

# Midsona – Year-End Report 2023

## **Record-strong free cash flow and continued improvement in margins**

### **October–December 2023 (fourth quarter)**

- Net sales amounted to SEK 1,003 million (1,027). In the comparison period, distribution agreements that have now been terminated contributed to net sales of SEK 47 million.
- EBITDA, before items affecting comparability, amounted to SEK 60 million (45), corresponding to a margin of 6.0 percent (4.4) and EBITDA amounted to SEK 57 million (39).
- Operating profit/loss, before items affecting comparability, amounted to SEK 22 million (5), corresponding to a margin of 2.2 percent (0.5) and the operating profit/loss was SEK 19 million (–6). Items affecting comparability of SEK –3 million (–11) were included in the operating profit/loss.
- Profit/loss for the period was SEK 3 million (–15), corresponding to earnings per share of SEK 0.03 (–0.19) before and after dilution.
- Cash flow from operating activities amounted to SEK 157 million (128).

### **January–December 2023 (full-year)**

- Net sales amounted to SEK 3,793 million (3,899). In the comparison period, distribution agreements that have now been terminated contributed to net sales of SEK 191 million.
- EBITDA, before items affecting comparability, amounted to SEK 217 million (191), corresponding to a margin of 5.7 percent (4.9) and EBITDA amounted to SEK 186 million (176).
- Operating profit/loss, before items affecting comparability, amounted to SEK 60 million (30), corresponding to a margin of 1.6 percent (0.8) and the operating profit/loss amounted to SEK 29 million (–465). Items affecting comparability of SEK –31 million (–495) were included in the operating profit/loss.
- The profit/loss for the period amounted to SEK –53 million (–501), corresponding to earnings per share of SEK –0.36 (–6.73) before and after dilution.



- Cash flow from operating activities amounted to SEK 343 million (203).
- The Board of Directors proposes that no dividend be paid for 2023.

## **Comment by the CEO**

During the fourth quarter, we continued to take vital steps in the proper direction and were able to see clear results of our efforts, especially in improved margins and a record-strong free cash flow. We are therefore entering 2024 strengthened.

### **Friggs had strong development and organic food expanded**

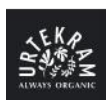
Net sales decreased by 2 percent to SEK 1,003 million (1,027), but adjusted for terminated distribution agreements and divested brands, corresponding to combined net sales of SEK 50 million in the comparison period, net sales increased by 2 percent. Several of our major brands, such as Davert, Friggs and Helios, continued to perform well and showed double-digit growth. In the organic products category, we saw sales growth of 5 percent.

### **Gross margin improved by optimised product portfolio**

The gross margin, before items affecting comparability, improved to 25.4 percent (22.6) after implemented price increases and rationalisation of the product portfolio. Efforts to optimise and simplify the product portfolio continued, with the phasing out of unprofitable products and termination of some unfavourable contract manufacturing agreements. Two smaller, non-strategic brands were also divested. However, the positive margin trend was offset in part by a continued weak exchange rate trend for the SEK and NOK against the important EUR and USD currencies for the majority of the period. Both the SEK and NOK began to strengthen against both the EUR and USD in December, but did not have time to have any effect on the margin during the quarter. The price scenario was stable for most input and finished goods, although at continued high price levels. Our business is now more robust overall and efforts to optimise the product portfolio continue.

### **Nordics remains a driving force**

Nordics continued to show good profitability, with very strong improvement in Denmark after a successful process of change. Our new marketing concept for our organic brands in the Nordic region was received positively by customers and consumers alike, with a positive effect on sales. So far, we have launched the concept for Kung Markatta and Urtekram. Unfavourable currencies continued to be a challenge and had a negative impact on performance, particularly in Sweden.



During the quarter we continued to address the challenges we face in North Europe and South Europe, where we managed to improve the results to some extent. For North Europe, sales increased by 9 percent, due primarily to strong growth for our Davert brand, which increased by 17 percent, as a result of new listings. Implemented operational activities produced good results and performance improved.

For South Europe, the situation improved during the period regarding challenges related to the production facility in Spain. At the same time, a major contract manufacturing assignment was renegotiated at a better price, which means that the outlook for the coming quarters is much brighter. Profitability continued to stabilise in France.

For the Group, EBITDA before items affecting comparability improved to SEK 60 million (45).

### **Record-strong free cash flow**

During the quarter, active measures to reduce working capital and improve cash flow took effect. Capital tied up in inventories decreased by SEK 88 million in the fourth quarter, contributing to a free cash flow of SEK 151 million (120). Free cash flow improved to SEK 315 million (180) on a full-year basis, allowing us to gradually reduce net debt by SEK 278 million to SEK 496 million during the year.

### **Cautious optimism for 2024**

To further strengthen our position, we will continue to harmonise our range through a reduced number of items and by renegotiating unprofitable contracts and divesting nonstrategic brands. We have already seen positive effects of changes to the product range, which means we have a stable base from which to work. In addition, raw material prices have stabilised and the currency has started moving in a favourable direction. Several studies show that people want to eat healthily and sustainably. With a strategy and business concept based on a passion for healthy, natural and sustainable food, sustainability is an integral element of our business. As inflation subsides and any interest rate cuts are implemented, I confidently look forward to more affluent consumers who can pay for sustainable alternatives. Overall, I am cautiously optimistic about the general market situation and Midsona's prospects in 2024.

*Peter Åsberg*  
*President and CEO*

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### **ABOUT MIDSONA**

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 Stockholm. For more information [www.midsona.com/en](http://www.midsona.com/en).

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