



Financial Statements Review

1 October 2022–30 September 2023

9 November 2023

CEO David Rönnerberg

CFO Toni Rannikko



Summary Q4 and FY2023

Q4, July – September 2023

October 2022–
September 2023

Net sales

EUR 110.4m

Growth excl. currency effects

14.4%

Like-for-like sales growth

10.0%

Net sales

EUR 425.7m

Own and exclusive brands

52.0%

Cash flow

EUR 29.0m

Online like-for-like growth

20.7%

Cash flow

EUR 79.6m

Loyalty club members growth

+6%

Gross margin

46.0%
[45.2%]

Adjusted EBITDA

EUR 20.6

Adjusted EBITDA

EUR 73.6m

Update on recall of two Smaak grain-free products

- After the reporting period, Musti Group has withdrawn specific batches of two Smaak grain-free products from our markets
- Possible cause has been established: High concentration of glycoalkaloids in a batch of imported potato flakes
- This batch of potato flakes has been used in these two grain-free recipes, which have been withdrawn while waiting for further results from laboratory analysis
- While majority of these batches were halted in stores and warehouses, pets have unfortunately fallen ill
- Public concern has been significant, and Musti has concentrated all possible means to working with experts and authorities since the first issues emerged to identify the cause, withdraw affected batches and help our customers
- Sales of these two recipes for FY23 total 2.5 MEUR, while sales of the Smaak brand was 16 MEUR in the same period
- Musti sales have remained steady over the days surrounding and after this recall across our countries
- Musti Group has pledged to re-imburse veterinary costs related to these batches, stopped ordering from the potato supplier and implemented further self-monitoring at the Lieto factory

Glycoalkaloid in potato

- Glycoalkaloids occur naturally in potatoes
- Abnormally high concentration of glycoalkaloids in a batch of potato flakes bought within EU could be the likely reason for pets falling ill based on the symptoms and ingredients in the food while high heat treatment of the products rules out bacterial reasons as unlikely
- Glycoalkaloids do not have established feed limits in the EU, this is why European suppliers do not measure values for every batch
- This batch of potato flakes has been used in two Smaak grain-free recipes and a batch produced for a customer enterprise
- Potato starch ingredient used in two other Smaak recipes is sourced from a Finnish supplier and has been tested safe

Premium Pet Food Suomi

- Musti Group's pet food factory in Lieto, Finland
- Dry food production line started in 2021 with latest technology
- FSSC 22000 (Food Safety System Certificate), used globally to ensure food safety standards and processes
- ISO 14001 (environmental certificate), recognized international standard for environmental management systems
- These standards emphasising environmental aspects and food safety are voluntary for pet food manufacturers



Strong growth with improved profitability

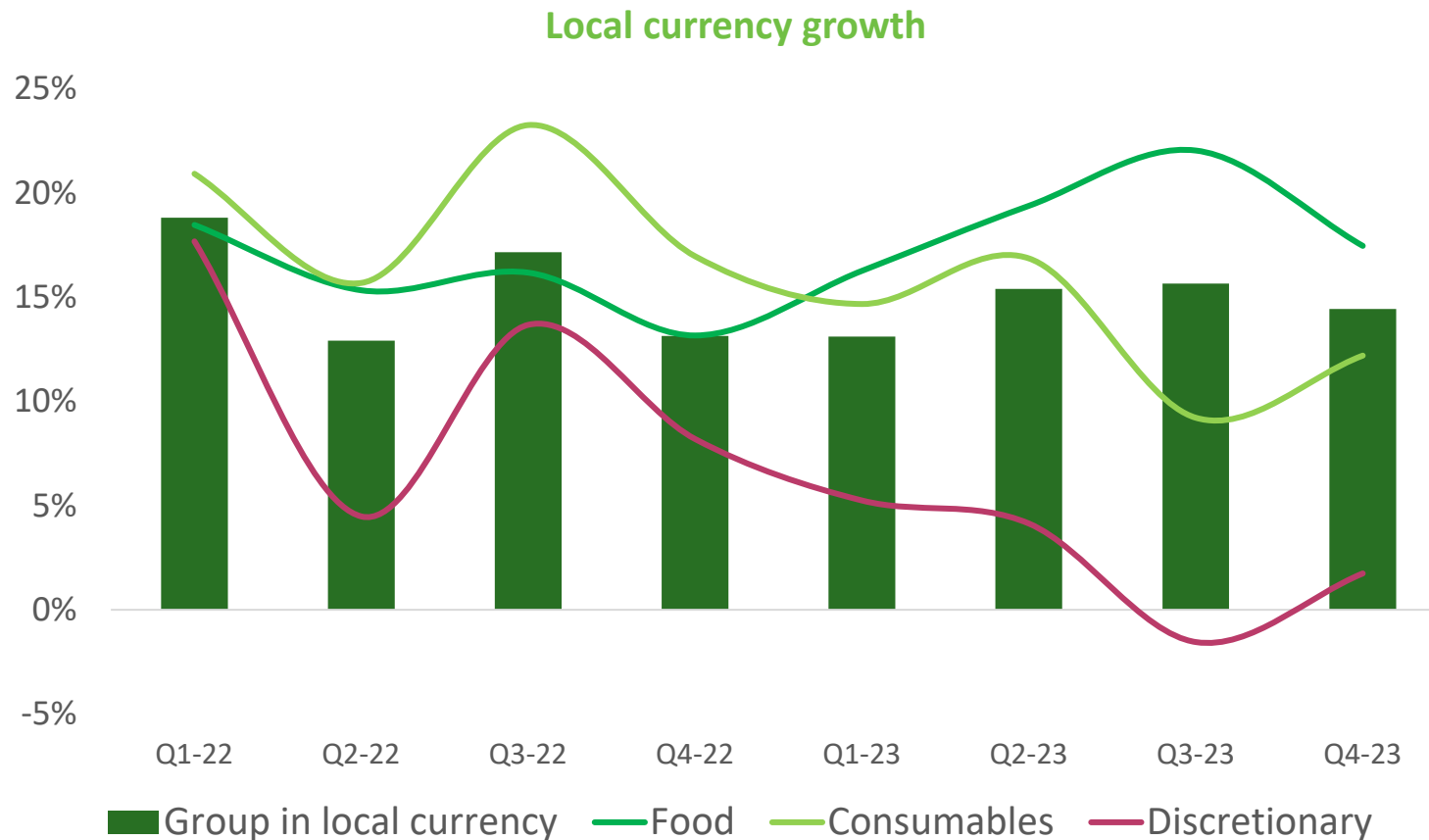
Highlights Q4/23

- Group net sales totaled EUR 110.4 (101.8) million, an increase of 8.4%, and 14.4% excluding changes in currency exchange rates
- Like-for-like growth, which is calculated in local currencies, amounted to 10.0% (4.7%)
- Online like-for-like continued strong at 20.7%
- Gross margin improved year-on-year to 46.0% (45.2%)
- Adjusted EBITDA increased 17.3% to EUR 20.6 (17.6) million driven by traffic, production integration, price increases mitigating inflation and tight cost control, despite the inflationary environment.
- Adjusted EBITDA margin increased to 18.7% (17.2%).
- Adjusted EBITA increased by 23.7% to EUR 12.6 (10.2) million.
- Recent movements of the local currencies SEK and NOK had a negative impact of EUR 0.8 million on adjusted EBITA.
- Adjusted EBITA margin was 11.4% (10.0%).
- The number of loyal customers increased by 6.1% to 1,543 thousand (1,454 thousand on 30 September 2022).
- Net cash flow from operating activities was EUR 29.0 (13.6) million, up by 113.6%.
- The Board proposes to the Annual General Meeting that shareholder will be paid a capital return of EUR 0.60 per share.

