Interim Report
1 October 2023–31 December 2023

31 January 2024
CEO David Rönnberg
CFO Toni Rannikko

Summary of the first quarter of the financial year 2024

Net sales	EUR 115.7m
Growth excl. currency effects	8.7%
Like-for-like sales growth	4.8%
Own and exclusive brands	53.0%
Cash flow	EUR 15.7m
Online like-for-like growth	13.0%
Loyalty club members growth	+4.5%
Gross margin	45.9%
Adjusted EBITDA	EUR 20.5

Two key events during the quarter: Public Tender Offer and product recall

PUBLIC TENDER OFFER

- Flybird Holding Oy, owned by Consortium formed by Sonae Holdings, S.A. (a subsidiary wholly-owned and controlled by Sonae - SGPS, S.A.), Jeffrey David, Johan Dettel and David Rönnberg, and Musti Group Plc announced on 29 November 2023 that they have entered into a combination agreement, whereby the Offeror will make a recommended voluntary public cash tender offer for all the issued and outstanding shares in Musti that are not held by Musti or its subsidiaries at offer price of EUR 26.00 per share.
- On 15 December 2023 Musti announced, that the offer period for the Tender Offer will commence on 18 December 2023, at 9:30 (Finnish time) and expire on 5 February 2024, at 16:00 (Finnish time), unless the offer period is extended as described in the terms and conditions of the Tender Offer.
- On 19 January 2024 Musti announced that The Offeror has received unconditional merger control clearance for completing the Tender Offer from the European Commission. Therefore, the Offeror announced that it has received all necessary regulatory approvals for the completion of the Tender Offer. The Offeror confirmed that the condition to completion of the Tender Offer concerning the receipt of regulatory approvals has been fulfilled.
- On 25 January 2024 Musti announced that the Offeror has announced that it increases the offer price under the Tender Offer to EUR 26.10 in cash for each Share validly tendered in the Tender Offer (the "Increased Offer Price").

UPDATE ON PRODUCT RECALL

November

- Following customer complaints, Musti withdrew specific batches of two Smaak products
- Soon after, all sales of the affected products were discontinued (FY23 sales value 2.5 MEUR)
- High concentration of glycoalkaloids in a batch of imported potato flakes confirmed as the cause by Musti on 16h Nov

December - January

- Close co-operation with Finnish Food Authority and nutritional experts
- Proceeding to re-imburse customer claims
- Implementation of further self-monitoring and quality assurance measures
- Finnish Food Authority confirmed high levels of glycoalkaloids in potato raw material on 4th Jan

Direct impact on Q1 results

Approximately **0.8 MEUR** cost for the investigation of the matter, the product recall and the customer claims, for which at least partial insurance compensation is expected.

Stable performance continues

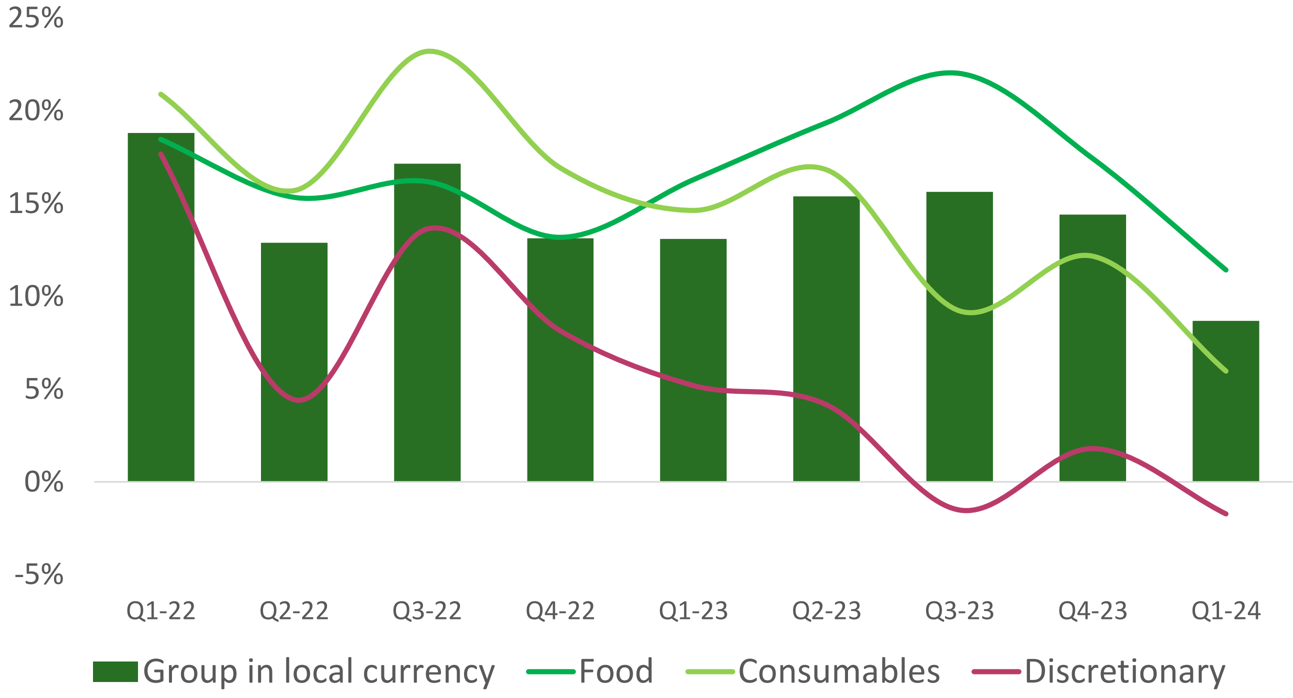
Highlights Q1/24

- Group net sales totaled EUR 115.7 (110.4) million, an increase of 4.8%, and 8.7% excluding changes in currency exchange rates.
- Like-for-like growth, which is calculated in local currencies, amounted to 4.8% (7.0%).
- Online like-for-like growth was 13.0% (18.9%).
- Gross margin was 45.9% (45.9%)
- Adjusted EBITDA increased 7.0% to EUR 20.5 (19.1) million.
- Adjusted EBITDA margin increased to 17.7% (17.3%).
- Adjusted EBITA increased by 6.1% to EUR 12.4 (11.7) million.
- Recent movements of the local currencies SEK and NOK had a negative impact of EUR 0.6 million on adjusted EBITA.
- Adjusted EBITA margin was 10.7% (10.6%).
- The number of loyal customers increased by 4.5% to 1,552 thousand (1,485 thousand on 31 December 2022).
- Net cash flow from operating activities was EUR 15.7 (18.7) million, down by 16.1%.
- The incident with Smaak grain – free food in November had some impact, and Musti is taking measures to improve our standards further to prevent such incidents going forward

