



## Interim Report Q3

**1 October 2020–30 June 2021**

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10 August 2021

CEO David Rönnerberg

CFO Robert Berglund



# Agenda

- Group development
- Segments
- Financials and market outlook





**Continuing strong growth**

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# Highlights Q3/2021

- Group net sales totaled EUR 82.7 million (68.8 million), an increase of 20.2%.
- Like-for-like sales growth was 11.6%.
- Adjusted EBITA was EUR 7.3 (6.4) million, up by 13.3%.
- Adjusted EBITA margin was 8.8% (9.3%).
- Operating profit increased by 25.6% to EUR 5.3 (4.2) million, representing 6.4% (6.1%) of net sales.
- Net cash flow from operating activities was strong at EUR 10.1 million (2.2).
- Number of loyal customers grew to 1,257 thousand (1,107 thousand).
- Number of stores grew to 308 (290).

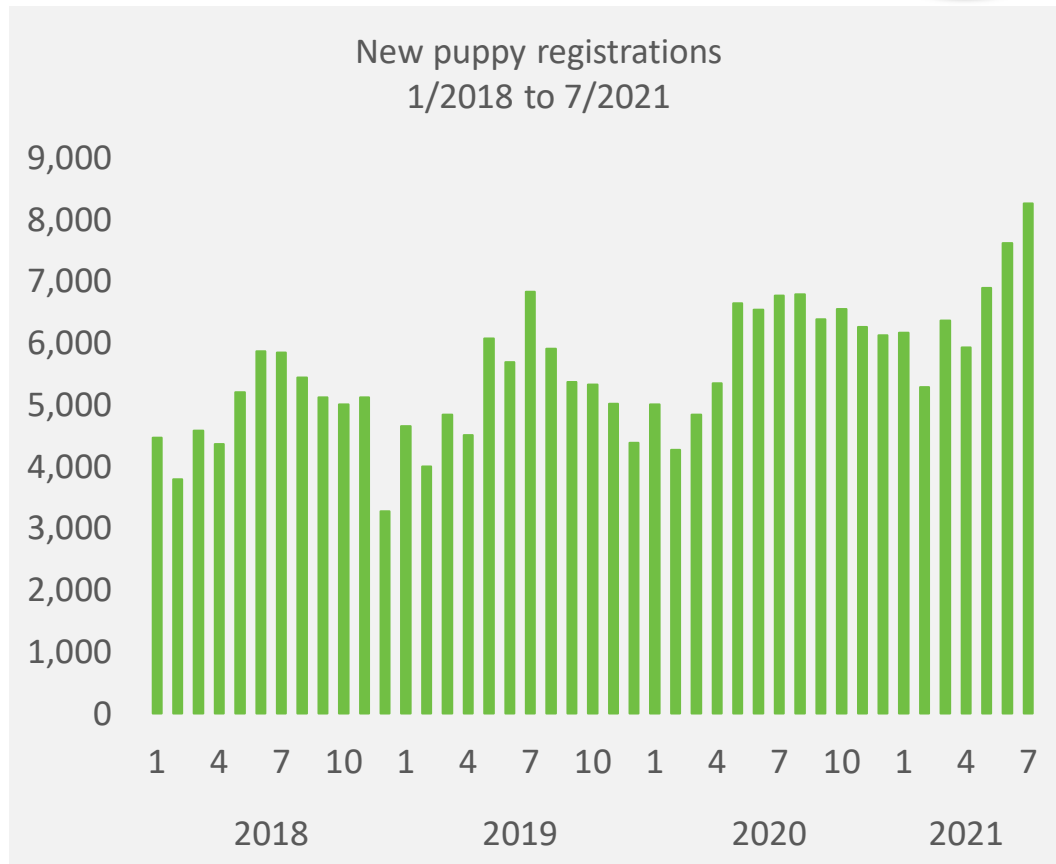


# Puppy registrations continue increasing, reaching record high levels

## Market evidence, Sweden

Q3 growth

