



## Qliro Group - Q3 Interim Report

*Marcus Lindqvist, CEO*  
*October 19, 2018*



# Progress in building three independent companies

**QLIRO**

Financial services to  
consumers and merchants



Focus on external  
merchants, existing offering  
and scalability

**CDON.COM**

A leading Nordic  
online marketplace



Accelerating transformation  
Evaluating structural  
transactions

**NELLY.COM**

A leading online Nordic  
fashion brand



Successful profitable  
growth  
Evaluating listing or  
divestment

# Updated financial targets

## QLIRO

Focus on external merchants (CDON decreased volumes)

- Operating income before depreciation and amortization of SEK 100 - 125 million in 2019

## CDON.COM

Transformation to marketplace model

- Growth in external merchandize value above 20 percent per year
- Operating margin before depreciation and amortization above 3 percent per year

## NELLY.COM

Successful profitable growth strategy

- Organic growth in net sales above 10 per cent per year
- Operating margin before depreciation and amortization above 6 percent per year

# Qliro Financial Services continues to grow

## Proven scalability and low acquisition costs

| SEKm                     | Q3 18 | Q3 17 | Δ   |
|--------------------------|-------|-------|-----|
| Total operating income   | 76.7  | 56.3  | 36% |
| Total operating expenses | 62.1  | 47.0  | 32% |
| EBTDA                    | 10.3  | 11.1  | -8% |
| Loan book                | 1 246 | 827   | 51% |
| Business volume          | 1 129 | 848   | 33% |

- ➔ Total operating income increased 36%, driven by increased lending to the public
- ➔ Total operating expense increased 32%, indicating scalability in business considering investments in commercial capabilities during the quarter
- ➔ Business volume grew 33% despite negative impact from CDON's transformation
- ➔ Growing independency from group, as external merchants accounted for around 50% of business volume in the quarter
- ➔ Focus to attract merchants and capitalize existing service offering and roll out Swedish offering across the Nordic

