



ELLOS GROUP

ellos **Jotex** STAYHARD

Q2 financial update
to credit investors

September 2019

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The background of the slide is a collage of fashion-related images. It includes a woman in a black floral shirt and blue jeans, a close-up of hands clasped together, and a woman in a black top and dark skirt. A semi-transparent white box is overlaid on the center of the slide, containing the table of contents.

Q2 update

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Q2 Highlights

Financial development

- Good sales development despite of a very slow fashion market in May and an IT-migration project for Stayhard. Total sales for the second quarter was 641 MSEK, which represents a sales growth of 5.9%.
- The Kick Back from the payment solutions are continuing to level out vs. last year at -0.4% in the quarter.
- EBITDA¹ is growing in H1 including a significant negative impact from the weak Swedish currency, particularly in relation to the USD.

Market development²

- The sales growth was achieved despite of a tough fashion market during Q2 with Apparel at -2.1% in April, -10.5% in May and +2.1% in June. Corresponding development for shoes in Sweden was -11.5% in April, -14.3% in May and +1.5% in June.
- The Swedish fashion market had a rebound in July with Apparel at +4.9% in July, while shoes sales continued with weaker figures at -1.1%.

Other

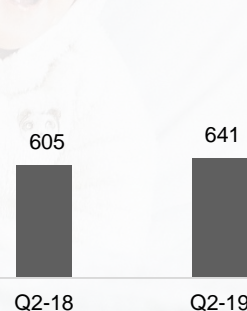
- In July 2019 FNG Group entered into an agreement with Nordic Capital to acquire all the shares in Ellos Group AB
- In combination with the signing of the SPA a bond issue of SEK 1.5bn was raised in order to finance the acquisition. The bond is currently placed in escrow pending closing of the acquisition and will refinance the existing debt on Ellos Group balance sheet
- The construction of the new Warehouse for bulky products is progressing as planned and will be operational in Q1 2020.

Revenue development

H1 2018 vs H1 2019

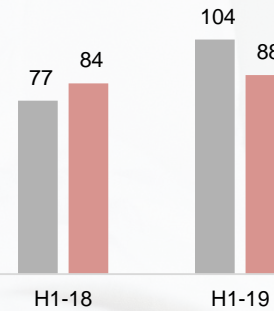


Q2 2018 vs Q2 2019

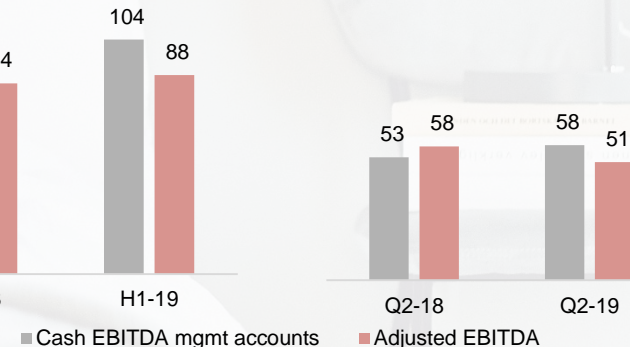


EBITDA development¹

H1 2018 vs H1 2019



Q2 2018 vs Q2 2019



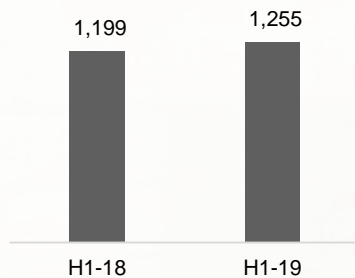
1) Please see page 10 for quality of earnings
2) Source: Svensk Handels Stilindex

