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H1 2020 Results Conference Call

Today's Presenters



Walter Oberhänsli
Founder, Group CEO



Marcel Ziwica
Group CFO



Olaf Heinrich
Head Germany

Highlights

1 #1 position for eRx

- Bundestag passed PDSG law making eRx mandatory starting 2022
- Strong partner network established for pre-Gematik roll-out
- TeleClinic acquisition as strong addition to eRx approach

2 Market Leadership

- Excellent organic growth of DocMorris and medpex
- Apotal acquisition adding 1.1 million high quality customers¹

3 Delivering profitable growth

- Gross margin improved significantly, while maintaining growth momentum
- On track to achieve FY targets

4 Healthcare Ecosystem

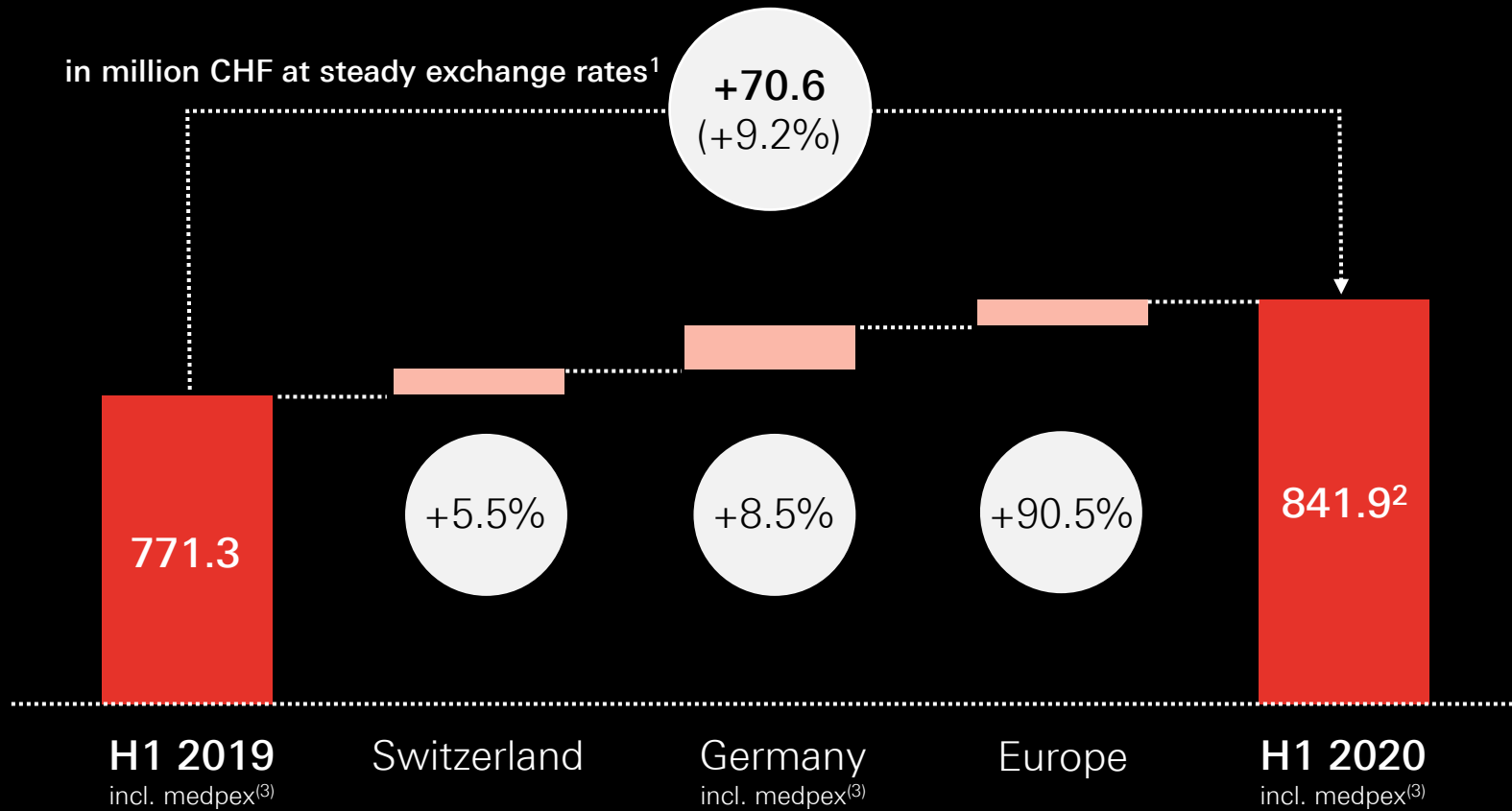
- Telemedicine important building block of Ecosystem offering
- Innovating consumer journeys from awareness, diagnosis, treatment to adherence

5 Strategic initiatives on track

- Full focus on eRx marketplace app launch targeted for Q4 2020
- Strong financial position ahead of eRx roll-out

Financial Update

Group Sales growth of around 10% in line with guidance



CH

- Sustainable growth
- Stockpiling in Q1 and COVID-19 restrictions for doctor visits resulting in softer Q2

DE

- Focus on eRx
- Stockpiling in Q1
- Strong performance in core OTC brands
- Apotal acquisition further extending leadership position (2019 sales of EURm 157)

