



# matas



Matas | Q2 2014/15 results

# Forward Looking Statements

---

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

---

- No improvement in the Danish retail market in Q2 – and no material improvement expected in the remainder of 2014/15
- Market shares maintained in the most important product categories
- Limited impact from new competition on overall numbers
- The development and implementation of Club Matas initiatives follows the plan
- Integration of the acquired associated stores in 2013/14 is on track
- +30% growth in the online business
- StyleBox shows progress with positive year-on-year growth rates
- The proposed change to the pharmacy legislation is likely to be passed in the parliament within the next couple of months

## Financial Highlights Q2 2014/15

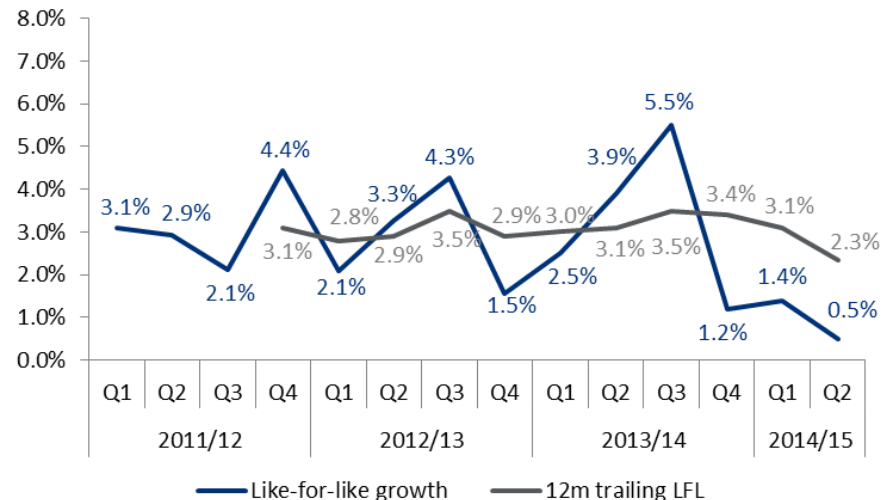
---

- Total revenue growth of 1,7% in Q2 with like-for-like growth of 0.5%
- Extraordinary large product recall reduced like-for-like growth by approx. 1%-point
- EBITA up 8% due to a higher gross margin
- Unchanged Adjusted net profit with higher net financials and taxes offsetting the increase in EBITA
- Disappointing cash flow from operations of DKK -1m in Q2 compared to DKK 96m in the same period the year before due to an adverse net working capital impact
- Free cash flow fell to DKK -34m after total investments of DKK 21m
- NIBD of DKK 1,426m 30 September, corresponding to 2.7x LTM EBITDA before exceptional items

