

PRESS RELEASE

## **Evolva delivers resilient performance in a challenging environment around the globe**

**Reinach, August 26, 2020** – Evolva (SIX:EVE), the Swiss biotech company focused on the research, development and commercialization of nature-based ingredients, announced today the results for the half year 2020 and corporate highlights.

### **Highlights**

- Received US EPA registration for nootkatone, a protection against insect-borne diseases
- Moved major existing products, including EVE-X157/Z4, to new CMOs predominantly in Europe, to support future growth and realize cost savings
- Record order intake of CHF 6.2m driven by Health Ingredients, of which only CHF 3.8m (+27%) could be realized due to delays at CMOs. Volumes to be shipped in H2 2020
- R&D revenue, consisting of remaining portion of the BARDA contract, faded out in line with plan, following registration of nootkatone in the US
- EBITDA impacted by lower F&F sales and delays at CMOs, both related to the COVID-19 situation. Product-based EBITDA nevertheless improving

Commenting on the first half of the year, Oliver Walker, CEO of Evolva, said: “With nootkatone’s registration in the US, Evolva has put forth all commercial building blocks, demonstrating the resilience and agility of our people despite the COVID-19 situation. With customer demand for our products significantly increasing, we are working to further strengthen our processes and onboard new CMOs to support future growth at positive product margins. We remain on track to deliver on our commitment to achieve cash break-even by 2023.”

### **COVID-19 Update**

The COVID-19 situation continues to evolve and is taking differing courses across the geographies that Evolva operates in. Therefore, a primary concern for us remains the health and safety of our employees.

During the first half of the year, COVID-19 negatively impacted mainly F&F sales and some CMO’s operations. Customer demand in F&F stagnated due to lockdown measures. On the other hand, some CMOs suffered delays in their activities, which triggered shortages in the supply to Evolva. Despite these adverse impacts, company performance remained resilient, with increased commercial demand and record order levels in Health Ingredients. The financing situation remains comfortable.

### **Commercial Operations**

- **Flavors and Fragrances:** This business segment was impacted by the COVID-19 situation. However, the company sees early signs of recovery. To strengthen and diversify future growth, Evolva has launched three new variants of its nootkatone and valencene products to meet customers’ needs worldwide. Moreover, the company plans to launch an innovative product, EVE-X157/Z4, by the end of the year.

- Health Ingredients:** Accelerated sales across regions, with record order levels in the first half of the year. After launching the cold water dispersible (CWD) resveratrol powder, Veri-Sperse™, in 2019, Evolva has launched another innovative delivery solution: Veri-te Acqua™ is a soluble resveratrol and was developed based on a market need, especially in functional beverages, for a completely transparent and fully solubilized resveratrol solution. With more than 13'000 published studies, resveratrol is one of the most researched molecules. A recent study, called Resveratrol Supporting Healthy Aging in Women (RESHAW), conducted as a two-year clinical trial by the University of Newcastle in Australia, demonstrated that subjects taking Veri-te resveratrol experienced enhanced cognitive performance, improved arterial function, increased healthy blood flow, and improved bone mineral density. The results of this study further boosted the already strong commercial interest for the product.
- Health Protection:** The completed registration of nootkatone as a novel active ingredient in the US was the pivotal step on this product's regulatory path. It grants the company a ten-year exclusivity in an estimated USD 350m market of active compounds, forecasted to grow at a CAGR of 5%. Evolva has initiated collaborations with selected companies to secure the registration of end-user products, targeting first sales in late 2021/2022. Evolva also intends to expand the application of nootkatone beyond the US, initially to those markets which base on the US EPA approval for fast-tracking their own regulatory processes.
- Other products:** Evolva receives royalty payments on all EVERSWEET™ sales. The first commercial-scale production of EVERSWEET™, a non-artificial, zero-calorie stevia sweetener, has started on November 14, 2019 at Cargill's fermentation production facility in Blair, Nebraska (USA). Evolva anticipates its royalty income to grow over time. For more information on EVERSWEET™ visit: [avansya.com](http://avansya.com).

## Financials

### Key Figures

CHF million	HY1 2020	HY1 2019	% change
Product related revenue	3.8	3.0	+27%
Research & development revenue	0.2	3.4	-94%
<b>Total revenue</b>	<b>4.0</b>	<b>6.4</b>	<b>-38%</b>
Gross profit	- 0.2	+3.3	
Total operating expenses	-12.4	-12.8	+3%
<b>Operating loss (EBIT)</b>	<b>-12.6</b>	<b>-9.6</b>	<b>-31%</b>
Depreciation & amortization	-4.3	-4.1	
<b>EBITDA<sup>1</sup></b>	<b>-8.3</b>	<b>-5.5</b>	<b>-51%</b>

<sup>1</sup> EBITDA = Earnings before interest, taxes, depreciation and amortization

<b>Operating free cash flow<sup>2</sup></b>	<b>-14.0</b>	<b>-9.3</b>	<b>-51%</b>
Earnings per share (CHF)	-0.02	-0.01	
	<b>30.06.2020</b>	<b>31.12.2019</b>	
<b>Cash position</b>	<b>25.3</b>	<b>39.9</b>	

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## Financial Performance

Product-related revenue increased to CHF 3.8m from CHF 3.0m (+27%) as a result of higher market demand. However, the COVID-19 situation negatively impacted demand and orders in the F&F business in the first part of the year. In addition, also related to COVID-19 and lockdown measures, some of the CMOs were not able to deliver the material required to cover pending orders over approximately CHF 2.4m. With the (partial) easing of lockdown measures, we are confident to compensate that shortfall during the second half of 2020. Absent the extraordinary situation related to COVID-19 and considering the planned fading out of R&D revenues, Total revenue would have at least matched the HY 2019 figure (CHF 6.4m) due to substantially higher product related revenues. The decline of R&D revenue to CHF 0.2m from CHF 3.4m (-94%) reflects the completion of our R&D contract with the US “Biomedical Advanced Research and Development Authority” (BARDA) in 2020. On a reported base, Total revenue decreased to CHF 4.0m from CHF 6.4m (-38%).

