

Redcare Pharmacy NV
Interim Statement Q1 2024
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Transcript

Speakers:

Olaf Heinrich

Jasper Eenhorst

Olaf Heinrich

Thank you very much and good morning, everybody. A very warm welcome from my side. Let's have a look into today's agenda. We would like to first have the financial performance, then an update on business and strategy, and then by the end, outlook and guidance.

Let's start with the financial performance first. Q1 2024 highlights. We continue really strong. Very strong sales growth. Including MediService, we're up 51%. But also, organic growth excluding MediService shows a strong 90% growth. Also, if we look onto the non-Rx growth, we're at 20%.

For an online company and also an online pharmacy, it's always important to make the jump at the beginning of the year. That is always the quality of the customer file which has been built over the past plus our capabilities to bring in new customers at the beginning of the year. We are really happy that we achieved that jump up to 20%.

As you all know, the E Act became mandatory beginning of 2024 in Germany and we saw a great adoption rate of above 75%, all of the scripts being e-scripts. Because of that, we already increased our marketing activities in Q1.

We did this to make sure that in the transition from paper to e-scripts, we keep our existing customers and at the same time, of course, we also want to learn how to acquire new customers and convert also existing OTC and BPC customers. As a result of that, we ended up on a 2.1% adjusted EBITDA margin, being up 33% compared to last year.

If we go to the next slide, you can see that our strong growth continues in both of our reporting segments. For sure we can see in DACH, that's driven by MediService, the huge increase, because we only consolidated MediService last year in May. But even if we look into the non-Rx, we can see strong growth in both areas and, again, international being a little bit stronger than the DACH region.

Please keep in mind, we achieved this great growth despite the fact that this year we had an early Easter effect. We saw a slow-down of the sales development in the last week of March of this year. Nevertheless, we achieved those strong growth numbers.

Can you go to the next slide, please? This is also reflected in the number of active customers. You can see here we added 0.4 million active customers in Q1 and now adding up on 11.2 million active customers.

Also, if we look into the net promoter score, we are able to

keep this at 70. To us, this is not just a number. To us, this is the most relevant KPI we have in our company. Therefore, we are proud of that we can continue to be high on the NPS.

Also very good news on the average basket size, it's up compared to the first quarter of last year. Of course, this will also help our P&L.

If we go to the next slide, you'll see there's the jump up I referred to earlier. In fact, we also see it in orders here. Right now we are processing almost 100,000 orders per day from our warehouses on average and still we keep that very high NPS of 70. Also, again, the repeat rate is at 87%, so confirming our healthy customer file.

I would like now to hand over to Jasper.

Jasper Eenhorst

Olaf, thanks very much and good morning to everybody also from my side. I'm happy to present the numbers of the first quarter of 2024.

As Olaf already shared with you on the prior slides, we achieved new records as to the number of orders in quarter one. Quarter one was even up from the strong quarter four that we had and that's what we also see in column two, three and four of this table because that's the quarter-over-quarter comparison.

The good thing is in both quarters MediService was included, but of course, comparing the first two and fourth quarter, each of our quarters is having its own seasonality, so it remains a bit of an apple and an orange. For example, the first quarter of the year is having fewer days than the last quarter of the year.

But still, having said all, our sales in Q1 were up 5.4% compared the prior quarter, a continuation of the growth of our active customer base and our total number of orders, and even, very helpful, the slightly increased basket.

It's a bit of an apple and orange because of seasonality, but still looking through it from a helicopter view, actually our gross profit margin was slightly higher than it was in the fourth quarter.

Our total SD&A as a percentage of sales was slightly up. Seasonality, but also impact of what Olaf referred to already. Some additional communication after we saw that very rapid increase of e-Rx in Germany. We took that momentum. All in all, a 12 million adjusted EBITDA in the past quarter.

If we then go to column four, five and six, the year-over-year comparison, Q1 last year compared to this year, from seasonality perspective, totally comparable, except for

there's a slight shift in Easter, but that's going towards only rounding. But, of course, last year MediService was not included yet.

But the total growth of the company, including everything from P&L, 70 million last year, it was up to 560 million this year, an unrounded increase of 50.6%.

If we then look at the adjusted EBITDA margin, that was growing strong also this quarter despite the fact that we did some additional marketing and communication campaigns and ended at 2.1%, which was 0.3 percentage points lower than the prior year.

