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# **2019 Results - Analyst & Media Conference Call**

**Walter Oberhänsli | Marcel Ziwica | Olaf Heinrich**

**19 March 2020**

# Today's Presenters



**Walter Oberhänsli**  
Founder, Group CEO



**Marcel Ziwica**  
Group CFO



**Olaf Heinrich**  
Head Germany

# 2019 in review

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**Law on the launch of e-prescriptions enacted in Germany**

**Shop-in-shop and webshop:  
Migros and Zur Rose step up co-operation through joint ventures**

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**Strong growth in Germany reinforces clear market leadership**

**Digital health processes without media breaks: partnerships with KRY, the German Association of General Practitioners and the German Association of Specialist Doctors**

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Revenue up  
**30%**

**Debate on bonus ban continues**

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Physician business sees  
**7.6%**  
revenue growth

**Proof of concept: pilot project for e-prescriptions with TK health insurer**

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Bond:  
**CHF 200**  
Million raised

**Zur Rose part of insurance models to reduce costs**

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**apo-rot site in Hamburg closed**

**Market entry France**

# COVID-19 impact

Covid-19 impact

# Acceleration of e-commerce & digital healthcare

The  
Economist

«The covid-19 epidemic has brought millions of new patients online. They are likely to stay there.»



- Short term sales boost
- Digitalisation receives significant public acceptance
- Covid-19 catalyses shift towards e-commerce pharmacy and eRx
- Associated risks to be evaluated and managed

# Summary FY2019 Financial Results

Summary FY 2019 results

**2019 targets  
achieved**

Sales of CHF 1.6 billion (including medpex)

**Sales FY 2019: CHF 1'569 Mio.**

Sales growth of over 30% y-o-y (including medpex)

**+32.8% y-o-y in local currency**

EBITDA margin at least in line with 2018 (minus 1.0 per cent)

