

Q1 2020 Conference Call

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Agenda

1	Executive overview
2	Financial review
3	Outlook
4	Q&A

Stable start to 2020

- Organic sales growth of 11%
- Increased demand from existing and new customers
- Joint Venture established with Viva5
- Limited operational impact of Covid-19 pandemic in Q1



Impact on Probi by Covid-19 pandemic

- Increased demand for immune supporting products
- Maintaining full operational status at manufacturing facilities
- Extensive safety measures implemented including back-up plans for production and supply chain
- Longer term impact on consumer behavior unclear



VivaPro

- Strategic Joint Venture with US-based Viva5 Corporation
- Purpose to develop consumer-friendly probiotic products in new niche markets as beverages, bars, cereals and various powder products
- Based on spore-forming bacteria (*Bacillus coagulans*), more robust and resistant to elevated temperatures
- Ambition to strengthen the scientific body of evidence in the field of *Bacillus coagulans*
- 51% owned by Viva5 Corporation and 49% by Probi – option for Probi to acquire majority interest

VIVA^{PRO}

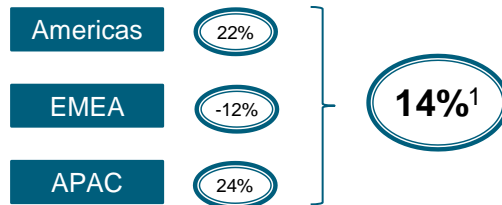


Outperforming market growth but one-offs affecting margin

Financial targets

Q1 2020

Outperforming market growth



Americas:

Strong demand following Covid-19 related surge in consumer purchases combined with relatively low compare in Q1 2019

EMEA:

Underlying demand OK, affected by regional redistribution of sales revenues

APAC:

Positive developments with new and existing customers

EBITDA exceeding 20%



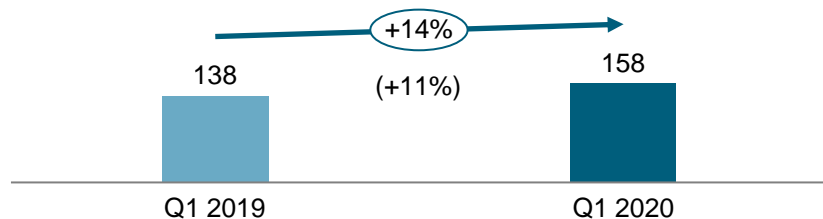
One-off items related to temporary production disruption and strategic project costs affecting Q1 2020 by SEK 5 m, corresponding to 3 ppt

¹ Not adjusted for currency effects

Healthy growth in Net Sales but weaker EBITDA-margin

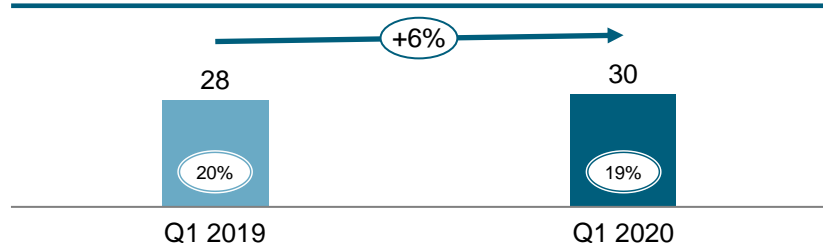
Net sales

SEK m, sales growth in % (constant currency growth)



