



YEAR-END REPORT 2023

OCTOBER - DECEMBER



Summary of the period

” Convincing full-year results with a strong increase in profit and sales ”

Net sales during the fourth quarter amounted SEK 25,273 k (30,222) which corresponds to a decrease in sales of -16% (156) compared to the same quarter in 2022. The operating profit amounted SEK -479 k (5,420).

Net sales for the full year 2023 amounted to SEK 120,861 k (83,631) corresponding to an increase in sales of 45% (58) compared to the full year 2022. The operating profit amounted to SEK 23,388 k (12,024).

Significant events January to December 2023

- I-Tech increases its turnover in Korea by 147% during first half of the year.
- An expert panel proposes changed classification of Selektopen in the EU.
- I-Tech held its Annual General Meeting (AGM) in May. At the meeting it was decided to re-elect all representatives of the board with exception of Bjarne Sandberg who declined to be re-elected in advance of the meeting.
- In conjunction with the AGM, it was decided to approve a long-term incentive program for the management and employees. Due to a significant change in market value, no employee signed up to the program which was consequently terminated.
- I-Tech signs a license agreement with major customer with initial focus on the North-east Asian market.
- The company adopted a dividend policy and the board proposes an ordinary dividend of SEK 0.75 per share and an extra dividend of SEK 0.75 per share, in total SEK 1.5 per share, corresponding to 88% of the net profit for the year.

Significant events after the end of the period

- Philip Chaabane announces that he will resign as CEO in connection with the Annual General Meeting.
- The Nomination Committee announces that it will propose Philip Chaabane as new Chairman of the Board at the Annual General Meeting and that the company's major shareholders support this.

Financial summary

All amounts in SEK k	2023	2022	2023	2022
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	25,273	30,222	120,861	83,631
Operating result	-479	5,420	23,388	12,024
EBITDA	1,542	7,652	31,370	20,045
Net result	-373	4,356	20,202	10,617
Operating cash flow	-774	4,292	35,143	20,125
Equity at end of period	136,237	116,035	136,237	116,035
Cash and cash equivalents at end of period	83,262	52,754	83,262	52,754

CEO Comments

2023 marks a record year in many ways. The financial performance was very solid where operating profit increased by 95% and sales by 45% compared to 2022. In 2023, we also signed a license agreement with a major new customer that will eventually strengthen the business in the dominant Asian market. This is yet another sign that products containing Selektope benefit greatly from a clear shift in the market towards higher and more reliable performance against marine fouling.

During the closing months of the year, increased temporary costs were incurred for pilot projects aimed at verifying the efficiency potential of the manufacturing process. The quarter was further characterized by non-recurring costs linked to the regulatory process in the EU. In addition, sales slowed down in the final months of the year. There is no direct link to a specific event, but it's likely derived by year-end inventory optimization at customers.

At the same time, we note that our largest customer, Chugoku Marine Paints, is growing its business within marine coatings with increasing profitability.

In summary, our turnover amounted to SEK 120,9 m (83,6) and the operating profit to SEK 23,4 m (12,0) for the full year 2023, while the corresponding figures for the fourth quarter show a temporary headwind. The turnover for the quarter amounted to SEK 25,3 m (30,2) and the operating profit amounted to SEK -0,7 m (5,4).

The fact that business has grown so strongly over the year shows that the products that have been established on the market over the past two years have been very well received. Two customers in particular are contributing to the growth, one of which is our regular and largest customer, Chugoku Marine Paints. Their broad portfolio of products containing Selektope means that they can today offer solutions for most types of ships. During the year, our second largest customer has also broadened its sales of Selektope products in more geographical markets, but continues to be clearly focused on newbuilding projects. The majority of our revenue still comes from the newbuilding market, which initially will also be the focus segment for the new customer that recently signed a license agreement as part of the final commercial preparations.



