

# matas



Matas | Q2 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.



## CEO comment



matas

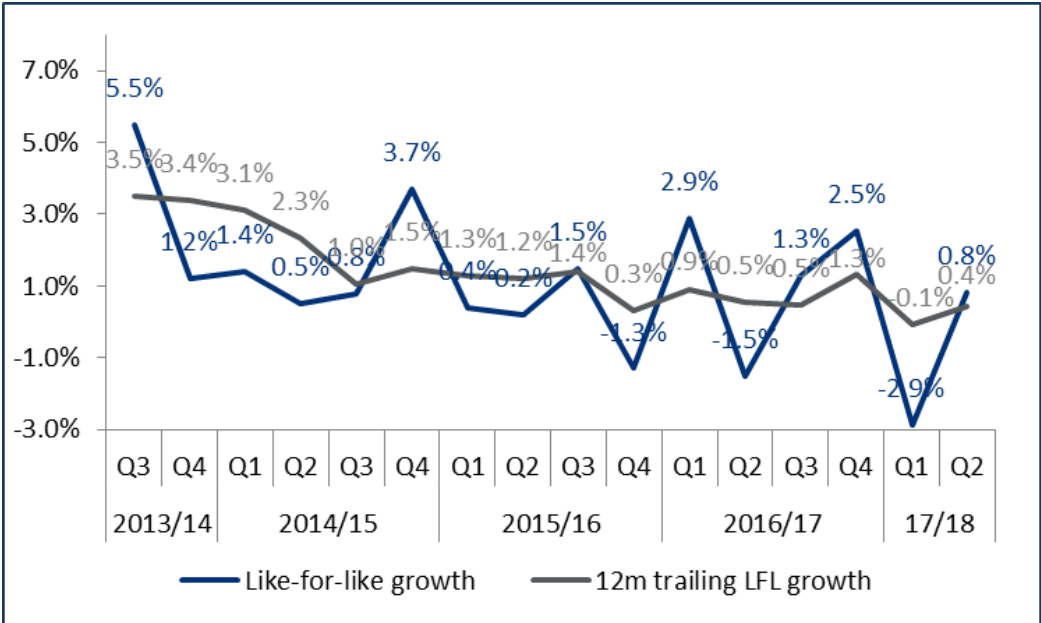
# Business Update – Financials Q2 2017/18

- Total revenue up 0.8% with an underlying growth of 0.8% compared to the year-earlier period driven by
  - solid growth in High-End Beauty and Vital and a 6.5% increase in basket size
- Gross profit of DKK 344.2 m impacted by
  - growth in High-End Beauty, which was able to offset the decline in Mass Market due to increased competition
  - growth in Vital supported by strong Club Matas campaigns; declining sales within Material
- Gross margin fell to 44.2% from 46.9% in the year-earlier period due to
  - stronger price competition necessitating increased campaign focus and sharpened price offerings
- Cost under control
  - in Q2 2017/18 total costs declined DKK 11.8 m compared to same period last year, exclusive costs related to the change of CEO
  - One-offs of DKK 12.7 in Q2 related to the CEO change
- CAPEX amounted to DKK 22.7 m in Q2 2017/18, compared to 23.4 m in Q2 last year
  - During the quarter two stores were merged into one at a new location, one associated store was acquired and the largest Matas store to date, consisting of 746 sq.m. including MAC and NYX shop in shops, was opened in Rødovre
- Cash Flow from operating activities at DKK 48.0 m, up from DKK 1.6 m
- Gross debt of DKK 1,746.3 m and Net Debt of DKK 1,694.0 m at 30 September 2017 corresponding to 2.8 x LTM EBITDA

# Growth in Q2 2017/18 driven by High End Beauty and Vital

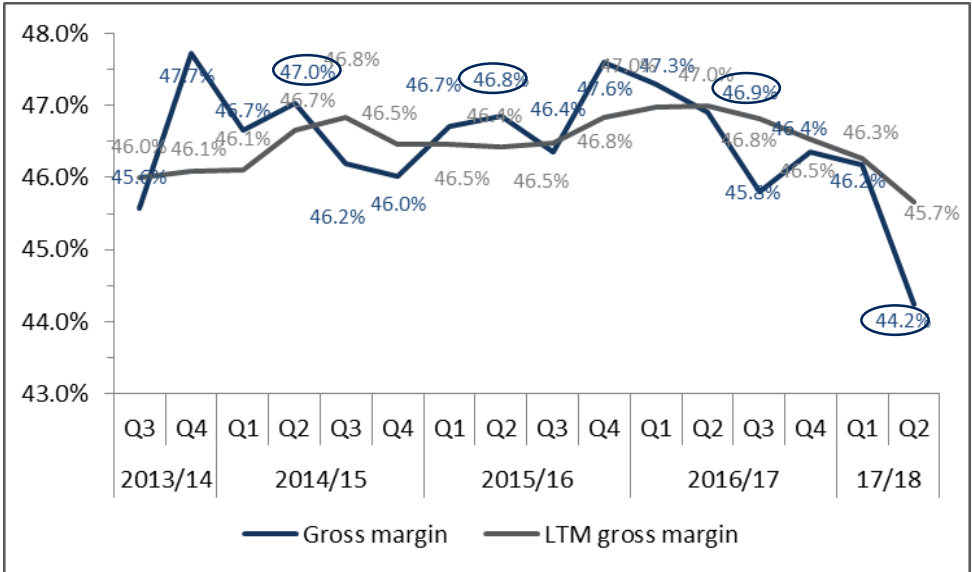
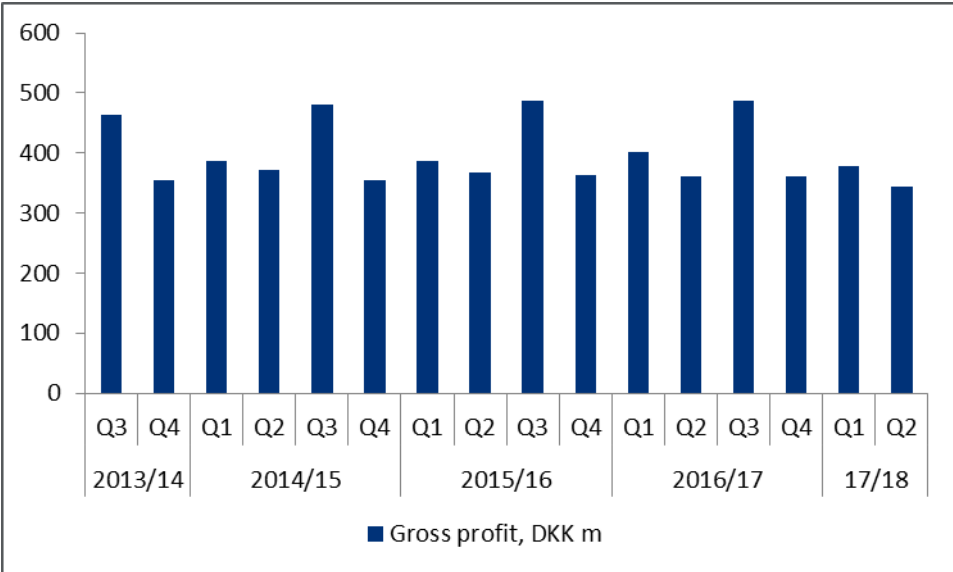
- Total revenue grew 0.8% in Q2 2017/18
- Overall Beauty sales grew
  - High End Beauty grew by 7.8% supported by customers trading up and successful Club Matas campaigns
  - Mass Beauty declined 2.6%, driven by increased competition, increased trade up to High End and a decline in the sale of coloured cosmetic brands
- Vital sales grew 11.8%, primarily due to successful Club Matas campaigns
- Material declined 8.4% due to increased competition and a decline in seasonal sales
- MediCare sales were flattish

DKK million	2017/18 Q2	2016/17 Q2	Growth	Ex. aquisitions
Beauty	530	518	2.3%	1.1%
Vital	106	95	11.8%	9.8%
Material	82	90	-8.4%	-9.6%
MediCare	48	48	0.7%	-0.7%
Other	8	6	19.7%	NM
<b>Total revenue from own retail stores</b>	<b>774</b>	<b>757</b>	<b>2.2%</b>	
Sales of goods to associated stores etc.	4	15	-72.6%	
<b>Total revenue</b>	<b>778</b>	<b>772</b>	<b>0.8%</b>	



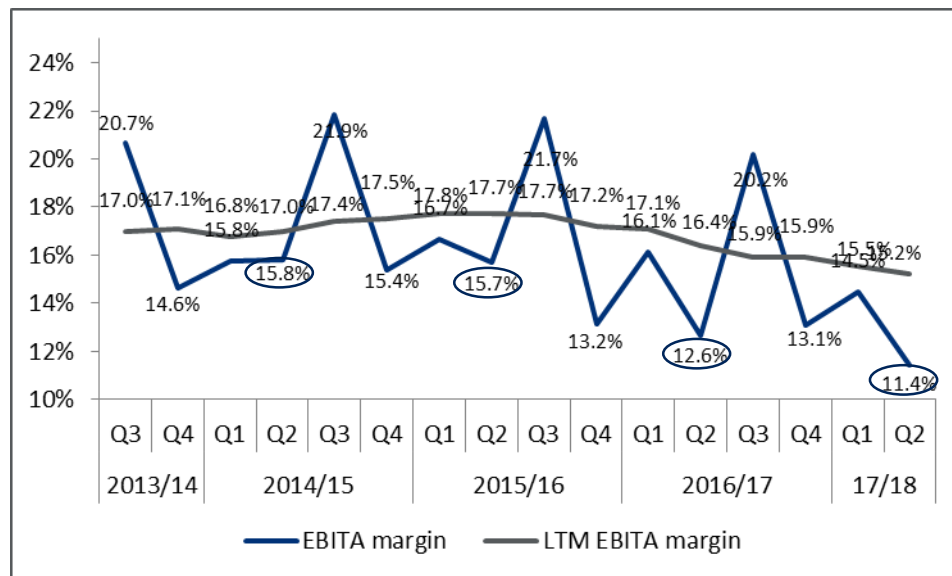
# Gross Margin down in Q2 2017/18

- Gross margin fell to 44.2% vs. 46.9% same quarter last year
- Margin compression caused by stronger price competition necessitating increased campaign focus and sharpened price offerings
- Gross profit of DKK 344.2 m down from DKK 361.9 m in Q2 last year
- Last 12 months (LTM) gross margin 45.7%, down 0.6%-points from last quarter



