

## Sprintex Ltd – Recapitalisation Opportunity

19 October 2020

**Sprintex is set to become a world leading supplier of automotive superchargers, supplying the highest quality, most efficient superchargers using proprietary patented technology to provide power, efficiency and economy, at a competitive cost**

### Investment Highlights

- The Sprintex Supercharger delivers greater fuel efficiency, increased performance and reduced emissions at a time of global engine downsizing
- Operational high-tech production facility in Malaysia providing competitive edge and manufacturing price advantage
  - Sprintex has a 50% interest
  - Acquiring the remaining 50% for scrip
- Proven track record of continuous technological innovation with experienced world leading R&D team operating from Australia
- Established network of aftermarket dealers in USA (+200), Australia, New Zealand, 8 Middle East countries, China, Japan, Korea, Thailand, Malaysia, Singapore, South Africa, Chile, Ecuador, United Kingdom and Europe
- Technology is ideally suited to capitalise on opportunities emerging from the increasing demand for emission reducing solutions
  - Global megatrends foster a booming supercharger & electrification market
- Contracts in place with first-class global automotive and industrial companies

### Opportunity Summary

- **Sprintex Ltd (ASX: SIX)** engages in the manufacture and distribution of the patented range of twin screw superchargers
- Products are designed for major car manufacturers, including Jeep, Grand Cherokee, Dodge, Mini Cooper, and Honda
- Existing revenue and contracts from established product and dealer networks
- Material prospects for share price re-rating driven by achievement of operating objectives, retirement of liabilities and reduction of financial risk

### Sprintex Limited Global Strategy

- Expand Sprintex presence via strategic partners and suppliers
- Diversify global aftermarket distribution
- Strategic sales and marketing plans for USA and Asia
- Expand the Sprintex product range to meet market demand
- Grow and remain technically advanced, with new Sprintex products for OEM and aftermarket applications

### Investment Opportunity

- Sprintex seeks to raise A\$6.5m to fund development of new product for OEM and aftermarket applications, working capital and strategic investment in automotive supercharging technology
- Sprintex has restructured its operations over the past 12 months, materially reducing operating costs to sustainable levels
- Upon completion of the recapitalisation, Sprintex will have zero interest bearing liabilities, with the large majority of debts to be either forgiven or converted to equity (excluding trade creditors)
- Sprintex is offering approximately 75.6m new shares at A\$0.086 per share, 10% discount to the last traded value. More than 66% of these shares have already subscribed for.



# The Sprintex Supercharger delivers greater fuel efficiency, increased performance and reduced emissions

## Sprintex Business Opportunities

- The global automotive industry is facing significant regulatory pressure to reduce fuel consumption and CO2 emissions, typified by Corporate Average Fuel Economy (CAFE) legislation in USA, Euro 6 and China Stage 5 exhaust emission standards
- The automotive industry will continue to focus on attributes that sell vehicles (fuel efficiency, performance and reduced emissions)
- The positive trend for engine boosting is expected to continue, driven by legislated requirements and customer demand
- Engine boosting is the most logical solution to engine downsizing and down-speeding of the powertrain to meet this regulatory pressure
- Sprintex high-efficiency superchargers provide a low-cost solution to engine boosting applications avoiding the need for intercoolers in many cases

## Current Developments

- Today, Sprintex is working with a number of OEMs that are developing alternative fuelled engine programs and renewable energy systems for automotive, light aviation, marine and industrial applications. The earliest likely revenue streams from OEM applications are forecast to begin in 2021
- These programs include development of combined supercharger and turbocharger systems to suit both diesel and petrol fuelled engines and stand-alone electric drive superchargers in line with current vehicle manufacturer developments
- To compliment the highly efficient and high quality Sprintex Series 5 range, the company has commenced development of two new ranges aimed at bridging the gap on two fronts. First is development of a rotating group that can be retrofitted to units manufactured by the largest of our competitors, providing approximately 30% performance uplift. This product effectively eliminates all current hurdles that a system manufacturer is faced with when contemplating a change to Sprintex technology. Currently, a manufacturer must re-design and re-tool a system at significant cost to even trial Sprintex product. The new unit will allow up to 30% uplift in performance with no change to the housing or remaining system parts
- This is immediately applicable to OEM and aftermarket manufacturers already using our competitors product, offering reduced packaging issues and low cost upgrade
- In parallel, Sprintex will utilise the same rotating group in a new range of superchargers aimed at reducing cost still further for OEM applications, broadening the Sprintex range and increasing both market share and profit margins in the aftermarket

