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## ❑ **Description of the business model**

- ✓ The Naturhouse Method
- ✓ Naturhouse Centres
- ✓ Contractual Framework: Franchises and Master Franchises
- ✓ International Growth

## ❑ **Main Figures**

- ✓ Centres
- ✓ Main Figures from the Profit and Loss Account
- ✓ Net Cash Position and Dividends

## ❑ **Conclusions**

## ❑ **Apendix:**

- ✓ 2016 Results
- ✓ Our Market

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

**We operate in the weight management and nutrition sector**

**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.

**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.

**Functional Food:**

consisting of diet products for breakfast, snacks and meal substitutes for controlling calorie intake.

**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.

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%*

## 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<sup>2</sup> and 50m<sup>2</sup>
- 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.

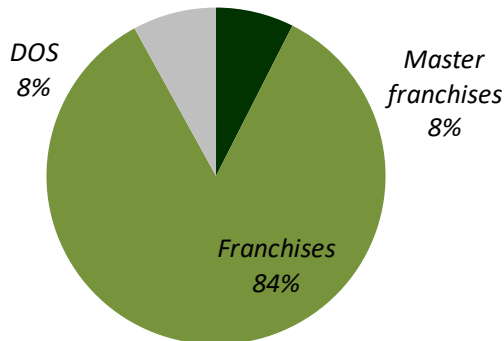
### Franchises

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

## 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.*).

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

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



**Subsidiaries Master Franchises**

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

New: 2016

**Subsidiaries**

**Master Franchises**

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

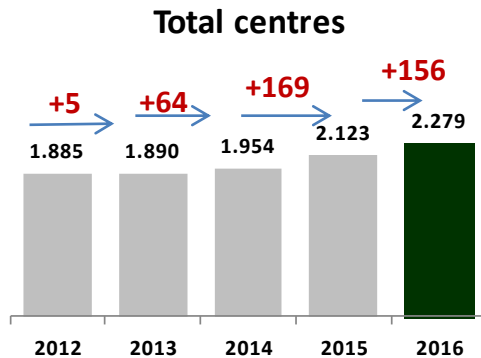
- Low levels of legal certainty
- Low per capita income
- Low population density levels

**2.079**

**200**

**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)**



**Breakdown of net openings:**

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

74.4% of centres are located outside Spain

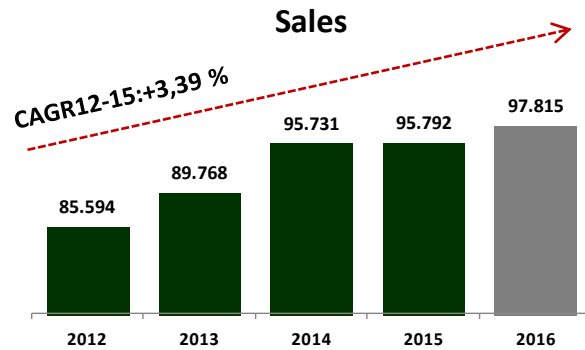
- ✓ France (+58) and Poland (+61) once again lead net centre openings
- ✓ Italy opened 24 stores in 2016 and 5 in 4Q16
- ✓ Spain had 11 fewer stores than at the end of 2015, recovering 3 vs 3Q16
- ✓ 23 new master franchise stores, reaching 200 worldwide

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

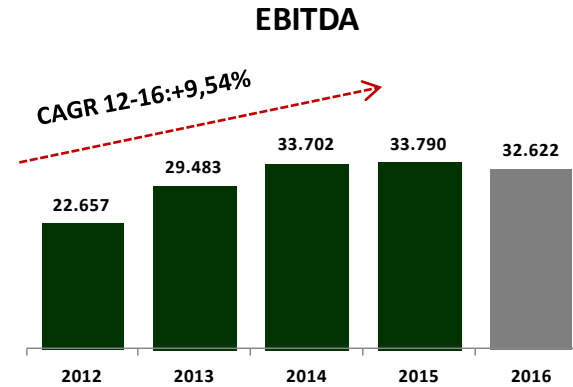
	2015			2016			2016 Net Openings		
	Total	DOS	Franchise	Total	DOS	Franchise	Total	DOS	Franchise
France	538	21	517	596	28	568	58	7	51
Spain	594	70	524	583	69	514	-11	-1	-10
Italy	435	46	389	459	47	412	24	1	23
Poland	290	3	287	351	8	343	61	5	56
Rest of Countries	89	23	66	90	19	71	1	-4	5
Masterfranchise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