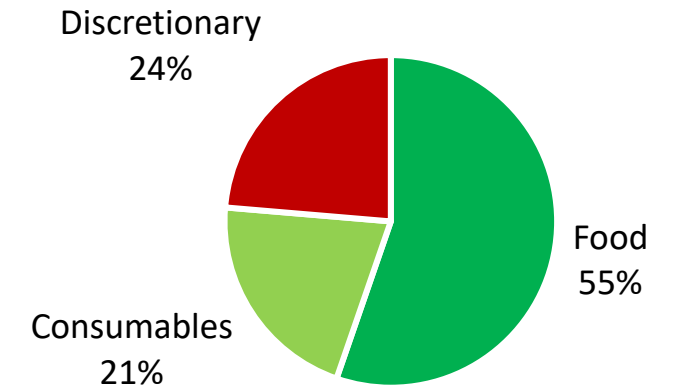


Food and consumables categories continue in double digit growth

Discretionary categories delivered positive YoY growth in local currency



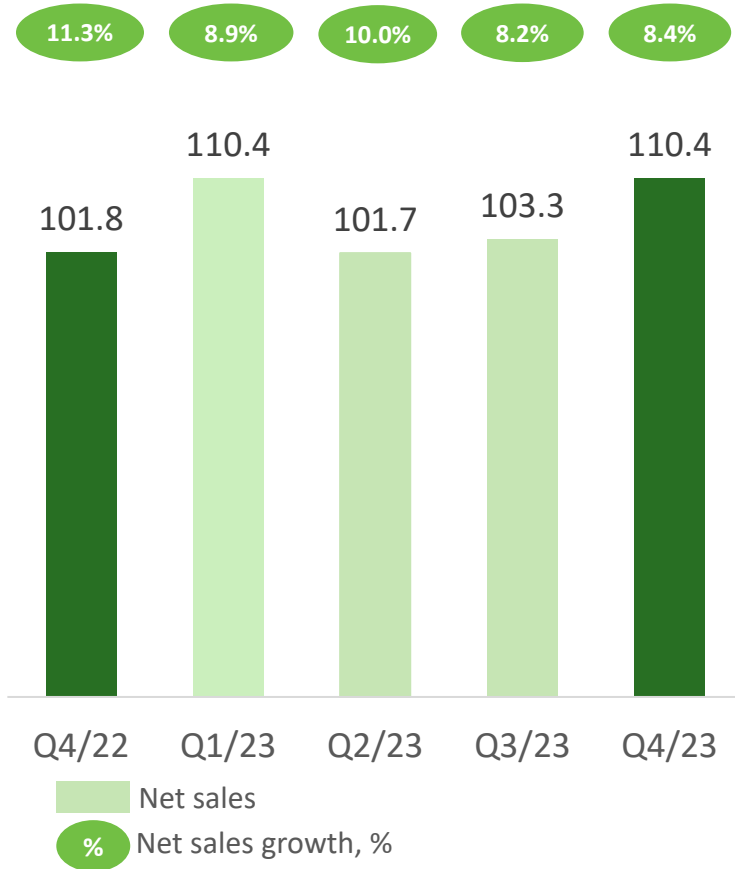
Q4/23 product sales mix



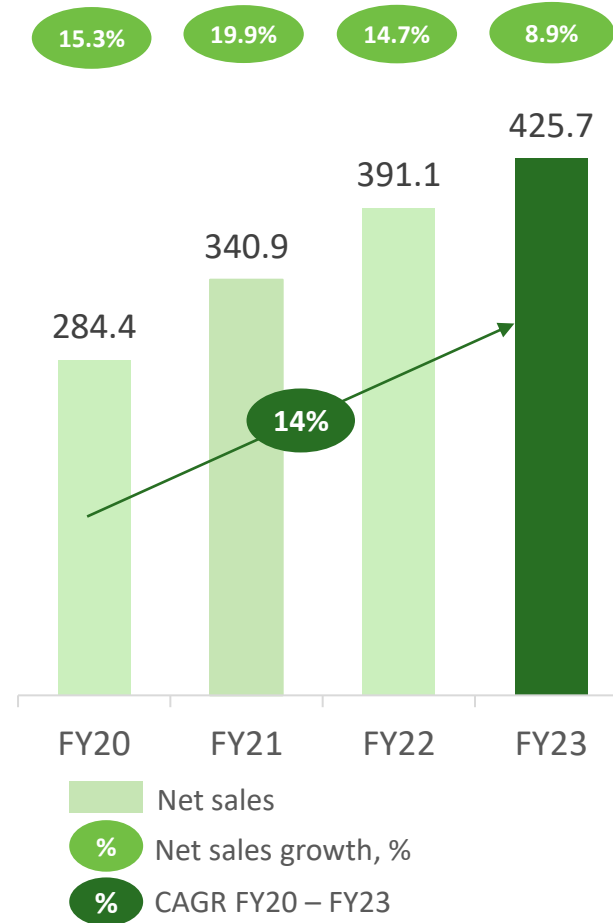
- Food and consumables categories represented >75% of product sales with recurring purchasing habits
- Discretionary accessories categories represented 24% of sales, with a more volatile trend

