NATUR HOUSE
Expertos en Nutrición y Dietética


# 3Q16 Results

*31 October 2016*

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Expertos en Nutrición y Dietética

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# Main Figures

***"Focus on the Sales department as the foundation for boosting our sales, which continue to grow at a significant rate (+3.4% vs 3Q15)"***

***2,238 centres, 44 more than the guidance forecast for 2016.***

***Sales continue to develop at a significant pace, boosted by the positive behaviour of the 4 main countries and especially Italy and Poland.***

***Net profit up 1% to €18.85 million.***

***Net cash position of €17.5m, after paying out €16.95m in dividends in 2016.***

***We are extending the commitment to maintaining the EBITDA margin between 30% and 35% and the payout ratio above 80% to 2017.***

| | 3Q15 | 3Q16 | % |
|---|---|---|---|
| **Sales** | **74.121** | **76.614** | **3,4%** |
| **EBITDA** | **27.004** | **27.063** | **0,2%** |
| ***EBITDA Margin*** | ***36,4%*** | ***35,3%*** | |
| **Net Income** | **18.665** | **18.850** | **1,0%** |
| **Centres** | **2.123*** | **2.238** | **115** |
| **Countries** | **29*** | **32**** | **3** |
| **Net Cash Position** | **14.940*** | **17.484** | **17,0%** |

In Thousand of euros

* As of end 2015

** Malta, Hungary & india masterfranchises

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# Highlights

- **Sales increased by 3.4% to €76.6m, maintaining the growth rate registered to June 2016, given that the 4 main countries continue to show positive growth rates. This improvement in revenues is down to:**

  - ✓ The company's increased efforts in the Sales and Marketing departments, which have been provided with increased resources in 3Q16.
  - ✓ The strategy of entering shopping centres, which increases visibility for our business. They are also a showcase for new franchisees and customers.
  - ✓ The positive rate for centre openings, with the numbers once again highlighting how attractive our franchises are and the potential of our brand**.**

**In terms of centre type, sales to franchises continue to grow. Meanwhile, sales from directly-owned stores have increased slightly for this first time this year, due to the progress shown by this centre type in Italy and France.**

- **Gross margin stood at 70.6%, slightly higher than the figure for the same period last year.**

- **EBITDA stands at €27.06m, slightly higher than the amount registered for the same period last year (0.22%). EBITDA in 3Q16 was affected by:**

  - ✓ Increased rental expenditure from our heightened presence in shopping centres in the Group's main countries.
  - ✓ The sales department has been strengthened with senior profiles who joined in 3Q16.
  - ✓ Increased expenditure in advertising in 3Q16 vs 3Q15.
  - ✓ Logistics outsourcing in Spain from 1 July, which has led to non-recurring costs of €0.18m.
  - ✓ The negative effect of EBITDA figures in new markets, especially USA .

- **EBITDA margin of 35.3%, once again higher than the industry average and in the upper part of the guidance for 2015-16.**

- **Net income stands at €18.85m, 1% above the amount registered in 3Q15.** As shown in the results for 1H16, Ichem's contribution is lower than in 3Q15, due to an adjustment in the estimate made for 2015 as a whole.

- **New record for centre numbers (2,238 vs 2,123 at end 2015), after opening 24 centres in 3Q16 and 115 so far this year (44 more than the amount stated in the guidance for 2015-16).** Once again, openings in France (+37) and Poland (+56) stand out. Italy has grown once again in centre numbers (+19) and Spain loses 14 centres as a result of unsatisfactory centre openings in some regions, which offset the positive growth in the central and northern regions. We remain optimistic about reversing this trend in the Spanish market over the forthcoming quarters.

- **3Q16 ended with a net cash position of €17.5m after paying out €16.95m in dividends and reducing the financial debt by €1.6m (-33,7% vs end 2015).** These figures once again highlight the company's cash generation ability and its clear commitment to maximising shareholder remuneration.