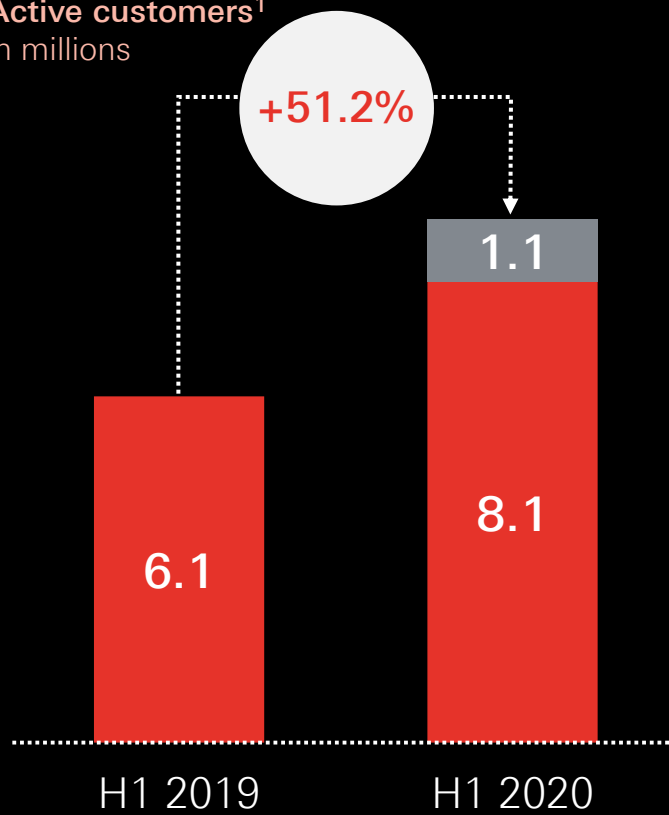
EU

- Strong performance in H1

Group B2C & marketplace KPIs

Expanding market leadership with more than 9 million active customers

Active customers¹
in millions



Repeat order rate²

81%
H1 2019

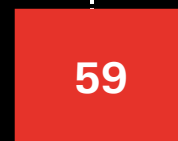
77%
H1 2020

Site visits³

176m
H1 2019

243m
H1 2020

Basket size⁴
in EUR



(8.6%)



(8.2%)

Order frequency⁵
in #

● B2C & Marketplace ● Addition via acquisitions

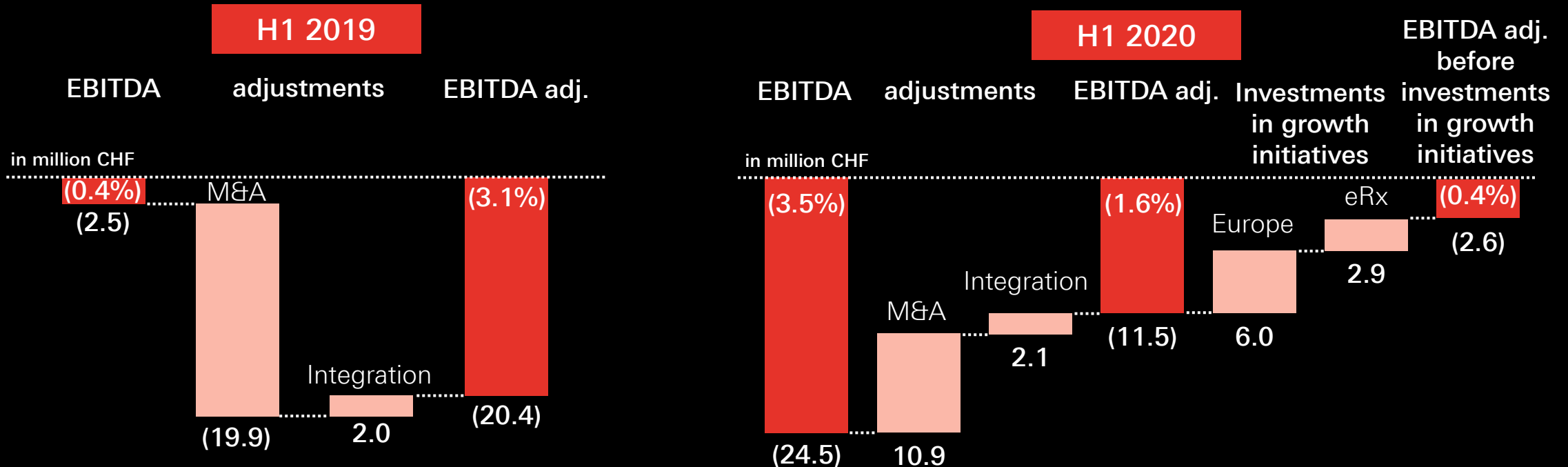
Notes: Figures reflecting performance of entire B2C & marketplace business regardless of consolidation progress of the acquired businesses with Apotal only included in active customer numbers; all numbers reflecting the performance in the last twelve months period ending 30 June 2019 and 30 June 2020 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 in 12 months period

Operational performance improved driven by gross margin

in million CHF	H1 2019	Margin in %	H1 2020	Margin in %
Sales incl. medpex in local currency	771.3		841.9	
Sales reported	668.4		698.0	
Gross profit	104.8	15.7	121.4	17.4
Personnel expenses adj.	(58.4)	(8.7)	(60.9)	(8.7)
Marketing expenses	(24.4)	(3.7)	(27.6)	(4.0)
Other operating income & expenses adj.	(42.4)	(6.3)	(44.4)	(6.4)
EBITDA adj.	(20.4)	(3.1)	(11.5)	(1.6)
Adjustments	17.9	2.7	(13.0)	(1.9)
EBITDA	(2.5)	(0.4)	(24.5)	(3.5)
EBIT	(17.1)	(2.6)	(42.0)	(6.0)
Net income	(17.1)	(2.6)	(52.3)	(7.5)

- Growth track record continued in line with guidance
- Strong development of gross margin
- Adjusted EBITDA improving by CHFm 8.9
- Finance expenses increased due to bond and convertible interests and exchange rate

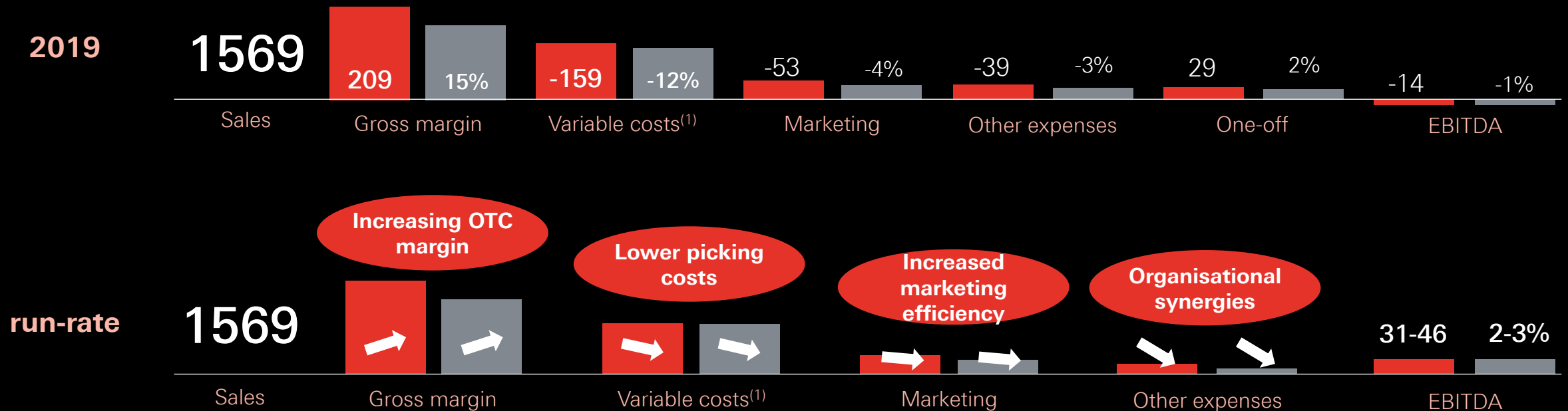
EBITDA adjusted before growth initiatives in line with FY guidance



