



# Bond investor update

December 2018



euroflorist

# Agenda

- 1 Introduction of new CEO
- 2 Business & market update
- 3 Financial update
- 4 Appendix - *financials*



# Mats Brandt

New CEO appointed 1 October 2018



## Mats Brandt

**Age:** 54 years

**Experience:** 30 years

**Education:** Handelshögskolan i Stockholm & IMD

Selected experience:






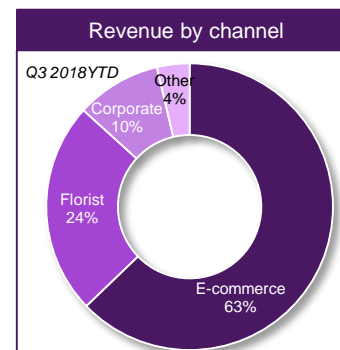
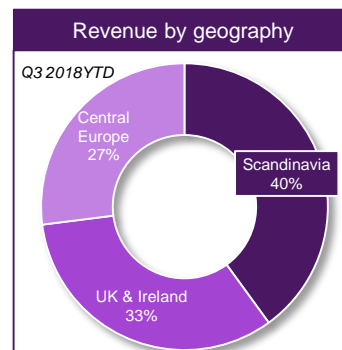
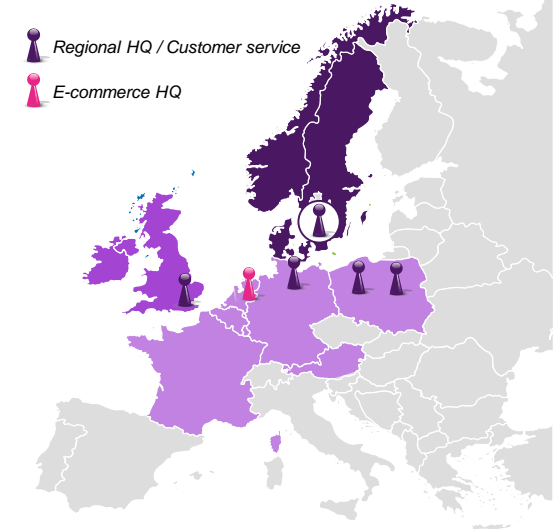
# Euroflorist at a glance – the leading pan-European flower gift company

## Comments

- Established 1982 in Sweden, Malmö
- Leading e-commerce flower gift business with operations in 12 countries
- Unique distribution network through associated florist shops providing same day delivery capabilities
- >2,000,000 orders per year and interaction with 4,000,000 customers and receivers
- Track-record of long profitable e-commerce growth
- Proprietary IT and web platform across all countries
- Scalability and best practice within e-commerce across the geographies

## Pan-European presence spanning 12 countries

Country	Business unit	# of orders <sup>1</sup>	Market position <sup>2</sup>
	Scandinavia	~740k	#2
	UK & Ireland	~780k	#2
	Central Europe	~610k	#4



**SEK ~1bn**  
Q3 18' LTM revenue

**SEK ~270m**  
Q3 18' LTM gross profit

**SEK ~50m**  
Q3 18' LTM EBITDA

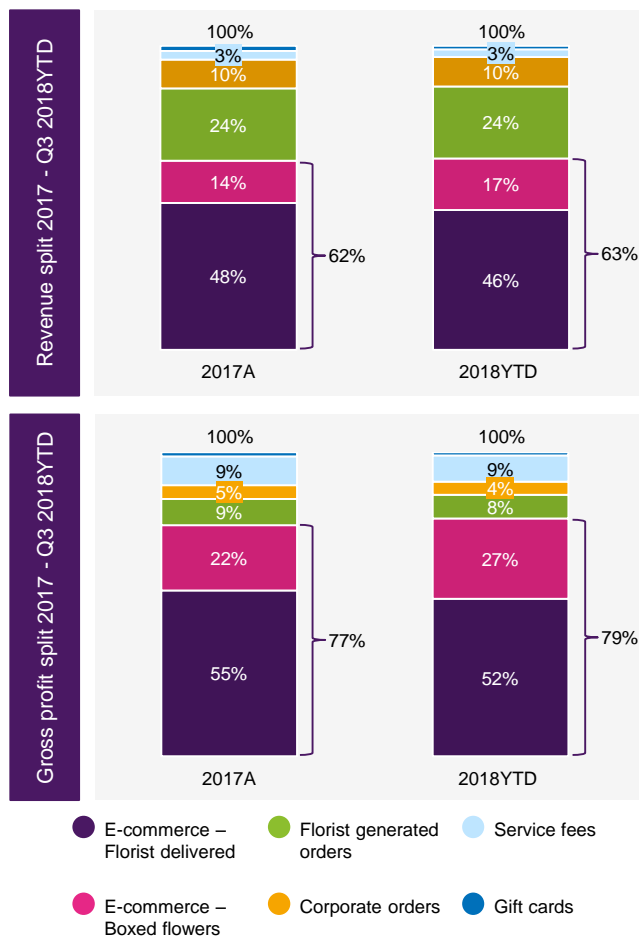
**~80%**  
of GP from e-commerce

**>35**  
years history

**~200**  
employees in 6 offices

# Diversified, but increasingly online-focused, revenue and profit streams

## Euroflorist's principle revenue streams



### Revenues generated from consumers and corporate customers

#### E-commerce Florist delivered

- Flower orders generated online or through a mobile phone
- Flowers delivered by florists in Euroflorist's network
- Flowers can be delivered the same day



#### Florist generated orders

- Flower orders generated through a florist and delivered by a florist



#### E-commerce Boxed flowers

- Flower orders generated online or through a mobile phone
- Orders delivered by a box supplier
- Flowers can be delivered the next day



#### Corporate orders

- Flower orders from companies and white-label partners
- Order can be delivered by florists or through box supplier