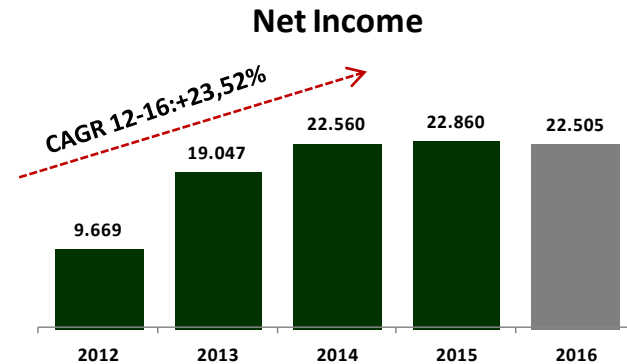
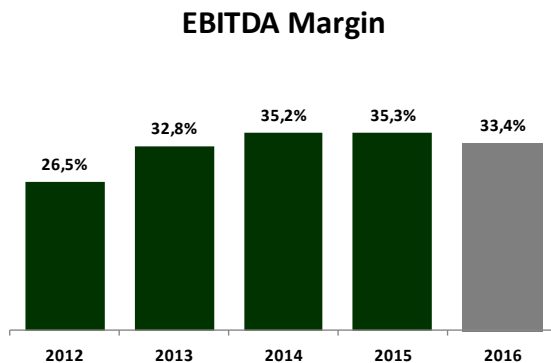
**Sustained growth in the Group's sales since 2012**  
**EBITDA margin above the industry average (+33.4% at 2016vs +13,7%\* for the sector).**



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 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.

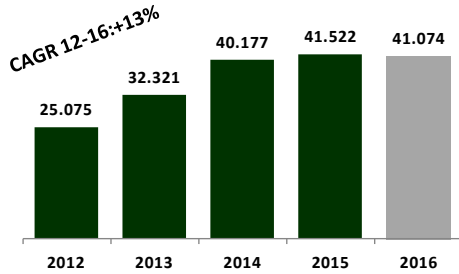


Figures in Thousands of euros

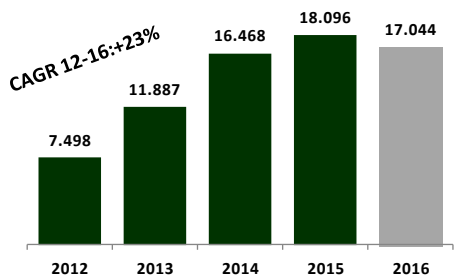
\* Source Factset. Average of Herbalife, Nutrisystem, Weight Watchers, GNC and Vitamin Shoppe

