

## INTERIM REPORT, JANUARY-JUNE 2016

# Midsona strengthens organic profile and improves earnings

### APRIL-JUNE 2016 (SECOND QUARTER)

- Net sales amounted to SEK 351 million (223).
- Operating profit before amortisation/depreciation and impairment, EBITDA, amounted to SEK 23 million (14), before non-recurring items.
- Profit for the period was SEK 11 million (12), corresponding to earnings per share before and after dilution of SEK 0.39 (0.53).
- Cash flow from continuing operations amounted to a negative SEK 22 million (23).
- A new financing agreement was signed with Danske Bank for credit facilities totalling SEK 425 million.

### JANUARY-JUNE 2016 (SIX MONTHS)

- Net sales amounted to SEK 701 million (455).
- Operating profit before amortisation/depreciation and impairment, EBITDA, amounted to SEK 46 Mkr (29), before non-recurring items.



#### About Midsona

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- Profit for the period was SEK 22 million (11), corresponding to earnings per share before and after dilution of SEK 0.77 (0.49).
- Cash flow from continuing operations amounted to a negative SEK 2 million (37).

## **SIGNIFICANT EVENT AFTER THE REPORTING PERIOD**

- Midsona acquired Internatural AB, a company with a leading position in organic food products in Sweden and Norway, including the Kung Markatta and Helios brands.

## **Comments by the CEO**

### **Midsona – market leader in organic colonial products**

Sales of organic goods have shown strong growth in both the Nordic region and globally in recent years. The trend has been particularly strong in Midsona's largest market, Sweden, where sales of organic products increased by some 39 percent in 2015. The organic segment is expected to continue growing in the Nordic region for the next few years. Following acquisitions, Midsona is now the Nordic market leader in organic colonial products. Just over a year ago, Midsona acquired Denmark-based Urtekram International A/S (Urtekram). The acquisition was strategically important as it expanded the product portfolio of proprietary brands positioned for the attractive organic growth segment. Urtekram has been successfully integrated into Midsona's operations over the past year. The acquisition of Internatural AB (Internatural) at the start of July 2016, with its leading organic brands Kung Markatta and Helios, marks the next step for Midsona and makes the company the market leader in organic colonial products in all our principal markets. Kung Markatta is a market leader in Sweden, Helios is a leader in Norway and Urtekram is a market leader in Denmark and Finland. Urtekram is also now the number two product on the Swedish and Norwegian markets. Following the acquisition, organic products account for over half of Midsona's sales.

### **Acquisition of Internatural strengthens Midsona**

Internatural is the company's largest acquisition to date. In addition to its proprietary brands Kung Markatta and Helios, Internatural distributes market-leading products such as Alpro, Yogi Tea and Green & Black's. Internatural reported net sales of SEK 637 million and EBITDA of SEK 65 million for the 2015 financial year. Midsona expects Internatural to achieve significantly increased net sales and an improved EBITDA. The acquisition of



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Internatural with its Kung Markatta and Helios brands, combined with Midsona's brands such as Urtekram and Friggs, position us as a leading Nordic group geared towards plant-based products with a particular focus on organic products.

### **Good opportunities for synergies**

Synergies will mainly be achieved through purchasing, logistics and production. For example, Midsona has a full-scale facility for producing organic food products in Mariager, Denmark, whereas Internatural purchased all its products for Kung Markatta and Helios from a third party. Our assessment is that it will be possible to produce a considerable proportion of these products in Mariager, resulting in cost savings. Larger purchasing volumes will provide better opportunities for negotiation and subsequent lower prices. Synergies over the next few years are expected to result in an annual boost of around SEK 35 million to EBITDA, around SEK 25 million of which is expected to be achieved by the end of 2017.

### **Financing through acquisition loan and rights issue**

Midsona will fund the acquisition of Internatural using an existing credit facility combined with an acquisition loan from Danske Bank. Approximately half the new acquisition loan is in the form of a bridge loan and Midsona plans to carry out a share rights issue totalling SEK 400 million later this year, possibly combined with other financing solutions, such as a bond loan. The rights issue will enable Midsona to maintain its financial ratios while achieving its growth targets. Midsona's largest shareholder, Stena Adactum AB, has agreed to subscribe for its pro rata share of the rights issue and provide an underwriting guarantee for the remainder of the issue. Midsona will provide shareholders with further information as soon as possible.

### **Continued improvement in sales and earnings**

In the second quarter, Midsona's sales rose by 57 percent to SEK 351 million (223). Operating profit before amortisation/depreciation and impairment, EBITDA, amounted to SEK 22 million (16). Adjusted for non-recurring items, EBITDA was SEK 23 million (14). Larger than usual investments were made in sales promotion measures in the second quarter, particularly for the Friggs and Urtekram brands in Sweden. For Friggs, this involved investments in the new range of corn cakes. They have been well received by consumers, resulting in a rapid increase in sales. We also invested in continued development of the distribution of Urtekram in Sweden. There is very significant demand for organic products and this led to the issue of bottle necks and additional logistics costs. We are now implementing measures to streamline the logistics chain.



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### **The Nordic leader in health and well-being**

Midsona has undergone significant change. It has gone from a sprawling structure with numerous subsidiaries focussing on a wide range of activities, with products ranging from pharmaceuticals to washing detergent and a presence in almost all parts of the value chain to being a company with a focus on strong brands in growth segments such as plant-based food products and organic products. A number of the Group's brands are now market leaders in their respective segments. Our ambition is to continue growing these brands, achieving synergies from the acquired Internatural and preparing for new acquisitions. We are close to achieving our vision of being the Nordic leader in health and well-being.

Peter Åsberg, President and CEO

This information is such that Midsona AB (publ) is obliged to disclose in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted, through the provision of Lennart Svensson, for publication on 15 July at 08:00 CET.



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