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# 9M FY 2017/18

Financial Results

Düsseldorf, 30 August 2018

DOUGLAS

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# TODAY'S SPEAKERS



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**Tina  
Müller**  
CEO



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**Michael  
Rauch**  
CFO

# 9M FY2017/18 HIGHLIGHTS

## SALES & EBITDA FURTHER INCREASED

NET SALES INCL. M&A: €2.6Bn

+19%

NET SALES EXCL. M&A: €2.2Bn

+0%

E-COMMERCE NET SALES

+9%

E-COMMERCE NET SALES EXCL. M&A

+7%

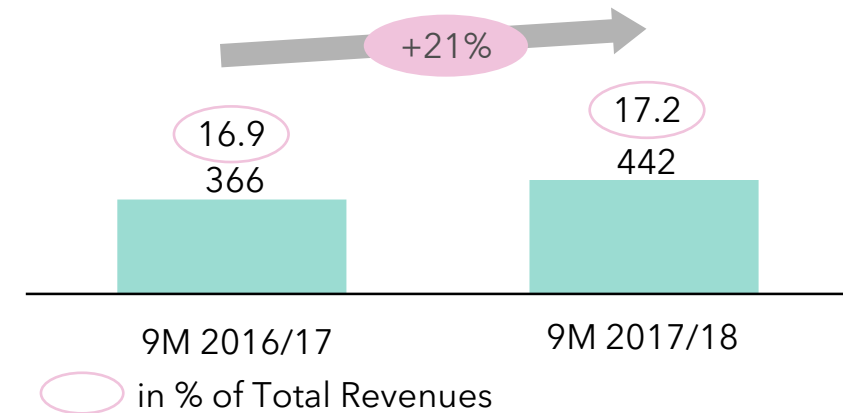
ADJUSTED EBITDA: €294m

+3%

## SIGNIFICANT INVESTMENT INTO DOUGLAS BRAND

DOUGLAS

## STRONG GROWTH IN DNC & EXCLUSIVES



## CLOSING OF RECENT GERMAN ACQUISITION

akzente

parfumdreams

# DECISIVE ACTION WAS REQUIRED TO ADDRESS KEY BUSINESS CHALLENGES

GERMANY  
OFF-TRACK



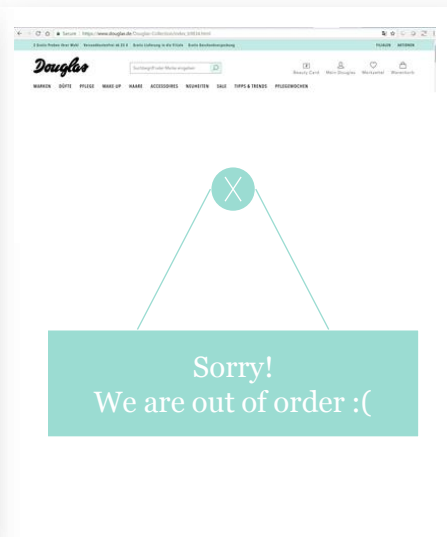
HIGH LOW PROMOTIONS  
UNCOMPETITIVELY HIGH SHELF PRICES  
NOT ENOUGH MARKETING

WEAKENED  
STORE EXPERIENCE



STORES UNDERINVESTED  
TOO FEW STORE EVENTS

LACK OF E-COM  
CAPABILITIES



OUTDATED SOFTWARE  
NON-DYNAMIC PRICING  
LESS BRANDS THAN COMPETITION

LACK OF  
ASSORTMENT



KEY TREND & EXCLUSIVE BRANDS MISSING  
HIGH OUT OF STOCK  
WEAKENED INDUSTRY RELATION

DOWNGRADED BRAND  
POSITIONING

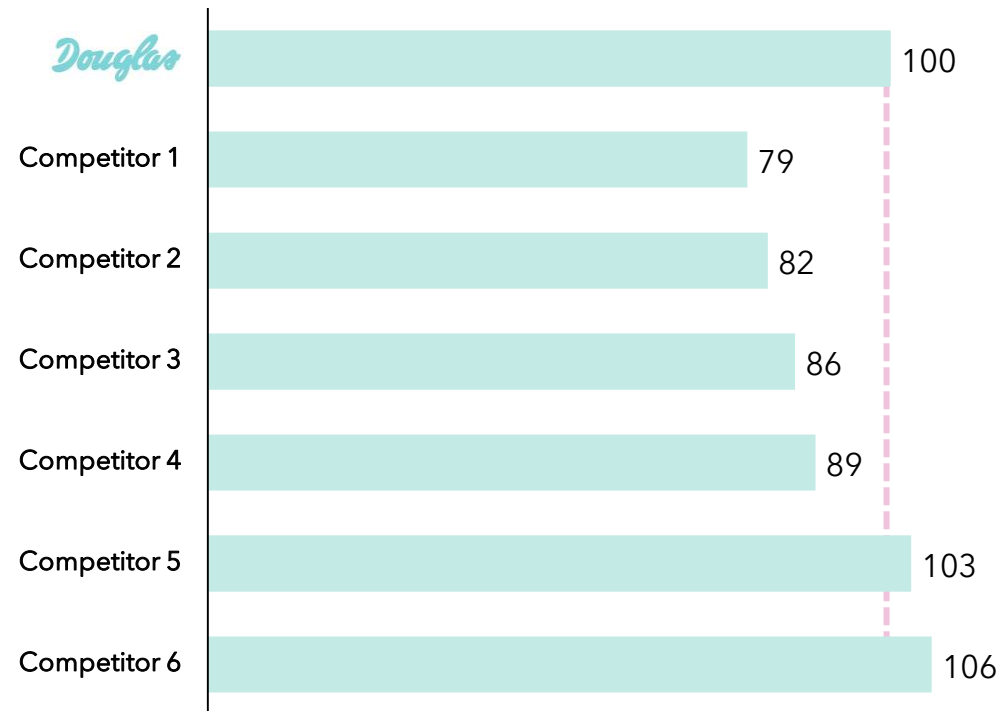


WEAKENED STRATEGIC POSITIONING  
DOWNGRADING TO DRUGSTORE IMAGE

# PRICING STRATEGY REQUIRED CLOSE ATTENTION

## SHELF PRICES SIGNIFICANTLY HIGHER VERSUS COMP.

Weighted avg. price index for overlapping SKUs  
Fragrance, CW 35 (Aug) 2017, online vs. online, store vs. store shelf price



