3M FY 2016/17 Financial results

22 February 2017

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1. Key Highlights

Key Highlights

Solid YTD sales +4.3% **Continued High EBITDA margin at 16.7%**	- Solid seasonal sales performance across all regions in Europe despite terrorist attack and restrained consumer spending in December, most notably in Germany - Continued double-digit growth in e-commerce sales, which now account for 13.3% of total sales (PY: 11.8%) - Combined share of Douglas Nocibé collection and exclusive brands increased to 16.5% (PY: 14.9%) - EBITDA adjusted for exceptional items increased by 4.4% in line with top-line growth - Cash conversion[1] seasonally high at 90.7% (LTM Dec 2016: 74.1%) - 16 stores opened, mainly in South-Western and Eastern Europe; continued high maintenance and refurbishment spend in best-in-class store network - Market leading position in Europe across all distribution channels extended
Repricing of Term Loan Facility B successfully completed (Feb 2017)	- Successful repricing with 2x over-subscribed order book - New Term Loan Facility B is priced at Euribor + 375 bps (0% floor) - Annual reduction of interest expenses of around EUR 14m expected

[1] Defined as Adjusted EBITDA minus CAPEX divided by Adjusted EBITDA

3M FY 2016/17 Key financials

Comments

- Strong Christmas season in all regions
- Sales increased by 4.3%. Like-for-like sales grew 4.4%[1]
- Adjusted EBITDA increased by 4.4%
- EBITDA margin continues on high PY level of 16.7%
- CAPEX increased due to a higher number of store openings as well as further investment in Douglas Nocibé collection and CRM
- Cash conversion[2] reached 90.7% in line with seasonal effects of Christmas business; LTM Dec 2016 cash conversion remains high at 74.1%

Key financials

in EURm	Q1 2015/16	Q1 2016/17	*Delta*	LTM Dec 2015	LTM Dec 2016	*Delta*
Net Sales	950	991	4.3%	2,651	**2,749**	**3.7%**
Like-for-like			*4.4%*			*6.5%*
Adjusted EBITDA	159	166	4.4%	310	**344**	**11.1%**
Margin (%)	*16.7%*	*16.7%*		*11.7%*	*12.5%*	
CAPEX	11	15	35.8%	77	**89**	**15.3%**
Adj. EBITDA – CAPEX	148	151		233	**255**	
Cash conversion[2]	93.0%	90.7%		75.1%	74.1%	
Unlevered Free Cash Flow pre-M&A CAPEX[3]	254	**283**				
Unlevered Free Cash Flow post-M&A CAPEX[3]	262	**283**				

[1] *Adjusted for currency effects and discontinued operation in Turkey, sales increased by 4.8%*
[2] *Adjusted EBITDA minus CAPEX divided by Adjusted EBITDA*
[3] *Q1 2015/16: Excluding Cash Flow from discontinued operations; defined as net cash flow from operating activities less net cash flow from investing activities*

