

ASX Announcement  
27 February 2023

## FY22: Magontec delivers record full year profit and moves to strong net cash position

Magontec Limited (ASX: MGL, 'Magontec,' 'the Company' or 'the Group'), a global manufacturer of specialist magnesium products, today announced a record net profit after tax (NPAT) of \$16.5 million for the 12 months to 31 December 2022 ('2022').

Magontec's profitability and high cash flows were generated by margin expansion, growing market shares and innovative new products across its magnesium alloy and corrosion protection product lines.

### Highlights

- **Record financial results underpinned by growth in key metrics**
  - Net profit after tax (NPAT) of \$16.5 million, compared to \$5.0 million in the prior corresponding period (pcp)
  - Gross profit up 101% vs pcp
  - Operating Cashflow up 84.6% vs pcp
- **Underlying Operating Cashflow\* of \$28.0 million.**
- **Group now debt free on a net basis - net cash position of \$2.0 million as at 31 December 2022.**
- **Earnings per share (EPS) 21.5 cents, up from 6.5 cents in pcp.**
- **The Board declares an unfranked dividend of 1.2 cents per share for the year (interim dividend of 0.6 cents per share, unfranked).**

Key Financial Highlights '\$000 unless specified	12 months to 31 December 22	12 months to 31 December 21
Gross Profit	38,595	19,232
Gross Profit Margin (%)	24.3%	16.7%
EBITDA	27,263	10,077
Reported Net Profit After Tax	16,515	5,008
- Earnings per share (cents)	21.5	6.5
- Dividend per share (cents) – unfranked	1.2	-
Net Tangible Assets per share (cents)	67.9	42.4
Cashflow		
- Underlying Operating Cashflow*	28,030	10,457
- Reported Operating Cashflow	10,746	5,823
Borrowings		
- Net debt/(net cash)	(1,964)	6,890
- Net debt to net debt + equity (%)	(3.6%)	16%

\*Cash from underlying operations = reported operating cashflow less working capital movements, interest and income tax payments

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### Executive Chairman commentary

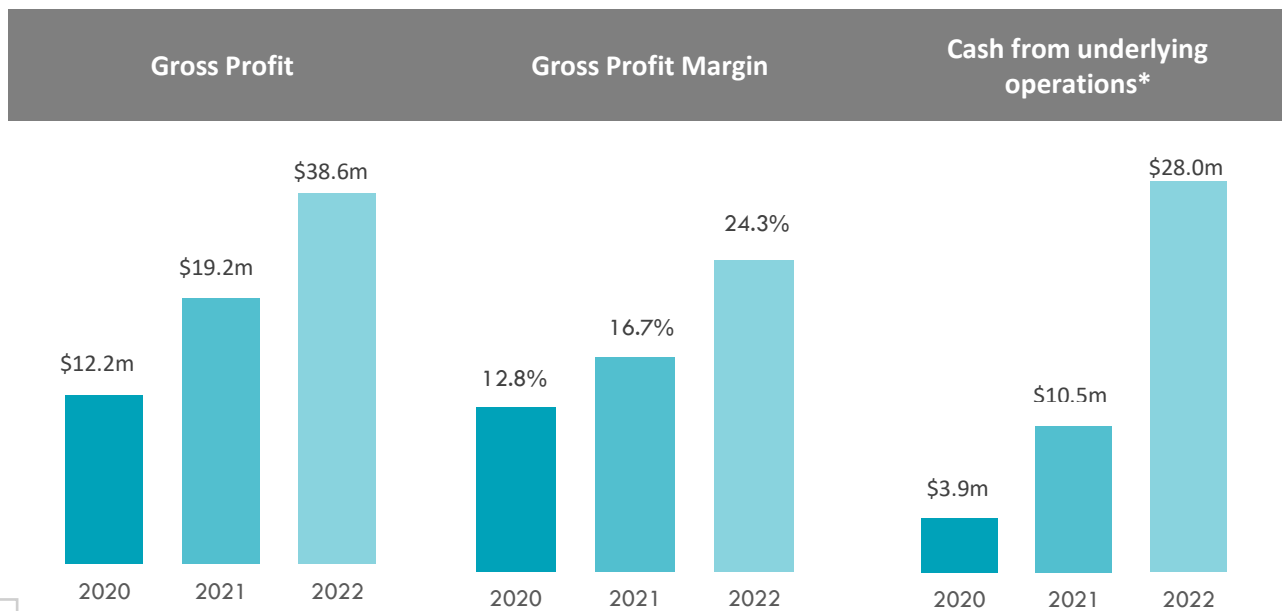
Mr Nicholas Andrews, Executive Chairman, said: “The strong momentum generated in the businesses in recent years positioned the Company to maximise the benefits from positive operating conditions during the year to deliver this record result.

