



# DORO APRIL-JUNE 2018

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**July 13<sup>th</sup> 2018**

# AGENDA

- Market update
- Second quarter 2018
- Concluding remarks and Q&A session



# MARKET UPDATE



# CURRENT KEY MARKET DYNAMICS

- **Early market data shows continued weak mobile phone market** – feature phone market challenging with continued increased competition. However Doro maintains market shares in the senior segment.
- **Google investing heavily in KaiOS** – highlighting the importance of developing feature phones further, 197 MSEK \*)
- **The smart assistant trend continues** – adding launch of Alibabas AliGenie and Samsung Bixby 2.0, voice enabled devices take bigger part of the market \*\*)
- **Care** – indication towards more technology enabled care solutions in future municipality procurements



\*) <https://www.mobil.se>

\*\*\*) Acando – 10 digital trends 2018

# INSIGHTS STRENGTHENING OUR 3<sup>RD</sup> TRANSFORMATION

- 5000 respondents confirm our strategy - being a full technology solution provider for seniors. New consumer research conducted by Doro in June *Seniors experience and attitudes towards technology* \*)
  - Two of three respondents (66.6%) say that they have a great interest in technology
  - They are curious how technology solutions can help them in their daily life. Four out of ten want to learn more
  - They feel that technology solutions contribute to safety. Six out of ten want to learn more
  - Two out of five respondents would be very confident with a smart care home solution that enable them to feel safer at home



\*) source: Doro/Novus Seniors' experience and attitudes towards technology – June 2018

# SECOND QUARTER 2018



# BUSINESS HIGHLIGHTS

## Category Products

- **Continued challenging market** for mobile phones
- **Doro 8040** – Plus X award
  - Awarded “**Brand of the Year 2018**” – senior smartphone category
- Launch of **first 4G clam smart feature phone**
  - Doro 7060/7070 in Nordics June, Europe Q3
  - Doro 7050 US planned for Q4 2018
- **Advertorial in the Economist with Google/Android** - this time on extending independence among seniors

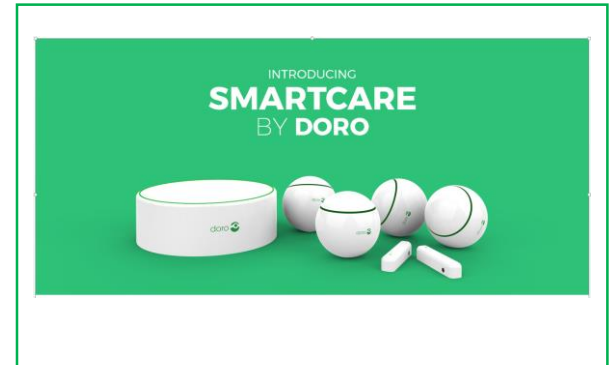




# BUSINESS HIGHLIGHTS

## Category Services

- Strong growth in category Services driven by the acquisition of Welbeing, UK, as well as continued positive development of the Nordic Care business
- Accelerating the execution of our strategy
  - Welbeing acquisition – entering UK market
  - Service development in accordance to plan
    - Response by Doro to be launched during October 2018 in Sweden
    - SmartCare by Doro to start with friendly trials in Q3 2018



# NET SALES Q2 2018



## Sales in Category Products

- Continued weak mobile phone market in Western Europe, especially in feature phones segment
- Sales in category Products were 10.1% lower y/y
- Smartphones share of total phone sales declined to 17%



## Sales in Category Services

- Sales in category Services increased 41.5% y/y
- Sales growth driven by acquisition of Welbeing (included from June 1 2018) and good development in the Nordics for Doro Care
- Services share of total sales 15.2% (10.2)

SEKm

700

600

500

400

300

200

100

0

Q316

Q416

Q117

446  
Q217

Q317

Q417

Q118

424  
Q218

Net sales  
-4.9%

# SALES PER MARKET Q2 2018

NORDICS  
-0.9%



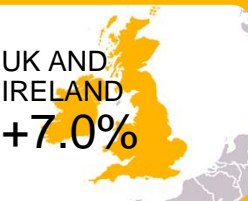
- Doro Care showing continued growth
- As in the previous quarter, the mobile phone market has been challenging

