



### After successfully completing its transformation, Evolva is on track to build its business

**28 February 2019** – Evolva (SIX: EVE) posted its [financial results](#) today and provided business highlights for the period from 1 January to 31 December 2018.

#### Key business highlights

- Evolva has completed its transformation process that had started in August 2017
- Continuing solid product sales growth trend
- Wider geographical distribution footprint and relevant extensions of product ranges
- Company on track to develop a pest control ingredients business with US EPA registration of nootkatone expected in a couple of months
- Well-developed product pipeline that will additionally support future sales growth
- Evolva has received the first royalty payment from EverSweet™ product sales, albeit modest as expected, in the fourth quarter of 2018

#### Financial highlights

- Product sales reached CHF 3.4 million in 2018 (+70%)
- Overall revenues were CHF 8.9 million (+31%)
- Financial profile improved, cost base sustainably lower
- Cash position of CHF 60.4 million on 31 December 2018 (31 December 2017: CHF 97.2m)
- On track to reach cash break-even in the 2021/23 timeframe

**Evolva CEO Oliver Walker** said, “Evolva achieved substantial progress across the board in 2018. We have put our house in order, adding a clear customer focus on top of our strong basis in research and development. We have at the same time improved our financial profile, paving a more solid road towards profitability. We are excited about our prospects going into 2019. We expect a growth acceleration for the EverSweet™ product and a US registration for nootkatone in pest control. These milestones will enhance the opportunities to unlock significant additional income streams for Evolva. And, last but not least, we have several new products in late stage development which could potentially go to market in the foreseeable future.”

The PowerPoint presentation and accounts are [available on Evolva’s website](#). Analyst/media call details on page 5.

## **Operational Review**

### **Resveratrol for the Human Health market**

Resveratrol continued its solid growth trend in 2018. As envisioned in February 2017 when we launched our new brand, Veri-te™ Resveratrol, we have seen a number of jointly branded products launched both in Europe and the US. In April 2018 we launched Veri-te™ Resveratrol CWD90, a cold-water dispersible resveratrol powder. This innovative application represents a first in the resveratrol market, and will open up aqueous product development with resveratrol for our customers. Initial interest from customers in this new application has been very positive, and we expect a solid growth in sales over the next several years.

### **Nootkatone and Valencene for the Flavors and Fragrances market**

Sales of our specialty ingredients into the growing F&F market are progressing well. Growth is coming from key global customers and from the very large and diverse range of smaller customers via our network of distributors. We have introduced two new products in 2018: a high-purity valencene and a new variant of nootkatone. We also expanded our presence into Latin America and Asia. We expect these initiatives to yield additional growth in 2019 and beyond.

### **EverSweet™ for the Sweetener market**

Cargill has started commercially producing the EverSweet™ sweetener and shipped the first customer orders during the second half of 2018. In November 2018, Cargill and Royal DSM announced a new joint venture which will combine both companies' technologies for producing steviol glycoside products made through fermentation and will market its products under one brand name, EverSweet™. The establishment of the joint venture is subject to regulatory approvals and other customary closing conditions but expected to be finalized in the first calendar quarter of 2019. Evolva's royalty rights on all EverSweet™ sales and the existing agreement between Cargill and Evolva remain unchanged. Based on our agreement with Cargill we have received the first royalty income from EverSweet™ product sales, albeit as expected modest, in the fourth quarter of 2018.

### **Vanillin for the Flavors and Fragrances market**

Our partner, International Flavors & Fragrances Inc. (IFF), handles the commercialization of our vanillin product. Since its introduction, IFF has significantly widened the range of blends, containing our vanillin. However, volumes remain low compared to our original expectations and market potential.

### **Nootkatone for the Pest Control market**

Since September 2017 we have been working under a contract by the US government. The CDC-funded contract (No. HHSO100201700015C) has a value of USD 8.35 million to Evolva. Its key objective is to advance the development of safe, effective, and sustainably sourced next-generation products that can provide a new form of protection against select mosquito-borne diseases like Zika.

Barring any further delays caused by the US government shutdown, we expect the Environmental Protection Agency (EPA) to complete its registration of nootkatone as a novel active ingredient within a couple of months. The registration of nootkatone as a novel active ingredient is the pivotal step on this product's regulatory path.

Once this registration is finalized, the final step of US regulatory protocols can be initiated: EPA evaluation of the formulated end products containing Evolva's nootkatone (NootkaShield™).

