**Fiddiam**

**B to C nutritional supplement**





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This brief memorandum is intended to present the main features of the **Fiddiam Group**

It is intended exclusively for parties who have expressed a strong interest in the eventual acquisition of the group.

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**Fiddiam Group**

**Memorandum of presentation**

**1 – The legal structure of the Group:**

**Fiddiam** SA**,** 100% owned by Mr Siegfried BILSKI is located in Luxembourg (2,5 hours from Paris, and from Bruxelle) .

**2 - Brief history:**

In 1997 Mr Siegfried BILSKI, entrepreneur, set up this company in Luxembourg in the health food supplements, distributing mainly American products through mail order selling and internet.

Distribution agreements with well-known brands (AOR, Boscogen, Country Life, Nature’s way…) represent 95% of the sales, the last 5% are with the own brand of Fiddiam.

Web sites:

<http://www.nutrilife-shop.de>

<http://www.nutrilifeshop.com/index.php>

<http://www.nutrilife-shop.co.uk/>

**3 – Activities of the group:**

The Group is specialised in the development and the marketing of nutritional supplements, in Germany, France and Austria, through 2 sales channels:

* sales by catalogue,
* e-commerce

**4 – Brands and products of the group:**

**Suppliers**

**Principals**

Fiddiam operates:

- 24 third party brands, mainly from the USA : AOR, Boscogen, Cevrai, Country Life, Deba, Industex, Innovital, Irwin Natural, Kala Health, Life Extension, Medex, Millenium Health, Natrol, Nature’s way, Neocell, Nowfoods International, Nutricology, Nutrilife, Peak Sport, Progressive Lab, Pure Planet, Puritan’s pride, Solaray, Source Naturals, Tovlibrands Pharma.

- one internal brand owned by itself

**Relationship with the suppliers**

The supplier’s relationship management is facilitated due to the large number of suppliers; in case of difficulty (delay, price, quality…) with one, it is easy to procure from another. The current contracts beetwen theses suppliers and Fiddiam can be denounced at any time by both contractors.

The strong competition between these suppliers guaranty a competitive price for Fiddiam on the European market and the homogeneous quality between the different suppliers allows substituting one by another in case of problem of delivery.

**Own products**

As regards with the internal brand, Fiddiam is not involved in the manufacture of its in-house products, but develops strong partnerships with specialised custom-manufacturers in France to ensure protection and confidentiality of its formulations.

In this way it has a growing input of value-added to its activities.

Gross margin = sales – cost of sales = 73 to 81% of the sales

**5 – Group Sales**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **P&L** | **2006** | **2007** | **2008** | **2009** | **2010** |
| **Sales K€** | 3827 | 5487 | 7724 | 10462 | 14684 |
| **Annual growth** |  | 43,4% | 40,8% | 35,4% | 40,4% |

Figures including distributed and owned brands

The success of the brands in Germany, in France and in Austria is due to the know-how, marketing, the high quality of products, and the energy of the founder of the group which has resulted in strong consumer demand (average of 40%/year between 2006 and 2010) and, in turn, rapid and consistent growth in turnover over this period.

Turnover breakdown by country in 2010:

|  |  |  |
| --- | --- | --- |
|  | **Turnover in K€** | **%** |
| Germany | 7 329 | 52,1% |
| France | 5 976 | 42,5% |
| Austria | 657 | 4,7% |
| Others | 104 | 0,7% |
| TOTAL | 14 068 | 100,0% |

In 2009, Mr BILSKI decided to:

* Accelerate its development on the web,
* Increase the development of the group’s with his own brand and products,

**Recent growth:**

As shown clearly in the above table, the growth of the group has been consistently strong over the recent years and can be explained by 5 factors:

* Huge marketing investment (6M€/year)
* Capacity to adapt instantly (each month) the catalogue the clients’ demande,
* Capacity to build promotional deals and to discount when useful
* Exceptional positioning of the products in terms of “value for money”
* quick growth of the web sites

If the biggest part of the group’s turnover (95%) is currently generated by distributed brands, the in-house brands are forecasted to account for an ever-increasing proportion of sales in the months and years to come (from 5% today to 50%in the next 5 years).

