

Renewcell announces intention to carry out a directed issue of new shares of approximately SEK 200 million

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Re:NewCell AB (publ) ("Renewcell" or the "Company") hereby announces its intention to, based on the authorization granted by the annual general meeting held on 16 May 2023 and with deviation from the shareholders' preferential right, carry out a directed new issue of shares corresponding to gross proceeds of approximately SEK 200 million (the "Directed Share Issue"), towards Swedish and international institutional investors. Renewcell has mandated Nordea Bank Abp, filial i Sverige ("Nordea") as Sole Global Coordinator and Joint Bookrunner and Pareto Securities AB ("Pareto") as Joint Bookrunner (Pareto together with Nordea, the "Managers") to evaluate the conditions to carry out the Directed Share Issue through an accelerated book-building procedure, starting immediately. The Company's two largest shareholders, H&M Group and Girincubator AB (via the family affiliated Girindus Investments AB) have expressed their intention to participate above their pro rata in the Directed Share Issue. The Directed Share Issue proceeds will mainly be used to finance operational expenses during a longer ramp-up of production (partly due to the fire in March 2023), additional working capital requirements and increased capital expenditures ("CAPEX") as described below.

Background

The Renewcell 1 plant in Ortviken, Sundsvall, is the first industrial scale production line for 100 percent fiber-to-fiber chemical recycling of textiles of its kind in the world. Production and sales at the Renewcell 1 plant is increasing month by month and is expected to reach 2,200-2,400 tonnes in June 2023, of which 2,100-2,300 tonnes are expected to be of prime quality, compared to a production volume of 2,300 tonnes in May 2023 of which 91 percent or 2,100 tonnes were of prime quality. In June 2023, 2,200-2,400 tonnes are expected to be delivered to clients, compared to 2,000 tonnes that were delivered to clients in May 2023. During the period January through May 2023 the total production amounted to 7,300 tonnes of which 82 percent or 6,000 tonnes were of prime quality. Out of these 7,300 tonnes, 5,400 tonnes were delivered to clients. As of today, Renewcell 1 is running at 46 percent production capacity and is expected to reach full capacity by early 2024 (full capacity is equivalent to 60,000 tonnes per year, or 5,000 tonnes per month).

The fire in Renewcell 1, which occurred on 22 March 2023, led to a temporary production shortfall of ten days and has delayed the production ramp-up by an estimated one to two months.

The Renewcell 1 production line consists of three production loops. Loop 1 (shredding), being the least technically complex loop, is currently limiting production capacity due to the unexpected amount of dust created when shredding textiles. Limited investments and changes to operating procedures are required, which are well underway and are not expected to require significant production stops. These investments and changes to operating procedures are expected to enable Renewcell 1 to reach break-even on a cashflow basis by year-end 2023.

Loop 2 (bleaching) and loop 3 (drying) in Renewcell 1's production line are performing according to expectations and have reached expected capacity levels.

The fire and delayed ramp-up, additional shredding area investments and short-term working capital requirements during the ramp-up have resulted in an additional funding need of SEK 150 million, which the Company intends to use as follows:

- Additional CAPEX in shredding area – SEK 25 million,
- Longer ramp-up (due to fire and shredding area) – SEK 75 million,
- Additional working capital requirement – SEK 50 million.

Due to the expected increased CAPEX of approximately SEK 25 million, the total investment for the Renewcell 1 plant in Ortviken (with capacity up to 120,000 tonnes) is now estimated to reach approximately SEK 1.48 billion (compared to the previous forecast from 27 October 2022 of approximately SEK 1.45 billion). Prior to the Directed Share Issue, a total of approximately SEK 2.19 billion in capital has been raised by the Company, of which approximately SEK 1.28 billion raised through the issuance of equity and approximately SEK 0.91 billion raised through debt.

It is the Board of Directors' assessment that the Directed Share Issue of SEK 200 million covers the Company's funding need, without the need for additional equity, to complete the production ramp-up of Renewcell 1 to 60,000 tonnes in the first stage and then to 120,000 tonnes in a later stage. The assessment takes into account the delayed start-up and slower than expected production ramp-up, provided that no further unexpected negative events occur such as lengthy production stops, technical production limitations or other similar events.

The Directed Share Issue and use of proceeds

Renewcell intends to, based on the authorization granted by the annual general meeting held on 16 May 2023 and with deviation from the shareholders' preferential right, carry out a directed new issue of shares corresponding to gross proceeds of approximately SEK 200 million to cover the funding need, towards Swedish and international institutional investors.

The proceeds from the contemplated Directed Share Issue will mainly be used according to the funding need as described above. If the proceeds from the Directed Share Issue, after transaction costs, exceeds the total approximate funding need as described above, the surplus will be used for general corporate purposes.

The subscription price and the total number of new shares in the Directed Share Issue will be determined through an accelerated bookbuilding procedure, which will begin immediately following this announcement. Should the Board of Directors resolve to carry out the Directed Share Issue, pricing and allocation of shares is expected to take place before the start of trading on Nasdaq First North Premier Growth Market on 30 June 2023. The exact timing of the closing of the bookbuilding, pricing and allocation are at the discretion of Renewcell in consultation with the Managers. The bookbuilding procedure may close earlier or later and may be cancelled at any point in time. Renewcell will announce the outcome by way of a press release after the closing of the bookbuilding procedure.

