



Interim Report Q1

1 October 2020–31 December 2020

9 February 2021

CEO David Rönnerberg

CFO Robert Berglund



Agenda

- Group development
- Segments
- Financials and market outlook





Strongest quarter so far

Highlights Q1/2021

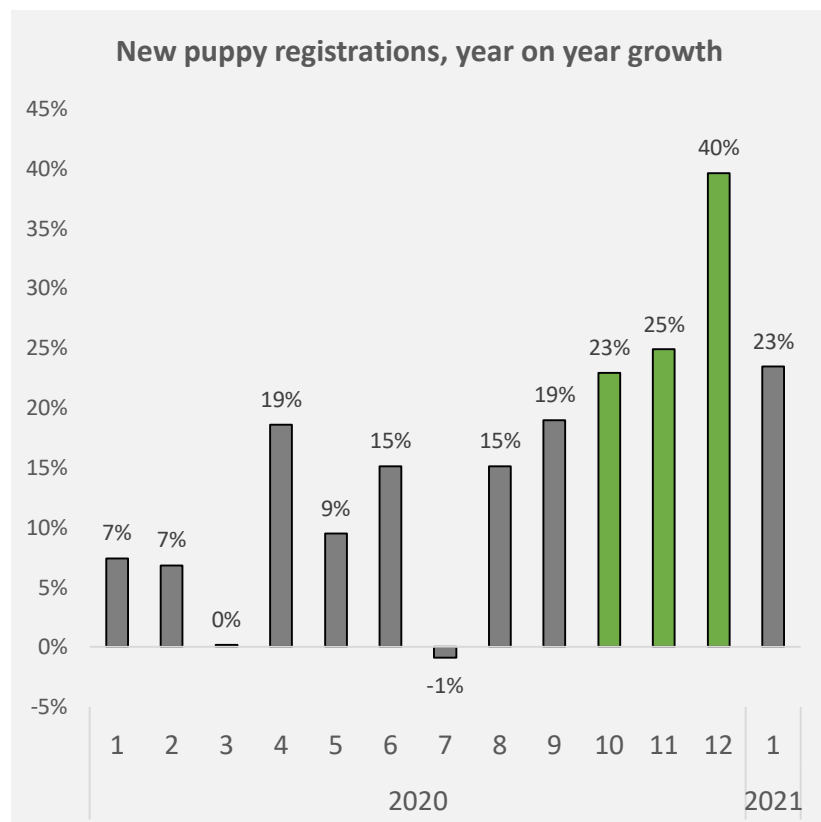
- Group net sales totaled EUR 84.3 million (70.3), an increase of 19.9%.
- Like-for-like sales growth was 13.1%.
- Adjusted EBITA was EUR 10.6 million (7.8), up by 36.4%.
- Adjusted EBITA margin was 12.6% (11.1%).
- Operating profit increased by 56.3% to EUR 8.4 million (5.4), representing 10.0% (7.7%) of net revenue.
- Net cash flow from operating activities totaled EUR 15.9 million (14.6).
- Number of loyal customers grew to 1,189 thousand (1,052 thousand in December 2019).
- Number of stores grew to 300 (281).



Puppy registrations continue on an elevated level

Musti Group new puppy wins are supporting our market share gain

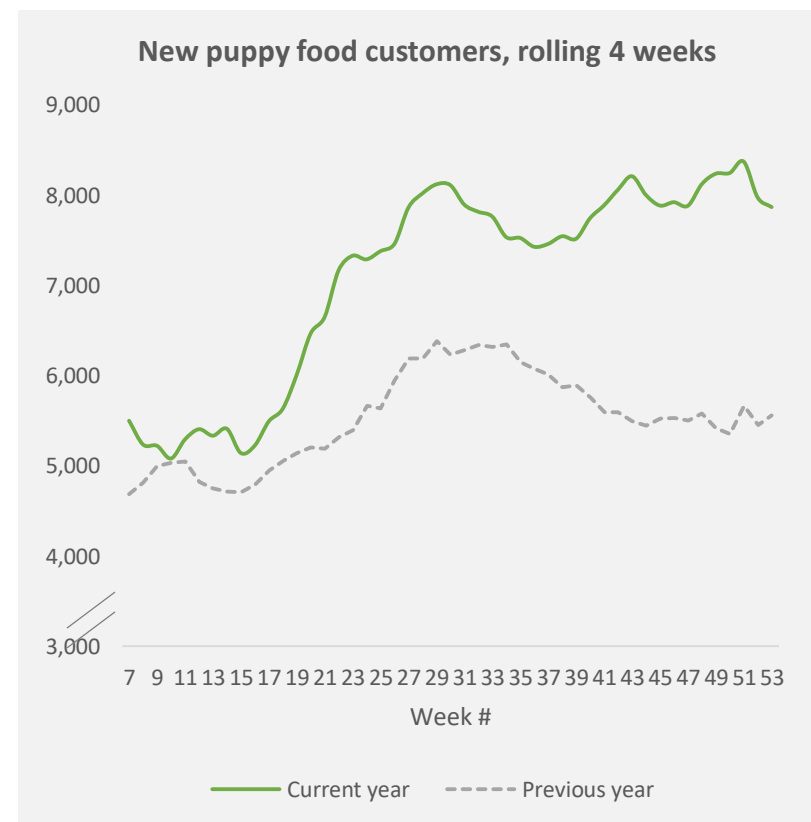
Market evidence from Sweden: Last quarter up +29%



