Company announcement no. 4 2018/19
Allerød, 22 August 2018

Interim report – Q1 2018/19

(1 April – 30 June 2018)

Digital build-up drives growth in sales and footfall in Q1

"The 2018/19 financial year has started off on a strong note with increased footfall and growing sales. In total, 120,000 more transactions were completed compared to Q1 last year, and growth was driven primarily by the digital initiatives launched in respect of matas.dk at the beginning of the calendar year. In addition, the sunny summer triggered a strong increase in sunscreen sales. The quarter also benefitted from a positive calendar effect. Revenue for the first quarter of the financial year was DKK 843.8 million, a year-on-year increase of 1.6%. Underlying like-for-like revenue growth was 1.1%", says Gregers Wedell-Wedellsborg, CEO of Matas A/S, and adds:

"Due to one-off severance costs in connection with a management reshuffle, the Q1 profit after tax was slightly down on Q1 2017/18, while the EBITDA margin adjusted for exceptional items was in line with the first quarter of 2017/18.

At the beginning of the year, we launched the Matas 4D digital growth plan, setting out, among other things, to make shopping on matas.dk faster and easier. As part of this plan, we have introduced nationwide next day delivery, while in Greater Copenhagen we offer same day delivery for orders placed by 3 p.m. Our customers have really responded well to this initiative, and online sales grew by 50% in the past quarter.

Customers have also embraced our measures to add competitive power, including 'Fair prices' on a selection of everyday products. Mass Beauty sales grew by 0.4% in the past quarter, supported by the relaunch of the Sun Stripes range and the introduction of a green sunblock series within the Matas Natur range."

Q1 2018/19 highlights

- Management presented the Group's updated strategy going forward to 2023, "A renewed Matas", at its capital markets day on 30 May 2018, which was held in connection with the presentation of the Group's financial statements for financial year 2017/18. The work to implement the strategy is progressing according to plan, and a range of measures was launched in the first quarter to enhance customer satisfaction, grow revenue and sustain earnings.

- Q1 2018/19 revenue came to DKK 843.8 million, up 1.6% on the DKK 830.8 million reported for Q1 2017/18 (restated, see note 1). Underlying like-for-like sales, i.e. sales in stores operated by the Group in both Q1 2018/19 and Q1 2017/18, were up by 1.1% in Q1 2018/19. The positive calendar effect contributed with around 0.5% of the underlying growth in sales.

- Revenue was supported by increased sales in all shops-in-shop except the MediCare shop, which reported unchanged sales. The High-End Beauty and Vital segments reported the strongest sales growth. The average basket size grew by 1.6% to DKK 157.6, and the number of transactions was up by 2.3% from 5.2 million in Q1 2017/18 to 5.3 million in Q1 2018/19.

- Online sales were up by 50% year-on-year. More than half of all orders were picked up at a Matas store.

- The Vital and High-End Beauty segments performed satisfactorily, reporting sales growth of 7.4% and 4.5%, respectively. Supported by higher sunblock sales, Mass Beauty revenue was slightly up on the year-earlier period.

- Q1 2018/19 gross profit was DKK 381.7 million, taking the gross margin to 45.2%, a slight 0.4 percentage point decline from 45.6% in Q1 2017/18.

- Total costs increased by DKK 5.8 million relative to the year-earlier period. Adjusted for non-recurring costs incurred in connection with a management reshuffle etc., costs were up by DKK 0.8 million.

- Q1 2018/19 EBITDA came to DKK 133.3 million for an EBITDA margin of 15.8%, as compared with 16.4% for Q1 2017/18. The EBITA margin was driven down by exceptional items in the form of the above-mentioned non-recurring costs in connection with the management reshuffle.

- Q1 2018/19 EBITDA before exceptional items came to DKK 138.3 million for an EBITDA margin of 16.4%, unchanged relative to Q1 2017/18.

- Q1 profit after tax was DKK 70.8 million, and Adjusted profit after tax net of amortisation not related to software and exceptional items was DKK 89.7 million, compared with DKK 74.0 million and DKK 88.9 million, respectively, in Q1 2017/18.

- Cash generated from operations grew to DKK 105.3 million in Q1 2018/19 from DKK 76.7 million in the year-earlier period. The free cash flow was an inflow of DKK 72.9 million against an inflow of DKK 33.3 million in Q1 2017/18.

- Gross debt stood at DKK 1,593.7 million at 30 June 2018. Net interest-bearing debt was DKK 1,399.4 million at 30 June 2018, equivalent to 2.5x LTM EBITDA before exceptional items and unchanged relative to the end of Q1 2017/18.

Outlook

We reiterate our guidance for financial year 2018/19:

- Underlying revenue unchanged relative to 2017/18 (like-for-like growth in the -1% – 1% range).

