

# NEW NORDIC HEALTHBRANDS AB (PUBL)

## NINE MONTH REPORT

### JANUARY - SEPTEMBER 2020



	NINE MONTHS 2020	NINE MONTHS 2019	Q3 2020	Q3 2019
Net sales, kSEK	332 300	338 223	115 273	118 056
Change in SEK, %	-1.8%	14.2%	-2.4%	4.8%
Change in local currencies, %	-0.1%	9.5%	2.0%	1.6%
Gross profit, kSEK	230 119	238 198	78 069	83 460
Gross margin, %	69.3%	70.4%	67.7%	70.7%
EBITDA kSEK	20 007	29 805	8 189	14 529
EBITDA, %	6.0%	8.8%	7.1%	12.3%
Operating profit, kSEK	19 426	29 284	8 010	14 327
Operating margin, %	5.8%	8.7%	6.9%	12.1%
Profit for the period, kSEK	18 804	29 290	7 843	14 342
Earnings per share after tax *, SEK	2.44	3.78	1.04	1.85
EBITDA per share *, SEK	3.23	4.81	1.32	2.35

\* There are no dilutive effects

## COMMENTS BY CEO KARL KRISTIAN BERGMAN JENSEN

The third quarter was the best quarter so far this year, both in terms of revenue and earnings. The recent increase in Covid-19 infection levels will no doubt continue to affect our business for the next few years. We now feel more confident about how to act under these volatile conditions and we are now planning a more pro-active effort to regain momentum and growth.

In the first nine months of the year, turnover amounted to SEK 332 million, which is a decrease of 2 percent. In local currencies, turnover is the status quo.

Profit for the period fell by 37 percent from SEK 29.3 million to SEK 18.8 million in the first nine months of the year. This is mainly due to a reduction in the gross margin from 70.4 percent to 69.3 percent as well as an increase in fixed costs and personnel.

The decline in gross profit is particularly related to changes in the assortment mix in North America and the United Kingdom. Sales of gummy varieties, such as Apple Cider gummies, have been successful and here the gross profit is unfortunately a little smaller than on our tablets.

The higher fixed costs, including the remuneration of staff this year, are related to the growth preparations we had made. An example is our establishment in Australia around the turn of the year. On the other side we have significantly reduced our planned marketing costs in the period.

Our entire international New Nordic team has made a formidable effort to adjust and optimize our activities in relation to the local shutdown effects.

When we look at the countries individually, it is very different how Covid-19 has had its impact.

In Australia, Covid-19 has had a major impact on our ability to get started quickly with distribution, sales and marketing. Despite that, we have taken the first steps to start with both distribution and marketing and we are focusing on expanding the distribution so we can really speed up marketing and sales.

In China, we have established our own subsidiary in Shanghai to be able to start on product registrations. Most of our sales in China take place through so-called "cross border" trading from Hong Kong, among other places. We are now intensifying our marketing and expect continued sales to increase.

In Hong Kong, we have had a lot of challenges with riots and then Covid-19. But today, we have expanded our distribution to include both of the two major modern pharmacy chains. We will now also launch a major marketing campaign in collaboration with renowned actor and TV host, Jack Hui.

We also have sales in Vietnam and Taiwan through distributors who sell and market at their own expense. This sales is steadily rising.

In the Nordic countries, Sweden, Norway and Finland have declined this year, while Denmark has made progress. Denmark now accounts for half of our turnover in the Nordic region.

From our office in Kaunas, Lithuania, the activities of the Baltic countries' branches in Estonia, Latvia and Lithuania are managed. Kaunas also manages our branch in Kazakhstan and our distributors in the eastern countries of the former Soviet Union. The Baltic countries and the eastern countries are making good progress this year.

In the rest of Europe we have made progress this year, despite a sharp decline in England. It is one of the markets where we are hardest hit on revenue and earnings due to the Covid-19 closure and the pound has fallen 8 percent since the beginning of the year. Germany, France, the Benelux and Switzerland have made progress while Italy and Poland have made a slight decline.

