



## Interim Report

**1 October 2021–31 December 2021**

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8 February 2022

CEO David Rönnerberg

CFO Toni Rannikko





**New records on sales and EBITDA**

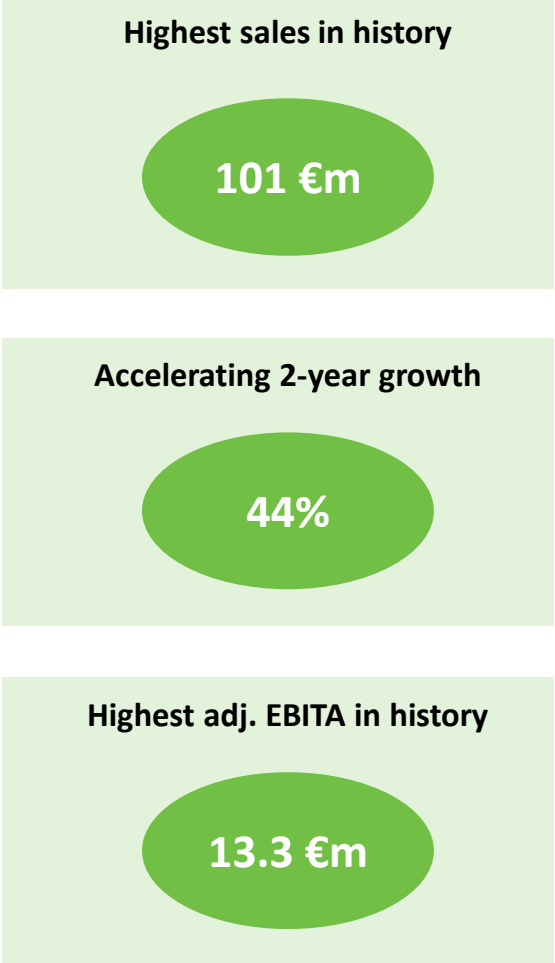
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# Continued growth with increasing margins in Q1/2022

## Musti growth journey continues



## Q1 was best in Musti history





# Highlights Q1/2022

- Group net sales totaled EUR 101.3 million (84.3 million), an increase of 20.2%.
- Like-for-like sales growth was 9.2%.
- Adjusted EBITDA increased to EUR 19.8 (15.7) million, up by 26.5%.
- Adjusted EBITDA margin was 19.6% (18.6%).
- Adjusted EBITA was EUR 13.3 (10.6) million, up by 25.4%.
- Adjusted EBITA margin was 13.1% (12.6%).
- Operating profit increased by 21.2% to EUR 10.2 (8.4) million, representing 10.1% (10.0%) of net sales.
- Net cash flow from operating activities totaled EUR 13.2 million (EUR 15.9 million).
- Number of stores grew to 320 (300), of which number of directly operated stores grew to 294 (242).



# Musti puppy wins on a positive growth trend, supported by share gain

## Market evidence, Sweden

Q1, 1-year growth **-10%**

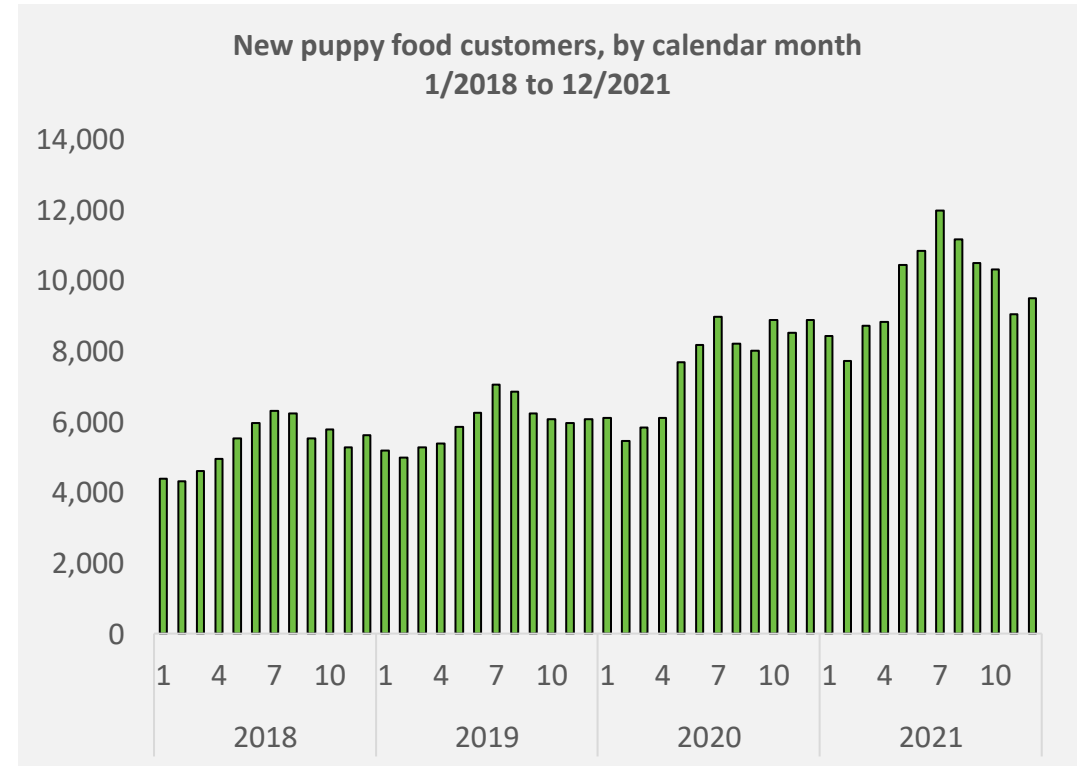
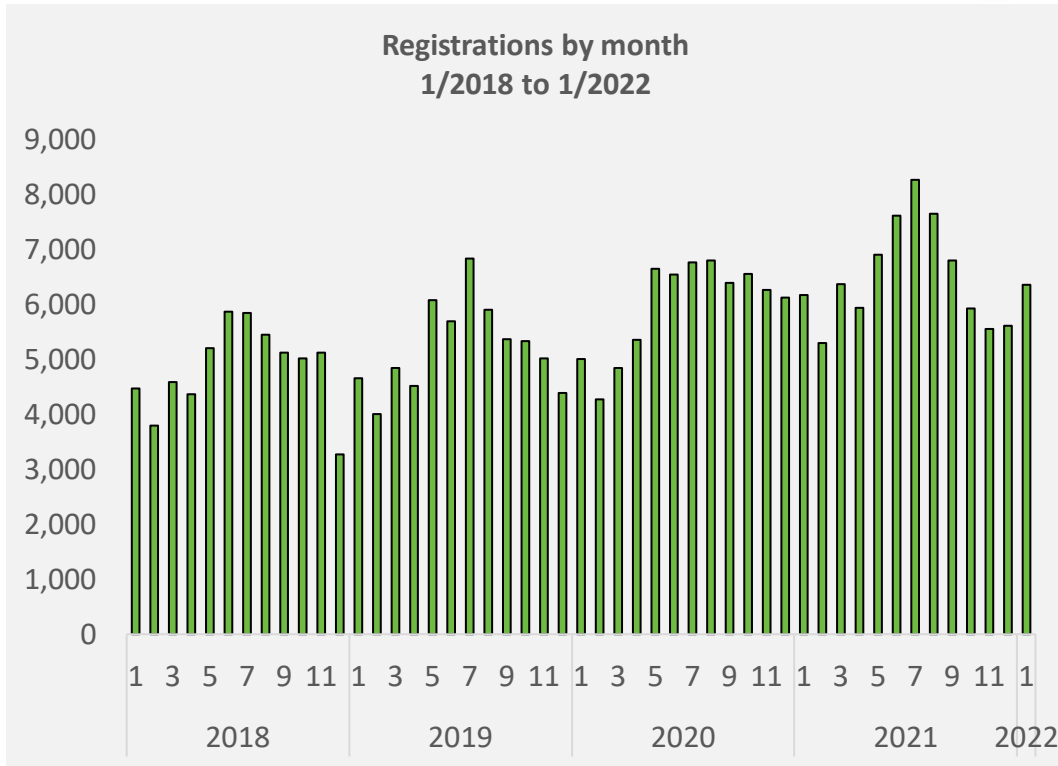
Q1, 2-year growth **+16%**

