Matas | Q1 2017/18 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 – Financials Q1 2017/18

- Total revenue down 3.2% with an underlying decline of 2.9% compared to the year-earlier period driven by
  - fewer trading days than in Q1 2016/17 (down three days to 72), which we estimate to roughly translates to a drop of around 2% in revenue
  - a reduction in the sales of seasonal goods due to cold spring weather and a general reduction in customer traffic
  - increasing basket size
- Gross profit of DKK 379,1 m impacted by
  - growth in High-End Beauty, which was able to offset the fall in mass market beauty sales due to stiffened competition
  - declining sales within the other shops
- Gross margin fell to 46.2% from 47.3% in the year-earlier period caused by
  - stronger price competition necessitating increased campaign focus and sharpened price offerings
- Cost programme fully implemented in Q4 2016/17
  - in Q1 2017/18 total costs declined DKK 5.9 m compared to same period last year, but rose as a percentage of sales due the fall in revenue
  - expected annual savings of DKK 25-30 m
- CAPEX amounted to DKK 36.0 m in Q1 2017/18, down from 51.7 m in Q1 last year
  - The decline was driven by the acquisition of only two smaller associated stores compared to four larger associated stores in the same period last year

Business Update – Strategic initiatives

A wide range of initiatives have been launched since the summer of 2016 as part of our journey towards increased customer centricity and digitalisation, including

- Launch of the largest Matas shop to date in Sønderborg in October 2016 consisting of 560 sq.m. shop including 60 sq.m. shop in shop pharmacy and a shop in shop MAC
- A total of eight MAC shop in shops rolled out in five StyleBox and three Matas stores
- Remodelling of top stores with 11 stores completed by end of Q1
- Club Matas exceeds 1.7 million members and the number continues to increase, with more than 500.000 members using the new app and new initiatives with partners being undertaken
- The dialogue with the owners of the associated stores have resulted in the acquisition of eight associated stores in 2016/17, two stores in Q1 2017/18 and an additional two stores expected in Q2 2017/18
- In September 2017, we plan to launch an even larger Matas shop in Rødovre (Greater Copenhagen area) consisting of 746 sq.m. shop including MAC, NYX and StyleBox shop in shops
- As of 31 January 2018, the remaining five associated stores will leave Matas; however the associated store in Greenland will remain and continue to purchase products from Matas A/S

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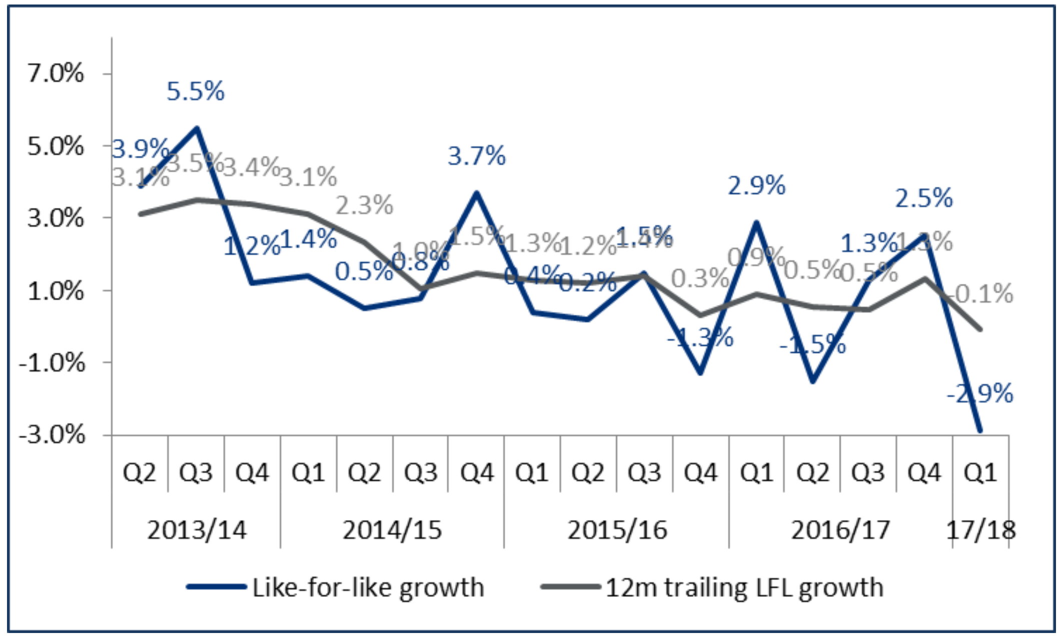
Financial Highlights Q1 2017/18 vs Q1 2016/17

