



# matas



Matas | Q2 2015/16 results

# Forward Looking Statements

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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.

# Business Update

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- Almost flat LFL topline.
  - Selective Beauty and Vital performing well - increasing competition in Mass Beauty.
  - Our online business and Connected Retail continued to show high growth rates.
- “My Favourites” concept confirms potential of Club Matas.
- StyleBox shows good growth rates and improving results.
- Unchanged EBITDA margin compared to Q2 last year.
- Continued strong cash flow opens new share buyback programme of DKK 125 mill.
- Accelerated and increased focus on long term growth initiatives.

## Financial Highlights Q2 2015/16

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- Total sales growth of -1.2% in Q2 with like-for-like growth of 0.2%
- EBITA margin virtually unchanged at 15.7% compared to 15.8% in Q2 2014/15
- Adjusted net profit 7% higher than Q2 2014/15
- Cash flow from operating activities of DKK 34m in Q2 compared to DKK -13m in the same period the year before
- Free cash flow of DKK 19m after total investments of DKK 15m
- Gross debt of DKK 1,727m - leading to a net debt of 2.4x LTM EBITDA

## 0.2% Like-for-Like Growth in Q2 2015/16

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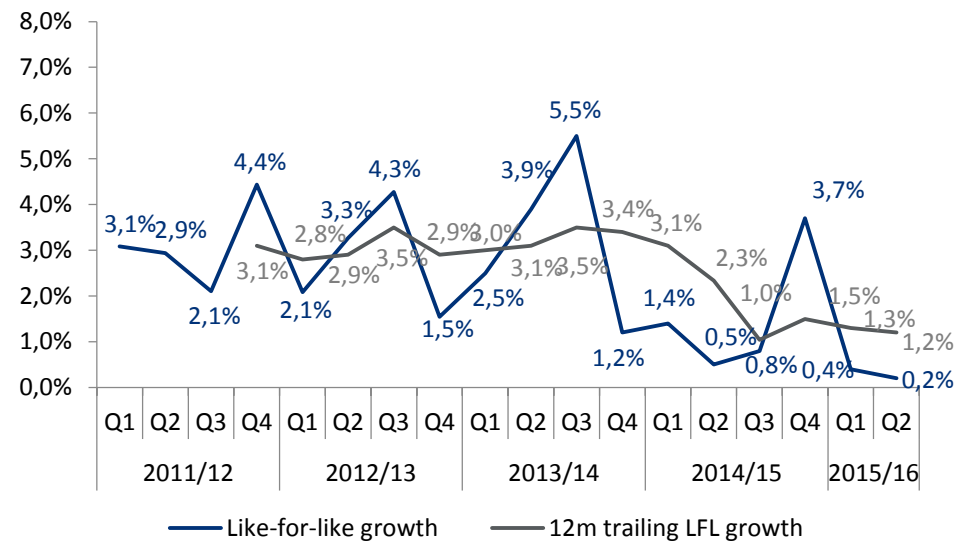
- Like-for-like growth of 0.2% in Q2 vs. Q2 last year.
- Acquisitions/closures subtracted 0.1% from total sales in Q2.
- An increase in Club Matas points awarded (accounted for as deduction in sales) and lower income from sale of Club M points to partners (changed terms) reduced sales by 0.8%.
- Sales to associated stores and external sales impacted by acquired associated stores.
- Total sales growth of -1.2% in Q2.

Growth Q2 2014/15 to Q2 2015/16	
Like-for-like growth	0.2%
Acquired/closed stores	-0.1%
Total sales growth own stores	0.1%
Effect of Club Matas/Club M point	-0.8%
Sales to associated stores and others	-0.5%
Total sales growth	-1.2%

