

PRESS RELEASE | AD HOC ANNOUNCEMENT PURSUANT TO ART. 53 LR

Evolva accelerated revenue growth to 60% and expects gross profit to be positive from Q4, 2021

Reinach, August 26, 2021 – Evolva (SIX:EVE), the Swiss biotech company focused on the research, development and commercialization of ingredients based on nature, announced today the results for the first half of the year and provided corporate highlights.

Highlights

- First half 2021 total revenue grew 60% compared to previous year reaching CHF 6.4m, in line with plans and realizing market share gains across business segments
- Ongoing strong momentum in Health Ingredients. Increased sales in Flavors and Fragrances raised hope of a market recovery. Stevia royalty income showed an accelerating growth trajectory
- Investments in the expansion of the contract manufacturers network, scale up of manufacturing and optimization of manufacturing processes started to produce positive results. The company expects to be gross profit positive across products from Q4, 2021
- Excluding extraordinary costs of CHF 1.0m, first half 2021 underlying EBITDA loss came in at CHF -12.0m driven by higher manufacturing costs (CHF +4.8m) during the start-up phase of two key products at new contract manufacturers
- 2021 guidance: The manufacturing start-up cost and the extraordinary expenses are projected to amount around CHF 6.5m for the full year 2021, and EBITDA is expected to be somewhat below previous year's figure.

Commenting on the half year 2021 results, Oliver Walker, CEO of Evolva, said: «Despite all the challenges thrown at us by the pandemic, we progressed our strategy, accelerated product revenue and are on track to deliver positive gross profit across products from Q4, 2021. With the growing customer demand for our innovative product solutions and the strengthened manufacturing base, Evolva is well positioned to achieve cash break-even by 2023.»

COVID-19 Update

Our purpose-led response to the pandemic was focused on ensuring the safety of our people and their families, and making sure our customers were served.

In the first half of the year we launched a new innovative ingredient, L-arabinose, supported our growing customer base in developing new consumer products, implemented solid and more efficient manufacturing processes, and broadened our network of contract manufacturers to prepare for the increased customer demand.

Despite turbulent times, the pandemic accelerated trends for healthier food and beverages, and for products sourced through affordable, reliable supplies of natural resources.

We are assuming the pandemic not to have further negative impacts in the second half year on Evolva's target markets.

Commercial Operations

- **Flavors and Fragrances:** In the second quarter, sales of Flavors and Fragrances products gained momentum, which raised hope of a recovery of the market segments Evolva is active in. With the trend towards more natural ingredients, Evolva is experiencing a significant increase in interest from end-users. This also led to product sampling with large Fast-Moving Consumer Goods (FMCG) companies.

Launch activities continue in several countries for L-arabinose as a reducing sugar.

Evolva's Valencene 94%, its highest purity natural valencene, which is meeting the Flavouring Regulation (EC) No. 1334/2008's minimum purity level of 94%, has started to contribute to the growth dynamics in Flavors and Fragrances.

The joint activities with IFF to further develop and expand commercialization of vanillin make good progress with scale-up of manufacturing progressing as planned and vanillin product samples receiving a very positive response.

- **Health Ingredients:** Ongoing strong demand for functional ingredients and dietary supplements across market segments heightened by COVID-19, with consumers choosing products that can support healthy living like Veri-te™ resveratrol. Growth was also fueled by a major spike in pet adoptions and families spending more time at home with their pets during the pandemic. The company saw an opportunity to further expand the animal health business and launched Veri-te™ Pets resveratrol with initial emphasis on the large existing demand in the US.

Successful continuation of growth path in the first six months of 2021 despite manufacturing shortages limiting growth in the second half of last year, and a number of customers having deferred activities to develop or launch new products. The largest contributions came from core US and EU markets, where the company continued market penetration: moving forward with new product developments, incubating partnerships with key accounts on strategic projects and leveraging the efficiency of the strong distribution partners in these regions. Veri-te resveratrol continued to grow in Asia where there is a strong interest in the Veri-te brand.

Overall, due to its large spectrum of applications, resveratrol has become a key ingredient for manufacturers and formulators: Veri-te resveratrol is now used in a wide range of market segments including dietary supplements, functional beverages, cosmetics and API (Active Pharmaceutical Ingredients) for human and animal health.

