



# 6M 2018/19

## Financial Results

Düsseldorf, 16 May 2019

DOUGLAS

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# TODAY'S SPEAKERS



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**Tina Müller**  
Group CEO



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**Michael Rauch**  
Group CFO

# STRONG GROWTH IN FIRST HALF 2018/19

## POSITIVE DEVELOPMENT DESPITE EASTER SHIFT TO APRIL 2019

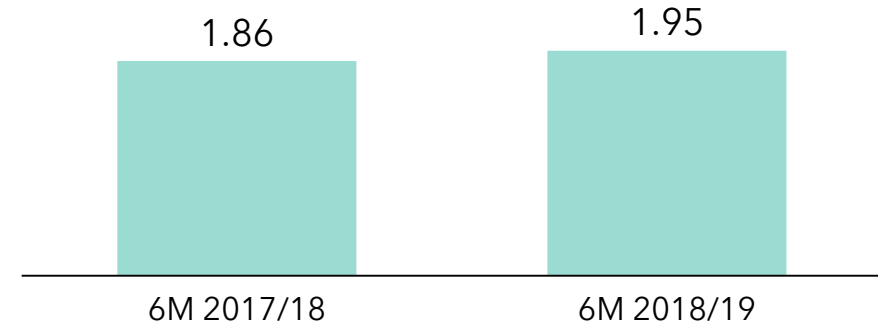
#FORWARD*Beauty* IMPLEMENTATION  
WITH MEASURABLE RESULTS



### STRONG GROWTH DELIVERED IN 6M 2018/2019

NET SALES  
(bn€)

+4.8% +5.5% adj. for Easter

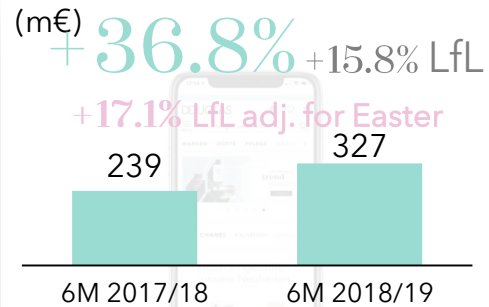


- › Positive LfL development (+2.0%) for the Group (+2.8% adj. for Easter)
- › Continued sales growth in Germany (+3.8% LfL adj. for Easter)
- › Online business continues fast-paced growth (+36.8%)
- › Investments into marketing, pricing and technology impacting Adjusted EBITDA by -4.9% (-2.5% adj. for Easter)
- › Reported EBITDA increased by +3.5% (+6.5% adj. for Easter)

# EVERY REGION CONTRIBUTING TO SALES GROWTH IN H1

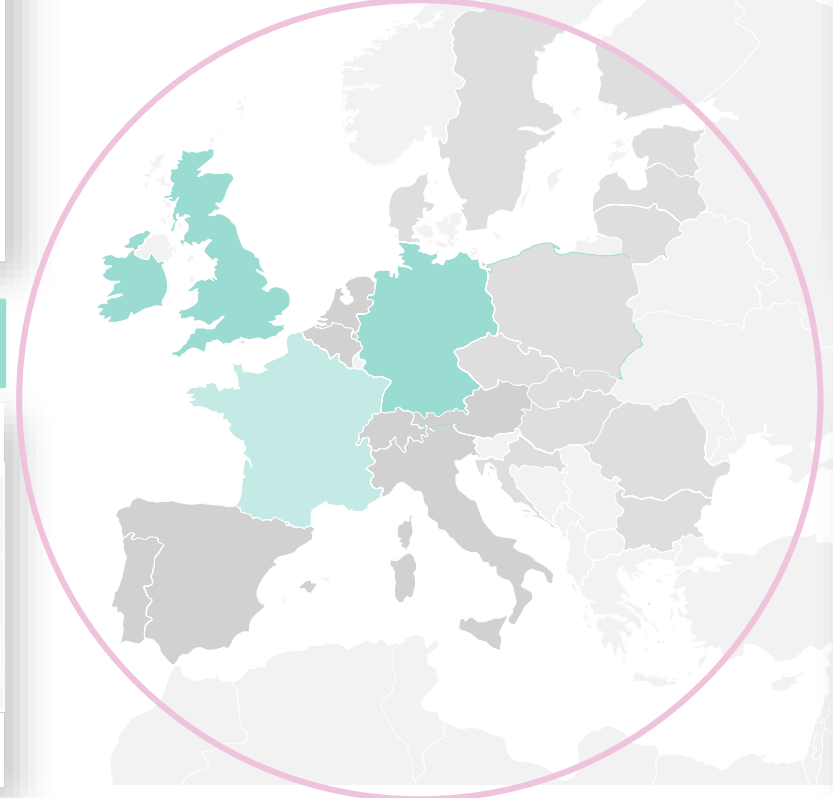
## ONLINE AS KEY DRIVER

### GROUP (ONLINE)

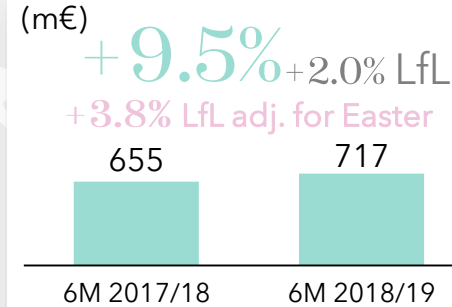


### €1.95bn Net Sales

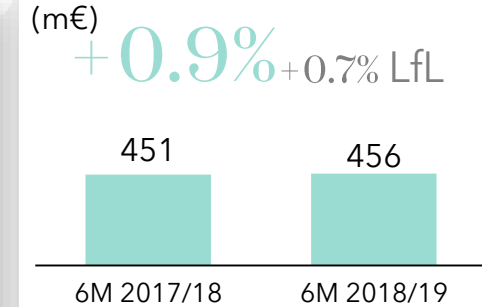
+4.8% +5.5% adj. for Easter  
 +2.0% LfL +2.8% LfL adj. for Easter



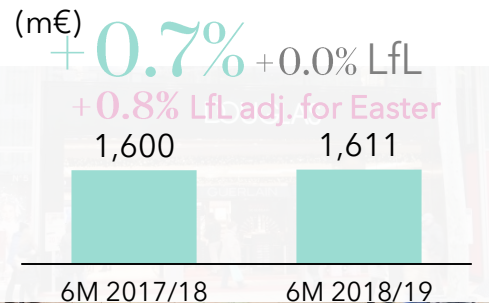
### GERMANY



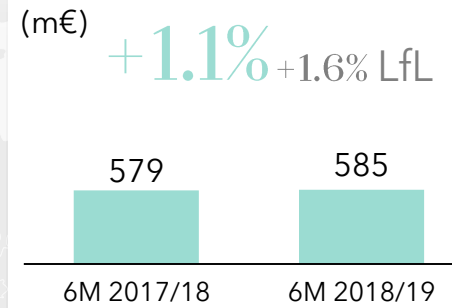
### FRANCE



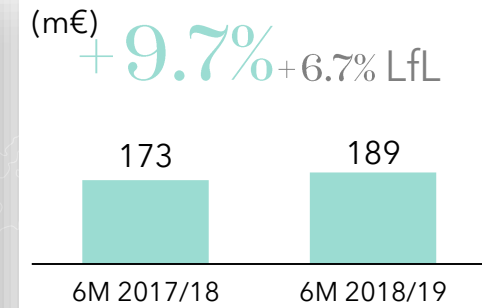
### GROUP (STORES)



