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# **2018 Results - Analyst & Media Conference**

**Walter Oberhänsli | Marcel Ziwica**

**21 March 2019**

# Today's Presenters



**Walter Oberhänsli**  
Founder, Group CEO



**Marcel Ziwica**  
Group CFO

# 2018 in review

Comprehensive introduction by 2020

## Electronic prescription in Germany

Growth targets implemented

Revenue up  
**22.8%**

**Ban on Rx mail-  
order included in  
the coalition  
agreement**

Successful increase in capital

**200**  
million in net proceeds

**72.5%**  
OTC sales growth in  
Germany

Significant expansion of European  
market leadership

**Acquisition of  
apo-rot, medpex  
and PromoFarma**

Increase in market share in Germany

**From 18% to  
31%**

Increase in physicians business  
market share

Revenue up  
**5.5%**

**Expansion of business  
model to include  
marketplace PromoFarma  
- springboard for further  
international expansion**

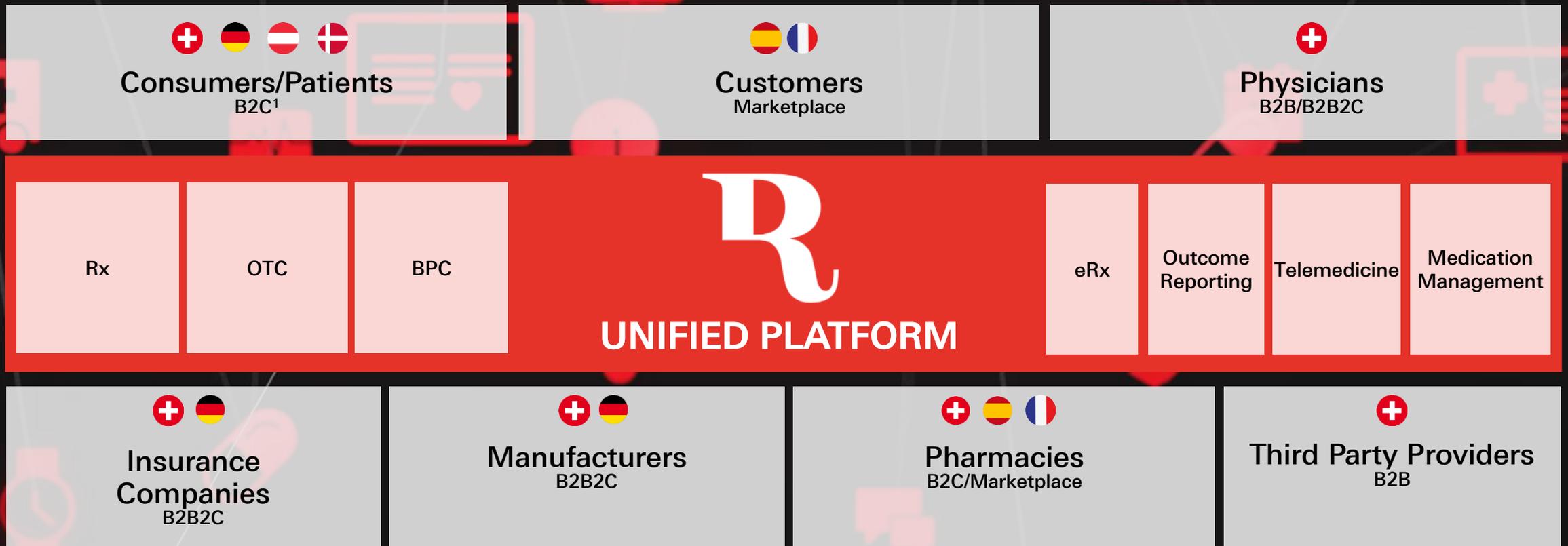
**Successful  
placement of public  
Bond:  
CHF 115 million**

