

# elumeo

**The leading electronic retailer for  
gemstone jewelry in Europe**

FY 2019 Earnings Call 4.5.2020



## Summary of key developments

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- elumeo has been able to continually improve its operating performance in 2019. After a challenging first six months the new supply chain started to deliver significant improvements
- Gross Profit in 2019 rose by 11% to € 21.8m and operating cost was reduced by 22% to € 25,3 m. EBITDA of the continued operations was improved by more than € 8m to € -2,1 m
- In Q4 2019 elumeo returned to profitability with a positive EBITDA for the continued operations of € 8 thousand, the core German operations had a positive EBITDA of € 257 thousand
- elumeo's webshops delivered an increasing contribution to the overall result by growing 18% in revenue and 35% in gross profit while reducing marketing spending by 20%.
- In 2020 elumeo has taken extensive action in order to mitigate the impact of the COVID 19 crisis



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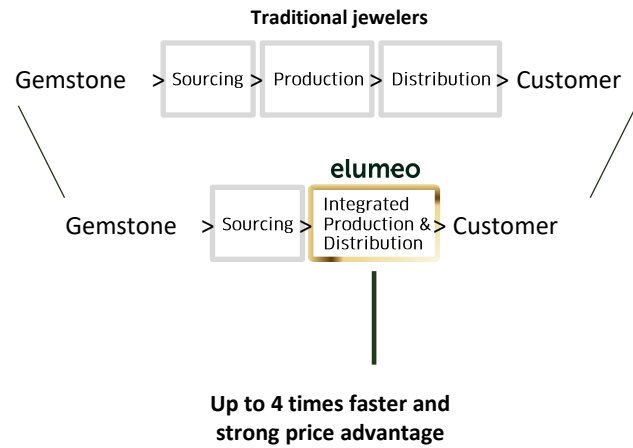
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1	elumeo at a glance
2	Key developments in 2019
3	Financials FY 2019
4	Outlook for 2020 and COVID 19 crisis



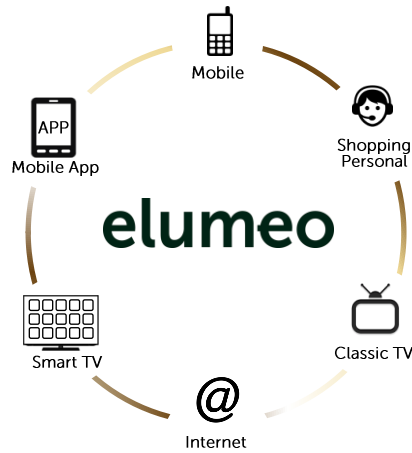
# elumeo's business model is founded on three pillars

Vertically integrated and scalable value chain



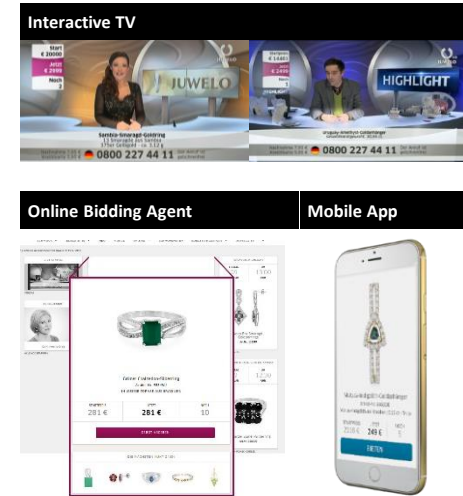
Fast reaction times and low production cost

Multiple electronic distribution channels



Presence in all electronic distribution channels

Live and interactive sales features



Video content transports both facts and emotion



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## Focus in 2019 was on three main topics: Margin, Cost and Online Expansion

### Objective in 2019

### Key Developments

#### Improve Margin

- Improve Gross Margin and increase gross Profit by € 5 m

- New supply chain has been established with 28 new factories from China, India and Thailand
- Increase of gross profit by € 2.2m fell € 2.8 m short of target, second half of 2019 already much improved

