



Interim Report **1 October–31 December 2019**

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3 March 2020
CEO David Rönnerberg
CFO Robert Berglund



Agenda

- Musti Group snapshot
- Group development
- Segments
- Financials and market outlook





Musti Group snapshot

Musti – the leading Nordic pet care specialist



Leading Nordic pet care specialist
#1 in Nordics,
22% market share¹



Wide loyalty program
>1 million loyal customers,
unique rich data on Nordic
pets and Pet Parents



Omnichannel business model²
277 stores,
20.7% of net sales
generated through online
channel in FY19



Trusted expert advice
93% of Musti's staff are pet parents themselves
– honest, reliable advice and
excellent customer service



Stable business model
Pet food represents 52% of product sales in own channels
– food is non-discretionary
and sticky in nature, with
recurring purchasing habits



High quality O&E assortment
Strong O&E brand portfolio,
52% of product sales
in own channels in FY19



Source: Company information, a study ordered by the company from an international consulting company. Note: Financial Year Ended 30 September. ¹2018 market share for Nordic pet food and products market; Musti's market share is based on FY19 consumer sales (including sales from franchisees). ²Omnichannel represents physical stores and online.

Strategic focus on Pet Parents across the Nordic countries

MISSION

We make the life of pets and their parents easier, safer and more fun.

SEGMENTS

Finland

Sweden

Norway

Stable development as the most mature country

127 stores

 **Musti ja Mirri**

 **Musti ja Mirri.FI**

 **PetenKoiratarvike.com**

Further expansion and convergence in efficiency towards Finnish levels

121 stores

ARKEN ZOO

ARKEN ZOO.SE

VetZoo 

Store rollout with strong ramp up and increasing country profitability

33 stores

 **Musti**

 **Musti.NO**

VetZoo 

STORE BANNER

OMNI-BANNER

ONLINE BANNER

A grey tabby cat with green eyes is peering through dense green foliage. The cat is looking directly at the camera with a focused expression. The background is filled with various green leaves and stems, creating a natural, outdoor setting.

Profitable growth in all segments

Highlights in Q1/2020

- Group net sales totalled EUR 70.3 million (64.1), an increase of 9.7%.
- Like-for-like sales growth was 7.7%.
- Adjusted EBITA was EUR 7.8 (6.0) million, up by 30.0%.
- Adjusted EBITA margin was 11.1% (9.3%).
- Operating profit increased by 60.8% to EUR 5.4 (3.3) million, representing 7.7% (5.2%) of net sales.
- Net debt amounted to EUR 126.3 million (30 Sep 2019: EUR 133.3 million). Net debt in relation to LTM adjusted EBITDA was 3.1.
- Initial Public Offering successfully completed on 12 February, raising EUR 45 million in gross proceeds. The IPO will further support the strategy execution.

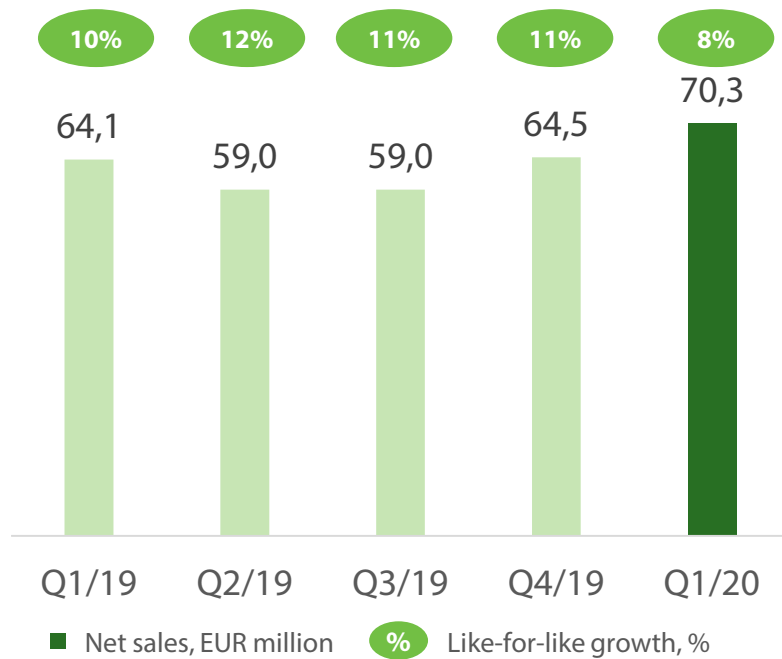


The figures in parenthesis refer to the comparison period, i.e. the same period in the previous year, unless stated otherwise.

