



EcoSynthetix Reports 2024 Second Quarter Results

Burlington, Ontario, July 30, 2024 – 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 (Q2 2024) and six months (YTD 2024) ended June 30, 2024. Financial references are in U.S. dollars unless otherwise indicated.

Highlights

(Comparison periods in each case are the three months ended June 30, 2023)

- Recorded net sales of \$3.2 million, up 8%, compared to the prior period, enabled by 21% higher volumes from increased demand.
- Recorded an Adjusted EBITDA¹ loss of \$0.8 million, unchanged from the prior period.
- Won two new mills during the quarter, one new tissue line and a new coated paper line, each within existing accounts.
- The Company’s marketing and development partner for personal care, Dow, expanded into new applications for skin and make-up with its MaizeCare™ polymers product line.
- Successful extended trials continue in pulp applications with a leading international pulp manufacturer.
- Purchased and cancelled 160,300 common shares in Q2 2024 under the normal course issuer bid for total consideration of \$0.5 million.
- Maintained a strong balance sheet with cash and term deposits of \$33.2 million as at June 30, 2024.

“We continue to earn validation for our product offering with two new wins during the quarter across multiple end markets. It’s also encouraging to see demand continue to build for our products, up 43% through the first half of 2024,” said Jeff MacDonald, CEO of EcoSynthetix. “Our key strategic accounts in pulp and wood composites remain highly engaged. Trial activity is robust across all end markets. Our commercial priority is supporting the accounts using or trialing our products today to drive increased usage at existing facilities and expand into more of their facilities, just like we have with the two wins this quarter. The opportunity available to us within these accounts offers a multiple of upside compared to current levels. The momentum we are seeing across our key end markets of pulp, tissue and packaging, wood composites and personal care positions us to deliver sustainable, long-term growth.”

Financial Summary

Net Sales

Net sales were \$3.2 million and \$7.9 million for Q2 2024 and YTD 2024, respectively, compared to \$3.0 million and \$6.0 million for the corresponding periods in 2023. The 8% increase in the quarterly period was due to higher volumes, which increased sales \$0.6 million, or 21%, partly offset by a lower average selling price which decreased sales \$0.4 million or 13%. The higher volumes were primarily due to improved demand. The 31% increase in the YTD period was due to higher volumes of \$2.6 million, or 43%, partly offset by lower average selling price of \$0.7 million, or 12%. The higher volumes were primarily due to improved demand including inventory replenishment at a distributor, as well as \$0.4 million in sales of SurfLock™ for extended trials in a pulp application with a leading paper and pulp producer. The lower average selling price during both periods was primarily due to lower manufacturing costs which were passed on to customers as well as product mix.

Gross Profit

Gross profit was \$0.9 million and \$2.0 million for Q2 2024 and YTD 2024, respectively, compared to \$0.5 million and \$1.2 million for the corresponding periods in 2023. The increase in both periods was primarily due to higher volumes and lower manufacturing costs, including lower manufacturing depreciation, partially offset by a lower average selling price.

Gross profit as a percentage of sales was 27.0% and 25.3% for Q2 2024 and YTD 2024, respectively, compared to 18.6% and 19.4% in the corresponding periods last year. Gross profit as a percentage of sales adjusted for manufacturing depreciation was 31.1% and 29.9% for Q2 2024 and YTD 2024, respectively, compared to 25.2% and 29.0% for the corresponding periods in 2023. The increase in each period for both metrics was primarily due to lower manufacturing costs, partially offset by a lower average selling price.

Selling, General and Administrative

Selling, general and administrative expenses (SG&A) were \$1.4 million and \$3.2 million for Q2 2024 and YTD 2024, respectively, compared to \$1.2 million and \$2.4 million for the corresponding periods in 2023. The increase during both periods was primarily due to asset relocation costs associated with the Company's manufacturing footprint realignment project announced in February 2023.

