

CARBON REVOLUTION (ASX:CBR)

FY21 FINANCIAL RESULTS

24 AUGUST 2021



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Adjusted EBITDA is a non-IFRS financial measure and the figure consists of earnings before interest, tax, depreciation and amortisation after adjusting for one off costs (2021: ERP write off and cost of an inorganic growth project, 2020: one off costs relating to the IPO).

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FY21 Highlights



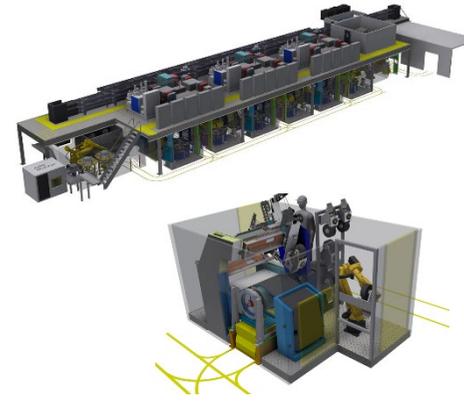
New programs in production

Two new Ferrari vehicles were released with Carbon Revolution wheels, the 296 GTB and the Competizione. These two new wheel programs are now in production



Larger programs entering the design phase

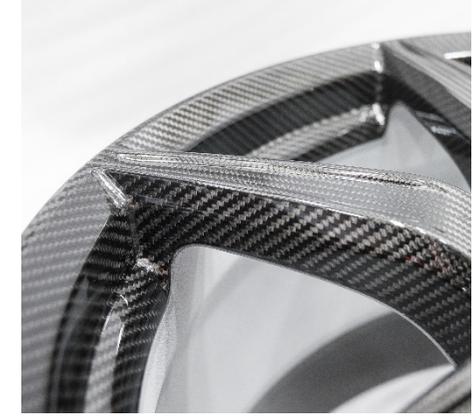
We were successful in securing formal agreements to initiate detailed design and engineering relating to four new OEM programs expected to enter production in CY2023 and CY2024, a significant proportion of which are for electric vehicles and large wheel formats



Mega-line project funded and on track

Completed a \$95M equity raise primarily to fund the Phase 1 Mega-line expansion

Planning and initial stages of the Mega-line project are progressing to plan



Strengthened the core

Operational efficiency improvement started to come through in H2

Diamond Weave Technology was introduced, which dramatically improves the first-time aesthetic quality of the wheels

Enhanced leadership capability for next stage of growth

Why the industry is so excited about carbon fibre wheels



Performance benefits



Fuel efficiency and range extension



Design freedom – size, style and aerodynamics



Reduction in road noise

“...the carbon-fibre wheel option, which is 8kg lighter than their forged counterpart, sets a whole new performance benchmark...”

Ferrari, launch of 296 GTB, 24th June 2021

Strengthened the core, in a very challenging COVID-19 impacted year

Improving capability

- Enhanced global leadership and executive capability with
 - Jo Markham , Director Customer Excellence (ex-General Motors executive)
 - Ron Collins, VP North America (ex-Ford executive)
 - Andrew Higginbotham, Operations Director (ex-Ford executive)
 - Jon Smiles, HR Director (ex PPG executive)
- Program and volume growth visibility sufficient for Phase 1 Mega-line business case go-ahead & equity raise
- Diamond Weave Technology
- Enhanced IT support foundations with implementation of ERP, time and attendance and human resources information systems

| Metrics | FY21 | FY20 | Change % B / (W) |
|---|--------|--------|---------------------|
| Wheels Sold (wheels) | 12,749 | 13,942 | (8.6%) |
| Revenue (\$m) | 34.9 | 38.9 | (10.3%) |
| Adjusted EBITDA (\$m) | (17.2) | (15.7) | (9.2%) |
| Operating cashflow (\$m) | (9.3) | (30.9) | 70% |
| Safety (LTIFR Lost Time Injury Frequency Rate, per million hours worked, Worksafe Australia industry average = 8.4) | 5.6 | 1.1 | (409%) |
| Programs in production or development | 13 | 12 | 8.3% |

