

Press release, October 24th, 2019 08:30

Swedencare AB (publ) INTERIM REPORT JULY 1ST – SEPTEMBER 30TH 2019

32% growth yielded new profit record

SUMMARY OF THE PERIOD

THIRD QUARTER: JULY 1ST – SEPTEMBER 30TH 2019

Numbers in parentheses refers to outcomes during the corresponding period of the previous year.

- Net revenue amounted to 31,759 KSEK (24,005 KSEK), an increase of 32%
- Organic, currency-adjusted growth amounted to 15%
- Operating profit before depreciation (EBITDA) amounted to 11,311 KSEK (8,842 KSEK), corresponding to an increase of 28% and an EBITDA margin of 35,6% (36.7%)
- Operating profit after depreciation (EBIT) amounted to 10,995 KSEK (8,664 KSEK), corresponding to an increase about 27% and an EBIT margin of 34,6% (36.0%)
- Profit after tax amounted to 8,875 KSEK (6,961 KSEK)
- Earnings per share calculated on 15,770,622 shares 0,56 SEK (0,44 SEK)
- As of September 30th, 2019, cash amounted to 40,063 KSEK (27,657 KSEK)

FIRST 9 MONTHS: JANUARY 1ST – SEPTEMBER 30TH 2019

Numbers in parentheses refers to outcomes during the corresponding period of the previous year.

- Net revenue amounted to 92,686 KSEK (71,359 KSEK), an increase of 30%
- Organic, currency-adjusted growth amounted to 23%
- Operating profit before depreciation (EBITDA) amounted to 31,286 KSEK (22,027 KSEK), corresponding to an increase of 42% and an EBITDA margin of 33.7% (30.8%)
- Operating profit after depreciation (EBIT) amounted to 30,331 KSEK (22,096 KSEK), corresponding to an increase of 37% and an EBIT margin of 32.7% (30.9%)
- Profit after tax amounted to 24,192 KSEK (17,578 KSEK)
- Earnings per share calculated on 15,770,622 shares 1,53 SEK (1,11 SEK)
- Cash flow from operating activities amounted to 22,997 KSEK (14,700 KSEK)
- Foreign exchange gains amounted to 1,273 KSEK (817 KSEK)

SIGNIFICANT EVENTS DURING THE THIRD QUARTER

Swedencare AB (publ) production and logistics center has obtained the GMP B8 certification.

SIGNIFICANT EVENTS AFTER THE THIRD QUARTER

Swedencare AB (publ) acquires the Greek animal health distributor Biovet.

Swedencare AB (publ) present new CEO to lead the company for the financial goals in 2024 and adopts new dividend policy.

WORDS FROM THE CEO

Strong development on a wide front gave new sales and profit records in Q3

Third-quarter sales of SEK 31.8 MSEK increased by 32% compared to Q3 2018. Also the profit developed well and we showed an EBITDA of 11.3 MSEK, an increase of 28% compared to 2018. The EBITDA margin was noted at 35.6%, well above our 30% profit target.

During the first half of the year, we had two quarters with sales of more than 30 MSEK for the first time in the history of Swedencare and I can now note that my assessment that the second half of the year will be even better, is true so far.

Most markets showed continued good development despite the strong first half of the year. North America continues to develop very well, this time with a turnover increase of 43%. Our increased sales force and more systematic efforts of the Canadian market leads to good results and the growth seems to continue. The influencer campaign we focused on this summer has resulted in increased activity on social media, website visits and increased sales. In the future, we will move more resources to influencer and other online marketing in all markets as it is effective from both a cost and time perspective compared to traditional marketing channels.

The UK returned from a slightly calmer Q2 and we feel well prepared for any possible complications that Brexit might initially cause. After talking to a number of experts, we do not expect that our products will suffer any customs duties if a Brexit is implemented.

The rest of Europe has been very strong with, among others, Greece and Portugal where we launched our Dental Bones and also launched in several new chains. We can now also welcome Biovet with MD Ioanna Phychogiou to the Swedencare family. Biovet will take over responsibility not only for Greece but also the Balkans where we so far have had limited sales.

Italy is the first country where we signed direct agreements with Amazon, a collaboration that got off to a great start during the quarter. In Italy, we previously only marketed our products to veterinarians and now we can see that there is a big suppressed demand that is met through the collaboration with Amazon. During the past quarter, we have sales of more than 0.5 MSEK and now have deliveries to Amazon's Italian warehouse every week.

Negotiations are underway for an extension of the cooperation, and France and the UK are next in line. I expect we have agreements in place during Q4. In both of these countries, we sell a lot already why we will not have the same effect as in Italy, but we will have a completely different opportunity to manage campaigns and marketing which is expected to result in increased sales and a wider range of product offerings.

The start-up in Spain negatively affects us in Q3, which was expected, but agreements with the largest sub-distributor and a large retail chain raise expectations for Q4 and, above all, 2020. Now we have a very strong set-up and can start working with marketing and sales support.

The growth in Asia was strong during Q3 with China as, by far, the largest market. We sent by a great amount our largest delivery to China ever during the quarter and they continue to work methodically to maintain strong growth. According to our distributor, we still have a lot to do in China, which is why I expect strong growth for a number of years to come. In Brazil and Australia, sales are going strong according to our partners and we have received and expect more orders to be delivered during Q4 and early next year. In both Australia and Brazil, our distributors have sold equally or even more during the first three quarters of the year compared to the whole of 2018, so growth should be at least 25% but probably higher. In Brazil, we now reach out to TV and radio with an expert veterinarian and with large Influencer campaigns, which means that our sales have accelerated.

Regarding our pet food projects, we are growing substantially and Canagan have had very great success, both in the domestic market UK but also in a number of export markets. I expect continued strong growth in existing projects and that we will be able to present some new collaboration in the future.

We have now presented our new financial goals for 2024 and I am convinced that Swedencare will be able to achieve these with its unique position and momentum in the business. I myself have come to the conclusion that it is now time to leave after almost six years as CEO. During my time in the company a lot has happened since 2014 when we had sales of about 20 MSEK and had two employees. We have set a new sales strategy, acquired six companies, listed Swedencare on Nasdaq First North Growth Market, broadened the product range and added many new markets, to name a few milestones. Swedencare is now entering the next phase with new goals, and the time is well chosen for a new management. In Jenny Graflind, Swedencare gets an extremely competent CEO who knows the business well and has the energy required to take the company to new levels and successes.

I am convinced that Swedencare will continue to develop very well and I look forward to working on the Board and contributing in the way I can.

Thanks to all of Swedencare's fantastic organization and business partners as well as all the shareholders who have been with me during my time as CEO!

Thank you,

Håkan Lagerberg, CEO

Malmö October 24th 2019

The complete interim report is attached to this press release and is available at www.swedencare.se

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About Swedencare

Swedencare develop, produce, market, and sell premium products on the global and fast-growing market within animal healthcare for cats, dogs and horses. The product groups ProDen PlaqueOff and NutriScience are represented on approximately fifty markets in all parts of the world, including the headquarter in Malmö, seven subsidiaries in the Nordics, United States, France, Spain, Greece, Great Britain and Ireland and through an external distribution network. Swedencare's sales have increased significantly over the last few years with strong margins and results. The board of directors and the management have a wide and extensive experience of international marketing and sales.

This is information that Swedencare AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08:30 CET on October 24th, 2019.