

# Renewing Matas

Q1 2020/21 Update

CPH Roadshow 24 August 2020

matas



# CEO comment: Solid financials results and financial targets

Key messages: Q1 2020/21 results, corona impact and new 2020/21 financial targets

## **Strong results for Q1 2020/21 – continuing into Q2**

- ✓ Topline growth at 8.1%
- ✓ Underlying growth (LFL) at 8.4% in Q1 – positive trend continuing in first half of Q2 due to “staycation”
- ✓ EBITDA up 7% with margin before special items 18.3% (after IFRS 16)

## **Our business model proved to be resilient to pandemic and lock-down**

- ✓ Sales growth driven by demand for Health & Wellbeing and limited competition in first half of Q1
- ✓ Online sales continue to boom with further proof of online profitability and customer satisfaction records
- ✓ Supply chain volatility and sudden demand changes increased inventories in Q4 2019/20 and Q1 2020/21

## **“Renewing Matas” strategy phase two – accelerating the transformation**

- ✓ Phase Two: Staying the course and forwarding digital investments & logistics review
- ✓ Prepared for international competition online

## **Financial targets and ambitions**

- ✓ NEW: short term financial targets for 2020/21, subject to higher uncertainty than usual due to COVID-19
- ✓ 2022/23 financial ambitions intact, but increased macro risks

# COVID-19 effect on Matas: Resilient, but not immune

Q4 19/20, Q1 20/21 and preliminary Q2

	Estimated Q4 effect	Estimated Q1 effect	Q2 - trading
Revenue	DKK ~50 m drop	DKK ~35 m increase	Growth rate QTD similar to Q1 2020/21
COVID-19 related cost	DKK ~5 m	DKK ~4 m	
EBITDA	DKK ~20 m drop	DKK ~10 m increase	
Working capital	DKK ~60 m increase	DKK ~100 m decrease from liquidity package partially offset by higher inventories	Reversal of COVID-19 liquidity package

# Health & Wellbeing is outperforming under COVID-19

COVID-19 effects: Category mix is back to normal

## Q1 2020/21 vs. Q1 2019/20

Index by category



# Online growth accelerated in Q1 2020/21

Online growth: 2018/19, 2019/20 and Q1 2020/21

## Growth on matas.dk

- Q1 20/21: 216% (QoQ)
- 2019/20: 76% (YoY)
- 2018/19: 54% (YoY)