“It is particularly pleasing to see the impact of 2022 cash flows on the Group’s balance sheet. At the end of the year Magontec had net cash of \$2 million (2021 net debt of \$6.9 million). It offers the Company the opportunity to look at new avenues for growth, as well as provide resilience in a period of rising interest rates and economic uncertainty.

“Magontec has positioned itself as a leading magnesium alloy recycler and manufacturer of anodes. Our operations and sales teams in China, Europe and North America have worked energetically over the last 12 months to fully leverage the Group’s assets and market opportunities.

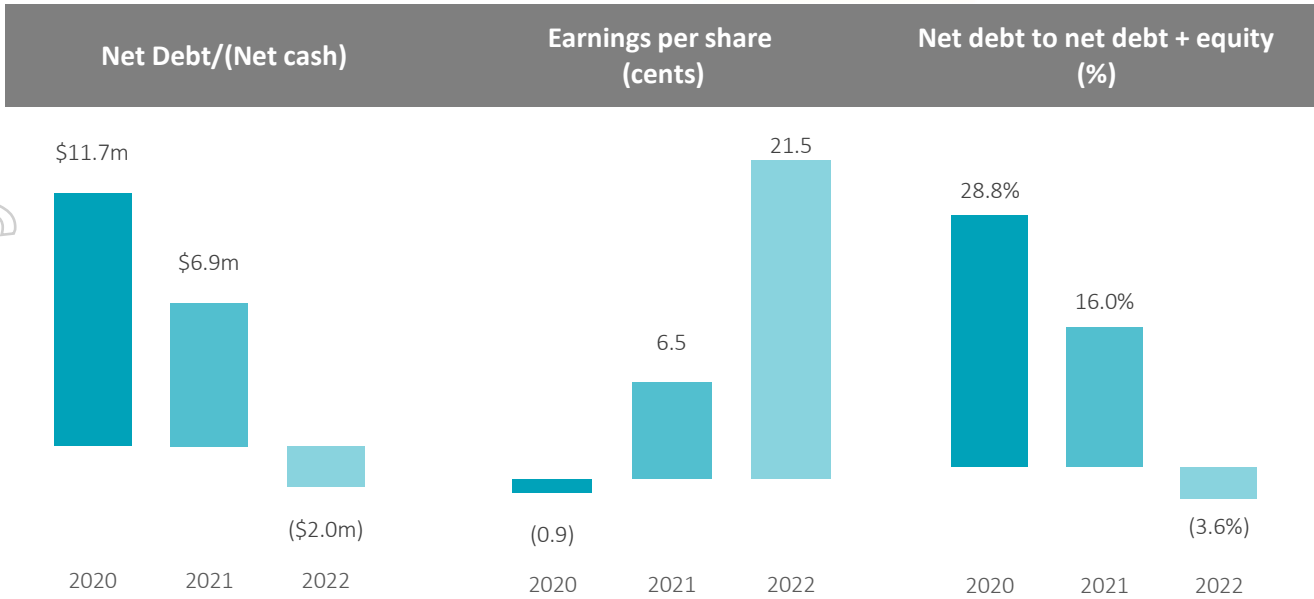
“In Qinghai our partner company Qinghai Salt Lake Magnesium Co Ltd (QSLM), continues to work towards the restart of its electrolytic magnesium smelter. QSLM appointed a new Director to the Magontec Board in September 2022 and expects to recommence delivery of liquid pure magnesium to Magontec’s adjacent magnesium alloy cast house at the conclusion of the remediation process.”

