

Go North[®]

Go North Group AB (Publ)

Interim Report Q2 April 1 – June 30, 2023



Interim Report Second Quarter 2023

Second quarter April – June 2023 (compared to April – June 2022)

- ⊕ Net sales were KSEK 173,115 (9,339).
- ⊕ Adjusted EBITDA was KSEK 7,611 (-10,321).
- ⊕ EBITA was KSEK 1,345 (-11,844).
- ⊕ Net financial debt / Adjusted EBITDA was 12.18 (0.5)*.
- ⊕ Cash flow from operating activities was KSEK 79,109 (-7,739).
- ⊕ ROCE was 1.6% (-13.4%).

*For bond net debt covenant see pro forma income statement below.

FINANCIAL OVERVIEW

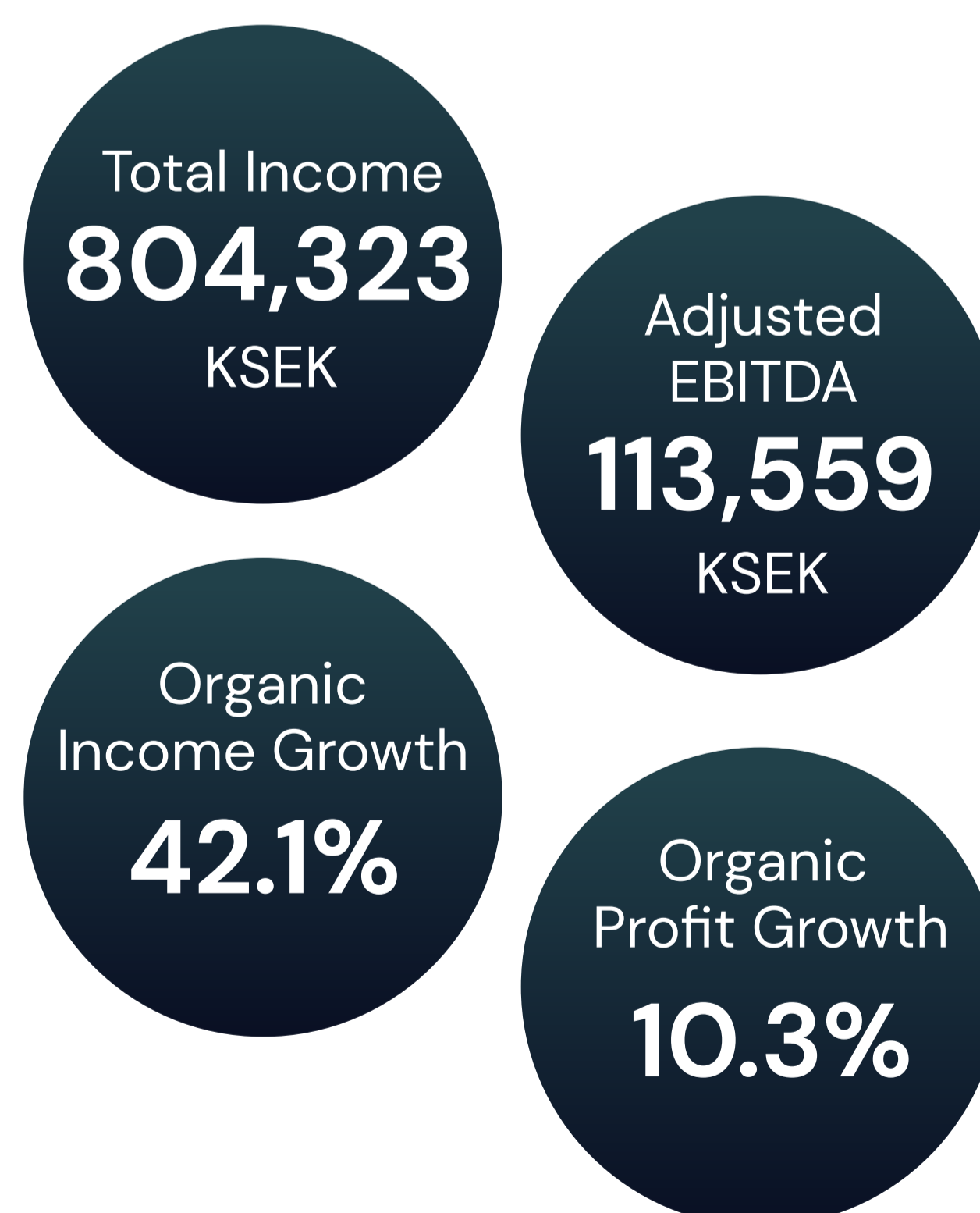
KSEK	Q2 2023	Q2 2022	Jan–Jun 2023	Jan–Jun 2022	Full year 2022
Net Sales	173,115	9,339	296,775	13,392	118,224
Adjusted EBITDA	7,611	-10,321	15,627	-11,404	-3,948
EBITA	1,345	-11,844	-1,775	-13,892	-18,423
Net financial debt/Adjusted EBITDA	12.18	0.5	11.87	0.9	-30.9
Cash flow from operating activities	79,109	-7,739	22,680	-8,499	80,331
ROCE	1.6%	-13.4%	1.7%	-15.8%	-3.4%

