



Matas  
Annual Report  
2017/18

## Overview: 2017/18 results within guidance

### Revenue

DKK **3.42** billion  
DKK 3.46 bn in 2016/17

### EBITA BEFORE EXCEPTIONAL ITEMS

DKK **459** million\*  
*Guidance: DKK 445-460 m*

Underlying (like-for-like) growth of

**-1.4%**

*Guidance: A decline of 1-2%*

**A New Reality:** We are entering an era of change

How can Matas emerge stronger and more valuable to investors, consumers, partners and society?

## Key questions: We have asked ourselves seven questions

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- 1 What is Matas' **purpose** and **role** in a future of retail changes?
- 2 How do we **reignite** and drive profitable **growth**?
- 3 How do we **lower** our **cost base** – while **strengthening** the **customer experience**?
- 4 What is our digital aspiration and how can we **speed up digital** development?
- 5 How can we adapt and **respond** to **low-price competition**?
- 6 We have strong assets, what are our **business development options**?
- 7 How will we **drive change** over the next couple of years?

## Facing our new reality: In the coming years, we expect four shifts to impact Matas

	SHIFTS		IMPACT	
①	<b>Consumer Shift</b>	➤	Rising expectations and altered shopping behaviour	
②	<b>Health &amp; Beauty Shift</b>	➤	New ways of playing in the core categories and brands	
③	<b>Channel Shift</b>	➤	Continued migration to online shopping	
④	<b>Tech shift</b>	➤	Continued tech advancements will change how retailers operate	

➤ Combined, we call these shifts **The Retail Shake-up**

**Our answer:** Matas will emerge stronger through our strategy 'Renewing Matas' with five strategic tracks

STRATEGIC TRACKS

1 Live our purpose



2 Win Online

3 Reignite store growth

4 Open new growth paths

5 Change how we work

STRATEGIC AMBITIONS TOWARDS 2022/23

 LIFT CUSTOMER ENGAGEMENT

 GROW REVENUE

 SECURE EARNINGS

## Performance: Ambitions towards 2022/23

2019/20 to 2022/23

2022/23



CUSTOMER  
ENGAGEMENT<sup>1</sup>

Continuous improvement

Index 110



REVENUE<sup>2</sup>

Positive LFL from 2020/21

DKK 3.7 to 3.9 bn



EBITDA MARGIN<sup>3</sup>

Harvest scale benefits online  
Change how we work

Above 14%

# Resources: Capital allocation towards 2022/23

2019/20 to 2022/23

2022/23



GEARING<sup>1</sup>

Not materially exceeding 3

Between 2.5 and 3



CAPEX

DKK 120 – 140 m average frontloaded

Below DKK 90 m



DISTRIBUTION POLICY

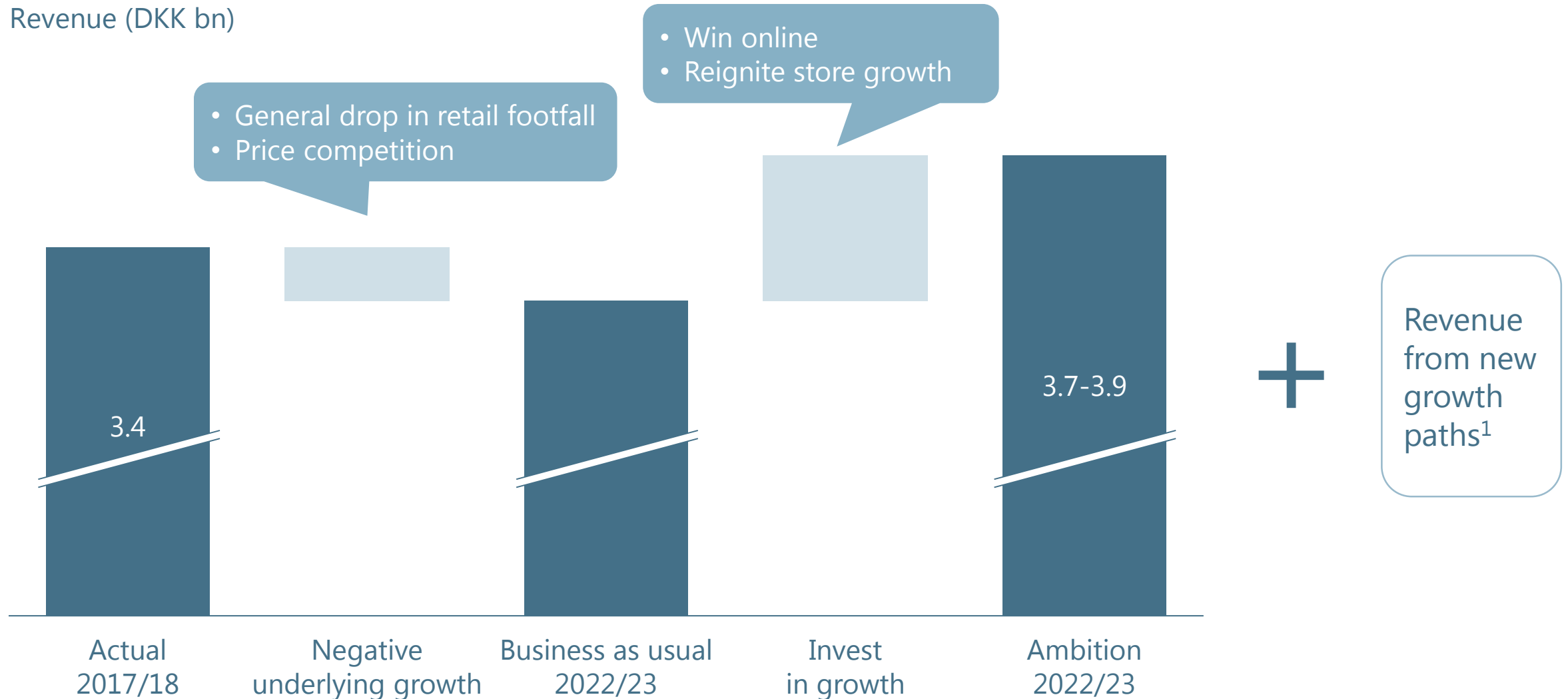
Distribute excess capital

Distribute excess capital



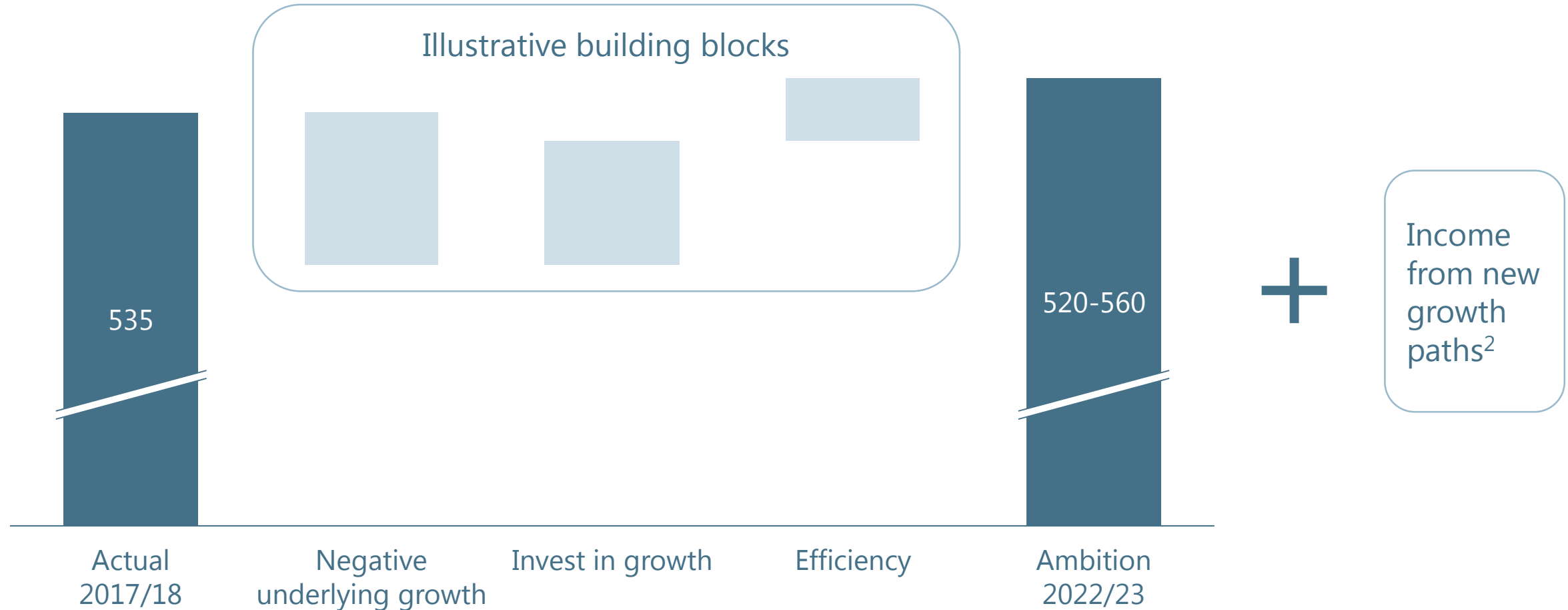
# Ambitions towards 2022/23: Invest in growth to offset negative underlying market development