- Total revenue growth at -3.2% with underlying growth of -2.9%
- Gross profit reduced by DKK 22.0 m to DKK 379.1 m compared to DKK 401.1 in Q1 last year
- Gross margin fell to 46.2% vs. 47.3% same quarter last year,
- EBITA margin 14.5%, down from 16.1%
- Adjusted net profit of DKK 88.9 m vs. DKK 99.4 m
- Cash Flow from operating activities at DKK 69.3 m, down from DKK 77.4 m
- Gross debt of DKK 1,702.1 m and Net Debt of DKK 1,481.8 m at 30 June 2017 corresponding to 2.45 x LTM EBITDA

Growth in Q1 2017/18 driven by High End Beauty

- Total revenue declined 3.2% in Q1 2017/18
  - primary reason was fewer trading days (drop of three to 72)
  - sale of seasonal goods also declined
- Overall Beauty sales were flattish
  - High End Beauty grew by 6.0% supported by customers trading up and successful new brands
  - Mass Beauty declined 1.8%, driven by increased competition, increased trade up to High End and a decline in the sale of seasonal goods
- Vital sales declined 3.9%, primarily due to fewer trading days and increased competition
- Material declined 11.1% due to increased competition and a decline in seasonal sales
- MediCare declined slightly

DKK million	2017/18 Q1	2016/17 Q1	Growth	Ex. aquisitions
Beauty	585	581	0.6%	-0.9%
Vital	91	95	-3.9%	-6.0%
Material	86	97	-11.1%	-12.6%
MediCare	46	47	-1.7%	-3.3%
Other	7	5	37.1%	NM
Total revenue from own retail stores	**815**	**825**	**-1.2%**	
Sales of goods to associated stores etc.	6	23	-74,9%	
Total revenue	**821**	**848**	**-3.2%**	



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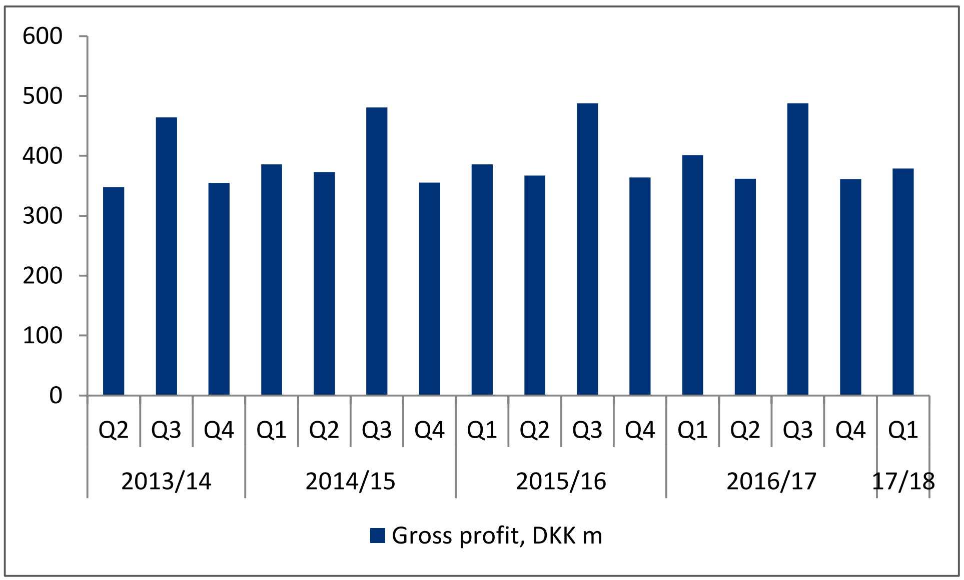
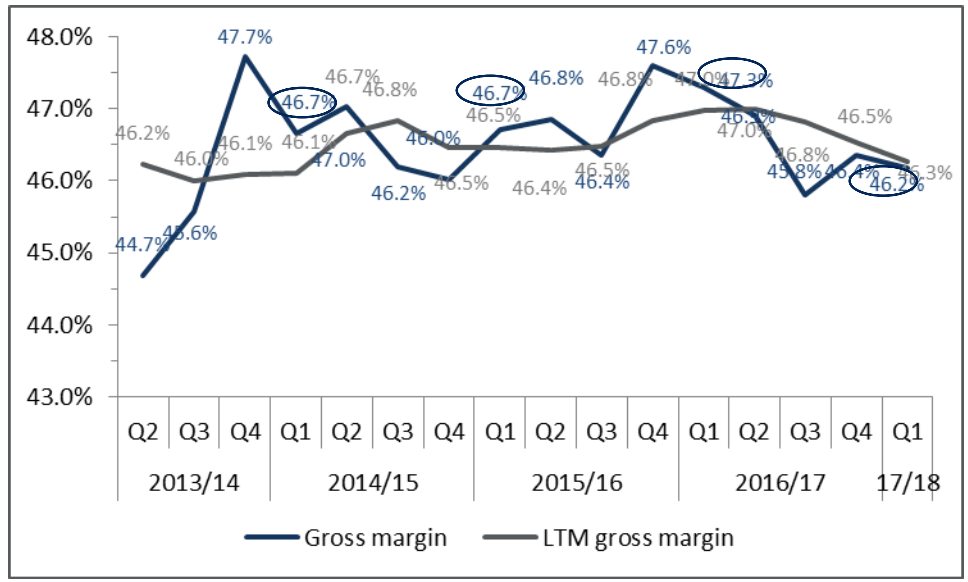
Gross Margin down in Q1 2017/18