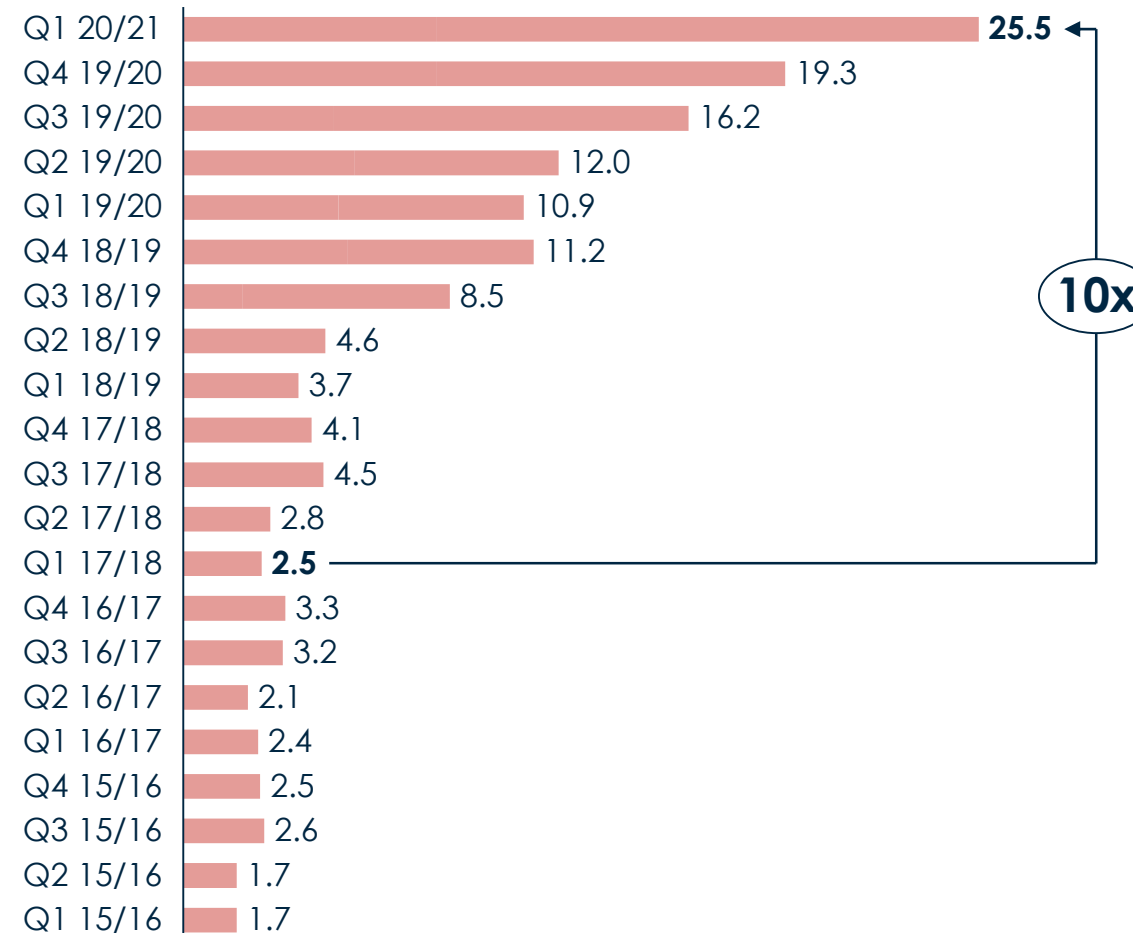
## Online revenue\* of total

- Q1 2020/21: 25.5%
- Q1 2019/20: 10.9%
- Q1 2018/19: 3.7%

## Customer development Q1 2020/21

- ✓ 250.000 customers shopping at matas.dk
- ✓ 60.000 first-time customers, especially young demographic
- ✓ All-time high customer satisfaction end Q1

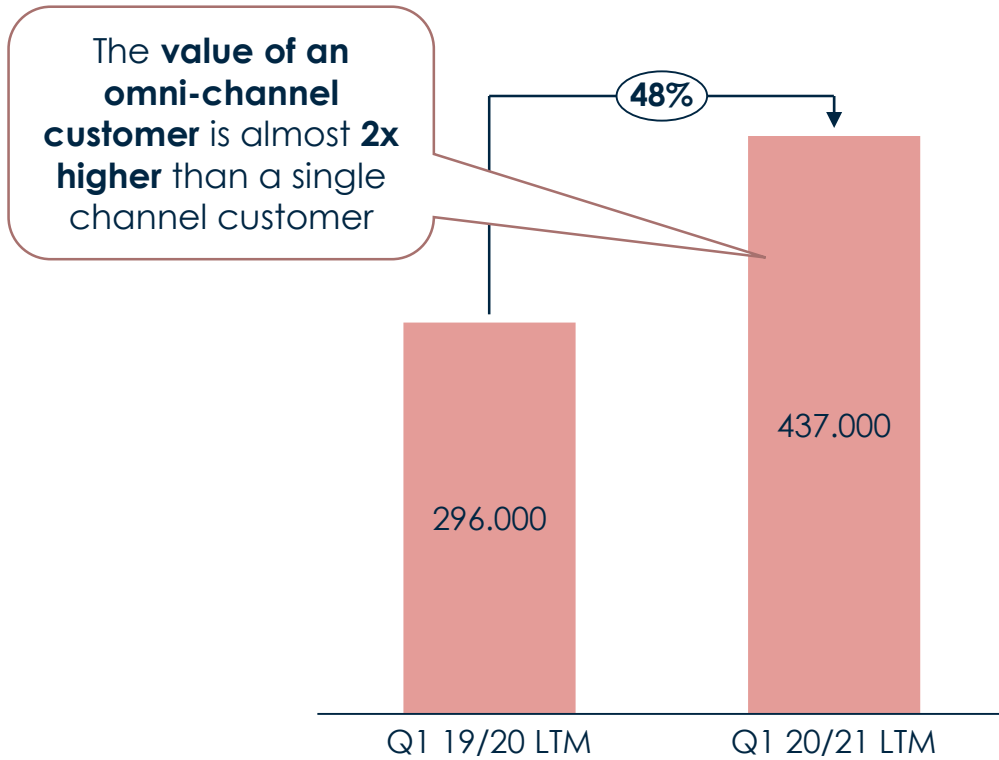
## Quarterly online share of turnover\* (%)



# 48% growth in omni-channel customers LTM

Matas' strong omni-channel platform is proving its worth

## LTM omni-channel customers



# Continued rebound in physical store sales

Store LFL decline driven by closures in first half of Q1 2020/21 - reversed to growth in second half

## April to mid-May 2020 (first half)

Store **LFL decline** driven by:

- +30 stores closed
- Shopping centres closed
- Limited traffic

## Mid-May to June (second half)

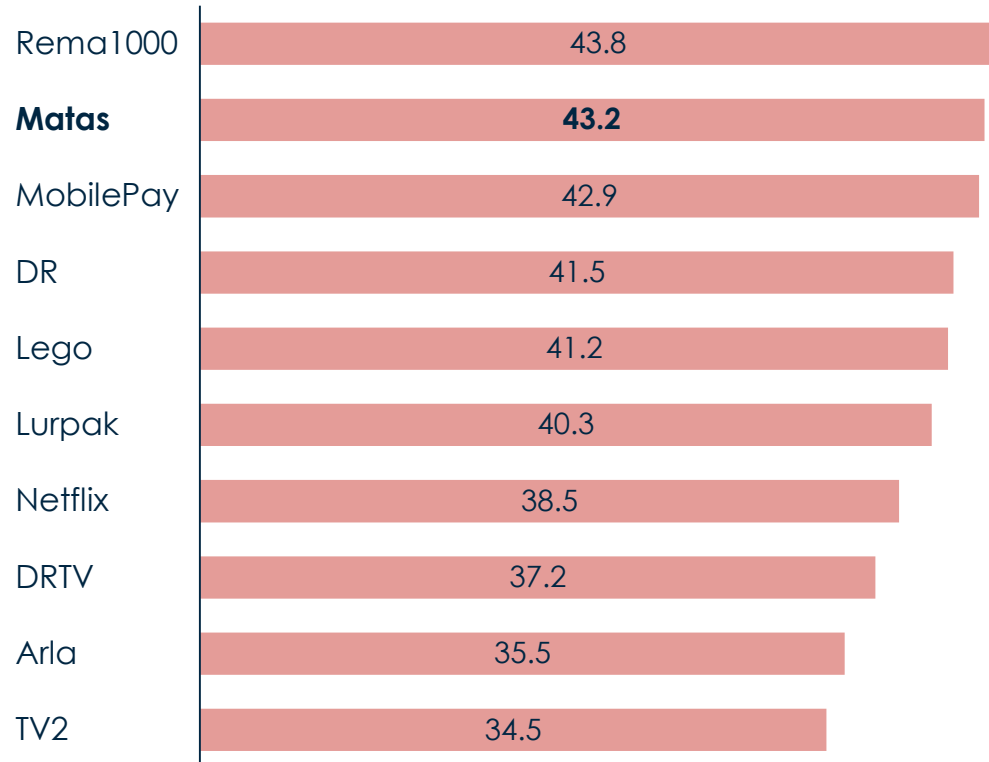
Store **LFL growth** driven by:

- All stores open
- Shopping centres normalising
- Traffic and competition normalising, except for travel retail

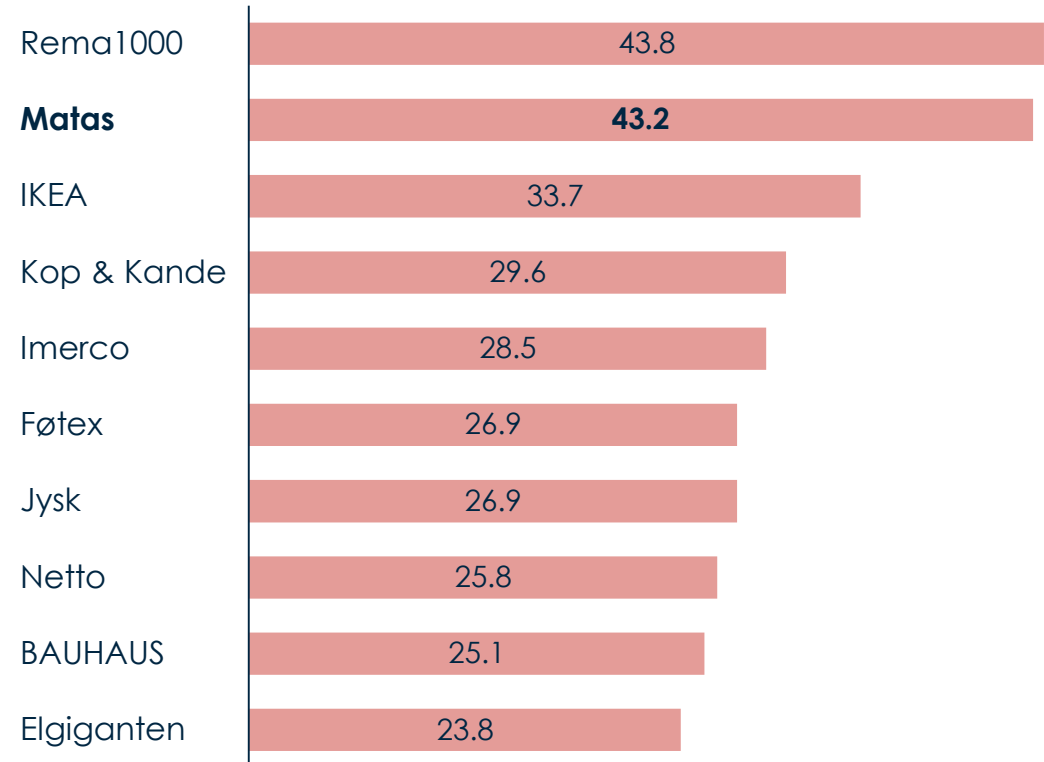
# Matas continues to be #2 strongest brand in Denmark

YouGov BrandIndex Q2 2020 ranking (1 April – 30 June)