In North America we have had good winds in the sails in the USA which apparently have not been so hard hit by shutdowns while in Canada we have had a decline.

The overall picture of Covid-19 is very motley and difficult to navigate. The current international increase in infection levels and new shutdowns nationally will present us with continuing challenges, but we are trying our best to create growth in each country. We do this through initiatives that promote our distribution through eCommerce and by being more campaign-driven than before. We try to focus even more on creating growth in our best-selling products.

Our launch of Beauty In & Out products did not go as we had planned. Our launch activities were canceled due to Covid-19 and instead Beauty In & Out has started slowly. The most important thing, however, is that both hair care and skin care have been very well received by both the trade and the consumers. The first sales figures indicate that the products will develop nicely over time in terms of sales.

We are also already nominated for the prestigious ASOS and Pure Beauty Awards in London. So all in all, it looks promising.

On those of our products which are aimed at older users, who to a greater extent isolate themselves at home and who are not used to shopping online, we through advertising, try to get them to shop online on our retailers' website.

The products that cater to a younger target group do well.

During the quarter, we delivered our new elderberry-based products Active Immune™ and Elderberry Immune™ Gummies to the trade. We have also got better distribution on C-immune™ as well as launched D-immune™.

Our balance sheet is well trimmed and we have managed to reduce our inventories a bit in the last quarter. Our financial situation is good and more than sufficient to carry out our planned activities.

The whole organization is prepared to work our way through the Covid-19 situation with the changes and improvisations that are needed for us to achieve our growth goals.

I am pleased and I look positively at the development of our business, the value of our brand and the earnings per. shares.

### **Sales**

Sales during the first nine months amounted to 338.2 MSEK (296.1), an increase of 14.2 per cent. In local currencies, the increase was 9.5 per cent. Sales increased in all geographical areas.

### **Results for the nine months**

Gross profit for the nine months increased to 238.2 MSEK (207.5). This corresponds to a gross margin of 70.4 per cent (70.1). EBITDA amounted to 29.8 MSEK (24.9). This corresponds to an EBITDA margin of 8.8 per cent (8.4). Operating profit amounted to 29.3 MSEK (24.4). This corresponds to an operating margin of 8.7 per cent (8.2). Profit after financial items amounted to 29.3 MSEK (24.4). Profit after tax for the nine-month period was 23.4 MSEK (19.3).

### **Comments to the third quarter**

Sales in local currencies increased by 1.6 per cent. Converted into SEK, sales increased by 4.8 per cent to 118.1 MSEK (112.7). The sale was satisfactory and obtained by increased marketing efforts, new product launches and increased distribution in both existing markets and new markets. Sales increased in all geographic regions; the Nordic, Other Europe and Asia, but decreased slightly in North America.

Gross margin increased to 70.7 per cent (69.5) as a result of the focus on high margin products and economy of scale in the production of high selling SKU's. Personnel, sales and administration expenses amounted to 68.9 MSEK (64.5), an increase of 6.8 per cent. The number of employees at end of the period was 53 (48). The largest increase in expenses was related to increased marketing costs.

EBITDA increased by 0.7 MSEK and profit after tax with 0.7 MSEK. Depreciation was status quo at -0.2 MSEK (-0.2). Interest and other financial items were reduced to 0.0 MSEK (-0.2).

Profit after financial items increased by 6.7 per cent and amounted to 14.3 MSEK (13.4). Profit after tax increased by 6.5 per cent and amounted to 11.4 MSEK (10.7).

### **Financial position and cash flow**

The Group's balance sheet total as of September 30th, 2019, amounted to 206.0 SEK million (176.4), an increase of 16.8 per cent compared to the same time last year.

Inventories increased by 25.2 percent compared to the same period last year and amounted to 77.3 MSEK (61.7). This inventory level is reasonable for our international activities and to maintain high gross margin levels.

