

Redcare Pharmacy
Q3 2024 Results
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Transcript

Speakers:

Olaf Heinrich

Jasper Eenhorst

Olaf Heinrich

Yes. Thank you very much. And good morning to everybody. And a very warm welcome from our side. Today, we would like to start off a little bit different than we do usually. So, greetings from Pilsen. As announced at the beginning of October, we will open up a pharmacy and distribution centre in the Czech Republic to be able to better serve our Austrian customers, an approach similar to what we have chosen in Italy. So what you can see here is the picture of the official groundbreaking, I would call it, and you can see our COO and chief pharmacist, Theresa Holler, on the right-hand side, and also our partner CTP. What you can also see, of course, in reality, the construction of the building has started and is already advanced.

If we now go to the agenda of today, like always, we start with the financial performance, and then we included an e-Rx update. And since we already gave, in the slide presentation at the beginning of October, you a lot of details on Rx, we thought it makes sense this time to also show some October numbers, that we will talk about later. And then at the end, like always, outlook and guidance.

If we look into the financial performance for the first nine months, you can see in our past growth, record sales continues. It's a pretty easy message. Our group sales are up 34% for the first nine months, reaching 1.7 billion. And even if you exclude MediService, that's been only consolidated since May 2023, the growth was still 23%. And also, if we look into the non-Rx growth, we are at 20%, reaching 1.2 billion. If we look into the German market for the e-Rx, we see the exceptional momentum continuing in Germany, like we saw in the first quarter the 7% and 37% in quarter two, and then our 81% in quarter three. And also showed last time that we had 108% in September. And we will talk about later also what this looks like in the month of October.

Looking into the EBITDA, we're really happy to report a 2% for Q3, 2.3% for year-to-date. And you know this happens on the basis that we have started our marketing campaign on Rx already in January of this year, and we kept the marketing up throughout the entire year. And you are aware of that we have a full year guidance update on 3rd October, and this decision was really made based on accelerated [?] because of very convincing e-Rx metrics.

If you look more into the detail, you see a picture which you are also very familiar with from previous quarters. Strong growth overall, but international being a little bit stronger than the DACH region. The DACH region is on 18.3% on non-Rx, whereas international is on 25.7% on non-Rx. E-Rx number, 79% for the DACH region, you know that that's a blended number, it has the German market and as well as MediService. And in the case of

MediService, also again only being consolidated since May 2023. But overall, a great picture across the different segments.

This slide you already know from last time, so I do not really want to repeat a lot. Again, 81% in Q3, and we see this dynamic also in the acceleration. It's 108% September. And maybe I can use this slide also to expand a little bit how we report on Rx, because some of you also raised that question last time. We have two segments on Rx. There's GKV business, which is probably 90% of the overall business. And we have the PKV business, which is 10% of the business in Germany. The e-scripts only have been introduced for the GKV business, so for the 90%. And we have a share, of course, also a PKV business. And this PKV business is because there is e-script. Right now, it's almost flat. So what that means, in turn, whenever you look into a blended number, like, for example, 108% here for our total Rx, that means, under the hood, the e-Rx business, so the GKV business, of course has to have a strong growth. So you need to keep this in mind. It's already a great number, but under the hood, even stronger, if you look into the e-Rx business, which is the GKV business only.

If we go to the next slide, you can see we continue our growth, and it's also reflected in the number of new customers. We added 0.4 million active customers in the last quarter, reaching now almost 12 million active customers. At the same time, our NPS remained high and the basket value continues to grow. Here we see the first impact of e-Rx business. But again, also here, keep in mind the majority of our business is still the non-Rx business, but anyway we see some kind of impact on the on the basket.

And if we now look into the next slide, you can see very interesting news. At least we consider it that way. If you look into the pattern of the orders we received throughout the year, you'll see that usually, at least in 2021, Q3 is the weakest of the four quarters in terms of number of orders we've seen. But this time, we have turned it. So, for the first time in Q3, the number of orders are higher than the number of orders in Q2. So that's very positive and very good news. And at the same time, our repeat order rate stays at 88%, so confirms the quality of our active, active customer base. Having said this, I would like to hand over to Jasper.

