



JANUARY-DECEMBER

2020

YEAR-END REPORT



Summary of the period

" A challenging but overall strong year "

- Net turnover for the period amounted to kSEK 11 188 (14 584), which corresponds to a decrease in turnover of -23 % (34 %). Operating profit/loss amounted to kSEK -3 507 (-915).
- Net turnover for the full year 2020 amounted to kSEK 52 819 (45 574), which corresponds to an increase in turnover of 16 % (57 %). Operating profit/loss amounted to kSEK -5 167 (-7 019).

January to December 2020

- In March, the leading Norwegian paint manufacturer, Jotun, launched two new marine paints based on I-Tech's proprietary antifouling active agent Selektope®.
- During March, Per Svensson was appointed Sales Director for I-Tech. Per comes most recently from Emerson Automation Solutions where he was Director of Global Sales and Aftermarket Marine Solutions.
- I-Tech renewed and upgraded the regulatory status for Selektope® in Japan.
- At the Annual General Meeting in May, Chatarina Schneider and Tomas Bergdahl were elected as new Board Members, replacing Leif Darner and Mats Enegren.
- I-Tech announced that deliveries for the order to Chugoku Marine Paints communicated by I-Tech in August 2019, were partly delayed due to the Corona pandemic.
- In December, I-Tech signed a long-term collaboration agreement with Pettit Marine Paint, a U.S.-based supplier of high-performance antifouling paints. The collaboration will focus on the development and approval of Selektope®-based paints for the American leisure boat market.

Important events after the period

- No important events have occurred after the period.

Financial Summary

<i>All amounts in TSEK</i>	2020	2019	2020	2019
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	11 188	14 584	52 819	45 574
Operating result	-3 507	-915	-5 167	-7 019
EBITDA	-718	1 145	3 600	1 220
Net result	-3 119	14 353	-4 806	8 427
Operating cash flow	-1 785	-663	5 388	-4 763
Equity at end of period	106 602	111 408	106 602	111 408
Cash and cash equivalents at end of period	40 981	38 940	40 981	38 940

Rolling twelve-month turnover



CEO comments



With a strong start of the year, well in line with ambitious longer term growth targets, we experience the cold effects of the global situation in the second half. Sales for the full year grew by 16 % to 52,8 MSEK (45,6) while fourth quarter sales amounted to 11,2 MSEK (14,6), a decline of 23 %. Despite the challenges, which are of a temporary nature and above all arising from external factors, we show a year of both growth and positive cash flows. I see it as a message of strength for the technology and take note of the customers' continued growing interest.

The fourth quarter marked an interruption in our six-straight quarters of positive EBITDAs. However, the year remains in black figures on an operational level. Consequently, EBIT for the fourth quarter amounted to SEK -3,5 (-0,9) million and SEK -5,2 (-7.0) million for the full year.

With a weakened USD and the pandemic, external factors have had an unusually high impact on the business in 2020. For I-Tech, the effects became visible in the last two quarters and certainly in the fourth quarter. However, there are some strong aspects to build on moving forward. We demonstrated double-digit growth over the year with a slightly improved gross margin, 48 % (46%), despite significant disruptions in supply chain encountered mainly during the second quarter. Furthermore, operational cashflow shifted from larger negative numbers in 2019 to positive figures in 2020 ending at SEK 5,4 (-4,8) million, which is a strong figure considering a negative operational cash flow in the fourth quarter, SEK -1,8 (-0,7) million.

As our cash balance remains strong and the underlying business moves in the right direction, we continue to view our business on a long-term horizon, and we will initiate investments as per our strategy. We expect to be able to offer better know-how to our customers in terms on how to use Selektope® to develop more efficient and sustainable antifouling coatings in the future. Investments will also be made

in mandatory and predefined regulatory renewal processes for the European Market as well as other regulatory processes required to open new markets. Such activities will impact our cash-flow and the financial result over the coming year.

One such example was announced in the final days of the fourth quarter wherein I-Tech and Pettit Marine Paints entered into a cooperation agreement to bring new Selektope®-containing antifouling products to the US leisure boat market in a few years' time. Both parties are investing to reach a range of US-EPA approved paint-products to improve sustainability and performance aspects for leisure boat owners, an antifouling market worth around 200 MUSD in antifouling coating sales.

