



Kollect on Demand Holding AB

Interim Report January – September 2020



Kollect continues year-on-year growth in Q3 2020 with quarterly revenues of SEK 12.1 million corresponding to an increase of 25.5% compared to Q3 2019

Waterford, Ireland – 16 November 2020, Kollect On Demand Holding AB (publ) (“Kollect” or the “Company”), (Nasdaq: KOLL), is pleased to publish its Q3 2020 Interim Report.

Highlights

- Revenue for continuing operations in Q3 2020 amounted to SEK 12.1 million, corresponding to an increase of 25.5% compared to Q3 2019 which amounted to SEK 9.7 million.
- Recurring revenue in Q3 2020 accounted for 56% of revenue from continuing operations, up 9 percentage points from 47% in Q3 2019.
- Gross profit for continuing operations in Q3 2020 amounted to SEK 4.3 million, which is an increase of 7.8% compared to SEK 4.0 million in Q3 2019.
- Gross margin for the quarter was 36%, compared to a gross margin of 47% in Q3 2019. The decrease is attributable to the revenue mix with an increase in recurring revenue, which generally has a lower gross margin, but a higher net margin.
- Losses before tax amounted to SEK 4.05 million in Q3 2020 in contrast to the losses before tax of SEK 2.19 million in Q3 2019. Included in this period were costs associated with the fundraise that occurred during the quarter.
- The Company completed a fund raise of SEK 12 million, partly to finance an acquisition by BTWL of an Irish-based company operating within the compactor bin business, which was completed after the quarter end.

CEO Comments

On the Q3 Report, CEO John O’Connor stated: “I am again pleased that we have been able to deliver strong results, despite the uncertainty and challenging conditions presented by COVID-19 and I am confident that strategic decisions that we have taken will have a significant long term benefit for the Company. Our team continues to excel and it is with great thanks to them that I present these results.

I am particularly happy that we were able to execute on a fundraise during the period, which was oversubscribed, and to complete an acquisition; our first as a public company. The fundraise showed the faith that Swedish investors have in Kollect, and, whilst directly providing proceeds for an acquisition, also strengthened our shareholder base”.

Events in the Quarter

Trading in the period

Throughout Q3 2020, the Company met headwinds with continuing adverse economic impacts caused by COVID-19 restrictions, albeit they had moderated somewhat as most businesses in Ireland – apart from public houses that did not serve food – were re-open again for most of the quarter.

Revenues from Commercial sales (Bin Collection, Skip (container) Hire and Junk Removal) were up on Q2 2020 as construction, hospitality and other businesses were operating again; revenues from Skip Bag hire and UK were also up on the prior quarter.

There were smaller increases in revenues versus prior year from Domestic Skips and Domestic Junk (reflecting the impact of the reduction in digital marketing spend on lower margin activities mentioned below). This also reflected the Company's focus on growing recurring revenue. There was also a small decline in Waste Drop-Off versus Q3 2019, reflecting a reduction in income from holiday homes due to COVID restrictions.

The Q3 2019 revenue figure included a BIGbin software licencing agreement. As this sale of SEK 0.4 million was to the same entity that Kollect had agreed to acquire during Q3 2020, these licenses have not been renewed. Excluding this revenue, 2019 revenue from continuing operations has increased 31%.

During the period, the Company continued to minimise costs where feasible and conserve cash.

Key Figures

Key Figures (SEK '000s)	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Revenue from continuing operations	12,167	9,695	33,196	20,983
Total Revenue	12,167	11,336	33,196	27,157
Cash	10,147	2,450	10,147	2,450
Profit/(loss) before tax	(4,052)	(2,196)	(7,637)	(4,628)
Gross Profit from Continuing Operations	4,350	4,048	12,073	8,750
Total Gross Margin	36%	47%	36%	39%

Revenue from continuing operations for Q3 2020 was up 25.5% compared with Q3 2019 and YTD 2020 was up 57.0% compared with YTD 2019. Gross Profit from Continuing Operations was up 7.8% in Q3 2020 compared to Q3 2019 and for YTD 2020 was up 58% on YTD 2019.

