



Envipco Holding N.V.

Interim Financial Report | Second Quarter 2022

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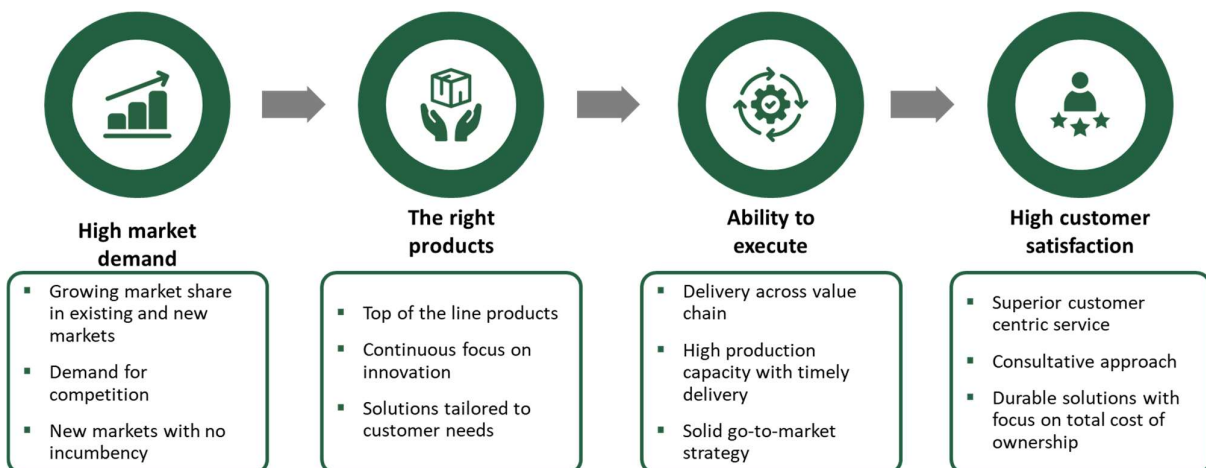
This is Envipco

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

- Record quarter with 103% year-on-year revenue growth to EUR 16.6 million in Q2'22
- Strong quarter in Europe with Q2'22 year-on-year revenue growth of 271% to EUR 5.3 million, driven by 353% growth in RVM sales stemming from Malta and Sweden
- Continued expansion in North America with Q2'22 year-on-year revenue growth of 67% to EUR 11.4 million, driven by strong growth in both Program Service volumes and RVM sales
- Significant contract won with Iceland Foods to install RVMs in all stores operating in Scotland, a promising steppingstone towards becoming successful in this important market
- Gross margin in Q2'22 33.3% up from 32.9% in Q1'22 from improved labor efficiencies and cost stabilization of components and logistics
- Organizational investments and significant increased market development activities in Ireland, Romania, and Portugal tied to DRS legislation and implementation

CEO comment

"Q2 was a record revenue quarter for the business and the result of strong execution across our existing and targeted new DRS markets. We were delighted to announce our first success in the UK with Iceland Foods in Scotland and anticipate that we will build on this in the next months as other commercial processes conclude. In addition, this quarter showed improved core Gross Margins which have stabilized and continue to show recovery from Q4 2021. In what is still an uncertain supply chain environment, we are continuing to manage cost, scale and optimize production, and streamline logistics, positioning the company well for profitable expansion. Wider activity and progress continue at a good pace in Romania, Ireland, Portugal, and Central Europe. The business has delivered a strong H1 in 2022 and we remain optimistic about solid growth this year and setting a good foundation towards our long-term targets." – Simon Bolton, CEO

Key figures

in EUR millions	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Revenues	16.6	8.2	27.0	16.6	38.4
Gross Profit	5.5	3.0	9.0	6.1	13.4
Gross profit %	33.3%	37.0%	33.2%	37.0%	35.0%
Operating Expenses	5.8	3.4	10.3	7.2	14.7
EBIT	(0.2)	(0.2)	(1.4)	2.5*	2.3*
Net profit/(loss) after taxes after minority	(0.4)	(0.1)	(1.8)	1.9	0.6
EBITDA	0.9	0.9	0.7	4.3	5.5
Earnings/(loss) per share in €	(0.01)	(0.00)	(0.04)	0.04	0.01
Shareholders' equity	32.1	30.9	32.1	30.9	30.5

* Including other income of EUR 3.4 million positive (DPG settlement, PPP forgiveness).