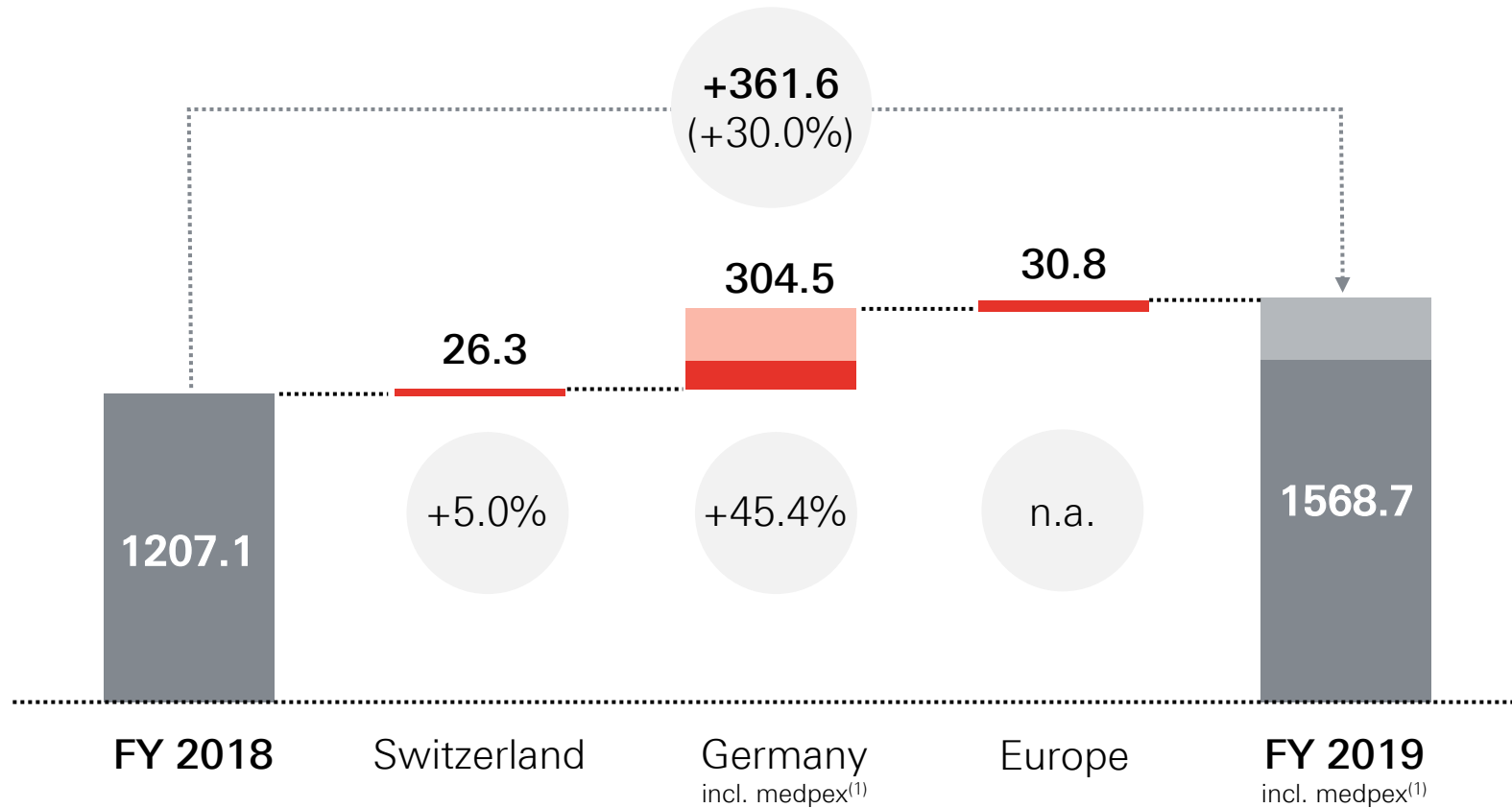
**CHF -13.8 Mio. (-1.0% margin)**



## Summary FY 2019 results

# Group sales grew 30%

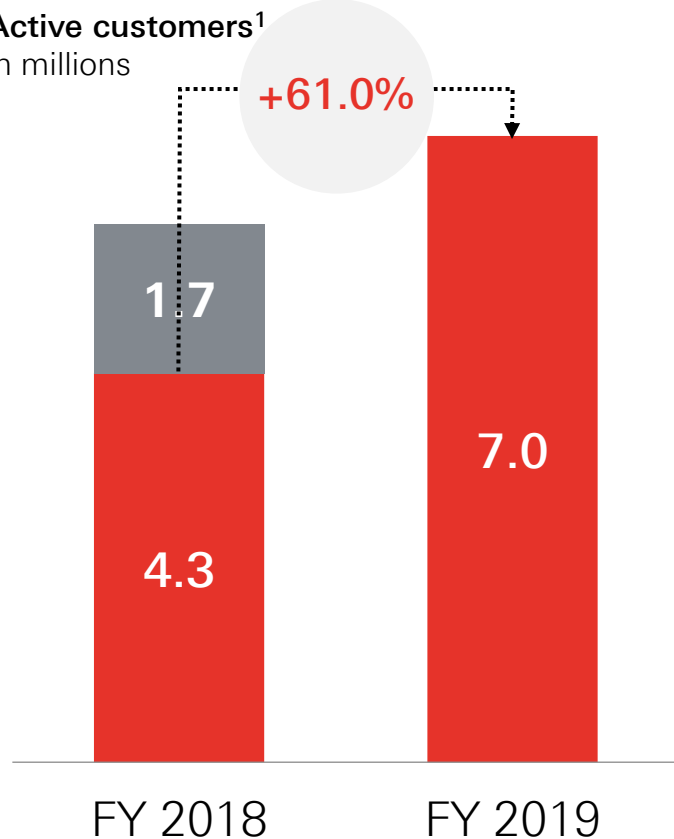
in CHFm



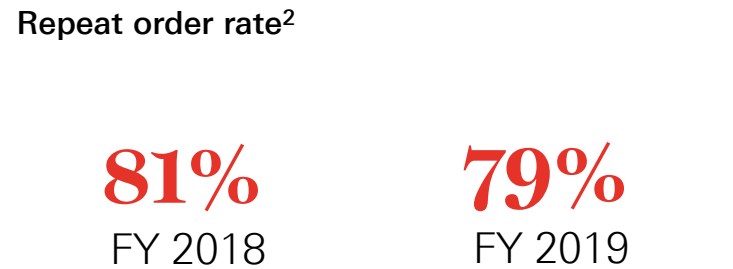
## Summary FY 2019 results

# Group KPIs B2C & Marketplace

Active customers<sup>1</sup>  
in millions



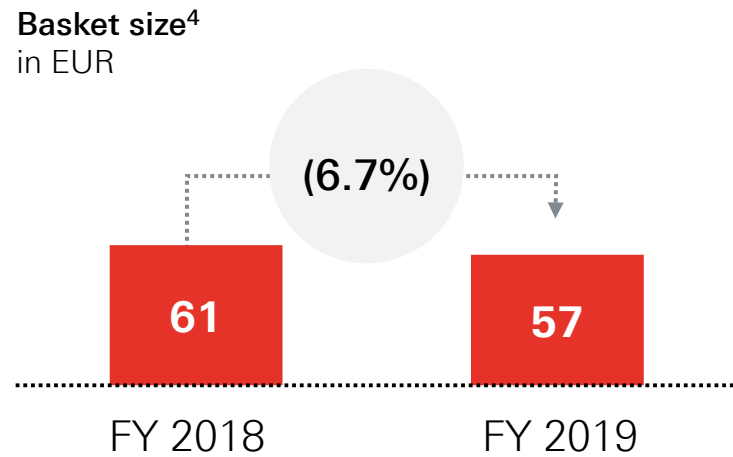
Repeat order rate<sup>2</sup>



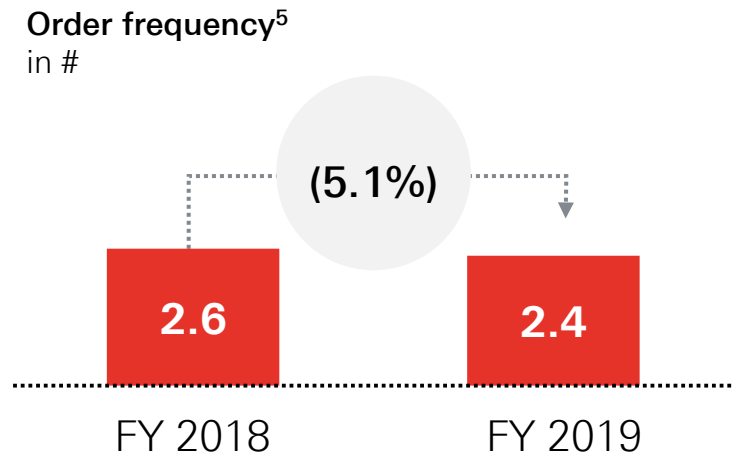
Site visits<sup>3</sup>



Basket size<sup>4</sup>  
in EUR



Order frequency<sup>5</sup>  
in #



● B2C & Marketplace ● Addition via acquisitions

Notes: Figures reflecting performance of entire business regardless of consolidation progress of the acquired businesses; all numbers reflecting the performance in the last twelve months period ending 31 December 2018 and 31 December 2019 respectively | 1 Customers placing an order within the past twelve months | 2 Share of orders from existing customers in relation to total number of orders | 3 Number of website visits | 4 Basket size equals average value of the purchase per order | 5 Number of orders per active customer and year

## Summary FY 2019 results

# Income statement

In CHFm	FY 2018 <sup>(1)</sup>	%	FY 2019	%
Sales incl. medpex			1'568.7	
Sales	1'207.1		1'355.5	
Gross profit	191.2	15.8	208.7	15.4
Personnel expenses	-93.7	-7.8	-117.5	-8.7
Marketing expenses	-41.3	-3.4	-53.2	-3.9
Other operating income & expenses	-70.3	-5.8	-51.8	-3.8
EBITDA	-14.0	-1.2	-13.8	-1.0
EBIT	-32.9	-2.7	-45.7	-3.4
Net income	-39.1	-3.2	-52.4	-3.9

