



## Interim Report

**1 October 2021–30 June 2022**

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9 August 2022

CEO David Rönnerberg

CFO Toni Rannikko





**Profitable growth on the way towards long-term targets**

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# Profitable growth on the way towards long-term targets

Musti growth journey continues

Net sales growth

+16%

Adjusted EBITDA growth

+21%

Accelerating 2-year growth

+39%

Adjusted EBITA growth

+14%

Cash flow

EUR14m

Directly operated store adds

+9

Loyalty club members growth

+12%

Gross margin

46.4%

Own and exclusive brands

52%



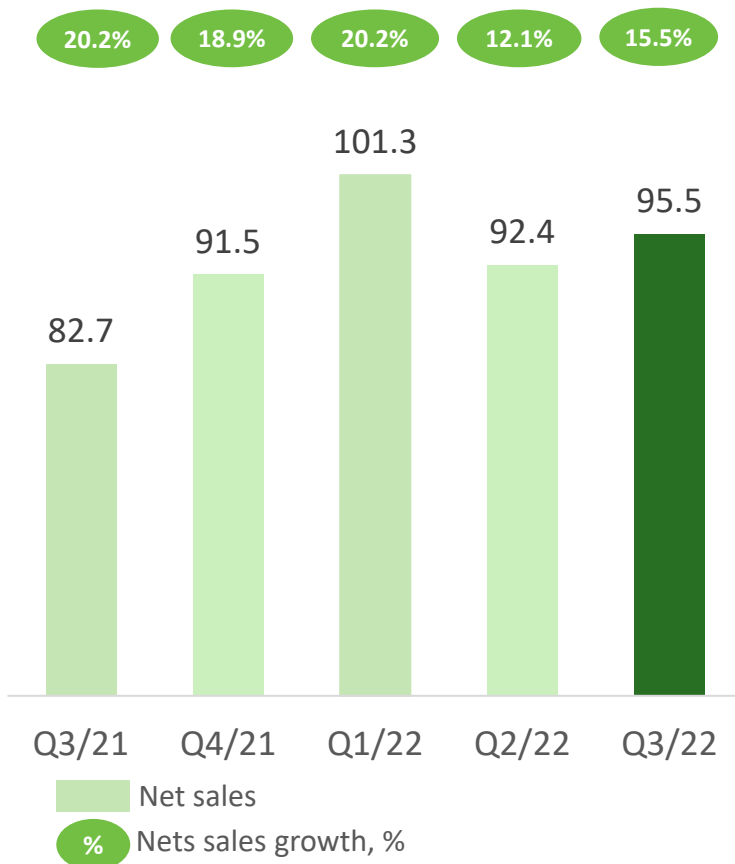
# Excellent Q3 – on track with the long-term targets

- Group net sales increased 15.5% in Q3 to EUR 95.5 million (82.7). In October - June, group net sales increased 16.0% to EUR 289.3 million (249.4).
- Like-for-like sales growth was 8.3% in Q3 and 7.4% in October - June. Like-for-like growth was affected by the high number of new directly operated stores. New stores are calculated in the like-for-like growth after they have been operating for 12 months.
- In Q3 adjusted EBITDA increased by 20.8% to EUR 15.6 (12.9). In October - June adjusted EBITDA was EUR 49.3 (41.7) million, up by 18.4%. Adjusted EBITDA margin was 16.3% (15.6%) in Q3 and 17.1% (16.7%) in October - June.
- The number of loyal customers increased by 12.1% to 1,409 thousand (1,257 thousand on 30 June 2021).
- Adjusted EBITA increased 14% to EUR 8.3 (7.3) million in Q3. In October - June, adjusted EBITA increased 11.7% to EUR 28.6 (25.6). Adjusted EBITA margin was 8.7% (8.8%) in Q3 and 9.9% (10.3%) in October - June.
- Net cash flow from operating activities increased to EUR 14.0 million (10.1) in Q3 and amounted to EUR 32.5 million (39.9) in October - June.

