

Company announcement no. 15 2018/19
Allerød, 7 February 2019

Interim report – 9M 2018/19

(1 April – 31 December 2018)

Matas grew sales in Christmas quarter and accelerated digital build-up

Matas made further headway in implementing its new strategy in the third quarter of financial year 2018/19 and also delivered higher revenue and continued online sales growth. Earnings were down on the year-earlier period, primarily due to increased investments in the digital build-up.

Gregers Wedell-Wedellsborg, CEO of Matas A/S, said:

“We are pleased that our strategy to renew Matas continues to feed through to results. Overall sales were up in the all-important Christmas quarter, our digital transformation continued at full speed with online sales surging by more than 50%, and the acquisition of Firtal Group was completed.

In the past quarter, we geared up our digital efforts, fully aware that this would reduce year-on-year earnings. Overall, we therefore consider the profit of above DKK 200 million – which was in line with our expectations – satisfactory.”

The Matas Group generated revenue of DKK 1,092.6 million in Q3 2018/19 (1 October 2018 - 31 December 2018), an increase of 1.7% (including revenue from Firtal Group ApS from final completion of the transaction on 13 November 2018) on the DKK 1,074.8 million reported for Q3 2017/18.

Underlying like-for-like sales, i.e. sales in stores operated by the Group in both Q3 2018/19 and Q3 2017/18, were up by 0.5% in Q3 2018/19. The digital transformation continued at full speed with sales on matas.dk surging by 51%.

EBITDA before exceptional items came to DKK 206.0 million compared with DKK 227.0 million for Q3 2017/18. Impacted by the digital build-up, the acquisition of Firtal Group ApS and higher campaign activity, the EBITDA margin before exceptional items fell to 18.8% from 21.1% in the year-earlier period.

Underlying like-for-like sales for the first nine months of 2018/19 were unchanged compared with the same period of 2017/18.

The acquisition of Firtal Group, the owner of, e.g., helsebixen.dk, was completed in Q3 2018/19. The transaction was approved by the Danish Competition and Consumer Authority on 5 November 2018 with closing on 13 November 2018.

Q3 2018/19 highlights

- Q3 2018/19 revenue came to DKK 1,092.6 million, up 1.7% on the DKK 1,074.8 million reported for Q3 2017/18 (restated, see note 1). Underlying like-for-like sales, i.e. sales in stores operated by the Group in both Q3 2018/19 and Q3 2017/18, were up by 0.5% in Q3 2018/19.
- The High-End Beauty and Vital segments reported higher sales, while sales in the remaining shops fell slightly back. The average basket size grew by 2.5% to DKK 180, while the number of transactions was down by 1.3% from 6.0 million in Q3 2017/18 to 5.9 million in Q3 2018/19.
- Online sales on matas.dk were up by 51% over the year-earlier period. More than half of all webshop orders in the third quarter were picked up at a Matas store.

- Q3 2018/19 gross profit was DKK 480.9 million for a gross margin of 44.0%, a 1 percentage point decrease from 45.0% in Q3 2017/18 that was driven by investments in competitive campaigns.
- Total costs increased by DKK 13.5 million relative to the year-earlier period. Other external costs were up by DKK 7.9 million and staff costs by DKK 5.6 million. These increases were driven primarily by the digital build-up, including costs from running Firtal Group.
- EBITDA was DKK 204.7 million against DKK 221.5 million last year. The EBITDA margin was 18.7%, down from 20.6% in Q3 2017/18. The decline was mainly attributable to the digital build-up and increased campaign activity.
- EBITDA before exceptional items came to DKK 206.0 million, compared with DKK 227.0 million in the same period of last year. The EBITDA margin before exceptional items was 18.8% against 21.1% in Q3 2017/18.
- Q3 profit after tax was DKK 122.3 million, and Adjusted profit after tax was DKK 139.8 million against DKK 154.8 million in Q3 2017/18.
- The effective tax rate for Q3 2018/19 was 22.0%, equivalent to a tax expense of DKK 34.5 million.
- Cash generated from operations increased by DKK 7.7 million to DKK 337.1 million.
- The free cash flow was an inflow of DKK 127.4 million in Q3 2018/19, down from an inflow of DKK 237.4 million in Q3 2017/18. Disregarding the acquisition of Firtal Group ApS, the free cash flow was in line with the year-earlier level.
- Gross debt stood at DKK 1,575.8 million at 31 December 2018. Net interest-bearing debt was DKK 1,509.6 million at 31 December 2018, equivalent to 2.8x LTM EBITDA before exceptional items as compared with 2.5x at the end of Q3 2017/18.

9M 2018/19 highlights

- 9M 2018/19 revenue was DKK 2,713.6 million, up by 0.7% from the DKK 2,695.5 million reported for the first nine months of 2017/18 (restated, see note 1). Underlying like-for-like revenue was unchanged.
- Online sales on matas.dk were up by 54% over the year-earlier period.
- Gross profit was DKK 1,211.6 million for a gross margin of 44.6%, 0.2 of a percentage point lower than in the year-earlier period.
- EBITDA came to DKK 437.1 million for an EBITDA margin of 16.1% against 16.7% for 9M 2017/18.
- EBITDA before exceptional items came to DKK 452.9 million for an EBITDA margin before exceptional items of 16.7% against 17.5% for 9M 2017/18.
- 9M profit after tax was DKK 229.8 million, and Adjusted profit after tax net of amortisation not related to software and exceptional items was DKK 290.5 million, compared with DKK 248.6 million and DKK 309.1 million, respectively, for 9M 2017/18.
- Cash generated from operations grew to DKK 489.1 million in the first nine months of 2018/19 from DKK 460.3 million in the year-earlier period. The free cash flow was an inflow of DKK 206.1 million against an inflow of DKK 296.0 million in 9M 2017/18.

