



SHOP APOTHEKE  
EUROPE

# ANNUAL REPORT 2016

JAARVERSLAG

GESCHÄFTSBERICHT

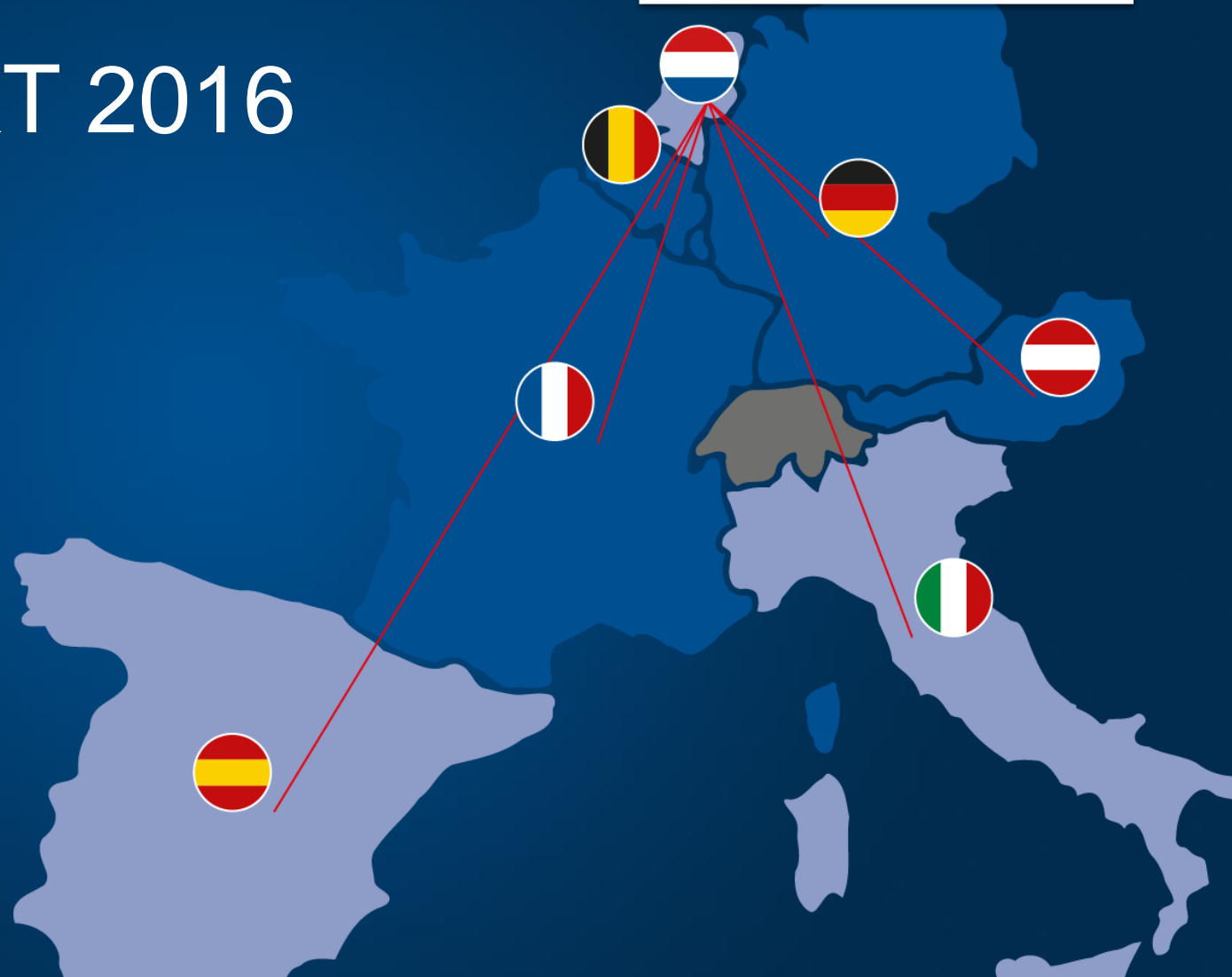
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RAPPORTO DI GESTIONE

MEMORIA ANNUAL

Dr. Ulrich Wandel, CFO

27 MARCH 2017



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# AGENDA TODAY.

- Highlights
- Financial Performance
- Outlook
- Q+A



# HIGHLIGHTS.



# HIGHLIGHTS.

Revenue 2016

**€ 177m**  
(+41 %)

**€ 53m**  
(+52 %)

Revenue Q4/2016

Cash & short-term securities

**€ 36.3m**

Gross Profit

**€ 58.5m**

**1.8m**  
(+43 %)

Active customers



# ACCELERATING GROWTH: SALES +52 % IN Q4/16 VS. Q4/15.

The screenshot shows the homepage of shop-apotheke.com. At the top left is a family photo. The logo 'shop-apotheke.com' is centered, with the tagline 'Die Online-Apotheke für Deutschland' below it. To the right are two circular logos: 'EVIDENZ' and 'TRUSTED SHOP & GUARANTEE'. Below the header is a navigation bar with four categories: 'Arzneimittel', 'Beauty & Pflege', 'Homöopathie', and 'Tierapotheke'. The main content area features a promotional banner with a festive background of gift boxes and ornaments. The text on the banner reads: 'Jetzt schnell noch Geschenke shoppen: heute sparen Sie 10%!'. A large red circle contains the text '10% Rabatt<sup>3</sup>' and 'ab 60 € Mindestbestellwert'. At the bottom of the banner, it says 'Jetzt shoppen und sparen!'.

- SHOP APOTHEKE's special vouchers in November and December performed extremely well, boosting sales in the fourth quarter.
- At the same time, we managed to keep the consolidated gross margin stable at 20.5 % for the FY 2016.
- These positive effects are also driving strong sales in the first quarter 2017.



# ACCOMPLISHMENTS AFTER THE IPO ON OCTOBER 13.

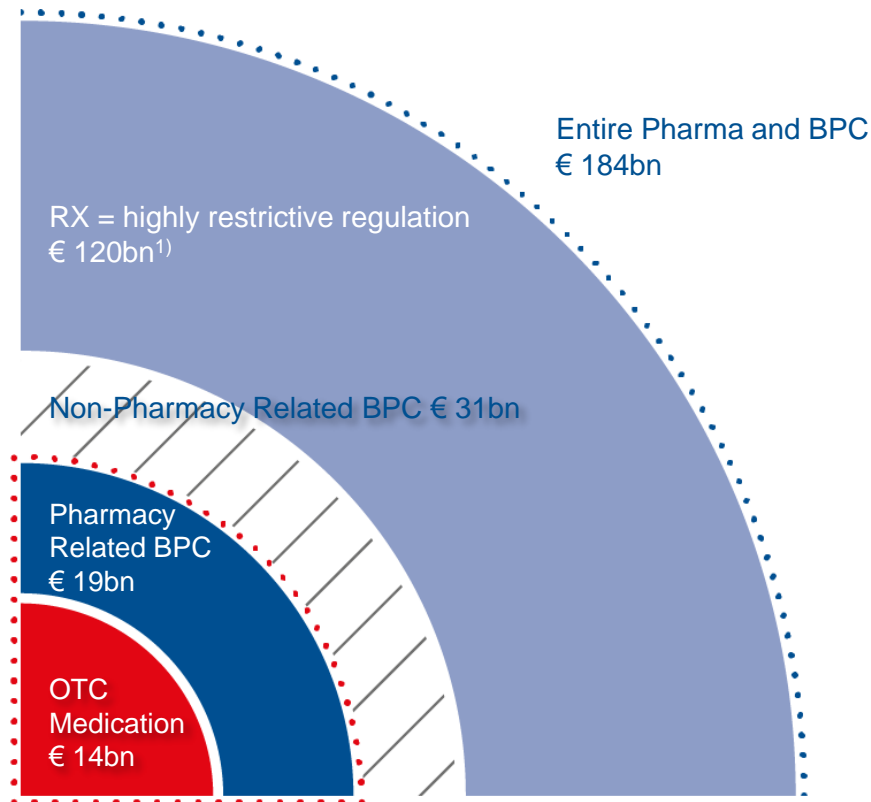


- The integration of FARMALINE was done by year-end, i.e. much earlier than expected, saving integration costs in 2017.
- Warehouse capacity was increased with high-bay racks to hold additional inventory needed for our international expansion.
- Our international product range was broadened to support strong European sales growth in 2017.
- Goods-in automation was started already in December to lower operations costs.
- ERP system programming needed to add a second packing line in Q1/2017 was accomplished successfully.



