

EUROPEAN LINGERIE
GROUP

Pareto Securities Nordic Corporate Bond Conference

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Stockholm, Sweden

Presenters



Peter Partma

CEO



Diana Suprunovica

CFO

- **ELG overview**
- Felina
- Lauma Fabrics
- Dessus – Dessous
- Financials 2018
- Initiatives and plans



Embroidery by Lauma Fabrics

European Lingerie Group (ELG) is a fully vertically integrated intimate apparel and lingerie group, supplying lingerie materials to all major intimate apparel brands and distributing own ready garment lingerie products through more than 5000 points of sale in 46 countries worldwide and online. ELG includes three business segments – **Lauma Fabrics**, **Felina International** and online business **Dessus-Dessous**.

ELG has successfully embarked upon a growth strategy involving international M&A targets and building size, and is today a renowned and strong player in the European intimate apparel industry.

Key numbers

1279

Employees worldwide

46

Countries

5000

Points of sale

6 brands

Lauma Fabrics,
Felina, Conturelle,
Senselle,
Lauma Medical,
Dessus-Dessous

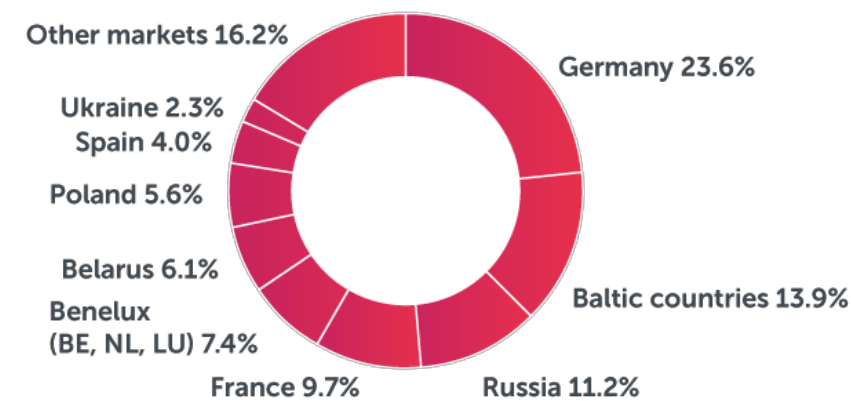
