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ELLOS GROUP

ellos Jotex STAYHARD

Q4 trading update to credit investors

February 2020

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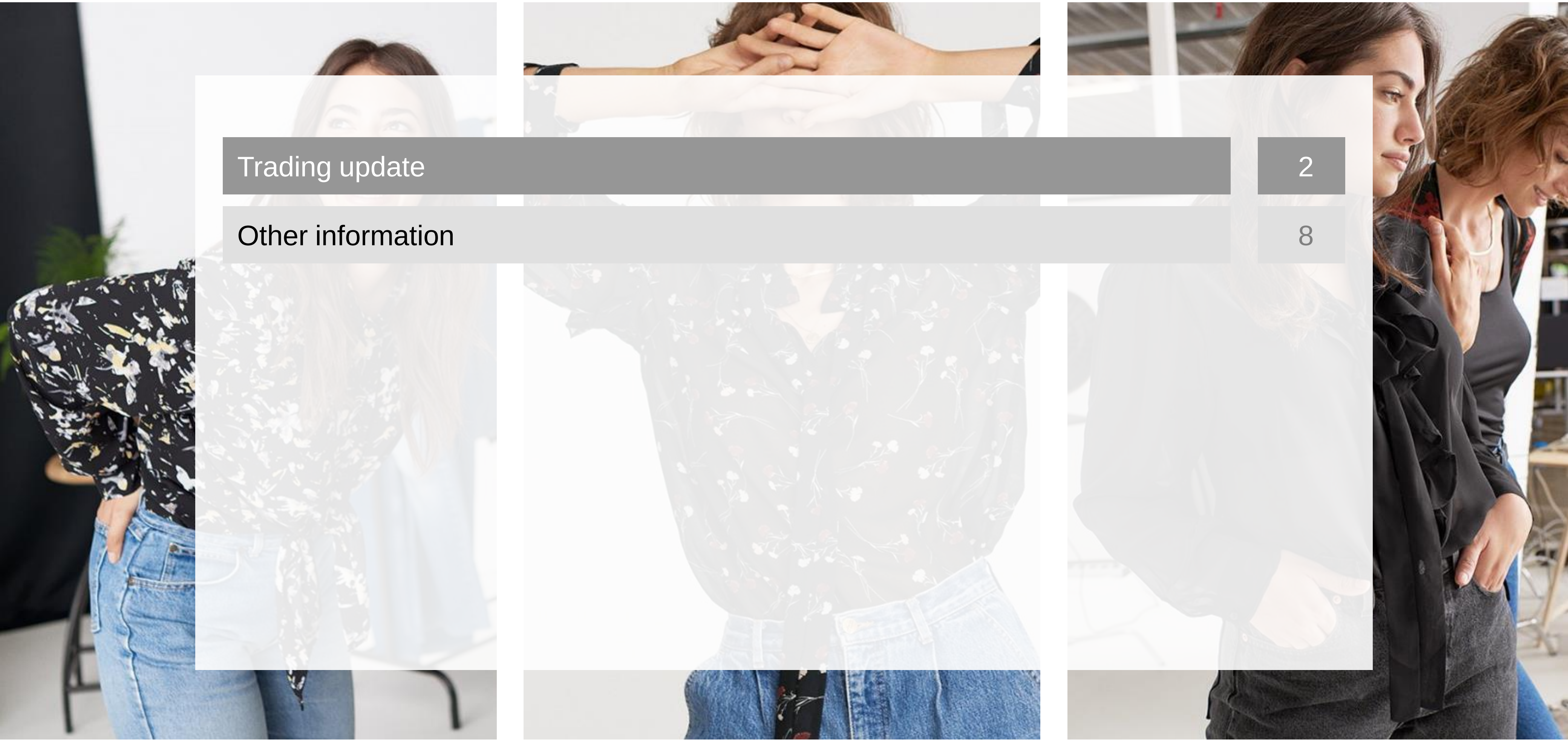


Q4 Highlights

Financial development

- The fourth quarter, as the other three, is showing sales growth, even though at a lower pace (+1%). The lower growth can partly be attributed to the unusual warm weather and a Black Friday / Black Week which is, to a large extent, moving sales instead of adding sales.
- The Kick Back from the payment solutions is growing in the full year figures following the positive development in split payment demand since 2016 (see page 7).
- EBITDA[1] in Q4 maintained at a high level in Q4, however decreasing slightly vs. last year for the quarter but is growing with 12 MSEK or 5% on a YTD basis.

