

**Conference Title: Shop Apotheke's full year 2020 financials**

**Company: Shop Apotheke Europe**

**Moderator: Daniel Bonk**

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Stephan: Well, good morning everybody. Jasper and I, we want to welcome all of you to the release of Shop Apotheke's full year 2020 financials. And of course, we also want to provide you with an outlook for the current year for 2021. Before we get into the detail, over the last few months, I came to realize that some of you are not only closely monitoring how Shop Apotheke does and Shop Apotheke's numbers, but at least one person also seems to monitor the ties that I'm wearing. And I realized – I was told that for the last two webcasts I wore the same tie. So hopefully I'm responding to our investor's needs and I want to show a greater variety in the ties I'm wearing going forward. Well, as I already mentioned, this is the third time we do the webcast from our new facility, our new headquarters, our new distribution center right here in Sevenum. As we said before, it's literally just a stone's throw away from our old facility, even though this was within the boundaries of the city of Venlo. But compared to the last time we talked to you, I can assure you it's much busier here today because we are literally in the midst of transitioning our logistics activities from the old to the new facility.

Before we jump into the meat of our presentation, let me just take a step back and let me remind everybody what drives Shop Apotheke or what gets us up in the morning and what gets us going, what is our mission, what is our ultimate aim. At the end of the day at Shop Apotheke, we want to make a meaningful contribution to enabling our customers to better manage their healthcare needs. Or as we stated here on the chart, we want to enable everyone to live the healthiest life possible.

Well, with this, we have a busy agenda as we always do. We're probably going to take around 20 minutes to go through everything that we have prepared for you. Jasper and I we're going to start by sharing with you the review of what happened last year, including the financials. And then we're

going to shift gears and we're going to look forward towards 2021, even though we're already in 2021, talking about some of our key strategic initiatives. And of course, then Jasper is going to conclude by sharing with you the outlook, the financial outlook for 2021. At the end, we're going to, of course answer your questions. Once again, we don't have simply – at this point of time, we don't have the technical capability to entertain live audio questions. So we will ask you one more time to submit your questions by clicking on the question mark on your screen on the left-hand side, and then the end of the meeting, we're going to answer as many questions as we possibly can in the time that's left.

So again, talking about the highlights of 2020, I think all of you would agree with us that this 2020 was truly an extraordinary year, a year that we're not forget during our lifetime. Unfortunately, it looks like the corona pandemic is going to cover more than just the 12-month period; but at some point of time this is also going to be behind us, we're all confident that we're on the right track. But before I talked to you about Shop Apotheke's accomplishments, because we're now talking to our shareholders and to other members of the financial community also want to one more time express our Jasper's and mine in management, deepest gratitude and appreciation to all of those who made the numbers that we have the privilege simply to share with you who made this possible. Of course, I'm talking about the teams and the employees of Shop Apotheke across the value chain, across the location, all the departments. Also for them last year, it wasn't an easy year, but because of their drive, their commitment, we were able to be there when our customers wanted us to be there for them.

Well, again, shifting gears again, looking at the numbers, you're already familiar with the strong growth in the fourth quarter, 38%. When you look at the whole year, it's pretty much the same picture. Shop Apotheke in 2020, compared to 2019 grew by a solid 38%. Our sales reached EUR 968 million. I don't want to steal Jasper too much of your thunder, but I dare to say that our guidance will indicate that we are clearly going to cross the EUR 1 billion threshold in 2021. Through our continued investment, almost continued investments in our brand and in customer acquisition –

when I say almost continued, we had – there was an exception in the second half of March and the first half of April last year when we reduced our online marketing to almost zero at the start of the corona pandemic. But over the remainder the year, we continue to invest. And as a result of this, we added 1.6 million active customers to our customer base, which reached 6.3 million unique active customers by the end of December. And needless to say that all our growth last year was fully organic. The strong top line performance cascaded through our P&L and we ended the year – across the year, we generated and blasted EBITDA margin of 2.2%. Again, going back a year at this time, we had a guided towards a breakeven at the adjusted EBITDA level. So we clearly did better than our original guidance. And as Jasper had mentioned in previous earnings releases, even without the corona effect, which certainly contributed, but even without the corona effect, we would have generated a positive adjusted EBITDA margin last year.

From my vantage point, even more impressive than the percentages are the plain euros. In 2019, we had an adjusted EBITDA loss of EUR 13.5 million. Last year, we had a profit of almost EUR 22 million, which translates into it year over year improvement of EUR 35 million. Looking at operating cashflow, operating cashflow even more impressive than improvement. We had a negative operating cashflow in 2019 of almost EUR 31 million. In 2020, we had a positive operating cashflow, and Jasper is going to share more details of almost EUR 18 million. So an improvement, operating cashflow improvement year over year by EUR 48 million.

And in parallel, we strengthened our balance sheet with the initiatives that Jasper led on behalf of Shop Apotheke. We retired, we did an early conversion of our old convertible bond, EUR 135 million in November, and we replaced it with a new convertible bond in early January, totaling EUR 225 million – it's I dare to say Jasper truly amazing conditions. Again, just one highlight, of the EUR 225 million, we're not paying any interest, zero. And I think that's a strong sign of trust from the financial community. As a result of this, I think we can with a lot of confidence, based on a strong balance sheet, look into the future.

