



## **Half-year Financial Report 1 October 2019–31 March 2020**

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6 May 2020

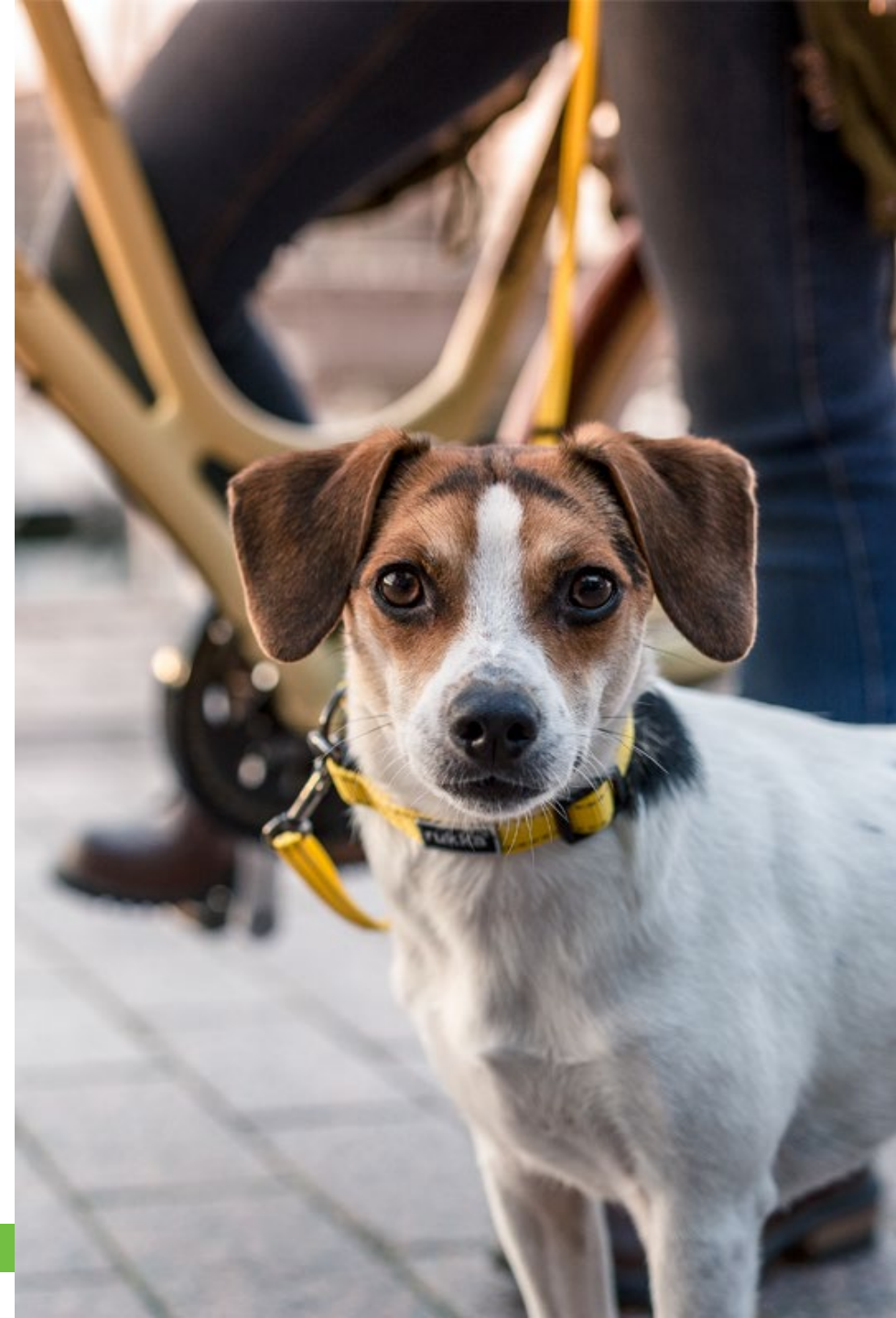
CEO David Rönnerberg

CFO Robert Berglund



# Agenda

- Group development
- Segments
- Financials and market outlook





A Sheltie dog with orange and white fur is running towards the camera in a lush green field filled with white daisies. The background is a soft-focus landscape under a bright, clear sky.

