



JULY-SEPTEMBER
2020
INTERIM REPORT Q3



Summary of the period

" Strong underlying business but temporarily weaker growth due to the impact of the pandemic "

- Net turnover for the period amounted to kSEK 11 956 (12 238), corresponding to a decrease in turnover of -2%. Operating profit/loss amounted to kSEK -723 (-763).
- Net sales for the first nine months of the year amounted to kSEK 41 631 (30 990), corresponding to an increase in sales of 34% (71%). Operating result for the same period amounted to kSEK 1 660 (-6 104).

Important events during the quarter July to September 2020

- I-Tech announced that deliveries for the order to Chugoku Marine Paints communicated by I-Tech in August last year, have been partly delayed due to the current pandemic.
- The ongoing pandemic continues to create uncertainty in the market, which has led to a reduced willingness to invest and increased caution during the quarter.

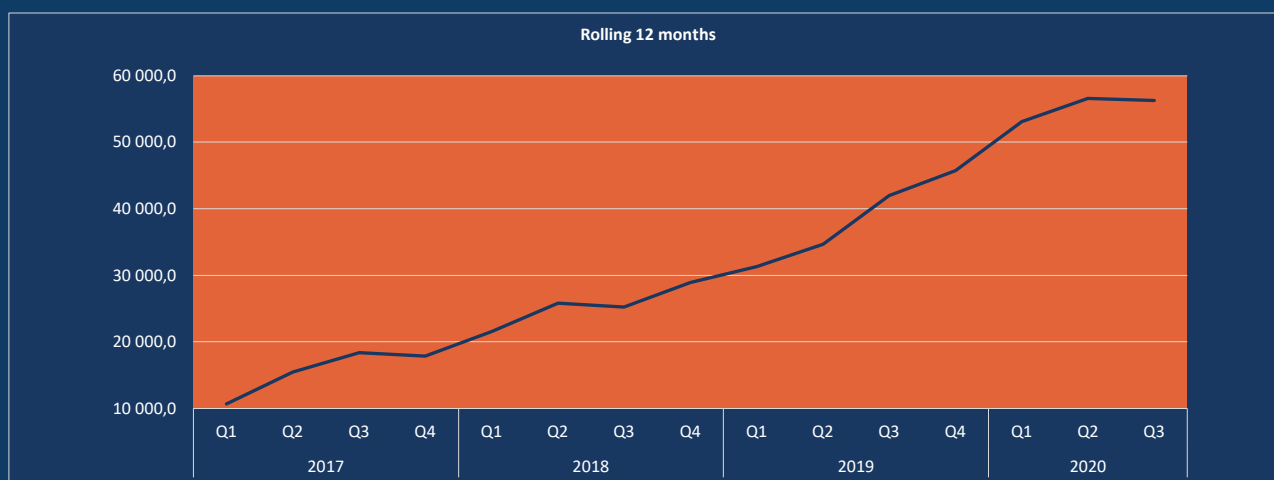
Important events after the period

- No important events have occurred after the period.

Financial Summary

All amounts in TSEK	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Net sales	11 956	12 238	41 631	30 990	45 574
Operating result	-723	-763	-1 660	-6 104	-7 019
EBITDA	1 269	1 298	4 318	75	1 220
Net result	-791	-411	-1 687	-5 926	8 427
Operating cash flow	5 822	320	7 173	-4 100	-4 763
Equity at end of period	109 721	97 055	109 721	97 055	111 408
Cash and cash equivalents at end of period	43 359	39 965	43 359	39 965	38 940

Rolling twelve-month turnover



CEO comments



Our underlying business continues to develop well, driven primarily by the maintenance market. At the same time, known external factors are having a negative effect on sales growth. After almost seven quarters in a row with steadily higher growth compared with the previous year, we see a slowdown driven primarily by the pandemic and the increased restraint and caution that it has led to at all levels. The increased caution is logical in light of the fact that freight volumes in shipping have decreased by about 4-5% so far this year. For I-Tech, this has meant that some forecasted volumes have been postponed to the first half of 2021, as previously communicated.

Sales for the quarter amounted to SEK 12.0 (12.2) million, a decrease of 2% compared with the corresponding quarter last year. The customer mix, together with the ability to transfer increased cost for logistics, has contributed to an increased gross margin at 51 (48)%.

Despite the pandemic and the subsequent slowdown in the world economy, sales increased during the first nine months of the year by 34% to SEK 41.6 (31.0) million. The increase reflects the underlying long-term need for new technology that shipping has in light of upcoming tough emissions targets. The International Maritime Organization (IMO) has set a goal of reducing carbon dioxide emissions by 50 percent by 2050, with the ambition of reducing them by 40 percent by 2030. Effective anti-fouling products will be one of several key components needed to achieve these goals.