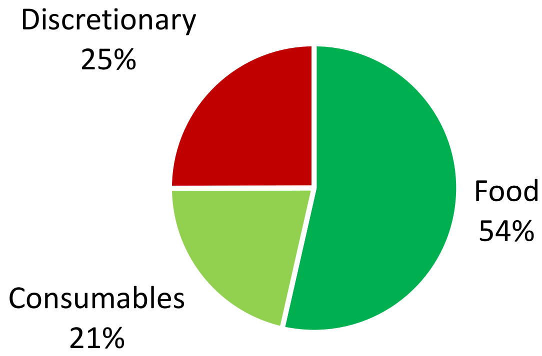
Food and consumables continue in growth

Macro pressure on discretionary categories continues

Local currency growth



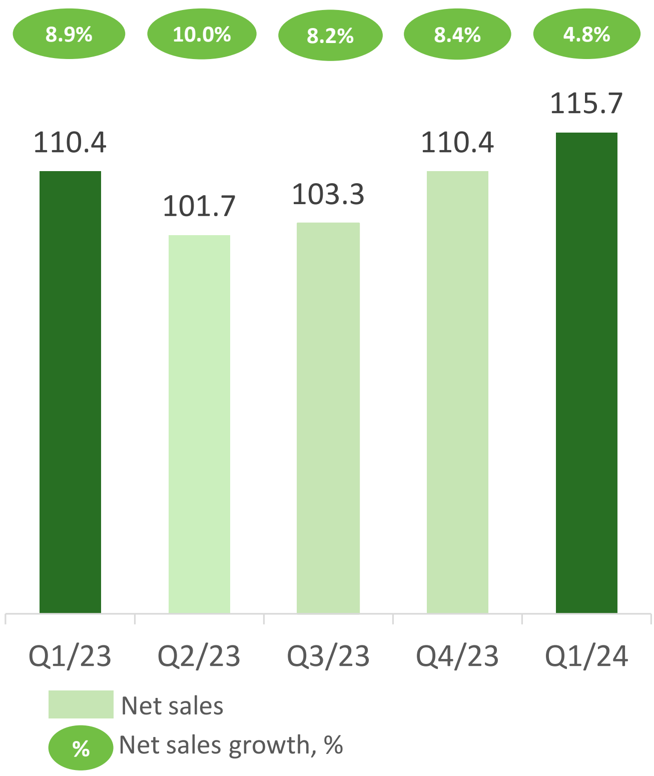
Q1/24 product sales mix



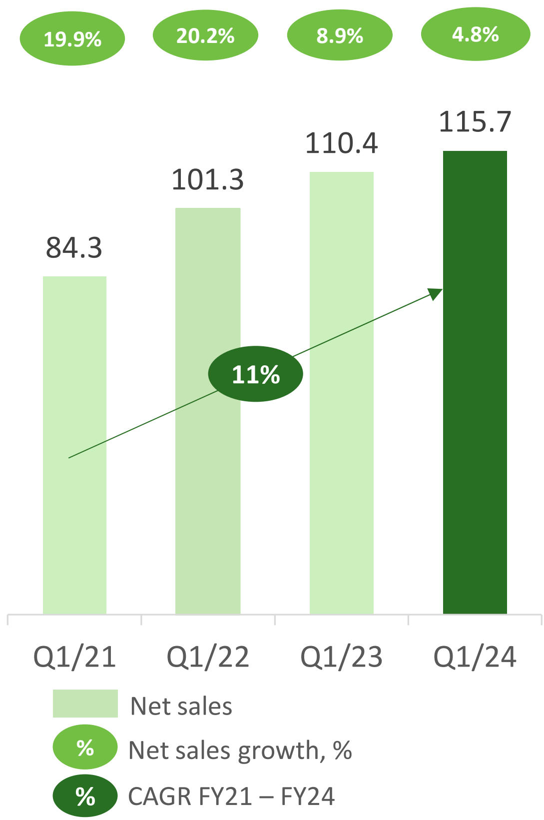
- Food and consumables categories represent 75% of product sales with recurring purchasing habits
- Discretionary accessories categories represented 25% of sales, with more effect from macro environment

Net sales grew 4.8% to EUR 115.7 million, FX neutral growth 8.7%

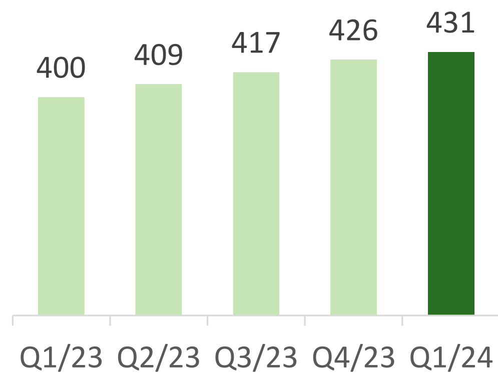
Quarterly net sales, EUR million



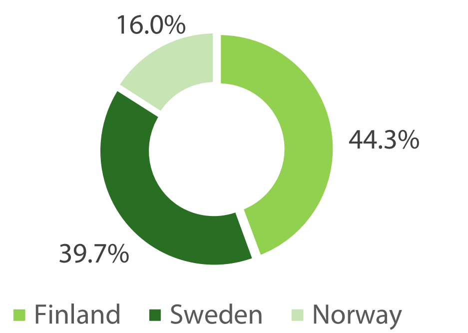
FY net sales, EUR million



Net sales: rolling 12 months

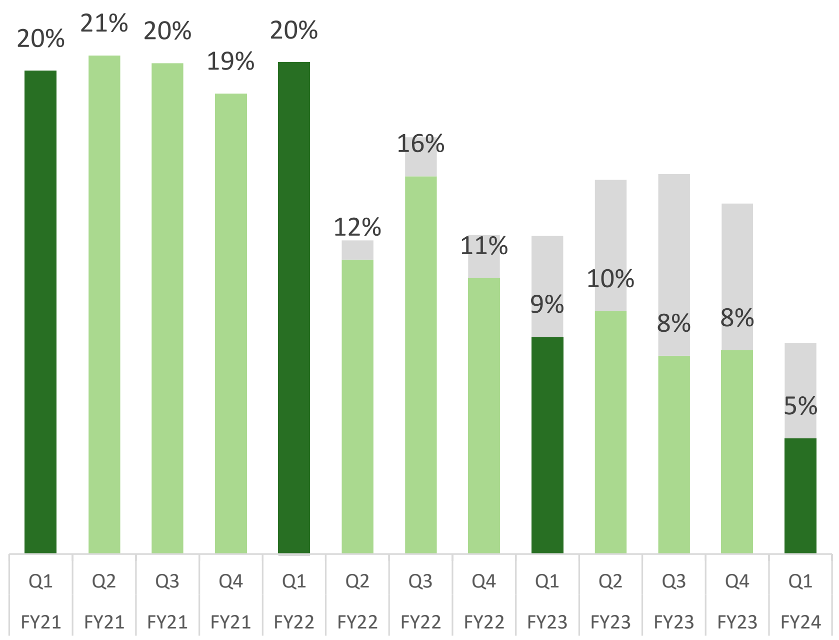


Net sales by segment in Q1/2024



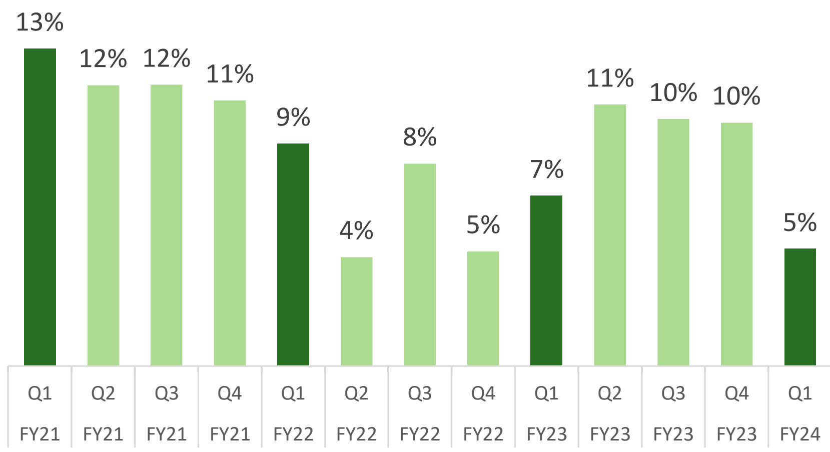
Growth 5% equivalent to 9% in constant currency