Sales development

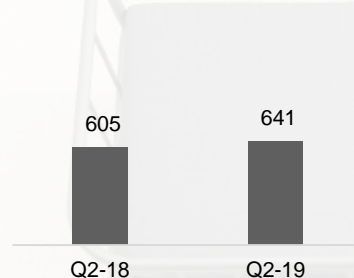
Comments

- Sales came in at 641 MSEK in Q2, which represents a sales growth of 5.9%. Strong growth for Home Categories which are up 33% while fashion sales decreased with -7%, negatively impacted by the IT-migration project for Stayhard and tough market conditions in May.
- Financial Services are continuing to level out and the Kick Back from the payment solutions are only decreasing with -0.4% in Q2. Private loans and Insurances are decreasing, leading to a total Financial Services at -4%.
- Per segment Jotex, with a pure Home offer, increased sales with 28% in Q2. Ellos sales grew with 4% with a mix of Fashion (-3%) & Home interior (+28%). Stayhard had a challenging quarter with migration to the Group ERP, which negatively affected traffic and conversion and reported sales at -32%.

H1 2018 vs H1 2019

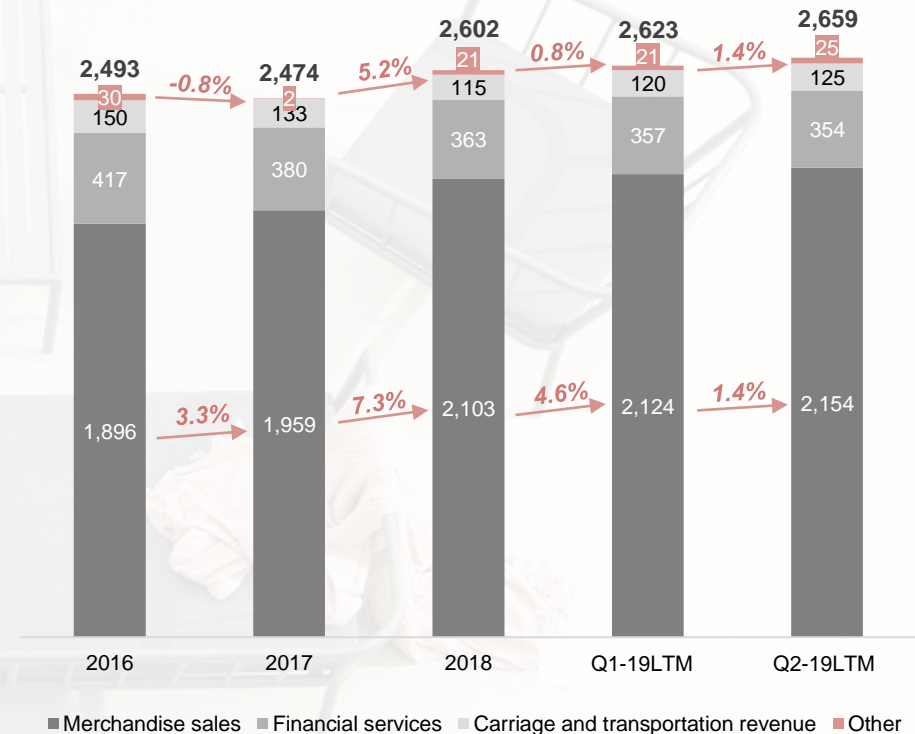


Q2 2018 vs Q2 2019

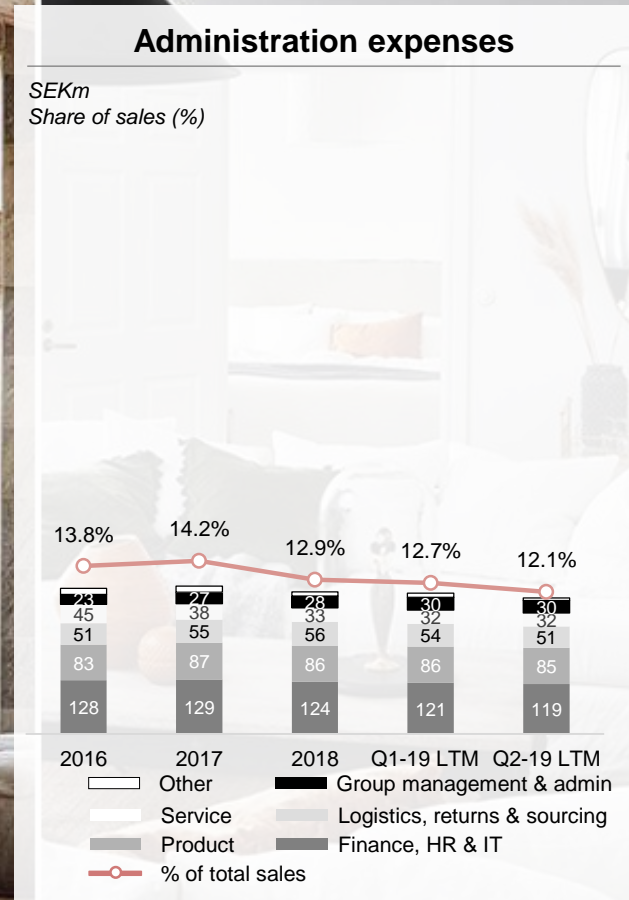
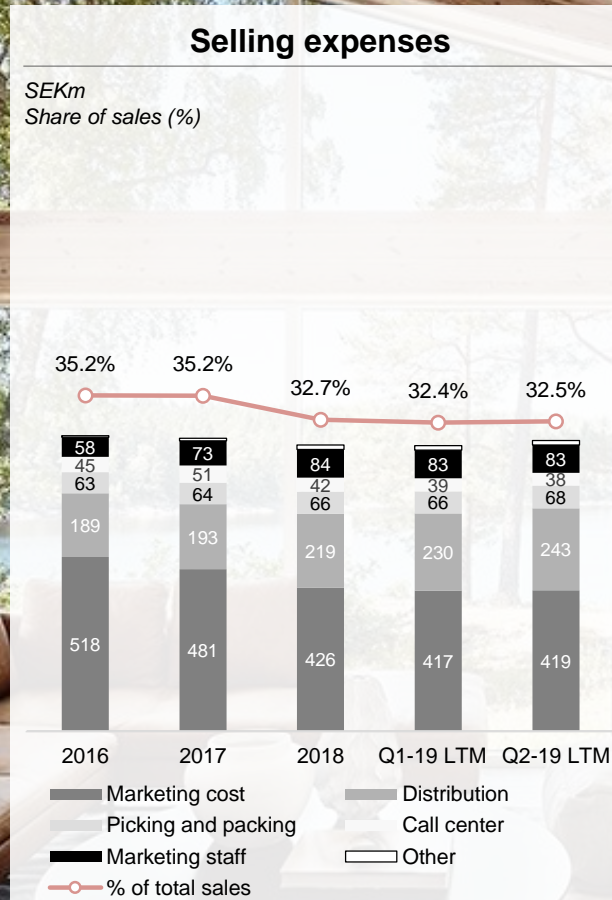
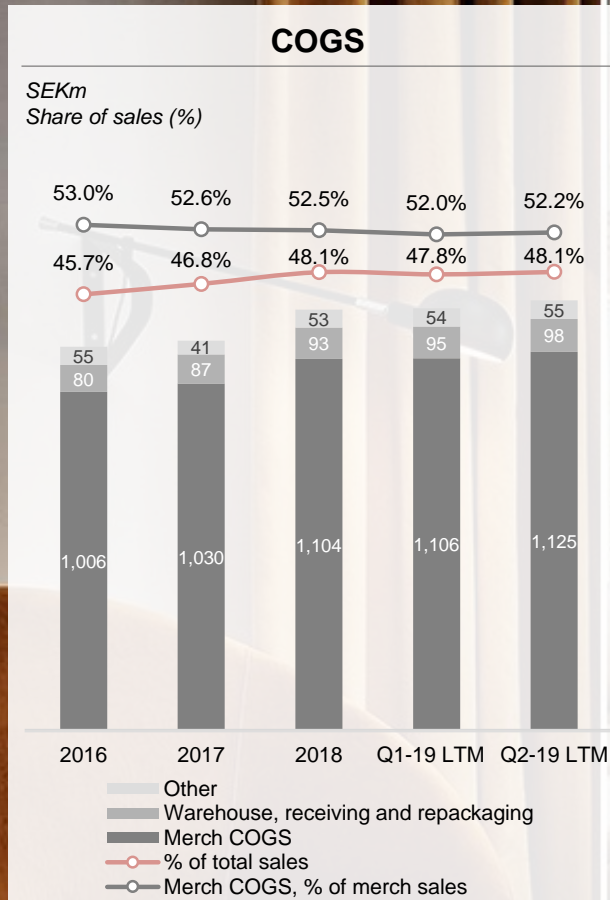


