

Evolve Half-year 2022 results presentation

25 August 2022

Christian Wichert, CEO
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EVOLVA

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Agenda

1. Business highlights

Christian Wichert

2. Mid-term plan 2023 – 2025

Christian Wichert

3. 1H 2022 financial results

Carsten Däweritz

4. Outlook 2022 and beyond

Christian Wichert

Strong increase in revenues and gross contribution margin



Revenues

Total revenues:
CHF 8.1 million
(+28%)

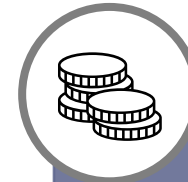
Product revenues:
CHF 7.8 million
(+30%)



Profitability

Gross contribution margin of **10.9%**
(-73% in 1H 2021)

Adj. EBITDA¹:
CHF -7.5 million
(-12 million in 1H 2021)



Liquidity

Cash at end of June:
CHF 7.4 million

Available financing lines:
CHF 20.0 million

Well on track to reach revenues guidance of CHF 15 million and positive double-digit gross contribution margin in 2022

Business highlights

Highest-ever revenue level in 1H 2022 accomplished, well on track to reach FY guidance of CHF 15 million



Transformation from R&D to commercial stage has resulted in 46% CAGR with product-related revenues since 2017



Increase of 30% in product-related sales against 1H 2021, driven especially by Vanillin and contributions from Valencene & Nootkatone

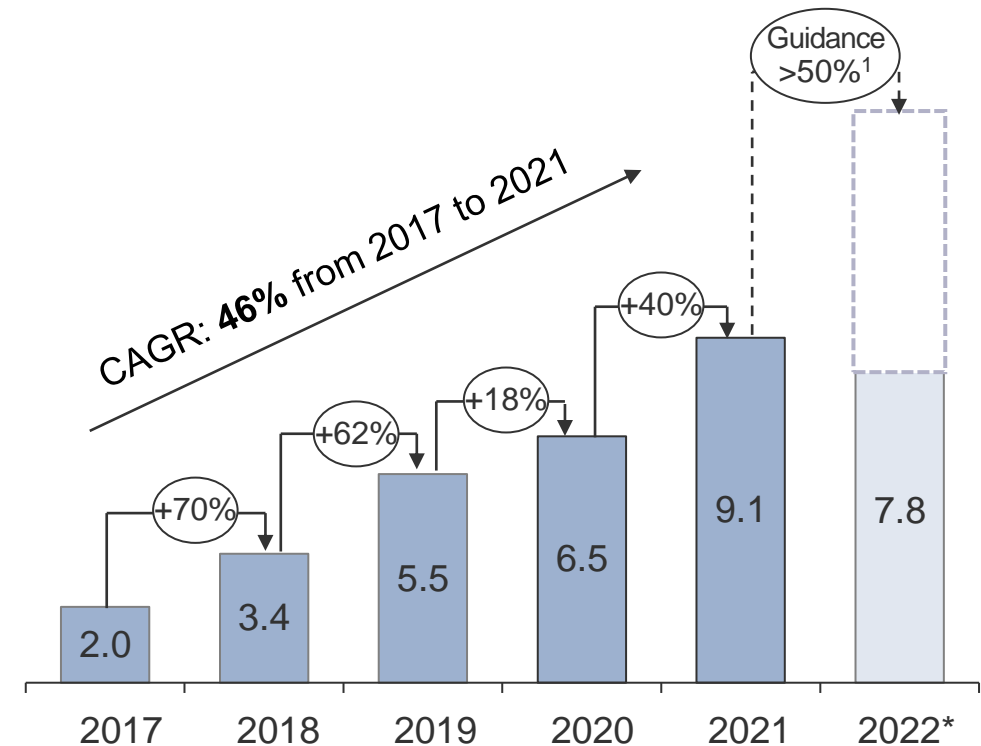


Sequential growth of product-related revenues of 148% against 2H 2021



Initial focus to boost commercial performance on **Flavors & Fragrances** business paid off, now turning focus also to Health Ingredients

Product-related revenues (CHF million)



* Dashed bars for illustrative purposes only

Business highlights

Gross contribution margin of 11% in 1H 2022 achieved, well on track to reach full year guidance of “double-digit”



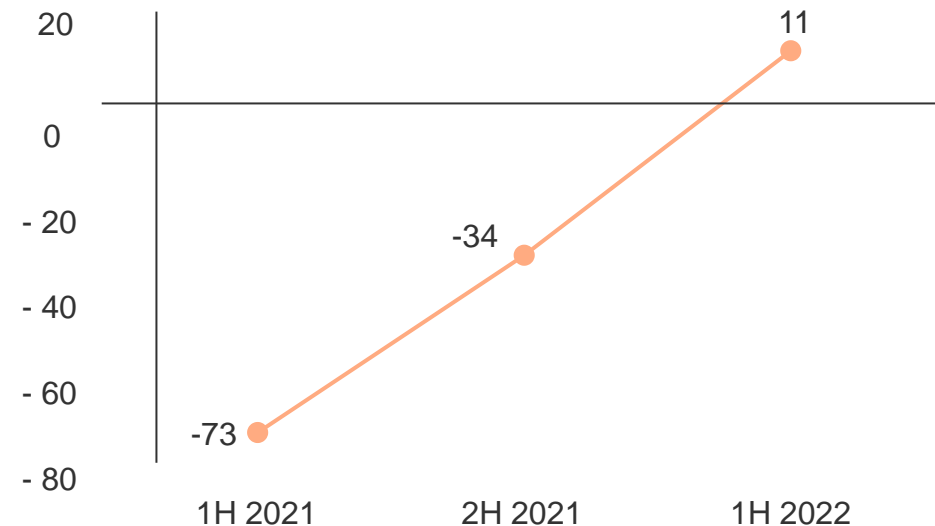
Gross contribution margin turned positive and double-digit, expected to increase further



A result of:




- **Strengthened relationships** with our CMO network partners
- Implemented **process technology improvements**
- **Value pricing** to capture the value creation for our customers and consumers

Half-yearly development of gross contribution margin (in %)



