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Woodbois Limited
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Woodbois Limited

("Woodbois", the "Group" or the "Company")

Q2 2021 Update

Woodbois Limited (AIM: WBI), the African focused forestry, timber trading, reforestation and voluntary carbon credit company, is pleased to announce its Q2 trading update for the period 1 April 2021 to 30 June 2021.

Financial

- Successful completion of upsized fundraise of £6 million (approximately $8.3 million) before costs, leaving the Company well placed to deliver on its growth targets.
- Cash balance of $6.3 million, bank loans of $9.5 million, as at 6 July 2021.
- Working capital of $13.4 million, includes $6.3 million cash balance, as at 6 July 2021.
- H1 2021 revenues of $8.2 million vs $6.7 million for H2 2020.
- H1 2021 Group gross profit margin upward rebase to 20% vs 8% for FY 2020.

Operational

- Installation of Primultini sawmill line completed. Sawn timber production output expected to increase by 30% in H2 2021.
- Acquisition of two additional veneer lines in Gabon from CEMA Bois De L'Atlas ("CEMA"), one of Africa's largest plywood manufacturers, for a consideration of €800,000.
  - The first line is expected to be delivered in Q3 2021 and installed in Q4 2021, and the second line expected to be delivered and installed in H2 2022.
- Acquired two additional Komatsu bulldozers and 3 additional Man trucks to allow supply of sustainably harvested raw material to keep pace with the additional processing capacity coming online during 2021 at both sawmill and veneer factory.
- Following Q1 entry into carbon credit market, Woodbois is reviewing a number of African reforestation projects, which would allow the Company to generate carbon credits for distribution in the Voluntary Carbon Market.
- Total sawn timber production 7,000m^3 in H1 2021, 75% increase vs H2 2020.
- Total veneer production 1,830m^3 in H1 2021, 66% increase on H2 2020.
- Publication of Company's first Integrated Sustainability Report for the year ended 31 December 2020. The Report is available on the Woodbois website: www.woodbois.com
- The Company ranked joint sixth in the annual Sustainability Policy Transparency Toolkit ("SPOTT") ESG policy transparency assessments for the worldwide timber and pulp industries. For the report, 100 timber and pulp companies, that together control over 44 million hectares of land, were assessed.

Continuing investment in strong and ambitious management team

- Appointment of Michael Floyd as Head of Carbon Market Solutions:
  - Michael has a long-term successful track record within the trading divisions of a range of blue-chip financial organisations, such as; Mizuho, Nomura and AIB Capital Markets. Michael will be responsible for the day-to-day operations of Woodbois' carbon credit trading division including structuring, trading and distribution.
- In line with the Company's growth ambitions, further senior appointments are expected to be made during 2021.

Outlook

- Gross Profit margins for the first six months of 2021 demonstrated a strongly positive change of basis, advancing to 20% vs 8% for FY 2020. This material improvement reflects the quality of product delivered by our upgraded manufacturing facilities, strong global demand for sawn timber and corresponding increase in prices, and the continued roll-out and application of proprietary trading tools and technology.
- In common with other exporters globally, and as previously highlighted by the Company,

the Company's top line in H1 2021 was impacted by constraints in the freight shipping industry. A combination of equipment shortages, a drop off in port productivity and a reduction in carrier capacity impacted Woodbois' ability to transport goods, creating a temporary knock-on effect on booked revenue. Once the freight industry normalises, which experts have forecast for later this year / early 2022, the Company expects a step change in pace of revenue growth as well as further margin improvement as shipping costs revert to trend.

- Final due diligence is taking place in order to complete the acquisition of a further 56,000 hectares of forest concessions in Gabon as we look to continue to expand our footprint.
- In Mozambique, the Company's concessions will continue to be operated by third party operator Future Earth for the remainder of 2021. Woodbois' operations in-country have not been impacted by the recent unrest seen in the north of the country.
- The Company's aim to become cash flow positive and profitable this year remains on track, subject to operating conditions and any new Covid-related restrictions. While it is difficult to predict when port congestion will ease and container availability normalise, Woodbois' order book provides confidence that the business can look forward to further incremental margin improvement in H2 2021.

Commenting on today's announcement, Executive Chair and CEO Paul Dolan said:

"*Q2 was a pivotal period for the business as we witnessed a hard-earned positive rebase of operating margins and executed on the next stage of our expansion plans through the acquisition of two additional veneer lines in Gabon as well as successfully completing an upsized fundraising. The new veneer lines are expected to generate material levels of high margin production growth when they come online, making them a highly value-accretive purchase for our investors. The fundraising, which I am grateful to our new and existing investors for their support with, means that we are now well funded to execute on the exciting opportunities in front of us.*

As the global economy transitions to net zero, the emergence of carbon as a major new asset class was the catalyst for us launching our carbon sequestration and trading division. Carbon prices have increased more than 60% in 2021, ahead of expected EU reforms designed to accelerate emission reductions, and we expect both companies and assets to become increasingly viewed through the lens of climate transition. Woodbois' ESG driven purpose and values are articulated within the Company's Integrated Sustainability Report for 2020, which was published last month.

Our third annual top ten ranking within the independent third party SPOTT report further demonstrated our commitment to adopting the highest standards of sustainability and transparency throughout the organisation.

Few companies contain Woodbois' combination of forestry management experience, biological assets and financial markets expertise. We intend to capitalise on the unprecedented opportunity presented, with a view to becoming active participants in the carbon sequestration space.

From an operational perspective, while the business has been impacted by macro headwinds outside of our control such as the ongoing effects of the COVID-19 pandemic and the subsequent effects on the freight shipping sector, our production teams have performed well. Increased output and margins provide evidence that the Company is at the strongest point in its history, and as external variables start to normalise its business units are primed to deliver rapid top-line growth as well as some further improvement in margins. We look forward to keeping the market appraised of continued solid progress in the months ahead."

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Background on Woodbois

Woodbois Limited (AIM:WBI) is an African focused forestry company, divided into three distinct, but highly complementary divisions comprising the production and supply of sustainable African hardwood products, the trading of hardwood and hardwood products, and a reforestation and carbon credit division.

Woodbois' forestry division has production facilities in Gabon and Mozambique, managing a total of c400,000 hectares of natural forest concessions. The trading division comprises a highly experienced team of timber specialists, who source and supply sustainable timber to a global customer base. Its proprietary technology developed in house, captures, stores and presents data, providing a matching engine to build scale and optimise trading opportunities with its global customer base.

The Company's carbon sequestration and trading division which was formed in March 2021 aims to generate voluntary carbon credits for corporate partners through the delivery of large-scale reforestation projects.

Recognising that its sustainable timber operations is a journey, the Company is committed to providing timely and transparent disclosures as it helps in building trust with stakeholders. The Company has been consistently ranked among the top ten since it was assessed in 2018 by the Zoological Society of London in their annual Sustainability Policy Transparency Toolkit ('SPOTT") ESG policy transparency assessments for timber and pulp organisations.

Please follow the Company on Twitter: @WoodboisLtd

About SPOTT

SPOTT, the online platform created by the Zoological Society of London ('ZSL'), annually assesses 100 commodity producers, processors and traders on the public disclosure of their policies, operations and commitments to Environmental, Social and Governance ("ESG") best practice.

Further information on SPOTT can be found on their website: https://www.spott.org/

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