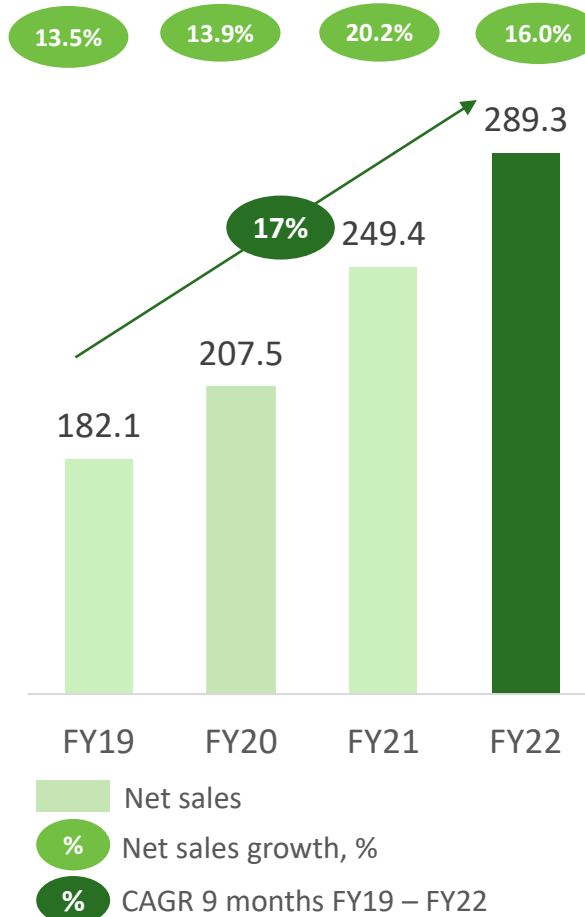


# Musti growth trend is solid

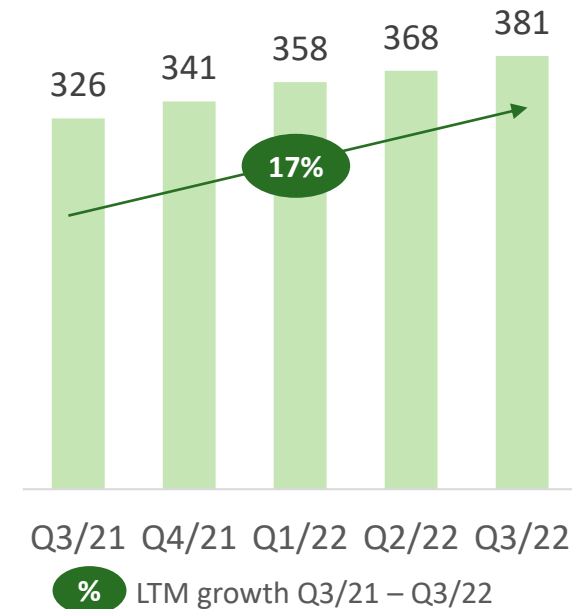
Quarterly net sales, EUR million



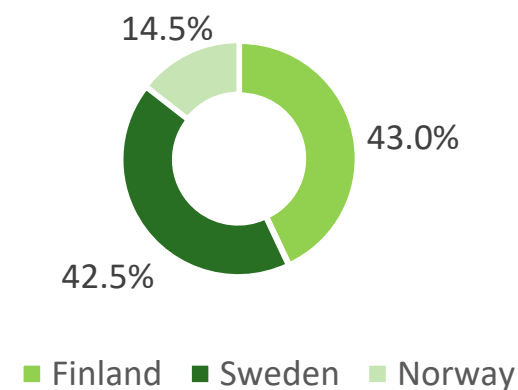
9 months net sales, EUR million



Net sales: rolling 12 months

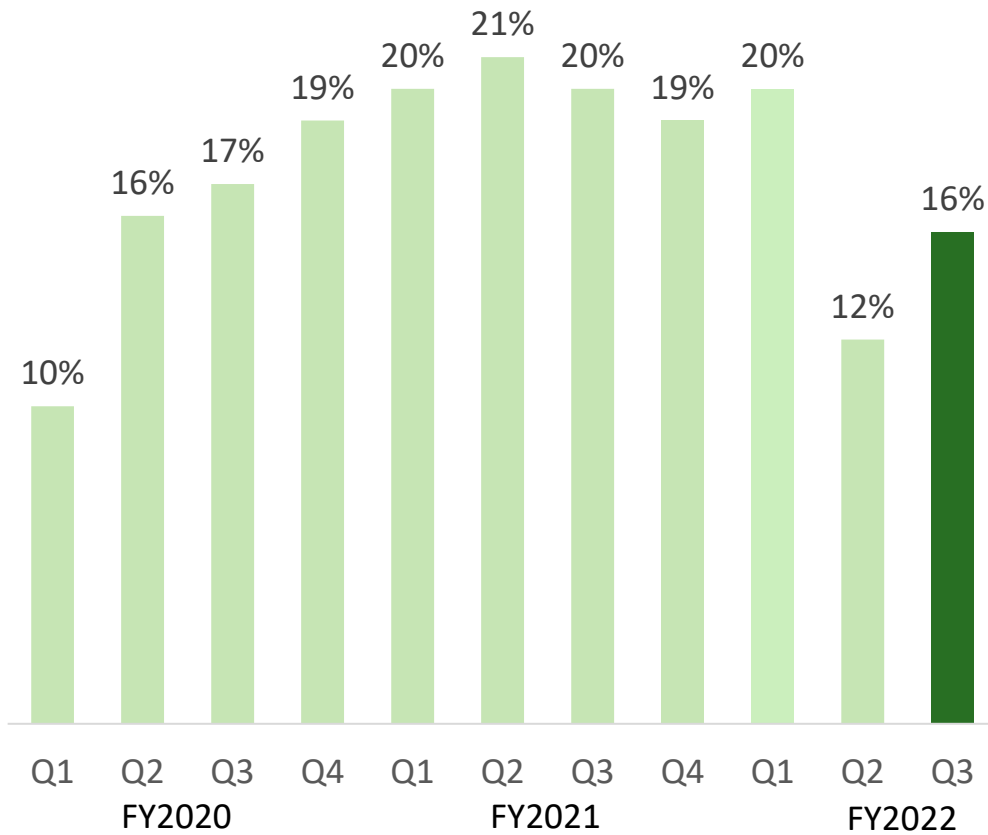