- **The company commits to maintaining the payout above 80% in 2017, while also maintaining the EBITDA margin within the 30-35% range.**

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# Profit & Loss Account

| | 3Q15 | 3Q16 | Growth (%) |
|---|---|---|---|
| **Total Sales** | **74.121** | **76.614** | **3,4%** |
| **Procurements** | **-21.839** | **-22.502** | **3,0%** |
| **Gross profit** | **52.283** | **54.111** | **3,5%** |
| *Gross profit margin* | *70,5%* | *70,6%* | |
| **Personnel** | **-13.626** | **-13.936** | **2,3%** |
| **Other operating expenses** | **-12.062** | **-13.429** | **11,3%** |
| **Other Income** | **410** | **317** | **-22,6%** |
| **EBITDA** | **27.004** | **27.063** | **0,2%** |
| *EBITDA Margin* | *36,4%* | *35,3%* | |
| **Amortization & Impairments** | **-1.032** | **-1.102** | **6,7%** |
| **EBIT** | **25.972** | **25.962** | **0,0%** |
| *EBIT Margin* | *35,0%* | *33,9%* | *-1%* |
| **Financial results** | **-63** | **102** | **ns** |
| **Share of profit (loss) of associated (Ichem)** | **745** | **648** | **-13,0%** |
| **EBT** | **26.654** | **26.712** | **0,2%** |
| **Taxes** | **-8.065** | **-7.872** | **-2,4%** |
| **Minorities** | **76** | **11** | **-85,4%** |
| **Net profit** | **18.665** | **18.850** | **1,0%** |
| *Net profit margin* | *25,2%* | *24,6%* | |

*In thousands of euros*

* EBITDA definition: Operating Results + Amortization of fixed assets + Impairment and income from disposal of fixed assets

# Sales

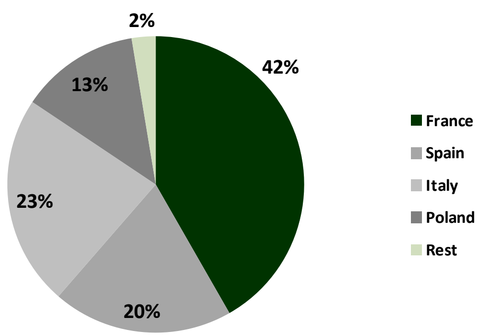
## Positive growth of the international division (+4.1% vs 3Q15)
## Spain continues to show a positive evolution in sales

### Sales according to country

| | 3Q15 | 3Q16 | Growth (%) |
|---|---|---|---|
| **France** | 31.870 | **31.968** | 0,3% |
| **Spain** | 14.971 | **15.057** | 0,6% |
| **Italy** | 16.778 | **17.627** | 5,1% |
| **Poland** | 8.459 | **9.962** | 17,8% |
| **Rest** | 2.043 | **1.999** | -2,2% |
| **Total** | **74.121** | **76.614** | **3,4%** |
| **International Segment** | **59.150** | **61.556** | **4,1%** |

*In thousands of euros*

### Contribution of sales according to country




**France:**
✓A slow-down in growth due to a weak July. Sales climbed back up again in August and September.
✓Sales and marketing departments strengthened to push sales. Focus on capturing new customers and implementing a customer recovery campaign.
✓We continue to see interest from potential new franchisees.

✓**Spain:**
✓3Q16 has been affected by the change in logistics operator at the beginning of July, which led to franchisees having an increased amount of stock in June, with the subsequent impact on sales.
✓Furthermore, even though the biggest areas in Spain are showing sustained growth, there are others (such as the southern region) where recovery is slower.
✓Increased sales with fewer centres (-*11 vs end 3Q15*)
✓We remain optimistic about Spain's recovery in 2016. We hope to see a recovery in centre numbers in the coming quarters.

