HeiQ PLC

Results 2022
Half Year Results 2023

October 31, 2023

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SWISS TECH INSIDE

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Agenda

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Looking back
2022 & H1 2023

.02

Measures taken

.03

Focus, Ventures &
Outlook

Looking back 2022 & H1 2023

2022 (H2) & 2023– two equally challenging years

Challenges as of H2 2022

- **Market demand: Overstocking** and high inventories across our customer base, coupled with increasing inflation & interest rate increase, led to a significant **decrease in consumer demand** with rippling amplified effects across the value chain (bull-whip-effect)
- End of the year overstocking by brands caused a global Q4 2022 **purchasing-stop cliff** in the textile industry (largest market for HeiQ)

- General slow-down in markets caused businesses acquired in 2022 to be significantly **delayed in achieving their business plans**

- **Global CRM & ERP** harmonization project started in 2022, to integrate internal control system & financial reporting system.
- **Change of auditor** late in the year 2022, worsening market conditions and still insufficient internal control systems after high-growth phase with multiple acquisition in recent years caused the auditor to increase their audit risk assessment and review levels

How it impacted HeiQ

- Missing revenues and contribution margin from commercial activities no longer provided cash for financing of innovations & ventures leading to a **significant cash burn to maintain ventures alive**
- The sudden decrease in demand caused an overstocking of certain customer & market specific **inventory** items which therefore had to been **written off** to a large part

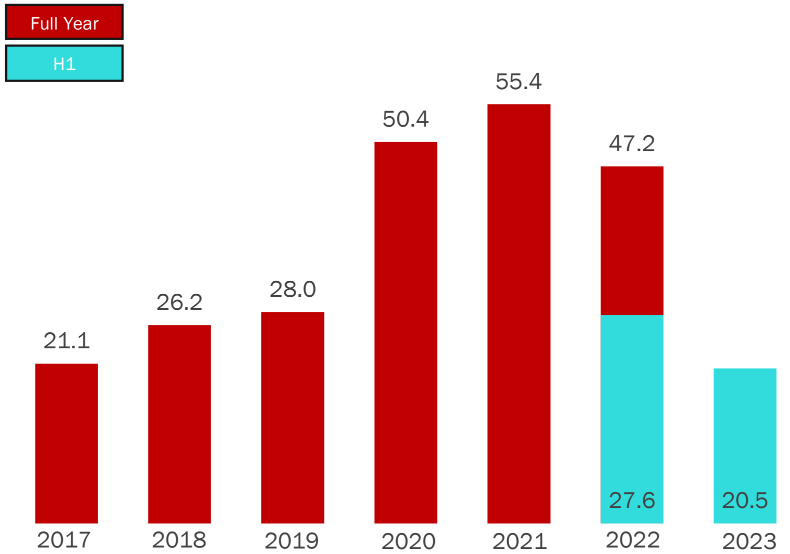
- Significant **write-off of goodwill** paid for the different businesses following inability to materialize their forecast following the downturn

- Switch at the same time than market disruption, caused a **10 month-long audit,** tripled our auditing costs & led to our shares to be suspended from trading for 6 month
- Publication of audited accounts 2022 was significantly delayed.

