* 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

¹ Net Profit After Tax excluding unrealised foreign exchange losses

² Unrealised foreign exchange loss was \$313,000

Executive Chairman commentary

Mr Nicholas Andrews, Executive Chairman, said: “Profitability in the first half of 2024 was slightly better than in the immediate previous period, but overall trading conditions remain challenging. As of 30 June 2024 Magontec has a net cash balance of \$9.5m (cash net of debt on the balance sheet) and generated Operating Cashflow of \$2.5m for the 6-month period. Underlying operating cashflow was also marginally positive at \$0.25m in the half.”

Low levels of activity in the automotive and home construction sectors reduced prices and volumes in both Mg alloy and cathodic corrosion protection (CCP) activities. While overall levels of demand in Magontec’s larger markets have been weak, demand for specialist metals has been better than in previous periods.

In July Magontec was forced to close its primary magnesium alloy cast house at Qinghai. The Group’s partner in the Qinghai project (and 28.5% shareholder), Qinghai Salt Lake Magnesium Co Ltd has purported to terminate the agreements between the two companies. All activity at the Magontec Qinghai facility has now ceased. The Group is obtaining legal advice on its rights and options.

Mr Andrews said “While the closure of the Qinghai project is disappointing, the project has continued for some years as a loss-making activity. Our partners have been unable to commission their electrolytic magnesium plant and supply the Magontec cast house. The Group must now look forward and revise its strategic objectives with a view to revitalising its remaining magnesium alloy recycling assets in Europe.”

As magnesium prices declined, there was also cause to further write down inventories through the period under review.

As we anticipated in our report to shareholders at the end of FY2023, customer inventory congestion has continued to subdue offtake in the first half of 2024. The extent to which this trend continues depends in part on interest rates easing in major markets and in part on renewed government support for climate change abatement initiatives in the domestic home heating sector. Magontec’s CCP business is well placed to leverage its market position and production capacity when global home building activity recovers.

Outlook

We remain positive on the long-term outlook for Magontec’s CCP activities that sell into global hot water appliance markets. The outlook for high volume magnesium alloys is likely to continue in a more subdued direction while lower volume / higher value specialist magnesium products are expected to enjoy more buoyant levels of demand.

The Group has a strong balance sheet with cash reserves and low levels of drawn debt. Over the last 18 months management has reviewed several opportunities to acquire new businesses. Efforts to identify suitable targets and partnerships are continuing and target activities in sectors where Magontec has skills and experience.

ENDS

Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 29 August 2024. To view the 2024 Magontec Limited Half Year Report and for more information on Magontec Limited please visit our website at www.magontec.com