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Company Comment	Retail	Sweden	11 October 2019
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Q3 preview: campaign driven markets should burden Nelly's margins

Qliro will report Q3 earnings on 22 October at 08.00 CET. Management will host a conference call starting at 10.00 CET - see call-in details on qlirogroup.com. We attach our financial forecasts below and we reiterate our fundamental mid-point equity value of SEK 16 per share, based on our sum-of-the-parts valuation model.

Valuation and mid-point SOTP & DCF summary

Valuation and mid-point SOTP & DCF summary (SEK)

DCF value, mid-point (SEK)	13.50		
SOTP value, mid-point (SEK)	16.00		
Share price (SEK)	9.62		
2020E EV/Sales at current share price (x)	0.39		
	Low	High	Mid
SOTP valuation range (SEK)	12.00	20.00	16.00
Share price difference to SOTP value (%)	25	108	66
2020E EV/Sales at valuation range	0.51	0.88	0.70
Disc./(Prem.) at SOTP value (%)	25	(25)	0

Source: SEB

Financial forecasts

Qilro Group - consolidated interim financial statement (SEKm)												
	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19E	Q4/19E	2018	2019E	2020E	2021E
Net sales	716	807	665	1,038	640	724	654	991	3,225	3,008	3,166	3,252
COGS	(581)	(605)	(490)	(799)	(478)	(503)	(406)	(752)	(2,475)	(2,199)	(2,309)	(2,366)
Gross profit	135	202	175	238	162	221	188	238	751	809	847	886
SG&A costs	(194)	(218)	(183)	(233)	(206)	(219)	(194)	(228)	(828)	(846)	(833)	(821)
Other operating income/costs	7	6	9	11	11	(2)	7	12	32	28	26	30
Non-recurring items	(7)	0	0	0	0	0	0	0	(7)	0	0	0
EBIT	(59)	(10)	1	16	(33)	1	1	22	(52)	(9)	39	105
Of which: NRIs	(7)	0	0	0	0	0	0	0	(7)	0	0	0
Of which: Qilro Financial Services	(5)	(4)	0	(7)	2	0	5	4	(15)	12	27	81
EBIT excl. NRIs	(52)	(10)	1	16	(33)	1	1	22	(45)	(9)	39	105
EBIT excl. NRI and Qilro Fin. Serv.	(47)	(7)	0	23	(36)	1	(4)	19	(30)	(21)	13	24
Net financial items	(4)	(21)	(5)	(3)	(11)	(1)	(2)	(5)	(32)	(18)	(12)	(10)
Reported pre-tax profit	(63)	(31)	(5)	14	(44)	0	(1)	18	(84)	(27)	28	95
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0
Total taxes	14	(57)	(0)	(8)	0	0	(0)	3	(52)	3	(3)	(9)
Net profit (cont. operations), reported	(49)	(88)	(5)	6	(44)	0	(1)	21	(136)	(24)	25	85
Net profit (cont. operations), adj. for NRIs net of tax	(40)	(19)	(5)	6	(44)	0	(1)	21	(133)	(24)	25	85
EPS, reported (SEK)	(0.33)	(0.59)	(0.03)	0.04	(0.30)	0.00	(0.01)	0.14	(0.91)	(0.16)	0.17	0.57
EPS, adj. (cont. oper.)	(0.27)	(0.13)	(0.03)	0.04	(0.30)	0.00	(0.01)	0.14	(0.89)	(0.16)	0.17	0.57
Sales growth (%)	(28.4)	(17.8)	(23.4)	(13.5)	(10.7)	(10.3)	(1.7)	(4.5)	(20.3)	(6.8)	4.9	3.1
Organic sales growth (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT growth (%)	n.a.	n.a.	(66.4)	(54.4)	n.a.	n.a.	58.9	38.3	n.a.	n.a.	n.a.	167.5
EBIT (excl. NRIs) growth (%)	n.a.	n.a.	n.a.	(54.4)	n.a.	n.a.	58.9	38.3	n.a.	n.a.	n.a.	167.5
EBIT (excl. NRIs and Qilro FS) growth (%)	n.a.	n.a.	n.a.	(28.1)	n.a.	n.a.	n.a.	(20.1)	n.a.	n.a.	n.a.	88.9
Pre-tax profit growth (%)	n.a.	n.a.	n.a.	(58.3)	n.a.	n.a.	n.a.	29.7	n.a.	n.a.	n.a.	244.7
EPS, adj. (cont. oper.) growth (%)	n.a.	n.a.	n.a.	(73.4)	n.a.	n.a.	n.a.	274.9	n.a.	n.a.	n.a.	244.7
Gross margin (%)	18.9	25.0	26.3	23.0	25.2	30.6	28.7	24.1	23.3	26.9	26.8	27.6
Gross margin, chg. y/y (pp)	(0.3)	1.2	2.7	1.2	6.3	5.5	2.4	1.1	1.2	3.6	(0.1)	0.7
SG&A excl. NRIs (SEKm)	187	212	174	222	195	220	187	216	796	818	807	791
SG&A as a % (excl. NRIs) (%)	26.1	26.3	26.2	21.4	30.5	30.4	28.6	21.8	24.7	27.2	25.6	24.3
SG&A as a % (excl. NRIs), chg. y/y (pp)	4.1	4.1	2.2	2.6	4.3	4.1	2.3	0.4	3.1	2.5	(1.6)	(1.3)
EBIT margin (%)	(8.2)	(1.3)	0.1	1.6	(5.2)	0.1	0.2	2.3	(1.6)	(0.3)	1.2	3.2
EBIT (excl. NRIs) margin (%)	(7.2)	(1.3)	0.1	1.6	(5.2)	0.1	0.2	2.3	(1.4)	(0.3)	1.2	3.2
EBIT (excl. NRIs and Qilro FS) margin (%)	(6.6)	(0.8)	0.1	2.3	(5.6)	0.1	(0.6)	1.9	(0.9)	(0.7)	0.4	0.7
Pre-tax margin (%)	(8.7)	(3.8)	(0.7)	1.3	(6.9)	0.0	(0.1)	1.8	(2.6)	(0.9)	0.9	2.9
Net profit margin (%)	(6.8)	(10.9)	(0.8)	0.5	(6.9)	0.0	(0.2)	2.1	(4.2)	(0.8)	0.8	2.6
Net profit margin, adjusted (%)	(5.6)	(2.4)	(0.8)	0.5	(6.9)	0.0	(0.2)	2.1	(4.1)	(0.8)	0.8	2.6
Tax rate (%)	(22.2)	184.7	8.5	(59.6)	(0.1)	200.0	20.0	15.1	61.1	(10.0)	(10.0)	(10.0)
No of shares, f. dil. avg. adj. (m)	149.3	149.3	149.3	149.3	149.3	149.3	149.3	149.3	149.3	149.3	149.3	149.3