Jan 2022, 1-year **+3%**

## Musti Group trend

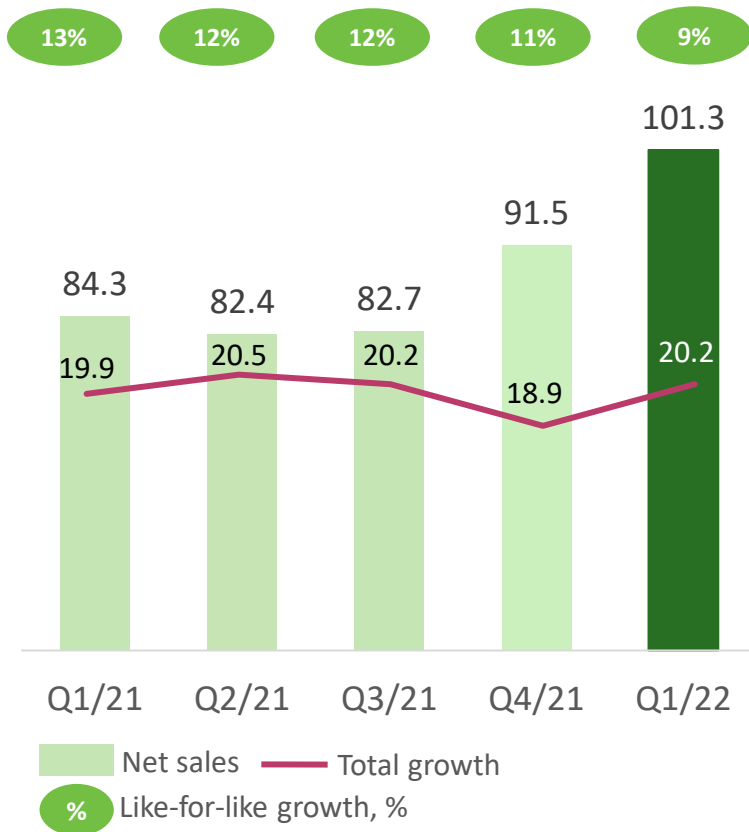
Q1, 1-year growth **+10%**

Q1, 2-year growth **+60%**

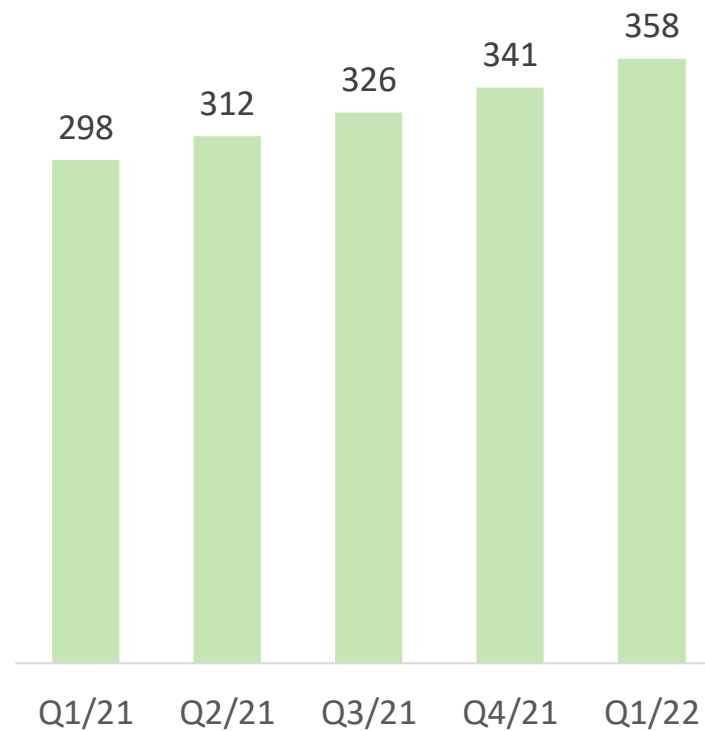


# Strong growth continued in Q1

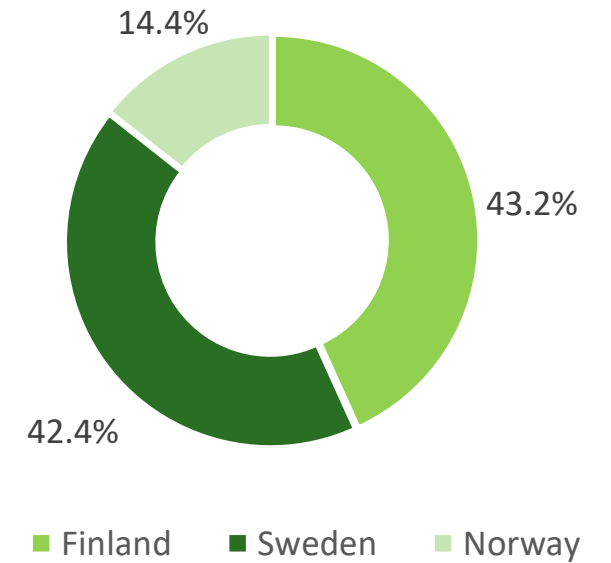
Net sales, EUR million



Net sales: rolling 12 months

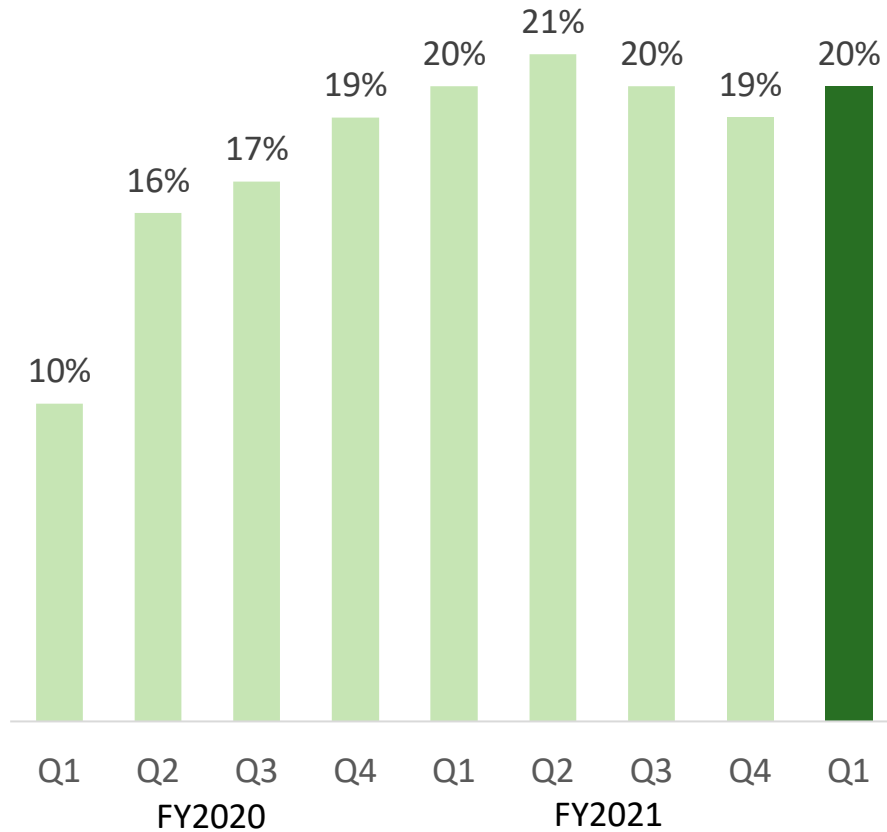


Net sales by segment in Q1/2022

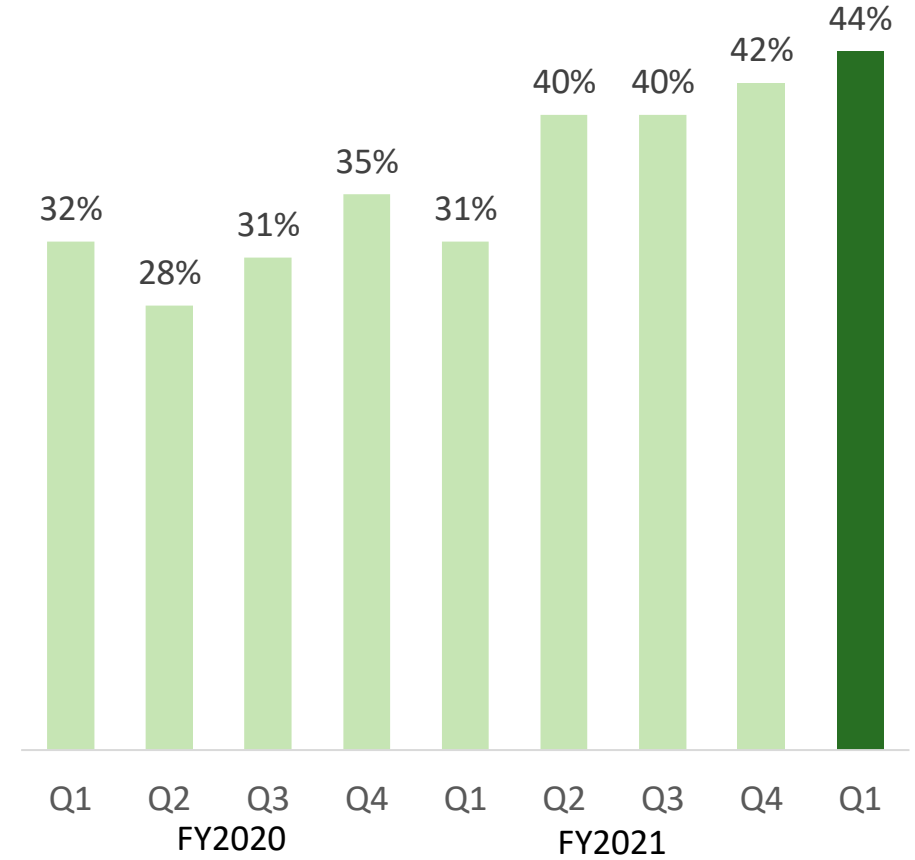


# Growth is 20%, equivalent to 44% on a 2-year basis

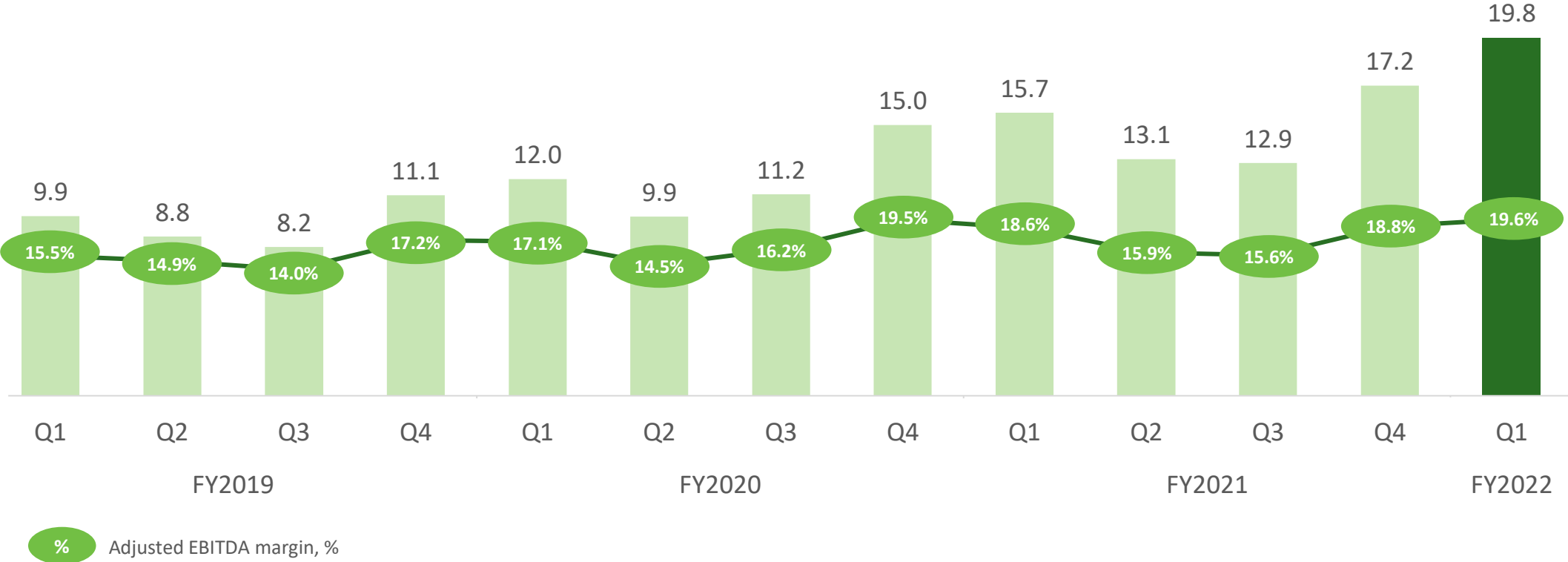
