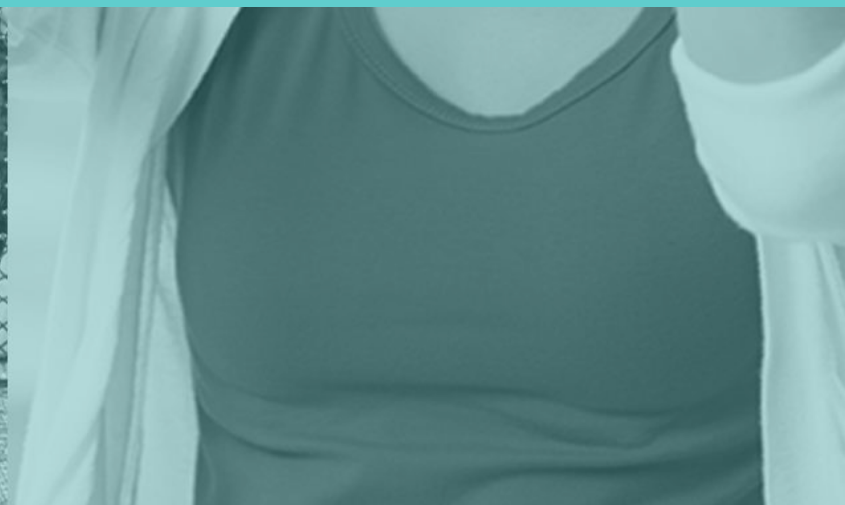




## Financial Results First Quarter 2018

*Marcus Lindqvist, CEO*  
*April 20*



# Value creation in three well-positioned business areas

**CDON.COM**

Transform into a leading Nordic online marketplace

**NELLY.COM**

Drive profitable growth as a leading online Nordic fashion brand



Extend offering of financial services to new consumers and merchants



**Qliro Group**



# Transformation and returns affected result

**Satisfied with Qliro and transformation in CDON while Nelly is below expectations**

- Net sales increased 2 percent to SEK 716m for the quarter
- Gross profit amounted to SEK 135m (SEK140m)
- EBITDA decreased from SEK -3m to SEK -43m, impacted by returns in Nelly (SEK 16m) strategic initiatives in personnel (SEK 14m) and brand building and marketing (SEK 9m), and a one-off reorganization in CDON (SEK 7m)
- Financial flexibility as group's cash amounted to SEK 602m, including SEK 324m in net cash position in e-commerce

## CDON.COM

**Reorganization to achieve efficiency  
Ramp-up of marketplace and launch of B2B site**

## NELLY.COM

**Strong order intake, weaker growth  
Returns affected results**



**Continued growth and increased profitability  
Ready for substantial loan book expansion**

# Business Update

Marcus Lindqvist, CEO



# Qliro Financial Services continued to grow

## Building a digital financial offering with low customer acquisition costs

	Q1 18	Q1 17	Change
<b>Total operating income</b>	<b>68.1</b>	49.2	38%
<b>Total operating expenses</b>	<b>-59.3</b>	-45.9	29%
<b>Net credit losses</b>	<b>-13.7</b>	-5.9	
<b>Operating profit before depreciation</b>	<b>3.5</b>	2.0	79%
<b>Operating profit</b>	<b>-4.8</b>	-2.6	

- Total operating income increased 38%
- Total operating expense increased 29%, indicating scalability in business
- Operating profit before depreciation up 79% despite IFRS 9 that increased reserves for credit losses
- External merchants accounted for 39% of business volume in the quarter
- Now sufficient size with capacity to manage substantial expansion in the loan book

