EQUITY RESEARCH

RESEARCH ROUNDTABLE

Sep 14, 2020

HelgiLibrary

Pilulka

Fortune favours the bold

Pilulka can be thought of as a market disruptor offering customers online purchase of pharmaceutical products. The Company is run by the Kasa brothers, who have a wealth of experience in e-commerce business. We value Pilulka at Kč 750 mil on a pre-IPO money equity basis and an assumed subscription of new shares worth Kč 150 mil on entering the PSE START platform.

- ✓ Pilulka is one of the three largest pharmacy chains in Czechia with 32 owned and 120 franchise branches. The Company also became the largest online pharmacy in Czecho-Slovakia in 2019.
- ✓ Pilulka entered the Romanian pharmacy market at the end of 2018 and expansion to Hungary is planned during 2021. Revenues should increase three-fold by 2024 and the firm should break even in 2021.
- ✓ The Company was founded by Petr and Martin Kasa in 2013. They built on the success of their previous e-commerce project, kasa.cz, which they sold in 2009. Dynamic development and fast growth is therefore incorporated in Pilulka's DNA.
- ✓ Pilulka represents the concept of a market disruptor, currently offering customers an easier and faster way of purchasing OTC and, when market regulations allow in the future, of Rx drugs. Swiss Zur Rose and German Shop Apotheke could serve as examples.
- ✓ The Covid 19 pandemic accelerated the consumer shift to the online segment. The trend is clearly visible in better fundamentals of online firms as well as their share price outperformance. Zur Rose and Shop Apotheke valuations have risen two- to three-fold since March 2020.
- ✓ A comparison with domestic and foreign peers suggest a valuation of Pilulka at Kč 650-850 mil pre-IPO. The valuation hinges on the company's ability to grow rapidly, to manage foreign expansion and to source the finance for such fast growth.

Sector:
Pharmacy/E-Commerce

Country:
Czechia/Slovakia/Romania

Market Capitalization:
Kč 750 mil (Pre-money Equity)
Kč 900 mil (Post-money Equity)*

Enterprise Value:
Kč 832 mil (2020E)

 # Active Clients:
655,000 (2020E)

 # Total Clients:
1.5 mil (2020P)

 # Branches:
152 (June 2020)

Shareholders (Pre-money):
Petr and Martin Kasa (47.3%)
All-Star Holding (31%)
Others (21.7%)

**Post-money valuation assumes capital increase of Kč 150 mil during IPO*

KEY FIGURES*

	SALES	EBITDA	EBITDA MARGIN	NET PROFIT	ROCE	DEBT/EBITDA	EV/SALES	EV/EBITDA	PER
	CZK mil	CZK mil	%	CZK mil	%				
2024P	4,267	147	3.44	82.3	42.6	-0.414	0.192	5.56	11.5
2023P	3,378	93.1	2.76	41.0	26.1	-0.114	0.256	9.31	22.5
2022P	2,679	49.8	1.86	8.12	6.42	-0.198	0.324	17.4	91.1
2021P	2,150	18.1	0.842	-16.0	-15.8	-1.24	0.397	47.2	-73.4
2020P	1,717	-11.3	-0.656	-52.1	-54.6	6.01	0.472	-71.9	-18.9
2019	1,321	-36.4	-2.76	-58.5	-57.6	-1.86	0.714	-25.9	-16.9

Source: Pilulka, Helgi Analytics, *Post-money equity valuation of Kč 900 mil assumes capital increase of Kč 150 mil

Data tells a story

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1 Valuation

- **Pilulka represents a dynamic business model focusing on the sale of pharmaceutical products online. Thanks to cannibalization of the offline segment, foreign expansion and potential deregulation of the Rx drug market, the company could grow more than 20% a year over the next decade.**

- **The Covid 19 pandemic accelerated the movement of consumers from the offline to the online segment greatly affecting Pilulka both fundamentally as well as from the valuation point of view. We wait to see how long-term and structural these changes might be.**

- **Pilulka should break even at the operating level in 2021 and a year later in terms of net profit. Entering the Prague Exchange and capital strengthening will significantly reduce the company's dependence on external funding.**

- **Valuation models suggest a potential fair value of Kč 500-1,500 mil. A more detailed analysis narrows that range to Kč 650-850 mil.**

- **We see a fair value of 100% of the Company (pre-money equity) at Kč 750 mil at the end of 2020. Assuming Kč 150 mil new shares are issued during IPO, we expect future market capitalization of the company to reach Kč 900 mil.**

1.1 Summary

Pilulka's financials reveal that the company had equity of Kč 35 mil at the end of 2019. Net debt amounted to Kč 68 mil and net working capital reached Kč 19 mil. The company has been losing money from its inception. As such, a traditional valuation model based on current numbers would imply a value in just tens of millions of czech crowns.

However,if we look at the overall growth rates, the increase in customer numbers and improving profitability trends, and add ambitious expansion plans, it's clear Pilulka offers something more than current figures might show:

FINANCIAL SUMMARY		2018	2019	2020P	2021P	2022P	2023P	2024P
SALES	CZK mil	1,033	1,321	1,717	2,150	2,679	3,378	4,267
EBITDA	CZK mil	-28.9	-36.4	-11.3	18.1	49.8	93.1	147.0
NET PROFIT	CZK mil	-41.9	-58.5	-52.1	-16.0	8.1	41.0	82.3
NET DEBT	CZK mil	76.2	67.8	-67.7	-22.5	-9.9	-10.6	-60.8
NET WORKING CAPITAL	CZK mil	31.0	18.6	-33.9	-19.9	-15.3	4.0	18.8
EQUITY*	CZK mil	15.8	35.3	137.6	179.3	185.8	221.7	295.1

Source: Company, Helgi Analytics, * Equity adjusted for 30% share in Romanian JV

Pilulka represents a business model which could disrupt the traditional distribution of pharmaceutical products in Central Europe. Deregulation of online drug distribution as seen in Western Europe and the USA suggest a likely potential trend here within a few years. Having said that, it could still take some years before we are able to buy a prescription drug online in the Czech Republic.

The Covid 19 pandemic, lockdown and increasing numbers of consumers moving rapidly to the online segment might speed up the whole process of drug deregulation. We might therefore see not only a short-term relative improvement of profitability of online firms (including Pilulka), but more sustainable and structural changes in a number of industries.

A number of examples from abroad suggest investors are willing to forgive loss-making companies for years if they believe their business model offers a longer-term competitive advantage. And we're not talking about Tesla or Amazon.

Share prices of the two largest European online pharmacies (Switzerland's Zur Rose and German Shop Apotheke Europe) have, for example, increased two- to three-fold since March 2020. That's in spite of the fact that both companies are seriously loss-making. This demonstrates not only the mood of the market in the short-term, but also improvement in the long-term fundamental prospects of these companies.

Fast growth, loss-making and positive market sentiment are unfortunately poor ingredients for a company valuation. If you add a relatively weak balance sheet and a combination of a variety of business segments and foreign expansion, the task is really tricky. The result is that:

- ✓ Valuation of Pilulka based on traditional profit ratios (be it Price to earnings, or EV/EBITDA) or book value (PBV) expected in the coming years do not make much sense as they cannot fully reflect the turnaround and long-term potential of the firm.
- ✓ The range suggested by peer comparison is too wide, while a model of discounted free cash flow remains extremely sensitive to the assumptions used.
- ✓ Finally, valuation based on EV/Sales might be misleading until we agree how profitable the business model will be in the future. In other words, there might be a big difference if we value a slow-growing traditional offline pharmacy business with a 30% gross margin, or a fast-growing online start-up with a lower quality revenue breakdown and gross margin around 25%.

To simplify things, the value of Pilulka could be uncovered using the following main three questions:

- ✓ **What sales will the company be able to generate in the next 5-10 years? In other words, how disruptive is its business model really?**
- ✓ **How quickly will Company's EBITDA margin improve under such strong top line growth?**
- ✓ **How will this fast growth be funded?**

All these questions will be discussed in more detail in the financial part of the report. Having said that, the management's financial plan already offers plenty of hints and potential assumptions for the valuation model:

- ✓ Management plans for the company to reach consolidated sales of Kč 4.3 mld in

2024, which means an average annual growth of 26% when compared to 2019.

- The company should be operating with a 25-30% gross margin while EBITDA margin should reach 3.4% in 2024

- Most of the newly-generated growth should be funded by working capital, which means with the help of suppliers. Upcoming IPO, however, broadens potential funding options and offers management and shareholders an alternative plan "B".

While paying heed to the firm's current financials, its valuation is more dependant on the dynamic revenue growth and profitability Pilulka is able to generate in the years to come. Funding remains key to supporting this growth and its breakdown important as it affects cost of capital, especially if debt or equity must be added.

We use the discounted free cash flow model and comparative analysis to set a fair value of Pilulka.

1.2 Discounted free cash flow

The valuation model of discounted free cash flow suggests a fair value of Kč 750 mil for 100% of the Company as of the end of 2020 on the pre-money equity, or a value of the Company before assumed capital increase during the IPO process.

The model is extremely sensitive to the assumptions used, especially for growth rates and cost of capital beyond the period for which we have a detailed forecast. A 1% pp change of growth rate for the period beyond 2030 would, for instance, adjust the value of the firm by Kč 164 mil, or 22%.

The DCF model is particularly sensitive when used for a Company like Pilulka, where most of the value is yet to be created (75% of the value is generated after 2030 based on the model). Having said that, the model might be very useful to measure sensitivity, i.e. to see how company's value changes if certain assumptions are modified, such as the funding structure.

Here are the main assumptions we have used for our valuation model:

- **Free cash flow should increase from Kč 7 mil in 2020 to Kč 47 mil in 2024. For the period 2024-2030 we assume an average growth of almost 11% a year. Beyond 2030, a 3% terminal growth is used.**

- **The average cost of capital (WACC) of 8.6% for the period of 2020-2030 (and 7.8% beyond) is a function of 10% cost of equity (9.0% after 2030) and 5.00% cost of debt**

- **Stable funding structure with equity accounting for around 70% of total capital**

Our valuation is based on the company's financial plan, which we adjust for i) an increase in cash from planned IPO worth Kč 150 mil, ii) a 30% minority stake in Romanian JV and iii) a more conservative outlook for cash conversion cycle by 1.5 days.

The latest point might require an additional Kč 142 mil of working capital until 2030 when compared to the company's original plans.

This valuation model suggests a fair value for 100% of the firm of Kč 750 mil on pre-money equity, i.e. before capital increase during the upcoming IPO. Assuming a subscription of Kč 150 mil new shares, we see the future market capitalization of the Company at approximately Kč 900 mil:

DISCOUNTED FREE CASH FLOW MODEL	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	>2030
BREAKDOWN OF FREE CASH FLOW												
SALES	1,717	2,150	2,679	3,378	4,267	5,304	6,458	7,702	9,030	10,389	11,712	
EBIT	-48.4	-13.6	11.0	44.6	86.6	121.1	157.8	197.8	240.7	285.6	330.8	
- Corporate Tax	0.0	0.0	0.0	0.0	0.0	-1.2	-11.5	-19.3	-29.4	-42.0	-48.8	
+ Depreciation	37.1	31.7	38.7	48.4	60.4	61.5	65.1	70.8	78.2	86.9	96.5	
+/- Change of working capital	47.3	-20.6	-12.6	-29.4	-28.3	-54.4	-60.2	-78.2	-97.8	-117.5	-135.2	
- Capital expenditures	-28.8	-46.4	-54.2	-64.2	-68.2	-66.1	-79.5	-93.5	-107.7	-121.7	-134.9	
- 30% share in Romanian JV	0.0	3.8	1.8	-1.0	-3.9	-4.9	-6.9	-9.4	-12.5	-15.9	-19.4	
Free Cash Flow	**7.2**	**-45.1**	**-15.2**	**-1.5**	**46.6**	**56.1**	**64.9**	**68.2**	**71.5**	**75.3**	**89.1**	**1,537**
COST OF CAPITAL	**8.48%**	**8.29%**	**8.11%**	**8.08%**	**8.25%**	**8.56%**	**8.71%**	**8.84%**	**8.97%**	**9.07%**	**9.16%**	**7.80%**
Cost of Equity	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	9.00%
Cost of Debt	5.48%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Equity (as % of total)	66.4%	65.7%	62.1%	61.7%	64.9%	71.2%	74.1%	76.9%	79.3%	81.4%	83.2%	70.0%
Growth rate	...	-724.0%	-66.2%	-89.9%	-3123.4%	20.3%	15.7%	5.1%	4.8%	5.4%	18.3%	3.00%
Cumulative discount factor		92.3%	85.4%	79.0%	73.0%	67.3%	61.9%	56.8%	52.2%	47.8%	43.8%	40.6%
Discounted free cash flow		-42	-13	-1	34	38	40	39	37	36	39	625
Cumulative discounted free cash flow		-42	-55	-56	-22	16	56	95	132	168	207	832

ENTERPRISE VALUE (2020)	**832.0**
Net Debt (2020 Pre-money)*	**82.3**
Income from IPO*	**150.0**
100% share in Company (Post-money equity)	**899.8**
100% share in Company (Pre-money equity)	**749.8**

Source: Company, Helgi Analytics, *Assuming Kč 150 mil of income from IPO

As already mentioned above, the valuation model is extremely sensitive to the main assumptions used. Each reduction of growth rate of free cash flow, or increase in cost of funding by 0.5% beyond 2030 reduces for example value of the firm by approximately Kč 60-80 mil, or 8-10%. Bigger change, such as increase in terminal growth rate from 3.0% to 4.5% a year would have boosted Company's value to Kč 1,034 mil, on the other hand, increase of cost of funding to 9.3% would have reduced potential valuation to Kč 595 mil, as the model suggests:

SENSITIVITY ANALYSIS

GROWTH BEYOND 2030 / COST OF CAPITAL	6.3%	6.8%	7.3%	7.8%	8.3%	8.8%	9.3%
1.5%	758.6	696.1	644.5	601.0	564.0	532.0	504.2
2.0%	832.3	755.6	693.5	642.0	598.8	561.9	530.1
2.5%	925.4	829.0	**752.7**	**690.8**	**639.7**	596.6	559.9
3.0%	1,046.6	921.6	**825.7**	**749.8**	**688.2**	637.3	594.5
3.5%	1,211.2	1,042.3	**917.9**	**822.4**	**746.9**	685.6	634.9
4.0%	1,447.4	1,206.2	1,038.1	914.2	819.2	744.0	683.1
4.5%	1,814.8	1,441.2	1,201.1	1,033.8	910.6	816.0	741.2

Source: Company, Helgi Analytics, Valuation on the basis of pre-money equity, i.e. 100% of the Company before IPO

1.3 Comparative valuation

Comparison of Pilulka with market peers is not easy. Most online pharmacies are either part of large retail chains (Boots, Lloyds, CVS Health, ICA Gruppen), or much larger market places (for example Pillpack at Amazon), or are relatively small and young without much financial history (Apotea).