As a result of the decrease in R&D revenue and corresponding profit contribution, gross profit decreased to CHF -0.2m in HY 2020 from CHF 3.3m in HY 2019, while gross margin of products sold increased.

Total operating expenses decreased by 3% (CHF 0.4m), despite an extraordinary expense of CHF 0.7m for the increase of a provision relating to a former R&D collaboration with the US Defence Threat Reduction Agency (DTRA) going back to the years from 2008 to 2011. Adjusted for this extraordinary expense, the operating expenses had decreased even 9% (CHF 1.1m), mainly driven by lower regulatory expenses as a result of the pending EPA approval during HY 2020, generally reduced commercial expenses (travel, trade shows, trade fair, etc.) because of strict operational expenses management and COVID-19 restrictions, lower facility costs due to the wind-down of foreign rental facilities and lower staff costs following further optimization of the organization.

Changes in income taxes relate to non-cash effective deferred tax adjustments only.

## Balance sheet and cash flow

Intangible assets have decreased by CHF 4.3m (-3%) as a result of amortization (CHF -3.5m), negative translation effects (CHF -1.7m) and capitalized product process and development costs in HY 2020 (CHF +0.9m). Tangible assets are virtually unchanged at CHF -0.1m (-1%), as depreciation (CHF -0.8m) broadly matched the purchase of manufacturing equipment (CHF +0.7m).

Inventory of finished and semi-finished products increased by CHF 1.7m (+31%), of which CHF 1.1m relate to finished products and CHF 0.6m to raw materials and intermediate products. Because of the positive demand and order momentum, the company needed to increase its net working capital to satisfy customers' needs. As some customers were impacted by the COVID-19 situation and

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<sup>2</sup> Operating free cash flow: Cash flow from operating activities + operating capital investment, excluding contractual obligations to EVERSWEET™

consequently postponed their orders, inventory, and hence net working capital levels were except for a few products exceptionally high. Since our products have a reasonably long shelf time, we do not expect any negative quality impact.

Trade and other receivables increased by CHF 1.7m (+114%) mainly because of increased product sales in the second quarter 2020 and increased tax receivables. Some delays are due to increased uncertainty at selected customers relating to COVID-19 situation and the related efforts to limit cash outflows. With the release of the lock-down measures, we see our receivables being settled by our customers.

Following the Annual General Meeting in April 2020, Evolva Holding AG executed a share capital reduction through the reduction of the nominal value from CHF 0.20 to CHF 0.05 of all registered shares as of 30 June 2020. The entire reduction amount of the share capital of CHF 123,281,735.55 was allocated to the statutory contribution reserve.

Provisions and accrued liabilities have increased by CHF 0.4m (5%) mainly because of the further CHF 0.7m increase of a provision for potential repayments to DTRA (Defence Threat Reduction Agency, United States) to now CHF 5.2m.

The company's cash position decreased to CHF 25.3m from CHF 39.9m at year end 2019, of which CHF 14m results from operating free cash flow<sup>3</sup>, CHF 0.1m related to financing and CHF 0.5m from finance lease payments. In June 2020, Evolva has entered into an agreement for the issuance and subscription of convertible notes up to CHF 12m over a period of 12 months with Nice & Green SA (Switzerland). 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.

## **2020 Outlook**

The below outlook assumes no further lockdown measures being imposed and business environment being consistent over the rest of the year 2020.

Despite a challenging global environment, we expect product-related revenue to double over prior year, and a fading out of R&D revenue following the completion of the contract with BARDA. As product related-revenue becomes the main driver to the top line and assuming COVID-19 will continue to cause some extraordinary expenses over the second half of 2020, EBITDA loss for the full-year is expected to be above prior-year level. However, gross profit on product sales will improve in the second half of the year.

We anticipate cash outflows to be above the 2019 level. In addition to the COVID-19 related effects, these will be driven by investments related to scale up of additional production capacities to keep up with increasing customer demand, launch of a major new product, building of necessary stock levels, and activities to progress nootkatone in the registration process for end-use products.

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<sup>3</sup> Operating free cash flow: Cash flow from operating activities + operating capital investment, excluding contractual obligations to EVERSWEET™

## 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](https://evolva.com).

For Evolva multimedia content, please visit: [evolva.com/multimedia-library](https://evolva.com/multimedia-library).

Evolva will conduct a conference call with media and analysts to discuss HY Results 2020 today at 10 a.m. Central European Summer Time. A replay will be available after the call on the Evolva website.

Today's annual results presentation and consolidated financial statements can be found at: [evolva.com/financial-data/hy-results/](https://evolva.com/financial-data/hy-results/).

## Important dates

February 25, 2021	Full Year Results
April 8, 2021	Annual General Meeting

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