# SHOP APOTHEKE IS ON TARGET BUILDING THE FIRST EUROPEAN ONLINE PHARMACY BRAND.

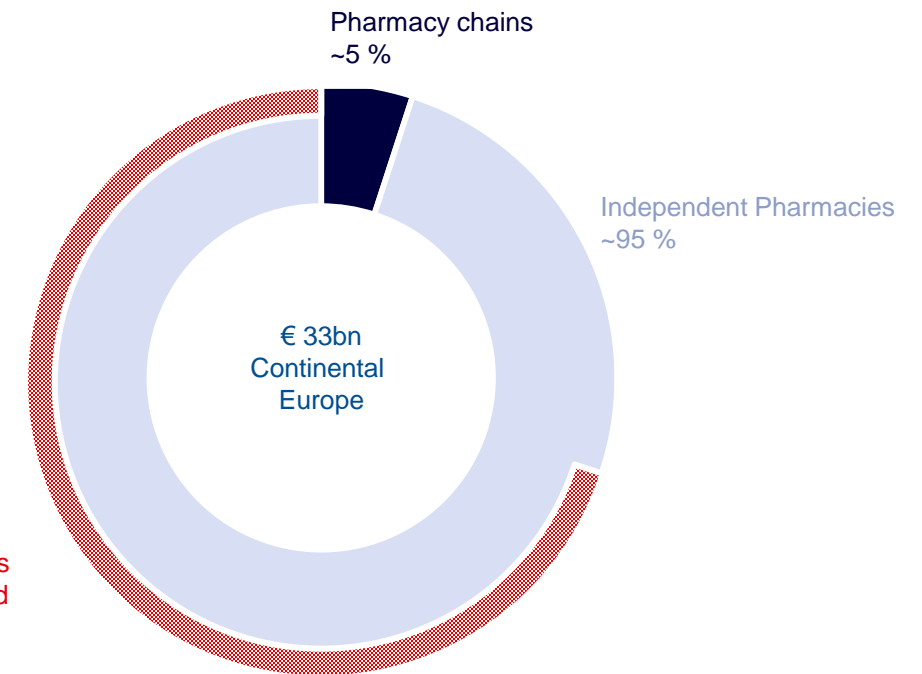
Huge Addressable Market – Continental Europe<sup>2)</sup> (2015, € bn)



€ 33 bn Current Focus Market

Highly Fragmented Market –  
No Upcoming Competitor From Consolidation Play

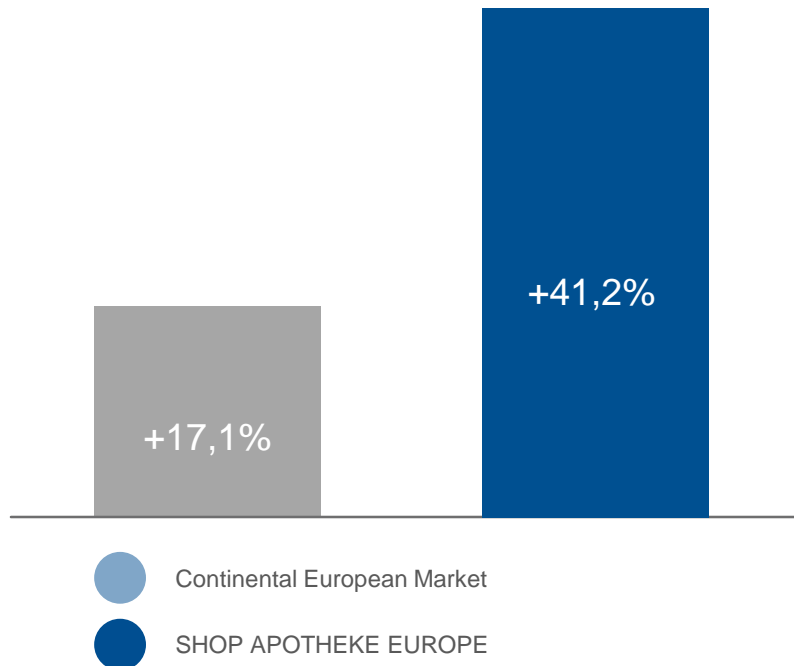
Pharmacy chains not permitted in most countries ~70 %, therefore no economies of scale but fragmented market





# SHOP APOTHEKE GROWS MORE THAN TWICE AS FAST AS THE MARKET IN CONTINENTAL EUROPE.

## SHOP APOTHEKE EUROPE INCREASES ITS MARKET SHARE IN CONTINENTAL EUROPE

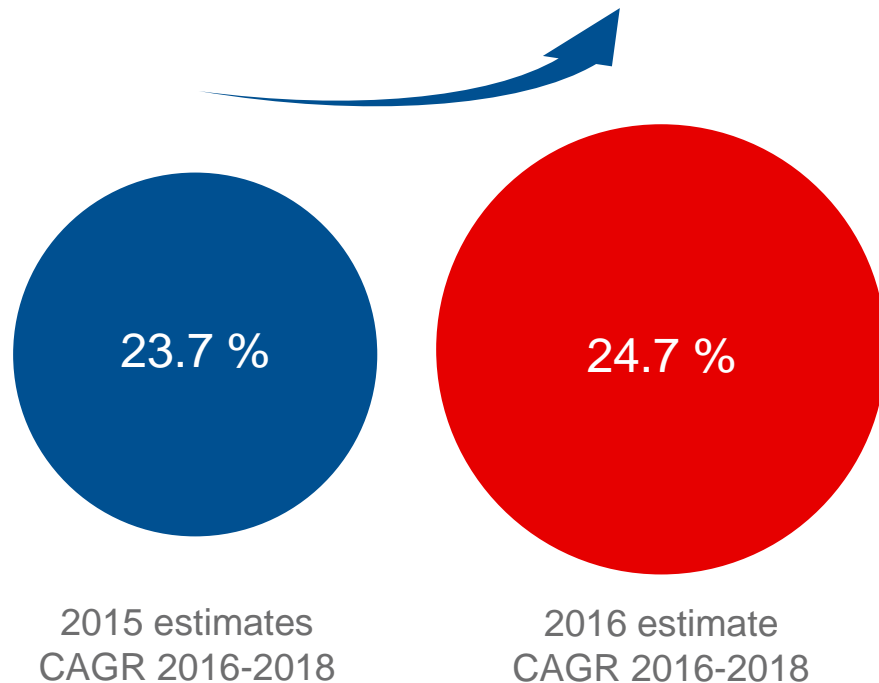


- According to SEMPORA MARKET RESEARCH, the online OTC pharmacy market in Continental Europe grew by 17% in 2016 compared to 2015.
- In the same period, SHOP APOTHEKE EUROPE has boosted its growth to 41%, growing more than twice fast as the market.
- In 2017 accelerated growth resulting in a further increase of SHOP APOTHEKE EUROPE's market share is expected.



# EUROPEAN ONLINE PHARMACY MARKETS ARE EXPECTED TO GROW EVEN FASTER.

The growth of the Online pharmacy market in Continental Europe is speeding up



- In its latest forecast, research experts from SEMPORA expect the online pharmacy market to grow by 24.7% annually until 2018.
- **Speed in market penetration** therefore has become even more important for SHOP APOTHEKE.
- **Our strategy to finalize the integration of FARMALINE and to start automation already in the fourth quarter 2016 has been the right step to keep up with accelerated market growth in 2017.**