EBITDA

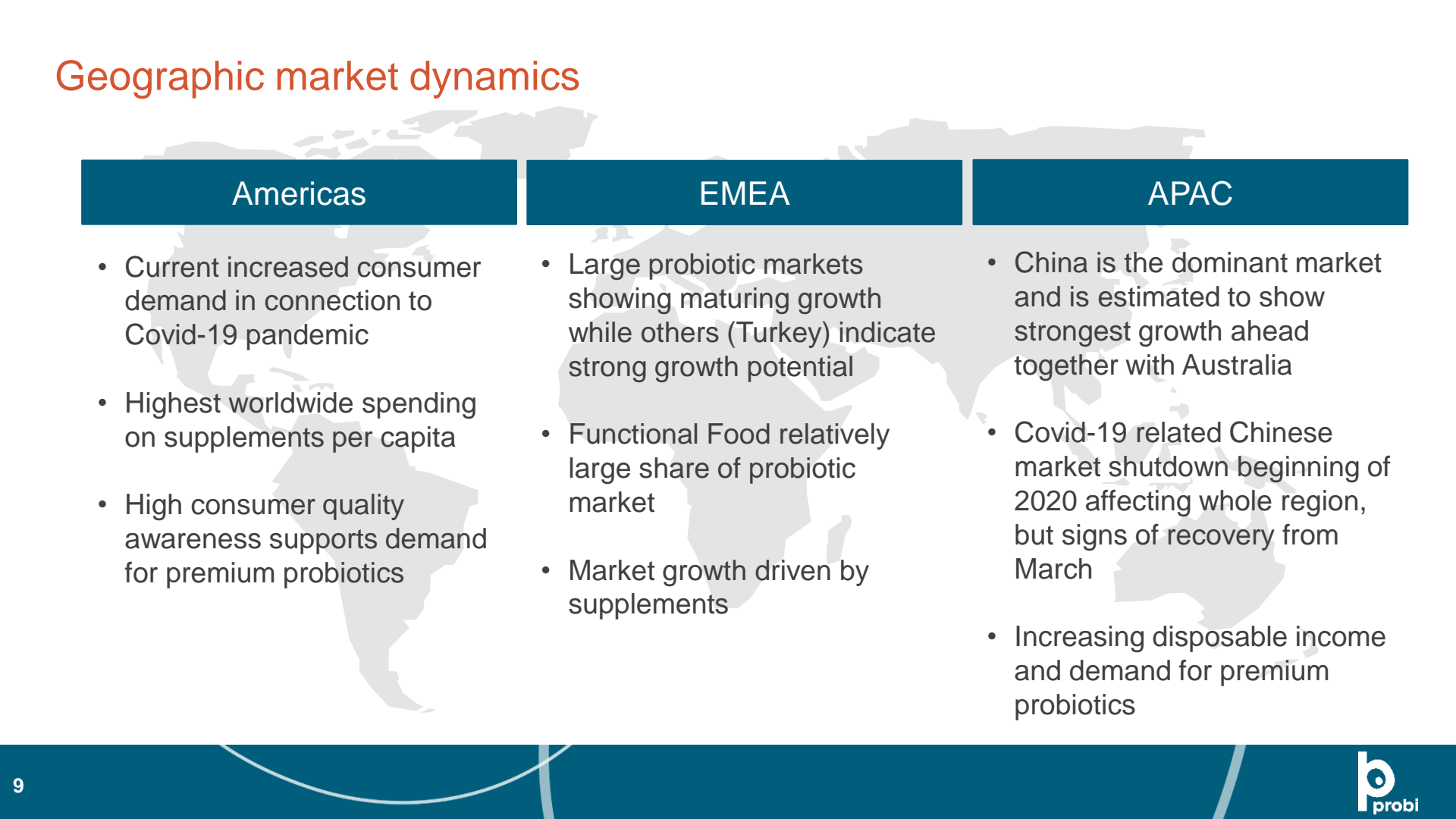
SEK m, EBITDA margin as % of Group net sales