For definitions, please refer to page 14.

PRO FORMA INCOME STATEMENT

Amounts in KSEK	June 2023 LTM
Total Income	804,323
Gross Profit 3	168,675
Gross Margin 3	21.3%
Adjusted EBITDA	113,559
Adjusted EBITDA Margin	14.1%
Organic Income Growth	42.1%
Organic Profit Growth	10.3%
Net Debt Leverage – Bond	5.3

For definitions, please refer to page 15.



Update from CEO/Founder

Unlocking Cash Flow and Maximizing Product Performance

Go North's strategic moves in the second quarter of 2023 to set the stage for the coming years

In the second quarter of 2023, we have been actively focused on enhancing operational cash flow and streamlining operations in order to maintain a healthy net working capital profile. Previously centered on sales and gross profit growth, we now aim to unlock cash from inventory, eliminate unprofitable products, and optimize costs following an enhanced strategic review. The primary objectives include covering short-term financial needs, enhancing profitability, and operational cash flow, and increasing debt service capacity. This entails organizational and process changes to align with the updated financial targets. This involves shifting from a brand-centric evaluation to analyzing individual product performance, leading to a comprehensive financial assessment of each product. This shift required us to temporarily pause growth from inorganic products, allowing us to focus on maximizing the results of our strategic efforts at the portfolio level in the short term.

Market Developments

During the second quarter of 2023, market developments remain largely neutral. Key points of interest encompass:

- **Stable Aggregator Landscape:** During the second quarter, the Amazon aggregator market demonstrated consistent stability, with consolidation activity led by Seller X Group and Razor Group being worthy to note.
- **Favorable Acquisition Valuation Multiples:** Remained low, offering strong potential for Go North's M&A pursuits.
- **Prudent Investor Sentiment:** Investor caution prevailed throughout the quarter, emphasizing thorough assessment over impulsive decisions.
- **Strategic Cash Flow Focus:** A general industry sentiment and shift towards prudent cash flow management for financial stability through efficient resource utilization.



Business Updates

In the second quarter, we achieved several milestones, building our momentum and solidifying our business operations:

- **Strategic Brand Acquisitions:** Our commitment to expansion has been demonstrated through the acquisition of two new brands. The two new brands had combined net sales of KSEK 201,532 for the twelve months July 2022 - June 2023.
- **Exercised the option to issue subsequent bonds** in the amount of SEK 50 million equivalent under the Group's existing floating rate bond framework of up to SEK 550 million.
- **Appointment of John Hefter:** As part of the founding team of Thrasio, the hiring of John as Executive Board Director and Senior Strategic Advisor brings an injection of knowledge and invaluable Amazon experience to help guide the business moving forward. On the back of strategy work conducted jointly with John, we have identified numerous low-hanging improvements internally and are set to improve margins going forward, including refocusing the approach to our product and brand portfolio as well as acquisition strategy.