**6 – Cost of sales and gross margins**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **P&L K€** | **2006** | **2007** | **2008** | **2009** | **2010** |
| **Sales** | **3827** | **5487** | **7724** | **10462** | **14684** |
| Cost of sales | 915 | 1475 | 2117 | 2141 | 2770 |
| **Gross margin** | **2912** | **4012** | **5607** | **8321** | **11914** |
| **GM%Sales** | **76%** | **73%** | **73%** | **80%** | **81%** |

**Comments:**

Gross margin as a percent of sales : 81% in 2010.

The group’s management believes that the most effective way to establish strong consumer loyalty is to ensure the best “value for money” for the clients. In other words, the formulations of the products are of the highest quality, while the price at which its products are sold should be no more than the cost of the competing products of lower quality.

In this way strong customer loyalty is established.

**7 – Distribution expenses**

Distribution of products is organised as follows by two externalized mailing firms Luxroutage and XXX:

* products are delivered from the suppliers to the Luxroutage and YYY Warehouses,
* they are controlled and stored in the same warehouses,
* when appropriate, products are relabelled for export markets or prepared for special sales promotions.

Once the order has been checked by the sales administrators, it is processed in one of the two externalised warehouses:

* each customer order is picked, checked and packed safely into parcels,
* edition of a detailed invoice,
* the invoice is then inserted into the customer’s parcel,
* customer parcels are then collected by an express transport company which is responsible for the end delivery to clients.

About 1 000 seperate orders are received and processed every day from the two Warehouses.

Logistics expenses:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **P&L** | **2006** | **2007** | **2008** | **2009** | **2010** |
| **Sales** | **3827** | **5487** | **7724** | **10462** | **14684** |
| Logistics | 203 | 315 | 468 | 605 | 1296 |

Logistics: ordering, warehousing, delivery

**8 – Marketing expenditure:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **P&L** |  | **2006** | **2007** | **2008** | **2009** | **2010** |
| **Sales** |  | **3827** | **5487** | **7724** | **10462** | **14684** |
| Marketing | 50% | 1688 | 2686 | 3603 | 5832 | 7470 |
| *Mailing* |  | *1539* | *2538* | *3393* | 5341 | 6587 |
| *Printing advertising* |  | *149* | *148* | *210* | 491 | 896 |

Marketing = conception, printing of advertising + renting mailing and emailing lists

Comments:

- Obviously, the success of this company is due to their marketing knowhow, especially in the catalog and mail order techniques and to the heavy budget to contact news prospects (mailing and emailing lists rented)

- Transition from the catalog to the web channel (hiring: 2 web marketer mid 2011 to increase the presence for Fiddiam on the web))

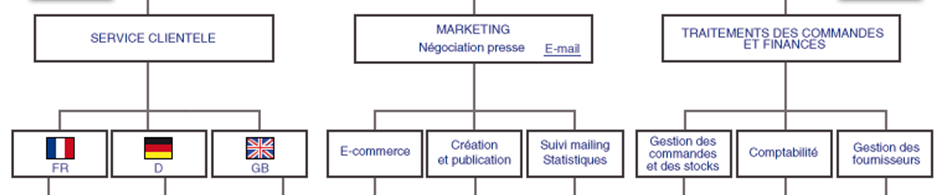
**10 – Contribution by brand/channel**

To be defined

**11 – Human resources**

Group headcount is 31, including general management, customer service, marketing, finance and administration.

Warehousing and transport are externalised.



**AU**

**CEO**

|  |  |  |
| --- | --- | --- |
|  | Germany Austria | France Other countries |
| General Management | 1 | 2 |
| Customer service | 6 | 5 |
| Marketing | 4 | 4 |
| Supply management | 1 | 1 |
| Orders and stocks management | 2 | 2 |
| Accounting | 1 | 1 |
| Total | 15 | 15 |

The staff is based at the premises of Fiddiam in Luxembourg. They are subject to Luxembourg taxation and employment legislation