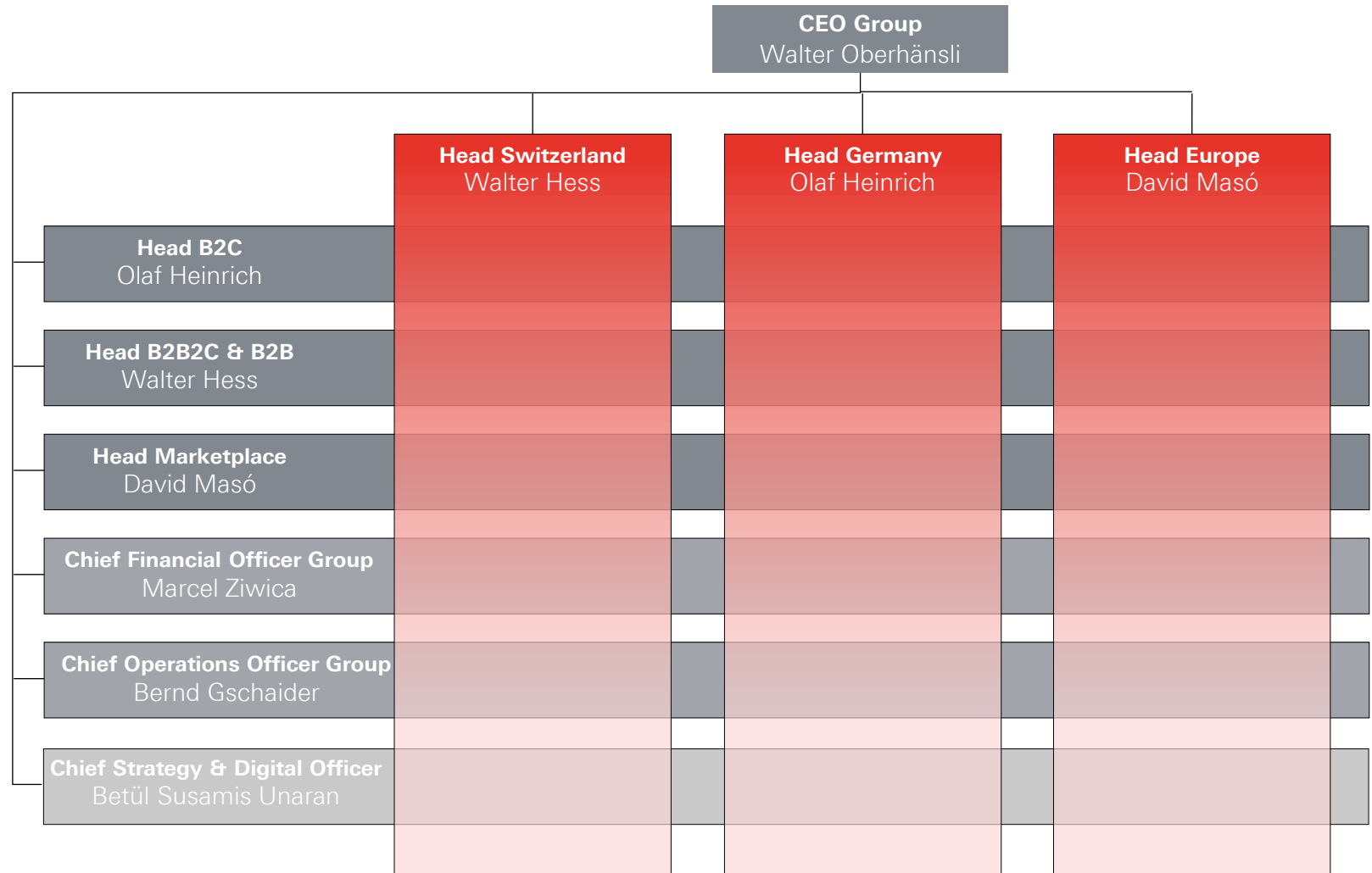
## Summary FY 2019 results

# Balance Sheet

In Mio. CHF	31 Dec 2018 <sup>(1)</sup>	%	31 Dec 2019	%
Cash and cash equivalents	230.7		204.7	
Receivables	116.5		152.6	
Inventories	69.4		70.6	
Property, plant & equipment	34.3		77.1	
Intangible assets	264.6		465.3	
Other assets	11.0		21.5	
<b>Total assets</b>	<b>726.5</b>		<b>991.7</b>	
Financial liabilities	34.1		125.5	
Payables & accrued expenses & liabilities	115.4		127.2	
Bonds	114.1		312.1	
Other liabilities	19.2		21.4	
<b>Equity</b>	<b>443.6</b>	<b>61.1</b>	<b>405.5</b>	<b>40.9</b>
<b>Total equity and liabilities</b>	<b>726.5</b>	<b>100.0</b>	<b>991.7</b>	<b>100.0</b>

# Management additions

# Moving towards an agile business model driven organization



## Management additions

# Management team strengthened by recent additions

**Betül Susamis Unaran**  
Chief Strategy & Digital Officer



- Former Global Head of Digital Medicines at Novartis
- Former Head of Digital at Ferring Pharmaceuticals
- Industrial Engineering degree from Bogaziçi University in Istanbul & MBA from INSEAD

**Bernd Gschaider**  
Chief Operations Officer



- Former Country Director Logistics Germany and Austria at Amazon
- Mechanical engineering degree from RWTH Aachen

**David Masó**  
Head Europe / Marketplace



- Co-founder of PromoFarma and several start-ups in Spain
- Telecommunications engineering degree from UPC Barcelona
- MBA from ESADE Barcelona & Stanford Executive Program

# Strategy update



# Key initiatives

## eRx opportunity

- 1 Ressource allocation shift OTC to eRx while maintaining #1 position
- 2 Launch eRx marketplace app
- 3 Scaling of pilot project

## Integration & synergies

- 1 Strengthen leadership team
- 2 Warehouse ramp-up and further integration steps
- 3 Branding strategy

## Covid-19

- 1 Evaluation of chances and risks
- 2 Acceleration e-commerce & digital healthcare

## OTC market opportunity France

- 1 Market entry strategy

## E-Health Ecosystem

- 1 Integrating key partners

# eRx opportunity

eRx opportunity

## Law to introduce eRx in Germany enacted with strong role for Gematik

Key topics of the law:

- eRx introduced as alternative to paper script
- Gematik (51% owned by Ministry of Health) is mandated to implement technical infrastructure for eRx
- Focus on safe connection of physicians and pharmacies to a national eRx server

Gematik timeline for Telematik infrastructure:

- Connect remaining doctors (currently approximately 80% connected)
- Connect pharmacies until Q3 2020 (start Q2 2020)
- National eRx server planned to be ready in 2021

