

Winning online

**Annual Report 2020/21
& Strategy Preview**

Conference call May 27, 2021

matas



Forward-looking statements

This interim report contains statements relating to the future, including statements regarding Matas Group's future operating results, financial position, cash flows, business strategy and future targets. Such statements are based on management's reasonable expectations and forecasts at the time of release of the announcement. Forward-looking statements are subject to risks and uncertainties and a number of other factors, many of which are beyond Matas Group's control. This may have the effect that actual results may differ significantly from the expectations expressed in the announcement. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive conditions, supplier issues and financial and regulatory issues as well as any effects of measures to contain the spread of COVID-19 that are not specifically mentioned above.

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Agenda

- 01** CEO comments on Matas' current situation
- 02** Financial results for 2020/21
- 03** Guidance for 2021/22
- 04** Q&A financial results
- 05** Strategy preview



01

CEO comments on Matas' current situation

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Matas' FY 2020/21 – exceptional results, guidance exceeded

Revenue

4,164 DKKm

2019/20: 3,688 DKKm

EBITDA before special items

797 DKKm

2019/20: 700 DKKm

Like-for-like growth

13.5%

2019/20: 0.7%

EBITDA margin before special items

19.1%

2019/20: 19.0%

CEO comments:

Highlights

- ❑ DKK 1.1 B online sales ~26% of total sales
- ❑ EBITDA-margin 19,1% FY supported by a leap in online profitability
- ❑ Full year cash generation all time high at DKK 774m supported by optimised inventory management

- ❑ Proposed payout of DKK150 million - dividend of DKK 2 and share buyback programme.

- ❑ Good start to the new year: 7% growth in retail sales April 1st - May 22nd driven by store comeback and online sales at last year's high level
- ❑ 21/22 guidance – sustaining the 20/21 “uplift” and investing in higher long-term growth

- ❑ Strategy review: Stellar execution of “Renewing Matas” ahead of time
- ❑ Strategy preview: Matas Group – positioning for long-term growth



02

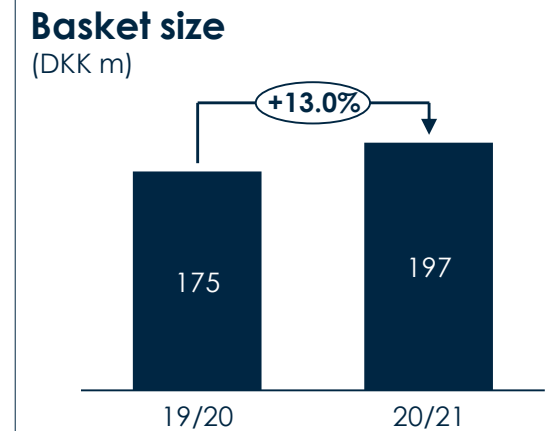
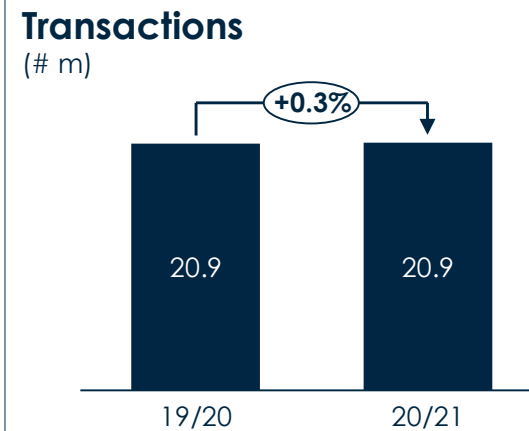
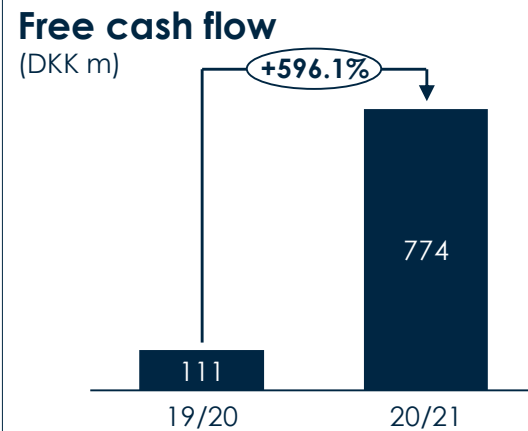
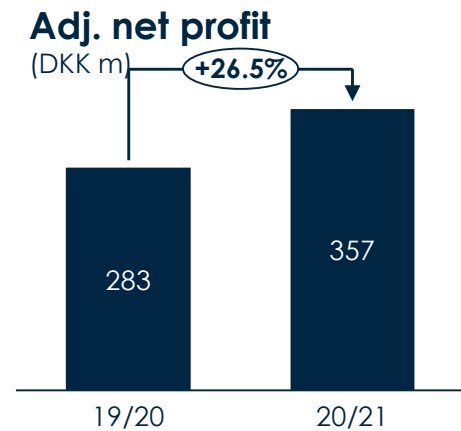
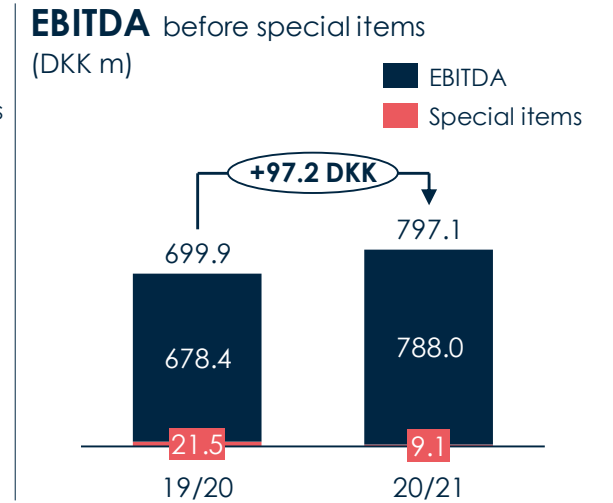
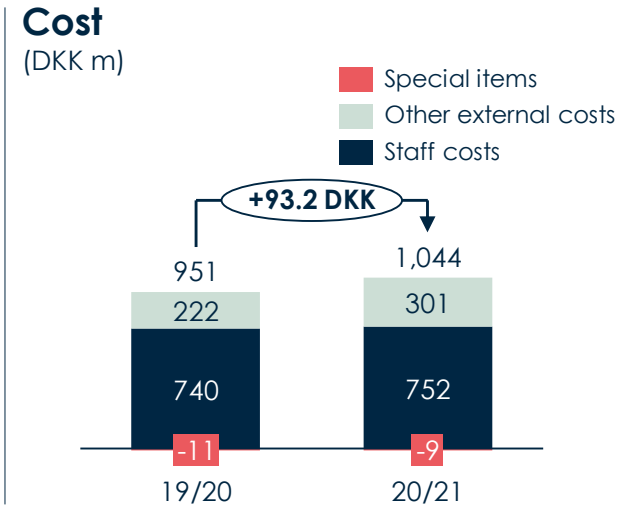
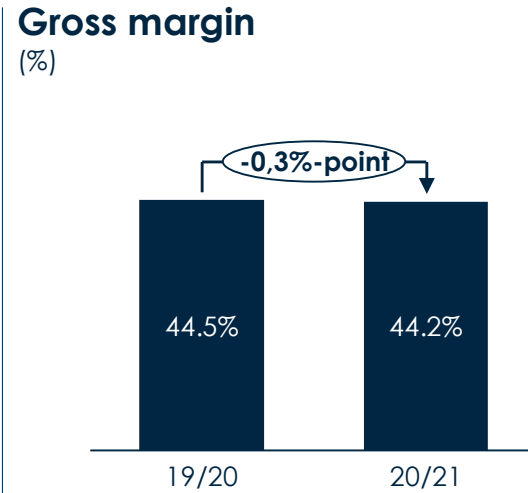
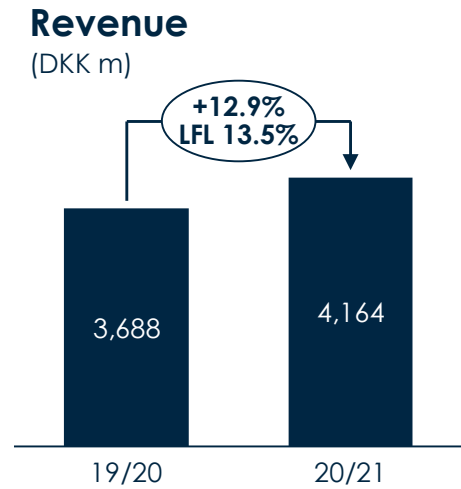
Financial results for 2020/21