The Company's two largest shareholders, H&M Group and Girincubator AB (via the family affiliated Girindus Investments AB) have expressed their intention to participate above their pro rata in the Directed Share Issue.

Prior to the Directed Share Issue, the Board of Directors has also considered the possibility to raise the required equity through a rights issue but concluded that a rights issue would be significantly more time-consuming and entail significantly higher costs and increased exposure to potential market volatility compared to the Directed Share Issue. Given the market volatility seen during 2022, that is still ongoing during 2023, the Board of Directors has assessed that a rights issue would also require a rather significant underwriting from a guarantor syndicate that would entail additional costs and/or additional dilution depending on the type of remuneration for such underwriting. The more time-consuming rights issue alternative would also further delay the production ramp-up of Renewcell 1 to 60,000 tonnes in the first stage and then to 120,000 tonnes in a later stage, which in turn would lead to a corresponding delay of revenue generation that may cause a further need for external funding. The Company has concluded that a delayed ramp-up is not in the best interest of the shareholders. Unlike a rights issue, the Directed Share Issue can also broaden as well as strengthen the shareholder base and provide the Company with new shareholders, which the Board of Directors considers to be of great benefit to Renewcell.

In the light of the above, the Board of Directors has made the assessment that a Directed Share Issue with deviation from the shareholders' preferential rights is the most favourable alternative for Renewcell and in the best interest of all the Company's shareholders. As the subscription price in the Directed Share Issue will be determined through a bookbuilding procedure at arm's length, the Board of Directors assesses that the subscription price will reflect current market value and demand.

Extension of revolving credit facility

The Company holds a so-called revolving credit facility ("**RCF**") of SEK 150 million issued by a bank syndicate consisting of Nordea, BNP Paribas and Svensk Exportkredit (SEK). The RCF, which the Company has fully drawn, was originally due in October 2023 but has now been extended on original terms, initially to April 2024. After the end of the first quarter of 2023, another RCF of SEK 75 million was issued to the Company by the same bank syndicate (the "**New RCF**"), which gives the Company a total available amount under the RCF and the New RCF of SEK 225 million. As of today, the Company has drawn SEK 37.5 million of the New RCF. The drawn amount under the New RCF shall be repaid in October 2023 or when the Company carries out a new issue, depending on which of these events occurs first. Following the completion of the Directed Share Issue, the bank syndicate has agreed to extend the period for repayment of the drawn amount under the New RCF subject to certain conditions, including the Company receiving the desired gross proceeds in the Directed Share Issue.

Lock-up

The Company will, subject to certain exemptions and the completion of the Directed Share Issue, undertake, in favour of the Managers, not to issue additional shares for a period of 180 calendar days from the settlement date of the Directed Share Issue.

Advisors

In conjunction with the Directed Share Issue, the Company has engaged Nordea as Sole Global Coordinator and Joint Bookrunner and Pareto as Joint Bookrunner. Advokatfirman Vinge KB is legal advisor to the Company and Baker & McKenzie Advokatbyrå KB is legal advisor to the Sole Global Coordinator and Joint Bookrunners.

Contacts

Patrik Lundström

CEO

patrik.lundstrom@renewcell.com

+46 76 183 47 17

Toby Lawton

CFO

toby.lawton@renewcell.com

+46 70 242 29 47

About Renewcell

Founded by innovators from Stockholm's KTH Royal Institute of Technology in 2012, Re:NewCell AB (publ) ("Renewcell") is a multi-award-winning sustaintech company based in Sweden. The 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 and 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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This announcement does not identify or suggest, or purport to identify or suggest, the risks (direct or indirect) that may be associated with an investment in the new shares. Any investment decision to acquire or subscribe for shares in connection with the Directed Share Issue must be made on the basis of all publicly available information relating to the

Company and the Company's shares. Such information has not been independently verified by the Managers. The Managers are acting for the Company in connection with the transaction and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the transaction or any other matter referred to herein.

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Forward-looking statements

This press release contains forward-looking statements that reflect the Company's intentions, beliefs, or current expectations about and targets for the Company's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Company operates. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not guarantee that the assumptions underlying the forward-looking statements in this press release are free from errors and readers of this press release should not place undue reliance on the forward-looking statements in this press release. The information, opinions and forward-looking statements that are expressly or implicitly contained herein speak only as of its date and are subject to change without notice. Neither the Company nor anyone else undertake to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this press release, unless it is not required by law or Nasdaq First North Growth Market Rulebook.

Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“MiFID II”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “MiFID II Product Governance Requirements”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the shares in the Company have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; (the “Positive Target Market”) and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II. Distributors should note that: the price of the shares in the Company may decline and investors could lose all or part of their investment; the shares in the Company offer no guaranteed income and no capital protection. An investment in the shares in the Company is therefore compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom (the “Negative Target Market”). The target market assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Directed Share Issue. Furthermore, it is noted that, notwithstanding the target market assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the target market assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares in the Company.

Each distributor is responsible for undertaking its own target market assessment in respect of the shares in the Company and determining appropriate distribution channels.

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Attachments

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