

HÖVDING INTERIM REPORT Q3 2020

July – September 2020

Hövding – back on firmer ground

FINANCIAL RESULTS FOR THE PERIOD

- Number of Hövding helmets sold during the third quarter increased to 28,586 (11,199) (+155%).
- Net sales of TSEK increased to 45,312 (18,583) (+144%)
- Gross margin of 24% (27%).
- EBITDA of TSEK –6,688 (-16,648). Operating profit includes an item relating to restructuring costs of 3,750 TSEK of a non-recurring nature.
- Profit after tax TSEK –8,097 (-17,304)
- Profit per share SEK -0,34 (-0,78)
- Cash flow from operating activities TSEK -3,096 (-9,429)

SIGNIFICANT EVENTS DURING THE PERIOD

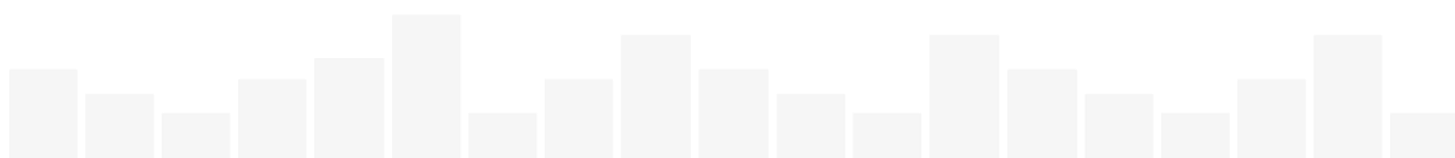
Hövding Sverige AB (publ) announce result in new share issue.

The subscription period for the new share issue with preferential rights for existing shareholders ended august 28th 2020. It was subscribed at 174%. Subscription with support of preferential rights was over 97% of the offered shares. The new share issue results in cash amounting to 60,9 MSEK prior to expenses. Guarantee commitments made have as a result not been activated.

Adjustment to the company cost structure.

During the quarter implementation of reduction in the organisation and a more efficient sales and marketing approach was carried out. In total the personnel related changes amount to full year savings of approx. 7MSEK.

All changes are completed and the non-recurring cost of 3 750 TSEK is included in the quarter.



Hövding – back on firmer ground

The number of Hövding helmets sold during the third quarter 2020 increased by 155% compared to the same period last year. Net sales increased by 144%.

Last year the phasing out Hövding 2.0 and the introduction of Hövding 3 and this years previous quarter partly closed down key markets make fair comparisons difficult though.

The result, except restructuring commented on below, we see as a fair indication of where we are at right now. Our three key markets represent 95% of sales and they all show potential in further growth. In the most penetrated market, Sweden, we sold 11 322 units with large shares through our key accounts in the sporting goods channel and our design channel. Denmark and Germany were marked by physical restrictions during spring but have now come back to higher levels again.

Compared to quarter two Denmark increased by 59% and Germany by 90% in sold units. We also see a trend towards more online purchase and are focusing on taking our direct share of this. Sales through our own web shop represented 7% of overall sales in the quarter.

Covid-19 have reshaped our transportation patterns in cities and urban cycling, already on the increase before, have accelerated further. The cycling industry as a whole is reporting strong growth. To what precise extent this positively effect Hövding is difficult to judge. Generally, it is obviously positive, but we should remain alert to possible imposed restriction in society that can affect our dealer's ability to reach the final consumers. In the shorter perspective it is Sweden, Denmark, and Germany we follow more closely as they represent the core of our sales currently.

We have previously announced an oversight of the company cost structure. From an organizational perspective this has now concluded and been implemented. Since start September we work more digitally with our customers and with higher efficiency in general. The quarter includes non-recurring cost of 3 750TSEK.

Moving forward it represents ca 7MSEK in saving full year with start quarter 4. In addition to the now completed reduction in personnel we will continuously work with challenging our operational expenses.

Adjusting our cost structure while planning for reasonable growth and focus on achieving profitability is the plan communicated earlier this year. This quarter is the start of this and restructuring our personnel cost is now concluded and we look forward continuing the path started.

Fredrik Carling
CEO
Hövding Sverige AB (publ)



SALES AND RESULTS

- Net sales for the period was TSEK 45,312 (18,583).

The number of helmets sold during the period reached 28,586 (11,199). Of these, 31% (16%) were sold through wholesalers, 62% (75%) through retailers and 7% (9%) through the company website. Sales share by country shows Sweden 40% (45%), Denmark 28% (37%), Germany 27% (14%), the UK 1% (2%) and for other countries 4% (2%).

The gross margin for the period amounts to 24% (27%). The gross margin is mainly affected by production costs at 82,6% (83%), transport and customs at 4,8% (6%) and provision for future and existing warranties at 12,6% (11%).