Q4 net sales grew 8.4% to EUR 110.4 million, FX neutral growth 14.4%

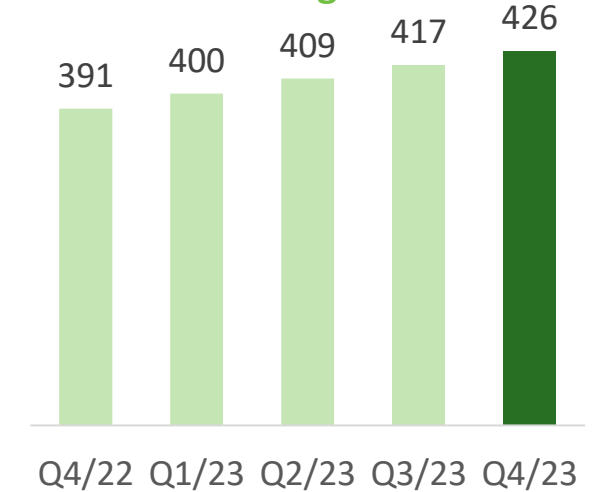
Quarterly net sales, EUR million



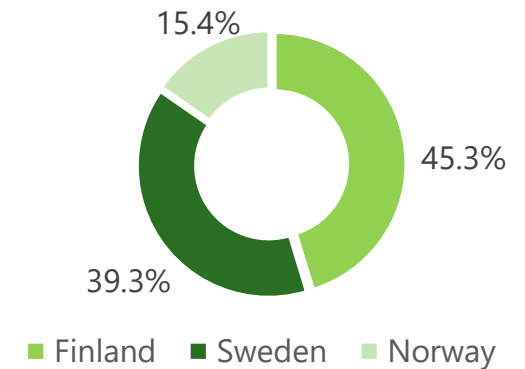
FY net sales, EUR million



Net sales: rolling 12 months

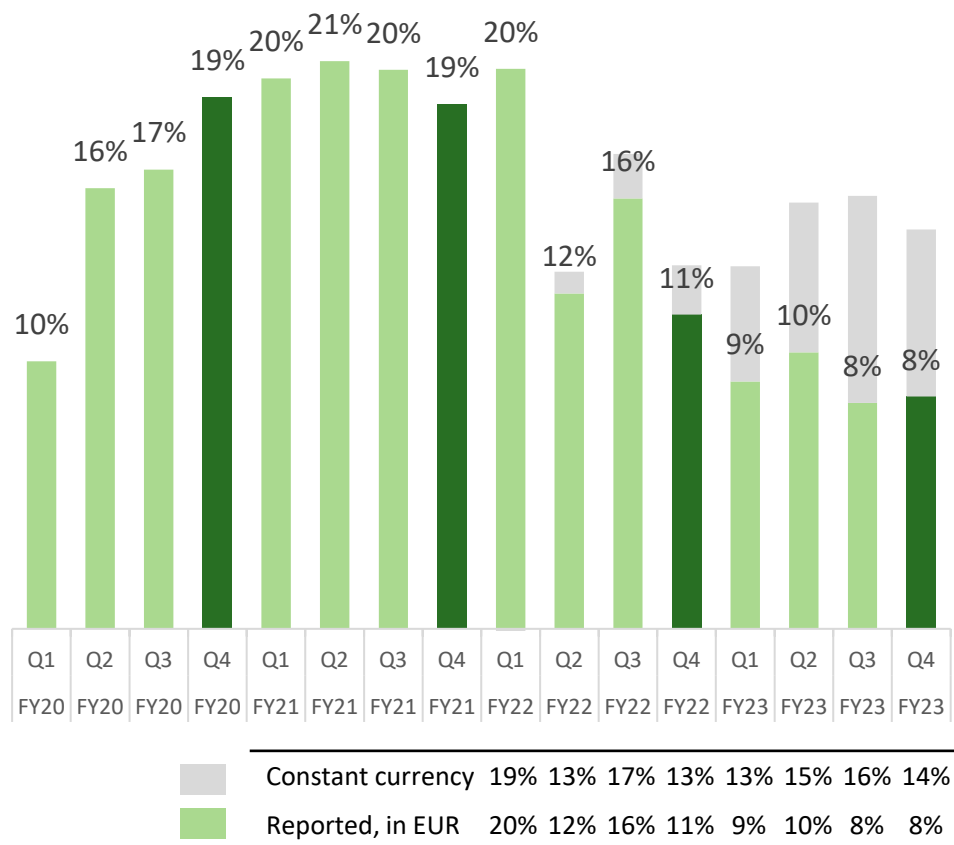


Net sales by segment in Q4/2023

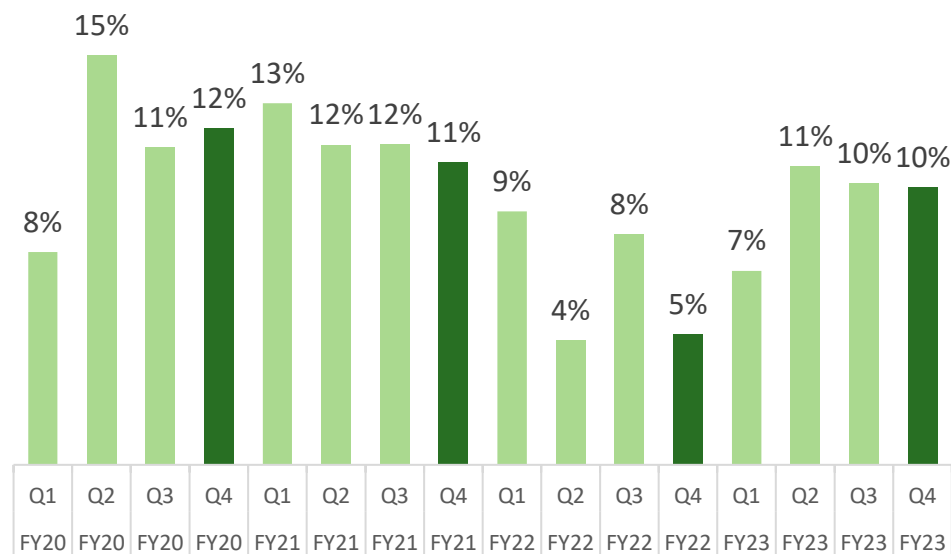


Growth 8% equivalent to 14% in constant currency, with steady 10% LFL

1Y growth



LFL growth (local currency)



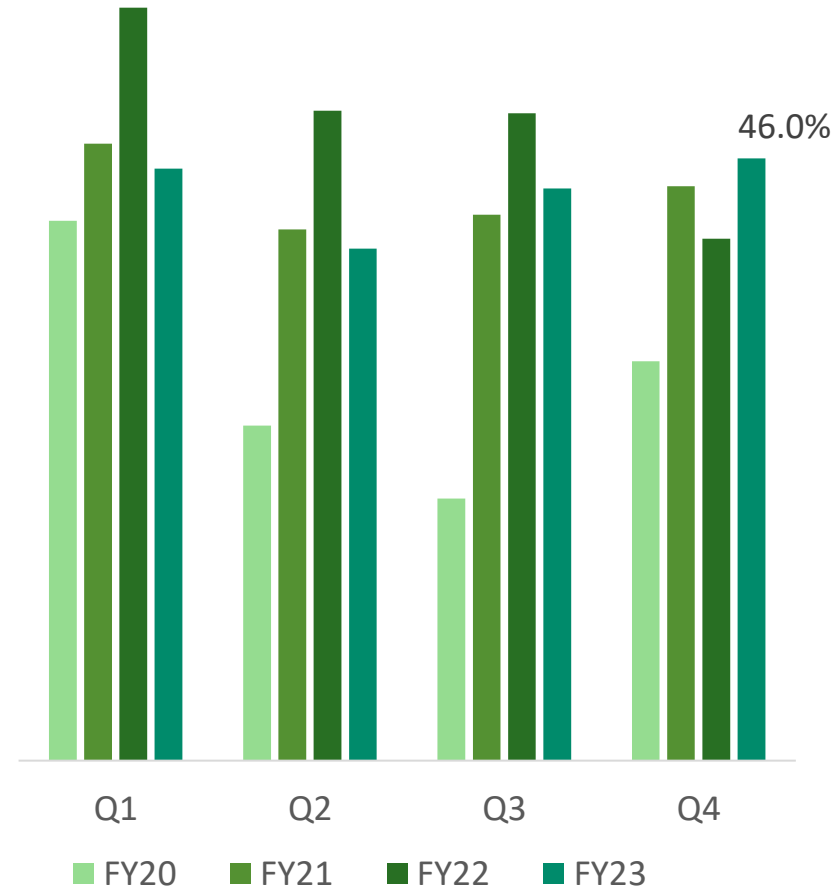
FX rate impact on EUR sales growth, Q4/23 [FY23]

- Group: -6% [-6%]
- Sweden: -10% [-9%]
- Norway: -13% [-13%]