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Key financials 2020/21

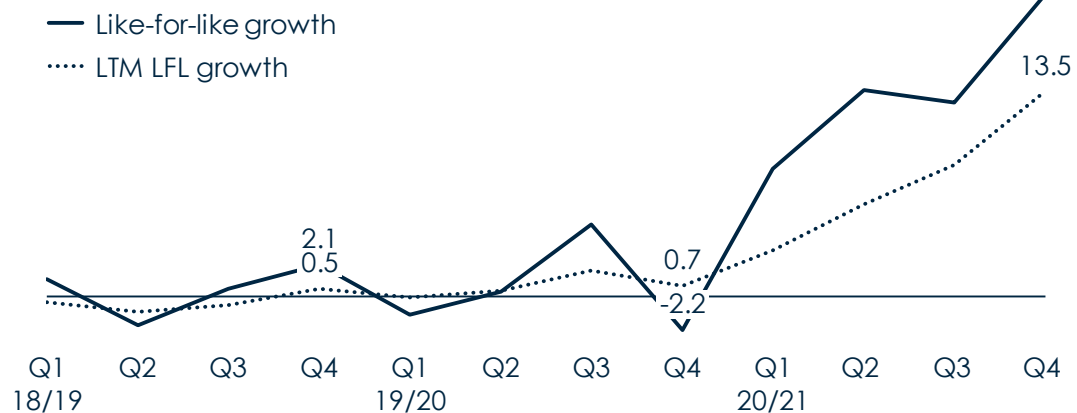
Financial results: 2020/21 vs. 2019/20



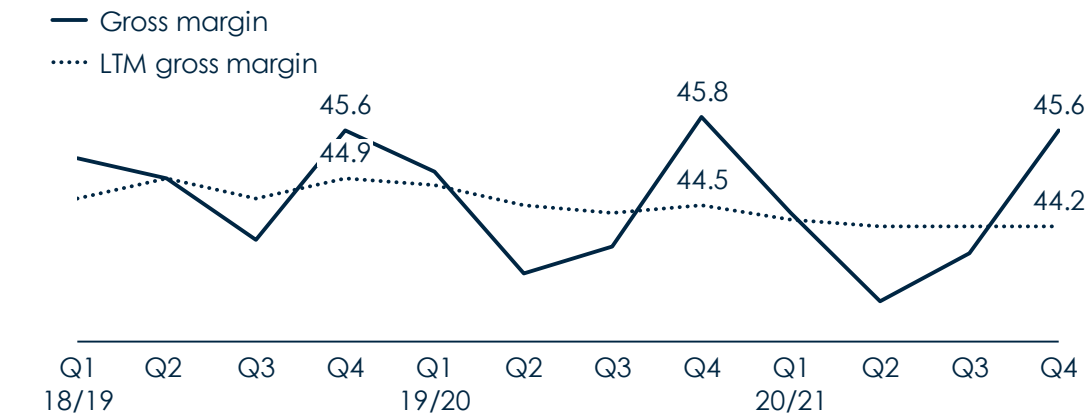
Long term trends: Revenue, Gross Margin and EBITDA

Financial results: Q1 2018/19 to Q4 2020/21

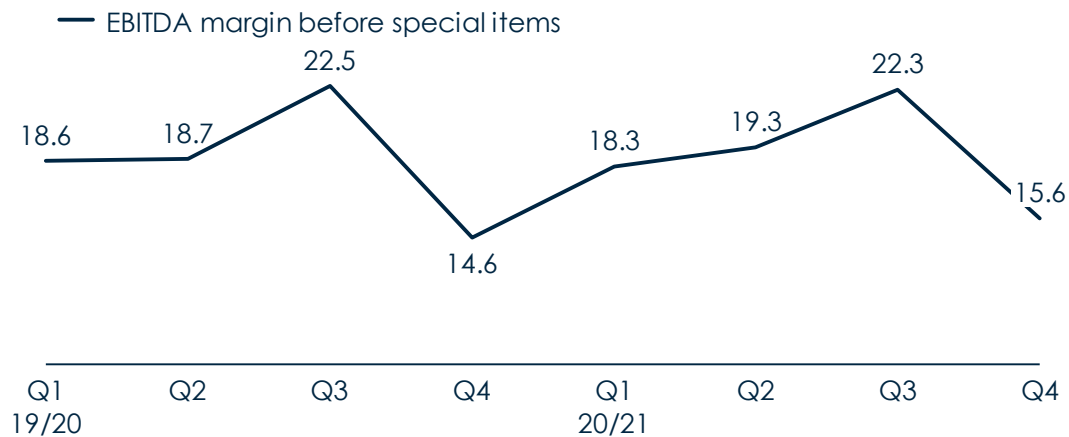
Revenue growth (%)



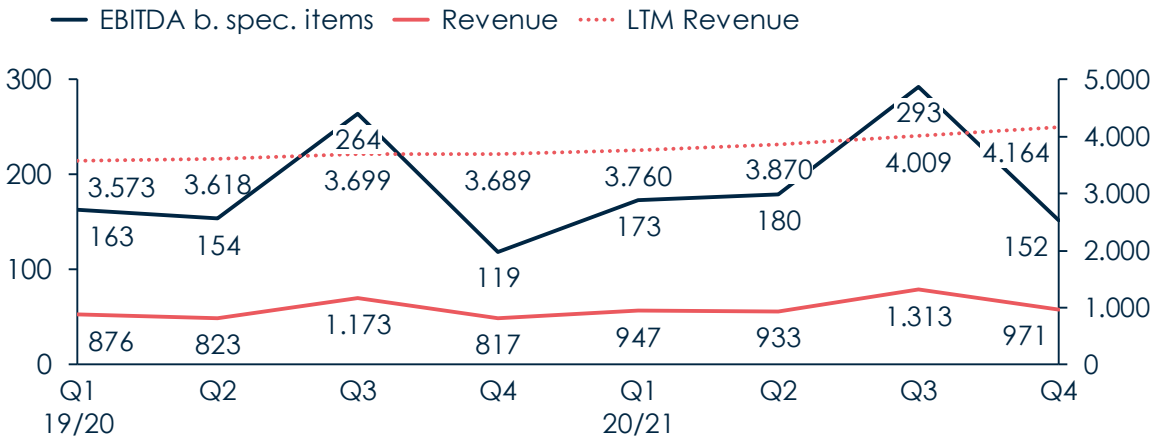
Gross Margin (%)



EBITDA margin (%)



Revenue & EBITDA (DKK m)



Cost development: **Underlying decline in cost** base of close to 3%

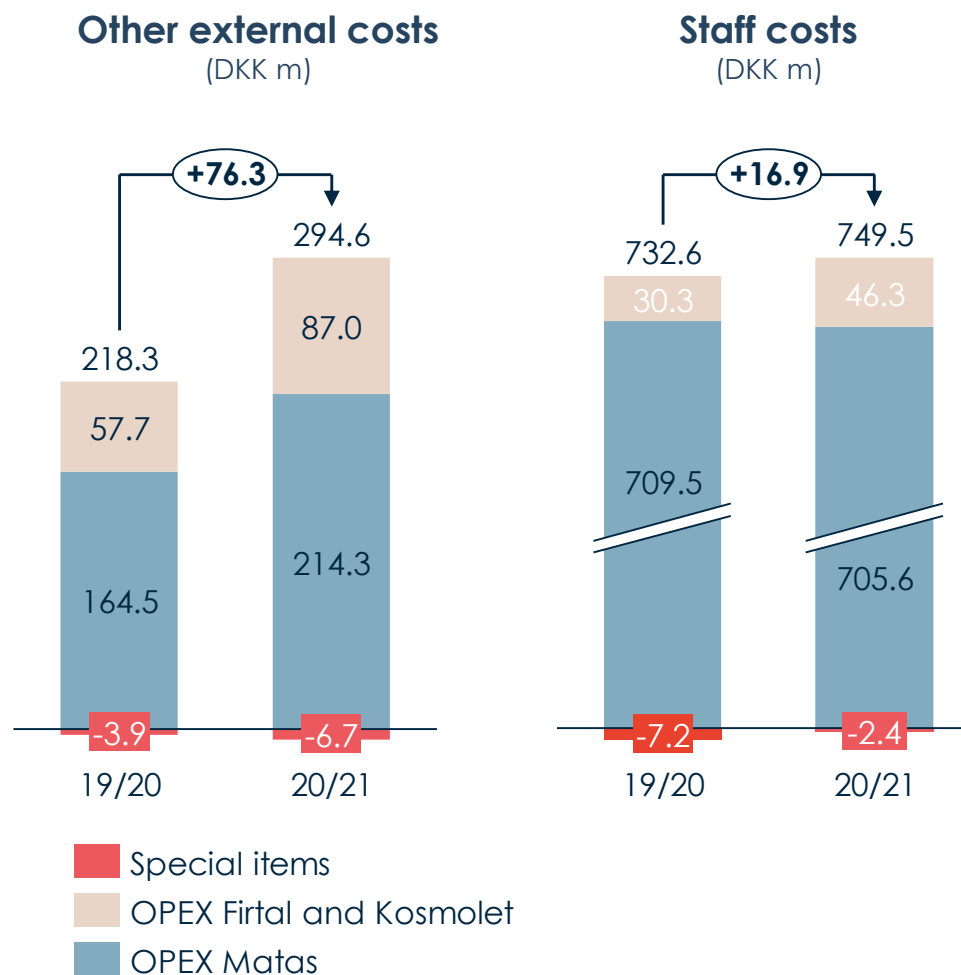
Financial results: 2020/21 vs. 2019/20

In 2020/21, total operating costs (ex one-offs) were up DKK 93 m from the year earlier