+10%

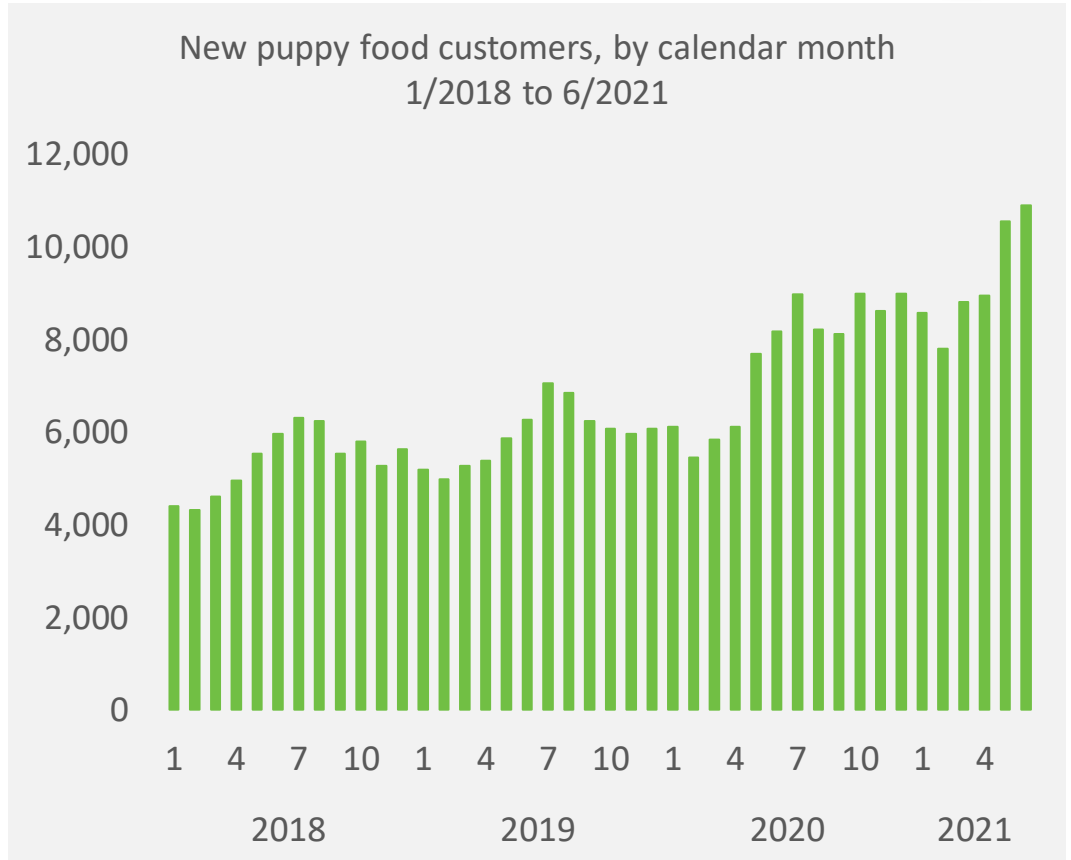


Source: Jordbruksverket

## Musti Group trend

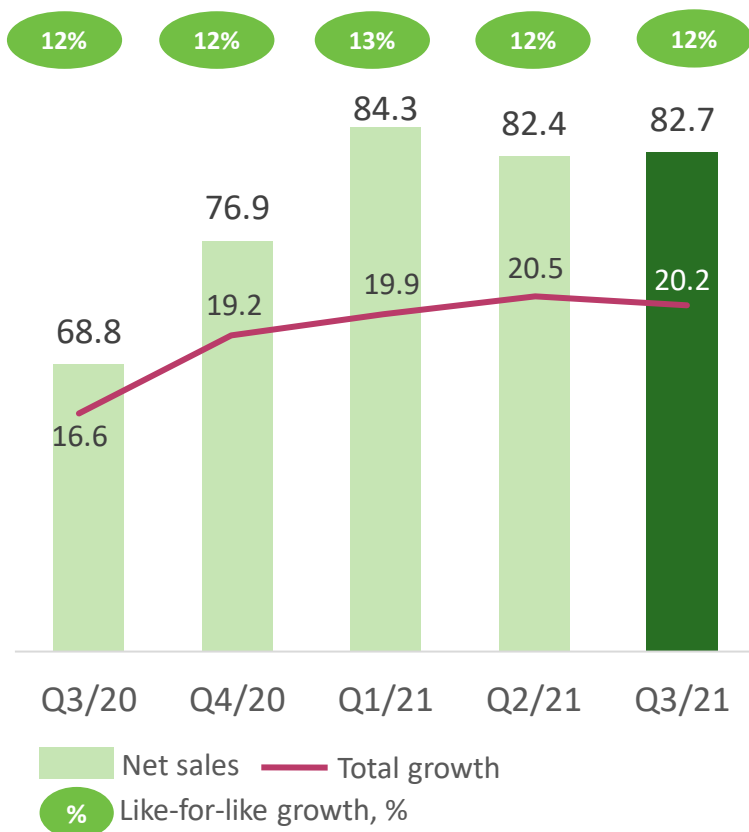
Q3 growth

+38%

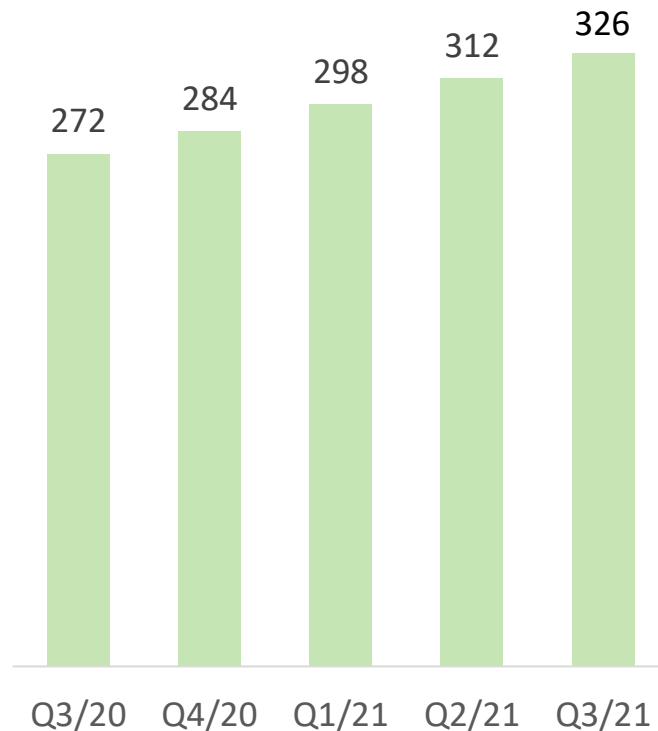


# Q3: Growth continued strong, net sales increased by 20.2%

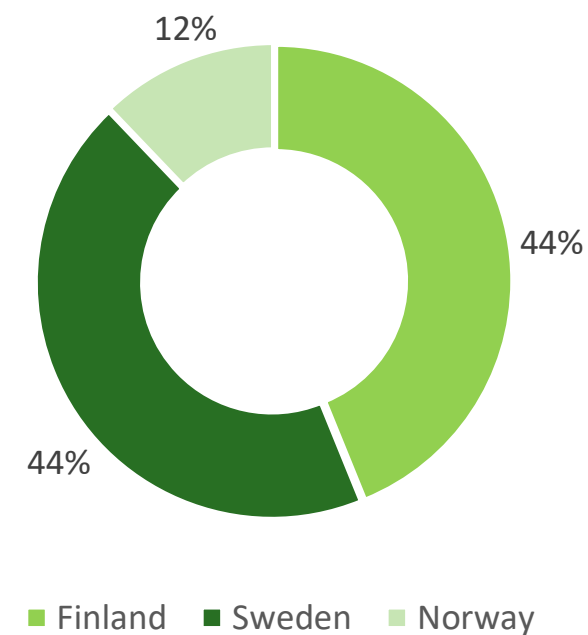
Net sales, EUR million



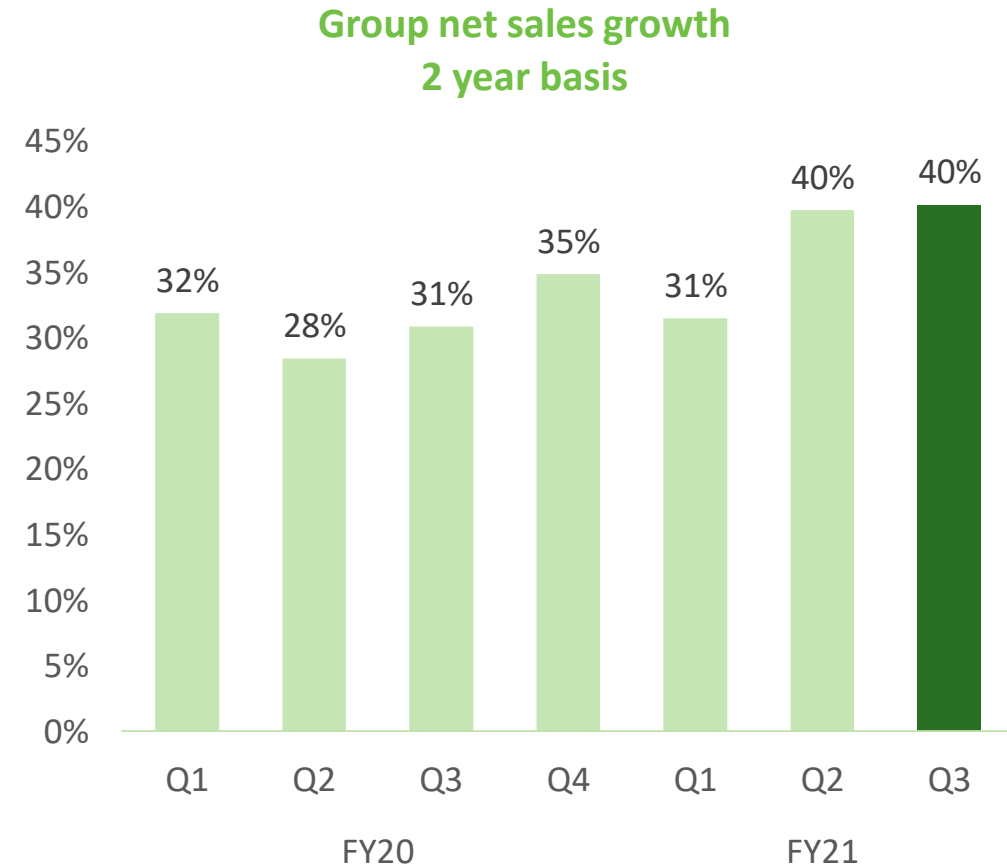
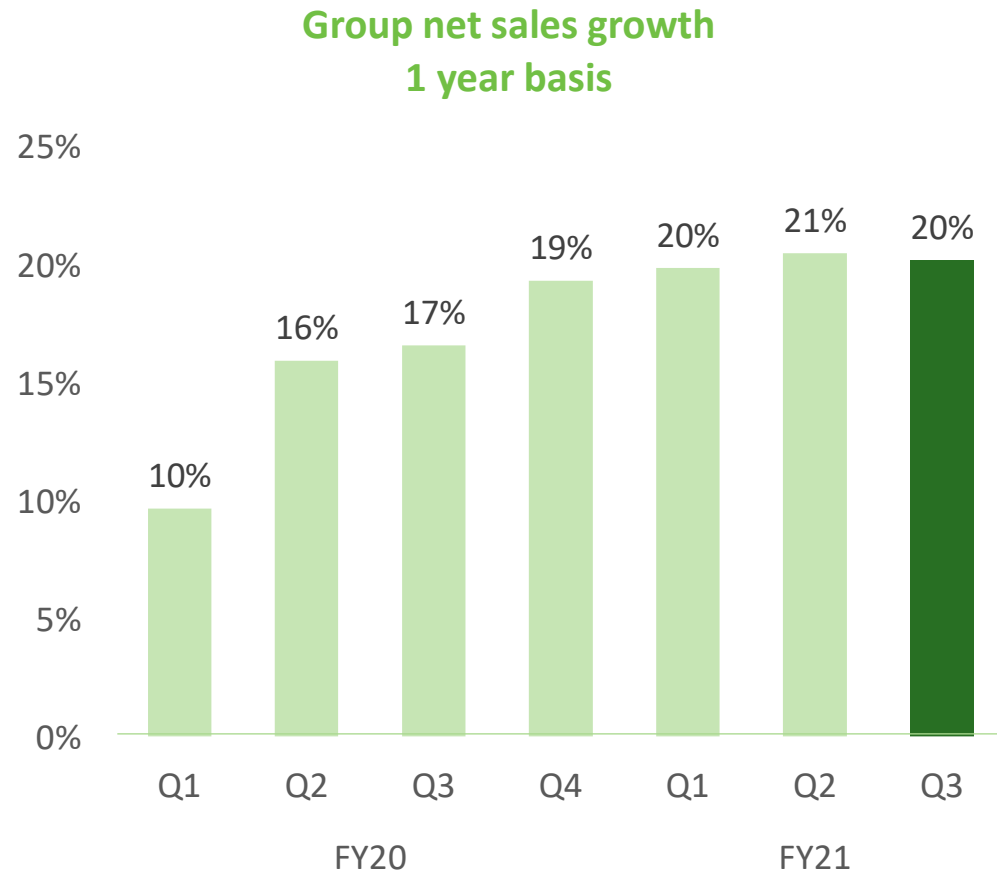
Net sales: rolling 12 months