2. Financial Update

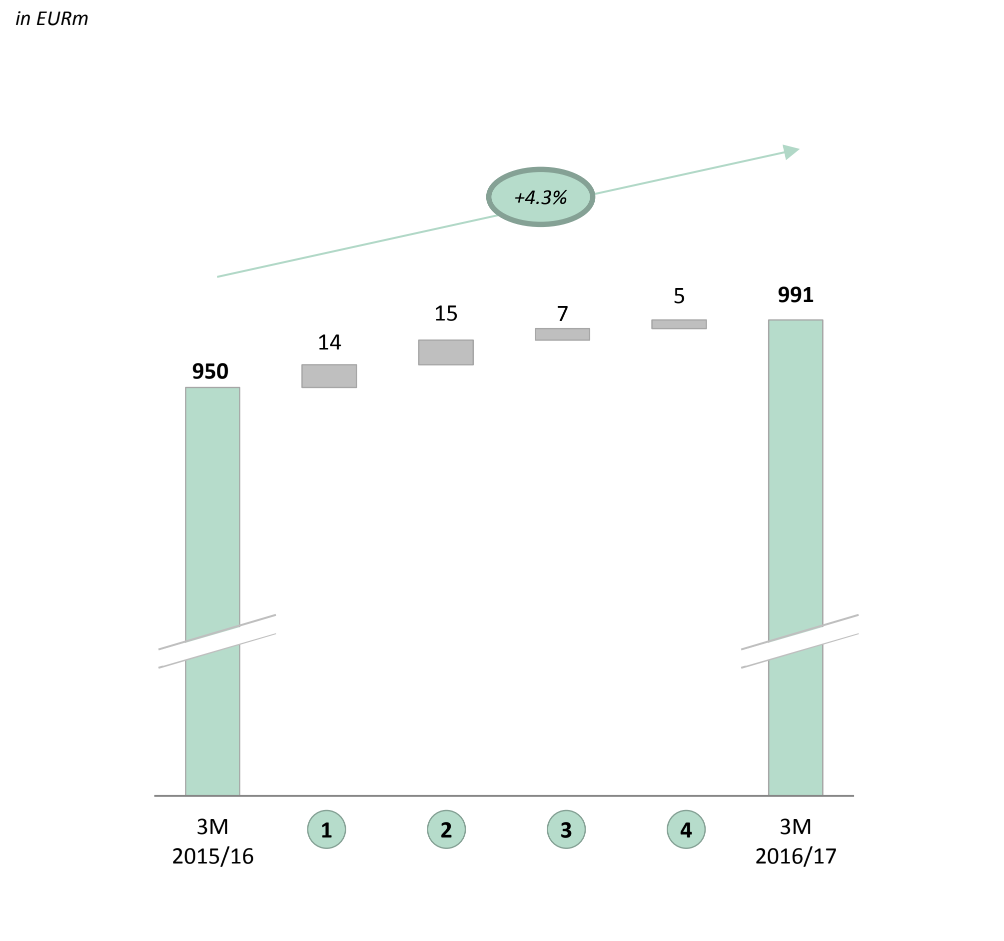
3M FY 2016/17 Sales

Comments

- Total sales increased 4.4% on a like-for-like basis. Stationary sales rose by 2.4% on a like-for-like basis
- E-commerce sales increased strongly by 18.2%, notably in Germany and France, now accounting for 13.3% of total sales (PY: 11.8%)

1. **Germany**: like-for-like sales rose by 3.8% supported by intense promotional activities to gain market share online and offline
2. **France:** like-for-like sales increased by 5.2% driven by higher customer traffic and conversion rate[1]
3. **South-Western Europe:** like-for-like growth of 3.6% mainly driven by the online business. In particular our operations in the Netherlands performed well
4. **Eastern Europe**: Like-for-like sales increased by 6.9%, driven by both the stationary as well as the online business in all countries included in this segment

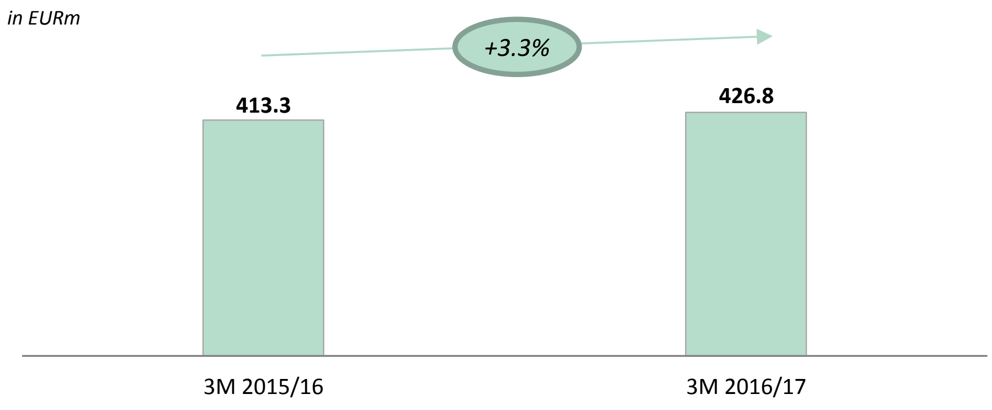
Sales bridge



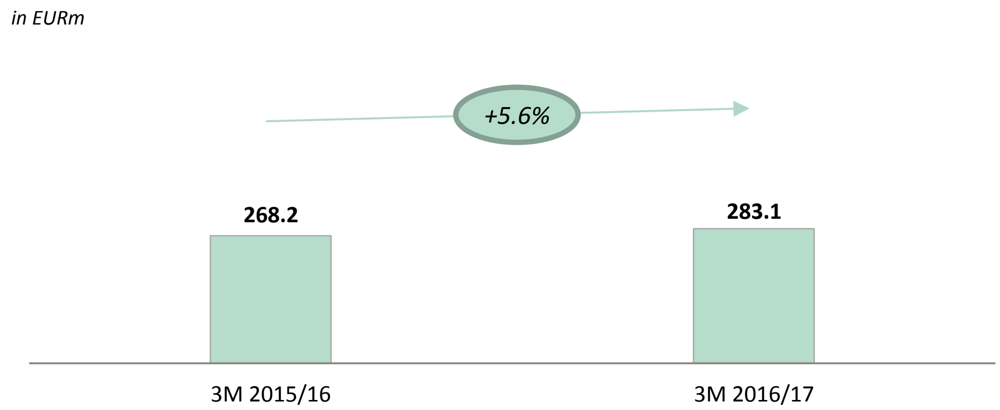
[1] *Conversion rate: ratio between visitors and customers*

