NATUR HOUSE


***Corporate Presentation***

*March 2017*

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# Contents

NATUR HOUSE
Expertos en Nutrición y Dietética

# A successful business model

***We have a business model that has been a success from the very beginning***

| | |
|---|---|
| **We operate in the weight management and nutrition sector**<br><br>**CAGR 14-19E: +7.4%*** | Our business model is based on implementing our own, distinguishing method – the "Naturhouse Method". This method combines selling products with free personalised advice and monitoring from a qualified specialist.<br><br>**Sale of products: 98% of sales in 2016** **+** **Free advice from a specialist** |
| **Own distribution channel: Naturhouse Centres** | **The "Naturhouse Method" is exclusively applied in Naturhouse Centres,** of which just 8% are directly-operated stores (DOS). The rest are **franchises (84%) and master franchises (8%).** |
| **Our products are sold exclusively at Naturhouse Centres** | **Food Supplements:** made with natural extracts to facilitate the intake of specific nutrients, allowing for specific actions during the weight loss process.<br><br>**Functional Food:** consisting of diet products for breakfast, snacks and meal substitutes for controlling calorie intake.<br><br>**Cosmetics and Body Care**: Beauty products associated with skincare during the weight loss process (*cellulite, firming, etc*.) and anti-ageing. |
| **Present in the enter value chain** | **Naturhouse has equity interest,** whether direct (*Ichem 24.9% capital)* or indirect (*through its leading shareholder*), in some suppliers, **thus guaranteeing the supply of products to our centres.** |

***Can be exported to any country in the world***

| | |
|---|---|
| **32 countries and 2,279 centres in 2016** | **In 2016, 97% of our income came from Spain, Italy, France and Poland.**<br>**We have no geographical restrictions in terms of establishing our business.** Improving eating habits is a global need (***Western Europe***)***: % of the population that is overweight = 36% (146m people) and % of population that is obese = 18%)*.*** |

***With low investment requirements and a high cash generation capacity***

| **Major profitability and a solid balance sheet** | **CAPEX 0.5%-1% ventas** | **EBITDA Margin 2016: 33.4%** | **ROE 2016 83%** | **ROA 2016: 52%** | **Net cash position 2016 €12.8m** |
|---|---|---|---|---|---|

***This allows us to maintain an attractive shareholder remuneration policy: Payout >85%***

*Source: Euromonitor

Naturhouse Centres


## Main characteristics

- ❑Located in commercial areas with considerable foot traffic
- ❑Divided into two areas – consultation area and sales area
- ❑Covering a surface area of between 30m$^2$ and 50m$^2$
- ❑All have a similar aesthetic

## Centre types

**Directly-operated stores (DOS)**

❑Directly-owned centres are managed by the company with its own staff. They tend to be the laboratories for new ideas for the Group’s other centres as well as a training hub for employees and franchisees. They are also the foundation for growth in new countries.

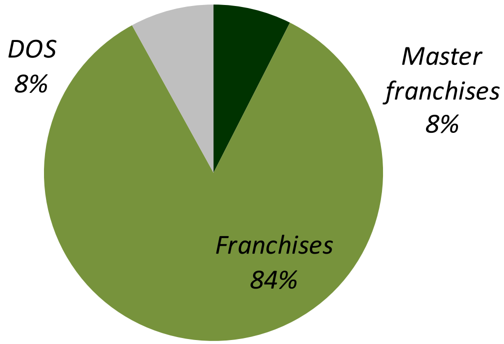
**Franchises**

❑Franchised centres are Naturhouse Centres operated by third parties under the franchise model.

**Master Franchises**

❑In addition, Naturhouse has contracts called ‘master franchises’, through which a third party can exclusively operate Naturhouse’s business for a whole country.

**Breakdown according to centre type at 2016**




**Franchises as a channel for growth**

**Rapid growth**
*2,279 centres and 32 countries as of end 2016*

**Major flexibility**

**Reduces the need for investment**
*CAPEX: 0.5%-1% sales*

**and human capital**
*490 employees on average in 2016*

# Contractual Framework

## Franchises

### Duration

- **5 years. 90% of franchisees have renewed their contract** for another 5 years after the first 5-year period.