Net sales by segment in Q3/2022

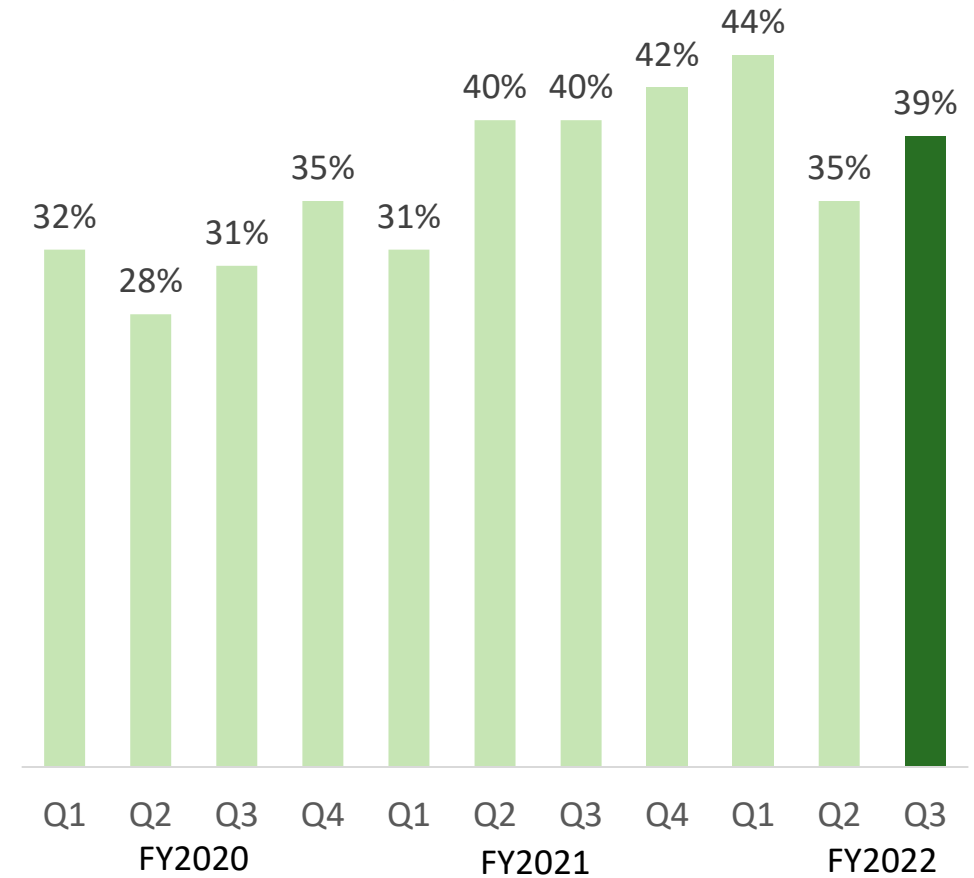


# Growth trend is back on track

Group net sales growth,  
1 year basis

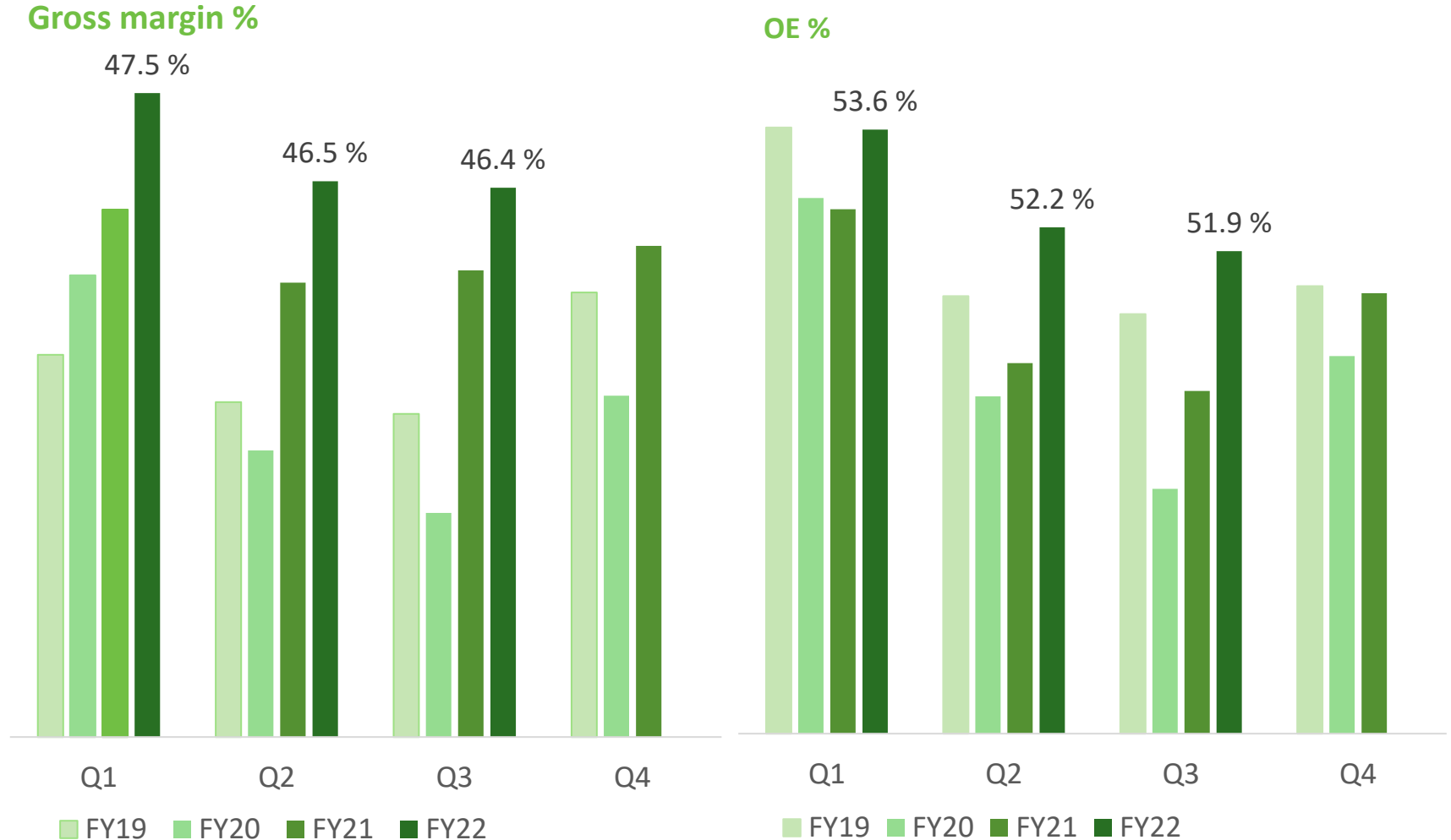


Group net sales growth,  
2 year basis



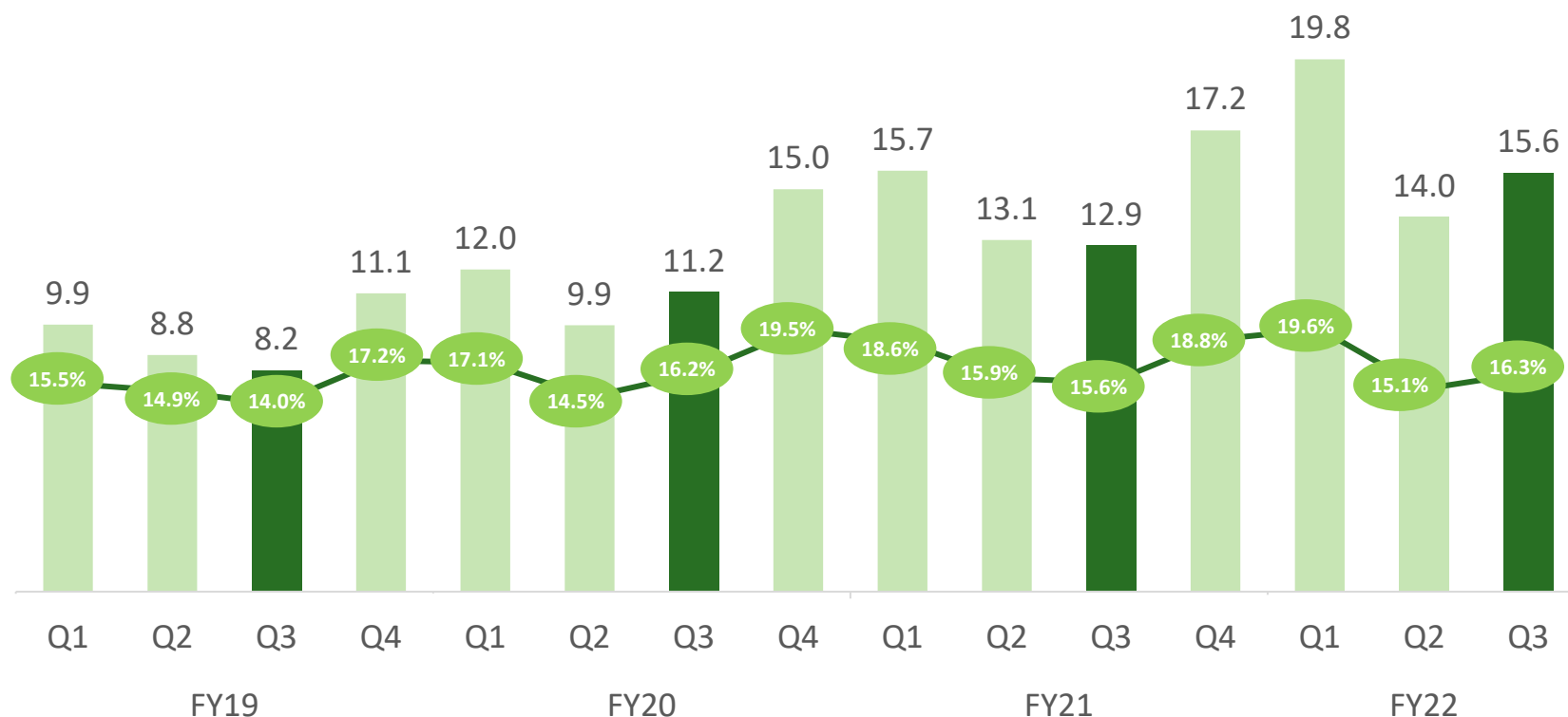
# Gross margin and share of O&E products are strong

