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Results Reaction	Retail	Sweden	19 October 2018
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New financial targets announced - QFS to make SEK 125m in EBITDA in 2019

Qliro group, the e-commerce and consumer bank operator, has announced new financial targets including an ambition for QFS to contribute SEK 125m in EBITDA in 2019 (previously SEK 150m). While the track record in any guidance is poor, this compares with our group EBITDA forecasts for SEK 68m in 2019. In Q3, EBIT of SEK 1m is well above our SEK -9m forecast, while net losses of SEK 5m is below our SEK 3m forecasts.

Outcome: Lower losses in Marketplace and lower HQ costs drive EBIT

In Q3 CDON Marketplace LBIT is lower than expected; Nelly EBIT is higher than expected and group HQ costs are lower than expected. QFS made breakeven - in line with our forecasts. Still, from higher financial costs and much higher tax costs compared to our estimates, net losses of SEK 5m are well below our forecast for net losses of SEK 3m.

Outlook: New financial targets

In connection with the Q3 results, Qliro group announced updated financial targets. Most importantly, the group states an ambition for QFS, its consumer bank, to generate SEK 125m in EBITDA in next year (down from "over SEK 150m" previously). Marketplace is expected to be able to generate a positive EBITDA margin of "2%-3%" (loss-making today) and Nelly, its young online fashion retailer, should produce an EBITDA margin of "over 6%".

Impact: Reflecting a 38% share price decline so far in this year, we believe the market could again revalue the equity

While these financial targets effectively are downgraded from previous ambitions, any results in line with these new targets would also be significantly above all our current financial forecasts for the group. Considering a 38% share price contraction year-to-date, we reckon the market could revalue this equity again.

Conference call details:

10:00 CET conf. call @ +46 8 5033 6574 (Swe), +44 330 336 9105 (UK), +1 646 828 8156 (US)
Pin code: 8635179

Deviation from estimates

Report due: 19 October 2018 at 08:00 CET
 Presentation: 10:00 CET conf. call ☎ +46 8 5033 6574 (Swe), +44 330 336 9105 (UK), +1 646 828 8156 (US) Pn code: 8635179
 Guidance: n.a. **Qlilo Group**

Table : Deviation of reported from expected results

	Q3/18A	Q3/18E	Diff (8BQ)	Diff. (%)	Consensus*			Q3/17A	Diff (8BQ)	Diff. y/y (%)
					Q3/18E	Diff (8BQ)	Diff. (%)			
Sales (8Bm)	865.1	871.8	(6.5)	(1.0)	892.0	(20.9)	(3.9)	868.1	(20.0)	(23.4)
COGS	(489.9)	(486.2)	(3.7)	0.8	n.a.	n.a.		(863.2)	17.3	(26.1)
Gross profit	176.2	186.4	(10.2)	(6.6)	n.a.	n.a.		204.9	(28.7)	(14.6)
SG&A costs	(183.1)	(195.6)	12.5	(6.4)	n.a.	n.a.		(217.8)	34.7	(15.9)
Other operating income/costs	8.6	1.0	7.6	n.a.	n.a.	n.a.		16.3	(7.7)	n.a.
EBIT	0.7	(8.2)	8.9	(107.8)	(14.0)	14.7	(106.0)	8.4	(2.7)	(79.6)
NRs	0.0	0.0	0.0	n.a.	0.0	0.0		5.8	(5.8)	(100.0)
Adj. EBIT (excl. NRs)	0.7	(8.2)	8.9	(107.8)	(14.0)	14.7	(106.0)	2.4	3.1	(129.8)
Net finances	(5.4)	(2.5)	(2.9)	19.0	(5.0)	0.6		(2.9)	(2.9)	116.0
Pre-tax profit	(4.7)	(11.7)	7.0	(88.8)	(20.0)	16.3	(78.8)	0.9	(6.8)	(818.6)
Tot. taxes	(0.4)	9.0	(9.4)	(104.4)	5.0	(5.4)		(0.7)	0.3	(42.9)
Minority interests	0.0	0.0	0.0	n.a.	0.0	0.0		0.0	0.0	n.a.
Net profit reported, cont. oper.	(6.1)	(2.7)	(2.4)	88.8	(15.0)	9.9	(88.0)	0.2	(6.3)	(2,628.8)
EPS reported, cont. oper.	(0.03)	(0.02)	(0.02)	(88.9)	(0.10)	0.07	(66.0)	0.00	(0.04)	(2,528.6)
EPS, adj.	(0.03)	(0.02)	(0.02)	(88.9)	(0.10)	0.07	(66.0)	(0.01)	(0.03)	351.9
No of shares, f. dil (m)	149.3	149.3	n.a.	0.0	149.3	n.a.	0.0	149.3	n.a.	0.0
Growth & margins (%)	Q3/18A	Q3/18E	Diff (8BQ)	Diff (pp)	Q3/18E	Diff (8BQ)	Diff (pp)	Q3/17A	Diff (8BQ)	Diff. y/y (pp)
Sales growth, reported y-o-y	(22.6)	(22.6)	n.a.	0.0	(20.3)	n.a.	(2.3)	5.6	n.a.	(28.2)
Underlying EBIT growth, y-o-y	(284.8)	(284.8)	n.a.	0.0	486.8	n.a.	(770.6)	92.9	n.a.	(377.7)
COGS/Sales	73.7	72.4	n.a.	1.3	n.a.	n.a.	n.a.	76.4	n.a.	(2.7)
SG&A/Sales (excl. NRs)	26.2	29.0	n.a.	(2.7)	n.a.	n.a.	n.a.	23.9	n.a.	2.4
Gross margin	26.3	27.6	n.a.	(1.3)	n.a.	n.a.	n.a.	23.6	n.a.	2.7
EBIT margin	0.1	(1.4)	n.a.	1.5	(2.0)	n.a.	2.1	0.4	n.a.	(0.3)
Adj. EBIT margin (excl. NRs)	0.1	(1.4)	n.a.	1.5	n.a.	n.a.	n.a.	(0.3)	n.a.	0.4
PTP margin	(0.7)	(1.7)	n.a.	1.0	(2.9)	n.a.	2.2	0.1	n.a.	(0.8)
Net margin	(0.8)	(0.4)	n.a.	(0.4)	(2.2)	n.a.	1.4	0.0	n.a.	(0.8)
Tax rate	(8.5)	76.9	n.a.	(85.4)	25.0	n.a.	(33.9)	76.9	n.a.	(85.4)

