

Financials FY 20/21

## IR presentation Q4



June 2021

# Flügger Management team

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*CEO*  
**Sune Schnack**



*CFO*  
**Poul Erik Stockfleth**



*CDO*  
**Ulf Schnack**

# Flügger is a leading Nordic player within decorative paint products for both professionals and consumers.

In-house knowledge controlling entire value chain

Leading position supported by strong fundamentals and diversified revenue stream

Product development

Production and logistics



Raw material

**Segment 1 Own stores & resellers**  
*Flügger, PP Professional Paint*

**Segment 2 DIY**  
*Private Label, Primacol, Yunik Pro, Lux Decor*

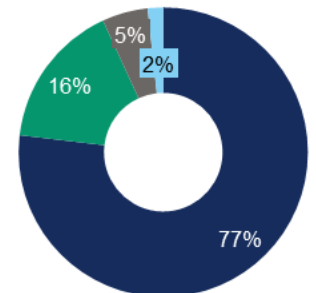
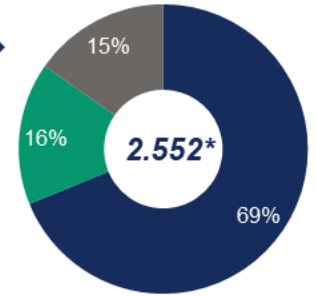
**Segment 3 Eskaro**  
*Eskaro, Aura, Condor*

Proforma numbers

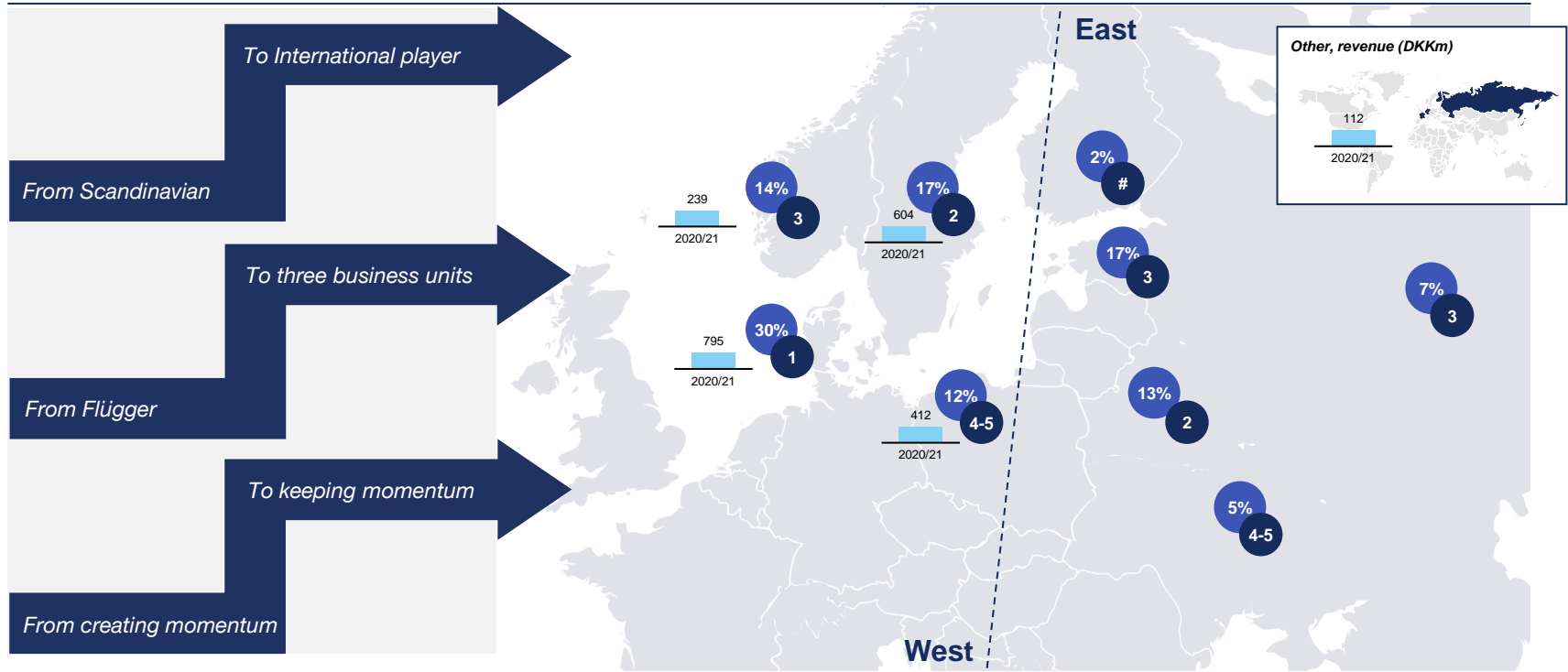
Diverse product portfolio offering strong brands\*\*

