

Itaconix plc
("Itaconix" or the "Company")

Half year results for the period ended 30 June 2021

Itaconix (AIM: ITX) (OTCQB: ITXXF), a leading innovator in plant-based specialty polymers used as essential ingredients in everyday consumer products, is pleased to announce its unaudited interim results for the six months ended 30 June 2021.

John R. Shaw, CEO of Itaconix, commented:

"We continue to build a diverse foundation of consumer products that rely on our ingredients to meet customer demands for performance, price, and sustainability. Progress with new and recurring orders from our growing customer base increased overall revenues compared to the first half of 2020 and expanded the use of our plant-based technology platform in the global low-carbon economy. I am especially excited that a major brand set a new standard for bio-based content by launching a new North American dishwashing detergent in February based on Itaconix® TSI™ 322.

Highlights

- First half revenues of \$1.4 million were 26% higher than the first half of 2020. Due to customer ordering patterns, these first half revenues were 36% lower than in the second half of 2020.
- Gross profits were \$0.5 million, representing an increase of 30% over the first half of 2020 and decrease of 30% over the second half of 2020.
- Gross profit margin was 38% compared to 35% for the full year of 2020, remaining in line with Company expectations for a specialty ingredient company.
- Adjusted EBITDA¹ was a loss of \$0.7 million, compared to a loss of \$0.6 million for the same period in 2020, reflecting some increase in investment spending on new products and applications.
- Loss before taxes was \$0.2 million, represented a decrease of 78% from losses of \$0.8 million in both the first and second halves of 2020. Revaluation of the contingent consideration liability as a non-cash item contributed \$0.5 million to this decrease. Forgiveness of the US PPP loan for Covid-19 government assistance contributed another \$0.2 million to this decrease.
- Cash and cash equivalents as at 30 June 2021 was \$1.4 million, compared to \$1.4 million as at 31 December 2020.
- In June 2021, the Company completed an equity raise with gross proceeds of \$1.5 million to fund general working capital needs and new product development.
- The Company received the London Stock Exchange's Green Economy Mark in recognition for its contributions to the global green economy.

Commenting on the outlook John R. Shaw, CEO added:

"Our revenue opportunities continue to grow in line with increasing recognition of the role our ingredients play in meeting demands from brands and retailers for more sustainable consumer products. Order volumes are recovering from the disruptions we experienced in the first half of the year, but we expect some continuation in market volatility through to the first half of next year. Underlying consumer demand for our products and new application developments are generating new customers and revenue potential for 2022."

¹ Adjusted EBITDA is defined and reconciled to Operating loss in Note 4 of the Interim Report.

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About Itaconix

Itaconix uses its proprietary plant-based polymer technology platform to produce and sell specialty ingredients that improve the safety, performance, and sustainability of consumer products. The Company's current ingredients are enabling and leading new generations of products in detergents, hygiene, and hair care. Itaconix's contributions to the global low carbon economy are recognised by the London Stock Exchange's Green Economy Mark.

www.itaconix.com

Chief Executive's Statement

Overview

Itaconix is using and growing its proprietary plant-based polymer technology platform to build a large, high-gross-margin, capital-efficient company that produces and sells key ingredients used in everyday consumer products. From detergents and air fresheners to shampoos and underarm deodorants, our ingredients are adding efficacy and sustainability to a growing range of consumer products that is creating a customer base for new and recurring revenues. The demand for new generations of consumer products continues to grow as the urgency to decarbonise our economies intensifies. Brands and retailers face increasing pressures from consumers and governments for more sustainable solutions, particularly within the 360 million households across Europe and North America.

Itaconix is pioneering new classes of plant-based polymers that enable new levels of performance, value, and sustainability across broad categories of consumer products. The first half of 2021 saw continued development of a strong foundation for realising the revenue potential in every household for our plant-based technology platform. We have a diverse and growing base of customers and products.

Operations

We are gaining more customers as our current polymers are adopted as key ingredients in breakthrough consumer products.

We are excited about the growth in our detergent customer base as important new brands use Itaconix® TSI™ 322 to produce new compact products with excellent consumer value and new levels of sustainability. We are particularly pleased that a major brand launched a dishwashing detergent in North America that set a new standard for plant-based content. With the recent announcement of our first order for Itaconix® TSI™ 322 in Europe, we expect our new EU customer to set a similar standard in Europe.