Regaining momentum, post last year's COVID-19 slow down

New programs underpin strong growth outlook

- Two new Ferrari programs were launched during Q4 FY21 and production ramp is underway
- One awarded program is planned to enter production during FY22
- Agreements for detailed design and engineering are now in place for five new programs

Eight programs in pre-production

| Stage of Program Lifecycle (as at 22 August 2021) | | Current | This time last year |
|--|---|---------|---------------------|
| Awarded programs in production | | 5 | 6 |
| Programs in development | Awarded | 3 | 5 |
| | Under detailed design and engineering agreement | 5 | 1 |
| Total | | 13 | 12 |

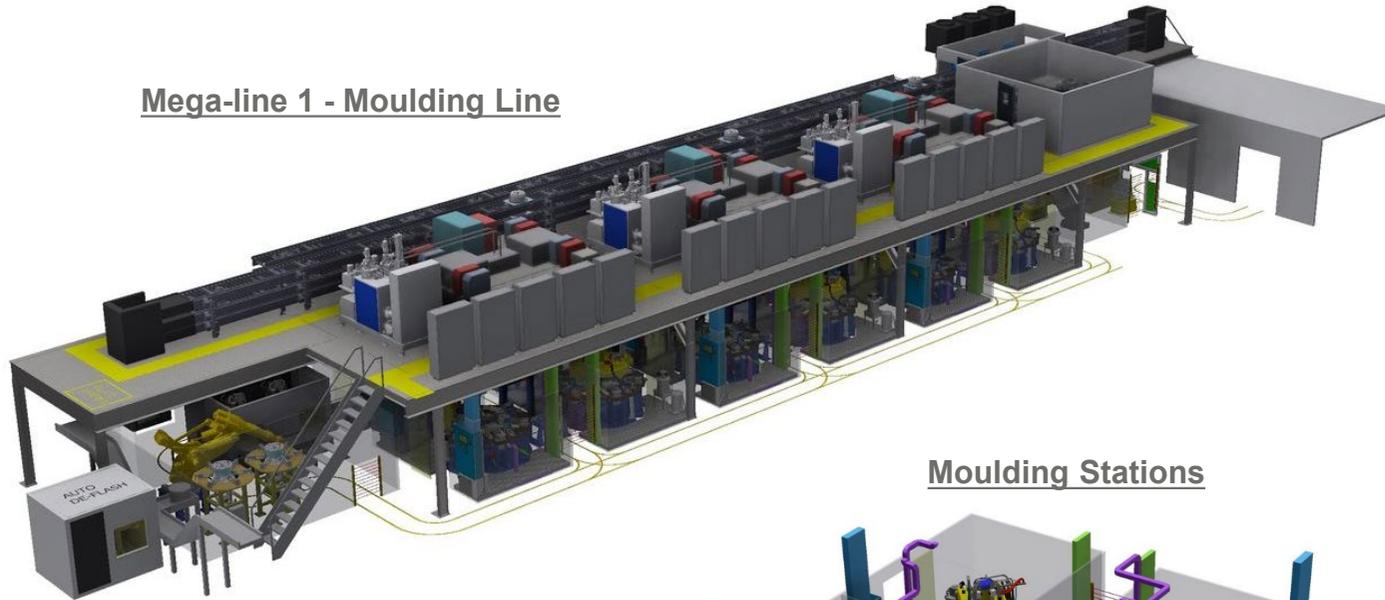
Awarded programs planned to enter production in FY22 **1**

Note:

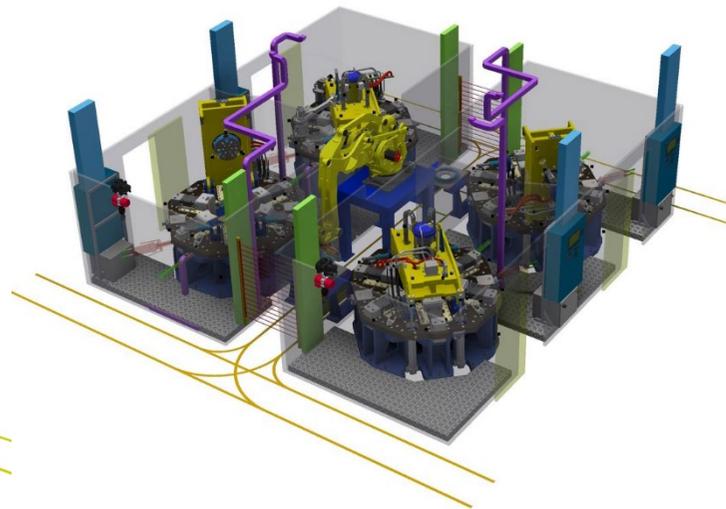
1. Based on current program timing plans received from OEMs. Subject to change.

Phase 1 Mega-line project is on track and in line with budget

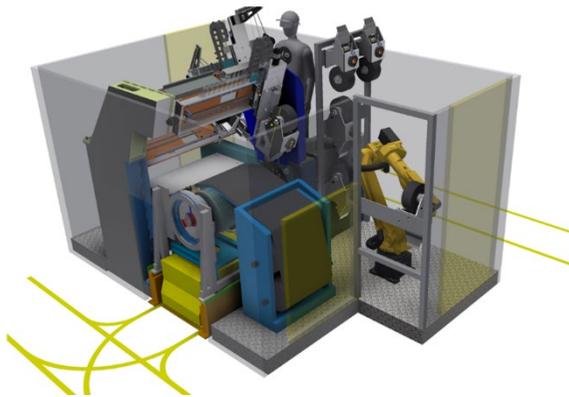
Mega-line 1 - Moulding Line



Moulding Stations



Automated Rim Layup 3



- The Phase 1 Mega-line project is on track and in line with budget (total capital expenditure of \$47m)
- The Mega-line will combine automated manufacturing processes with automated part flow and is expected to achieve step-changes to capacity and cost
- Detailed design has progressed with key partners
- Orders for long-lead time items have now been placed and the key supplier has been contracted

Financial Results



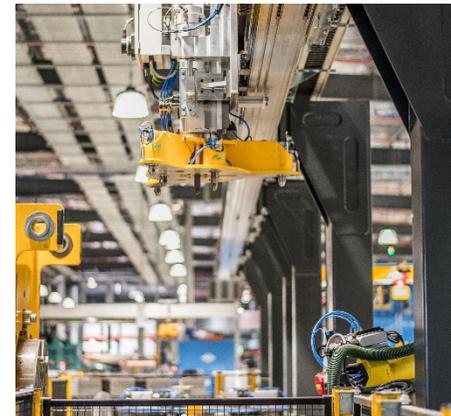
Navigated significant COVID-19 related issues

FY21 was a challenging year, where the business was significantly impacted by a number of COVID-19-related impacts on its customers. These issues affected sales, timing of new program launches and operations during the year



COGS reduction in H2 expected to continue

COGS reduction has begun in H2. Benefits from production volume increase and stability
Diamond Weave Technology significantly improved wheel aesthetic quality and cost to finish



Strengthened balance sheet, Mega-line funded

Refinancing of \$13m loan with Export Finance Australia, repayment of State of Victoria grant advance, a \$7.5m receivables financing facility and completion of \$95m equity raise to support Phase 1 Mega-line investment



Improving operating cashflow

Strong focus on working capital management with significant improvement in both raw material and work in progress inventory levels
Tight management of operating costs in response to external environment

Challenging business environment impacted results this year

Lower revenue arising from challenging business environment, with customers negatively impacted by COVID-19 and the semi-conductor chip shortage

Gross loss – two very different halves

- H1 – reduced production volumes and additional finishing costs
- H2 – improved production volumes and implementation of Diamond Weave Technology