3M FY 2016/17 Sales by region[1]

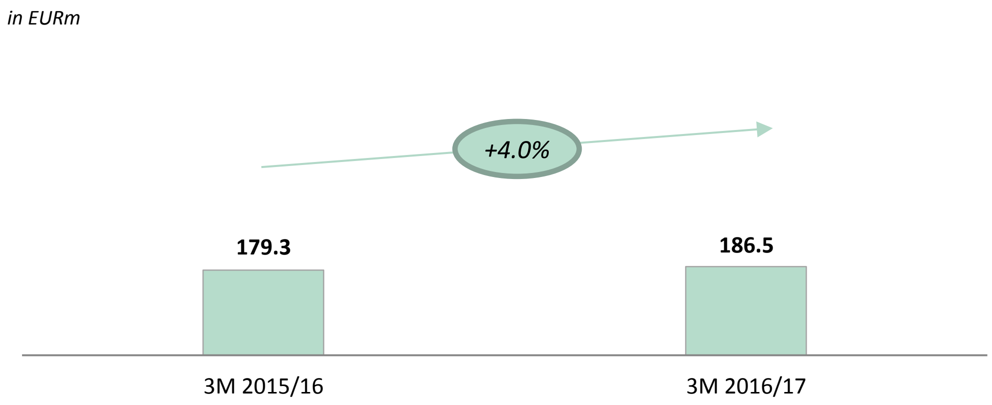
Germany



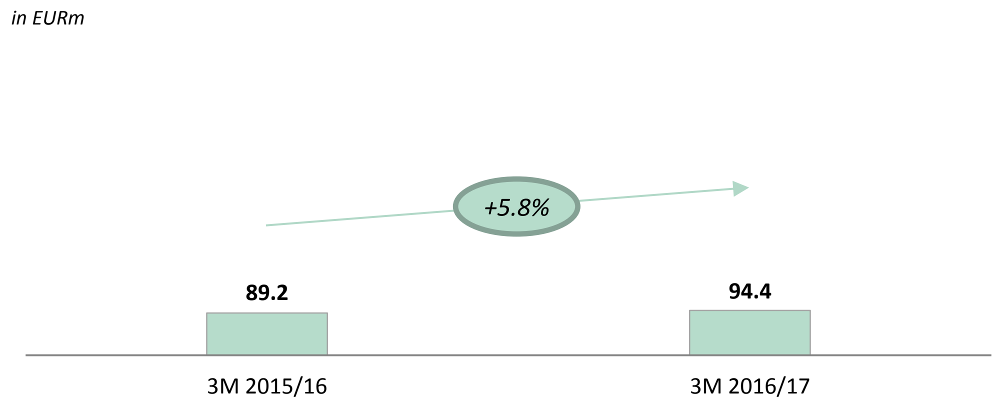
France



South-Western Europe



Eastern Europe[2]



[1] *Excluding intersegmental sales*
[2] *3M FY 2015/16: Including EUR 2m sales from the Turkey business (terminated Oct 31, 2016); adjusted for Turkey and currency effects, sales growth by +11.4% vs. prior year*

