



## Financial Results Second Quarter 2018

*Marcus Lindqvist, CEO*

*July 13*



# New strategic direction to focus on three independent companies

Growing market and favorable trends driven by online retail shift

## QLIRO

Extend offering of financial services to consumers and merchants

Increased profitability and cost efficient loan book expansion

Investing with the ambition to play a larger role in the everyday life of consumers

**+53%**

Lending to the public, net

## CDON.COM

Transform to a leading Nordic online marketplace

Accelerated transformation to marketplace and continues investments

Evaluating structural transactions to strengthen the position as the leading Nordic marketplace

**+15%**

External merchants sales

## NELLY.COM

Drive profitable growth as a leading online Nordic fashion brand

Exceeded financial targets and continues to drive profitable growth

Evaluating listing or divestment to strengthen core business and develop new concepts

**+11%**

Net sales

# Qliro Financial Services increased profitability

## Proven scalability and low acquisition costs

SEKm	Q2 18	Q2 17	Δ
Total operating income	71.2	52.5	36%
Total operating expenses	-62.4	-49.0	27%
Net credit losses	-12.6	-9.1	
Operating profit before depreciation	5.7	1.9	200%
Operating profit	-3.7	-5.6	

- Total operating income increased 36%, driven by increased lending to the public
- Total operating expense increased 27%, indicating scalability in business
- Operating profit before depreciation up 200%
- Growing independency from group, as external merchants accounted for more than 40% of business volume in the quarter
- Successful growth without adding personnel during first half of 2018

