

Press release, July 24th, 2020 08:30

Swedencare AB (publ) HALF YEAR REPORT APRIL 1ST– JUNE 30TH 2020

A quarter characterized by a strong finish and acquisition

SUMMARY OF THE PERIOD

SECOND QUARTER: APRIL 1ST – JUNE 30TH 2020

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

- Net revenue amounted to 32 015 KSEK (30 376 KSEK), an increase of 5%
- Organic, currency-adjusted growth amounted to 0%
- Operating profit before depreciation (EBITDA) amounted to 7 424 KSEK (9 158 KSEK), corresponding to a decrease of 19% and an EBITDA-margin of 23,1% (30,1%)
- Operating profit after depreciation (EBIT) amounted to 5 671 KSEK (8 657 KSEK), corresponding to an EBIT-margin of 17,7% (28,4%), which includes an exchange rate loss of 920 KSEK
- Profit after tax amounted to 5 145 KSEK (6 809 KSEK)
- Earnings per share calculated on 15 990 881 shares 0,32 SEK (0,43 SEK)
- As of June 30th 2020, cash amounted to 175 795 KSEK (39 076 KSEK)
- Costs in connection with the acquisition of Stratford's operations amounted to 1 483 KSEK. Adjusted for this, EBITDA amounted to 8 907 KSEK, corresponding to an EBIT-margin of 27,7% and EBIT to 7 154 KSEK corresponding to an EBIT-margin of 22,3%

FIRST 6-MONTHS: JANUARI 1ST – JUNE 30TH 2020

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

- Net revenue amounted to 69 740 KSEK (60 926 KSEK), an increase of 14%
- Organic, currency-adjusted growth amounted to 8%
- Operating profit before depreciation (EBITDA) amounted to 17 853 KSEK (19 974 KSEK), corresponding to an decrease of 11% and an EBITDA-margin of 25,5% (32,7%)
- Operating profit after depreciation (EBIT) amounted to 16 385 KSEK (19 335 KSEK), and an EBIT-margin of 23,4% (31,7%)
- Profit after tax amounted to 13 586 KSEK (15 317 KSEK)
- Earnings per share calculated on 15 851 431 shares 0,86 SEK (0,97 SEK)
- Cash flow from operating activities amounted to 13 761 KSEK (15 769 KSEK)
- Foreign exchange gains amounted to 208 KSEK

SIGNIFICANT EVENTS DURING THE SECOND QUARTER

Swedencare AB (publ) acquires operations from a leading American company in animal health care products.

Swedencare AB (publ) appoints Håkan Lagerberg as CEO after strategic acquisition.

Swedencare AB (publ) carries out a directed new issue of 1 500 000 shares and is thus provided with approximately 133 MSEK, which after issue costs of 4,6 MSEK gave a net contribution of 129 MSEK, to finance the American business acquisition.

SIGNIFICANT EVENTS AFTER THE SECOND QUARTER

Swedencare AB (publ) took, on July 1st, over the business acquired on June 24th.

WORDS FROM THE CEO

An eventful end to Q2 and a clear change in demand in the last month of the quarter.

The second quarter's net sales of 32 MSEK gave an increase of 5% compared to Q2 2019, while EBITDA decreased by 19% to 7,4 MSEK. Sales and earnings were affected by the Covid-19 pandemic and the profits also include approximately 1,5 MSEK in costs related to our acquisition of Stratford. Adjusted for acquisition costs, we reach an EBIT margin of 25,6% for the first half year, above our long-term goal despite a challenging environment. As the leader of a team or a company, you should be careful with concepts such as "satisfied", but I allow myself to be proud. Our cash flow from operating activities of 14,9 MSEK also shows that we are strong even in a tough environment.

As Jenny predicted in our Q1 report, the second quarter was heavily affected by Covid-19 in the form of quarantine, closed stores, and veterinary clinics to varying degrees worldwide. We therefore had a lot of time delays in orders and sales. The fact that we came in with a small increase in sales despite an April and May which were clearly affected and the uncertainty was significant is satisfying. Despite a continued large impact worldwide, we can see that our customers have recently become more active. In the quarter, June accounted for over 40% of our sales and the sales from our subsidiaries show that the strong trend continues in July, which is why I look with confidence on the second half of 2020. Our external distributor markets will also be clearly stronger in the second half of the year, as both regular orders have been received and new products will be launched in important markets such as Japan, China, and South Korea.

In most markets, online shopping has increased strongly during the quarter as physical stores have had limited opening hours, and that there have been several restrictions for consumers to move around in the community. Our already largest customer in the US, Chewy.com, had a record quarter and accounted for over 30% of our sales in the US. Our increased market investments in the US have yielded results, we increased our sales by 28% compared to last year. It is still our powder product and the Dental Bones that are growing strongly. The UK is one of the most affected and shut down countries in Europe and there we have really seen a big change in terms of purchasing channel. During the quarter, Amazon UK continues to increase significantly, both for the reason of the expanded online initiatives and closed waiting rooms at the veterinary clinics.

As for other subsidiaries, we had record months in both Spain and Greece in June, which resulted in a quarter of increased sales in these markets. The Nordic region also closed strongly and increased its sales by almost 50% compared to last year.

Asia and Rest of the world were slightly weaker, but China is back, and we see that the second half of the year will be stronger in 2020 as we have reviewed both orders and forecasts. It feels like the world is waking up and trying to return to how it was before.

In addition to increased business operations, the final phase of the quarter was very intense for us. We resumed a discussion, which began several years ago, regarding the acquisition of Stratford Pharmaceuticals' operations in Tampa, Florida. We managed to complete the deal on July 1st, an acquisition that changes the future of Swedencare, a so-called. "Game changer", in my opinion. With the acquisition, we will have a channel to cover 10,000 veterinary clinics, many of whom are not customers of ours today, and we will have a business and management team that will not only develop Stratford as a subsidiary but also contribute to Swedencare's growth worldwide.

Stratford also has an interesting product range that complements and expands our range in various parts, of which their dermatology products will be particularly interesting to launch in our distribution network worldwide. Finally, Stratford has built a unique process where they can deliver private label products to individual clinics that want their own label on their products. Without synergies and sales partnerships, as we see coming, Stratford also had an extraordinarily strong first half year with a large increase in sales and they, like us, can see that this continues in the third quarter. Therefore, their contribution to Swedencare will be clearly visible in our next quarterly report, which I am of course already looking forward to presenting!

To finance the deal and continue to have a strong financial base, we chose to carry out a directed new share issue to new and existing institutional owners. The interest was fantastic, and we welcome several new extremely reputable owners such as Robur, Berenberg and Consensus to name a few. The great interest gives us the confidence to continue to see how we can best make new steps to approach our goal of becoming the leading dietary supplement company in the world focused on pets.

In order to give the Stratford acquisition and any future acquisitions optimal conditions, the Board saw the need to strengthen the management resources. The desire was to return to the team we had before. My experience in business development and organizational building comes in handy, and that we get Jenny back as CFO was the only requirement I had, the function naturally becomes even more important after Stratford was included. Jenny and I are a collaborative and complementary team and we both look forward to developing Swedencare even faster and better. Our investment in market and brand continues with force and Sara, our global marketing manager who started working with us in the beginning of the year, has started several large projects of which some will be presented in the autumn.

In conclusion, I want to repeat that I am looking forward to writing "Words from the CEO" in future reports as we have a lot going on both in our existing business and with our new acquisition in the US.

Best summer greetings,

Håkan Lagerberg, CEO

Malmö July 24th 2020

The complete half year 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 July 24th, 2020.