Financial review

Profit and loss

Second quarter 2022

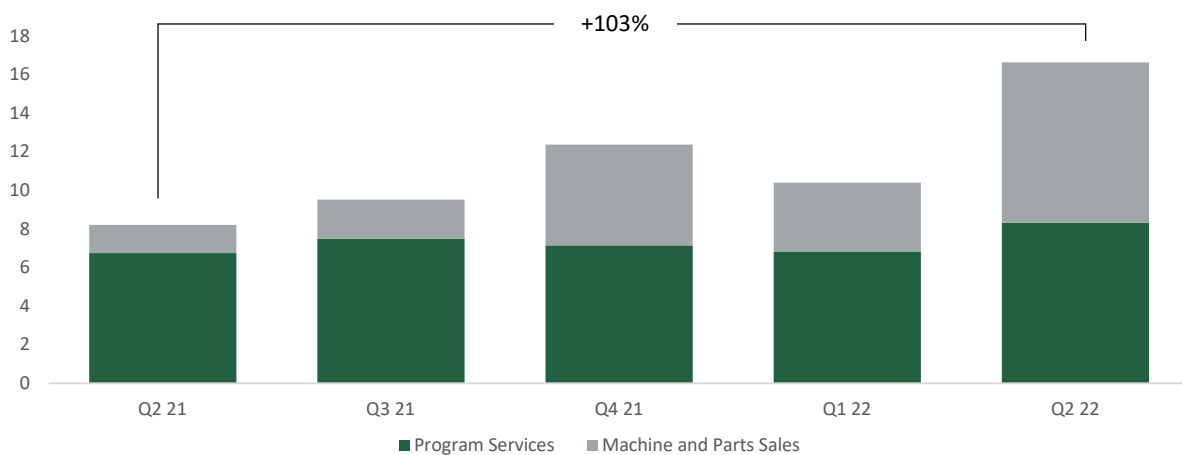
Revenue in the second quarter of 2022 amounted to EUR 16.6 million, up 103% from EUR 8.2 million in the second quarter of 2021. Revenue growth was driven by strong year-on-year growth in both North American and Europe with RVM sales reaching EUR 8.3 million (+468%). Program services also experienced healthy growth representing EUR 8.3 million (+24%) in the quarter.

Total gross profit came in at EUR 5.5 million in Q2'22, up from EUR 3.0 million in Q2'21. Gross margin was 33.3%, down from 37.0% in Q2'21, but improved from 32.9% in Q1'22. Margin pressure from inflationary impacts on labor, component costs, and logistics seen throughout 2021 have moderated and begun to stabilize in H1'22. Envipco has also improved labor efficiencies with a reduction of temporary production labor in the quarter. While gross margins are expected to fluctuate quarter-over-quarter based on product and customer mix, the company is expecting margin levels to stabilize and improve over the medium term with continued pricing and product cost focus.

Total operating expenses amounted to EUR 5.8 million in the quarter, compared to EUR 3.4 million in Q2'21 and EUR 4.6 million in Q1'22. The year-on-year increase is mainly driven by scaling of operations in production centers (+ EUR 0.6 million), increased sales and marketing activities in Romania, Sweden and Malta (+ EUR 0.6 million), market development (+ EUR 0.3 million), and foreign exchange (+ EUR 0.3 million). Overall, these planned investments continue to be critical to enable profitable growth and capitalize on upcoming business opportunities as more European countries introduce DRS regulations.

Resulting EBITDA for Q2'22 was EUR 0.9 million, comparable to the EUR 0.9 million seen in Q2'21. Net Loss for the quarter amounted to EUR 0.4 million compared to Net Loss of EUR 0.1 million in Q2'21.

Revenue categories (EUR million)



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

Cash Flow

Cash generated from operating activities amounted to negative EUR 4.1 million in H1'22 (versus positive EUR 5.5 million in H1'21) including inventory buildup of EUR 7.3 million and EUR 3.0 million increase of other payables, both related to the execution of Malta and North American contracts in Q2 and Q3 2022. Working capital levels will be reduced as these sizeable contracts are executed, contributing to improved operating cash flow in H2'22.

Cash flow from investing activities was negative EUR 1.8 million, related to capitalized R&D of EUR 0.8 million and investments in the US and Romanian facilities of EUR 1.1 million.