The largest and best-known European on-line players, Swiss Zur Rose and German Shop Apotheke Europe, seem to be the best peers to compare Pilulka with in our view:

Zur Rose

Zur Rose is the largest European online pharmacy and one of the largest distributors of drugs in Switzerland. Apart from wholesale distribution to hospitals, the Company offers its 8 mil customers sale of OTC as well as prescription drugs through its online platform. The company's product portfolio also includes food supplements, body and beauty products, sport nutrition and mother care. Apart from its home market in Switzerland, Zur Rose is active in Germany (through its brand DocMorris), Holland, Spain and France and employs more than 1,800 people:

INCOME STATEMENT		2017	2018	2019	2020E	2021E	2022E
SALES	CHF mil	982.9	1,207.1	1,355.5	1,611.6	2,134.7	2,803.6
EBITDA	CHF mil	-21.2	-14.0	-13.8	-2.0	36.8	126.4
EBIT	CHF mil	-38.3	-32.9	-45.7	-1.3	39.8	91.4
FINANCIAL RESULT	CHF mil	2.3	1.7	4.4	...	...	...
PRE-TAX PROFIT	CHF mil	-36.5	-38.5	-50.1	-47.4	-14.3	66.6
NET PROFIT	CHF mil	-36.2	-39.0	-52.4	-49.1	-23.3	37.0

RATIOS		2017	2018	2019	2020E	2021E	2022E
ROE	%	-18.2%	-10.6%	-12.3%	...	...	...
ROCE	%	-17.8%	-12.1%	-9.9%	...	...	...
EBITDA MARGIN	%	-2.2%	-1.2%	-1.0%	-0.1%	1.7%	4.5%
EBIT MARGIN	%	-3.9%	-2.7%	-3.4%	-0.1%	1.9%	3.3%
NET MARGIN	%	-3.7%	-3.2%	-3.9%	-3.0%	-1.1%	1.3%
NET DEBT / EBITDA		4.5	5.9	-16.8	-150.6	9.8	2.9
NET DEBT / EQUITY	%	-32.2%	-18.6%	57.4%	...	...	...
COST OF FUNDING	%	6.7%	2.1%	1.5%	...	...	...

BALANCE SHEET		2017	2018	2019	2020E	2021E	2022E
ASSETS	CHF mil	461.8	726.5	991.7	...	...	...
FIXED ASSETS	CHF mil	29.7	34.3	77.1	...	...	...
CURRENT ASSETS	CHF mil	273.5	416.7	428.1	...	...	...
WORKING CAPITAL	CHF mil	68.0	78.6	105.2	...	...	...
EQUITY	CHF mil	294.2	443.6	405.5	...	...	...
NET DEBT	CHF mil	-94.7	-82.6	232.7	301.2	359.6	370.3

VALUATION		2017	2018	2019	2020E	2021E	2022E
MKT CAPITALIZATION	USD mil	832	758	961	2,590	2,590	2,590
ENTERPRISE VALUE	USD mil	735	674	1,202	2,849	2,925	2,990
SHARE PRICE	CHF	131	90	107	243	243	243
EV/EBITDA		-34.6	-47.2	-84.8	n.m.	80.1	23.4
EV/SALES		0.7	0.5	0.9	1.8	1.4	1.1
EV/SALES*		2.9	2.4	2.1	1.8	1.4	1.1
P/E		-18.9	-14.6	-17.7	-52.7	-111.0	70.1
P/BV		2.3	1.3	2.3	...	...	...

Source: Bloomberg, Helgi Analytics, *Based on current share price of CHF 243 (otherwise year-end share price)

Shop Apotheke

Shop Apotheke Europe is a Dutch-registered company most active in Germany involved in online distribution of pharmaceutical products to retail customers. The Company markets and distributes prescription & non-prescription medications, pharmacy-related beauty and personal care products as well as natural food and health products. Shop Apotheke operates its online pharmacies in eight European countries including Germany, Belgium, Spain, Italy, France, Austria and Holland:

INCOME STATEMENT		2017	2018	2019	2020E	2021E	2022E
SALES	EUR mil	284.0	539.7	701.0	894.8	1,121	1,532
EBITDA	EUR mil	-12.1	-15.6	-18.6	10.2	22.2	43.4
EBIT	EUR mil	-19.2	-28.7	-33.4	-9.3	2.0	19.7
FINANCIAL RESULT	EUR mil	2.2	6.2	10.2	...	...	...
PRE-TAX PROFIT	EUR mil	-21.4	-34.6	-42.2	-17.5	-7.9	6.5
NET PROFIT	EUR mil	-21.4	-33.6	-36.3	-17.7	-6.4	5.7

BALANCE SHEET		2017	2018	2019	2020E	2021E	2022E
ASSETS	EUR mil	297.8	349.9	428.0	...	...	...
FIXED ASSETS	EUR mil	8.3	11.9	13.2	...	...	...
CURRENT ASSETS	EUR mil	95.4	135.7	210.8	...	...	...
WORKING CAPITAL	EUR mil	37.4	39.3	52.0	...	...	...
EQUITY	EUR mil	239.0	214.0	232.8	...	...	...
NET DEBT	EUR mil	-23.4	29.9	36.0	30.1	56.3	75.8

RATIOS		2017	2018	2019	2020E	2021E	2022E
ROE	%	-12.9%	-14.8%	-16.2%	...	...	...
ROCE	%	-15.3%	-13.6%	-13.9%	...	...	...
EBITDA MARGIN	%	-4.3%	-2.9%	-2.7%	1.1%	2.0%	2.8%
EBIT MARGIN	%	-6.8%	-5.3%	-4.8%	-1.0%	0.2%	1.3%
NET MARGIN	%	-7.5%	-6.2%	-5.2%	-2.0%	-0.6%	0.4%
NET DEBT / EBITDA		1.9	-1.9	-1.9	2.9	2.5	1.7
NET DEBT / EQUITY	%	-9.8%	14.0%	15.5%	...	...	...
COST OF FUNDING	%	...	13.3%	8.6%	...	...	...

VALUATION		2017	2018	2019	2020E	2021E	2022E
MKT CAPITALIZATION	USD mil	670	519	638	2,430	2,430	2,430
ENTERPRISE VALUE	USD mil	642	553	678	2,465	2,496	2,519
SHARE PRICE	EUR	46	38	44	158	158	158
EV/EBITDA		-47.1	-30.3	-32.2	240.2	112.1	57.8
EV/SALES		2.0	0.9	0.9	2.7	2.2	1.6
EV/SALES*		8.7	4.6	3.5	2.7	2.2	1.6
P/E		-20.6	-13.5	-15.6	-137.4	-378.7	427.3
P/BV		1.8	2.1	2.4	...	...	...

Source: Bloomberg, Helgi Analytics, *Based on current share price of EUR 158 (otherwise year-end share price)

While traditional retail companies have been trading at roughly 8 times their operating profit EBITDA, or 13x their net profit expected in 2021, pure online pharmacies have been showing deep losses equal to double digit percentage points when measured in return on capital (ROCE) and equity (ROE).

The comparison of profitability below shows a big difference between the valuations of Pilulka when implied from the two different peer groups.

Comparison with Zur Rose and Shop Apotheke looks logical at first glance. All three firms generate most of their revenues from the online segment and are loss-making. They are expected to break even in 2021 on an operational level and a year after on the net level.

The comparison is also tempting since it would imply a potential fair value of Pilulka well exceeding a billion crowns:

EV to EBITDA	Share Price (LCR)	Mkt.Cap USD mil	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Zur Rose	242.9	2,846	165.0	-34.6	-47.2	-84.8	n.m.	80.1	23.4	19.4
Shop Apotheke Europe	157.6	2,859	-21.9	-47.1	-30.3	-32.2	240.2	112.1	57.8	...
ICA Gruppen	430.0	9,989	10.0	10.0	8.1	9.9	10.1	10.1	9.9	...
CVS HEALTH	63.5	82,060	8.4	8.2	22.5	9.3	7.8	7.2	6.5	6.6
Walgreens Boots	39.3	35,320	10.8	13.5	10.0	11.9	9.9	6.9	6.8	7.5
McKesson Europe	26.1	6,235	165.0	-34.6	-47.2	-84.8	...	...	...	...
AVERAGE (ICA, CVS a Boots)			**9.7**	**10.6**	**13.6**	**10.4**	**9.3**	**8.0**	**7.8**	**7.0**
IMPLIED POST-MONEY MKT CAPITALIZATION OF PILULKA (Compared with ZUR ROSE and SHOP APOTHEKE)*					**Neg.**	**Neg.**	**Neg.**	**1,414**	**1,626**	**1,454**
IMPLIED POST-MONEY MKT CAPITALIZATION OF PILULKA (Compared with ICA, CVS and Boots)*					**Neg.**	**Neg.**	**Neg.**	**139**	**318**	**534**

Source: Bloomberg, Helgi Analytics, *20% discount to average, Share prices from Aug 27, 2020, 100% of EV and EBITDA is assumed

The large difference in the size and pace of market deregulation between European and Czech markets are the main arguments against a blunt takeover of the high valuation multiples of Zur Rose and Shop Apotheke:

- ✓ Unlike Pilulka, online revenues of Zur Rose and Shop Apotheke are generated by both OTC as well as prescription drugs. This allows them to cannibalize the offline market more quickly and to achieve faster and more profitable growth when compared to Pilulka.

- ✓ Both west European firms have been trying to consolidate European markets fast, both organically as well as by acquisitions, to build up a client base and overall size large enough to achieve economies of scale. Both companies have also been active in a dozen European countries and have already built a base of 8 and 5 mil customers respectively.

Until regulations change in Central Europe, Zur Rose and Shop Apotheke can offer their shareholders potentially bigger growth and higher profitability when compared to Pilulka thanks to a bigger chunk of the market and the sale of more profitable prescription drugs (more on Page 26):

Comparison with traditional players trading at much lower ratios suggests a significantly lower valuation of Pilulka when compared to the online players. It would take 3-4 years to get to the fair value of around Kč 900 mil as implied by the DCF model:

P/E RATIO (PRICE TO EARNINGS)	Share Price	Mkt.Cap	2016	2017	2018	2019	2020E	2021E	2022E	2023E
	(LCR)	USD mil								
Zur Rose	242.9	2,846	-21.0	-18.9	-14.6	-17.7	-52.7	-111.0	70.1	34.1
Shop Apotheke Europe	157.6	2,859	-8.8	-20.6	-13.5	-15.6	-137.4	-378.7	427.3	44.3
ICA Gruppen	430.0	9,989	14.5	13.4	17.4	25.3	20.8	21.0	20.6	20.0
CVS HEALTH	63.5	82,060	14.4	10.3	-108.6	14.3	10.9	10.1	9.1	8.3
Walgreens Boots	39.3	35,320	19.1	19.9	12.8	11.6	53.8	9.0	8.9	8.8
McKesson Europe (Celesio)	26.1	6,235	-21.0	-18.9	-14.6	-17.7	...	...	...	...
AVERAGE (ICA, CVS a Boots)	**...**	**...**	**16.0**	**14.5**	**-26.1**	**17.0**	**28.5**	**13.4**	**12.9**	**12.3**
IMPLIED POST-MONEY MARKET CAPITALIZATION OF PILULKA (COMPARED WITH ZUR ROSE A SHOP APOTHEKE)*					**Neg.**	**Neg.**	**Neg.**	**Neg.**	**1,616**	**1,285**
IMPLIED POST-MONEY MARKET CAPITALIZATION OF PILULKA (COMPARED WITH ICA, CVS a Boots)*					**Neg.**	**Neg.**	**Neg.**	**Neg.**	**84**	**405**

Source: Bloomberg, Helgi Analytics, *20% discount to average, Share prices from Aug 27, 2020, Calculation of EV and Sales assumes 100% share in Romanian JV

A multiple of sales is often used when looking for a fair value, especially, of loss-making companies. This could be compared to market value (P/Sales), or enterprise value (EV/EBITDA). Dynamic growth is one of the strengths of Pilulka (or of Petr and Martin Kasa) and such a comparison would imply a potential fair value of the company of Kč 1-3 billion:

EV/SALES (ENTERPRICE VALUE TO SALES)	Share Price	Mkt.Cap	2016	2017	2018	2019	2020E	2021E	2022E	2023E
	(LCR)	USD mil								
Zur Rose	242.9	2,846	0.40	0.74	0.55	0.87	1.79	1.38	1.06	1.07
Shop Apotheke Europe	157.6	2,859	1.03	2.01	0.87	0.85	2.75	2.22	1.64	...
ICA Gruppen	430.0	9,989	0.58	0.61	0.69	0.84	0.88	0.87	0.84	...
CVS HEALTH	63.5	82,060	0.61	0.53	0.78	0.69	0.52	0.47	0.44	0.42
Walgreens Boots	39.3	35,320	0.83	0.79	0.60	0.63	0.37	0.35	0.34	0.35
McKesson Europe (Celesio)	26.1	6,235	0.40	0.74	0.55	0.87	...	...	...	...
AVERAGE	**...**	**...**	**0.64**	**0.91**	**0.67**	**0.79**	**1.26**	**1.06**	**0.86**	**0.61**
IMPLIED POST-MONEY MARKET CAPITALIZATION OF PILULKA (COMPARED WITH ZUR ROSE A SHOP APOTHEKE)*					**511**	**841**	**3,189**	**3,119**	**2,894**	**2,891**
IMPLIED POST-MONEY MARKET CAPITALIZATION OF PILULKA (COMPARED WITH ICA, CVS a Boots)*					**493**	**694**	**875**	**993**	**1,165**	**1,060**

Source: Bloomberg, Helgi Analytics, *20% discount to average, Share prices from Aug 27, 2020, Calculation of EV and Sales assumes 100% share in Romanian JV

The table above also suggests a phenomenon which is not fully visible in the two previous tables – the increasing difference in valuation between the offline and online segments, especially since the outbreak of Covid 19 at the end of the first quarter of 2020.

The diverging dynamic preference for online business has been visible in different areas of life and business for some time. However, Covid 19 and the market lockdown have further accelerated some of these trends.

This means bigger sales worth hunderds of millions and higher margins for Pilulka in the first half of the year. Shareholders of Zur Rose must have been happy with their share price doubling while the share price of Shop Apotheke has increased 3-fold since March 2020:

The key question is how sustainable the change in trend is. Are we going to see only a short-term improvement in sales and profitability of the e-commerce segment, or are we looking at a more structural and long-term change in the overall business model and life-style?

1.4 Valuation multiples

Both valuation methods provide useful insights and the potential for valuing Pilulka. Both must, however, be taken with a grain of salt, especially as Pilulka remains loss-making.

A simple multiple of net earnings (PER) or EBITDA (EV/EBITDA) might therefore be the easiest way to "check, or set" potential value of the firm.