#### Reduce Cost

- Reduce operating cost by € 6m

- Operating cost in Europe reduced by € 5.6 m, total cost reduction € 7.1 m

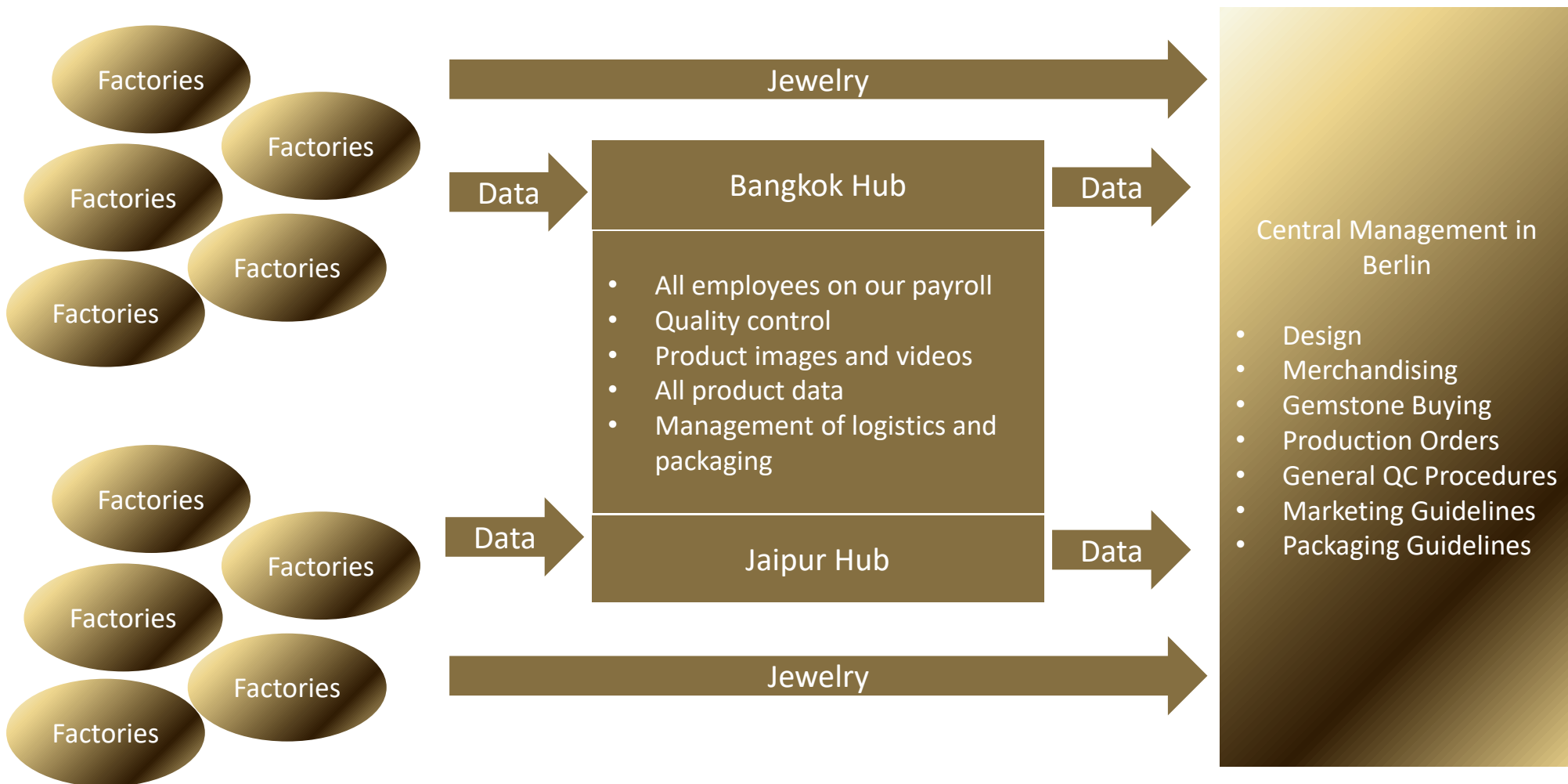
#### Grow Online

- Make leap in online development and improve webshop across all dimensions

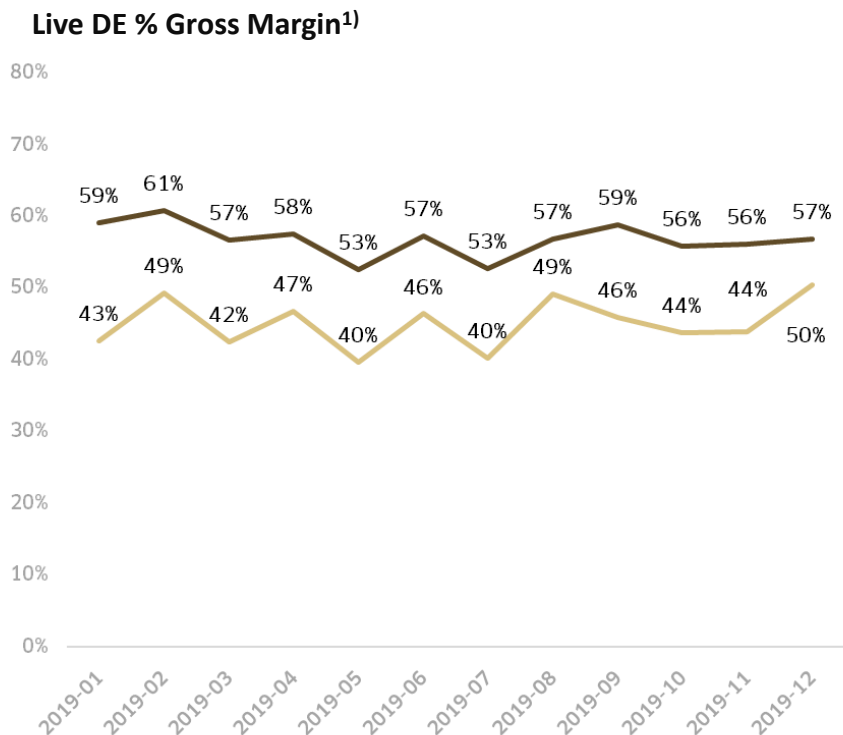
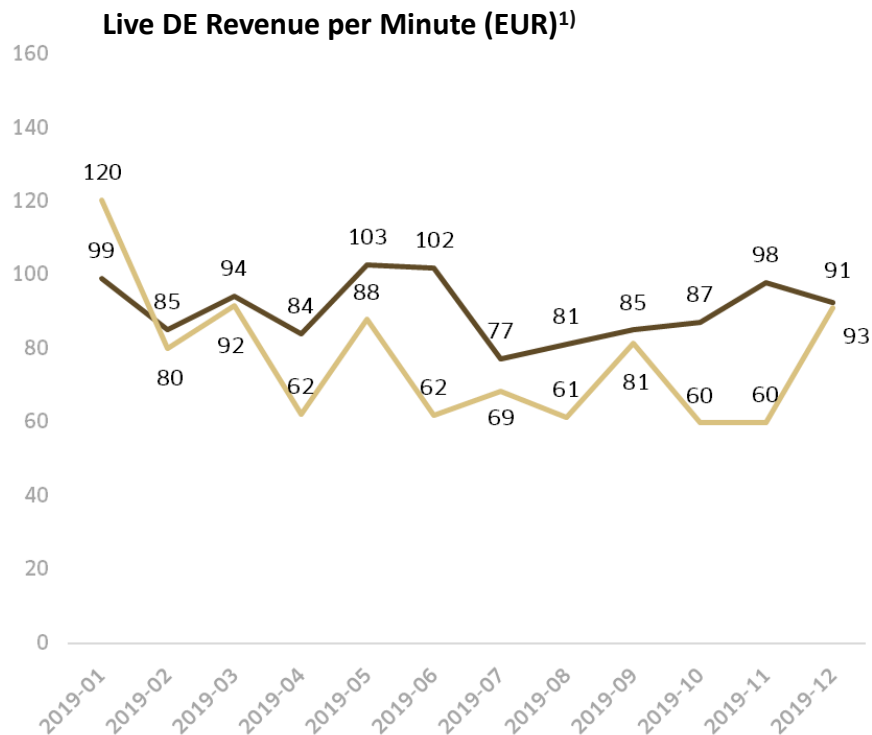
- elumeo's webshop grew 2 times faster than the market in 2019