Market development[2]

- The Swedish Fashion and Shoe market continued to decline in Q4 with Apparel at -1,4% in October, -3,2% in November and -3,3% in December. Corresponding development for shoes in Sweden was -0,7% in October, -0,5% in November and -9,7% in December.
- The unusual warm weather is a reason and Black Friday / Black Week has has solidified its position as a significant campaign period but is not adding sales to the quarter.

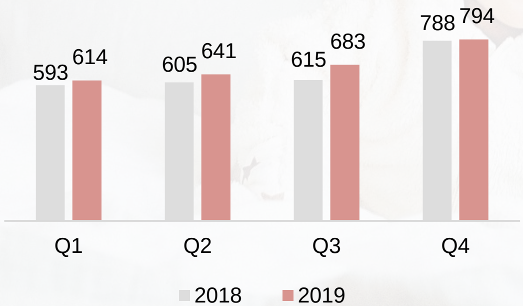
Other

- FNG's acquisition of Ellos Group was closed on November 26, 2019. Several synergy projects have already been initiated.
- The new warehouse for Bulky goods in Borås is now up and running ahead of schedule. The building will also contain an outlet for both Apparel and Home items. The opening is planned for the 20:th of February.
- A significant step in the development of Financial Services was taken the 28:th of January, with the launch of the new payment brand; Elpy. Elpy is our new digital, mobile and scalable Financial Services offering. First launch was Homeroom.

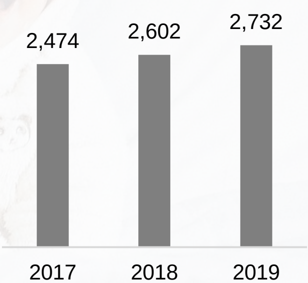
Revenue development

Quarterly revenues (2018-2019)

SEKm

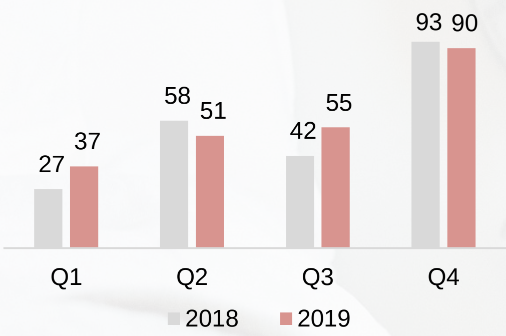


Annual revenues

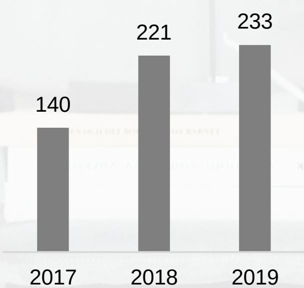


EBITDA development[1]

Quarterly adjusted EBITDA (2018-2019)



Annual adjusted EBITDA



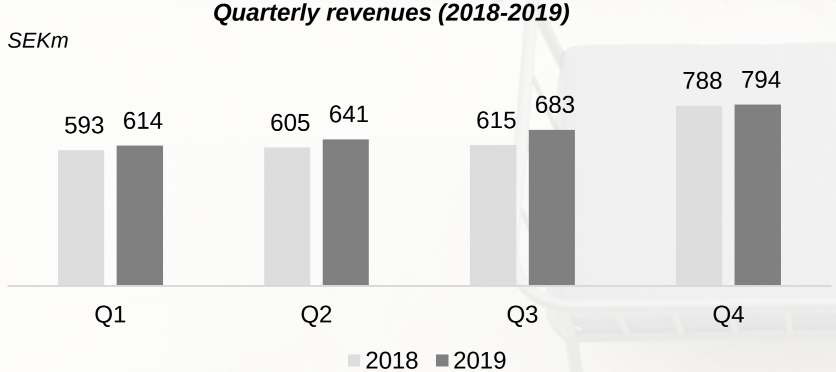
1) Please see page 10 for quality of earnings
2) Source: Svensk Handels Stilindex

