



home 24

Q3 2018 QUARTERLY STATEMENT

Q3

JANUARY 1, 2018 –
SEPTEMBER 30, 2018

AT A GLANCE

KEY FIGURES

Non-Financial KPIs	Unit	9M 2018	9M 2017	Change
Number of orders	in k	1,299	1,065	22%
Europe	in k	801	662	21%
LatAm	in k	498	403	23%
Average order value	in EUR	264	285	-7%
Europe	in EUR	339	355	-4%
LatAm	in EUR	143	169	-16%
Number of visits	in k	133,550	110,522	21%
Europe	in k	82,342	69,275	19%
LatAm	in k	51,208	41,247	24%
Mobile visit share	in %	61%	57%	4pp
Europe	in %	61%	57%	4pp
LatAm	in %	61%	58%	3pp
	Unit	09/30/2018	09/30/2017	Change
Number of active customers	in k	1,211	997	21%
Europe	in k	746	616	21%
LatAm	in k	465	381	22%
Employees	number	1,380	1,200	15%
Financial KPIs	Unit	9M 2018	9M 2017	Change
Revenue	in EURm	221.1	196.0	13%
Gross profit margin	in %	44%	44%	0pp
Profit contribution margin	in %	24%	27%	-3pp
Adjusted EBITDA margin	in %	-12%	-9%	-3pp
Earnings per share	in EUR	-2.4	-2.0	-19%
Cash flow from operating activities	in EURm	-39.8	-28.1	-42%
Cash flow from investing activities	in EURm	-16.5	-10.9	-52%
Cash flow from financing activities	in EURm	160.7	21.0	665%
		09/30/2018	09/30/2017	Change
Cash and cash equivalents at the end of the period	in EURm	124.1	15.9	680%

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ABOUT US

home24 is the leading pure-play home & living e-commerce platform in continental Europe and Brazil. With over 100,000 articles – from accessories to lamps to furniture – home24 offers its current 1.2m customers the right product for every taste, style and budget.

On its platform, home24 combines a broad, carefully selected range of relevant third-party brands with attractive private labels, making it a furniture manufacturer and retailer in one.

The company is represented in seven European countries: Germany, France, Austria, the Netherlands, Switzerland, Belgium and Italy. In Brazil, home24 operates under the “Mobly” brand. Irrespective of size and weight, home24 delivers its products in Europe free of charge to the customer’s home and also offers free returns.

home24’s headquarters are located in Berlin. The company employs more than 1,000 people worldwide. home24 has been listed on the Frankfurt Stock Exchange since June 15, 2018. Further information can be found on the Company’s website at www.home24.com.

REPORT ON ECONOMIC POSITION

FINANCIAL PERFORMANCE OF THE GROUP

Simplified Income Statement

in EURm	9M 2018	9M 2017	Change	Change in %
Revenue	221.1	196.0	25.1	13%
Cost of sales	-124.4	-109.9	-14.5	13%
Gross profit	96.7	86.1	10.6	12%
Gross profit margin	44%	44%	0pp	
Selling and distribution costs	-113.6	-90.0	-23.6	26%
Administrative expenses	-32.9	-30.6	-2.3	8%
Other operating income	1.1	0.8	0.3	38%
Other operating expenses	-0.6	-0.6	-0.0	0%
Operating result (EBIT)	-49.3	-34.3	-15.0	44%
Depreciation and amortization	13.0	9.4	3.6	38%
EBITDA	-36.3	-24.9	-11.4	46%
Share-based payment expenses	8.0	7.1	0.9	13%
Costs related to the IPO	1.4	0.0	1.4	>100%
Adjusted EBITDA	-26.9	-17.8	-9.1	51%
Adjusted EBITDA margin	-12%	-9%	-3pp	

