

# Q2 2020 Conference Call

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# Agenda

<b>1</b>	Executive overview
<b>2</b>	Financial review
<b>3</b>	Outlook and new financial targets
<b>4</b>	Q&A

## Good business momentum in Q2

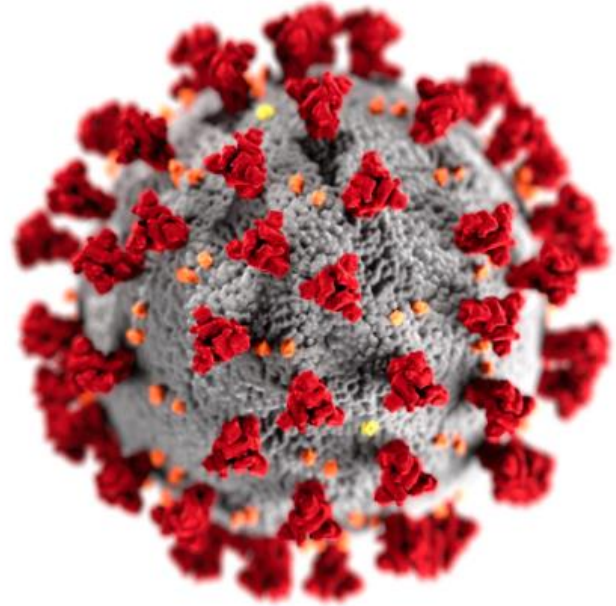
- Overall neutral impact from Covid-19 on sales and costs
- Strong underlying demand for probiotics
- EBITDA margin 32% reflecting reduced operational expenses
- Pan-European partner agreement with launch in 15 European countries from 2021
- Professor Bengt Jeppsson, one of Probi's founders received NutraChampion Award
- New financial targets reflecting strong trends and higher ambition



WINNER  
**NUTRA**  
INGREDIENTS  
AWARDS 2020

# Covid-19 - Limited impact on operations and sales in Q2

- Increased demand for immune supporting products
- Heightened focus on personal health supports demand in US market
- Societal lock-downs resulted in customer stock building in EMEA and APAC
- Maintaining full operational status at manufacturing facilities
- Limited Covid-19 related cost increases



# Exceeding financial targets for H1 2020

## Financial targets

Jan-Jun 2020

Outperforming market growth



### Americas:

Strong underlying demand for probiotics partly driven by Covid-19. E-commerce channel growing

### EMEA:

Strong second quarter but Covid effects will materialize in second half of 2020

### APAC:

Strong second quarter but Covid-related customer stock building will add pressure ahead

EBITDA exceeding 20%



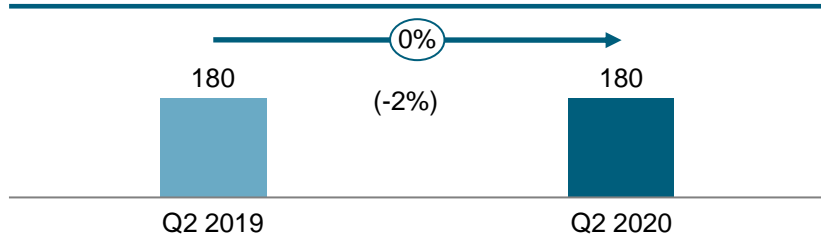
One-off items in Q1 were balanced in Q2 by lower OPEX. Covid-related costs had overall small impact on COGS and OPEX