Sales development

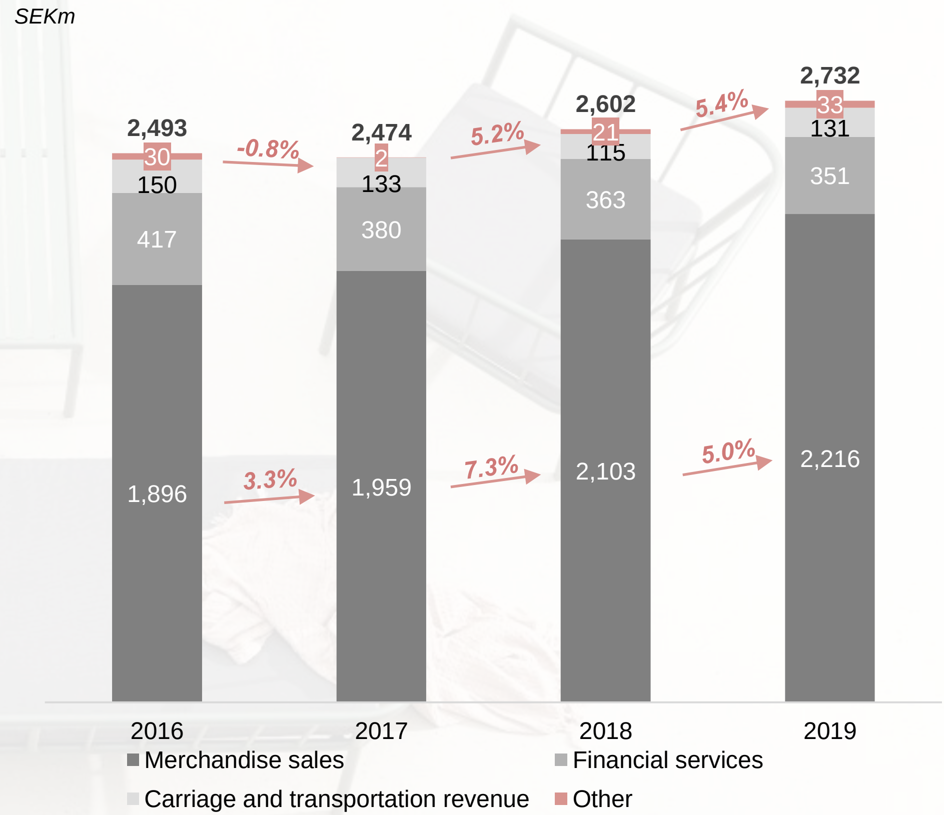
Comments

- Merchandise sales grew with 5% for the full year. Fashion was negatively impacted by warm weather in Q4 (i.e. outerwear and boots) and the challenges in Stayhard. Home has performed well in both Ellos and Jotex and the good development of the new brand Homeroom is adding additional growth. The home categories grew with 17% in 2019.
- The main component of Financial Services, the kick back from the payment solutions is increasing again and reached 273,4 MSEK for the year. Private loans and Insurances decreased with 11,6 MSEK.
- During 2019 we have launched Jotex as a brand on the European market place Westwing. The initiative has confirmed that our private labels are attractive outside Scandinavia and that we can utilize market places effectively.

Quarterly revenues (2018-2019)



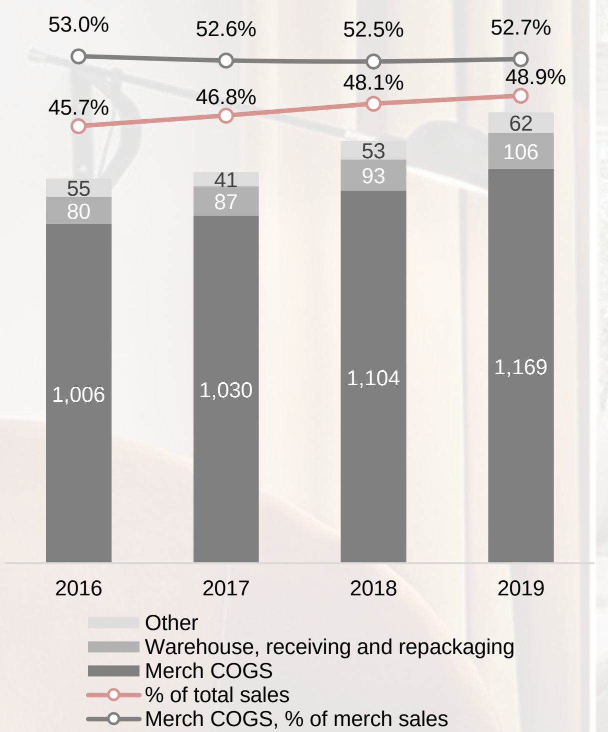
Sales development and breakdown



Significant operational efficiencies realised in recent years across selling and admin expenses

