Renewing Matas

Q2 2020/21 Update

Conference call November 5, 2020

matas

Agenda for the conference call

Results Q2 2020/21

1. CEO comments on Matas' current situation
2. Financial results for Q2 2020/21
3. Outlook for 2020/21: NEW guidance for 2020/21 – long term ambitions unchanged

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CEO comment: Strong financial results and guidance upgrade

Q2 2020/21 results

Exceptionally strong results for Q2 2020/21 – continuing into Q3
- ✓ Topline growth at 13.4%
- ✓ Underlying growth (LFL) at 13.6%
- ✓ EBITDA up 28.1% with margin before special items 19.3% (after IFRS 16) – reflecting positive scale effects

Our business model continues to prove resilient and flexible
- ✓ Stores showing positive LFL growth (3.8%) due to staycation and local shopping
- ✓ Online sales continue to boom - with further proof of online profitability
- ✓ Sales up across all categories
- ✓ Inventories down to 24.3% of sales (25.4%) despite supply chain volatility

2H outlook: Second wave with increased risks balanced by continued upside potential
- ✓ Short term downside to physical stores due to mask requirement, but short term upside in online sales
- ✓ Medium term upside due to eased competition, consumer spending, and demand for health products
- ✓ Long term advantages unlocked by current momentum and short term gains

Financial targets and ambitions
- ✓ 2020/21 guidance: Growth and EBITDA margin raised
- ✓ 2022/23 financial ambitions intact, but increased macro risks

A clear comeback for the physical stores

Supported by omnichannel initiatives

3,8 % LFL growth
in physical stores
driven by basket size and traffic

Main street and local shops growing, city and malls flat

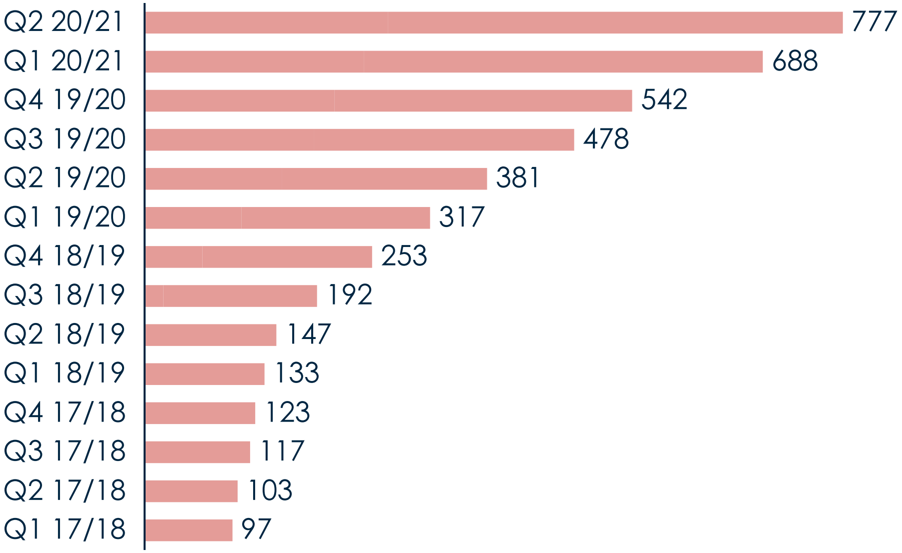
Staycation and increased demand for health products and advice

