

Press release 16 November 2022

## **Synsam Group's Q3 report 2022**

***Increased market share in a weak consumer market - "Continued investments for future growth affecting earnings"***

### **1 July - 30 September 2022**

- Net sales amounted to SEK 1,319 million (1,176), up 12.2 percent. Organic growth totalled 9.6 percent (21.0)
- The gross margin was 73.8 percent (75.8)
- EBITDA amounted to SEK 303 million (314), the EBITDA margin was 22.7 percent (26.3) and the adjusted EBITDA margin was 22.7 percent (28.3)
- EBITA amounted to SEK 169 million (206), the EBITA margin was 12.7 percent (17.3) and the adjusted EBITA margin was 12.7 percent (19.2)
- Cash flow from operating activities amounted to SEK 214 million (252)
- Net debt amounted to SEK 2,864 million (2,535) at the end of the period, compared with SEK 2,390 million at year-end 2021
- Profit after tax increased to SEK 80 million (2)
- Earnings per share before and after dilution increased to SEK 0.53 (0.02)

### **1 January - 30 September 2022**

- Net sales amounted to SEK 3,904 million (3,423), up 14.0 percent. Organic growth totalled 11.9 percent (27.0)
- EBITDA increased to SEK 944 million (893), the EBITDA margin was 23.9 percent (25.7) and the adjusted EBITDA margin was 23.9 percent (27.1)
- Cash flow from operating activities amounted to SEK 505 million (587)
- Profit after tax increased to SEK 277 million (3)
- Earnings per share before and after dilution increased to SEK 1.84 (0.05)

### **Events after the end of the period**

- After the end of the period, 548,483 own shares were purchased to ensure delivery of shares under LTIP 2022

**President and CEO Håkan Lundstedt comments:**

In a weak consumer market characterised by increased interest rates, inflation and challenging electricity prices, it feels positive to report a 12-percent increase in net sales in the third quarter, of which 10 percent was organic growth and 6 percent was like-for-like growth. Finland performed especially well, with strong growth. The optician shortage that has characterised the market for the last few quarters has stabilised, even though it continued to affect us in the quarter and led to increased costs. Competition for consumers is generally more challenging, at the same time as the market for optical retail and eye health in the Nordics remains highly competitive and campaign driven.

In the last few years, Synsam has significantly expanded the number of stores in the Nordic market, refined its store concepts and strengthened the competitiveness of its customer offering. It is clear that customers appreciate the Synsam Lifestyle subscription service even more in times of increased economic uncertainty, the subscription business is growing faster than Synsam as a whole. In the third quarter, Synsam continued to capture market share in the Nordic market.

**MIX EFFECT AND INFLATION AFFECT PROFITABILITY**

To strengthen our business over the long term, Synsam continued to invest in the future during the third quarter, which resulted in strong sales growth but somewhat lower profitability for the quarter. These investments include the production and innovation centre, significant expansions of new stores, Recycling Outlet, Ai, Hearing and increased marketing initiatives, which had a combined negative impact of SEK 34 million on EBITDA compared with the third quarter of 2021, or MSEK 82 million compared with the first nine months of 2021. Synsam reported EBITDA of SEK 303 million (314) for the third quarter of 2022, and despite significant investments in growth EBITDA for the nine-month period increased to SEK 944 million (893). In addition to the aforementioned investments, earnings for the quarter were charged with higher operating expenses for opticians and increased costs as a result of rising inflation. Synsam has taken measures to compensate for these increased costs, which are expected to have full effect during 2023. We are also assessing whether further measures should be taken. Mix effect and increased purchase prices had a negative impact on the gross margin. We are also seeing a slight effect on the reported earnings as more customers are drawn to Synsam's offerings at somewhat lower price points. It is positive that a growing number of customers are choosing subscriptions.

**SUBSCRIPTION BUSINESS PROVIDES ADDED VALUE IN UNCERTAIN TIMES**

Synsam's Synsam Lifestyle subscriptions are more attractive and provide added value during times of greater economic uncertainty. Subscriptions provide customers with options at various price levels and allow them to have control over their monthly expenses. The spectacles subscription business continued to grow significantly in the third quarter, up 23 percent year-on-year, and the number of active customers increased by approximately 29,000. This means that Synsam had approximately 478,000 active Synsam Lifestyle customers at the end of the quarter. Offering customers an attractive subscription continues to be a powerful driving force behind the company's sales, growth

and profitability, while also providing Synsam with a valuable way of interacting with customers that creates greater customer value, opportunities for add-on sales and, not least, important insights into how the offering can be further developed in the future.