During the first nine months the current operations generated a negative cash flow of -5.9 MSEK (1.9) reflecting the increase in inventory. Cash and cash equivalents at end of the period amounted to 9.7 MSEK (7.9).

The Group's equity ratio was 47.1 per cent (41.8).

Shareholders' equity apportioned on the outstanding 6,195,200 (6,195,200) shares was on September 30, 2019, 15.66 SEK per share (11.90).

### **Expansion**

The New Nordic business add value to it's costumers and shareholders. In 2019 and onwards, the company will continue to develop herbal food supplements and beauty products to satisfy specific health and beauty needs. New Nordic will market these products to a growing number of consumers all over the world. All with care for people and nature. The products will be marketed under the characteristic New Nordic brand. A brand that reflects the Scandinavian heritage, the Scandinavian values and the company's passion for herbs and healthy living.

**Parent company**

During the first nine months of 2019, the parent company had net sales of 130.0 MSEK (113.8).

**Comment current quarter**

Sales during the first weeks of October has started satisfactory.

**Transactions with related parties**

There have not been any material transactions with related parties during the period.

**Risks and uncertainties**

A number of factors can affect New Nordic's results and operations. Many of these can be managed through internal routines, while some others are more affected by external influences. There are risks and uncertainties associated with consumer trends, weather conditions, negative macroeconomic changes, geopolitical risks, sustainability and external factors in production countries, regulatory issues, trade interventions, foreign currency and tax, but also in connection with expansion into new markets, the launch of new products, changes in consumer behavior and how the brand is managed. There are also certain risks related to the group's reputation, known as "reputational risks".

For a more detailed description of risks and uncertainties, please refer to the Annual Report and Consolidated Financial Statements for 2018 under "Risk Factors".

**Accounting principles**

This report has been prepared in accordance with the Annual Accounts Act (1995: 1554) and BNFAR 2012:1 Annual Report and Consolidated Financial Statements (K3).

**Certified Adviser**

New Nordic Healthbrands AB's Certified Adviser is Mangold Fondkommission AB. +46 8 503 01 550.

**Upcoming reports**

Full Year Report 2019	28 February 2020
Annual Report 2019	27 March 2020
Three Month Report 2020	29 April 2020
General Meeting in Malmö	29 April 2020

**For further information contact:**

Karl Kristian Bergman Jensen, CEO, [kk@newnordic.com](mailto:kk@newnordic.com)

This report has not been audited.

Malmö 31 October 2019

New Nordic Healthbrands AB (publ)

Board of Directors

New Nordic Healthbrands AB

Södra Förstadsgatan 3 • SE-211 43 Malmö • Sverige

Phone: +46 40 23 64 14

# INCOME STATEMENT

(kSEK)	NINE MONTHS 2020	NINE MONTHS 2019	Q3 2020	Q3 2019
Sales	332 300	338 223	115 273	118 056
Cost of goods sold	-102 181	-100 025	-37 204	-34 596
<b>Gross profit</b>	<b>230 119</b>	<b>238 198</b>	<b>78 069</b>	<b>83 460</b>
Personnel expenses	-34 276	-32 793	-10 770	-11 045
Other external expenses	-175 836	-175 600	-59 110	-57 886
<b>EBITDA</b>	<b>20 007</b>	<b>29 805</b>	<b>8 189</b>	<b>14 529</b>
Depreciations	-581	-521	-179	-202
<b>Operating profit (EBIT)</b>	<b>19 426</b>	<b>29 284</b>	<b>8 010</b>	<b>14 327</b>
Interest and other financial items	-622	6	-167	15
<b>Profit after financial items</b>	<b>18 804</b>	<b>29 290</b>	<b>7 843</b>	<b>14 342</b>
Tax	-3 703	-5 855	-1 398	-2 901
<b>Profit for the period</b>	<b>15 101</b>	<b>23 435</b>	<b>6 445</b>	<b>11 441</b>
Average number of shares	6 195 200	6 195 200	6 195 200	6 195 200
Number of shares by the end of the period *	6 195 200	6 195 200	6 195 200	6 195 200
Earnings per share after tax, SEK	2.44	3.78	1.04	1.85
EBITDA per share, SEK	3.23	4.81	1.32	2.35