Companies on the Prague Stock Exchange trade at roughly 8x their EBITDA and 13x their net profit expected in 2021-2022 (we assume 5% annual earnings growth for 2023-2024 to extend the timeframe). When the extraordinary Avast is excluded from the comparison, we see profit multiples of 6.5x and 10.8x:

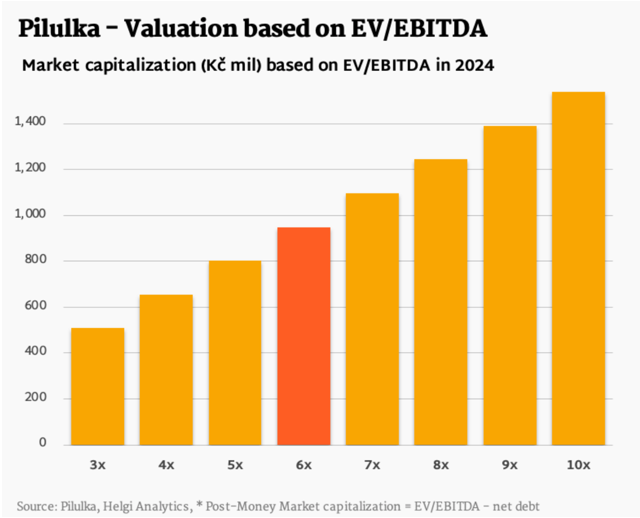
COMPARED WITH CZECH STOCKS (PX)	EV / EBITDA					Price to Earnings (PER)				
	2020	2021	2022	2023**	2024**	2020	2021	2022	2023**	2024**
ČEZ	5.35	5.50	5.48	5.21	4.95	11.4	12.1	11.8	11.5	11.1
O2 Česká Republika	6.79	6.82	6.95	6.60	6.27	12.6	13.8	11.9	11.5	11.2
Avast	16.40	15.31	14.45	13.73	13.04	22.1	20.6	19.1	18.6	18.0
KOFOLA	7.47	7.09	7.04	6.69	6.35	16.7	15.0	15.6	15.1	14.6
Stock Spirit Group	8.41	7.87	7.53	7.15	6.80	13.0	12.2	11.7	11.4	11.0
Philip Morris CR	5.68	5.25	5.11	4.85	4.61	9.7	9.0	8.8	8.5	8.2
Erste Bank Group	...	...	...	...	...	13.9	10.3	7.5	7.3	7.0
Komerční Banka	...	...	...	...	...	12.9	11.6	9.3	9.0	8.8
Moneta Bank	...	...	...	...	...	13.9	11.6	8.2	7.9	7.7
Vienna Insurance Group	...	...	...	...	...	9.1	7.5	7.1	6.9	6.7
SIMPLE AVERAGE (ALL)	**8.4**	**8.0**	**7.8**	**7.4**	**7.0**	**13.5**	**12.4**	**11.1**	**10.8**	**10.4**
SIMPLE AVERAGE (EXCL. AVAST)	**6.7**	**6.5**	**6.4**	**6.1**	**5.8**	**12.6**	**11.4**	**10.2**	**9.9**	**9.6**
IMPLIED POST-MONEY MKT. CAPITALIZATION OF PILULKA*	**Neg.**	**138**	**319**	**559**	**884**	**-516**	**-121**	**88**	**344**	**654**

Source: Bloomberg, Helgi Analytics, *20% discount to average, **5% annual growth assumed for years 2023-2024, Share

Comparison with Czech stocks offers a similar picture as seen above. The peer valuation based on EV/EBITDA and PER gets close to the outcome of the free cash flow model relatively late in years 2023-2024 when a 20% discount is applied.

Had we to choose a single target number for Pilulka, we would go for 6 times EBITDA, or 9x expected net profit expected in 2024. These should reflect both the discount when compared to the market as well as robust improvement in the company's profitability expected in the years to come. This would imply a post-money market capitalization of Kč 950 mil based on EV/EBITDA and Kč 705 mil on the basis of PER.

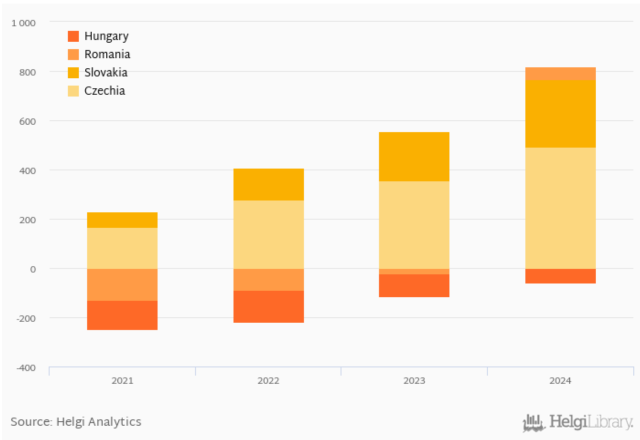
If the required EV/EBITDA ratio was to rise to 7x, we would get a 15% higher valuation, or Kč 1,097 mil:



Applying the above-mentioned valuation ratios across the countries where Pilulka wants to be active, Czech business would represent approximately 65% of total value of the Company based on profit expected in 2024. Slovak business would add a further third while Romania would contribute an additional Kč 50 mil (or 7%) to the total. The value of Hungarian business would be negative based on such criteria since management expects this subsidiary to still be loss-making in 2024:

Potential Valuation by Country

Market Capitalization (CZK mil)



1.5 Setting the Fair price

Taking all the above presented valuation methods into account, we see the fair price for 100% of the Company before subscribing new shares (i.e. pre-money equity) at Kč 650-850 mil, with a median price of 750 mil.

Assuming a subscription of Kč 150 mil new shares during the IPO process, post-money equity (or potential market capitalization of the firm) would reach Kč 900 mil.Pilulka shares would then be trading at following ratios:

VALUATION MULTIPLES @ KČ 900 mil	2018	2019	2020E	2021E	2022E	2023E	2024E
EV/Sales	0.92	0.71	0.47	0.40	0.32	0.26	0.19
EV/ Online Sales	1.43	1.09	0.67	0.51	0.39	0.30	0.23
EV/EBITDA	Neg.	Neg.	Neg.	47.2	17.4	9.3	5.6
EV/EBIT	Neg.	Neg.	Neg.	Neg.	78.6	19.4	9.4
Price to Earnings (P/E)	Neg.	Neg.	Neg.	Neg.	91.1	22.5	11.5
Price to Book Value (P/BV)	57.1	25.5	6.5	5.0	4.8	4.1	3.0
Price to Cash Earnings (P/CE)	Neg.	Neg.	Neg.	57.4	19.2	10.1	6.3
Price to Free Cash Flow (P/FCF)	Neg.	Neg.	Neg.	Neg.	Neg.	1,226.2	17.9

Source: Pilulka, Helgi Analytics, *Valuation multiples calculated at post-money equity valuation (i.e. market capitalization) of Kč 900 mil

2 Company profile

2.1 Company history

Pilulka was founded by brothers Petr and Martin Kasa in 2013. They used their experience from their previous start-up kasa.cz, an e-shop they built, and sold in 2009.

Pilulka is currently one of the three largest pharmacy chains in Czechia with 32 owned and 120 franchise branches. Under the franchise concept, independent pharmacy owners can team up under the Pilulka brand and benefit from united marketing communication and business cooperation.

Pilulka also became the largest online pharmacy in the Czech and Slovak Republics. Total online sales accounted for Kč 616 mil in Czechia and Kč 250 mil in Slovakia in 2019. At the end of 2018, Pilulka entered the Romanian market and expansion to Hungary is planned for 2021.

Management expects total consolidated sales to increase from Kč 1.3 mld in 2019 to approximately Kč 4.3 bil in 2024 with 39% of sales to be generated abroad:

The pharmacy business is generally a highly regulated sector with relatively high entry barriers. A license is needed to sell drugs off- as well as online. The sale of prescription drugs usually generates higher margins than OTC drugs or beauty and hygiene-related products. The online sale of drugs is not yet allowed in Central Europe, so the online segment generally operates with lower margins when compared to traditional brick and mortar pharmacies.

On the other hand, online pharmacies benefit from higher client retention when selling OTC drugs compared to other e-commerce players.

Pilulka holds own licenses and certificates to sell drugs and to operate pharmacies in all three countries it currently operates in. In addition, it owns a license to distribute food supplements and BIO and ECO products.

Pilulka is a holding company with a 100% share in the Slovak firms Pilulka.sk, a.s. and Top Farma, s.r.o., and owns a 70% share in Romanian company S.C. Pilulka Online S.R.L.

Pilulka Group has over 270 employees as of the middle of 2020, of which about 100 are pharmacists and other medical personnel. The management team has solid experience with e-commerce and fast-moving goods industries:

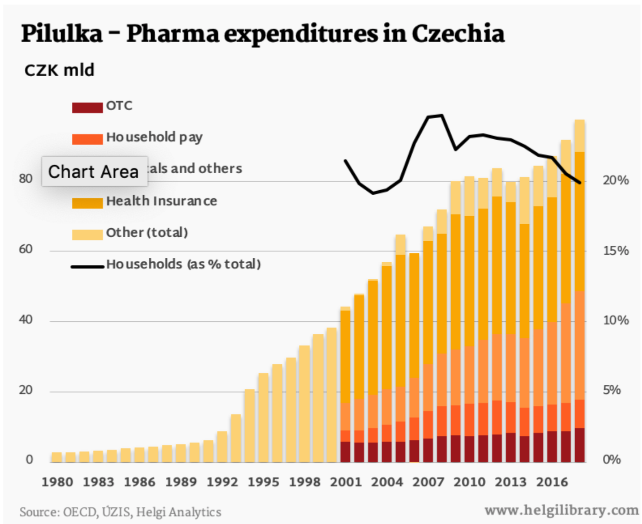
Petr and Martin Kasa – founders and managers of the company currently own 47.3% of the Pilulka Group. After the IPO, they will remain the largest shareholders of the company and will be involved in the daily business of the firm.

2.2 Market/s size and structure

There are more than 2,500 brick and mortar pharmacies and some 250 other premises for drug distribution in Czechia. Customers can use a further 2,400 other retail shops such as tobacconists, fuel stations or drug stores to buy selected pharmaceutical products.

The Czech market for drugs and pharmaceutical products accounts for Kč 80-90 bil a year, of which more than half comes from prescription drugs. Czechs spend a relatively high amount on pharmaceuticals, so overall growth in sales has been relatively small in the last decade (approximately 3% a year since 2010). The dynamic, however, sped up in the last 2-3 years to 5-9%.

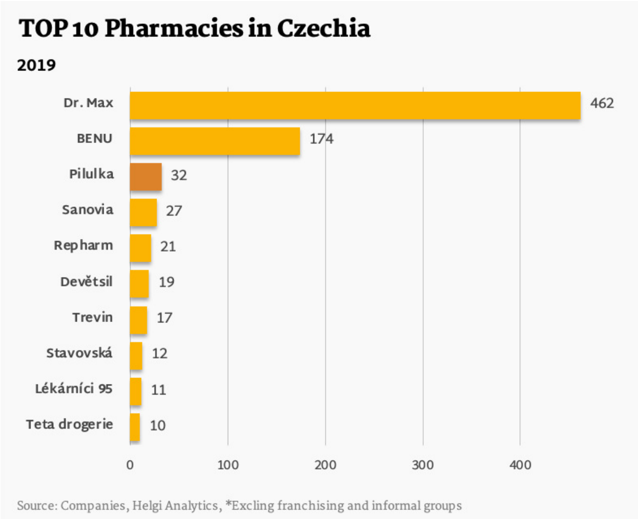
Households spend roughly Kč 17 bil on drugs a year (for both OTC and prescription drugs). While the amount has changed little in the last decade, the share of total sales has dropped from 23.4% in 2011 to 20% in 2018:

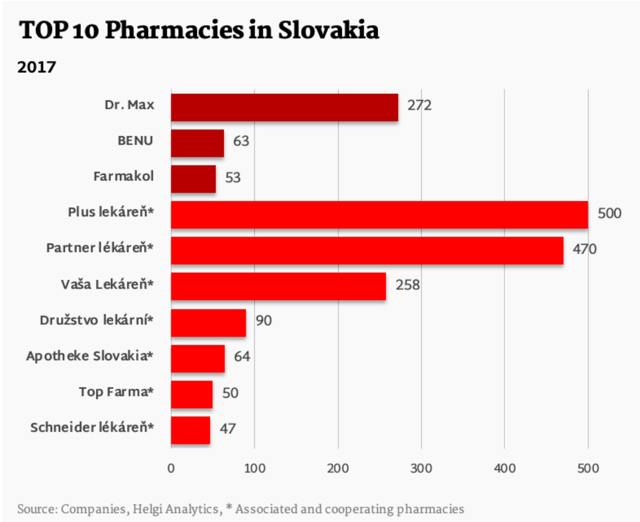


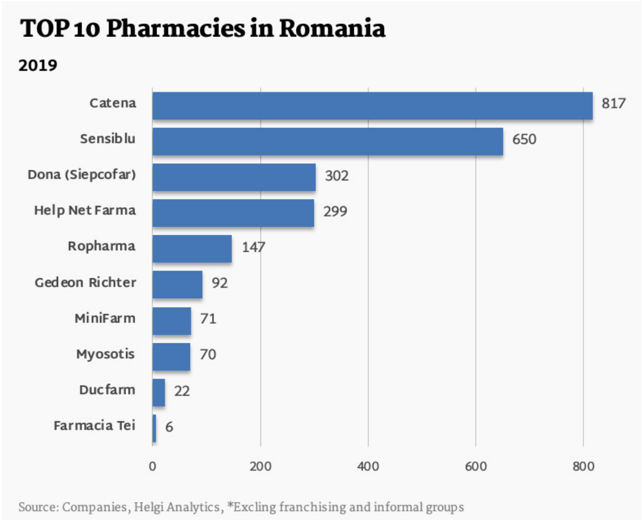
Dr. Max is the leader on the Czech market with a chain of more than 460 pharmacies followed by Benu (174 branches) and Pilulka with 32 owned and 120 franchise pharmacies.

On one hand, the market remains fairly fragmented. The 10 largest players control only 31% of the market and more than 70% of the market is run by owners of just a single pharmacy. On the other hand, small players increasingly team up to share costs, offer more products and services and distribute online. Some 80% of public pharmacies are already part of a bigger group often cooperating with a common wholesaler according to Association of Pharmacy Owners.

Slovakia offers a similar picture. The vast majority of pharmacies there are grouped under umbrellas of more or less formally cooperating alliances:







Apart from ongoing consolidation of the markets, the main trends include fast growth of the online segment, the rising share of drug sales outside of traditional pharmacies and an increasing portfolio of products offered in pharmacies. At the state level, it's an ongoing aim to reduce exports of drugs with regulated prices.