- Gross margin increased to 46.4% (45.4%) in Q3
- Growth in gross margin was a result of:
  - Increased number of directly operated store
  - Successful campaign pressure
  - Higher share of own and exclusive products
  - Net effect of price adjustments
- The positive development was slightly burdened by increased outbound freight costs.



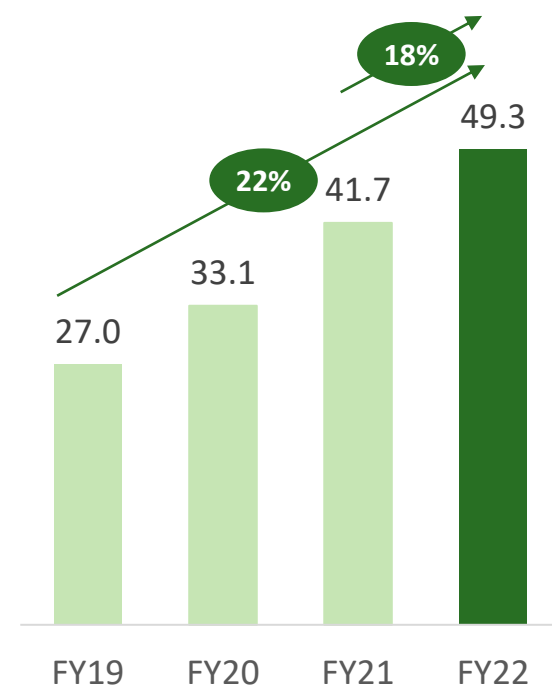
# Group adjusted EBITDA increased 21% to EUR 15.6 million in Q3

Quarterly adjusted EBITDA, EUR million



% Adjusted EBITDA margin, %

9 months adjusted EBITDA, EUR million



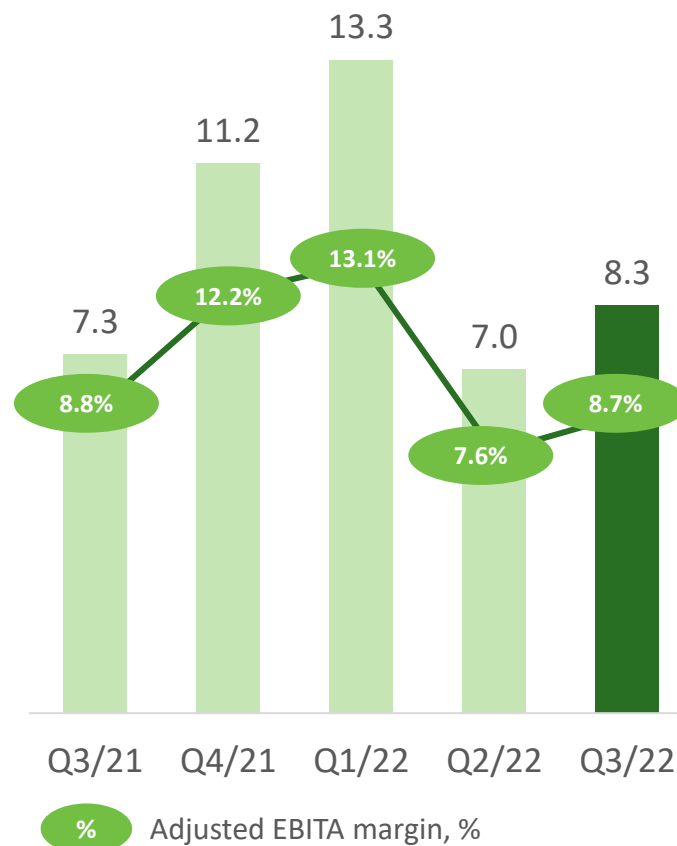
% CAGR 9 months FY19 – FY22, growth 9 months FY21 – FY22



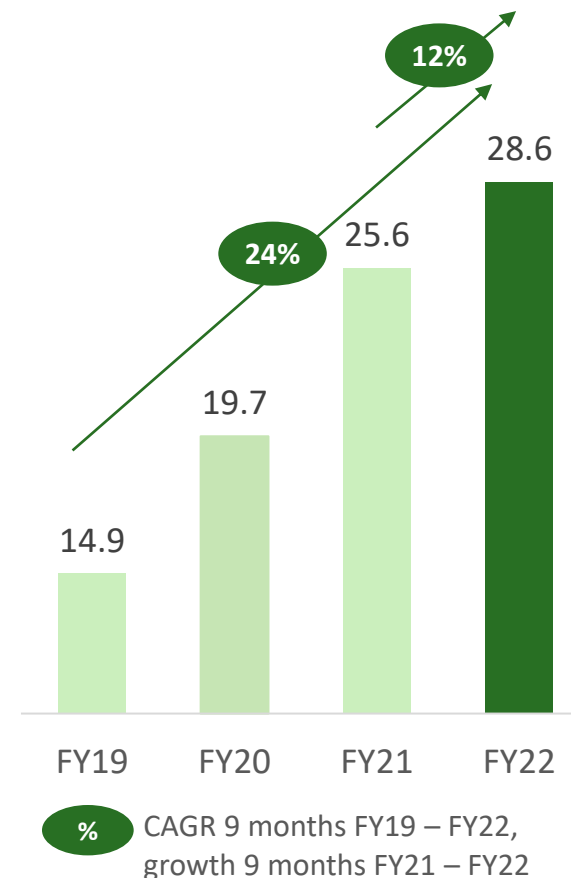
# Group adjusted EBITA increased 14% to EUR 8.3 million in Q3

- Group adjusted EBITA increased by 14.0% to EUR 8.3 million (EUR 7.3 million). Adjusted EBITA improved mainly due to growing our network, improving gross margin and tighter cost and price control. Adjusted EBITA margin was 8.7% (8.8%).
- There were no adjustments to EBITA in Q3.
- EBIT increased by 27.3% to EUR 6.7M (EUR 5.3M)
- Group adjusted EBITA increased by 11.7% to EUR 28.6 million (EUR 25.6 million) and EBIT by 12.9% to EUR 22.3M (EUR 19.8M) in October – June.

