



# **ORIFLAME HOLDING AG**

**Second Quarter 2015**

**Investor Presentation**

**13 August, 09:30 CET**

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**Gabriel Bennet, CFO**

**Johanna Palm, Sr. Director IR**

**ORIFLAME**  
SWEDEN



# SECOND QUARTER HIGHLIGHTS

Q2 HIGHLIGHTS

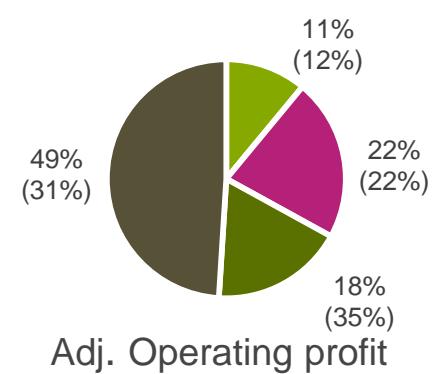
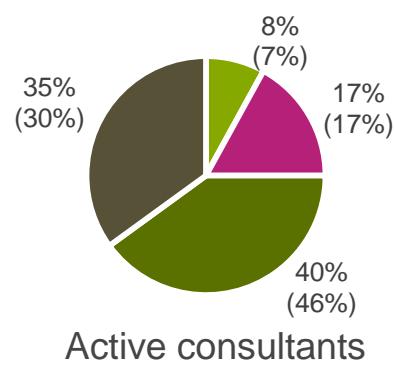
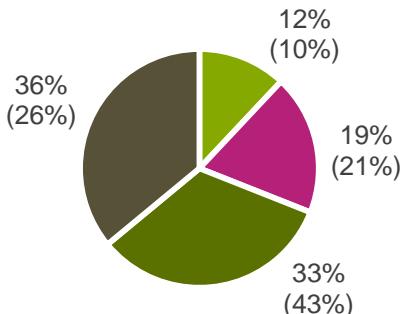
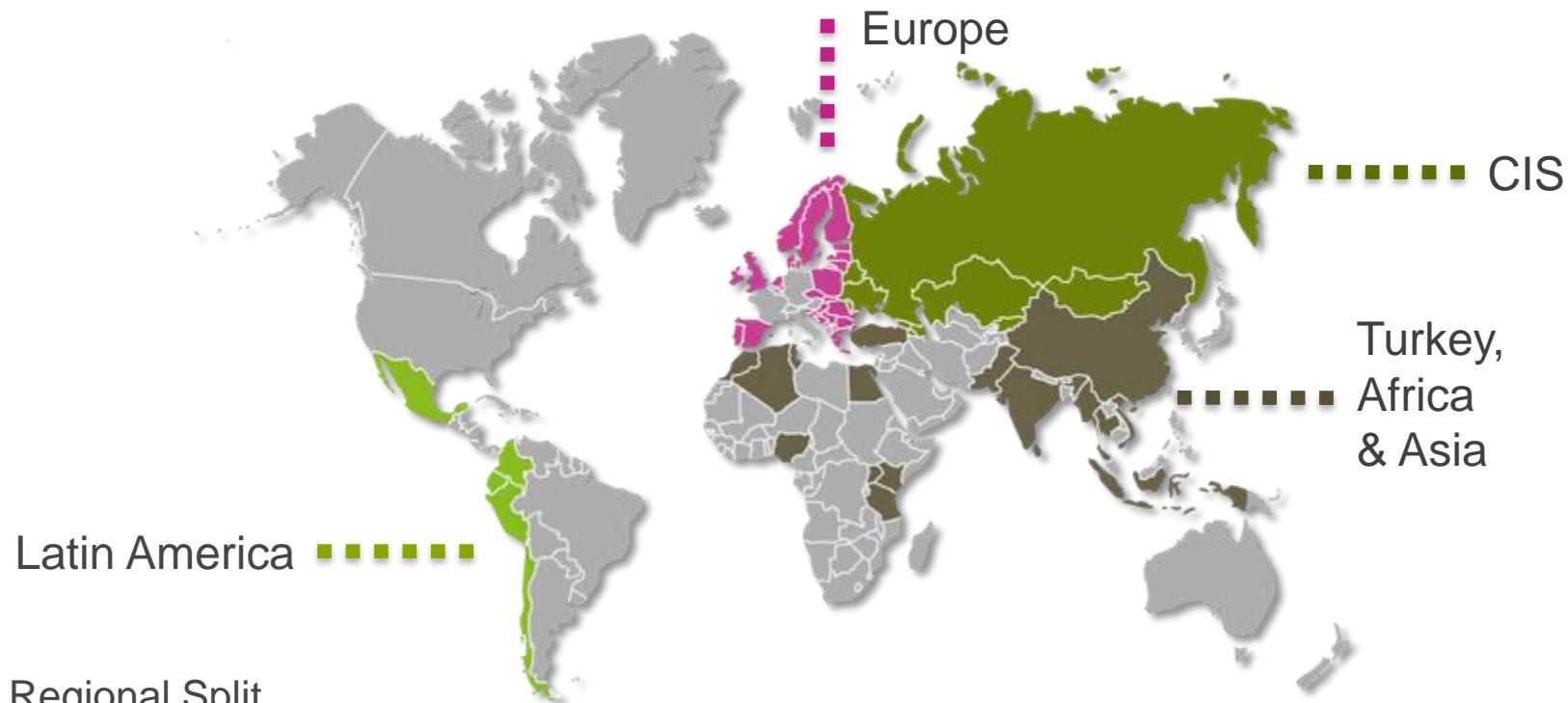
- **Sales** -2% in local currency, -3% in €
  - Strong key growth regions (48% of total sales)
  - Price increases impacting volumes in CIS
  - Q3 update: unchanged YTD and +4% QTD local currency sales
- **Active consultants** -6%
  - Lc productivity +4%
- **Adj. operating margin** 8.3% (8.1%)
  - Currency impact app. -150 bps
  - Adj. net profit €11.9m (€12.1m)
- **Change of domicile** through successful share-for-share exchange