**Paper prescription  
as an impediment  
to growth in Rx  
business**

# Vision

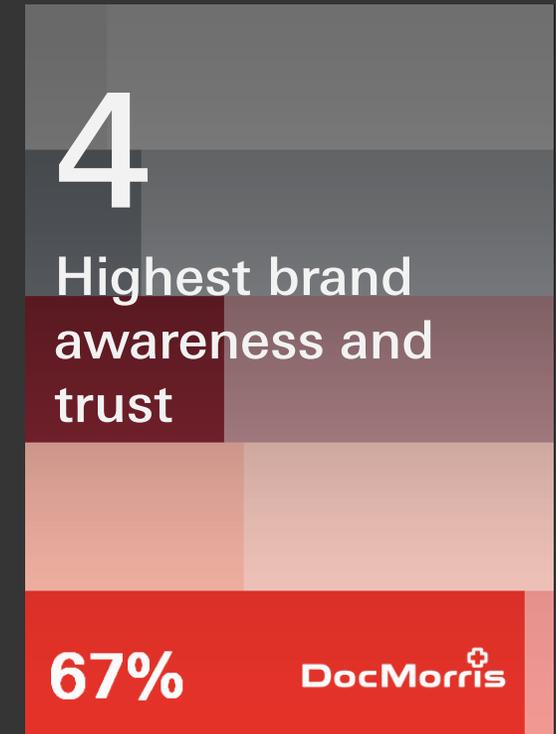
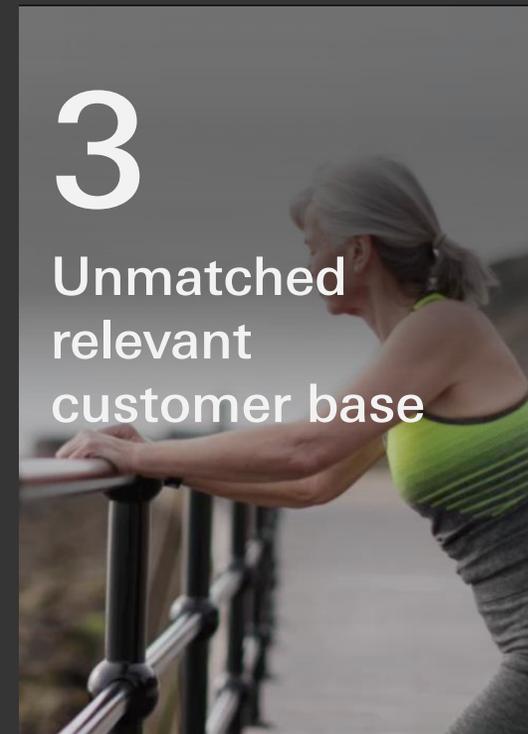
Vision:  
European healthcare ecosystem

# Widening presence across the ecosystem, whilst reinforcing barriers to entry



Vision:  
European healthcare ecosystem

# Great starting position



# Financials

## Financials

# 2018 guidance achieved

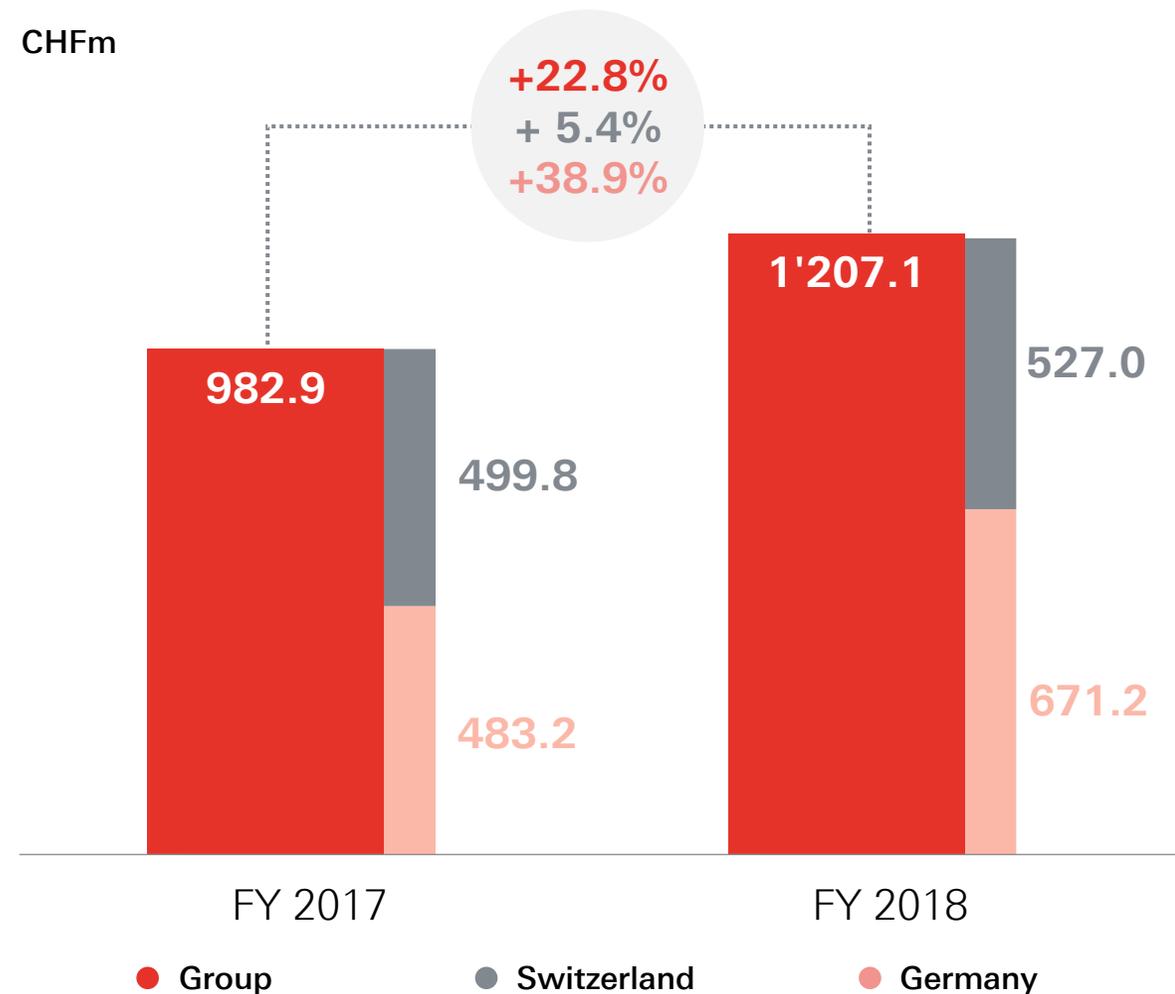
Expected sales growth of over 20% in local currency

