

Evolva

Updating estimates

On 30 November, Evolva announced a private placement whereby Veraison SICAV would purchase 63.75m shares at CHF0.118 per share, or a 7% discount to the lowest daily volume weighted average price during the six trading days preceding the announcement. It raised gross proceeds of CHF7.5m, which will be used to finance ongoing activities. The settlement occurred on 6 December and Veraison now has a c 6% shareholding. We update our estimates to reflect the capital increase. Our underlying operational estimates remain unchanged.

Year end	Revenue (CHFm)	PBT* (CHFm)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/19	11.6	(15.6)	(2.0)	0.0	N/A	N/A
12/20	7.5	(23.4)	(2.9)	0.0	N/A	N/A
12/21e	14.2	(18.6)	(2.0)	0.0	N/A	N/A
12/22e	27.5	(3.8)	(0.4)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Now expect net cash at end FY21

Evolva has transformed itself from an R&D-driven enterprise to a commercial company with a product-based revenue model. As it nears profit and cash breakeven, it has focused on optimising its manufacturing capabilities and ensuring they are both stable and scalable. Current guidance, which remains unchanged, is for gross profits to become positive by Q421, with a view to reaching cash breakeven by FY23. We have adjusted our forecasts and now expect net cash of CHF2.0m at end FY21, following the private placement, as we assume net proceeds of CHF6.5m.

Adjusting EPS to reflect the dilution

We have updated our estimates to reflect the capital increase. For FY22 and beyond, the number of shares has increased by 6.6%, leading to a corresponding reduction in EPS.

Valuation: Fair value of CHF0.29/share

We continue to value Evolva on a discounted cash flow basis with a 25-year model, assuming cash breakeven in FY23, in line with management guidance. Our fair value was CHF0.30/share before the private placement and therefore moves to CHF0.29. As a reminder, nootkatone contributes c 50% of our fair value for Evolva, with most of this coming from its use in pest control.

Capital increase

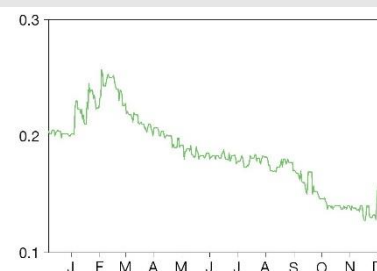
Food & beverages

7 December 2021

Price **CHF0.156**
Market cap **CHF161m**

Net cash (CHFm) at 30 June 2021	13.1
Shares in issue	1,031m
Free float	100%
Code	EVE
Primary exchange	SIX Swiss Exchange
Secondary exchange	OTC US

Share price performance



%	1m	3m	12m
Abs	13.1	(7.8)	(25.8)
Rel (local)	12.6	(6.6)	(36.8)
52-week high/low	CHF0.257	CHF0.126	

Business description

Evolva is a Swiss biotech company focused on the research, development and commercialisation of ingredients based on nature. The company has leading businesses in flavours and fragrances, health ingredients and health protection.

Next events

FY results	March 2022
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Evolva *Evolva is a research client of Edison Investment Research Limited*

Exhibit 1: Financial summary

	CHF'000s	2018	2019	2020	2021e	2022e	2023e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		8,933	11,596	7,541	14,163	27,468	53,750
Cost of Sales		(6,816)	(6,305)	(9,783)	(16,403)	(15,001)	(27,771)
Gross Profit		2,117	5,292	(2,242)	(2,239)	12,467	25,979
EBITDA		(23,350)	(12,280)	(16,733)	(17,332)	(2,455)	11,185
Operating Profit (before GW and except.)		(24,827)	(14,067)	(18,397)	(18,714)	(3,816)	9,832
Intangible Amortisation		(5,909)	(6,060)	(6,508)	(6,508)	(6,508)	(6,508)
Exceptionals		0	0	0	0	0	0
Operating Profit		(30,736)	(20,128)	(24,905)	(25,222)	(10,323)	3,325
Net Interest		(622)	(1,486)	(4,978)	79	8	(48)
Other financial income		40	0	0	0	0	0
Profit Before Tax (norm)		(25,409)	(15,553)	(23,375)	(18,636)	(3,808)	9,784
Profit Before Tax (FRS 3)		(31,318)	(21,614)	(29,882)	(25,143)	(10,315)	3,277
Tax		2,104	(25)	18	0	0	0
Profit After Tax (norm)		(23,305)	(15,578)	(23,357)	(18,636)	(3,808)	9,784
Profit After Tax (FRS 3)		(29,214)	(21,639)	(29,864)	(25,143)	(10,315)	3,277
Average Number of Shares Outstanding (m)		770.6	770.4	809.3	926.3	1,030.7	1,030.7
EPS - normalised (c)		(3.0)	(2.0)	(2.9)	(2.0)	(0.4)	0.9
EPS - FRS 3 (c)		(3.8)	(2.8)	(3.7)	(2.7)	(1.0)	0.3
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		23.7	45.6	-29.7	-15.8	45.4	48.3
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A	N/A
BALANCE SHEET							
Fixed Assets		145,825	143,333	133,316	126,564	120,019	113,533
Intangible Assets		138,838	133,939	123,894	117,387	110,879	104,372
Tangible Assets		4,769	7,211	6,914	6,803	6,765	6,787
Other fixed assets		2,218	2,184	2,508	2,375	2,375	2,375
Current Assets		67,192	48,745	33,577	20,847	30,452	38,985
Stocks		4,040	5,392	9,125	15,580	23,348	29,562
Debtors		1,941	1,480	2,347	2,833	4,670	6,987
Cash		60,380	39,920	19,669	0	0	0
Other current assets		830	1,954	2,435	2,435	2,435	2,435
Current Liabilities		(14,705)	(12,295)	(15,139)	(16,579)	(16,274)	(19,052)
Creditors		(743)	(2,912)	(2,128)	(3,569)	(3,264)	(6,042)
Short term borrowings		0	0	0	0	0	0
Finance lease obligations		(782)	(1,289)	(1,059)	(1,059)	(1,059)	(1,059)
Other current liabilities		(13,180)	(8,095)	(11,952)	(11,952)	(11,952)	(11,952)
Long Term Liabilities		(4,150)	(7,221)	(6,662)	(3,530)	(16,355)	(11,494)
Long term borrowings		0	0	0	1,954	(11,917)	(8,102)
Finance lease obligations		(2,394)	(4,840)	(4,179)	(3,133)	(2,087)	(1,042)
Other long term liabilities		(1,756)	(2,381)	(2,484)	(2,351)	(2,351)	(2,351)
Net Assets		194,162	172,562	145,092	127,303	117,841	121,972
CASH FLOW							
Operating Cash Flow		(23,247)	(13,577)	(22,317)	(21,977)	(11,511)	6,284
Net Interest		(360)	(583)	(1,046)	79	8	(48)
Capex		(364)	(193)	(1,223)	(1,272)	(1,322)	(1,375)
Acquisitions/disposals		0	0	0	0	0	0
Financing		(209)	164	0	6,500	0	0
Dividends		0	0	0	0	0	0
Other cash flow		(12,595)	(6,224)	4,479	(1,046)	(1,046)	(1,046)
Net Cash Flow		(36,775)	(20,413)	(20,106)	(17,716)	(13,871)	3,816
Opening net debt/(cash)		(97,184)	(60,381)	(39,920)	(19,670)	(1,954)	11,917
HP finance leases initiated		0	0	0	0	0	0
Other		(29)	(47)	(144)	0	0	(0)
Closing net debt/(cash)		(60,381)	(39,920)	(19,670)	(1,954)	11,917	8,102

Source: Edison Investment Research, company data

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