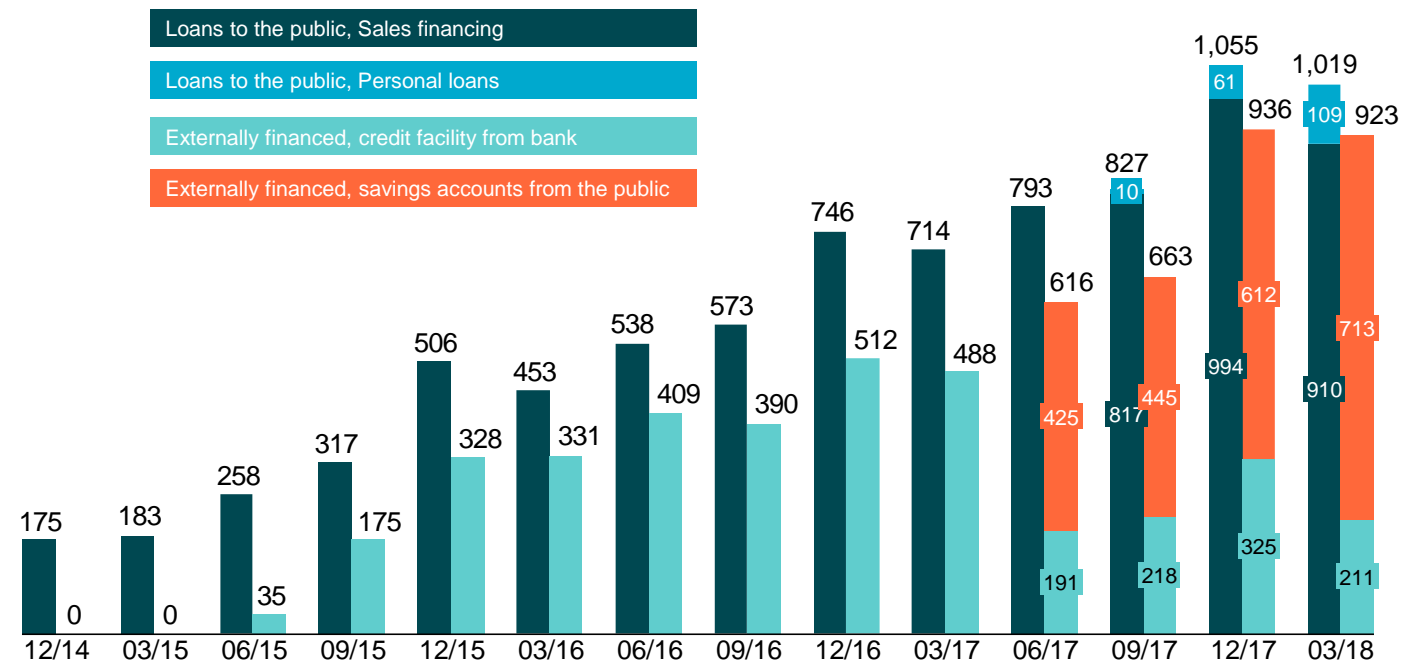


# Loan book beyond one billion SEK

## Ready for continued cost-efficient expansion

- Internal and external data used in real-time for prudent credit checks, identifying consumers with a reliable credit history
- Nearly doubled personal loans to SEK 109m during the quarter
- Personal loans applicants are to 95 percent existing customers whereof many applied through the app
- Loan book cost SEK 4m to finance, through savings accounts and credit facility
- Loan book generated SEK 64m, as interest rates are many times higher in personal loans and sales financing