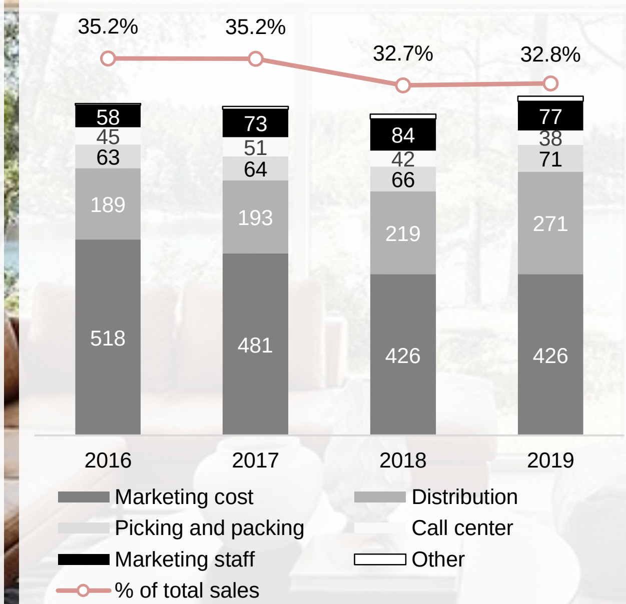
COGS

SEKm
Share of sales (%)



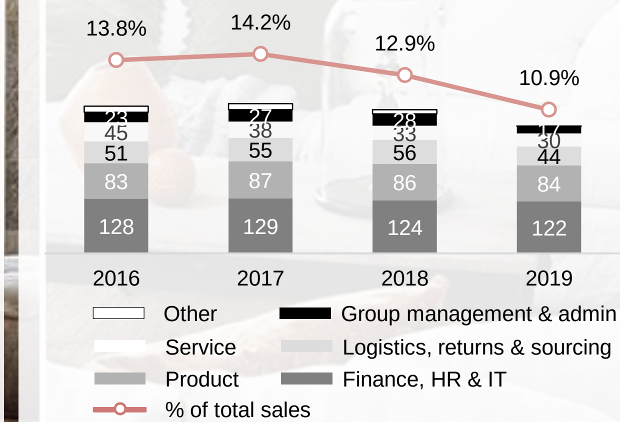
Selling expenses

SEKm
Share of sales (%)



Administration expenses

SEKm
Share of sales (%)



