



Envipco Holding N.V.

Interim Financial Report | Fourth Quarter & Full Year 2021

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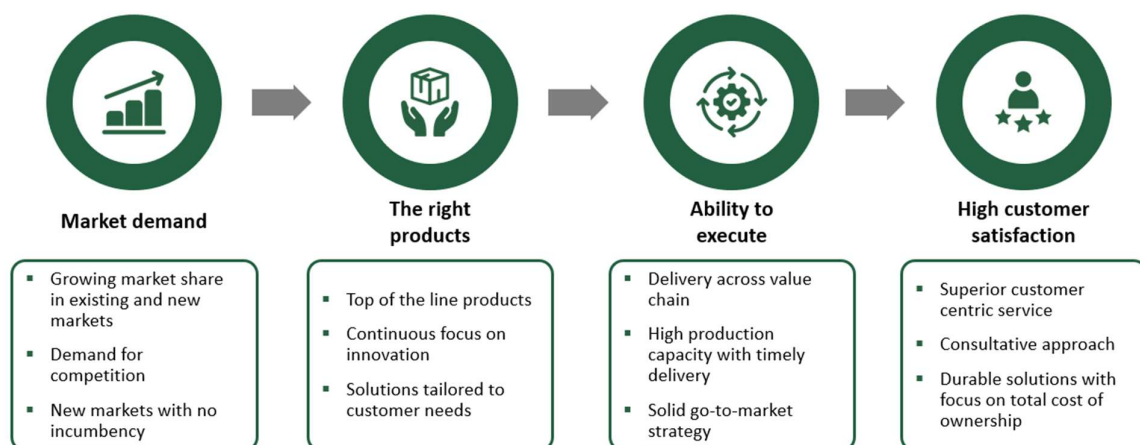
This is Envipco

Envipco is a recycling technology company. We have over four decades of experience delivering thousands of reverse vending machines (RVMs) and systems to leading customers operating deposit return schemes (DRS) across the world. We bring a broad technology portfolio, an agile and partnership approach, and deep experience operating and involvement in DRS. Known and recognized for our service delivery, we offer compelling competitive products and solutions in our chosen markets.

Targeting key global markets



Highly competitive with ability to capture new market growth



Highlights

- 54% revenue growth to EUR 12.4 million in Q4'21 from Q4'20
- 25% Year on Year revenue growth to EUR 38.4 million
- North America Q4'21 revenue growth of 41% driven by RVM sales tied to Connecticut DRS modernization and increased existing customer RVM placements
- Europe Q4'21 revenue growth 124% driven by continued Sweden Quantum sales performance combined with new service contracts
- Gross margin was negatively impacted by 500 bps in Q4'21 versus Q3'21 due to rapid ramp of manufacturing activity combined with supply chain disruptions, temp labor, and logistics cost not recoverable in the short-term
- Malta orders of 300 RVMs in production with expected deliveries in Q1 and Q2'22
- Scotland officially announced DRS go live of August 2023, acceleration of commercial activity
- Organizational investments and significant increased market development activities in Ireland, Romania, Portugal, and Slovakia tied to DRS developments

CEO comment

"Q4 was a strong revenue quarter and anchors a new period of exciting growth for the company both in Europe and North America. We certainly are seeing the impact of supply chain challenges, inflationary pressures, and outsized logistical cost increases. We are confident that our pricing strategies are sound and that we can manage these cost pressures over the medium term. As we optimize and scale our supply chain, expand our Romanian manufacturing capabilities and logistics cost normalize, we expect improvements towards our gross margin ambitions. We remain committed to our organizational investments and in our ability to deliver on these exceptional business opportunities."