# 0.5% Like-for-Like Growth in Q2 2014/15

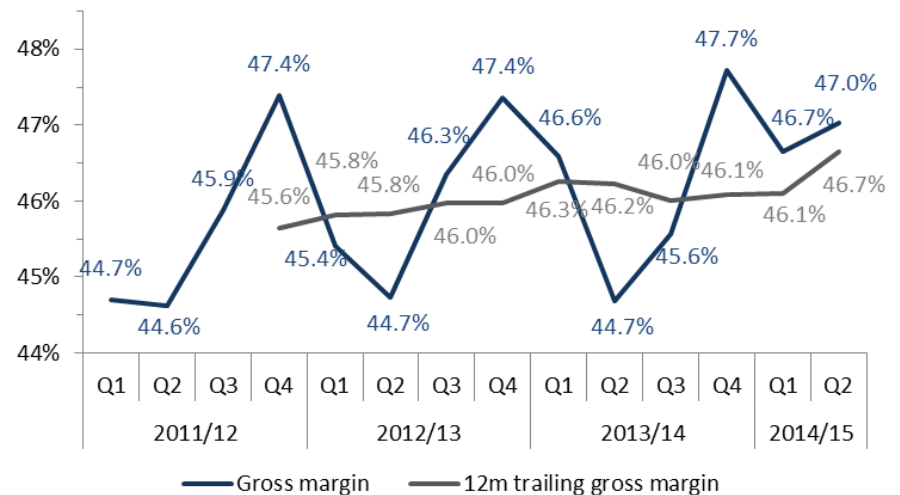
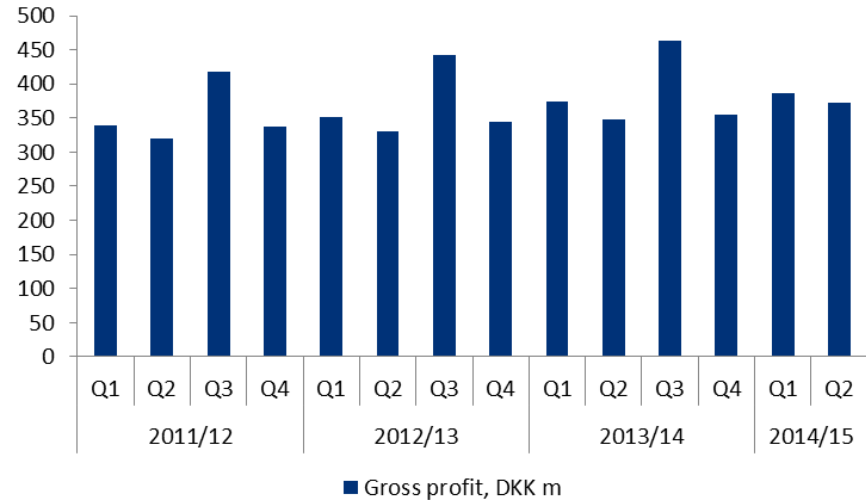
- Total revenue growth of 1.7% in Q2 was below expectations
- 4.6% increase in revenue from own retail with like-for-like growth of 0.5%
- Unusual big product recall had a negative effect on like-for-like growth of 1%-point in Q2
- Online sales up +30% y/y in Q2
- Beauty grew 4.5% negatively affected by the product recall
- Material grew 6.2% of which 2.1% was organic and 4.1% acquisitions
- Vital posted 7.5% growth with an organic increase of 2.9%
- MediCare had an organic increase of 2.0%

DKK million	2014/15 Q2	2013/14 Q2	Growth
Beauty	545	522	4.5%
Vital	83	78	7.5%
Material	75	71	6.2%
MediCare	47	44	5.9%
Other including Sweden	6	9	-30.8%
<b>Total revenue from own retail stores</b>	<b>756</b>	<b>723</b>	<b>4.6%</b>
Sales of goods to associated stores	36	56	-35.5%
<b>Total revenue</b>	<b>793</b>	<b>779</b>	<b>1.7%</b>



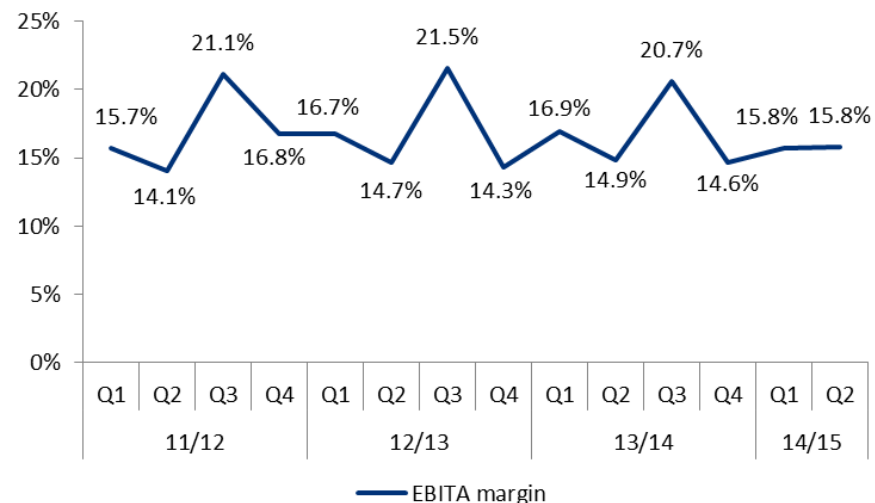
# Strong Gross Margin in Q2 2014/15

- 7% Y/Y increase in gross profit driven by sales growth and gross margin
- Gross margin up to 47.0% (44.7%)
- No impact from the product recall
- H1 gross margin improvement to 46.8% (45.6%) reflects the consolidation of acquired associated stores
- 12m trailing gross margin increased to 46.7%