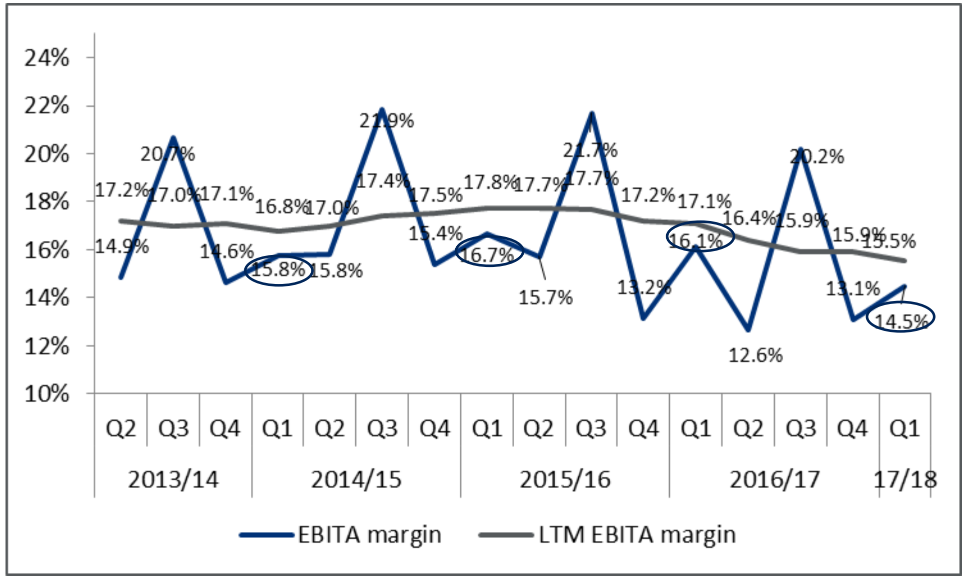
- Gross margin fell to 46.2% vs. 47.3% same quarter last year
- Margin compression caused by stronger price competition necessitating increased campaign focus and sharpened price offerings
- Gross profit of DKK 379.1 m down from DKK 401.1 in Q1 last year
- Last 12 months (LTM) gross margin 46.3%, down 0.2%-points from last quarter