Parallel to achieving strong results last year, we also executed a very focused strategy, and we're going to talk more about this, getting ready for the introduction of e-prescriptions, our new logistics center, the expansion of our same day offering and other label of Shop Apotheke. And now the commencement of the corporation with the Zava[?], one of the leading online doctor service providers in Europe.

Well, again, looking at our two reporting segments, the DAF[?] region, we had – in Q4, we showed growth of 34% versus Q4 2019. When you look at this over the course of the full year, you see growth of 32.5% in the DAF region. This includes growth of our RX[?] business in Germany by 17.6%. By the end of last year, our RX business in Germany amounted to almost EUR 220 million. So again, looking at the overall growth of 32.2% and the RX growth, and we're very proud of last year's RX growth of 17.6%, that gives you an indication that the non-RX business grew at a much faster pace than the 32.5% for the whole segment.

In the national segment, which is comprised of Italy, France, Belgium, and the Netherlands, in Q4 grew by 68%. For the full year the segment grew by 78%. A drop in Q4 can be attributed to some challenges that we face I think especially in November with getting all of our packages in time to our customers in Belgium. For the full year sales in the international segment amounted to EUR 153 million. We're also very proud of our NPS, of our net promoter score. Last year, we maintained a strong NPS of 70. Those of you who are familiar with other retail verticals, you will recognize that 70 is already a very strong result. To be transparent at the beginning of last year, we had aimed to improve our NPS a little bit more, but in hindsight, again, with all the dynamics around the corona pandemic, we're very happy, we're very satisfied that we succeeded in maintaining a very strong NPS of 70. And as you all know, that only happy customers are returning customers. And that's one reason why we closely monitor our, our NPS performance.

In terms of the average shopping basket value, virtually no change versus last year, around EUR 68. From some of you throughout last year, we had received questions, well, should we expect a

drop in our average shopping basket value because of the number of new customers at the dynamics of the corona pandemic. Obviously, that was not the case.

Well, the next chart I really like to look at from time to time, and what you see on this chart is the web traffic. And this covers all of our web shops. So not just the web shop in Germany, but run across all of the markets. What you see here, the weeks, the 104-105 weeks from the first week of 2019 through the last week of 2020. So in the middle, you have the first week of 2020. The orange line indicates the total number of visits per week. And you see a steady growth. If you put a regression over the orange line for the year 2020, you would see continuous steady growth. And this is also true for the time from the beginning of the corona pandemic. That's the spike around the beginning of the second quarter. And you see in the blue bars here till the end of year. Looking at the blue bars, the blue bars indicate our percentage growth, the web traffic percentage growth versus the same week a year ago. And this relates now, of course, to the scale on the right-hand side of the chart, and percentages. As I already mentioned, you see the spike at the beginning of the second quarter, meaning at the beginning of the corona pandemic. But even if you then look towards the end of 2020, in every single week, our web traffic grew by 50% or more; so, not just our top line went up but also the customer, number of customers went up and the number of visitors to our websites increased significantly.

One last remark, and you only see it – and that's something that we're also proud of; you see it here in the footnote. In January, 2021, shopapotheke.com, this is our German web shop, was the number three most frequently visited website in Germany in the healthcare segment. Number one was the website of the Gobatkoff[?] Institute, which is the public vaccination agency in Germany, not a surprise. Number two was netdoctor.pe, which is a site that provides general medical advice. The number three most frequently visited website in Germany in the health category was Shop Apotheke. And again, that is something that doesn't just happen by accident.

Well, before I hand it over to Jasper to walk you through the financials of 2020, let's have a quick look at our orders and how they developed. When you look at 2020, the quarterly distribution, no surprise, but we were glad to see that we reached our peak in the fourth quarter with a little bit more than 4.3 million orders. For the whole year orders amounted to 16.6 million, which translates into a growth versus 2019 of 36%. So again, largely in line with our top line growth. And the green line here indicates the share of repeat orders which held steady at 83%, which is largely in range where we want the share of repeat orders to be. We're all always referring to the 80% range.

And with this Jasper, I'm sure you have something to say about the financials.

Jasper: Absolutely. Thanks. Thanks a lot Stephan[?]. And good morning to you all. On this slide, according to me, a set of fairly strong numbers are reflective of the exceptional year as Stephan just with a lot of passion explained to you all. Thanks. Thanks a lot for that. Before I go into the numbers, I also want to tell you that this morning we did not only release our numbers for the press release on our website. There's also annual report. And at the same time, I'm also proud to mention that we also released the numbers according to ESEF. So the European Single Electronic Format, there was a possibility provided by Europe to delay implementation, but we wanted to be a front runner there. So our numbers are also available in the new European standards.

Then to the numbers. I will discuss with you shortly, everything from sales up to including EBITDA. It's three columns from Q4 last year, in this year, and then it's full year. And after this in two slides, I will dive into a little bit more detail on the gross margin and the selling and distribution expenses as a percentage of sales, the bridge from last year to this year.

The first high level, the numbers. If you start with sales, I don't want to repeat too much that the numbers are too nice to not mention them. Again, so I take the opportunity there. Our sales increased in the fourth quarter was 73 million to 264.7 million, which was a year over year growth of 38%. In the full year, our growth was total 267 million, 267 million higher than the year before.