## Top 10 brands in Denmark (score)



## Top 10 retail brands in Denmark (score)

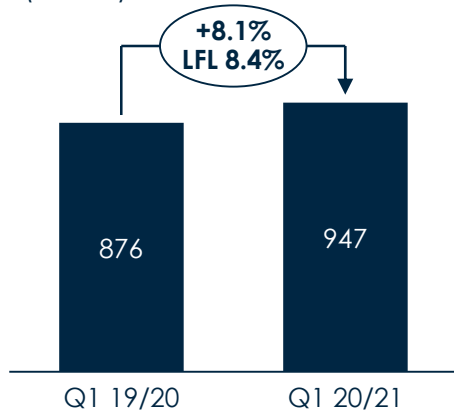




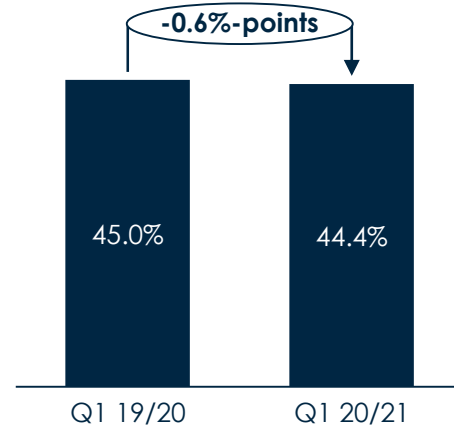
# Key financials Q1 2020/21

Financial results: Q1 2020/21 vs. 2019/20

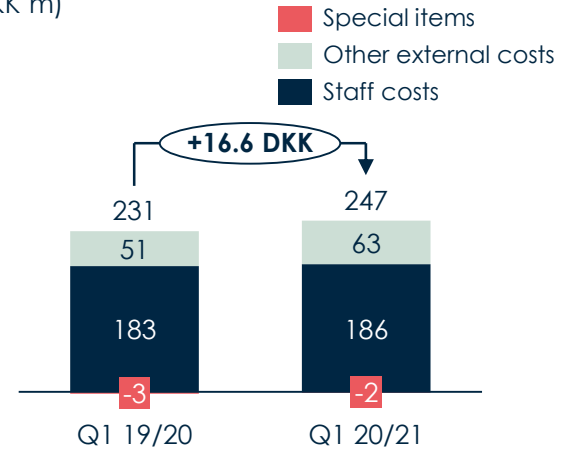
**Revenue**  
(DKK m)



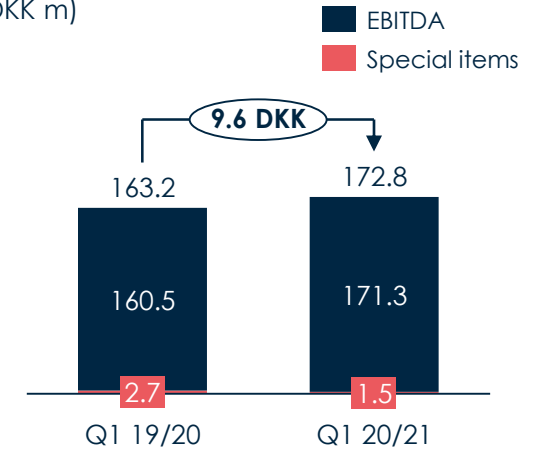
**Gross margin**  
(%)



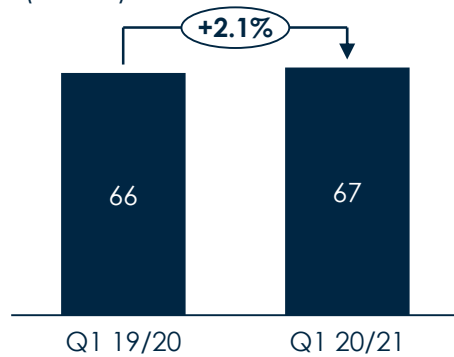
**Cost**  
(DKK m)



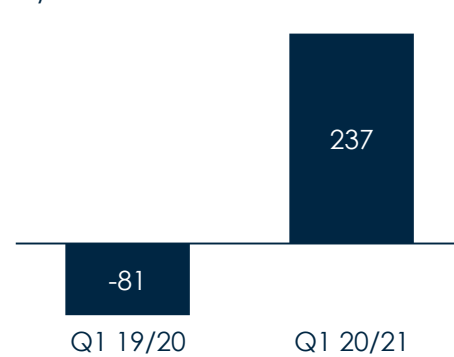
**EBITDA before special items**  
(DKK m)



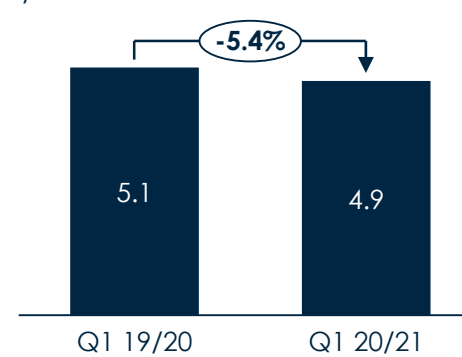
**Adj. net profit**  
(DKK m)



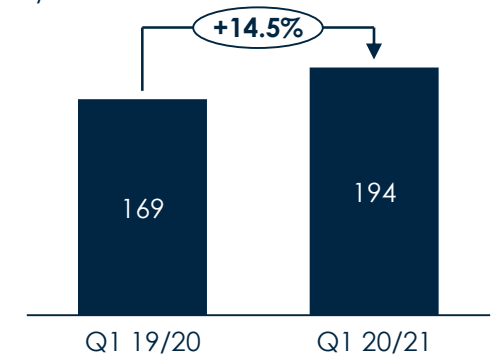
**Free cash flow**  
(DKK m)



**Transactions**  
(# m)



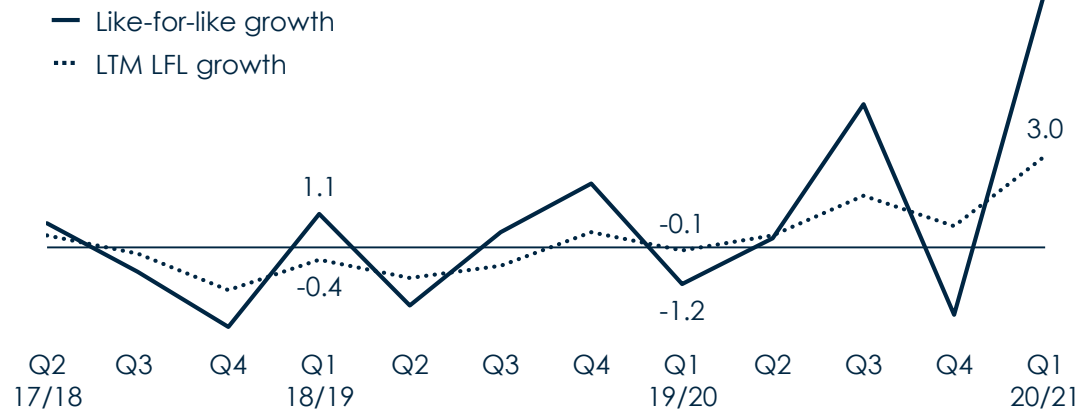
**Basket size**  
(DKK)