Cash flow from financing activities was positive EUR 5.6 million in H1'22 compared to positive EUR 5.6 million in H1'21. The financing cash flow in the first half of 2022 mainly consisted of EUR 6.8 million in proceeds from a EUR 2.9 million term loan secured in June 2022 and EUR 3.9 million utilization of our credit facility, next to repayments of borrowings of EUR 0.9 million.

Net change in cash and cash equivalents was negative EUR 0.3 million during H1'22, compared to positive EUR 9.0 million in H1'21. Total cash holdings amounted to EUR 2.7 million per end of H1'22, down from EUR 10.2 million in H1'21 which was supported by EUR 7.4 million in proceeds from the Oslo Growth share issue in February 2021. In addition to cash holdings, the Company has an available line of credit of EUR 1.8 million.

As indicated in the previous quarter and as part of financing working capital requirements, the company secured a term loan of EUR 2.9 million with additional credit of EUR 2.9 million in June 2022. Envipco continues to evaluate long term debt financing opportunities as necessary to finance cash requirements to fund growth and ongoing operations of the company.

Financial position

On 30 June 2022, Envipco had total assets of EUR 65.5 million, compared with EUR 49.1 million as of 30 June 2021.

Total equity was EUR 32.1 million at the end of H1'22, corresponding to an equity ratio of 49%, compared with EUR 30.9 million on 30 June 2021 (63% equity ratio).

Total borrowings at the end of the period amounted to EUR 13.6 million, including EUR 6.8 million in proceeds from term loan and credit facility utilization, and a second PPP loan of EUR 1.8 million. Forgiveness of this PPP loan was confirmed in July 2022 and will be recognized as income in Q3'22. Borrowings amounted to EUR 7.5 million at the end of H1'21.

Borrowings – Third Parties

in EUR thousands	6 months to 30 Jun 2022	6 months to 30 Jun 2021
At beginning of period	7 062	8 825
Additions	6 808	1 606
Repayments	(912)	(3 224)
Translation effect	673	252
At end of period	13 630	7 459

Operations

(figures in EUR Million)	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Revenues	16.6	8.2	27.0	16.6	38.4
North America*	11.4	6.8	20.8	13.8	31.2
Europe	5.3	1.4	6.3	2.7	7.2
Gross profit	5.5	3.0	9.0	6.1	13.4
Gross profit %	33.3%	37.0%	33.2%	37.0%	35.0%
Operating expenses ex New Market Development	(5.3)	(3.2)	(9.5)	(6.7)	(13.5)
New market development	(0.5)	(0.2)	(0.8)	(0.5)	(1.2)
Total operating expenses	(5.8)	(3.4)	(10.3)	(7.2)	(14.7)
Other Income	0.0	0.2	0.0	3.6	3.6
EBIT	(0.2)	(0.2)	(1.4)	2.5	2.3

*Including Rest of the World (RoW).

North America

- Strong quarter with Q2'22 year-on-year revenue growth of 67% to EUR 11.4 million, driven by strong growth in both Program Service volumes and RVM sales
- Strong orderbook in place with key existing retailers for Q3'22

North Americas Q2'22 program services revenue increased by 25% to EUR 8.0 million compared to EUR 6.4 million in Q2'21, as result of good seasonal weather and full opening of the redemption and hospitality compared to prior year. Machine sales from North America amounted to EUR 3.3 million in Q2'22, showing strong momentum with 18% quarter-on-quarter growth from EUR 2.8 million in Q1'22. RVM sales are up 813% year-on-year from EUR 0.4 million in Q2'21.

Envipco continues to expand its presence in North America and expects several opportunities to materialize in the medium-term, including California which is in the process of reviewing its Bottle Bill.

Europe

- Record quarter with revenue of EUR 5.3 million, up 271% from EUR 1.4 million in Q2'21
- Significant contract won with Iceland Foods to install RVMs in all stores operating in Scotland
- Revenue of EUR 3.6 million recognized from Malta contract, similar revenue contribution expected in Q3'22

Sales in Europe came in at EUR 5.3 million in the second quarter, up 271% from EUR 1.4 million in Q2'21. Machine sales amounted to EUR 5.0 million (+353%), largely driven by the Malta contract. Revenue from Sweden amounted to EUR 1.5 million, recovering from customer installation delays in Q1'22. Sales in Sweden are expected to reach 2021 levels in 2022.