\*\*Full Year 2020/21

- Paints, chemical products and wood stains
- Tools for painting and wallpaper
- Wallpaper and wall coverings
- Various articles



# With acquisition of Unicell and Eskaro Flügger has become international

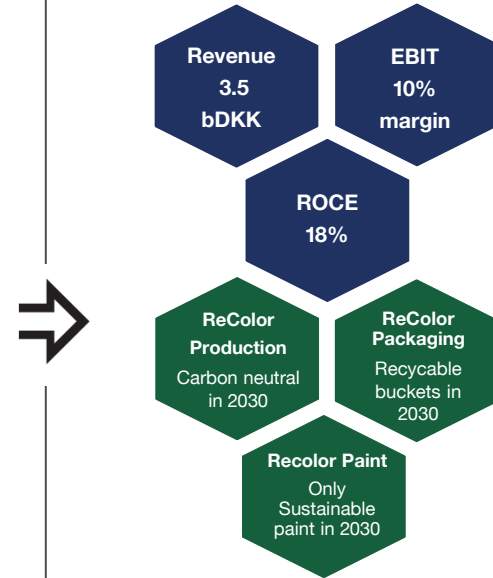


# Intensifying strategic initiatives will drive profitable growth & efficiency

## Key strategic initiatives towards an EBIT of 350 mDKK

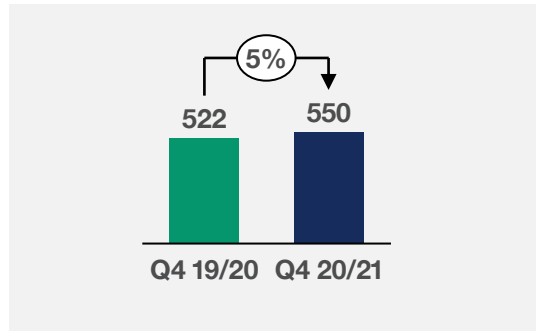
- 1 | VALUE BASED PRICING**  Optimization of pricing across product and segments as well as focusing on margin enhancing initiatives.
- 2 | COMMERCIAL FOOTPRINT**  Consolidation of own stores and expansion of franchise stores; in addition, focusing on direct deliveries.
- 3 | COMPOUND GROWTH**  Growth to be derived from a combination of acquisitions and organic initiatives.
- 4 | OPERATIONAL FOOTPRINT**  Optimization of production sites and development of logistical footprint.
- 5 | ASSORTMENT & STOCK**  Harmonized assortment across core markets and utilize synergies within GFR across segments and channels.
- 6 | DIGITALISATION**  Customer centric digitalization and automated aligned processes.

## Key strategic targets

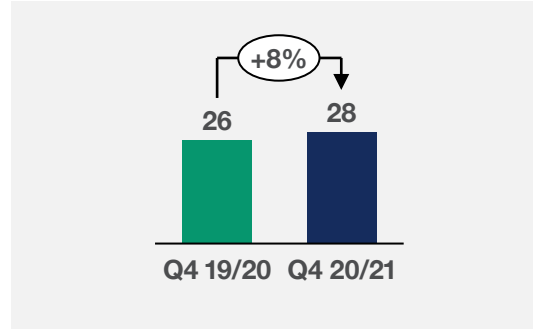


# Q4 20/21 Highlights

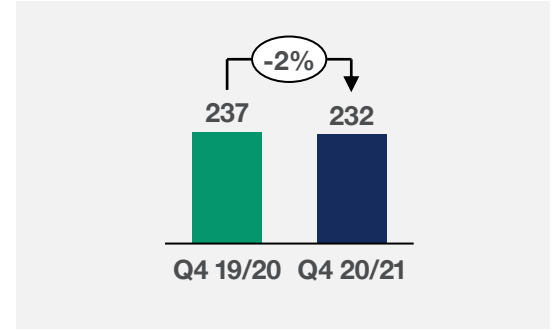
## Revenue (mDKK)