But with the fast sales growth and this margin, we generated a couple of million more adjusted EBITDA in absolute terms. So, 3 million up in adjusted EBITDA and for clarity's sake, as always, the fully loaded EBITDA also there and that increased even by 6 million, reflective of the fact that our adjustment went down from 4 to just slightly above 1 million this quarter.

The gross margin year-over-year, minus 4.3%. The cost performance, plus 4.1%. Simply said, it's only mixed because of MediService and for that reason, on the next slide we give this clarity.

Here you see the gross profit margin and on the left side you first see the 27.7% going down, but if you take an apple-to-apple comparison, then actually, and we're very happy with that, our core business actually improved by 0.3% compared to last year. So, the gross profit margin increased in combination with the very fast increase of our sales. So, very good. Much more gross profit in absolute euros.

You can go to the next slide. Here it's the same representation. The first two columns I made apple-to-apple, so that is excluding MediService of this year. You see there a slight increase only of around 0.3 to 0.4%. Totally explained by a slight increase in marketing because of the opportunity we saw in Germany and actually underlying something that we are very happy with.

Because we, as you see with many companies in the entire world, are also faced with inflation, for example, in minimum wage rates in Germany and in the Netherlands. But we as a company have been able to fully offset those cost inflations with structural efficiency, both in operations and in marketing. So, the year-over-year cost performance was more or less stable despite that situation.

Of course, there was also, and then I go to the cash flow slide, but you can keep the slide on, helped in the overall

P&L was not only efficiency, but also the slightly increased basket. It's very good to our unit economics.

Cash flow here, very nice, an increase of 50 million. To already tell you the conclusion, it's mainly because of seasonality that we were benefiting from an increased payable balance as we generally see each quarter and last year even more than we were seeing this quarter, just because of timing differences.

I'll walk through the bridge. It's the total of cash as you can find on the balance sheet and short-term financial assets, as well as our fixed deposits, which we also consider cash. It's slightly above 200 million.

When we started the year, we had a positive adjusted EBITDA of, here from a cash perspective, 11 million. We have working capital improvements of 17 million, we have investments of around 9 million and we have financing, which also is including according to IFRS the lease payments that we're doing. Adding it all up, it's leading to a positive 15 million, ending at 219 million.

With that, Olaf, it's going back to you.

Olaf Heinrich

Thank you very much. Let's have a look into an update on business and strategy. For this quarter we decided to focus only on e-Rx because we think that right now that it's the dominant topic.

As already communicated, Tuesday this week we got approval for our solution from Gematik. We are really happy about that one and that we all know CardLink is the best way to redeem e-scripts fully digital.

I think you are probably aware that in Germany right now, the eGK card has become the dominant way to redeem scripts. Therefore, we are really happy to present this CardLink solution to our patients and customers because they now can also use the eGK card without a pin to redeem their scripts at an online pharmacy.

This way, we are back to a level playing field compared to brick and mortar when we look into the redemption rate of e-scripts. But, of course, also the two other ways still will be available, that Gematik app and the print-out of the QR code.

If we go to the next slide, we will see that there's actually not a lot of new information because we all gave that information two days ago. I think important to point out is that this solution will be live for our customers early May 2024 and maybe there's just a couple of words to that, why early May

2024.

Our intention is, of course, to bring a robust and scalable solution up and running and to do that, of course, as quickly as possible. But since we have never done it before and since partners are involved, like Gematik, we cannot give you a concrete date. But, again, it's about putting a robust and scalable solution up as quickly as possible.

If we go to the next page, we can see what it looks like once our solution is up. We are not presenting here the entire flow in our app, just to give you an idea how this is supposed to work.

Once you have an e-script which has been issued by your doctor, you cannot only use the QR Code, but from now on you can also use your eGK card. You simply then open our app and the app then will ask you to present your eGK card. Just attach it to the phone.

The rear of the phone will read let's say the key which is on the card and then will retrieve all of the script data from the e-script server. All of the scripts which are still open will then be presented in our app and then as the customer you can simply continue to do the journey as you are doing it with OTC and Rx and, of course, you can also add then OTC products to your basket.

That is pretty much the journey. Very convenient, fully digital and will be live early May. Having said that, I would again like to turn it over to Jasper.

Jasper Eenhorst

Again, thank you. It was only March 5th that we shared the full year guidance, so it will be no surprise that we reiterate the guidance today.

I can't really, of course, and I'm happy to talk to you today, I really cannot overestimate the magnitude of the impact of having received approval only two days ago. That is really a milestone for us as a total company having achieved the approval for our NFC solution for e-Rx in Germany.