# Strong growth in net sales across channels and segments

# Highlights in Q2/2020

- Group net sales totalled EUR 68.4 (59.0) million, an increase of 15.9%.
- Like-for-like sales growth was 14.8%.
- Adjusted EBITA was EUR 5.5 (4.8) million, up by 15.8%.
- Adjusted EBITA margin was 8.1% (8.1%).
- Operating profit decreased by 10.3% to EUR 2.1 (2.4) million due to costs related to the IPO in Q2.
- Net debt amounted to EUR 96.1 million (30 Sep 2019: EUR 133.3 million). Net debt in relation to LTM adjusted EBITDA was 2.3.
- Net cash flow from operating activities increased by 36.5% to EUR 4.8 (3.5) million.
- Number of loyal customers grew to 1,076 thousand (949 thousand).



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





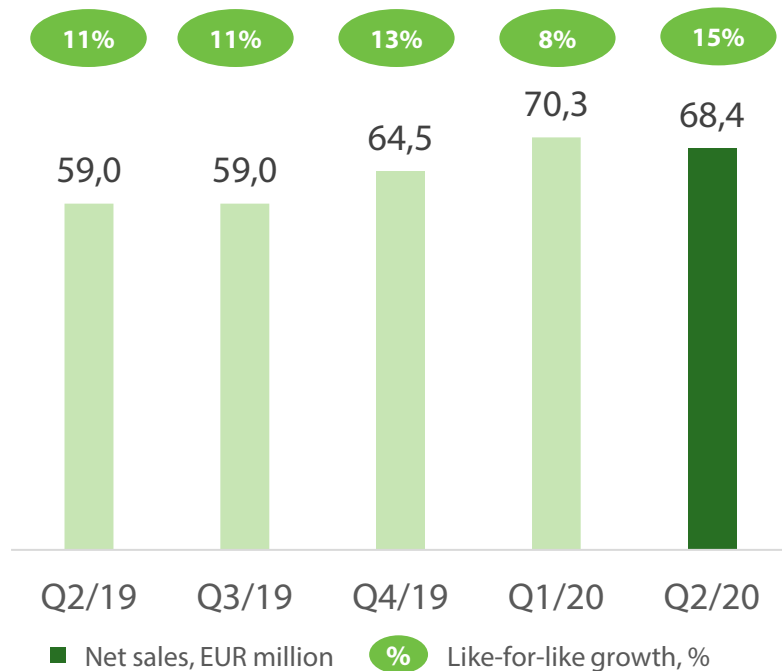
# Effects of coronavirus on Musti's operations

- Keeping staff and customers safe and maintaining the ability to deliver high-quality service have been the top priorities during the pandemic.
- Continued to focus on growth and gaining market share in Q2. Musti's underlying growth has continued strong after Q2.
- Strong shift from stores to online channels due to the pandemic. Variation in store performance between different locations.
- There was a spike also in pet food demand when the coronavirus restrictions were implemented across the Nordics, but its effect on our total quarterly growth was limited, as it only impacted the last two weeks of the quarter.
- Musti has paid rigorous attention to store hygiene and employee health, adjusted store opening hours and strengthened online capacity and warehouse functions.
- The pet care market has proven to be resilient to economic downturns in the past. During the pandemic, the resilience of our business, comparable to grocery stores, has been apparent.