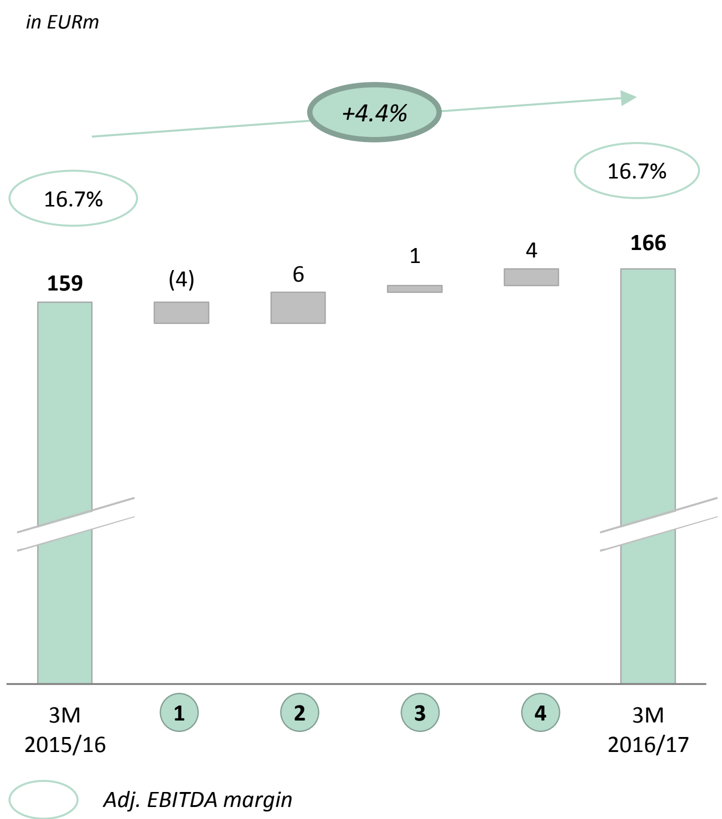
3M FY 2016/17 Adjusted EBITDA

Comments

- Especially France and Eastern Europe contributed to the increase in Adjusted EBITDA driven by the strong growth, scale benefits and optimised cost structures

1. **Germany**: EBITDA fell short of previous year´s figure. Increase in marketing expenses with an intensive focus on CRM and promotional activities to extend the market-leading position negatively impacted gross margin
2. **France**: Higher EBITDA driven by strong sales performance and a higher margin reflecting efficient CRM activities and a lean cost structure
3. **South-Western Europe**: Earnings improvement particularly driven by the Netherlands and our online operations
4. **Eastern Europe:** Except for the discontinued operation in Turkey (terminated Oct 2016) all countries contributed to the positive earnings performance based on strong topline growth and improved economies of scale

Adjusted EBITDA bridge[1]

