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.
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

matas
CEO comments on Matas’ current situation
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
Financial results for 2020/21
Key financials 2020/21

Financial results: 2020/21 vs. 2019/20

Revenue (DKK m)
- 2020/21: 4,164
- 2019/20: 3,688
+12.9% LFL 13.5%

Gross margin (%)
- 2020/21: 44.2%
- 2019/20: 44.5%
-0.3%-point

Cost (DKK m)
- Special items: 951
- Other external costs: 222
- Staff costs: 740
- Total cost: 1,913
- EBITDA: 771
+93.2 DKK

Adj. net profit (DKK m)
- 2020/21: 357
- 2019/20: 283
+26.5%

Free cash flow (DKK m)
- 2020/21: 774
- 2019/20: 111
+596.1%

Transactions (# m)
- 2020/21: 20.9
- 2019/20: 20.9
+0.3%

Basket size (DKK m)
- 2020/21: 197
- 2019/20: 175
+13.0%
Long term trends: Revenue, Gross Margin and EBITDA

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

Revenue growth (%)
- Like-for-like growth
- LTM LFL growth

Gross Margin (%)
- Gross margin
- LTM gross margin

EBITDA margin (%)
- EBITDA margin before special items

Revenue & EBITDA (DKK m)
- EBITDA b. spec. items
- Revenue
- LTM Revenue

Conference call May 27, 2021 – Annual Report 2020/21 | 9
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)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>792</td>
<td>826</td>
<td>978</td>
</tr>
<tr>
<td>Q2</td>
<td>799</td>
<td>918</td>
<td>942</td>
</tr>
<tr>
<td>Q3</td>
<td>902</td>
<td>1,000</td>
<td>918</td>
</tr>
<tr>
<td>Q4</td>
<td>786</td>
<td>963</td>
<td>867</td>
</tr>
</tbody>
</table>

### Inventories, end Q4 2020/21, change from 2019/20 (DKK m)

- **COVID-19**: +19
- **Online**: +27
- **"Old Business"**: -142
- **"Delta" inventories**: -96
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 DKKM 108

- 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
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

---

### Potential reversal

- DKK 50m PPE sales
- DKK 75-100m normalisation of consumer spending from 2H
  - Travel retail
  - Stimulus package effect (October)
- Moderate increase in online competition

### Digital health

- Websundhed acquisition
- Business development activities (e.g. subscriptions)
- Up to 1% margin "investment" in future growth

---

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>EBITDA margin</th>
<th>CAPEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019/20</td>
<td>3,689</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020/21</td>
<td>4,164</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021/22e</td>
<td>4,080</td>
<td>+11% to +15%</td>
<td>+4,250m</td>
</tr>
</tbody>
</table>

mDKK

---

Conference call May 27, 2021 – Annual Report 2020/21 | 14
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**

<table>
<thead>
<tr>
<th>Track</th>
<th>Description</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Live our purpose</td>
<td>Improved brand to become #2 best brand in Denmark, ~20% increase in matas.dk satisfaction since 2018/19</td>
</tr>
<tr>
<td>2</td>
<td>Win online</td>
<td>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</td>
</tr>
<tr>
<td>3</td>
<td>Consolidate &amp; refresh stores</td>
<td>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</td>
</tr>
<tr>
<td>4</td>
<td>New growth</td>
<td>+29% growth in Health &amp; Wellbeing since 2017/18, Added 11 digital verticals through acquisition of Firtal, Added #1 Danish make-up to own brand portfolio</td>
</tr>
<tr>
<td>5</td>
<td>Change how we work</td>
<td>DKK ~75M cost savings reinvested in digital growth, LOG Project initiated with building plot secured, Revitalized culture and competencies</td>
</tr>
</tbody>
</table>
The major milestones: Strategy has been executed both organically and through M&A

- Acquisition of Firtal Group
- Opening of webshop logistics at 8,000 sqm warehouse in Humlebæk
- Acquisition of minority stake in Miild
- Launch of subscription services and recurring revenue stream through Club Matas Plus
- Acquisition of Web Sundhed and partnership with Webapoteket

- Launch of Same Day Delivery
- Acquisition of Kosmolet
- Acquisition of Din Frisør Shop
- Winner of "Ehandelsprisen" by Dansk Erhverv and "MMM Prisen" by Detailforum
- Matas Group’s ecommerce business reaches DKK 1 billion in LTM revenue
- Launch of health initiatives with Aktiviva, shop-in-shop and partnerships

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 / %

- Stores: 96%
- Digital: 4%

**2020/21: DKK 4.2B**

Omnichannel retailer

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

- Stores: 74%
- Digital: 26%

**3-year digital transformation**

DKK 1,100,000,000

Digital Revenue in 2020/21 (2017/18: DKK 123M)
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.
Superior online profitability due to **omnichannel synergies** and **scale effects**

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

- **Revenue**
- **Gross Margin**
- **Channel Contribution**

<table>
<thead>
<tr>
<th></th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>253</td>
<td>542</td>
<td>1,083</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>10%</td>
<td>13%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Channel Contribution</strong></td>
<td>36%</td>
<td>37%</td>
<td>40%</td>
</tr>
</tbody>
</table>

**Sales synergies:** Cross-selling & CLV*

**Sourcing synergies:** Buying power

**Marketing synergies:** CAC** & mROI

**Fulfillment synergies:** Click & Collect

**Staff synergies:** Shared services

---

Note: Channel Contribution is Gross Margin less personnel-, marketing-, and freight costs
Note: *) CLV = Customer Lifetime Value; **) CAC = Customer Acquisition Costs
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**