EBITA margin declined in Q1 2017/18

- EBITA margin down to 14.5% from 16.1% in Q1 2016/17
- Other external costs declined to 8.5% of revenues in Q1 compared to 9.1% last year
  - The decline was driven by lower cost related to marketing due to extraordinary marketing costs in Q1 2016/17
- Staff cost were contained with an overall increase of 1.1% and an increase of 0.8%-point of revenues compared to Q1 2017/18
  - The number of employees declined as a result of completed cost reductions, particularly at the store level
  - Increased head office staff costs driven by implementation and execution of strategic initiatives



DKK million	2017/18 Q1	2016/17 Q1	Change
Other external costs	70	78	-9.9%
- share of revenue	*8.5%*	*9.1%*	
Staff costs	173	171	1.1%
- share of revenue	*21.0%*	*20.2%*	
Number of stores	278	276	

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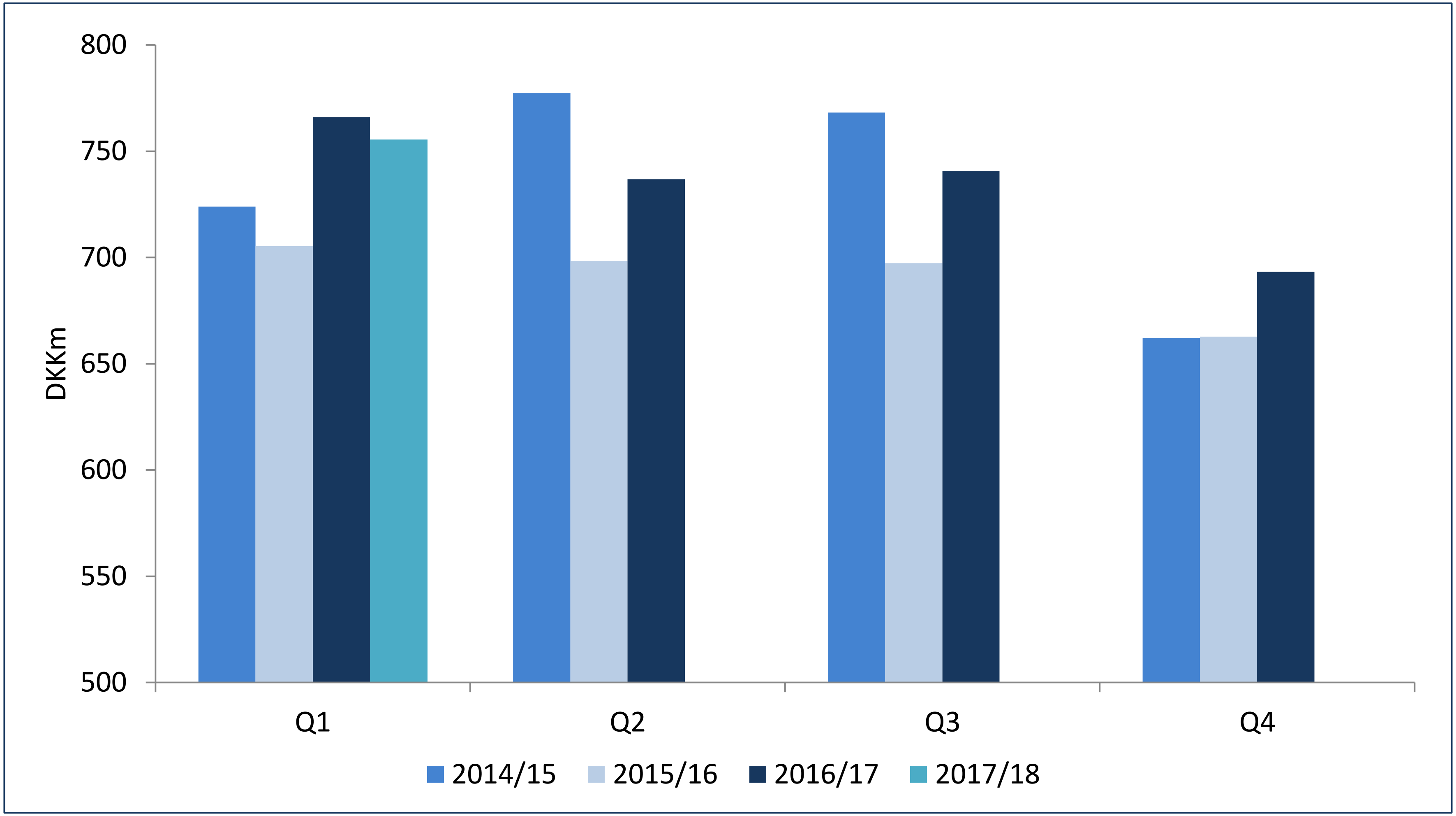
Income Statement for Q1 2017/18 vs. Q1 2016/17