Group net sales growth,  
1 year basis



Group net sales growth,  
2 year basis



# Best quarterly EBITDA and EBITDA % in Musti Group history

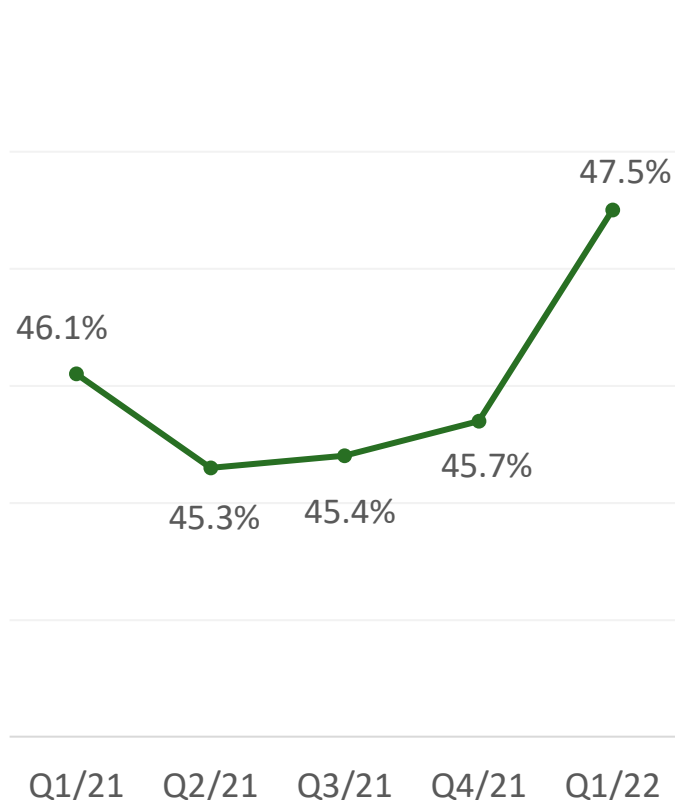




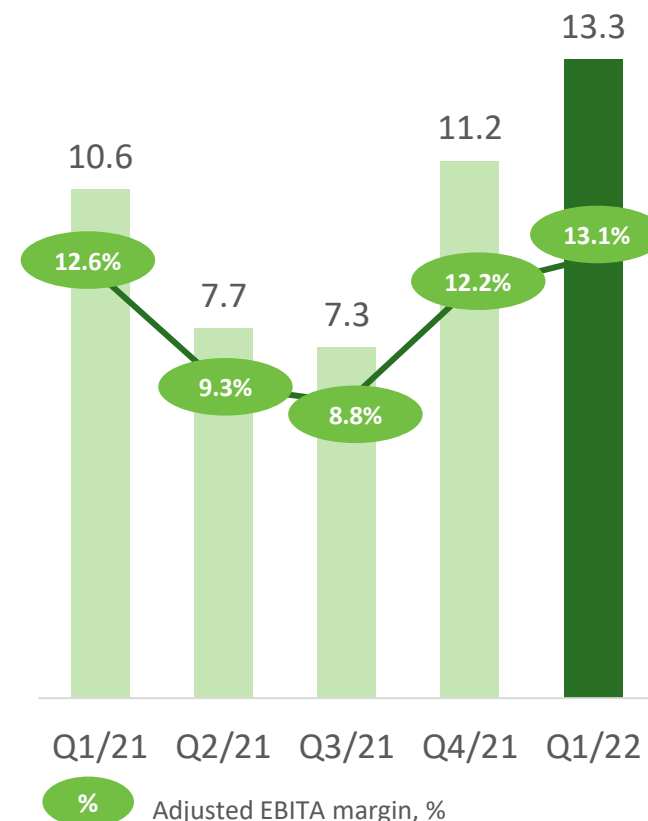
# Record-high gross margin and EBITA in Q1

- The Group's adjusted EBITA increased by 25.4% to EUR 13.3 million (EUR 10.6 million). Adjusted EBITA was the best quarterly adjusted EBITA in Musti Group history. The increase was result of strong season sales growth and improved gross margin.
- Gross margin increased to 47.5% (46.1%) mainly due to increased number of directly operated stores and favorable product mix. The positive development was slightly burdened by increasing freight costs, especially from Asia.
- Adjustments to EBITA were EUR 1.5 million (EUR 0.6 million), mainly related our end-to-end supply chain development project together with other non-recurring structural changes related costs.
- Operating profit increased by 21.2% to EUR 10.2 million (EUR 8.4 million).