Source: SEB

Financial forecasts - by area

Qliro Group - pro forma (excl. Tretti, Lekmer, HSNQ)	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19E	Q4/19E	2018	2019E	2020E	2021E
Sales (SEKm)												
CDON/Marketplace	378	338	288	558	261	218	237	478	1,560	1,194	1,128	1,081
Nelly	278	403	309	403	302	424	320	418	1,391	1,495	1,570	1,652
QFS	64	68	72	77	79	83	98	92	281	352	464	522
Inter-company sales/other	(3)	(2)	(2)	(0)	(2)	(1)	(1)	1	(5)	(4)	(3)	(4)
Group sales	716	807	665	1,038	640	724	654	991	3,226	3,008	3,156	3,252
Sales growth (%)												
CDON/Marketplace	(2.9)	(12.7)	(19.0)	(23.9)	(31.1)	(35.5)	(17.1)	(14.3)	(16.3)	(23.5)	(5.7)	(3.9)
Nelly	3.3	10.5	11.3	0.7	9.8	5.3	3.7	3.8	6.2	5.4	7.1	5.3
QFS	32.8	29.9	30.4	19.9	22.8	22.0	38.5	20.1	27.8	25.4	31.7	12.5
Sales growth (proforma Tretti, Lekmer, HSNQ)	1.9	0.5	(2.9)	(13.5)	(10.7)	(10.3)	(1.7)	(4.5)	(4.9)	(6.8)	4.9	3.1
Reported EBIT (SEKm)												
CDON/Marketplace	(24)	(15)	(9)	17	(10)	(7)	(4)	16	(30)	(8)	10	14
Nelly	(20)	24	19	14	(12)	23	13	14	38	38	57	64
QFS	(5)	(4)	0	(7)	2	0	5	4	(15)	12	27	81
Eliminations	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(5)	(4)	(8)	(8)
Group cost	(9)	(14)	(8)	(5)	(12)	(13)	(12)	(11)	(37)	(48)	(46)	(48)
Group EBIT, reported (pro forma Tretti, Lekmer, HSNQ)	(59)	(10)	1	16	(33)	1	1	22	(52)	(9)	39	105
Reported EBIT margin (%)												
CDON/Marketplace	(6.2)	(4.4)	(3.1)	3.0	(4.0)	(3.4)	(1.8)	3.3	(1.9)	(0.5)	0.9	1.3
Nelly	(7.2)	5.9	6.1	3.4	(4.0)	5.4	4.0	3.5	2.8	2.6	3.6	3.9
QFS	(7.4)	(5.5)	0.5	(9.4)	3.1	0.2	5.4	4.0	(5.5)	3.3	5.7	15.5
Reported EBIT margin (proforma Tretti, Lekmer, HSNQ) (%)	(8.2)	(1.3)	0.1	1.6	(5.2)	0.1	0.2	2.3	(1.6)	(0.3)	1.2	3.2
NRIs (SEKm)												
CDON/Marketplace	(7)	0	0	0	0	0	0	0	(7)	0	0	0
Nelly	0	0	0	0	0	0	0	0	0	0	0	0
QFS	0	0	0	0	0	0	0	0	0	0	0	0
Group cost	0	0	0	0	0	0	0	0	0	0	0	0
Total NRIs (proforma Tretti, Lekmer, HSNQ)	(7)	0	0	0	0	0	0	0	(7)	0	0	0
Adjusted EBIT (SEKm)												
CDON/Marketplace	(17)	(15)	(9)	17	(10)	(7)	(4)	16	(23)	(8)	10	14
Nelly	(20)	24	19	14	(12)	23	13	14	38	38	57	64
QFS	(5)	(4)	0	(7)	2	0	5	4	(15)	12	27	81
Eliminations	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(5)	(4)	(8)	(8)
Group cost	(9)	(14)	(8)	(5)	(12)	(13)	(12)	(11)	(37)	(48)	(46)	(48)
Group adjusted EBIT, excl. NRIs	(52)	(10)	1	16	(33)	1	1	22	(45)	(9)	39	105
QFS (QFS) EBIT	(5)	(4)	0	(7)	2	0	5	4	(15)	12	27	81
Pro forma adjusted EBIT (excl. NRIs and QFS)	(47)	(7)	0	23	(36)	1	(4)	19	(30)	(21)	13	24
Adj EBIT margin (%)												
CDON/Marketplace	(4.4)	(4.4)	(3.1)	3.0	(4.0)	(3.4)	(1.8)	3.3	(1.5)	(0.5)	0.9	1.3
Nelly	(7.2)	5.9	6.1	3.4	(4.0)	5.4	4.0	3.5	2.8	2.6	3.6	3.9
QFS	(7.4)	(5.5)	0.5	(9.4)	3.1	0.2	5.4	4.0	(5.5)	3.3	5.7	15.5
Adj EBIT margin (%)	(7.2)	(1.3)	0.1	1.6	(5.2)	0.1	0.2	2.3	(1.4)	(0.3)	1.2	3.2

