

# NEW NORDIC HEALTHBRANDS AB (PUBL)

## NINE MONTH REPORT

### JANUARY - SEPTEMBER 2019



	<b>NINE MONTHS 2019</b>	<b>NINE MONTHS 2018</b>	<b>Q3 2019</b>	<b>Q3 2018</b>
Net sales, kSEK	338 223	296 077	118 056	112 697
Change in SEK, %	14.2%	14.7%	4.8%	27.6%
Change in local currencies, %	9.5%	10.0%	1.6%	19.7%
Gross profit, kSEK	238 198	207 535	83 460	78 307
Gross margin, %	70.4%	70.1%	70.7%	69.5%
EBITDA kSEK	29 805	24 908	14 529	13 786
EBITDA, %	8.8%	8.4%	12.3%	12.2%
Operating profit, kSEK	29 284	24 403	14 327	13 617
Operating margin, %	8.7%	8.2%	12.1%	12.1%
Profit for the period, kSEK	29 290	24 421	14 342	13 445
Earnings per share after tax *, SEK	3.78	3.11	1.85	1.73
EBITDA per share *, SEK	4.81	4.02	2.35	2.23

\* There are no dilutive effects

## COMMENTS BY CEO KARL KRISTIAN BERGMAN JENSEN

We had a good 3 quarter with record revenue and record earnings. In the first 9 months of the year we achieved organic growth of 14.2%. In local currencies, growth was 9.5%. In the third quarter, the increase was 4.8% in Swedish kronor and 1.6% in local currencies.

The third quarter of last year, 2018, was a really good quarter which we were aware would be difficult to match in 2019, but we succeeded. Growth is driven by increased marketing efforts, product innovation and increased geographical distribution. In the first nine months we have seen growth in all geographical areas with particularly high growth in Europe.

In the third quarter we saw a slight decline in North America. This is due to structural changes in ownership and procurement among some of our largest customers in Canada as well as periodical shifts in purchase from our major US customers. We are confident that growth will continue in North America.

With a favorable product mix and focus on savings in raw material purchases and cheaper freight, we achieved a satisfactory gross profit of 70.4% in the first 9 months of the year. We have a good cost control even though during the year we have strengthened our organization in line with increased activity level.

EBITDA increased by 20% in the first nine months and 5% in the third quarter. Earnings per share after tax increased by 21% in the first nine months of the year. We have some markets that are new to us and where we are working to establish ourselves and create good profitability. Establishment in Hong Kong and China is progressing well, but they still do not contribute to positive earnings. The same is true of the situation in Switzerland, Slovakia, Romania and Kazakhstan. We have just re-established our sales company in Sydney, Australia, and hired a country manager there. We expect to start sales in Australia in the second quarter of 2020.

We have several markets where it might be relevant to establish New Nordic but we have concluded that we will have enough new geographical initiatives to handle at the moment. Our pace of innovation is also fine. At the end of the quarter, we introduced a few news for test marketing in Denmark.

Clear Brain™ Active Memory, is a further development of our popular Clear Brain™ tablet. As the first cognitive supplement in the world it contains broccoli sprouts. The tablet strengthens our strong position in the category for brain function supplements.

In addition, we have launched Cal Mag Bone Strong™ - the first calcium and magnesium supplement based on the highly absorbed calcium and magnesium sources; calcium citrate malate and magnesium malate. Of course with the addition of vitamins K2 and D plus herbs that work in synergy with the minerals. Together with our b-energy and magnesium malate, the capsule strengthens our premium vitamin and mineral range.

We currently also have extraordinary product news that we are presenting to the trade in some selected markets for launch in the first quarter of 2020. It is still a secret what it is, but it represents huge opportunities for further growth for New Nordic many years to come.

In the quarter we have further fuelled the education of trade personnel. Several countries have initiated the highly popular New Nordic Herbal School.

Again, our international team has made a great effort and I am encouraged by the determination to create further growth and further establish New Nordic as an international brand with a Scandinavian heritage.

I look forward to the last months of the year and where we are also planning the actions to further develop New Nordic in 2020 - our 30th year anniversary.

## **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 its 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)	<b>NINE MONTHS 2019</b>	<b>NINE MONTHS 2018</b>	<b>Q3 2019</b>	<b>Q3 2018</b>
Sales	338 223	296 077	118 056	112 697
Cost of goods sold	-100 025	-88 542	-34 596	-34 390
<b>Gross profit</b>	<b>238 198</b>	<b>207 535</b>	<b>83 460</b>	<b>78 307</b>
Personnel expenses	-32 793	-29 319	-11 045	-10 355
Other external expenses	-175 600	-153 308	-57 886	-54 166
<b>EBITDA</b>	<b>29 805</b>	<b>24 908</b>	<b>14 529</b>	<b>13 786</b>
Depreciations	-521	-505	-202	-169
<b>Operating profit (EBIT)</b>	<b>29 284</b>	<b>24 403</b>	<b>14 327</b>	<b>13 617</b>
Interest and other financial items	6	18	15	-172
<b>Profit after financial items</b>	<b>29 290</b>	<b>24 421</b>	<b>14 342</b>	<b>13 445</b>
Tax	-5 855	-5 144	-2 901	-2 702
<b>Profit for the period</b>	<b>23 435</b>	<b>19 277</b>	<b>11 441</b>	<b>10 743</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	3.78	3.11	1.85	1.73
EBITDA per share, SEK	4.81	4.02	2.35	2.23

