

# ZINZINO AB

## PRESS RELEASE



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### Interim Report for 1st January - 30th June 2016 Zinzino AB

## Increased gross margin and accelerating expansion

" In July Zinzino launched their business in 19 new countries in Europe. This means that including the EU countries we are present in 33 countries in total in the world. That provides us a potential market with close to 1 billion people. During the second quarter we have launched new products and invested in a future in which we have a strong believe in. We will hold on to our ambitious goal to grow at least 20 percent in the coming 3 years and improve results every year. "

*Dag Bergheim Pettersen, vd, Zinzino AB*

### **SECOND QUARTER 2016** (COMPARED TO SAME TIME PERIOD LAST YEAR, 2015)

- Total revenues amounted to SEK 109.1 (112.2) million which corresponds to a sales decline of 3% (+ 41%).
- The product segment Health increased by 4% to SEK 74.5 (71.6) million, which represented 68% (64%) of the total revenue for the quarter. The product segment Coffee amounted to SEK 15.3 (20.9) million which represented 14% (18%) of total revenue and a sales decline of 27%. Faun Pharma and other revenues amounted to SEK 19.2 (19.7) million representing the remaining 18% (18%) of total revenue.
- Gross profit amounted to SEK 35.8 (33.8) million and the gross profit margin amounted to 32.8% (30.1%).
- EBITDA amounted to SEK 4.6 (7.8) million and the operating margin before depreciation and amortisation to 4.2% (6.9%).
- Depreciation and amortisation amounted to SEK 2.2 (2.2) million, of which SEK 1.2 (1.4) million was attributable to depreciation of goodwill.
- Operating profit amounted to SEK 2.3 (5.6) million and the operating margin was 2.1% (5.0%).
- Profit before tax amounted to SEK 2.3 (5.2) million.
- Net earnings per share after tax (fully diluted) amounted to SEK 0.03 (0.12)
- The Annual Meeting of Shareholders adopted a dividend of SEK 0.25 (0.25) per share and in total distributed SEK 7.8 (7.7) million to shareholders.

### **CUMULATIVE JANUARI - JUNE 2016** (COMPARED TO SAME TIME PERIOD LAST YEAR, 2015)

- Total revenues amounted to SEK 221.7 (221.2) million which corresponds to a sales increase of 0% (+43%).
- Zinzino Health increased by 10% to SEK 151.1 (137.6) million, which represented 68% (62%) of total revenue. Zinzino Coffee amounted to SEK 30.8 (42.4), which represented 14% (19%) of total revenue and a revenue decline of 27%. Faun Pharma and other revenues amounted to SEK 39.8 (41.2) million which represented the remaining 18% (19%) of total revenue.
- Gross profit amounted to SEK 76.8 (70.6) million and the gross profit margin amounted to 34.7% (31.9%).

- EBITDA amounted to SEK 12.8 (16.7) million and the operating margin before depreciation and amortisation to 5.8% (7.5%).
- Depreciation and amortisation amounted to SEK 4.5 (4.2) million, of which SEK 2.5 (3.0) million was attributable to depreciation of goodwill.
- Operating profit amounted to SEK 8.3 (12.5) million and the operating margin was 3.7% (5.6%).
- Profit before tax amounted to SEK 8.0 (11.7) million.
- Profit after tax amounted to SEK 5.2 (9.3) million.
- Net earnings per share after tax (full dilution) amounted to SEK 0.15 (0.28)
- Liquid assets amounted at the report date to SEK 24.0 (38.6) million.

## **SIGNIFICANT EVENTS DURING AND AFTER THE SECOND QUARTER OF 2016**

- Through a new export initiative in the Swedish subsidiary Zinzino Sverige AB, Zinzino in early July commenced sales in the remaining, previously non-established markets in the EU such as Great Britain and Spain. The establishment model is simple and rapidly expansible with increased volumes. It is also very cost-effective to implement. If the investment turns out well it may generate substantial revenues for the company in the years ahead.

- Towards the end of the second quarter, Zinzino launched an entirely new product in Zinzino Health – BalanceOil AquaX. This is a further development of Zinzino's BalanceOil to which has been added a unique emulsifying substance, Aquacelle. With BalanceOil AquaX the Omega-6/Omega-3 concept is taken to a whole new level.

- The product was developed through the Zinzino's research company BioActive Foods together with the production unit Faun Pharma. This has led to the product development having been very fast and cost-effective.

- The Annual Meeting of Shareholders adopted a dividend to the shareholders. The Annual Meeting of Shareholders decided dividend to the shareholders of SEK 0.25 per share, which resulted in a total of SEK 7.8 million being distributed to the shareholders for the previous fiscal year. The current Board of Directors was re-elected for an additional year.

- The subsidiary Faun Pharma AS signed a supply agreement with Proteinfabrikken Zinzino's production plant Faun Pharma AS, during the second quarter, signed an important agreement with the key Norwegian customer Proteinfabrikken, this means an increase of Faun's production by 500-600 tonnes per year. The agreement was signed for three years with an expected total value of more than NOK 30 million in increased sales during the period. Production was started during the summer and is estimated to amount to fully NOK 20 million for the rest of 2016, substantially more than had been expected.

- Internal efficiency improvements cut costs and reduced delivery times During the quarter Zinzino has done further work to increase the efficiency of its operations. For this reason Zinzino is changing its collaboration partner as relates to billing, reminders and collections. This, combined with further development of the business system will result in cost savings of about SEK 1 million per year.

- Delivery of Zinzino Skin Serum - a new segment in Zinzino's product range. Zinzino Skin Serum is the first product in the new product segment Skin Care and will be launched initially only on the American market. Launch on other markets is expected to happen in the autumn.