Jasper Eenhorst

Thank you, Olaf, and also good morning from my side. So what the sales orders bring as to the financials, with pleasure I refer to the interim report that we also, as always, published on our website this morning with all the details. And as always, the customary high-level summary for this presentation, from sales up to and including adjusted EBITDA, and for full transparency's sake, for reference also the fully loaded EBITDA at the bottom.

So here again, the sales growth, 20.8%, fully organic growth in quarter three. That's the first line that you see here. And for the first nine months of the year, we increased by 428 million, or 33.8%, to around 1.8 billion. And this 33.8%, if you strip out the apples-and-orange full consolidation of MediService, actually there is still remaining an organic growth of 23%, non-Rx being 20%, full organic being 23%. So not only on the orders, as Olaf already said, not only on the average basket, but now also on the total sales growth of the group, we are seeing the increase in impact of the first e-Rx growth in Germany.

The adjusted EBITDA in quarter three, 2.0%. We increased our marketing in September. It was lower in July and August, and the mix of all that is a 2% margin in quarter three. And year to date last year, we had a 2.9% margin, and this year, year to date, we stand at 2.3%. If you multiply the margins with significantly increased sales, then our total adjusted EBITDA in euros is 1 million higher, at 38 million compared to the same nine-months last year. And for reference, the fully loaded EBITDA, which didn't increase by 1 million but even by 8 million. That's because the acquisition-related adjustments phased out last year, so they are no longer in our numbers, explaining the EBITDA increase of 7 million more than the adjusted EBITDA.

Then, two slides on the margins, basically, both with the same message. And the message is we are in control and we continue to focus on the details to improve, while also grabbing the opportunity that we have in front of us, the overall European pharmacy opportunity, and particularly the e-Rx opportunity in Germany. So this is the gross profit margin for the total group to the left side, the three quarters of this year, a slight, one could say, stable, but a slight 0.2% from Q2 to Q3 can be because of seasonality, etc. But of course, that's also impact from an increased share of Rx in the line base. You can also see the continued evolution of our purchasing improvements and of our platform model impacts. To the right side, the same number gross profit margin for the nine months. The reported number in the middle two columns going down. Why? Because of the impact of MediService. We will see the positive impact one slide later. The apple-to-apple is the two columns to the right. And there you see it's basically stable. Same gross profit margin, despite the very fast growth that we have been achieving. There is some impact of Rx in the number, but at the same time there is a lot of positive mix impact from the countries, and including, again, purchasing improvements and more other income, including from platform. So overall, here, a gross profit margin which is, excluding MediService, around 28%, but the clear, fully loaded number is above 23%.

Then, to the next slide, please. The cost performance. So here, basically, the same. To the left, you see... Oh, one slide back,

please. Yes, thank you. Cash is very important, but in a couple of seconds. Thank you. So, the cost performance, around 21% of sales, you see that consistently an increase from Q2 to Q3. I think that is clear to everybody there is some impact of our decision to accelerate in marketing. And immediately, I'm going to the full-right of the slide, so you see that our cost as percentage of sales slightly increased compared to last year. Those elements in there, the two elements are a slightly deliberate increase of our marketing to invest in our future building of our total customer base. There's also a minimum wage rate increase that we see as a total company, but at the same time we continue to harvest the benefits that are there if you are a market leader in your countries. And that is then reflected in efficiency and scale. So also here, continue to focus on margin improvements, while at the same time going after the unprecedented opportunity we are seeing.

And then indeed, Monica, we go into the cash on the next slide. We started the year with 204 million of cash. This is here defined as our cash balances and our short-term deposits, that we're having. 204, then the cash we get from our positive operating result of around 37 million. 10 million positive impact from changes in working capital. Yes, we have a lot of focus on working capital, but also this is the benefit that we are still having, the seasonality from the start of the year which will be first in the fourth quarter, as it is doing each year. Then we have our investments of a little bit below 30 million. And then the financing, which is including, according to IFRS, also the cash that we are paying, for example, for our leases. So we started the year with 204 million of cash, and we are spending at the moment at 210 million. And with that, I'll hand back over to you.

Olaf Heinrich

Yes, thank you very much. Thank you very much. So, let's get into the e-Rx update session. And I think we summarised it quite well, in the title of this slide. We see really the momentum, and we see a further acceleration of our momentum. And that's reflected in the fast increase in app downloads. We'll talk about this in a couple of seconds. And also very interesting to see we are turning the e-Rx business into an app business. Right now, already 90% of our e-scripts are being submitted by our app. And at the same time, we continue our growth. So we had, if you recall it, 81% in Q3, we had 108% for September. And we are able to accelerate to more than 130% in October, which shows that the momentum is ongoing and it is accelerating strongly.