HeiQ growth history

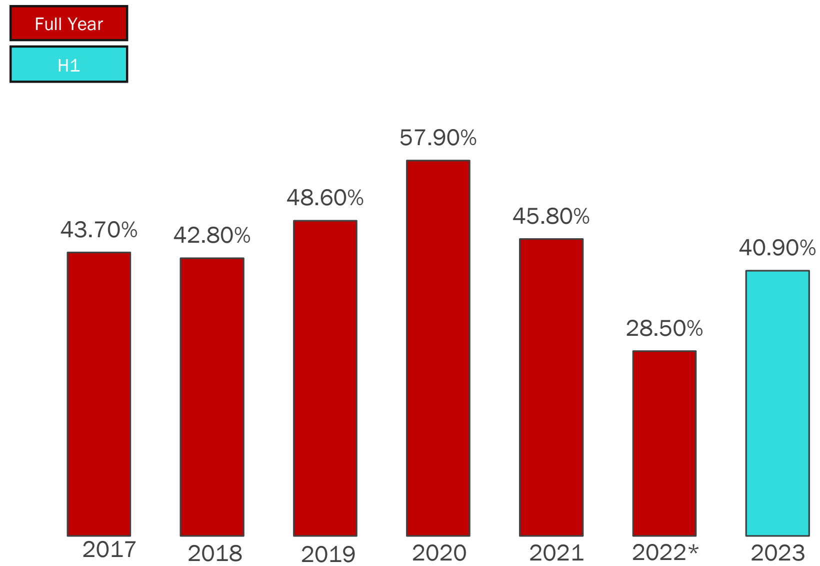
Sales growth trend

Revenue in US$ million
(prior years restated)



Gross margin trend

Gross margin in %
(prior years restated)



**2022 Gross margin significantly reduced by inventory allowance*

Statement of Comprehensive Income

Revenue decreased due to low demand across industry

Gross margins down driven by allowances on inventory

Significant impairments of Goodwill from acquisitions

SG&A costs increase driven by acquisitions and investments in innovation and audit costs

US$ '000	H1 2023	H1 2022 *restated*		2022	2021 *restated*	
Revenue	**20'500**	**27'558**	**-26%**	**47'202**	**55'419**	**-15%**
Gross profit	**8'390**	**11'431**	**-27%**	**13'457**	**25'397**	**-47%**
Gross margin	41%	41%		29%	46%	
SG&A	-14'263	-14'016	-2%	-30'969	-24'680	-25%
Impairment losses - total	-	-		-12'381	-2'454	
Other Income/(expenses) - net	-129	1'013	-113%	648	383	69%
Operating profit	**-6'002**	**-1'572**	**-282%**	**-29'245**	**-1'354**	**-2060%**
Finance income/(costs) - net	-379	-82	-362%	-590	-35	-1586%
Income before taxation	**-6'381**	**-1'654**	**-286%**	**-29'835**	**-1'389**	**-2048%**
Taxation	-146	-254	43%	21	16	31%
Income after taxation	**-6'527**	**-1'908**	**-242%**	**-29'814**	**-1'373**	**-2071%**
Adj. EBITDA	**-3'612**	**721**	**-601%**	**-12'174**	**4'545**	**-368%**

Revenue US$m **-14.8 %**

47.2 2022 — **55.4** 2021

Gross margin % **-17.3%**

28.5* 2022 — **45.8** 2021

- 2022 Gross margin significantly reduced by one-time inventory allowance

EBITDA (Adjusted) US$m **-368%**

-12.2 2022 — **4.5** 2021

Statement of Financial Position

US$ '000	H1 2023	2022	2021 *restated*
Intangible assets	21'672	20'442	30'773
Non-current assets	**39'732**	**38'738**	**47'282**
Inventories	14'406	13'168	13'770
Trade receivables	8'256	6'487	14'656
Other receivables and prepayments	4'231	4'262	3'876
Cash and cash equivalents	7'274	8'488	14'560
Current assets	**34'167**	**32'405**	**46'862**
Total assets	**73'899**	**71'143**	**94'144**
Total equity	**34'745**	**40'339**	**59'535**
Long-term borrowings	1'866	1'445	1'605
Total non-current liabilities	**16'064**	**13'970**	**13'766**
Short-term borrowings	7'471	2'893	1'157
Total current liabilities	**23'090**	**16'834**	**20'843**
Total liabilities	**39'154**	**30'804**	**34'609**
Total equity and liabilities	**73'899**	**71'143**	**94'144**
Net debt position	**-10'273**	**-3'672**	**3'684**

Significant decrease in Total assets following Goodwill impairments and derecognition of revenues/receivables

Missing contribution margins lead to significant decrease in cash and net debt position

Uncommitted short-term credit lines
(overdrafts and fix cash advances)