- Positive effect from earn-out reevaluation
- Integration related expenses of CHFm 2.0

- Share based retention package for founders as largest position within adjustments
- EBITDA adj. improved by 1.5 ppt

Run-rate analyses - assuming full integration - shows an EBITDA margin of 2-3% in relation to current sales



Strong financial position ahead of eRx roll-out

in million CHF	31 Dec 2019	%	30 June 2020	%
Cash and cash equivalents	204.7		258.0	
Receivables	152.6		159.1	
Inventories	70.6		105.7	
Property, plant & equipment	77.1		75.1	
Intangible assets	465.3		458.6	
Other assets	21.4		25.1	
Total assets	991.7		1081.6	
Financial liabilities	125.5		72.8	
Payables & accrued expenses	127.2		145.5	
Bonds	312.1		483.2	
Other liabilities	21.4		20.7	
Equity	405.5	40.9	359.4	33.2
Total equity and liabilities	991.7	100.0	1081.6	100.0

- Highly attractive, asset-light business model
- Strong liquidity position with CHFm 258 of cash on balance sheet
- Increased inventory due to COVID-19
- Equity base recently further strengthened with CHFm 213 capital increase

Strategy Update

Key strategic initiatives

Healthcare Ecosystem

- 1 Easing and innovating health journeys - with TeleClinic acquisition
- 2 Partnerships with best-in-class digital solutions in the pipeline
- 3 Enabled by leading developments in technology

eRx opportunity

- 1 #1 position in OTC with 8 million customers in Germany¹ as pole position for eRx introduction
- 2 First mover strategy, actively preparing for eRx launch
- 3 Launch of eRx marketplace app

Integration & synergies

- 1 Integration fully on track; focus on efficiency and operational excellence
- 2 medpex performance as benchmark for German OTC business
- 3 Branding strategy to be finalized in H2

Healthcare Ecosystem



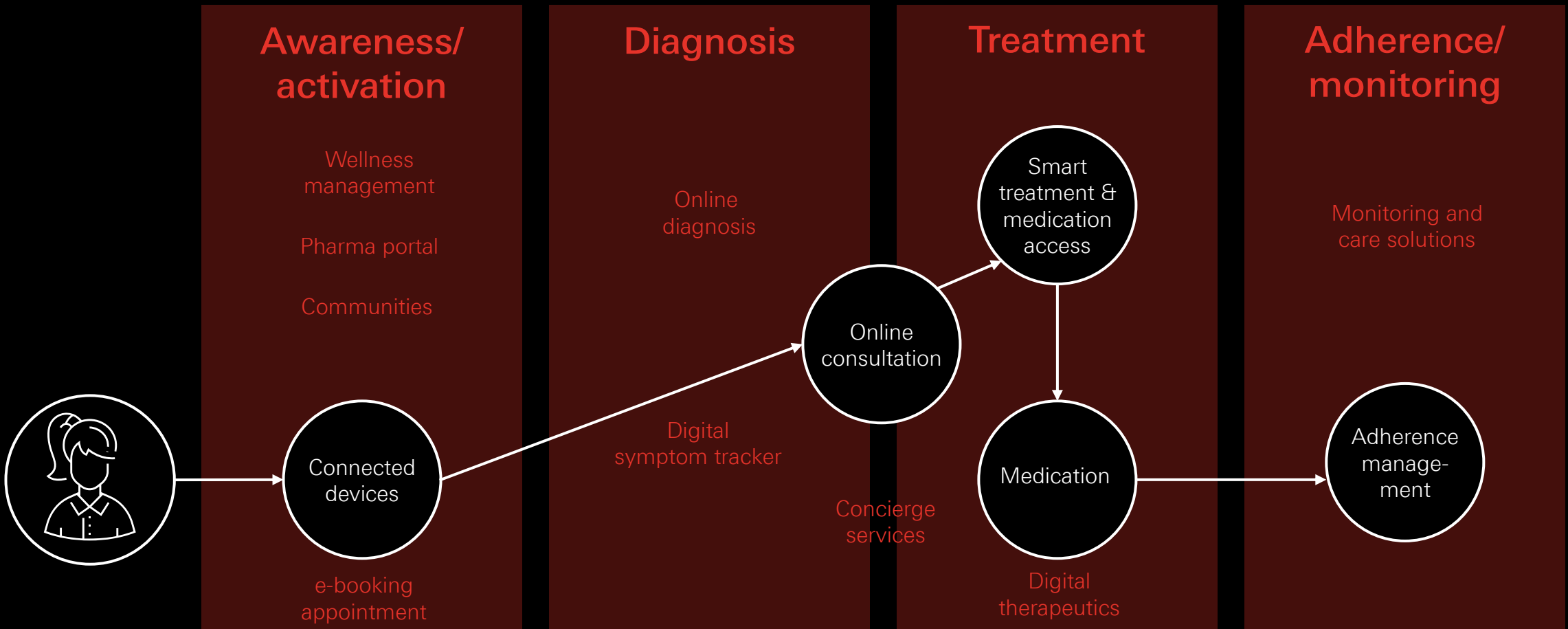
To
create
a
world
where
everyone
can
manage their health
in one click

