

August 16, 2021

# VERDE INCREASES REVENUE BY 116% WITH A GROSS MARGIN OF 72%

(All figures are in Canadian dollars, unless stated otherwise. Average exchange rate in Q2 2021: C\$1.00 = R\$4.32)

**Belo Horizonte, Brazil. Verde AgriTech Plc** (TSX: “NPK”) (OTCQB: “AMHPF”) (“Verde” or the “Company”) is pleased to announce its financial results for the second quarter, ended on June 30, 2021 (“Q2 2021”), and the upwards revision of its target revenue for 2021.

## Q2 2021 FINANCIALS

- Revenue increased by 116%, to \$5,376,000 compared to \$2,492,000 in the second quarter of 2020 (“Q2 2020”).
- Revenue in Brazilian Real (“R\$”) increased by 159%, to R\$23,215,000 compared to R\$8,965,000 in Q2 2020.
- Gross margin increased to 72% in Q2 2021, compared to 62% in Q2 2020.
- Operating profit before non-cash events increased by 109%, to \$1,220,000 compared to \$584,000 in Q2 2020.
- Trade and other receivables increased 259%, to \$6,020,000 compared to \$1,675,000 in Q2 2020.
- Sales by volume increased by 35%, to 96,233 tonnes sold compared to 71,183 tonnes sold in Q2 2020.
- Verde recorded a net profit of \$79,000, compared to a net profit of \$444,000 in Q2 2020. A \$887,000 non-cash charge from Verde's long-term incentive programme for 58 employees was the main reason for the reduction in net profit for the period.
- Cash held by the Company increased by 214%, to \$1,908,000, compared to \$607,000 in Q2 2020.

“We are proud to see that Verde achieved triple-digit growth in revenue for the second quarter, especially in light of the considerable improvement in gross margin. This consistent growth in the first half of the year made it possible for us to, once more, increase our revenue target for 2021”, said Cristiano Veloso, Verde's Founder.

## 2021 GUIDANCE

Originally, the Company's target for 2021 was to achieve R\$50 million revenue, as announced in the press release disclosed on November 15, 2020. On May 17, 2021, however, Verde announced a 10% increase in its guidance, aiming for a new a revenue target of R\$55 million for 2021.

In light of the results of Q2, the Company is pleased to announce a second 10% increase in its 2021 guidance, now aiming for a total revenue target of R\$60.5 million, which if achieved would represent a 72% growth Year-on-Year (“YoY”).

"The pride we have in the Company's achievements to date have only boosted our efforts to continue the hard work to meet our latest guidance. Beyond the next two quarters, the Verde team is also heavily engaged with the Company's expansion plans to increase our production capacity for the year of 2022", completed Mr. Veloso.

## SELECTED ANNUAL FINANCIAL INFORMATION

The table below summarizes Q2 2021 financial results compared to Q2 2020 and provides information about 2021 and 2020 year-to-date (“YTD”). All amounts in CAD \$'000.

CAD \$'000	Q2 2021	Q2 2020	YTD 2021	YTD 2020
<b>Tonnes sold '000</b>	<b>96</b>	71	<b>113</b>	81
Revenue per tonne sold \$	<b>56</b>	35	<b>55</b>	37
Production cost per tonne sold \$	<b>(16)</b>	(13)	<b>(18)</b>	(16)
Gross Profit per tonne sold \$	<b>40</b>	22	<b>37</b>	21
Gross Margin	<b>72%</b>	62%	<b>68%</b>	57%

Revenue	<b>5,376</b>	2,492	<b>6,207</b>	3,001
Production costs	<b>(1,498)</b>	(955)	<b>(1,988)</b>	(1,286)
<b>Gross Profit</b>	<b>3,878</b>	1,537	<b>4,219</b>	1,715
<b>Gross Margin</b>	<b>72%</b>	62%	<b>68%</b>	57%
Sales and product delivery freight expenses	<b>(2,236)</b>	(604)	<b>(2,767)</b>	(1,026)
General and administrative expenses	<b>(422)</b>	(349)	<b>(1,119)</b>	(768)
<b>Operating Profit/(Loss) before non-cash events</b>	<b>1,220</b>	584	<b>333</b>	(79)
Share Based Payments (Non-Cash Event) <sup>1,2</sup>	<b>(887)</b>	(28)	<b>(905)</b>	(68)
Depreciation and Amortisation <sup>2</sup>	<b>(10)</b>	(3)	<b>(16)</b>	(15)
Profit on disposal of plant and equipment <sup>2</sup>	-	-	<b>9</b>	-
<b>Operating Profit/(Loss) after non-cash events</b>	<b>323</b>	553	<b>(579)</b>	(162)
Corporation tax <sup>3</sup>	<b>(188)</b>	(98)	<b>(219)</b>	(116)
Interest Income/Expense	<b>(56)</b>	(11)	<b>(131)</b>	(70)
<b>Net Profit / (Loss)</b>	<b>79</b>	444	<b>(929)</b>	(348)

1 - One time, non-cash charge from Verde's long-term incentive programme regarding the vesting of stock options granted to 58 employees.

2 - Included in General and Administrative expenses in the Financial Statements.

3 - For further details please refer to Q2 2021 Management's Discussion and Analysis.

## **Q2 2021 compared with Q2 2020**

For Q2 2021 the Company generated a net profit of \$79,000, a decrease of \$365,000 compared to Q2 2020. The earnings per share was \$0.001, compared to \$0.009 for Q2 2020. This reduction was due to a \$887,000 non-cash charge from a long-term incentive programme regarding the vesting of stock options granted to 58 employees.

### **Product Sales**

In Q2 2021, the Company sold 96,233 tonnes, an increase of 35% in comparison to Q2 2020. BAKS® accounted for approximately 13% of Verde's sales in Q2 2021.