### Net lending, SEKm

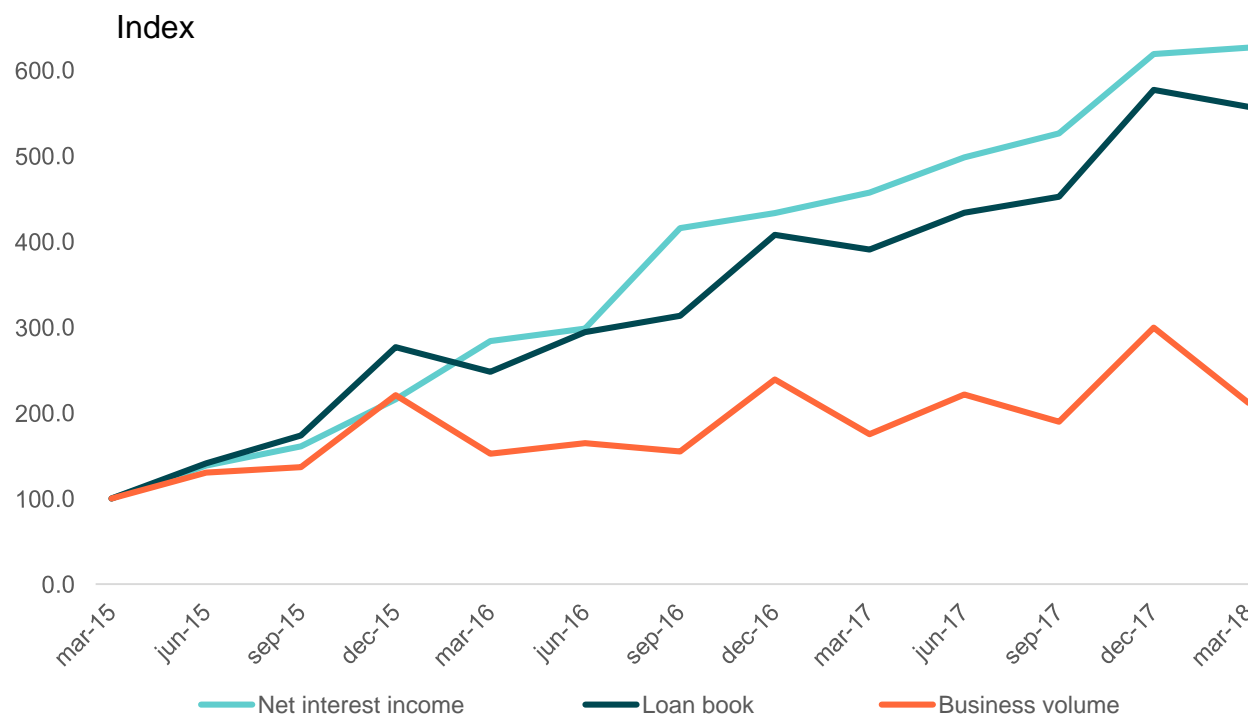


# Qliro Financial Services leverages e-commerce



## Increased revenues through extended customer relationships

- The underlying e-commerce volumes increases with the growth in CDON Marketplace, Nelly, our external merchants and with new external merchants
- However, the loan book increases even faster than e-commerce
- Seasonal effect with fourth quarter peaks
- It is the loan book's size, composition and maturity that drive revenues
- An e-commerce transaction generates income for up to three years and personal loans even further



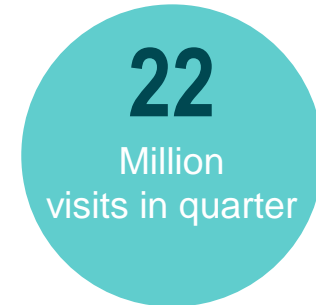
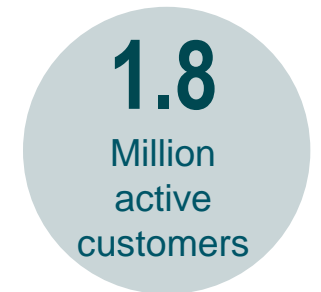
# CDON Marketplace in transformation

## Initiatives impacted profitability

	Q1 18	Q1 17	Change
<b>GMV external</b>	<b>111.2</b>	98.6	13%
<b>Total GMV</b>	<b>476.9</b>	479.6	-1%
<b>Net sales</b>	<b>378.4</b>	389.8	-3%
<b>Ebitda</b>	<b>-21.2</b>	-6.1	
<b>Ebit</b>	<b>-23.6</b>	-12.3	

GMV = Gross merchandise value

- Proven model with over 1500 merchants e.g. Adlibris, VidaXL, Furniturebox and recently additions like Ellos, Cervera and Trademax
- External merchants increased sales 13% and accounted for 23% of total marketplace sales
- Net sales affected by Easter and transformation to marketplace
- EBITDA impacted by investments in brand (SEK 3m) and reorganization (SEK 7m)
- Investments in technology, fulfilment and brand will enable increased efficiency





