

Matas Group Annual Report 2021/22

Record-breaking year and the start of a new strategic journey

- Matas Group generated total revenue of DKK 4,344 million in the financial year 2021/22, a year-on-year increase of 4.3% from DKK 4,164 million in 2020/21.
- EBITDA before special items rose to DKK 803 million (18.5%) from DKK 797 million in 2020/21 (19.1%). As communicated at the beginning of the year, Matas has allocated approximately 1 percentage point of the EBITDA margin for investing in strategic initiatives to drive long-term growth.
- In August 2021, Matas launched its new strategy, 'Growing Matas Group', which sets out to deliver revenue of more than DKK 5 billion by 2025/26, with growth driven by a doubling of online sales on the back of a significantly expanded assortment.
- Based on the satisfactory financial results, the Board of Directors proposes that DKK 77 million, equivalent to DKK 2.00 per share and 21% of Matas' adjusted profit for 2021/22, be distributed to the Company's shareholders.
- For financial year 2022/23, revenue is expected in the range of DKK 4,390–4,520 million, corresponding to growth of between 1% and 4%. The EBITDA margin before special items is expected in the range of 17%–18%, assuming moderate price increases in the Health and Beauty market. Investments exclusive of potential acquisitions are expected in the DKK 225–250 million range.

Financial year 2021/22 saw both earnings growth and the start of a new strategic journey. Matas Group delivered record revenue and grew the full-year profit in spite of increased investments in the new strategy. In August 2021, Matas launched a new five-year strategy, 'Growing Matas Group', which sets out to accelerate growth by doubling online sales during the period to 2025/26, with health products as the main driver.

Gregers Wedell-Wedellsborg, CEO of Matas A/S: *"The new growth strategy, Growing Matas Group, has had a strong start, despite volatile market conditions and normalization post covid-19. We successfully sustained the momentum from last year's exceptionally strong growth and increased earnings, even though substantial investments have been made to launch our new strategy, where we now offer a wider assortment to our danish customers and at the same time expanding into the German market."*

The financial year 2022/23 is subject to above-normal uncertainty due to the heightened macroeconomic uncertainty, the high rate of price increases, rising interest rates and struggling supply chains. So far, the impact on the Health and Beauty market has been limited.

"Macroeconomic conditions have changed dramatically. So far, this has not had any significant effect on our business, and we've had a good start to the year. At the same time, Matas is in a historically strong strategic and financial position, and we have the resources to pursue long-term growth opportunities despite the much greater volatility," said Wedell-Wedellsborg.

Q4 and FY key financials

DKKm	Q4 2021/22	Q4 2020/21	FY 2021/22	FY 2020/21
Statement of comprehensive income				
Revenue	970.6	971.2	4,344.2	4,163.6
Gross profit	468.3	443.2	1,966.0	1,841.2
EBITDA	160.0	146.6	809.6	788.0
EBIT	59.9	40.6	388.3	380.4
Net financials	(2.2)	(11.1)	(37.3)	(27.0)
Profit before tax	47.7	29.5	351.1	353.4
Profit for the year	39.3	16.3	276.5	269.0
Special items	7.8	5.4	(7.0)	9.1
EBITDA before special items	167.8	152.0	802.6	797.1
Adjusted profit after tax	61.4	42.3	357.5	357.5
Statement of financial position				
Assets	6,055.3	6,143.1	6,055.3	6,143.1
Equity	3,152.3	3,038.9	3,152.3	3,038.9
Net working capital	(12.2)	(126.1)	(12.2)	(126.1)
Net interest-bearing debt	1,648.8	1,727.2	1,648.8	1,727.2
Statement of cash flows				
Cash flow from operating activities	51.5	75.1	510.5	952.0
Investments in property, plant and equipment	(39.4)	(40.1)	(50.5)	(50.5)
Free cash flow	12.1	35.0	278.9	774.1
Ratios				
Revenue growth			4.3%	12.9%
Underlying (like-for-like) revenue growth	(0.1)%	19.8%	2.1%	13.5%
Gross margin	48.2%	45.6%	45.3%	44.2%
EBITDA margin	16.5%	15.1%	18.6%	18.9%
EBITDA margin before special items	17.3%	15.6%	18.5%	19.1%
EBIT margin	6.2%	4.2%	8.9%	9.1%
Cash conversion			54.5%	109.7%
Earnings per share, DKK			7.27	7.04
Diluted earnings per share, DKK			7.20	6.96
Dividend per share (proposed), DKK			2.00	2.00
Share price, end of year, DKK			96.3	83.1
ROIC before tax			9.9%	9.6%
Net working capital as a percentage of revenue			(0.3)%	(3.0)%
Investments as a percentage of revenue			5.3%	4.3%
Net interest-bearing debt/adjusted EBITDA			2.1	2.2
Number of transactions (millions)	5.1	4.7	22.0	20.9
Average basket size (DKK)	182.7	203.9	192.2	197.5
Average number of employees (FTE)			2,164	2,152

Performance relative to 2020/21 financial guidance

Matas entered the financial year with guidance of revenue growth in the -2% to +2% range and an EBITDA margin before special items of between 17.0% and 18.5%. Based on a favourable revenue and EBITDA margin performance, Matas subsequently upgraded its guidance three times during the financial year.