**Italy:**
✓Sales growth continues to increase this quarter once again, due to improved sales by franchises and directly-owned stores.
✓Positive growth in Italy highlights that the measures undertaken by the company to boost sales (*directly-owned stores in shopping centres and strengthening the sales and marketing departments*) are the right ones.

**Poland:**
✓Poland will continue to be one of the Group's growth drivers.
✓The market, once again, has shown excellent development in sales (*+17.8% vs 3Q15*) thanks to further new centre openings *(+56 vs end 2015*).

**Rest:**
✓United Kingdom: We expect to open the 2nd store in the coming months.
✓Germany: 3rd directly-owned store opened and a country manager has been recruited to drive the business' growth.
✓USA: 2nd store opened in a Miami shopping mall, as forecast.
✓Master franchises: negotiating with new countries.

EBITDA

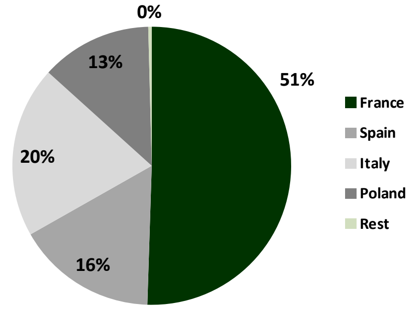
**Focus on boosting sales, strengthening the sales department (*human resources and advertising*) and outsourcing some services in order to provide the company with greater security and flexibility**

**EBITDA according to country**

| | 3Q15 | 3Q16 | Growth (%) |
|---|---|---|---|
| **France** | 14.065 | **13.778** | -2,0% |
| **Spain** | 4.418 | **4.443** | 0,6% |
| **Italy** | 5.586 | **5.436** | -2,7% |
| **Poland** | 2.957 | **3.516** | 18,9% |
| **Rest** | -21 | **-110** | -423,8% |
| **TOTAL** | **27.005** | **27.063** | **0,22%** |
| **International Seg** | **22.587** | **22.620** | **0,1%** |

*In Thousands of euros*

**EBITDA contribution according to country**




**EBITDA stands at €27.06m, slightly more than the amount obtained in the same period in 2015**.

- ❑France: EBITDA falls -2% due to increased advertising spend in 3Q16 vs 3Q15 and the weakness of the business in July. Sales performance in France in August and September was higher than the figure registered to the end of June 2016.

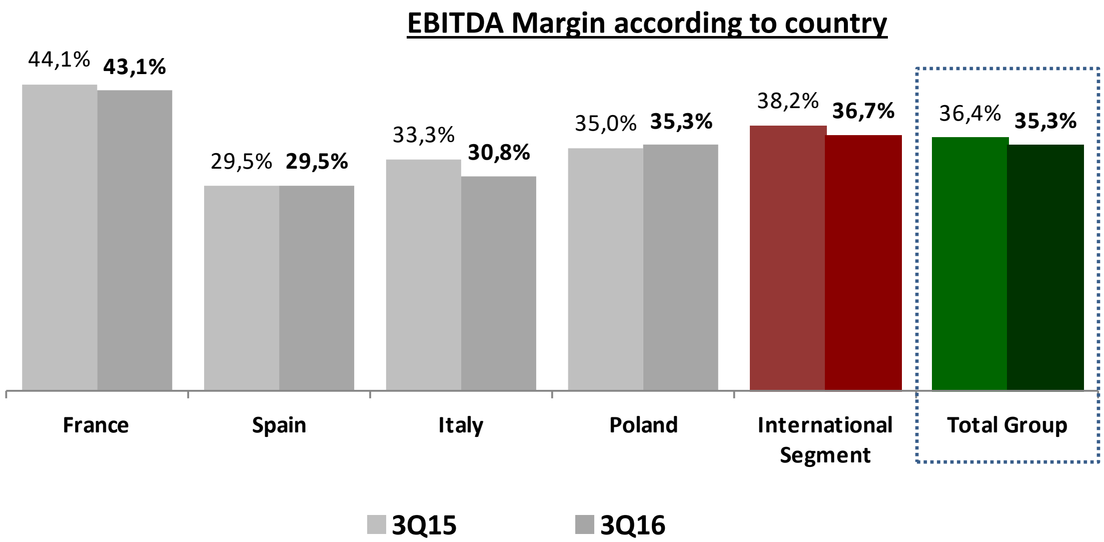
- ❑EBITDA in Spain is increasing in line with sales, in spite of having been affected by non-recurring costs arising from outsourcing the logistics service. Without these costs, EBITDA would have increased by +4.6%.