Break-even on EBITDA level, adjusted for exceptional charges and Promofarma



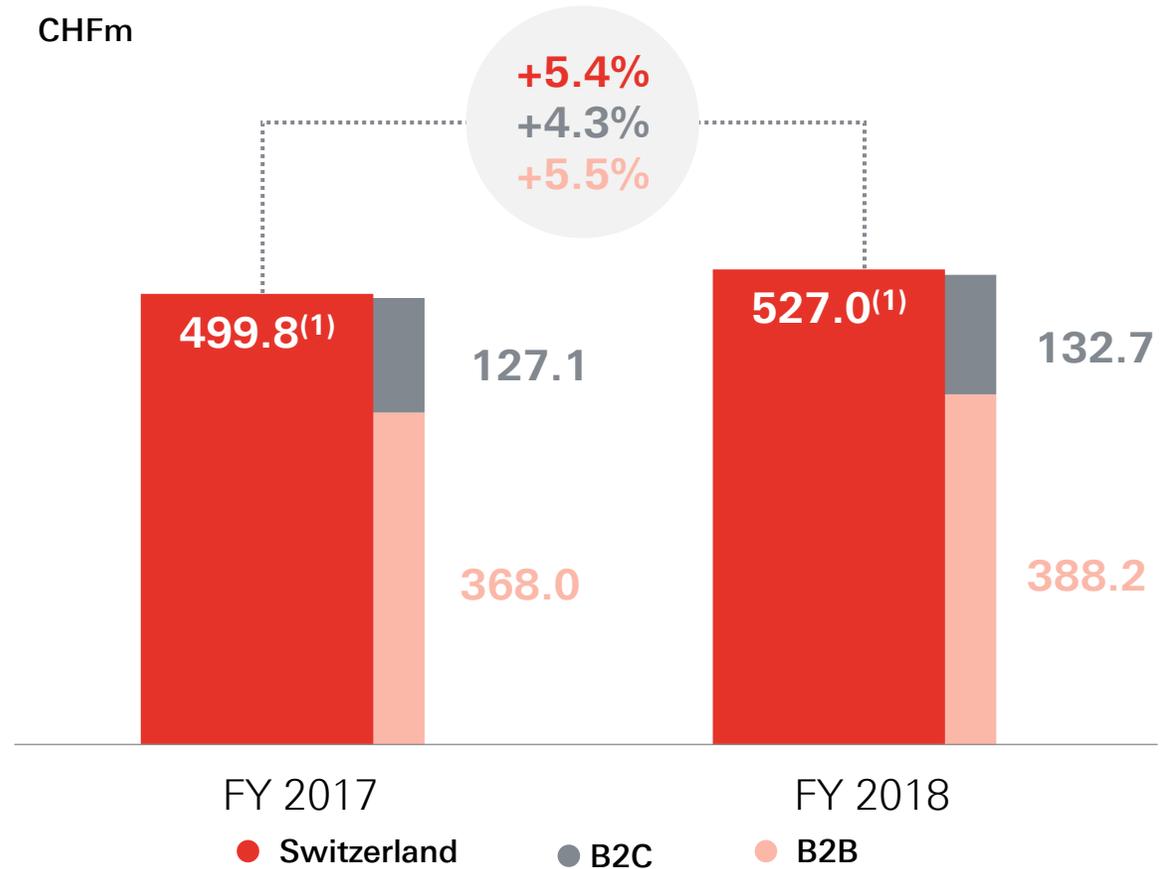
## Zur Rose Group Sales

**Group Sales  
growing at  
above 20%**



## Segment Switzerland

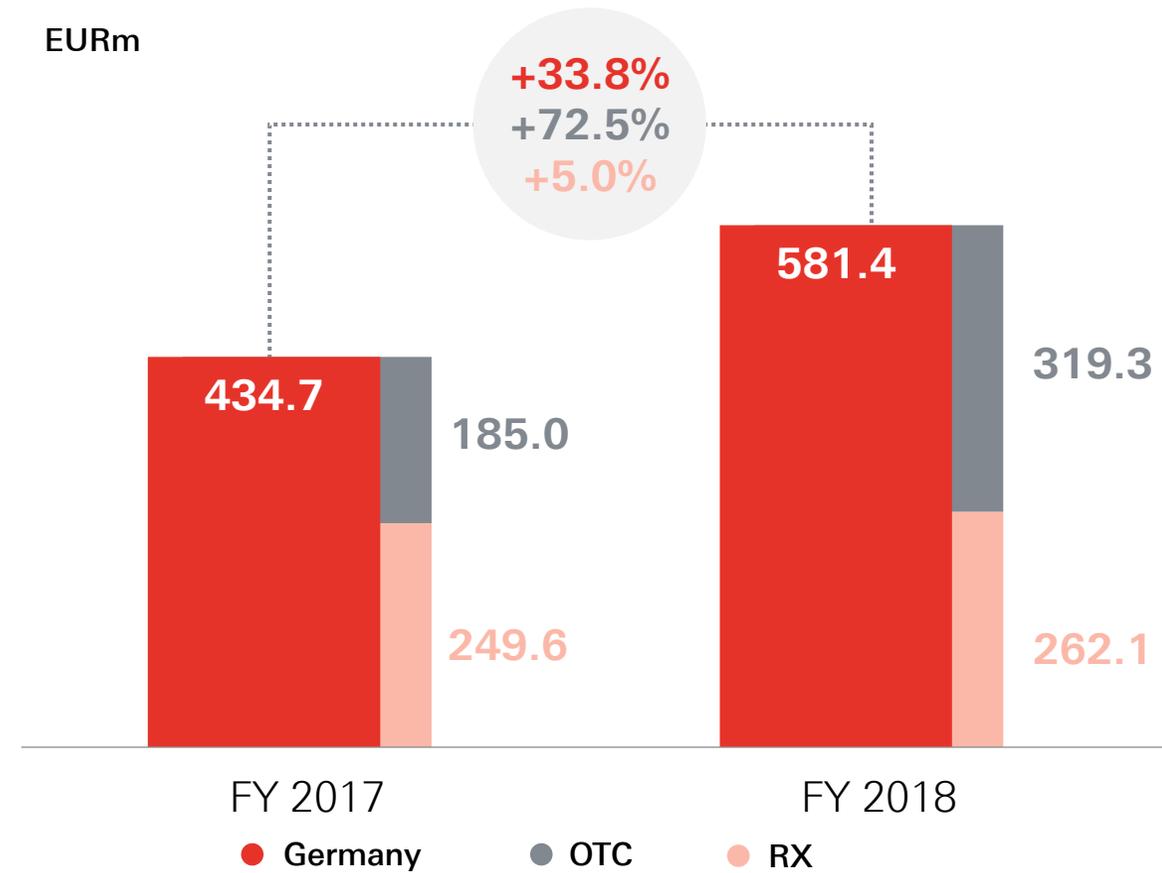
Sales growing at above 5% despite regulatory price cuts



- Regulatory price cut effect of 4.5%