## OPERATIONAL HIGHLIGHTS

- Strategic product categories perform well
  - **Skin Care and Wellness** routine and product sets drive success in Asia and Latin America
- Upgrade of **Giordani Gold** brand
- **New online platform** operational in 44 markets
- **Unit development** a challenge
- Factories in Noginsk and Roorkee **LEED certified**

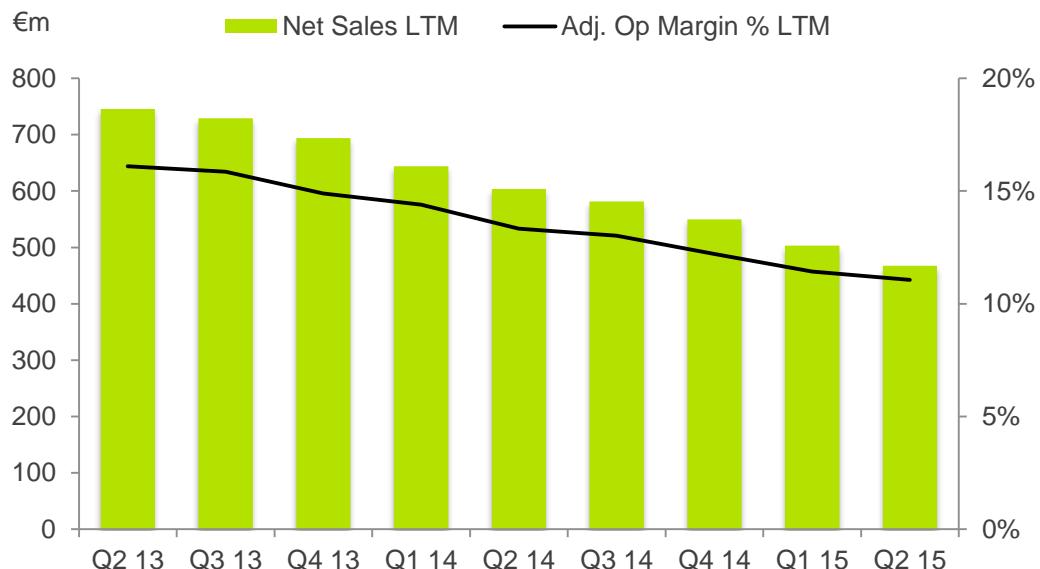
## REGIONS



## CIS

- Sales force and productivity
  - Active consultants -16%
  - Lc productivity +1%
  - € productivity -13%
- Substantial price increases impacting volumes – focus on driving activity in H2
- Russia Lc sales -15%
- Adj. operating margin -240 bps
  - Negative FX and leverage
  - Positive price/mix
  - Lower inventory and impairment provisions

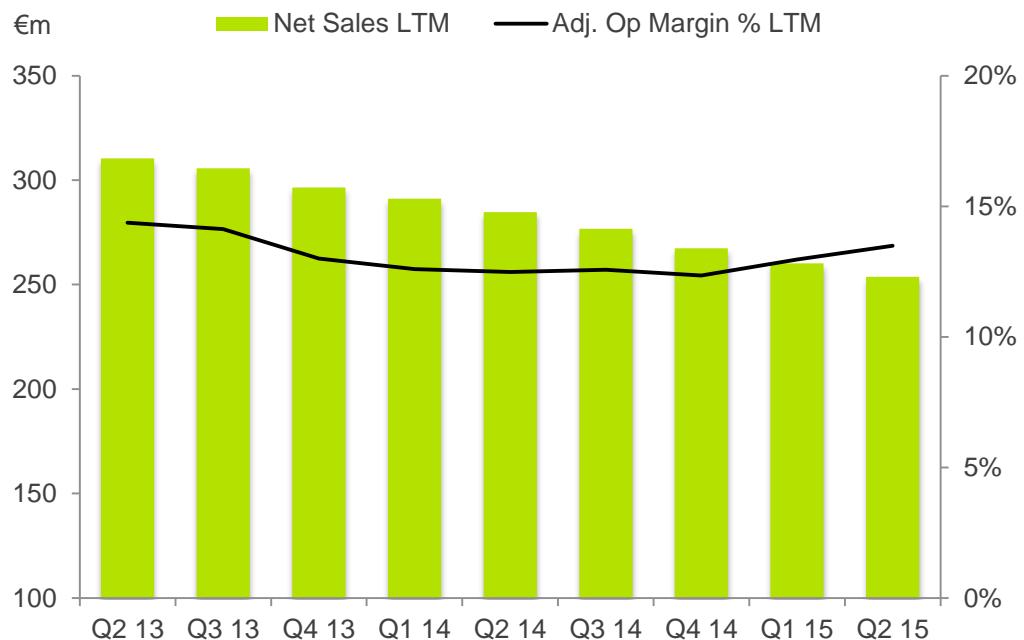
	Q2'15	Q2'14	Change	LTM' 15	YE' 14
Sales, €m	97.4	132.7	(27%)	467.6	549.4
Lc sales	-	-	(15%)	-	-
Adj. operating profit, €m	6.9	12.6	(45%)	51.8	67.1
Adj. operating margin	7.1%	9.5%	-	11.1%	12.2%
Active Consultants '000	1,243	1,477	(16%)	1,243	1,626



## EUROPE

- Sales force and productivity
  - Active consultants -9%
  - Lc productivity -1%
  - € productivity -1%
- Challenging situation in Greece
- Roll-out of Success Plan
- Adj. operating margin +210 bps
  - Timing of sales and marketing cost and other one-offs