### SOUTH-WESTERN EUROPE



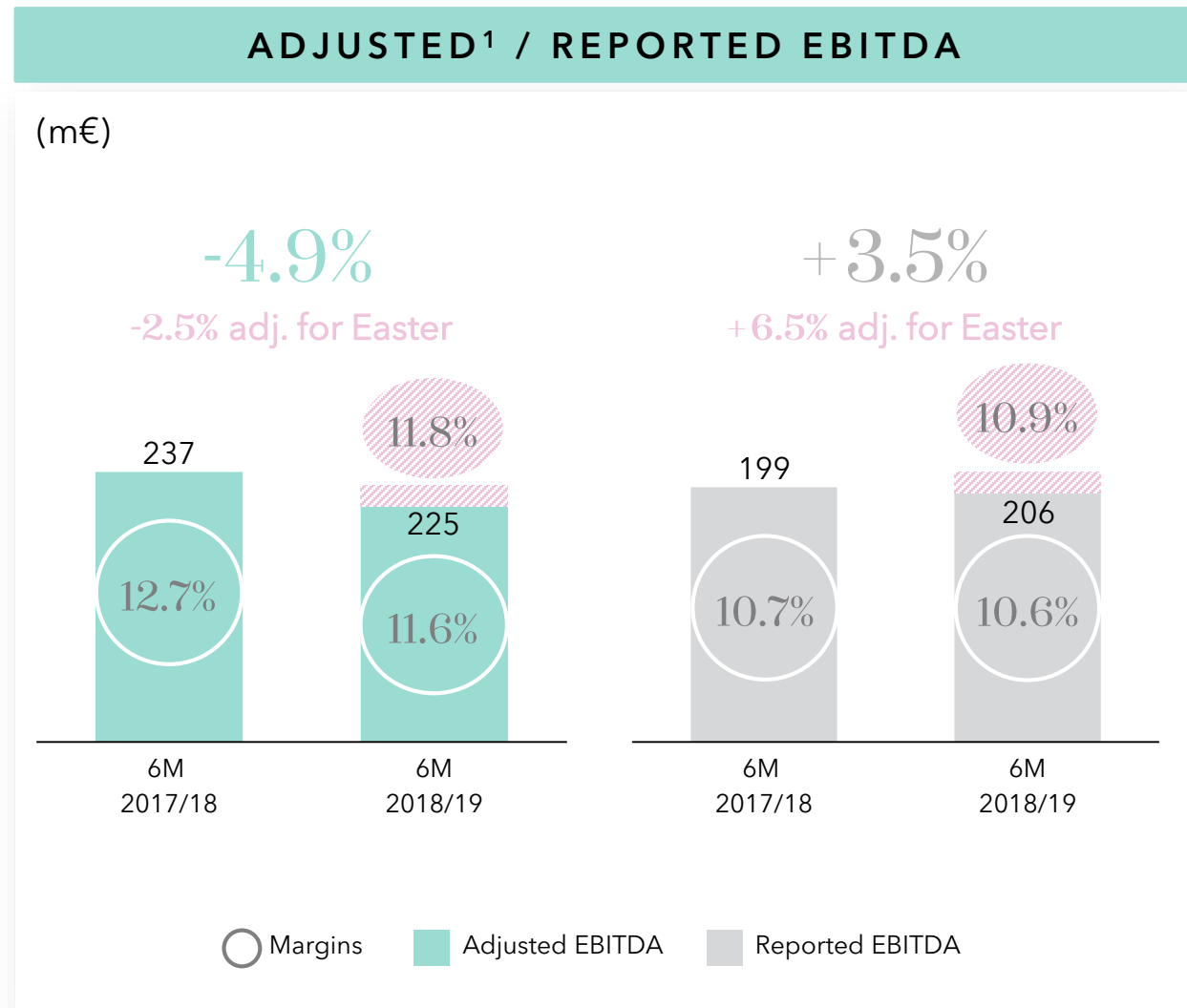
### EASTERN EUROPE



# ADJUSTED EBITDA IMPACTED BY INVESTMENTS

## SIGNIFICANTLY REDUCED EBITDA ADJUSTMENTS

- › Adjusted EBITDA impacted by investments into strengthening competitive position in Germany, especially into marketing, pricing and technology
- › Marketing investments reduced in Germany for Q2 while increased in other markets
- › Positive development of Reported EBITDA compared to previous year (+€7m)
- › EBITDA Adjustments significantly reduced to only €19m in H1 FY2018/19 compared to €38m in the same period last year
  - › Significantly lower consulting fees (€2m vs. €14m)
  - › Significantly lower restructuring cost (€3m vs. €10m)



# DRIVING GROWTH THROUGH BRAND POWER

## STRONG MARKETING CAMPAIGNS IN Q2 2018/19

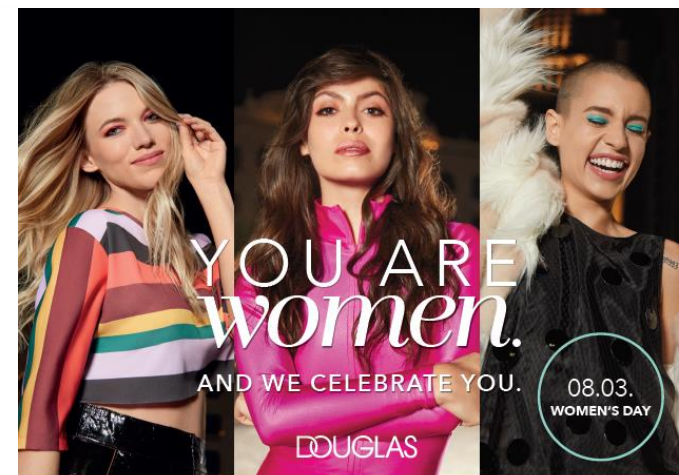
### VALENTINE'S DAY

IMPORTANT OCCASION FOR GIFTING



### WOMEN'S DAY

STRONG ATTITUDE CAMPAIGN



Celebrating this day with an emotional brand campaign

Campaign encouraging women to be self-confident



**+19%**  
Increase in Online Traffic



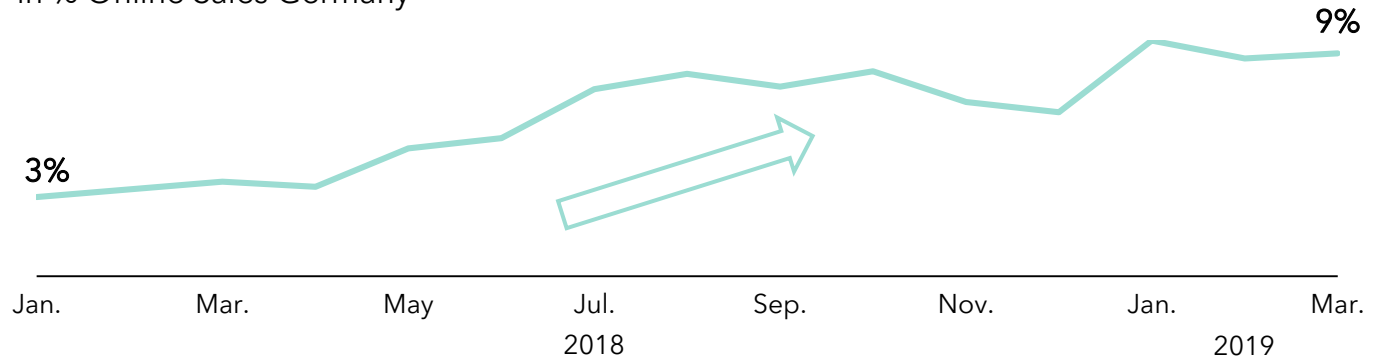
**+23%**  
Active Online Customers

# DRIVING GROWTH BY EXCELLENCE IN ASSORTMENT

## EXPANDING NEW, OWN AND EXCLUSIVE BRANDS IN GERMANY

- › Share of new brands increased to 9% of Online Net Sales in Germany
- › New own brands (#INNERBEAUTY, Dr. Susanne von Schmiedeberg) highly successful across channels:
  - › #INNERBEAUTY #1 out of 15 launches in the beauty food category in Germany
  - › Dr. Susanne von Schmiedeberg #2 German skin care brand launch with 3 SKUs within top 10 skin care SKUs already