# SHOP APOTHEKE HAS BEEN VOTED BEST ONLINE PHARMACY BRAND IN ITS CORE MARKET GERMANY.



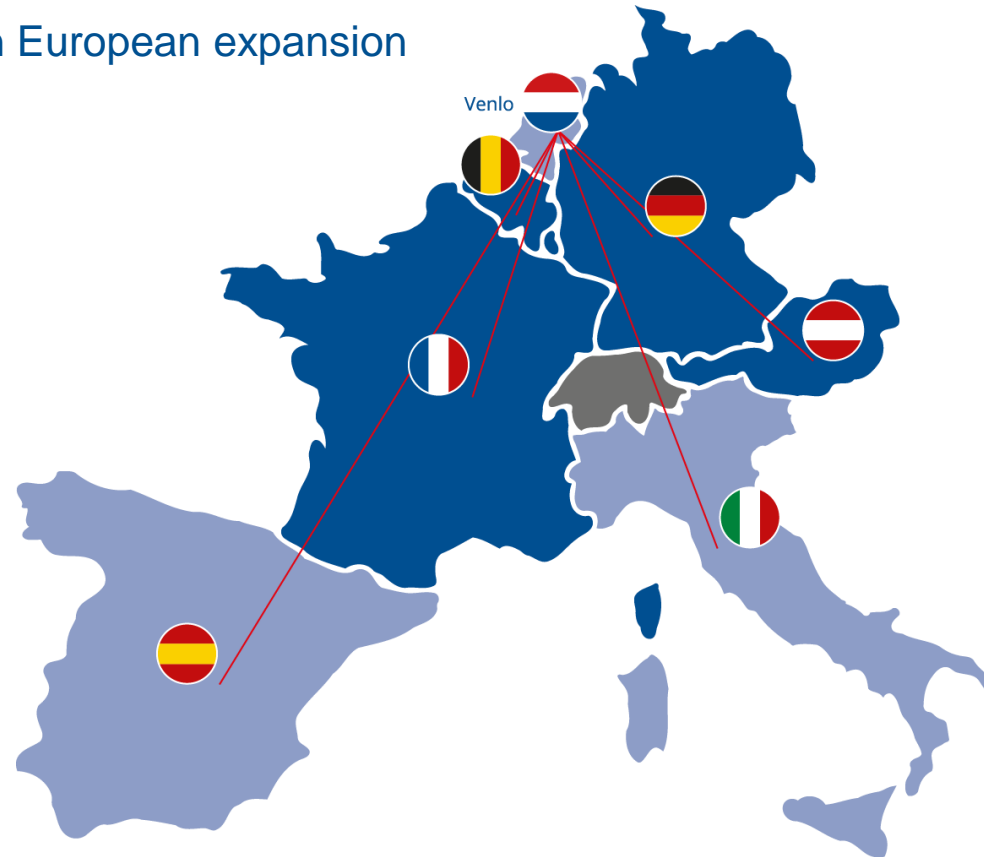
- YouGov market research in cooperation with **Handelsblatt**, the leading German business newspaper, conducted some 700,000 representative online interviews during the period from 1.2.2016 to 31.1.2017.
- The **YouGov BrandIndex** for Germany ranking is based on the **best value for money**, which is an **independent proof** of SHOP APOTHEKE's pricing strategy.
- **SHOP APOTHEKE** is voted **best online-pharmacy brand**, confirming that the German TV branding budget in particular in Q4/2016 until January 2017 has been a valuable investment.



# SHOP APOTHEKE EUROPE IS NOW ESTABLISHED AS #1 OTC ONLINE PHARMACY IN CONTINENTAL EUROPE.

## First mover advantage in European expansion

- Organic Footprint
- Footprint Expansion – FARMALINE



The **integration of the FARMALINE business** acquired on September 14 has been successfully accomplished in the fourth quarter 2016, **significantly earlier than originally planned.**

Source: SHOP APOTHEKE EUROPE.

Note: Continental Europe excludes the UK and certain small EU countries; countries included are: Germany, France, Italy, Spain, Poland, Romania, Netherlands, Belgium, Portugal, Czech Republic, Hungary, Sweden, Bulgaria, Denmark, Slovakia, Norway, Austria. #1 OTC position in terms of revenue .



# A SUCCESSFUL EUROPEAN GROWTH STORY.

Highlights for the financial year 2016: Continued strong growth in all key countries in Continental Europe.



**73 %**  
Repeat orders



**3.5m**  
Average monthly visits



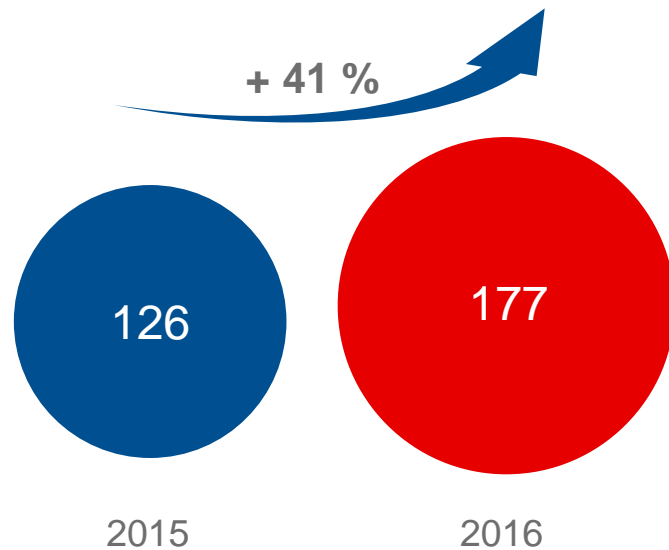
**>100k**  
Available products

**€ 52**  
Stable cart size

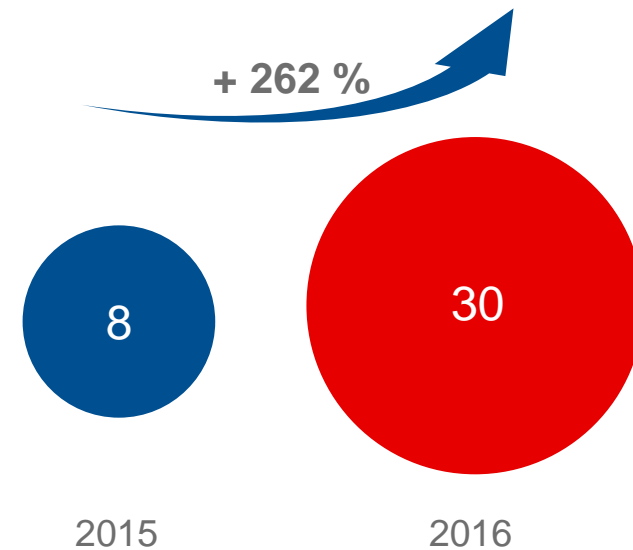


# STRONG INTERNATIONAL SALES GROWTH.

Group Sales Development (€ m)



International Sales Development (€ m)



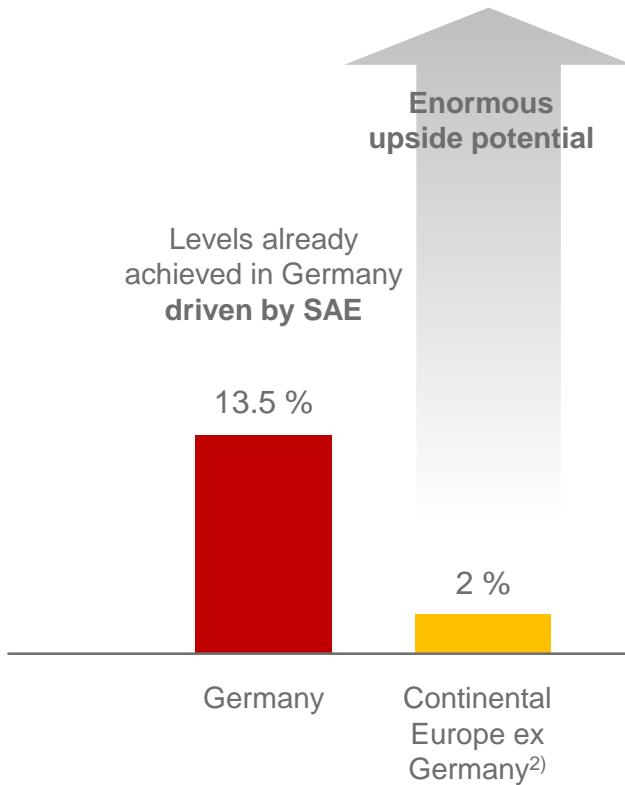
- 2016 group sales increased by 41 % compared to 2015 and **exceed the 2016 sales target.**
- **Q4-2016 sales went up +52 % compared to Q4-2015.**

- FARMALINE is consolidated as of 14 September, accelerating group sales growth from Q4 on.
- International sales to all relevant markets **more than tripled** compared to 2015.