## EBITA margin declined in Q2 2017/18

- EBITA margin down to 11.4% from 12.6% in Q2 2016/17
- Other external costs were 8.8% of revenues in Q2 2017/18 compared to 8.9% last year
- Staff cost were 23.3% of revenues in Q2 at same level as last year. When excluding costs related to change of CEO staff cost declined to 21.7% of revenues in Q2 2017/18
  - The number of employees declined as a result of completed cost reductions, particularly at the store level



	2017/18	2016/17	Change
DKK million	Q2	Q2	
Other external costs	69	69	-0.4%
- share of revenue	8.8%	8.9%	
Staff costs	181	180	0.7%
- share of revenue	23.3%	23.3%	
Number of stores	279	276	

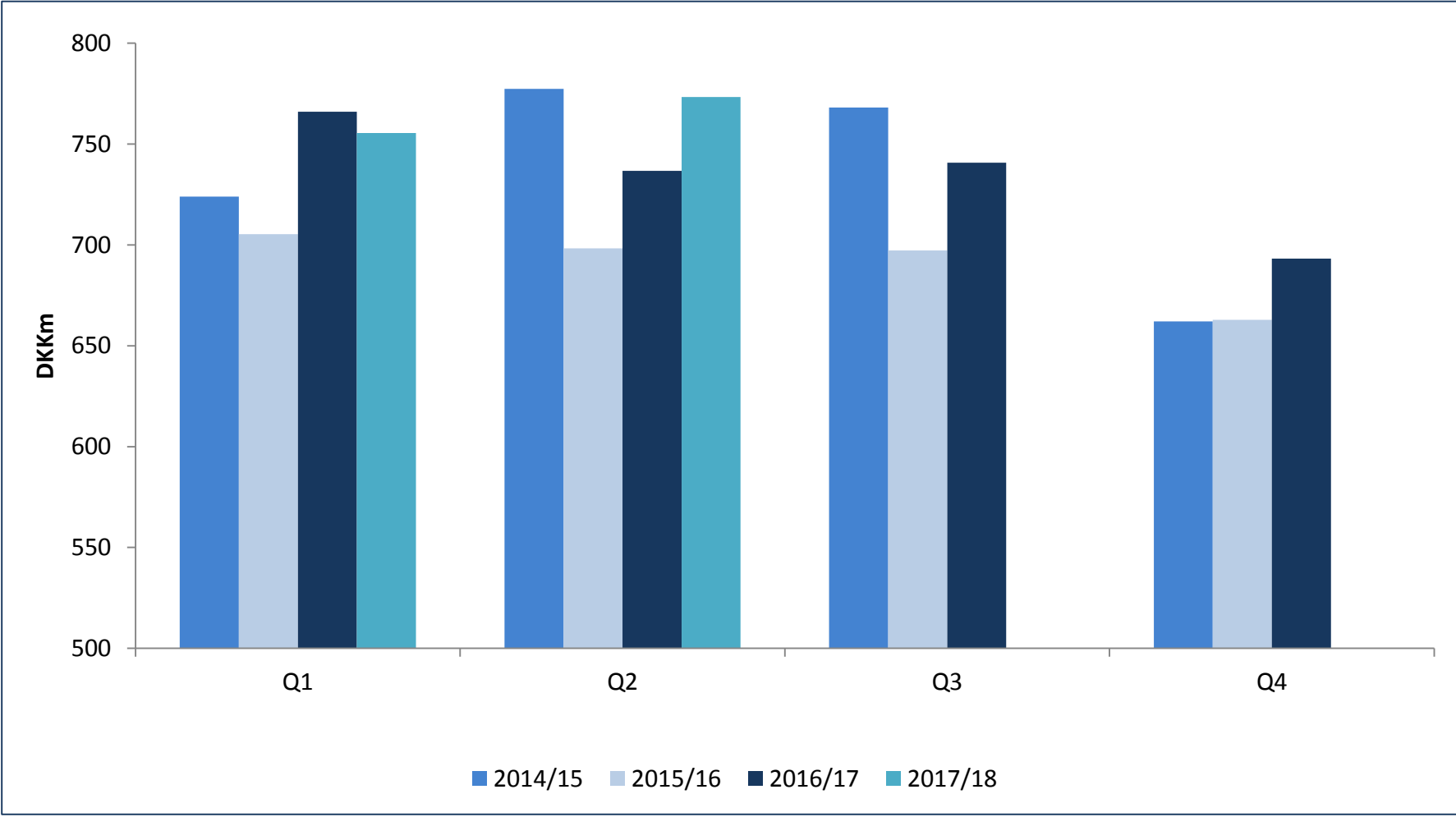


## Income Statement for Q2 2017/18 vs. Q2 2016/17

DKK million	2017/18 Q2	2017/18 Q1	2016/17 Q4	2016/17 Q3	2016/17 Q2	Growth Q2 vs Q2
<b>Revenue</b>	<b>778</b>	<b>821</b>	<b>779</b>	<b>1,064</b>	<b>772</b>	<b>0.8%</b>
<b>Gross profit</b>	<b>344</b>	<b>379</b>	<b>361</b>	<b>488</b>	<b>362</b>	<b>-4.9%</b>
<i>Gross margin</i>	44.2%	46.2%	46.4%	45.8%	46.9%	
Other external costs	-69	-70	-72	-84	-69	-0.4%
Staff costs	-181	-173	-167	-172	-180	0.7%
<b>EBITDA</b>	<b>95</b>	<b>137</b>	<b>122</b>	<b>232</b>	<b>113</b>	<b>-16.4%</b>
Amortisation and depreciation	-38	-37	-39	-36	-35	8.3%
<b>Operating profit</b>	<b>57</b>	<b>100</b>	<b>83</b>	<b>196</b>	<b>79</b>	<b>-27.4%</b>
Net financials	-5	-5	-13	-8	-8	-36.8%
Profit before tax	52	95	70	188	70	-26.3%
Tax on profit for the period	-11	-21	-18	-41	-16	-26.8%
<b>Profit for the period</b>	<b>40</b>	<b>74</b>	<b>53</b>	<b>147</b>	<b>55</b>	<b>-26.1%</b>
<b>Diluted Earnings per share, DKK</b>	<b>1.07</b>	<b>1.96</b>	<b>1.39</b>	<b>3.82</b>	<b>1.39</b>	<b>-23.0%</b>
<b>EBITA</b>	<b>89</b>	<b>119</b>	<b>102</b>	<b>215</b>	<b>98</b>	<b>-8.7%</b>
<b>EBITA margin</b>	<b>11.4%</b>	<b>14.5%</b>	<b>13.1%</b>	<b>20.2%</b>	<b>12.6%</b>	
<b>Tax rate</b>	<b>22.0%</b>	<b>22.0%</b>	<b>25.1%</b>	<b>21.7%</b>	<b>22.1%</b>	
<b>Adjusted net profit</b>	<b>65</b>	<b>89</b>	<b>67</b>	<b>162</b>	<b>69</b>	<b>-5.9%</b>



# Inventories higher end-Q2 2017/18 vs end-Q2 2016/17



## Declining net working capital in Q2 2017/18

- DKK -53 m in cash outflow from changes in net working capital
- Inventories increased DKK 18 m from end of Q1 2017/18
- Trade payables of DKK 26 m, significantly lower than in Q2 2016/17

DKK millions	2017/18 Q2	2017/18 Q1	2016/17 Q4	2016/17 Q3	2016/17 Q2
Change in inventories	-18	-62	48	-4	29
Change in receivables	5	3	8	5	-6
Change in trade and other payables	-29	-1	-58	164	-133
- trade payables	-26	4	19	67	-123
- other payables	-3	-5	-77	96	-10
<b>Total change in net working capital excl. acquisitions and one-offs</b>	<b>-42</b>	<b>-60</b>	<b>-3</b>	<b>164</b>	<b>-109</b>
<b>Total change in net working capital all inclusive</b>	<b>-53</b>	<b>-60</b>	<b>-4</b>	<b>168</b>	<b>-107</b>

## Cash Flow remained strong in Q2 2017/18

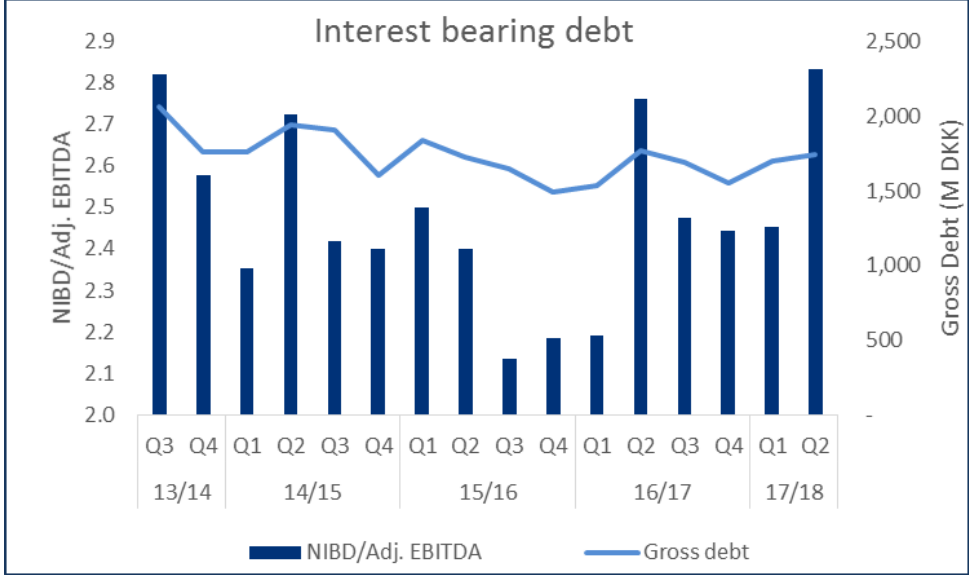
- Cash flow from operating activities amounted to DKK 48.0 m compared to DKK 1.6 m in Q2 2016/17 due to a DKK 41.1 m increase in cash generation from operations
- Investments of DKK 22.7 m related primarily to upgrade of stores and IT and to the purchase of two smaller associated store. In Q2 2016/17 investments amounted to DKK 23.4 m
- Free cash flow of DKK 25.3 m compared to DKK -21.8 m in the same period last year
- Cash flow from financing activities decreased by DKK 143.7 m due to the timing of financing of part of the dividend payment, which was paid out in July 2017