Research and Development

Research and development (R&D) costs were \$0.6 million for Q2 2024, unchanged from Q2 2023, and \$1.1 million for YTD 2024, compared to \$1.2 million in the corresponding period in 2023. R&D expense as a percentage of sales was 20% and 14% for Q2 2024 and YTD 2024, respectively, compared to 21% and 20% in the corresponding periods in 2023. The Company's R&D efforts continue to focus on further enhancing value for our existing products and expanding addressable opportunities.

Adjusted EBITDA¹

Adjusted EBITDA loss was \$0.8 million and \$1.3 million for Q2 2024 and YTD 2024, respectively, relatively unchanged compared to \$0.8 million and \$1.4 million in the corresponding periods in 2023.

Net Loss

Net loss was \$0.7 million, or \$0.01 per common share, and \$1.3 million, or \$0.02 per common share, for Q2 2024 and YTD 2024, respectively, compared to \$1.0 million, or \$0.02 per common share, and \$2.0 million, or \$0.03 per common share, for the corresponding periods in 2023. The 30% improvement in the quarterly period was due to \$0.2 million in higher net interest income as well as a \$0.1 million gain on sale of redundant PP&E. The 34% improvement in the YTD period was primarily due to \$0.4 million in higher net interest income, a \$0.2 million decrease in loss from operations and a \$0.1 million gain on the sale of redundant equipment. The higher net interest income during each period was due to an increase in interest rates on cash and term deposits

Liquidity

Cash on hand and term deposits were \$33.2 million as at June 30, 2024, compared to \$33.3 million as at December 31, 2023. The Company purchased and cancelled 160,300 common shares under the NCIB during Q2 2024.

Notice of Conference Call

EcoSynthetix will host a conference call Wednesday, July 31, at 8:00 am ET to discuss its financial results. Jeff MacDonald, CEO, and Robert Haire, CFO, will co-chair the call. All interested parties can instantly join the call by phone, by following the URL <https://emportal.ink/4e3ICoh> to easily register and be connected into the conference call automatically or the conventional method by dialling (416) 764-8659 or (888) 664-6392 with the conference identification of 30307740. 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 or <https://app.webinar.net/dbe565XnpGj>. 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, gain or loss on disposals of property, plant and equipment and 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 months and six months ended June 30, 2024, and June 30, 2023:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Net loss	(683,887)	(980,221)	(1,303,233)	(1,968,476)
Depreciation	238,433	298,885	542,632	786,779
Share-based compensation	199,040	162,592	401,419	326,224
Gain on disposal of property, plant and equipment	(90,000)	-	(90,000)	-
Interest income	(448,869)	(258,330)	(865,918)	(509,136)
Adjusted EBITDA loss	(785,283)	(777,074)	(1,315,100)	(1,364,609)

About EcoSynthetix Inc. (www.ecosynthetix.com)

EcoSynthetix 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™, Surflock™, Bioform™, and EcoSphere®, are used to manufacture wood composites, personal care, paper, tissue and packaging products, 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 2024. 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 27, 2024. 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)

	June 30, 2024	Decemebr 31, 2023
Assets		
Current assets		
Cash	3,938,613	4,915,445
Term deposits	29,261,823	28,366,765
Accounts receivable	1,471,402	1,549,443
Inventory	2,497,785	3,642,923
Prepaid expenses	170,755	91,917
	<u>37,340,378</u>	<u>38,566,493</u>
Non-current assets		
Property, plant and equipment	<u>4,273,773</u>	<u>4,268,820</u>
Total assets	<u>41,614,151</u>	<u>42,835,313</u>
Liabilities		
Current liabilities		
Trade accounts payables and accrued liabilities	1,861,608	1,607,140
Non-current liabilities		
Lease liability	84,707	258,278
Total liabilities	<u>1,946,315</u>	<u>1,865,418</u>
Shareholders' Equity		
Common shares	490,236,615	490,263,781
Contributed surplus	10,281,751	10,253,411
Accumulated deficit	(460,850,530)	(459,547,297)
Total shareholders' equity	<u>39,667,836</u>	<u>40,969,895</u>
Total liabilities and shareholders' equity	<u>41,614,151</u>	<u>42,835,313</u>