New segments shopping in-store

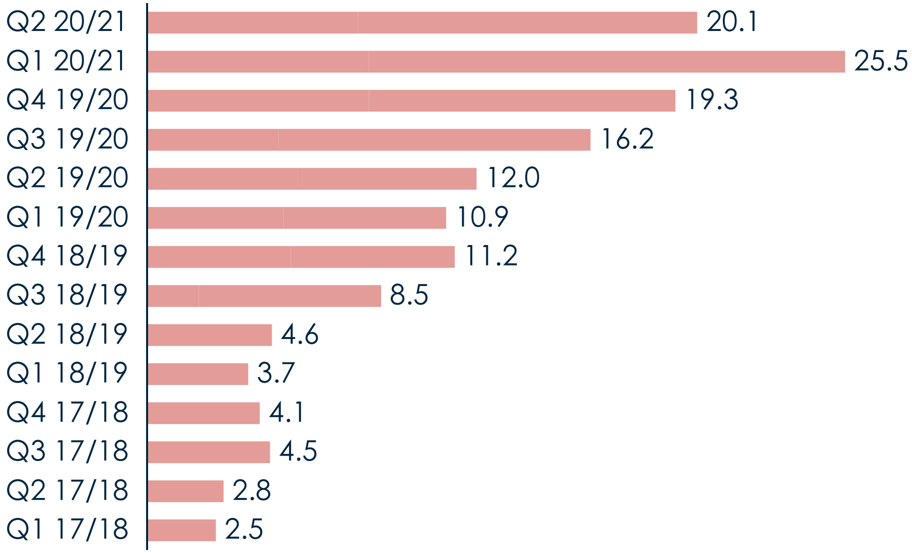
Omni-initiatives: 1:1 Video-chat and LIVE streaming from stores

Online growth boom continues

LTM online turnover* (DKK m)



Quarterly online share of turnover* (%)



Growth on matas.dk

- Q2 2020/21: 115% (QoQ)
- 2019/20: 76% (YoY)
- 2018/19: 54% (YoY)

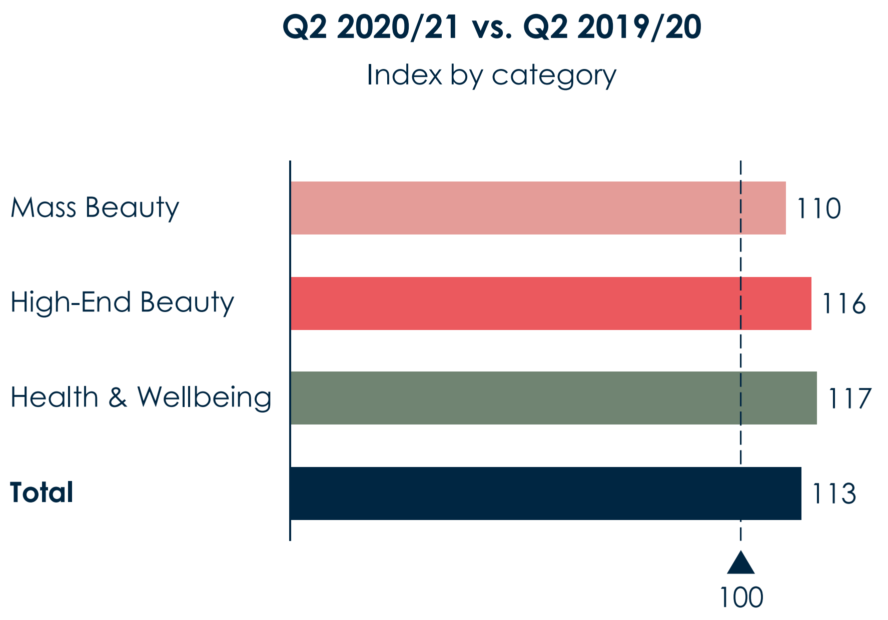
Customer development Q2 2020/21

✓ 210.000 customers shopping at matas.dk
✓ 40.000 first-time customers, especially young demographic
✓ All-time high customer satisfaction end Q2

* Includes revenue from Firtal from 13 November 2018, including revenue from Din Frisør Shop from 10 October 2019, and revenue from Kosmolet A/S from 11 June 2019.

All categories are growing

Category mix is back to normal

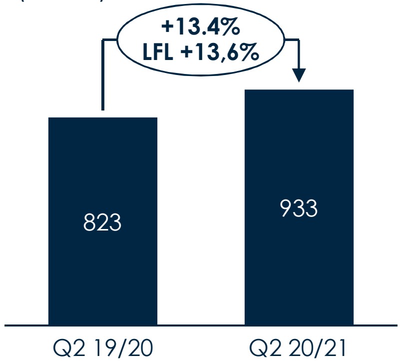


In Q2 2020/21 sales of Face Masks alone were close to DKK 20 million (at very low margins)

