

ASX Announcement  
28 February 2024

### Magontec delivers FY2023 underlying net profit after tax of \$1.7 million<sup>1</sup>

Magontec Limited (ASX: MGL, 'Magontec,' 'the Company' or 'the Group'), a global manufacturer of specialist magnesium products, today announced net profit after tax (NPAT) of \$1.7 million, excluding unrealised FX losses<sup>2</sup> for the 12 months to 31 December 2023 ('2023'). Reported NPAT was \$0.5 million for the 2023 year.

#### Highlights

- The Board declares an unfranked final dividend of 0.6 cents for the half year to 31 December 2023. This brings the total dividend to 1.2 cents per share (unfranked) for the year.
- Net cash improved to \$8.7 million over the 12 months to 31 December 2023
- 2023 Operating Cashflow was \$11.4 million, partially driven by the release of working capital

Key Financial Highlights '\$000 unless specified	12 months to 31 December 23	12 months to 31 December 22
<b>Gross Profit</b>	<b>19,224</b>	<b>38,595</b>
<i>Gross Profit Margin (%)</i>	<i>18.8%</i>	<i>24.3%</i>
<b>EBITDA</b>	<b>5,470</b>	<b>27,263</b>
<b>Reported Net Profit After Tax</b>	<b>466</b>	<b>16,515</b>
- Earnings per share (cents)	0.6	21.5
- Dividend per share (cents) – unfranked	1.2	1.2
<b>Net Tangible Assets per share (cents)</b>	<b>67.8</b>	<b>67.9</b>
<b>Cashflow</b>		
- Underlying Operating Cashflow*	6,145	28,030
- Reported Operating Cashflow	11,396	10,746
<b>Borrowings</b>		
- Net debt/(net cash)	(8,717)	(1,964)
- Net debt to net debt + equity (%)	(18.2%)	(3.6%)

\*Cash from underlying operations = reported operating cashflow less working capital movements, interest and income tax payments

#### Executive Chair commentary

Mr Nicholas Andrews, Executive Chair, said: "While conditions have softened in 2023, Magontec retains a strong financial position. As of 31 December 2023, the Group had a cash balance of \$8.7m (net of debt) and generated cash from underlying operations\* of \$6.1 million through the year. Operating cash flow, including cash released from working capital, was a very healthy \$11.4 million.

<sup>1</sup> Net Profit After Tax excluding unrealised foreign exchange losses

<sup>2</sup> Unrealised foreign exchange loss was \$1.28m

Profitability in 2023 was impacted by a decline in magnesium prices, reducing the scope for lower quality scrap processing, and softer economic conditions for Magontec's two key end-user markets: automotive and hot water appliance manufacturing. While higher interest rates are partly to blame for lower levels of demand, government indecision, particularly in Europe, has also caused disruption in key anode markets. At balance date, the Group also took a \$1.25 million inventory write down to net realisable value, further impacting reported profit.

Looking forward, we expect inventory congestion to subdue offtake in the first half of 2024 but anticipate a stronger second half, as the economy turns to a more positive uptrend with lower interest rates and stronger consumer confidence.

#### *Magontec Qinghai*

At the Group's key project, the magnesium alloy cast house at Golmud, PRC, our partners QSLM continue to make progress towards recommencing supply of liquid pure magnesium to Magontec's Qinghai cast house. They have made good progress through 2023, successfully remediating the central dehydration process and improving the efficiency of the electrolysis process. This latter project is expected to be completed by the end of the first half of 2024 and QSLM expect to be able to supply some qualified material to the cast house in the second half of the year.

#### **Outlook**

**A positive long-term outlook for anode products and expectations of pure Mg delivery to Magontec's Qinghai facility in late 2024.**

Magontec's CCP businesses in China and Europe are global leaders in the manufacture of magnesium and powered anodes. These are long-term growth markets and in 2023 the Group has further strengthened its position installing new production capacity in China and developing new powered anode products in Germany. In 2024 we anticipate a recovery in CCP markets - in particular, we see strong long-term growth prospects for powered anodes.

Magnesium recycling markets are soft and Magontec sales volumes for this product have been low in 2023. We expect a strengthening of our global magnesium alloy market position as primary magnesium alloys begin to flow from the Group's Qinghai cast house to European and North American customers.

In the meantime, we expect a stronger contribution in 2024 from specialist and ancillary magnesium products in Europe, but from a low base.

The Group has a strong balance sheet, no net debt and some cash reserves. We anticipate further inventory and working capital reduction through 2024, and a boost to cash reserves.

In 2024 we look forward to the re-commencement of the Qinghai project while we continue to pursue opportunities elsewhere to enhance shareholder returns. ”

#### **Divisional performance**

- **Primary Magnesium Alloy - Qinghai**

Magontec operates a magnesium alloy cast house at Golmud in Qinghai province, China.

Our partners in Qinghai, QSLM, are working towards the restart of their electrolytic magnesium smelter and are committed to bringing the facility back online. Magontec's agreement to take 56,000 tonnes per annum of this product into its adjacent magnesium alloy cast house facility will be a further transformational step for the Group.

In the meantime, Magontec's co-located magnesium alloy cast house continues to operate at low levels of output and at a slight cash profit.

- **Magnesium Alloy Recycling**

Magontec operates two magnesium alloy recycling and specialist metal manufacturing facilities at Bottrop in Germany and Santana in Romania.

The Group's magnesium processing business units continue to grow new magnesium revenue streams and increase exposure to a more diverse group of customer industries.

- **Anodes – Cathodic Corrosion Protection (CCP)**

Magontec operates magnesium and powered anode manufacturing facilities in Germany, Romania and China.

The Group's anode businesses are leading suppliers in all global markets. The hot water appliance manufacturing industry, the key customer for magnesium and powered anodes, has been through a slower period as interest rates have risen and building starts have fallen through the second half of 2023.

With around 80% of hot water systems supplying the replacement market, Magontec's anode products are sold into a stable industry environment with growth opportunities across developed and developing markets.

**ENDS**

*Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 28 February 2024. To view the 2023 Magontec Limited Full Year Report and for more information on Magontec Limited please visit our website at [www.magontec.com](http://www.magontec.com)*

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