- B2B market share growing from 23.6% in 2017 to 24.7% in 2018
- B2C growth stemming from Shop-in-Shop and Specialty Care business

## Segment Germany

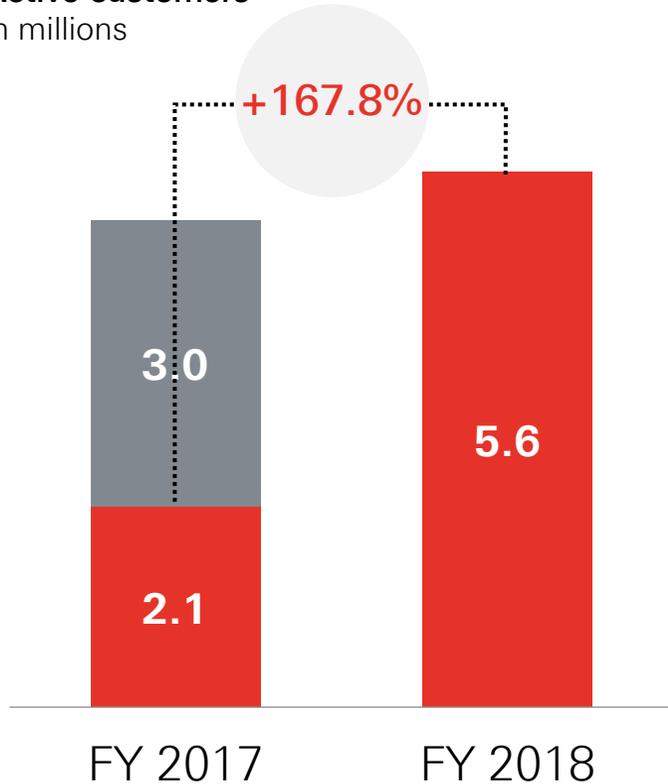
Impressive growth rate solidifying leadership position in Germany



- Organic growth clearly outperforming the E-commerce market<sup>(1)</sup>:
- Rx: 5.0% vs. -1.6%
- OTC: 14.0% vs. 8.1%