## France

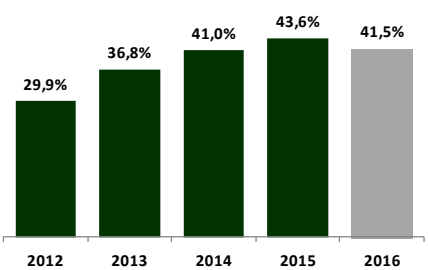
### Sales



### EBITDA

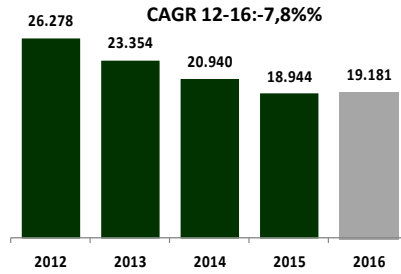


### EBITDA Margin

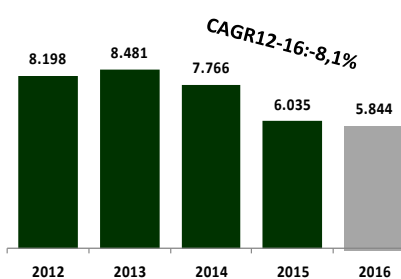


## Spain

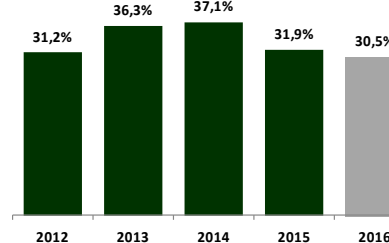
### Sales



### EBITDA

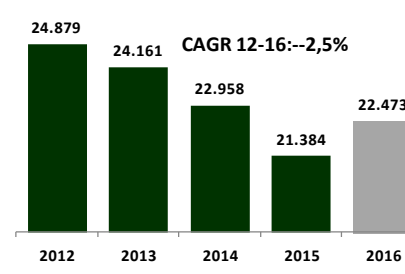


### EBITDA Margin

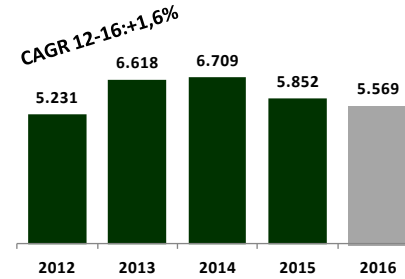


## Italy

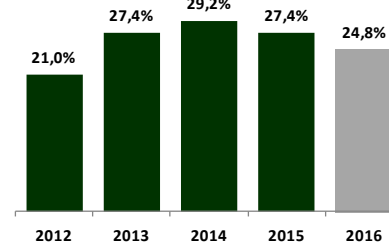
### Sales



### EBITDA

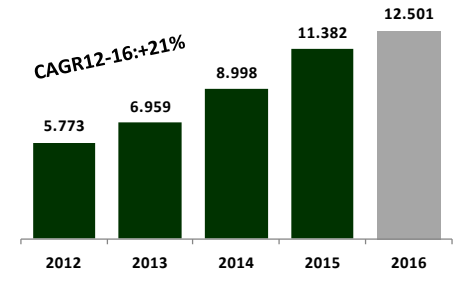


### EBITDA Margin

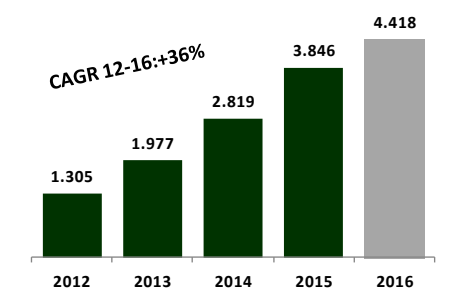


## Poland

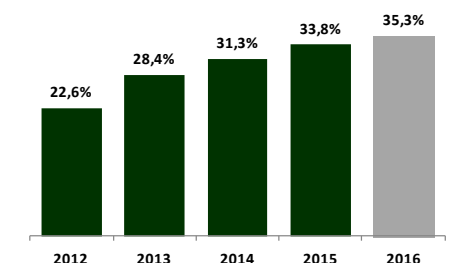
### Sales



### EBITDA

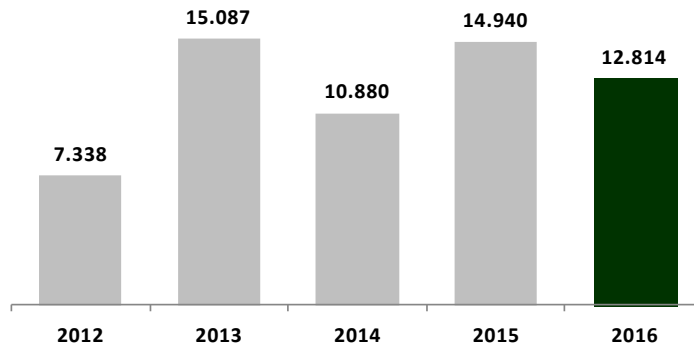


### EBITDA Margin



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

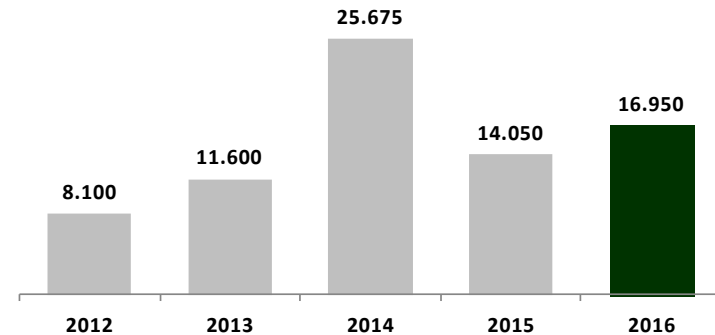
## Net cash position



Figures in thousands of euros

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

## Dividends



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).**

## GUIDANCE FOR 2017

**Payout: >85%**

**Centres at end of 2017: 2,400**  
**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.**

\*Germany, Belgium, Mexico, Croatia, Lithuania, USA and the United Kingdom.