## DOUGLAS PRICES ON OR EVEN ABOVE RRP

**Lancôme**  
La vie est belle



NO 1 TOPSELLER  
IN THE MARKET

Douglas: €84.00  
Competitor: €70.28  
RRP: €84.00

**Dior**

Addict Lip Glow



Douglas: €36.99  
Competitor: €32.53  
RRP: €35.50

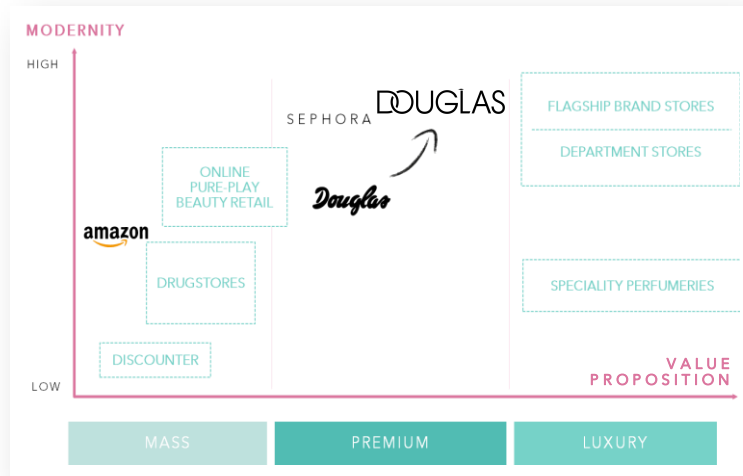
# FROM PUSH TO PULL: CONTINUED EXECUTION OF #FORWARDBEAUTY



- › We decided to invest along the pillars of #FORWARDBEAUTY, moving from a push to a pull strategy with a particular focus on addressing the key challenges in Germany
- › Investments include among others significant investment into visual brand language and advertising
- › Positive effects begin materializing with encouraging signals starting in June
- › Full effects expected for FY18/19

