

# Q3 2022 Trading Update



HI-Park 415, Hammerum  
7400 Herning  
CVR nr.: 35465529  
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# Business highlights



## HIGHLIGHTS

Over the last few quarters Re-Match has focused on generating more value out of the back-end fibers. During the last quarter significant progress has been made and contracts have been signed which will increase the value of the fiber, coming out of the process, substantially beyond IPO plan expectations, helped by the increases in energy cost and demand for recycled products. Timing for this is important as we will soon more than triple our output once the Dutch factory is fully operational. We expect this to happen according to the plan we communicated 5 quarters ago, as the factory is in final assembling mode with expected start of commissioning in December, and expecting to hit full efficiency output mid-2023.

The front-end season, that is now coming to an end, has been strong in all 3 regions (France, Benelux and Nordic) and we have already collected enough stock to be able to run for the first 12 months of full capacity for the Dutch factory.

Another key highlight is that we have managed to secure full local financing for the Dutch factory, as we first secured a Dutch government grant of EUR 4.5M in Q2, which has been supported by a EUR 4.5M loan, also from the local Dutch banks who wants to support innovative recycling solutions. The high local interest to support the establishment of Re-Match factories, is a strong validator of the international scalability of Re-Match.

## FINANCIAL DYNAMICS OF THE RE-MATCH BUSINESS

With the Dutch factory becoming operational as planned, the IFRS and Adjusted Revenue will be more aligned as the stock build-up of turf in the Netherlands is processed and generates revenue.

With the front-end stock for the first year of production secured in the Netherlands, the operationalization of the Dutch factory will impact the IFRS front-end revenue significantly as the revenue is realized from the balance sheet. Secondary, with output of back-end products expected to reach more than 3 x output than we have today.

Overall, this means that Re-Match, with the Dutch factory, is now at the verge of the next large revenue acceleration.

## SALES BREAKDOWN

### IFRS Revenue

The overall sales performance in the first nine months of 2022 is slightly lower than 2021, delivering IFRS revenue of DKK 21.4M in 2022 vs. DKK 23.0M in 2021, a decrease of 7%.

The front-end revenue fell from DKK 10.9M to DKK 8.3M as we shut down the production over the summer holidays in 2022 and undertook several production tests in Q3 2022 leading to a lower production volume. On the back-end revenue, we experienced a fall from DKK 4.9M to DKK 3.3M due to higher transport prices in Europe and to destinations like the US.

### Adjusted Revenue

The adjusted revenue or actual invoiced revenue increased by 15% from DKK 28.2M in Q3 2021 YTD to DKK 32.5M in Q3 2022 YTD. The front-end revenue increased by 20% from DKK 16.2M in Q3 2021 YTD to DKK 19.4M in Q3 2022 YTD, mainly due to a strong performance in the Nordic markets. Also, at full group level the performance (incl. France) grew with 9.5% demonstrating solid business progress overall.

## IFRS Revenue

DKK

	Q3 2022 YTD	Q3 2021 YTD	<b>Change</b>
Front-end	8,323,849	10,925,454	-24%
Back-end	3,262,933	4,877,023	-33%
Other	9,772,727	7,187,816	36%
Total	21,359,509	22,990,293	-7%

## Adjusted Revenue

DKK

	Q3 2022 YTD	Q3 2021 YTD	<b>Change</b>
Front-end	19,415,045	16,173,602	20%
Back-end	3,262,933	4,877,023	-33%
Other	9,772,727	7,187,816	36%
Total	32,450,706	28,238,441	15%

## KEY PERFORMANCE INDICATORS

Gross profit for the first three quarters of 2022 was DKK -3.8M, compared to DKK 0.7M for the same period in 2021. The decrease in gross profit was mainly due to increased energy costs (electricity and gas).

EBITDA for the first three quarters of 2022 was

DKK -50.1M, compared to DKK -31.7M for the same period in 2021. The decrease in EBITDA is mainly due to increasing costs. During the first 9 months of 2022 Re-Match has built the Dutch organization, factory and machine which will not start to generate income before 2023, which we already expected at the IPO.