Revenue (DKK bn)



# Ambitions towards 2022/23: Invest in growth to secure revenue and earnings

EBITDA<sup>1</sup> (DKK m)



## Ambitions towards 2022/23: Contain costs to secure earnings

Ongoing cost improvements

**Neutralise cost inflation** in stores and **harvest scale** benefits **online**

Step-change in costs

**Utilize technology** to automate and **free up resources**

Structural cost improvements

Assure a **lean HQ** to sustain current business and turnover, and reinvest savings in new growth paths

## Guidance: Financial targets for 2018/19



REVENUE

Unchanged level for underlying revenue  
(LFL between -1 and 1%)



EBITDA MARGIN<sup>1</sup>

Above 14.5%



CAPEX

DKK 110 – 130 m



”

I love Matas  
– but they  
really need to  
renew  
themselves

# 1 | Live our purpose: We turned to our customers for answers

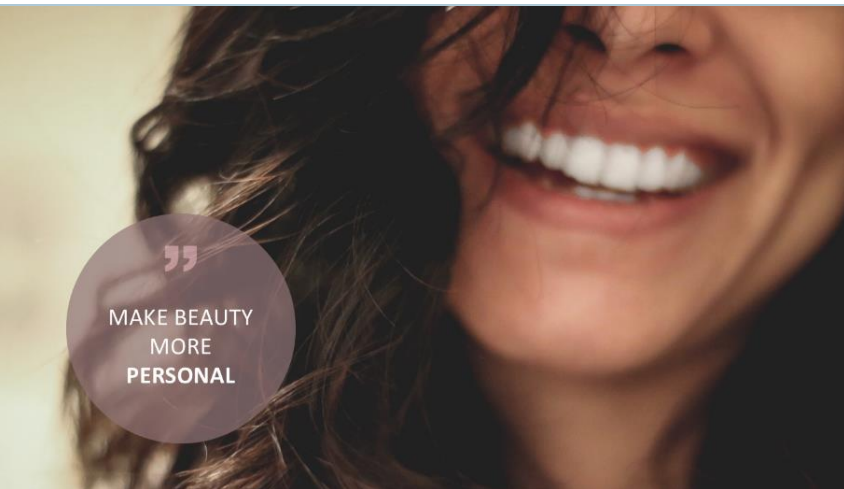


## Extensive customer research

### In-depth interviews with

- Customers
- Suppliers & Employees
- Influencers & Industry experts
- **Extensive shopper study** (more than 200 customers)
- **Club Matas member analyses**
- **Transaction and basket analyses**
- **International best practice cases**
- **Synthesis** of existing customer studies (more than 20 studies)

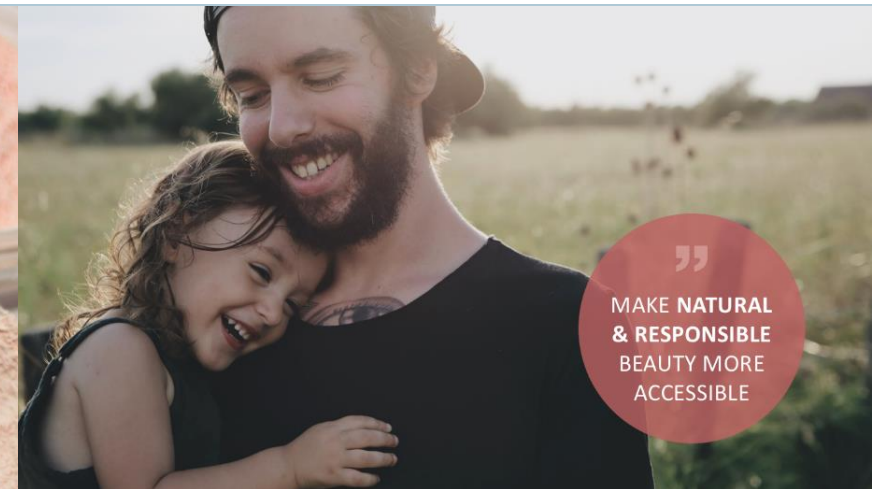
# 1 | Live our purpose: Six key focus areas to drive differentiation and customer value



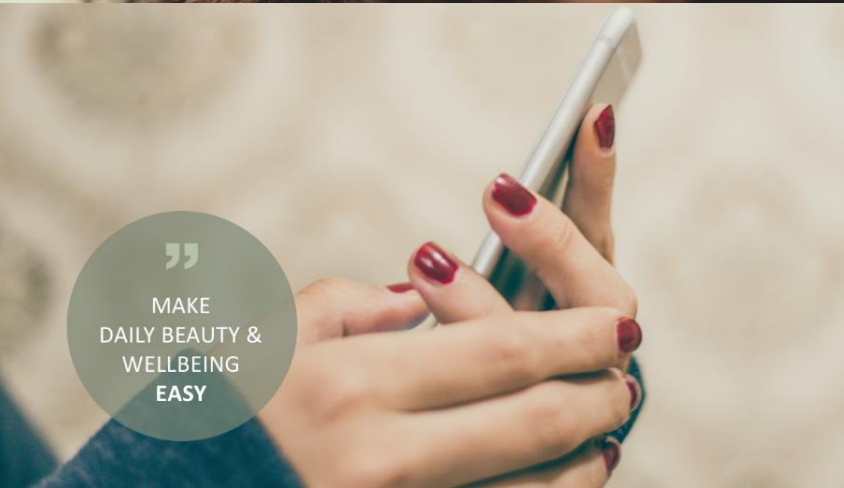
”  
MAKE BEAUTY  
MORE  
PERSONAL



”  
MAKE SHOPPING  
A SENSUOUS  
EXPERIENCE  
AGAIN



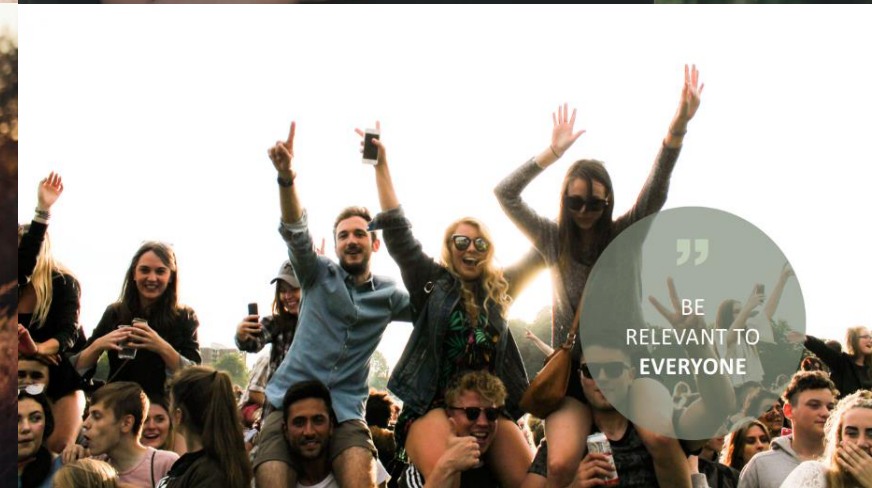
”  
MAKE NATURAL  
& RESPONSIBLE  
BEAUTY MORE  
ACCESSIBLE



”  
MAKE  
DAILY BEAUTY &  
WELLBEING  
EASY

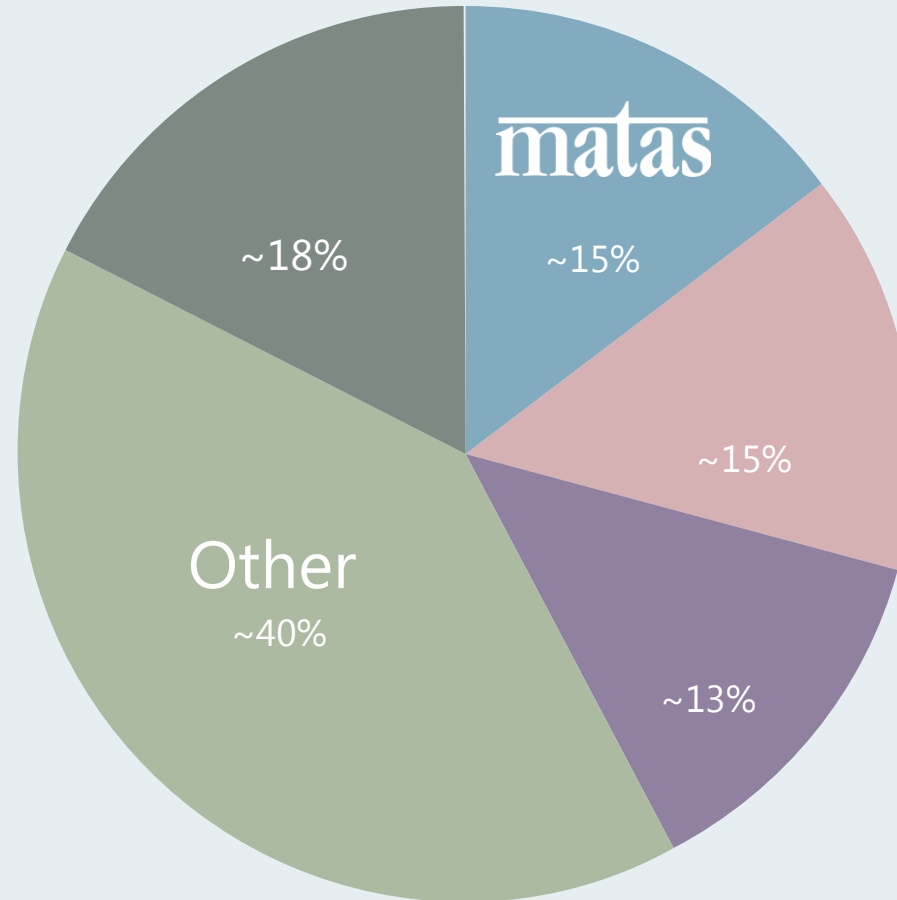


”  
CHAMPION  
DANISH BEAUTY  
& BRANDS



”  
BE  
RELEVANT TO  
EVERYONE

## 2 | Win online: The Danish H&B online market is very fragmented today



- Market **size**: ~**10%** of the **total** Health & Beauty **market**
- Market **growth**: **10-15%** p.a.