### Main economic points

- **No initial franchise fee**
- **Annual franchise fee of €600 + VAT**
- **Gross Margin of 60%**
- Compulsory investment of 5% of product purchases in advertising for the store or the Naturhouse brand
- Payment when placing an order or with **a bank guarantee at 30 days**
- Minimum stock: €7,000 (stock rotation every 15 days)
- **Initial investment: €10,000-€40,000 depending on the country**

### Agreements

- Obligation to sell only Naturhouse products
- Non-competition agreement for 1 year after the end of the contract

### Support for the franchisee

- The right to use the Naturhouse brand
- Use of *Peso Perfecto* magazine to promote the Naturhouse Method
- Support from Naturhouse regarding strategy, products, know-how, etc.

## Master Franchises

### Duration

- 7 years

### Main economic points

- Initial franchise fee of between €50,000 and €300,000

### Agreements

- Obligation to open a specific number of centres during the contracted period

### Support for the master franchisee

- The right to use the Naturhouse brand
- Use of *Peso Perfecto* magazine to promote the Naturhouse Method
- Support from Naturhouse regarding strategy, products, know-how, etc

**The master franchisee is responsible for the costs of registering the product and the necessary investment for implementing the business (*staff, furniture and fittings, alteration work on premises, etc.*).**

# International Growth

**32 countries**
**2,279centres**
As of end of 2016

***80% of sales and 82% of EBITDA came from outside Spain at 2016***

| Subsidiaries | Master Franchises |
|---|---|
| France | Czech Republic |
| Spain | Romania |
| Italy | Slovakia |
| Poland | Morocco |
| Portugal | Bulgaria |
| Belgium | Slovenia |
| Germany | Peru |
| UK | UAE |
| Mexico | Dominican Republic |
| Canada | Mauritius |
| Lithuania | Philippines |
| Croatia | Russia |
| USA | Gibraltar* |
| | Andorra* |
| | Panama |
| | Switzerland |
| | Malta |
| | Hungary |
| | India |
| 2.079 | 200 |

Malta, Hungary, India → New: 2016

**Subsidiaries**

- ❑Legal certainty
- ❑High per capita income
- ❑High population density levels

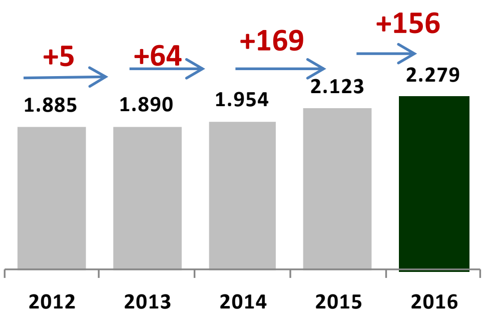
**Master Franchises**

- ❑Low levels of legal certainty
- ❑Low per capita income
- ❑Low population density levels

# Naturhouse Centres

**2,279 centres, fulfilling and surpassing the guidance for 2015-16 by 85 centres**
**+ 156 net openings in 2016, and 41 in 4Q16**
**We continue to grow thanks to the opening of new franchises/master franchises (+148 vs 8 directly-operated stores)**

## Total centres




**Breakdown of net openings:**

+156
- **+125 new franchises**
- **+23 new master franchises**
- +8 directly-operated stores

74.4% of centres are located outside Spain

- ✓**France (+58) and Poland (+61)** once again lead net centre openings
- ✓**Italy opened 24 stores in 2016 and 5 in 4Q16**
- ✓Spain had 11 fewer stores than at the end of 2015, recovering 3 vs 3Q16
- ✓**23 new master franchise stores, reaching 200 worldwide**

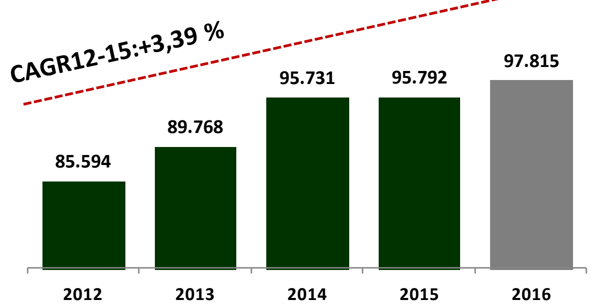
**1,908 centres are franchises, 171 directly-operated stores and 200 master franchises**