\* There are no dilutive effects

# BALANCE SHEET

(kSEK)	Q3 2020	Q3 2019	FULL YEAR 2019
<b>Assets</b>			
FIXED ASSETS			
Intangible fixed assets	1 700	4	745
Tangible fixed assets	1 970	1 718	1 672
Financial assets	4 063	4 894	5 129
<b>Total fixed assets</b>	<b>7 733</b>	<b>6 616</b>	<b>7 546</b>
CURRENT ASSETS			
Inventories	77 942	77 253	80 388
Current receivables	106 716	112 348	98 434
Liquid funds	11 191	9 740	10 819
<b>Total current assets</b>	<b>195 849</b>	<b>199 341</b>	<b>189 641</b>
<b>TOTAL ASSETS</b>	<b>203 582</b>	<b>205 957</b>	<b>197 187</b>
<b>Equity and liabilities</b>			
EQUITY	103 762	97 007	101 917
<b>Deferred tax</b>	<b>2 865</b>	<b>2 482</b>	<b>2 865</b>
<b>Long-term debt</b>	<b>2 846</b>	<b>1 029</b>	<b>1 878</b>
Short term liabilities – interest bearing	14 027	13 471	9 972
Short term liabilities – non interest bearing	80 082	91 968	80 555
<b>Current liabilities</b>	<b>94 109</b>	<b>105 439</b>	<b>90 527</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>203 582</b>	<b>205 957</b>	<b>197 187</b>

# CHANGE IN EQUITY

<b>Q3 2020 (kSEK)</b>	<b>Share capital</b>	<b>Other equity incl. profit for the year</b>	<b>Total equity</b>
<b>Opening balance</b>	<b>6 195</b>	<b>95 722</b>	<b>101 917</b>
Dividend	0	-10 842	-10 842
Exchange difference	0	-2 414	-2 414
Profit for the period	0	15 101	15 101
<b>Closing balance</b>	<b>6 195</b>	<b>97 567</b>	<b>103 762</b>

<b>Q3 2018 (kSEK)</b>	<b>Share capital</b>	<b>Other equity incl. profit for the year</b>	<b>Total equity</b>
<b>Opening balance</b>	<b>6 195</b>	<b>74 018</b>	<b>80 213</b>
Dividend	0	-9 293	-9 293
Exchange difference	0	2 652	2 652
Profit for the period	0	23 435	23 435
<b>Closing balance</b>	<b>6 195</b>	<b>90 812</b>	<b>97 007</b>

<b>FULL YEAR 2019 (kSEK)</b>	<b>Share capital</b>	<b>Other equity incl. profit for the year</b>	<b>Total equity</b>
<b>Opening balance</b>	<b>6 195</b>	<b>74 018</b>	<b>80 213</b>
Dividend	0	-9 293	-9 293
Exchange difference	0	2 923	2 923
Profit for the period	0	28 074	28 074
<b>Closing balance</b>	<b>6 195</b>	<b>95 722</b>	<b>101 917</b>