€ 9.3 m

EBITDA 12M 2018

€ 77.2m

Sales 12M 2018

Sales by markets 12M 2018



Company Locations

Key company locations –

sourcing, design, development

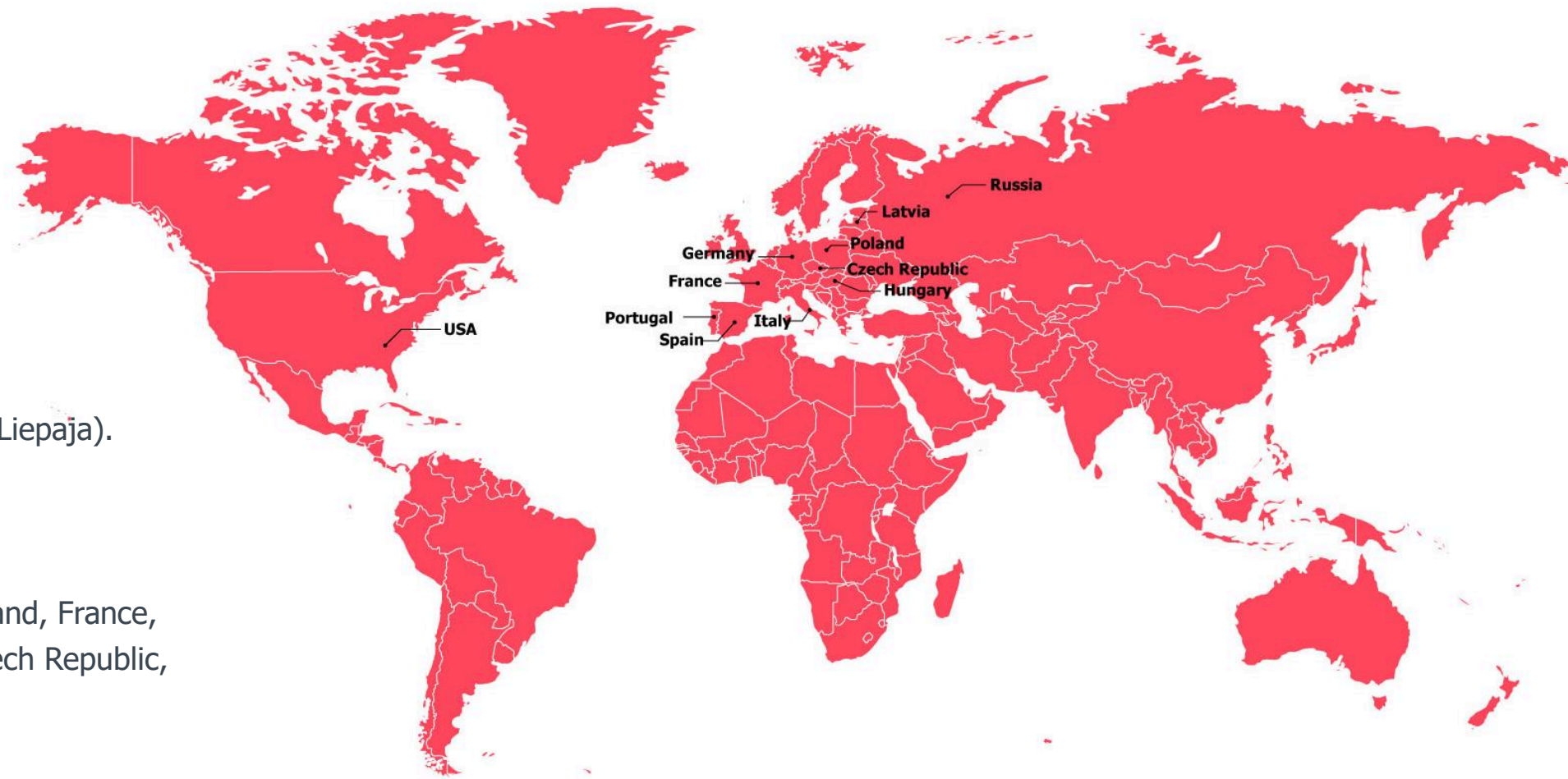
Germany (Mannheim), Latvia (Liepaja).

Production

Germany, Latvia, Hungary

Trading

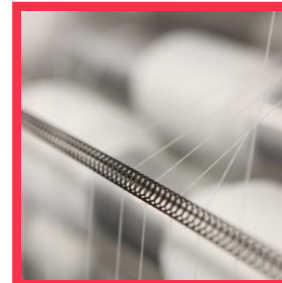
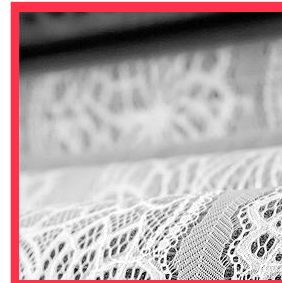
Germany, Latvia, Hungary, Poland, France, Italy, USA, Spain, Portugal, Czech Republic, rep office in Moscow, Russia



Company Products

Lace, embroidery, elastic fabrics, narrows, private label products

Premium branded lingerie under Conturelle and Felina brands



ONE- STOP- SHOP FOR LINGERIE

OUR VISION

To become the **preferred supplier of lingerie** in Europe,
be it fabrics and materials for ready garment production,
or ready garments for customers
presented in various distribution channels.

Business case

Unique for lingerie industry

ELG is one of the rare **fully vertically integrated** companies in the lingerie industry in Europe producing lace and fabrics for largest lingerie brands as well as produces and distributes lingerie garments under Conturelle, Felina and Senselle brands.