And we worked in these very close to the 1 billion sales in 2020, and it was a growth up and rounded 38.1%. These sales achieved with much different gross profit margin compared to 2019 and compared to 2018, I think Shop Apotheke has always report that gross profit margins that were just below the 20%. In 2020 each consecutive quarter, we were significantly north of 20% sales of the margin. If you look at Q4. Last year, Q4 2019 gross profit margin was 19.8%. We improved by 3.8 percentage points to 23.6%. More on this, on the next slide. And for the full year, we achieved a free percentage improvement to 22.7%.

These sales and these margin were achieved by selling and distribution expenses as a percentage of sales up in Q4, 18.4%. But I'm now presenting for the fourth time the numbers of Shop Apotheke. We have this column, debt averse, between bracket is worse and otherwise is better. And it's the first time we have something in between brackets this year. But actually this was exactly what I try to guide you and the markets. And we are operating at the moment two facilities at the same time. We continued with our marketing expenses, and this is exactly internally according to what we were expecting. So it is 0.7%. We're [inaudible] quarter 2019. Over the full year, in addition to the better gross profit margin, we also improved our selling and distributing expenses as a percentage of sales by 0.6 percentage points.

The adjusted administrative costs, as always adjustments at Shop Apotheke are clear and limited. We only correct for the employee stock option costs. And for one-off third-party cost related to certain projects. Now certain the project cost [inaudible] logistics center and certain capital market transactions. If you then look at the adjusted basis or the administrative costs, you see both in Q4 and in Q3 that we leverage the expenses with an improvement as a percentage of sales of prospectively 0.2 0.3 percentage point.

All the numbers I just mentioned, they then boil down – they serve up to the adjusted EBITDA. And in Q4 2019, this was a minus 1.8%. It improved this year from 6.1 million – 1.8 million to 6.1 million, an improvement of EUR 7.9 million. And for the full year, the number that Stephan also already

pointed out from a minus 13.6 million to positive 21.6 million. Margin-wise and minus 1% in Q4 last year, which was then considered a very strong number. The fourth quarter of last year was from a minus 1%. We improved to a plus 2.3% this year. And for the full year, from a minus 1.9% with the three times raised guidance, we ended up even [inaudible] 2% except the 2.2% of sales. Because of the adjustments that are mentioned already with administrative costs, you see the fully loaded EBITDA is showing exactly the same developments. Quarter four, the year improvement of 7 million and for the full year an improvement of 38 million.

To the next slide, please. Yeah. Then the full year bridge of the gross profit margin. So we improved for the full year 2020 compared to the year before from 19.7% to 22.7%. The major building block here is the block of 2.7 percentage point of net pricing and product mix. That's a lot. But the key here is that in the total optimization of the commercial proposition to our customers, we have gotten significantly more sophisticated. So we only use pouches when they are really needed. We try to optimize the product mix that we are having. And we are also balancing our promotions that we have in the total improvement of 2.7% year over year.

The order of minus 1.1 is mainly related to quarter two and quarter three. But I also mentioned that we had to take a write off of corona related articles. To be more specific on face masks, in hindsight, we sourced them at prices that were too high when we were really wanting to have those products in order to deliver them to our customers. This impact should not directly be added to the 2021 expectations because we, of course, in the 2.7% also had a positive impact from the high margin corona specific assortments. So those are the two major blocks.

And then we have 0.8 positive impact from country. And our ex-OTC makes every growing internationally even faster than we grow in Germany, that's having a positive impact. And the fact that our mix was growing with only 17.6%, which [inaudible] is a strong number, but OTC is growing faster than 40%, is resulting in this mathematical [inaudible] percent. Not at all mathematical, but fundamental is the 0.6% improvement from sourcing. This is not only because of better conditions,



one on one on products with our pharma partners. This also includes impact from the fact that in cooperation we can get the total chain more efficient. In those cases, there is something to win for a supplier and something to us. And we're not only gaining euros, but we also reducing CO2 by making the supply chain more efficient.

The next slide, this slide is on the operational cost as a percentage of sales. So that's an improvement year over year of 0.8%. First of all, marketing. Marketing as a percentage of sales improved by 0.2%. But remember that indeed in March and April, we virtually have no marketing. So balancing everything, marketing as a percentage of sales is roughly flat, or perhaps even increased so much. So we were really prepping the opportunities when we saw them by increasing our sales and our new positions.

Then the shipping packaging and payments, minus 0.1%. This is only due to the fact that shipping to international is more expensive and we're growing faster there. So this is only mix. And to me by far the most impressive number on this slide is the 0.2% improvement of operational labor. So in this very challenging year with all the unexpected surges in demand from our customers, we were able to keep our operational labor flat, actually even improving 0.2. While everybody who is running an operation knows that if you operate at max capacity, you also incorporate certain inefficiencies. In this operational labor here, we were able to give our operational people two times the past year at the start and at the end also a corona bonus, not to management, not to senior executive management but to the people who did the real work. And in the operational labor in the second half of the year, we have absorbed the fact that we are operating two facilities at the same time. Over an improvement of 0.5 is everything else that I did not mention, which is growing at a slower pace than our sales growth. So this is [inaudible]