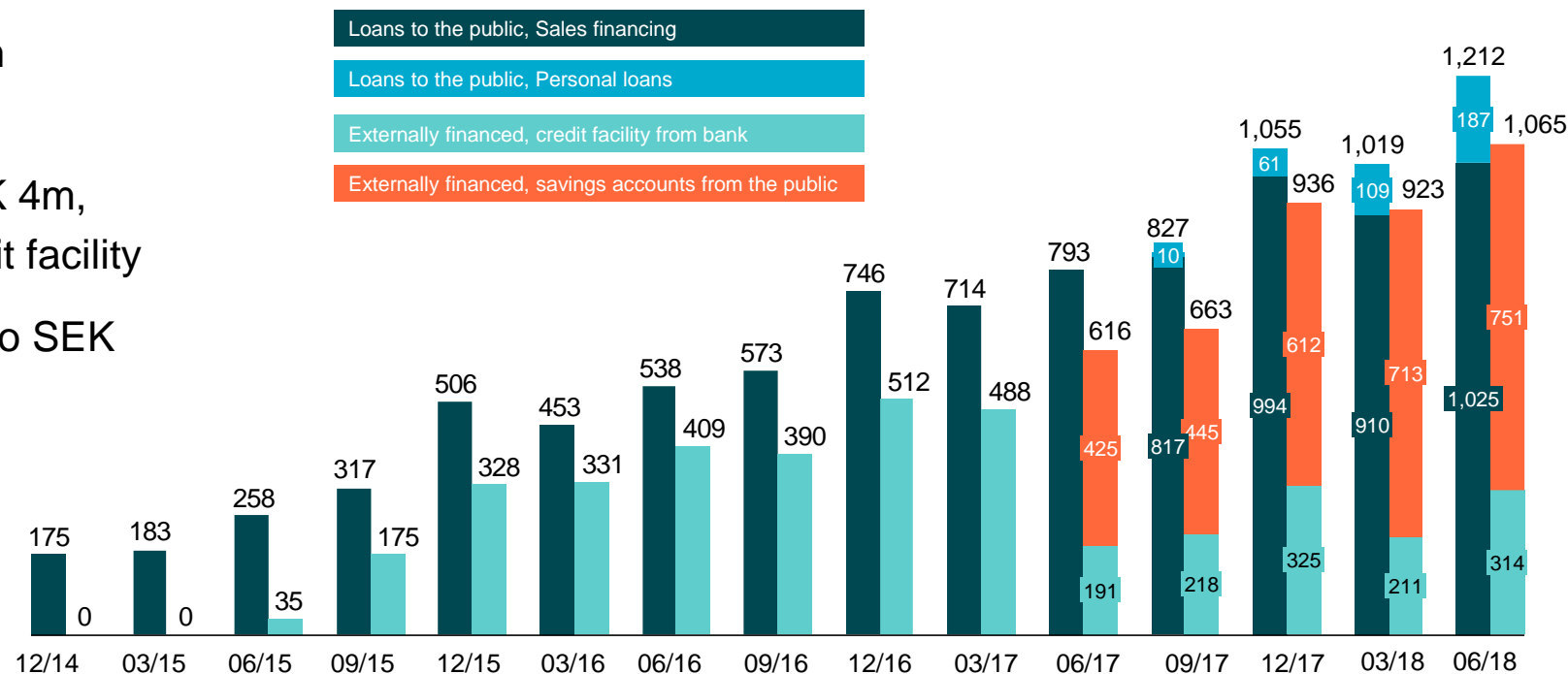


# Loan book beyond one billion SEK

## Ready for continued cost-efficient expansion

- Machine learning applied to internal and external data for real-time credit scoring
- Personal loans nearly doubled to SEK 187m during the quarter
- Interest cost for loan book amounted to SEK 4m, through savings accounts and secured credit facility
- Interest revenue from loan book amounted to SEK 68m, reflecting positive interest rate spread

**Net lending, SEKm**



# Leveraging e-commerce to build personal loan book

- Brand building and customer interaction through proprietary channels and touchpoints
- Low-cost acquisition engine utilizing machine learning to increase customer targeting accuracy
