

Evolva

New year, new product launch

Evolva is starting FY21 with the launch of a new product, L-arabinose (previously known as EVE-X157/Z4). It is a natural sugar blocker and reducing sugar used in health ingredients and flavours and fragrances. It is fully renewable, sustainable and made by fermentation. The product is already FEMA GRAS-approved for use in food and beverages and has a wide range of applications. Evolva estimates the current market for the product at CHF250m. Commercial discussions with major customers are ongoing and Evolva expects to supply its first volumes in FY21. The launch of this new product shows the breadth of Evolva's offering and the strength of its pipeline. As a reminder, our model assumes no contribution from L-arabinose.

Year end	Revenue (CHFm)	PBT* (CHFm)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/18	8.9	(25.4)	(3.0)	0.0	N/A	N/A
12/19	11.6	(15.6)	(2.0)	0.0	N/A	N/A
12/20e	9.8	(16.8)	(2.1)	0.0	N/A	N/A
12/21e	16.8	(11.8)	(1.4)	0.0	N/A	N/A

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

L-arabinose is a naturally occurring ingredient used in products ranging from yoghurts to cereals and confectionery. Evolva expects its market to grow at c 5% per year as it helps create healthier food and beverage solutions for increasingly health-conscious consumers. L-arabinose works by blocking the body's ability to digest sucrose (it inhibits the sucrase enzyme, which breaks down sucrose in the small intestine), so it can be used both as a health ingredient and within flavours and fragrances. The former market is larger and – as highlighted by Evolva in November – the health ingredients space has also been more resilient during the pandemic as consumers have increasingly focused on health and wellbeing. The product is FEMA GRAS-approved (Flavour and Extract Manufacturers Association of the United States generally recognised as safe) for use in food and beverages.

As with Evolva's previous launches, we expect initial volumes of L-arabinose to be low, as commercial discussions with major customers continue and customers' existing products may require reformulation.

We continue to value Evolva on a DCF basis with a 25-year model, assuming cash break-even in FY23, in line with management guidance. Our fair value remains CHF0.38/share. As a reminder, nootkatone contributes c 50% of our fair value for Evolva, with most of this coming from its use in pest control and we assume no contribution from L-arabinose.

New product launch

Consumer

20 January 2021

Price CHF0.22
Market cap CHF181m

Net cash (CHFm) at 30 June 2020	25.3
Shares in issue	822m
Free float	100%
Code	EVE
Primary exchange	SIX Swiss Exchange
Secondary exchange	OTC US

Share price performance



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.

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