## Financial review

### Key financials

CHF million	2018	2017	% change
Revenues from Research & Development	5.5	4.8	+15%
Product sales	3.4	2.0	+70%
<b>Total revenue</b>	<b>8.9</b>	<b>6.8</b>	<b>+31%</b>
Gross profit	2.1	2.1	-
Total operating expenses	-32.9	-47.0	+30%
<b>Operating loss (EBIT)</b>	<b>-30.7</b>	<b>-44.9</b>	<b>+32%</b>
Depreciation and Amortization	-7.5	-8.3	
<b>EBITDA</b>	<b>-23.2</b>	<b>-36.6</b>	<b>+37%</b>
<b>Cash position at year-end</b>	<b>60.4</b>	<b>97.2</b>	
<b>Operating free cash flow <sup>1)</sup></b>	<b>-23.7</b>	<b>-35.4</b>	<b>+33%</b>
EPS (CHF)	-0.04	-0.08	

1) Operating free cash flow: Net cash flow from operating activities + operating capital investment, excl. contractual obligations to EverSweet™

### Financial Performance

Revenues increased to CHF 8.9m from CHF 6.8m (+31%) in 2018. The increase of R&D revenue mainly originates from a contract with the US “Biomedical Advanced Research and Development Authority” (BARDA). Revenues from product sales grew at a high double-digit percentage rate - in line with our guidance. Despite a seasonal dip during the summer months, product sales clearly showed a solid growth trend in all segments.

Gross profit was unchanged, as part of the 2018 product sales were supplied from stock manufactured in 2017 and earlier, when manufacturing costs were higher than in more recent manufacturing batches.

Total operating expenses decreased significantly by 30% (CHF -14.1m). This reflects the restructuring measures implemented since 30 August 2017, which aim to streamline the organization and centralize R&D and other key functions at the Swiss headquarters. As a result, EBITDA loss significantly lowered by 37% (CHF +13.4 million).

Income from taxes decreased by 70% (CHF- 4.9m) as Evolva consumed its deferred tax liabilities in 2018.

### **Balance sheet and cash flow**

Intangible assets, on balance, increased by CHF 14.3m because of capitalized contractual obligations from the EverSweet™ agreement. In 2018 Evolva settled CHF 12.0m of these, with the remainder of CHF 5.5m to be settled in the course of the first half of 2019.

Inventories decreased by CHF 4m (-50%) because of accelerated product sales and tighter management of stock and supply chain.

The cash position decreased by CHF 36.8m, of which CHF 23.7m results from operating free cash-flow, CHF 12m from payments related to EverSweet™ and CHF 1.1m from finance lease transactions and other financing activities. Overall, operating free cash-flow improved by 33% from CHF -35.4m in 2017 to CHF -23.7m.

Provisions at year-end 2018 mainly consist of CHF 4.4m for two former research contracts with the US Defense Threat Reduction Agency (DTRA) and CHF 5.5m related to contractual payments to EverSweet™.

### **Financial outlook 2019**

We expect the trend in product sales growth to continue in 2019. This will be supported by further growing the sales pipeline, increasing our geographical marketing reach and launching new product variants. R&D revenues, mainly related to the BARDA project, are expected to remain around the 2018-level. The revenue contribution from royalty payments related to EverSweet™ sweetener sales should start to increase in the course of 2019.

Barring any further delays caused by the US government shutdown, we expect the Environmental Protection Agency (EPA) to complete its registration of nootkatone as a novel active ingredient in the next couple of months. This will allow the start of the registration process of end user products for different applications within pest control, before commercial sales may start going into 2020. For this, we are in advanced discussions with leading companies in the pest control business. In this context, we expect the successful completion of our project with the US BARDA in the second half of 2019.

We anticipate the cash outflow in 2019 to be clearly below the level of 2018. This will be driven by better sales margins thanks to further improvements in the efficiency of our manufacturing processes and by lower operating expenses as a result of the organizational restructuring completed in November of last year. We target a cash balance at the end of 2019 of between CHF 30 and CHF 35 million, which includes the settlement of the remaining contractual obligation related to EverSweet™ and scale-up costs for entering the pest control market.

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**Press/analyst call at 10AM CET on 28 February 2019**

Oliver Walker (CEO) and Scott Fabro (COO) will present the results in call for media and analysts. Dial-in numbers:

+41 (0)58 310 5000 (Europe)

+44 (0)207 107 0613 (UK)

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The Powerpoint presentation and annual accounts are available [on Evolva's website](#). A replay will be available as a podcast for 2 weeks after the call. The link to the podcast will be posted on Evolva's website.

**About Evolva**

Evolva solves the supply chain issues of nature through a 21st century mix of biotechnology and fermentation. We develop, make and sell ingredients that provide significant health, wellness and nutrition benefits to people in their daily life, but whose supply chain issues have limited their use until now. Our flagship ingredients are stevia, nootkatone and resveratrol. To make our world sustainable requires nature and technology to work together as one, and our aim is to play a (small) part in achieving this transformation. For more information see [www.evolva.com](http://www.evolva.com).

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