| | 2015 | | | 2016 | | | 2016 Net Openings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | DOS | Franchise | Total | DOS | Franchise | Total | DOS | Franchise |
| France | 538 | 21 | 517 | 596 | 28 | 568 | 58 | 7 | 51 |
| Spain | 594 | 70 | 524 | 583 | 69 | 514 | -11 | -1 | -10 |
| Italy | 435 | 46 | 389 | 459 | 47 | 412 | 24 | 1 | 23 |
| Poland | 290 | 3 | 287 | 351 | 8 | 343 | 61 | 5 | 56 |
| Rest of Countries | 89 | 23 | 66 | 90 | 19 | 71 | 1 | -4 | 5 |
| Masterfranchise Countries | 177 | 0 | 177 | 200 | 0 | 200 | 23 | 0 | 23 |
| | 2,123 | 163 | 1,960 | 2,279 | 171 | 2,108 | 156 | 8 | 148 |

# Main Figures: P&G

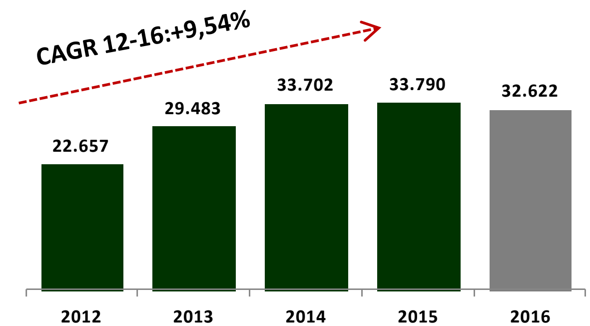
**Sustained growth in the Group's sales since 2012**
**EBITDA margin above the industry average (+33.4% at 2016vs +13,7%* for the sector).**

## Ventas



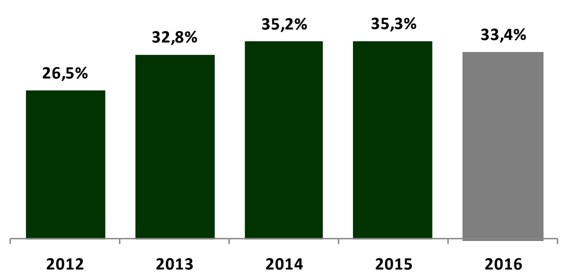

*Sales have increased in 2016 by 2.1% This acceleration comes from growth in Italy and Poland along with the recovery of the Spanish market.*

## EBITDA

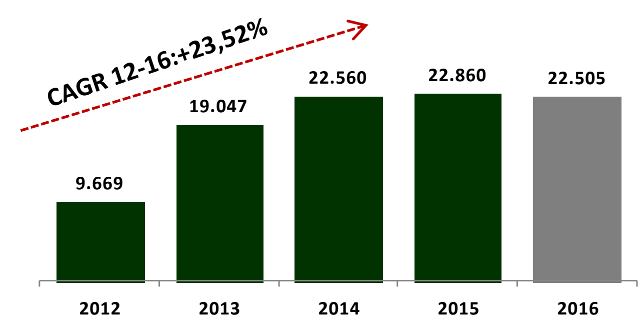



*EBITDA 2016 had been affected by the following: (i) Increased rental expenditure from our heightened presence in shopping centres (ii) The sales department has been strengthened with senior profiles. (iii) Logistics outsourcing in Spain from 1 July, which has led to non-recurring costs of €0.18m. (iv) The negative effect of EBITDA figures in new markets, especially USA .*