# INTRODUCTION OF NEW VISUAL BRAND LANGUAGE PREMIUMIZATION AND REJUVENATION

## POSITIONING



MORE PREMIUM AND MODERN

## VISUAL LANGUAGE



360° EXECUTION

## LOGO

DOUGLAS

*Douglas*

STRONG TEST RESULTS



# STORE NETWORK FROM "POINT OF SALE" TO "POINT OF EXPERIENCE"

## NEW STORE CONCEPT



FOCUS ON SERVICE &  
CONSULTATION  
DIGITALIZATION (BEAUTY MIRROR)  
DOUBLE # OF STORE EVENTS

## STORE CLUSTERS

FLAGSHIP  
LUXURY  
PREMIUM  
MAINSTREAM  
NEW FORMATS

TARGETED ASSORTMENT &  
SERVICES

## NEW FORMATS



EXPLOIT HEALTH & BEAUTY  
TREND  
MEDICAL BRANDS & NUTRITION

# MAKING THE NUMBERS WORK

## NEW STORE CONCEPT DRIVES TRAFFIC AND SALES

### BEFORE REFURBISHMENT



### AFTER REFURBISHMENT

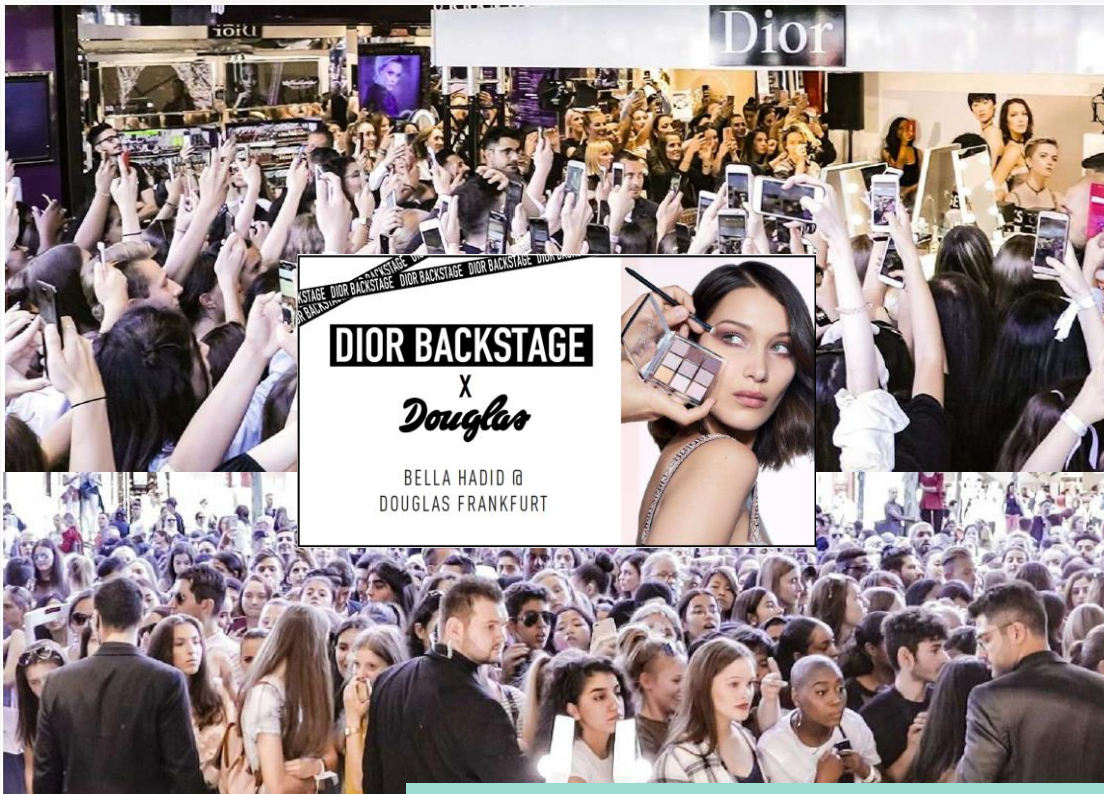


2018

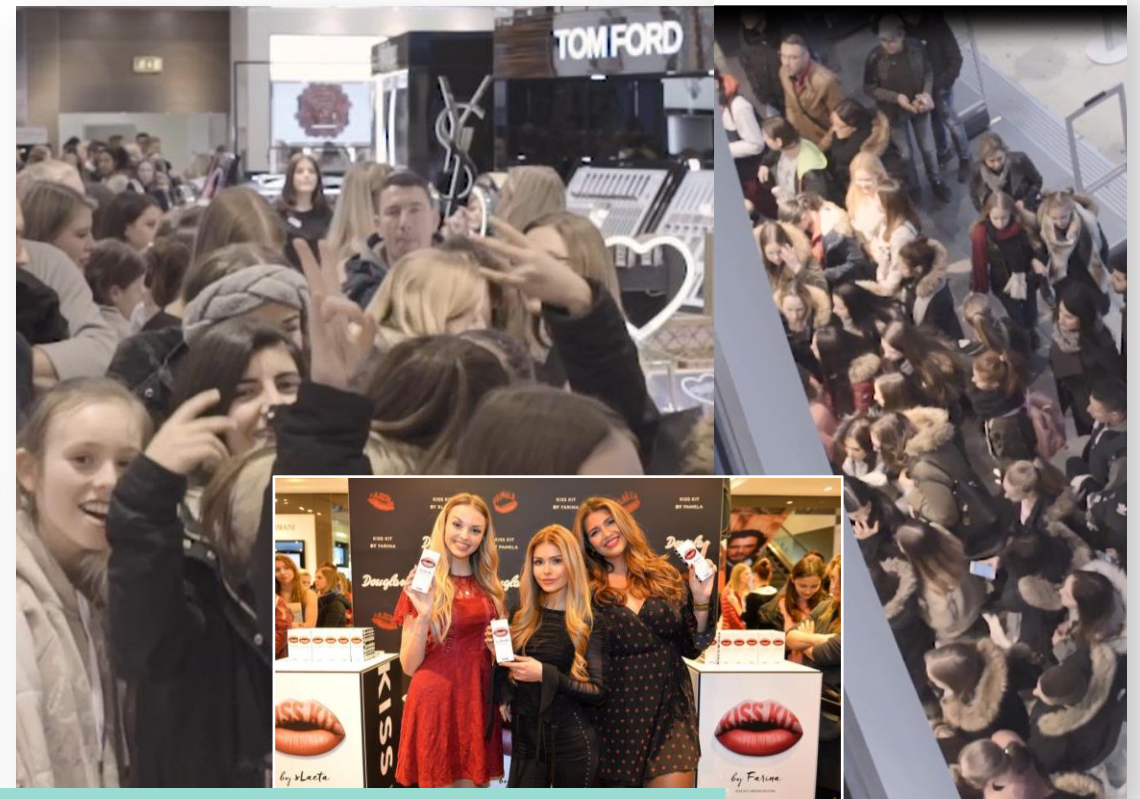
- › Refurbishments: 15-18
- › Traffic/Sales increase: >10%

# STORE EVENTS BOOST TRAFFIC & BRAND EXCITEMENT

## LAUNCH DIOR BACKSTAGE WITH BELLA HADID JUNE 2018



## LAUNCH DOUGLAS KISS KIT LIMITED EDITION MARCH 2018



DOUBLE INDUSTRY BRAND STORE EVENTS BY END OF 2018

# KEEPING OUR CUSTOMERS EXCITED UPGRADE AND REJUVENATION OF ASSORTMENT

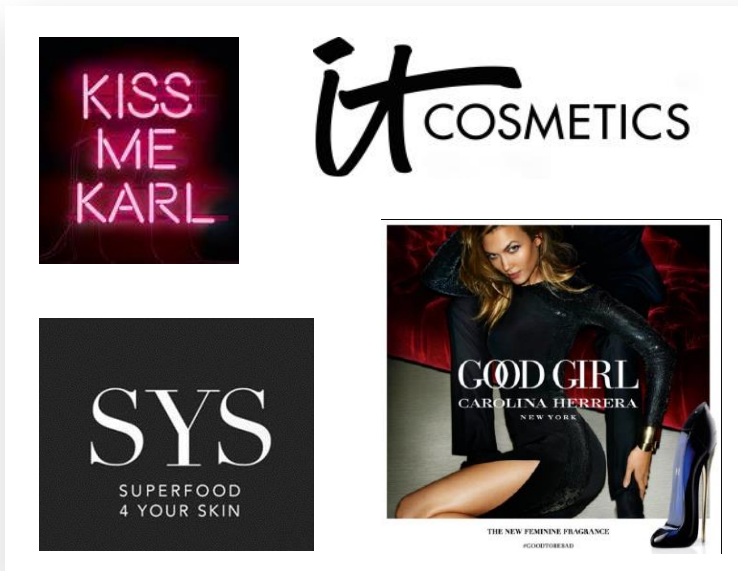
## TREND BRANDS



USA & ASIA TREND-SCOUTING  
NEW SUPPLIER NETWORK

NEW BRANDS 9M 2017/18: >60

## EXCLUSIVE BRANDS



BLOCKBUSTER LAUNCHES  
AND FOCUS ON EXCLUSIVITY

NEW SKUS 9M 2017/18: >3,000

## OWNED BRANDS



PREMIUMIZATION OF  
DOUGLAS COLLECTION  
INTRODUCTION OF NEW OWN  
BRANDS IN FY2018/19



## OMNI-CHANNEL CHAMPION

- › Online Revenue Share: 12.8% / 14.9%<sup>1</sup>
- › Mobile Traffic: 75.0% (+7pp)
- › Mobile Revenue Share: 57.1% (+7pp)
- › App Revenue Share: 17.2% (+5pp)
- › Conversion Rate: 3.5% (+0.3pp)
- › Average Basket: >€61 (-1%)



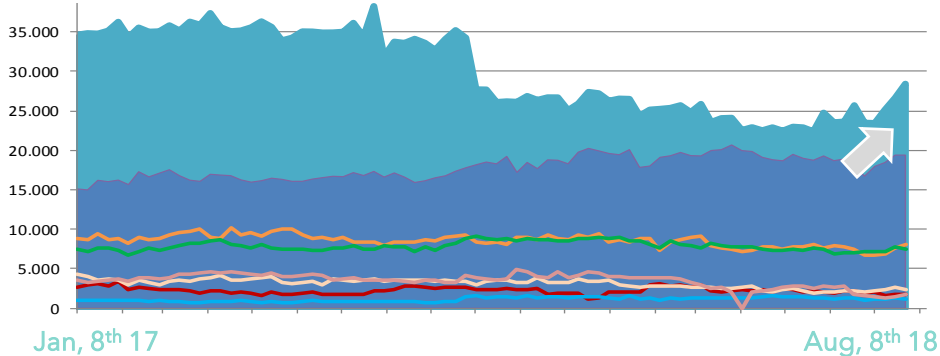
1.4m German Followers (+0.1m)



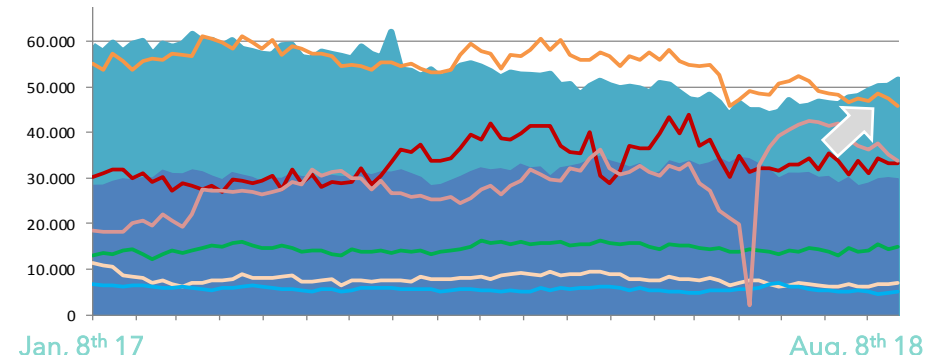
0.5m German Followers (+0.2m)