Business highlights

Evolve is active in three promising business areas

	Core business areas today		Developing business
Business	 <p>Flavors & Fragrances (F&F)</p>	 <p>Health Ingredients (HI)</p>	 <p>Health Protection (HP)</p>
Value Proposition	Nature-based ingredients for F&F that help resolve supply chain & resource bottlenecks of nature.	Nature-based ingredients for dietary supplements and cosmetics that contribute to health and wellness.	Nature-based products with high efficacy to protect humans and pets against insects and corresponding illnesses.
Products*	<ul style="list-style-type: none"> • Valencene • Nootkatone • Vanillin • L-Arabinose 	<ul style="list-style-type: none"> • Resveratrol • L-Arabinose • EVERSWEET™ 	<div style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> • NootkaSHIELD™ (for now, reported under HI) </div>

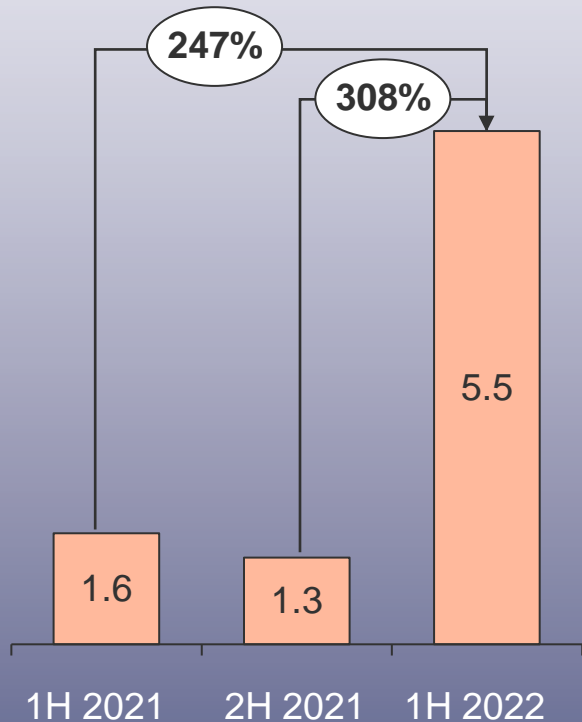
*Current revenue drivers in **bold**

Evolve capitalizes on global megatrends of health, wellness and sustainability

Business highlights

Flavors & Fragrances: 247% sales growth in 1H 2022 vs. 1H 2021, driven mainly by Vanillin

Sales (CHF million)



Main developments 1H 2022

- Initial focus to boost commercial performance was on F&F, resulting in 247% growth compared to 1H 2021
- Delivery of first commercial batches of Vanillin to global customer – resulting in strong contribution to H1 revenue growth
- Valencene and Nootkatone ahead of plan

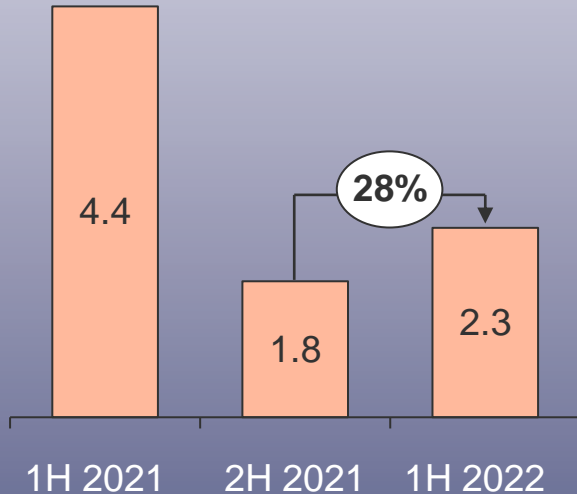
Expected key drivers 2H 2022

- Positive momentum continues – value pricing initiatives to further enhance gross contribution profile
- Valencene and Nootkatone sales to pick up further in 2H 2022
- Vanillin becoming an important additional revenue pillar in F&F with a promising basis for further deliveries in 2H 2022 and beyond

Business highlights

Health Ingredients: sequential sales growth of 28% in 1H 2022 vs. 2H 2021, next focus area to boost commercial growth

Sales (CHF million)



Main developments 1H 2022

- 28% sequential growth vs. 2H 2021. 1H 2021 characterized by over-stocking behavior of customers as consequence of production issues in 2020
- Significant global market interest, especially new product development with Veri-te trademark (co-branding)
- NootkaSHIELD™ pilot launch with business partners in South-East Asia successfully started
- EVERSWEET™ below expectations

Expected key drivers 2H 2022

- Anne De Vos newly appointed as Chief Commercial Officer as of 1 July, also assuming responsibility for Health Ingredients business
- Activities to boost commercial performance now extending to HI to push respective business
- Value pricing to better capture the value we create with Veri-te for customers and consumers
- Launch activities for L-Arabinose in preparation

Continuous work on increasing organizational productivity as a foundation for future profitable growth

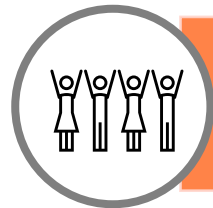
Immediate focus on 3 levers



Boost commercial performance:
Focus and deliver



Cost discipline:
Run a tight ship



Culture as enabler:
All hands on deck

Achievements so far

- Supply chain issues resolved
 - CMO network significantly strengthened, sustainable and scalable
 - Increased capacity to meet sales ambition in the coming years
 - New business Vanillin with global partner
 - New distribution agreement with Tovani Brazil (Barentz Group)
-
- Create an efficient and effective organization
 - Cost improvements of CHF 2.0 million vs. original plan identified, lean organization, reduction of admin related expenses
 - no negative impact on business expected
 - Continuous focus to put funds to their most effective use
-
- Fostering a culture of teamwork
 - Continuous communication (e.g. townhall events)
 - Strategy-oriented, prioritized, pragmatic execution

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2. **Mid-term plan 2023 – 2025**

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Christian Wichert

Mid-term plan expected to accelerate the positive trend with revenues up to 45-50M and EBITDA/Cash break-even in 2025

