



Veg of Lund updates strategy and revises objectives with focus on growth

The Board of Directors of Veg of Lund AB has conducted a strategic review of the business and decided on an updated strategy and revised targets in order to increase sales. The company clarifies that the business model consists of a hybrid between own and licensed production and sales. The strategy is to accelerate sales by appointing licensees in more countries. The goal is to reach a turnover of MSEK 420 with a positive operating result by the year 2025.

Veg of Lund's current board took office after an extraordinary general meeting on 31 January 2022 and has conducted a review of the company's operations and environment to identify opportunities for increased sales and profitability. As a result of the review, the Board has decided to clarify and revise the company's business model, strategy and objectives.

The company's primary product, DUG®, a plant-based beverage was launched in May 2021, with sales commencing in the company's two strategic markets of Sweden, the UK and in China and through selected online stores with a global customer base. Sales have not developed as expected and the launch in the company's third strategic market, the US, was delayed due to covid-19 restrictions. The Board of Directors has therefore decided that the company's objective is to increase its presence and strengthen its position in those markets that offer the best conditions for rapid sales development. This will be done partly by the company and its partners in Sweden and the UK, and partly through licensing agreements with manufacturers and distributors in other countries.

Value creation in the short term

Achieving the goal of increasing sales in the short term requires investment in marketing and sales. Investments should be made in each market based on its conditions and profitability, and where the investments provide the greatest return in relation to risk and shareholder value. Veg of Lund has chosen to focus on the key markets of Sweden and the UK. In other markets, the company will consider licensing production and sales.

Long-term value creation

Veg of Lund has a strong patent portfolio and intends to continue to invest in research and development of patents and products based on potatoes.

"DUG® has been established as a unique plant-based beverage in a short period of time. For various reasons, sales have been weak and we have therefore carried out an overhaul to strengthen cash flow and the company's financing. With an updated strategy, we aim to achieve a more business-driven approach based on the conditions in each market. The Board believes that the hybrid model, i.e. an own organisation in a few key markets in combination with licensees and/or dealers in other countries, will shorten the time to achieve profitability in the business compared to the previous model," says Håkan K Pålsson, Chairman of the Board of Veg of Lund.



Veg of Lund's business concept, vision, strategy and goals as of May 2022

Veg of Lund's business concept is to develop and market palatable, locally produced plant-based food, mainly derived from potatoes, using knowledge, unique innovations and its own patents. **The vision** is for Veg of Lund to be the world's most sustainable producer of plant-based foods.

The strategy is based on innovation, a profitable hybrid model and "sustainability all the way". In concrete terms, this means that with potatoes as the basis and patent and trademark protection, the company will develop and sell new foods to the global market. With a profitable hybrid model, Veg of Lund reaches the market and consumers by building its own brand, sales and marketing organisation in combination with licensees. "Sustainability all the way" is created by using the climate-smart potato as a base.

Veg of Lund's sales strategy allows the company to enter into licensing agreements with producers and distributors to reach complementary markets. The customer base is developed through several channels based on needs and applications.

The goal is to achieve a turnover of MSEK 420 with a positive operating result at EBIT level by 2025. All of the company's products will be sold through its own organisation in priority markets and in other markets through licensing, with the ambition that each product will be one of the top five in its category.

"The targets that the company's management and board have now revised were set in 2019, prior to the company's listing and before the launch of DUG®. Since then, a lot has happened in the company as well as in the world around us and with an updated strategy we have updated our targets. Veg of Lund is at this stage a growth company and in connection with expansions the company is in need of external financing. The company's objective is to finance its operations from current revenues from the sale of its products. Veg of Lund will more quickly establish and strengthen its position as a leading and innovative food company. With clearer goals, we will accelerate and build on the solid work that our organisation has carried out. Focus and various collaborations give us the right conditions to create value for our customers, consumers as well as employees, shareholders and society at large," says Emma Källqvist, acting CEO and CFO.

For more information, please contact:

Veg of Lund AB
Emma Källqvist (Acting CEO and CFO)
Telephone: +46 721 869 018
E-mail: emma.kallqvist@vegoflund.se

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About Veg of Lund AB (publ)

Veg of Lund develops unique plant-based foods meeting consumers' demands for taste and sustainability. The company has roots in research at Lund University and owns patented methods for developing new food categories in the fast-growing market for plant-based foods. Veg of Lund's climate-smart and tasty products are sold in Europe and Asia under the DUG® brand. The company's share is listed on the Nasdaq First North Growth Market under ticker VOLAB. Read more at ir.vegoflund.se. Mangold Fondkommission AB is the company's Certified Adviser and can be contacted via telephone: +46 8 5030 15 50 or e-mail: ca@mangold.se.