<sup>1</sup> Not adjusted for currency effects

# Satisfying sales and improved EBITDA-margin

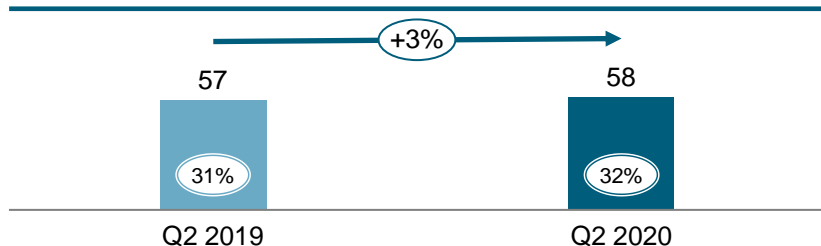
## Net sales

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



## EBITDA

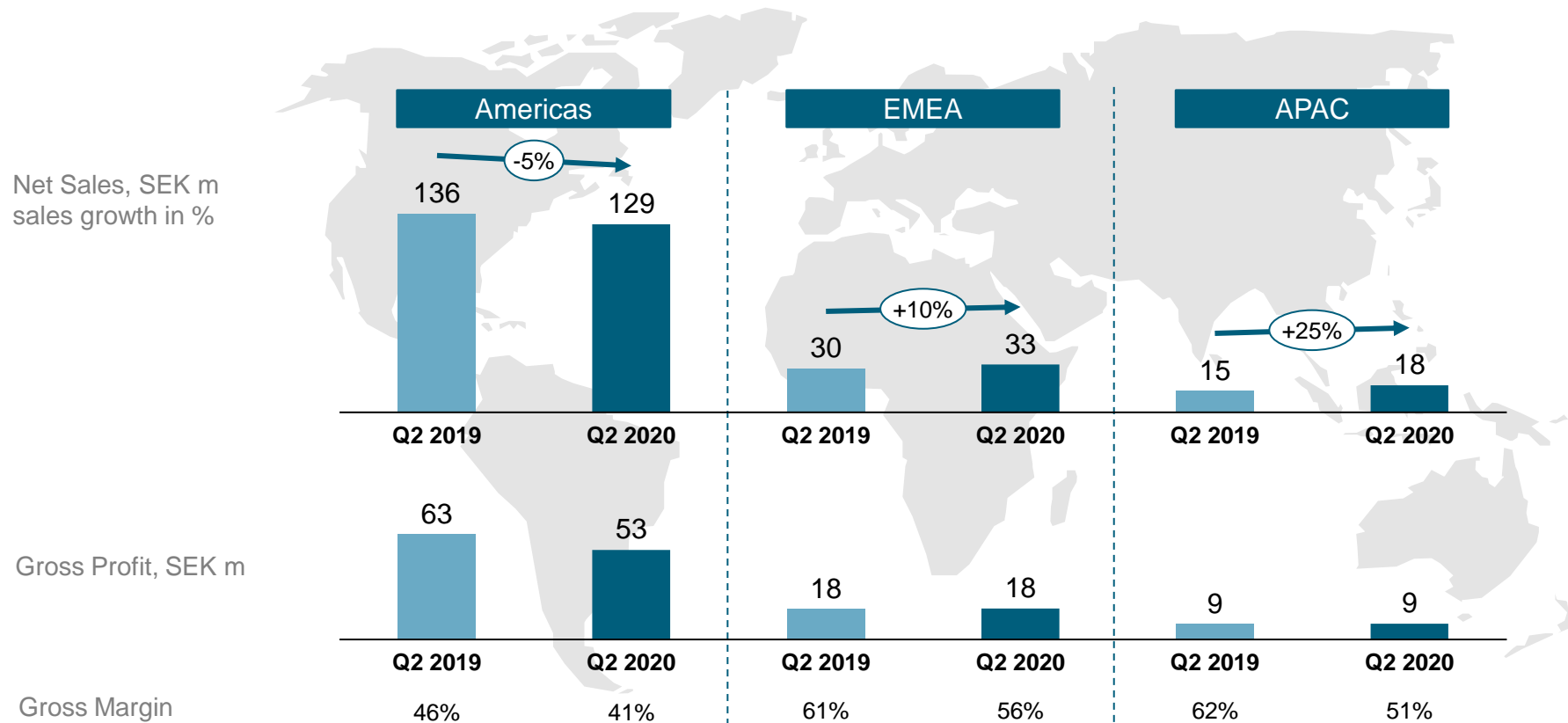
SEK m, EBITDA margin as % of Group net sales



