



JULY-SEPTEMBER
2021
INTERIM REPORT Q3



Summary of the period

" Positive result with a strong contribution from a growing customer base "

- Net turnover for the period amounted to 13 811 (11 956) kSEK, corresponding to an increase in turnover of 16% (-2%). Operating profit/loss amounted to 837 (-723) kSEK.

July to September 2021

- No important events occurred during the period.

Important events after the period

- I-Tech entered into a product development collaboration with IFF Microbial Control.

Financial Summary

<i>All amounts in TSEK</i>	2021 Jul-Sep	2020 Jul-Sep	2021 Jan-Sep	2020 Jan-Sep	2020 Jan-Dec
Net sales	13 811	11 956	41 088	41 631	52 819
Operating result	837	-723	-2 297	-1 660	-5 167
EBITDA	2 815	1 269	3 636	4 318	3 600
Net result	925	-791	-1 041	-1 687	-4 806
Operating cash flow	956	5 822	-6 957	7 173	5 388
Equity at end of period	106 545	109 721	106 545	109 721	106 602
Cash and cash equivalents at end of period	30 282	43 359	30 282	43 359	40 981

Rolling twelve-month turnover



CEO comments

The third quarter, which is often a challenging quarter, was relatively strong with a positive result on the bottom line. The net result amounted to 0,9 (-0,8) MSEK and net sales amounted to 13.8 (12) MSEK, an improvement of 16% on the corresponding quarter last year.

It is pleasing to show a positive net result and an EBITDA of SEK 2.8 (1.3) million in these continued uncertain times. From a sequential perspective the third quarter stands out as a strong quarter. This underlines that we are seeing unexpected fluctuations as an effect of high commodity prices, other external factors and previously announced inventory levels for some customers. I expect continued fluctuations for a while longer. At the same time, I see signs of increased ambitions among several customers which gives me hope for a return to sustainable growth in the future.

During the quarter, almost 35% of our sales came from sources other than our largest customer. In addition to progressively broadening our customer base, we are taking an increasingly active role in generating and sharing important know-how with our customers. Case by case, we are becoming a more integrated partner in their innovation processes. A milestone after the quarter closed was that we were able to announce an extensive collaboration with IFF Microbial Control. This cooperation aims to drive new innovative concepts that can inspire our joint customers to continually develop better and more sustainable antifouling products.

We also further developed our relationship with importers in Japan and Korea during the quarter so that they have become distributors towards several customer accounts. As such, they are a clearer part of our sales organisation. The importance of responding to our customers at a regional level is increasing in line with our customers becoming more and more proactive in their markets. We have developed relationships with the importers over time, and this development is a natural step as we look to progress our business.



Global trends continue to point in a favourable direction. Macro trends and regulations that come into force in 2023 underpin a long-term incentive to choose premium category antifouling products, regardless of the shipowners' business models. For example, the entire shipping industry has begun to indicate a high level of ambition when it comes to responding to the IMO's efficiency index. Furthermore, freight rates are high for several shipping segments, at the same time as oil prices are increasing with shorter payback times of efficiency-enhancing technology as a result. Moreover, I-Tech has recently shown in a study that with a periodicity of 3-4 years, situations arise where 25-30% of the merchant fleet is idling for more than 14 days. Furthermore, the number of idling vessels in warm waters has been steadily trending upwards since 2009. These factors increase the growth pressure from marine organisms and place obvious demands on selecting the right antifouling solution.

In conclusion, I note that the quarter provided a bottom-line profit, a maintained good gross margin and, again, a large contribution from a growing customer base. Furthermore, we continue to invest and take advantage of our strong cash situation to improve our position when the industry now looks set to begin a major turnaround to measurable improvements in efficiency measures. We want to be part of that!

Philip Chaabane, CEO

Business and structure

I-Tech AB (publ) is a biotech company active in the materials and chemical sector. The company develops and sells the product Selektope®, an active ingredient to counteract marine growth used in coating systems for the commercial shipping industry. The company's business is primarily focused on antifouling coatings, although development is also taking place to potentially prevent marine growth in functional materials such as polyurethane. The company's customers are the leading global marine coating companies. Asia is the dominant market.

I-Tech owns the rights to Selektope® and has the necessary manufacturing expertise. The company was founded in 2000 as a spin-off company from the University of Gothenburg and Chalmers University of Technology, and is now located at AstraZeneca's BioVentureHub in Mölndal, just south of Gothenburg in Sweden.