Strong progress across European DRS markets supports a solid growth trajectory going forward. Scotland is significantly ramping through a signed contract with Iceland Foods for all their 87 stores operating in Scotland. Negotiations are progressing with several Tier 1 retailers in Scotland with promising follow-on opportunities for expansion in the United Kingdom. Further, revenue from the Malta contract will continue to come in through Q3'22 from both RVM sales and service revenue which is recognized from time of installation.

Operational and organizational development

Envipco is continuously growing and improving the organization to enable scale and expansion in new and existing markets, particularly within site leadership, supply chain, and logistics. Organizational additions were made in both product technology and IT teams in the quarter.



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:

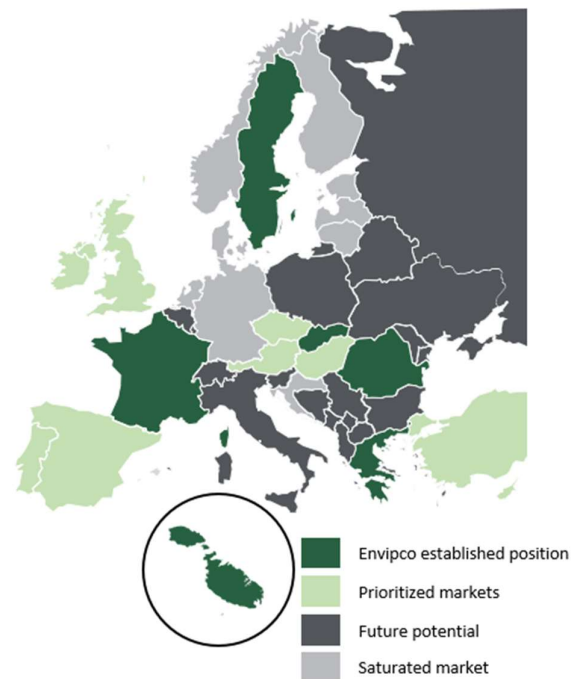
UK/Scotland/Ireland: Continuing commercial activity with a recent win as well as participating in final stage RFPs with Tier 1 Retailers; orders expected during 2022/early 2023. Scotland is still on track for the announced go-live in August 2023. Go-live for Ireland and the UK are anticipated for 2024.

Malta: DRS go-live pushed to H2'22 for higher retail engagement. Shipments on existing contract have completed and we are working with our customer BCRS on system completion.

Portugal: DRS go-live is now expected for early '24. Continued engagement with retailers and piloting of products prior to an operator being appointed and a clear runway for Go-live is announced.

Romania: DRS law passed with expected go-live in late '23 - early '24. Market development activities accelerating through expansion of pilots with most Tier 1 retailers and municipalities with expected conclusion of some RFPs in H1 '22. Romanian manufacturing plant opened and being ramped-up.

Greece: Engaged in a project with our Greek distributor as part of a pre-DRS initiative. The initiative anticipates lower gross margin initially as part of the investment strategy.



North America: Positioning the North America business team on legislative initiatives in Massachusetts and New York. Renewed legislative activity in California tied to proposed changes in deposit legislation and redeployment of USD 100 million of excess funds to encourage increased redemptions. Continued focus on OBRC technology agreement as aged equipment is replaced and new RVM's are deployed in Oregon. Engagement in final tenders for earlier Connecticut expansion remaining.



ROW: ROW activities mainly include Australia. The company has expectations for further growth in the country in 2022-23 particularly with Victoria announcing DRS go-live in 2023, as well as further opportunities in Queensland and Western Australia.

Outlook

As evidenced by the strong growth and high commercial activity seen in the quarter, Envipco continues to develop and expand across Europe and North America as the markets mature and DRS schemes approach go-live. The company is progressing steadily with substantial opportunities with retailers in the United Kingdom and is strengthening its position with key retailers in the United States. More than ever, Envipco is well positioned for continued strong growth in H2 2022 and the longer term. The company maintains a strong orderbook for Q3'22 including continued revenue recognition from the Malta contract, and new opportunities are materializing throughout Europe and in North America.