1Y growth



Constant currency	19%	13%	17%	13%	13%	15%	16%	14%	9%
Reported, in EUR	20%	12%	16%	11%	9%	10%	8%	8%	5%

LFL growth (local currency)

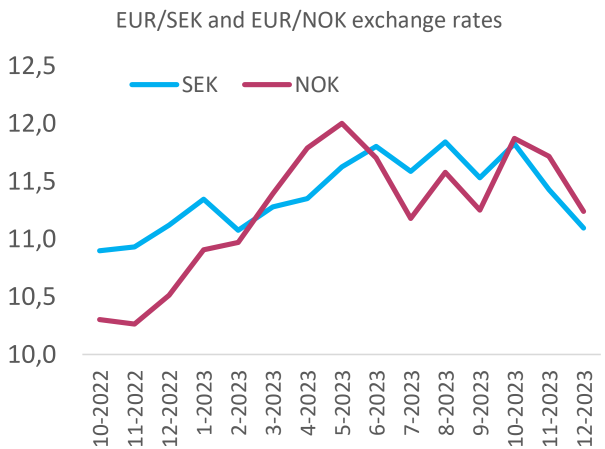


FX rate impact on EUR sales growth, Q1/24 [FY23]

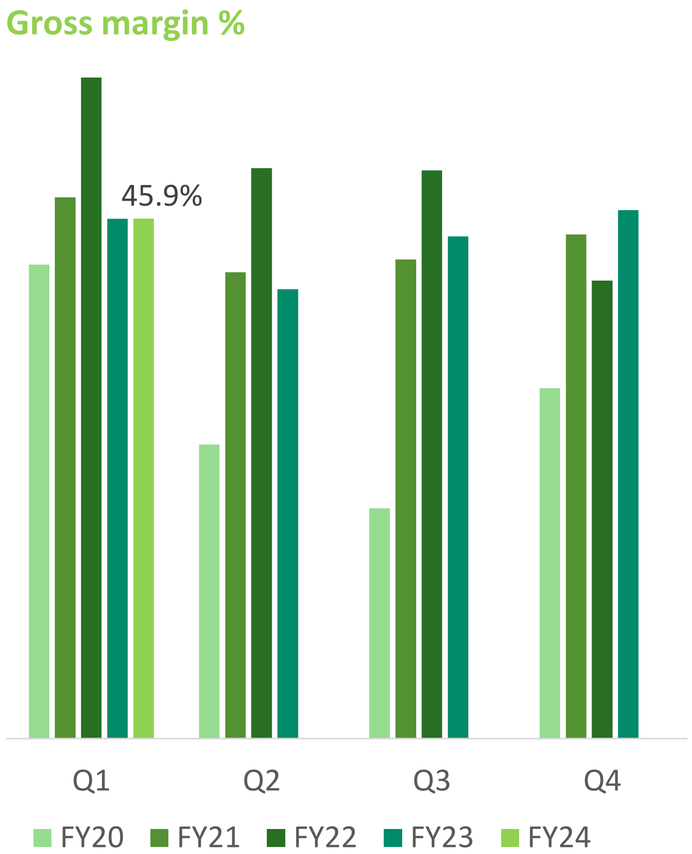
- Group: -4% [-6%]
- Sweden: -5% [-9%]
- Norway: -12% [-13%]

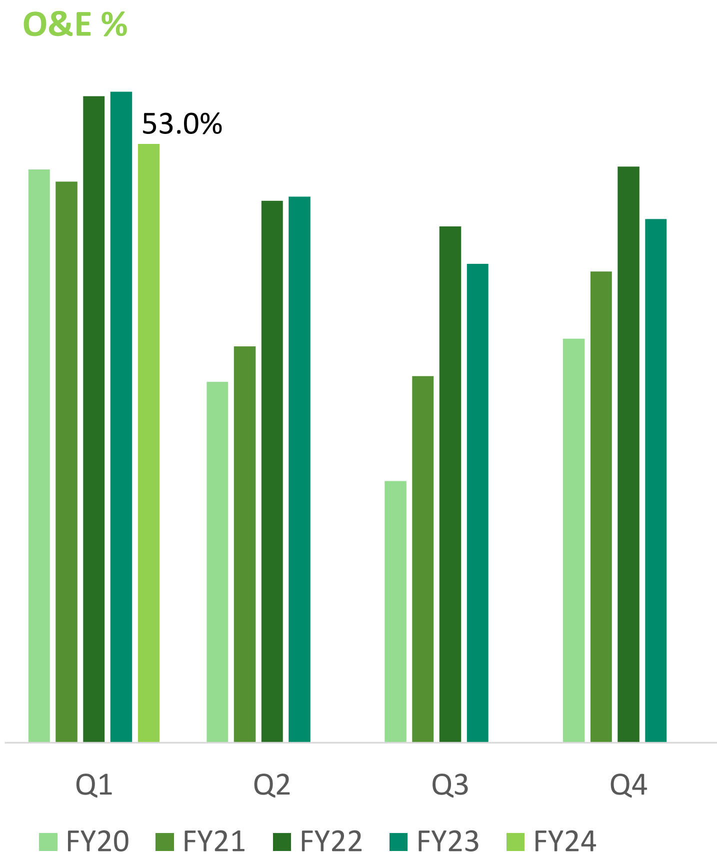
Gross margin continued steady

- Gross margin was 45.9% (45.9%).
- Gross margin was negatively affected by unfavorable currency exchange rate and one-off inventory write-offs relating to SMAAK-case.
- The share of sales of own and exclusive brands remained at a good level of 53.0% (53.7%).