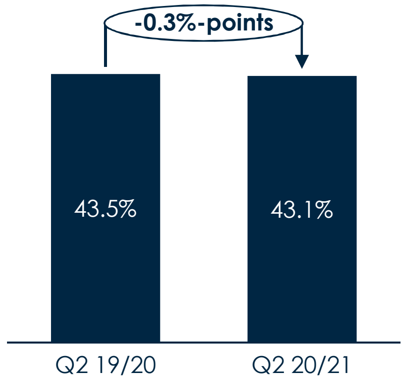
Key financials Q2 2020/21

Financial results: Q2 2020/21 vs. Q2 2019/20

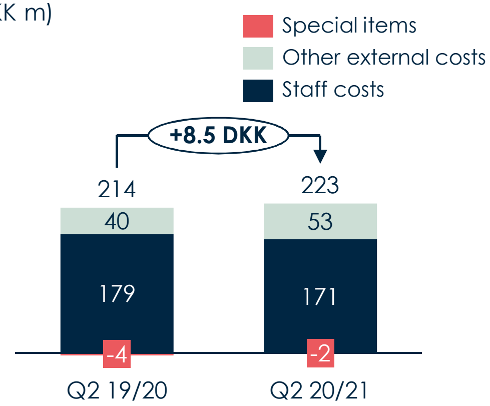
Revenue
(DKK m)



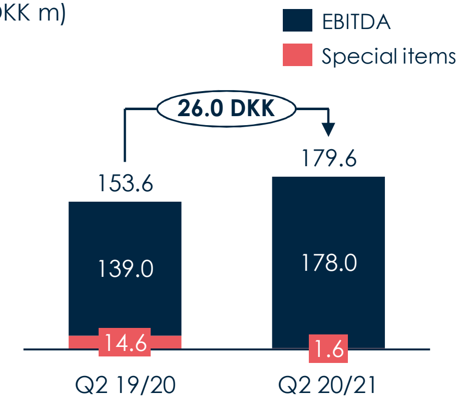
Gross margin
(%)



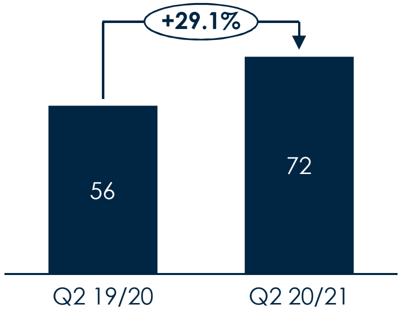
Cost
(DKK m)



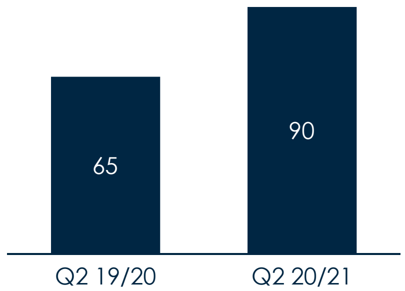
EBITDA before special items
(DKK m)



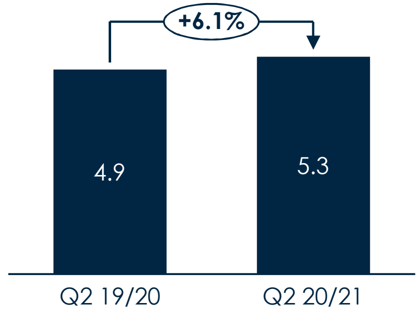
Adj. net profit
(DKK m)



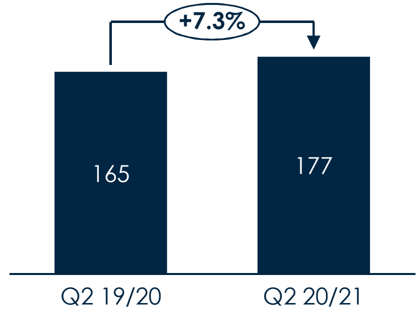
Free cash flow
(DKK m)



Transactions
(# m)