in EURm	Q3 2018	Q3 2017	Change	Change in %
Revenue	69.9	63.5	6.4	10%
Cost of sales	-39.5	-35.3	-4.2	12%
Gross profit	30.4	28.2	2.2	8%
Gross profit margin	44%	44%	0pp	
Selling and distribution costs	-39.0	-30.0	-9.0	30%
Administrative expenses	-10.5	-10.7	0.2	-2%
Other operating income	0.5	0.2	0.3	150%
Other operating expenses	-0.2	-0.3	0.1	-33%
Operating result (EBIT)	-18.8	-12.6	-6.2	50%
Depreciation and amortization	3.6	3.7	-0.1	-3%
EBITDA	-15.2	-8.9	-6.3	71%
Share-based payment expenses	2.1	3.0	-0.9	-30%
Costs related to the IPO	0.1	0.0	0.1	>100%
Adjusted EBITDA	-13.0	-5.9	-7.1	120%
Adjusted EBITDA margin	-19%	-9%	-10pp	

In the first nine months of 2018, Group **revenue** came in at EUR 221.1m, up 13% y-o-y. Adjusted for foreign currency effects, revenue grew 18% y-o-y. Revenue growth was primarily driven by the higher number of active customers and orders placed. This positive effect was partly offset by a slight decline in the average order value (-3% when adjusted for foreign currency effects) during the reporting period. As of September 30, 2018, home24 had a total of 1.2m active customers, compared to 1.0m as of September 30, 2017. The number of orders placed during the first nine months of 2018 increased by 22% to 1.3m compared to the prior-year period. Despite continuing restrained customer demand caused by the hot weather in the third quarter of the current financial year, growth accelerated compared to the previous quarter, primarily due to significant investments in customer acquisition. In the third quarter of 2018, revenue rose by 10% y-o-y to EUR 69.9m. Adjusted for foreign currency effects, revenue grew by 16%.

Revenue less cost of sales results in **gross profit**. In the first nine months of 2018, the Group posted a gross profit of EUR 96.7m, up +12% from EUR 86.1m in the first nine months of 2017. The increase is in line with the growth in revenue. The gross profit margin remained stable at 44% compared to the prior-year period.

in EURm	9M 2018	9M 2017	Change	Change in %
Fulfillment expenses	-43.0	-33.4	-9.6	29%
Marketing expenses	-46.0	-33.3	-12.7	38%
Other selling and distribution costs	-24.6	-23.3	-1.3	6%
Total selling and distribution costs	-113.6	-90.0	-23.6	26%
as % of revenue				
Fulfillment expenses ratio	19%	17%	2pp	
Marketing expenses ratio	21%	17%	4pp	

In the first nine months of 2018, **selling and distribution costs** amounted to EUR 113.6m, up by 26% compared to EUR 90.0m in the corresponding period in 2017, primarily due to higher marketing expenses as expected, particularly on TV. The marketing expenses ratio for the current financial year increased, mainly as a result of weaker customer demand caused by the hot weather in the second and third quarters, investments in customer acquisition and temporary inefficiencies following the introduction of a

new ERP system. The temporary increase in demand for storage capacity and additional handling costs associated with these developments led to a rise in the fulfillment expenses ratio.

In the first nine months of 2018, **administrative expenses** increased by EUR 2.3m or 8% to EUR 32.9m compared to EUR 30.6m in the first nine months of 2017. The increase was mainly caused by higher IT costs and one-off effects related to the IPO in June 2018. The Group also incurred start-up costs for future investments, including investments in staff for mega outlets to be opened in Q4 2018 and a new warehouse in Halle (Saale) that is expected to become operational in Q1 2019.

In the first nine months of 2018, the adjusted EBITDA margin of –12% was three percentage points below the corresponding period in 2017. Negative **adjusted EBITDA** increased from EUR 17.8m to EUR 26.9m, mainly due to higher marketing and fulfillment expenses as well as investments in future projects, whose earnings contribution will only take full effect from Q2 2019 onwards. The early application of IFRS 16 “Leases” as of January 1, 2018, had a positive impact of EUR 5.5m on adjusted EBITDA. In the third quarter of 2018, the adjusted EBITDA margin was –19% (Q3 2017: –9%). The adjusted amounts include share-based payment expenses for employees and media services provided to the Company and costs associated with the IPO.