# Appendix

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

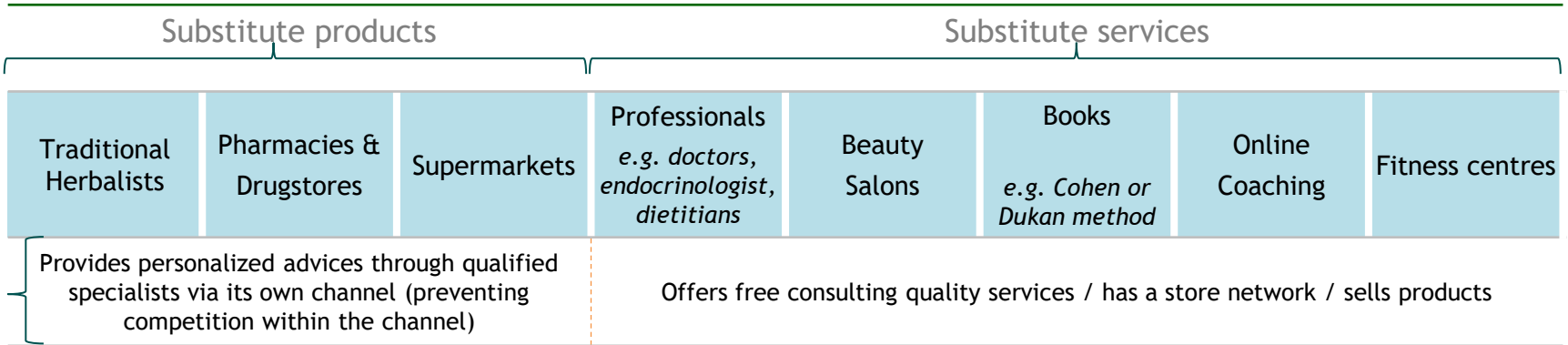
*In thousands of euros*

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

	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
<b>Non current Assets</b>	<b>11,540</b>	<b>11,238</b>
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
<b>Current assets</b>	<b>29,831</b>	<b>32,010</b>
<b>TOTAL ASSETS</b>	<b>41,371</b>	<b>43,248</b>
<b>Equity</b>	<b>22,016</b>	<b>27,146</b>
Non current provisions	1,044	1,030
Non current borrowings	2,930	3,177
Long term accrued expenses	478	401
<b>Non current liabilities</b>	<b>4,452</b>	<b>4,608</b>
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
<b>Current liabilities</b>	<b>14,903</b>	<b>11,494</b>
<b>TOTAL LIABILITIES</b>	<b>41,371</b>	<b>43,248</b>

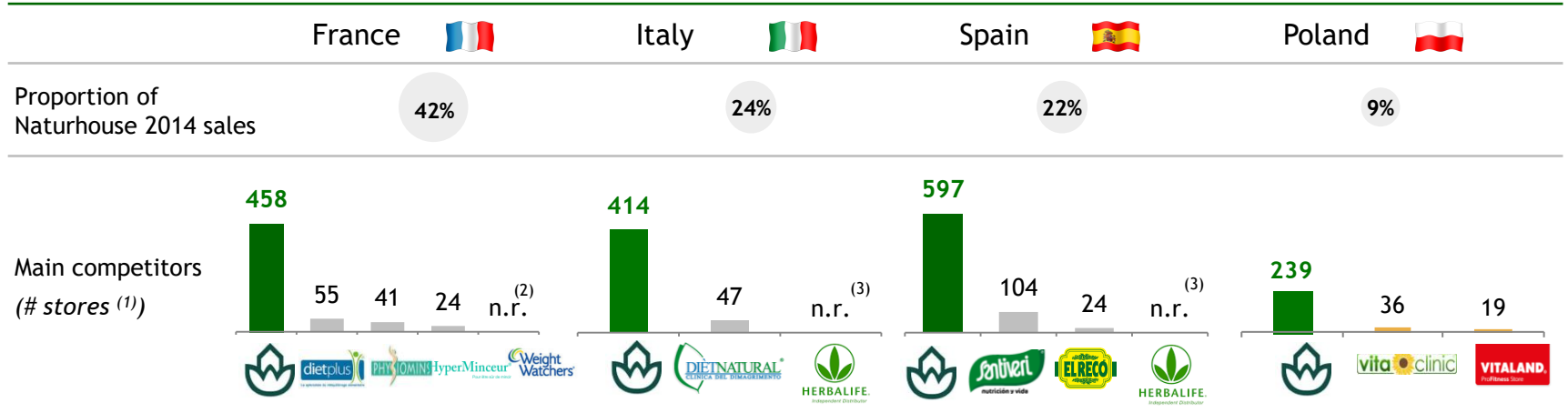
*In Thousands of euros*

**Competition by service / products**



*Naturhouse value added*

**Main competition by country**



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

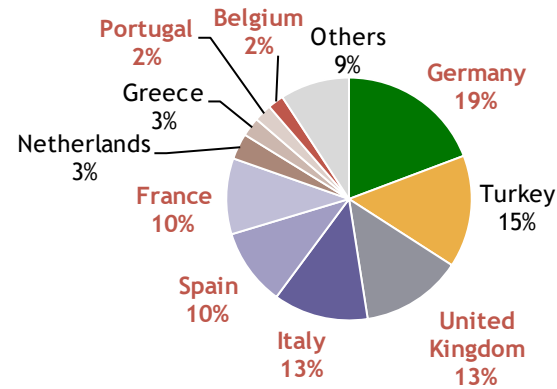
(3) Herbalife has no stores and the sale of the product is made through independent distributors