During 2018, the company was listed on Nasdaq First North Growth Market and completed a share issue in conjunction with the listing. The company raised SEK 40 million after issue costs and now has the resources to implement strategic investments to achieve long-term objectives. These investments include process and method development within production, with the aim to increase efficiency, develop the supply chain, expand commercial capabilities and increase R&D activities to support existing business, as well as to develop potential new application areas. Lastly, investments will also be made to enter new markets where regulatory processes are expected to be initiated moving forward.

Managing biofouling in shipping - The Idling Challenge

How idling affects ship operations and profitability



i-tech
Developers of Selektope®

I-TECH AB
WHITEPAPER
SEPTEMBER 2021

In our recently published report [“Managing biofouling in shipping - The idling Challenge”](#) we highlight the impact of biofouling as vessels idle in increasingly warmer waters.

Read the report and discover how exactly Selektope® contributes with the following positive environmental effects:

- Less emissions
- Reduced transfer of invasive species
- Less biocidal leakage to the marine environment

Other information

Share information

At the start of 2021, I-Tech's share capital amounted to SEK 23 816 914 distributed across 11 908 457 shares. The ratio value of all the shares amounts to SEK 2 and they have equal rights in the company's assets and profit/loss. I-Tech's shares were listed on Nasdaq First North Growth Market at Nasdaq Stockholm as of 29 May 2018. As of 30 September 2021, the number of shareholders amounted to 2 921. With a closing price for the share on 30 September 2021 of SEK 50.30, the company's market capitalisation amounted to SEK 599 million.

Risk factors

The company's risks are primarily related to the market development of Selektope®, production risks related to partners' production and production capacity, as well as risks associated with intangible assets and product development. For a more detailed description of significant risks and uncertainty factors, please see I-Tech's prospectus, which was published in conjunction with the public offering and the company's annual report for 2020.

Certified Adviser

I-Tech has engaged Erik Penser Bank as the Certified Adviser on First North at Nasdaq Stockholm.

Long-term incentive programs

The Annual General Meeting on May 20 adopted a long-term incentive program for management and other staff in the form of warrants. The program amounted to a maximum of 89,301 shares, of which 83,348 were issued and paid for.

The warrants may lead to a dilution of a maximum of 0.7%. The exercise price is SEK 96.59 per share. Each warrant gives the right to acquire one share.

Audit review

This interim report has not been reviewed by the company's auditor.

List of stakeholders

The list of stakeholders shows the status in the company as of 30 September 2021.

Shareholders	No. of shares	%
Pomona-gruppen	1 357 528	11,40%
Swedbank Robur	932 500	7,83%
Handelsbanken Funds	860 000	7,22%
Futur pension	604 553	5,08%
Länsförsäkringar Funds	595 551	5,00%
Stefan Sedersten incl. companies	451 330	3,79%
Unionen	450 000	3,78%
Cliens Funds	398 889	3,35%
Second Swedish National Pension Fund	390 837	3,28%
Aquamarine	371 390	3,12%
Fourth Swedish National Pension Fund	355 133	2,98%
Avanza Pension	325 962	2,74%
Öhman Funds	321 061	2,70%
Alcur Funds	291 140	2,44%
Almi Invest Companies	240 466	2,02%
Others	3 962 117	33,27%
Total shares	11 908 457	100,00%

Financial information

Turnover and profit/loss

Sales for the period amounted to 13 811 (11 956) kSEK, which gives a net sales increase of 16% (-2%). During the period, sales to the company's main customer Chugoku Marine Paints decreased slightly mainly due to currency effects. As such, the sales increase is primarily due to increased sales to other customers. Adjusted for currency effects, it gives an increase of 18%.

The gross margin for the period has strengthened compared to the previous year, 52% (51%). This is an effect of the customer mix in completed deliveries.

Personnel costs have increased slightly compared to the previous year, mainly due to increased R&D efforts. Other external costs have decreased slightly mainly due to the effects of the ongoing pandemic.

Through the increase in sales, and the thereby increased gross margin, the company once again shows a positive operating profit before depreciation of 2 815 (1 269) kSEK and a positive net profit of 925 (-791) kSEK.

As the company now finds itself in a position where it is probable that the company will use accrued loss carryforwards in the future, these are reported in accordance with K3's regulations. The deferred tax assets attributable to these deficits are thus reported in the income statement and balance sheet. The transaction has no cash effect but makes visible the positive effect that is made possible on cash flow when the company shows taxable profits in the future.