Geographically, shipbuilding in Asia continues to dominate the industry and for I-Tech, Asia accounts for as much as 92% of sales in 2023. The distribution is mainly due to the fact that our largest customers have their home markets in the region. Another influencing factor is that the paint companies can register their new products significantly faster in Asia than in the EU, despite using the same ingredients, which are approved in both markets.

Although the implementation of stricter emission requirements in the marine sector may be slower than previously assumed, our assessment is that the strong transition we have seen in the antifouling industry will continue. In addition to the emission requirements, there are several other strong incentives for the transition – including increased fuel costs but also the increased risk of transferring invasive species between ecosystems, which are caused by ineffective antifouling products. In particular, the risk of the latter has led to a sharply increased interest in premium products, which today account for about half of the total sales of the 3-4 largest paint manufacturers. This is a big difference compared to just a few years ago and further strengthens my conviction that the years ahead will continue to benefit the development of our business.

Philip Chaabane
CEO I-Tech

Business and structure

I-Tech AB (publ) is a biotech company active in the materials and chemical sector. The company develop and sell 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 GoCo Health Innovation City in Mölndal, just south of Gothenburg in Sweden.

Since the listing on Nasdaq First North Growth in 2018, the company has grown both customerwise and financially. The market is dominated by nine major paint companies where nearly all work actively with the company's technology. Six of them are commercially active and the others are in the development stage. Thanks to a continued stable financial position, clear investments have been made in the core business. Within the regulatory area, the geographical coverage is increased step by step at the same time as upgrades and renewals of existing approvals are required at regular intervals. The company also invests in research and development in line with the strategy of offering a higher level of knowledge about Selektope's formulation properties in antifouling coatings. The continuous improvement work has also led to an increased delivery capacity and efficiency in the production chain.

Rolling twelve-month turnover



Image: The graph shows the company's 12-month turnover starting in the first quarter of 2018.

After a long period of strong sales growth, the last quarter shows a decrease due to temporary headwinds in sales.

Other information

Share information

At the start of 2023, 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 the Nasdaq First North Growth Market at Nasdaq Stockholm as of 29 May 2018.

As of 29 December 2023, the number of shareholders amounted to 2,591. With a closing price for the share on 29 December 2023 of SEK 55.2, the company's market capitalisation amounted to SEK 657 m.

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 2022.

Certified advisor

I-Tech has engaged Carnegie Investment Bank as the Certified Adviser on First North at Nasdaq Stockholm.

Long-term incentive programs

The Annual General Meeting 2023 adopted a long-term incentive program for management and other staff in the form of warrants. The program amounted to a maximum of 89,331 shares. Due to large fluctuations in the market value of the shares during the subscription period none of the employees choose to subscribe for any warrants. This part of the program has thus been cancelled.

The Annual General Meeting 2022 adopted a long-term incentive program for management and other staff in the form of warrants. The program amounted to a

maximum of 89,320 shares, of which all were issued and paid for. The warrants may lead to a dilution of a maximum of 0.8%. The exercise price is SEK 46.01 per share. Each warrant gives the right to acquire one share.

2021 a similar program was adopted where 83,348 warrants were issued and paid for. The warrants may lead to a dilution of a maximum of 0.7%. The exercise price is SEK 96.59 per share. Each warrant gives the right to acquire one share.

Audit review

This report has not been reviewed by the company's auditors.

List of stakeholders

The list of stakeholders shows the status in the company as of 29 December 2023.