Key targets and highlights



Revenue growth of 40-60% p.a. targeted



Continuous increase of gross contribution margin targeted



EBITDA and Cash break-even targeted for 2025

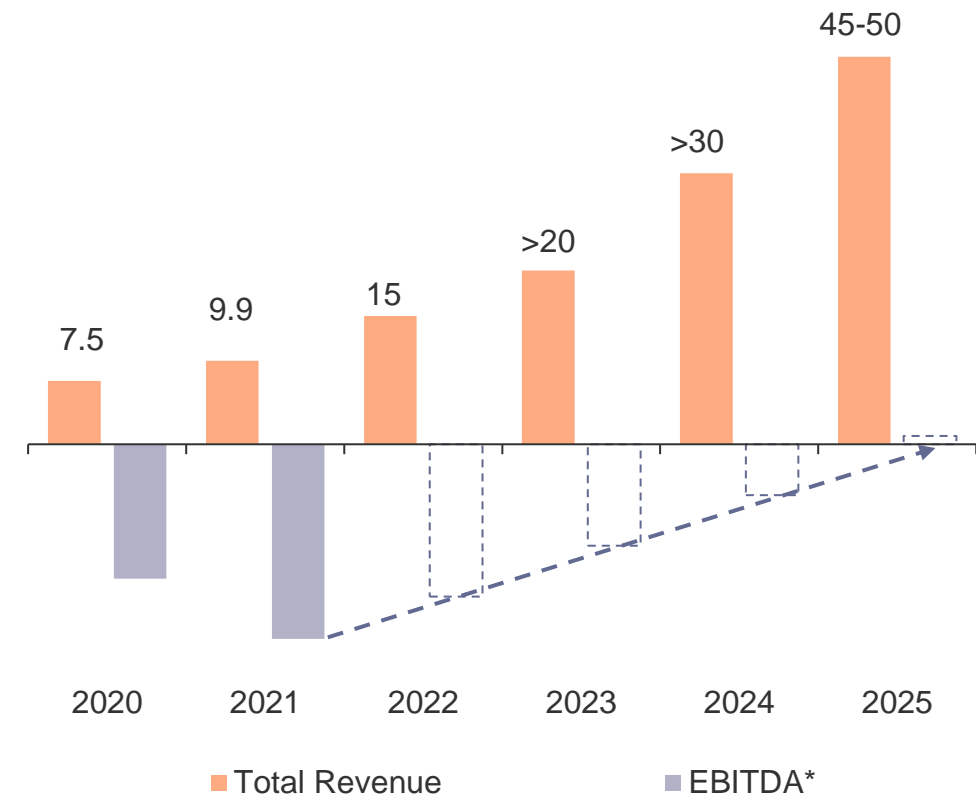


Conservative Mid-term plan largely based on existing product portfolio



Concrete initiatives with pragmatic action plans in place

Key development targets (CHF million)



* Dashed EBITDA bars for illustrative purposes only

Evolve is developing into a biotech leader providing solutions around natural ingredients based on fermentation

Ambition: Resolving bottlenecks of nature

Addressing global mega-trends

- Wellness
- Health
- Sustainability



1. Developing new molecules
to further strengthen our technology platform based on leading R&D capabilities and existing CMO network

2. Upscaling of molecules and concepts
of our own developments as well as becoming a partner of choice for start-ups, small-, mid- and large-sized players

3. Commercializing products,
existing and new, as ingredient sale or ready-to-market concepts / formulations in current and new markets

Foundation: Precision-fermentation platform with leading proprietary technology

Spotlight 1: Evolva’s innovation pipeline provides exciting potential for future growth

Ambition: Resolving bottlenecks of nature

Addressing global mega-trends

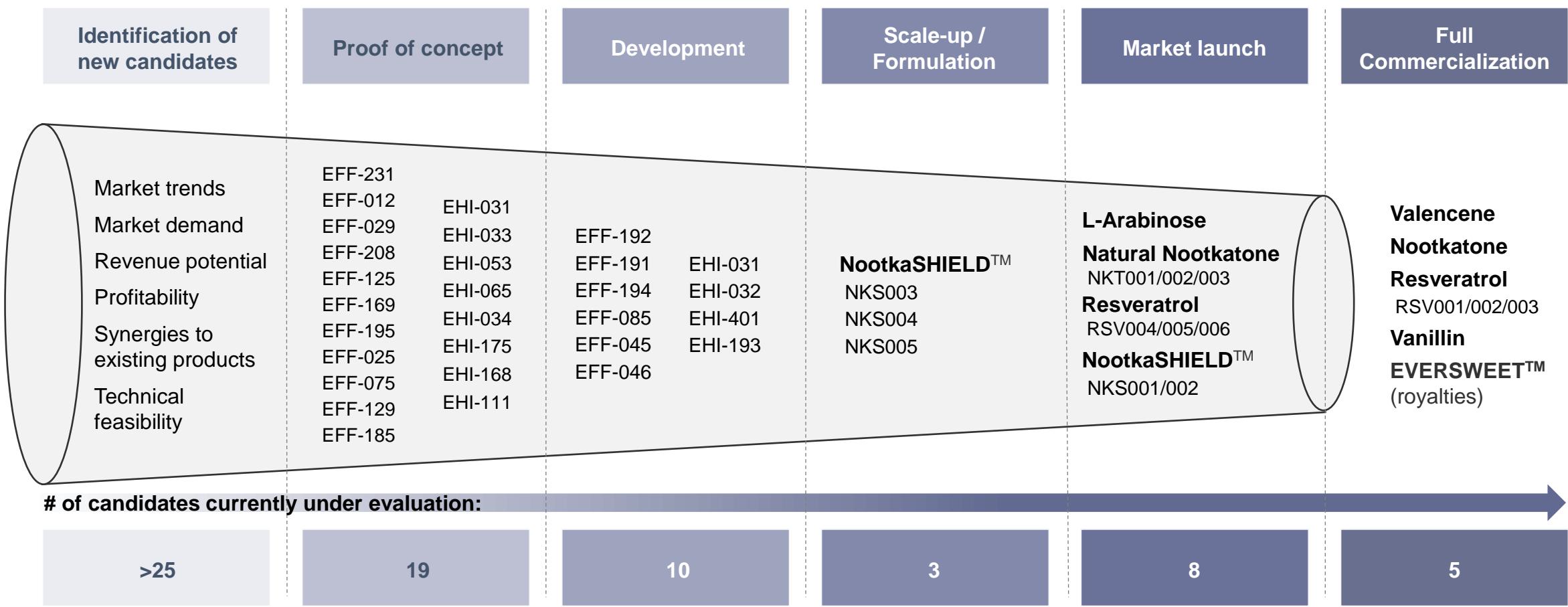
- Wellness
- Health
- Sustainability

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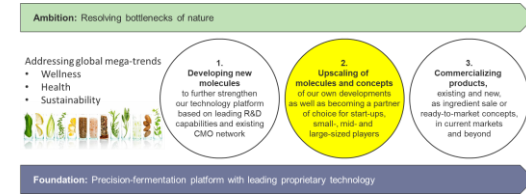
2. Upscaling of molecules and concepts
of our own developments as well as becoming a partner of choice for start-ups, small-, mid- and large-sized players