*The median Reuters (one provided)

Table : Deviation of reported from expected results

Qlilo Group - by area	Q3/18A	Q3/18E	Diff (8BQ)	Diff. (%)	TR consensus			Q2/17pf	Diff (8BQ)	Diff. y/y (%)
					Q3/18E	Diff (8BQ)	Diff. (%)			
Sales (8Bm)										
QCON	286.3	294.5	(8.2)	(2.8)				353.5	(67.2)	(19.0)
Nelly	308.9	297.0	11.9	4.0				277.5	31.4	11.3
Qlilo Financial Services	71.6	81.0	(9.4)	(11.6)				54.9	16.7	30.4
Eliminations	(1.8)	(0.9)	(0.9)	97.7				(0.8)	(1.0)	n.a.
Total	865.1	871.8	(6.8)	(1.0)	892	(26.8)	(3.8)	886.1	(20.1)	(2.8)
EBIT (8Bm)										
QCON	(8.9)	(13.3)	4.4	32.8				(16.3)	7.4	45.4
Nelly	18.7	14.3	4.4	31.2				18.2	0.5	2.7
Qlilo Financial Services	0.4	0.5	(0.1)	26.9				3.6	(3.2)	88.9
Eliminations	(0.6)	(0.4)	(0.2)	(48.2)				0.2	(0.8)	n.a.
Group HQ and NRs	(8.9)	(10.3)	1.4	14.0				(10.2)	1.3	n.a.
Group EBIT, reported	0.7	(8.2)	8.9	(107.8)	(14)	14.7	(106.0)	(4.8)	6.2	(116.8)
EBIT margin (%)										
QCON	(3.1)	(4.5)	n.a.	1.4				(4.8)	n.a.	1.5
Nelly	6.1	4.8	n.a.	1.3				6.6	n.a.	(0.5)
Qlilo Financial Services	0.6	0.7	n.a.	(0.1)				6.6	n.a.	(6.0)
Other	n.a.	n.a.	n.a.	n.a.				n.a.	n.a.	n.a.
Group EBIT margin, reported (%)	0.1	(1.4)	n.a.	1.5	(2.0)	2.1	(2.1)	(0.7)	n.a.	0.8
EBIT, reported	0.7	(8.2)	8.9	(107.8)				(4.8)	6.2	(116.8)
NRs	0.0	0.0	0.0	n.a.				5.8	(5.8)	n.a.
EBIT excl. NRs	0.7	(8.2)	8.9	(107.8)				(10.3)	11.0	(108.8)
EBIT excl. NRs and QF S	0.8	(8.7)	10.0	100.1				(11.8)	14.2	(102.2)
Gross margins (%)	26.3	27.6	n.a.	(1.3)				23.6	n.a.	4.0
Stock in trade	484.9	412.7	422	10.2				484.2	(29.3)	(6.1)
PTP	(4.7)	(11.7)	7.0	(88.8)	(20)	16.3	(78.8)	0.9	(6.8)	(818.6)

Source: SEB, Reuters

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