Sales development and breakdown

SEKm



Significant operational efficiencies realised in recent years across Selling and Admin expenses

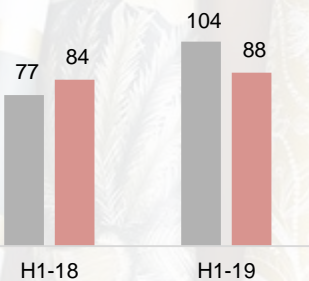


EBITDA development

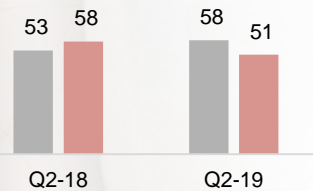
Comments

- Administration expenses decreased to 12.1% of sales on an LTM basis, primarily driven by the cost action plan launched in H2 2018 in combination with the favourable sales development.
- EBITDA is developing favourably in H1 despite of the negative impacts from the increasing USD-rate. Adjusted EBITDA LTM Q2 vs. LTM Q1, however, is decreasing with 6 MSEK to 224 MSEK due to the same reason.

H1-2018 vs H1-2019¹



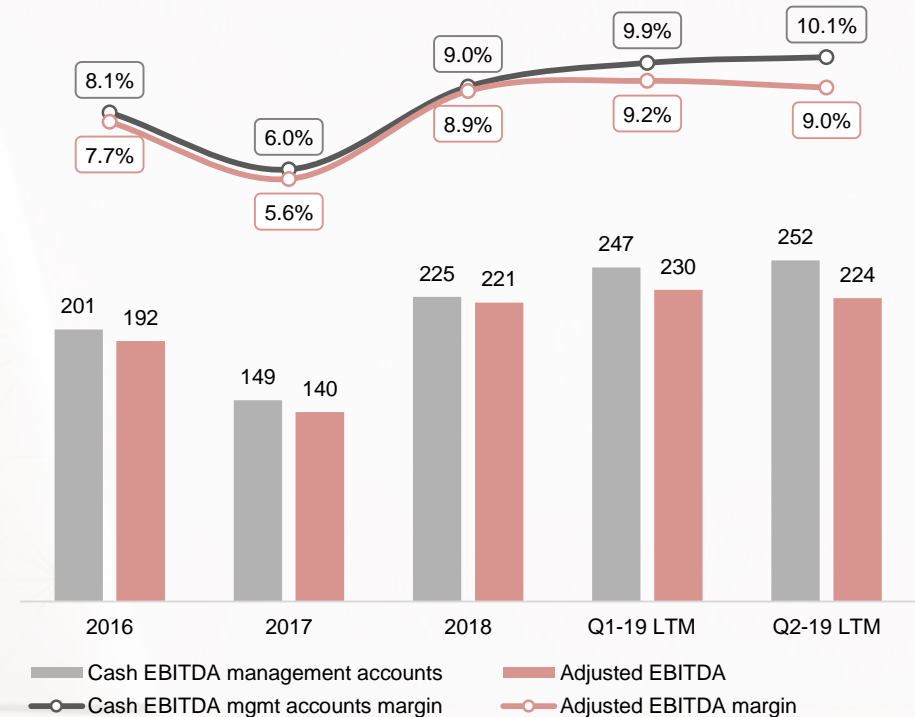
Q2-2018 vs Q2-2019¹



■ Cash EBITDA mgmt accounts ■ Adjusted EBITDA

EBITDA development¹

SEKm



Source: Management accounts

1) Q2-19 LTM EBITDA is adjusted in accordance with Deloitte adj. cash EBITDA

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Q2 update

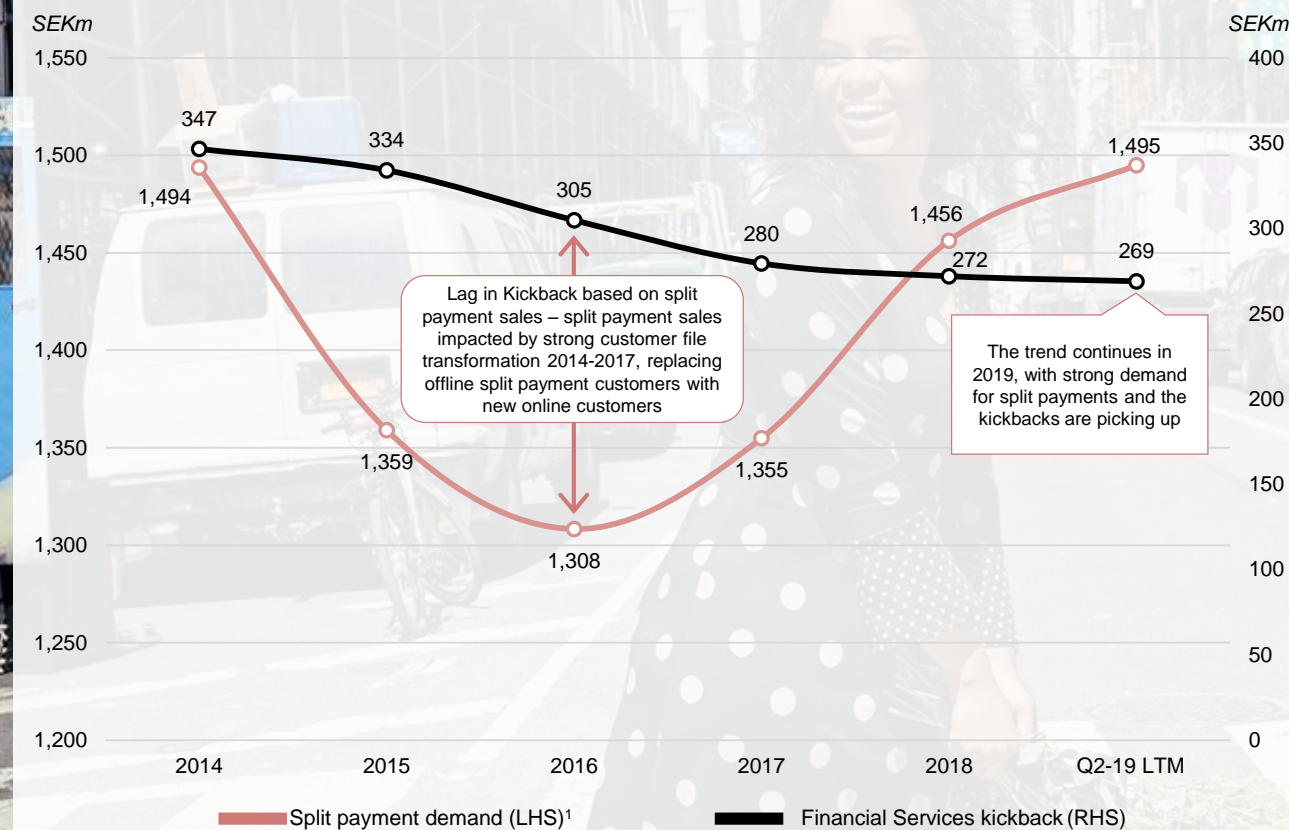
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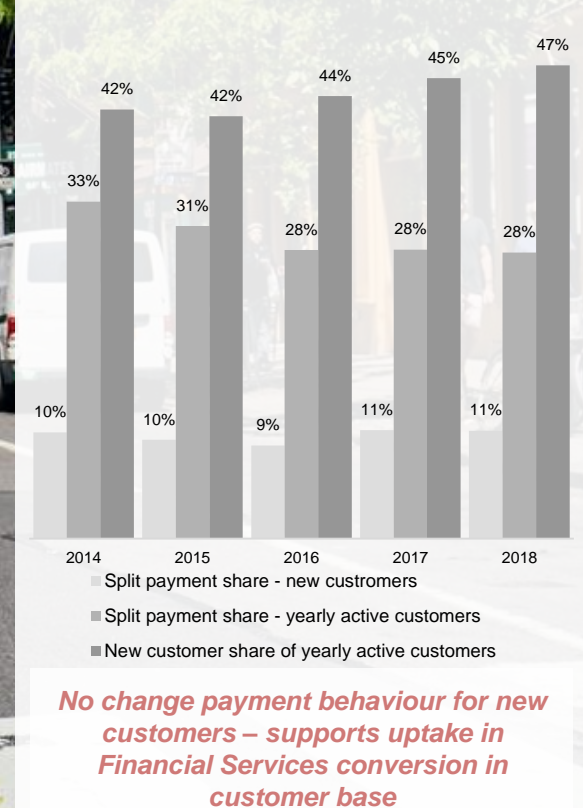
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Financial Services update

