

Nelly Group AB
**INVESTOR
PRESENTATION**

DNB Online Trend Luncheon
23 May 2022



An integral part of the young woman's everyday life

Founded in 2004 in Borås

Built through influencer marketing

Online only

A community of Nordic consumers

Making 1.2 million customers

look & feel fab



2.1M

MEMBERS ON
NELLY.COM



1.2M

ACTIVE
CUSTOMERS



1.3M

FOLLOWERS ON
SOCIAL MEDIA



~20%

OF TARGET
GROUP VISIT
US WEEKLY

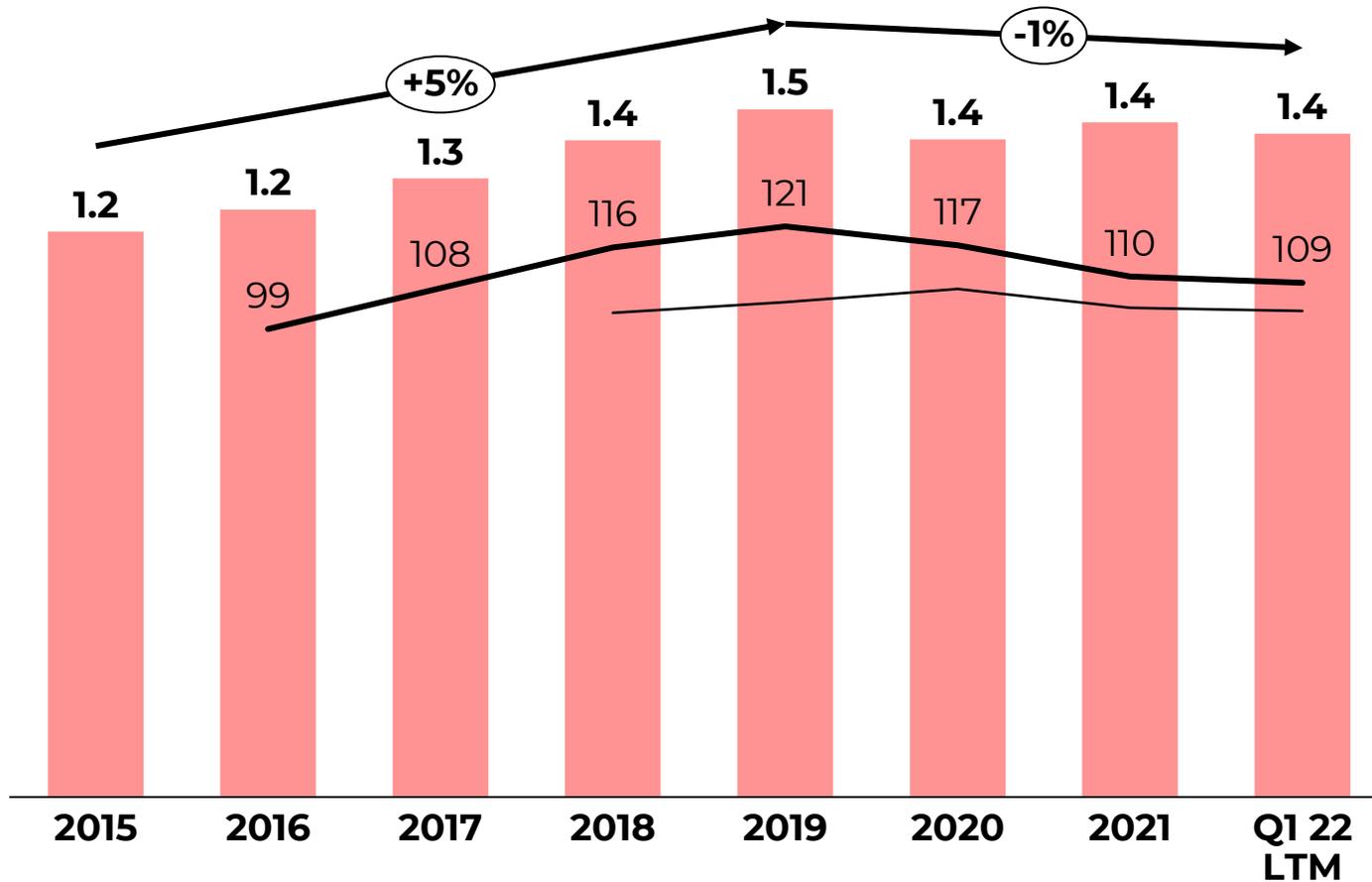


Our core target group is represented by “Denise”

