



CARBON REVOLUTION LIMITED
(ASX: CBR)

ASX Announcement

31 January 2020

DECEMBER 2019 QUARTERLY BUSINESS UPDATE & APPENDIX 4C (UNAUDITED)

Geelong, Australia, 31 January 2020: Geelong-based advanced manufacturer Carbon Revolution Limited (ASX:CBR), whose lightweight carbon fibre wheels are used on some of the world's premier street cars, is pleased to provide a business update for the quarter ended 31 December 2019 (Q2 FY20).

Carbon Revolution continues to build momentum

Summary (unaudited):

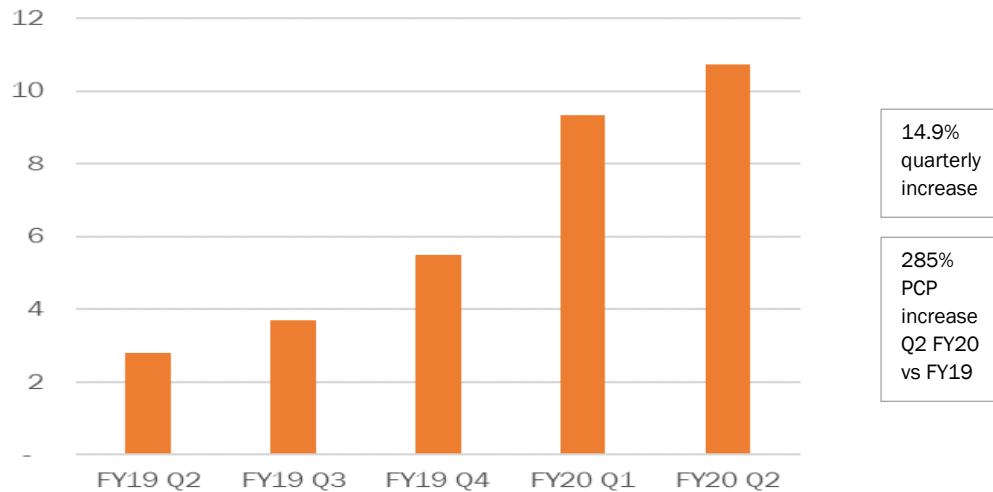
- Sales of wheels grew 191% compared to Q2 FY19, driven by strong customer demand and continuing delivery of increased automation and industrialization
- Revenue increased to \$10.7m, a 285% increase from Q2 FY19
- Well capitalized for future growth with 31 December 2019 cash balance of \$39.5m
- Formed an alliance with Mitsui, formalised by signing an MOU
- Successful completion of the initial public offering of Carbon Revolution on the Australian Stock Exchange
- Carbon Revolution remains on track to deliver the FY20 prospectus revenue and EBITDA forecasts including becoming EBITDA positive during the fourth quarter of FY20

Growth driven by significant ramp-up in production

Wheel sales to Carbon Revolution's OEM customers have grown significantly throughout the financial year, with quarterly wheel sales volumes growing to 3,463 (a 5.0% increase from Q1 FY20 and a 191% increase from the previous corresponding period of Q2 FY19). Total revenue has likewise experienced strong growth to \$10.7m for the quarter (a 14.9% quarterly increase and a 285% increase on the previous corresponding period Q2 FY19).

This revenue growth was driven by increased production capacity and throughput as the Company's investment in industrialised equipment continues to be realised.

Quarterly Total Revenue - \$m
(Q2 FY19 - Q2 FY20)



The Company formed an alliance with Mitsui Trading Co in August 2019. The alliance contemplates Mitsui and Carbon Revolution exploring opportunities for Mitsui to utilize its global network of businesses and partnerships, including its customer relationships in Japan and across the world to help accelerate Carbon Revolution’s growth.

Q2 cashflow bolstered by IPO cash inflows

Cash balance remains strong at \$39.5m. Net Cashflow of positive \$11.5m for the quarter included:

- Net cash outflow from operating activities of \$6.2m as compared to \$9.4m in Q1 FY20, driven by stronger sales in the second quarter
- Net cashflow used in investing activities of \$4.1m as compared to \$6.3m in Q1 FY20. Investing activities cashflow consists primarily of investment in production assets and research and development (classified in the Appendix 4C as “other non-current assets”)
- Net cash inflow from financing activities of \$21.9m which includes \$30m IPO funds, \$2.9m transaction costs and \$5m debt repayment.

The company expects to have approximately \$30m of cash on hand at the end of Q3.

Successful Delivery of IPO

The company completed its Initial Public Offering, which raised \$90.1 million (including a primary raise of \$30 million and a secondary sell-down of \$60.1 million). At the time of the IPO, Carbon Revolution CEO Jake Dingle said: “This is an exciting time for our company, our staff, and our investors many of whom have been with us for years as we have grown from a small engineering start-up to a world leader in our field.

“Carbon Revolution is the only company globally to have successfully developed and manufactured single piece carbon fibre automotive wheels to OEM quality standards with commercial adoption across several major OEM models. This public offering will assist with the next stage in expanding our business.”

Outlook

Carbon Revolution continues to grow production volumes as it targets an increase of its monthly annualised production capacity from approximately 18,000 wheels per annum in November 2019 to almost 32,000 wheels per annum by June 2020. The Company remains on track to deliver the FY20 prospectus revenue and EBITDA forecasts including becoming EBITDA positive during the fourth quarter of FY20.