Source: Press search, Matas estimate



## Active members

1.5 mio.

> 75% known transactions

## Store footprint

276

## Strong supplier relationships

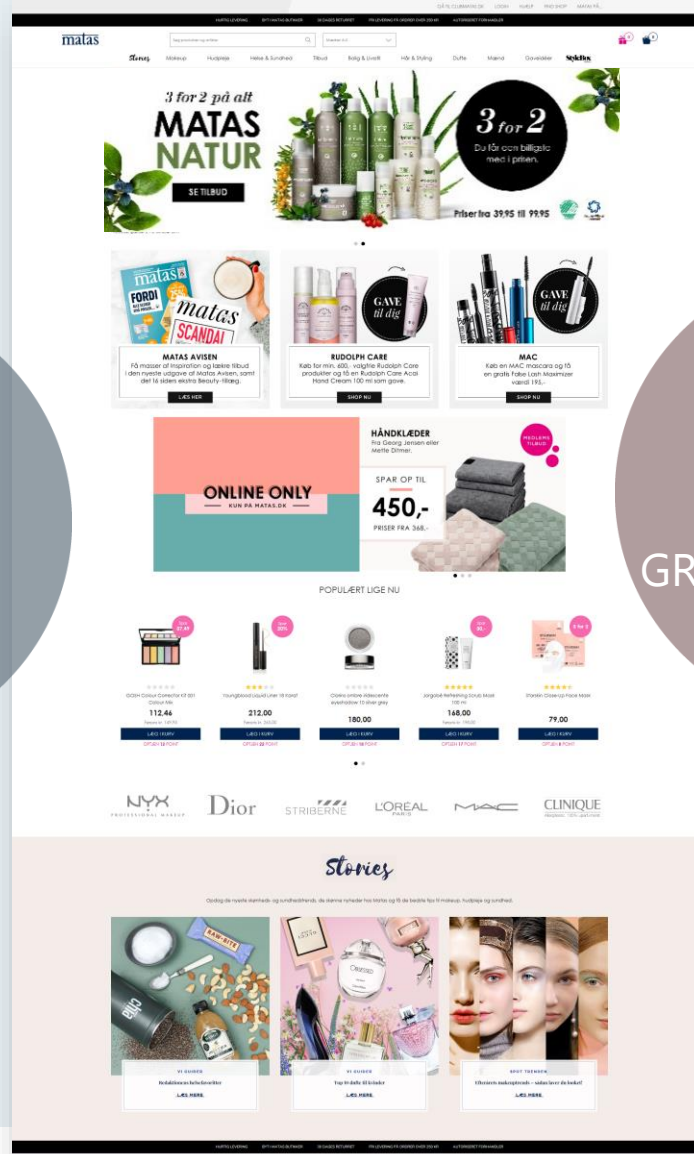
> 250

## 2 | Win online: Matas.dk is our largest store with strong growth

”  
~20m  
VISITORS  
ANNUALLY

”  
900+  
BRANDS

”  
24.000  
SKUs<sup>1</sup> IN STOCK



”  
~30%  
GROWTH RATE P.A.<sup>2</sup>

”  
+20%  
ONLINE ONLY  
PRODUCTS

”  
~4%  
OF TOTAL  
MATAS SALES

1. Stock Keeping Unit; 2. Compound annual growth rate over past 5 years

## 2 | Win online: Matas' digital journey to become undisputed market leader

1

### Ticket to play

Best practice online → customer experience in line with the best

2

### Creating differentiation

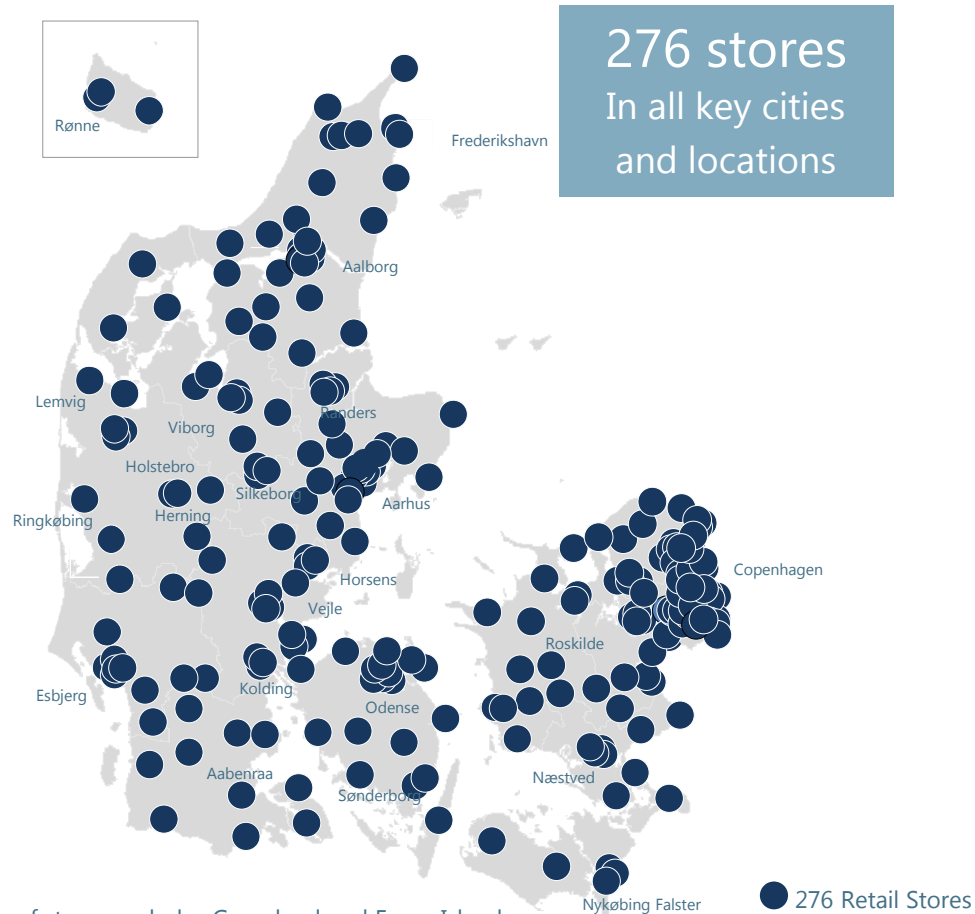
Guidance & Community  
Omni-channel  
Brands

