



Magontec Limited

(ASX: MGL)

First Half 2021 - Interim Result

26 August 2021

Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 26 August 2021



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FY 2021 Half Year Result

Income Statement and Cashflow Overview

	6 months to 30-Jun-21 '\$000	6 months to 30-Jun-20 '\$000	% chg
Revenue	50,863	45,982	10.6%
Cost of Sales	(43,161)	(40,061)	7.7%
Gross Profit	7,702	5,920	30.1%
<i>Gross Profit margin (%)</i>	<i>15.1%</i>	<i>12.9%</i>	
Other income	447	738	(39.4%)
Other operating expenses*	(4,769)	(4,746)	0.5%
EBITDA	3,381	1,913	76.7%
Depreciation and amortization	(1,400)	(1,585)	(11.7%)
EBIT	1,981	327	605.8%
Interest	(250)	(324)	(22.8%)
Tax	(600)	(153)	292.2%
Reported Net Profit After Tax	1,130	(149)	
Cash from Underlying Operations**	2,655	2,350	13.0%

* In 1H21, this caption includes add back of \$1.1m of D&A in Cost of Sales (1H20: \$1.2m)

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



Anode business (CCP) key profit driver.

Higher volumes, lower costs, new customers



Cost control and shift in product mix raises EBITDA margin to 6.6%, up from 4.2% in PCP



\$2.7 million cash from underlying operations**. Reducing debt, funding working capital

FY 2021 Half Year Result

Reconciliation of significant items in earnings

	6 months to 30-Jun-21 '\$000	6 months to 30-Jun-20 '\$000
Reported Net Profit Before Tax & Significant Items	2,238	(49)
Significant items before tax		
Less non-cash equity writeback / (expense)	(150)	-
Less MAQ depreciation (non-cash)	(442)	(520)
Less MAQ Primary Mg Alloy EBITDA losses	(143)	(342)
Add writeback on Romanian VAT legal win	226	-
Add COVID related govt subsidies	-	362
Add COVID related temporary salary and director fee reductions (EU & HO)	-	552
Reported Net Profit Before Tax	1,730	4
Less tax expense	(600)	(153)
Reported Net Profit After Tax	1,130	(149)
Add/Less unrealised FX losses / (gains)	(446)	105
Reported Net Profit After Tax excluding unrealised FX	684	(44)



2021 Interim NPAT of \$684,000
(Excluding unrealised FX)

- Up from -\$0.04m in PCP



Magontec Qinghai EBITDA losses and non-cash depreciation costs reduce Interim NPBT by \$585,000

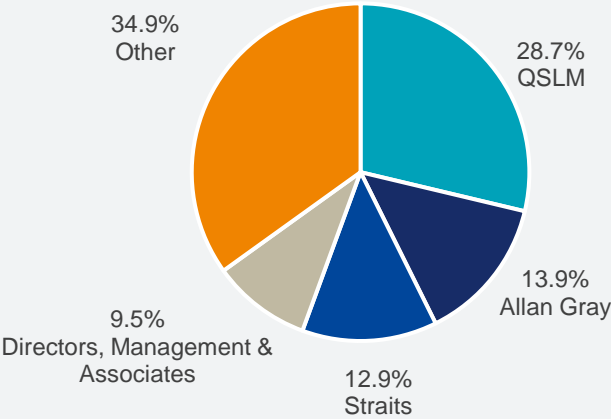


Writeback of +\$226,000 on positive resolution of Romanian VAT dispute

Magontec Limited Market Information

ASX Code: MGL	Total	Per Share
Ordinary shares on issue following consolidation	76,729,210	
Market capitalisation¹	\$17.3 million	22.5 cents/share
Book value of net assets – 30 June 2021	\$31.0 million	40.5 cents/share
Net debt - 30 June 2021	\$10.2 million	
Enterprise value	\$41.2 million	
<i>Performance rights on issue 30 June 2021</i>	<i>5,349,877</i>	

Magontec Ltd Shareholder Structure 30 June 2021



Post share consolidation, Magontec Limited has 76.7 million ordinary shares on issue