# CDON launched tailor-made offering to businesses

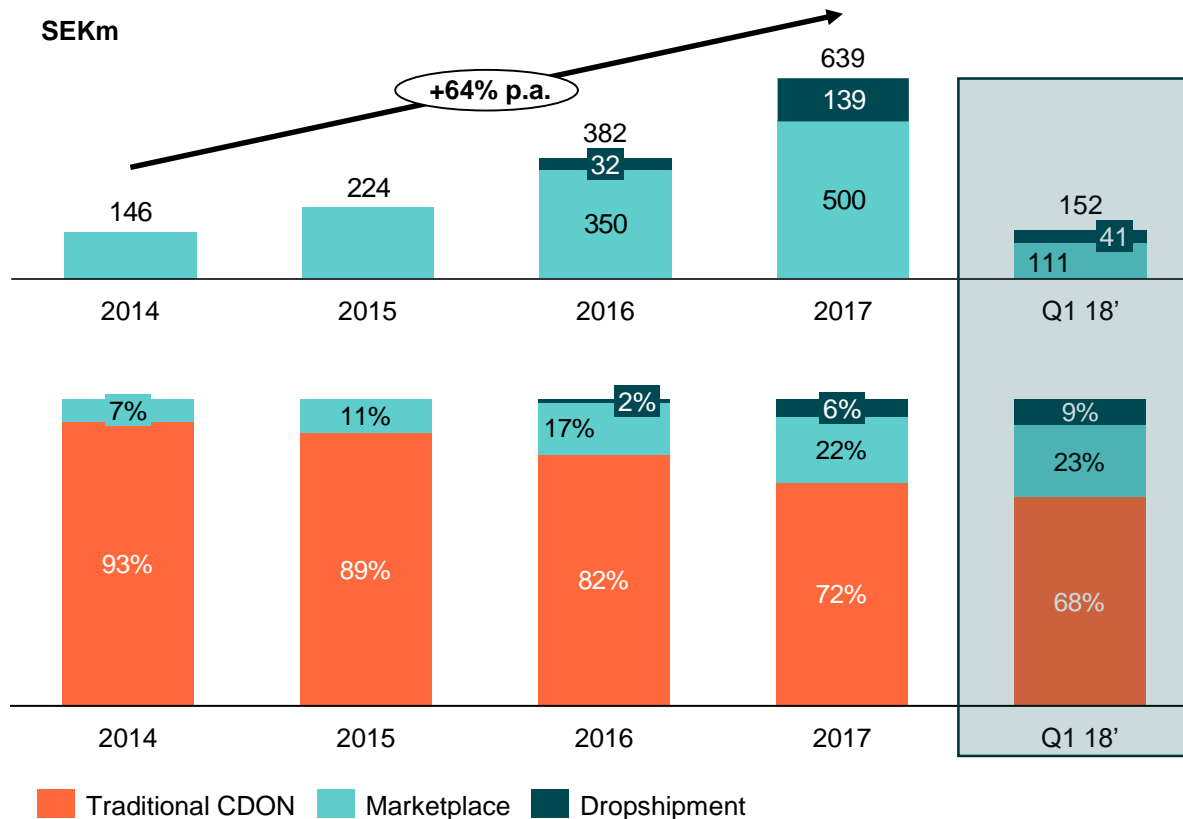
## Tapping into a substantial new market opportunity

- Tailor-made offering of IT and office supplies to companies
- CDON Marketplace leverages its already 9300 active SME customers
- First launch of new automated IT- platform, later to be used also for consumer offering
- Dropshipment and marketplace model, without or limited need for own inventory
- Ambition to be the leading online one-stop-shop for Nordic SMEs

The screenshot displays the CDON.COM website interface, specifically the 'Företag' (Business) section. The header includes the CDON.COM logo, navigation links for 'Företag' and 'Privat', a customer service link, and a registration form. A prominent banner reads 'NU ÄVEN FÖR FÖRETAG' (Now also for businesses) with sub-points: 'ENKELT ATT HANDLA' (Easy to buy), 'LÅGA PRISER' (Low prices), 'FAKTURA 30 DAGAR' (Invoice 30 days), and 'FÖRETAGSPAKET' (Business package). A 'BETA' badge is also visible. Below the banner, a category list on the left includes 'DATORER & KRINGTRUSTNING' (Computers & Peripherals), 'DATORKOMPONENTER' (Computer components), 'ELEKTRONIKTILLBEHÖR' (Electronics accessories), 'FOTO, KAMERA & OPTIK' (Photo, camera & optics), 'FÖRBRUKNINGSMATERIAL' (Consumables), 'HEM & TRÄDGÅRD' (Home & garden), 'HUSHÅLLSAPPARATER' (Household appliances), 'KONTORSUTRUSTNING' (Office equipment), 'LJUD & BILD' (Audio & video), 'MOBILTELEFONI & SURFPLATTOR' (Mobile phones & tablets), 'NÄTVERK' (Networking), 'SERVERAR' (Servers), 'SKRIVARE & SCANNERS' (Printers & scanners), 'SPEL' (Gaming), and 'VERKTYG' (Tools). The main content area shows a grid of products under the 'Datorer & kringutrustning' category, including a Samsung monitor (5600kr), a Logitech mouse (320kr), a Dell monitor (4400kr), two Microsoft Surface Book laptops (18712kr and 13992kr), an Apple iMac (13272kr), another Microsoft Surface Book (27992kr), an ASUS monitor (2552kr), and a Targus mouse (80kr).