Total cost ratio (ex one-offs), was down at 25.1% from 25.8% in 2019/20

Cost drivers

- ↑ Added costs for fuelling online sales
- ↑ Added costs related to COVID-19
- ↑ Provision for special COVID-19 recognition for all employees
- ↓ Government COVID-19 compensation re. trainees
- ↓ Permanent net reductions in remaining underlying cost base compared to 2019/20 from cost efficiency actions within store operations as well as HQ process optimisation

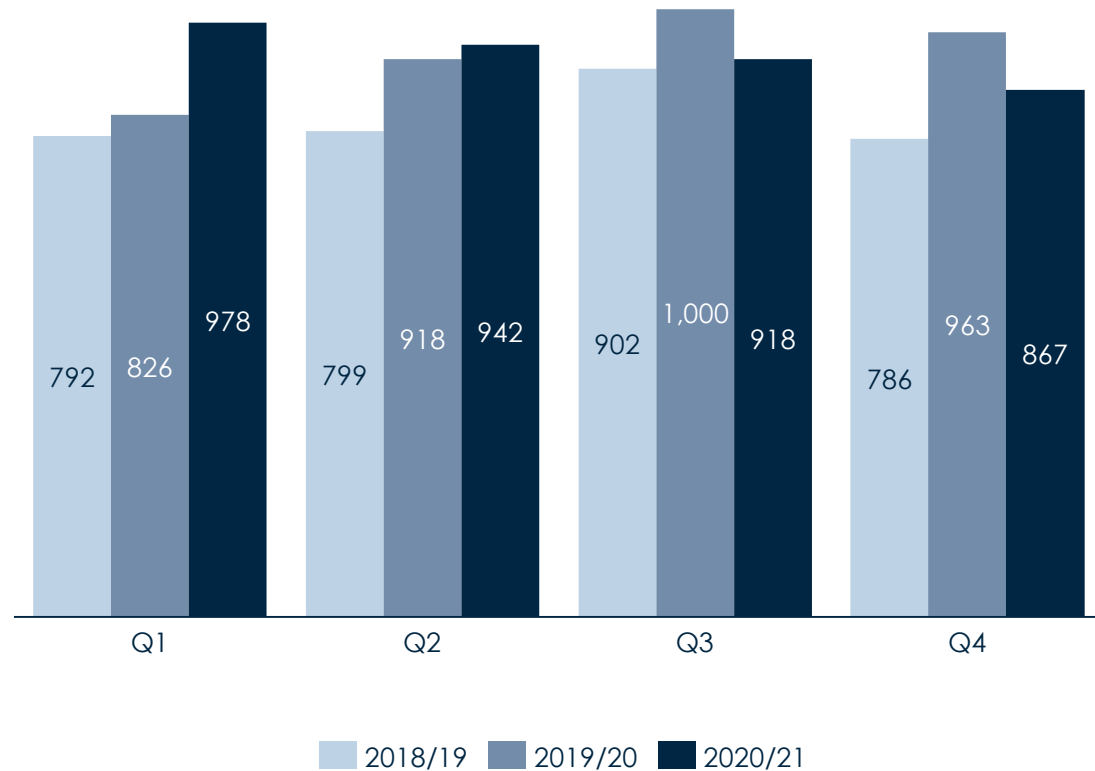


Improved inventory management – marked drop in inventories

Financial results: 2020/21 vs. 2019/20

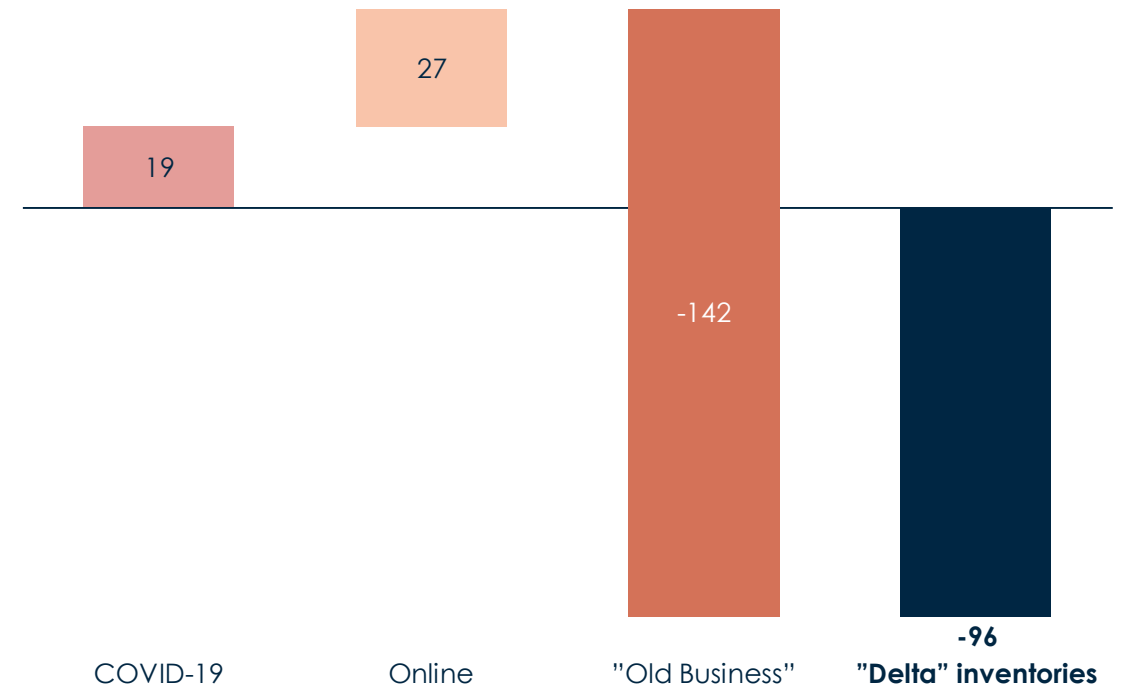
Inventories per quarter

(DKK m)



Inventories, end Q4 2020/21, change from 2019/20

(DKK m)



Big jump in the free cash flow of DKK 663 million to DKK 774 million

Financial results: 2020/21 vs. 2019/20

Cash flow and working capital developments

- Cash generated from operations before W/C was an inflow of DKKM 793 million in 2020/21 against an inflow of DKKM 685 in 2019/20, a rise of DKKM108
- Working capital fell DKKM 225 Y/Y while it rose by DKKM 191 adding DKKM 416 to the jump in the free cash flow. The fall was primarily due to a better development in both inventories and trade payables
- Capex fell by DKKM 44 Y/Y due to lower investments in the retail network only partially offset by increased investments related to IT/Online
- Acquisitions and other investments fell by DKKM 114 Y/Y as they were lifted by the acquisition of Kosmolet and Din Frisør Shop last year

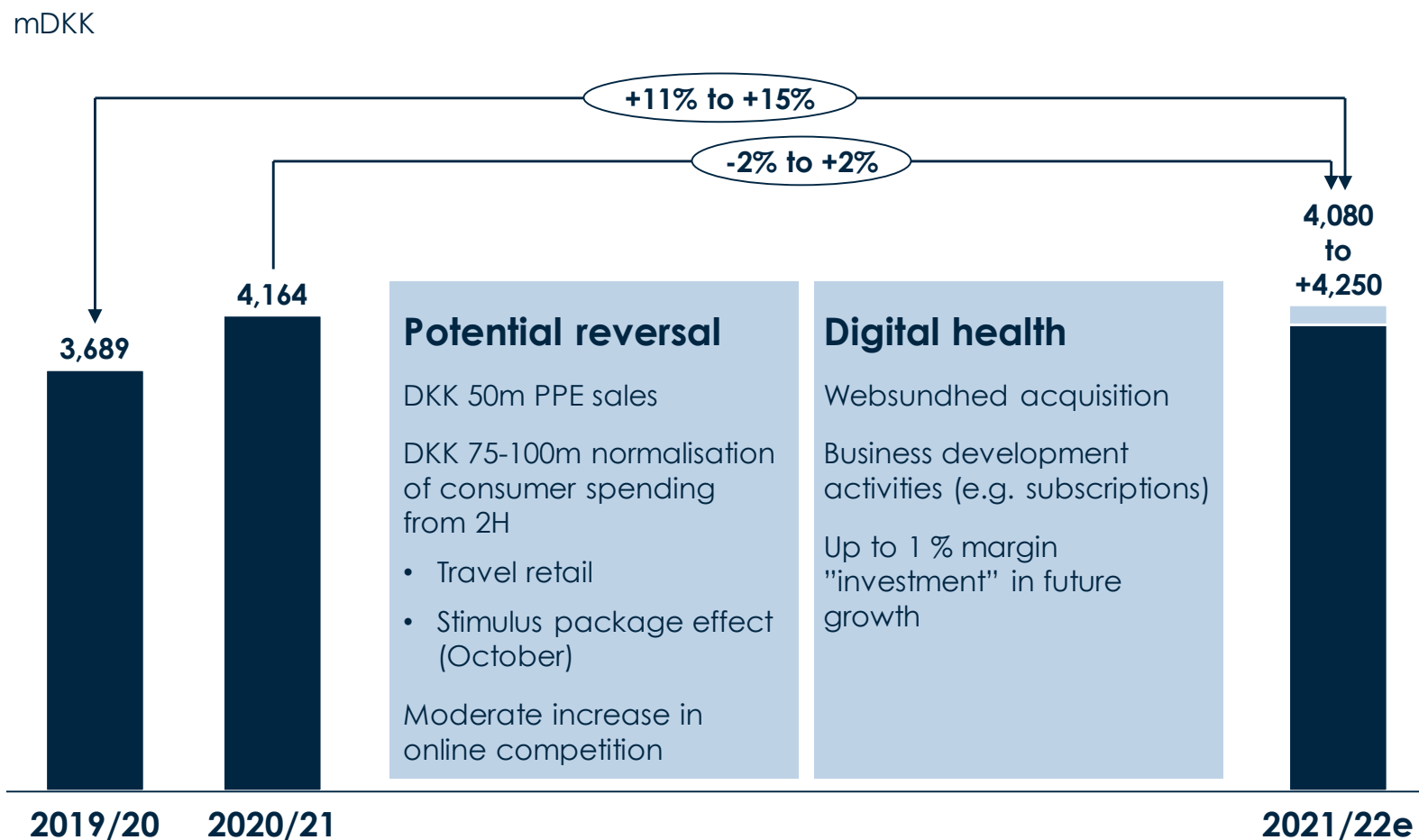
DKK million	2020/21	2019/20	Change YoY
Cash from operations before changes to working capital	793.2	685.4	107.8
Changes to working capital	225.4	-190.5	415.9
Cash from operations	1,018.6	494.9	523.7
Interests and taxes	-66.6	-48.1	-18.5
Cash flow from operating act.	952.0	446.8	505.2
CAPEX	-148.4	-192.5	44.1
Acquisition and other investments	-29.5	-143.1	113.6
Cash flow from investing act.	-177.9	-335.6	157.7
Free cash flow	774.1	111.2	662.9