At the same time, actually, our core business across the seven countries has continued, as we shared with you today, has continued to perform really very strongly.

Being in that situation, we still cannot give e-Rx guidance for the months to come. Nobody knows. We're looking forward to it. We can't wait. But where we can give guidance to you, that's on this slide.

For the total company, we think it's very likely that we're going to enter sales between the 2.3 and 2.5 billion as a total company. That is in this case mainly driven by the non-Rx

continued strong growth with a mid-point of 20% and a range of 15 to 25%. So, growing a lot of time more than 20%, around 20% on top of the 20% of the last year, on top of the 20% of the year before.

MediService we expect to continue to grow at mid-single digits. MediService is more let's say a normal company with a normal growth rate and not the exceptional fast growth rate we saw through all the elements as a company. The adjusted EBITDA margin, we reiterate our expectation that it's going to be between 2 and 4%.

As always, at least each time we have the possibility, we reiterate the magnitude that we see in total Europe and also specifically in Germany for having a lot of growth in online. We see there a mid- to longer-term margin in excess of 8% and that is unchanged compared to all the statements that we have made over the past quarters and past years.

That's our guidance for the full year. We're looking forward to start really to the new phase of e-Rx and, of course, we keep you posted on all the developments there.

That was our presentation of today and we're looking forward if there are any questions from the audience.

Operator

We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two.

Participants are requested to use only handsets while asking a question. In the interest of time, please limit yourself to two questions. Anyone with a question may press star and one at this time.

Our first question comes from CJ from HSBC. Please go ahead.

CJ

Morning, all. Thanks for the opportunity to ask questions. First one, given the slightly weaker margin in the first quarter, at least versus what the street expected, is it maybe possible to get a bit of colour on the running quarter?

I understand last quarter marketing was a significant component. Is there any colour indication, whatever you can give on the size of the marketing spend in the current quarter, especially given the importance of the CardLink launch within your app in the coming weeks? Anything that helps us understand where within the range we could expect the EBITDA margin in Q2 to fall.

Then I know commentary around Rx is very premature and a lot of things can happen. I'd still be curious to hear if there is any sort of colour you can give following the Q1 performance of Rx, which actually growing, was actually quite strong, whether there's anything you can give on that front. Thank you.

Olaf Heinrich

Would you like to do that or...?

Jasper Eenhorst

I'll do the first, you second then.

Olaf Heinrich

Yes.

Jasper Eenhorst

Okay. First off, good talking to you again. The margin of Q1, when we were seeing that, there was such successful fast penetration of e-Rx in Germany, we were able to anticipate on that, to act upon that immediately, so thanks for the compliment you were giving.

Of course, the 7% growth is not the answer what we are looking for. Within the whole context we were very happy that we were able to achieve actually with the challenges a positive growth in the first quarter.

We did so and, of course, a part of the marketing of Rx is particular because many chronically ill patients only order once every quarter, for example. It's not immediately conversion-driven that's reflected in the first quarter.

I just reiterate about what our expectations for the full year are and they are not changed by this first quarter. It's the reiteration of the 2 to 4%.

Olaf Heinrich

Maybe I will try to answer the second question. If I understood it right, it's about to give some colour from what we learned in Q1. To me, Q1 has been exceptional because there has been a switch from let's say paper to e-Rx.

We are really happy that we were able to keep our existing customers. That has been the main target. Because, as you know, it's new to the customers and in some cases the doctor is handing out a QR code, in some cases not. We had to make sure that our existing customers stay within our system and I think that worked off pretty well.

Of course, we also saw some additional, let's put it this way, information or learning because we had some marketing activities and then we already saw that also new customers are responding, as well as we will be able to convert customers out of our existing customer file, so OTC or BPC customers into Rx.

But I think it's by far too early to take any readings, learnings out of that. Therefore, please, we need more time to really

be able to substantiate any kind of let's say comments or learning. As you know, also the CardLink solution will only be live at the beginning of May. Therefore, it will take some time until we can give some more colour into the entire e-Rx topic.

CJ

Understood. Thank you.

Operator

The next question comes from JK from Deutsche Bank. Please go ahead.

JK

Good morning. Thanks for taking my questions. I also have two. The first one, given that the NFC launch comes slightly later than the market had expected, do you see any pressure on your 2024 guidance? I understand that you don't guide specifically on e-Rx, but any colour here would be helpful.