DKK million	2017/18 Q2	2017/18 Q1	2016/17 Q4	2016/17 Q3	2016/17 Q2
<b>Cash generated from operations*</b>	<b>54</b>	<b>77</b>	<b>119</b>	<b>401</b>	<b>13</b>
Paid interest and taxes	-6	-7	-46	-70	-12
<b>Cash flow from operating activities</b>	<b>48</b>	<b>69</b>	<b>73</b>	<b>331</b>	<b>2</b>
Acquisition of PPE and intangibles	-18	-33	-20	-25	-20
Acquisition of subsidiaries and activities	-5	-3	-8	-6	-3
<b>Free cash flow</b>	<b>25</b>	<b>33</b>	<b>45</b>	<b>299</b>	<b>-22</b>
Cash flow from financing activities	-193	154	-178	-168	-50
<b>Net cash flow from operating, investing and financing activities</b>	<b>-168</b>	<b>187</b>	<b>-133</b>	<b>132</b>	<b>-71</b>

\* Including changes to working capital.

# Capital Structure

- Gross debt of DKK 1,746.3 m at 30 September 2017, within target range of DKK 1.6-1.8 bn
- Net Debt DKK 1,694.0 m at 30 September 2017, corresponding to 2.8 x LTM EBITDA
- Dividend policy and gross debt level targets remain unchanged



		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

# Guidance for 2017/18

## Revenue

- A decline in underlying (like-for-like) revenue of 0-2% after effect from fewer trading days

## Earnings

- EBITA before exceptional items of DKK 440-470 million

## Investments

- Investments of around DKK 90-100 m (excluding store acquisitions)

EBITA is stated before exceptional items as per the definition on page 80 of the Annual Report for 2016/17. Accordingly, exceptional items related to planned measures to improve the profit performance are not included in the EBITA guidance for 2017/18. Non-recurring costs of DKK 12.7 million incurred in connection with the change of Matas A/S's CEO are included in EBITA guidance.



# Measures to enhance short-term performance

**Customer centric measures**

**Cost reductions**

## Measures to enhance performance – Customer centric measures

### E-commerce

- Appointment of E-commerce Director with reference to the CEO
- Initiatives to make it the shopping experience more seamless
- Strengthening of Club Matas, the digital platform and webshop

### Competitive strength

- Investments in campaigns and price perception
- Lower prices on key brands and Matas own brands, e.g. “Striberne”
- Tangible new benefits and more personalised offers to the 1.8 m Club Matas members

# Measures to enhance performance – Cost reductions

## StyleBox

- StyleBox to be closed as a chain by end-Q4 2017/18
- Five stores and one shop-in-shop to be closed
- StyleBox.dk and one shop-in-shop to continue

## Store network

- Acceleration of the consolidation of our store network including store mergers and moves
- This could potentially result in some store closures

## Cost programme

- Focus on savings in non-customer-oriented activities
- Cost reductions through implementation of technology; e.g. work-force planning tools

## *Net effect*

- *A reduction in revenue of DKK 40 to 50 m in 2018/19*
- *One-off costs of DKK 15 to 25 m in 2017/18*
- *Effect on EBITA of DKK 30 to 40 m in 2018/19, most of which will be reinvested in growth initiatives*

# Strategy update initiated

## 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



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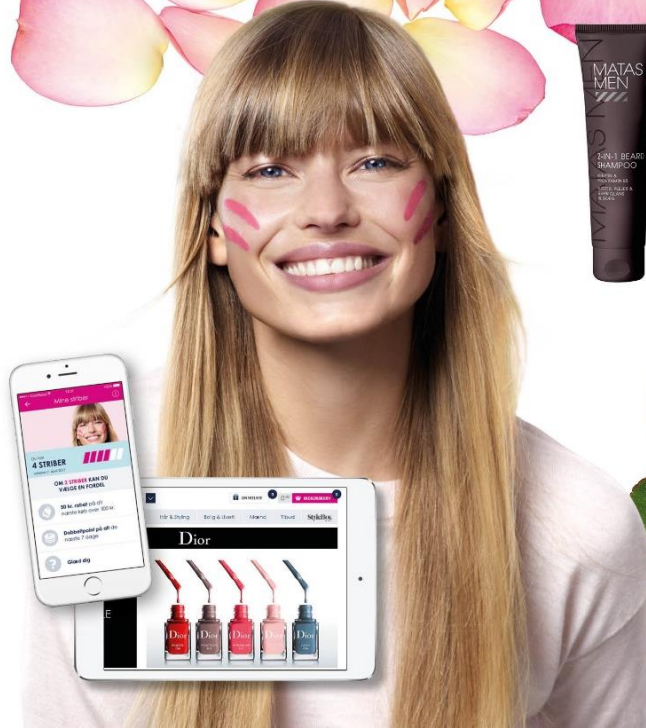
# Q&A



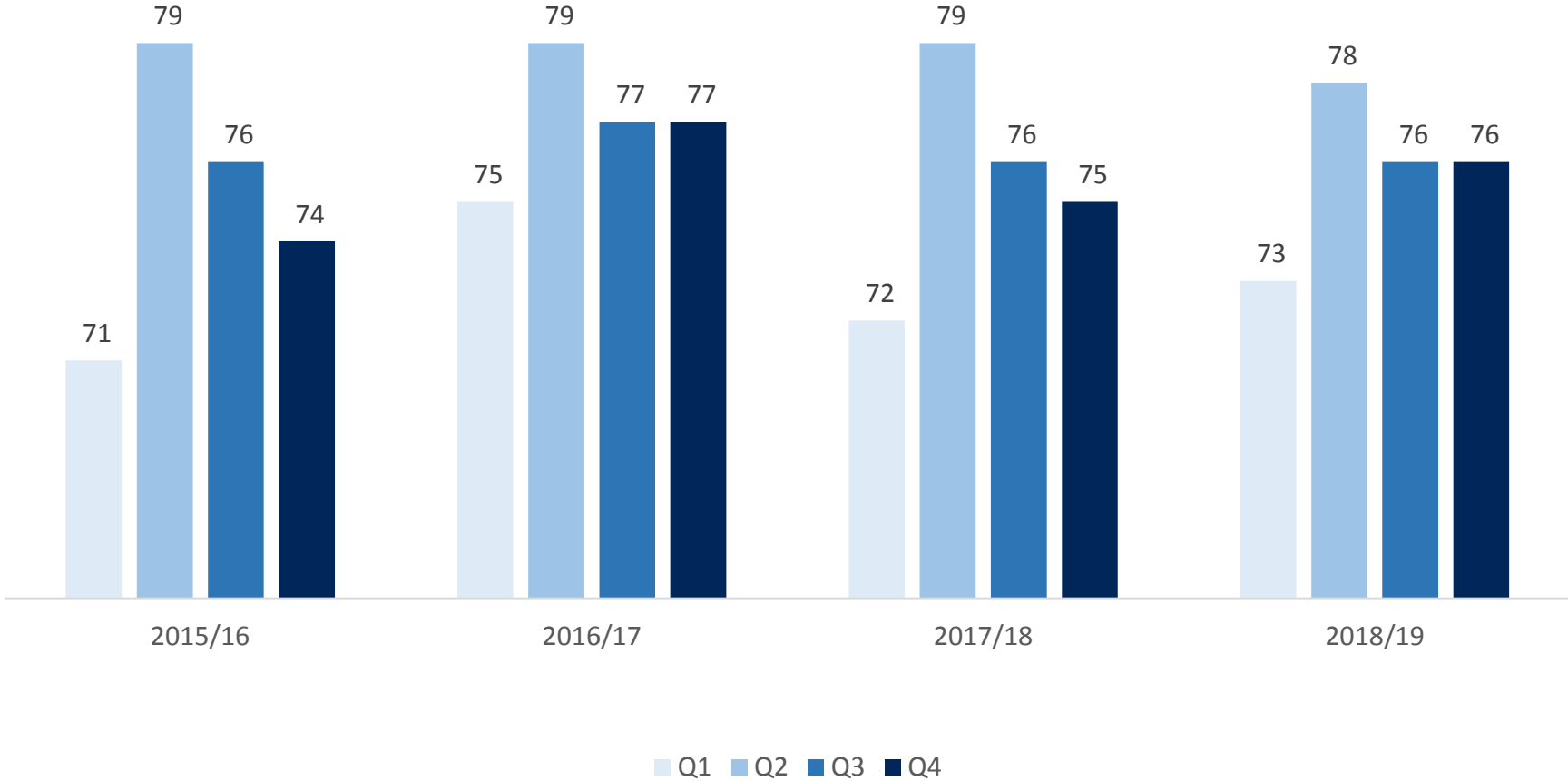


# Appendix – Introduction to Matas

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



# Matas is the leading Health & Beauty retailer in Denmark

**# 1**

Health and Beauty retail  
chain in Denmark

**286**

Matas stores – and a web  
shop – across Denmark

**98 %**

Awareness  
among women

**~19 m**

Visitors on  
Matas.dk in 2016

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**DKK 3.5 bn**

Revenue in 2016/17

**~1.7 m**

members of Club Matas loyalty scheme  
(~more than 70% of all women 18-65 yrs)

