



Close the Loop Limited
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ASX Announcement
24 February 2025

1H25 Results Update

Highlights:

- Revenue of \$99.2m down 4% from pcp
- EBITDA of \$12.2m down 46% from pcp
- NPATA of \$5.7m down 58% from pcp
- Cash on hand of \$37.8m
- Net debt of \$50.9m
- Inventory of \$30.9m

Close the Loop Limited ("Close the Loop" or the "Company") (ASX: CLG), the circular economy industry leader, has today released its results for the half year ended 31 December 2024.

	31 December 2024 \$'000	31 December 2023 \$'000
Revenue	99,187	103,125
Gross Margin %	32.1%	36.2%
EBITDA	12,223	22,689
Net Profit / (Loss) before tax	(1,810)	6,988
Net Profit / (Loss) after tax	(623)	5,009
Amortisation of intangible assets	6,283	8,245
Underlying Net Profit after tax	5,660	13,254
Current Assets	104,626	108,966
Current Liabilities	46,995	61,452
Current Ratio	2.23	1.77
Total Assets	303,989	303,197
Equity	145,013	132,899

Resource Recovery

Close the Loop's 1H25 results have primarily been impacted by the performance of its Resource Recovery business in North America, which experienced a decline in revenue and profitability. The decline in financial performance was due to reduced 30-day customer returns during the period and a growing inventory of ITAD products coupled with a delay in the opening of the Mexicali facility. Post the reporting period, the volume of 30-day customer return products has improved and the Company's operating licence for the Mexicali plant is expected to be issued imminently, allowing work on the inventory stockpile to accelerate thereafter. The Company expects an improvement in the second half of the year from the Resource Recovery division, particularly in North America. The addition of ITAD, typically products three years and older which will largely be processed in both the

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Mexicali and Southlake facilities, will help to diversify the Resource Recovery business in North America, making it less reliant on 30-day customer return products and open new OEM relationships.

Revenue from Resource Recovery in Europe continues to grow strongly as the Company continues to invest into its multi-vendor take back programme called “Circular Planet”. This is a strategic and coordinated industry response to assist the OEMs achieve their sustainability and product circularity goals, while complying with upcoming EU legislation aimed at reducing electronic waste. The Company has deployed its Circular Planet program into several new European regions and is in final operational discussions with the last of the key OEMs about joining the program.

With Close the Loop Renew Solutions’ capabilities and expertise, the Company has become the first global HP Certified Refurbished Partner, where it plans to replicate its North American IT Refurbishment operations (i.e. refurbishing printer hardware) in Europe, leveraging its existing relationships with print OEMs in Europe.

Packaging

The Close the Loop packaging businesses in Australia and South Africa have performed well, achieving 11% sales growth compared to the previous corresponding period (“pcp”), driven by a focus on winning and onboarding larger clients with global operations. The packaging division has achieved 4% net profit after tax growth on the pcp, with some margin pressure to win new customers and or to retain its existing customer base. The Packaging business continues to have strong demand for its specialised range of sustainable packaging. The Company expects continued growth from packaging as it grows market share from newly won client accounts. The South African operations performed particularly well during the period.

Cash and Debt

The Group has generated \$2.6m cash from operations for the half year, however, with ongoing investment into the Mexicali facility and Information Technology Asset Disposition (“ITAD”) inventory, as well as plant and equipment across the resource recovery businesses and the packaging manufacturing facility in Melbourne, there was a net decrease in cash of \$3.1m.

During the reporting period there has been a significant investment in working capital. This is evidenced by the growth in inventory over the reporting period. Inventory has grown to \$30.9m or 55% over the 6-month reporting period. The growth in inventory is a result of the investment that the resource recovery business has made to expand into the ITAD business.

These inventory levels are expected to reduce over the second half of FY25 and will be progressively converted into cash as the Mexicali facility comes online and our ITAD processing efficiencies improve.

Net debt, which is calculated as total borrowings less cash on hand, has increased by \$8.4m to \$50.9m during the period. The movement in the net debt is predominantly due to the movement in exchange rates and the devaluation of the Australian Dollar against the United States Dollar. The net debt includes convertible notes of US\$15 million that may be converted into equity in the future.

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Discussions with the lead bank of the proposed syndicated facility have resumed and the Company is working through a process to complete the refinancing offer. The Company expects to achieve a material saving in interest repayments from the refinancing of debt in FY26 once initiation and early termination fees have been paid.

Corporate activity

The Company has regularly received inbound interest in the past 12 months regarding a potential change of control transaction. Given the high growth end markets the Company is addressing, along with the expansion plans the Company has outlined that are required to capture a share of these markets, the Board believes it is prudent to continue to assess any change of control transaction proposals received with a view to maximising shareholder value. Together with our professional advisors, the Board will continue to assess the seriousness and credibility of these approaches.

The Company is in compliance with its continuous disclosure obligations and will update the market if there are any developments regarding any further potential change of control discussions which may emerge.

Strategy

Close the Loop has identified a clear strategy to expand each segment of the business across both existing and new customers. There are a number of initiatives (both underway and planned) which will improve margins and support the long-term growth of the business.

This announcement has been authorised for release by the Board of Close the Loop Limited.

- ENDS -

For further information, please contact:

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About Close the Loop

With locations across the United States, Australia, South Africa and Europe, Close the Loop collects and refurbishes products such as laptops, printers, teleconferencing equipment and gaming devices; and provides sustainable packaging, which allow for greater recoverability and recyclability. The Company's overall goal is 'Zero Waste to Landfill'. From recovering a wide range of electronic products, through to print consumables, cosmetics, plastics, paper and cartons, and reusing of toner and post-consumer soft plastics for an asphalt additive, the Company is a global leader in the fast-growing circular economy with a focus on global expansion and sustainability.

Further information: www.closesthe-loop.com