# New Nordic Healthbrands AB (publ) Nine Months Report Q3 2016 January-September 

|  | NINE MONTHS | NINE MONTHS | Q3 | Q3 |
| :---: | :---: | :---: | :---: | :---: |
|  | 2016 | 2015 | 2016 | 2015 |
| Net sales, kSEK | 235289 | 223302 | 84740 | 73869 |
| Gross profit, kSEK | 153474 | 147180 | 55431 | 47635 |
| Gross margin | 65.2\% | 65.9\% | 65.4\% | 64.5\% |
| EBITDA, kSEK | 12658 | 14377 | 7408 | 5488 |
| EBITDA margin | 5.4\% | 6.4\% | 8.7\% | 7.4\% |
| Operating profit, kSEK | 11825 | 12436 | 7175 | 4868 |
| Operating margin | 5.0\% | 5.6\% | 8.5\% | 6.6\% |
| Net profit for the period, kSEK | 9270 | 9017 | 5452 | 3710 |
| Earnings per share*, SEK | 1.50 | 1.46 | 0.88 | 0.60 |
| EBITDA per share, SEK | 2.04 | 2.32 | 1.20 | 0.89 |

*There are no dilutive effects

## Comments by Karl Kristian Bergman Jensen, CEO

We had an excellent 3rd quarter. The organic growth in local sales exceeded 15 percent. The execution of our strategy was effective and mainly due to increased marketing efforts and product innovations we reached record sales and record earnings per share.

For the first nine month of the year we had a growth of more than seven percent in local currencies. Converted to Swedish kroner sales grew five percent the first nine months. It is particularly in Canada, Denmark, Germany, Sweden and USA that we reached significant growth. For different reasons we experienced a decrease in sales this year in the Baltic's, Norway, Italy and the UK. However, Norway and the UK was already back on track in the third quarter where it had great growth again. Actions have been taken to turn Italy and the Baltic's around and bring them back on a sound growth track. We expect to see the result of this in 2017.

Our gross margin is still a few percent below target and we are working hard to recover from higher manufacturing costs earlier this year. We managed to bring the gross margin up to 65.2 percent for the first nine months. Our total selling and administration costs increased by six percent from January to September. The higher cost is a reflection of higher marketing efforts and higher cost of personnel. The number og employees for the first nine months increased from 41 to 45 persons. We increased personnel to help us grow our assortment and geographical presence the coming years.

In the quarter we made an EBITDA margin of close to nine percent bringing the nine months EBITDA margin up to 5,4 percent. This is still not satisfactory but we are convinced that we will improve it further in the near future.

Depreciations and financial costs were significantly reduced the first nine months of the year resulting in a nine month record profit after tax of 9.3 million SEK. The return on equity amounted to nearly 22 percent for the first nine months.

As planned we managed to reduce our inventory from earlier this year so the total of raw material and finished goods inventory now amounts to 51 million SEK equal to 170 days of inventory.

During the quarter we have been very active in building local relations in the markets where we operate. This include retailer staff presentations and exhibitions at national health and pharmacy shows. For the first time also in ASIA at the Natural Products Hong Kong exhibition.

In Scandinavia we introduced the first products in our Sports Nutrition range targeted people who exercise more then 3 times weekly and need support for optimal performance and restitution. The herbal Sports Nutrition supplements are the first of it's kind in the market. The first reactions from the trade has been very positive.

In the coming period we will continue to focus on growth in sales, improvement of our gross margins while we keep administration costs down. We are all dedicated and fully committed to deliver excellent results and I am looking to the future with great enthusiasm and joy.

## Sales

Sales for the first nine months was 235.3 million (223.3), an increase of 5.4 percent. In local currencies, the increase was 7.5 percent.

## Results for the nine months

Gross profit for the first nine months amounted to SEK 153.5 million (147.2). This corresponds to a gross margin of 65.2 percent (65.9). EBITDA amounted to SEK 12.7 million (14.4). This corresponds to an EBITDA margin of 5.4 percent (6.4).

Operating income amounted to SEK 11.8 M (12.4). This corresponds to an operating margin of 5.0 percent (5.6).
Profit after financial items amounted to SEK 11.6 million (11.4).
Profit after tax for the nine months amounted to 9.3 million (9.0).