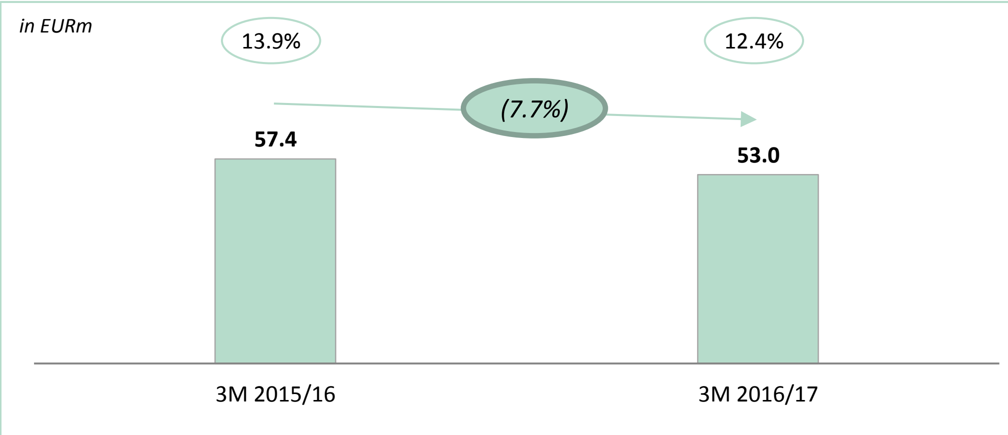


[1] *For further details on adjustments to Reported EBITDA see page 18*

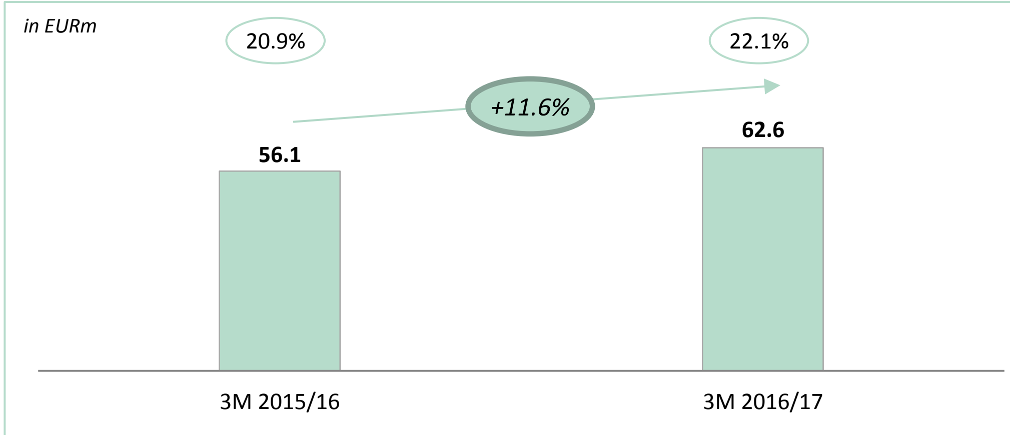
Douglas

3M FY 2016/17 Adjusted EBITDA by region

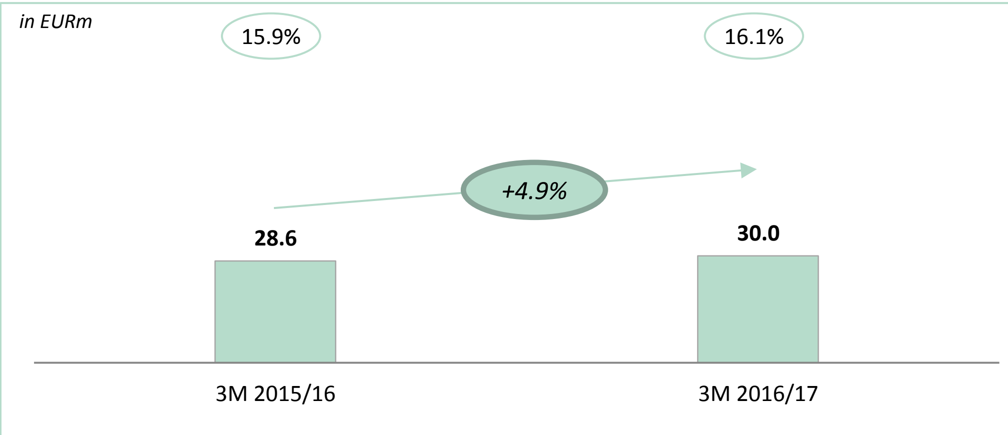
Germany [1]