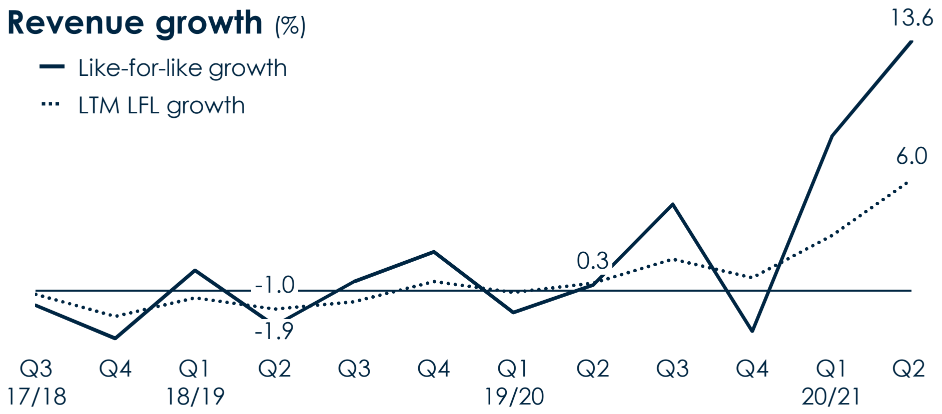


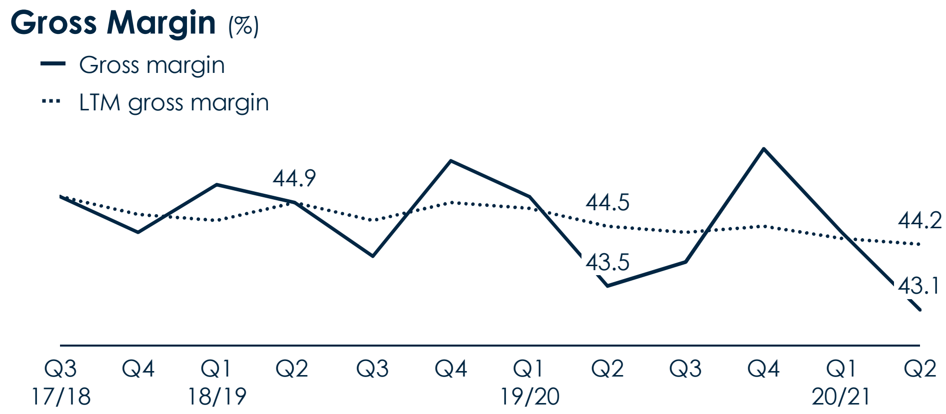
Basket size
(DKK)

