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Transcript

Speakers:

Olaf Heinrich

Jasper Eenhorst

Operator

Operator Ladies and gentlemen, thank you for standing by. Welcome, and thank you for joining the Redcare Pharmacy Q3 2023 earnings release investor call. Throughout today's recorded call, all participants will be in a listen-only mode. The presentation will be followed by a question-and-answer session. Please follow the registration link on the webcast page to receive dialling numbers. If you would like to ask a question, you may press * followed by 1 on your touch tone telephone. Please press the * key followed by 0 for operator assistance. Your hosts today are Olaf Heinrich, CEO, and Jasper Eenhorst, CFO. I would now like to turn the conference over to Olaf Heinrich. Please go ahead.

Olaf Heinrich Yes, a very warm welcome from my side, everybody. As you know, it's my first time as CEO of Redcare, and I'm really looking forward to having this meeting together with you. And I think the timing is perfect, because we have great numbers on the one hand, and we have also great development on eRx on the other hand. So, looking forward to having a great Q3 presentation together with my colleague, Jasper.

Jasper Eenhorst Thank you.

Olaf Heinrich So, if we look into today at the general, it's pretty straightforward. First, we would like to talk about financial performance, and then give an update on business and strategy, and the focus here is on eRx. And then, outlook and guidance. Next slide.

So, if we talk about the financial performance, we can see in the nine months great development across the entire P&L. If we start on the same slide, we can see cashflow, organic but also non-organic, we have 67% in Q3, and overall year-to-date 45% year-to-date sales. If we exclude MediService, you know MediService is the strategic partnership we launched in May of this year and fully consolidating since then, we have 26% in Q3 and 24% year-to-date, which shows Q3 has even been slightly better than the first half of the year. If we look into the non-Rx, we can see that theme a little bit higher, so we have 28% and 27% for the first nine months of the year.

If we look into the develop of the customers, we are gaining active customers, and we have done this over the last couple of years, but also in this quarter we gained 400,000 additional active customers, ending up now on 10.5 million active customers. If we look year-on-year, we have added 1.6 million active customers. And at the same time, we kept the net promoter above 70.

But we are not only performing on the customer or

commercial side, but we are also happy to report a record EBITDA. Our adjusted EBITDA for Q3 is 3.2%, and year-to-date is 2.9%, which is 4 percentage points up to the period last year. And also important to say this happens across the entire components of the clientele. And of course, that leads to a solid cash position. We have for the first nine months of the year a free cashflow, and a cash balance well above €200 million.

We can confirm the raised guidance, which we raised already a little this year, for the full year 2023. That means a non-Rx value between 20 and 30%, net sales €1.7 to 1.8 billion, and adjusted EBITDA on 1.5% to 3%, and a free cashflow from -20 to +20 million, and I think Jasper will later elaborate a little bit more on that one.

The last point I would like to make on MediService, I mentioned that already earlier, it's our strategic partnership and it focused on the Swiss market, and here everything is on plan. We are very happy about this development. If we can go to the next slide, please.

Look, we have double-digit growth across the group, as already mentioned. There are two things I would like to point out. If we take out the MediService, you can see that in DACH we have 24.4% sales, which I think is a really good number, outstanding number, and even being topped by our international sales, showing 28.7%. If we can please go to the next slide.

What we can see here is a strong development on our number of active customers. 10.5 million is a really good starting point, also, when we think about going into the eRx. And what you can see is, in quarter after quarter, we are adding a substantial number of new customers, and the number of active customers is 400,000 in this quarter, but also in the previous quarters have been similar numbers. But it is not only billing a customer file, it is also about having happy customers. And therefore, we are really very proud of our NPS, it is how we measure customer satisfaction, for Q3. It has been 74.

And at the same time, we were able to raise the basket, and here it is important to say that is not because of MediService, that number. It's excluded MediService. So, therefore, I'm really happy that the basket is up again. So, having said this, I would like to turn over to Jasper.

Jasper Eenhorst

Yes, thanks a lot, Olaf. So, with all those new active customers, how many orders did we do? Well, at the right side of this graph, you see that in total we processed in Q3 7 million orders. And 7 million orders is 1.4 higher than the

5.6 million orders that we did last year. Of course, you see in the graph for all the year the difficulties of an online pharmacy, or at least of us, where you see a very strong Q1 and Q4, and you see that Q2 and Q3 were actually this year only slightly lower than the first quarter. So, 7 million orders that we processed were actually despite the already mentioned significant gain of active customers that Olaf talked about already, but are coming for 86%. And that was an increase compared to the most recent quarters, 86% was coming from returning customers, a reflection that we do something that satisfies our customers.

