

# NEW NORDIC HEALTHBRANDS AB (PUBL)

## THREE MONTH REPORT

### JANUARY - MARCH 2020



	Q1 2020	Q1 2019	FULL YEAR 2019
Net sales, kSEK	112 258	103 680	452 613
Change in SEK, percent	8.3	17.3	15.0
Change in local currencies, %	8.5	9.7	10.2
Gross profit, kSEK	80 333	72 021	315 585
Gross margin, %	71.6	69.5	69.7
EBITDA kSEK	7 050	8 508	36 865
EBITDA, %	6.3	8.2	8.1
Operating profit, kSEK	6 881	8 354	36 305
Operating margin, %	6.1	8.1	8.0
Profit for the period, kSEK	5 395	6 744	28 074
Earnings per share EBITDA, SEK	1.14	1.37	5.95
Earnings per share * after tax, SEK	0.87	1.09	4.53

\* There are no dilutive effects

## COMMENTS BY CEO KARL KRISTIAN BERGMAN JENSEN

Revenue increased by 9 percent in local currencies during the first quarter of the year. Converted to Swedish kroner, turnover amounted to SEK 112 million, which corresponds to an increase of 8 percent in Swedish kroner.

The largest sales increase was seen in North America but there were also nice increases in the rest of Europe and Asia. In the Nordic countries, we saw a decline of 6 percent, which is mainly related to a decline in Sweden. In Sweden, we interpret the decline as general inertia in the market. Conversely, we have had nice progress in Denmark. Despite the nice progress, I am not completely satisfied. In the first quarter, we have planned a flying start to the year with new launches, powerful marketing and a great deal of effort from the entire New Nordic team. It can also be seen in earnings. Our considerable efforts and expenses for activities and marketing have been dampened by the effect of the authorities' COVID19 "lock-down" in many countries where we operate. Our range is not as focused on vitamins and immune products as many of our competitors, so we have not had the same positive sales effect of COVID-19 as many of our competitors have had. However, under the suddenly changed conditions, we have done well.

In response to the COVID-19 situation, we have increased our inventory of both raw materials and finished products. Partly on our own initiative to ensure deliverability during the crisis and partly as a result of the fact that we have sold slightly less in the quarter than planned. Fortunately, our suppliers are not severely affected by the crisis, but it is clear that some production processes will take longer under the new precautions to prevent the spread of infection. An increased inventory level will decrease our liquidity. However, we have a good liquidity. We have no plants or factories and we have relatively few fixed costs. We can quickly adjust to changing market conditions.

Looking ahead, our planning horizon is greatly shortened. Changes, adaptations and new initiatives are a daily diet in the organisation. I am very pleased that our team is very stable and that many have been in the company for a long time. All country managers and area managers are good at reacting really quickly and improvising to keep New Nordic fully focused on our goals even under very changing market conditions.

Beauty In & Out™ has been well received by the trade with great enthusiasm but unfortunately, many launch events and trade shows have been canceled. It has cost us both money and a lot of time with preparation but I am pleased that the first customers who have tried our new products are very positive. It is a good sign for a successful development in the future.

As a part of our expansion plans, we have established sales companies in Romania and Shanghai, China. We are already have some export sales in both Romania and China, but having our own company in these two countries will help further market penetration and growth. Our launch plans in Australia is moving forward and we have now obtained registration with the Australian Health Authorities, TGA, on several of our key products.

In general, the international dietary supplement industry is not as badly affected as many other industries and we expect demand to return to the earlier growth curves relatively quickly when life returns to normal under the continued but hopefully reduced COVID-19 threat. We see 4 major trends for our business. 1: Despite our customers being able to move around again like before COVID-19, many have become anxious and it will probably take a long time before they move around again and shop as much in stores as earlier. 2: Before COVID-19, we sold about 33 percent of our goods through e-commerce. That share has risen to 45 percent or more now and it will probably remain close to 50 percent in the future. 3: Our dealers are uncertain about the future and are usually not prepared to incorporate new products into their range at present. It greatly disrupts our planned innovations and will dampen our growth prospects in the short term. 4: Our dealers are squeezed on their liquidity which reduces their purchases and inventory, and increase the risk of losses on debtors.