Sound business model and strong cash flow

Sound business model whereas products are based on classic, **never out of stock items** - both in material and ready garment segment with low fashion sensitivity, have provided for **sound and stable long term performance** with substantial profitability margins.

On growth path

The company is on a **stable organic growth path**, which comes from private label business expansion, geographical expansion, product portfolio expansion and new distribution channels, especially online.

Highly experienced and credible management

Highly **experienced Board and management** with diversity of corporate and function experience. Proven track record of successful growth management.

Manufacturing arm with blue-chip customer base

ELG is **One-stop-shop manufacturer** with diversified blue-chip customer base.

The company supplies all major manufacturers of intimate apparel in Europe.

Innovative **European design and quality** for relatively **low cost**.

High brand awareness and customer proximity

Established brands Felina and Conturelle with **high brand awareness**.

Close customer proximity through department stores and other retailers. Wide distribution network exceeding **5,000 points of sale** throughout Western Europe.

Established position in Central and Eastern Europe an excellent platform for growth

ELG's long track record, strong market position, brand awareness and network in Central and Eastern Europe support integration of new business segments and geographical expansion.

Value creation through vertical integration

Deep integration of the supply chain (from fabrics to retail)

Efficient supply chain management

Integration as a response to new demands for speed to market of 6 – 10 weeks (previously up to 9 months) for all types of products (classic, flash, seasonal) and quick reaction to market demands

Efficient inventory management across the whole supply chain

High asset/capital turnover and realization of full gross margin in-house

Reduction of risk through controlling key elements of the industry value chain

Diversification of the group sales and markets

ELG has a track record of successfully expanding into new geographies through acquisitions. Acquired companies include Elastic (fine fabrics, a client) and Felina (premium lingerie, a client), facilitating the geographical expansion and vertical integration

Raw material (yarns) > Fashion trends > Fabric design > Fabric production > Product design > Lingerie production > Branding / marketing > Wholesale > Retail

Lauma Fabrics
Felina



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Felina

CONTURELLE



senselle
by *Felina*

Felina

Premium quality Lingerie since 1885

Well-established player in an intimate wear niche focused on **premium** bras, slips and other intimate wear products.

Over **100 years** of brand heritage and excellent product fit with loyal end customers obtaining a low degree of price sensitivity.

Two distinct and complimentary premium brands – ***Felina*** and ***Conturelle***. Newest addition ***Senselle*** is a fusion collection

Recently launched a new *Move by Conturelle* **activity line** in its collection. For summer '19 Felina also reintroduced a **swimwear** line.



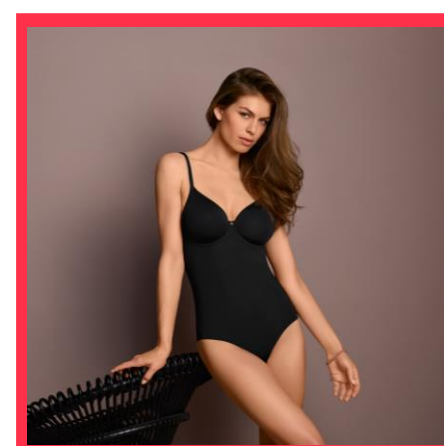
Vertical integration. The combination of in-house large-scale fabrics and lace production by Lauma and strong end-product and distribution experience by Felina.

Close customer proximity through regional sales subsidiaries focusing on department stores as well as fashion and lingerie retailers.



Low risk, asset-light business model, due to growing core business with high share of NOS (never-out-of-stock) products.

High internal value-add from product design and collection management to two own production sites in Hungary that secures highest quality standards and short lead times.



Felina sales and distribution

Felina has long-standing international customer relationship and a well-developed lingerie distribution network covering most of the European countries and serving over 5,000 wholesale customers worldwide. Wholesale business is mainly in the CIS region.

Felina realizes approximately 75% of sales through specialized shops, fashion boutiques and department stores.