If we can go to the next slide, please, because with all those orders, what are the numbers? To not repeat what Olaf said already at the start, I would like to begin with the sales in Q3. So, we increased our sales to €476 million exactly in Q3 this year, which was an increase of 67.1%. Then, immediately going to the adjusted EBITDA margin, because Q3 is also the first full quarter of the full consolidation of MediService, which is impacting both the gross profit margin and adjusted selling and distribution expenses.

And I will talk about this later, but first go through the adjusted EBITDA margin, because there, actually, the impact of MediService is only small. Actually, there is a smaller downward impact of MediService, because MediService is operating at an adjusted EBITDA margin and EBIT margin between 2 and 3%. So, actually, despite the fact that that's the full consolidation of MediService, we increased our adjusted EBITDA from 0.4 in Q3 last year to 3.2 this year. And we then go to the year-to-date number, the adjusted EBITDA was -1% after nine months last year, and is +2.9, so increase of indeed 4 percentage points year-over-year.

Then, going to the absolute adjusted EBITDA, so one line lower. Last year Q3, 1 million. This year, 15 million. An increase of 14 million. Last year, the first number of -9, an increase to 37 of 46 million adjusted EBITDA. To us, this is the most important line as to profitability, the adjusted EBITDA.

But for full clarity's sake, there's also the fully loaded EBITDA at the bottom line of this table, and there you actually see the year-over-year, year-to-date increases of 46 million, but it's even 66 million, and that's because of the rapidly phasing out of the bookings because of the non-applicability of IFRS 3 related to the business acquisitions we get in 2021. Actually, in the footnote, it's saying this is acquisition 2022, but it should be 2021. So, adjusted EBITDA, significant improvement, very significant

important, and the fully loaded EBITDA even 10 million more improvement.

Then, in the gross profit margin and S&D, and later, more details about the drivers, but as Q3 is the first quarter where MediService fully consolidated, this year, our gross profit margin is standing at 23% for the total group, which is 5 percentage points lower than last year, and the S&D is standing at 70%, which is 7%, 7.3% even, better than last year. So, all in all, the adjusted EBITDA -1% last year after nine months, and +2.9 this year year-to-date. Please, to the next one.

One additional slide here, not only talking about the year-to-date numbers that are already said for the total group from -1 to +2.9%, but also this slide to emphasise the section that we report on always, and all the details are also in the interim report, as always. The DACH sector, growing very fast, as Olaf explained already, improved from 1.4 to 5.2. And actually, if you would strip out, maybe services would be even above 6%, so growing organically 24% in DACH, non-organically 67% in DACH, but we are also improving our margin by 4 percentage points there.

And there's also something that makes us happy as a company at the moment, is the execution of our international growth. So, you can see where we are growing fast. And in the Netherlands, Belgium, France, and Italy combined, we actually halved our expected EBITDA margin there, 40% lower adjusted EBITDA margin than the year before from around -10 to -6%. Quickly to the next slide, please.

Just the gross profit margin bridge, in black, there are the numbers, as I showed already in the table and our financial statements. So, the gross profit margin after nine months at 25.2. It's in a P&L. And 23%, I quoted that number already, in the first quarter. But then, looking at the underlying developments of the excluding MediService business, you see that we've improved from last year after nine months 27.4 to 28.2.

Sorry, I'm quoting a lot of numbers, but the key on this slide is actually, as we say, again, we were able to report improvements in our gross profit margin, because on an apple-to-apple basis, we are 80 basis points better, and that is driven mainly by improving the product mix of the products that we are selling to our consumers. And the development in Q3 is comparable to the year-to-date, don't worry. So, a massive improvement. Let's go to the next slide.

The same setup here with the reported number in black, and then the apple-on-apple for the comparisons. And here,

what Olaf said already, with improvements throughout the P&L, so it's not only the gross profit margin, but actually the majority of year-to-date, just like it was in Q2, also in Q3, is coming from the improvement of the costs, and efficiency, and effectiveness, and also a significant impact of skill.

So, marketing improving lower as a percentage of sales compared to last year, but then the other two blocks are also really noteworthy to point out. So, despite the inflationary pressure on gas, on increasing labour costs, you see actually here that we have a lower last-mile cost as a percentage of sales as a total company, and also lower operational labour as a percentage of sales compared to last year. Very happy with the developments here.

So, that makes me come to the next slide, which is the cashflow bridge. As always, this is including everything, also shorter deposits, etc. So, cash and cash equivalents, if you look it up in the balance sheet as end cash, and it is 95% of the overall financial assets. But this cash, at the start of year we had 180, and at the end of the quarter we increased this by 46 million to 226 million. The cashflow, so that's the sum of the first three blocks, is +27 million year-to-date.