Source: ECB, monthly closing rate

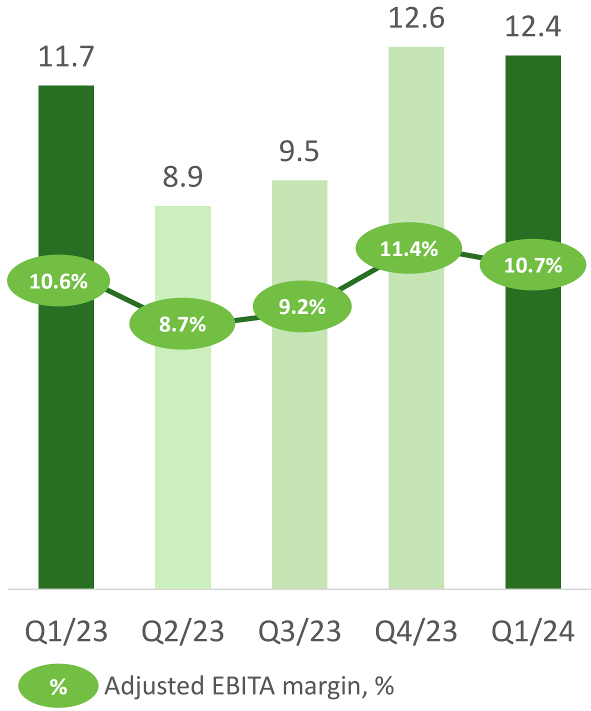




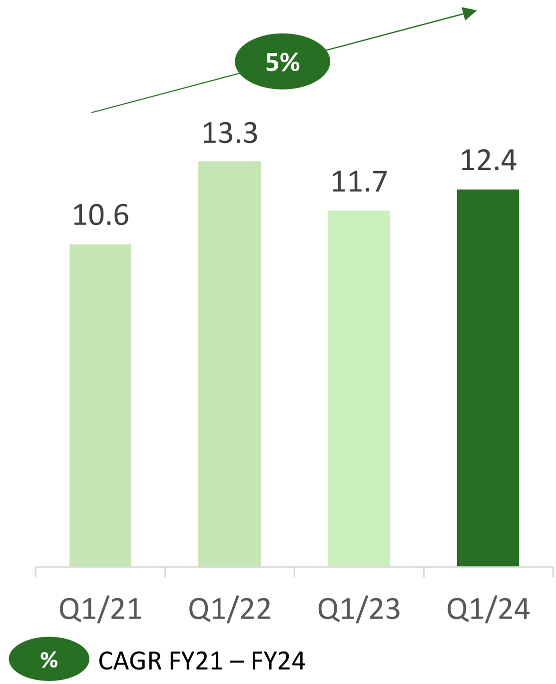
Group adjusted EBITA increased by 6.1% to EUR 12.4 million in Q1/24

- Group adjusted EBITA increased by 6.1% to EUR 12.4 (11.7) million.
- The increase was due to good performance in the central warehouse, production integration, price increases mitigating the inflation and tight cost control, despite the inflationary environment.
- Recent movements of the local currencies SEK and NOK had a negative impact of EUR 0.6 million on adjusted EBITA.
- Adjusted EBITA margin was 10.7% (10.6%).
- Adjusted Group functions cost in relation to group net sales was 8.6% (7.5%). 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

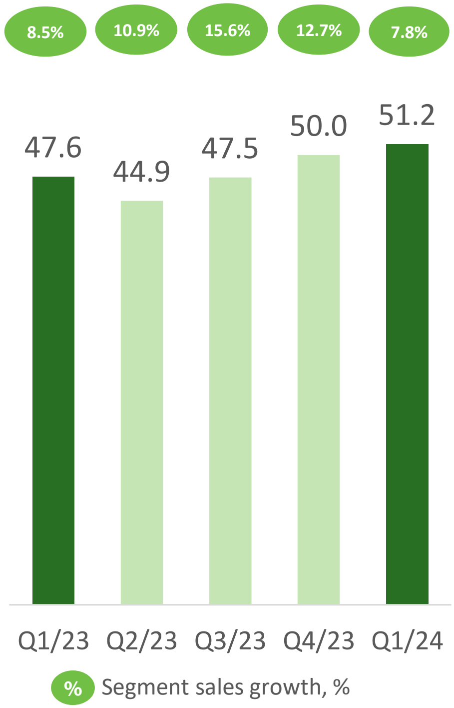


Segments

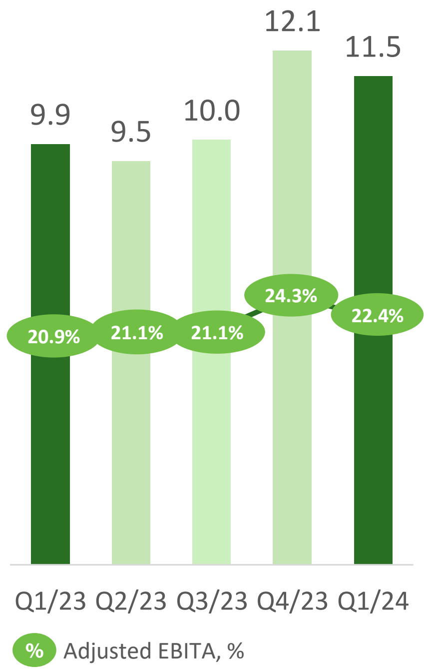
Net sales in Finland increased by 7.8% to EUR 51.2 million in Q1/24

- Net sales in Finland increased by 7.8% to EUR 51.2 (47.6) million.
- Sales growth was a result of steady growth especially in online channels, price increases and the acquisition of Premium Pet Food Suomi Oy pet food factory.
- Like-for-like growth was 3.4%, affected by the product recall in November
- Adjusted EBITA increased by 15.5% to EUR 11.5 (9.9) million.
- Adjusted EBITA margin was 22.4% (20.9%).
- 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 Q1, one new directly operated store was opened.

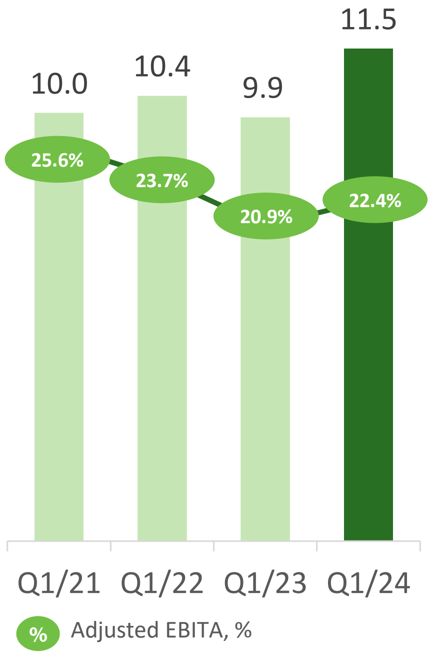
Net sales, EUR million



Quarterly adjusted EBITA, EUR million



FY adjusted EBITA, EUR million

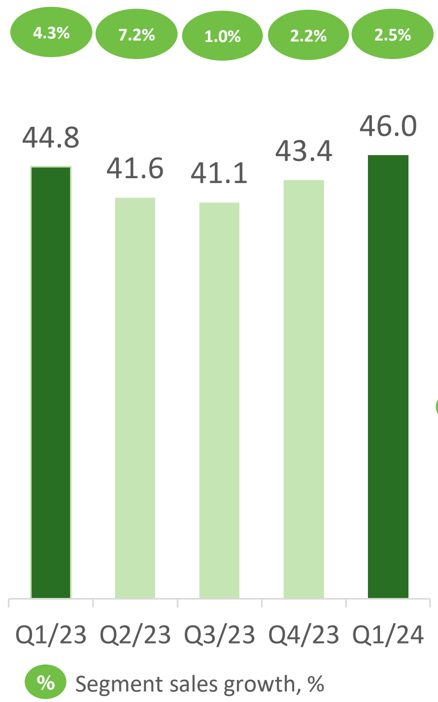


Adjusted EBITDA %	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Finland	26.5%	27.3%	27.0%	29.9%	27.9%

