

**Shop Apotheke**  
Q1 Earnings Release Presentation  
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Transcript

**Speakers:**

Jasper Eenhorst

Monica Ambrosi

Jasper Eenhorst

Good morning to everybody joining today's call. I'm very happy that I can present the quarter one results for Shop Apotheke Europe to you this morning. And I'm here today, together with Monica Ambrosi from Investor Relations. I will quickly grab the moment here, and I will keep it short, to thank all the people who made it possible to have today's meeting here.

And that's the accounting department at the Finance Buchhaltung, it is Investor Relations, it's IT, it is communications, and of course, moreover, all the people across Shop Apotheke Europe that have been able to achieve the results that we've achieved, quarter after quarter, year after year, that are, really, according to my definition, impressive.

And certainly, also, the result of today, of quarter one, 2023, I'm very happy to present to you. We do so live from our headquarters, here, in Sevenum, the Netherlands. As always, the business performance update, and then an update of our general business and some strategy subjects. Let's go to the first slide.

Overall, we achieved a 22% total sales growth. So, it's the post-corona period, and we are showing that we have been growing double digit pre-corona, during corona, and after corona. And this quarter one was, in total, 22% higher than last year, so our company grew by one fifth in total size. And we did so with an adjusted EBITDA margin which was significantly up, and certainly, in the next slides, I will explain to you more about that development.

Let's start with the first bullet. Double digit growth pre-corona, during corona, and after corona, in our two segments, and even in all our seven countries. Non-RX and RX were both almost growing at the same pace, double digit total 22%, as I've said already, and non-RX 23%. The total performance was driven by continuous growth of our active customer base, that means keeping our existing customers loyal, increasing the frequency, and at the same time, also welcoming a significant amount of new customers.

Our total base of customers that are active, so based on purchases over the past 12 months, increased in just one quarter, this quarter one, from 9.3 to end at 9.7. We ended the quarter, again, with a very high customer satisfaction score. We carefully track this on a daily basis, and again, total Shop Apotheke was at the net promoter score of north of 70.

The second bullet, purely for this quarter. Efficiency gains significantly, compared to the same quarter last year, and also, compared to the last recent quarter, quarter four last year. The adjusted EBITDA margin this year was positive 2.4%, which is 380 basis points up from the same quarter last year. As a result,

our operating cash flow was a positive 44 million, and please, don't do that times four, because a large part of this is the seasonality of working capital of, in total, 37 million.

And, for example, last year, Q1, the working capital inflow in quarter one was also 30 million. But as we'll see later, this operating cash flow also included an EBITDA of nine million, so an EBITDA cash-in of around seven to eight million. And whilst achieving more customers, happy customers, and significantly improved financial results. Bullet number four, we are also really happy with some external increased acknowledgments we are getting for our sustainability efforts.

More on that later, but to keep it short for now, it's always flattering, if an external renowned institution, in this case, MSCI, is increasing our ESG rating from a double A to a triple A. That's the highest possible score, according to MSCI, and it brings us into the global benchmark, in the top four. There is a couple of things we can mention, which we also achieved in quarter one. I'll point out one, and that was our intention to start a strategic partnership with Galenica, and to create together a leading online pharmacy in Switzerland. Also more on that later.

On this slide, the sales, as I said already, total growth 22%, non-RX, 23%. So, both well north of 20%, achieving a total of 372 million of sales. The DACH segment increased by 23%. Our international visitors, consisting of the Netherlands, Belgium, France, and Italy, increased by 19%, and that was still 13% in quarter four, so the growth based in international also increased, as did DACH.

And with that, Monica, I'm happy to hand it over to you.

Monica Ambrosi

Thank you, Jasper. So, let's take a look at our customer key performance indicators for the quarter, which either improved or remained at very strong levels in quarter one. Starting with the active customer base. As Jasper has already mentioned, we had an increase of 0.4 million in the active customer base from quarter four to quarter one, which was an increase of 1.4 million over the prior year's quarter.

So, we now boast 9.7 million active customers. And this was an increase seen across all of our markets. And this several 100,000 increase in active customers every quarter has been a feature over the past four quarters, a consistent increase. And this continuous increase in active customers wouldn't be possible, if our customers were not happy and returning customers, which is why we really focus very much on delivering strong, excellent service.

And we see this, again, from a very high net promoter score over the first quarter of 71. So, happy customers. And then finally, if

we can just take a look at the average shopping basket value for the first quarter of the year, we also saw a slight increase compared to last year, from around €57 to around €58 in this quarter. So, we've been talking about customer satisfaction, it certainly builds customer loyalty.