## Current Opportunities

- Sprintex is currently negotiating a potential production arrangement for 110,000 OEM superchargers over a 7 year period. The production is currently delayed, pending resolution of contractual issues within the multi-national entity, now estimated to begin in the second half of 2021
- Sprintex is expecting to win a program to manufacture up to 5000 superchargers p.a. for a new USA manufactured diesel Light Aviation Engine. The engine is undergoing US Federal Aviation Administration (FAA) certification for production. The units must be built under strict quality controls and Sprintex has the necessary QA systems in place at its Malaysia facility
- Sprintex is well advanced in development of a 'bolt-in' replacement product for use in any Eaton TVS supercharger system. Eaton is the world's largest supercharger manufacturer, utilised by many prestige and performance brands such as Jaguar, Range Rover, Audi, Chevrolet Corvette and Camaro. This product will provide approx. 30% performance improvement and is also applicable to USA aftermarket supercharger system manufacturers such as Edelbrock and Magnuson. The company expects to begin production in mid- 2021
- Sprintex has completed development of a new supercharger upgrade for Chrysler and Jeep Vehicles manufactured 2019 and on. Sprintex already has a significant footprint in the lucrative and popular Jeep aftermarket, and produces supercharger upgrades for Jeeps from 2005 on. This new system will be released to market in Q1 2021

# The Recapitalisation will enable Sprintex to expand and grow its business

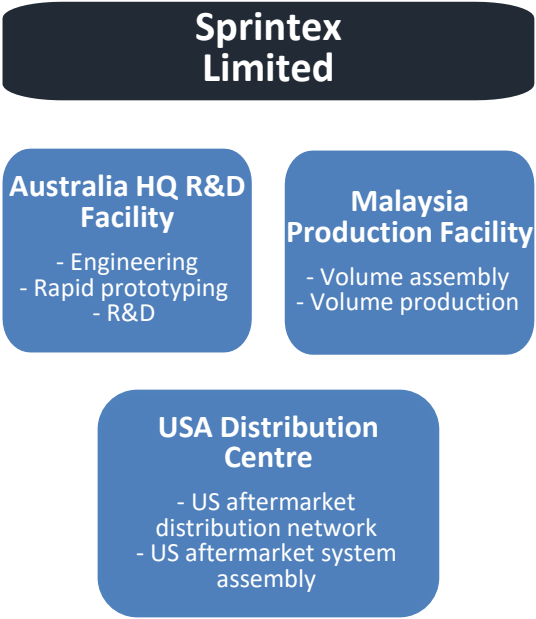
## Opportunity Summary

- Sprintex is undertaking a capital raising via an issue of fully paid ordinary shares in the Company at an issue price of \$0.086 per Share to raise \$6,500,000 pursuant to a prospectus to be lodged with ASIC
- Funds raised under the Placement will be used to fund additional development and research opportunities, to repay the loan owing to WPF and amounts owing to creditors, explore strategic acquisition alternatives and for working capital
- LidX Technology (LidX) has committed \$1m to the Sprintex capital raise. LidX founded and holds 45% in E&E Power-tech (EEPT), a company incorporated in HK. EEPT holds 13.7% ordinary shares in Aeristech, a UK incorporated automotive technology company. Mr Li CHEN, who is the initiator of the project, and driving through the whole process, is a director of LidX, EEPT and Aeristech.

