# Magontec Limited
## (ASX: MGL)

Full Year 2020 Result

26 February 2021

**Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 26 February 2021**

MAGONTEC

# Disclaimer

This Presentation has been prepared by Magontec Limited (ABN 30 147 131 977) (Magontec or the Company). This Presentation contains summary information about Magontec and its activities current as at the date of this Presentation. The information in this Presentation is of a general background nature and does not purport to be complete or to comprise all the information that a shareholder or potential investor in Magontec may require in order to determine whether to deal in Magontec shares. It should be read in conjunction with Magontec's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.asx.com.au. This document is not a prospectus or a product disclosure statement under the Corporations Act (Cth) 2001 (Corporations Act) and has not been lodged with the Australian Securities and Investments Commission (ASIC).

**Not investment or financial product advice**

This Presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire Magontec shares and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek financial, legal and taxation advice appropriate to their jurisdiction. Magontec is not licensed to provide financial product advice in respect of Magontec shares. Cooling off rights do not apply to the acquisition of Magontec shares.

**Financial data**

All dollar values are in Australian dollars (A$) unless stated otherwise and financial data is presented within the financial year end of 31 December 2020 unless stated otherwise. Any pro forma historical financial information included in this Presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission.

**Past performance**

Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

**Future performance**

This Presentation contains certain "forward-looking statements". The words "expect", "should", "could", "may", "will, "predict", "plan", "scenario", "forecasts", "anticipates", "outlook" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Such forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements, and there are risks associated with the Company and the industry (including those set out below) which may affect the accuracy of the forward-looking statements. The Company does not undertake any obligation to release publicly any revisions to any forward looking statement to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

**Investment Risk and other risks**

Investment in Magontec shares is subject to investment and other known and unknown risks, some of which are beyond the control of Magontec Limited, including risk factors associated with the industry in which Magontec operates and risks specific to Magontec, such as: construction, development and operational risk associated with the Golmud Plant, fluctuations in magnesium alloy prices and exchange rates, risks associated with operating in China, financing risks, market price and demand risk and other risks generally relating to security investments.

**Not an offer**

This document may not be released or distributed in the United States. This Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Securities in the Company have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States unless the securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration.

To the maximum extent permitted by law, Magontec and its respective advisers and affiliates, directors, officers and employees:

Make no representation or warranty, express or implied, as to the accuracy, reliability or completeness of information in the presentation; and

Exclude and disclaim all liability, for any expenses, losses, damages or costs incurred by you as a result of your participation in the proposed offering and the information in this presentation being inaccurate or incomplete in any way for any reason, whether by negligence of otherwise.

# Financial Result – 12 months to 31 December 2020

## Reconciliation of significant items in earnings

| | 12 months to 31-Dec-20 '$000 | 12 months to 31-Dec-19 '$000 |
|---|---|---|
| **Reported Net Profit Before Tax & Significant Items** | **(912)** | **411** |
| **Significant items before tax** | | |
| Less non-cash equity writeback / (expense) | 118 | (135) |
| Less MAQ depreciation (non-cash) | (1,013) | (964) |
| Less MAQ levies | - | (416) |
| Add COVID related govt subsidies | 669 | |
| Add COVID related temporary salary and director fee reductions | 923 | - |
| **Reporting Net Profit Before Tax** | **(214)** | **(1,103)** |
| Less tax expense | (502) | (267) |
| **Reported Net Profit After Tax** | **(717)** | **(1,370)** |
| Add back unrealised FX losses | 429 | 28 |
| **Underlying Net Profit/(Loss) After Tax*** | **(288)** | **(1,342)** |

Full Year 2020 loss:
-$0.29m excluding unrealised FX
(2019: loss -$1.34m)

Qinghai primary Mg alloys business reduces group profitability;

- -$0.44m EBITDA &
- -$1.01m depreciation

Announcement re QSLM restructure expected shortly

Volumes, profitability and cashflow recovering from COVID-19 shut-downs

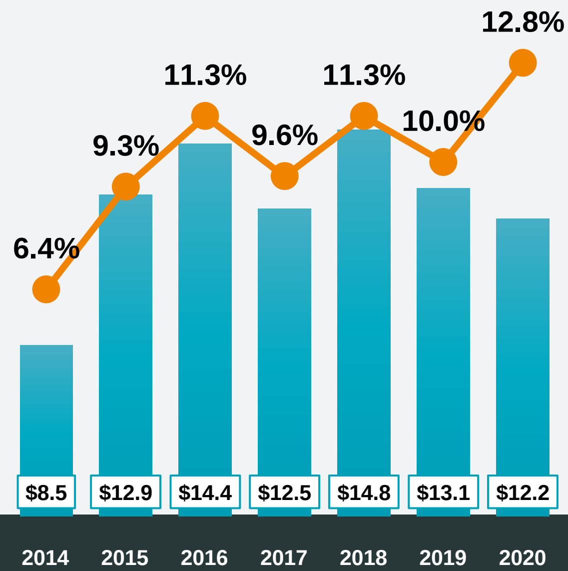
COVID related government and salary adjustments likely to be reduced in 2021