CENTRAL  
AND EASTERN  
EUROPE  
-16.0%



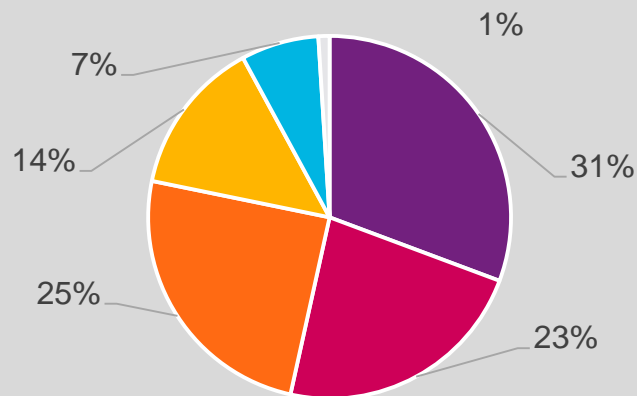
- Weak market for mobile phones impacting a number of important customers in Germany negatively
- Increased competition in non senior mobile phone segment

UK AND  
IRELAND  
+7.0%



- Weak sales of smartphones due to delayed testing of Doro 8035 at major operators
- Welbeing acquisition has compensated the weak product sales

Sales Q2'18/Growth y/y Q2'18



- Nordics (SEK 130.7m)/-0.9%
- West and South Europe and Africa (SEK 96.4m/-2.8%)
- Central and Eastern Europe (SEK 107.8m/-16.0%)
- United Kingdom and Ireland (SEK 61.5m/7.0%)
- North America (SEK 31.6m/23.9%)
- Rest of the World (SEK 2.3m/-51.1%)

# PROFITABILITY Q2 2018

## Margin

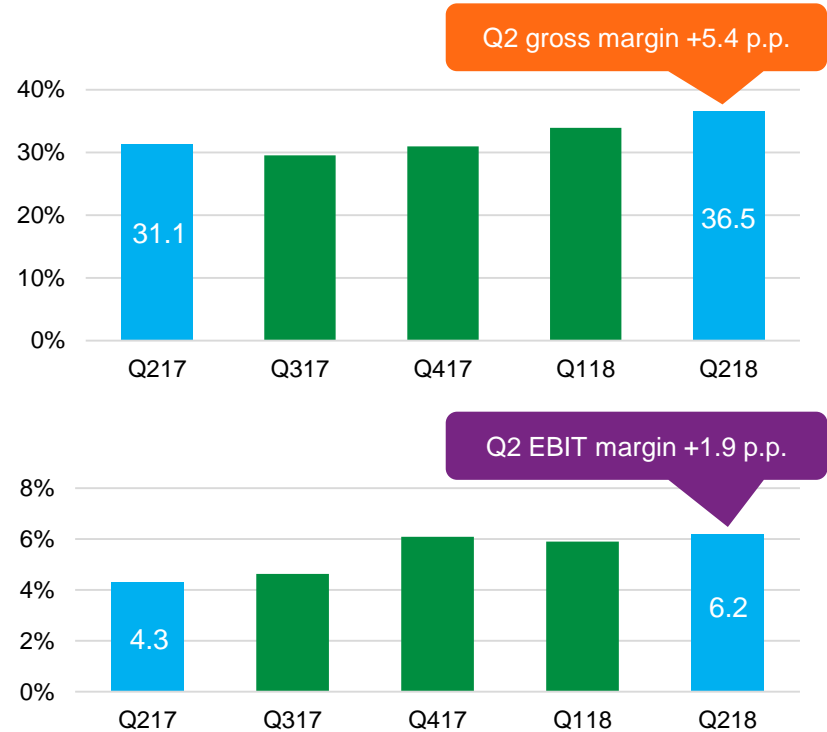
- Gross margin increased by 5.4 p.p. to 36.5%, supported by higher share of Service sales and positive currency effects in Products
- Operating margin increased 1.9 p.p. to 6.2%

## Profit

- EBITDA SEK 44.1m (33.8)
- EBIT SEK 26.1m (19.1)
- Profit after tax SEK 20.8m (15.3)