Innovation and marketing are the two most value-adding activities and that is what drives our growth. This also applies to the current situation. Our marketing is seen, but the customer does not go out and act in the same way. Our tactics in the current situation are to adjust our marketing and continue it at a slightly lower level in the short term as well as to try to get our consumers to shop online if they do not dare or have the opportunity to go to physical stores. Of course, we also have an extra focus on the products that are particularly relevant now when people are focusing on their immune system. Finally, we are ready with activities that can quickly get our growth back up to full speed as soon as our daily lives are normalised.

We have kept all our offices open every day during the crisis and our staff have again made a formidable effort. We use time constructively to be on our toes when we have the opportunity again, and then we are convinced that COVID-19 has given people around the world an additional opportunity to start living healthier and taking more supplements in the future. I expect that we will get through the COVID-19 crisis relatively well. The second quarter of 2020 will give a better indication of how the year is going to go. I believe more in the status quo in revenue for 2020 versus 2019 than an increase and I believe in an undramatic decline in our profits compared to 2019.

My long time business partner Marinus Blaabjerg Sørensen, which has been at New Nordic since the start and is the company's chairman and CFO has decided to stop his daily work at the office next year in September 2021 when he turns 70 years. Marinus will step down as CFO already 30 April 2020 but continue in the company with fewer responsibilities until he turns 70 and continues as chairman of the board for years to come even thereafter if re-elected by the annual general meeting. I am very sad that Marinus is stepping down as CFO but glad that he will be in the office to secure a smooth transition and that he wishes to continue as chairman of the board after September 2021. Marinus and I are both very pleased to announce that Ivan Ruscic has accepted to be our new CFO as of 1 May 2020. Ivan has been New Nordic's Finance Manager since 2007 and

he is an experienced and highly appreciated member of the management team. In addition, we are planning to employ a Chief Operating Officer in good time before Marinus stop his daily work at the office in 2021. This move should also resolve the situation that Marinus and I both serve in the management and at the board and we hope Nasdaq will remove New Nordic from the observation list as a consequence.

## **Revenue**

Sales in local currencies increased by 8.5 percent during the first quarter of the year. Converted to SEK, sales increased by 8.3 percent and amounted to SEK 112.3 million. Sales in the Nordic countries decreased by 7.5 percent to SEK 37 million (40). Sales in other European countries increased by 10 percent to SEK 44 million (40). Sales in North America increased by 22 percent to SEK 28 million (23). Exports to Asia increased to SEK 3 million (1).

## **Earnings for the first quarter**

Gross profit for the first quarter amounted to SEK 80.3 million (72.0). This corresponds to a gross margin of 71.6 percent (69.5).

EBITDA amounted to SEK 7.1 million (8.5). This corresponds to an EBITDA margin of 6.3 percent (8.2).

Operating profit amounted to SEK 6.9 million (8.4). This corresponds to an operating margin of 6.1 percent (8.2).

Profit after financial items amounted to SEK 6.8 million (8.5).

Profit after tax for the three-month period was SEK 5.4 million (6.7).

## **Comments to the first quarter**

The largest sales increase was in North America, but there were also increases in the rest of Europe and Asia. In the Nordic countries, the company had a decline of 7.5 percent, which was mainly related to a decline in Sweden, where there is general inertia in the market. Conversely, the company has had good success in Denmark. New Nordic have established sales companies in Shanghai, China and in Romania. Despite the progress, sales are not 100 percent satisfactory. During the first quarter, the company had planned re-launches and strong marketing. The company's considerable efforts and expenses for activities and marketing have been dampened by the effect of the authorities' COVID-19 "lock-down" in many countries where the company operates. The gross margin increased to 71.6 percent (69.5). This is a result of a focus on sales of goods with a high margin, larger and better purchases of raw materials, more sea freight against earlier air freight and the period's low price on the Swedish krona, which constitutes the majority of the company's purchases of production.

Personnel and other external expenses increased by 15.4 percent to SEK 73.3 million (63.5).

Depreciation and amortization were relatively unchanged and amounted to SEK 0.2 M (0.2) and financial items amounted to SEK -0.1 M (0.1).

