



EcoSynthetix Reports 2021 Fourth Quarter and Year End Results

Burlington, Ontario, February 24, 2022 - EcoSynthetix Inc. (TSX: ECO) (“EcoSynthetix” or the “Company”), a renewable chemicals company that produces a portfolio of commercially proven bio-based products, today announced its financial and operational results for the three months (Q4 2021) and twelve months (FY 2021) ended December 31, 2021. Financial references are in U.S. dollars unless otherwise indicated.

Highlights

(Comparison periods in each case are the three months ended December 31, 2020)

- Recorded net sales of \$4.9 million in Q4 2021, up 46%, due to higher volumes of 20% and higher average selling price of 26%
- Received an annual contract renewal and purchase orders for continuous monthly volumes for the Company’s DuraBind™ resin from a global top 15 wood composites manufacturer and leading international retailer
- Awarded a Platinum designation by EcoVadis, a globally recognized agency for business sustainability ratings of supply chains, with a sustainability score for the Company within the top 1% of 85,000 companies rated
- Announced the Company expects to achieve climate positive status in 2022, with a 1:1 carbon cover of the carbon emissions associated with the business due to the carbon footprint reductions by customers enabled through the use of EcoSynthetix’ products
- Gross profit of \$1.0 million, up 49%, in Q4 2021, enabled by the diversification of revenue mix
- Recorded Adjusted EBITDA loss of \$0.3 million in Q4 2021, a change of \$0.2 million, compared to the prior period
- Recorded positive cash flow from operations of \$0.5 million in FY 2021, the third consecutive year of positive cash flow from operations
- Purchased and cancelled 91,600 common shares in Q4 2021, and 292,000 in FY 2021, under the normal course issuer bid for total consideration of \$0.4 million and \$1.2 million respectively
- Maintained a strong balance sheet with cash of \$42.2 million as at December 31, 2021

“Our commercial strategy of diversifying into the wood composites and personal care markets beyond graphic paper continued to gain momentum as topline sales grew 46% in the fourth quarter,” said Jeff MacDonald, CEO of EcoSynthetix. “Our bio-based polymers offer significant advantages over traditional petroleum-based resins. The performance and value of our biopolymers are competitive to the conventional alternatives. Plus, our products offer manufacturers significant sustainability benefits, such as reducing the carbon footprint for wood composites manufacturers where binders are a leading source of carbon intensity in their supply chain. We are commercial with two of the top 15 global wood composites manufacturers. Growing within these accounts, both in the volume used on the existing lines and expanding into new mills they operate are our near-term commercial priorities. The advantages our biopolymers offer across each of our three end markets and the market dynamics as customers, retailers and manufacturers pursue more sustainable and healthier alternatives position us to deliver long-term, sustainable growth.”

Financial Summary

Net Sales

Net sales were \$4.9 million and \$18.2 million for Q4 2021 and FY 2021, respectively, compared to \$3.3 million and \$13.7 million in the corresponding periods in 2020. The increase in the quarter was due to higher sales volumes which increased sales \$0.6 million, or 20%, enabled by the continued diversification of the Company's revenue mix from increased sales of DuraBind™ and improved volumes in paper and paperboard, as well as a higher average selling price which increased sales by \$0.9 million, or 26%. The 33% increase in the FY period was due to higher sales volumes which increased sales \$2.5 million, or 18%, and a higher average selling price which increased sales by \$2.0 million, or 15%.

Gross Profit

Gross profit was \$1.0 million and \$4.0 million for Q4 2021 and FY 2021, respectively, compared to \$0.7 million and \$2.7 million in the corresponding periods in 2020. The increase in both periods was primarily due to higher sales volumes and a higher average selling price partly offset by higher manufacturing costs.

Gross profit as a percentage of sales was 20.7% and 21.9% for Q4 2021 and FY 2021, respectively, compared to 20.3% and 20.0% in the corresponding periods in 2020. The increases were primarily due to a higher average selling price offset by higher costs of manufacturing during both periods. Gross profit as a percentage of sales adjusted for manufacturing depreciation was 24.8% and 26.2% for Q4 2021 and FY 2021, respectively, compared to 27.2% and 26.0% for the corresponding periods in 2020. The decrease in quarterly period was primarily due to higher manufacturing costs partially offset by a higher average selling price.

Selling, General and Administrative

Selling, general and administrative expenses (SG&A) were \$1.5 million and \$5.4 million for Q4 2021 and FY 2021, respectively, compared to \$1.2 million and \$4.3 million for the corresponding periods in 2020. The increase in SG&A in the quarterly period was primarily due to lower payments received under the Canadian Emergency Wage Subsidy program (CEWS) of \$0.1 million and a \$0.1 million increase in salaries and benefits. The increase in the FY period was primarily due to an increase in the provision for variable based compensation of \$0.4 million, lower payments received under CEWS of \$0.2 million, an increase in share-based compensation of \$0.2 million and an increase in salaries and benefits of \$0.2 million.