Quarterly adjusted EBITA, EUR million



9 months adjusted EBITA, EUR million





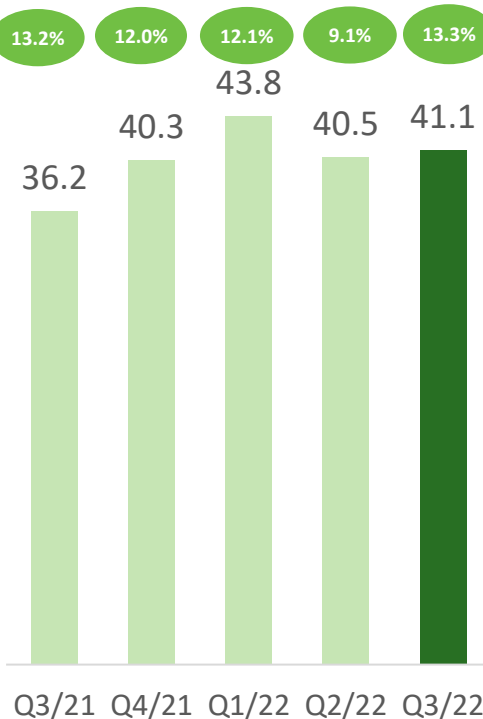
## Segments

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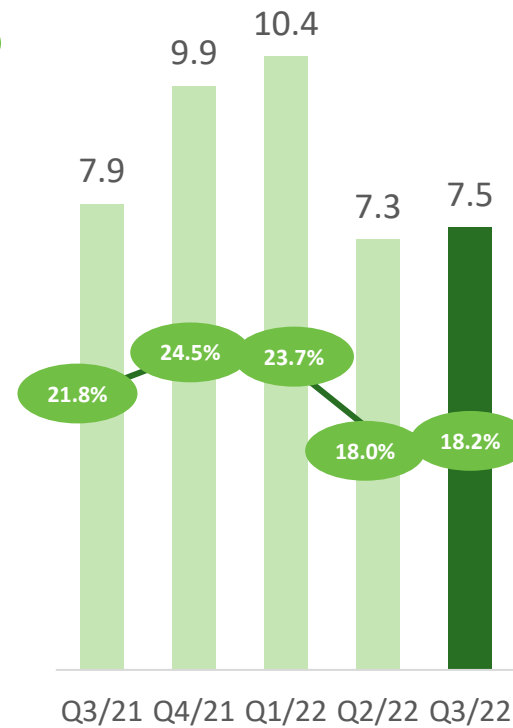
# Finland: Net sales in Finland increased by 13.3% to EUR 41.1 million in Q3

- Net sales in Finland increased by 13.3% to EUR 41.1 million (EUR 36.2 million).
- Growth was supported by the stores opened or acquired during the latest 12 months underpinned by healthy inflow of new customers, partly offset by increased uncertainty in the economic environment affecting the consumer behavior.
- Like-for-like growth was 4.5%. Like-for-like growth was affected by the high number of new directly operated stores. New stores are calculated in the like-for-like growth after they have been operating for 12 months. Building the multibrand omnichannel offering to best serve the customers in all customer groups also caused some overlapping sales.
- Adjusted EBITA decreased by 5.3% to EUR 7.5 million (EUR 7.9 million) in Q3. The decrease in profitability was mainly due to increased personnel and premise costs, weakened store efficiency and some overlapping sales effect from new stores opened.
- Adjusted EBITA margin was 18.2% (21.8%) in Q3.
- During Q3, no directly operated stores were opened in Finland.

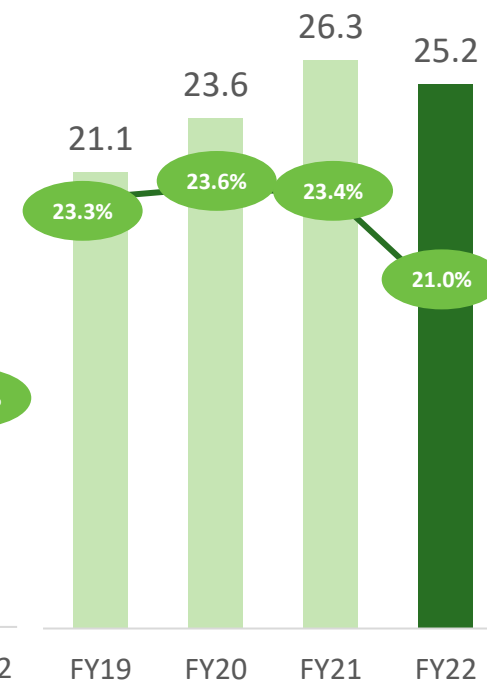
Net sales, EUR million,



Quarterly adjusted EBITA, EUR million



9 months adjusted EBITA, EUR million



% Segment sales growth, %

% Adjusted EBITA, %

% Adjusted EBITA, %

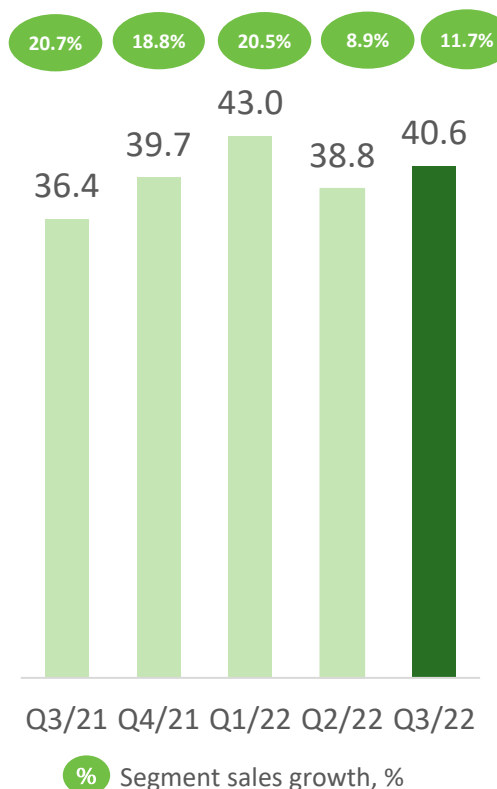
Adjusted EBITDA %	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Finland	27.5 %	30.0 %	29.2 %	24.3 %	24.6 %