DKK million	2017/18 Q1	2016/17 Q4	2016/17 Q3	2016/17 Q2	2016/17 Q1	Growth Q1 vs Q1
Revenue	**821**	**779**	**1,064**	**772**	**848**	**-3.2%**
Gross profit	**379**	**361**	**488**	**362**	**401**	**-5.5%**
Gross margin	*46.2%*	*46.4%*	*45.8%*	*46.9%*	*47.3%*	
Other external costs	-70	-72	-84	-69	-78	-9.9%
Staff costs	-173	-167	-172	-180	-171	1.1%
EBITDA	**137**	**122**	**232**	**113**	**153**	**-10.6%**
Amortisation and depreciation	-37	-39	-36	-35	-35	5.5%
Operating profit	**100**	**83**	**196**	**79**	**118**	**-15.3%**
Net financials	-5	-13	-8	-8	-10	-47.8%
Profit before tax	95	70	188	70	108	-12.4%
Tax on profit for the period	-21	-18	-41	-16	-24	-12.2%
Profit for the period	**74**	**53**	**147**	**55**	**85**	**-12.5%**
Diluted Earnings per share, DKK	**1.96**	**1.39**	**3.82**	**1.39**	**2.15**	**-8.7%**
EBITA	**119**	**102**	**215**	**98**	**137**	**-13.1%**
EBITA margin	**14.5%**	**13.1%**	**20.2%**	**12.6%**	**16.1%**	
Tax rate	**22.0%**	**25.1%**	**21.7%**	**22.1%**	**22.0%**	
Adjusted net profit	**89**	**67**	**162**	**69**	**99**	**-10.5%**

Inventories slightly lower end Q1 2017/18 vs end Q1 2016/17



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Unchanged net working capital in Q1 2017/18

- Inventories increased DKK 62 m from end of Q4 2016/17, however the increase was significantly lower than in Q1 2016/17
- Trade payables increased less than in Q1 2016/17 due to the smaller build up of inventories

DKK millions	2017/18 Q1*	2016/17 Q4*	2016/17 Q3*	2016/17 Q2*	2016/17 Q1*
Change in inventories	-62	48	-4	29	-103
Change in receivables	3	8	5	-6	2
Change in trade and other payables	-1	-58	164	-133	35
- trade payables	4	19	67	-123	41
- other payables	-5	-77	96	-10	-5
Total change in net working capital	**-60**	**-3**	**164**	**-109**	**-67**

* Exclusive of acquisitions.

Cash Flow remained strong in Q1 2017/18

- Cash flow from operating activities amounted to DKK 69.3 m compared to DKK 77.4 m in Q1 2016/17 due to a DKK 9.8 m reduction in cash generation from operations
- Investments of DKK 36.0 m related primarily to upgrade of stores and IT and to the purchase of two smaller associated stores. In Q1 2016/17 investments amounted to DKK 51.7 m, with the difference mainly relating to higher acquisition costs as four larger associated stores were bought in Q1 2016/17
- Free cash flow of DKK 33.3 m compared to DKK 25.7 m in the same period last year
- Cash flow from financing activities increased by DKK 143.2 m due to the timing of financing of part of the dividend payment, which was paid out in July 2017

DKK million	2017/18 Q1	2016/17 Q4	2016/17 Q3	2016/17 Q2	2016/17 Q1
Cash generated from operations	**77**	**119**	**401**	**13**	**87**
Paid interest and taxes	-7	-46	-70	-12	-9
Cash flow from operating activities	**69**	**73**	**331**	**2**	**77**
Acquisition of PPE and intangibles	-33	-20	-25	-20	-18
Acquisition of subsidiaries and activities	-3	-8	-6	-3	-34
Free cash flow	**33**	**45**	**299**	**-22**	**26**
Cash flow from financing activities	154	-178	-168	-50	11
Net cash flow from operating, investing and financing activities	**187**	**-133**	**132**	**-71**	**36**