# Transformation to higher scalability and lower risk

## Marketplace model enables growth with less capital



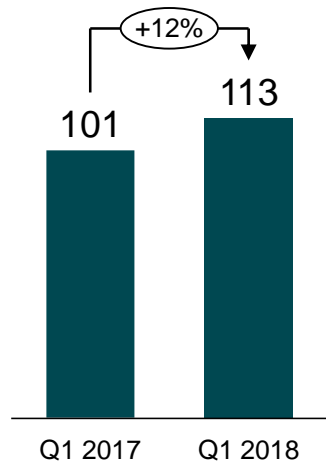
	Traditional CDON	Dropshipment	Marketplace
Sales	CDON.COM	CDON.COM	CDON.COM
Platform	CDON.COM	CDON.COM	CDON.COM
Pricing	CDON.COM	CDON.COM	Merchant
Logistics	CDON.COM	Merchant	Merchant
Inventory	CDON.COM	Merchant	Merchant

- Decreasing legacy dependency especially in non-profitable segments
- Growing dropshipment without own inventory
- Transforming into a highly scalable marketplace

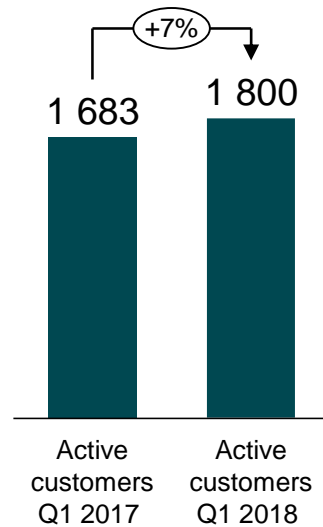
# Growing customer base

Adding new customers generates profit over time

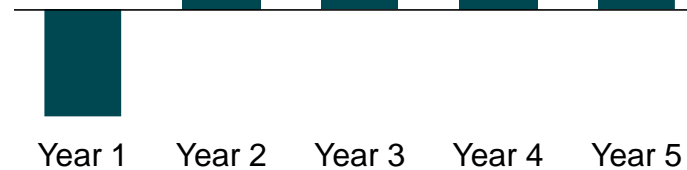
New customers ('000)



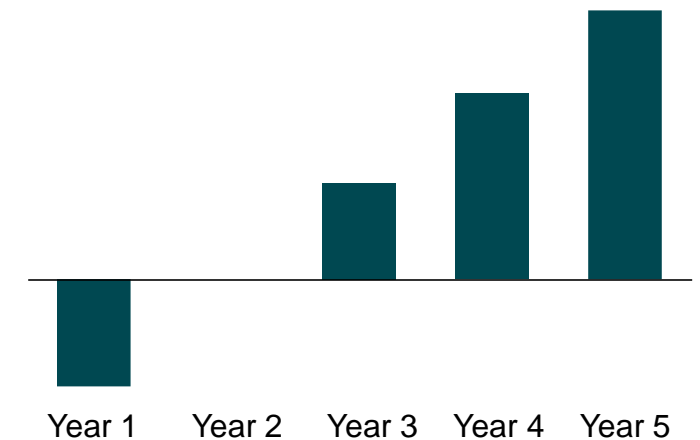
Active customers LTM ('000)



Profit contribution development per new customer after fulfillment, distribution and marketing



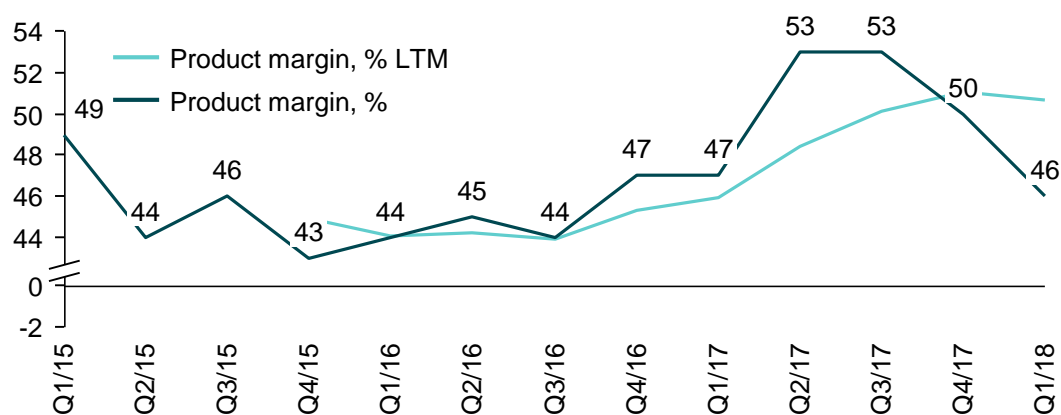
Accumulated profit contribution to CDON



# Accelerated marketing increased orders

## Sales and profitability below expectations

	Q1 18	Q1 17	Change
<b>Net Sales</b>	<b>276.0</b>	267.1	3%
<b>Ebitda</b>	<b>-14.9</b>	12.3	
<b>Ebitda margin</b>	<b>-5.4%</b>	4.6%	
<b>Ebit</b>	<b>-20.0</b>	6.6	