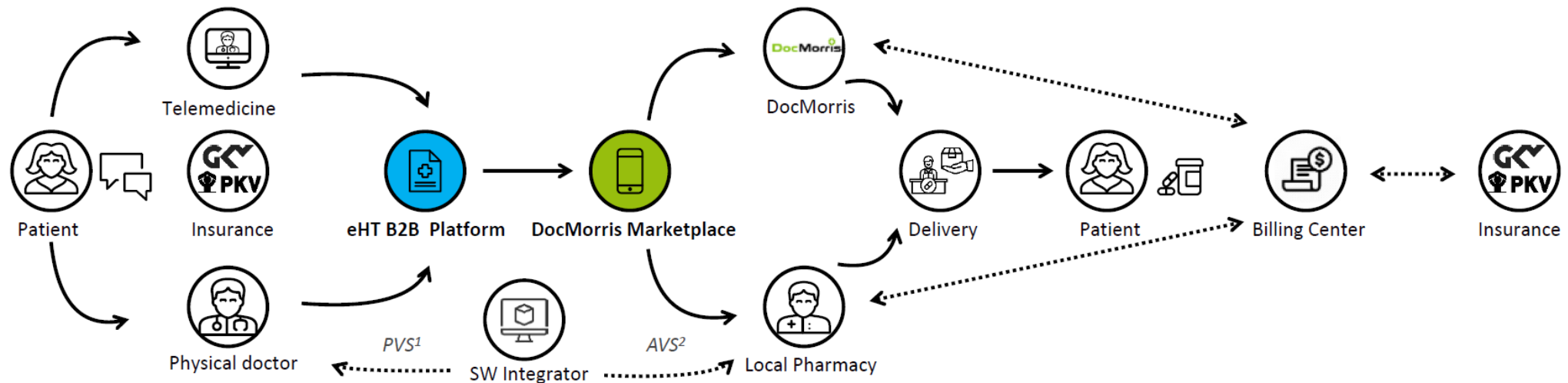
eRx opportunity

## Regulation currently drafted to define operations for eRx ramp-up in 2021

- Access to eRx server will be possible for all market participants
- EU mail-order pharmacies will be able to connect
- Competition for eRx between pharmacies via value-add services
- Gematik solution planned with connectivity to third party solutions

eRx opportunity

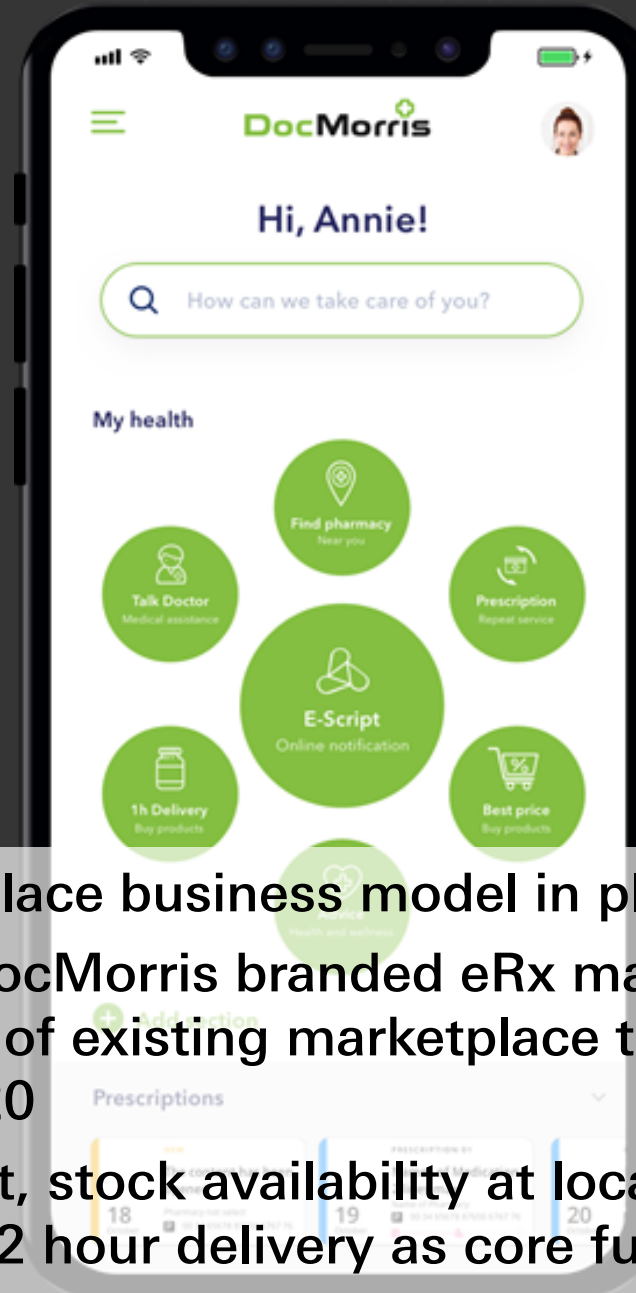
# Opportunity to scale eRx via eHealth-Tec B2B solution and partnerships



- eHealth-Tec technology solution for professionals (physicians and pharmacies) can be integrated seamlessly into existing physician and pharmacy software via download
- Partnerships with relevant stakeholders can catalyse eRx roll-out ahead of Gematik solution

eRx opportunity

# Launch of eRx marketplace app targeted for H2 2020



- eRx marketplace business model in place
- Launch of DocMorris branded eRx marketplace app on the basis of existing marketplace technology of the group in 2020
- Repeat script, stock availability at local pharmacies, pick-up and 2 hour delivery as core functions

eRx opportunity

## Case study - Fully digital eRx process in Techniker Krankenkasse pilot project



- Techniker Krankenkasse established fully digital eRx process from physician to patient to pharmacy to insurance company
- eRx already issued
- Proof of concept

Investing in technology

## Large and quickly growing team in Barcelona, Berlin and Zurich leading the tech development for the Group

- 3 great Tech Hubs Berlin, Barcelona, Zurich<sup>(1)</sup>
- Agile culture and continuous deployment
- 150+ employees from 20 nationalities
- Tech background: software engineers, data scientists, UX designers and product managers
- Product focus: marketplaces, eRx, digital health platforms