Then secondly, could you elaborate a bit on the margin improvement drivers in your international business? Is that purely volume leverage or are there any other factors? And when do you expect this segment to achieve adjusted EBITDA breakeven?

Olaf Heinrich

I think, Jasper, will you go ahead on that one?

Jasper Eenhorst

Yes. The first one, actually, the answer is no. Some expected it earlier, some later. Not any impact. It's not having any impact on our guidance, where we stand.

Major thing is this week, we have today the Q1 results, but the major event was of course that we got the approval for our solution. That's the major thing. Whether some people expected it a couple of days earlier, not any impact on the future, not any impact on the current year guidance.

Maybe if I can add one thing to that, because I think the question refers to also why a little bit too late. If we look into the entire process, the entire process of establishing a new product within the market environment, that happened within a couple of months as opposed to usually that takes years.

Therefore, overall this has been a very fast process, very successful and therefore I think you cannot really say it's too late or later than expected. I actually see it the other way around, quite successful.

And it's a major step not only for online pharmacies, but also for brick-and-mortar pharmacies and for millions of patients in Germany. I think because of that also Gematik has really accelerated this process. We are really very happy with what we have achieved so far in terms of the NFC solution. Sorry. The other question...

JK That's very helpful.

Jasper Eenhorst The second one, thanks, JK, for catching actually that development. You would almost forget about it, but we don't. It's a solid piece of our business, the huge opportunity across total Europe, not only in Germany. We've grown this year almost by one-third compared to quarter one last year and, indeed, at a significantly higher margin.

To us, very clear what our strategy is there because we don't see a lot of differences compared what we already achieved in countries like Germany or, for example, in Austria. We are in those countries where we think we can achieve the same and then you've got efficiencies, you've got scale and then you'll improve your margins.

In our case, it is always that we can balance how fast do you want to grow your margin and it is a well-balanced approach. Indeed, you see a structural increase not only compared to last year that we were growing relatively fast, I would say, towards let's say next year or also [00:23:27 unclear?] will continue to grow very fast.

It will never be a straight line. There will always happen things because of the opportunities we see or competition or other things. But actually, year-over-year it is an apple and apple. It's a comparison that is solid and in that solid comparison we've increased by one-third and we improved our margins. That's correct.

JK Great. Thank you.

Operator The next question comes from VB from Baader Bank. Please go ahead.

VB Hello, gentlemen. Congratulations on the CardLink approval and the great results. I would have two questions. It's also on marketing expense.

The short term, given that you have the CardLink solution now on hand and given that the main competitor received approval a bit faster, do you see any pressure to do incremental marketing expenditure in Q2 to catch up? Some indication in regards to volatility of margins throughout the year would be helpful.

The second question. Any idea why the main competitor received the approval some date earlier than you? It does not move the needle at all. That's completely clear. But just your thinking and your looking on the situation. Did you apply later than the others or any reason, any speculation? Thanks.

Jasper Eenhorst Olaf, I will try to answer the question. To be honest, I did not

really completely understand the questions because of poor quality. I think the first question was marketing investments going forward now having the CardLink solution live and if there's any kind of catch-up needs or something like this.

Well, going forward, now, once we have the solution live, of course, we have plans, also marketing plans, but we would like not to really give any insights into the marketing plans we have going forward. I also don't think that we need to do some kind of catch-up because we are talking about a huge market and it's just the beginning of it.

That means it's a huge opportunity and it really comes down to developing a great product, convincing the customers and, of course, marketing is part of that. But I think that is something now we need to learn over the next couple of months and then we will have a better view on that.

The second question if I understood this right was about why a competitor has let's say the CardLink solution approved a little bit earlier than us. We cannot really talk about our competitor.

What we know for sure is that we applied one day after the specifications have been released and then we got feedback from Gematik that it will take a certain time and we have been in that timeframe.

Actually, we are really happy about our approval because if you look into comparable products from Gematik and you compare those process and lead times, I think that's a great achievement. From our perspective we are really happy that we have already now an approval for the CardLink solution.

VB Thank you very much and I apologise for the bad line quality.

Olaf Heinrich It's okay. But I hope we got the questions right. Hopefully.

VB You got it right.

Olaf Heinrich And the answers as well.

Operator The next question comes from SS from Kepler Cheuvreux. Please go ahead.

SS Hello, gentlemen. Thanks for taking my questions. My first one would be regarding what you've mentioned about the slow-down at the end of March. I was wondering if this is just a one-time effect or if it improved in the first weeks of April.