EcoSynthetix Inc.
Consolidated Statements of Operations and Comprehensive Loss
For the three and six months ended June 30, 2024 and June 30, 2023
(expressed in US dollars)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net sales	3,183,961	2,954,114	7,869,780	6,015,622
Cost of sales	<u>2,325,682</u>	<u>2,404,239</u>	<u>5,876,611</u>	<u>4,849,824</u>
Gross profit on sales	<u>858,279</u>	<u>549,875</u>	<u>1,993,169</u>	<u>1,165,798</u>
Expenses				
Selling, general and administrative	1,440,705	1,162,370	3,163,173	2,412,544
Research and development	<u>640,330</u>	<u>626,056</u>	<u>1,089,147</u>	<u>1,230,866</u>
	<u>2,081,035</u>	<u>1,788,426</u>	<u>4,252,320</u>	<u>3,643,410</u>
Loss from operations	(1,222,756)	(1,238,551)	(2,259,151)	(2,477,612)
Net interest income	448,869	258,330	865,918	509,136
Gain on disposal of property, plant and equipment	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>-</u>
	<u>538,869</u>	<u>258,330</u>	<u>955,918</u>	<u>509,136</u>
Net loss and comprehensive loss	<u>(683,887)</u>	<u>(980,221)</u>	<u>(1,303,233)</u>	<u>(1,968,476)</u>
Basic and diluted loss per common share	(0.01)	(0.02)	(0.02)	(0.03)
Weighted average number of common shares outstanding	58,705,545	59,098,730	58,659,345	59,183,414

EcoSynthetix Inc.
Interim Consolidated Statements of Cash Flows
For the three and six months ended June 30, 2024 and June 30, 2023
(expressed in US dollars)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Cash provided by (used in)				
Operating activities				
Net loss and comprehensive loss	(683,887)	(980,221)	(1,303,233)	(1,968,476)
Items not affecting cash				
Depreciation	238,433	298,885	542,632	786,779
Share-based compensation	199,040	162,592	401,419	326,224
Other	1,426	(53,319)	(11,657)	(41,152)
Gain on disposal of property, plant and equipment	(90,000)	-	(90,000)	-
Changes in non-cash working capital				
Accounts receivable	585,299	115,649	78,041	1,700,457
Inventory	201,858	1,613,355	1,096,126	1,909,432
Prepaid expenses	(78,055)	(68,683)	(78,838)	(81,502)
Trade accounts payables and accrued liabilities	(757,995)	(109,951)	168,925	(1,408,323)
Interest on term deposits				
Interest received on term deposits	141,712	106,455	402,162	372,472
Accrued interest on term deposits	(414,570)	(210,917)	(797,220)	(430,197)
	(656,739)	873,845	408,357	1,165,714
Investing activities				
Purchase of property, plant and equipment	(260,329)	(140,796)	(412,715)	(521,696)
Proceeds on disposal of property, plant and equipment	90,000	-	90,000	-
Receipts on mature term deposits	2,700,000	7,143,300	15,300,000	13,677,744
Purchase of term deposits	(3,000,000)	(6,182,840)	(15,800,000)	(11,482,840)
	(470,329)	819,664	(822,715)	1,673,208
Financing activities				
Payments made on lease liability	(81,088)	(70,777)	(160,973)	(141,361)
Common shares repurchased	(549,325)	(744,001)	(1,110,704)	(927,967)
Exercise of common share options	665,498	-	710,459	26,867
	35,085	(814,778)	(561,218)	(1,042,461)
Effect of exchange rate changes on cash	(3,577)	48,985	(1,256)	36,300
Change in cash during the period	(1,095,560)	927,716	(976,832)	1,832,761
Cash - Beginning of period	5,034,173	5,713,651	4,915,445	4,808,606
Cash - End of period	3,938,613	6,641,367	3,938,613	6,641,367