03

Guidance for 2021/22



Financial guidance for 2021/22



- **Revenue expected in a DKK 4,050 – 4,250m range:**
 - Quarterly volatility expected to be high
 - Q2 20/21 affected by staycation – partial reversal expected
 - Extraordinarily high online share in Q3 and Q4 2020/21
 - Online share expected to stabilise at a higher level than pre-covid-19 level, but long term channel shift trend intact
- **EBITDA-margin expected in a 17.0-18.5% range**
 - Including up to 1% margin "investment" in future growth
- **CAPEX expected in a DKK 140-160m range**
 - Store CAPEX maintenance, not concept upgrades
 - Project LOG and M&A not included
- **Capital Allocation:** Payout ratio lowered to above 20% of net adjusted profit after tax (previously above 30%) to increase headroom for potential logistics investment and/or M&A

04

Q&A financial results



05

Strategy preview



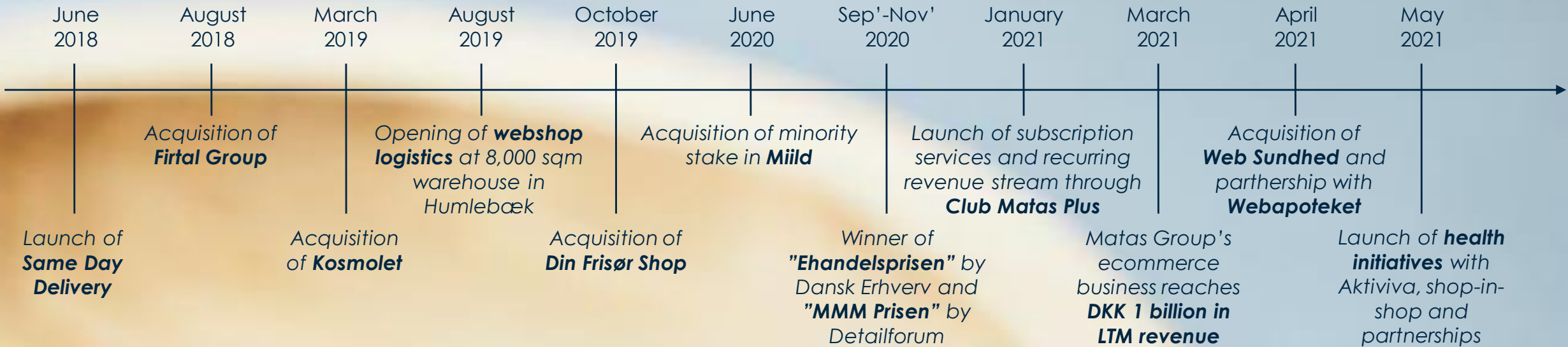
Point of departure:

Renewing Matas

The "Renewing Matas" 5-year strategy plan launched in 2018 has delivered results **across all five tracks**

1	Live our purpose Beauty & Wellbeing for Life	<ul style="list-style-type: none">• Improved brand to become #2 best brand in Denmark• ~20% increase in matas.dk satisfaction since 2018/19
2	Win online From top 3 to undisputed market leader	<ul style="list-style-type: none">• Matas.dk is 2nd most used webshop in Denmark• Online share of revenue +26%, a ~10x increase in 3 years• +600% growth on matas.dk since 2017/18
3	Consolidate & refresh stores Adapt the network & shopping experience	<ul style="list-style-type: none">• Store footprint at 264 – all but two have been profitable despite covid-19 restrictions in 2020/21• 49 store upgrades in the last 3 years
4	New growth Build the next destination categories	<ul style="list-style-type: none">• +29% growth in Health & Wellbeing since 2017/18• Added 11 digital verticals through acquisition of Firtal• Added #1 Danish make-up to own brand portfolio
5	Change how we work Enabling and funding the transformation	<ul style="list-style-type: none">• DKK ~75M cost savings reinvested in digital growth• LOG Project initiated with building plot secured• Revitalized culture and competencies

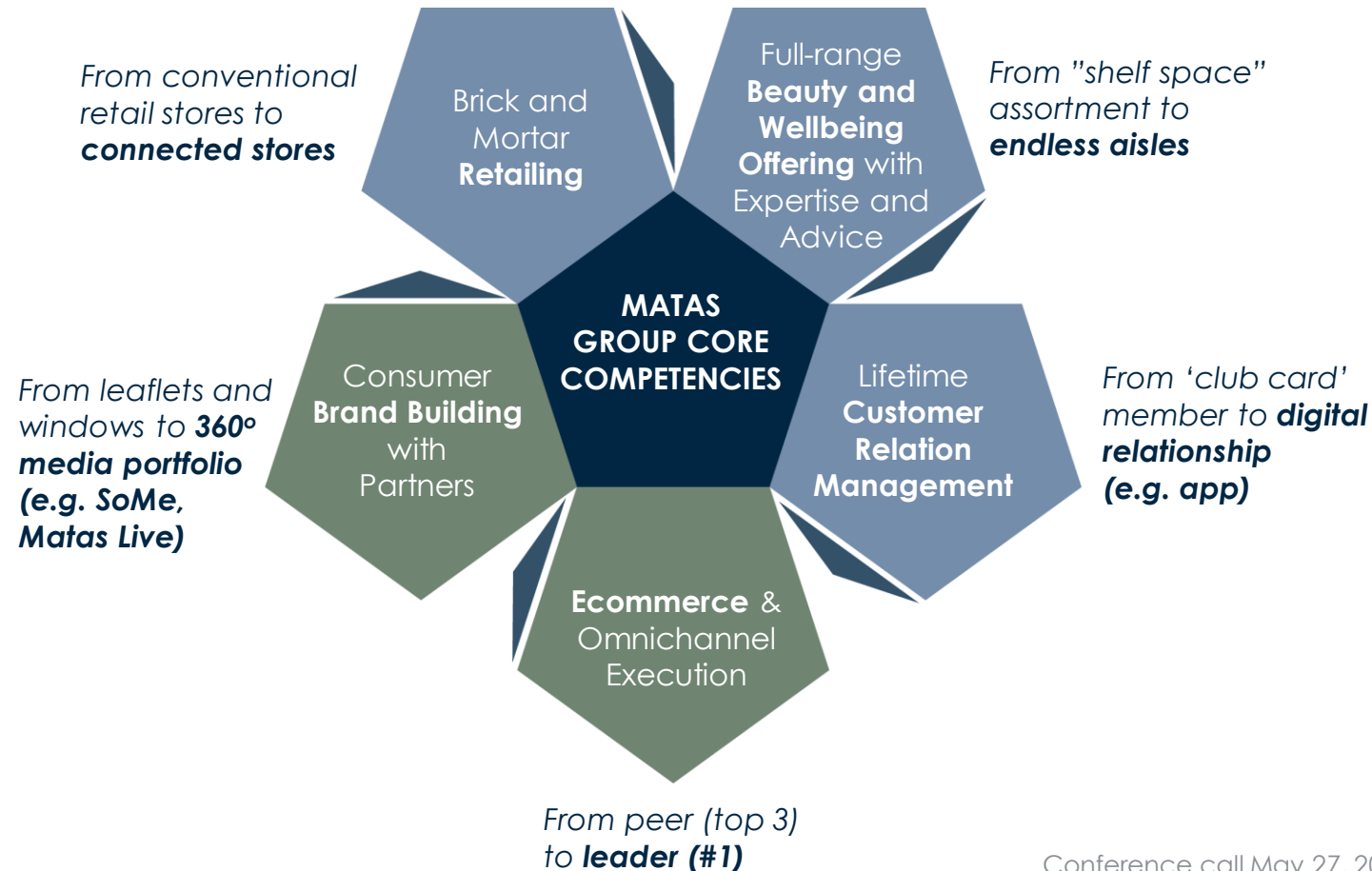
The **major milestones**: Strategy has been executed both organically and through M&A