Gross margin, %

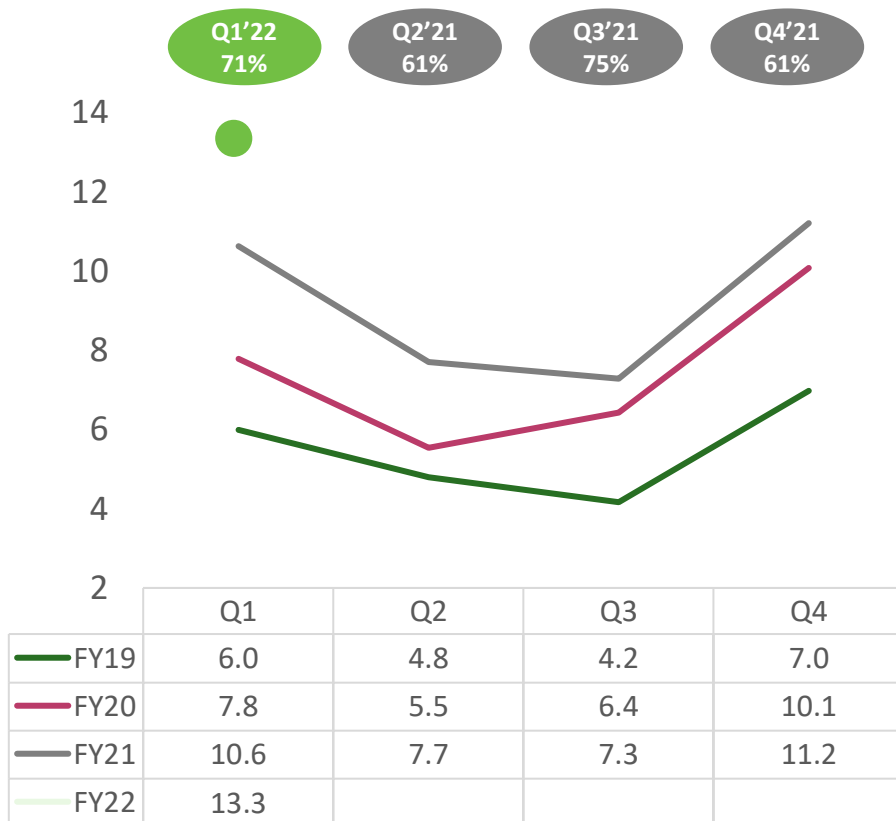


Adjusted EBITA, EUR million

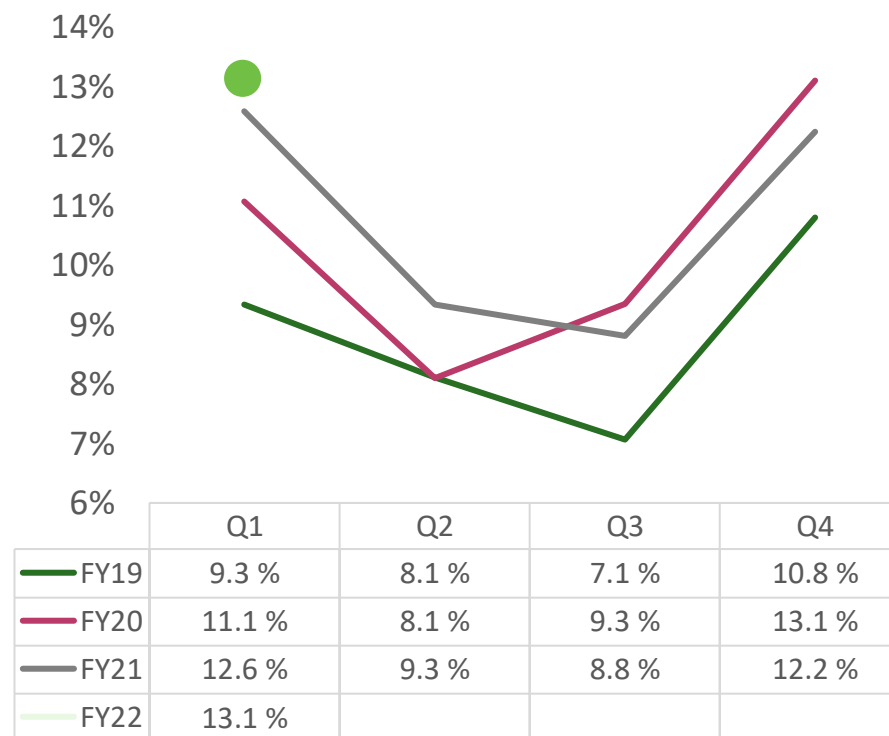


# Q1 EBITA up 25% from comparison period and 71% on 2-year basis

Adjusted EBITA, EUR million



Adjusted EBITA margin, %



Adjusted EBITA margin, %

FY19: 8.9%  
 FY20: 10.5%  
 FY21: 10.8%

— FY19 — FY20 — FY21 ● FY22 % Adj. EBITA growth on 2-year basis

— FY19 — FY20 — FY21 ● FY22



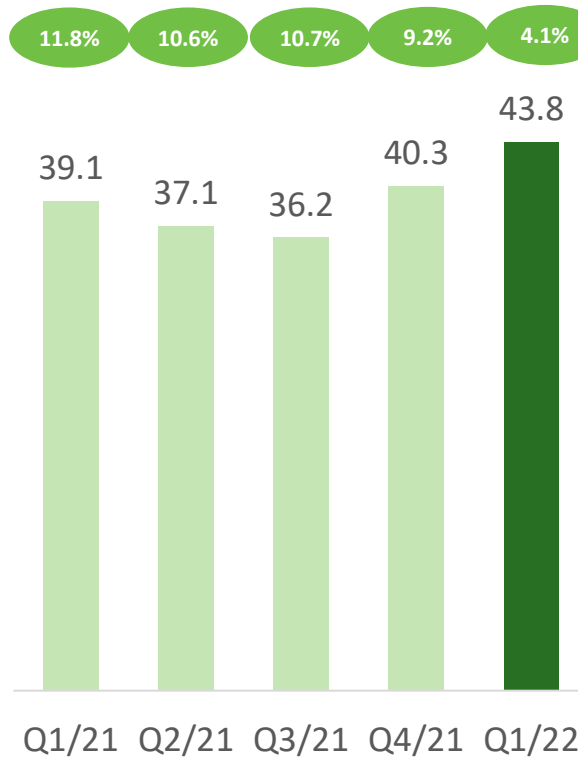
## Segments

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# Finland: Net sales increased by 12.1% to EUR 43.8 million

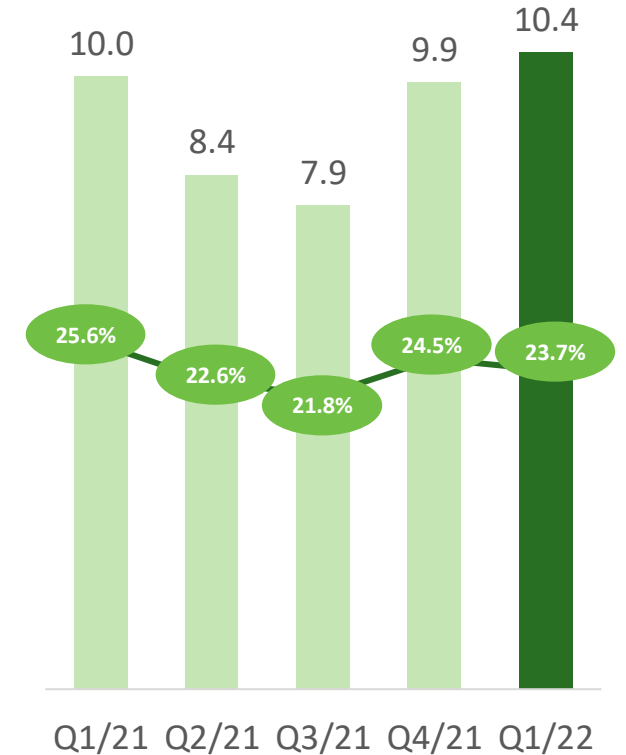
- Net sales in Finland increased by 12.1% to EUR 43.8 million (EUR 39.1 million) with like-for-like growth of 4.1% against high comparable figures from Q1/21. Growth was supported by the stores opened or acquired during the latest twelve months underpinned by healthy inflow of new customers.
- Adjusted EBITA increased by 4.2% to EUR 10.4 million (EUR 10.0 million). Store efficiency continued to be on a good level. Adjusted EBITA margin was 23.7% (25.6%). EBITA margin was affected by franchise acquisitions executed at end of FY21, which created a negative impact through group cost allocations.
- During Q1, five directly operated stores were opened in Finland.