# CASH FLOW STATEMENTS

(kSEK)	NINE MONTHS 2020	NINE MONTHS 2019	Q3 2020	Q3 2019
CURRENT OPERATIONS				
Profit after financial items	19 426	29 284	8 010	14 327
<b>Adjustments for</b>				
Depreciations				
Other provisions	581	521	179	202
	-96	-182	0	-182
	<b>19 911</b>	<b>29 623</b>	<b>8 189</b>	<b>14 347</b>
Interest received	1	3	0	0
Interest expense	-427	-265	-148	-122
Taxation paid	-6 945	-5 145	-3 887	-3 231
<b>Cash flow from current operations before changes in working capital</b>	<b>12 540</b>	<b>24 216</b>	<b>4 154</b>	<b>10 994</b>
<b>Cash flow from changes in working capital</b>				
Inventories	2 446	-12 127	8 738	1 453
Current receivables	-7 344	-34 375	-6 823	-9 356
Current liabilities	-297	16 383	-7 155	-1 476
<b>Cash flow from current operations</b>	<b>7 345</b>	<b>-5 903</b>	<b>-1 086</b>	<b>1 615</b>
INVESTMENT ACTIVITIES				
Acquisition of intangible assets	-1 112	0	-27	0
Acquisition of tangible assets	-831	-892	-27	-528
Sales of equipment	96	182	0	182
Change in long-term receivables	602	314	15	-60
<b>Cash flow from investment activities</b>	<b>-1 245</b>	<b>-396</b>	<b>-39</b>	<b>-406</b>
FINANCING ACTIVITIES				
Dividend	-10 842	-9 293	0	0
Changes in long term debt	968	-120	493	40
Change in bank overdrafts	4 055	10 814	1 507	1 211
<b>Cash flow from financing activities</b>	<b>-5 819</b>	<b>1 401</b>	<b>2 000</b>	<b>1 251</b>
<b>Cash flow for the period</b>	<b>281</b>	<b>-4 898</b>	<b>875</b>	<b>2 460</b>
<b>Liquid funds at the beginning of the period</b>	<b>10 819</b>	<b>14 386</b>	<b>10 222</b>	<b>7 034</b>
<b>Changes in liquid funds</b>	<b>91</b>	<b>252</b>	<b>94</b>	<b>246</b>
<b>Liquid funds at the end of the period</b>	<b>11 191</b>	<b>9 740</b>	<b>11 191</b>	<b>9 740</b>



# KEY FIGURES

(kSEK)	NINE MONTHS		NINE MONTHS	
	2020	2019	Q3 2020	Q3 2019
Sales	332 300	338 223	115 273	118 056
Gross profit	230 119	238 198	78 069	83 460
EBITDA	20 007	29 805	8 189	14 529
Operating profit	19 426	29 284	8 010	14 327
Profit after financial items	18 804	29 290	7 843	14 342
Profit after tax	15 101	23 435	6 445	11 441
Total assets	203 582	205 957	203 582	205 957
Return on capital employed, %	16.1	26.3	6.9	13.7
Return on shareholders equity, %	14.6	24.2	6.2	12.6
Equity	103 762	97 007	103 762	97 007
Equity ratio, %	51.0	47.1	51.0	47.1
Debt ratio	0.96	1.12	0.96	1.12
Interest coverage ratio	45.5	110.51	54.1	117.43
Investments	1 832	892	54	528
Cash flow from current operations	7 345	-5 903	-1 086	1 615
Gross margin, %	69.3	70.4	67.7	70.7
EBITDA margin, %	6.0	8.8	7.1	12.3
Operation margin, %	5.8	8.7	6.9	12.1
Profit margin, %	5.7	8.7	6.8	12.1
Number of employees, average	58	52	60	52
Number of employees by the end of the period *	61	53	61	53
Sales per employee	5 729	6 504	1 937	2 270
Gross margin per employee	3 968	4 581	1 312	1 605
Profit per employee	324	563	132	276
Average number of shares in the period	6 195 200	6 195 200	6 195 200	6 195 200
Number of shares by the end of the period *	6 195 200	6 195 200	6 195 200	6 195 200
Treasury shares at end of period *	0	0	0	0
EBITDA per share, SEK	3.23	4.81	1.32	2.35
Profit per share *, SEK	2.44	3.78	1.04	1.85
Equity per share, SEK	16.75	15.66	16.75	15.66

\* There are no dilutive effects

# NEW NORDIC GEOGRAPHIC

	Q3 2020		Q3 2019		FULL YEAR 2019	
Sales divided by geographic, SEK	MSEK	Percent	MSEK	Percent	MSEK	Percent
Nordic	116	35	125	37	166	36
Other Europe	132	40	130	38	175	39
North America	78	23	77	23	105	23
Other World	6	2	6	2	7	2