Substantial shareholders as at 30 June 2021:

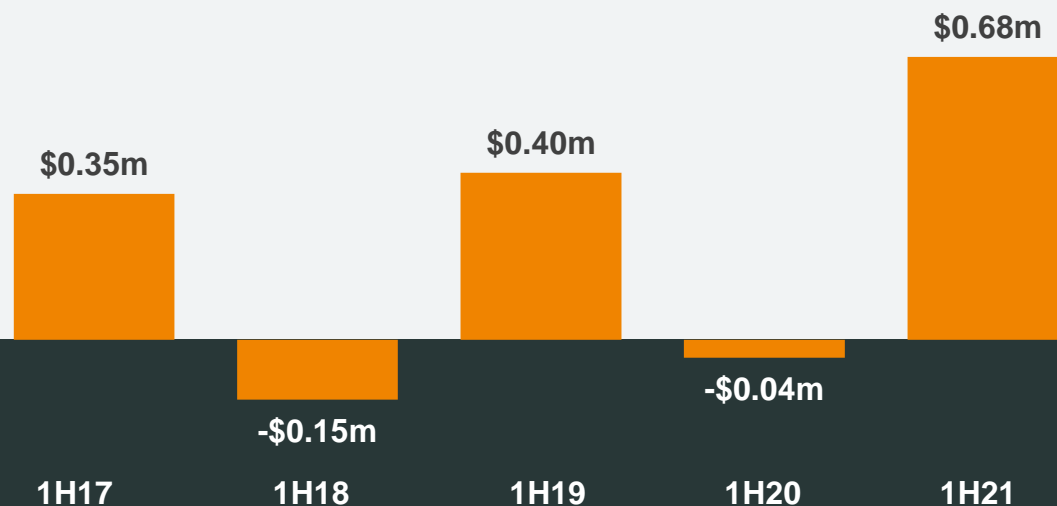
- Qinghai Salt Lake Magnesium 29.7%
- Allan Gray Australia Pty Limited 13.9%
- Straits Mine Management Pty Limited 12.9%

¹ Based on share price of \$0.225 as at 23 August 2021

FY 2021 Half Year Result

Underlying Net Profit* of \$0.68m, up from -\$0.04m loss in the first six months of 2020

Underlying Net Profit After Tax * (\$M)



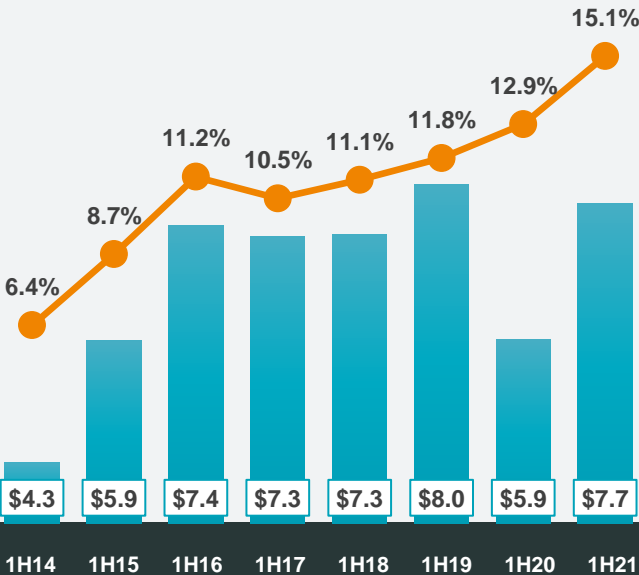
* Reported net profit/loss excluding the effects of unrealised foreign exchange