Net sales, EUR million,



% Like-for-like segment sales growth, %

Adjusted EBITA, EUR million

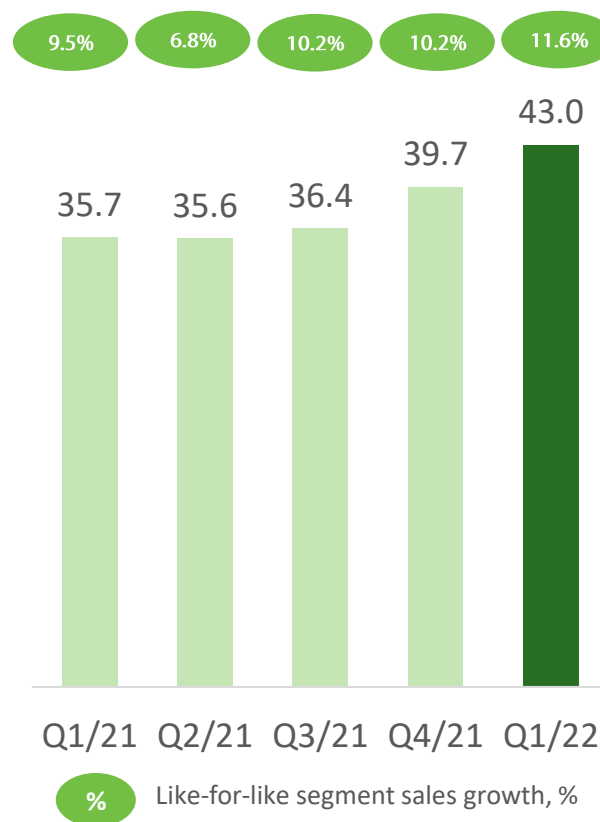


% Adjusted EBITA, %

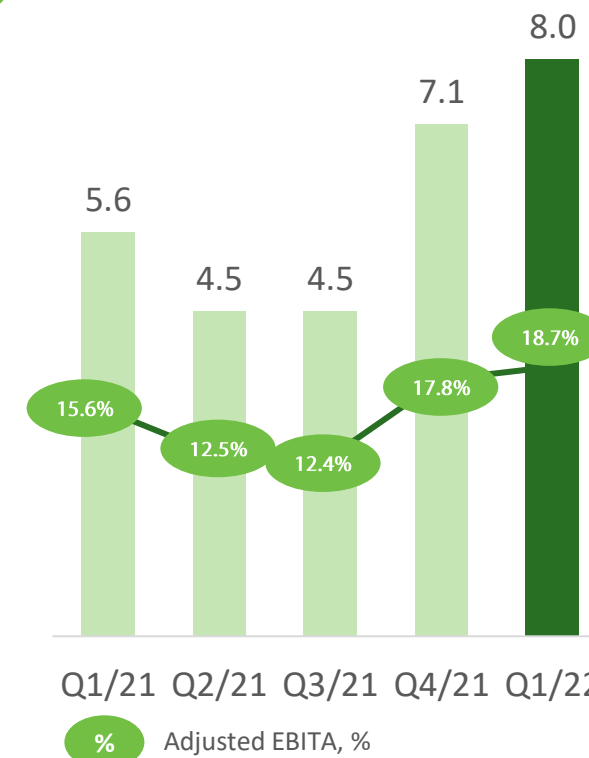
# Sweden: Strong sales and profitability

- Net sales in Sweden increased by 20.5% to EUR 43.0 million (EUR 35.7 million) driven by improved like-for-like growth of 11.6% and new stores opened or acquired. The sales growth was strong in both stores and online, driven by the increased number of customers.
- Adjusted EBITA increased by 43.9% to EUR 8.0 million (EUR 5.6 million). This was due to operating leverage and growing sales, partly offset by the increased share of online sales. Store efficiency continued to be on a good level. Adjusted EBITA margin was 18.7% (15.6%).
- During Q1, one directly operated store was opened and five franchise stores were acquired in Sweden. One directly operated store was closed and one franchise store left the chain.

Net sales, EUR million,



Adjusted EBITA, EUR million

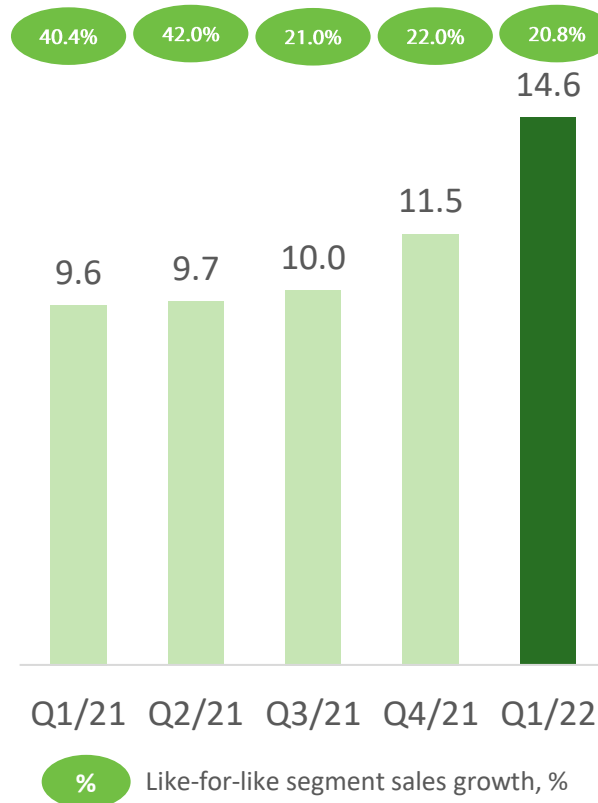




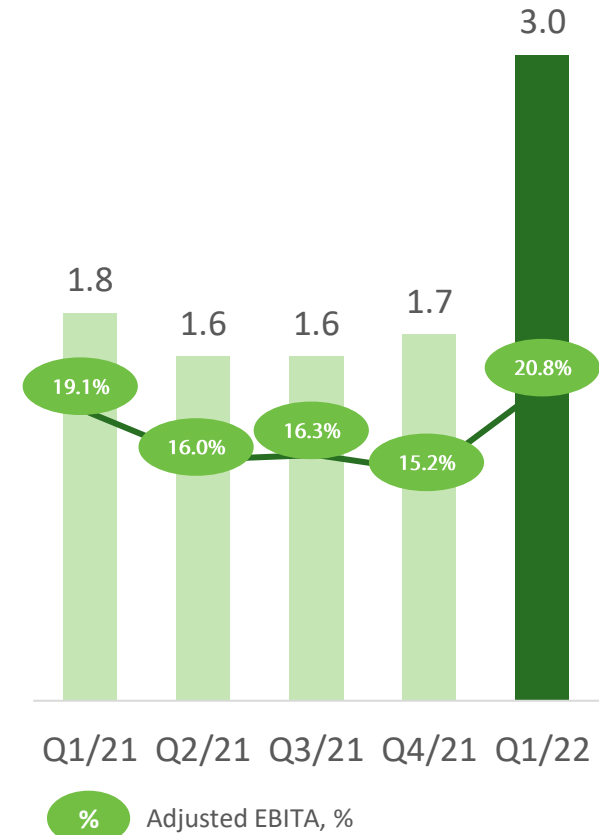
# Norway: Net sales increased by 52.3% to EUR 14.6 million

- Net sales in Norway increased by 52.3% to EUR 14.6 million (EUR 9.6 million), driven by like-for-like growth of 20.8% in line with the trend exhibited in earlier quarters, and ramp-up of the stores opened during the latest twelve months.
- The strengthened NOK exchange rate compared to Q1/21 had a EUR 1.1 million positive impact on net sales.
- Adjusted EBITA increased by 66.2% to EUR 3.0 million (EUR 1.8 million) driven by operating leverage and increased store efficiency. Adjusted EBITA margin was 20.8% (19.1%).
- During Q1, four directly operated stores were opened in Norway.