# Integration & synergies

Integration & synergies

# Zur Rose Group integration strategy – a combination of four pillars

## Brands

### Target picture

One brand

### Target 2020

Branding strategy

## Organisation Culture

### Target picture

Shared DNA and vision

### Target 2020

Expansion of  
management team

## IT Platform

### Target picture

One unified platform

### Target 2020

Launch eRx marketplace in  
Germany

## Logistics

### Target picture

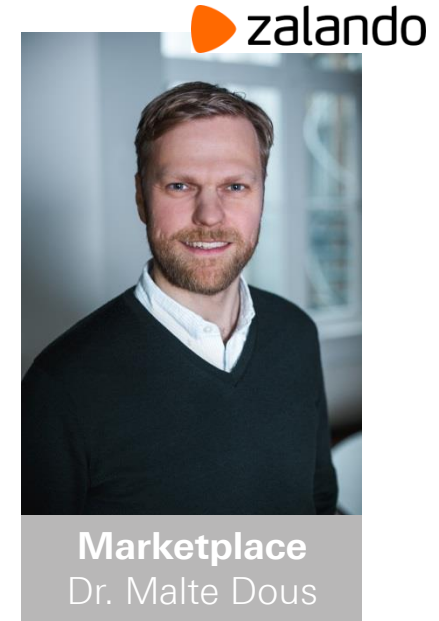
One logistics hub  
for Germany

### Target 2020

Expansion of Heerlen site

Integration & synergies

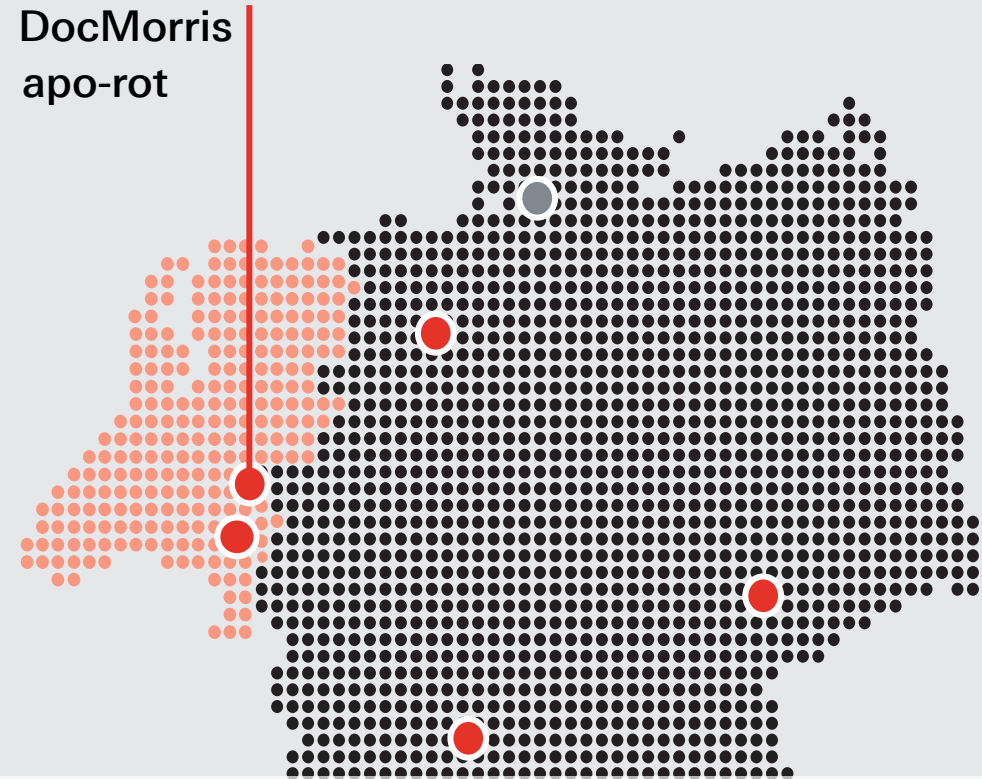
# Key additions to the German management team to address growth and operational excellence



- Integration of medpex founders into segment leadership after Earn-out settlement
- Ex-Amazon logistic manager Gschaider to take over COO Group and Germany role
- Marketplace specialist Dr. Malte Dous to lead the eRx marketplace build-up in Berlin

Integration & synergies

## Scaling up Heerlen site



2020 initiatives:

- Increase capacity in existing distribution center
- Further integration steps
- Launch of installation of warehouse automation in the new distribution center

# OTC market opportunity France

# Legislator considering opening the French OTC market for e- commerce



«French government wants to open  
OTC market to online platforms.»

- Draft law to accelerate and simplify public trade includes measures to ease OTC e-commerce for French pharmacies
- EURbn 6 French OTC market to be liberalized for mail-order
- OTC market entry under review

# E-Health Ecosystem

## Today

#1 E-Commerce  
Pharmacy in Europe

Sell Rx, OTC, beauty and  
personal care products

Focus on transactional  
business

## Tomorrow

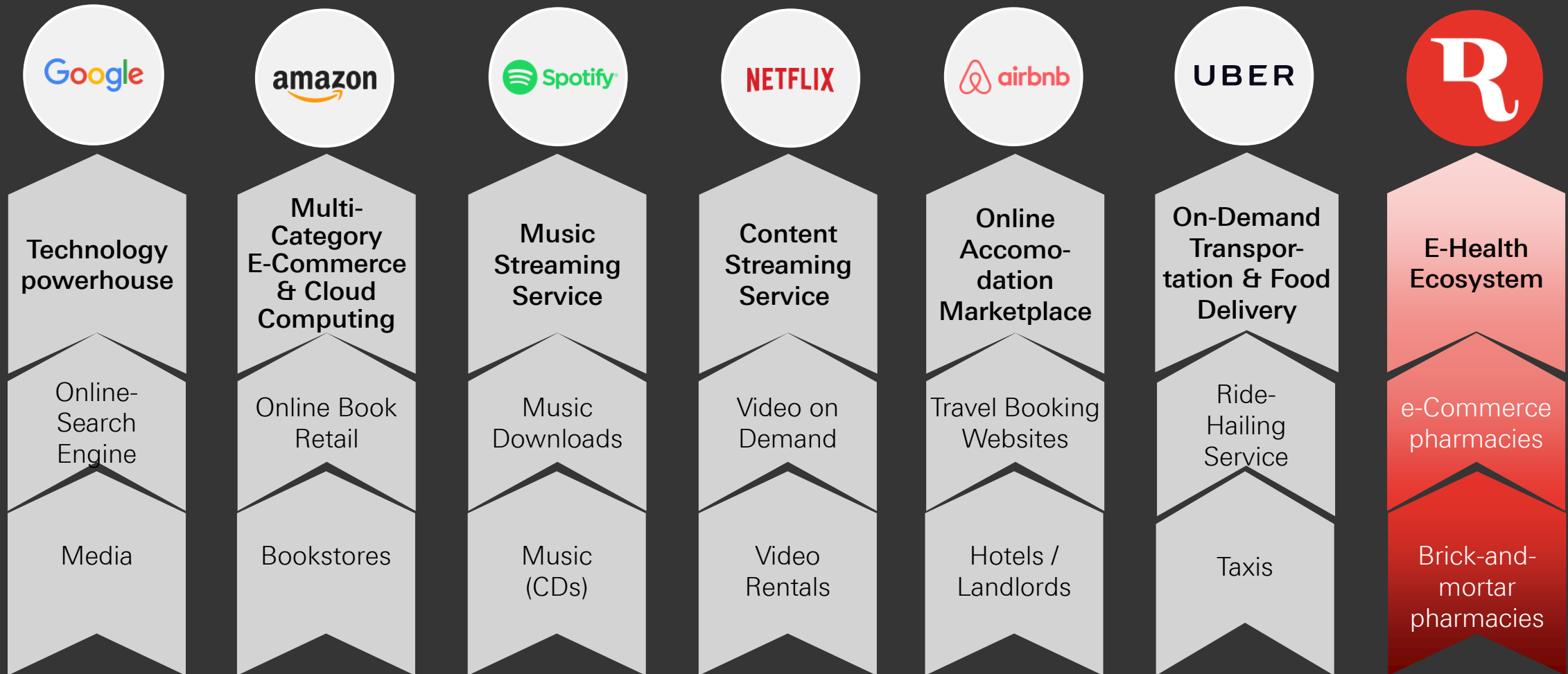
Become the “E-Health  
Ecosystem of Europe”