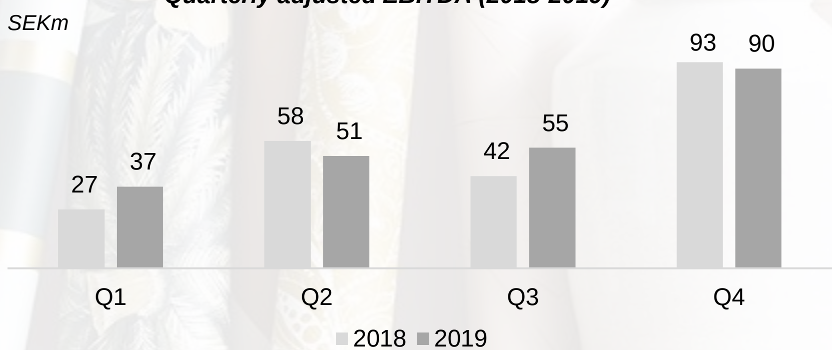
Source: Management accounts

EBITDA development

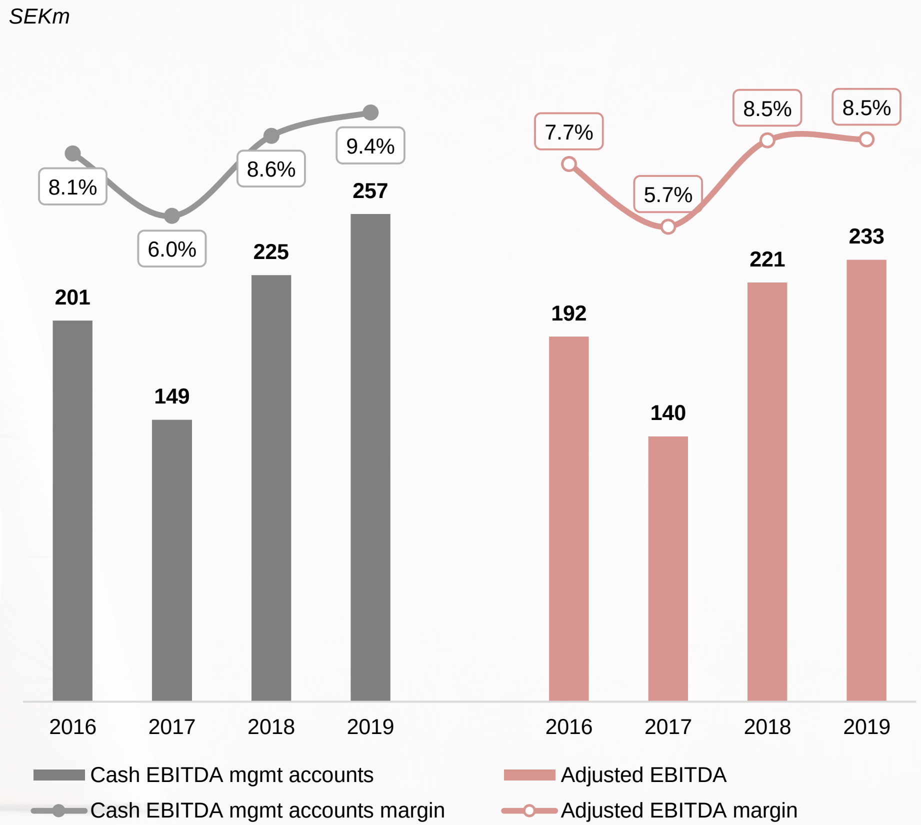
Comments

- Due to the positive Sales growth, improved Marketing cost efficiency and lower Administration expenses, EBITDA develops positively for the year.
- The weak SEK. Primarily vs. the USD continues to be a challenge with negative impacts on the business. The FX effect from unhedged purchases is adjusted for in Cash EBITDA mgmt accounts but not in Adjusted EBITDA, explaining the difference in evolution.
- At the end of December there is a cash surplus of 272 MSEK. This gives a Net debt of 1,228 MSEK and a 5,3x leverage ratio on adjusted EBITDA.

Quarterly adjusted EBITDA (2018-2019)[1]