We are now a digital company

We are now a digital company
across all functions and roles

The **core competencies** have been **digitized** and new competencies added to build a platform for **future growth and profitability**

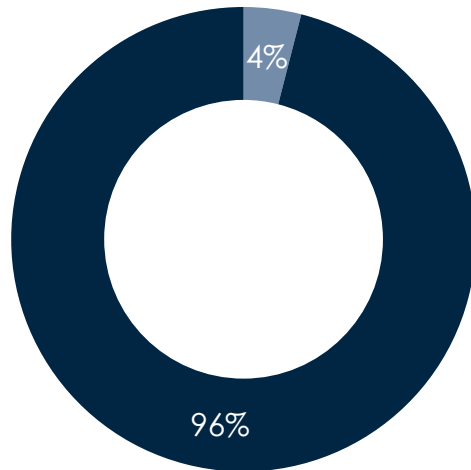


We are now a digital company
leading the online market

Matas has undergone a very **fast and successful digital transformation** to become the leading omnichannel retailer in beauty and wellbeing

2017/18: DKK 3.5B
Brick & mortar retailer

Matas Group Revenue Split
2017/18, DKK M / %



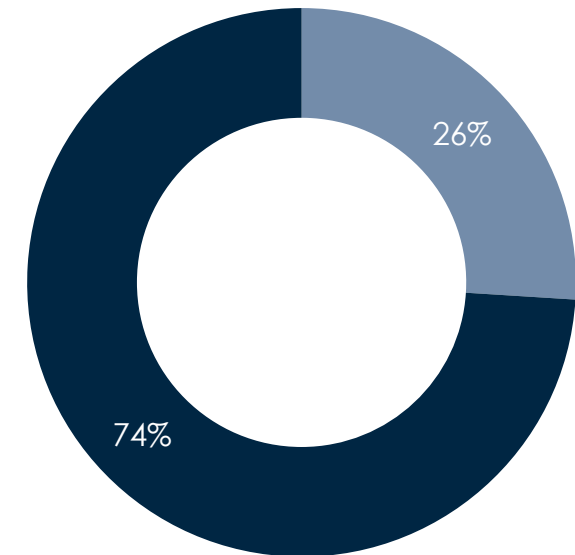
3-year digital transformation
DKK 1,100,000,000

Digital Revenue in 2020/21
(2017/18: DKK 123M)

● Stores ● Digital

2020/21: DKK 4.2B
Omnichannel retailer

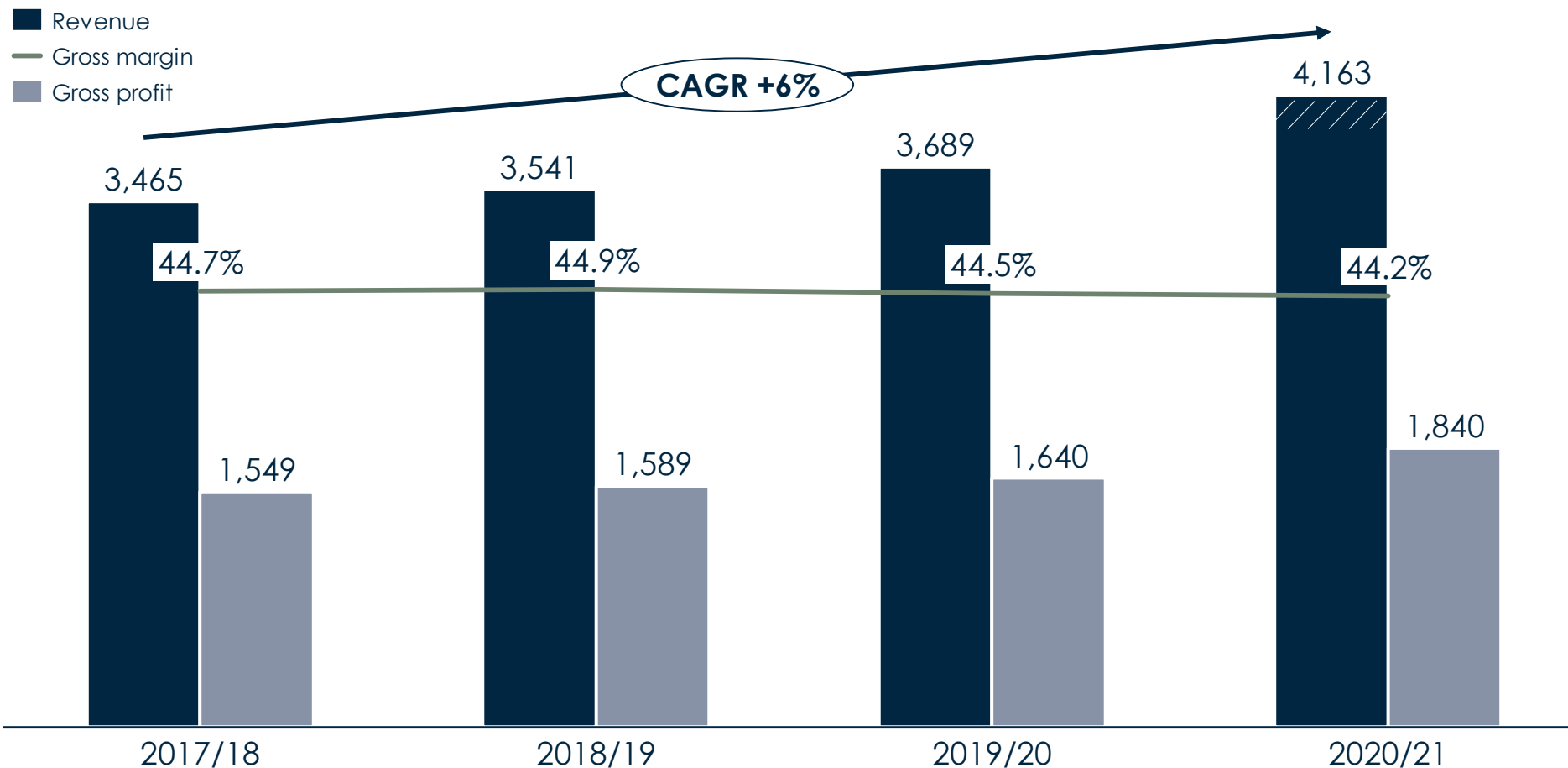
Matas Group Revenue Split
2020/21, DKK M / %



We are now a digital company
with a profitable business model

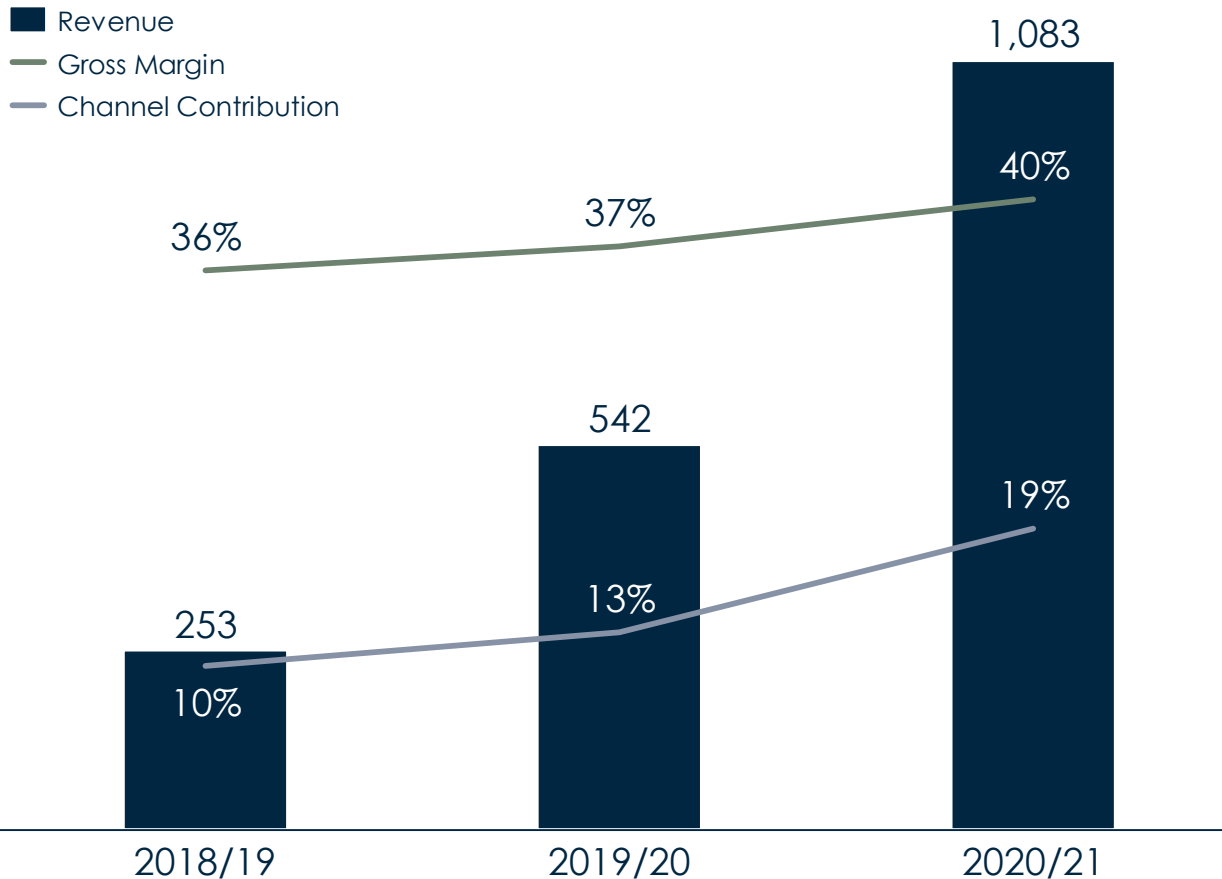
Revenue growth of 6% p.a. (including Covid-19 tailwind) achieved while **sustaining gross margins** despite margin erosion from channel shift