- Data-driven approach in marketing, customer support, product development, application flow and credit decision
- Competitive prices to consumers, majority of loans issued for debt consolidation purposes
- Existing relation to more than 95% of loan customers
- Net loan book of SEK 187m built with an accumulated marketing acquisition spend of SEK 1.3m

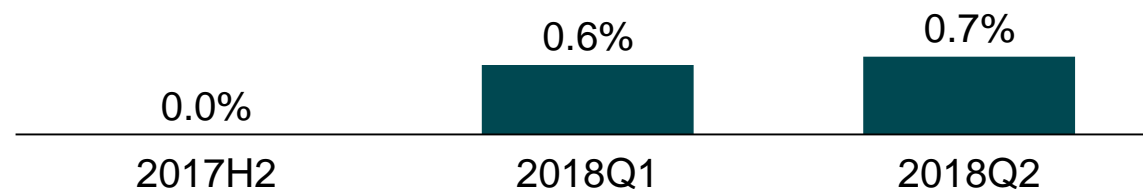
End of period consumer loans loan book (SEKm)



Accumulated loans marketing spend (SEKm)



Accumulated loans marketing spend / loan book size (%)



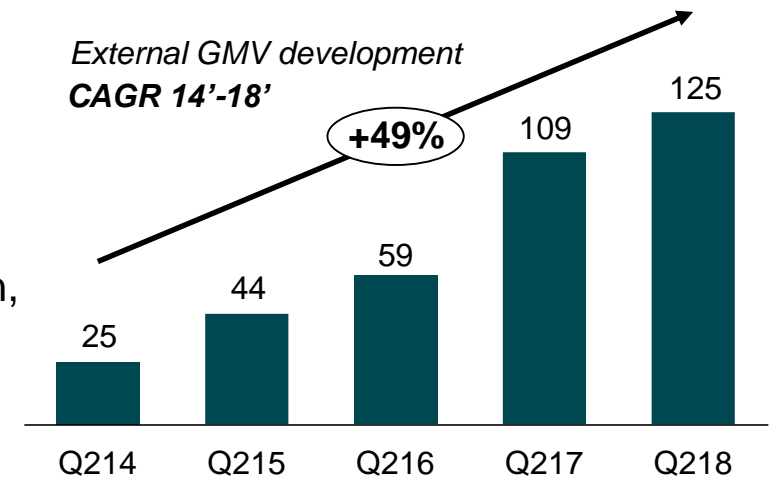
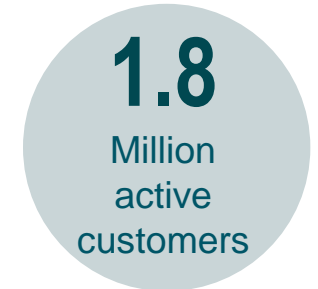
# CDON Marketplace accelerated transformation