**Net Profit/Loss After Tax excluding unrealised FX gains/losses*

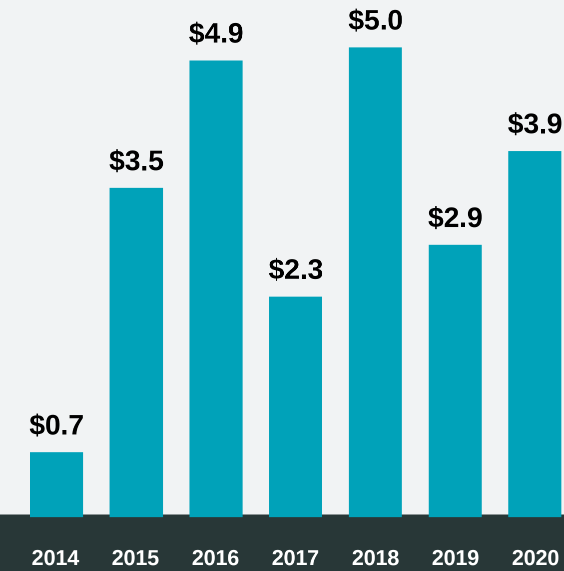
# Higher GP margin from stronger sales of CCP (anode) and specialist metals

## 2020 profitability reduced by lower recycling and primary Mg metal sales due to COVID-19/QSLM supply

### Gross Profit ($M) and GP margin




### Underlying Operating Cashflow ($M)*

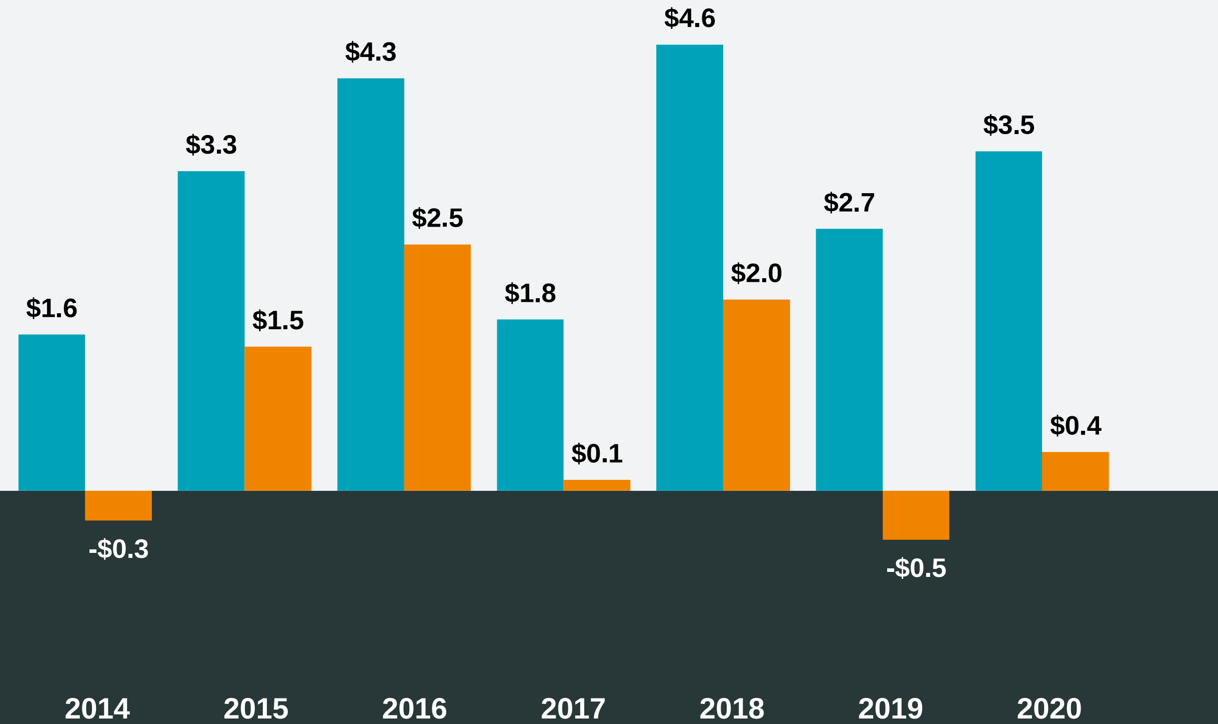



* Operating cashflow excluding working capital movements, interest and tax payments

