**Fiddiam**

**B to C nutritional supplements**





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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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**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 American products through mail order selling and internet.

The real start of the activity was in 2006 when Mr Bilski was able to devote 100% of his time to Fidddiam. As of that date, the growth has been around 40% per year.

The sales are made with:

- The own brands of Fiddiam: 80%

- The distribution agreements with well-known brands: 20%

Web sites:

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

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

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

<http://www.maxviril.com>

**3 – Activities:**

The Group is specialised in the development and the marketing of nutritional supplements, in Germany, France and Austria (98% of the turnover), through 2 sales channels:

* sales by catalogue (86%)
* e-commerce (14%) in 2010

4. Market

* Parmi les 4 canaux de distribution traditionnel des compléments alimentaires (pharmacie 40%, GMS 20%, Magasins diététiques 15%, B2C (Catalogue, réunion, Web, téléphone) 25%), nous constatons en 2010, une croissance du B2C est de 25%/an

**4 – Brands and products:**

**Suppliers**

**Principals**

Fiddiam operates:

- Internal brands: Fiddiam, Nutrilife, Weirauchbalsam, Arthrobaume, Arthrogel, Maxviril

80% of the turn over

- Third party brands, mainly from the USA and Canada : 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.

20% of the turn over

**Own products**

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

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

**Relationship with the manufacturers and suppliers**

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

**5 – Group Sales**

Turnover breakdown by country in 2010:

|  |  |
| --- | --- |
| **Country** | **Breakdown** |
| **Germany Austria** | **57,7%** |
| France | 28,4% |
| Fiddiam trade mark (France only in 2010) | 9,6% |
| **France total** | **38,0%** |
| UK | 4,1% |
| Others | 0,2% |
| **Total** | **100,0%** |

The success of the brands in Germany, France and Austria is due to the know-how, marketing, the high quality of products, and the energy of the of the team which has resulted in strong consumer demand (average of growth :40%/year between 2006 and 2010).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **P&L** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| Sales | **3827** | **5487** | **7724** | **10462** | **14684** | **18278** |
| Annual growth |  | 43,4% | 40,8% | 35,4% | 40,4% | 25% |

Figures including distributed and owned brands; forecast 2011 = 2,1 x S1 2011

The supply difficulties of the first half of 2011 should be overcome during the second part of the year to reach about 25% growth in 2011.

**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:

* Flagship products : Cream against pain, product for virility, Cream and liquid against joint pain
* Huge marketing investment (7M€ in 2010)
* Quick growth of the web sites (see below) due to very strong presence on internet: if you go, one time, on a Fiddiam web site, Fiddiam banners will appear on your computer , for a month.
* Capacity to adapt each month the offer, according to the client'swishes: an annual catalogue is updated and routed each month with a monthly supplement and the web sites are regularly updated
* Capacity to build promotional deals and to discount when useful (periods of the year, best before dates)

In 2009, Mr BILSKI decided to:

* Accelerate its development on the web (started end 2008),
* Increase the development of the group’s with his own brands and products,

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Web turnover/year K€ | Web’s growth | Global turnover K€ | Web/global turnover |
| 2 008 | 178 |  | 7 724 | 2% |
| 2 009 | 900 | 506% | 10 462 | 9% |
| 2 010 | 2 100 | 233% | 14 684 | 14% |
| 2 011 (\*) | 4 200 | 200% | 18 278 | 23% |
| 2 012 (\*) | 10 000 | 238% | 22 848 | 44% |

(\*): forecast

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **P&L** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **Sales** | **5487** | **7724** | **10462** | **14684** | **18278** |
| Cost of sales | 1475 | 2117 | 2141 | 2773 | 3280 |
| **Gross margin** | **4012** | **5607** | **8321** | **11911** | **14998** |
| **GM%Sales** | **73%** | **73%** | **80%** | **81%** | **82%** |

**Comments:**

Gross margin: 81% of sales in 2010.

The 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 to ensure high satisfaction, while the price at which its products are sold should be the same as the price 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 (80%) and AZ logistik (20%):

* products are delivered from the suppliers to the Luxroutage and AZ Warehouses,
* they are controlled and stored in the same warehouses,

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 separate orders are received and processed every day from the two Warehouses.