# In 2019 a new supply-chain has been established for elumeo....



# ....delivering significantly improved margins and on-air-performance



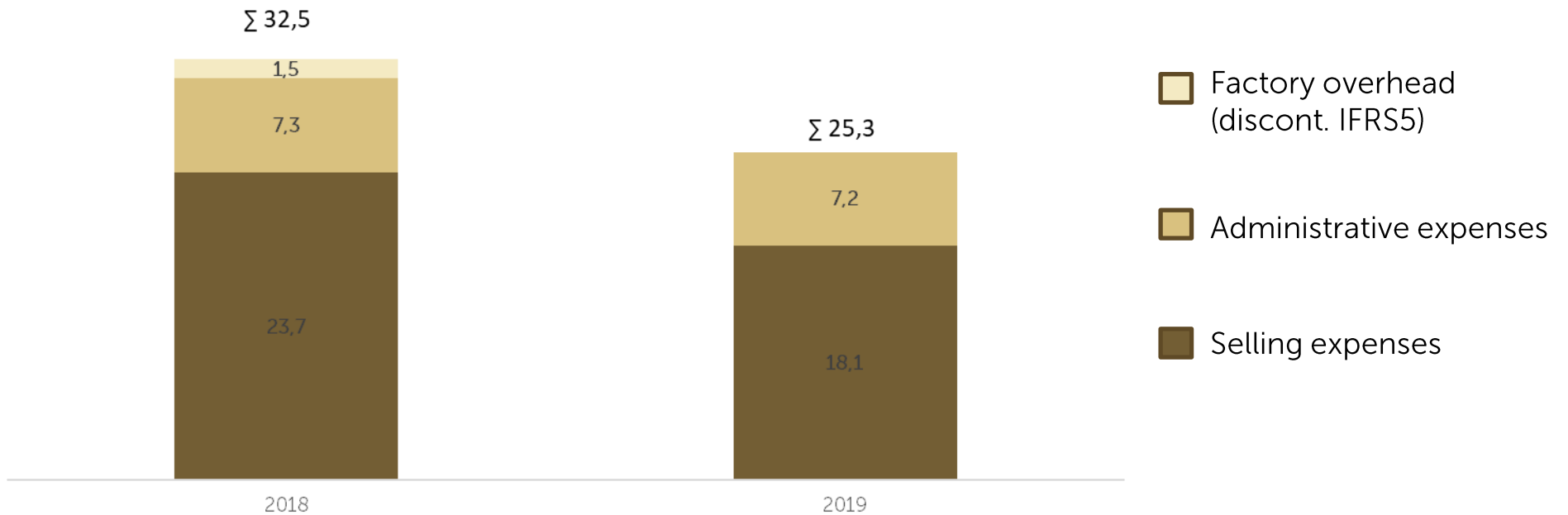
— Multi Manufacturing = network of specialized contract manufacturers  
— Single Sourcing = 1 own factory





## Operating cost have been reduced by 22%

Cost development in € m



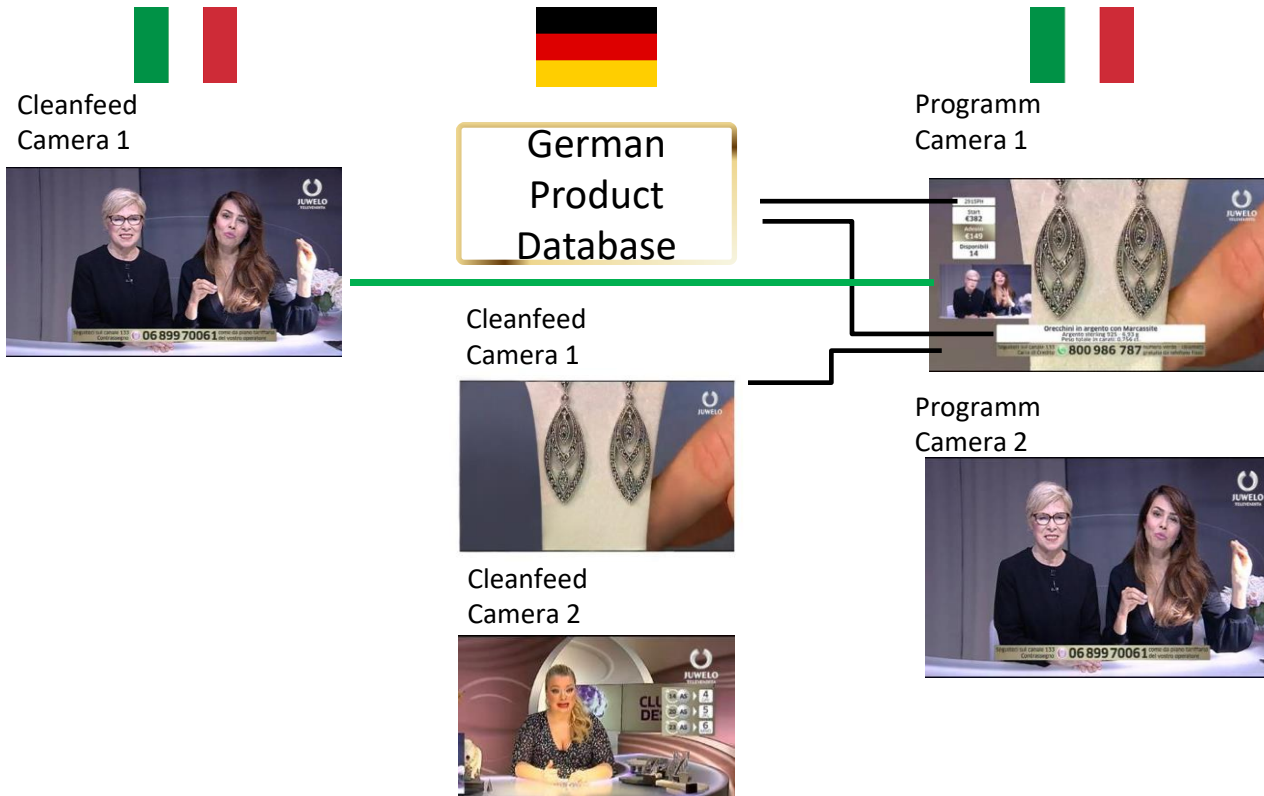
Source: Audited financials 2019



# elumeo now serves the Italian Market from Berlin reducing related cost by 65%

New centrally managed format for the Italian market:  
One signal, two countries

Cost Savings by the new approach



- Management of only one central operation
- No local overhead for
  - Management
  - Merchandising
  - Marketing
  - Planning
  - Shipping
- Operating cost about € 2.5m lower than with local operations