Our business expenses during the period reached TSEK 19,100 (21,617). Among the expenses, TSEK 8 993 (13 359) denotes external costs, and TSEK 10 107 (8 258) refers to personnel costs. During the period, operating expenses were charged with structural costs of a non-recurring nature of a total of 3,750 TSEK. These are allocated on other operating expenses with 852 TSEK and on personnel costs with 2,898 TSEK. EBITDA for the quarter was TSEK -6,688 (-16,648). Profit for the period before tax amounted to TSEK -8,097 (-17,304) having been burdened by write-offs and devaluations of intangible assets at TSEK -1,014 (-457) and tangible assets at TSEK -176 (-148).

INVESTMENTS

No significant investments were made during the quarter.

LIQUIDITY AND FINANCING

The liquidity of the company at the end of the period amounted to TSEK 66,134 (26,687). Cash flow from the ongoing operations during the period amounted to TSEK -3,096 (-9,429).

EMPLOYEES

As per 30 September 2020 the number of employees was 35 (39).

RISK FACTORS

Risk factors are described in Hövding's 2019 annual report on page 52.

CERTIFIED ADVISER

Västra Hamnen Corporate Finance AB is Hövding's Certified Adviser.

DATE OF REPORT

At the end of each new quarter, Hövding publishes a financial report. The next report is scheduled for publication on

- 22 February 2021 – Year-End report 2020

ACCOUNTING PRINCIPLES

This report is presented according to the Annual Accounts Act and BFNAR 2012:1 (K3). The accounting principles are unchanged from the previous year.

AUDITOR

This report has not been audited by the company's auditor.

CORPORATION DETAILS

Hövding Sverige AB (publ), organisation number 556708-0303, is a limited liability company located in Malmö. The company's shares are listed on Nasdaq First North Growth Market in Stockholm.

INFORMATION

Please direct any queries regarding the content of this interim report to:

CEO Fredrik Carling

Ph: +46 40 236868

fredrik.carling@hovding.com

Hövding Sverige AB (publ)

Bergsgatan 33

214 22 Malmö

+46 40 236868

The company board and the CEO confirm that this interim report gives a fair overview of the company operations, position, and results.

Fredrik Arp (ordf)

Helén Richenzhagen

Tony Grimaldi

Alexander Izosimov

Maria Minskova

Peter Svanlund

Fredrik Carling (vd)

Hövding Sverige AB (publ) is listed on the Nasdaq First North Growth Market since 2015.

Västra Hamnen Corporate Finance AB is Hövding's Certified Advisor.

E-mail: ca@vhcorp.se, tel: +46 40 200250

For further information, please contact Fredrik Carling on +46 40 23 68 68

High resolution images can be downloaded here:

www.mynewsdesk.com/se/hovding

The information herein is provided by Hövding Sverige AB (publ) in accordance with its duties of public disclosure as stipulated by the EU regulation on marketplace misuse. The information was made public by Fredrik Carling, CEO of Hövding Sverige AB (publ), on 20 October 2020 at 08.30am CET.

Income statement

	July - September		January - September		Full Year
<i>(Values in TSEK)</i>	2020	2019	2020	2019	2019
Net sales	45 312	18 583	99 758	66 452	112 919
Other operating income	1 728	13	1 068	52	286
Total operating income	47 040	18 596	100 826	66 504	113 205
Raw materials and consumables	-34 628	-13 627	-77 975	-47 212	-83 476
Other external costs	-8 141	-13 312	-26 077	-39 348	-42 801
Personnel costs	-10 107	-8 258	-28 664	-25 592	-35 256
Depreciation/amortization	-1 190	-605	-3 580	-1 674	-2 654
Other operating expenses	-852	-47	-960	-270	0
Total operating costs	-54 918	-35 849	-137 256	-114 096	-164 187
Operating profit (loss)	-7 878	-17 252	-36 430	-47 591	-50 982
Other interest income and similar profit (loss) items	1	2	12	36	109
Interest expense and similar profit (loss) items	-220	-54	-442	-55	-55
Total financial items	-219	-52	-430	-19	54
Profit (loss) after financial items	-8 097	-17 304	-36 860	-47 610	-50 928
Tax on profit	0	0	0	0	0
Net profit (loss)	-8 097	-17 304	-36 860	-47 610	-50 928
Earnings per share before and after dilution *)					
Earnings per share	-0,34	-0,78	-1,58	-2,14	-2,29
Number of shares, average	24 104 622	22 281 105	23 265 295	22 281 105	22 281 105
Number of shares per closing date	27 523 717	22 281 105	27 523 717	22 281 105	22 281 105

*) There are warrants that can result in dilution, but since the result for the period is negative no dilution effect occurs (see definition of earnings per share after dilution).

