



Envipco Holding N.V.
Interim Financial Report | Q3 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 recognised for our service delivery, we offer a compelling competitive option in our chosen markets.

Vision, mission, strategy, and values

At Envipco, we are creating a cleaner world for future generations through our recycling technology.

Emerging as the forward-thinking leader, we continuously invest in developing and offering innovative technology solutions for drinks packaging recycling.

We have a clear strategy for accelerated growth and are committed to deliver excellent products and services to our customers, tangible results to our investors, and a great place to work.

Our strategies for growing the business are:

- Bringing to market innovative and superior products
- Engaging growth markets
- Delivering outstanding solutions for our customers
- Developing ambitious and talented people
- Building and growing sustainable alliances
- Relentlessly improving performance

What we do every day is informed by our Values, which are:

- Commitment: reliability, authenticity, and integrity
- Passion: enthusiastic, inspirational, and ambitious
- Excellence: innovative solutions, continuous improvement, and strong partnerships
- Performance: results orientated, hands on, and determined to succeed

Operational highlights

- Revenue growth in Q3 '21 of +4% versus Q3 '20 (+5% currency adjusted), and 16% sequentially versus Q2 '21, with a Gross Margin of 36%, in line with Q2 '21 37%. Operating expenses increased by 0.7m EUR versus Q3 '20, mainly driven by investments in market development and building our organisation and footprint, to execute on growth. Resulting Q3 '21 Operating Profit was (0.1)m EUR vs. 1.1m EUR in Q3 '20. Operating cashflow Q3 YTD '21 was 3.7m EUR positive versus (0.7)m EUR negative in Q3 YTD '20.
- Europe showed great success in Q3 with the award of the long-term contract to provide products and services to BCRS for the DRS in Malta. This was after a very competitive tender process and will come through as revenue in 2022. It is a proof point for Envipco's ability to compete in Europe and demonstrates the strength of our technology platforms (Quantum, Ultra, Optima and Flex). We see continued strong performance in our Swedish business, which is on track for another record year of new unit sales adding to growing service revenue. The Company continues to develop this momentum, focusing on new market development in Europe, particularly UK, Portugal, Central Europe and Romania and expanding our manufacturing capabilities in Romania.
- North America is experiencing exciting new business opportunities tied to positive legislation developments. Legislation modernizing the Connecticut Bottle Bill was passed, which included increased handling fees, increased deposit values and added retail requirements to install RVMs. This has led to breakthrough orders in the drug and discount retail channel. The company also recently received a 2.0M EUR purchase order with a large existing customer targeted at replacing competitor equipment. In addition, the company entered into a technology supply agreement with the Oregon Beverage Recycling Cooperative (OBRC) to replace aged competitor equipment and expand into small retail throughout the state. These awards will come through as revenue in Q4 2021 and H1 2022.

CEO comment

"Q3 was a solid quarter and in line with expectations continuing building back the core business. Particularly pleasing that market development activities are really coming through in new awards, as announced in North America and Malta which will flow through into Revenue Q4 '21 and 2022. The outlook is very positive for continued activity and success in Europe and North America. We continue to execute on our Growth Plan and make important investments in market development, technology, and our organisation"

Key figures

(figures in EUR Million)	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020
Revenues	9.5	9.1	26.1	22.8	30.8
Gross Profit	3.4	3.9	9.5	8.4	11.7
Gross Profit %	36%	42%	36%	37%	38%
Operating profit/(loss)	(0.1)	1.1	2.5	(1.5)	(1.4)
Net Profit/(loss) after taxes after minority	(0.4)	1.4	1.5	(1.6)	(1.7)
EBITDA*	0.7	2.6	5.0	2.0	3.6
Earnings/(Loss) per share in EUR	(0.01)	0.03	0.03	(0.04)	(0.04)
Shareholders' equity	30.9	21.9	30.9	21.9	21.0

* EBITDA: Earnings before interest, taxes, depreciation and amortisation

Financial review

Profit and loss

Third quarter 2021

- Revenues increased 4% to 9.5m EUR for Q3 '21 from 9.1m EUR for Q3 '20. Currency adjusted for USD/EUR, growth was 5%. Program services revenues were stable Q3 '21 vs. Q3 '20 with growth coming from North America and European machine sales in the Quarter.
- In general, North America Quarter-on-Quarter container throughput volume growth is slow vs. Pre-Covid levels and reflects a somewhat muted full return to outgoing activities (retail, café, restaurant visits, etc.).
- Gross profit was 36%, in line with Q2 '21 37%, but down versus Q3 '20. Margin has been impacted by material price increases and sub-supplier costs. As we scale manufacturing volumes, upgrade our sub-supplier network, and work with customers, we expect to improve margins to our 40% target.
- Operating expenses increased by 0.7m EUR versus Q3 '20, with investments in market development and the European organisation build-up driving the increase.
- Resulting EBITDA in Q3 '21 was 0.7m EUR positive.