## Objectives for elumeo's webshops in 2019:

Boost online visibility

- Improve visibility in organic search engine results
- Optimize paid online marketing accounts
- Add new marketing channels such as Social Media

Attract new customers

- Optimize re-targeting of website visitors
- Improve communication of elumeo's unique selling points
- Easier onboarding for new customers

Improve shop experience

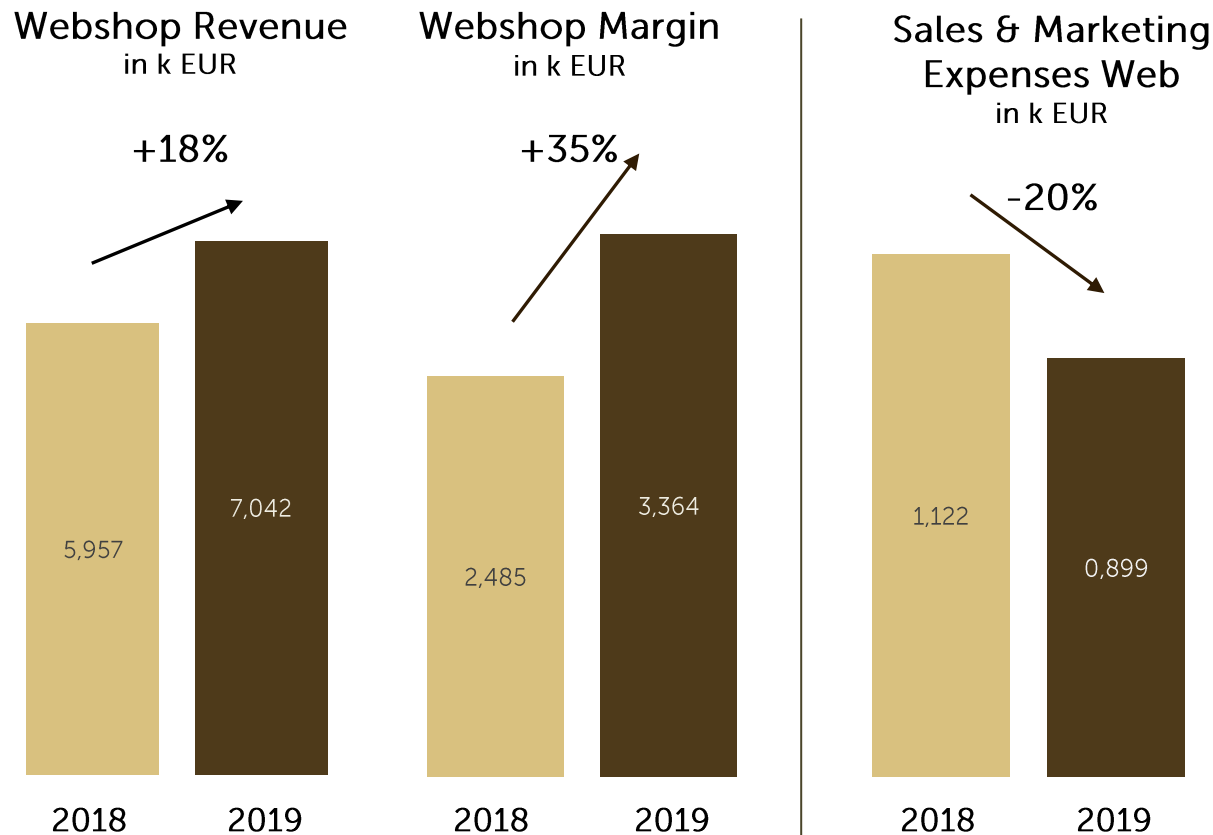
- Create outstanding shop usability and navigation for all devices
- Inspire customers via a curated product offering
- Leverage existing TV video content online and add interactive elements

Increase revenue per customer

- Implement automatized customer re-activation mailings
- New marketing actions and specials every day
- Constantly show new & different products, use KPI-based product sorting