3. Commercializing products,
existing and new, as ingredient sale or ready-to-market concepts, in current markets, and beyond

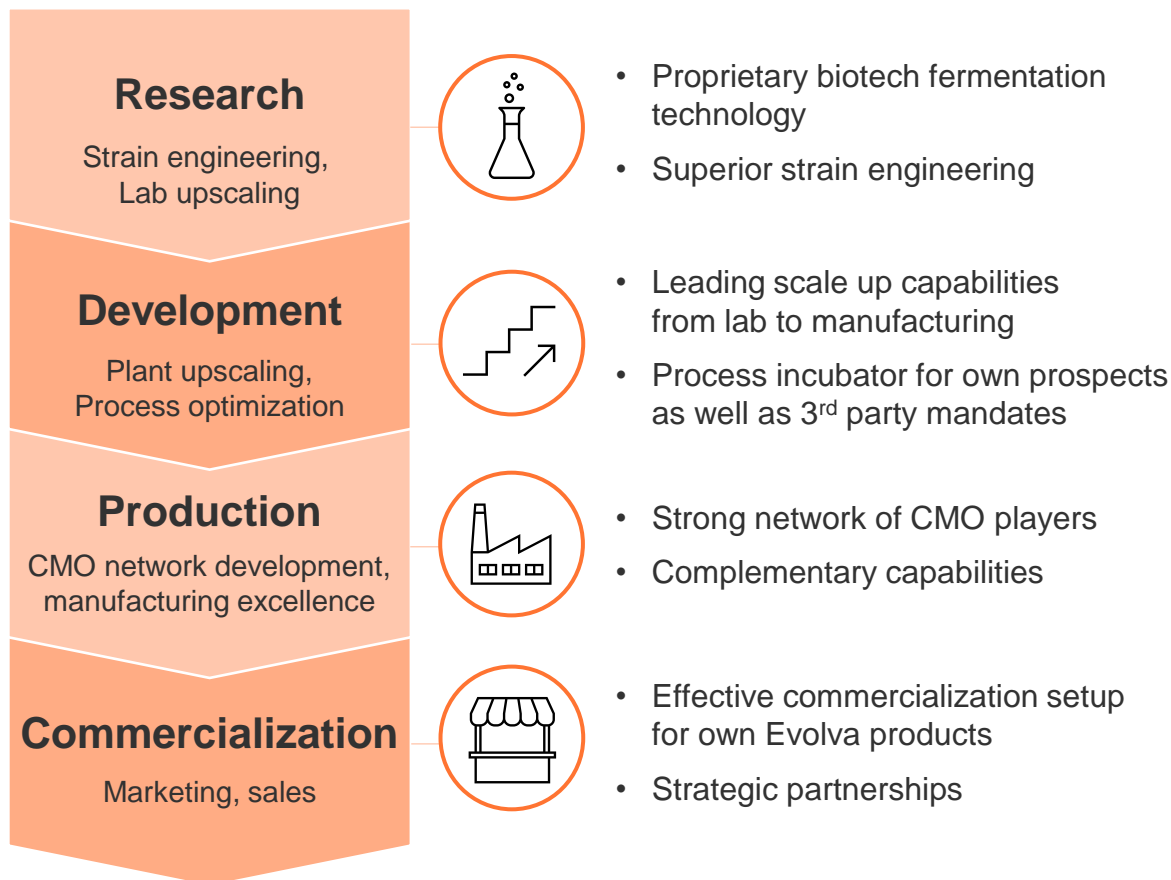
Foundation: Precision-fermentation platform with leading proprietary technology



Spotlight 2: Vanillin success story demonstrates Evolva's strong R&D and upscaling capabilities



Evolva's core competencies along the value chain:



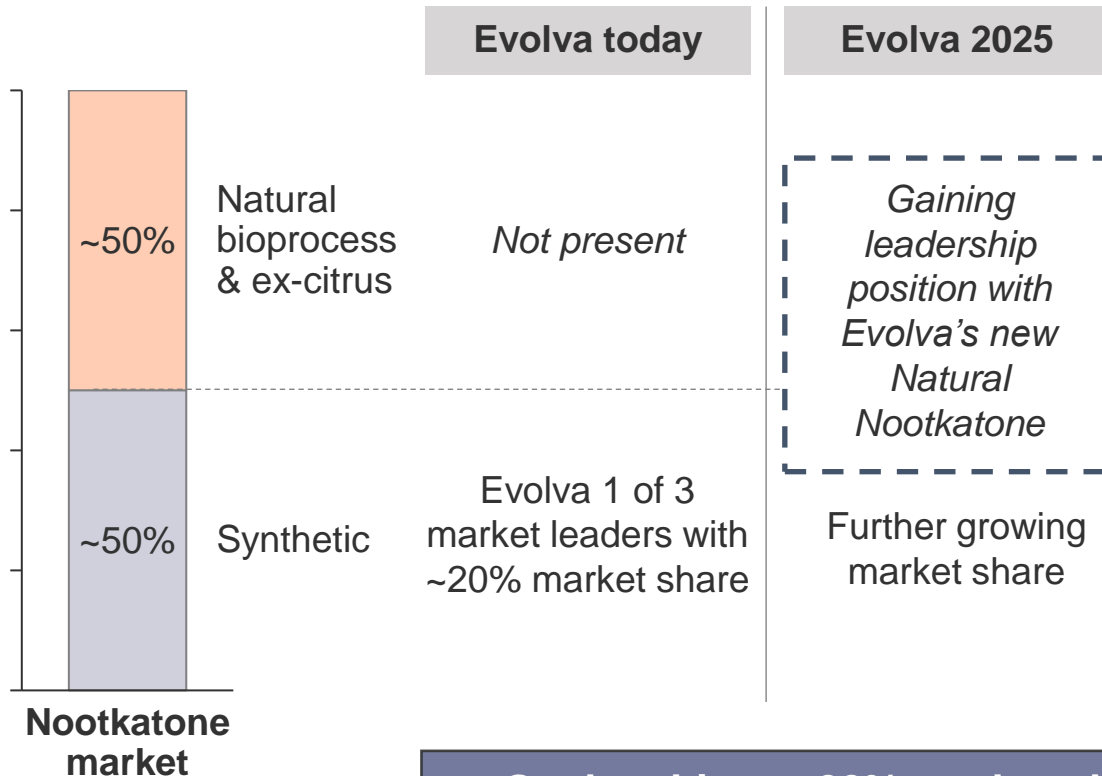
Vanillin is an exciting success story:

- Vanillin: top ingredient, widely used, significant potential
- Natural supply: limited, volatile (crops), very high price
- Synthetic alternative not in line with consumer preferences for natural flavors
- Evolva's biotech solution: convincing USP!
 - ✓ Natural declaration (no artificial flavors)
 - ✓ Cost competitive
 - ✓ Superior sensorics
 - ✓ Consistent high quality
 - ✓ European origin, abundant availability
- R&D and Operations working in overlapping teams, from research to development to upscaling
- Modular process technology → competitive advantage

Conclusion: ➤ Major revenue opportunity in MTP
➤ Upscaling capabilities to 3rd party

Mid-term plan 2023 – 2025

Spotlight 3: Natural Nootkatone allows substantial market share gains addressing naturality and sustainability



- Strong value proposition of Evolva's Natural Nootkatone (Value pricing – more affordable)
- Attack the Natural Nootkatone ex citrus market where profile allows replacement
- Offer Natural Nootkatone to key food & beverage manufacturers
- Focus on service and flexibility – ensure speed to market during approval process

Goal: achieve ~20% market share in overall Nootkatone market by 2025 (driven by new Natural Nootkatone offering)

Source: Internal estimations based on market insights.
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Mid-term plan 2023 – 2025

Spotlight 4: Resveratrol as very powerful anti-oxidant provides holistic benefits for modern consumer products



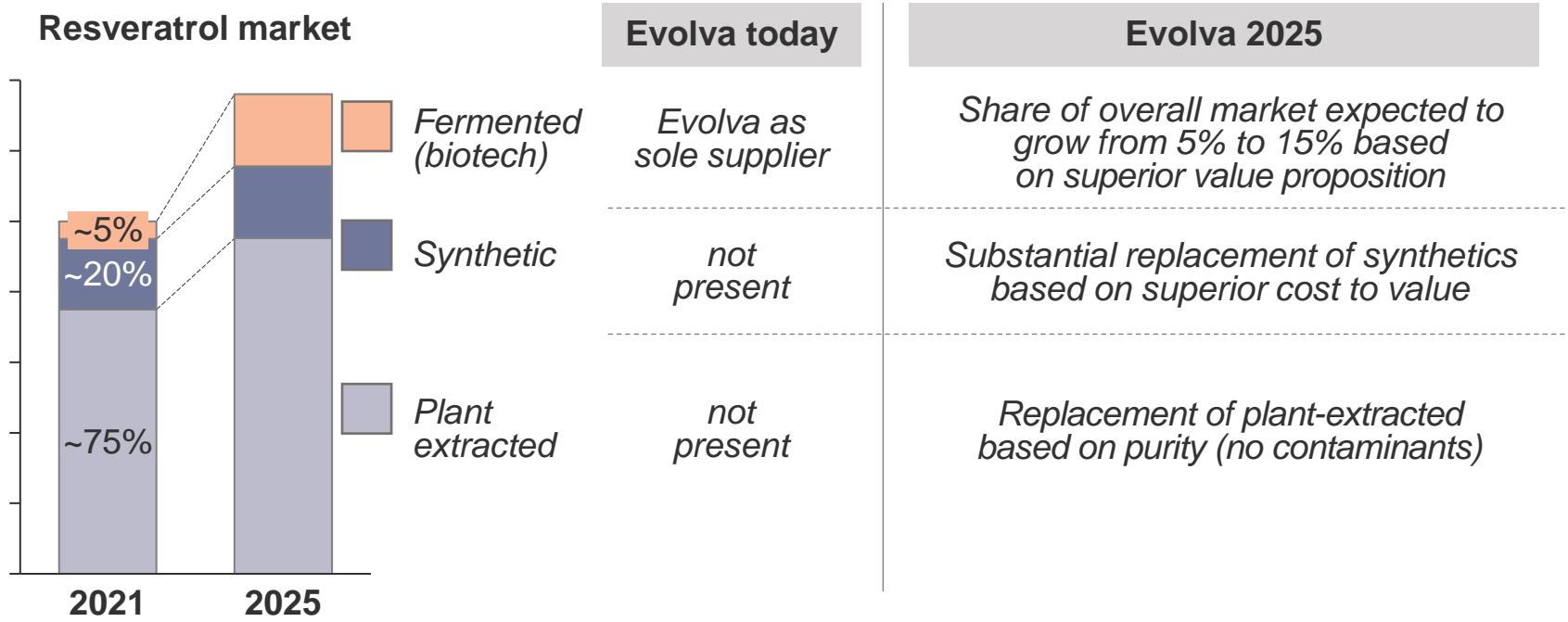
“As consumers are broadening their perception of their health, they are also now looking for **functional ingredients** that allow them to address a **variety of health concerns** quickly and **simultaneously...**”

Euromonitor International,
Top trends – June 2021

Besides today’s core market segment Dietary Supplements, Cosmetics, Functional Food and Beverage, Pet Animal Health and Pharma offer significant potential

Mid-term plan 2023 – 2025

Spotlight 4: Evolva aims for substantial market share gains and additional potential from entering new markets



Strong value proposition of Evolva's Veri-te Resveratrol:

- ✓ Natural alternative to synthetics
- ✓ Superior cost to value ratio compared to synthetics
- ✓ High purity and free of contaminants (e.g. Emodin, PAHs*), compared to plant-extracted
- ✓ Cost competitive and consistent quality to plant-extracted

Evolva as the sole supplier of fermentation-based Resveratrol is well positioned to gain substantial market share and benefit from future market growth

Source: Internal estimations based on several different market reports and market insights.
 *PAHs - Polycyclic aromatic hydrocarbons
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Spotlight 4: Entering new markets with segment-specific go-to-market strategies to boost Resveratrol sales