- An EBITDA margin above 14.5%.

- CAPEX between DKK 110 million and DKK 130 million.

Our financial guidance for 2018/19 is based on assumptions of slightly growing consumer spending, a continuing decline in physical store footfall and persistently intensive competition in the health, beauty and personal care market.

Our guidance includes costs for implementing Matas's growth strategy.

The 2018/19 financial year contains an extra trading day compared to FY 2017/18, which is expected to have a slightly positive effect on revenue.

Conference call

Matas will host a conference call for investors and analysts on Wednesday, 22 August 2018 at 10:00 a.m.
The conference call and presentation can be accessed on our investor website: www.investor.en.matas.dk.

Conference call access numbers for investors and analysts:

DK	+45 35 15 81 21
UK:	+44 (0)330 336 9411
US:	+1 929-477-0402
Event code:	3298039

Link to webcast: https://edge.media-server.com/m6/p/w5q3r742

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Forward-looking statements

This interim report contains statements relating to the future, including statements regarding the Matas Group's future operating results, financial position, cash flows, business strategy and future targets. Such statements are based on management's reasonable expectations and forecasts at the time of release of the interim report. Forward-looking statements are subject to risks and uncertainties and a number of other factors, many of which are beyond the Matas Group's control. This may have the effect that actual results may differ significantly from the expectations expressed in the interim report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive conditions, supplier issues and financial and regulatory issues.

Key financials

(DKKm)	2018/19 Q1	2017/18 Q1
Statement of comprehensive income		
Revenue	843.8	830.8
Gross profit	381.7	379.1
EBITDA	133.3	136.5
EBIT	95.1	99.9
Net financials	(4.3)	(5.0)
Profit before tax	90.8	94.9
Profit for the period after tax	70.8	74.0
Exceptional items	5.0	0.0
EBITDA before exceptional items	138.3	136.5
Adjusted profit after tax	89.7	88.9
Statement of financial position		
Total assets	5,410.7	5,490.1
Total equity	2,456.3	2,410.1
Net working capital	(89.1)	(98.0)
Net interest-bearing debt	1,399.4	1,481.8
Statement of cash flows		
Cash flow from operating activities	98.1	69.3
Cash flow from investing activities	(25.2)	(36.0)
Free cash flow	72.9	33.3
Ratios		
Revenue growth	1.6%	(3.3)%
Underlying (like-for-like) revenue growth	*1.1%*	*(2.9)%*
Gross margin	45.2%	45.6%
EBITDA margin	15.8%	16.4%
EBITDA margin before exceptional items	16.4%	16.4%
EBIT margin	11.3%	12.0%
Cash conversion	60.3%	31.8%
Earnings per share, DKK	1.88	1.97
Diluted earnings per share, DKK	1.87	1.96
Share price, end of period, DKK	51.80	103.00
ROIC before tax	11.4%	12.9%
Net working capital as a percentage of LTM revenue	(2.6)%	(2.8)%
Investments as a percentage of revenue	3.0%	4.3%
Net interest-bearing debt/EBITDA before exceptional items	2.5	2.5
Number of transactions (millions)	5.3	5.2
Average basket size (DKK)	157.6	155.1
Average no. of employees	2,083	2,119

For definitions of key financials, see pages 89-90 of the 2017/18 Annual Report.

Effective 1 April 2018, Matas implemented IFRS 15, Revenue from Contracts with Customers, which has led to a reclassification between revenue and cost of sales. Both items were up by DKK 9.9 million in Q1 2017/18. Revenue for Q1 2017/18 has been restated from DKK 820.9 million. See note 1 to the financial statements for more information.

Management's review

Implementing the "A renewed Matas" strategy

Management presented the Group's updated strategy going forward to 2023, "A renewed Matas", at its capital markets day on 30 May 2018, which was held in connection with the presentation of the Group's financial statements for financial year 2017/18. The strategy builds on five strategic focus areas and pursues three key strategic ambitions: enhance customer engagement, grow revenue and sustain earnings.

STRATEGIC AMBITIONS GOING FORWARD TO 2022/23

	Ambitions for 2022/23	Guidance for 2018/19	Realised Q1 2018/19
Enhance customer engagement	Index 110	n.a.	n.a.
Grow revenue	DKK 3.7 - 3.9 billion	DKK 3.4 billion	DKK 843.8 million
Sustain earnings (EBITDA margin)	Above 14%	Above 14.5%	15.8%

During the financial year 2018/19, we will establish a foundation for measuring customers' current engagement in relation to Matas, which will provide the basis for our continued efforts to enhance customer engagement going forward to 2023.