And also, this is, of course, reflected in the market share gain. We started the beginning of the year at 0.27, and then increased it over the different quarters, and in October we are at 0.66% market share, which is actually a strong gain from the beginning of the year. So, overall, we think we are in a pole position for this once-in-a-lifetime opportunity on e-Rx.

Let's look a little bit more into the details of this whole thing. So here you can see the app downloads. And we decided to also introduce this into the presentation because a lot of you guys are covering it anyway, so we can give a little bit of flavour to this one. And I think it's interesting to see that, prior to CardLink, we were on the level of 160,000, 175,000 app downloads. And now in September, especially in October, we have more than doubled that number. You can also see a strong acceleration on the app downloads.

And maybe one or two words on that. This is not completely comparable to, let's say, existing businesses or existing use cases or customer journeys. Because, for example, if you think about a messenger and there comes a new messenger, which has some additional features, that's easy to generate tons of downloads at relatively low cost. But what we have to do here, and we discussed this last time in our meeting at the beginning of October, we first have to regenerate the awareness on this topic. It's a new customer journey, it has never been out there. Rx has never been fully digital. So that's the reason why we are investing into a high-profile and broad-marketing campaign at the beginning. And then, because of that, we are really happy about that high number of downloads, showing that we have chosen the right way to do the application, and now trying to convert that into business via downloads of apps. It also shows this company is strong in marketing, it's strong in online marketing, brand building, especially in the area of online pharmacies.

If we go into the next slide, it's very interesting to see in here we talk about the 90%, but if you look into this, what happened since April, April of this year, prior to CardLink, most of the customers were sending their scripts in via mail. And so you see that's grey-shaded. And Mail in this, in this case, really means that they place their script in an envelope, either a traditional paper script, because at the beginning of the year we did not have only e-scripts in the market, but also because they did not know what to do, they also placed a QR code in an envelope and send it in to us. And some of them already used the QR code to scan it in via the different devices we have. so apps, desktop, all those kind of things. But the majority came in via envelope, and now, only a couple of months later into the game, you can see that almost 90% are using this app and it continues to grow.

And what does this mean? Of course it has a lot of advantages. If we start with our customers first, this is the one-stop pharmacy at your fingertips. We all know how we use the smartphones, they are always around. Now, you have this one-stop pharmacy right in your hand, and together with a fully digital journey. Already today, especially when we talk about chronically ill patients, a lot of patients don't go to the doctor any longer. The

doctor's issuing the repeat scripts so they even don't have to see the doctor, or if they have to see the doctor, then at least they don't have a paper script, which they have to handle. This is a fully digital journey. And they can use this app, and in this fully digital journey, they also have all the other advantages. Like we mentioned last time, it's the 24-7, it's the availability check, it is the ability to simply add OTC to the basket and to do the payment. So, of course, as we all know, that is fully digital, and that's a lot of convenience and fun from a customer perspective. Adding even a personalised one-to-one communication channel, so whenever we have an update, we can send this out to the customer directly onto the smartphone.

But, of course, also, from a practical perspective, has a lot of advantages. We want to build the best product in the market, and this is one of our strong capabilities, building best product. And best product, we are convinced, will lead to a higher customer loyalty and, by the end of the day, also to reduce marketing costs after instalment, if you compare that to, let's say, a desktop business, or even the former paper script business.

So in the initial results, we showed that last time when we talked about the repeat order rate, so returning customers, it's significantly higher than in the past, shows that we are on the right track here. So it looks like the app helps. The product which we have built helps to really also be able to reduce marketing costs after the instalment. And of course, another advantage, but it goes hand in hand, is you can develop this product, very agile. You still have to build a digital microservice if you want to add features to the product, but then once you have developed them, it's easy to launch because it's an app-only. It's not different browsers, different devices. All that kind of stuff does not exist. You can develop the microservice, you can develop the product pieces, and then simply launch them into the market. So overall, that's a very good development we see by moving this business towards an app business.