# Great variations in category sales growth

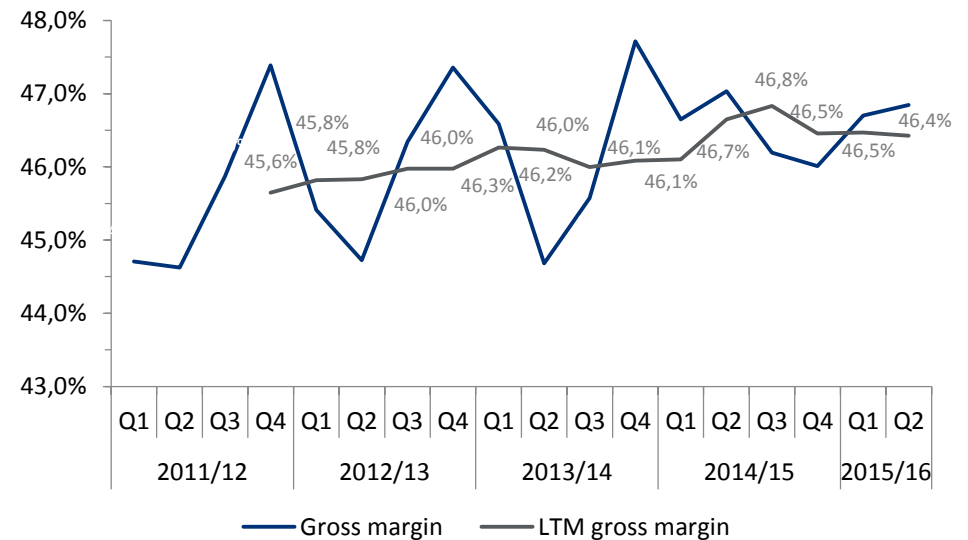
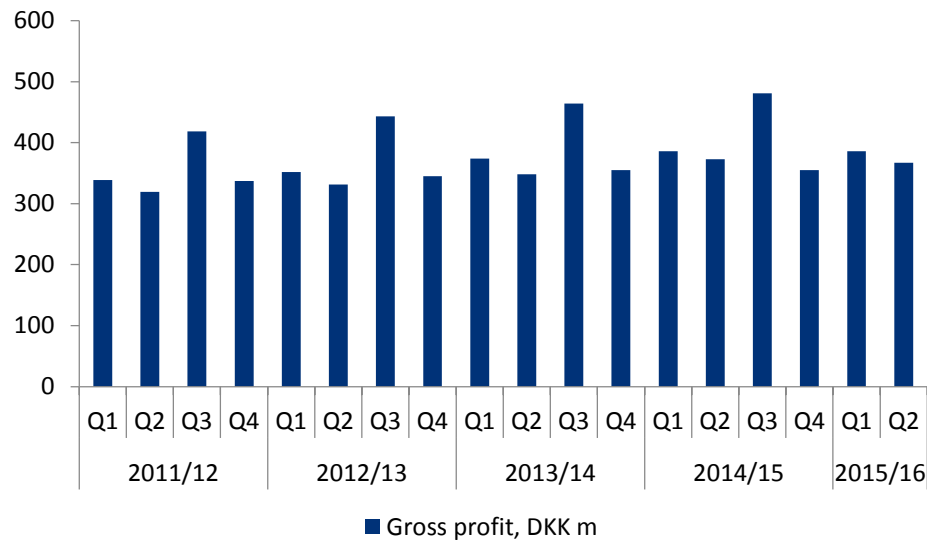
- Total revenue growth from own retail stores of 0.1 % in Q2.
- High-end beauty performing well, with 2% growth.
- Mass beauty showed negative growth rates, sales of own brands were up.
- Strong sales development in the Vital business with 5.5% growth.
- Material sales fell with one specific product explaining a significant part of the decline.
- Online sales continued double digit growth.

