



Close the Loop GROUP

Create - Recover - Reuse



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Close the Loop accelerates growth momentum with record 1H results

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Close the Loop Limited (**Close the Loop** or the **Company**) (**ASX: CLG**), an end-to-end solutions provider from design and manufacturing, through to collection and recycling of products, is pleased to announce its results for the half-year ended 31 December 2021 (1H22).

1H22 Highlights:

- **Pro Forma Revenue of \$40.7 million up 22.6% on prior corresponding period (pcp)**
- **Pro Forma EBITDA of \$7.4 million up 51% on pcp**
- **Pro Forma NPBT of \$4.97 million up 67.7% on pcp**
- **Pro Forma Cash balance of \$14.4 million up 109% on 30 June 2021**
- **Successful ASX listing following a strongly supported and oversubscribed IPO**
- **Acquisition of Oceanic Agencies strengthened Close the Loop's bulk and commercial seafood packaging capabilities**
- **Post reporting period expansion into bulk packaging market through acquisition of Crasti & Co**
- **Investor webinar at 2.00 pm (AEDT) on Tuesday, 1 March 2022**

Commenting on the Company's financial performance, Group Chief Executive Officer Joe Foster said: "The second half of 2021 was a milestone for both the combined Company and the sector, as Close the Loop became the first company to list on the ASX that provides full circular-economy solutions. Our oversubscribed IPO has demonstrated the appetite the market has for trusted sustainable businesses and has significantly increased our capability to reduce the amount of waste that ends up in landfill and instead have it recycled into new products.

"We close out the half year in a strong financial position, on track to meet end-of-year forecasts on a pro forma basis. All divisions are performing well against forecast and the expertise gained through both sides of the merger bodes well for future operations, broadening of services to our various customer bases and acquisitions. In challenging operating conditions due to COVID restrictions in various jurisdictions, the Company has performed well through its ability to rely on complementary business units. Pro forma revenue of \$40.7 million was underpinned by strong growth in both the packaging and resource recovery businesses, generating EBITDA of \$7.4 million. This strong financial performance was driven by our USA operations trading ahead of budget, along with the addition of new services in the EU and has us well placed to meet end-of-year forecasts.

"Operationally, we have made headway on our growth strategy acquiring two strategically compelling businesses, Oceanic Agencies and post reporting period, Crasti & Co, that will further strengthen Close the Loop's ability to provide a broad range of products to meet the growing need for a circular economy solution as it fits well into our take back and circular economy program.

"We are already making headway in creating synergies for O F Packaging customers in determining how we can use our Close the Loop recovery and reuse capability to create new take-back programs that also help them improve their ESG credentials into their supply chains."

Financial Review

With pro forma revenue of \$40.7 million Close the Loop performance was underpinned by strong growth in both the packaging and resource recovery businesses. We are seeing strong demands for recyclable ready packaging and recycled content which are products that are readily available through the various divisions. With foreign exchange movement and raw material increases putting margins under pressure, these adjustments are being passed on when possible.

The OF Packaging businesses experienced strong sales during the period, improving throughputs and refining manufacturing equipment lines and operations. The O F Flexo division has traded ahead of budget throughout the period with high demand for locally produced packaging containing high percentages of recycled content and more recyclable ready packaging. South Africa achieved strong sales growth which drove improved performance. The resource recovery division is showing positive growth following strong demands from international markets for recycled cardboard with stable prices.

For the Close the Loop division, the US business has gained momentum as trading conditions rebounded strongly with collection volumes approaching pre-COVID levels. Europe continues to track to budget. Australian operations were impacted by lockdown activity in several jurisdictions, as the recycling business is volume-based. However, volumes have increased in November and December.

(A\$m)	1H22 (Proforma)	1H21 (Proforma)	Change
Revenue	40.7	33.2	22.6%
Gross Profit	14.8	12.1	22.3%
Operating Profit	5.0	4.1	22.0%
EBITDA	7.4	4.9	51.0%
EBIT	5.8	3.2	81.3%

Operational Review

O F Packaging performs strongly with manufacturing line refinements

The O F Packaging divisions all experienced strong trade through the provision of the full range of product development, R&D, manufacturing and recycling services via five divisions: specialised flexible packaging through O F Pack, and its separate South African operations; digital printing and pouch manufacturing through The Pouch Shop (TPS); flexographic printing and bag converting through O F Flexo which is experiencing increased demand for local production of flexible packaging for Horticulture, Petfood and Confectionery markets; bag closure through Inno Bag. The acquisition of Oceanic Agencies strengthened this capability as it added to the Company's presence in the bulk and commercial seafood packaging sector and cross selling across the Packaging divisions. O F Resource Recovery, which provides recycling, reuse and waste services, also experienced strong sales growth due to efficiencies generated by new production equipment and optimising of factory staffing and processes.