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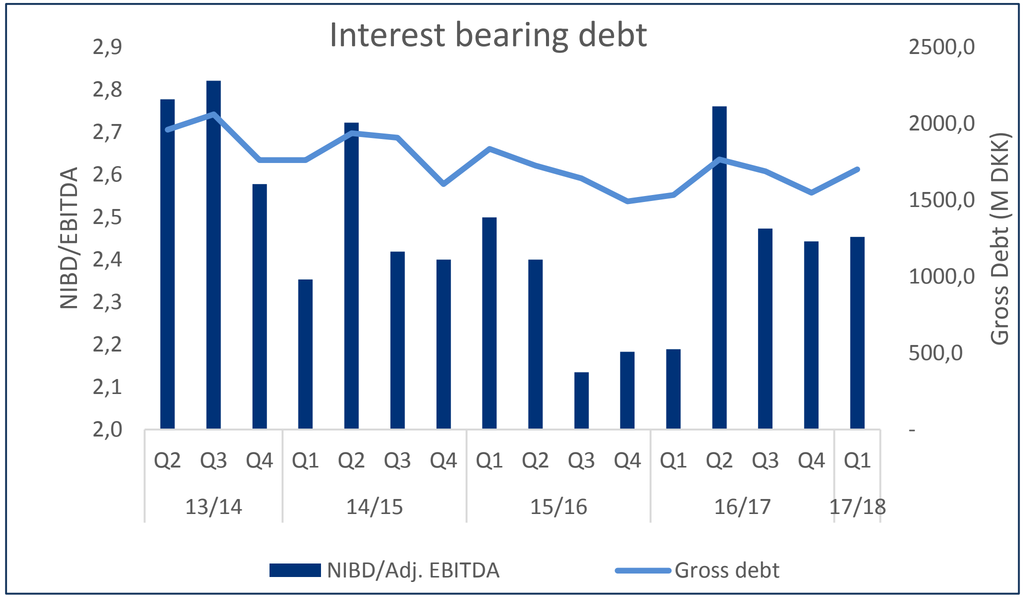
Capital Structure

- Gross debt of DKK 1,702.1 m at 30 June 2017, within target range of DKK 1.6-1.8 bn
- Net Debt DKK 1,481.8 m at 30 June 2017, corresponding to 2.45 x LTM EBITDA
- Dividend policy and gross debt level targets remain unchanged



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

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Two key focus areas to deliver on strategy

Customer centricity

Fulfilling customer needs by delivering a market leading shopping experience across sales points and communication channels through initiatives in three areas

1. Meeting the customer
2. World class store experience
3. Effective pricing & promotions

Digitalisation

Fulfilling customer needs by taking Matas' digital presence to the next level through initiatives in two areas

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

1 Meeting the customer

During 2016/17, we initiated a number of actions to further improve the customer meeting, including

- A training program to enhance interaction between customers and store employees
- A structured mystery shopping programme
- Organisational change with a new 'head of sales' role
- A new category management project, which has led to increased focus on Vital and to the launch of three strong international cosmetics brands; NYX, Smashbox and MAC
- A new private label, My Moments, consisting of spa and skincare products was launched in November 2016
- Relaunch of 'Striberne' initiated with the 50 years birthday celebration

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2 World class store experience

As part of the implementation of our new and modern shop layout we have

- Opened our largest Matas store to date with 560 sq.m. of retail space including two shop in shops, a MAC and a pharmacy
- Opened eight MAC shop in shops in total
- Remodelled 11 of our largest stores since the beginning of 2016
- Updated and face lifted more than 100 stores since the beginning of 2016
- Acquired in total 10 associated stores in 2016/17 and Q1 2017/18