**~22 m**

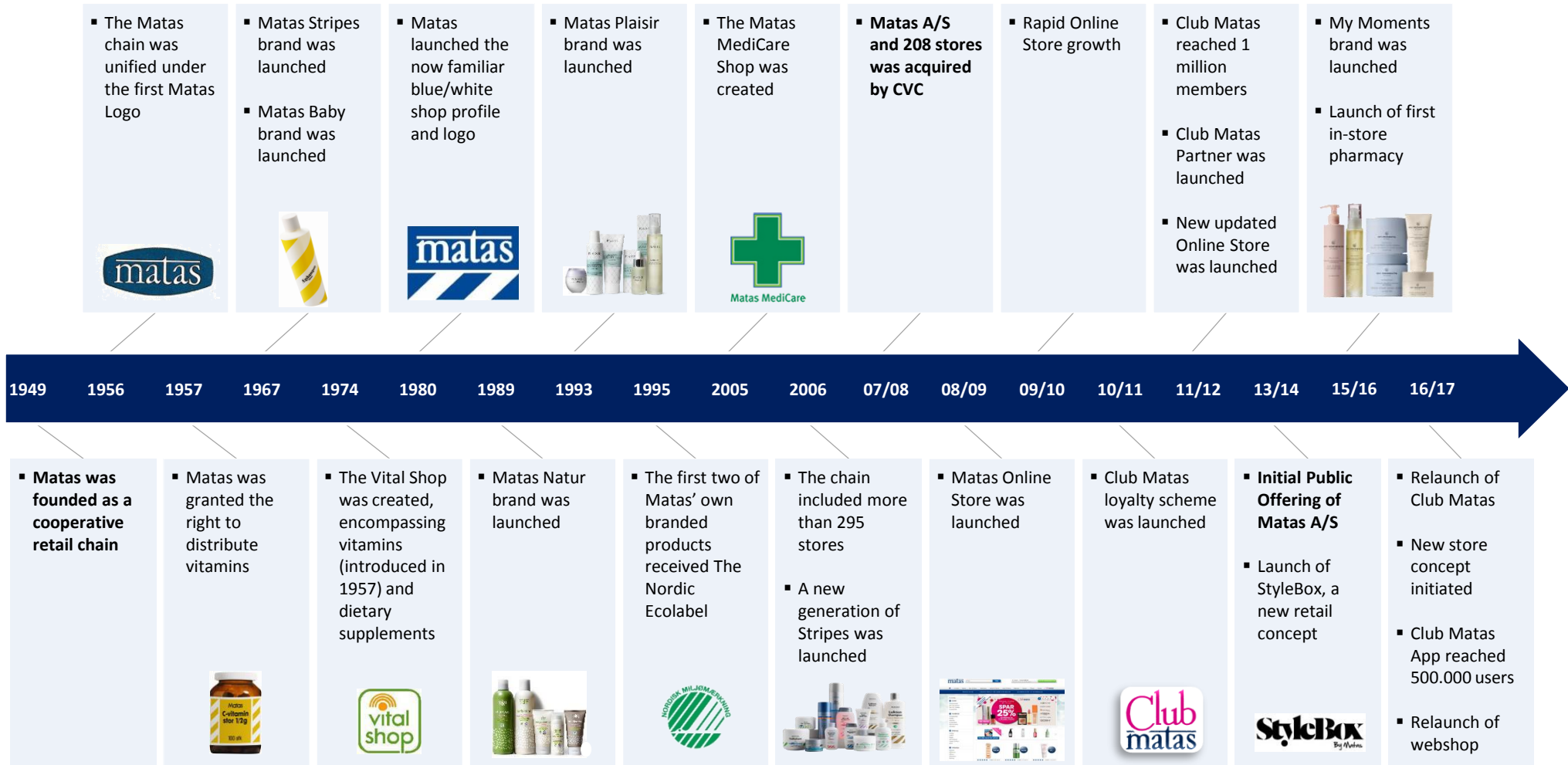
Transactions in 2016/17

**≥16%**

EBITA Margin in  
2012/13-2016/17

**matas**

# A long brand history – since 1949



# Matas stores – 4 shop in shops w. high share of private label

## Beauty shop



## Vital shop



## Material shop



## MediCare shop



## Several private labels & exclusive brands



Matas Stripes



Plaisir



Matas Natur



My Moments

18%



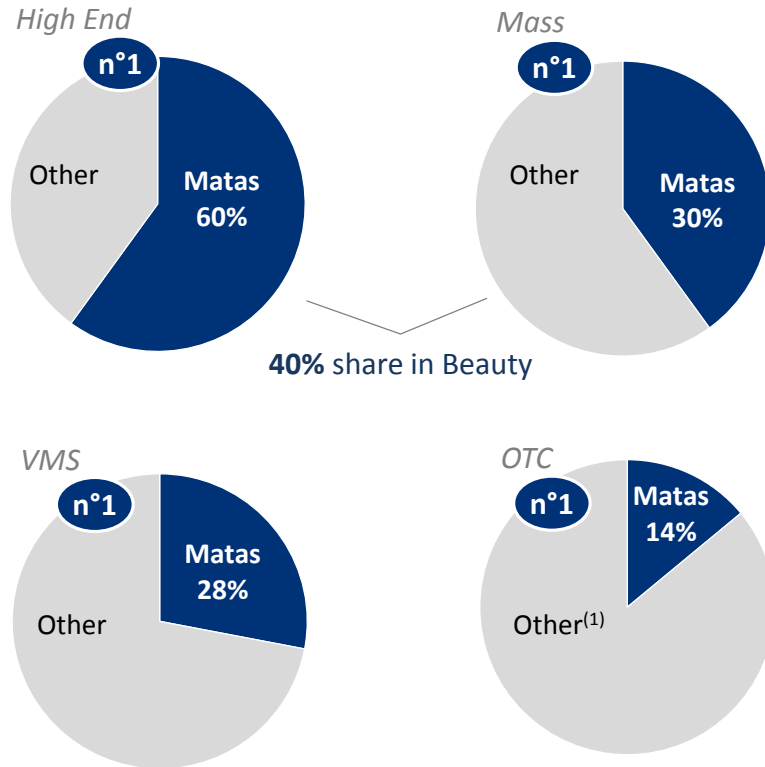
% Approximate percentage of total sales based on FY 2016/17



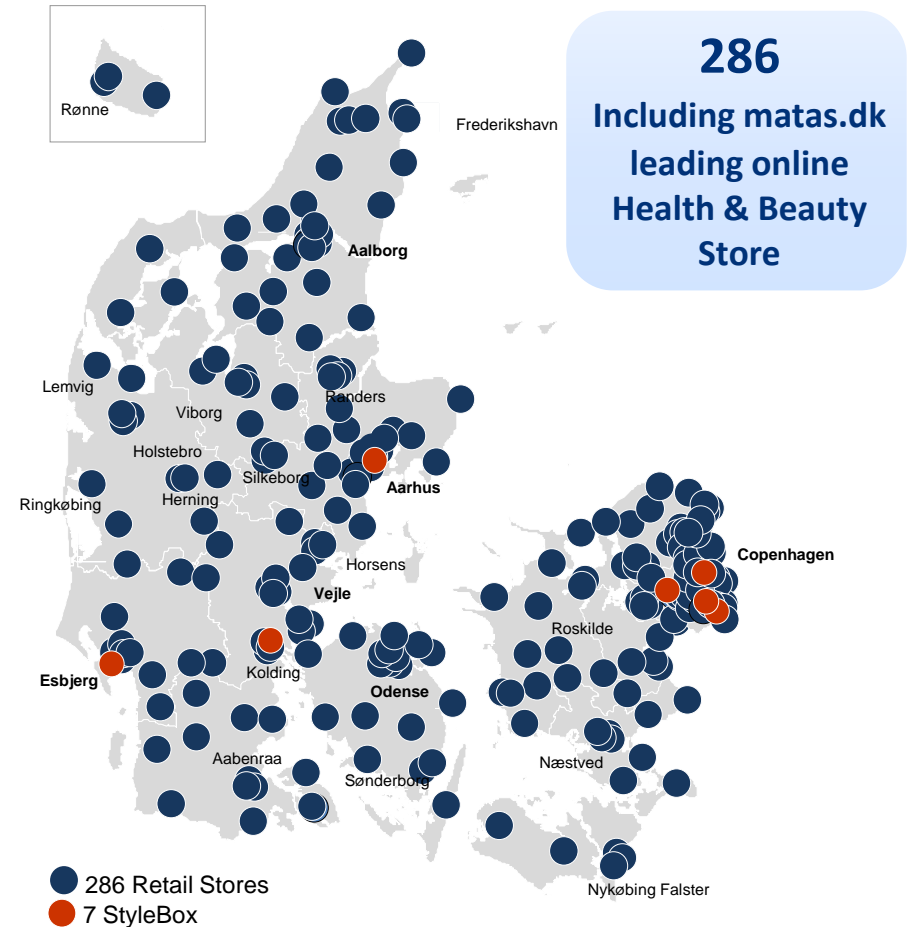
# Our channel and position

## n°1 Market Position in All Key Segments

Segment Market Share in 2014 (%)