FINANCIAL PERFORMANCE OF THE SEGMENTS

in EURm	9M 2018	9M 2017	Change	Change in %
Revenue				
Europe	171.8	154.6	17.2	11%
LatAm	49.3	41.4	7.9	19%
Adjusted EBITDA				
Europe	–27.0	–15.8	–11.2	71%
LatAm	0.1	–2.0	2.1	–105%

in EURm	Q3 2018	Q3 2017	Change	Change in %
Revenue				
Europe	53.4	49.1	4.3	9%
LatAm	16.5	14.4	2.1	15%
Adjusted EBITDA				
Europe	–12.7	–5.4	–7.3	135%
LatAm	–0.3	–0.5	0.2	–40%

In the first nine months of 2018, **revenue** in the Europe segment amounted to EUR 171.8m, up +11% y-o-y, representing 78% of Group revenue. Revenue in the LatAm segment amounted to EUR 49.3m in the first nine months of 2018, up +19% y-o-y, thus contributing 22% to Group revenue. Adjusted for foreign currency effects, revenue in the LatAm segment grew significantly by 45% y-o-y. Both segments recorded a decline in average order value accompanied by a rise in the number of active customers and orders placed. Adjusted for foreign currency effects, average order value increased in the LatAm segment.

The Europe segment generated negative **adjusted EBITDA** of EUR 27.0m after EUR 15.8m in the prior-year period (EUR –11.2m). Adjusted EBITDA margin came in at –16% compared to –10% in the prior-year period. The LatAm segment reached a positive adjusted EBITDA of EUR 0.1m after EUR –2.0m in the prior-year period (EUR +2.1m). The adjusted EBITDA margin came in at 0% compared to –5% in the prior-year period.

CASH FLOWS

in EURm	9M 2018	9M 2017	Q3 2018	Q3 2017
Cash flow from operating activities	-39.8	-28.1	-20.1	-1.4
Cash flow from investing activities	-16.5	-10.9	-6.7	-3.5
Cash flow from financing activities	160.7	21.0	17.7	0.3
Change in cash and cash equivalents	104.4	-18.0	-9.1	-4.6
Cash and cash equivalents at the beginning of the period	19.9	34.0	133.3	20.5
Effect of exchange rate changes on cash and cash equivalents	-0.2	-0.1	-0.1	0.0
Cash and cash equivalents at the end of the period	124.1	15.9	124.1	15.9

In the first nine months of 2018, the Group's negative cash flow from operating activities amounted to EUR 39.8m compared to EUR 28.1m in the prior-year period.

Cash outflows from investing activities primarily continued to relate to investments in internally generated software, payments for the acquisition of a new ERP system and the construction of the warehouse in Halle (Saale).

The cash flow from financing activities of EUR 160.7m was primarily affected by the IPO during the current financial year.

In total, the Group's cash and cash equivalents grew by EUR 104.2m in the first nine months of 2018 and totaled EUR 124.1m as of the reporting date.

FINANCIAL POSITION

in EURm	09/30/2018	12/31/2017	Change	Change in %
Assets				
Non-current assets	94.7	56.6	38.1	67%
Current assets	174.4	64.5	109.9	170%
Total assets	269.1	121.1	148.0	122%
Equity and liabilities				
Equity	168.9	47.3	121.6	257%
Non-current liabilities	28.4	3.9	24.5	628%
Current liabilities	71.8	69.9	1.9	3%
Total equity and liabilities	269.1	121.1	148.0	122%

The assets and equity and liabilities of the Group changed compared to December 31, 2017, primarily because of the following balance sheet items:

Due to the early adoption of IFRS 16 "Leases", the Group recognizes right-of-use assets for the right granted to use the leased asset during the lease term and liabilities for the obligations to make lease payments to the lessor during the lease term. As of September 30, 2018, right-of-use assets amounted to EUR 31.8m. Accordingly, non-current lease liabilities increased by EUR 25.0m, and current lease liabilities grew by EUR 7.4m.

