

Press release 14th of April 2020

Scandi Standard (SCST SS) – Q1 2020 Trading update

During this challenging period with Covid 19 pandemic, Scandi Standard is reporting a strong result for the first quarter of 2020. The business has recently experienced a major increase of 10-15 percent in retail sales as consumers are spending more time at home. Likewise, Scandi Standard has experienced a drop of 50-60 percent in the food service sales, which broadly represent a similar volume. Despite limited operational and financial impact so far, the Board of Directors has found it prudent to implement precautionary cash preservation measures in case the situation should escalate and will accordingly not propose any dividend to the 2020 AGM.

More than 60 percent of Scandi Standard's products are normally sold through domestic retail channels. As consumers are eating more at home, Scandi Standard has seen significant underlying growth in net sales.

Around 20 percent of the net sales normally come from the food service channels. In the Nordic region and Ireland, Scandi Standard has experienced significant drop in net sales through these channels as many end consumers are no longer eating in restaurants, cantinas etc.

In spite of somewhat higher than normal sick leave Scandi Standard has delivered a solid performance in manufacturing and despite more overtime, good earnings momentum has been maintained.

As a consequence of the lower food service sales, Scandi Standard has executed forceful measures to adjust throughput of products intended for these channels and made plans for alternative sales of specialised products already in stock.

Scandi Standard expects to post an adjusted operating income of about MSEK 115 for the first quarter of 2020, compared to MSEK 110 for the first quarter of 2019. Adjusted operating income excludes non-comparable items.

Scandi Standard expects to post non-comparable items of about MSEK 50 in the first quarter of 2020, of which about MSEK 35 are Covid 19 related. These costs are primarily driven by adjustments to production capacity and provisions to food service inventory and bad debt. This includes anticipated costs relating to keeping parts of the production lines closed through April 2020. The remaining MSEK 15 relates to a comprehensive strategic project which has been carried out in the organisation during the last quarters, which will be further described in the Q1 2020 interim report.

Scandi Standard has a robust balance sheet, a solid financing and significant current headroom to its financial covenants. Nevertheless, the Board of Directors has found it prudent to implement precautionary cash preservation measures in case of material negative change to the current outlook. The Board of Directors will not propose the MSEK 147 dividend to the 2020 AGM as announced in the Q4 2019 interim report and commitments to non-essential capital expenditures will be limited for the time being.

These measures will allow Scandi Standard to dedicate all of its resources to secure timely deliveries of high-quality products to the customers in the prevailing environment. In order to mitigate risk of downtime due to potential staff shortage in the coming period, heightened biosecurity measures in all plants and contingency plans for staffing have been implemented.

Scandi Standard is the leading producer of chicken-based food products in the Nordic region and Ireland. The company produces, markets and sells ready to eat, chilled and frozen products under the well-known brands Kronfågel, Danpo, Den Stolte Hane, Naapurin Maalaiskana and Manor Farm. Eggs are also produced and sold in Norway. We are approximately 3,000 employees with annual sales of more than SEK 9 billion. For more information, please visit www.scandistandard.com.

“I am proud in the way our organisation has rapidly been able to adapt to the current environment. I am confident that the combination of operational and financial measures implemented will allow us to optimise our performance in challenging times. I wish to thank all our employees for their flexibility and hard work to secure essential food supply to all our customers in the Nordic region, Ireland as well as our export clients”, says CEO Leif Bergvall Hansen.

Given the uncertainty relating to the further development of the Covid 19 pandemic, Scandi Standard will continuously re-evaluate capital expenditures and its cash position. The Board of Directors will consider whether it is prudent to call an Extraordinary General Meeting during the second half of 2020 to propose an extraordinary dividend.

Scandi Standard will report Q1 2020 results 12 May 2020.

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