Matas Group Financial Development
2017/18 – 2020/21, DKK M / %



Superior online profitability due to **omnichannel synergies** and **scale effects**

Matas Group Ecommerce Financial Development
2018/19 – 2020/21, DKK M / %



Sales synergies: Cross-selling & CLV*

Sourcing synergies: Buying power



















Marketing synergies: CAC** & mROI

Fulfillment synergies: Click & Collect

Staff synergies: Shared services

We are now a digital company
with competitive advantages

Matas has built a number of assets to fend off the anticipated competitive pressure and **capture growth and value**

	Assets & Capabilities	KPI trend	Key facts
	Matas' brand		<ul style="list-style-type: none"> #2 strongest brand overall in DK, #1 in Health & Beauty (YouGov)
	Club Matas		<ul style="list-style-type: none"> 1.7M members of which 1.5M are active 70% of Danish women between age 18 and 65
	Omni-channel		<ul style="list-style-type: none"> +600.000 omnichannel customers (spend 2x offline customers) Local stores with trained staff, connected retail and high NPS
	Own digital channel		<ul style="list-style-type: none"> Customer satisfaction for matas.dk at record highs, with NPS at 68 Same day delivery available for ~50% of Danish consumers
	Portfolio: Price fighter channels		<ul style="list-style-type: none"> Firtal Group has a low cost operating model and 11 webshops
	Own media & content		<ul style="list-style-type: none"> Monthly reach of 1.8M persons across channels Significant growth in own digital media portfolio and reach
	House brands		<ul style="list-style-type: none"> 16% of Matas sales* from House Brands, incl. private label 47% private label share in Mass Beauty
	Selective distribution/Authorized Dealer		<ul style="list-style-type: none"> 39% of Matas sales* from High End Beauty with selective distribution Access to exclusives, news, content and marketing support
	Commercial model: Dynamic pricing		<ul style="list-style-type: none"> High campaign share limits competitive exposure Every Day Low Price on key value items

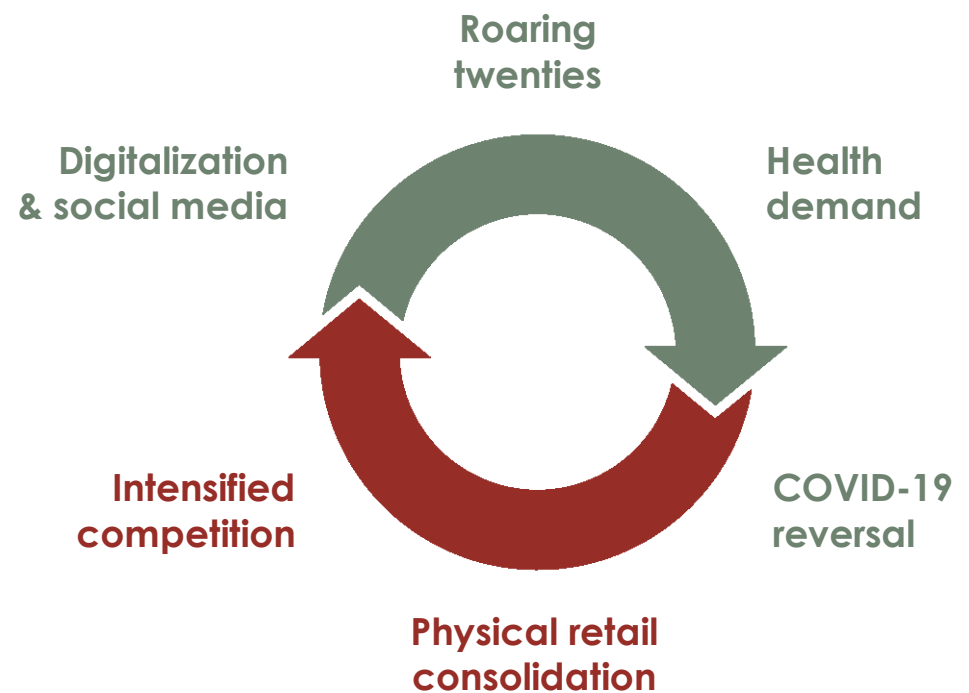
We are now a digital company
with long-term growth prospects

Looking ahead, the attractive Health & Beauty market is expected to **outgrow the general economy** with six major factors affecting the future

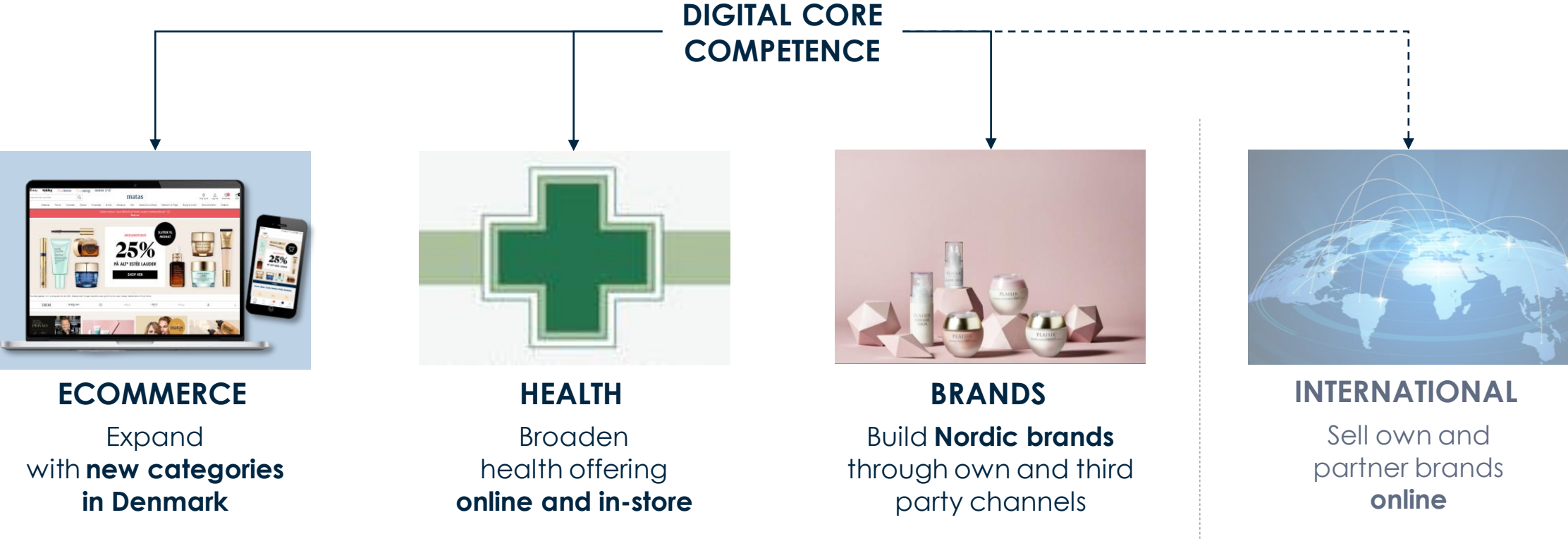
Health & Beauty continues to be a growing market with attractive margins

- Market **outgrowing general economy** for numerous years expected to continue due to continued demographic and lifestyle evolution
- Evergreen need for inner and outer beauty, making sales **resilient to economic cycles**
- **Large profit pools** to be shared across the entire value chain due to limited commoditization
- Consumer preferences for **brands, newness, experience** and **advice** drives differentiation and premiums
- Massive innovation in the **consumer health space** opening new growth opportunities