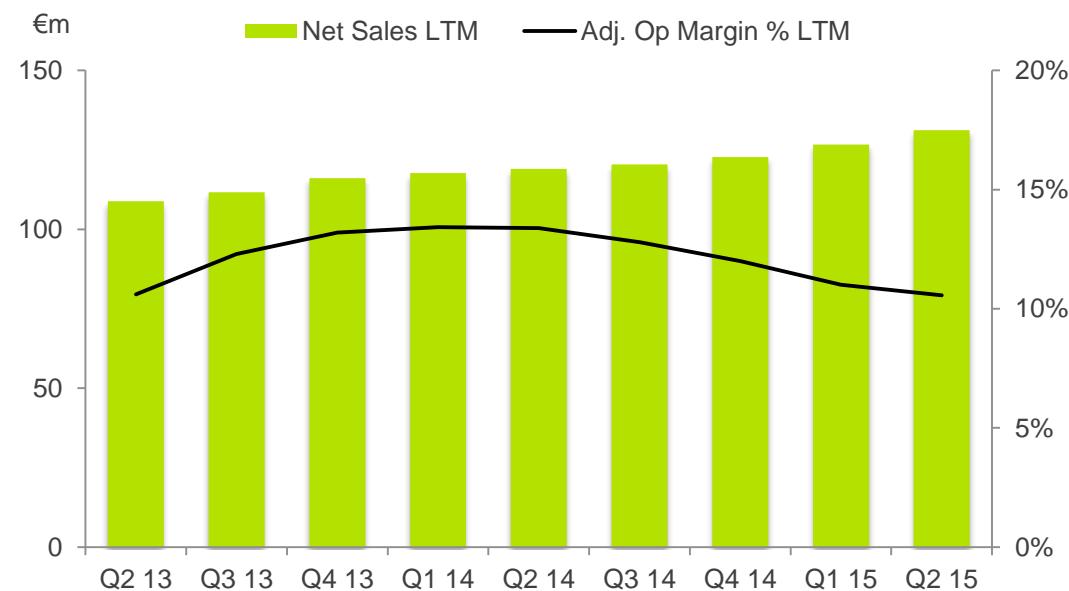
	Q2'15	Q2'14	Change	LTM' 15	YE' 14
Sales, €m	58.7	65.1	(10%)	253.7	267.4
Lc sales	-	-	(10%)	-	-
Adj. operating profit, €m	8.4	7.9	6%	34.2	33.0
Adj. operating margin	14.2%	12.1%	-	13.5%	12.3%
Active Consultants '000	499	547	(9%)	499	589



## LATIN AMERICA

- Sales force and productivity
  - Active consultants -2%
  - Lc productivity +11
  - € productivity +17%
- Strong sales in all markets except Ecuador
- Adj. operating margin -200 bps
  - Larger share of offer sales
  - Negative impact from USD product purchases
  - Underlying margin stable

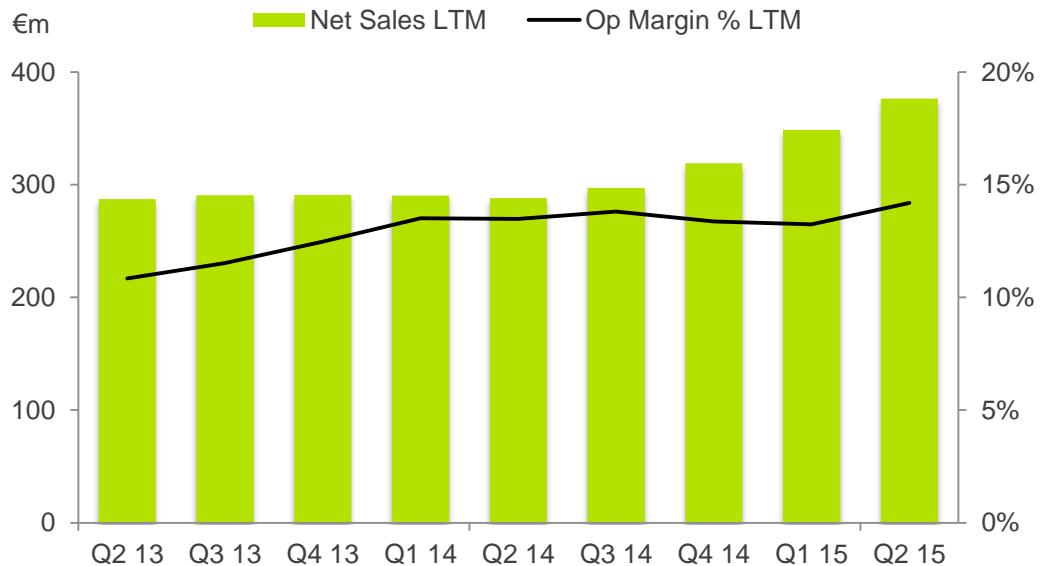
	Q2'15	Q2'14	Change	LTM' 15	YE' 14
Sales, €m	35.7	31.1	15%	131.2	122.7
Lc sales	-	-	9%	-	-
Operating profit, €m	4.1	4.2	(3%)	13.8	14.7
Operating margin	11.4%	13.4%	-	10.6%	12.0%
Active Consultants '000	228	233	(2%)	228	231



## TURKEY, AFRICA & ASIA

- Sales force and productivity
  - Active consultants +9%
  - Lc productivity +11%
  - € productivity +24%
- Strong sales momentum
  - China triple digit growth
  - Strong leaders, Skin Care and Wellness sets and routines, online activity
- Adj. operating margin +320 bps
  - Favourable geographic mix
  - Sales leverage
  - Higher inventory provisions

	Q2'15	Q2'14	Change	LTM' 15	YE' 14
Sales, €m	107.4	79.8	35%	376.4	319.0
Lc sales	-	-	20%	-	-
Operating profit, €m	18.4	11.2	65%	53.4	42.6
Operating margin	17.2%	14.0%	-	14.2%	13.3%
Active Consultants '000	1,053	967	9%	1,053	1,027