Again, the adjusted EBITDA numbers in millions of euros, and that's the percentage of sales. I mentioned them already for the last time from minus 1.8 million last year in Q4 two plus 6.1. And a 35.2 million improvement for the full year. From a minus 1.9% margin to a positive 2.2 [inaudible]

What does this mean for our cash? We started 2019 with the cash balance of 130 million. If you look at our balance sheets, you see this is the sum of our cash balances and our current – all the financial assets, because we can we can turn them into cash within a day. So we started within 30 million with the expectation that the operating results would be roughly flat. And we knew we had a big investment coming, namely the first three quarters of our new logistic facility. What happened in reality, we had 130 million because of the much better operating results. We generated 19 million of cash. And this is the number actually that Stephan just mentioned, the 31 improvement of the operating result. This plus 19 million was the year before minus 60 million. And then if you go to working capital, our working capital requirements, our need for working capital increased with only 1 million in 2020 while our growth was 38%.

That was also the year before 50 million of cash needed. And those two sum to the 31 million that Stephan just mentioned. So, cash from operations, including working capital, a positive 18 million throughout the year.

Then we get to the investments. The investments includes three quarters of [inaudible] 2020 facility. And then we had a positive inflow of financing, which mainly relates to the April seven capital raise of 65 million. But we also have interest expenses, lease[?] expenses, and we had accelerated interest expenses related to the earlier conversion of the [inaudible] in October and November. So we ended the year with more cash than at the start of the year, namely 128 million.

Here's the second and the last slide on cashflow. This is only from Q3 to Q4. So we ended the year at 128 million and we started Q4 with 157. So what happened in Q4? We had a positive operating result of 4 million. We had to increase your working capital, which is always the case in the fourth quarter because of seasonality. We have an elevated level of investments because we earlier reached a milestone for our distribution facility. So we paid that and we have an elevated level of financing mainly related to the early redemption of [inaudible]. So we ended with 128

million. But also in this slide, you see that already in the first two weeks of 2021, we had two major transactions. We acquired SMARTPATIENTs and – Stephan will talk about that more in a couple of slides. And we had the successful placement 225 million [inaudible] with the zero [inaudible] meaning that at this moment, we have cash of more than 300 million in our account. Thank you.

Stephan: Thanks Jasper. Let's go to the next chart. So before I hand back over the microphone to Jasper to talk to you about some of our accomplishments along our sustainability journey, and of course the guidance for 2021, I want to share you or talk about some of the initiatives that will allow us to transform Shop Apotheke from being pretty much an online retailer into the Europe's leading customer-centric e-pharmacy platform. When I started Shop Apotheke two and a half years ago, and since then, I'm sure I've talked to some of you about how impressed I was when in my interactions with a lot of people at Shop Apotheke, how the customer was always top of mind and the question how can we meet and better meet our customer's needs was always top of mind. And that is something that struck me, as I said, from day one. I already mentioned only happy customers are returning customers. Again with an NPS of 70, we have many customers that are returning to Shop Apotheke over and over again. Of course it's a one-on-one of e-commerce; once you have gained the customers, we have to do our utmost to convince the customer to place a second, third and fourth order.

So, over the next couple of minutes, again, just a little bit about some of the key initiatives. Of course, e-prescription, related to e-prescriptions, the acquisition of SMARTPATIENTs, SMARTPATIENT, we want to provide a little bit more color where we are with our same-day pilot and just a quick update on our new logistics center. As I said before, I will hand it over to Jasper again.

So if there has ever been in the history of Shop Apotheke, if there has ever been a top, top priority for us, it's certainly the preparation for the introduction of e-prescriptions in Germany. You know, we are using a little bit of a reference from Formula One racing that our ambition is of course that

once e-prescription start in earnest, we really want to be in a pull[?] position. We installed our taskforce and we call it the task force the e-RX task force already in 2019. And since then, we continue to strengthen also in terms of resources. We strengthened the task force throughout 2020. Of course, RX is nothing new for Shop Apotheke. We've been doing this for many, many years. We understand the needs of an RX customer. We have developed a targeted and tailored patient care programs that are really appreciated by the patients that are enrolled in them. I'm going to talk more about the acquisition of the MyTherapy app and SMARTPATIENT, but I already want to want to state really[?] that was not an opportunistic acquisition. That was a clear pillar of our e-RX strategy. We were convinced, we have been convinced for quite some time that sophisticated digital medication management will be true value add in the e-RX environment.

Generally speaking, e-prescription and nothing new for Shop Apotheke, or digital prescriptions are nothing new for Shop Apotheke. Since we started to cooperation with Zava, one of the leading European online doctor service providers, we have been and we still are processing literally hundreds of digital prescriptions that have been sent by Zava customers through Shop Apotheke. And experience that we have gained with handling all of these digital prescriptions, our back end processes, our backend systems are well-prepared for the start of electronic prescriptions in Germany. And last but not least, we have been and we continue to talk to a lot of market participants, and wherever it makes sense from our vantage point, but also wherever it makes sense and provides a benefit for our customers, we have and we will continue to enter into partnerships with others.