### Key figures and KPIs

DKKm

	Q3 2022 YTD	Q3 2021 YTD	Change	FY 2021	FY 2020	Change
Revenue	21,4	23,0	-7.1%	28,6	28,5	0.4%
Adjusted revenue	32,5	28,2	14.9%	31,1	42,5	-26.8%
Adjusted revenue incl. Joint venture	44,1	40,3	9.5%	43,1	44,4	-2.9%
Adjusted revenue incl. Re-Match part of Joint venture	37,1	33,0	12.3%	35,9	43,3	-17.1%
Gross profit	-3,8	0,7	-618.2%	-0,9	1,0	-190.0%
EBITDA bsi*	-50,1	-31,7	-58.0%	-44,9	-27,7	-62.1%
Special items	0,0	0,0	0.0%	-20,6	0,0	0.0%
EBIT	-56,4	-37,3	51.0%	-73,0	-34,5	-111.6%
Gross margin bsi*	-17.7%	3.0%	-20.9 ppt	-3.1%	3.5%	-6.7 ppt
EBITDA margin bsi*	-234.4%	-137.8%	-96.6 ppt	-156.8%	-97.1%	-59.7 ppt
EBIT margin bsi*	-263.9%	-162.4%	-101.5 ppt	-255.2%	-121.1%	-134.2 ppt
Balance sheet total	221,1	148,4	49.1%	253,2	133,9	89.1%
Tangible assets	161,0	99,2	62.3%	64,6	68,9	6.2%
Equity	60,0	-36,3	-265.3%	113,5	-10,2	-1212.7%
Input inventory (full-size soccer pitches at 220 tons)	336	287	17.1%	295	286	3.1%
Turf processed (full-size soccer pitches at 220 tons)	69	75	-8.0%	118	84	40.5%
CO2 saved compared to incineration (tons)	20,946	22,768	-8.0%	35,821	25,500	40.5%
FTE end of period	58	40	45.0%	38	34	11.8%

\* Before special items





“2022 has so far been a year of many new challenges and we have as an organization adapted first of all to the bottlenecks and higher prices in our supply chains, and been able to remain on target to deliver our state of the art factory in the Netherlands on time and budget. In addition, we have made a lot of progress of improving the potential for our back-end products, which will generate income in the coming years”

*Nikolaj Magne Larsen - CEO and Co-Founder*



## **COSTS DURING 2022**

As planned, the build-up of the Dutch organization, together with one-off expenses related to the start-up of the factory, brings significant higher costs in 2022 with decreasing profitability as a consequence, compared to 2021. By September 30<sup>th</sup> 2022 Re-Match has 58 FTEs, compared to 40 FTEs at same period last year.

As explained in the Half Annual Report, Re-Match suffers from the dramatic increase in energy costs (electricity and gas), as so many other companies throughout Europe. Both short-term and long-term measures have therefore been taking to mitigate the impact.

In short term, a temporary stop of normal production in Denmark is being implemented, whilst prioritizing maintenance and re-run of materials. This will minimize the usage of gas and electricity, which unfortunately also required a reduction of employees in the Danish organization. The effect of this decision is expected to show marginally in the overall costs by Q4 2022 and have full effect in Q1 2023. During this time, Re-Match will continuously monitor the energy prices to adjust the production ongoing to the energy price levels.

As the long-term perspective of reduction of gas prices remains uncertain, we are therefore further actively pursuing an LPG solution which means we can switch between natural gas and LPG. This will help minimize geopolitical risks and secure a more stable supply and cost level for our future factories.

## **DENMARK**

The inventory of full-size pitches at the end of Q3 2022 is 336 compared to 287 at the end of Q3 2021 (excluding JVs). The build-up is necessary to have enough materials once we start the machine in the Netherlands.

Until the end of Q3 2022, Re-Match has recycled 15.118 tonnes (equal to 69 full size pitches of 220 tonnes) of synthetic turf through our unique, patented machinery in Herning, Denmark. The CO2 saved, compared to incineration, by September 30<sup>th</sup> 2022 was 20,948 tonnes - a decrease of 8% year-over-year.