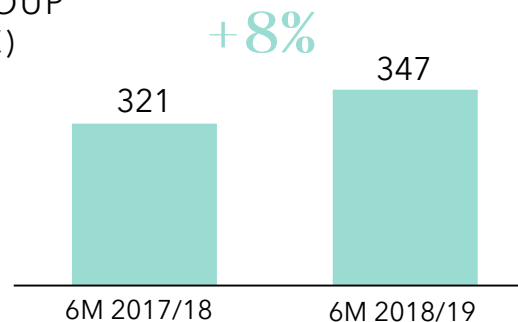
**NEW BRANDS SHARE**  
in % Online Sales Germany



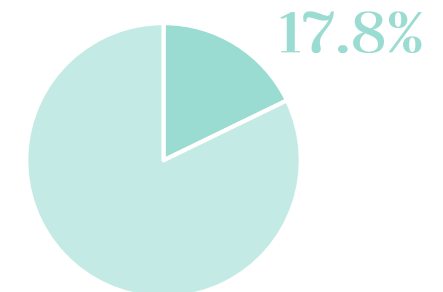
### NEXT STEPS

- › Increase of brands offered to 680 by the end of FY2018/19
- › Further roll-out of premium own brands

**OWN & EXCLUSIVE BRANDS  
NET SALES CONTRIBUTION  
GROUP**  
(m€)









**OWN & EXCLUSIVE BRANDS  
SHARE OF TOTAL SALES  
GROUP**





# DRIVING GROWTH THROUGH E-COMMERCE

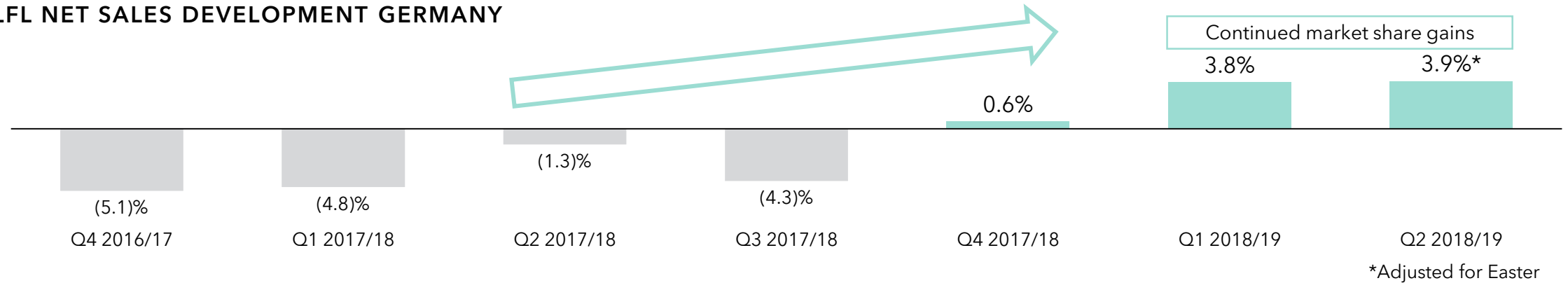
NO.1 EUROPEAN E-COMMERCE PLAYER WITH STRONG KPIS

GROUP 6M2018/19	ONLINE NET SALES	ONLINE REVENUE SHARE
	 €327m +36.8%	 16.8% (Germany: 28.9%)
GERMANY 6M2018/19	CONVERSION RATE	AVERAGE BASKET
	 3.9% +0ppts	 €64 +4.9%
	MOBILE REVENUE SHARE	APP REVENUE SHARE
	 61.1% +4.7ppts	 18.6% +2.6ppts

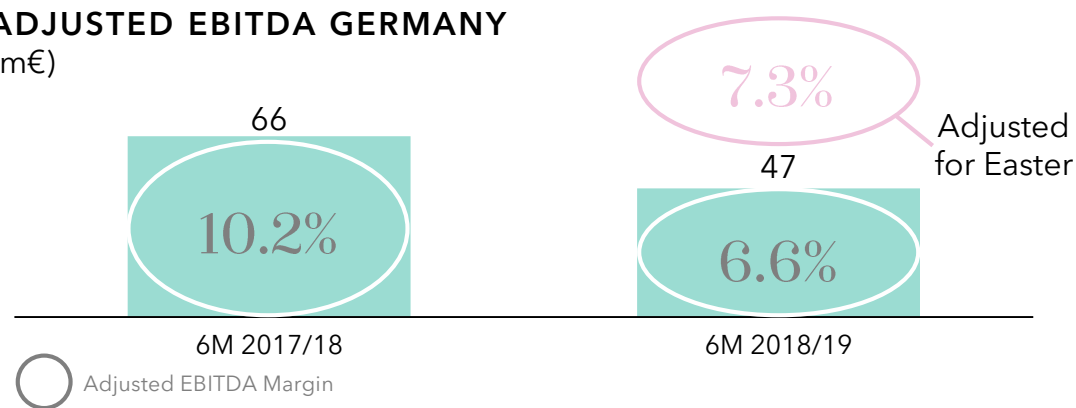
# GERMANY: MARKET SHARE GAINS IN A COMPETITIVE ENVIRONMENT

## NET SALES TURNAROUND CONFIRMED

### LFL NET SALES DEVELOPMENT GERMANY



### ADJUSTED EBITDA GERMANY (m€)

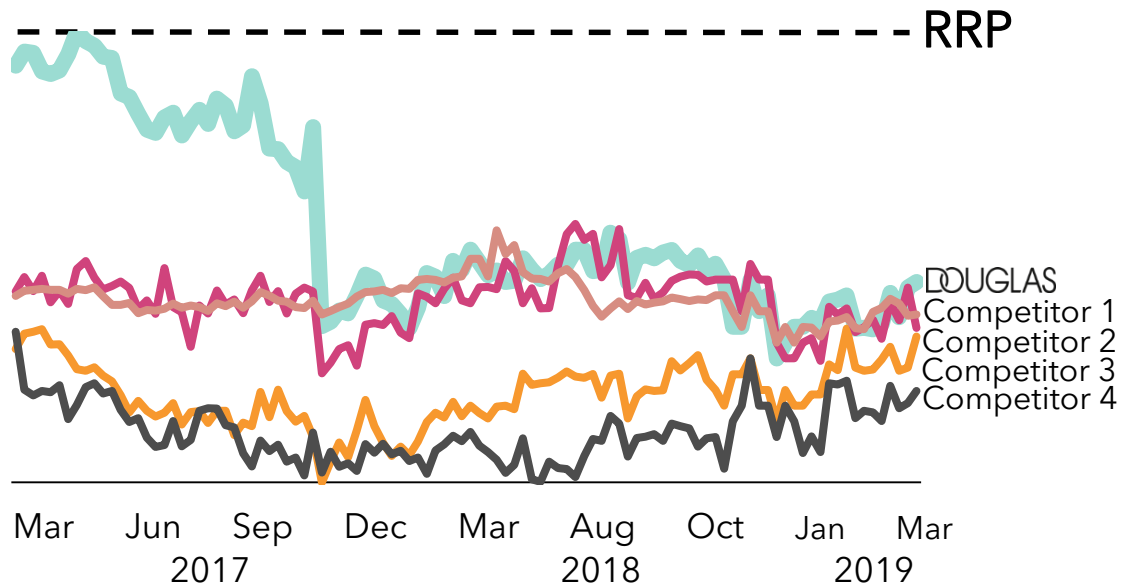


- › Germany is the most competitive and price / discount driven market in Europe
- › Never seen level of discount campaigns triggered by German E-Commerce pure player
- › Germany's EBITDA decrease impacted by marketing spend shift and additional investments into pricing and technology