Cashflow & Liquidity

Cashflow Statement

US$ '000	H1 2023	2022	2021 *restated*
Net cash generated from/(used in) operating activities	-4'799	-2'459	3'408
Net cash from /used in investing activities	-427	-8'750	-12'664
Net cash from /used in financing activities	3'902	5'845	-1'269
Net (decrease) /increase in cash	**-1'324**	**-5'364**	**-10'255**
Cash balance (end of period)	**7'274**	**8'488**	**14'560**

Current credit facilities

Maturity date	Oct '23 CHF '000
1month-rolling (Nov 27, '23)	4'500
June 17, '24	800
Sept 30, '24	1'000
Total drawn amounts	**6'300**
Total facility	**9'000**

Significant cash burn in 2022 / H1 2023 due to missing cash contribution from commercial businesses while build-up of ventures continued

Uncommitted credit facilities seen as risk due to short-term re-financing requirement in case of termination
(total credit lines CHF9 million – used CHF6.3 million)

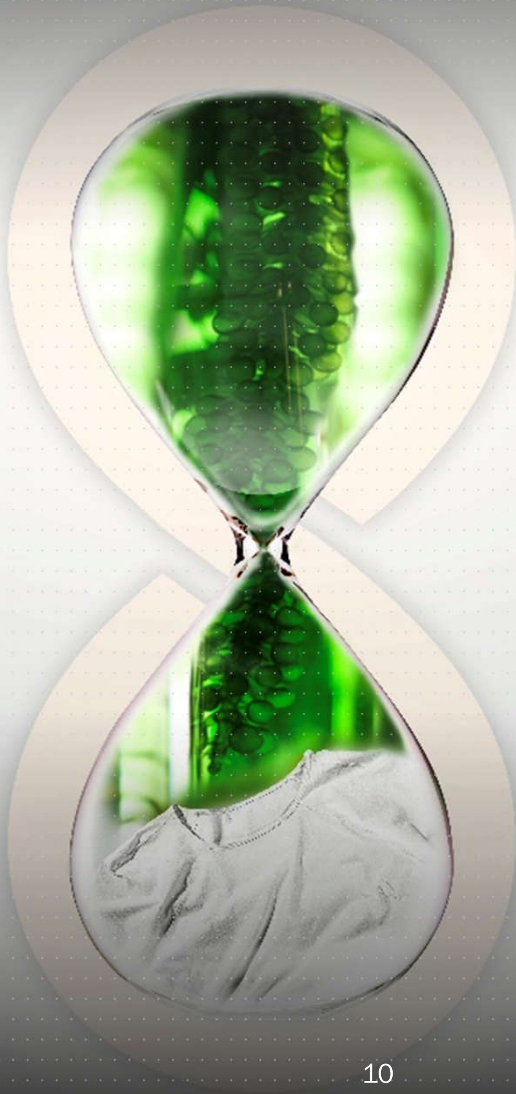
Corrective measures taken in late 2022 / H1 2023 to reduce cost base
(becoming effective in course of H2 2023)

No indication from banks that credit facilities are at risk of being terminated

Funding of Ventures through capital raise / project financing on subsidiary level required

Discussion to restructure uncommitted facilities into committed facilities initiated