First nine months 2021

- Revenues for Q3 YTD '21 increased 15% to 26.1m EUR from 22.8m EUR in Q3 YTD '20. Currency adjusted for USD/EUR, growth was 21%.
- Gross Margin was 36% for Q3 YTD '21, versus 37% for Q3 YTD '20 with the biggest impact in Q3 '21 as discussed above.
- Operating expenses increased by 0.7m EUR versus Q3 YTD '20, as for the quarter, driven by planned investments in market development and the European organization.
- Resulting EBITDA for Q3 YTD '21 was 5.0m EUR, versus 2.0m EUR Q3 YTD '20. Current year's EBITDA included 3.6m EUR of Other Income, related to our DPG settlement and forgiveness of the first PPP loan.

Financial position

The Company generated 3.7m EUR Cash Flow from its operating activities for Q3YTD '21 versus a negative (0.7m) EUR for Q3 YTD '20. The Company had cash and cash equivalents of 6.5m EUR at 30/09/2021 compared to 1.1m EUR at 30/09/2020. In Q3 '21, 2.6m EUR was invested in inventory, in preparation for Q4 deliveries.

The Company's net bank repayment was 2.0m EUR for Q3 YTD '21 compared with a net borrowing of 4.8m EUR in Q3 YTD '20. The Company received a second PPP loan during Q1 '21 of 1.6m EUR which is expected to be eligible for forgiveness, with application in Q4 '21 and expected confirmation of forgiveness in Q1 '22. The Company had unused borrowing facilities of 2.5m EUR at 30/09/2021.

Shareholders' equity at 30/09/2021 increased by 9.9m EUR from 31/12/2020 based on the Q3YTD 2021 net profit, translation reserve and net proceeds from the new share issue completed in Q1 2021.

Business segments review

(figures in EUR Million)	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020
Revenues	9.5	9.1	26.1	22.8	30.8
North America	7.8	7.7	21.3	20.0	26.7
Europe	1.7	1.4	4.4	2.8	4.1
ROW	-	-	0.4	-	-
Gross profit	3.4	3.9	9.5	8.4	11.7
Gross profit %	36%	42%	36%	37%	38%
Operating expenses excluding new market development costs	3.1	2.5	9.9	9.2	12.2
New market development costs	0.3	0.2	0.7	0.7	0.9
Operating expenses	3.4	2.7	10.6	9.9	13.1
Other Income			3.6		
Operating profit/ (Loss)	(0.1)	1.1	2.5	(1.5)	(1.4)

North America

North America revenue improved 2% to 7.8m EUR in Q3 '21 compared to 7.7m EUR in Q3 '20. Currency adjusted for the USD/EURO impact, the increase in North America revenue was 3%.

North Americas Q3 program services revenue increased by 2% to 7.2m EUR compared to 7.1m EUR in Q3 '20. Return to growth and re-opening of the economy continues to have some effect on bottle returns.

North Americas Machine sales of 0.6m EUR in Q3 '21 were up 10% on Q3 '20.

For Q3 YTD '21 revenue increased 6% to 21.3m EUR from 20.0m EUR in Q3 YTD '20. On a currency adjusted basis, the increase was 13%. Program services revenue was 19.0m EUR Q3 YTD '21, or 4% above Q3 YTD '20. Machine sales, including parts, were 2.3m EUR, or 29% growth versus Q3 YTD '20.

Europe

In Europe, revenue increased 17% to €1.7m in Q3 2021 from €1.4m in Q3 2020. Sweden Quantum machine sales grew by 21% with service revenue increasing by 6% in Q3 2021 compared to Q3 2020.

For Q3 YTD '21 revenue grew by 57% to 4.4m EUR from 2.8m EURm in Q3 YTD '20. Machine sales Sweden in Q3 YTD '21 improved by 63% and service revenue increased by 43% versus Q3 YTD '20.

ROW

ROW activities mainly include Australia. Our first shipment in two years to our Australian distribution partner, Envirobank, generated revenue of 0.4m EUR in Q1 '21 with the expectation for follow-on orders next year, as the country emerges from Covid.