10-12/2020

29%

Musti Group trend: Last quarter up +46%



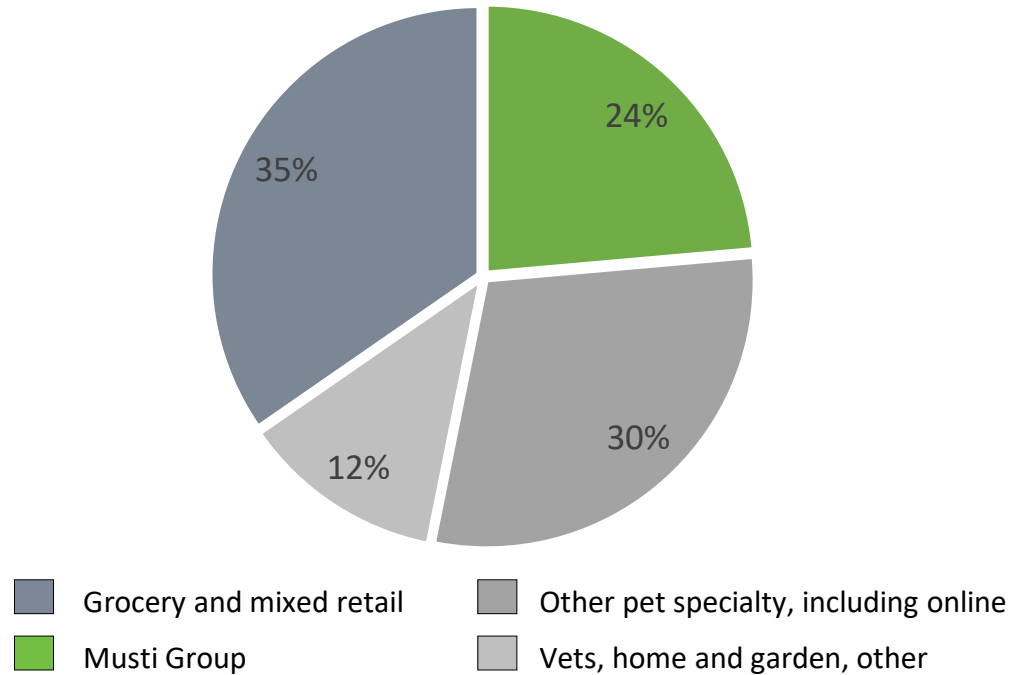
Rolling 13 weeks

46%

Source: Jordbruksverket

Musti Group's winning concept continues to gain share, with significant remaining upside in the Nordic core market

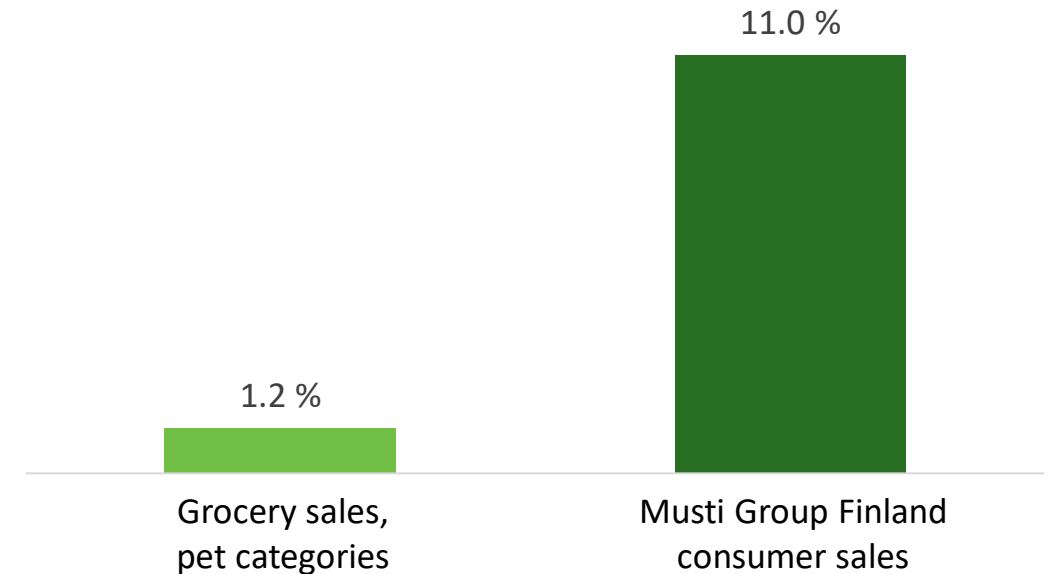
Nordic pet food and products market, 2019



Long term Nordic pet food and product market growth trend 4% with a short term boost from increased number of puppies

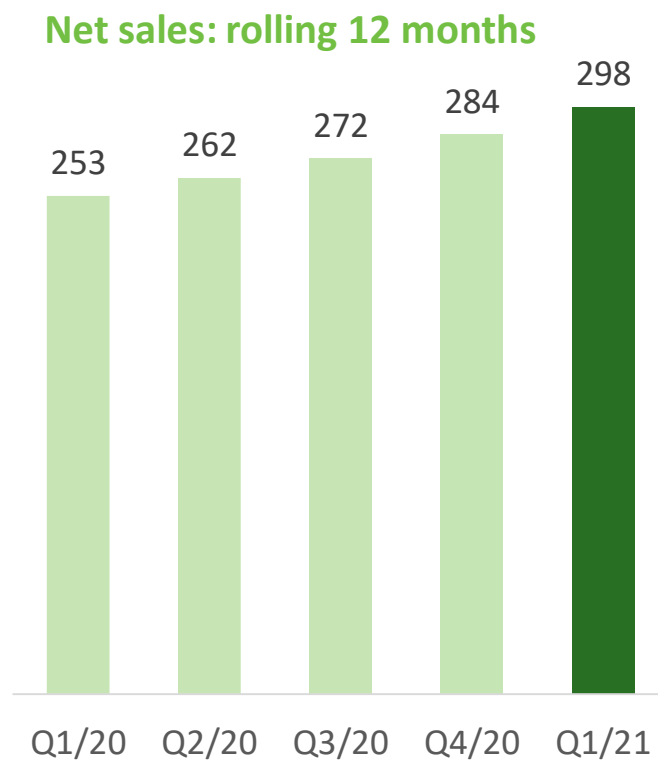
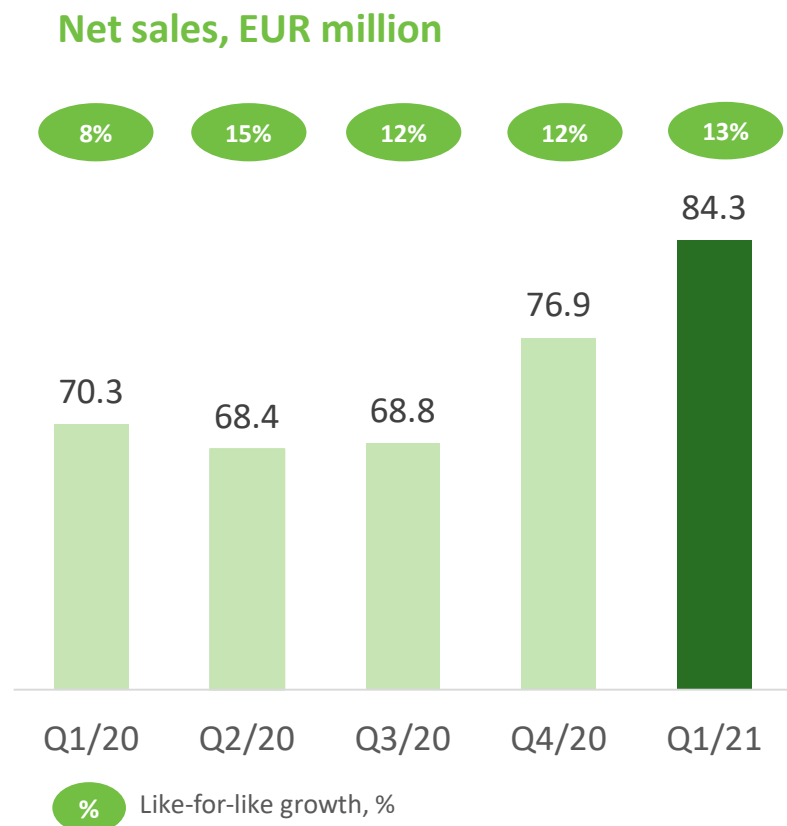
Market evidence from Finland

