



Interim Report

1 October 2022–31 December 2022

31 January 2023

CEO David Rönnerberg

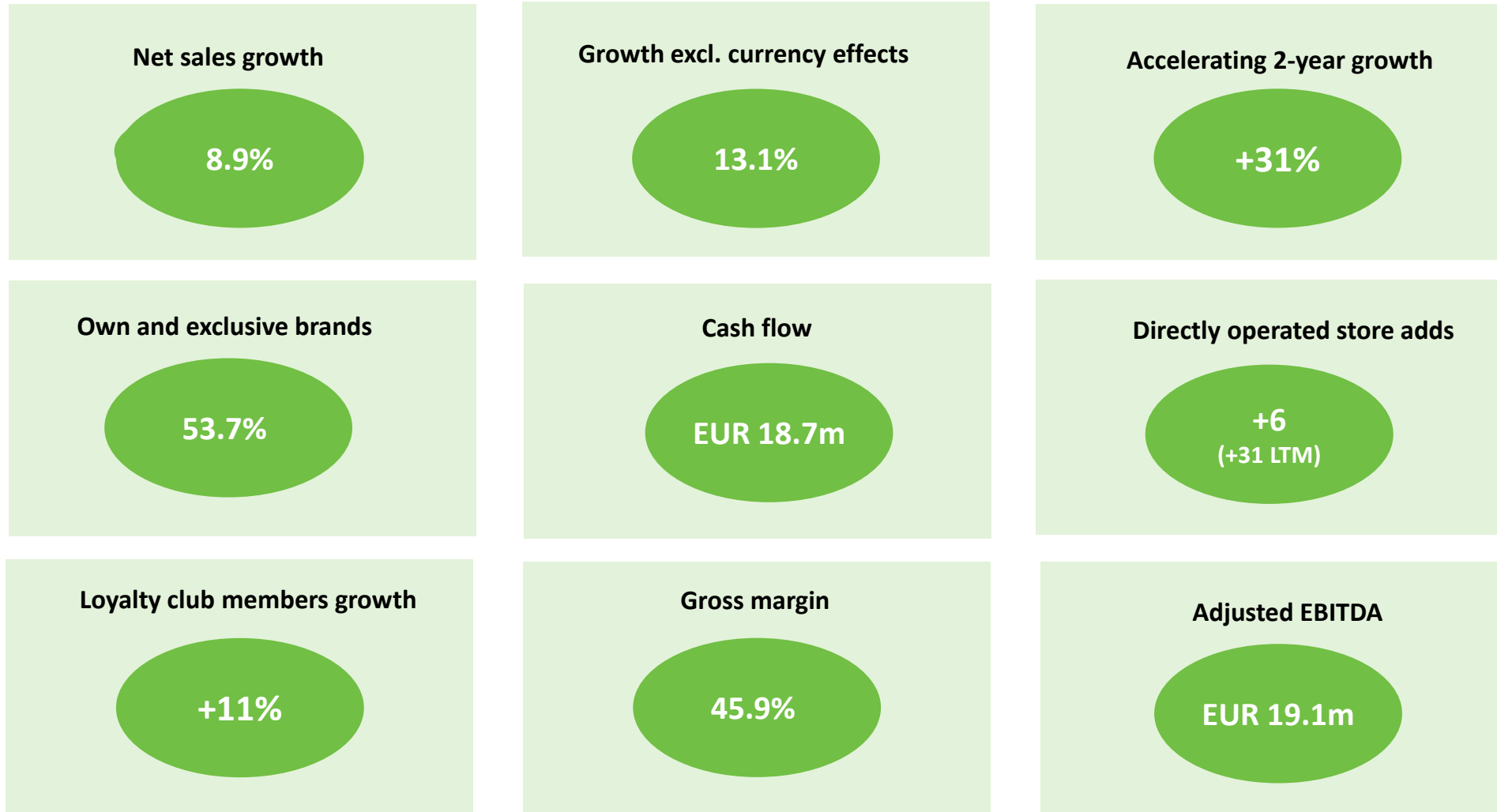
CFO Toni Rannikko





Record sales and cashflow

Summary of the first quarter of the financial year 2023



Highlights Q1/23

- Group net sales totaled EUR 110.4 (101.3) million, an increase of 8.9%.
- Group net sales growth excluding the changes in the currency exchange rates was 13.1%.
- Like-for-like growth, which is calculated in local currencies, amounted to 7.0% (9.2%), with higher growth in food and consumables than in discretionary categories.
- Adjusted EBITDA was EUR 19.1 (19.8) million, down by 3.5%. Adjusted EBITDA margin was 17.3% (19.6%). Recent movements of the local currencies SEK and NOK had a negative impact of EUR 1.0 million on adjusted EBITDA (EUR 0.2 million positive in the comparison period).
- The number of loyal customers increased by 10.8% to 1,485 thousand (1,340 thousand on 31 December 2021).
- Group adjusted EBITA decreased by 12.2% to EUR 11.7 million (EUR 13.3 million). The decrease, compared to previous year's record quarter, was due to lower sales of the discretionary items together with negative currency rate development leading to lower gross margin than in the comparison period. Recent movements of the local currencies SEK and NOK had a negative impact of EUR 0.7 million on adjusted EBITA (EUR 0.2 million positive in the comparison period).
- Adjusted EBITA margin was 10.6% (13.1%).
- Net cash flow from operating activities was EUR 18.7 (13.2) million, up by 41.4%.



Musti puppy acquisitions growth continues, indicating share gain

Market evidence, Sweden

Last 3 months Oct-Dec,
against 2021

-4%

Against pre-covid
Oct – Dec 2019

+11%

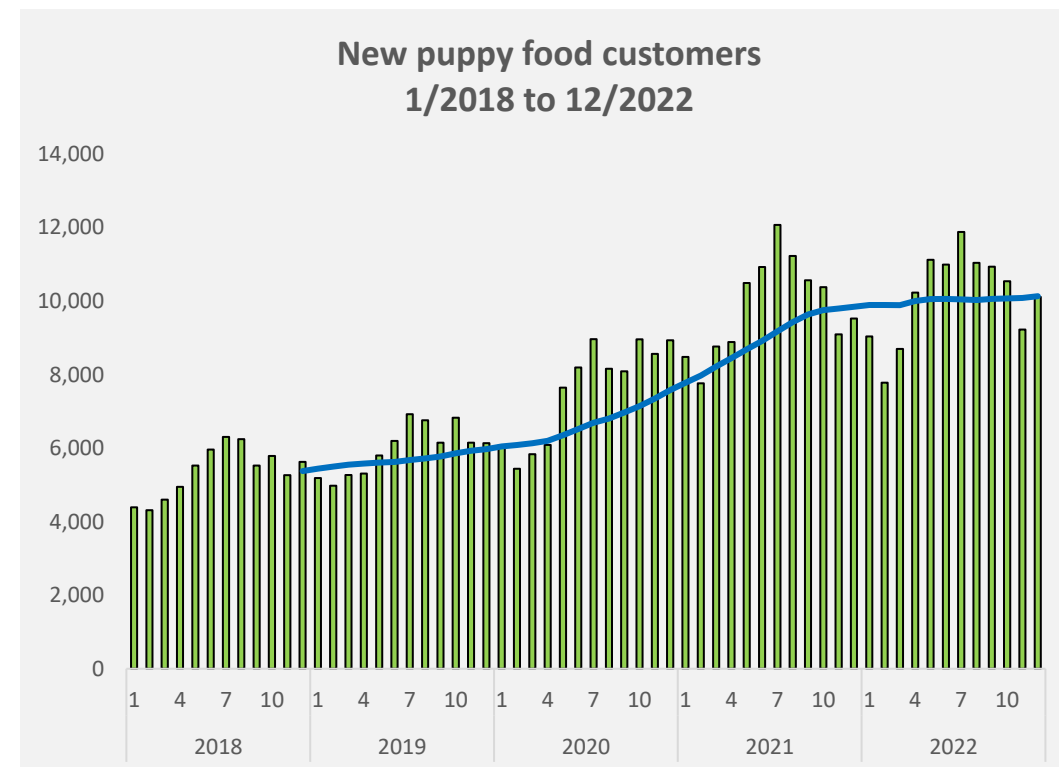
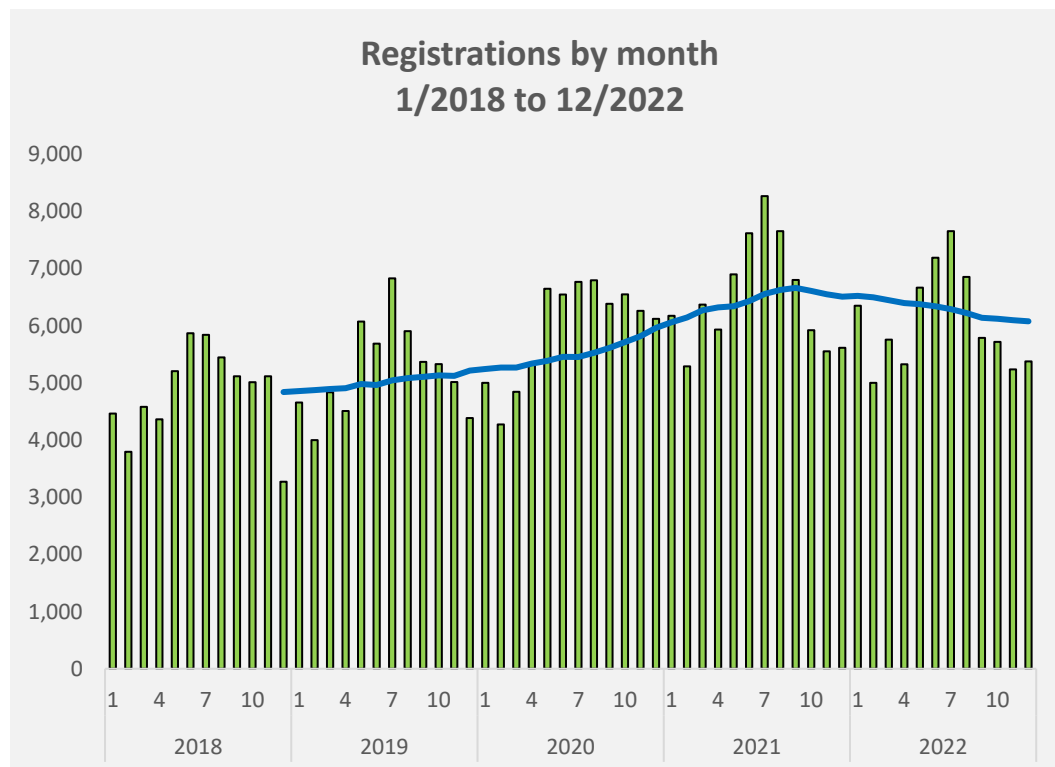
Musti Group trend