# QUARTERLY OVERVIEW

	2020			2019				2018				2017			
	Q 1	Q 2	Q 3	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Turnover MSEK	112.3	104.8	115.3	103.7	116.5	118.1	114.4	88.4	95.0	112.7	97.6	80.9	88.9	88.3	86.6
Change from last year, %	8.3	-10.1	-2.4	17.3	22.7	4.8	17.2	9.3	6.9	27.6	12.7	8.5	17.0	4.2	22.8
EBITDA, MSEK	7.1	4.8	8.2	8.5	6.8	14.5	7.1	7.3	3.8	13.8	10.0	4.2	5.3	9.2	9.9
EBITDA-margin, %	6.3	4.6	7.1	8.2	5.8	12.3	6.2	8.3	4.0	12.2	10.2	5.1	5.9	10.4	11.4
Operating result, MSEK	6.9	4.5	8.0	8.4	6.6	14.3	7.0	7.1	3.6	13.6	9.8	4.0	5.1	9.0	9.6
Operating margin, %	6.1	4.3	6.9	8.1	5.7	12.1	6.1	8.1	3.8	12.1	10.1	4.9	5.7	10.2	11.1
Result before tax, MSEK	6.8	4.2	7.8	8.5	6.5	14.3	6.8	7.4	3.6	13.4	9.7	3.7	4.9	8.7	9.9
Result after tax, MSEK	5.4	3.3	6.4	6.7	5.3	11.4	4.6	5.6	2.9	10.7	7.2	2.9	3.8	7.0	6.6
Cash, MSEK	11.9	10.2	11.2	19.6	7.0	9.7	10.8	7.8	7.3	7.9	14.4	3.7	4.4	6.7	9.1
Inventory, MSEK	83.3	86.7	77.9	76.6	78.7	77.3	80.4	53.9	61.6	61.7	65.1	43.0	44.2	42.4	50.9
Equity, MSEK	107.8	97.1	103.8	89.1	84.5	97.0	101.9	67.4	63.3	73.7	80.2	45.9	47.0	54.0	60.8
Result per share, SEK	0.87	0.53	1.04	1.09	0.85	1.85	0.75	0.91	0.47	1.73	1.17	0.47	0.61	1.13	1.07
Equity per share, SEK	17.41	15.68	16.75	14.38	13.64	15.66	16.45	10.89	10.22	11.9	12.95	7.41	7.58	8.72	9.82
Cash flow from current operations per share, SEK	-0.06	1.42	-0.18	1.12	-2.34	0.26	0.85	0.49	-1.10	0.91	2.58	-0.10	1.45	0.68	2.26
Equity ratio, %	49.1	47.4	51.0	47.5	43.4	47.1	51.7	45.2	37.6	41.8	49.3	33.9	33.5	38.2	43.8

**Gross profit:** Net sales less cost of sold goods.

**Equity:** Equity as a percentage of total assets.

**Leverage ratio:** The ratio of total liabilities and equity.

**Profit margin:** Profit after financial items plus financial expenses divided by financial expenses.

**Return on equity:** Net income as a percentage of shareholders' equity at period end.

**Capital employed:** Total assets less non-interest-bearing provisions and liabilities.

**Return on capital employed:** Profit after financial items plus financial expenses divided by capital employed.

**Investments:** Investments in tangible and intangible assets.

**Gross margin:** Gross profit as a percentage of net sales.

**EBITDA margin:** Operating income before depreciation and amortization as a percentage of net sales.

**Operating margin:** Operating profit after depreciation and amortization as a percentage of net sales.

**Profit margin:** Profit after financial items as a percentage of net sales.

**Revenue per employee:** Net sales divided by the average number of employees.

**Gross profit per employee:** Gross profit divided by the average number of employees.

**Profit per employee:** Profit after financial items divided by the average number of employees.

**Earnings per share:** Profit after tax divided by the average number of shares.

**Equity per share:** Shareholders' equity divided by shares outstanding at period end.