Financial Services provide sticky revenues



Split payment usage



Source: Management accounts

1) Value of all incoming orders after rebates, but before VAT, returns and disposed merchandise

Income statement overview

Income statement

SEKm	FY16	FY17	FY18	Q1-19LTM	Q2-19LTM
Merchandise sales	1,896	1,959	2,103	2,124	2,154
Carriage and transportation revenue	150	133	115	120	125
Other	30	2	21	21	25
Financial services	417	380	363	357	354
Sales	2,493	2,474	2,602	2,623	2,659
Merchandise COGS	-1,006	-1,030	-1,104	-1,106	-1,125
Warehouse, receiving and repackaging	-80	-87	-94	-95	-98
Other	-55	-41	-53	-54	-55
COGS	-1,140	-1,159	-1,251	-1,255	-1,279
Marketing cost	-518	-481	-426	-417	-419
Distribution	-189	-193	-219	-230	-243
Picking and packing	-63	-64	-66	-66	-68
Call center	-45	-51	-42	-39	-38
Marketing staff	-58	-73	-84	-83	-83
Other	-4	-8	-13	-14	-14
Selling expenses	-877	-870	-850	-848	-864
Finance, HR & IT	-128	-129	-124	-121	-119
Product	-83	-87	-86	-86	-85
Logistics, returns & sourcing	-51	-55	-56	-54	-51
Service	-45	-38	-33	-32	-32
Group management & admin	-23	-27	-28	-30	-30
Other	-14	-14	-9	-10	-6
Administration expenses	-345	-351	-336	-334	-322
Recoveries from NPL portfolio	45	40	44	45	43
Royalties	11	12	16	15	15
Other	14	2	1	1	1
Other income	70	54	60	61	59
Cash EBITDA management accounts	201	149	225	247	252
Adjustments in accordance with FDD ¹	-9	-9	-4	-17	-29
Adjusted EBITDA¹	192	140	221	230	223

Comments

Sales

Includes Fashion and Home sales (net of discount and returns), delivery fees, other revenue related to store based sales and income from Financial Services

COGS

Merchandise COGS include purchase cost, inbound freight and customs fees. Warehouse costs include staff managing inbound / outbound and repackaging. Other relates primarily to store COGS, product samples, supplier discounts etc.