The Loss Before Tax in Q3 2020 of SEK 4.05 million was up 85% from a loss of SEK 2.19 million Q3 2019; while YTD 2020, it was up to SEK 7.64 million from YTD 2019 figure of SEK 4.6 million. This reflected the increase in costs driven by new hires and growth expenditure, in addition to costs of being a listed company and costs associated with the acquisition and fundraise that occurred during the quarter.

Reduction in revenues from certain lower margin sales activities

As announced in the Interim Report for Q2 2020, the Company reduced sales resources and advertising spend on certain activities with lower gross margins. The gross margins for these activities 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. During Q3 2020, these resources were redeployed to higher margin activities or released.

It was anticipated that this would lead to a decline in overall revenue from these verticals for a time, while the digital marketing spend on these activities was optimised.

Corporate reorganisation

In July, the Company set up a wholly-owned Irish subsidiary, BIGbin Waste Technology Limited (or “BWTL”), to acquire the assets and liabilities of the BIGbin business from Kollect On Demand Limited at book value. BWTL became the operating company for the waste drop-off business in Ireland with effect from 1 July, 2020.

Bringing an increased focus on and transparency to the economics of the waste drop-off business, the re-organisation also makes it easier to raise funding specifically to support continued growth by acquiring new bins and launching new sites and to grow the business by acquisition.

As at 1 July 2020, BTWL had 27 BIGbins and was fully operational on 15 active sites servicing a customer base of approximately 6,500 repeat customers, each returning every four weeks on average.

Fundraise

On 26 August 2020, Kollect completed a Directed Issue of 900 000 units (each unit consisting of one (1) share and one (1) warrant). The subscription price was SEK 10 per unit, corresponding to SEK 10 per share, while the warrants were issued free-of-charge. The Company received SEK 9 million before deduction of transaction costs.

In addition, the Company also entered into a bridging loan agreement of SEK 3 million with Formue Nord Fokus A/S (“the Lender”). As part of the loan, the Lender received 300,000 warrants. The Loan will be repaid with the proceeds from the exercise of the warrants in August 2021.

In addition, Kollect also issued warrants to existing shareholders in Kollect to compensate - to some extent - shareholders for the dilution from the Directed Issue. The shareholders received one (1) warrant for every two (2) held shares on the record day.

The rationale for the fundraise was to secure financing in a timely and cost-effective manner, and to diversify the shareholder base. The Company intends to use the proceeds primarily to acquire a company active in waste disposal (see under ‘Acquisition’ below). The acquisition enables Kollect to strengthen its market position and increase revenue within the waste drop-off segment.

The Directed Issue entailed a dilution of 15.3 percent of the number of shares and votes in the Company.

Information regarding the Warrants

A total of 3,692,805 warrants of series TO1 were issued, including 900,000 to investors in the Directed Issue, 300,000 to the Lender and 2,492,805 to current shareholders.

Each warrant gives the holder the right to subscribe for one (1) new share in Kollect at a subscription price corresponding to 70 percent of the average volume-weighted share price according to Nasdaq First North Growth Market’s official price statistics during the period from July 26, 2021 to August 6, 2021. The subscription price, however, shall not exceed SEK 15.00 per new share (which is 50% above the subscription price in the Directed Issue), and not be less than the nominal value of the Company’s share. The exercise period to subscribe for new shares by exercising warrants will be from 9 August 2021 to 20 August 2021.

Warrants will, upon full exercise, give the Company the opportunity to raise up to a maximum of approximately SEK 55.4 million, at a subscription price of SEK 15. Upon full exercise of the warrants, the dilution will amount to approximately 38.6%.

The warrants are now trading on Nasdaq First North Growth Market.

Acquisition

On 26 August, the Company also announced that it had entered into a Letter of Intent with the shareholders of an Irish-based company operating within the compactor bin business for BWTL to acquire their business (the “Acquisition”).

The business being acquired had annual revenues of approximately SEK 3.75 million and a net profit of SEK 1.84 million in the period 1 July 2019 to 30 June 2020. The purchase price amounted to SEK 4.99 million and was financed from the fundraise described above.