And as a result of the strong sales growth that we reported, it was very much driven by a higher rate of returning customers, which, in the first quarter, was at a high 84%, among the highest it has been in the past. So, these are not new customers, these are returning customers. Then if we speak about our number of orders, you can see that strong momentum, which started in 2022, continued in the first quarter of the year.

Our logistics facility, very efficiently and seamlessly, processed over seven million orders in the first quarter of the year. And again, if we look back over the last four years, every first quarter, we have seen an increase in orders of around one million. So, this is a very strong underlying increase. What makes the performance even more solid, and Jasper has already mentioned about Corona, this is not demand as a consequence, but it's a demand after corona, and even with a bit of seasonality, it reflects a strong structural increase. Over to you.

Jasper Eenhorst

Thank you, Monica, very clear for me. And here, then, are the key financials in the P&L and the customary format in the table. So, let's start with columns two and three, quarter one last year and this year. So, our sales increased from 305 to 372, an increase of 67 million, compared to the same quarter last year, 22.1% up. The gross profit margin, and later, there is more on that, increased by 1.1 percentage points.

And selling and distribution, so all our expenses, as a percentage of sales, increased by even double that amount, by 2.5 percentage points, reflective of scale and efficiency. At the same time, our administrative expenses were also stable at 2.9% of sales, compared to the same quarter last year. And as such, if you add up everything I've just explained, you get to an increase of the adjusted EBITDA of minus 1.4 to plus 2.4 is an increase of 3.8 percentage points. In euros from minus four to plus nine is an increase of 13 million.

And just for reference sake, also, the fully loaded EBITDA, which was also a positive five million in the most recent quarter. The columns to the right that you're seeing here, though it is an apple and an orange, because at Shop Apotheke, as with most retailers, there is seasonality in the quarters, but still, quarter four, where we also achieved, for the second quarter in a row, a positive adjusted EBITDA, if you compare those numbers, you can see at the top that our sales were significantly higher from 328, as Monica just explained, to a new record of more than

seven million orders, reflective of 372 million of net sales.

Our gross profit margin, quarter-over-quarter, was roughly comparable, slightly down 0.1%. And you see that actually, half of the year-over-year increase that we'd achieved in efficiency, and scale, and effectiveness, we also achieved, from the past quarter to this quarter, in total, 1.3 percentage points. And also, you see that our overheads are significantly leveraged by the very substantial increase of sales that we've achieved this quarter, 1.2 percentage points lower as a percentage of sales.

So, compared to the past quarter, an increase of more than two percentage points. The growth profits, an increase, year-over-year, and to the right of the slide, roughly comparable to the past quarter. The year-over-year improvement of the gross profit margin is mainly in the first bucket, which is the product margin that we're having. And the product margin is really reflective of all the optimisations we continuously try to do, and having the most relevant assortment, new assortment, showing the customers the assortment that is relevant to them.

And it's also best for us, and also, having the right incentives to buy or not to buy to the right customers. So, the total mix of adding assortment is showing the rise of assortment, and other continuous optimisations in category management and in our commercial propositions, have led to a higher gross profit margin. Because actually, as you can see in the second bucket, there's not any impact in the total Shop Apotheke number from country or RX mix.

It has really improved total margins that we achieved in the products that we are selling. Marketing was a big driver, if you compare it mathematically, year-over-year improvement of the selling distribution as a percentage of sales, but also, the operating labour of something that made us really happy, as total Shop Apotheke. Let me start at the start.

So, in total, a significantly better S&D as a percentage of sales. But please keep in mind that quarter one 2022, so a year ago, was still a relatively marketing heavy quarter to us. We were still recovering from some lower points we had in 2021 in Q3 and Q4. So, also, in Q1 last year, that was still the case but you're really seeing that last year, quarter three, quarter four, this year, quarter one, we intuitively say the machine is running.

Our model is working, and we have significantly more effective marketing across all our countries, all our seven countries, and that is resulting, as Monica was saying, not only from effective marketing efforts that we are having directly, let's say, mass marketing, but also, the significant high share of existing customers that are loyal and more frequently shopping with us.

Look at number three, 0.6%. So, the big picture here is we are in a new facility, we are achieving records, week after week at Shop Apotheke, at a very high quality level, we are delivering our goods faster to our customers. At the same time, of course, we have also had wage inflation, also in the operations, but still see the overall efficiency gains that we have been able to achieve here, in this facility, the total operational labour costs were significantly better than last year, 0.6%.