Profit after financial items decreased by 19.9 percent to SEK 6.8 million (8.5). Profit after tax decreased by 20.0 percent to SEK 5.4 million (6.7).

## **COVID-19**

In response to the COVID-19 situation, New Nordic has increased inventory of both raw materials and finished products. Partly on the company's own initiative to ensure deliverability during the crisis and partly as a result of the fact that New Nordic has sold slightly less in the quarter than planned. Some of the supplier's production processes will take longer under the new precautions to prevent the spread of COVID-19 infection. The increased inventory level has decreased the company's liquidity. New Nordic is adjusting marketing spend and continue it at a slightly lower level in the short term. The company also to try to get their consumers to shop online if they do not dare or do not have the opportunity to go to physical stores. New Nordic also have an extra focus on the products that are particularly relevant now when people are focusing on their immune system.

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

The Group's total assets as of March 31, 2020 amounted to SEK 219.8 million (187.3), an increase of 17.3 percent compared with the corresponding period last year.

Operating activities generated a negative cash flow of SEK -0.4 million (6.9) during the first three months of the year. Cash and cash equivalents at the end of the period amounted to SEK 11.9 million (19.6).

The Group's equity / assets ratio was 49.1 percent (47.5).

Equity divided by the outstanding 6,195,200 (6,195,200) shares as of March 31, 2020 amounted to SEK 17.4 (14.4).

### **Expansion**

New Nordic's business creates value for the company's customers and shareholders. In 2020 and beyond, the company will continue to develop herbal supplements and beauty products to meet specific health and beauty needs. New Nordic will market these products to a growing number of consumers worldwide. All with care for people and nature. The products will be marketed under the characteristic New Nordic brand. A brand that reflects the Scandinavian cultural heritage, the Scandinavian values and the company's passion for herbs and healthy life.

### **Transactions with related parties**

During the period, there have been transactions with Helsehuset in Denmark, owned by Marinus Blåbjerg Sørensen and Karl Kristian Bergman Jensen. The transactions have taken place on market terms.

### **Parent Company**

In the first three months of 2020, the Parent Company had sales of SEK 41.8 million (42.4).

### **Comment to this quarter**

Marinus Blaabjerg Sørensen, CFO, has decided to quit his day job next year in September 2021 when he turns 70. Marinus will resign as CFO as of April 30, 2020, but will continue in the company with fewer responsibilities until he turns 70 and will also continue as chairman of the board for several years to come thereafter if the AGM accepts re-election. Ivan Ruscic has accepted the position as the company's new CFO as of May 1, 2020. Ivan has been New Nordic's CFO since 2007.

New Nordic's subsidiaries report that sales of the company's products from retailers to consumers is now more clearly reduced in physical stores in April as a direct result of COVID-19 "lock-down".

### **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 2019 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 Accounts (K3). Information on the accounting principles, in general, is

presented in the Annual Report 2018.

### **Certified Adviser**

New Nordic Healthbrands AB's certified advisor is Mangold Fondkommission AB. Telephone: +46 8 503 01 550.

### **Upcoming reports and events**

Annual General Meeting in Malmö	April 29, 2020
Six month report 2020	July 31, 2020
Nine month report 2020	October 30, 2020
Year-end report 2020	February 26, 2021
Annual Report 2020	March 26, 2021
Three-month report 2021	April 29, 2021
Annual General Meeting in Malmö	April 29, 2021

### **For further information contact:**

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New Nordic Health Brands AB

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This report has not been reviewed by the company's auditors.

The Board of Directors and the CEO ensure that the interim report provides a true and fair view of the Group's operations, position, and earnings. Jessica Tyreman, Board Member, Lennart Sjölund, Board Member, Marinus Blåbjerg Sørensen, Chairman of the Board, Karl Kristian Bergman Jensen, CEO and board member.

Malmö, April 29, 2020

New Nordic Healthbrands AB (publ), The Board.