FY 2021 Half Year Result

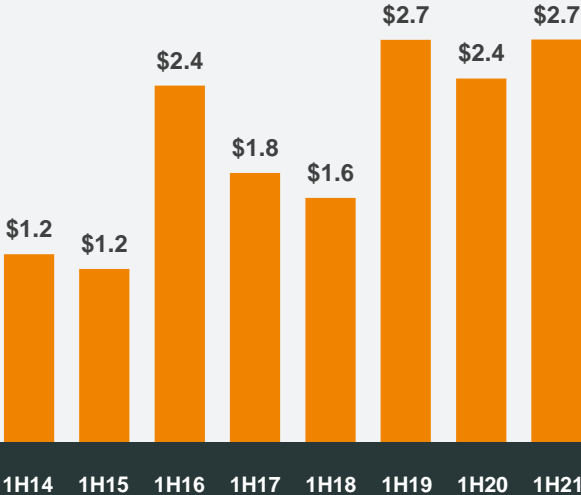
Growth in magnesium and electronic anodes (CCP) volumes driving profit growth and cash flow



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



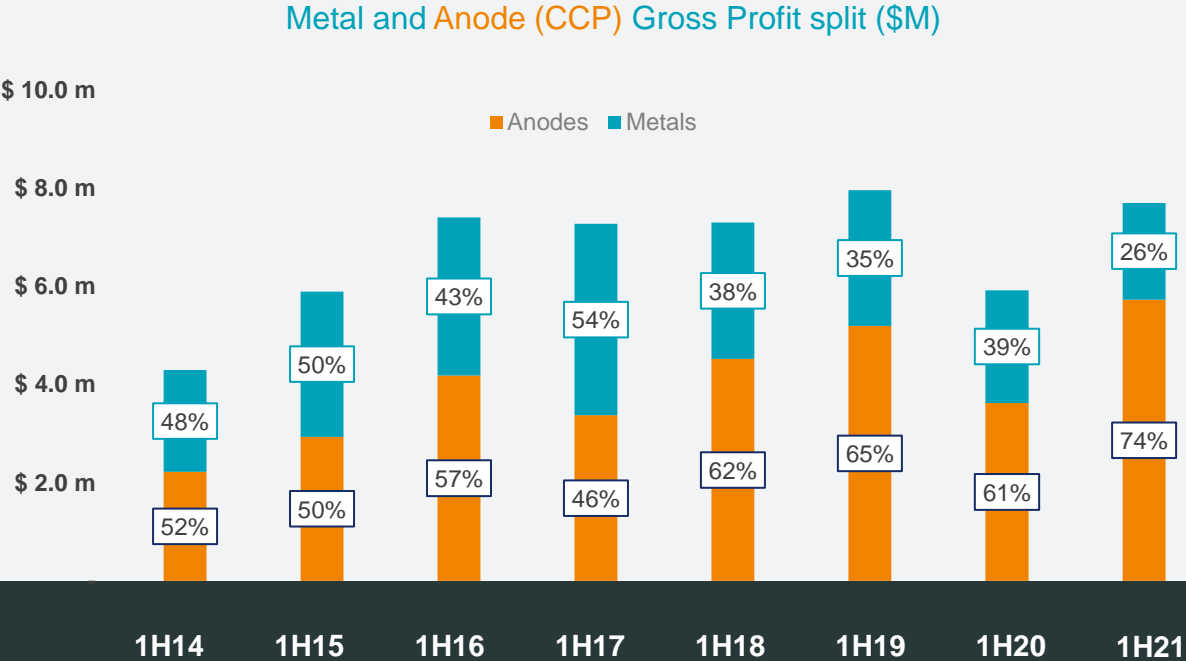
Underlying Operating Cashflow(\$M)*



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

FY 2021 Half Year Result

CCP business contributes 74% of Gross Profit as Magontec Qinghai Mg alloy cast house issues continue to impact PRC metals volumes and profit



FY 2021 Half Year Result

Positive EBITDA and EBIT trend – sharp recovery from COVID impacted PCP



EBITDA and EBIT contributions (\$M)