Last 3 months Q1/23
against Q1/22

+3%

Against pre-covid
Q1/20

+56%

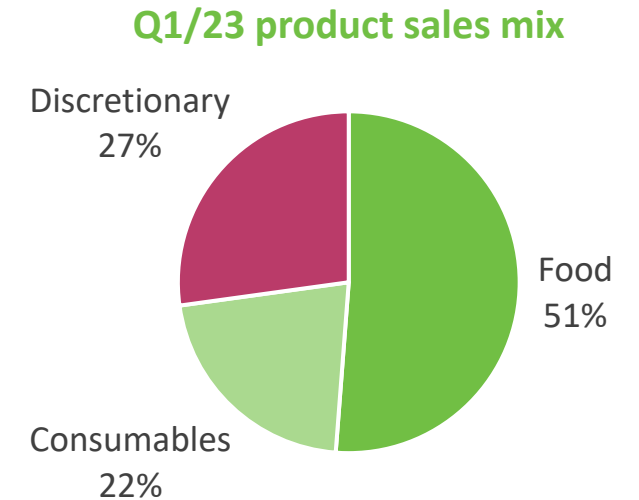
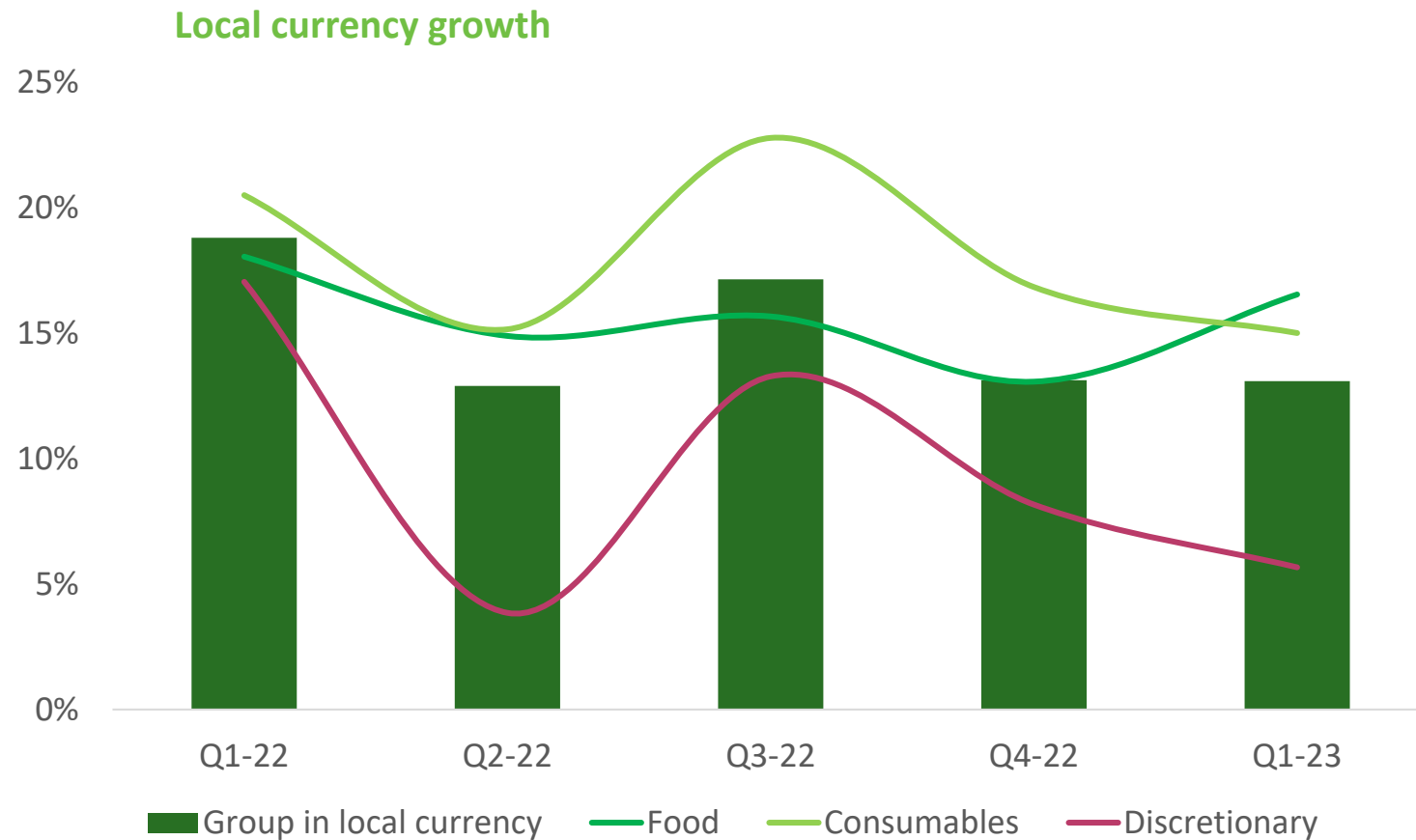


Source: Jordbruksverket



Double digit growth in resilient food and consumables categories

Discretionary product categories delivered positive growth against high comparable figures in a tougher demand environment



- Food represents >50% of product sales with recurring purchasing habits
- Consumables categories including treats and hygiene products relatively steady
- Discretionary accessories categories are more volatile, as seen in H1/22