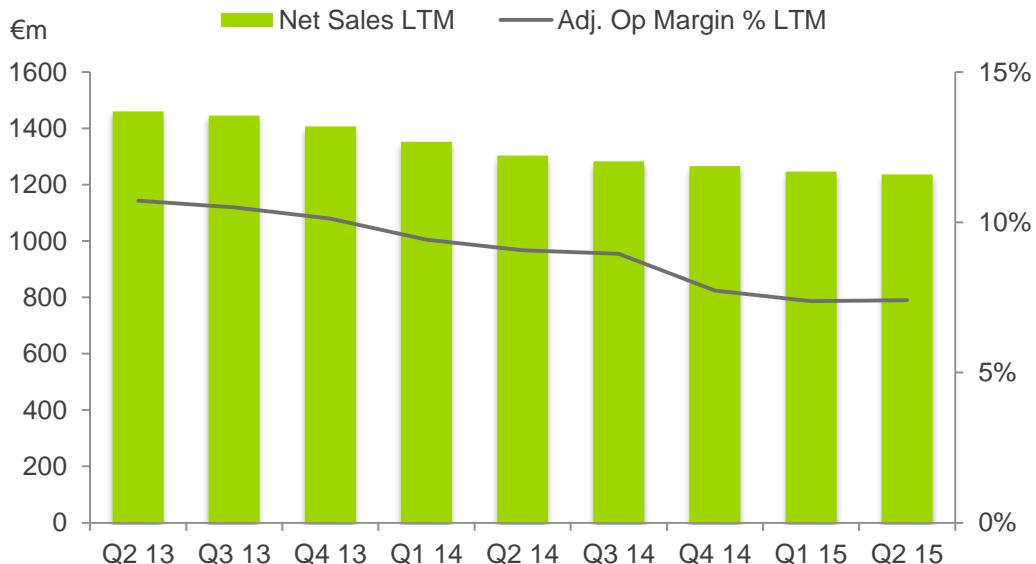


# FINANCIALS

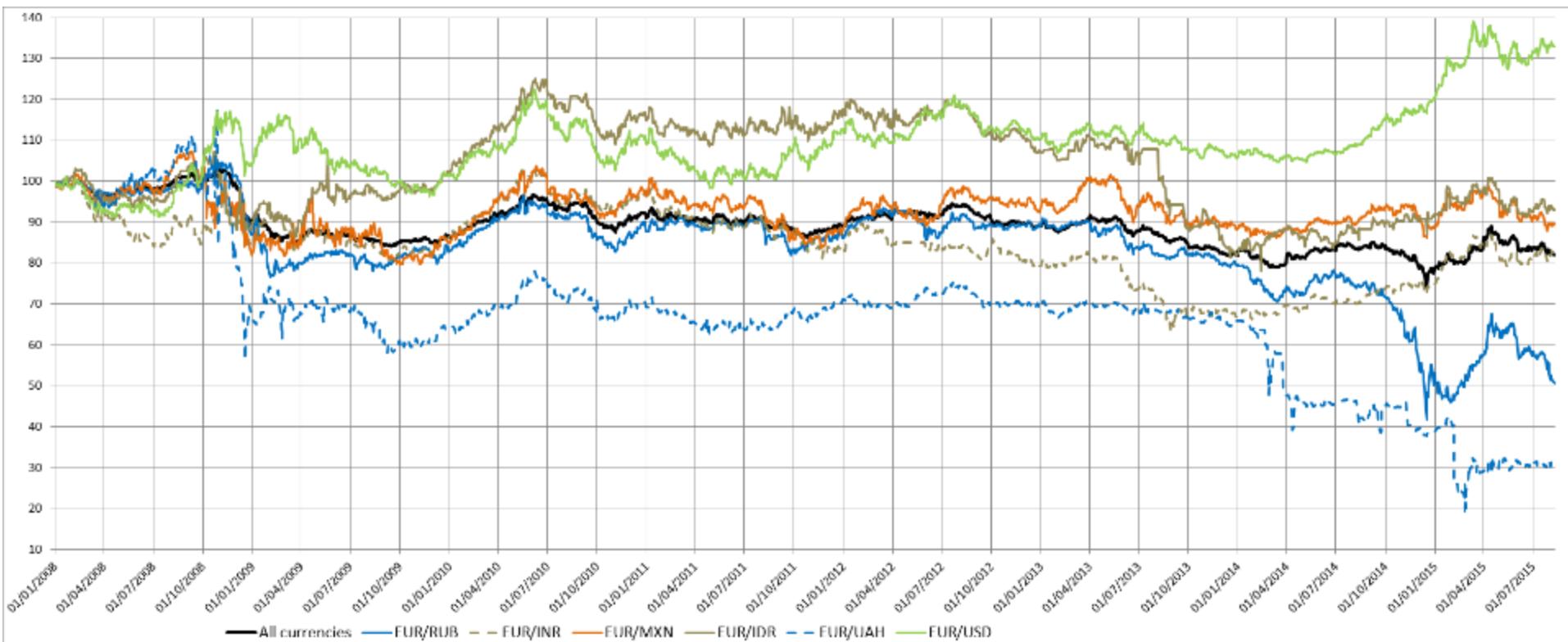
## INCOME STATEMENT

- Extraordinary sales mix
  - Unit sales -16%
  - Price/mix +14%
- Gross margin 70.7% (70.9%)
  - Negative currency effect
  - Positive price/mix
- Adj. operating margin +20 bps
  - Currency impact -150 bps
  - Share incentive plan and bonuses
  - Positive price/mix and hedging
- Adj. net profit €11.9m (€12.1m)
  - Adj. EPS €0.21 (€0.22)
- Pension accounting adjustment of €3.2m booked as non-recurring

	Q2'15	Q2'14	Change	LTM' 15	YE' 14
Sales, €m	301.0	310.4	(3%)	1,237.1	1,265.8
Lc sales	-	-	(2%)	-	-
Adj. operating profit, €m	25.0	25.3	(1%)	91.7	97.8
Adj. operating margin	8.3%	8.1%	-	7.4%	7.7%
Active Consultants '000	3,023	3,224	(6%)	3,023	3,473