3

Tech: How to compete with the best

### 3 | Reignite store growth: Matas' foundation is a strong, agile and financially solid store network

#### OUR STORE NETWORK IS UNMATCHED



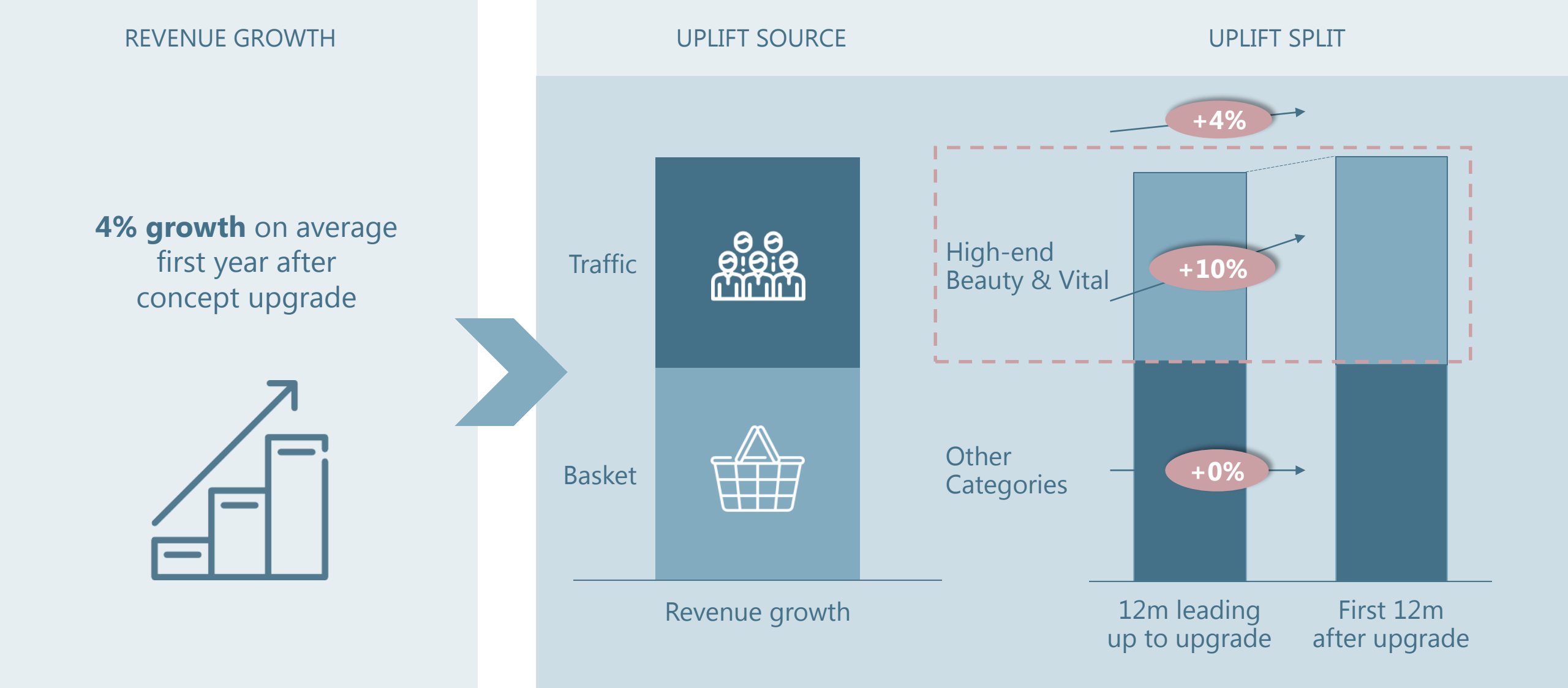
#### WITH A HIGH DEGREE OF AGILITY

- **100% rental spaces**
  - No tied-up capital in real estate
  - No cost related building maintenance
- **Exit terms** on average **6 months**
  - Up-front deposit covers restoration costs
- High **flexibility** in terms of **moving** stores to better locations with higher traffic

#### EBITDA MARGIN PER STORE 2017/18 (%)



### 3 | Reignite store growth: After concept-upgrades, we see growth rates averaging 4% the first year



Note: Analysis is based on 10 top-40 stores across the country that have been upgraded recently and have been running for 1 year after upgrade.

### 3 | Reignite store growth: However, we believe we can do even better

#### EXAMPLES



- **Sense** - smell, touch, try and match
- **Own** the **categories & inspire** via news, trends & user generated content in store

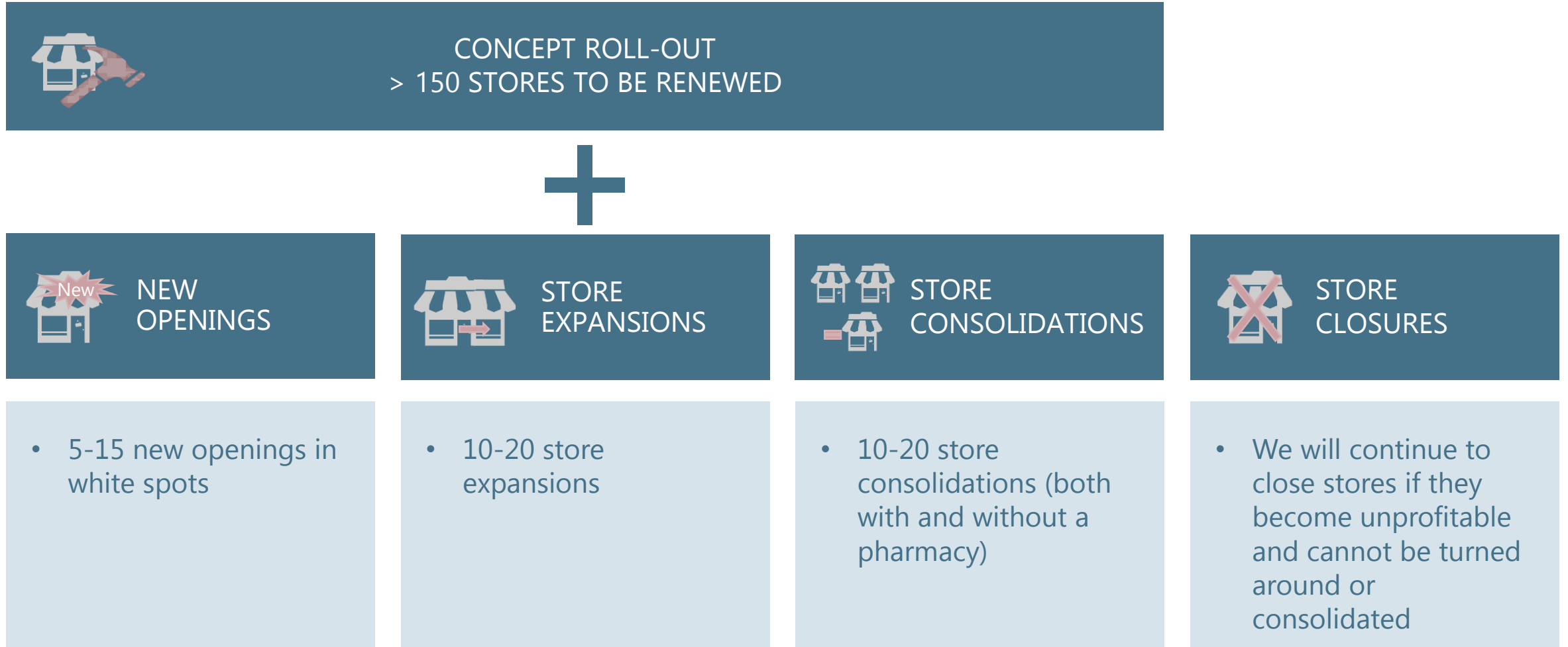


- **Easy** store and shelf **navigation**
- **Easy check out** without queuing
- **Strong omnichannel integration**



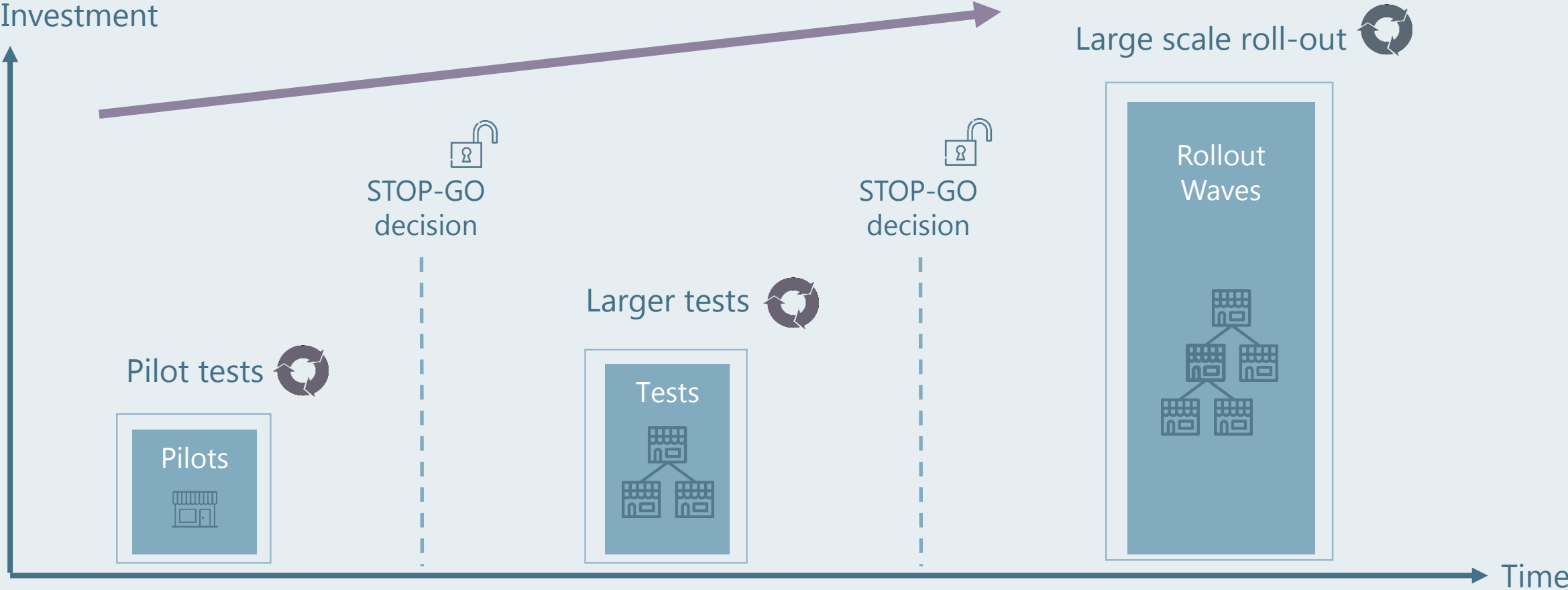
- **One-stop-shop** for Beauty & Wellbeing
- **Democratic**, warm & inclusive **atmosphere** with **personality**