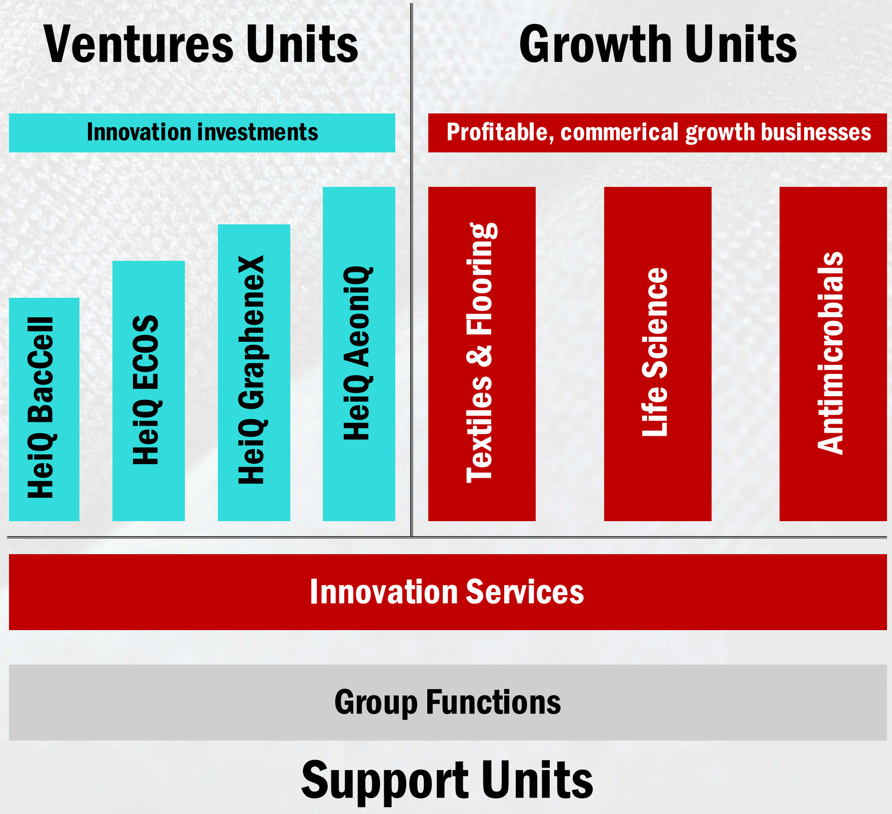
Measures taken



Reorganized "Agile" to drive growth and create long-term value

Objective: Enhance Agility

- In distressed markets more **agility & situational awareness** is required with decision making power by teams on the frontline
- **Focused small teams** with a clear mission, target and responsibilities
- Enable **venture project financing on "subsidiary" level** including industry partner co-investments to support and accelerate value creation
- **Lean Group (support) Functions** – allocation of activities and costs as much as possible into Growth and Venture Units



Measures implemented as of H1 2023

Focus

- **Re-organized commercial business into three agile & dedicated business units** with own objectives, CEO's teams & P&L
  1. **Textiles & Floorings**
     CEO Mike Abbott
     HQ USA
  2. **Life Sciences**
     CEO Dr. Robin Temmerman
     HQ Belgium
  3. **Antimicrobials**
     CEO Tom Ellefsen
     HQ Thailand
- **Focused on commercialized innovations** and mature, sustainable and future-proof innovations such as HeiQ Allergen Tech, HeiQ Synbio, HeiQ Mint and HeiQ Smart Temp

Restructre

- **Relocation of costs**
  - >20FTE's from high-cost GHQ Switzerland replaced in our lower cost Portugal Hub without losing capabilities.
  - Significant manufacturing operations transferred to our lower energy cost locations in USA
  - FTE costs from other services transferred to financial services (12 FTE team now)
- **Restructured commercial team** for key market **China** – lead now with GM Mr. Robert Liu

Reduction of overall annualized SG&A costs for Growth & Support Units **by 15%** becoming effective in course of H2 2023

Finance Ventures

- **Financing** of main Venture Innovation **HeiQ AeoniQ in subsidiary directly** (partner investments, project financing) to ensure **continuing value creation**
  - MAS Investment of 1.5M USD into HeiQ AeoniQ in June 2023

Venture Units

Growth Units

Support Units

Focus Q4 2023 / 2024

Venture Units

- **Funding of Venture** innovations at project /subsidiary level
  - Close Series A financing round for scale-up of HeiQ AeoniQ 3,000t/a capacity fiber plant. Total project costs 70M €
  - Acquire further grants and customer paid application developments
- **System & Processes:** Strengthen Internal Control System

Growth Units

- Return to positive **cash generation for all Growth Units**
  - Reduced cost for best-selling products by backwards integration
  - Win market share with new innovations launched
- **Liquidity management:** NWC optimization
- **System & Processes:** Strengthen Internal Control System