Gross margin continues to be a key focus area following the challenging market conditions and inflationary pressures seen in 2021. While component and transportation costs show signs of stabilizing, the company recognizes the risks and uncertainties stemming from the current economic and geopolitical climate. Thus, Envipco is continuously managing product cost, improving price levels, and working to ensure a lean and profitable business. Envipco has, through the first six months of 2022, improved labor efficiencies, phasing out temporary labor, and initiated several cost optimization projects. With the ramp up of the new Romanian facility we expect to increase production capacity, reduce manufacturing costs, simplify supply chains, and lower freight costs.

Envipco maintains investment in organization and infrastructure to allow execution on the opportunities ahead. Market development activities are progressing steadily, and the company is in a strong position to capture new market share as DRS-legislation is introduced. We remain confident in our strategy, our investments, and our ability to deliver strong growth and execute on our long-term revenue and gross margin targets. 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.

The Group has been notified of or is aware of the following 3% or more interests as of 30 June 2022.

	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	2 477 207	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
D. D'Addario	804 510	1.75	1.75
S. Bolton	82 850	0.18	0.18
C. Crepet	70 120	0.15	0.15

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 EUR 0.7 million due from an affiliate under common control of the majority shareholder. There were no transactions with related parties during the period.

Subsequent events

Confirmation of forgiveness of our second PPP loan for an amount of EUR 1.8 million was received in July 2022.

Interim financial statements (IFRS)

Consolidated Statement of Comprehensive Income

in EUR thousands	Note	Q2 2022	Q2 2021	HY 2022	HY 2021	FY 2021
Revenues		16 630	8 214	27 042	16 555	38 444
Cost of revenue		(11 086)	(5 200)	(18 067)	(10 431)	(25 037)
Gross Profit		5 544	3 014	8 975	6 124	13 407
Selling and distribution expenses		(906)	(193)	(1 352)	(472)	(996)
General and administrative expenses		(4 469)	(3 199)	(8 285)	(6 048)	(12 258)
Research and development expenses		(399)	(23)	(697)	(656)	(1 425)
Other income /(expenses)		(3)	220	0	3 595	3 603
Operating Results		(233)	(181)	(1 359)	2 543	2 331
Financial expense		(177)	(80)	(326)	(200)	(839)
Financial income		32	242	44	(19)	33
Net finance (cost) and or income		(145)	162	(283)	(219)	(806)
Results before tax		(378)	(19)	(1 642)	2 324	1 525
Income taxes		(70)	(78)	(128)	(394)	(933)
Net Results		(448)	(97)	(1 770)	1 930	592
Other comprehensive income						
Items that will be reclassified subsequently to profit and loss						
Exchange differences on translating foreign operations		1 993	(154)	2 520	595	1 542
Total other comprehensive income		1 993	(154)	2 520	595	1 542
Total comprehensive income		1 545	(251)	750	2 525	2 134
Profit attributable to:						
Owners of the parent		(450)	(98)	(1 774)	1 927	586
Non-controlling interests		2	1	4	3	6
Total Profit/(loss) for the period		(448)	(97)	(1 770)	1 930	592
Total comprehensive income attributable to:						
Owners of the parent		1 543	(252)	746	2 522	2 128
Non-controlling interests		2	1	4	3	6
		1 545	(251)	750	2 525	2 134
Number of weighted average (exclude treasury shares) shares used for calculations of EPS		46 051	46 051	46 051	46 051	46 051
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the period						
- Basic (euro)		(0,01)	(0,00)	(0,04)	0,04	0,01
- Fully diluted (euro)		(0,01)	(0,00)	(0,04)	0,04	0,01

