

## Annual Report 2020/21 and Trading Update

### Highlights from Matas' Annual Report 2020/21

- Revenue came to DKK 4,164 million, a year-on-year increase of 12.9%. An exceptionally strong demand due to the pandemic affected growth by around 3-4%.
- Online sales maintained momentum and doubled to DKK 1.1 billion, to account for 32% of overall Q4 sales and 26% of sales for the year as a whole.
- Profitability was maintained at a high level with an EBITDA margin before special items of 19.1% (19.0%) on EBITDA of DKK 797 million.
- The free cash flow was historically strong at DKK 774 million against DKK 111 million in 2019/20.
- The growth and profitability performance was in line with Matas' most recent guidance provided in February 2021.
- The Board of Directors proposes that DKK 150 million, equivalent to 42% of Matas' adjusted profit for 2020/21, be distributed to the Company's shareholders. Half of this amount will be distributed as dividend, equivalent to DKK 2.00 per share, while the other half will be paid out by way of a share buyback programme. (No dividend was paid and no shares were bought back last year).
- Having achieved its five-year financial ambitions two years ahead of schedule, Matas has launched a process to update its strategy, the ambition being to drive long-term growth based on accelerated investments in the digital business.
- For financial year 2021/22, Matas anticipates revenue growth in the -2% – +2% range, an EBITDA margin (before special items) of between 17% and 18.5% and investments in the DKK 140 –160 million interval, exclusive of acquisitions and a possible logistics project.
- Matas will announce an updated strategic direction for the period to 2025/26 at a capital markets day to be held in August 2021.

### Trading Update for the period 1 April – 22 May 2021

- Retail sales grew by 7% year-on-year in the period from 1 April to 22 May 2021. Physical store sales made significant headway, while online sales were maintained at last year's very high level.
- After financial year-end, Matas has expanded its health platform by three new initiatives. As part of the agreement to acquire Apo-IT ApS and Web-Apo ApS, Matas will supply IT, logistics and sourcing services to an online pharmacy going forward.

### Annual Report 2020/21: A financially and strategically stronger Matas

Matas has emerged from the Covid-19 pandemic in stronger shape. Growing demand for health products and exploding online sales have translated into historically strong growth, improved customer satisfaction, a net inflow of Club Matas members and a significant strengthening of the Matas brand.

Matas generated online revenue of more than DKK 1 billion in the financial year, close to a tenfold increase in three years.

*"The crisis has transformed Matas into a digital business with a stronger health profile. This is obviously due to exceptionally strong demand and changing shopping patterns, but is also the result of the offensive strategy we have pursued over the past three years",* said Gregers Wedell-Wedellsborg, CEO of Matas A/S.

Matas launched its 'Renewing Matas' strategy, which is focused on digital transformation, in May 2018. The crisis provided a further boost to in-store digital innovation and a number of new online tools were introduced during the course of the year. The stores were converted into miniature TV studios, enabling customers to seek advice from beauty and health therapists from home via video and chat. These measures helped revitalise the stores and will be a permanent feature of their service offering in the years to come. Matas now streams live shopping events several times a week.

At the same time, Danish consumers – particularly during lockdown periods – did a lot more of their shopping online, a platform on which Matas has built a leading position over the past three years. According to the Danish Chamber of Commerce, matas.dk is the second-most used webshop in Denmark. At the peak of the Covid-19 crisis, online sales at matas.dk were some days ten times higher than on the same day the year before and almost level with overall sales at the 265 physical stores. Overall online sales grew by 100% in the financial year to account for more than 25% of total group sales.

On the threshold of the new financial year, Matas is in a very strong position, financially and strategically, to take long-term action in a changing retail industry despite uncertainty about the ramifications of the Covid-19 pandemic.

*"What we're facing now is hopefully the sequel to the crisis with parts of our lives and consumption returning to normal, while other parts will be changed. We intend to use this change to set a new direction for Matas, with our ambition to deliver stronger long-term growth", said Wedell-Wedellsborg.*

Matas will comment on the new strategy at a conference call today, 27 May 2021, at 10:00 a.m. and elaborate on the strategy at a capital markets day on 18 August 2021.

## Q4 and FY key financials

DKKm	Q4 2020/21	Q4 2019/20	FY 2020/21	FY 2019/20
<b>Statement of comprehensive income</b>				
Revenue	971	817	4,164	3,689
Gross profit	443	374	1,841	1,640
EBITDA	147	116	788	678
EBIT	41	11	380	293
Net financials	(11)	(12)	(27)	(43)
Profit before tax	30	(1.0)	353	250
Profit for the year	16	1.5	269	191
Special items	5.4	2.9	9.1	21
EBITDA before special items	152	119	797	700
Adjusted profit after tax	42	23	357	283
<b>Statement of financial position</b>				
Assets	6,143	6,588	6,143	6,588
Equity	3,039	2,764	3,039	2,764
Net working capital	(126)	90	(126)	90
Net interest-bearing debt	1,727	2,450	1,727	2,500
<b>Statement of cash flows</b>				
Cash flow from operating activities	75	33	952	447
Investments in property, plant and equipment	(2)	(41)	(51)	(124)
Free cash flow	35	(34)	774	111
<b>Ratios</b>				
Revenue growth	18.9%	(1.3%)	12.9%	4.2%
Underlying (like-for-like) revenue growth	19.8%	(2.2)%	13.5%	0.7%
Gross margin	45.6%	45.8%	44.2%	44.5%
EBITDA margin	15.1%	14.2%	18.9%	18.4%
EBITDA margin before special items	15.6%	14.6%	19.1%	19.0%
EBIT margin	4.2%	1.3%	9.1%	7.9%
Cash conversion			109.7%	45.3%
Earnings per share, DKK			7.04	5.01
Diluted earnings per share, DKK			6.96	4.96
Dividend per share (proposed), DKK			2.00	0.00
Share price, end of year, DKK			83.1	42.7
ROIC before tax			9.6%	8.5%
Net working capital as a percentage of revenue			(3.0)%	2.4%
Investments as a percentage of revenue			4.3%	9.1%
Net interest-bearing debt/adjusted EBITDA			2.2	3.6
Number of transactions (millions)	4.7	4.6	20.9	20.9
Average basket size (DKK)	204	174	197	175
Average number of employees (FTE)			2,152	2,197