Again, repeating not only a year-over-year improvement, but we also saw that the scale, the effectiveness, and efficiency increased from quarter four to quarter one by 1.3 percentage points. With that, we go to the cash. We increased our cash balances by, in total, 32 million over the past quarter, so we increased from 180 to 212 million.

The first two boxes together, I said it on the first slide, that it highlights the 44 million increase of an operating cash flow and cash inflow, some seven million from the, let's say, EBITDA, our operating results, very favourable, largely from seasonality movements in our working capital, and then our investments and financing expenses, in total leading to the end balance.

And then before we go to the second part of our presentation, also in the financial results, I would like to re-emphasise what I said in the highlights already, our recent upgrade to a triple A by the MSCI rating in ESG. So, a couple of comments here. First of all, October last year 2022, we were, three years ahead of plan, able to reduce our scope 1 and scope 2 CO<sub>2</sub> emissions by more than 80%. So, three years ahead of our planning, and it was not a reduction by 80%, but actually, by 88%.

And at the same time, a bit later, we, as a company, committed ourselves to a very important reduction in scope 3 by 2040, to try to be net zero then. But ESG is not the same as a judgement of whether we are a sustainable company. ESG, in the definition of MSCI, actually also focuses on how well the company is prepared for any risks related to the three areas of ESG. And the total of that led to an increase last year of already from a B to a double A, and recently, to a triple A, so, let's say, the three Michelin stars that we have achieved in sustainability, according to MSCI.

Strategy and business, let's immediately go to the next one, on E-RX. E-RX, I'll start with the key message here, we, at Shop Apotheke, are totally convinced as much as we have always been, about the opportunity, the huge opportunity, a once in a lifetime opportunity, of E-RX in Germany. There is a great market opportunity there, and we think we are very well prepared. A lot has happened the past year. We are totally ready. Many players in the ecosystem are ready.

We are receiving e-scripts every day, but it is going at a slower pace than we expected, let's say, two years ago, because of messaging then from the government that things will be mandatory, as of 1<sup>st</sup> January 2022. But there is new momentum in it. It's clear, for example, also in the conference of April 25<sup>th</sup>, that the German Minister of Health, Mr Lauterbach, expressed that it is really on his agenda to also adopt the laws to make it possible to have E-RX as this standard in 2024.

Still, that needs to be published, so on timeline, I cannot give you any more concreteness than you had before this meeting. I can only tell you what we see from our perspective. So, we see the number of e-scripts, last time we talked to you, there was, in March, when we released the full year numbers, it was 1.3 million and that increased to 1.7 million e-prescriptions in total in Germany.

The average is around 7,500 to 8,000 per day, some fluctuations there, and we still expect, at Shop Apotheke, that it is very likely that there will be a lot more concreteness, perhaps including even what we are anticipating, a significant increase in the last half, or at the start of 2024. We, at Shop Apotheke, are ready, and I think our customers are also ready for a future in Germany with e-prescriptions.

On to something completely different, and that is an announcement we made on March 30<sup>th</sup>. And here, we expressed, together with Galenica, the leading pharmacy in Switzerland, active in many aspects of pharmacy in Switzerland, and we announced our strategic partnership, where we would combine the daughter of Galenica, MediService, and our Shop-Apotheke.CH, so our Swiss business, into one company, in order to provide a very compelling, aiming for, of course, having the best possible customer proposition for pharmacy in Switzerland.

In the base, you can see that Galenica is very strong with MediService's daughter in what is named in jargon, speciality pharmacy, Galenica saying we are very strong in, let's say, being in e-commerce pharmacy, and combining those two will lead to better products, better services, and according to us, best B2C proposition in Switzerland.

As I said already, but just to be clear, we are awaiting the regular competitive authority's approval. That timeline is unchanged, compared to what we announced on March 30<sup>th</sup>, and we still expect the transaction to be able to be closed before the end of the first half of the year.

On the next one, please, some characteristics on the transaction. So, what is basically happening in one transaction is that MediService is taking over the Swiss Shop Apotheke

business, and at the same time, Shop Apotheke is achieving, in this MediService, a 51% share, in Galenica, a 49% share. And it is, of course, clear that the current MediService business, with annual sales of around €450 million, is significantly larger than our current Swiss business.

So, we had to pay for this transaction, and we are doing so with a 6% increase of our share capital. In addition to the 6%, Galenica indicated to us their wish to actually also reflect their strategic commitment to Shop Apotheke even more, and wanted to acquire an additional 2% share in Shop Apotheke, resulting in the situation of having an 8% share in Shop Apotheke, post-transaction.