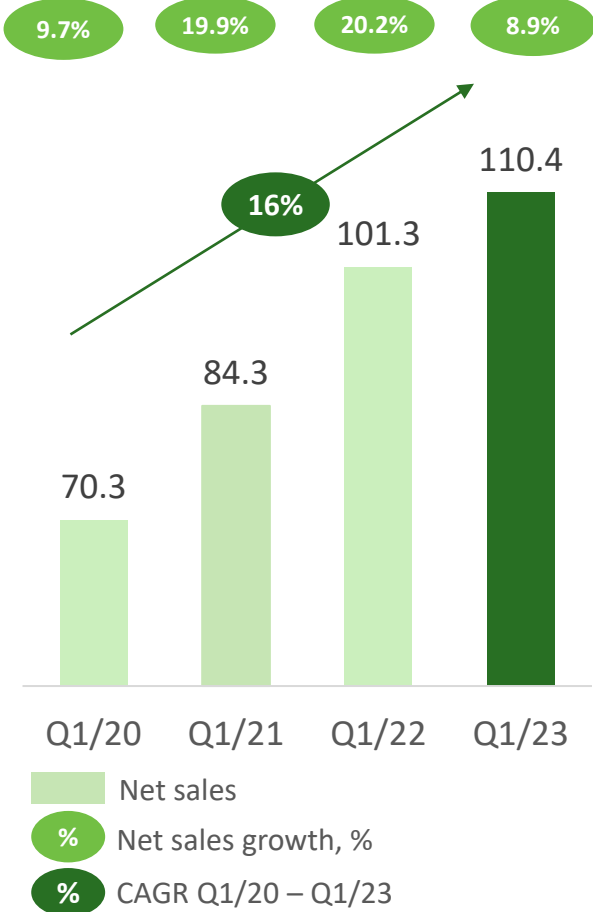
Net sales grew 8.9% to EUR 110.4 million, FX neutral growth 13.1%

LTM sales passed EUR 400 million for the first time

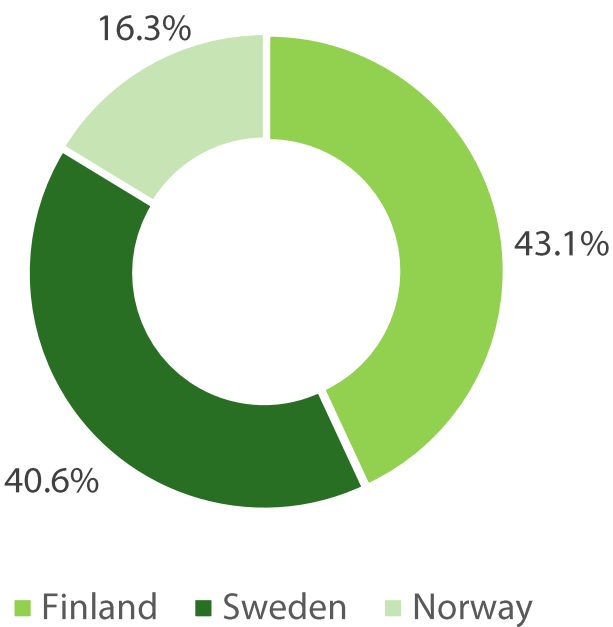
Quarterly net sales, EUR million



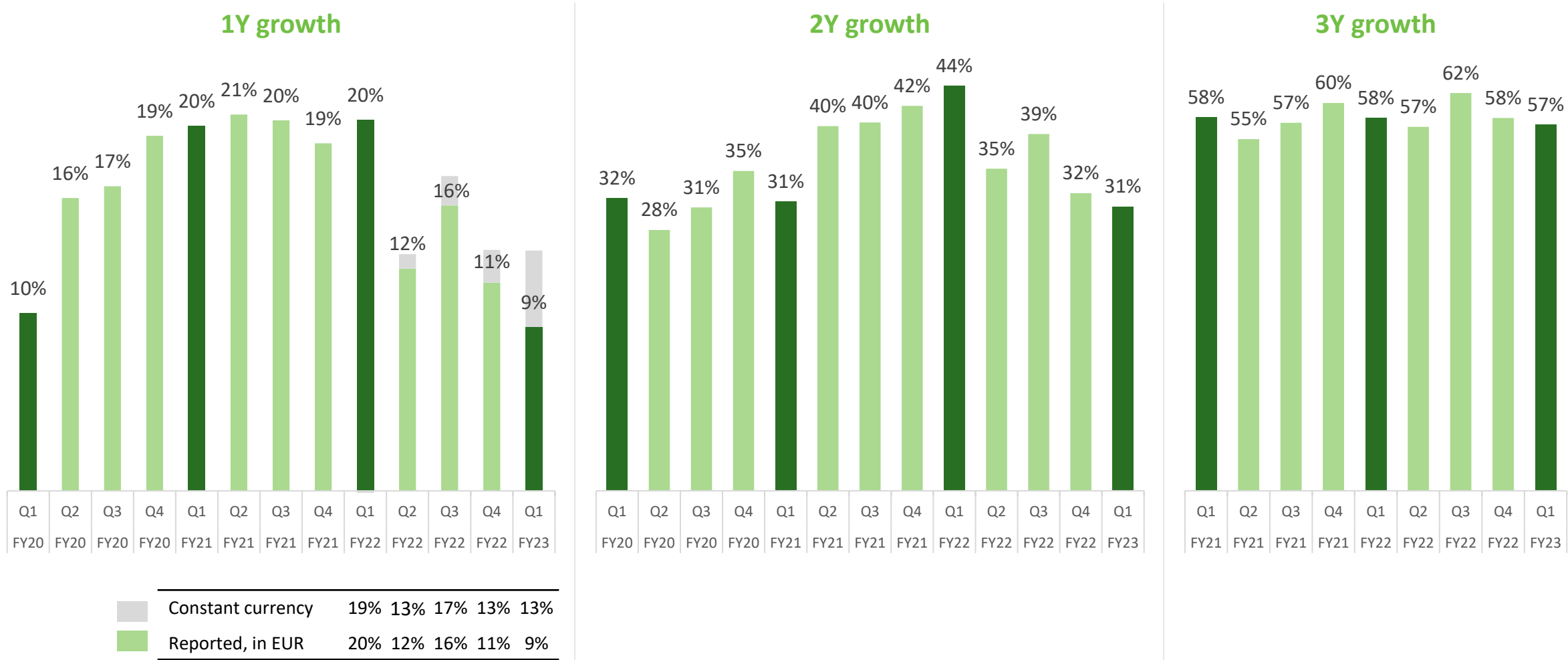
FY net sales, EUR million



Net sales by segment in Q1/2023



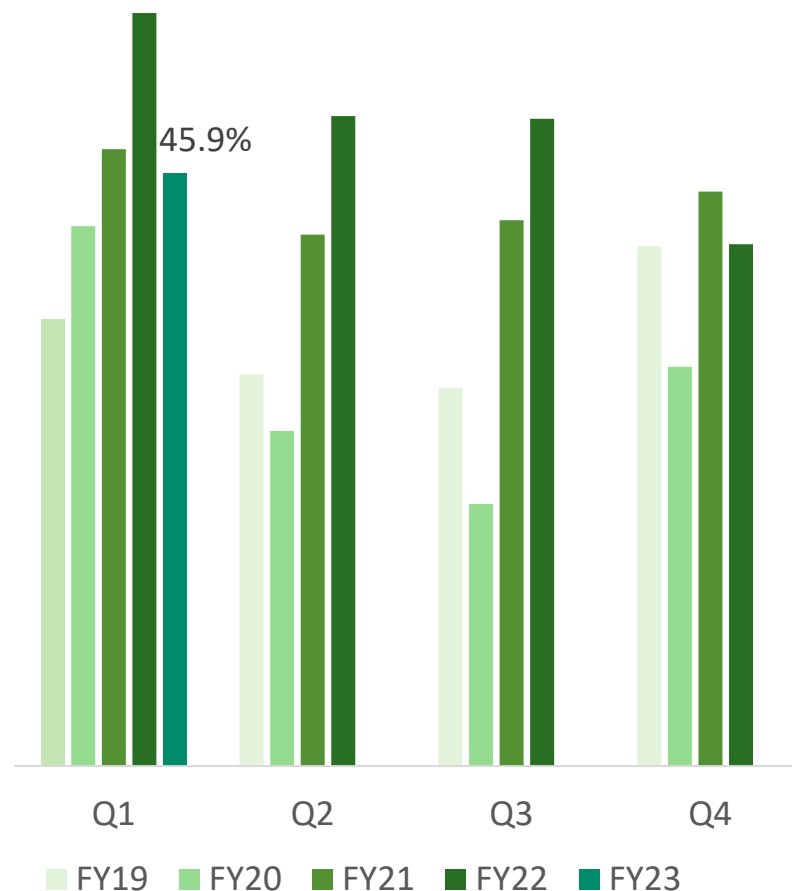
Growth 9% equivalent to 13% in constant currency, 31% on 2-year basis



