

Company AS PRFoods
Type Company Release
Category Half-yearly financial report
Disclosure time 21 Feb 2020 19:00:00 +0200

Attachments:

- PRFoods-10003199331-en.pdf (<http://oam.fi.ee/en/download?id=4350>)
- PRFoods-10003199333-et.pdf (<http://oam.fi.ee/en/download?id=4351>)

Currency

Title PRF: Consolidated Unaudited Interim Report of AS PRFoods for the 2nd quarter and 6 months

OVERVIEW OF ECONOMIC ACTIVITIES

MANAGEMENT COMMENTARY

The first half of this financial year (2HY 2019) was successful for the Company. Despite the decline in sales, we were able to significantly improve overall profitability and capital efficiency.

The Group's consolidated EBITDA for the reporting period was 2.8 million euros, an increase of 48% compared to the same period last year being mainly affected by the revaluation of biological assets. Operating EBITDA (i.e., excluding one-offs and fair value adjustment of fish stock) was 2.9 million euros (2HY 2018: 3.5 million euros). Net profit amounted to 1.1 million euros, almost three times higher than the net profit for the same period last year (2HY 2018: 0.4 million euros).

The second half of 2019 was characterized by a more than 8% decline in salmon and trout market prices, which resulted in Finnish retail chains expecting lower prices for smoked products in the private label segment. To maintain profitability, we decided to reduce the supply of hot and cold smoked products in the Finnish retail market during this period. We were able to partially replace the decline in the turnover of smoked products with sales of fish and fish fillets and other fish products. In the first half of 2020, prices for the private label segment of smoked products are recovering and we will continue with deliveries at the same level as last year.

One of PRFoods' main focuses has been improving cash flow from operating activities, which is reflected in 2HY 2019 positive cash flow from operating activities of 4.5 million euros compared to 2.7 million euros in the same period last year. The Company's net debt was 17.8 million euros as of 31.12.2019



(30.12.2018: 20.0 million euros). The Group's working capital as of 31.12.2019 was -3.5 million euros, the reason being that current liabilities include related party liabilities of 4.2 million euros, which by their nature are long-term but shall be accounted for as short-term due to accounting principles.

We will continue to merge the business activities of Estonian and Finnish companies and create synergies, especially in product development and sales in both domestic and export markets. The legal merger of the Finnish companies Heimon Kala and Trio Trading took place on 31.01.2020, which resulted in the centralization of the companies' management and key business functions. In Estonia, we have launched a Finnish-Estonian joint brand - Heimon Kala, and for the first time entered the Estonian retail market with rainbow trout farmed in Saaremaa. In the coming years, the priority of product development is to enrich the value of fish farmed in our fish farms.

With regard to fish farming, we have received a positive response from Sweden to expand existing fish farms. In Estonia, we continue increasing the existing farm and applying for new farming licenses. We continue to make the necessary preparations to increase the volume of quality raw material from our fish farms.

The John Ross Jr.'s renewed brand was launched at the end of last quarter and in the coming periods we expect the new brand to generate revenue growth in the UK market.

The Company continues to focus on enhancing environmentally friendly production, including raw materials, energy sources, and packaging.

As signs of threats, we have to highlight the increased competition in the Finnish market which has led to a decline in retail prices compared to the same period last year. The listeria scandal that hit the Estonian fishing industry had a significant impact on the overall retail market, but did not have a significant impact on the total sales of PRFoods as the share of the Estonian market in the Company's total turnover is small.

In the light of the listeria scandal, we can confirm that the PRFoods companies have successfully passed all additional controls and that the Group's production units have international quality management certifications. In addition, our factories are regularly audited by our major counterparties and these audits are performed with near-maximum results. The biggest role here is played by the internal quality management of our companies, including the day-to-day controls in our laboratories, from the purchase of raw materials to the dispatch of the product, and the professionalism of our staff.

The Brexit, which came into effect on 31.01.2020, will have no effect on our UK companies this financial year, however, it is unclear what the long-term impact will be once the transition period ends.