And we, of course, are very happy with this commitment that was expressed by Galenica. All waiting for the approval, and then it's the intention to execute things, as I just explained, having a very strong B2C proposition in Switzerland, working together with two specialised partners, Galenica and Shop Apotheke, and having welcomed another very much wanted investor in Shop Apotheke with 8%.

The last slide is a little bit precluding where we closed the transaction. It's a repetition, also, of what we disclosed on March 30<sup>th</sup>, but for those who didn't join the call. According to IFRS, that's the accounting of business combinations, and we, at Shop Apotheke, will fully consolidate the numbers as of the closing date. So, if it's closing in the course of June, it will be for half a year in our numbers.

And then, of course, next year, for the full year, repeating what I just said, current business of MediService, so what's going to be on top of the Shop Apotheke services on an annual basis of around CHF 450 million, one on one with a euro, around €450 million. And the business is operating at an EBITDA, which is close to a free cash flow percentage of sales between 2% and 3% of sales.

In addition to the last bullet, if the succession closes, and we expect that it will happen in the coming weeks for the 2% share in Shop Apotheke, we will receive a one-off cash-in of €29 million. It's about time I gave it back to you.

Monica Ambrosi

Thank you, Jasper. Well, it's not that long ago, just a little bit more than a month and a half ago, that you and I presented on the rebranding and renaming of Shop Apotheke Europe, the corporate. Well, today, we can report that following the 100% approval by our shareholders at the Annual General Meeting that was held last week, we are going to move forward with this exciting change, and rebrand the corporate from Shop Apotheke Europe NV to Redcare Pharmacy NV.



So, the process will be that we change the articles of association to reflect the new corporate name for the corporate. While we do that, we are not changing the names of the local hero brands. So, just to reiterate that the names of the shops across the other countries remain the same.

And just maybe to summarise why the new corporate brand is very important for us is that for us, it provides us with an improved corporate vision, which is going to unite all of our locations, and it will also position them better and best for the future long term growth and value creation of the business. Internally, it also means, importantly, that we will have a stronger employer brand, which better reflects who we are, and that is a truly European pharmacy, and the leading e-pharmacy in Europe.

Meanwhile, our customers are going to continue to receive the same excellent quality service that they are used to from the local hero brands, as I just mentioned earlier, with nothing changing there. And in addition to this, there will be no extraordinary costs, because the costs have already been absorbed in the past. So, our shareholders also benefit, and all our stakeholders benefit from this change in the corporate rate.

And Jasper, do you want to maybe just touch on the way forward? The next steps to take.

Jasper Eenhorst

Absolutely. So, we have some checks here already, indeed, we have the March meeting to inform all our stakeholders last week, April 26<sup>th</sup>, for formal approval, with 100% of the votes, which was very nice to achieve. And now we can really start to kick off internally our employer branding, reinforcing who we are, as Shop Apotheke, for our existing and for potential new people who want to join the Shop Apotheke journey.

Important, on this slide, because it's mainly the financial community we talked to this morning, is that on June 13<sup>th</sup>, we will also change the name and the ticker symbol at the Frankfurt Stock Exchange from SAE to our RDC, Redcare. And then the next slide, which is the last slide of the presentation, of course, we don't have a slide for this, but we absolutely reconfirm, as we do each quarter, our mid to longer term adjusted EBITDA expectation of in excess of 8%.

If we now focus on full year 2023, I think the big picture is, of course, that we were providing you this guidance before we had the strong results of quarter one fully in the pocket. So, it's easier for us to achieve the full year guidance than at the moment we gave you the full year guidance. Having said that, we already gave you guidance in a certain range.

So, I'm reiterating this, a growth, again, double digit of non-RX

at the midpoint of 15%, so that's between 10% and 20%. The free cash flow, aiming for a black zero, within a range of minus to plus 20 million, and everything here with a clearly positive adjusted EBITDA. This guidance here is excluding the potential search, so fast increase of E-RX that could still happen later in the year.

And it does not yet include any guidance related to the transaction with Galenica. And as the expected date of the closing of Galenica will not be too far away from the presentation of our quarter two results, it's very likely that we will update you with a guidance reflecting the new situation as soon as possible with the Q2 results in an updated 2023 guidance.

So, this is our guidance. We are very happy with the quarter one results that we've achieved. I think, Monica, you said it, and I couldn't have said it better, it's not only the financial results, but all the KPIs are also positive in the countries. High customer satisfaction, increase our active customer base everywhere, increased effectiveness that we're having, and very effective and well working and appreciated propositions across our countries.

