

Envipco Announces 2020 First Quarter Unaudited Results

Regulated Information

Consolidated Statement of Comprehensive Income in EUR thousands	Unaudited Q1 2020	Unaudited *Q1 2019
Operating revenues	7,801	8,154
Cost of revenue	(5,058)	(5,330)
Gross profit	2,743	2,824
Operating expenses	(4,053)	(4,000)
Other income		
- Miscellaneous income	7	9
Operating Results	(1,303)	(1,167)
Net financial items	(298)	(54)
Results before tax	(1,601)	(1,221)
Income taxes	(39)	(33)
Net Results	(1,640)	(1,254)
Other comprehensive income		
Items that will be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations	551	372
Total other comprehensive income	551	372
Total comprehensive income	(1,089)	(882)
Profit/(loss) attributable to:		
Owners of the parent	(1,640)	(1,254)
Non-controlling interests	-	-
Total profit/(loss) for the period	(1,640)	(1,254)
EBITDA (earnings before interest, taxes, depreciation and amortisation)	(426)	(224)
Earnings/(loss) per share (EPS)	(0.40)	(0.31)
Number of weighted average shares used in calculation of EPS (in thousands)	4,098	4,098
Consolidated Balance Sheet in EUR thousands	Unaudited As of 31/3/20	Unaudited *As of 31/3/19
Assets		
Fixed assets and investments	18,615	18,165
Cash and cash equivalents	3,161	3,597
Other current assets	23,236	18,754
Total assets	45,012	40,516
Equity & Liabilities		
Shareholders' equity	23,264	25,090
Non-controlling interest	32	27
Long term liabilities	9,973	3,515
Current liabilities	11,743	11,884
Total Equity & Liabilities	45,012	40,516

*Certain numbers have been restated for comparative purposes

2020 First Quarter Highlights – Consolidated Results:

- On 11 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) pandemic. The Company has been impacted by COVID-19 both in our European and North American operations. The impact in Europe has been reflected in reduced RVM sales during Q1 2020. The US response had the effect of temporarily suspending enforcement of retailer redemption services in certain US states. In that this occurred in March 2020, the impact on our container throughput program revenue was somewhat limited in Q1 2020.
- Revenues for Q1 2020 decreased 4.3% to €7.80m from €8.15m in Q1 2019. North America revenues were positively impacted by a 3.0% favorable currency translation of USD to EUR in Q1 2020 compared to Q1 2019. On a constant currency basis, North America revenue increased by 1.7% in Q1 2020 compared to Q1 2019. The European business experienced a revenue decline to €0.12m in Q1 2020 compared to €0.82m in Q1 2019. The COVID-19 impact was felt earlier in our European markets with an overall slowdown of RVM sales activities.
- Gross profit for Q1 2020 decreased 2.8% to €2.74m from €2.82m in Q1 2019 primarily as a result of lower European RVM sales.
- Gross profit margin remained stable at 35.0% when comparing Q1 2020 to Q1 2019.
- Operating profit/(loss) in Q1 2020 declined to a loss €1.64m from a loss of €1.25m in Q1 2019. This increased net loss was due lost contribution on lower European RVM sales in Q1 2020 combined with an increase in research and development costs of €0.10m in Q1 2020.
- EBITDA for Q1 2020 was negative €0.43m compared to negative €0.22m for Q1 2019.
- Loss per share increased to €0.40 in Q1 2020 from €0.31 in Q1 2019.

Financial Position:

- Shareholders' equity at 31/03/2020 decreased by €1.64m from year end 31/12/2019 based on the Q1 2019 net loss offset by a positive translation reserve of €0.55m for the quarter.
- In March 2020, the US subsidiary obtained a new term loan of \$6.0m from its US banking relationship. The loan proceeds can be utilised for general purposes and European DRS market development expenses and associated inventory requirements.
- Utilising the \$6.0m term loan proceeds, Q1 2020 inventory investments have increased €1.5m, receivables have increased €1.4m due to some COVID-19 related payment delays and cash has increased €2.5m. The Company expects the cash position to improve during the year as receivables are reduced and inventories are normalised.
- In April 2020, our US subsidiary received a loan of \$1.8m under the government assistance Paycheck Protection Program ("PPP"). The loan provides a 1.0% interest rate over two years with deferred interest and principal payments for the first six months. Under this program, the Company may likely be eligible for forgiveness for a portion or all of the loan.
- Based on the new term loan \$6.0m proceeds, the PPP assistance \$1.8m proceeds and forecasted performance for 2020, the Company has sufficient liquidity to sustain operations and continue our European market development initiatives over the coming year.

Other Developments:

- The Scottish Government formally passed the DRS legislation on 20 May 2020 with the system go live date scheduled for 1 July 2022. A system administrator function is under establishment which will oversee the operational requirements to fulfill the DRS regulations. Envipco's Scottish management team is well positioned and engaged with the retailer community. The Company anticipates that Scotland represents a total RVM market opportunity of 3,500+ machines.
- On 31 January 2020, the Company filed its appeal of the unfavourable decision by the German courts regarding its IP infringement litigation. The Company believes the basis of the appeal is well founded and that it will be successful. 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. Based on the response timeframes on this matter, the Company expects that 2020 legal cost on this matter will be reduced from the 2019 cost of €0.80m.

Market Outlook:

The Company certainly has and will be negatively impacted by COVID-19 during 2020. As described above, the majority of the North America impact will be felt in Q2 2020 with the expectation that North America will normalise thereafter for the remainder of the year. European operations are recovering in Q2 2020 with the expectation for sustained performance for the remainder of the year. Travel restrictions and specific market challenges may have some impact on European non-deposit markets and DRS initiatives. The Company does not however expect this to impact the Scottish market opportunity with DRS legislation formally passed on 20 May 2020 and announced implementation of 1 July 2022. The Company is well positioned financially to execute during this challenging period as a result of the new USD \$6.0m term loan and also the US PPP assistance loan of \$1.8m.

Simon Bolton, CEO of Envipco Holding N.V.: "It has been my pleasure to join Envipco. I have been impressed with the strength, commitment and knowledge of the team along with the broad range of opportunities in front of us. Our first priority – like the world around us – has been to navigate the COVID-19 pandemic. We have worked hard to keep all our people safe, our customers serviced and supported, and we have secured government assistance in the US, Germany and Romania. Leveraging our solid foundation, I very much look forward to working with all stakeholders in realising our exciting future."

Please refer to our website www.envipco.com to download a full pdf version of our Q1 Report.

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About Envipco Holding N.V.

Envipco Holding N.V. (Envipco), www.envipco.com, is a Netherlands-based holding company listed on Euronext Amsterdam and Brussels (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.