# EBITDA and EBIT stronger in 2020

## 2020 & 2019 results negatively impacted by Magontec Qinghai primary magnesium alloys business

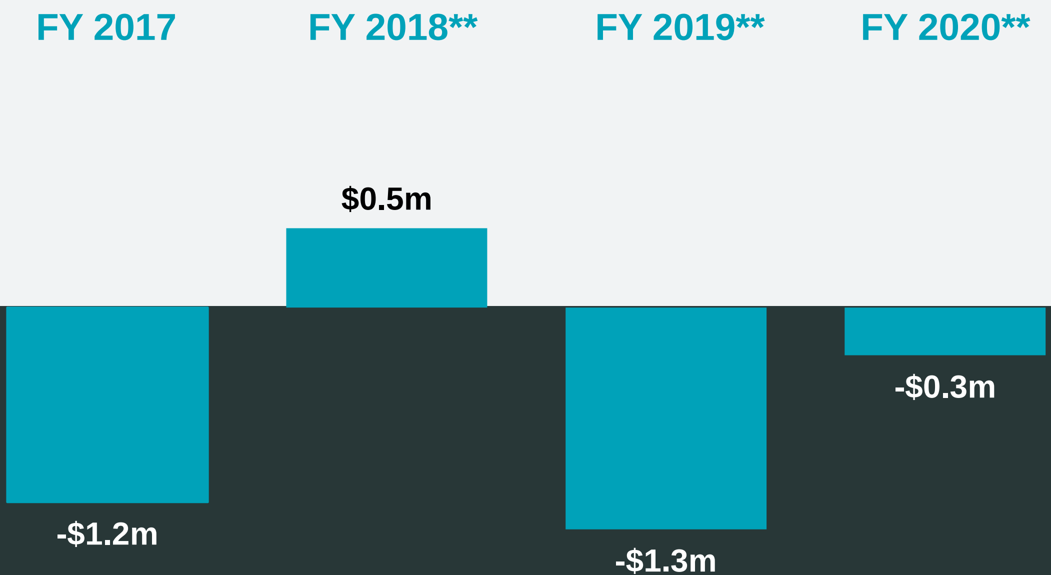
### EBITDA and EBIT contributions ($M)