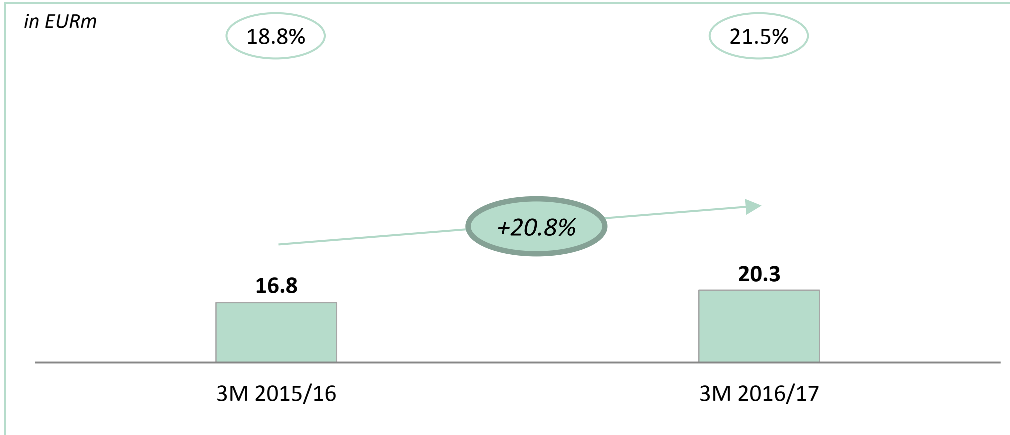
France



South-Western Europe



Eastern Europe



Adj. EBITDA margin

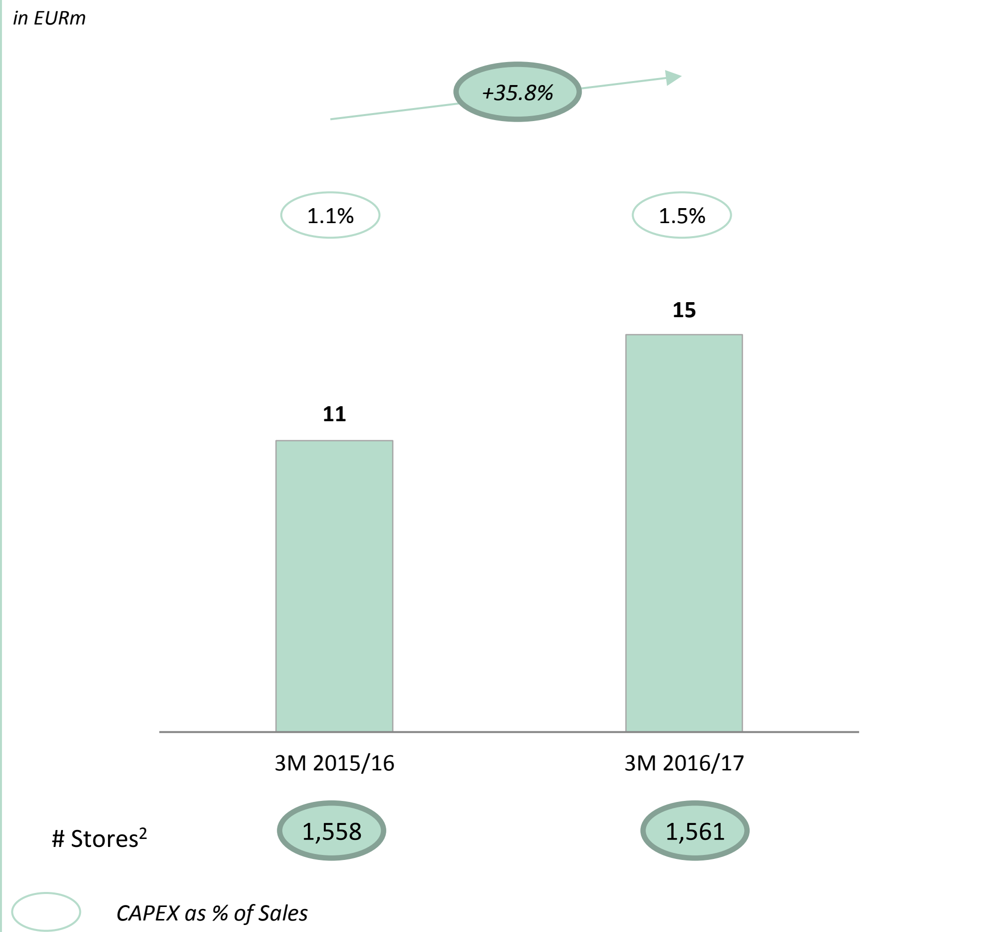
[1] *Germany : including consolidation effects relating to costs that have to be recharged to different countries abroad (3M FY 2016/17: minus EUR 0.4m; PY: minus EUR 0.2m)*

3M FY 2016/17 CAPEX

Comments

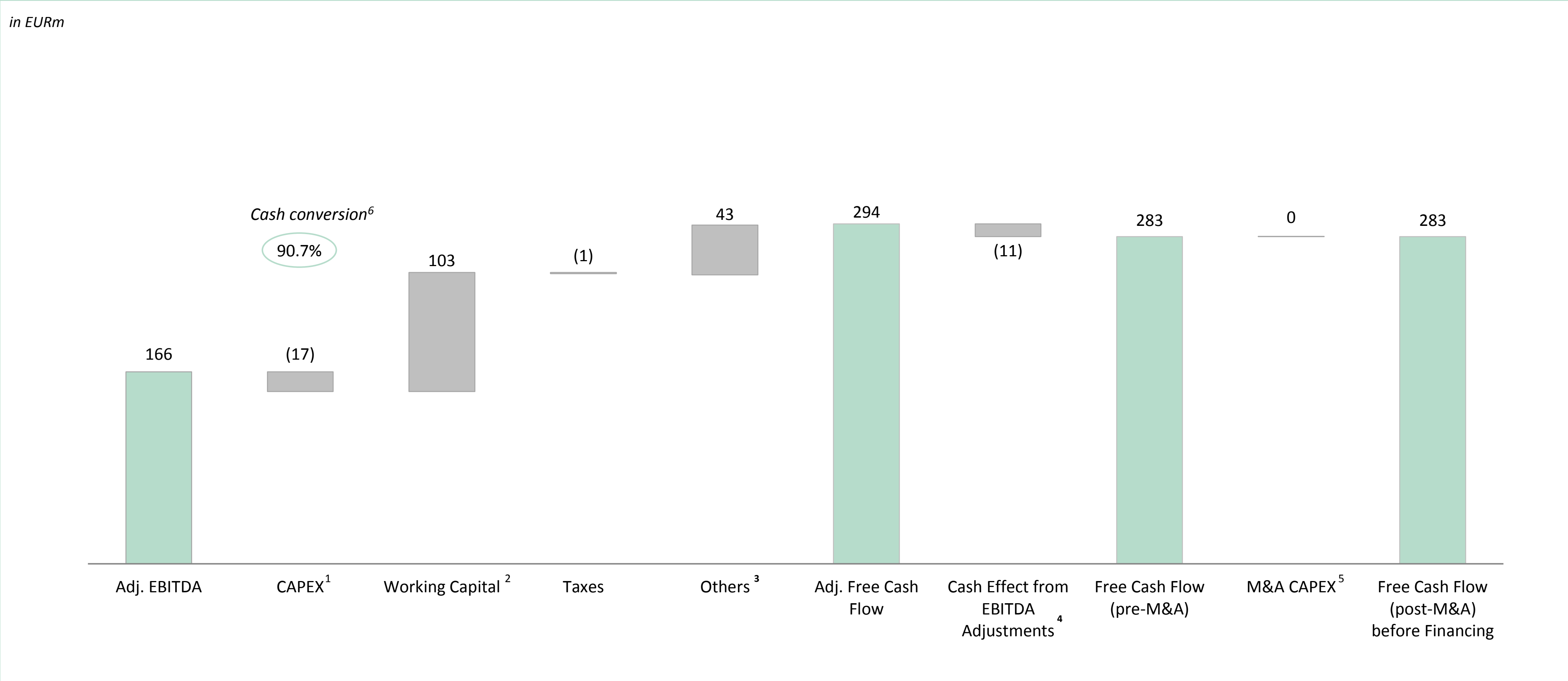
- Focused CAPEX spend based on well-invested store portfolio; 69% of total CAPEX attributable to Germany and France, 12% to South-Western Europe and 19% to Eastern Europe
- Maintenance and refurbishment CAPEX including other investments in central projects (in particular relating to the Douglas Beauty Card and Douglas Nocibé Collection) amount to 86% of total CAPEX (PY: 71%)
- In addition, the store network has been expanded by one acquired store in France

