

CARBON REVOLUTION (ASX:CBR)

1H FY23 FINANCIAL RESULTS

28 FEBRUARY 2023



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Purpose and Vision

Purpose


To transform the performance and sustainability of the world's vehicles


Vision


To be the world leader in light weight wheels




Summary of Opportunity




 Carbon Revolution provides a compelling solution to the significant mass-related issues faced by the global automotive industry as it moves towards electrification


 Automotive wheel market is massive (\$38Bn⁽¹⁾), with the premium vehicle and electric vehicle (“EV”) segments experiencing strong growth⁽²⁾

 Adoption curve of new technologies is well established in the automotive industry

 With a strong track record with leading automotive OEMs (14 awarded programs with 5 global OEMs and over 60,000 wheels sold), Carbon Revolution is the clear market leader

 Carbon Revolution’s technology (with 94 patents ⁽³⁾) is highly valuable for EVs given the substantial range increase and the Company is experiencing substantial traction (4 EV wheel programs in development with one of these now formally awarded)

 The Company benefits from strong revenue visibility and a clear path to growth

 Automation investments driving margin expansion, with substantial opportunity to further optimise through investment in lower-cost geographies

(1) Verified Market Research, Global Automotive Wheel Market Size by Rim October 2022.

(2) IEA.org, Global EV Data Explorer as of 11/18/2022.

(3) 62 granted, 32 pending patents.

Capitalising on Electric SUV/Truck Opportunity across Multiple OEMs

Next-Generation Lightweight Solution for Electrification



Trucks and SUVs are now the heart of the global market, representing the key profit pool for OEMs



Automotive industry focused on electrifying SUV platforms



EVs, and especially EV SUV/Trucks, are inherently heavy due to battery weight



Reduce road noise transmission to enable reduction of sound deadeners (further cost and weight reduction)

Opportunity for greater wheel robustness and durability than aluminum

Compelling styling unique from aluminum

The Company has now been awarded its first EV program with several more in development

Highly Positive Program Update

- Company was recently awarded a large North American EV SUV program which was previously in detailed design and engineering
- One engineering program has been modified and is back in the quotation phase

| Stage of Program Lifecycle ⁽¹⁾ | | Programs | |
|---|---|-------------------|---|
| Awarded programs in production | | 5 | |
| Programs in development | Awarded | Electric Vehicles | 1 |
| | | Premium Vehicles | 3 |
| | Under detailed design and engineering agreement | Electric Vehicles | 3 |
| | | Premium Vehicles | 1 |
| Total Active Programs | | 13 | |
| Programs in Aftersales | | 5 | |
| Total Lifetime Programs | | 18 | |

⁽¹⁾ As of February 23, 2023.

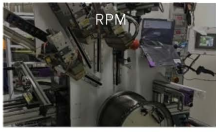


Mega-line Commissioning Tracking Well. Producing Customer Wheels since January 2023

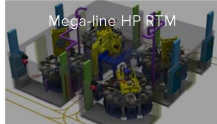
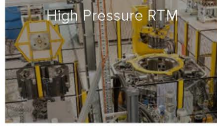
Cutting



Rim layup



Inj. and moulding



Example Process Evolution



Industrialised and highly automated advanced manufacturing cells which are expected to deliver high volumes with dramatically reduced labour inputs



Developed by Carbon Revolution and its partners in Australia, deploying state of the art technology



Commissioning of the first phase of the Mega-line is progressing well. Customer wheels have been in production since January 2023. Additional capacity expected to be added through to 2025



Securing larger programs is consistent with Carbon Revolution's industrialisation strategy and is underpinned by the Company's strong record of supplying this technology



Carbon Revolution intends to develop Mega-lines in low-cost countries closer to customer markets to meet the Company's expectation of a significant, long-term growth opportunity



Sales Mix Drives Contribution Margin Growth

Safety favourable to benchmark

- 5.8 lost-time-injury frequency rate (LTIFR) increased from prior period arising from 4 incidents, two of which related to manual handling. Below industry average ⁽¹⁾

Full award of first EV program and increased revenue

- Full award of the Company's first EV program. More in engineering and working through to fully awarded status
- Revenue of \$18.0m increased by 2.1%, with wheel revenue up by 4.1% compared to pcp. Corvette sales impacted by customer supply chain constraints – re-ramp occurring currently in 2H FY23
- Average price per wheel increased by 9.5% driven by product mix