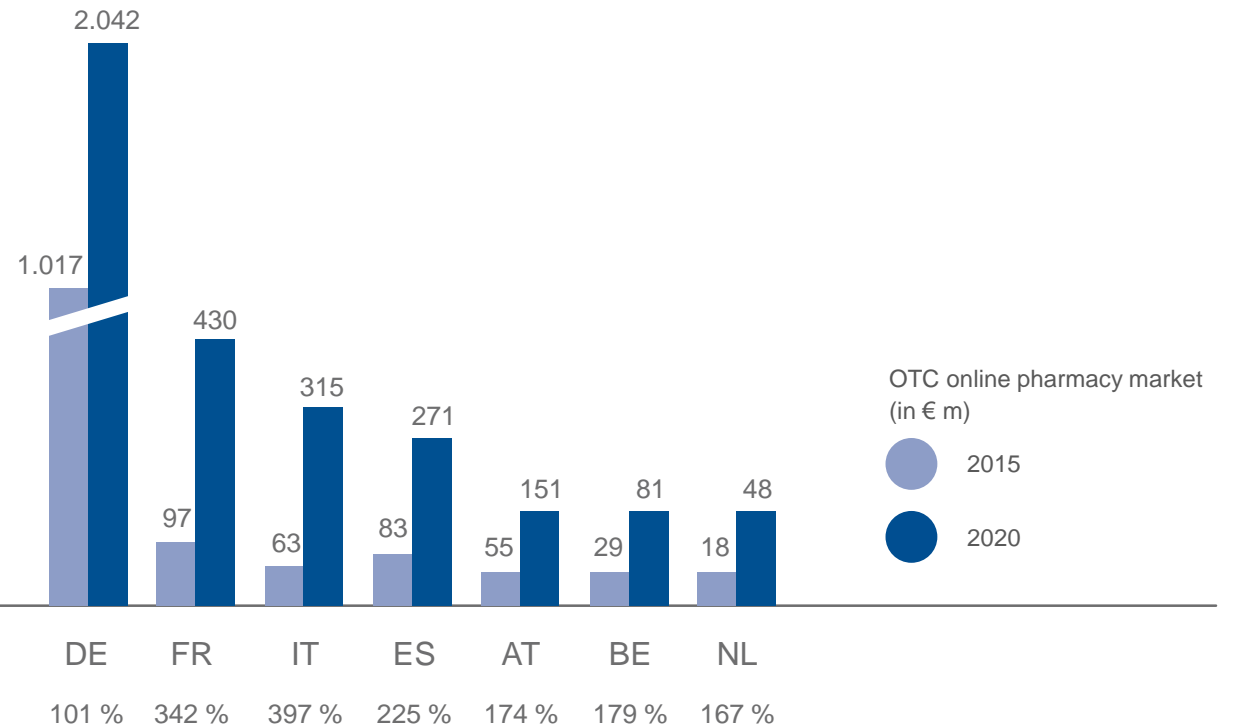
# GROWTH BOOSTED BY INCREASED ONLINE PENETRATION.

OTC & Pharmacy Related BPC 2015



Expected OTC mailorder market growth 2020

(Source: Sempora market research 2017)

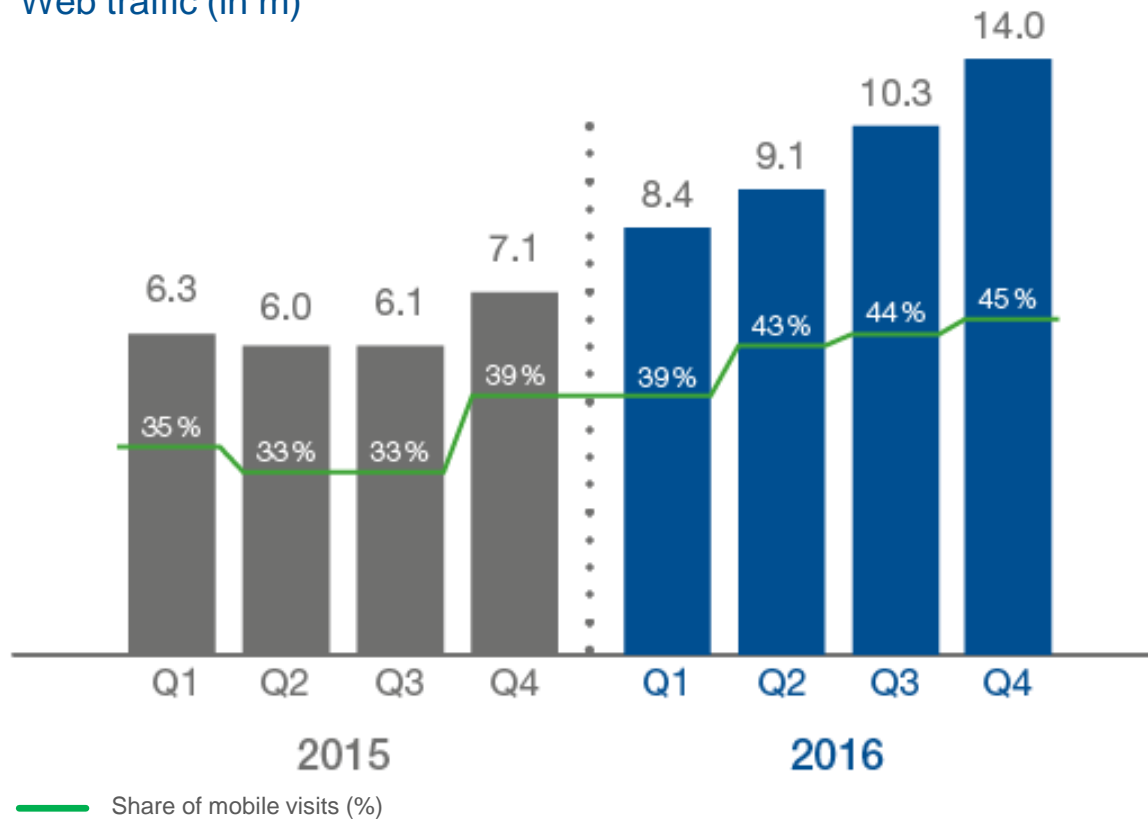


Source: SHOP APOTHEKE EUROPE, Sempora Research, Euromonitor. Note: 1) Online penetration calculated by dividing the Internet retailing market size across Continental Europe by the total market size for each vertical. 2) Excludes Germany and the UK and certain small EU countries; countries included are: France, Italy, Spain, Poland, Romania, Netherlands, Belgium, Portugal, Czech Republic, Hungary, Sweden, Bulgaria, Denmark, Slovakia, Norway, Austria.



# STRONG SITE VISIT GROWTH.

Web traffic (in m)



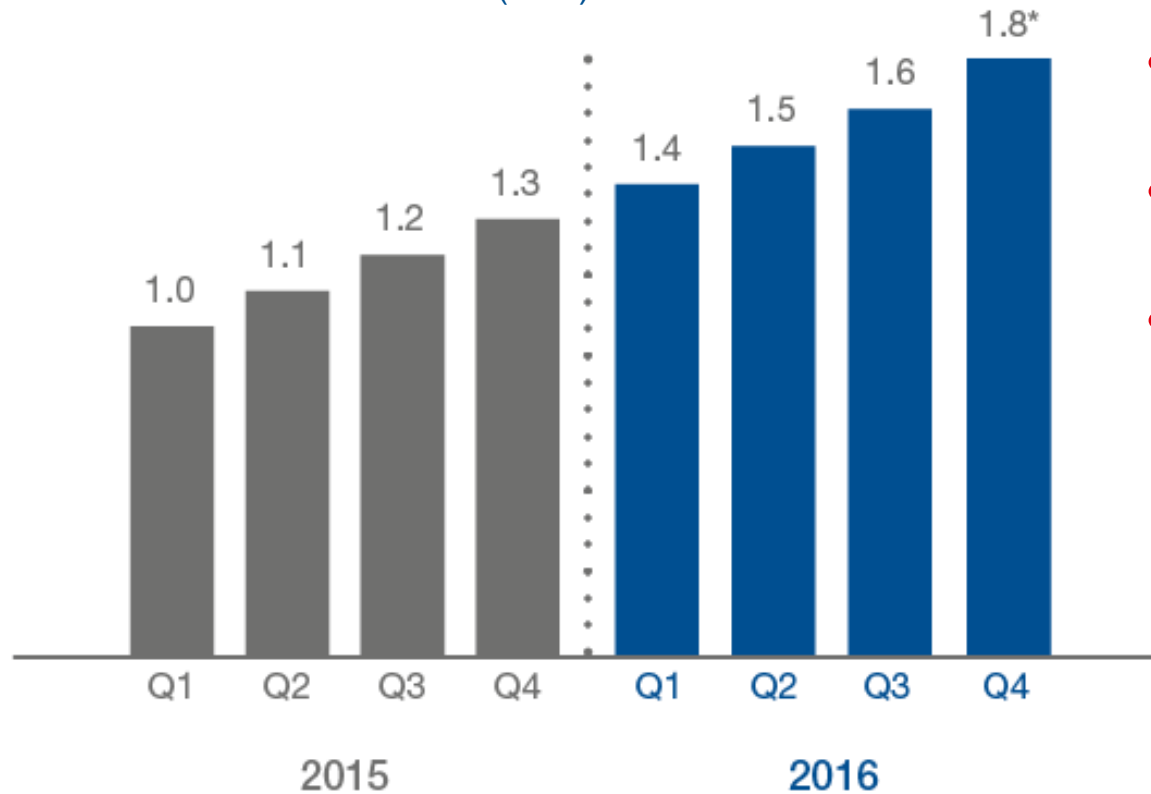
- In Q4 2016 3.7 million more site visits than in Q3 2016.
- Web traffic confirms strong growth.
- Mobile share keeps growing.
- SHOP APOTHEKE EUROPE further increases its online pharmacy leadership





# ACTIVE CUSTOMER BASE CONSTANTLY GROWING.

Number of Active Customers (in m)



- The customer base has increased by +43 % YoY.
- Starting in Q4, this includes FARMALINE.
- 1.8 million active customers as at year-end.