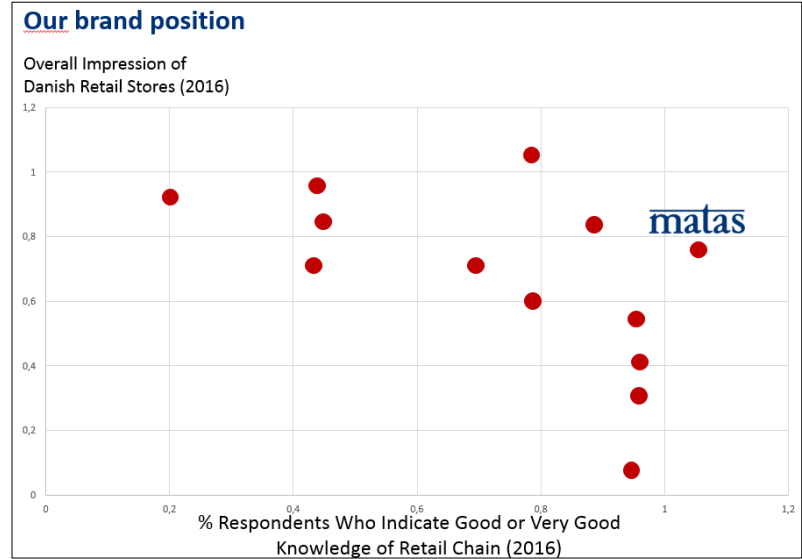
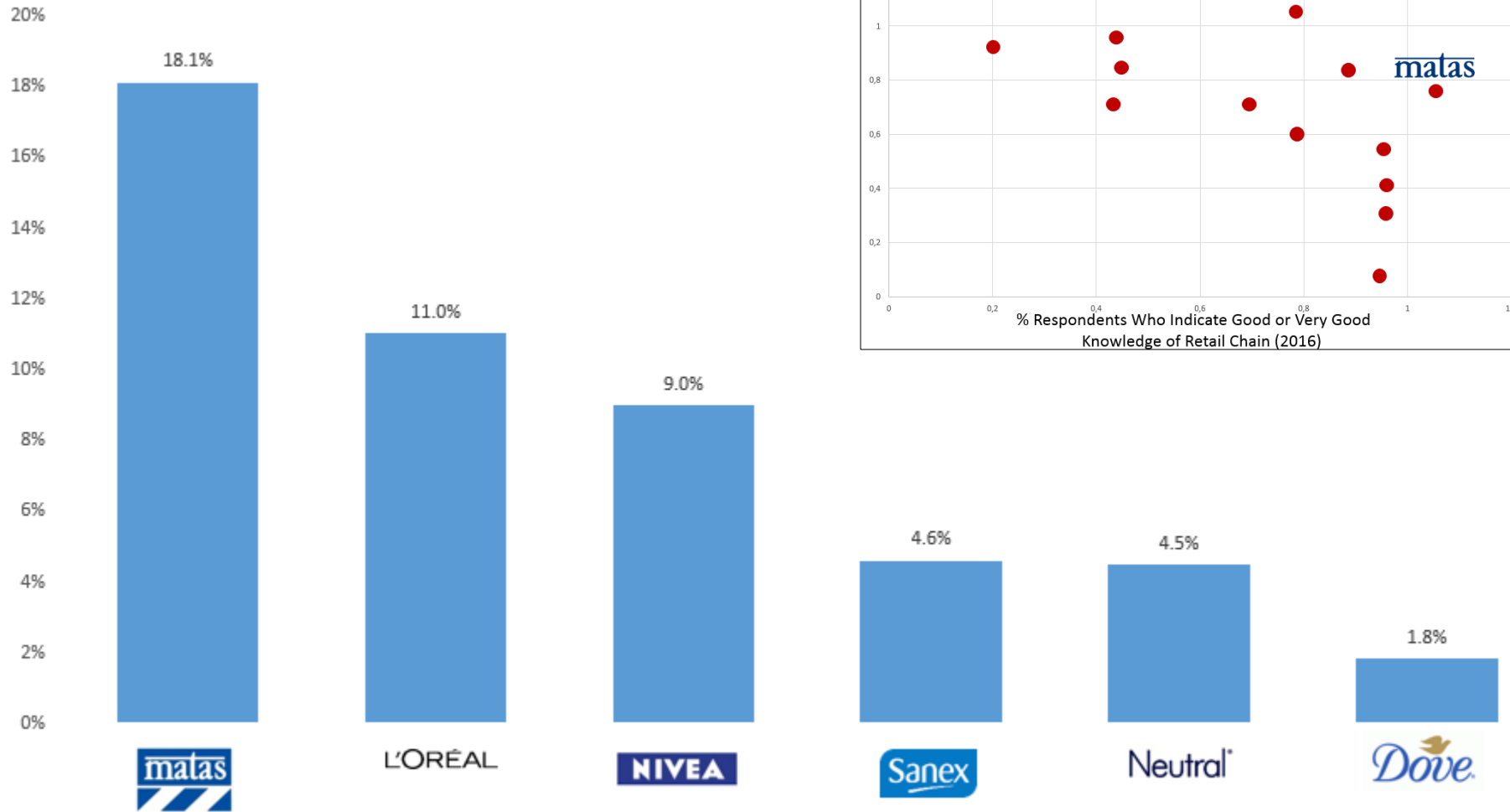


## Unmatched Store Network



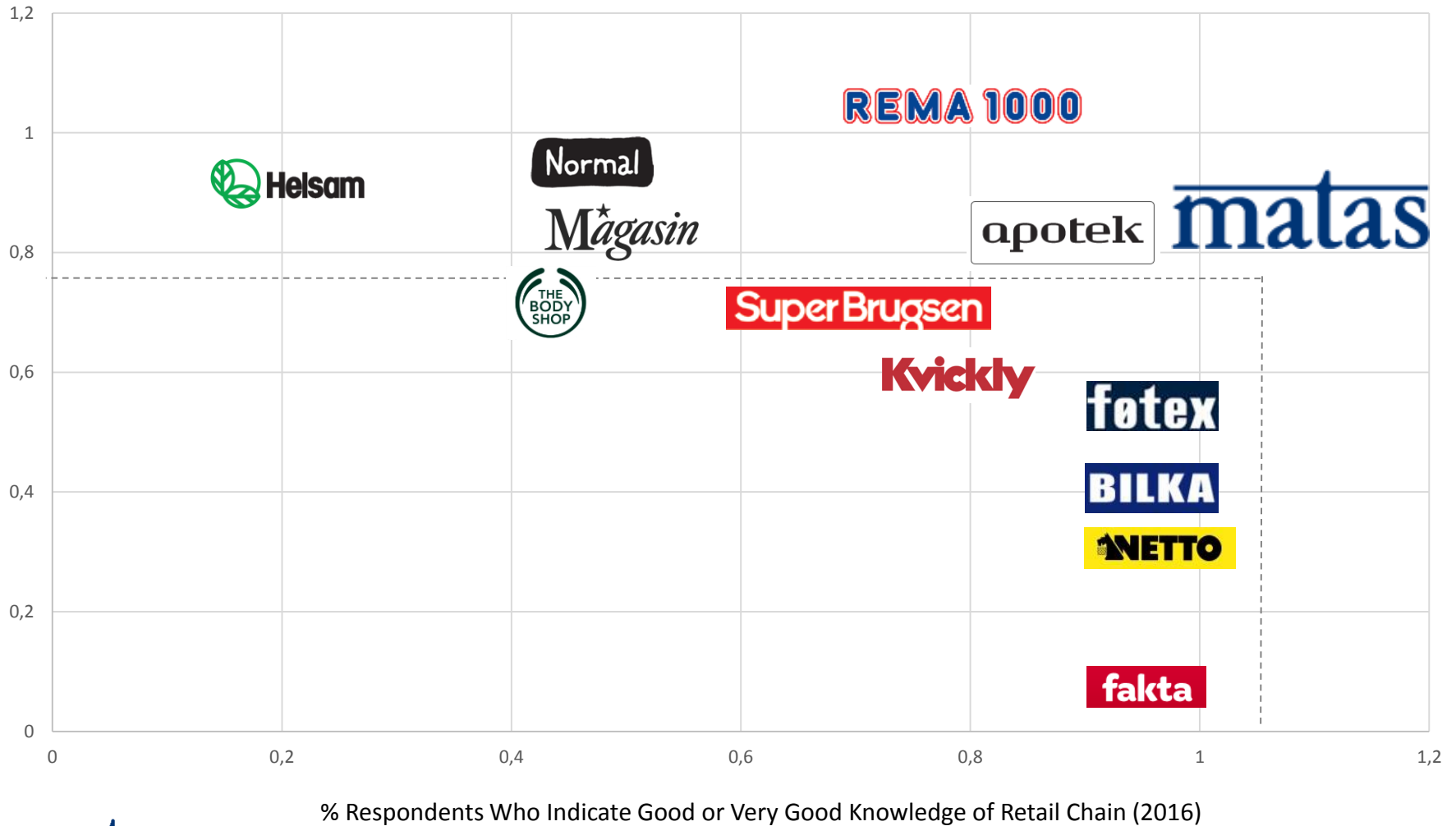
Source: Management Analysis and Estimates, Euromonitor

# n°1 Beauty and Care Brand

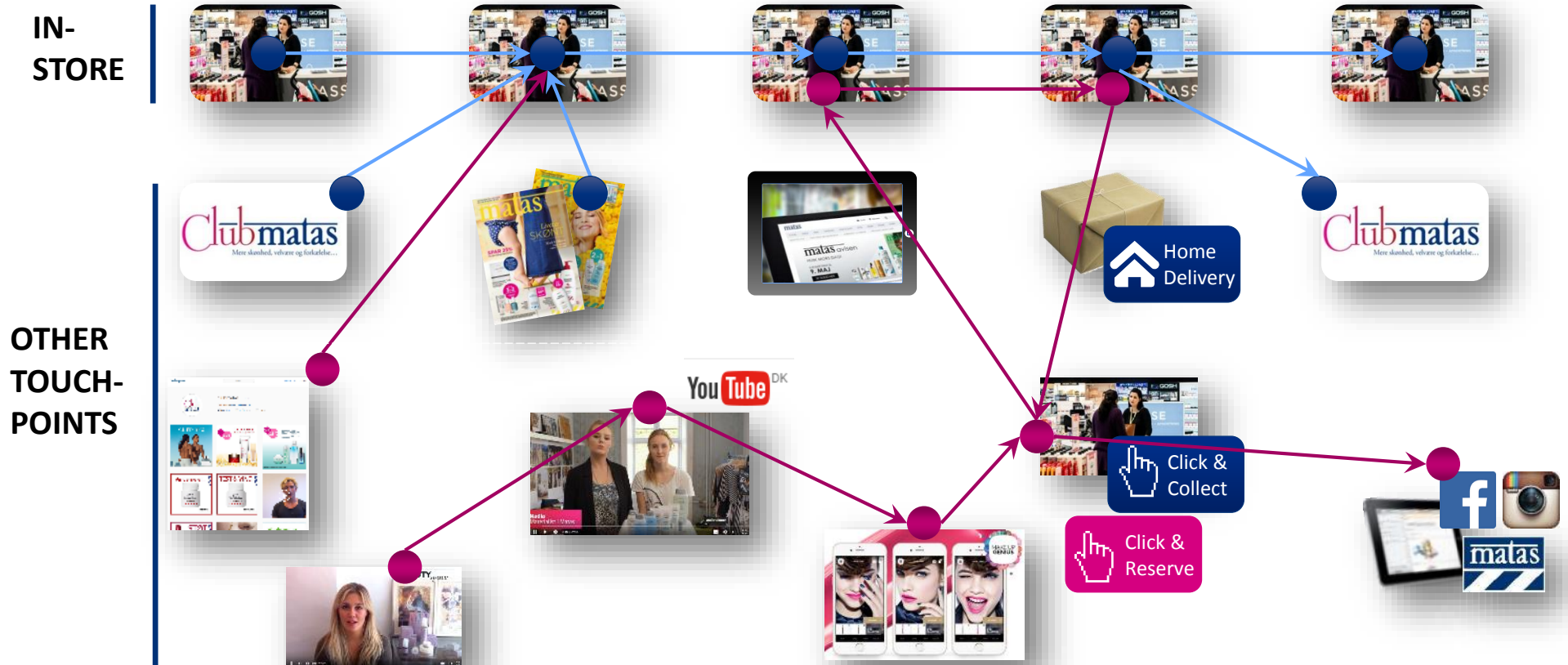


# Our brand position – detailed

Overall Impression of Danish Retail Stores (2016)



