

Re:NewCell announces preliminary update on financial results for Q3 - Sales to textile value chain taking a longer time to ramp up with Circulose than expected

The ramp up of Circulose sales to fiber producers is taking a longer time than previously expected. Sales volumes to fiber producers are behind the levels previously expected and are not likely to follow the volumes implied for 2023 by existing off-take agreements. This has had an impact primarily on working capital and cash flow in Q3 and is expected to impact sales, profit and cash flow in Q4.

In June the company stated that the process changes implemented were “expected to enable Renewcell 1 to reach break-even on a cash flow basis by year-end 2023”. While the production capacity is developing as forecast, the lower sales level expected in Q4 makes it unlikely that break-even on a cash flow basis can be achieved in Q4.

Renewcell continues to receive strong interest from a large number of consumer brands who want to use Circulose to fulfill their sustainability goals. The textile value chain is however long and complex with many steps. Renewcell works intensively to speed up and drive the adoption of Circulose forward through the textile value chain. In addition to offtake agreements with fiber producers Renewcell has established the Circulose Supplier Network. The Supplier Network trains and educates suppliers and ensures stocks of product containing Circulose are available throughout each step in the value chain. Renewcell also sells Circulose first to a sales agent who arranges shipping and holds stock in China in order to speed up the delivery time to fiber producers, who are mostly located in Asia.

Despite these efforts, the sales volumes to fiber producers are behind the levels previously expected and are also not likely to follow the volumes implied for 2023 by existing off-take agreements. Up until the end of September, Renewcell had sold approximately 14,400 tonnes of Circulose. Of this amount approximately one third of the volume has been sold to fiber producers while the remaining two thirds has been sold to the sales agent and are held pending final onward sale to fiber producers. For the volumes sold to the sales agent, Renewcell have received a payment of 70% of the final sales value, with the remaining 30% being paid to Renewcell upon onward sale from the sales agent to the fiber producer. This arrangement, with a volume of Circulose held by the sales agent ahead of onward sale to the fiber producer, was expected to be short term but is now expected to continue during the fourth quarter and well into 2024. This has an impact on working capital and cashflow with Renewcell funding accounts receivable of approximately 55 MSEK at the end of September for the 30% final payments which are not received until the onward sale to the fiber producer takes place.

As a result of the slower than expected ramp up of sales of Circulose to fiber producers and possible future limits on the volume of Circulose the sales agent is willing to purchase ahead of onward sale to the fiber producers, sales during the fourth quarter are forecast to be below the expected production capacity.

Renewcell will publish the third quarter report on the 7th November. For the third quarter Renewcell expects to report an EBITDA of approximately -60 MSEK and a Net Profit of approximately -105 MSEK. This amount includes exceptional items of approximately -14 MSEK relating to valuation of inventories and working capital, partly as a result of the larger than expected volumes being held by the sales agent ahead of onward sale to the fiber producers. Excluding these exceptional items EBITDA for the quarter is expected to be approximately -47 MSEK and Gross Profit for the quarter is expected to be positive for the first time.

The development of the production capacity at Renewcell 1, the new production line in Ortviken, continues as expected. The product quality of Circulose meets customer specifications and is being successfully used by customers in the production of man-made cellulose fibers (MMCF). Renewcell continues to further improve the quality level to optimize according to customer needs.

Renewcell continues to receive strong interest from a large number of brands who are interested in using Circulose and want to have access to the product in order to fulfill the demands of their consumers and their sustainability goals. While it is taking a longer time than expected to ramp up sales in the textile value chain, the medium and long-term outlook for Circulose sales remains very strong.

All figures relating to the third quarter in this press release are preliminary and the final report for the third quarter of 2023 will be published on 7 November 2023.

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About Renewcell

Re:NewCell AB (publ) (“Renewcell”) developed a patented process that enables the recycling of cellulosic textile waste, such as worn-out cotton clothes and production scraps, transforming it into a pristine new material called CIRCULOSE®. Founded by innovators from Stockholm’s KTH Royal Institute of Technology in 2012, the award-winning, Sweden-based sustaintech company’s vision is to make fashion circular.

Through its patented process, Renewcell is able to recycle cellulosic textile waste, such as worn-out cotton clothes and production scraps, transforming it into a pristine new material called CIRCULOSE®. Fast Company named Renewcell one of the World’s Most Innovative Companies in 2021, as well as World Changing Idea in 2023. CIRCULOSE® was also included on TIME Magazine’s list of the 100 Best Inventions 2020.

Renewcell is a publicly listed company with shares traded on Nasdaq First North Premier Growth Market with the ticker name RENEW and ISIN code SE0014960431. FNCA Sweden AB is Certified Adviser, +46(0)8-528 00 399, info@fnca.se.

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Attachments

Re:NewCell announces preliminary update on financial results for Q3 - Sales to textile value chain taking a longer time to ramp up with Circulose than expected