Financial guidance for 2021/22 released in connection with	FY 2020/21	Upgrade Q1	Upgrade Q2	Trading Update Q3	Realised 2021/22
Revenue growth	(2)% to 2%	0% to 3%	1% to 4%	2% to 5%	4.3%
EBITDA margin before special items	17.0% to 18.5%	17.5% to 18.5%	18.0% to 19.0%	18.0% to 19.0%	18.5%

Revenue growth for financial year 2021/22 came to 4.3%. EBITDA before special items as a percentage of revenue was 18.5%.

CAPEX guidance was initially DKK 140–160 million but was raised to DKK 295–315 million in connection with the announcement of plans to establish MLC in the Q1 2021/22 report and subsequently lowered to DKK 195–215 million in connection with the H1 2021/22 release. Realised CAPEX came to DKK 183 million exclusive of acquisitions.

The financial gearing ratio was 2.1 at 31 March 2022, within the announced target interval of 2–3.

The Board of Directors recommends to the annual general meeting that a dividend of DKK 2.00 per share be declared and paid. The proposed dividend will be equivalent to 21% of the adjusted profit after tax for the year.

Financial guidance for 2022/23

Revenue is expected in the range of DKK 4,390–4,520 million, corresponding to growth of between 1% and 4%. The EBITDA margin before special items is expected in the range of 17%–18%, assuming moderate price increases in the Health and Beauty market. Investments exclusive of acquisitions are expected in the DKK 225–250 million range.

Financial guidance for financial year 2022/23 is once again subject to above-normal uncertainty due to the heightened macroeconomic uncertainty and its ramifications for society in general and the retail industry in particular.

Revenue

Matas expects 2022/23 revenue in the range of DKK 4,390–4,520 million, corresponding to growth of between 1% and 4%, based on the following core assumptions:

- Moderate growth in retail sales, driven by price increases
- Limited impact of a potential recession on the Health and Beauty market
- Minimal supply chain disruptions in the Health and Beauty market
- No significant restrictions or retail sector lockdowns during the financial year
- A continuing underlying channel shift from physical to online retail sales
- Negative impact from normalisation of trading patterns and travel activity in the second half of calendar year 2022
- Increased competition in the online Health and Beauty market

EBITDA margin

Matas expects an EBITDA margin before special items in the range of 17%–18%, based on the following assumptions:

- A stable earnings level in physical stores and at matas.dk
- That potential price increases will not have a significant adverse impact on the gross margin
- That the adverse impact of changes in indirect production costs, such as energy, on the EBITDA margin will not exceed 0.2–0.3 of a percentage point relative to 2021/22
- That the initiatives for international growth intended to stimulate long-term growth may affect the short-term EBITDA margin adversely by up to 0.5 of a percentage point
- Limited impact of wage pressure as most of the staff are covered by long-term collective agreements

CAPEX

Matas expects investments exclusive of acquisitions in the range of DKK 225–250 million for 2022/23, based on the following assumptions:

- Underlying CAPEX in the range of 3.0–3.5% of revenue, driven in particular by the ongoing digital transformation
- DKK 100 million for acquisition of MLC site, renovation and expansion of the headquarters in Allerød, internationalisation and upgrade of ERP system

Allocation of capital and dividend policy

Matas Group's capital structure must at all times ensure the financial flexibility required to implement the strategic objectives announced.

Based on Matas' commitment to secure the Company's long-term growth potential and profitability, investments are expected to remain at the current level. Distributions by way of dividends and share buybacks are expected to amount to at least 20% of adjusted profit after tax.

Forward-looking statements

The annual report contains statements relating to the future, including statements regarding Matas' 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 this report. Forward-looking statements are subject to risks and uncertainties and a number of other factors, many of which are beyond Matas' control. This may have the effect that actual results may differ significantly from the expectations expressed in the report. 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 healthcare measures that are not specifically mentioned above.

Conference call

Matas will host a conference call for investors and analysts on 1 June 2022 at 10:00 a.m. The conference call and presentation can be accessed via Matas' investor website, [investor.matas.dk](https://streams.eventcdn.net/matas/01062022/), or via this link:
<https://streams.eventcdn.net/matas/01062022/>

Video conference access numbers for investors and analysts:

DK: +45 78723252
UK: +44 3333009262
US: +1 6467224904

Please call five minutes before the conference call begins.

General meeting

The annual general meeting will be held on Tuesday, 28 June 2022 at 4:00 p.m. at IDA Conference, Kalvebod Brygge 31-33, 1780 Copenhagen V, Denmark.

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