# Customer journey of tomorrow – full omnichannel integration



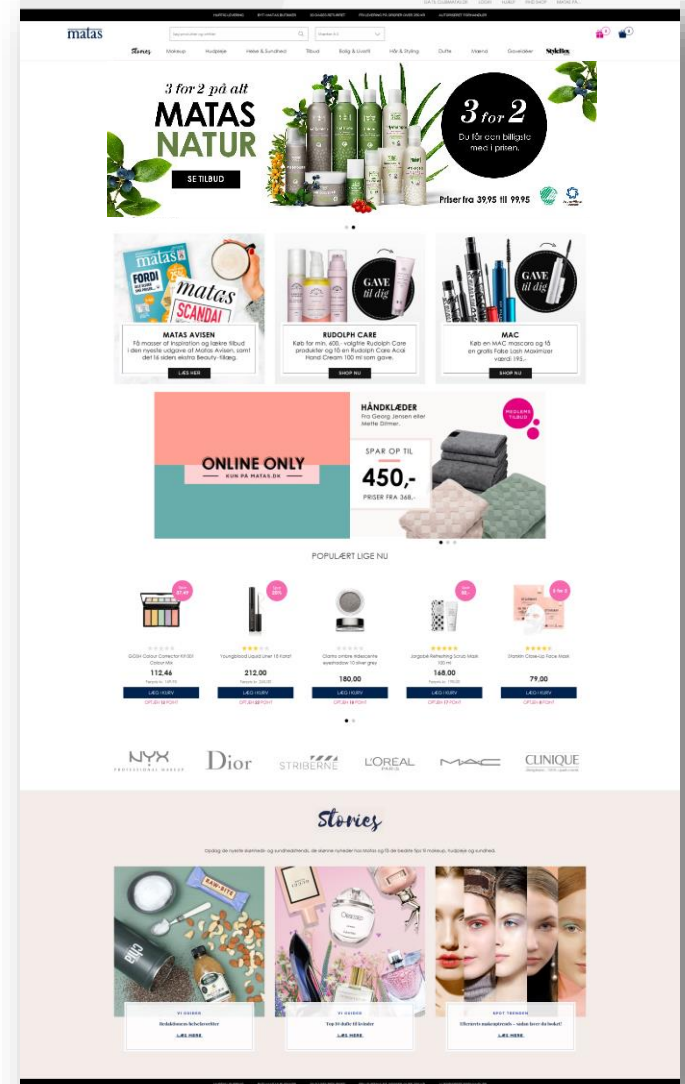
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Pre-digital customer journey ●—●

Customer journey today and in the future ●—●

# Matas.dk – The largest Matas store with strong growth

- Matas.dk has approx. 19 m visitors annually
- Visitors are looking for information, doing research and completing purchases
- The site contains different universes (e.g. Stories and Club Mamma) with inspirational articles, tutorials, tips and tricks etc.
- Around 24.000 SKUs in stock, 900+ brands
- E-commerce amounted to approx. 3% of Matas total sales in 2016/17 with a growth rate of approx. 30%
- More than 20% of the assortment is online only, hand picked and with a high relevance for Matas customers



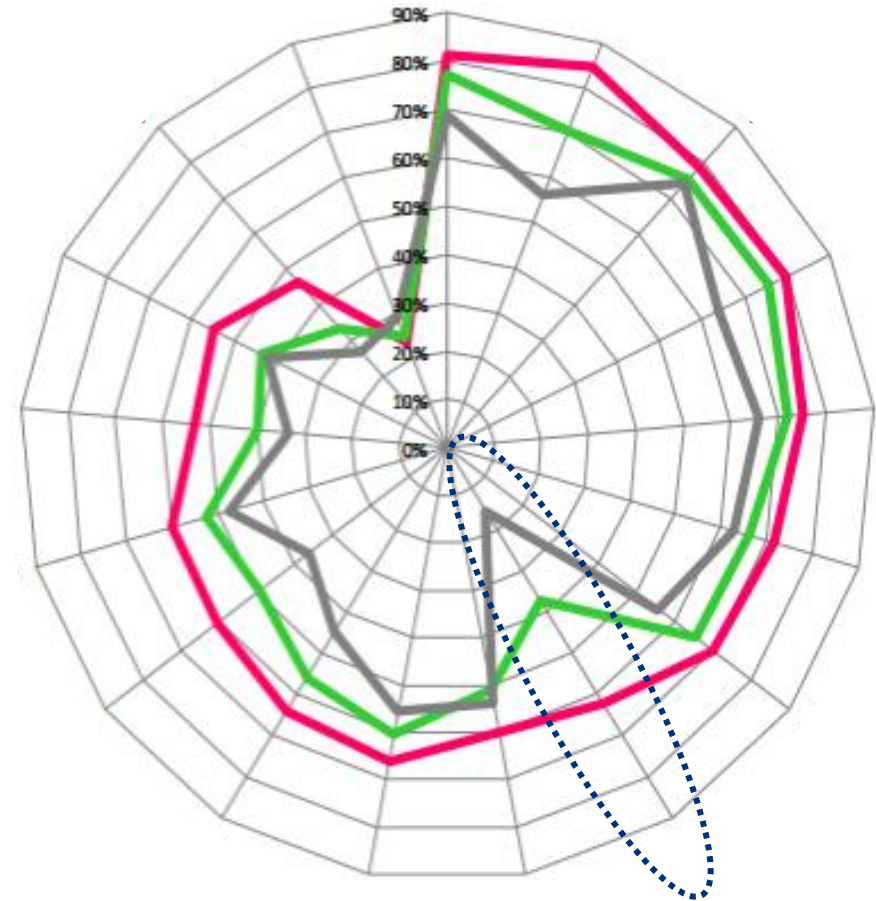


# Our Competition

	Selective Beauty	Mass Beauty	Vital	Material	MediCare	Comment
<b>Matas</b>	X	X	X	X	X	
Department stores	X					9 outlets in Denmark, limited potential for new locations
Food retailers		X	(X)	(X)	(X)	
Online	(X)	(X)	(X)	(X)	(X)	
Pharmacies					X	Very fragmented market
Parallel Importers		X				Rapid store opening program with 83 stores currently
New players or foreign entrants	(X)		(X)			Several with limited success
Independent or small chains	(X)		X	(X)	(X)	Very fragmented market

# Competitive landscape

- Increased competition in mass beauty from Normal and supermarkets
- The major impact of Normal's growth appears to be
  - Expanding the overall market
  - Declining personal care market share for supermarkets
 ⇒ Intensifying the already fierce of price competition in certain areas of mass beauty
- Matas has lost sales primarily to less frequent, low basket customers
- Matas wishes to continue offering all customers, including the very price sensitive, a competitive offering in mass beauty



Core Customers

Frequent Customers

Infrequent Customers

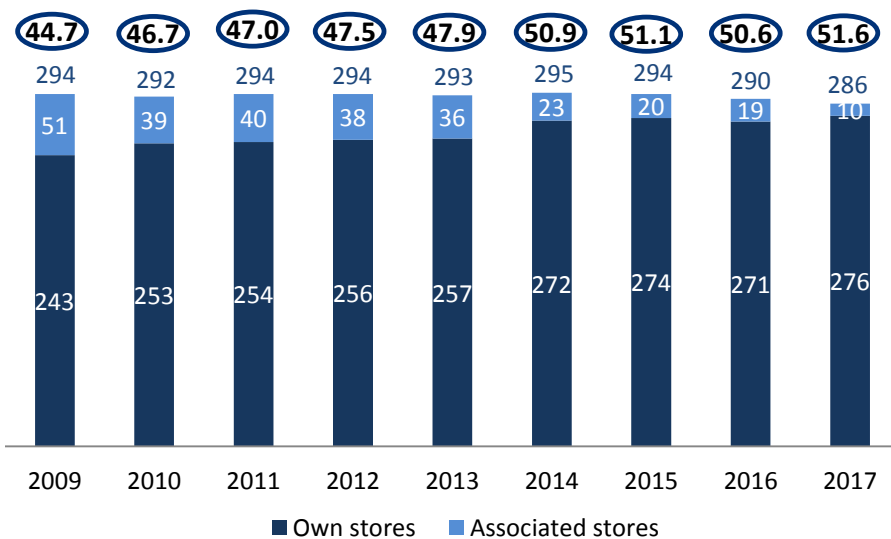
Frequently has interesting offers

# Developing and Consolidating the Retail Network

## Historical Retail Store Network Development

# of Stores, FY 2008/09 – FY 2016/17<sup>(1)</sup>

Year-end Retail Store m<sup>2</sup>, thousands



- 1 Acquired 68 Associated Stores<sup>(2)</sup>
- 2 Opened 15 new stores, 16 stores closed<sup>(2)</sup>
- 3 Expanded selling space of the existing Retail Stores