If we go to the next slide, here we do not talk about the 108% of September any longer. Now, we see it's already more than 130% what we have achieved in October. And I think there's not really anything we need to add to that number. It's the dynamic acceleration of Rx sales growth. Maybe just one thing, keep in mind, under the hood, as I explained earlier, under the hood even significantly stronger than this number you can see, because of the PKV business. So, overall, it's a confirmation of the approach we have chosen on Rx.

If you go to the next slide, you can see this, of course, is also reflected in our market share. Market share we showed last time was 0.55%. Now, it has moved to 0.66% in October, based on a 55 million addressable market. And what I like too much about

this development is really if you take the 0.66% and calculate the full-year basis based on that, that's 363 million Rx business already, based on this market share we have by the end of October. And if you compare that to last year, we had a 151-million business, so that is a tremendous growth. And if you take it one level up and look into the overall company, it took us many years in the non-Rx business in Germany to get to that kind of a safe level. Now, within only a couple of months, we are moving the whole thing into a direction like this. That is just great. And we are building a fully-fledged pharmacy, which has non-Rx as well as Rx, and overall is significantly growing.

And at the same time, by doing so, we become a more and more relevant player, of course, also in the supply of medicines in the German market. So especially when you think about the brick-and-mortar pharmacies, shrinking number of brick-and-mortar pharmacies, we are a valuable addition to what happens on the brick-and-mortar.

If we go to the next slide, almost just like a reminder, saying, hey, 1% market share equals more than 500 million sales. I think that's a strong message. And having said that, I would like to hand this over to us Jasper.

Jasper Eenhorst

Thank you, Olaf. Actually, if we can go immediately to the next slide, please. Quite an easy job here, because our guidance remains the same. But still, I think, the numbers themselves deserve the attention, so I will repeat the full guidance as we shared with you on October 1st already. So at the moment, we expect that the sales of our company in 2024 will end up for the full year in the range of between 2.35 billion and 2.5 billion of total net sales. Thanks for the clear update. And it makes us really proud, oh, now that screens are going here, where we stand with e-Rx and, at the same time, largely not related actually into the business of the e-Rx opportunity, our non-RX across Europe has also continued to grow beyond 20% this year, and we increased our guidance to growing between 20% and 25% fully organically there. Also, MediService expect to grow this year between the single digits towards the mid-single digits, but probably a little bit below that number, but also growth over there. And adjusted EBITDA for the full year between 1.2 and 2.21. e-Rx, I think we shared with you a lot of details there, so we know where the floor is and what the current momentum is, but we give exact numbers on our expectations there. We don't know it ourselves, and we look at the 2025 and 26, etc. So we don't have specific guidance to Rx, but you know how we started the fourth quarter.

So, total guidance for the company also confirmed this morning in our press release, we feel at the moment comfortable that we are going to achieve this guidance in all its elements for the

current year. 2024. And with that, let's see if there are any questions, please.

Operator We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star then two. Participants are requested to use only handsets while asking a question. Anyone who has a question may press star and one at this time. The first question is from CY HSBC. Please go ahead, sir.

CY Good morning. Thanks for taking my questions. First, on the Rx basket, is there any colour you can give, maybe how many meds you have to order at the moment, any colour on AOV. And if you can't be specific, I would at least prefer, or I would kind of like, you to give a bit of colour on how they've developed versus your initial expectations. Because it's always good to have expectations going into this sort of quite significant regulatory change, but I'm just curious how that has developed. Thank you.

Jasper Eenhorst Yeah, thanks, CY. And specifically to cover your second part of the question, I can't give a clear answer, because the first one, what it is exactly, it is not the language that we are talking, but I refer also to when we had on October 4th, where we updated our guidance, one of the reasons why we are happy with the developments is that actually, we have the confirmation and we have some several hypotheses also internally, the confirmation that actually it is a very strong basket. So directionally, we say it's not totally but it's almost double of the average basket of the OTC that we are having at the moment. And that means that there's more than one item on average in the basket, because otherwise you don't get to that number. So that's all the colour I want to give. So you said is it up to your expectations? Yes, actually, it is a spot on what we were hoping for.

CY That's clear, thank you.

Jasper Eenhorst Nice base and we will see if we can further increase it in the future.