That's the numbers. And I'm happy to hand it back to you, Olaf. Thank you very much.

Olaf Heinrich

So, now we would like to talk about business and strategy updates. As I said earlier, a quick update on the branding, but the majority of the focus should be on the e-script. Can we please go to the next slide?

As you know, we successfully relaunched the brand on the corporate level, so the Redcare Pharmacy brand received a lot of positive feedback from all of the stakeholders. And as a consequence, we have done this now also on our website in Germany and Austria, incorporating a new look and feel, and at the same time keeping the local euro names. And overall, we see there's also positive feedback from our customers, and you saw the sales development in Q3. So, overall, it looks very well and was very well received from our customers.

If we can please go to the next slide, I would like to highlight two points. The one thing is, we see increased acceptance among healthcare professionals in Germany on the e-scripts. It's pretty clear numbers are going up. And the message is, e-scripts will be mandatory beginning of January 2024. So, those are two really great messages, and let's look a little bit more into the details.

We saw that the number of scripts being issued by doctors

are going up. Last week, we even had more than 100,000 scripts on one day. To me, more, or at least equally, important is that the number of doctors who were issuing scripts is going up. Right now, we are on 14,000. And if you look into where we have been by the end of Q2, we're talking about 4,000, so there has been an addition of more than 10,000 doctors within Q2 and Q3. So, that's a very great development. On the pharmacy side, almost 60,000 are now filling scripts, but of course we expected that, because that's the business of a pharmacy. But really great development on the doctors' side.

And then the second topic, e-scripts being mandatory, I think it's important to point this out. We don't need any further regulation on something like this. So, this is based on the PDSG from 2021 and has been reinstated by the Ministry of Health, beginning of next year, e-scripts are mandatory in Germany. So, that's very good news overall if we look into the market.

If we can please go to the next slide, let's see what that means to our business model. As you know, there are different ways to redeem an e-script. We have on the one hand the Gematik app. It's a digital solution, but it has one hurdle. You need to have the eGK, which is the Germany physical healthcare card, and type in your PIN. And as you all know, almost nobody has the PIN. So, it's an option, but it's a limited one.

And then, the second way to get it, it's really the paper printout, so you receive the printout from the doctor and then you can use the QR code. And that's what you can do currently, scan it into our app, and then we can fill the script. It's a non-digital solution. It happens on the request of the patient. But it works to date.

And then we have the third one, which we call the eGK plugin solution. How does it work? The patient, after having been at the doctor, has to go physically into the pharmacy, and to present the same card they're using at the doctor's side, and have to plug it into the card reader of the local pharmacy. Here, you don't need a pin, and therefore that's a pretty good way to do the business for brick-and-mortar pharmacies.

The only thing is, it is discriminatory for online pharmacies, because as you can imagine, you cannot plug in this card, you can't scan in the cards to us, something like this. So, at the end of the day, this solution clearly takes away the patient's choice, freedom of choice on a pharmacy level. And as you know, that is a fundamental in Germany, but

also in most of the European countries, as a free choice of pharmacy. And in this case, you cannot really use the online pharmacy.

So, therefore, if you think about maybe two use cases, let's say you are immobile or old, then you can call your doctor, and your doctor can even issue an e-script without seeing you, if that's fine with the doctor, but then you have to make your way to the pharmacy. Or if you live in rural areas, sometimes it's 10km or more to find the way to the pharmacy. So, it's really taking away freedom of choice, and that is something, of course, which is not acceptable.

But the good news is, if you please turn to the next page, we have developed a solution for that, a fully digital solution. So, we call it the eGK mobile solution, which is the digital twin of the plugin solution for brick-and-mortar pharmacies. How does this work? So, you download the app for the pharmacy. It can be a brick-and-mortar pharmacy, but of course can also be an online pharmacy. Then, you present the same physical card in front of your mobile, the mobile is reading that card via NFC technology, and the pharmacy sees all of the scripts in the app, and then you can add the customer.

You can then choose different services. If you're with an online pharmacy, you can see in terms of if you would like to add something to the basket, or different delivery options. If it's the brick-and-mortar pharmacy, you can look into if the product's available, or agree on a pickup, or something like this. And overall, this is a solution which works for doctors. This is a solution which works for pharmacies, for all pharmacies. And of course, it's a solution which works for consumers.

Because at the end of the day, it's the real first application, or let's say use case, of the e-script in Germany which is fully digital, and has added value. If you think about what I explained earlier, if you're immobile, or if you're old or elderly, or you live in rural areas, you can call your doctor. The doctor can, let's say in the case of a repeat script, the doctor can issue the e-script, either without seeing you, or by having a video chat with you.