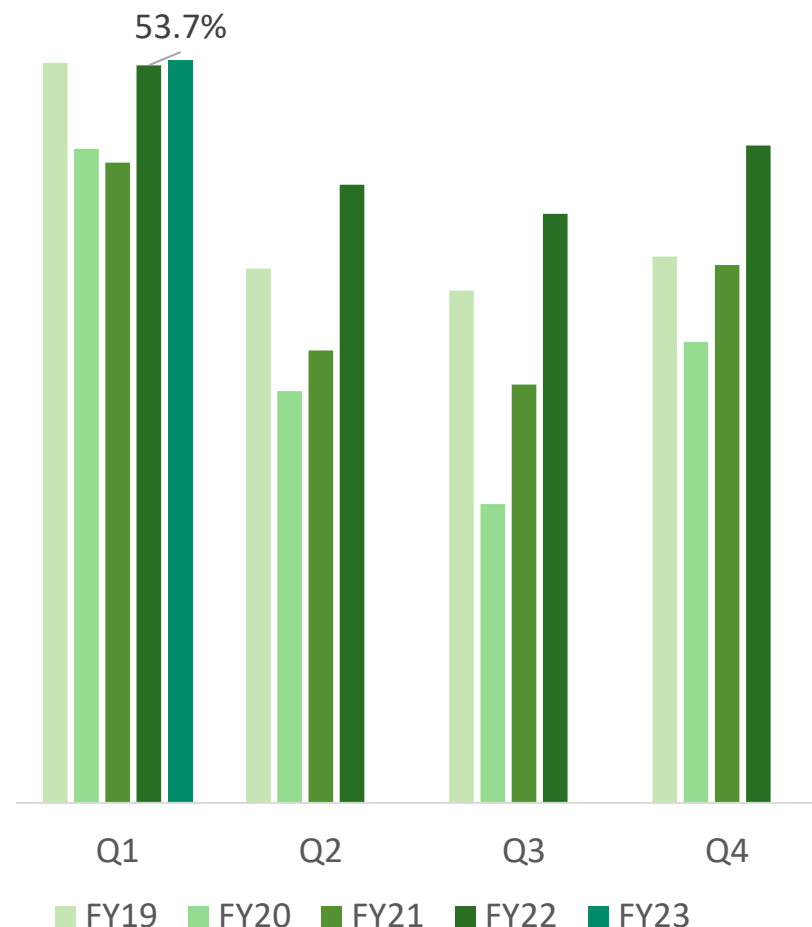
Share of O&E products increased to 53.7%

- The share of sales of own and exclusive brands increased to 53.7% (53.6%).
- Gross margin decreased to 45.9% (47.5%). Gross margin was negatively impacted by increased inflation, unfavorable currency exchange rate development and lower sales of discretionary products compared to the comparison period previous year.