DKK million	2015/16 Q2	2014/15 Q2	Growth
Beauty	546	543	0,7%
Vital	88	83	5,5%
Material	70	75	-6,5%
MediCare	47	47	0,7%
Other including Sweden	6	9	-30,2%
<b>Total revenue from own retail stores</b>	<b>757</b>	<b>756</b>	<b>0,1%</b>
Sales of goods to associated stores etc.	26	36	-28,7%
<b>Total revenue</b>	<b>783</b>	<b>793</b>	<b>-1,2%</b>



## Flat Gross Margin in Q2 2015/16

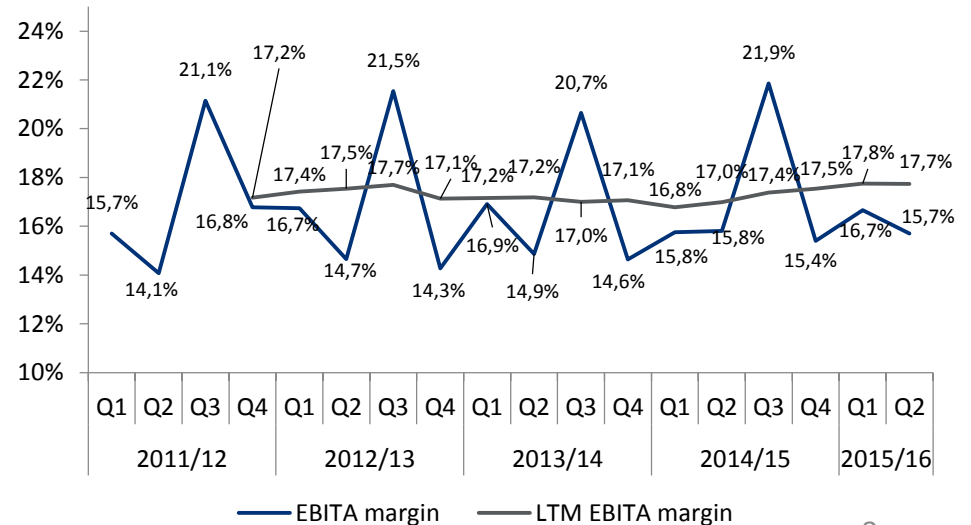
- Gross profit down 1.5% due to lower sales and slightly lower gross margin.
- Gross margin was 46.8%, down 0.2% from same quarter last year.
- Gross margin impacted by slight increase in share of products sold on promotion.
- 12m trailing gross margin essentially unchanged at 46.4% vs. 46.5% Q1 2015/16.



## EBITA Margin stable in Q2 2015/16

- EBITA margin marginally decrease 10bp Y/Y to 15.7% (15.8%).
- Other external costs decreased to 8.3% of sales in Q2 compared to 8.9% last year.
  - Net marketing costs were unusually low in the quarter.
  - Continued cost focus in general.
- Staff cost increased to 20.9% of sales from 20.4% last year.
  - Staff costs were up in the stores due to changes in the reimbursements Matas receives from the government for hiring trainees and “special needs” employees.
  - Staff costs were down centrally and in the HQ and warehouse as the logistics situation was normalised.

DKK million	2015/16 Q2	2014/15 Q2	Chg.
Other external costs	65	71	-8,2%
As a percentage of revenue	8,3%	8,9%	
Staff costs	164	161	1,3%
As a percentage of revenue	20,9%	20,4%	