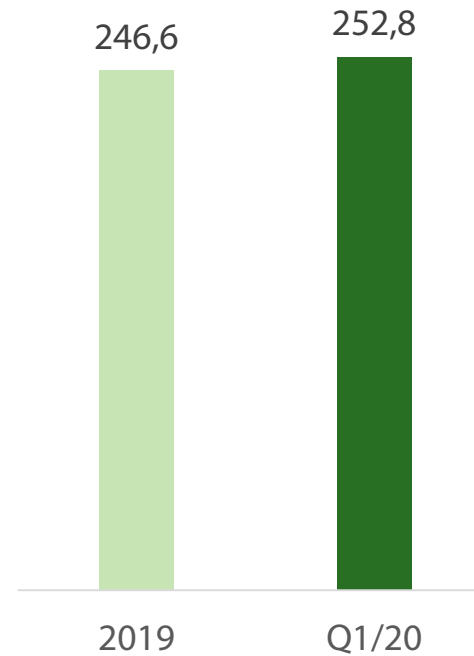


Q1: The Group's net sales increased by 9.7%

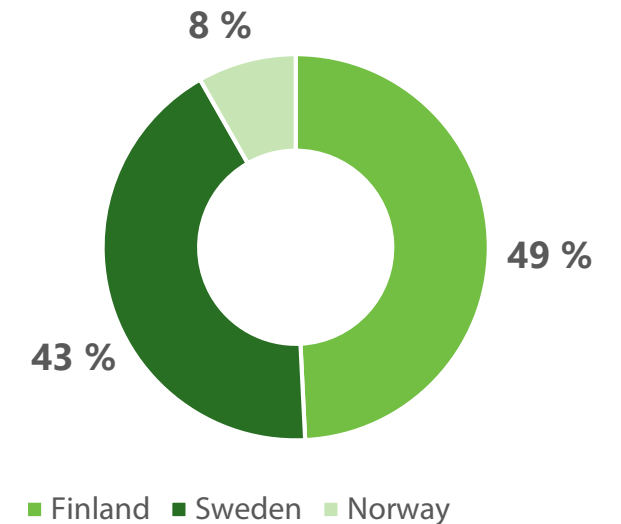
Net sales and like-for-like growth



Net sales: rolling 12 months



Net sales by segment in Q1/2020

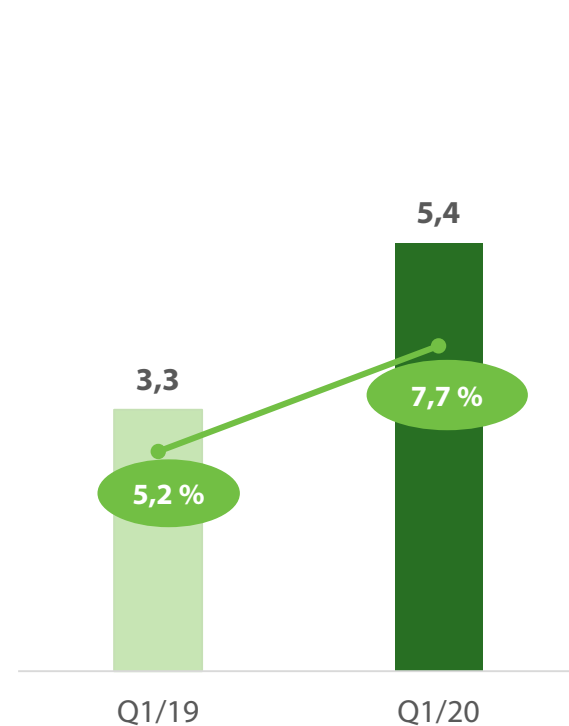


Profitability improved

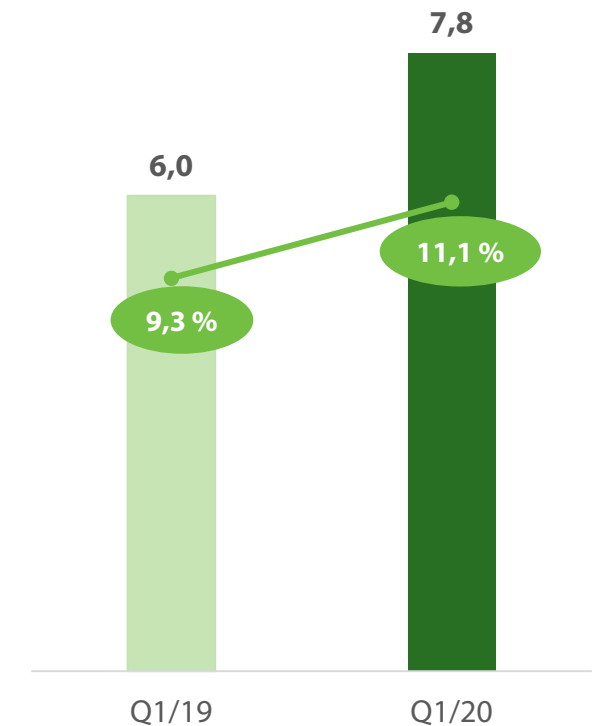
- Adjusted EBITA increased by 30.0% and adjusted EBITA margin was 11.1%.
- The improvement was mainly due to an increase in sales combined with slightly higher gross margin and operating leverage.
