

NEW NORDIC HEALTHBRANDS AB (publ)

FULL-YEAR REPORT 2017



	2017	2016	Q4 2017	Q4 2016
Net sales, SEK m	344 739	305 842	86 642	70 553
Gross profit, SEK m	232 269	199 573	59 108	46 099
Gross margin, %	67.4	65.3	68.2	65.3
EBITDA, sek m	28 455	14 096	9 854	1 438
EBITDA, %	8.3	4.6	11.4	2.0
Operating profit, SEK m	27 654	13 007	9 643	1 182
Operating margin, %	8.0	4.3	11.1	1.7
Profit for the period, SEK m	20 297	9 574	6 638	304
Earning per share, SEK	3.28	1.55	1.07	0.05
EBITDA per share, SEK	4.59	2.28	1.59	0.23

*There are no dilutive effects

Comments by Karl Kristian Bergman Jensen, CEO

2017 was another good year for New Nordic.

We increased revenue by 12 per cent in local currency, driven by product innovation and increased marketing. Transformed into Swedish Kronor the sales increased with nearly 13 per cent.

Fourth quarter showed a particularly strong growth in revenue with 27.9 per cent in local currencies and record earnings.

We increased in all geographical areas as I am particularly enthusiastic about the fine growth we have had in the US. Our cooperation with Walgreens, CVS and Amazon is expanding and our distribution in pharmacies, health food stores and online stores in general is moving forward as planned.

Our assortment consists of nearly 50 products grouped into four main categories, Vitality, Beauty, Diet and Sport. All but the sport category increased satisfactory. We redefined the tactics for the sport category and we will now focus on digital marketing, sports influencers and online sales for this category.

Gross profit has increased to more than 67 per cent as a result of focus on the most profitable products as well as increased economies of scale in procurement and production. We managed to keep the increase in fixed costs close to one per cent. All cost are well under control. Our profitability increased and profit after tax more than doubled to 20 million SEK. This is equivalent to earnings per share of 3,28 SEK. Our margins are strong and increasing but the net margin after tax which amounted to nearly 6 per cent is still a bit below our long term ambitions. We had a fine generation of cash with a positive cash flow from operations of 4.7 million SEK.

The balance sheet is very well trimmed and we are extremely asset light. By year end the total net interest bearing debt to EBITDA amounted to 0.3. Return on equity amounted to 33.4 per cent and return on capital employed to 39.8. per cent.

All employees have made a great effort to execute our strategy effectively and I am very grateful. In 2018 we will focus on growth through continued product innovation, increase in marketing and increased distribution through specialty trade retailers. Online as well as offline and omni-channels. Our marketing will continue to be centered around traditional print media but with increasing use of TV advertising and digital marketing with a high one-to-one focus in order to establish digital brand experience for an increasing number of our end consumers. We will also continue our efforts to expand our geographical reach in Europe and Asia.

As we grow we will further strengthen our cooperation with existing and new manufacturing partners and we will be introducing new technologies and dispensing forms. We will continue to value manufacturing and material sourcing in Scandinavia but will look globally for the best manufacturing solutions.

New Nordic is one of the very few listed food supplement companies in the world with a global brand strategy. A unique global investment opportunity. We expect the global food supplement market to grow 5-8 per cent yearly over the coming years and we have a proven strategy which the whole New Nordic team is focused on executing effectively. I am very optimistic that we can increase revenue and profit in 2018 and further create value and earnings for our shareholders.

Karl Kristian Bergman Jensen

Sales

Sales for the year amounted to 344.7 million SEK [305.8], an increase of 12.7 percent. In local currencies, the increase was 12.3 percent. Sales in the Nordic countries increased by 17.2 percent to 144.4 million SEK [123.2]. Sales in the other European countries increased by 13.0 percent to 109.8 million SEK [97.2]. Sales in North America rose by 12.7 percent to 88.7 million SEK [78.7]. Exports to Asia fell to 1.8 million SEK [6.7].