Core Markets

Germany



Western Europe



Russia



**Target
2020:**

Felina
2.5m
pieces sold


senselle
by Felina
1.2m
pieces sold

Felina mainly sells lingerie to the European market, which is the world's largest women's lingerie market. Germany, is the core market for Felina.

Felina has a strong international presence, generating 60% of sales outside Germany (23% Western Europe, 12% Southern Europe, 8% Eastern Europe, 5% Northern America and Asia).

In 2018, a new back-up brand *Senselle by Felina* was launched to grow the market share in Eastern Europe as well as CIS countries and target the medium price segment.

move
by CONTURELLE

New activity line for women

www.movebyconturelle.com



Felina's Youtube channel: <https://www.youtube.com/channel/UCttIH4k7I3CPJP3axD4TouQ?reload=9>

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Embroidery by Lauma Fabrics

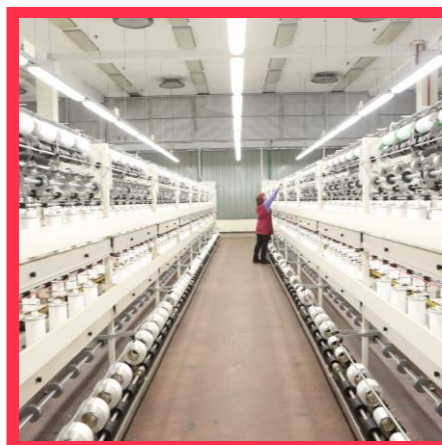
Business strengths

The company, situated in Liepaja, Latvia supplies all major manufacturers of intimate apparel throughout Europe.

Lauma Fabrics balances European design and quality for a relatively low cost in comparison with old European producers.

Financially sound and strong cash flow generative business.

Lauma Fabrics historical success has been built on 'one-stop-shop' strategy whereas a full set of materials for ladies underwear (warp knitted fabrics, laces, narrows, embroideries, moulded cups) is offered to the customer.



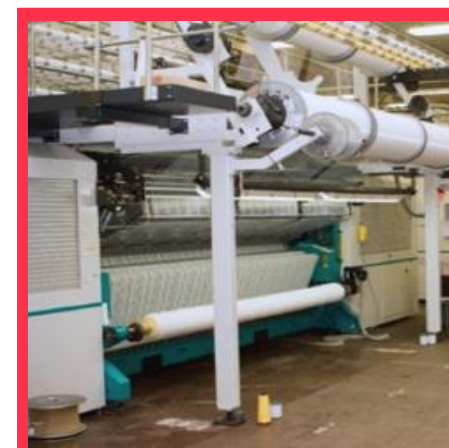
Lauma Fabrics has a full production process under one roof (warping, knitting, dyeing and finishing), very rare for a European producer.

The company has a modern dye-house, which enables beam and jet dyeing as well as includes water scouring equipment and stenters.



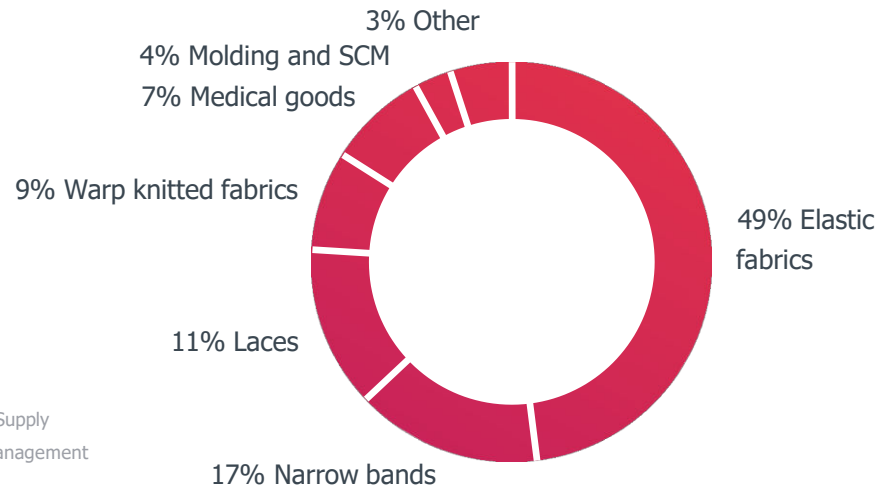
Convenient location for European production and historically loyal employee base.