### Revenues generated from florists<sup>1</sup>

#### Service fees

- Fees paid by florists to be part of the Euroflorist network



#### Gift cards

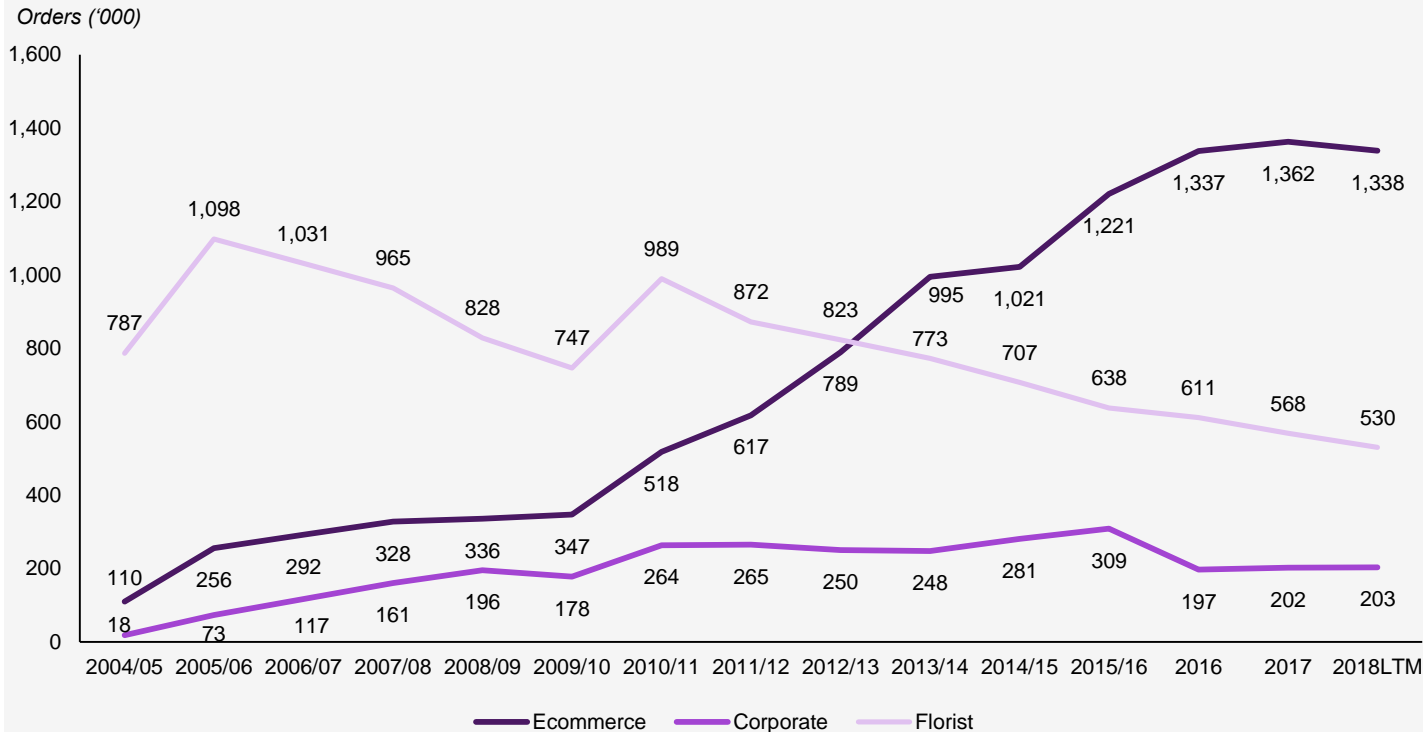
- Sale of gift cards to florists that can be resold to consumers and redeemed at any Euroflorist florist
- Gift cards are also sold directly to corporate customers



# Euroflorist has grown into an e-commerce business

## Development of orders and e-commerce penetration

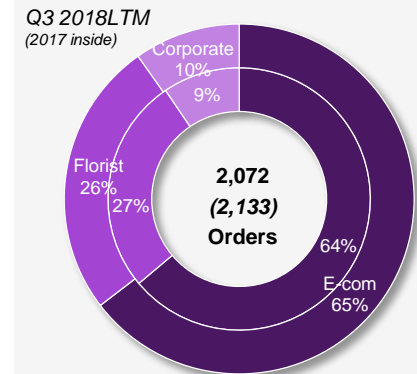
Volume development, all regions



CAGR: 2009/10 – 2018Q3

E-commerce	23%
Corporate	2%
Florist	-4%
<b>Total</b>	<b>8%</b>

Share of total volumes:



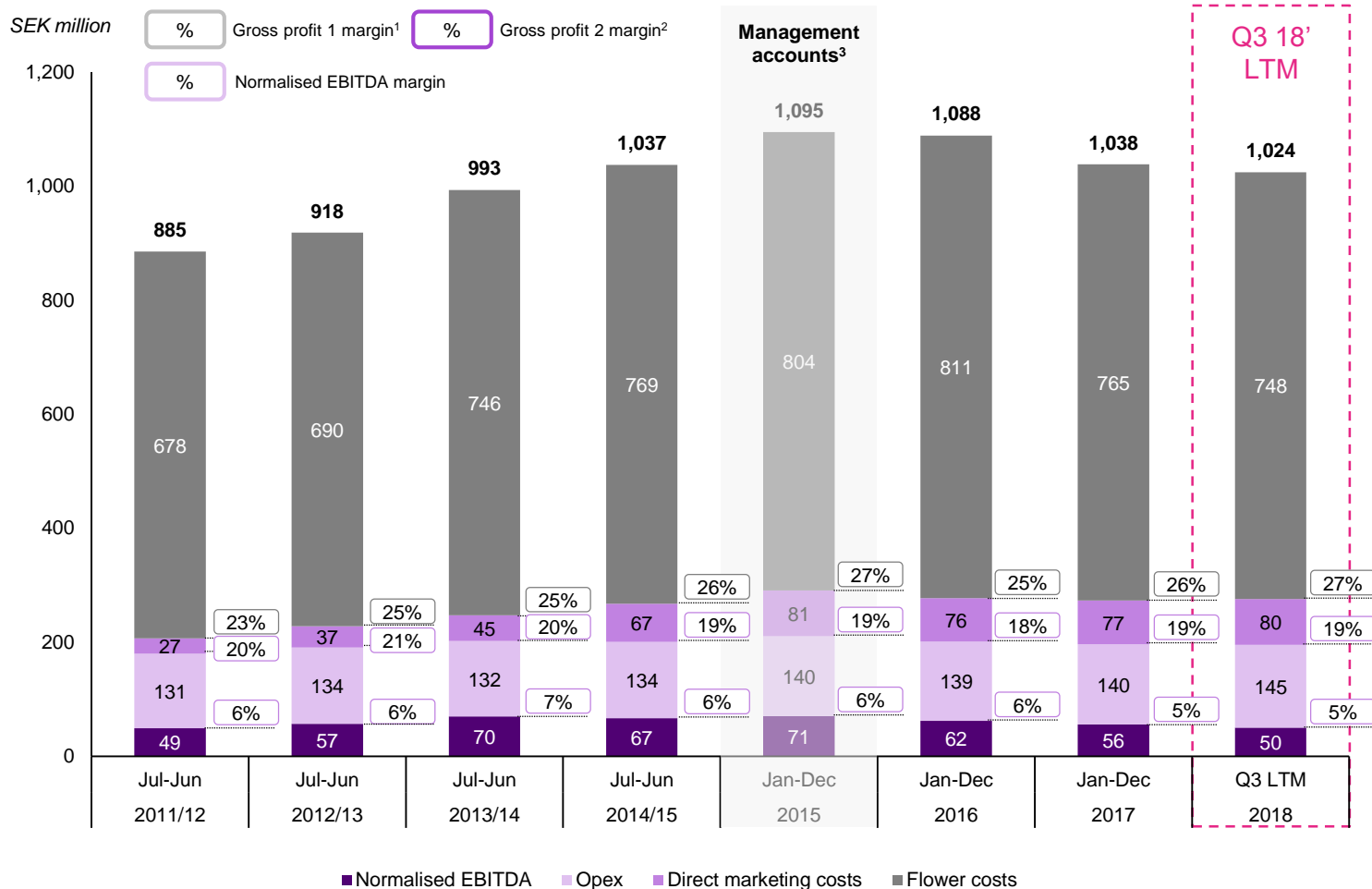
E-commerce has grown from constituting ~10% of orders in 2004/05 to ~65% in 2018LTM

# Stable revenue and margin development in 2018

## Comments

- Stable margins due to commission based model and a profitable customer acquisition strategy within e-commerce
- As the business model is commission based, with the company collecting a share of the order value, the flower cost does not impact Euroflorist's margins
- Figures are adjusted for extraordinary costs and changes in accounting principles in accordance with IFRS
- Important to note that management accounts for Jan-Dec 2015 are not fully comparable and includes two book closings (and e.g. misrepresentation of gift cards due to change in accounting principle)
- LTM EBITDA 2018 is adjusted for the capex/opex allocation of SEK 2,5m that occurred during Q4 2017

## Revenue and cost structure 2011 / Q3 2018 LTM



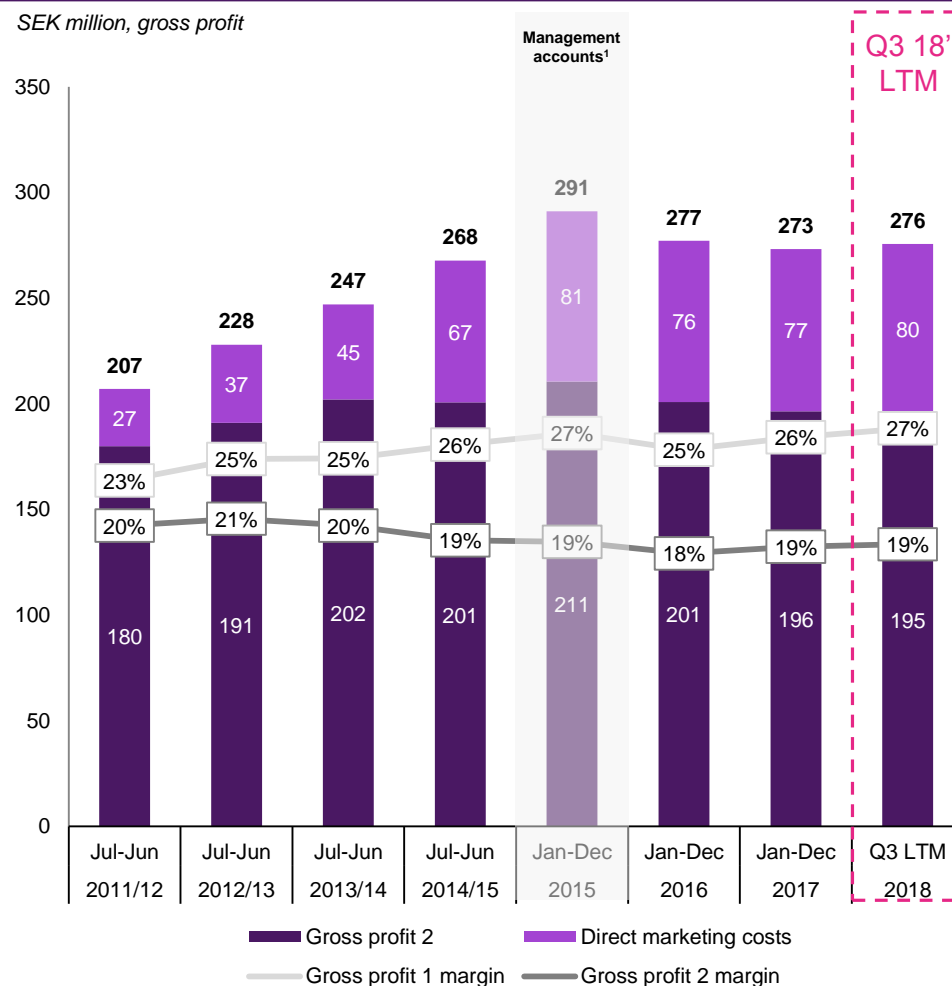
# Stable gross margin development in 2018