Czechia – Summary of pharmacy market

CZECH REPUBLIC - OVERVIEW OF PHARMACY MARKET		1995	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of pharmacies		1,319	1,747	2,451	2,407	2,448	2,513	2,568	2,601	2,562	2,559	2,571	2,551
Pharmacies (per 1,000 people)		0.13	0.17	0.24	0.23	0.23	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Number of pharmacists		3,763	5,059	5,761	6,061	6,222	6,327	6,383	6,724	6,965	7,172	7,308	7,347
Pharmacists (per 10,000 people)		3.6	4.9	5.6	5.7	5.9	6.0	6.0	6.3	6.5	6.7	6.8	6.9
Number of pharmacists per pharmacy		2.9	2.9	2.4	2.5	2.5	2.5	2.5	2.6	2.7	2.8	2.8	2.9
Pharmaceutical spending (USD)	*USD mil*	958	995	2,709	4,263	4,577	4,282	4,074	3,794	3,538	3,459	3,916	4,458
Pharmaceutical spending (% of health care cost)	*%*	28.3%	24.7%	25.7%	20.4%	20.4%	21.5%	18.1%	17.3%	17.5%	17.4%	17.0%	16.0%
Pharmaceutical spending (% of GDP)	*%*	1.6%	1.6%	2.0%	2.1%	2.0%	2.1%	1.9%	1.9%	1.8%	1.8%	1.8%	1.9%
Pharmaceutical spending per capita (PPP, USD)	*USD*	229.6	252.9	391.5	408.6	417.2	449.4	444.0	442.8	444.4	465.6	491.1	508.4
Antibiotics consumption	*DDD*	21.4	19.5	19.8	19.0	19.8	19.2	21.0	21.0	20.9	19.3	19.6	17.5

Source: OECD, IMF, Statistical Office, Helgi Analytics

Slovakia – Summary of pharmacy market

SLOVAKIA - OVERVIEW OF PHARMACY MARKET		1995	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of pharmacies		...	1,010	1,104	1,567	1,586	1,618	1,487	1,598	1,681	1,768	1,724	1,793
Pharmacies (per 1,000 people)		...	0.19	0.20	0.29	0.29	0.30	0.27	0.30	0.31	0.33	0.32	0.33
Number of pharmacists		...	1,968	2,848	3,267	3,382	3,522	3,333	3,644	3,826	4,183	4,243	4,300
Pharmacists (per 10,000 people)		...	3.7	5.3	6.0	6.2	6.5	6.1	6.7	7.1	7.8	7.9	8.0
Number of pharmacists per pharmacy		...	1.9	2.6	2.1	2.1	2.2	2.2	2.3	2.3	2.4	2.5	2.4
Pharmaceutical spending (USD)	*USD mil*	...	536	1,375	1,821	2,020	1,887	2,032	2,006	1,873	1,855	1,928	1,850
Pharmaceutical spending (% of health care cost)	*%*	...	34.7%	33.3%	29.2%	28.7%	26.5%	26.5%	27.0%	26.9%	26.6%	26.4%	25.5%
Pharmaceutical spending (% of GDP)	*%*	...	1.8%	2.2%	2.0%	2.1%	2.0%	2.1%	2.0%	2.1%	2.1%	2.0%	2.0%
Pharmaceutical spending per capita (PPP, USD)	*USD*	...	239.4	396.5	587.0	567.1	556.7	571.5	543.3	553.3	542.4	540.6	546.5
Antibiotics consumption	*DDD*	20.3	27.6	25.1	24.5	23.7	21.9	25.9	24.8	26.8	21.6	19.4	19.9

Source: OECD, IMF, Statistical Office, Helgi Analytics

Romania – Summary of pharmacy market

ROMANIA - OVERVIEW OF PHARMACY MARKET		1995	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of pharmacies		...	4,267	5,071	6,682	6,969	7,226	7,560	7,825	7,758	7,802	7,945	8,147
Pharmacies (per 1,000 people)		...	0.19	0.23	0.31	0.32	0.33	0.35	0.36	0.36	0.37	0.38	0.39
Number of pharmacists		...	7,189	9,283	13,624	14,575	15,435	16,301	17,099	17,135	17,180	17,833	17,620
Pharmacists (per 10,000 people)		...	3.2	4.2	6.2	6.7	7.1	7.5	8.0	8.0	8.1	8.4	8.4
Number of pharmacists per pharmacy		...	1.7	1.8	2.0	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2

Source: OECD, IMF, Statistical Office, Helgi Analytics

Hungary – Summary of pharmacy market

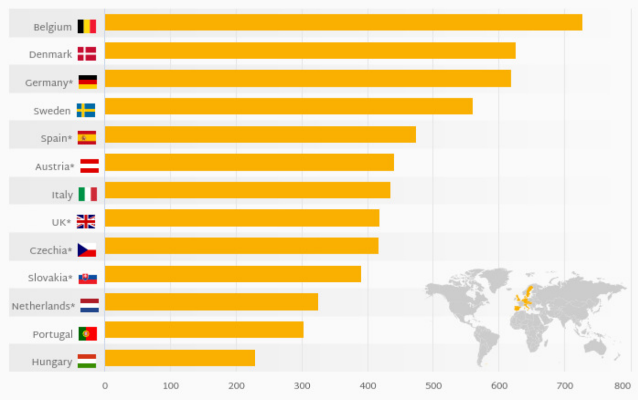
HUNGARY - OVERVIEW OF PHARMACY MARKET		1995	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of pharmacies		2,024	2,045	2,070	2,541	2,506	2,398	2,348	2,388	2,376	2,354	2,369	2,370
Pharmacies (per 1,000 people)		0.20	0.20	0.21	0.25	0.25	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Number of pharmacists		3,422	4,905	5,313	5,821	5,741	5,683	7,524	7,594	7,039	7,353	7,557	7,842
Pharmacists (per 10,000 people)		3.3	4.8	5.3	5.8	5.7	5.7	7.6	7.7	7.2	7.5	7.8	8.1
Number of pharmacists per pharmacy		1.7	2.4	2.6	2.3	2.3	2.4	3.2	3.2	3.0	3.1	3.2	3.3
Pharmaceutical spending (USD)	*USD mil*	747	...	2,281	2,394	2,562	1,975	1,923	1,857	1,702	1,719	1,785	2,243
Pharmaceutical spending (% of health care cost)	*%*	26.7%	...	31.3%	33.3%	35.0%	32.6%	30.3%	30.1%	29.8%	29.5%	27.9%	26.9%
Pharmaceutical spending (% of GDP)	*%*	1.6%	1.7%	2.0%	1.8%	1.8%	1.5%	1.4%	1.4%	1.4%	1.4%	1.3%	1.5%
Pharmaceutical spending per capita (PPP, USD)	*USD*	183.0	..	457.6	554.1	614.5	575.5	551.8	561.2	563.7	589.4	565.5	577.5
Antibiotics consumption	*DDD*	21.6	21.5	21.7	15.3	14.5	13.5	13.7	14.1	14.8	13.7	13.7	13.6

Source: OECD, IMF, Statistical Office, Helgi Analytics

CEE Pharmacy in International Comparison

Expenditure on Pharmaceuticals Per Capita

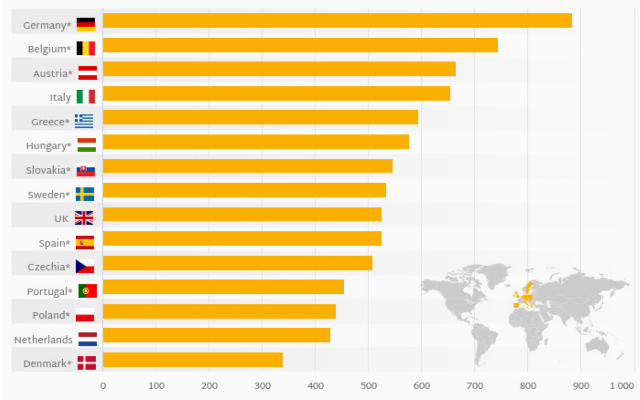
USD, 2019



Source: OECD, Helgi Library, * Data from 2018

Expenditure on Pharmaceuticals Per Capita, PPP

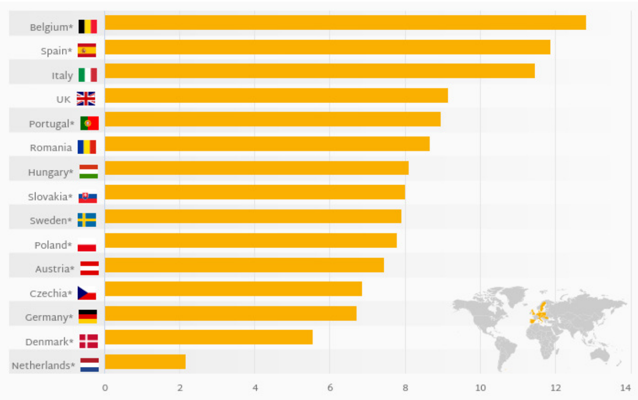
USD PPP, 2019



Source: OECD, Helgi Library, * Data from 2018

Number of Pharmacists

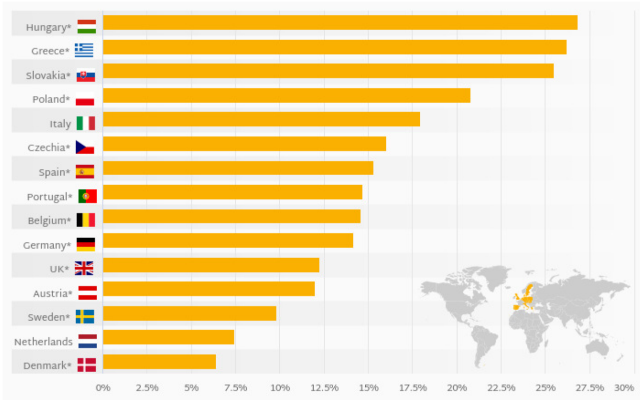
Per 10,000 People, 2019



Source: OECD, Helgi Library, * Data from 2017

Total Expenditure on Pharmaceuticals

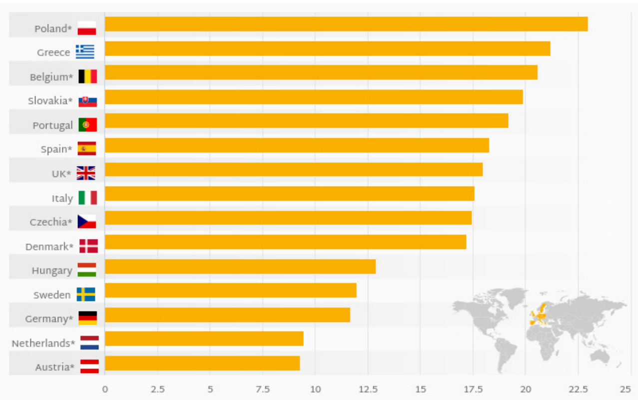
As % of Total Health Care Expenditures, 2019



Source: OECD, Helgi Library, * Data from 2018

Pharmaceutical Consumption of Antibiotics

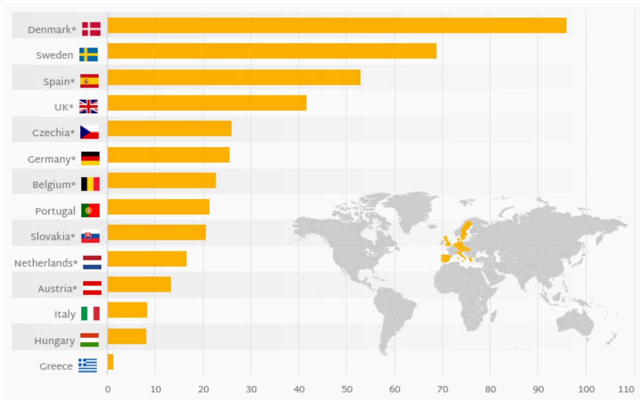
Defined Daily Dose, 2019



Source: OECD, Helgi Library, * Data from 2017

Pharmaceutical Consumption of Analgesics

Defined Daily Dose, 2019



Source: OECD, Helgi Library, * Data from 2017

2.3 Vision and Strategy

Pilulka's goal is to be a market "disruptor" with health care, e-health, prevention, active lifestyle and of course, on the OTC drug market for now and prescription drugs in the future. In other words, the company is trying to find a new way of distributing health care products to retail customers. Management believes the following market trends will shape the industry in the years to come:

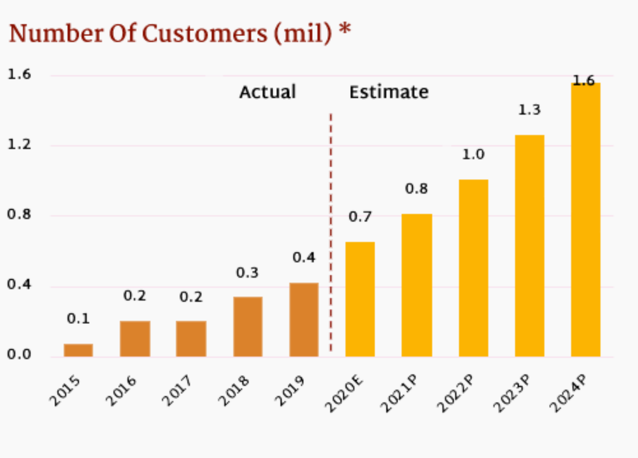
- ✓ Individualization of health care will lead to fewer physical visits to pharmacies
- ✓ Digitalization will change behaviors of both patients and doctors
- ✓ A rise in the share of online distribution of drugs
- ✓ Ongoing consolidation of the relatively fragmented pharmacy market in the CEE
- ✓ Health care expenditures will continue rising as the European population gets older

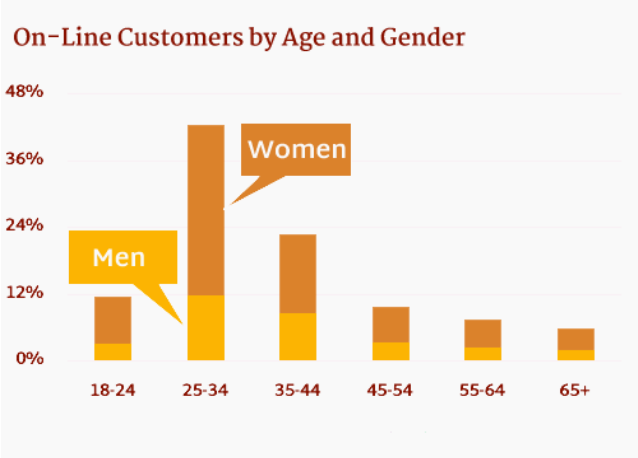
Pilulka follows an omni-channel distribution strategy in which e-commerce is combined with a traditional chain of brick and mortar pharmacies. Online distribution should clearly prevail in the future when comparing these two worlds.