Market development

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 of our major regional markets of 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 RFPs for all Tier 1 Retailers, orders expected Q4 '21 / H1 '22. Q3 '21 saw an important milestone, with installation of our innovative kiosk design based on retailer collaboration and featuring the Optima platform. For Scotland Go-live: no announcement has been made on delay, consensus forming on shorter delay into early '23 vs. announced go-live date of July 2022. UK Go-live is still anticipated for '24. Irish business unit formed with dedicated manager now in place and actively moving to pilot installations, expected go-live in Ireland early '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 follow-up on Connecticut expansion opportunity, 300 machine sales orders received and rollouts commenced. Pursuing further opportunities with affected retailers in Connecticut. OBRC technology agreement is an exciting breakthrough with first order received giving a total opportunity of 300-500 machines over the next several years. Significant RVM sales order received from a large existing customer for replacement of aged competitor machines. Marked increased awareness of PET crisis and DRS solutions leading to potentially further legislative activity in the medium-term including possible Massachusetts' expansion to include water.

Outlook

After very positive commercial activity in Q3 '21 strengthening our pipeline both in Europe and North America, we have a strong growth expectation for Q4 '21 vs. Q4 '20 and solid momentum going into H1 '22. This will include deliveries to the Connecticut market and execution on the Malta contract. For Europe, going into 2022, we are engaged in a number of RFP processes with large retailers across several markets with expectation of orders. In the medium-term, continued North America legislation development is expected to be positive for that market.

We are confident in our strategy, our investments and our ability to execute in delivering strong growth and financial performance in the future. We have adequate financial resources to execute on our growth and development plans.

The 2020 annual report describes in detail certain risk categories and risk factors that could have a (negative) impact on Envipco's financial position and results. On 30 September 2021, the risk categories and risk factors were re-analysed, and it was concluded that they still apply.

Share information

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

The closing price for the company's share was EUR 2.03 per share as per 30 September 2021, which corresponds to a market capitalization of EUR 93 million.

The group has been notified of or is aware of the following 3% or more interest as of 30 September 2021.

	Number of Shares	Shareholding %	Voting Rights %
A. Bouri/Megatrade International SA	21,680,680	47.08	47.08
G. Garvey	5,676,980	12.33	12.33
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	5,676,980	12.33	12.33
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 (see Note 3).

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	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020
Revenues		9,528	9,153	26,083	22,779	30,815
Cost of revenue		(6,139)	(5,303)	(16,570)	(14,353)	(19,132)
Gross Profit		3,389	3,850	9,513	8,426	11,683
Selling and distribution expenses		(597)	(586)	(1,519)	(1,586)	(1,071)
General and administrative expenses		(2,473)	(1,738)	(8,071)	(7,519)	(10,834)
Research and development expenses		(363)	(427)	(1,019)	(787)	(1,204)
Other income /(expenses)		(10)	6	3,585	11	30
Operating Results		(54)	1,105	2,489	(1,455)	(1,396)
Financial expense		(287)	(89)	(509)	(281)	(333)
Financial income		16	472	19	292	856
Net finance (cost) and or income		(271)	383	(490)	11	523
Results before tax		(325)	1,488	1,999	(1,444)	(873)
Income taxes		(98)	(106)	(492)	(184)	(849)
Net Results		(423)	1,382	1,507	(1,628)	(1,722)
Other comprehensive income						
Items that will be reclassified subsequently to profit and loss						
Exchange differences on translating foreign operations		448	(1,414)	1,053	(797)	(1,669)
Total other comprehensive income		448	(1,414)	1,053	(797)	(1,669)
Total comprehensive income		25	(32)	2,560	(2,425)	(3,391)
Profit attributable to:						
Owners of the parent						
Profit/(loss) for the period		(424)	1,380	1,504	(1,627)	(1,723)
Non-controlling interests						
Profit/(loss) for the period		1	2	3	(1)	1
Total						
Profit/(loss) for the period		(423)	1,382	1,507	(1,628)	(1,722)
Total comprehensive income attributable to:						
Owners of the parent		24	(30)	2,557	(2,424)	(3,392)
Non-controlling interests		1	(2)	3	(1)	1
		25	(32)	2,560	(2,425)	(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	46,051,280
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the period						
- Basic (euro)		(0.01)	0.03	0.03	(0.04)	(0.04)
- Fully diluted (euro)		(0.01)	0.03	0.03	(0.04)	(0.04)