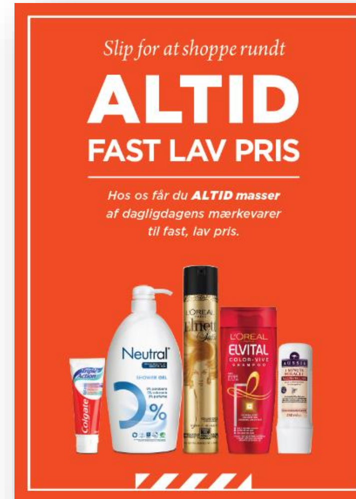
- For 2017/18, we are planning to open new Matas stores in relevant locations and increase the amount of Pharmacy and StyleBox shop in shops
- Our next store opening will be in September in Rødovre Centrum, where we will open our largest Matas store yet consisting of 746 sq.m. shop including MAC, NYX and StyleBox shop in shops

3 Effective pricing & promotions

To remain competitive in a market place, that was impacted by an overall increase in price competition, in particular from new points of sales with a discount focus, we

- Adapted our price communication, including “Matas Avisen”
- Continued to use **ALTID** (ALWAYS low prices) and introduced **FORDI** (BECAUSE price also matters) in the second part of 2016/17

Headwinds from Normal store openings will persist until end of the calendar year 2017, but we note that stabilisation is likely to set in from the middle of our Q3 2017/18 as Normal only opened six new stores since November 2016

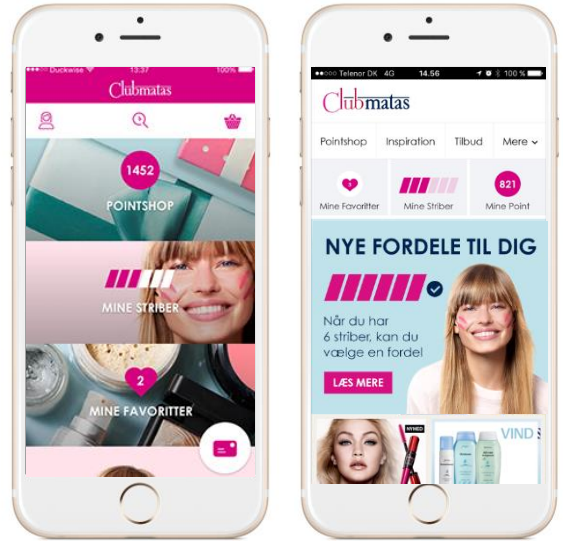


4 Omni channel leadership

- To increase customer reach, we initiated a number of actions during 2016/17 including
  - Intelligent customer data analysis based on customer behaviour enables us to target the customer on various platforms with tailor made real time advertisements
  - Significant development and update of the web shop interface
  - Developed the product selection in the web shop further, including web shop only products with high relevance for Matas customers
- In Q1 2017/18, we launched a new online customer universe, ***Stories***, containing inspiration, tips and tutorials for our customers; and ***Club Mamma***, a customer club with information for women who are either expecting or have small children
- A new POS (sales) system to optimise campaigns and discounts (fully operational in 2017/18)

5 Full value of Club Matas

- Our loyalty programme Club Matas now exceeds 1.7 million members and continues to grow, albeit at a slower pace.
- We are focusing on improving the programme for existing customers rather than pursuing further expansion
    - In May/June 2016, we launched the Stripes as an add-on to the existing loyalty programme
    - At the same time, we also launched a new app and currently more than 500.000 members using the new app that for instance provide tailor made benefits at hand at all times
    - We further expanded out Club Matas Partner Program, that now counts 23 participants
    - In Q1 2017/18 we introduced a new collaboration with travel agent Apollo offering customers the option of doing their tax-free shopping at Matas ahead of their trip