## Comments to the third quarter

Sales in local currencies increased by 15.7 percent. Converted into SEK, sales increased by 14.7 percent. EBITDA increased by 1.9 million and net profit after tax increased by 1.7 million.
Gross margin increased to 65.4 percent (64.5). Personel, sales and administration expenses amounted to SEK 48.0 million (42.1), an increase of 14 percent. The number of employees at end of period was 45 (43). The largest increase in expenses was related to increased marketing costs.
EBITDA increased by SEK 1.9 million to 7.4 million (5.5).
Depreciation was reduced and amounted to SEK 0.2 million ( 0.6 ). Interest and other financial items was almost status quo SEK - 0.2 million (-0.2).

Profit after financial items increased by 47 percent amounted to SEK 6.9 million (4.7).
Net profit after tax amounted to SEK 5.5 million (3.7).

## Financial position and cash flow

The balance increased with 23 percent compared with the same period last year and amounted to SEK 143.8 M (117.2). As a result of that New Nordic has taken over inventories of raw material from it's largest manufacturer inventories increased by 60 percent compared to the same period last year and amounted to SEK $51.1 \mathrm{M}(31.9)$. The total inventory has also been affected by increased business and number of SKU's.
The increased inventory has been financed partly by the fact that the cash flow from operating activities before changes in working capital was positive and partly by an increased overdraft facility.
Operating activities generated a positive cash flow of SEK 2.7 million (-4.2) during the first nine months.
Cash and cash equivalents amounted to SEK 7.0 million (5.1).

The Group's equity ratio was 29.6 percent (28.4).
Equity apportioned on the outstanding $6,195,200(6,195,200)$ shares at 30 September 2016 amounted to 6.88 SEK (5.37) per share.

## Expansion

The company will continue to focus on building it's brand internationally by increasing sales of existing products, introducing innovative products for other needs specific health concerns, optimizing local distribution, trade and consumer relation and launching in new countries either by it's own sales and marketing set/up or through reputable national distributors who can market New Nordic brands for their own account and risk in their country. New Nordic focus on growth and expect to increase sales and earnings in all markets where it operates. Financially, New Nordic will focus on increasing gross margin, increasing the efficacy of allocated marketing resources and reducing other expenses.

## Parent company

The parent company had in operation the first nine months of 2016 a turnover of SEK 91,2 million (83.0).

## Comment current quarter

No particular comments regarding the current quarter.

## Transactions with related parties

There have been no material related party transactions during the period.

## Accounting principles

This report has been prepared in accordance with the Annual Accounts Act (1995: 1554) and BNFAR 2012: 1 The annual report and consolidated financial statements (K3).

## Certified Advicer

New Nordic Healthbrands AB's Certified Adviser is Mangold Fondkommission AB, +46 850301550

| Upcoming reports <br> Full Year Report 2016 | 6 March 2017 |
| :--- | :--- |
| Annual Report 2016 | 30 March 2017 |
| Three Month Report 2017 | 27 April 2017 |
| General Meeting 2017 | 27 April 2017 |

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This report has not been audited.
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## Income Statement

| (kSEK) | NINE MONTHS 2016 | NINE MONTHS 2015 | Q3 2016 | Q3 2015 |
| :---: | :---: | :---: | :---: | :---: |
| Sales | 235289 | 223302 | 84740 | 73869 |
| Cost of goods sold | -81815 | -76 122 | -29 309 | -26 234 |
| Gross profit | 153474 | 147180 | 55431 | 47635 |
| Personnel expenses | -26 059 | -23741 | -9 691 | -8 073 |
| Other external expenses | -114757 | -109 062 | -38 332 | -34 074 |
| EBITDA | 12658 | 14377 | 7408 | 5488 |
| Depreciations | -833 | -1941 | -233 | -620 |
| Operating profit (EBIT) | 11825 | 12436 | 7175 | 4868 |
| Interest and other financial items | -250 | -1013 | -245 | -161 |
| Profit after financial items | 11575 | 11423 | 6930 | 4707 |
| Tax | -2 305 | -2 406 | -1478 | -997 |
| Net profit for the period | 9270 | 9017 | 5452 | 3710 |
| Average number of shares | 6195200 | 6195200 | 6195200 | 6195200 |
| Number of shares by the end of the period* | * 6195200 | 6195200 | 6195200 | 6195200 |
| Earnings per share, SEK | 1.50 | 1.46 | 0.88 | 0.60 |
| EBITDA per share, SEK | 2.04 | 2.32 | 1.20 | 0.89 |