Consolidated Balance Sheet

in EUR thousands		Note	9M 2021	9M 2020	FY 2020
ASSETS					
Non-current assets					
Intangible assets			7,268	6,547	6,693
Property, plant and equipment			9,280	8,622	8,973
Financial assets			77	88	115
Deferred tax assets			2,371	2,812	2,245
Total non-current assets			18,996	18,069	18,026
Current assets					
Inventory			11,670	10,361	9,006
Trade and other receivables			12,858	12,133	10,611
Cash and cash equivalents			6,551	1,055	1,109
Total current assets			31,079	23,549	20,726
Total assets			50,075	41,618	38,752
EQUITY					
Share capital			2,303	2,049	2,049
Share premium			57,570	51,256	51,085
Translation reserves			3,477	3,296	2,424
Legal reserves			6,944	6,147	6,318
Retained earnings			(39,411)	(40,820)	(40,915)
Equity attributable to owners of the parent			30,883	21,928	20,961
Non-controlling interests			36	32	33
Total equity			30,919	21,960	20,994
Liabilities					
Non-current liabilities					
Borrowings	(4)		6,100	5,665	7,271
Lease commitments			369	119	365
Other liabilities			120	120	120
Deferred tax liabilities			-	-	46
Total non-current liabilities			6,589	5,904	7,802
Current liabilities					
Borrowings	(4)		1,119	2,911	1,554
Trade creditors			7,186	6,662	4,780
Accrued expenses			2,993	2,651	2,481
Provisions			371	331	338
Lease commitments			306	544	309
Tax and social security			592	655	494
Total current liabilities			12,567	13,754	9,956
Total liabilities			19,156	19,658	17,758
Total equity and liabilities			50,075	41,618	38,752

Consolidated Cash Flow Statement

	Note	9M 2021	9M 2020	FY 2020
in EUR thousands				
Cashflow from operating activities				
Operating results		2,489	(1,455)	(1,396)
Adjustment for:				
Amortisation		669	803	1,071
Depreciation		2,019	1,904	3,014
Changes in trade and other receivables		(1,775)	(2,398)	(651)
Changes in inventories		(2,362)	(20)	607
Changes in provisions		32	-	25
Changes in trade and other payables		3,311	884	(2,426)
Changes in other liabilities		-	-	-
Cash generated from operations		4,383	(282)	244
Interest received and paid		(224)	(252)	(299)
Income taxes (payment)/refund		(492)	(184)	(354)
Net cash flow from operating activities	(5)	3,667	(718)	(409)
Investing activities				
Development expenditure, patents		(1,255)	(1,338)	(1,619)
Investments in property, plant & equipment		(2,089)	(1,886)	(2,319)
Net cash flow used in investing activities	(5)	(3,344)	(3,224)	(3,938)
Financial activities				
Share issue – proceeds		7,365	-	-
Changes in borrowings – proceeds		1,621	8,044	8,807
Changes in borrowings – repayments		(3,657)	(3,238)	(3,428)
Changes in lease commitments		(308)	(423)	(541)
Net cash flow from financing activities	(5)	5,021	4,383	4,838
Net increase/(decrease) in cash and cash equivalents		5,344	441	491
Opening position		1,109	675	675
Foreign currency differences on cash and cash equivalents		98	(61)	(57)
Closing position		6,551	1,055	1,109
The closing position consists of:				
Cash and cash equivalents		6,551	1,055	1,109
Total closing balance in cash and cash equivalents		6,551	1,055	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	-	-	-	-	1,504	1,504	3	1,507
Other comprehensive income								
- Currency translation adjustment	-	-	1,053	-	-	1,053	-	1,053
Total recognised movements for the period ended 30 September 2019	-	-	1,053	-	1,504	2,557	3	2,560
Share issue	254	7,111				7,365	-	7,365
Legal reserve		(626)		626		-		-
Balance at 30 September 2021	2,303	57,570	3,477	6,944	(39,411)	30,883	36	30,919

	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020
Opening Balance	30,894	21,992	20,994	24,385	24,385
Net profit/(loss) for the period	(423)	1,382	1,507	(1,628)	(1,722)
Other comprehensive income:					
- Currency translation adjustment	448	(1,414)	1,053	(797)	(1,669)
Total recognised movements for the period	25	(32)	2,560	(2,425)	(3,391)
Share issue	-	-	7,365	-	-
Closing Balance	30,919	21,960	30,919	21,960	20,994

Selected Explanatory Notes

1. 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 first nine months ended 30 September 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.

2. 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.

3. Transactions with Related Parties

There is a loan receivable of €0.70m due from an affiliate under common control of the majority shareholder.

4. Borrowings – Third Parties

in EUR thousands	9 months to 30 Sep 2021	9 months to 30 Sep 2020
At beginning of period	8,826	4,146
Additions	1,621	8,044
Repayments	(3,657)	(3,238)
Translation effect	429	(376)
At end of period	7,219	8,576

5. Consolidated Cash Flow

The group generated a positive €3.67m cash from its operating activities for the first nine months of 2021 versus a negative €0.72m for the same period in 2020. Investments in tangible and intangible assets were €3.34m for the nine months of 2020 (first nine months 2020 - €3.22m). Net repayments of borrowings were €2.04m for the nine months 2021 compared to net borrowings of €4.81m in the same period in 2020.

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