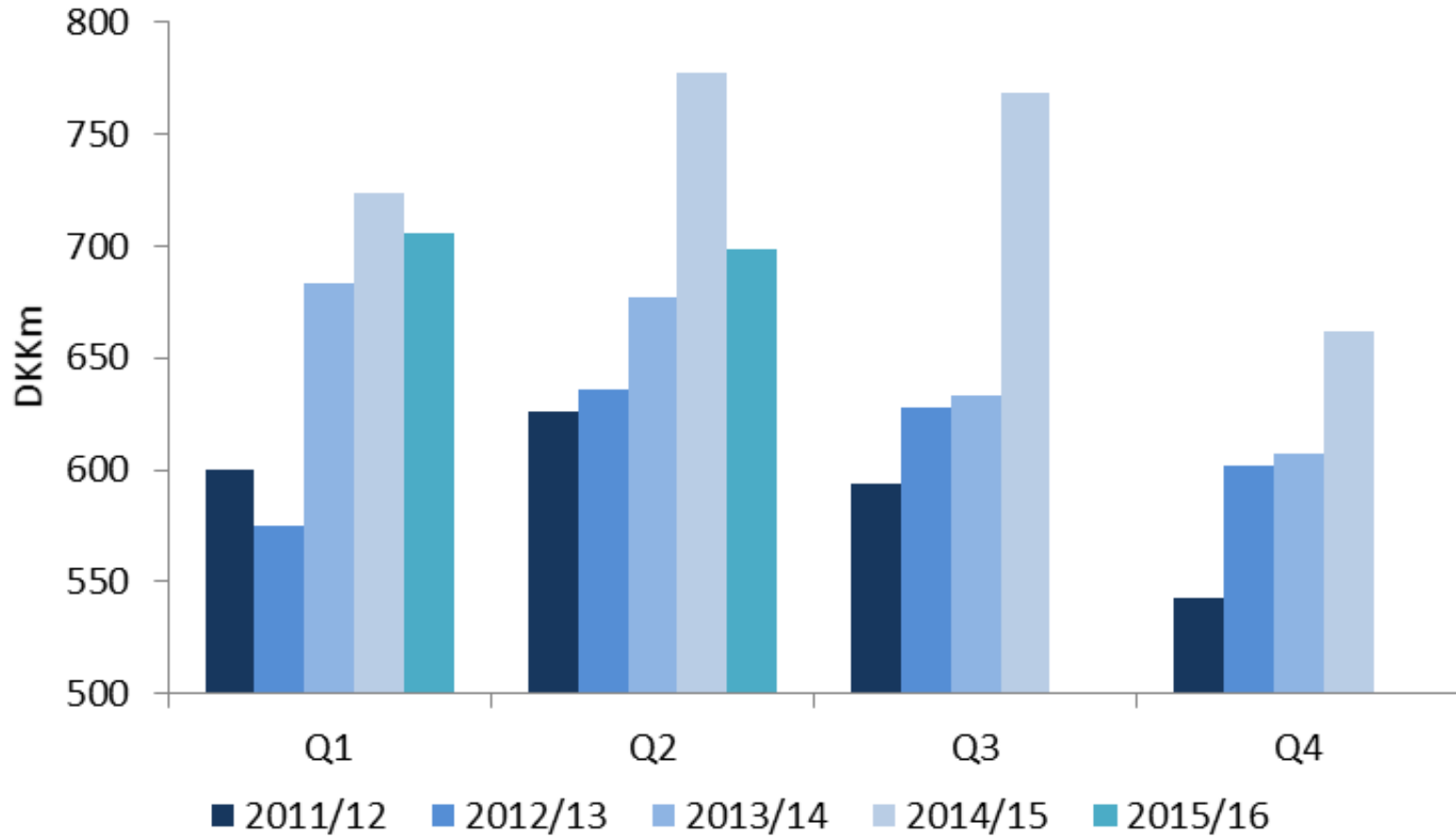


## Income Statement – Q2 2015/16

DKK million	2015/16 Q2	2014/15 Q2	Growth
<b>Revenue</b>	<b>783</b>	<b>793</b>	<b>-1%</b>
<b>Gross profit</b>	<b>367</b>	<b>373</b>	<b>-2%</b>
Gross margin	46,8%	47,0%	
Other external costs	-65	-71	-8%
Staff costs	-164	-161	1%
<b>EBITDA</b>	<b>138</b>	<b>141</b>	<b>-2%</b>
Amortisation and depreciation	-34	-34	0%
<b>Operating profit</b>	<b>104</b>	<b>106</b>	<b>-2%</b>
Net financials	-10	-17	-38%
Profit before tax	94	89	5%
Tax on profit for the period	-22	-24	-6%
<b>Profit for the period</b>	<b>71</b>	<b>66</b>	<b>8%</b>
<b>Diluted Earnings per share, DKK</b>	<b>1,76</b>	<b>1,62</b>	<b>9%</b>
<b>EBITA</b>	<b>123</b>	<b>125</b>	<b>-2%</b>
<b>EBITA margin</b>	<b>15,7%</b>	<b>15,8%</b>	<b>-</b>
<b>Tax rate</b>	<b>23,8%</b>	<b>26,4%</b>	<b>nm</b>
<b>Adjusted profit after tax</b>	<b>85,8</b>	<b>80,1</b>	<b>7%</b>

## Improved development in Inventories

- Marginal decrease in inventory levels from Q1 to Q2, but marked improvement vs. same quarter last year.