Just a quick word about the timing of e-prescriptions, we're saying the bottom Shop Apotheke will be ready if e-prescription launch on 1<sup>st</sup> July. And based on everything that we refer from Berlin, from the health ministry, from the Gemarking[?], from other market participants in Berlin and beyond Berlin, everything that referred today indicates that the Garmarking will be ready in time. They're going to launch the telematics infrastructure and e-prescription around the middle of this year. Everybody acknowledges it's an ambitious, tight timeline, but so far again, based on everything

that we affirm, the German market seems to be on track. But of course, in earnest, e-prescriptions are going to start once it will become mandatory for physicians in Germany to issue electronic prescriptions.

So before I talk about the value proposition, Shop Apotheke's value proposition for e-prescription customers in the future, let's look one more time at the potential that's in front of us and our competitors. On the left-hand side, you see the total market size based on the 2019 IMS data. The 2020 data is not yet fully available, but in 2019, the RX markets amounted to EUR 50-52 billion in Germany. This is at the ADP – sorry. I have to torture you with a German term, AP [inaudible]. That includes VAT. But again, just in order of magnitude at this pricing level, we talk about EUR 50-52 billion. Also based on IMS data, OTC market in 2019 amounted to around EUR 7 billion.

So now switching to the right-hand side, looking at the online share of the OTC market, and there are different data points, but it's everything that we are seeing its online share is around 20%. Of course, this is not only Shop Apotheke. This is Shop Apotheke and our direct competitors. When we look at the RX market, of course, and that is not a surprise to you, a very different picture with an online share from 1-1.5%, we by no stretch of imagination do we want to lead you to believe that the RX online share is going to resemble the OTC market anytime soon. But based on the projections of market experts, and some of them are, of course, participating in this call, they're seeing – the projection seemed to converge around the 8-12% range, a couple of years after the introduction of e-prescription in Germany. And we at Shop Apotheke we can get our arms around this range of 8-12%.

Again, just to provide some context, our share, Shop Apotheke's share of 1-1.5% last year amounted to around EUR 220 million. So again, thinking about the value proposition for e-RX customers going forward, Shop Apotheke has been one of the pioneers in the mail order RX market. We've been doing this for many, many years, and as a pharmacy, we have learned what is important for RX customers if they received their orders by mail delivery. At the same time, of

course, we have a deep expertise in e-commerce. We have scaled up Shop Apotheke over the years to almost EUR 1 billion. And our aim with the e-RX opportunity is simply to bring our pharmacy expertise and our e-commerce expertise together to provide the best-in-class customer journey, customer experience for our e-RX customers. There are no surprises for you, it's about the customer centricity I was referring to earlier. It's about the convenience that people appreciate, especially, but not only during a pandemic. It's the ability to order 24/7. It's the flexibility in terms of how you make your prescription, how you pay for your copays, very important. And that's really a change for all of us. It's the breadth of the assortment that we can bring to bear in an e-prescription environment. Keep in mind, right now, when a customer sends a prescription to us, it's a paper format. And it's really cumbersome to add other products to the RX basket. In the future, all of this is going to happen in the digital space. So it will be very easy, very convenient for a customer, if she submits a prescription, an e-prescription to Shop Apotheke to add OTC product, to add beauty and personal care products to the same basket. And on the next couple of charts, I'm going to talk more about the role that medication management, digital medication management is going to play in our ERM strategy.

So again, having talked about SMARTPATIENTs, we are very excited about this acquisition that was concluded at the beginning of this year. And as I mentioned, this was not an opportunistic acquisition. We had been convinced for quite some time that the digital medication management will be a true value add for our customers, will be something that is critical to our success in the e-RX market. And the more we work with, the more we learn from the SMARTPATIENT team, the more convinced we are getting. At the end of the day, sophisticated digital medication management is going to allow our customers, especially the chronically ill patients to have better health outcomes. Digital medication management helps them to adhere to [inaudible] therapy, it helps them to have better persistence with their drug therapy, in other words, to take the medication that has been prescribed to them by their doctor regularly, and to stay on medication for as long as the doctor has prescribed. And there is a lot of scientific data out there that clearly indicates that better adherence, better persistence, not a surprise to anybody, that results in a better therapy outcomes,

better health outcomes. And digital medication management is a conduit to achieve these better health outcomes.

Furthermore, of course, with the MyTherapy app – and I'm going to talk about the MyTherapy app on the next chart – this will give us at Shop Apotheke an opportunity to interact with our customers not just once a month, but several times per day.

So, let's have a look at the MyTherapy app, what it looks like right now. We just want to give you here an idea. And it might be misleading to think about MyTherapy simply as an app, because it's much more. It's a platform that already today consists of several different modules. You're seeing some examples. And the more we think about this and the more we work with the SMARTPATIENT team that has developed expertise in medical – digital medication management over eight to nine years, that is something that we ourselves would not have been able to replicate within a reasonable period of time. But going forward, the SMARTPATIENT team, they're going to develop drug-specific content. So we can provide targeted advice on the medications that our patients are taking, we can provide advice on how to better manage their disease, all of this, the, quote-unquote, 'pill reminder' functionality the additional advice and information we can provide to our customers, we are deeply convinced this will be a real value add for our customers. And it is one of the pillars of our e-RX strategies.

Another building block for our e-RX strategy is not a surprise, our same day delivery service. What you see on this chart, the dark blue dots are the areas where we were live with our same-day delivery at the end of last year. The right area, the most populous area in Europe, the Stuttgart Metro area, that Munich area, and Berlin. And by the end of this year, we're going to be live in all of the metropolitan areas of Germany. Again, not just for OTC, but this is also a building block for our e-RX strategy.