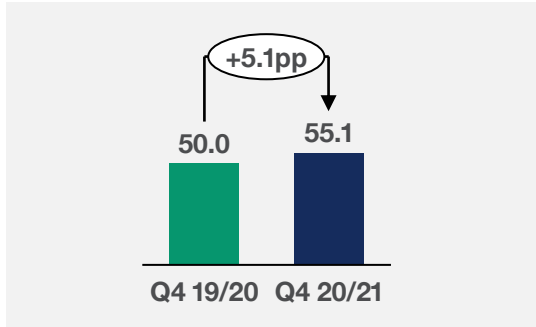
## EBIT (mDKK)



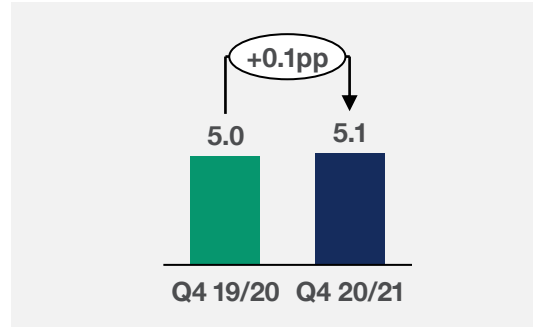
## Own stores (#)



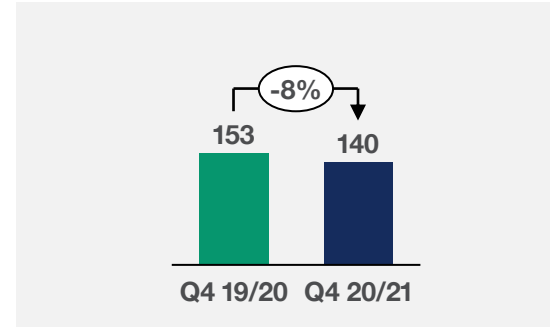
## Gross Margin (%)



## EBIT-margin (%)

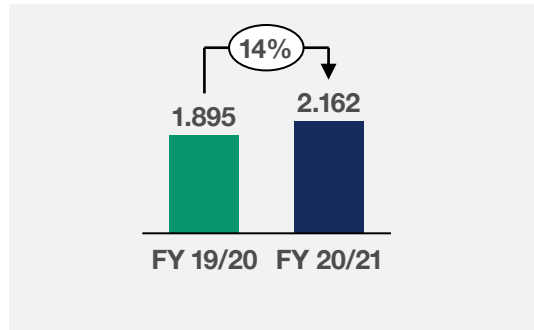


## Franchise stores (#)

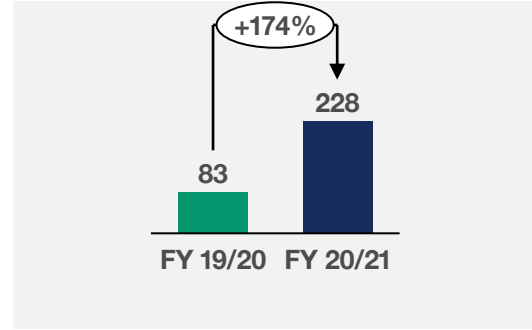


# FY 20/21 Highlights

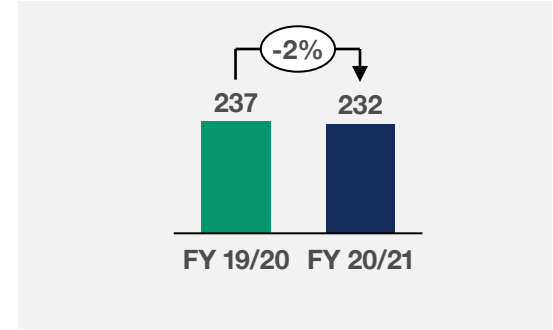
## Revenue (mDKK)



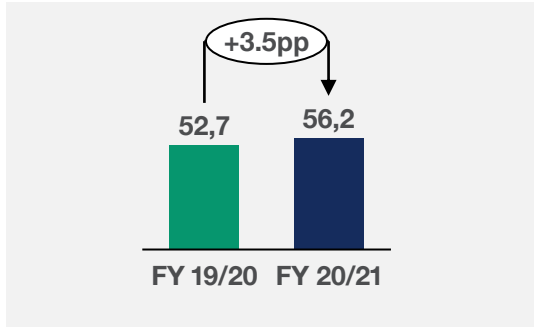
## EBIT (mDKK)