Pet food and products growth, Finland, 1-12/2020

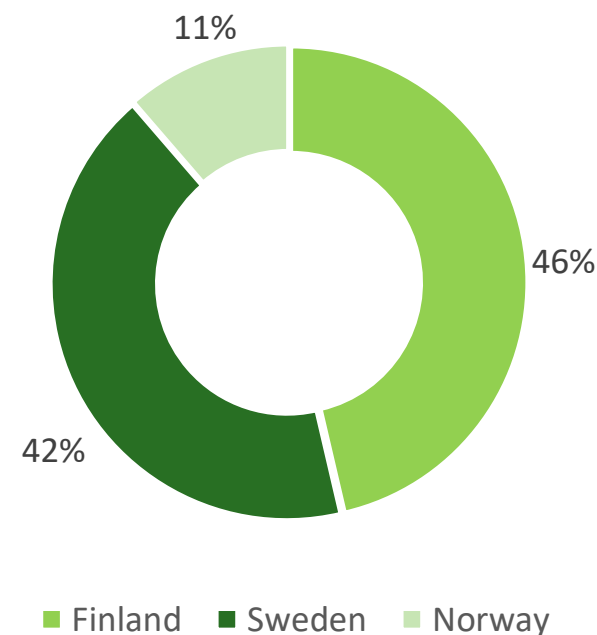


The Nordic pet food and products market totals EUR 1.7 billion. Musti Group's market share is calculated using consumer sales including franchise and VAT. Musti Group's market share 2019 is based on FY20 sales. Long term market growth forecast and channel shares based on Euromonitor. Grocery sales source: Finnish Grocery Trade Association. Musti group growth calculated using consumer sales of food and products including franchise and VAT.

Q1: Net sales increased by 19.9% to EUR 84.3 million as a result of both strong like-for-like growth and increased number of stores in all countries



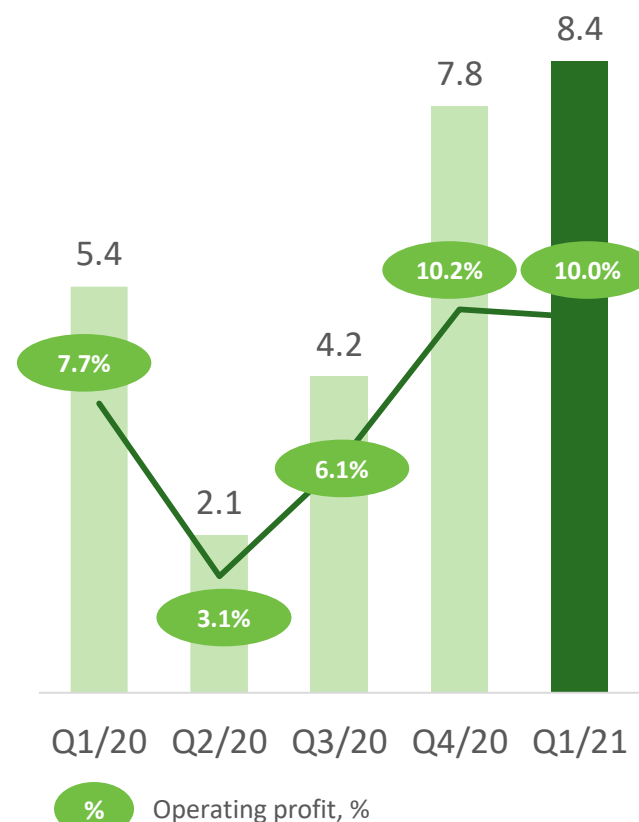
Net sales by segment in Q1/2020



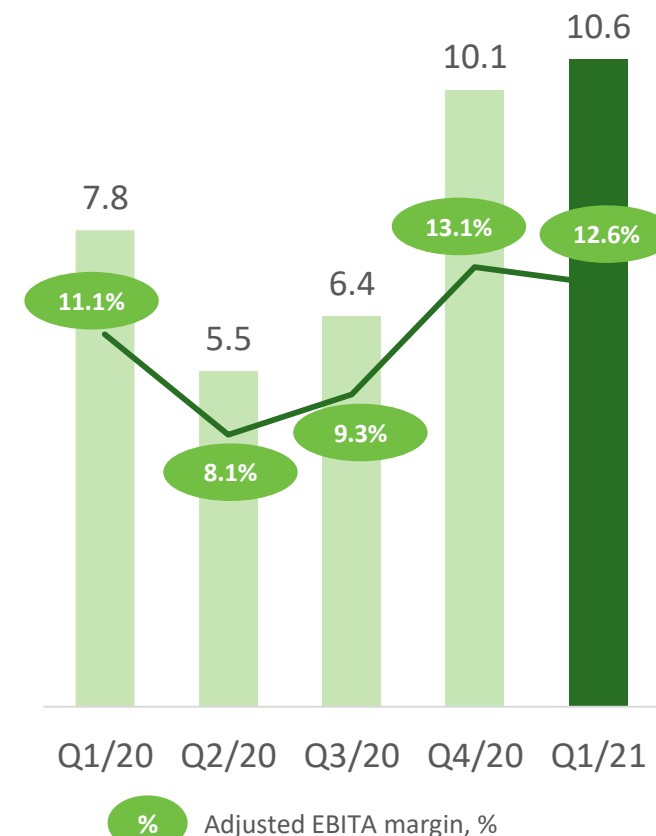
Q1: Group adjusted EBITA increased by 36.4%

- Adjusted EBITA increased by 36.4% to EUR 10.6 million (7.8) and adjusted EBITA margin was 12.6% (11.1%).
- The improvement was mainly due to an increase in sales combined with operating leverage.
- Gross margin increased to 46.1% (45.4%) due to more efficient marketing campaigns, favorable product mix and efficient supply chain management.
- Adjustments to EBITA were EUR 0.6 million (0.9) consisting of non-recurring items relating to the warehouse consolidation project.
- Operating profit increased by 56.3% to EUR 8.4 million (5.4).