*The information in this document is that which New Nordic Healthbrands AB (publ) is required to disclose under Sweden's Securities Market Act. and made public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 (CET) on 29 April 2020.*

# INCOME STATEMENT

(kSEK)	Q1 2020	Q1 2019	FULL YEAR 2019
Sales	112 258	103 680	452 613
Cost of goods sold	-31 925	-31 659	-137 028
<b>Gross profit</b>	<b>80 333</b>	<b>72 021</b>	<b>315 585</b>
Personnel expenses	-11 843	-10 821	-45 747
Other external expenses	-61 440	-52 692	-232 973
<b>EBITDA</b>	<b>7 050</b>	<b>8 508</b>	<b>36 865</b>
Depreciations	-169	-154	-560
<b>Operating profit (EBIT)</b>	<b>6 881</b>	<b>8 354</b>	<b>36 305</b>
Interest and other financial items	-111	102	-237
<b>Profit after financial items</b>	<b>6 770</b>	<b>8 456</b>	<b>36 068</b>
Tax	-1 375	-1 712	-7 994
<b>Profit for the period</b>	<b>5 395</b>	<b>6 744</b>	<b>28 074</b>
Average number of shares	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
Earnings per share, SEK	0.87	1.09	5.95
EBITDA per share, SEK	1.14	1.37	4.53

\* There are no dilutive effects

# BALANCE SHEET

(kSEK)	Q1 2020	Q1 2019	FULL YEAR 2019
<b>Assets</b>			
FIXED ASSETS			
Intangible fixed assets	1 638	8	745
Tangible fixed assets	2 088	1 355	1 672
Financial assets	4 667	4 319	5 129
<b>Total fixed assets</b>	<b>8 393</b>	<b>5 682</b>	<b>7 546</b>
CURRENT ASSETS			
Inventories	83 307	76 587	80 388
Current receivables	116 214	85 517	98 434
Liquid funds	11 894	19 556	10 819
<b>Total current assets</b>	<b>211 415</b>	<b>181 660</b>	<b>189 641</b>
<b>TOTAL ASSETS</b>	<b>219 808</b>	<b>187 342</b>	<b>197 187</b>
<b>Equity and liabilities</b>			
EQUITY	107 834	89 062	101 917
<b>Deferred tax</b>	2 865	2 484	2 865
<b>Long-term debt</b>	2 120	1 002	1 878
Short term liabilities – interest bearing	11 686	759	9 972
Short term liabilities – non interest bearing	95 303	94 035	80 555
<b>Current liabilities</b>	<b>106 989</b>	<b>94 794</b>	<b>90 527</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>219 808</b>	<b>187 342</b>	<b>197 187</b>

# CHANGE IN EQUITY

<b>Q1 2020 (kSEK)</b>	<b>Share capital</b>	<b>Other equity incl. profit for the year</b>	<b>Total equity</b>
<b>Balance</b>	<b>6 195</b>	<b>95 722</b>	<b>101 917</b>
Currency exchange differences	0	522	522
Profit for the period	0	5 395	5 395
<b>Balance</b>	<b>6 195</b>	<b>101 639</b>	<b>107 834</b>

<b>Q1 2019 (kSEK)</b>	<b>Share capital</b>	<b>Other equity incl. profit for the year</b>	<b>Total equity</b>
<b>Balance</b>	<b>6 195</b>	<b>74 018</b>	<b>80 213</b>
Currency exchange differences	0	2 105	2 105
Profit for the period	0	6 744	6 744
<b>Balance</b>	<b>6 195</b>	<b>82 867</b>	<b>89 062</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>Balance</b>	<b>6 195</b>	<b>74 018</b>	<b>80 213</b>
Dividend	0	-9 293	-9 293
Currency exchange differences	0	2 923	2 923
Profit for the period	0	28 074	28 074
<b>Balance</b>	<b>6 195</b>	<b>95 722</b>	<b>101 917</b>