Results for the year

Gross profit for the year amounted to 232.3 million SEK [199.6]. This corresponds to a gross margin of 67.4 percent [65.3]. This is mainly a result of the company's efforts to focus marketing investments on products with high gross margin and the benefit of economy of scale in raw material and production cost. Selling and administrative expenses amounted to SEK 203.8 million [185.5], an increase of 10.0 percent. The largest increase in costs was related to higher marketing costs. EBITDA increased by 101.9 percent to 28.5 million SEK [14.1]. This corresponds to an EBITDA margin of 8.3 percent [4.6]. Operating profit amounted to SEK 27.7 million [13.0]. This corresponds to an operating margin of 8.0 percent (4.3). Profit after financial items amounted to 27,1 million SEK [12.5]. In 2017, total interest and financial items amounted to an expense of SEK -0,5 million [-0.5]. Profit after tax for the financial year was 20.3 million SEK [9.6].

Comments for fourth quarter

Sales in local currencies increased by 27.9 percent. Converted into SEK, sales increased by 22.8 percent to 86.6 million SEK (70.6). Gross margin increased to 68.2 percent [65.3]. EBITDA increased by 585.3 percent to 9.9 million SEK [1.4]. Selling and administrative expenses amounted to 49.4 million SEK [44.7], an increase of 10.3 percent. Profit after financial items amounted to 9.9 million SEK [0.9] and net income increased by 2183.6 percent to 6.6 million SEK [0.3]. Inventories decreased by 1.4 percent compared with the same period last year and amounted to 50.9 million SEK [51.6].

Financial position and cash flow

The Group's total assets at 31 December 2017 amounted to 138.8 million SEK [127.6], an increase of 8.8 percent compared to the same time last year. The operating activities generated a positive cash flow of 4.7 million SEK (1.6) during the year. Liquid assets amounted to SEK 9.1 million [6.9]. The Group's equity ratio was 43.8 percent [33.7]. Shareholders' equity apportioned on the outstanding 6,195,200 [6,195,200] shares amounted to 9.82 SEK [6.94] as of December 31, 2017.

Expansion

In 2018, the company will continue to focus on building a leading brand in a number of specific market segments. Profitable products will be launched in markets where New Nordic is active and efforts will be made to broaden the geographic distribution through reputable national distributors who can market New Nordic brands for their own account and risk in their country. New Nordic expects to increase sales and earnings in all markets where it operates.

Events after the balance sheet date

No special events.

Transactions with related parties

There have been no significant transactions with related parties during the period.

Parent company

The parent company's net sales in 2017 amounted to 122.1 million SEK [111.6].

Dividend policy and dividend proposal

New Nordic's financial goal is to enable the company to continue enjoying good growth and to be prepared to exploit future business opportunities. It is essential that the company's expansion is able to proceed as in the past with continued high degree of financial strength and continued freedom of action. Based on this policy, the Board of Directors has determined that the dividend from 2017 onwards should amount to 30-40 percent of the profit after taxes. In addition, the Board may propose the distribution of any surplus liquidity.

The board of directors has decided to propose a dividend of SEK 1.15 per share (0.40) to the annual general meeting on 26 April 2018, corresponding to 35 percent (25) of the profit after tax.

The record date proposed for the dividend payment of SEK 1.15 per share is 1 May 2018. This would then be paid out on 4 May 2018.

Annual general meeting 2018

The 2018 annual general meeting will be held at 10 a.m. on Thursday 26 April at Malmö Börshus, Västra Börssalen, Skeppsbron 2, 211 20 Malmö.

Annual Report 2017

The Annual Report is expected to be published on 28 March 2018 on newnordic.se and will be sent out by post to shareholders that have so requested. The document will also be available at the company's head office.

Risks and uncertainties

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

For a more detailed description of risks and uncertainties, refer to the annual report and consolidated accounts for 2017 under "Risk factors".

Accounting principles

The Group prepares its accounts in accordance with the Annual Accounts Act and the Board of Directors' General Advice 2012: 1 (K3).

Information on the accounting principles in general is stated in the Annual Report 2016.

Audit review

This report has not been audited by the company's auditor.

Certified adviser

New Nordic Healthbrands AB's Certified Adviser is Mangold Fondkommission AB.