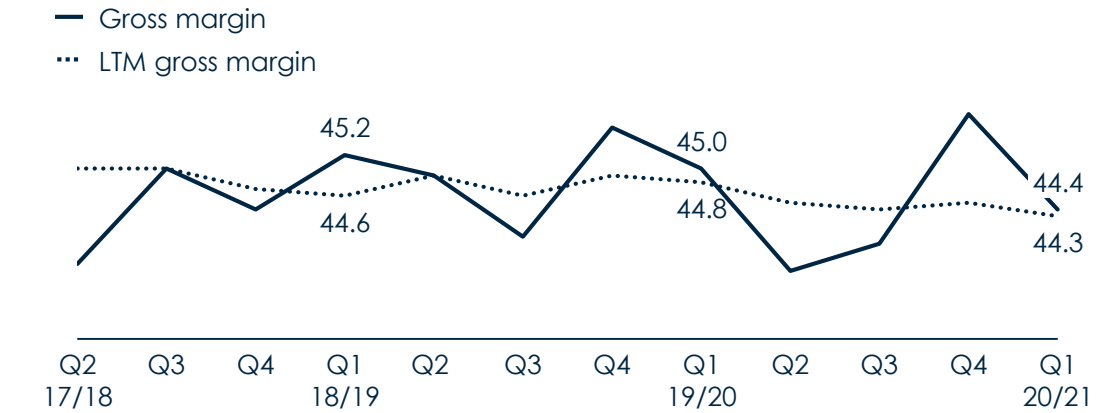
# Long term trends: Revenue, Gross Margin and EBITDA

## Financial results

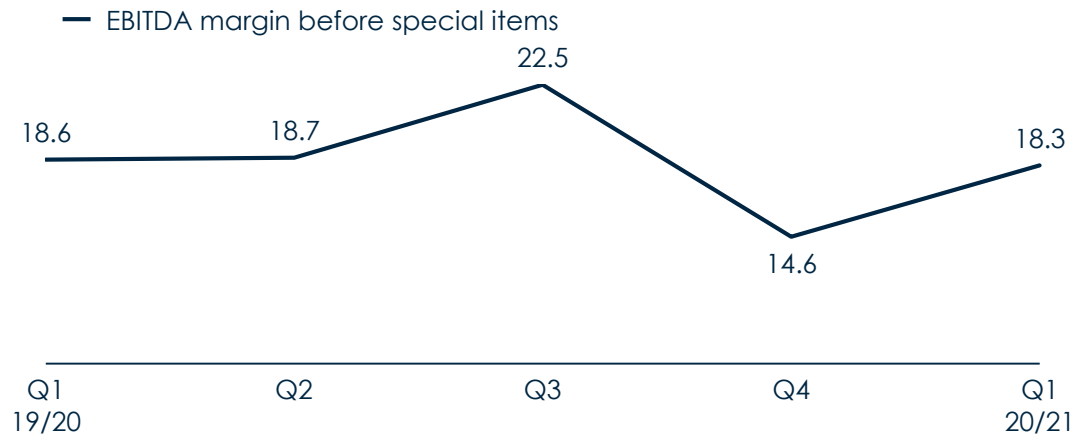
### Revenue growth (%)



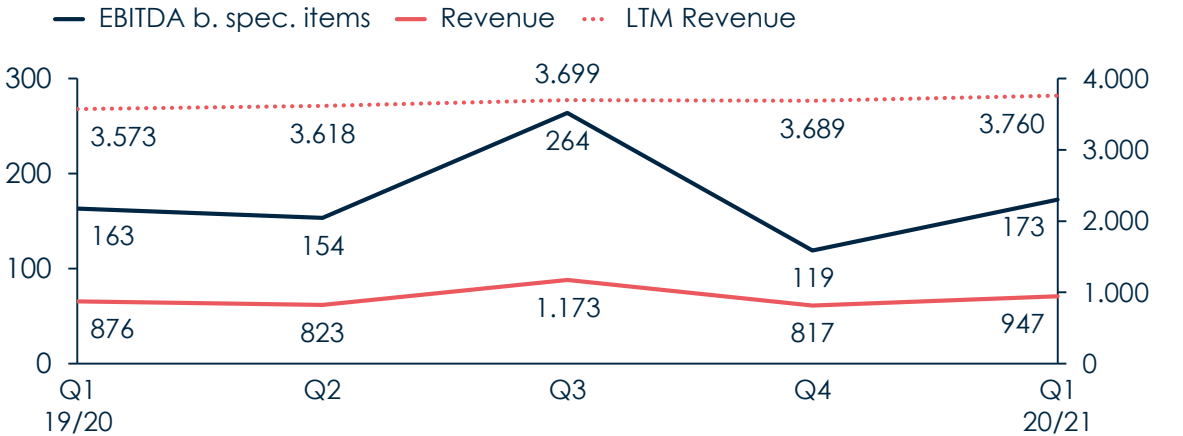
### Gross Margin (%)