**12 – 6 years consolidated P&Ls :**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **P&L** |  | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **Sales** |  | **3827** | **5487** | **7724** | **10462** | **14684** | **16800** |
| Cost of sales | 20% | 915 | 1475 | 2117 | 2141 | 2770 | 3360 |
| **Gross margin** |  | **2912** | **4012** | **5607** | **8321** | **11914** | **13440** |
| **GM%Sales** | **80%** | **76%** | **73%** | **73%** | **80%** | **81%** | **80%** |
| Logistics | 7% | 203 | 315 | 468 | 605 | 1296 | 1176 |
| Marketing | 50% | 1688 | 2686 | 3603 | 5832 | 7470 | 8400 |
| Overheads 1 (personnel) | 11% | 607 | 773 | 1047 | 1291 | 1744 | 1500 |
| *staff* |  | *307* | *373* | *500* | *741* | 900 |  |
| *management* |  | *300* | *400* | *547* | *550* | 700 |  |
| Overheads 2 | 4% | 176 | 226 | 326 | 357 | 581 | 672 |
| Depreciation NT |  |  |  |  |  |  |  |
| Depreciation T |  | *31* | *34* | 86 | *38* | 40 | 50 |
| **EBIT** |  | **207** | **-22** | **77** | **198** | **783** | **1642** |
| **EBIT%Sales** |  | **5%** | **0%** | **1%** | **2%** | **5%** | **10%** |
| Interest |  | -32 | -41 | -89 | -87 | -100 | -100 |
| Non recurrent |  | -1 | 17 | 48 | 8 | 20 | 20 |
| Profit tax |  | 0 | 0 | 0 | 0 | 0 | 0 |
| **Operating profit** |  | **174** | **-46** | **36** | **119** | **703** | **1562** |

**13 – 5 years Consolidated Balance Sheets:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Balance sheet** |  | **2006** | **2007** | **2008** | **2009** | **2010** |
| Non tangibles | 5ans | 0 | 0 | 1 | 392 | 312 |
| Tangibles |  | 84 | 53 | 32 | 77 | 50 |
| Financials |  | 2 | 2 | 2 | 1 | 0 |
| Inventories |  | 153 | 180 | 283 | 290 | 455 |
| Receivables |  | 444 | 331 | 361 | 587 | 1006 |
| Other Assets |  | 4 | 277 | 16 | 281 | 200 |
| Cash |  | 63 | 114 | 136 | 158 | -343 |
|  |  |  |  |  |  |  |
| Net worth |  | -5 | -52 | -15 | 103 | 600 |
| Provisions |  | 0 | 0 | 0 | 0 | 0 |
| Bank debt |  | 0 | 0 | 0 | 0 | 0 |
| Invoices discounting |  |  |  |  |  |  |
| Payables |  | 608 | 874 | 727 | 1484 | 911 |
| Social and taxes |  | 94 | 117 | 73 | 142 | 200 |
| Other liabilities |  | 54 | 19 | 44 | 57 | 50 |
| Total Balance |  | 751 | 958 | 829 | 1786 | 1761 |

**14 – P&L forecasts:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **P&L** |  | **2011** | **2012** | **2013** | **2014** | **2015** |
| **Sales** |  | **17621** | **19383** | **21321** | **23453** | **25799** |
| Cost of sales | 20% | 3524 | 3877 | 4264 | 4691 | 5160 |
| **Gross margin** |  | **14097** | **15506** | **17057** | **18763** | **20639** |
| **GM%Sales** | **80%** | **80%** | **80%** | **80%** | **80%** | **80%** |
| Logistics | 7% | 1233 | 1356,8 | 1492,5 | 1641,7 | 1805,9 |
| Marketing | 50% | 8810 | 9691 | 10661 | 11727 | 12899 |
| Overheads 1 (personnel) | 11% | 1500 | 1575 | 1653,8 | 1736,4 | 1823,3 |
| Overheads 2 | 4% | 705 | 775 | 853 | 938 | 1032 |
| Depreciation NT |  |  |  |  |  |  |
| Depreciation T |  | 50 | 50 | 50 | 50 | 50 |
| **EBIT** |  | **1798** | **2058** | **2347** | **2670** | **3028** |
| **EBIT%Sales** |  | **10%** | **11%** | **11%** | **11%** | **12%** |
| Interest |  | -100 | -100 | -100 | -100 | -100 |
| Non recurrent |  | 20 | 20 | 20 | 20 | 20 |
| Profit tax |  | 0 | 0 | 0 | 0 | 0 |
| **Operating profit** |  | **1718** | **1978** | **2267** | **2590** | **2948** |

Growth for 2011: 20%

Growth 2012-2015: 10%/year

The overall approach is consistent and gives a fair view of the evolution and a good basis for projections and valuation of the Group.

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