Deliver solutions and  
services in addition to  
products

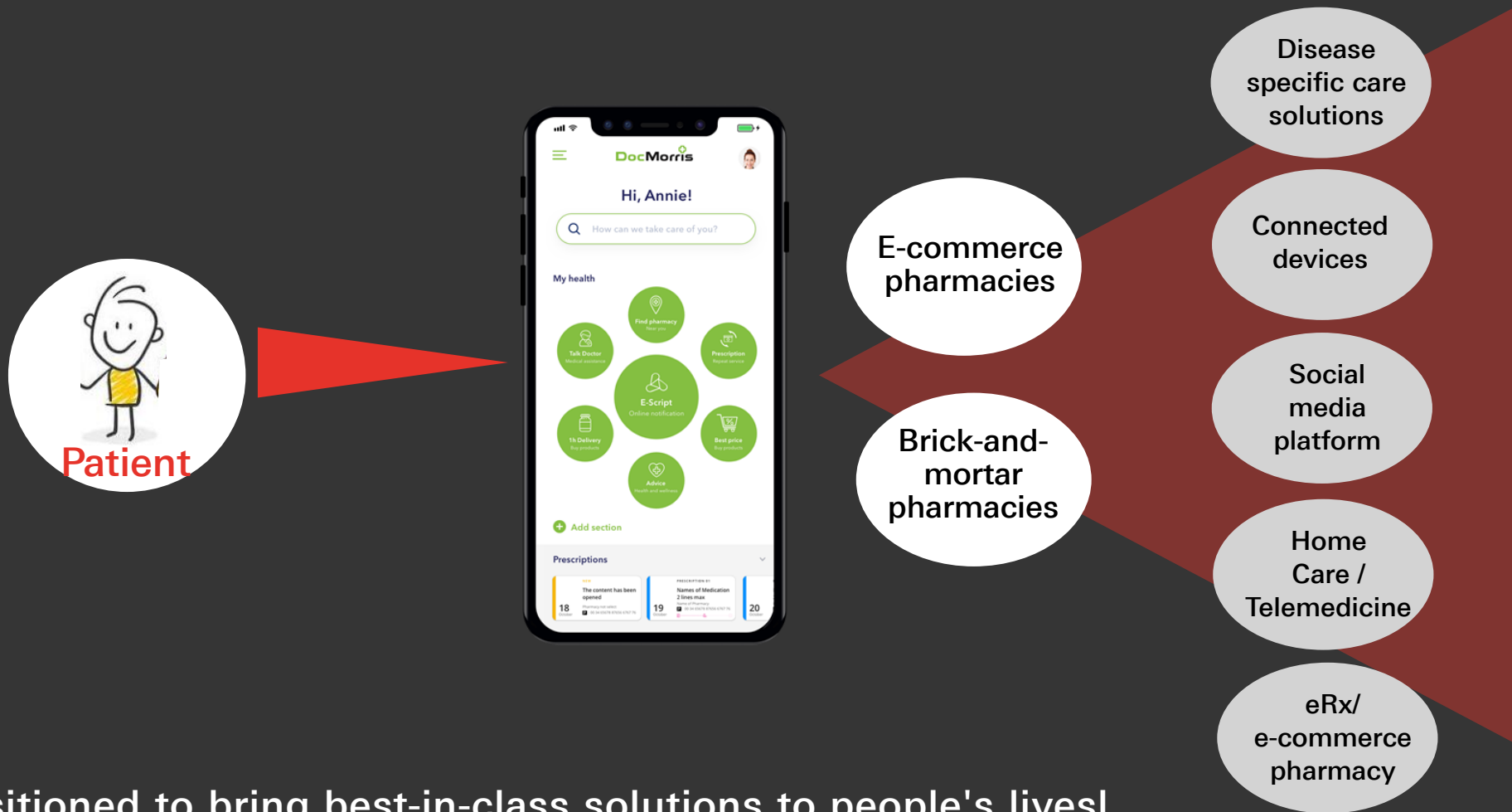
Ensure the efficacy of  
pharmaceuticals with the  
help of digital solutions