*There are no dilutive effects

## Balance Sheet

| (kSEK) | Q3 2016 | Q3 2015 | Full year 2015 |
| :---: | :---: | :---: | :---: |
| Assets |  |  |  |
| FIXED ASSETS |  |  |  |
| Intangible fixed assets | 310 | 1482 | 699 |
| Tangible fixed assets | 1793 | 1734 | 1552 |
| Financial assets | 5494 | 5615 | 5358 |
| Total fixed assets | 7597 | 8831 | 7609 |
| CURRENT ASSETS |  |  |  |
| Inventories | 51122 | 31908 | 46879 |
| Current receivables | 78099 | 71396 | 63911 |
| Liquid funds | 7013 | 5051 | 6836 |
| Total current assets | 136234 | 108355 | 117626 |
| Total assets | 143831 | 117186 | 125235 |
| Equity and liabilites |  |  |  |
| EQUITY | 42608 | 33260 | 35772 |
| Deffered tax | 1432 | 1513 | 1320 |
| Long-term debt | 1367 | 1401 | 1295 |
| Short term liabilities - interest bearing | 29233 | 19931 | 18145 |
| Short term liabilities - non interest bearing | 69191 | 61081 | 68703 |
| Current liabilities | 98424 | 81012 | 86848 |
| TOTAL LIABILITIES AND EQUITY | 143831 | 117186 | 125235 |

## Change in Equity

Q3 2016

| (kSEK) | Share capital | Other equity incl. profit for the year | Total equity |
| :---: | :---: | :---: | :---: |
| Opening balance | 6195 | 29577 | 35772 |
| Dividend | 0 | -1549 | -1549 |
| Exchange rate differences | 0 | -885 | -885 |
| Profit for the period | 0 | 9270 | 9270 |
| Closing balance | 6195 | 36413 | 42608 |

Q3 2015

| (kSEK) | Share capital | Other equity incl. profit for the year | Total equity |
| :---: | :---: | :---: | :---: |
| Opening balance | 6195 | 18864 | 25059 |
| Exchange rate differences | 0 | -816 | -816 |
| Profit for the period | 0 | 9017 | 9017 |
| Closing balance | 6195 | 27065 | 33260 |

Full year 2015

| (kSEK) | Share capital | Other equity incl. profit for the year | Total equity |
| :---: | :---: | :---: | :---: |
| Opening balance | 6195 | 18864 | 25059 |
| Exchange difference | 0 | -617 | -617 |
| Net profit for the period | 0 | 11330 | 11330 |
| Closing balance | 6195 | 29577 | 35772 |

## Cash Flow Statements

| (kSEK) | NINE MONTHS 2016 |  | NINE MONTHS 2015 | Q3 2016 | Q3 2015 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| CURRENT OPERATIONS |  |  |  |  |  |
| Operating profit |  | 11825 | 12436 | 7175 | 4868 |
| Adjustments for |  |  |  |  |  |
| Depreciations |  | 833 | 1941 | 233 | 620 |
| Other provisions |  | 0 | 5 | 0 | 0 |
|  |  | 12658 | 14382 | 7408 | 5488 |
| Interest recieved |  | 1 | 158 | 0 | 0 |
| Interest expense |  | -586 | -1038 | -207 | -191 |
| Taxation paid |  | -3 845 | - 801 | -1462 | -554 |
| Cash flow from current operations before changes in working capital |  | 8228 | 11701 | 5739 | 4743 |
| Cash flow from changes in working capital |  |  |  |  |  |
| Inventories |  | -3 483 | 2033 | 8519 | 1476 |
| Current receivables |  | -12 192 | -26059 | -7607 | -5015 |
| Current liabilities |  | 10196 | 8125 | -5 307 | -244 |
| Cash flow from current operations |  | 2749 | -4 200 | 1344 | 960 |
| INVESTMENT ACTIVITIES |  |  |  |  |  |
| Investments in tangible fixed assets |  | -593 | -714 | -245 | -184 |
| Divestment of intangible and tangible fixed a | assets | 0 | 65 | 0 | 0 |
| Long term receivables |  | 186 | 2683 | 159 | -495 |
| Cash flow from investment activities |  | -407 | 2034 | -86 | -679 |
| FINANCING ACTIVITIES |  |  |  |  |  |
| Dividend |  | -1549 | 0 | 0 | 0 |
| Changes in long term debt |  | -673 | 1356 | 1 | 754 |
| Cash flow from financing activities |  | -2 222 | 1356 | 1 | 754 |
| Changes in liquid funds |  | 120 | -810 | 1259 | 1035 |
| Liquid funds at the beginning of the period |  | 6836 | 5995 | 5702 | 4087 |
| Exchange rate effect |  | 57 | -134 | 52 | -71 |
| Liquid funds at the end of the period |  | 7013 | 5051 | 7013 | 5051 |