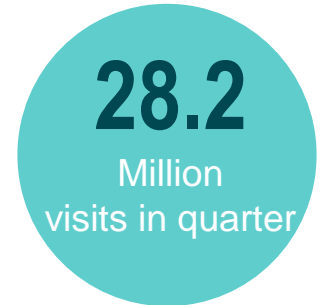


- Acceleration of marketing increased the number of visits with 15%, the number of orders with 18% and the order value with 15%
- Net sales growth limited to 3% due to
  - delayed deliveries around Easter (SEK 13m)
  - use of extended return rights in the fourth quarter
  - increased returns in the first quarter
- Total impact of returns was SEK 16m, half of it was the fourth quarter one-off following campaigns in Q4 2017
- Strategic initiatives in marketing affected result (SEK 8m)
- Increased inventory ahead of spring and summer
- Anna Ullman Sersé appointed new Interim Head of Nelly

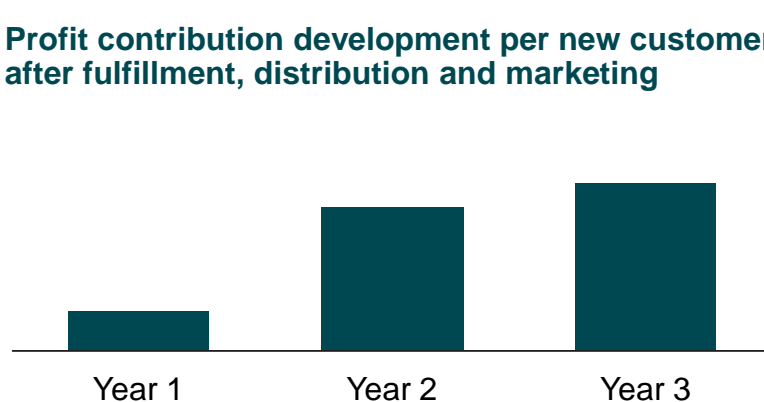
# Nelly has a strong brand and promising unit economics

## Innovative use of digital marketing creates a loyal fan base

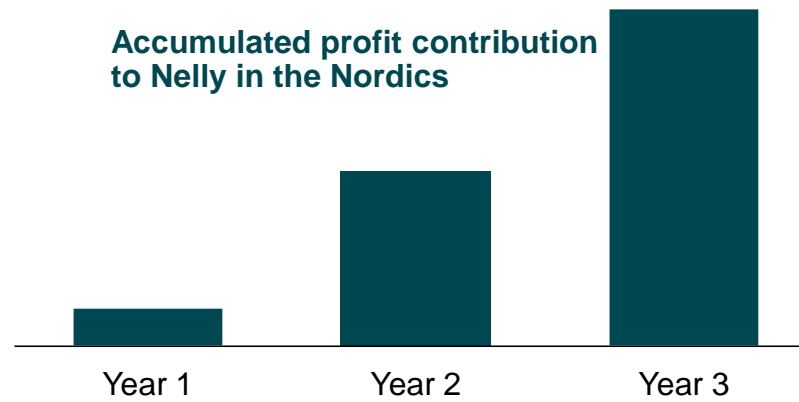
- Strong position with own brands and a well-curated portfolio of complementary external brands
- One of the Nordics top brand in fashion online among young consumers
- Increased number of active customers, visits and number of orders
- Strong customer loyalty with 1.3 million active customers
- Positive profit contribution already in year one from new customers resulting in high customer life time value



Profit contribution development per new customer after fulfillment, distribution and marketing



Accumulated profit contribution to Nelly in the Nordics



# Financials

Mathias Pedersen, CFO



# E-commerce cash flow mainly a consequence of fourth quarter peak

- Accounts payable decreased as suppliers were paid following the Q4 peak
- In addition, other current liabilities decreased as VAT, mainly related to Q4, was paid
- Inventory largely unchanged, as the increase in Nelly corresponded to the decreased in CDON
- Capex of SEK 7m mainly related to CDON's continued investment in automation
- Investment of SEK 32m into QFS to support future loan book expansion
- Divestment of HSNG contributed SEK 368m