## Double digit external merchant sales growth

SEKm	Q2 18	Q2 17	Δ
GMV external	124.8	108.6	15%
Total GMV	448.1	484.6	-8%
Net sales	337.5	386.8	-13%
Ebitda	-11.3	-12.8	
Ebit	-14.7	-17.9	

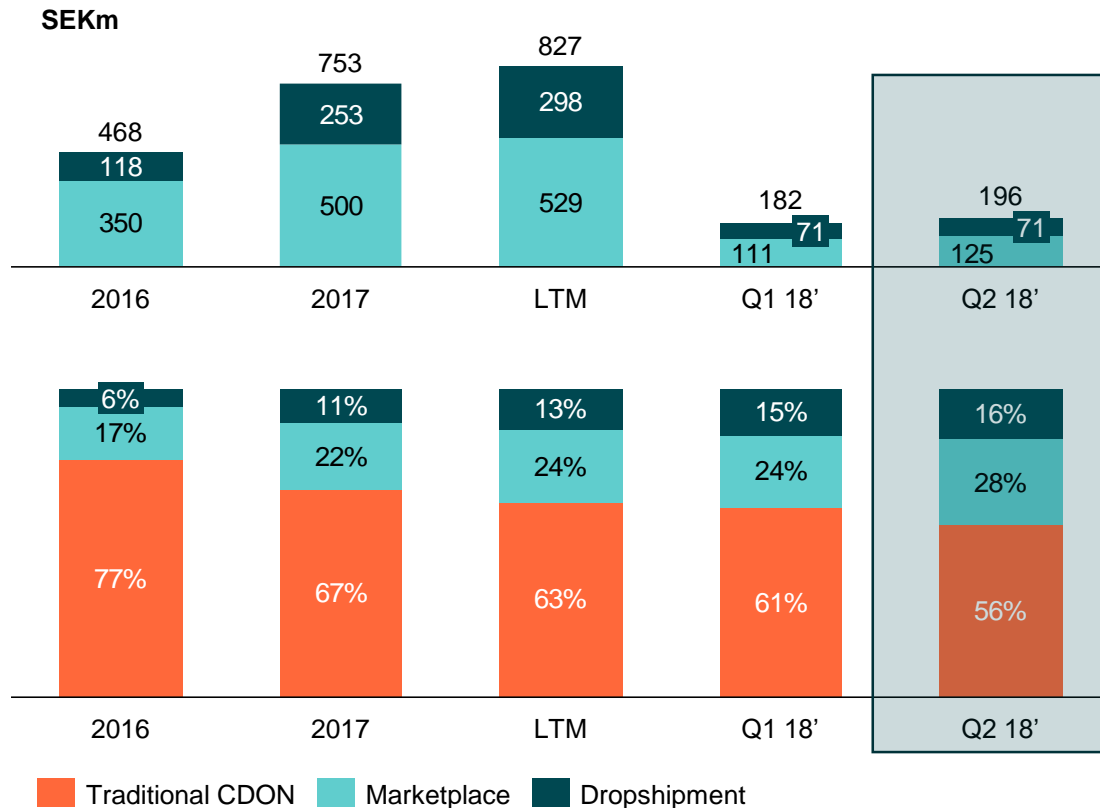
GMV = Gross merchandise value

- Proven model with over 1500 merchants e.g. Adlibris, VidaXL, Furniturebox, Ellos, Cervera and Trademax
- External merchants increased sales 15%
- Own sales phased out, mainly products with lower margins, resulting in increased gross margin of ~2% and lower net sales
- Inventory decreased SEK 78m since year end
- Continued investments in automation, product assortment and positioning of brand



# Transformation to higher scalability and lower risk

## Marketplace model enables growth with less capital



	Traditional CDON	Drop shipment	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 categories
- Growing drop shipment without own inventory
- Transforming into a highly scalable marketplace