# ATTRACTIVE PRICES AND DISCIPLINE ON DISCOUNTING

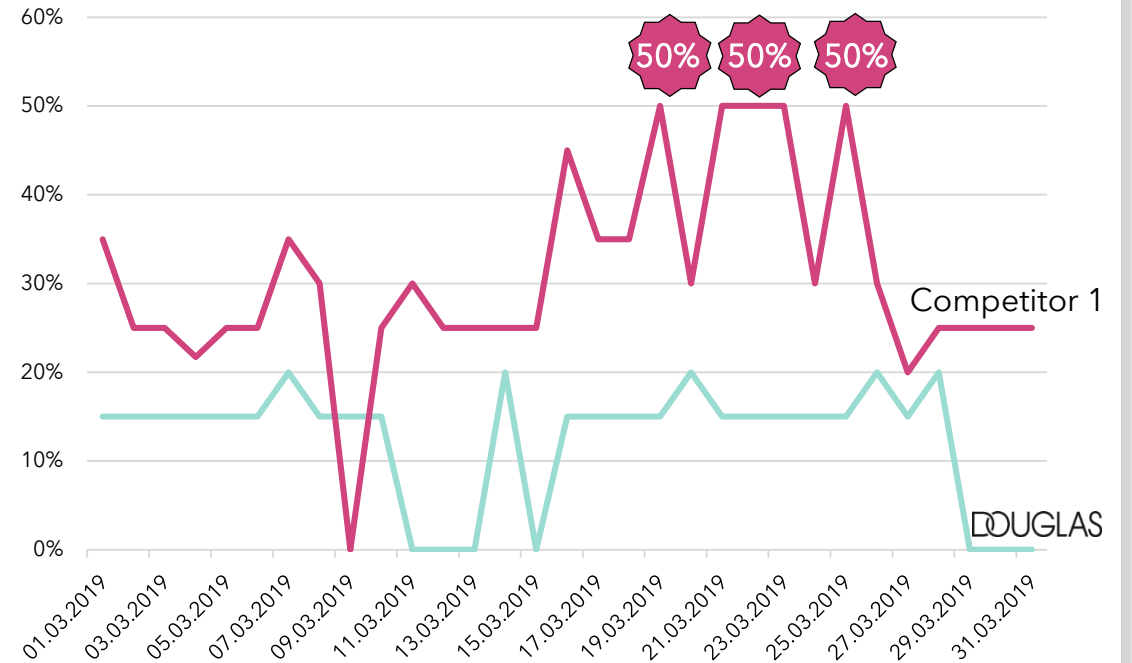
## CONTINUED PROGRESS ON ROLL-OUT OF NEW PRICING STRATEGY

PRICE INDEX | MARCH 2019  
(E-COMMERCE)



Price competitiveness significantly improved

DISCOUNTING CAMPAIGNS | MARCH 2019  
(E-COMMERCE; ON FULL ASSORTMENT)



Discount / promotion level significantly below competition demonstrates Douglas brand strength

# EFFECTIVE MEASURES TO DEFEND MARGIN IN PLACE

## STORE

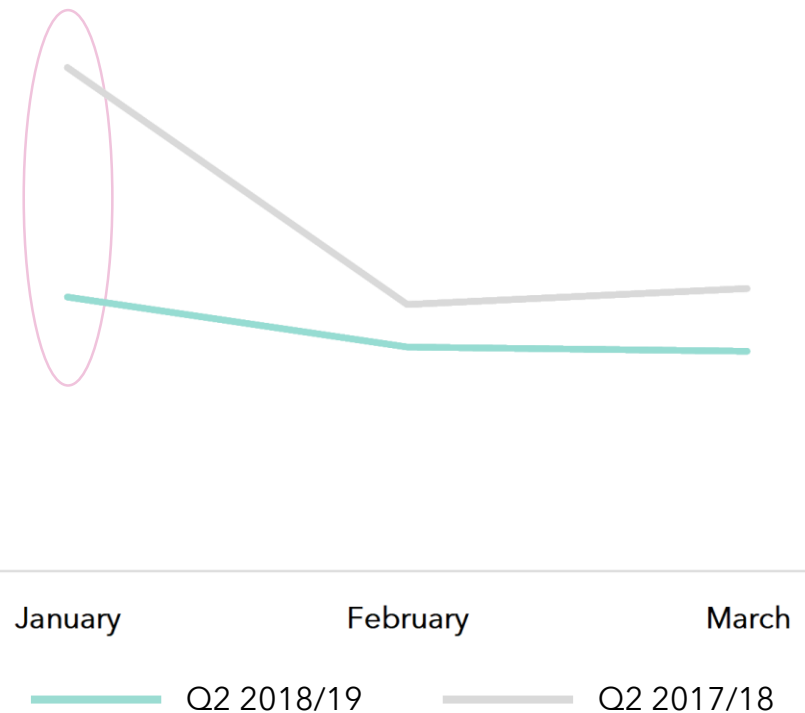
- › Smart price increases on ~7,000 SKUs in February 2019
- › Improved margin despite challenging environment
- › Further vitalization of the store business through best in class beauty consultation, service and events
- › Positive mix effect due to private label, new own and exclusive brands (in both store and online)

## E-COMMERCE

- › Strong growth in E-Commerce with focus on absolute gross profit growth rather than gross margin
- › Ability to capture higher margin on long tail items via dynamic pricing with Revionics tool
- › Introduction of marketplace as part of E-Commerce platform strategy will accelerate business to the next level

### NARROWING GERMAN STORE GROSS MARGIN GAP

STORE GROSS MARGIN Q2 2018/2019 VS. PY  
(GERMANY)

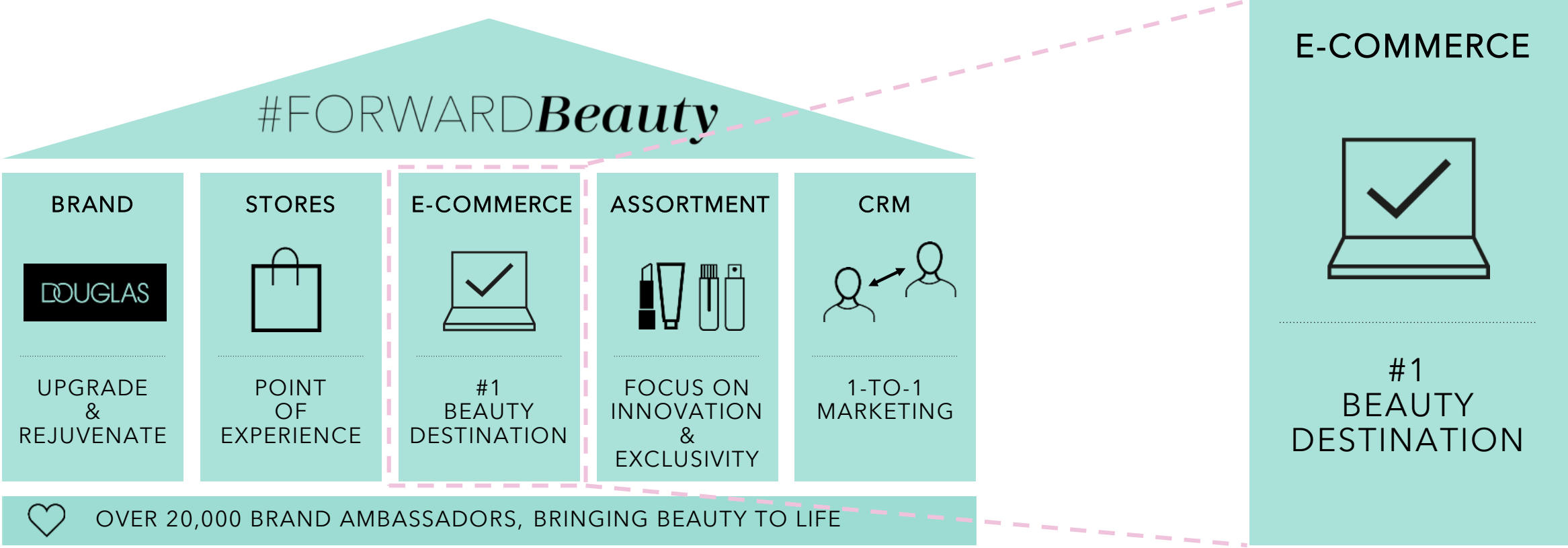


# FURTHER MEASURES TO STABILIZE MARGIN

- › Strengthening EBITDA is a clear Top Management focus, in particular in Germany
- › Tight cost discipline is being applied and key measures have been identified with immediate effect:

- Selective hiring freeze
- Increase of operational efficiencies
- Reduction of travel expenses, marketing agency and consulting fees
- Right-sizing of the existing store portfolio
  - › Thorough analysis of store portfolio ongoing
  - › Implementation of first tangible measures from Q4 2018/19 onwards

# SIGNIFICANT PROGRESS ON E-COMMERCE STRATEGY IMPLEMENTATION



# CREATING THE LEADING BEAUTY PLATFORM IN EUROPE

## PLATFORM

### RETAIL

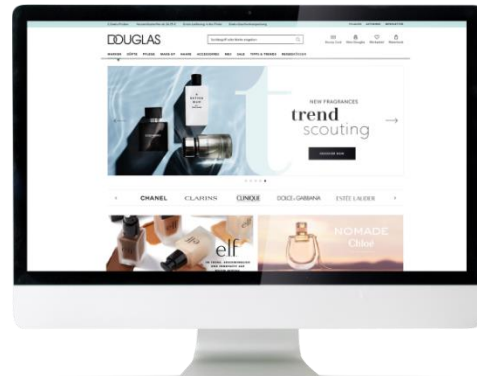
#### APP

New App with highly developed augmented reality-functionalities



#### ONLINE SHOP

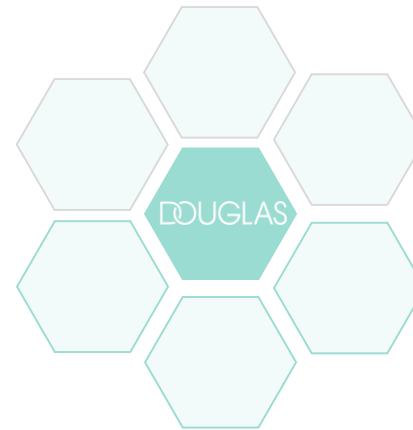
Complete remodeling of online shop to create an outstanding customer experience and integrate new business model



### MARKETPLACE

#### PARTNER PROGRAM

First beauty player in Europe to open a partner program (marketplace) in 2019



#### BEAUTY SERVICES

Start of online beauty booking service incl. own POS & external partners

**DOUGLAS**  
BEAUTY BOOKING

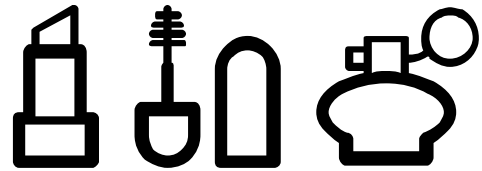
Media for Equity investment into beauty at home startup Welmoa



# FIRST BEAUTY MARKETPLACE IN EUROPE

## FROM TRANSACTION FOCUS TO AUDIENCE FOCUS

### TRANSACTION FOCUS



Douglas  
sells owned  
inventory to  
customer



Customer  
purchases



### AUDIENCE FOCUS

Broader Assortment without additional inventory



Extended audience



Secondary profit pool through additional audience





# #FORWARD*Beauty* DELIVERING CONTINUED VALUE



## POLE POSITION FOR CONTINUED GROWTH

- › #FORWARDBEAUTY continues delivering measurable results, in particular online
- › Evolution into platform business has just begun
- › Focus on absolute gross profit
- › Measures to stabilize margin identified and in implementation



## 6M 2018/19 FINANCIAL PERFORMANCE

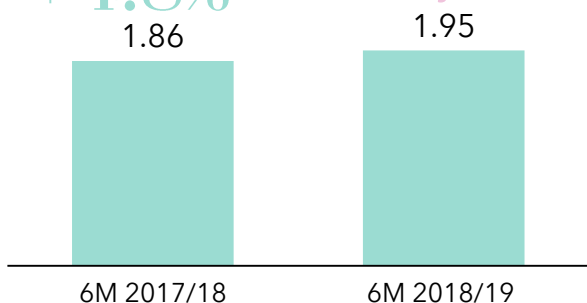
- › H1 Sales growth with positive LfL in every segment
- › Q2 impacted by lower store performance and Easter timing, in particular in Germany
- › E-Com with continued double-digit growth, also in Q2
- › Adjusted EBITDA impacted by Easter timing and Germany's investments into marketing, pricing and technology
- › Reported EBITDA growing at 3.5%
- › Free Cash Flow with positive development despite higher Cash Capex spillover

# KEY FINANCIALS AT A GLANCE

## 6M FY2018/19

### NET SALES

(bn€) **+4.8%** **+5.5% adj. for Easter**



### LFL-GROWTH

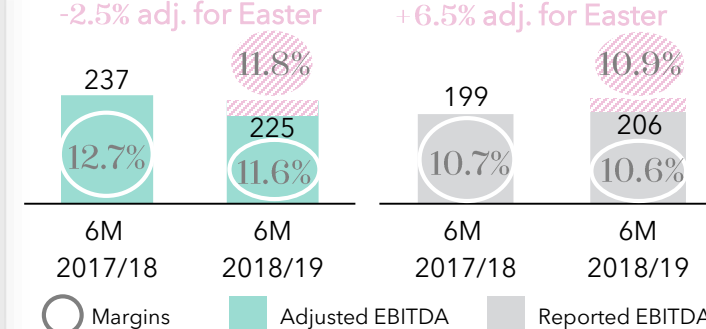
LfL Growth: **+2.0%**

Store LfL Growth: **+0.0%**

Online LfL Growth: **+15.8%**

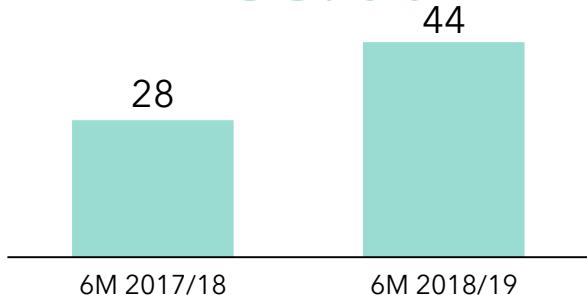
### ADJUSTED<sup>1</sup>/REPORTED EBITDA

(m€) **-4.9%** **+3.5%**  
**-2.5% adj. for Easter** **+6.5% adj. for Easter**



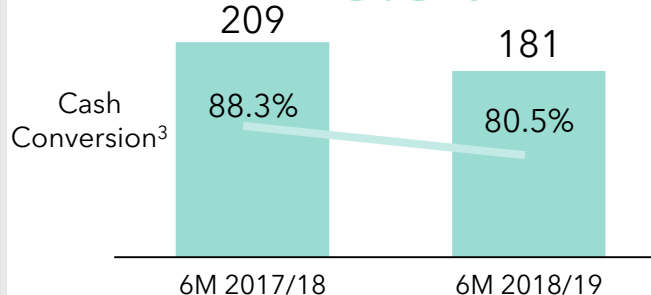
### CAPEX<sup>2</sup>

(m€) **+58.2%**



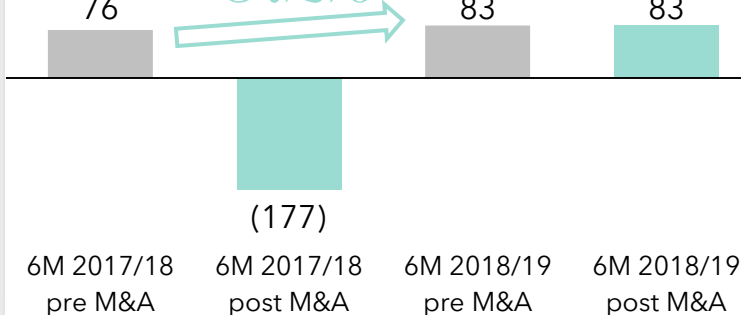
### ADJUSTED EBITDA - CAPEX

(m€) **-13.3%**



### FREE CASH FLOW<sup>4</sup>

(m€) **+9.2%**



<sup>1</sup> For details on EBITDA Adjustments see page 29

<sup>2</sup> Accounting Capex excl. M&A related Investments

<sup>3</sup> Defined as Adjusted EBITDA minus CAPEX pre M&A (Accounting CAPEX) divided by Adjusted EBITDA