Balanced geographical sales to CIS / Russia and Central and Western Europe with market leaders as the key customers.



Lauma Fabrics products

Sales by product groups 12m 2018



*SCM - Supply chain management

Fabrics product portfolio

Product portfolio includes elastic knitted fabrics, rigid knitted fabrics, elastic laces, narrows and embroideries.

Lauma Fabrics also offers SCM* services where ready garments are produced under customer brands.

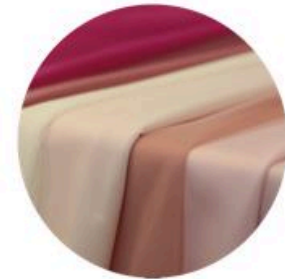
In addition to its core products, Lauma produces medical textile – compression bands and back supports. These products are sold under the brand Lauma Medical.



Lace



Embroidery



Elastic fabric



Narrows



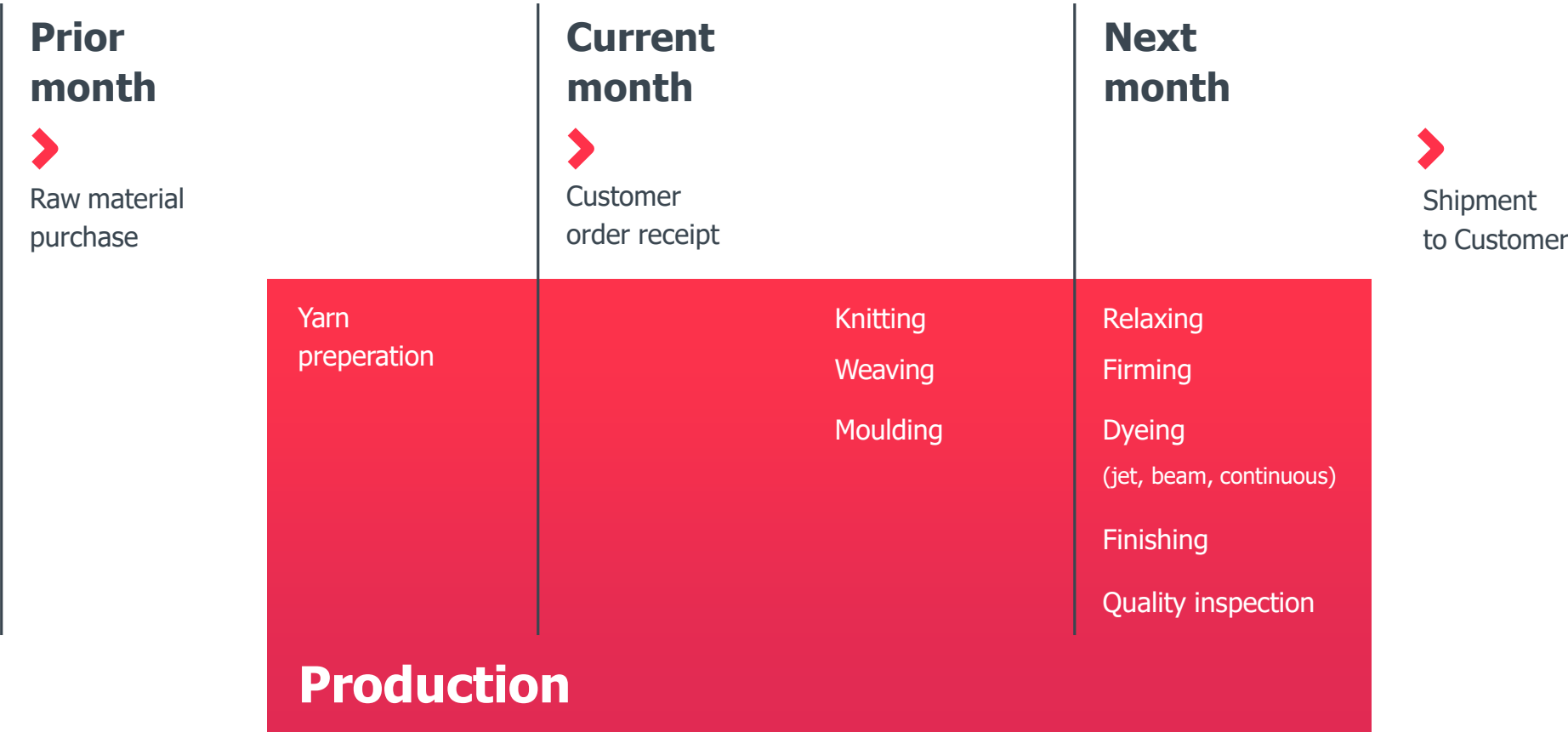
Medical goods

Lauma Fabrics

Core process

Recent production initiatives

- In-house spacer molding
- Investment in 50 gauge fabrics technology
- Embroidery design upgrade in cooperation with Prisco Facio
- New stenter acquisition



Lauma Fabrics Sales

Lauma Fabrics blue-chip customer base:

Lauma Fabrics has a **strong reputation** and **loyal customer base** built by using high quality materials, manufacturing all products in-house and reasonable product pricing.

Lauma Fabrics's client base is diversified in terms of size and geography – the Company serves all main lingerie brands in Europe and has around **200 client accounts**.

Lauma Fabrics currently produces a wide range of lace plus a variety of basic broad elastic fabrics. The majority of its production is used in intimate apparel garments, with principal markets being the CIS countries and Russia.

Sales to Western European countries are also growing steadily. More than 85% of fabrics, laces and other materials exported to more than **20 countries all over the world**.

Fabrics and laces are sold and marketed by dedicated distribution teams aiming to develop a close link between materials manufactured by Lauma Fabrics and the clothing where these products are used. In combination, the Latvian and German production facilities provide **wide geographic coverage**.

Lauma Fabrics carries a **wide range of fabrics** covering all product types. These are presented to customers either at trade fairs, customer conventions or directly at the customers' premises.



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www.dessus-dessous.com



Dessus-Dessous, headquartered in Lunel, France, is the French leader in online sales of lingerie. The Company specializes in online sales of luxury lingerie brands including Lise Charmel, Van De Velde, Simone Pérèle, Felina, Conturelle and others.

Dessus-Dessous has been leading the French online lingerie market since 2000, and enjoys extraordinary rates of customer satisfaction and loyalty, thanks to superb customer service, reliable delivery and a constantly up-to-date selection of over 150 thousand articles from over 50 brands.