The work to implement the strategy is progressing according to plan, and the first quarter of the financial year saw the launch of a range of measures within each of the five strategic focus areas.

1. Live our purpose

Our strategy is based on Matas' purpose: Beauty and wellbeing for life. We have defined six guideposts to help us enhance the customer experience: More personal; more natural & responsible (green); more Danish; more sensuous; more simple; and more for everyone.

We continued our efforts to enhance the customer experience in Q1 with measures including an improved search function on matas.dk to personalise search results; easier shopping on matas.dk; and the introduction of an online Chanel brand store where customers can shop Chanel products directly. All of our 276 stores also offer to order Chanel products for next day pick-up.

Club Matas grew its net membership in Q1 2018/19, retaining the position as one of Denmark's largest customer clubs with more than 1.5 million active members redeeming points on a regular basis. The Club Matas App has 650,000 users. In connection with the implementation of GDPR on 25 May 2018, we distributed updated terms for how Club Matas processes personal data, explaining to all Club Matas members how their personal data are processed and used.

We strengthened our Club Matas management team in Q1 through the appointment of Karina Kirk as new Head of Customer Insights, Loyalty and Partners, and we continued our efforts to develop personalised services for Club Matas members.

2. Win online

Matas aims to be the undisputed online market leader in the Danish market for beauty and wellbeing by 2023. In January 2018, we geared up our online efforts, launching a number of tactical initiatives to, among other things, make matas.dk more user-friendly, personalise Club Matas and improve Matas's omnichannel service. This work continued in Q1 with efforts including a search engine technology upgrade, next day delivery for online orders anywhere in the country and, later in the quarter, same day home delivery for customers in Greater Copenhagen.

We also continued our efforts to personalise customer communications and created local Facebook profiles for an additional 170 stores and their employees. By the end of June 2018, our customers were able to follow more than 240 Matas stores on Facebook. In June, we introduced Beame, a new social media-driven universe where younger customers can become part of a community and create and share content with their peers.

3. Reignite store growth

Efforts to develop a new store concept continued in the first quarter, and the first stores shaped around the new concept are expected to open before end of the 2018/19 financial year. The work to offer fair prices on everyday products continued through the ”Fair price” pricing campaign. Since February 2018, prices have been lowered on 300 known brands and products, primarily in the everyday beauty and skincare segments, while at the same time efforts to promote Matas’s broad range of private labels have been intensified.

Private label sales grew by 6.7% across shops-in-shop in Q1, contributing to stabilising mass beauty sales. Revenue growth was supported by the relaunch of the Matas Sun Stripes range.

The stores in Bruuns Galleri in Aarhus and in Kolding Storcenter were upgraded within the framework of the existing concept, and the store in Frederiksværk was upgraded in connection with its move to a new location. NYX, the highly popular cosmetics brand, was introduced in another ten stores during Q1 and the range expanded in ten of the existing stores. NYX is now available in 50 stores. A green sunblock series within the Matas Natur range was added to Matas’s private label range, and the traditional Sun Stripes products were reintroduced. The Danish skincare brands RAZspa and LØWEN were added to the High-End Beauty range.

4. Open new growth tracks

The work to develop a new concept, ’Matas Natur’, designed to meet increasing customer demand for green products produced with care and consideration for human health and the environment, continued in the past quarter. Matas Natur is an omnichannel concept giving customers access to a broad range of green, natural products on matas.dk and in Matas stores. From late September 2018, Matas Natur will be tested in two new concept stores in Aarhus and Copenhagen.

5. Change how we work

A renewed Matas calls for new ways of working, particularly within four key areas: commercial excellence; sales excellence; customer excellence; and tech excellence. In June, the Executive Management completed a number of key management changes.

On 1 August, Søren Thomsen was appointed new Chief Operating Officer. Søren Thomsen joined Matas from the position as COO, Director of Scandinavia, of the private equity-owned Hunkemöller chain, which he joined in 2009. On 1 October, Lise Ryevad will take up a new position as Commercial Director. Lise Ryevad joins Matas from the position as Director of Airport Sales at Copenhagen Airports A/S to head up procurement, marketing and Club Matas. On 1 August, former Sales Director Katrine Benthien took up a new position as Chief of Development and Supply Chain. Her responsibilities include Matas’s new retail concept, logistics and new growth initiatives. Carsten Tribler, Regional Director of Sales, left Matas at the end of May 2018, while Procurement Director Stig Nielsen left at the end of June 2018.

Revenue

Revenue in Q1 2018/19

Matas generated total revenue of DKK 843.8 million in Q1 2018/19, against DKK 830.8 million in the same period of last year. Sales in stores operated by the Group in both Q1 2018/19 and Q1 2017/18 were up by 1.1% (underlying like-for-like growth). The positive effect from one additional trading day was partly offset by a less favourable distribution of trading days in the quarter. The positive calendar effect contributed with around 0.5% of the underlying growth in sales.