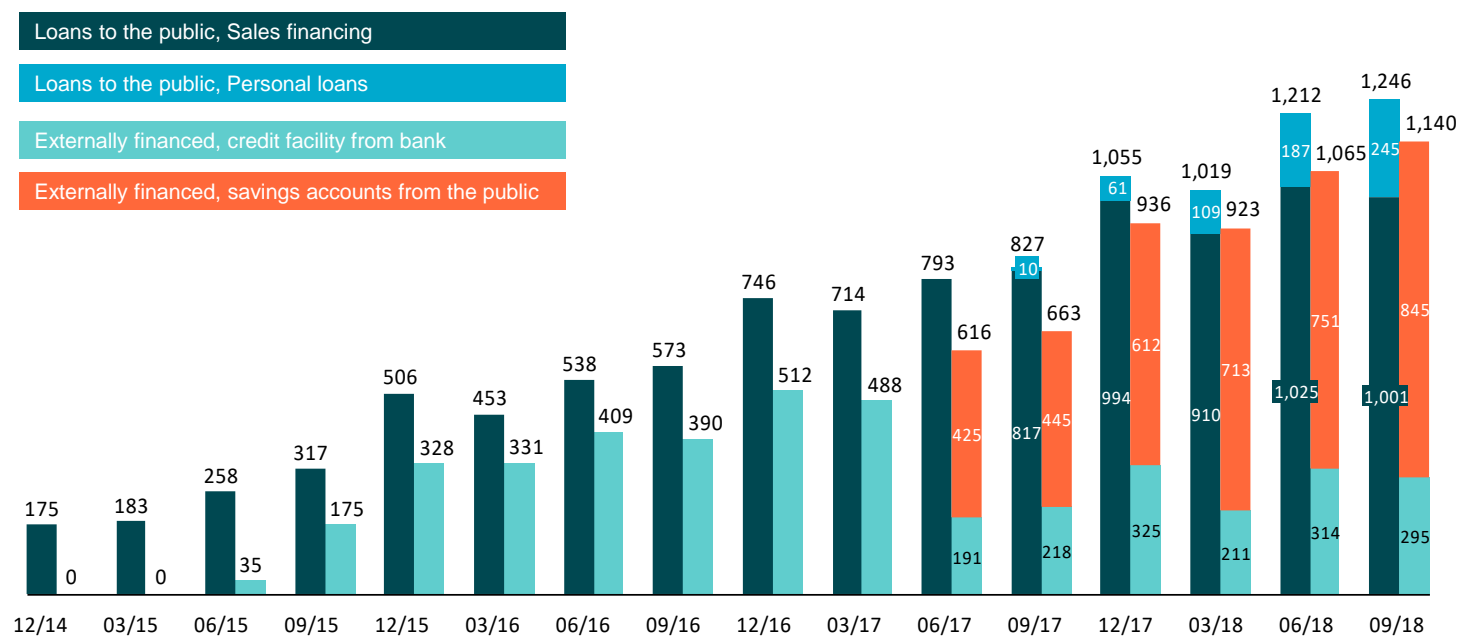


# Loan book above SEK 1.2 billion

## Focus on cost-efficient expansion

- ➔ Machine learning applied to internal and external data for real-time credit scoring
- ➔ Continued ramp-up of personal loans to SEK 245m
- ➔ Interest cost for loan book amounted to SEK 4m, through savings accounts and secured credit facility
- ➔ Interest revenue from loan book amounted to SEK 71m, reflecting positive interest rate spread
- ➔ An e-commerce transaction generates income for up to three years and personal loans even further

Net lending, SEKm



# CDON Marketplace accelerates transformation

## Focus on external sales growth

| SEKm         | Q3 18 | Q3 17 | Δ    |
|--------------|-------|-------|------|
| GMV external | 124.7 | 101.9 | 22%  |
| Total GMV    | 396.4 | 445.4 | -11% |
| Net sales    | 286.3 | 353.5 | -19% |
| Gross profit | 42.3  | 35.6  | 19%  |
| EBITDA       | -5.9  | -12.2 | -51% |