## Comments

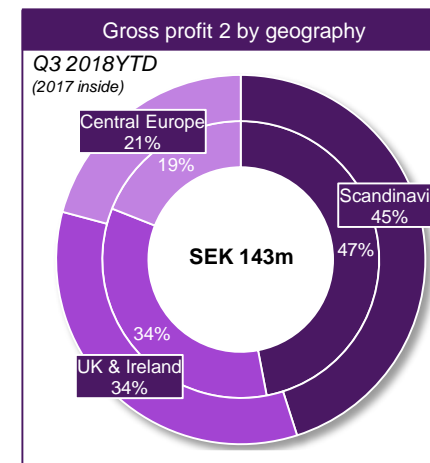
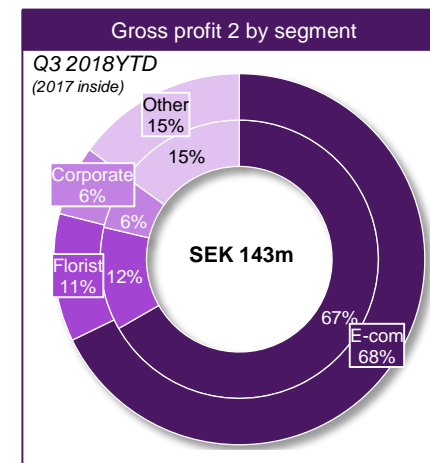
- Gross profit 1 is calculated by subtracting flower costs as well as COGS related to florist networks, gift cards and products from net sales
- Gross profit 2 includes direct marketing costs for e-commerce sales (pay per click, commission to affiliates and partners)
- Gross profit from service fees has decreased from SEK 40m in 2011/12 to SEK 23m in 2018 as a result of fewer florists in the network (enough to ensure delivery coverage)