# FY 2020 Full Year Result

## Underlying Net Loss* of $0.3m in 2020  (Loss of $1.3m in 2019)

**Underlying Net Profit After Tax * ($M)**

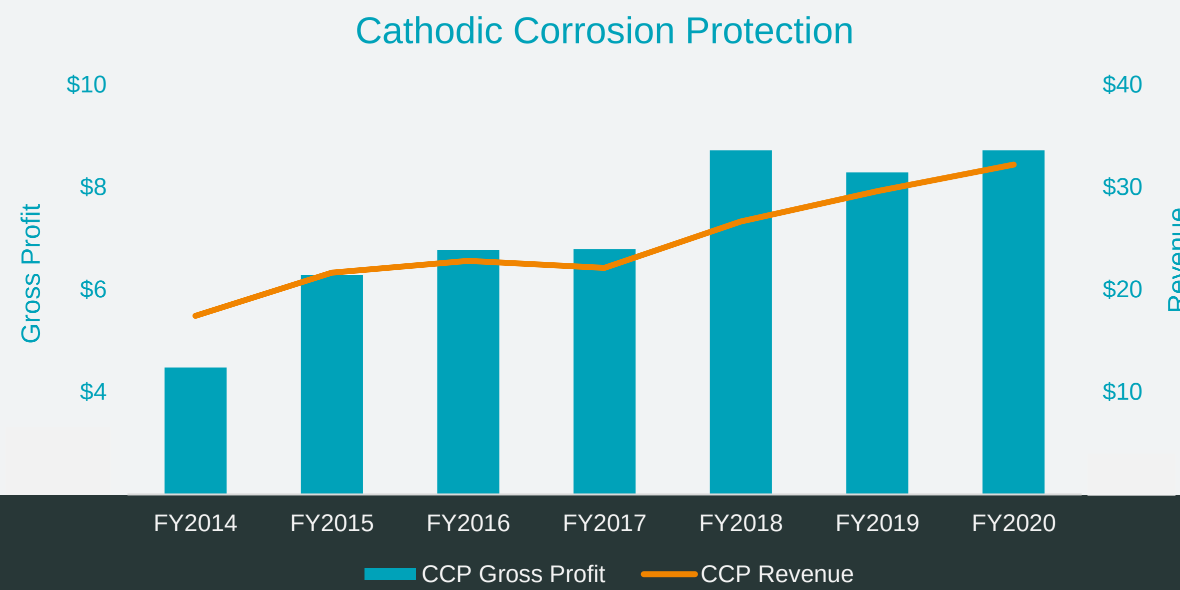



- *Reported net profit/loss excluding the effects of unrealised foreign exchange*

** *Includes Depreciation of $0.95m, $0.96m and $1.01m on Magontec Qinghai Magnesium Alloy Cast House assets that were not operating at full capacity in 2018, 2019 and 2020 respectively*

# Cathodic Corrosion Protection (CCP) – a growing contribution to Magontec profit

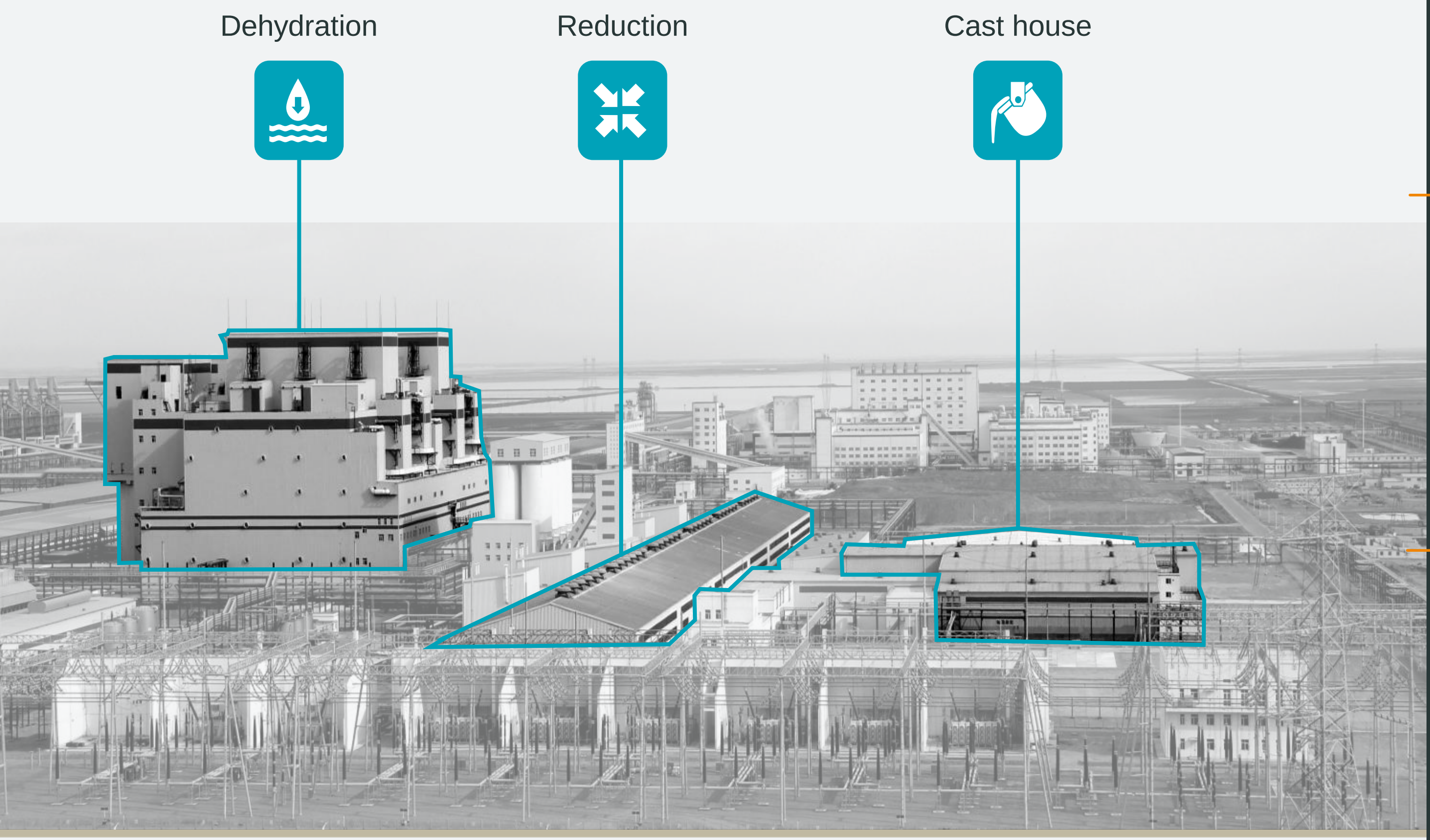
## Magnesium and electronic anodes contribute around 70% of global Gross Profit