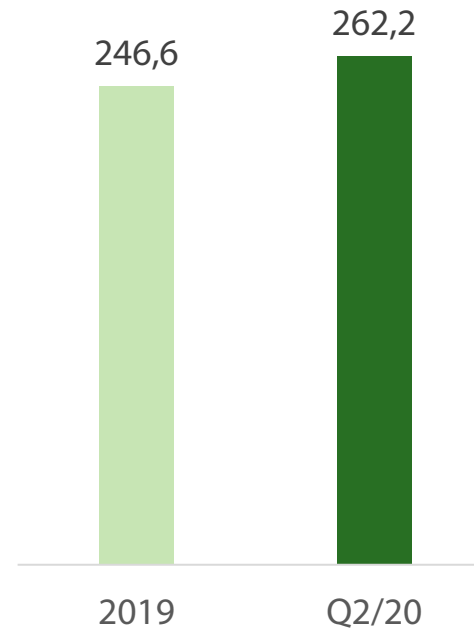


## Q2: Net sales grew by 15.9% amid the coronavirus pandemic

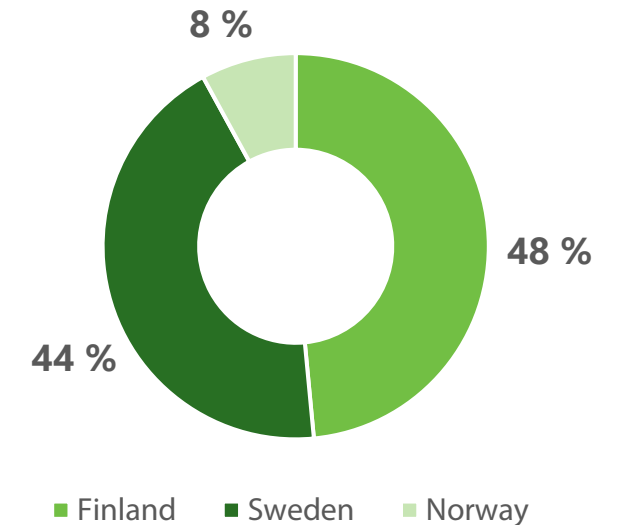
Net sales and like-for-like growth



Net sales: rolling 12 months



Net sales by segment in Q2/2020

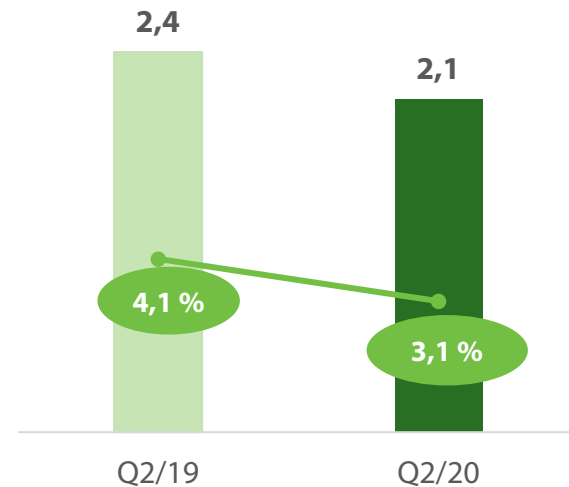


## Q2: Adjusted EBITA increased by 15.8%

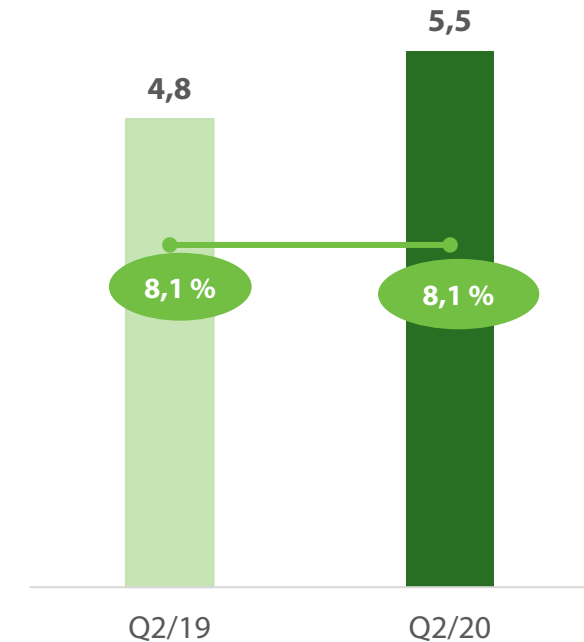
- Adjusted EBITA increased by 15.8% and adjusted EBITA margin was 8.1%.
- The improvement was mainly due to an increase in sales, partly offset by slightly lower gross margin due to the increased share of online sales.
- Adjustments to EBITA were EUR 1.9 (1.0) million and they were related to the IPO process.
- Operating profit amounted to EUR 2.1 (2.4) million.



Operating profit<sup>1</sup>, EUR million



Adjusted EBITA, EUR million



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

<sup>1</sup> Operating profit = Profit before financial income and expenses, net, and income tax expense.