	9m/19	9m/20	9m/21	9m/22
	28.9%	29.3%	28.9%	26.1%

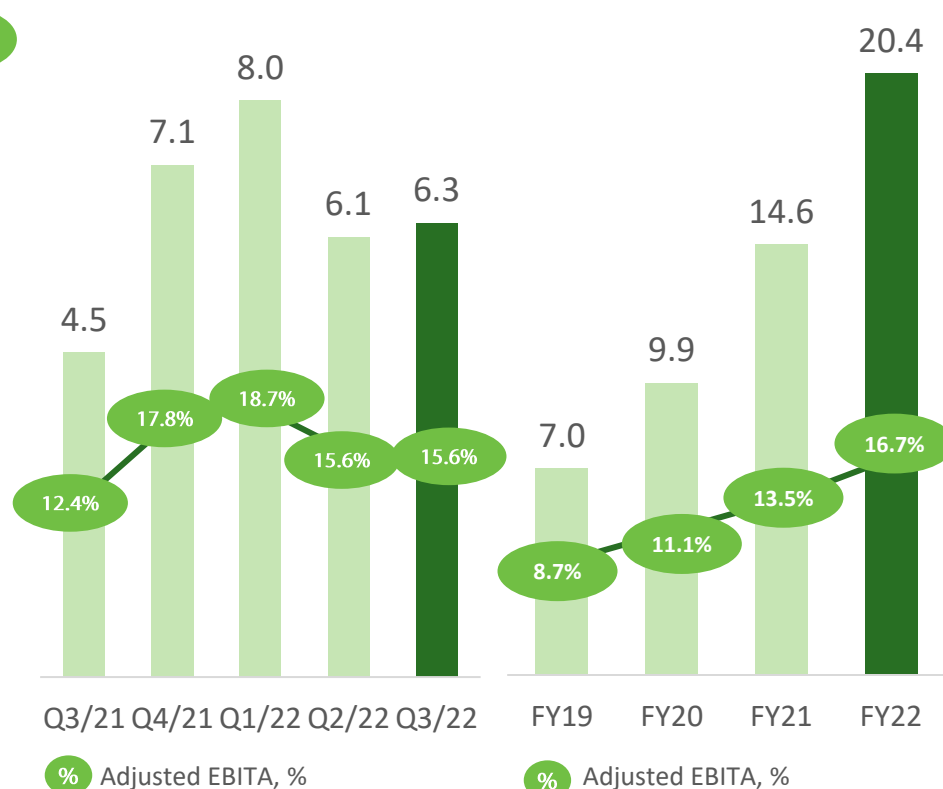
# Sweden: Strong sales and profitability

- Net sales in Sweden increased by 11.7% to EUR 40.6 million (EUR 36.4 million) driven by improved like-for-like growth of 10.3% and new stores opened or acquired. Store sales were strong in Q3.
- The weakened SEK exchange rate decreased sales by EUR 0.8 million in Q3, whereas in the comparison period the impact of SEK exchange rate was positive.
- Adjusted EBITA increased by 40.4% to EUR 6.3 million (EUR 4.5 million). The increase was a result of operating leverage and growing sales. Store efficiency continued to be on a good level.
- Adjusted EBITA margin increased to 15.6% (12.4%).
- During Q3, one directly operated store was opened and five franchise stores were acquired in Sweden. One directly operated store was closed.

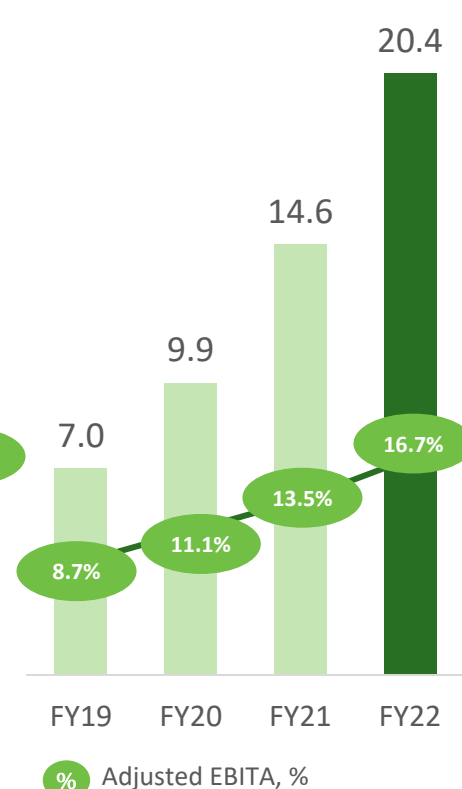
Net sales, EUR million,



Quarterly adjusted EBITA, EUR million



9 months adjusted EBITA, EUR million

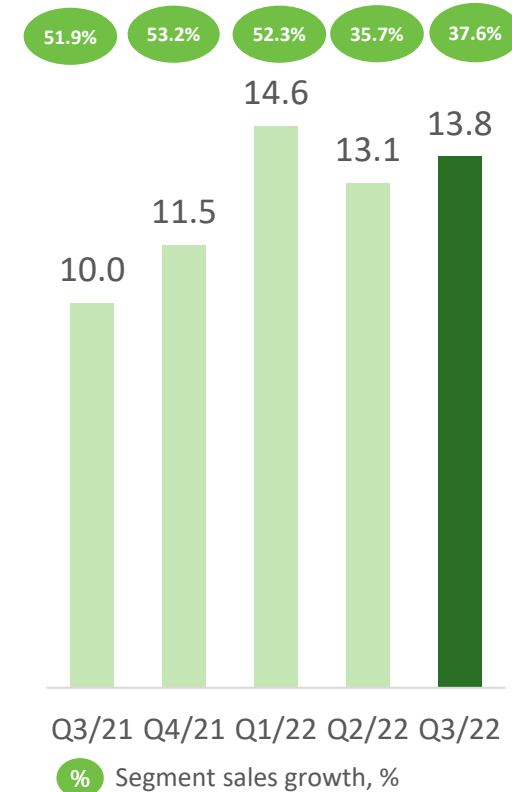


Adjusted EBITDA %	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	9m/19	9m/20	9m/21	9m/22
Sweden	18.7 %	23.3 %	24.3 %	22.2 %	22.2 %	14.5%	16.5%	19.3%	22.9%