Outlook

The Group's financial guidance for financial year 2018/19 is at:

- Underlying revenue unchanged relative to 2017/18, with a specification of underlying revenue growth (like-for-like growth) in the -0.5 to 0.5% range. Previously -1 to 1%.
- An EBITDA margin before exceptional items above 15%.
- CAPEX between DKK 110 million and DKK 130 million.
- Total investments (CAPEX and other investments) between DKK 240 million and DKK 260 million.

Our financial guidance for 2018/19 is based on assumptions of slightly growing consumer spending, a continuing decline in physical store footfall and persistently intensive competition in the health, beauty and personal care market.

Our guidance includes costs for implementing Matas' growth strategy.

The 2018/19 financial year contains an extra trading day compared with FY 2017/18, which is expected to have a slightly positive effect on revenue.

OVERVIEW OVER FINANCIAL GUIDANCE 2018/19

Company announcement	No 1 2018/19 Annual report 2017/18	No 5 2018/19 Acquisition of Firtal Group ApS	No 5 2018/19 Interim Report 6M 2018/19	No 15 2018/19 Interim Report 9M 2018/19
Underlying revenue	Unchanged relative to 2017/18	Unchanged relative to 2017/18	Unchanged relative to 2017/18	Unchanged relative to 2017/18
LFL growth	-1 to 1%	-1 to 1%	-1 to 1%	-0.5 to 0.5%
EBITDA margin	Above 14.5%	Above 14.5% before special items	Above 15% before special items	Above 15% before special items
CAPEX	DKK 110 – 130 m	DKK 110 – 130 m	DKK 110 – 130 m	DKK 110 – 130 m
Total investments	n.a.	DKK 240 – 260 m	DKK 240 – 260 m	DKK 240 – 260 m

Conference call

Matas will host a conference call for investors and analysts on Thursday, 7 February 2019 at 11:00 a.m.
The conference call and the presentation can be accessed on our investor website: www.investor.en.matas.dk.

Conference call access numbers for investors and analysts:

DK: +45 32 72 80 42
UK: +44 (0) 844 571 8892
US: +1 631 510 7495
Event code: 5065465

Link to webcast: <https://edge.media-server.com/m6/p/bz5axxb>

Contacts

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Forward-looking statements

This interim report contains statements relating to the future, including statements regarding the 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 interim report. Forward-looking statements are subject to risks and uncertainties and a number of other factors, many of which are beyond the Matas Group's control. This may have the effect that actual results may differ significantly from the expectations expressed in the interim report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive conditions, supplier issues and financial and regulatory issues.

Key financials

(DKKm)	2018/19 Q3	2017/18 Q3	2018/19 9M	2017/18 9M
Statement of comprehensive income				
Revenue	1,092.6	1,074.8	2,713.6	2,695.5
Gross profit	480.9	484.2	1,211.6	1,207.5
EBITDA	204.7	221.5	437.1	452.8
EBIT	162.9	177.3	313.9	334.2
Net financials	(6.1)	(5.2)	(15.3)	(15.5)
Profit before tax	156.8	172.1	298.6	318.7
Profit for the period after tax	122.3	134.2	229.8	248.6
Exceptional items	1.3	5.5	15.8	18.2
EBITDA before exceptional items	206.0	227.0	452.9	471.0
Adjusted profit after tax	139.8	154.8	290.5	309.1
Statement of financial position				
Total assets			5,520.0	5,328.0
Total equity			2,636.1	2,588.2
Net working capital			(157.4)	(166.7)
Net interest-bearing debt			1,509.6	1,457.0
Statement of cash flows				
Cash flow from operating activities	266.2	260.5	406.3	377.8
Cash flow from investing activities	(138.8)	(23.1)	(200.2)	(81.8)
Free cash flow	127.4	237.4	206.1	296.0
Ratios				
Revenue growth	1.7%	(0.5)%	0.7%	(0.9)%
Underlying (like-for-like) revenue growth	0.5%	(0.8)%	0.0%	(1.0)%
Gross margin	44.0%	45.0%	44.6%	44.8%
EBITDA margin	18.7%	20.6%	16.1%	16.8%
EBITDA margin before exceptional items	18.8%	21.1%	16.7%	17.5%
EBIT margin	14.9%	16.5%	11.6%	12.4%
Cash conversion	149.4%	142.2%	90.7%	85.4%
Earnings per share, DKK	3.23	3.57	6.10	6.61
Diluted earnings per share, DKK	3.21	3.55	6.06	6.59
Share price, end of period, DKK			58.00	78.5
ROIC before tax			11.3%	12.8%
Net working capital as a percentage of LTM revenue			(4.5)%	(4.8)%
Investments as a percentage of revenue	12.7%	2.1%	7.4%	3.0%
Net interest-bearing debt/EBITDA before exceptional items			2.8	2.5
Number of transactions (in millions)	5.9	6.0	16.2	16.3
Average basket size (in DKK)	179.7	175.3	164.6	160.9
Average number of employees	2,188	2,235	2,123	2,170

For definitions of key financials, see pages 89-90 of the 2017/18 Annual Report.

Effective 1 April 2018, Matas implemented IFRS 15, Revenue from Contracts with Customers, which has led to a reclassification between revenue and cost of sales. Both items rose by DKK 12.0 million in Q3 2017/18. Revenue for Q3 2017/18 has been restated from DKK 1,062.8 million to DKK 1,074.8 million. See note 1 to the financial statements for more information.