Magontec Limited – a global magnesium company

Operational Platform



Production



Sales Office



Technology Centre



Cast House Project



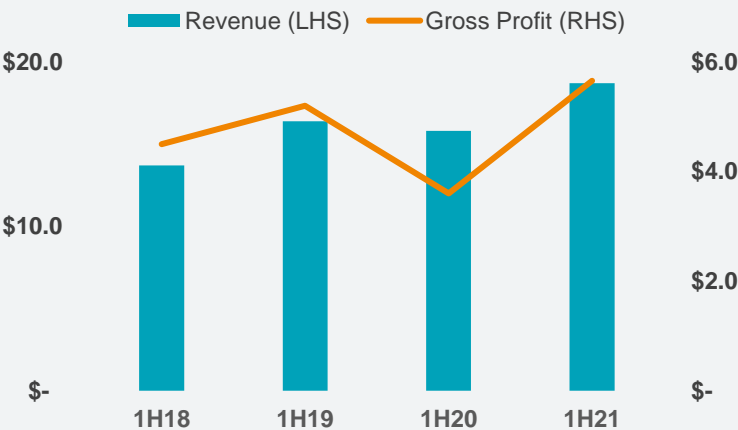
Headquarters

FY 2021 Half Year Result – CCP / anodes

Year-on-year growth in Cathodic Corrosion Protection product sales

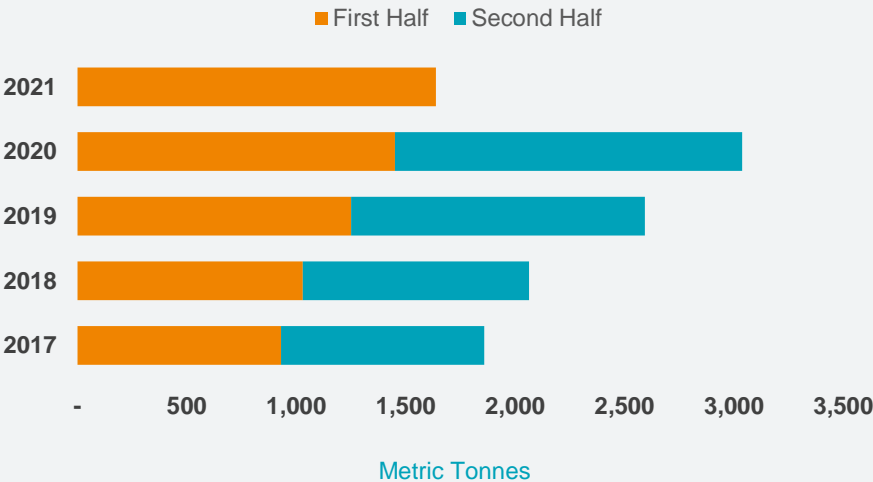
Global supplier of CCP products for Hot Water appliances manufacturers

Global CCP Revenues and Gross Profit (A\$M)



76% sales growth in 1H21 over 5 years since 1H17

Global magnesium anode sales volumes



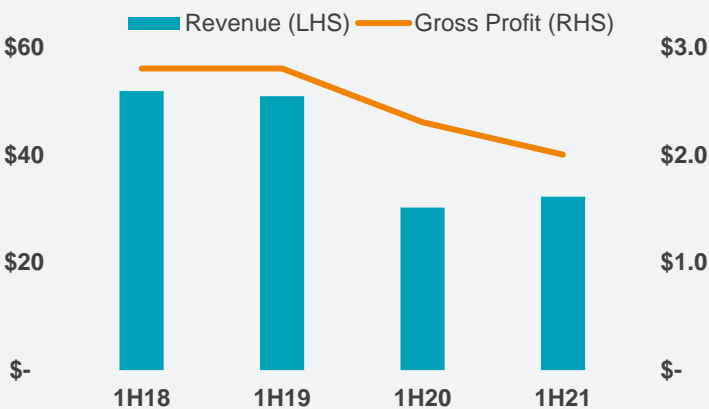
- New Hot Water appliance customers in Europe and North America driving higher volumes
- Investment in new equipment and process development improving competitiveness
- Scope for continued growth in international markets from flexible global production base