So, – and before I hand over again, the microphone to Jasper, just a quick update on our new logistics center. I already mentioned it's much busier here today than the last time we talked to you. In October, the first customer order left our new facility on its way to a customer in Italy. In the end of January, we took into operation our new equipment with a much, much higher degree of automation [inaudible] of the customers to – all the customer orders from customers in our international segment, again, Italy, France, the Netherlands and Belgium are shipped executed from our new facility. And this summer we're going to have – we will have transferred all of our activities from the old facility to the new facility, doubling our capacity. And at least for the next two to two and a half years, we are not going to be good constrained by any capacity limitations. And also this year, next year, again, if the demand fluctuates and peaks, we will be well-prepared for this. And Jasper.

Jasper: Great. Thanks. Thanks. Yeah, I'm really happy to share with you two slides on our progress on ESG, environmental, social and governance strategy, or the sustainability strategy. We really stepped up in 2019 but our major step was actually in 2020. We as a board, but as a total company, we say we are committed to do the right things. And we installed in 2020 a clear internal structure with governance, with a head of sustainability, with targets and responsibilities. And the language we talked internally for this is because we care. And what do we care about? We care about health, and then we say always that health of our planet – you see on the left side – the health of our patients and the health of our employees.

And if you talk about the health of our planet, of course, a major impact there is CO2 reduction. It's about sustainable packaging. It's about reducing our carbon footprint. Then the health of our patient that's of course in our DNA already for more than 20 years, but there's always room for improvement. So besides giving tools to get healthier life and easier life, if you are a patient, here's also the areas of being – applying the highest standards of data and data privacy. And then caring about the health of our employees. That's providing everybody equal opportunities, about diversity. We installed pension insurance for our people in the operations here [inaudible] the past year. And



of course, the safety of the workplace environment was very important the past year with corona. This is something where we on a continuous basis want to focus on. So this is the strategy and quite some thoughts and words. Did we do already something in concreteness to the next slide?

Here are some highlights what we really did in 2020 on our sustainability agenda. Already in January last year, we committed ourselves to the UN global compact. In March we joined the for climate action, we cooperate in doing our fair share of avoiding that the world will increase by 2% of temperature. And that in July, this was rewarded with significant upgrade by the MSCI index to a BBB from a below average to slightly above average. So that's the first step of our improvement that was recognized by the outside world in July. And throughout the year, the first half of 2020, we worked together with climate partners. They have 20 years of experience in determining in all aspects of our operations what our CO2 footprint is. Then in addition to that, we also asked another independent testing body TüV Rheinland[?] to also certify what we consider as our carbon footprint. And then we decided based upon that information in October to set all our CO2 emissions, actually not only for CO2 emission according to scope one, but it's scope one, two and three. That's about offsetting.

Even more important is of course that we also are the front runner in reducing CO2. And already from 2019 to 2020 in concreteness, we reduce the CO2, the carbon per parcel with 15%. And we were able to do so, I give some examples, because of all our standard deliveries in Germany with DHL are now green. And all our energy, our electricity in our German facilities for renewable resources. And also there was an important impact for us moving to the facility where we are presenting now from which is according to the highest climate standards. So all the highlights just a couple to share is internally we rolled out programs in getting people up to speed and get that commitment and get that energy in having an impact on the health of our customers, people and planet.

The last one is that I want to say that already for many years, we have a cooperation with an organization, a charity organization, which the name is HerchentLumche[?], which is for seriously ill children. And over the past years, we already donated close to EUR 600,000 to this organization. And what we decided to do at the start of 2021, when the goal is then to [inaudible] in Germany is that we gave our RX customers the possibility to say, okay, instead of me getting the bonus, which is no longer allowed, we can make a donation to this charity organization. And this is very successful.

I want to finalize this slide is that the annual report that is morning we'll release is entirely and for the first time for us according to the GFI reporting standards. So sustainability is fully integrated in our annual reports. And I hope you pay attention to that. And if you have any remarks or questions on our progress in this area, just reach out to us and we're happy to share with you. Thank you.

Something completely different, the guidance for 2021. I think the header says it all; continued faster growth and margin improvements. That's actually our guidance. So we have a longer term guidance, which is at the bottom. And then we have the guidance for the current year, which is I have to say super difficult because the world is very volatile, as we all know. But we felt comfortable enough providing you with this guidance.

To start with the number one with the sales growth. So the big picture from a helicopter view is that last year our sales growth was 38% fully organically. And now we're promising that we expect that in this year, on top of the 38%, we will grow again around 20% or more. We say this taking it to account actually three items that I want to point out to you. Number one is of course, as of March, we are cycling [inaudible] in COVID the amount of last year. We took that in our guidance into accounts. There were two is as of mid-December, we have then on RX bonuses. So we also took that into account. And the third one perhaps not familiar to all of you, but we clearly see that in January and February of this year, of 2021, we see throughout Europe, we actually see that people are less ill. There is less of a cold and flu season, and most probably more certainly related

to the social distancing because of the COVID measures. So this is not impacting us more or less than others, with just the whole industry specifically in RZ will most likely in January, February have faced a decline in RX sales. So we take that into account and then still say we want to grow as a company significantly double digits around 20%. That's the sales guidance for the year.