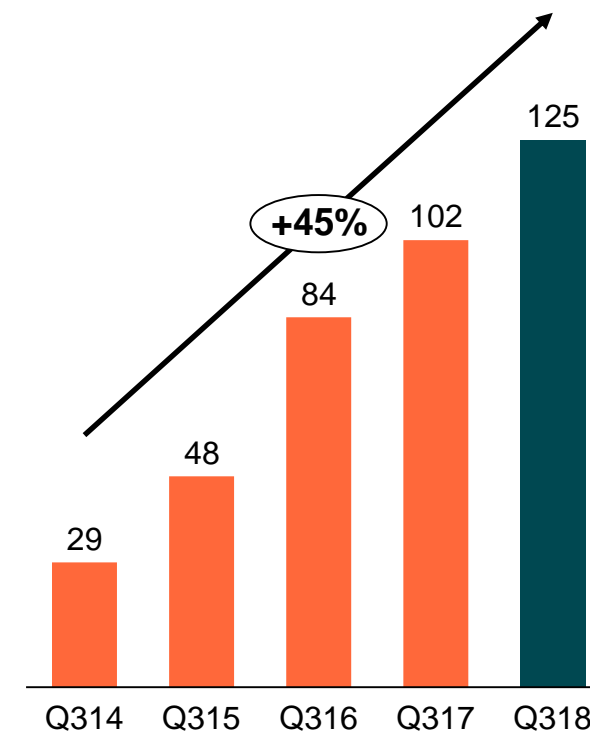
GMV = Gross merchandise value

**>19**  
Million  
visits in quarter

**1.8**  
Million  
active  
customers<sup>1</sup>

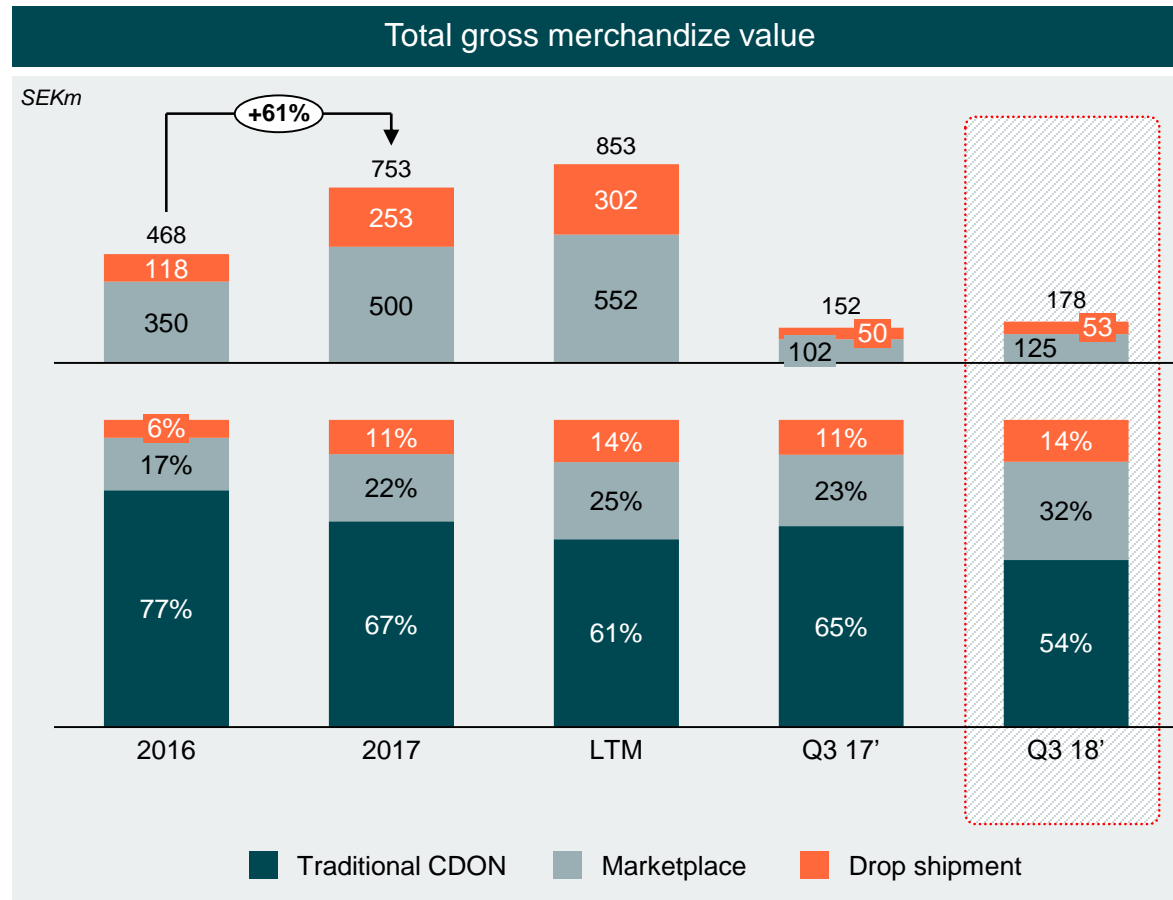
- Proven model with over 1,500 merchants e.g. Adlibris, VidaXL, Furniturebox, Ellos, Cervera and Trademax
- External merchants increased sales 22% and commission income with 45% driven by long-tail activation
- Own sales phased out, mainly products with lower margins, resulting in increased gross margin of 4.7 percentage points and lower net sales
- Continued investments in automation and positioning of brand, while personnel costs somewhat decreased