Largest owners

Owner	No. of shares	Share capital %
Pomona-gruppen	1 756 417	14,75%
Handelsbanken Funds	1 100 000	9,24%
Swedbank Robur	932 500	7,83%
Futur pension	887 039	7,45%
NEA Partners	624 000	5,24%
BNP Paribas Luxemburg	494 650	4,15%
Stefan Sedersten incl. Companies	451 330	3,79%
Unionen	450 000	3,78%
Second Swedish National Pension Fund	390 837	3,28%
Swedia Capital	386 322	3,24%
Fontenelles Holding	358 831	3,01%
Avanza pension	323 088	2,71%
IBKR Financial Services	317 790	2,67%
Öhman Funds	187 984	1,58%
David Bendz	175 167	1,47%
Others	3 072 502	25,80%
Total shares	11 908 457	100,00%

Financial information

Turnover and profit/loss

Sales for the period amounted to SEK 25,273 k (30,222), which gives a net sales decrease of -16% (156). The development should be seen in the light of that the period is ending a year that shows 45% growth and where the development of customers shows continued growth also in the coming years. Adjusted for currency effects, this corresponds to a reduction of approximately 15%.

The gross margin for the period is in line with last year, 52% (53) and reflects a stable price and cost level.

Other external costs show a significant increase mainly due to activities around the re-registration of the company's EU BPR approval. The item also includes most of the development costs required to secure another supplier of Selektepe. The project intends to ensure redundancy in the supply chain and to be able to ensure the best production cost in the long term and strengthen the gross margin. The increase in personnel costs is in line with the reinforcements the company has made on the personnel side as well as an effect of a strong outcome in the personnel bonus program after a successful year.

As the period shows a relatively strong decrease in turnover and higher operating costs, of which approximately SEK 1 m is of a one-off nature linked to the above activities, the company shows a lower, but still positive, operating profit before depreciation of 1 542 k (7 652).

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 SEK -774 k (4,292) where the earnings amount to SEK 1,759 k (7,857) and the working capital amounts to SEK -2,533 k (-3,565).

During the period, I-Tech invested SEK -557 k (-93) in fixed assets. Net SEK 0 (0) has been deducted from the cash flow from financing activities as the company only has commitments regarding loans from the Energy Agency where payment takes place in quarter 3 each year. This gives a total cash flow for the period of SEK -1,331 k (4,199).

Financial summary

Cash and cash equivalents in the company at the end of the period amounted to SEK 83,262 k (52,754) and equity amounted to SEK 136,237 k (116,035). The change in cash and cash equivalents and equity is directly related to the company's results, other operating changes, as well as repayments of long term liabilities.

Principles of preparation

The accounts in this 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 2022.

Upcoming financial reports

12 April 2024	Annual report
7 May 2024	Interim report, quarter 1
23 August 2024	Interim report, quarter 2
18 October 2024	Interim report, quarter 3

Income statement

Amounts in SEK k	2023 Oct-Dec	2022 Oct-Dec	2023 Jan-Dec	2022 Jan-Dec
Operating income, etc.				
Net sales	25 273	30 222	120 861	83 631
Other operating income	382	869	2 154	2 650
	25 655	31 091	123 015	86 281
Cost of goods sold	-12 175	-14 341	-57 324	-38 504
Other external costs	-4 681	-3 889	-15 293	-12 281
Personnel expenses	-5 733	-3 941	-15 827	-13 242
Depreciations, amortizations and impairments	-2 021	-2 232	-7 982	-8 021
Other operating expenses	-1 524	-1 268	-3 201	-2 209
	-26 311	-25 671	-99 627	-74 257
Operating income	-479	5 420	23 388	12 024
Financial items				
Interest income and similar items	1 027	121	3 154	1 414
Interest expense and similar items	-792	-	-1 049	-12
	235	121	2 105	1 402
Result after financial items	-421	5 541	25 493	13 426
Tax on result from the year	85	-1 185	-5 291	-2 809
NET RESULT	-373	4 356	20 202	10 617

Balance sheet

Amounts in SEK k	2023 dec-31	2022 dec-31
ASSETS		
Intangible assets	30 120	37 615
Tangible assets	2 820	924
Deferred tax assets	9 332	14 623
Total fixed assets	42 272	53 162
Inventory	4 280	2 413
Short-term receivables	22 629	17 077
Cash and bank balances	83 262	52 754
Total current assets	110 171	72 244
Total assets	152 443	125 406
EQUITY AND LIABILITIES		
Share capital	23 817	23 817
Restricted equity	1 482	1 528
Unrestricted equity	90 736	80 073
Net result	20 202	10 617
Total equity	136 237	116 035
Long-term liabilities	-	-
Short-term liabilities	16 206	9 371
Total liabilities	16 206	9 371
Total equity and liabilities	152 443	125 406