Close the Loop division processing increased as recycling volumes returning to normal levels

The Close the Loop division increased its processing volumes during the period, introducing several new collection programs in cosmetics, eyeglasses, phone case covers and power tools, complementing its traditional imaging consumables business.

Business across the division's three main markets is beginning to return to normal with collection volumes approaching pre-COVID levels. The European operation is expanding its service offering that will see it become more engrained in the supply chain of its existing customers which will allow it offer similar recycling services to that of the US business. Discussions are advanced with several O F Packaging customers to integrate Close the Loop's recovery and reuse services into their supply chains.

Close the Loop becomes first ASX-listed company to provide full circular-economy solutions

In early December, Close the Loop became the first ASX-listed company that provides full circular economy solutions – from design, manufacture, collection and reuse or recycling.

The listing followed a successful IPO which raised gross proceeds of \$12 million at a price of \$0.20 per share. A further \$3.75 million was raised to allow some long-term Close the Loop shareholders the ability to exit and sell their shareholdings into the float through a Sale Co facility.

The IPO was strongly supported, introducing institutional and sophisticated shareholders who can support Close the Loop through its next phase of growth. Funds raised will enable the Company to scale its operations by upgrading machinery, installing new processing equipment for plastic washing and separation, increasing automation and funding acquisitions.

Oceanic Agencies acquisition strengthens position within commercial seafood packaging industry

In December, Close the Loop acquired 100% of Oceanic Agencies, a profitable, fast-growing seafood packaging group for a purchase price of A\$3.25m including an earn-out component. Oceanic Agencies has been operating for over 10 years.

The acquisition will strengthen Close the Loop's bulk and commercial seafood packaging capability, in a growing and highly complementary sector to its existing seafood business offering and delivers on the Company's strategy to grow within the niche packaging and recycling space. The deal is earnings per share accretive, with significant revenue and cost synergies.

The purchase price includes an earn out payable for the first year after completion of the acquisition.

Crasti & Co acquisition provides entry into bulk packaging market

Post reporting period, Close the Loop acquired 100% of Crasti & Company, a well-established, fast growing, and profitable bulk packaging business for a total expected purchase price of A\$5.85m. The acquisition marks Close the Loop's expansion in the bulk packaging market and provides a highly complementary market and product fit with Close the Loop's existing packaging offering through its O.F. Pack business.

The deal also increases Close the Loop recycling capabilities, with a take back program and introduction of physical recycling of bulk bags.

The deal is expected to add significantly to Close the Loop's sales and profitability levels and will be immediately earnings per share accretive.

The total expected purchase price of A\$5.85m, includes an earn out payable of up to \$1.78m at the 12-month anniversary of completion of the acquisition.

Outlook

"We are extremely pleased of what we have achieved in the first few months as a listed company. In addition to developing our core products, we have secured two reputable businesses that will enhance our operations and commitment to excellence and dedication to the environment and assist the Company to achieve its full year EBITDA forecast. Our strong financial position has us well placed to continue to execute on our expansion strategy and grow Close the Loop into a global leader in the circular economy," said Joe Foster, Group Chief Executive Officer.

Investor Briefing

Group CEO, Joe Foster and Group CFO, Marc Lichtenstein will host a webinar for investors at **2.00 pm (AEDT) on Tuesday, 1 March 2022.**

To pre-register for the webinar please use this link:

https://us02web.zoom.us/webinar/register/WN_k4h9U522Q3mNRCSimN9CRg

After registering, you will receive a confirmation email containing information about joining the webinar.

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

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About Close the Loop

With locations across Australia, Europe and the United States, Close the Loop create innovative products and packaging that includes recyclable and made-from recycled content, as well as collect, sort, reclaim and reuse resources that would otherwise go to landfill. From recovering print consumables, eyewear, cosmetics, and phone cases, through-to the reusing of toner and post-consumer soft plastics for an asphalt additive, the Company is focused on the future, sustainability and the circular economy.

Well positioned within the circular economy, Close the Loop consists of the merging of two secondary business groups - Close the Loop and O F Pack. The combining of these two entities allows for end-to-end solutions across packaging and consumables to a variety of markets, with advanced innovation in product development, as well as end of life take-back and recovery systems for complex commodities to greatly reduce waste to landfill.

Further information: www.ctlgroup.com.au, www.closeheloop.com.au and www.ofpack.com.au