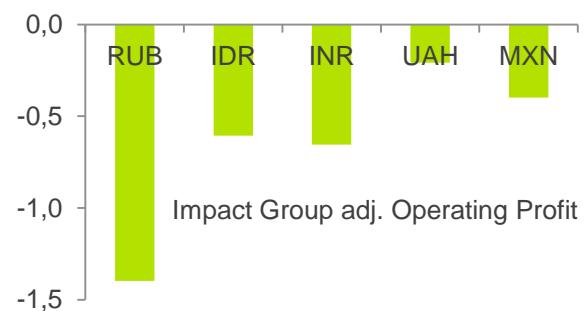


## GROUP CURRENCY IMPACT ON SALES SINCE 2008

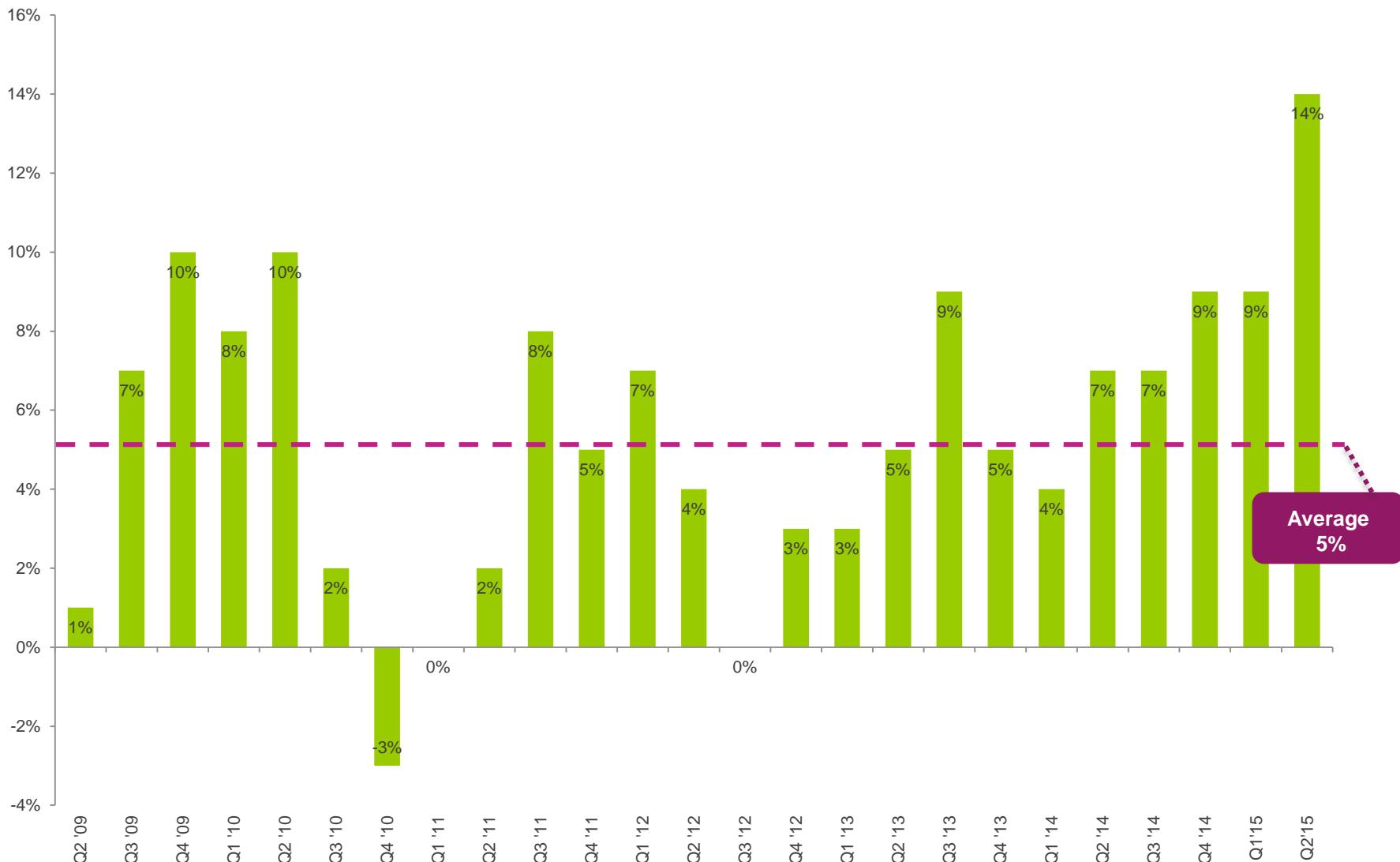


Sensitivity analysis showing the effect on group operating profit from a 1% change of the EUR against the currencies in five of the largest sales markets

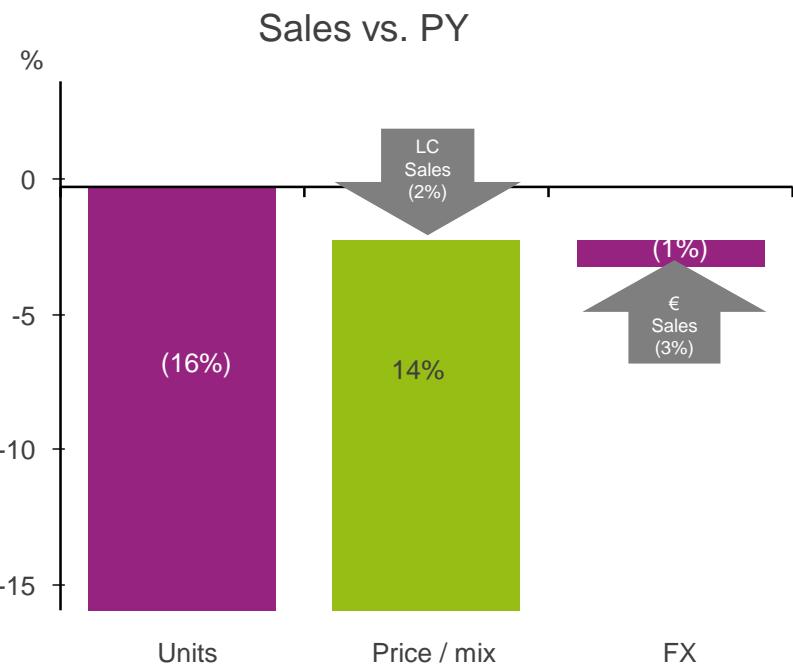
- Russia RUB
- Indonesia IDR
- India INR
- Ukraine UAH
- Mexico MXN