Key numbers

€ 7.3m

Sales 12M 2018

Nr 1

in French online lingerie market

50+ brands

Represented on
website

150 thousand

Articles in selection

214 thousand

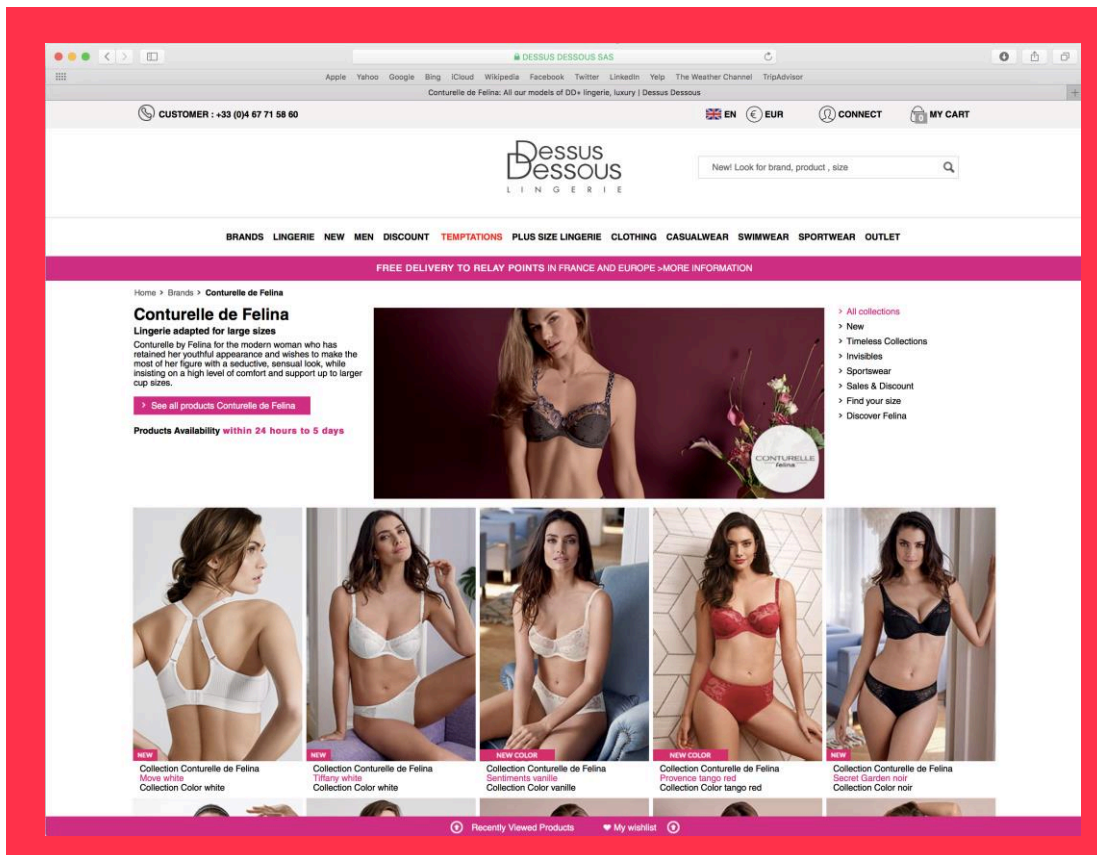
Customers in database



Business strengths

The acquisition of Dessus-Dessous, completed in June 2018, marks ELG's expansion to online retail segment of the lingerie market, reinforcing the Group's strategic commitment to building a truly vertically integrated business.

Sales of consumer goods are increasingly moving online, also in modern lingerie business. The acquisition of Dessus-Dessous is the response of ELG towards the persistent market trends.



As an added value, it is a unique window on consumer trends and preferences, which in turn will help to create greater efficiencies in the Group. There is significant gain in distribution

There is great potential in Dessus-Dessous's business model on its own – it is a successful, profitable and sustainable business. ELG believes the acquisition of Dessus-Dessous is of great long-term strategic value for the Group

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ELG financials 2018

2018 was a **transition year** for ELG after the acquisition of Felina Group and Dessus-Dessous. It **invested** in new technology, new people and process changes. Furthermore, the Group started several **strategy and market initiatives** to respond faster to changes in the market.

The results of these changes start to gradually convert into sales, but the operating profit is still behind expectations due to investments of today's profit in innovations and changes needed to sustain the business in the future and earn stable margins going forward.

<i>In thousands of EUR</i>	12 months 2018 (Pro forma)	12 months 2017 (Pro forma)	Change
Revenue	77,233	80,076	-3.6%
Normalised operating profit	6,084	10,078	-39.6%
Normalised EBITDA	9,288	13,057	-28.9%
Normalised net profit/(loss)	413	6,000	-93.1%
Operating cash flow for the period	11	3,134	-99.6%

ELG 12M 2018 sales results were below expectations due to the **continuing pace of closure** of small specialized retail shops in the Southern and Central Europe as well as the **slow-down of the macroeconomy** in the most European markets. Despite that the ongoing initiatives helped the Group to **stop the negative trend** of the first three quarters of 2018 and demonstrated the **sales pick up** in Q4 2018.