# Nelly achieves strong profitable growth

## Back on track towards financial plan

SEKm	Q2 18	Q2 17	Δ
Net Sales	403.1	364.8	11%
Ebitda	28.6	45.8	-38%
Ebitda margin	7.1%	12.5%	
Ebit	23.6	40.0	-41%

- Growth initiatives increased number of visits with 8%, number of orders with 14% and number of customer with 11%
- Net sales increased 11%, resulting in highest growth in three years
- Return ratio amounted to 37%, higher level than 2017
- Sweden and Norway are the largest markets. The fastest growing market, Netherlands, grew 62% showing that the brand and offering are attractive in several markets
- Strategic initiatives increased marketing costs by SEK 12 million to SEK 44m, which corresponds to 11% of sales
- EBITDA amounted to SEK 29m, showing significant sequential improvement

48%

Share of own brands

1.3

Million active customers<sup>1</sup>

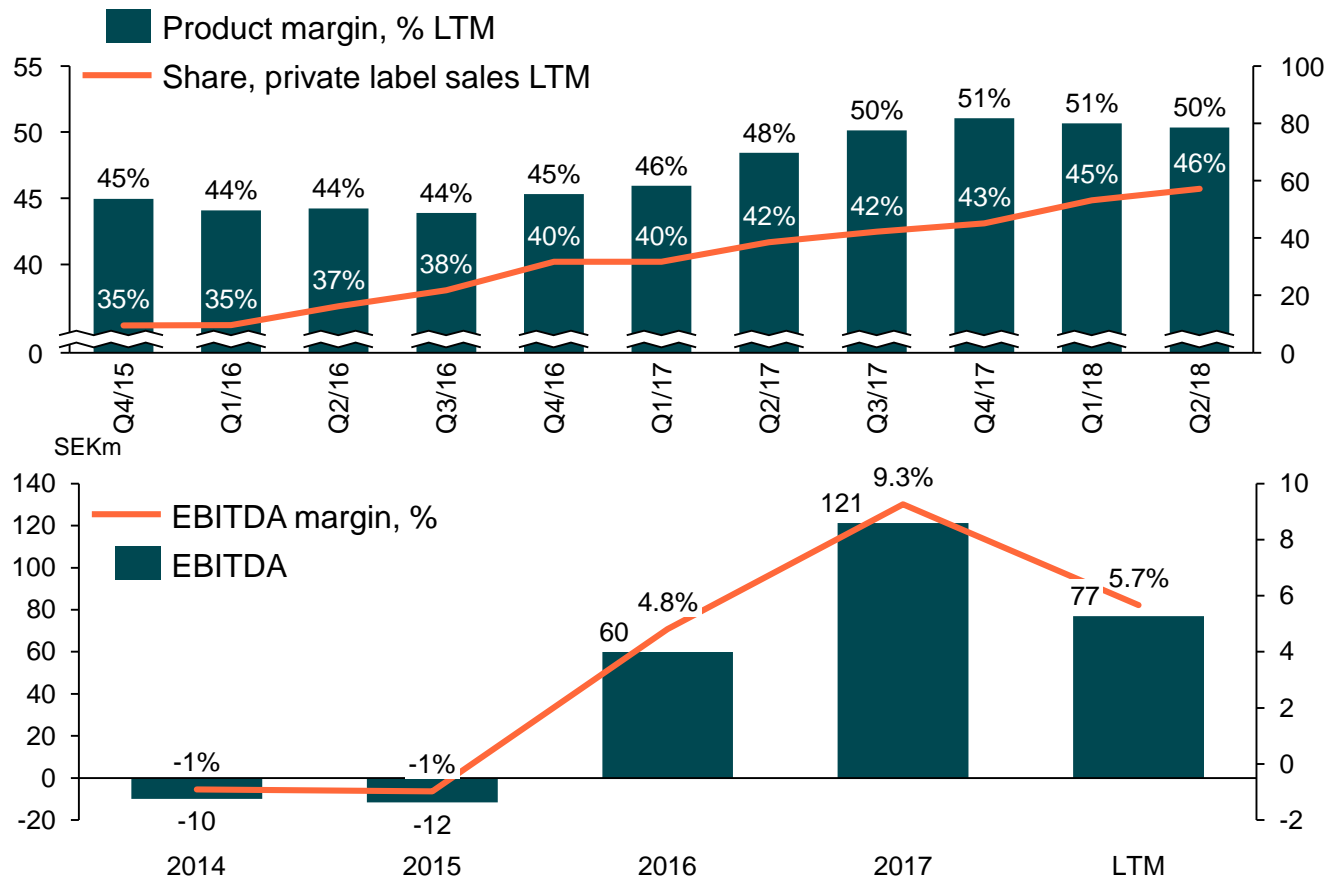
1.2

Million followers on social media



# Increased share of own brands with higher product margins

## Geared for profitable growth



- Own brands key driver for product margin improvements since Q3 2016
- Reaching the right balance between own and external brands drives margins and sales
- Own brands create strong and sustainable basis for profitable growth going forward
- Margin improvement creates room for further investments to grow