## Transaction Structure

Amount sought	▪ A\$6.5m	Disclosure	▪ Prospectus issuance
Investment Structure	▪ Fully paid ordinary shares, issue price of A\$0.086 per share ▪ Represents a ~10% discount to last traded price of A\$0.095		
Use of proceeds	▪ Finalise new product for OEM and aftermarket applications ▪ General corporate purposes & working capital ▪ Investment opportunities in complimentary technologies ▪ Retirement of debt and restructuring the balance sheet		
Important Conditions	▪ Loans of A\$2.4m to convert to equity at the offer price ▪ Loans of c.A\$600,000m to be repaid ▪ All other director loans to be forgiven in favour of Sprintex ▪ Sprintex will subsequently be debt free ▪ Acquisition of Malaysian factory for scrip (US\$250k @ 8.6cps) ▪ Conditional on re-listing, regulatory / shareholder approvals		

## The Sprintex Organization



## Capital Structure

	Last trade	Recap	Post-recap & Other trans.
Share Price	A\$0.095	A\$0.086	A\$0.086
Shares	100.0m	75.6m	215.5m
Equity Value	A\$9.5m	A\$6.5m	A\$18.5m

### Shareholding Structure

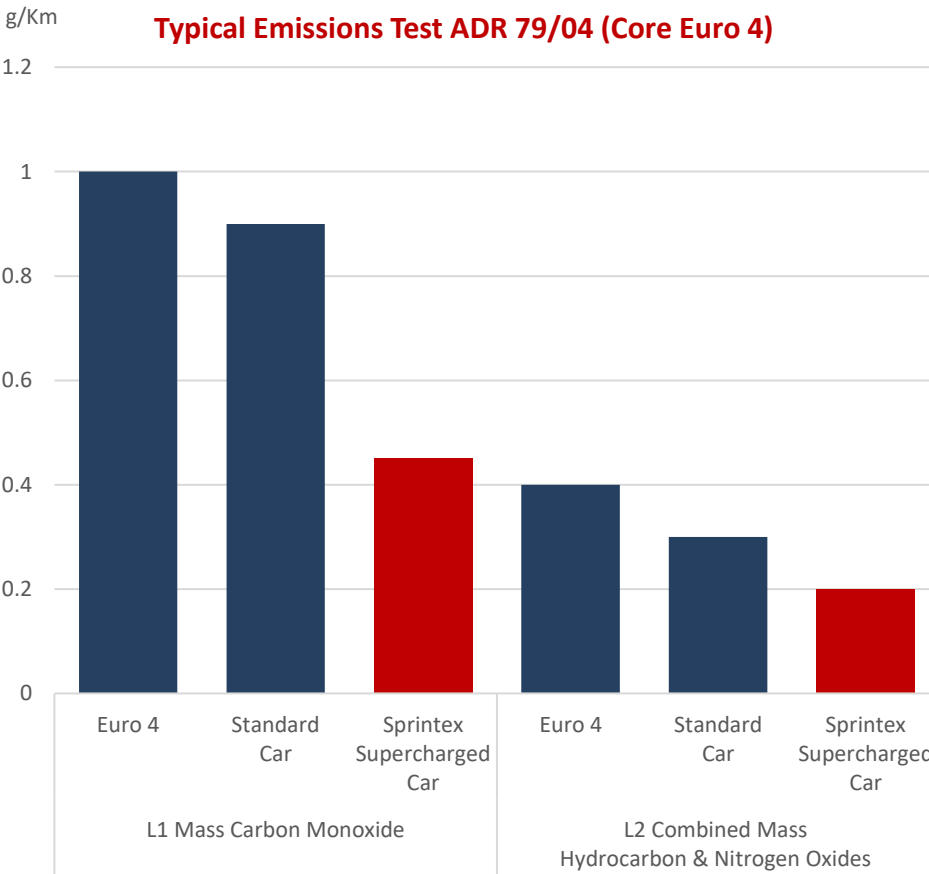
Current Shares out	100%	46.4%
Shares Issued	-	35.1%
Loan conversion	-	16.6%
Factory acquisition	-	1.9%
Total Shares	100%	100%

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## Market Opportunity

- The global automotive industry is facing significant regulatory pressure to reduce fuel consumption and CO2 emissions
  - e.g. Corporate Average Fuel Economy (CAFE) legislation in USA, Euro 6 and China Stage 5 exhaust emission standards
- The automotive industry will continue to focus on attributes that sell vehicles
  - fuel efficiency, performance, and reduced emissions
- Engine boosting is the most logical solution to engine downsizing and down-speeding of the powertrain to meet regulatory pressures and customer demands
- The positive trend for engine boosting expected to continue

**Sprintex high-efficiency superchargers provide a low-cost solution to engine boosting applications**



## Malaysian Production Facility & Australian R&D Facility