Pilulka's management has very ambitious growth targets for the years to come. Plenty of resources have been invested, mainly in the form of marketing and IT costs. Until distribution of prescription drugs is liberalized in favor of online, the Company must be looking for other sources of revenues than the traditional offline business (more below), or growth must come from abroad.

Online Segment

Pilulka is increasingly regarded as an online and e-commerce player in spite of its impressive chain of physical pharmacies. In 2019, more than 0.4 mil registered customers made a purchase on Pilulka's platform. In 2020, the number should increase to 655,000. Overall, more than 1.5 mil customers have done business with Pilulka in the past. The company's clients are typically young women (70%). More than 50% of purchases are made through a mobile devise and a typical purchase consists of OTC drugs, mothercare, or lifestyle products:





*Source: Pilulka, Helgi Analytics, *Customers, who made a purchase within the last 12 months*

The company uses its own storage as well as that of its suppliers. It also runs its own retail delivery in Prague, Bratislava and Bucharest. This allows it to deliver its products to a customer within a day, or 60 minutes when really needed. Such service accounts for almost a third of all drugs supplies nowadays.

Stock amounts to 35,000 goods items in the Czech online segment and includes OTC drugs, food and sport supplements, mother care etc. (compared to 25,000 items in Slovakia and 20,000 in Romania).

Pilulka uses its own IT solutions. A 20-person team is solely responsible for development and management of its own IS/IT and mobile applications. They are scalable and replicable when needed. When revenues grow and expansion continues, this should be one of the methods for achieving economies of scale and margin improvement in the coming years.

Offline Segment

Pilulka is currently one of the three largest pharmacy chains in the Czech Republic with 32 owned and 120 franchise pharmacies.

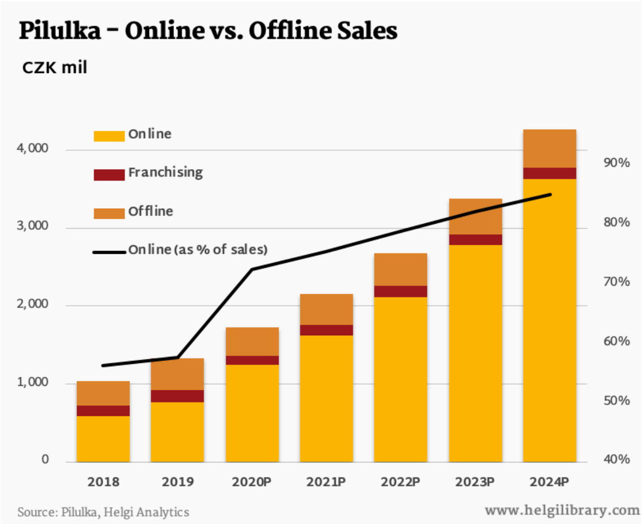
Offline has been serving as a complementary part of the online strategy, which has become the dominant part of Pilulka's overall business. Pharmacies are, for example, used as a distribution channel for online customers. Outside of Czechia, no new brick and mortar pharmacies are to be opened.

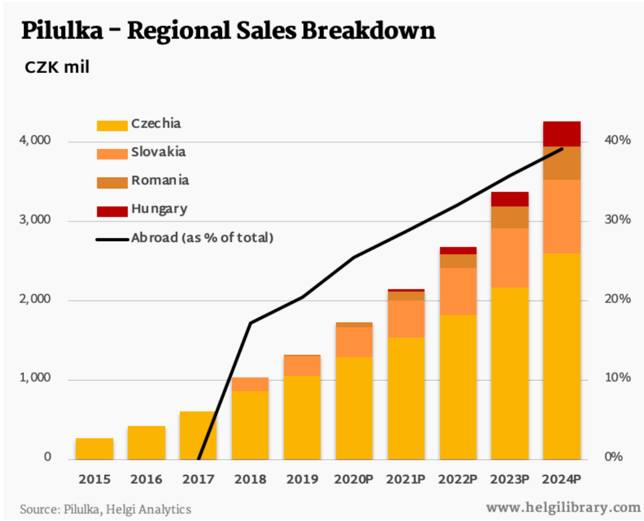
Franchise partners don't pay Pilulka any fees and the cooperation is based on mutual benefits. Both sides, for example, cooperate on negotiating terms with suppliers, marketing, tendering offers, or product cross-selling.

In 2019, offline generated just 31% of total sales of the Group (or 43% when revenues from franchising are included). Online is the future, however. The management expects online will generate 85% of total consolidated sales in five years:

Regional expansion

At the end of 2018 when online sales of OTC drugs was first permitted, Pilulka entered the Romanian market. With the help of a local joint-venture partner, an online pharmacy was founded. In 2021, further expansion is planned to Hungary. Management expects sales should grow from Kč 1.3 bil in 2019 to Kč 4.3 bil in 2024 and 39% of total sales should come from abroad in five years:



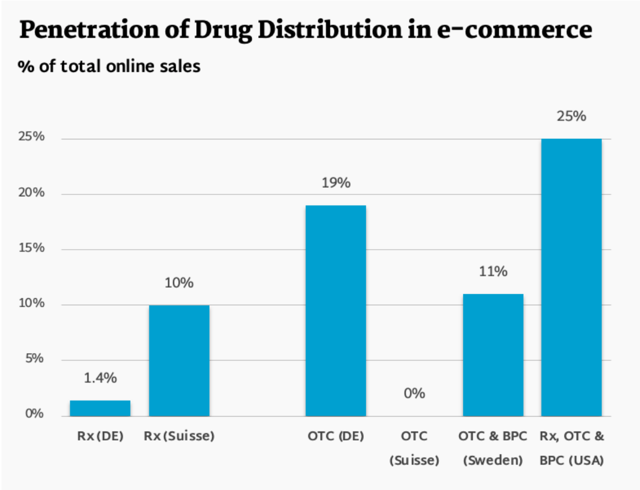


2.4 Liberalization of drug distribution (Example of Zur Rose and Shop Apotheke)

Potential liberalization of distribution of prescription drugs represents the cherry on the cake in the Pilulka story. While central European countries seem to be far from that point, a number of western European countries such as Germany, Switzerland and the Netherlands have been gradually opening their markets.

Germany, for example, approved a law in August 2019 allowing online distribution of drugs. From 2022, prescription drugs must be offered online:

Source: Deutsche Bank, Helgi Analytics



Source: Deutsche Bank, Helgi Analytics

While deregulation of distribution of prescription drugs progresses, online sales still represent only approximately 2% of the total volume of prescription drugs sold. That's compared to a 20% share of consumer electronics sold online.

We still can't be sure what the European pharmacy market will look like in a few years' time. Will that be pure online players (Zur Rose, Shop Apotheke), or a combined business model where offline and online will be mixed (Boots, Lloyds)? Although the jury is still out, investors have clearly chosen online.

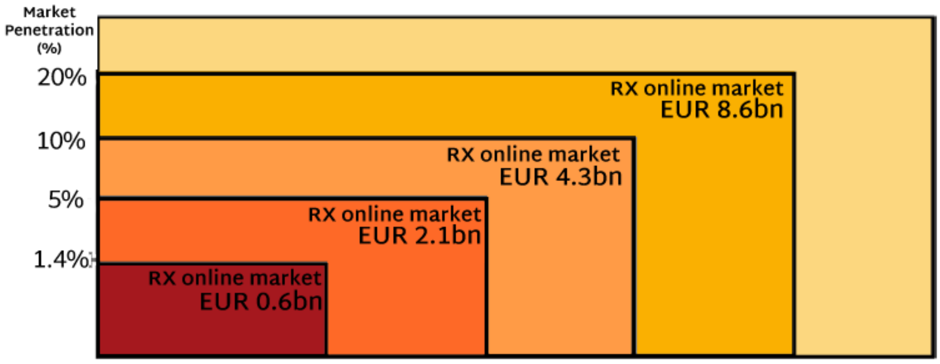
Both online pharmacies Zur Rose and Shop Apotheke have been deeply loss making until now. Their losses account for double digit figures when measured by return on capital or return on equity (ROCE a ROE), which is huge. Both companies are expected to break even in 2-3 years and their valuation starts "making sense" based on traditional valuation ratios only after 2025. Clearly, investors seem to prefer long-term potential competitive advantage and market disruption compared to current or short-term profitability, as we have seen in a number of other stocks or industries (not to mention Tesla).

With an average basket size of EUR 56 for DocMorris customers (German subsidiary of Zur Rose), it's hard to justify the current valuation of USD 300 per client based on the company's current numbers (the firm has some 8 mil active customers).

The answer could be found in expectations of structural changes in the pharmacy market in favor of online distribution with all the potential consequences we are still not fully able to imagine for such a conservative industry. That is clearly the inspiration for Pilulka's management.

The following chart of Swiss Zur Rose demonstrates how potential size of the German prescription drugs market might increase if penetration of online sales increased from current 1.4% to a fifth of the market:

Potential Size of German Online Market with Prescription Drugs



Source: Zur Rose, Helgi Analytics, RX = prescription drugs

Although it still seems like the cherry on the cake in the overall Pilulka story (the current financial plan does not include any online sales of prescription drugs until 2024), investors have clearly reflected some of that potential into the valuation of western European stocks. Czech investors should do that too with Pilulka shares, to a certain degree.

2.5 SWOT Analysis

Strenghts

- ✓ Pilulka combines dynamic online growth and a traditional offline business with relatively high entry barriers. The company runs the third largest chain of pharmacies in Czechia and has become the largest online distributor.
- ✓ Management has a great track record in e-commerce and is strongly motivated to succeed.
- ✓ The online segment is more cost effective and scalable than brick and mortar pharmacies.

Weaknesses

- ✓ Pilulka is a relatively young firm with limited capital. Expansion remains dependant on cooperation and support of key suppliers in terms of funding.
- ✓ Online sales have a different structure (lower margin) to the offline segment. This somewhat reduces the uniqueness of the business model and exposes the firm to potential competitive pressure.
- ✓ Growth of OTC and prescription drugs seem to be fairly limited due to the already high consumption of drugs in the Czech Republic.

Opportunities

- ✓ Deregulation of distribution of prescription drugs could open a huge market for the company, something not yet reflected in the firm's sales and profit outlook.
- ✓ Migration of consumers from offline to online represents a major support of the company's business.
- ✓ The dynamic increase in the number of active customers offers opportunities for cross-selling and better negotiation powers with Pilulka's suppliers.

Threats

- ✓ Competitive pressure from current/new/bigger players.
- ✓ A deteriorating market environment might limit support of suppliers to fund Pilulka's growth.
- ✓ Foreign expansion is riskier than the traditional Czecho-Slovak model

3 Financial outlook

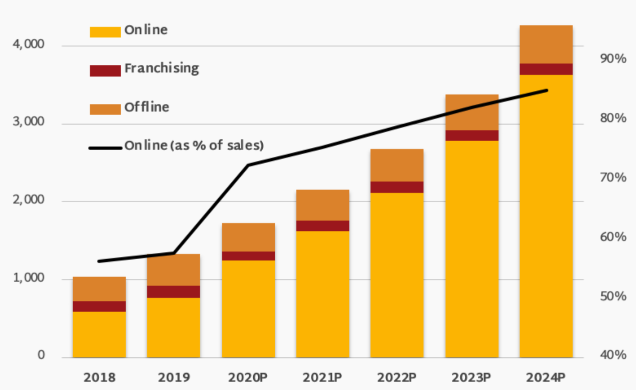
3.1 Quantity of growth…

Management plans to increase sales by almost Kč 3 bil between 2019-2024, which implies an average annual growth of more than 26%. In 2024, Pilulka should reach total consolidated sales of Kč 4.3 bil.

Domestic revenues should amount to Kč 2.6 bil in 2024 and should form 61% of total sales. Of the remainder, 22% should come from Slovakia, 10% from Romania and 7% should be generated in Hungary. The online segment should be responsible for 85% of total sales, up from 58% in 2019:

Pilulka – Online vs. Offline Sales

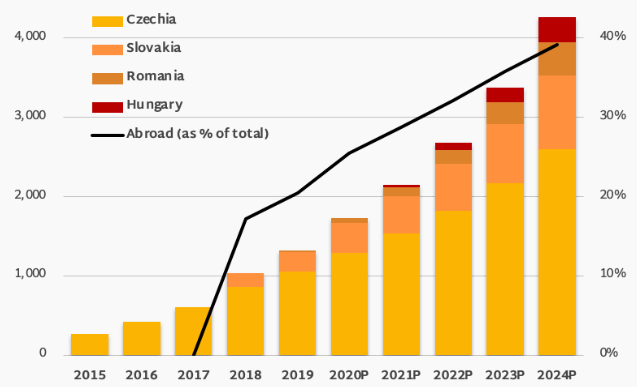
CZK mil



Source: Pilulka, Helgi Analytics www.helgilibrary.com

Pilulka – Regional Sales Breakdown

CZK mil



Source: Pilulka, Helgi Analytics www.helgilibrary.com

Petr and Martin Kasa are well-known salesmen, as already proven with kasa.cz, an e-shop with sales of Kč 2 bil in 2009 when sold. Preliminary numbers for Pilulka suggests another succes story – the number of customers, for example, increased by 62% a year on average in 2016-2019. At the end of 2020, a threshold 1.5 mil should be achieved.

Dynamic sales growth planned in the next 5-10 years is one of the cornerstones of our valuation model and a must-achieve assumption to reach our suggested valuation. Our model implies that each 1% growth above the currently planned sales would increase the fair value of Pilulka by approximately Kč 88 mil, or 10%. This is even more likely to be accurate for a decline.

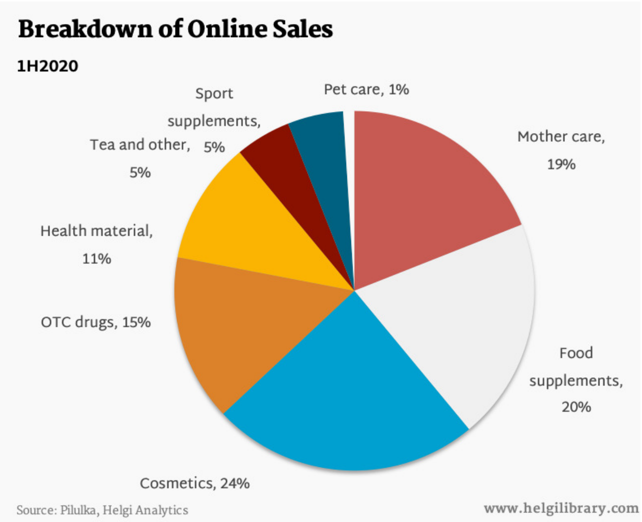
3.2 … with required profitability…

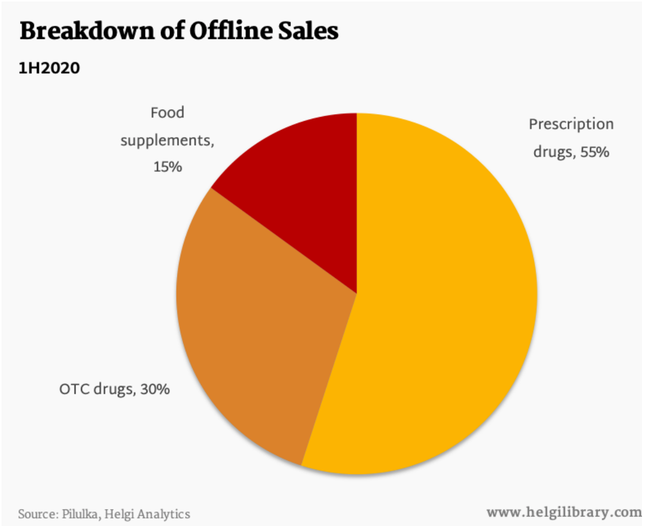
While the ambitious target of 20%+ annual sales growth is a must, the sales growth needs to be generated with a minimum gross margin of 25% for the firm's overall business model to be profitable.