- The adjusted EBITA margin is typically higher in Q1 than in other quarters.
- Adjustments to EBITA were EUR 0.9 million (1.3) and they were related to the IPO process.
- Operating profit increased by 60.8%.



Operating profit¹, EUR million



Adjusted EBITA, EUR million



Operating profit Operating profit, % Adjusted EBITA Adjusted EBITA, %

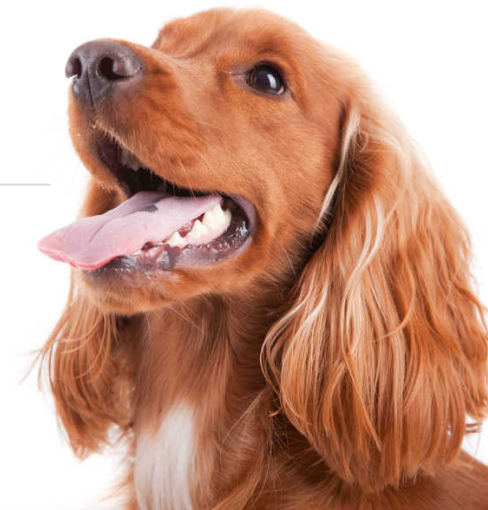
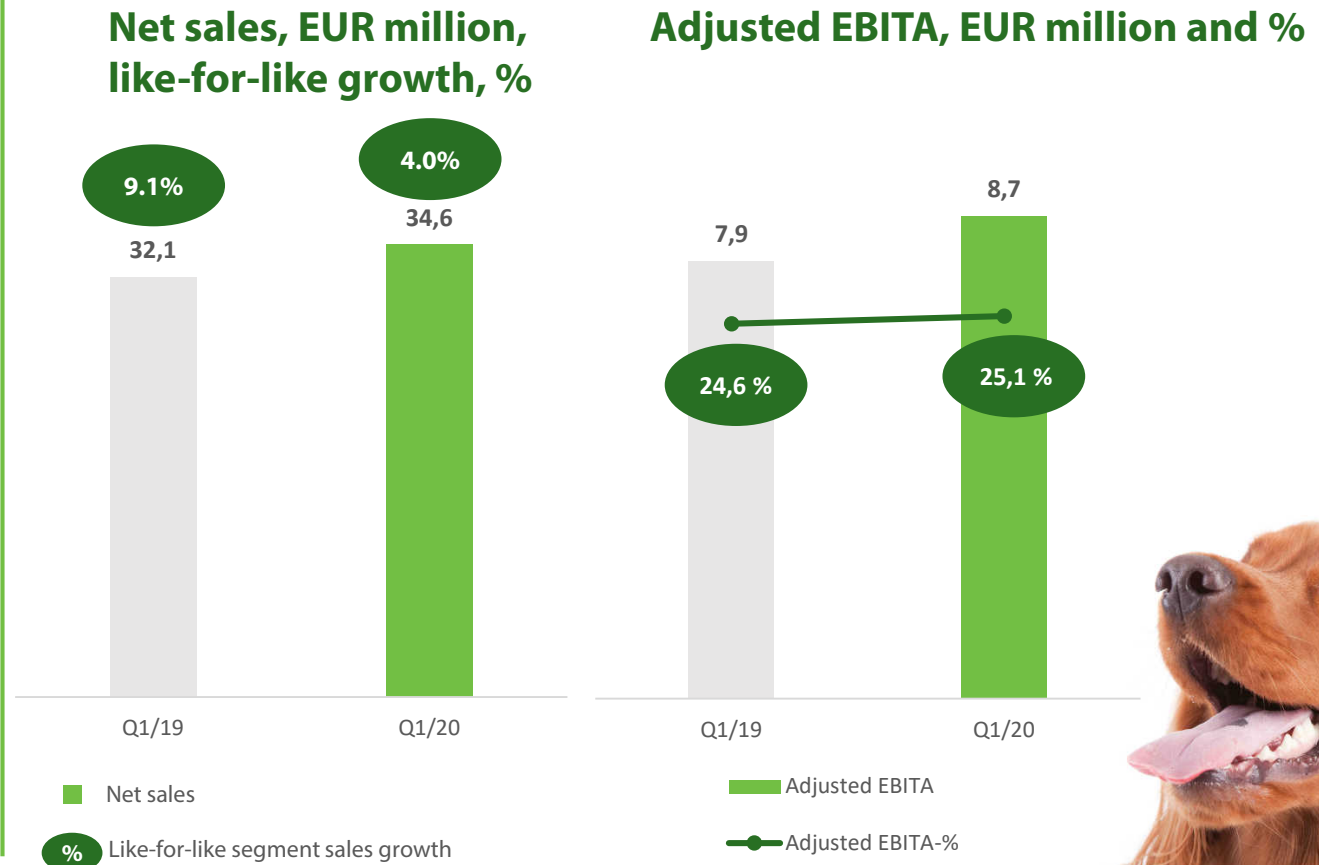
¹ Operating profit = Profit before financial income and expenses, net, and income tax expense.