# Taking healthcare where retail, entertainment, travel and mobility have already gone



# The opportunity to evolve into the E-Health Ecosystem in Europe is now

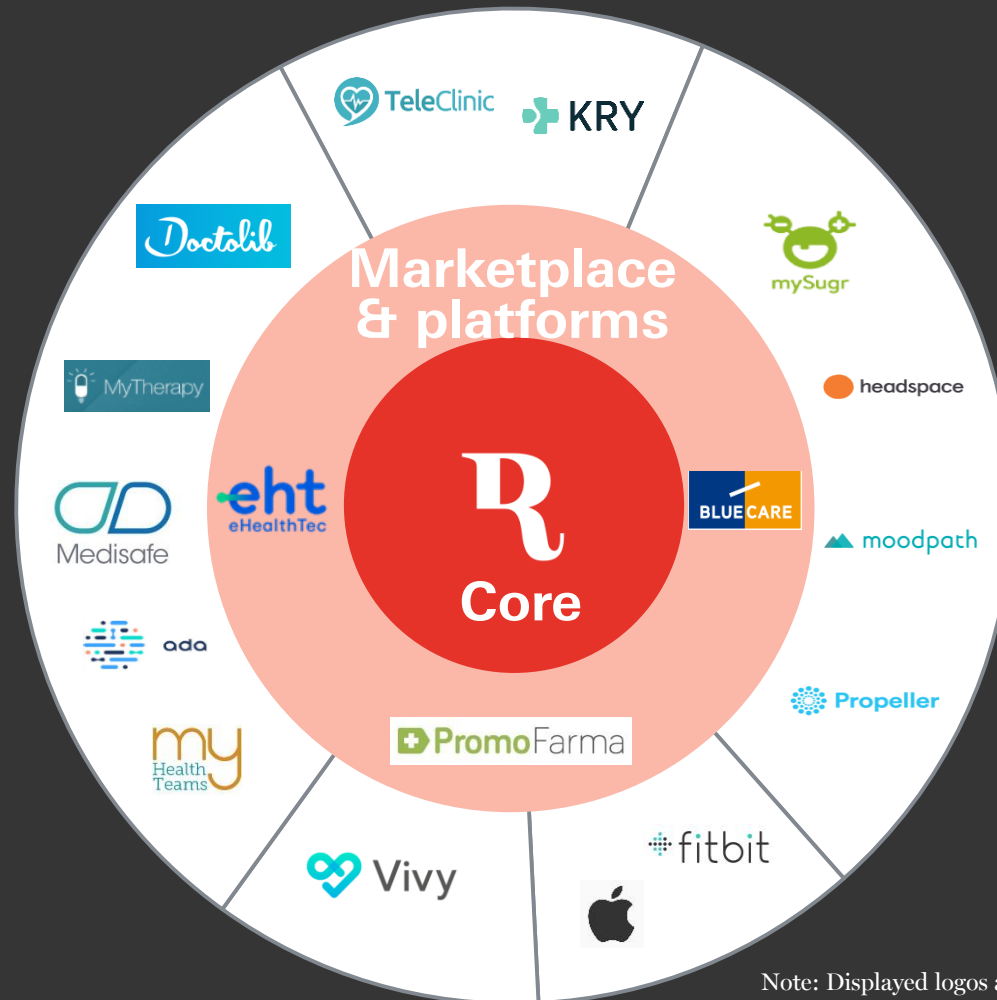


▶ Best positioned to bring best-in-class solutions to people's lives!

# Zur Rose is building on existing assets to evolve its core business

## Zur Rose Ecosystem

From today's transactional business...



...to a technology and data-driven leader

# Financial outlook

## Financial outlook

**Current developments in the markets are creating very strong momentum**

**Any effect of the Covid-19 virus on the business is not reflected in the outlook**

As the strategic focus is shifting from pure OTC growth to eRx, management targets sales increase of around 10 per cent in 2020 (including medpex's total annual sales) and as a consequence overproportional Rx growth acceleration starting 2021.

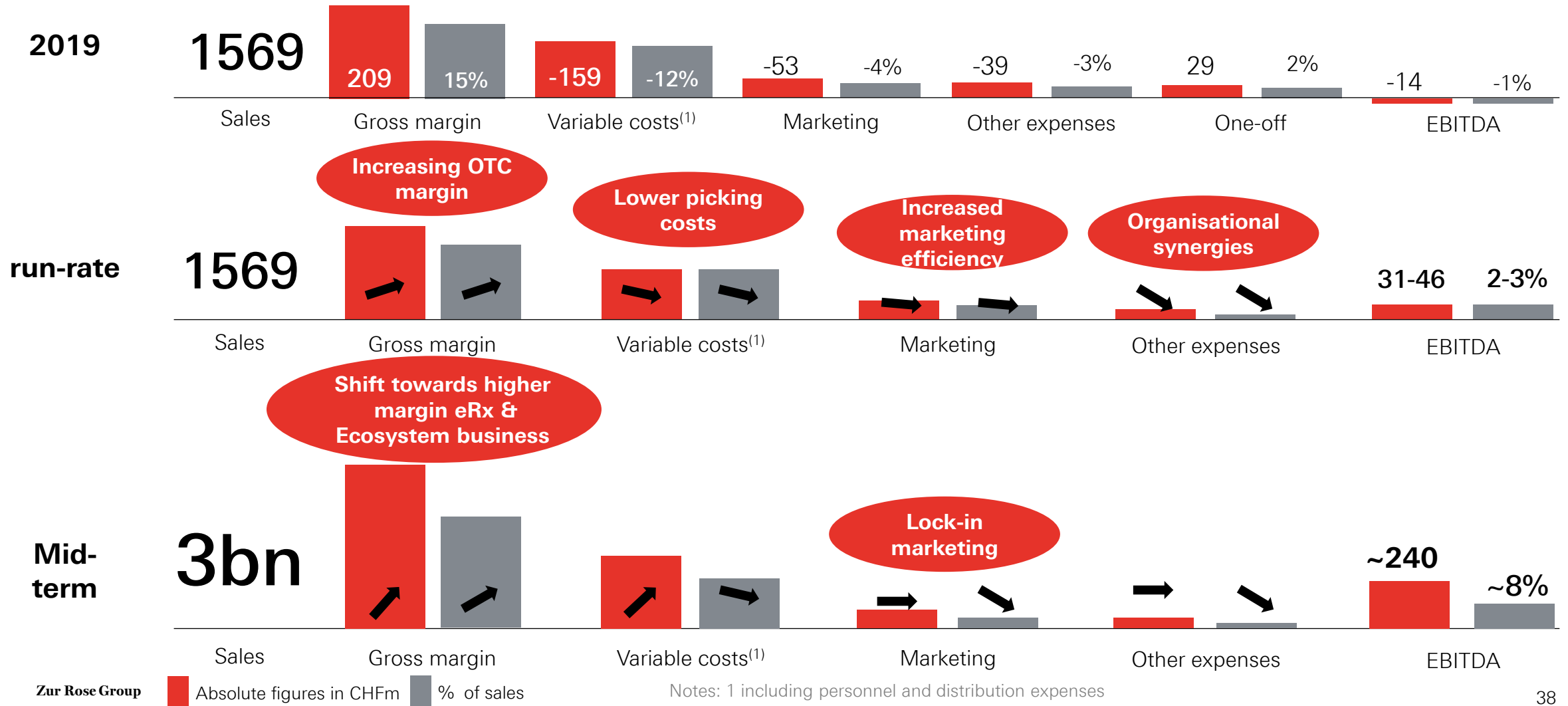
The aim is to break even in 2020 at the EBITDA level after adjusting for expenditure on additional growth initiatives, especially in electronic prescriptions and European opportunities.

The medium-term target for the EBITDA margin after adjusting for growth initiatives is around 8 per cent, with revenue in excess of CHF 3 billion.

Implementing the healthcare ecosystem will generate further relevant EBITDA potential over the long term.