EBITDA and operating cashflow

- Positive contribution margin of \$1.5m was up 118% from higher wheel prices and stable costs
- Strong focus to improve production processes and drive enhanced contribution margin
- Much improved operating cash flow performance with stronger customer receipts due to sales from the two new Ferrari programs and Corvette programs in late FY22 and grant receipts

| Metrics | 1H FY23 | 1H FY22 | Change % |
|--|---------------------|---------|----------|
| Safety – LTIFR ⁽¹⁾ | 5.8 | 0 | - |
| Number of Wheels Sold | 6,181 | 6,503 | (5.0%) |
| Revenue (\$m) | 18.0 | 17.6 | 2.1% |
| Contribution Margin ⁽²⁾ (\$m) | 1.5 | 0.7 | 118% |
| EBITDA (\$m) | (18.5) ³ | (20.9) | 11.1% |
| Operating cashflow (\$m) | 5.3 | (28.0) | 119% |

1) LTIFR Lost Time Injury Frequency Rate, per million hours worked. Worksafe Australia manufacturing industry average = 11.1

2) Contribution margin is Wheel Revenue less Direct Costs. Direct costs include: Raw materials and consumables, direct labour, freight and other direct costs

3) Excludes \$3.2m of capital raising costs



Consolidated Statement of Comprehensive Income

Revenue growth achieved over prior corresponding period despite customer-supply chain related delay in Corvette ramp up. Ferrari sales almost doubled compared to last half year

Half year contribution margin of \$1.5m driven by higher wheel price arising from product mix changes

Effective cost control delivers stable expenses

- R&D costs managed to be flat whilst growth underlying activity in new launches and development projects
- SG&A remains flat, despite cost inflationary environment
- Includes non-recurring transaction costs related to the announced merger

Other income increased due to milestone achievement in October for the State of Victoria grant, compared to February last year

| Consolidated Statement of Comprehensive Income | 1H FY23 \$m | 1H FY22 \$m | change % |
|---|----------------|----------------|-------------|
| Total revenue | 18.0 | 17.6 | 2.1% |
| Direct costs | 16.5 | 16.9 | -2.8% |
| Contribution margin | 1.5 | 0.7 | 117.8% |
| Manufacturing overheads & non cash absorbed costs | 9.1 | 8.5 | 7.9% |
| Gross loss | (7.6) | (7.7) | -2.2% |
| % of total revenue | -42% | -44% | |
| Research and development | 9.1 | 9.0 | 1.9% |
| Selling, General & Admin (excl. one offs) | 9.0 | 9.0 | -0.2% |
| Capital raising transaction costs | 3.2 | - | |
| Total expenses | 21.4 | 18.0 | 18.9% |
| Other income | 2.5 | 1.7 | 47.8% |
| EBIT | (26.4) | (24.0) | 10.1% |
| Net interest expense | 1.0 | 0.7 | 45.6% |
| Loss after tax | (27.5) | (24.7) | 11.1% |

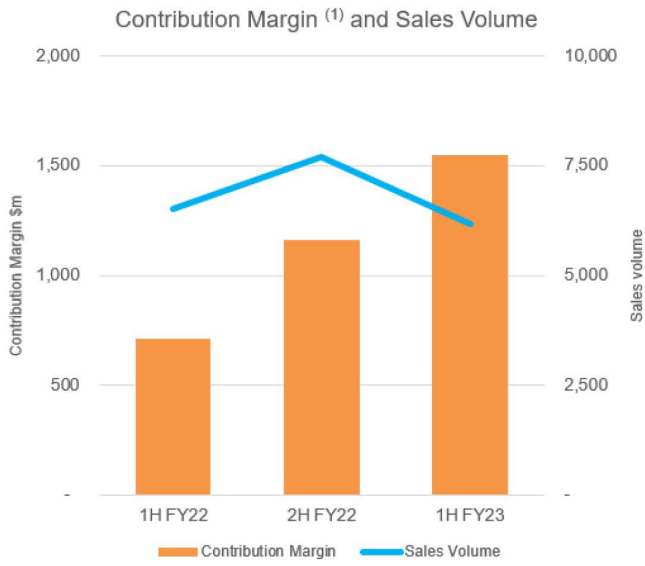
Individual items of income and expense are consistent with statutory information.

Contribution margin is Wheel Revenue less Direct Costs.