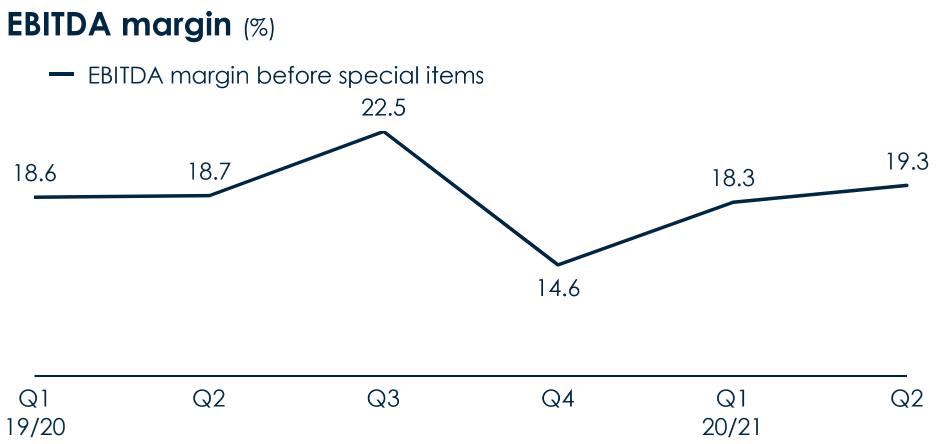


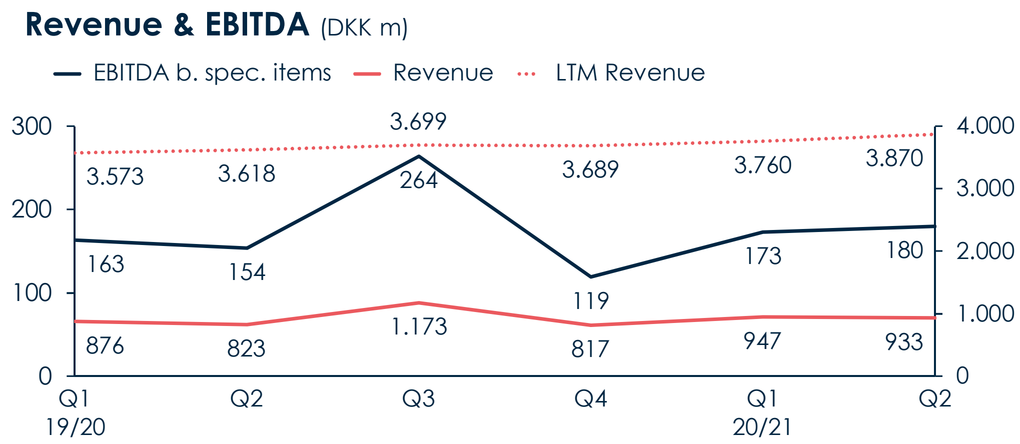
Long term trends: Revenue, Gross Margin and EBITDA

Financial results









Cost development: Total cost ratio down

Cost development: Q2 2020/21 vs. Q2 2019/20

In Q2 2020/21, total operating costs (ex one-offs) were up DKK 8.5 m from Q2 2019/20

Total cost ratio, however, was **down to 24.0%** from 26.3% (ex one-offs) in Q2 2019/20

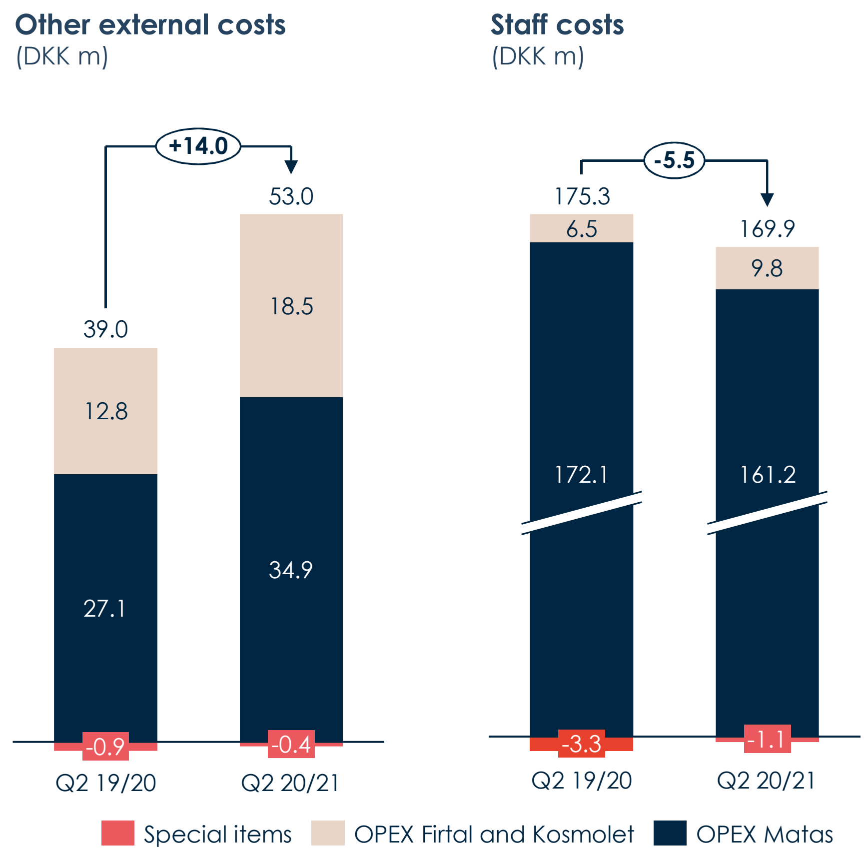
Cost drivers Q2

↑ DKK 8 m in added cost from Firtal driven by continued brisk sales growth

↑ Other external costs from matas.dk DKK 8 m higher as a result of strong sales growth