Cash flow

The cash flow from operating activities for the period amounted to 956 (5 822) kSEK where the earnings amount to 3 173 (1 044) kSEK and the working capital amounts to -2 217 (4 778) kSEK. The change in working capital is mainly attributable to customer-related receivables.

During the period, I-Tech invested -254 (-10) kSEK in fixed assets. Investments mainly refer to capitalised costs in intangible assets. Net -3 888 (-2 339) kSEK has been deducted from the cash flow from financing activities. The increased negative effect is directly attributable to amortisation of the company's second loan from the Swedish Energy Agency with a total of -1 585 (-) kSEK has been initiated. During the period, the company's first loan from the Swedish Energy Agency was finalized with -2 145 (-2 189) kSEK. This gives a total cash flow for the period of -3 178 (3 473) kSEK.

Financial summary

Cash and cash equivalents in the company at the end of the period amounted to 30 282 (43 359) kSEK and equity amounted to 106 545 (109 721) kSEK. The change in cash and cash equivalents and equity is directly related to the company's results, other operating changes, as well as repayments of long-term liabilities.

Principles of preparation

The accounts in this interim report have been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012:1 annual report and consolidated accounts (K3). The principles of preparation are described in more detail in the company's annual report for the financial year 2020.

Upcoming financial reports

23 February 2022	Year-end report 2021
5 May 2022	Interim report, quarter 1
26 August 2022	Interim report, quarter 2

Income statement

<i>Amounts in kSEK</i>	2021 Jul-Sep	2020 Jul-Sep	2021 Jan-Sep	2020 Jan-Sep	2020 Jan-Dec
Operating income, etc.					
Net sales	13 811	11 956	41 088	41 631	52 819
Other operating income	21	71	106	701	841
	13 832	12 027	41 194	42 332	53 660
Cost of goods sold	-6 622	-5 831	-19 915	-21 843	-27 638
Other external costs	-1 670	-1 926	-6 660	-7 509	-10 503
Personnel expenses	-2 507	-2 311	-9 908	-7 543	-10 427
Depreciations, amortizations and impairments	-1 978	-1 992	-5 933	-5 978	-8 767
Other operating expenses	-218	-690	-1 075	-1 119	-1 492
	-12 995	-12 750	-43 491	-43 992	-58 827
Operating income	837	-723	-2 297	-1 660	-5 167
Financial items					
Interest income and similar items	386	-	1 117	-	-
Interest expense and similar items	-42	-260	-131	-464	-876
	344	-260	986	-464	-876
Result after financial items	1 181	-983	-1 311	-2 124	-6 043
Tax on result from the year	-256	192	270	437	1 237
NET RESULT	925	-791	-1 041	-1 687	-4 806

Balance sheet

<i>Amounts in kSEK</i>	2021 Sep-30	2020 Sep-30	2020 Dec-31	2019 Dec-31
ASSETS				
Intangible assets	47 162	55 043	52 609	60 891
Tangible assets	252	104	192	119
Deferred tax assets	17 030	15 960	16 760	15 523
Total fixed assets	64 444	71 107	69 561	76 533
Inventory	4 935	5 443	4 278	1 265
Short-term receivables	22 221	5 108	5 358	14 585
Cash and bank balances	30 282	43 359	40 981	38 940
Total current assets	57 438	53 910	50 617	54 790
Total assets	121 882	125 017	120 178	131 323
EQUITY AND LIABILITIES				
Share capital	23 817	23 817	23 817	23 817
Restricted equity	1 286	1 411	1 286	1 411
Unrestricted equity	82 483	86 180	86 305	77 753
Result	-1 041	-1 687	-4 806	8 427
Total equity	106 545	109 721	106 602	111 408
Long-term liabilities	2 484	5 980	4 361	8 618
Short-term liabilities	12 853	9 316	9 215	11 297
Total liabilities	15 337	15 296	13 576	19 915
Total equity and liabilities	121 882	125 017	120 178	131 323