While Firtal Group ApS was consolidated as of the date of closing, i.e. 13 November 2018, the number of transactions and the average basket size solely reflect transactions completed by Matas, i.e. net of the figures for Firtal Group ApS and StyleBox.dk.

Management's review

Implementing the “Renewing Matas” strategy

The “Renewing Matas” strategy builds on five strategic focus areas: Matas’ purpose and guideposts, three growth areas and increased focus on developing new ways of working. The strategy pursues three key ambitions going forward to 2023: lift customer engagement, grow revenue and secure earnings.

STRATEGIC AMBITIONS GOING FORWARD TO 2022/23

	Ambitions for 2022/23	Guidance for 2018/19	Realised 9M 2018/19
Grow revenue	Approx. DKK 4.0 bn	DKK 3.5 bn*	DKK 2.7 bn
Secure earnings (EBITDA margin before exceptional items)	Above 14%	Above 15%	16.7%

* Increased from DKK 3.4 bn following the acquisition of Firtal Group; includes revenue from Firtal Group for the period covering 13 November 2018 to 31 March 2019.

With a view to lifting customer engagement, Matas will in the course of financial year 2018/19 establish a basis for measuring Matas’ current customer engagement score, which will then be used as the outset and a benchmark for further efforts to lift customer engagement going forward to 2023.

The work to implement the strategy is progressing according to plan, and the third quarter of the financial year we continued to execute on a range of measures within each of the five strategic focus areas.

1. Live our purpose

Together, Matas’ purpose, ‘Beauty and wellbeing for life’, and its six carefully selected guideposts set the course for the strategy and the Group’s efforts to lift customer engagement through, among other things, an improved customer experience. The six guideposts aim to make the Matas profile more personal; more green; more Danish; more sensuous; more simple; and more for everyone.

In September, Matas introduced the new purpose, the guideposts and the new campaign, ‘More beautiful together’, to the professional beauty industry and the outside world. The key message of the new consumer-oriented campaign, ‘More beautiful together’, is that beauty is a feeling we share. As part of the campaign, customers are invited to share their views on beauty.

In the third quarter of the financial year, Matas and the Red Cross formed a partnership through which Club Matas members can convert loyalty points into Christmas assistance for vulnerable families or offer themselves as Christmas friends, which includes inviting an involuntarily lonely person to celebrate Christmas with them. Almost 15,000 Club Matas members donated more than DKK 600,000, which was converted into Christmas assistance for 757 Danish families.

Club Matas grew its net membership in Q3 2018/19, retaining the position as one of Denmark’s largest customer clubs with almost 1.6 million active members. At 31 December 2018, 690,000 members had downloaded the Club Matas App.

2. Win online

Matas aims to be the undisputed online market leader in the Danish market for beauty and wellbeing by 2023.

On 29 August 2018, Matas signed an agreement to acquire Firtal Group ApS, the owner of helsebixen.dk and a number of other web shops and brands within health and wellbeing.

Q3 2018/19 was marked also by preparations for and the execution of Black Friday 2018, which was the biggest shopping day in Matas’ 70-year history. Online sales also set a new one-day record. In addition, we continued our efforts to, among other things, make matas.dk more user-friendly, personalise Club Matas and improve Matas’

omnichannel service, along with our work to expand the personal dialogue with customers through Matas' digital channels.

By the end of December 2018, our customers were able to follow 248 Matas stores on Facebook. Our efforts to promote Beame, our social media-driven universe for the 13+ age group, also continued in the third quarter.

3. Reignite store growth

Efforts to develop a new store concept continued in the third quarter, and the first stores shaped around the new concept are scheduled to open by the end of the financial year.

Our commitment to continuously renew the product range was reflected in the introduction of a number of new brands in the third quarter, including the popular mid-range cosmetics brand Anastasia Beverly Hills, which was launched in nine stores and on matas.dk.

The work to optimise the store portfolio also continued with the opening of a new store in Ølby and the expansion of the store in Vanløse.

4. Open new growth tracks

As part of its strategy, Matas is committed to strengthening its position on the green market, which is growing rapidly on the back of increasing customer demand for green products produced with care and consideration for human health, the environment and inner beauty. The acquisition of helsebixen.dk and jala-helsekost.dk was completed in Q3, and efforts to develop Matas Natur continued.

In addition, the webshop made4men.dk, primarily focused on male grooming products, was relaunched in a collaboration between Firtal and Matas.

5. Change how we work

Rethinking and simplifying how we work is a key element of our updated strategy, "Renewing Matas". To support this process, Lise Ryevad joined Matas in a new position as Commercial Director as of 1 October 2018 and Brian Gøbel Poulsen took up a new position as Supply Chain Director as of 1 January 2019.

SALES CHANNELS

At 31 December 2018, the Matas chain consisted of 279 physical stores and an associated store in Greenland.

In addition, Matas was present online through matas.dk and stylebox.dk and through a number of webshops run by Firtal Group ApS, including helsebixen.dk, jala-helsekost.dk and made4men.dk.

The Group has no physical activities outside Denmark as the store in the Faroe Islands and the associated store in Greenland are considered Danish stores in this context.

Revenue

Revenue in Q3 2018/19

Matas generated total revenue of DKK 1,092.6 million in Q3 2018/19, against DKK 1,074.8 million in the same period of last year. Sales in stores operated by the Group in both Q3 2018/19 and Q3 2017/18 were up by 0.5% (underlying like-for-like growth).

Firtal Group ApS was consolidated as of the date of closing, i.e. 13 November 2018. See note 4 to the financial statements for more information.

Effective 1 April 2018, Matas implemented IFRS 15, Revenue from Contracts with Customers, which has led to a reclassification between revenue and cost of sales. Both items rose by DKK 12.0 million in Q3 2017/18, increasing total revenue from the previously announced amount of DKK 1,062.8 million to DKK 1,074.8 million. For additional information, see note 1 to the financial statements.