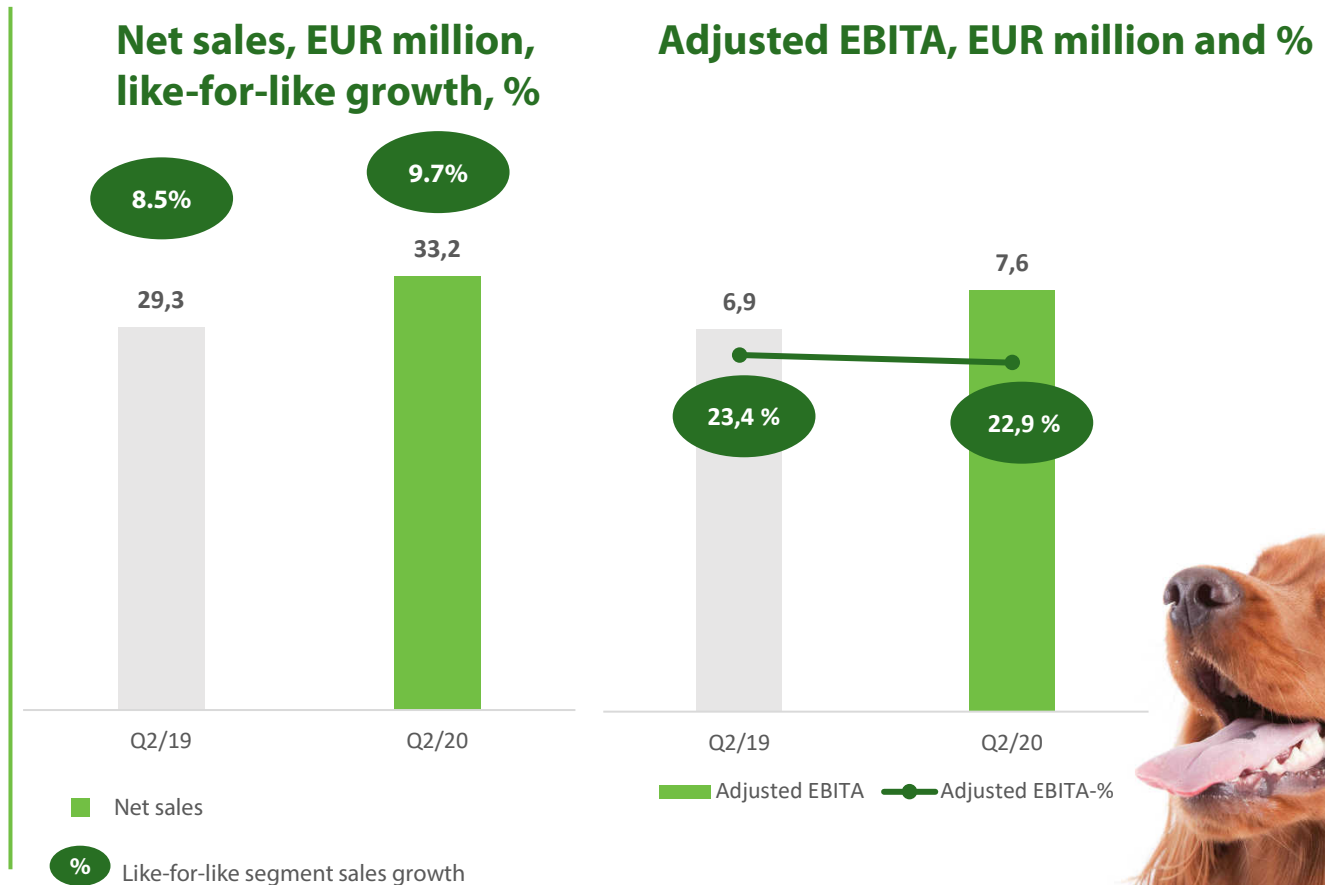


# Segments



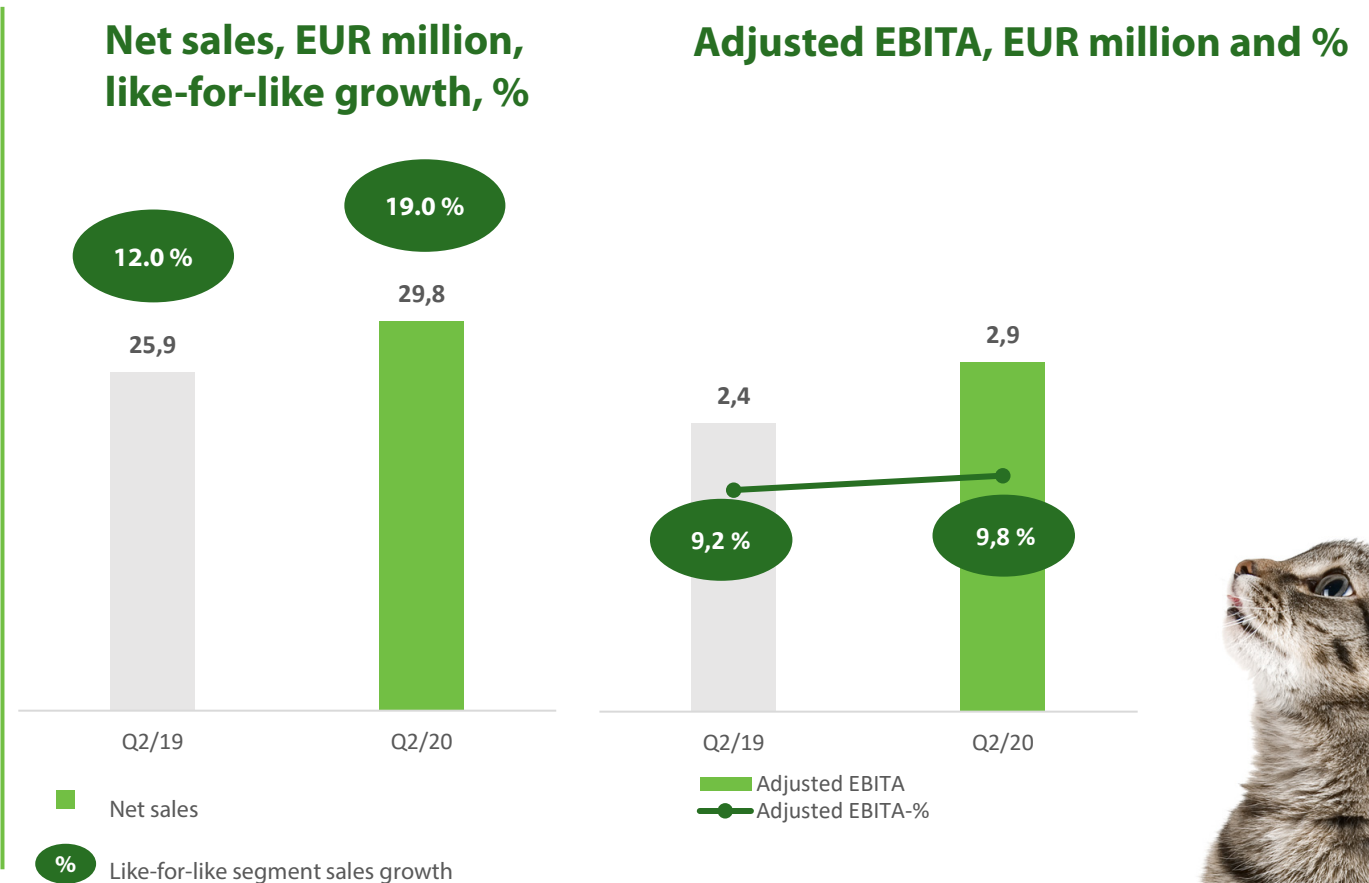
# Finland: Strong net sales with stable adjusted EBITA development

- Net sales in Finland increased by 13.3% driven by like-for-like growth of 9.7% including online growth after the online platform change of Peten Koiratarvike as well as the corona virus impact.
- Adjusted EBITA increased by 10.8% due to the sales increase. However, adjusted EBITA margin decreased due to the increased share of online sales.
- One new franchise store was opened in Finland during Q2.