Segments

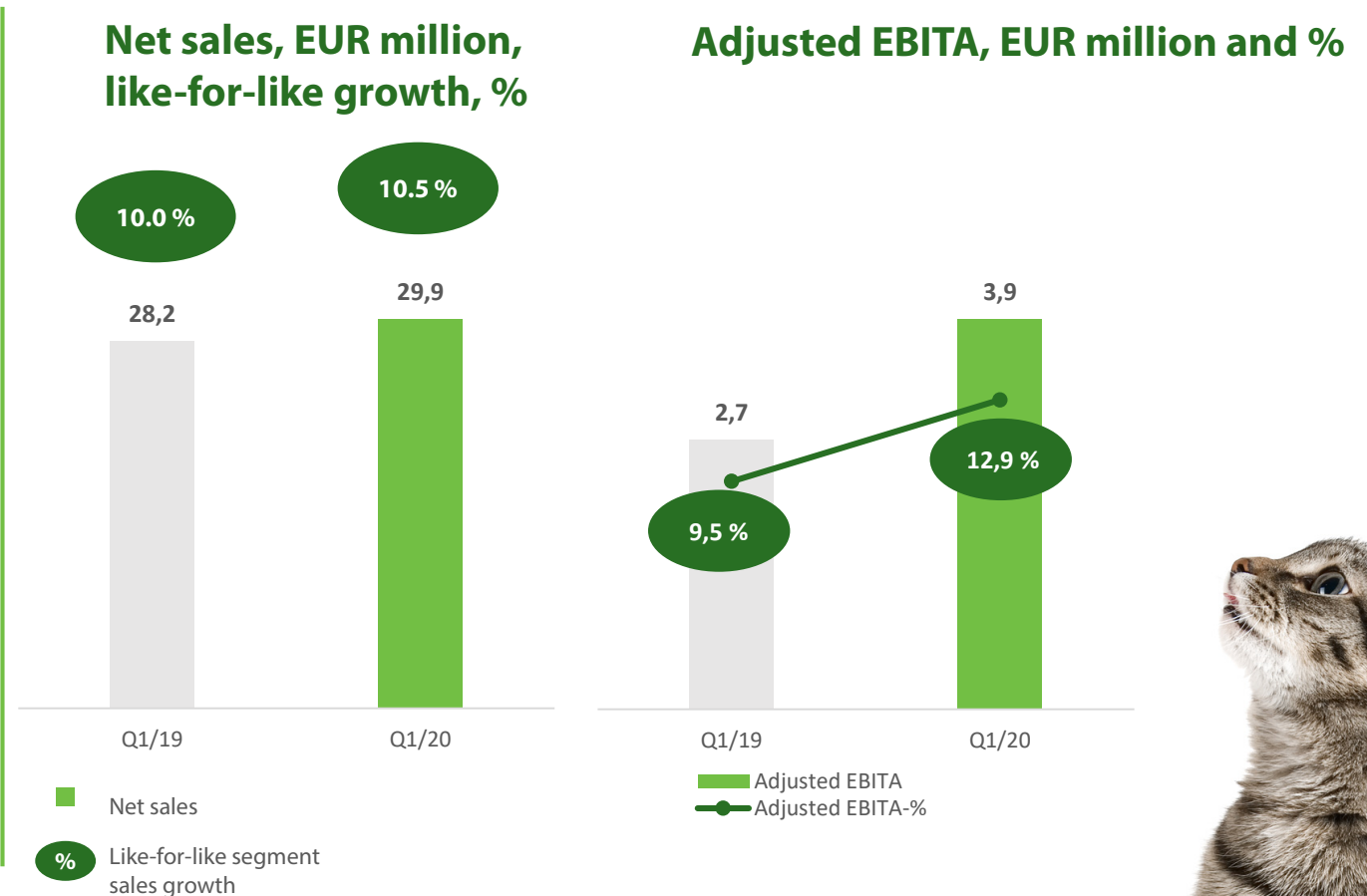
Finland: Adjusted EBITA increased by 10.0%

