

# ZINZINO AB



## PRESS RELEASE

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### **Interim Report July 1 - September 30, 2015 Zinzino AB (publ)**

"Growth, product launches and a new IT system"

Dag Bergheim Pettersen, CEO, Zinzino AB

#### **THE PERIOD IN SUMMARY**

Total revenues amounts to SEK 101.3 million (87.6), representing a sales growth of 16 % for the Group compared with the year before. Net profits amount to SEK 2.3 million (6.7), equivalent to a profit per share of SEK 0.07 (0.24). The gross profit margin amounts to 30.0% (28.1%), a margin improvement of 1.9 percentiles compared to the year before.

#### **THIRD QUARTER, Q3 2015**, (compared to the same period in the previous year, 2014)

- Total revenues amount to SEK 101.3 million (87.6), representing a growth of 16 %.
- EBITDA amounts to 5.3 million (7.0) and the EBITDA margin is 5.3% (8.0%).
- Net profit amounted to SEK 2.3 million (6.7). Profit per share amounts to SEK 0.07 (0.24).

#### **SIGNIFICANT EVENTS DURING THE PERIOD**

- Implementation of a new IT system – Zinzino can now face the company's growing sales and globalization. The implementation has been challenging for the business and in the short term during the period negatively affected sales and generated increased costs. Zinzino estimates that the budgeted outcome for the quarter had produced a revenue loss of around SEK 15 million and as a result of this a decline in EBITDA of around SEK 5 million compared with the budget. From a long term perspective the company sees enormous benefits with the investment in the new system and see it as a necessary and important investment for the future.
- Start of sales in Canada – initially Zinzino Health was launched on the market, local sales companies were opened with support from the office in the USA.
- Product launch – Zinzino LeanShake is a new product within the product line Zinzino Health. A healthy meal substitute for weight control and when exercising.
- Product launch – the espresso machine EK'Oh is a new product within the product line Zinzino Coffee. An environmentally-friendly fully-automatically espresso machine.
- "Pick to light" – the logistics provider Katioen Naties has now implemented a picking and packing arrangement "Pick to light" in the warehouse in Trollhättan, Sweden where Zinzino handles all European orders. This investment leads to further efficiencies and cost rationalization of the handling process for Zinzino.
- New improved ZinzinoTest.com has been launched – a new website for Zinzino BalanceTest results that are more informative, easily-managed and more visually appealing.
- Faun Pharma AS ISO900 -certification – a quality recognition that opens up new sales channels. The work has also resulted in more efficient production processes and higher end quality of the produced goods. Zinzino expects certification to be completed in Q1 2016.
- Faun Pharma AS has at the end of Q3 an order reserve of SEK 14 million, which brings great expectations of a good financial end to 2015 for Faun Pharma AS.
- Zinzino is qualified for "First North Top 25" – one of Nasdaq's 25 biggest and most actively traded company on Nasdaq First North.
- The percentage distribution of sales among the product lines during the third quarter  
In 2015, 29 % is for Zinzino Coffee and 71 % for Zinzino Health.
- Zinzino Health sales amount to SEK 60.7 million (50.3), corresponding to a growth of 21 %.
- Zinzino Coffee sales amount to SEK 24.8 million (27.9), representing a fall in sales of 13 %.

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

### **The third quarter was characterized by growth, product launches and new IT system.**

“During the third quarter of 2015 we have worked all out for our future growth. Major and minor improvements that are not always visible today, but which make a big difference to us in the long term. At the same time, we have managed to increase our growth by 16 percent compared to the same quarter of the previous year and we have good control of profitability. This provides us with accumulated growth, January to September, of 32 percent and an improved gross margin of 3.7 percent compared to the previous year. In other words, we are above our growth forecast of 25 percent. We are pleased with our positive growth and customer flow.

Our work for the future during the third quarter can be divided into two categories; product development and new IT system. The development we achieved for our products is very much based on optimizing our manufacturing through a reduction in costs and launching of a number of new product concepts with our own brand within health. This will give us lower production costs and in the long term will strengthen our concept and Zinzino as brand.

We have at the same time for a relatively long period worked on and invested in a new IT platform that we launched in August. During the third quarter we worked hard on the implementation. Our new IT system is now in place and we feel confident of having a platform for the future, with a completely new web shop which gives us the ability to follow-up our customers and distributors so that our work becomes more systematic. In the short term this has been challenging for us and not necessarily profitable, but a prerequisite for achieving our long-term goal. We are equipped for new markets and customers and we will with pride and confidence continue our growth with reports and functions what we previously could only dream of. An investment that will give us strength for the future. The quarter's work will mean that we meet our ambitious growth target of at least 25 percent during the coming three years and improved profits every year.

Our new product concept is a completely new product line that we call weight control. We are proud to have created two new products that go under the name LeanShake. It is a protein shake in which we have used the best ingredients the world has to offer within this segment. We know that the market and interest is great with regard to weight reduction and fitness. We also know that there are plenty of products on the market. We have therefore developed our own product line, that we also manufacture in our own factory. In this way we can with security know that we maintain the highest quality. This is a product segment that we believe strongly in and which will give us continued growth and many new customers during the coming years.

During the third quarter Zinzino opened for sales in Canada. The business is run from our office in the USA. During the first quarter of 2016 we plan to open in Germany. Germany and Canada are both major markets which we believe will provide us with strong growth of customers and distributors. We have worked in a cost-effective manner to open new markets through our existing organization, which means that in 2016 we will open more markets and invest even more in existing markets such as the USA and Poland.

We have a vision that says that we will inspire lifestyle changes for our customers and distributors. We will do this by being the most customer-friendly direct sales company in the world. We have previously communicated that we have a vision that confirms this. The goal is a million customers in 2020. It's an ambitious target that we believe strongly in and which we will use as a compass in our day-to-day work and that is firmly embedded in our strategy.”

Dag Bergheim Pettersen, CEO, Zinzino AB

### **For a full report see attached pdf.**

This information is such that Zinzino AB is to publish it under the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information will be submitted for publication of November 23, 2015.

**INFORMATION ABOUT THE COMPANY** Zinzino was established under the name of Zinzino Holding in the fall of 2007. During 2009, partly by means of a non-cash issue during the spring and partly through a directed share issue, the company acquired 93 % of the share capital and 97 % of the shares in Zinzino Nordic AB. Zinzino Nordic is a sales company which utilizes independent distributors who market and sell products on commission through what is termed direct selling.

**NEXT REPORT**

The Year-end report for 2015 will be published on February 28, 2016.

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**Zinzino AB** is a leading direct sales company with a presence in Sweden, Norway, Denmark, Finland, Estonia, Latvia, Lithuania, Iceland, the Faroe Islands, Poland, the Netherlands, Canada and the USA. Zinzino markets and sells products within two product lines; Zinzino Health, with a focus on long-term health, and Zinzino Coffee, consisting of espresso machines, coffee, tea and accessories. We offer customers products with a focus on quality, the environment, health and a feeling of everyday luxury. Our values are characterised by our high quality, proximity to customers and focus on active product development. The products are marketed via direct sales. Zinzino owns the Norwegian knowledge company BioActive Foods AS, and the research and production unit Faun Pharma AS. Since 2005 Zinzino has been a general agent for the Franco-Belgian coffee house Rombouts & Malongo. Today Zinzino has around 100 employees in the Group. The company has its headquarters in Gothenburg, an office and a factory in the greater Oslo area, an office in Florida, USA and an office in Helsinki, Finland.