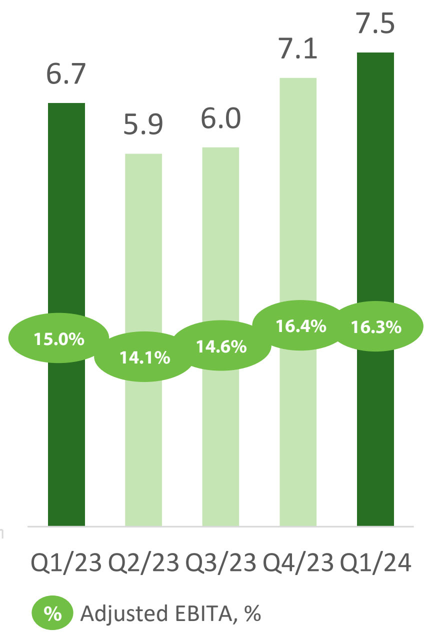
Net sales in Sweden increased by 2.5% to EUR 46.0 million in Q1/24, FX neutral growth 7.0%

- Net sales in Sweden increased by 2.5% to EUR 46.0 (44.8) million.
- The weakened SEK exchange rate decreased sales by EUR 2.1 million in Q1. The growth excluding the adverse effect from the currency exchange rate change was 7.0%.
- Like-for-like growth, which is calculated in local currencies, was 4.5%.
- Adjusted EBITA increased by 11.4% to EUR 7.5 (6.7) million. The increase was due to steady gross margin development and good cost control.
- Adjusted EBITA margin increased to 16.3% (15.0%).
- During Q1, two new directly operated stores were opened, three stores were acquired, and one franchise store left the chain.

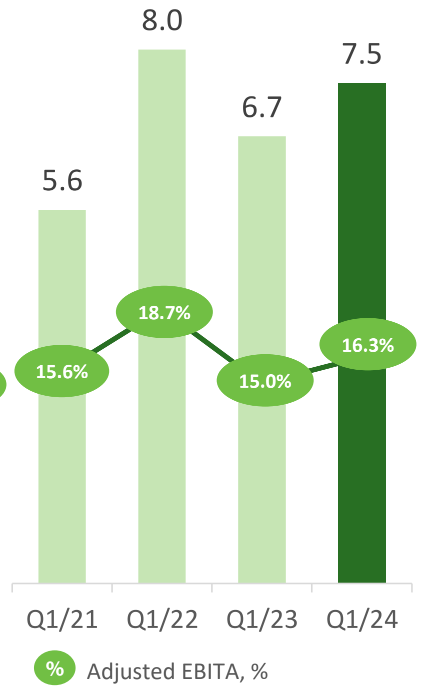
Net sales, EUR million



Quarterly adjusted EBITA, EUR million



FY adjusted EBITA, EUR million

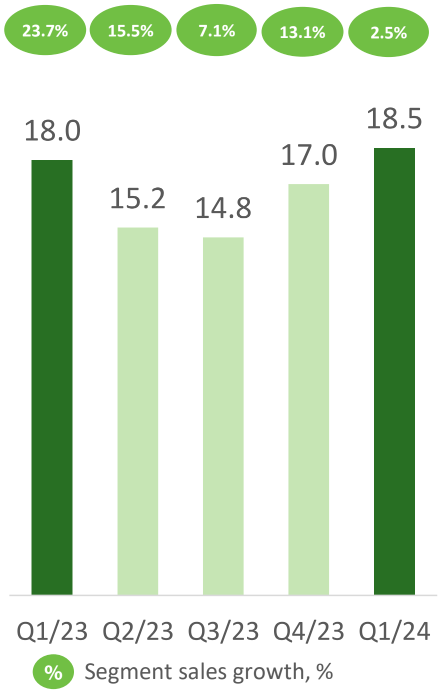


Adjusted EBITDA %	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Sweden	21.0%	20.8%	21.0%	22.6%	22.4%

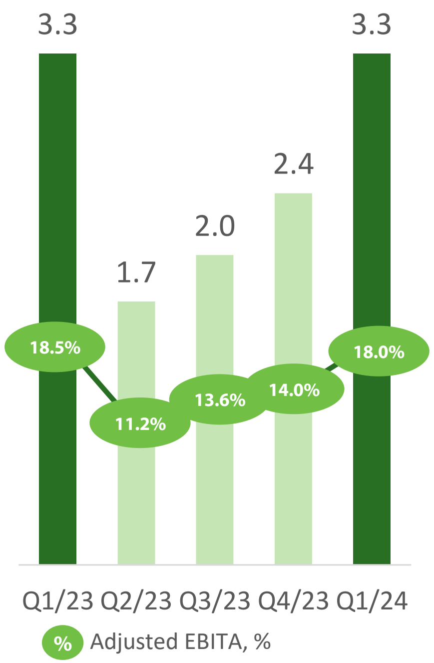
Net sales in Norway increased by 2.5% to EUR 18.5 million in Q1/24, FX neutral growth 15.1%

- Net sales in Norway increased by 2.5% to EUR 18.5 (18.0) million, driven by like-for-like growth of 10.3% and ramp-up of the stores opened during the latest twelve months.
- The NOK exchange rate in Q1 had a EUR 2.2 million negative impact on net sales. The growth excluding the adverse effect from the currency exchange rate change was 15.1%.
- Adjusted EBITA increased by 0.2% to EUR 3.3 (3.3) million. The modest increase was mainly due to a negative gross margin development caused by currency exchange rates.
- Adjusted EBITA margin was 18.0% (18.5%).
- During Q1, two directly operated stores were opened in Norway.