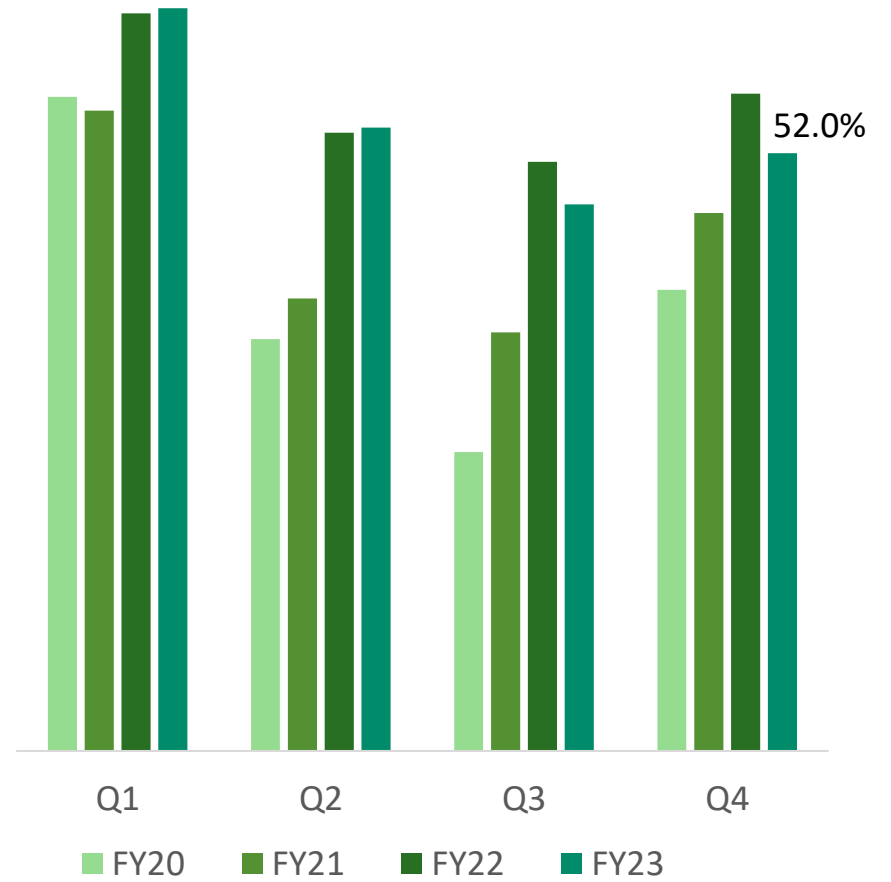
Gross margin increased year-on-year

- Gross margin increased to 46.0% (45.2%).
- Gross margin increased due to supply chain performance and production integration, despite unfavorable currency exchange rate.
- The share of sales of own and exclusive brands remained at a good level of 52.0% (52.7%).

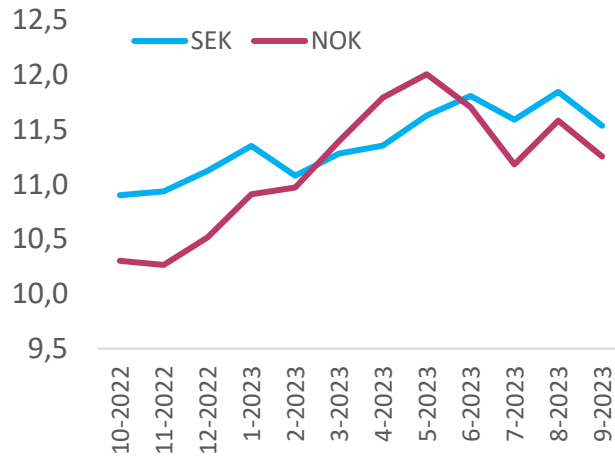
Gross margin %



O&E %



EUR/SEK and EUR/NOK exchange rates



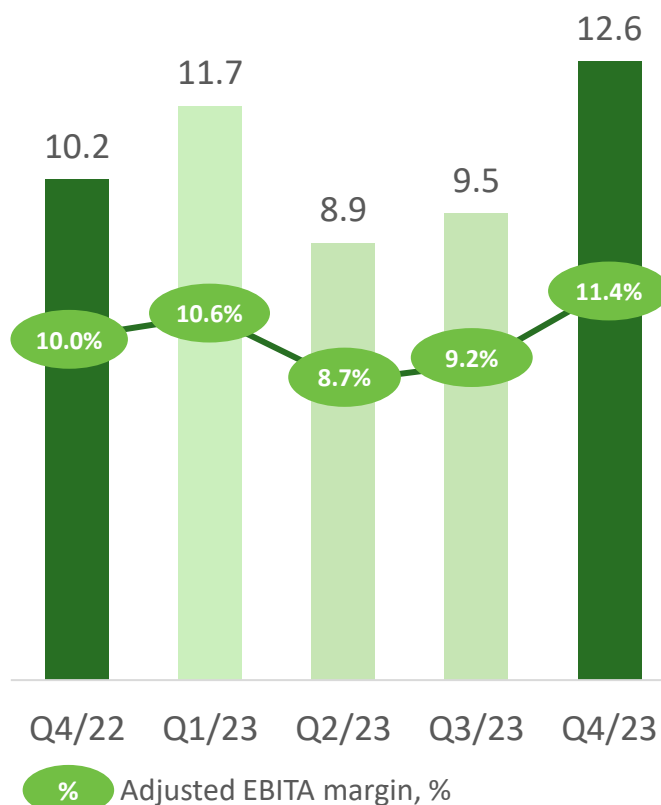
Source: ECB, monthly closing rate



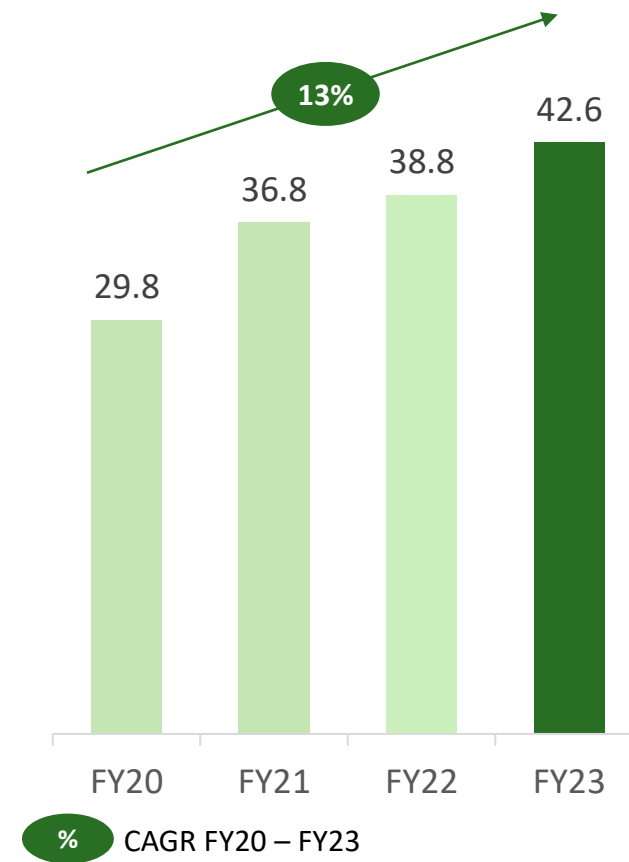
Group adjusted EBITA increased 23.7% to EUR 12.6 million in Q4/23

- Group adjusted EBITA increased by 23.7% to EUR 12.6 (10.2) million.
- The increase was due to good traffic, production integration, price increases mitigating inflation and tight cost control, despite the inflationary environment.
- Recent movements of the local currencies SEK and NOK had a negative impact of EUR 0.8 million on adjusted EBITA.
- Adjusted EBITA margin was 11.4% (10.0%).
- Adjusted Group functions cost in relation to group net sales was 8.2% (7.7%). The increase related to the changed structure of the Group functions after the production integration despite the good underlying trend in cost control.