# KPIs Segment Germany

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



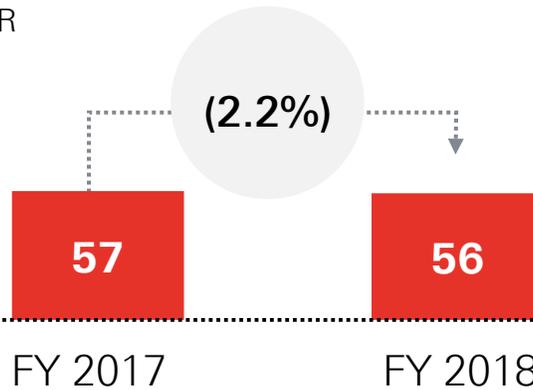
**Repeat order rate<sup>2</sup>**



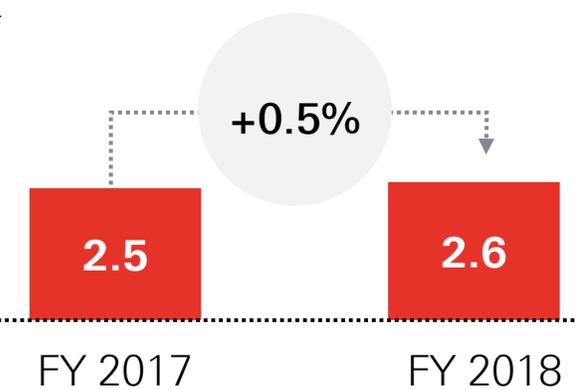
**Market share<sup>3</sup>**  
in %



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



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

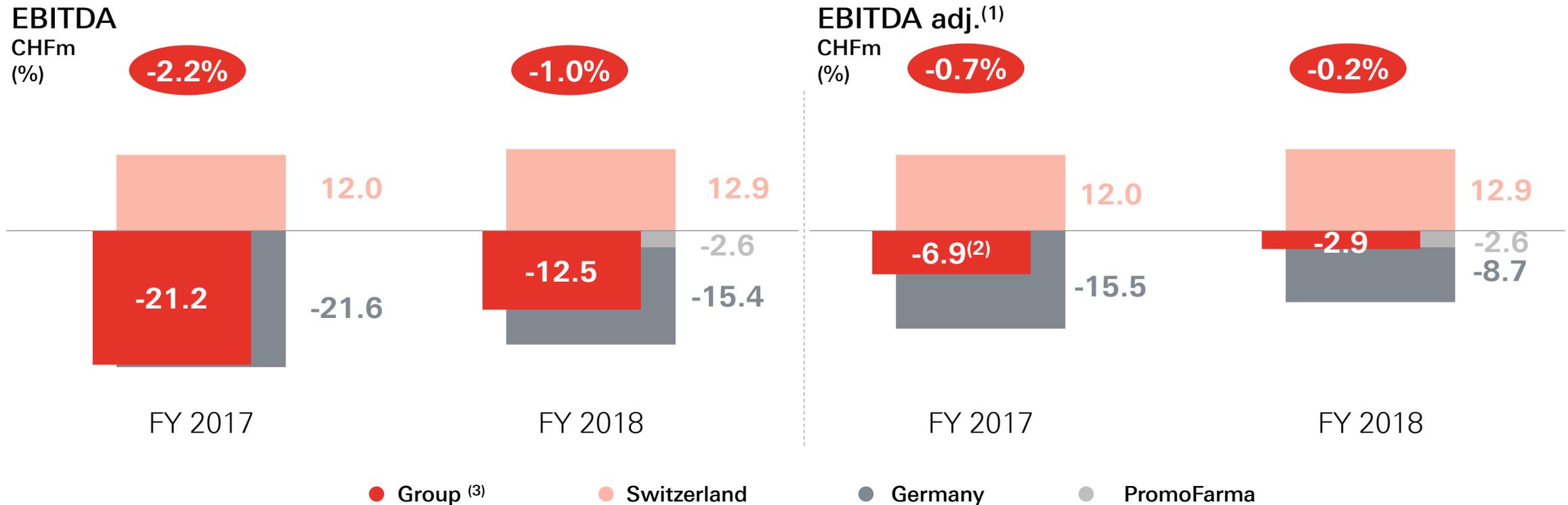


● Segment Germany    ● Addition via acquisitions

Notes: Figures reflecting performance of entire German business regardless of consolidation progress of the acquired businesses | 1 Last twelve months ending 31 December of the respective year | 2 Share of orders from existing customers in relation to total number of orders | 3 Sources: Sempora, Insight Health, Shop Apotheke; Zur Rose Group market share is an aggregate number of Segment DE, apo-rot, Eurapon, medpex and Vitalsana marketshare 2017 | 4 Basket size equals average value of the purchase per order | 5 Number of orders per active customer and year