# Webshop Revenue and Margin clearly increased compared to PY online marketing costs have been reduced



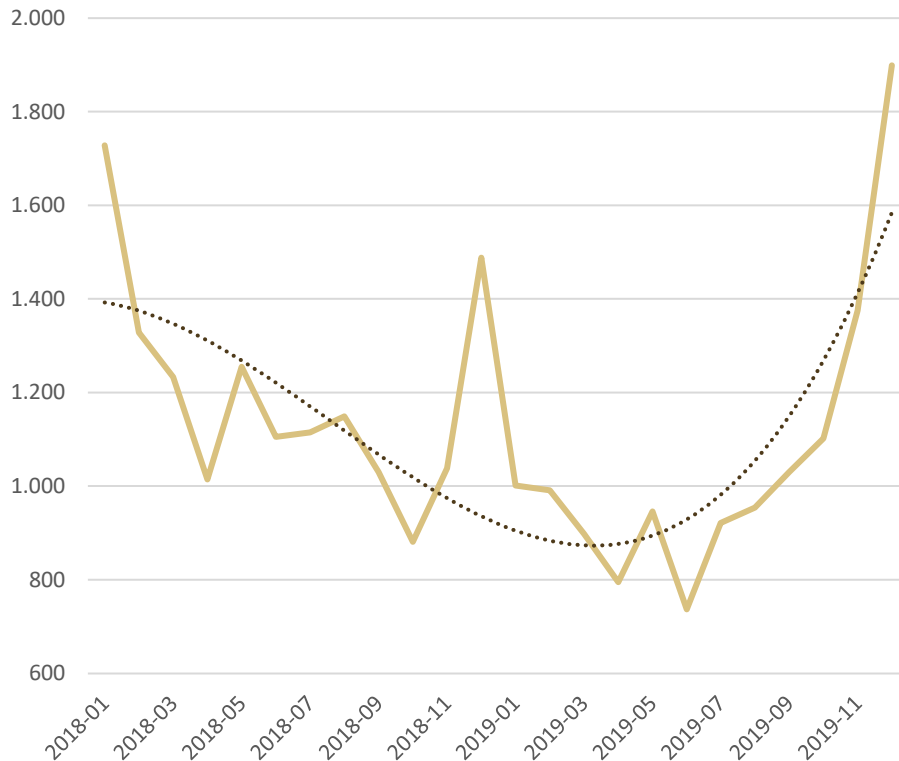
- Revenue growth mainly driven by improvements in online marketing (organic traffic & paid traffic) resulting in an increased revenue per existing customer and a growing number of new customers
- Margin growth additionally driven by improvement of online product assortment allowing to sell products at a higher %-margin (+6,1% vs. PY)
- Cost cutting measures, better budget allocation and improved targeting of potential customers allowed to reduce sales & marketing expenses by 20%

Source: Internal ERP system, based on static webshop performance (=without TV livestream)

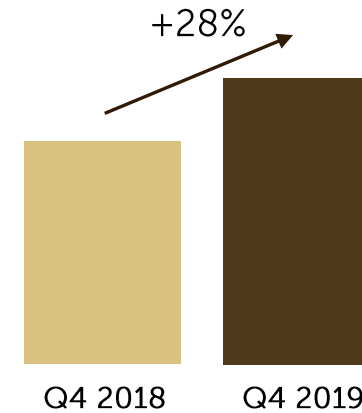


# Successful turnaround in new web customer acquisition since July 2019 thanks to improved organic and paid online traffic acquisition (SEO & SEA)

New web customers per month  
2018 - 2019<sup>1)</sup>



New web customers Q4 18 vs. Q4 19



## SEA & SEO optimizations

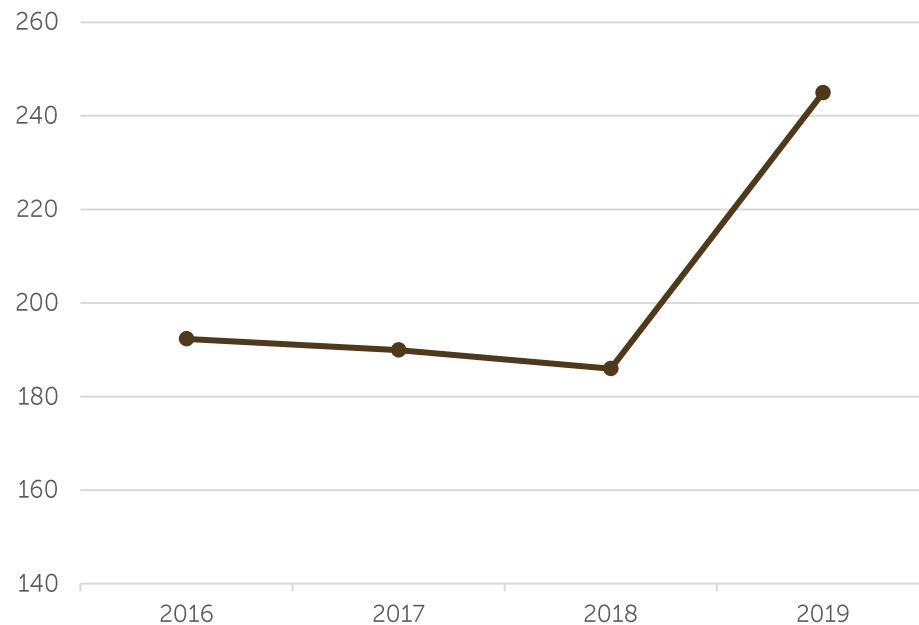
- Implementation of several search engine optimizations (SEO) in order to improve Google ranking for relevant keywords
- Optimization of paid traffic accounts (SEA), reducing the cost per new customer by more than 50%

Source: Internal ERP system, showing new customers with at least one demand order in a static webshop source



## Improved web shop experience results in increased revenue per customer

Revenue per web customer 2016 - 2019



### Successfully released new shop features

- Product videos from TV live show as on-demand-streaming service
- KPI-based product sorting showing customers the best performing products on the first pages
- Augmented reality allowing to virtually try on jewelry from home via AR function
- Mobile-first optimization of website navigation for smartphones
- Interactive gamification elements
- Automated and trigger-based customer lifecycle emails

Source: Internal ERP system, showing revenue per demand customer



# Way forward: Highly personalized shopping experience, omnichannel communication and expansion to new social platforms

Grow  
Online

## Online marketing trends

Personalized marketing based on big data & AI

Social Media Commerce increasing

Video content as competitive advantage

Smartphone Sales increasing

## Development priorities in 2020

Creating a completely personalized online shop, showing customized product recommendations based on customer data and preferences.

Offering engaging, interactive and seamless social shopping experience on all main social media platforms, developing inhouse influencer and making use of our expertise in jewelry.

Creating outstanding and platform-specific online video content based on our TV experience and resources.

Creating a perfect usability in mobile checkout process (easy one-click checkout), offering all major mobile payment methods. Enhancing mobile App with new shopping features.