- Core business focus: Throughout the quarter we remained focused on enhancing our core business, with improvements to our ERP system, Amazon-facing operations, and growth initiatives, as we strive to strengthen operations for sustained growth and excellence.

However, linking to the market dynamics, a prudent focus of the second quarter has been to redirect the organization towards a strategic cash flow focus. Aside from improving our profitability, these measures will also improve our debt service capacity towards our lenders. The main initiatives supporting this focus include:

- Shifting the organization from a brand to product performance focus, through a more intelligent categorization of our product catalog
- Re-allocation of resources to the top-selling products, with a focus on growth, lean inventory management, and margin and working capital improvements
- Product lifecycle management with a focus on sun-setting of slow-moving products and launching of next-generation products
- Overhead cost pruning to bolster cash flow and profitability

Moving forward, Go North is dedicated to enhancing cash flow from operations, strengthening the core business, and driving sustainable profit growth. By optimizing our core business and operational leverage, coupled with ongoing fundraising, we continue our focus on value creation for our shareholders.

Significant Risks and Uncertainties

Due to a more conservative capital market, we are slowing the previously planned acceleration of our acquisition strategy. Should this environment continue, the continued low valuation multiples of acquisition targets might fade and this value creation lever becomes less evident.

Competition on the product level continues to add operational uncertainty and risk from a price and market share perspective.

Personnel

In Quarter 2, Go North’s hiring plan slowed and became more targeted to senior and experienced Amazon talent, enabling the phase-out of consultant costs, and improved efficiency. The total number of FTEs was at the end of Q2 94.

As Go North adapts to become a product-focused business with less complexity, stronger data and system integrations, and fewer products to manage, we now are actively investigating and implementing further overhead optimizations.

Outlook

Whilst the fundamental business model remains attractive, and we have established a solid platform for profitable growth and operating leverage, we continue to remain sensitive to external factors including access to growth capital, and current and future competitive pressures.

In summary, we maintain a cautious yet optimistic outlook as we anticipate entering the third and fourth quarters from a position of enhanced strength and maturity.



CEO/Founder



Go North mantras and core values.

Financial Reports

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in KSEK

Financial period

	Q2 2023	Q2 2022	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
Net sales	173,115	9,339	296,775	13,392	118,224
Capitalized work on own account	1,973	-	5,138	-	5,885
Other operating income	2,656	207	3,856	227	7,401
Total Income	177,744	9,546	305,769	13,619	131,510
Cost of goods sold	-43,297	-4,380	-74,616	-5,162	-55,455
Gross profit	134,447	5,166	231,153	8,457	76,055
Selling and administrative costs	-132,479	-16,334	-229,603	-21,615	-87,695
Other operating costs	-623	-676	-3,325	-734	-6,783
Operating profit (loss)	1,345	-11,844	-1,775	-13,892	-18,423
Financial income	12,866	-	16,788	-	939
Financial expenses	-45,826	-192	-78,389	-238	-22,401
Net financial items	-32,960	-192	-61,101	-238	-21,462
Profit (loss) before tax	-31,615	-12,036	-63,376	-14,130	-39,885
Income tax	-	-	-	-	-9,502
Profit (loss) for the period	-31,615	-12,036	-63,376	-14,130	-49,387

Profit (loss) for the period and total comprehensive income are, in their entirety, attributable to shareholders of the parent company.

Earnings per share, calculated on profit (loss) for the period attributable to parent company shareholders of number ordinary shares:

Amounts in KSEK

Financial period

	Q2 2023	Q2 2022	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
Earnings per share, basic	-17.8	-6.8	-35.4	-8.0	-27.8

Management Comments

Net sales

During the second quarter, net sales amounted to KSEK 173,115 (9,339). This quarter's performance was primarily driven by the acquisition of two brands, in the categories of home and kitchen, and children products, as well as the continued growth and expansion of our existing product portfolio.