Balance Sheet

(Values in TSEK)	2020-09-30	2019-09-30	2019-12-31
<i>Fixed assets</i>			
Intangible assets	13 465	5 156	15 499
Financial assets	52	52	52
Tangible assets	1 971	2 660	2 474
Total Fixed assets	15 488	7 868	18 025
<i>Current assets</i>			
Inventories	27 792	16 389	20 848
Account receivable	16 029	11 127	18 019
Tax assets	768	666	775
Other receivables	595	549	159
Prepaid expenses and accrued income	506	330	585
Cash and bank balances	66 134	26 687	20 353
Total Current assets	111 824	55 748	60 739
Total Assets	127 312	63 616	78 764
Share capital	13 762	22 281	22 281
Development fund	10 684	3 045	13 725
Accumulated profit or loss	68 533	36 961	26 281
Net profit	-36 860	-47 610	-50 928
Total Equity	56 119	14 677	11 359
Other provisions	8 481	9 720	10 457
Total Provisions	8 481	9 720	10 457
Accounts payable	45 839	33 207	49 606
Other liabilities	6 250	696	1 477
Accrued expenses and deferred income	10 623	5 316	5 865
Total current liabilities	62 712	39 219	56 948
Total Equity and liabilities	127 312	63 616	78 764

Cash flow statement

(Values in TSEK)	July - September		January - September		Full Year
	2020	2019	2 020	2 019	2 019
Cash flow from operating activities before interest and income tax paid	-7 907	-18 481	-35 249	-48 535	-50 246
Increase/ decrease inventories	1 442	-14 339	-6 944	-10 377	-14 836
Increase/ decrease receivables	-3 202	2 473	1 633	3 298	-3 459
Increase/ decrease accounts payable	1 591	21 893	-3 767	18 205	34 605
Increase/ decrease other current liabilities	4 980	-975	9 531	-199	1 131
Cash flow from operating activities	-3 096	-9 429	-34 796	-37 608	-32 805
Aquisition of intangible assets	0	0	-1 007	0	-11 137
Purchase of property, plant and equipment	-48	-2 130	-36	-2 322	-2 322
Cash flow from investing activities	-48	-2 130	-1 043	-2 322	-13 459
New share issues after issue expenses	58 351	0	81 620	0	0
Share warrant	0	0	0	153	153
Cash flow from financing activities	58 351	0	81 620	153	153
Cash flow for the period	55 207	-11 559	45 781	-39 777	-46 111
Cash and cash equivalents at the beginning of the year/ period	10 927	38 246	20 353	66 464	66 464
Cash and cash equivalents at the end of the year/ period	66 134	26 687	66 134	26 687	20 353

Changes in equity

(Values in TSEK)	January - September		Full Year
	2020	2019	2019
Equity at the beginning of the period	11 359	62 134	62 134
New share issue	85 848	0	0
Issue expense 2020 March	-1 634	0	0
Issue expense 2020 September	-2 594	0	0
Share warrant	0	153	153
Profit (loss)	-36 860	-47 610	-50 928
Equity at the end of the period	56 119	14 677	11 359

Key ratio

	July - September		January - September		Full Year
	2020	2019	2020	2019	2 019
Net sales	45 312	18 583	99 758	66 452	112 919
Gross margin	10 684	4 956	21 783	19 240	29 443
EBITDA	-6 688	-16 648	-32 850	-45 918	-48 328
Operating profit/loss (EBIT)	-7 878	-17 252	-36 430	-47 591	-50 982
Balance sheet total	127 312	63 616	127 312	63 616	78 764
Cash equivalents	66 134	26 687	66 134	26 687	20 353
Interest-bearing net debt	N/A	N/A	N/A	N/A	N/A
Net sales growth (%)	144%	N/A	50%	N/A	22%
Gross margin (%)	24%	27%	22%	29%	26%
EBITDA margin (%)	-15%	-90%	-33%	-69%	-43%
Operating margin (%)	-14%	-90%	-33%	-69%	-45%
Equity ratio (%)	44%	23%	44%	23%	14%
Debt equity ratio	N/A	N/A	N/A	N/A	N/A
Number of employees at the end of the period	35	39	35	39	41

Definitions

Net sales growth (%)	change in Net sales in relation to the corresponding period last year
Gross margin	Net sales reduced by Cost of goods sold
Gross margin (%)	Gross profit as a percentage of Net sales
Operating profit/loss (EBIT)	Profit (loss) before interest and taxes
Operating margin (%)	Operating profit as a percentage of total operating income
EBITDA	Operating profit (loss) (EBIT) before interest, taxes, depreciation and amortization
EBITDA-margin (%)	EBITDA as a percentage of net sales
Equity ratio (%)	Equity at the end of the period as a percentage of Total Assets at the end of the period
Debt equity ratio	Interest bearing liabilities divided by Equity
Interest bearing net debt	Interest bearing liabilities reduced by Cash and cash equivalents
Earnings per share before dilution	Net profit divided by the average number of shares
Earnings per share after dilution	Net profit divided by the average number of shares, where the average number of shares increased by the number of shares that entail dilution effects. Options and share warrants have a dilution effect when they would lead to an issue of ordinary shares at a price that is lower than the average price of ordinary shares during the period. Furthermore, ordinary shares only give rise to dilution effects in the event of a conversion of them leads to a lower profit or higher loss per share.