

## INTERIM REPORT JANUARY-MARCH 2023

# Interim Report January-March 2023

### Improved gross margin and continued strong cash flow

#### January–March 2023 (first quarter)

- Net sales amounted to SEK 974 million (972).
- EBITDA, before items affecting comparability, amounted to SEK 60 million (62), corresponding to a margin of 6.2 percent (6.4) and EBITDA amounted to SEK 55 million (62).
- Operating profit, before items affecting comparability, amounted to SEK 21 million (22), corresponding to a margin of 2.2 percent (2.3) and the operating profit amounted to SEK 16 million (22).
- The profit/loss for the period was SEK –6 million (12), corresponding to earnings/loss per share of SEK –0.04 (0.17) before and after dilution.
- Cash flow from operating activities amounted to SEK 82 million (–8).
- Midsona received recognition for being the stock exchange's most sustainable company in the groceries category and took third place overall the Sustainable Company rankings for 2022.
- For the second consecutive year, the global environmental initiative CDP named Midsona as a Supplier Engagement Leader for its commitment throughout the supply chain.

#### **Comment by the CEO**

In the first quarter, we saw initial signs of the trend starting to turn – for Midsona as well as for market. Since the invasion of Ukraine in February 2022, prices for raw materials have risen, transport and other inputs have been challenging for the entire industry – we believe, however, that developments in the first quarter marked a turning point.

#### **Signs of a turnaround**

We are proud to have achieved sales of SEK 974 million (972) for the quarter and that these were stable year-on-year despite a distribution agreement having been terminated with net sales of SEK 31 million in the comparison period. Previously announced production challenges in Spain and Germany also impacted our delivery capacity negatively and, accordingly, our sales too. We saw continued strong growth for private label, which





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increased by 19 percent year-on-year with an improved margin, by renegotiating some contracts and terminating others. Several of our own brands experienced strong growth, including Urtekram Beauty Care, Helios and particularly Friggs and Gainomax, which both delivered double-digit growth figures.

***Price increases gradually had an effect***

The price increases that we announced last year gradually achieved an effect during the quarter and will reach their full impact in the second quarter. Thanks to the price increases, our gross margin came back up to the level that had prevailed before the war in Ukraine, although not yet to the levels we had in 2020–2021. Our expenses for inputs remained high. The exchange rate trend, for both USD and EUR, was strong and continued exerting some pressure on the margin trend, as most of our inputs and –finished goods are purchased in those currencies.

***Temporary production problems now resolved***

Our production overheads during the quarter were higher than normal. Although these largely comprised energy expenses, but we also incurred extra expenses for planned production maintenance in Spain and Germany. Profit was also burdened by temporarily high production overheads for handling water in Spain. With these problems now resolved, we expect the cost savings successfully implemented by the Group to be more clearly visible in our figures from now on.

***Strong cash flow focus paid off***

We are continuing to fine tune our operations, cutting our cost base through restructuring programmes. We have also been working to improve our cash flow, including by focusing on inventory management. The operating activities delivered SEK 82 million (–8) in cash flow for the quarter and we further reduced our net debt by SEK 53 million to SEK 721 million. In the second quarter, however, we expect the usual seasonal, pre-summer build-up of inventories.

***Slightly brighter cost trend***

We are now seeing many inputs stabilising, but because we plan a long way ahead in our purchasing, our backlog means our high-cost scenario will persist in the second quarter. Being justifiable, the price increases we have implemented have generally been well received by retailers.

***Optimising the product portfolio to increase profitability***

Over the year, our customers will see a slimmed-down Midsona with a more efficient product portfolio. Having an overly broad product portfolio has eroded our margins and we perceive a need to phase out unprofitable brands and products, such as products that are complex to produce and/or demand many input goods. By trimming down the range, we will achieve production synergies, cut costs and improve our margins. We will at the same time hone our communications for our organic brands. We expect a slimmer product portfolio to be more effectively able to expand with both existing and new customers – through own brands and private label.



***Many things are looking better***

Developments over the quarter makes us view the future more positively. Many things now look better than they did just three months ago. Nonetheless, risks remain, such as eroded purchasing power and volatility in input goods and currencies. We are seeing healthy and sustainable choices temporarily having to take a back seat among consumers. Many people seek to consume healthily, however, and Midsona will meet consumers at more attractive price points, without compromising on either quality or margin. We are continuing to implement a number of measures, fully focused on strengthening our earnings, and we are seeing our cost-saving measures gradually – having the desired impact. On the whole, we look ahead with confidence.

*Peter Åsberg*  
*President and CEO*

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**ABOUT MIDSONA AB**

Midsona develops and markets strong brands within health and well-being, with products that help people live a healthier and more sustainable life, with an increased understanding of the origin of the raw material and with transparency as to the content. The Midsona share is listed on NASDAQ OMX Stockholm. For more information [www.midsona.com/en](http://www.midsona.com/en)

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