

Company announcement no. 05, 2023/24 (inside information)

Allerød, 29 June 2023

Matas Group to acquire KICKS Group to create the Nordic leader in beauty and wellbeing

Matas Group ("Matas") has today signed an agreement with Axel Johnson AB ("Axel Johnson") to acquire 100% of the shares in the market leading Swedish beauty company KICKS Group AB ("KICKS Group") at an enterprise value of DKK 1,336 million and at an equity value of DKK 698 million¹. In 2022/23, KICKS Group had pro forma adj. revenues of DKK 3,126 million of which ~60% in Sweden, ~30% in Norway and ~10% in Finland². ~30% of revenue was online sales with the remainder served through 226 stores across its three markets. Pro forma adj. EBITDA in 2022/23 was DKK 305 million². The acquisition will be fully debt financed and closing is expected in Q3 of the calendar year 2023.

Gregers Wedell-Wedellsborg, CEO of Matas, says: *"With the acquisition of KICKS Group, we are creating the Nordic leader in beauty and wellbeing through the addition of the KICKS and Skincity banners. KICKS Group and Matas are an excellent match and by combining our two complementary businesses, strong omnichannel positions and passionate organisations and shared culture of customer service, we will lead the Nordic beauty market. I look forward to welcoming our approximately 1,700 new Swedish, Norwegian and Finnish colleagues to the group. United, we will strive to always be the first choice for beauty and wellbeing in the Nordics to the benefit of both our customers, colleagues, partners, and shareholders."*

Mia Brunell Livfors, CEO of Axel Johnson says: *"Together with management and employees in KICKS Group, we have succeeded in developing KICKS Group from a retail chain with modest online sales to an omnichannel player with a leading customer offering across all channels. We are confident that Matas is the right future owner to further strengthen KICKS' and Skincity's customer propositions in a highly competitive beauty market, as part of the leading Nordic group in beauty and wellbeing."*

Compelling strategic rationale

The Nordic market for beauty and wellbeing is estimated to be around DKK +65 billion. Jointly, Matas and KICKS Group will operate the #1 beauty omnichannel retail concept in the Nordics with Matas leading in Denmark and KICKS Group leading in Sweden and Norway and as a contender for market leadership in Finland.

Through the combination, Matas and KICKS Group will be able to better serve customer demand for larger assortment, new brands, access to stores, fast, convenient and inspiring online shopping and keep a continued focus on personal and expert advisory and service.

KICKS and Skincity will remain as individual banners and will continue to have a head office in Stockholm.

United, Matas and KICKS Group will serve +5 million club members in four Nordic markets with almost 500 stores, leading online shops, +3,800 skilled colleagues, and offer a curated portfolio of third-party brands, own brands and services.

The combined group has pro forma adj. 2022/23 total revenue of DKK 7,616 million (of which DKK 2,121 million are online sales) with a 15% pro forma adj. EBITDA margin².

In addition, both companies' proven track records of digital transformation will enable accelerated digitalization, with online shopping continuing to grow faster than the overall market. Combined, Matas and KICKS Group can unlock new opportunities to grow profitability and gain significant cost advantages and synergies from consolidation of operations, IT infrastructure and administration, hereby strengthening long-term competitiveness and growth.

Key transaction details

- Matas will acquire 100% of the shares in KICKS Group for a cash consideration at closing of SEK 1,100 million (DKK 698 million)³.
- Enterprise value of SEK 2,063 million (DKK 1,336 million) including estimated assumed net debt of SEK 13 million (DKK 8 million) and estimated lease liabilities of SEK 951 million (DKK 630 million) as of 31 March 2023⁴.
- KICKS Group's pro forma adj. EBITDA in 2022/23 was DKK 305 million, incl. DKK 176 million adjustment from IFRS 16 reclassification. Pro forma adj. EBIT in 2022/23 was DKK 62 million².
- Stand-alone EBITDA improvement in KICKS Group of DKK ~40 million³ expected from ongoing integration of Skincity and supply chain transformation project centred around a new automated warehouse in Rosersberg, Sweden.
- Transaction multiples of 4.7x pro forma adj. 2022/23 EBITDA and 22.9x pro forma adj. EBIT on a standalone basis.
- Transaction multiples of 4.1x pro forma adj. 2022/23 EBITDA and 15.1x pro forma adj. EBIT incl. improvements from Skincity integration and supply chain transformation.
- Transaction will be fully debt financed within the existing gearing target of less than 3.0x based on consolidated pro forma adj. EBITDA with estimated closing date in Q3 of the calendar year 2023.
- Minimum DKK 100 million³ in EBITDA improvement from synergies once fully phased in by 2025/26, related to increased operating leverage, customer loyalty, similarities and overlaps in business models, services and marketing strategies, as well as IT and digitalization agendas, expected to be fully achieved within three years after closing.
- Estimated integration costs of approx. DKK 100 million³, with the majority in the first financial year.
- Expected positive EPS percentage accretion by 2024/25, and double-digit percentage accretion by 2025/26.
- The transaction is expected to close in Q3 of the calendar year 2023 and is not subject to any regulatory approvals as relevant turnover thresholds are not met due to e.g. limited geographical overlap.

