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# INCREASED GROSS PROFIT AND STRENGTHENED MARGIN, SECOND QUARTER 2024

## FINANCIAL INFORMATION:

### SECOND QUARTER

- Net sales amounted to MSEK 1,861 (1,710), an increase with 9% compared to the corresponding period last year. The organic growth for the period was 9%.
- EBITA amounted to MSEK 139 (129).
- EBIT amounted to MSEK 90 (83).
- Adjusted EBITA amounted to MSEK 141 (120), an increase with 18% compared to the corresponding period last year.
- Cash flow from operating activities amounted to MSEK -49 (445).
- Profit and loss after tax amounted to MSEK 32 (0).
- Earnings per share before and after dilution amounted to SEK 0.07 (0.00).

### SIX MONTHS

- Net sales amounted to MSEK 3,699 (3,303), an increase with 12% compared to the corresponding period last year. The organic growth for the period was 10%.
- EBITA amounted to MSEK 272 (259).
- EBIT amounted to MSEK 176 (168).
- Adjusted EBITA amounted to MSEK 268 (223), an increase with 20% compared to the corresponding period last year.
- Cash flow from operating activities amounted to MSEK 11 (627).
- Profit and loss after tax amounted to MSEK 55 (-4).
- Earnings per share before and after dilution amounted to SEK 0.12 (-0.01).

## SIGNIFICANT EVENTS:

### DURING THE SECOND QUARTER

- Humble Group completed the second and last part of the sale of properties, which is structured as a sale and leaseback transaction. See *Note 5* for more information.
- Humble Group held the annual general meeting on May 22, 2024. The election committee proposed re-election of the existing board members as well as election of Noel Abdayem as a new board member, who is also an existing member of the senior executive team.
- Humble Group has expanded its existing credit facility agreement with a total of MSEK 300, whereas MSEK 150 is a short-term loan and MSEK 150 is an extension of the existing revolving credit facility.

### AFTER THE QUARTER

- Humble Group invites to Capital Markets Day on September 19<sup>th</sup>, 2024.

## CEO COMMENT FROM THE REPORT

## **INCREASED GROSS PROFIT AND STRENGTHENED MARGIN**

The second quarter implied a continued increase in sales with an organic growth that amounted to 9%, despite a somewhat weaker consumer market and negligible impact from pricing and ingredient sales. It is particularly gratifying to see how the work to strengthen the gross margin is yielding results. The gross margin amounted to 31.5% (29.3%) and the gross profit increased by 17%. Combined with good cost control, the adjusted EBITA margin strengthened to 7.6% (7.0%) and the adjusted EBITA result amounted to SEK 141 million (120), which corresponds to an increase of 18%. Considering that we completed the sale of the property assets, which reduced the adjusted EBITA result by SEK 4 million compared to the same period last year, the relative improvement for the period was 22%. During the period, we have continued to invest strategically in our operations with new machines and product series to meet the demand and order intake that we have for the autumn and 2025. The strategic investments are also reflected in the working capital tie-up of SEK 199 million in inventory, where SEK 175 million is concentrated in seven companies, that we assess will have an extra high growth going forward. We have had strong momentum during the last weeks of June and the beginning of July with many ongoing initiatives in a scale-up phase, which contributes to an exciting autumn ahead.

## **Operations**

We are leaving an intense second quarter behind us characterized by operational consolidation, optimization of process flows and increasing to additional shifts in our factories. The work continues but has been affected by some delivery delays of machines and equipment. The delays have meant that some of the capacity increases and the start-up of new production lines have only had a marginal impact during the period. The objective is for the majority of the strategic initiatives for capacity development to be implemented during the third quarter and in full production before the year end. This creates good conditions for continuous growth organically in 2025 and secures that we are able to meet the delivery pace of products that our brands and B2B customers demand. Some highlights for the period are the expanded capacity for sugar-free sweets at Grahns, production and launch of True Dates, which has already sold for SEK 10 million in just a few weeks, as well as our own softbar, which is manufactured at Bars Production and sold under the Pro Brands brand. We have received several significant listings of the new products for the autumn trade window in the convenience and grocery, which provides us with favourable conditions to capitalize on the development projects that we have already invested in during the past two years.

