



# Kollekt on Demand Holding AB

Interim Report April – June 2020



## **Kollect records year-on-year growth in Q2 2020 despite COVID-19 with quarterly revenues of SEK 12.1 million**

Waterford, Ireland – 17 August 2020, Kollect On Demand Holding AB (publ) (“Kollect” or the “Company”), (Nasdaq: KOLL), is pleased to publish its Q2 2020 Interim Report.

### **Highlights**

- Revenue for continuing operations in Q2 2020 amounted to SEK 12.1 million, corresponding to an increase of 75% compared to Q2 2019 which amounted to SEK 6.9 million.
- Gross profit for continuing operations in Q2 2020 amounted to SEK 4.3 million, which is an increase of 52% compared to SEK 2.8 million in Q2 2019.
- Gross margin for the quarter was 35%, compared to a gross margin of 41% in Q2 2019, the decrease is attributable to the mix of revenue.
- Losses before tax amounted to SEK 0.84 million in Q2 2020 in contrast to the losses before tax of SEK 0.39 million in Q2 2019. The outcome of Q2 2020 reflected the plan that was implemented in the quarter to reduce costs and growth activities where possible and to conserve cash.
- During Q2 2020, the Company was in receipt of SEK 1.1 million in the form of temporary wage subsidies from the Irish Government in response to the economic shock caused by the COVID-19 pandemic.

### **Events in the Quarter**

#### ***Trading in the period***

Throughout the second quarter, Kollect was faced with the economic disruption caused by the arrival of COVID-19 and the impact on the wider economies in Ireland and the United Kingdom and the Company’s customers.

As outlined in the press release on 17<sup>th</sup> April 2020 and monthly trading updates since, the Irish and UK Governments started implementing public health measures in response to the Covid-19 pandemic in mid-March. By the start of Q2 2020, everyone in Ireland was required to stay at home apart from certain essential activities (e.g. shopping for food and medicine, exercise within 2km of home etc.) and people over the age of 70 to remain in their homes at all times.

In response, the Company immediately implemented a plan to cut all costs where feasible, conserve cash and achieve profitability if possible. A number of employees were temporarily laid-off; work-from-home arrangements were implemented for the remaining employees and management team; operations in the UK were suspended; and voluntary reductions taken in management salaries for a time. The Company also availed of Irish State financial supports (i.e. the Irish Government’s Covid-19 Temporary Wage Subsidy Scheme) to maintain employment.

In the event, the Company was able to continue operations as waste removal was regarded as an ‘essential business’. Revenue from Commercial Bin collection and Skip (container) Hire was depressed throughout the quarter as construction, hospitality and other businesses were closed; revenues from Domestic Bin collection, Waste Drop-off (BIGbin) and Junk Removal, however, were above target.

As the quarter came to a close, some commercial activities (e.g. construction) was gradually reopening from mid-May onwards. The Company focused sales efforts on these customers to regain revenue and market share as quickly as was feasible. In the UK, operations recommenced on 2 June and revenue from Skip Hire and Junk Removal was satisfactory for the month.

### **Key Figures**

<b>Key Figures</b>	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>H1 2020</b>	<b>H1 2019</b>	<b>Q2</b>	<b>H1 2020</b>
					<b>2020 v. Q2 2019</b>	<b>v. H1 2019</b>
Revenue from continuing operations	12,131,584	6,939,805	21,028,584	11,442,805	<b>75%</b>	<b>84%</b>
Total Revenue	12,131,584	9,305,987	21,028,584	15,805,592	<b>30%</b>	<b>33%</b>
Cash	4,045,814	931,538	4,045,814	931,538	<b>334%</b>	<b>334%</b>
Profit/(loss) before tax	<b>(835,104)</b>	<b>(388,913)</b>	<b>(3,585,104)</b>	<b>(504,913)</b>	<b>115%</b>	<b>610%</b>
Gross Profit from Continuing Operations	4,302,877	2,826,600	7,722,877	4,912,600	<b>52%</b>	<b>57%</b>
Total Gross Margin	35%	41%	37%	40%	<b>-6%</b>	<b>-3%</b>

Revenue from continuing operations for Q2 2020 was up 75% compared with Q2 2019 and H1 2020 was up 84% compared with H1 2019. Gross Profit from Continuing Operations was up 52% in Q2 2020 compared to Q2 2019 and for H1 2020 is up 57% on H1 2019.

The Loss Before Tax in H1 2020 of SEK 3.6 million was up from a loss of SEK 0.5 million H1 2019, which reflected the increase in costs driven by new hires and growth expenditure in Q1 2020. With the introduction of cost reductions in Q2 2020 in reaction to impact of the COVID-19 pandemic, however the Loss Before Tax in Q2 2020 of SEK 0.84 million was versus a Loss Before Tax of SEK 0.38 in Q2 2019.