Selling expenses

Includes marketing cost, distribution, picking and packing, call centre, marketing staff and other costs, e.g. store related costs

Administration expenses

Includes OH (Finance / HR / IT), white collar logistics staff, returns and sourcing, office rental costs, Group management and other costs

Other income

Mainly relates to licensing and collection sharing fee from the US-partner managing Ellos.com in North America and recoveries from a non-performing loan book

EBITDA

Please see quality of earnings slide in appendix for full review of the adjusted EBITDA. EBITDA is not adjusted for leasing costs for premises as per IFRS16 (management estimates positive EBITDA impact of IFRS 16 to be SEK 62.1m)

Quality of Earnings

SEKm	2016	2017	2018	Q1-19 LTM	Q2-19 LTM ²	
Reported EBITDA¹	168	113	174	184	180	
1 Credit collection interest	15	11	11	11	10	1 Credit collection interest from receivables at collection agencies which were not sold to Resurs Bank
2 Group consolidation valuation entries	-5	4	0	10	10	2 The Group consolidation valuation entries (incl. MTM of FX hedges & valuation of receivables)
3 Other / Currency	11	7	1	-4	-2	3 Mgmt. accounts are reported in constant currency adjusted for the impact of translating non SEK legal entities to SEK
Reported cash EBITDA	189	135	186	201	197	
Non-recurring items						
4 Restructuring costs	15	21	16	22	22	4 The Group has carried out significant restructuring projects during FY16 to FY18 as part of its transition from paper to online. Primarily related to costs for personnel lay-offs (severance pay, early retirement etc.)
5 Building	-9	0	0	0	0	5 Rent rebates from the landlord received as a result of a renegotiation of the contract where the Group forwent an option in the contract and received a compensation for this
6 Consultancy costs	5	6	7	3	4	6 Primarily relates to consultancy costs for logistics projects, e.g. with logistics optimization for apparel and also logistics of bulky goods
7 Change of IT system	13	2	0	0	0	7 The Group transitioned to a new IT environment (including a new ERP system) in Mar-17, this relates to non-recurring costs incurred in connection to this transition
8 Card fees below EBIT	-2	0	0	0	0	8 Historically card fees charged from card schemes were recorded within financial items but are since Q2-17 booked within EBITDA in the management accounts
9 LaRedoute fixed cost coverage	-12	-5	0	0	0	9 After Nordic Capital's acquisition of the Group, the Group rented out premises and provided services to LaRedoute Nordics (who were headquartered at the same location as the Group). The adjustment relates to the portion of service charges which covered fixed costs for the Group. At the beginning of 2017 LaRedoute closed down its operations in the Nordics
10 Hedging cost	-1	-1	2	2	0	10 The bank's spread on FX forwards / futures (used for the Group's operational FX hedging) is recorded within financial items. This adjustment includes the cost within EBITDA as it is of operational nature
11 Treasury variances	1	-3	2	9	20	11 The Group normally hedges 70-100% of its budgeted purchases for each season's collection, the treasury result from the portion of purchases which has not been hedged is booked within COGS. The result of from such FX impacts is deemed non-operational
12 Stockholm Store loss	2	3	3	3	2	12 The Group has decided to close down its physical store in Stockholm and has given notice to the landlord. The adjustment excludes the Store's result from EBITDA
13 Vacation accrual release 2017	0	-5	0	0	0	13 The Group realized it had over-accrued vacation pay and subsequently relapsed part of the provision. Related to prior FY16
14 Accounting principle for bad debt prov.	0	0	1	0	0	14 Change of accounting principles resulted in a one-time build-up of the bad-debt provision in FY18
15 Cut-off adjustments	1	-5	5	6	5	15 Primarily relates to costs for fraud cases incorrectly charged by Resurs Bank in FY18 relating to FY17 and FY16
16 Other	1	2	2	2	2	
Total non-recurring items	12	14	39	46	55	
Cash EBITDA management accounts	201	149	225	247	252	
<i>Adjustments in accordance with FDD</i>	<i>-9</i>	<i>-9</i>	<i>-6</i>	<i>-17</i>	<i>-29</i>	
Adjusted EBITDA	192	140	219	230	224	