# VISIBILITY IMPROVED VS. COMPETITION

## VISIBILITY GERMAN SEO PROJECT



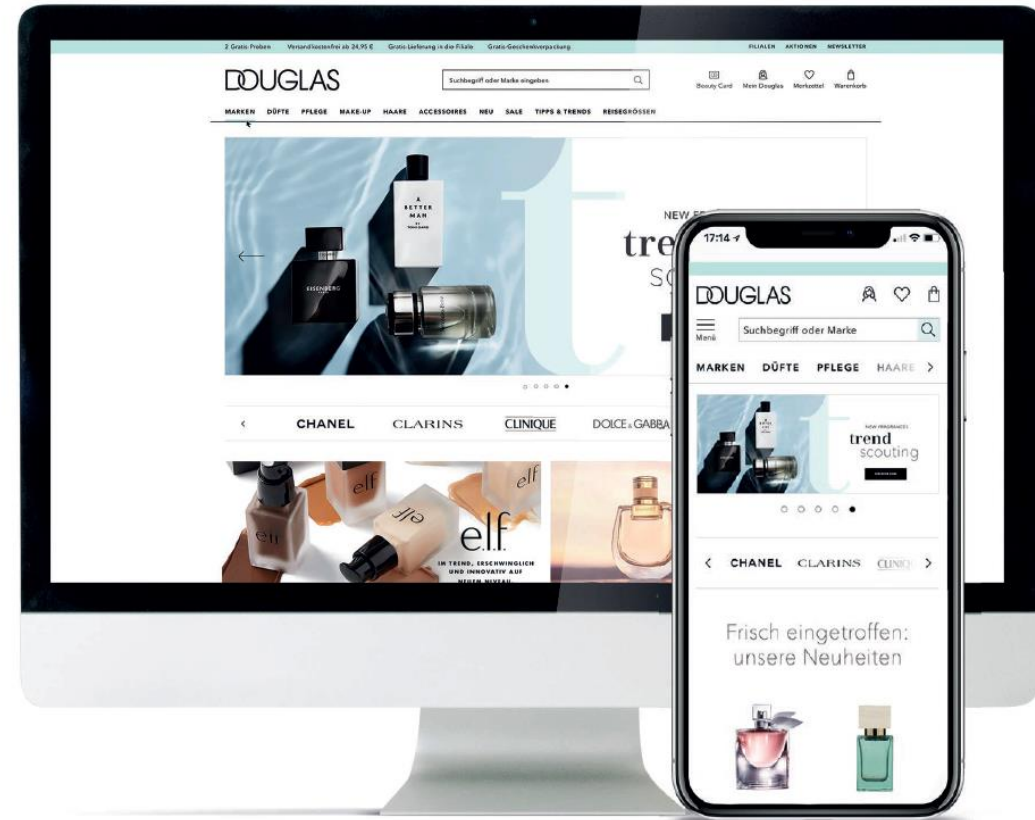
## GENERAL VISIBILITY



■ douglas.de ■ Competitor 1 ■ Competitor 2 ■ Competitor 3 ■ Competitor 4 ■ Competitor 5 ■ Competitor 6 ■ Competitor 7

# RELAUNCH OF OUR ONLINE SHOP FOCUS ON IMPROVING USER EXPERIENCE

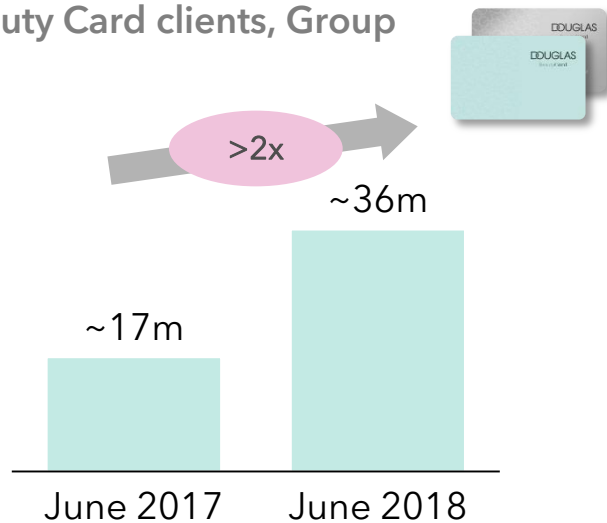
- › Recent overhaul of online shop completed with launch of **completely new online shop** scheduled for FY2018/19
- › Focus on **user experience** and „mobile first“ strategy with introduction of **responsive design** and **new app** launch
- › New **logo/brand language** rolled out to online shop across devices incl. app
- › Continued investment into **technology** as well as **talent and know-how**