Key Figures

| (kSEK) | NINE MONTHS 2016 | NINE MONTHS 2015 | Q3 2016 | Q3 2015 |
| :---: | :---: | :---: | :---: | :---: |
| Sales | 235289 | 223302 | 84740 | 73869 |
| Gross profit | 153474 | 147180 | 55431 | 47635 |
| EBITDA | 12658 | 14377 | 7408 | 5488 |
| Operating profit | 11825 | 12436 | 7175 | 4868 |
| Profit after financial items | 11575 | 11423 | 6930 | 4707 |
| Total assets | 143831 | 117186 | 143831 | 117186 |
| Return on capital employed, \% | 16.2 | 23.1 | 10.5 | 9.2 |
| Return on shareholders equity, \% | 21.8 | 27.1 | 25.6 | 11.2 |
| Equity | 42608 | 33260 | 42608 | 33260 |
| Equity ratio, \% | 29.6 | 28.4 | 29.6 | 28.4 |
| Dept ratio | 2.38 | 2.52 | 2.38 | 2.52 |
| Interest coverage ratio | 20.18 | 12.1 | 34.67 | 25.49 |
| Investments | 593 | 714 | 245 | 184 |
| Cash flow from current operations | 2749 | -4200 | 1344 | 960 |
| Gross margin, \% | 65.2 | 65.9 | 65.4 | 64.5 |
| EBITDA margin, \% | 5.4 | 6.4 | 8.7 | 7.4 |
| Operation margin, \% | 5.0 | 5.6 | 8.5 | 6.6 |
| Profit margin, \% | 4.9 | 5.1 | 8.2 | 6.4 |
| Number of employees, average | 45 | 41 | 45 | 43 |
| Number of shares by the end of the period | 45 | 43 | 45 | 43 |
| Sales per employee | 5287 | 5514 | 1904 | 1718 |
| Gross margin per emplyee | 3449 | 3634 | 1246 | 1108 |
| Profit per employee | 260 | 282 | 156 | 109 |
| Average number of shares in the period | 6195200 | 6195200 | 6195200 | 6195200 |
| Number of shares by the end of the period* | * 6195200 | 6195200 | 6195200 | 6195200 |
| Own shares by the end of the period | 0 | 0 | 0 | 0 |
| EBITDA per share, SEK | 2.04 | 2.32 | 1.20 | 0.89 |
| Earnings per share*, SEK | 1.50 | 1.46 | 0.88 | 0.60 |
| Equity per share, SEK | 6.88 | 5.37 | 6.88 | 5.37 |

*There are no dilutive effects

## New Nordic Geographic Segments

| Sales divided by gergraphic, SEK | Q3 2016 |  | Q3 2015 |  | Full year 2015 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | MSEK | PERCENT | MSEK | PERCENT | MSEK | PERCENT |
| Nordic | 98 | 42 | 95 | 42 | 126 | 42 |
| Rest of Europe | 74 | 31 | 77 | 35 | 101 | 34 |
| North America | 60 | 25 | 46 | 21 | 66 | 22 |
| Rest of the World | 3 | 2 | 5 | 2 | 6 | 2 |