Adjusted EBITDA margin. We've achieved in 2020 a positive 2.2. This is not a one off, no, next year, we want to do that again and even improve by 0.5% approximately in the range of 2.3 to 2.8. Then we added a new guidance because we always only had sales [inaudible] and that's the guidance on investments on CapEx. We expect that in 2021 in current year around 3.5% of sales will be investments will be CapEx. And this includes our last phase of [inaudible] facility where we are presenting from fiscal guidance there – and the long-term target profitability unchanged. We expect that our longer-term target profitability will be at 6% EBIT or more.

That's it. Let's quickly go to the Q&A.

Stephan: Jasper and I will take turns in the reading the questions. So we have a question from O. RX year to date, are you expecting any impacts from the absence of a flu season or from COVID related excess mortality this quarter? Why or why not? Well, let me – I'll take the first cut at this. I don't know about the excess mortality, whether that is having any impact on the overall market, but certainly you are familiar with this, we have seen a significant drop in prescriptions in January. We don't expect – first indicators actually tell us that this will continue in February as well. And this has an impact on the overall market and has an impact on Shop Apotheke as well. And again, as Jasper mentioned, that is reflected in our top line guidance for 2021.

Jasper: Okay. If you can go a little bit [inaudible] questions from somebody. [Inaudible], please. Okay. Hi, C. Good morning again. [Inaudible] forecast 10%, '25-'26 thanks to the [inaudible] plans next year. Do you feel comfortable with the mid time assumption of around 10% in 2025 or 2026 or do you think it's too aggressive? Stephan, can you –

Stephan: I think we answered this in the presentation, we get comfortable with the projections that come, C, from analysts and other markets observers like you. An 8-12% market share a couple of years after the launch of e-prescription, that is something that we are very comfortable with. So we don't think that's too aggressive. We think it's reasonable.

Jasper: Can you continue please? No, continue, please [inaudible] We just want to take a mix of question from a variety participants. Okay. please [Inaudible] from [inaudible] Same day delivery. How does that work from a logistic perspective in areas [inaudible] terminal, for example, Stuttgart. How do you do that? Do you [inaudible]?

Speaker: Should I take this one? Okay, thanks, S for your question. Yes, indeed. In the [inaudible] from our facility in [inaudible] Sevensum. But in the Stuttgart, in the Berlin, in the Menkin[?] area, we do it together with our partner physical pharmacies. So we work together with existing pharmacies there in a win-win situation. Customers happy, local pharmacy is happy and we are happy with that. Yeah. So that's how we can do the logistics in the large country of Germany.

Speaker: You pick the next one.

Speaker: So we have a question from [inaudible] from Commerce Bank[?]. Good morning profitability. I don't know whether you're saying good morning to us or to profitability, [Inaudible] What is driving higher EBITDA margin in 2021? Marketplace; how big is the marketplace today? What could be the share in two to three years? Jasper, do you want to take a cut at this?

Jasper: The EBITDA margin improvement that we foresee for the year 2020 to make it very short is driven by better commercial, better gross profit margin. That's the main reason. It is not coming from leveraged marketing, is not coming from leveraging operational expenses as a percentage of sales,

because actually the first six months we will continue to operate two facilities. It's coming from further gross profit margins, that's a source optimization and also immediate[?] income.

And then the second one, the question is how big is the marketplace today and what could be to share. Shall I do this also?

Speaker: Yeah.

Jasper: Okay. Now marketplace is very successful because Shop Apotheke now [inaudible] pure example of marketplace. We work together with partners, the digital pharmacies, and we offer because of this corporation other services to our customers, namely they can also choose for same day delivery. So from that perspective is really well. In the number is also impressive. If you look at our P&L, you round it to three zero, because the other numbers are so big. So that's what marketplace is.

In 2021, we're still going to launch the marketplace op[?] products. That's not live yet. So that will not have a significant impact in 2021. Also because we really prioritized now e-RX mechanization of our fulfillment center and the roll out of now. So we don't expect marketplace in the first half for products in the first half of 2021.

Then your most important question, what's good in the share of marketplace in two or three years. Well, we are working on this, A, because we think that that could be a very large impact, but we don't have any guidance there.

Let's take a question A. A has four questions for us. Let's see how far we get. How should we account for the new logistics side in terms of operating leverage? Could you give us more insights into the potential increase in the degree of automation or potential leverage in the second half of '21? Let me take a – throw something out there. A, the degree of automation, we talked about this

before in our old facility, admittedly, it was close to zero. It was a very efficient, but very, very manual process. In our new facility, the degree of automation is going to get close to 50% and we expect in the fourth quarter to see an impact on our costs for order, the impact will be significant, but so far we have not shared exactly what we are projecting.

The second question, could you briefly touch on your market share in Austria and the contribution to growth in the DAF segment in 2020, and your estimates for 2021 so we get a better understanding of the Germany standalone performance, and should we assume a slight, a lower growth rate based on your dominant market share?

Yeah, we report, that's of course a restricted IFRS [inaudible] is very important two business segments. That's also how we steer the business internally. It's a DAF segment, and it's the international segment. So trying to get a more precise view in a country is not part of the segments reporting. What I can say about Austria, which is really relevant is that in Austria, we are by far the market leader there. Yeah.