So, with that, I think it's time to go to the questions, if there are any. Operator, can you introduce, please?

Operator

Yes, thank you very much. Ladies and gentleman, at this time, we will begin the question and answer session. Anyone who wishes to ask a question may press star, followed by one, on their touchtone telephone. Please call the registration link on the webcast page to receive the dialler numbers. So, please, anyone who has a question may press star, followed by one at this time.

If you wish to remove yourself from the question queue, you may press star, followed by two. In the interest of time, please limit yourself to two questions only. And our first question is from AT from Jefferies. Please go ahead.

AT

Hi. It's A here from Jefferies. Good morning, Monica and Jasper. A couple of questions from my side. I would like to take them one by one. Firstly, very strong EBITDA numbers in Q1. How should we think about the seasonality for the upcoming two quarters? And attached to that, could you give us an indication for the full year 23 adjustment level we will see excluding the Swiss joint venture?

Jasper Eenhorst

Thank you, A, good to talk to you again. You said you had a lot of questions, please try to limit them to two or three to also allow that many people can ask questions, if that's possible. As for the EBITDA, yes, we have some tailwinds, some benefit of the return to normal in certain countries of the cold and flu season. But that did not explain our strong results of quarter one, otherwise, it would have also been strong. It was a little bit better because of

that.

What I want to say with that is we didn't have any positive or negative significant unusuals in our quarter one results. The quarter one results were as they were. So, then you asked what does that mean for quarter two and quarter three? Well, it depends on the competitive situation, the balance of growth and margins, that actually, you want to continue as we are doing at the moment.

The best prediction for tomorrow is always today, and today, we're showing you the quarter one results. The only thing that we always know is that in quarter two and quarter three, our sales, in absolute terms, are generally lower in quarter two and quarter three, so we have a little bit less of our total cost. But in total, we will continue as we are doing, and we feel comfortable about the guidance of an adjusted EBITDA of between 0.5 and 2.5.

And although I don't want to specify more the excess guidance that we're giving there, mathematically, at the moment, it's likely, because we are not aware of any special actions that we will do, but at this moment, it is less likely that we will end up anywhere close to the low point of the client's range. That's not our expectation.

AT Perfect. And on the level of adjustments, if you could answer that one.

Jasper Eenhorst The level of adjustment is significantly lower than the prior two years. We have three adjustments, and we try to really, really be conservative on adjusting. The reason that we have adjustments is that the adjusted EBITDA is actually our cash EBITDA, that's the main reason. So, there are three buckets. One has to do with the non-applicability of acquisition accounting, and due to the 2021 acquisitions that we did, that will really fade away to less than half what we had last year.

Then the equity stock options that will also be slightly lower than it was last year. And number three, other costs, also, not that much. So, I will do the best prediction for this year, if you do the adjustments of the first quarter times four.

AT Okay, that's clear. Coming to my last question, could you comment on your current trading? It looks like your web and app traffic continued to perform extremely well in April. Thank you.

Jasper Eenhorst We ended the quarter very strong, I can say that, and that didn't stop the EBITDA at the start of the next quarter. But that's all I can say about the next quarter. Today is about the results of quarter one, and we had the full year guidance that I can be clear about.

Because it's also clear in all kinds of external resources, that the

momentum that we have seen for a couple of consecutive quarters, or perhaps it depends on the definition, but a longer period already, that we are growing our web traffic, that we are growing our market leading positions in most of our countries, and that has not stopped. That's correct.

AT

Perfect, thank you.

Operator

The next question is from line of VB Baader Bank. Please go ahead.

VB

Good morning. VB, Baader Bank. Thanks for taking my question. Congratulations on the great set of results. I have two questions. The first question is on the RX sales, which increased by 15%, of course, coming from depressed levels. However, it seems that the RX sales have bottomed out, so is it fair to assume that your RX sales will continue to increase in the following quarters of the year 23 again?

And the second question is on E-RX. You said there is a daily redemption of e-scripts in the amount of 7,500 to 8,000 per day. I think those are the market figures, so what is your share out of that market figure, which you redeem on a daily basis? And following that, also, there was, in the press, some speculation that the CEO of Gematik, Mr Leyck Dieken, could be forced to leave the position.

How do you look at that, and what would that mean for the timeline of the e-script introduction, as well as the e-script rollout, which is probably to come? Thank you.