### **Waste drop-off**

Revenues from the BIGbin business was up 16% in Q2 2020 compared to the same period in 2019. This was due to a combination of increased digital marketing and revenues from new sites opened since Q2 2019.

Unfortunately, the rollout of new sites for waste drop-off services in Q2 2020 was held up, as every local authority delayed or extended planning applications due to the lockdown. The Company, therefore, was able to add only one new BIGbin site in Circle K, Ranelagh in June 2020 (delayed from March 2020). This brought the number of operational sites in Q2 2020 up to 15 of which 5 are Circle K forecourts.

### **New products**

Kollect extended its Skip Hire offering by successfully introducing Skip Bags in April and met satisfactory demand at a more accessible price point for customers than for Skip Hire.

The Company is testing the market among its corporate clients for hygiene services and also the exploring the possibility of launching franchise services before the end of H2 2020.

## ***Sustainability***

Q2 2020 was the first full quarter for the Company in the “Irish Tech goes Carbon Neutral” programme. Under this program, all collections made by Kollect are now carbon neutral and the total kilometers of travel that were offset during the quarter were 165,000km.

## ***Working capital***

The Company had SEK 4 million cash on hand at the end of June, which was up from SEK 2.3 million at the end of Q1 2020.

## ***Exchange rate***

The Company has also benefitted from a favourable exchange rate between Swedish Krona and the Euro in the period Q2 2019 to Q2 2020.

## **Since the Quarter End**

Since the end of the second quarter, the Company has continued to keep expenditure to a minimum and conserve cash where possible.

## ***Corporate re-organisation***

On July 2, 2020, Kollect implemented a corporate reorganisation by setting up a separate wholly-owned Irish subsidiary called BIGbin Waste Technology Limited (“BWTL”). BWTL acquired the assets and liabilities of the BIGbin business from Kollect On Demand Limited at book value and became the stand-alone operational company for the waste drop-off business in Ireland with effect from 1 July 2020.

A BIGbin is a large, fully-sealed compactor bin, accessible 24/7/365, and specifically designed for installation in convenient locations such as garage forecourts, supermarket car parks, civic amenity sites and in apartment complexes.

Kollect has seen continued growth in its waste drop-off business in Ireland, supported by high gross margins in line with industry expectations.

This purpose of the re-organisation is to bring increased focus on and transparency to the economics of the business. It will also make it easier to raise funding specifically to support continued growth in this business to buy new bins and roll out new sites and to grow the business by acquisition.

## ***Reduction in certain lower margin sales activities***

Following a management review in July 2020, it was decided to reduce sales resources allocated to and advertising spend on certain activities with lower gross margins. It is anticipated that this move will lead to a decline in overall revenue from these verticals for a time, as sales will reduce to those from organically generated leads, but higher gross margins. The intention is to grow revenues from these activities again over time once the digital marketing spend has been optimised.

This decision was taken because gross margins remained too low (which was adversely impacting overall gross margin rates) and costs of customer acquisition too high. In addition, these activities

were taking up a disproportionate amount of management, sales and customer service time. These resources have been redeployed to higher margin activities or released.

### ***Working capital***

The Company was in receipt of Irish Government employment support payments due to the COVID-19 pandemic throughout Q2 2020. The Company is in discussions with the Revenue Commissioners regarding eligibility for receipt of further Government employment support payments with effect from the end of the quarter.

Kollect continues to minimise cash burn and the Directors are confident that the Company is well placed and has the requisite cash resources in order to meet ongoing requirements.

### **CEO Comments**

On the Q2 Report, CEO John O'Connor stated: "I'm pleased to report that in Q2, we continued to see significant growth in our Irish business which was particularly encouraging considering the backdrop of COVID-19 and our initial uncertainty on what to expect. We also resumed operations in the UK in June having temporarily suspended business in early March.

As a direct result of the impact COVID 19 was having on our commercial clients, we reassessed our activities and decided to focus all team activities (digital, sales and management) on the domestic/household waste customer. This laser focus was reflected in a cumulative increase or 75% increase in revenue from continuing operations compared to the same period in 2019.

The coronavirus pandemic, and the resulting restrictions has also created opportunities which we are currently exploring. We introduced two new business lines. The first, skip bags, is related to our existing business model and already we have exceeded our forecasts. The revenue we are generating in this vertical has bridged the revenue that we have lost from the commercial side of the business. We expect this growth to continue and for skip bags to be another successful product line in the future.

The second business line, Kollect Hygiene, complements our commercial business. We have some initial sales and a strong pipeline of leads and have an experienced leader from the industry running this business. We will continue to monitor the success and performance of this vertical and have made a commitment of 3-6 months.