# THE POWER OF 1:1 MARKETING CONTINUED SUCCESS OF OUR CRM PROGRAM

## MEMBER BASE

# Beauty Card clients, Group



MEMBERS WITH 68% OF SALES  
AND >30% HIGHER BASKET

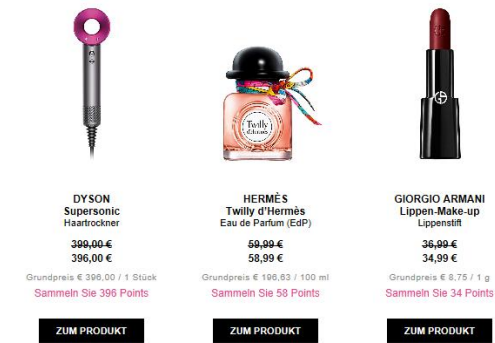
## CRM NEWSLETTER



MEMBER SPENDING INCREASES  
20% WITH CRM COMMUNICATION

## 1:1 COMMUNICATION

IHR LETZTER  
EINKAUF



TRANSACTION BASED  
COMMUNICATION WITH UP TO  
100% BETTER CONVERSION

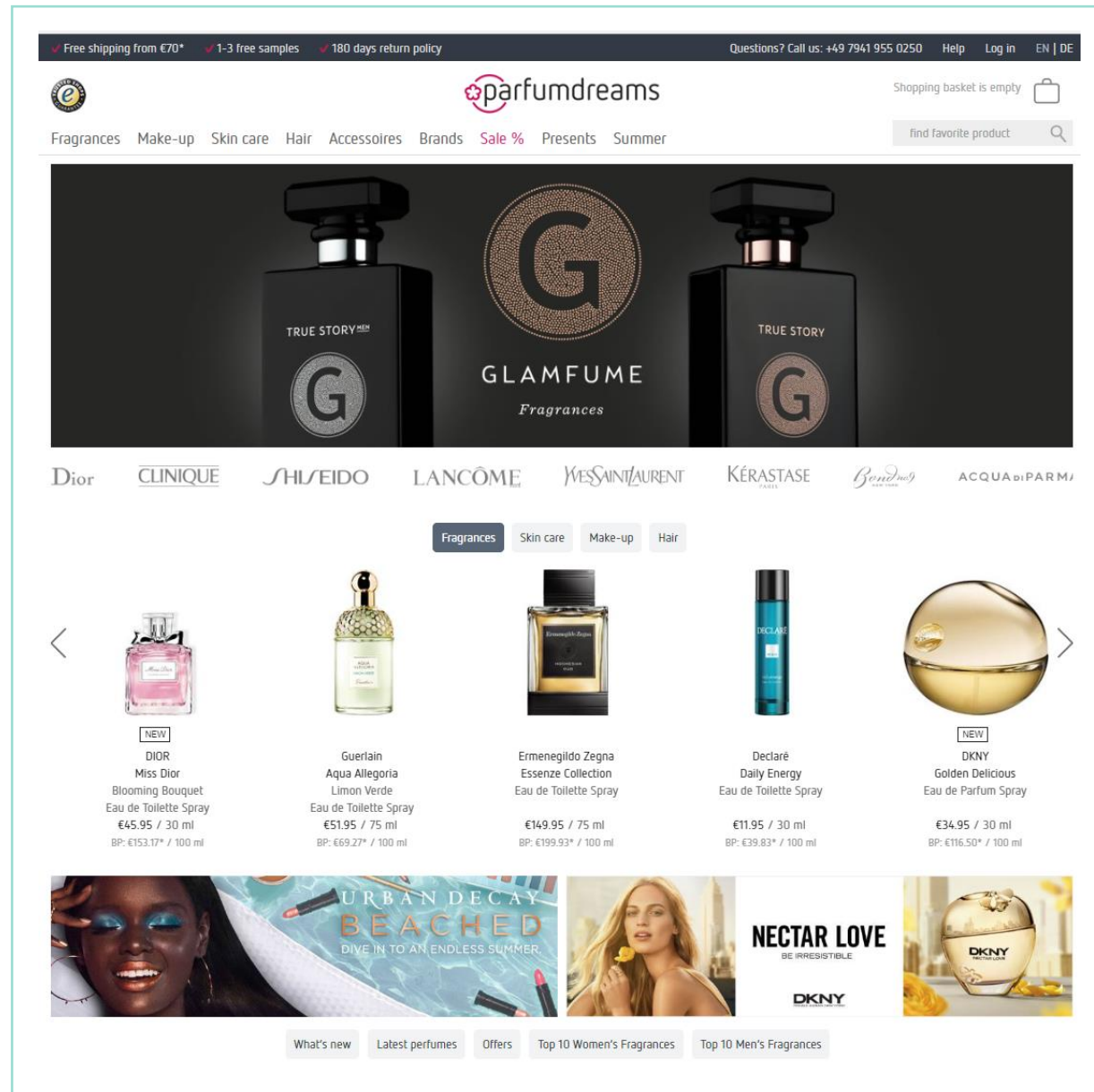


# FURTHER BROADENING THE DIGITAL FOOTPRINT



- › Closing of akzente/parfumdreams acquisition completed on 16 August 2018
- › parfumdreams founder will stay on board and further strengthen Douglas' e-commerce expertise
- › Price & promotion optionality via multi-brand strategy with 1:1 targeting of customer clusters

NET SALES 2017<sup>1</sup>: €75m  
 THEREOF ONLINE: >70%  
 RUN-RATE EBITDA INCL. SYNERGIES: €5-7m  
 PAYMENT FOR INITIAL 80% STAKE<sup>2</sup>: €52m



17 <sup>1</sup> Fiscal year equals calendar year for akzente/parfumdreams  
<sup>2</sup> Payment upon closing, i.e. in Q4 FY2017/18; option with earn-out for remaining 20%



## 9M FINANCIAL SUMMARY



- › Net Sales growth fueled by acquisitions in Italy and Spain; flat excluding acquisitions
- › Solid Adjusted EBITDA growth
- › Continued strong cash conversion
- › Value creation measures starting to show effects



- › Positive impact from acquisitions compensated by #FORWARDBEAUTY investments, mainly in Germany (all-in results expected for FY2018/19)
- › One-off inventory write-down impacting reported EBITDA and Net Income

# KEY FINANCIALS AT A GLANCE

(m€)	9M 2016/17	9M 2017/18	Delta	LTM Jun 2017	LTM Jun 2018	Delta
Net Sales	2,169	<b>2,579</b>	18.9%	2,750	<b>3,205</b>	16.5%
<i>LfL Growth (%)</i>			<i>(0.6)%</i>			<i>(0.9)%</i>
<i>Store LfL Growth (%)</i>			<i>(1.9)%</i>			<i>(2.4)%</i>
<i>Online LfL Growth (%)</i>			<i>7.0%</i>			<i>9.0%</i>
Adjusted EBITDA <sup>1</sup>	286	<b>294</b>	2.8%	350	<b>362</b>	3.3%
<i>Margin (%)</i>	<i>13.2%</i>	<i>11.4%</i>		<i>12.7%</i>	<i>11.3%</i>	
CAPEX <sup>2</sup>	51	<b>48</b>	(4.9)%	98	<b>82</b>	(17.0)%
Adj. EBITDA - CAPEX	235	<b>246</b>	4.4%	252	<b>281</b>	11.3%
<i>Cash Conversion<sup>3</sup></i>	<i>82.2%</i>	<i>83.5%</i>		<i>71.9%</i>	<i>77.4%</i>	
FCF <sup>4</sup> pre M&A	176	<b>70</b>				
FCF <sup>4</sup> post M&A	176	<b>(183)</b>				

<sup>1</sup> For details on EBITDA adjustments see page 28

<sup>2</sup> Excl. M&A-related CAPEX

<sup>3</sup> Defined as Adjusted EBITDA minus CAPEX pre M&A 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:** continued competitive pressure from online and drugstores; Easter effect reversed
- › **France:** developing favorably but competition increasing with higher discounts
- › **SWE:** ongoing realignment of assortment and optimization of store portfolio
- › **Eastern Europe:** strong growth path continued

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

(m€)	9M 2016/17	9M 2017/18	Delta	LfL
Germany	936	899	(4.0)%	(3.5)%
France	594	613	3.2%	1.6%
South-Western Europe	421	826	96.2%	(1.1)%
Eastern Europe	218	241	10.4%	6.3%
Group	2,169	2,579	18.9%	(0.6)%

<sup>1</sup> Excluding intersegment Sales

# SEGMENTAL DEVELOPMENT: ADJUSTED EBITDA

- › **Germany:** investments in pricing, brand and marketing, executing #FORWARDBEAUTY strategy
- › **France:** strong and increasing EBITDA, in line with Sales trend
- › **SWE:** increase driven by acquisitions including good progress on integration synergies; margin diluted by acquisitions
- › **Eastern Europe:** strong topline growth feeds through to bottom-line at excellent margins