She shops 18 times a year for her appearance

Nelly has exited non-Nordic markets and prioritises improving profitability before growth

Nelly Group Net Revenue & sessions



— Sessions Nordic, millions ■ Net revenue, SEK billion
 — Sessions, millions

Nordic focus

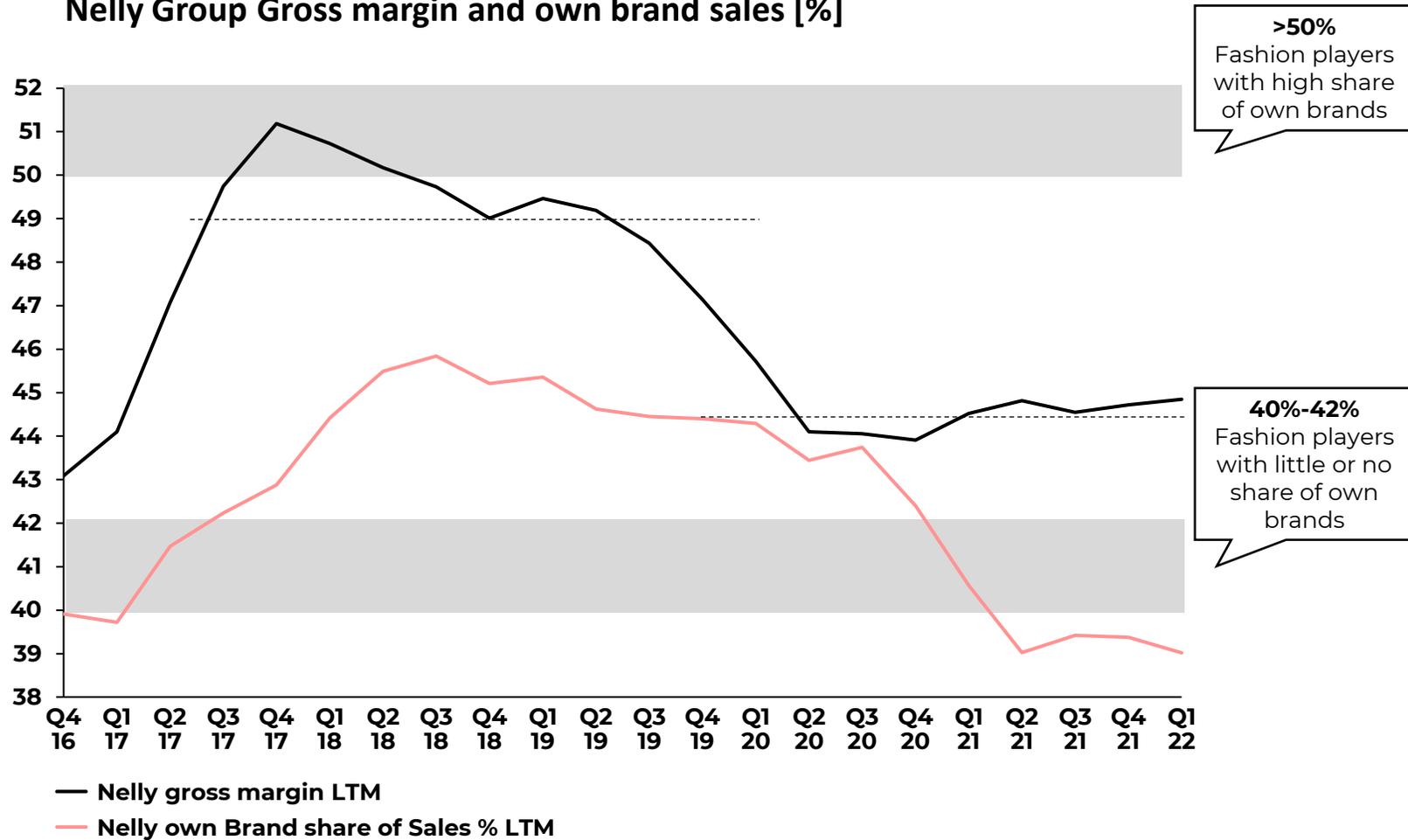
- Non-Nordic markets exited in early 2020
- Focus on a narrower 15-25 year old Nordic customer