Jasper Eenhorst

Good morning, V. Thank you, sir. Very clear. The first one on RX, I think you're also giving a compliment to the company that we achieved the 50% RX drop, so thank you for that. From my perspective, I wouldn't make too much out of it. To me, we're talking about whether it is 30 million, or 32 million, or 35, it is 35 now, so indeed, we have a 15% growth in RX, but for me, it's all foreplay before E-RX starts.

We are very happy with the current RX customers that we have. And why? Because it's also showing that, indeed, pre-E-RX time, already, there are many customers who will actually give that trust to Shop Apotheke for their prescription medications, but that we have some growth there on the low base. It's a nice to have, but to me, it's not a key point in Q1.

The key point to me is that we have been growing super strong as a total company, with increasing our base of loyal and happy customers. And even so, at an increased efficiency. The RX increase with three million is what it is. And you can extrapolate it from remainder of the year or not. It is, for me, not that relevant in quarter one, I have to say.

- VB That's clear. Thank you.
- Jasper Eenhorst And then our share in E-RX, I will not disclose. The fact that are some things happening, perhaps in Gematik or the Ministry, etc., I have not seen any official announcement there on these speculations. What to me, is taking the helicopter view, very relevant with E-RX, is that the system is working. The insurance companies are ready. We are ready. Pharmacists are ready. Doctors are ready. So, it's working, that's good. That fact, we have.
- And the other one is that, for what it's worth, also, the Minister of Health, Mr Lauterbach, is, on every occasion where he can express his commitment to make E-RX the standard in Germany as soon as possible. Okay, now we're waiting. What does that mean in concrete terms? Where is the timeline? What does it mean? Okay, we don't have it, but those two, the first one, are the only facts. It is working.
- Those who are working are happy with it, all the stakeholders. And number two is it seems to be that on the highest level in Germany, it is supported to be introduced as soon as possible.
- VB Crystal clear. Thank you very much. All the best, thanks.
- Operator The next question is from a line of JK from Deutsche Bank. Please go ahead.
- JK Hi, Monica, hi, Jasper. Thank you for taking my questions, and congrats on the strong start to the year. I also have two questions, please. The first one is on your gross margin that remained relatively stable quarter-on-quarter. Your average shopping basket declined sequentially, but you mentioned a favourable product mix. Does that mean that you had a higher share of your own brand sales in Q1? Or what was driving this?
- And my second question is on your allergy business. Given that we now have now left the cold and cough season largely behind us, I'm wondering how important is allergy season is for you. And was this business still negatively impacted by COVID restrictions or general behaviour trends last year?
- Jasper Eenhorst Again, Monica, I think I can take that. Jump in, if you have something to add. It was aimed to give some guidance and put things into perspective, but perhaps it's also a little bit confusing, comparing not only to the same quarter last year, but also, comparing to quarter four. There is, of course, a seasonality of its own in the quarters, and the margin was roughly stable, quarter-over-quarter. That is, indeed, correct.
- The average basket, for the first time since I've been presenting, whilst year-over-year, slightly increased from €37 to 38, and what you're referring to is the slight increase of the basket from

quarter four to quarter one. I am not aware that anything is happening there that's worthwhile mentioning. So, I would presume that it has to do with the fact that we had, in quarter one, even more new customers we welcomed than we had in quarter four.

New customers tend to have a lower average basket. At the same time, again, our overall business was growing a bit faster than our RX business, and those two things might have dampened it a little bit. I think the key conclusions are the most important. We know what's commented on in the economy, inflation, and things like that. Those things have, until now, a very limited negligible impact on the pharmacy business, as we do it. Not really the impact of customers reducing their purchases.

So, I don't have anything to mention there. The fact that our gross margin was better, that is really all summarised in this continuous focus from category management and from our commercial departments in giving the right promotion to the right people, and giving the right assortment to the right people. And you mentioned own brands, well, that is one of the many elements, in order to optimise our portfolio.

The last one on the allergies. Well, I can only tell you that's not my area of expertise. I noticed that there are some important things. This morning, I received from Shop Apotheke, so a customer, a very attractive email on be prepared for the allergy season, but the other parts, how much we expect and how much impact there was, I doubt that anybody has the exact answer to what the impact of COVID was there. But we, as Shop Apotheke, are prepared to, at least, help our customers now at the start of the allergy season to find the right products.

JK Great, thank you.

Operator The next question is from the line of SS Kepler Cheuvreux. Please go ahead.

SS Hello. Thank you, Monica and Jasper, for taking my two questions. The first is regarding the strong customer growth and web traffic growth that we have seen. I was just wondering, of course, you probably don't have numbers for this, but to what extent do you think these numbers are inflated from the weakness of your current main peer? And do you think these impacts will fade, once your peer picks up marketing again?