# Financials

Mathias Pedersen, CFO



# Consolidated income statement

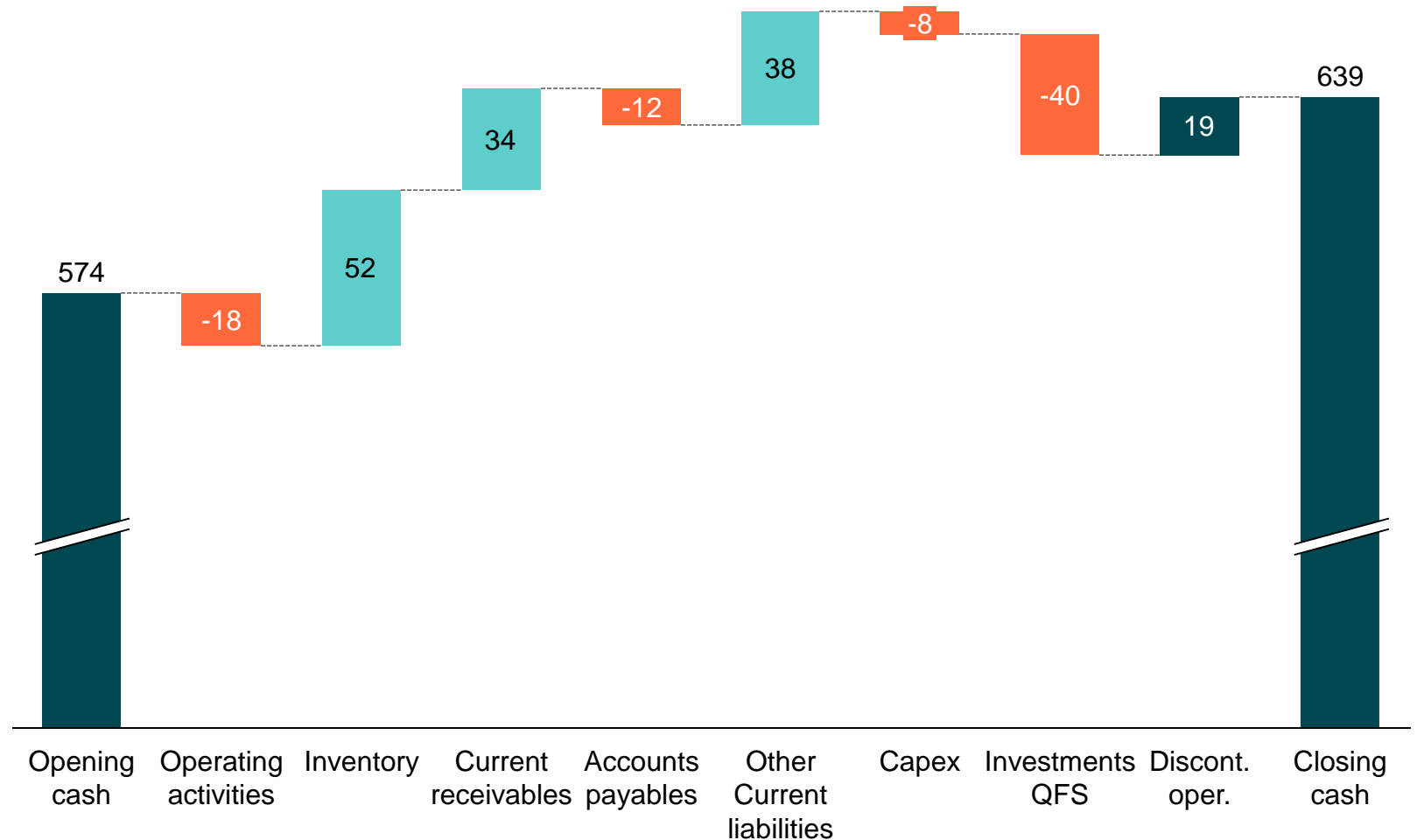
## Q2 results affected by events

- Net sales increased to SEK 807m (SEK 805m) in the quarter, slightly boosted by exchange rate fluctuations
- Tax and interest cost for CDON Alandia for the fiscal year 2012 of SEK 70m
- Change of Nelly's management added cost of SEK 3m
- Dismantling of incentive programs for CEO and CFO to meet regulatory requirement in consolidated situation added SEK 6m in cost

SEKm	Q2 18	Q2 17
<b>Net sales</b>	<b>807.0</b>	<b>805.3</b>
<b>Gross profit</b>	<b>202.1</b>	<b>194.4</b>
<b>Operating result</b>	<b>-10.3</b>	<b>9.0</b>
Financial net	-20.5	-3.7
<b>Net result before tax</b>	<b>-30.8</b>	<b>5.4</b>
Tax	-56.6	-0.9
<b>Net result for continuing operations</b>	<b>-87.4</b>	<b>4.4</b>