In the first week of June, we also launched a new iteration of our website. We applied our online learnings over the past few years to the UX and UI and these improvements have already led to an incremental increase in online conversations. The new site has a much cleaner aesthetic and we expect that this will continue to drive more business online.

In line with our culture of prudence, the company continues to keep a tight control of costs, while seeking to take advantage of growth opportunities as they arise.

Finally we are most grateful to our staff who have continued their hard work throughout these challenging times. We have implemented a remote working programme which has been very successful, making staff more productive and at the same time awarding them more flexibility. Also, thanks to our customers for their understanding and for respecting the new safety measures that we have implemented."

**For further information, please contact:**

John O'Connor, CEO

+353 871 218 907

john@kollect.ie

[www.kollect.ie](http://www.kollect.ie)

**About Kollect**

Founded in Waterford, Ireland, Kollect is an innovator and disruptor in the waste industry listed on the Nasdaq First North Growth Market (symbol: KOLL). Mangold Fondkommission AB is the Company's acting Certified Adviser (Tel. + 46 8 5030 1550, [CA@mangold.se](mailto:CA@mangold.se), [www.mangold.se](http://www.mangold.se)).

The Company services two types of customers: those who arrange to have waste collected (bins, skips or junk removal) via the online Kollect booking engine; and those who use BIGbin smart compactor bins for waste drop-off.

The services include domestic door-to-door bin collection, commercial bin collection, skip (container) hire and junk removal such as furniture and other large objects. For more information, visit [www.kollect.ie](http://www.kollect.ie).

## Recurring and non-recurring revenue breakdown (All figures in SEK)

	Q2 2020	Q2 2019
Recurring	5,505,282	4,167,913
Non-Recurring	6,626,302	2,771,892
	12,131,584	6,939,805
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Total Revenue from Discontinued Operations	0	2,366,182

- Recurring revenue is made up of revenue from Domestic and Commercial Bins, Commercial Skip Hire, Commercial Junk Removal and BIGbin in Ireland. Non-recurring revenues come from Domestic Skip Hire and Domestic Junk Removal in Ireland and the UK.
- Recurring revenue in Q2 2020 was 32% up on Q2 2019 and Non-recurring revenue had increased 139% for the same comparative period.

### Costs

- The Company incurred expenses of SEK 5.2 million in continuing operations in Q2 2020, which compared to SEK 4.2 million in Q2 2019.
- The main increase was in staff costs as the Company prepared for significant growth following the IPO in December 2019 and costs related to being a listed company. These new hires included a number of senior positions in the Company, such as a full-time Chief Financial Officer and Sales Director as well as additions to the IT, Sales and the Digital Marketing teams.
- The Company reduced significantly its digital marketing and advertising spend in the quarter to conserve cash. Having hired a new IT manager, however, the Company continued to invest in the development of its technology platform, expenses of which are not capitalized, but instead are recorded on the income statement.

The Company's culture of prudence continues and the Company, as mentioned earlier, has taken steps to address the costs following COVID-19 in Q2 2020 and following the quarter end.

### Financial Information

#### *Accounting policies*

Kollect On Demand Holding AB (publ)'s consolidated financial statements as of and for the three month period ended 30<sup>th</sup> June 2020, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

For the group this Interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. All amounts in this report are presented in SEK, unless otherwise stated. Rounding differences may occur.

### ***Pro Forma Information***

As the Group was formed in August 2019, pro forma information has been compiled in order to provide comparative information and is presented in order to illustrate financial statements and information from a hypothetical perspective, given that some prerequisites, at a certain point in time, are not fulfilled. The Group was formed by the acquisition of Kollect On Demand Limited and incorporation of BTWL in July 2020 and there was no change to the shareholdings at the date of the formation.

### ***Exchange Rates***

The exchange rates used in this report are sourced from the European Central Bank. The primary operating currencies of the Group are Euro for Irish operating entities and GBP for the UK operating entity. Figures in this report are reported in SEK. Movements in exchange rates may be favourable or unfavourable for reporting purposes, but as SEK is not the operational currency for the Company, foreign exchange movements do not have a material impact on the operations of the business.

### ***Auditor Review***

The figures in this report have not been audited by the Company's auditor, unless otherwise stated.

### ***Next report***

The next interim report that will be published will be for Q3 2020. This report is due to be published on 16th November 2020.