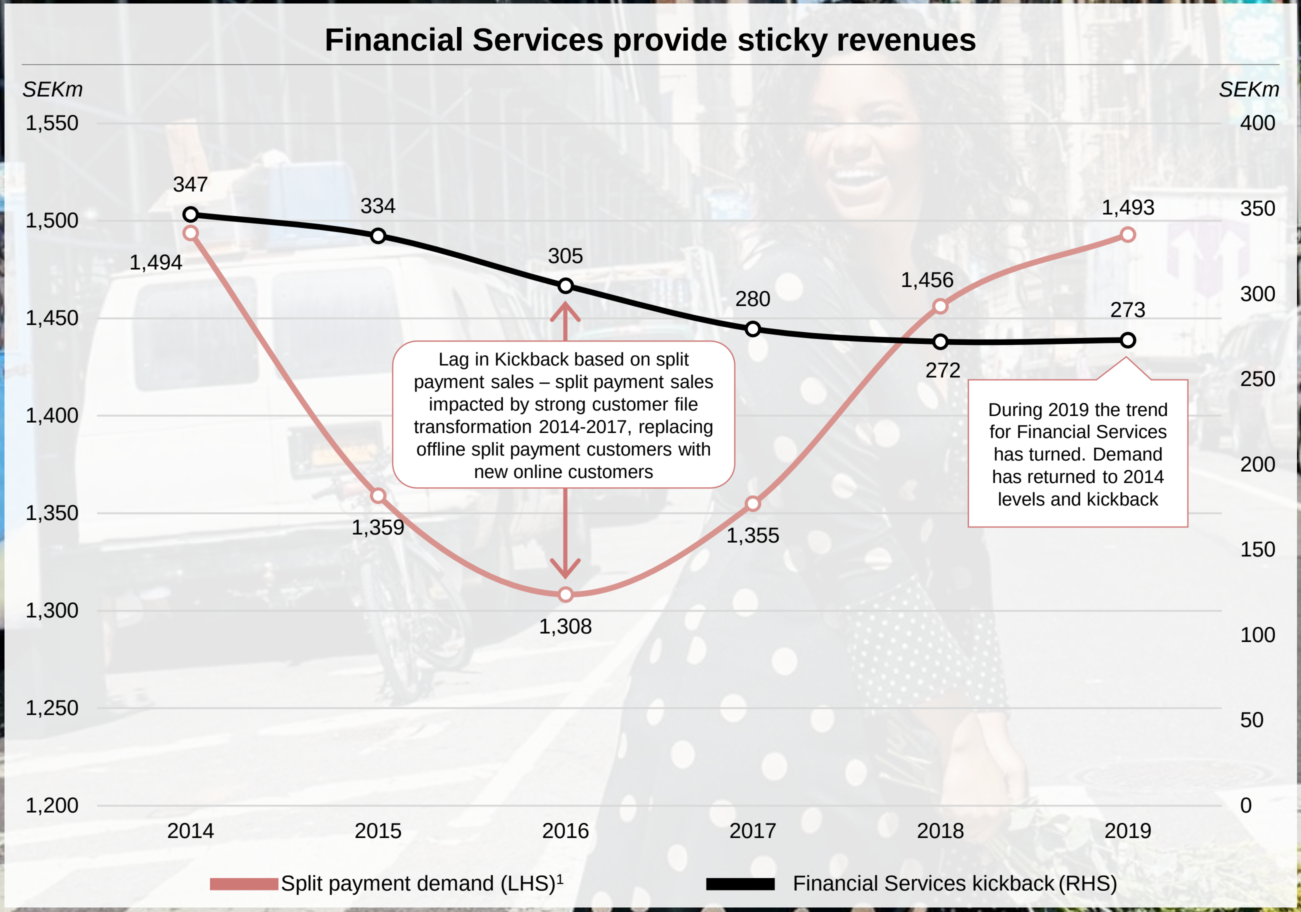


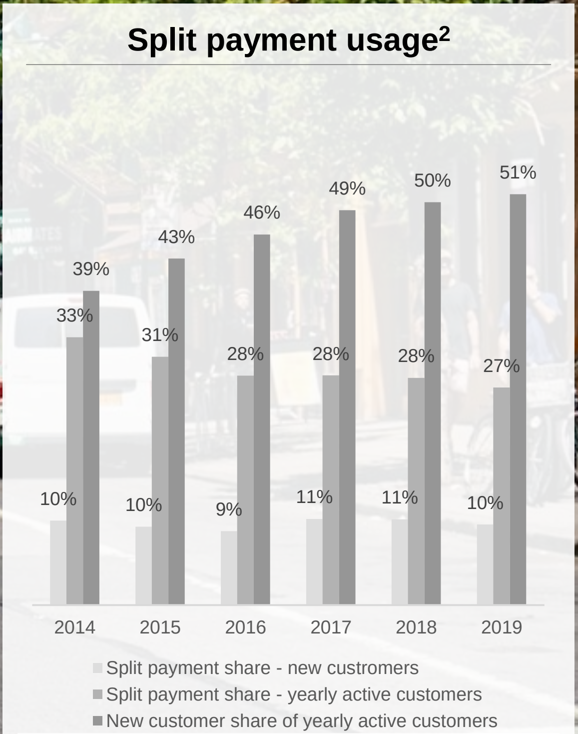
EBITDA development[1]



Source: Management accounts
1) 2019 adjusted EBITDA is adjusted in accordance with financial DD and management estimates

Financial Services update





No change payment behaviour for new customers – supports uptake in Financial Services conversion in customer base

Source: Management accounts
1) Value of all incoming orders after rebates, but before VAT, returns and disposed merchandise
2) Historical years recalculated