The company's financial plan assumes gross margin will reach approximately 26% in

2020-2024. While the offline segment operates with almost a 30% margin, the online segment must cope with 25%, or even lower when launched in new countries.

The different sales structure between off and online is the main reason for such a disparity. While more than half of total sales at brick and mortar pharmacies comes from prescription drugs (30% from OTC drugs and the remainder from cosmetics and food supplements), 50% of revenues online are generated from mother care, food supplements, cosmetics and other products. Only some 15% of online revenues come from OTC drugs. While the offline segment only needs to manage with a limited portfolio of 900 products, the online segment must stock 35,000 items



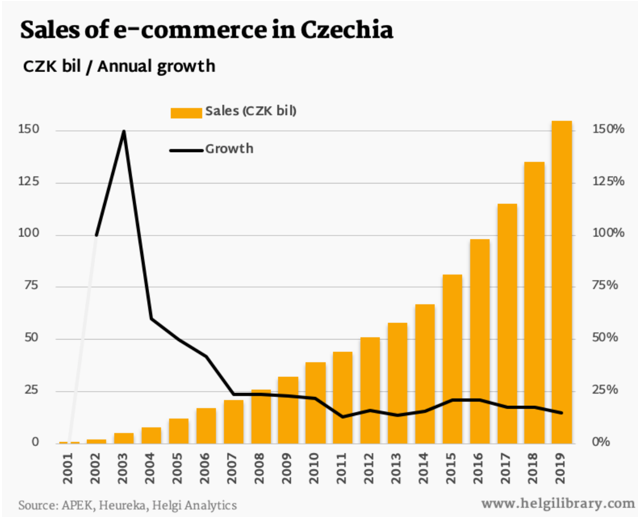


This difference in sales breakdown is one of the biggest weaknesses of Pilulka compared to European online pharmacies Zur Rose and Shop Apotheke, which can offer prescription drugs online.

While sales growth demonstrates the ability to sell, in other words “quantity” of growth, gross margin is one of the key figures proving “quality” of the business model, i.e. that growth will be profitable "enough" for profit targets to be achieved in the future.

Pilulka's online business, with a gross margin of around 25%, should be profitable with approximately Kč 500 mil of annual revenues, according to management. Based on preliminary figures for 1H2020, the company seems to be profitable on the Czech online market in spite of the fact that this might have been an exceptional period caused by the Covid-19 pandemic when many consumers moved to e-commerce.

Until online sale of prescription drugs is allowed, the breakdown of online sales at Pilulka will remain significantly different to brick and mortar pharmacies. As demonstrated by the 1H2020 performance, Pilulka's management can be very flexible and opportunistic. Faster migration of consumers to the online segment thanks to the pandemic could therefore support Pilulka's sales generation until liberalization of distribution of prescription drugs starts in the Czech Republic:



It's difficult to forecast a detailed sales breakdown of Pilulka in the years to come. Development of gross margin could therefore be a useful guide to see how profitable the firm's business model might be. Similar to volume growth sensitivity, each increase of 0.25% in gross margin might increase the company's profit by Kč 10 mil and potential valuation by Kč 200 mil.

3.3 ...and funded by suppliers

The management plans to increase sales three-fold by 2024, which will require plenty of working capital to finance. Funding of the ambitious expansion is therefore the third key factor to watch for. This may have huge implications for valuation of the firm.

Pilulka had relatively small equity at the end of 2019 (Kč 30 mil), at least when compared to net debt of Kč 68 mil. Net working capital accounted for almost Kč 19 mil. Assuming gross working capital (stock and receivables) stays at a similar level as in 2019 (more than 17% of sales), Pilulka might need more than Kč 500 mil additional fund capital by 2024 to achieve its sales targets.

Management is aware of this and ongoing IPO is one of the answers to this potential risk. Apart from the additional share capital increase, the firm plans to cover the capital needs as follows in the years to come:

- ✓ An increase in debt from Kč 76 mil in 2019 to Kč 154 mil in 2024
- ✓ Optimising stock and receivables by roughly Kč 200 mil
- ✓ Cooperation with suppliers. Pilulka benefits from relatively long maturity to pay for its goods (2 months on average) and management believes this advantage will be sustained in the years to come (65 days in 2024 based on material only and 48 days when external operating costs are included).

While external indebtedness is bears the burden of share capital increase and profitability development in the years to come, optimising working capital and cooperation with suppliers are key for funding the ambitious expansion ahead. It's also one of the key differences between Pilulka and its domestic online competitors or foreign online pharmacies, which fund their current assets by themselves (with the exception of rohlik.cz):

WORKING CAPITAL / SALES	2015	2016	2017	2018	2019	2020
PILULKA	...	...	...	3.0%	1.4%	-2.0%
BENU Ceska Republika	3.7%	4.8%	4.8%	4.7%	6.9%	...
Dr.MAX	0.3%	0.6%	-0.4%	0.2%	...	...
LEKARNA.CZ	4.4%	4.8%	7.4%	5.1%	...	...
FOOTSHOP	25.2%	17.8%	15.6%	19.5%	...	...
ROHLIK	-3.8%	-2.4%	-3.1%	-4.7%	-2.3%	...
ALZA	8.7%	7.3%	8.2%	3.4%	...	...
INTERNET MALL	9.8%	15.5%	9.8%	10.8%	...	...
Zur Rose	4.2%	5.6%	6.9%	6.5%	7.8%	...
Shop Apotheke Europe	4.7%	8.2%	13.2%	7.3%	7.4%	...

Source: Companies, Helgi Analytics

Pilulka cooperates directly with some 200 suppliers, including some of the largest multinational pharmaceutical companies:

Thanks to the specifics and regulations of the pharmaceutical business, supplies are usually settled through distribution companies such as Alliance Healthcare, Pharmos, or Phoenix. Details of cooperation are, however, negotiated directly with drug and food supplement producers. The management plans to increase share of these supplies to above 60% of the total in 2020.

On the other hand, Pilulka lacks a financially strong strategic partner as seen with a number of local e-commerce platforms who can use a credit line in hundreds of millions when needed. That's why the entrance onto the Stock exchange and capital increase are so important to provide the additional financial buffer the company needs to achieve its ambitious business and financial plans:

EQUITY / SALES	2015	2016	2017	2018	2019	2020
PILULKA	...	...	11.6%	1.5%	2.7%	8.0%
BENU Ceska Republika	13.9%	13.2%	13.2%	11.3%	11.2%	...
Dr.MAX	7.7%	12.2%	11.7%	20.8%	...	...
LEKARNA.CZ	26.4%	24.0%	6.2%	4.5%	...	...
FOOTSHOP	6.2%	3.7%	2.2%	9.5%	...	...
ROHLIK	1.8%	0.2%	-3.0%	-0.4%	6.4%	...
ALZA	4.4%	4.0%	4.1%	4.1%	...	...
INTERNET MALL	1.4%	1.1%	13.3%	17.3%	...	...
Zur Rose	8.7%	11.8%	29.9%	36.7%	29.9%	...
Shop Apotheke Europe	2.0%	52.6%	84.1%	39.6%	33.2%	...

Source: Companies, Helgi Analytics

We can model the additional working capital needs in a similar way as presented with sales growth and profit margins.

As the model suggests, each day Pilulka's suppliers subtract from the payment period in 2024 would mean roughly Kč 9 mil of additional capital needed. The management assumes a negative cash conversion cycle of 9.3 days in 2024 in its financial outlook. If this is not achieved and the Company had to pay its trade payables as fast as it gets money from its customers, additional capital worth Kč 80-90 mil would have to be found.

3.4 Efficiency and economy of scale

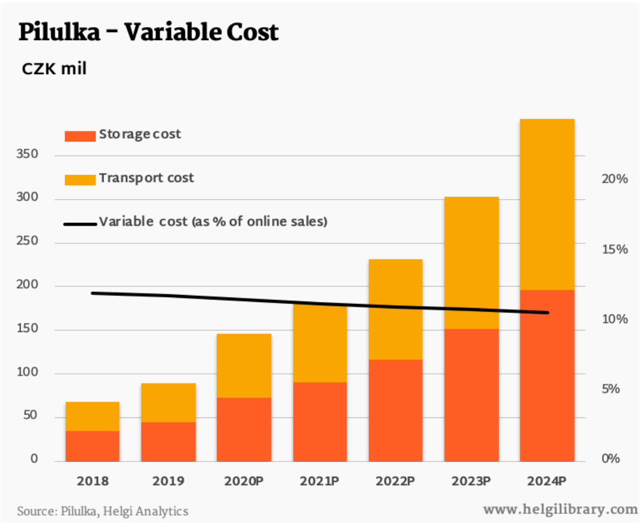
Pilulka was founded in 2013 and has been loss-making since, which is no different from Zur Rose or Shop Apotheke. If dynamic sales growth continues, management believes the firm should break even in 2021 on the operational level (measured by EBITDA) and in 2022 in terms of net profit. In 2024, the firm should achieve an EBITDA margin of 3.4% and net margin could increase to 1.8%:

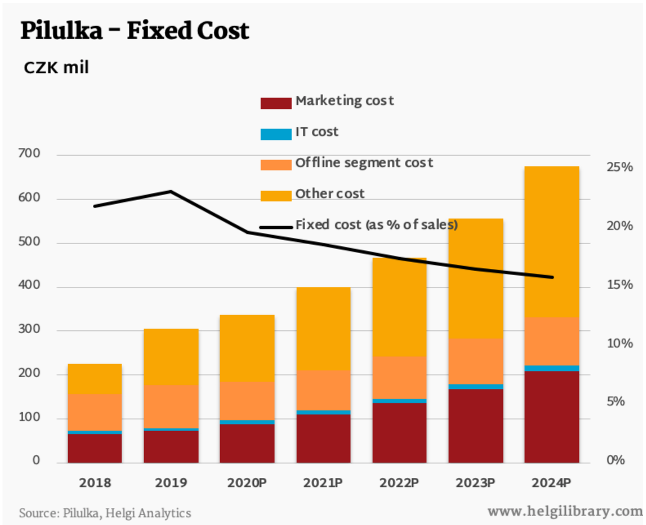
A closer look at the company's financial plan reveals three main roads to achieving the required profitability:

- **Economy of scale** – Pilulka should increase its sales 3-fold by 2024 while fixed costs as a share of sales should drop by 6.11 pp. Pilulka only utilizes, for example, 50% of its storage capacity in the Czech and Slovak republics. In Romania, the figure is only 25%. This operation leverage, if utilized, should generate extra profit of Kč 260 mil between 2018 and 2024.

- **Operational efficiency** – management also assumed a decline in relative operation costs as a part of process optimising, especially in the area of storage and transport costs. Variable costs are expected to fall by 1.40 pp by 2024 when measured next to sales and should generate marginal profit increase of almost Kč 50 mil by 2024.

- **Falling marketing cost** – foreign expansion and dynamic sales growth should be reflected in a relative reduction of marketing expenditures with extra profit contribution accounting for Kč 32 mil.





Business plans of foreign online players suggest a similar recipe for success, or a way to break even in the future. Zur Rose, for example, operated with only a 15% gross margin in 2019, so the turnaround could be more challenging and painful compared to Pilulka, where online gross margin has exceeded 25%:

- Ongoing rapid sales growth to increase general efficiency and to achieve economies of scale

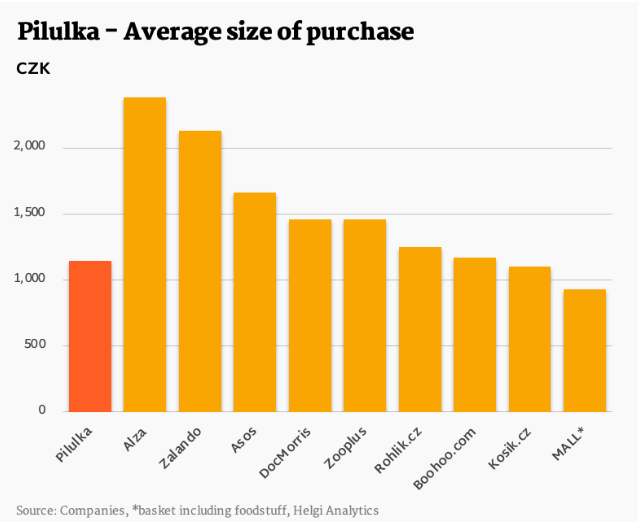
- Short-term – margin improvement on OTC drugs, a fall in variable and marketing costs and additional operational synergies

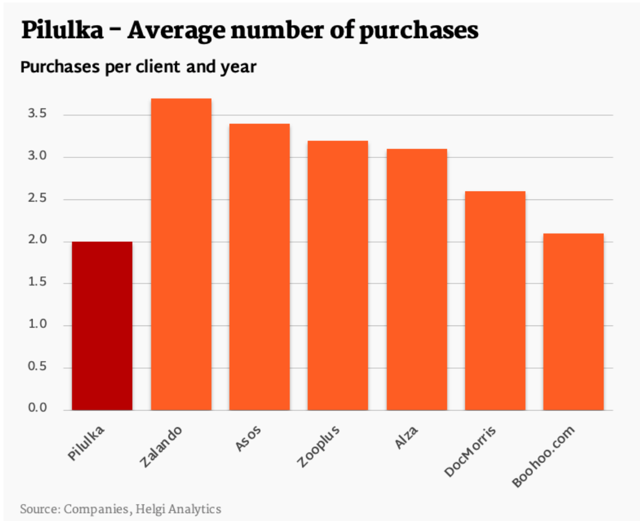
- Long-term – move to higher margin prescription drugs and to a generally higher-margin ecosystem, which upcoming social and demographic changes will offer

3.5 Unit Cost of Purchase

Some 425,000 online customers shopped at Pilulka in 2019. They made 765,000 purchases with an average of 5.3 items bought. We assume that average basket size reached Kč 1,150 in 2019 and each customer made two purchases a year at Pilulka.