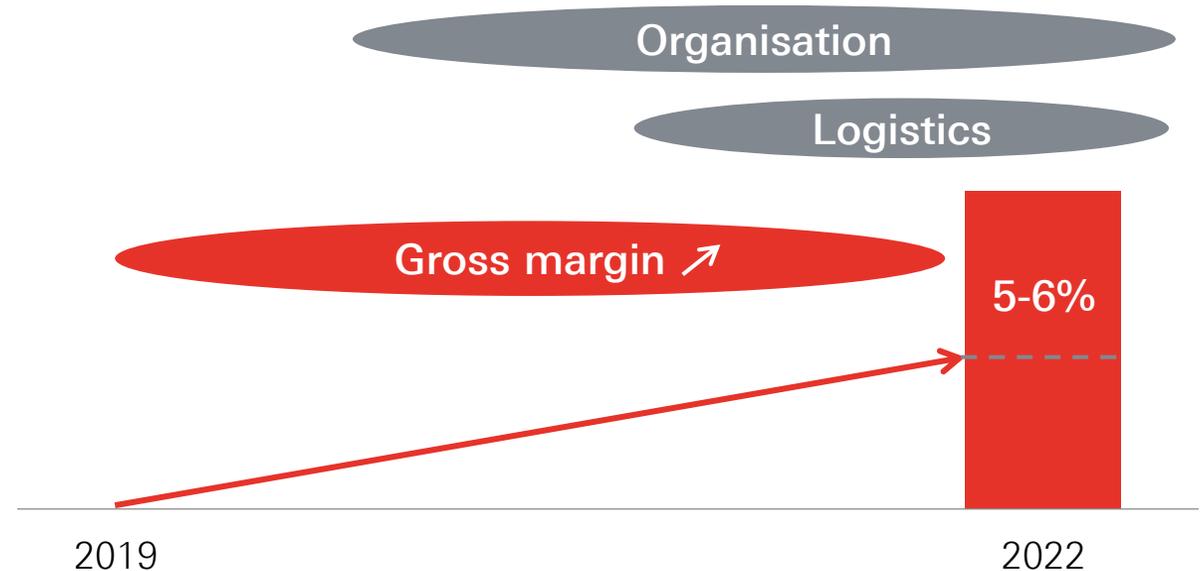
## Profitability

# Break-even on EBITDA level, adjusted for exceptional charges and PromoFarma



## Mid-term financial targets

Integration synergies leading to sustainable EBITDA % improvement



- Current market developments create unprecedented momentum
- The company aims to double its 2018 sales by 2022
- EBITDA target margin for 2022 is 5 to 6 percent, corresponding to CHFm 120 to CHFm 150

Outlook

# Group Outlook 2019

Management expects sales of CHF 1.6 billion (including medpex's total annual sales), corresponding to growth of over 30 percent compared to the previous year

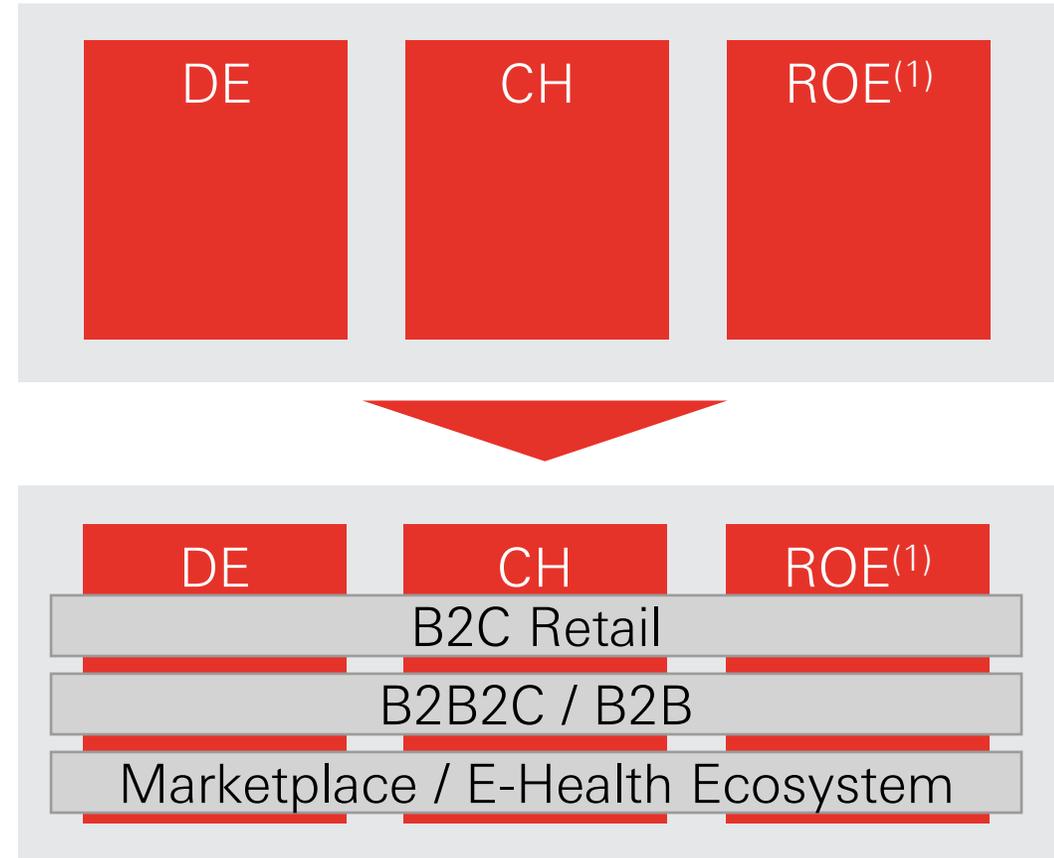
The focus remains on growth, with the aim of achieving break-even at the EBITDA level