## EBITDA Margin




## Rdo Neto



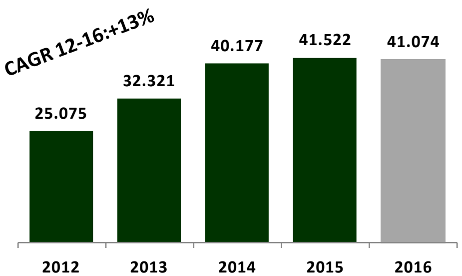

*Figures in Thousands of euros*

** Source Factset. Average of Herbalife, Nutrisystem, Weight Watchers, GNC and Vitamin Shoppe*

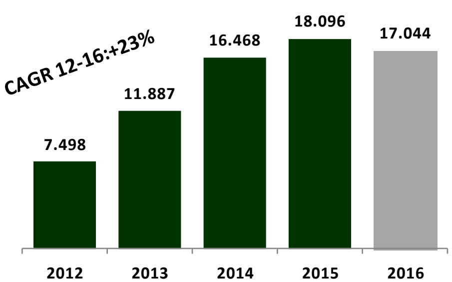
# Main Figures: *Core Countries*

## France

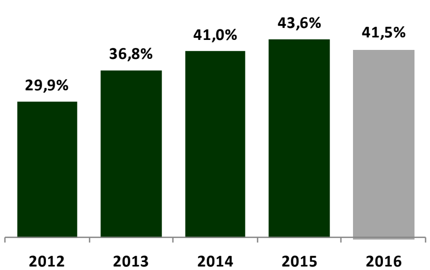
### Ventas




### EBITDA

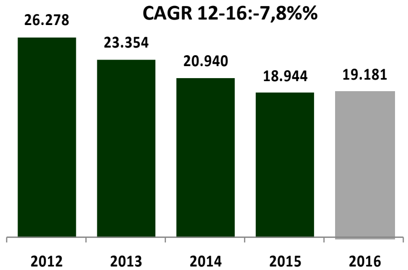



### EBITDA Margin

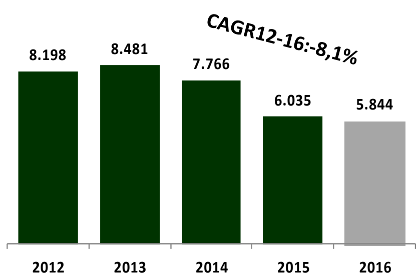



## Spain

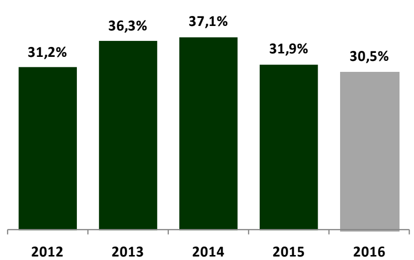
### Ventas




### EBITDA

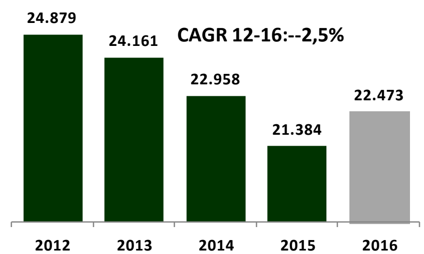



### EBITDA Margin

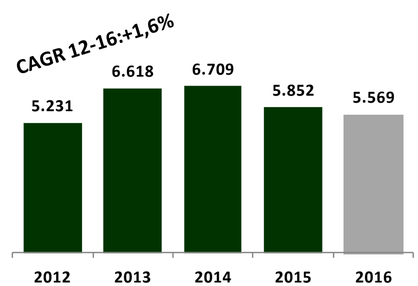



## Italy

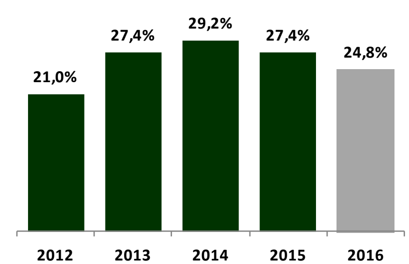
### Ventas




### EBITDA

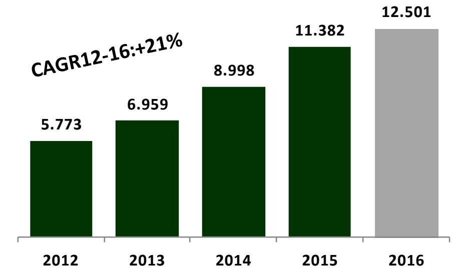



### EBITDA Margin

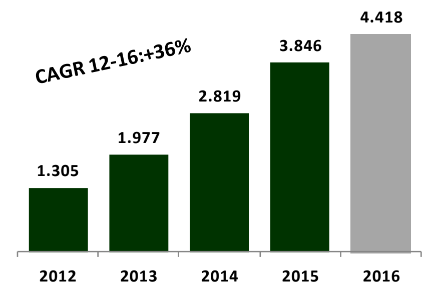



## Poland

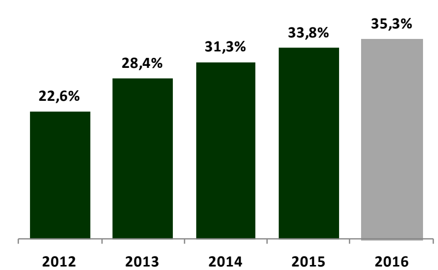
### Ventas




### EBITDA




### EBITDA Margin




*Figures in Thousands of euros*

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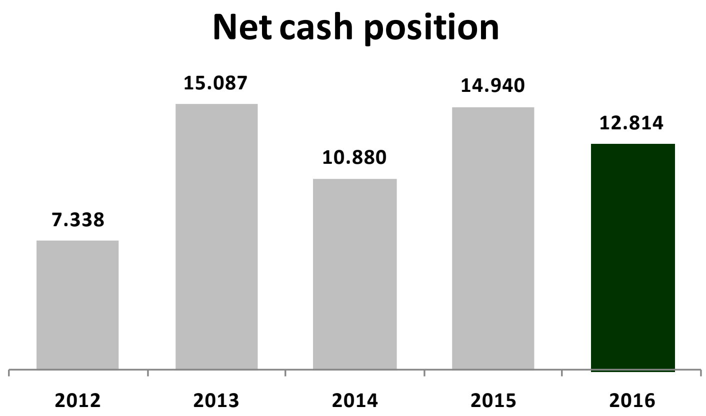
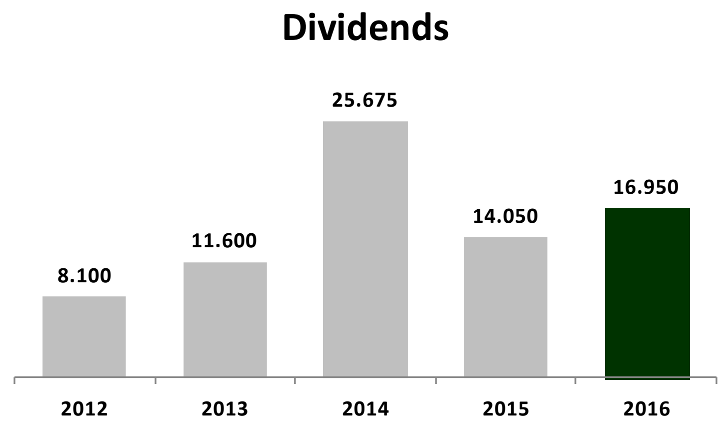
# Net Cash Position & Dividends

***We lead the Spanish stock exchange in terms of per-dividend yield once again this year***




*Figures in thousands of euros*

***1) This does not include the €4.5m pending repayment from the Spanish Tax Authority***




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

❑**Net cash position at the end of 2016 came to €12.81m** vs end of 2015, after paying out €17m in dividends, reducing the financial debt by €1.6m and awaiting the payment of €4.5m from the Spanish Tax Authority. **If this latter figure were included, our net cash position at the end of 2016 would have stood at €17.31m (+16% vs 2015).**

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