↑ DKK 3 m in added cost related to COVID-19

↓ Permanent net reductions in remaining underlying cost base of approx. DKK 10 m compared to Q2 2019/20 from cost efficiency actions within store operations as well as HQ process optimisation



Cash flow, working capital and trade payables

Financial results: Q2 2019/20 vs. Q2 2020/21

Cash flow and working capital developments

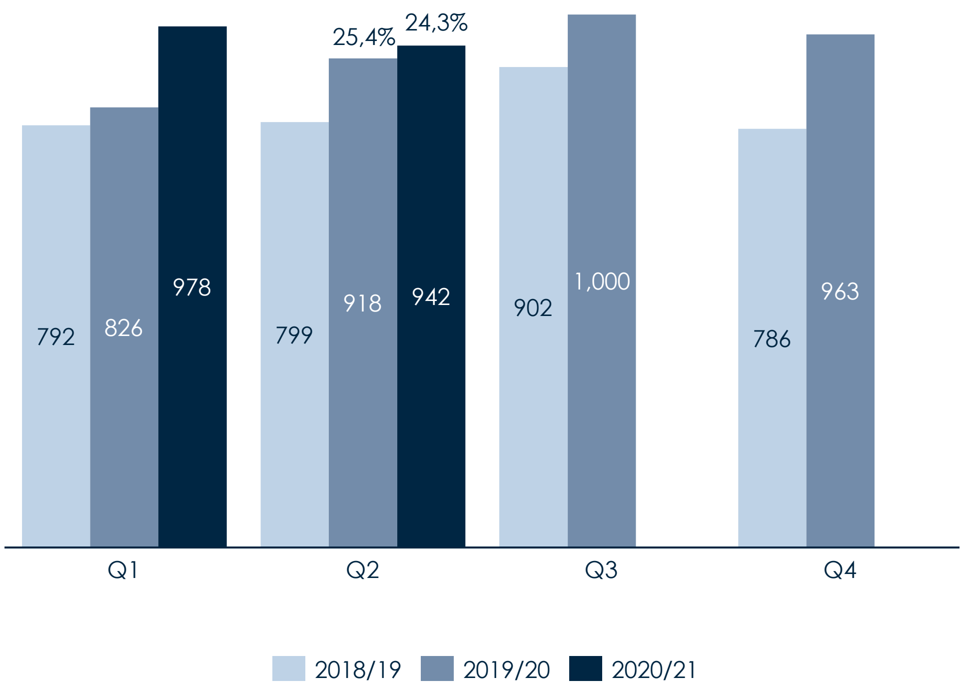
- Cash generated from operations was an inflow of DKK 119.2 million in Q2 2020/21 against an inflow of DKK 109.0 million in Q2 2019/20, a rise of DKK 10.2 million
- Negative development in working capital in Q2 Y/Y primarily due to a worse development in trade payables not fully compensated by a better development in inventories
- Capex fell by DKK 9.7 million due to less investments in the retail network compared to Q2 last year

DKK million	Q2 2020/21	Q2 2019/20	Change QoQ
Cash from operations before changes to working capital	**178.7**	**141.1**	**37.6**
Changes to working capital	-59.5	-32.1	-27.4
Cash from operations*	**119.2**	**109.0**	**10.2**
Paid taxes	0.0	0.0	0.0
Cash flow from operating act.	**119.2**	**109.0**	**10.2**
CAPEX	-29.4	-39.1	9.7
Acquisition and other investments	0.0	-5.4	5.4
Cash flow from investing act.	**-29.4**	**-44.5**	**15.1**
Free cash flow	**89.8**	**64.5**	**25.3**