Current trading supports guidance including medpex performance

# Strategy Update

Group:  
Target organization

## Moving towards an agile business model driven organization



- Organization historically grown on a country-based model
- Initiation of matrix layer to leverage business model know-how across borders

# Ready to change the world of pharmacy

## DE

- Integration & synergies
- eRx focus
- Regulatory

## CH

- Omnichannel
- Insurance cooperations

## ROE

- International expansion

Germany:

## 1. Integration and synergies

# Zur Rose Group integration strategy a combination of four pillars

## Brands

One brand — selected labels: maximise marketing efficiency and differentiate communication with stakeholder groups



## Organisation / Culture

One culture: same DNA and vision across the Group



## IT Platform

One platform: ensuring integrated and efficient engine for digital leadership in healthcare



## Logistics

One hub: expanded logistics center in strategic location Heerlen (NL), multiple service locations across Germany to remain



Germany:  
1. Integration and synergies

**Integration on track – first milestones achieved**

Logistics & back-end integration



Start of warehouse construction



2018

2019



Shared services

Purchasing synergies across DE

Germany:  
1. Integration and synergies

# Integration on track – roadmap defined

Shared front- & back-end



Shared logistics



2019

2020

2021

2022



Shared organisation/culture



One brand – selected labels

Germany:

1. Integration and synergies

# M&A strategy bringing new talent & capabilities on board



- «Best in Class» industry know-how
- Highly motivated to drive change

Germany:  
2. eRx focus in Germany

## E-script is finally coming

- Law for Higher Security in the Supply of Medication includes electronic prescriptions - required regulations to be agreed within 7 months after promulgation of law and passed German Kabinett on 30 January
- Techniker Krankenkasse initiated first e-script project in Germany

Germany:  
2. eRx focus in Germany

# Increasing online penetration through eRx expected, unlocking substantial upside potential



Illustrative, assuming constant E-commerce market share and total market size

Germany:  
2. eRx focus in Germany

## eRx readiness

### Technology

eRx software in place in order to shape the design of the future architecture

### Awareness

Boost awareness of e-prescription via broad marketing campaign

### Regulatory

Extend participation in pilot projects to accelerate big-scale implementation



Germany:  
3. Regulatory

## Rx ban off the table – ongoing discussions around alternatives

- Spahn's proposal of a bonus cap rejected by pharmacy association
- Discussions about alternatives ongoing
- EU Commission issued reasoned opinion to Germany in regards to the fixed price system and its restriction of free movement of goods

Switzerland:  
1. Omnichannel

## Roll-out of Shop-in-Shop format after successful pilot phase



New Openings  
2018

Basel  
Zurich

12%

Price advantage  
on Rx<sup>(1)</sup>

Up to 40%

Price advantage  
on OTC & BPC<sup>(2)</sup>

Switzerland:  
2. Insurance cooperations

## Roll-out further alternative insurance models



- Pressure on insurance companies to establish alternative, cost efficient models is increasing
- Attractive pricing and quality increasing digital services
- Negotiations with big insurance companies regarding new cooperations ongoing

Rest of Europe  
1. Expansion

# Market entry France & Italy



- Roll-out of marketplace model as go-forward platform for growth
- Jumpstart into France via Doctipharma acquisition
- Integration of Doctipharma into existing platform
- Market entry Italy targeted next
- Potential for same day, same hour delivery within Europe

# Thank you

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## Zur Rose Group financials

# Income Statement

	2018		2017		2016	
	CHF m	%	CHF m	%	CHF m	%
<b>Sales</b>	<b>1207.1</b>	<b>100.0</b>	<b>982.9</b>	<b>100.0</b>	<b>879.5</b>	<b>100.0</b>
Cost of goods	(1015.9) <sup>(1)</sup>		(836.3)		(747.6)	
Other income	3.1 <sup>(1)</sup>		9.7		5.4	
Personnel expenses	(93.7)	(7.8)	(78.3)	(8.0)	(60.2)	(6.8)
Marketing expenses	(41.3)	(3.4)	(33.7)	(3.4)	(22.2)	(2.5)
Distribution expenses	(33.1)	(2.7)	(26.6)	(2.7)	(22.7)	(2.6)
Administrative expenses	(24.9)	(2.1)	(27.4)	(2.8)	(21.5)	(2.4)
Rent expenses	(6.0)		(4.2)		(3.6)	
Other operating expenses	(7.9)		(7.3)		(5.1)	
<b>EBITDA</b>	<b>(12.5)</b>	<b>(1.0)</b>	<b>(21.2)</b>	<b>(2.2)</b>	<b>2.1</b>	<b>0.2</b>
D&A	(18.9)		(17.1)		(9.2)	
<b>EBIT</b>	<b>(31.4)</b>	<b>(2.6)</b>	<b>(38.3)</b>	<b>(3.9)</b>	<b>(7.1)</b>	<b>(0.8)</b>
Financial result	(7.1)		1.8		(5.6)	
<b>EBT</b>	<b>(38.5)</b>	<b>(3.2)</b>	<b>(36.5)</b>	<b>(3.7)</b>	<b>(12.7)</b>	<b>(1.4)</b>
Income tax expenses	(0.6)		0.2		(0.1)	
<b>Net income</b>	<b>(39.1)</b>	<b>(3.2)</b>	<b>(36.3)</b>	<b>(3.7)</b>	<b>(12.8)</b>	<b>(1.5)</b>