Then the script is on the e-server, and then you can just attach the card to your smart phone, and then you can choose all of the options, delivery from brick-and-mortar pharmacies, as well as our services at online pharmacies. A full digital way and works for everybody. I think this will really help also the acceptance on the e-script in Germany.

Let's have a look into the status. Where are we right now on

this? The good news is, no statutory changes are needed. This can all happen within the existing legal framework. We are in ongoing talks with Gematik, the Ministry of Health, and other stakeholders on data security, for example. By the end of the day, this is supposed to be a product of Gematik, so that's the reason why we are in talks. Those talks are very positive, because my understanding is, everybody sees the value of this solution. From a technology perspective, we are ready. But again, we are in talks with Gematik, so the purpose is that this becomes an official Gematik product.

If we think about timing, our target launch date is the end of the year. And why is that? Because beginning of next year, e-script is going to be mandatory in Germany. And is a discriminatory pre-way for patients to act in the German market. So, overall, very good development on eRx. And having said this, I would like again to turn this over to Jasper.

Jasper Eenhorst

Yes, thanks, Olaf. And yes, after the explanation of the very good developments we are seeing in eRx, actually, if you can go to the next... Yes, thank you. We are at the same time, then, here, actually, having the guidance for our current business, which is still excluding the eRx. eRx is at the doorstep, but in the current year, we actually are also delivering numbers that we are very proud of to present to you.

On August 1st, we increased our guidance for the year 2023 significantly, and with the numbers of the day, it will be no surprise that we reconfirm those numbers. But to get a little bit of additional colour, in non-Rx growth we raised compared to 20% is old news to 20 to 30%, and we are nicely totally on the midpoint of that performance over there.

If you go to the total sales, where we have the guidance of 1.7 to 1.8 billion, with the visibility we have at the moment, we have the expectation that we will end at the very upper end of this guidance that we provided to you. And the same goes actually for the adjusted EBITDA between 1.5 and 3% we have in total, and actually, we expect to end here also for the full year on the upper end of this guidance.

Free cashflow, the midpoint around 0, with the range, because there are always significant fluctuations also on working capital, because we want to anticipate on stocking inventories when we think that there's a good moment. At the end of the year, with free cash flow, all I can say is that it is unlikely that we will end at the lower end of the guidance.

Okay, having said that and confirmed the guidance for actually the full year, I always repeat that... And perhaps also with the indications of the numbers that we are

achieving in DACH, it's giving you increase in comfort that we are confident that an EBIT in mid- to long return, we have a business model with an adjusted EBITDA above 8%.

That's actually everything on the numbers, I think. So, are there any questions?

Operator

Ladies and gentlemen, at this time we will begin the question-and-answer session. Please follow the registration link on the webcast page to receive dialling numbers. Anyone who wishes to ask a question may press * followed by 1 on their touch tone telephone. If you wish to remove yourself from the question queue, you may press * followed by 2. In the interests of time, please limit yourself to two questions only. If you are using speaker equipment today, please lift the handset before making your selections. Anyone who has a question may press * followed by 1 at this time.

Our first question comes from AT with Jefferies. Please go ahead.

AT

Hi, Olaf and Jasper, good to see you. I hope you can hear me. A couple of questions left from my side. I would like to take them one by one. My first one is on the current run rate of the OTC business. Is there any reason this should be lower in the fourth quarter? I mean, you already indicated you will be at the upper end of your guidance, but the fourth quarter is usually your strongest quarter.

And attached to that, looking at the gross margin run rate in the third quarter, is this the new run rate going forward, where we see now a full consolidation of many services for a full quarter? And also, in your financial income, there was a one-off effect. If you can touch on that for the first question. Thank you.

Olaf Heinrich

Do you want to go?

Jasper Eenhorst

Yes, sure. Good morning again, AT. Thanks for your question. Yes, the strong quarter in Q4 in absolute terms, but last year also, so actually no impact on the growth. But overall, top and bottom line, where we stand after nine months, we are not aware of any significant one-offs that we had, and we're also not aware of any one-offs that we could have in Q4 at this moment. So, I always take the full-year guidance that we have, and where the non-RX, we didn't say upper end to reset midpoint in total the growth of the absolute sales. Indeed, we expect to enter the upper end of our guidance.

The gross profit margin, indeed, if you take out some seasonality, which January is more or less rounding, then

Q3 is the first quarter with the full impact of MediService. So, actually, those, not only gross margin, but also expenses instead of sales are a good point, I think, to take that space, and then to complement that one.