Gross margin %

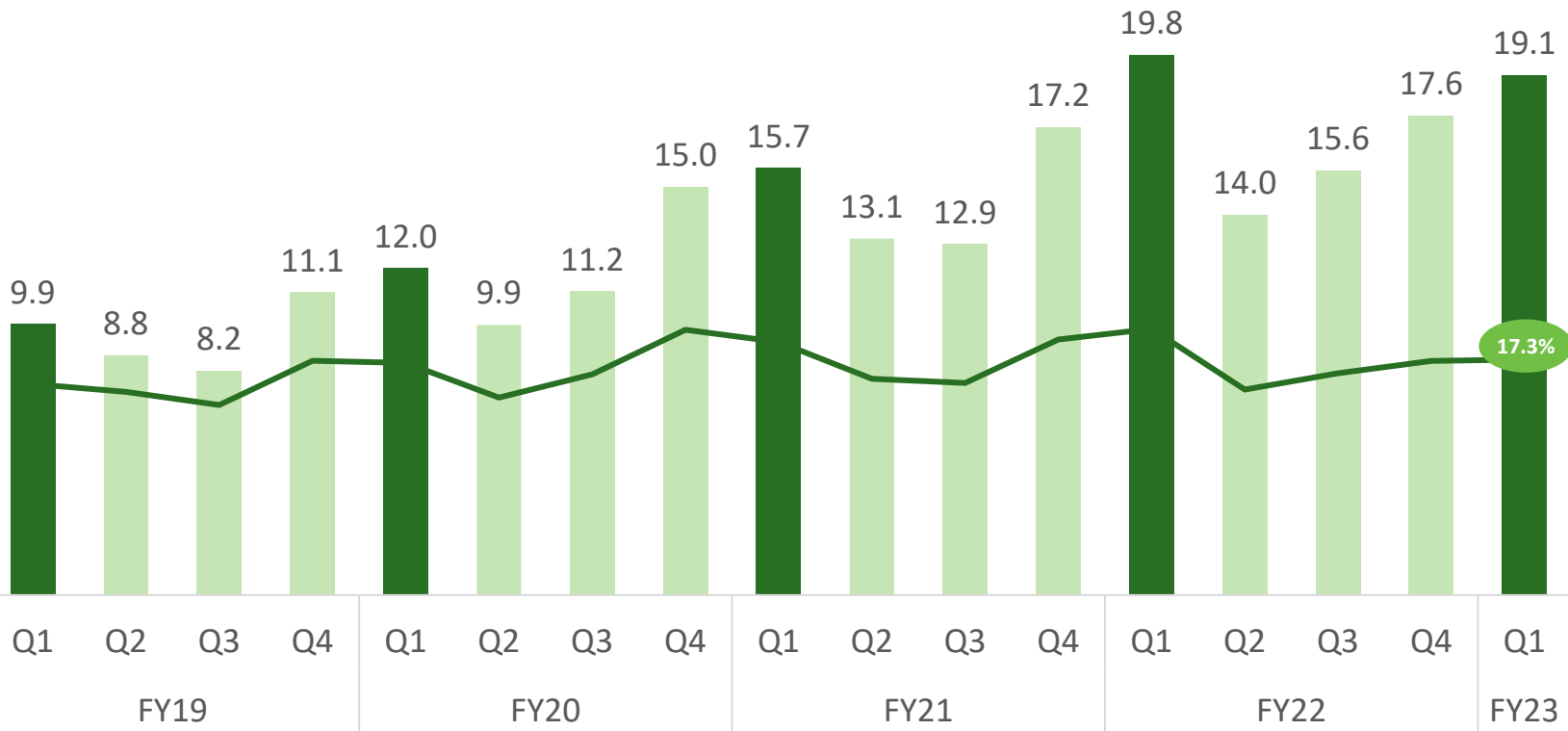


O&E %

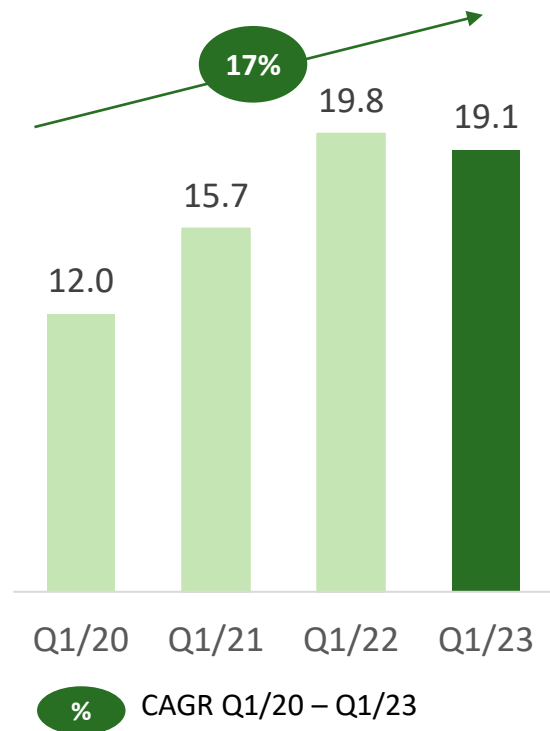


Group adjusted EBITDA amounted to EUR 19.1 million in Q1/23

Quarterly adjusted EBITDA, EUR million



Adjusted EBITDA, EUR million

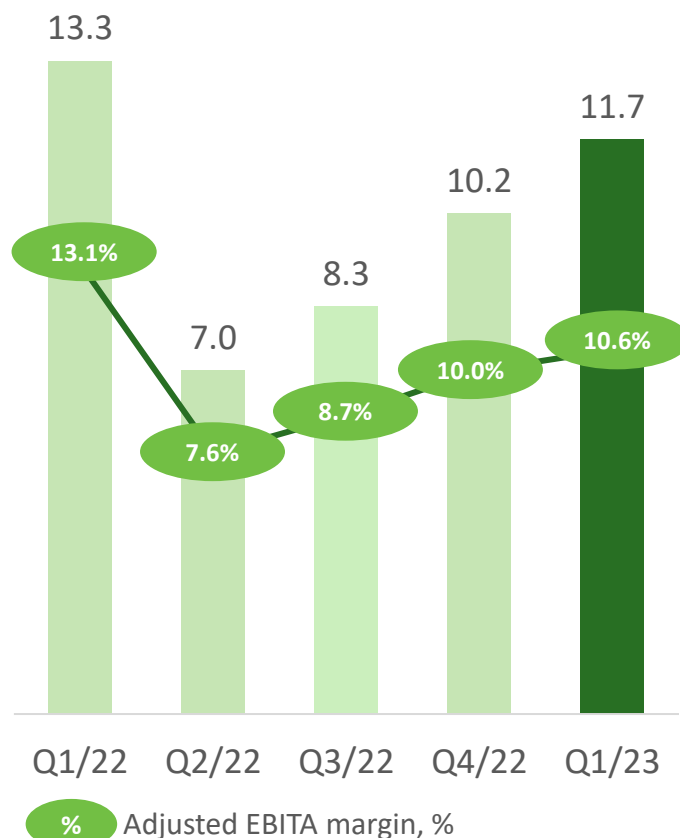


Adjusted EBITDA margin, %

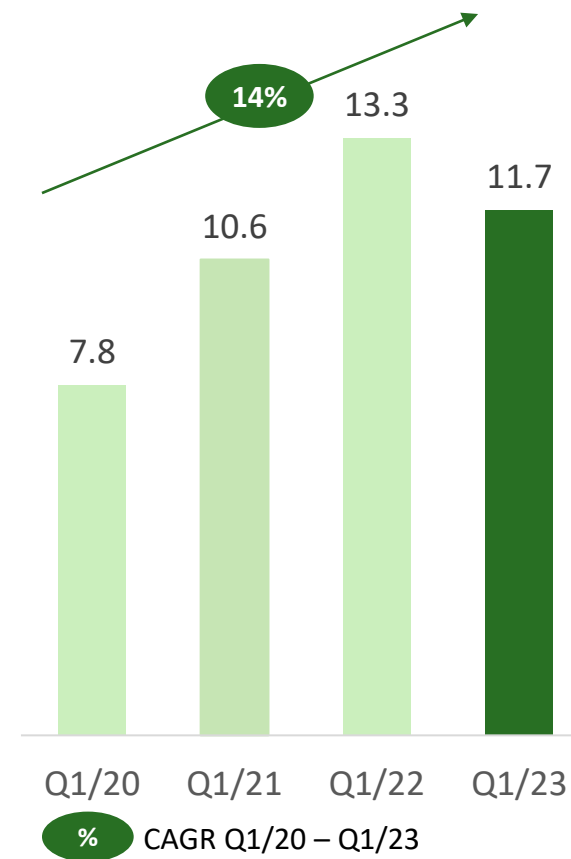
Group adjusted EBITA amounted to EUR 11.7 million in Q1/23

- Group adjusted EBITA decreased by 12.2% to EUR 11.7 million (EUR 13.3 million).
- The decrease, compared to previous year's record quarter, was due to lower sales of the discretionary items together with negative currency rate development leading to lower gross margin than in the comparison period.
- Inflation was mitigated by net price increases of 5%.
- Recent movements of the local currencies SEK and NOK had a negative impact of EUR 0.7 million on adjusted EBITA (EUR 0.2 million positive in the comparison period).
- Adjusted EBITA margin was 10.6% (13.1%).
- Group functions cost in relation to group net sales improved to 7.5% (8.1%). The improvement was driven by the scalability achieved in the Group head office and the central warehouse.

Quarterly adjusted EBITA, EUR million



Adjusted EBITA, EUR million



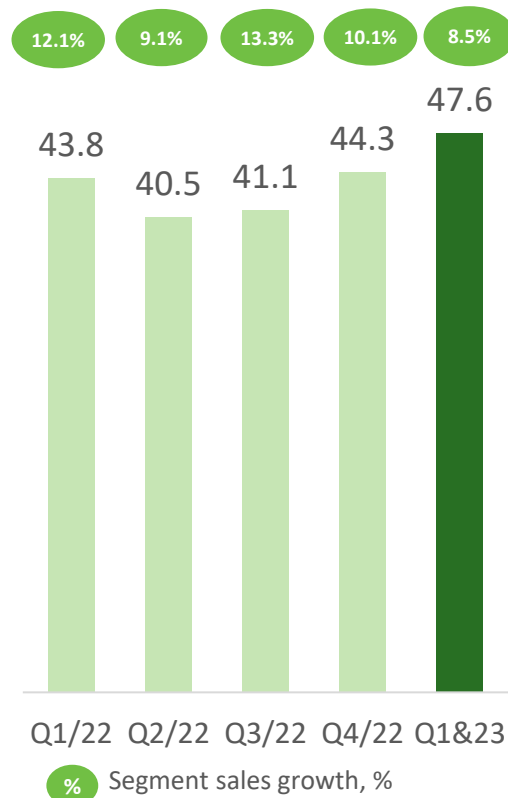


Segments

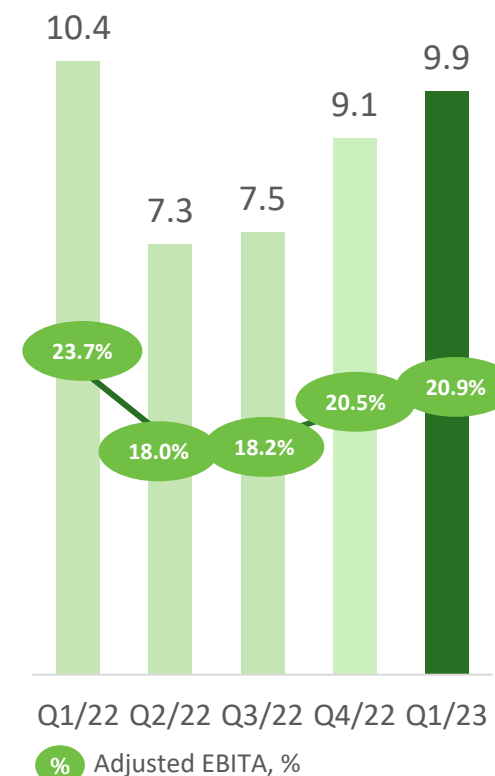
Net sales in Finland increased by 8.5% to EUR 47.6 million

- Net sales in Finland increased by 8.5% to EUR 47.6 million (EUR 43.8 million).
- Sales growth was supported by the strong growth in online channels, accelerating performance of stores in ramp-up phase underpinned by healthy inflow of new customers.
- Like-for-like growth was 6.9%.
- Adjusted EBITA decreased by 4.6% to EUR 9.9 million (EUR 10.4 million).
- Adjusted EBITA margin was 20.9% (23.7%)
- The decrease in profitability was mainly due to gross margin pressure and increased personnel and premise costs.
- During Q1, one directly operated store was merged to another store, no new stores were opened.

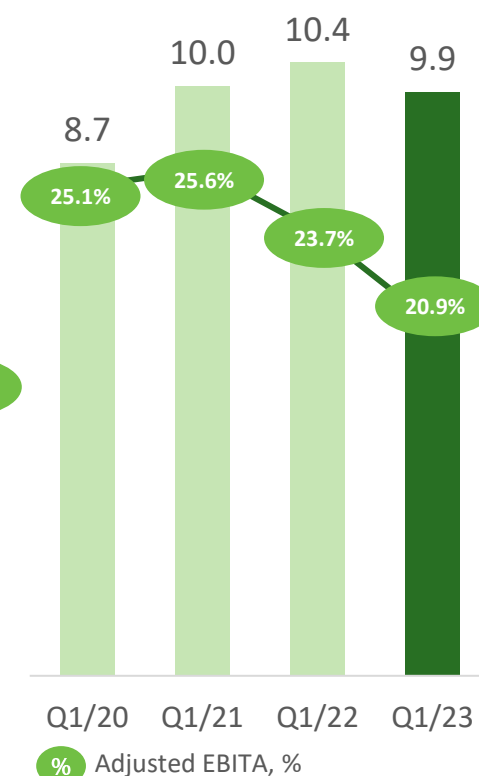
Net sales, EUR million



Quarterly adjusted EBITA, EUR million



Adjusted EBITA, EUR million



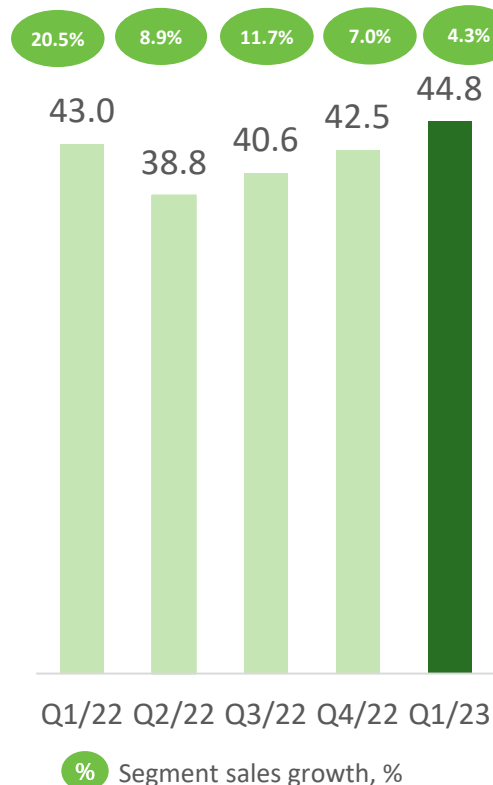
Adjusted EBITDA %	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Finland	29.2 %	24.3 %	24.6 %	26.5 %	26.5 %