The increasing interest is also a result of high-quality clinical studies initiated by the company, which boosted the already strong commercial interest for the ingredient among global healthcare and FMCG companies. The strategy of supporting customers in developing new products and providing scientific support based on high-quality clinical studies contributed to strengthen the relationship with existing customers and acquire new ones.

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The same strategy is being applied to Evolva's innovative new product, L-arabinose, a natural sugar blocker and reducing sugar for food and beverage applications. Studies show that L-arabinose as a sugar blocker can support healthy blood sugar levels and weight management. It also has potential application as a prebiotic. With health-conscious consumers increasingly opting for choices with reduced or no sugar, the launch of L-arabinose confirmed Evolva's ability to deliver innovative solutions to address customers' and consumers' needs, and generated strong interest from large to small companies (sampling is underway and further product development has started).

- **Health Protection:** Following the registration of nootkatone (Nootkashield™) in August 2020, Evolva continued to support leading customers in their activities to develop first end-user products. At this stage, this includes especially the development of end-user applications. As formulation work is taking longer due to COVID-19, first supply volumes to customers are expected in 2022. Outside the US, Evolva is applying initially to those markets which follow the US EPA approval or have fast-track regulatory processes.
- **Other products:** Evolva receives royalty payments on all EVER SWEET™ sales, a non-artificial, zero-calorie stevia sweetener. Following additional regulatory approvals in some countries, we expect accelerated growth of royalty income going forward. For more information on EVER SWEET visit: avansya.com.

Financials

Key figures

CHF million	HY 2021		HY 2020		% change
	Reported	Adjusted	Reported	Adjusted	
Product related revenue	6.0		3.8		
Research & development revenue	0.4		0.2		
Total revenue	6.4		4.0		60%
Gross profit	-6.3		-0.2		
Total operating expenses	-20.7		-12.4		
Operating loss (EBIT)	-27.0		-12.6		-114%
Depreciation & amortization	14.0		4.3		
EBITDA¹	-13.0		-8.3		-57%
<i>EBITDA¹</i>	-	-13.0	-	-8.3	
<i>Extraordinary Costs²</i>	-	1.0	-	1.2	
Adjusted EBITDA³	-12.0		-7.1		-69%
Operating free cash flow⁴	-17.2		-14.0		-23%
Earnings per share (CHF)	-0.03		-0.02		
	6/30/2021		12/31/2020		
Cash position	13.1		19.7		-34%

Financial Performance

On a reported basis, Total revenue increased to CHF 6.4m from CHF 4.0m (+60%). Product-related revenue increased to CHF 6.0m from CHF 3.8m (+58%) in line with plans. Ongoing strong momentum in Health Ingredients. Increased sales in Flavors and Fragrances raised hope of a market recovery. Continued progress has been made in optimizing supply, enlarging the supplier base for Health Ingredients. R&D revenue has increased to CHF 0.4m from CHF 0.2 (+100%) as part of the expanded development of an existing compound.

As a result of higher manufacturing costs, mainly for enlarging the supplier base, introducing new manufacturing processes and scaling up the production volume, gross profit decreased to CHF -6.3m from CHF -0.2m in the first half of last year. The impact of CHF 4.8m higher manufacturing costs in the first half year is in line with the previously given full year guidance of CHF 6.1m.

¹ EBITDA: Earnings before interest, taxes, depreciation and amortization.

² Extraordinary cost: Costs related to enlarging the supplier base, scale up cost and non recurring expenses for the increase of operational provisions related to the final settlement of the contract with BARDA.

³ Adjusted EBTDA: EBITDA excluding extraordinary cost.

⁴ Operating free cash flow: Cash flow from operating activities + operating capital investment.

Total operating expenses increased by 67% (CHF 8.3m), include a non-recurring expense of CHF 9.6m for the impairment of intellectual property & patents (IP rights). The management has strategically reviewed Evolva's intellectual property and patent portfolio, based on this analysis management has concluded to discontinue some intellectual property rights and patent families which Evolva deems no longer strategically relevant for the company's product portfolio. The majority of the discontinued IP rights relates to one product candidate in a similar application field as other developed candidates in Evolva's product pipeline. Excluding this non-recurring impairment expense the operating expenses have decreased by 10.5%, mainly driven by reduced commercial and R&D expenses.