## Highlights in the quarter

- Net sales (organic) in line with strong Q2 2019
- Strong underlying demand for probiotics in region Americas
- Product mix and temporary higher production cost in connection with upgrade program had negative impact on gross margin
- Reduced operational expenses lifting EBITDA-margin to 32%
- Expecting higher volatility in sales revenues coming quarters by Covid-19 effects and large US customer update of product range

# Net Sales and Gross Profit by region





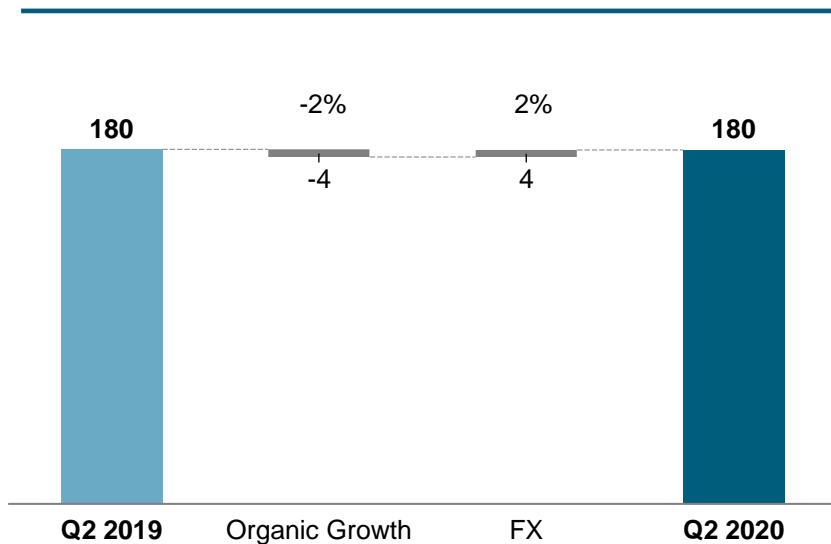
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# Stable sales revenue and improved EBITDA margin

## Probi sales bridge

SEK m, change in %



## Condensed P&L

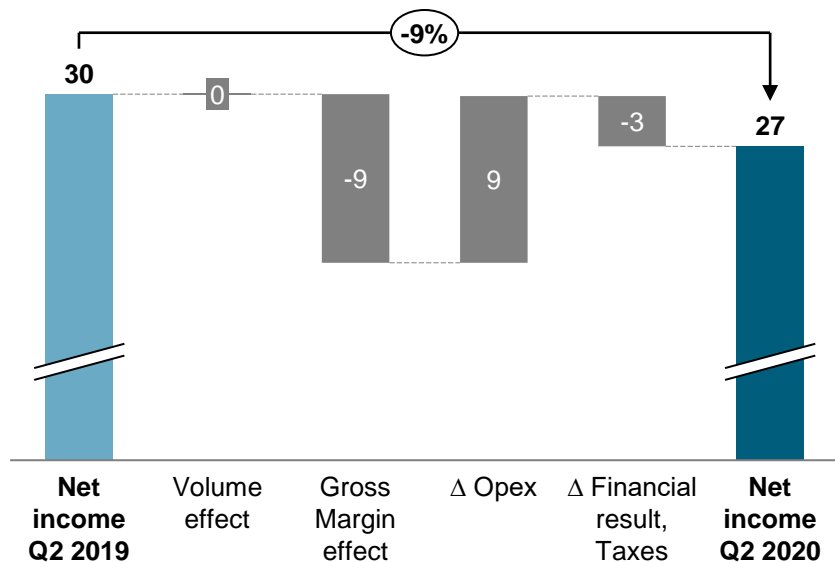
SEK m, change in %

	Q2 2020	Q2 2019	Change
Net sales	180.0	180.3	▶ 0%
EBITDA	58.1	56.5	▲ 3%
EBITDA margin	32.3%	31.3%	▲ 1.0pps
EBIT	38.9	39.1	▼ -1%
Net income	27.0	29.8	▼ -9%
EPS	2.37	2.62	▼ -9%