Operating profit¹, EUR million



Adjusted EBITA, EUR million



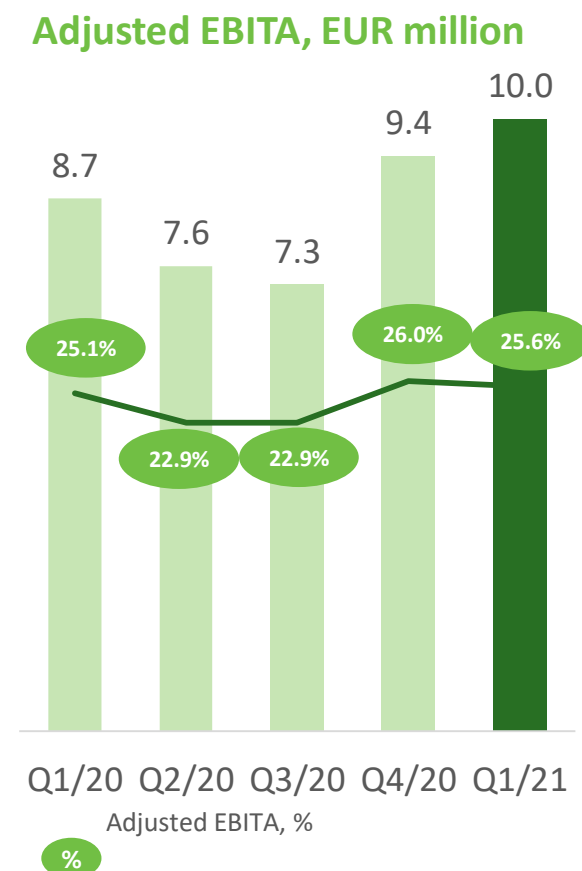
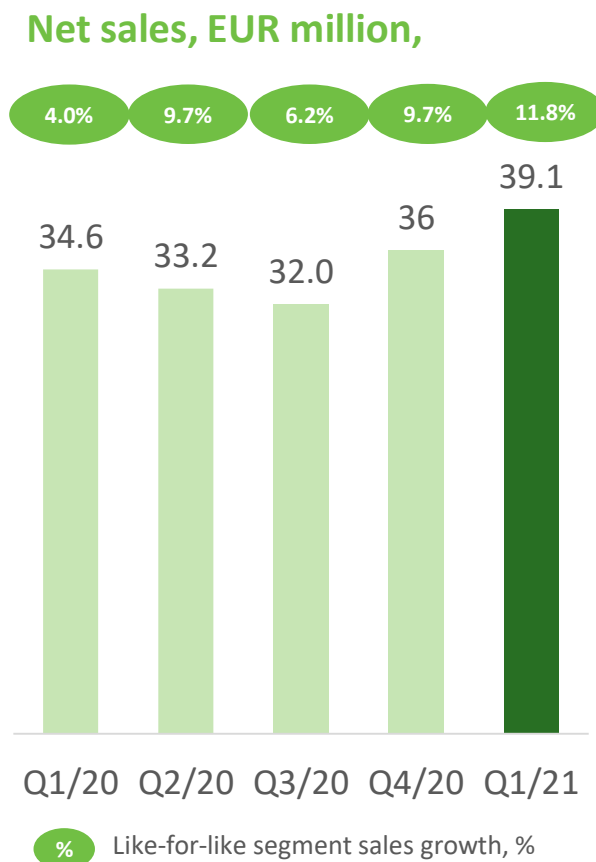
¹ Operating profit = Profit before financial income and expenses, net, and income tax expense.



Segments

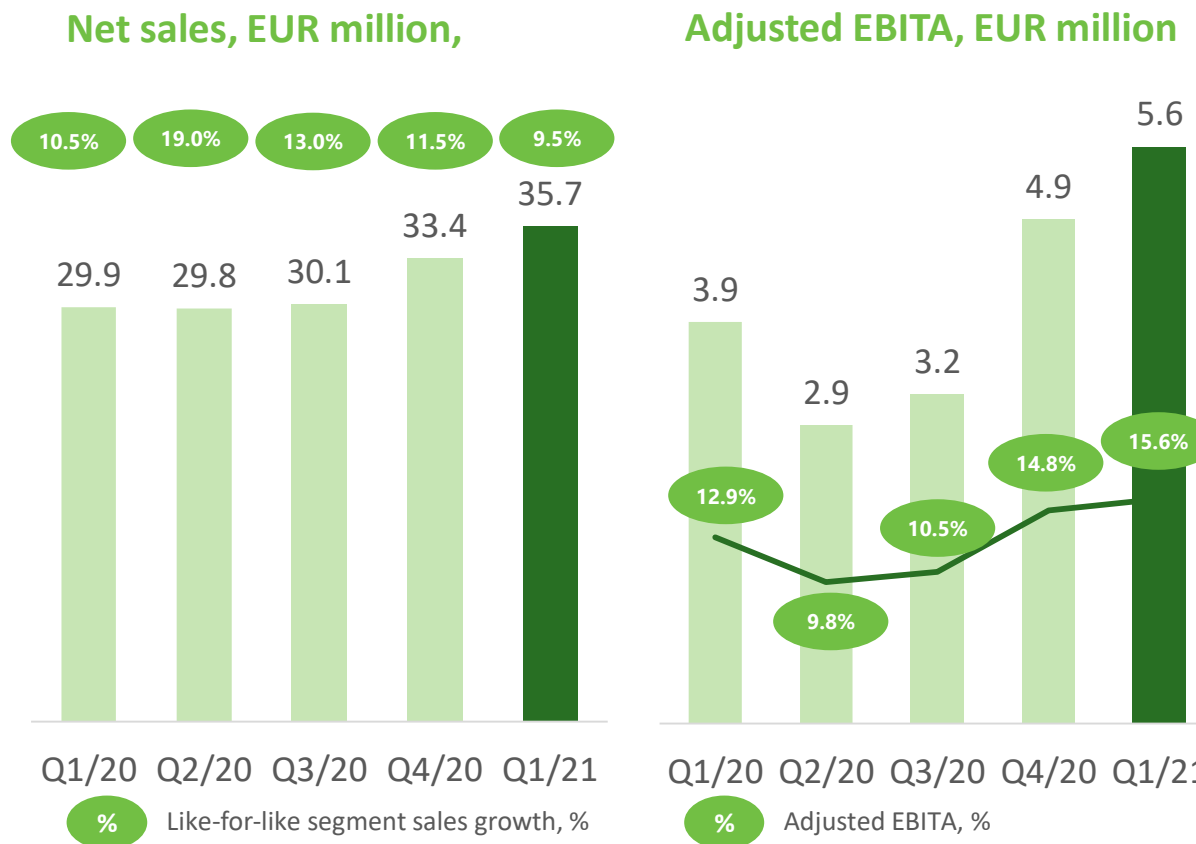
Finland: Strong net sales driven by like-for-like growth of 11.8% in Q1

- Net sales in Finland increased by 12.9% to EUR 39.1 million (34.6) driven by like-for-like growth of 11.8% and growth from the stores opened or acquired during the latest twelve months.
- Adjusted EBITA increased by 15.1% to EUR 10.0 million (8.7) as a result of operating leverage, more efficient marketing campaigns and supply chain management, offset by the increased share of online sales. Store efficiency continued to be on a high level.
- During Q1, three directly operated stores were opened and one store was closed. In addition, one franchise store was acquired.