Objective

- Penetration in Nordic target group
- Driving orders per customer through existing categories (all occasions) and expansion into new categories
- Focus on profitable transactions

Nelly focuses on improving gross margin by increasing own brand sales and disciplined purchasing to avoid clearance sales

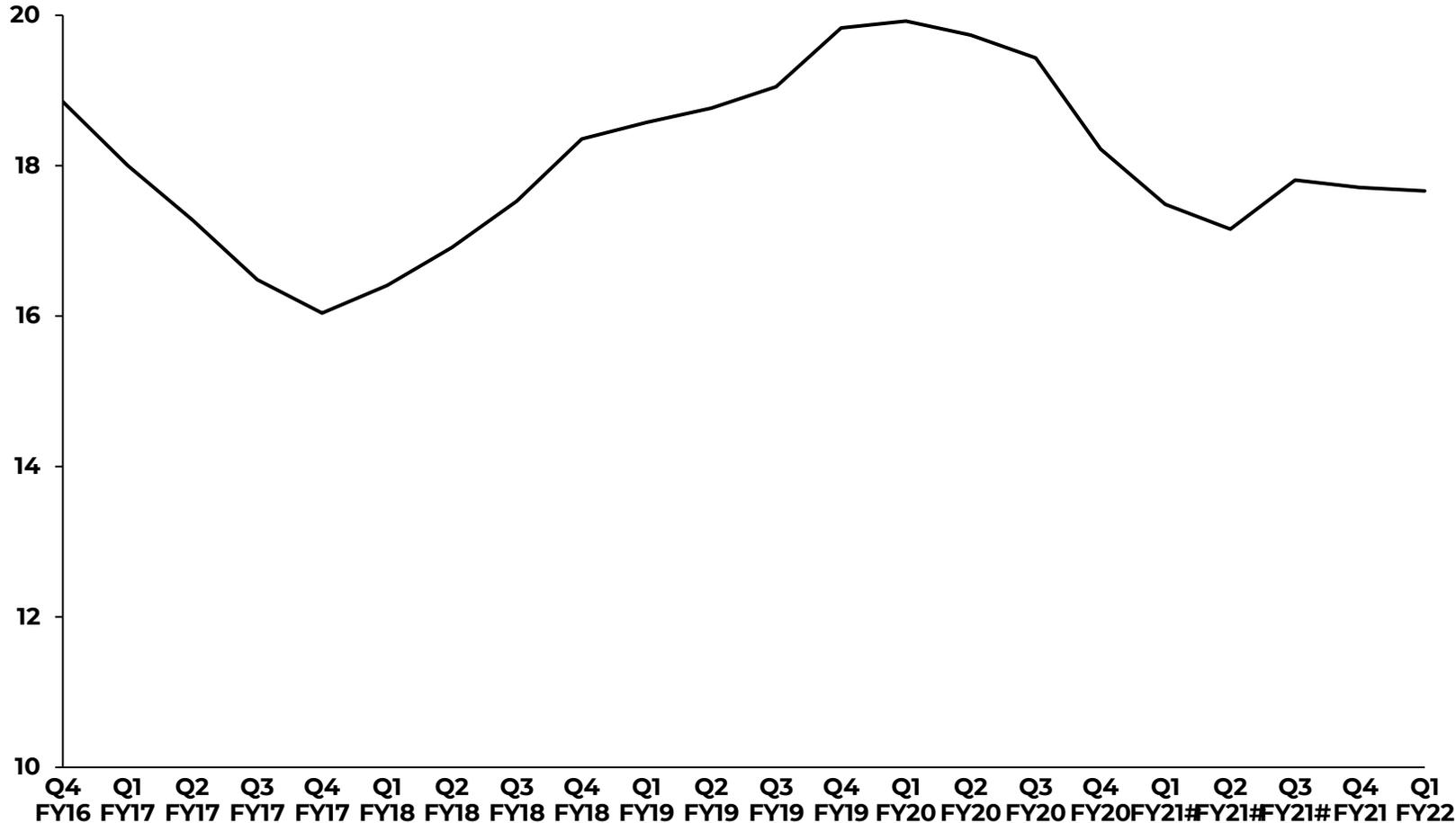
Nelly Group Gross margin and own brand sales [%]