# Reduction in operating expenses compensated a lower gross margin

## Reconciliation of net income

SEK m



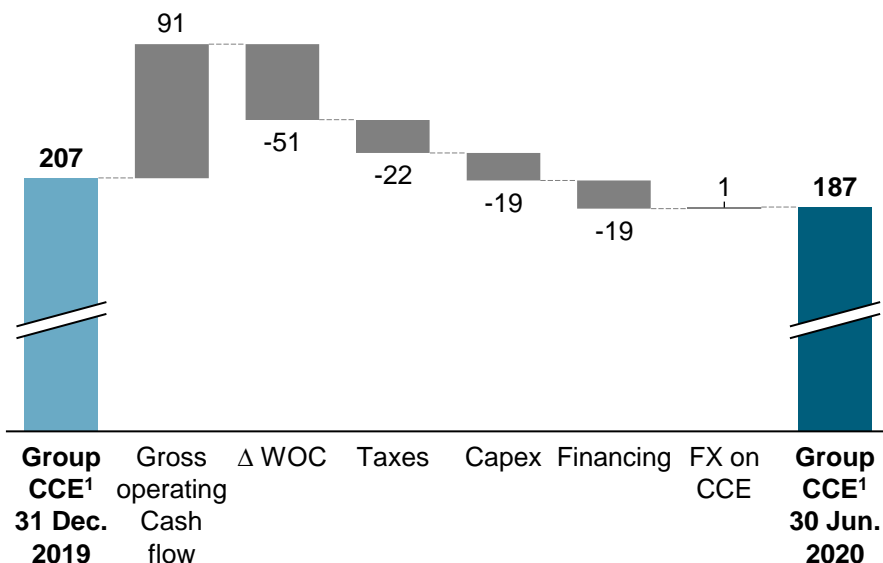
## Key aspects

- Net income decreased by SEK 3 m (-9%) compared to previous year
- Gross profit effected by unfavorable product mix, higher manufacturing cost in connection with upgrade program and minor Covid-19 related costs
- Operating expenses decreased by SEK 9 m mainly related to reduced Sales & Marketing expenses as an effect of Covid-19
- Unfavorable exchange rate impact of SEK 3 m by revaluation of cash & cash equivalents

# Cash-flow temporarily affected by customer specific project

## Reconciliation of group liquidity

SEK m



## Key aspects

- Gross operating cash flow of MSEK 91 reflects robust business model
- Inventory build-up in connection with launch of updated product range for large US customer
- Trade receivables at high level due to large order shipments in June
- Capex mainly related to upgrade program in Redmond, USA
- Financing includes payment of dividends of MSEK 11

# Solid balance sheet with no external bank loans

## Balance sheet Probi Group

SEK m, in % of total assets

Assets	30 Jun 2020	31 Dec 2019	Liabilities and equity	30 Jun 2020	31 Dec 2019
Intangibles (excl. GW)	462	482	<b>Total equity</b>	<b>1,181</b>	<b>1,152</b>
Goodwill	317	316			
PPE	110	107	Other non-current liabil.	46	52
Deferred tax assets	4	6	<b>Non-current liabilities</b>	<b>46</b>	<b>52</b>
<b>Non-current assets</b>	<b>892</b>	<b>911</b>	Borrowings	0	0
Inventories	107	79	Trade payables	46	38
Trade receivables	115	83	Other current liabilities	38	48
Other current assets	9	9	<b>Current liabilities</b>	<b>84</b>	<b>86</b>
Cash and cash equiv.	187	207	<b>Total liabilities</b>	<b>130</b>	<b>137</b>
<b>Current assets</b>	<b>419</b>	<b>378</b>			
<b>Total assets</b>	<b>1,311</b>	<b>1,290</b>	<b>Liabilities and equity</b>	<b>1,311</b>	<b>1,290</b>