# E-commerce cash flow positive in Q2 as working capital decreased

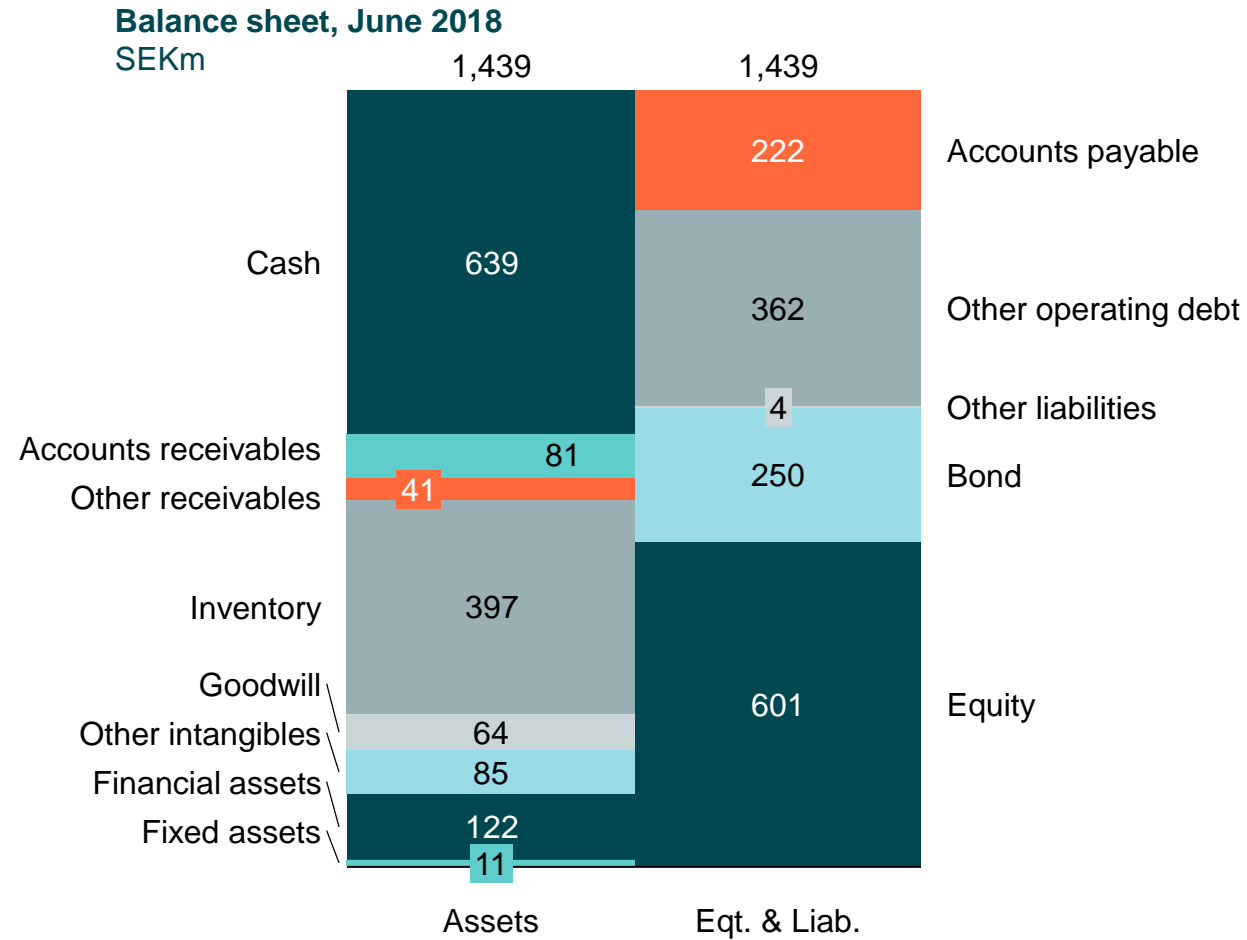
- CDON Alandia Tax loss was pre-paid and therefore cash-flow neutral
- Inventory decreased in both Nelly (SEK -37m) and CDON (SEK -14m) during the quarter
- Capex of SEK 8m mainly related to CDON's continued investment in automation
- Investment of SEK 40m into QFS to support continued expansion
- Additional payment for sold entities of SEK 19m



# E-commerce balance sheet

## Financial flexibility

- E-commerce had SEK 389m in net cash (SEK 639m in liquid funds and SEK 250m in outstanding bonds)
- Net working capital was low and amounted to SEK -65m
- CDON continued transformation to drop-shipment and marketplace will over time enable growth with slower inventory build-up
- Nelly's growth will require continued investments in inventory