Key figures

in EUR millions	Q4 2021	Q4 2020	FY 2021	FY 2020
Revenues	12.4	8.0	38.4	30.8
Gross Profit	3.9	3.3	13.4	11.7
Gross profit %	31.5%	40.5%	34.9%	37.9%
Operating Expenses	4.3	3.2	14.9	13.1
EBIT	(0.4)	0.1	2.1*	(1.4)
Net profit/(loss) after taxes after minority	(0.8)	(0.1)	0.7	(1.7)
EBITDA	0.3	1.6	5.2	3.5
Earnings/(loss) per share in €	(0.02)	(0.00)	0.02	(0.04)
Shareholders' equity	30.8	21.0	30.8	21.0

* Including other income of EUR 3.6 million positive (DPG settlement, PPP forgiveness).

Financial review

Profit and loss

Fourth quarter 2021

Revenue in the fourth quarter 2021 was EUR 12.4 million, 54% up from EUR 8.0 million in the fourth quarter 2020, driven by strong RVM sales (192%), in North America (DRS modernization and existing customers), Sweden Quantum sales doubling in the quarter and first order deliveries in Slovakia. Program Services also contributed to this growth, with a 14% revenue increase.

Gross margin on our Program Services business has declined as a result of increased labor and transportation related cost. With the continuing recovery of covid impacts along with future DRS modernization activities, overall container volumes will increase, contributing to Gross Margin improvements.

RVM sales gross margin has been negatively impacted in Q4'21 due to product mix, ramp up of manufacturing activity and the impact of inflationary pressures on labor, component cost and logistics. We expect meaningful cost efficiencies as we scale the supply chain, increase our Romania production capabilities and logistics cost normalize. We are confident in our pricing strategies and ability to compete at attractive gross margins.

Total operating expenses were EUR 4.3 million for the quarter, compared to EUR 3.2 million in Q4'20. This increase is mainly driven by buildup of the European organization and corporate related cost (EUR 0.5 million), along with increased New Market Development (EUR 0.4 million). These planned investments are critical to capitalize on upcoming business opportunities, as more European countries introduce DRS regulations.

Resulting EBITDA for Q4'21 was EUR 0.3 million, versus EUR 1.6 million in Q4'20. Net profit for the quarter amounted to negative EUR 0.8 million, which included an exchange loss of EUR 0.3 million. Net loss for Q4 '20 of EUR 0.1 million included an exchange gain of EUR 0.6 million.

Full year 2021

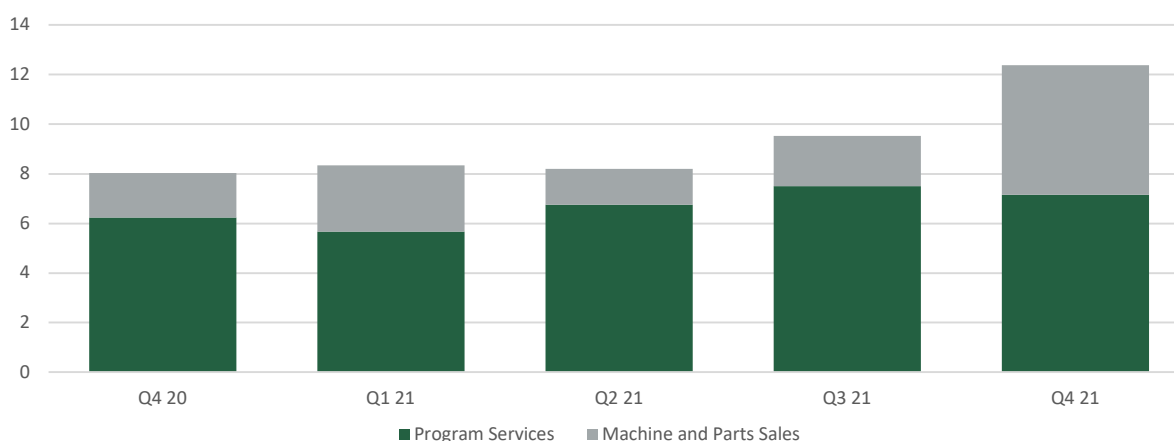
Revenue for the full year 2021 was EUR 38.4 million, up 25% from EUR 30.8 million in 2020, driven by RVM sales growth of 125% (North America, Australia, Slovakia), Swedish Quantum growth of 74% and Program Services growth of 8%. Revenue categories over previous quarters are shown in the figure below.

