



**CARBON REVOLUTION LIMITED**  
(ASX: CBR)

ASX Announcement

24 April 2020

## **CARBON REVOLUTION APRIL 2020 QUARTERLY BUSINESS UPDATE & APPENDIX 4C (UNAUDITED)**

Geelong, Australia, 24 April 2020: Geelong-based advanced manufacturer Carbon Revolution Limited (ASX:CBR), whose lightweight carbon fibre wheels are used on some of the world's premier cars, is pleased to provide a business update for the quarter ended 31 March 2020 (Q3 FY20).

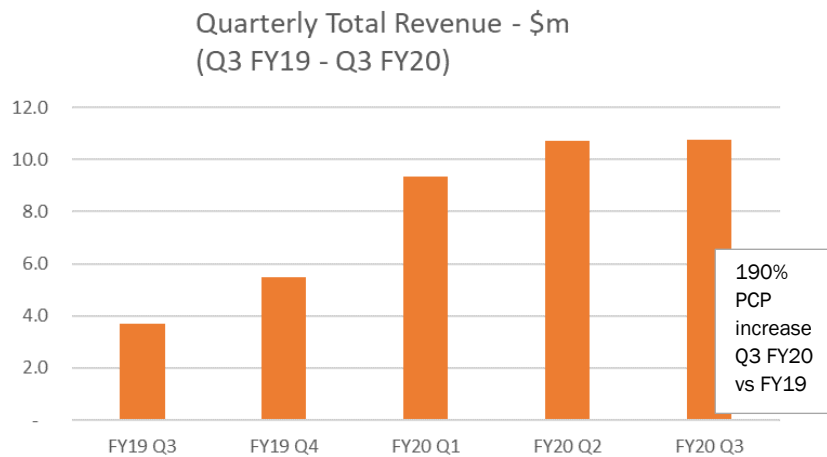
### **Business activities for the Quarter**

Summary (unaudited):

- Wheel sales in the month of March were negatively impacted by COVID-19 related issues. Despite this wheel sales grew 8.3% on the prior quarter, and 184% as compared with Q3 FY19 and revenue increased to \$10.8m, a 190% increase from Q3 FY19
- The business has been impacted by disruption of global supply chains, affecting freight availability and cost. It has also experienced some supply issues with key raw materials
- The moulded wheel rate grew by 31% in 3Q FY20 to an annualised rate of 32,000 moulded wheels per annum in March
- Fast tracked new industrial technology that improves finished wheel aesthetic quality
- All customers continue to request that Carbon Revolution maintains production as they expect resumption of production of relevant car models post lockdown
- Industrialisation program, ongoing technology development and launch activities of new OEM programs progressing
- Successful completion of the institutional share placement and Share Purchase Plan (SPP) in March/April 2020
- Well capitalised with 31 March 2020 cash balance of \$48m (pre SPP)

### **Revenue Growth**

Whilst the month of March was impacted by the COVID-19 related headcount freeze, customer plant shutdowns and other disruptions, quarterly wheel sales volumes increased to 3,749 (an 8.3% increase from Q2 FY20 and an 184% increase from the previous corresponding period of Q3 FY19). Total revenue was \$10.8m for the quarter, a slight increase on the prior quarter and a 190% increase on the previous corresponding period Q3 FY19. Wheel sales revenue growth of 13.8% versus Q2 FY20 was offset by a \$0.7m reduction in engineering services and tooling revenue. Engineering services and tooling revenue will remain variable from quarter to quarter.



### Operations Progress

- Strong focus remains on increasing production efficiencies, investment in industrialisation capability, work on new programs and ongoing investment in research and development projects
- Whilst COVID-19 has impacted the volume ramp up, manufacturing operations are continuing across all shifts with COVID-19 related safety measures in place (such as shift separation and restrictions on manufacturing staff recruitment)
- The Industrialisation program is on track with cutting, layup and rim forming assets being installed in Q3. New tools have also been acquired to help increase asset uptime.
- The business has used this global slowdown to fast track the development and implementation of an industrial technology that improves finished wheel aesthetic quality. This area has represented an ongoing challenge for the business. The higher moulding rate has led to a short term increase in inventory of wheels in process, which together with this new technology enables a lift in the wheel sales rate through the remainder of this calendar year
- Ongoing development and launch activities related to new OEM programs, new technology development and research activities including fibre and resin technology

### Cash Position

Cash balance remains strong at \$48m. Net Cashflow of positive \$8.8m for the quarter included

- Net cash outflow from operating activities of \$7.5m as compared to \$6.2m in Q2 FY20, driven by business growth and building raw materials in response to COVID-19 supply chain disruptions. The ATO review of the company's 2019 R&D claim has been finalised and the \$6m receivable is expected to be received in April
- Net cashflow used in investing activities of \$7.3m as compared to \$4.1m in Q2 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"). The increased spend in investing activities in Q3 FY20 is related to the addition of industrialisation assets which expand the business's production capacity

- Net cash inflow from financing activities of \$23.2m which includes \$25m placement proceeds less transaction costs. This does not include a further \$2.7m proceeds received in relation to the Share Purchase Plan in April

During the quarter payments were made to related parties in the form of Directors Fees.