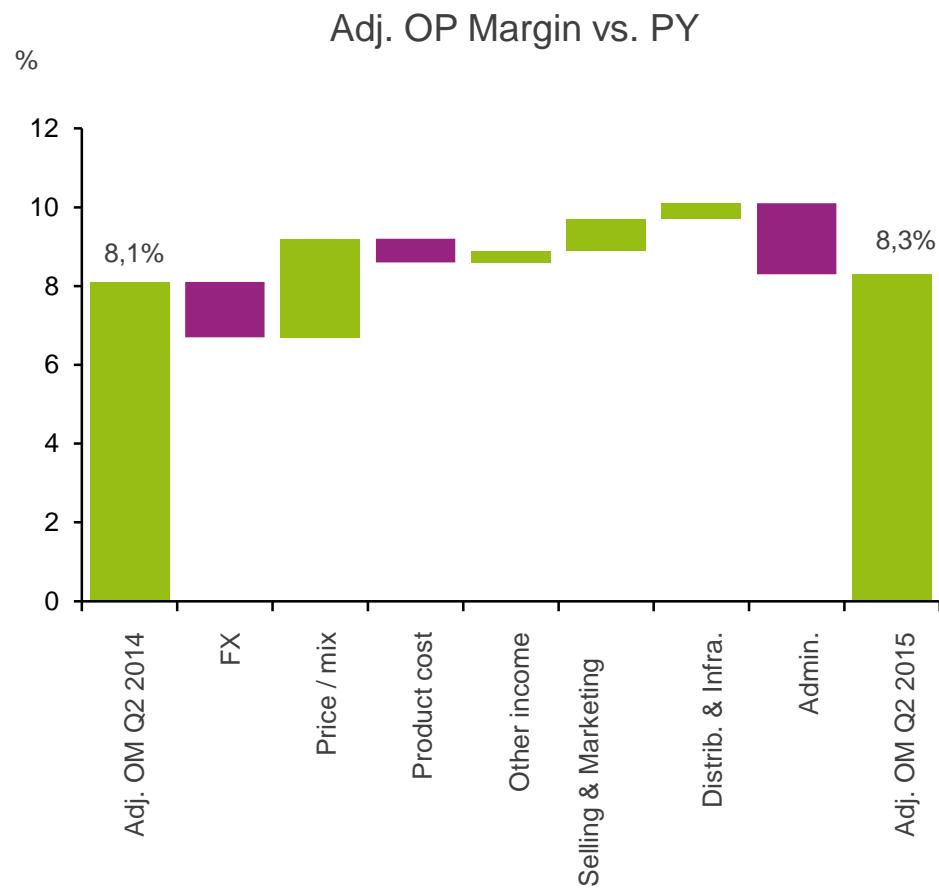
## PRICE/MIX IMPACT ON SALES



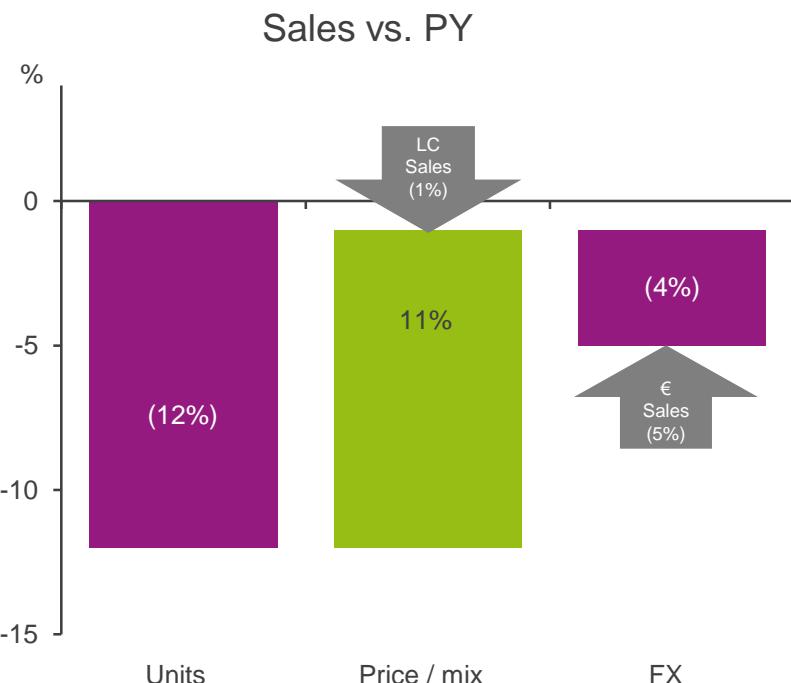
## Q2 SALES AND OPERATING MARGIN ANALYSIS