Cash-flow analysis

<i>Amounts in kSEK</i>	2021 Jul-Sep	2020 Jul-Sep	2021 Jan-Sep	2020 Jan-Sep	2020 Jan-Dec
Operating activities					
Operating result	837	-723	-2 297	-1 660	-5 167
Adjustments for non-cash items	1 978	1 992	5 933	5 978	8 767
Interest received	386	-	1 117	-	-
Interest paid	-42	-260	-131	-464	-876
Income tax paid/received	14	35	-53	103	139
Changes in working capital					
Change in inventories	3 254	-1 847	-657	-4 178	-3 013
Change in operating receivables	-9 476	5 157	-16 863	9 477	9 227
Change in operating liabilities	4 005	1 468	5 994	-2 083	-3 689
Cash flow from operating activities	956	5 822	-6 957	7 173	5 388
Investment activities					
Investments in non-current assets	-254	-10	-546	-115	-558
Cash flow from investment activities	-254	-10	-546	-115	-558
Financing activities					
Amortization/issue loan	-3 880	-2 339	-4 180	-2 639	-2 789
Cash flow from financing activities	-3 880	-2 339	-3 196	-2 639	-2 789
The period's cash flow	-3 178	3 473	-10 699	4 419	2 041
Cash and cash equivalents at beginning of period	33 460	39 886	40 981	38 940	38 940
Cash and cash equivalents at end of period	30 282	43 359	30 282	43 359	40 981
<i>Adjustments for non-cash items</i>					
Depreciation	1 978	1 992	5 933	5 978	8 767
Other items not affecting cash flow	-	-	-	-	-
	1 978	1 992	5 933	5 978	8 767

Equity changes

All amounts in kSEK	Restricted equity			Unrestricted equity		Total equity
	Share capital	Statutory reserve	Development expense fund	Share premium reserve	Other unrestricted equity	
2020-01-01	23 817	753	658	143 276	-57 096	111 408
Change in development expenses	-	-	-125	-	125	-
Net result for the year	-	-	-	-	-4 806	-4 806
2020-12-31	23 817	753	533	143 276	-61 777	106 602
2021-01-01	23 817	753	533	143 276	-61 777	106 602
New issue	-	-	-	-	984	984
Net result for the period	-	-	-	-	-1 041	-1 041
2021-09-30	23 817	753	533	143 276	-61 834	106 545

Financial ratios

<i>Amounts in kSEK</i>	2021 Jul-Sep	2020 Jul-Sep	2021 Jan-Sep	2020 Jan-Sep	2020 Jan-Dec
Turnover growth %	16%	-2%	-1%	34%	16%
Gross margin %	52%	51%	52%	48%	48%
Operating margin %	6%	-6%	-6%	-4%	-10%
Profit margin %	7%	-7%	-3%	-4%	-9%
Solidity	87%	88%	87%	88%	89%
Cash liquidity	408%	520%	408%	520%	503%
Return on average total capital	neg.	neg.	neg.	neg.	neg.
Return on average total equity	neg.	neg.	neg.	neg.	neg.
Average of outstanding shares	11 908 457	11 908 457	11 908 457	11 908 457	11 908 457
Outstanding shares end of period	11 908 457	11 908 457	11 908 457	11 908 457	11 908 457
Result per share	0,1	-0,1	-0,1	-0,1	-0,4
Result per share fully diluted	0,1	-0,1	-0,1	-0,1	-0,4
Equity per share	8,9	0,0	8,9	9,2	9,0
Equity per share fully diluted	8,9	0,0	8,9	9,2	9,0
Dividend per share	-	-	-	-	-

DEFINITIONS OF KEY FIGURES

Turnover growth

The percentage increase in sales for the past period compared with the corresponding previous period.

Gross margin

Gross profit for the period in relation to the period's net sales.

Gross profit

Net sales of the period decreased by raw materials and supplies.

Operating margin

Operating profit for the period in relation to the period's net sales.

Profit margin

Profit for the period in relation to the period's net sales.

Solidity

Shareholders' equity as a percentage of total assets.

Cash liquidity

Current assets, excluding inventories, in relation to current liabilities, without adjustment for proposed dividend.

Return on average total capital

Net profit for the period, as a percentage of average total capital

Return on average total equity

Net profit for the period, as a percentage of average shareholders' equity

Result per share

Profit for the period divided by the average number of outstanding shares during the year.

Equity per share

Total equity divided by the number of shares at the end of the period.

The Board of Directors and the CEO certify that the interim report gives a true and fair view of the company's operations

Möln dal, 22 October 2021

Stefan Sedersten, Chairman of the Board
Mikael Laurin, Board Member
Bjarne Sandberg, Board Member
Tomas Tedgren, Board Member
Chatarina Schneider, Board Member
Tomas Bergdahl, Board Member
Philip Chaabane, Chief Executive Officer

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