Support Units

- **Financing facilities:** Transform uncommitted, short-term financing facilities to longer-term, committed facilities
- **System & Processes**
  - Strengthen Internal Control System
  - Complete group IT integration on Odoo ERP/CRM system
- Ensure timely year end reporting for 2023
- **Complement Board** expertise on ESG & ICS

Innovation Update & Outlook

Growth Units – Current market conditions

Textile & Floorings

- **Textile** Brands suffer lower sales to consumers. Only discounters grow. Overstocking is still hampering the value chain. Payment terms are extended. **Our innovations manage to win us new programs to grow**
- Our **Floorings** offering is suffering by building industry crisis & shift from carpet to tiles. **Our backwards integration enables us to gain market share and margins**
- **Our Industrial Chemicals sales in the US have more than doubled** and are on an upwards trend as the US is re-industrializing

Life Sciences

- We are **divesting form our medical masks** operations in Spain following reduced post-pandemic sales
- With **HeiQ Synbio** we have successfully **established probiotic cleaners for hospitals** and anchored them in the new EU detergent regulation. We expect a switch in the industry towards our technology in 2024 with corresponding growth of our sales
- We have successfully integrated our **new cosmetic grade manufacturing plant** into our **re-audited ISO 9001** standard. We expect to serve cosmetic brands as OEM supplier in 2024

Antimicrobials

- FMCG Brands suffer lower sales to consumers. Only discounters grow. Overstocking is still hampering the value chain. Payment terms are extended. **Our innovations manage to win us new programs to grow**
- We have successfully **launched HeiQ Chill innovation**, a cooling technology for masterbatchers, to first implementers
- **Anta**, a large Chinese sport apparel & footwear brand has **adopted innovative HeiQ Life Natural antimicrobials** in their kids line

Venture Units – project status update

HeiQ AeoniQ	**HeiQ ECOS**	**HeiQ GrapheneX**	**HeiQ BacCell**
Worlds first climate positive cellulose filament fiber, capable to replace polyester	Silver Nanowire tech for lowE Coatings (transparent, conductive, heat-reflecting), & stealth effets	Highly porous graphene membrane for solid state batteries & electronic vents	Agri-waste based bacterial cellulose as superior feedstock for fibers, packaging, medical, cosmetic and food industries
Project phase: Industrialization	**Project phase:** Application Development	**Project phase:** Pilot commercialization plant scale-up	**Project phase:** Pilot plant scale up
Next milestone: $20M series A for 3'000 tons manufacturing plant in Portugal	**Next milestone:** Agreements with defense, greenhouse, window partner	**Next milestone:** Sign JDA with industry partner for first application	**Next milestone:** Proof of concept of dynamic industrial reactor
Time to market: on market	**Time to market:** on market	**Time to market:** <2 years	**Time to market:** <2 years
USP: Replaces the $135bn p.a. polyester fiber industry	**USP:** Reduces energy costs of households by ca. 30%, improves efficiency of Greenhouses by ca. 30%	**USP:** Enables lighter solid state lithium batteries at double charge and 10 times faster re-charge	**USP:** Circular waste- based superior feedstock for cellulose fibers, strengthens cellulosic packaging materials significantly

HeiQ – invest in impact


Mission & Vision

Who we are

Headquartered in Switzerland, HeiQ is an IP creator and established global brand in materials and textile innovation, adding hygiene, comfort, protection and sustainability to the products we use every day. This is how we contribute to saving our planet and improving the lives of billions of people.

Our purpose

To improve lives by innovating the materials in the products people use every day.

Our vision

Heiqed materials that improve the lives of billions.

Our mission

To pioneer differentiating materials through co-creation.