It is also unclear whether and to what extent will the long-term effects of the outbreak of the coronavirus be on commodity exports. Early 2020 saw a decline in



demand, and it also made it more difficult to forecast the price of salmon in a situation where deliveries of salmon producers to Asia were hindered.

There are major factory modernizations in Estonia and Finland as well as changes in the product portfolio planned for this calendar year, which may result in short-term sales and profit decrease compared to the previous period.

Taking into account the above and the increased risks of the global economy, PRFoods will forego the estimates of turnover and profit for the current financial year made at the end of the previous financial year. If the Company decides to issue an updated forecast, it will notify accordingly.

On the positive side, we would like to point out that PRFoods successfully completed a non-public bond issue in early 2020, which resulted in short-term liabilities of 9 million euros becoming long-term, releasing thereby short-term cash flows of approximately 2 million euros per year. In the first quarter of 2020, the Company also plans to carry out an additional public issue of bonds.

In order to achieve the goals in the following periods, the Group has strengthened its management in both product development and financials. Our people have worked hard to develop the Company and improve its profitability. PRFoods' balance sheet, production and customer base are strong, and we look expectantly to the future.

Making big changes is always difficult for employees and I am very grateful that our people are enthusiastically embraced the changes and given their best.

KEY RATIOS

INCOME STATEMENT

+-----+-----+-----+-----+-----+-----+-----+-----+								
+-----+-----+-----+-----+-----+-----+-----+-----+	mln EUR	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
+-----+-----+-----+-----+-----+-----+-----+-----+	Sales	25.4	19,3	21.5	18.1	26.7	19.4	22.1
+-----+-----+-----+-----+-----+-----+-----+-----+	Gross profit	4.3	2,6	2.1	2.1	4.7	3.0	1.8
+-----+-----+-----+-----+-----+-----+-----+-----+	EBITDA from operations	2.1	0,7	0.3	0.2	2.4	1.1	-0.2
+-----+-----+-----+-----+-----+-----+-----+-----+	EBITDA	1.4	1,5	0.3	-0.5	0.8	1.1	0.3
+-----+-----+-----+-----+-----+-----+-----+-----+	EBIT	0.7	1,0	-0.3	-1.0	0.2	0.6	-0.2
+-----+-----+-----+-----+-----+-----+-----+-----+	EBT	0.6	0,8	-0.4	-1.2	0.0	0.4	-0.5
+-----+-----+-----+-----+-----+-----+-----+-----+	Net profit (-loss)	0.5	0,6	-0.6	-1.2	0.2	0.1	-1.1
+-----+-----+-----+-----+-----+-----+-----+-----+	Gross margin	17.0%	13,4%	9.8%	11.7%	17.7%	15.2%	7.9%



Operational EBITDA margin	8.4%	3,8%	1.4%	1.1%	9.1%	5.4%	-1.1%
EBITDA margin	5.3%	7,6%	1.4%	-2.5%	2.9%	5.8%	1.2%
EBIT margin	2.9%	5,0%	-1.2%	-5.6%	0.9%	3.0%	-1.1%
EBT margin	2.2%	3,9%	-2.0%	-6.5%	0.1%	1.8%	-2.3%
Net margin	2.0%	2,9%	-3.0%	-6.6%	0.8%	0.7%	-5.1%
Operating expense ratio	12.5%	13,4%	11.7%	14.1%	11.2%	13.5%	12.0%

BALANCE SHEET

mIn EUR	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
Net debt	17.8	19,9	20.5	18.7	20.0	21.9	18.1
Equity	23.3	22,8	21.9	23.3	24.2	24.1	23.3
Working capital	-3.5	-3,0	-3.1	-1.6	1.0	2.0	2.8
Assets	60.5	62,4	62.5	63.5	65.5	64.5	65.5
Liquidity ratio	0.9x	0,9x	0.9x	0.9x	1.0x	1.1x	1.1x
Equity ratio	38.5%	36,5%	35.0%	36.7%	37.0%	37.4%	35.6%
Gearing ratio	43.3%	46,6%	48.3%	44.5%	45.2%	47.6%	43.7%
Debt to total assets	0.6x	0,6x	0.7x	0.6x	0.6x	0.6x	0.6x
Net debt to EBITDA	5.3x	5,4x	5.1x	5.4x	5.1x	3.8x	3.1x
ROE	-3.2%	-4,5%	-6.5%	-8.2%	-4.0%	0.1%	0.2%
ROA	-1.2%	-1,6%	-2.3%	-3.0%	-1.5%	0.0%	0.1%