Net sales, EUR million



Adjusted EBITA, EUR million





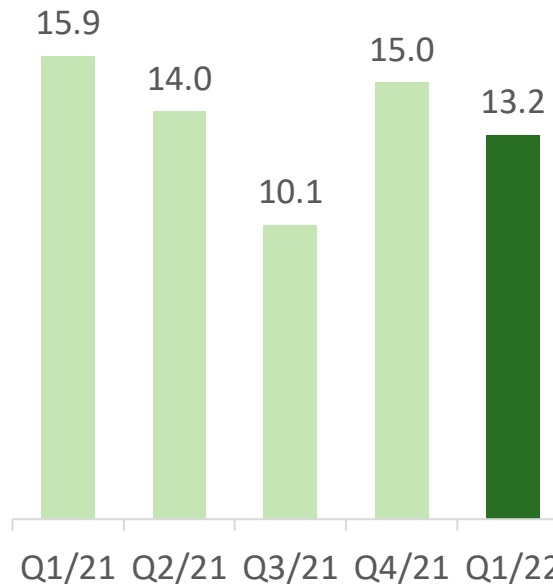
## Financial position

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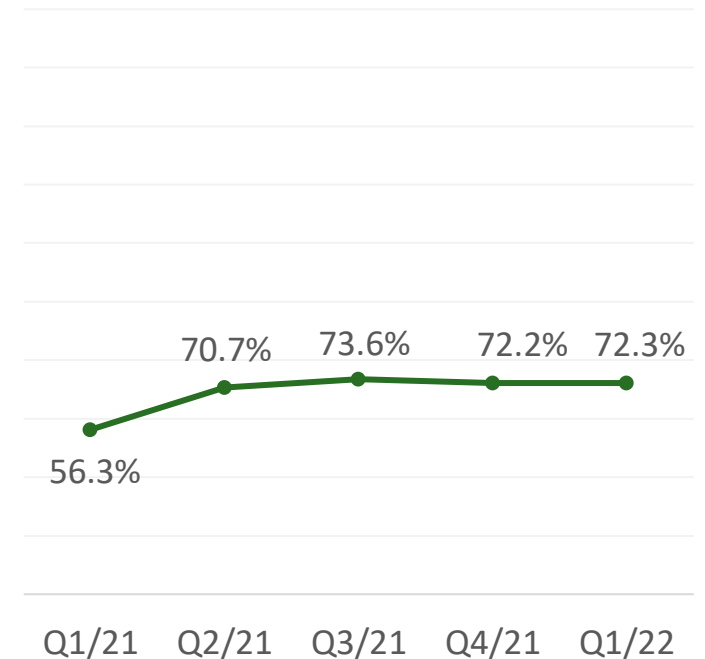
# Good cash flow, steady balance sheet and improved loan portfolio

- In Q1, net cash flow from operating activities totaled EUR 13.2 million (EUR 15.9 million). Compared to previous year, cash flow was burdened as net working capital increased by EUR 5.3 million mainly due to higher inventory as mitigation against supply chain challenges during the important christmas period.
- Gearing at the end of the reporting period was 72.3% (30 September 2021: 72.2%).
- Net debt amounted to EUR 118.6 million (30 September 2021: EUR 113.3 million).
- Net debt in relation to LTM adjusted EBITDA was 1.9x.
- Cash and cash equivalents at the end of the period amounted to EUR 14.1 million (30 September 2021: EUR 13.0 million). Group loans were re-negotiated.
- In Q1, investments in tangible and intangible assets amounted to EUR 10.2 million (EUR 4.6 million).

Cash flow from operating activities, EUR million



Gearing, %



# Group long-term financial targets unchanged

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

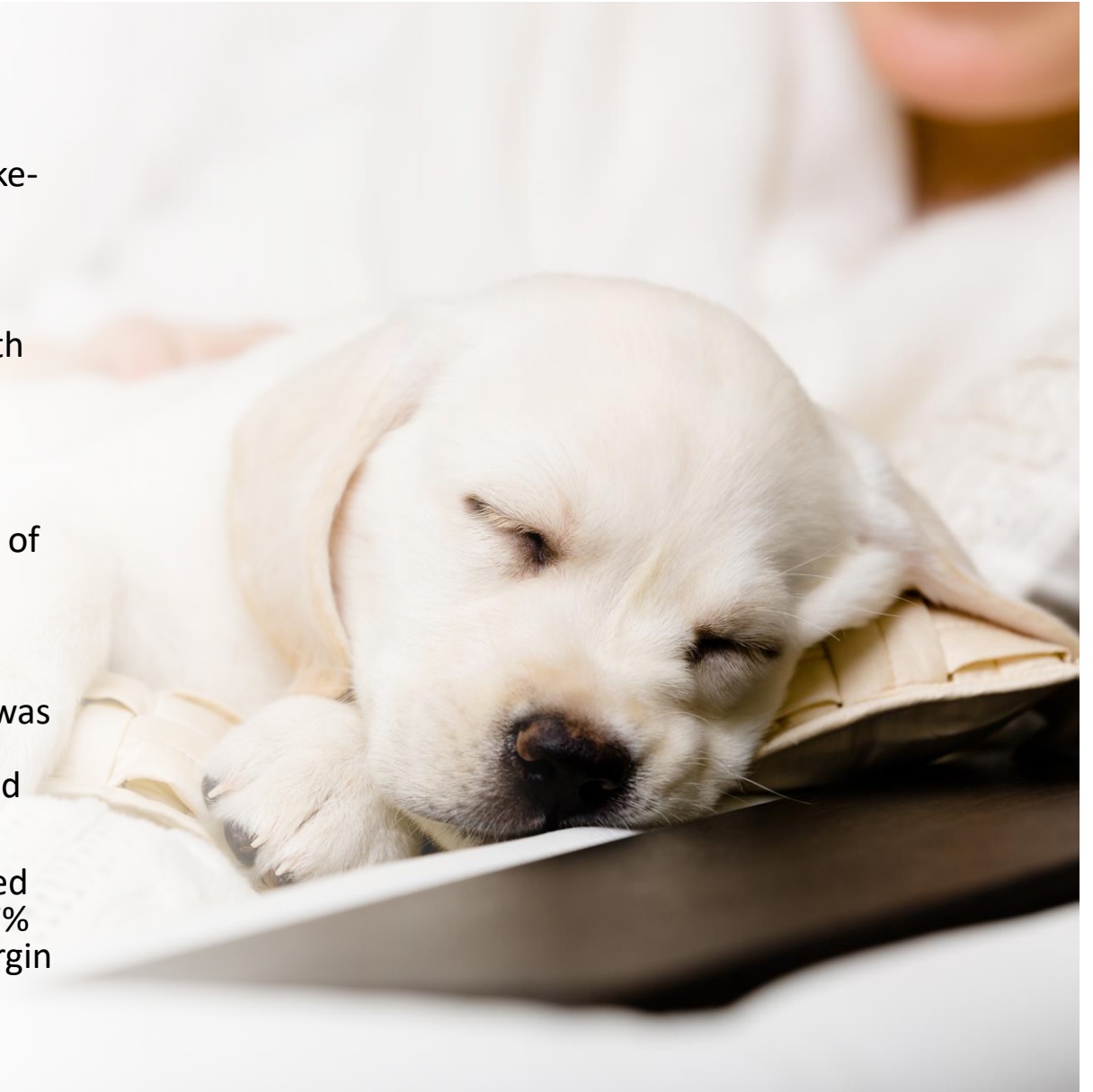
<b>Growth</b>	<b>Net sales to reach at least EUR 500 million by the financial year 2024 by continuation of strong customer acquisition momentum and increasing share of wallet.</b>
<b>Profitability</b>	Mid- to long-term <b>adjusted EBITA margin of at least 13 per cent with steadily improving profile.</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

- Group net sales increased by 20.2% to EUR 101.3 million. The increase was largely due to the increasing number of customers together with an increased number of directly operated stores. Like-for-like growth amounted to 9.2%.
- Store sales increased by 24.9% to EUR 77.9 million, driven by an increased number of stores as we added net 14 directly operated stores to our network and continued like-for-like store sales growth amounting to 6.6%.
- Online sales increased by 19.6% to EUR 21.8 million. Online sales accounted for 21.5% of total net sales in the first quarter.
- Gross margin increased to 47.5% mainly due to increased number of directly operated stores and favorable product mix. The positive development was slightly burdened by increasing freight costs, especially from Asia.
- The adjusted EBITDA increased by 26.5% to EUR 19.8 million and was the best quarterly adjusted EBITDA in Musti Group history. The increase in profit was supported by strong season sales growth and improved gross margin.
- Group adjusted EBITA increased to EUR 13.3, up by 25.4%. Adjusted EBITA margin was 13.1%. Adjusted EBITA margin increased to 18.7% in Sweden and to 20.8% in Norway. In Finland, adjusted EBITA margin was 23.7%.