- Zinzino Skin Serum is developed by the company's own researchers and reduces wrinkles and fine lines which are commonly associated with aging.

## **COMMENT BY DAG BERGHEIM PETTERSEN, CEO:**

### **We expand our business activity to the complete EU area**

In July Zinzino launched their business in 19 new countries in Europe. This means that including the EU countries we are present in 33 countries in total in the world. That provides us a potential market with close to 1 billion people. During the second quarter we have launched new products and invested in a future in which we have a strong believe in. We will hold on to our ambitious goal to grow at least 20 per cent in the coming 3 years and improve results every year.

### **Second quarter**

During the second quarter we have fulfilled different strategic projects and investments. We have reached a big milestone in launching our business in 19 new markets in the EU. We launched a new future-oriented web shop with a new design. Within the segment Health we have launched a new product – AquaX – a BalanceOil that can be mixed with water. We launched new price structures and put more time and resources in design, layout and marketing. All these improvements are important for increasing the strength of our brand and create long term growth. By doing the investments necessary we feel that we have put a foundation to come closer to our goal in the coming year.

We are in line with the budget for this year and are relatively satisfied with the quarter although we still have not reached growth in comparison with the last year.

Within Health we had a growth of 4 percent during the quarter but within the Coffee a decrease of 27 percent. We have bad margins on the coffee and therefor have to budget a decreasing on coffee with continuous higher focus on products within Health that have a bigger margin. We believe in a growth in the coming 6 months and have focus on improving the margins.

We improved our gross margins up till 32,8 percent, which is 2,7 percent better than as to the second quarter of 2015. Better margins proves that we are doing the right thing when we choose to invest in our business, open markets and continue to develop our own products and focus on people in Zinzino.

### **New IT-system**

As communicated before, during the last 12 months we have done huge investments in a new IT-system that can handle our growth and the geographic expansion that we planned. This is also an IT-system that can support us in our ambitious goal to have 1 million customers in 2020 and decrease costs for the next coming years. We faced challenges implementing the system which delayed our growth. We feel secure now with our IT-system and see that workflow is more effective, better and simple – that is something that makes us optimistic for the coming years.

### **Expansion plan**

As said before, we picked up the pace of our geographic expansion and opened 19 whole new markets. The new markets started up in an effective way and now we are active in 33 countries with almost 1 billion people. We will use the next 2 years to work in this market and at the same time planning the next step.

After 4 years of hard work with market approach we see now that USA starts to give results. I believe that USA will be our biggest market within 2-4 years and will be leading for our company. USA is the world's biggest Direct Selling market and we are appealing to partners because we have business model that is very customer focused.

Germany established in the first quarter and is the biggest Direct Selling market in Europe. This is a powerful purchasing market, with the focus on health, we have of course high expectations for this market and we already see positive results of being present in the market.

### **Product development**

The last 18 months we have actively worked on our product development and thanks to that we could

launch our new products. Now we pick up the pace even more and we will launch several strong product concepts during 2016. I see product development one of the deciding factors for success for us and that is why I am proud over the fact that we, thanks to our own research and factory, we can always be one step ahead. New products make us an appealing company for our customers and distributors. With pleasure I can announce that we launched self-developed Skin Serum and even BalanceOil AquaX that we expect will bring us a lot of new customers and attract new partners. Skin Serum has an enormous big market potential and I believe this is going to be a big segment for us in the next coming years. BalanceOil AquaX will be a key product in our biggest product segment Health.

### **Ambitious Goal**

We still have a huge believe in our ambitious goal to have a growth of at least 20 percent in the next three years and improving the results every year. We have a vision that we can inspire a change in life for our customers and partners. We will do this by being the most customer friendly Direct Selling company in the world. To confirm this we even communicated earlier that we will do this by having a million customers by the year 2020.

We aspire to inspire!

*Dag Bergheim Pettersen, vd, Zinzino AB*

**For a full report, please see the attached PDF.**

**INFORMATION ABOUT THE COMPANY:** Zinzino was founded under the name Zinzino Holding in autumn 2007. In 2009, the company acquired 93% of the equity and 97% of the votes in Zinzino Nordic AB, partly by means of a non-cash issue and partly by means of a private placement. Zinzino Nordic is a sales company that uses independent distributors to market and sell products for commission via so-called direct sales.

**NEXT REPORT:** Interim report Q3 2016 will be published on 15 November 2016

### **For more information, please contact:**

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The information presented here is such that Zinzino AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, on August 26, 2016.

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**Zinzino AB** (publ), which is listed on OMX First North, is a direct sales company focussing on health products. The company markets and retails products within two product lines: Zinzino Health, which focuses on long-term health and accounts for approx. 70 percent of sales, and Zinzino Coffee, which sells espresso machines and accessories. Zinzino has a market presence across the EU, Norway and Iceland, as well as in the USA and Canada. Zinzino offers eco-friendly products with a focus on quality, health and a sense of everyday luxury. The company's values are characterised by high quality, proximity to customers and active product development. Zinzino owns the Norwegian knowledge company BioActive Foods AS and the research and production unit Faun Pharma AS, which produces all of Zinzino Health's products and all protein products for Proteinfabrikken. Since 2005, Zinzino has been a general agent for the French Belgian coffee house Rombouts & Malongo. Zinzino forecasts a turnover of SEK 500 million for 2016. The Group has a head office in Gothenburg, a factory in Oslo, and offices in Helsinki, Oslo, Riga and Jupiter, Florida, and employs approximately 100 people.