



# matas



Matas | FY/Q4 2015/16 results

# Forward Looking Statements

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This presentation contains statements relating to the future, including statements regarding Matas A/S' future operating results, financial position, cash flows, business strategy and plans for the future. The statements can be identified by the use of words such as "believes", "expects", "estimates", "projects", "plans", "anticipates", "continues" and "intends" or any variations of such words or other words with similar meaning. The statements are based on management's reasonable expectations and forecasts at the time of the disclosure of the interim report. Any such statements are subject to risks and uncertainties and a number of different factors, of which many are beyond Matas A/S' control, can mean that the actual development and the actual result will differ significantly from the expectations contained in the interim report. Without being exhaustive, such factors include general economics and commercial factors, including market and competitive matters, supplier issues and financial issues.

# Business Update

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- Q4 relatively weak (-1.3% LFL) - due to weak March (LFL<-5%) – but with strong gross margin
  - Early easter had more negative impact than anticipated.
  - High comparable from Q4 2104/15 (3.7%)
  - Combined, total sales for March and April 16 were as expected (and up year-on-year)
- Increasing competition, but confined to parts of the mass beauty area.
- Strategic initiatives launched
  - Club Matas 3.0 launching at end of May 2016
  - Upgraded store network – Bruun´s Galleri and Fields and more to come
  - Boosting Matas´ webshop´s already strong growth (>25% growth in 2015/16)
  - Product range optimization and differentiation
  - Increased campaign efficiency

## Financial Highlights Q4 2015/16

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- Total revenue growth of -0.9% in Q4 with like-for-like growth of -1.3%
- Gross profit improved to DKK 364m in Q4 vs. DKK 355m in Q4 last year
- EBITA margin 13.2% vs. 15.4% in Q4 2014/15
- Adjusted net profit DKK 69m vs. DKK 77m in Q4 2014/15
- Cash flow from operations of DKK 92m in Q4 compared to DKK 69m in the same period the year before
- Free cash flow of DKK 63m after total investments of DKK 29m
- Gross debt of DKK 1,494m and net debt of 2.2x LTM EBITDA
- The DKK 125m share buy-back was completed in May 2016, resulting in 980.863 shares being repurchased.

## Financial Highlights FY 2015/16

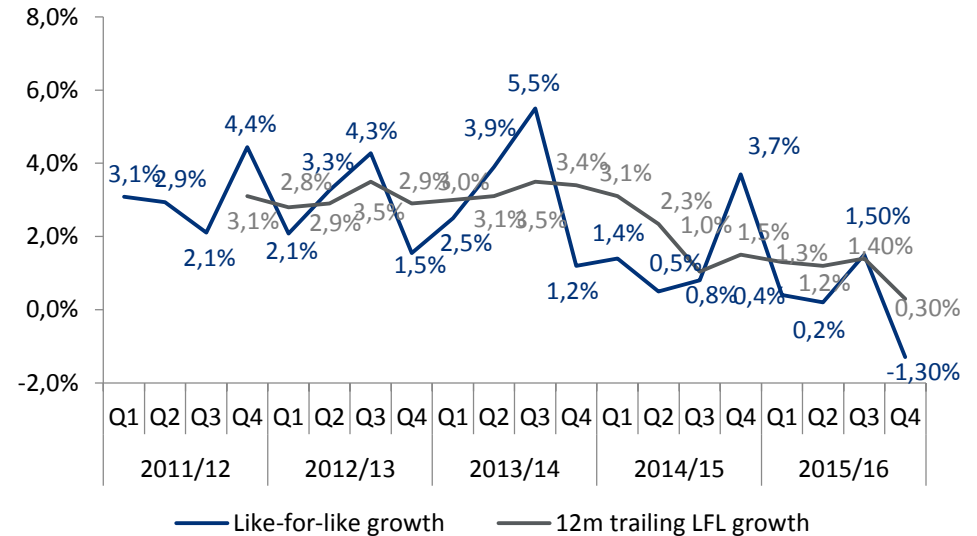
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- Total revenue growth of -0.2% in FY 2015/16 with like-for-like growth of 0.3%
- EBITA margin 17.2% vs. 17.5% in 2014/15
- Adjusted net profit DKK 423m vs. DKK 398m in 2014/15.
- Cash flow from operations of DKK 567m compared to DKK 422m in 2014/15.
- Free cash flow of DKK 497m after total investments of DKK 70m in 2015/16
- Share buyback of DKK 125m and dividend of DKK 232m = DKK 357m returned to investors in 2015/16 – about 7% of market cap.