CAPEX[1]



[1] *Excluding M&A-CAPEX*
[2] *Excluding 138 franchise stores as of Dec 31, 2016 (140 franchise stores as of Dec 31, 2015)*

3M FY 2016/17 Cash Flow bridge



[1] *Including EUR 2m relating to investments accounted for in FY 2015/16*

[2] *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*

[3] *Change in other assets, liabilities and accruals*

[4] *For further details on adjustments to Reported EBITDA see page 18*

[5] *Net proceeds from disposals and acquisitions*

[6] *Defined as Adjusted EBITDA minus total CAPEX divided by Adjusted EBITDA*

Debt structure as of Dec 31, 2016

Debt structure

in EURm

	Amount	Maturity	Pricing
Cash and cash equivalents[1]	(407)		
Term Loan Facility B[2]	1,370	August 2022	E + 375bps
Senior Secured Notes	300	July 2022	6.25%
RCF (EUR 200m)	0	February 2022	E + 375bps
Net Senior Secured Debt	**1,263**		
Senior Notes	335	July 2023	8.75%
Accrued Interests	22		
Other Financial Debt	0		
Total Net Debt	**1,620**		

[1] Excluding credit card receivables (EUR 20.5m)
[2] EURIBOR floor of 1.0%

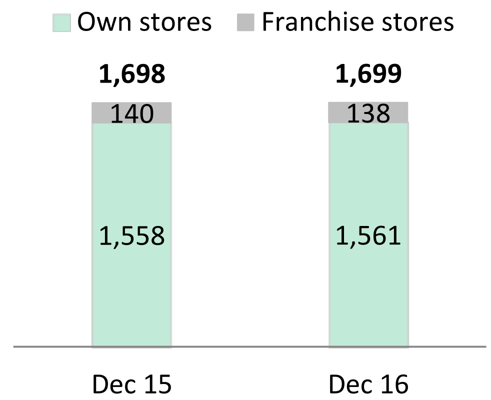
Appendix

LTM Dec 2016 Store development

Comments

- Pan-European and modern store network in premium locations
  - 1,699 stores as of December 2016
  - Including 138 franchise stores[1]
- Active store portfolio management
  - Select closures in recent years to further optimise premium quality network
- Continued focus on network expansion

Total number of stores



Store development

	3M FY 2016/17	LTM Dec 2016
Own store openings	16	31
Store acquisitions	1	2
Own store closures	(2)	(30)
Change in franchises	1	(2)
Total	**16**	**1**

[1] *Comprises 121 franchise stores in France, 16 franchise stores in the Netherlands and 1 franchise store in Norway*

Sales and EBITDA by region
3M FY 2016/17 reported

Sales[1]

in EURm	3M 2015/16	3M 2016/17
Germany	413	427
France	268	283
South-Western Europe	180	187
Eastern Europe	89	94
Total	**950**	**991**

EBITDA[2]

in EURm	3M 2015/16	3M 2016/17
Germany[3]	36	47
France	49	61
South-Western Europe	24	29
Eastern Europe	12	20
Total	**121**	**157**