- Clear focus on increasing own brand share of sales should be supportive of gross margin
- Continued strong focus on in season sales to maximise margin through the product cycle and prevent unprofitable clearance sales
- Review of assortment as regards width of products and brands

Automated warehouse expected to decrease fulfilment & distribution cost share of sales vs previous manual warehouse

Nelly Group fulfilment & distribution cost as a share of Net Revenue [%]



— Fulfilment & distribution costs, LTM [%]

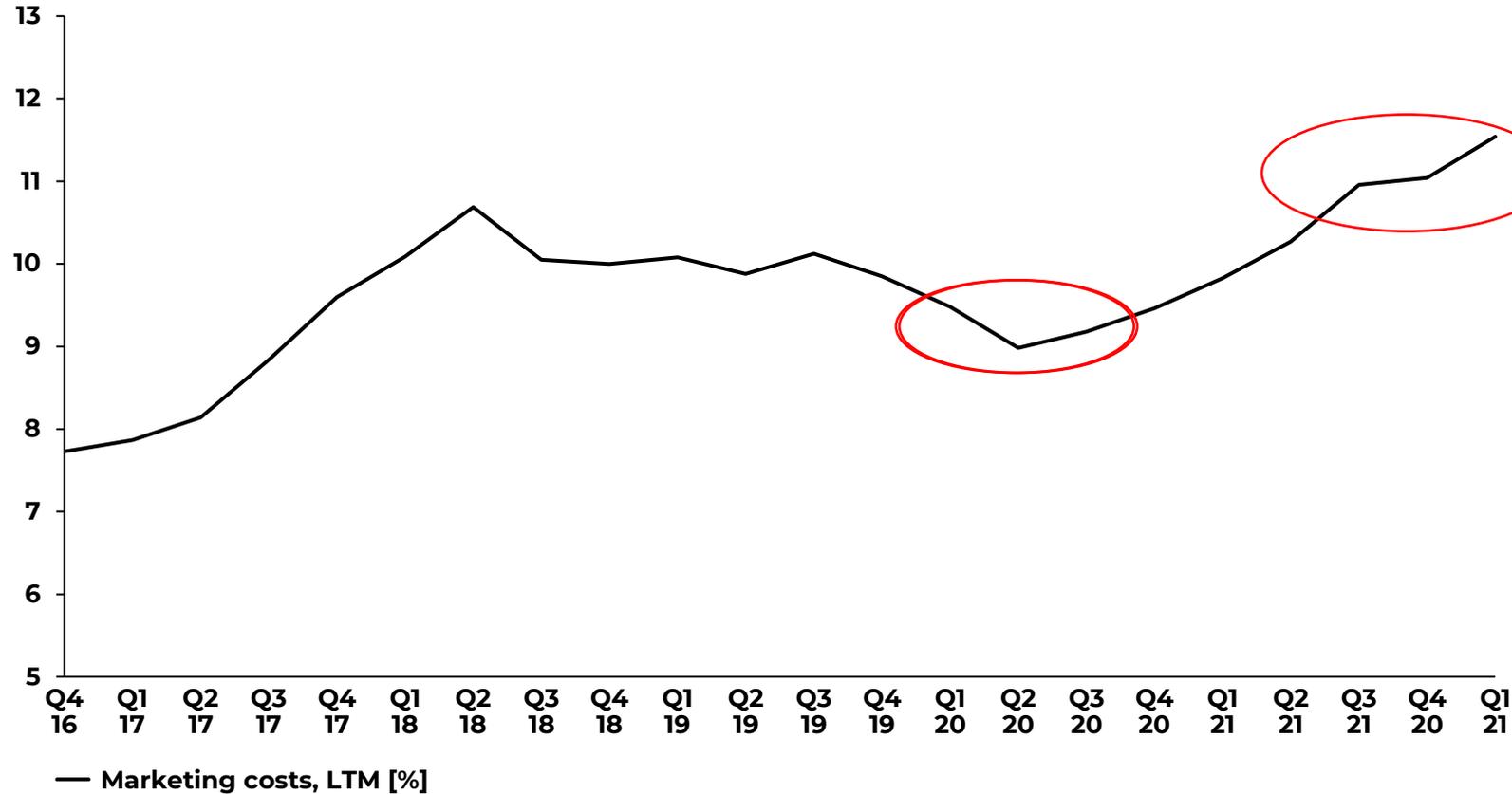
LTM – Last Twelve Months

