



# matas



Matas | Q1 2016/17 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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- Healthy growth in Q1 (LFL = +2.9%) – and with strong gross profit (GM=47.3%), but..
  - Early Easter impacted Q1 positively (more trading days)
  - Better sun product sales in Q1
  - Certain cost items lowered EBITA margin in Q1
- Increasing competition, but confined to parts of the mass beauty area.
- Strategy update
  - Customer centricity
  - Digital leadership
- LOI on partnership with Estée Lauder on M·A·C shop-in-shops at StyleBox and Matas
- First shop-in-shop pharmacy in Sønderborg to open in H2 calendar 2016
- Acquisition of four associated stores
- New share buyback of DKK 150m

## Financial Highlights Q1 2016/17

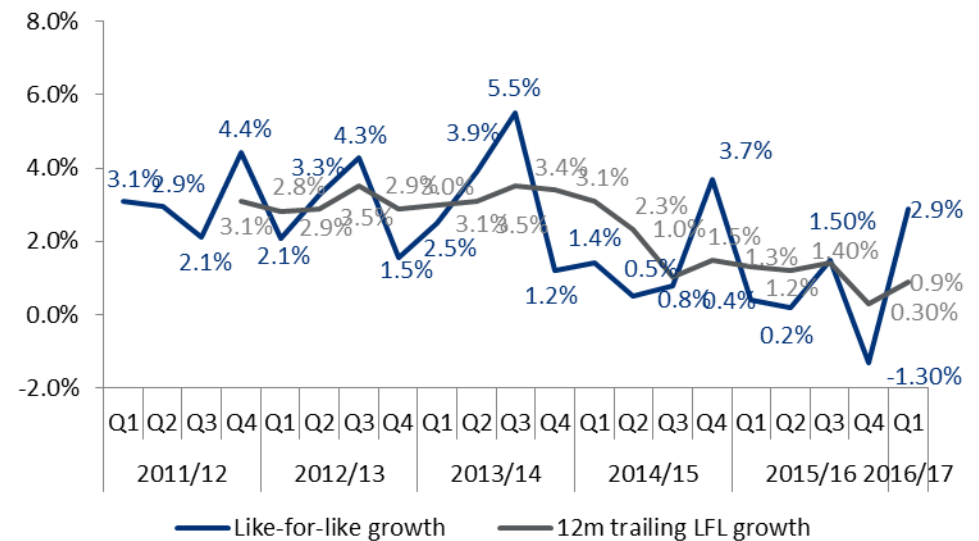
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- Total revenue growth of 2.6% in Q1 with like-for-like growth of 2.9%
- Gross profit improved to DKK 401m in Q1 vs. DKK 386m in Q1 last year
- EBITA margin 16.1% vs. 16.7% in Q1 2015/16
- Adjusted net profit DKK 99m vs. DKK 101m in Q1 2015/16
- Cash flow from operating activities of DKK 77m in Q1 compared to DKK 189m in the same period the year before
- Free cash flow of DKK 26m after total investments of DKK 52m – incl. acquisition of four associated stores
- Gross debt of DKK 1,534m and net debt of 2.2x LTM EBITDA
- Dividend of DKK 6.30/share approved at AGM