Research and Development

Research and development (R&D) costs were \$0.5 million and \$1.8 million for Q4 2021 and FY 2021, respectively, compared to \$0.3 million and \$1.4 million for the corresponding periods in 2020. R&D expense as a percentage of sales was 10% for both the Q4 2021 and FY 2021 periods, respectively, compared to 8% and 10% in the corresponding periods in 2020. The Company's R&D efforts continue to focus on further enhancing value for its existing products and expanding addressable opportunities.

Adjusted EBITDA¹

Adjusted EBITDA loss was \$0.3 million and \$0.9 million for Q4 2021 and FY 2021, respectively, compared to \$0.1 million and \$0.8 million in the corresponding periods in 2020. Adjusted EBITDA loss increased during both periods as higher gross profit was offset by higher operating costs.

Net Loss

Net loss was \$0.9 million, or \$0.02 per common share, and \$3.2 million, or \$0.06 per common share, for Q4 2021 and FY 2021, respectively, compared to \$0.7 million, or \$0.01 per common share, and \$2.4 million, or \$0.04 per common share,

for the corresponding periods in 2020. The increases in both periods were primarily due to higher loss from operations and lower interest income due to lower interest rates on cash and short-term investments.

Liquidity

Cash on hand was \$42.2 million as at December 31, 2021, compared to \$42.0 of cash on hand and short-term investments as at December 31, 2020. The Company purchased and cancelled 91,600 common shares for consideration of \$0.4 million under the normal course issuer bid in Q4 2021 and 292,000 common shares for consideration of \$1.2 million in FY 2021.

Notice of Conference Call

EcoSynthetix will host a conference call Friday, February 25, 2022, at 8:30 AM ET to discuss its financial results. Jeff MacDonald, CEO, and Robert Haire, CFO, will co-chair the call. All interested parties can join the call by dialling (416) 764-8659 or (888) 664-6392 with the conference identification of 72729846. Please dial in 15 minutes prior to the call to secure a line. A live audio webcast of the conference call will also be available at www.ecosynthetix.com. The presentation will be accompanied by slides, which will be available via the webcast link and the Company's website. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast.

¹Non-IFRS Financial Measures

This press release makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of results of operations of EcoSynthetix from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the financial information of EcoSynthetix reported under IFRS. The Company uses non-IFRS measures such as Adjusted EBITDA to provide investors with a supplemental measure of operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the Company's ability to meet its capital expenditure and working capital requirements.

Adjusted EBITDA is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. See "IFRS and Non-IFRS Measures." The Company presents Adjusted EBITDA because the Company believes it facilitates investors' use of operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structures (affecting relative interest expense), the book amortization of intangibles (affecting relative amortization expense) and the age and book value of property and equipment (affecting relative depreciation expense). The Company also presents Adjusted EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. Adjusted EBITDA as presented herein are not recognized measures under IFRS and should not be considered as an alternative to operating income or net income as measures of operating results or an alternative to cash flows as measures of liquidity. Adjusted EBITDA is defined as consolidated net income (loss) before net interest expense, income taxes, depreciation, amortization, other non-cash expenses and charges deducted in determining consolidated net income (loss).

The following table reconciles net loss to Adjusted EBITDA loss for the three and twelve months ended December 31, 2021 and December 31, 2020:

	Three months ended December 31, 2021	Three months ended December 31, 2020	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020
Net Loss	(936,867)	(705,904)	(3,179,740)	(2,402,094)
Depreciation	324,387	391,098	1,380,832	1,439,504
Share-based Compensation	289,998	277,394	937,260	783,822
Interest Income	(10,499)	(86,222)	(62,426)	(605,497)
Adjusted EBITDA loss	(332,981)	(123,634)	(924,074)	(784,265)

About EcoSynthetix Inc. (www.ecosynthetix.com)

EcoSynthetix, a 2022 climate positive company, offers a range of sustainable engineered biopolymers that allow customers to reduce their use of harmful materials, such as formaldehyde and styrene-based chemicals. The Company's flagship products, DuraBind™, Bioform™, and EcoSphere®, are used to manufacture wood composites, personal care, and paper and packaging, and enable performance improvements, economic benefits and carbon footprint reduction. The Company is publicly traded on the Toronto Stock Exchange (T:ECO).

Forward-Looking Statements

Certain statements in this Press Release constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of the Company, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward looking statements. The forward-looking statements in this Press Release include, but are not limited to, statements regarding the Company's plans to execute its commercial strategy, deliver meaningful growth across all three product categories, convert high-value strategic prospects into customers, and other statements regarding the Company's plans and expectations in 2022. These statements reflect our current views regarding future events and operating performance and are based on information currently available to us, and speak only as of the date of this Press Release. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Those assumptions and risks include, but are not limited to, the Company's ability to successfully allocate capital as needed and to develop new products, as well as the fact that our results of operations and business outlook are subject to significant risk, volatility and uncertainty. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including the factors identified in the "Risk Factors" section of the Company's Annual Information Form dated February 24, 2022. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this Press Release as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, we do not intend and do not assume any obligation to update these forward-looking statements.