## Zur Rose Group financials

# Balance Sheet

	31 Dec 2018		31 Dec 2017 restated <sup>(1)</sup>		31 Dec 2016	
	CHF m	%	CHF m	%	CHF m	%
Cash and cash equivalents	230.7		107.8		25.2	
Current financial assets	0.2		0.2		0.2	
Trade receivables	92.3		84.0		71.4	
Other receivables & prepaid expenses	24.2		22.3		14.6	
Inventories	69.4		59.3		48.3	
<b>Current assets</b>	<b>416.7</b>	<b>57.4</b>	<b>273.5</b>	<b>59.2</b>	<b>159.6</b>	<b>61.0</b>
Property, plant & equipment	34.3		29.7		26.2	
Intangible assets	264.6		147.6		63.1	
Other assets <sup>(2)</sup>	10.9		11.0		12.5	
<b>Non-current assets</b>	<b>309.8</b>	<b>42.6</b>	<b>188.3</b>	<b>40.8</b>	<b>101.9</b>	<b>39.0</b>
<b>Total assets</b>	<b>726.5</b>	<b>100.0</b>	<b>461.8</b>	<b>100.0</b>	<b>261.5</b>	<b>100.0</b>
Current financial liabilities	3.5		10.4		50.0	
Trade payables	83.1		75.3		70.7	
Other payables & accrued expenses <sup>(3)</sup>	32.3		33.4		17.5	
<b>Short-term liabilities</b>	<b>119.0</b>	<b>16.4</b>	<b>119.1</b>	<b>25.8</b>	<b>138.2</b>	<b>52.8</b>
Non-current financial liabilities	30.6		32.0		9.1	
Bonds	114.1		0			
Pension liabilities	13.7		13.0		8.9	
Deferred taxes	5.5		3.5		1.5	
<b>Long-term liabilities</b>	<b>163.9</b>	<b>22.6</b>	<b>48.5</b>	<b>10.5</b>	<b>19.5</b>	<b>7.5</b>
<b>Equity</b>	<b>443.6</b>	<b>61.1</b>	<b>294.2</b>	<b>63.7</b>	<b>103.8</b>	<b>39.7</b>
<b>Total equity and liabilities</b>	<b>726.5</b>	<b>100.0</b>	<b>461.8</b>	<b>100.0</b>	<b>261.5</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

	2018	2017	2016
CHF m			
Net income	(39.1)	(36.3)	(12.8)
D&A	18.9	17.1	9.2
Non cash items financial result	4.7	(4.6)	2.2
Non cash income and expenses	2.0	3.6	2.8
Income taxes paid	0.6	(0.1)	(0.2)
Change in trade receivables, other receivables and prepaid expenses	(12.2)	(13.1)	(4.9)
Change in inventories	(10.3)	1.0	(13.8)
Change in trade payables	4.1	6.4	3.7
Change in provisions	(1.8)	3.8	(0.1)
<b>Cash flow from operating activities</b>	<b>(33.2)</b>	<b>(22.2)</b>	<b>(13.8)</b>
Acquisition of subsidiaries, net of cash acquired	(108.6)	(40.9)	(2.2)
Purchase of property, plant and equipment	(10.3)	(5.1)	(3.0)
Acquisition of intangible assets	(21.2)	(16.6)	(16.9)
Investments/ (disposal) of financial assets	(0.2)	0.3	(1.0)
<b>Cash flow from investing activities</b>	<b>(140.3)</b>	<b>(62.2)</b>	<b>(23.1)</b>
Proceeds from capital increases	191.1	222.4	42.8
Increase in financial liabilities	114.1	0.0	0.0
Repayment of financial liabilities	(1.8)	(56.1)	(3.9)
Purchase of treasury shares	(6.4)	(0.4)	(0.2)
Dividends paid	-	-	(1.6)
<b>Cash flow from financing activities</b>	<b>297.1</b>	<b>165.9</b>	<b>37.0</b>
<b>Total cash flow</b>	<b>123.6</b>	<b>81.5</b>	<b>0.1</b>
Fx differences	(0.6)	1.1	0.0
Zur Rose Group			

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