## Positive Working Capital Development

- DKK 95m cash outflow from changes in net working capital, much better than Q2 2014/15.
- Trade and other payables decreased by DKK 106m in quarter.
  - Lower trade payables due to timing effects around 30/6 and 30/9.
  - Other payables at 30 June 2015 included withheld dividend tax of DKK 47 m. This was paid in Q2, thereby lowering other payables. In 2014/15 this effect was included in Q1.

DKK millions	2015/16 Q2	2015/16 Q1	2014/15 Q4	2014/15 Q3	2014/15 Q2	2014/15 Q1	2013/14 Q4	2013/14 Q3
Change in inventories	7	-43	106	9	-53	-117	56	44
Change in receivables	4	-2	-3	4	3	25	76	-45
Change in trade and other payables	-106	90	-127	72	-92	131	5	47
- trade payables	-54	60	-53	-33	-92	148	118	-100
- other payables	-53	30	-73	104	0	-17	-113	148
<b>Total change in net working capital</b>	<b>-95</b>	<b>45</b>	<b>-24</b>	<b>85</b>	<b>-142</b>	<b>39</b>	<b>137</b>	<b>46</b>

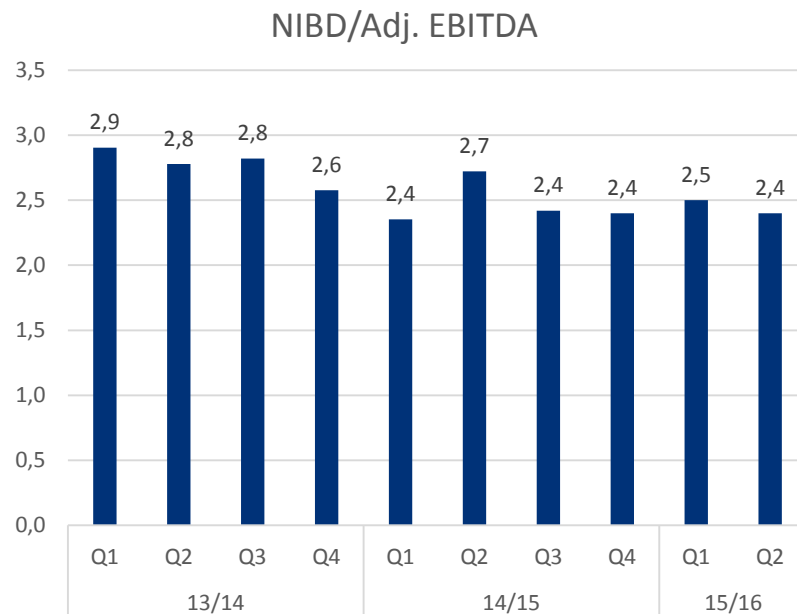
## Q2 2015/16 Cash Flow Development

- Cash flow from operating activities was DKK 34m in Q2 compared to DKK -13m in Q2 2014/15.
- Free cash flow in Q2 of DKK 19m compared to DKK -34m last year.

