

Envipco Announces 2020 Third Quarter and Nine Months Results Unaudited

Regulated Information

Consolidated Statement of Comprehensive Income in EUR thousands	Regulated Information			
	Unaudited 9M 2020	Unaudited 9M 2019	Unaudited 3Q 2020	Unaudited 3Q 2019
Operating revenues	22,779	27,558	9,153	10,138
Cost of revenue	(14,353)	(16,991)	(5,303)	(5,852)
Gross profit	8,426	10,567	3,850	4,286
Operating expenses	(9,892)	(10,725)	(2,751)	(3,557)
Other income/(expenses)	11	20	6	13
Operating Results	(1,455)	(138)	1,105	742
Net financial items	11	(198)	383	(104)
Results before tax	(1,444)	(336)	1,488	638
Income taxes	(184)	(357)	(106)	(304)
Net Results	(1,628)	(693)	1,382	334
Other comprehensive income				
Items that will be reclassified subsequently to profit and loss				
Exchange differences on translating foreign operations	(797)	1,076	(1,414)	923
Total other comprehensive income	(797)	1,076	(1,414)	923
Total comprehensive income	(2,425)	383	(32)	1,257
Profit/(loss) attributable to:				
Owners of the parent	(1,627)	(696)	1,384	332
Non-controlling interests	(1)	3	(2)	2
Total profit/(loss) for the period	(1,628)	(693)	1,382	334
EBITDA (earnings before interest, taxes, depreciation and amortisation)	1,954	2,515	2,580	1,642
Earnings/(loss) per share (EPS)	(0.40)	(0.17)	0.34	0.08
Number of weighted average shares used in calculation of EPS (in thousands, excluding treasury shares)	4,098	4,098	4,098	4,098

Consolidated Balance Sheet in EUR thousands	Regulated Information	
	Unaudited As of 30/9/20	Unaudited As of 30/9/19
Assets		
Fixed assets and investments	18,069	18,129
Cash and cash equivalents	1,055	1,481
Other current assets	22,494	24,586
Total assets	41,618	44,196
Equity & Liabilities		
Shareholders' equity	21,928	26,353
Non-controlling interest	32	29
Long term liabilities	5,904	3,432
Current liabilities	13,754	14,382
Total Equity & Liabilities	41,618	44,196

Highlights

2020 Third Quarter – Consolidated Results:

Whilst the business is still impacted by the Covid-19 situation, sustained recovery is starting to be seen both in the US and Europe during Q3. Revenues vs. Prior Year are recovering with Revenue Q3 2020 being 10% down vs. Q3 2019; an improvement on 1HY 2020 which was 22% lower than 1HY 2019. This was driven by recovery in US service and operating throughput revenues and by continued improvement in Europe with a good performance for the Swedish business, which grew 84% in Q3 2020 vs Q3 2019.

Another highlight was profitability of €1.11m in Q3 2020 versus €0.74m in Q3 2019 and increased EBITDA of EUR 2.58m or 28% of revenues compared to Q3 2019 EUR 1.64m or 16% of revenues. This improvement was driven by stable gross profit margin (42% Q3 2020 and Q3 2019), cost control of G&A expenses and lower IP litigation cost.

During this period the business has maintained strict cost controls, as such operating expenses for Q3 2020 decreased to €2.75m compared to €3.56m for Q3 2019, with the largest reductions being in curtailed general and administration costs and lower IP litigation cost.

2020 Nine Months – Consolidated Results:

Revenues for the first nine months of 2020 decreased 17% to €22.78m from €27.56m in 2019.

The North American 2020 business revenues declined 20% for the 9 month period with limited currency impact over this period. The lower North American business revenue is attributable to the Covid-19 impact on lower container throughput business and lower RVM machine sales.

The European platform continues to perform well vs. Prior Year, 2020 revenue growth was 7% higher for the nine months period compared to the same period for 2019.

Gross profit for the 9M 2020 period decreased to €8.43m from €10.57m for the first nine months of 2019 as a result of the Covid-19 impact resulting in lower throughput volume and RVM sales. Gross profit margin was slightly down: 37% for the first nine months of 2020 compared to 38% for the first nine months of 2019, on account of fixed costs and lower manufacturing overhead cost absorption.

The operating profit for 9M 2020 was a loss of (€1.46m) compared to a loss of (€0.14m) for the first nine months of 2019. The North American operating profit at €1.86m for the first nine-months of 2020 was lower compared with €3.46m for the same period in 2019. The European business operating loss reduced to (€1.48m) compared to a loss of (€1.63m) over this 9M period, driven by higher volumes and reduced expenses. The Holding company expenses decreased to €1.84m for the nine months 2020 compared to €1.97m for the same period in 2019. This nine-month 2020 decrease is principally attributed to savings in IP litigation cost of €0.37m offset by higher other administration costs of €0.24m.