**Income Statement – All figures in SEK**

	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>H1 2020</b>	<b>H1 2019</b>	<b>FY19</b>
<b>Revenue</b>	12,131,584	6,939,805	21,028,584	11,442,805	29,382,000
<b>COS</b>	7,828,706	4,113,205	13,305,706	6,530,205	18,396,000
<b>Gross Profit</b>	4,302,877	2,826,600	7,722,877	4,912,600	10,986,000
<b>Operating Expenses</b>	5,153,958	4,170,450	11,483,958	6,894,450	22,014,000
<b>Other Operating Income</b>	15,976	0	175,976	0	97,000
<b>Other Expenses</b>	0	0	0	0	393,000
<b>Profit/(Loss) for the period from continuing operations</b>	(835,104)	(1,343,850)	(3,585,104)	(1,981,850)	(11,324,000)
<b>Discontinued Operations</b>					
<b>Profit for the period from discontinued operations</b>	0	954,937	0	1,476,937	1,859,000
<b>Profit/(loss) for the period</b>	<b>(835,104)</b>	<b>(388,913)</b>	<b>(3,585,104)</b>	<b>(504,913)</b>	<b>(9,465,000)</b>
<b>Number of shares</b>	4,985,610	4,985,610	4,985,610	4,985,610	4,985,610
<b>Earnings per share (SEK)</b>	-0.167503	-0.0780071	-0.7190904	-0.1012741	-1.8984638

**Balance Sheet – All figures in SEK**

	<b>30-Jun-20</b>	<b>30-Jun-19</b>	<b>31-Dec-19</b>
Fixed Assets	6,674,421	4,934,030	5,544,000
Trade and other Receivables	3,512,731	2,042,107	17,715,000
Bank and Cash	4,045,814	931,538	915,000
<b>Total Current Assets</b>	<b>7,558,545</b>	<b>2,973,645</b>	<b>18,630,000</b>
Trade and other payables	13,792,647	7,932,963	18,174,000
Long Term Liabilities	3,415,424	1,918,229	5,595,000
<b>Total Liabilities</b>	<b>17,208,071</b>	<b>9,851,191</b>	<b>23,769,000</b>
<b>Net Assets</b>	<b>(2,975,106)</b>	<b>(1,943,516)</b>	<b>405,000</b>
<b>Equity</b>	<b>(2,975,106)</b>	<b>(1,943,516)</b>	<b>405,000</b>

## Cash Flow – All figures in SEK

	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>H1 2020</b>	<b>H1 2019</b>	<b>FY2019</b>
Loss after Tax	(835,104)	(388,913)	(3,917,104)	(504,913)	(9,465,000)
Finance costs	412,769	39,198	443,769	52,198	672,000
Depreciation	491,338	162,377	631,338	297,377	874,000
Amortization	84,556	42,147	126,556	83,147	224,000
Trade & Other receivables	304,104	(636,221)	1,015,104	(1,200,221)	(2,675,000)
Trade & other payables	1,032,827	621,712	(2,752,173)	1,457,712	9,020,000
<b>Net Cash from operating activities</b>	<b>1,504,155</b>	<b>(159,700)</b>	<b>(4,452,510)</b>	<b>186,300</b>	<b>(1,352,000)</b>
Payment for intangible assets	0	0	(35,000)	(14,000)	(14,000)
Payment for fixed assets	(199,288)	(320,974)	(1,740,288)	(744,974)	(2,030,000)
<b>Investing</b>	<b>(199,288)</b>	<b>(320,974)</b>	<b>(1,775,288)</b>	<b>(758,974)</b>	<b>(2,044,000)</b>
Movement in finance leases	(372,604)	(234,537)	(549,604)	(424,537)	(330,000)
Movement in bank loans	(129,323)	(79,107)	(3,405,323)	(122,107)	5,156,000
Movement in other loans	0	(358,073)	0	(358,073)	
Movement in rolling finance facility	1,565,604	1,086,959	(1,038,396)	1,459,959	4,931,000
Movement in overdrafts	0	0	0	0	
Proceeds from IPO unpaid at Year End	0	0	15,201,000	0	
Interest paid	(412,769)	(39,198)	(443,769)	(52,198)	(672,000)
Exceptional Items	0		0		(5,703,000)
<b>Financing</b>	<b>650,909</b>	<b>376,044</b>	<b>9,763,909</b>	<b>503,044</b>	<b>3,382,000</b>
Differences relating to Foreign Exchange	(224,963)	42,772	(405,297)	71,168	(1,000)
Net increase/decrease	1,730,813	(104,630)	3,130,814	(69,630)	(15,000)
Opening Cash	2,315,000	993,396	915,000	930,000	930,000
Closing Cash	4,045,813	931,538	4,045,814	931,538	915,000

## Statement of Changes in Equity

	<b>SEK '000</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Retained Earnings</b>	<b>Total Shareholders Equity</b>
<b>31-Dec-19</b>		1,230	10,740	(11,570)	400
Registration of additional shares		210			210
Loss for Period				(2,750)	(2,750)
<b>31-Mar-20</b>		1,440	10,740	(14,320)	(2,140)
Loss for Period				(835)	(835)
<b>30-Jun-20</b>		1,440	10,740	(15,155)	(2,975)