## Performance relative to 2020/21 financial guidance

Due to the Covid-19 pandemic, Matas entered financial year 2020/21 without any financial guidance. Matas provided its first 2020/21 guidance in connection with the release of its Q1 interim report in August and subsequently upgraded the guidance three times based on a favourable revenue and EBITDA margin performance.

Financial guidance for 2020/21 released in connection with	Q1	Upgrade Q2	Trading Upgrade Q3	Upgrade Q3	Realised 2020/21
Revenue growth	About 6%	About 8%	Above 10%	Above 12%	12.9%
Underlying revenue growth	About 6%	About 8%	Above 10%	Above 12%	13.5%
EBITDA margin before special items	About 18%	Above 18%	Above 18%	Above 18.5%	19.1%

After the release of the Q1 interim report, CAPEX guidance was set at DKK 120 – 140 million.

CAPEX was realised at DKK 148 million, slightly above expectations, which was due to significant investments in measures to secure capacity to handle growing online sales. Investments in the retail network fell year on year.

The financial gearing ratio was 2.2 at 31 March 2021, below the announced interval of 2.5 – 3.

## Financial guidance for 2021/22

**Revenue is expected in the range of DKK 4,080 – 4.250 million, corresponding to growth of between -2% and +2%**  
**The EBITDA margin before special items is expected in the range of 17% – 18.5%**  
**Investments excluding acquisitions and a possible logistics project (Project LOG) are expected in the DKK 140 –160 million range**

Financial guidance for financial year 2021/22 is subject to above-normal uncertainty due to the unpredictable nature of the Covid-19 pandemic and its ramifications for society in general and the retail industry in particular.

Matas has strengthened its market position both organically and through acquisitions and therefore expects to maintain revenue at the higher level in 2021/22 despite the exceptionally strong growth recorded in 2020/21.

Matas benefited from a number of extraordinary factors in 2020/21: a general increase in consumer spending on groceries, household goods and personal care products, increased demand for health products (personal protective equipment in particular), reduced competition from, especially, travel retail and the effects of stimulus packages (frozen holiday pay). Overall, these factors are estimated to have lifted revenue by DKK [125 – 150] million in 2020/21, which effect is expected to be gradually reversed in the course of 2021/22.

Revenue guidance for 2021/22 is based on the following basic assumptions:

- Continued, but moderate, growth in consumer spending
- No significant restrictions or retail sector lockdowns during the financial year
- A gradual normalisation of trading patterns and travel activity in the second half of calendar year 2021
- No sales of personal protective equipment but continued strong demand for health products
- Continuing shift in sales channels from physical to online shopping but at a more moderate pace than in 2020/21
- Moderately increasing competition, especially online

Given the considerable uncertainty surrounding revenue developments, the 2021/22 earnings performance is also subject to increased uncertainty. On the other hand, the profitability of the online business improved considerably in 2020/21, which means that the expected continued shift in revenue streams from physical stores to online channels will not have a significant negative impact on profitability.

Earnings guidance is based on the following assumptions:

- A stable earnings level in physical stores and at matas.dk

- Accelerated digital business development activity across Matas Group, which is expected to squeeze the EBITDA margin by up to 1% in the short term but also to secure the Company's long-term growth

Matas has previously provided guidance for both overall revenue growth and underlying like-for-like growth, the latter forecast being adjusted for the effects of store openings and closures. Given online revenue's steadily growing proportion of overall revenue and the fact that Matas expects to continue the consolidation of the store network in 2021/22, this division is no longer relevant. Accordingly, Matas will not provide separate like-for-like revenue guidance going forward but will continue to report this figure.

For 2021/22, Matas expects CAPEX between DKK 140 and DKK 160 million, excluding acquisitions within Web Health and any other acquisitions, with investments being allocated primarily towards IT and to a lesser extent towards physical stores. If a decision is made to proceed with the logistics project (Project LOG), the total level of investments will increase significantly.

## **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 a historically high level. As a consequence, going forward, distributions by way of dividends and share buybacks are expected to amount to at least 20% compared with the previous 30% or more of adjusted profit after tax.

## **Forward-looking statements**

This announcement 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 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 healthcare measures that are not specifically mentioned above.

## **Conference call**

Matas will host a conference call for investors and analysts on 27 May 2021 at 10:00 a.m. The conference call and presentation can be accessed via Matas' investor website, [investor.matas.dk](https://investor.matas.dk), or via this link:

<https://streams.eventcdn.net/matatas/202021fy/>

Conference call access numbers for investors and analysts:

DK:	+45 78723251
UK:	+44 3333009031
US:	+1 8335268383

Please call five minutes before the conference call begins.

## **Annual general meeting**

The annual general meeting will be held on Thursday, 29 June 2021 at 4:00 p.m. at Gorrissen Federspiel Advokater, Axel Towers, Axeltorv 2, 1609 Copenhagen V, Denmark.

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