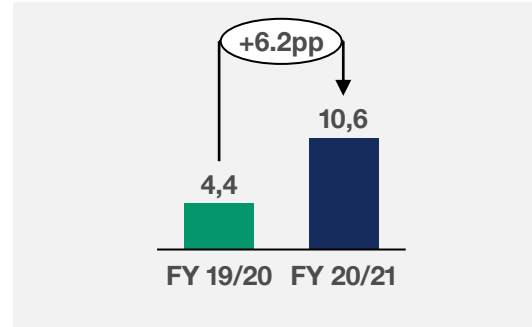
## Own stores (#)



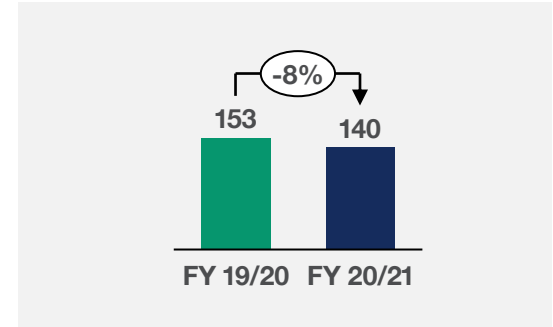
## Gross Margin (%)



## EBIT-margin (%)



## Franchise stores (#)



# Q4 20/21 Highlights

## Flügger Group Results

### ⇒ Demand in Nordics returned to normalized level

- Sales to consumers and private label to DIY stores in the Nordics was back at normalized level compared to very high demand in Q4 19/20, primarily exterior sales, which was also impacted by very cold weather
- Significant growth in emerging markets impacted by very low sales in Q4 19/20, which was impacted by COVID-19 restrictions in Poland and closed stores in China
- Currency tailwind in Norway and Sweden

### ⇒ EBIT growing more than topline

- EBIT growth driven by organic growth, customer mix and efficiencies
- Both Q4 this year and last year impacted by one-off costs related to restructuring and acquisitions of MDKK 10

mDKK	Q4 20/21	Q4 19/20	Change
<b>Net sales</b>	<b>550</b>	<b>522</b>	<b>5%</b>
Organic growth	4%	10%	-6pp
M&A	0%	10%	-10pp
Currency	1%	-3%	4pp
<b>EBIT</b>	<b>28</b>	<b>26</b>	<b>6%</b>
EBIT-margin	5.1%	5.0%	0pp



# FY 20/21 Highlights

## Flügger Group Results

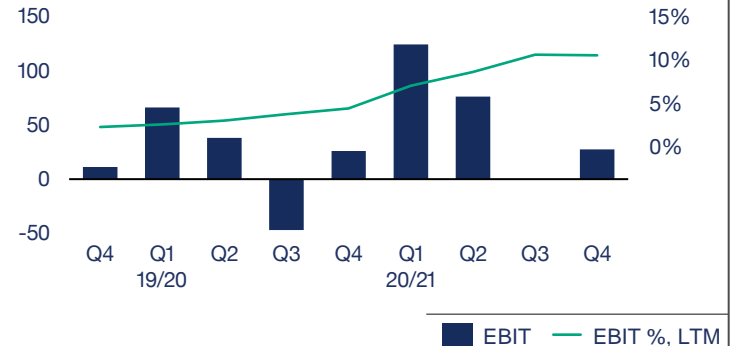
### ➔ Extraordinary sales to consumers

- COVID-19 driving up organic sales growth primarily from consumers in Denmark and Sweden
- Strong organic growth in Poland supplemented with sales from Unicell, which have contributed since the acquisition in November 2019
- Currency headwind in Poland and Norway partly offset by favorable development in SEK

### ➔ EBIT at historical level incl. first ever positive Q3 EBIT

- Significant uplift in EBIT driven by strong sales with improved profitability due to increased consumer segment
- In addition to full impact from efficiency program, temporary savings from reduced travel activities and hiring freeze
- Negative impact from costs related to acquisition of Eskaro Group

mDKK	FY 20/21	FY 19/20	Change
<b>Net sales</b>	<b>2,162</b>	<b>1,895</b>	<b>14%</b>
Organic growth	9%	1%	8pp
M&A	6%	4%	2pp
Currency	-1%	-1%	0pp
<b>EBIT</b>	<b>228</b>	<b>83</b>	<b>174%</b>
EBIT-margin	10.6%	4.4%	6pp