External GMV development  
**CAGR 14'-18'**



# Transformation to higher scalability and lower risk

## Marketplace and drop shipment 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 delivers strong profitable growth

## Two quarters in a row with 11 percent growth

| SEKm          | Q3 18 | Q3 17 | Δ   |
|---------------|-------|-------|-----|
| Net Sales     | 308.9 | 277.5 | 11% |
| EBITDA        | 23.9  | 23.7  |     |
| EBITDA margin | 7.7%  | 8.5%  |     |
| EBIT          | 18.7  | 18.2  |     |
| EBIT margin   | 6.0%  | 6.6%  |     |

- ➔ Growth initiatives increased numbers of visit with 7%, number of orders with 12%, number of customer with 15% and average order with 5%
- ➔ Net sales increased 11% just as last quarter, highest growth in three years
- ➔ Return ratio amounted to 38%, higher level than 2017
- ➔ Sweden and Norway are the largest markets. The fastest growing market is the Netherlands
- ➔ EBITDA amounted to SEK 24m, showing significant sequential improvement as last year was boosted with 6m from divestment of Members.com

**44%**

Share of own brands

**1.4**

Million active customers<sup>1</sup>



# Financials

Mathias Pedersen, CFO



# Consolidated income statement

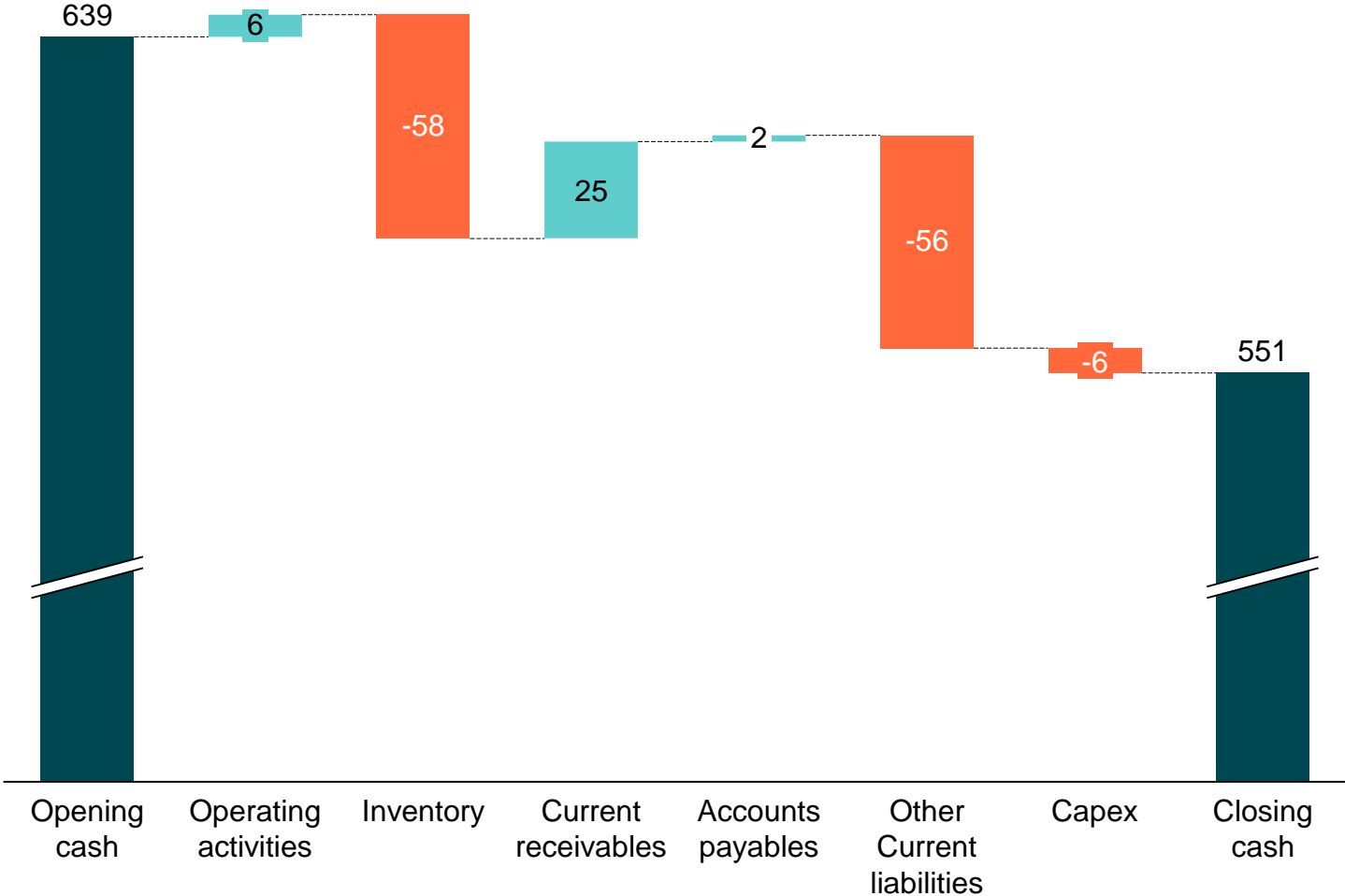
## Decrease in net sales, increase in gross profit

