

Press release, April 21st, 2020 08:30

Swedencare AB (publ) INTERIM REPORT JANUARY 1ST– MARCH 31TH 2020

Increased market investments result in record sales

SUMMARY OF THE PERIOD

FIRST QUARTER: JANUARY 1ST – MARCH 31ST 2020

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

- Net revenue amounted to 37 726 KSEK (30 551 KSEK), an increase of 23%
- The organic, currency-adjusted growth amounted to 15%
- Operating profit before depreciation (EBITDA) amounted to 10 430 KSEK (10 816 KSEK), corresponding to an decrease of 4% and an EBITDA-margin of 27,6% (35,4%)
- Operating profit after depreciation (EBIT) amounted to 10 714 KSEK (10 679 KSEK), corresponding to an EBIT-margin of 28,3% (34,9%)
- Profit after tax amounted to 8 441 KSEK (8 508 KSEK)
- Earnings per share calculated on 15 801 980 shares 0,53 SEK (0,54 SEK)
- As of March 31st 2020, cash amounted to 44 092 KSEK (35 252 KSEK)

SIGNIFICANT EVENTS DURING THE FIRST QUARTER

After the end of the reporting period, the Covid-19 pandemic broke out. Swedencare monitors developments closely with our distributors and evaluates the extent to which this may affect the company's operations in the short and long term. We expect that the underlying demand for our products will not decrease due to the Covid-19 pandemic, but we do expect some time delays of orders from our distributors as they, in turn, are affected by reduced store visits as well as limitations due to logistics. At present, it is impossible to give any forward-looking assessments to what extent this could possibly affect operations in the following quarters.

SIGNIFICANT EVENTS AFTER THE FIRST QUARTER

There are no significant events after the end of the first quarter to comment except what is described above regarding the impact due to the covid-19 pandemic.

WORDS FROM THE CEO

Society today looks completely different from when we were, only

a quarter ago, excitingly opened in 2020. No one is left unaffected by the covid-19 situation but despite the challenges we have delivered a quarter with a revenue increase of 23% and an EBIT margin in line with our goals. In addition, we have several exciting projects and collaborations both to rejoice and to look forward to.

As I mentioned in the year-end report, we expected that covid-19 would affect us with a time delay in ordering from some markets. This time lag was confirmed when China, that was hit first, basically closed all physical trading in March month. The increased investment in online sales was affected at the same time of both delivery and logistics problems. Our Chinese distributor usually place one order per quarter, this time however, the order was not received during Q1. The Chinese market has now got started again and we will during Q2 deliver a large order. Our distributor recently reported that they, despite challenges during Q1, managed to reach the same revenue during the quarter as the corresponding period last year.

In Europe, the United States and the rest of Asia, the covid-19 pandemic has not had a major impact on sales or earnings during Q1 though there have been limitations with transportation and logistics and activities have been canceled or postponed. Our suppliers and their factories has continued to produce according to plan.

With significantly lower traffic and demand in stores our distributors expect that their replenished inventory, after the deliveries in Q1, is likely to last longer, which then is expected to affect orders to us in Q2 and possibly the following quarters - to what extent, however, it is difficult to forecast today. We continue to have a close dialogue with our distributors around the world to support them and we contribute, among other things, with extra marketing materials and campaigns.

Although we expect a temporary decline in orders from some distributors, we still see a strong long-term growth in demand as the pet market continues to grow. On the one hand, the number of new pets is increasing on almost all markets and on the other hand the increased working from home results in that "Pet Parents" spend extra time with their dogs and cats - the four-legged family members have become even more important.

Despite the lack of sales to China, which is our largest external market, the Rest of Asia accounted for 14% of the total sales for the quarter. The main contributor was Korea, which more than doubled their sales compared to the same period last year, this after a larger order which also included our new Mini Dental Bones.

Our agreement with Amazon that was concluded last fall has had a strong positive impact in Q1. In the UK, sales to Amazon doubled compared to the same period last year, when sales to Amazon went through a wholesaler. The cooperation has several advantages, for example, we have full control over the delivery and how our brands are presented and displayed on the platform. If the sales during the quarter has been positively affected by the fulfillment of Amazon's warehouses and/or the covid-19 situation one can only speculate on, but online sales have increased significantly over a longer period and the trend is expected to continue. We are therefore expanding our efforts online, in the short term to meet the restriction in physical commerce and partly in the long term to reach more customer groups. In the longer perspective, the changed short-term shopping behavior, due to the covid-19 situation might results in increased shopping online, even when the crisis is over.

Our food project with Canagan continues successfully and their dental pet food is now available in 25 markets including Russia, Japan and Germany. I can happily report that we are now taking another step to develop this product group by entering into an exclusive agreement this quarter with a petfood producer for the Brazilian market, the largest market in the world after the United States, for petfood. I look forward to presenting more details about this in the next report. We continue to launch our popular Dental Bones on more markets and in the past quarter sales were 60% higher than during the corresponding quarter 2019.

We deliver an EBIT of 10.7 million SEK, corresponding to a margin of 28.3%, which is in line with our long-term goal. Our increased marketing efforts produce results while at the same time, the investment entails increased costs partly through cooperation with Amazon and partly through the marketing and introductory campaigns that was carried out in new retail chains in the USA in the beginning of Q1. EBIT was also affected positive by a weaker Swedish currency during the quarter.

We have all experienced how quickly everyday life can change and we all share the desires to be able to return to normal mode as soon as possible. Until then, we do our best to influence the situation of our customers and partners.

Take care of yourself,

Jenny Graflind, CEO
Malmö April 21st 2020

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 April 21st, 2020.