## Quarterly Overview

|  | 2016 |  |  |
| :--- | ---: | ---: | ---: |
|  | Q1 |  | Q2 |
| Q3 |  |  |  |
|  | 74.6 | 76.0 | 84.7 |
| Turnover excl. VAT MSEK | 2.2 | -0.7 | 14.7 |
| Change from last year, \% |  |  |  |
| EBITDA, MSEK | 3.2 | 2.1 | 7.4 |
| EBITDA-margin, \% | 4.3 | 2.7 | 8.7 |
| Operating result, MSEK | 2.8 | 1.8 | 7.2 |
| Operating margin, \% | 3.8 | 2.4 | 8.5 |
| Result before tax, MSEK | 3.1 | 1.6 | 6.9 |
| Result after tax, MSEK | 2.3 | 1.5 | 5.5 |
| Cash, MSEK |  |  |  |
| Inventory, MSEK | 4.0 | 5.7 | 7.0 |
| Equity, MSEK | 54.4 | 59.0 | 51.1 |
| Result per share, SEK | 37.7 | 37.4 | 42.6 |
| Equity per share, SEK | 6.09 | 0.24 | 0.88 |
| Cash flow per share, SEK | -0.53 | 0.69 | 0.22 |
| Solidity, \% |  |  |  |


| 2015 |  |  |  |
| ---: | ---: | ---: | ---: |
| Q1 | Q 2 | Q 3 | Q 4 |
| 72.9 | 76.5 | 73.9 | 75.2 |
| 19.4 | 2.1 | 13.2 | 6.4 |
| 4.7 | 4.2 | 5.5 | 4.2 |
| 6.5 | 5.4 | 7.4 | 5.6 |
| 4.1 | 3.5 | 4.9 | 3.3 |
| 5.6 | 4.6 | 6.6 | 4.4 |
| 3.9 | 2.8 | 4.7 | 2.8 |
| 3.1 | 2.2 | 3.7 | 2.3 |
| 5.6 | 4.1 | 5.1 | 6.8 |
| 38.7 | 34.2 | 31.9 | 46.9 |
| 27.7 | 30.1 | 33.3 | 35.8 |
| 0.50 | 0.36 | 0.60 | 0.37 |
| 4.47 | 4.86 | 5.37 | 5.77 |
| -0.57 | -0.29 | 0.15 | 0.21 |
| 25.6 | 26.2 | 28.4 | 28.6 |
|  |  |  |  |


| 2014 |  |  |  |
| :---: | :---: | :---: | :---: |
| Q1 | Q 2 | Q 3 | Q 4 |
| 61.1 | 74.9 | 65.2 | 70.7 |
| 19.7 | 27.2 | 11.8 | 18.4 |
| 3.8 | 4.7 | 5.8 | 4.9 |
| 6.1 | 6.2 | 8.8 | 7.0 |
| 3.1 | 4.0 | 5.1 | 4.0 |
| 5.1 | 5.3 | 7.9 | 5.7 |
| 2.7 | 4.2 | 5.2 | 4.4 |
| 2.1 | 2.9 | 4.3 | 3.2 |
| 4.9 | 5.1 | 5.4 | 6.0 |
| 30.4 | 32.2 | 31.2 | 35.0 |
| 15.7 | 18.2 | 22.2 | 25.1 |
| 0.33 | 0.47 | 0.69 | 0.51 |
| 2.54 | 2.95 | 3.59 | 4.04 |
| 16.8 | 17.6 | 22.9 | 24.9 |
| 0.16 | 0.28 | -0.03 |  |
|  |  |  |  |


| 2013 |  |  |  |
| :---: | ---: | ---: | ---: |
| Q 1 | Q 2 | Q 3 | Q 4 |
| 51.0 | 58.9 | 58.3 | 59.7 |
| -2.2 | 6.1 | 18.0 | 28.0 |
| 3.5 | 3.6 | 3.9 | 1.1 |
| 6.8 | 6.1 | 6.8 | 1.9 |
| 2.7 | 2.9 | 3.2 | 0.4 |
| 5.3 | 4.9 | 5.5 | 0.6 |
| 1.9 | 2.9 | 2.5 | 0.6 |
| 1.3 | 2.2 | 1.1 | 1.2 |
| 3.9 | 3.3 | 7.6 | 6.1 |
| 29.9 | 30.1 | 29.4 | 30.6 |
| 9.7 | 11.8 | 12.7 | 13.5 |
| 0.20 | 0.36 | 0.18 | 0.19 |
| 1.57 | 1.90 | 2.06 | 2.19 |
| -0.24 | -0.13 | 0.53 | -0.09 |
| 11.1 | 12.7 | 13.7 | 15.0 |
|  |  |  |  |

Gross profit: New Nordic's gross profit is the company's net sales less costs to New Nordic suppliers.
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.