Source: Company Information and Statutory Accounts



1. Excluding two Retail stores in Sweden and StyleBox  
 2. Since 2007 acquisition until March 2017

## Store Network Growth Levers

- New store openings
  - Potential store locations identified
  - Aim to be in all major new shopping centers
- Expand m<sup>2</sup> in existing retail stores
- Acquisition of associated stores

## Gross Margin Potential Through Acquisition of Associated Stores

Gross Margin, FY 2016/17

App. 17%

Wholesale Gross Margin

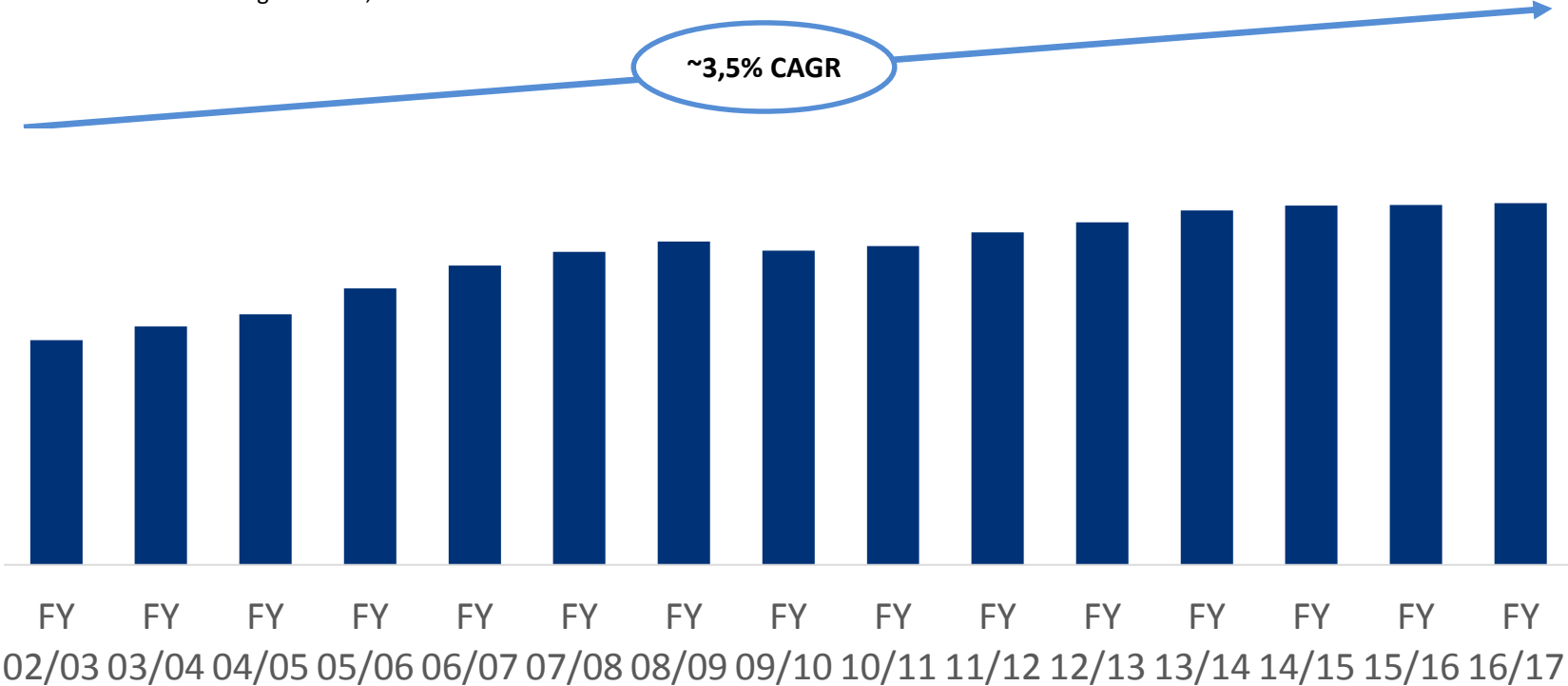


App. 47%

Group Gross Margin

# Long-Term Sales Growth of Matas Chain

Matas Chain<sup>(1)</sup> Sales for FY Ending in March, in Value



~3,5% CAGR

Danish Stores <sup>(2)</sup>	FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
	287	290	291	292	292	294	294	292	294	294	293	295	294	291	287

**Long History of Resilient Growth**

Source: Company Information



1. Based on sales registered through the POS terminals of all Danish Matas stores, including the Online Store and Associated Stores. The data is extracted from Matas' data warehouse and is unadjusted and unaudited  
 2. Refers to Matas Danish Store Network at FYE

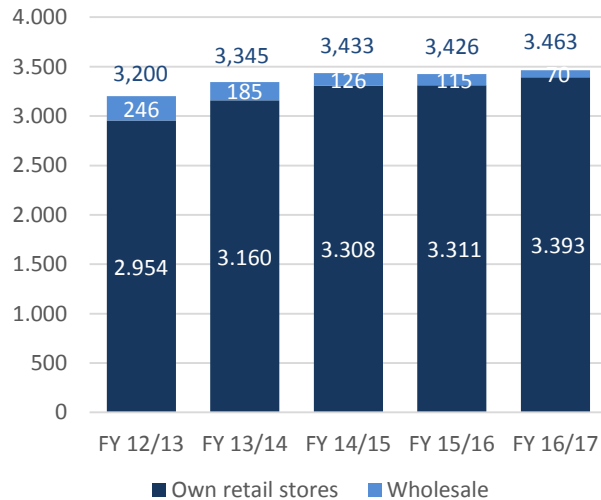
# Stable Growth in Revenue and Profitability

## Top Line Growth

Revenue split, DKK m

Number of stores

2.0% CAGR



257

272

274

271

276

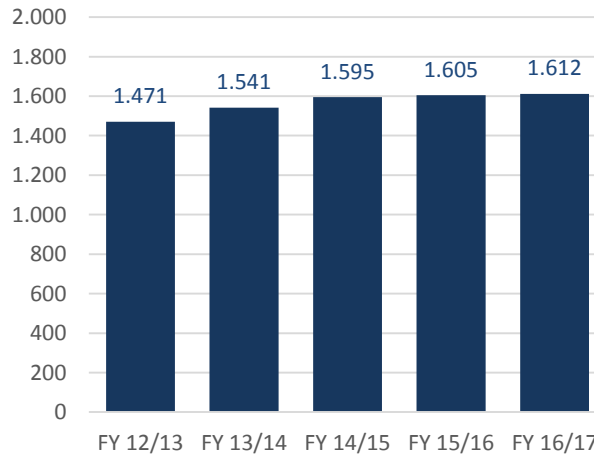
like-for-like revenue growth and Retail Store network development

## Stable Gross Profit Margin

Gross Profit, DKK m

Margin, %

2.3% CAGR



46.0%

46.1%

46.5%

46.8%

46.5%

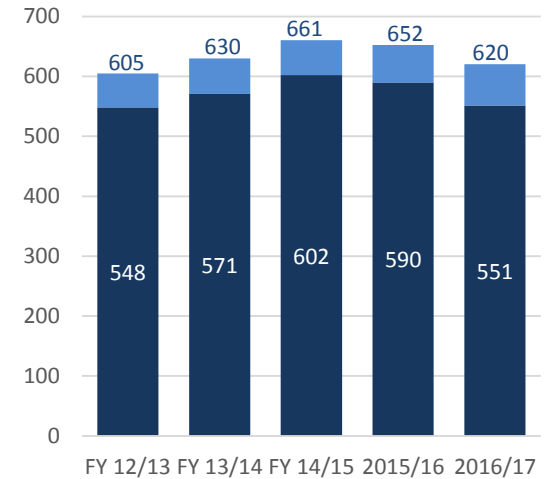
Improved supplier terms, Associated Stores acquisitions and moderate price increases

## High Profitability

Adj. EBITDA and EBITA, DKK m

Adj. EBITDA Margin, %

0.6% CAGR



18.9%

18.8%

19.2%

19.0%

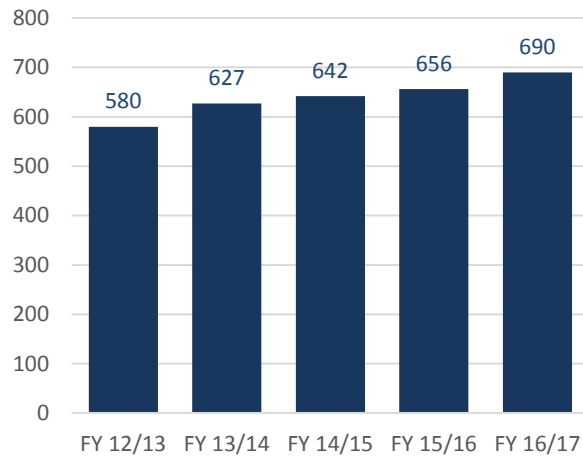
17.9%

Stable gross margin, cost control and efficiency improvements

# Stable Cost Base

## Staff Costs Relatively Stable

Staff Costs, DKK m      % of Revenues

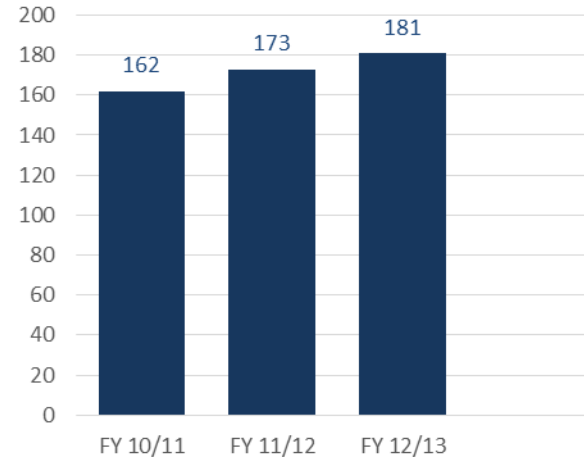


18.1%   18.7%   18.7%   19.2%   19.9%

Focus on cost control

## Lease Structure is Favourable

Property Costs, DKK m      % of Revenues

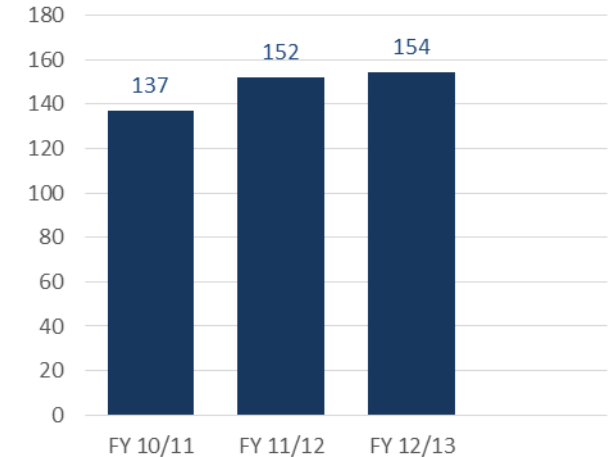


5.4%   5.6%   5.6%

Increased number of Danish Retail Stores from 254 to 257 in FY 12/13 and new warehouse costs in FY12/13