Health in one click

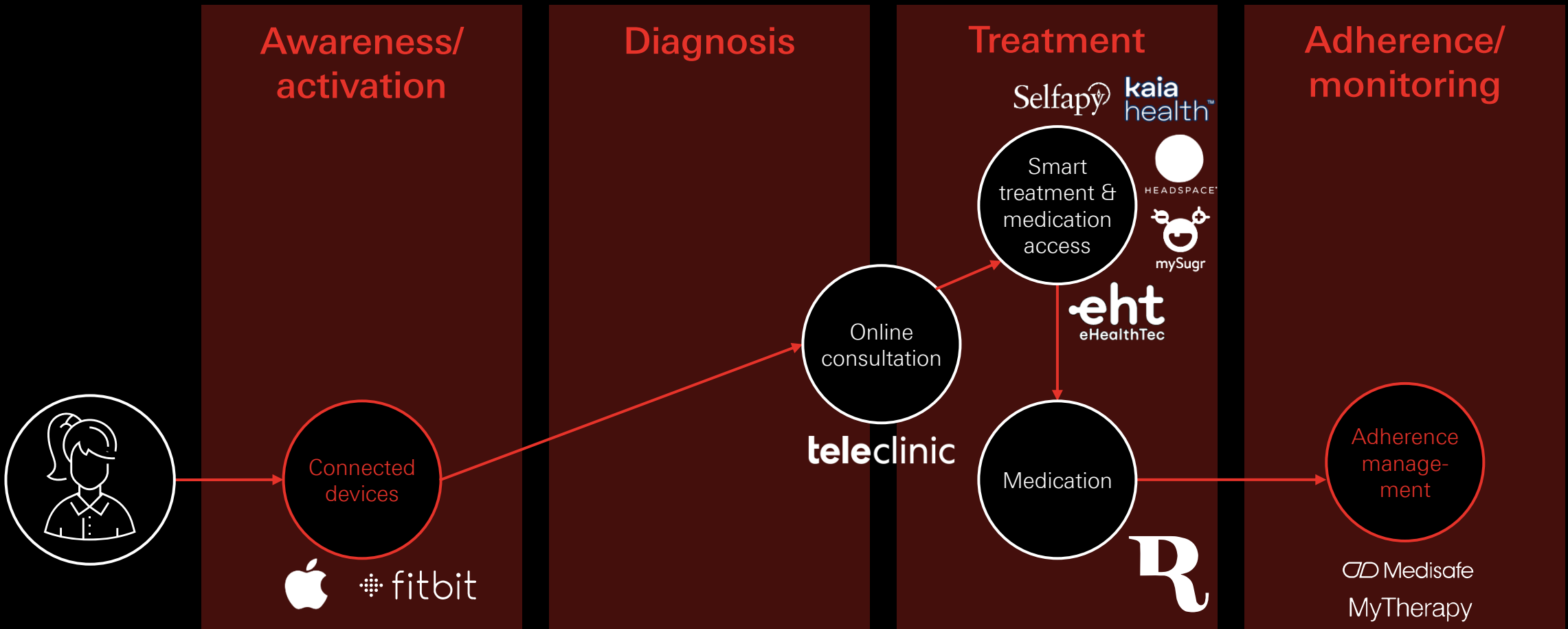
- Personalized treatment journeys
- Convenient access to products and best-in-class digital solutions
- Ensured effective medication and better outcomes



Creating seamless consumer journeys from awareness, diagnosis, treatment to adherence

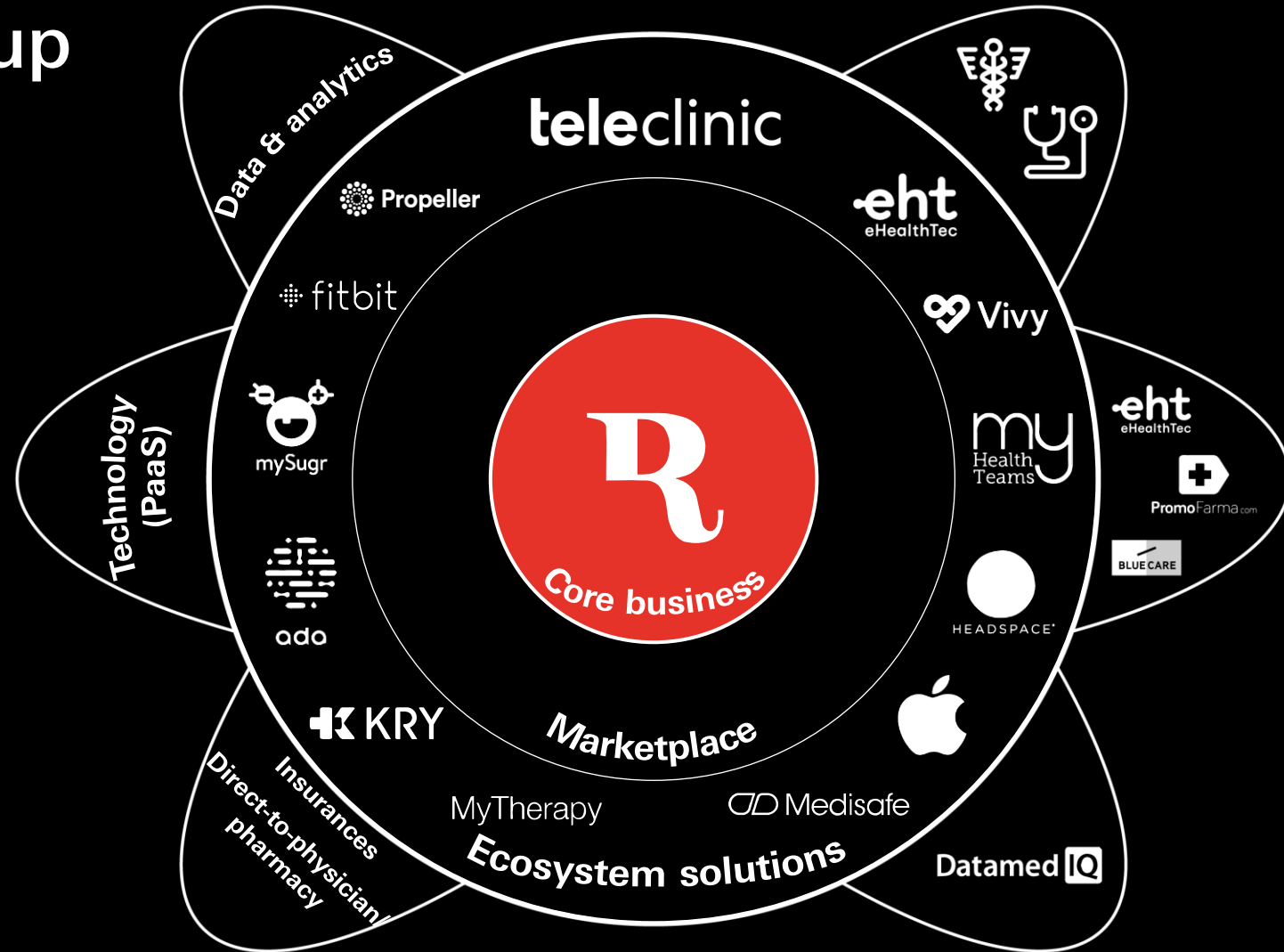


Leveraging best-in-class digital solutions and convenient access to products for better lives