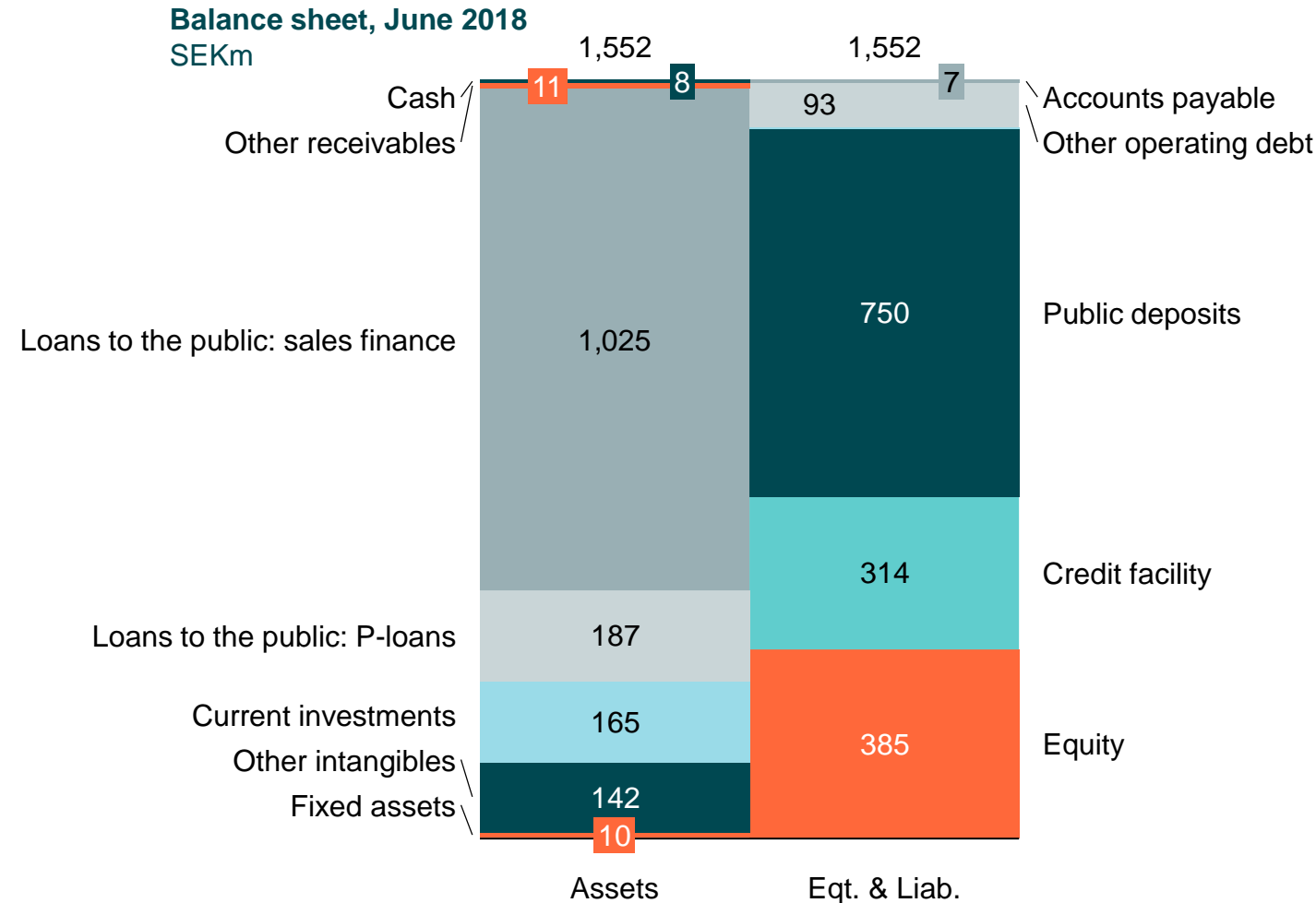
# Qliro Financial Services balance sheet

## Well positioned for further expansion

- Sales finance credits grew to SEK 1,025m and personal loans to SEK 187m
- SEK 165m held in Swedish municipal bonds and commercial papers as liquidity reserve
- Public deposits of SEK 750m. About 60% with variable interest rate and 40% with fixed interest rate
- SEK 314m in utilized secured credit facility, with an additional SEK 356m in undrawn funding

### Capital adequacy

- The assets of QFS corresponded to a Risk Exposure Amount of SEK 1,242m
- Own funds of SEK 240m in Common Equity Tier 1 capital
- Capital adequacy ratio of 19.4% well above requirements
- Enter into “Consolidated situation” going forward



# Summary

Marcus Lindqvist, CEO



# Value creation in three fully independent operations

## Second quarter

- ✓ New strategic direction announced – focus on three fully independent companies
- ✓ Already ongoing dialogue with several key players in the industry
- ✓ Financial flexibility as Group's cash amounted to SEK 646m, including SEK 389m in net cash position in e-commerce

## Focus

LOAN BOOK EXPANSION
GEOGRAPHICAL REACH
TRANSFORMATION
NEW PLATFORM
OWN BRANDS
NEW CONCEPTS

**Qliro Financial Services** is ready for loan book expansion using leverage on e-commerce volumes and scalability

**CDON Marketplace** is ready for continued transformation with growth and increased efficiency

**Nelly** is driving profitable growth, investing in core business and takes advantage of strong international momentum



# THANK YOU

Next report released October 19

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 follow us on twitter @qlirogroup

**Qliro Group AB (publ.)**  
Box 195 25  
SE-104 32 Stockholm  
+46 (0)10 703 20 00  
office@qlirogroup.com

Qliro  
Group