# CASH FLOW STATEMENTS

(kSEK)	Q1 2020	Q1 2019	FULL YEAR 2019
<b>CURRENT OPERATIONS</b>			
Profit after financial items	6 881	8 354	36 305
<b>Adjustments for</b>			
Depreciations			
Other provisions	169	154	560
	-96	0	-292
Interest recieved	<b>6 954</b>	<b>8 508</b>	<b>36 573</b>
Interest expense	1	2	3
Taxation paid	-115	-52	-388
<b>Cash flow from current operations before changes in working capital</b>	<b>- 1 612</b>	<b>-880</b>	<b>-5 727</b>
	<b>5 228</b>	<b>7 578</b>	<b>30 461</b>
<b>Cash flow from changes in working capital</b>			
Inventories	-2 919	-11 461	-15 262
Current receivables	-17 503	-7 059	-21 190
Current liabilities	14 816	17 891	5 324
<b>Cash flow from current operations</b>	<b>-378</b>	<b>6 949</b>	<b>-667</b>
<b>INVESTMENT ACTIVITIES</b>			
Acquisition of intangible fixed assets	-931	0	-743
Acquisition of tangible assets	-464	-202	-941
Sales of equipment	96	0	292
Change in long-term receivables	600	375	-351
<b>Cash flow from investment activities</b>	<b>-699</b>	<b>173</b>	<b>-1 743</b>
<b>FINANCING ACTIVITIES</b>			
Dividend	0	0	-9 293
Changes in long term debt	242	-147	729
Change in bank overdrafts	1 714	-1 898	7 315
<b>Cash flow from financing activities</b>	<b>1 956</b>	<b>-2 045</b>	<b>-1 249</b>
<b>Cash flow for the period</b>	<b>879</b>	<b>5 077</b>	<b>-3 659</b>
<b>Liquid funds at the beginning of the period</b>	<b>10 819</b>	<b>14 386</b>	<b>14 386</b>
<b>Changes in liquid funds</b>	<b>196</b>	<b>93</b>	<b>92</b>
<b>Liquid funds at the end of the period</b>	<b>11 894</b>	<b>19 556</b>	<b>10 819</b>

# KEY FIGURES

(kSEK)	Q1 2020	Q1 2019	FULL YEAR 2019
Sales	112 258	103 680	452 613
Gross profit	80 333	72 021	315 585
EBITDA	7 050	8 508	36 865
Operating profit	6 881	8 354	36 305
Profit after financial items	6 770	8 456	36 068
Profit after tax	5 395	6 744	28 074
Total assets	219 808	187 342	197 187
Return on capital employed, %	5.7	9.2	31.9
Return on shareholders equity, %	5.0	7.6	27.5
Equity	107 834	89 062	101 917
Equity ratio, %	49.1	47.5	51.7
Debt ratio	1.04	1.10	0.93
Interest coverage ratio	59.8	160.7	93.6
Investments	1 395	202	1 684
Cash flow from current operations	-378	6 949	-667
Cash flow from financing activities	1 956	-2 045	- 1 249
Gross margin, %	71.6	69.5	69.7
EBITDA margin, %	6.3	8.2	8.1
Operation margin, %	6.1	8.1	8.0
Profit margin, %	6.0	8.2	8.0
Number of employees, average	56	50	53
Number of employees by the end of the period	56	49	55
Sales per employee	2 023	2 074	8 540
Gross margin per employee	1 447	1 440	5 954
Profit per employee	122	169	681
Average number of shares in the period	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
Treasury shares at end of period *	0	0	0
EBITDA per share, SEK	1.14	1.37	5.95
Profit per share *, SEK	0.87	1.09	4.53
Equity per share, SEK	17.41	14.38	16.45

\* There are no dilutive effects

# NEW NORDIC GEOGRAPHIC

	Q1 2020		Q1 2019		FULL YEAR 2019	
Sales divided by geographical area, SEK	MSEK	Percent	MSEK	Percent	MSEK	Percent
Nordic	37	33	40	38	166	36
Other Europe	44	40	40	38	175	39
North America	28	25	23	23	105	23
Other World	3	2	1	1	7	2

# QUARTERLY OVERVIEW

	2020	2019				2018				2017			
	Q 1	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	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	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	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	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	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	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	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	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	19.6	7.0	9.7	10.8	7.8	7.3	7.9	14.4	3.7	4.4	6.7	9.1
Stocks, MSEK	83.3	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	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	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	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	1.12	-2.34	0.26	0.85	0.49	-1.10	0.91	2.58	-0.10	1.45	0.68	2.26
Solidity, %	49.1	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.