



ADDING VALUE TO YOUR BRAND BRANDING · DESIGN · PRODUCT DEVELOPMENT · LOGISTICS

# NILÖRNGRUPPEN 2018

# **THE NILORN GROUP**

Branding within the fashion and clothing industry





- Nilorn provides labels, packaging and accessories
- Value added by Branding & Design
- Global as well as cost and time effective solutions
- Our slogan is: Adding value to your brand
- Complete service of branding including the design, manufacturing, logistics and service
- Vision: To be the best labeling and branding company worldwide



**Vision:** "To be the best label and branding company worldwide"

> **Slogan:** "Adding value to your brand"



# **HISTORICAL OVERVIEW**

Operating with extensive experience

- **1970s** Design studio in Borås
- **1980s** Design and production of labels
- **1990s** International expansion through acquisitions
  - 1998 listed at Stockholm stock exchange
- **2000s** Continuing international expansion
  - Closing production
  - Establish in Turkey
  - Increased focus on design, partners and logistic solutions
- **2010s** Focus on the clients
  - Central European warehouse in Germany
  - Establishment in Bangladesh, Shanghai, Hong Kong and Pakistan
  - Good growth and increased profitability
  - Relisted on Stockholm Stock exchange
  - Sustainability is a focus area



# **PRODUCT DESCRIPTION**

Labels





Labels are the core business and accounts for the bulk of sales

- Woven labels
- Textile labels
- Hang tags
- Embossed labels
- Barcode labels
- Labels with care instructions
- RFID

# **PRODUCT DESCRIPTION**

Packaging and accessories

To strengthen the brand and convey a feeling it is important that the product is delivered in a attractive package

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- Cartons, paper bags or plastic packaging
- Buttons, zippers, rivets, buckles, eyelets, molded plastic badges, etc...
- An emerging area: RFID

# **CUSTOMERS**

Broad customer base





- Nilorn sales are mainly to fashion and clothing companies as well as brand owners
- Nilorn customers have their production with external suppliers, notably, in Asia
- Nilorn had more than a thousand customers and over 20 000 users on our Web order system in 2018
- Nilorn has a broad customer base and a number of leading fashion and apparel companies
- Nilorn had more than 1000 customers in 2018
- Nilorn delivered ca 1.5 Billion labels in 2018

### **MANUFACTURING/LOGISTICS**



Key components of Nilorn's business



- Total solutions
- Local supply
- 85 percent from external production partners
- Wide network of producers
- An efficient logistics system
- A KEY competitive advantage for Nilorn

# ENVIRONMENT

An important part of our business



As a responsible company in the fashion and clothing industry, we take an environmentally responsible and sustainable approach as a natural part of the business

Nilorn has prepared an environmental policy which the Group will:

- Offer a good and safe working environment
- Be cautious with the use of environmentally harmful products and reuse and recycle materials
- Sell products that are easy to use, energy efficient and environmentally friendly
- Using power responsibly and with the utmost rigor
- Keep staff informed on environmental issues
- Study the new environmental standards
- Choose suppliers who themselves have a clear environmental policy, and comply with Swedish and European recommendations, laws and regulations
- Continuously monitor and adapt their environment description
- Nilörngruppen environmental policy has a broad perspective on environmental work, both internally and at suppliers



- Has become increasingly global
- Strategic decisions are taken at headquarters
- Production often in low cost regions
- Customers are mainly European branding and fashion companies
- High degree of competition and a large number of suppliers
- Larger groups and many small private companies
- Fragmented

# **COMPETITORS**



- Trimco Group
- Checkpoint Systems (US)
- Cadica Group (IT)
- Byways Group (UK)
- LabelOn (UK)
- Rudholm & Haak (SWE)
- Mainietti (IT)





#### **FINANCIAL PERFORMANCE**



#### Q2-2019



- Order Income +5 % to MSEK 171 (163)
- Sales -3 % to MSEK 196 (203)
- Marginal currency effect in the quarter
- Operating profit MSEK 20.2 (27.3)
- Net Profit MSEK 15.1 (21.3)
- Earnings per share SEK 1.32 (1.87)



#### Accumulated Q2-2019



- Order Income MSEK 366 (365)
- Sales +5 % to MSEK 374 (355).
- Sales excl currency effects MSEK 361 (355) = an underlying increase of 2 %.
- Operating profit MSEK 35.3 (40.7).
- Profit for the period MSEK 26.1 (30.6).
- Earnings per share SEK 2.29 (2.68).
- Cash flow from operating activities MSEK 29.1 (19.2).



### **INCOME 2019**



	3 months							
	April - June				January - June			
Amounts in SEK thousand	2019		2018		2017		2016	
Netrevenue	195 783		202 571		373 918		354 587	
Raw materials, supplies and goods for resale	-113 988		-113 355		-217 921		-198 196	
Gross profit	81 795	41.8%	89 216	44.0%	155 997	41.7%	156 391	44.1%
Other operating revenue	726		1 397		3 231		3 056	
Other external costs	-16 894	8.6%	-21 193	10.5%	-31 462	8.4%	-39 589	11.2%
Personnel costs	-39 572	20.2%	-39 265	19.4%	-78 798	21.1%	-73 407	20.7%
Depreciation, amortisation and impairment charges	-5 849		-2 004		-11 666		-3 746	
Other operating costs	0		-804		-1 996		-2 002	
Operating profit	20 206	10.3%	27 347	13.5%	35 306	9.4%	40 703	11.5%
Net finance items	-680		226		-1 447		-769	
Profit before taxes	19 526		27 573		33 859		39 934	
Taxes	-4 452	-2.3%	-6 286	-3.1%	-7 748	-2.1%	-9 323	-2.6%
Net profit for the period	15 074	7.7%	21 287	10.5%	26 111	7.0%	30 611	8.6%
Earnings per share, SEK	1.32		1.87		2.29		2.68	