### EBITDA margin (%)



### Revenue & EBITDA (DKK m)



# Cost development: Total Cost Ratio marginally down

## Cost development: Q1 2020/21 vs. Q1 2019/20

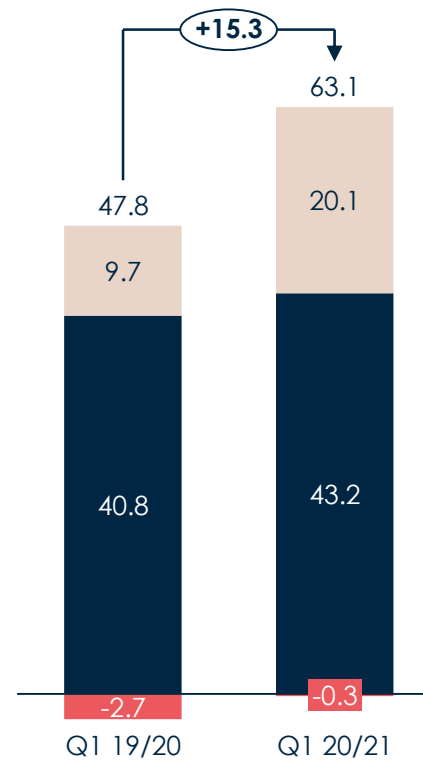
In Q1 2020/21, total operating costs (ex one-offs) were up DKK 17 m from Q1 2019/20

Total cost ratio, however, was **down to 26.3%** from 26.7% in Q1 2019/20

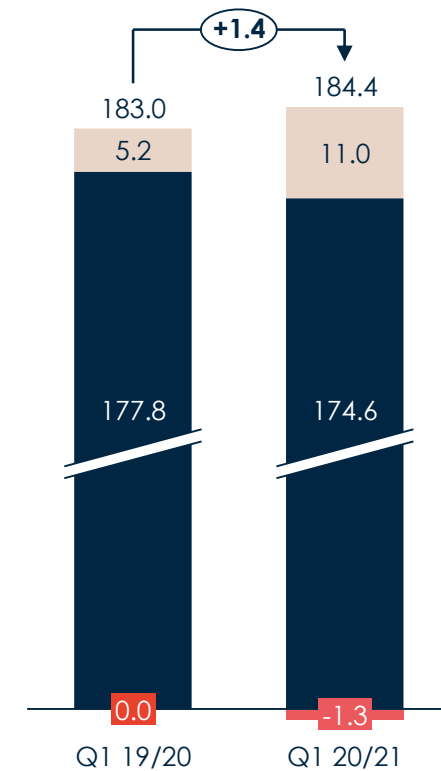
### Cost drivers Q1

- ↑ DKK 11 m in added cost from Firtal due to growth and DKK 6 m from Kosmolet (was only partially in Q1 numbers LY)
- ↑ Other external costs from matas.dk DKK 14 m higher due to growth
- ↑ DKK 4 m in added cost related to COVID-19
- ↓ Permanent net reductions in remaining underlying cost base of approx. DKK 18 m compared to Q1 2019/20 from cost efficiency actions within store operations as well as HQ process optimisation. Cost savings in stores and HQ of more than DKK 10 m have been “reinvested” in the digital business

**Other external costs**  
(DKK m)



**Staff costs**  
(DKK m)



Special items OPEX Firtal and Kosmolet OPEX Matas

# Cash flow, working capital and trade payables

Financial results: Q1 2019/20 vs. Q1 2020/21

## Cash flow and working capital developments

- Cash generated from operations was an inflow of DKK 301.0 million in Q1 2020/21 against an inflow of DKK 82.7 million in Q1 2019/20, a rise of DKK 218.2 million
- Positive development in working capital primarily due to the positive effect of the COVID-19 aid package extending due dates on VAT and payroll taxes. Most of this will be reverted in Q2 2020/21
- Working capital also supported by rise in trade payables
- Acquisitions and other investments fell by DKK 98.2 m compared to Q1 last year (Kosmolet)