Adjusted EBITDA %	Q1 2020	Q1 2021	Q1 2022	Q1 2023
Finland	30.3 %	30.7 %	29.2 %	26.5 %

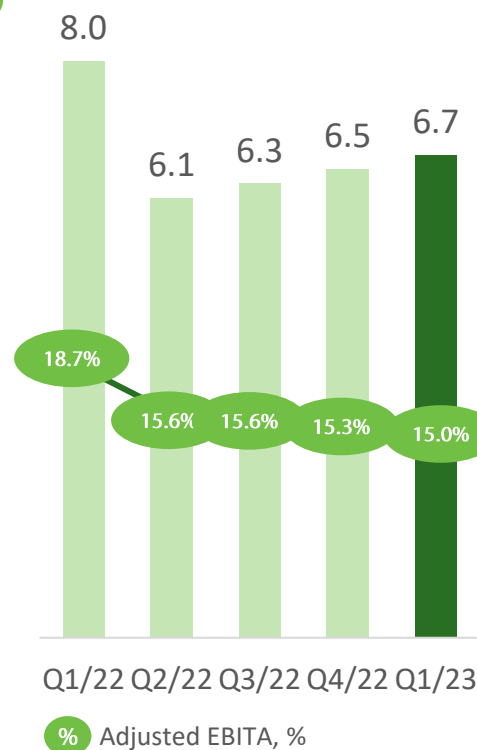
Net sales in Sweden increased by 4.3% to EUR 44.8 million, FX neutral growth 12.9%

- Net sales in Sweden increased by 4.3% to EUR 44.8 million (EUR 43.0 million).
- The weakened SEK exchange rate decreased sales by EUR 3.6 million in Q1. The growth excluding the adverse effect from the currency exchange rate change was 12.9%.
- Like-for-like growth, which is calculated in local currencies, was 7.3%.
- Adjusted EBITA decreased by 16.1% to EUR 6.7 million (EUR 8.0 million). The decrease was due to gross margin pressure and negative development of the currency exchange rate.
- Adjusted EBITA margin decreased to 15.0% (18.7%).
- During Q1, one franchise store and two third party stores were acquired in Sweden. No new stores were opened.

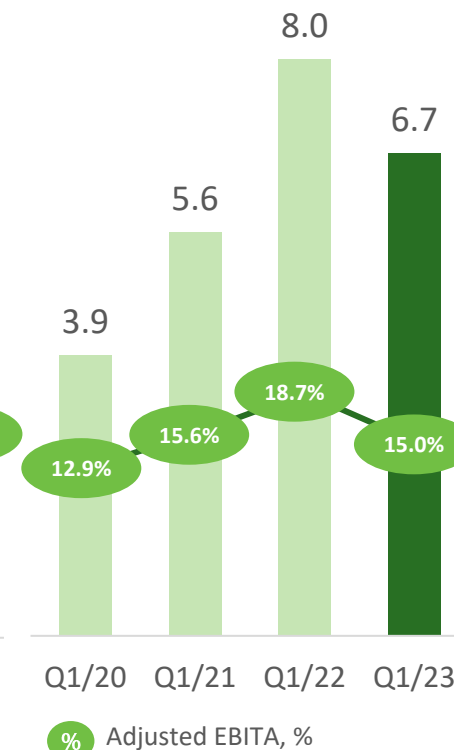
Net sales, EUR million



Quarterly adjusted EBITA, EUR million



Adjusted EBITA, EUR million



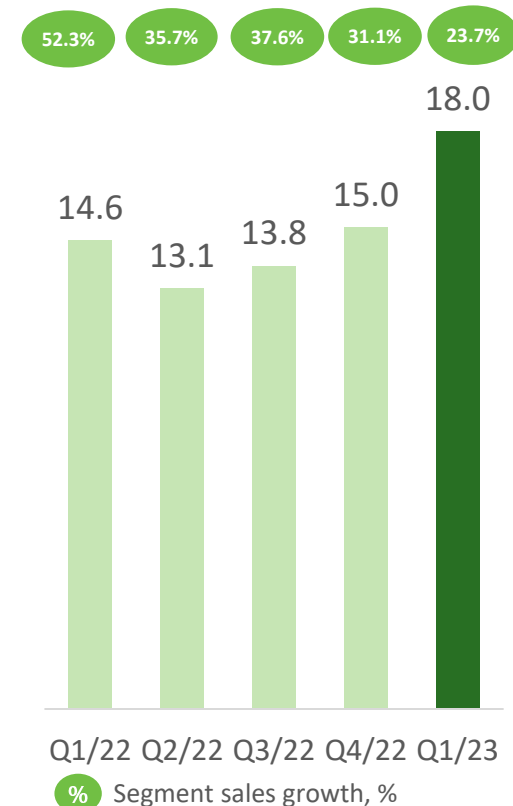
Adjusted EBITDA %	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Sweden	24.3 %	22.2 %	22.2 %	21.6 %	21.0 %

Adjusted EBITDA %	Q1 2020	Q1 2021	Q1 2022	Q1 2023
Sweden	17.9 %	20.9 %	24.3 %	21.0 %

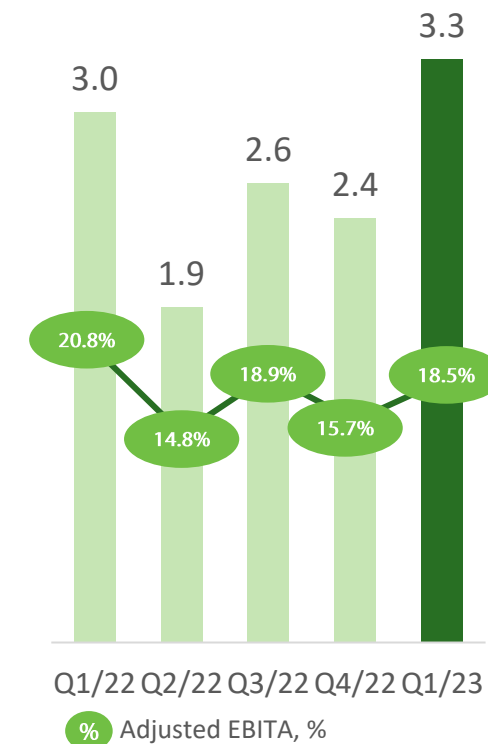
Net sales in Norway increased by 23.7% to EUR 18.0 million

- Net sales in Norway increased by 23.7% to EUR 18.0 million (EUR 14.6 million), driven by like-for-like growth and ramp-up of the stores opened during the latest twelve months.
- The NOK exchange rate in Q1 had a EUR 0.6 million negative impact on net sales. The growth excluding the adverse effect from the currency exchange rate change was 27.9%.
- Like-for-like growth, which is calculated in local currencies, was 6.5%.
- Adjusted EBITA increased by 9.7% to EUR 3.3 million (EUR 3.0 million). The increase was driven by the sales increase and burdened by gross margin pressure and negative development of the currency exchange rate.
- Adjusted EBITA margin was 18.5% (20.8%).
- During Q1, three directly operated stores were opened and one store was acquired in Norway.