Ambition: Resolving bottlenecks of nature

Addressing global mega-trends

- Wellness
- Health
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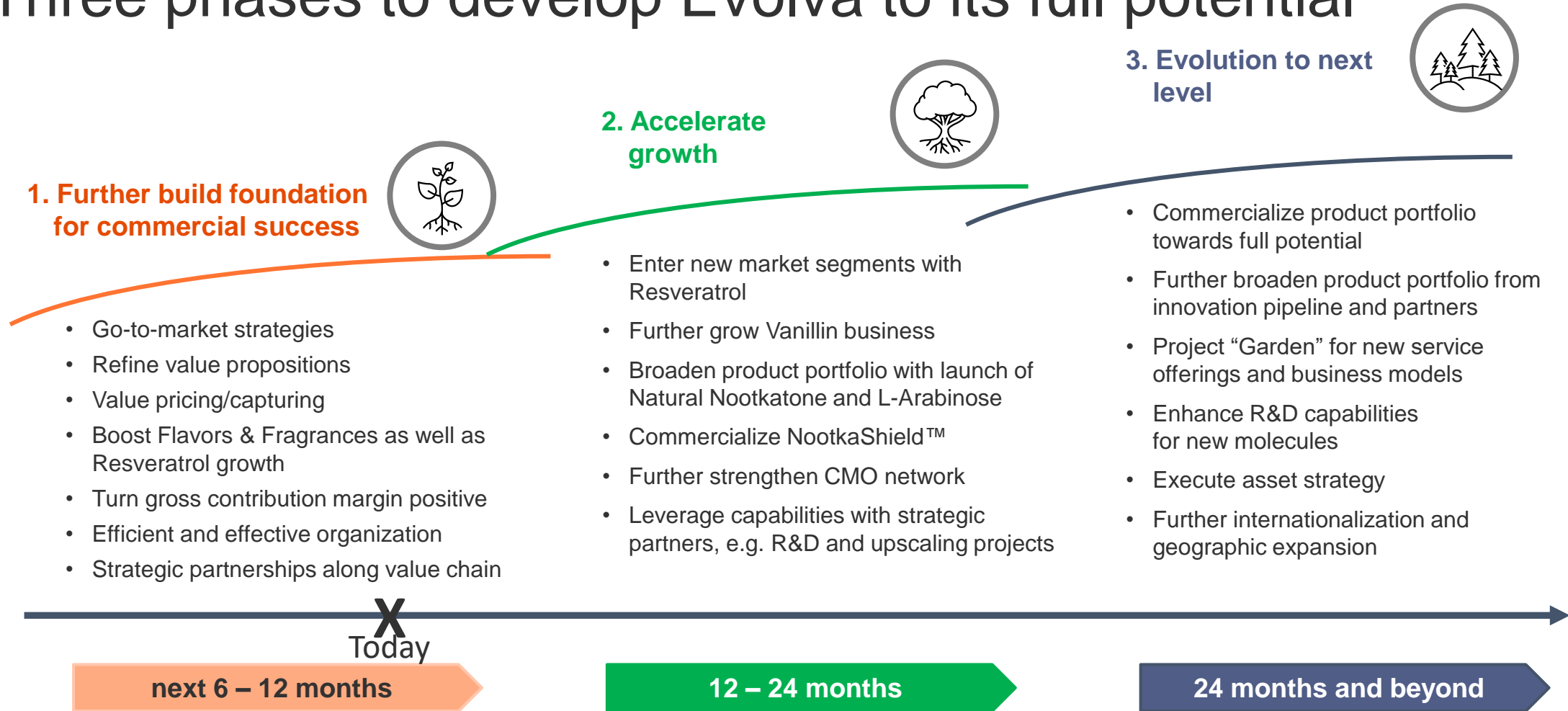
Foundation: Precision-fermentation platform with leading proprietary technology

Planned expansion trajectory



Significant revenue and profitability uplift potential expected by entering attractive new market segments with tailored offerings and consumer-oriented, ready-to-market concepts

Three phases to develop Evolva to its full potential



Discussions with potential strategic partners ongoing, to further strengthen the business model with complementary strengths and synergies on both operational and commercial levels

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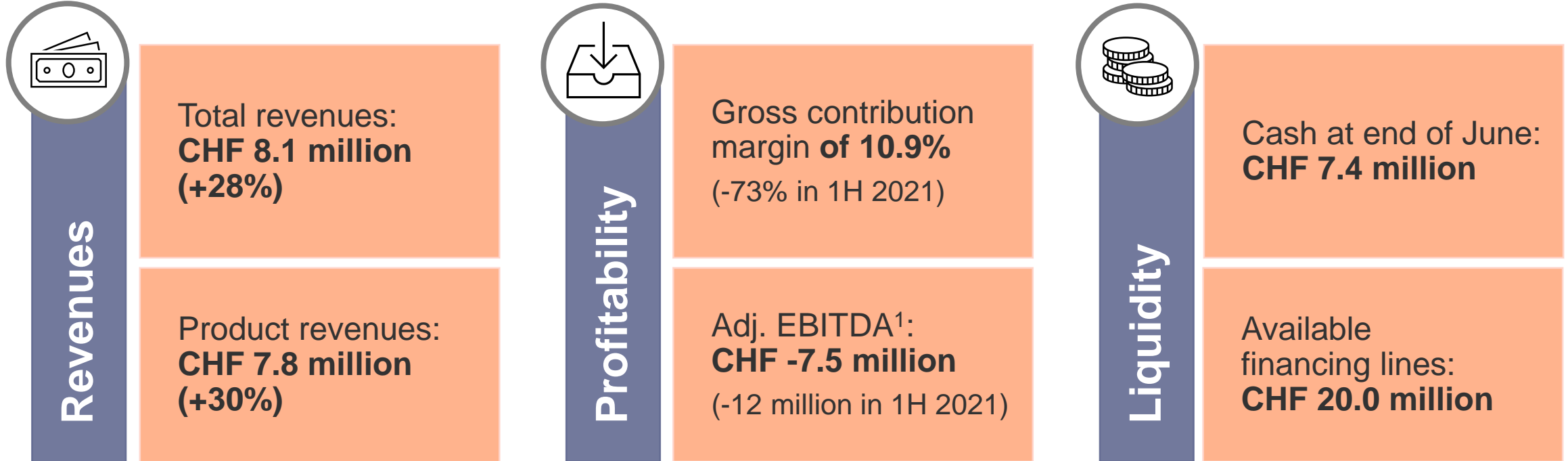
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Recap: Strong increase in revenues and gross contribution margin



Well on track to reach revenues guidance of CHF 15 million and positive double-digit gross contribution margin in 2022

1) Adjusted for extraordinary items of CHF 19.0 million, including impairment of CHF 17 million, inventory write-off CHF 1.6 million and others CHF 0.4 million (1H 2021: CHF 10.6 million)