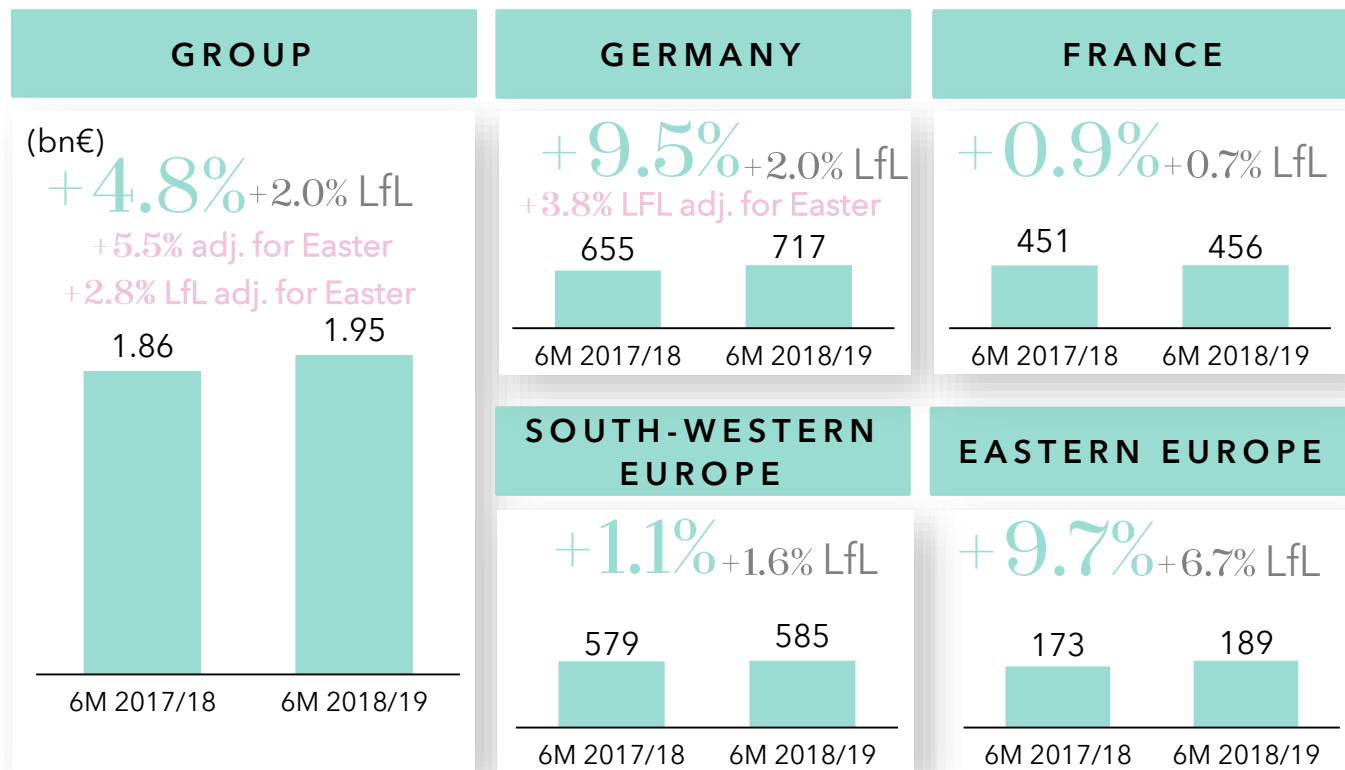
<sup>4</sup> Defined as Total of Net Cash Flow from Operating Activities and Net Cash Flow from Investing Activities

# SEGMENTAL DEVELOPMENT

## NET SALES

- › **Germany:** Strong growth driven in particular by dynamic online development, despite adverse Easter timing effect
- › **France:** Positive growth, also LfL, despite yellow vest riots
- › **SWE:** Organic growth path continued following successful integration
- › **Eastern Europe:** Strong growth path continued with excellent LfL development

### NET SALES<sup>1</sup>



m€ for Germany, France, South-Western and Eastern Europe

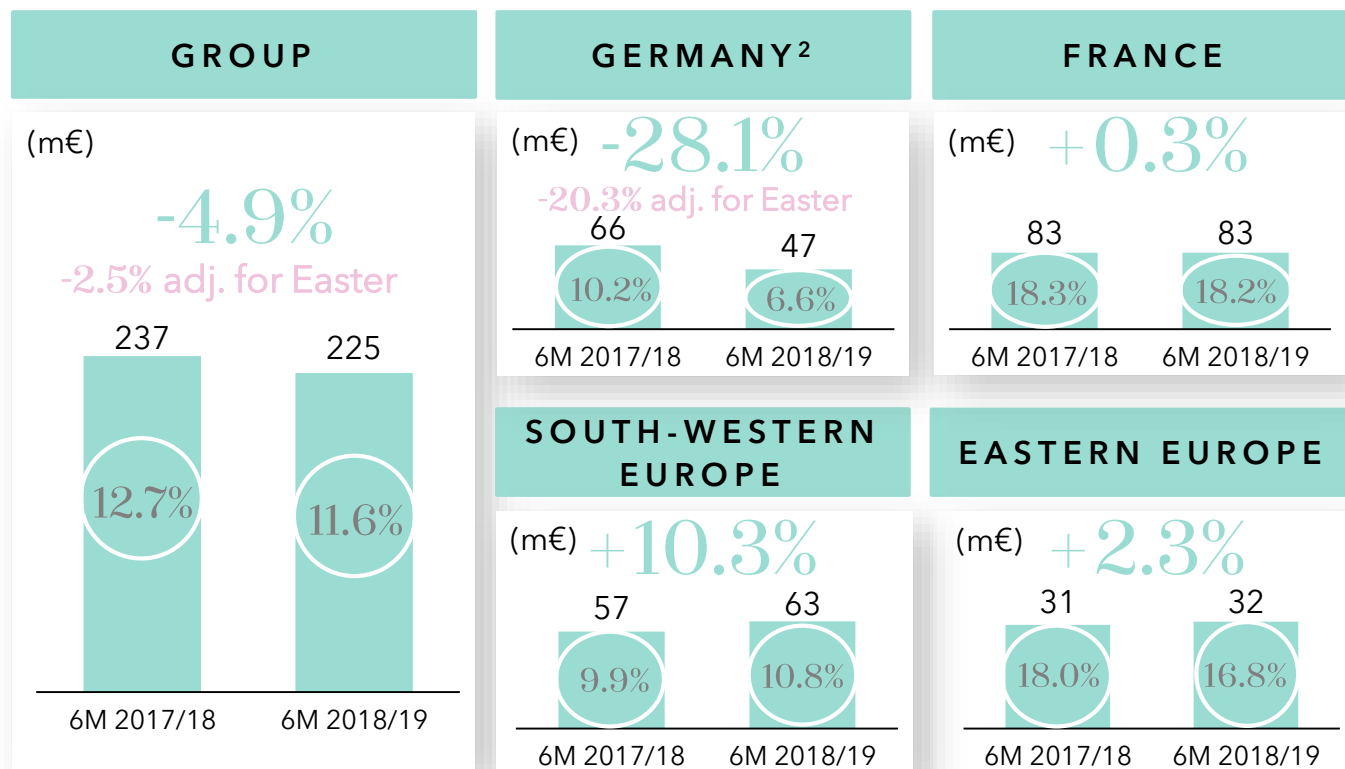
<sup>1</sup> Excl. Intersegment Sales

# SEGMENTAL DEVELOPMENT

## ADJUSTED EBITDA

- › **Germany:** Timing of Easter and continued #FORWARDBEAUTY investments into marketing, pricing and technology in a promotion-intensive environment impacts segment and overall Group
- › **France:** Highest EBITDA contributor of the group at excellent margins due to strict cost discipline and attractive assortment mix
- › **SWE:** Growth and margin improvement with continued progress on synergies
- › **Eastern Europe:** Growth path continued with minor investments at still very attractive margins