## Growth in Q4 2015/16 was slow..

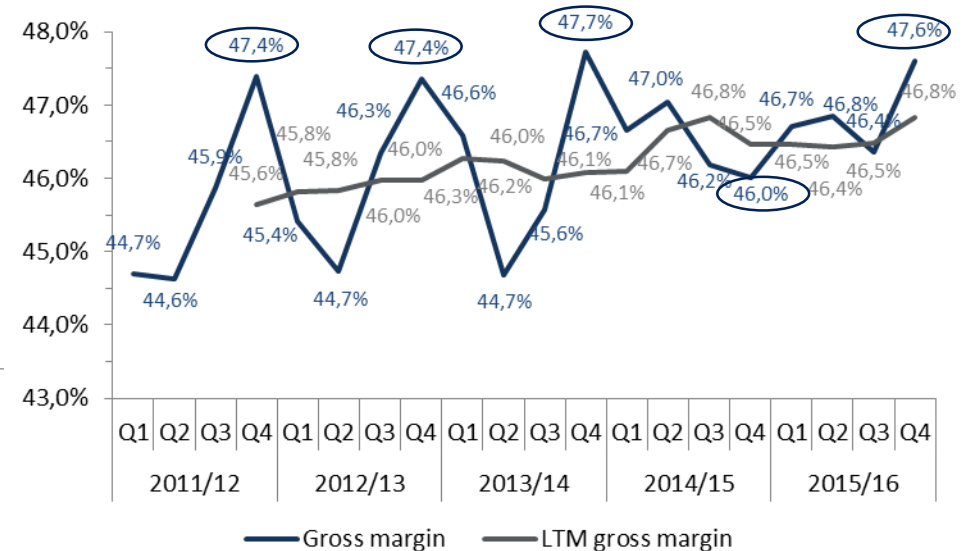
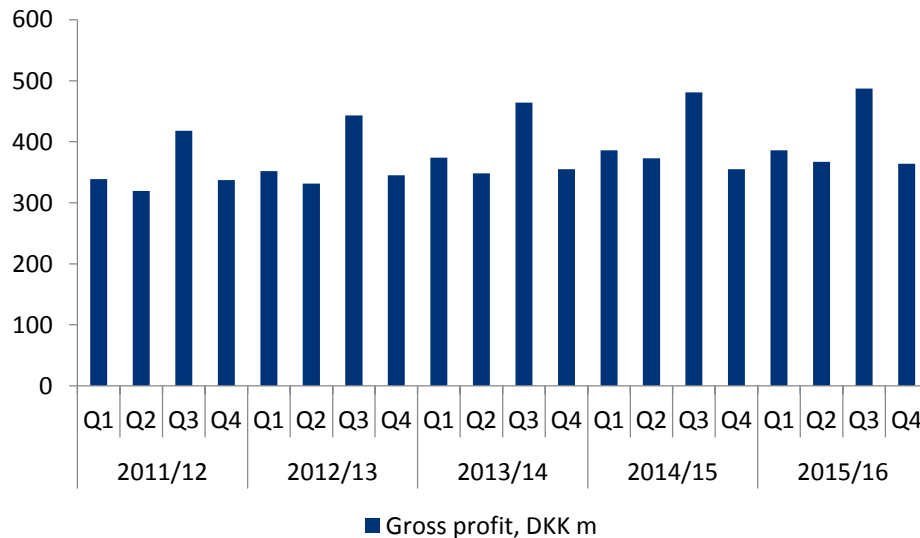
- Total revenue growth of -0.9% in Q4 was disappointing
- 1.8% decrease in revenue from own retail with like-for-like growth of -1.3%
- Beauty sales down - in part due to one campaign in March with less impact vs. last year
- Continued very strong growth in the Vital business
- Online sales continued the high growth