Source: SHOP APOTHEKE EUROPE.

\*We define active customers as unique customers who are active in 12 months preceding a given period of time including the FARMALINE customer base in Q4.



# PERMANENTLY INCREASED NUMBER OF ORDERS.



- Orders increased by 48% in Q4 2016 vs. Q4 2015 with basket size > € 52 and return rates close to zero.
- 73.4 % repeat orders slightly increased despite strong international expansion resulting in new customers.

— Share of repeat orders (%)    - - - Average basket size (in €)

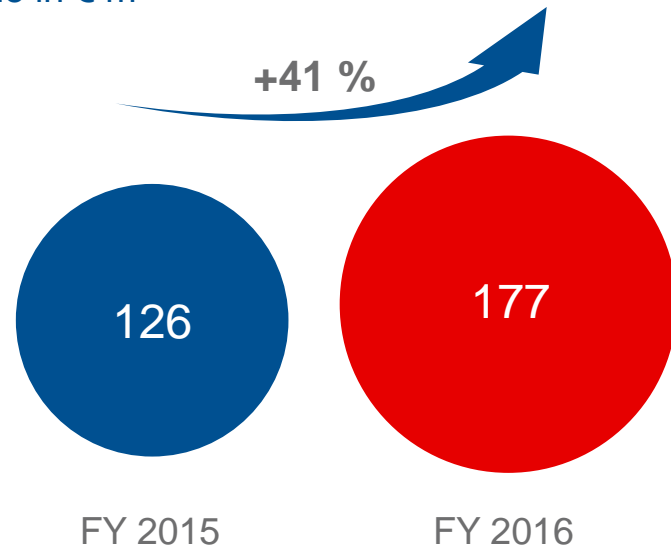


# FINANCIAL PERFORMANCE.

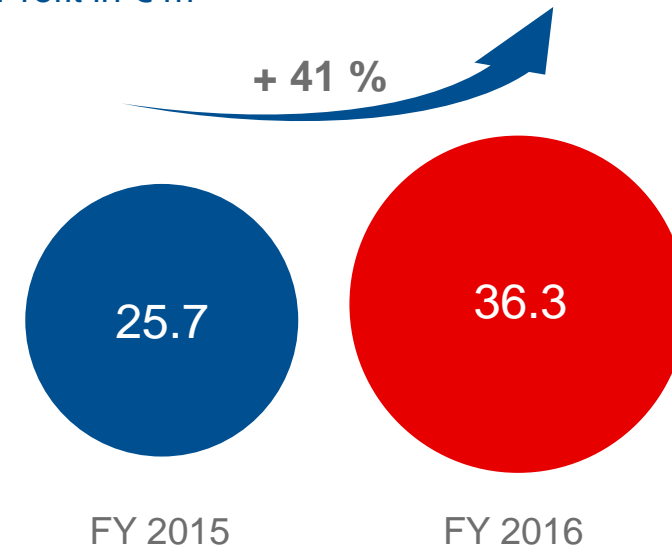


# CONSOLIDATED KEY FINANCIALS SHOP APOTHEKE EUROPE.

Revenue in € m



Gross Profit in € m



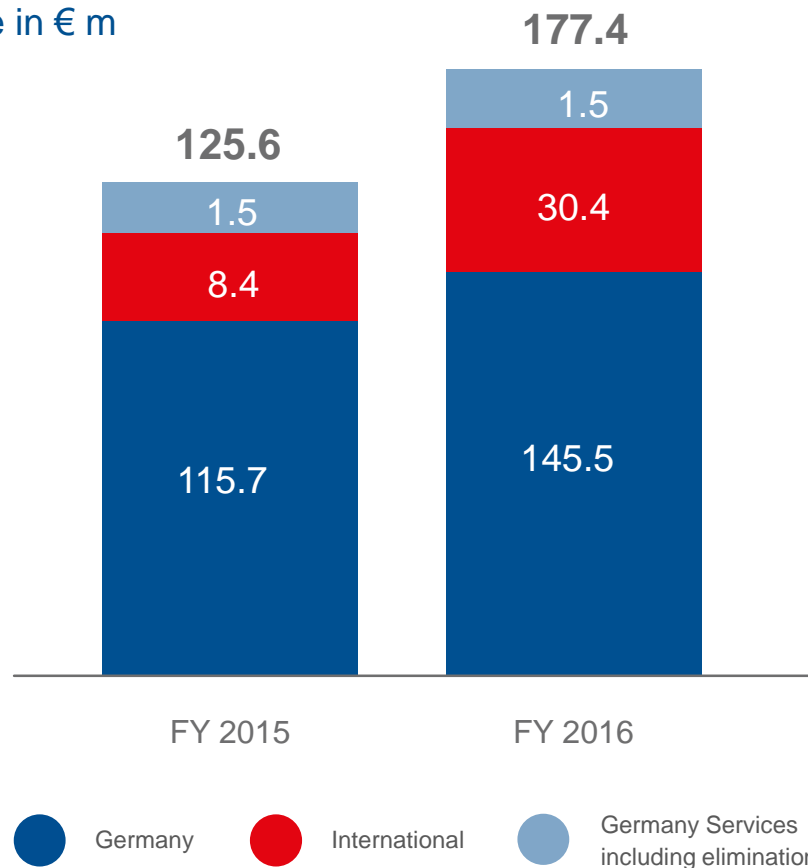
- Due to a strong fourth quarter our **ambitious 2016 target growth rates were exceeded.**
- **Positive sales momentum continues in the new fiscal year 2017.**

- Gross Profit increased in line with revenues.
- **Margin in Germany increased by 0.3 % versus 2015.**
- **International margin increased by 3.4 %.**
- Germany Services in line with target.



# REVENUE GROWTH EXCEEDS PLAN.

Revenue in € m



## 2016 profitable growth in core market Germany continued:

- Sales grew by 26 % compared to FY 2015.
- The share of repeat orders increased further to 76.4%

## International sales more than tripled,

- driven by FARMALINE (Belgium, Italy, Spain) and SHOP APOTHEKE sales growth in Austria and France.

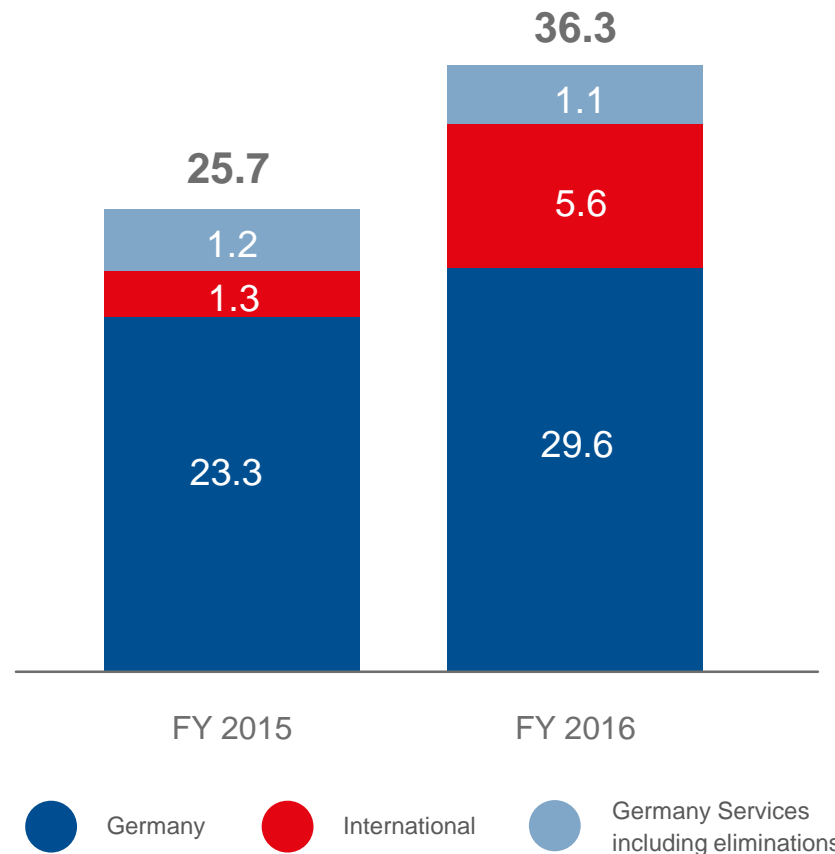
## FARMALINE integration was accomplished in Q4, earlier than expected,

- setting the path for strong international growth,
- saving integration costs planned for 2017.