Several of our most prominent brands have also continued to grow internationally. We started to work on a US expansion a year ago and now the first products are in transit, where the launch is planned to be initiated after the summer. The US market is huge and has a high consumer acceptance for this type of better-for-you products. The response from trade show participation and the retail chains that we have established a dialogue with, have been overwhelmingly positive. At the same time, it is an opportunity that we approach with caution, given the size of the market and the complexity that both launching and managing the supply chain entails. Ordinary Swedish confectionery have recently received a remarkable boost and recognition among younger consumers on social media internationally. During the quarter, we have therefore acquired the domain [swedishcandy.com](https://www.swedishcandy.com) with the aim of launching a new venture with Swedish candy in both the US and Europe.

Our B2B exposure with contract manufacturing and private label continues to gain market share and we receive more and more inquiries from companies and food retailers who see Humble as a partner to deliver quality products at an attractive price. The proven B2B business model of our group companies, such as Solent with its rapid market expansion, is a counterweight to our premium brands and we see interesting opportunities to expand with the model in the Scandinavian and Central European markets.

## **Results**

Net sales continued to develop well with a volume-driven organic growth of 9%. The price development was for the first time in many quarters negligible. The early Easter had a positive impact on the second quarter with 3% and the organic growth for the first half of the year amounted to 10%. Sweden had a slightly weaker development as an effect of product changes and pricing in manufacturing and raw materials. Consumers showed some weakness during the period but recovered strongly in the second half of June. The investments in our international expansion are paying off and sales abroad increased by 17% for the quarter and 15% during the first half of the year.

The gross margin has been a major focus to recover since macroeconomic conditions deteriorated in 2022 and 2023. It is gratifying to see how we have achieved a consistent improvement for the third quarter in a row. Freight prices from Asia have seen a sharp increase during the first half of the year, but with favourable contracts and efficient execution, we have managed to keep them at attractive levels relative to the market. For the international shipping, we have started a major consolidation project where we see an upside in gathering additional group-volume under a joint agreement and benefiting from economies of scale such as better pricing and increased volume availability.

As a result of strategic investments in new product lines and market launches, as well as an approaching high season for several of our companies, we had a weak development in cash flow after change in working capital. We are vigilant regarding the working capital tie-up and aim for it to normalize over time in line with historically lower levels relative to net sales.

During the period and the first half of the year, we have significantly increased the marketing efforts of our products and brands, which are activities that will benefit us in a few years' time. We have also invested in future growth for our factories which initially drive costs before the capacity improvements are in full utilization. Despite this, we have managed to increase the profitability margin measured as adjusted EBITA by 9% sequentially and 8% compared to

the previous year. The improvement is primarily driven by the increased gross profit and good cost control. With continued growth, there is more margin to be gained from the economies of scale that our platform offers. A large part of the earn outs has now been paid, which contributes to improving the net interest cost going forward. We appreciate the support with extended credit facilities from our banks, who wants to be involved and contribute to Humble's development.

### **Outlook**

The preparations for the list change from First North to Nasdaq Stockholm's main market have proceeded according to plan and if nothing unforeseeable occurs, the ambition is that our application for the list change will be approved and thus carried out during the third quarter of 2024. In addition, we invite you to Humble's capital market day on Thursday the 19th of September 2024 in central Stockholm, where the participants will have the opportunity to meet members of the group management and get to know our four business segments better.

The second half of the year has started out well and we are now entering the most intensive period with full focus to ensure success during the important months of August-November. Additionally, we have a target to further strengthen the balance sheet organically and expect a cash flow release from working capital during the fourth quarter. With a strong order intake and confidence in high demand, we have invested in a well-filled inventory and intend to be able to deliver more products to the market than ever before."

The report is attached and can also be downloaded in its entirety on the company's website [here](#).

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

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### **About Humble**

Humble Group is a Swedish FMCG group, which delivers next-generation consumer products that are better for people and the planet. Humble's business consists of the business segments Future Snacking, Quality Nutrition, Sustainable Care and Nordic Distribution, which have a profile within health and sustainability. The company strives to drive organic and structural growth through acquisitions and by utilizing synergies between the business entities. For more information visit <http://www.humblegroup.se>

Humble is listed on Nasdaq Stockholm, First North Growth Market, under the ticker HUMBLE. FN Sweden AB is Humble's certified adviser.

### **Forward-looking statements**

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