Net sales by segment in Q3/2020



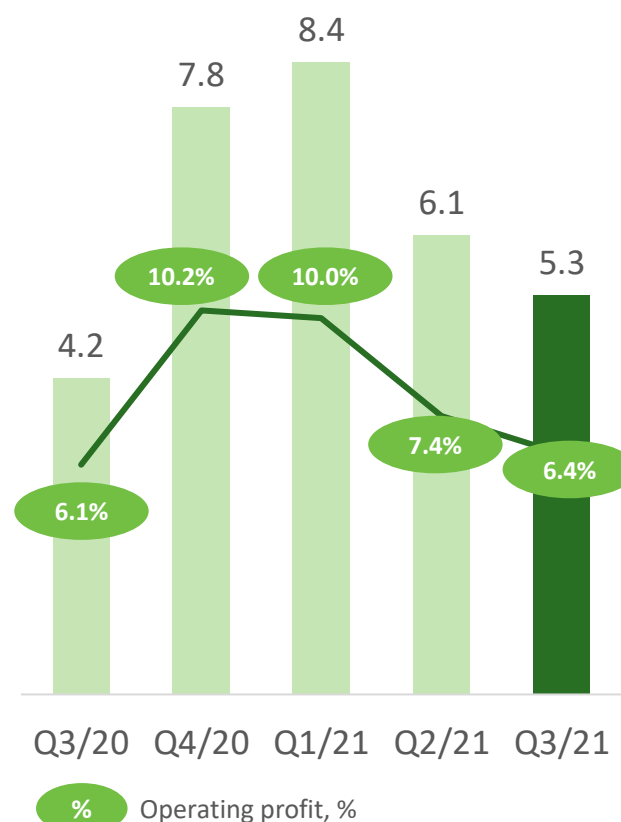
# Growth trend is 20%, equivalent to 40% on a 2 year basis



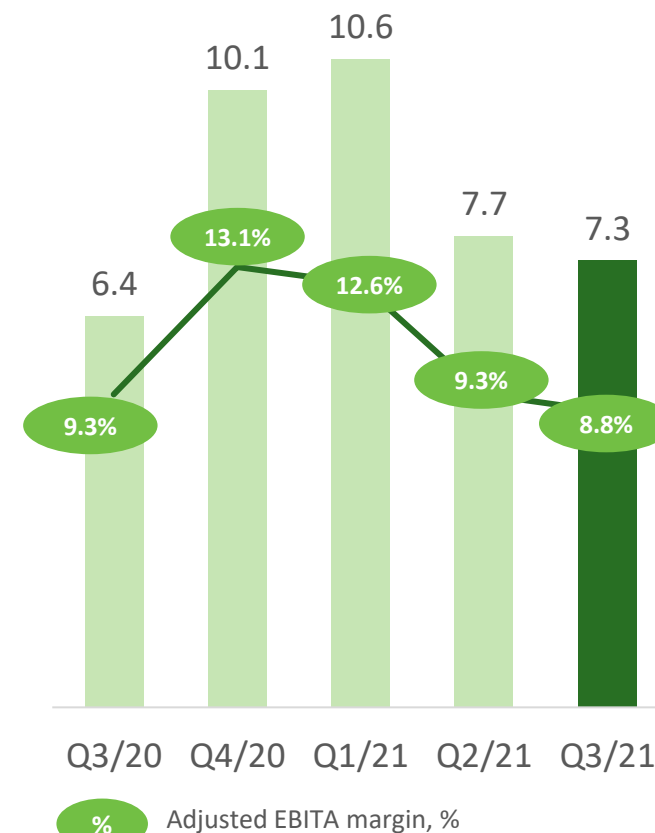
## Q3: Adjusted EBITA increased by 13.3% to EUR 7.3 million

- Adjusted EBITA was EUR 7.3 (6.4) million, up by 13.3%, including EUR 0.3 million short-term negative impact relating to warehouse consolidation. The efficiency has improved as planned and is expected to normalize by the end of Q4 FY21.
- Comparison period's cost structure was atypical for a Q3 due to COVID-19 pandemic, quarterly adjusted EBITA margin development in Q3 2021 was in line with periods prior to the pandemic. In addition, strong focus on growth impacted the profitability in a short-term.
- Gross margin increased to 45.4% (42.6%) as a result of more efficient marketing campaigns, favorable product mix and efficient supply chain management.
- Adjustments to EBITA were EUR 0.3 million (EUR 0.7 million) and were related to the reorganization of customer services and other non-recurring projects.
- Operating profit increased by 25.6% to EUR 5.3 million (EUR 4.2 million).

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



Adjusted EBITA, EUR million



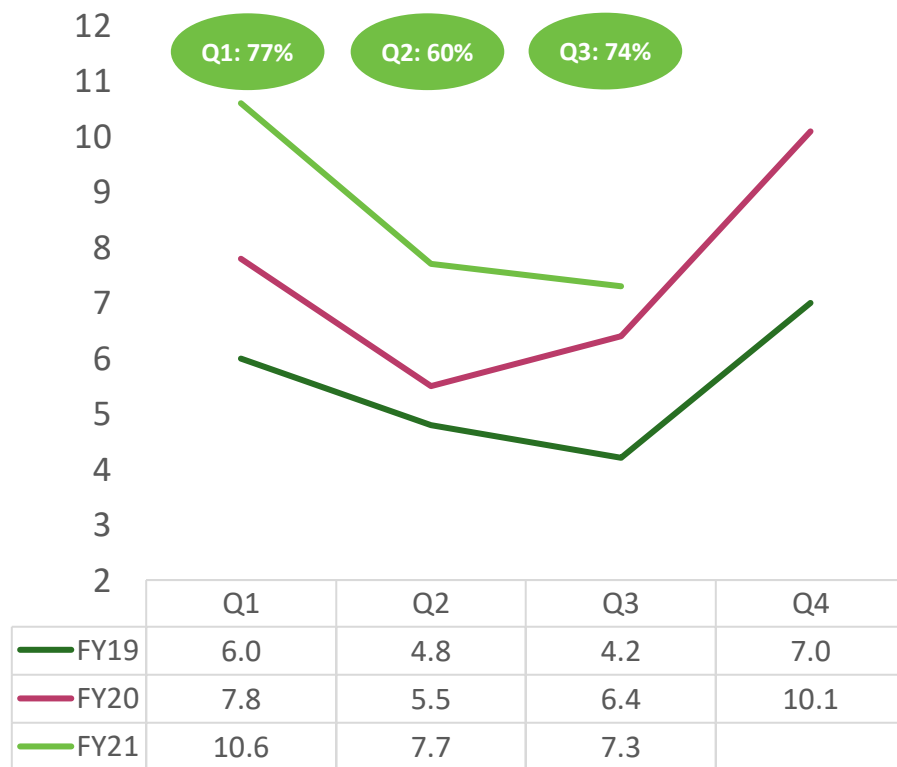
<sup>1</sup> Operating profit = Profit before financial income and expenses, net, and income tax expense.