I see another question from O. And he is asking, can you explain to us why customers would order RX with you. I think that's in the context of no borders.

Speaker: Yeah. I think O is referring to the overall decline in the markets in January. And again, based on early indicators also in temporary. Well, O, it's not just acute medications. People are delaying customer – doctor visit. So even if you are a chronically ill patient, some patients at least are trying to avoid going to the doctor. And another driver is simply that surgeries are being delayed. And after the surgery, there's always some type of a follow up medication that normally would be prescribed. Also, this is not happening at this point of time. So you're right, for acute need, so the typical antibiotics, Shop Apotheke probably wouldn't be the first pharmacy that customers could think of at this point of time. But when we look at the delay of doctor visits and

the delay of surgeries, of course, that is also something that's going to test and will continue to impact Shop Apotheke.

Speaker: Okay. I look at the time, it's four minutes past 12 past time. Yeah, I actually would propose let us continue for a minute or three. [Inaudible] are still listening perhaps, and then people can drop off. Thanks a lot for your attention at least joining [inaudible]. Let us do a couple of more questions if people are interested.

Speaker: I think we have one from A. I think we only have one from – go a little bit further down, down. How – A; how does monetization per unit economics work on Shop Apotheke now? If you say the delivery in partnership with brick and mortar pharmacies.

Speaker: I take it. Good morning again, A. How it works is that the customer is willing to pay for the service. The pharmacy, the local pharmacy is happy with the additional sales and the fact that we brought the customer to the attention of the pharmacy means that we get a fee for the services that we provide there. So that's basically how it's going. Let me see if I see – in total same day delivery. Yeah. So customer is coming to our website, wants to order a paracetamol. Normally you do that and you get it to one or two days in your postbox. Now if you live in those areas, you can also select Shop Apotheke now for delivery on the same day, or on the morning. You pay for that. There are a lot of people who are happy with that, the same like paying EUR 5 to get your pizza delivered at your home. So in some cases, people like to take the service. At the moment they do that, they order at the local pharmacy, the local pharmacy is preparing the prescription. We as Shop Apotheke have organized the delivery, the last mile for them from the pharmacy to the customer. And we get a fee from the pharmacy and get the fee from the customer for the delivery. That's how the economics work.

Speaker: We have a question from H. How are we going to convince the potential customer to the digital services like SMARTPATIENT services? Could we expect some higher marketing costs?

Well, H, we think – there are already 1.4 billion people who are using the MyTherapy app today. And as I alluded to earlier, the more we think about the opportunity that this offers now in connection with a pharma [inaudible] and that's really a game changer from – in terms of monetizing this opportunity. And there are many ways for us to make a compelling offer to our customers. I already mentioned there is drug specific content we can provide. There is advice how to better manage your disease in addition. And that's what people at this point of time think about when they talk about MyTherapy app. It's already today more than a pill reminder function, and it's going to be much, much more than a pill reminder function in the future.

Speaker: Okay. One of the last ones I think. B. Good morning again, B. There are a couple of questions, I think quickly look through them. Talk about please the revenue development in 2020 for a reporting segment, geographic segments, not the exact numbers because we only give guidance all the total. But I think directionally it's fair to assume that international will roll double as fast as a percentage compared to DAF. I think that's absolutely right.

And then about the OPEX base, should the additional A&P the cost [inaudible] in 20 – let me see, what is A&P in this case. Advertising, advertising and promotion. How much – yeah. Now. Yeah. Yeah. It is part of our overall guidance where we say that EBITDA will improve according to our expectations to a level between a positive 2.3-2.8%. And the driver of that in 2021 compared to 2020 will not be in the lines[?].

And number three and the last one. Could you talk about the very impressive customer acquisition numbers, thanks for that, then and how they turned it into 2021. We continue to focus on making our existing customers happy. And also we continue to focus in acquiring new customers. We did that in 2018 in 2019, in 2020, and we will also continue to do that in 2021. So roughly they are comparable – you continue to see [inaudible] tailwinds from the lockdowns in Germany. Now we see at this moment not an additional significant tailwinds from anything related to lockups.



Speaker: We'll take the last one.

Speaker: Then we'll take one more.

Speaker: Go down, go up. Sorry. We have a question from L. What is your current view on the threat of new entrant in particular Amazon? L, I can really be very brief. We are not constantly watching what might Amazon do in the future. Our strategy is clearly a standalone strategy. We are charged with, and we are excited that we're going to provide our customers with a very, very compelling value proposition. Nobody knows what Amazon is doing right now, what they might be doing in the future, but it's not keeping us busy every day. So I have to leave it at this L.

And with this, I would suggest we'll conclude the call. Of course, we couldn't get to all of your questions, but I have a feeling that all of you know how to get ahold of us. So please reach out to us if you have more questions. We'd love to chat more with you. I hope you share with us that 2020 was an important milestone year for Shop Apotheke. And 2021 shapes out to be another good but important year with the introduction of e-prescriptions in Germany. So again, thanks for your time and for your interest in Shop Apotheke. And please reach out to us if you have any more questions. Enjoy the rest of your day.

Speaker: Thank you. Okay.