

Company AS PRFoods
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- PRFoods-10003377271-en.pdf (<http://oam.fi.ee/en/download?id=4570>)
- PRFoods-10003377273-et.pdf (<http://oam.fi.ee/en/download?id=4571>)

Currency

Title PRF: Consolidated Unaudited Interim Report of AS PRFoods for the 3rd quarter and 9 months

OVERVIEW OF ECONOMIC ACTIVITIES

MANAGEMENT COMMENTARY

The 3rd quarter of the financial year ended with a 2% sales growth for PRFoods, the total turnover was 18.5 million euros (9 months 63.2 million euros). 9-month EBITDA increased by 35% to 2 million euros and net loss decreased by 25% to 0.6 million euros compared to the same period last year.

The end of the quarter brought a global pandemic to our key markets, and restrictions of the states of emergencies declared began to take effect. HoReCa restrictions and a drastic reduction in air transport had a significant impact on turnover as early as at the end of March. Also, as during any crisis, customers made changes to their food baskets in favour of cheaper products. PRFoods withstood the Covid-19 pandemic with a strengthened balance sheet, as we had just refinanced our short-term loans with secured bonds and we have also improved our cash flows due to a smaller raw material inventory. Major changes are expected in the fourth quarter, but we see that at least in June, HoReCa (share of 25% of the Group's turnover) is partially recovering and the food industry is in a safer position than many other sectors. The effect of Covid-19 on the financial results of PRFoods is reflected in the financial statements of the 4th quarter and 12 months of the financial year.

The Group's revenue

The Group's unaudited consolidated turnover in the 3rd quarter of the financial year (i.e. the 1st quarter of 2020) was 18.5 million euros, increasing by 2% compared to the same period of the previous year (Q1 2019: 18.2 million euros). The Group's turnover for the first 9 months of the financial year was 63.2 million euros remaining almost at the same level as in the same period of the



previous year (9 months 2018/2019: 64.2 million euros). In the first quarter of the year, sales of fresh fish and fish fillets increased by 24% and sales of smoked products decreased by 12% compared to the same period last year. March sales were significantly affected by the decline in sales in the HoReCa segment (36%) due to the states of emergencies declared due to the Covid-19 pandemic in both Finland and Estonia.

In the first 9 months of the financial year, the share of raw fish and fillets in the product portfolio has increased to 45% (increase of 4 pp compared to the same period last year) and the share of smoked products has decreased to 38% (decrease of 5 pp, respectively).

Sales of fresh fish and fillets have been higher than usual in the aforementioned period, while the margin of fresh fish is about twice lower than the margin of smoked products.

Results of the financial year's 3(rd) quarter and 9 months

The Group's 9-month consolidated EBITDA was 2.0 million euros (9 months 2018/2019: 1.5 million euros), increasing by 35% compared to the previous year, mainly due to the positive effect of the revaluation of biological assets. EBITDA from operating activities (i.e. before non-recurring income-expenses and revaluation of fish stocks) was 2.9 million euros (9 months 2018/2019: 3.7 million euros). The net loss was 0.6 million euros (9 months 2018/2019 net loss: 0.8 million euros).

EBITDA from operations for the 3rd quarter of the financial year was 0.03 million euros (3rd quarter 2018/2019: 0.21 million euros) and net loss 1.7 million euros, increasing by 0.5 million euros (3rd quarter 2018/2019: -1.2 million euros). Negative impact from revaluation of biological assets 0.75 million euros (3Q 2018/2019: negative impact 0.46 million euros). The reasons for the higher financial expenses during the reporting period are the higher bond interest rate (6.25%) than the loan interest rate (3.25%) (negative impact on the quarterly profit of 0.03 million euros) and the exchange rate loss due to the weakening of the Swedish krona (-0.15 million euros).

The growth of the group's EBITDA by 35% to 2 million by the end of the 3rd quarter is positive, mainly due to the growth of biological assets. EBITDA from operations was affected by the decrease in the share of smoked products in sales, which was due to the decrease in sales volumes in the private label segment in Finland at the beginning of the year. In the following quarters, the refinancing of loans will have a negative impact on the net profit caused by higher interest rate. At the same time, the cash flow will improve by approximately 2 million euros per year due to the different repayment schedule of the bonds compared to the bank loan.

The greatest impact on the results has the decline in the market price of fish. At the end of the reporting period, the market price of salmon has decreased by 31.1% and the price of rainbow trout by 32.0% compared to a year ago. Compared



to the price two years ago, the price of salmon has decreased by 43.2% and trout has become 31.7% cheaper. Compared to the end-of-period price three years ago, the price of salmon has fallen by 33.7% and the price of trout by 43.9%.