# Q3 EBITA margin development was in line with pre-pandemic periods

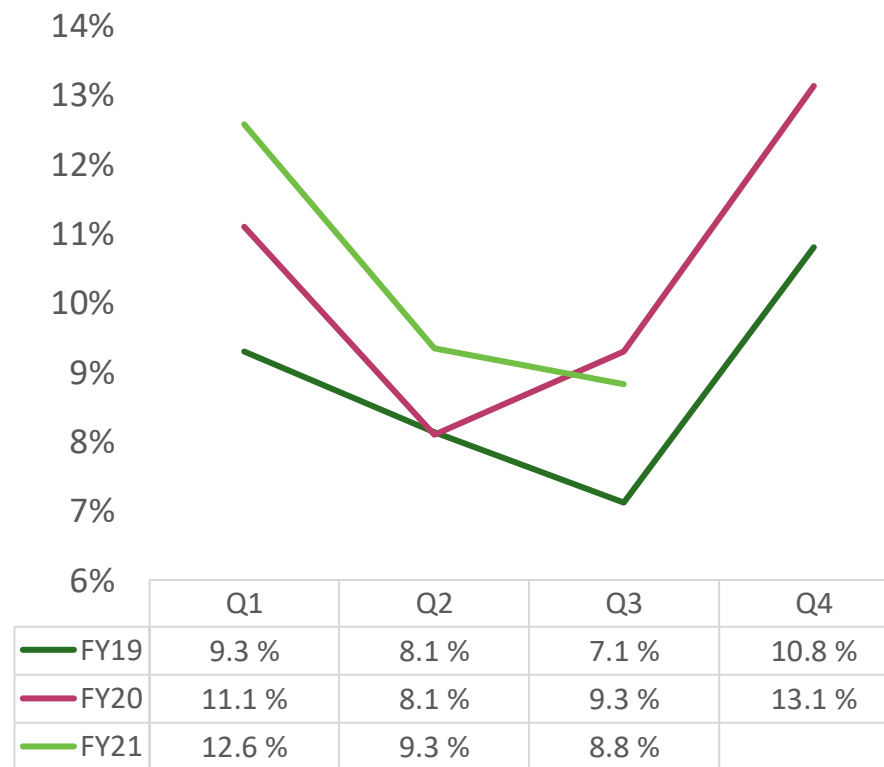
Comparison period Q3 FY2020 was positively impacted by COVID-19 related exceptional cost savings

Adjusted EBITA, EUR million



— FY19 — FY20 — FY21    %    Adj. EBITA growth  
FY21 vs. FY19

Adjusted EBITA margin, %



— FY19 — FY20 — FY21

Adjusted EBITA margin, %  
YTD 9 months

2019: 8.2%

2020: 9.5%

2021: 10.3%

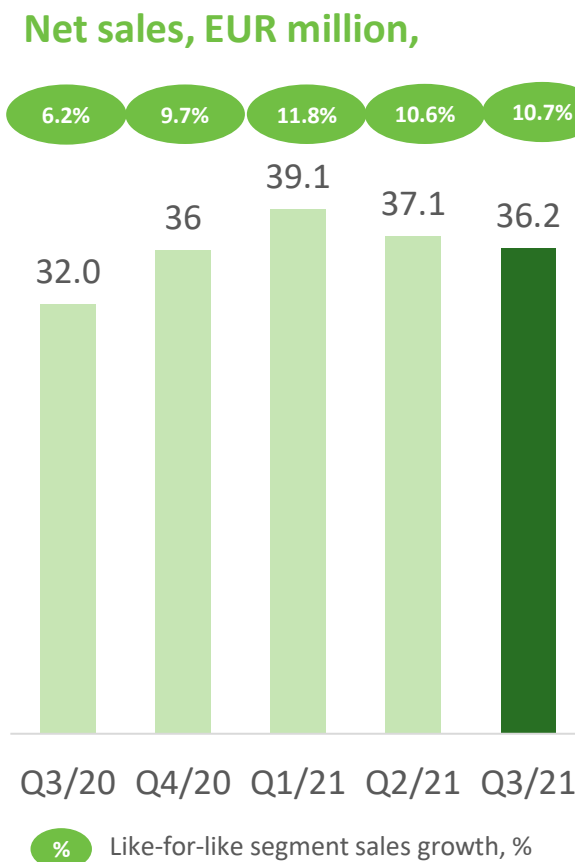


## Segments

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# Finland: Net sales increased by 13.2% to EUR 36.2 million

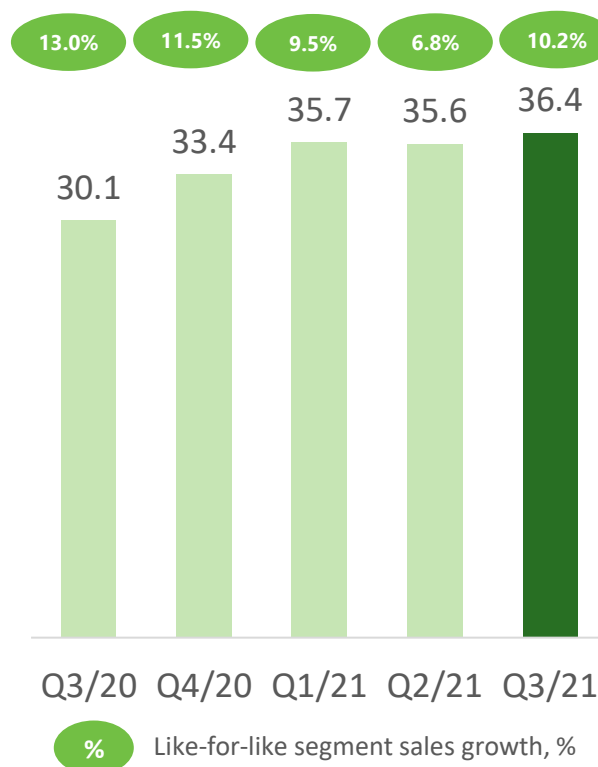
- Net sales in Finland increased by 13.2% to EUR 36.2 million (EUR 32.0 million) driven by like-for-like growth of 10.7% and growth from the stores opened or acquired during the latest twelve months.
- Adjusted EBITA increased by 7.6% to EUR 7.9 million (EUR 7.3 million). Store efficiency continued to be on a good level. However, comparison period was positively impacted by cost savings in relation to the COVID-19 pandemic. Hence, adjusted EBITA in Q3 2021 was more in line with periods prior to the COVID-19 pandemic.
- During Q3, two directly operated stores were opened in Finland.