Guidance for 2017/18

Revenue

- Like for like growth between 1 and 3% including effect from fewer trading days

Earnings

- EBITA realised at higher level than for 2016/17

Investments

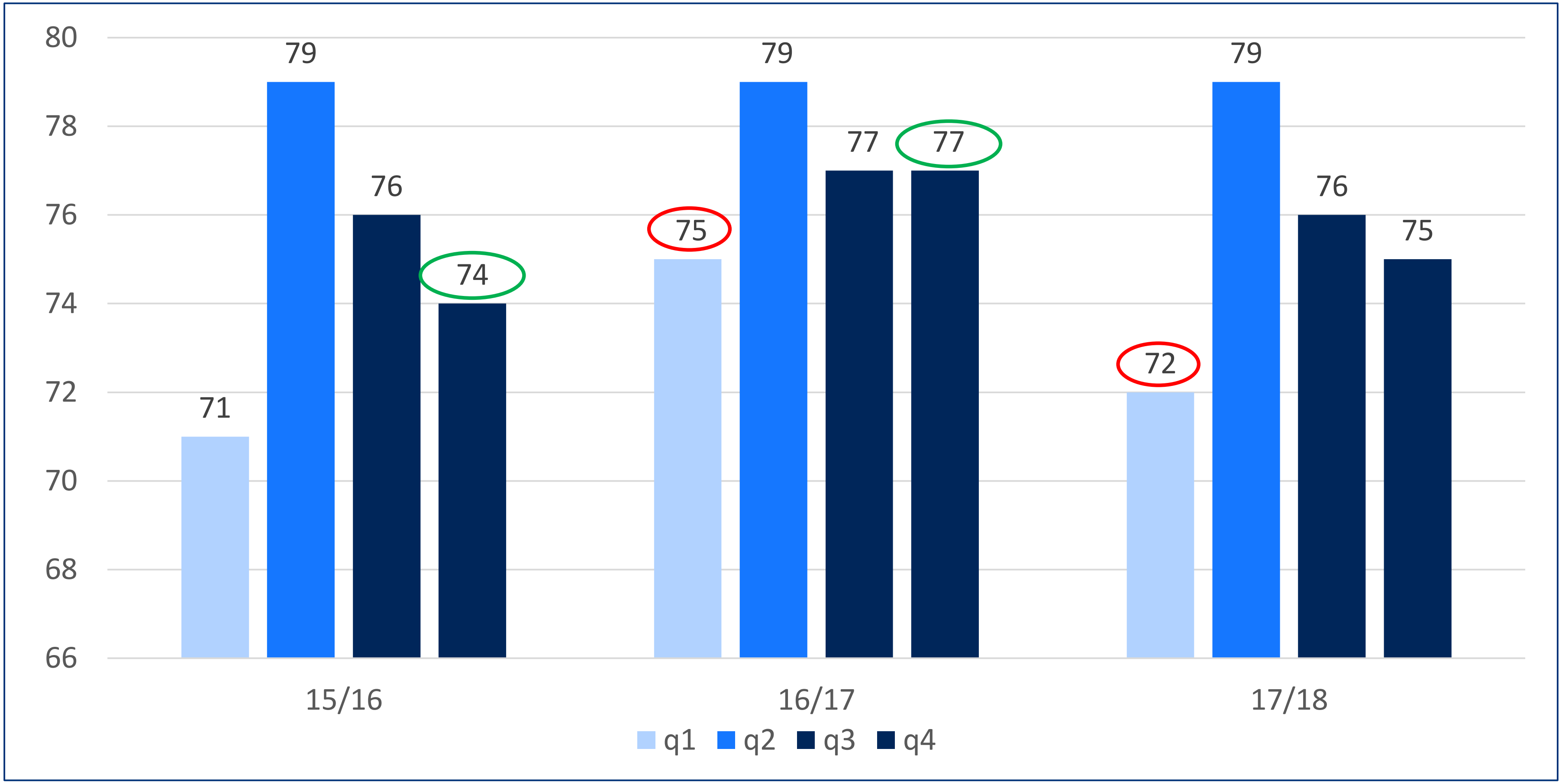
- CAPEX of around DKK 90-100 m excluding acquisition of associated stores

Q&A session

MATAS
FISKE OLIE
MULTI VITAMIN 50+
MULTI VITAMIN URTER
MULTI VITAMIN GRAVID
120 kapsler
180 tabletter
300 tabletter
200 tabletter
GUCCI
SAUVAGE
ACQUA DI GIO
Dior
MATAS MEN
2-IN-1 BEARD SHAMPOO
2-IN-1 BEARD MOISTURIZER
StyleBox
MY MOMENTS
sports care
Dior
Luksus Shampoo
Glycerin Håndcreme
Solfloton
Argan Bodyolie
Intimsæbe
Baby zinksalve
bodyshampoo
Havtorn Saltbodyscrub
Granatæble Bodycreme
PLAISIR
DAY CREAM

Number of shopping days in 2017/18

Note that Q1 2017/18 has three fewer trading days



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