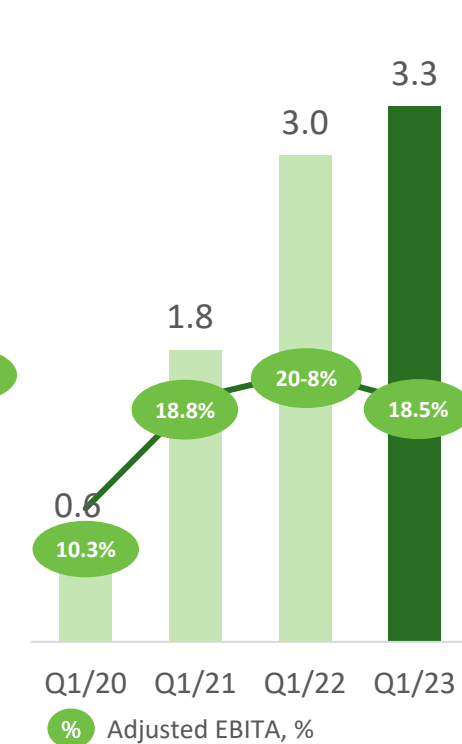
Net sales, EUR million



Quarterly adjusted EBITA, EUR million



Adjusted EBITA, EUR million



Adjusted EBITDA	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Norway	27.7 %	23.5 %	27.6 %	24.4 %	26.1 %

Adjusted EBITDA %	Q1 2020	Q1 2021	Q1 2022	Q1 2023
Norway	19.5 %	26.5 %	27.7 %	26.1 %

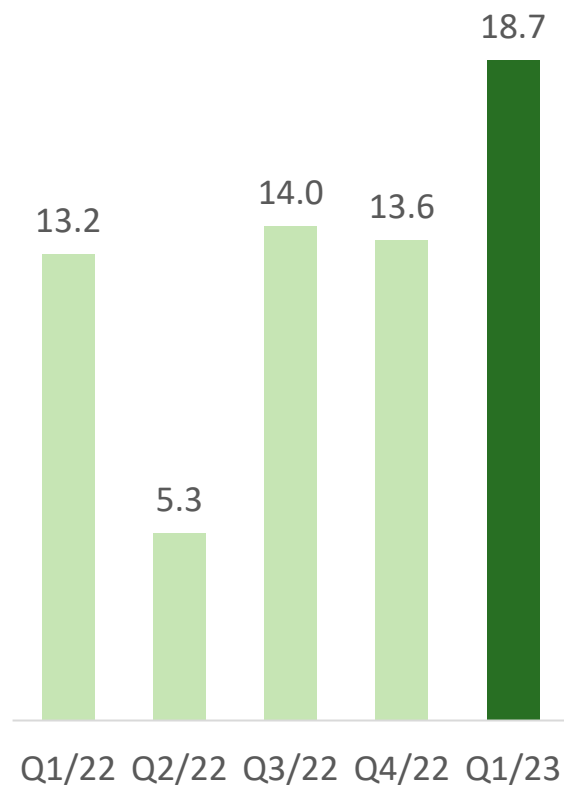


Financial position

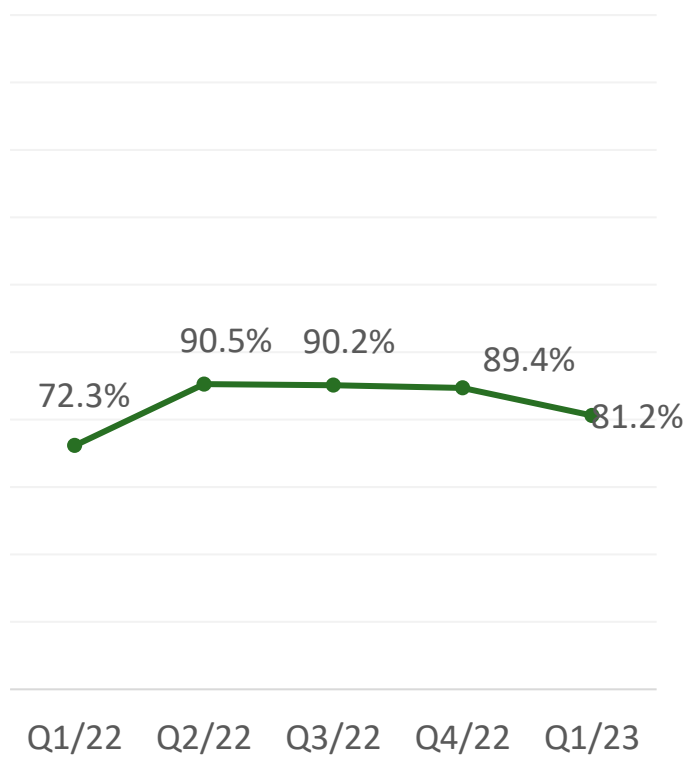
Cash flow from operating activities totaled a record high EUR 18.7 million

- Net cash flow from operating activities totaled EUR 18.7 million (EUR 13.2 million). Decrease in net working capital contributed to the cash flow by EUR 1.2 million (EUR -5.4 million) during the quarter.
- Gearing at the end of the reporting period was 81.2% (30 September 2022: 89.4%)
- Net debt amounted to EUR 134.6 million (30 September 2022: EUR 143.4 million). At the end of the period:
 - interest-bearing loans and commercial papers included in net debt amounted to EUR 72.3 million (30 September 2022: EUR 74.8 million)
 - lease liabilities EUR 78.5 million (30 September 2022: EUR 80.7 million)
- Net debt in relation to LTM adjusted EBITDA was 2.0x.
- Cash and cash equivalents at the end of the period amounted to EUR 14.7 million (30 September 2022: EUR 10.0 million).
- In Q1, investments amounted to EUR 3.0 million (EUR 4.7 million). In addition, in the quarter EUR 2.4 million were invested related to business acquisitions of stores in Sweden and Norway.

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.

Growth	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.
Profitability	Mid- to long-term adjusted EBITA margin of at least 13 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

- Record sales and cashflow despite inflation placing incremental pressure on both our customers and ourselves.
- Top-line growth continues the momentum seen since 2020 with a 2-year growth of 31%.
- We faced exceptional headwinds from SEK and NOK, affecting the Group sales by 4.2%-points in the quarter.
- Pet sector is proving its resilience and defensive growth characteristics, approximately 70% of Musti Group's products are non-discretionary.
- We continue succeeding in winning new customers and increasing the stickiness of the existing customers by strengthening our ecosystem.
- The decrease in profitability, compared to previous year's record quarter, was due to lower sales of the discretionary items together with negative currency rate development leading to a lower gross margin than in the comparison period.
- Group functions cost in relation to group net sales continued to improve, driven by the scalability achieved in the company head office and the central warehouse.
- On track with the long-term financial targets



More information

David Rönnerberg, CEO
+46 70 896 6552
david.ronnberg@mustigroup.com

Toni Rannikko, CFO
+358 40 078 8812
toni.rannikko@mustigroup.com

Essi Nikitin,
Head of IR and Communications
+358 50 581 1455
essi.nikitin@mustigroup.com

www.mustigroup.com/investors

Twitter [@MustiGroup](https://twitter.com/MustiGroup)

Half-Year Financial Report
for October 2022 – March
2023 will be published on
4 May 2023.