# 2017 Guidance, Strategy and Outlook

## GUIDANCE FOR 2017

| | | |
|---|---|---|
| **Payout: >85%** | **Centres at end of 2017: 2,400**<br>**Planned Net Openings: 121** | **EBITDA margin: 30%-35%** |

**Our strategy does not change in essence; rather, it adapts to the market's new demands:**

❑ **Main countries: France, Italy, Spain and Poland**

✓New centre openings to 2,400 at end of 2017, thus confirming our goal of maintaining the proportion of directly-operated stores at no more than 10% of the total.
✓New franchises as the main path towards growth, continuing to increase our presence in shopping centres.
✓Increase the products on offer in order to attract new customer profiles and deal with the impact of the competition with a stronger position.
✓Increase the average per-customer ticket.
✓Strengthen the sales department to boost sales: maintain recovery of Italy and Spain and return France to growth.
✓Increase spending on online advertising, without this leading to an overall marketing spend of more than 5% of sales.

❑ **Reinforce international growth: Impact on estimated net profit for 2017 from growth in other subsidiary countries* (except for Portugal) of €-1.6m. Most of this will correspond to the USA and the United Kingdom.**

✓**United Kingdom**: We hope to gradually increase the number of centres, both directly-operated (*to 5, including existing ones*) and franchises.
✓**USA:** Expected to end 2017 with between 2 and 5 directly-operated stores. The sales offering will be adapted, covering both online sales and advice. In the USA, more products vs the average for other countries will be added to respond to the demand of the US market.
✓**Germany, Lithuania and Croatia**: New openings planned.
✓**New master franchises**: Negotiating with new countries.