# Sweden: Strong momentum with 19% LFL driven by stores and online

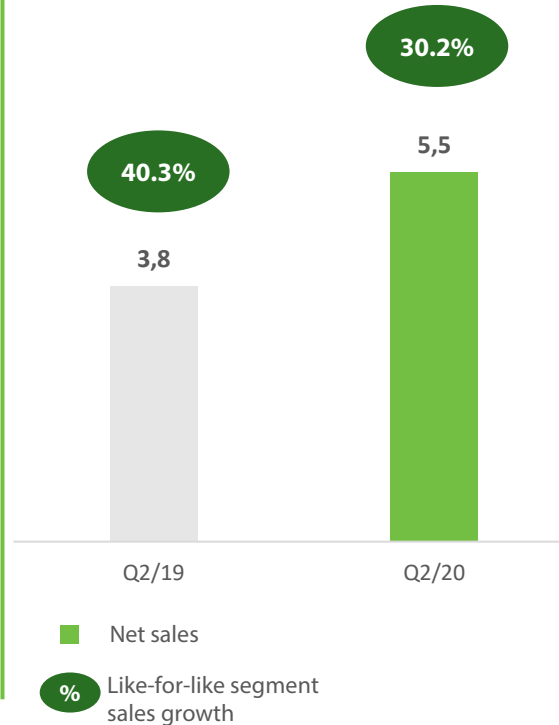
- Net sales in Sweden increased by 14.8% driven by like-for-like growth of 19.0% partly offset by weakening SEK rate and closure of three stores during FY19.
- Adjusted EBITA increased by 21.5%. This was due to more efficient campaigning and supply chain management, partly offset by increased share of online sales.
- During Q2, four new stores were opened in Sweden and one franchise store was closed.



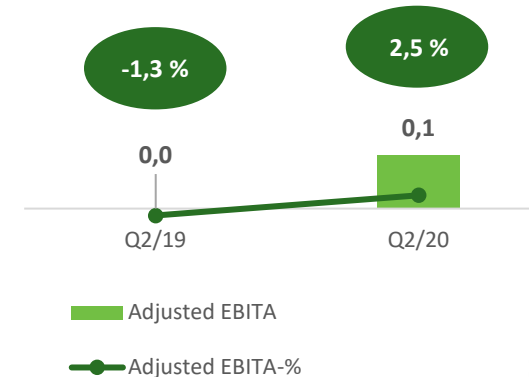
# Norway: Strong and profitable like-for-like growth

- Net sales in Norway increased by 43.7% driven by strong like-for-like growth of 30.2% and ramp-up of the stores.
- Adjusted EBITA amounted to EUR 0.1 (0.0) million.
- 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, and one store was closed in Norway during Q2.

Net sales, EUR million,  
like-for-like growth, %



Adjusted EBITA, EUR million and %







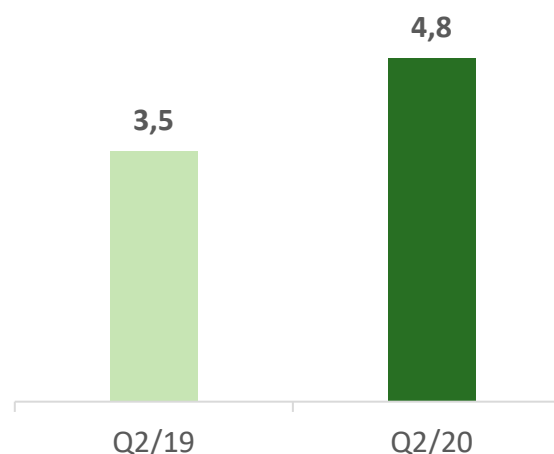
# Financials and market outlook

# Net cash flow from operating activities increased by 37% – capital structure in line with long-term target

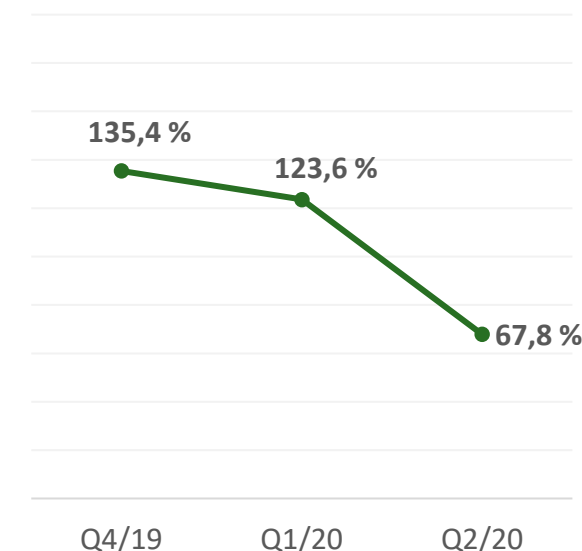
- Net cash flow from operating activities totalled EUR 4.8 (3.5) million.
- Gearing at the end of Q2 was 67.8% (30 Sep 2019: 135.4%).
- Net debt amounted to EUR 96.1 million (30 Sep 2019: EUR 133.3 million) including a lease liability of EUR 61.1 million.
- Net debt in relation to LTM adjusted EBITDA was 2.3.
- Cash and cash equivalents amounted to EUR 14.5 million (30 Sep 2019: EUR 8.7 million).
- 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