- Net sales in Finland increased to EUR 34.6 million (32.1) driven by like-for-like growth of 4.0% and growth from three new stores opened or acquired in FY19.
- Online sales growth was impacted by the planned online platform change of Peten Koiratarvike.
- Adjusted EBITA increased by 10.0% due to more efficient campaigning and supply chain management.
- One new store was opened in Finland during Q1, and one franchise store was acquired.



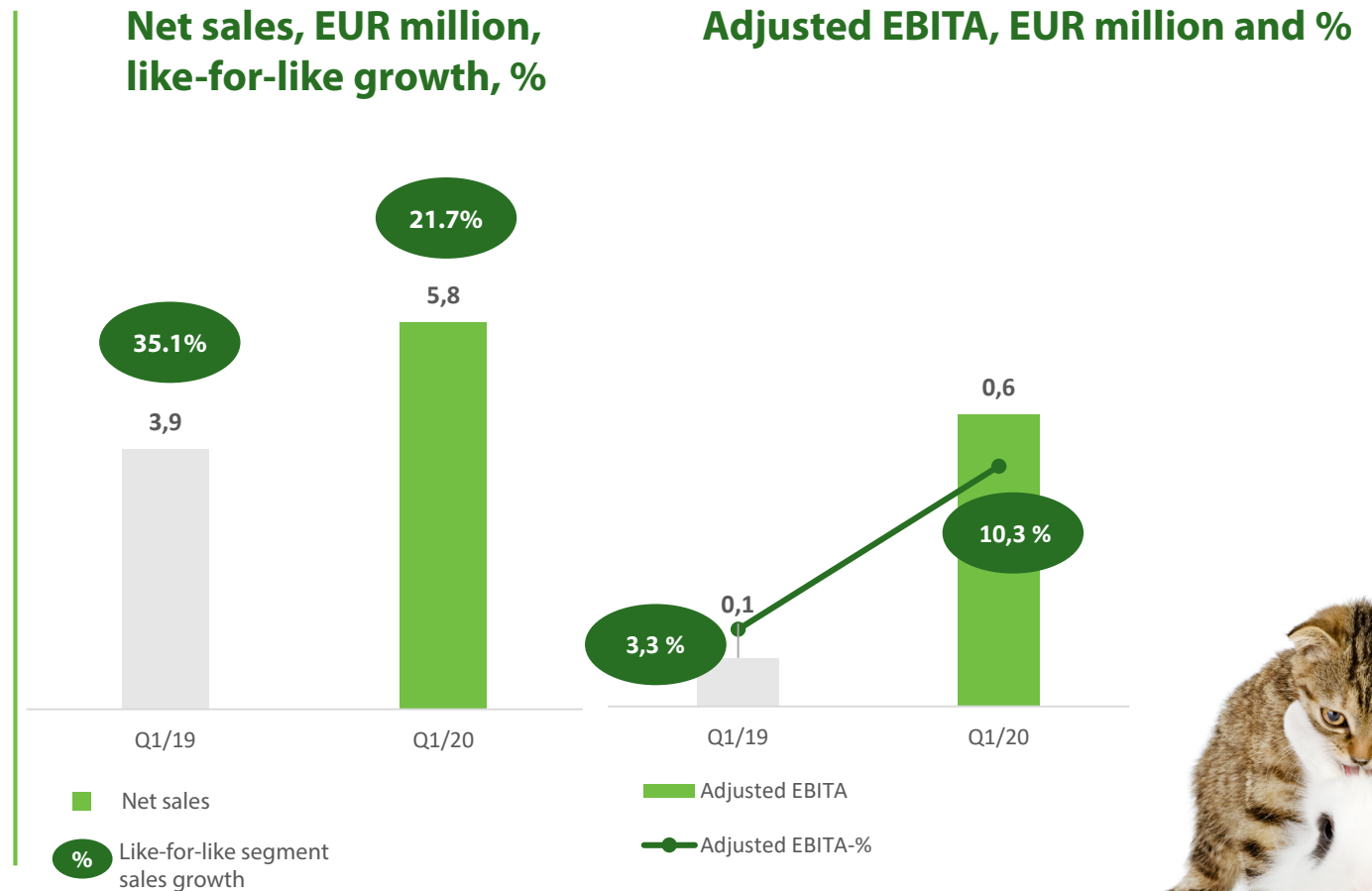
Sweden: 10.5% like-for-like growth in Q1