Olaf Heinrich Maybe in addition to that, it is the nice place that, as you said, where we are happy. But you know one of the components is the mixed basket, so the question is always how much OTC do they put on top of the different Rx items into the basket? And that is the number we will continue to work on. We are happy with the number we have. It is right on, as Jasper said, but there is always a number you can improve, of course. But the overall answer is it's exactly on what we expect.

CY Perfect. And then my second question, please. On the international market, I sometimes find it a little bit difficult to stay

up to speed on where we stand with respect to certain legislative changes, your own market share in some of the key markets. Is there anything that you would like to point out as far as the international segment is concerned? Anything that we should be aware of? Thank you.

Olaf Heinrich

If the question is related to, let's say, legislative changes or business model relevance, no, there is nothing we would like to point out. Of course, the international we have, we are in different countries and some of them are growing stronger than others. And that is what you can also see if you look, for example, into web traffic or things like this. But that is probably the only thing. Some of the countries are really successful, and others we have to work a little bit harder. But overall, nothing really to report on.

Jasper Eenhorst

And then, CY, so we know already the cost that we have commented on several times, that we are, as a company, the clear market leader in Belgium, and also, for example, in Austria. And we don't publish any details, but there have been a lot of publications throughout 2024 already, from external parties, indicating that it seems like we have also the clear number-one position in Italy now. So that's the sort of news that we have at the moment, though we don't give any details on it. But I'm happy to refer to those reports where actually we had a celebration when we saw those lists.

CY

Okay, thanks a lot.

Jasper Eenhorst

Thank you.

Operator

The next question from JK, Deutsche Bank. Please go ahead, sir.

JK

Good morning. Thanks for taking my questions. I have three, if I may. The first one is on your non-Rx guidance. The midpoint of that guidance implies a meaningful acceleration of OTC growth in Q4 compared to the first nine months. Could you share with us what makes you confident to achieve this growth, and also confirm whether the majority of this acceleration is expected to happen in your German OTC business? Then secondly, obviously, quite impressive growth, acceleration in your German Rx business, but have you seen any kind of a negative impact from the holiday season in Germany in October? And then lastly, on the order behaviour of your customers, how many of your customers that use the CardLink solution and order OTC products as well use only your app? Or to phrase it differently, are there many customers that use the CardLink solution but order OTC still online through your website?

Jasper Eenhorst

Non-Rx your first question. Year to date, we stand at 20. Indeed, we feel at the moment that it is more likely that we will enter

above the 20, and that's why we updated our guidance range to the positive. That would, indeed, mathematically mean that Q4 is going to be stronger. We still have Black Friday all November, December, and we know but that's our best estimate at the moment. And one of the reasons is the strength continuing in international, but also with the marketing we do in Rx in Germany, we have that that is also leading to some additional benefits in non-Rx being more present with the brand. Then the German Rx business and holiday impact, would you like to comment on that?

Olaf Heinrich

Yes, maybe I can give some flavour to that. Yes, we showed you for the summer that there was a little bit of a decline in the growth rate we had throughout the weeks of the summer holidays. And we can see a pattern, not that strong, but at least a little bit of that also for the autumn or fall holidays in Germany. So the way we see it, some of our Rx customers, they are simply out for vacation, and that's the reason why we see also a similar pattern that we saw in summer. Not that strong. But this is something which is not new, so this has always been the case in the Rx business. So Rx business has some patterns. So, for example, at the beginning of the quarter it's always, very, very strong. Towards the end of the quarter, a little bit lower. If you have vacation, a little bit lower. So that is the pattern we know. So it's nothing of surprise, but it does exist.

Then the third one is the difficult one. I think we are not in the position to really give a good answer to that now. I think what we see is that the push of the app on Rx also has an impact on our OTC customers. So the share of customers using the app also for OTC only is increasing. That is what we can see. But to answer your specific question, if customers who use the app for e-Rx are still using the desktop for OTC on that one, we cannot give an answer. Overall, there is a strong push and movement also in the OTC into an app-only. I think that's fair to say, no?

Jasper Eenhorst

Absolutely. And yes, one would say, from a customer perspective, it makes sense to combine with the free delivery that you have established.

Olaf Heinrich

Yes.

JK

Okay, great. Very helpful. Thank you.

Operator

The next question is from OC, UBS. Please go ahead, sir.