The increase in the detergent customer base did not translate into higher detergent revenues for the period. These revenues were flat compared to the same period in 2020 and lower than the second half of 2020 due to inventory adjustments and supply chain delays. Many brands and retailers reduced production to recalibrate inventories for normalized consumer demand after stockpiling product during the initial stages of the pandemic. Customer production levels were also reduced by limited supplies of certain other detergent components due to emergency plant shutdowns in Texas and Delaware and shipping delays from Asia to North America. We believe the underlying consumer demand for these products remain strong.

Our on-going development efforts in odour neutralisation are generating new applications, adoption by more brands, and increasing consumer demand from the success of leading brands. Strong demand for our odour neutralising polymers exceeded our expectations and resulted in revenues for the period that were higher than the same period in 2020 and ahead of the second half of 2020.

In hair care, our styling polymer enables both sustainability and new styling capabilities. Early success with specialty brands is generating both recurring orders and initial use by major brands. Hair care revenues for the period were less than the same period in 2020 and less than the second half of 2020 as shipments in the last part of 2020 were sufficient to meet customer needs during the lockdowns in North America and Europe. Underlying demand remains steady and order volumes are recovering.

On the production side, delivery costs and times for key raw materials for our polymers are increasing as suppliers continue to struggle with shipping delays caused by the pandemic and disruption throughout the supply chain. We have prudent stocks of raw materials and have worked successfully to pass on additional costs with product price increases to most of our customers.

LSE Green Economy Mark

Itaconix is demonstrating the ability to contribute to the decarbonisation of global economies with plant-based ingredients without compromising on performance or price. We were delighted to receive the London Stock Exchange's Green Economy Mark in recognition of this important milestone. This was awarded for our contributions to the green economy in the LSE's Advanced Materials industry sector. With increasing awareness of climate change, we look forward to working with our customers and other plant-based ingredient companies to decarbonise the global economy.

Funding

In June 2021, we raised \$1.5 million in new funding through the placement of new ordinary shares by way of a direct subscription with one new institutional investor and one existing institutional shareholder, IP Group plc. The proceeds of the fundraise are being used for working capital purposes and new product development, including the certainty of the Company's raw material and finished goods supply chain.

Financial Results

Revenues of \$1.4 million for the first half of the year were a 26% increase over the same period in 2020. These revenues were a 36% decrease on the second half of 2020 due to normal ordering for customer product launches in early 2021, some stockpiling in response to the pandemic in late 2020, and the inventory adjustments and supply delays in this period that are detailed above.

Odour control revenues in the first half of 2021 were higher than the same period in 2020 and the second half of 2020. Detergent revenues for the first half of 2021 were flat compared to the first half of 2020 and less than the second half of 2020, primarily reflecting strong customer orders to build inventory in the second half of 2020. Hair care revenues for the period were less than the same period in 2020 and the second half of 2020, again, due to the delivery of large orders into customer inventories toward the end of 2020.

Gross profits for the period were \$0.5 million, representing gross profit margins of 38% compared to 37% for the same period in 2020 and 35% for the full year of 2020.

Adjusted EBITDA¹ was a loss of \$0.7 million, compared to a loss of \$0.6 million for the same period in 2020, reflecting some increase in investment spending on new products and applications.

Loss before taxes was \$0.2 million, representing a decrease of 78% from losses of \$0.8 million in both the first and second halves of 2020. Revaluation of the contingent consideration liability as a non-cash item contributed \$0.5 million to this decrease. Forgiveness of the US PPP loan for Covid-19 government assistance, as other income, contributed another \$0.2 million to this decrease.

Net cash was \$1.4 million at 30 June 2021 compared to \$0.5 million at 30 June 2020 and \$1.4 million at 31 December 2020.

Current Trading and Outlook

Itaconix is building a strong business base of recurring revenues from existing customers and new recurring revenues from new customers. Our revenue opportunities are growing in line with the increasing recognition of the role our ingredients play in meeting demands from brands and retailers for more sustainable consumer products. We expect continued success at turning our pipeline of customer projects into sizable new revenues, particularly in detergents and odour neutralisation.

Revenues for full year 2021 will depend on the timing of initial orders from new customers and applications launching in early 2022, and on the continued recovery in detergent and hair care volumes from the inventory adjustments and supply delays detailed above.