FY 2021 Half Year Result - Metals

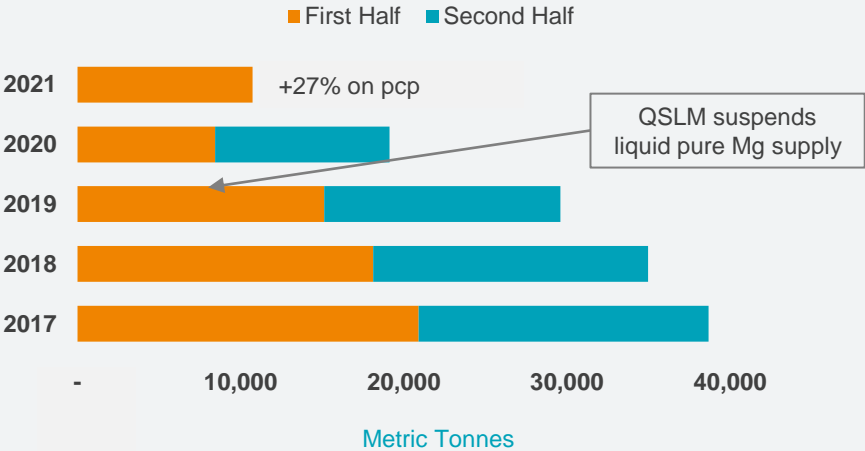
Recovery in metal sales from COVID impacted PCP
Qinghai primary Mg alloy plant continues to operate at low volumes

Supplier of primary Mg alloy ingots and recycling services to global automotive, power tool and electronics industries

Global Metals Revenues and Gross Profit (A\$M)



Global Mg alloy and specialist metals sales volumes



- Volumes and overall profitability reduced in China and Europe
- Qinghai primary Mg alloy factory continues production at lower levels. Awaiting QSLM magnesium project re-start
- Developing markets in specialist metals, raising margins and reducing exposure to global automotive industry

Qinghai electrolytic magnesium smelter complex (Golmud)