**Musti believes that the trends driving the pet care market, such as the pet parenting megatrend and pet population growth, will remain robust also during and after the coronavirus pandemic.**

- It has been evidenced that historically, the amount of puppy registrations has increased during economic downturns.
- The pet care market is resilient, underpinned by non-discretionary purchasing behaviour. Consumers display a willingness to sustain spending on pet care through economic downturns, preferring to cut expenditure on alternative spend categories.
- 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.

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





# Summary

- Strong second quarter of the financial year 2020.
- Net sales grew by 15.9% and like-for-like sales growth was 14.8%. Growth was mainly driven by the increased number of new customers.
- All three segments showed strong like-for-like sales growth and gained market share. Adjusted EBITA margins in Sweden and Norway continued to converge towards Finland's level, in line with objectives.
- Continued to focus on growth and gaining market share in Q2 especially in online channels. Strong omnichannel strategy and scalable platform have served us well in shift from stores to online channels due to the pandemic.
- Cash flow from operating activities continued strong.



## More information

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Interim Report  
October 2019–  
June 2020 will be  
published on  
4 August 2020

# Thank you!





# Appendix



# Musti – the leading Nordic pet care specialist



**Leading Nordic pet care specialist**  
**#1** in Nordics,  
**22%** market share<sup>1</sup>



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



**Omnichannel business model<sup>2</sup>**  
**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. <sup>1</sup>2018 market share for Nordic pet food and products market; Musti's market share is based on FY19 consumer sales (including sales from franchisees). <sup>2</sup>Omnichannel 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**