[1] Excluding intersegment sales
[2] FY 2015/16 including PPA effects from CVC acquisition (included in all segments)
[3] Including inter-segment consolidation effects worth minus EUR 0.5m (PY: EUR 0.0m)

3M FY 2016/17 Net Working Capital

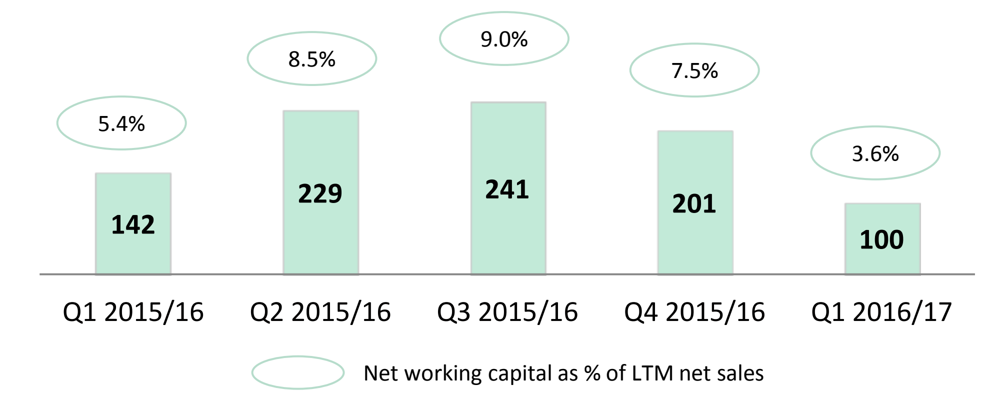
Comments

- **Net working capital** adjusted for PPA and transaction costs decreased as of Dec 31, 2016 compared to previous year despite strong topline growth

  Reasons for this decrease are in particular a tight management of receivables and payables as well as non-operational items

- **Net working capital** includes inventories, trade accounts receivable, trade accounts payable as well as supplier receivables for rebates/bonuses and marketing subsidies, outstanding voucher liabilities

Net working capital (NWC)[1]



NWC development[1]

in EURm	Q1 2015/16	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17
Inventories	541	555	538	513	566
Trade accounts receivable	54	43	33	34	65
Trade accounts payable	(434)	(299)	(266)	(307)	(526)
Other[2]	(19)	(70)	(64)	(39)	(6)
Total NWC	**142**	**229**	**241**	**201**	**100**

[1] *PY figures adjusted for Purchase Price Allocation and Transaction costs*
[2] *Includes receivables from reimbursed marketing costs, bonus receivables, voucher liabilities*

3M FY 2016/17 Adjustments to EBITDA

Comments

- **Consulting fees**: relating to sale process of Douglas and divestment of non-acquired businesses in FY 2014/15, as well as consulting fees for efficiency measures in FY 2015/16. Please note that cash-out of FY 2014/15 transaction costs from sale/IPO processes took place in FY 2015/16. Consulting Fees in Q1 2015/16 as well as 2016/17 refer to efficiency measures
- **Restructuring costs**: mainly relating to the acquisition of Clin d'Oeil (FY 2014/15) as well as redundancy payments related to efficiency and centralisation measures (e.g. regarding the FY 2015/16 organisational improvements) and the termination of Turkish operations (FY 2015/16). Please note that all redundancy effects related to the FY 2015/16 organisational restructuring have been fully recorded as provisions; thereof payment of EUR 2m has occurred in Q1 FY 2016/17.
- **Purchase Price Allocation (PPA)**: Douglas acquisition by CVC Capital Partners (both FY 2014/15 and 2015/16); no PPA effects from the Douglas acquisition by CVC Capital Partners in the upcoming years
- **Credit card fees**: "below EBITDA" reclassification in accordance with existing banking and bond agreements
- **Other**: one-off inventory revaluations as part of the optimised category management, property tax payments from a corporate restructuring (all FY 2014/15), costs for termination of DouBox project, subsequent payroll tax payment as well as a payment related to the disposal of real estate in Vienna and in Munich (all FY 2015/16)

Adjustments to EBITDA

in EURm	3M 2015/16	3M 2016/17	LTM Dec 2015	LTM Dec 2016
Reported EBITDA[1]	**121**	**157**	**203**	**220**
Consulting fees	4	4	31	18
Restructuring costs	0	2	8	21
PPA	30	0	50	70
Credit card fees	4	3	9	9
Other	0	0	9	6
Adjusted EBITDA	**159**	**166**	**310**	**344**

[1] *Beauty Holding Zero until July 31, 2015*