

NextFerm Technologies Reports First Quarter 2021 Financial Results

The Company is progressing towards completion of a full-scale industrial production pilot of ProteVin™, its proprietary vegan protein

Additional milestones for 2021 include engagement with a manufacturing sub-contractor, generating market demand and engagement with first customer by the end of 2021

(Yokneam Illit, May 27, 2021) - NextFerm Technologies Ltd. (TASE:NXFR), a food-tech company developing ProteVin™, a vegan, yeast-based, non-GMO protein alternative and other innovative yeast-based nutrients, reported today financial results for the first quarter ended March 31, 2021, and provided a corporate update.

Boaz Noy, chief executive officer of NextFerm, commented: "We concluded the first quarter as a publicly-traded company, with revenue growth of Astaferm®, our innovative antioxidant, which was launched in the US Market over the second half of 2020. In addition to our cooperation with Purity Products and Carlson Labs, we are engaged in active dialogues with specialty food supplement companies, as well as mass market food supplement companies cooperating with major retail chains in the US. As part of our strategic plan, we are working on expanding the uses of Astaferm® for additional indications, such as immunity support dietary supplements and additional forms of administration, which on top of gummies, include oil and water-soluble powder at competitive pricing. We believe these measures, undertaken concurrently with technological enhancement and manufacturing streamlining, will drive growth and improve gross profitability over the second half of 2021."

Mr. Noy Added: "Our Main strategic focus continues to be our flagship product, ProteVin™, proprietary vegan protein alternative that offers nutritional value, similar to animal-derived protein, with a neutral flavor, free of the typical aftertaste of vegetable-derived protein. ProteVin™ can be used as a high-quality protein source for the growing markets of meat replacements, milk and dairy substitutes, powder formulas for the infant nutrition market, wellbeing applications, and sports nutrition market. We continue to advance our program and progress towards the first milestone we set for 2021, which is completion of a full-scale industrial production pilot of ProteVin™. The pilot will allow us to move forward with our two additional milestones, which are engagement with a manufacturing subcontractor and engagement with a first customer by the yearend."

Financial Results for the First Quarter Ended March 31, 2021

Net Revenues increased 20.6% to \$82 thousand, compared to \$68 thousand in the fourth quarter of 2020 and increased 200% compared to \$27 thousand in the third quarter of 2020. These revenues derive from launch and first sales of Astaferm® during the second half of 2020. 2020 Annual net revenues amounted \$95 thousand.

ProteVin™ - The company's proprietary vegan protein, is scheduled to be launched in the US during 2022. The company's three primary milestones for 2021 are: (1) Achieving full-scale industrial production pilot, which will provide the basis for characterizing the equipment needed for commercial production; (2) Engagement with a manufacturing sub-contractor; (3) Generating initial market demand and engagement with first customer by the end of 2021.

Astaferm® - An innovative, non-GMO, astaxanthin-based antioxidant derived from yeast. According to the company's strategic plan, the company plans to launch the product with additional food supplement companies in the US market.

Astaferm® was launched in the US during the COVID-19 crisis and the ensuing travel restrictions, cancellations of major international food tradeshows, face-to-face meetings with customers, and new product launches. Despite these challenges, the company persisted in business development activities in virtual channels, leading to Astaferm®'s launch by leading food supplements companies in the US. As of the date of this release, first signs of returning to normal business routine are evident in the US market. The company estimates that if the trend continues over the next few months, it will resume routine marketing and sales activities, including tradeshow participation and acceleration of its marketing and sales efforts with prospective customers.

Gross profit decreased 46% to \$7 thousand compared to \$13 thousand the fourth quarter of 2020 and increased 16.6% compared to \$6 thousand in the third quarter of 2020. Gross margin decreased to 9% compared to 19% in the fourth quarter of 2020. The decrease in gross profit and profitability is mainly due to sales of inventory manufactured in 2020 in smaller batches, and to use of previous generation technology. The company believes that technological improvements and streamlined manufacturing processes deployed in the fourth quarter of 2020 and first quarter of 2021, will improve gross profitability during the second half of 2021.

Research and development expenses increased 2% to \$727 thousand compared to \$713 thousand in the first quarter of 2020 and increased 11% compared to \$653 thousand in the fourth quarter of 2020.

Sales and marketing expenses decreased 8% to \$83 thousand compared to \$90 thousand in the first quarter of 2020, and decreased 18% compared to \$101 thousand in the fourth quarter of 2020.