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## Financials 2019 – Segment reporting for 2019 shows significantly improved EBITDA

1 Jan - 31 Dec 2018

1 Jan - 31 Dec 2019

	Con- tinuing operations (without branch Rom)	Local sales division Italy (branch closure)	Con- tinuing operations	Con- tinuing operations (without branch Rom)	Variance to prior year	Local sales division Italy (branch closure)	Variance to prior year	Con- tinuing operations	Variance to prior year
Revenue	43,105	8,011	51,115	38,544	-10.6%	5,544	-30.8%	44,088	-13.7%
Cost of goods sold	26,190	5,261	31,451	18,921	-27.8%	3,322	-36.9%	22,243	-29.3%
<b>Gross profit</b>	<b>16,915</b>	<b>2,749</b>	<b>19,664</b>	<b>19,623</b>	<b>16.0%</b>	<b>2,223</b>	<b>-19.2%</b>	<b>21,846</b>	<b>11.1%</b>
Selling expenses	19,096	4,602	23,698	14,696	-23.0%	3,409	-25.9%	18,105	-23.6%
Administrative expenses	6,020	1,262	7,283	6,232	3.5%	951	-24.7%	7,183	-1.4%
Other operating income	92	4	95	84	-8.7%	3	-18.8%	87	-9.1%
Other operating expenses	0	0	0	0	0.0%	0	0.0%	0	0.0%
<b>Earnings before interest and taxes (EBIT)</b>	<b>-8,110</b>	<b>-3,111</b>	<b>-11,221</b>	<b>-1,222</b>	<b>-84.9%</b>	<b>-2,134</b>	<b>-31.4%</b>	<b>-3,356</b>	<b>-70.1%</b>
Financial result	-216	0	-216	-171	-20.8%	-37	<1.000%	-207	-3.8%
Depreciation and amortization on property, plant and equipment and intangible assets	736	204	940	882	20.0%	343	68.0%	1,226	30.4%
<b>Segment EBITDA</b>	<b>-7,374</b>	<b>-2,907</b>	<b>-10,281</b>	<b>-339</b>	<b>-95.4%</b>	<b>-1,791</b>	<b>-38.4%</b>	<b>-2,131</b>	<b>-79.3%</b>

Source: Audited financials 2019



## Financials 2019 – Segment reporting for Q4 2019 profitable on EBITDA level

1 Oct - 31 Dec 2019	Con- tinuing operations (without branch Rom)		Local sales division Italy (branch closure)		Con- tinuing operations	
Revenue	9,833	100.0%	787	100.0%	10,621	100.0%
Cost of goods sold	4,068	41.4%	567	72.1%	4,636	43.6%
<b>Gross profit</b>	<b>5,765</b>	<b>58.6%</b>	<b>220</b>	<b>27.9%</b>	<b>5,985</b>	<b>56.4%</b>
Selling expenses	4,152	42.2%	317	40.2%	4,468	42.1%
Administrative expenses	1,612	16.4%	225	28.6%	1,837	17.3%
Other operating income	31	0.3%	0	0.0%	31	0.3%
Other operating expenses	0	0.0%	0	0.0%	0	0.0%
<b>Earnings before interest and taxes (EBIT)</b>	<b>31</b>	<b>0.3%</b>	<b>-322</b>	<b>-40.9%</b>	<b>-290</b>	<b>-2.7%</b>
Financial result	-34	-0.3%	-9	-1.1%	-43	-0.4%
Depreciation and amortization on property, plant and equipment and intangible assets	226	2.3%	73	9.2%	298	2.8%
<b>Segment EBITDA</b>	<b>257</b>	<b>2.6%</b>	<b>-249</b>	<b>-31.6%</b>	<b>8</b>	<b>0.1%</b>

Source: Audited financials 2019



## Statement of income from 1 January to 31 December 2019

EUR thousand   % of revenue	1 Jan - 31 Dec 2019		1 Jan - 31 Dec 2018 restated*		YoY in %
Revenue	44,088	100.0%	51,115	100.0%	-13.7%
Cost of goods sold	23,455	53.2%	37,602	73.6%	-37.6%
<b>Gross profit</b>	<b>20,633</b>	<b>46.8%</b>	<b>13,513</b>	<b>26.4%</b>	<b>52.7%</b>
Selling expenses	18,137	41.1%	23,698	46.4%	-23.5%
Administrative expenses	8,294	18.8%	7,741	15.1%	7.2%
Other operating income	4,687	10.6%	95	0.2%	n.a.
Other operating expenses	1,236	2.8%	596	1.2%	107.5%
<b>Earnings before interest and taxes (EBIT)</b>	<b>-2,347</b>	<b>-5.3%</b>	<b>-18,426</b>	<b>-36.0%</b>	<b>87.3%</b>
Interest income	0	0.0%	4	0.0%	-98.9%
Interest and similar expenses	-238	-0.5%	-220	-0.4%	-8.2%
Financial result	-237	-0.5%	-216	-0.4%	-10.2%
<b>Earnings before income taxes (EBT)</b>	<b>-2,585</b>	<b>-5.9%</b>	<b>-18,642</b>	<b>-36.5%</b>	<b>86.1%</b>
Income tax	0	0.0%	-1,850	-3.6%	100.0%
<b>Earnings for the period from continuing operations</b>	<b>-2,585</b>	<b>-5.9%</b>	<b>-20,491</b>	<b>-40.1%</b>	<b>87.4%</b>
<b>Earnings for the period from discontinued operations</b>	<b>0</b>	<b>0.0%</b>	<b>-3,436</b>	<b>-6.7%</b>	<b>100.0%</b>
<b>Earnings for the period</b>	<b>-2,585</b>	<b>-5.9%</b>	<b>-23,927</b>	<b>-46.8%</b>	<b>89.2%</b>