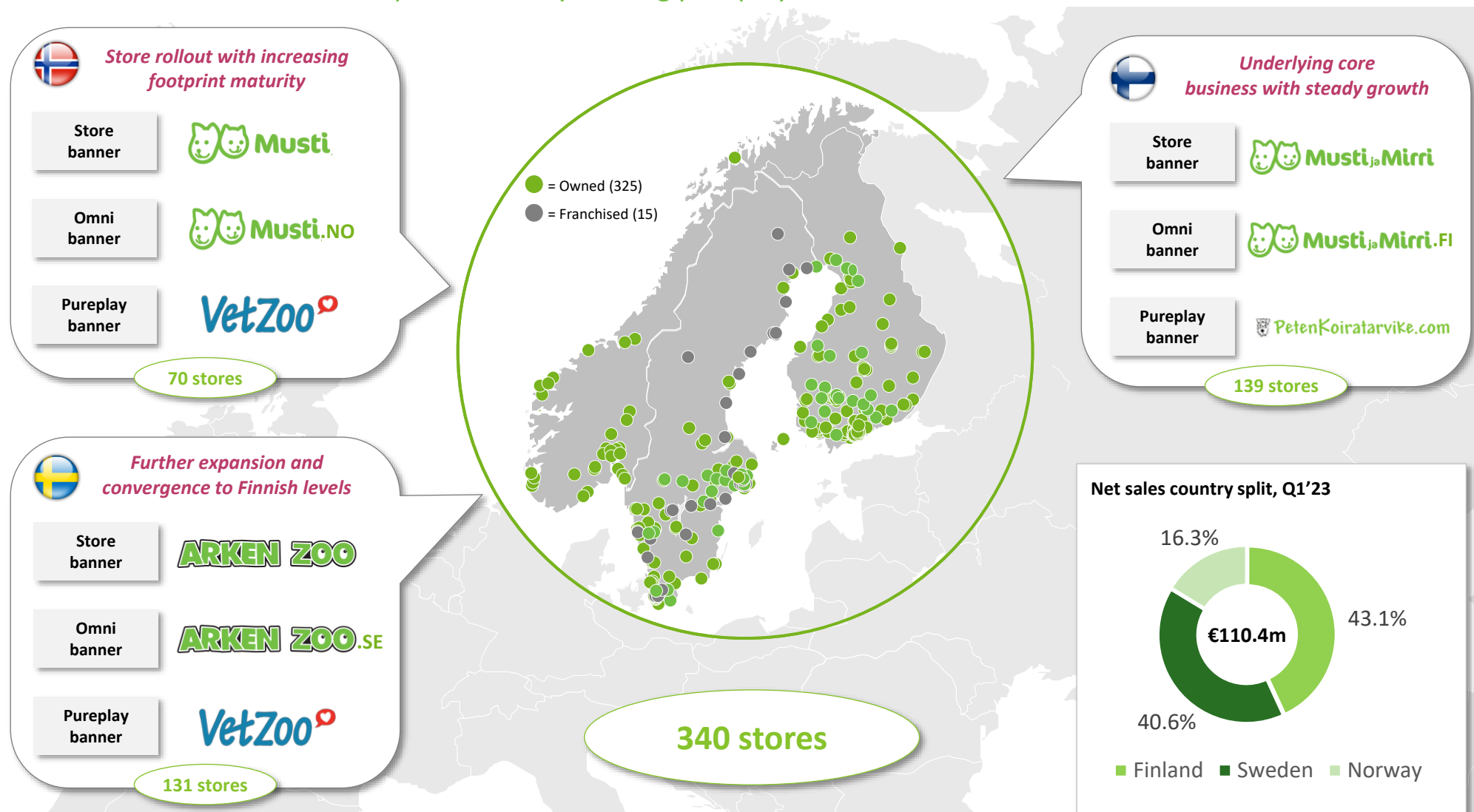
Thank you!



Appendix

Musti is the only pan-Nordic omnichannel player in pet care

Store and omnichannel banners complemented by leading pureplay brands



Musti Group – the leading Nordic pet care specialist



Leading Nordic pet care specialist
#1 in Nordics,
25% market share¹



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



Wide loyalty program
1.5 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 model²
340 stores, 22.2% of net sales generated through online channel in Q1/23



High quality O&E assortment
Strong O&E brand portfolio, 54% of product sales in own channels in Q1/23

Source: Company information, a study ordered by the company from an international consulting company. Note: Financial Year Ended 30 September. ¹2021 market share for Nordic pet food and products market; Musti's market share is based on FY22 consumer sales (including sales from franchisees). ²Omnichannel represents physical stores and online.

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

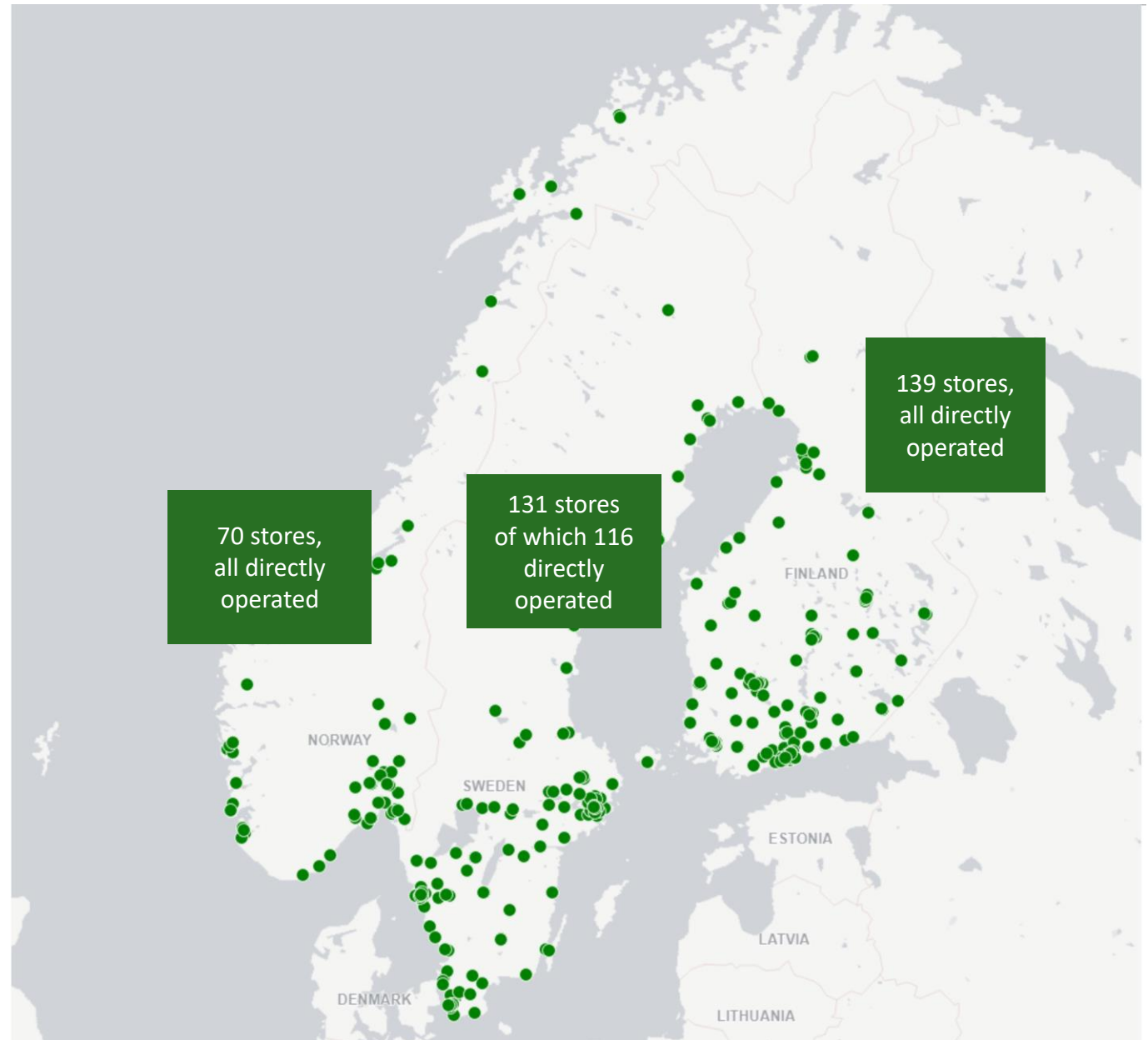


Growing suite of services

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

Musti Group has 1.5 million loyal customers

- Number of loyal customers grew to 1,485 thousand by 31 December 2022 (1,340 thousand on 31 December 2021).
- On 31 December 2022, Musti Group had 340 stores, of which 325 directly operated.
- In October 2022 – December 2022, share of online sales was 22.2%.



Key figures

EUR millions or as indicated	Q1/23	Q1/22	Change%	FY2022
Net sales	110.4	101.3	8.9%	391.1
LFL sales growth, %	7.0%	9.2%		6.7%
LFL store sales growth, %	3.7%	6.6%		4.2%
Online share, %	22.2%	21.5%		22.2%
Adjusted EBITDA	19.1	19.8	-3.5%	66.9
Adjusted EBITDA margin, %	17.3%	19.6%		17.1%
Adjusted EBITA	11.7	13.3	-12.2%	38.8
Adjusted EBITA margin, %	10.6%	13.1%		9.9%
Operating profit	10.1	10.2	-0.8%	30.9
Operating profit margin, %	9.2%	10.1%		7.9%
Earnings per share, basic, EUR	0.21	0.20	3.3%	0.67
Net cash flow from operating activities	18.7	13.2	41.4%	46.1
Investments in tangible and intangible assets	3.0	4.7	-35.4%	14.2
Net debt / LTM adjusted EBITDA	2.0	1.9	7.9%	2.1
Number of loyal customers, thousands	1,485	1,340	10.8%	1,454
Number of stores at the end of the period	340	320	6.3%	335

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

CO₂ 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