Phone: +46 8-50301550

Upcoming reports 2018

Annual Report 2017, 28 March 2018

Three-Month Report 2018, 26 April 2018

General Meeting in Malmö, 26 April 2018

Six-Month Report 2018, 31 July 2018

Nine-Month Report 2018, 31 October 2018

Upcoming reports 2019

Full Year Report 2018, 1 March 2019

Annual Report 2018, 28 March 2019

Three-Month Report 2018, 25 April 2019

General Meeting in Malmö, 25 April 2019

Income Statement (SEK m)

	2017	2016	Q4 2017	Q4 2016
(kSEK)				
Sales	344 739	305 842	86 642	70 553
Cost of goods sold	-112 470	-106 269	-27 534	-24 454
Cross profit	232 269	199 573	59 108	46 099
Personnel expenses	-35 382	-34 982	-10 185	-8 923
Other external expenses	-168 432	-150 495	-39 069	-35 738
EBITDA	28 455	14 096	9 854	1 438
Depreciations	-801	-1 089	-211	-256
Operating (EBIT)	27 654	13 007	9 643	1 182
Interest and other financial items	-539	-484	227	-234
Profit after financial items	27 115	12 523	9 870	948
Tax	-6 818	-2 949	-3 232	-644
Profit for the period	20 297	9 574	6 638	304
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, SEK *	3.28	1.55	1.07	0.05
EBITDA per share, SEK	4.59	2.28	1.59	0.23

*There are no dilutions.

Balance Sheet

(kSEK)	2017	2016
Assets		
FIXED ASSETS		
Intangible fixed assets	37	230
Tangible fixed assets	1 239	1 665
Financial assets	4 324	5 175
TOTAL FIXED ASSETS	5 600	7 070
CURRENT ASSETS		
Inventories	50 917	51 626
Current receivables	73 243	62 032
Liquid funds	9 058	6 864
Total current assets	133 218	120 522
TOTAL ASSETS	138 818	127 592
EQUITY AND LIABILITES		
Equity	60 810	42 979
Deffered tax	2 040	1 496
Long-term debt	1 363	1 318
Short term liabilities – interest bearing	7 292	29 021
Short term liabilities – non interest bearing	67 313	52 778
Current liabilities	74 605	81 799
TOTAL LIABILITIES AND EQUITY	138 818	127 592

Change in Equity

2017 (kSEK)	Share capital	Other equity incl. profit for the year	Total equity
Balance	6 195	36 784	42 979
Dividend	0	- 2 478	-2 478
Exchange rate difference	0	12	12
Profit for the period	0	20 297	20 297
Balance	6 195	54 615	60 810

2016 (kSEK)	Share capital	Other equity incl. profit for the year	Total equity
Balance	6 195	29 577	35 772
Dividend	0	-1 549	-1 549
Exchange rate difference	0	-818	-818
Profit for the period	0	9 574	9 574
Balance	6 195	36 784	42 979

Cash Flow Statements

(kSEK)	2017	2016	Q4 2017	Q4 2016
CURRENT OPERATIONS				
Profit after financial items	27 654	13 007	9 643	1 182
Adjustments for				
Depreciations	801	1 089	211	256
Other provisions	-57	-35	-2	-35
	28 398	14 061	9 852	1 403
Interest received	0	4	0	3
Interest expense	-619	-826	-118	-240
Taxation paid	-4 637	-4 568	-195	-723
Cash flow from current operations before changes in working capital	23 142	8 671	9 539	443
Cash flow from changes in working capital				
Inventories	709	-4 515	-8 501	-1 211
Current receivables	-12 741	3 740	11 487	15 748
Current liabilities	-6 419	-6 272	-10 403	-15 564
Cash flow from current operations	4 691	1 624	2 122	-584
INVESTMENT ACTIVITIES				
Investments in tangible fixed assets	-202	-597	-73	-187
Divestment of inventory	99	35	0	35
Long term receivables	91	572	159	48
Cash flow from investment activities	-12	10	86	-104
FINANCING ACTIVITIES				
Dividend	-2 478	-1 549	0	0
Changes in long term debt	45	-250	163	593
Cash flow from financing activities	-2 433	-1 799	163	593
Changes in liquid funds	2 246	-165	2 371	-95
Liquid funds at the beginning of the period	6 864	6 836	6 687	7 013
Exchange rate effect	-52	193	0	-54
Liquid funds at the end of the period	9 058	6 864	9 058	6 864