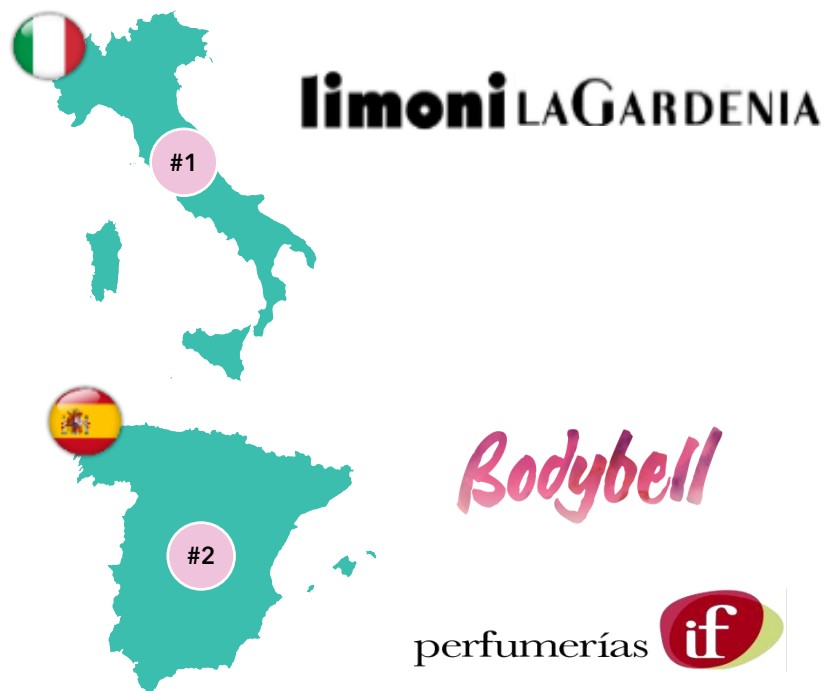
## ADJUSTED EBITDA<sup>1</sup>

(m€)	9M 2016/17	9M 2017/18	Delta	Margin
Germany	112	84	(25.2)%	9.3%
France	96	98	2.5%	16.0%
South-Western Europe	45	73	63.0%	8.8%
Eastern Europe	33	39	16.9%	16.1%
Group	286	294	2.8%	11.4%

<sup>1</sup> For details on EBITDA adjustments see page 28

# DEEP DIVE SOUTH-WESTERN EUROPE

## UPDATE ON ACQUISITIONS



### 9M FINANCIALS SOUTH-WESTERN EUROPE (m€)

EXCL. M&A:

NET SALES
419

INCL. M&A:

NET SALES
826

ADJUSTED EBITDA
42

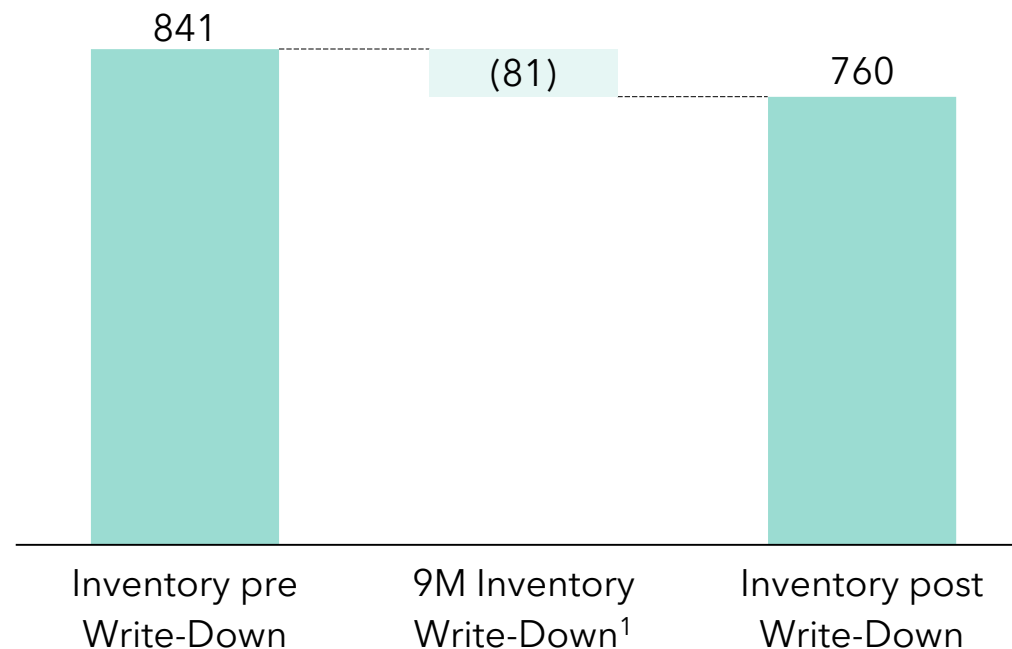
ADJUSTED EBITDA
73

TOTAL PURCHASE PRICE: €335m  
 RUN-RATE EBITDA INCL. SYNERGIES: €40m p.a.  
 ONE-OFF INTEGRATION COST: €56m  
 PLANNED STORE CLOSURES: >50

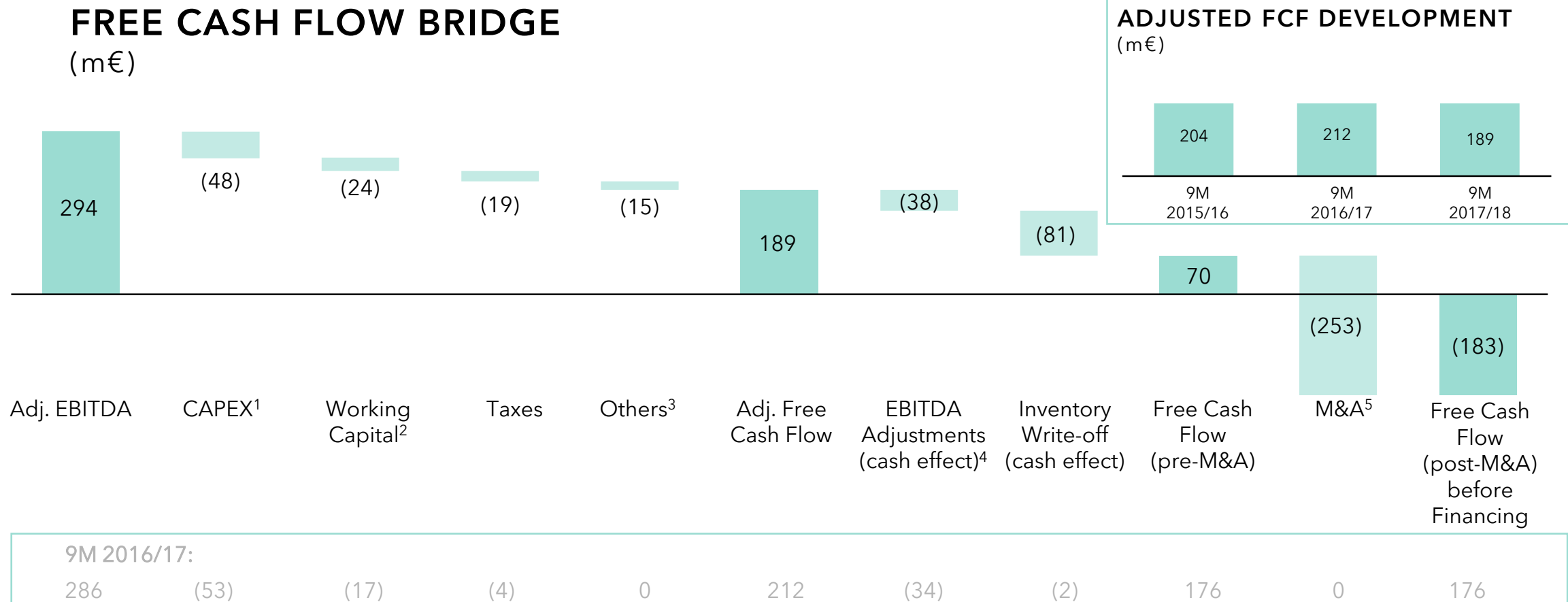
# DELIBERATE DECISION TO WRITE DOWN INVENTORY