Source: Audited financials 2019



## Consolidated assets as of 31 December 2019

ASSETS					
EUR thousand   % of balance sheet total	31 Dec 2019		31 Dec 2018		YoY in %
<b>Non-current assets</b>					
Intangible assets	480	2.2%	578	2.0%	-17.0%
Property, plant and equipment	4,483	20.8%	2,207	7.7%	103.1%
Other financial assets	177	0.8%	409	1.4%	-56.7%
Other non-financial assets	247	1.1%	0	0.0%	n.a.
<b>Total non-current assets</b>	<b>5,386</b>	<b>25.0%</b>	<b>3,193</b>	<b>11.1%</b>	<b>68.7%</b>
<b>Current assets</b>					
Inventories	13,392	62.0%	20,453	71.0%	-34.5%
Trade receivables	1,398	6.5%	1,416	4.9%	-1.2%
Receivables due from related parties	1	0.0%	12	0.0%	-91.4%
Other financial assets	198	0.9%	58	0.2%	240.8%
Other non-financial assets	328	1.5%	905	3.1%	-63.8%
Cash and cash equivalents	880	4.1%	2,608	9.0%	-66.3%
<b>Total current assets</b>	<b>16,197</b>	<b>75.0%</b>	<b>25,451</b>	<b>88.3%</b>	<b>-36.4%</b>
Assets held for sale	0	0.0%	183	0.6%	-100.0%
<b>Total assets</b>	<b>21,583</b>	<b>100.0%</b>	<b>28,827</b>	<b>100.0%</b>	<b>-25.1%</b>

Source: Audited financials 2019



## Consolidated equity & liabilities as of 31 December 2019

### EQUITY & LIABILITIES

EUR thousand   % of balance sheet total	31 Dec 2019		31 Dec 2018 restated*		YoY in %
<b>Equity</b>					
Issued capital	5,500	25.5%	5,500	19.1%	0.0%
Capital Reserve	34,423	159.5%	34,380	119.3%	0.1%
Retained losses	-37,963	-175.9%	-35,379	-122.7%	-7.3%
Foreign currency translation reserve	2,159	10.0%	2,175	7.5%	-0.7%
<b>Total equity</b>	<b>4,118</b>	<b>19.1%</b>	<b>6,677</b>	<b>23.2%</b>	<b>-38.3%</b>
<i>Attributable to shareholders of elumeo SE</i>	<i>4,118</i>	<i>19.1%</i>	<i>6,677</i>	<i>23.2%</i>	<i>-38.3%</i>
<b>Non-current liabilities</b>					
Other non-current financial liabilities	2,596	12.0%	0	0.0%	n.a.
Provisions	4,528	21.0%	7,455	25.9%	-39.3%
Other non-financial liabilities	25	0.1%	25	0.1%	0.0%
<b>Total non-current liabilities</b>	<b>7,148</b>	<b>33.1%</b>	<b>7,480</b>	<b>25.9%</b>	<b>-4.4%</b>
<b>Current liabilities</b>					
Financial debt	447	2.1%	2,000	6.9%	-77.6%
Other financial liabilities	319	1.5%	260	0.9%	22.9%
Provisions	1,400	6.5%	868	3.0%	61.4%
Liabilities due to related parties	43	0.2%	57	0.2%	-25.2%
Trade payables	5,639	26.1%	8,950	31.0%	-37.0%
Advance payments received	248	1.1%	59	0.2%	323.0%
Tax liabilities	100	0.5%	100	0.3%	0.0%
Other non-financial liabilities	2,119	9.8%	1,366	4.7%	55.1%
<b>Total current liabilities</b>	<b>10,316</b>	<b>47.8%</b>	<b>13,660</b>	<b>47.4%</b>	<b>-24.5%</b>
Liabilities held for sale	0	0.0%	1,011	3.5%	-100.0%
<b>Total equity &amp; liabilities</b>	<b>21,583</b>	<b>100.0%</b>	<b>28,827</b>	<b>100.0%</b>	<b>-25.1%</b>



## Cashflow Statement from 1 January to 31 December 2019 (I)

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018 restated*	YoY in %
Earnings before taxes (EBT) of continuing operations	-2,585	-18,642	86.1%
Earnings before taxes (EBT) of discontinued operations	0	-3,235	100.0%
<b>Earnings before taxes (EBT)</b>	<b>-2,585</b>	<b>-21,877</b>	<b>88.2%</b>
+/- Depreciation and amortisation on non-current assets	+2,049	+940	118.1%
+/- Increase/decrease in provisions	+608	+171	256.4%
+/- Increase/decrease in provisions from in terms of type, amount and utilization uncertain uncertain obligations in connection with the discontinued operation PWK	-3,033	0	n.a.
+/- Equity-settled share-based remuneration	+43	+201	-78.7%
+/- Other non-cash expenses/income	-1,464	-35	n.a.
+/- Loss/gain on disposal of non-current assets	-9	-0	n.a.
- Non-cash current interest income	0	-0	100.0%
- Interest expenses paid related to prior accounting periods	0	+0	-100.0%
+ Non-cash current interest expenses	+31	0	n.a.
+ Proceeds from income tax	0	+1	-100.0%
- Income tax paid	-0	0	n.a.
-/+ Increase/decrease in inventories	+7,061	+4,446	58.8%
-/+ Increase/decrease in other assets	+571	+1,937	-70.5%
+/- Increase/decrease in other liabilities	-2,490	+4,694	-153.0%
<b>= Net cash flow from operating activities of continuing operations</b>	<b>+784</b>	<b>-6,289</b>	<b>112.5%</b>
= Net cash flow from operating activities from discontinued operations	0	+5,583	-100.0%

Source: Audited financials 2019



## Cashflow Statement from 1 January to 31 December 2019 (II)

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018	YoY in %
- Payments for investments in intangible assets	-8	-80	89.6%
- Payments for investments in property, plant and equipment and property, plant and equipment	-170	-373	54.4%
- Payments for purchases of financial assets (deconsolidated subsidiaries)	+9	0	n.a.
- Payments for purchases of financial assets (deconsolidated subsidiaries)	-0	0	n.a.
<b>= Net cash flow from investing activities of continuing operations</b>	<b>-169</b>	<b>-453</b>	<b>62.7%</b>
= Net cash flow from investing activities from discontinued operations	0	+3,886	-100.0%
- Payments for the redemption of financial debt	-1,554	-3,000	48.2%
- Payments (net) for redemption of other financial liabilities	-670	-317	-111.5%
<b>= Net cash flow from financing activities of continuing operations</b>	<b>-2,224</b>	<b>-3,317</b>	<b>-33.0%</b>
= Net cash flow from financing activities from discontinued operations	0	+1,016	-100.0%
<b>= Cash and cash equivalents on end of period</b>	<b>+880</b>	<b>+2,608</b>	<b>-66.3%</b>