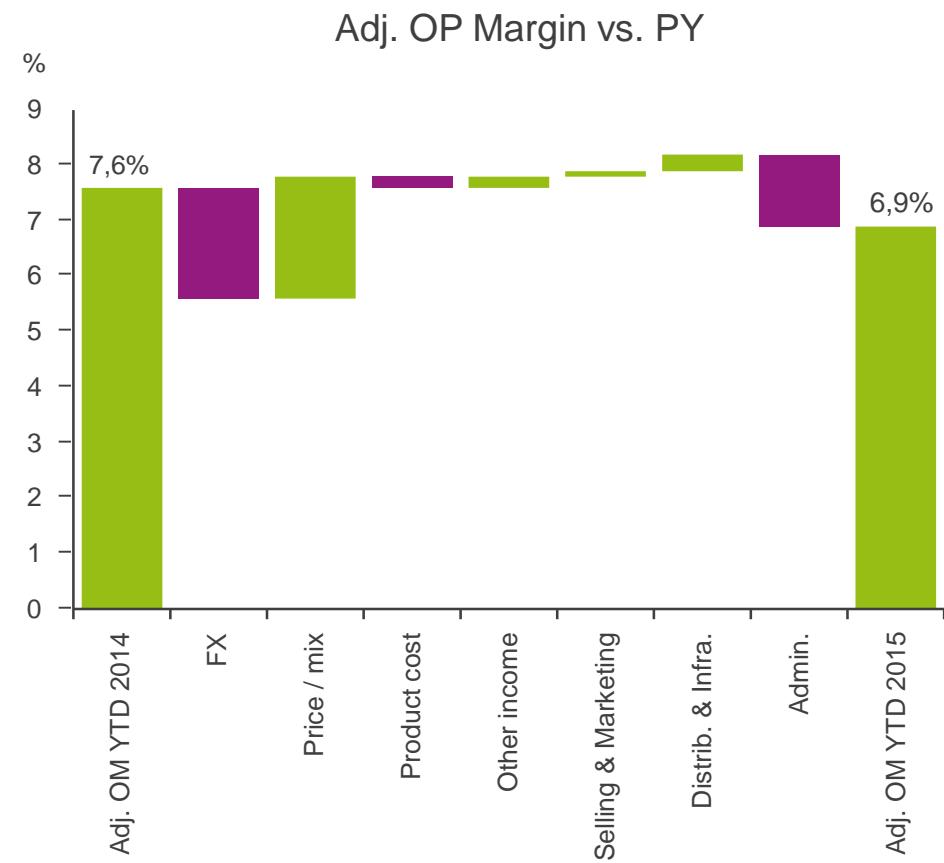
Based on Oriflame estimates



## JAN-JUN SALES AND OPERATING MARGIN ANALYSIS

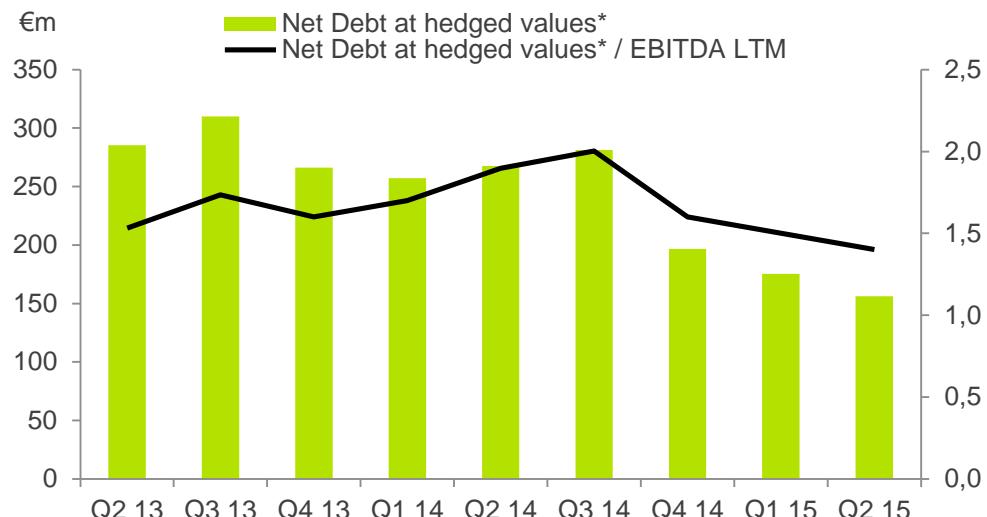


*Based on Oriflame estimates*

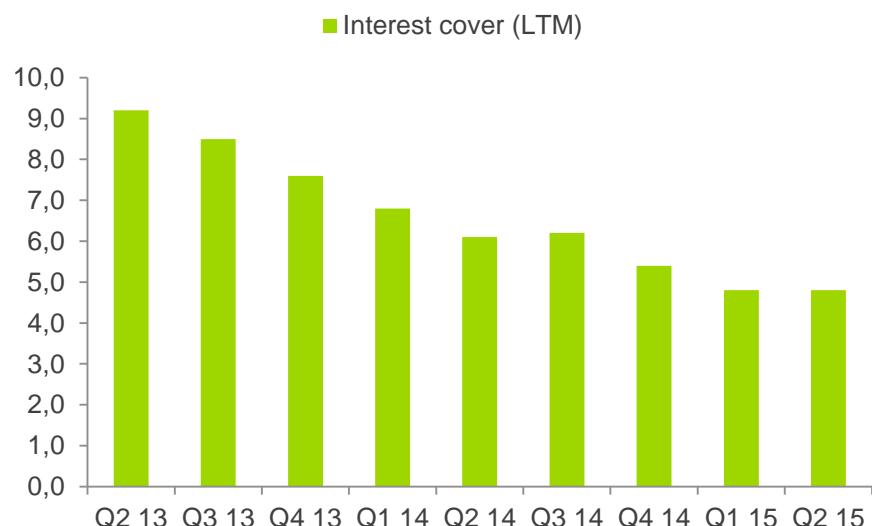


## FINANCIAL POSITION

- Net debt at hedged values €156.2m (€267.7m)
  - Net debt €226.8m (€284.2m)
- Net debt at hedged values/ EBITDA (LTM) 1.4 (1.9)
  - Net debt/EBITDA (LTM) 2.0 (2.0)
- Interest cover (Q2) 5.3 (4.7)
- Interest cover (LTM): 4.8 (6.1)
- Successfully aligned covenants and new Revolving Credit Facility in place
- Repayment of 25 MUSD private placement notes

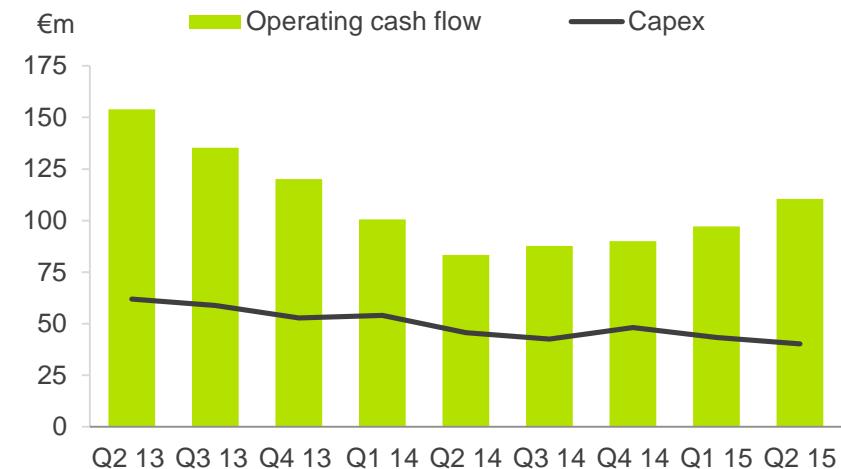


\* Adjusted for fair value movements of the USD private placement notes



## CASH FLOW

	Q2'15	Q2'14	LTM'15	YE '14
Net profit before income tax, €m	15.8	18.2	70.6	74.2
Op. profit before changes in wc, €m	30.3	34.3	91.4	92.9
Increase in working cap. and provisions, €m	5.9	(9.6)	63.3	44.8
Operating CF, €m	25.3	12.0	110.5	90.0
CF Investing Activities, €m	(5.3)	(8.4)	(1.7)	(6.0)