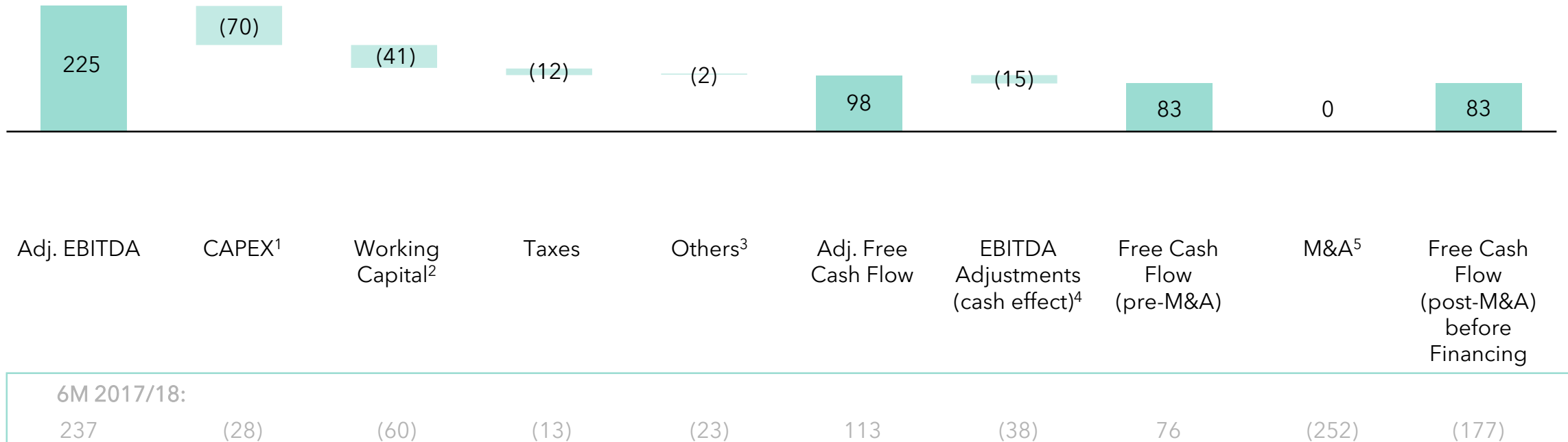
### ADJUSTED EBITDA<sup>1</sup>



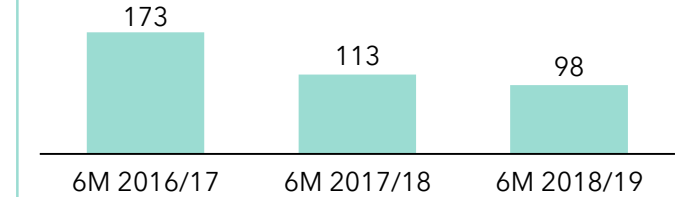
Adjusted EBITDA Margin

# STRONG FREE CASH FLOW GENERATION DESPITE CASH CAPEX SPILLOVER

## FREE CASH FLOW BRIDGE 6M 2018/19 (m€)



## ADJUSTED FCF DEVELOPMENT (m€)



<sup>1</sup> Excl. M&A CAPEX

<sup>2</sup> Defined as inventories, trade accounts receivables, trade accounts payables as well as other receivables and liabilities related to supplier receivables for rebates / bonuses, marketing subsidies, voucher liabilities

<sup>3</sup> Change in other assets, liabilities and accruals

<sup>4</sup> For further details on adjustments to reported EBITDA see page 29

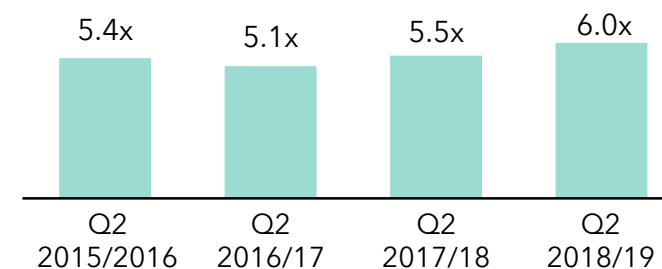
<sup>5</sup> Payments in 6M 2017/18 for acquisitions in Italy and Spain

# EVOLUTION OF CAPITAL STRUCTURE AND KEY LEVERAGE METRICS

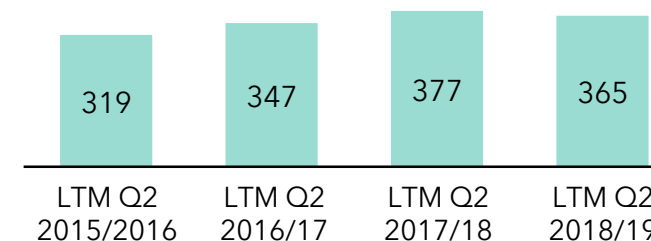
## CAPITAL STRUCTURE

March 31, 2019	m€	x Adj. EBITDA	Maturity	Pricing
Cash and Equivalents	130			
RCF (€200m available)	-		Feb 22	E+3.75% (0% floor)
Term Loan B (B1/B)	1,370		Aug 22	E+3.50% (0% floor)
New Term Loan B <sup>1</sup> (B1/B)	300		Aug 22	E+3.25% (0% floor)
Senior Secured Notes (B1/B)	300		Jul 22	6.25%
<b>Net Senior Debt<sup>2</sup></b>	<b>1,840</b>	<b>5.0x</b>		
Senior Notes (Caa1/CCC+)	335		Jul 23	8.75%
<b>Net Debt (Corp: B2/B)</b>	<b>2,175</b>	<b>6.0x</b>		

## TOTAL NET LEVERAGE



## ADJUSTED EBITDA<sup>3</sup> (m€)





## ACHIEVEMENTS & FOCUS AREAS

- ✓ H1 Sales growth with positive LfL in every segment
- ✓ Online acceleration as a key strategic growth driver
- ✓ EBITDA adjustments significantly reduced
- ✓ H1 Free Cash Flow +9.2% vs. PY
- EBITDA improvement in Germany
- Further strengthen cost discipline and accelerate deleveraging





Thank you.