Source: SEB

Mid-point SOTP equity valuation summary

Mid-point SOTP in Qliro Group							
Mid-point SOTP valuation based on 2020E (SEKm)							
	Sales 2020E	Adj. EBIT 2020E	Peer group/methodology	Disc./Prem. (%)	Multiple used (x)	Implied EV	EV/share
CDON Marketplace	1,128	10	Online Marketplaces, med: EV/Sales	80	0.86	972	6.51
Nelly	1,570	57	Online Apparel Retail med: EV/Sales	50	0.51	795	5.33
QFS*	464	27	Resurs Holding: PER	(330)	38.7	1,027	6.88
Group common costs	(3)	(54)	Sweden Consumer, med: EV/EBIT	0	12.9	(697)	(4.67)
Group consolidated P&L	3,156	39					
Total group EV						2,097	14.05
Net debt/(cash) adjusted for QFS 2019E						(273)	(1.83)
Mid-point SOTP equity value						2,370	15.88
Mid-point SOTP equity value, per share						15.88	
Share price						9.82	
Share price potential (to SOTP) (%)						65.1	

Source: SEB

Capitalization

Capitalization (SEKm)	2017	2018	2019E	2020E	2021E
Share price (SEK)	9.62	9.62	9.62	9.62	9.62
No of shares, f. dil. (m)	149.3	149.3	149.3	149.3	149.3
Market cap (SEKm)	1,436	1,436	1,436	1,436	1,436
Net debt/(cash) excl. QFS (SEKm)	(304)	(420)	(273)	(193)	(164)
EV (SEKm)	1,132	1,016	1,163	1,243	1,272
Valuation (x)					
Net sales	3,390	3,226	3,008	3,156	3,252
Adj. EBIT	8	(45)	(9)	39	105
EBIT margin (%)	0.3	(1.4)	(0.3)	1.2	3.2
EV/Sales (x)	0.33	0.31	0.39	0.39	0.39
EV/EBIT (x)	133.5	n.a.	n.a.	31.6	12.1

Source: SEB

Key figures

(SEKm)	2018	2019E	2020E	2021E
Revenues (m)	3,226	3,008	3,156	3,252
Adj. EBIT	(45)	(9)	39	105
PTP (m)	(84)	(27)	28	95
EPS	(0.91)	(0.16)	0.17	0.57
EPS (adjusted)	(0.84)	(0.16)	0.17	0.57
DPS	0.00	0.00	0.00	0.00
Revenue growth (%)	(20.3)	(6.8)	4.9	3.1
EPS growth (%)	n.a.	n.a.	n.a.	244.7
Operating margin (%)	(1.6)	(0.3)	1.2	3.2
ROCE (%)	(3.6)	(0.6)	3.4	8.7
Net Debt/EBITDA (x)	(22.0)	(4.2)	(1.6)	(0.9)
PER (adjusted)	(11.0)	(57.9)	57.1	16.6
Dividend yield (%)	0.0	0.0	0.0	0.0
P/BV (x)	1.4	1.5	1.4	1.3
EV/EBIT (x)	(18.2)	(127.3)	31.0	11.9
EV/Sales (x)	0.29	0.38	0.39	0.38

Source: SEB

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