Adjusted EBITDA

In the second quarter, adjusted EBITDA reached KSEK 7,611 (-10,321), driven mainly by our sales growth.

EBITA

EBITA in the second quarter closed at KSEK 1,345 (-11,844) reflecting an increase also compared to the previous period; Q1 2023. The increase in EBITA is driven mainly by our sales growth.

Net debt/Adjusted EBITDA

During the second quarter, the Net financial debt/ Adjusted EBITDA ratio was 12.18 (0.5), an indication of Go North's debt to finance its acquisition strategy, and recent investments in building our core capabilities, as a platform for growth and operating leverage. Go North have tried to maximise the value creation leverage from inorganic growth from the currently low acquisition multiples.

Cash flow from operating activities

In the second quarter, cash flow from operating activities was KSEK 79,109 (-7,739). The major contribution are liabilities related to the recent acquisitions.

ROCE

During the second quarter, our return on capital employed (ROCE) stood at 1.6% (-13.4%). Considering that quarter two was part of our build-up phase, it is encouraging that our ROCE already is positive.

Significant events in the second quarter, April – June 2023

Go North has acquired two brands, in the categories of home and kitchen and children products. The balance sheet impacts from these acquisitions are:

- Brand assets increased with KSEK 178,169.
- The stock increased with KSEK 18,134.
- Other current liabilities increased with KSEK 196,303.

The bond loan increased with KSEK 59,216 during the quarter, to partly finance the acquisitions described above.

Shareholder contributions of KSEK 26,638 were received by the Group during the second quarter. These originate from the first close of the equity raise communicated in the 2023 Q1 report.

Significant events after the end of the reporting period

No significant event has occurred after the end of the reporting period.

Parent company

The net sales for the parent company during the second quarter was KSEK 25,714 (9,339). The parent company's net profit during the same period was KSEK -57,535 (-12,036).

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

Amounts in KSEK	Financial period		
	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
ASSETS			
Non-current assets			
Goodwill	714	-	714
Brands	740,927	52,026	437,030
Other intangible assets	11,023	-	5,885
Property, plant and equipment assets	821	133	714
Right-of-use assets	3,428	-	4,362
Total non-current assets	756,913	52,159	448,705
Current assets			
Stock	90,619	8,368	65,230
Other current receivables	93,274	3,627	30,292
Prepaid expenses and accrued income	1,181	1,408	8,910
Liquid assets	235,971	23,502	159,242
Total current assets	421,045	36,906	263,674
TOTAL ASSETS	1,177,958	89,065	712,379

Amounts in KSEK	Financial period		
	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
EQUITY AND LIABILITIES			
EQUITY			
Share capital	500	500	500
Other capital contributed	285,395	85,412	240,048
Reserves	0	-	-
Balanced results	-51,611	-2,224	-2,224
Net profit for the year	-63,376	-14,130	-49,387
Total equity attributable to Parent Company's shareholders	170,908	69,558	188,937
LIABILITIES			
Non-current liabilities			
Bond loan	538,552	-	269,457
Liabilities to credit institutions	47,761	2,278	1,313
Leasing liabilities	2,134	-	2,778
Deferred tax liability	16,662	-	16,662
Other non-current liabilities	10,652	-	10,088
Total non-current liabilities	615,761	2,278	300,298
Current liabilities			
Accounts payable	17,207	3,336	12,678
Leasing liabilities	1,693	-	1,901
Liabilities to credit institutions	2,394	-	-
Other current liabilities	343,432	13,627	193,853
Accrued expenses and prepaid income	26,563	266	14,712
Total current liabilities	391,289	17,229	223,144
TOTAL EQUITY AND LIABILITIES	1,177,958	89,065	712,379