As a result, the operating loss came in at CHF -27m and the EBITDA at CHF -13m. Excluding extraordinary cost of CHF 1m related to failed start-up batches and non-recurring expenses for the increase of operational provisions, the adjusted EBITDA would have been CHF -12m.

Balance sheet and cash flow

Intangible assets have decreased by CHF 7.5m (CHF -6%) as a result of a non-recurring impairment charge on patents and patent applications (CHF -9.6m), amortization (CHF -3.7m). Capitalized product process and development costs in the first half of 2021 were added in the amount of 2.5m, the impact of the translation effects is 3.3m. Tangible assets have decreased by CHF 0.3m as a result of the purchase of manufacturing equipment (CHF 0.3m) and ordinary depreciation (CHF -0.7m).

Inventory increased by CHF 0.8m (9%), of which CHF 1.7m relate to finished products and CHF -0.9m to raw materials and intermediate products. As a result of the positive demand and order momentum, net working capital increased during the first half year.

Financial Assets increased by CHF 0.9m (36%) due to a reduction of the headquarters rent deposit (CHF-1.1m) and a newly granted loan to one of Evolva's manufacturing partners for manufacturing, supply, and CAPEX (CHF +1.9m).

Trade and other receivables increased by CHF 2.3m (+100%) mainly because of increased product sales in the second quarter 2021.

Provisions and accrued liabilities have increased by CHF 0.3m (4%) mainly because of an increase of CHF 0.5m for a potential risk related to a contractual R&D agreement from previous years.

The company's cash position decreased to CHF 13.1m as of end of June from CHF 19.7m as per end of last year, of which CHF -17.2m resulted from operating free cash flow, CHF +11m related to financing and CHF -0.4m from finance lease payments. In 2020, Evolva Holding AG entered into an agreement for the issuance and subscription of convertible notes with Nice & Green SA, a company incorporated and registered in Switzerland. Under the terms of the agreement and the subsequent amendments in 2020 and 2021, Nice & Green has committed to invest up to an amount of CHF 44m over a period of 30 months. The convertible notes facility will be used to finance investments related to the expansion of Evolva's business and may be drawn in tranches depending on the operational requirements and investment opportunities to continue to grow the company's business activities. As of the end of June 2021, Evolva drew tranches in the total amount of CHF 21.5m.



Considering the current business environment and the course of the pandemic, Evolva expects possible financing needs until cash break-even, in addition to the current remaining financing lines of CHF 22.5m, of up to around CHF 10-15m.

2021 Outlook

As the pandemic continues, we are experiencing a slower return to normal conditions than we had anticipated. Evolva expects ongoing growing demand for Health Ingredients, but still only slowly recovering demand for its Flavor and Fragrance products.

The more robust supply chain is expected to support the accelerated growth path in the second half of the year.

The manufacturing start-up cost and the extraordinary expenses are projected to amount around CHF 6.5m for the full year 2021, and EBITDA is expected to be somewhat below previous year's figure.

Disclaimer

This press release contains specific forward-looking statements, e.g. statements including terms like believe, assume, expect or similar expressions. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, financial situation, development or performance of the company and those explicitly or implicitly presumed in these statements. Against the background of these uncertainties readers should not place undue reliance on forward-looking statements. The company assumes no responsibility to update forward-looking statements or to adapt them to future events or developments.

About Evolva

Evolva is a Swiss biotech company focused on the research, development and commercialization of ingredients based on nature. We have leading businesses in Flavors and Fragrances, Health Ingredients and Health Protection. Evolva's employees, half of which are women, are dedicated to make the best products that can contribute to health, wellbeing and sensory enjoyment.

Find out more at evolva.com and connect with us on [LinkedIn](#).

For Evolva multimedia content, please visit: evolva.com/multimedia-library.

Evolva will conduct a conference call with media and analysts to discuss HY Results 2021 today at 10 a.m. Central European Summer Time. A replay will be available after the call on the Evolva website.

Today's half year results presentation and consolidated financial statements can be found at: evolva.com/financial-data/hy-result.

Important dates

March 10, 2022	Full Year Results
April 12, 2022	Annual General Meeting

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