Q2 operating cash flow €25.3m (€12.0m)

- Net profit before tax €-2.4m
- Non-cash items in net profit before tax €-1.5m
- Impact from changes in working capital and provisions €+15.5m
  - Inventories €-7.9m
  - Receivables, prepaid exp., asset derivatives €+27.2m
  - Payables, accrued exp., provisions, liability derivatives €-3.8m
- Interest, charges, taxes €+1.7m



A photograph of two young women laughing and looking at a laptop screen. The woman on the left is wearing glasses and a white shirt, with her hand to her chin. The woman on the right is wearing a grey tank top. They are outdoors in a sunny, green setting.

# CONCLUSIONS AND GOING FORWARD



## CONCLUSIONS

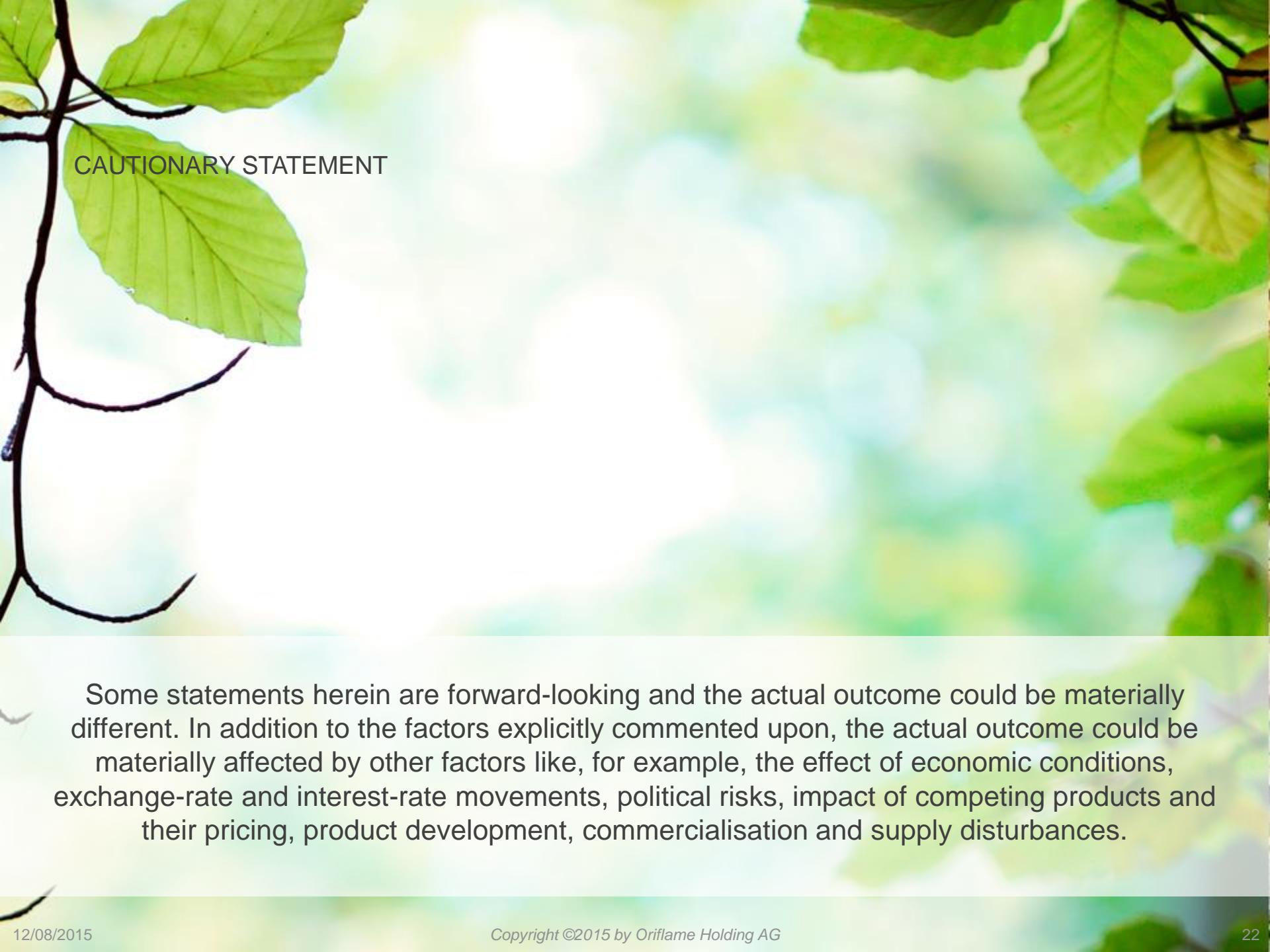
- Strong performance in **key growth regions**, 48% of Group sales
  - **Strategic product categories** drive sales
- **Gross margin**
  - Significant price increases with impact on volumes primarily in CIS
  - Leverage challenge
- Continuous **efficiency improvement measures**
- **Successful change of domicile**



## LOOKING FORWARD

- Rapid change of geographic footprint
- Pursuing our strategy
  - Brand
  - Product culture
  - Business opportunity
  - Sustainability
  - Digitalisation





## CAUTIONARY STATEMENT

Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors like, for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialisation and supply disturbances.