Overheads increased in line with plan

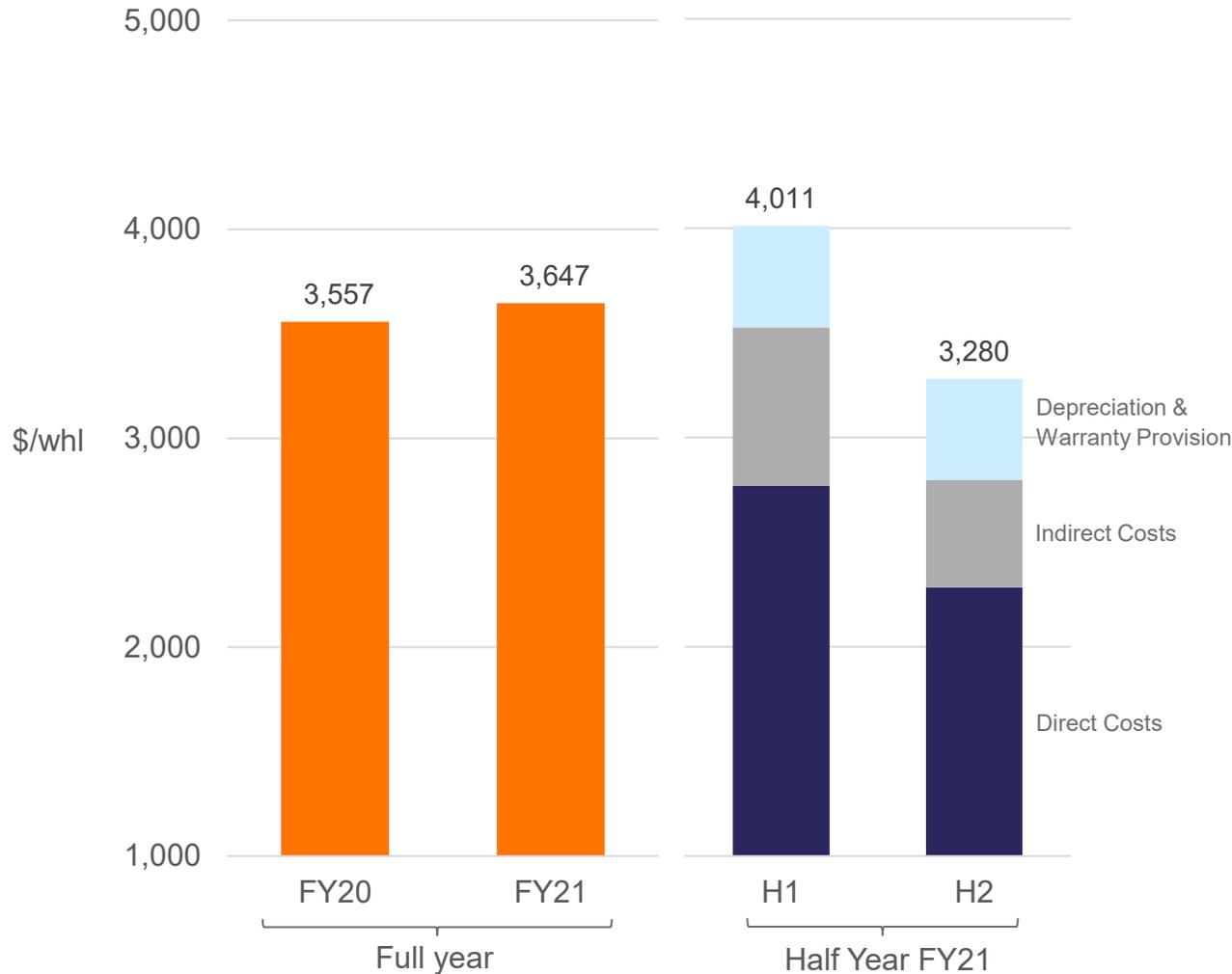
- SG&A increases arising mainly from incentives (non cash share-based increased by \$2.5m) and listed company costs \$1.1m
- R&D increased with introduction of Diamond Weave Technology and new program development