#### SYNSAM BUILDING FOR THE FUTURE

Synsam's investments in a new store chain, Synsam Recycling Outlet, the establishment of its own production and innovation centre in Östersund, Sweden and continued marketing initiatives are important for strengthening the company's long-term business and competitiveness. The Ai and Hearing pilot programmes are also ongoing. In the shorter term, however, these initiatives are having a negative impact on earnings, both due to increased costs and a consequence of establishing 20 Synsam Recycling Outlets in four markets since December 2020, 11 of which in 2022. The concept has a higher gross margin than average for the Group, but also higher operating expenses as a share of sales and lower price points, and many stores are in the ramp-up phase and are not yet operating at peak efficiency. The rate of establishment and sales growth mean that Synsam Recycling Outlet will soon become an additional optical retail chain in the Synsam family. Its reception among customers has gone even better than expected. It is clear that Synsam Recycling Outlet fills an important function in more challenging times, both as a competitive concept that offers lower prices, which drives footfall, and as an offering that meets customers' desire to make sustainable choices that contribute to circular flows and reduced waste. The fact that Synsam's production and innovation facility is operated with a focus on sustainable production and product design and that Synsam Lifestyle is growing significantly will contribute to more spectacles being reused, thereby strengthening Synsam Recycling Outlet and enabling continued expansion.

I think it is a good thing that Synsam now has two chains under one umbrella, with different offerings that make it possible to attract more customers to Synsam. The number of customers in the Group continues to grow and our assessment is that the potential, in terms of both increasing customer penetration and increasing store density, has grown after the launch of Synsam Recycling Outlet. Synsam remains committed to its goal of opening 90 new directly owned stores from 2021 to 2023, and the assessment is that 11 to 14 stores will open during the fourth quarter of 2022. Based on the positive response we have seen to Synsam Recycling Outlet and Megastores, and to the establishment of stores in Finland in general, we are evaluating the possibility of further establishments after 2023, taking the current market situation into consideration in our analysis.

#### SYNSAM'S OWN PRODUCTION STRENGTHENS THE OFFERING AND PROFITABILITY OVER THE LONG TERM

Our decision to gradually relocate production of the company's own House Brands spectacles from Asia to our newly operational production and innovation centre in Frösön outside Östersund could not have come at a better time. Local production will help to strengthen the customer offering and shorten lead times, increase Synsam's control over the entire value chain and reduce its dependence on external suppliers. A higher share of own production reduces the risk of delivery disruptions, reduces product risk and limits

tied-up capital. The collection also has a better-than-average margin for the Group's House Brands.

It is also gratifying to note that customer reception of the Jämtö collection, manufactured in Östersund, has been a success thus far. During the two months it has been sold in stores, it has become the best-selling own collection in the history of Synsam. The collection, although small in its initial scope and so far launched in Sweden, has sold significantly better than the previous top seller Oscar Eide, and large portions of the launch volume are already sold out in stores. In the end of November, Jämtö will launch in the other Nordic markets.

We live in a challenging world that is more turbulent than before. Our investments for future growth remains firm, however a program to meet a tougher environment has been initiated. We believe that this weak and uncertain market will remain for several quarters into 2023. The foundation for Synsam's growth in the Nordic region remains firm: offering our customers a quality product at an attractive price.

Synsam has high ambitions for future growth and profitability. The goal over the medium term is to post organic growth of 8 to 12 percent, with an adjusted EBITDA margin of 25 percent or higher. We have said it before but it bears repeating: Synsam is prioritising taking advantage of the expansion opportunities we see in the market in order to strengthen our growth and business over the long term. By investing for the future, we are contributing to developing the leading lifestyle company within optical retail and eye health and to continuing to capture market share in the Nordic region and, in the medium term, to achieving our financial targets."

### **Presentation of the report in Swedish at 09.00 CET today**

- **Place:** Webcast with teleconference.
- **Speakers:** President and CEO Håkan Lundstedt and CFO Per Hedblom.
- Registration for participation in webcast with teleconference:  
<https://financialhearings.com/event/43978>

### **Presentation of the report in English at 10.30 CET today**

- **Place:** Webcast with teleconference.
- Registration for participation in webcast with teleconference:  
<https://financialhearings.com/event/45787>

The presentation material will be available on the website at 08.00 CET today.  
[www.synsamgroup.com/en/investor-relations/](http://www.synsamgroup.com/en/investor-relations/)



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*This information is such that Synsam AB (publ) is obligated to disclose in accordance with the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 a.m. CET on 16 November 2022.*

*Synsam Group is a leading optician group in the Nordic region, with a differentiated and sustainable Lifestyle offering. Synsam Group offers a wide range of products and services for eye health and eye fashion, catering to the customer's different lifestyles and needs. The group has approximately 4,000 employees, net sales of approximately SEK 5 billion (rolling twelve months until June 2022) and has approximately 500 stores in the Nordics, operating under the brands Synsam, Ai Eyewear and Profil Optik in Denmark. Through digitalization, subscription services and other innovative concepts, Synsam Group is at the forefront of innovation in the Nordic optical retail market across multiple dimensions including customer journey, product offering and ESG. Synsam Group's share is traded on Nasdaq Stockholm (SYNSAM). [www.synsamgroup.com](http://www.synsamgroup.com)*