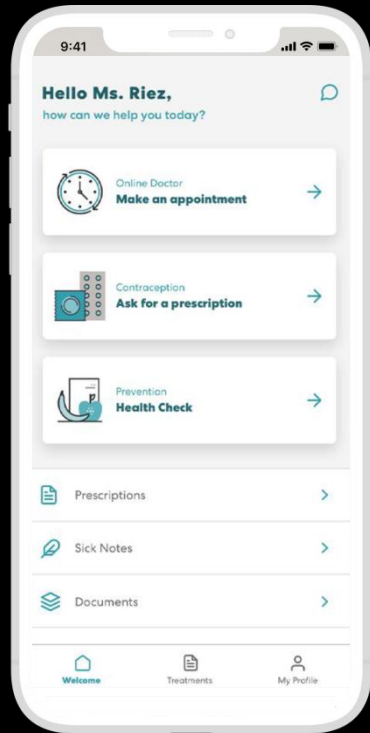
Healthcare ecosystem

Zur Rose Group Ecosystem

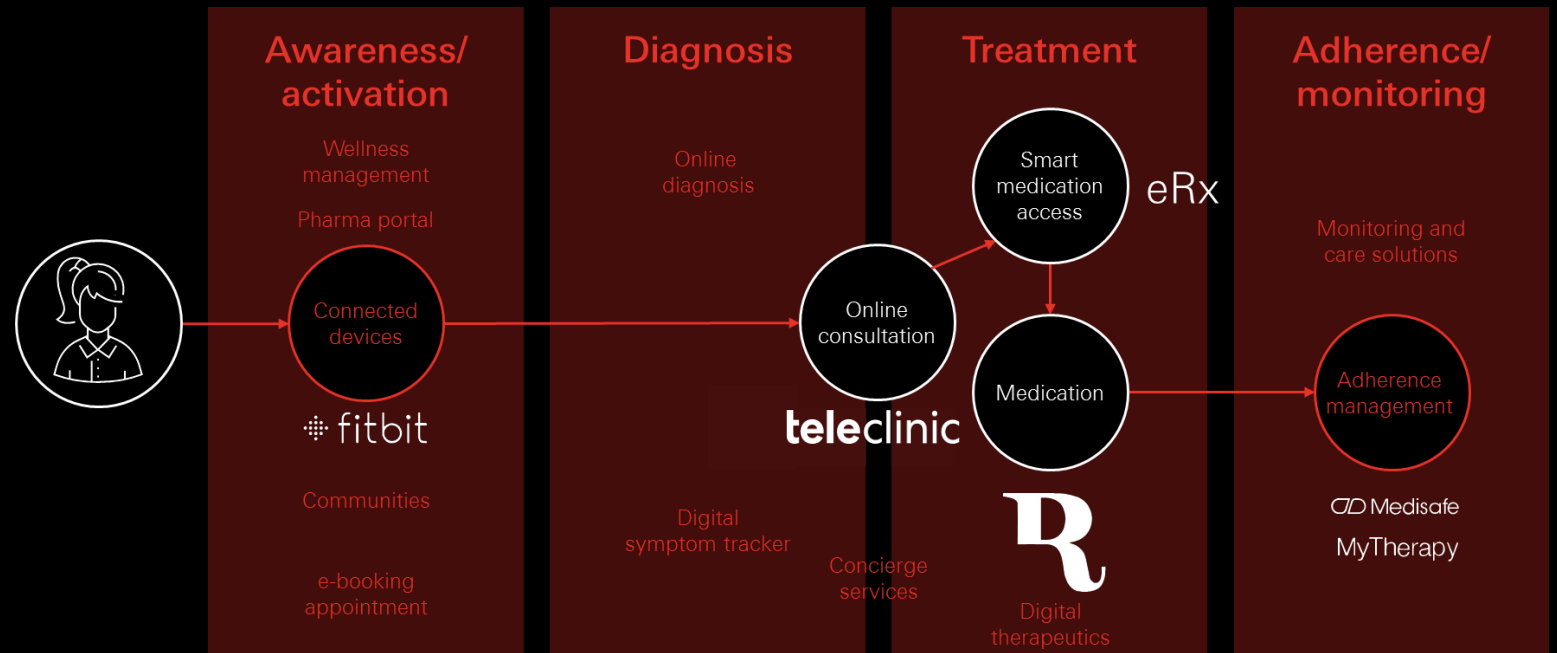


Healthcare ecosystem

From Diagnosis to Delivery – Acquisition of TeleClinic adds important building block of customer journey to the Group



teleclinic



- Germany's leading telemedicine provider
- Reimbursable consultation services compliant with German national health insurance scheme
- E-scripts expected to be issued for up to 50% of consultations

Healthcare ecosystem

Telemedicine gaining momentum in recent months

«Telemedicine: every second user prefers video consultation hours over visits to the doctor»

Bitkom Study: «Digital Health 2020»

«Telemedicine is laying the roadmap for healthcare's future»

Entrepreneur.com, August 3, 2020

«62% of Germans open to telemedicine (vs. 49% in 2019)»