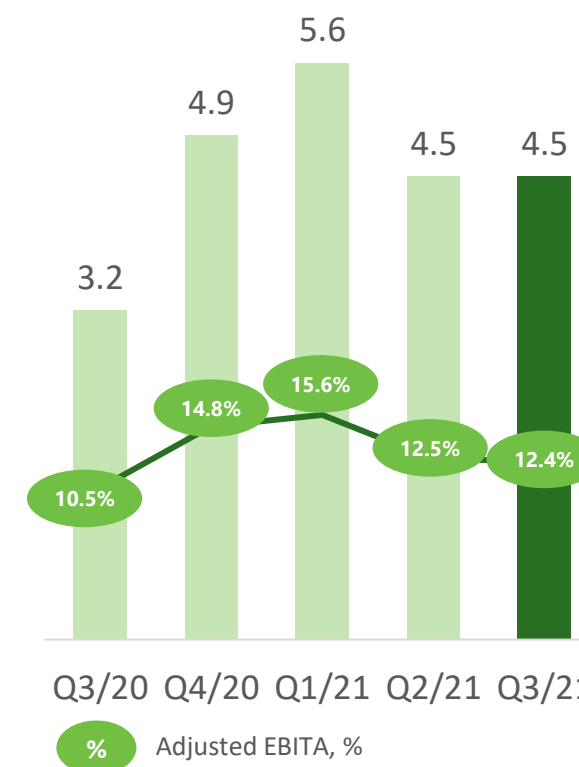
# Sweden: Strong growth in sales and profitability

- Net sales increased by 20.7% to EUR 36.4 million (30.1) driven by like-for-like growth of 10.2% and strengthening of the SEK rate in Q3.
- Adjusted EBITA increased by 42.2% to EUR 4.5 million (EUR 3.2 million). This was due to operating leverage and more efficient marketing campaigns, partly offset by the increased share of online sales. Store efficiency continued to be on a good level.
- During Q3, two directly operated stores were opened and three franchise stores were acquired in Sweden.

Net sales, EUR million,



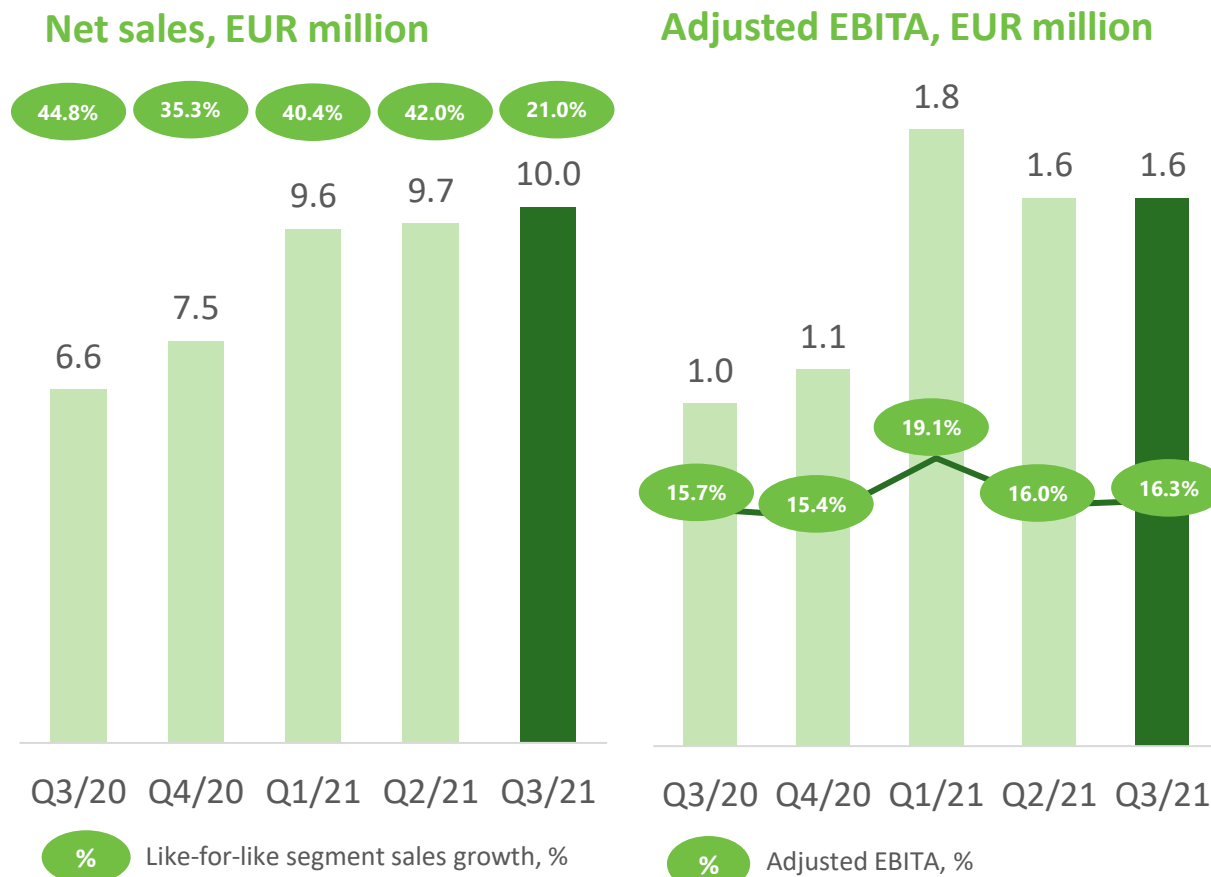
Adjusted EBITA, EUR million





# Norway: Net sales increased by 51.9% to EUR 10.0 million

- Net sales in Norway increased by 51.9% to EUR 10.0 million (EUR 6.6 million), driven by strong like-for-like growth of 21.0% and ramp-up of the stores opened during the latest twelve months. The strengthened NOK exchange rate in Q3 FY21 compared to Q3 FY20 had a EUR 0.2 million positive impact on net sales.
- Adjusted EBITA increased to EUR 1.6 million (EUR 1.0 million) driven by operating leverage and increased store efficiency, as more stores are reaching the mature phase or the end of the ramp-up curve. Store efficiency continued to be on a high level.
- During Q3, three directly operated stores were opened in Norway.