One off costs related to ERP implementation (\$0.8m) and an internal project (\$1.5m)

| Consolidated Statement of Comprehensive Income | FY21 \$m | FY20 \$m | change \$m |
|--|---------------|----------------|---------------|
| Total revenue | 34.9 | 38.9 | (4.0) |
| Cost of goods sold | 49.2 | 50.5 | (1.3) |
| Gross loss | (14.3) | (11.6) | (2.7) |
| <i>% of total revenue</i> | <i>-41%</i> | <i>-30%</i> | <i>(0.1)</i> |
| Research and development | 6.5 | 4.8 | 1.7 |
| Selling, General & Admin (excl. one offs) | 17.8 | 13.0 | 4.8 |
| Total expenses | 24.3 | 17.8 | 6.5 |
| Other income | 10.4 | 6.2 | 4.2 |
| EBIT - adjusted | (28.2) | (23.2) | (5.0) |
| One-off adjustments | 2.3 | 88.6 | (86.3) |
| EBIT - reported | (30.5) | (111.8) | 81.3 |
| Net interest expense | 1.5 | 2.2 | (0.7) |
| Loss after tax | (32.0) | (114.0) | 82.0 |
| EBITDA adjusted | (17.2) | (15.7) | (1.5) |

COGS improvement in H2, with more to come in FY22

Cost of Goods Sold per Wheel
(FY19 – FY21, excl. engineering services & tooling cost)



H1 significantly impacted by COVID-19 issues and pre Diamond Weave Technology wheels

COGS improvement in H2 driven by:

- Production lift positively impacting wheel flow and operations efficiencies
- Diamond Weave Technology on GT500 wheel yields strong quality improvement

Continued COGS improvements in FY22 to flow from:

- Stability in production volume and manufacturing maturity
- Diamond Weave Technology benefits across all wheels
- Further benefits to be realised from scale and ongoing industrialisation

Strengthened balance sheet and funding in place for Mega-line investment

Stronger balance sheet

- Restructured and lowered the debt position ending the year
- Funding in place for Phase 1 Mega-line

Improved operating cashflows with focus on working capital management and operating costs

Receivables financing facility in place to manage working capital growth

| | FY21 \$m | FY20 \$m | Change \$m |
|---------------------------------------|-------------|---------------|---------------|
| Net Debt Position | | | |
| Loans and borrowings | (16.4) | (18.7) | 2.3 |
| Less: Cash and cash equivalents | 87.3 | 33.9 | 53.4 |
| Net cash / (debt) | 70.9 | 15.2 | 55.7 |
| Cashflow Summary | | | |
| Net cash used in operating activities | (9.3) | (30.9) | 21.6 |
| Net cash used in investing activities | (23.9) | (26.9) | 3.0 |
| Net cash from financing activities | 86.6 | 45.7 | 40.9 |
| Net cash inflow / (outflows) | 53.4 | (12.1) | 65.5 |
| Working Capital | | | |
| Receivables | 12.2 | 7.9 | 4.3 |
| Inventories | 18.2 | 27.8 | (9.6) |
| Less: Payables | (12.1) | (17.0) | 4.8 |
| Working Capital | 18.3 | 18.7 | (0.4) |
| Receivables financing | (5.5) | - | (5.5) |
| Working Capital adjusted | 12.8 | 18.7 | (6.0) |
| <i>working capital adj / sales</i> | 37% | 48% | -12% |

Summary and Outlook



New program launches to drive sales growth

Production ramp of the two new Ferrari programs and the one awarded program that is expected to enter production during FY22

While COVID-19 uncertainties remain, the Company expects the second half of FY22 to have significantly higher sales than the first half



Continued operational improvements

Delivering operational efficiencies through ongoing improvements in technologies, equipment and processes



Progressing Phase 1 Mega-line investment

Progressing the Phase 1 Mega-line project through detailed design, equipment procurement and commencement of commissioning activities as capacity is required



Execution of Mega-line program milestones

Advancing through the pre-production phases and securing formal nomination of the programs that underpin Phase 1 of the Mega-line

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