- Net sales decreased to SEK 665m (SEK 686m) in the quarter
- Exchange rate fluctuations had a positive impact of approximately 2 percent
- Transformation in CDON had a negative impact on net sales and positive on gross profit
- Gross profit improved
- Financial net includes interest for bond and the effects of exchange rate fluctuations

| SEKm  | Q3 18        | Q3 17        |
|---|--------------|--------------|
| <b>Net sales</b>                            | <b>665.1</b> | <b>686.4</b> |
| <b>Gross profit</b>                         | <b>175.3</b> | <b>166.5</b> |
| <b>Operating result</b>                     | <b>0.7</b>   | <b>-4.4</b>  |
| Financial net                               | -5.4         | -1.8         |
| <b>Net result before tax</b>                | <b>-4.7</b>  | <b>-6.2</b>  |
| Tax   | -0.4         | 1.1          |
| <b>Net result for continuing operations</b> | <b>-5.1</b>  | <b>-5.1</b>  |

# E-commerce cash flow seasonally negative in Q3 as working capital increased

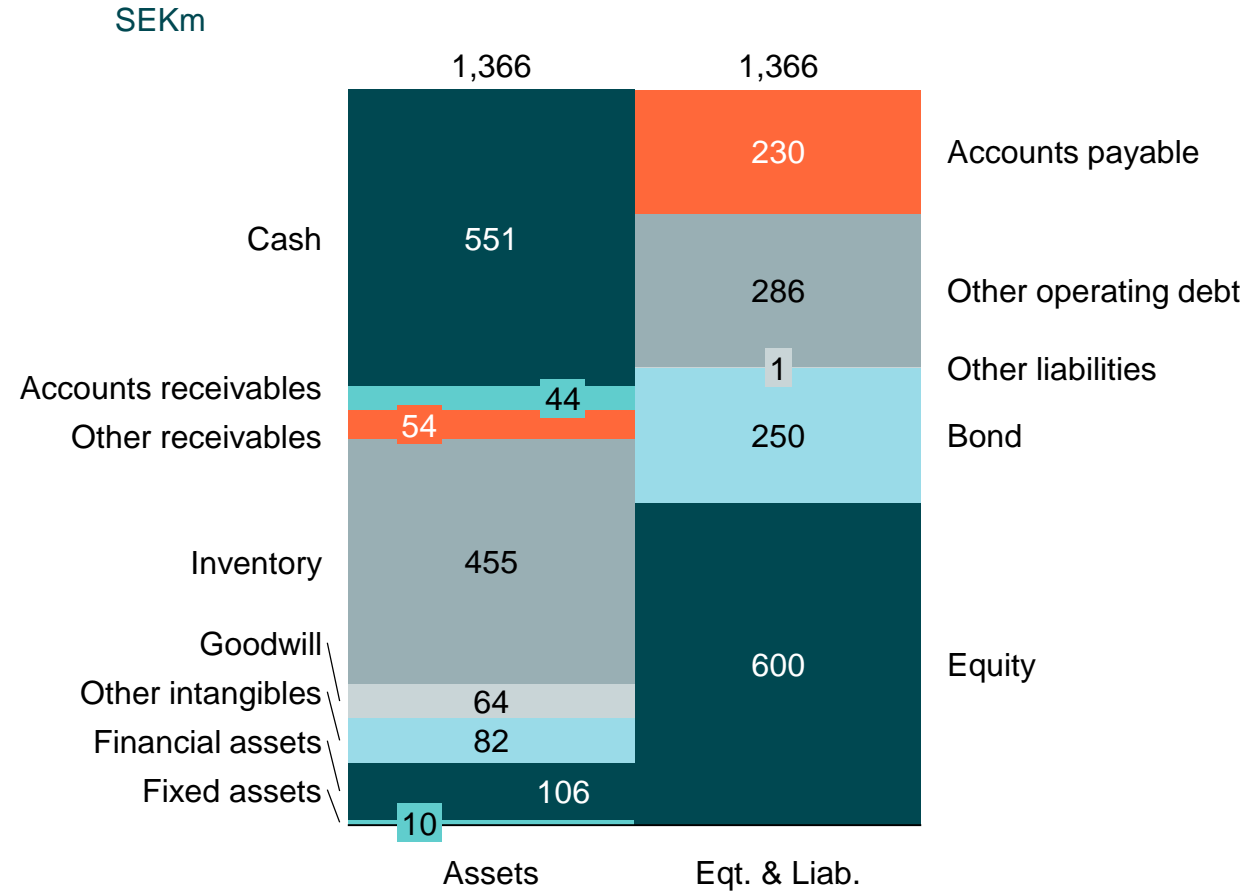
- Inventory increased for Nelly (SEK 76m) preparing for the peak season, while it decreased for CDON (SEK - 18m)
- The decrease in current liabilities also reflect the seasonal pattern in the business where sales in Q3 was lower than in Q3
- Capex of SEK 6m mainly related to CDON's continued investment in automation



# E-commerce balance sheet

## Financial flexibility

- E-commerce had SEK 301m in net cash (SEK 551m in liquid funds and SEK 250m in outstanding bonds)
- Net working capital was low and amounted to SEK 37m
- CDON continued transformation to drop-shipment and marketplace will over time decrease its inventory
- Nelly's growth will require continued investments in inventory