Highlights in the quarter

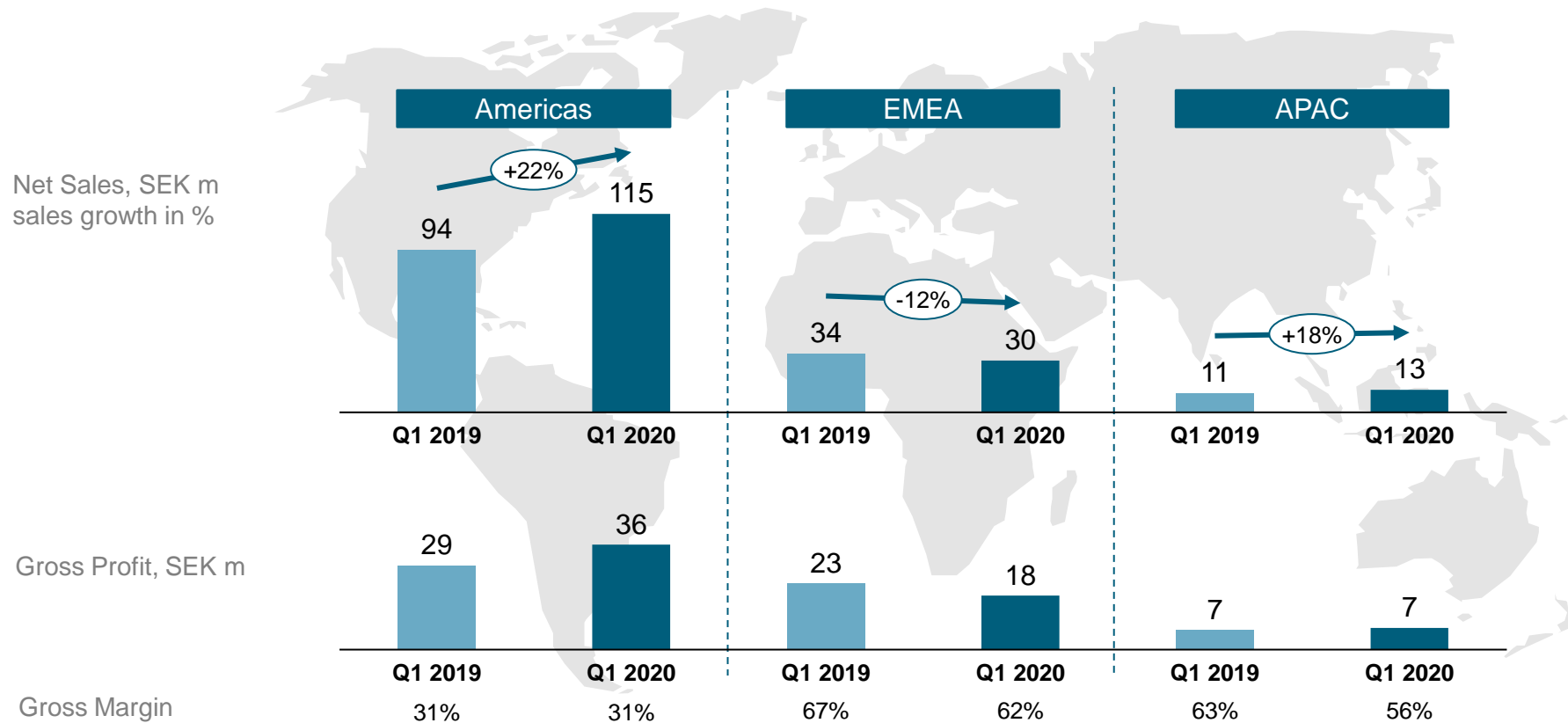
- Net sales (organic) +11% compared to Q1 2019
- Increased interest for immune products in all markets
- Product mix and temporary disruptions in production had negative impact on gross margin
- Increased costs for Business development and R&D by SEK 5 m pushing EBITDA-margin down to 19%
- Expanded collaboration with large American customer will imply higher long-term sales volumes but also potentially increased quarter by quarter volatility in sales

Geographic market dynamics



Americas	EMEA	APAC
<ul style="list-style-type: none">• Current increased consumer demand in connection to Covid-19 pandemic• Highest worldwide spending on supplements per capita• High consumer quality awareness supports demand for premium probiotics	<ul style="list-style-type: none">• Large probiotic markets showing maturing growth while others (Turkey) indicate strong growth potential• Functional Food relatively large share of probiotic market• Market growth driven by supplements	<ul style="list-style-type: none">• China is the dominant market and is estimated to show strongest growth ahead together with Australia• Covid-19 related Chinese market shutdown beginning of 2020 affecting whole region, but signs of recovery from March• Increasing disposable income and demand for premium probiotics

Net Sales and Gross Profit by region



Q1 2020 – Business highlights

- Covid-19 pandemic caused no major delays in customer deliveries. Significant increased interest in immune supporting products.
- VivaPro joint venture established.
- Strengthened partnership with one of our largest American customers.
 - Broader delivery commitment for Probi and future higher volumes
 - Potentially higher variation in sales and gross margins between quarters
- New members in executive management team.
 - Basudha Bhattarai-Johansson, Vice President - HR
 - Shane Judge, Vice President - Global Sales & Marketing
 - Hanne Risager-Romedahl, Vice President - Research & Development