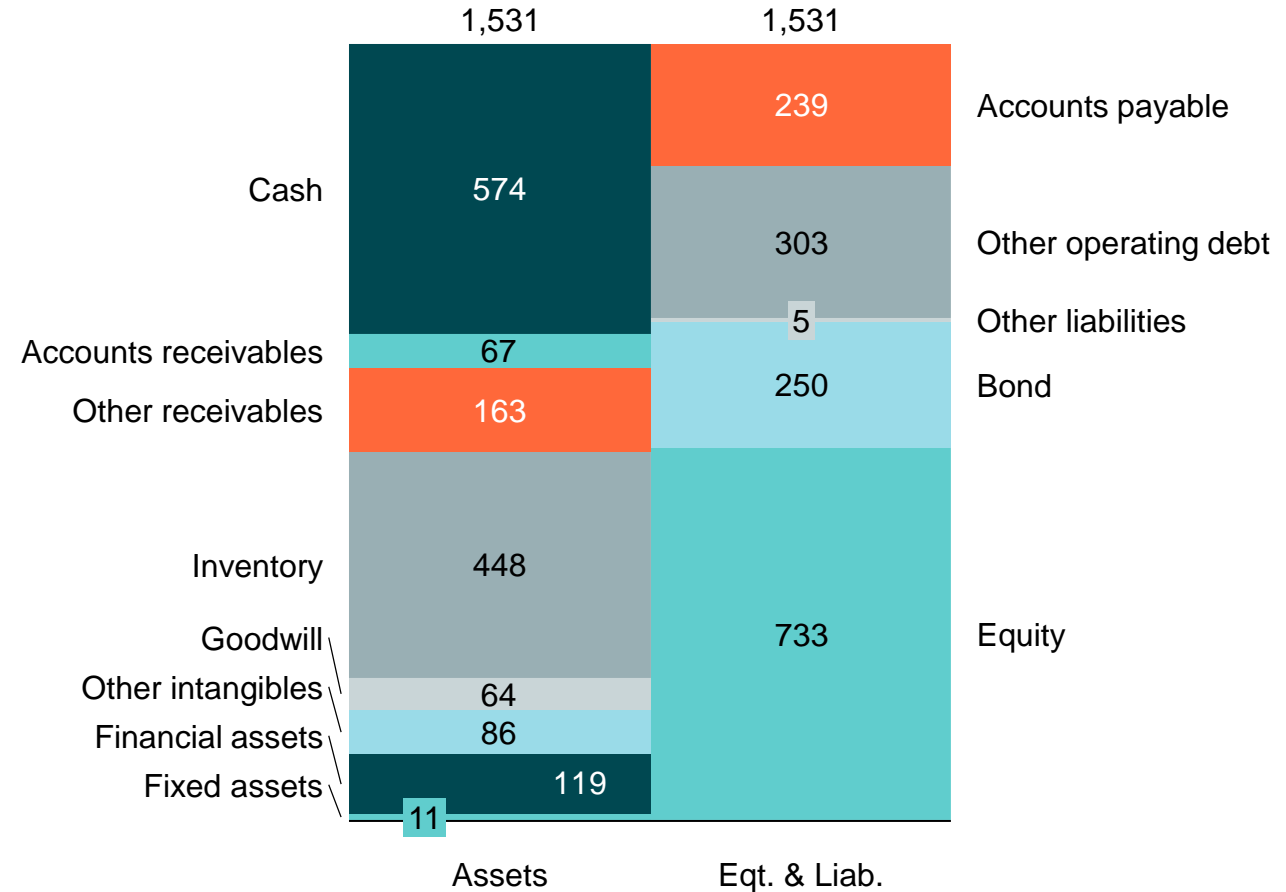


# E-commerce balance sheet

## Solid financial position

- E-commerce had SEK 324m in net cash (SEK 574m in liquid funds and SEK 250m in outstanding bonds)
- Net working capital amounted to SEK 136m
- CDON transformation will enable growth with slower inventory build-up, while Nelly's growth will require continued investments in inventory
- The divestment of HSNB decreased goodwill SEK 145m, increased cash SEK 368m and equity with SEK 140m