And then, you talked about the one-off in the financial expenses. Yes, it was to highlight a significant gain of more than 12 million, but to me that is actually mainly accounting. It's a non-cash impact. Indeed, in this quarter, we had a trigger to reevaluate our conditional liability there related to the acquisition of GoPuls and at the moment, we released the discounted here on out, so basically saying at this moment we don't expect that we need to pay an amount for GoPuls.

Of course, that is also a trigger to look at the total GoPuls acquisition, and we carefully did an impact assessment of everything related to the assets we have, and then we clearly come to a value which is higher than that we have in our books at the moment. So, financially, it led to the release of the discounted provision we have on our balance sheet, so the release discount and nothing else has changed. It's a one-off, yes.

AT

Okay, that's very clear. My second one is on the NFC solution that you have now provided a little bit more details on. Olaf, can you talk a little bit on how the negotiations are going the BMG, I think, in some articles in the newspaper, you already stated that you would also roll out the solution without the approval of the BMG. Now, with an official Gematik product, it sounds pretty good, in my opinion, finding a solution with the BMG. Maybe you can talk about the hurdles and the milestones that we should expect coming from that, going forward.

Olaf Heinrich

Well, I understand the question, but on the other hand, I would like to not really give any details into ongoing discussions with the Ministry of Health, because that's not simply the way it works. But again, I can try to restate, those talks are very positive, because on the Gematik side, but also with other stakeholders, they see the advantage of that solution. But again, by the end of the day, the idea is that this becomes a product of Gematik, and there are certain rules and procedures, and we are following those, and are in contact with the different stakeholders, and that's actually all I can say at this moment in time. Sorry for that.

AT

All right, thank you. Back into the queue.

Operator

Our next question comes from CJ with HSBC. Please go ahead.

CJ Yes, thanks everyone for taking my question. So, first, coming back to the eGK NFC solution, I understand that this is the same solution that DocMorris has. Do you have to pay them anything for the use, or is that not going to be a topic? That's my first question.

And then, on the GoPuls performance, maybe you can update us as to the performance versus initial expectations since you've acquired the asset, so that we get a better idea on the earn-out liability, whether this was always going to be driven by eRx, and 100% of the value here is supposedly coming from the eRx side of things, and less from the OTC. Just a bit more colour here would be great. Thank you.

Olaf Heinrich Maybe if I can start on the first question. I don't know anything about the DocMorris product. You clearly have to ask DocMorris. What we have is an initiative of the European Association of E-Pharmacies. Within this study, we are trying to convince the Ministry of Health of this eGK mobile solution. And here we are making, I think, very good progress. And that is supposed to be a solution which then becomes a product, hopefully, and then can work for all of the pharmacies, for online pharmacies as well as for brick-and-mortar pharmacies.

And then, how the individual setup looks like on our side or on the DocMorris side, DocMorris I can't tell anything about, and on our side, we are currently working on how we want to incorporate this solution into our product. We are already testing this. It looks pretty good. But again, the approach towards the Ministry of Health and Gematik is approach via the Association, and it's an ongoing process. The second question I would like to hand over to Jasper.

Jasper Eenhorst CJ, thanks. The whole acquisition and the whole business case of first inventory related to GoPuls is totally related to eRx. And the fact that eRx did in the end not become the nationwide standard on the 1st January 2022, and at the moment it's starting to increase significantly, as Olaf said, but we are not on the level that we expected. That is all what was triggering a reassessment, yes.

CJ Great, thank you.

Operator Our next question comes from AN with Mogan Stanley. Please go ahead.

AN Good morning, Olaf and Jasper. Thanks for taking the questions. My first one is MediService, given the sales results year-to-date, are trading a bit better than as our expectations, and you've now had a few more months to work with this organisation. Do you have any new thoughts

as to how the growth outlook for this business could be for, if not next year, then maybe the mid-term? And are you happy with the prior assumption for the previous business of the mid-single-digit growth rates, or could we be looking at something higher for the mid-term? I'll leave it at that until the next one.

Jasper Eenhorst

AN, there are two things with MediService. There's the MediService current business, which is a nicely profitable, reputable, very good eRx system that they're having. And there's the business that we expect from the cooperation, from us being even more B2C in our proposition that we have with Switzerland. At the moment, we don't have any guidance on MediService besides the current year, and that we expect what the sales are next year.

We expect from the second part of our cooperation, so combining their expertise, especially with eRx, with our expertise in the B2C marketing, that that can lead to very nice results in the future. That's what we expect. But Aisyah, we don't have any values there, so I cannot share that at the moment. But that's the sort of business that exists already. We have also moved business. We are combining that. And in the new situation, we also have new opportunities to grow there, and that will be included probably in spring 2024 guidance for that year.