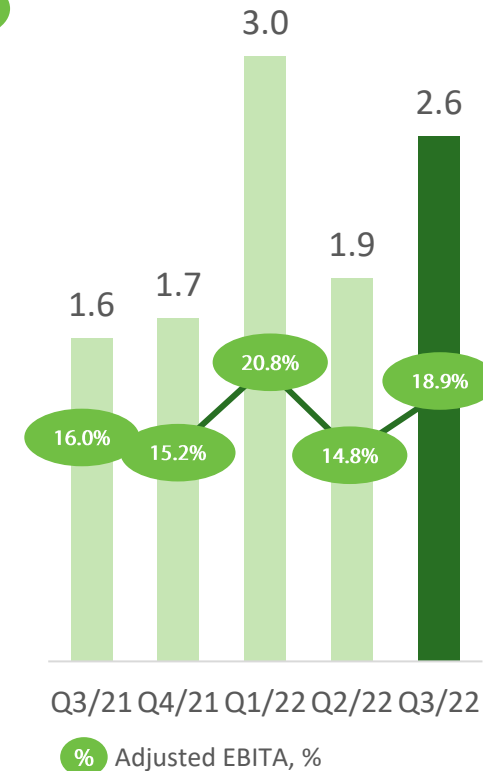
# Norway: Adjusted EBITA increased by 59.5% to EUR 2.6 million in Q3

- Net sales in Norway increased by 37.6% to EUR 13.8 million (EUR 10.0 million), driven by like-for-like growth of 15.7% 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 in Q3 had a EUR 0.5 million positive impact on net sales.
- Adjusted EBITA increased by 59.5% to EUR 2.6 million (EUR 1.6 million) driven by operating leverage and increased store efficiency. EBITA was somewhat burdened by salary inflation and increased premise cost compared year on year.
- Adjusted EBITA margin was 18.9 (16.3%).
- During Q3, five directly operated stores were opened in Norway.

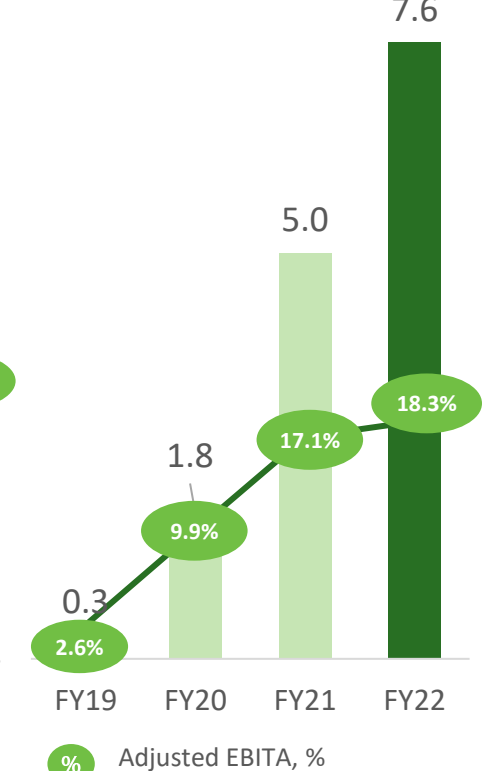
Net sales, EUR million



Quarterly adjusted EBITA, EUR million



9 months adjusted EBITA, EUR million



Adjusted EBITDA %	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Norway	24.7 %	23.2 %	27.7 %	23.5 %	27.6 %

9m/19	9m/20	9m/21	9m/22
13.8%	19.7%	25.1%	26.3%





## Financial position

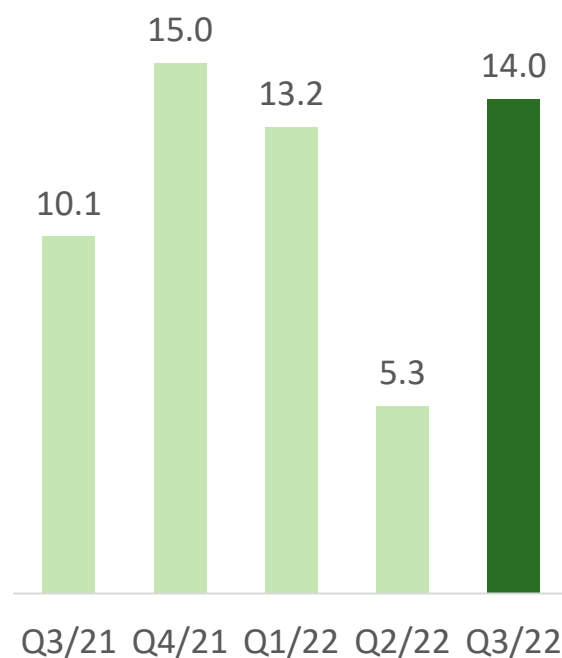
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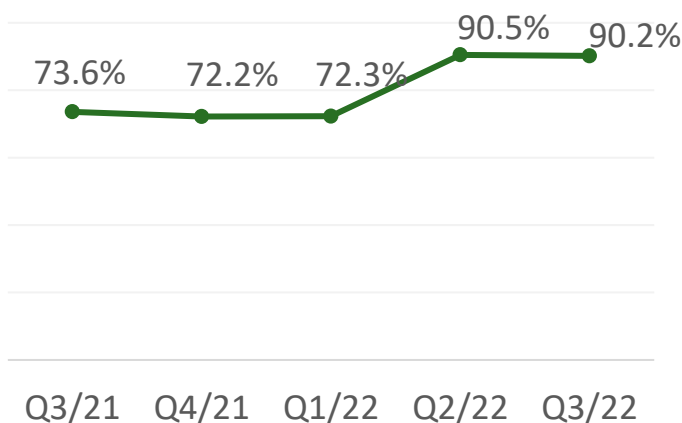
# Cash flow from operating activities totaled EUR 14.0 million in Q3

- In Q3, net cash flow from operating activities totaled EUR 14.0 million (EUR 10.1 million). Decreased inventories contributed to the cash flow positively.
- Gearing at the end of the reporting period was 90.2% (30 September 2021: 72.2%)
- Net debt amounted to EUR 138.8 million (30 September 2021: EUR 113.3 million). At the end of the period,
  - interest-bearing loans included in net debt amounted to EUR 59.9 million (30 September 2021: EUR 49.9 million)
  - lease liabilities EUR 82.2 million (30 September 2021: EUR 76.5 million).
- Net debt in relation to LTM adjusted EBITDA was 2.1x.
- Cash and cash equivalents at the end of the period amounted to EUR 2.2 million (30 September 2021: EUR 13.0 million).
- In Q3, investments amounted to EUR 3.3 million (EUR 3.5 million). In addition, EUR 5.6 million related to business acquisitions of franchise stores in Sweden.