Financial guidance for 2023/2024 for the existing business, as provided in Matas' Annual Report 2022/23 on 31 May 2023, is maintained. Revised financial guidance for 2023/24 will be communicated at time of closing. Matas will maintain its annual dividend and share buyback policy to amount to at least 20% of adjusted profit after tax.

About KICKS Group

KICKS Group consists of the leading omnichannel retailer KICKS with 3.3 million club members and the #1 online skincare clinic, Skincity.

KICKS offers a full-service concept with makeup, fragrances, professional skincare and haircare in Sweden, Norway and Finland based on a curated offering of brands and private label products to which KICKS has selective or exclusive distribution rights. With approx. 1,700 trained beauty advisors and an up-to-date omnichannel solution that integrates 226 physical stores and e-commerce, KICKS offers personal and inspiring beauty services and about 25,000 products from +300 brands.

Skincity is an online skincare clinic in Sweden, Norway and Finland offering a curated assortment of professional skincare and skincare makeup in combination with an online customer support comprised of certified skincare therapists.

In 2022/23, KICKS Group pro forma adj. revenue was DKK 3,126 million and pro forma adj. EBITDA was DKK 305 million corresponding to an EBITDA margin of 10%. Pro forma adj. EBIT was DKK 62 million².

Skincity integration and Supply Chain Transformation (SCT) project

In the autumn of 2022, Axel Johnson decided to integrate Skincity, which until then was operated as a separate entity within Axel Johnson, into KICKS Group, and close down Skincity's loss-making activities outside Sweden, Norway and Finland. While Skincity continues to operate as a separate banner, all backend functions including sourcing, IT and administration have been integrated into KICKS Group generating significant cost savings.

Furthermore, KICKS Group is in the process of opening a new automated "one-warehouse-for-all-channels" warehouse outside Stockholm, as part of an ongoing supply chain transformation (SCT) project. The new warehouse supporting both KICKS and Skincity will open in Q3 of the calendar year 2023 and is expected to lead to significant efficiencies primarily within organisational, freight and packaging savings.

When fully implemented from 2024/25, the combined EBITDA impact of the ongoing integration of Skincity and the SCT project is expected to amount to DKK ~40 million³ uplift on a standalone basis compared to the 2022/23 pro forma adj. EBITDA of the KICKS Group.

Advisors

FIH Partners is acting as financial advisor to Matas and Gorrissen Federspiel is acting as legal advisor to Matas on the transaction.

Conference call

Matas will host a conference call for investors and analysts on 29 June 2023 at 10.00 am (CET). The conference call and presentation can be accessed via Matas' investor website, investor.Matas.dk, or via this link: <https://matas-events.eventcdn.net/events/investor-briefing-june>

Video conference access numbers for investors and analysts:

DK: +45 78768490
UK: +44-203-7696819
US: +1 646-787-0157
PIN: 915912

Please call five minutes before the conference call begins.

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About Matas

With revenues at DKK 4.5 billion, Matas is Denmark's largest health and beauty retailer. Matas was established in 1949 as a chain of independent materialists. Today, Matas is a listed, integrated omnichannel retailer with own brands, 1.9 million Club Matas members, 260 physical stores and matas.dk, the second most visited web shop across all categories in Denmark as well as multiple other speciality web shops.

Notes

- 1) Based on an agreed fixed equity value of SEK 1,100 million at a SEK/DKK exchange rate of 0.6343 (as of 27 June 2023) and estimated assumed net interest bearing debt and lease liabilities of SEK 963 million as of 31 March 2023 at a SEK/DKK exchange rate of 0.6630 (as of 31 March 2023)
- 2) Based on a SEK/DKK exchange rate of 0.6888 (average of April 2022 – March 2023)
- 3) DKK figures based on a SEK/DKK exchange rate of 0.6343 (as of 27 June 2023)
- 4) DKK figures based on a SEK/DKK exchange rate of 0.6630 (as of 31 March 2023)

Forward-looking statements

This announcement contains statements relating to the future, including, but not limited to, statements and expectations regarding Matas' future financial result, business strategy and future targets. The words "may", "will", "should", "expect", "anticipate", "believe", "estimate", "plan", "predict", "intend" or variations of these words, as well as other statements regarding matters that

are not historical fact or statements regarding future events or prospects, constitute forward-looking statements. Forward-looking statements are based on Matas' reasonable expectations and forecasts at the time of this announcement. 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 announcement. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive conditions, supplier issues and financial and regulatory issues. Although Matas believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ.

Matas undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.