

Evolva with good business momentum and significant progress in profitability in 1H 2023, despite major financing challenges

Reinach, 24 August 2023 – Evolva (SIX: EVE), a pioneer in the field of natural molecules and industrial biotech, reported sales of CHF 4.5 million for the first half of 2023. The lower sales compared to the prior year period resulted from the absence of Vanillin deliveries in 1H 2023, which as previously communicated had been planned to take place in the second half of the year, as well as lower royalty income from EverSweet®. Adjusted for Vanillin and EverSweet®, product revenue grew by 11% in 1H 2023 despite the business disruptions created by the Nice & Green situation. Significant further progress in profitability was achieved with a positive gross contribution margin of 30.4% vs. 10.9% in 1H 2022. Continued strong operational progress and key milestones marked additional highlights of 1H 2023.

In 1H 2023 a non-cash relevant impairment of goodwill and other assets of CHF 68.3 million had to be recorded as result of the current financing situation.

In particular for cash preservation reasons the company now decided to move the next Vanillin production campaign from 2H 2023 to 2024 which reduces the revenue expectations for 2023 towards lower double-digit millions while profitability is expected to further enhance. Foundations were laid to enable mid-term ambition, i.e., EBITDA and cash break-even by 2025 as planned provided the going concern of the company can be secured.

Business and corporate highlights

- Solid sales growth of Valencene and Nootkatone of 7% and Resveratrol of 14% in 1H 2023 compared to 1H 2022, despite major customer destocking activities across the entire industry
- Signed multi-year agreement with a leading CMO to enable the supply of Vanillin to a global F&F customer of around CHF 35 million by 2026 and enhances profitability for several key products from 2024 onwards
- Broadened product offering with the successful introduction of Natural Nootkatone in the EU markets which has already met good interest and demand
- Entered new market segments with Resveratrol and L-Arabinose to address the personal care industry
- Entered into a partnership with Grace Breeding to enter the field of sustainable Agro-solutions to replace chemical fertilizers

Financial highlights 1H 2023

- Total revenue stood at CHF 4.5 million compared to CHF 8.1 million (-45%) in the prior year period. Lower revenues are due to no Vanillin deliveries in 1H 2023. As communicated in May, these had been planned to take place in the second half of 2023 due to production capacity considerations (and were now decided to move to 2024). Adjusted for the Vanillin deliveries and excluding EverSweet® the underlying product-related growth achieved 11% in 1H 2023
- Gross contribution margin increased significantly to 30.4%, compared to 10.9% in 1H 2022 and 21.9% in 2H 2022. The increase was primarily driven by the strengthened

production network and better value capturing on the pricing side. A further continuous increase in gross contribution margin is expected

- Flavors & Fragrances sales stood at CHF 1.8 million, below the CHF 5.5 million achieved in the prior year period due to the lack of Vanillin deliveries in 1H 2023
- Health Ingredients revenues amounted to CHF 2.5 million, 13% higher than in 1H 2022 (CHF 2.2 million), especially driven by Resveratrol
- Royalties from EverSweet®, marketed by Avansya, were still below expectations in 1H 2023 but Evolva remains positive about the long-term potential of EverSweet® as a sugar replacement
- Adjusted EBITDA improved by CHF 1.2 million to CHF -6.3 million
- Operating free cash flow improved by CHF 10.7 million to CHF -4.0 million
- Cash position at the end of June 2023 amounted to CHF 4.4 million