Direct costs include: Raw materials and consumables, direct labour, freight and other direct costs



Contribution Margin Growth Achieved



Higher average wheel price and continued focus on production efficiency offset cost pressures

Production mix of wheels strongly weighted to higher cost low pressure moulding, due to pause in Corvette wheel production

Mix of wheels weighted to older technology resulting in higher price and cost per wheel, but with higher margin. Contribution margin improvements in future periods to arise from efficiency and scale benefits

Logistics costs remained elevated during the half, however the international logistics costs appear to be easing early in CY23

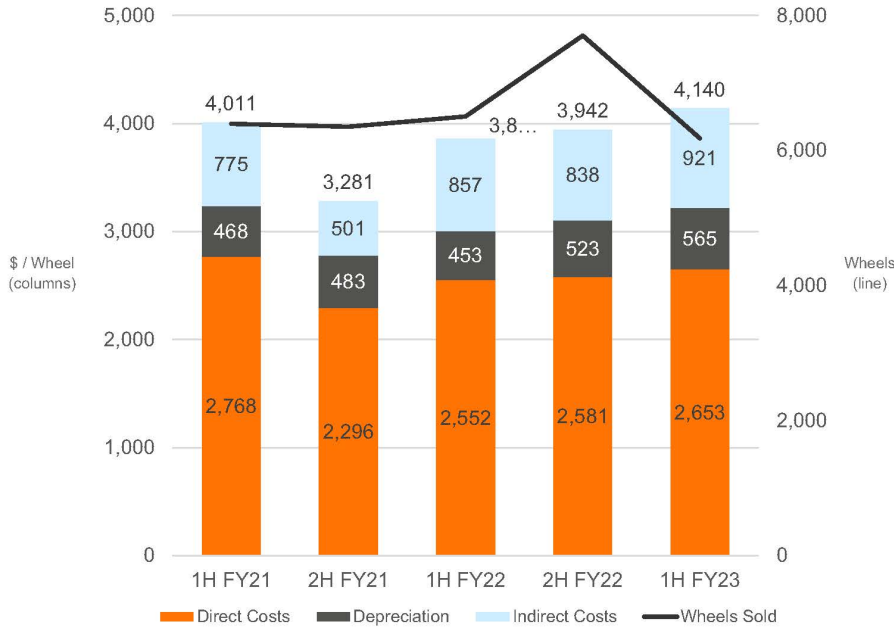
| | | | |
|-------------------------------|---------|---------|---------|
| Contribution Margin per Wheel | \$109 | \$150 | \$250 |
| Avg. Price per Wheel | \$2,661 | \$2,723 | \$2,914 |

1: Contribution margin is Wheel Revenue less Direct Costs. Direct costs include: Raw materials and consumables, direct labour, freight and other direct costs



Operational Efficiencies & COGS reduction is a Top Priority

Cost of Goods Sold per Wheel and Sales Volume



Increase in COGS per wheel driven by weighting of wheels on older moulding technology (low pressure)

Reduced production levels in the half impacted COGS

- Direct costs higher due to weighting of more complex wheels and produced on low pressure moulding technology
- Modest raw material increases due to inflation
- Lower volumes impacted labour efficiency and result in a higher fixed cost allocation per wheel

Very few high pressure wheels in 1H FY23 and no Mega-line wheels. Ramp up of Corvette and SUV wheel on high pressure and Mega-line expected in 2H FY23



Positive Operating Cashflow and Working Capital Reduction

Strong improvement in operating cash flows

- Successful customer initiatives to improve liquidity led to higher customer receipts of \$11.5m, lower receivables and improved working capital
- Higher operating grants including grant advances to assist short-term liquidity including MMI grant for \$9m in December 2022, which was \$4.2m higher than initially expected
- Continued strong cost control focus

Investing cashflows for growth

- Lower investing cash following peak investment in the Megaline through FY22

Net debt position increased

- Small movement in loans and borrowing primarily due to increased usage of supplier financing related to increase in raw materials in anticipation of production restart of Corvette and launch of the SUV wheel
- Net debt increased by \$36.7m due primarily to reduction in cash compared to prior corresponding period