- › Alignment of assortments for the acquired businesses
- › Impact of the logo change on our DNC product lines
- › General upgrade and rejuvenation of our assortment in line with #FORWARDBEAUTY
- › No impact on Adjusted EBITDA and Adjusted Net Income

## INVENTORY AS OF 30 JUNE 2018 (m€)



# FREE CASH FLOW IMPACTED BY ADJUSTMENTS AND M&A



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

<sup>2</sup> After revaluation of inventories in connection with upgrading and rejuvenating our assortment including our Douglas Nocibé Collection

<sup>3</sup> Change in Other Assets, Liabilities and Accruals

<sup>4</sup> For details on EBITDA adjustments see page 28

<sup>5</sup> Payments for acquisitions in Italy and Spain



# EVOLUTION OF CAPITAL STRUCTURE AND KEY LEVERAGE METRICS

## CAPITAL STRUCTURE

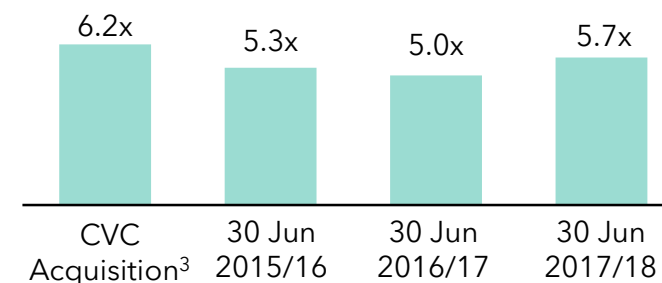
30 June 2018	m€	x Adj. EBITDA	Maturity	Pricing
Cash and Equivalents	(228)			
RCF (€200m available)	-		Feb 22	E+3.75% (0% floor)
Term Loan B (B1/B)	1,370		Aug 22	E+3.50% (0% floor)
New Term Loan B <sup>1</sup> (B1/B)	300		Aug 22	E+3.25% (0% floor)
Senior Secured Notes (B1/B)	300		Jul 22	6.25%
<b>Net Senior Debt<sup>2</sup></b>	<b>1,742</b>	<b>4.8x</b>		
Senior Notes (Caa1/CCC+)	335		Jul 23	8.75%
<b>Net Debt (Corp: B2/B)</b>	<b>2,077</b>	<b>5.7x</b>		

<sup>1</sup> €300m in place since 9 November 2017

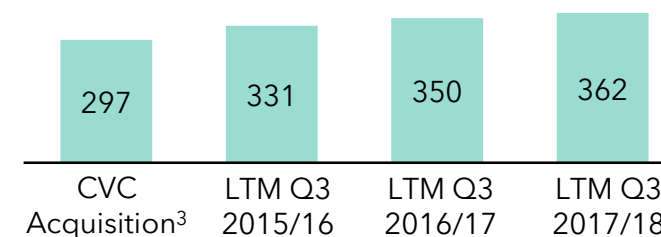
<sup>2</sup> Net Debt does not include Accrued Interest of €22.3m

<sup>3</sup> CVC acquisition completed on 13 August 2015; pro-forma net debt of €1,832m; LTM Q3 2014/15 Adjusted EBITDA of €297m

## TOTAL NET LEVERAGE



## ADJUSTED EBITDA (m€)





Thank you.

Upcoming IR Event:

11 Dec 18 - FY results FY2017/18

DOUGLAS



# *Appendix*

# ADJUSTMENTS TO EBITDA

## 9M 2017/18

- › **Consulting fees** refer to recent acquisitions in Italy and Spain and efficiency measures
- › **Restructuring costs** relating to M&A and integration activities in Italy and Spain and redundancy payments for efficiency and centralization measures (LTM Jun 2017 and 2018); €19m of restructuring cost with cash effect only in Q4 2017/18 and later
- › **Purchase price allocation:** Acquisition of Bodybell (LTM Jun 2017, Q3 2017/18)
- › **Credit card fees:** “below EBITDA” reclassification in accordance with banking and bond agreements
- › **Inventory Write-off** of total of €37m in Germany and €44m in Spain
- › **Other** includes in particular a write-down of receivables as well as various other extraordinary items (IT, services, etc.)

### EBITDA ADJUSTMENTS

(m€)	9M 2016/17	9M 2017/18	LTM Jun 2017	LTM Jun 2018
Reported EBITDA	252	156	296	195
Consulting fees	15	18	20	25
Restructuring costs	8	23	13	31
PPA	-	2	4	4
Credit card fees	8	9	9	11
Inventory Write-off	2	81	3	84
Other	1	5	5	12
Adjusted EBITDA	286	294	350	362

# REPORTED FINANCIALS

## 9M 2017/18

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

(m€)	9M 2016/17	9M 2017/18
Germany	936	899
France	594	613
South-Western Europe	421	826
Eastern Europe	218	241
Group	2,169	2,579

### EBITDA

(m€)	9M 2016/17	9M 2017/18
Germany <sup>2</sup>	84	30 <sup>3</sup>
France	92	95
South-Western Europe	43	(7) <sup>4</sup>
Eastern Europe	32	38
Group	252	156