❑ **Keep EBITDA margin within 30%-35% range**. To do this, we will continue to apply a strict cost containment policy.

❑ **Without renouncing the strength of our balance sheet and maintaining the payout level above 85% for 2017.**

**Our main goal is to continue to create value for our shareholders and remain at the top of the Spanish stock exchange in terms of shareholder remuneration.**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**Germany, Belgium, Mexico, Croatia, Lithuania, USA and the United Kingdom.*

# Appendix

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# Consolidated Profit & Loss Account

| | 2015 | 2016 | Growth (%) |
|---|---|---|---|
| **Total Sales** | **95,792** | **97,815** | **2.1%** |
| **Procurements** | **-27,832** | **-28,638** | **2.9%** |
| **Gross profit** | **67,960** | **69,177** | **1.8%** |
| *Gross profit margin* | *70.9%* | *70.7%* | |
| **Personnel** | **-17,970** | **-19,268** | **7.2%** |
| **Other operating expenses** | **-17,008** | **-17,764** | **4.4%** |
| **Other Income** | **808** | **477** | **-41.0%** |
| **EBITDA** | **33,790** | **32,622** | **-3.5%** |
| *EBITDA Margin* | *35.3%* | *33.4%* | |
| **Amortization & Impairments** | **-1,316** | **-1,247** | **-5.2%** |
| **EBIT** | **32,474** | **31,375** | **-3.4%** |
| *EBIT Margin* | *33.9%* | *32.1%* | *-160%* |
| **Financial results** | **-261** | **-91** | **-65%** |
| **Share of profit (loss) of associated (Ichem)** | **926** | **820** | **-11.4%** |
| **EBT** | **33,139** | **32,104** | **-3.1%** |
| **Taxes** | **-10,376** | **-9,622** | **-7.3%** |
| **Minorities** | **97** | **22** | **-77.3%** |
| **Net profit** | **22,860** | **22,504** | **-1.6%** |
| *Net profit margin* | *23.9%* | *23.0%* | |

*In thousands of euros*

**Note 1:** EBITDA definition*: operational result + amortisation of fixed assets + impairment and results due to disposal of fixed assets.*

# Balance Sheet

| | 2015 | 2016 |
|---|---|---|
| Intangible assets | 2,193 | 1,897 |
| Property, plant & equipment | 5,025 | 4,869 |
| Non current financial assets | 813 | 992 |
| Investment in associated companies | 3,140 | 3,208 |
| Deferred tax assets | 369 | 272 |
| **Non current Assets** | **11,540** | **11,238** |
| Inventories | 3,541 | 4,231 |
| Trade receivables | 4,973 | 4,806 |
| Current tax assets | 569 | 5,921 |
| Other current assets | 876 | 922 |
| investment in related companies | 0 | 49 |
| Financial assets | 42 | 0 |
| Cash & equivalents | 19,830 | 16,081 |
| **Current assets** | **29,831** | **32,010** |
| **TOTAL ASSETS** | **41,371** | **43,248** |
| **Equity** | **22,016** | **27,146** |
| Non current provisions | 1,044 | 1,030 |
| Non current borrowings | 2,930 | 3,177 |
| Long term accrued expenses | 478 | 401 |
| **Non current liabilities** | **4,452** | **4,608** |
| Current borrowings | 1,960 | 90 |
| Financial liabilities with related companies | 1,445 | 0 |
| Suppliers | 4,776 | 5,281 |
| Suppliers related companies | 4,424 | 4,418 |
| Current tax liabilities and other payables | 2,298 | 1,705 |
| **Current liabilities** | **14,903** | **11,494** |
| **TOTAL LIABILITIES** | **41,371** | **43,248** |

*In Thousands of euros*

## Competition by service / products

| Substitute products | | | Substitute services | | | | |
|---|---|---|---|---|---|---|---|
| Traditional Herbalists | Pharmacies & Drugstores | Supermarkets | Professionals *e.g. doctors, endocrinologist, dietitians* | Beauty Salons | Books *e.g. Cohen or Dukan method* | Online Coaching | Fitness centres |