Logistics expenses:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **P&L** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **Logistics %Sales** |  |  |  |  |  |  |
| Logistics | 203 | 315 | 468 | 605 | 1488 | 1928 |

Logistics: ordering, warehousing, delivery

As the size of the order is lower with internet compared to the sales by catalog, the logistics expenses/€ increases with the growth of internet sales.

**8 – Marketing expenditure:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **Sales** | **3827** | **5487** | **7724** | **10462** | **14684** | **17408** |
| Marketing | 1688 | 2686 | 3603 | 5818 | 7825 | 8862 |
| *Mailing* | *1539* | *2538* | *3393* | 5327 | 7287 | 7756 |
| *advertising* | *149* | *148* | *210* | 491 | 538 | 1106 |

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

Comments:

- Obviously, the success of this company is due to their marketing knowhow: heavy budget to reach and transform new prospects (mailing and emailing lists rented), capacity to write catalogs, websites and mail order techniques

- Transition from the catalog to the web channel: hiring 2 web marketers mid-2011 to increase the presence of Fiddiam on the web

**10 – Contribution by brand/channel**

**Top five products by country and trade mark**



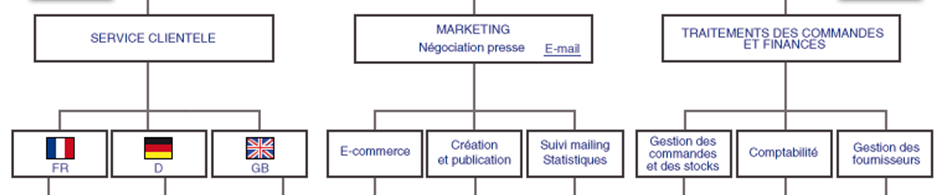


|  |  |  |  |
| --- | --- | --- | --- |
| **Top 7 products for Fiddiam** | **Owner of the trademark** | **Turn over/year** | **% Turn over** |
| MaxViril | Fiddiam | 3 502 666 | 21,8% |
| Arthrocomplex 50cl | Fiddiam | 3 121 447 | 19,4% |
| Weihrauchbalsam ohne Paraben | Fiddiam | 3 095 741 | 19,2% |
| Minceur Chrono | Fiddiam | 583 715 | 3,6% |
| ArthroFit 50cl | Fiddiam | 504 239 | 3,1% |
| ArthroBaume 250ml | Fiddiam | 480 223 | 3,0% |
| Trio Schlank | Fiddiam | 151 064 | 0,9% |

**11 – Human resources**

Group headcount is 35, including general management, customer service, marketing, finance and administration. The staff is multilingual: French, German and English.

Manufacturing, warehousing and transport are externalised.



**AU**

**CEO**

|  |  |  |
| --- | --- | --- |
|  | Germany Austria | France and Others |
| General Management | 3 | |
| Biologist | 1 | |
| Customer service | 8 | 6 |
| Marketing | 2 | 2 |
| Accounting | 1 | 1 |
| Web site | 6 | 5 |
| Total | 35 | |

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

**12 – Past consolidated P&Ls:**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **P&L** |  | **2006** | **2007** | **2008** | **2009** | **2010** | **2011e** |
| **Sales** |  | **3827** | **5487** | **7724** | **10462** | **14684** | **18278** |
| Cost of sales |  | 915 | 1475 | 2117 | 2141 | 2773 | 3444 |
| **Gross margin** |  | **2912** | **4012** | **5607** | **8321** | **11911** | **14834** |
| **GM%Sales** |  | **76%** | **73%** | **73%** | **80%** | **81%** | **81%** |
| Logistics |  | 203 | 315 | 468 | 605 | 1488 | 1928 |
| Marketing |  | 1688 | 2686 | 3603 | 5818 | 7825 | 8862 |
| *Mailing, customer database* |  | *1539* | *2538* | *3393* | 5327 | 7287 | 7756 |
| *advertising* |  | *149* | *148* | *210* | 491 | 538 | 1106 |
| Overheads 1 (staff) |  | 607 | 773 | 1047 | 1291 | 1713 | 2052 |
| Overheads 2 (others) |  | 176 | 226 | 326 | 357 | 489 | 731 |
| **EBIT** |  | **207** | **-22** | **77** | **212** | **173** | **1211** |
| **EBIT%Sales** |  | **5%** | **0%** | **1%** | **2%** | **1%** | **7%** |
| Interest |  | -32 | -41 | -89 | -87 | -124 | -100 |
| Non recurrent |  | -1 | 17 | 48 | 8 | 11 | 20 |
| Operating profit before tax |  |  | -46 | 36 | 133 | 60 | 1131 |
| Profit tax |  |  | 14 | -11 | -40 | -18 | -339 |
| **Operating profit** |  | **174** | **-32** | **25** | **93** | **42** | **792** |