The second question was, if there is any expected impact, and if yes if you could quantify this, from the German Federal Supreme Court prohibiting the cash discount on Rx?

I'm not talking about the Rx bonus. I'm talking about disconto. Because some market views suggest that the larger pharmacies will have more problems than the smaller ones and obviously you are the largest one. Thanks.

Jasper Eenhorst

Do you want me to do the first one?

Olaf Heinrich

Take the first one and I could take the second one.

Jasper Eenhorst

SS, morning. We shouldn't make it too big I think if you add the Easter impact. It's clear the total market, not to any extent more. If you look at total market numbers, it was clear the last four days of March were very soft and it was just because there was Easter.

That means the benefit of that will be in the next April, so that's also answering your question. So, yes, that's a full yes there. But I think that if you are a blue chip company and you have a normal growth of 2% and this shift could then make it 1% or 3%, that's relevant.

In our case, it had a slightly negative impact both on the sales and on the margin, that's the case, but not really something to take into account. But actually, without that shift our sales growth would have been slightly better and our margins would have been slightly better. But to me, it's not relevant to the total picture and what happened in March refers us to the possibility in April.

Olaf Heinrich

I will try to make an answer to the second question. Just for clarification purposes, we are not talking about let's say the typical Rx bonus, the bonus which then is to the advantage of customers and consumers. I understand your question is really about the federal court, the ruling on disconto, meaning the purchasing conditions.

Here, of course, we saw the ruling and if you look into the market currently, the wholesale industry is trying to find an answer to that one and right now there is not really an answer to that one. We are in discussions, of course, with our wholesale partners to see any potential impact of that. But right now it's by far too early to give any impact or revise out of that.

SS

Okay, thanks.

Operator

The next question comes from YS from Stifel. Please go ahead.

YS

Hi, thank you. Good morning. Can you hear me?

Jasper Eenhorst

Very clear.

Olaf Heinrich

Yes.

YS

Perfect, thanks. Thanks for taking my questions. Just two left. The first one would be on the customer base. That has developed quite well in Q1. Maybe some colour. Can you see a continuation or maybe even an acceleration of that in the last weeks now with also an increasing awareness of the e-script in Germany?

The second one would be on MediService, the 119 million of sales. That's slightly below what I would have expected. Could you share your thoughts on the business now almost one year after the acquisition? Thank you.

Olaf Heinrich

Maybe I will try to answer the first one, Jasper, and you will do the MediService.

Customer base, if I understand the question right, we have more than 11 million active customers and we are adding quarter by quarter let's say almost 0.3 to 0.4 million active customers and that's a result of our seven countries. So far, it is too early to see any kind of impact on Rx on this customer file because it's just the beginning of it.

Again, as we presented earlier, in the first quarter, our main activities were really about securing that our existing customers get the support in switching from paper to the e-script and we got some first or initial new customers coming in on Rx. But compared to the overall customer file, that is a very, very low number.

But, of course, this will develop over time and once we have a better insight into the development on Rx, you will probably also see this on the customer file. But, again, right now, too early to call.

Jasper Eenhorst

On MediService, the important general statement is we are very happy with the strategic partnership that we have there. Great people to work with. A lot of expertise and dedication and we're very happy with what we're doing now in Switzerland.

MediService is having a direct impact and an indirect impact. The direct impact is the consolidation of their business into our numbers. The indirect impact, that example there is actually that if you would now go to redcare.ch, our website there, you see, for example, much more Swiss assortment than we used to have before.

So, a part of our normal rate of growth is also because of that assortment extension that we're seeing there as a benefit of our strategic partnership. Overall, very happy with where we stand just after less than one year.

The sales being somewhat soft, that depends on what

exactly your expectations were. But there is in Switzerland, and that's also something that our partner, that Galenica also released to the market, there is some impact there. There is a shift towards generic actually that's having a slightly lower average price and with the same orders having slightly lower sales.

That's leading to that I can confirm that perhaps the sales are somewhat soft, but that's not according to our expectations. The sales development of MediService are going according to our expectations.

YS Great, thank you. Helpful.

Operator As a reminder, if you wish to register for a question, please press star followed by one. The next question comes from MZ from JMS Invest. Please go ahead.

MZ Hello, gentlemen. Can you hear me?

Olaf Heinrich Yes.

MZ I have a couple of questions. I would like to take them one by one, if possible.