- Growing penetration of N American markets for all CCP products
- Utility industry profile. An essential item, not a consumer discretionary product
- Magontec is a global leader in electronic and magnesium CCP products

# Qinghai electrolytic magnesium smelter complex (Golmud)

## Supply of QSLM liquid pure Mg to Magontec cast house remains suspended




### Magontec Qinghai

MGL operates an Mg alloy cast house at Golmud in Qinghai province PRC

### Agreements

Supply of 56,000 mtpa

Exclusive Mg alloy rights

Fixed off-take price metrics

Lease (10+10 years)

### Production

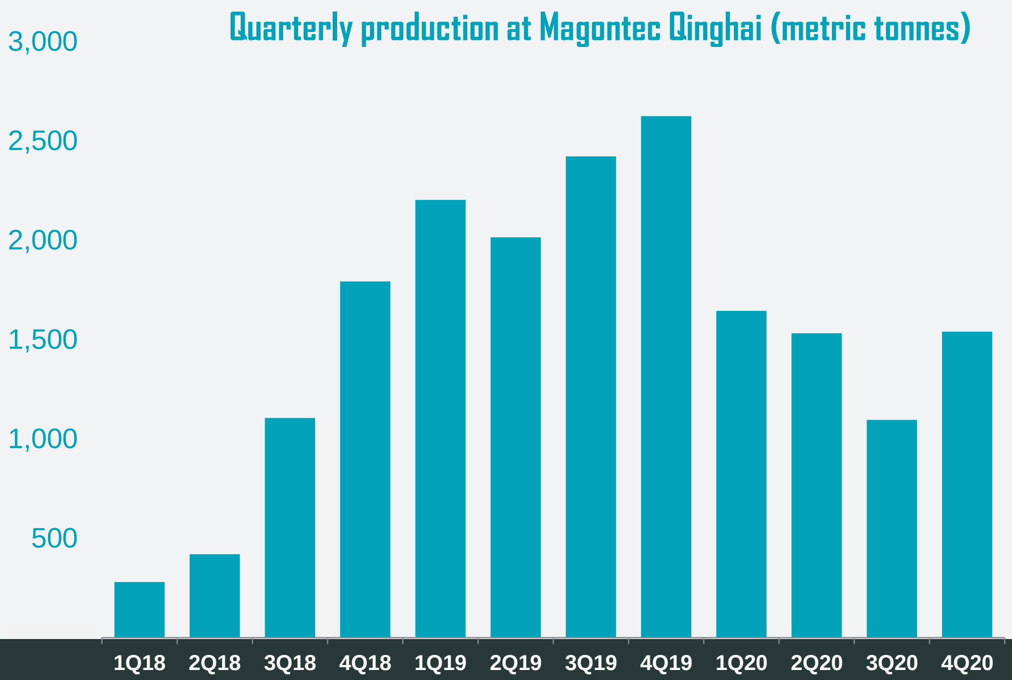
4* Mg alloy cast lines

85% renewable energy

Future growth options

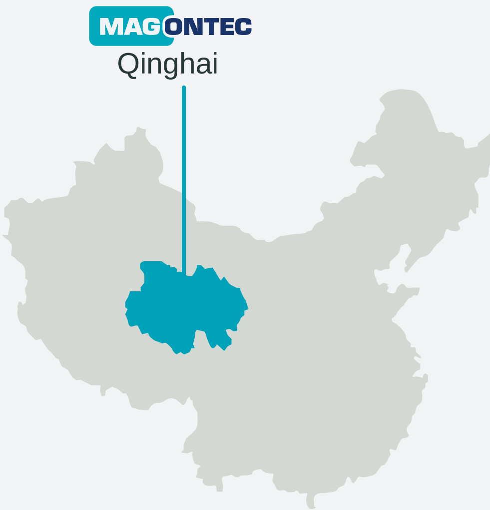
# Magontec Qinghai production steady at lower levels