Gross Margin was 34.9%, versus 37.9% in 2020, driven by (mainly Q4) additional labor and supply chain costs. Operating expenses increased by EUR 1.8 million to EUR 14.9 million for the year, as a result of investments in the European organization and developing new DRS markets.

Resulting EBITDA for 2021 was EUR 5.2m, versus EUR 3.5 million in 2020, reflecting an increase in EBITDA margin from 11.5% in 2020 to 13.6% in 2021. Current year's EBITDA included EUR 3.6m of Other Income, related to our DPG settlement, and forgiveness of the first PPP loan (Q1).

Net profit for the year 2021 was EUR 0.7 million, including an exchange loss of EUR 0.5 million, versus a net loss of EUR 1.7 million in 2020 including an exchange gain of EUR 0.8 million.

Revenue categories (EUR million)



*Machine and Parts Sales include sales of RVMs, Quantums and parts. Program Services include Lease, Service and Pick-up & Processing revenues.

Cash Flow

Cash generated from operations amounted to EUR 2.9 million in 2021 (versus 2020 EUR 0.2 million), driven by improved operating results and other income. Cash used for the buildup of inventories for 2022 deliveries amounted to EUR 6.1 million. Receivables increased by EUR 2.9 million, as a result of the high level of additional RVM sales.

Cash flow from investing activities was negative EUR 4.2 million, related to capitalized R&D of EUR 1.8 million and investments in property, plant and equipment in our US, German and Romanian facilities, of EUR 2.4 million. Cash flow from financing activities was positive EUR 4.6 million (vs. 4.8 million in 2020). This stems from the EUR 7.4 million proceeds from the Feb 2021 share issue, partly offset by repayments of debt of EUR 4.0 million.

Net change in cash and cash equivalents was positive EUR 2.4 million during the year (vs. EUR 0.5 million in 2020). Envipco's total holdings of cash and cash equivalents amounted to EUR 3.4 million on Dec 31, 2021, up from EUR 1.1 million 12 months earlier. In addition, the Company has a line of credit of EUR 2.6 million available.

As part of financing our working capital requirements, the company is currently evaluating several debt financing opportunities.

Financial position

On 31 December 2021, Envipco had total assets of EUR 52.1 million, compared with EUR 38.8 million at the end of 2020.

Total equity was EUR 30.8 million at the end of the year, corresponding to an equity ratio of 59%, compared with EUR 21.0 million on 31 December 2020 (54% equity ratio).

Total borrowings at the end of the period amounted to EUR 7.1 million, including a PPP loan for an amount of EUR 1.6 million, which is expected to be forgiven in Q1 or Q2 2022, compared to borrowings of EUR 8.8 million at the end of 2020, which included a EUR 1.5 million PPP loan forgiven in Q1 2021.

Borrowings – Third Parties

in EUR thousands	12 months to 31 Dec 2021	12 months to 31 Dec 2020
At beginning of period	8,825	4,146
Additions	1,643	8,807
Repayments	(3,973)	(3,428)
Translation effect	567	(700)
At end of period	7,062	8,825

Operations

(figures in EUR Million)	Q4 2021	Q4 2020	FY 2021	FY 2020
Revenues	12.4	8.0	38.4	30.8
North America	9.5	6.8	30.8	26.8
Europe	2.8	1.3	7.2	4.1
ROW	-	-	0.4	-
Gross profit	3.9	3.3	13.4	11.7
Gross profit %	31.5%	40.5%	34.9%	37.9%
Operating expenses ex New Market Development	(3.7)	(3.0)	(13.7)	(12.2)
New market development	(0.6)	(0.2)	(1.2)	(0.9)
Total operating expenses	(4.3)	(3.2)	(14.9)	(13.1)
Other Income	-	-	3.6	0.0
EBIT	(0.4)	0.0	2.1	(1.4)

