

HY RESULTS CONFIRM FULL YEAR FINANCIAL GUIDANCE. PORTFOLIO EXPANSION TO SUPPORT FUTURE GROWTH

21 August 2019 – Evolva (SIX: EVE) posted [its financial results](#) today and provided business highlights for the period from 1 January to 30 June 2019.

Key business highlights

- Delivering market share gains in current market segments
- Progress on product portfolio expansion to support product revenue growth
- Ongoing landmark studies expected to generate robust data on the health benefits of resveratrol
- Good progress in lowering cost base of multiple products
- Continuing preparation to open major new market segments
 - o Good constructive dialogue with EPA. All questions raised by EPA answered by mid-September
 - o Product pipeline activities progressing well. A new product expected to be launched in 2020

Financial highlights

- Product revenues reached CHF 3.0 million in the first half of 2019 (+65%)
- Overall revenues were CHF 6.4 million, up 67% compared to prior year
- Improved the operational structure and business processes resulting in significantly lower Operating Expenses (OPEX)
- Cash position of CHF 45.3 million on 30 June 2019 (31 December 2018: CHF 60.4m)
- On track to reach cash break-even in the 2021/23 timeframe

Evolva CEO Oliver Walker said, “We are making good progress, preparing to open major new market segments. Our revenues confirm the continuing growth trajectory and our innovation engine continues to generate a pipeline of new products. We expect to achieve additional milestones in the remainder of the year, including further progress in the registration process of nootkatone in pest control in the US. We are also looking forward to an increased contribution from the EverSweet™ sweetener business as Cargill’s new fermentation facility in Blair (USA) comes online later in the year, enabling larger product volumes.”

Analyst/media call details on page 4.

Operational Review

Human Health

Resveratrol continued to generate solid sales in 2019. The Evolva team have been effective at growing the customer base. Over the past few years customers have launched over 100 products containing our resveratrol both in Europe and in the US, with traction starting in Asia. Evolva continues to open new markets for resveratrol with recent approvals in Australia and Canada received in spring 2019.

In addition to our Veri-te™ brand, we launched the Veri-Sperse™ brand, in April 2019, for our cold-water dispersible resveratrol powder. First consumer products can already be found in the market. Additionally, results of the study on the benefits of resveratrol, in collaboration with Northumbria University (UK) and The University of Newcastle (Australia), will be published later this year with a focus on indications which are of strong interest with consumers, such as cognitive, bone, gut and overall women's health.

Flavors and Fragrances (F&F)

Sales of our specialty aroma ingredients into the global F&F market are progressing very well. Sales are growing with both key global and local customers via our network of reseller partners. The recent introduction of the two new products into our portfolio, Valencene 80 and a new variant of nootkatone have been well received by customers. Further additions to the product portfolio are anticipated in the near future, offering solutions designed to meet previously identified and validated customer needs. These innovative, high-value products will generate additional revenue across a number of segments. We are in the process of preparing an additional Contract Manufacturing Organization (CMO) for starting and scaling up manufacturing.

Our long-standing partner, International Flavors & Fragrances Inc. (IFF), is managing the commercialization of our vanillin product. Demand for vanillin is steadily increasing and we expect significant growth potential in the flavor industry.

Food and Beverages

Cargill started producing and shipping customer orders for EverSweet™ sweetener in 2018. In early 2019, Cargill and DSM established a joint venture called Avansya, which, among other things, utilizes our and their respective technologies for producing steviol glycoside products made through fermentation. Avansya markets its products under the brand name EverSweet™. Evolva is receiving royalty payments on EverSweet™ sales and anticipates these to increase with increased capacity upon completion of the new fermentation facility being built at Cargill's site in Blair (USA).

Pest Control

In March 2019 we publicly announced receiving a letter from the US Environmental Protection Agency (EPA) regarding the registration process for nootkatone in pest control in the US. In the course of its in-depth review of Evolva's application, the Agency identified one study for which it could not complete its review and requested further information to interpret this specific study. Evolva has been in close interaction with the EPA. All questions raised by EPA to be answered by mid-September. There's a large unmet need for safe, effective, and sustainably sourced next-generation products that can provide a new form of protection against ticks, mosquitos and other biting insects.

Financial review

Key financials

CHF million	HY1 2019	HY1 2018	Change
Revenue from contracts with customers	6.4	3.8	+67%
Gross profit	+3.3	+1.0	
Operating expenses	-12.8	-16.7	
Operating loss (EBIT)	-9.6	-15.8	+39%
Depreciation and Amortization	-4.1	-3.5	
EBITDA ¹⁾	-5.5	-12.2	+55%
Operating free cash flow ²⁾	-9.3	-14.8	+37%
Earnings per share (CHF)	-0.01	-0.02	
	30 June 2019	31 Dec 2018	
Cash position	45.3	60.4	

¹⁾ EBITDA = Earnings before interest, taxes, depreciation and amortization.

²⁾ Operating free cash flow: Net cash flow from operating activities + operating capital investment, excl. contractual obligations to Eversweet™.

Financial performance

Revenue from contracts with customers increased to CHF 6.4m from CHF 3.8m (+67%) in 2019. In line with our guidance, growth of product-related revenue pursued the trend from 2018 and increased to CHF 3.0m from CHF 1.8m (+65%). As communicated earlier, Evolva received royalty payments from continued sales of EverSweet™ in the first half of 2019. In line with our expectations, R&D revenue increased to CHF 3.4m from CHF 2.0m (+69%), mainly driven by the contract with the US Biomedical Advanced Research and Development Authority (BARDA) and from a short-term collaboration with a corporate partner. Operating expenses declined significantly by 23% (- CHF 3.9m) reflecting the leaner structure and streamlined business and manufacturing processes. Consequently, EBITDA (loss) improved by 55% (+ CHF 6.7m). Since Evolva consumed its deferred tax liabilities in 2018, no tax income is reported.

Balance sheet and cash flow

Property, plant and equipment, as well as lease liabilities, have increased by CHF 3.8m mainly because of first time recognition of Evolva's headquarter under the new International Financial Reporting Standards (IFRS 16). In the first half of 2019, Evolva has settled its remaining liability related to EverSweet™ of CHF 5.2m, which results in an equivalent decrease of the provisions and accrued liabilities amount.

Cash balance in the first six month of 2019 decreased by CHF 15m, of which CHF 9.3m from operating free cash flow, CHF 5.2m from payments related to EverSweet™ and CHF 0.6m from lease settlement. Overall, operating free cash flow improved by 37%, from -CHF 14.8m to -CHF 9.3m.

Financial outlook 2019

We expect product-related revenue to continue to grow in line with our 2019 forecast, supported by extended geographical reach and the launch of new product variants. Royalty payments from EverSweet™ are not expected to ramp up significantly until Cargill's new fermentation facility goes online, enabling larger production volumes and consequently higher product sales. R&D revenue is expected to remain around the level of 2018, as announced in our 2019 full year guidance. Main driver of R&D revenue remains the contract with BARDA, which we expect to successfully complete around year-end 2019.

In line with our 2019 full year guidance and supported by our operational and structural improvements, we expect operating expenses and our operating free cash flow (excluding contractual obligations to EverSweet™) to follow the first half-year trend, resulting in a cash balance between CHF 30 and 35 million at the end of 2019.

- ends -

Press/analyst call at 10AM CET on 21 August 2019

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

Switzerland / Europe: +41 (0) 58 310 50 00

United Kingdom: +44 (0) 207 107 06 13

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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.

Downloads:

- [Consolidated half-year accounts](#)
- [PowerPoint presentation](#)

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.

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