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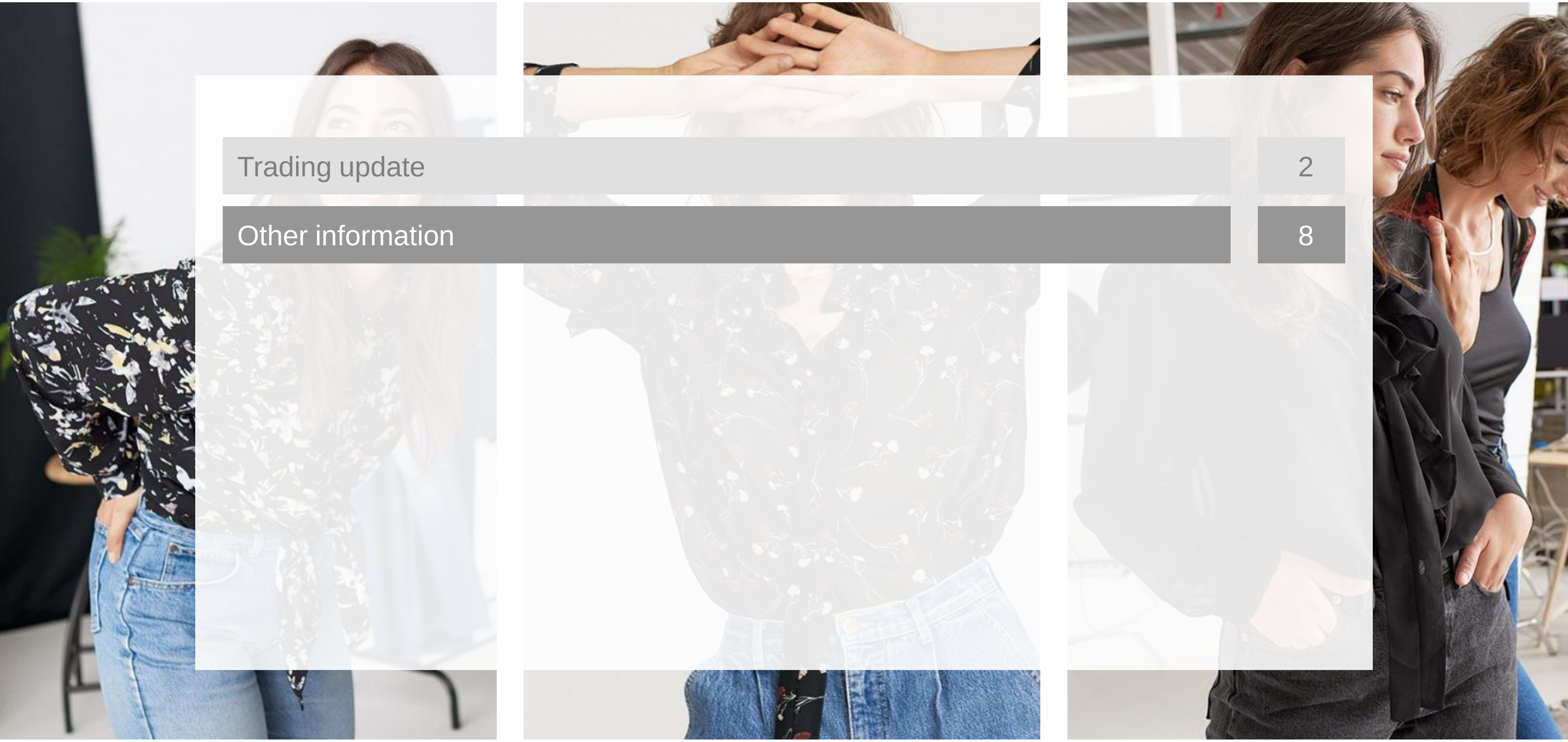

Income statement overview

Income statement

SEKm	FY16	FY17	FY18	FY19
Merchandise sales	1,896	1,959	2,103	2,216
Carriage and transportation revenue	150	133	115	131
Other	30	2	21	33
Financial services	417	380	363	351
Sales	**2,493**	**2,474**	**2,602**	**2,732**
Merchandise COGS	-1,006	-1,030	-1,104	-1,169
Warehouse, receiving and repackaging	-80	-87	-94	-106
Other	-55	-41	-53	-62
COGS	**-1,140**	**-1,159**	**-1,251**	**-1,336**
Marketing cost	-518	-481	-426	-426
Distribution	-189	-193	-219	-271
Picking and packing	-63	-64	-66	-71
Call center	-45	-51	-42	-38
Marketing staff	-58	-73	-84	-77
Other	-4	-8	-13	-13
Selling expenses	**-877**	**-870**	**-850**	**-897**
Finance, HR & IT	-128	-129	-124	-122
Product	-83	-87	-86	-84
Logistics, returns & sourcing	-51	-55	-56	-44
Service	-45	-38	-33	-30
Group management & admin	-23	-27	-28	-17
Other	-14	-14	-9	0
Administration expenses	**-345**	**-351**	**-336**	**-298**
Recoveries from NPL portfolio	45	40	44	40
Royalties	11	12	16	14
Other	14	2	1	2
Other income	**70**	**54**	**60**	**57**
Cash EBITDA management accounts	**201**	**149**	**225**	**257**
Adjustments in accordance with FDD[1]	-9	-9	-4	-24
Adjusted EBITDA[1]	**192**	**140**	**221**	**233**

Comments

Sales
Includes Fashion and Home sales (net of discount and returns), delivery fees, other revenue related to store based sales and income from Financial Services

COGS
Merchandise COGS include purchase cost, inbound freight and customs fees. Warehouse costs include staff managing inbound / outbound and repackaging. Other relates primarily to store COGS, product samples, supplier discounts etc.