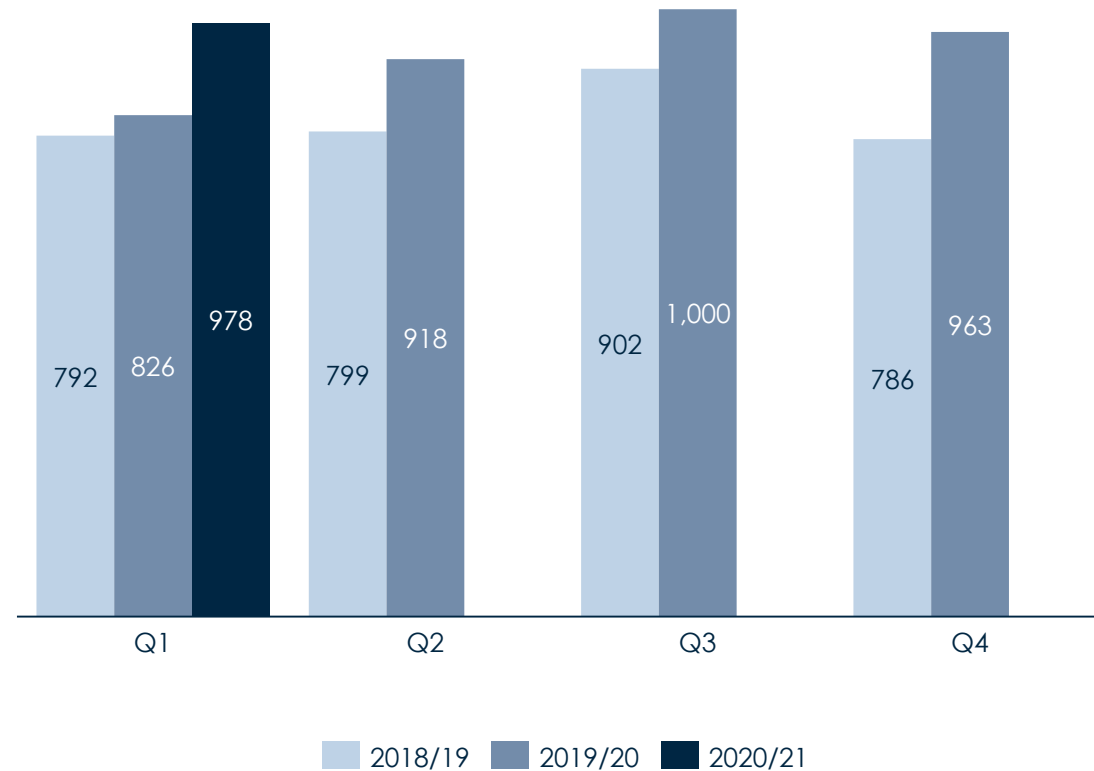
DKK million	Q1 2020/21	Q1 2019/20	Change QoQ
<b>Cash from operations before changes to working capital</b>	<b>172.5</b>	<b>161,6</b>	<b>10.8</b>
Changes to working capital	128.5	-78.9	207.4
<b>Cash from operations*</b>	<b>301.0</b>	<b>82.7</b>	<b>218.2</b>
Paid interest and taxes	0.1	0.0	0.1
<b>Cash flow from operating act.</b>	<b>301.1</b>	<b>82.7</b>	<b>218.3</b>
CAPEX	-39.8	-41.1	1.3
Acquisition and other investments	-24.5	-122.7	98.2
<b>Cash flow from investing act.</b>	<b>-64.3</b>	<b>-163.8</b>	<b>99.5</b>
<b>Free cash flow</b>	<b>236.8</b>	<b>-81.1</b>	<b>317.8</b>

# Inventories: Increase from online logistics, acquisition and COVID-19

Financial results: Q1 2020/21 vs. Q1 2019/20

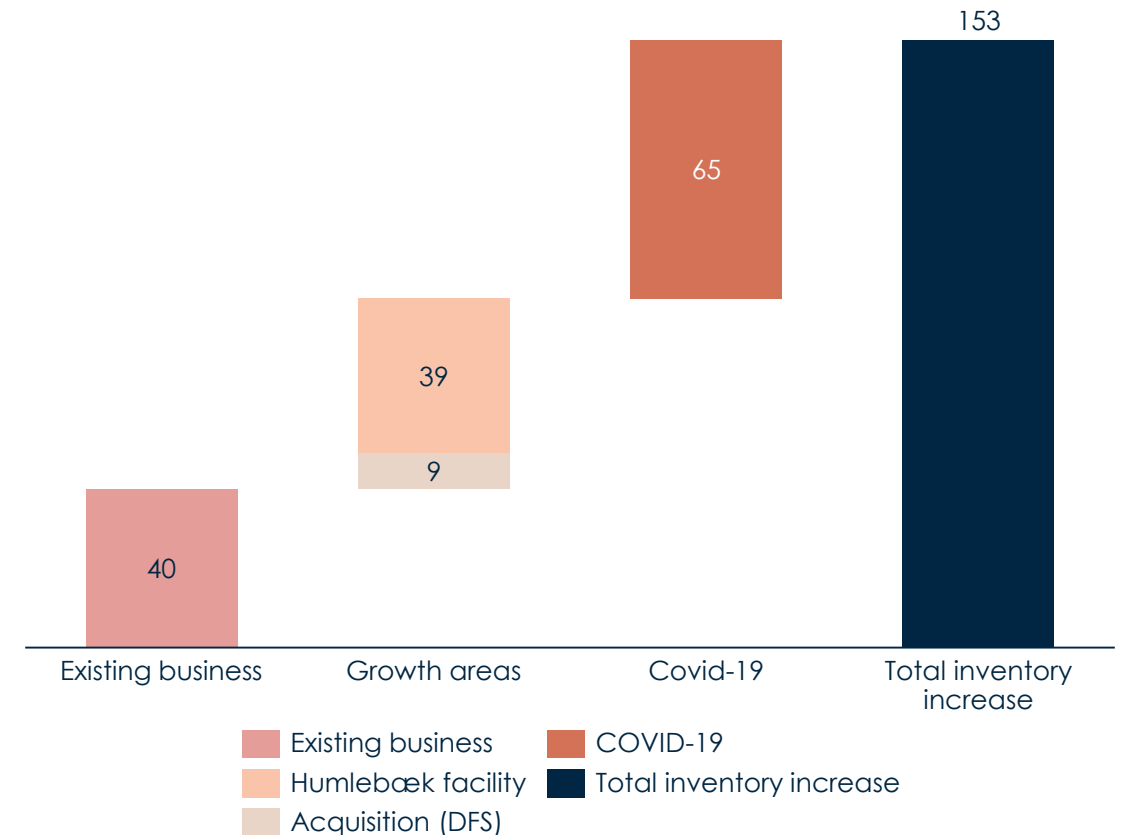
## Inventories per quarter

(DKK m)