In summary, we are extremely pleased at the rate at which our ingredients are being incorporated into our customers' brands and expect significant further success in the next twelve months. We are seeing more opportunities to engage with customers and potential collaboration partners on new generations of consumer products using both current and new potential ingredients from our proprietary plant-based technology platform. Our emerging work on additional new products and applications is expected to further grow our customer base and revenue potential.

John R. Shaw
Chief Executive Officer

27 September 2021

Condensed consolidated income statement and statement of comprehensive income

For the six months ended 30 June 2021

		<i>Unaudited</i> 6 Months to 30 June 2021	<i>Unaudited</i> 6 Months to 30 June 2020
	<i>Notes</i>	<i>\$000</i>	<i>\$000</i>
Revenue	5	1,366	1,086
Cost of sales		<u>(842)</u>	<u>(683)</u>
Gross profit		524	403
Other income	4	183	71
Administrative expenses		<u>(1,399)</u>	<u>(1,287)</u>
Group operating loss		(692)	(813)
Exceptional income on movement of contingent consideration	6	<u>514</u>	<u>-</u>
Loss before tax		(178)	(813)
Taxation credit		<u>(1)</u>	<u>(1)</u>
Loss for the period		(179)	(814)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translated foreign operations		<u>(93)</u>	<u>110</u>
Total comprehensive loss for the period		<u>(272)</u>	<u>(704)</u>
Basic and diluted loss per share	7	<u>(0.04p)</u>	<u>(0.30p)</u>

Condensed consolidated statement of financial position

As at 30 June 2021

	<i>Unaudited</i>	<i>Audited</i>
	<i>As at</i>	<i>As at</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
<i>Notes</i>	<i>\$000</i>	<i>\$000</i>
<i>Non-current assets</i>		
Property, plant and equipment	457	501
Right-of-use asset	645	746
	<u>1,102</u>	<u>1,247</u>
<i>Current assets</i>		
Inventories	1,358	1,361
Trade and other receivables	274	463
Cash and cash equivalents	3 <u>1,378</u>	<u>1,448</u>
	<u>3,010</u>	<u>3,272</u>
<i>Total assets</i>	<u><u>4,112</u></u>	<u><u>4,519</u></u>
<i>Financed by</i>		
<i>Equity shareholders' funds</i>		
Equity share capital	5,873	5,718
Equity share premium	47,633	46,135
Own shares reserve	(5)	(5)
Merger reserve	31,343	31,343
Share based payment reserve	10,366	10,335
Foreign translation reserve	(304)	(211)
Retained losses	(94,119)	(93,940)
<i>Total equity / (deficit)</i>	<u>787</u>	<u>(625)</u>
<i>Non-current liabilities</i>		
Contingent consideration	6 2,078	2,707
Note payable	-	51
Long-term lease liability	395	476
	<u>2,473</u>	<u>3,234</u>
<i>Current liabilities</i>		
Trade and other payables	499	1,404
Notes payable	-	132
Contingent consideration	151	146
Short-term lease liability	202	228
	<u>852</u>	<u>1,910</u>
<i>Total liabilities</i>	<u>3,325</u>	<u>5,144</u>
<i>Total equity and liabilities</i>	<u><u>4,112</u></u>	<u><u>4,519</u></u>

Interim condensed consolidated statement of cash flows

For the six months ended 30 June 2021

	<i>Unaudited</i> 6 Months to 30 June 2021	<i>Unaudited</i> 6 Months to 30 June 2020
	<i>\$000</i>	<i>\$000</i>
<i>Cash flows from operating activities</i>		
Operating loss before tax	(178)	(813)
Adjustments for:		
Depreciation of property, plant and equipment	86	108
Depreciation of right-of-use asset	101	99
Gain on disposal of equipment	-	(15)
Share option charge	31	8
Revaluation of deferred consideration	(478)	-
Gain on foreign exchange	(93)	(57)
Taxation	(1)	(1)
Decrease / (increase) in inventories	4	(202)
Decrease in receivables	189	40
(Decrease) / increase in payables	(1,091)	496
<i>Net cash (outflow) from operating activities</i>	<u>(1,430)</u>	<u>(337)</u>
<i>Cash flows from investing activities</i>		
Proceeds from sale of property, plant and equipment	-	20
Purchase of property, plant and equipment	(42)	-
<i>Net cash (outflow) / inflow from investing activities</i>	<u>(42)</u>	<u>20</u>
<i>Cash flows from financing activities</i>		
Cash received from issuing share of stock, net	1,509	-
Proceeds from government secured debt	-	183
Lease payments	(88)	(183)
Interest expense on lease payments	(19)	11
<i>Net cash inflow from financing activities</i>	<u>1,402</u>	<u>11</u>
<i>Net (outflow) in cash and cash equivalents</i>	(70)	(306)
Cash and cash equivalents at beginning of the period	<u>1,448</u>	<u>765</u>
<i>Cash and cash equivalents at end of the period</i>	<u>1,378</u>	<u>459</u>