The production in Q3 2022 has been lower than the previous year due to several factors. First of all, we shut down the production for the summer holidays in 2022 while the energy prices were high. This has reduced the volume with approximately 15 % in the quarter alone. In addition, we have made several successful test runs for our new Dutch factory and the EU project.

The ambition of the tests is to maximize the value of the products in the future.

## **THE NETHERLANDS**

The factory in the Netherlands is close to completion and is still on track to start production by the end of 2022, despite the highly difficult conditions throughout the year, with global supply chain constraints of steel, key components to the machinery, etc. Continuous monitoring and updating of mitigation plans have ensured that the installation of the machinery is progressing according to plan.

We have seen a very tight labor market in the Netherlands, but our recruitments of local high-quality employees have been successful. The new colleagues entering the organization in the Netherlands receive on-boarding and training in Denmark, and a close co-operation with the Danish organization ensures that synergies, as well as support and learnings are captured for the further expansion.

The sales team has already secured the supply of synthetic turf materials for the first year of production in the Dutch factory, and focus is now on opening the channels for sale of back-end products once the factory in Tiel is operational.

During 2022 Re-Match received a grant of EUR 4.5M (equal to DKK 33.5M) from the Dutch Government in recognition of Re-Match bringing new technology with significant positive environmental impact to the Dutch market. The grant will be paid out over a 2-year period and depends upon Re-Match successfully building the factory in Tiel.

Post 30/9 2022 and as per plan, Re-Match has further successfully secured a loan in Q4 2022 in the Netherlands of EUR 4.5M, enabling the completion of the investment in the Netherlands. This has improved the liquidity situation post 30/9- 2022.

## **USA**

During Q3 2022 we were able to secure a lease in Tamaqua, Pennsylvania of an existing building where modifications are necessary. We have already applied for the necessary environmental permits and are drafting the building permits.

We have also been able to move a part of our front-end storage to this site. We have during the quarter also initiated many conversations with potential customers in the northeastern US.

## FRANCE

The Re-Match France joint venture is progressing according to plan and is successfully securing the customer relations and supply of materials for the new factory. It has been decided to build the third Re-Match factory at the site in Erstein, close to Strasbourg. The building of the factory is expected to start in Q4 2022. The team is implementing all the learnings from design and installation of the machine in Tiel for the new factory in France.

The hiring plan, to secure the right employees and management, is made with the learnings from the Netherlands, and the recruitment of the Plant Manager has been successfully secured.

In France we have also been able to secure a governmental grant, to support the introduction of the Re-Match technology to France, of EUR 2.3M, which again both highlights the demand for recycling as well as how unique Re-Match's offering is.

The new factories, including the one in the Netherlands and France, will have more than twice the capacity of the Herning factory. Since a large part of the production costs are fixed and the output more than double, the new factories will have a significant improved return on investment.

## PRODUCT DEVELOPMENT

Re-Match is continuously working on future applications to our back-end products. Our focus is on industrial partners and applications with the aim to utilize more and more of the recycled synthetic turf components.

As part of an EU-funded program, a patented, solvent process has proven the ability to recycle the polyolefin fibers from our recycled synthetic turf pitches. Next step is to prove repeatability and installation in a normal size field. During 2022, testing of the recycled polyolefin fibers has progressed successfully and potential solutions for utilization of the first-generation stock of fibers in Herning have been tested with a very promising result.

Finally, we have during Q3 2022 made progress in improving the fibers both in Herning, but also for the

setup in Tiel. Our refinement of the fiber has already resulted in more strategic long term customer interests and smaller sales in Q3 2022; however, we believe that there is a large revenue and profit potential for 2023 in the fibers.

## OUTLOOK 2022

The outlook for the full year of 2022 is, due to the temporary shutdown in Herning, lower than expected earlier. We cannot produce nor sell the budgeted amounts when we do not run full production in Herning. As a consequence, the front-end revenue is expected to be lower than 2021 (IFRS basis). The consequence of stopping normal production to mitigate the impact of the energy prices, is also expected to negatively impact the financial results in Q4 2022 and have some impact on the full year results.

As we stated before, preparing for production in the Netherlands with additional employees, the significant increase in energy costs for electricity and gas mainly, will lead to Re-Match bearing more costs, and lead to lower profitability in 2022 compared to 2021.