# IMPROVED GROSS PROFIT AND GROSS MARGIN.

Segment gross profit in € m

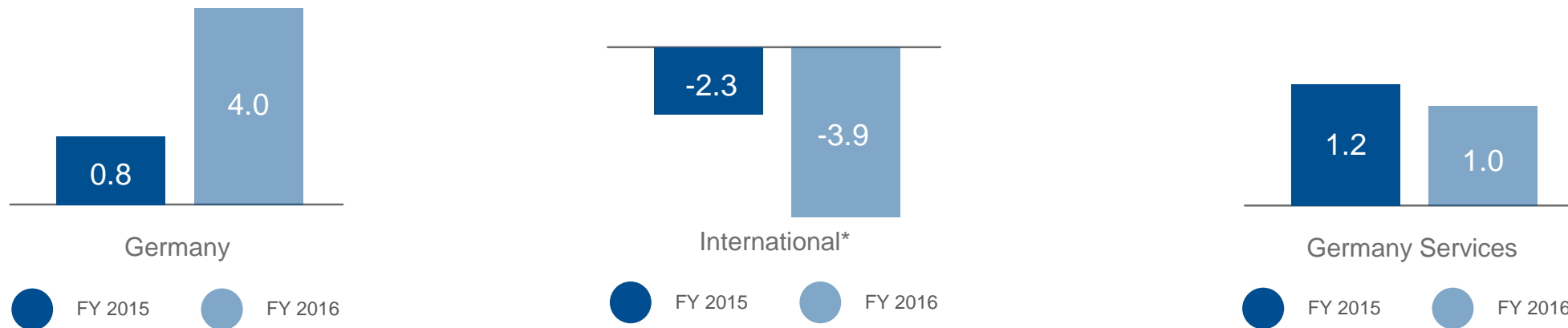


- German gross profit rose from € 23.3m in FY 2015 to €29.6m in FY 2016. German gross margin increased from 20.1 % in FY 2015 to 20.4 % in FY 2016.
- International gross profit rose from € 1.3m in 2015 to € 5.6m in 2016 due to the FARMALINE consolidation and strong growth in Austria, with gross margin up from 15.0 % in 2015 to 18.4% in 2016.
- Germany Services is on target.
- Margin increase both in the German core market and in the international markets continues in 2017.



# SEGMENT EBITDA GERMANY BOOSTED, FINANCING INTERNATIONAL MARKET EXPANSION.

Adjusted segment EBITDA in € m



- Adjusted Segment EBITDA in Germany boosted from € 0.8m in FY 2015 to € 4.0m in FY 2016.
- International Segment EBITDA reflects new customer acquisition to gain leadership in all relevant European markets including the new markets Italy and Spain.

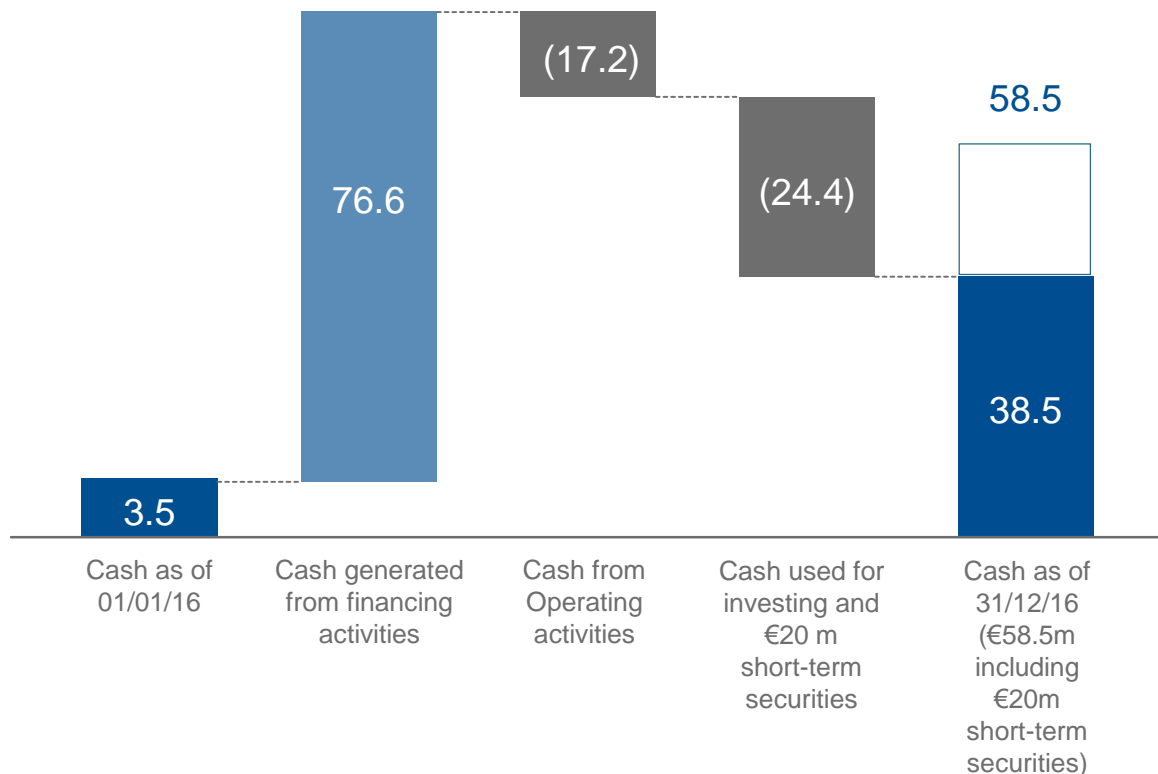
Source: SHOP APOTHEKE EUROPE.

\*adjusted for one-time costs related to the FARMALINE integration



# SHOP APOTHEKE EUROPE FINANCIAL PERFORMANCE – CASH FLOW.

Development of cash (in € m)



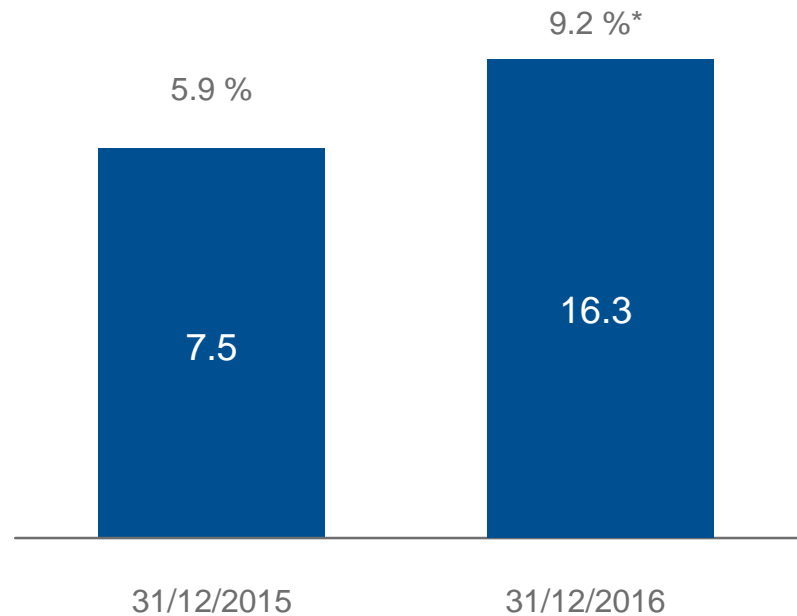
- Operating cash-flow includes the planned building up of international inventory to support market growth as well as regular seasonal year-end effects.
- Investing activities include the acquisition of FARMALINE and € 20m short-term securities to avoid negative interest on cash.
- Capital increase in June, net proceeds from the IPO and repayment of the shareholder loan are reflected in the cash-flow from financing.
- The shareholder loan was repaid as planned on 31 October 2016 so that SHOP APOTHEKE EUROPE is now debt-free.