# Growth in Q1 2016/17 was healthy, but helped by one-offs

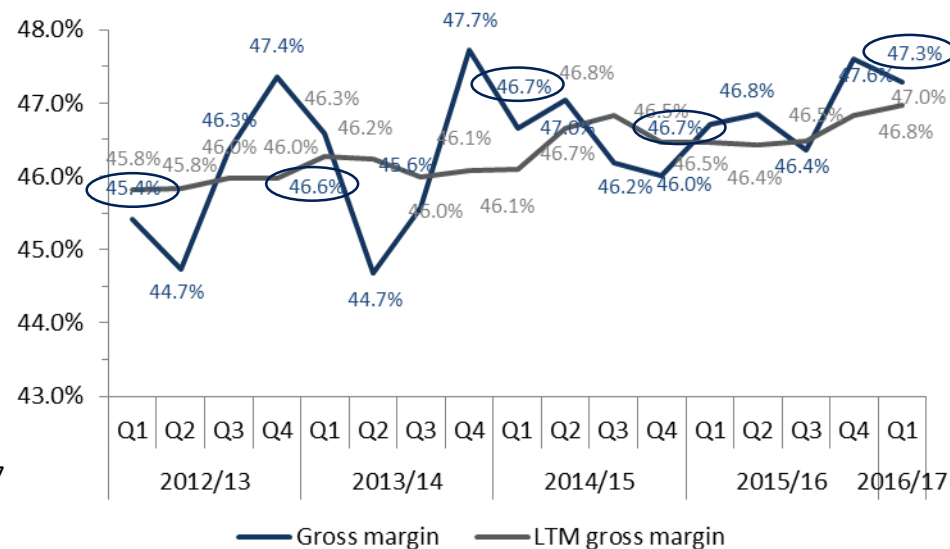
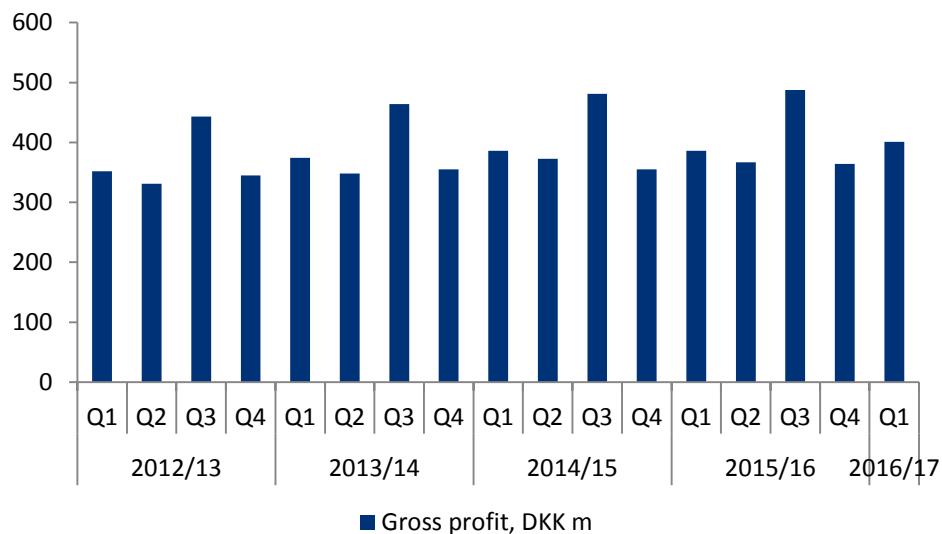
- Total revenue growth of 2.6% in Q1
- 3.2% increase in revenue from own retail with like-for-like growth of 2.9%
- Beauty sales up 2.8%, High end growing stronger than Mass beauty
- Vital business continues strong growth, 9.6% growth.
- Online sales growth remaining very strong

DKK million	2016/17 Q1	2015/16 Q1	Growth
Beauty	606	589	2.8%
Vital	92	84	9.6%
Material	74	74	0.6%
MediCare	47	46	2.1%
Other including Sweden	5	6	-17.2%
<b>Total revenue from own retail stores</b>	<b>825</b>	<b>800</b>	<b>3.2%</b>
Sales of goods to associated stores etc.	23	27	-13.2%
<b>Total revenue</b>	<b>848</b>	<b>827</b>	<b>2.6%</b>



## Gross Margin improved in Q1 2016/17

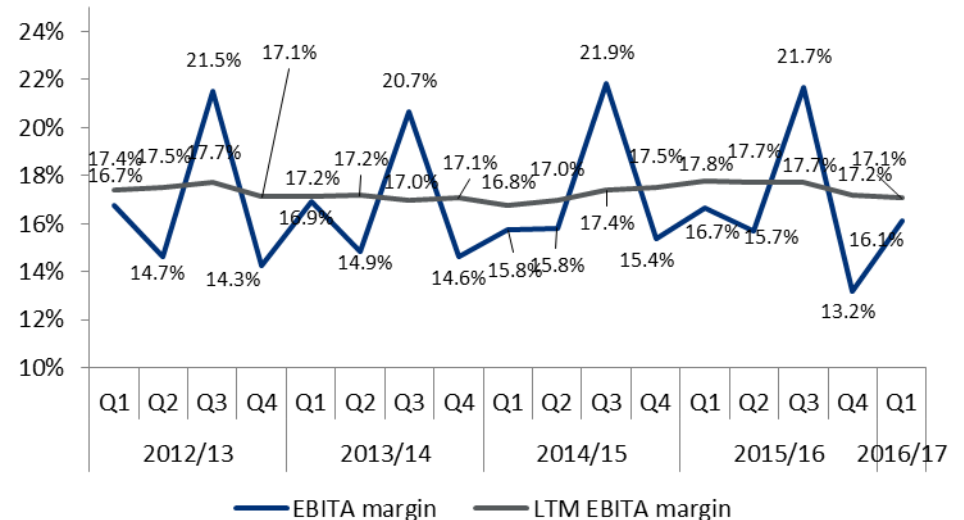
- Gross profit of DKK 401m increased by DKK 15m vs. q1 last year with higher sales and an improved margin
- Gross margin was 47.3% vs. 46.7% same quarter last year.
  - Higher purchasing volume bonuses, inclusion of retail margin from acquired stores and marginally higher Club M income all improved gross margin.
- 12m trailing gross margin increased to 47.0% from 46.8% at the end of Q4.