Notes of non-cash items

In April 2021, the Company issued 1,923,389 shares of stock to satisfy the 2020 contingent consideration payment of \$146k.

In April 2021, the Group received forgiveness from the US Small Business Administration in the amount of \$183k for the Covid-19 relief loan to support US employees.

Notes to the interim condensed consolidated financial statements

1. General information

These unaudited interim condensed financial statements of Itaconix plc for the six months ended 30 June 2021 were approved for issue in accordance with a resolution of the Board on 27 September 2021. Itaconix plc is a public limited company incorporated in the United Kingdom whose shares are traded on the AIM Market of the London Stock Exchange.

This half-yearly financial report is also available on the Group's website at <https://itaconix.com/investor/reports-documents/>.

2. Accounting policies

These interim consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standards (collectively "IFRS"). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 31 December 2020 ('2020') Annual Report. The financial information for the half years ended 30 June 2021 and 30 June 2020 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited.

The annual financial statements of Itaconix Plc ('the Group') are prepared in accordance with IFRS. The comparative financial information for the year ended 31 December 2020 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2020 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 December 2020 was unqualified, did draw attention to a matter by way of emphasis, being going concern, and did not contain a statement under 498(2) - (3) of the Companies Act 2006.

The interim condensed consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated. The interim condensed consolidated financial statements are prepared on the historical cost basis except for contingent consideration which have been measured at fair value.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 31 December 2020 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2021 and will be adopted in the 2021 financial statements. There are deemed to be no new and amended standards and/or interpretations that will apply for the first time in the next annual financial statements that are expected to have a material impact on the Group.

Going concern

This Interim Report has been prepared on the assumption that the business is a going concern. In reaching their assessment, the Directors have considered a period extending at least 12 months from the date of approval of this half-yearly financial report. This assessment has included consideration of the forecast performance of the business for the foreseeable future and the cash available to the Group. As such, the Directors have concluded that there exists a material uncertainty which may cast doubt as to the Group's ability to continue as a going concern. However, taking account of the Group's working capital at the date of this report, the Group's current revenues, and current shareholder authority to raise capital if needed, the Directors believe the Group will continue as a going concern for the foreseeable future. The interim financial statements do not include the adjustments that would be required if the Group were unable to continue as a going concern.

Risks and uncertainties

The principal risks and uncertainties facing the Group remain broadly consistent with the Principal Risks and Uncertainties reported in Itaconix plc's 31 December 2020 Annual Report.

3. Cash and cash equivalents

	<i>Unaudited</i>	<i>Audited</i>
	<i>As at</i>	<i>As at</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>\$000</i>	<i>\$000</i>
Cash at bank and in hand	1,378	1,448
	<u>1,378</u>	<u>1,448</u>

4. Reconciliation of Operating Loss to Adjusted EBITDA

The detail below shows the reconciliation of operating loss to earnings before change in value of contingent consideration, government loan forgiveness for Covid-19 relief, interest, taxes, depreciation and amortisation (Adjusted EBITDA).

	<i>Unaudited</i>	<i>Unaudited</i>
	<i>6 Months to</i>	<i>6 Months to</i>
	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>\$000</i>	<i>\$000</i>
<i>Loss for the period</i>	(179)	(814)
Revaluation of contingent consideration	(514)	-
Other Income - government loan forgiveness	(183)	-
Taxes	1	1
Depreciation and amortisation	187	207
<i>Adjusted EBITDA</i>	<u>(688)</u>	<u>(606)</u>

5. Segmental analysis

Revenue by business segment:

The Group has one segment, the Specialty Ingredients segment, which designs and manufactures proprietary specialty polymers to meet customers' needs in the personal and consumer health care, homecare and industrial sectors. This segment makes up the continuing operations above.