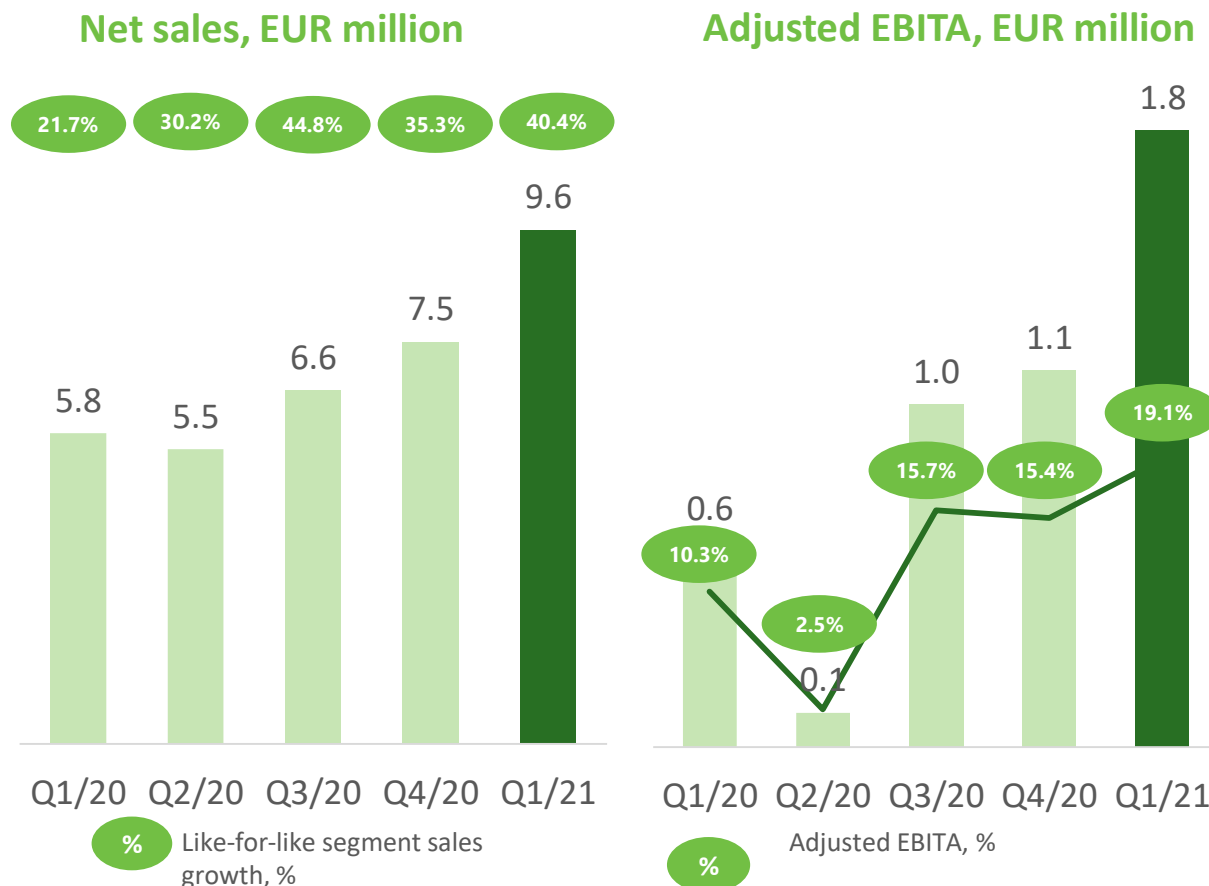
Sweden: Strong profitability with 15.6% adjusted EBITA margin in Q1

- Net sales increased by 19.3% to EUR 35.7 million (29.9) driven by like-for-like growth of 9.5% supported by the strengthening of the SEK rate in Q1.
- The sales growth was strong in both stores and online, driven by the increased number of customers. Online sales were lower due to lower campaign activities in connection with the warehouse consolidation project.
- Adjusted EBITA increased by 44.7% to EUR 5.6 million (3.9) as a result of operating leverage and more efficient marketing campaigns, partly offset by the increased share of online sales. Store efficiency continued to be on a high level.
- During Q1, two directly operated stores were opened. Three franchise stores were acquired and one franchise store was closed.



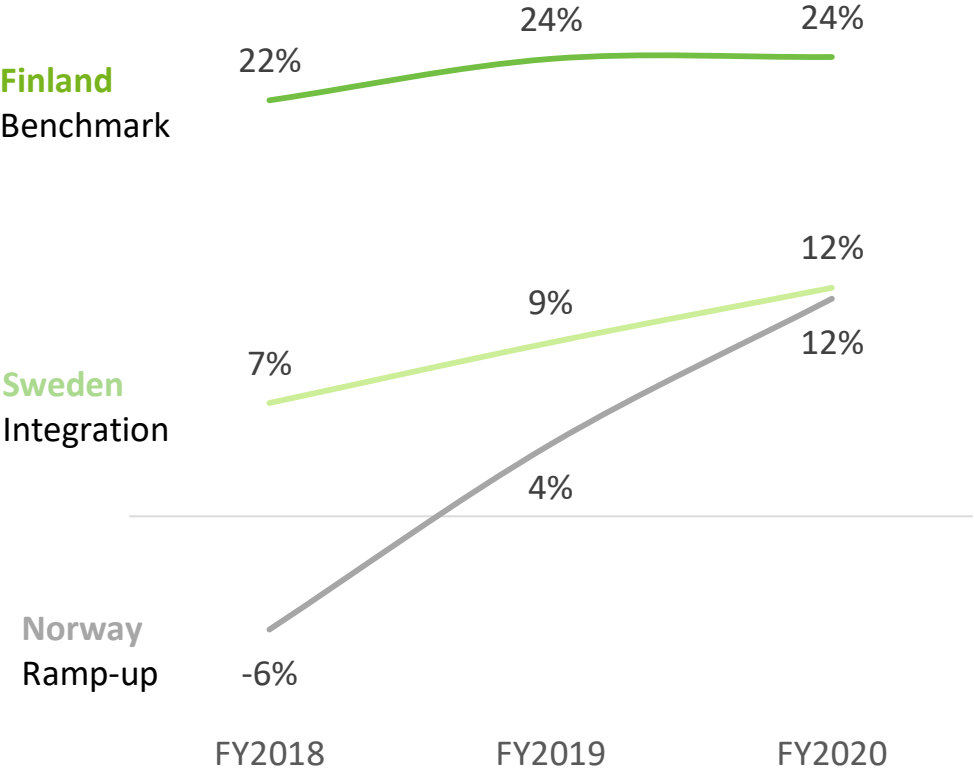
Norway: Strong growth in both sales and profitability in Q1