- ❑EBITDA performance in Italy is still affected by increased rental costs, the adjustment from the reassigning of corporate expenses and especially by an advertising campaign undertaken in 3Q16, which cost more than the amount spent on advertising in 3Q15.

- ❑Positive EBITDA performance in Poland (+18.9%), which is evolving at a higher rate than sales.

# EBITDA Margin

**EBITDA margin of 35.3%, above average for the industry and above the upper threshold of the guidance for 2015-16 (30%-35%). We are also maintaining our commitment to keeping the EBITDA margin within the 30-35% range in 2017.**




- France maintains its EBITDA margin at a high level, in spite of it falling slightly vs 3Q15, mainly due to the aforementioned negative effect of July and increased expenditure on advertising and marketing compared to the figure for 3Q15.

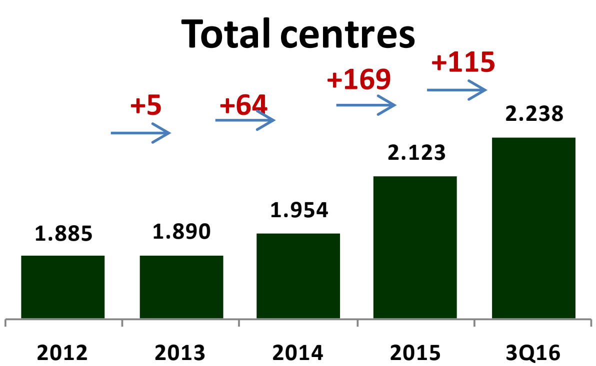
- The EBITDA margin in Spain stands at 29.5%, in line with amount registered for the same period last year, in spite of non-recurring costs arising from outsourcing the logistics service.

- A fall in the EBITDA margin in Italy, due to increased rental expenses, the effect of reassigning corporate costs and increased expenditure on advertising and marketing in 3Q16 vs 3Q15.

- Improved EBITDA margin in Poland, due to an increase in sales (+28% in 3Q16 alone).

# Naturhouse Centres

**2,238 centres, <u>44 centres more than the guidance for the whole year</u>**
**+24 net openings in 3Q16, and 115 at end 3Q16**
**We continue to grow thanks to the opening of new franchises/master franchises (+106 vs 9 directly-owned stores)**



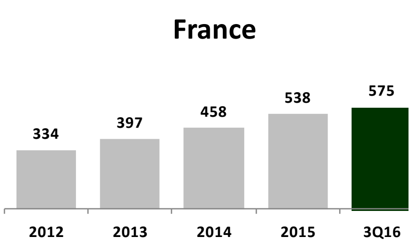

**Breakdown of net openings:**

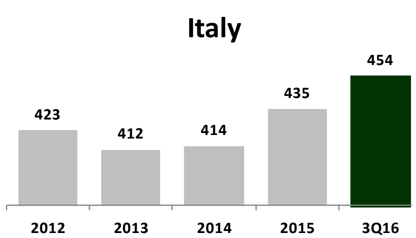
**+115**
- **+92 new franchises**
- **+14 new master franchises**
- +9 directly-owned stores

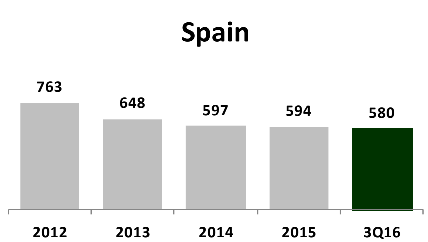
74% of centres located outside Spain.