North America

- Strong quarter with Q4'21 revenue growth of 41% to EUR 9.5 million, driven by RVM sales following the Connecticut DRS modernization and existing customers
- New large sales order in Q1 2022 from existing retailer

North Americas Q4 program services revenue increased by 13% to EUR 6.7 million compared to EUR 5.9 million in Q4'20, as covid impacted activity normalizes. North Americas machine sales of EUR 2.8 million in Q4 '21 was up 231% from Q4'20.

For FY'21 revenue increased 15% to EUR 30.8 million from EUR 26.8 million in FY'20. Program services revenue was EUR 25.6 million in FY'21, 6% above FY'20. RVM machine sales were EUR 5.2 million, or 94% growth versus FY'20.

Envipco continues to expand its presence in North America and expects several opportunities to materialize going forward. The Massachusetts expansion for water is steadily progressing, and the National Bottle bill is gaining increasing support throughout the country. Further US states are expected to introduce legislation in the medium to long term, and a revamp of the deposit scheme in Quebec is anticipated.

Europe

- Revenue more than doubled in Q4 versus '20, as a result of the growth of Quantum sales in Sweden
- Malta orders of 300 RVMs in production with expected deliveries in Q1 and Q2'22
- First RVM's in Slovakia delivered to outlets of major retail chain in December

For the full year sales in Europe reached EUR 7.2 million, up from EUR 4.1 million in 2020. Machine sales grew by 90% in the period reaching EUR 5.8 million, while services income increased by 42% to EUR 1.4 million.

We are accelerating our initiatives in Europe in H1 2022 with the execution of the Malta deal, UK pilots with major retailers, demo machines installed with Romanian retailers, follow up on our initial sales in Slovakia and introductions to Portuguese retailers using our new showroom/ office.

Operational and organizational development

Envipco is continuously growing and improving the organization to enable scale and expansion in new and existing markets. In the previous quarter, organizations have been established in Ireland, Portugal and Slovakia. The company is currently recruiting personnel, including additions to the Europe based management team and sales organizations in new countries.

Key personnel additions are targeted for improvements to supply chain, logistics including international freight processes and standards. The marketing organization is being expanded with focus on IR and communications. Envipco continues to invest in building and expanding its product pipeline. The company has launched initiatives for a Global ERP system.



Market developments

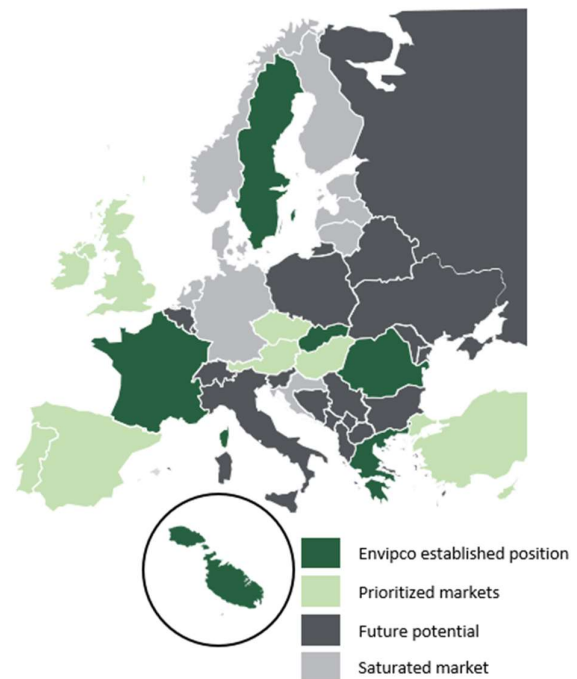
There is pronounced increase in activity in a number of markets as a result of legislative movement, customer engagement, and the Company's specific market development plans. This activity is seen in both North America and Europe. In all cases this has resulted in specific awards, working with potential customers through pilots, or building a pipeline of commercial opportunities, specifically:

UK/Scotland/Ireland: Continuing commercial activity with Envipco now participating in final stage RFPs for all Tier 1 Retailers, orders expected H1'22. Q4'21 saw an important milestone, with installation of several innovative kiosk designs based on retailer collaboration. Scotland officially announced DRS go-live in August 2023, a delay from the consensus expectation of go-live in early 2023. UK Go-live is anticipated for '24. Irish business unit formed with dedicated manager now in place and pilot installations have begun, expected go-live in Ireland H2'23.

Malta: Confirmed award of BCRS tender following a highly competitive RFP for RVM deployment across the country. A key consideration was the strength of Envipco's technology where all platforms will be deployed (Flex, Ultra, Optima and Quantum).

Portugal: DRS go-live now expected for '23. Country Manager and product showroom in place with detailed engagement with major retailers underway, and formal RFP with largest retailer expected '22.

Romania: DRS law passed in the country, expected go-live '23. Market development activity now accelerating, expansion of pilots with most Tier 1 retailers. Active participation in Municipality events, including the international Green City forum & conference (Formulor Oraselor Verdi) in Brasov with a very successful pilot.



North America: Continuing to expand in North America and competing for final open tenders related to Connecticut expansion opportunity . OBCR technology agreement in Oregon for new RVM placements and replacement of aged equipment. Massachusetts expansion bill gaining traction. National bottle bill under consideration with aluminum industry support. Expectations for Quebec to revamp deposit scheme, and California to introduce revised legislation in the medium term. New York legislation introduced to expand bottle bill and increase deposit value from \$.05 to \$.10.



ROW: ROW activities mainly include Australia where the company recommenced revenue in Q1 2021 with its first shipment in nearly two years to our partner, Envirobank. The company has expectations for further growth in the country in 2022-23 particularly with Victoria announcing DRS go-live in 2023 and further opportunities in Queensland and Western Australia.

Outlook

The company expects continued growth along with strong order growth in 2022 from new DRS markets in Europe which will be delivered as revenue in 2023 as those schemes 'go-live'. This is in addition to continued growth and development of the North American business. Gross Margin improvement is a focus for service operations and the supply chain as the company's base scales to meet future demand. The company is building the right organization to deliver on the exciting opportunities ahead.

We are confident in our strategy, our investments, and our ability to execute in delivering strong growth and financial performance in the future. We are excited to be creating a cleaner world for future generations through our recycling technology.

Share information

The Company's authorized capital is EUR 4,000,000 divided into 80,000,000 shares, each having a nominal value of EUR 0.05. The issued share capital of the Company currently amounts to EUR 2,302,564 divided into 46,051,280 shares, each having a nominal value of EUR 0.05. These numbers include the effects of the 1:10 share split, as executed at the end of Q2 2021.

During the quarter, the Envipco share varied in price from EUR 2.03 to EUR 3.70. Closing price on 31 December was EUR 3.13. Compared with EUR 2.03 on 30 September, the share price appreciated by 54% over the quarter.

The Group has been notified of or is aware of the following 3% or more interests as of 31 December 2021.

	Number of Shares	Shareholding %	Voting Rights %
Alexandre Bouri/Megatrade International SA	21,680,680	47.08	47.08
Gregory Garvey	5,476,980	11.89	11.89
Otus Capital Management Ltd	2,477,270	5.38	5.38
Lazard Freres Gestion SAS	2,225,320	4.83	4.83
R. J. Lincoln	1,717,440	3.73	3.73
B. Santchurn/Univest Portfolio Inc.	1,554,800	3.38	3.38

Directors' interest in the share capital of the Group

	Number of Shares	Shareholding %	Voting Rights %
A. Bouri/Megatrade International SA	21,680,680	47.08	47.08
G. Garvey	5,476,980	11.89	11.89
C. Crepet	70,120	0.15	0.15
D. D'Addario	804,510	1.75	1.75
S. Bolton	82,850	0.18	0.18

Transactions with related parties

During the ordinary course of business, the company may engage in certain arm's length transactions with related parties.