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in KSEK

Attributable to shareholders of the parent company

	Share capital	Other contributed capital	Reserves	Retained earnings incl. profit (loss) for the year	Total Equity
Opening balance at January 1, 2022	46	6,061	-	-2,224	3,883
Profit (loss) for the period	-	-	-	-14,130	-14,130
Total comprehensive income for the period	-	-	-	-14,130	-14,130
Transactions with shareholders in their role as owners					
New share issue	18	80,182	-	-	80,200
Bonus issue	436	-436	-	-	-
Issue cost	-	-395	-	-	-395
Shareholders contribution	-	-	-	-	-
Closing balance at Jun 30, 2022	500	85,412	-	-	69,558
Opening balance at January 1, 2023	500	240,048	-	-51,611	188,937
Profit (loss) for the period	-	-	-	-63,376	-63,376
Total comprehensive income for the period	-	-	-	-63,376	-63,376
Transactions with shareholders in their role as owners					
Issue cost	-	-2,031	-	-	-
Shareholders contribution	-	47,378	-	-	-
Closing balance at Jun 30, 2023	500	285,395	-	-114,987	170,908

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Amounts in KSEK

Financial period

	Q2 2023	Q2 2022	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
Cash flow from operating activities					
Profit/loss after financial items	-31,615	-12,036	-63,376	-14,130	-39,885
Adjustments for items not included in capital	416	1,373	1,027	1,766	1,463
Income tax paid	-	-	-	-	-
Cash flow from operating activities before changes in working capital	-31,199	-10,663	-62,349	-12,364	-38,422
Cash flow from changes in working capital					
Increase/decrease of inventories	-13,868	-6,965	-25,299	-6,745	-63,607
Increase/decrease of working receivables	-31,006	-904	-55,253	-3,369	-38,765
Increase/decrease of working liabilities	155,182	10,793	165,581	13,979	221,125
Total changes in working capital	110,308	2,924	85,029	3,865	118,753
Cash flow from operating activities	79,109	-7,739	22,680	-8,499	80,331
Cash flow from investing activities					
Acquisition of subsidiaries after deduction of acquired	-	-	-	-	-2,068
Investments in intangible fixed assets	-169,806	-31,372	-309,035	-51,126	-420,895
Investments in tangible assets	-	-312	-200	-384	-4,583
Cash flow from investing activities	-169,806	-31,684	-309,235	-51,510	-427,546
Cash flow from financing activities					
Loans raising	77,246	272	317,937	1,500	269,457
New issue/shareholders contribution	25,347	-	45,347	80,053	234,431
Change in overdraft facility/loans	-	-1,411	-	-1,411	-800
Cash flow from financing activities	102,593	-1,139	363,284	80,142	503,088
Closing cash and cash equivalents					
Decrease/increase in liquid assets	11,896	64,064	76,729	20,133	155,873
Opening cash and cash equivalents	224,075	-40,562	159,242	3,369	3,369
Closing cash and cash equivalents	235,971	23,502	235,971	23,502	159,242

Parent Company

Income statement

Amounts in KSEK

Financial period

	Q2 2023	Q2 2022	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
Operating income					
Net sales	25,714	9,339	42,847	13,392	71,792
Capitalized work on own account	1,973	-	4,161	-	5,885
Other operating income	3,991	207	3,991	227	7,401
Total income	31,678	9,546	51,976	13,619	85,078
Cost of goods sold	-	-4,380	-	-5162	-65,326
Sales and administration costs	-56,645	-16,334	-108,714	-21,615	-59,367
Other operating costs	-746	-676	-2,099	-735	-6,796
Operating profit	-25,713	-11,844	-58,837	-13,892	-46,411
Results from shares in subsidiaries	2,542	-	2,542	-	-7,430
Financial income	10,107	-	14,029	-	939
Financial expenses	-44,471	-192	-76,961	-238	-22,181
Financial items - net	-31,822	-192	-60,390	-238	-28,672
Profit after financial items	-57,535	-12,036	-119,227	-14,130	-75,083
Income tax	-	-	-	-	-
Net profit for the period	-57,535	-12,036	-119,227	-14,130	-75,083