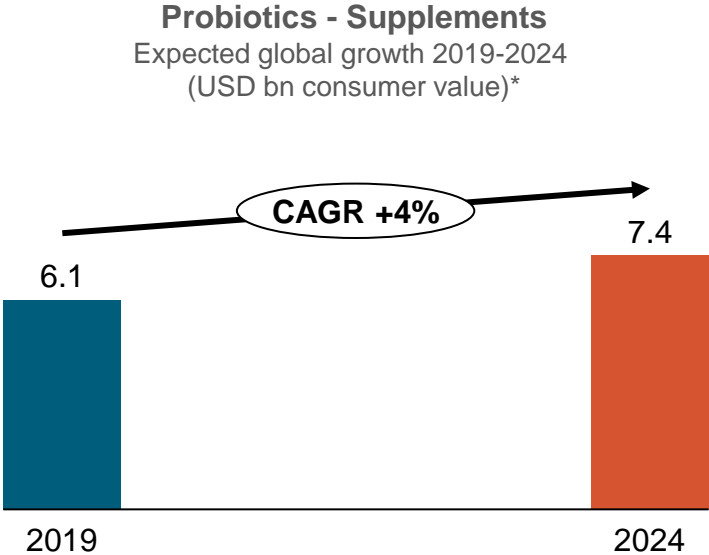
## Key aspects

- Inventory build-up in connection with launch of updated product range for large US customer
- Trade receivables at high level based on large order shipments in June
- Total equity of SEK 1,181 m
- Equity ratio 90%
- Limited movements on remaining balance sheet items

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# Trends driving future probiotics markets



\* Source: Global Probiotics Market Insights – Euromonitor December 2019

# Geographic market dynamics

Americas	EMEA	APAC
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*Global annual growth in supplements ~4% next 4 years*

Low digit growth	Stable growth	Recovery to strong growth
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- |  |  |   |
|--|--|---|
| <ul style="list-style-type: none"><li>• Increased market demand in connection with Covid-19 pandemic – longer term effects unclear</li><li>• Highest worldwide spending on supplements per capita</li><li>• High consumer quality awareness supports demand for premium probiotics</li></ul> | <ul style="list-style-type: none"><li>• Large probiotic markets showing maturing growth while others indicate strong growth potential</li><li>• Functional Food relatively large share of probiotic market</li><li>• Market growth driven by supplements</li></ul> | <ul style="list-style-type: none"><li>• China is the dominant market and is estimated to show strongest growth ahead together with Australia</li><li>• Increasing disposable income and demand for premium probiotics</li><li>• Near term damping effects from Covid-19 and fear of second wave</li></ul> |
|--|--|---|



# Strategic focus

 Doubled sales

 Growth

- Stronger presence in growth markets
- Solidify position in premium probiotic segments
- Strategic partnerships
- Acquisitions

 Lead the way in probiotic innovation and science

 Accelerate development of new products

- Expand range of clinically documented offerings
- Increase international collaborations
- Evaluate growth potential in probiotic related market segments

 Manufacturing excellence

 More efficient manufacturing

- High quality production adapted to market needs
- New manufacturing capabilities in growth regions
- Gradually improved gross margins

## Business development focus – acquisitions & partnerships

**Geographic expansion**  
Key markets where Probi has limited penetration

**Broaden portfolio**  
Extending or complementing existing portfolio

**Sales channels**  
New channels, focus on e-commerce

## New financial targets reflecting increased ambitions

Sales  
growth

*Average annual organic growth rate >7%  
Long-term plan to double annual sales revenue*

EBITDA-  
margin

*Annual EBITDA margin expected to be at or  
above 29%*

Dividend

*Dividends of 10-30% of net income, provided  
stable financial conditions*

# Q&A

## Financial calendar

Interim report Q3, 2020  
Year-end report, 2020

21 Oct 2020  
9 Feb 2021