These numbers are very similar to those we can see at Germany's DocMorris (Zur Rose's subsidiary), i.e. an average purchase worth EUR 56 repeated almost 3x a year. This is not much different when compared to the average in e-commerce be it the average size of purchase (EUR 50-60), or number of transactions per customer made during the year (2-4x):

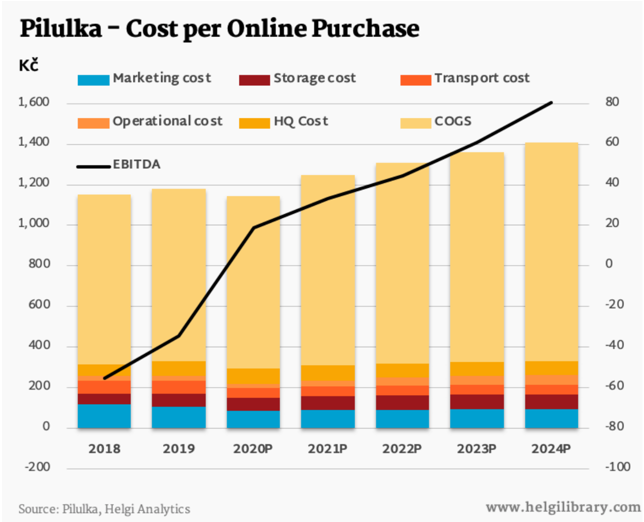




The average size of a package at online pharmacies is usually small and light when compared to most e-commerce players, which means relatively lower storage and transport costs. This opens a vast competitive advantage and higher profitability prospects if the market with prescription drugs gets deregulated. At Zur Rose, the average cost of a prescription drug sold amounts to Kč 5,000 for example.

While this might sound like the long-term future for Pilulka, we can already see a relative improvement at the per unit level.

Pilulka's management assumes the firm will break even in the Czech online segment in 2020, partly due to the effects of Covid 19. An average purchase should generate an operational profit of Kč 28.4, or 2.4% of the average value of an order:



Profit improvement partly follows the positive effects from economy of scale as described on Page 30, i.e. the falling share of fixed costs when compared to sales. This is especially so in the case of a reduction in marketing and HQ costs.

Management also predicts a significant decline in variable costs, namely in the areas of transport and storage.

4 Financial Statements

Income Statement

INCOME STATEMENT		2018	2019	2020	2021	2022	2023	2024
Sales	CZK mil	1,033	1,321	1,717	2,150	2,679	3,378	4,267
Cost of Goods & Services	CZK mil	766	976	1,263	1,566	1,945	2,442	3,075
Gross Profit	CZK mil	267	344	454	584	734	936	1,192
Staff Cost	CZK mil	109	...	...	...	...	...	...
EBITDA	CZK mil	-28.9	-36.4	-11.3	18.1	49.8	93.1	147
Depreciation	CZK mil	11.9	18.8	37.1	31.7	38.7	48.4	60.4
EBIT	CZK mil	-40.8	-55.2	-48.4	-13.6	11.0	44.6	86.6
Net Financing Cost	CZK mil	0.400	2.96	3.30	2.42	2.91	3.61	4.31
Financing Cost	CZK mil	2.10	4.48	3.86	2.42	2.91	3.61	4.31
Financing Income	CZK mil	1.40	0.641	0.328	0	0	0	0
FX (Gain) Loss	CZK mil	0.300	0.878	0.225	0	0	0	0
Extraordinary Cost	CZK mil	-1.00	0.236	-0.103	0	0	0	0
Pre-Tax Profit	CZK mil	-41.9	-59.9	-52.1	-16.0	8.12	41.0	82.3
Tax	CZK mil	0	-1.42	0.024	0	0	0	0
Minorities	CZK mil	...	-5.29	-4.48	-3.79	-1.76	1.04	3.90
Net Profit	CZK mil	-41.9	-58.5	-52.1	-16.0	8.12	41.0	82.3
Net Profit Avail. to Common	CZK mil	...	-53.2	-47.7	-12.3	9.88	40.0	78.4
Dividends	CZK mil	0	0	0	0	0	0	0

Source: Company Data, Helgi Analytics

Growth Momentum

GROWTH MOMENTUM		2018	2019	2020	2021	2022	2023	2024
Total Revenue Growth	%	55.7	27.8	30.0	25.2	24.6	26.1	26.3
Staff Cost Growth	%	61.1	...	...	...	...	...	...
EBITDA Growth	%	-340	26.0	-69.0	-261	175	87.0	57.9
EBIT Growth	%	-967	35.4	-12.4	-71.8	-181	304	94.0
Pre-Tax Profit Growth	%	-1,781	43.1	-13.1	-69.2	-151	405	101
Net Profit Growth	%	...	...	-10.5	-74.3	-181	305	96.0

Source: Company Data, Helgi Analytics

Profit Ratios

PROFIT RATIOS		2018	2019	2020	2021	2022	2023	2024
ROE	%	...	-209	-55.1	-8.35	5.88	21.2	31.8
ROA	%	-15.1	-18.6	-12.2	-2.94	1.34	5.70	9.26
ROCE	%	...	-57.6	-54.6	-15.8	6.42	26.1	42.6
Gross Margin	%	25.9	26.1	26.4	27.2	27.4	27.7	27.9
EBITDA Margin	%	-2.80	-2.76	-0.656	0.842	1.86	2.76	3.44
EBIT Margin	%	-3.95	-4.18	-2.82	-0.634	0.412	1.32	2.03
Net Margin	%	-4.06	-4.43	-3.04	-0.746	0.303	1.21	1.93
Payout Ratio	%	0	0	0	0	0	0	0

Source: Company Data, Helgi Analytics

Balance Sheet

BALANCE SHEET		2018	2019	2020	2021	2022	2023	2024
Intangible Assets	CZK mil	35.5	42.2	72.6	82.4	96.7	112	128
LT Investments & Receivables	CZK mil	0.320	0	0	0	0	0	0
Property, Plant & Equipment	CZK mil	28.2	19.4	33.9	39.5	41.8	47.8	49.2
Current Assets	CZK mil	238	239	406	428	498	615	800
Other ST Assets	CZK mil	0	2.52	21.7	21.8	21.8	21.8	21.8
Inventories	CZK mil	64.2	76.6	91.2	111	138	174	214
Receivables	CZK mil	168	152	160	186	224	280	349
Cash & Cash Equivalents	CZK mil	5.61	8.47	132	109	114	140	215
Non-Current Assets	CZK mil	68.3	85.4	121	136	152	173	190
Total Assets	CZK mil	306	325	527	564	650	788	989
Trade Payables	CZK mil	201	210	286	318	377	449	544
Short-Term Debt	CZK mil	50.9	48.2	38.9	63.9	83.9	109	134
Other ST Liabilities	CZK mil	6.88	8.80	9.55	9.52	9.52	9.52	8.69
Current Liabilities	CZK mil	259	267	334	391	471	568	687
Long-Term Debt	CZK mil	31.3	28.1	25.8	22.6	20.0	20.0	20.0
Other LT Liabilities	CZK mil	0.078	0	0	0	0	0	0
Non-Current Liabilities	CZK mil	31.4	28.1	25.8	22.6	20.0	20.0	20.0
Liabilities	CZK mil	290	289	389	385	464	566	694
Share Capital	CZK mil	1.85	2.20	2.20	2.20	2.20	2.20	2.20
Equity Before Minority Interest	CZK mil	15.8	30.0	128	166	170	207	285
Minority Interest	CZK mil	0	-5.29	-9.77	-13.6	-15.3	-14.3	-10.4
Equity	CZK mil	15.8	35.3	138	179	186	222	295

Source: Company Data, Helgi Analytics

Growth Momentum

GROWTH RATES		2018	2019	2020	2021	2022	2023	2024
Shareholders' Equity Growth	%	-79.5	124	262	29.6	2.90	21.6	37.3
Total Asset Growth	%	22.2	6.11	62.3	7.16	15.1	21.2	25.6
Net Debt Growth	%	...	-11.1	-200	-66.8	-56.3	7.45	474
Total Debt Growth	%	...	-7.22	-15.2	33.7	20.2	24.1	19.4

Source: Company Data, Helgi Analytics

Balance Sheet Ratios

RATIOS		2018	2019	2020	2021	2022	2023	2024
Net Debt	CZK mil	76.2	67.8	-67.7	-22.5	-9.85	-10.6	-60.8
Total Debt	CZK mil	82.2	76.2	64.7	86.5	104	129	154
Working Capital	CZK mil	31.0	18.6	-33.9	-19.9	-15.3	4.04	18.8
Capital Employed	CZK mil	99.3	104	87.1	116	137	177	208
Net Debt/Equity	%	484	192	-49.2	-12.6	-5.30	-4.78	-20.6
Net Debt/EBITDA		-2.64	-1.86	6.01	-1.24	-0.198	-0.114	-0.414
Cost of Financing	%	...	5.66	5.48	3.20	3.06	3.10	3.05
Current Ratio		0.918	0.897	1.21	1.10	1.06	1.08	1.16
Quick Ratio		0.670	0.601	0.877	0.755	0.717	0.738	0.821

Source: Company Data, Helgi Analytics

Cash flow

CASH FLOW		2018	2019	2020	2021	2022	2023	2024
Total Cash From Operations	CZK mil	-13.4	-32.0	14.3	1.17	41.5	64.9	118
Change in Working Capital	CZK mil	17.3	11.8	52.5	-14.1	-4.58	-19.3	-15.6
Non-Cash Items	CZK mil	0.299	-4.30	-23.2	-0.379	-0.745	-5.20	-8.64
Depreciation	CZK mil	11.9	18.8	37.1	31.7	38.7	48.4	60.4
Net Profit	CZK mil	-41.9	-58.5	-52.1	-16.0	8.12	41.0	82.3
Capital Expenditures	CZK mil	-33.4	-33.8	-28.8	-46.4	-54.2	-64.2	-68.2
Net Change in LT Investment	CZK mil	-3.75	0	0	0	0	0	0
Total Cash From Investing	CZK mil	-37.1	-33.8	-28.8	-46.4	-54.2	-64.2	-68.2
Dividends Paid	CZK mil	0	0	0	0	0	0	0
Issuance Of Shares	CZK mil	0	74.5	150	0	0	0	0
Issuance Of Debt	CZK mil	42.5	-5.94	-11.6	21.8	17.4	25.0	25.0
Total Cash From Financing	CZK mil	42.5	68.5	138	21.8	17.4	25.0	25.0
Effect of FX Rates	CZK mil	0	0	0	0	0	0	0
Net Change In Cash	CZK mil	-8.05	2.77	124	-23.4	4.78	25.7	75.2

Source: Company Data, Helgi Analytics

Cash Flow Ratios

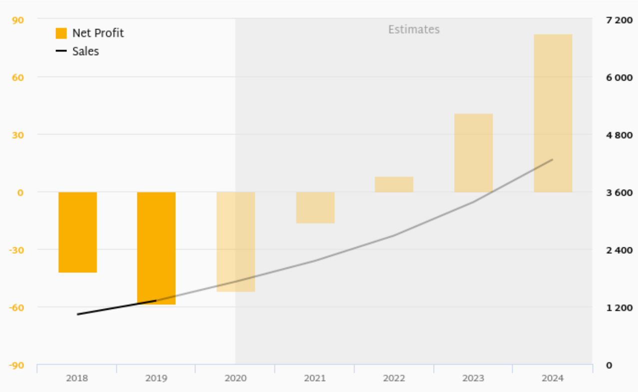
RATIOS		2018	2019	2020	2021	2022	2023	2024
Days Sales Of Inventory	days	30.6	28.6	26.3	26.0	25.9	26.0	25.4
Days Sales Outstanding	days	59.3	41.9	34.1	31.6	30.5	30.2	29.9
Days Payable Outstanding	days	95.8	78.4	82.5	74.0	70.9	67.2	64.6
Cash Conversion Cycle	days	-5.91	-7.83	-22.1	-16.4	-14.4	-11.0	-9.34
Cash Earnings	CZK mil	-30.0	-39.7	-15.1	15.7	46.9	89.5	143
Free Cash Flow	CZK mil	-50.5	-65.8	-14.5	-45.2	-12.7	0.734	50.2
Capital Expenditures (As % of Sales)	%	3.23	2.56	1.68	2.16	2.02	1.90	1.60

Source: Company Data, Helgi Analytics

Pilulka in Pictures

Profits & Sales

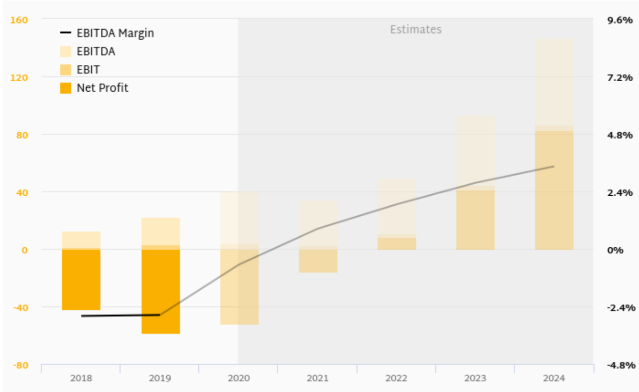
Net Profit & Sales (CZK mil)



Source: Company Data, Helgi Analytics

From EBITDA to Net Profit

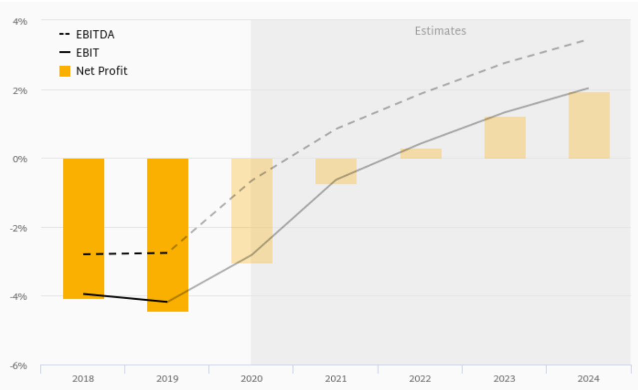
Net Profit, EBIT & EBITDA (CZK mil)