1H 2022 results

P&L highlights: Product-related revenue +30%

CHF million	1H 2022 adjusted*	1H 2021 adjusted*
Revenue from contracts with customers	8.1	6.4
Product-related revenues	7.8	6.0
Direct production costs	(6.9)	(10.4)
Gross contribution	0.9	(4.4)
in % of product-related revenue	10.9%	-72.6%
Research & development revenue	0.4	0.4
Cost of goods sold (excl. direct production costs)	(2.2)	(1.8)
Gross profit	(1.0)	(5.8)
Research & development expenses	(5.2)	(6.0)
Commercial, general & administrative expenses	(5.7)	(4.5)
Operating loss (EBIT)	(11.9)	(16.4)
Depreciation and amortization	(4.4)	(4.3)
Impairment of intangible assets	0.0	0.0
EBITDA	(7.5)	(12.0)
Cash position (end of period)	7.4	13.1
Extraordinary items for adjustments	(19.0)	(10.6)
- impairment	(17.0)	(10.6)
- inventory write-off	(1.6)	0.0
- others	(0.4)	(1.0)

- 30% growth of product-related revenues
- Gross contribution margin of product-related sales turning positive and already in the double-digit range , in line with FY guidance
- Gross profit substantially improved to CHF -1.0 million
- Recurring operating expenses largely stable
- The extraordinary impairment of CHF 17.0 million relates to patents and patent applications (CHF 2.0 million), royalty and licenses (12.1 million EVERSWEET™) and product and process development (2.9 million)

1H 2022 results

Key balance sheet items - Assets

CHF million	1H 2022	2021
Assets		
Intangible assets	96.6	113.3
Property, plant and equipment	5.9	6.0
Financial assets	3.4	3.4
Total non-current assets	105.8	122.6
Inventories	20.6	16.3
Prepayments & accrued income & others	1.0	1.8
Trade and other receivables	5.3	4.5
Cash and Cash equivalents	7.4	11.0
Total current assets	34.3	33.6
Total assets	140.2	156.2

- Intangible assets reduced through CHF 17.0 million extraordinary impairment of royalty & licenses, patents & patent applications and product & process development
- Net Working Capital increased mainly due to CHF 4.3 million build-up of finished products driven by front-loaded production schedule and new products to support the targeted growth
- Cash Position at CHF 7.4 million at end of June
- Additional financing line of CHF 20.0 million from Nice & Green

Key balance sheet items – Equity and liabilities

CHF million	1H 2022	2021
Equity and liabilities		
Total equity	114.4	131.8
Total non-current liabilities	8.8	9.2
Total current liabilities	17.0	15.2
Total Equity and Liabilities	140.2	156.2

- Equity increase through placement of CHF 6.3 million to several long-term oriented institutional shareholders at now discount
- Members of the Board and Management participated with CHF 1.0 million, demonstrating their commitment and alignment with shareholders
- Additional equity increase through placements to Nice & Green CHF 5.8 million
- Non-current liabilities include lease and pension liabilities
- Current liabilities include increase of convertible loan (Nice & Green)
- Ongoing discussions with potential strategic partners can entail an equity or financing component

1H 2022 results

Operating free cash flow

CHF million	1H 2022	1H 2021
Cash Flow		
Cash position at beginning	11.0	19.7
Cash flow from operating activities	-13.5	-13.5
Cash flow from investing activities	-1.2	-3.7
Cash flow from financing activities	11.1	10.6
Cash position end of period	7.4	13.1

- Operating activities include CHF 3.9 million increase in Net Working Capital, driven by build-up of finished products inventory
- Investing activities include capitalized development expenses of CHF 0.8 million
- Financing activities reflect a private placement in 2Q 2022 with long-term institutional investors, Members of the Board and Management, and 3 subscriptions with Nice & Green

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Outlook 2022 and beyond

Well positioned to unlock value creation

Outlook 2022

- Ongoing positive business momentum
- Revenue growth of >50% to CHF 15 million at constant currencies vs. FY 2021
- Positive, double-digit gross contribution margin

Mid-term targets

- 40-60% revenue growth, mainly driven by existing products
- CHF 20 million in 2023, > CHF 30 million in 2024, CHF 45-50 million in 2025
- Significantly improving gross contribution and gross profit
- Cash and EBITDA break-even by 2025 targets

Strong position in nature-based products in the sweet spot of health, wellness and sustainability with attractive expansion potential of addressable markets

Q&A

We are happy to
answer your questions.

Financial Calendar

Investora Zurich	21 September 2022
FY 2022 Results	9 March 2023
Annual General Meeting	18 April 2023

Appendix

More detailed information about our half year
2022 financial results can be found here:
<https://evolva.com/financial-data/hy-results/>

Gross contribution as key performance measure



Sales



- Direct production costs → Declining unit costs due to efficiency gains

= **Gross contribution** → Going forward: positive and increasing



- Operational costs



- Operational staff

} Largely fix (around CHF 2.5 million)



- D&A → Mainly capitalized R&D expenses

= **Gross profit**



Positive (increasing) gross contribution and sales growth
key to become profitable

Precision-fermentation to solve FMCG's challenge to ensure both functionality and sustainability of their products

Our USP

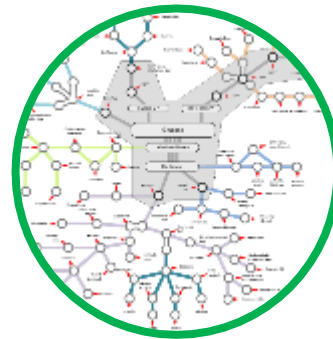
Functionality

Consumers want a product
"that works"

But natural ingredients have
significant disadvantages



Fluctuating supply, volatile prices,
limited availability, harm from intense
farming, high environmental impact



EVOLVA
FERMENTATION

- ✓ Consistently high quality
- ✓ Abundant availability
- ✓ Pure and save
- ✓ Sustainable

Sustainability

Consumers want a product
"that doesn't harm them nor the
planet"

But synthetic ingredients have
significant disadvantages as well



Utilizing unsustainable "virgin" fossil
fuels, synthetic production of molecules,
use of solvents, catalysts

Strong proprietary technology platform as backbone

Technology platform

STARTING MATERIAL

We are using sugar, water, salts vitamins and minerals to grow our proprietary yeast enabled to produce our nature-based ingredients.