#### Update on Sources and Uses of IPO Proceeds

	Prospectus	Actual to date <i>(from listing date to 31 March 2020)</i>	Explanation of material variances
	A\$ million	A\$ million	
<b>Sources</b>			
Cash proceeds received for issue of shares	\$30.0	\$30.0	
<b>Uses</b>			
Capital expenditure	\$9.6	\$6.9	On track
R&D	\$6.2	\$3.4	On track
Working Capital	\$4.8	\$4.4	On track
Pre-payment of the Ronal Loan	\$5.0	\$5.0	Repaid December 2019
Offer costs	\$4.4	\$3.8	Complete
<b>Total Uses</b>	<b>\$30.0</b>	<b>\$23.5</b>	

#### Outlook

The operating environment as a result of COVID-19 has created uncertainty regarding some customers' ability to receive wheels into store at present and the timing of when vehicle production will resume post lockdown. The business has frozen the headcount associated with the volume ramp and therefore limited the planned production ramp until the COVID-19 situation in Australia has eased.

#### 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.*

#### 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**

Investor Relations  
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CFO  
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## **INVESTOR BRIEFING CALL**

A 15 minute investor briefing call will be held on Friday 24<sup>th</sup> April at 9.30am

Participants are asked to pre-register for the call at the link below.  
They will receive a calendar invite and a unique code which is to be quoted when dialling into the call.

**Pre-Registration Link:** <https://s1.c-conf.com/diamondpass/10006138-invite.html>

**Conference Name:** Carbon Revolution Quarterly Teleconference

**Conference ID:** 10006138

### **Dial-in details:**

Participant toll: +61 2 9007 3187  
Participant toll-free: 1800 558 698

Approved for release by the Board of Directors of Carbon Revolution Limited

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Carbon Revolution Ltd	
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
96 128 274 653	31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	11,077	28,676
1.2 Payments for:		
(a) research and development	(659)	(2,205)
(b) product manufacturing and operating costs	(13,523)	(34,111)
(c) advertising and marketing	(124)	(361)
(d) leased assets	(140)	(388)
(e) staff costs	(3,696)	(11,548)
(f) administration and corporate costs	(661)	(1,883)
1.3 Dividends received (see note 3)		
1.4 Interest received	130	413
1.5 Interest and other costs of finance paid	(455)	(2,330)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	516	779
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(7,535)</b>	<b>(22,958)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses (see item 10)		
(c) property, plant and equipment	(5,803)	(12,209)
(d) investments		
(e) intellectual property		
(f) other non-current assets	(1,473)	(5,504)
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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(7,276)</b>	<b>(17,713)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	25,000	55,000
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities, or convertible debt securities	(1,659)	(6,331)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		(5,000)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.9	Other (provide details if material)	(145)	(464)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>23,196</b>	<b>43,205</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	39,524	45,451
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,535)	(22,958)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,276)	(17,713)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	23,196	43,205
4.5	Effect of movement in exchange rates on cash held	388	312
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>48,297</b>	<b>48,297</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	8,297	8,297
5.2	Call deposits	40,000	40,000
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>48,297</b>	<b>48,297</b>

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	315
6.2 Aggregate amount of payments to related parties and their associates included in item 2	0

**Description & explanation of payments above:**

Comprises Non-Executive and Executive Directors fees inclusive of superannuation for the quarter. No other payments made to related parties or their associates.



<b>7. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total Facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	18,500	18,500
7.2 Credit standby arrangements	0	0
7.3 Other – Financed Insurance Premiums	441	441
7.4 Total financing facilities	18,941	18,941
7.5 Unused financing facilities available at quarter end	0	0

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well

\$18.5m comprises:

- Secured loan with a shareholder, Ronal AG of \$13.0m at an interest rate 10% per annum, interest repayable quarterly. Principal repayable 30 June 2021
- Secured grant advance from the State of Victoria of \$5.5m – fixed facility fee of \$37,500 per month. Repayable 30 June 2021, however it is possible at the discretion of the State of Victoria for the Company to retain the whole or part of the early advance used for the Project and to be set-off against grant moneys which become due to the Company

In January 2020 the company entered into 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 Waurm 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)

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from/(used in) operating activities (item 1.9)	(7,535)
8.2	Cash and cash equivalents at quarter end (item 4.6)	(48,297)
8.3	Unused finance facilities available at quarter end	(0)
8.4	Total available funding (item 8.2 + item 8.3)	(48,297)
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.4
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?  Not applicable	
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?  Not applicable	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?  Not applicable	

### **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.

Date: 24 April 2020

Authorised by: The Board of Carbon Revolution Ltd

### **Notes**

1. The quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose

additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here “By the Board”. If it has been authorised for release to the market by a committee of your Board of Directors, you can insert here “By the [name of the board committee - eg Audit and Risk Committee]”. If it has been authorised for release to the market by a disclosure committee, you can insert here “By the Disclosure Committee”
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with Recommendation 4.2 of the ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, the Board should have received a declaration from its CEO and CFO that in their opinion, the financial records of the entity have been properly maintained, that the report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.