## More information

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Half-Year Financial Report  
for October 2021 – March  
2022 will be published on  
**10 May 2022.**



# Thank you!

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## Appendix

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# Musti Group – the leading Nordic pet care specialist



**Leading Nordic pet care specialist**  
#1 in Nordics,  
25% 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  
approx. 50% of product  
sales in own channels –  
food is non-discretionary  
and sticky in nature, with  
recurring purchasing  
habits



**Omnichannel business model<sup>2</sup>**  
320 stores, 21.5% of net  
sales generated through  
online channel in Q1/22



**High quality O&E assortment**  
Strong O&E brand  
portfolio,  
54% of product sales  
in own channels in Q1/22

Source: Company information, a study ordered by the company from an international consulting company. Note: Financial Year Ended 30 September. <sup>1</sup>2020 market share for Nordic pet food and products market; Musti's market share is based on FY21 consumer sales (including sales from franchisees). <sup>2</sup>Omnichannel 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.



# 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 ecosystem – All you need is Musti

 **LOYALTY CLUB**

 **BREEDER CLUB**

 **PUPPY CLUB**

 **PUPPY DATES**

 **PET SPA**

 **TRAINING**

 **VET CARE**

 **INSURANCE**



**PREMIUM FOOD** 

**ACCESSORIES** 

**CONVENIENT SHOPPING** 

**FAST DELIVERIES** 

**TRUSTED EXPERT ADVISE**

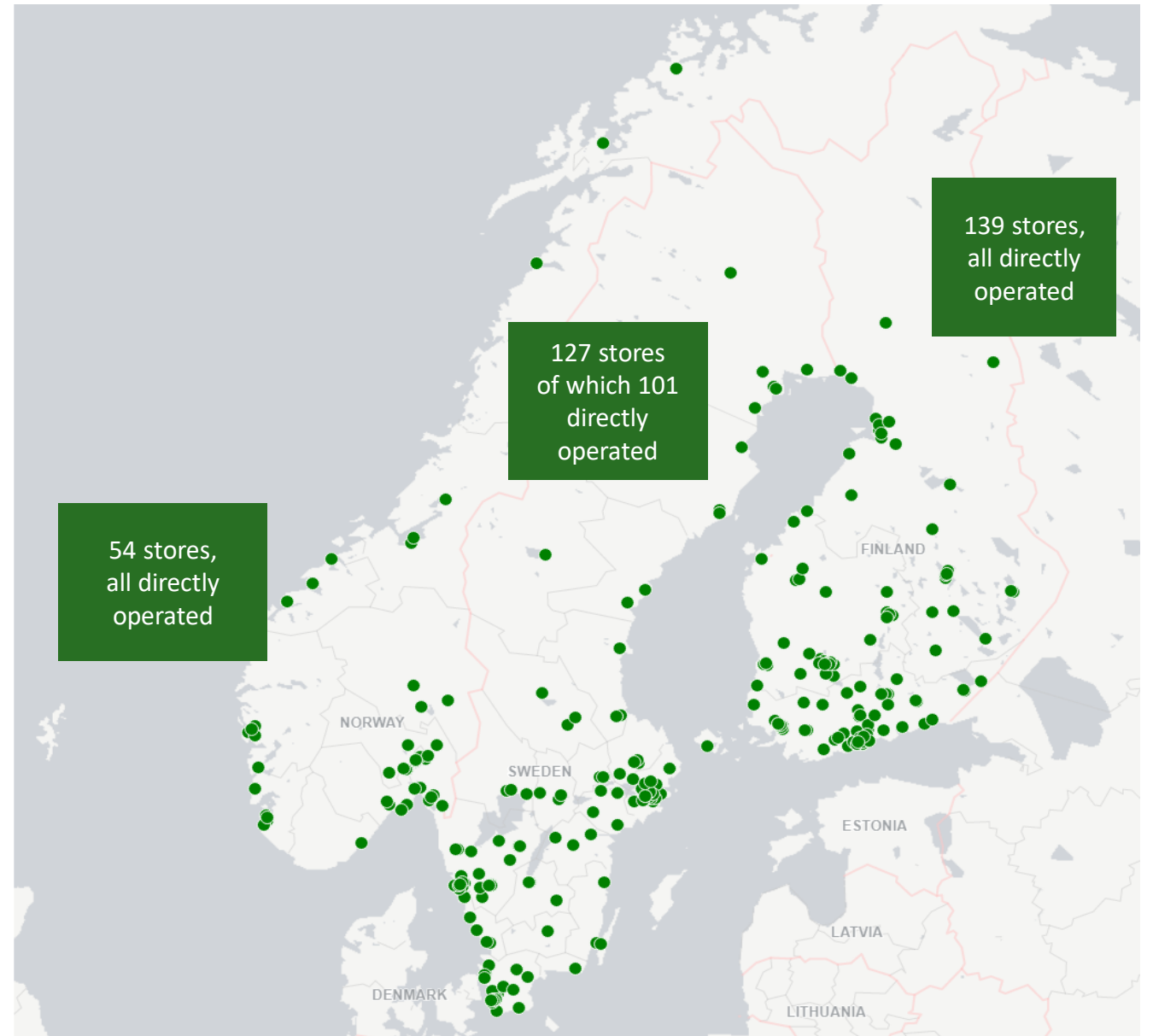
**Trusty**

The Musti responsibility approach



# Musti Group has 1.3 million loyal customers

- Number of loyal customers grew to 1,340 thousand by 31 December 2021 (1,189 thousand on 31 December 2020).
- On 31 December 2021 Musti had 320 stores, of which 294 were directly operated.
- In October 2021 – December 2021, share of online sales was 21.5%.



## Key figures

EUR millions or as indicated	Q1 10-12/21	Q1 10-12/20	Change%	FY2021
Net sales	101.3	84.3	20.2%	340.9
LFL sales growth, %	9.2%	13.1%		11.8%
LFL store sales growth, %	6.6%	8.0%		8.8%
Online share, %	21.5%	21.6%		23.1%
Adjusted EBITA	13.3	10.6	25.4%	36.8
Adjusted EBITA margin, %	13.1%	12.6%		10.8%
Operating profit	10.2	8.4	21.2%	28.4
Operating profit margin, %	10.1%	10.0%		8.3%
Earnings per share, basic, EUR	0.20	0.24	-13.0%	0.63
Net cash flow from operating activities	13.2	15.9	-16.8%	54.9
Investments in tangible and intangible assets	4.7	3.1	48.0%	12.9
Net debt / LTM adjusted EBITDA	1.9	1.8	7.2%	1.9
Adjusted EBITDA	19.8	15.7	26.5%	58.8
Number of loyal customers, thousands	1,340	1,189	12.7%	1,297
Number of stores at the end of the period	320	300	6.7%	312

# 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.

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**



**Reducing environmental impact**



**Good governance and high ethics**

Suppliers committed to Musti's requirements on responsible business practices

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

Compliance with policies and principles

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