● Approved by FDD
 ● Partly approved by FDD
 ● Not approved by FDD

Source: Management accounts & Deloitte financial due diligence (FDD) on behalf of FNG

1) Statutory – 2019YTD is not statutory as it excludes the IFRS16 impact

2) Q2-19 LTM is management accounts in accordance with Deloitte adjustments

Balance sheet and cash flow overview

Balance sheet overview

SEKm	31 Dec. 17	31 Dec. 18	31 Mar. 19	30 Jun. 19
Total intangible fixed assets	757	729	725	721
Total material fixed assets	96	94	614	602
Deferred tax asset	36	27	35	51
Total financial fixed assets	36	27	35	51
Total fixed assets	889	850	1,375	1,375
Inventory	511	475	502	550
Contract assets	33	35	31	35
Accounts receivable	66	77	62	57
Other ST receivables	73	79	87	61
Cash and cash equivalent	103	220	212	218
Total current assets	786	886	897	920
Total assets	1,675	1,737	2,271	2,296
Total equity	410	504	510	521
LT interest bearing liabilities	485	491	493	494
LT lease liabilities	-	-	444	435
Other	261	259	254	256
Total LT liabilities	746	750	1,191	1,185
ST lease liabilities	-	-	61	58
Accounts payable	199	188	206	228
Other ST liabilities	320	295	303	304
Total ST liabilities	519	483	570	586
Total equity and liabilities	1,675	1,737	2,271	2,296

Cash flow statement

	FY17	FY18	H1 2018	H1 2019
Reported EBIT	38	121	43	52
Non-cash adjustments & other	68	43	20	18
Paid interest	-7	-4	-1	0
Paid tax	-30	-17	-4	-22
Funds from operations	69	143	58	48
Change in working capital	79	-3	-72	-27
Cash flow from operations	148	140	-14	21
Capex	-21	-24	-11	-23
Other investments	0	0	0	0
Free cash flow	127	117	-25	-2
Dividends paid	0	0	0	0
Change in debt	-25	0	0	0
Change in equity	0	0	0	0
Lease amortisation	0	0	0	0
Other	0	0	0	0
Net cash flow	101	117	-25	-2
Cash and cash equivalents at the end of the year	103	220	78	218

Comments

The Inventory amounted to 550 MSEK at the end of June vs. 475 MSEK at the start of the year. Higher inventory positions during H1 has affected the Cash Flow negatively. This effect, however, is expected to level out during the second half of the year. Free Cash Flow landed at -2 MSEK to be compared with -25 MSEK last year. Net Debt amounted to 276 MSEK at the end of June 2019 to be compared with 410 MSEK in June 2018.

Starting in January 2019 the new IFRS 16 rules are applied with significant effects on the Balance Sheet where the items Long-term Leasing debt (435 MSEK) and Short-term Leasing Debt (58 MSEK) is added and Fixed Assets are increased with 505 MSEK. The most significant IFRS 16 item is the Office and Warehouse facility in Borås.

1) Note that the balance sheet for 2017 and 2018 is adjusted to reflect the implementation of IFRS 15

A woman with blonde hair, wearing a green long-sleeved top, striped leggings, and orange sneakers, is sitting on a plush green velvet sofa. She is holding a large glass vase filled with dried green and brown flowers. The sofa is positioned in front of a white paneled door. A patterned rug is on the floor in front of the sofa.

ELLOS GROUP

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e-commerce group