# Tailwind from COVID-19 on sales to consumers mainly in Denmark and Sweden and to lesser extent in Norway and Poland

## Estimated Covid-19 impact

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**COVID-19 is estimated to have contributed approximately 4-5% revenue growth and 1-2 percentage points on EBIT margin.**

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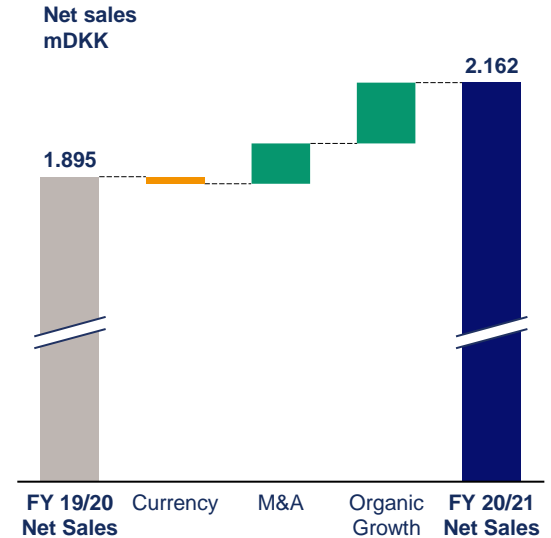
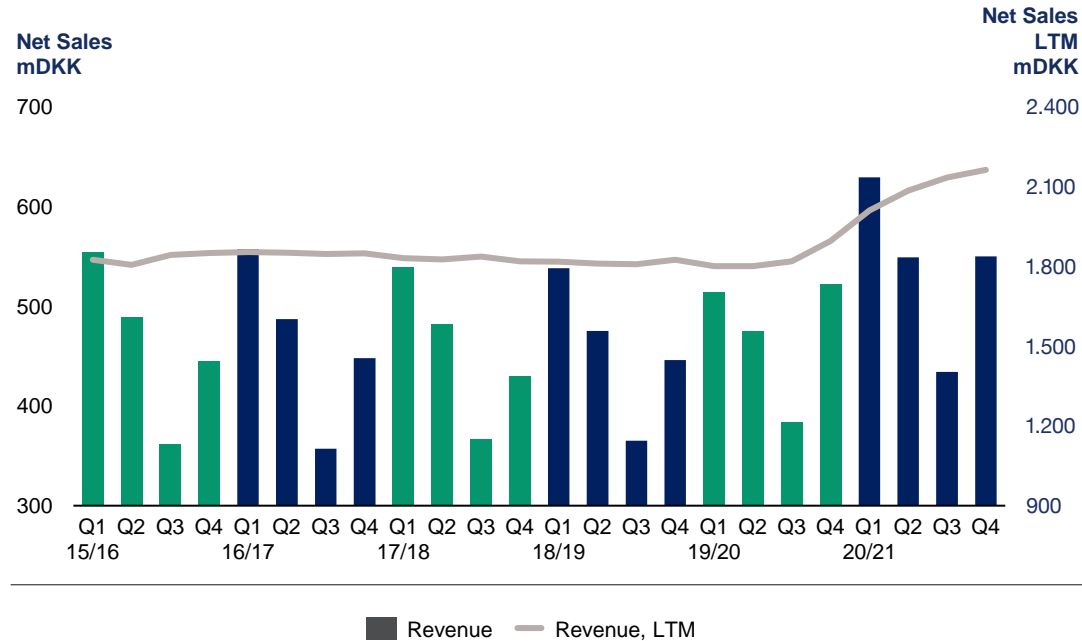
*The estimate is based on how much the following factors deviated from what was expected before COVID-19:*



- Sales to consumers, particular in Denmark and Sweden, and to a lesser extent in Norway and Poland
- Logistics and distribution costs in relation to increased volumes
- Additional labor cost as a result of several repatriated/sick employees
- Large fluctuations in raw material prices, which increased a lot during second half of the year
- Savings on reduced travel activity and canceled customer events due to restrictions