## EBITA Margin Up in Q2 2014/15

- EBITA margin increase of 0.9 percentage point Y/Y
- Total operating costs are developing according to expectations
- Other external costs increased to 8.9% of sales in Q2 compared to 8.1% last year due higher IT and distribution costs
- Staff cost increased to 20.4% of sales from 19.9% last year due to increased costs at the warehouse and new activities centrally at HQ
  - Staff costs were broadly unchanged in the stores as a percentage of sales
- Smaller cost reduction programme at HQ in Q2
- FY 2014/15 staff costs are expected to be slightly higher than FY 2013/14 as a percentage of sales



DKK million	2014/15 Q2	2013/14 Q2	Chg.
Other external costs	71	63	13%
- of which special items, net	0	0	
Other external costs before special items in percentage of revenue	8.9%	8.1%	
Staff costs	161	155	4%
- of which special items, net	0	0	
Staff costs before special items in percentage of revenue	20.4%	19.9%	

## Income Statement – Q2 2014/15

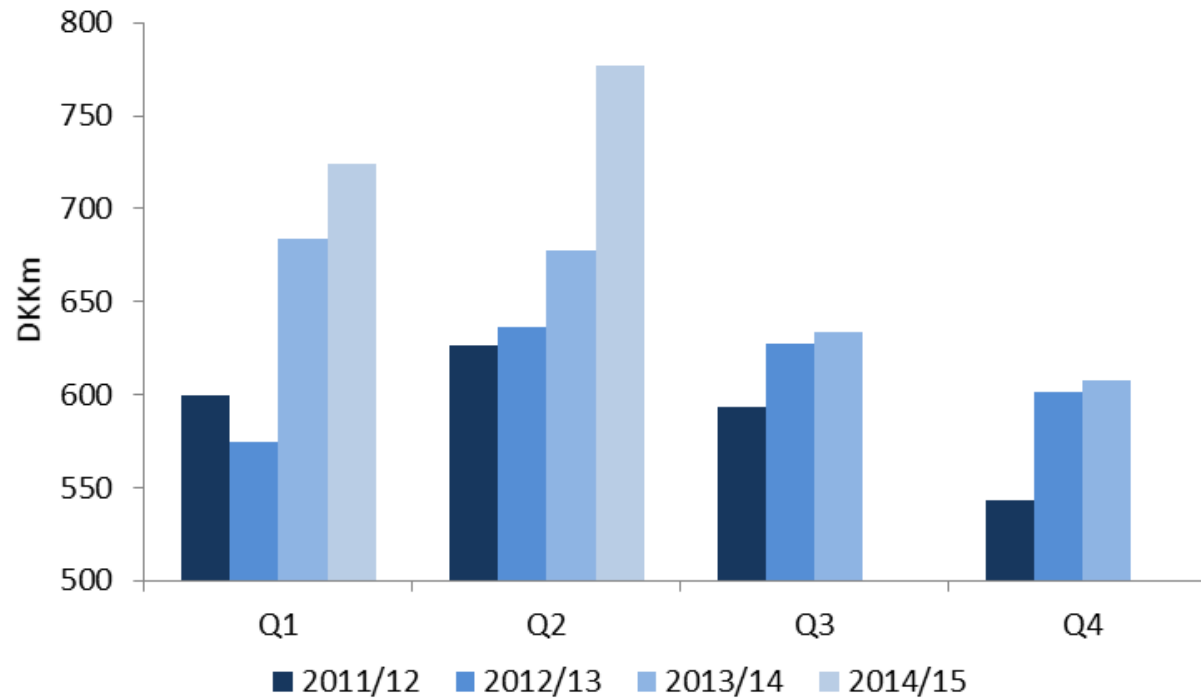
DKK million	2014/15 Q2	2013/14 Q2	Growth
<b>Revenue</b>	<b>793</b>	<b>779</b>	<b>2%</b>
<b>Gross profit</b>	<b>373</b>	<b>348</b>	<b>7%</b>
Gross margin	47.0%	44.7%	
Other external costs	-71	-63	13%
Staff costs	-161	-155	4%
<b>EBITDA</b>	<b>141</b>	<b>130</b>	<b>8%</b>
Amortisation and depreciation	-34	-34	2%
<b>Operating profit</b>	<b>106</b>	<b>97</b>	<b>10%</b>
Net financials	-17	-11	48%
Profit before tax	89	85	5%
Tax on profit for the period	-24	-19	24%
<b>Profit for the period</b>	<b>66</b>	<b>66</b>	<b>-1%</b>
<b>Earnings per share, DKK</b>	<b>1.62</b>	<b>1.63</b>	<b>-1%</b>
Net exceptional items	0	0	-
<b>EBITDA before net exceptional items</b>	<b>141</b>	<b>130</b>	<b>8%</b>
<b>EBITA</b>	<b>125</b>	<b>116</b>	<b>8%</b>
<b>EBITA margin</b>	<b>15.8%</b>	<b>14.9%</b>	<b>-</b>
<b>Adjusted profit after tax</b>	<b>80</b>	<b>81</b>	<b>-1%</b>