There is a loan receivable of €0.70m due from an affiliate under common control of the majority shareholder. There were no transactions with related parties during the period.

Subsequent events

No significant events have been recorded after the balance sheet date.

Interim financial statements (IFRS)

Consolidated Statement of Comprehensive Income

in EUR thousands	Note	Q4 2021	Q4 2020	FY 2021	FY 2020
Revenues		12,361	8,036	38,444	30,815
Cost of revenue		(8,467)	(4,780)	(25,037)	(19,132)
Gross Profit		3,894	3,256	13,407	11,683
Selling and distribution expenses		(205)	(211)	(996)	(1,071)
General and administrative expenses		(3,690)	(2,589)	(12,489)	(10,834)
Research and development expenses		(405)	(416)	(1,425)	(1,204)
Other income /(expenses)		17	19	3,603	30
Operating Results		(389)	59	2,100	(1,396)
Financial expense		(329)	(52)	(839)	(333)
Financial income		13	428	33	856
Net finance (cost) and or income		(316)	376	(806)	523
Results before tax		(705)	435	1,294	(873)
Income taxes		(76)	(113)	(568)	(849)
Net Results		(781)	322	726	(1,722)
Other comprehensive income					
Items that will be reclassified subsequently to profit and loss					
Exchange differences on translating foreign operations		697	(903)	1,750	(1,669)
Total other comprehensive income		697	(903)	1,750	(1,669)
Total comprehensive income		(84)	(581)	2,476	(3,391)
Profit attributable to:					
Owners of the parent					
Profit/(loss) for the period		(782)	319	721	(1,723)
Non-controlling interests					
Profit/(loss) for the period		1	3	5	1
Total					
Profit/(loss) for the period		(781)	322	726	(1,722)
Total comprehensive income attributable to:					
Owners of the parent		(85)	(584)	2,471	(3,392)
Non-controlling interests		1	3	5	1
		(84)	(581)	2,476	(3,391)
Number of weighted average (exclude treasury shares) shares used for calculations of EPS		46,051,280	46,051,280	46,051,280	46,051,280
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the period					
- Basic (euro)		(0.02)	0.01	0.02	(0.04)
- Fully diluted (euro)		(0.02)	0.01	0.02	(0.04)

Consolidated Balance Sheet

in EUR thousands	Note	FY 2021	FY 2020
ASSETS			
Non-current assets			
Intangible assets		7,502	6,693
Property, plant and equipment		9,385	8,973
Financial assets		479	115
Deferred tax assets		2,412	2,245
Total non-current assets		19,778	18,026
Current assets			
Inventory		15,204	9,006
Trade and other receivables		13,703	10,611
Cash and cash equivalents		3,401	1,109
Total current assets		32,308	20,726
Total assets		52,086	38,752
EQUITY			
Share capital		2,303	2,049
Share premium		57,326	51,085
Translation reserves		4,174	2,424
Legal reserves		7,188	6,318
Retained earnings		(40,194)	(40,915)
Equity attributable to owners of the parent		30,797	20,961
Non-controlling interests		38	33
Total equity		30,835	20,994
Liabilities			
Non-current liabilities			
Borrowings		5,922	7,271
Lease commitments		493	365
Other liabilities		120	120
Deferred tax liability		-	46
Total non-current liabilities		6,535	7,802
Current liabilities			
Borrowings		1,140	1,554
Trade creditors		8,492	4,780
Accrued expenses		4,187	2,481
Provisions		44	338
Lease commitments		343	309
Tax and social security		510	494
Total current liabilities		14,716	9,956
Total liabilities		21,251	17,758
Total equity and liabilities		52,086	38,752