## Development of gross profit, 2011/12 – Q3 2018LTM

SEK million, gross profit



## Gross profit splits



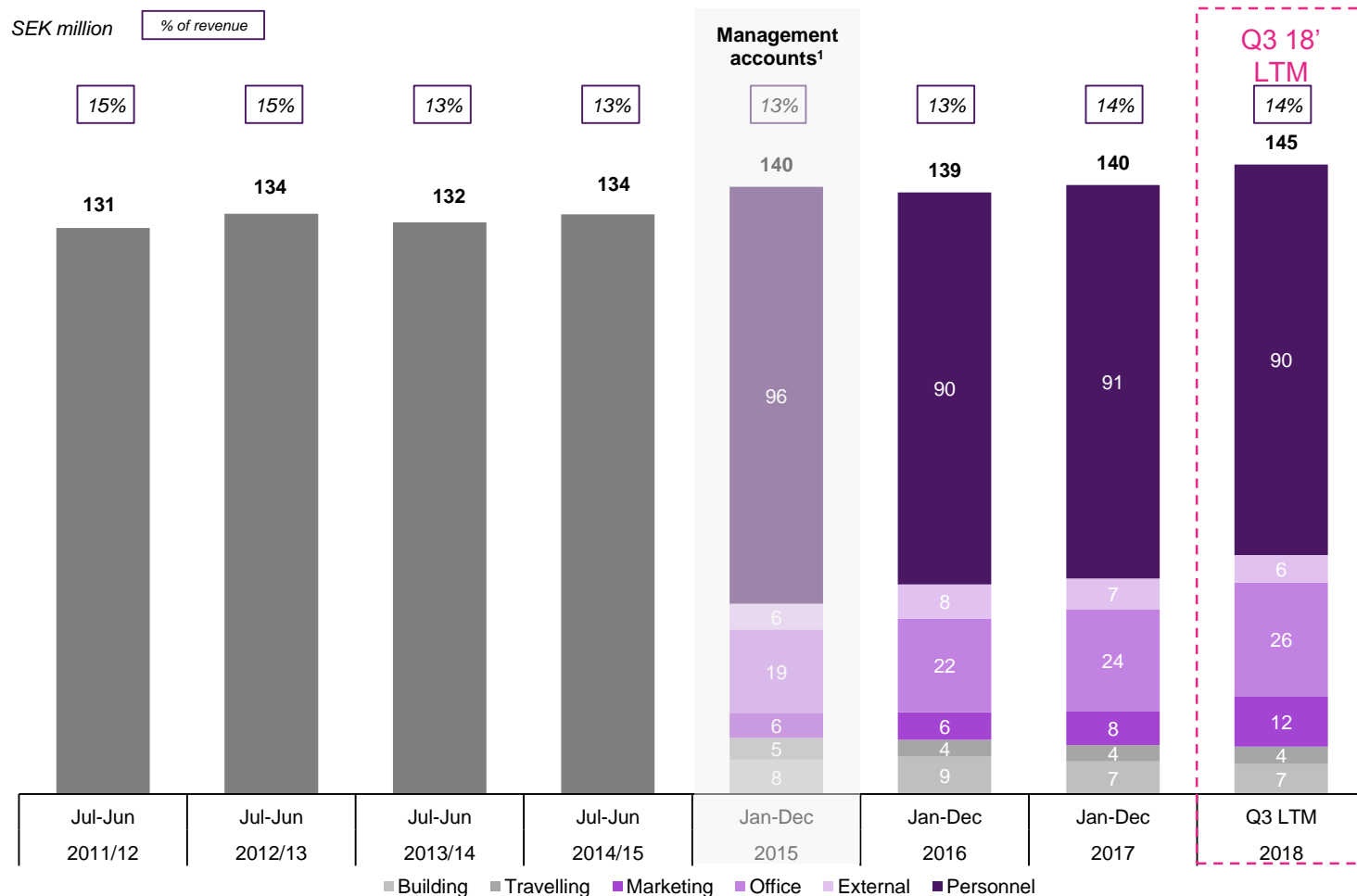


# Somewhat higher opex level following initiatives

## Comments

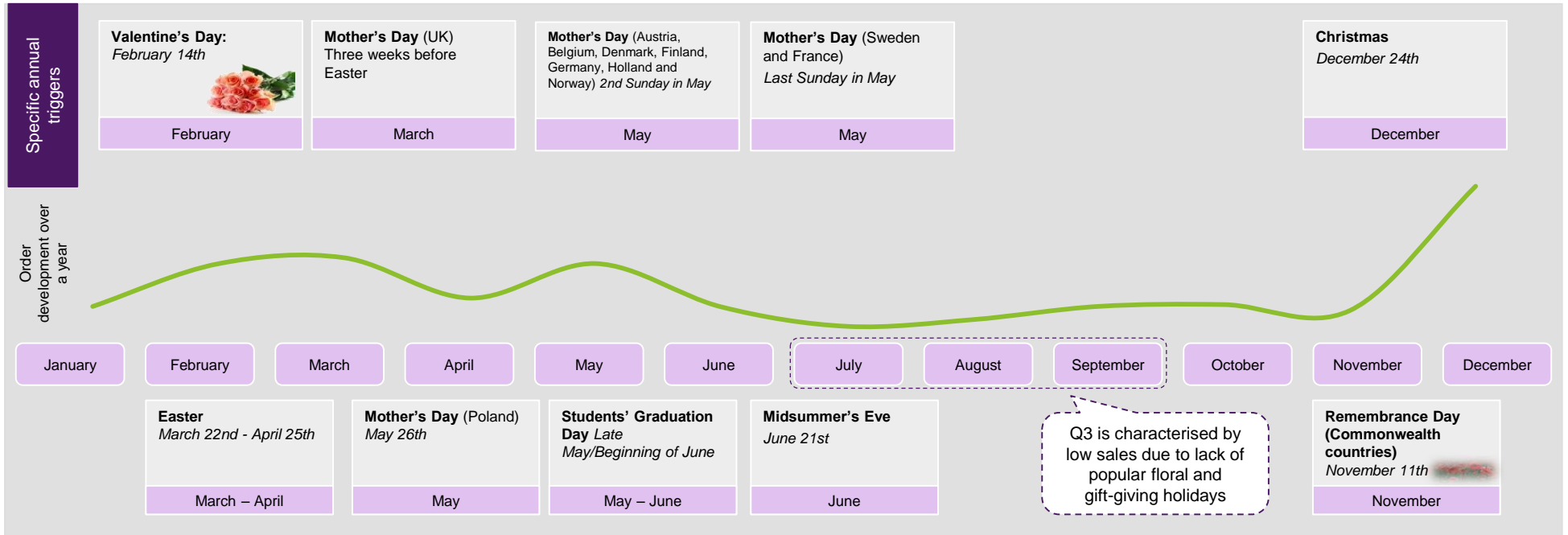
- Stable opex costs throughout the period
- Personnel costs decreased in 2016 due to management changes and efficiency savings in personnel
- Increases in absolute numbers are due to investments in IT and growth of the e-commerce organisation
- Fixed costs amounts to approximately 9% of revenues, more variable costs are customer support and corporate customers costs
- Moreover, historically and going forward, costs can be shifted internally from florist business to e-commerce, ensuring stability in operating expenses
- Initiatives in e-com driving the opex increase 2018