Effective 1 April 2018, Matas implemented IFRS 15, Revenue from Contracts with Customers, which has led to a reclassification between revenue and cost of sales. Both items rose by DKK 9.9 million in Q1 2017/18, increasing total revenue from the previously announced amount of DKK 820.9 million to DKK 830.8 million. See note 1 to the financial statements for more information.

The revenue performance was primarily driven by improved High-End Beauty and Vital sales, while MediCare and Mass Beauty sales were largely unchanged compared with the year-earlier period. The number of transactions increased by 2.3%. Adjusted for new, closed and acquired stores, overall footfall was unchanged. The average basket size grew by 1.6%. Online sales were up by 50% over the year-earlier period.

Wholesale sales to associated Matas stores etc. declined by DKK 6.2 million relative to the same period of last year. The decline was mainly attributable to the exit of the associated stores from the chain at the end of January 2018. The acquisition of four stores since Q1 2017/18 also impacted on wholesale sales. Revenue from Club Matas relating to partners and value adjustments of Club Matas points are also included in this item.

SHOPS-IN-SHOP

Matas is characterised by its wide product range within beauty, personal care, healthcare and problem-solving household products. This broad product range creates a unique one-stop retail value proposition for our customers in the shape of four shops-in-shop.

BEAUTY
Everyday and luxury beauty products and personal care, including cosmetics, fragrances, skincare and haircare products.

VITAL
Vitamins, minerals, supplements, specialty foods and herbal medicinal products.

MATERIAL
Household and personal care products, including household cleaning and maintenance products, babycare, footcare and sports-related products.

MEDICARE
OTC medicine, nursing products, etc.

SALES CHANNELS

At 30 June 2018, the Matas chain consisted of 277 physical stores and an associated store in Greenland. In addition, Matas was present online through matas.dk and stylebox.dk.

The Group has no activities outside Denmark as the store in the Faroe Islands and the associated store in Greenland are considered Danish stores in this context.

REVENUE BY SHOPS-IN-SHOP AND SALES CHANNELS

(DKKm)	2018/19 Q1	2017/18 Q1	Growth
Beauty	598.3	584.6	2.4%
Vital	98.0	91.2	7.4%
Material	88.6	86.0	3.0%
MediCare	46.4	46.4	0.0%
Other	3.0	6.9	(56.8)%
Total own store revenue	**834.3**	**815.1**	**2.4%**
Wholesale sales etc.	9.5	15.7	(39.8)%
Total revenue	**843.8**	**830.8**	**1.6%**

Overall, the Beauty segment grew revenue by 2.4% over Q1 2017/18. Sales of High-End Beauty products were up by 4.5%, while Mass Beauty sales increased by 0.4%, reflecting the growing customer preference for High-End over Mass Beauty products. In addition, the Mass Beauty segment was once again adversely affected by slowing sales of colour cosmetics, but this was more than offset by higher sales of seasonal products due to the good summer weather.

The Beauty segment's share of total own store revenue was 71.7%, in line with the Q1 2017/18 level. The Vital segment reported a revenue increase of 7.4%, driven primarily by an increased number of health product campaigns. The Material segment reported a revenue increase of 3.0%, supported by higher sales of seasonal products. The MediCare segment, which offers OTC medicine and nursing products, reported revenue in line with the Q1 2017/18 level.

Private label sales were up by 6.7% in Q1.

Costs and operating performance

Costs and operating performance in Q1 2018/19

Gross profit for Q1 2018/19 was DKK 381.7 million, against DKK 379.1 million in Q1 2017/18.

The gross margin for Q1 2018/19 was 45.2%, down from 45.6% in the year-earlier period. The gross margin was impacted by a higher proportion of campaign sales compared with Q1 2017/18.

Other external costs amounted to DKK 73.5 million in Q1 2018/19, up from DKK 69.9 million in Q1 2017/18, equivalent to 8.7% of Q1 2018/19 revenue against 8.4% in the same period the year before. The increase in other external costs was driven, among other things, by a DKK 1 million increase caused by higher online activity and a similar increase in consultancy fees incurred in connection with management changes. Launching Matas's new objectives entailed non-recurring costs of DKK 0.2 million.

Staff costs were up by DKK 2.2 million to DKK 174.9 million in Q1 2018/19 over the same period of 2017/18. Non-recurring costs of DKK 4.8 million were incurred in connection with changes in management. Adjusted for these costs, staff costs were down by DKK 2.6 million.