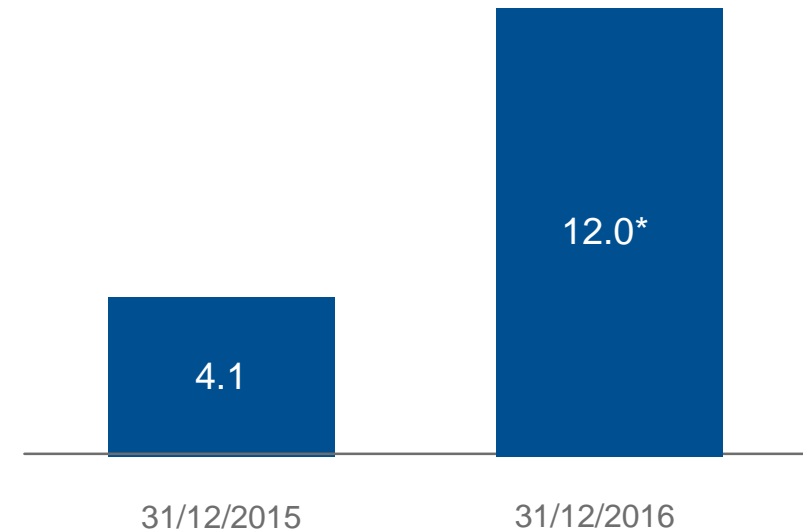
# SHOP APOTHEKE EUROPE FINANCIAL PERFORMANCE – WORKING CAPITAL AND CAPEX.

Working capital (in € m, in % of revenue)



\* Net Working Capital increased due to build-up of international inventory plus seasonal effects at year-end.

CAPEX (in € m)



\* Includes FARMALINE acquisition



# OUTLOOK.



# LOOKING FORWARD...

- Excellent start in 2017.
- Sales expected to grow at 45 % to 55 % in FY 2017 compared to FY 2016.
- Further investment in IT infrastructure, capacity expansion and automation planned at c. € 10m.
- EBITDA is expected to range from -2.0% to -3.0%

## Medium-/long-term:

- Growth in Germany is expected to be primarily driven by further increase of repeat orders followed by continued new customer acquisition medium-term.
- International growth is driven by increased market penetration in Austria, France, Belgium as well as new markets Italy and Spain.



Q+A.



# APPENDIX.



# HIGHLY EXPERIENCED MANAGEMENT TEAM.



**MICHAEL KÖHLER**  
CEO & Major Shareholder  
*Strategy, M&A, Purchasing,  
HR, Regulatory*

- > 20 years experience in the pharmaceutical industry (Hoechst, Aventis)



**STEPHAN WEBER**  
CMO, Deputy CEO & Co-founder  
*Business Development,  
Marketing & Sales*

- > 15 years of pharmaceutical & online experience
- Has led the business since 2001



**DR. ULRICH WANDEL**  
CFO  
*Finance*

- > 20 years life sciences work experience (incl. Fresenius, Hoechst)



**THERESA HOLLER**  
COO  
*Chief Pharmacist,  
Operations & Customer Services*

- > 15 years work experience in leading mail-order pharmacies (incl. DocMorris)



**MARC FISCHER**  
CTO & Co-founder  
*IT, Technology and Products*

- > 20 years work experience in IT (incl. Credit Suisse, Bechtle)



# THE SHOP APOTHEKE EUROPE SHARE.



- IPO net proceeds of € 94.6m.
- Listed in the Prime Standard of the Frankfurt Stock Exchange.

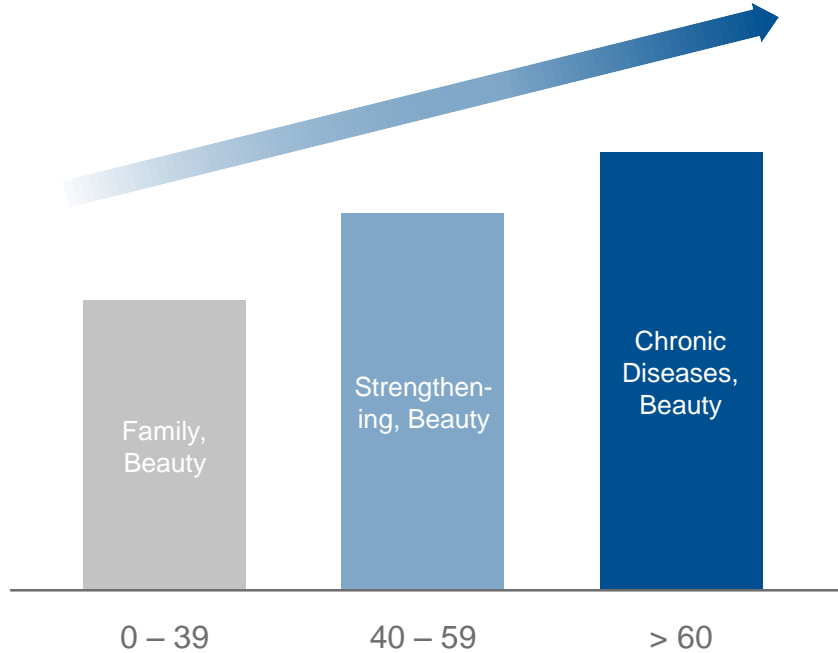


Type of Shares:	Bearer shares
Stock Exchange:	Frankfurt Stock Exchange
Market Segment:	Regulated Market (Prime Standard)
ISIN:	NL0012044747
Number of shares outstanding:	9,069,878
Issue Price:	€ 28.00
Placement Volume:	€ 115m including Greenshoe

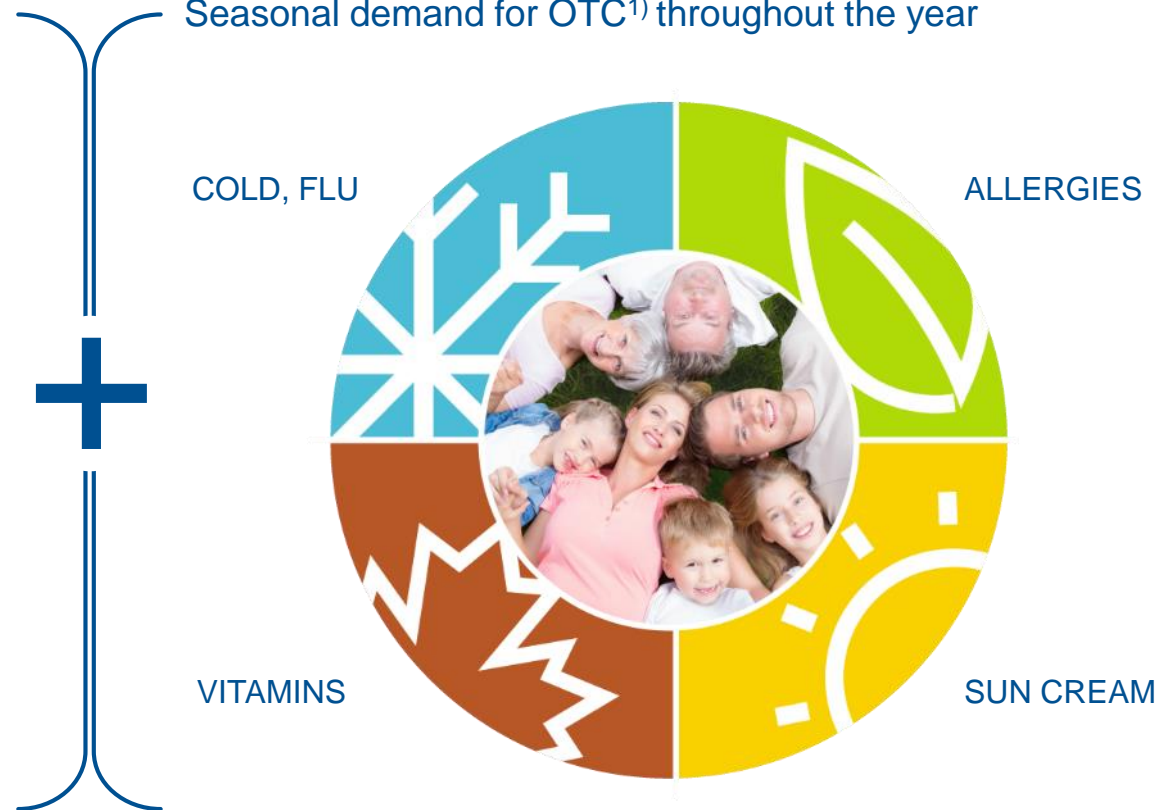


# INTACT LONG-TERM GROWTH PERSPECTIVES WITH MULTIPLE DRIVERS FOR HEALTH CARE.

Increasing shopping cart by age



Seasonal demand for OTC<sup>1)</sup> throughout the year



Source: SHOP APOTHEKE EUROPE.