## Development of operating costs, 2011/12 – Q3 2018 LTM

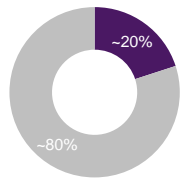


# Seasonal pattern following trigger events primarily from December to May

Several specific and general annual events trigger flower orders










Christmas, Valentine's & Mother's day orders, % of total



3 events of the year stand for ~20% of total orders

**Personal annual triggers**

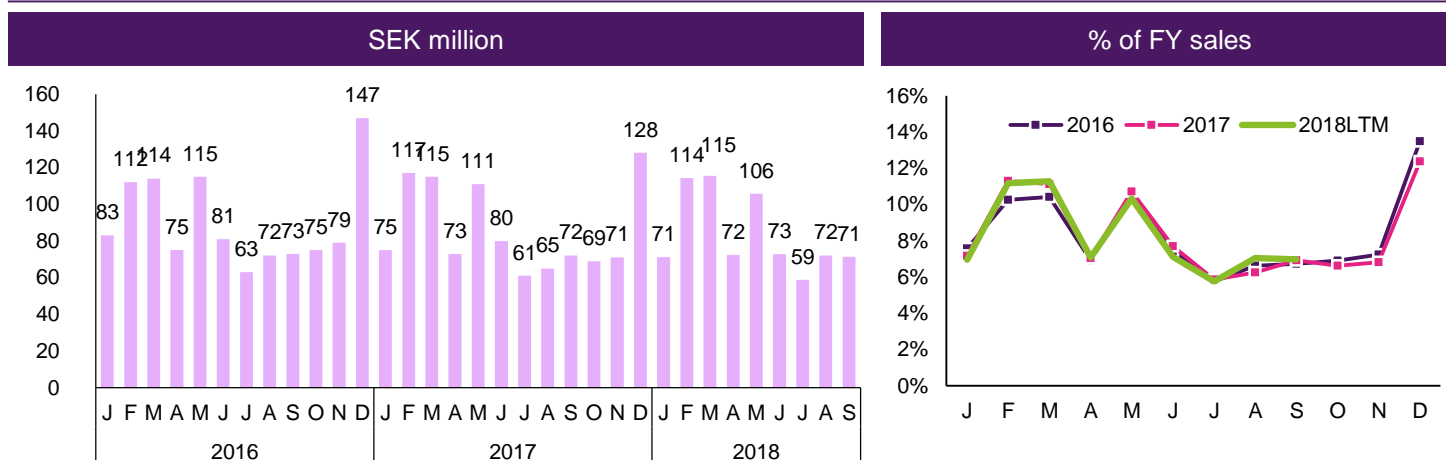
-  Birthdays
-  Weddings
-  Funerals
-  Graduations
-  Get well soon
-  Thank you
-  Other anniversaries

# Profit and cash flow follow Euroflorist's seasonal pattern, with Q3 being the smallest quarter every year in EBITDA and cash flow

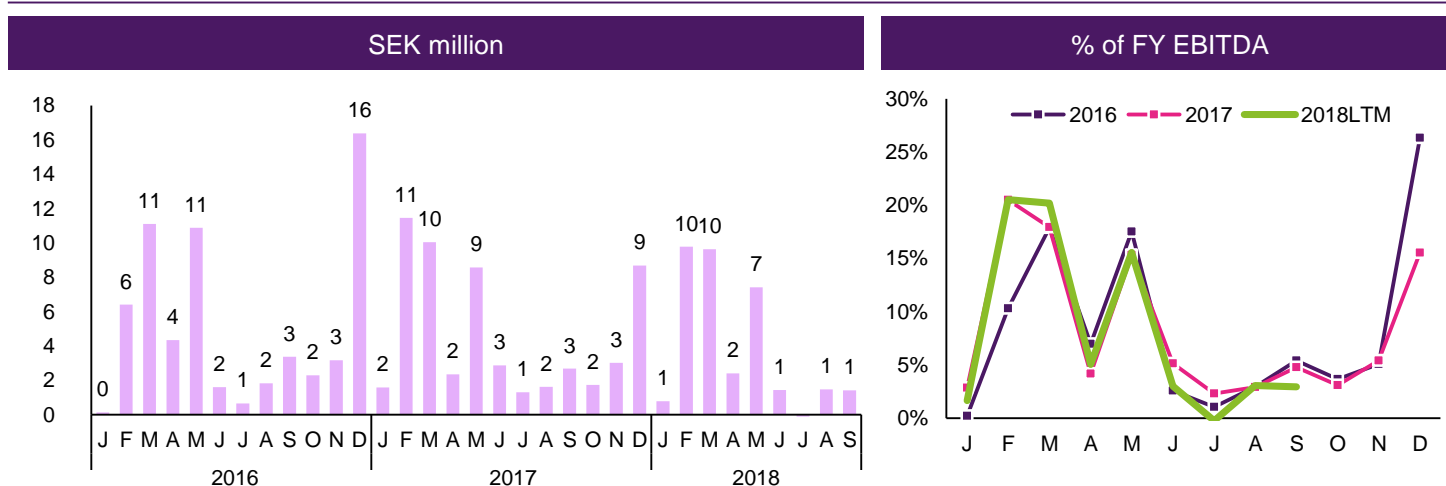
## Comments

- Euroflorist's order volumes are driven by personal recurring events such as birthdays and anniversaries, as well as general recurring events including Valentine's Day, Mother's Day and Christmas. The recurring events fuel strong demand in certain periods
  - Strong revenue in December, February, March and May
- Higher EBITDA margin during peak months demonstrate scalability in business model
- The EBITDA for December 2017 includes a capex to opex adjustment of SEK ~3m of which SEK ~2.5m is attributed to Q1-Q3 2017