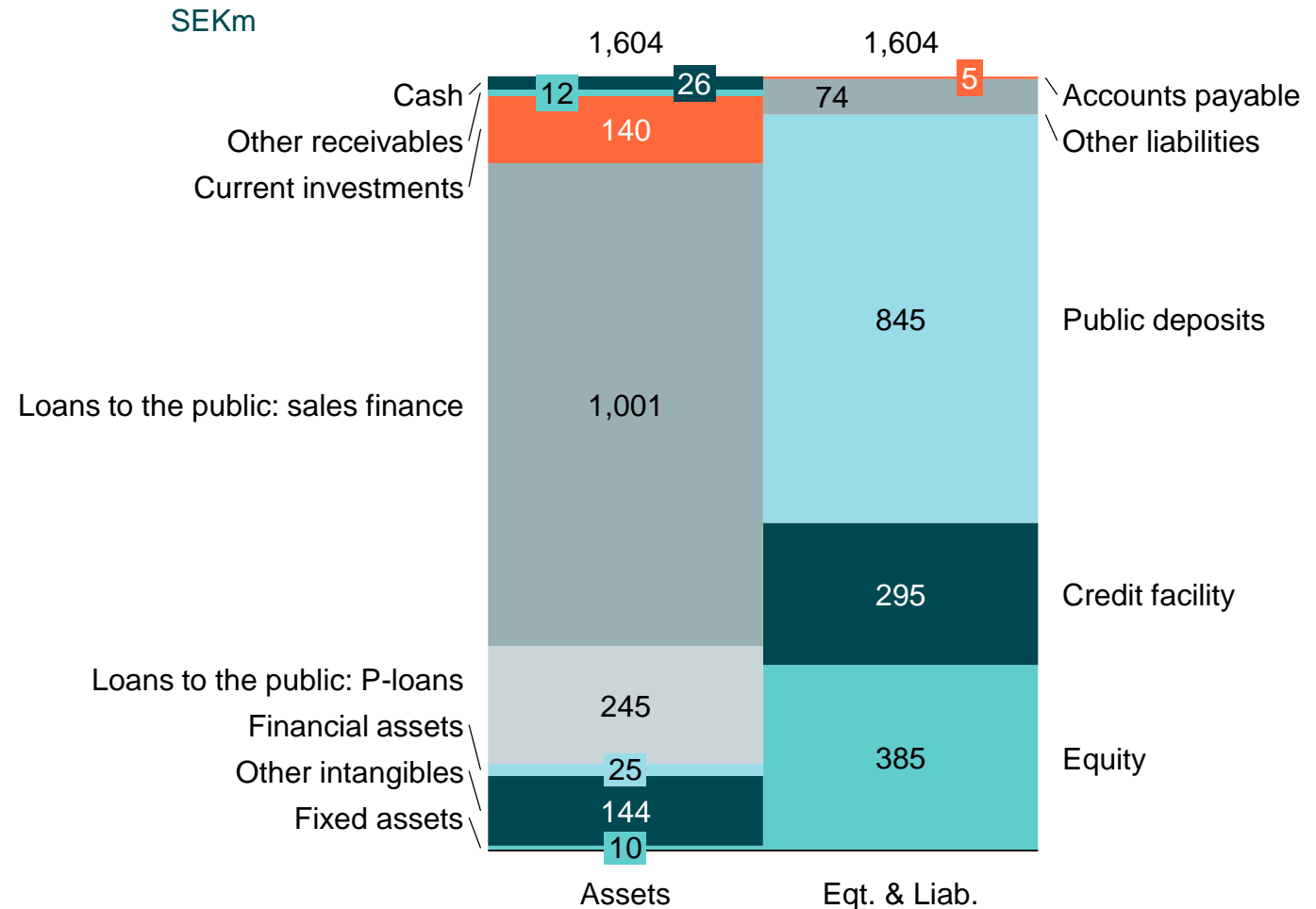
# Qliro Financial Services balance sheet

## Well positioned for further expansion

- Sales finance loan book grew to SEK 1,001m and personal loans to SEK 245m
- SEK 140m held in Swedish municipal bonds and commercial papers as liquidity reserve
- Public deposits of SEK 845m.
- SEK 295m in utilized secured credit facility, with an additional SEK 362m in undrawn funding

### Regulatory capital

- The assets of QFS corresponded to a Risk Exposure Amount of SEK 1,278m
- Own funds of SEK 238m in Common Equity Tier 1 capital
- Capital adequacy ratio (“CAR”) of 18.6% well above requirements
- “Consolidated situation” from Q3 2018 (CAR 45.4%)



# Summary

Marcus Lindqvist, CEO



# Value creation in three fully independent operations

## Third quarter

- ✓ Strategic direction implemented – three independent companies
- ✓ Ongoing dialogue with several key players in the industry
- ✓ Financial flexibility as Group's cash amounted to SEK 577m, including SEK 301m in net cash position in e-commerce

## Focus

|                      |   |
|----------------------|---|
| MERCHANT RECRUITMENT | Qliro Financial Services continues its loan book expansion leveraging e-commerce volumes and organizational scalability |
| GEOGRAPHICAL REACH   |   |
| TRANSFORMATION       | CDON Marketplace accelerates transformation to achieve long-term profitable growth                                      |
| NEW PLATFORM         |   |
| OWN BRANDS           | Nelly focuses on profitable growth, investing in core business and takes advantage of strong momentum                   |
| MARKET EXPANSION     |   |

# THANK YOU

Next report released February 5

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