OC

Thanks. Good morning, thanks for taking my questions. The first one would be on regulation. We've seen some newsflow around the potential ruling by the ESG. I was just wondering if you could give us a sense of your expectation, maybe in terms of the timing of any regulatory changes if the European Court of Justice were to rule in favour of Rx incentives? That would be the first

question.

Second question, just in terms of looking at the remainder of the year in Germany Rx, the implied guidance is very wide. You only have two months to go, so I was just wondering if you could narrow down the levels you expect for German Rx in the next two months? You've done around 26 million, and 31 million in the last two months, do you see Q4 closer to three times the October number, or should we assume a 20% month-over-month growth rate, which you did in October? Is that too low? If you had any sense of... I know it's precise, but perhaps you have a qualitative answer to that.

And then maybe something, I guess no one really usually asks this, but just seeing as you're a good balance sheet manager, Jasper, your convertible bond is, I believe, callable in January 2026, I was just wondering if it would be fair to assume you look to replace that with another convertible bond? And I just wanted to know if you happen to have, on the top of your mind, the conversion price? I have it somewhere, but I just remember an capital increase last year. So I don't know if there's an update to that number as well?

Olaf Heinrich

Maybe I'll start with the first question, which I actually like a lot, I have to say. So, for those of you who are not so familiar with that one, this is a topmost case in front of the ECJ, and this is about the bonus, but not... You know there has been a 2015 case on the bonus where the European Court of Justice clearly said we are allowed to give a bonus. And this is a follow-up case, asking the question are we allowed to advertise that bonus? So that is the case in front of the ECJ? And the way the ECJ works, there's an oral hearing and all this kind of stuff, and then at one point in time the Advocate General gives a recommendation. And that is what has happened a couple of weeks ago. And at the minute, probably as most of us would have expected the Advocate general gave a recommendation, yes, you are allowed to give a bonus so you are also allowed to advertise this bonus on the pharmacy level, let's put it this way.

And the next step usually after the recommendation of the Advocate General is a ruling of the court. So the ruling of the court, this is an independent court so this, of course, takes into consideration the recommendation of the Advocate General. And there are some numbers out there, like in 80% of the cases, the court follows the recommendation, but doesn't mean anything, because it could also be on the other side, one the 20%.

Usually, if I have it right in my mind, I think the period is four months, maybe something like this, after the Advocate General gave the recommendation. So if that is true, I don't know the

details right now at the European Court of Justice, we could probably expect a ruling, a final ruling, then at the beginning of next year. And, again, the outcome, we don't know, it's up to the court. And once we have a decision from the court, then, of course, we will also see how we will react with this one. But as of now, it's only a recommendation from the Advocate General. Second question, Jasper?

Jasper Eenhorst

Yes. Thanks, OC. In your question, you talked about implicit guidance on Rx, but actually we explicitly say all the time we don't have guidance on Rx. So the medical calculation, it just we didn't intend at the start of the year and not now to give any guidance there. But I think with where we stand now, with over 100% in September, over 100% in October, that's putting a nice floor, I would say, on the expectation for quarter four. And I think that's then the best estimate for the quarter to come. I hope that that's helpful, because to me that would be actually relatively clear what the magnitude is of expectations, everything else remaining the same, in the fourth quarter.

Very good question on the convertible, relevant also, that you asked the question. The bond is due in 2028 at a conversion price, which had a premium of 50% of €233. But indeed, there is an option at the start of 2026. And, yes, of course, we carefully look at the best balance sheet that we have, where, on one hand, we want to create most value for our stake and shareholders, and on the other hand, we want to have the liquidity and a stability to ensure that we can successfully execute our strategy. But at this moment, that goes beyond today's meeting. And when there is something to share which is relevant, then we will share that with the markets. Your question was does that mean that you will replace it with the new convertible bond. That's one of the many options that there are at the moment to manage our balance sheet. As also just disclosed, we have around 200 million also on our balance sheet at the moment, but when the time is there, we will update you on this, yes.

OC

Okay, thank you.

Jasper Eenhorst

Thank you.

Operator

As a reminder, if you wish to register for questions, please press star and one on your telephone. The next question from MZ, JMS Invest. Please, go ahead.

MZ

Thank you for taking my question. Can you hear me?

Jasper Eenhorst

Yes.