Overall, staff costs were up by 1.3% in Q1 2018/19. Adjusted for non-recurring costs, they were down by 1.5%. Staff costs amounted to 20.7% of revenue in Q1 2018/19, against 20.8% in the year-earlier period. Adjusted for non-recurring costs, staff costs amounted to 20.2% of Q1 2018/19 revenue.

Q1 2018/19 staff costs included DKK 1.7 million related to the company's long-term share compensation programme, including DKK 0.8 million relating to discontinued employees.

Costs

(DKKm)	**2018/19 Q1**	**2017/18 Q1**	**Growth**
Other external costs	73.5	69.9	5.2%
- *of which exceptional items*	*0.2*	*0.0*	
As a percentage of revenue	8.7%	8.4%	
Staff costs	174.9	172.7	1.3%
- *of which exceptional items*	*4.8*	*0.0*	
As a percentage of revenue	20.7%	20.8%	

EBITDA was DKK 133.3 million in Q1 2018/19, a decline of 2.3% from DKK 136.5 million in Q1 2017/18. The EBITDA margin was 15.8%, 0.6 of a percentage point lower than in Q1 2017/18. The lower EBITA margin was attributable mainly to a slightly weaker contribution ratio and higher staff costs as a result of management changes. Adjusted for exceptional items, EBITDA came to DKK 138.3 million, an increase of 1.3%, and the EBITDA margin was 16.4%.

Financial items

Net financial expenses were down by DKK 0.7 million in Q1 2018/19 to DKK 4.3 million, including a fair value adjustment of an interest rate swap representing income of DKK 2.9 million against income of DKK 2.6 million in Q1 2017/18. Net interest expenses excluding fair value adjustments were DKK 7.2 million, a year-on-year decline of DKK 0.4 million.

Until 30 June 2018, when the agreement expired, Matas's net interest-bearing debt was hedged by an interest rate swap. If Matas decides to enter into a new agreement, the new hedge accounting rules provided by IFRS 9 will be applied.

NET FINANCIAL EXPENSES

(DKKm)	2018/19 Q1	2017/18 Q1
Net financial expenses	4.3	5.0
Fair value adjustment of interest rate swap	2.9	2.6
Net financial expenses, adjusted for swap	7.2	7.6

Profit for the period

The effective tax rate was 22.0% in Q1 2018/19, equivalent to a tax expense of DKK 20.0 million. The profit for the period after tax was DKK 70.8 million, and the Adjusted profit after tax was DKK 89.7 million, an increase of 0.9% from DKK 88.9 million in Q1 2017/18.

Statement of financial position

Total assets amounted to DKK 5,410.7 million at 30 June 2018, down from DKK 5,490.1 million at 30 June 2017.

Current assets totalled DKK 1,102.4 million, a year-on-year decline of DKK 3.4 million. Inventories at 30 June 2018 were 4.9% higher than at 30 June 2017. The increase was attributable partly to acquired operations, store openings and closures and partly to the increase in the number of SKUs resulting from new brand introductions. Inventories accounted for 22.8% of LTM revenue at 30 June 2018 compared with 21.7% at 30 June 2017 and 21.6% at the end of Q4 2017/18.

Reflecting the acquisition of stores and the exit of the remaining associated stores from the chain at the end of January 2018, trade receivables declined by DKK 9.1 million to DKK 8.5 million. Trade payables increased by DKK 4.7 million as compared with the level at 30 June 2017.

Net working capital excluding deposits stood at minus DKK 89.7 million at 30 June 2018, compared with minus DKK 98.0 million at 30 June 2017. Working capital accounted for minus 2.6% of LTM revenue, as compared with minus 2.8% last year.

Cash and cash equivalents stood at DKK 194.3 million, down from DKK 220.3 million the year before.

Equity was DKK 2,456.3 million at 30 June 2018, compared with DKK 2,410.1 million at 30 June 2017.

Interest-bearing gross debt stood at DKK 1,593.7 million at 30 June 2018.

Net interest-bearing debt was DKK 1,399.4 million at 30 June 2018, a year-on-year decline of DKK 82.4 million – equalling 2.5 times LTM EBITDA before exceptional items, unchanged relative to 30 June 2017 and within the target of a level between 2.5 and 3.

At 30 June 2018, the company's share capital consisted of 38,291,492 shares of DKK 2.50 each, corresponding to a share capital of DKK 95.728.730. Matas currently holds 657,186 treasury shares, which are held for the purpose of meeting the Group's obligations under its long-term executive incentive programme.

Statement of cash flows

Cash generated from operations was an inflow of DKK 105.3 million in Q1 2018/19 against an inflow of DKK 76.7 million in Q1 2017/18. The cash flow from operating activities was an inflow of DKK 98.1 million in Q1 2018/19, up from an inflow of DKK 69.3 million in Q1 2017/18.