Upcoming IR Event

August 29, 2019: Q3 Results FY2018/19

DOUGLAS



# *Appendix*

# Q2 KEY FINANCIALS

## FY2018/19

### KEY FINANCIALS

(m€)	Q2 FY2017/18	Q2 FY2018/19	Delta
Net Sales	720	728	1.0%
<i>Lfl Growth / Lfl Growth Adjusted for Easter</i>			<i>(0.6)% / 1.4%</i>
Adjusted EBITDA	54	39	(27.7)%
Margin (%)	7.4%	5.3%	(2.1)ppts
CAPEX <sup>1</sup>	15	23	52.7%
Adj. EBITDA - CAPEX	39	16	(58.3)%
Cash Conversion (%)	72.4%	41.7%	(30.7)ppts

<sup>1</sup> Accounting Capex excl. M&A

# LTM KEY FINANCIALS

## MARCH 2018/19

### KEY FINANCIALS

(m€)	LTM Mar 2018	LTM Mar 2019	Delta
Net Sales	3,087	3,366	9.1%
<i>LfL Growth</i>			<i>0.9%</i>
Adjusted EBITDA	377	365	(3.2)%
Margin (%)	12.2%	10.8%	(1.4)ppts
CAPEX <sup>1</sup>	76	143	87.9%
Adj. EBITDA - CAPEX	301	222	(26.2)%
Cash Conversion (%)	79.9%	60.9%	(19.0)ppts

<sup>1</sup> Accounting Capex excl. M&A

# ADJUSTMENTS TO EBITDA

## 6M FY2018/19 & LTM MARCH 2019

- › Reported EBITDA improvement of +3.5% in H1 despite adverse Easter timing
- › **Consulting fees** significantly declined as large scale M&A is completed
- › **Restructuring costs** relating to integration activities in Italy and Spain
- › **Purchase price allocation:** Acquisitions of Bodybell/IF/LLG/Parfumdreams
- › **Credit card fees:** “Below EBITDA” reclassification in accordance with banking and bond agreements; increase due to Parfumdreams acquisition
- › **Other:** Other extraordinary items significantly declined; high LTM figure driven by inventory write-down and rebranding as stated in previous presentations

### EBITDA ADJUSTMENTS

(m€)	6M 2017/18	6M 2018/19	LTM Mar 2018	LTM Mar 2019
Reported EBITDA	199	206	294	209
Consulting fees	14	2	27	10
Restructuring costs	10	3	21	8
PPA	2	4	4	14
Credit card fees	6	9	10	14
Write-offs	2	0	7	85
Other	4	1	14	24
Adjusted EBITDA	237	225	377	365

# REPORTED FINANCIALS

6M FY2018/19

## NET SALES<sup>1</sup>

(m€)	6M 2017/18	6M 2018/19
Germany	655	717
France	451	456
South-Western Europe	579	585
Eastern Europe	173	189
Group	1,858	1,948

## EBITDA

(m€)	6M 2017/18	6M 2018/19
Germany <sup>2</sup>	53	39
France	80	79
South-Western Europe	36	58
Eastern Europe	30	30
Group	199	206

# DEEP DIVE LFL NET SALES GROWTH

## QUARTERLY DEVELOPMENT

### LFL NET SALES GROWTH DEVELOPMENT

	Q2 2017/18	Q3 2017/18	Q4 2017/18	Q1 2018/19	Q2 2018/19	LTM Q2 2018/19
Germany	(1.3)%	(4.3)%	0.6%	3.8%	(0.9)% / 3.9%*	0.5%
France	2.6%	(1.1)%	(5.8)%	2.0%	(1.8)%	(0.8)%
South-Western Europe	0.8%	(1.8)%	(4.9)%	3.7%	(1.3)%	1.3%
Eastern Europe	7.7%	2.0%	5.3%	6.8%	6.5%	5.4%
Group	1.0%	(2.3)%	(1.5)%	3.6%	(0.6)% / 1.4%*	0.9%
Stores	0.9%	(3.1)%	(2.9)%	1.5%	(2.4)% / (0.4)%*	(1.0)%
Online	4.5%	5.1%	8.9%	17.3%	13.4% / 16.7%*	14.5%

# CASH FLOW STATEMENT

6M FY2018/19

- › Strong development of **Cash Flow from Operating Activities**
- › **Cash flow from investing activities** decreased significantly, as prior year's comparable period includes large scale SWE acquisitions
- › **Cash flow from Financing activities** in previous year largely driven by additional Term Loan B tranche of €300m for the financing of acquisitions in SWE; return to normal level in 6M

## CASH FLOW STATEMENT

(m€)

	6M 2017/18	6M 2018/19
Net Cash Flow from Operating Activities	101	150
Net Cash Flow from Investing Activities	(278)	(67)
Net Cash Flow from Financing Activities	249	(56)
Net Change in Cash & Cash Equivalents	72	27
Currency Translation Effects	0	0
Cash & Cash Equivalents at Beginning of Period	178	103
Cash & Cash Equivalents at End of Period	251	130



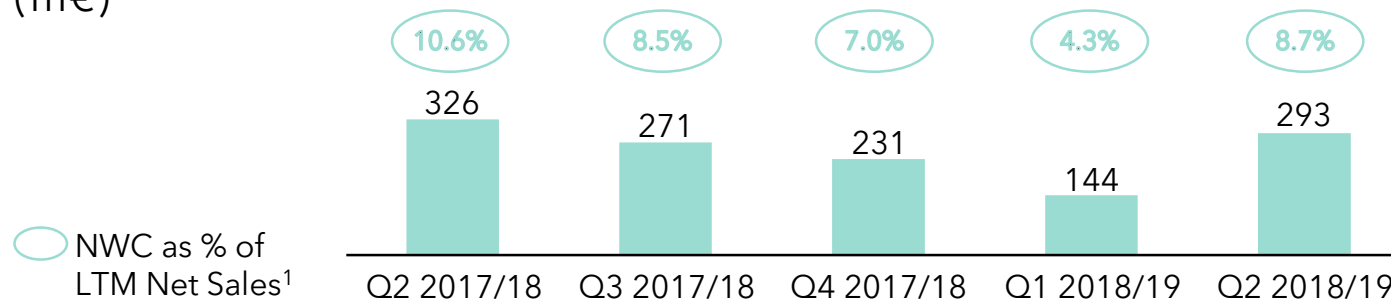
# NET WORKING CAPITAL

## Q2 FY2018/19

- › Net Working Capital continues to be a key focus
- › Inventory levels in line with seasonal patterns and reflecting assortment upgrading; however, managed very efficiently
- › Increase in accounts payable largely due to improved payment terms to optimize cash cycle
- › Other of €(39)m mainly driven by increase in unredeemed gift vouchers/coupons and bonus claims
- › NWC as % of Net Sales decreasing but expected to be slightly above historical ratios going forward as result of broader assortment

### NET WORKING CAPITAL

(m€)



(m€)	Q2 2017/2018	Q3 2017/2018	Q4 2017/2018	Q1 2018/2019	Q2 2018/2019
Inventories	854	760	756	817	811
Trade accounts receivable	60	48	47	77	47
Trade accounts payable	(519)	(506)	(566)	(805)	(526)
Other <sup>2</sup>	(69)	(31)	(6)	55	(39)
<b>Total NWC</b>	<b>326</b>	<b>271</b>	<b>231</b>	<b>144</b>	<b>293</b>

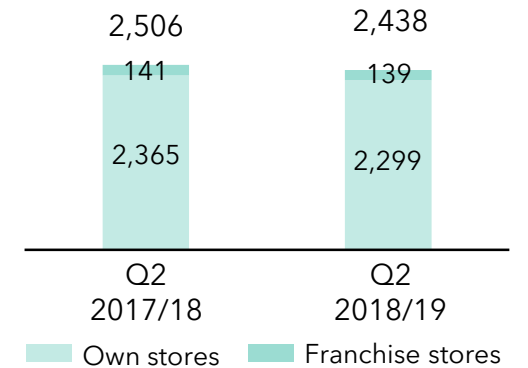
<sup>1</sup> Acquisitions of LLG in Italy and Perfumeras IF in Spain only completed in November 2017; LTM Net Sales until September 30, 2018 therefore only include Sales contribution of acquisitions for a fraction of the year

<sup>2</sup> Incl. receivables from reimbursed marketing costs, bonus receivables, voucher liabilities



## PREMIUM STORE NETWORK FOOTPRINT ACROSS EUROPE

- › Decrease in # of stores driven by portfolio realignment in particular in SWE
- › Sufficient footprint in mature markets with net growth expected to slow down going forward



YTD DEVELOPMENT	6M 2017/18	6M 2018/19
Store openings	26	7
Store closures	(40)	(6)
Store acquisitions	597	-
Store divestitures	-	-
Change in franchises	0	0
<b>Total</b>	<b>583</b>	<b>1</b>