General and administrative expenses increased 66% to \$287 thousand compared to \$173 thousand in the first quarter of 2020 and increased 90% to \$151 thousand compared to the fourth quarter of 2020. The increase is mainly due to public company expenses incurred following the company's IPO on the Tel-Aviv Stock Exchange in January 2021.

Operating loss increased 9% to \$1.1 million compared to operating loss of \$976 thousand in the first quarter of 2020 and increased 42% compared to operating loss of \$750 thousand in the fourth quarter of 2020.

Net loss increased 283% to \$2.1 million compared to net loss of \$562 thousand in the first quarter of 2020 and increased 62% compared to net loss of \$1.3 million in the fourth quarter of 2020. The net loss was mainly due to net financial expenses of \$1.1 million, which were in connection with revaluation of a convertible loan, offset by financial income derived from revaluation of an option granted to Lallemand, an international yeast corporation, in connection with the terms of the agreement between the parties.

Net cash used in operating activities for the first quarter of 2021 increased 16% to \$956 thousand compared to \$822 thousand in the first quarter of 2020.

Cash and cash equivalents as of March 31, 2021, were \$9.4 million, compared to \$716 thousand as of December 31, 2020. In January 2021 the Company completed an IPO of shares and warrants on the Tel-Aviv Stock Exchange with gross proceeds of ILS 30.5 million. In parallel, the Company raised additional gross proceeds of ILS 4.7 million from existing shareholders under identical terms and conditions to the IPO. In total, the Company raised gross proceeds of \$11 million.

About NextFerm Technologies

NextFerm Technologies, traded on the Tel Aviv Stock Exchange (TASE:NXFR) is a food-tech company engaged in the research, development, manufacturing and marketing of innovative, functional and vegan yeast-derived, non-GMO protein alternatives for various applications in the food and food supplement markets and the growing market for animal-derived protein alternatives.

NextFerm's flagship product is ProteVin™, a vegan, yeast-derived protein alternative with nutritional value that is similar to animal-derived protein and a neutral flavor, with no aftertastes that are typical of plant-based protein. ProteVin™ is designed for a variety of categories in the alternative protein market, which is estimated at \$13 billion, with an annual growth rate of 10%, including milk and dairy substitutes, meat substitutes and additional categories such as infant nutrition, adult nutrition, and sports nutrition. NextFerm is gearing up for commercialization of the product in the US in 2022.

Another product currently being sold is Astaferm[®], an innovative astaxanthin-based antioxidant derived from yeast that has been sold in the US since the end of 2020 through well-established and leading brands in the food supplement market in the US.

The company has additional products which have been licensed to Lallemand, a global giant focused on yeast.

For more information, visit the NextFerm website at: www.nextferm.com

Legal Notice Regarding Forward-Looking Statements

This announcement also includes forecasts, projections, assessments, estimates and other information which refer to future events and matters, the realization of which is uncertain and not exclusively under the Company's control (forward-looking information). The main facts and data used to support this information are facts and data regarding the current position of the Company and its businesses (including the scope of sales and levels of profitability, manpower, commercial engagements and more), facts and data regarding the current global position of the Company's operating segments (including industry-specific financial developments, environmental regulatory developments, the competitive environment, technological developments, the reinsurance market and more), and macro-economic facts and data (including the economic situation both in Israel and around the world, yields in the capital markets, social and state developments and more), all as known by the Company when publishing this announcement. The forward-looking information included above in this announcement is significantly based upon, in addition to the existing information held by the Company, on the Company's current assessments and expectations of future developments vis-a-vis each one of the aforementioned parameters, and the interconnectedness of each one of these developments. The Company has no certainty that its forecasts and assessments will indeed eventuate, and the Company's operating results may be materially different than the results assessed or implicit based on that set forth above, inter alia, as a result of a change in any of the aforementioned factors.