Balance sheet

Amounts in KSEK

Financial period

	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
ASSETS			
Non-current assets			
Brands	664,211	52,026	416,795
Other intangible assets	11,023	-	5,885
Property, plant and equipment assets	821	133	713
Shares in group companies	38,005	-	5,560
Total non-current assets	714,060	52,159	428,953
Current assets			
Receivables from group companies	183,328	-	92,590
Stock	705	8,368	705
Other current receivables	26,761	3,627	16,926
Prepaid expenses and accrued income	1,402	1,409	9,024
Liquid assets	214,031	23,502	137,776
Total current assets	426,227	36,906	257,021
TOTAL ASSETS	1,140,287	89,065	685,794

Amounts in KSEK

Financial period

	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
EQUITY AND LIABILITIES			
EQUITY			
Share capital	500	500	500
Fund for development expenditure	11,023	85,412	5,885
Other capital contributed	275,131	-	234,873
Balanced results	-77,307	-2,224	-2,174
Net profit for the year	-119,227	-14,130	-75,083
Total equity attributable to parent company's shareholders	90,120	69,558	164,001
LIABILITIES			
Non-current liabilities			
Bond loan	538,552	-	269,457
Liabilities to credit institutions	47,761	2,278	1,313
Deferred tax liability	16,662	-	16,662
Other non-current liabilities	-	-	10,088
Total non-current liabilities	602,975	2,278	297,520
Current liabilities			
Accounts payable	13,895	3,336	12,545
Liabilities to subsidiaries	52,975	-	-
Liabilities to credit institutions	2,394	-	-
Other current liabilities	360,113	13,627	193,853
Accrued expenses and prepaid income	17,815	266	13,912
Total current liabilities	447,192	17,229	224,453
TOTAL EQUITY AND LIABILITIES	1,140,287	89,065	685,974

Notes to the consolidated statements

General

Go North Group AB ("Go North"), Corp. Id. No 559252-2188 is a Parent Company registered in Sweden and domiciled in Gothenburg, with address Norra Allégatan 5, 413 01, Gothenburg, Sweden.

All amounts are stated in SEK thousand (KSEK) unless stated otherwise. Amounts in brackets refer to the comparative year.

The group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. For the Parent Company, the report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2. The accounting policies adopted are consistent with those applied for the 2022 Annual Report and should be read in conjunction with that Annual Report.

Related party transactions

No related party transactions have been performed during the period.

Definitions of financial measures used in the financial overview

Below the measures used in the financial overview of this report are defined.

Go North presents in that financial overview alternative financial measures (AFMs) in addition to the financial measures established by IFRS, in order to better explain the development of the business and the financial position. However, such measures shall not be considered as a substitute for the key measures required under IFRS. The alternative financial measures presented in this report are also described below.

Financial measure	AFM/IFRS	Definition	Rationale
Net Sales	IFRS	Total revenue generated excluding any sales returns, allowances, and discounts	This measure shows how well Go North sells its products and generates other revenue.
Adjusted EBITDA	AFM	Net income with interest, taxes, depreciation, amortization and one-time acquisition costs* and one-time restructuring costs* added back.	The core measure for Go North's underlying health and ability to generate cash, when filtering out one-time change activities.
EBITA	AFM	Operating profit after depreciation of property, plant and equipment before amortization.	The measure enables comparisons of profit generation over time regardless of amortization of acquisition-related intangible assets and regardless of the corporate tax rate and the company's financing structure. However, depreciation on tangible assets is included, which is a measure of a resource consumption that is necessary to generate the result.
Net Financial Debt/Adjusted EBITDA ratio	AFM	The quarter's Adjusted EBITDA has been annualized by multiplying with 4. The half-year's Adjusted EBITDA has been annualized by multiplying with 2.	This shows how many years it would take for Go North to pay back its debt if net financial debt and Adjusted EBITDA are held constant, i.e. without costs for changing the company.
Cash flow from operating activities	IFRS	Operating Income plus depreciation minus taxes plus change in working capital.	This indicates the amount of money brought in from ongoing, regular business activities.
ROCE	AFM	Dividing net operating profit by capital employed. Capital employed being share capital, other equity contributions and borrowings.	This measure helps to understand how well Go North generates profits from its capital as it is put to use.