### 3 | Reignite store growth: In addition to rolling out the future concept, we will also adapt our store network



### 3 | Reignite store growth: The renewed concept will be rolled out in sensible tranches

ILLUSTRATIVE





## 4 | Open new growth paths: We have identified a handful of concrete new growth opportunities

### Our approach to new growth paths

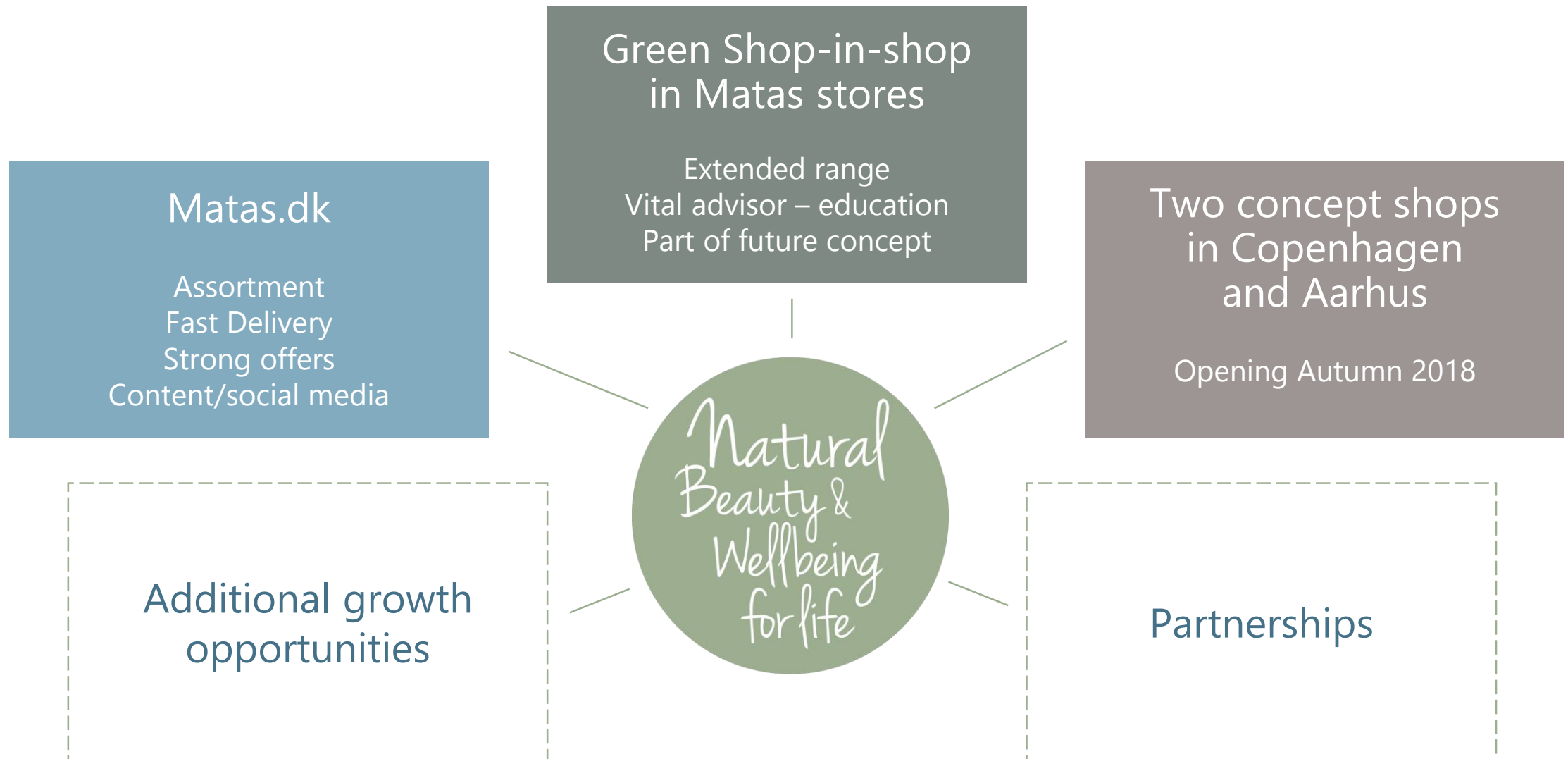
- ✓ We are building a pipeline of **new growth initiatives**
- ✓ We employ a **stage-gate model** to assess and refine opportunities
- ✓ We **limit financial exposure** in early stages

### Growth Initiatives



With our Q4 results, we **announced our first growth initiative**

## 4 | Open new growth paths: 'Matas Natur' – a born omnichannel business



## 5 | Commercial excellence: Four key areas to significantly improve customer experience

### Category management

Rotate ~**20%** of **assortment** in store to make room for experiences, new brands & localization

### Price & promo

Launch 2<sup>nd</sup> round of **Everyday Fair Prices** on more products and **more personal** & relevant **offers**

### Strategic procurement

Launch procurement **initiatives** to **secure earnings**

### House brands

**Relaunch** and extend our core **Private Label range** and **exclusive brands**

## 5 | Sales excellence: Four key areas to improve customer experience and control costs

### Sales culture

Install **performance culture** with **focus** on **sales** and **investing more in our people**

### Omnichannel

Embrace **omnichannel** and provide a more seamless and **convenient customer experience**

### Local customer relationship

Meet customers where they are and strengthen customer relations through **local Social Media**

### Lean store operations

Further **improve** our **lean store operations**

## 5 | Customer insights excellence: Our ambition is to deliver on greater member engagement

### Loyalty and CRM

We will launch new, **personalized** ways of **engaging**

### Customer journey

We will **simplify** and **digitalize** the **customer journey**

### Insights and analytics

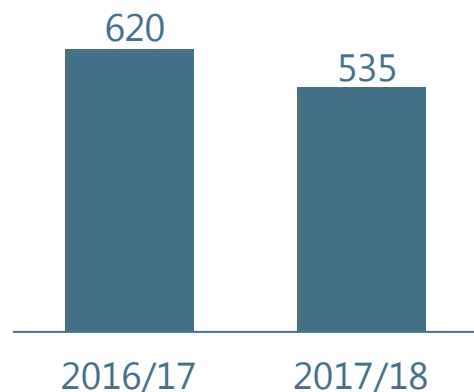
We will increase the **relevance** and **effectiveness** of our **1:1 communication**

# Appendix

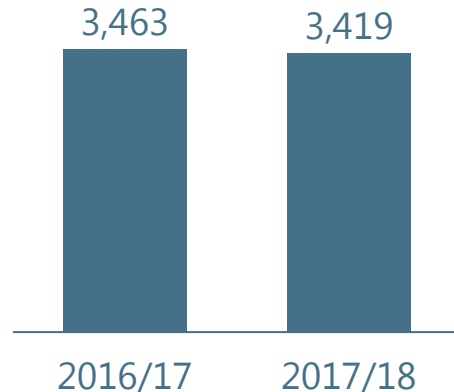


## The year in numbers: 2016/17 to 2017/18

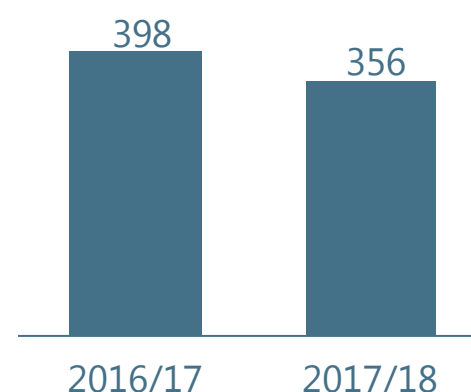
EBITDA (DKK m)



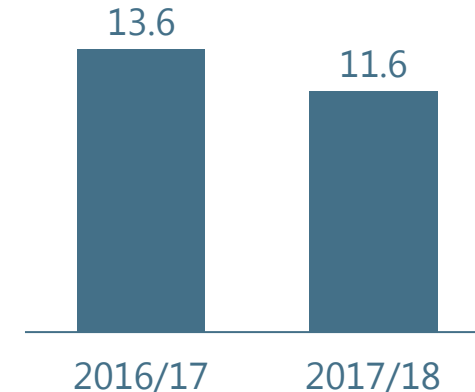
Revenue (DKK m)



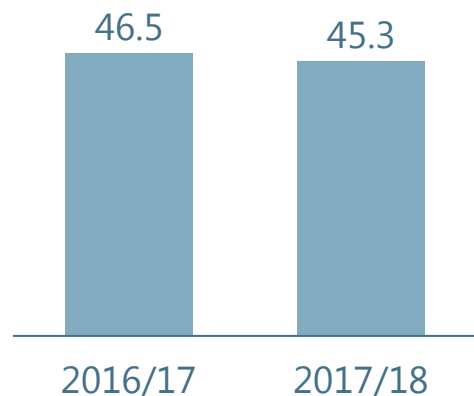
Adj. net profit (DKK m)



