



CARBON REVOLUTION LIMITED
(ASX: CBR)

ASX Announcement

23 July 2020

CARBON REVOLUTION Q4 FY20 QUARTERLY ACTIVITIES REPORT & APPENDIX 4C (UNAUDITED)

Geelong, Australia, 23 July 2020: Geelong-based advanced manufacturer Carbon Revolution Limited (ASX:CBR), whose lightweight carbon fibre wheels are used on some of the world's best cars, is pleased to provide a business update for the quarter ended 30 June 2020 (Q4 FY20).

Q4 FY20 Highlights (unaudited)

- The company has been nominated for two new wheel programs with an existing customer ("OEM") and is working with a new OEM on the engineering and development of a new program
- Revenue for the quarter was \$8.1m, a 47% increase from Q4 FY19. This revenue excluded \$4.5m for deliveries still in transit
- Moulding volumes remained strong with 7,428 wheels moulded in the quarter, an annualised rate of 30,000 moulded wheels
- New "fascia" technology (addressing finished wheel aesthetic quality) is progressing well, with approval for the first customer program on track for Q1 FY21
- The business continues to invest strongly in research and development with \$6.8m invested in Q4

Revenue Growth

Revenue growth for FY20 was very strong, with full year revenue of \$38.9m (\$23.8m or 158% growth over FY19).

Quarterly wheels sold were 3,429, 82% growth on Q4 2019. In response to a COVID-19 shutdown, one customer moved from airfreight to sea freight in order to continue buying wheels. This change to sea freight combined with the customer's trading terms led to 1,344 wheels in transit not recorded in revenue for the quarter.

There was a \$0.1m reduction in engineering services and tooling revenue from the prior quarter. Engineering services and tooling revenue will remain variable from quarter to quarter.

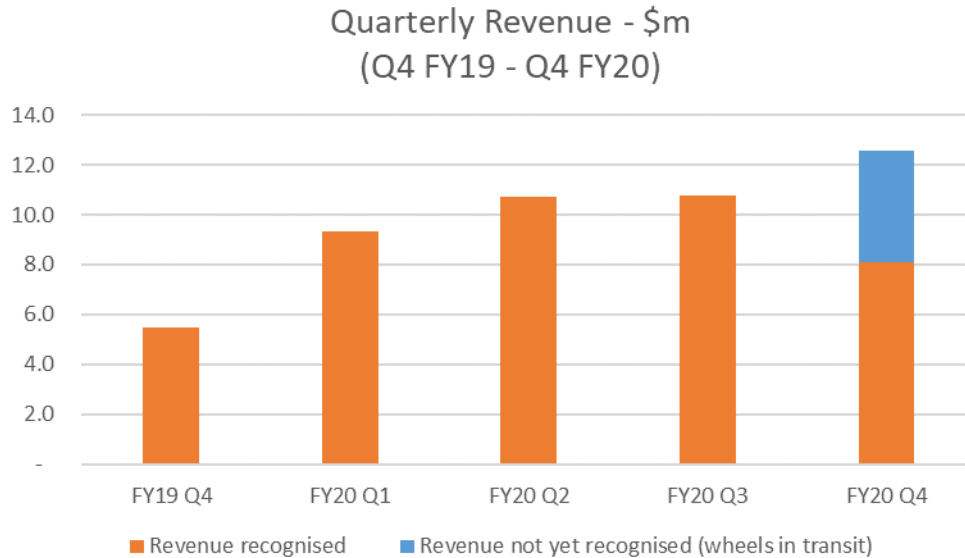
The company has the following exciting customer program developments:

- Carbon Revolution has been nominated for two new wheel programs with an existing OEM customer. Our wheels will be an option for both new programs, one program is a

smaller volume three year program (<2,000 wheels p.a.) and the other is a mid-sized six year program (up to 5,000 wheels p.a.)

- The company is in engineering validation stage with an Asian based OEM

In FY21, the two new nominated programs will begin production in the second half and three of our older programs in production will be in runout. The company expects to deliver strong sales growth in FY21.



Operational Progress

Carbon Revolution maintained its wheel moulding volumes over the quarter, with an annualised rate of 30,000 wheels per annum moulded in the fourth quarter (7,428 wheels moulded in Q4).

Finishing wheels during the ramp up over the last six months has been challenging due to surface finish issues with moulded wheels. These issues were exacerbated by the challenges created by COVID-19. At 30 June, due to this surface finish issue the business has 2,750 moulded wheels in work in progress awaiting the new fascia technology or sale through a painted wheel program. It is expected that these wheels will gradually be sold throughout the course of FY21.

Fourth quarter industrialisation progress (which delivers new capacity and allows for the reduction in wheel cost) includes:

- New equipment installed in Q4: additional cutting machines, additional Generation 2 rim forming machines, moulding equipment efficiency upgrades, robotic machine tending and additional robotic surface preparation
- Activity also progressed on: a multi-head fibre placement machine, face layup automation line and an additional machining centre. These will be commissioned during Q1 FY21

Key research and development activities in the quarter included:

- The new fascia technology which is progressing well, with approval on the first customer program on track for Q1 FY21. By applying the aesthetic surface fabric at the end of the moulding process, this new technology will dramatically improve the conversion of moulded wheels to sold wheels and drive a significant reduction in labour cost per wheel.