The Acquisition gives BWTL an additional 12 existing sites, all of which are established and revenue-generating, along with 23 compactor bins. Furthermore, it expands BWTL’s market share within the compactor bin business.

Waste drop-off

Revenue from BTWL was down by 8% in Q3 2020 (2% in operational currency terms) compared to Q3 2019. This was due to a reduction in income from holiday homes, arising from COVID restrictions.

The rollout of new sites for waste drop-off services in Q3 2020 continued to be delayed due to Covid-19 and BWTL was only able to add one new BIGbin site in Circle K Tallaght, in August 2020. This brought the number of operational sites in Q3 2020 up to 15, of which 5 are Circle K forecourts.

New products

The Skip Bag offering introduced in April 2020 has been successful and already become a significant revenue line in a short space of time.

While the Company tested the market for hygiene services among its corporate clients, it has not seen the same traction and has ceased to market these services after quarter end. Also, the Company continues to explore the market for the development of a franchise programme for Junk removal providers before the end of H2 2020.

Sustainability

Under the “Irish Tech goes Carbon Neutral” programme, all collections made by Kollect are carbon neutral. The total kilometers of travel that were offset during the quarter was 169,000 km.

Irish Government COVID-19 employment support payments

The Company is in discussions with the Revenue Commissioners regarding eligibility for Government employment support payments during Q2 and Q3 2020. While it is possible that the Revenue Commissioners will rule that Kollect was ineligible for some or all of these payments and seek repayment, the Company believes that it was eligible and is making its case.

Working capital

The Company had SEK 10 million cash on hand at the end of Q3 2020, which was up from SEK 4 million at the end of Q2 2020.

Exchange rate

The Company has also been negatively impacted by exchange rates between Swedish Krona and the Euro in the year from Q3 2019 to Q3 2020.

Since the Quarter End

Since the end of Q3 2020, the Company has completed the Acquisition and integrated these assets into the Group. The Company also continued to invest in rolling out new BIGbin sites and has launched two more sites (one in Waterford and the other in Sligo), which including the 12 sites purchased in the Acquisition, takes the total sites to 29. At the end of Q3 2020, the Company had 15 sites.

The Company also announced that Co-Founder Robbie Skuse has been appointed as Head of UK in a move that highlights the Company's commitment to growing its footprint in the UK.

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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, www.mangold.se).

The Company services two types of customers: those who arrange to have waste collected (bins, skips and skip bags 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, skip bags and junk removal such as furniture and other large objects.

For more information, visit www.kollect.ie.

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

	Q3 2020	Q3 2019
Recurring	6,768,710	4,418,531
Non-Recurring	5,398,416	5,276,384
	12,167,126	9,694,915
Total Revenue from Discontinued Operations	0	1,641,297

- Recurring revenue is made up of revenue from Domestic and Commercial Bins, Commercial Skip Hire, Commercial Junk Removal and BIGbin in Ireland. Recurring revenue in Q3 2020 was 53% up on Q3 2019.
- Non-recurring revenue comes from Domestic Skip Hire, Skip Bags and Domestic Junk Removal in Ireland and the UK. Non-recurring revenue increased 2% for the same comparative period.
- In the operational currency (the Euro), the variances for Recurring revenue and Non-recurring revenue are 58% and 5% respectively.
- Also included in non-recurring revenue for Q3 2019 was once-off technology licensing revenue of SEK 0.4 million, which falls out of the comparable revenues for Q3 2020.

Costs

- The Company incurred expenses of SEK 8.4 million in continuing operations in Q3 2020, which compared to SEK 6.6 million in Q3 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 CFO, a Sales Director as well as a VP Engineering to lead the Company's technology efforts. There were also additions to the IT, Business Development and the Digital Marketing teams in roles that did not exist in the Q3 2019 comparables.
- The Company reduced significantly its digital marketing and advertising spend on lower margin activities in Q3 2020 to conserve cash. The Company continued its policy to invest in developing 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, continues to contain costs where possible.