MZ

I have a couple of questions. The first one would be regarding the growth margin in the DACH region. It has been 22.7 percentage points, a bit down from Q2 and Q1. Can you please just explain again the mix effect? I understand from MediService

there's been a dilution, of course, but in Q3 I think that was already a clean quarter, so to speak. Now, there is a mix effect between Rx and OTC, Rx is obviously a lower margin, can you please explain how this will basically impact your gross margins in the DACH region, going forward?

Jasper Eenhorst Can you remind me what decline you are referring to exactly? Because there is on the nine-month we showed a decline, and that is mainly because of the full year impact this year of MediService last year, that was, as of mid-May, consolidated. That's up to nine months. And in Q3, actually, compared to Q3, there's only a difference of 0.2%.

MZ I'm just referring to the 106.5, that was your gross margin in the DACH region in Q3. That's 22.7% of your DACH regional sales, and this number has been 23.1% in Q2. Now, it went down. It was slightly up by 0.1 versus last year.

Jasper Eenhorst Yes, then I understand. So it's coming from the interim report not from the presentation, but thanks for the question. Now, there is some impact there. First of all, there's always seasonality in the quarters, but that's not the explanation here. The Rx business is having a good amount of euros gross profit margin. Because of the high value of an Rx, a percentual margin is lower than our average margin. So what you will see when we sell more Rx in Germany, what you are pointing towards, then our gross margin as a percentage of sales will be lower. That's what you're seeing. At the same time, our cost as a percentage of sales, excluding marketing, will be lower, too, because we leverage the costs with a very high average product value. And those to offset.

MZ And will you say, going forward, that the margin there will remain on a stable, let's say, 23% ish, or will this move significantly in either direction?

Jasper Eenhorst No, the expectation is that this one will go down considerably with Rx. At the same time, the S&D will go down significantly with Rx.

MZ Okay, thank you.

Jasper Eenhorst Apart from this mix impact, the structural change that you see in our gross profit margin, apart from that one is that we continue to achieve or find better purchasing conditions. We have better conditions when we have direct sourcing instead of via the wholesale and see a continuing shift over there. We have our platform business, we have retail media, we have our own brands, so many things continue like we did in the past year, to increase the gross profit margins. And of course, you also have the price. So if you have many things achieve the rate improvements and we don't have an end to those improvements, but because of mix, where you will see the same in S&D, but

then with a different side, the gross profit margin in the DACH region as a percentage will come down, yes.

MZ Okay, thank you. Then, the second question would be regarding your KPIs which you report, like number of orders and basket and so on. Are these numbers including all your businesses, so including MediService, or is this just for the DACH region, basically your classical German business?

Jasper Eenhorst So, the KPIs, they need to make sense, so we include all our business. But in this case, on the KPI of the average basket value, we also make clear that MediService is excluded there, because MediService is really having high average order values, and that will totally skew the picture. So if you include MediService, our basket would be much higher on average than the one that we disclose here. So on the average basket value, all our business, excluding MediService.

MZ Okay, cool. Then, you mentioned in the presentation that the 108% growth rate at the end of Q3 or 130 you basically mentioned for October, they are a bit understated because of the GK I think you mentioned. So I wonder if could you please repeat that for me? I didn't get it. I think I didn't understand it. Could you please just repeat it again for me?

Olaf Heinrich Yes, of course, we would love to do so. We have this GKV business in Germany, and PKV. Those are the two different ways to be insured.

Jasper Eenhorst Social and direct, yes.

Olaf Heinrich And the GKV business, which is this statutory health insurance, 90% of the Germans are covered that way, and 10% the private way. This is how the market works. And the e-script has only been introduced so far for the GKV business, which is 90% of the business. And with this e-script, we are able to generate a lot of growth, whereas on this PKVs, so the privately insured business, the 10% share in the market, there the e-scripts have not been introduced. So that means we don't have a huge growth rate on that one.

And since we, as Redcare, also have a share of the businesses privately insured, we don't show that share of the business but we have the share of that business, and as you can imagine, no e-script for that share of the business, so not really a lot of growth on that part. And then that means on the GKV business, which is the 90%, we have a growth rate. And if you combine those two, then you get to the blended more than 130% for October.

And if you assume the privately insured business being almost flat, then the other one has to be higher to come to a blended number like that. And that is what I was trying to explain, saying under the hood in the e-script business, because only GKV is