- Net sales in Sweden increased by 6.2% driven by like-for-like growth of 10.5% partly offset by weakening SEK rate and closure of three stores during FY19.
- Adjusted EBITA increased by 44.4% due to more efficient campaigning and supply chain management.
- During the reporting period, one new store was opened in Sweden, one store was closed and one franchise store was acquired.



Norway: Expansion of store network continued

- Net sales in Norway increased by 50.2% driven by strong like-for-like growth and ramp-up of the 11 stores opened during FY19.
- Adjusted EBITA amounted to EUR 0.6 million (0.1).
- Adjusted EBITA was driven by operating leverage of the increasing net sales and increased store efficiency as stores start to reach the mature phase or the end of the ramp-up curve.
- Three new stores were opened in Norway during Q1.



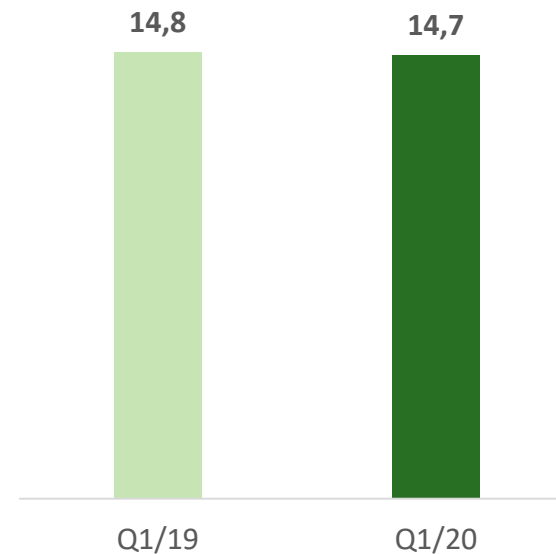


Financials and market outlook

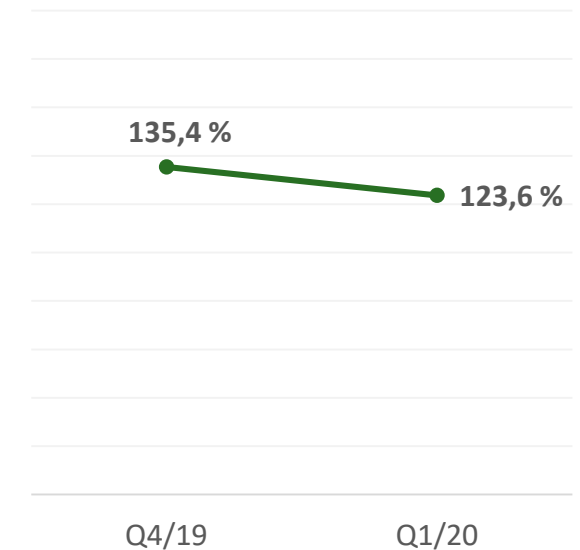
Financial position and cash flow

- Net cash flow from operating activities totalled EUR 14.7 million (14.8).
- Gearing at the end of Q1 was 123.6% (30 Sep 2019: 135.4%).
- Net debt amounted to EUR 126.3 million (30 Sep 2019: EUR 133.3 million).
- Net debt in relation to LTM adjusted EBITDA was 3.1.
- In February, Musti Group arranged a share issue of EUR 45 million in connection with the IPO.