## Inventories, Q1 2020/21, change from Q1 2019/20

(DKK m)



# Renewing Matas: clear strategic progress and results of phase 1

## Key results for Q1 2020/21

1

### Live our purpose

Beauty & Wellbeing for Life

- ✓ Improved brand ranking, particularly young shoppers
- ✓ 8% increase in matas.dk satisfaction

2

### Win online

From top 3 to undisputed market leader

- ✓ Online share of revenue 25.5% - 10 fold increase in 3 yrs
- ✓ 216% growth on matas.dk since Q1 2019/20

3

### Consolidate & refresh stores

Adapt the network & shopping experience

- ✓ Store footprint at 264 – all profitable
- ✓ 70 store upgrades since 2016/17
- ✓ 33% of turnover from upgrades stores

4

### New growth

Build the next destination categories

- ✓ 29% growth in Health & Wellbeing since Q1 2017/18
- ✓ Added digital verticals
- ✓ Added #1 Danish make-up to own brand portfolio

5

### Change how we work




Enabling and funding the transformation

- ✓ DKK ~18 m cost savings reinvested in digital growth
- ✓ LOG23 project initiated

# Outlook: Tangible risks but also new opportunities

COVID-19 effects: What we learned from the first wave





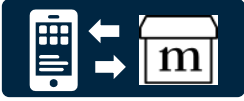













## Risks

-  **Recession**  
- Currently no impact, but this recession is without precedent
-  **Online competition**  
- Well positioned and prepared
-  **Second wave pandemic**  
- High degree of resilience

## Opportunities

-  **Shopping locally – staying at home**  
- Clear advantage (store network)
-  **Digital growth**  
- Extending the lead/winning share
-  **Health & Personal Care**  
- Matas as health destination

# Amazon in the Nordics: How Matas stacks up

Assets		KPI trend	Key facts
 <b>Matas' brand</b>			<ul style="list-style-type: none"> <li>#2 strongest brand overall in DK, #1 in Health &amp; Beauty (YouGov)</li> <li>Brand Asset Valuator score of 99 (out of 100)</li> </ul>
 <b>Club Matas</b>			<ul style="list-style-type: none"> <li>1.5 m members of which 1.4 m are active</li> <li>69% of Danish women between age 18 and 65</li> </ul>
 <b>Omni-channel</b>			<ul style="list-style-type: none"> <li>410.000 omnichannel customers (spends 2x offline customers)</li> <li>Local stores with trained staff, connected retail and high NPS</li> </ul>
 <b>Own digital channel</b>			<ul style="list-style-type: none"> <li>#1 within Health &amp; Beauty segment</li> <li>Customer satisfaction for matas.dk at record highs</li> <li>Fast delivery: Same day/next day</li> </ul>
 <b>Portfolio: Price fighter channels</b>			<ul style="list-style-type: none"> <li>Firtal Group has a low cost operating with 20 verticals</li> </ul>
 <b>Own media &amp; content</b>			<ul style="list-style-type: none"> <li>Monthly reach of 1,7 m persons across channels</li> <li>Significant growth in own digital media portfolio and reach</li> </ul>
 <b>House brands</b>			<ul style="list-style-type: none"> <li>17.4% of turnover in Mass Beauty from House Brands, incl. private label</li> </ul>
 <b>Selective distribution/Authorized Dealer</b>			<ul style="list-style-type: none"> <li>34% of turnover from High End Beauty with selective distribution</li> <li>Access to exclusives, news, content and marketing support</li> </ul>
 <b>Commercial model: Dynamic pricing</b>			<ul style="list-style-type: none"> <li>High campaign share limits competitive exposure</li> <li>Every Day Low Price on key value items</li> </ul>



# Financial targets and ambitions

## New financial targets for 2020/21 and unchanged financial ambitions towards 2022/23

### Financial targets for 2020/21

- Total revenue growth at around 6% from FY 2019/20
- Underlying revenue growth (like-for-like) at around 6%
- EBITDA margin before special items around 18% (after IFRS 16)
- CAPEX between DKK 120 and 140 m

### Financial ambitions towards 2022/23

- Turnover around DKK 4 bn
- EBITDA margin before special items above 18% after IFRS 16
- Annual CAPEX between DKK 80 and 120 m
- Gearing between 2.5 and 3 (lower gearing than pre-IFRS 16)

The financial targets for 2020/21 are based on assumptions of continuing steady market growth, slightly growing sales of beauty, health and personal care products and a largely unchanged competitive climate.

In addition, the ongoing channel shift from physical store to online shopping is expected to continue through the financial year, which is expected to entail a further drop in physical store footfall. Encouraged by continuing strong growth in online sales, the Group will bring forward some of its planned investments, and the overall CAPEX level is expected to be slightly higher than previously anticipated.

It should be noted that the assumptions are subject to higher-than-usual uncertainty. The above targets do not factor in the effects of a potential second wave of COVID-19 or a dramatic change in consumer behaviour in the wake of, for example, a recession in the second half of the financial year. Furthermore, management believes that sales in June, July and the first half of August were favourably affected by the low level of outbound travel activity among Danish consumers during the summer period.



Q&A