The Group believes that this improving trend will continue in the coming periods, bringing **additional revenue** at accelerated speed throughout 2019, as the Group constantly feeds the pipeline with **additional novelties**, complementary products and other initiatives.

Marginal analysis, %	12 months 2018 (Pro forma)	12 months 2017 (Pro forma)	Change
Normalised operating profit margin	7.9%	12.6%	-4.7 pp
Normalised EBITDA margin	12.0%	16.3%	-4.3 pp
Normalised net profit margin	0.5%	7.5%	-7.0 pp

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Embroidery by Lauma Fabrics

Initiatives & plans

We believe that **the omni-channel sales strategy** is the long term sustainable one and innovative value generation proposition and we will be pursuing it. Focus on online while keeping and expanding traditional distribution.

Our online growth plans...

Continued development and geographical expansion of newly acquired premium lingerie online store Dessus-Dessous is our priority. The acquisition proves our strong commitment towards online sales channel development for ELG.

We also plan for the investments in own online development to facilitate growth of our online customers, the fastest growing customer group for ELG.

In addition we assess an investment in online start-up project in lingerie industry to leverage from 5,000 points of sale and bringing those online.

... while recognizing the traditional channels to remain the core ones in short and mid-term future

We strongly believe that for lingerie shopping traditional retail channels as department stores and lingerie boutiques will remain key sales channel long term, however, conversion of the proposition into omni-channel one will be present.

We do assess an investment in retail chain in our core market Germany to facilitate true omni-channel strategy implementation (click & collect and other), to further expand sales and establish position of Felina brand with high contribution to our profitability.

'Omni-channel' Project

Marketplace for lingerie

The concept of the project is to create the **leading online lingerie store worldwide** on the basis of pooling the existing 'bricks and mortar' type of stores worldwide into one online store where exclusive, sophisticated, premium lingerie shopping experience would be provided to the end customers by ELG.

ELG has the access to 5,000 'bricks and mortar' type of stores worldwide. For a while stores suffer turnover loss due to migration towards online. Some of them have tried to introduce their own online store, but without significant investments and considerable results.

ELG believes that in long run most of the premium luxury lingerie will still be sold through independent boutiques and department stores. We believe that for premium lingerie market the brand awareness will continue to be a key factor and that French lingerie brands will be dominating the segment.

ELG is in a unique position to **consolidate the retailers, the customer base of ELG, into an online store (market place) to serve end customers who constantly migrate online.**

The idea is to develop an **online store which would be promoted as a separate online retail concept while products placed would be those of the retail stores.** Shipping would be done by the individual stores while all customer experience would be mainly supported by «Omni-channel» project online by ELG.

Other ELG initiatives & plans

Celebrity royalty program

Influencers play significant role in current market and frequently is the most preferred marketing promotion option.

Shopping through Facebook and Instagram is increasing double digit annually.

We have established relationships with celebrities with multi million followers in social media in music, fashion and modelling industry.

Negotiations for dedicated product line development 'brand by celebrity / influencer' are currently ongoing with subsequent product line development and launch.

Speed to market

As an integrated group, ELG has the possibilities to react to market trends much faster so we are working on reducing our lead time for ready garments in the coming year.

Creating synergies

We continue to bring synergies into the group structure of cost reduction, shorter lead times and productivity increases.

Team-building

We will continue to strengthen our international team, we have already seen positive effects of this and there is more to come.

SCM development

We are working on creating added value, whereby in addition to fabrics supply we would also increasingly sell ready garments under private label terms. The initiative is well perceived by customers.

Product portfolio expansions

We are constantly strengthening our product offer. Felina recently launched both a swim and a sports collection and also a fusion collection *Senselle by Felina*. This will have a positive effect on this year's sales.



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