Cash flow from operating activities, EUR million



Gearing, %



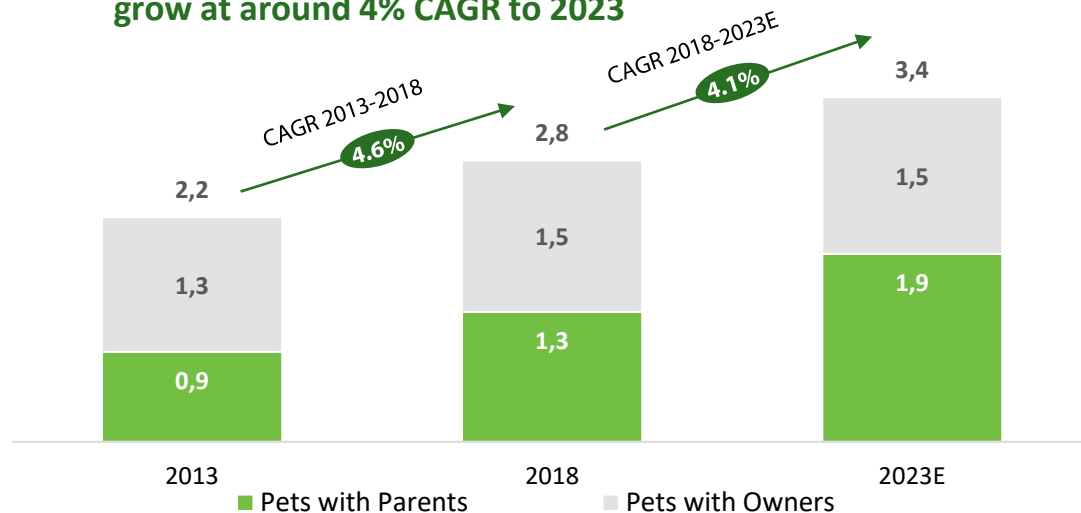
In connection with the IPO, Musti refinanced its existing loans with the share issue of EUR 45 million and a new loan agreement of EUR 60 million, consisting of a EUR 50 million term loan and a EUR 10 million revolving credit facility. The repayment date of the facilities is in 2023. The loan agreement contains two financial covenants: leverage and gearing. The EUR 50 million term loan was drawn to refinance the existing loans. The revolving credit facility has not yet been drawn.



Market outlook and financial targets

As a result of the trend of Pet Parenting, people are spending more on higher quality and more premium food, as well as a more diverse range of products and services. Musti believes it is able to continue its strong performance, as it is focused on the high-quality products and services the Pet Parents seek.

The Nordic pet care market (EUR billion) expected to grow at around 4% CAGR to 2023



Source: A study ordered by Musti from an international consulting company.

Market figures exclude other pet food (i.e. food for pets other than cats and dogs).

Financial targets	
Growth	Sales to reach at least EUR 350 million by the financial year 2023 by continuation of strong customer acquisition momentum.
Profitability	Mid- to long-term adjusted EBITA margin of 10-12 percent with steadily improving profile. Margin increase is expected to be realised through steady gross margin and improving operating leverage.
Capital structure	Maintain net debt in relation to adjusted EBITDA below 2.5x in the long term.
Dividend policy	To pay a dividend corresponding to 60-80 percent of net profit. Any potential dividend shall take into account acquisitions, the company's financial position, cash flow and future growth opportunities.

Summary

- Strong first quarter with profitable growth in all segments.
- Net sales growth was mainly driven by the increased number of customers. The strong performance shows especially in the like-for-like store sales growth of 7.2%.
- The adjusted EBITA margin improved to 11.1 percent driven by strong operating performance in Sweden.
- Musti is focusing on profitable growth, supported by the scalable platform and efficient cost control. This work showed in profitability development in Q1.
- Initial Public Offering successfully completed in February. The IPO will further support the successful strategy execution.



More information

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Half-year Financial
Report will be
published on
6 May 2020

Thank you!



