

MADARA: Q1 Turnover Update

A boost in e-commerce sales is driving turnover growth

MADARA Cosmetics ('MADARA' or the 'Company'), a leading Latvian producer of natural beauty products, is listed on Nasdaq Baltic First North and reports a full set of financial performance numbers semi-annually. However, the Company reported its consolidated unaudited turnover for Q1 2021, on 27th April 2021, at EUR 4.48m (+38.7% y-o-y, +12% q-o-q). This growth is primarily driven by a significant increase in direct e-commerce sales. The share of direct e-commerce in the Company's turnover increased to 45% (+14pp y-o-y, +11pp q-o-q) in Q1. During the past couple of years, MADARA made substantial investments into developments of e-commerce channels, and these investments have started to pay off. The customer's interaction and experience through the use of diagnostic tools and digital apps, as well as electronic payments and delivery, are transforming rapidly. In the case of e-commerce sales, retailers must continue to invest in an Omni-channel presence. Omni-channel bundles include retail stores, online stores, mobile stores, mobile app stores as well as other methods of engaging with a customer. Several communication channel options give the customer the ability to be in constant contact with the retailer through multiple means at the same time. We believe that a company like MADARA, which is persistently focusing on its Omni-channel presence, would benefit from this trend.

The global market for natural and organic personal care products is continuing to experience a positive trajectory. Although the COVID-19 pandemic softened growth rates, consumer demand for natural and organic products remains strong. Due to the temporary closures of the brick and mortar stores, the COVID-19 pandemic resulted in supply chain delays, ultimately having a detrimental effect on cosmetics and personal care goods, including organic products. However, the outbreak of the pandemic has contributed to evolving market tastes, and people are proactively searching for natural and organic products, which in turn is projected to drive the growth at a faster pace. Key players are counting on the e-commerce channels in order to improve sales of their cosmetics and personal care goods, which could emerge as the principal channel even after the pandemic ends.

The Company continues to generate over 90% of its revenues from EU countries, with 63% of Q1 turnover being generated in the EU countries (excluding Latvia), 29% in Latvia, and 8% outside the EU. In Q1, turnover in the EU countries (excluding Latvia) and Latvia grew 40% y-o-y and 24% y-o-y, respectively, while the turnover outside the European Union increased by 133% y-o-y.

The Company is actively developing new products and launched two lip balms, several body and face care products, such as vitamin C face cream, at the beginning of the year. Further, due to the high demand and customer satisfaction of the Company's sunscreen products, the development of SPF50 sunscreens was finalised in spring, and these will be available for sale very soon.

Key Numbers (EURm)	2017	2018	2019	2020	2021E	2022E
Sales (EURm)	7.4	9.5	11.5	16.1		
Sales growth (%)	26.3	28.7	21.2	39.3		
Net profit (EURm)	1.2	1.5	1.6	3.4		
EPS (EUR)	0.33	0.40	0.42	0.91		
P/E (x)	22.5	19.6	18.8	21.8		
Payout per share (EUR) [#]	0.05	0.09	0.12	0.15		
Payout yield (%)	0.7	1.1	1.5	0.8	Under review	
P/B (x)	3.9	3.5	3.1	6.0		
EV/Sales (x)	3.2	2.7	2.4	4.5		
EV/EBITDA (x)	13.5	13.0	12.5	17.2		
EV/EBIT (x)	17.7	17.6	18.4	20.6		
ROE (%)	24.6	19.3	17.4	31.2		

Source: MADARA

[#]Payout per share include dividends and share capital reduction.

Company Profile

Listing Market:	First North Baltic Share List
Bloomberg Ticker:	MDARA LR
ISIN:	LV0000101624
Industry:	Consumer Goods
Sector:	Personal & Household Goods
No. of Employees:	148
Website:	www.madaracosmetics.com

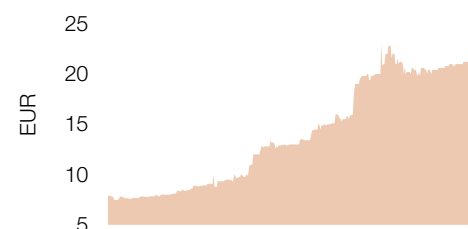
Share Data, as of 26th Apr 2021

Current Share Price (EUR):	21.40
Fair Value Range (FVR), EUR:	U.R.
Downside, % (to mid-point of FVR):	n.a.
52-week High/Low (EUR):	23.00/7.50
3m Avg. Daily Volume (th):	0.26
Market Cap (EURm):	80.66
Ordinary Shares (m):	3.77

Key Shareholders, as of 9th Feb 2021

Uldis Iltners	23.93%
Lote Tisenkopfa-Iltnere	23.77%
Oy Transmeri Group AB	22.94%
Liene Drāzniece	6.79%
Zane Tamane	6.67%

12-Month Price Performance



LHV Fair Value Range:

Under review*

* Effective from 22nd Dec 2020

The Company reiterated its target, initially announced in December 2020, to achieve revenues of EUR 27m in 2023. The Company is planning to achieve this target by doubling its production compared to the 2020 level. At the end of last year, work began on preparing the Company for doubling its production capacity. The Company is targeting to improve its organisation, production, and logistics processes, as well as to supplement the technological equipment of production in the existing plant. According to the management, by improving the above-mentioned aspects, the Company will be able to ensure the doubling of the production volume in the existing premises, and the capital investments will not significantly exceed the level

of previous years. Given the favourable market trend for the Company's natural and organic product offerings, a growing portion of e-commerce sales in revenues, increasing recognition of MADARA brands, new innovative product launches using significant in-house R&D activities, ongoing and future penetration in key markets, and growth potential of organic and natural cosmetics industry in general, we believe the Company can meet this guidance.

Due to the recent developments in the Company's business, we are in the process of revising our projections as well as the fair value range.

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Date and time of sign-off: Tuesday 27th April 18:00**Disclaimer**

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