**2011 figures = 2,1 x S1 2011**

**13 – Past consolidated Balance Sheets:**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance sheet** |  | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| Non tangibles |  | 0 | 0 | 1 | 392 | 196 | 116 |
| Tangibles |  | 84 | 53 | 32 | 77 | 50 | 50 |
| Financials |  | 2 | 2 | 1 | 1 | 1 | 0 |
| Inventories |  | 153 | 180 | 283 | 290 | 409 | 566 |
| Receivables |  | 444 | 331 | 361 | 587 | 712 | 1252 |
| Other Assets |  | 4 | 277 | 16 | 294 | 5 | 200 |
| Cash |  | 63 | 114 | 136 | 158 | 368 | 399 |
|  |  |  |  |  |  |  |  |
| Net worth |  | -5 | -52 | -15 | 103 | 147 | 1200 |
| Provisions |  | 0 | 0 | 0 | 13 | 15 | 0 |
| Bank debt |  | 0 | 0 | 0 | 0 | 0 | 0 |
| Invoices discounting |  |  |  |  |  |  |  |
| Payables |  | 608 | 874 | 727 | 1484 | 1314 | 1132 |
| Social and taxes |  | 94 | 117 | 73 | 142 | 264 | 200 |
| Other liabilities |  | 54 | 19 | 44 | 57 | 0 | 50 |
| Total Balance |  | 751 | 958 | 829 | 1799 | 1740 | 2582 |

**14 – P&L forecasts:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **P&L** |  | **2011** | **2012** | **2013** | **2014** | **2015** |
| **Sales** |  | **18278** | **22848** | **28560** | **35700** | **44625** |
| Cost of sales | 20% | 3444 | 4569,6 | 5712 | 7140 | 8925 |
| **Gross margin** |  | **14834** | **18278** | **22848** | **28560** | **35700** |
| **GM%Sales** | **80%** | **81%** | **80%** | **80%** | **80%** | **80%** |
| Logistics | 10% | 1928 | 2284,8 | 2856 | 3570 | 4462,5 |
| Marketing | 50% | 8862 | 11196 | 13709 | 16779 | 20528 |
| *Mailing, customer database* |  | 7756 |  |  |  |  |
| *Advertising* |  | 1106 |  |  |  |  |
| Overheads 1 (staff) | 11% | 2052 | 2109 | 2372 | 2669 | 3002 |
| *management* |  |  |  |  |  |  |
| Overheads 2 (others) | 4% | 731 | 914 | 1142 | 1428 | 1785 |
| Depreciation non tangible |  |  |  |  |  |  |
| Depreciation Tangible |  | 50 | 50 | 50 | 50 | 50 |
| Depreciation Finance |  |  |  |  |  |  |
| **EBIT** |  | **1211** | **1726** | **2719** | **4064** | **5873** |
| **EBIT%Sales** |  | **7%** | **8%** | **10%** | **11%** | **13%** |
| Interest |  | -100 | -100 | -100 | -100 | -100 |
| Non recurrent |  | 20 | 20 | 20 | 20 | 20 |
| Operating profit before tax |  | 1131 | 1646 | 2639 | 3984 | 5793 |
| Profit tax |  | -339 | -494 | -792 | -1195 | -1738 |
| **Operating profit** |  | **792** | **1152** | **1847** | **2789** | **4055** |

**Assumptions**

**-** Growth = 22,5%/year

- Cost of sales, GM% Sales: same as in 2009 and 2010

- Logistics: 8% due to the web site’s growth where the cost of logistic is more important

- Staff: 200K€ cut off, then growth is 50% of the sales growth

€