AN

Okay, that's very helpful, thanks. And then, the second question was also on the NFC eGK solution. How coordinated is this effort across the industry, and are you working on some standards as to how the solution will have? And what gives you the confidence in this 31st December launch date? Are you expecting some sort of approval, a sign-off, or an announcement? Just trying to understand, given it's a new solution, how confirmed is that date?

Olaf Heinrich

Well, I think that's a very good question. Look, this solution, again, I was trying to explain that earlier, this is not our solution, or DocMorris' solution, or something like this. By the end of the day, we hope that this becomes a product of Gematik, like Gematik has tons of other products. So, that means also Gematik defines the rule, together with the other stakeholders, for example, on data security. And other stakeholders are involved, as well. And here, we try to work together with Gematik, try to give some input on technology, for example.

But by the end of the day, we hope that this becomes a product of Gematik which can be used not only for online pharmacies, but also brick-and-mortar pharmacies can have an app, and customers can attach the eGK to that one.

So, therefore, that is pretty much the story on that one. And as you can imagine, Gematik, as well as the Ministry of Health and other stakeholders, they're working on a lot of products. So, there is a pipeline like in all other technologies.

Nevertheless, we think that we will have this ready by the end of the year, and what makes me feel so comfortable is that beginning of next year, eRx will be mandatory. And without that solution, the online pharmacies, also German online pharmacies, will be discriminated. And therefore, we feel comfortable that this product will be ready by the end of December internally in terms of developing the technology we need, based on the standards which have been set by Gematik. Internally, we are fine. We feel very comfortable with 31st December.

AN

That's great. Thank you so much.

Operator

Our next question comes from VB with Baader Bank. Please go ahead.

VB

Hello, VB, Baader Bank. First of all, a warm welcome to Olaf. All the best for your new position, Olaf. First question would be, if the e-script is going to be up from January 24 onwards, we all hope, what does that mean on your plannings in regard to marketing costs in percentage of sales, for example? Can you give us a bit of guideline how to look at marketing costs going forward in the case that the e-script is going to come?

And the second question is on the national business, and also the DACH region. However, is there any highlight on country-specific development in regard to sales or margin improvement which you share with us to get a bit more granular view of the international performance? Thanks.

Olaf Heinrich

Maybe should I take the first question?

Jasper Eenhorst

Okay, yes.

Olaf Heinrich

The answer to the first question is very simple. I think we will see a pretty steep increase in the number of e-scripts, not only in the remaining part of the year, but also then once the e-script becomes mandatory. And then, of course, it's about the question how to approach that market. And we have a solid customer base. We talked about our 10.5 million active customers.

We have a huge marketing budget which we have already. So, we are already in the market running campaigns, right now more focused on the OTC, then probably later will be more on Rx. But how we specifically go to market strategy for it to look like, we can, of course, not disclose this today

to you. That doesn't really make a lot of sense. So, we first need to see how the market's developing. We are able to react in a very fast way. We have a lot of marketing budget out there. We have the existing customers. But the rest, we really need to see, and we'll not disclose in this meeting, and will probably be part of the guidance for next year. Sorry that we can't give more details into the market strategy and on the eRx. And on the second question, I would like to hand it over to Jasper.

Jasper Eenhorst

So, your question, you wanted to know something nice about one of the countries. You also know we share our business, and we report into segments. Normally, we don't talk about individual countries, but there are two things that I can still add some colour there. First of all, it's very nice in Q2, we didn't make a statement, but for Q3 it's the same, we have been growing double digits in all of our seven countries. In all our countries, we have been growing double digits, also in the third quarter. So, that's something I would like to add.

And that's something else which I think would be interesting because I recently had a presentation where the percent is at our brands, we are by far the market leader in Belgium with our brand, Farmaline, there. There was a survey, and actually 93% of the Belgian people currently know the name Farmaline. And we were surprised with that, that our brand recognition was that high. So, that was something nice about Belgium. And I think, in the end, I heard that one out of four households of people in Belgium ever placed an order with Farmaline. So, those are two nice things to shed some light on the developments.

VB

Okay, thank you very much, and all the best.

Operator

Our next question comes from JK with Deutsche Bank. Please go ahead.

JK

Hi, Olaf. Hi, Jasper. Thanks for taking my questions. My first one is a big-picture question for Olaf. You have been with the company now for three months. In your view, what is Redcare doing very good already, and where do you see some improvement potential? And then, secondly, on the eGK NFC solution once again, I understand that you are essential waiting for an approval of Gematik. But in case the Gematik would take too long to launch its own product, could you implement the solution in your app without a product from Gematik?