In closing 2020, a year that initially was expected to have a far steeper growth curve, I conclude that the world largest marine paint maker, Jotun, launched two advanced antifouling products containing Selektope® to the market. Furthermore, all customer accounts (four major contributing customers) are growing and as I look to 2021, I see more optimism and positivity in the market than what has been seen in the past 8-10 months.

I am excited to move into this new year, a year of important investments on one hand and a more exciting business climate on the other and with a shipping industry that is regaining momentum and investing in a green transition to adopt existing and new requirements to become a more sustainable transport sector.

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.



I-Tech has in 2020 signed a long-term collaboration agreement with Pettit Marine Paint, a supplier of high-performance antifouling paints to the leisure boat markets in North, Central, and South America.



Through the collaboration, both parties will work together to develop a new product line of antifouling paints for leisure boats that make use of I-Tech's barnacle repelling active agent, Selektope®.

This collaboration agreement represents the introduction of our technology to the largest pleasure craft coatings market in the world with annual sales of antifouling paints of around USD 200m.

Other information

Share information

At the start of 2020, 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 December 2020, the number of shareholders amounted to 3,400. With a closing price for the share on 30 December 2020 of SEK 82, the company's market capitalisation amounted to SEK 976 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 2019.

Certified Adviser

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

Long-term incentive programs

The company has no long-term incentive programs for senior leaders or staff.

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 December 2020

Shareholders	No. of shares	%
Pomona-gruppen	1 357 528	11,40%
Handelsbanken Funds	954 500	8,02%
Swedbank Robur	932 500	7,83%
Länsförsäkringar Funds	616 638	5,18%
Futur pension	590 303	4,96%
Stefan Sedersten incl. companies	451 330	3,79%
Unionen	450 000	3,78%
Second Swedish National Pension Fund	390 837	3,28%
Aquamarine	371 390	3,12%
Avanza Pension	355 010	2,98%
Fourth Swedish National Pension Fund	325 133	2,73%
Alcur Funds	271 072	2,28%
Almi Invest Companies	240 466	2,02%
Öhman Funds	226 213	1,90%
Lancelot Funds	215 000	1,81%
Others	4 160 537	34,94%
Total shares	11 908 457	100,00%

Financial information

Turnover and profit/loss

Sales for the period amounted to kSEK 11 188 (14 584), which gives a net sales change of -23 % (34 %). The decrease is primarily due to the effects of the COVID-19 pandemic. Adjusted for currency effects, it gives a negative organic growth of 20 %.

The gross margin for the period has, in line with the company's plans, been stable and is at the same level as the previous year at 48 % (48 %). During the period, increased shipping costs in the wake of the COVID-19 pandemic have been compensated for through a minor change to our customer mix.

Personnel- and other external cost has increased slightly compared to previous periods. These increase in cost are mainly an effect of investments initiated in R&D and the regulatory area. The effect was however limited, by active cost reductions as well as effects of the pandemic, to counterbalance the decreased sales growth. During the period, depreciation of parts of previously capitalised intangible assets has impacted earnings by kSEK 791.

Overall, the reduced net sales and the cost-side effects mean that the Company, for the first time in almost two years, shows a negative operating profit/loss before depreciation, kSEK -718 (1 145). For the full year, the Company shows a continued positive operating profit before depreciation, kSEK 3 600 (1 220).

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 kSEK -1 785 (-663) where the earnings amount to kSEK -1 094 (921) and the working capital amounts to kSEK -691 (-1 584). The change in working capital is attributable to natural movements in receivables and liabilities.

During the period, I-Tech invested kSEK -443 (-213) in fixed assets. Investments mainly refer to capitalised costs in intangible assets. Net kSEK -150 (-149) has been deducted from the cash flow from financing activities. The negative effect is directly attributable to the repayment of long-term loans. This gives a total cash flow for the period of kSEK -2 378 (-1 025). For the full year, despite loan repayments, the Company still managed to show a positive overall cash flow of kSEK 2 041 (-7 598).

Financial summary

Cash and cash equivalents in the company at the end of the period amounted to kSEK 40 981 (38 940) and equity amounted to kSEK 106 602 (111 408). The change in cash and cash equivalents and equity is directly related to the company's results and other operating changes.

Principles of preparation

The accounts in this year-end 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 2019.