2021, in particular Q3, includes warehouse project related costs

- Successful warehouse automation project concluded in Q3 2021, annual cost-saving of SEK 35m targeted (2020 base)
- Warehouse efficiency gains combined with increased operational leverage expected to decrease costs as a share of sales
- New warehouse enables improved last mile offering and has ample capacity to grow

Marketing cost share of sales has increased compared to pre-pandemic levels and Nelly is seeking to maximise organic traffic

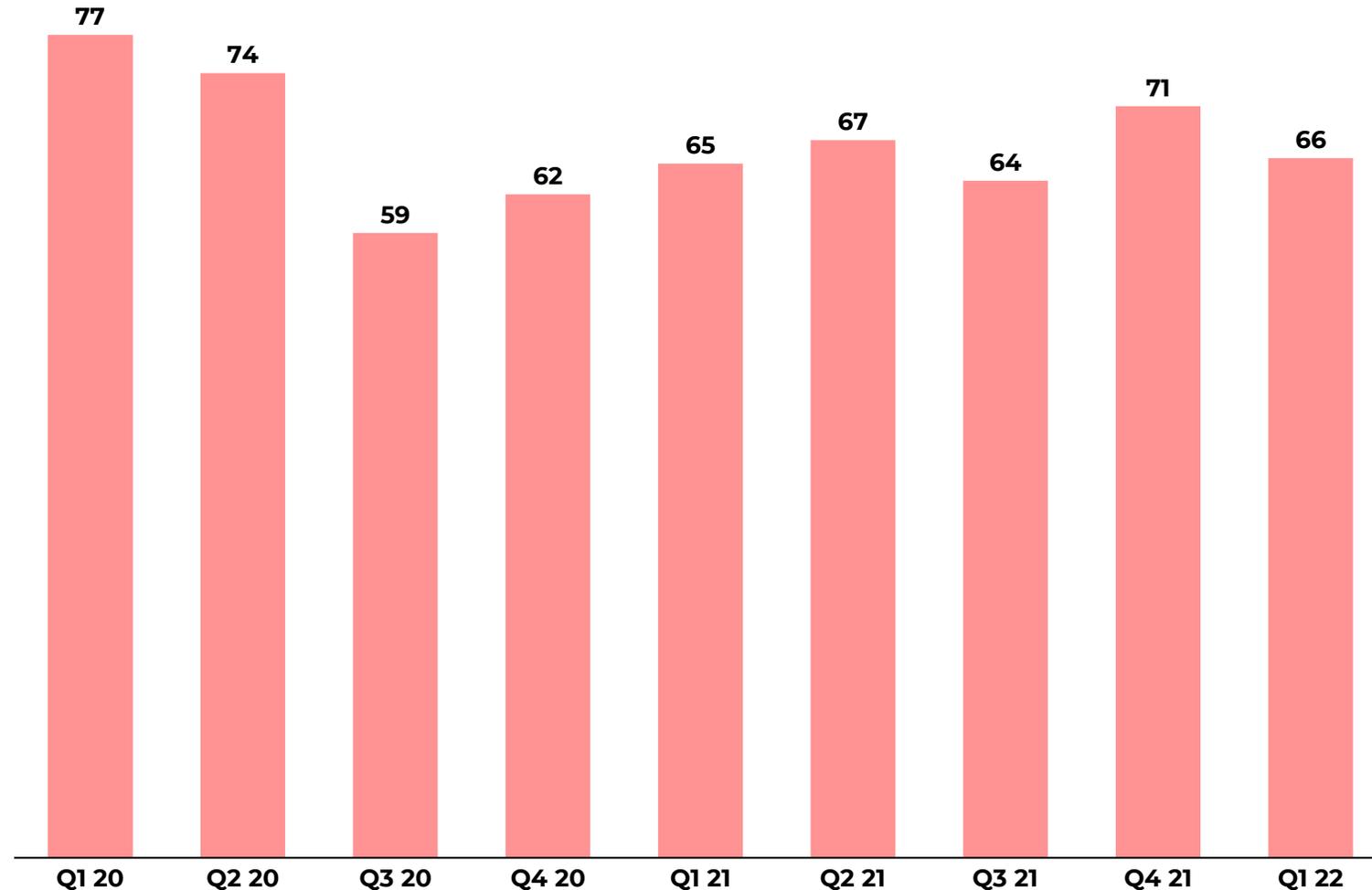
Nelly Group marketing cost as a share of Net Revenue [%]