Olaf Heinrich

Very good questions. So, the first question to me, it's really difficult to answer, because of course I do not really want to talk about the past, and therefore, comparisons are always

difficult. But my first impression is really, but you can also see in the numbers, a great company. I'm really happy that I have the opportunity to work together with this company and to lead the company into the future. So, that is actually all I can say at the current moment.

You know, the times are interesting, and that's also the reason why I returned. It's a great company on the OTC, DTC, also international, but we have also the eRx opportunity ahead of us. So, maybe in a year from now or so, we have a better view, and then maybe I could give some more insights into this one.

And then, on the second question, yes, of course. I understand your question. But we are really working hard in a very constructive and good way to try to implement this solution. And so far, we are confident that we can reach the milestone 31st December. And to discuss other options, I would prefer to follow Plan A rather than Plan B. So, therefore, we are putting all of our focus into this one.

And then, of course, like always, we need to look into the options we have available, and our product works right now. There are so many things, then, we can do. But again, that's only Plan B, and we clearly focus on Plan A, and are confident that we will have a solution up and running. I hope that answers your questions, at least to a certain extent.

JK

It does, thank you.

Operator

Our next question comes from GO with Berenberg. Please go ahead.

GO

Yes, good morning. I also have two questions, please. The first question on your cashflow, it looks like after nine months you're running well ahead of the free cashflow guidance for this year, partly because of this big increase in payables in Q2 already. Maybe you can come back to that and explain whether you expect any of this to reverse in Q4 or not.

And the second question is, you said that MediService is slightly impacting your group margin on the negative side. So, is this a seasonality, or is it around 3%? Is it just a tiny, small impact? Or is it something that we should take into account seasonally at MediService?

Jasper Eenhorst

Good morning, GO. Good to hear you. Free cashflow guidance, according to our definition, free cashflow year-to-date stands at 27 million. But we will indeed have seasonality. I cannot predict the future, but we always have a very strong cashflow in Q1, and always remaining the same, we're stocking up to be ready for January and

February in the fourth quarter, so free cashflow will most likely in the quarter itself, in Q4, be negative and bringing the 27 million slightly down. So, that's where we stand, so we are happy with the free cashflow guidance there.

MediService is Rx, so what you see in the P&L is actually nothing different from what happens when we have Rx. So, we have euros, very nice growth margin each time that we sell with Rx. Mathematically, the gross profit margin as a percentage of sales is lower. Luckily, there's a positive flipside, that also your costs aren't lowered as a percentage of sales. And that's all what there is with MediService.

So, it's a very good business because the average order value is very high. But as a consequence of a very high average order value, the margin as a percentage of sales is relatively low, but not in euros. And MediService, I'm not aware of anything one-off in their numbers that is not happening in Q3. It is what it is, and we are very happy with the strategic partnership that we have there now already, and it's only one and a half quarters that we are cooperating.

GO

Great, thank you.

Operator

Our next question comes from CS of Hauck Aufhäuser Investment Banking. Please go ahead.

CS

Hey, everyone. Two questions left on my side. First of all, on your EBITDA margin guidance. So, in the first nine months, you generated 2.9% adjusted EBITDA margin, but I see you didn't raise your guidance to the upper half. So, should we expect any negative impact on the margin side in Q4, or is that just conservative from your side?

And then, secondly, on marketing costs. So, a big chunk of the margin improvement in Q3, but also in the first nine months, is driven by more efficient marketing. So, could you please talk about the reasons for this, and how much of this improvement is basically also supported by the weakness of your major competitor? Thank you.

Jasper Eenhorst

Thanks for the compliment, CS, on the adjusted EBITDA. I repeat a little bit, but it's a couple of minutes ago. In this 2.9 year-to-date adjusted EBITDA margin, there are no significant one-off impacts that we are aware of, and we also don't foresee any one-offs at the moment in Q4. So, that's what it is. But with our visibility that we have on the fourth quarter results, we say we will end most likely in the margin range that we give from 2 to 3%.

But I also repeat what I said at the last slide of the presentation, our expectation at the moment is that we will end in the upper end of this guidance range for the full year,

yes. So, we don't expect that Q4 is higher than Q3. That's not our expectation. We only have guidance for full year, and we think we were stay at the upper rane for the full year on the adjusted EBITDA margin.

Marketing, the only thing I can comment on there, I think everything that we explained, and also Olaf did, related to our proposition, loyal customers, happy customers, improvement we made in our last-mile performance. So, across the whole P&L, I think that it's leading to customer satisfaction, and a satisfied customer is a returning customer. That's an impact. But what I haven't said yet, it was also fair to say that last year there was a significant amount of marketing as a percentage of sales that we needed specifically in Q1 and Q2, and we are also citing, which is in part explaining that we are at a lower level at the moment.