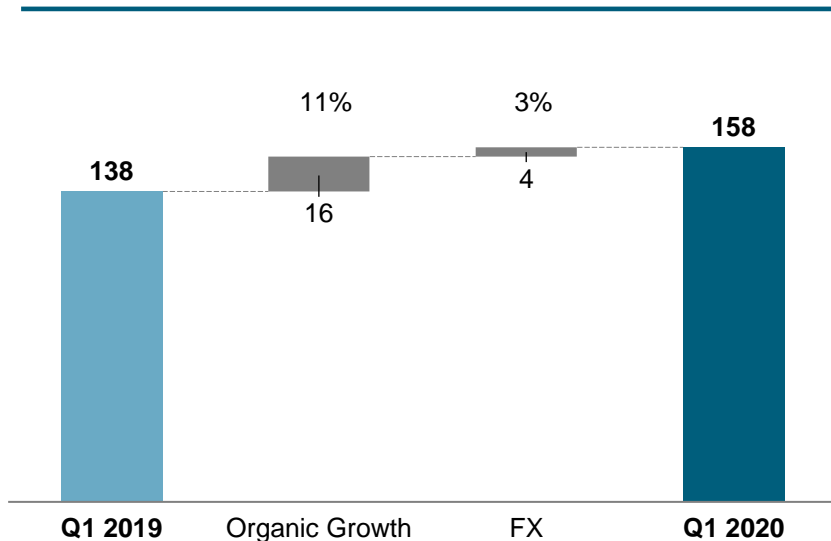
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Increased sales revenue but reduced EBITDA margin caused by one-offs

Probi sales bridge

SEK m, change in %



Condensed P&L

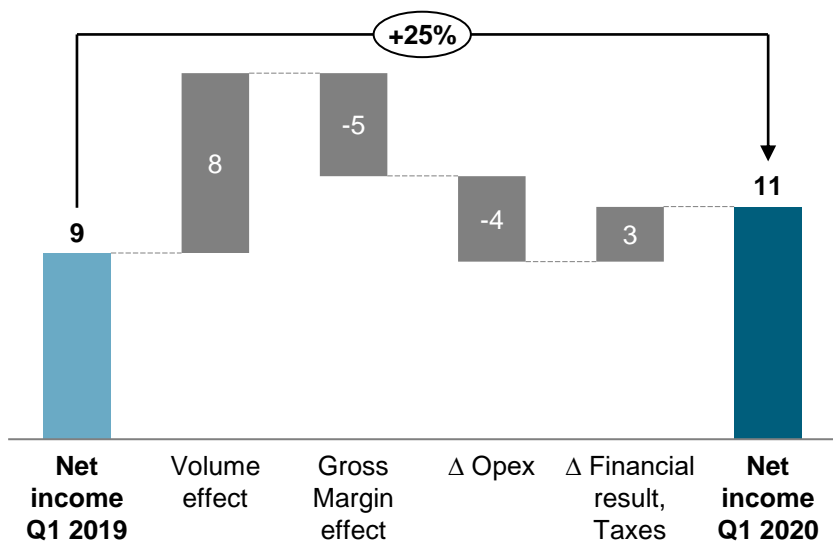
SEK m, change in %

	Q1 2020	Q1 2019	Change
Net sales	157.8	138.2	▲ 14%
EBITDA	29.9	28.2	▲ 6%
EBITDA margin	18.9%	20.4%	▼ -1.5pps
EBIT	11.0	11.3	▼ -3%
Net income	10.7	8.5	▲ 25%
EPS	0.94	0.75	▲ 25%