- Net sales in Norway increased by 64.2% to EUR 9.6 million (5.8), driven by strong like-for-like growth of 40.4% and ramp-up of the stores opened during the latest twelve months. Sales was slightly offset by the weakening the NOK rate in FY21.
- Adjusted EBITA amounted to EUR 1.8 million (0.6) driven by operating leverage and increased store efficiency.
- During Q1, four new stores were opened in Norway.

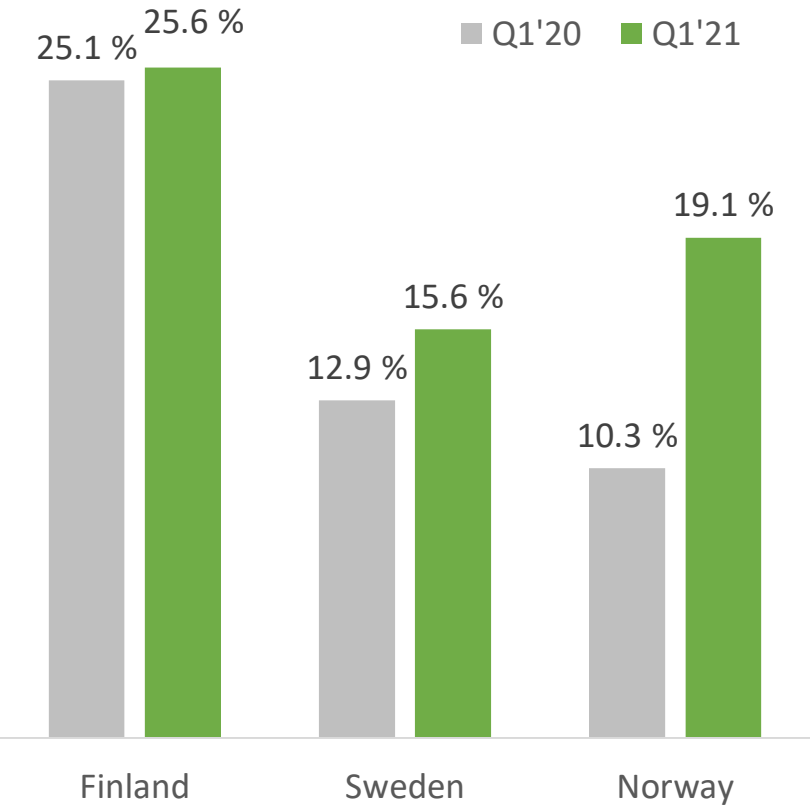


Sweden and Norway are approaching the profitability level of Finland

Country adj. EBITA margin, %



Convergence trend continued in Q1'21



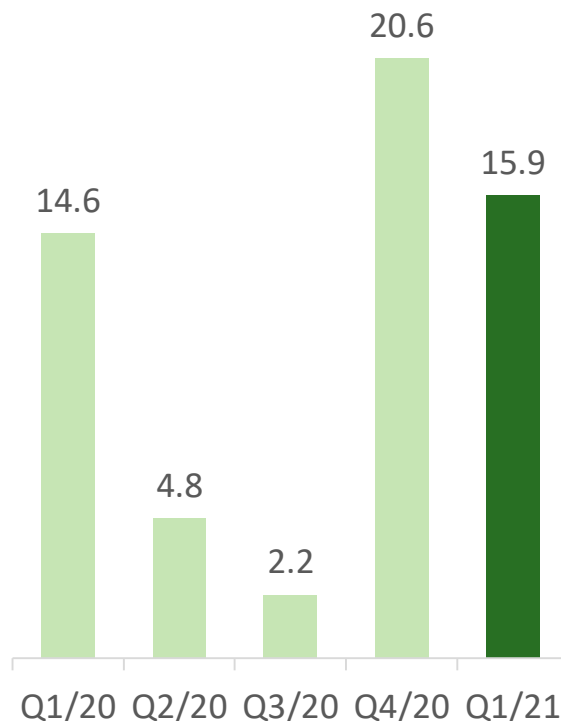


Financial position

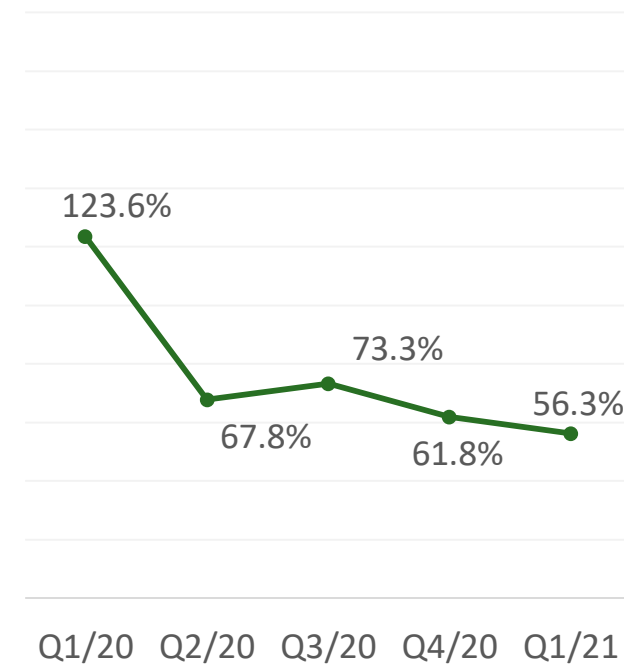
Net cash flow from operating activities totaled EUR 15.9 million in Q1

- Net cash flow from operating activities totaled EUR 15.9 million (14.6).
- Gearing at the end of the reporting period was 56.3% (30 September 2020: 61.8%).
- Net debt amounted to EUR 90.9 million (30 September 2020: EUR 94.7 million).
- Net debt in relation to LTM adjusted EBITDA was 1.8.
- Cash and cash equivalents at the end of the period amounted to EUR 27.5 million (30 September 2020: EUR 21.6 million).
- Investments in tangible and intangible assets amounted to EUR 3.1 million (2.5) in Q1.