# EBITA Margin down in Q1 2016/17

- EBITA margin down to 16.1% (16.7%)
- Other external costs increased to 9.1% of sales in Q1 compared to 8.4% last year
  - Net marketing costs were up in the quarter, incl. DKK 4m launch cost for Club Matas 3.0
- Staff cost increased to 20.2% of sales from 19.9% last year
  - Central staff costs in connection with execution of new strategic initiatives.
  - Wage increases and increased number of employees in the stores, including the acquired stores.

	2016/17	2015/16	
DKK million	Q1	Q1	Chg.
Other external costs	78	69	12.0%
As a percentage of revenue	9.1%	8.4%	
Staff costs	171	164	4.0%
As a percentage of revenue	20.2%	19.9%	

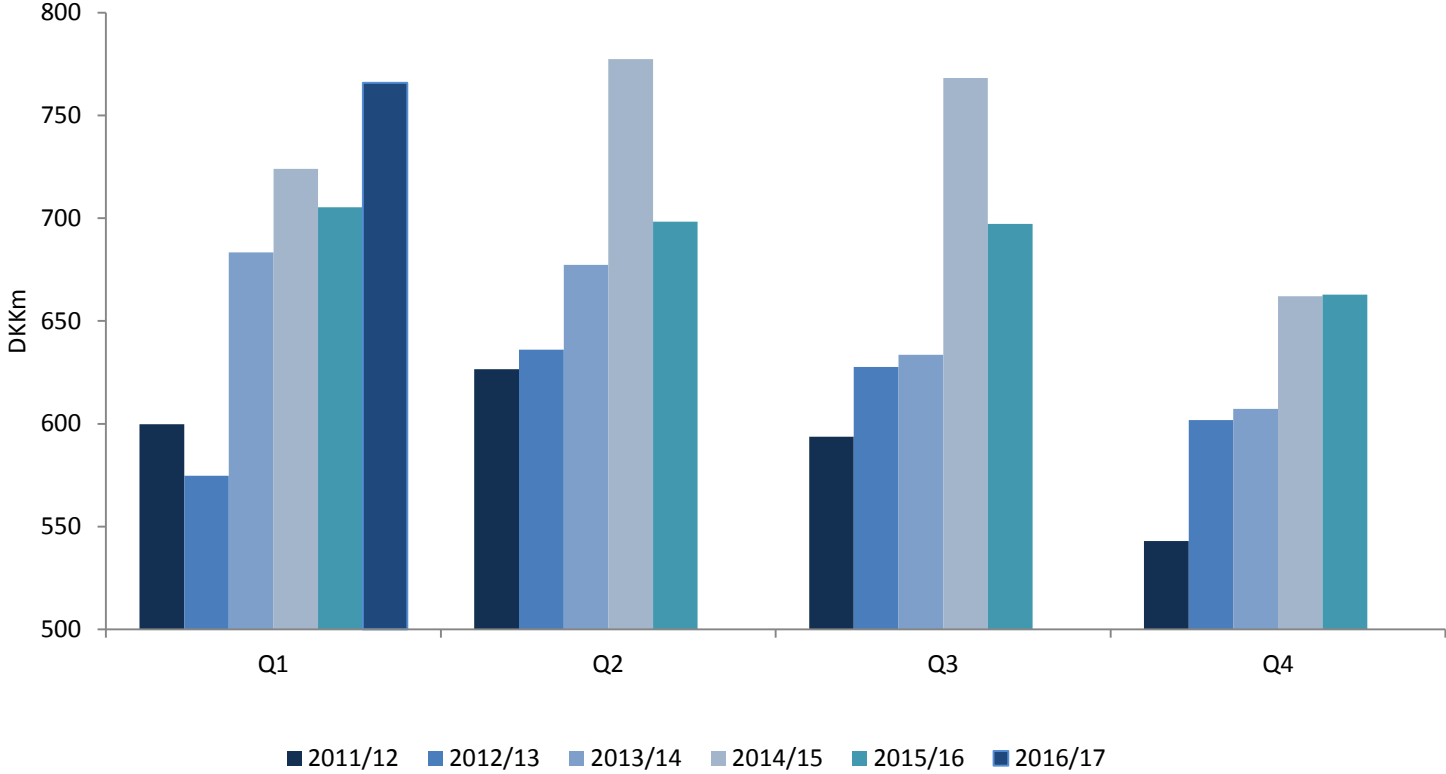


## Income Statement – Q1 2016/17

DKK million	2016/17 Q1	2015/16 Q1	Change
<b>Revenue</b>	<b>848</b>	<b>827</b>	<b>3%</b>
<b>Gross profit</b>	<b>401</b>	<b>386</b>	<b>4%</b>
Gross margin	47.3%	46.7%	
Other external costs	-78	-69	12%
Staff costs	-171	-164	4%
<b>EBITDA</b>	<b>153</b>	<b>152</b>	<b>0%</b>
Amortisation and depreciation	-35	-34	3%
<b>Operating profit</b>	<b>118</b>	<b>119</b>	<b>-1%</b>
Net financials	-10	-6	70%
Profit before tax	108	113	-4%
Tax on profit for the period	-24	-27	-11%
<b>Profit for the period</b>	<b>85</b>	<b>86</b>	<b>-2%</b>
<b>Diluted Earnings per share, DKK</b>	<b>2.15</b>	<b>2.15</b>	<b>0%</b>