Increased net income due to stronger sales

Reconciliation of net income

SEK m



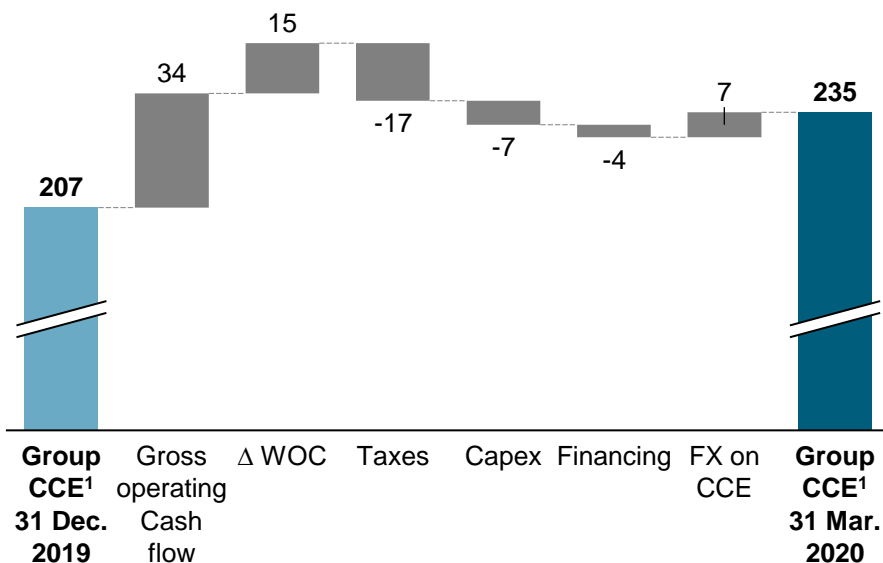
Key aspects

- Net income increased by SEK 2 m (+25%) compared to previous year
- Organic growth of sales SEK 15 m (11%), FX effect SEK 4 m
- Gross profit effected by disruption in production (SEK 3 m) and product mix (SEK 2 m) in total SEK 5 m
- Operating expenses increased by SEK 4 m mainly related to business development projects and R&D projects
- Exchange rate gain of SEK 3 m due to revaluation of cash & cash equivalents

Continued strong cash flow

Reconciliation of group liquidity

SEK m



Key aspects

- Gross operating cash flow of MSEK 34 reflects robust business model
- Favourable working capital effect mainly due to decreased inventory
- Large tax payments in the quarter due to timing effects
- Capex mainly related to upgrade program in Redmond, USA
- Financing agreement due in July 2020 was terminated in the quarter as a result of strong cash flow
- Positive FX effect due to weaker SEK

Solid balance sheet with no external loans

Balance sheet Probi Group

SEK m, in % of total assets

Assets	31 Mar 2020	31 Dec 2019	Liabilities and equity	31 Mar 2020	31 Dec 2019
Intangibles (excl. GW)	503	482	Total equity	1,239	1,152
Goodwill	342	316			
PPE	115	107	Other non-current liabil.	52	52
Deferred tax assets	8	6	Non-current liabilities	52	52
Non-current assets	968	911	Borrowings	0	0
Inventories	77	79	Trade payables	37	38
Trade receivables	84	83	Other current liabilities	43	48
Other current assets	7	9	Current liabilities	80	86
Cash and cash equiv.	235	207	Total liabilities	133	137
Current assets	403	378			
Total assets	1,371	1,290	Liabilities and equity	1,371	1,290

Key aspects

- Net cash flow SEK 28 m
- Intangibles and Goodwill increased due to FX
- Total equity of SEK 1,239 m
- Equity ratio 90%
- Limited movements on remaining balance sheet items

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Outlook geographic markets

	Americas	EMEA	APAC
Market sentiment:	<ul style="list-style-type: none">• Low digit growth	<ul style="list-style-type: none">• Stable growth	<ul style="list-style-type: none">• Recovery (driven by China)
Probi focus:	<ul style="list-style-type: none">• Increase market share• Growth in premium products• Increase commercial resources, new market channels & market niches	<ul style="list-style-type: none">• Footprint in new important markets, Italy and Turkey• Collaboration in partner projects	<ul style="list-style-type: none">• Identify right partners• Grow with partners in Korea, Australia, India and China• Return to growth

Global annual growth in probiotic supplements estimated to be 4% the coming 4 years

Probi's strategic focus areas



**Double our
market footprint**



Growth
focus



**Lead the way in
probiotic innovation
and science**



Accelerate
new product
development



**Manufacturing
excellence**



Enhance and expand
manufacturing
capabilities

Q&A

Financial calendar

2019 Annual General Meeting	13 May 2020
Interim report Q2, 2020	17 Jul 2020
Interim report Q3, 2020	21 Oct 2020
Year-end report, 2020	9 Feb 2021