# **CASH FLOW**



Consolidated Cash Flow Statement	April - June		January – June		
Amounts in SEK thousand	2 019	2 018	2 019	2 018	
Cash flow from operating activities before changes in working capital	15 348	23 089	32 035	34 135	
Cash from changes in working capital	-10 683	1 450	-2 939	-14 981	
Cash flow from operating activities	4 665	24 539	29 096	19 154	
Cash flow from investment activities	-27 039	-3 372	-34 952	-4 926	
Cash flow from financing activities	17 584	-26 327	17 624	-9 881	
Cash flow for the year	-4 790	-5 160	11 768	4 347	

# **SIGNIFICANT EVENTS Q2**

- Easter and the Chinese New Year had a positive calendar effect Q1, at the expense of Q2.
- The gross profit margin was negatively affected by a few customers with large volumes of RFID labels. Expected to recover during H2 2019.
- IFRS 16 had the effect of increasing the balance sheet total by about MSEK 60 and redistribution of items in the income statement.
- Positive development on Nilörn's new markets, such as Italy and Spain several exciting projects in England as well as Germany are under way.
- Real estate investments of MSEK 30 in UK and Sweden.



# **QUARTERLY COMPARISON** - Sales



Q2 and Q4 are historically the strongest revenue quarters



# **QUARTERLY COMPARISON** - Operating Profit



Q2 and Q4 are historically the strongest revenue quarters



### **HISTORICAL DEVELOPMENT**





# **BALANCE SHEET**



Consolidated Balance Sheet				
Consolidated Datafice Sheet				
Amounts in SEK thousand	2019-06	2018-06	2018-12	2017-12
Assets				
Intangible non-current assets	18 998	16 456	16 594	14 673
Other non-current assets	153 573	48 272	63 696	48 193
Inventories	113 643	107 554	107 934	110 017
Trade receiveables	82 621	80 725	83 175	76 238
Other current assets	28 849	28 889	31 885	18 658
Cash and cash equivalents	50 921	51 441	37 935	44 837
Total assets	448 605	333 337	341 219	312 616
Equity and liabilities				
Equity	164 919	145 416	180 767	153 913
Long-term interest-bearing liabilites	69 816	-	-	-
Long-term non-interest-bearing liabilities	2 180	1 129	2 009	1 242
Current interest-bearing liabilities	93 139	71 402	40 457	35 677
Current non-interest-bearing liabilities	118 551	115 390	117 986	121 784
Total equity and liabilities	448 605	333 337	341 219	312 616

# **KEY FINANCIAL INDICATORS**



	1 January	– 30 June	1 January – 31 December				
KEY FINANCIAL INDICATORS	<b>2</b> 019	2018	2018	2017	2016	2015	<b>2014</b>
Revenue growth, %	5.5	3.5	7.5	11.5	15.8	15.2	19.5
Operating margin, %	9.4	11.5	12.0	12.1	12.3	9.6	11.3
Profit margin, %	9.1	11.3	11.8	12.1	12.1	9.5	11.2
Average equity	172.8	149.7	167.3	145.9	125.6	113.8	104.6
Return on equity, %	15.1	20.5	42.3	44.6	44.8	34.3	39.9
Equity ratio, %	36.8	43.6	53.0	49.2	50.8	48.8	53.3
Interest-bearing net cash (liabilities –), MSEK*	-112.0	-20.0	-2.5	9.2	9.7	5.0	32.1
Earnings per share, SEK	2.29	2.68	6.20	5.70	4.93	3.42	3.66
Equity per share, SEK	14.46	12.75	15.85	13.50	12.08	9.94	10.02
Dividend per share, SEK	4.00	4.00	4.00	4.00	3.60	3.00	3.50
Average number of shares outstanding	11 401 988	11 401 988	11 401 988	11 401 988	11 401 988	11 401 988	11 401 988
Number of shares outstanding at end of period	11 401 988	11 401 988	11 401 988	11 401 988	11 401 988	11 401 988	11 401 988
Average number of employees	490	474	482	446	358	335	301
* Interest-bearing net cash (liabilities –), has been effected by 60 MSEK from introduction of IFRS 16							

### **CEO'S SUMMARY**



- Lower sales is primarily a calendar effect
- weaker demand in certain markets, lost volume to a few major customers
- Already seeing a good development in Spain similar to what experienced in Italy
- The focus on RFID has been successful. The effect hereof on the gross profit margin has been negative.
- Expect the gross profit margin to recover over time
- Continues positive development in Bangladesh. Investing in a new printing press and more looms in order to ensure a high level of service
- Focus on sustainability continues, has given competitive advantage
- Well positioned for the future



# **FINANCIAL TARGETS**

Aim to grow faster than the market

#### Nilorn strives for sustainable and profitable growth.

- Revenue growth in excess of 7 percent
- Operating margin of at least 10 percent
- Net debt should not exceed 2 \* ÉBITDA

#### **Result 2018-12**

- Revenue growth of 7 percent
- Operating margin 12 percent

#### Result 2017-12

- Revenue growth of 13 percent
- Operating margin 12 percent

#### **Result 2016-12**

- Revenue growth of 16 percent
- Operating margin 12 percent

Nilörngruppen's goal is that 60-90 percent of profit after tax to be distributed







The goal is that all our customers are satisfied with our creativity, products and services.

If you invest in Nilörngruppen we promise to take care of your investment through long-term thinking, growth, stability and hard work!