# Outlook

## Mid-term financial targets – path to profitability



# Thank you

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Group CFO

## Zur Rose Group financials

# Income Statement

	2019		2018 <sup>(1)</sup>		2017	
	CHF m	%	CHF m	%	CHF m	%
<b>Sales</b>	<b>1355.5</b>	<b>100.0</b>	<b>1207.1</b>	<b>100.0</b>	<b>982.9</b>	<b>100.0</b>
Cost of goods	(1146.9)		(1015.9) <sup>(2)</sup>		(836.3)	
Other income	42.0		3.1 <sup>(2)</sup>		9.7	
Personnel expenses	(117.5)	(8.7)	(93.7)	(7.8)	(78.3)	(8.0)
Marketing expenses	(53.2)	(3.9)	(41.3)	(3.4)	(33.7)	(3.4)
Distribution expenses	(41.9)	(3.1)	(33.1)	(2.7)	(26.6)	(2.7)
Administrative expenses	(34.9)	(2.6)	(24.9)	(2.1)	(27.4)	(2.8)
Rent expenses	(4.0)		(6.0)		(4.2)	
Fair Value adjustment	(2.9)		(1.5)			
Other operating expenses	(10.1)		(7.9)		(7.3)	
<b>EBITDA</b>	<b>(13.8)</b>	<b>(1.0)</b>	<b>(14.0)</b>	<b>(1.2)</b>	<b>(21.2)</b>	<b>(2.2)</b>
D&A	(31.9)		(18.9)		(17.1)	
<b>EBIT</b>	<b>(45.7)</b>	<b>(3.4)</b>	<b>(32.9)</b>	<b>(2.7)</b>	<b>(38.3)</b>	<b>(3.9)</b>
Financial result	(4.4)		(5.7)		1.8	
<b>EBT</b>	<b>(50.1)</b>	<b>(3.7)</b>	<b>(38.5)</b>	<b>(3.2)</b>	<b>(36.5)</b>	<b>(3.7)</b>
Income tax expenses	(2.3)		(0.6)		0.2	
<b>Net income</b>	<b>(52.4)</b>	<b>(3.9)</b>	<b>(39.1)</b>	<b>(3.2)</b>	<b>(36.3)</b>	<b>(3.7)</b>



## Zur Rose Group financials

# Balance Sheet

	31 Dec 2019		31 Dec 2018		31 Dec 2017 restated <sup>(1)</sup>	
	CHF m	%	CHF m	%	CHF m	%
Cash and cash equivalents	204.7		230.7		107.8	
Current financial assets	0.2		0.2		0.2	
Trade receivables	126.7		92.3		84.0	
Other receivables & prepaid expenses	25.8		24.2		22.3	
Inventories	70.6		69.4		59.3	
<b>Current assets</b>	<b>428.1</b>	<b>43.2</b>	<b>416.7</b>	<b>57.4</b>	<b>273.5</b>	<b>59.2</b>
Property, plant & equipment	77.1		34.3		29.7	
Intangible assets	465.3		264.6		147.6	
Other assets <sup>(2)</sup>	21.3		10.9		11.0	
<b>Non-current assets</b>	<b>563.7</b>	<b>56.8</b>	<b>309.8</b>	<b>42.6</b>	<b>188.3</b>	<b>40.8</b>
<b>Total assets</b>	<b>991.7</b>	<b>100.0</b>	<b>726.5</b>	<b>100.0</b>	<b>461.8</b>	<b>100.0</b>
Current financial liabilities	87.4		3.5		10.4	
Trade payables	92.1		83.1		75.3	
Other payables & accrued expenses <sup>(3)</sup>	33.1		32.3		33.4	
<b>Short-term liabilities</b>	<b>212.6</b>	<b>21.4</b>	<b>119.0</b>	<b>16.4</b>	<b>119.1</b>	<b>25.8</b>
Non-current financial liabilities	38.1		30.6		32.0	
Bonds	312.1		114.1		0	
Pension liabilities	15.2		13.7		13.0	
Deferred taxes & long-term provisions	8.2		5.5		3.5	
<b>Long-term liabilities</b>	<b>373.6</b>	<b>37.7</b>	<b>163.9</b>	<b>22.6</b>	<b>48.5</b>	<b>10.5</b>
<b>Equity</b>	<b>405.5</b>	<b>40.9</b>	<b>443.6</b>	<b>61.1</b>	<b>294.2</b>	<b>63.7</b>
<b>Total equity and liabilities</b>	<b>991.7</b>	<b>100.0</b>	<b>726.5</b>	<b>100.0</b>	<b>461.8</b>	<b>100.0</b>

Note: 1 See note 6 change in consolidation scope of the financial statements 2018 | 2 Includes investments in associates and JVs, non-current financial assets and deferred tax assets | 3 Includes other payables, tax payables, accrued expenses and short-term provisions

## Zur Rose Group financials

# Cash Flow Statement

	2019	2018 <sup>(1)</sup>	2017
CHF m			
Net income	(52.4)	(39.1)	(36.3)
D&A	31.9	18.9	17.1
Non cash items financial result	(2.2)	3.2	(4.6)
Non cash income and expenses	(35.3)	3.4	3.6
Income taxes paid	2.3	0.6	(0.1)
Change in trade receivables, other receivables and prepaid expenses	(37.3)	(12.2)	(13.1)
Change in inventories	(3.4)	(10.3)	1.0
Change in trade payables	13.5	4.1	6.4
Change in provisions	0.4	(1.8)	3.8
<b>Cash flow from operating activities</b>	<b>(82.6)</b>	<b>(33.2)</b>	<b>(22.2)</b>
Acquisition & Sale of subsidiaries, net	(103.1)	(108.6)	(40.9)
Purchase of property, plant and equipment	(10.4)	(10.3)	(5.1)
Acquisition of intangible assets	(31.1)	(21.2)	(16.6)
Investments/ (disposal) of financial assets	1.4	(0.2)	0.3
<b>Cash flow from investing activities</b>	<b>(143.2)</b>	<b>(140.3)</b>	<b>(62.2)</b>
Proceeds from capital increases	0.5	191.1	222.4
Transaction costs of capital increase	(0.3)		
Increase in financial liabilities	205.0	114.1	0.0
Repayment of financial liabilities	(5.0)	(1.8)	(56.1)
Purchase of treasury shares	(0.0)	(6.4)	(0.4)
<b>Cash flow from financing activities</b>	<b>200.2</b>	<b>297.1</b>	<b>165.9</b>
<b>Total cash flow</b>	<b>(25.6)</b>	<b>123.6</b>	<b>81.5</b>
Fx differences	(0.5)	(0.6)	1.1

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