Quarterly adjusted EBITA, EUR million



FY adjusted EBITA, EUR million



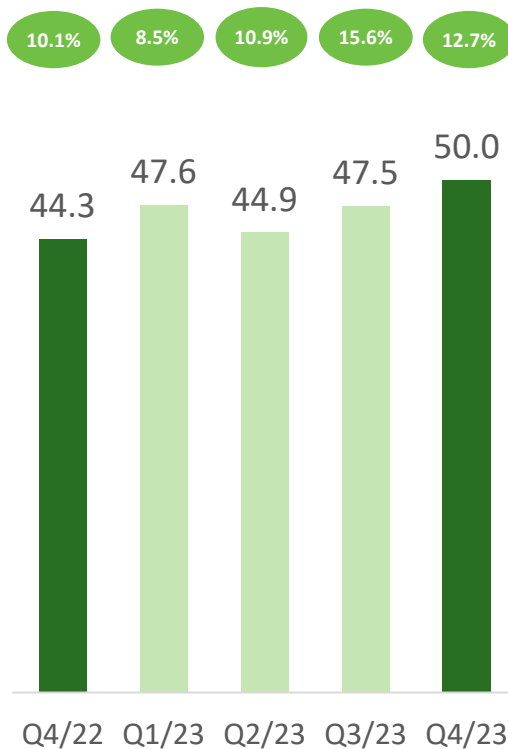


Segments

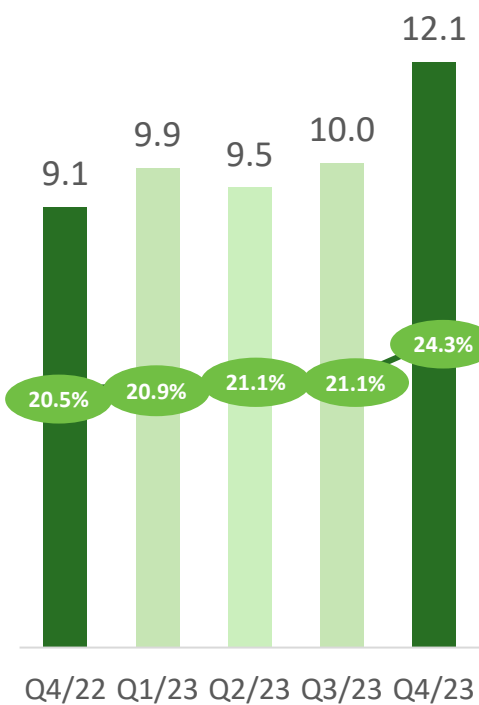
Net sales in Finland increased by 12.7% to EUR 50.0 million in Q4/23

- Net sales in Finland increased by 12.7% to EUR 50.0 (44.3) million.
- Sales growth was a result of steady growth in both online channels and stores underpinned by good traffic and price increases and the acquisition of Premium Pet Food Suomi Oy pet food factory.
- Like-for-like growth was 9.1%.
- Adjusted EBITA increased by 33.2% to EUR 12.1 (9.1) million.
- Adjusted EBITA margin was 24.3% (20.5%).
- The increase in profitability was mainly due to healthy gross margin development, the acquisition of Premium Pet Food Suomi Oy pet food factory and cost control, despite the inflationary environment.
- During Q4, there were no changes in the store network.

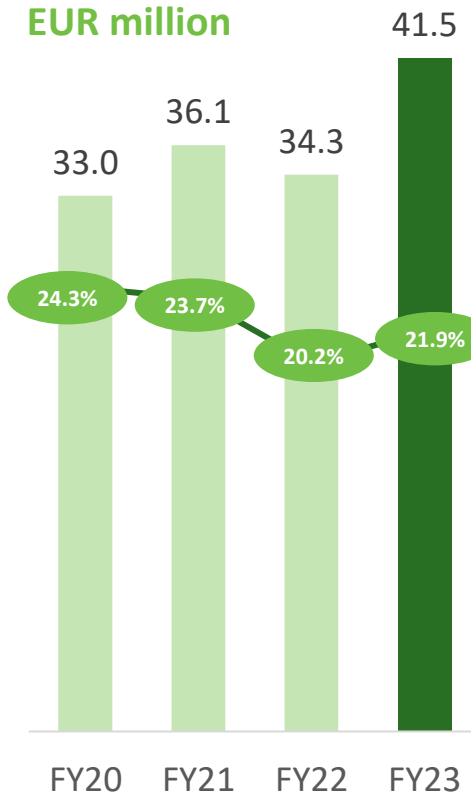
Net sales, EUR million



Quarterly adjusted EBITA, EUR million



FY adjusted EBITA, EUR million



% Segment sales growth, %

% Adjusted EBITA, %

% Adjusted EBITA, %

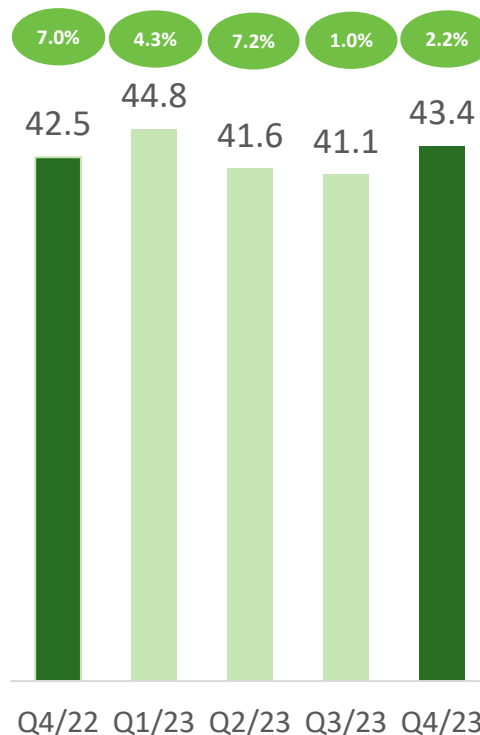
Adjusted EBITDA %	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Finland	26.5%	26.5%	27.3%	27.0%	29.9%



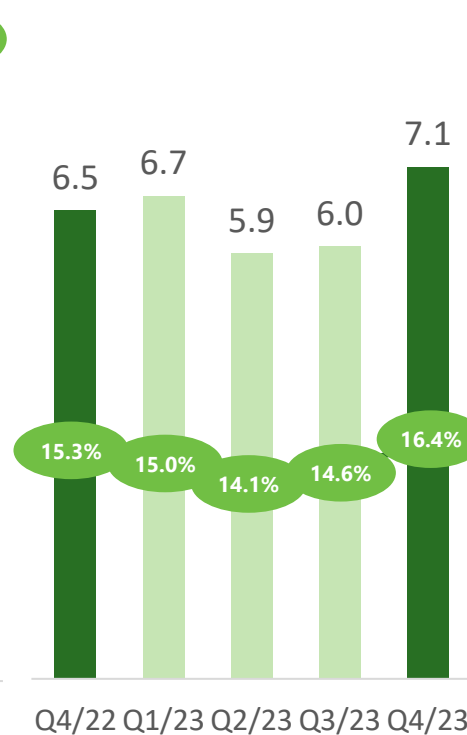
Net sales in Sweden increased by 2.2% to EUR 43.4 million in Q4/23, FX neutral growth 11.9%

- Net sales in Sweden increased by 2.2% to EUR 43.4 (42.5) million.
- The weakened SEK exchange rate decreased sales by EUR 4.0 million in Q4. The growth excluding the adverse effect from the currency exchange rate change was 11.9%.
- Like-for-like growth, which is calculated in local currencies, was 9.2%.
- Adjusted EBITA increased by 9.7% to EUR 7.1 (6.5) million. The increase was due to steady gross margin development and good cost control.
- Adjusted EBITA margin increased to 16.4% (15.3%).
- During Q4, one new directly operated store was opened and one franchise store left the chain.