DKK million	2015/16 Q4	2014/15 Q4	Growth
Beauty	515	532	-3.2%
Vital	108	98	10.8%
Material	59	62	-5.3%
MediCare	44	46	-3.3%
Other including Sweden	9	12	-19.7%
<b>Total revenue from own retail stores</b>	<b>735</b>	<b>749</b>	<b>-1.8%</b>
Sales of goods to associated stores etc.	30	23	26.6%
<b>Total revenue</b>	<b>765</b>	<b>772</b>	<b>-0.9%</b>



## ..but Gross Margin improved in Q4 2015/16

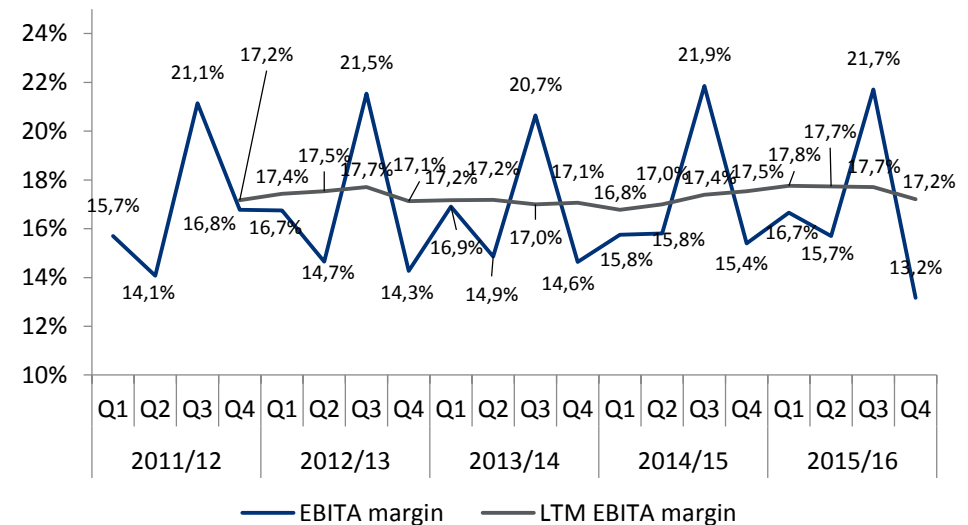
- Gross profit increased as better margin more than offset lower net revenues.
- Gross margin was 47.6% vs. 46.0% same quarter last year.
- Gross margin higher due to lower campaign sales and end of year adjustments.
- 12m trailing gross margin increased to 46.8% from 46.5% at the end of Q3



# EBITA Margin down in Q4 2015/16

- EBITA margin down to 13.2% (15.4%)
- Other external costs increased to 10.9% of sales in Q4 compared to 8.5% last year
  - Certain one-offs impacted the comparison, and Net marketing costs were up in the quarter
- Staff cost increased to 21.3% of sales from 20.2% last year
  - Changes in the reimbursements Matas receives from the government for hiring trainees and “special needs” employees impacted negatively

	2015/16	2014/15	
DKK million	Q4	Q4	Chg.
Other external costs	83	65	27.5%
As a percentage of revenue	10.9%	8.5%	
Staff costs	163	156	4.3%
As a percentage of revenue	21.3%	20.2%	