Balance sheet, March 2018  
SEKm





# Qliro Financial Services balance sheet

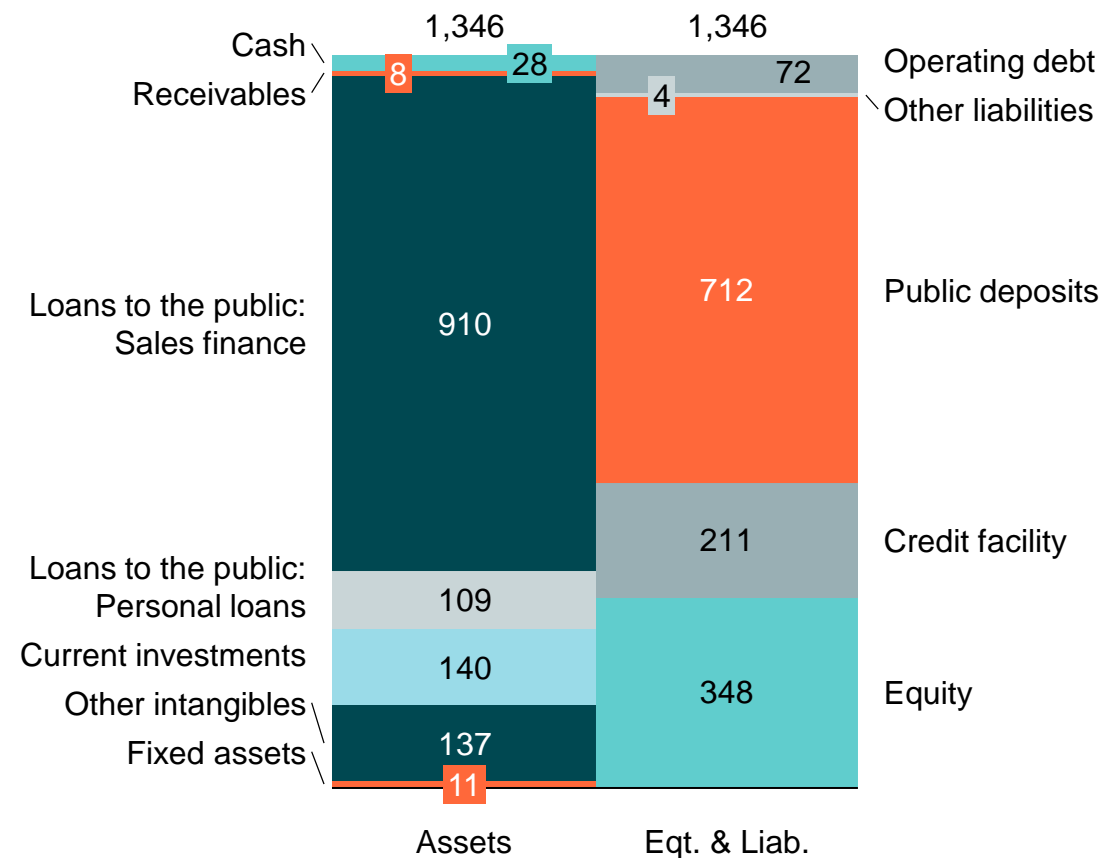
## Well positioned for further growth

- Loans to the public of SEK 1,019m incl. SEK 109m of personal loans
- Liquidity reserve of SEK 169m, incl. SEK 140m held in Swedish municipal bonds and commercial papers
- Public deposits of SEK 712m. About two thirds with variable interest rate and one third with fixed interest rate
- SEK 211m in utilized secured credit facility, with an additional SEK 398m in undrawn funding

### Capital adequacy

- The assets of QFS corresponded to a Risk Exposure Amount of SEK 1,098m
- Own funds of SEK 209m in Common Equity Tier 1 capital
- Capital adequacy ratio of 19.1%, well above the requirement of 14.1% (including capital conservation and countercyclical buffers)

Balance sheet, March 2018  
SEKm



# Summary

Marcus Lindqvist, CEO



# Value creation in three business areas

## Positioned to reach financial targets

### First Quarter

- Transformation and returns affected result
- Divestment of HSNG led to inflow of SEK 368 m and a result after tax of SEK 91m
- Financial flexibility as group's cash amounted to SEK 602m, including SEK 324m in net cash position in e-commerce

### Focus

- Qliro Financial Services is ready for loan book expansion using leverage on e-commerce volumes and scalability in organization
- CDON Marketplace is ready for continued transformation with growth and increased efficiency
- Nelly's focus is to drive profitable growth under new management

# THANK YOU

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