Key Figures

(kSEK)	2017	2016	Q4 2017	Q4 2016
Sales	344 739	305 842	86 642	70 553
Gross profit	232 269	199 573	59 108	46 099
EBITDA	28 455	14 096	9 854	1 438
Operating profit	27 654	13 007	9 643	1 182
Profit after financial items	27 115	12 523	9 870	948
Results after tax	20 297	9 574	6 638	304
TOTAL ASSETS	138 818	127 592	138 818	127 592
Return on capital employed, %	39.8	17.7	13.4	1.6
Return on shareholders equity, %	33.4	22.3	10.9	0.7
Equity	60 810	42 979	60 810	42 979
Equity ratio, %	43.8	33.7	43.8	33.7
Debt ratio	1.28	1.97	1.28	1.97
Interest coverage ratio	44.7	15.8	81.0	4.94
Investments	202	597	73	187
Cash flow from current operations	4 691	1 624	2 122	-584
Gross margin, %	67.4	65.3	68.2	65.3
EBITDA margin, %	8.3	4.6	11.4	2.0
Operation margin, %	8.0	4.3	11.1	1.7
Profit margin, %	7.9	4.1	11.4	1.3
Number of employees, average	42	43	41	44
Number of shares by the end of the period	41	42	41	42
Sales per employee	8 307	7 113	2 139	1 622
Gross margin per employee	5 597	4 641	1 459	1 060
Profit per employee	653	291	244	22
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
Own shares by the end of the period	0	0	0	0
EBITDA per share, SEK	4.59	2.28	1.59	0.23
Earnings per share*, SEK	3.28	1.55	1.07	0.05
Equity per share, SEK	9.82	6.94	9.82	6.94

New Nordic Geographic Segments

Sales divided by geographic, SEK	2017		2016	
	MSEK	PERCENT	MSEK	PERCENT
Nordic	144	42	123	40
Rest of Europe	110	32	97	32
North America	89	25	79	26
Rest of the World	2	1	7	2

Quarterly history

	2017				2016				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Turnover ex VAT	80.9	88.9	88.3	86.6	74.6	76.0	84.7	70.6	72.9	76.5	73.9	75.2
Change from previous year, %	8.5	17.0	4.2	22.8	2.2	-0.7	14.7	-6.2	19.4	2.1	13.2	6.4
EBITDA, MSEK	4.2	5.3	9.2	9.9	3.2	2.1	7.4	1.4	4.7	4.2	5.5	4.2
EBITDA-margin, %	5.1	5.9	10.4	11.4	4.3	2.7	8.7	2.0	6.5	5.4	7.4	5.6
Operating profit, MSEK	4.0	5.1	9.0	9.6	2.8	1.8	7.2	1.2	4.1	3.5	4.9	3.3
Operating margin, %	4.9	5.7	10.2	11.1	3.8	2.4	8.5	1.7	5.6	4.6	6.6	4.4
Result before tax, MSEK	3.7	4.9	8.7	9.9	3.1	1.6	6.9	0.9	3.9	2.8	4.7	2.8
Result after tax, MSEK	2.9	3.8	7.0	6.6	2.3	1.5	5.5	0.3	3.1	2.2	3.7	2.3
Cash*, MSEK	3.7	4.4	6.7	9.1	4.0	5.7	7.0	6.9	5.6	4.1	5.1	6.8
Stock, MSEK	43.0	44.2	42.4	50.9	54.4	59.0	51.1	51.6	38.7	34.2	31.9	46.9
Equity, MSEK	45.9	47.0	54.0	60.8	37.7	37.4	42.6	43.0	27.7	30.1	33.3	35.8
Result per share, SEK	0.47	0.61	1.13	1.07	0.37	0.24	0.88	0.05	0.50	0.36	0.60	0.37
Equity per share, SEK	7.41	7.58	8.72	9.82	6.09	6.04	6.88	6.94	4.47	4.86	5.37	5.77
Cash flow per share operating activities, SEK	-0.46	0.56	0.34	0.34	-0.53	0.69	0.22	-0.09	-0.57	-0.29	0.15	0.21
Solidity, %	33.9	33.5	38.2	43.8	27.3	26.3	29.6	33.7	25.6	26.2	28.4	28.6

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.