

# Biome Shareholder Update

Paul Mines, CEO / Rob Smith, CFO

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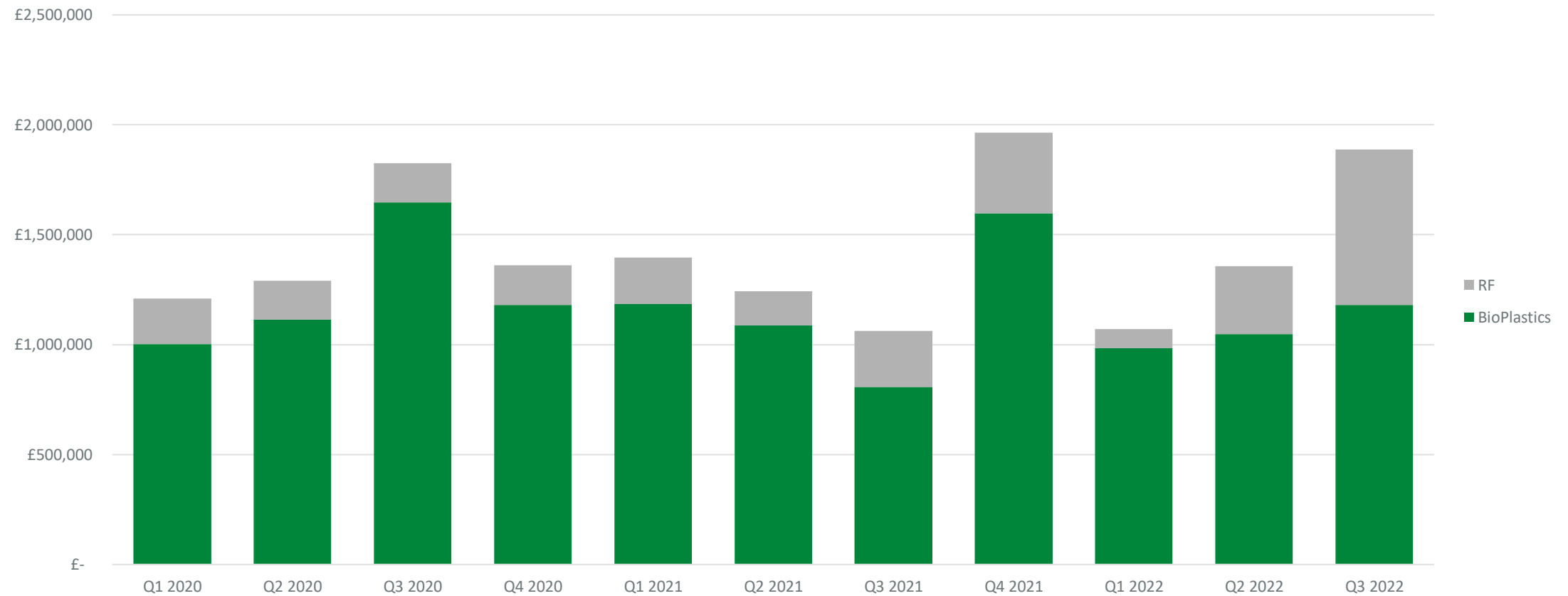


# Agenda

- Quarterly Sales progression
- Business changes
- 2022 Bioplastics – challenges and progress
  - Reduction in large filmic account, slow mesh acceleration
  - Tentative emergence of a broader customer base
- 2023 growth expectations
  - Key assumptions
- Selected large-scale bioplastic opportunities
- RF division and working capital discussion points
- Conclusions

# Quarterly Sales Progression

Biome Technologies Group  
Quarterly Sales (Unaudited)



# Business changes <sup>(1)</sup>

## Forecasting

- **2021** was a year in which post-covid global issues battered the supply chains of Biome and its customers and potential customers, our single largest prospect stalled due to engineering issues - we fell-short of analyst expectations
- In **2022**, we assumed that supply chain pressures would ease in H2 and that the large bioplastics opportunity that had stalled would accelerate
- This judgement proved incorrect. The supply chain issues continued for both divisions whilst business instability caused by inflation and demand variation has caused our key prospects to delay launches further. A predicted downturn at our key filmic customer has proven deeper and longer than expected.
- Based on these experiences and in the context of continuing global economic uncertainties, the Board has resolved to adjust its forecasting methodology (particularly for the Bioplastics division):
  - new customer prospects are only included in management expectations when large scale commercialisation is proven

# Business changes<sup>(2)</sup>

## Board remuneration

- Exec Directors/Chair surrender of rights under 2017 LTIP (and shadow scheme)
- Measures that include continued policy of no inflationary rises at Board level
- Chair fee reduction of £17kpa (27%) and Independent NED £1.5kpa (4.6%)