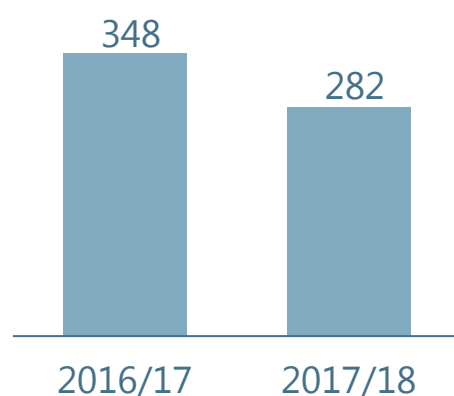
ROIC (%)



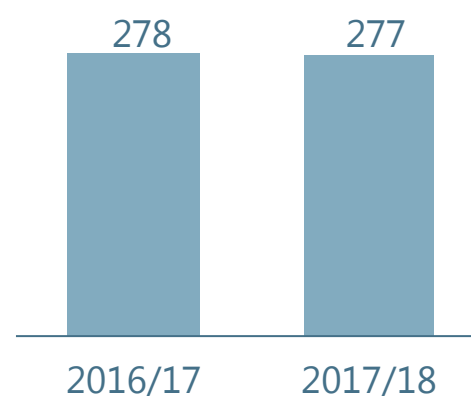
Gross margin (%)



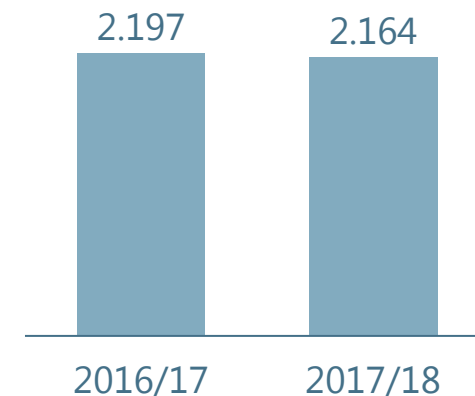
Free cash flow (DKK m)



Own stores<sup>1</sup> (#)

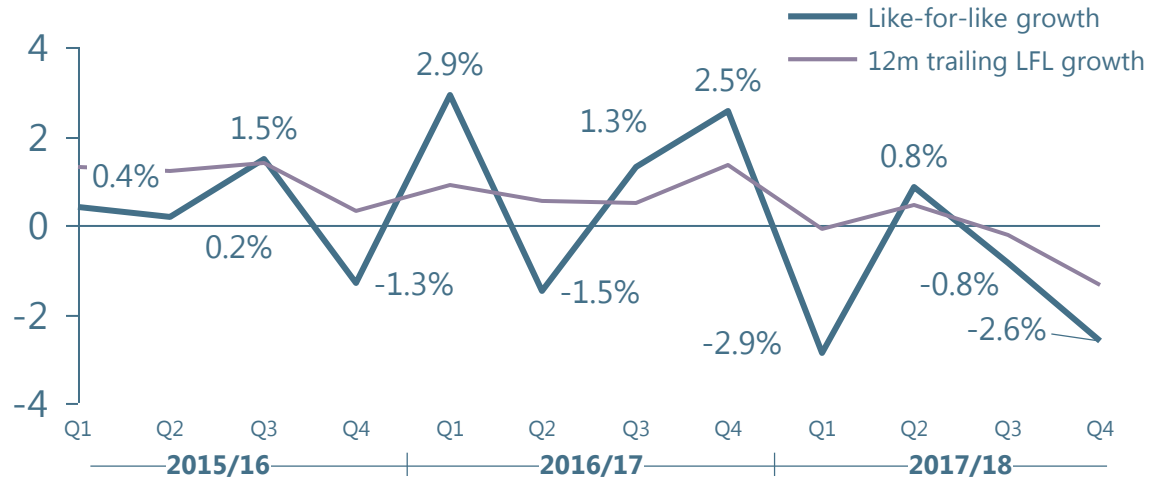


Employees (# FTE)