Upcoming financial reports

21 May 2021	Interim report, quarter 1
25 August 2021	Interim report, quarter 2
22 October 2021	Interim report, quarter 3
23 February 2022	Year-end report 2021

Income statement

<i>Amounts in kSEK</i>	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Operating income, etc.				
Net sales	11 188	14 584	52 819	45 574
Other operating income	140	324	841	1 219
	11 328	14 908	53 660	46 793
Cost of goods sold	-5 795	-7 604	-27 638	-24 383
Other external costs	-2 994	-2 743	-10 503	-11 192
Personnel expenses	-2 884	-2 717	-10 427	-9 094
Depreciations, amortizations and impairments	-2 789	-2 060	-8 767	-8 239
Other operating expenses	-373	-699	-1 492	-904
	-14 835	-15 823	-58 827	-53 812
Operating income	-3 507	-915	-5 167	-7 019
Financial items				
Interest income and similar items	-	-168	-	243
Interest expense and similar items	-412	-87	-876	-320
	-412	-255	-876	-77
Result after financial items	-3 919	-1 170	-6 043	-7 096
Tax on result from the year	800	15 523	1 237	15 523
NET RESULT	-3 119	14 353	-4 806	8 427

Balance sheet

<i>Amounts in kSEK</i>	2020 Dec-31	2019 Dec-31
ASSETS		
Intangible assets	52 609	60 891
Tangible assets	192	119
Deferred tax assets	16 760	15 523
Total fixed assets	69 561	76 533
Inventory	4 278	1 265
Short-term receivables	5 358	14 585
Cash and bank balances	40 981	38 940
Total current assets	50 617	54 790
Total assets	120 178	131 323
EQUITY AND LIABILITIES		
Share capital	23 817	23 817
Restricted equity	1 287	1 411
Unrestricted equity	86 304	77 753
Result	-4 806	8 427
Total equity	106 602	111 408
Long-term liabilities	4 361	8 618
Short-term liabilities	9 215	11 297
Total liabilities	13 576	19 915
Total equity and liabilities	120 178	131 323

Cash-flow analysis

<i>Amounts in kSEK</i>	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Operating activities				
Operating result	-3 507	-915	-5 167	-7 019
Adjustments for non-cash items	2 789	2 060	8 767	8 239
Interest received	-	-168	-	243
Interest paid	-412	-87	-876	-320
Income tax paid/received	36	31	139	121
Changes in working capital				
Change in inventories	1 165	-262	-3 013	-962
Change in operating receivables	-250	-1 073	9 227	-6 285
Change in operating liabilities	-1 606	-249	-3 689	1 220
Cash flow from operating activities	-1 785	-663	5 388	-4 763
Investment activities				
Investments in non-current assets	-443	-213	-558	-864
Cash flow from investment activities	-443	-213	-558	-864
Financing activities				
Amortization/issue loan	-150	-149	-2 789	-1 971
Cash flow from financing activities	-150	-149	-2 789	-1 971
The period's cash flow	-2 378	-1 025	2 041	-7 598
Cash and cash equivalents at beginning of period	43 359	39 965	38 940	46 538
Cash and cash equivalents at end of period	40 981	38 940	40 981	38 940
<i>Adjustments for non-cash items</i>				
Depreciation	2 789	2 060	8 767	8 239
Other items not affecting cash flow	-	-	-	-
	2 789	2 060	8 767	8 239

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	
2019-01-01	23 817	753	584	143 276	-65 449	102 981
Capitalization of development expenses	-	-	74	-	-74	-
Net result for the year	-	-	-	-	8 427	8 427
2019-12-31	23 817	753	658	143 276	-57 096	111 408
2020-01-01	23 817	753	658	143 276	-57 096	111 408
Change in development expenses	-	-	-124	-	124	-
Net result for the period	-	-	-	-	-4 806	-4 806
2020-12-31	23 817	753	534	143 276	-61 778	106 602

Financial ratios

<i>Amounts in kSEK</i>	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Turnover growth %	-23%	34%	16%	57%
Gross margin %	48%	48%	48%	46%
Operating margin %	-31%	-6%	-10%	-15%
Profit margin %	-28%	98%	-9%	18%
Solidity	89%	85%	89%	85%
Cash liquidity	503%	474%	503%	474%
Return on average total capital	neg.	neg.	neg.	neg.
Return on average total equity	neg.	neg.	neg.	neg.
Average of outstanding shares	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
Result per share	-0,3	1,2	-0,4	0,7
Result per share fully diluted	-0,3	1,2	-0,4	0,7
Equity per share	9,0	9,4	9,0	9,4
Equity per share fully diluted	9,0	9,4	9,0	9,4
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, 24 February 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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