\* There are no dilutive effects

# BALANCE SHEET

(kSEK)	Q3 2019	Q3 2018	FULL YEAR 2018
<b>Assets</b>			
<b>FIXED ASSETS</b>			
Intangible fixed assets	4	16	9
Tangible fixed assets	1 718	1 409	1 282
Financial assets	4 894	4 128	4 348
<b>Total fixed assets</b>	<b>6 616</b>	<b>5 553</b>	<b>5 639</b>
<b>CURRENT ASSETS</b>			
Inventories	77 253	61 699	65 126
Current receivables	112 348	101 180	77 496
Liquid funds	9 740	7 920	14 386
<b>Total current assets</b>	<b>199 341</b>	<b>170 799</b>	<b>157 008</b>
<b>TOTAL ASSETS</b>	<b>205 957</b>	<b>176 352</b>	<b>162 647</b>
<b>Equity and liabilities</b>			
EQUITY	97 007	73 739	80 213
<b>Deferred tax</b>	<b>2 482</b>	<b>1 937</b>	<b>2 558</b>
<b>Long-term debt</b>	<b>1 029</b>	<b>974</b>	<b>1 149</b>
Short term liabilities – interest bearing	13 471	11 788	2 657
Short term liabilities – non interest bearing	91 968	87 914	76 070
<b>Current liabilities</b>	<b>105 439</b>	<b>99 702</b>	<b>78 727</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>205 957</b>	<b>176 352</b>	<b>162 647</b>

# CHANGE IN EQUITY

<b>Q3 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	2 652	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>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>54 615</b>	<b>60 810</b>
Dividend	0	-7 124	-7 124
Exchange difference	0	776	776
Profit for the period	0	19 277	19 277
<b>Closing balance</b>	<b>6 195</b>	<b>67 544</b>	<b>73 739</b>

<b>FULL YEAR 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>54 615</b>	<b>60 810</b>
Dividend	0	-7 124	-7 124
Exchange difference	0	4	4
Profit for the period	0	26 523	26 523
<b>Closing balance</b>	<b>6 195</b>	<b>74 018</b>	<b>80 213</b>

# CASH FLOW STATEMENTS

(kSEK)	NINE MONTHS 2019	NINE MONTHS 2018	Q3 2019	Q3 2018
<b>CURRENT OPERATIONS</b>				
Profit after financial items	29 284	24 403	14 327	13 617
<b>Adjustments for</b>				
Depreciations	521	505	202	169
Other provisions	-182	21	-182	0
	<b>29 623</b>	<b>24 929</b>	<b>14 347</b>	<b>13 786</b>
Interest received	3	0	0	0
Interest expense	-265	-276	-122	-130
Taxation paid	-5 145	-4 170	-3 231	-3 390
<b>Cash flow from current operations before changes in working capital</b>	<b>24 216</b>	<b>20 483</b>	<b>10 994</b>	<b>10 266</b>
<b>Cash flow from changes in working capital</b>				
Inventories	-12 127	-10 782	1 453	-111
Current receivables	-34 375	-27 273	-9 356	-7 477
Current liabilities	16 383	19 471	-1 476	2 969
<b>Cash flow from current operations</b>	<b>-5 903</b>	<b>1 899</b>	<b>1 615</b>	<b>5 647</b>
<b>INVESTMENT ACTIVITIES</b>				
Acquisition of tangible assets	-892	-853	-528	-3
Sales of equipment	182	231	182	0
Change in long-term receivables	314	472	-60	1
<b>Cash flow from investment activities</b>	<b>-396</b>	<b>-150</b>	<b>-406</b>	<b>-2</b>
<b>FINANCING ACTIVITIES</b>				
Dividend	-9 293	-7 124	0	0
Changes in long term debt	-120	-389	40	-98
Change in bank overdrafts	10 814	4 496	1 211	-4 723
<b>Cash flow from financing activities</b>	<b>1 401</b>	<b>-3 017</b>	<b>1 251</b>	<b>-4 821</b>
<b>Cash flow for the period</b>	<b>-4 898</b>	<b>-1 268</b>	<b>2 460</b>	<b>824</b>
<b>Liquid funds at the beginning of the period</b>	<b>14 386</b>	<b>9 058</b>	<b>7 034</b>	<b>7 259</b>
<b>Changes in liquid funds</b>	<b>252</b>	<b>130</b>	<b>246</b>	<b>-163</b>
<b>Liquid funds at the end of the period</b>	<b>9 740</b>	<b>7 920</b>	<b>9 740</b>	<b>7 920</b>