Consolidated Balance Sheet

in EUR thousands	Note	HY 2022	HY 2021	FY 2021
Assets				
Non-current assets				
Intangible assets		7 824	7 045	7 502
Property, plant and equipment		12 751	9 385	9 590
Financial assets		1 175	132	479
Deferred tax assets		2 100	2 315	1 917
Restricted cash		340		340
Total non-current assets		24 189	18 877	19 828
Current assets				
Inventory		23 308	9 144	14 999
Trade and other receivables		15 218	10 891	13 817
Cash and cash equivalents		2 747	10 208	3 061
Total current assets		41 273	30 243	31 877
Total assets		65 462	49 120	51 705
Equity				
Share capital		2 303	2 303	2 303
Share premium		56 990	57 818	57 326
Translation reserves		6 486	3 019	3 966
Legal reserves		7 525	6 706	7 188
Retained earnings		(41 250)	(38 988)	(40 329)
Equity attributable to owners of the parent		32 053	30 857	30 454
Non-controlling interests		43	36	39
Total equity		32 096	30 893	30 493
Liabilities				
Non-current liabilities				
Borrowings		11 801	6 156	5 922
Lease commitments		954	452	493
Other liabilities		0	120	120
Deferred tax liability				86
Total non-current liabilities		12 756	6 728	6 621
Current liabilities				
Borrowings		1 829	1 303	1 140
Trade creditors		11 842	5 950	8 492
Accrued expenses		5 446	3 026	3 462
Provisions		415	379	181
Lease commitments		493	343	343
Tax and social security		587	497	973
Total current liabilities		20 613	11 499	14 591
Total liabilities		33 368	18 227	21 212
Total equity and liabilities		65 464	49 120	51 705

Consolidated Cash Flow Statement

in EUR thousands	Note	HY 2022	HY 2021	FY 2021
Cashflow from operating activities				
Operating results		(1 359)	2 543	2 331
Adjustment for:				
Depreciation & Amortization		2 115	1 785	3 607
PPP loan forgiveness		-	-	(1 526)
Changes in:				
Changes in trade and other receivables		(528)	1	(3 206)
Changes in inventories		(7 287)	19	(5 993)
Changes in provisions		234	40	(157)
Changes in trade and other payables		3 007	1 702	6 204
Cash generated from operations		(3 818)	6 090	1 260
Interest received and paid		(138)	(200)	(348)
Income taxes paid		(128)	(394)	(415)
Net cash flow from operating activities		(4 084)	5 496	497
Investing activities				
Development expenditure, patents		(753)	(801)	(1 686)
Investments in property, plant & equipment		(1 069)	(1 215)	(2 582)
Restricted cash (non-current)		-	-	(340)
Net cash flow used in investing activities		(1 822)	(2 016)	(4 608)
Financial activities				
Proceeds of share issue		-	7 375	7 365
Changes in borrowings – proceeds		6 808	1 606	1 643
Changes in borrowings – repayments		(912)	(3 224)	(2 447)
Changes in lease commitments		(301)	(202)	(433)
Net cash flow from financing activities		5 594	5 555	6 128
Net increase/(decrease) in cash and cash equivalents		(312)	9 035	2 017
Opening position		3 061	1 109	1 109
Foreign currency differences on cash and cash equivalents		(2)	64	(65)
Closing position		2 747	10 208	3 061
The closing position consists of:				
Cash and cash equivalents		2 747	10 208	3 061
Total closing balance in cash and cash equivalents		2 747	10 208	3 061

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
Opening Balance at 1 January 2022	2 303	57 326	3 966	7 188	(40 329)	30 454	39	30 493
Net profit/(loss) for the period	-	-	-	-	(1 774)	(1 774)	4	(1 770)
Other comprehensive income						-		-
- Currency translation or PY adjustment	-		2 520	-	(12)	2 509	-	2 509
Total comprehensive income for the period ended 30 June 2022	-	-	2 520	-	(1 786)	734	4	738
Share issue	-	-	-	-	-	-	-	-
Legal reserve	-	(337)	-	337		-		-
Correction on unrealized profit on inventories previous years	-	-	-	-	865	865	-	865
Balance at 30 June 2022	2 303	56 990	6 486	7 525	(41 250)	32 053	43	32 096

in EUR thousands	Q2 2022	Q2 2021	HY 2022	HY 2021	FY 2021
Opening Balance	29 686	31 145	30 493	20 994	20 994
Net profit/(loss) for the period	(448)	(97)	(1 770)	1 930	592
Other comprehensive income:					
- Currency translation adjustment	1 993	(154)	2 509	595	1 542
Total comprehensive income for the period	1 545	(251)	738	2 525	2 134
Share issue	-	-		7 375	7 365
Correction on unrealized profit on inventories previous years	865		865		
Closing Balance	32 096	30 894	32 096	30 894	30 493

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 quarter ended 30 June 2022 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 2021, 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 2021.

- 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 2022. Consequently, any impairment losses will only be recognised in the annual financial statements over the fiscal year 2022.
- These unaudited interim financial statements have not been reviewed by our auditors.

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