Disjointed picture

Although macro trends undoubtedly persist, the industry is in a wait-and-see mode. Most customers and end users report strong sales figures, while at the same time, due to the uncertainty, they are still taking precautionary measures in case the situation worsens. A clear proof of this nervousness is the development in the new construction market where demand has fallen sharply. However, more and more forecasts indicate that the turnaround is in sight for several vessel segments, and the proportion of stationary vessels, for example, has decreased since the previous quarter.

To sum up the first 9 months of the year, I note that despite the prevailing circumstances we have a nicely growing business, we are managing to generate a strong positive cash flow and we have continued good liquidity. I also see that our product continues to strengthen our customers' offering and competitiveness thanks to its high performance and its positive contribution to more sustainable shipping. This provides encouragement as we wait for the business conditions to improve as the effects of the pandemic subside.

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 donated the unique active agent Selektope® to Mercy Ships, in order to protect their new hospital ship from marine fouling. Selektope® is going to protect the hull of Global Mercy, which is under construction, while docked for long periods of time at ports located in biofouling red zones off the coast of sub-Saharan Africa.

Mercy Ships is a charitable organization whose volunteers provide medical treatment and undertake urgent operations onboard hospital ships docked at local ports in some of the poorest countries in the world.

Since 1978, its medical missions have worked in more than 55 nations, providing services worth over USD \$ 1.7 billion and helping more than 2.8 million people. The charity currently operates the converted passenger-ship Africa Mercy, but when their new, purpose-built hospital ship Global Mercy enters into active service in 2021, their capacity to help those in need will more than double.

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 September 2020, the number of shareholders amounted to 3,337. With a closing price for the share on 30 September 2020 of SEK 79.60, the company's market capitalisation amounted to SEK 948 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 September 2020

Shareholders	No. of shares	%
Pomona-gruppen	1 357 528	11,40%
Swedbank Robur	1 132 500	9,51%
Handelsbanken Funds	849 500	7,13%
Länsförsäkringar Funds	613 638	5,15%
Stefan Sedersten incl. companies	451 330	3,79%
Unionen	450 000	3,78%
Futur pension	447 562	3,76%
Second Swedish National Pension Fund	390 837	3,28%
Aquamarine	371 390	3,12%
Avanza Pension	328 665	2,76%
Fourth Swedish National Pension Fund	325 133	2,73%
Nordnet pensions	254 876	2,14%
Almi Invest Companies	240 466	2,02%
David Bendz	212 167	1,78%
Lancelot Funds	200 000	1,68%
Others	4 282 865	35,96%
Total shares	11 908 457	100,00%

Financial information

Turnover and profit/loss

Sales for the period amounted to kSEK 11 956 (12 238), which gives a net sales change of -2% (145%). The decrease is primarily due to the effects of the COVID-19 pandemic. Adjusted for currency effects, it gives an organic growth of 6%.

The gross margin for the period has, in line with the company's plans, been stable and improved slightly compared to the previous year at 51% (48%). This is due to our customer mix for our sales and also means that the effects of the increased shipping costs in the wake of the COVID-19 pandemic have been compensated for.

Personnel and other operating expenses have decreased slightly compared to the previous year, primarily due to reduced costs in the wake of the ongoing pandemic. However, the Swedish currency has strengthened significantly during the period. This has led to exchange rate losses in accounts receivable which have reduced the positive effects of the cost reductions. As such, the company shows approximately the same operating profit/loss for the quarter compared to last year, kSEK -723 (-763). For the sixth quarter in a row, the company shows a positive operating profit before depreciation, kSEK 1 269 (1 298).

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 5 822 (320) where the earnings amount to kSEK 1 044 (1 674) and the working capital amounts to kSEK 4 778 (-1 354). The change in working capital is attributable to natural movements in receivables and liabilities.

During the period, I-Tech invested kSEK -10 (-28) in fixed assets. Investments refer to capitalised costs in intangible assets. Net kSEK -2 339 (-1 522) has been deducted from the cash flow from financing activities. The negative effect is directly attributable to the repayment of long-term loans. The change is attributable to the size of the repayment on certain loans being determined by the income in the previous year. This gives a total cash flow for the period of kSEK 3 473 (-1 230).

Financial summary

Cash and cash equivalents in the company at the end of the period amounted to kSEK 43 359 (39 965) and equity amounted to kSEK 109 721 (97 055). 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 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 2019.