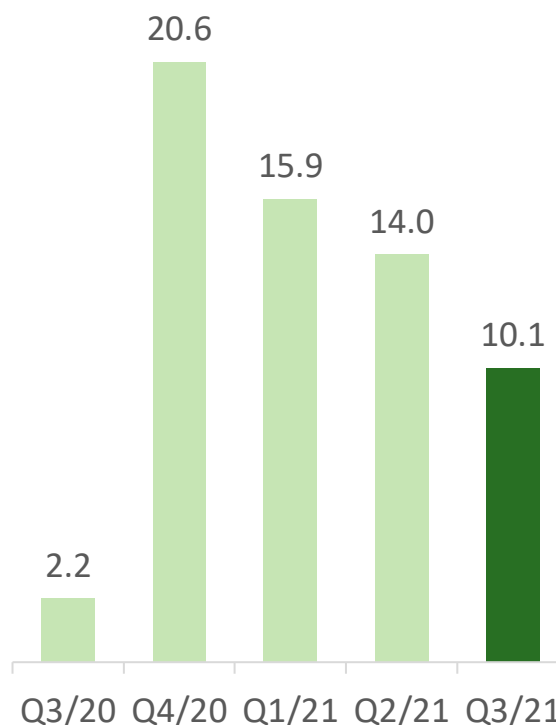
## Financial position

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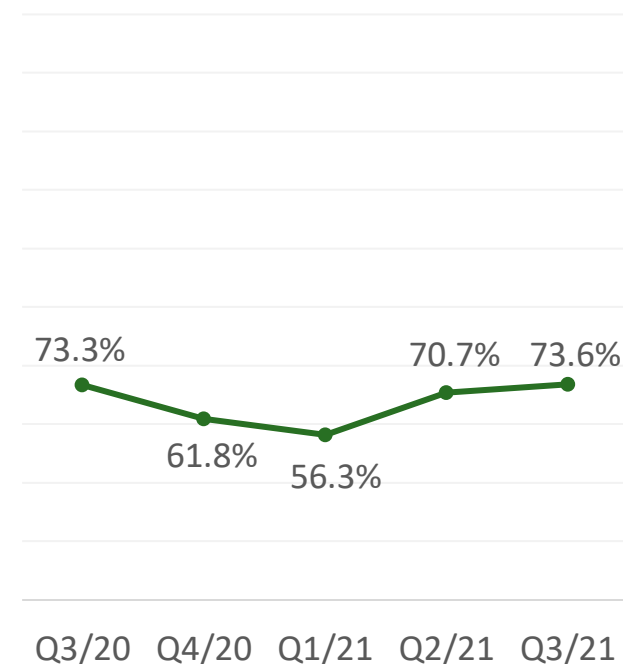
# Net cash flow from operating activities totaled EUR 10.1 million in Q3

- Net cash flow from operating activities totaled EUR 10.1 million (EUR 2.2 million).
- Gearing at the end of the reporting period was 73.6% (30 September 2020: 61.8)
- Net debt amounted to EUR 112.8 million (30 September 2020: EUR 94.7 million).
- Net debt in relation to LTM adjusted EBITDA was 2.0.
- Cash and cash equivalents at the end of the period amounted to EUR 13.5 million (30 September 2020: EUR 21.6 million).
- In Q3, investments in tangible and intangible assets amounted to EUR 3.5 million (EUR 2.2 million).

Cash flow from operating activities, EUR million



Gearing, %



# Group long-term financial targets

Musti Group is well on track to reach the updated net sales and margin targets set in May 2021.

<b>Growth</b>	<b>Net sales to reach at least EUR 500 million by the financial year 2024 by continuation of strong customer acquisition momentum and increasing share of wallet.</b>
<b>Profitability</b>	Mid- to long-term <b>adjusted EBITA margin of at least 13 per cent with steadily improving profile.</b> Margin increase is expected to be realised through steady gross margin and improving operating leverage.
<b>Capital structure</b>	<b>Maintain net debt in relation to adjusted EBITDA below 2.5x</b> in the long term.
<b>Dividend policy</b>	<b>To pay a dividend corresponding to 60-80 per cent of net profit.</b> 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 20.2% to EUR 82.7 million largely due to like-for-like growth in all countries and the increasing number of new customers, together with an increased number of directly operated stores.
- Store sales increased by 23.8% to EUR 59.9 million, driven by an increased number of stores and strong like-for-like store sales growth in all countries.
- Online sales increased by 15.8% to EUR 19.9 million. Online sales accounted for 24.1% of the total net sales.
- Group adjusted EBITA increased by 13.3% to EUR 7.3 million supported by the sales growth. The comparison period's cost structure was positively impacted by the COVID-19 pandemic. This year, quarterly adjusted EBITA development was in line with periods prior to the COVID-19 pandemic.
- Adjusted EBITA was still burdened by EUR 0.3 million by the low efficiency in Eskilstuna driven by the central warehouse consolidation project that was executed in Q1 2021. However, the efficiency has improved as planned and is expected to normalize by the end of Q4.
- Adjusted EBITA margin increased to 12.4% in Sweden and 16.3% in Norway. In Finland, adjusted EBITA margin decreased slightly from the comparison period to 21.8%. However, especially in Finland, the comparison period was positively impacted by cost savings in relation to the COVID-19 pandemic, mainly caused by lower working hours.
- Gross margin was strong and increased to 45.4% (42.6%) as a result of lower share of online sales, more efficient marketing campaigns, favorable product mix and efficient supply chain management
- Musti Group is well on track to reach the updated net sales and margin targets set in May 2021.