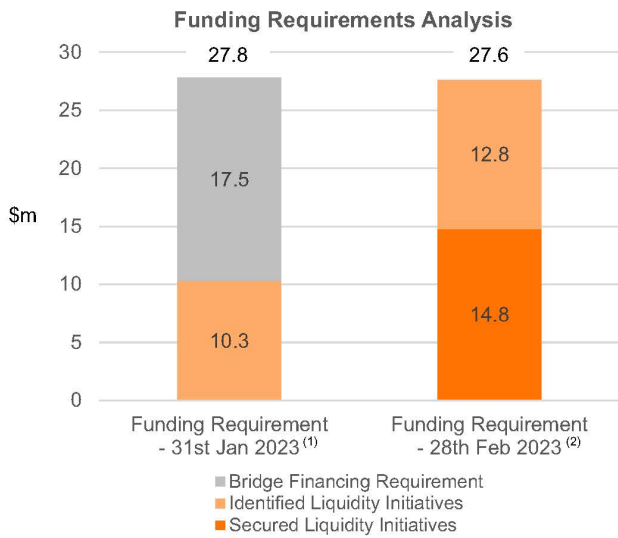
| | 1H FY23 \$m | 1H FY 22 \$m | Change \$m |
|---------------------------------------|----------------|-----------------|---------------|
| Cashflow summary | | | |
| Net cash used in operating activities | 5.3 | (28.0) | 33.3 |
| Net cash used in investing activities | (8.4) | (11.9) | 3.4 |
| Net cash from financing activities | (5.8) | 0.5 | (6.2) |
| Net cash inflow / (outflow) | (8.9) | (39.4) | 30.5 |

| | 1H FY23 \$m | 1H FY 22 \$m | Change \$m |
|---------------------------------|----------------|-----------------|---------------|
| Net Debt Position | | | |
| Total loans and borrowings | 20.6 | 17.6 | 3.0 |
| Less: Cash and cash equivalents | (14.1) | (47.9) | 33.7 |
| Net debt/(cash) | 6.5 | (30.2) | 36.7 |

| | 1H FY23 \$m | 1H FY 22 \$m | Change \$m |
|---------------------------------|----------------|-----------------|---------------|
| Working Capital | | | |
| Receivables | 5.7 | 12.6 | (6.9) |
| Inventories | 20.8 | 20.4 | 0.4 |
| Less: Payables | (8.1) | (8.2) | (0.1) |
| Working Capital | 18.3 | 24.7 | (6.4) |
| Receivables financing | (3.2) | (5.5) | (2.3) |
| Working Capital adjusted | 15.1 | 19.2 | (4.2) |



Liquidity & Funding Plan Expected to Bridge to Merger Completion



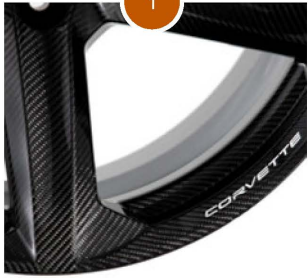



Proposed New Debt Facility⁽⁴⁾ of approximately \$72m⁽³⁾ is anticipated to be received late April 2023

- Internal Actions** Tightly controlled spending and commitments
- Customer Initiatives** Customers supporting with advanced payments involving non-standard terms
- Supplier Initiatives** Strong support from key supplier partners with \$9.7m of near-term payables deferred until late April / May 2023 at which time they will be repaid from the expected proceeds of the Proposed New Debt Facility
- Lender Support** Lenders demonstrating strong support for the business including support of near-term liquidity initiatives
- Proposed New Debt Facility⁽⁴⁾** Engaged in due diligence activities on pre-merger re-financing of term debt using intellectual property-backed financing

1) Funding requirement (31st January 2023) is to expected merger completion in June 2023
 2) Funding requirement (28th February 2023) is to expected completion of Proposed New Debt Facility in late April 2023
 3) Anticipated net cash proceeds, after deduction of upfront interest, fees and other costs, and before re-financing existing term debt
 4) Receipt of proceeds under the Proposed New Debt Facility is subject to a number of risks as referred to in the Company's announcement titled "Funding and Liquidity Initiatives Update and Amended Financial Report for FY22" dated 27 February 2023



Summary and Focus For 2H FY23

| | | | |
|---|---|---|--|
|  |  |  |  |
| <p>Delivering sales growth from programs in production</p> | <p>Achieving successful launches for programs moving into production</p> | <p>Utilising the Mega-line to produce wheels more efficiently</p> | <p>Progressing merger with growth funding</p> |
| <p>Strong forecast from GM for planned production restart for the Corvette Z06 / Z07</p> <p>Aligning production with Ferrari requirements</p> <p>Commence sales for Premium SUV program</p> | <p>Production ramp of Premium SUV program has commenced</p> <p>Ford Mustang Dark Horse to enter production</p> <p>Given Corvette Z06 / Z07 and new program launches, we expect stronger second half sales in FY23</p> | <p>Complete commissioning of the Phase 1 of the Mega-line. Production wheels being produced</p> <p>Ramp up production through the Mega-line</p> <p>Increased efficiencies contributing to contribution margin</p> | <p>Customer, supplier and other near-term liquidity and funding initiatives</p> <p>Proposed new debt facility process</p> <p>Progressing merger and growth financing</p> |



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