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EcoSynthetix Inc.
Consolidated Balance Sheets
(expressed in US dollars)

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash	42,226,816	16,637,161
Short-term investments	-	25,344,575
Accounts receivable	1,912,390	1,794,594
Inventory	2,073,800	2,134,389
Government grants receivable	6,676	122,218
Prepaid expenses	91,930	69,633
	<u>46,311,612</u>	<u>46,102,570</u>
Non-current assets		
Property, plant and equipment	4,670,089	5,620,805
Total assets	<u>50,981,701</u>	<u>51,723,375</u>
Liabilities		
Current liabilities		
Trade accounts payables and accrued liabilities	2,363,630	1,179,097
Non-current liabilities		
Lease liability	820,045	1,072,287
Total liabilities	<u>3,183,675</u>	<u>2,251,384</u>
Shareholders' Equity		
Common shares	492,297,041	490,259,923
Contributed surplus	9,851,991	10,383,334
Accumulated deficit	(454,351,006)	(451,171,266)
Total shareholders' equity	<u>47,798,026</u>	<u>49,471,991</u>
Total liabilities and shareholders' equity	<u>50,981,701</u>	<u>51,723,375</u>

EcoSynthetix Inc.**Consolidated Statements of Operations and Comprehensive Loss****For the three and twelve months ended December 31, 2021 and 2020**

(expressed in US dollars)

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Net sales	4,885,420	3,343,823	18,161,891	13,662,711
Cost of sales	3,872,001	2,664,492	14,190,221	10,924,338
Gross profit on sales	1,013,419	679,331	3,971,670	2,738,373
Expenses				
Selling, general and administrative	1,494,155	1,204,655	5,382,396	4,333,649
Research and development	466,630	266,802	1,831,440	1,412,315
	1,960,785	1,471,457	7,213,836	5,745,964
Loss from operations	(947,366)	(792,126)	(3,242,166)	(3,007,591)
Net interest income	10,499	86,222	62,426	605,497
Net loss and comprehensive loss	(936,867)	(705,904)	(3,179,740)	(2,402,094)
Basic and diluted loss per common share	(0.02)	(0.01)	(0.06)	(0.04)
Weighted average number of common shares outstanding	57,871,822	56,823,364	57,410,885	57,196,584

EcoSynthetix Inc.
Interim Consolidated Statements of Cash Flows
For the three and twelve months ended December 31, 2021 and 2020
(expressed in US dollars)

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Cash provided by (used in)				
Operating activities				
Net loss and comprehensive loss	(936,867)	(705,904)	(3,179,740)	(2,402,094)
Items not affecting cash				
Depreciation	324,387	391,098	1,380,832	1,439,504
Share-based compensation	289,998	277,394	937,260	783,822
Other	(20,168)	18,450	60,361	(87,486)
Changes in non-cash working capital				
Accounts receivable	184,549	(665,042)	(272,807)	184,998
Inventory	466,681	271,201	(31,615)	152,390
Government grants receivable	15,807	(81,990)	115,542	(7,262)
Prepaid expenses	40,162	40,742	(22,297)	6,340
Trade accounts payables and accrued liabilities	(75,633)	(71,244)	1,141,956	(219,409)
Interest on short-term investments				
Interest received on short-term investments	-	168,484	358,740	1,037,522
Accrued interest on short-term investments	-	(105,251)	(14,165)	(661,549)
	<u>288,916</u>	<u>(462,062)</u>	<u>474,067</u>	<u>226,776</u>
Investing activities				
Purchase of property, plant and equipment	(34,474)	(41,821)	(379,976)	(248,146)
Receipts of government grants related to property, plant and equipment	-	-	67,418	-
Receipts on mature short-term investments	-	30,000,000	25,000,000	75,000,000
Purchase of short-term investments	-	(20,000,000)	-	(65,000,000)
	<u>(34,474)</u>	<u>9,958,179</u>	<u>24,687,442</u>	<u>9,751,854</u>
Financing activities				
Payments made on lease liability	(63,608)	(49,194)	(249,246)	(192,989)
Common shares repurchased	(402,837)	(311,158)	(1,200,835)	(1,957,216)
Exercise of common share options	1,664,006	628,282	1,924,361	719,576
	<u>1,197,561</u>	<u>267,930</u>	<u>474,280</u>	<u>(1,430,629)</u>
Effect of exchange rate changes on cash	<u>23,551</u>	<u>39,549</u>	<u>(46,134)</u>	<u>113,447</u>
Change in cash during the period	<u>1,475,554</u>	<u>9,803,596</u>	<u>25,589,655</u>	<u>8,661,448</u>
Cash - Beginning of period	<u>40,751,262</u>	<u>6,833,568</u>	<u>16,637,161</u>	<u>7,975,713</u>
Cash - End of period	<u>42,226,816</u>	<u>16,637,164</u>	<u>42,226,816</u>	<u>16,637,161</u>