STADA Health Report 2020



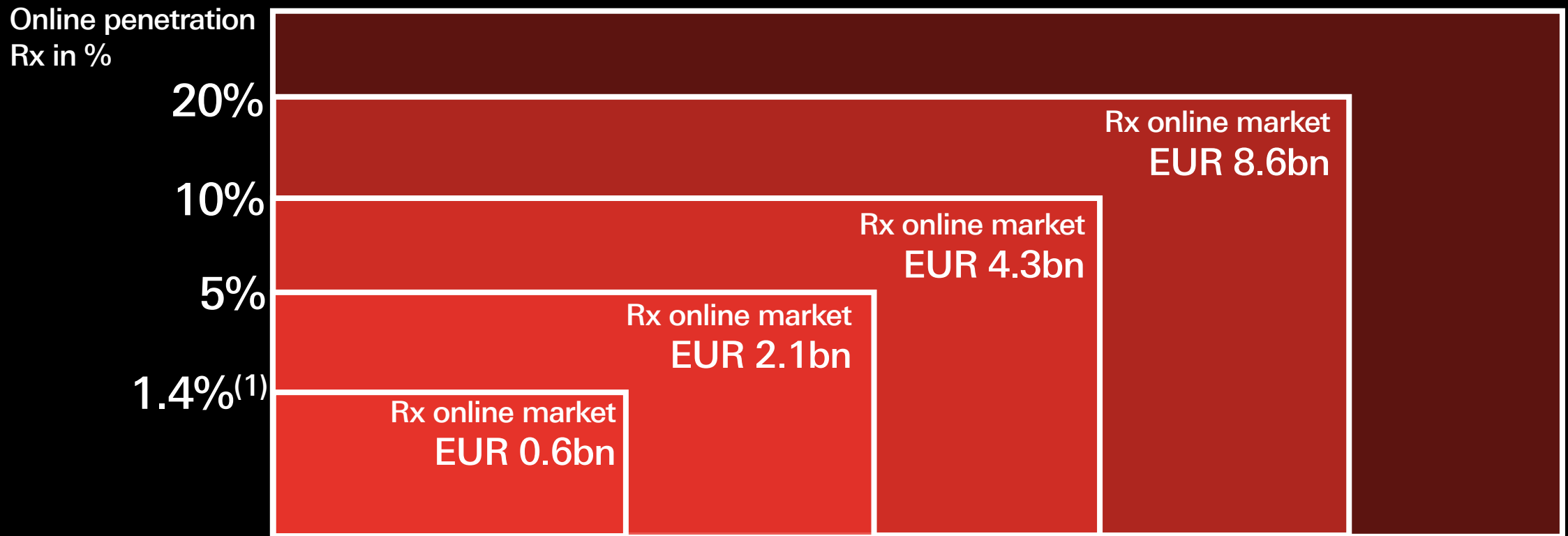
eRx opportunity

eRx opportunity

Regulatory update: eRx mandatory in Germany from 2022 onwards

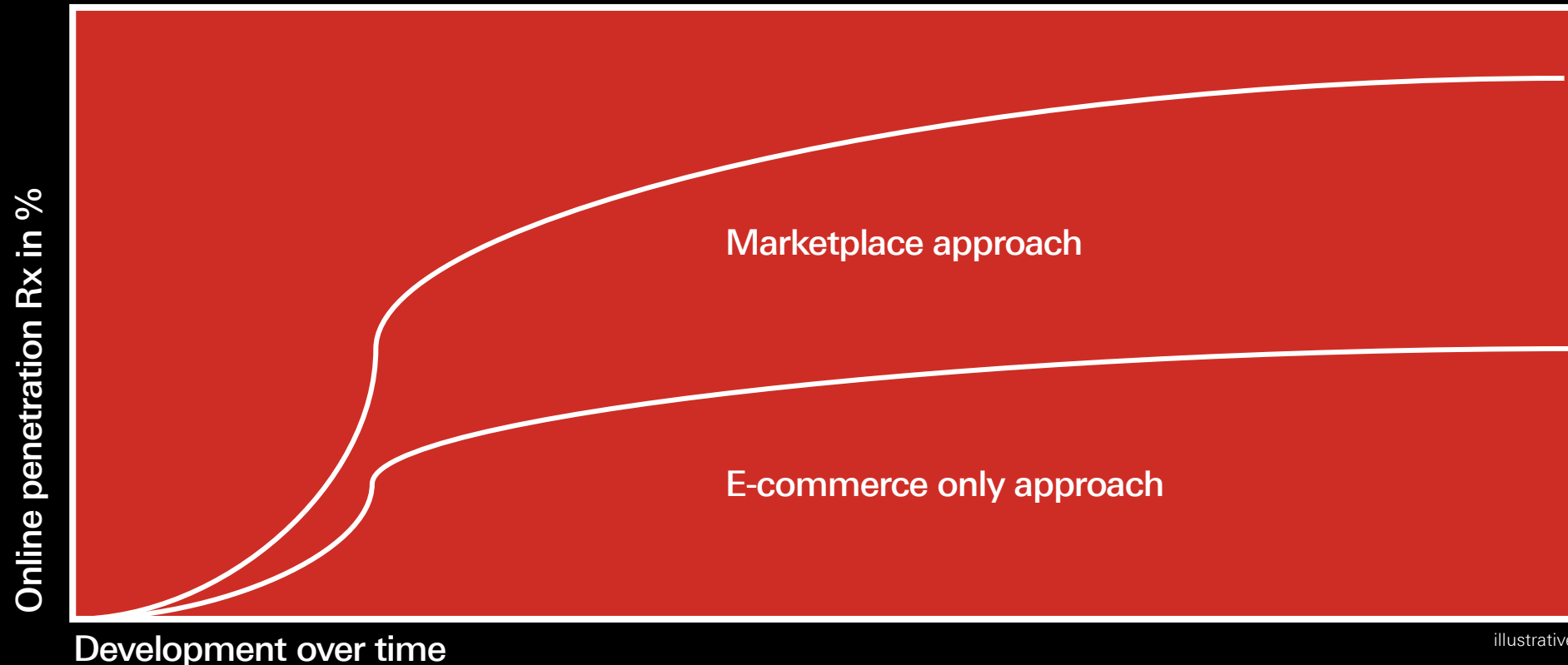
- PDSG law passed German Bundestag, making eRx mandatory from 2022 onwards
- Access to eRx server will be possible for all market participants, including EU mail-order pharmacies
- Gematik solution as backbone with interface to third party applications
- Value-added services will become key differentiator for pharmacies competing over eRx

Increasing online penetration through eRx expected, unlocking substantial upside potential