*Naturhouse value added*

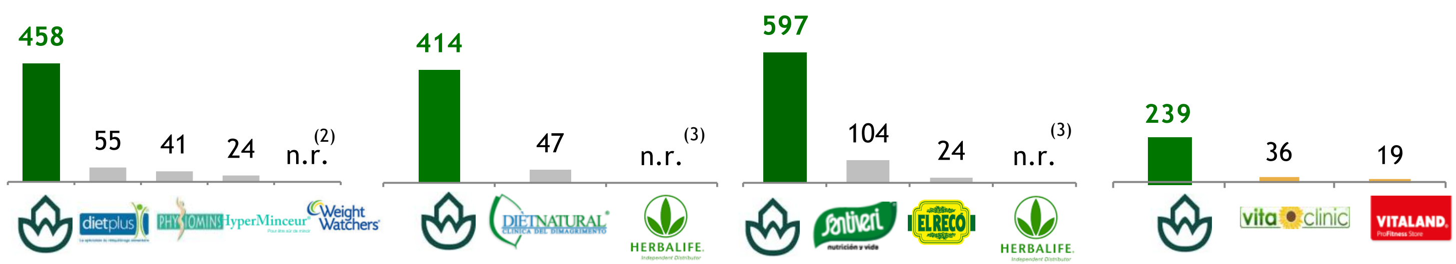
| Substitute products | Substitute services |
|---|---|
| Provides personalized advices through qualified specialists via its own channel (preventing competition within the channel) | Offers free consulting quality services / has a store network / sells products |

## Main competition by country

| | France | Italy | Spain | Poland |
|---|---|---|---|---|
| Proportion of Naturhouse 2014 sales | 42% | 24% | 22% | 9% |

Main competitors

*(# stores [(1)])*




*Sources: Management Data, companies data, Xerfi*

*(1) As of December 2014 for NaturHouse*

*(2) Weight Watchers has no stores but has centers (for meetings) that it rents*

*(3) Herbalife has no stores and the sale of the product is made through independent distributors*

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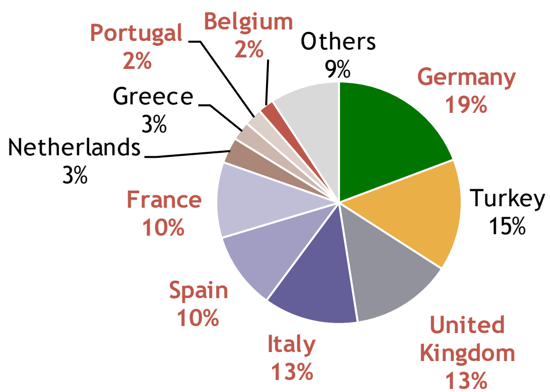
# Our market

## Population[1] split by weight

| | Overweight[2] | Obese[3] | Others | Overweight pop in 2014 [2] (m) (last estimates) | CAGR 00-14 |
|---|---|---|---|---|---|
| Western Europe | 36% | 18% | 46% | 149 | 1.1% |
| Germany | 41% | 24% | 35% | 29 | 0.2% |
| Turkey | 38% | 18% | 44% | 22 | 2.2% |
| United Kingdom | 38% | 27% | 36% | 20 | 0.6% |
| Italy | 35% | 11% | 53% | 19 | 0.9% |
| Spain | 38% | 17% | 45% | 15 | 1.6% |
| France | 28% | 11% | 61% | 15 | 1.4% |
| Netherlands | 36% | 13% | 51% | 5 | 1.2% |
| Greece | 40% | 19% | 42% | 4 | (0.2%) |
| Portugal | 39% | 17% | 44% | 3 | 1.0% |
| Belgium | 34% | 15% | 51% | 3 | 1.2% |