(DKK million)	2015/16 Q2	2015/16 Q1	2014/15 Full year	2014/15 Q4	2014/15 Q3	2014/15 Q2	2014/15 Q1
<b>Cash generated from operations</b>	<b>44</b>	<b>200</b>	<b>621</b>	<b>111</b>	<b>327</b>	<b>-1</b>	<b>184</b>
Paid interest and taxes	-11	-10	-198	-42	-133	-12	-12
<b>Cash flow from operating activities</b>	<b>34</b>	<b>189</b>	<b>422</b>	<b>68</b>	<b>194</b>	<b>-13</b>	<b>172</b>
Acquisition of PPE and intangibles	-15	-12	-51	-11	-12	-16	-12
Acquisition of subsidiaries and activities	0	0	-11	-2	0	-5	-4
<b>Free cash flow</b>	<b>19</b>	<b>178</b>	<b>360</b>	<b>55</b>	<b>182</b>	<b>-34</b>	<b>156</b>
Cash flow from financing activities	-110	-28	-459	-351	-59	-49	0
Net cash flow from operating, inv. and fin. activities	-91	150	-99	-295	123	-83	156

# Capital structure

- Gross debt inside range of DKK 1,600-1,800 m.
- Net debt/NIBD slightly down.



Gross debt of DKK 1,727 m.

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

# Competitive landscape

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- Matas continues to monitor the competitive situation – including parallel importers.
  - Parallel importers focus on a wide variety of goods, including some that compete with part of Matas' product range in the mass beauty area.
- Relatively new entrant with fast growth and ambitious plans:
  - Impact on sales at Matas shops with one of this particular parallel importer's store nearby continues to be:
    - Relatively limited (<2-3% lower sales), but varying significantly.
    - Appearing to have a diminishing effect over time.
    - Growing with the number of new store openings by the competitor

# An update on long term growth initiatives

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- Growth have been below desired levels for the past two quarters.
- Reinforced focus and faster rollout of long term growth-boosting initiatives.
- Added cost is expected to be more than compensated for by increased sales.
- The initiatives include the following:
  - A. Exploit the vast potential from Club Matas.
  - B. Accelerate the growth of Matas WebShop.
  - C. Implement new store concept in key stores.
  - D. Sharpen the pricing communication.

## A) Club Matas – exploit the vast potential

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- We now have a very strong and sophisticated, customer database, and are ready to take next step in commercializing it in the communication with the customers.
- In 2016 we will be re-launching Club Matas, with a more transparent reward structure, increased communication and more personalised offers based on purchasing behaviour.
- Targeted, personalised offers work well –Matas will focus on using our “bandwidth” with the customers more intelligently.
- “My Favourites” club-in-club for high end beauty brands is very well received by customers and brand owners – an example:
  - Personal offer sent to Club Matas members in one brand specific “My Favourites” club was taken up by more than 10% of the target group.
  - Comparably, the same offer distributed more widely only saw a pick up rate in the low single digits.
  - “My Favourites” members bought significantly higher basket size than non-members, without cannibalising subsequent period sale of brand.



## B) Accelerate growth of Matas' WebShop

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- Matas web shop comprises around 2% of Matas' total sales and is growing rapidly.
- To further accelerate the growth, we plan to increase the number of SKUs,
  - In terms of depth within the traditional Matas product categories,
  - Within adjacent categories - web-only products.
  - Marketing will be stepped up.
- Physical stores will be used as traffic drivers to the web shop, especially to increase awareness about WebShop only products, and to alert customers to interesting offers.

## C) New store concept

- Two stores will get new store concept early 2016. Results will decide the pace and scope of rollout. Focus will be on the 30-40 largest stores.
- More uniform look of store, clearer navigation, new presentation of key assortment, more light, better communication of omnichannel (web shop, Club Matas).

Portal leading customers in



Uniform shelves/racks with screens



Large screen



Checkout and pick up point



## D) Sharpen pricing communication

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- Matas will more actively target carefully chosen products, where price communication should be clearer to customers.
  - We will make sure to avoid the risk of being perceived as a premium price retailer across our product range and thus avoid giving our customers a reason to shop at a competitor.
- Matas is price competitive across our stores but we have identified an issue with regards to how attractive prices are communicated in store and will address this through clearer communication and signage.

## 2015/16 Guidance

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	Guidance 2015/16	Realised 2014/15
<b>Revenue</b>		
Reported revenue	Approx. 3.45 bn	DKK 3,433m
Like-for-like growth assumption	Around 1%	1.5%
<b>Earnings</b>		
EBITA margin	Around 17.0%	17.5%