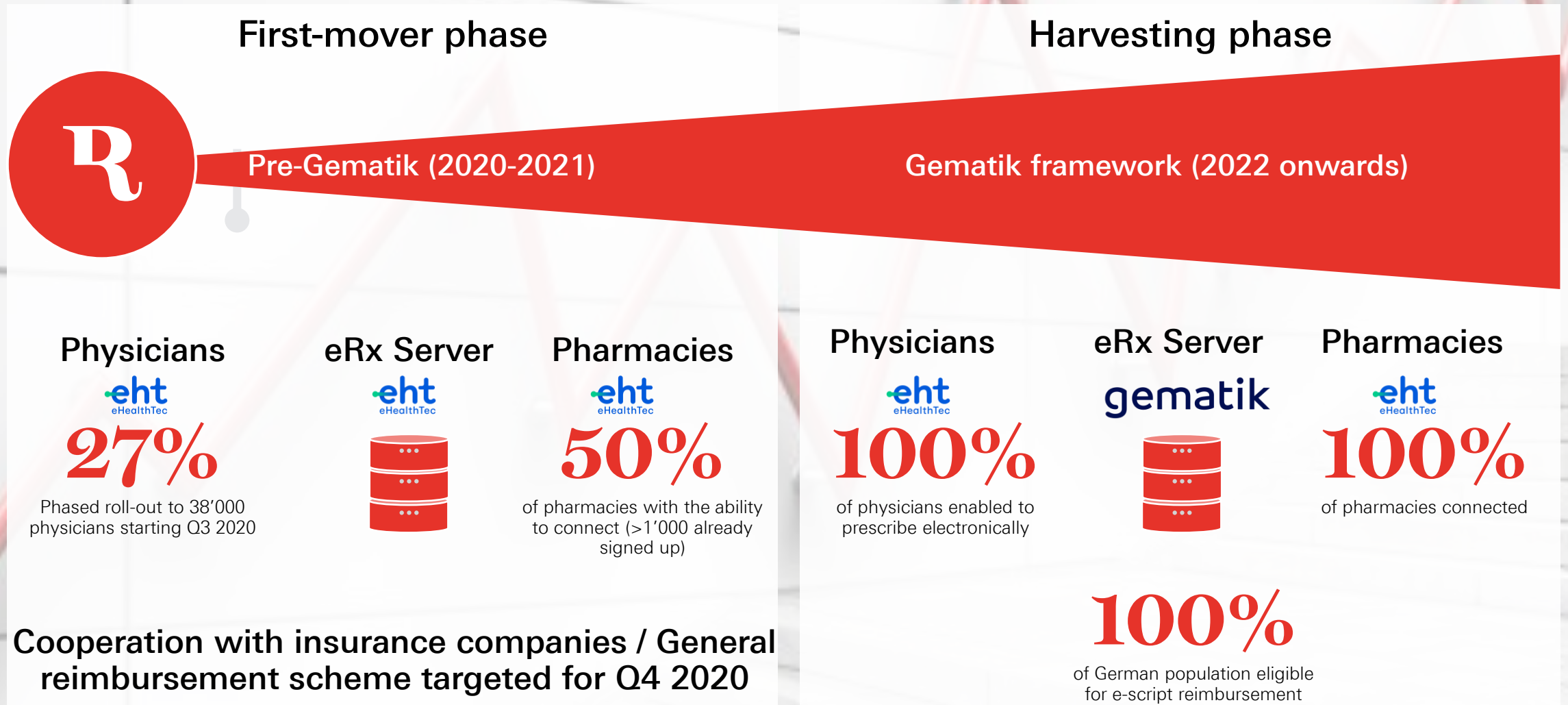


Illustrative, assuming constant total market size of 49.1bn
Source: 1 Sempora 2018 incl. VAT

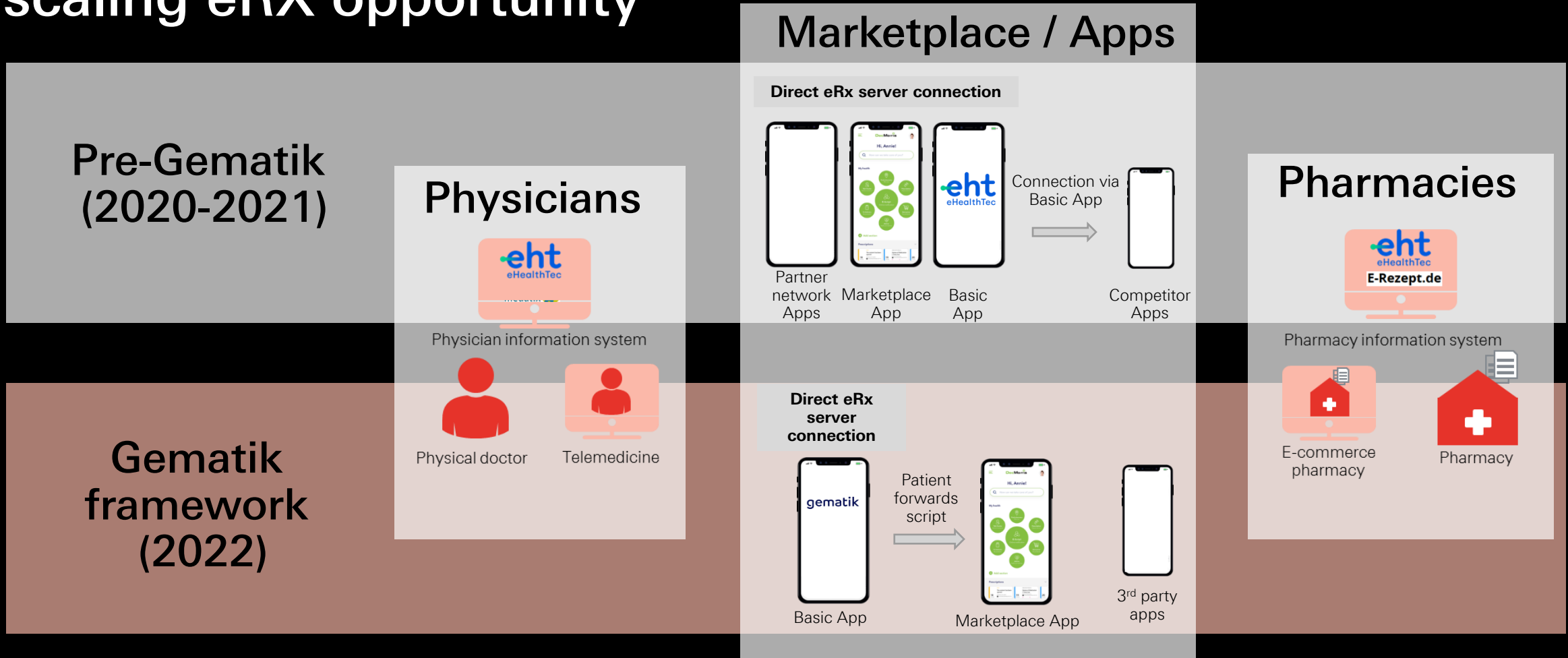
Adoption curve of marketplace approach expected to be much higher than e-commerce only approach