Source: Audited financials 2019



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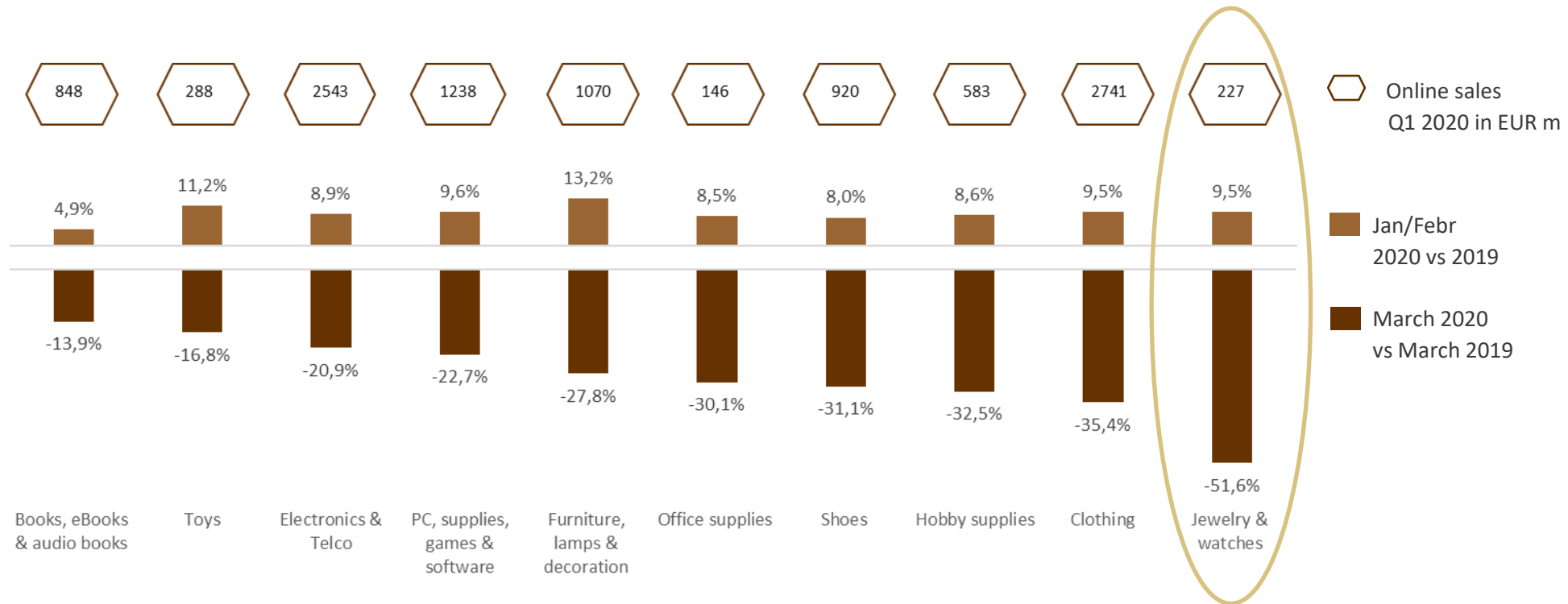
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# Online sales of jewelry and watches have been hit hardest by COVID 19 crisis

## Online sales growth year-on-year of eCommerce categories in Germany



Note: The last 7 days of March of both years are not part of the calculation

Source: bevh – German association for eCommerce and the mail-order business



## After implementing short-term fixes elumeo will now focus on long term improvement

### Immediate COVID 19 reaction

### Long term transformation

#### Healthcare

- Introduction of strict hygiene rules already in beginning of March 2020
- Home Office where possible since beginning of March
- Split-Shift system across the entire company in order to minimize contact

- Monitor existing measures closely and re-evaluate where possible
- Focus: Long term co-existence with the virus

#### Cost Reduction and Cash Management

- Reduction of daily live broadcasting from 18 to 12 hours
- Introduction of „Kurzarbeit“ across the entire company
- Application for extended payment terms wherever possible

- Continued cost focus
- Increase digitalization across entire value chain in order to improve efficiency
- Explore asset based lending options

#### Revenue and Margin Improvement

- Introduction of live guests from abroad via PiP live stream (Currently USA)
- Introduction of new products from European suppliers
- Massive extension of offering of commission-based-jewelry

- Introduction of dedicated VIP customer service with separate direct sales option
- Massive increase of social media presence of elumeos individual collections and presenters



## Outlook 2020 (I)

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Based on the strong development in Q4 2019 elumeo was set to improve further in 2020 and achieved a moderate revenue growth and a low single digit segment EBITDA in 2020

The COVID 19 crises makes it currently very difficult to predict the further development in 2020. After a challenging first quarter where elumeo had to cope with an unforeseen supply chain disruption in two of its three main production markets elumeo has been able to cope better with the situation in Q2 2020

In Q1 2020 it has been impossible to continue to improve gross profit. elumeo therefore introduced several immediate cost reduction and margin improvement measures that started to take effect in April 2020. Cost of operations have been reduced significantly and gross profit has been increased resulting in a much improved operational performance

Currently elumeo offers (in line with the industry) an extended return right until June 2020. The positive or negative effects of this cannot be properly determined at the moment



## Outlook 2020 (II)

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elumeo has developed various scenarios for possible outcomes as the COVID 19 crisis progresses further. These scenarios range from a stable to moderate gross profit increase vs. 2019 to a moderate gross profit decline. At the same time costs have been reduced significantly in Q2 2020 and will continue to be improved. With the continued support measures by the German government elumeo is able to ensure the group's liquidity in 2020 and 2021 at all times by further reductions in inventories held by the elumeo group.

Based on this it is currently impossible to estimate the development for 2020 properly. elumeo will give a more precise outlook together with the publication of the Q1 financials due at the end of May.



## Points of contact

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### **Executive Board**

Wolfgang Boyé, Boris Kirn, Frank Broer, Gregor Faßbender-Menzel

### **Investor Relations**

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