Selling expenses
Includes marketing cost, distribution, picking and packing, call centre, marketing staff and other costs, e.g. store related costs

Administration expenses
Includes OH (Finance / HR / IT), white collar logistics staff, returns and sourcing, office rental costs, Group management and other costs

Other income
Mainly relates to licensing and collection sharing fee from the US-partner managing Ellos.com in North America and recoveries from a non-performing loan book

EBITDA
Please see quality of earnings slide (Page 10) for full review of the adjusted EBITDA. EBITDA is not adjusted for leasing costs for premises as per IFRS16

Source: Management accounts
1) 2019 is management accounts in accordance with FDD adjustments

Quality of Earnings

SEKm	2016	2017	2018	2019[2]
Reported EBITDA[1]	168	113	174	na
1 Credit collection interest	15	11	11	9
2 Group consolidation valuation entries	-5	4	0	5
3 Other / Currency	11	7	1	-3
Reported cash EBITDA	189	135	186	**208**
Non-recurring items				
4 Restructuring costs	15	21	16	8
5 Building	-9	0	0	0
6 Consultancy costs	5	6	7	7
7 Change of IT system	13	2	0	0
8 Card fees below EBIT	-2	0	0	0
9 LaRedoute fixed cost coverage	-12	-5	0	0
10 Hedging cost	-1	-1	2	3
11 Treasury variances	1	-3	2	21
12 Stockholm Store loss	2	3	3	3
13 Vacation accrual release 2017	0	-5	0	0
14 Accounting principle for bad debt prov.	0	0	1	0
15 Cut-off adjustments	1	-5	5	0
16 Other	1	2	2	8
Total non-recurring items	12	14	39	**49**
Cash EBITDA management accounts	201	149	225	**257**
Adjustments in accordance with FDD	-9	-9	-4	-24
Adjusted EBITDA	192	140	220	**233**

Approved by FDD — Partly approved by FDD — Not approved by FDD

1. Credit collection interest from receivables at collection agencies which were not sold to Resurs Bank
2. The Group consolidation valuation entries (incl. MTM of FX hedges & valuation of receivables)
3. Mgmt. accounts are reported in constant currency adjusted for the impact of translating non SEK legal entities to SEK
4. The Group has carried out significant restructuring projects during FY16 to FY18 as part of its transition from paper to online. Primarily related to costs for personnel lay-offs (severance pay, early retirement etc.)
5. Rent rebates from the landlord received as a result of a renegotiation of the contract where the Group forwent an option in the contract and received a compensation for this
6. Primarily relates to consultancy costs for logistics projects, e.g. with logistics optimization for apparel and also logistics of bulky goods
7. The Group transitioned to a new IT environment (including a new ERP system) in Mar-17, this relates to non-recurring costs incurred in connection to this transition
8. Historically card fees charged from card schemes were recorded within financial items but are since Q2-17 booked within EBITDA in the management accounts
9. After Nordic Capital's acquisition of the Group, the Group rented out premises and provided services to LaRedoute Nordics (who were headquartered at the same location as the Group). The adjustment relates to the portion of service charges which covered fixed costs for the Group. At the beginning of 2017 LaRedoute closed down its operations in the Nordics
10. The bank's spread on FX forwards / futures (used for the Group's operational FX hedging) is recorded within financial items. This adjustment includes the cost within EBITDA as it is of operational nature
11. The Group normally hedges 70-100% of its budgeted purchases for each season's collection, the treasury result from the portion of purchases which has not been hedged is booked within COGS. The result of from such FX impacts is deemed non-operational
12. The Group has decided to close down its physical store in Stockholm and has given notice to the landlord. The adjustment excludes the Store's result from EBITDA
13. The Group realized it had over-accrued vacation pay and subsequently relapsed part of the provision. Related to prior FY16
14. Change of accounting principles resulted in a one-time build-up of the bad-debt provision in FY18
15. Primarily relates to costs for fraud cases incorrectly charged by Resurs Bank in FY18 relating to FY17 and FY16
16. Primarily relates to transaction related expenses in 2019

Source: Management accounts & Deloitte financial due diligence (FDD) on behalf of FNG
1) Statutory – 2019 is not statutory as it excludes the IFRS16 impact
2) 2019 adjustments are management accounts in accordance with FDD. Since the FNG Nordic Group was founded the 26th of Nov 2019 there are no consolidated figures for the full 4th quarter

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e-commerce group