<b>EBITA</b>	<b>137</b>	<b>138</b>	<b>-1%</b>
<b>EBITA margin</b>	<b>16.1%</b>	<b>16.7%</b>	<b>-</b>
<b>Tax rate</b>	<b>22.0%</b>	<b>23.6%</b>	<b>nm</b>
<b>Adjusted profit after tax</b>	<b>99</b>	<b>101</b>	<b>-1%</b>



# Development in Inventories



## Working Capital Development in Q1 2016/17

- DKK 67m in cash outflow from changes in net working capital
- Inventories increased by DKK 103m in quarter
  - Seasonal effect – build up of summer products
  - Decision to avoid stock-outs
  - Acquired inventory from associated shops of about DKK 13m
- Increase in payables of DKK 35m – related to increased inventories.

DKK millions	2016/17 Q1	2015/16 Q4	2015/16 Q3	2015/16 Q2	2015/16 Q1
Change in inventories	-103	35	1	7	-43
Change in receivables	2	-1	-3	4	-2
Change in trade and other payables	35	-14	128	-106	90
- trade payables	41	52	26	-54	60
- other payables	-5	67	102	-53	30
<b>Total change in net working capital</b>	<b>-67</b>	<b>19</b>	<b>125</b>	<b>-95</b>	<b>45</b>

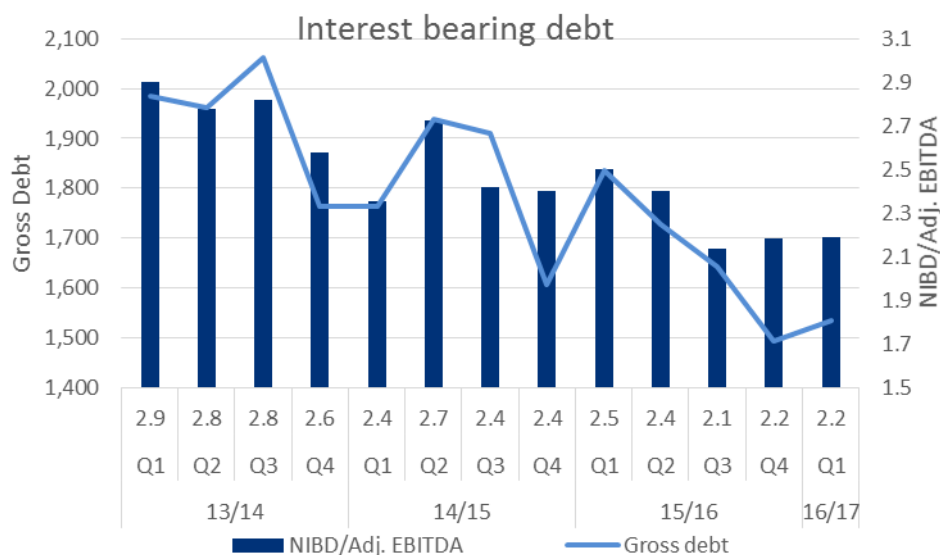
## Q1 2016/17 Cash Flow Development

- Cash flow from operating activities was DKK 77m in Q1 compared to DKK 189m in Q1 2015/16
- Investments of DKK 52m in Q1 2016/17 – including acquisition of four associated stores.
- Free cash flow in Q1 of DKK 26m compared to DKK 178m last year