## Growth and market proximity

- North American market dominates existing customer base and prospects
- We have taken several steps to help accelerate our conversion of opportunities in this region
  1. Biome Bioplastics Inc established as legal entities in both USA and Canada, trading through these entities has commenced
  2. Appointment of a full time Business Development Manager to be based in Canada (complements existing part-time production support technical resource)

# 2022 Bioplastics

## Challenges

- Longstanding customer in filmic area had been expected to lose some business in 2022. This loss has been deeper and lasted longer than expected (ytd impact of £0.8m versus 2021). Substantial recovery not included in expectations for 2023. Increased proportion of revenues through our other main US customer and distributor
- Second US end-customer for proprietary compostable filtration material (flagged in early 2021) delayed further adoption for various reasons

## Positives

- New customers for Biome Bioplastics, gained in the last few years in both North America and Europe, grew three-fold in terms of revenue contribution in the period and now account for 32% of revenues (H1 2021: 10%) – these are mostly in filmic area
- Second US end-customer for compostable filtration material has just increased uptake rate in Q4 with placed orders for delivery November/December double the total of the year's revenue from this source

# 2023 growth expectations

## Key assumptions

1. In line with our new approach to forecasting, management's expectations for 2023 are for limited rate of growth and exclude all opportunities that have not passed to large-scale commercial stage. Key assumption is the continued stability of demand/revenues from the existing customer base.
2. Single exception to the assumption above is that our second US end-customer for proprietary compostable filtration material continues with a higher offtake in 2023 (comparable with the uptick seen in Q4 2022).

## Discussion points

1. The stability of underlying customer demand in current global circumstances. A rich pipeline of opportunities but with uncertain conversion dates.
2. Whilst management believe there is scope for additional revenue growth with the second US end-customer for proprietary compostable filtration linked to conversion to Biome's home compostable materials it has not factored any such growth into its revenue expectations for 2023.

# Selected opportunities being pursued (not included at scale in management expectations for 2023)

Filtration mesh	Rigid parts	Filmic (packaging) materials
<p><b>Alternate format</b> Mkt: USA commercial coffee</p> <p>Progress: Customer paid development; success rests on home compostable technology; launch has been delayed once</p> <p>Supply: Materials and toll manufacturing in USA</p>	<p><b>Second pod opportunity</b> Mkt: North America consumer pods</p> <p>Progress: Technical challenges overcome at small scale, larger scale operational testing ongoing</p> <p>Supply: Materials (in part) from Asia. toll manufacturing in North America</p>	<p><b>Labels</b> Mkt: North America, global</p> <p>Progress: : Initial technical validation; relies on Biome’s Home Compostable technology (in part); engagement at brand and converter level</p> <p>Supply: Manufacturing envisaged in North America and Europe</p>
<p><b>3rd pod opportunity</b> Mkt: North America consumer pods</p> <p>Progress: Early stage</p> <p>Supply: Materials and toll manufacturing in USA</p>	<p><b>Treeguards</b> Mkt: UK, global</p> <p>Progress: Main technical challenges overcome; performance in field being validated; operational ramp-up</p> <p>Supply: Multi-stage toll manufacturing process</p>	<p><b>UK market</b> Mkt: UK, Australia fresh food packaging</p> <p>Progress: Initial quantities for validation shipped, validation for Australian certification required</p> <p>Supply: European supply chain with some materials from Asia</p>



# RF and Group working capital

## RF division

- Good recovery in 2022 vs 2021 with delivery of major contracts now occurring
- Business has quoted on a number of projects of scale for 2023, some of which are included in management's expectations next year, albeit these have yet to be confirmed as contracts.

## Working capital

- Historic factors in Biome's working capital drivers are characterised by the following:
  - Large working capital swings from periodic toll manufacturing campaigns (often run quarterly)
  - A small customer portfolio with resultant demand that has proven difficult to forecast at both a macro and granular level
  - Exposure to an extended supply chain from Asia in both divisions
  - Significant working capital requirements associated to support of growth opportunities
  - A new advanced payment facility of £600k that can be used with customers with strong credit ratings

# Conclusions

- Marginal change to 2022 revenue expectations, no change to LBITDA and cash
- Management expectations for 2023 unchanged
- Change of forecasting methodology
- Accelerations of North American market presence
- Encouraging signs from
  - uptick in demand from the large bioplastics opportunity we have been pursuing for some time
  - growth from the broadening bioplastics customer base
  - healthy portfolio of medium term opportunities of scale
- Market continues to demand highly functional bioplastic materials and the Company is in a good position to deliver these