The Q3 revenue performance was supported by improved High-End Beauty and Vital sales, while Mass Beauty, Material and MediCare sales declined compared with the year-earlier period.

The number of transactions fell by 1.3%. Adjusted for new and closed stores, the decline was 2.1%. The average basket size grew by 2.5% or DKK 4.4. Online sales on matas.dk were up by 51% over the year-earlier period.

SHOPS-IN-SHOP

Matas is characterised by its wide product range within beauty, personal care, healthcare and problem-solving household products. This broad product range creates a unique one-stop retail value proposition for our customers in the shape of four shops-in-shop.

BEAUTY

Everyday and luxury 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.

REVENUE BY SHOPS-IN-SHOP AND SALES CHANNELS

(DKKm)	2018/19 Q3	2017/18 Q3	Growth	2018/19 9M	2017/18 9M	Growth
Beauty	820.1	815.2	0.6%	1,945.4	1,929.6	0.8%
Vital	132.3	110.8	19.4%	335.4	308.0	8.9%
Material	81.9	85.6	(4.4)%	256.3	253.8	1.0%
MediCare	46.6	47.6	(1.9)%	139.9	142.1	(1.6)%
Other	5.6	4.5	24.4%	11.7	19.3	(39.5)%
Total own store revenue	1,086.5	1,063.7	2.1%	2,688.6	2,652.8	1.3%
Wholesale sales etc.	6.1	11.0	(44.7)%	25.0	42.7	(41.4)%
Total revenue	1,092.6	1,074.8	1.7%	2,713.6	2,695.5	0.7%

Overall Beauty segment revenue grew by 0.6% over Q3 2017/18. Sales of High-End Beauty products were up, while Mass Beauty sales fell, reflecting the growing customer preference for High-End over Mass Beauty products. Skincare reported the strongest sales growth. The Mass Beauty segment was once again adversely affected by slowing sales of colour cosmetics.

The Beauty segment's share of total revenue was 75.5%, as against 76.6% in Q3 2017/18.

The Vital segment reported a strong 19.4% increase in sales, supported primarily by the Firtal Group acquisition.

The Material segment reported a 4.4% revenue decline, which was driven primarily by the timing of campaigns and increased competition.

The MediCare segment, which offers OTC medicine and nursing products, saw sales go down by 1.9% due to increased competition for, in particular, nicotine gum.

Private label sales were stable in Q3.

Wholesale sales etc. declined by DKK 4.9 million relative to the same period of last year. The decline was mainly attributable to the exit of the remaining five associated stores from the Matas chain at the end of January 2018. Revenue from Club Matas relating to partners, value adjustments of Club Matas points and B2B are also included in this income line.

Costs and operating performance

Costs and operating performance in Q3 2018/19

Gross profit for Q3 2018/19 was DKK 480.9 million, against DKK 484.2 million in Q3 2017/18.

The gross margin for Q3 2018/19 was 44.0%, down from 45.0% in the year-earlier period. The lower gross margin was caused by investments in competitive campaigns.

Other external costs amounted to DKK 95.8 million in Q3 2018/19, compared with DKK 87.9 million in Q3 2017/18. The increase was driven primarily by the digital build-up, i.e. the addition of costs from Firtal Group and higher costs in connection with higher activity on matas.dk.

Q3 2018/19 staff costs amounted to DKK 180.4 million, up from DKK 174.8 million in the year-earlier period. Adjusted for the DKK 2.6 million non-recurring costs incurred in Q3 2017/18, staff costs were up by DKK 8.2 million, driven mainly by higher payroll expenses in connection with online sales along with redundancy provisions.

Q3 2018/19 staff costs included DKK 1.6 million related to the company's long-term share compensation programme.

Staff costs amounted to 16.5% of Q3 2018/19 revenue, against 16.3% in the year-earlier period.

COSTS

(DKKm)	2018/19 Q3	2017/18 Q3	Growth	2018/19 9M	2017/18 9M	Growth
Other external costs	95.8	87.9	9.0%	253.9	226.3	12.2%
- of which exceptional items	1.3	2.8		10.9	3.5	
As a percentage of revenue	8.8%	8.2%		9.4%	8.4%	
Staff costs	180.4	174.8	3.2%	520.6	528.4	(1.5)%
- of which exceptional items	0.0	2.6		4.8	14.7	
As a percentage of revenue	16.5%	16.3%		19.2%	19.6%	

Other external costs and staff costs include Firtal Group for the period 13 November 2018 – 31 December 2018.

Q3 2018/19 EBITDA was DKK 204.7 million against DKK 221.5 million last year. EBITDA before exceptional items came to DKK 206.0 million for an EBITDA margin before exceptional items of 18.8% against 21.1% in Q3 2017/18. The lower margin was attributable mainly to a lower contribution ratio reflecting investments in competitive campaigns and the digital build-up, including the addition of costs incurred by Firtal Group ApS.

Financial items

Net financial expenses were down by DKK 1.1 million in Q3 2018/19 to DKK 6.3 million.

Until 30 June 2018, when the agreement expired, Matas' net interest-bearing debt was hedged by an interest rate swap. In Q2 2018/19, the interest rate swap was replaced by a different interest rate hedging instrument, a CAP. In this connection, Matas is applying the new hedge accounting rules under IFRS 9, which means that the market value of the hedge will no longer be adjusted through profit or loss.