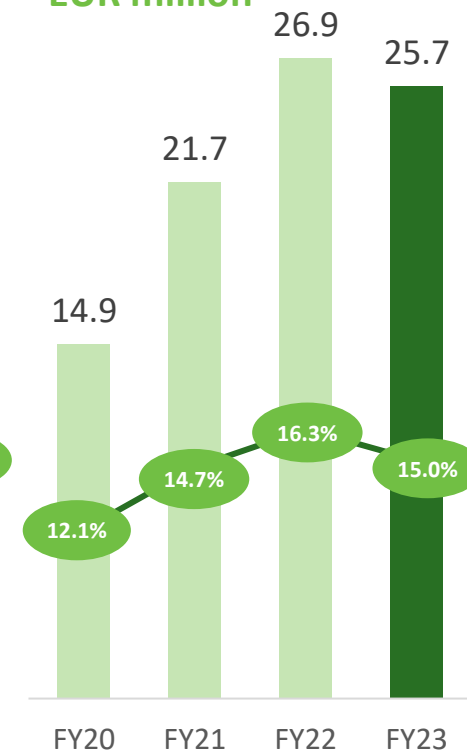
Net sales, EUR million



Quarterly adjusted EBITA, EUR million



FY adjusted EBITA, EUR million



• Segment sales growth, %

• Adjusted EBITA, %

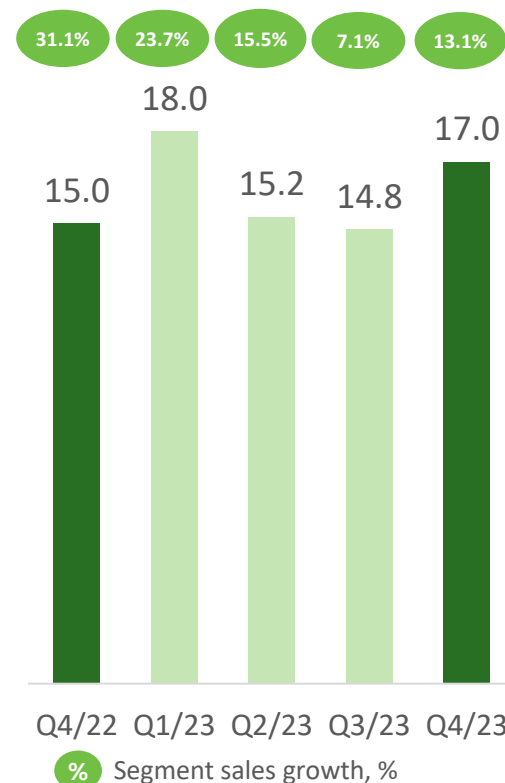
• Adjusted EBITA, %

Adjusted EBITDA %	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Sweden	21.6%	21.0%	20.8%	21.0%	22.4%

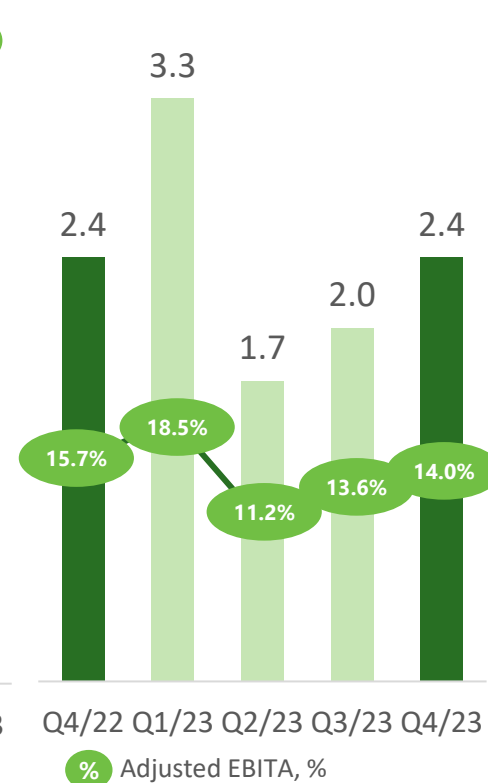
Net sales in Norway increased by 13.1% to EUR 17.0 million in Q4/23, FX neutral growth 26.5%

- Net sales in Norway increased by 13.1% to EUR 17.0 (15.0) million, driven by like-for-like growth of 15.7% and ramp-up of the stores opened during the latest twelve months.
- The NOK exchange rate in Q4 had a EUR 1.9 million negative impact on net sales. The growth excluding the adverse effect from the currency exchange rate change was 26.5%.
- Adjusted EBITA increased by 1.0% to EUR 2.4 (2.4) million. The modest increase was mainly due to a negative gross margin development caused by currency exchange rates.
- Adjusted EBITA margin was 14.0% (15.7%).
- During Q4, two directly operated stores were opened and one directly operated store closed in Norway.

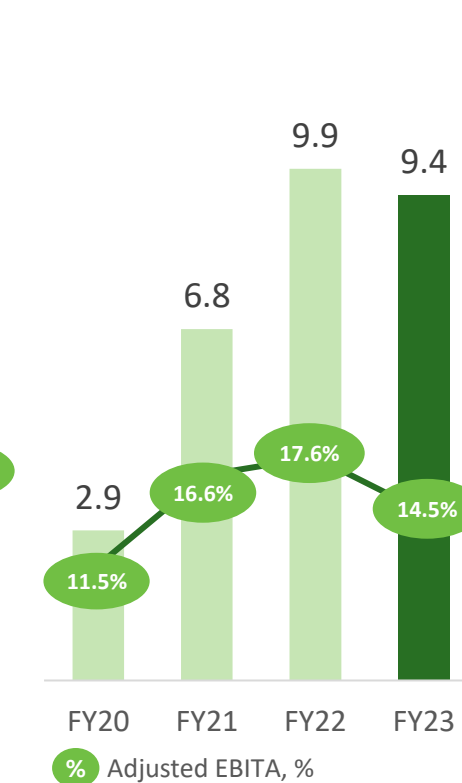
Net sales, EUR million



Quarterly adjusted EBITA, EUR million



FY adjusted EBITA, EUR million



Adjusted EBITDA %	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Norway	24.4%	26.1%	20.8%	22.9%	22.6%