## Monthly Sales



## Monthly EBITDA

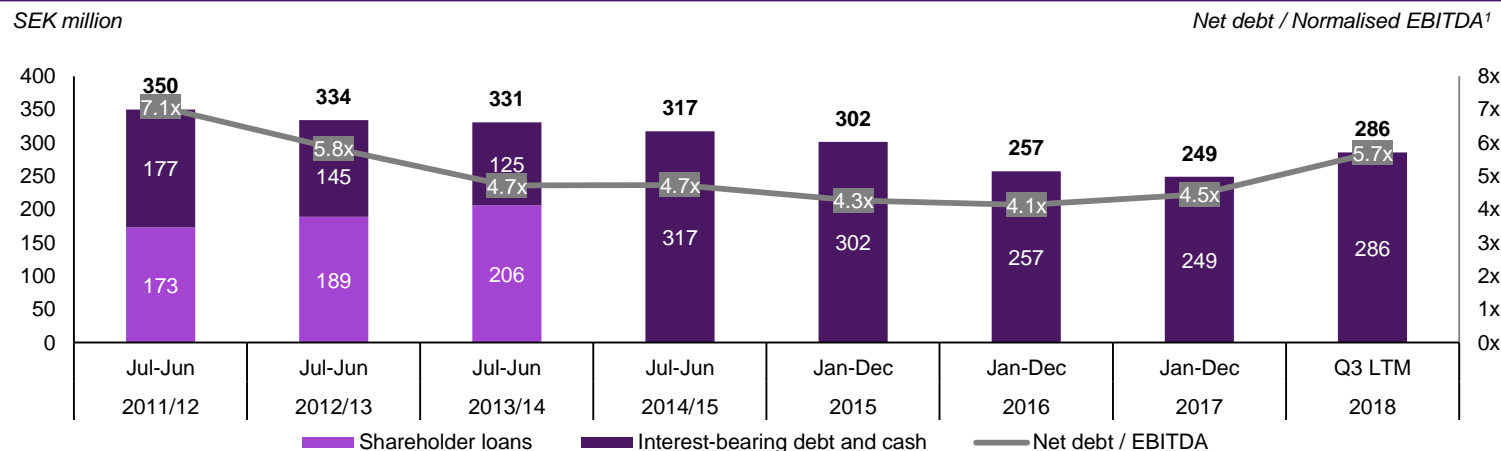


# Net debt at Q3 higher than year-end primarily due to seasonal effects

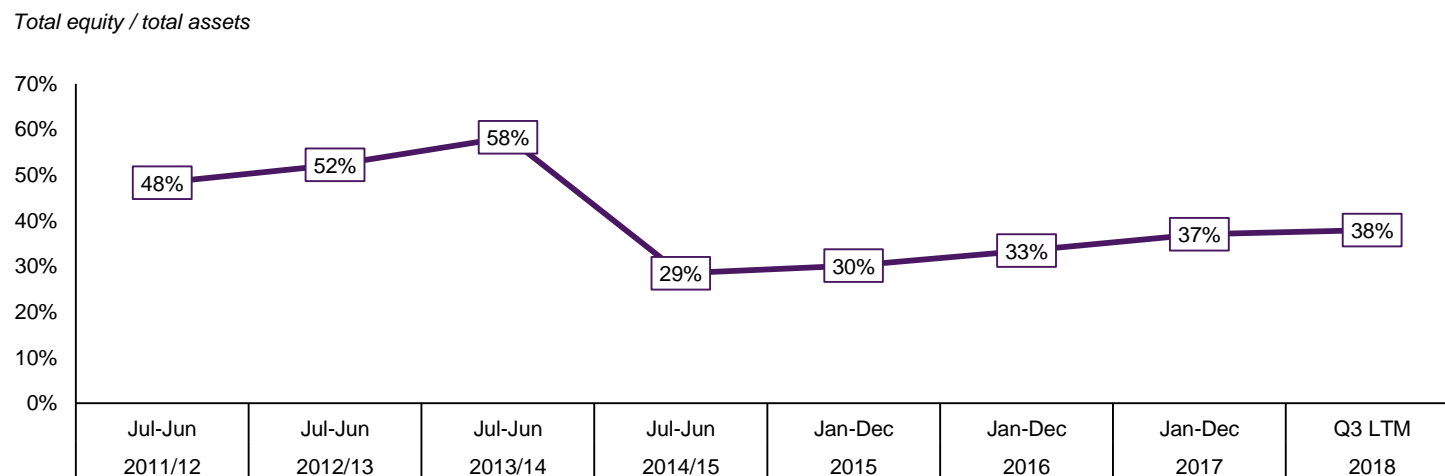
## Comments

- As of September 2018, current debt consists of:
  - SEK 280m company bond debt with STIBOR + 6,25% interest
  - SEK 30m (SEK 12m drawn) overdraft facilities with STIBOR + 2,00% interest
- Both matures in 2021
- Accretive equity contribution from operations throughout the period
- In 2014/15, shareholder loans were replaced with long-term bank debt
- Continued increased equity ratio also in Q3 2018

## Net debt and net debt to normalised EBITDA



## Equity ratio (including shareholder loans)



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# Historical profit and loss statement

Comments	Profit and loss statement 2014/15 – Q3 2018 LTM					
	SEKm	Note	2014/15	2016	2017	Q3 2018 LTM <sup>1</sup>
1. Revenue are derived from consumer-direct, corporate orders, florist-generated orders, service fees and gift cards	<b>Gross revenue sales</b>	1.	<b>1,053.3</b>	<b>1,097.8</b>	<b>1,050.3</b>	<b>1,037.4</b>
	Elimination internal sales		-16.3	-9.5	-12.3	-13.4
2. Variable cost is primarily the value of the flowers delivered, delivery fees and commission cost	Full revenue sales		1,037.0	1,088.3	1,038.0	1,024.0
	Variable costs	2.	-769.2	-811.2	-764.8	-828.6
3. Cost associated with traffic to the Euroflorist's websites (SEM), primarily pay to click	<b>Gross profit</b>		<b>267.8</b>	<b>277.2</b>	<b>273.2</b>	<b>275.7</b>
	<i>Gross margin</i>		25.4%	25.2%	26.0%	26.6%
4. Rent and other costs associated with property and buildings	Direct online marketing costs	3.	-67.1	-76.2	-76.8	-63.1
	<b>Contribution</b>		<b>200.7</b>	<b>200.9</b>	<b>196.4</b>	<b>143.3</b>
	<i>Contribution margin</i>		19.4%	18.5%	18.9%	18.8%
5. Cost of travelling and costs associated with travelling	Building expenses	4.		-8.6	-7.5	-5.2
6. Mainly florist and brand-related marketing expenses	Traveling expenses	5.		-3.9	-3.8	-3.0
	Marketing expenses	6.		-6.4	-7.7	-9.7
7. Primarily costs of office supplies and equipment	Office expenses	7.		-18.4	-23.5	-17.1
	External expenses	8.		-7.9	-7.2	-7.0
8. Includes e.g. costs for BoD, legal, transactions, insurance and security costs	Personnel expenses	9.		-90.5	-90.7	-67.2
	Dec 17' Capex/Opex adjustment	10.				2.5
	<b>Total operating expenses</b>		<b>-130.9</b>	<b>-135.6</b>	<b>-140.5</b>	<b>-145.2</b>
9. Salary, personnel taxes, personnel insurance and other various personnel related costs	<b>EBITDA (normalised)</b>		<b>69.7</b>	<b>65.4</b>	<b>55.9</b>	<b>50.1</b>
	<i>EBITDA margin</i>		6.7%	6.0%	5.4%	4.9%
10. Share of Q4 2017 capex to opex adjustment that is attributed to Q1-Q3 2017	D&A		-12.5	-13.2	-13.1	-12.5
	<b>EBITA (normalised)</b>		<b>57.2</b>	<b>52.2</b>	<b>42.8</b>	<b>37.6</b>
	<i>EBITA margin</i>		5.5%	4.8%	4.1%	3.7%
11. Includes unrealised currency effects referring to balance sheet items	Amortization PPA		0.0	-2.6	-2.1	-1.5
	<b>EBIT (normalised)</b>		<b>57.2</b>	<b>49.6</b>	<b>40.6</b>	<b>23.3</b>
	Result from financial items	11.	-34.1	-6.3	-15.1	-31.3
	Non-recurring items		-8.3	-6.4	-6.5	-7.0
	Income tax expense		-0.5	-9.4	-3.1	1.0
	<b>Net result for the period</b>		<b>14.3</b>	<b>27.5</b>	<b>15.9</b>	<b>0.4</b>