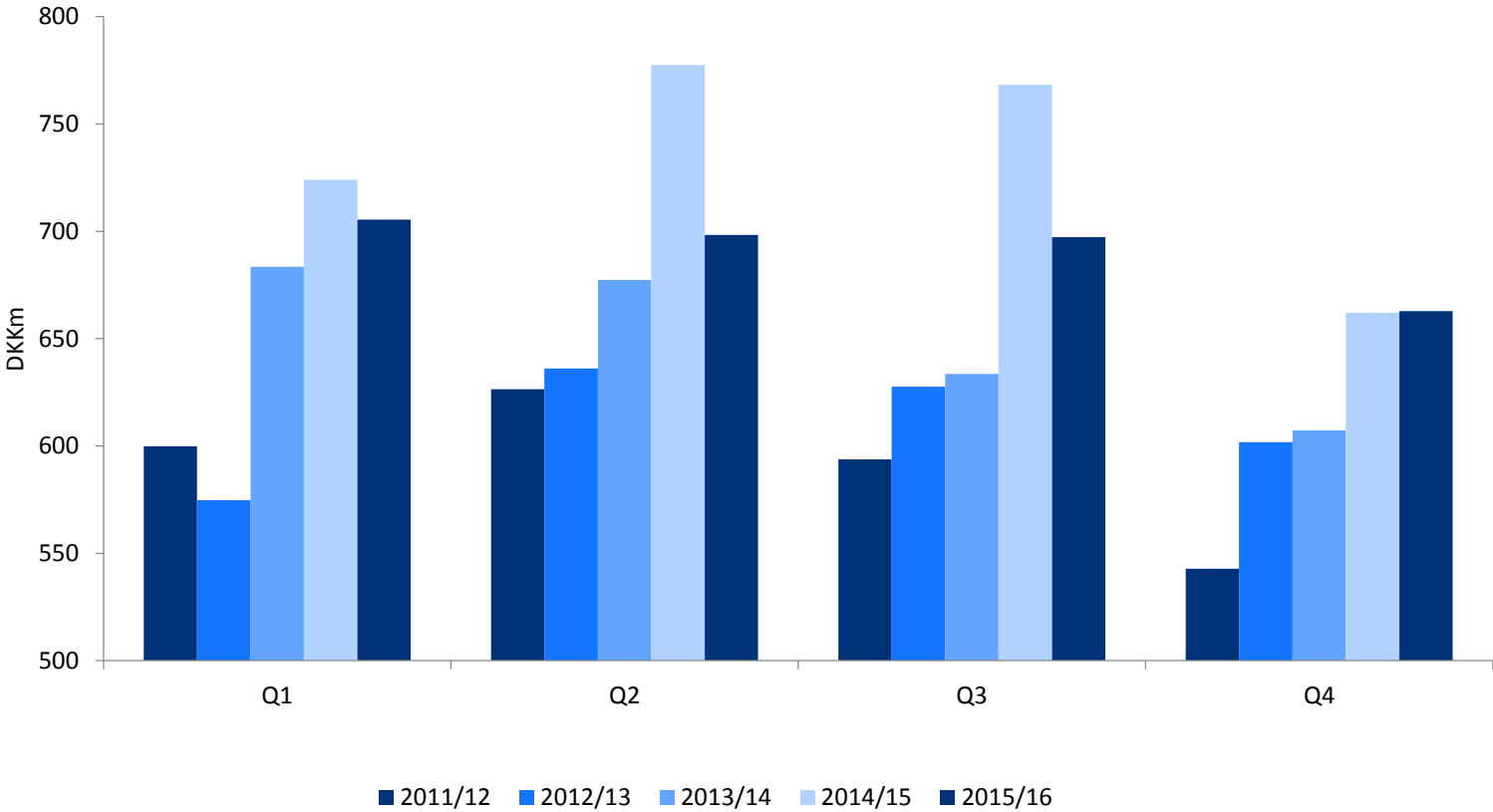




# Income Statement – FY/Q4 2015/16

	2015/16	2014/15		2015/16	2014/15	
DKK million	Full year	Full year	Growth	Q4	Q4	Growth
<b>Revenue</b>	<b>3.426</b>	<b>3.433</b>	<b>0%</b>	<b>765</b>	<b>772</b>	<b>-1%</b>
<b>Gross profit</b>	<b>1.605</b>	<b>1.595</b>	<b>1%</b>	<b>364</b>	<b>355</b>	<b>2%</b>
<i>Gross margin</i>	<i>46.8%</i>	<i>46.5%</i>		<i>47.6%</i>	<i>46.0%</i>	
Other external costs	-296	-292	1%	-83	-65	28%
Staff costs	-656	-642	2%	-163	-156	4%
<b>EBITDA</b>	<b>652</b>	<b>661</b>	<b>-1%</b>	<b>118</b>	<b>134</b>	<b>-12%</b>
Amortisation and depreciation	-139	-134	3%	-36	-34	7%
<b>Operating profit</b>	<b>514</b>	<b>526</b>	<b>-2%</b>	<b>82</b>	<b>100</b>	<b>-18%</b>
Net financials	-37	-65	-43%	-11	-15	-30%
Profit before tax	477	462	3%	71	85	-16%
Tax on profit for the period	-113	-121	-7%	-17	-22	-21%
<b>Profit for the period</b>	<b>365</b>	<b>340</b>	<b>7%</b>	<b>54</b>	<b>63</b>	<b>-14%</b>
<b>Diluted Earnings per share, DKK</b>	<b>9,11</b>	<b>8,38</b>	<b>9%</b>	<b>1,40</b>	<b>1,56</b>	<b>-10%</b>
<b>EBITA</b>	<b>590</b>	<b>602</b>	<b>-2%</b>	<b>101</b>	<b>119</b>	<b>-15%</b>