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NEXTFERM TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2021	2020
	U.S. dollars in thousands (except per share data)	
NET REVENUES	82	-
COST OF REVENUES	(75)	-
GROSS PROFIT	7	-
OPERATING EXPENSES:		
Research and development – net *	727	713
Selling and marketing *	83	90
General and administrative *	287	173
Total operating expenses	1,097	976
OPERATING LOSS	(1,090)	(976)
Financial expenses	1,182	6
Financial income	120	420
FINANCIAL EXPENSES (INCOME) – net	1,062	(414)
LOSS BEFORE TAXES ON INCOME	2,152	562
TAXES ON INCOME	-	-
NET LOSS	2,152	562
LOSS PER SHARE:		
Basic & Diluted	0.42	0.38

* The above items are inclusive of the following share-based compensation expense:

Research and development – net	77	26
Selling and marketing	3	2
General and administrative	37	20
	117	48

NEXTFERM TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED UNAUDITED BALANCE SHEETS

	March 31, 2021	December 31, 2020
	U.S. dollars in thousands	
A s s e t s		
CURRENT ASSETS:		
Cash and cash equivalents	3,566	716
Short-term bank deposits	5,800	-
Accounts receivable:		
Trade	53	67
Other	165	233
Inventories	646	539
Total current assets	10,230	1,555
NON-CURRENT ASSETS:		
Property and equipment, net	520	523
Long-term deposits and other	39	21
Right of use assets	51	64
Total non-current assets	610	608
Total assets	\$ 10,840	\$ 2,163
Liabilities and shareholders' equity		
CURRENT LIABILITIES:		
Accounts payable and accruals:		
Trade	\$ 381	\$463
Other	384	277
Current maturities of lease liabilities	10	36
IIA liability	75	70
Deferred revenues and Contract liability	2,350	2,350
Option component liability	147	-
Convertible loan	-	2,554
Total current liabilities	3,347	5,750
LONG-TERM LIABILITY -		
Lease Liabilities	20	7
Long term IIA liability	333	333
Total liabilities	353	340
SHAREHOLDERS' EQUITY:		
Ordinary shares	30	4
Preferred A shares	-	6
Preferred A-1 shares	-	1
Preferred A-2 shares	-	2
Preferred A-3 shares	-	3
Additional paid-in capital	23,794	10,789
Accumulated other comprehensive loss	(16,684)	(14,732)
Total shareholders' equity	7,140	(3,927)
Total liabilities and shareholders' equity	10,840	2,163

NEXTFERM TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2021	2020
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations (see appendix A)	(956)	(2,975)
Income taxes paid	-	(1)
Net cash (outflow) from operating activities	<u>(956)</u>	<u>(2,976)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(22)	(86)
Short-term deposits	(5,800)	-
Changes in restricted deposits	-	9
Net cash (outflow) from investing activities	<u>(5,822)</u>	<u>(77)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of preferred A-2 shares, net of issuance cost	-	8
Interest element of lease payments	(1)	(7)
Principal element of lease payments	(13)	(46)
Proceeds from Issuance of Ordinary shares (IPO), net of issuance cost	9,490	-
Proceeds from Issuance of Options (IPO), net of issuance cost	266	-
Proceeds from Convertible loan	-	1,806
Net cash inflow from financing activities	<u>9,742</u>	<u>1,761</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,964	(1,292)
BALANCE OF CASH AND CASH EQUIVALENTS		
AT BEGINNING OF PERIOD	<u>716</u>	<u>2,008</u>
BALANCE OF CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	<u><u>3,566</u></u>	<u><u>716</u></u>
APPENDIX A: NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net loss for the period	<u>(2,152)</u>	<u>(3,421)</u>
Adjustments required to reflect cash flows from operations:		
Depreciation and amortization	38	153
Non-cash employee benefits expense – share-based payments	117	267
Income taxes paid	-	1
Fair value adjustment to Convertible loan	1,058	748
Fair value adjustment to Options	(119)	-
Fair value adjustment to Option component liability	-	(393)
Change in IIA liability	5	19
Interest paid	1	7
Effects of exchange rate changes on cash and cash equivalents	114	-
	<u>1,214</u>	<u>802</u>
Change in operating assets and liabilities:		
(Increase) in inventories	(107)	(404)
(Increase)/decrease in trade receivables	14	(67)
(Increase)/decrease in other receivables	50	(86)
Increase/(decrease) in trade payable	(82)	244
Increase/(decrease) in other payable	107	(43)

	<u>(18)</u>	<u>(356)</u>
Cash generated from operations	(956)	(2,975)
Non- Cash Financing and Investment activities:	<u>(107)</u>	<u>(404)</u>
Non-cash IPO advisors benefits expense – share-based payments	83	-
Conversion of convertible loan to ordinary shares	3,612	-
Lease asset vs lease liability	-	38