Financial Information

Accounting policies

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

For 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 in August 2019 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 Q4 2020 on 18th February 2021.

Income Statement

SEK '000	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY19
Revenue	12,167	9,695	33,196	20,983	29,382
COS	7,817	5,647	21,123	12,233	18,396
Gross Profit	4,350	4,048	12,073	8,750	10,986
Operating Expenses	8,464	6,588	19,948	15,215	22,014
Other Operating Income	62	-	238	15,215	97
Other Expenses	-	-	-	-	393
Profit/(Loss) for the period from continuing operations	(4,052)	(2,540)	(7,305)	(6,466)	(11,324)
Discontinued Operations					
Profit for the period from discontinued operations	-	344	-	1,838	1,859
Profit/(loss) for the period before tax	(4,052)	(2,196)	(7,637)	(4,628)	(9,465)
Tax expense	0	0	0	0	0
Profit/(Loss) for the period after tax	(4,052)	(2,196)	(7,637)	(4,628)	(9,465)
Number of shares outstanding at period close	5,885,610	3,581,104	5,885,610	3,581,104	4,985,610
Earnings per share at the end of period (SEK)	(0.69)	(0.61)	(1.30)	(1.29)	(1.90)
Number of shares outstanding after the dilution impact of warrants	9,578,415	3,581,104	5,885,610	3,581,104	4,985,610
Earnings per share after dilution impact of warrants (SEK)	(0.42)	(0.61)	(1.30)	(1.29)	(1.90)

Balance Sheet

SEK '000	30-Sep-20	30-Sep-19	FY 2019
Fixed Assets	8,193	6,088	5,544
Trade and other receivables	7,113	3,107	17,715
Bank and Cash	10,147	2,450	915
Total Current Assets	17,260	5,557	18,630
Trade and other payables	20,077	11,872	18,174
Long Term Liabilities	3,403	5,819	5,595
Total Liabilities	23,480	17,690	23,769
Net Assets	1,973	(6,045)	405
Equity	1,973	(6,045)	405

Cash Flow

SEK '000s	Q3 2020	Q1 - Q3 2020	YTD 2019	Q3 2019
Loss after Tax	(4,052)	(7,637)	(4,628)	(4,124)
Finance costs	301	745	409	356
Depreciation	110	741	529	232
Amortization	41	168	168	85
Trade & Other receivables	(248)	767	(2,180)	(980)
Trade & other payables	(908)	(3,660)	1,613	155
Net Cash from Operating Activities	(4,756)	(9,208)	(4,090)	(4,276)
Payment for intangible assets	-	(35)	-	-
Payment for PPE	(1,248)	(2,988)	(2,034)	(1,289)
Net Cash Flows from Investing Activities	(1,248)	(3,023)	(2,034)	(1,289)
Proceeds from Issue of Share Capital	8,504	23,705	-	-
Movement in finance leases	1,038	488	(61)	364
Movement in bank loans	(160)	(3,565)	(59)	63
Movement in other loans	2,850	2,850	2,568	2,895
Movement in rolling finance facility	254	(784)	5,540	4,080
Interest paid	(301)	(745)	(409)	(356)
Net Cash Flows from Financing Activities	12,186	21,950	7,579	7,046
Differences relating to Foreign Exchange	(81)	(486)	37	37
Net increase/decrease	6,101	9,232	1,456	1,481
Opening Cash	4,046	915	957	932
Closing Cash	10,147	10,147	2,450	2,450

Statement of Changes in Equity

SEK '000s	Share Capital	Share Premium	Retained Earnings	Total Shareholders Equity
01-Jan-19	-	-	-	-
Creation of Kollect on Demand Holding AB	500			500
Loss for Period			(2,096)	(2,096)
31-Sep-2019	500	0	(2,096)	(1,596)
01-Jan-20	1,230	10,740	(11,570)	400
Registration of Shares	241	8,969		9,210
Loss for period			(7,637)	(7,637)
30-Sep-20	1,471	19,709	(19,207)	1,973