Cash and cash equivalents rose by EUR 104.2m to EUR 124.1m.

Total equity grew, mainly due to the capital increase and share premium received in the course of the IPO. The IPO proceeds were partly offset by the loss of the period.

Overall, total assets increased by EUR 148.0m from EUR 121.1m to EUR 269.1m.

OVERALL ASSESSMENT

Following investments in a new ERP system and the optimization of business processes, the Group continued to grow revenue in the first nine months of 2018. Attractive profit contribution margins based on the strength of its private label business are key drivers of home24's ability to invest in sustainable sales growth.

As expected, results in the third quarter of 2018 were still affected by the period of reduced demand until August caused by the hot weather and the introduction of a new ERP system. Despite a lack of customer demand, revenue growth gained momentum again in the third quarter of 2018, excluding catch-up effects on customer demand from the previous quarter. The drop in profitability in the third quarter of 2018 was caused mainly by the rise in marketing and fulfillment expenses. This in turn was driven by temporary inefficiencies following the introduction of the new ERP system and the temporary additional storage capacity and handling costs associated with this.

FUTURE DEVELOPMENT/OUTLOOK

home24 made significant investments in the third quarter of 2018, which will have a positive impact on revenue and profitability in the coming year, but will worsen absolute profitability for the financial year 2018 compared with the previous year. Investments were made in the expansion of the assortment with a focus on private labels, and start-up investments were made in further growth, for example in the new logistics centre in Halle (Saale), three mega outlets and two showrooms.

home24 expects that the growth trend seen in Q3 2018 will continue to increase. For Q4 2018, the Group expects foreign currency adjusted revenue growth of 25% – 31%. This results in a forecast of revenue for the full year 2018 of between EUR 315m and EUR 323m and thus more than 20% growth adjusted for foreign currency effects. In addition, home24 forecasts revenue growth for 2019 at or above the growth rates of the financial year 2018, confirms its medium-term earnings forecast and continues to expect to break even at the end of 2019 on the basis of adjusted EBITDA.

Berlin, November 27, 2018



Dr. Philipp Kreibohm



Marc Appelhoff



Christoph Cordes



Johannes Schaback

SELECTED FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

in EURm	9M 2018	9M 2017
Revenue	221.1	196.0
Cost of sales	-124.4	-109.9
Gross profit	96.7	86.1
Selling and distribution costs	-113.6	-90.0
Administrative expenses	-32.9	-30.6
Other operating income	1.1	0.8
Other operating expenses	-0.6	-0.6
Operating result (EBIT)	-49.3	-34.3
Finance income	0.6	0.4
Finance costs	-3.1	-2.7
Earnings before taxes	-51.8	-36.6
Income taxes	-0.3	-0.1
Loss for the period	-52.1	-36.7
Loss attributable to:		
- Owners of the parent company	-51.6	-35.8
- Non-controlling interests	-0.5	-0.9
	-52.1	-36.7