Cash-flow analysis

Amounts in SEK k	2023 Oct-Dec	2022 Oct-Dec	2023 Jan-Dec	2022 Jan-Dec
Operating activities				
Operating income	-479	5 420	23 388	12 024
Adjustments for non-cash items	2 021	2 306	7 982	8 095
Interest received	999	121	2 896	1 414
Interest paid	-792	-	-1 049	-12
Income tax paid/received	10	10	-42	-102
Changes in working capital				
Change in inventories	80	1 887	-1 867	930
Change in operating receivables	-3 163	-3 871	-5 294	-3 549
Change in operating liabilities	550	-1 581	9 129	1 325
Changes in working capital	-774	4 292	35 143	20 125
Investment activities				
Investments in non-current assets	-557	-93	-2 383	-822
Cash flow from investment activities	-557	-93	-2 383	-822
Financing activities				
Amortization/issue loan	-	-	-2 252	-2 037
New share issue	-	-	-	479
Cash flow from financing activities	-	-	-2 252	-1 558
The period's cash flow	-1 331	4 199	30 508	17 745
Cash and cash equivalents at beginning of period	84 593	48 555	52 754	35 009
Cash and cash equivalents at end period	83 262	52 754	83 262	52 754
Adjustments for non-cash items				
Depreciation and amortizations	2 021	2 232	7 982	8 021
Other items not affecting cash flow	-	74	-	74
	2 021	2 306	7 982	8 095

Equity changes

All amounts in SEK k	Restricted equity			Unrestricted equity		Total equity
	Share capital	Statutory reserve	Development expense fund	Share premium reserve	Other unrestricted equity	
2022-01-01	23 817	753	784	143 276	-63 691	104 939
Capitalization of development expenses	-	-	-9	-	9	-
New issue	-	-	-	-	479	479
Net result for the year	-	-	-	-	10 617	10 617
2022-12-31	23 817	753	775	143 276	-52 586	116 035
2023-01-01	23 817	753	775	143 276	-52 586	116 035
Capitalization of development expenses	-	-	-46	-	46	-
Net result for the period	-	-	-	-	20 202	20 202
2023-12-31	23 817	753	729	143 276	-32 338	136 237

Financial ratios

Amounts in SEK k	2023 Oct-Dec	2022 Oct-Dec	2023 Jan-Dec	2022 Jan-Dec
Turnover growth %	-16%	156%	45%	58%
Gross margin %	52%	53%	53%	54%
Operating margin %	-2%	18%	19%	14%
Profit margin %	-1%	14%	17%	13%
Solidity	89%	93%	89%	93%
Cash liquidity	653%	745%	653%	745%
Return on average total capital	0%	4%	17%	11%
Return on average total equity	0%	5%	19%	12%
Average of outstanding shares	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
Result per share	0,0	0,4	1,7	0,9
Result per share fully diluted	0,0	0,4	1,7	0,9
Equity per share	11,4	9,7	11,4	9,7
Equity per share fully diluted	11,3	9,7	11,3	9,7

DEFINITIONS OF KEY FIGURES

Net sales 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 income 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 and the managing director
assures that the interim report provides a fair overview
of the Company's position and results

Möln dal 8 February 2024

Stefan Sedersten, Chairman of the board
Mikael Laurin, Member of the board
Tomas Tedgren, Member of the board
Chatarina Schneider, Member of the board
Tomas Bergdahl, Member of the board
Raouf Kattan, Member of the board
Philip Chaabane, Chief Executive Officer

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