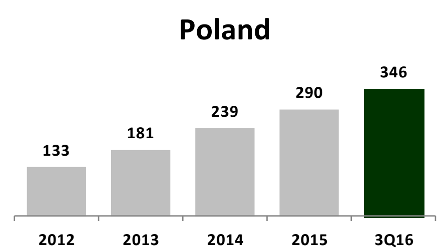
✓**France (+37) and Poland (+56)** continue to show their strength in terms of net openings.
✓**Italy opened 9 centres in 3Q16, reaching 19 openings so far in 2016**
✓Spain has lost 14 centres so far this year, after a weak 3Q16 due to the fact that the pace of Spain's recovery varies between the north and south, with the north being stronger.
✓**14 new master franchise centres (+2 in 3Q16), reaching a total of 191 centres worldwide.**

**1,875 centres are franchises, 172 are directly-owned centres and 191 are master franchises**



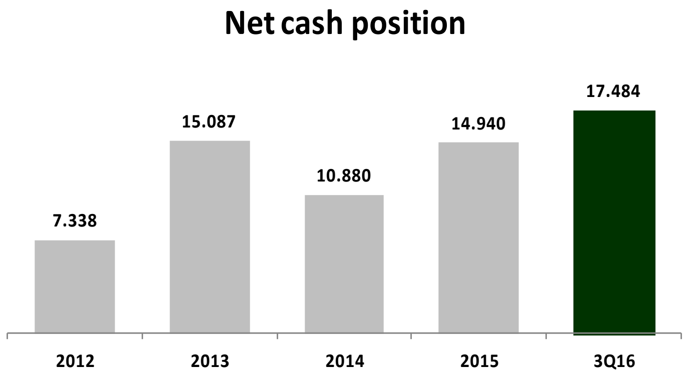




**Net Openings**

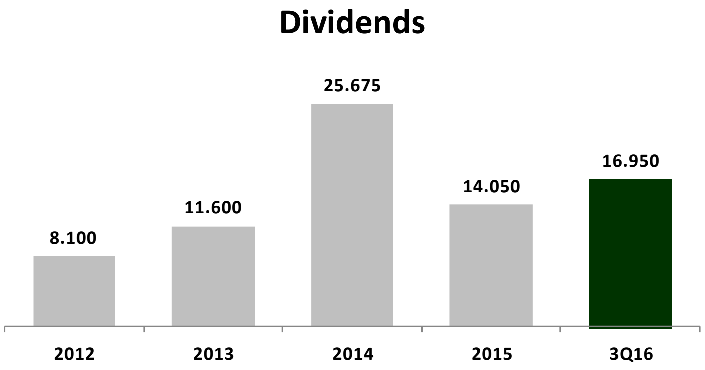
| France | Italy | Spain | Poland |
|---|---|---|---|
| 37 | 19 | -14 | 56 |

# Net Cash Position & Dividends

***We extend our commitment to maintaining our payout above 80% in 2017***




*Figures in thousands of euros*




*Figures in thousands of euros*
*Note 1: Data from 2012, 2013 and 2014 include SAS Naturhouse in all periods*

- **Our net cash position at the end of 3Q16 stands at €17.5m,** which is a 17% increase vs the amount at the end of 2015. It is important to highlight that this amount was obtained after having paid out €16.95m in dividends.