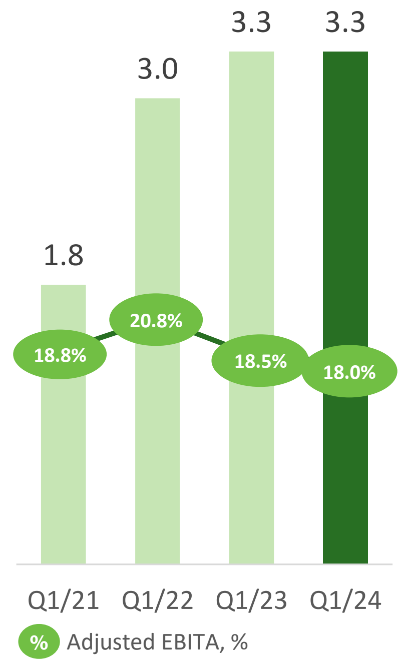
Net sales, EUR million



Quarterly adjusted EBITA, EUR million



FY adjusted EBITA, EUR million



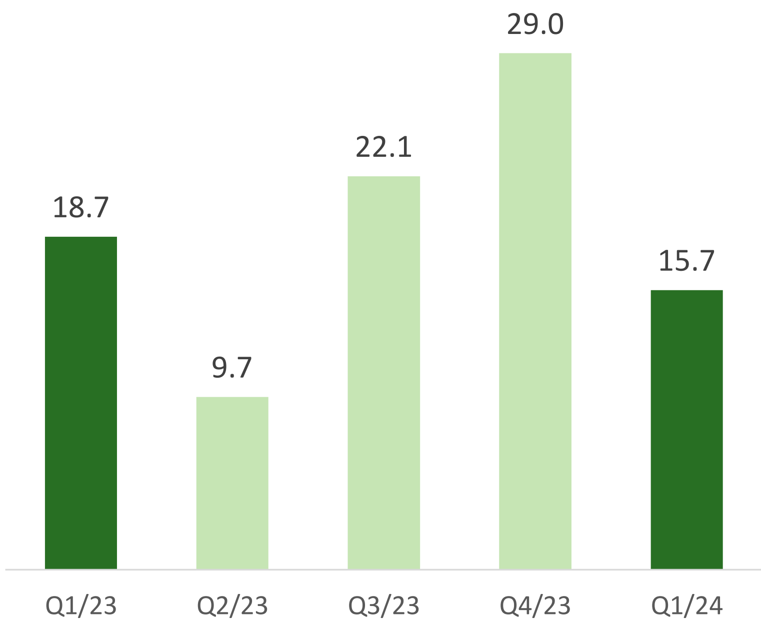
Adjusted EBITDA %	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Norway	26.1%	20.8%	22.9%	22.6%	25.9%

Financial position

Cash flow from operating activities totaled EUR 15.7 million in Q1/24

- In Q1, the net cash flow from operating activities totaled EUR 15.7 (18.7) million. The main driver for the cash flow was the development of the net working capital and one-off items in the income statement.
- Gearing at the end of the reporting period was 81.6% (30 September 2023: 83.9%).
- Net debt amounted to EUR 139.8 million (30 September 2023: EUR 137.9 million). At the end of the period:
    - Loans amounted to EUR 74.9 million (30 September 2023: EUR 79.4 million)
    - Lease liabilities EUR 79.3 million (30 September 2023: EUR 79.8 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 18.9 million (30 September 2023: EUR 22.0 million).
- In Q1, investments in tangible and intangible assets amounted to EUR 4.0 (3.0) 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.

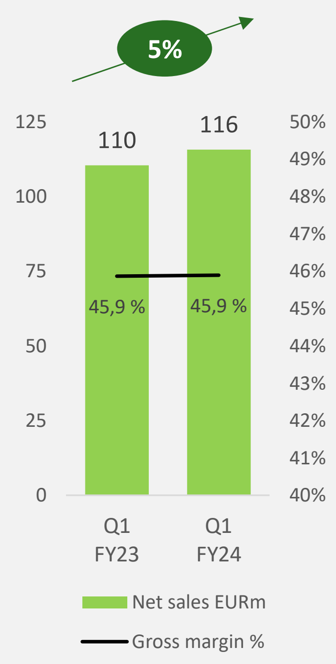
Summary: Quarter with stable performance, unfortunate events and great opportunities

- Q1 performance was stable, achieving profitable growth despite the unfortunate Smaak case in early November and the challenging macro environment
- Musti financial year started with 8.7% local currency growth and 4.8% like-for-like growth.
- Expansion of the Musti network continued with 8 store additions and online sales made yet another record
- Underlying gross margin continues steady
- Efforts to improve cost efficiency continue, supported by continuous great performance of our central warehouse
- Despite headwinds landing in the quarter, we increased adjusted EBITA by 6.1% in the important Christmas season
- Our focus is on winning back trust of the customers impacted by the Smaak recall, and we have taken measures to prevent such incidents going forward