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</b> by the financial year 2024 <b>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

- Excellent quarter for Musti: Net sales growth 15.5% and EBITDA growth 20.8%.
- Pet sector has proved resilient in historically challenging times, momentum continues strong.
- We expect to benefit from the strength and breadth of our footprint in our markets with our unique multi-brand omnichannel network.
- Top-line growth continues the momentum seen since 2020 with a 2-year growth of 39%.
- Strong expansion pace burdens short-term profitability yet supports reaching long-term targets as those stores mature.
- Continuously improving gross margin, supported by O&E strategy.
- On track with the long-term financial targets.



## More information

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Financial Statements  
release for October 2021 –  
September 2022 will be  
published on  
**8 November 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**  
**1.4 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>**  
**329 stores, 22.6% of net**  
**sales** generated through  
online channel in Q3/22



**High quality O&E assortment**  
Strong O&E brand  
portfolio,  
**52% of product sales**  
**in own channels** in Q3/22

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.

	Finland	Sweden	Norway
	<p>Stable development as the most mature country</p> <p>140 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>128 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>61 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

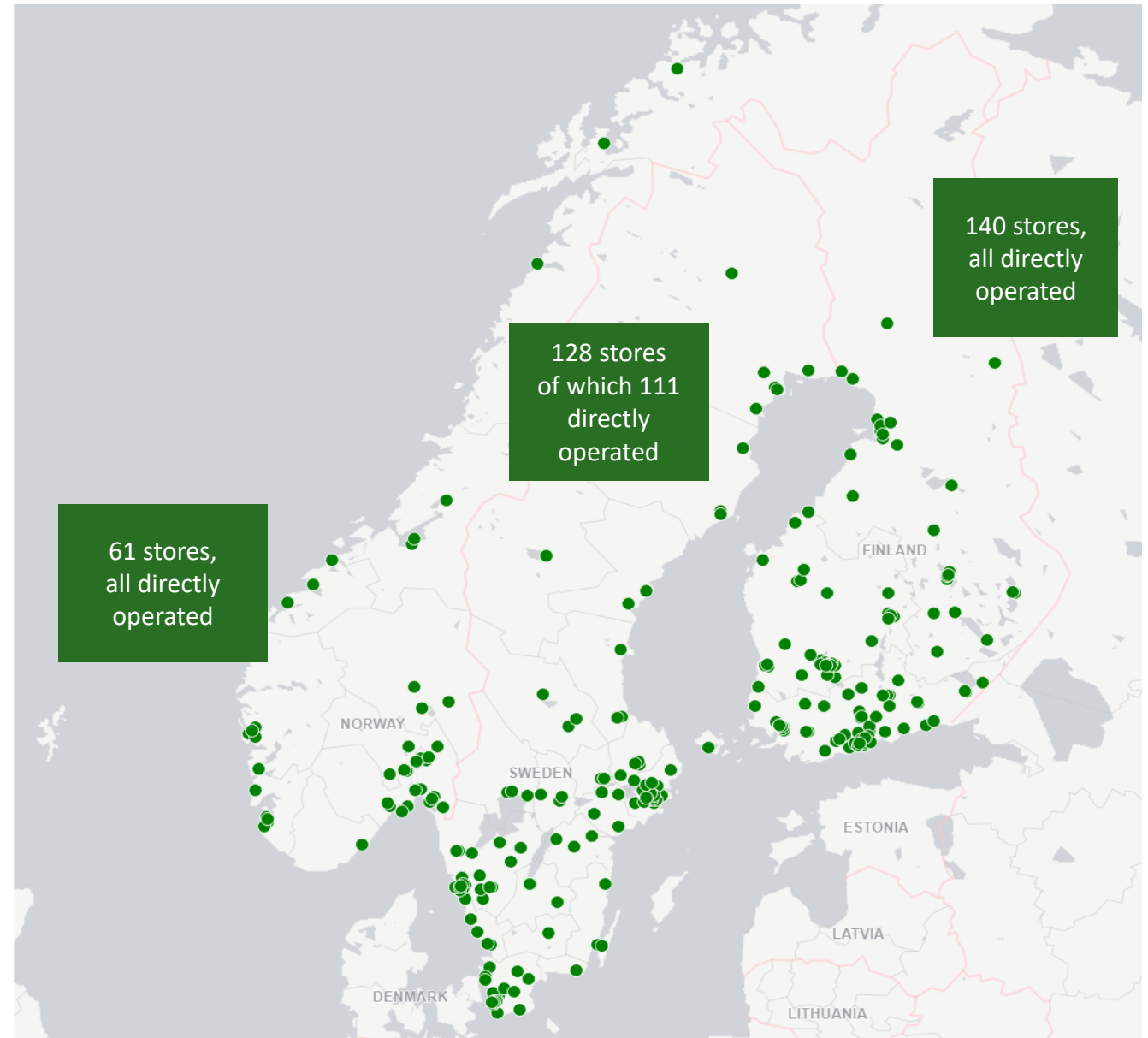


## Growing suite of services

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

# Musti Group has 1.4 million loyal customers

- Number of loyal customers grew to 1,409 thousand by 30 June 2022 (1,257 thousand on 30 June 2021).
- On 30 June 2022 Musti Group had 329 stores, of which 312 directly operated.
- In October 2021 – June 2022, share of online sales was 22.6%.



# Key figures

EUR millions or as indicated	Q3/22	Q3/21	Change%	FY2021
Net sales	95.5	82.7	15.5%	340.9
LFL sales growth, %	8.3%	11.6%		11.8%
LFL store sales growth, %	6.3%	10.7%		8.8%
Online share, %	22.6%	24.1%		23.1%
Adjusted EBITDA	15.6	12.9	20.8%	58.8
Adjusted EBITDA margin, %	16.3%	15.6%		17.3%
Adjusted EBITA	8.3	7.3	14.0%	36.8
Adjusted EBITA margin, %	8.7%	8.8%		10.8%
Operating profit	6.7	5.3	27.3%	28.4
Operating profit margin, %	7.0%	6.4%		8.3%
Earnings per share, basic, EUR	0.13	0.12	7.5%	0.63
Net cash flow from operating activities	14.0	10.1	39.6%	54.9
Investments in tangible and intangible assets	3.3	3.5	-4.3%	12.9
Net debt / LTM adjusted EBITDA	2.1	2.0	4.8%	1.9
Number of loyal customers, thousands	1,409	1,257	12.1%	1,297
Number of stores at the end of the period	329	308	6.8%	312

# Responsibility at Musti Group

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

## Trusty

The Musti responsibility approach

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.

## Trusty

The Musti responsibility approach

THEMES



### Pets and their parents

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



### 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  
+  
Transparency of supply chain



### 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