<b>EBITA margin</b>	<b>17.2%</b>	<b>17.5%</b>	<b>-</b>	<b>13.2%</b>	<b>15.4%</b>	<b>-</b>
<b>Tax rate</b>	<b>23.6%</b>	<b>26.3%</b>	<b>nm</b>	<b>24.2%</b>	<b>25.8%</b>	<b>nm</b>
<b>Adjusted profit after tax</b>	<b>423</b>	<b>398</b>	<b>6%</b>	<b>69</b>	<b>77</b>	<b>-12%</b>

# Development in Inventories



## Positive Working Capital Development in Q4 2015/16

- DKK 19 in cash inflow from changes in net working capital
- Trade and other payables decreased by DKK 14m
  - Higher trade payables due to timing effects around 31/12 and 31/3.
  - Decrease in other payables of DKK 67m related to seasonal effect in prepayments from customers (gift cards) and VAT payments.

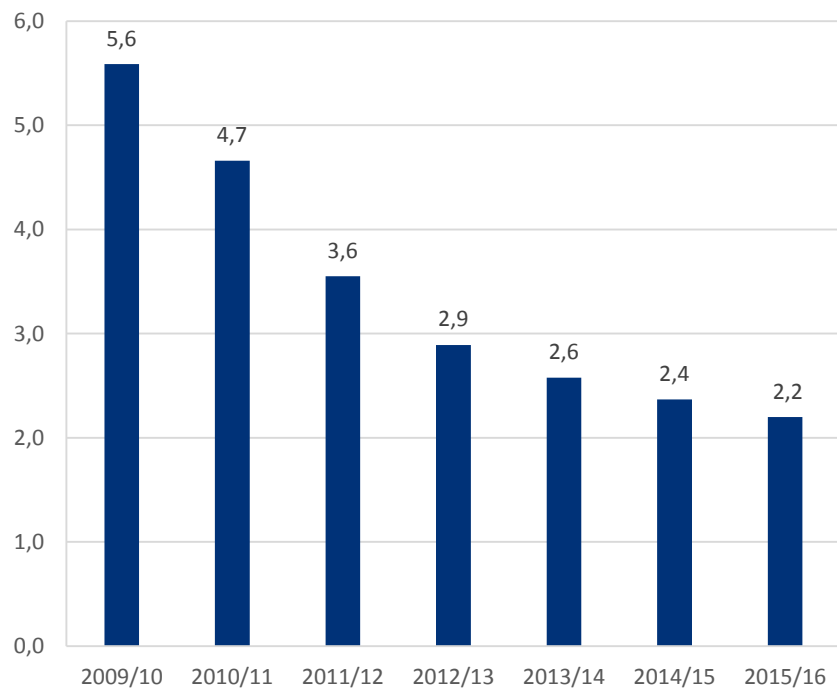
DKK millions	2015/16 Q4	2015/16 Q3	2015/16 Q2	2015/16 Q1	2014/15 Q4	2014/15 Q3	2014/15 Q2	2014/15 Q1
Change in inventories	35	1	7	-43	106	9	-53	-117
Change in receivables	-1	-3	4	-2	-3	4	3	25
Change in trade and other payables	-14	128	-106	90	-127	72	-92	131
- trade payables	52	26	-54	60	-53	-33	-92	148
- other payables	-67	102	-53	30	-73	104	0	-17
<b>Total change in net working capital</b>	<b>19</b>	<b>125</b>	<b>-95</b>	<b>45</b>	<b>-24</b>	<b>85</b>	<b>-142</b>	<b>39</b>