### Operational highlights



\*Cash from underlying operations = reported operating cash flow less working capital movements, interest and income tax payments

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### Divisional performance

In overview, through the second half of 2022 magnesium prices continued to moderate, reducing opportunities in many markets for the Group’s high volume magnesium alloy activities. Anode markets have been more consistent and the outlook for these products in 2023, particularly powered anodes, is positive.

- **Primary Magnesium Alloy**

Magontec operates a magnesium alloy cast house at Golmud in Qinghai province, China.

Magontec’s partner company, QSLM, continues the process of remediation and re-commissioning of the dehydration and electrolytic processes at the Qinghai magnesium smelter.

In the meantime, Magontec’s co-located magnesium alloy cast house continues to operate at low levels of output and at a slight cash profit.

- **Magnesium Alloy Recycling**

Magontec operates two magnesium alloy recycling and specialist metal manufacturing facilities at Bottrop in Germany and Santana in Romania.

2022 was a year of strong profit and cash flow generation. These magnesium processing business units continue to grow new revenue streams and increase exposure to a more diverse group of customer industries.

- **Anodes – Cathodic Corrosion Protection (CCP)**

Magontec operates magnesium and powered anode manufacturing facilities in Germany, Romania and China.

Our anode businesses generated solid returns in 2022 and enjoy a strong position in all global markets. The hot water appliance manufacturing industry, the key customer for magnesium and powered anodes, has been through a slower period as interest rates have risen and building starts have fallen through the second half of 2022.

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With around 80% of hot water systems supplying the replacement market, Magontec's anode products are sold into a stable industry environment with growth opportunities across developed and developing markets.

- **Qinghai**

Our partners in Qinghai, QSLM, are working towards the restart of their electrolytic magnesium smelter and are committed to bringing the facility back online. Magontec's agreement to take 56,000 tonnes per annum of this product into its adjacent magnesium alloy cast house facility will be a further transformational step for the Company.

**Outlook: The broad outlook for magnesium remains positive**

As usual, the year ahead presents plenty opportunities, as well as challenges. Driven by innovation, and a strong global sales and distribution team, the outlook for higher margin specialist metals and powered anodes is positive for the coming period. The prospects for automotive sales and building activity are likely to be more muted as higher interest rates continue to dampen consumer activity.

The global magnesium industry experienced year-on-year growth for 20 years from the start of the century to the COVID interruption. Since the lifting of COVID restrictions, global magnesium consumption has jumped back to its prior trend and industry expectations are that magnesium alloy demand, where Magontec is most active, will continue to experience compound annual growth rates of around 7% for the next five years.

Despite the economic travails of the global economy, our expectation is that China will experience a rapid recovery from its 2022 Zero-COVID slowdown and provide impetus for other economies around the world. Already Chinese automotive production, particularly in electric vehicles, is rising quickly.

Looking ahead, Mr Andrews said: "The broad outlook for magnesium remains positive, and we are committed to a strategy of growing our current magnesium and non-magnesium businesses through innovation and sales initiatives and building new higher-value businesses adjacent to our current manufacturing activities.

"With a very strong balance sheet and continuing positive cash flows Magontec is well positioned to take advantage of market opportunities in the coming 12 months."

**ENDS**

*Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 27 February 2023. To view the 2022 Magontec Limited Full Year Report and for more information on Magontec Limited please visit our website at [www.magontec.com](http://www.magontec.com)*

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