And the second question is regarding the transmission of e-scripts via the electronic health card. Are you happy with this solution that was introduced a couple of months ago, with a QR code potentially being displayed on the health card terminals? Thanks.

Jasper Eenhorst S, thank you. The answer to the first one is no. Clear. We have

increased our base active of customers across our seven countries, so it's really not coming from one competitor in one country. Perhaps if there is some softness of a certain competitor, then that will help you a little bit. But at the same time, there's a lot more competition. That is really not explaining our results.

We are not aware of that. We don't see the impact there. So, no further comments on that, Sven. I hope you will understand. The e-health card solution. From my perspective, we are happy with everything that helps to get doctors in Germany to give these scripts to their customers. So, to increase the total base of the scripts that the doctors are giving to their patients.

And apparently, the health card solution is something that certain doctor associations think is helpful in their processes. So, in addition to the two processes that are there already, printed out QR codes and the Gematik B2C app, if there would be another method, which would convince doctors, in order to roll it out, that is really something that we welcome at Shop Apotheke.

At the same time, it is, of course, very important that there is a freedom of choice for the customer, so that the customer can really choose to which pharmacy they want to go to across the street, or three streets further, or online. So, it should be as frictionless and as seamless as possible. We are working there, together with many stakeholders, together with both Gematik and the Ministry of Health.

SS

Thank you.

Operator

The next question is from the line of OC of Crédit Suisse. Please go ahead.

OC

Good morning, Jasper and Monica. Just one question left. I think at the Galenica JV announcement call, you weren't asked about Migros moving non-prescription in Switzerland, if I'm not mistaken. So, I was just wondering if you could let us know how you see the competition developing in Switzerland going forward, in light of this move.

Jasper Eenhorst

O, can you repeat, a little, because the line is not very strong. So, you asked about the non-RX in Switzerland? Is that correct?

OC

Yes, the non-RX in Switzerland with Migros' move.

Jasper Eenhorst

We have nice momentum. nice proposition growing strongly in Switzerland, and we, at Shop Apotheke, at the moment, are doing that in healthcare related assortment. Because the sale of OTC online, at the moment, is not allowed in Switzerland. So, in most countries in Europe, OTC is allowed, and RX not. In some countries, like Germany and the Netherlands, RX and OTC are both allowed. But in Switzerland, it's just the other way around.

At the moment, RX is allowed and OTC not. How is it possible that we, at Shop Apotheke, as a fast growing business there, that's the beauty and personal care, that's the vitamins and other supplements that are non-medications. So, that's the business that we are having. Galenica is very strong in the RX business, actually, 99.5% of the current sales of MediService are prescription sales.

And for both of us at the moment, it's not possible to do OTC in Switzerland. And, of course, we, and I think also, many customers in Switzerland, are hoping that this will change in the near future. But we are not aware of any concreteness of a timeline of having a change there.

OC Okay. Just to clarify the question. I meant on the non-medication assortment in Switzerland.

Jasper Eenhorst And then the question to that is?

OC Is you've seen Migros' move in the non-medication part. Do you have any comments there, in terms of how the competition is evolving?

Jasper Eenhorst No. Not really. Can you specify, are you referring to certain specific situations? We are seeing that we, at Shop Apotheke, indirectly, as you said, all of our countries are growing double digit, so in the competitive landscape in the countries, and also, in Switzerland, we have been able to grow our own business organically by more than 10%.

OC Thanks.

Jasper Eenhorst Sorry, the line wasn't strong, so I couldn't hear, immediately, your question. I think my answer was clear, or I hope.

Operator Our next question is from the line of MZ from JMS. Please go ahead.

MZ Hi. Thank you for taking my questions. I have two, if I may. The first one is on page 11 of the presentation, you show, basically, the mix effect of the space between OTC and RX being zero. On the other hand, the strong margin increase in that DACH segment from 26.5% to 28.5% is explained by positive mix effect. Could you please elaborate on this?

What is actually happening within the portfolio that you're able to increase or to expand your margin by this high amount? I suggest taking this first, and then I have the second question.

Jasper Eenhorst Thanks for your question, and enjoying the call today. What you're seeing is that in some quarters, we used to see quite some mix impact of country on OTC and RX, because the growth percentages were very different. Sometimes, international were growing 80% and DACH was growing 10%, for example. And if



you then have a different margin, you tend to have quite a significant impact of mix, and the same goes for OTC and RX.