Cash flows were favourably affected by a less negative development in working capital compared with Q1 2017/18, due partly to a slightly lower increase in inventories compared with Q1 2017/18 and partly to a slightly higher increase in trade payables.

The free cash flow was an inflow of DKK 72.9 million in Q1 2018/19, up from DKK 33.3 million in Q1 2017/18.

Return on invested capital

The return on LTM invested capital before tax was 11.4%, compared with 12.9% a year earlier.

Events after the date of the statement of financial position

No significant events have occurred after the date of the statement of financial position.

Significant risks

As stated in the 2017/18 Annual Report, no significant operational risks are deemed to exist other than what is normal for the industry. Matas is to some extent exposed to different types of financial risk such as interest rate, liquidity and credit risk. See note 29 to the consolidated financial statements for 2017/18 for additional information on such risk.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and adopted the interim report of Matas A/S for the period 1 April to 30 June 2018.

The interim report, which has been neither audited nor reviewed by the company's auditors, has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position at 30 June 2018 and of the results of the Group's operations and cash flows for the period 1 April to 30 June 2018.

Furthermore, in our opinion, the management's review includes a fair review of the development and performance of the business, the results for the period and of the Group's financial position in general and describes the principal risks and uncertainties that the Group faces.

Allerød, 22 August 2018

Executive Management

Gregers Wedell-Wedellsborg CEO	Anders T. Skole-Sørensen CFO

Board of Directors

Lars Vinge Frederiksen Chairman	Lars Frederiksen Deputy Chairman	Signe Trock Hilstrøm
Mette Maix	Christian Mariager	Birgitte Nielsen

Additional information

Financial calendar

The financial year covers the period 1 April – 31 March, and the following dates have been fixed for releases etc. in the remainder of financial year 2018/19:

FINANCIAL CALENDAR	
8 November 2018	Interim report – Q2 2018/19
8 January 2019	Trading update for Q3 2018/19
7 February 2019	Interim report – Q3 2018/19
28 May 2019	Annual report 2018/19
27 June 2019	Annual general meeting for 2018/19

Company information

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Company reg. (CVR) no. 27 52 84 06

Statement of comprehensive income

(DKKm)	2018/19 Q1	2017/18 Q1
Revenue	843.8	830.8
Cost of goods sold	(462.1)	(451.7)
Gross profit	381.7	379.1
Other external costs	(73.5)	(69.9)
Staff costs	(174.9)	(172.7)
Amortisation, depreciation and impairment	(38.2)	(36.6)
EBIT	95.1	99.9
Financial income	2.9	2.6
Financial expenses	(7.2)	(7.6)
Profit before tax	90.8	94.9
Tax on profit for the period	(20.0)	(20.9)
Profit for the period	70.8	74.0
Other comprehensive income		
Other comprehensive income after tax	0.0	0.0
Total comprehensive income	70.8	74.0
Earnings per share		
Earnings per share, DKK	1.88	1.97
Diluted earnings per share, DKK	1.87	1.96

Statement of cash flows

(DKKm)	2018/19 Q1	2017/18 Q1
Profit before tax	90.8	94.9
Adjustment for non-cash operating items etc.:		
Amortisation, depreciation and impairment	38.2	36.6
Other non-cash operating items, net	1.7	0.6
Financial income	(2.9)	(2.6)
Financial expenses	7.2	7.6
Cash flows from operations before changes in working capital	135.0	137.1
Changes in working capital	(29.7)	(60.4)
Cash generated from operations	105.3	76.7
Interest paid	(7.2)	(7.4)
Corporation tax paid	0.0	0.0
Cash flow from operating activities	98.1	69.3
Acquisition of intangible assets	(10.1)	(17.3)
Acquisition of property, plant and equipment	(15.1)	(15.4)
Acquisition of subsidiaries and operations	0.0	(3.3)
Cash flow from investing activities	(25.2)	(36.0)
Free cash flow	72.9	33.3
Debt raised and settled with credit institutions	35.0	153.7
Cash flow from financing activities	35.0	153.7
Net cash flow from operating, investing and financing activities	107.9	187.0
Cash and cash equivalents, beginning of period	86.4	33.3
Cash and cash equivalents, end of period	194.3	220.3