# Development in Inventories

---

- Inventories increased by DKK 56m in the quarter due to seasonality and temporary higher inventories
- Focus on finding the right long-term level for the inventories



# Negative Working Capital Development

---

- DKK 142m in cash outflow from changes in net working capital
- Trade payables decreased by DKK 89m
  - Negative effect from the improved payment terms in Q1
  - Shift in payments

DKK millions	2014/15 Q2	2014/15 Q1	2013/14 Q4	2013/14 Q3	2013/14 Q2
Change in inventories	-56.1	-116.7	56.3	43.9	6.0
Change in receivables	2.8	26.0	75.5	-44.7	7.9
Change in trade and other payables	-88.9	129.8	5.4	47.1	-48.3
- trade payables	-89.0	148.2	117.9	-100.4	-23.7
- other payables	0.1	-18.4	-112.5	147.5	-24.6
<b>Total change in net working capital</b>	<b>-142.2</b>	<b>39.1</b>	<b>137.2</b>	<b>46.3</b>	<b>-34.4</b>

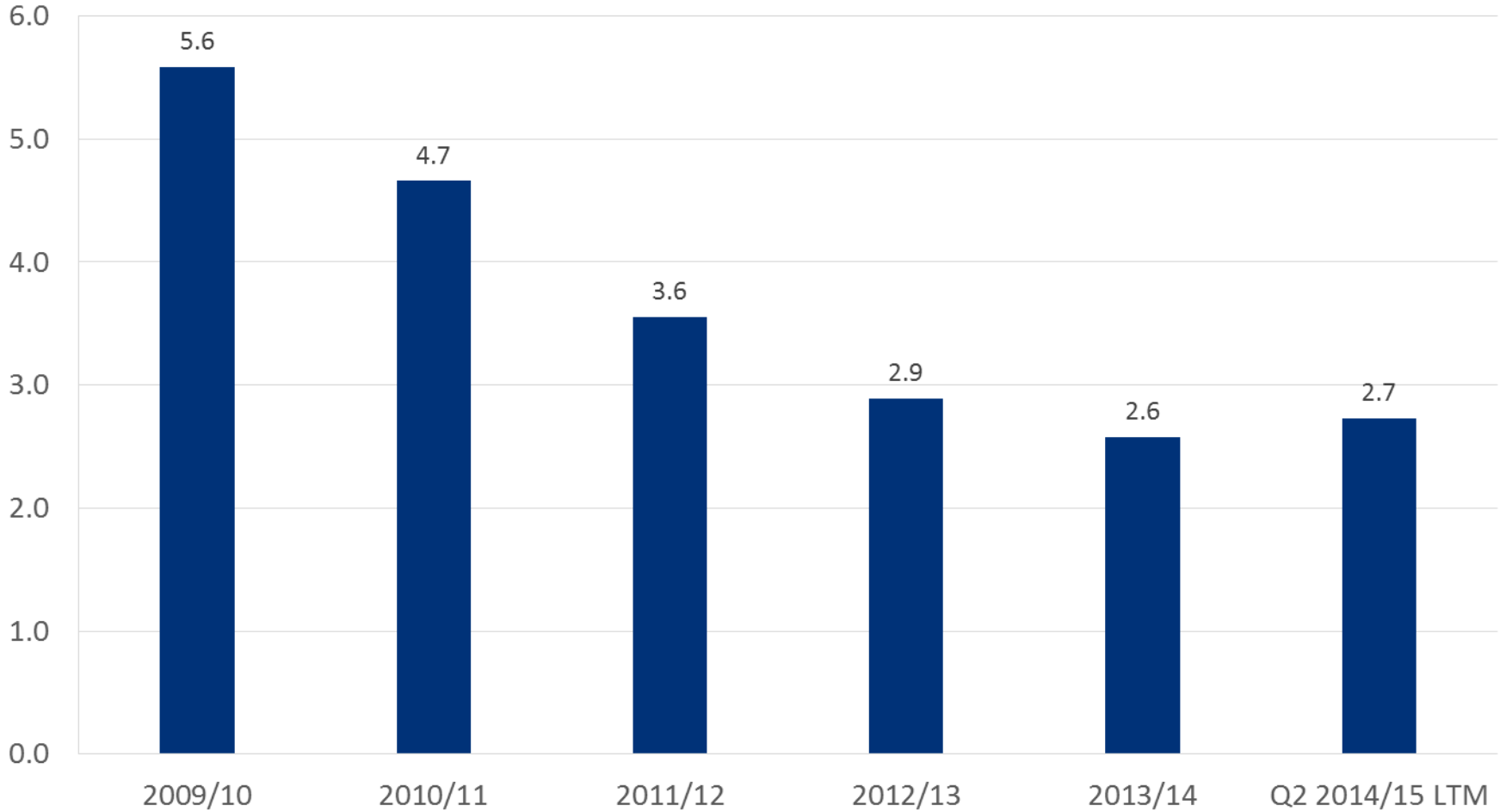
## Q2 2014/15 Cash Flow Development

- Cash flow from operations decreased to DKK -1m in Q2 compared to DKK 96m in Q2 2013/14
- Free cash flow in Q2 of DKK -34m compared to DKK 71m last year

(DKK million)	2014/15 Q2	2014/15 Q1	2013/14 Full year	2013/14 Q4	2013/14 Q3	2013/14 Q2	2013/14 Q1