## Comments

- Move towards technology enabled care services requiring new competences
- Transformation program to be launched to drive competence shift as well as reducing costs by an estimated SEK 30m



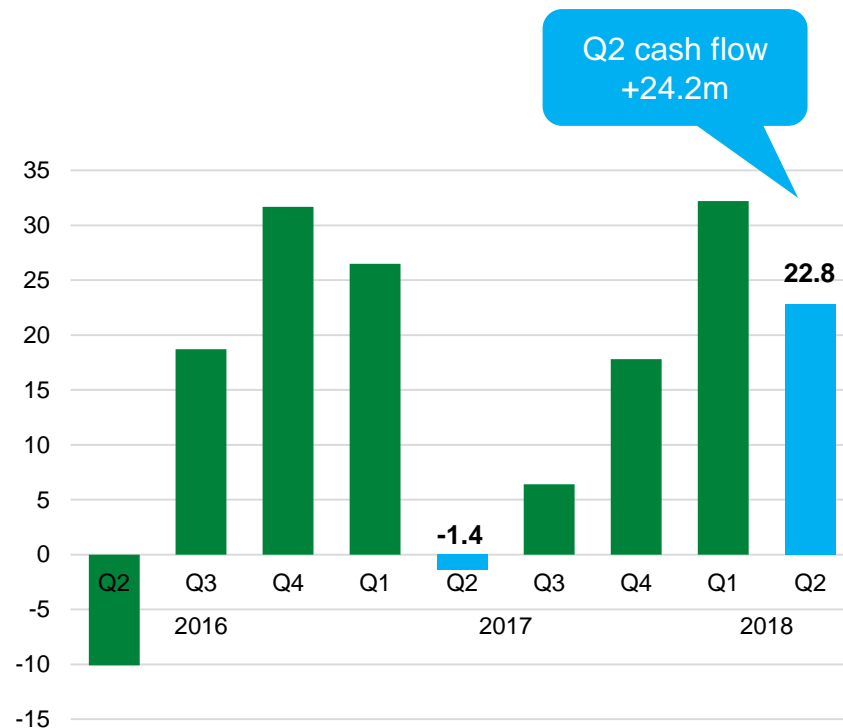
# CASH FLOW Q2 2018

## Cash flow

- Free Cash Flow before acquisitions amounted to SEK 22.8m (-1.4)
- Increase in cash flow y/y mainly due to higher EBIT and a decrease in inventory

## Net debt

- Net debt increased q/q, to SEK 174.6m from SEK 81.1m, and y/y from SEK 127.2m
- Equity/assets ratio at 46.9% end of second quarter, down from 54.8% at Q1'18 and 44.6% end of Q2'17.



# CONCLUDING REMARKS AND Q&A



# CONCLUDING REMARKS

| Q2 positive  | Q2 challenges   | Priorities ahead  | Outlook 2018   |
|--|---|---|--|
| <ul style="list-style-type: none"><li>• Acquisition of Welbeing strengthening our service business and geographical presence</li><li>• Sales in category Services increased 41.5% y/y</li><li>• Launch of a smart 4G feature phone strengthening offer</li><li>• EBIT margin up to 6.2% and improved cash flow</li></ul> | <ul style="list-style-type: none"><li>• Continued decline in product sales y/y, especially in Central and Eastern Europe</li><li>• Indications of overall mobile phone market in Europe continue to decline</li></ul> | <ul style="list-style-type: none"><li>• Launch of Response and SmartCare by Doro</li><li>• Increased efforts to improve product sales and leverage strengthened product portfolio</li><li>• Transformation program to further build competence in technology enabled care solutions and reduce yearly costs of an estimated SEK 30m</li></ul> | <ul style="list-style-type: none"><li>• We firm up on our outlook for 2018 and expect sales in the range SEK 1.9bn – 2.0bn and an operating profit (EBIT) in the range SEK 105m – 135m, including Welbeing, but excluding any further acquisitions or restructuring costs.</li></ul> |

# Q&A

- Thank you for your attention!
- Next report: Q3 on October 19, 2018
- Contact: [ir@doro.com](mailto:ir@doro.com)





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