Cash flow from operating activities, EUR million



Gearing, %



In connection with the IPO in February 2020, Musti Group 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 bullet repayment date of the facilities is in January 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 Pet Parenting trend, people are spending more on higher quality and more premium food, as well as a more diverse range of products and services. This underlying trend that drives the long-term structural growth of the pet care market remains robust, shifting spend towards higher quality nutrition, more diverse range of accessories and wider services adoption.

The COVID-19 pandemic has affected market dynamics since spring 2020 mainly through increased number of puppies and kittens as also evidenced historically in economic downturns, and increased demand in online channels.

The pet care market is resilient, underpinned by non-discretionary purchasing behaviour. Non-discretionary categories such as food, cat litter and veterinary services make up approximately 75 per cent of total market spend and are characterised by repeat purchasing behaviour that is consistent through the cycle. Consumers display willingness to sustain spending on non-discretionary pet care purchases while expenditure on alternative categories has been affected.

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 per cent 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 per cent of net profit. Any potential dividend shall take into account acquisitions, the company's financial position, cash flow and future growth opportunities.

The financial targets are forward-looking statements and are not guarantees of future financial performance.

Summary

- Net sales increased by 19.9% to EUR 84.3 million (70.3) as a result of a strong like-for-like growth of 13.1% (7.7%). Growth was mainly driven by increasing number of new customers and an increased number of directly operated stores.
- Store sales increased by 17.6% to EUR 62.4 million (53.1), driven by increased number of stores and strong like-for-like store sales growth especially in Finland and Norway. Like-for-like store sales growth amounted to 8.0% (7.2%).
- Online sales increased by 33.0% to EUR 18.2 million (13.7). Online sales accounted for 21.6% of total net sales. Sales has seen to shift from online to store sales. Omnichannel part of the online sales has been growing faster than the pure online sales.
- Profitability in Sweden and Norway converged towards Finland's level faster than expected. The central warehouse consolidation in Sweden was finalized and had a negative short-term impact on the profitability. The consolidation is, however, expected to increase efficiency in Sweden and Norway in the longer term.
- Focusing on profitable growth was demonstrated strongly again in the Q1 profitability development as the adjusted EBITA increased by 36.4% to EUR 10.6 million from the corresponding quarter previous year.
- Gross margin was strong and increased to 46.1% (45.4%) as a result of more efficient marketing campaigns, favorable product mix and efficient supply chain management.



More information

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Half-Year Financial Report
October 2020-March 2021
will be published on
4 May 2021



Thank you!



Appendix

Musti Group – the leading Nordic pet care specialist



Leading Nordic pet care specialist
#1 in Nordics,
24% market share¹



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



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



Stable business model
Pet food represents 52% of product sales in own channels in FY20
– food is non-discretionary and sticky in nature, with recurring purchasing habits



Omnichannel business model²
300 stores, 21.6% of net sales generated through online channel in Q1/21



High quality O&E assortment
Strong O&E brand portfolio,
50% of product sales in own channels in FY20

Source: Company information, a study ordered by the company from an international consulting company. Note: Financial Year Ended 30 September. ¹2019 market share for Nordic pet food and products market; Musti's market share is based on FY20 consumer sales (including sales from franchisees). ²Omnichannel represents physical stores and online.

Strategic focus on Pet Parents across the Nordic countries

We know pets. Pets know us.

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

	Finland	Sweden	Norway
	<p>Stable development as the most mature country</p> <p>131 stores</p> <p> Musti, Mirri</p> <p> Musti, Mirri</p> <p> PetenKoiratarvike.com</p>	<p>Further expansion and convergence in efficiency towards Finnish levels</p> <p>126 stores</p> <p> ARKEN ZOO</p> <p> ARKEN ZOO</p> <p> VetZoo</p>	<p>Store rollout with strong ramp up and increasing country profitability</p> <p>43 stores</p> <p> Musti</p> <p> Musti.NO</p> <p> VetZoo</p>