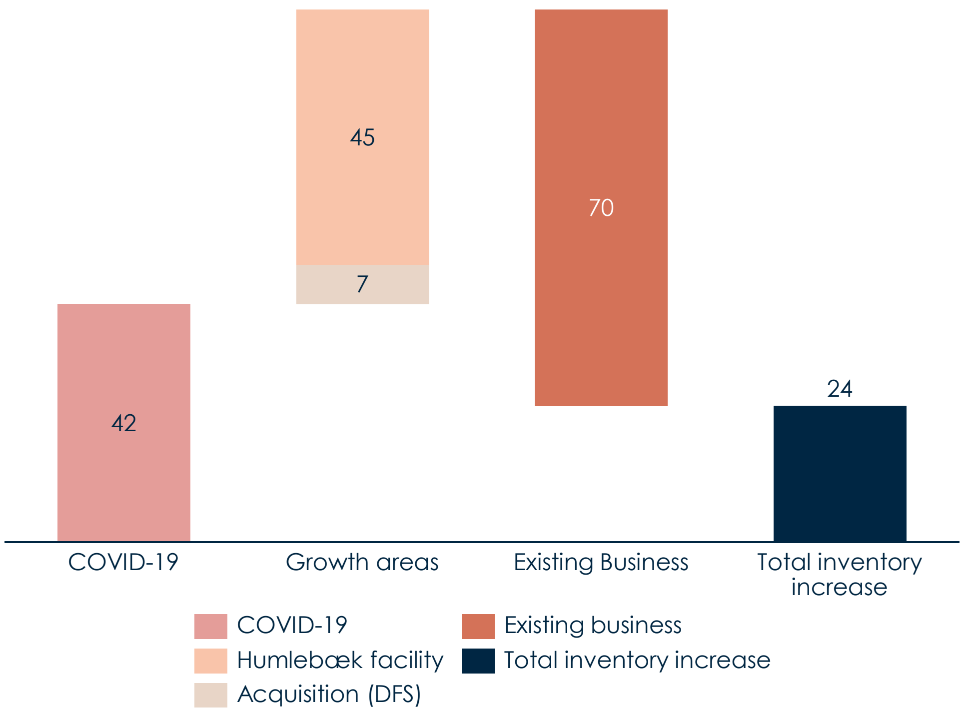
Inventories: Increase from online logistics, acquisition and COVID-19. Decrease in remaining underlying inventory (existing business)

Financial results: Q2 2020/21 vs. Q2 2019/20

Inventories per quarter
(DKK m)



Inventories, Q2 2020/21, change from Q2 2019/20
(DKK m)



Renewing Matas: Clear strategic progress and results of phase 1

Key results for Q2 2020/21

1 **Live our purpose** Beauty & Wellbeing for Life	✓ Improved brand ranking, particularly young shoppers ✓ 12% increase in matas.dk satisfaction
2 **Win online** From top 3 to undisputed market leader	✓ Online share of revenue 20.1% ✓ 115% growth on matas.dk since Q2 2019/20
3 **Consolidate & refresh stores** Adapt the network & shopping experience	✓ Store footprint at 264 – all profitable ✓ 70 store upgraded since 2016/17 ✓ 33% of turnover from upgraded stores
4 **New growth** Build the next destination categories	✓ 33% growth in Health & Wellbeing since Q2 2017/18 ✓ Added digital verticals ✓ Added #1 Danish make-up to own brand portfolio
5 **Change how we work** Enabling and funding the transformation	✓ DKK ~10 m cost savings reinvested in digital growth ✓ Logistics/warehouse investment under review

Turning short term gain into long term advantage

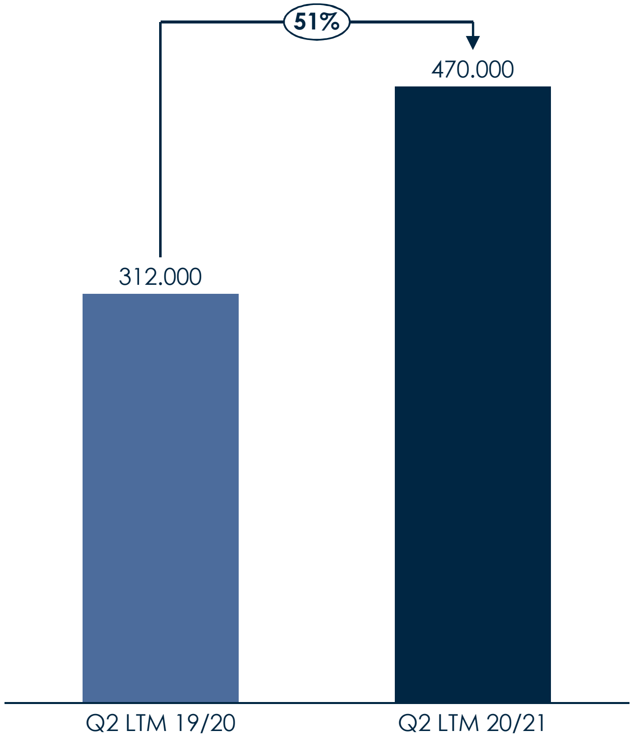
Not just one-off benefits: We see transactions as a starting point for relationships (Customer Lifetime Value)