Financial position

The company's net debt was 17.0 million euros as of 31.03.2020 (31.03.2019: 18.7 million euros). As of 31.03.2020, the Group's working capital was negative by 2.5 million euros as current liabilities include liabilities to related parties in the amount of 4.2 million euros, which are long-term in nature, but due to accounting principles must be shown as current. Eliminating the accounting effect, the working capital is 1.7 million euros. PRFoods successfully completed the non-public issue of bonds in January 2020, as a result of which short-term liabilities in the amount of 9 million euros became long-term, releasing cash flows by approximately 2 million euros per year. The change in the debt structure also has an impact on the company's financial results, the financial expenses' impact on PRFoods' net profit is negative by 0.35 million euros per year.

Impact of the coronavirus (Covid-19) pandemic

Due to the declaration of the state of emergency caused by Covid-19 pandemic, the company's turnover has significantly decreased in the HoReCa segment since mid-March, which accounts for approximately 25% of the Group's turnover. The decrease in turnover in this segment was 36% in March and 72% in April. As hotels and restaurants are closed or operating only part-time, and distance learning resulting in school graduation events to be cancelled or carried out in limited scopes, sales in this sector are unlikely to recover until mid-summer. Due to the situation, there is a slight increase in retail sales (8% in April), which does not cover the decline in the HoReCa segment and increases the share of fresh fish and fish fillets instead of hot and cold smoked products with lower profit margins.

As it is extremely difficult to predict the end of the crisis and the time to recover from it, it is currently not possible to reliably assess the long-term financial impact of the crisis. In this situation, the Group focuses on cost and cash flow management to ensure the sustainability of its operations in the future. Larger industries, such as PRFoods, are most certainly better able to cope with such crises, also, the company's activities are spread across several markets. In some markets we expect our positions to strengthen as a result of reduced competition.

Following the decline in production, the Group's companies have reduced the working hours and salaries of both production and office employees by between 10 and 30%. The remuneration of the chairman of the management board has been reduced by 50% for two months. After the reporting date, the company has used the salary compensation support offered by the Estonian state.

In March 2020, PRFoods conducted a public offering of bond issues. While



planning the period of the issue, the crisis occurring at the time of the issue period could not have been foreseen, which is why the subscription of bonds was significantly lower than expected - 0.9 million or 47% of the 1.9 million, including 0.5 million bonds subscribed by PRFoods with a perspective to sell these after the end of the crisis.

Events and the future plans for the financial year

This financial year will continue to be affected by Covid-19, and we will certainly see the effects of the current economic crisis materialize in the next financial year.

For PRFoods, the biggest impact is on the market price of fish. At the end of the reporting period, the market price of salmon has decreased by 31.1% and the price of rainbow trout by 32.0% compared to a year ago. Compared to the price two years ago, the price of salmon has decreased by 43.2% and trout has become 31.7% cheaper. Compared to the end-of-period price three years ago, the price of salmon has fallen by 33.7% and the price of trout by 43.9%. We estimate that we will see low fish prices for 2020 as a whole, due to declining demand for HoReCa. This is definitely good news for consumers. Despite increased production volumes and demand for some products, lower prices do not allow such a large profit to be made in absolute terms. At the same time, the lower price allows to significantly increase export volumes. Considering the situation, we look more optimistically to the future than at the end of the 3rd quarter.

In the summer of 2020, we will carry out greater automation of production and reorganization of the product portfolio, which will enable the company to operate more aggressively both in the domestic market and to reopen large-scale exports. In the autumn-winter period of 2019-2020, we carried out a reorganization of the management of Finnish-Estonian companies, which involved significant one-time costs, and the creation of new systems certainly affected the sales result.

We have implemented a cost savings program since the 4th quarter, which should save us about 0.4 million euros a year.

At the beginning of the next financial year, we also plan to complete the bond issue in full.

Covid-19 has created a new situation, but PRFoods has never had to stop production.

KEY RATIOS

INCOME STATEMENT

mln EUR	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	



Sales	18,5	25.4	19,3	21.5	18.1	26.7	19.4	22.1
Gross profit	2,0	4.3	2,6	2.1	2.1	4.7	3.0	1.8
EBITDA from operations	0,0	2.1	0,7	0.3	0.2	2.4	1.1	-0.2
EBITDA	-0,9	1.4	1,5	0.3	-0.5	0.8	1.1	0.3
EBIT	-1,4	0.7	1,0	-0.3	-1.0	0.2	0.6	-0.2
EBT	-1,8	0.6	0,8	-0.4	-1.2	0.0	0.4	-0.5
Net profit (-loss)	-1,7	0.5	0,6	-0.6	-1.2	0.2	0.1	-1.1
Gross margin	10,8%	17.0%	13,4%	9.8%	11.7%	17.7%	15.2%	7.9%
Operational EBITDA margin	0,1%	8.4%	3,8%	1.4%	1.1%	9.1%	5.4%	-1.1%
EBITDA margin	-4,6%	5.3%	7,6%	1.4%	-2.5%	2.9%	5.8%	1.2%
EBIT margin	-7,8%	2.9%	5,0%	-1.2%	-5.6%	0.9%	3.0%	-1.1%
EBT margin	-9,8%	2.2%	3,9%	-2.0%	-6.5%	0.1%	1.8%	-2.3%
Net margin	-9,2%	2.0%	2,9%	-3.0%	-6.6%	0.8%	0.7%	-5.1%
Operating expense ratio	14,3%	12.5%	13,4%	11.7%	14.1%	11.2%	13.5%	12.0%