NET FINANCIAL EXPENSES

(DKKm)	2018/19 Q3	2017/18 Q3	2018/19 9M	2017/18 9M
Net financial expenses	6.3	5.2	15.5	15.5
Fair value adjustment of interest rate swap	0.0	2.6	2.9	7.4
Net financial expenses, adjusted for swap	6.3	7.8	18.4	22.9

Profit for the period

The effective tax rate was 22.0% in Q3 2018/19, equivalent to a tax expense of DKK 34.5 million. Profit for the period was DKK 122.3 million after tax, and Adjusted profit after tax was DKK 139.8 million against DKK 154.8 million in Q3 2017/18.

Statement of financial position

Total assets amounted to DKK 5,520.0 million at 31 December 2018, up from DKK 5,328.0 million at 31 December 2017. The acquisition of Firtal Group ApS was completed on 13 November 2018, and Firtal Group was consolidated at end-Q3 2018/19 based on a provisional purchase price allocation, see note 4.

Goodwill increased by DKK 106.4 million in Q3 in connection with the acquisition of Firtal Group.

Current assets totalled DKK 1,083.9 million, a year-on-year increase of DKK 107.7 million. The increase was attributable partly to higher inventories to cover the important Christmas quarter and partly to the addition of Firtal Group's stocks. Inventories were DKK 112.1 million higher at the end of Q3 2018/19 than at the end of Q3 2017/18, including the addition of Firtal Group's stocks.

Inventories accounted for 25.9% of LTM revenue at 31 December 2018 compared with 22.7% at 31 December 2017. Adjusted for Firtal Group, inventories accounted for 25.2% of LTM revenue.

Trade receivables fell by DKK 1.2 million to DKK 12.9 million, while trade payables increased by DKK 84.2 million compared with 31 December 2017.

Net working capital excluding deposits stood at minus DKK 157.4 million at 31 December 2018, compared with minus DKK 166.7 million at 31 December 2017. Working capital accounted for minus 4.5% of LTM revenue, as compared with minus 4.8% last year.

Cash and cash equivalents stood at DKK 66.2 million, up from DKK 52.2 million the year before.

Equity was DKK 2,636.1 million at 31 December 2018, compared with DKK 2,588.2 million at 31 December 2017.

Gross interest-bearing debt stood at DKK 1,575.8 million at 31 December 2018.

Net interest-bearing debt was DKK 1,509.6 million at 31 December 2018, a year-on-year increase of DKK 52.6 million – equalling 2.8 times LTM EBITDA before exceptional items, within the target of a level between 2.5 and 3. The corresponding figure at 31 December 2017 was 2.5.

At 31 December 2018, the company's share capital consisted of 38,291,492 shares of DKK 2.50 each, corresponding to a share capital of DKK 95,728,730. After disposing of 360,425 shares in Q3 in connection with the acquisition of Firtal Group ApS, Matas held 296,761 treasury shares at 31 December 2018. Treasury shares are held with a view to meeting the obligations under the long-term management incentive programme.

Statement of cash flows

Cash generated from operations was an inflow of DKK 337.1 million in Q3 2018/19 against an inflow of DKK 329.4 million in Q3 2017/18. The cash flow from operating activities was an inflow of DKK 266.2 million in Q3 2018/19, up from an inflow of DKK 260.5 million in Q3 2017/18.

The free cash flow was an inflow of DKK 127.4 million in Q3 2018/19, down from an inflow of DKK 237.4 million in Q3 2017/18. Disregarding the acquisition of Firtal Group ApS, the free cash flow was in line with the year-earlier level.

Return on invested capital

The return on LTM invested capital before tax was 11.3%, compared with 12.8% a year earlier.

Events after the date of the statement of financial position

No significant events have occurred after the date of the statement of financial position.

Significant risks

As stated in the 2017/18 Annual Report, no significant operational risks are deemed to exist other than what is normal for the industry. Matas is to some extent exposed to different types of financial risk such as interest rate, liquidity and credit risk. See note 29 to the consolidated financial statements for 2017/18 for additional information on such risk and page 9 of this interim report for information on the CAP concluded.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and approved the interim report of Matas A/S for the period 1 April to 31 December 2018.

The interim report, which has been neither audited nor reviewed by the company's auditors, has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position at 31 December 2018 and of the results of the Group's operations and cash flows for the period 1 April to 31 December 2018.

Furthermore, in our opinion, the management's review includes a fair review of the development and performance of the business, the results for the period and of the Group's financial position in general and describes the principal risks and uncertainties that the Group faces.

Allerød, 7 February 2019

Executive Management

Gregers Wedell-Wedellsborg
CEO

Anders T. Skole-Sørensen
CFO

Board of Directors

Lars Vinge Frederiksen
Chairman

Lars Frederiksen
Deputy Chairman

Signe Trock Hilstrøm

Mette Maix

Christian Mariager

Birgitte Nielsen

Additional information

Financial calendar

The financial year covers the period 1 April – 31 March, and the following dates have been fixed for releases etc. in the remainder of financial year 2018/19:

FINANCIAL CALENDAR

28 May 2019	Annual report 2018/19
27 June 2019	Annual general meeting for 2018/19

Company information

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 Company reg. (CVR) no. 27 52 84 06