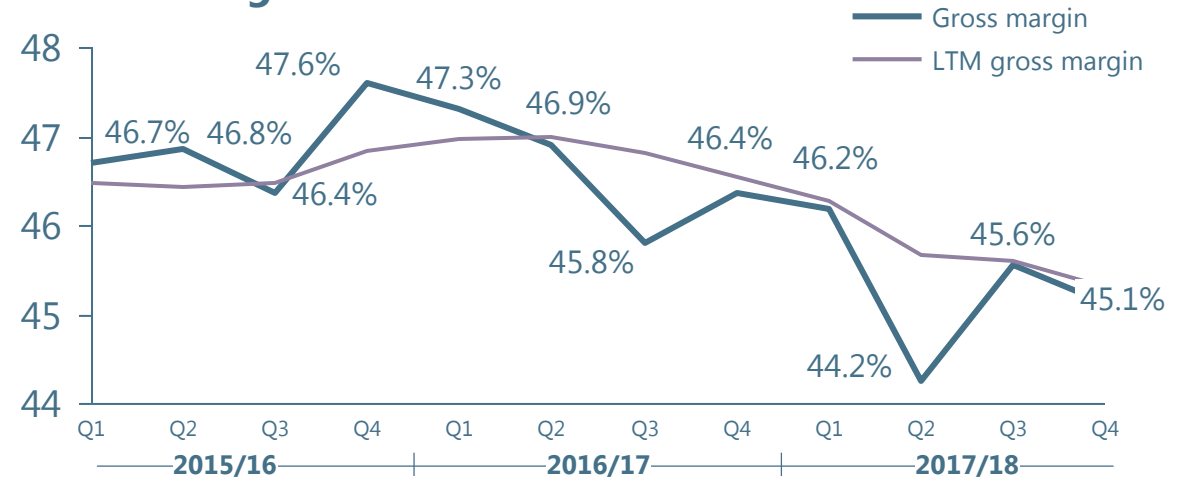


# Quarterly developments: 2015/16 to 2017/18

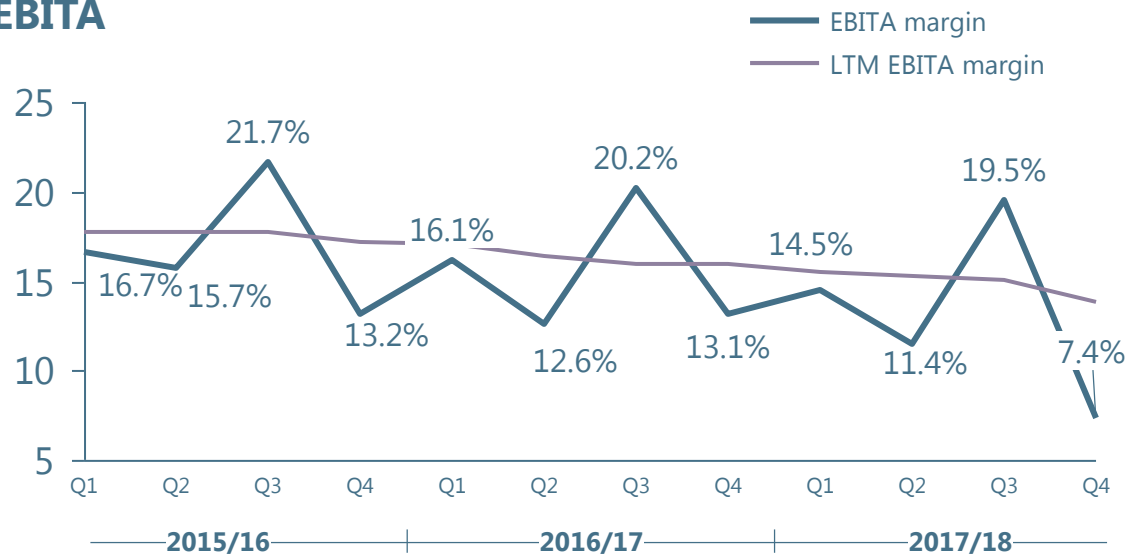
## Revenue



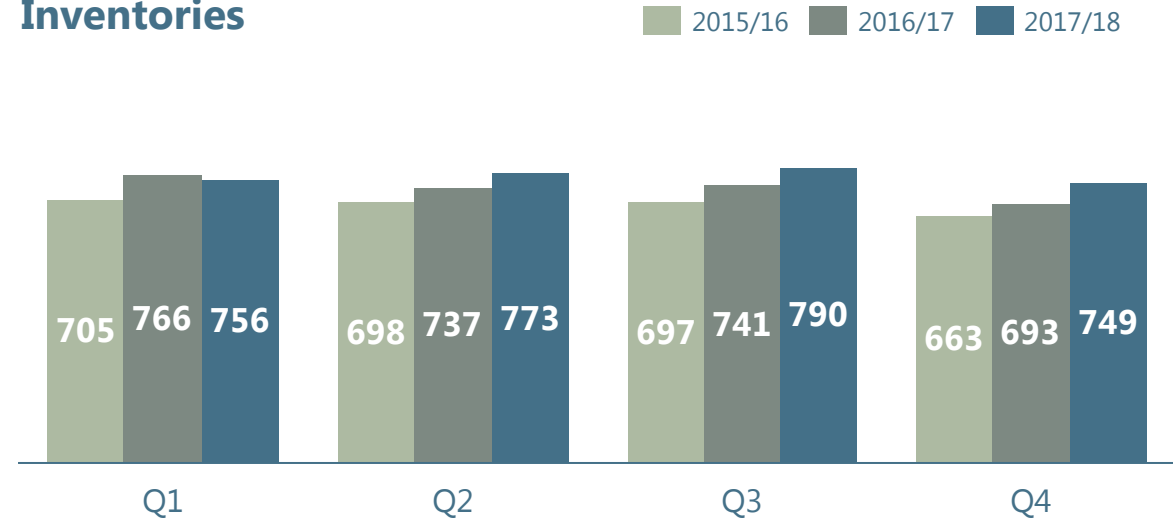
## Gross Margin



## EBITA



## Inventories





## Income statement: Q4 2016/17 vs. Q4 2017/18

DKK million	2017/18 Q4	2017/18 Q3	2017/18 Q2	2017/18 Q1	2016/17 Q4	Growth Q4 vs Q4
<b>Revenue</b>	<b>757</b>	<b>1,063</b>	<b>778</b>	<b>821</b>	<b>779</b>	<b>-2.8%</b>
<b>Gross profit</b>	<b>342</b>	<b>484</b>	<b>344</b>	<b>379</b>	<b>361</b>	<b>-5.4%</b>
<i>Gross margin</i>	45.1%	45.6%	44.2%	46.2%	46.4%	<i>n.a.</i>
Other external costs	-93	-88	-69	-70	-72	30.3%
Staff costs	-167	-175	-181	-173	-167	-0.4%
<b>EBITDA</b>	<b>82</b>	<b>222</b>	<b>95</b>	<b>137</b>	<b>122</b>	<b>-33.2%</b>
Amortisation and depreciation	-47	-44	-38	-37	-39	20.0%
<b>Operating profit</b>	<b>35</b>	<b>177</b>	<b>57</b>	<b>100</b>	<b>83</b>	<b>-58.3%</b>
Net financials	-4	-5	-5	-5	-13	-67.5%
<b>Profit before tax</b>	<b>31</b>	<b>172</b>	<b>52</b>	<b>95</b>	<b>70</b>	<b>-56.6%</b>
Tax on profit for the period	1	-38	-11	-21	-18	-106.8%
Profit for the period	32	134	40	74	53	-39.7%
Diluted Earnings per share, DKK	0.84	3.55	1.07	1.96	1.39	-39.8%
EBITA	56	208	89	119	102	-45.4%
EBITA margin	7.4%	19.5%	11.4%	14.5%	13.1%	
Tax rate	-3.9%	22.0%	22.0%	22.0%	25.1%	
<b>Adjusted net profit</b>	<b>47</b>	<b>155</b>	<b>65</b>	<b>89</b>	<b>67</b>	<b>-30.2%</b>

## Cash flow development: Q4 2016/17 vs. Q4 2017/18 (1/2)

### Cash Flow operating act.

- DKK 67 m lower than same quarter last year due to lower EBITDA and less positive NWC development

### Investments

- CAPEX on par with same quarter last year, but no acquisitions

### Free cash flow

- Free cash flow of DKK -15 m compared to DKK 45 m in the same period last year

### Cash flow financing act.

- No repayment of loans as in Q4 last year

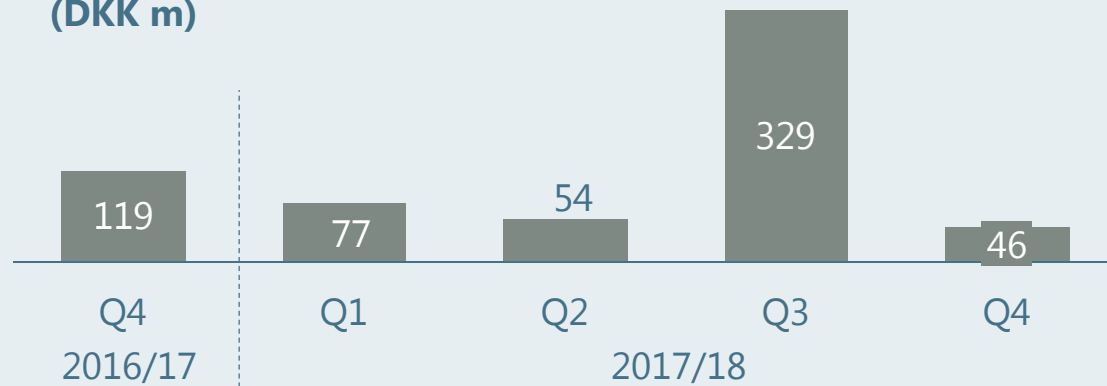
DKK million	2017/18 Q4	2017/18 Q3	2017/18 Q2	2017/18 Q1	2016/17 Q4
<b>Cash generated from operations*</b>	<b>46</b>	<b>329</b>	<b>54</b>	<b>77</b>	<b>119</b>
Paid interest and taxes	-40	-69	-6	-7	-46
<b>Cash flow from operating activities</b>	<b>6</b>	<b>261</b>	<b>48</b>	<b>69</b>	<b>73</b>
Acquisition of PPE and intangibles	-20	-21	-18	-33	-20
Acquisition of subsidiaries and activities	0	-2	-5	-3	-8
<b>Free cash flow</b>	<b>-15</b>	<b>237</b>	<b>25</b>	<b>33</b>	<b>45</b>
Cash flow from financing activities	49	-237	-193	154	-178
<b>Net cash flow from operating, investing and financing activities</b>	<b>34</b>	<b>0</b>	<b>-168</b>	<b>187</b>	<b>-133</b>

\* Including changes to working capital.

## Cash flow development: Q4 2016/17 vs. Q4 2017/18 (2/2)

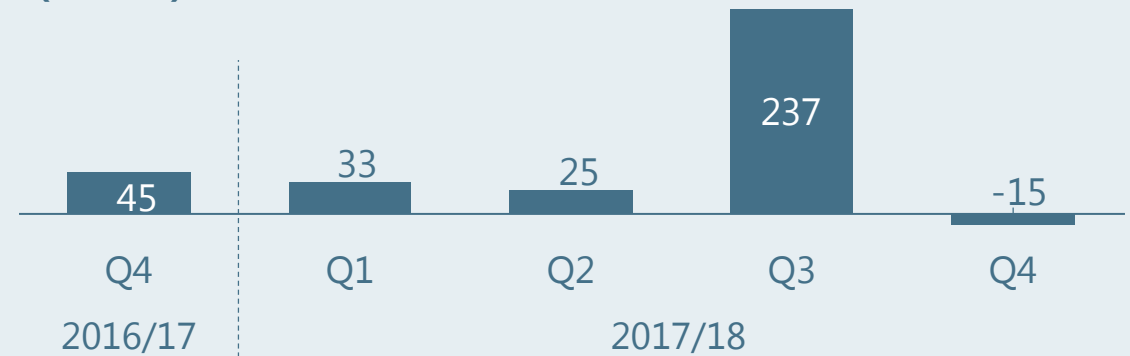
### Cash generated from operations

(DKK m)



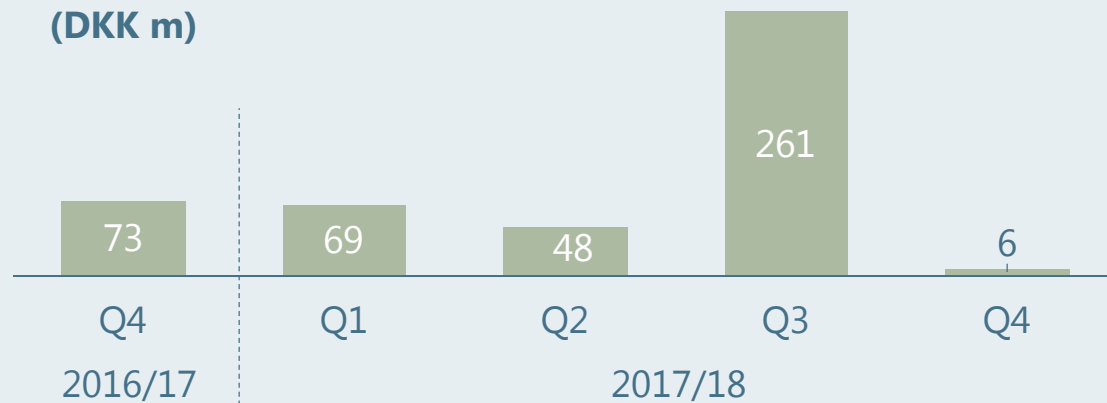
### Free cash flow

(DKK m)