## Breakdown of # overweight pop.[2] in W. Europe




*Total # of overweight: 149m*

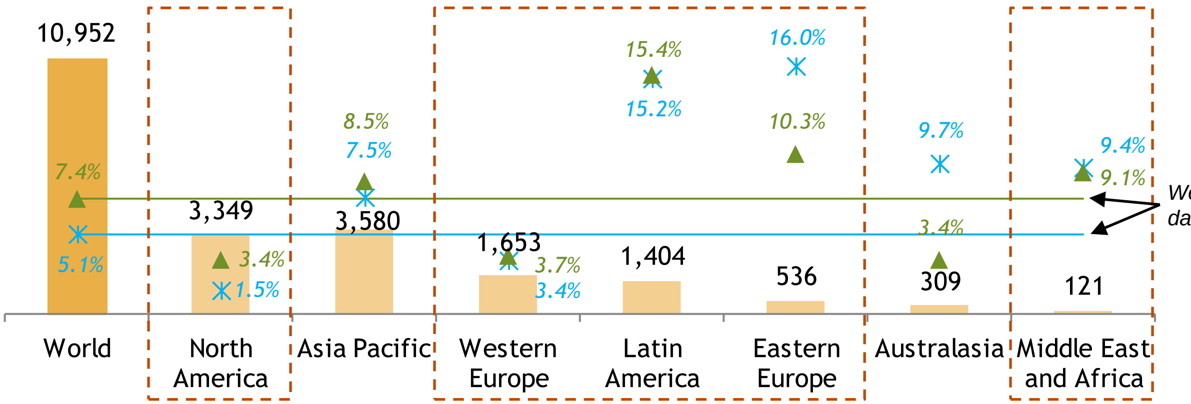
*(2014 last estimates figures)*

*Overweight[2]* *Others*
*Obese[3]* ***Naturhouse presence***

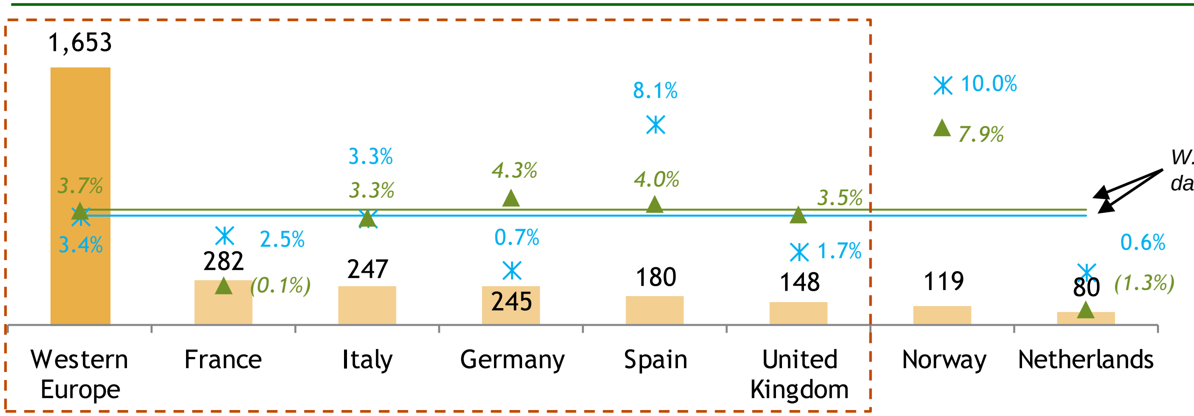
*Source: Euromonitor*
*(1) Population > 15 years old*
*(2) Overweight population = population > 15 years old with a BMI between 25-30 kg / sqm*
*(3) Obese population = population > 15 years old with a BMI > 30 kg / sqm*

# Our market

## Weight management market[1] by region (in €m)




## Main weight management markets[1] in Western Europe (in €m)




## Comments

- **North America is the largest market** due to a combination of overweight / obesity rates, affluence and the desire for a perfect body
- **Fastest growth rate in Eastern Europe and Latin America** prompted by a significant increase in overweight / obesity rates
- Western Europe:
  - **Top 5 countries account for 67%** of 2014 sales *(based on last estimates)*
  - Historical and forecasted growth driven by the **increase in overweight / obesity rates and a growing media focus on weight,** health and good looks

*Notes: figures provided are based on retail sales (excluding sales taxes) and converted using 2014 fixed exchange rates*
*(1) Weight management market = meal replacement slimming products, weight loss supplements, OTC obesity, slimming teas, and other slimming products (excludes meal plans)*
*Source: Euromonitor*

*Naturhouse main presence* | 2014 market size (€m) *(last estimates)* | CAGR 00-14 *(last estimates)* | CAGR 14-19e *(last estimates)*

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Expertos en Nutrición y Dietética

## CONTACT

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