Market will be affected by six major factors with overall positive trend for the near future



The digital core competencies allow for three addressable **expansion opportunities** and one medium-term opportunity



Strategy Preview:

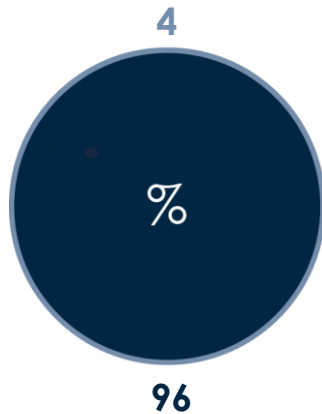
Building **Matas Group** through
Digital Growth

The Matas Group Purpose:
Health and beauty for life

Ambition is to accelerate growth by **doubling the digital revenue** and build a **digital health and beauty group** towards 2025/26

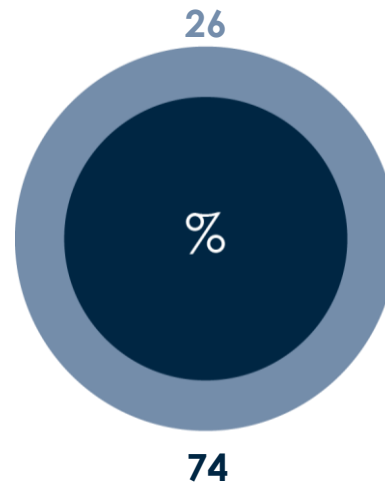
**2017/18:
Brick & mortar retailer**

Matas Group Revenue Split
2017/18, %



**2020/21:
Omnichannel retailer**

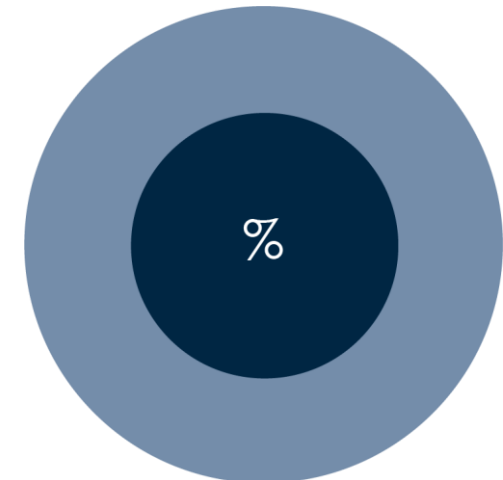
Matas Group Revenue Split
2020/21, %



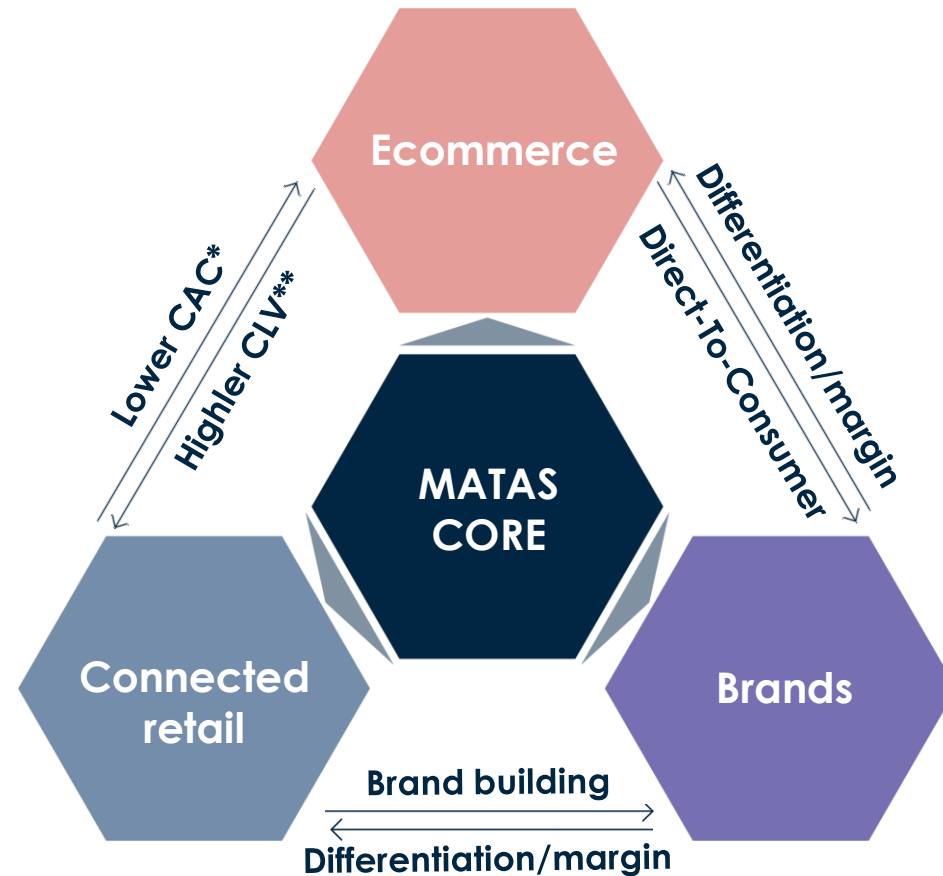
● Stores ● Digital

**2025/26:
Health & Beauty Group**

Matas Group Revenue Split
2025/26, %

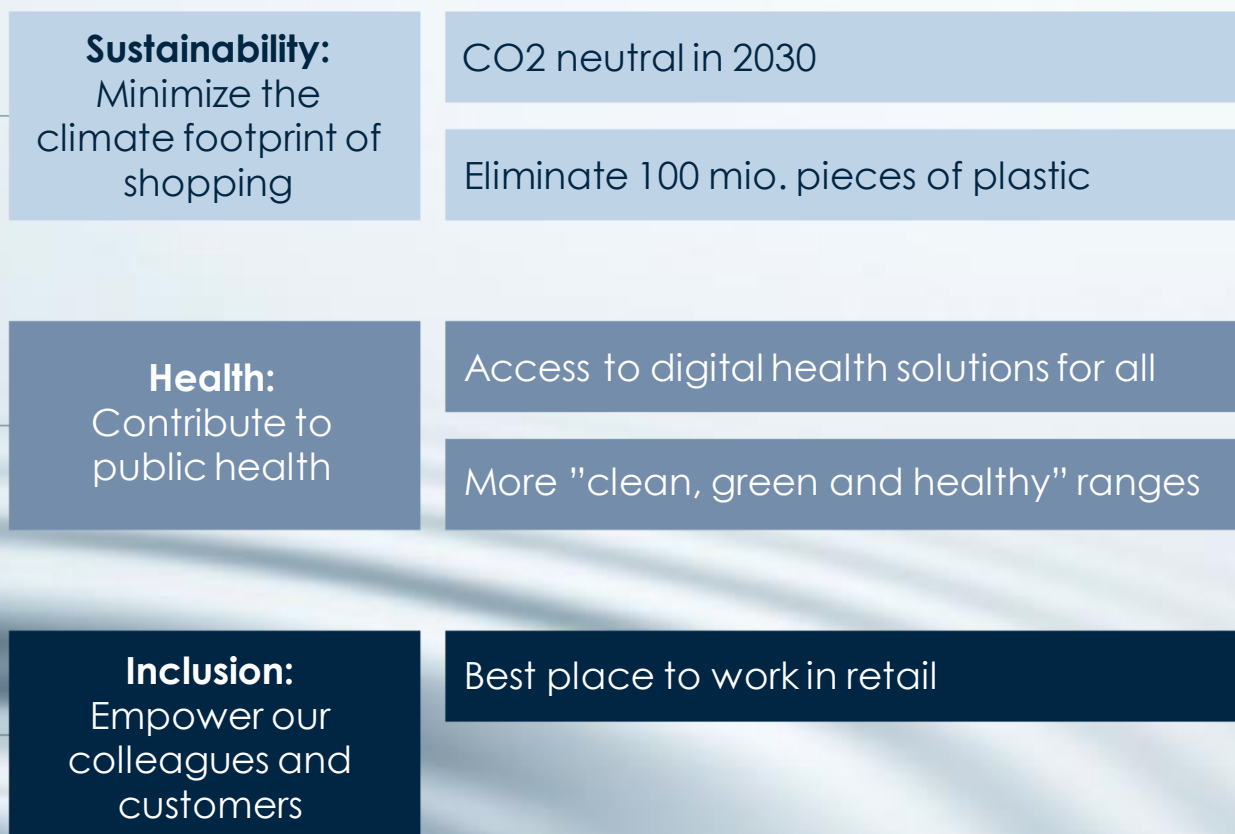


Matas Group: The **health and beauty group** consists of three mutually supportive growth platforms and a shared core



Matas Group is based on **Nordic values**: ESG/CSR strategy is linked to our purpose and is a competitive advantage