Consolidated Statement of Financial Position

Thousand euros	31.12.2019	31.12.2018	30.06.2019
ASSETS			
Cash and cash equivalents	2,680	4,910	2 583
Receivables and prepayments	6,342	6,470	5 300
Inventories	9,104	11,553	11 980
Biological assets	4,354	4,719	4 924
Total current assets	22,480	27,652	24 787
Deferred income tax	66	49	41
Long-term financial investments	217	134	202
Tangible fixed assets	14,444	14,569	14 535
Intangible assets	23,286	23,046	22 969
Total non-current assets	38,013	37,798	37 747
TOTAL ASSETS	60,493	65,450	62 534
EQUITY AND LIABILITIES			
Loans and borrowings	12,505	14,224	13 502
Payables	13,301	12,184	14 105
Government grants	188	241	234
Total current liabilities	25,994	26,649	27 841
Loans and borrowings	7,945	10,706	9 540



Payables	190	519	190
Deferred tax liabilities	2,070	2,094	2 010
Government grants	981	1,257	1 087
Total non-current liabilities	11,186	14,576	12 827
TOTAL LIABILITIES	37,180	41,225	40 668
Share capital	7,737	7,737	7 737
Share premium	14,007	14,007	14 007
Treasury shares	-390	-390	-390
Statutory capital reserve	51	51	51
Currency translation reserve	167	-70	-214
Retained profit (-loss)	1108	2,130	66
Equity attributable to parent	22,680	23,465	21 257
Non-controlling interest	633	760	609
TOTAL EQUITY	23,313	24,225	21 866
TOTAL EQUITY AND LIABILITIES	60,493	65,450	62 534

Consolidated Statement of Profit or Loss And Other Comprehensive Income

Thousand euros	2Q 2019/2020	2Q 2018/2019	6m 2019/2020	6m 2018/2019
Sales	25,374	26,729	44,703	46 122
Cost of goods sold	-21,049	-22,011	-37,796	-38 448
Gross profit	4,325	4,718	6,907	7 674
Operating expenses	-3,169	-2,996	-5,767	-5 619
Selling and distribution				



expenses	-2,146	-2,084	-3,938	-3 927
Administrative expenses	-1,023	-912	-1,829	-1 692
Other income / expense	206	136	334	303
Fair value adjustment on biological assets	-622	-1,628	224	-1 555
Operating profit (loss)	740	230	1,698	803
Financial income/-expenses	-190	-213	-393	-435
Profit (loss) before tax	550	17	1,305	368
Income tax	-54	205	-239	-4
Net profit (loss) for the period	496	222	1,066	364
Net profit (loss) attributable to:				
Owners of the company	529	130	1,042	229
Non-controlling interests	-33	92	24	135
Total net profit (loss)	496	222	1,066	364
Other comprehensive income (loss) that may subsequently be classified to profit or loss:				
Foreign currency translation differences	66	-101	381	-77
Total comprehensive income (expense)	562	121	1,447	287
Total comprehensive income (expense) attributable to:				



Owners of the Company	595	29	1,423	152
Non-controlling interests	-33	92	24	135
Total comprehensive income (expense) for the period	562	121	1,447	287
Profit (loss) per share (EUR)	0.02	0.00	0.04	0.00
Diluted profit (loss) per share (EUR)	0.02	0.00	0.04	0.00

Indrek Kasela

AS PRFoods

Member of the Management Board

Phone: +372 452 1470

investor@prfoods.ee

www.prfoods.ee