Short term gains	Long term advantages
✓ Consumer spending and market share gains	➢ Market position and brand strength
✓ 120% online growth in 1H	➢ Online profitability step-change
✓ +100.000 new matas.dk customers in 1H	➢ Repeat purchases from online-/omni-cohorts
✓ Rediscovery of physical stores	➢ New members and customer win-back
✓ Growth in health & wellbeing sales	➢ Matas more top-of-mind as health destination

51% growth in omni-channel customers LTM

New matas.dk customers …. With all time high customer satisfaction

LTM omni-channel customers



From customer acquisition to customer loyalty

	First-time matas.dk customers in Q1	*Second purchase In Q2*	*NPS*
20/21	60.000	33%	67
19/20	35.000	21%	55

Outlook: Tangible risks, but also new opportunities

COVID-19 effects: So far a net positive for Matas

Risks

Physical stores
Lower footfall to physical stores due to mandatory masks

Online competition
Better positioned and prepared than before

Second wave pandemic
First wave: Resilience and fast recovery
Infection rates raise operating risk

Recession?
Domestic consumer spending up
Stimulus packages expectation

Opportunities

Staying (close to) home
Clear advantage (store network)
Eased competition (travel retail)

Online growth
Extending our lead/winning share

Health & Personal Care
Matas as health destination

Customer Relationships
Rediscovering Matas

Amazon in the Nordics: How Matas stacks up

Assets	KPI trend	Key facts
Matas' brand		• #2 strongest brand overall in DK, #1 in Health & Beauty (YouGov) • Brand Asset Valuator score of 99 (out of 100) • Significant improvement in corporate image during COVID-19
Club Matas		• 1.6 m members of which 1.5 m are active • 68% of Danish women between age 18 and 65
Omni-channel		• 470.000 omnichannel customers (spends 2x offline customers) • Local stores with trained staff, connected retail and high NPS
Own digital channel		• #1 within Health & Beauty segment • Customer satisfaction for matas.dk at record highs • Fast delivery: Same day/next day
Portfolio: Price fighter channels		• Firtal Group has a low cost operating model with 20 verticals
Own media & content		• Monthly reach of 1,7 m persons across channels • Significant growth in own digital media portfolio and reach
House brands		• 16.5% of turnover from House Brands, incl. private label • ~40% private label share in Mass Beauty
Selective distribution/Authorized Dealer		• 33% of turnover from High End Beauty with selective distribution • Access to exclusives, news, content and marketing support
Commercial model: Dynamic pricing		• High campaign share limits competitive exposure • Every Day Low Price on key value items

Financial targets and ambitions

Higher financial targets for 2020/21 and unchanged financial ambitions towards 2022/23

Financial targets for 2020/21

- Total revenue growth at around 8% from FY 2019/20 (up from around 6%)
- Underlying revenue growth (like-for-like) at around 8% (up from around 6%)
- EBITDA margin before special items above 18% (after IFRS 16) (up from around 18%)
- CAPEX between DKK 120 and 140 m

Financial ambitions towards 2022/23

- Turnover around DKK 4 bn
- EBITDA margin before special items above 18% after IFRS 16
- Annual CAPEX between DKK 80 and 120 m
- Gearing between 2.5 and 3 (lower gearing than pre-IFRS 16)

The above targets are subject to higher-than-usual uncertainty and do not factor in the effects of a potential aggravation of the current second wave of COVID-19 or a dramatic change in consumer behaviour in the wake of, for example, a recession in the second half of the financial year.


Q&A