## Marketing Supports Leadership

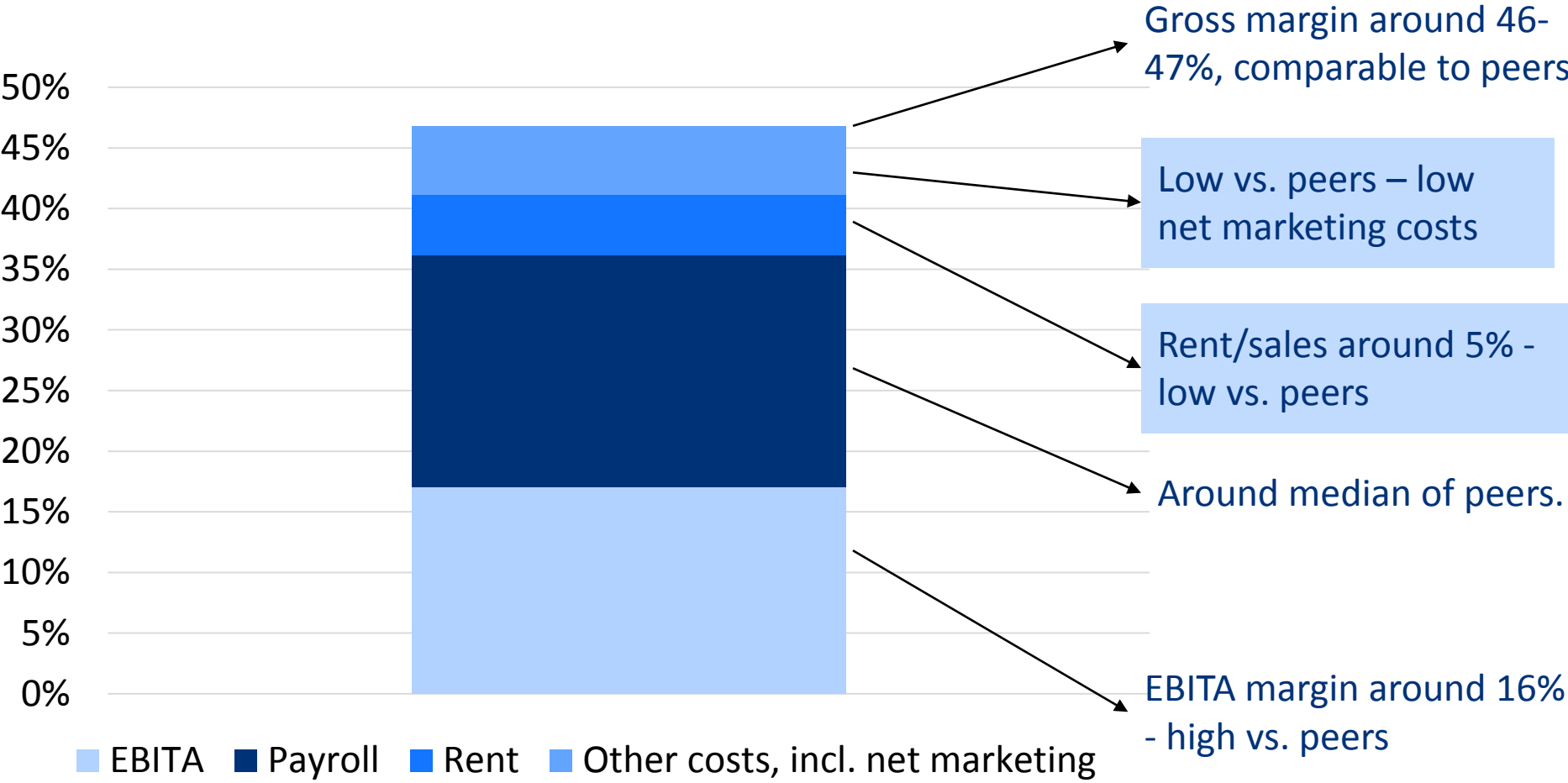
Gross Marketing Spend, DKK m      % of Revenues



4.6%   4.9%   4.8%

Gross spend approximately ~5% of revenues

# High profitability vs. peers

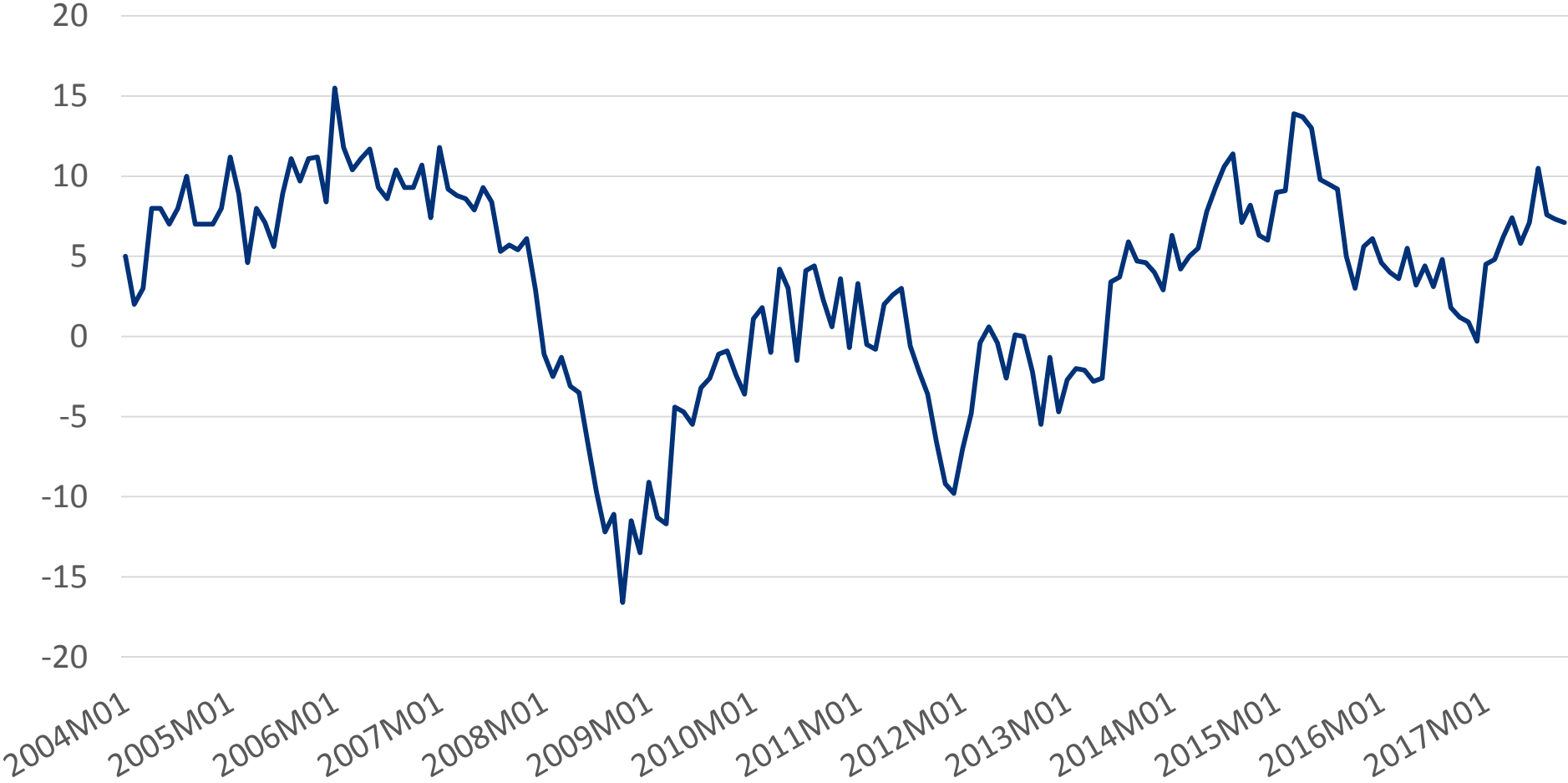




## Strong and Stable Cash Flow Generation

	2011/12 FY	2012/13 FY	2013/14 FY	2014/15 FY	2015/16 FY	2016/17 FY
Adj. EBITDA	580	605	630	661	652	620
Change in inventory	71	-52	38	-55	-1	-30
Change in receivables	-12	-11	35	29	-2	9
Change in trade and other payables	63	91	-1	-16	97	8
<b>Total change in net working capital</b>	<b>122</b>	<b>28</b>	<b>72</b>	<b>-42</b>	<b>95</b>	<b>-14</b>
Capex	-54	-49	-62	-51	-70	-83
<b>Adj. pre-tax cash flow</b>	<b>648</b>	<b>584</b>	<b>640</b>	<b>567</b>	<b>677</b>	<b>523</b>
Cash conversion	112%	97%	102%	86%	104%	85%
Net debt/EBITDA	3.6x	2.9x	2.6x	2.4x	2.2x	2.4x

# Danish Consumer Confidence Indicator



## The Matas share

- Listed on NASDAQ OMX 28 June 2013
- 38.3m shares in one share class
- 100% free float
- Market capitalization DKK 2.6 bn (USD ~410m)