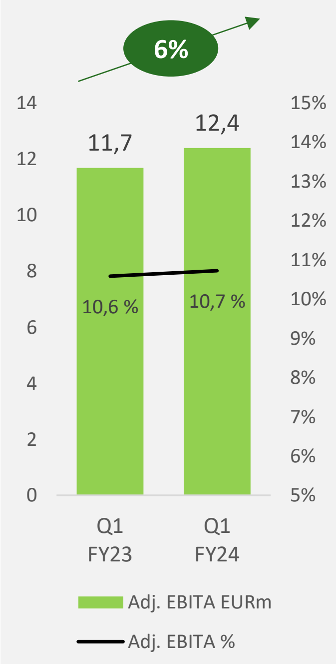
Q1 FY23 – Q1 FY24

% YoY growth Q1 FY23 – Q1 FY24

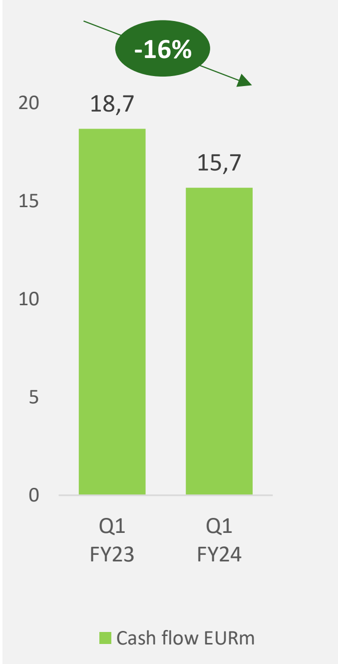
Net sales and gross margin %

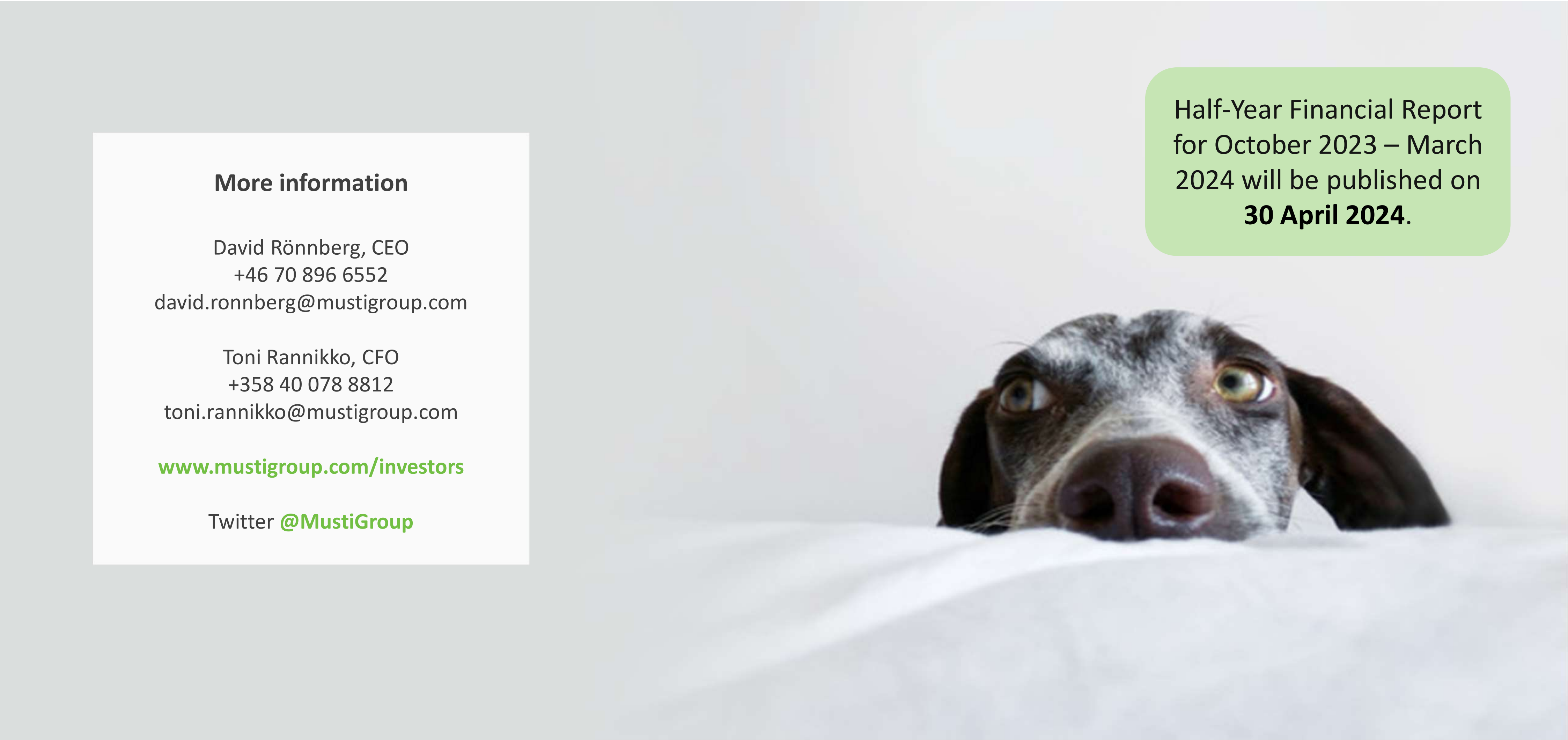


Adj. EBITA, EURm and %



Cash flow, EURm





Half-Year Financial Report for October 2023 – March 2024 will be published on **30 April 2024**.

More information

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Twitter **@MustiGroup**

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	Musti
Omni banner	Musti.NO
Pureplay banner	VetZoo

77 stores

Further expansion and convergence to Finnish levels

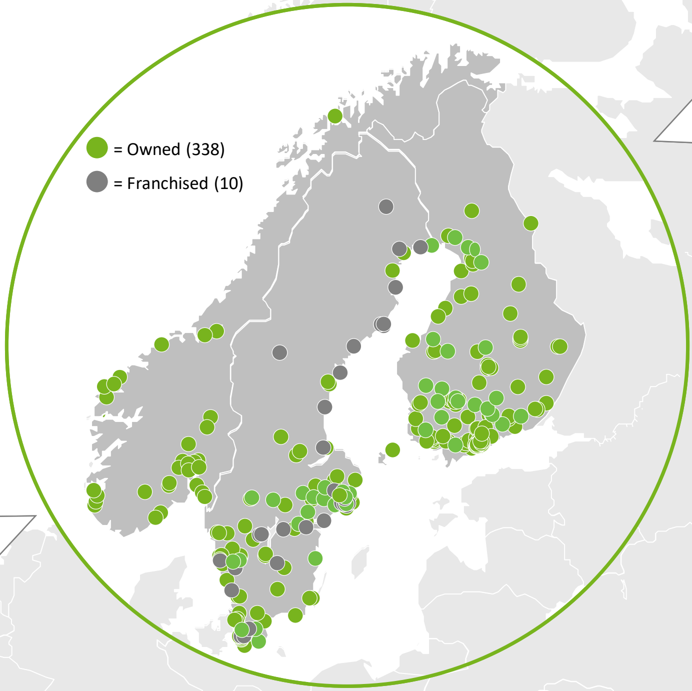
Store banner	ARKEN ZOO
Omni banner	ARKEN ZOO.SE
Pureplay banner	VetZoo

134 stores

Underlying core business with steady growth

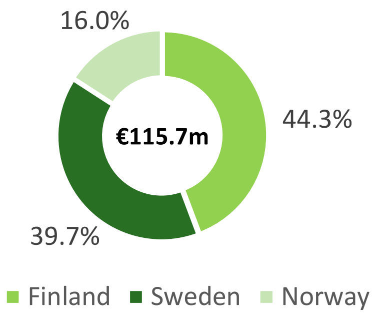
Store banner	Musti ja Mirri
Omni banner	Musti ja Mirri.FI
Pureplay banner	PetenKoiratarvike.com

137 stores



348 stores

Net sales country split, Q1/24



Musti Group – the leading Nordic pet care specialist

Leading Nordic pet care specialist
#1 in Nordics,
25% market share[1]

Wide loyalty program
1.6 million loyal customers, unique rich data on Nordic pets and Pet Parents

Omnichannel business model[2]
348 stores, 23.3% of net sales generated through online channel in Q1/24

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

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

High quality O&E assortment
Strong O&E brand portfolio,
53.0% of product sales in own channels in Q1/24

Source: Company information, a study ordered by the company from an international consulting company. Note: Financial Year Ended 30 September. [1]2021 market share for Nordic pet food and products market; Musti's market share is based on FY22 consumer sales (including sales from franchisees). [2]Omnichannel 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