Statement of comprehensive income

(DKKm)	2018/19 Q3	2017/18 Q3	2018/19 9M	2017/18 9M
Revenue	1,092.6	1,074.8	2,713.6	2,695.5
Cost of goods sold	(611.7)	(590.6)	(1,502.0)	(1,488.0)
Gross profit	480.9	484.2	1,211.6	1,207.5
Other external costs	(95.8)	(87.9)	(253.9)	(226.3)
Staff costs	(180.4)	(174.8)	(520.6)	(528.4)
Amortisation, depreciation and impairment	(41.8)	(44.2)	(123.2)	(118.6)
EBIT	162.9	177.3	313.9	334.2
Share of profit or loss after tax of associates	0.2	0.0	0.2	0.0
Financial income	0.0	2.6	3.0	7.4
Financial expenses	(6.3)	(7.8)	(18.5)	(22.9)
Profit before tax	156.8	172.1	298.6	318.7
Tax on profit for the period	(34.5)	(37.9)	(68.8)	(70.2)
Profit for the period	122.3	134.2	229.8	248.6
Other comprehensive income				
Other comprehensive income after tax	0.0	0.0	0.0	0.0
Total comprehensive income	122.3	134.2	229.8	248.6
Earnings per share				
Earnings per share, DKK	3.23	3.57	6.10	6.61
Diluted earnings per share, DKK	3.21	3.55	6.06	6.59

Statement of cash flows

(DKKm)	2018/19 Q3	2017/18 Q3	2018/19 9M	2017/18 9M
Profit before tax	156.8	172.1	298.6	318.7
Adjustment for non-cash operating items etc.:				
Amortisation, depreciation and impairment	41.8	44.2	123.2	118.6
Other non-cash operating items, net	1.6	(9.2)	4.3	4.1
Share of profit or loss after tax of associates	(0.2)	0.0	(0.2)	0.0
Financial income	0.0	(2.6)	(2.9)	(7.4)
Financial expenses	6.3	7.8	18.5	22.9
Cash generated from operations before changes in working capital	206.3	212.3	441.5	456.9
Changes in working capital	130.8	117.1	47.6	3.4
Cash generated from operations	337.1	329.4	489.1	460.3
Interest paid	(5.5)	(8.0)	(17.3)	(21.6)
Corporation tax paid	(65.5)	(60.9)	(65.5)	(60.9)
Cash flow from operating activities	266.2	260.5	406.3	377.8
Acquisition of intangible assets	(16.4)	(9.1)	(43.9)	(31.2)
Acquisition of property, plant and equipment	(11.7)	(12.3)	(45.6)	(41.1)
Acquisition of subsidiaries and operations	(110.7)	(1.7)	(110.7)	(9.6)
Cash flow from investing activities	(138.8)	(23.1)	(200.2)	(81.8)
Free cash flow	127.4	237.4	206.1	296.0
Debt raised and settled with credit institutions	(116.0)	(237.5)	16.6	(40.0)
Dividend paid	0.0	0.0	(237.1)	(237.1)
Purchase of hedging instrument	0.0	0.0	(5.8)	0.0
Cash flow from financing activities	(116.0)	(237.5)	(226.3)	(277.1)
Net cash flow from operating, investing and financing activities	11.4	(0.1)	(20.2)	18.9
Cash and cash equivalents, beginning of period	54.9	52.3	86.4	33.3
Cash and cash equivalents, end of period	66.2	52.2	66.2	52.2

Assets

(DKKm)	31.12 2018	31.12 2017	31.03 2018
NON-CURRENT ASSETS			
Goodwill	3,838.1	3,741.8	3,736.4
Trademarks and trade names	266.9	306.4	287.9
Shares in co-operative property	3.9	3.9	3.9
Other intangible assets	70.2	54.5	54.1
Total intangible assets	4,179.1	4,106.6	4,082.3
Property, plant and equipment			
Land and buildings	85.8	89.4	88.3
Other fixtures and fittings, tools and equipment	93.1	76.7	76.1
Leasehold improvements	14.8	12.3	11.6
Total property, plant and equipment	193.7	178.4	176.0
Investments in associates	0.7	0.0	0.0
Deferred tax assets	21.0	25.6	19.8
Deposits	40.9	40.5	40.7
Other securities and investments	0.7	0.7	0.7
Total other non-current assets	63.3	66.8	61.2
Total non-current assets	4,436.1	4,351.8	4,319.5
CURRENT ASSETS			
Inventories	902.1	790.0	749.0
Trade receivables	12.9	14.1	7.1
Corporation tax receivable	79.2	84.2	112.0
Other receivables	11.1	9.3	6.7
Prepayments	12.4	26.4	22.9
Cash and cash equivalents	66.2	52.2	86.4
Total current assets	1,083.9	976.2	984.1
TOTAL ASSETS	5,520.0	5,328.0	5,303.6

Equity and liabilities

(DKKm)	31.12 2018	31.12 2017	31.03 2018
EQUITY			
Share capital	95.7	95.7	95.7
Hedging reserve	(1.8)	0.0	0.0
Translation reserve	0.3	0.3	0.3
Treasury share reserve	(33.3)	(73.7)	(73.7)
Retained earnings	2,575.2	2,565.9	2,357.4
Proposed dividend for the financial year	0.0	0.0	241.2
Total equity	2,636.1	2,588.2	2,620.9
LIABILITIES			
Deferred tax	197.5	224.1	211.4
Contingent consideration	14.7	0.0	0.0
Credit institutions	1,544.6	1,467.9	1,558.3
Total non-current liabilities	1,756.8	1,692.0	1,769.7
Credit institutions	31.2	41.3	0.0
Prepayments from customers	192.1	193.3	160.2
Trade payables	691.1	606.9	579.4
Other payables	212.7	206.3	173.4
Total current liabilities	1,127.1	1,047.8	913.0
Total liabilities	2,883.9	2,739.8	2,682.7
TOTAL EQUITY AND LIABILITIES	5,520.0	5,328.0	5,303.6