(DKK million)	2016/17 Q1	2015/16 Q4	2015/16 Q3	2015/16 Q2	2015/16 Q1
<b>Cash generated from operations</b>	<b>87</b>	<b>136</b>	<b>370</b>	<b>44</b>	<b>200</b>
Paid interest and taxes	-9	-44	-118	-11	-10
<b>Cash flow from operating activities</b>	<b>77</b>	<b>92</b>	<b>252</b>	<b>34</b>	<b>189</b>
Acquisition of PPE and intangibles	-18	-29	-14	-15	-12
Acquisition of subsidiaries and activities	-34	0	0	0	0
<b>Free cash flow</b>	<b>26</b>	<b>63</b>	<b>238</b>	<b>19</b>	<b>178</b>
Cash flow from financing activities	11	-209	-121	-110	-28
Net cash flow from operating, inv. and fin. activities	36	-147	117	-91	150

# Capital Structure and Cash Return Policy

- Gross debt of DKK 1.534 bn on 30 June 2016 – below target range of DKK 1.6-1.8 bn.
- Dividend paid in (early) Q2 brings gross debt within range



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

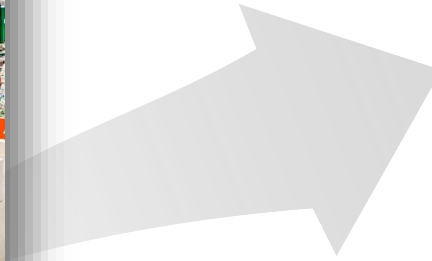
## Competitive landscape

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- Matas continues monitoring the competitive situation when a new entrant opens near a Matas Store – including parallel importers
- Matas has analysed sales data from Matas stores situated close to a Normal store. The outcome of the analysis remains:
  - Very inconclusive - and varying significantly across the stores
  - Impacted by many other factors that are of much larger importance
  - An initial impact on individual stores of low single digit percent compared to chain average, with the effect fading away over the first year
- The major impact of the parallel importer appears to be:
  - Intensifying the already fierce price competition in certain areas mass beauty
  - Expanding the overall market
  - Declining personal care market share for supermarkets

## Strategy: We aim to further strengthen our leading position

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### Matas today

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- DKK 3.4 bn in turnover, with strong profitability
- Clear leader in offline beauty market, clearly weaker position online

### 2020 ambition

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- Over DKK 4 bn, with continued strong profitability
- Leader in both online & offline market
- ***The*** destination for beauty & wellbeing

# Two key focus areas to deliver on strategy

## Customer centricity

Putting the customer in the center in everything we do, through three initiatives

- 1 Customer centric offering
- 2 World class store experience
- 3 Effective pricing & promotions

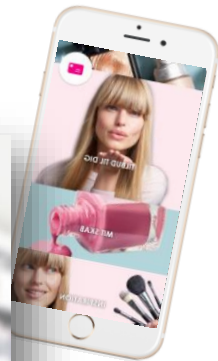


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## Digital leadership

Taking Matas' digital presence to the next level and ensuring the best customer experience, through two initiatives

- 4 Omni channel leadership
- 5 Full value of Club Matas



# Customer centricity - 3 key strategic initiatives





# Digital leadership - 2 key strategic initiatives

## 4 Omni channel leadership

Stores and online working together to drive sales for Matas

- Not relevant 'where' sales take place – we work as one Matas

Matas to take full ownership of the customer journey – engage and influence customers before they enter the store



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## 5 Full value of Club Matas

Develop club benefits & provide value to the customers beyond points

- Club Matas 3.0 as first step to individualise the rewards

Increase focus on brand building & engagement

We will make even better use of insights from our club members

Focus on fewer, but more strategic partners for ClubM



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Online market leadership



## M·A·C shop-in-shops

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- Matas has entered into a Letter of Intent with Estée Lauder regarding the roll-out of a number of M·A·C shop-in-shops in the five StyleBox stores, and in certain Matas stores.
- First shop-in-shops expected to open in H2 of calendar 2016
- Final details are yet to be completed



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StyleBox  
By Matas

## 2016/17 Guidance

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	Guidance 2016/17 Issued 27 May 2016, confirmed 16 August 2016	Realised 2015/16
<b>Revenue</b>		
Like-for-like growth assumption	"1-3%"	0.3%
<b>Earnings</b>		
EBITA margin	"slightly below 17%"	17.2%
<b>Investments</b>		
Capex	"around DKK 90-100 mill".*	DKK 70 mill.

\*Excluding acquisition of stores