Upcoming financial reports

24 February 2021	Year-end report 2020
21 May 2021	Interim report, quarter 1
25 August 2021	Interim report, quarter 2
22 October 2021	Interim report, quarter 3

Income statement

<i>Amounts in kSEK</i>	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Operating income, etc.					
Net sales	11 956	12 238	41 631	30 990	45 574
Other operating income	71	224	701	895	1 219
	12 027	12 462	42 332	31 885	46 793
Cost of goods sold	-5 831	-6 394	-21 843	-16 779	-24 383
Other external costs	-1 926	-2 583	-7 509	-8 449	-11 192
Personnel expenses	-2 311	-2 104	-7 543	-6 377	-9 094
Depreciations, amortizations and impairments	-1 992	-2 061	-5 978	-6 179	-8 239
Other operating expenses	-690	-83	-1 119	-205	-904
	-12 750	-13 225	-43 992	-37 989	-53 812
Operating income	-723	-763	-1 660	-6 104	-7 019
Financial items					
Interest income and similar items	-	402	-	411	243
Interest expense and similar items	-260	-50	-464	-233	-320
	-260	352	-464	178	-77
Result after financial items	-983	-411	-2 124	-5 926	-7 096
Tax on result from the year	192	-	437	-	15 523
NET RESULT	-791	-411	-1 687	-5 926	8 427

Balance sheet

<i>Amounts in kSEK</i>	2020 Sep-30	2019 Sep-30	2019 Dec-31
ASSETS			
Intangible assets	55 043	62 728	60 891
Tangible assets	104	129	119
Deferred tax assets	15 960	-	
Total fixed assets	71 107	62 857	76 533
Inventory	5 443	1 003	1 265
Short-term receivables	5 108	13 512	14 585
Cash and bank balances	43 359	39 965	38 940
Total current assets	53 910	54 480	54 790
Total assets	125 017	117 337	131 323
EQUITY AND LIABILITIES			
Share capital	23 817	23 817	23 817
Restricted equity	1 411	1 337	1 411
Unrestricted equity	86 180	77 827	77 753
Result	-1 687	-5 926	8 427
Total equity	109 721	97 055	111 408
Long-term liabilities	5 980	9 586	8 618
Short-term liabilities	9 316	10 696	11 297
Total liabilities	15 296	20 282	19 915
Total equity and liabilities	125 017	117 337	131 323

Cash-flow analysis

<i>Amounts in kSEK</i>	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Operating activities					
Operating result	-723	-763	-1 660	-6 104	-7 019
Adjustments for non-cash items	1 992	2 061	5 978	6 179	8 239
Interest received	-	402	-	411	243
Interest paid	-260	-50	-464	-233	-320
Income tax paid/received	35	24	103	90	121
Changes in working capital					
Change in inventories	-1 847	10	-4 178	-700	-962
Change in operating receivables	5 157	-6 275	9 477	-5 212	-6 285
Change in operating liabilities	1 468	4 911	-2 083	1 469	1 220
Cash flow from operating activities	5 822	320	7 173	-4 100	-4 763
Investment activities					
Investments in non-current assets	-10	-28	-115	-651	-864
Cash flow from investment activities	-10	-28	-115	-651	-864
Financing activities					
Amortization/issue loan	-2 339	-1 522	-2 639	-1 822	-1 971
Cash flow from financing activities	-2 339	-1 522	-2 639	-1 822	-1 971
The period's cash flow	3 473	-1 230	4 419	-6 573	-7 598
Cash and cash equivalents at beginning of period	39 886	41 195	38 940	46 538	46 538
Cash and cash equivalents at end of period	43 359	39 965	43 359	39 965	38 940
<i>Adjustments for non-cash items</i>					
Depreciation	1 992	2 061	5 978	6 179	8 239
Other items not affecting cash flow	-	-	-	-	-
	1 992	2 061	5 978	6 179	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
Net result for the period	-	-	-	-	-1 687	-1 687
2020-09-30	23 817	753	658	143 276	-58 783	109 721

Financial ratios

<i>Amounts in kSEK</i>	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Turnover growth %	-2%	145%	34%	71%	57%
Gross margin %	51%	48%	48%	46%	46%
Operating margin %	-6%	-6%	-4%	-20%	-15%
Profit margin %	-7%	-3%	-4%	-19%	18%
Solidity	88%	83%	88%	83%	85%
Cash liquidity	520%	500%	520%	500%	474%
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	0,0	-0,1	-0,5	0,7
Result per share fully diluted	-0,1	0,0	-0,1	-0,5	0,7
Equity per share	9,2	8,2	9,2	8,2	9,4
Equity per share fully diluted	9,2	8,2	9,2	8,2	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, 23 October 2020

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

Address

I-Tech AB
c/o Bioventurehub
Pepparedsleden 1
431 83 Möln dal
SWEDEN
Tel: +46 (0)10-30 33 999
org.nr: 556585-9682

www.i-tech.se

Contact

Magnus Henell, CFO
Tel: +46 (0)73 910 37 03
magnus.henell@i-tech.se

Philip Chaabane, CEO
Tel: +46 (0)73 910 37 08
philip.chaabane@i-tech.se