Statement of changes in equity

	Share capital	Hedging reserve	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2018	95.7	0.0	0.3	(73.7)	241.2	2,357.4	2,620.9
Value adjustment of hedging instrument	0.0	(2.3)	0.0	0.0	0.0	0.0	(2.3)
Tax on value adjustment	0.0	0.5	0.0	0.0	0.0	0.0	0.5
Other comprehensive income	0.0	(1.8)	0.0	0.0	0.0	0.0	(1.8)
Profit for the period	0.0	0.0	0.0	0.0	0.0	229.8	229.8
Total comprehensive income	0.0	(1.8)	0.0	0.0	0.0	229.8	228.0
Transactions with owners							
Dividend paid	0.0	0.0	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(4.1)	4.1	0.0
Disposal of treasury shares for purchase of Firtal Group	0.0	0.0	0.0	40.4	0.0	(20.4)	20.0
Share-based payment	0.0	0.0	0.0	0.0	0.0	4.3	4.3
Total transactions with owners	0.0	0.0	0.0	40.4	(241.2)	(12.0)	(212.8)
Equity at 31 December 2018	95.7	(1.8)	0.3	(33.3)	0.0	2,575.2	2,636.1

	Share capital	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2017	98.2	0.3	(185.3)	247.5	2,411.8	2,572.5
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	0.0	248.6	248.6
Total comprehensive income	0.0	0.0	0.0	0.0	248.6	248.6
Transactions with owners						
Dividend transferred to liabilities	0.0	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	0.0	(10.4)	10.4	0.0
Capital reduction	(2.5)	0.0	111.6	0.0	(109.1)	0.0
Share-based payment	0.0	0.0	0.0	0.0	4.2	4.2
Total transactions with owners	(2.5)	0.0	111.6	(247.5)	(94.6)	(233.0)
Equity at 31 December 2017	95.7	0.3	(73.7)	0.0	2,565.9	2,588.2

Notes

Note 1 – Accounting policies

The interim report is presented in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Except as set out below, the accounting policies are unchanged from the accounting policies applied in the consolidated financial statements for 2017/18, to which reference is made.

Changes of accounting policies

Matas has applied IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, for the first time. The effects of these changes are described below.

Changes to other standards and interpretations also apply for the first time in 2018/19. None of these changes have had any impact on recognition or measurement in the interim report.

Impact of IFRS 9, Financial Instruments

IFRS 9, Financial Instruments, replaces IAS 39 and changes the classification, measurement and impairment of financial assets and introduces new hedge accounting rules.

Under IFRS 9, Matas must recognise expected credit losses on all debt securities, loans and trade receivables, based either on 12-month expected losses or on lifetime expected losses. Matas recognises expected lifetime losses on all trade receivables. Based on the portfolio of financial assets and liabilities and the historically low losses incurred on loans and receivables, the implementation of the new standard has had no effect on Matas' interim report and thus no effect on retained earnings as at 1 April 2018. Implementing the standard has not in any way affected recognition or measurement.

Impact of IFRS 15, Revenue from Contracts with Customers

IFRS 15 replaces the previous revenue standards (IAS 11, Construction Contracts, and IAS 18, Revenue) and related interpretations and introduces a five-step model for the recognition of revenue from contracts with customers. Under IFRS 15, revenue is recognised at the amount of consideration to which Matas expects to be entitled in exchange for transferring goods or services to a customer.

As described on page 75 of the annual report for 2017/18, implementing the new standard has led to a reclassification of particularly the Club Matas customer loyalty programme. The reclassification inflated revenue by DKK 45.7 million and cost of sales by a corresponding amount in financial year 2017/18. For Q3 2017/18 and 9M 2017/18, the increase was DKK 12.0 million and DKK 33.8 million, respectively.

Matas has not recognised any substantial provisions for return rights (customers' right to return products to Matas) in connection with the preparation of the interim report.

Matas has implemented the new standard without restating comparatives, but has made the above-mentioned reclassification regarding the Club Matas loyalty programme. Except for the above-mentioned reclassification, the new standard has not significantly affected the recognition or measurement of revenue. The new standard has not affected the statement of cash flows, profits or earnings per share.

Standards issued but not yet effective

IFRS 16, Leases, takes effect for financial years beginning on or after 1 January 2019, and Matas has opted against early adoption of the standard. The IFRS 16 project continued in the third quarter of 2018/19 and is progressing as planned. Matas will continue to evaluate how the new standard impacts on the consolidated financial statements in financial year 2018/19.

Note 2 – Accounting estimates and judgments

The preparation of interim financial statements requires management to make accounting judgments and estimates that affect the application of accounting policies and recognised assets, liabilities, income and expenses. Actual results may differ from these estimates.

The critical accounting estimates and judgments applied are consistent with those applied in the consolidated financial statements for 2017/18.

Note 3 – Seasonality

The Group's activities in the interim period were affected by Christmas shopping, which is material to the Group's overall financial performance.

Note 4 – Acquisition

On 13 November 2018, Matas acquired all shares and all voting rights in the Danish company Firtal Group ApS (Firtal Group). Matas did not hold shares in the company prior to the acquisition.

Transaction costs in the amount of DKK 9.0 million were incurred in connection with the acquisition, of which DKK 0.3 million was recognised in Q3 2018/19 and the remaining DKK 8.7 million in Q2 2018/19. All costs are included in other external costs in the statement of comprehensive income.

The provisional pre-acquisition balance sheet shows assets with a fair value of DKK 76.4 million, including trademarks of DKK 34.9 million, inventories of DKK 32.1 million and cash and cash equivalents of DKK 1.3 million. Liabilities amount to DKK 36.4 million, including contingent consideration of DKK 14.5 million. The fair value of acquired net assets is DKK 40.0 million.

The total consideration amounts to DKK 146.4 million, and goodwill arising on the acquisition of Firtal Group is thus DKK 106.4 million.