Sugar

NATURE-BASED INGREDIENTS

*We provide products that can contribute to health, wellbeing and sensory enjoyment.
All our ingredients are highly pure, affordable and can be produced in high quantities.*



**Resveratrol
L-Arabinose
Vanillin**

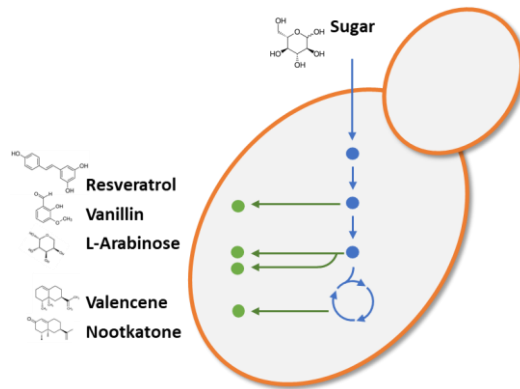
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TECHNOLOGY

*We are using bakers yeast as our main production host.
Via metabolic engineering we transform it into our production factory able to convert sugar into our desired ingredient.
Using fermentation we can grow these little factories, multiply them and increasing the amount of product made.
Our ingredients are recovered and purified leading to products with more than 98% purity.
All processes are performed at large-scale and under high quality standards.*

Multiple technology approach enables access to many different compound classes

Technology approach



de novo BIOSYNTHESIS

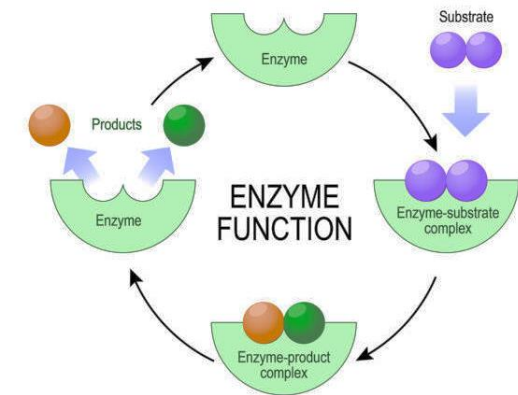
Using **metabolically engineered microbial cell factories**, simple carbon substrates such as **sugar** can be **converted** to much more **complex molecules**.

This approach allows the biosynthesis of **very complex molecules** where a **big number of enzymatic steps are required**. However, setting up is more time consuming.

Conversion of glucose to RebM, Resveratrol, Vanillin, L-Arabinose, Valencene or Nootkatone

Sugars
Terpenes
Flavones
Phenylpropanoids
Flavonoids
Stilbenes

Many different compound classes



BIOTRANSFORMATION/BIOCONVERSION

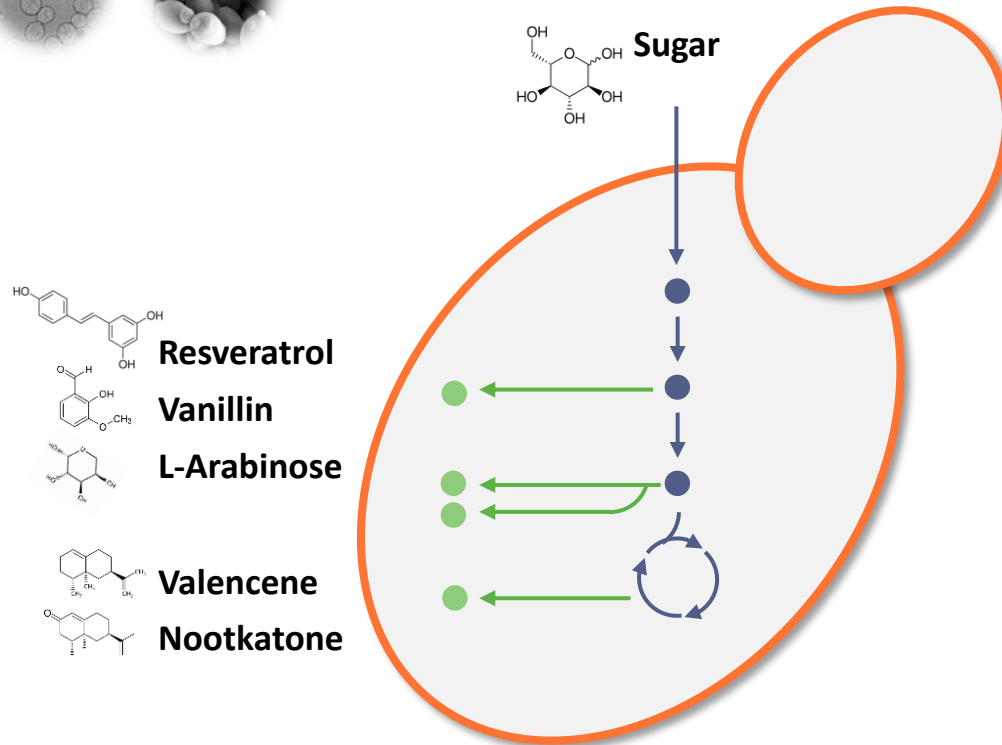
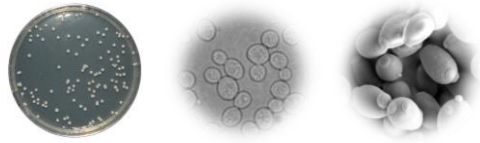
Using **enzymes or microbial cells**, **inexpensive** and easily available **precursor substances** can be specifically **modified or interconverted** to structurally similar, but more **valuable compounds**.

In part higher yields than *de novo* biosynthesis and thus, more economic processes. However, **only applicable** if a **limited number of steps** is required.

*Biotransformation of Ferulic Acid to Vanillin using B. subtilis
Limonene to terpineol, carvone, menthol using Pseudomonas spp.*

Evolva's strain engineering with new and optimized pathways

Strain engineering



METABOLIC PATHWAYS

Consist of a number of different enzymes successively lined up that metabolize sugar and further convert it into new molecules.

Yeast Metabolism

Yeast is able to **metabolize sugar towards a certain intermediate** that can be used as **starting point** for the biochemical pathway required for the **biosynthesis of the new molecule**.

New Pathway/Enzymes

In order to synthesise new molecules a **new pathway and additional enzymes** have to be **introduced** and expressed in yeast. This is achieved by integrated new genes into the genome of yeast. These new enzymes further convert the yeast intermediate into the desired new molecule.

Pathway Optimization

Once the pathway has been established further work is required in order to increase the carbon flow towards the new pathway and molecule and to reduce the amount of side products, thus increasing yields.

Evolve runs on fully-fledged organizational capabilities

Organizational capabilities