- **The dividends paid out in 2016 once again highlight the company's cash generation ability and its clear commitment to maximising shareholder remuneration.**

- **The company maintains its commitment to providing a payout of more than 80% in 2017.**

* Net Cash Position: Cash & Equivalents –current debt- non current debt

# Balance Sheet

| | 2015 | 3Q16 |
|---|---|---|
| Intangible assets | 2.193 | 1.891 |
| Property, plant & equipment | 5.025 | 4.884 |
| Non current financial assets | 813 | 836 |
| Investment in associated companies | 3.140 | 3.205 |
| Deferred tax assets | 369 | 342 |
| **Non current Assets** | **11.540** | **11.158** |
| Inventories | 3.541 | 4.251 |
| Trade receivables | 5.542 | 7.146 |
| Other current assets | 876 | 840 |
| Financial assets | 42 | 42 |
| Cash & equivalents | 19.830 | 20.722 |
| **Current assets** | **29.831** | **33.001** |
| **TOTAL ASSETS** | **41.371** | **44.159** |
| **Equity** | **22.016** | **23.816** |
| Non current provisions | 1.044 | 1.296 |
| Non current borrowings | 2.930 | 3.228 |
| Deferred tax liabilities | 478 | 333 |
| **Non current liabilities** | **4.452** | **4.857** |
| Current borrowings | 1.960 | 10 |
| Financial liabilities with related companies | 1.445 | 1.445 |
| Suppliers | 4.776 | 4.044 |
| Suppliers related companies | 4.424 | 5.230 |
| Current tax liabilities and other payables | 2.298 | 4.757 |
| **Current liabilities** | **14.903** | **15.486** |
| **TOTAL LIABILITIES** | **41.371** | **44.159** |

*In Thousands of euros*

- **Net cash position of €17.5m at the end of 3Q16 after having:**
  - ✓ **Reduced our gross financial debt by 34% vs end of 2015 *(-€1.6m).***
  - ✓ **Paid €16.95m in dividends so far in 2016.**

# Conclusions

## *We continue to grow*

**Sales: +3.4%; €76.61m**
**EBITDA: +0.22%; €27.06m**
**EBITDA Margin: 35.3% vs 30-35% for 2015-16 guidance**
**Net income: +1%; €18.85m**

## *While the Spanish and Italian markets are recovering*

**Spain: +0.6% vs -9.6% in 3Q15**
**Italy: +5.1% vs -7% in 3Q15**

## *After exceeding the 2015-16 guidance for net openings by 18% (+44 centres), 3 months ahead of time*

**2,238 centres in 30 countries (present in 32 countries)**
**115 openings at the end of 3Q16**

## *And maintaining a solid balance sheet*

**Net cash position of €17.5m, 17% more than at the end of 2015, after paying out €16.95m in dividends.**

## *We can maintain high dividend yield rates (5.5%)**

**€0.0825/share paid on 4 May 2016.**
**€0.20/share paid on 15 September 2016.**

## *And be optimistic about the Group's growth over the coming quarters*

**Measures implemented to boost sales through the recruitment of senior sales profiles and more efficient management of advertising and marketing, adapted to the new needs of the market (focusing on online).**

**Outsourcing of some services in order to improve their quality and provide the Group with greater flexibility.**

*Calculated based on Naturhouse's closing price at 30 September 2016 (€5.09/share) and using the two aforementioned dividends as a reference (4 May 2016 and 15 September 2016)

## Material Facts for the period

- 20 January 2016: Net openings 2015
- 26 February 2016: Publication of 2015 results
- 26 February 2016: Publication of final dividend 2015
- 26 February 2016: The company issues its Annual Corporate Governance Report for 2015
- 26 February 2016: The company issues the Annual Report on Board Members' Remuneration for 2015
- 15 March 2016: Announcement of General Shareholders' Meeting 2016
- 16 March 2016: Liquidity contract 15-12-2015 to 15-3-2016
- 21 April 2016: Agreements adopted by the General Shareholders' Meeting 2016
- 22 April 2016: Publication of first quarter 2016 results
- 16 June 2016: Liquidity contract 15-3-2015 to 15-6-2016
- **20 July 2016: Net openings 1H16**
- **26 July 2016: Publication of 1H16 results**
- **26 July 2016: Publication of interim dividend 2016**
- **26 July 2016: Changes in the Board of Directors**
- **16 September 2016: Liquidity contract: 15-6-2016 to 15-9-2016**

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