Olaf Heinrich

Maybe I can add a little bit to this. And we saw this also in the numbers, the net promoter score is pretty high. And the higher the net promoter score, the better the customer satisfaction is. And we can clearly see a direct link to the repeat rates. So, that means customers are happy and are returning. We saw this earlier in the repeat order rate. I think it was given at 85, or something like that, so really high number in terms of repeat orders. Customers are very satisfied.

And again, there's a strong correlation between a very high net promoter score and a good share of returning customers. So, overall, that's what Jasper already pointed out, the product we have is great, and we can see that it's driven by very happy customers. And because of that, we probably don't need to invest so much in marketing than having not-so-happy customers.

Jasper Eenhorst

And the last one, then, to add to that, is that you clearly see, CS, the impact of skill. So, pure skill, higher sales. Because we are not reducing our marketing. It's better.

CS

Excellent, thank you very much. All the best.

Operator

Our next question comes from FD with Bankhaus Metzler. Please go ahead.

FD

Thanks very much for taking my question, and welcome to Redcare, Olaf. The first question relates to Q4. Perhaps you could comment on how Q4 started, and whether you could give some insight on the demand that you're seeing in the DACH and the international region.

And then, the second question relates to the ways of redemption for the e-script. So, as you showed very, very

nicely in the presentation, there are three ways of redemption. Could you provide us with a breakdown of the percentage of the three ways of redemption? So, how much percentage of people are using the paper print, how many are using the Gematik app, and how many are using the Elektronische Gesundheitskarte? Thanks very much.

Olaf Heinrich

Would you like to start on the first one?

Jasper Eenhorst

The second one's clearly for you. No, we've nothing to comment on the start of Q4. There's nothing worth mentioning yet.

Olaf Heinrich

And to give an answer on the second one, as you said, I pointed out the three different options. If you look into the history of why we have a delay in the e-script, especially on the doctor's side, then we all know that the doctors don't like different solutions so much. It was one of the main reasons why we had a delay in the introduction of e-scripts, especially the systems in the doctors' places were not ready to support technology.

But nevertheless, we see since the introduction of the eGK plugin solution, that this is somehow the preferred solution of the doctors. And therefore, we see that the number of scripts are going up. It doesn't mean that the patient cannot have the QR code, so you always have the right for the QR code. But since the introduction of the eGK plugin, we saw a significant increase in number of scripts.

I have seen a Gematik presentation where they are talking about that the majority is used, the majority of the scripts are redeemed via the eGK plugin solution. But again, right now, we are probably at 7 to 10% of all of the scripts being digital, so that is just initial numbers. But again, going forward, I can foresee we definitely need to have our digital twin to the plugin solution.

FD

Very helpful. Thanks very much.

Operator

Our next question comes from SS with Kepler Cheuvreux. Please go ahead.

SS

Hello, gentlemen. Thank you. I only have one question left. I was just wondering how this new solution that you have presented goes hand in hand with the complaint that was filed against the European Commission. If I remember correctly, it was also linked to the allegation that the eGK redemption is discriminatory. And of course, if this would be approved, this would improve that allegation, or alleviate it. So, I was wondering if you could provide some comments on this, if you will continue with this compliant, or if it will be pulled back.

Olaf Heinrich I think that's a good question, and that is something we have to determine throughout the way. We have to make sure that the online pharmacies are not discriminated. That is our job. And part of that is, of course, the legal part, and we are working on European law, we are working on the fundamentals of Europe, and therefore we approached the European Commission to really say, look at this. We have issues on the bonus, and we think we will have issues going forward if this eGK plugin solution will actually start to be used.

So, that's why we filed a complaint. We need to keep all of our options open. And how we want to handle that complaint, we're going to have to evaluate going forward. So far, again, I can say that we are in very positive and constructive discussions with the Ministry of Health. But nevertheless, we need to ensure that we keep all of our rights, and that is why we filed a complaint. We have so far not received any feedback, so that will give us some more time. And with time, we will find solutions.

SS Thank you.

Operator There are no further questions at this time. I hand back to Olaf Heinrich for closing comments. Please go ahead, sir.

Olaf Heinrich Well, yes, thank you very much. First of all, thank you very much for all of the great questions. I think it has been a great discussion. You guys are really also into the details, understanding the business model. That also helps us, Jasper, I can say. So, very good discussions, thank you very much, and again, I think we have, especially when we talk about eRx, a good handle on that, and I'm looking forward to working together with the company on this endeavour. Thank you very much for joining.

Operator Ladies and gentlemen, this conference is now concluded. You may disconnect your telephone. Thank you for joining and have a pleasant day. Goodbye.