### **Revenue**

Revenue from sales for Q2 2021 was \$5,376,000 from the sale of 96,233 tonnes of the Product, at \$56 per tonne sold. Despite the 20% Brazilian Real devaluation against the Canadian Dollar, revenue per tonne was higher than Q2 2020 (\$35 per tonne sold) mainly due to three factors:

1. Product volume sold as CIF (Cost Insurance and Freight) increased from 6% of total sales in Q2 2020 to 43% in Q2 2021.
2. Potassium Chloride CIF (Minas Gerais) price increased from US\$287-US\$303 per tonne in Q2 2020 to US\$395-535 per tonne in Q2 2021 (as per Acerto Limited report).
3. BAKS® has a higher sales price per tonne than the Product, it was launched on Q4 2020 and in Q2 2021 it has accounted for 13% of the total volume sold.

### **Production costs**

Production costs include all direct costs from mining, processing, and the addition of the other nutrients such as Sulfur and Boron, logistics from the mine to the factory and supply chain salaries, which are paid in R\$. Production costs for Q2 2021 were \$1,498,000, an increase of \$543,000 compared to Q2 2020. Cost per tonne for the quarter was \$16 compared to \$13 for the same period in 2020. This increase was due in large part to higher fuel prices, which increased 45% in Q2 2021 compared to Q2 2020, and due to the production of BAKS, which has a higher cost per tonne due to the addition of other nutrients to the Product.

## SALES EXPENSES

CAD \$'000	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Sales and marketing expenses	(410)	(369)	(712)	(634)
Product delivery freight expenses	(1,826)	(235)	(2,055)	(392)
<b>Total</b>	<b>(2,236)</b>	<b>(604)</b>	<b>(2,767)</b>	<b>(1,026)</b>

## GENERAL AND ADMINISTRATIVE EXPENSES

CAD \$'000	Q2 2021	Q2 2020	YTD 2021	YTD 2020
General administrative expenses	(240)	(197)	(718)	(416)
Legal, professional, consultancy and audit costs	(106)	(121)	(265)	(284)
IT/Software expenses	(70)	(27)	(122)	(49)
Taxes and licenses fees	(6)	(4)	(14)	(19)
<b>Total</b>	<b>(422)</b>	<b>(349)</b>	<b>(1,119)</b>	<b>(768)</b>

### General administrative expenses

These costs include general office expenses, rent, bank fees, insurance, foreign exchange variances and remuneration of the executives and administrative staff in Brazil. The costs have increased by \$43,000 in Q2 2021 compared to Q2 2020 as they include an additional 29 administrative employees, with professional headcount increasing from 18 in Q2 2020 to 47 in Q2 2021 to support the Company's growth and due to incentive compensation. The Company had 26 administrative employees in Q1 2021.

### Legal, professional, consultancy and audit costs

Legal and professional fees include legal, professional, consultancy fees along with accountancy, audit and regulatory costs. Consultancy fees are consultants employed in Brazil, such as accounting services, patent process, lawyer's fee and regulatory consultants. The costs in Q2 2021 are \$15,000 lower than Q2 2020 mainly due to audit cost reduction and Brazilian Real devaluation against Canadian dollar.

### IT/Software expenses

IT/Software expenses include software licenses such as Microsoft Office, CRM and enterprise resource planning (ERP). In Q2 2021 expenses were \$70,000, an increase of \$43,000 on Q2 2020 due to an increase in the number of the software licenses used by the Company.

## Taxes and licences

Taxes and licence expenses include general taxes, product branding and licence costs. In Q2 2021, expenses were \$6,000 compared to \$4,000 in Q2 2020.

## Share Based Payments (Non-Cash Event)

The directors have not received any shares in lieu of compensation since Q3 2020.

Share Based Payments costs in Q2 2021 represent the expense associated with stock options granted to employees as part of the Company's long-term incentive programme. These are measured under the Black-Scholes Model.

## CAPITAL EXPENDITURE

In Q2 2021, the Company invested \$515,000 in infrastructure improvements: the grounds of Plant 1 were paved to provide greater operational efficiency; access routes to the mine pits have been enhanced; project developments for Plant 2 were further advanced.

## Q2 2021 RESULTS CONFERENCE CALL

The Company will host a conference call on Wednesday, August 25, 2021 at 11:00 am Eastern Time (4:00 pm Greenwich Mean Time), to discuss Q2 2021 results and provide an update. Subscribe using the link below and receive the conference details by email.

<b>Date:</b>	Wednesday, August 25, 2021
<b>Time:</b>	11:00 am Eastern Time (4:00 pm Greenwich Mean Time)
<b>Subscription link:</b>	<a href="https://bit.ly/Q2_2021_Results_Presentation">https://bit.ly/Q2_2021_Results_Presentation</a>

The Company's first quarter financial statements and related notes for the period March 31, 2021 are available to the public on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.investor.verde.ag/](http://www.investor.verde.ag/).

## INVESTORS NEWSLETTER

Subscribe to receive the Company's monthly updates at:

<http://cloud.marketing.verde.ag/InvestorsSubscription>

The last edition of the newsletter can be accessed at: <https://bit.ly/InvestorNL-July2021>

## **About Verde AgriTech**

Verde is an agricultural technology company that develops and produces fertilizers. Rooting our solutions in nature, we make agriculture healthier, more productive, and profitable for farmers. We work to improve the health of all people and the planet.

## **Cautionary Language and Forward-Looking Statements**

[This news release contains “forward-looking information” and “forward-looking statements” \(collectively, “forward-looking statements”\) within the meaning of the applicable Canadian securities legislation. The Cautionary Language and Forward-Looking Statements can be accessed at this link.](#)

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