Appendix

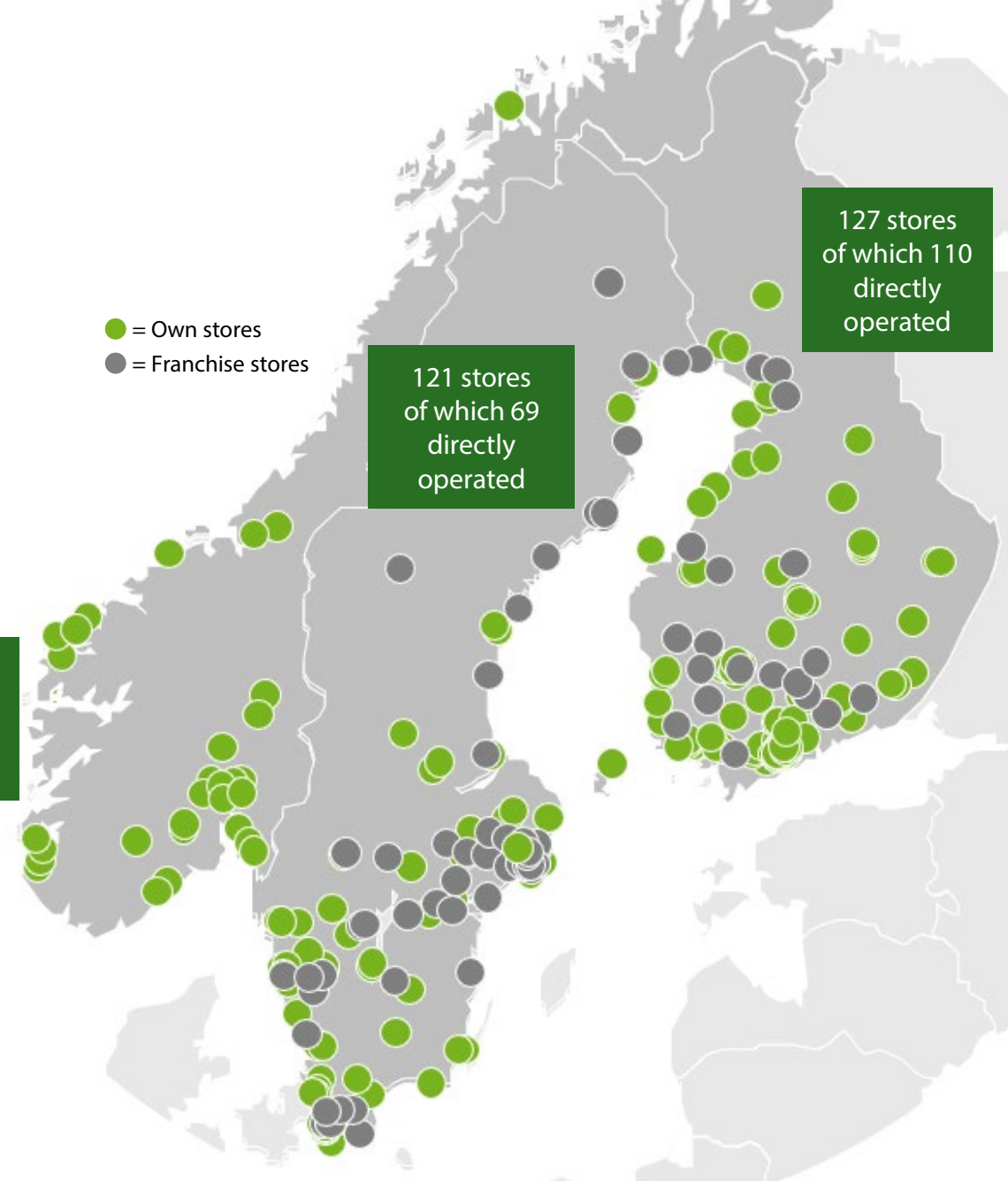
Key figures

EUR millions or as indicated	Q1 10-12/19	Q1 10-12/18	Change %	FY2019
Net sales	70.3	64.1	9.7	246.6
LFL sales growth, %	7.7%	10.2%		11.2%
LFL store sales growth, %	7.2%	6.5%		7.8%
Online share, %	19.5%	19.8%		20.7%
Adjusted EBITA	7.8	6.0	30.0	21.9
Adjusted EBITA margin, %	11.1%	9.3%		8.9%
Operating profit	5.4	3.3	60.8	12.5
Operating profit margin, %	7.7%	5.2%		5.1%
Earnings per share, basic and diluted, EUR	0.13	0.04		0.10
Cash flows from operating activities	14.7	14.8	-1.1	39.5
Investments	2.5	1.6	55.7	6.4
Gearing, %	123.6%	141.6%		135.4%
Net debt / LTM adjusted EBITDA	3.1	4.6		3.5
Number of loyal customers, thousands	1,052	917	14.6	1,018
Number of stores at end of period	281	272	3.3	277



Over 1 million loyal customers

- Number of loyal customers grew to 1,052 thousand (917 thousand).
- At 31 December 2019 Musti had 281 stores (272), of which 212 (198) were directly operated.
- Share of online sales was 19.5% (19.8%).



Musti offers the winning concept geared towards modern Pet Parents



Trusted expert advice

- 93% of Musti's staff are pet parents themselves
- Trusted expert advice drives customer satisfaction and loyalty



High quality offering

- Diverse, high quality offering with strong own brands
 - Pet food and specialty pet food
 - Toys and accessories
 - Health and care products



Omnichannel business model

- Seamless omnichannel business model ensuring total convenience for customers
 - Paid online, home delivered
 - Paid online, collected in store
 - Paid offline, collected or consumed in store



Growing suite of services

- Hair and nail trimming
- Health and care services
- Training and learning

30-year track record – from traditional pet retail to full omnichannel