<table>
<thead>
<tr>
<th>Assets &amp; Capabilities</th>
<th>KPI trend</th>
<th>Key facts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matas' brand</td>
<td>![upward arrow]</td>
<td>• #2 strongest brand overall in DK, #1 in Health &amp; Beauty (YouGov)</td>
</tr>
<tr>
<td>Club Matas</td>
<td>![upward arrow]</td>
<td>• 1.7M members of which 1.5M are active</td>
</tr>
<tr>
<td>Omni-channel</td>
<td>![upward arrow]</td>
<td>• 70% of Danish women between age 18 and 65</td>
</tr>
<tr>
<td>Own digital channel</td>
<td>![upward arrow]</td>
<td>• +600,000 omnichannel customers (spend 2x offline customers)</td>
</tr>
<tr>
<td>Portfolio: Price fighter channels</td>
<td>![upward arrow]</td>
<td>• Local stores with trained staff, connected retail and high NPS</td>
</tr>
<tr>
<td>Own media &amp; content</td>
<td>![upward arrow]</td>
<td>• Customer satisfaction for matas.dk at record highs, with NPS at 68</td>
</tr>
<tr>
<td>House brands</td>
<td>![upward arrow]</td>
<td>• Same day delivery available for ~50% of Danish consumers</td>
</tr>
<tr>
<td>Selective distribution/Authorized Dealer</td>
<td>![upward arrow]</td>
<td>• Firtal Group has a low cost operating model and 11 webshops</td>
</tr>
<tr>
<td>Commercial model: Dynamic pricing</td>
<td>![upward arrow]</td>
<td>• Monthly reach of 1.8M persons across channels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Significant growth in own digital media portfolio and reach</td>
</tr>
</tbody>
</table>

Note: * Matas Sales only represents sales through Matas stores and matas.dk

Conference call May 27, 2021 – Annual Report 2020/21 | 29
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:

- Roaring twenties
- Digitalization & social media
- Intensified competition
- Health demand
- COVID-19 reversal
- Physical retail consolidation
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.
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

<table>
<thead>
<tr>
<th><strong>Sustainability:</strong></th>
<th><strong>Health:</strong></th>
<th><strong>Inclusion:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimize the climate footprint of shopping</td>
<td>Contribute to public health</td>
<td>Empower our colleagues and customers</td>
</tr>
<tr>
<td>CO2 neutral in 2030</td>
<td>Access to digital health solutions for all</td>
<td>Best place to work in retail</td>
</tr>
<tr>
<td>Eliminate 100 mio. pieces of plastic</td>
<td>More &quot;clean, green and healthy&quot; ranges</td>
<td></td>
</tr>
</tbody>
</table>

- 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

---

Health and Beauty for Life

Sustainability:
- Minimize the climate footprint of shopping
- CO2 neutral in 2030
- Eliminate 100 mio. pieces of plastic

Health:
- Contribute to public health
- Access to digital health solutions for all
- More "clean, green and healthy" ranges

Inclusion:
- Empower our colleagues and customers
- Best place to work in retail

---

Conference call May 27, 2021 – Annual Report 2020/21 | 37
The 2025/26 ambition is to **double the digital revenue** and become a Health and Beauty Group with a **stronger brand portfolio**.
The Matas Group leadership team is in place to execute the new strategy.
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
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

<table>
<thead>
<tr>
<th></th>
<th>Q4 19/20</th>
<th>Q4 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>(DKK m)</td>
<td>817</td>
<td>971</td>
</tr>
<tr>
<td>Growth %</td>
<td>+18.9%</td>
<td>LFL 19.8%</td>
</tr>
</tbody>
</table>

### Gross margin

<table>
<thead>
<tr>
<th></th>
<th>Q4 19/20</th>
<th>Q4 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>45.8%</td>
<td>45.6%</td>
</tr>
</tbody>
</table>

### Cost

- **Special items**
- **Other external costs**
- **Staff costs**

**EBITDA before special items**

<table>
<thead>
<tr>
<th></th>
<th>Q4 19/20</th>
<th>Q4 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>(DKK m)</td>
<td>255</td>
<td>291</td>
</tr>
<tr>
<td>+36.6 DKK</td>
<td>67</td>
<td>106</td>
</tr>
</tbody>
</table>

### Adj. net profit

<table>
<thead>
<tr>
<th></th>
<th>Q4 19/20</th>
<th>Q4 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>(DKK m)</td>
<td>23</td>
<td>42</td>
</tr>
<tr>
<td>Growth %</td>
<td>+83.6%</td>
<td></td>
</tr>
</tbody>
</table>

### Free cash flow

<table>
<thead>
<tr>
<th></th>
<th>Q4 19/20</th>
<th>Q4 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>(DKK m)</td>
<td>-34</td>
<td>35</td>
</tr>
<tr>
<td>Growth %</td>
<td></td>
<td>204.2%</td>
</tr>
</tbody>
</table>

### Transactions

<table>
<thead>
<tr>
<th></th>
<th>Q4 19/20</th>
<th>Q4 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>(# m)</td>
<td>4.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Growth %</td>
<td></td>
<td>1.6%</td>
</tr>
</tbody>
</table>

### Basket size

<table>
<thead>
<tr>
<th></th>
<th>Q4 19/20</th>
<th>Q4 19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>(DKK m)</td>
<td>174</td>
<td>204</td>
</tr>
<tr>
<td>Growth %</td>
<td></td>
<td>17.5%</td>
</tr>
</tbody>
</table>