In this case, because RX was always growing as fast as non-RX, DACH was almost the same as international was. In the end, here was no impact on mix in countries, in OTC, and in RX. If we then go to probably the background of your question, what is then happening, excluding this mix, in the products? And then I will reiterate what I was just saying to one of the other questions that has been asked.

If the reflection that we, at Shop Apotheke, continuously try to optimise our assortment. More assortment, relevant assortment, giving the right price incentives to the right customers, giving them not to other customers, focusing on existing customers and the loyalty, and in their whole mix that we are doing, we have been able to increase the profitability.

So, all in all, in selling our products that we were selling in quarter one, we did so at more than one percentage point higher gross profit margin than we did last year.

MZ

Impressive. The second one is on the selling and distribution costs in the international segment. It came down significantly, versus the past, from clearly above 30% now to 27%, in terms of revenues. At the same time, the growth was less pronounced, coming down from also higher rates in the past of clearly above, let's say, 30%, not last year, but the years before, down to 18%.

Obviously, the two lines, they relate to each other. Can you tell us what the strategy is there, and what we should expect going forward?

Jasper Eenhorst

Yes. First, to put it into context, the numbers of international are still of the magnitude that a change can lead quite easily to a quite significant change in the percentages. The numbers are smaller than they are in our DACH segment. So, sometimes, the changes in the percentages are more pronounced, but still, there is a story behind what you are asking for.

In international, it is clearly also the result of skill, effectiveness of marketing, and efficiency that help us to improve the S&D as a percentage of sales. That's what it is. The fact that our growth was somewhat lower is not because we decided to slow down our growth. That is not the situation. With growth, it's also more effective, we are getting there to more significant numbers.

So, it's more difficult to grow, let's say, two years ago, the segment was still significantly smaller than it is now. It's now a clear 20% of our total business, and it's not like we say we stayed there in order to get better margins, and that's why we reduced our growth.

In all of our seven countries that we are active, we have a market leading position, or we have the ambition to get to a market leading position. In all our countries, we don't see a slowdown of the shift from off to online, so we will continue to work, as we always work, on having those leading, or getting towards a leading position, number one or two in a country, and that is the same strategy we also have international. That did not change.

A little bit of the movement, that you're saying, although normally, we don't comment on individual countries, actually also explains that we successfully, in quarter three last year, opened our own operations in Italy. And at the start of opening the operations, we had to get used to the new situation, some customers had to get used to the new situation, so there, we were a little bit more careful, a little bit lower cost and a little bit lower growth.

And now you really see, as I also commented, Shop Apotheke, in a trading update, that actually, throughout quarter one, we already saw an improvement there. So, that's some colour I can give you on those market developments there. Our strategy is unchanged. What you're seeing is scale and efficiency that we are getting increasingly in those countries.

MZ

Okay, thank you. If I may a follow up on this one. The growth at 18.5% was nearly, let's say, below what you've shown in the past. Now you have mentioned the base, or basically, the scale of the operations, the base effect. Still, we're talking about very small sales, given the number of countries you book in this segment.

And you grow much faster in Germany, and the rest of the DACH area. So, can we expect that this segment is basically going to outgrow the DACH segment, excluding RX? Or do you think this is going to grow in line with DACH going forwards?

Jasper Eenhorst

We give only guidance from growth, as a total company, and not only on these segments. But in this case, I can give some colour here. If you look at growth as a percentage, so the percentage growth, of course, that can fluctuate at certain periods, for example, quarter one last year, international was very strong, perhaps that was a little bit less strong at that moment there.

But in the longer term, the growth percentage, organically, and not taking into account the success that we are going to achieve with Galenica, as part of the transaction, but I think it's fair to say that in the longer run, taking out some quarterly impacts that we're having, we see, still, more growth opportunities in international than we are seeing in the DACH segment.

So, the percentage will, in the long run, in the midterm, will be higher in the international than it will be in DACH. Sometimes

not, and sometimes yes, but if you take out the fluctuations, the growth percentage is more likely to be higher in the international than it is in DACH.

MZ

Thank you.

Operator

So, this concludes our Q&A session, and will hand back to Jasper Eenhorst for closing comments.

Jasper Eenhorst

Well, thanks very much, everybody, and we are exactly on time. We are saving ourselves four minutes. Thanks a lot for all your attention today and the questions, and that's it. I would like to end with what I started, to thank everybody at Shop Apotheke for working and being dedicated and motivated every day on satisfying our customers, but also, focusing on having a good economic business model.

I'm very happy to be part of it. And on behalf of Monica and myself, I wish you all a great day. Bye.