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

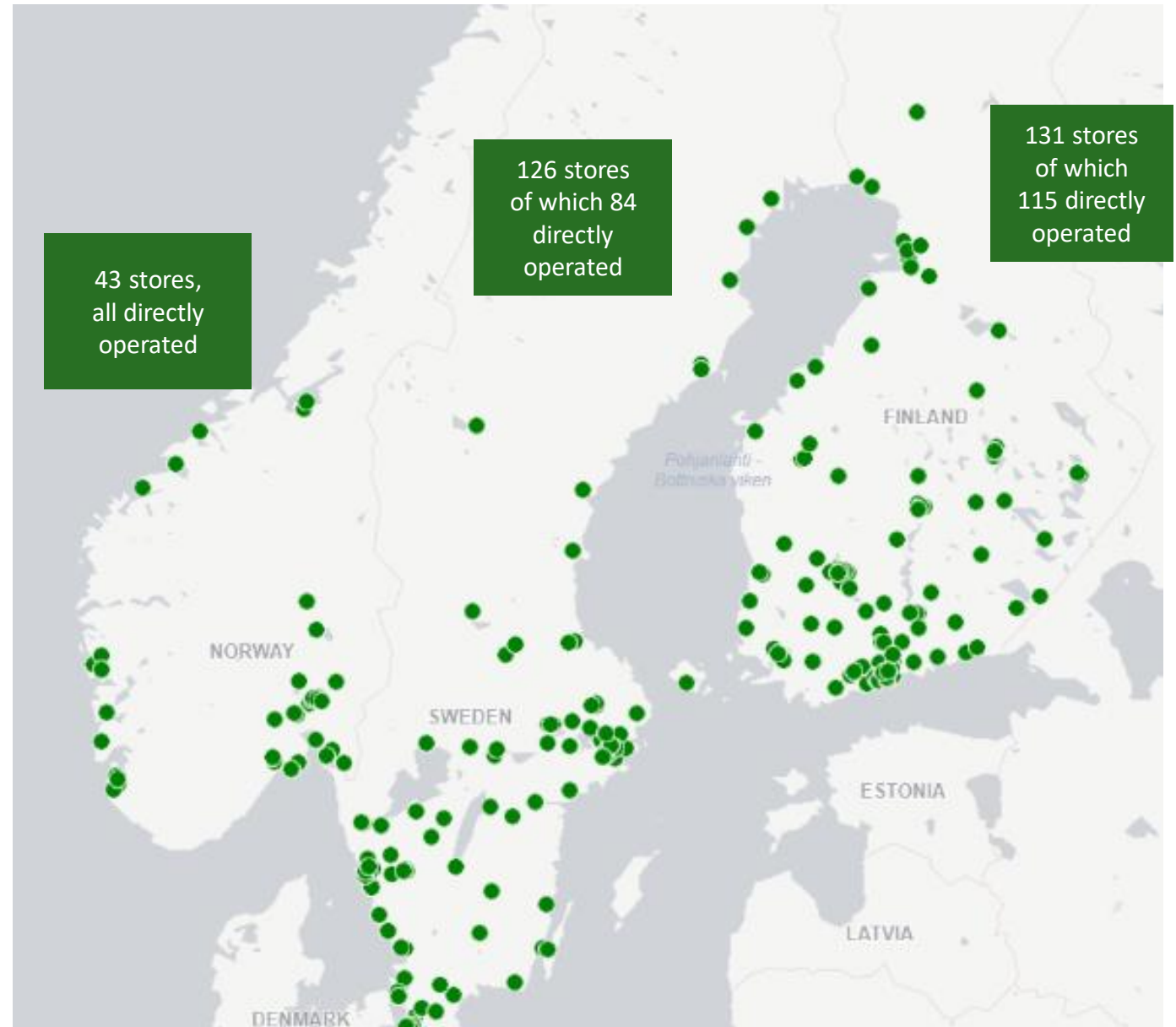


Growing suite of services

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

Musti Group has 1.2 million loyal customers

- Number of loyal customers grew to 1,189 thousand by December 2020 (1,052 thousand in December 2019).
- At 31 December 2020 Musti had 300 stores, of which 242 were directly operated.
- In October – December 2020, share of online sales was 21.6%.



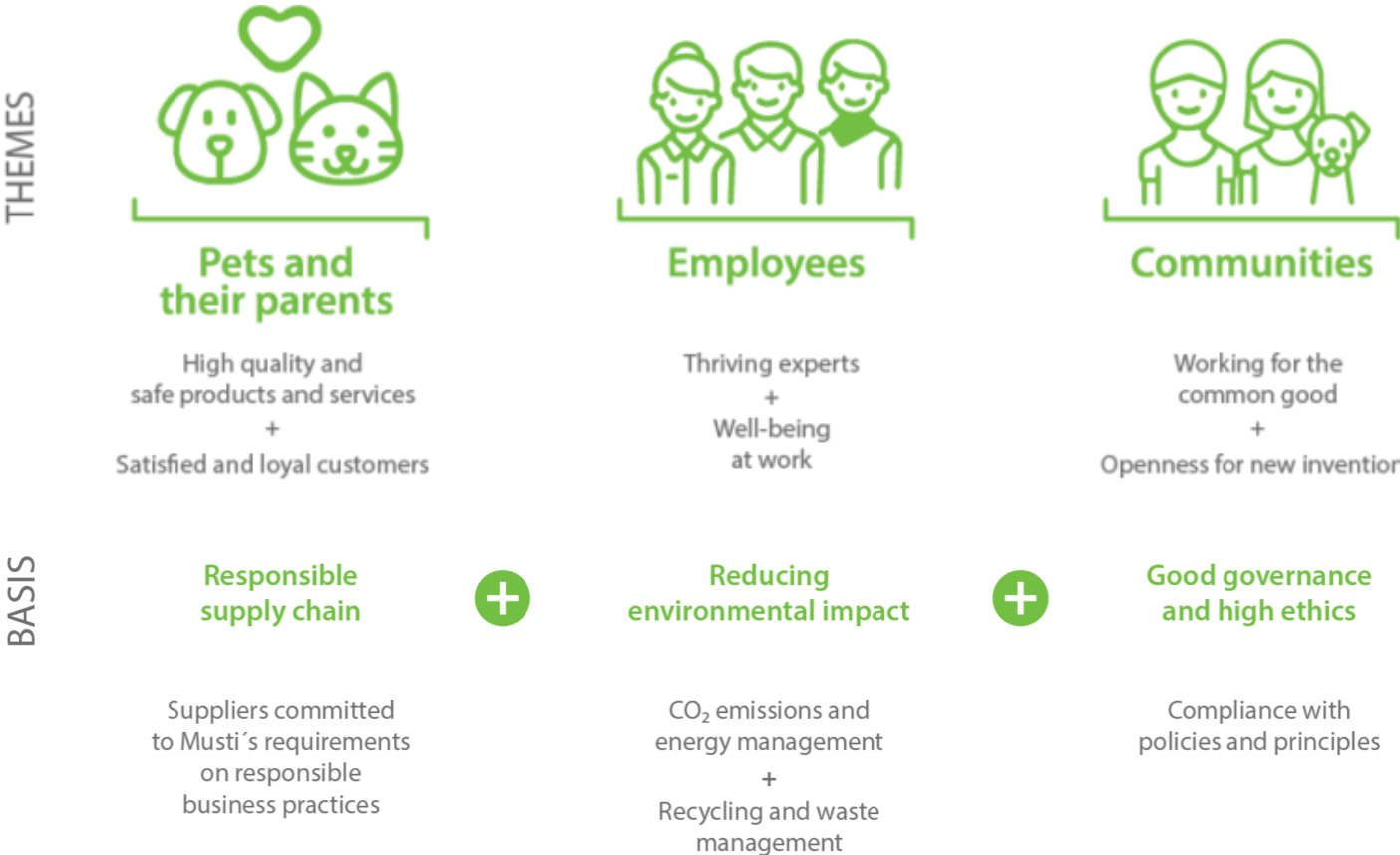
Responsibility at Musti Group



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.



Key figures

EUR millions or as indicated	Q1 10-12/20	Q1 10-12/19	Change%	FY2020
Net sales	84.3	70.3	19.9 %	284.4
LFL sales growth, %	13.1%	7.7%		11.5%
LFL store sales growth, %	8.0%	7.2%		7.3%
Online share, %	21.6%	19.5%		22.5%
Adjusted EBITA	10.6	7.8	36.4%	29.8
Adjusted EBITA margin, %	12.6%	11.1%		10.5%
Operating profit	8.4	5.4	56.3%	19.6
Operating profit margin, %	10.0%	7.7%		6.9%
Earnings per share, basic, EUR	0.24	0.13	82.6%	0.37
Net cash flow from operating activities	15.9	14.6	8.8%	41.9
Investments in tangible and intangible assets	3.1	2.5	27.3%	8.9
Net debt / LTM adjusted EBITDA	1.8	3.1	-44.1%	2.0
Number of loyal customers, thousands	1,189	1,052	13.0%	1,151
Number of stores at the end of the period	300	281	6.8%	293

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