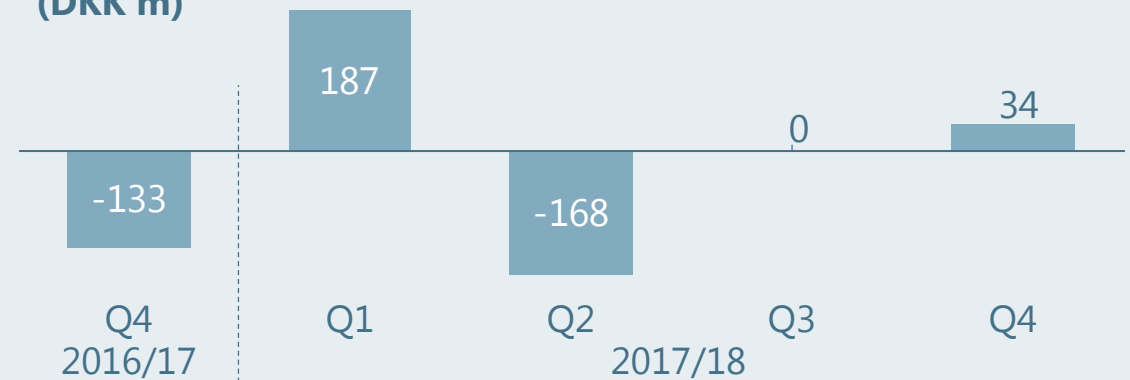
### Cash flow from operating activities

(DKK m)

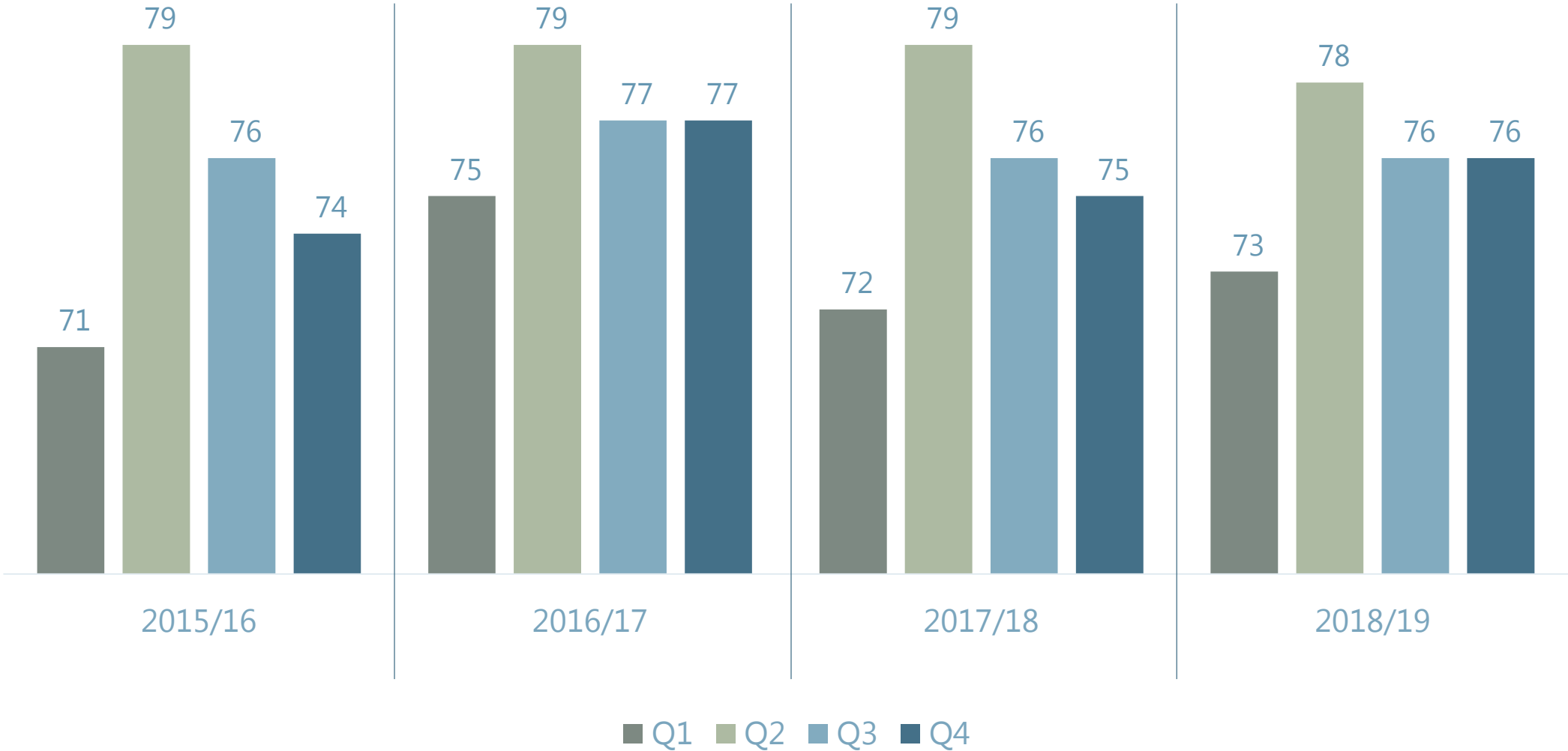


### Net cash flow from operating, investing and financial activities

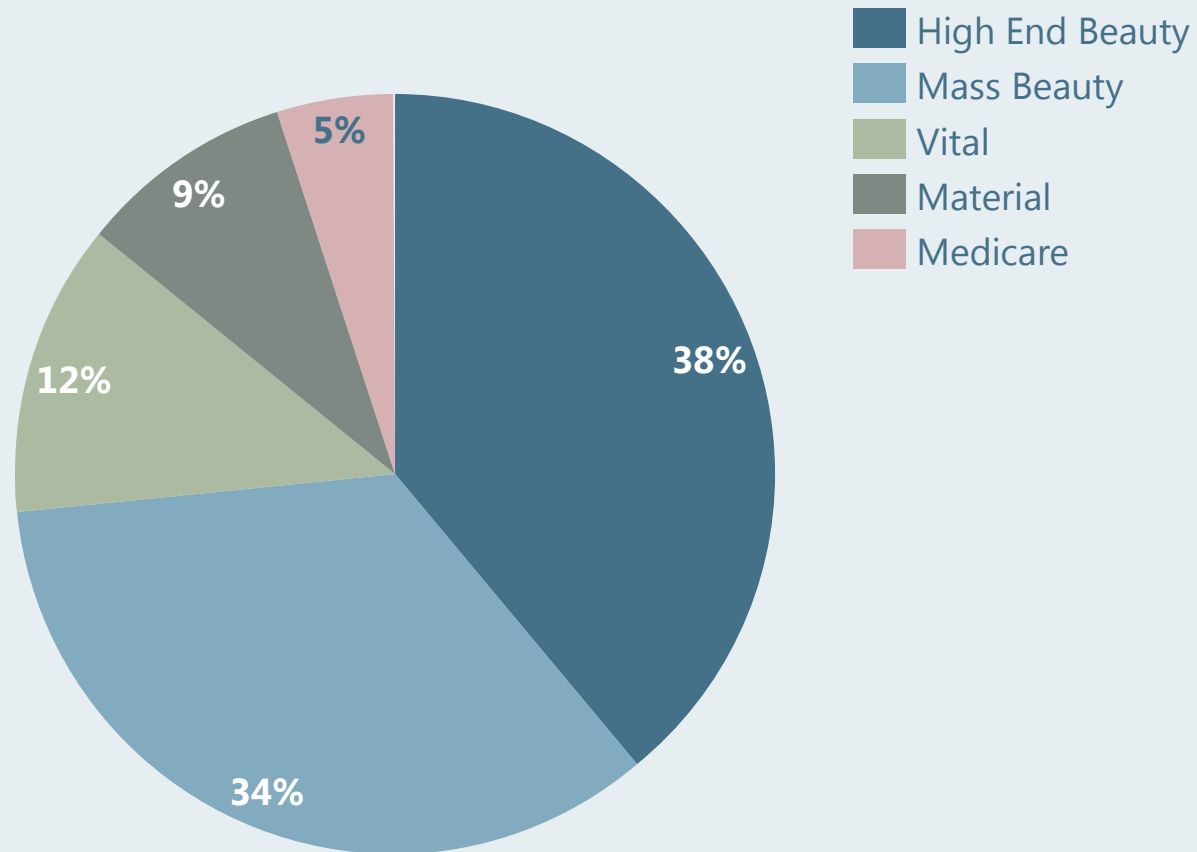
(DKK m)



# Number of shopping days: 2015/16 to 2018/19



## Matas shop-in-shops: Distribution of turnover



### BEAUTY

Everyday (mass) and luxury (high end) beauty products and personal care, including cosmetics, fragrances, skincare and haircare products.

### VITAL

Vitamins, minerals, supplements, specialty foods and herbal medicinal products.

### MATERIAL

Household and personal care products, including household cleaning and maintenance products, baby care, foot care and sports-related products.

### MEDICARE

OTC medicine, nursing products, etc.

# Team



**Gregers** Wedell-Wedellsborg

**CEO**

[gww@matas.dk](mailto:gww@matas.dk)

+45 4816 5555



**Anders** Skole-Sørensen

**CFO**

[as@matas.dk](mailto:as@matas.dk)

+45 4816 5555



**Elisabeth** Toftmann Klintholm

**Head of IR & Corporate Affairs**

[etk@matas.dk](mailto:etk@matas.dk)

+45 4816 5548

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