Consolidated Cash Flow Statement

in EUR thousands	Note	FY 2021	FY 2020
Cashflow from operating activities			
Operating results		2,100	(1,396)
Adjustment for:			
Amortisation		890	1,071
Depreciation		2,717	3,014
Changes in trade and other receivables		(2,877)	(651)
Changes in inventories		(6,059)	607
Changes in provisions		(294)	25
Changes in trade and other payables		6,375	(2,426)
Changes in other liabilities		-	-
Cash generated from operations		2,850	244
Interest received and paid		(348)	(299)
Income taxes (payment)/refund		(568)	(354)
Net cash flow from operating activities		1,934	(409)
Investing activities			
Investment in intangible fixed assets		(1,803)	(1,619)
Investments in property, plant & equipment		(2,376)	(2,319)
Net cash flow used in investing activities		(4,179)	(3,938)
Financial activities			
Proceeds of share issue		7,365	-
Changes in borrowings – proceeds		1,643	8,807
Changes in borrowings – repayments		(3,973)	(3,428)
Changes in lease commitments		(433)	(541)
Net cash flow from financing activities		4,602	4,838
Net increase/(decrease) in cash and cash equivalents		2,357	491
Opening position		1,109	675
Foreign currency differences on cash and cash equivalents		(65)	(57)
Closing position		3,401	1,109
The closing position consists of:			
Cash and cash equivalents		3,401	1,109
Total closing balance in cash and cash equivalents		3,401	1,109

Consolidated Statement of Changes in Equity

in EUR thousands	Share Capital	Share Premium	Translation Reserve	Legal Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Balance at 1 January 2021	2,049	51,085	2,424	6,318	(40,915)	20,961	33	20,994
Net profit/(loss) for the period	-	-	-	-	721	721	5	726
Other comprehensive income								
- Currency translation adjustment	-	-	1,750	-	-	1,750	-	1,750
Total comprehensive income for the period ended 31 December 2021	-	-	1,750	-	721	2,471	5	2,476
Share issue	254	7,111	-	-	-	7,365	-	7,365
Legal reserve		(870)		870		-		-
Balance at 31 December 2021	2,303	57,326	4,174	7,188	(40,194)	30,797	38	30,835

	Q4 2021	Q4 2020	FY 2021	FY 2020
Opening Balance	30,919	21,960	20,994	24,385
Net profit/(loss) for the period	(781)	322	726	(1,722)
Other comprehensive income:				
- Currency translation adjustment	697	(903)	1,750	(1,669)
Total comprehensive income for the period	(84)	(581)	2,476	(3,391)
Share issue	-	-	7,365	-
Closing Balance	30,835	21,379	30,835	20,994

Selected Explanatory Notes

General

Activities

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands, with its registered address at Van Asch van Wijckstraat 4, 3811 LP Amersfoort, The Netherlands.

Envipco Holding N.V. and Subsidiaries ("the Company" or "Envipco") are engaged principally in Recycling in which it develops, manufactures, assembles, leases, sells, markets and services a line of "reverse vending machines" (RVMs) mainly in the USA and Europe.

Basis of Preparation

The consolidated interim financial information for the full year ended 31 December 2021 has been prepared in accordance with IAS 34 "interim financial reporting." The consolidated interim financial information should always be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with IFRS as endorsed by the European Union.

All financial information is reported in thousands of euros unless stated otherwise.

Accounting Policies

Except as set out below, the accounting policies of these interim financial statements are consistent with the annual financial statements for the year ended 31 December 2020.

- Taxes on income in the period are accrued using the tax rate that would be applicable to expected total annual earnings.
- The annual impairment tests on goodwill and intangible assets with indefinite life will be carried out at the end of fiscal year 2021. Consequently, any impairment losses will only be recognised in the annual financial statements over the fiscal year 2021.
- These unaudited interim financial statements have not been reviewed by our auditors.

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