Source: Company Data, Helgi Analytics

Profit Margins

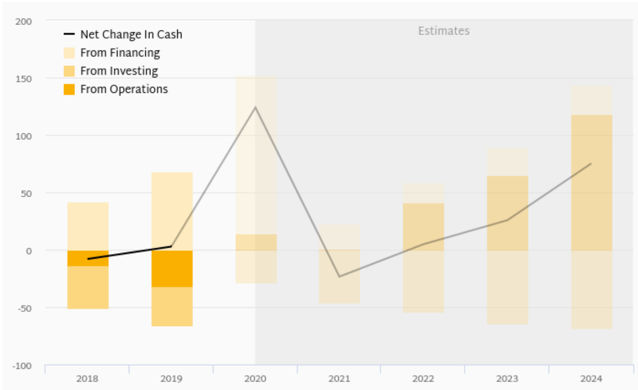
Net Profit, EBIT & EBITDA as % of Sales



Source: Company Data, Helgi Analytics

Cash Flow

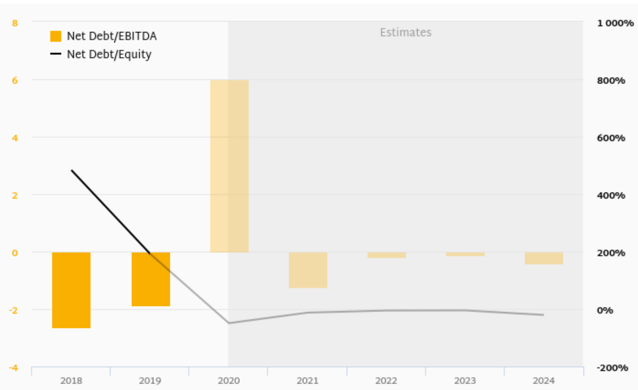
Total Cash from Operations, Investment and Financing (CZK mil)



Source: Company Data, Helgi Analytics

Indebtedness

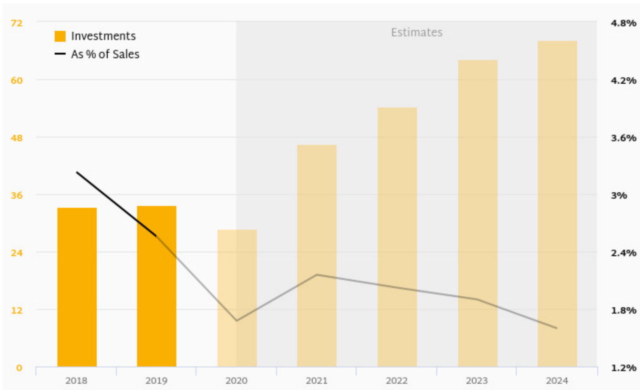
Net Debt/EBITDA & Net Debt/Equity



Source: Company Data, Helgi Analytics

How Much Does Pilulka Invests?

Capital Expenditure (CZK mil) & Capital Expenditure (as % of Sales)

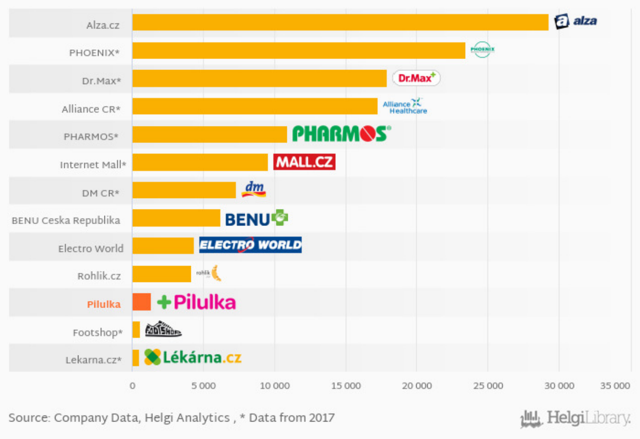


Source: Company Data, Helgi Analytics

Pilulka in Domestic Comparison

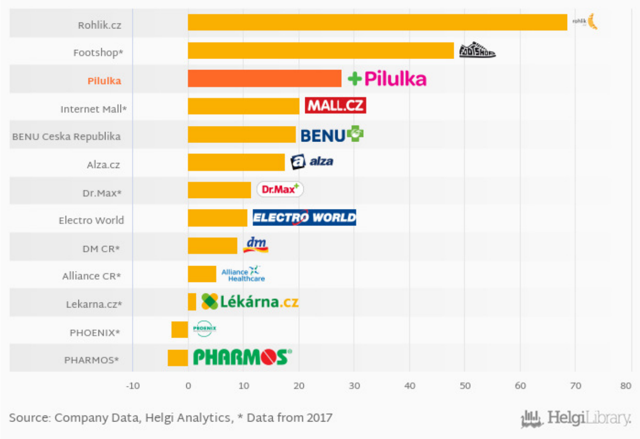
Who Was the Largest by Sales?

CZK mil, 2019



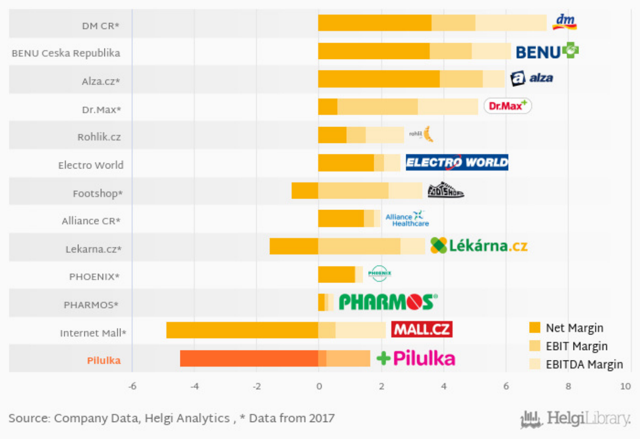
Who Has Grown the Most in Sales?

Total Revenue Growth (%), 2019



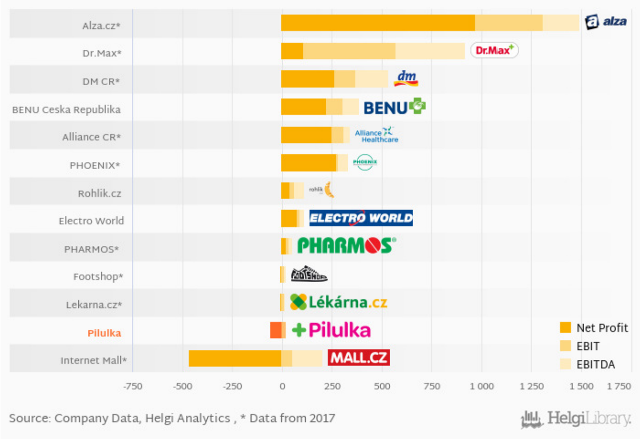
Who Operated with the Highest Margins?

EBITDA Margin (%), 2019



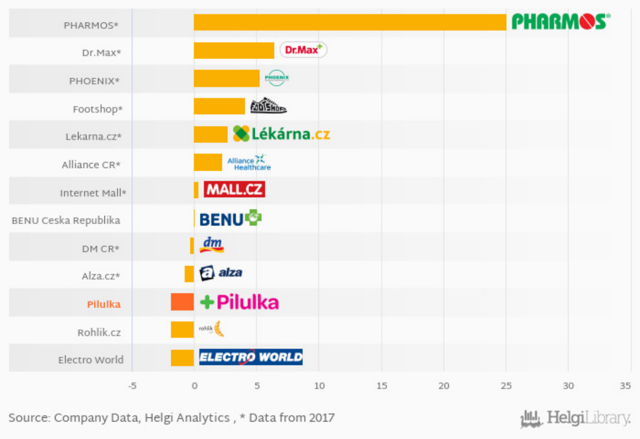
Who Created the Largest EBITDA?

CZK mil, 2019



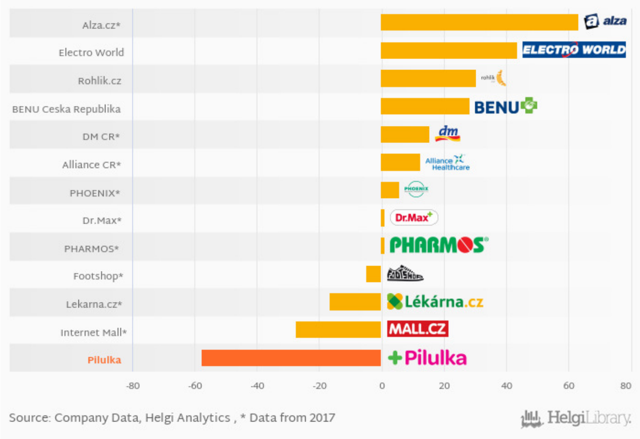
Who Was the Most Indebted to EBITDA?

Net Debt / EBITDA, 2019



Who Was the Most Profitable?

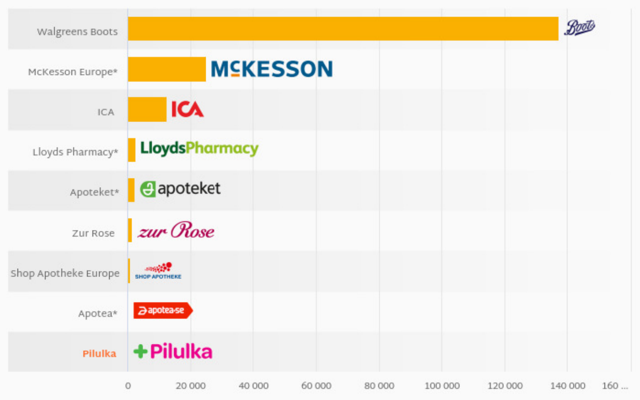
ROCE (%), 2019



Pilulka in International Comparison

Who Was the Largest by Sales?

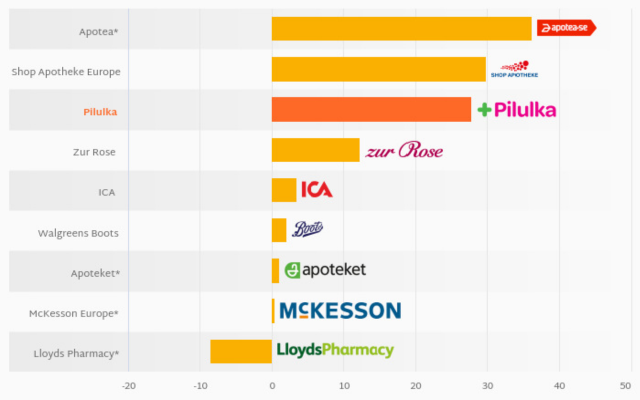
USD mil, 2019



Source: Company Data, Helgi Analytics , * Data from 2018

Who Has Grown the Most in Sales?

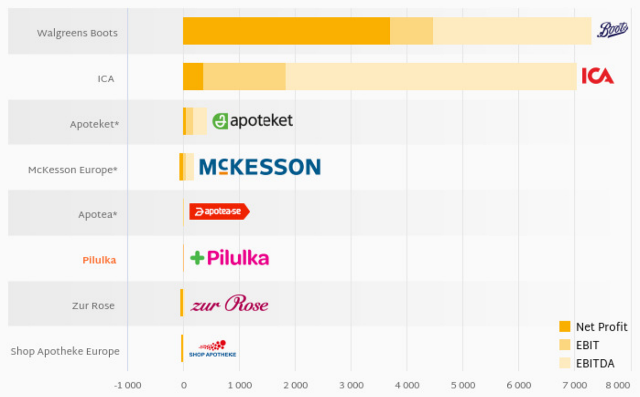
Total Revenue Growth (%), 2019



Source: Company Data, Helgi Analytics, * Data from 2018

Who Created the Largest EBITDA?

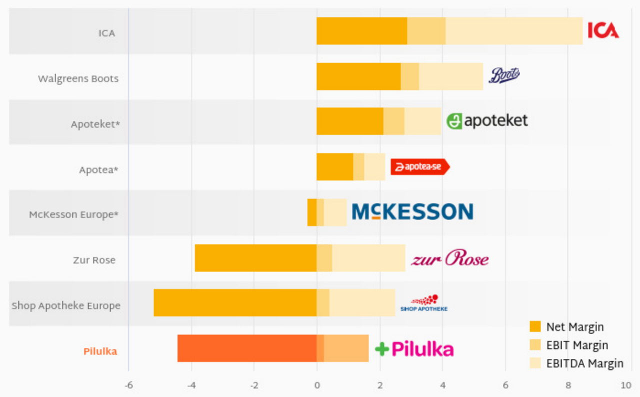
USD mil, 2019



Source: Company Data, Helgi Analytics , * Data from 2018

Who Operated with the Highest Margins?

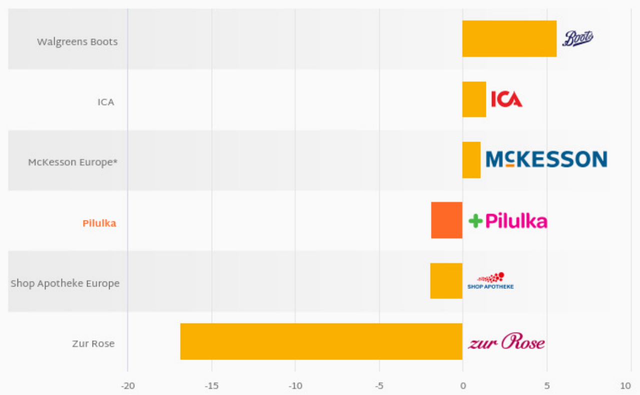
EBITDA Margin (%), 2019



Source: Company Data, Helgi Analytics , * Data from 2018

Who Was the Most Indebted to EBITDA?

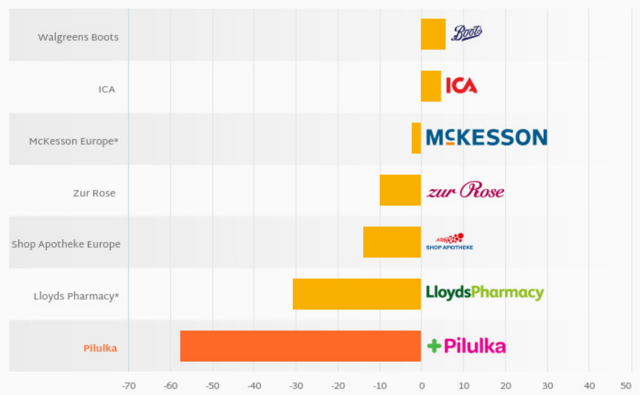
Net Debt / EBITDA, 2019



Source: Company Data, Helgi Analytics , * Data from 2018

Who Was the Most Profitable?

ROCE (%), 2019



Source: Company Data, Helgi Analytics , * Data from 2018

ABOUT HELGI ANALYTICS

Helgi Analytics is a consulting company based in the Czech Republic. The company mainly provides consultancy in the area of financial services and real estate and focuses primarily on the region of Central and Eastern Europe.

Helgi Analytics also runs a web application called Helgi Library, which is a database/library offering data and analyses on more than 99% of the world's economy and population. The Library aims to bring interesting statistical data and analyses to a wide audience under affordable conditions. If you wish to get more details, please visit www.helgilibrary.com or contact us at info@helgilibrary.com.

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