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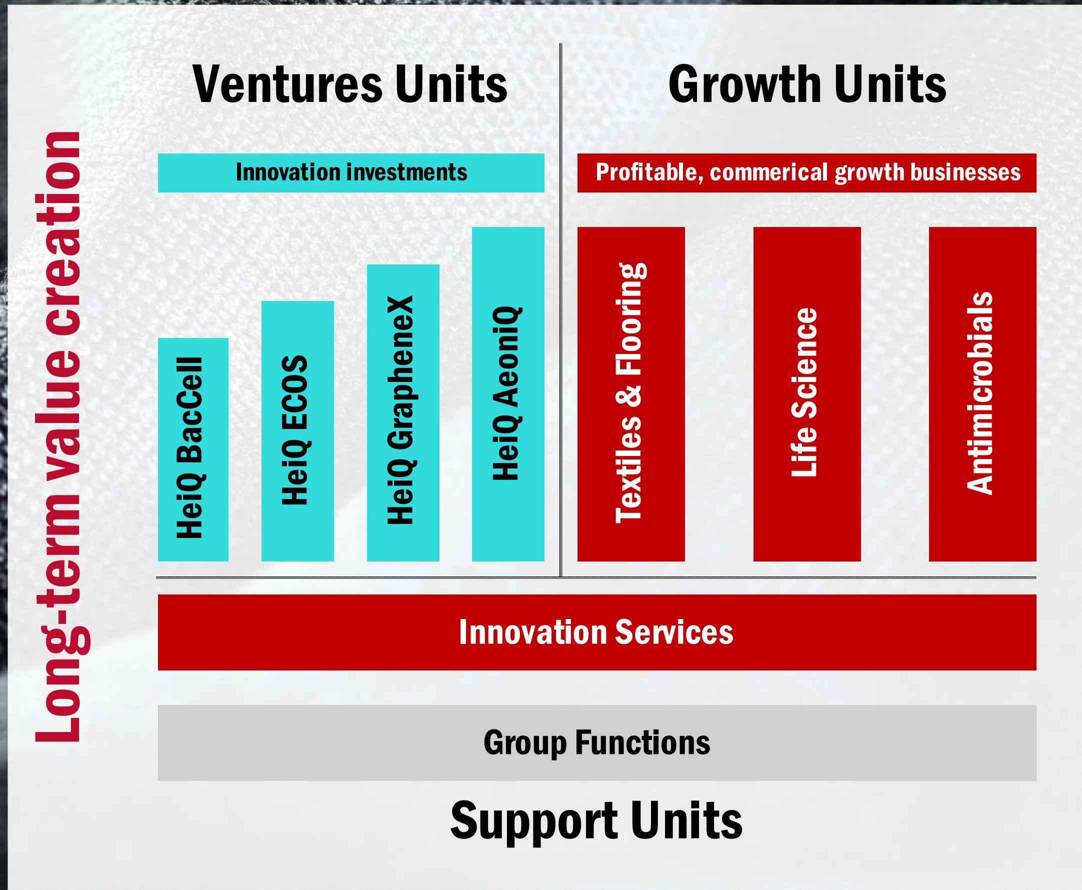

Differentiate.
Innovate.

UK
London
HeiQ plc
Ultimate parent

Switzerland
Schlieren (Zurich)
HeiQ Materials AG
Operational headquarters
R&D/Testing/Production

Australia
Geelong
HeiQ PTY
R&D/Production

Austria
Herzogenburg
HeiQ GmbH
R&D/Sales

Belgium
Lommel
HeiQ Chrisal NV
R&D/Production

Germany
Regensburg
HeiQ RAS AG
R&D/Sales

Greater China
Shanghai
HeiQ Materials Company Limited
Warehouse/Testing/Sales

Taoyuan City/Taiwan
HeiQ Company Ltd / HX Company Ltd
Sales/Production

Japan
Tokyo
Sales

Portugal
Moreira da Maia
HeiQ Iberia Unipessoal Lda
R&D/Sales

Spain
Pizarra (Málaga)
HeiQ Medica SL
R&D/Production/Sales

Thailand
Bangkok
HeiQ Life
R&D/Production/Sales

USA
Concord & Calhoun
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