This new technology will be validated across all wheels during FY21. This will be a critical contributor to Industrialisation, materially enhancing gross margin and reducing inventory

- Development of a new spoke core material, which eliminates defects in this area of the wheel. This new core is now in production on two programs and will be rolled out across remaining programs in FY21

COVID-19 impact on the business:

- As announced on 8 July, the company believes that its first half sales to one OEM will be negatively impacted by issues related to COVID-19 including pushing out the launch of a new program and lack of promotional activities in recent months for an intermediary program (including the cancellation of a major motor show). Immediate operational changes have been implemented including workforce reductions and shift optimisation. Further efficiency activities will be implemented over the coming months
- COVID-19 has had a broad impact across the business, affecting sourcing of raw materials and consumables along with elevated logistics costs. Raw material stocks were built up in response to uncertain global supply chains in Q4

Cash Position

Net Cash outflow of \$14.4m for the quarter included:

- Net cash outflow from operating activities of \$7.6m as compared to \$7.5m in Q3 FY20, driven by increased inventory of raw materials in response to COVID-19 supply chain disruptions and increased work in progress growth related to wheels awaiting the new fascia technology. The company received the \$5.9m R&D claim payment in May as expected
- Net cashflow used in investing activities of \$9.2m as compared to \$7.3m in Q3 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 research and development activities in Q4 FY20 relates to both investment in the new fascia technology and a development of the new spoke core material
- Net cash inflow from financing activities of \$2.5m which includes \$2.7m net proceeds received in relation to the Share Purchase Plan in April less transaction costs

Q3 and Q4 saw elevated levels of operating and capital expenditure as the business responded to supply chain disruptions and delivered significant industrialisation expansions. Cash outflows in the last six months that will either not carry forward or reverse include:

- Global supply chains have stabilised, therefore the COVID-19 related raw material safety stock buffer held in inventory will be released over the coming quarters
- Moulded wheel inventory will reduce during FY21 due to both the new fascia technology allowing moulded wheels to be finished and selling wheels through painted programs
- The expansion capital requirements will reduce in the coming months as the current industrialisation assets are commissioned and the business has sufficient capacity for awarded programs
- The Q4 investment in research and development was abnormally large, due to fast tracking of the fascia and spoke core programs

The company’s cash balance is \$33.9m. The business is funded for its FY21 operational goals.

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 30 June 2020)</i>	Explanation of material variances
	A\$ million	A\$ million	
Sources			
Cash proceeds received for issue of shares	\$30.0	\$30.0	
Uses			
Capital expenditure	\$9.6	\$9.6	Complete
R&D	\$6.2	\$6.7	Complete
Working Capital	\$4.8	\$4.8	Complete
Pre-payment of the Ronal Loan	\$5.0	\$5.0	Repaid December 2019
Offer costs	\$4.4	\$3.9	Complete
Total Uses	\$30.0	\$30.0	

Outlook

In early July, it became apparent that demand by one OEM has been impacted by COVID-19, which will impact revenue during the first half of FY21. This is seen as a temporary change and the long-term demand for the technology remains strong. The company expects to deliver strong sales growth in FY21.

The company continues to invest strongly in new customer programs, and industrialisation technology.

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.

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

INVESTOR CONTACT

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INVESTOR BRIEFING CALL

A 30 minute investor briefing call will be held Thursday 23rd July at 9.30am

To pre-register for this conference call please use the following link below:

<https://s1.c-conf.com/diamondpass/10008766-invite.html>

Registered participants will receive a calendar invite and a unique code which is to be quoted when dialling into the call.

Following the conference call the recording of the conference call will be made available on the Carbon Revolution Investor Centre website: <https://investors.carbonrev.com/Investor-Centre/?page=presentations-and-webcasts>. The recording will also be available at <http://www.openbriefing.com/OB/3895.aspx>.

Appendix 4C

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

Name of entity

Carbon Revolution Ltd

ABN

96 128 274 653

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,418	37,094
1.2 Payments for:		
(a) research and development	(1,211)	(3,416)
(b) product manufacturing and operating costs	(16,270)	(50,774)
(c) advertising and marketing	(41)	(402)
(d) leased assets	(120)	(507)
(e) staff costs	(3,970)	(15,517)
(f) administration and corporate costs	(1,253)	(3,136)
1.3 Dividends received (see note 3)		
1.4 Interest received	165	578
1.5 Interest and other costs of finance paid	(193)	(2,522)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	6,849	7,627
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(7,626)	(30,975)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses (see item 10)		
	(c) property, plant and equipment	(2,423)	(14,633)
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets	(6,785)	(12,289)
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	(9,208)	(26,922)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,730	57,730
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	(187)	(6,518)
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 (12 months) \$A'000
3.9	Other (provide details if material)	(30)	(494)
3.10	Net cash from / (used in) financing activities	2,513	45,718

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	48,297	45,843
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,626)	(30,975)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9,208)	(26,922)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,513	45,718
4.5	Effect of movement in exchange rates on cash held	(115)	197
4.6	Cash and cash equivalents at end of period	33,861	33,861

5.	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	8,778	8,297
5.2	Call deposits	25,083	40,000
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)	33,861	48,297

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	270
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.

7. 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
7.1 Loan facilities	18,500	18,500
7.2 Credit standby arrangements	0	0
7.3 Other – Financed Insurance Premiums	174	174
7.4 Total financing facilities	18,674	18,674
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

Loan facilities totally \$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 potentially fully 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 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)

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from/(used in) operating activities (item 1.9)	(7,626)
8.2	Cash and cash equivalents at quarter end (item 4.6)	(33,861)
8.3	Unused finance facilities available at quarter end	(0)
8.4	Total available funding (item 8.2 + item 8.3)	(33,861)
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.4
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: 23 July 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.