Assets

(DKKm)	30.06 2018	30.06 2017	31.03 2018
NON-CURRENT ASSETS			
Goodwill	3,736.4	3,737.8	3,736.4
Trademarks and trade names	269.4	343.4	287.9
Shares in co-operative property	3.9	3.9	3.9
Other intangible assets	54.8	58.9	54.1
Total intangible assets	4,064.5	4,144.0	4,082.3
Property, plant and equipment			
Land and buildings	87.7	92.0	88.3
Other fixtures and fittings, tools and equipment	80.9	74.6	76.1
Leasehold improvements	12.3	12.8	11.6
Total property, plant and equipment	180.9	179.4	176.0
Deferred tax assets	21.8	20.3	19.8
Deposits	40.4	39.9	40.7
Other securities and investments	0.7	0.7	0.7
Total other non-current assets	62.9	60.9	61.2
Total non-current assets	4,308.3	4,384.3	4,319.5
CURRENT ASSETS			
Inventories	792.2	755.5	749.0
Trade receivables	8.5	17.6	7.1
Corporation tax receivable	80.3	83.8	112.0
Other receivables	6.2	10.9	6.7
Prepayments	20.9	17.7	22.9
Cash and cash equivalents	194.3	220.3	86.4
Total current assets	1,102.4	1,105.8	984.1
TOTAL ASSETS	5,410.7	5,490.1	5,303.6

Equity and liabilities

(DKKm)	30.06 2018	30.06 2017	31.03 2018
EQUITY			
Share capital	95.7	98.2	95.7
Translation reserve	0.3	0.3	0.3
Treasury share reserve	(73.7)	(185.3)	(73.7)
Retained earnings	2,434.0	2,496.9	2,357.4
Proposed dividend for the financial year	0.0	0.0	241.2
Total equity	2,456.3	2,410.1	2,620.9
LIABILITIES			
Deferred tax	206.7	230.6	211.4
Credit institutions	1,593.7	1,702.1	1,558.3
Other payables	0.0	10.5	0.0
Total non-current liabilities	1,800.4	1,943.2	1,769.7
Prepayments from customers	152.3	154.2	160.2
Trade payables	595.9	592.0	579.4
Dividends	237.1	237.1	0.0
Other payables	168.7	153.5	173.4
Total current liabilities	1,154.0	1,136.8	913.0
Total liabilities	2,954.4	3,080.0	2,682.7
TOTAL EQUITY AND LIABILITIES	5,410.7	5,490.1	5,303.6

Statement of changes in equity

	Share capital	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2018	**95.7**	**0.3**	**(73.7)**	**241.2**	**2,357.4**	**2,620.9**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	0.0	70.8	70.8
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**70.8**	**70.8**
Transactions with owners						
Dividend paid	0.0	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	0.0	(4.1)	4.1	0.0
Share-based payment	0.0	0.0	0.0	0.0	1.7	1.7
Total transactions with owners	**0.0**	**0.0**	**0.0**	**(241.2)**	**5.8**	**(235.4)**
Equity at 30 June 2018	**95.7**	**0.3**	**(73.7)**	**0.0**	**2,434.0**	**2,456.3**

	Share capital	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2017	**98.2**	**0.3**	**(185.3)**	**247.5**	**2,411.8**	**2,572.5**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	0.0	74.0	74.0
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**74.0**	**74.0**
Transactions with owners						
Dividend transferred to liabilities	0.0	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	0.0	(10.4)	10.4	0.0
Share-based payment	0.0	0.0	0.0	0.0	0.6	0.6
Total transactions with owners	**0.0**	**0.0**	**0.0**	**(247.5)**	**11.0**	**(236.5)**
Equity at 30 June 2017	**98.2**	**0.3**	**(185.3)**	**0.0**	**2,496.9**	**2,410.1**

Notes

Note 1 – Accounting policies

The interim report is presented in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Except as set out below, the accounting policies are unchanged from the accounting policies applied in the consolidated financial statements for 2017/18, to which reference is made.

Changes of accounting policies

Matas has applied IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, for the first time. The effects of these changes are described below.

Changes to other standards and interpretations also apply for the first time in 2018/19. None of these changes have had any impact on recognition or measurement in the interim report.

Impact of IFRS 9, Financial Instruments

IFRS 9, Financial Instruments, replaces IAS 39 and changes the classification, measurement and impairment of financial assets and introduces new hedge accounting rules.

Under IFRS 9, Matas must recognise expected credit losses on all debt securities, loans and trade receivables, based either on 12-month expected losses or on lifetime expected losses. Matas recognises expected lifetime losses on all trade receivables. Based on the portfolio of financial assets and liabilities and the historically low losses incurred on loans and receivables, the implementation of the new standard has had no effect on Matas's interim report and thus no effect on retained earnings as at 1 April 2018. Implementing the standard has not in any way affected recognition or measurement.

Impact of IFRS 15, Revenue from Contracts with Customers

IFRS 15 replaces the previous revenue standards (IAS 11, Construction Contracts, and IAS 18, Revenue) and related interpretations and introduces a five-step model for the recognition of revenue from contracts with customers. Under IFRS 15, revenue is recognised at the amount of consideration to which Matas expects to be entitled in exchange for transferring goods or services to a customer.