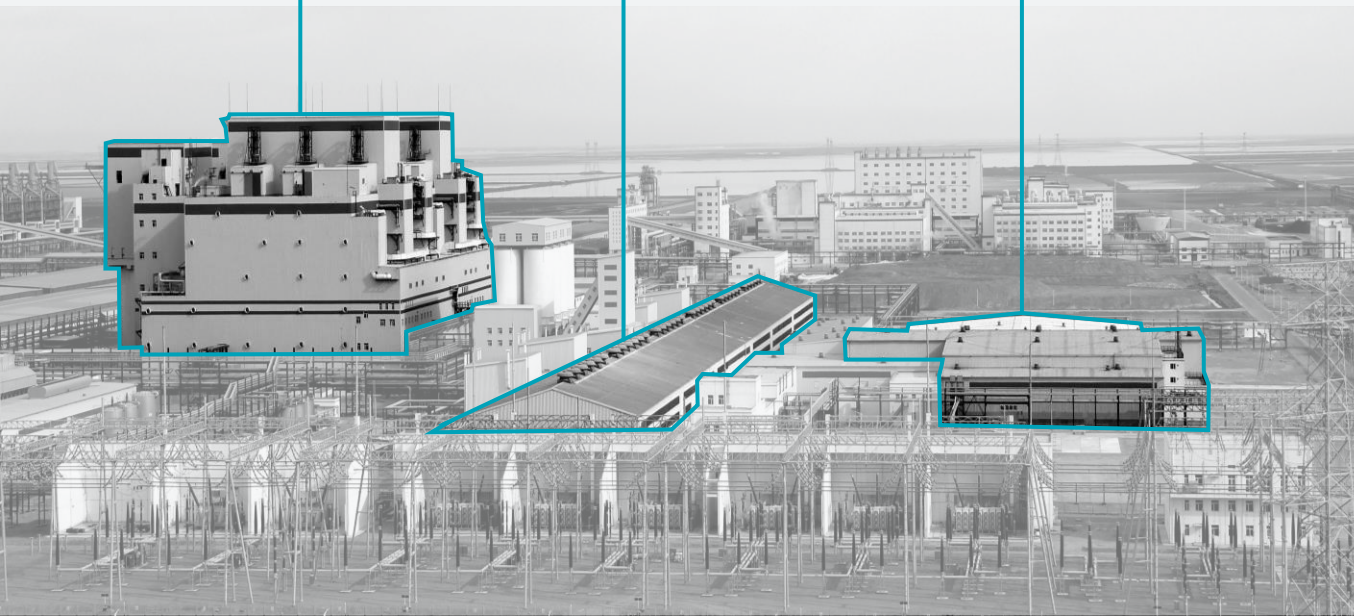
Dehydration



Reduction



Cast house



Magontec Qinghai

MGL operates a magnesium alloy cast house at Golmud in Qinghai Province PRC



Agreements with QSLM

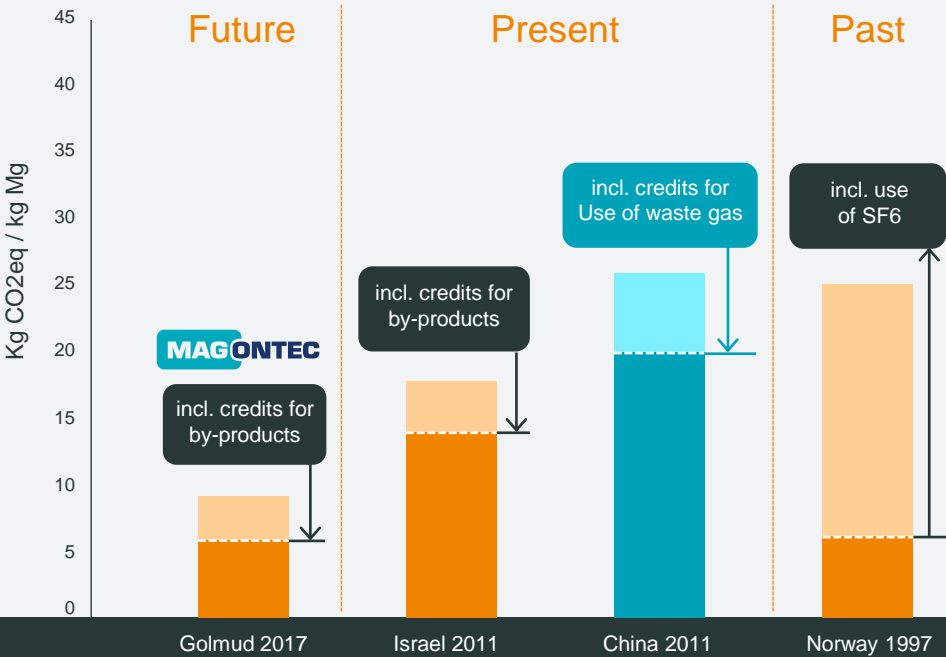
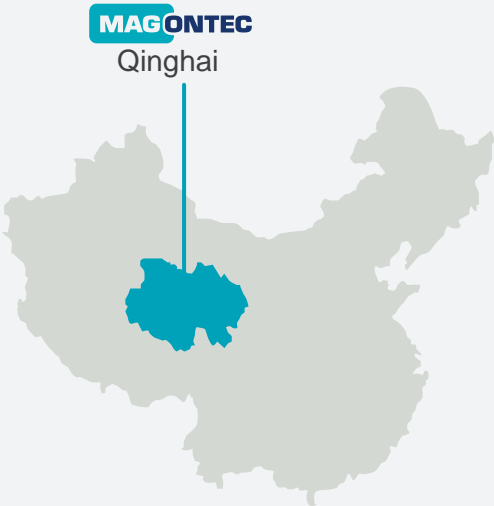
Supply of 56,000 mtpa
Exclusive Mg alloy rights
Fixed off-take price metrics
Lease (10+10 years)



Production

4* Mg alloy cast lines
85% renewable energy
Future growth options

Magontec Qinghai will use the lowest CO2 Mg ever produced*



Electrolysis







Pidgeon process

*German Aerospace Institute of Vehicle Concepts survey on CO₂ emissions from magnesium smelters around the World







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