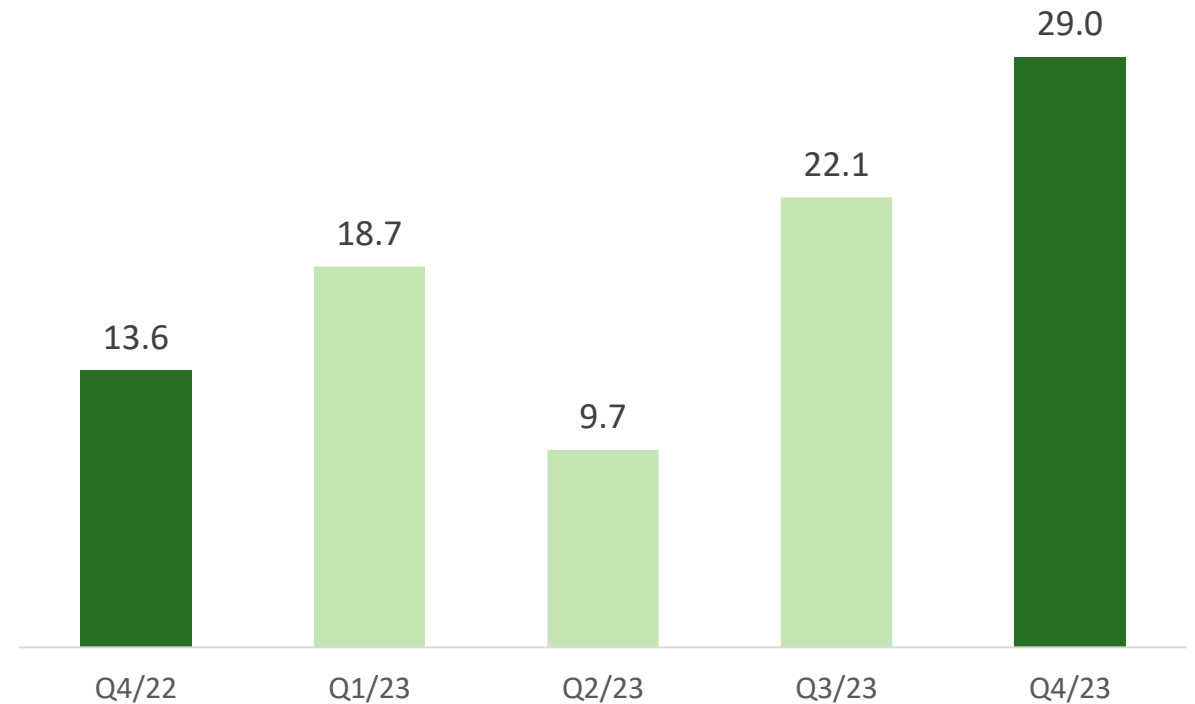


Financial position

Cash flow from operating activities increased to EUR 29.0 million in Q4/23

- In Q4, the net cash flow from operating activities totaled EUR 29.0 (13.6) million, driven by the favorable development of the net working capital.
- Gearing at the end of the reporting period was 83.9% (30 September 2022: 89.4%).
- Net debt amounted to EUR 137.9 million (30 September 2022: EUR 143.4 million). At the end of the period:
 - Loans amounted to EUR 79.4 million (30 September 2022: EUR 74.8 million)
 - Lease liabilities EUR 79.8 million (30 September 2022: EUR 80.7 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 22.0 million (30 September 2022: EUR 10.0 million).
- In Q4, investments in tangible and intangible assets amounted to EUR 2.8 (2.7) million.

Cash flow from operating activities, EUR million



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.

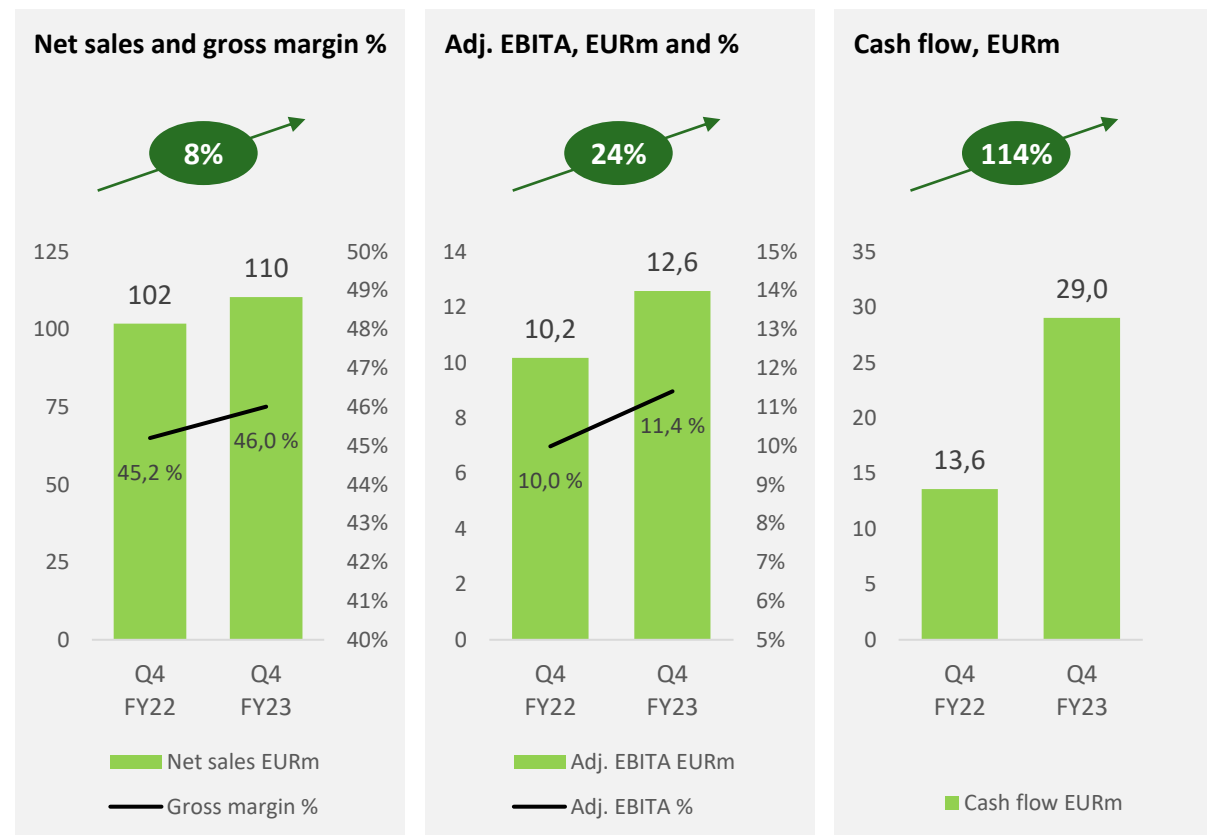
Growth	Net sales to reach at least EUR 500 million by the financial year 2024 by continuation of strong customer acquisition momentum and increasing share of wallet.
Profitability	Mid- to long-term adjusted EBITA margin of at least 13 per cent with steadily improving profile. Margin increase is expected 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: Strong growth with improved profitability

- Q4 concluded the financial year with 14.4% local currency growth and 10.0% like-for-like growth
- Food and consumables that make up majority of our sales remained strong sales pillars throughout the fiscal year
- Gross margin improved year-on-year despite the unfavorable performance of local currencies SEK and NOK
- Our relentless efforts to improve productivity and scalability of our operating model are bearing fruit
- Despite macroeconomic headwinds, we increased adjusted EBITA by 23.7% in Q4 and by 10.0% over FY2023
- Record cash flow of EUR 29.0 million in the quarter
- We are on track to reach the long-term financial targets.
- Our full focus is on our customers, especially those impacted by the Smaak recall after the reporting period

Q4 FY22 – Q4 FY23



% YoY growth Q4 FY22 – Q4 FY23

More information

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Interim Report for October
2023 – December 2023
will be published on **1
February 2024.**




Thank you!





Appendix


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

Store and omnichannel banners complemented by leading pureplay brands


 *Store rollout with increasing footprint maturity*


Store banner 


Omni banner 


Pureplay banner 

75 stores

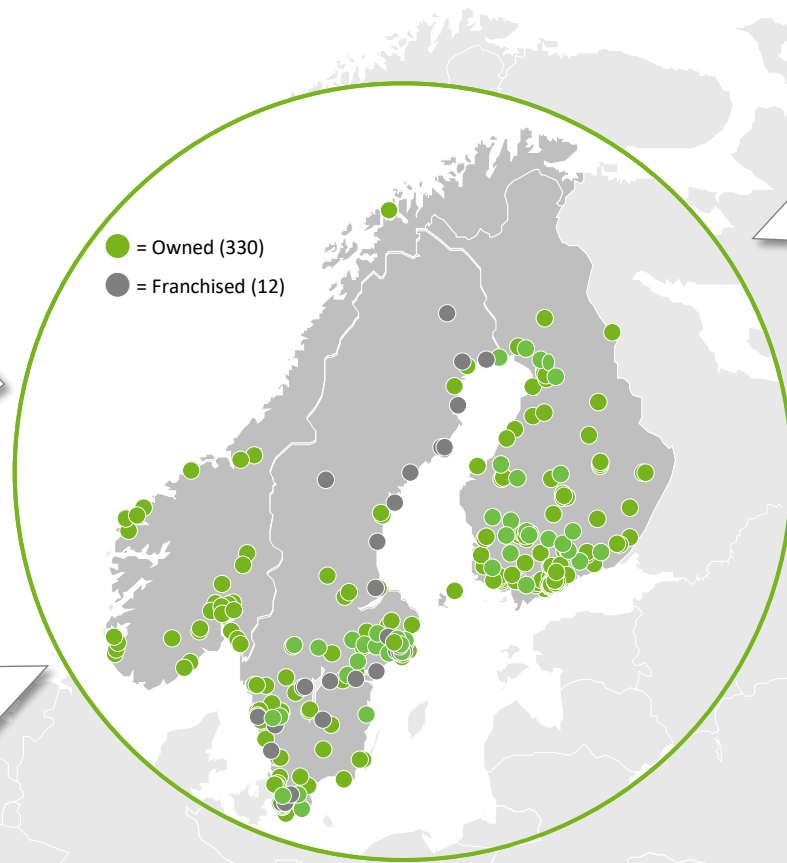
 *Further expansion and convergence to Finnish levels*