- Invest in a community powered brand by growing upper funnel share of marketing investment
- Innovate and invest in own channels (Micro influencer marketing, TikTok, Nelly Lounge community, Live shopping etc.) to decrease dependency on paid traffic

Nelly focuses on reducing admin and other operating cost to improve operating margin

Nelly Group Administrative and other operating expenses [SEK million]



- During 2020 Nelly executed two redundancy notices
- Cost reduction after integrating previous central functions in Nelly's Borås based administration during 2021
- Nelly focuses on further reducing operating costs in order to improve operating margin
- Cost line includes depreciations and IFRS16 effects from warehouse automation with full effect from Q4 2021

Nelly focuses on improving operating margin by improving gross margin and lowering operating costs

Focus on improving gross margin by driving own brand sales

Focus on realising automation project cost savings in 2022 to decrease fulfilment and distribution cost

Focus on reducing admin and other operating cost

Nelly Group [SEKm]

	2020	2021	Q1 22 LTM
Net revenue	1 394	1 428	1405
Gross profit	612	639	746
<i>Gross margin</i>	43.9%	44.7%	44.8%
<i>Fulfilment and distribution cost</i>	18.2%	17.7%	17.7%
<i>Marketing cost</i>	9.5%	11.0%	11.5%
<i>Admin and other operating cost</i>	19.5%	18.7%	19.0%
Operating profit or loss	-45.9	-38.6	-47.5
<i>Operating margin</i>	-3.3%	-2.7%	-3.4%



Thanks!

Shaping a sound and sustainable Nelly, with her

Empower femininity

Fortify self-esteem among young women

We want to create a community where the young woman feels respected, confident and celebrated!

Respect the planet

Go circular

We want to reduce our climate impact and manage our resources.

Fair & Equal

Be responsible

We want to create a safe and sound environment for all employees and partners.

OUR OVERALL SUSTAINABILITY GOALS

Sustainable targets 2021 reached

2022

Nelly's own brand products will only be made by **externally inspected factories**

2023

Nelly will achieve **net zero** in its own operations

2025

50% of textile products will be made of more sustainable materials

2030

Emissions of greenhouse gases in the value chain will have **decreased by 50%**