Net assets of the Group are attributable solely to the UK and US.

	<i>Unaudited</i> <i>6 months to</i> <i>30 June 2021</i> <i>\$000</i>	<i>Unaudited</i> <i>6 months to</i> <i>30 June 2020</i> <i>\$000</i>
Revenue		
Sale of goods	1,366	1,086
Segment revenue	1,366	1,086
Results		
Depreciation and amortisation	187	207
Segment loss	(210)	(822)
Operating assets	4,112	2,865
Operating liabilities	3,325	4,588
Other disclosure:		
Capital expenditure*	42	Nil

*Capital expenditure consists of additions of property, plant and equipment, and intangible assets.

Geographical information

	Revenues		Net assets	
	<i>Unaudited</i> <i>Six Months to</i> <i>30 June 2021</i> <i>\$000</i>	<i>Unaudited</i> <i>Six Months to</i> <i>30 June 2020</i> <i>\$000</i>	<i>Unaudited</i> <i>Six Months to</i> <i>30 June 2021</i> <i>\$000</i>	<i>Audited</i> <i>Year to</i> <i>31 December 2020</i> <i>\$000</i>
Europe	64	93	(635)	(1,557)
North America	1,302	993	1,422	932
	1,366	1,086	787	(625)

The revenue information above is based on the location of the customer.

6. Contingent consideration

	\$'000
As at 31 December 2020 (Audited)	2,853
Movement in fair value and discounting unwind	(514)
Share issuance for contingent consideration 2020	(146)
Movement in foreign exchange	36
As at 30 June 2021 (Unaudited)	<u>2,229</u>

During 2018, in conjunction with the fund raise, a restructuring of the contingent consideration was executed. The contingent consideration was restructured into two components:

- A one-time issue of 15 million new Itaconix plc shares to the Sellers.
- The continuation of the previous contingent consideration mechanism (i.e. up to \$6m in shares), but with the window of time for potential achievement expanded to the end of 2022 (from the end of 2020) and including all the revenues of the Group (which are primarily from products based on the acquired technology in any event).

It should also be noted that the second component summarised above was intended to serve as an incentive programme for the two members of management (John Shaw and Yvon Durant) who were also Sellers and are entitled to 63% of the total contingent consideration. Accordingly, they were not eligible for any cash bonus or other share incentive programme until the end of 2020. Simultaneously, the merger agreement with the former shareholders of Itaconix Corporation and related agreements were amended to remove various restrictive clauses, including minimum funding requirements and employment terms.

Based on the share price at the execution of the restructuring agreement in 2018, the 15m shares had a value of £0.3m which was expensed immediately.

In respect of 2021, the deferred consideration for the period was valued using a discounted cash flow-based assessment of the expected sales of the relevant products extracted from a recent management prepared forecast, consistent with the approach in prior years. A discount rate of 10.9% was used. The valuation includes elements which are unobservable and which have a significant impact on the fair value. Accordingly, contingent consideration is classified as Level 3 fair value measurement.

The value of the adjusted contingent component using a recent management prepared forecast and assumptions as above is \$2.2m (31 December 2021 - \$2.9m)

As a result of the changed revenue forecasts, earn out period, and discount rate from the original value assessments, the contingent consideration at 30 June 2021 was reduced to \$2.2m. Sensitivity analysis was also performed, summarised as follows:

- If the sales in the period 2021 to 2022 were reduced by \$1.0m, the fair value would be reduced by approximately \$0.4m
- A 1% increase in the discount rate would reduce the fair value by \$44k

Since the forecasts used were a conservative base case, the computed fair value was deemed appropriate.

7. Weighted-average number of ordinary shares

	<i>Unaudited</i>	<i>Unaudited</i>
	<i>6 Months to</i>	<i>6 Months to</i>
	<i>30 June 2021</i>	<i>30 June 2020</i>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	<u>434,050</u>	<u>269,130</u>

8. Events after the reporting period

There were no material post balance sheet events.

9. Cautionary statement

This document contains certain forward-looking statements relating to Itaconix plc. The Company considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Company to differ materially from those contained in any forward-looking statement. These statements are made by the Directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.