Store banner 

Omni banner 

Pureplay banner 

131 stores



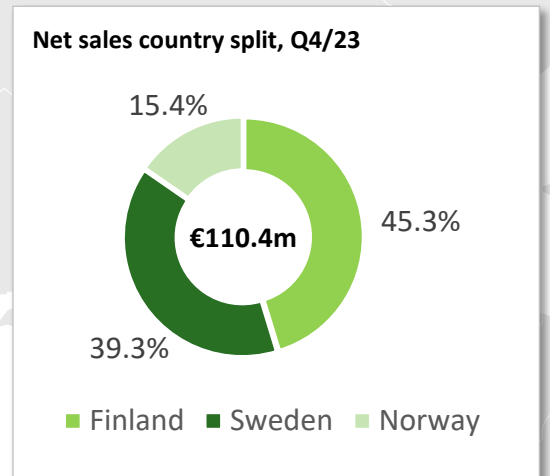
 *Underlying core business with steady growth*

Store banner 

Omni banner 

Pureplay banner 

136 stores



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
342 stores, 22.5% of net sales generated through
online channel in Q4/23



High quality O&E assortment
Strong O&E brand
portfolio,
52.0% of product sales
in own channels in Q4/23

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

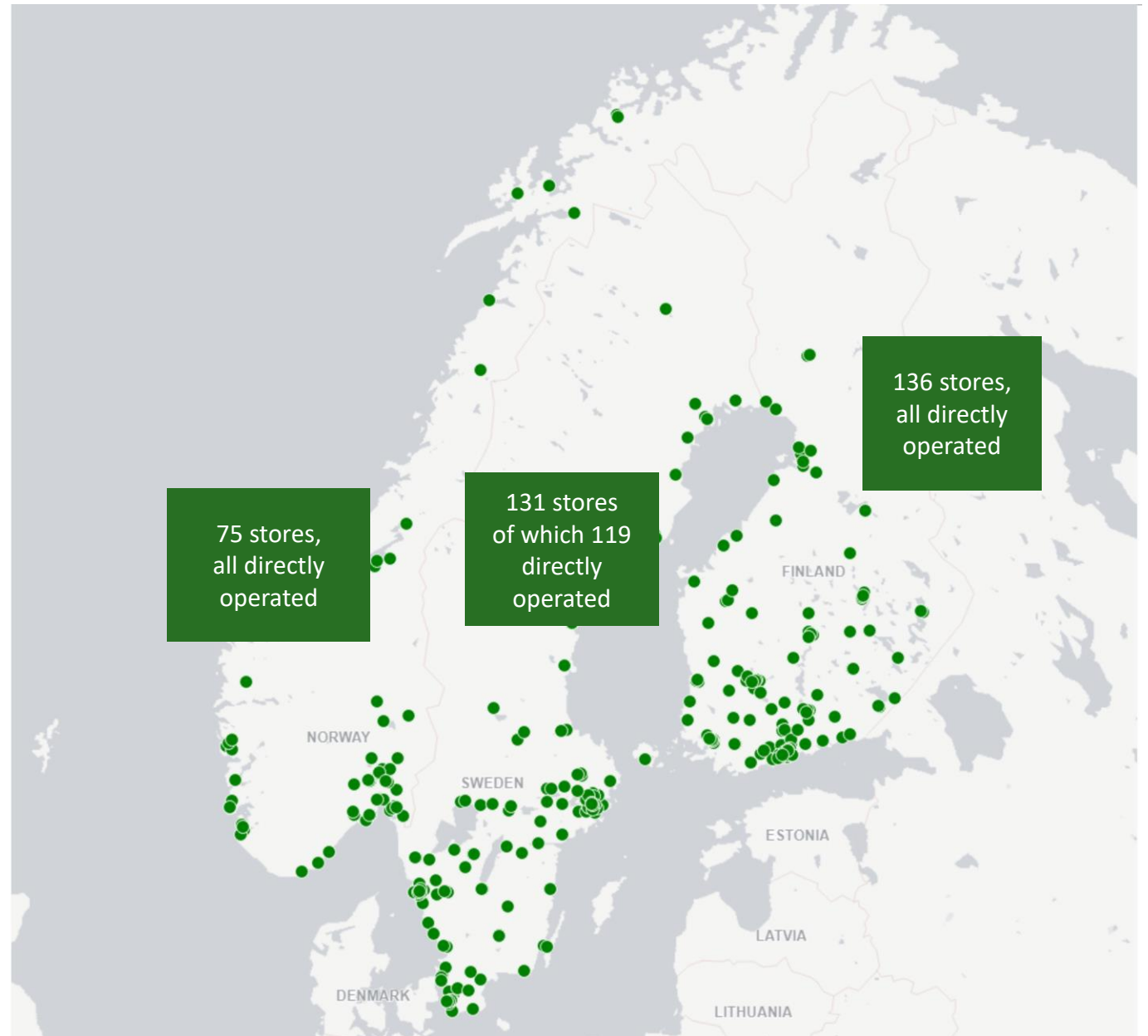


Growing suite of services

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

Musti Group has 1.5 million loyal customers

- The number of loyal customers increased by 6.1% to 1,543 thousand (1,454 thousand on 30 September 2022).
- On 30 September 2023, Musti Group had 342 stores, of which 330 directly operated.
- In October 2022 – September 2023, share of online sales was 23.0%.



Key figures

EUR millions or as indicated	7-9/2023	7-9/2022	Change %	FY2023	FY2022	Change %
Net sales	110.4	101.8	8.4%	425.7	391.1	8.9%
LFL sales growth, %	10.0%	4.7%		9.5%	6.7%	
LFL store sales growth, %	7.1%	2.4%		6.7%	4.2%	
Online share, %	22.5%	21.3%		23.0%	22.2%	
Adjusted EBITDA	20.6	17.6	17.3%	73.6	66.9	10.1%
Adjusted EBITDA margin, %	18.7%	17.2%		17.3%	17.1%	
Adjusted EBITA	12.6	10.2	23.7%	42.6	38.8	10.0%
Adjusted EBITA margin, %	11.4%	10.0%		10.0%	9.9%	
Operating profit	10.7	8.5	24.8%	37.8	30.9	22.4%
Operating profit margin, %	9.7%	8.4%		8.9%	7.9%	
Earnings per share, basic, EUR	0.22	0.22	1.1%	0.79	0.67	18.7%
Net cash flow from operating activities	29.0	13.6	113.6%	79.6	46.1	72.4%
Investments in tangible and intangible assets	2.8	2.7	6.1%	11.9	14.2	-16.6%
Net debt / LTM adjusted EBITDA	1.9	2.1	-12.6%	1.9	2.1	-12.6%
Number of loyal customers, thousands	1,543	1,454	6.1%	1,543	1,454	6.1%
Number of stores at the end of the period	342	335	2.1%	342	335	2.1%

Responsibility at Musti Group

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

Trusty

The Musti responsibility approach

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.

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

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