128 stores



**Further expansion and convergence in efficiency towards Finnish levels**

124 stores



**Store rollout with strong ramp up and increasing country profitability**

35 stores



## STORE BANNER

## OMNI-BANNER

## ONLINE BANNER

# Key figures

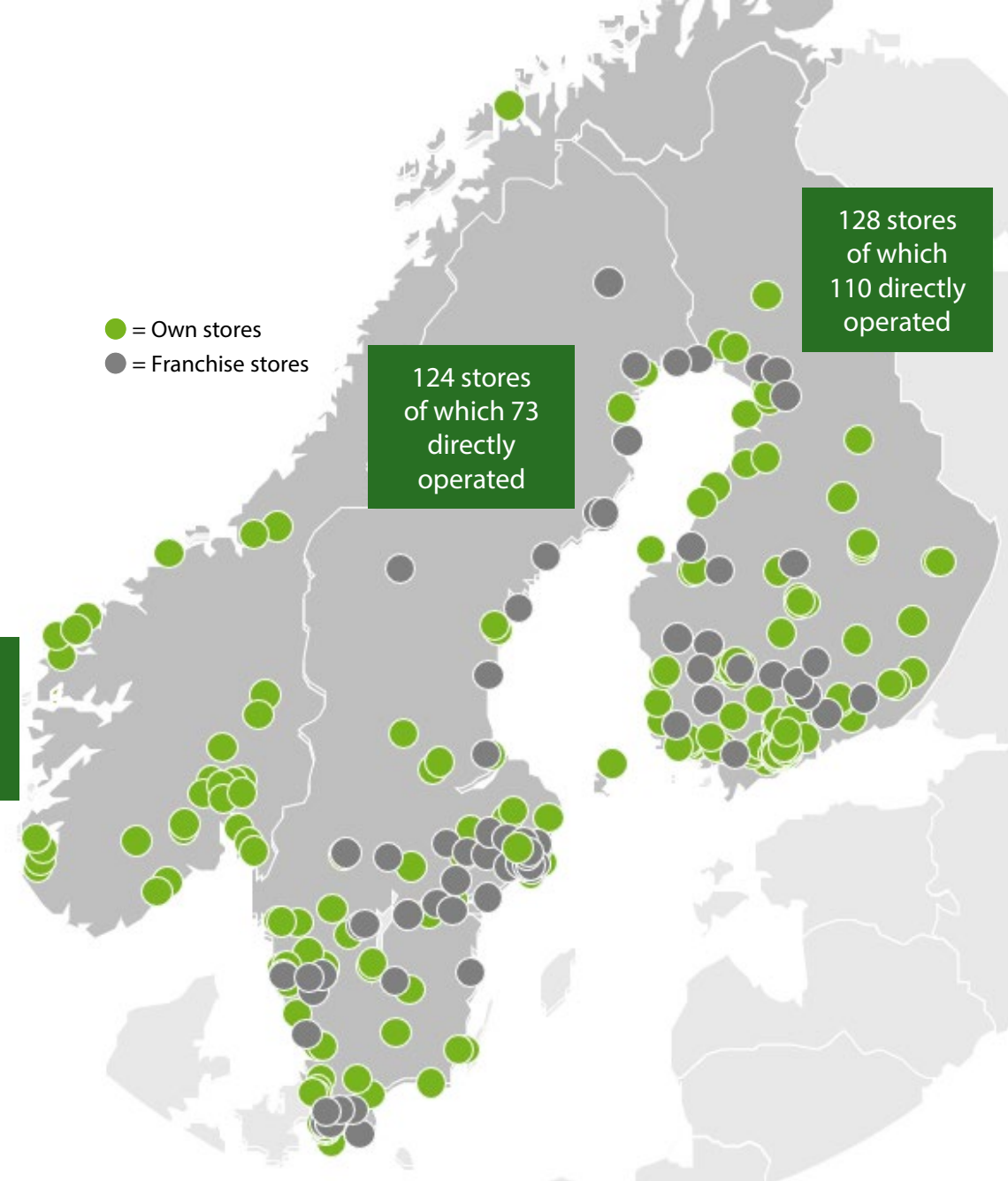
EUR millions or as indicated	Q2 1–3/20	Q2 1–3/19	Change%	H1 10/19–3/20	H1 10/18–3/19	Change%	FY2019
Net sales	68.4	59.0	15.9	138.7	123.1	12.7	246.6
LFL sales growth, %	14.8%	10.8%		11.1%	10.5%		11.2%
LFL store sales growth, %	10.0%	6.8%		8.5%	6.7%		7.8%
Online share, %	23.7%	21.7%		21.6%	20.7%		20.7%
Adjusted EBITA	5.5	4.8	15.8	13.3	10.8	23.7	21.9
Adjusted EBITA margin, %	8.1%	8.1%		9.6%	8.7%		8.9%
Operating profit	2.1	2.4	-10.3	7.5	5.7	31.2	12.5
Operating profit margin, %	3.1%	4.1%		5.4%	4.7%		5.1%
Earnings per share, basic and diluted, EUR	-0.09	0.00		0.03	0.04		0.10
Net cash flow from operating activities	4.8	3.5	36.5	19.5	18.3	6.9	39.5
Investments	2.4	1.5	59.3	4.9	3.1	57.5	6.4
Gearing, %				67.8%	147.0%		135.4%
Net debt / LTM adjusted EBITDA				2.3	4.4		3.5
Number of loyal customers, thousands	1,076	949	13.3	1,076	949	13.3	1,018
Number of stores at the end of the period	287	271	5.9	287	271	5.9	277





# Over 1 million loyal customers

- Number of loyal customers grew to 1,076 thousand (949 thousand).
- At 31 March 2020 Musti had 287 stores (271), of which 218 (198) were directly operated.
- In Q2/2020, share of online sales was 23.7% (21.7%).



# 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

# Responsibility at Musti

## Trusty

The Musti responsibility approach

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

As a forerunner in our market, we want to do it responsibly. For us, this means putting the welfare of pets and people first, having high standards for quality, safety and expertise, as well as always looking into more sustainable ways to develop our business.



THEMES



### Pets and their parents

High quality and  
safe products and services  
+  
Satisfied and loyal customers



### Employees

Thriving experts  
+  
Well-being  
at work



### Communities

Working for the  
common good  
+  
Openness for new inventions

BASIS

### Responsible supply chain

Suppliers committed  
to Musti's requirements  
on responsible  
business practices



### Reducing environmental impact

CO<sub>2</sub> emissions and  
energy management  
+  
Recycling and waste  
management



### Good governance and high ethics

Compliance with  
policies and principles



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