The cash flow from the acquisition of Firtal Group is DKK 110.7 million, excluding the fair value of contingent consideration (DKK 14.5 million) and treasury shares (DKK 20.0 million) and cash and cash equivalents (DKK 1.3 million).

Completion of pre-acquisition balance sheet

As the work to complete the pre-acquisition balance sheet is still ongoing, the values stated above are provisional.

Description of the acquired activities

A leading player in online sales and distribution of private label and third-party brands, Firtal Group primarily operates within selected niche e-commerce verticals.

Firtal Group has developed a culture characterised by entrepreneurship and innovation which empowers talented employees to evolve into e-commerce leaders. Firtal Group is headquartered in Lystrup north of Aarhus. Firtal Group will continue as an independent business after the acquisition and will remain based in Lystrup.

Firtal Group ApS operates nine different niche webshops, the most important of which are helsebixen.dk and jala-helsekost.dk, which are well-known Danish e-commerce wellbeing brands.

Thanks mainly to helsebixen.dk and jala-helsekost.dk, Firtal Group is a major player in the market for green and natural products, including vitamins, supplements and natural beauty products. Management considers the acquisition a good strategic match for Matas' strategic goals:

- Build a leading e-commerce position by increasing the online share of total sales.
- Take additional share of the rapidly growing green market by strengthening the position in the market for green and natural products, including vitamins, supplements and natural beauty products.
- Open new growth and business development tracks through the acquisition of a business with a strong IT platform and a solid track record of profitable growth and innovative capabilities.

Goodwill

Goodwill is recognised at the amount by which the purchase price exceeds the fair value of the identifiable net assets. Goodwill is attributable to potential synergies within marketing, procurement and logistics and to benefits from best practice sharing and from adding skilled leaders with solid entrepreneurship and innovation experience. The amount of goodwill recognised is not tax deductible.

Goodwill related to the acquisition of Firtal Group was recognised at DKK 106.4 million at 31 December 2018.

Contingent consideration

The total purchase price includes contingent consideration of up to DKK 20.0 million, which was recognised at a fair value of DKK 14.5 million at the date of acquisition. Management has based its fair value measurement on assumptions which are not observable in the market, which corresponds to level 3 measurement in the fair value hierarchy. Management expects the agreed conditions to be met, following which the full DKK 20.0 million amount will become payable to the seller. If conditions have not been met by the date of approval of the annual report for 2020/21, Matas' obligation to pay parts of the contingent consideration will lapse.

The contingent consideration is related to the commercial development of the acquired activities. Matas' obligation to make the contingent payments is accounted for as a non-current liability. The difference between fair value and future contingent consideration payments will be recognised as a financial expense.

Key assumptions applied in measuring the contingent consideration include the future operational performance of the acquired activities and a discount rate of 13%.

Interim financial highlights

(DKKm)	2018/19 Q3	2018/19 Q2	2018/19 Q1	2017/18 Q4	2017/18 Q3
Statement of comprehensive income					
Revenue	1,092.6	777.2	843.8	769.3	1,074.8
Gross profit	480.9	349.0	381.7	341.8	484.2
EBITDA	204.7	99.1	133.3	81.7	221.5
EBIT	162.9	55.9	95.1	34.7	177.3
Net financial expenses	(6.1)	(5.0)	(4.3)	(4.2)	(5.2)
Profit before tax	156.8	50.9	90.8	30.5	172.1
Profit for the period	122.3	36.6	70.8	31.7	134.2
Statement of financial position					
Total assets	5,520.0	5,256.2	5,410.7	5,303.6	5,328.0
Total equity	2,636.1	2,494.2	2,456.3	2,620.9	2,588.2
Net working capital	(157.4)	(29.7)	(89.1)	(127.3)	(166.7)
Net interest-bearing debt	1,509.6	1,636.5	1,399.4	1,471.9	1,457.0
Statement of cash flows					
Cash flow from operating activities	266.2	42.0	98.1	5.8	260.5
Cash flow from investing activities	(138.8)	(36.2)	(25.2)	(20.3)	(23.1)
Free cash flow	127.4	5.8	72.9	(14.5)	237.4
Net cash flow from operating, investing and financing activities	11.4	(139.5)	107.9	34.2	(0.1)
Key performance indicators					
Number of transactions (in millions)	5.9	5.0	5.3	4.9	6.0
Average basket size (in DKK)	179.7	154.0	157.6	154.4	175.3
Total retail floor space (in thousands of square metres)	53.9	53.5	53.3	53.3	53.4
Avg. revenue per square metre (in DKK thousands) - LTM	64.5	64.2	64.5	64.3	64.7
Like-for-like growth	0.5%	(1.9)%	1.1%	(2.6)%	(0.8)%
Adjusted figures					
EBITDA	204.7	99.1	133.3	81.7	221.5
Exceptional items	1.3	9.5	5.0	2.0	5.5
EBITDA before exceptional items	206.0	108.6	138.3	83.7	227.0
Depreciation and amortisation of software	(21.0)	(23.6)	(19.0)	(29.3)	(23.2)
Exceptional items, amortisation and depreciation	0.0	0.0	0.0	1.4	4.0
EBITA	185.0	85.0	119.3	55.7	207.7
Adjusted profit after tax	139.8	61.0	89.7	47.0	154.8
Gross margin	44.0%	44.9%	45.2%	44.4%	45.0%
EBITDA margin	18.7%	12.8%	15.8%	10.6%	20.6%
EBITDA margin before exceptional items	18.8%	14.0%	16.4%	10.9%	21.1%
EBITA margin	16.9%	10.9%	14.1%	7.2%	19.3%
EBIT margin	14.9%	7.2%	11.3%	4.5%	16.5%