* These adjustments are aligned to Go North's agreement of 3 March 2023 for SEK Tranche Bonds ISIN NO0012829847 and USD Tranche Bonds ISIN NO0012829854, published in the investor relations section on Go North's website. Acquisition costs are the one-time costs associated with the pre-deal activities for acquiring (brand) businesses in a share purchase agreement, and the post-deal integration costs of all acquired (brand) businesses. Restructuring costs are the one-time costs when changing the legal or organizational structure of Go North (up to a maximum total cost of five percent of the total Adjusted EBITDA for the specific quarter).

Pro Forma Income Statement

Amounts in KSEK	Financial period	
	June 2023 LTM	Dec 2022 LTM
Net sales	791,448	432,661
Other operating income	12,875	6,636
Total income	804,323	439,297
COGS and shipping	-206,792	-109,271
Gross profit 1	597,531	323,390
<i>Gross margin 1</i>	75.5%	74.7%
FBA, selling and logistics fees	-339,162	-164,650
Gross profit 2	258,369	158,740
<i>Gross margin 2</i>	32.6%	36.7%
Ad spend	-89,694	-56,264
Gross profit 3	168,675	102,476
<i>Gross margin 3</i>	21.3%	23.7%
Overhead costs	-72,308	-30,462
Other operating costs	-12,404	-6,783
Adjustments	29,596	8,983
Adjusted EBITDA	113,559	74,214
<i>Adj EBITDA margin</i>	14.1%	16.9%
Organic income growth	42.1%	-
Organic profit growth	10.3%	-
Net debt leverage - Bond	5.3	-

Description of basis of preparation

This is a table with mainly alternative financial measures outside the IFRS accounting principles. It is prepared following the terms of Go North's agreement of March 3, 2023, for SEK Tranche Bonds ISIN NO0012829847 and USD Tranche Bonds NO0012829854, published in the investor relations section on Go North's website.

The pro forma figures from Revenue to Gross profit 3, except Other operating income, include all brands that were owned by Go North at the end of each period as if they were owned during that entire period. These figures for 2022 are based on data from the associated Amazon Seller Central accounts, except for production and shipping which is based on data from the seller of the brand to Go North and/or internal cost data from Go North. Figures from Revenue to Gross Profit 3 for Q1 and Q2 2023 are based on Go North's actual figures during this period, except if a brand was not owned by Go North for one or several months in this period. In that case, figures from Amazon Seller Central are used for those months instead.

Other operating income, Overhead, and Adjustments are based on Go North's actual overhead costs and adjustments during the entire period.

Organic Income Growth is defined as the 30 June 2023 LTM pro forma Total Income compared to the 30 June 2022 LTM pro forma Total Income. Both periods including the brands owned by Go North as of 30 June 2023, and in SEK.

Organic Profit Growth is defined as the 30 June 2023 LTM pro forma Gross Profit 3 compared to the 30 June 2022 LTM pro forma Gross Profit 3. Both periods including the brands owned by Go North as of 30 June 2023, and in SEK.

Net Debt Leverage - Bond is defined as the ratio between the Net Interest Bearing Debt as of 30 June 2023, plus the then committed delayed payments for brand acquisitions, and the 30 June 2023 Adjusted EBITDA LTM pro forma.



Go North[®]

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ABOUT GO NORTH GROUP AB (PUBL)

Go North Group AB (publ) is a Swedish e-commerce group. The company is operated by Amazon FBA entrepreneurs, that acquires and scales brands on Amazon and beyond.

Read more at www.gonorth.co

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