# Historical balance sheet

Comments	Balance sheet 31 Dec 2015 – Q3 2018					
	SEKm	Note	31 Dec 2015	31 Dec 2016	31 Dec 2017	30 sept. 2018 <sup>1</sup>
1. Goodwill mainly relating to previous acquisitions made by the Company	Goodwill	1.	506.0	498.6	500.2	506.1
2. Primarily capitalised IT development costs, Trademarks and Florist network	Other intangible assets	2.	71.0	66.6	63.0	62.5
	Operating equipment		4.8	3.8	2.8	2.3
	Deferred tax assets		11.0	8.3	4.7	8.6
3. Net debt includes Long-term liabilities with credit institutions, Current liabilities with credit institutions and Cash and cash equivalents	Participations in associates		0.0	0.1	0.1	0.2
	Other non-current receivables		0.0	0.5	0.5	0.5
	<b>Fixed Assets</b>		<b>592.9</b>	<b>577.9</b>	<b>571.2</b>	<b>580.1</b>
4. NWC includes: Inventories, Trade Receivables, Other receivables, Prepaid expenses and accrued income, Other provisions, Other non-current liabilities, Accounts Payable – trade, Other current liabilities and Accrued expenses and deferred income	Inventories		4.4	3.6	2.6	2.7
	Trade receivables		39.4	31.7	32.2	26.7
	Current income taxes recoverable		1.5	1.8	2.8	4.7
	Other receivables		8.5	8.4	7.0	5.5
	Prepaid expenses and accrued income		6.3	6.3	7.9	6.8
	Cash and cash equivalents		6.3	13.2	5.9	6.2
	<b>Current assets</b>		<b>66.3</b>	<b>65.0</b>	<b>58.3</b>	<b>52.5</b>
	<b>Shareholder's equity</b>		<b>199.0</b>	<b>215.0</b>	<b>233.3</b>	<b>240.2</b>
	Liabilities with credit institutions		277.6	239.0	207.6	275.0
	Deferred tax liabilities		7.7	6.6	6.2	6.2
	Other provisions		32.5	32.2	29.5	24.9
	Other non-current liabilities		9.6	7.4	6.6	6.2
	<b>Long-term liabilities</b>		<b>327.3</b>	<b>285.1</b>	<b>249.8</b>	<b>312.3</b>
	Liabilities with credit institutions		30.2	31.4	47.3	11.9
	Liabilities to shareholders		0.0	0.0	0.0	0.0
	Accounts payable – trade		78.4	88.6	80.6	48.9
	Current income tax liabilities		4.8	5.5	0.0	1.6
	Other current liabilities		3.4	3.2	5.0	3.2
	Accrued expenses and deferred income		16.1	13.9	13.5	14.4
	<b>Short-term liabilities</b>		<b>132.9</b>	<b>142.6</b>	<b>146.4</b>	<b>80.1</b>
	<b>Total equity and liabilities</b>		<b>659.2</b>	<b>642.8</b>	<b>629.5</b>	<b>632.6</b>
	<b>Net debt</b>	3.	<b>301.5</b>	<b>257.2</b>	<b>249.0</b>	<b>318</b>
	<b>NWC</b>	4.	<b>-81.4</b>	<b>-95.3</b>	<b>-85.5</b>	<b>-25.9</b>

# Historical cash flow statement

## Comments

- Inherent strong cash conversion in business model due to favourable payment terms and no inventory
- Euroflorist has continued to invest considerably in IT and its e-commerce platform
- Capex is expected to be stable around approximately SEK 10m per year going forward

## Cash flow statement 2014/15 – Q3 2018 LTM<sup>1</sup>

SEKm	2014/15	2016	2017	Q3 2018 LTM <sup>1</sup>
Normalised EBITDA	67.0	62.1	55.9	50.1
Change in NWC	1.4	14.0	-9.9	-15.4
Capital expenditure	-9.9	-11.1	-10.9	-9.2
<b>Operating cash flow</b>	<b>58.4</b>	<b>65.0</b>	<b>35.1</b>	23.1
<i>Cash conversion</i>	87%	105%	63%	46%
<b><u>Details on capital expenditure</u></b>				
Capex intangible assets	-11.3	-12.9	-10.0	-10.9
Capex tangible assets	-1.3	-1.4	-0.9	-0.8
Adjustment (intangibles): change in accounting principles	2.8	3.0		
<b>Total capital expenditure</b>	<b>-9.9</b>	<b>-11.4</b>	<b>-10.9</b>	<b>-11.7</b>



**Thank you!**