The first one is regarding your Rx sales growth. I think like-for-like in Germany, 7%. You have seen the figure of your main competitor at minus 17, or 6% at minus 17. So, there is a difference of 23 percentage points in this first quarter in terms of Rx growth.

Now, I know that you don't want to talk about your competitor, but maybe you can talk about yourself and explain what makes your offering so much better or what is your main capability of turning paper-based clients into e-script clients and what is your unique selling proposition there?

Olaf Heinrich Well, let me try to answer that one. As you said and pointed out, we really do not want to comment on the DocMorris numbers. It's really only about us.

I think the answer there is not really a lot of magic. It's just that we have, let's put it this way, a stable customer base on Rx. Until the end of last year, most of them were paper customers and it took some communication and education tools to really help them also to, for example, talk to their doctor how to get a print-out of the QR code and then send it in into the pharmacy.

It was more a help and education of our existing customers, of course. Therefore, I think here we did a good job. If looking into the numbers, because we were not shrinking, we were continuing to grow.

There was the challenge out there in the first quarter that a lot of doctors did not really want to issue the QR code because they said, hey, the e-script had to be digital and not a print-out. Therefore, we had to educate and work with our customers to ensure that they get the QR code and that worked out pretty well. At least you can see it in the numbers.

Therefore, I think that's the main story about it. Then, of course, on top there's also growth. We convinced let's say some customers, some new customers and also existing OTC and BPC customers to first time try out e-Rx with the QR code.

Again, not all of them had a QR available. For most of those customers, the script was on the eGK card. Therefore, so it was difficult, but nevertheless, we achieved also a success here.

I would say, without looking into the competitor, but from our perspective we did a pretty good job on Rx in the first quarter and we're happy about that, had already some initial learnings, how it works with new customers and then that is something we can apply now going forward.

MZ

Thank you. Very clear. Then this next question would be about your adjustments, which have just been 1.1 million in the first quarter, which I liked, basically. A low number. Will 2024 be a year with much lower adjustments compared to the last two years?

Jasper Eenhorst

I also liked that. I totally agree. A clean sheet is the best possible and generally I don't like adjustments and companies that talk about adjustments. The reason that we adjust is actually because we want our adjusted EBITDA to be very close to what the cash generation is.

We correct for non-cash items because then the adjusted EBITDA is very close. In the past quarter it was 12 million adjusted EBITDA and 11 million of cash that we saw in the cash flow bridge, though there are some other elements also in it.

We basically have only three categories of adjustments and number one is the fact that we have an employee stock option programme and that is to us non-cash, but in IFRS, you account for that in the costs. It's in the costs, but we correct for that. That's the stock option programme.

Number two, it's a very limited category generally, but who knows what can happen in the future, but it's the very strict definition of external spend on specific projects. And as a result...

And number three was a category that we have had since quarter four 2021 and then in 2022 and 2023. That's related to a booking related to our 2021 acquisitions. That's because of an earn-out related to those acquisitions we had to account for as labour cost while it was actually an earn-out. So, we adjusted for that.

But that's finalised now, so that's a clean sheet now. So, in the interim report, you see that number three, that category was zero in this quarter. Everything else remaining the same, indeed, we think the number of adjustments is going to be significantly lower this year compared to the past two years.

MZ

Thank you. Then the next line is the depreciation figure, which was 16 million, much higher than previous year, 12 million. Is this the new flight level or the new cruising speeds now with e-Rx live?

Jasper Eenhorst

I'm very happy that the depreciation number is higher because actually it's mainly reflecting of the fact that we did a lot of IT investments over the past years and also capacity investments that we did over the past years.

We have been able to prepare for executing our strategy and specifically e-Rx. Depreciation in absolute terms that is. Of course, as a percentage of sales we would always like to achieve scale.

While we don't have fully scaled this year, it's some pre-investments we did in the past two years. But also there's some depreciation included related to the acquisition of MediService that we did and that's perhaps the missing piece if you add those two together.

But having said all this, the absolute term at this moment is also what you could basically expect for the quarters to come in this year.

MZ

Cool, thank you.

Operator

Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Olaf Heinrich for any closing remarks.

Olaf Heinrich

Thank you very much and thank you very much for all of your questions. It's always great to hear you and we love to have the conversation with you. That's actually pretty much it from our Q1 perspective.

Interesting and exciting times ahead of us. We are looking forward. We are ready and we will be happy to update you next quarter. Thank you very much for joining.