Current Financing Situation and Strategic Review

- Current financing situation, which was created when Nice & Green informed Evolva beginning of June that they do not intend to keep their financial commitments due to a different interpretation of the then existing contractual agreement, poses a significant risk to the company.
- Evolva was forced to implement strict cash management and postpone relevant activities into 2024.
- For cash preservation reasons and to secure lower production costs under the new CMO contract, the company decided to move the next Vanillin production campaign to 2024. This reduces the revenue expectations for 2023 towards lower double-digit millions while profitability is expected to further enhance.
- To secure liquidity at least until the end of the year, Evolva was forced to sign a new financing agreement with Nice & Green which will enable Evolva to draw at least CHF 5.25 million, provided that shareholders approve the increase of the conditional capital at the EGM later today (more information on EGM: [Link](#)) and unless the following applies: If, on any given day until the end of 2023, the daily VWAP of an Evolva share is equal or lower than CHF 1.40, the investor is entitled to suspend the agreement for 7 trading days by written notice to the issuer.
- A comprehensive review of strategic alternatives has been initiated, including a potential sale of the company.
- Active discussions are ongoing with multiple interested parties.
- At the latest by end of 2023, the Board of Directors is confident to have successfully implemented strategic measures that will secure sufficient liquidity and the going concern of the Group in the long term.
- If no buyer, strategic or financing partner can be found during the strategic review, or no other strategic transaction or measure can be implemented, the company would eventually have to cease its operations.
- As a result of the current financing situation, the company specific risk factor was increased, leading to a WACC of 23.9% (2022: 13.2%) which triggered a non-cash relevant impairment of goodwill and other assets of CHF 68.3 million. The underlying business expectations in the impairment test were not fundamentally changed.

Outlook

- The Board of Directors aims to complete the strategic review in 2023.
- Positive business momentum is expected to accelerate despite destocking activities of customers in the industry
- Further improvement of EBITDA and Operating Free Cash Flow in 2023
- Confident regarding mid-term ambition of cash and EBITDA break-even by 2025, albeit at slightly lower revenues and a higher profitability, provided the going concern of the company can be secured.

CHF million	Period from 1 January to 30 June			
	2023 adjusted	2022 adjusted	2023 reported.	2022 reported.
Revenue from contracts with customers	4.5	8.1	4.5	8.1
<i>Product-related revenue</i>	4.3	7.8	4.3	7.8
<i>Direct production costs</i>	(3.0)	(6.9)	(3.0)	(6.9)
<i>Gross contribution</i>	1.3	0.9	1.3	0.9
<i>in % of product-related revenue</i>	30.4%	10.9%	30.4%	10.9%
<i>Research & development revenue</i>	0.2	0.4	0.2	0.4
<i>Cost of goods sold (excl. direct production costs)</i>	(2.4)	(2.2)	(3.5)	(6.7)
Gross profit	(1.0)	(1.0)	(2.0)	(5.5)
Research & development expenses	(3.5)	(5.2)	(28.9)	(19.4)
Commercial, general & administrative expenses	(5.3)	(5.7)	(47.2)	(6.0)
Operating loss (EBIT)	(9.8)	(11.9)	(78.1)	(30.9)
Depreciation and amortization	(3.5)	(4.4)	(3.5)	(4.4)
Impairment of intangible assets	0.0	0.0	(66.3)	(17.0)
Impairment of tangible assets	0.0	0.0	(2.0)	0.0
EBITDA	(6.3)	(7.5)	(6.3)	(9.5)
Cash position (end of period)	4.4	7.4	4.4	7.4
Extraordinary items	(68.3)	(19.0)		
- <i>impairment</i>	(68.3)	(17.0)		
- <i>inventory write-off</i>	0.0	(1.6)		
- <i>others</i>	0.0	(0.4)		

1) This table includes references to operational indicators and alternative performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to and not as substitutes to the Group's consolidated financial results based on IFRS.

Documentation:

Results' documentation will be available on the company website at 07.00 CET under this link:

<https://evolva.com/financial-data/hy-results/>

Webcast and Conference Call information:

Evolva will host a conference call with media and the financial community today, 09 a.m. CET.

Registration link for conference call:

<https://webcast.meetyoo.de/reg/k8pdLBjRiLer>

Following registration, participants will receive a confirmation e-mail with individual dial-in information.

- Webcast link for conference call participants
<https://www.webcast-egs.com/evolva-2023-hy/no-audio>
- Webcast link to the livestream:
<https://www.webcast-egs.com/evolva-2023-hy>

To ask questions during the Q+A session you must dial in to the moderated conference call.

A replay will be available after the call via the Evolva website.

Important dates

24 August 2023, 11.00 CET Extraordinary General Meeting, Hotel Victoria, Basel

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

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