Preparation for take-off fully accelerated



Partnerships and eHealth-Tec B2B solutions ready for scaling eRX opportunity



Roadmap to fully harvest eRx opportunity

Pre-Gematik (2020-2021)

1. Launch eRx marketplace app
2. Become first mover in the eRx opportunity 2020/2021:
 - a. Test & learn in §140 SGB V contracts for special care provision
 - b. Scaling via digital prescription service of TeleClinic
 - c. Full roll-out once reimbursement scheme is extended to “pre-Gematik” phase as specified by GSAV

Gematik framework (2022)

1. Build on great starting position
2. OTC / Rx Switch on German >8 million customer base¹

eRx opportunity

Launch of eRx marketplace app in Q4 2020

- Launch of DocMorris branded eRx marketplace app on the basis of existing marketplace technology of the group on track for launch in Q4 2020
- Core functions will include full range of Rx, OTC and BPC product offering, pick-up and other delivery options
- Expanding customer journey from diagnosis to delivery via integration of TeleClinic telemedicine functionality



Integration & synergies

Integration & synergies

Zur Rose Group integration strategy & roadmap – a combination of four pillars

Brands

Target picture

One brand

Target 2020

Finalise branding strategy

Organisation / Culture

Target picture

One Organisation
Shared DNA and vision

Target 2020

Streamline organisational
structure in Germany
Expansion of management
team (completed)

IT Platform

Target picture

One unified platform

Target 2020

Launch eRx marketplace in
Germany

Logistics

Target picture

Efficient and customer centric
logistic strategy

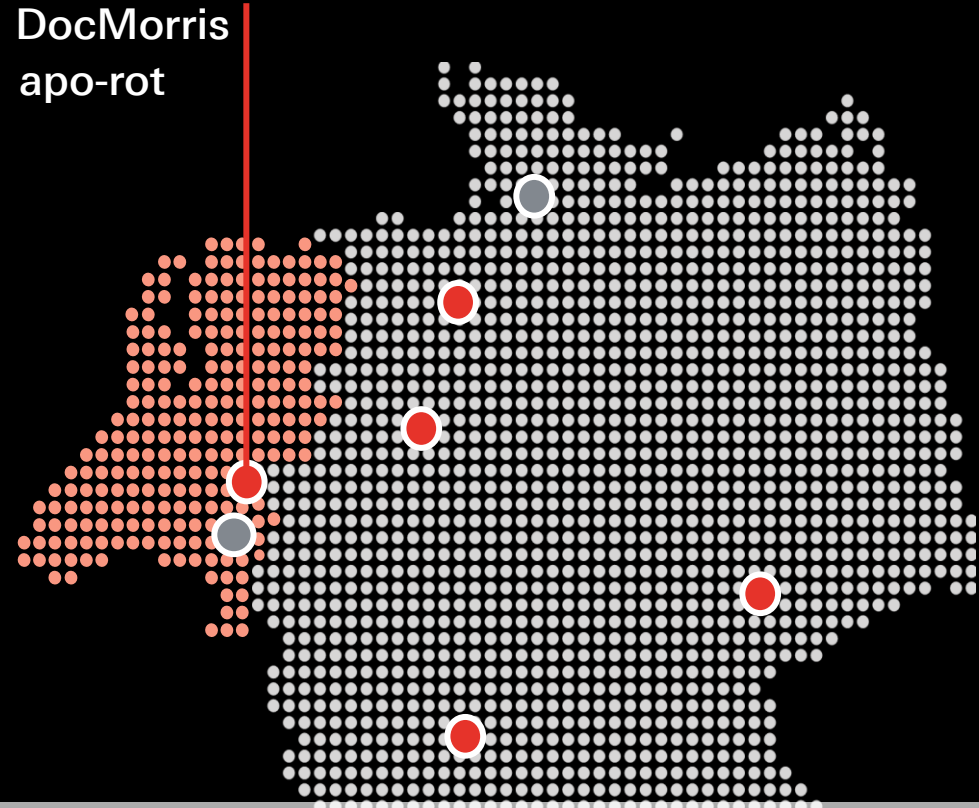
Target 2020

Expansion of existing
Heerlen site

Integration and synergies

Integration roadmap 2020 – bundeling of service functions, remaining sites as operational hubs

DocMorris
apo-rot



- Vitalsana will be fully merged with DocMorris and the Vitalsana site will be closed down
- Marketing and customer service departments of Eurapon will be pooled at the Heerlen site
- Marketing tasks performed by Zur Rose DE will be transferred to Heerlen and Mannheim

Integration and synergies

medpex example shows leading know-how in German OTC market



Best-in-class growth rate

Sales growth

+36%

Sales growth vs. H1 2019 in local currency

Best-in-class gross margin

Gross margin

25.8%

28.7%

H1 2019

H1 2020

Best-in-class profitability

EBITDA margin

4.4%

-0.5%

H1 2019

H1 2020

- medpex operating best-in-class
- Leadership team now fully in charge for German OTC business
- Realisation of synergies started in H1 with a focus on profitable revenue growth

Outlook

Outlook

Group Outlook 2020

The latest acquisitions strengthen the market position of the Zur Rose Group. Taking into account the revenues of medpex, Apotal and TeleClinic, management expects growth of over 10 percent for the full year 2020.

Before expenses for additional growth initiatives, especially in the area of electronic prescriptions and for European opportunities, the company aims to break even at adj. EBITDA level in 2020.

Mid-term targets

The Group expects growth in the Rx business to accelerate significantly from next year and confirms its medium-term sales expectation of over CHF 3 billion. The medium-term EBITDA target margin, adjusted for growth initiatives, is around 8 percent.

The mandatory introduction of electronic prescriptions from 2022 and the implementation of the healthcare ecosystem offer further relevant sales and earnings potential.

Q&A

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