Health and Beauty for Life

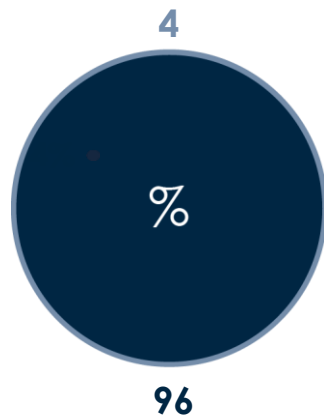


- Science-based targets
- Milestone and activity plans
- ESG reporting according to GRI and UN Global Compact signatories
- Compliance on GDPR and product safety
- Supplier code of conduct
- Governance and incentives

The 2025/26 ambition is to **double the digital revenue** and become a Health and Beauty Group with **a stronger brand portfolio**

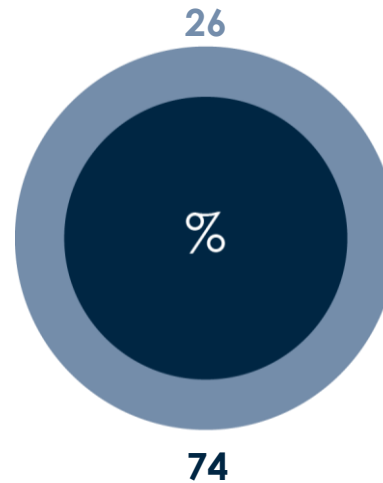
2017/18: Brick & mortar retailer

Matas Group Revenue Split
2017/18, %



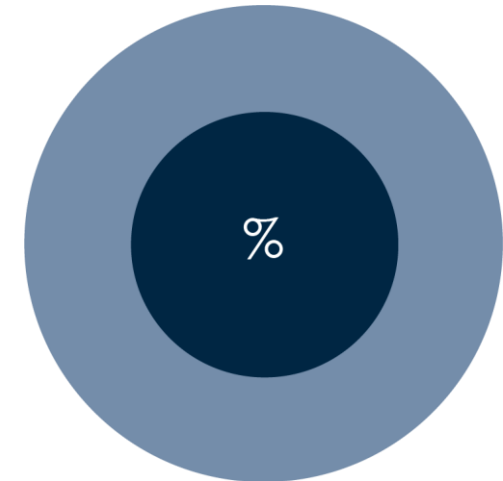
2020/21: Omnichannel retailer

Matas Group Revenue Split
2020/21, %



2025/26: Health & Beauty Group

Matas Group Revenue Split
2025/26, %



Peers:



● Stores ● Digital

Peers:



The Matas Group **leadership team is in place** to execute the new strategy



**Gregers
Wedell-
Wedellsborg**
CEO



**Anders
T. Skole-Sørensen**
CFO



**Brian
Andersen**
Ecommerce
Director



**Lise
Ryevad**
Commercial
Director



**Christian
Schmidt**
Retail
Director



**Michael
Shin**
Brands
Director



**Thomas
Grane**
IT & Organization
Director



**Brian
Gøbel-Poulsen**
Logistics
Director

Matas Group

*Join us for our capital markets day on
August 18th 2021 in Copenhagen or via Webcast*

Appendix

Matas' Capital Allocation

– Dividend and share buy back

Dividends and share buy backs for 2020/21

- The Board of Directors proposes that DKK [150] million, equivalent to [42%] of Matas' adjusted profit for 2021/21, to be distributed to the Company's shareholders
- Half of this amount will be distributed as dividend, equivalent to DKK 2 per share,
- Half will be paid out in the form of a share buyback programme with most of the shares bought back being cancelled.

Gearing principles and CAPEX for 2021/22

- A gearing of between 2.5 and 3 times EBITDA to net interest bearing debt. The gearing ratio should not materially exceed 3 for longer periods of time
- CAPEX expected in a DKK 140-160m range
 - Store CAPEX maintenance, not concept upgrades
 - Project LOG and M&A not included

1



GEARING

2



INVESTMENTS

3



DISTRIBUTION

Matas' Q4 2020/21

Revenue

971 DKKm

Q4 2019/20: 817 DKKm

EBITDA before special items

152 DKKm

Q4 2019/20: 119 DKKm

Like-for-like growth

19.8%

Q4 2019/20: -2.2%

EBITDA margin before special items

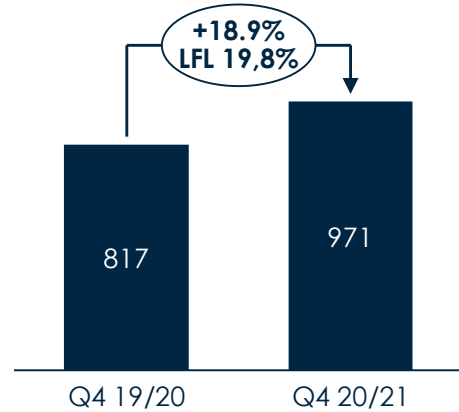
15.6%

Q4 2019/20: 14.6%

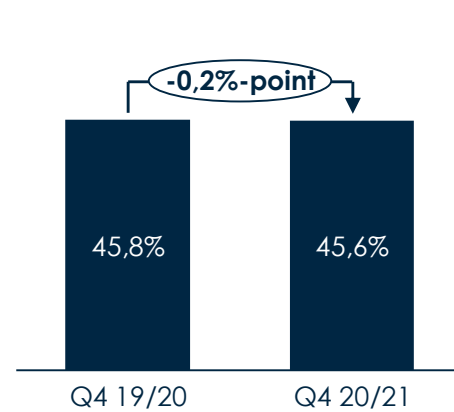
Key financials Q4

Financial results: Q4 2020/21 vs. Q4 2019/20

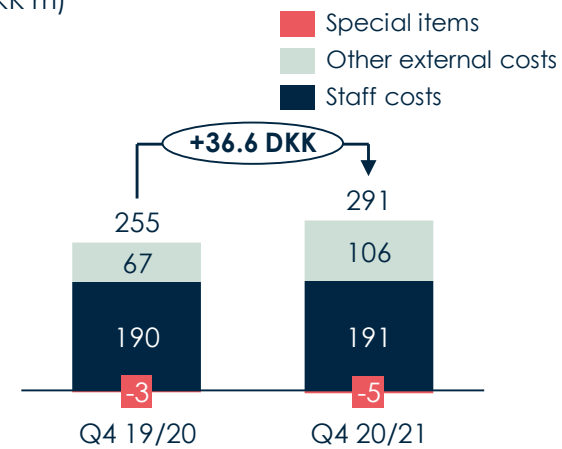
Revenue
(DKK m)



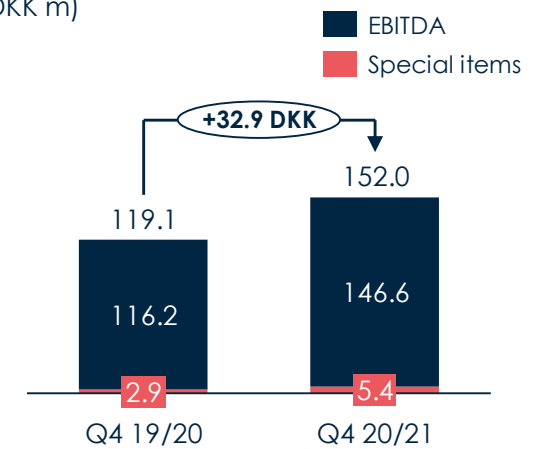
Gross margin
(%)



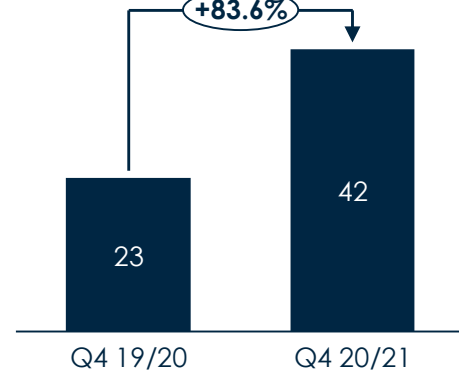
Cost
(DKK m)



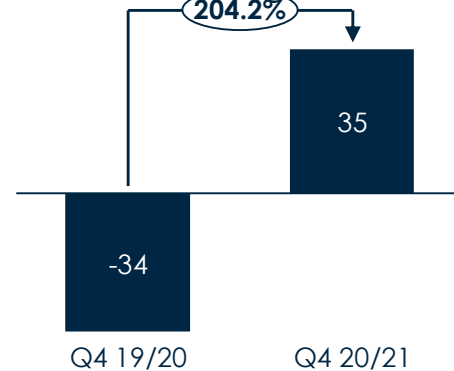
EBITDA before special items
(DKK m)



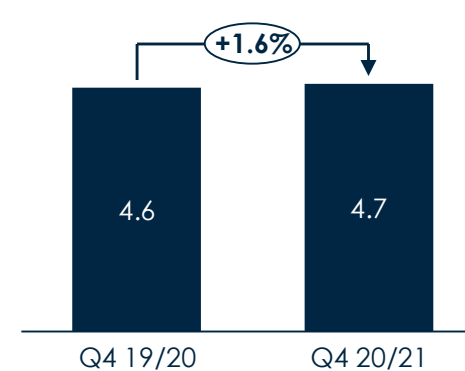
Adj. net profit
(DKK m)



Free cash flow
(DKK m)



Transactions
(# m)



Basket size
(DKK m)