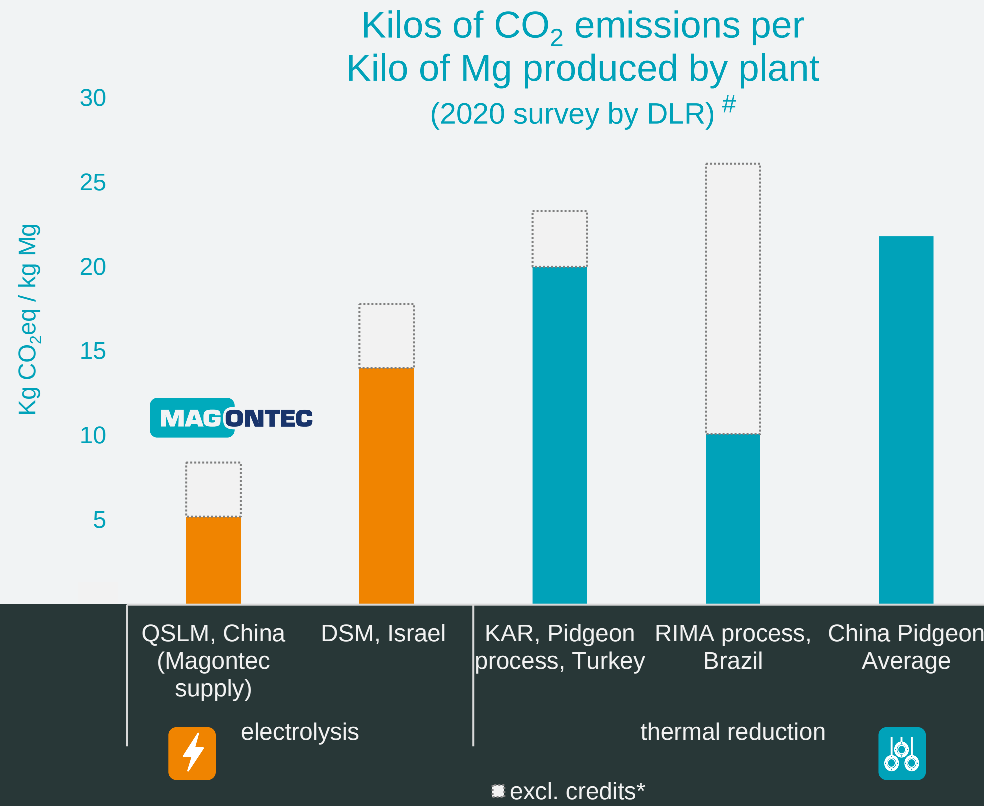
- Output reduced in 2020
- All raw material currently from external sources
- Volumes recovering post-COVID

# Magontec Qinghai's pure Mg supplier has the lowest $CO_2$ footprint of any Mg plant

## New survey from DLR# underlines strong competitive position of QSLM's Qinghai Project




* Credits are attributed for by products generated in the manufacturing process or environmental offsets

\# German Aerospace Institute of Vehicle Concepts (DLR) survey on $CO_2$ emissions from magnesium smelters around the World

# Magontec operates:

- 4 recycling and manufacturing facilities in China, Germany and Romania
- A global sales and technical support network


## Rising profit contribution from CCP and specialist metals in 2020

## Resolution of Qinghai pure Mg raw material supply a critical metric for 2021

A much improved financial result ex-Qinghai

A strong and growing global CCP business

Industry-leading environmental credentials

ASX Listed

# Magontec Limited


**MAGONTEC**

Head Office, Sydney
Suite 1.03 46a Macleay St
Potts Point Sydney NSW
AUSTRALIA 2011

Tel +61 2 8084 7813
Fax +61 2 9252 8960
corporate@magontec.com
www.magontec.com

**MAGONTEC GmbH**

Industriestraße 61
46240 Bottrop
Germany

Tel +49 (0) 20 41 / 99 07-0
Fax +49 (0) 20 41 / 99 07 99
europe@magontec.com
www.magontec.com

**MAGONTEC Xian Co., Ltd**

No. 40, Feng Cheng 3 Road,
Xian Economic and
Development Zone
Xian, China, 710021

Tel. +86 29 / 86 52 68 78
Fax +86 29 / 86 52 37 22
china@magontec.com
www.magontec.com

# Magontec Limited
## (ASX: MGL)

Full Year 2020 Result

26 February 2021