As described on page 75 of the annual report for 2017/18, implementing the new standard has led to a reclassification of particularly the Club Matas customer loyalty programme. The reclassification inflated revenue by DKK 45.7 million and cost of sales by a corresponding amount in financial year 2017/18. For the first quarter of 2017/18, the increase was DKK 9.9 million.

Matas has not recognised any substantial provisions for return rights (customers' right to return products to Matas) in connection with the preparation of the interim report.

Matas has implemented the new standard without restating comparatives, but has made the above-mentioned reclassification regarding the Club Matas loyalty programme. Except for the above-mentioned reclassification, the new standard has not significantly affected the recognition or measurement of revenue. The new standard has not affected the statement of cash flows, profits or earnings per share.

Standards issued but not yet effective

IFRS 16, Leases, takes effect for financial years beginning on or after 1 January 2019, and Matas has opted against early adoption of the standard. The IFRS 16 project continued in the first quarter of 2018/19 and is progressing as planned. Matas will continue to evaluate how the new standard impacts on the consolidated financial statements in financial year 2018/19.

Note 2 – Accounting estimates and judgments

The preparation of interim financial statements requires management to make accounting judgments and estimates that affect the application of accounting policies and recognised assets, liabilities, income and expenses. Actual results may differ from these estimates.

The critical accounting estimates and judgments applied are consistent with those applied in the consolidated financial statements for 2017/18.

Note 3 – Seasonality

Except for fluctuations in the number of trading days, the Group's activities in the interim period were only to a limited extent affected by seasonal or cyclical fluctuations.

Interim financial highlights

(DKKm)	2018/19 Q1	2017/18 Q4	2017/18 Q3	2017/18 Q2	2017/18 Q1
Statement of comprehensive income					
Revenue	843.8	769.3	1,074.8	789.9	830.8
Gross profit	381.7	341.8	484.2	344.2	379.1
EBITDA	133.3	81.7	221.5	94.8	136.5
EBIT	95.1	34.7	177.3	57.0	99.9
Net financial expenses	(4.3)	(4.2)	(5.2)	(5.3)	(5.0)
Profit before tax	90.8	30.5	172.1	51.7	94.9
Profit for the period	70.8	31.7	134.2	40.3	74.0
Statement of financial position					
Total assets	5,410.7	5,303.6	5,328.0	5,305.1	5,490.1
Total equity	2,456.3	2,620.9	2,588.2	2,452.6	2,410.1
Net working capital	(89.1)	(127.3)	(166.7)	(56.2)	(98.0)
Net interest-bearing debt	1,399.4	1,471.9	1,457.0	1,694.0	1,481.8
Statement of cash flows					
Cash flow from operating activities	98.1	5.8	260.5	48.0	69.3
Cash flow from investing activities	(25.2)	(20.3)	(23.1)	(22.7)	(36.0)
Free cash flow	72.9	(14.5)	237.4	25.3	33.3
Net cash flow from operating, investing and financing activities	107.9	34.2	(0.1)	(168.0)	187.0
Key performance indicators					
Number of transactions (in millions)	5.3	4.9	6.0	5.1	5.2
Average basket size (in DKK)	157.6	154.4	175.3	149.8	155.1
Total retail floor space (in thousands of square metres)	53.3	53.3	53.4	53.3	52.6
Avg. revenue per square metre (in DKK thousands) - LTM	64.5	64.3	64.7	64.7	64.7
Like-for-like growth	1.1%	(2.6)%	(0.8)%	0.8%	(2.9)%
Adjusted figures					
EBITDA	133.3	81.7	221.5	94.8	136.5
Exceptional items	5.0	2.0	5.5	12.7	0.0
EBITDA before exceptional items	138.3	83.7	227.0	107.5	136.5
Depreciation and amortisation of software	(19.0)	(29.3)	(23.2)	(18.5)	(17.5)
Exceptional items, amortisation and depreciation	0.0	1.4	4.0	0.0	0.0
EBITA	119.3	55.7	207.7	89.0	119.0
Adjusted profit after tax	89.7	47.0	154.8	65.3	88.9
Gross margin	45.2%	44.4%	45.0%	43.6%	45.6%
EBITDA margin	15.8%	10.6%	20.6%	12.0%	16.4%
EBITDA margin before exceptional items	16.4%	10.9%	21.1%	13.6%	16.4%
EBITA margin	14.1%	7.2%	19.3%	11.3%	14.3%
EBIT margin	11.3%	4.5%	16.5%	7.2%	12.0%