Note:1) Medications shown are for indicative purposes only.





# CONSOLIDATED SEGMENT FINANCIALS FY 2016.

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2016	GERMANY	INTERNATIONAL	GERMANY SERVICES	ELIMINATIONS	CONSOLIDATED
	€ '000	€ '000	€ '000	€ '000	€ '000
<b>Revenue</b>	<b>145,549</b>	<b>30,376</b>	<b>4,108</b>	<b>-2,641</b>	<b>177,391</b>
Cost of sales	-115,910	-24,777	-423	0	-141,109
<b>Gross Profit</b>	<b>29,640</b>	<b>5,599</b>	<b>3,685</b>	<b>-2,641</b>	<b>36,282</b>
% of revenue	20.4 %	18.4 %	89.7 %		20.5 %
Other income	1,810	363	31	0	2,204
Selling & Distribution	-27,458	-10,698	-2,742	2,641	-38,255
<i>Adjusted S&amp;D*</i>	-27,419	-9,901	-2,742	2,641	-37,421
<b>Segment EBITDA</b>	<b>3,992</b>	<b>-4,735</b>	<b>975</b>		<b>231</b>
<i>Adjusted Segment EBITDA</i>	4,030	-3,939	975		1,066
Administrative expense					-8,597
<i>Adjusted AE**</i>					-6,855
<b>EBITDA</b>					<b>-8,366</b>
<i>Adjusted EBITDA</i>					-5,789
Depreciation					-3,273
<b>EBIT</b>					<b>-11,638</b>
<i>Adjusted EBIT</i>					-9,062
Net finance cost and income tax					-6,807
<i>Adjusted net finance cost and income tax***</i>					-1,644
<b>Net Loss</b>					<b>-18,445</b>
<i>Adjusted Net Loss</i>					-10,733

\* Adjusted S&D excludes one-off FARMALINE integration cost

\*\* Adjusted AE excludes mostly one-off costs related to the IPO

\*\*\* Excludes one-offs related to the shareholder loan repayment



# CONSOLIDATED SEGMENT FINANCIALS FY 2015.

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2015	GERMANY	INTERNATIONAL	GERMANY SERVICES	ELIMINATIONS	CONSOLIDATED
	€ '000	€ '000	€ '000	€ '000	€ '000
<b>Revenue</b>	<b>115,660</b>	<b>8,425</b>	<b>3,398</b>	<b>-1,905</b>	<b>125,578</b>
Cost of sales	-92,383	-7,163	-295	0	-99,841
<b>Gross Profit</b>	<b>23,277</b>	<b>1,262</b>	<b>3,103</b>	<b>-1,905</b>	<b>25,737</b>
% of revenue	20.1 %	15.0 %	91.3 %		20.5 %
Other income	1,194	95	27	0	1,316
Selling & Distribution	-23,630	-3,626	-1,936	1,905	-27,287
<b>Segment EBITDA</b>	<b>841</b>	<b>-2,269</b>	<b>1,194</b>	<b>0</b>	<b>-234</b>
Administrative expense <i>Adjusted AE*</i>					<b>-6,419</b> -5,020
<b>EBITDA</b>					<b>-6,653</b>
<b>Adjusted EBITDA</b>					<b>-5,254</b>
Depreciation and amortisation					-2,166
<b>EBIT</b>					<b>-8,819</b>
<b>Adjusted EBIT</b>					<b>-7,420</b>
Net finance cost and income tax					-1,729
<b>Net Loss</b>					<b>-10,548</b>
<b>Adjusted Net Loss</b>					<b>-9,149</b>

\* Adjusted AE excludes one-off costs related to the IPO



# CONSOLIDATED STATEMENT OF PROFIT AND LOSS.

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	YEAR ENDED 31 DEC 16	YEAR ENDED 31 DEC 15
	€ '000	€ '000
<b>Revenue</b>	<b>177,391</b>	<b>125,578</b>
<b>Costs of sales</b>	<b>-141,109</b>	<b>-99,841</b>
<b>Gross profit</b>	<b>36,282</b>	<b>25,737</b>
Other income	2,204	1,316
Selling and Distribution Administrative Expense	-41,036 -9,089	-29,143 -6,729
<b>Result from operations</b>	<b>-11,639</b>	<b>-8,819</b>
Finance income	17	593
Finance expense	-9,338	-2,275
Net finance cost	-9,321	-1,682
<b>Result before tax</b>	<b>-20,960</b>	<b>-10,501</b>
<b>Income tax expenses</b>	<b>2,515</b>	<b>-47</b>
<b>Loss for the year</b>	<b>-18,445</b>	<b>-10,548</b>
<b>Attributable to: Owners of the Company</b>	<b>-18,445</b>	<b>-10,548</b>



# CONSOLIDATED BALANCE SHEET.

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ASSETS	31 DEC 16	31 DEC 15
	€ '000	€ '000
<b>Non-current assets</b>		
Property, plant and equipment	2,613	2,417
Intangible assets	22,169	13,616
	<b>24,782</b>	<b>16,033</b>
<b>Current assets</b>		
Inventories	18,841	10,412
Pre-ordered stock	6,823	5,653
Trade and other receivables	8,278	4,100
Other current assets	3,130	3,046
Other financial assets	20,012	0
Cash and cash equivalents	38,485	3,529
	<b>95,569</b>	<b>26,739</b>
<b>Total Assets</b>	<b>120,351</b>	<b>42,772</b>

EQUITY AND LIABILITIES	31 DEC 16	31 DEC 15
	€ '000	€ '000
<b>Shareholders' equity</b>		
Issued capital and share premium	122,238	13,007
Reserves/accumulated loss	-28,993	-10,548
	<b>93,245</b>	<b>2,459</b>
<b>Provisions</b>	2,961	0
<b>Non-current liabilities</b>		
Loan from related parties (shareholders)	0	19,002
Deferred tax liability	0	2,564
Other liabilities	3,334	3,000
	<b>3,334</b>	<b>24,566</b>
<b>Current liabilities</b>		
Trade and other payables	12,563	8,638
Amounts due to related parties	404	3,202
Other liabilities	7,844	3,906
	<b>20,811</b>	<b>15,747</b>
<b>Total equity and liabilities</b>	<b>120,351</b>	<b>42,772</b>



# CONSOLIDATED CASH FLOW STATEMENT.

CASH FLOW FROM OPERATING ACTIVITIES	31 DEC 16	31 DEC 15
<b>Operating result</b>	-11,639	-8,819
<b>Adjustments for:</b>		
– Depreciation and amortisation of non-current assets	3,272	2,166
– Operating result adjusted for depreciation and amortisation and provisions	-8,367	-6,653
– Movements in working capitals:		
- (Increase)/decrease in trade and other receivables and other current assets	-4,260	-2,213
- (Increase)/decrease in inventory	-8,429	-5,820
- (Increase)/decrease in pre-ordered stock	-1,171	-121
- Increase/(decrease) in trade and other payables and other liabilities	7,812	2,921
- Increase/(decrease) in amounts due to related parties	-2,798	3,202
Working capital movement	-8,847	-2,032
Cash generated from operations	-17,214	-8,779
Interest received	17	0
<b>Net cash (used in)/generated by operating activities</b>	<b>-17,197</b>	<b>-8,779</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investment for property, plant and equipment	-953	-1,313
Investment for intangible assets	-2,941	-2,737
Investment for Farmaline acquisition	-550	0
Investment for other financial assets	-20,012	0
<b>Net cash (used in)/generated by investing activities</b>	<b>-24,456</b>	<b>-4,050</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	-1,266	-950
Shareholder Loan Repayment	-27,074	
Net additional financing from related parties		14,011
Capital increase	10,008	
Share issue from IPO	100,000	
Share issue cost	-5,393	
Deposit from related parties and other non-current liabilities	334	3,000
<b>Net cash (used in)/generated by financing activities</b>	<b>76,609</b>	<b>16,061</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>34,956</b>	<b>3,232</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,529</b>	<b>297</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>38,485</b>	<b>3,529</b>



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