ABOUT CARBON REVOLUTION

Carbon Revolution is an Australian company, which has successfully innovated, commercialised and industrialised the supply of carbon fibre wheels to the global automotive industry. The Company has progressed from single prototypes to designing and manufacturing high-performing wheels for some of the fastest street cars and most prestigious brands in the world. Carbon Revolution continues to innovate and supply its lightweight wheel technology to automotive manufacturers around the world.

Performance is everything. Efficiency is everything else.

For more information, visit carbonrev.com

FORWARD-LOOKING STATEMENTS

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Carbon Revolution. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

INVESTOR CONTACT

Gerard Buckle, Carbon Revolution +613 5244 5987

INVESTOR BRIEFING CALL

Jake Dingle, CEO and Gerard Buckle, CFO will hold an investor briefing call at 10.00am to review the Appendix 4C.

Conference Name: Carbon Revolution Quarterly Teleconference

Conference ID: 8633689

Dial-in details:

Australia:

1800 123 296 (toll free)

+61 2 8038 5221 (toll)

International:

Canada 1855 5616 766

China 4001 203 085

Hong Kong 30082034

Japan 0120 994 669

New Zealand 0800 452 782

Singapore 800 616 2288

United Kingdom 0808 234 0757

United States 1855 293 1544

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Carbon Revolution Ltd

ABN

96 128 274 653

Quarter ended ("current quarter")

31 December 2019

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 12,408 | 17,599 |
| 1.2 Payments for | | |
| (a) research and development | (879) | (1,546) |
| (b) product manufacturing and operating costs | (12,015) | (20,589) |
| (c) advertising and marketing | (141) | (237) |
| (d) leased assets | (128) | (248) |
| (e) staff costs | (4,410) | (7,851) |
| (f) administration and corporate costs | (638) | (1,222) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 93 | 283 |
| 1.5 Interest and other costs of finance paid | (647) | (1,875) |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | 138 | 262 |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | (6,219) | (15,424) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (2,842) | (6,406) |
| (b) businesses (see item 10) | | |
| (c) investments | | |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|---|------------------------------------|--|
| | (d) intellectual property | | |
| | (e) other non-current assets | (1,284) | (4,031) |
| 2.2 | Proceeds from disposal of: | | |
| | (a) property, plant and equipment | | |
| | (b) businesses (see item 10) | | |
| | (c) investments | | |
| | (d) intellectual property | | |
| | (e) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| 2.6 | Net cash from / (used in) investing activities | (4,126) | (10,437) |

| | | | |
|-----------|---|---------------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 30,000 | 30,000 |
| 3.2 | Proceeds from issue of convertible notes | | |
| 3.3 | Proceeds from exercise of share options | | |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | (2,903) | (4,672) |
| 3.5 | Proceeds from borrowings | | |
| 3.6 | Repayment of borrowings | (5,000) | (5,000) |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | (158) | (318) |
| 3.10 | Net cash from / (used in) financing activities | 21,939 | 20,010 |

| | | | |
|-----------|--|---------|----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of quarter/year to date | 27,994 | 45,451 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (6,219) | (15,424) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (4,126) | (10,437) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 21,939 | 20,010 |
| 4.5 | Effect of movement in exchange rates on cash held | (64) | (76) |
| 4.6 | Cash and cash equivalents at end of quarter | 39,524 | 39,524 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 14,524 | 14,524 |
| 5.2 | Call deposits | 25,000 | 25,000 |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) | | |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 39,524 | 39,524 |

| 6. | Payments to directors of the entity and their associates | Current quarter \$A'000 |
|-----------|--|------------------------------------|
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 | 460 |
| 6.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | 0 |
| 6.3 | Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

Comprises directors fees inclusive of superannuation and backpay adjustments for two new directors (joined the board 3rd June 2019). Also includes STI payment to the CEO/Managing Director.

| | |
|--|------------------------------------|
| 7. Payments to related entities of the entity and their associates | Current quarter \$A'000 |
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | 0 |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | 0 |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

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|--|---|--|
| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
| 8.1 Loan facilities | 18,500 | 18,500 |
| 8.2 Credit standby arrangements | 0 | 0 |
| 8.3 Other (please specify) | | |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

\$18.5m comprises -

- Secured loan with a shareholder, Ronal AG of \$13.0m at 10% per annum. During the quarter ended 31 December 2019, \$5m was repaid to the lender.
- Secured grant advance from the State of Victoria of \$5.5m – fixed facility fee of \$37,500 per month

In January 2020 the company entered into an insurance premium funding arrangements for \$881,320 (including \$13,281 interest) to be repaid in fixed monthly instalments over 10 months.

There are also two lease agreements in place, being -

- Monthly rental of the production facility in Waurn Ponds (10 year lease with current monthly lease payments of \$68,104)
- Monthly rental of production equipment (12 month lease with current monthly lease payments of \$26,959)

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|-----------------|
| 9.1 Research and development | (545) |
| 9.2 Product manufacturing and operating costs | (16,496) |
| 9.3 Advertising and marketing | (76) |
| 9.4 Leased assets | (377) |
| 9.5 Staff costs | (3,890) |
| 9.6 Administration and corporate costs | (1,238) |
| 9.7 Other (provide details if material) <i>Majority payments for PP&E</i> | (6,846) |
| 9.8 Total estimated cash outflows | (29,468) |

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|--|---------------------|------------------|
| 10.1 Name of entity | | |
| 10.2 Place of incorporation or registration | | |
| 10.3 Consideration for acquisition or disposal | | |
| 10.4 Total net assets | | |
| 10.5 Nature of business | | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 31 January 2020

Print name: DAVID NOCK

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.