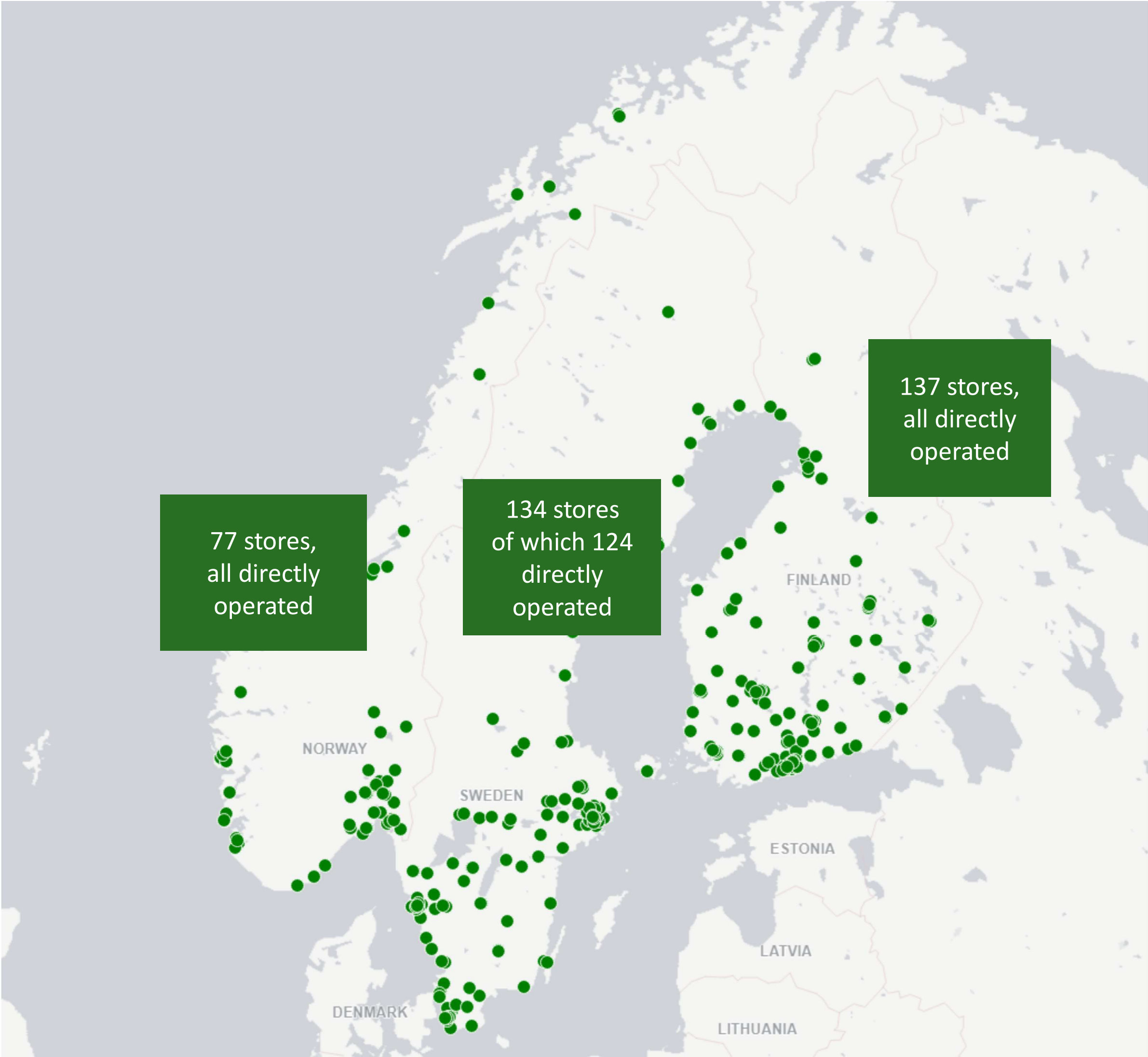
- Seamless omnichannel business model ensuring total convenience for customers
  - Paid online, home delivered
  - Paid online, collected in store
  - Paid offline, collected or consumed in store

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 4.5% to 1,552 thousand (1,485 thousand on 31 December 2022).
- On 31 December 2023, Musti Group had 348 stores, of which 338 directly operated.
- In October 2023 – December 2023, share of online sales was 23.3%.



Key figures

EUR millions or as indicated	10-12/2023	10-12/2022	Change %	FY2023
Net sales	115.7	110.4	4.8%	425.7
LFL sales growth, %	4.8%	7.0%		9.5%
LFL store sales growth, %	2.5%	3.7%		6.7%
Online share, %	23.3%	22.2%		23.0%
Adjusted EBITDA	20.5	19.1	7.0%	73.6
Adjusted EBITDA margin, %	17.7%	17.3%		17.3%
Adjusted EBITA	12.4	11.7	6.1%	42.6
Adjusted EBITA margin, %	10.7%	10.6%		10.0%
Operating profit	9.4	10.1	-7.1%	37.8
Operating profit margin, %	8.1%	9.2%		8.9%
Earnings per share, basic, EUR	0.17	0.21	-17.5%	0.79
Net cash flow from operating activities	15.7	18.7	-16.1%	79.6
Investments in tangible and intangible assets	4.0	3.0	33.6%	11.9
Net debt / LTM adjusted EBITDA	1.9	2.0	-8.2%	1.9
Number of loyal customers, thousands	1,552	1,485	4.5%	1,543
Number of stores at the end of the period	348	340	2.4%	342
of which directly operated	338	325	4.0%	330

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

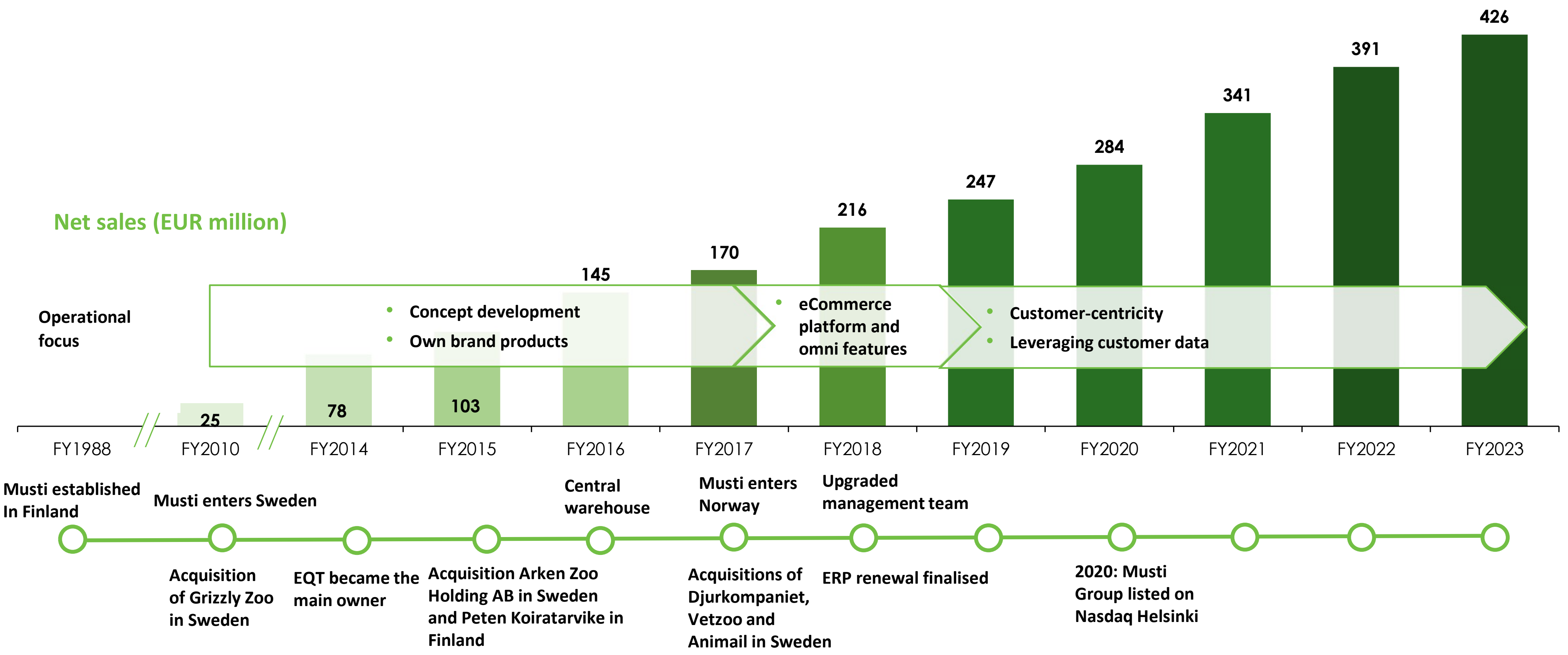
Reducing environmental impact

CO_2 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



Musti GROUP