# KEY FIGURES

(kSEK)	NINE MONTHS		NINE MONTHS	
	2019	2018	Q3 2019	Q3 2018
Sales	338 223	296 077	118 056	112 697
Gross profit	238 198	207 535	83 460	78 307
EBITDA	29 805	24 908	14 529	13 786
Operating profit	29 284	24 403	14 327	13 617
Profit after financial items	29 290	24 421	14 342	13 445
Profit after tax	23 435	19 277	11 441	10 743
Total assets	205 957	176 352	205 957	176 352
Return on capital employed, %	26.3	28.2	13.7	16.3
Return on shareholders equity, %	24.2	26.1	12.6	15.7
Equity	97 007	73 739	97 007	73 739
Equity ratio, %	47.1	41.8	47.1	41.8
Debt ratio	1.12	1.39	1.12	1.39
Interest coverage ratio	110.51	88.42	117.43	105,56
Investments	892	853	528	3
Cash flow from current operations	-5 903	1 899	1 615	5 647
Gross margin, %	70.4	70.1	70.7	69.5
EBITDA margin, %	8.8	8.4	12.3	12.2
Operation margin, %	8.7	8.2	12.1	12.1
Profit margin, %	8.7	8.2	12.1	11.9
Number of employees, average	52	45	52	47
Number of employees by the end of the period	53	48	53	48
Sales per employee	6 504	6 579	2 270	2 398
Gross margin per employee	4 581	4 612	1 605	1 666
Profit per employee	563	543	276	286
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	4.81	4.02	2.35	2.23
Profit per share *, SEK	3.78	3.11	1.85	1.73
Equity per share, SEK	15.66	11.90	15.66	11.90

\* There are no dilutive effects

# NEW NORDIC GEOGRAPHIC

Sales divided by geographic, SEK	Q3 2019		Q3 2018		FULL YEAR 2018	
	MSEK	Percent	MSEK	Percent	MSEK	Percent
Nordic	125	37	122	41	160	41
Other Europe	130	38	104	35	139	35
North America	77	23	68	23	91	23
Other World	6	2	2	1	4	1

# QUARTERLY OVERVIEW

	2019			2018				2017				2016			
	Q 1	Q2	Q3	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	103.7	116.5	118.1	88.4	95.0	112.7	97.6	80.9	88.9	88.3	86.6	74.6	76.0	84.7	70.6
Change from last year, %	17.3	22.7	4.8	9.3	6.9	27.6	12.7	8.5	17.0	4.2	22.8	2.2	-0.7	14.7	-6.2
EBITDA, MSEK	8.5	6.8	14.5	7.3	3.8	13.8	10.0	4.2	5.3	9.2	9.9	3.2	2.1	7.4	1.4
EBITDA-margin, %	8.2	5.8	12.3	8.3	4.0	12.2	10.2	5.1	5.9	10.4	11.4	4.3	2.7	8.7	2.0
Operating result, MSEK	8.4	6.6	14.3	7.1	3.6	13.6	9.8	4.0	5.1	9.0	9.6	2.8	1.8	7.2	1.2
Operating margin, %	8.1	5.7	12.1	8.1	3.8	12.1	10.1	4.9	5.7	10.2	11.1	3.8	2.4	8.5	1.7
Result before tax, MSEK	8.5	6.5	14.3	7.4	3.6	13.4	9.7	3.7	4.9	8.7	9.9	3.1	1.6	6.9	0.9
Result after tax, MSEK	6.7	5.3	11.4	5.6	2.9	10.7	7.2	2.9	3.8	7.0	6.6	2.3	1.5	5.5	0.3
Cash, MSEK	19.6	7.0	9.7	7.8	7.3	7.9	14.4	3.7	4.4	6.7	9.1	4.0	5.7	7.0	6.9
Inventory, MSEK	76.6	78.7	77.3	53.9	61.6	61.7	65.1	43.0	44.2	42.4	50.9	54.4	59.0	51.1	51.6
Equity, MSEK	89.1	84.5	97.0	67.4	63.3	73.7	80.2	45.9	47.0	54.0	60.8	37.7	37.4	42.6	43.0
Result per share, SEK	1.09	0.85	1.85	0.91	0.47	1.73	1.17	0.47	0.61	1.13	1.07	0.37	0.24	0.88	0.05
Equity per share, SEK	14.38	13.64	15.66	10.89	10.22	11.9	12.95	7.41	7.58	8.72	9.82	6.09	6.04	6.88	6.94
Cash flow from current operations per share, SEK	1.12	-2.34	0.26	0.49	-1.10	0.91	2.58	-0.10	1.45	0.68	2.26	-1.07	0.18	-0.53	-0.06
Equity ratio, %	47.5	43.4	47.1	45.2	37.6	41.8	49.3	33.9	33.5	38.2	43.8	27.3	26.3	29.6	33.7

**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.