## Population<sup>(1)</sup> split by weight

	Overweight pop in 2014 <sup>(2)</sup> (m) <i>(last estimates)</i>			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.<sup>(2)</sup> in W. Europe



**Total # of overweight:**  
**149m**  
*(2014 last estimates figures)*



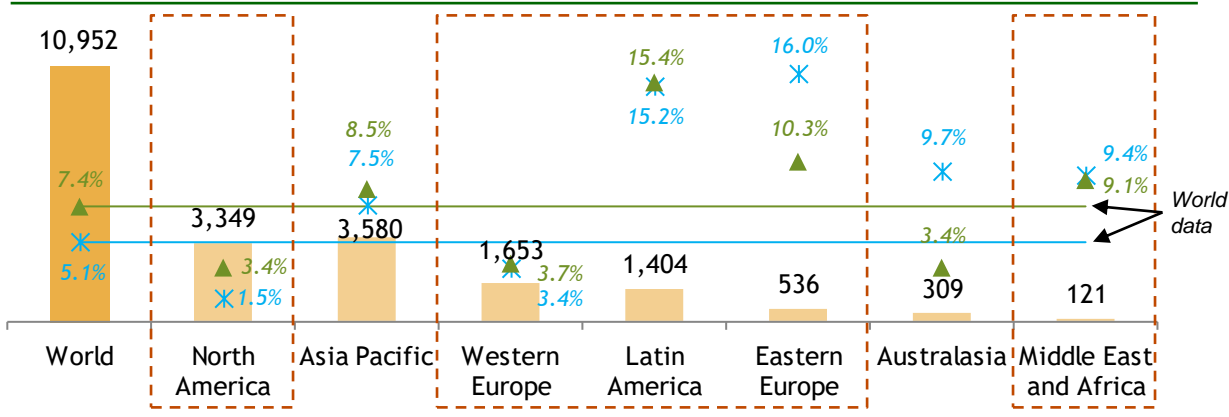
Source: Euromonitor

(1) Population > 15 years old

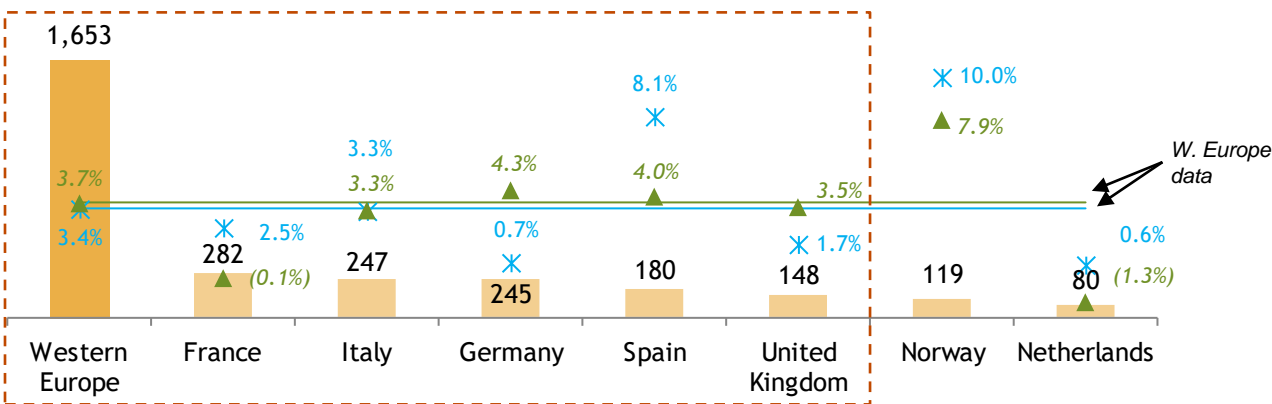
(2) Overweight population = population > 15 years old with a BMI between 25-30 kg / sqm

(3) Obese population = population > 15 years old with a BMI > 30 kg / sqm

## Weight management market<sup>(1)</sup> by region (in €m)



## Main weight management markets<sup>(1)</sup> 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)



## CONTACT

María Pardo Martínez  
Investor Relations Manager  
Telephone number: +34 914323953  
Email: [accionista@naturhouse.com](mailto:accionista@naturhouse.com)