BALANCE SHEET

mln EUR	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Net debt	17,0	17.8	19,9	20.5	18.7	20.0	21.9
Equity	21,6	23.3	22,8	21.9	23.3	24.2	24.1
Working capital	-2,5	-3.5	-3,0	-3.1	-1.6	1.0	2.0
Assets	56,9	60.5	62,4	62.5	63.5	65.5	64.5
Liquidity ratio	0,9x	0.9x	0,9x	0.9x	0.9x	1.0x	1.1x



Equity ratio	37,9%	38.5%	36,5%	35.0%	36.7%	37.0%	37.4%
Gearing ratio	44,0%	43.3%	46,6%	48.3%	44.5%	45.2%	47.6%
Debt to total assets	0,6x	0.6x	0,6x	0.7x	0.6x	0.6x	0.6x
Net debt to EBITDA	5,3x	5.3x	5,4x	5.1x	5.4x	5.1x	3.8x
ROE	-5,7%	-3.2%	-4,5%	-6.5%	-8.2%	-4.0%	0.1%
ROA	-2,1%	-1.2%	-1,6%	-2.3%	-3.0%	-1.5%	0.0%

Consolidated Statement of Financial Position

Thousand euros	31.03.2020	31.03.2019	30.06.2019
ASSETS			
Cash and cash equivalents	3,023	6,219	2,583
Receivables and prepayments	4,095	4,252	5,300
Inventories	9,656	11,409	11,980
Biological assets	2,590	2,894	4,924
Total current assets	19,364	24,774	24,787
Deferred income tax	18	17	41
Long-term financial investments	215	135	202
Tangible fixed assets	14,135	14,842	14,535
Intangible assets	23,208	23,714	22,969
Total non-current assets	37,576	38,708	37,747
TOTAL ASSETS	56,940	63,482	62,534



EQUITY AND LIABILITIES			
Loans and borrowings	9,518	14,598	13,502
Payables	12,142	11,563	14,105
Government grants	187	245	234
Total current liabilities	21,847	26,406	27,841
Loans and borrowings	10,489	10,296	9,540
Payables	190	388	190
Deferred tax liabilities	1,854	1,918	2,010
Government grants	962	1,198	1,087
Total non-current liabilities	13,495	13,800	12,827
TOTAL LIABILITIES	35,342	40,206	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	147	556	-214
Retained profit (-loss)	-550	576	66
Equity attributable to parent	21,002	22,537	21,257
Non-controlling interest	596	739	609
TOTAL EQUITY	21,598	23,276	21,866
TOTAL EQUITY AND LIABILITIES	56,940	63,482	62,534



Consolidated Statement of Profit or Loss And Other Comprehensive Income

Thousand euros	3Q 2019/2020	3Q 2018/2019	9m 2019/2020	9m 2018/2019
Sales	18,488	18,120	63,191	64,242
Cost of goods sold	-16,497	-15,999	-54,293	-54,447
Gross profit	1,991	2,121	8,898	9,795
Operating expenses	-2,635	-2,561	-8,402	-8,180
Selling and distribution expenses	-1,735	-1,775	-5,673	-5,702
Administrative expenses	-900	-786	-2,729	-2,478
Other income / expense	-35	-114	299	189
Fair value adjustment on biological assets	-754	-457	-530	-2,012
Operating profit (loss)	-1,433	-1,011	265	-208
Financial income/-expenses	-384	-112	-777	-607
Profit (loss) before tax	-1,817	-1,183	-512	-815
Income tax	120	-13	-119	-17
Net profit (loss) for the period	-1,697	-1,196	-631	-832
Net profit (loss) attributable to:				
Owners of the company	-1,658	-1,177	-616	-948
Non-controlling interests	-39	-19	-15	116
Total net profit (loss)	-1,697	-1,196	-631	-832



Other comprehensive income (loss) that may subsequently be classified to profit or loss:				
Foreign currency translation differences	-20	626	361	549
Total comprehensive income (expense)	-1,717	-570	-270	-283
Total comprehensive income (expense) attributable to:				
Owners of the Company	-1,684	-551	-255	-399
Non-controlling interests	-33	-19	-15	116
Total comprehensive income (expense) for the period	-1,717	-570	-270	-283
Profit (loss) per share (EUR)	-0.04	-0.01	-0.01	-0,01
Diluted profit (loss) per share (EUR)	-0.04	-0.01	-0.01	-0,01

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