<sup>1</sup> Excluding intersegment Sales

<sup>2</sup> Including Holding and service entities

<sup>3</sup> Including Inventory write-off of €37m

<sup>4</sup> Including Inventory write-off of €44m

# KEY FINANCIALS AND EBITDA ADJUSTMENTS

## Q3 2017/18

### KEY FINANCIALS

(m€)	Q3 2016/17	Q3 2017/18	Delta
Net Sales	603	721	20%
<i>Lfl Growth</i>			(2)%
Adjusted EBITDA	72	57	(20)%
Margin (%)	11.9%	7.9%	
CAPEX <sup>1</sup>	15	21	39%
Adj. EBITDA - CAPEX	57	37	(36)%
Cash Conversion (%)	79%	64%	

<sup>1</sup> Excluding M&A-related CAPEX

### EBITDA ADJUSTMENTS

(m€)	Q3 2016/17	Q3 2017/18
Reported EBITDA	56	(43)
Consulting fees	7	5
Restructuring costs	5	21
PPA	-	(0)
Credit card fees	2	2
Inventory Write-off	1	71
Other	1	1
Adjusted EBITDA	72	57

# DEEP DIVE LFL NET SALES GROWTH QUARTERLY DEVELOPMENT

## LFL NET SALES GROWTH DEVELOPMENT

	Q4 2016/17	Q1 2017/18	Q2 2017/18	Q3 2017/18	9M/ 2017/18	LTM Q3 2017/18
Germany	(5.1)%	(4.8)%	(1.3)%	(4.3)%	(3.5)%	(4.1)%
France	6.1%	2.7%	2.6%	(1.1)%	1.6%	2.5%
South-Western Europe	0.1%	(1.4)%	0.8%	(1.8)%	(1.1)%	(2.1)%
Eastern Europe	7.1%	8.2%	7.7%	2.0%	6.3%	6.5%
Group	(0.2)%	(0.8)%	1.0%	(2.3)%	(0.6)%	(0.9)%
Stores	(2.7)%	(2.8)%	0.9%	(3.1)%	(1.9)%	(2.4)%
Online	18.2%	9.8%	4.5%	5.1%	7.0%	9.0%

# CASH FLOW STATEMENT

## 9M 2017/18

- › Decrease in **Cash Flow from Operating Activities** reflects lower EBITDA, largely due to inventory revaluation, as well as higher tax payments
- › **Cash flow from investing activities** increased in comparison to prior year's 9M due to acquisition of LLG and IF in the period
- › **Cash flow from Financing activities** largely driven by additional Term Loan B tranche of €300m for the financing of acquisitions

### CASH FLOW STATEMENT

(m€)

	9M 2016/17	9M 2017/18
Net Cash Flow from Operating Activities	229	116
Net Cash Flow from Investing Activities	(52)	(299)
Net Cash Flow from Financing Activities	(74)	233
Net Change in Cash & Cash Equivalents	102	51
Currency Translation Effects	(0)	(1)
Cash & Cash Equivalents at Beginning of Period	144	178
Cash & Cash Equivalents at End of Period	246	228

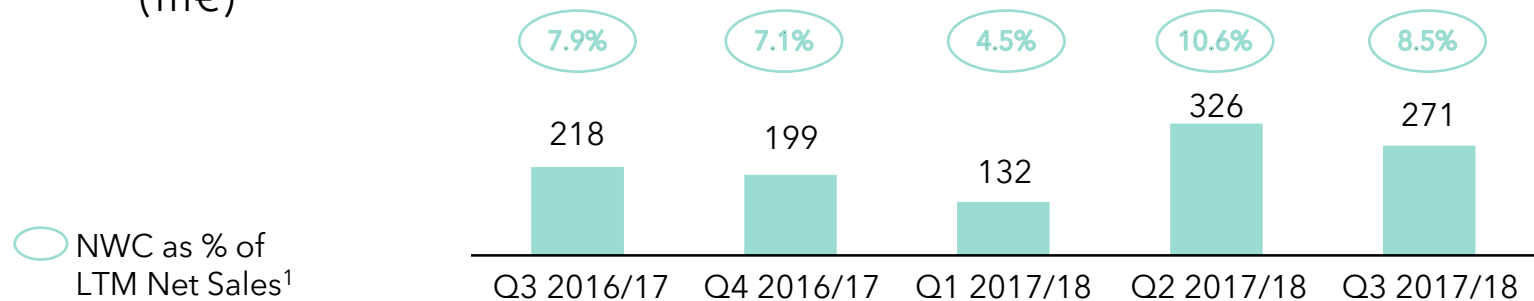


# NET WORKING CAPITAL

## Q3 2017/18

- › Net Working Capital continues to be a key focus
- › Increase in inventory reflects assortment realignment of stores acquired in Spain in particular as well as continued investments into DNC across regions
- › One-off inventory write-off of €81m as part of assortment alignment across regions, logo and assortment changes
- › Increase in accounts payable largely due to improved payment terms to optimize cash cycle
- › NWC as % of Net Sales to be expected between current and historical ratios going forward

### NET WORKING CAPITAL (m€)



○ NWC as % of LTM Net Sales<sup>1</sup>

(m€)	Q3 2016/2017	Q4 2016/2017	Q1 2017/2018	Q2 2017/2018	Q3 2017/2018
Inventories	553	591	843	854	760 <sup>2</sup>
Trade accounts receivable	30	41	75	60	48
Trade accounts payable	(296)	(388)	(796)	(519)	(506)
Other <sup>3</sup>	(69)	(45)	9	(69)	(31)
<b>Total NWC</b>	<b>218</b>	<b>199</b>	<b>132</b>	<b>326</b>	<b>271</b>

<sup>1</sup> Q3 FY2017/18: acquisitions of LLG in Italy and Perfumierias IF in Spain only completed in November 2017; LTM Net Sales 30 June 2018 therefore only include Sales contribution of acquisitions for a fraction of the year

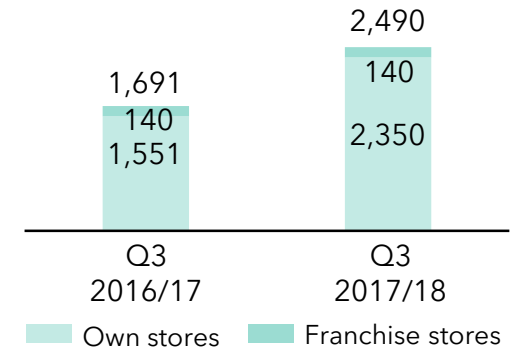
<sup>2</sup> Net of Inventory write-down amounting to €81m

<sup>3</sup> Includes receivables from reimbursed marketing costs, bonus receivables, voucher liabilities



## PREMIUM STORE NETWORK FOOTPRINT ACROSS EUROPE

- › Expansion driven by acquisitions in SWE
- › Certain closures to be expected in the region
- › Sufficient footprint in mature markets with net growth expected to slow down going forward



YTD DEVELOPMENT	9M 2016/17	9M 2017/18
Store openings	23	31
Store closures	(19)	(39)
Store acquisitions	1	602
Store divestitures	-	(21)
Change in franchises	3	(1)
<b>Total</b>	<b>8</b>	<b>572</b>