## Q4/FY 2015/16 Cash Flow Development

- Cash flow from operations was DKK 92m in Q4 compared to DKK 69m in Q4 2014/15
- Full year cash flow from operations of DKK 567m
- Free cash flow in Q4 of DKK 63m compared to DKK 56m last year
- Full year free cash flow of DKK 497m – significantly better than last year

	2015/16	2015/16	2015/16	2015/16	2015/16	2014/15	2014/15
(DKK million)	Full year	Q4	Q3	Q2	Q1	Full year	Q4
<b>Cash generated from operations</b>	<b>749</b>	<b>136</b>	<b>370</b>	<b>44</b>	<b>200</b>	<b>621</b>	<b>111</b>
Paid interest and taxes	-182	-44	-118	-11	-10	-198	-42
<b>Cash flow from operating activities</b>	<b>567</b>	<b>92</b>	<b>252</b>	<b>34</b>	<b>189</b>	<b>422</b>	<b>69</b>
Acquisition of PPE and intangibles	-70	-29	-14	-15	-12	-51	-11
Acquisition of subsidiaries and activities	0	0	0	0	0	-11	-2
<b>Free cash flow</b>	<b>497</b>	<b>63</b>	<b>238</b>	<b>19</b>	<b>178</b>	<b>360</b>	<b>56</b>
Cash flow from financing activities	-468	-209	-121	-110	-28	-459	-351
Net cash flow from operating, inv. and fin. activities	28	-147	117	-91	150	-98	-295

# Capital Structure and Cash Return Policy



Target	
<b>Capital Structure</b>	
Gross debt level	DKK 1,600 - 1,800m
<b>Dividend and share buy-back</b>	
Dividend pay-out ratio	At least 60% of Adjusted net profit
Share buyback	Distribution of excess cash through share buybacks

# Competitive landscape

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- Matas continues to monitor the competitive situation – including parallel importers.
- Matas has analysed sales data from Matas stores nearby one of this particular parallel importer's stores. These stores' performance seems to be:
  - Very inconclusive - and varying significantly across the stores
  - Impacted by many other factors that are of much larger importance
  - If anything slightly below comparable shops – but not by much
- The major impact of the parallel importer appears to be:
  - To have intensified the already fierce price competition in certain areas mass beauty
  - To have expanded the overall market
  - Supermarkets losing share in personal care

# Key strategy pillars - I

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- Club Matas 3.0.
  - Relunched in May 2016. Focus on personalised advantages to increase relevance and buying frequency for members
  - "Stripes" awarded for DKK 200 purchase. Six stripes = personalised advantage
  - ...and much more
- Shop network
  - Bruun's Galleri (Aarhus) and Fields (near Copenhagen) successfully launched, Evaluating learnings and refining setup before rolling out to 30-40 largest stores.
  - Facelift of other stores
  - Potentially acquiring some of the remaining associated stores
- Matas Web shop
  - Broader and deeper product range
  - New products, brands and categories

## Key strategy pillars - II

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- Product range Management
  - Sharper focus on adapting product range and presentation by store, based more closely on customer needs and wishes
- Increased price and campaign efficiency
  - Sharper campaigns based on analysis
  - Fewer broad campaigns and more targeted offers toward individual customer
- Efficient capital allocation
  - Payout of excess capital to investors
    - Stable dividend of 60% of adjusted profit
    - Share buy back



## 2016/17 Guidance

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	Guidance 2016/17	Realised 2015/16
<b>Revenue</b>		
Like-for-like growth assumption	"between 1-3%"	0.3%
<b>Earnings</b>		
EBITA margin	"slightly below 17.0%"	17.2%

# Questions?



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