## More information

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Financial Statements Release  
October 2020-September 2021  
will be published on  
16 November 2021



# Thank you!





## Appendix

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# Musti Group – the leading Nordic pet care specialist



**Leading Nordic pet care specialist**  
**#1** in Nordics,  
**24%** market share<sup>1</sup>



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



**Wide loyalty program**  
**1.3 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 model<sup>2</sup>**  
**308 stores, 24.1% of net sales** generated through online channel in Q3/21



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



# 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>133 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>127 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>48 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

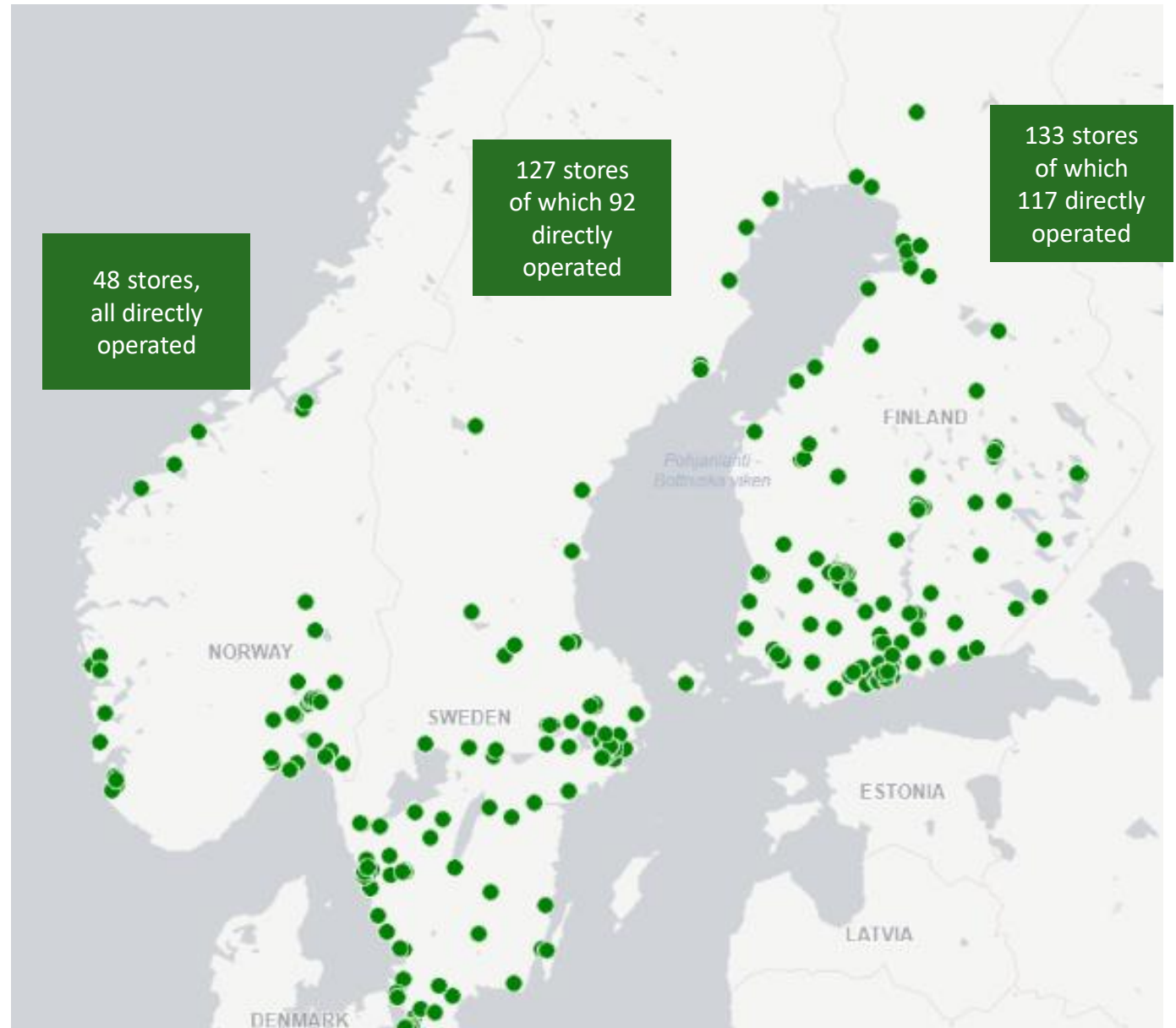


## Growing suite of services

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

# Musti Group has 1.3 million loyal customers

- Number of loyal customers grew to 1,257 thousand by 30 June 2021 (1,151 thousand on 30 September 2020).
- On 30 June 2021 Musti had 308 stores, of which 257 were directly operated.
- In October 2020 – June 2020, share of online sales was 23.4%.



# Key figures

EUR millions or as indicated	Q3 4-6/21	Q3 4-6/20	Change%	FY2020
Net sales	82.7	68.8	20.2	284.4
LFL sales growth, %	11.6%	11.5%		11.5%
LFL store sales growth, %	10.7%	4.3%		7.3%
Online share, %	24.1%	25.0%		22.5%
Adjusted EBITA	7.3	6.4	13.3	29.8
Adjusted EBITA margin, %	8.8%	9.3%		10.5%
Operating profit	5.3	4.2	25.6	19.6
Operating profit margin, %	6.4%	6.1%		6.9%
Earnings per share, basic, EUR	0.12	0.14	-14.4	0.37
Net cash flow from operating activities	10.1	2.2	366.2	41.9
Investments in tangible and intangible assets	3.5	2.2	60.7	8.9
Net debt / LTM adjusted EBITDA	2.0	2.4	-18.6	2.0
Number of loyal customers, thousands	1,257	1,107	13.5	1,151
Number of stores at the end of the period	308	290	6.0	293



# Responsibility at Musti Group

## 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.



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