## POTENTIAL RUBBER BAN

The European Commission has drafted a proposal to ban the use of rubber granules as infill in sports pitches, and it is expected that the proposal will be adopted at the end of 2022 with a 6 year phasing out period.

The aim of the commission is to avoid the spread of microplastics. Across Europe, between 18,000 and 72,000 tonnes of granules escape from artificial grass pitches annually. In addition to run-off, granules escape through rubbish disposal, surface water drains, and players' clothing.

The change has little impact on the business of Re-Match as we are prepared and can easily change our processes to fit other solutions than rubber infill.

We expect increased demand for our solution from cities in Europe that will look to have their turfs recycled in an environmentally responsible and circular way - which we offer. We also expect to see less unregulated solutions such as on-site separation of pitches which is a big environmental gain since this process generates a lot of dust and microplastics. This is avoided when a complete turf is separated in one of our facilities.

# Equity Story



## **DELIVERING ON STRATEGY, CHANGING AN INDUSTRY**

Re-Match has developed a patented and certified process that uses state-of-the-art machinery to recycle worn-out artificial turf pitches. It turns what would otherwise be a waste problem with a significant negative environmental impact into clean and separated end products that can replace virgin products in the installation of new pitches or for use in other industries.

With the increasing wealth among populations around the world comes a demand for more opportunities for playing sports and thereby improving the health and wellbeing of people. This also means that more and better sports surfaces are needed - and among those are artificial turf pitches. These pitches allow for higher-frequency usage for longer periods of the year and do not require fertilizing or irrigation. This is good for both health and environment but after 8 - 12 years the pitches are worn out and need to be replaced. This is where Re-Match steps in to ensure that the valuable material in the turf can be recycled instead of ending up in landfills or being incinerated. The result is a reduction of plastic and CO2 pollution by which Re-Match is tapping into the global underlying mega trends such as the push for a greener agenda, circularity and the search for sustainable solutions to mitigate an appertaining waste problem.

What differentiates the turf recycling market from most others, is the predictability of its size and development. This is because the lifespan of pitches

installed is app. 10 years. As an example, the number of pitches in need of recycling in 2025 - based on global installation numbers from 2015 is expected to surpass 24.000 pitches and the figure for 2030 is 40.000. In Herning, the capacity is to recycle app. 100-120 pitches per year and the capacity on the new factories will be 230-250 full-size artificial soccer pitches per year.

Before entering a new market, Re-Match initiates solid market intelligence gathering on local costs and market dynamics to build a business case. This is not only done to ensure profitability of the individual factory. Re-Match wants to be the global leader in true artificial turf recycling and aspires to transform it into becoming environmentally sustainable. The sand and the rubber can be used again when installing new artificial turf pitches and through the yarn-to-yarn project Re-Match is also developing a way to use the recycled fiber in the production of new yarn. Creating monostreams is the precondition for true circular economy and Re-Match wants to help the industry become more sustainable.

The factory blueprint will, with minor tweaks, be able to replicate the concept anywhere in the world - thereby providing significant support towards the long-term goal of having 24 factories globally. Based on the recent IPO, this international roll-out has been set in motion.





## STATEMENT BY MANAGEMENT

The Board of Directors and the Executive Board have today considered and approved the Quarterly Report of Re-Match Holding A/S for the financial period January 1<sup>st</sup> to September 30<sup>th</sup> 2022.

The Consolidated Financial Statement has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act. The Management Commentary has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statement gives a true and fair view of the Group's financial position by September 30<sup>th</sup> 2022 and of their results

and operations as well as the consolidated cash flows for the financial period January 1<sup>st</sup> to September 30<sup>th</sup> 2022.

In our view, the Management Commentary contains a fair review of the development in the operations and financial circumstances of the Group, of the results for the quarter and of the financial position of the Group as well as a description of the most significant risks and elements of uncertainty facing the Group.

The Quarterly Report has not been audited.

Herring, November 30<sup>th</sup> 2022



RE-MATCH HOLDING A/S  
HI-Park 415, Hammerum  
7400 Herning  
Denmark

[www.re-match.com](http://www.re-match.com)