CONSOLIDATED BALANCE SHEET

in EURm	September 30, 2018	December 31, 2017
Non-current assets		
Property and equipment	8.3	8.1
Intangible assets	47.2	43.5
Right-of-use assets	31.7	0.0
Financial assets	7.3	5.0
Other non-financial assets	0.2	0.0
Total non-current assets	94.7	56.6
Current assets		
Inventories	26.6	26.8
Advance payments for inventories	1.8	2.8
Trade receivables	16.9	11.1
Other financial assets	1.0	1.6
Other non-financial assets	4.0	2.3
Cash and cash equivalents	124.1	19.9
Total current assets	174.4	64.5
Total assets	269.1	121.1

in EURm	September 30, 2018	December 31, 2017
Equity		
Issued capital	26.0	0.4
Treasury shares	0.0	0.0
Capital reserves	186.9	45.6
Other reserves	-4.7	-5.4
Accumulated profit / loss	-27.5	18.0
Equity attributable to the owners of the parent company	180.7	58.7
Non-controlling interests	-11.8	-11.4
Total equity	168.9	47.3
Non-current liabilities		
Lease liabilities	25.0	0.0
Other financial liabilities	0.5	0.5
Other non-financial liabilities	0.2	1.2
Provisions	1.3	0.9
Deferred tax liabilities	1.4	1.3
Total non-current liabilities	28.4	3.9
Current liabilities		
Borrowings	1.3	1.9
Lease liabilities	7.4	0.0
Trade payables	42.5	42.3
Advance payments received	12.5	14.2
Income tax liabilities	0.1	0.1
Other financial liabilities	3.9	4.9
Other non-financial liabilities	3.8	5.9
Provisions	0.3	0.6
Total current liabilities	71.8	69.9
Total liabilities	100.2	73.8
Total equity and liabilities	269.1	121.1

CONSOLIDATED STATEMENT OF CASH FLOW

in EURm	9M 2018	9M 2017
Cash flows from operating activities		
Earnings before taxes	-51.8	-36.6
Depreciation of property and equipment	1.2	1.5
Amortization of intangible assets	6.3	7.9
Depreciation of right-of-use assets	5.5	0.0
Non-cash expenses from share-based payments	8.0	7.1
Other non-cash income and expenses	0.5	0.0
Change in provisions	-0.2	-0.3
Change in working capital		
Change in inventories and advanced payments for inventories	0.5	-1.3
Change in trade receivables and other receivables	-7.8	-1.2
Change in trade payables and other payables	-0.1	-4.8
Change in advances received	-1.3	-0.3
Change in other assets/liabilities	-0.4	0.1
Income taxes paid, less reimbursements	-0.2	-0.2
Cash flow from operating activities	-39.8	-28.1
Cash flows from investing activities		
Purchase of property and equipment	-2.0	-1.2
Purchase of intangible assets	-12.3	-9.7
Change in restricted cash and non-current deposits	-2.2	-0.1
Proceeds from government grants	0.0	0.1
Cash flow from investing activities	-16.5	-10.9
Cash flows from financing activities		
Cash received from capital increase by the shareholders less transaction costs	167.1	20.1
Cash paid to owners and non-controlling interests	-0.4	0.0
Proceeds from borrowings	11.7	2.9
Repayment of debt	-12.0	-2.0
Redemption of leasing liabilities	-5.7	0.0
Cash flow from financing activities	160.7	21.0
Change in cash and cash equivalents	104.4	-18.0
Cash and cash equivalents at the beginning of the period	19.9	34.0
Effect of exchange rate changes on cash and cash equivalents	-0.2	-0.1
Cash and cash equivalents at the end of the period	124.1	15.9

FINANCIAL CALENDAR 2018/2019

Berenberg West Coast Consumer&E-Commerce Conference, San Francisco (USA)	November 27/28, 2018
Berenberg European Conference (Pennyhill), Ascot (UK)	December 3, 2018
Trading Update FY 2018	February 13, 2019
Publication annual financial report 2018	April 25, 2019
Publication quarterly financial report (call-date Q1)	May 28, 2019
Annual General Meeting	June 19, 2019
Publication half-yearly financial report	September 5, 2019
Publication quarterly financial report (call-date Q3)	November 26, 2019

IMPRINT

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Legal Disclaimer

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This interim report has been translated into English. It is available for download in both languages at www.home24.com. If there are variances, the German version has priority over the English translation.



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