<b>Cash generated from operations</b>	<b>-1</b>	<b>184</b>	<b>674</b>	<b>259</b>	<b>273</b>	<b>96</b>	<b>46</b>
Paid interest and taxes	-12	-12	-324	-68	-229	-12	-15
<b>Cash flow from operating activities</b>	<b>-13</b>	<b>172</b>	<b>350</b>	<b>192</b>	<b>44</b>	<b>85</b>	<b>30</b>
Acquisition of PPE and intangibles	-16	-12	-62	-15	-18	-14	-16
Acquisition of subsidiaries and activities	-5	-4	-114	-31	-72	0	-11
<b>Free cash flow</b>	<b>-34</b>	<b>156</b>	<b>174</b>	<b>146</b>	<b>-47</b>	<b>71</b>	<b>3</b>
Cash flow from financing activities	-49	0	-570	-308	106	-40	-329
Net cash flow from operating, inv. and fin. activities	-83	156	-397	-161	59	31	-325

# Net Interest Bearing Debt

---



# 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

## Updated 2014/15 Guidance

---

	18. November 2014		21. August 2014	Realised 2013/14
<b>Revenue</b>				
Reported revenue	Just short of DKK 3.5bn		Approx. 3.5bn	DKK 3,345m
Like-for-like growth assumption	1-2%		2-3%	3.4%
<b>Earnings</b>				
EBITA margin	On level with the 2013/14 EBITA margin, which was 17.1%		On level with the 2013/14 EBITA margin, which was 17.1%	17.1%