EBITDA decreased to €1.95m from €2.52m for the first nine months of 2020 compared to 2019, though showing strong recovery compared to the previous quarters of 2020, turning EBITDA from negative to positive in Q3 and YTD 2020.

Financial Position:

- The Company generated a negative €0.72m cash flow from its operating activities for the first nine months of 2020 versus a positive €0.08m for the same period in 2019, mainly due to lower service and machine sales levels, on account of Covid-19 in 2020.
- The Company's bank financing drawn was at €8.58m for 30/9/2020 compared with €4.64m in 30/9/2019 due to increased borrowings during 2020. The Company has adequate bank facilities to fund its current requirements.
- Under the provisions of the Paycheck Protection Program (PPP), the Company will be eligible for forgiveness for a significant portion or all of the €1.5m loan obtained earlier in the year. Criteria for forgiveness are currently being finalised and we expect this will be reflected as Other income in Q4 2020 or H1 2021.
- Shareholders' equity at 30/09/2020 decreased by €2.42m from year end 31/12/2019 based on the nine months 2020 net loss augmented by a negative translation reserve impact of €0.80m.

Other:

- We continue to maintain very active market development activity in Scotland and UK at large. A system administrator is still expected to be appointed by the Scottish government early 2021 and will oversee the operational requirements to

fulfill the DRS regulations and fully defined RVM machine configurations. Envipco's UK management team continues to engage with the retailer community and have made further progress in commercial discussions and more advanced pilot projects.

- As part of the Company's strategy to develop a strong business in Europe, we have continued to build out the European organization centered around a Group HQ in The Netherlands. As previously announced, we have the pleasure of welcoming Derk Visser as Group CFO and will continue to expand this team to lead growth in the future.
- On 31 January 2020, the Company filed its appeal of an unfavourable decision by the German courts regarding its IP infringement litigation. It is not expected that the defendant responses to the appeal will be filed until later this year and that the court ruling will come in early 2022. Within current general proceedings Envipco was successful in the Munich Appeal Court during October to dismiss a patent vindication appeal by a third party. The Company expects to continue to incur legal cost on this matter, albeit with 2020 legal cost reduced from the 2019 cost of €0.80m.

"Whilst we continue to work aggressively to meet the Covid-19 impacts for the company, we are encouraged by the recovery and strengthening of the business seen in Q3 2020. We expect continuing recovery through year end 2020 and a solid start to 2021. We are managing the business carefully in these challenging times, while maintaining our focus on new market development and building our capability in Europe to capture future exciting growth." **Simon Bolton, CEO Envipco.**

Market Outlook:

Whilst the Company has seen sustained improvements during Q3 2020, we are subject to continuing negative impacts of Covid-19 and also the potential for further shut-downs and restrictions. This impact is especially seen in North America which could delay full return of the normalised throughput volume until Q1/Q2 of 2021. Our European business is less impacted with Sweden expected to finish a strong year in new machine sales and service revenues from an increasing installed base in 2020. We also continue to engage a number of other European markets for RVM sales in Q4 and early 2021.

Travel restrictions and specific Covid-19 market challenges may have an impact on timing of new European DRS initiatives as well as on the development of several non-deposit markets. We expect the Scottish market opportunity to gain momentum in early 2021 when the administrator is appointed. Consequently, we expect no delay in Scotland of the DRS implementation date of July 2022. The Company has adequate financial resources to continue to execute during these challenging times.

Please refer to our website www.envipco.com to download a full pdf version of our 2020 Third Quarter and Nine Month Report.

For further information please contact:

Floor van Maaren / Eva Lindner
Lindner & van Maaren
+31 6 29597746 / +31 6 34222831

ENVIPCO HOLDING N.V.
Board of Directors
Arnhemseweg 10
3817 CH Amersfoort
The Netherlands

Amersfoort, 24 November 2020
+31 33 285 1773

www.envipco.com

About Envipco Holding N.V.

Envipco Holding N.V. (Envipco), www.envipco.com, is a Netherlands-based holding company listed on Euronext Amsterdam (Symbol: ENVI). Envipco, with operations in several countries around the globe, is a recognised leader in the development and operation of reverse vending machines (RVMs), automated technological systems for the recovery of used beverage containers. Known for its innovative technology and market leadership, Envipco holds several intellectual property rights for RVM systems, including but not limited to beverage refund deposit markings, material type identification, compaction and accounting.

This announcement contains forward-looking statements concerning the condition and business of Envipco. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. All forward-looking statements contained in this announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements.