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Zur Rose Group

2017 Results - Analyst & Media Conference

Walter Oberhänsli | Marcel Ziwica

21 March 2018

Highlights and Lowlights

Highlights and Lowlights

Successful IPO, raising

215 million

CHF in net proceeds

Growth strategy

**Revenue up
11.8%**

**Refocusing of
Halle facility
with a downside:
40 jobs cut**

One year after ECJ ruling

**Double-digit
Rx growth in
Germany**

38.7%
**OTC sales growth
in Germany**

Further expansion of European market leadership

Acquisitions

Eurapon and Vitalsana

6.5%

**sales growth in doctors' supply
business in Switzerland**

**Discussion of
ban on Rx mail-
order business
continues**

**First shop-in-
shop pharmacy
opened in
Switzerland**

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35%

with a downside:

sales growth in doctors' supply

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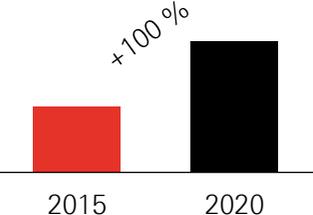
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Delivery

Achievements 2017

Successful execution of strategy communicated during IPO

Base / short-term initiatives			Upside / mid- to long-term initiatives		
1	2	3	4	5	6
Give dynamic to core profit base	Lead the market in Rx	Obtain market leadership in OTC & BPC	Intensify cooperations with insurance companies	Innovate with e-health solutions	Acquisitions and international expansion
		 <p style="text-align: center;">+100%</p> <p style="text-align: center;">2015 2020</p>			
			 		
Operational excellence and economies of scale					

1 Give Dynamic to Core Profit Base

Cooperations as drivers for growth

B2B

B2C

*med***base**

MIGROS

Initiative

Doctors wholesale (B2B)

- Exclusive wholesaler for more than 40 Medbase practices

Health platform (B2C)

- Medbase health platform with direct link to the Zur Rose webshop

Shop-in-shop pharmacies

- Exclusive pharmaceutical partner
- First shop-in-shop pharmacy in Switzerland
- Opening of at least two shop-in-shop pharmacies targeted for 2018

Effect

22

New Medbase practices added to customer base

+6.5%

Overall B2B sales growth rate 2017

12%

Average price advantage compared to traditional pharmacies on Rx

+15.5%

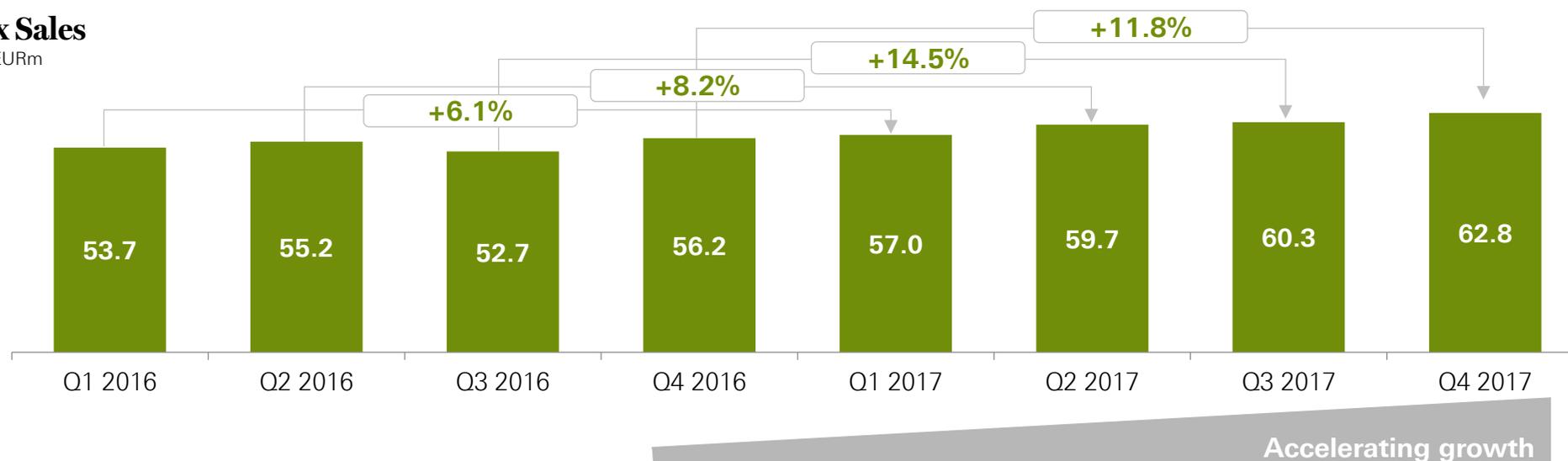
Overall B2C sales growth rate Q4 2017

②+③ Lead the Market in Rx and OTC

DocMorris sales growing at +18.8% in FY2017

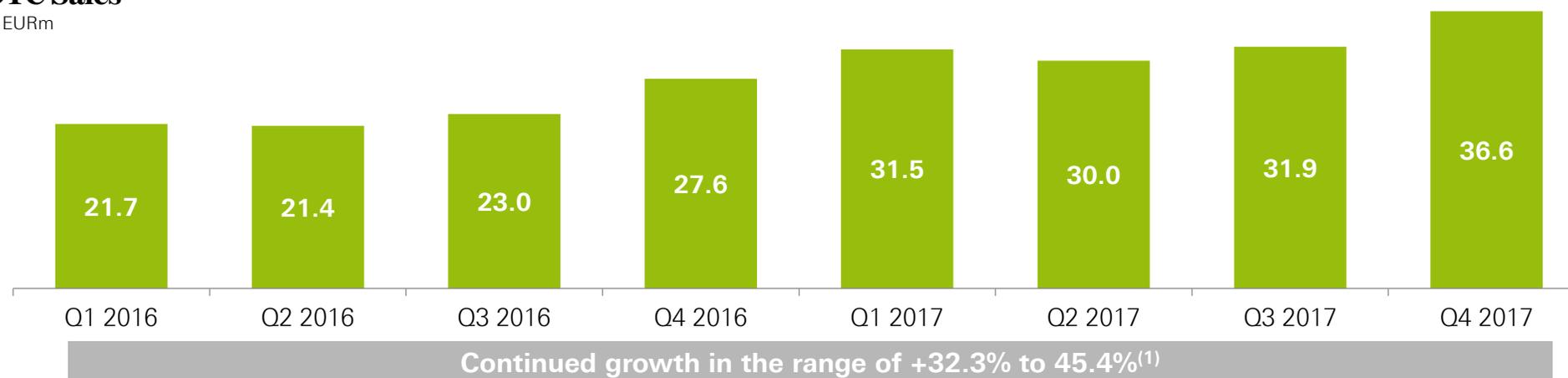
Rx Sales

In EURm



OTC Sales

In EURm

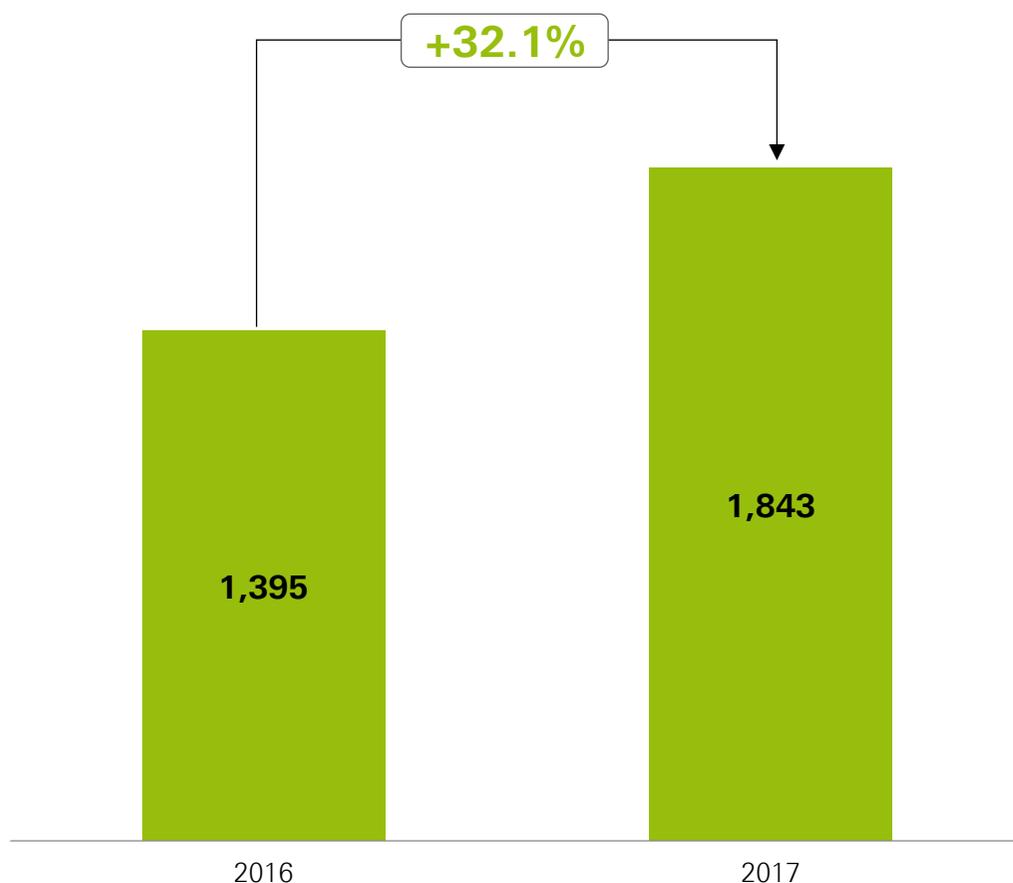


②+③ Lead the Market in Rx and OTC

KPIs DocMorris: Strong growth in active customers due to successful marketing campaigns

Active customers⁽¹⁾

In thousands



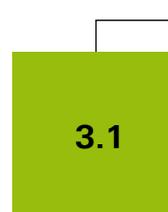
Repeat order rate⁽²⁾

84%
FY 2016

83%
FY 2017

Order frequency⁽³⁾

in #

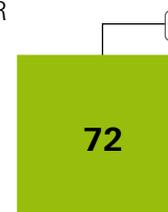


2016

2017

Basket size⁽⁴⁾

In EUR



2016

2017

Higher growth in OTC compared to Rx leading to declining average order frequency and basket size

②+③ Proposed Rx Ban

German Coalition Agreement includes intention to ban Rx mail-order

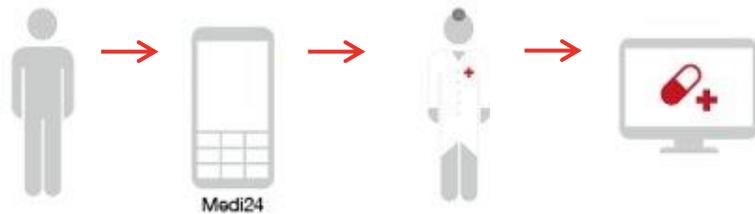
A ban on Rx mail-order would...

- be incompatible with the German constitution and European Law⁽¹⁾
- limit patients freedom of choice
- take time and require consent of numerous stakeholders to be approved

Zur Rose Group and other e-commerce pharmacies will take all necessary legal and operational steps.

4 Intensify Cooperations with Insurance Companies

Win-win-situation for insurance companies and patients

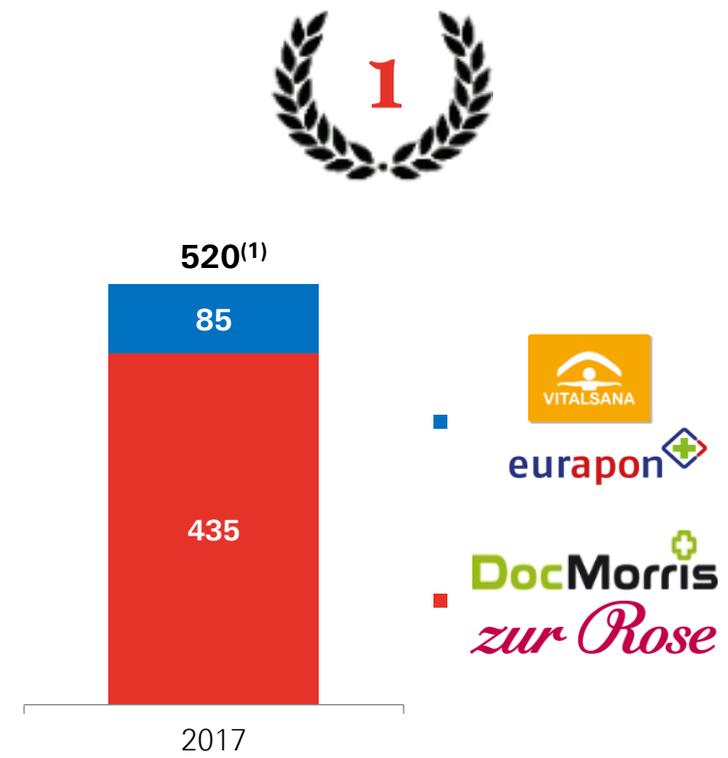
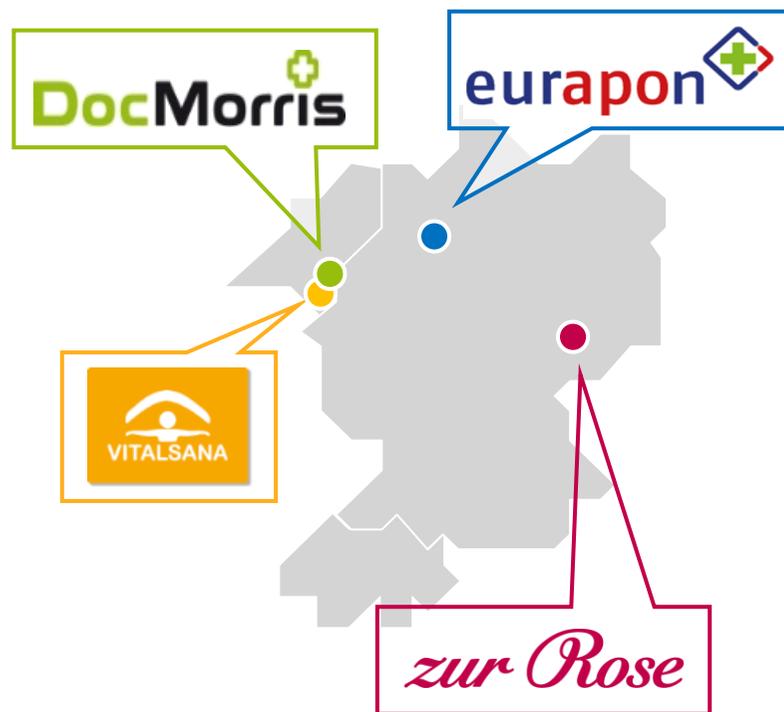


20% discount on insurance premium

- Launch of new insurance product including telemedicine and mail order pharmacy services
- Pharmaceutical supply via Zur Rose
- Use of generic drugs where possible

6 Acquisitions and International Expansion

Eurapon and Vitalsana acquisitions strengthen position as largest e-commerce pharmacy in Germany



Financials

Guidance 2017: All Targets Achieved

Successful delivery on communicated strategy

Target	Achievement
1. Organic sales growth rate of around +10% in local currencies	+10.7%
2. Negative EBITDA adjusted by one-offs expected in the range of CHF 4-6 million	(6.0) million CHF
3. Repayment of outstanding CHF 50 million bond in December 2017	Fully repayed December 7th
4. Closing of acquisition of German target	Eurapon & Vitalsana

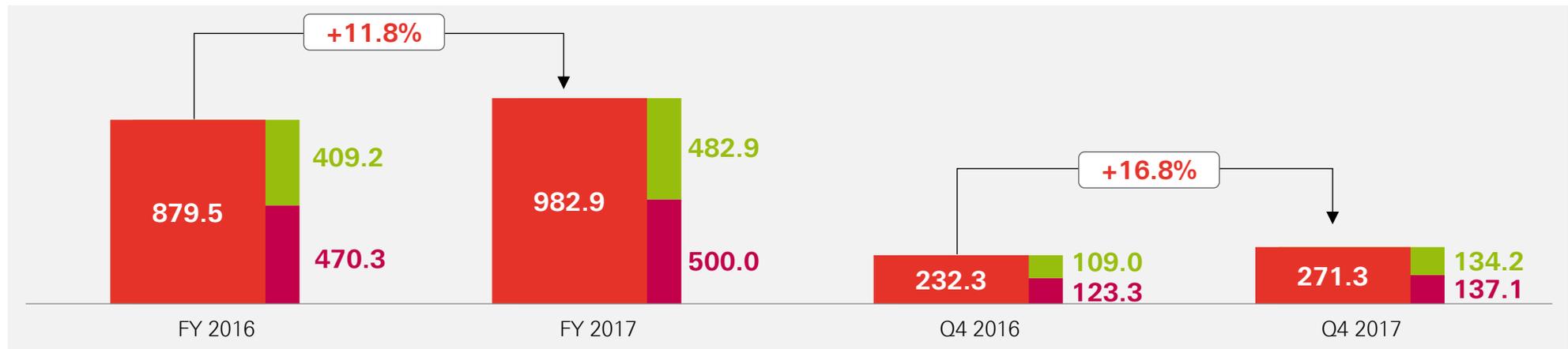
Zur Rose Group sales

Double-digit growth

Sales

FY/Q4 2016 vs FY/Q4 2017, CHFm
YoY growth (%)

Group
Switzerland
Germany



- Strong fourth quarter with group sales up +16.8% accelerates full year growth rate to +11.8% (10.7% in local currencies)
- Growth in both segments Switzerland and Germany
- Market positions solidified

Segment Switzerland

Strong performance

Sales

FY/Q4 2016 vs FY/Q4 2017, CHFm

YoY growth (%)



- B2B sales with continued growth momentum in Q4 (+7.7%)
- B2C sales with double-digit growth rate in Q4 (+15.5%)
- Strong overall performance in Q4 (+11.2%) leading to FY growth rate of +6.3%

Segment Germany

Continued strong growth profile

Sales (local currency)

FY/Q4 2016 vs FY/Q4 2017, EURm

YoY growth (%)



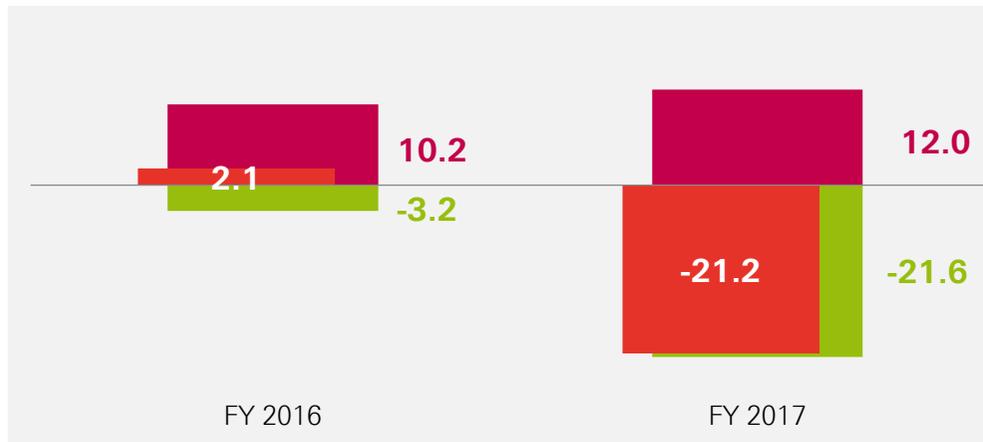
- Double-digit Rx sales growth in FY 2017 (+10.2%) supported by continued growth in fourth quarter (+11.8%)
- Continued high growth rates in OTC sales
- Segment Germany sales up +15.8% in FY 2017

EBITDA

Growth strategy leading to negative EBITDA

EBITDA

FY 2016 vs FY 2017, CHFm
YoY growth (%)



EBITDA adj.⁽¹⁾

FY 2016 vs FY 2017, CHFm
YoY growth (%)

Group⁽²⁾
Switzerland
Germany



- Increase in profitability in Segment Switzerland versus FY 2016
- Growth strategy in Germany and one-offs leading to negative EBITDA
- EBITDA adjusted by costs and expenses resulting from IPO, M&A, restructuring and IAS 19

Key Figures

Key figures adjusted in 1000 CHF	2017	% of sales	2016	% of sales	Delta in %
Sales	982,921	100.0	879,535	100.0	+11.8
Gross profit	154,105	15.7	131,927	15.0	+16.8
Personnel expenses	71,673	7.3	59,589	6.8	+20.3
Advertising expenses	33,666	3.4	22,212	2.5	+51.6
Other operating income & expenses	54,725	5.6	47,425	5.4	+15.4
EBITDA adjusted⁽¹⁾	-5,959	-0.6	2,701	0.3	n.m.
EBIT adjusted⁽¹⁾	-18,068	-1.8	-6,513	-0.7	n.m.
Net Profit/Loss adjusted⁽¹⁾	-16,121	-1.6	-12,192	-1.4	n.m.
	31.12.17⁽²⁾	Ratio	31.12.16	Ratio	Delta in %
Equity	294,223	64.4	103,806	39.7	+183.4
FTEs	1106		752		+47.1

- Increasing gross margin due to faster growth in higher margin B2C and service business
- Increased marketing spendings leading to double-digit growth
- Significant increase of equity ratio

Outlook

Growth Initiatives

Continuation of growth strategy

Base / short-term initiatives			Upside / mid- to long-term initiatives		
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Give dynamic to core profit base	Lead the market in Rx	Obtain market leadership in OTC & BPC	Intensify cooperations with insurance companies	Innovate with e-health solutions	Acquisitions and international expansion
			 		
			 		
Operational excellence and economies of scale					

1 Give Dynamic to Core Profit Base

Roll-out of further shop-in-shop pharmacies after successful launch in 2017

Attractive pricing

12%

Price advantage on Rx ⁽¹⁾

10-35%

Price advantage on OTC & BPC⁽²⁾

At least 2 new shop-in-shop pharmacies in 2018



②+③ Lead the Market in Rx and OTC

Viral launch of new marketing campaign

Ambient/ Guerilla



Landing Page



Social Media



Out of Home



2.5
million
people reached via
social media

②+③ Lead the Market in Rx and OTC

Campaign focused on progress and diverse target customers



**GESTALTEN
WIR DIE
ZUKUNFT,
BEVOR SIE
DA IST.**

DocMorris
Die Apotheke.



**FORTSCHRITT
BEGINNT,
WO STILLSTAND
ENDET.**

DocMorris
Die Apotheke.



**FORTSCHRITT
STELT SICH
NICHT IN WARTESCHLANGEN.**

DocMorris
Die Apotheke.



**WARUM
FORTSCHRITT
NICHT IN
WARTESCHLANGEN
STEHT.**

Keiner entscheidet sich gern dafür in einer Warteschlange stillzustehen. Besonders, wenn man krank ist. Deswegen braucht es Fortschritt in der Gesundheitsversorgung. Echte Alternativen, die uns selbst entscheiden lassen, wie wir warten. Und bei manchem sogar, ob wir es überhaupt tun. Es braucht die Möglichkeit, jede Minute zu nutzen, damit es uns besser geht. Es braucht Apotheken mit dem Anspruch, dass Selbstbestimmung und Unabhängigkeit das Wichtigste sind. Für jeden Patienten. Ob offline oder online. Ob abholen oder liefern lassen. Ob Warteschlange oder nicht. Es gibt kein Richtig oder Falsch. Denn das kann jeder Mensch für sich selbst entscheiden.

Individualisierung für Patienten. Wenn es um individuelle Therapie geht, muss die Wirksamkeit immer im Fokus bleiben. Dabei helfen die Digitalisierung und technischer Fortschritt und ermöglichen in Zukunft einfachere Gesundheitsvorsorge.

Nähe zu Patienten. Die Digitalisierung macht uns erreichbarer und vernetzter. Nicht nur privat oder beruflich, sondern auch in der Gesundheitsversorgung. Distanzen werden abgebaut und Arzt, Apotheker und Patient rücken näher zusammen.

Neuartige Produkte für Patienten. Digitale Services verändern den Gesundheitsmarkt. Sie verkürzen und vereinfachen Prozesse, die für mehr therapeutische Freiheit und eine verbesserte Patientenbeziehung sorgen.

Doch wir haben noch mehr vor:

Bessere Behandlung für Patienten. Durch transparentes Handeln können wir den Wissensaustausch zwischen Patient, Arzt, Apotheke und Krankenkasse verbessern. Und die bestmögliche Versorgung für den Patienten schaffen.

Erfahren Sie mehr über uns auf [DocMorris.de](https://www.docmorris.de)

DocMorris
Die Apotheke.

4 Intensify Cooperations with Insurance Companies

Win-win-situation for insurance companies and patients

Changing framework in Switzerland...

- Decision Swiss Federal Council: Prospective risk compensation starting 2020
- Circular Swiss Federal Office for Health: Insurance companies requested to prove discounts on premiums for alternative insurance products by actually generated savings after 3 years

...favoring Zur Rose's offering

- Alternative insurance models and managed care solutions
- Solutions focused on optimising medication supply for chronically ill patients
- Reduction of healthcare costs through 12% lower prices on Rx⁽¹⁾ and use of generic drugs where possible



Helsana

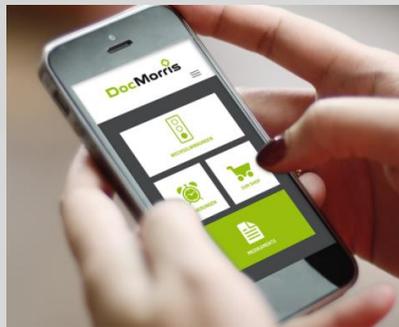
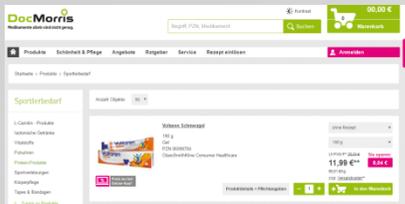


5 Innovate with E-Health Solutions

Development of new e-health platform

Today

High performance webshop



hybris

- Broad Rx and OTC & BPC product range
- 24/7 web shop and extended counselling hours
- Next day delivery for 90% of orders
- >10% conversion rate⁽¹⁾

Tomorrow

E-Health platform

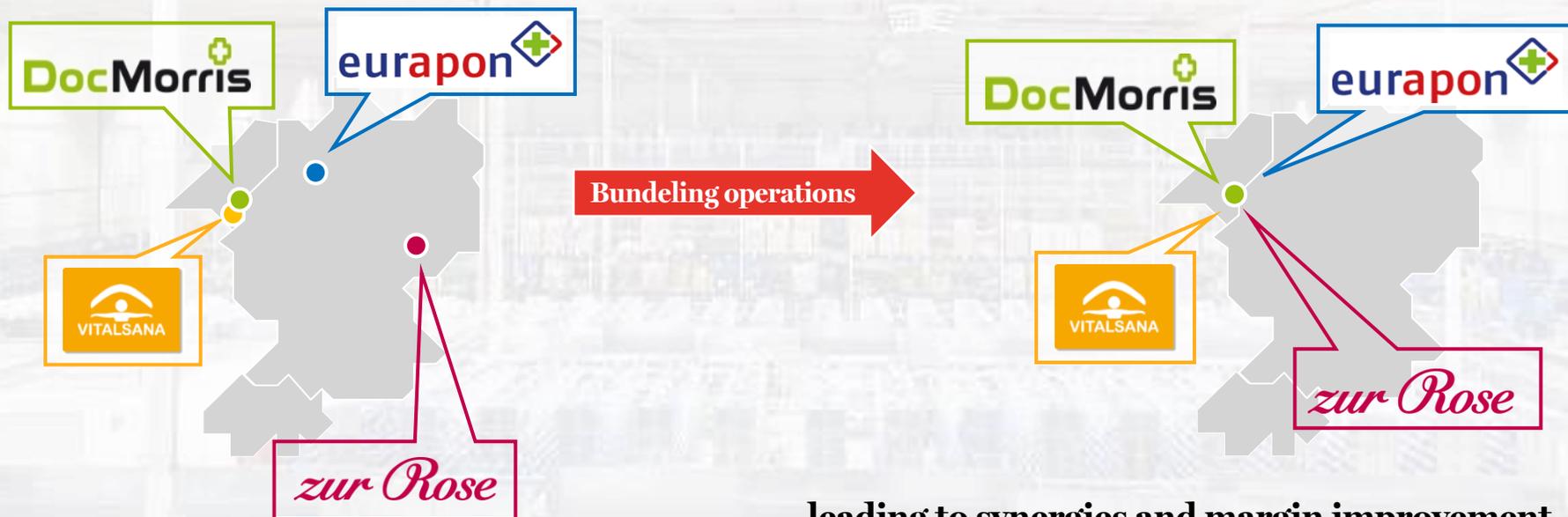


- Next level technology
- Increasing entry barrier and basis for growth
- Microservice based architecture allowing for agile product development and flexibility

6 Acquisitions and International Expansion

Moving Eurapon and Vitalsana to the DocMorris platform

Pooling a significant proportion of operations in Heerlen...



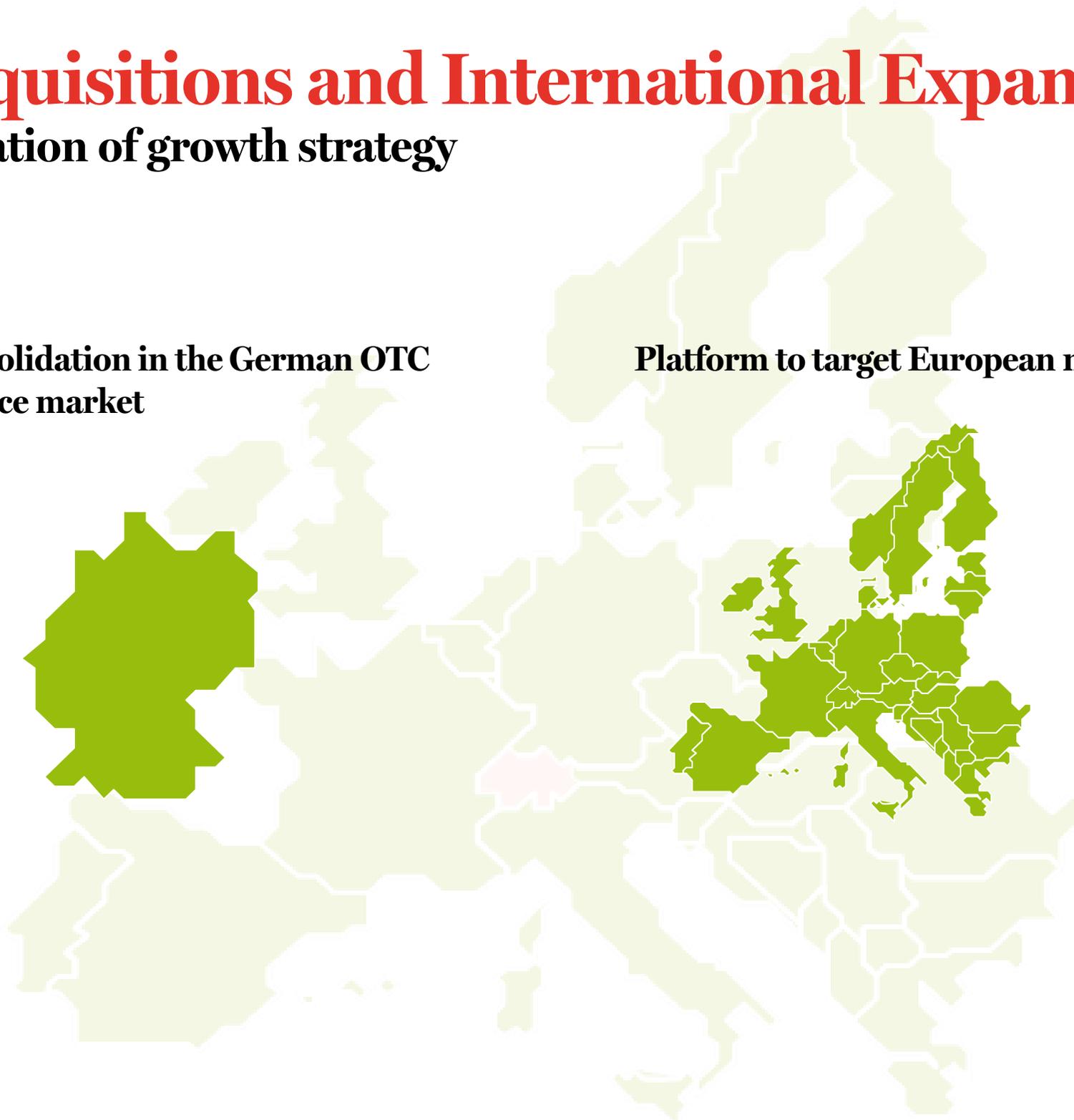
...leading to synergies and margin improvement.

⑥ Acquisitions and International Expansion

Continuation of growth strategy

Lead consolidation in the German OTC
e-commerce market

Platform to target European market



Outlook

Group Outlook 2018

- Management expects sales growth of above +20% in local currencies on group level, driven by double-digit organic growth and closed acquisitions
- Management targets break-even on EBITDA level adjusted by one-offs
- Taking advantage of mid-term profitable growth opportunities prioritized over short-term EBITDA improvement, in order to extend leadership position in a dynamic market environment

Outlook

Mid-term financial targets (2021)

Mid-term financial targets remain unchanged:

Sales

- CH: Mid single-digit growth rate
- DE: Organic growth rate in the mid- to high-teens

EBITDA

- Group: Mid-term margin target of +4-5%

Information

Investor Information

Listing:	SIX Swiss Exchange
Currency:	CHF
Ticker symbol:	ROSE
ISIN:	CH0042615283
Listing date:	6 July 2017

Contact Information

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Event Calendar

18 April 2018	Q1 Trading Update
24 May 2018	Annual General Meeting
15 August 2018	2018 Half-Year Results
24 October 2018	Q3 Trading Update

Q&A

Income Statement Zur Rose Group

	2017		2016	
	CHFm	%	CHFm	%
Sales	982.9	100.0	879.5	100.0
Material expenses	(836.3)		(747.6)	
Other income	9.7		5.4	
Personnel expenses	(78.3)		(60.2)	
Marketing expenses	(33.7)		(22.2)	
Distribution expenses	(26.6)		(22.7)	
Administrative expenses	(27.4)		(21.5)	
Rent expenses	(4.2)		(3.6)	
Other operating expenses	(7.3)		(5.1)	
EBITDA	(21.2)	(2.2)	2.1	0.2
D&A	(17.1)		(9.2)	
EBIT	(38.3)	(3.9)	(7.1)	(0.8)
Financial result	1.8		(5.6)	
EBT	(36.5)	(3.7)	(12.7)	(1.4)
Income tax expenses	0.2		(0.1)	
Net income	(36.3)	(3.7)	(12.8)	(1.5)
Reported EBITDA	(21.2)		2.1	
Adjustments	15.2 ⁽¹⁾		0.6 ⁽²⁾	
Adjusted EBITDA	(6.0)		2.7	

Balance Sheet Zur Rose Group

	31 -Dec 2017		31 -Dec 2016	
	CHFm	%	CHFm	%
Cash and cash equivalents	107.8		25.2	
Current financial assets	0.2		0.2	
Trade receivables	84.1		71.4	
Other receivables & prepaid expenses	21.7		14.6	
Inventories	58.6		48.3	
Current assets	272.3	59.6	159.6	61.0
Property, plant & equipment	29.7		26.2	
Intangible assets	143.7		63.1	
Other assets ⁽¹⁾	11.0		12.5	
Non-current assets	184.4	40.4	101.9	39.0
Total assets	456.8	100.0	261.5	100.0
Current financial liabilities	5.6		50.0	
Trade payables	75.3		70.7	
Other payables & accrued expenses ⁽²⁾	33.4		17.5	
Short-term liabilities	114.3	24.8	138.2	52.8
Non-current financial liabilities	32.0		9.1	
Pension liabilities	13.0		8.9	
Deferred taxes	3.2		1.5	
Long-term liabilities	48.3	10.6	19.5	7.5
Equity	294.2	64.4	103.8	39.7
Total equity and liabilities	456.8	100.0	261.5	100.0

Cash Flow Statement Zur Rose Group

CHFm	2017	2016
	31 -Dec	31 -Dec
Net income	(36.3)	(12.8)
D&A	17.1	9.2
Non-cash items financial result	(4.6)	2.2
Non cash income and expenses	3.6	2.8
Income taxes paid	(0.1)	(0.2)
Change in trade receivables, other receivables and prepaid expenses	(13.1)	(4.9)
Change in inventories	1.0	(13.8)
Change in trade payables	6.4	3.7
Change in provisions	3.8	(0.1)
Cash flow from operating activities	(22.2)	(13.8)
Acquisition of subsidiaries, net of cash acquired	(40.9)	(2.2)
Purchase of property, plant and equipment	(5.1)	(3.0)
Acquisition of intangible assets	(16.6)	(16.9)
Investments/ (disposal) of financial assets	0.3	(1.0)
Cash flow from investing activities	(62.2)	(23.1)
Proceeds from capital increases	222.4	42.8
Repayment of financial liabilities	(56.1)	(3.9)
Purchase of treasury shares	(0.4)	(0.2)
Dividends paid	-	(1.6)
Cash flow from financing activities	165.9	37.0
Total cash flow	81.5	0.1
Fx differences	1.1	0.0

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