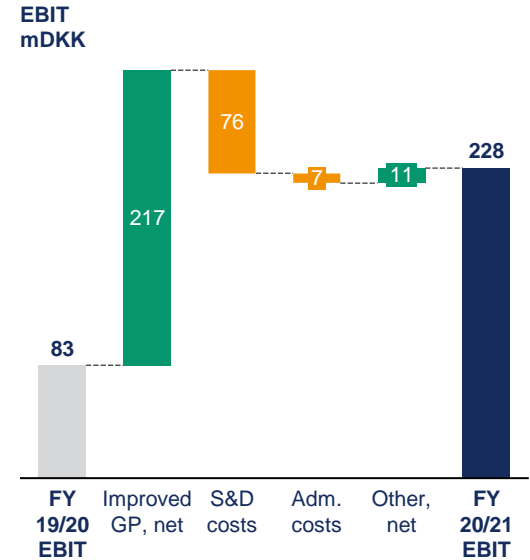
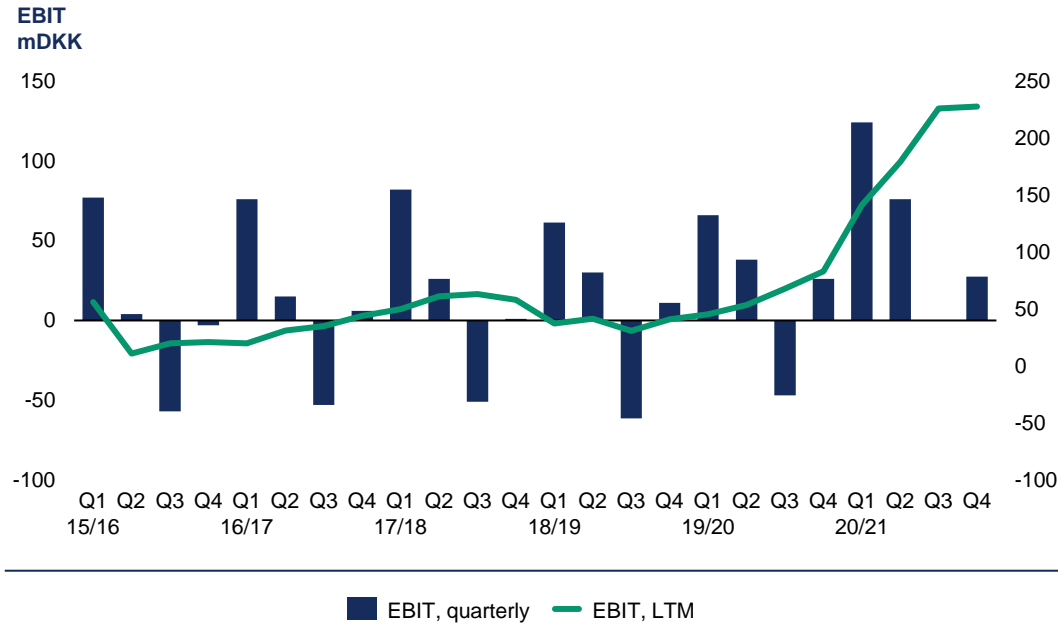
# Net sales increase driven by acquisition of Unicell. Positive impact from COVID-19. Currency headwind in Poland and Norway

## Group sales development



# EBIT at historical level including first ever positive Q3 EBIT, driven by Unicell, increased sales and full impact from the efficiency program TITAN

## Group EBIT development



## 2020/21 impacted by non-recurring costs of MDKK 32 - on par with the previous year

- **Factory Footprint** related to closure of existing paint production while simultaneously expanding new filler factory, both in Sweden in order to match the future requirements in the market
- COVID-19 circumstances required acceleration of **e-commerce** efforts. Unfortunately, some of these investments did not have the desired effect and was written down in Q4
- Transaction costs in connection with the **acquisition of Eskaro** completed 14 May 2021

One-off (mDKK)	2020/21
<b>Factory Footprint</b>	<b>14</b>
<b>E-commerce write-down</b>	<b>10</b>
<b>M&amp;A</b>	<b>8</b>
<b>Total</b>	<b>32</b>

## Segment 1 Own Stores & Resellers: Q4 sales growth of +8% driven by emerging markets, who was impacted last year by COVID-19 restrictions

### Sales development per geographical segment

- Sales to consumers in the Nordics was back at normalized level compared to very high demand in Q4 19/20
- Especially exterior sales in the Nordics declined, which was also impacted by very cold weather
- Currency tailwind in Sweden and Norway
- Significant growth in Poland despite currency headwind due to Q4 19/20 was negatively impacted by COVID-19 restrictions
- Substantial growth in 'Other' countries impacted by very low Q4 19/20 with closes stores due to restrictions

\* Denmark incl. Iceland, Greenland and Faroe Island

Revenue (mDKK)	Q4 19/20	Currency	M&A	Organic Growth	Q4 20/21	Reported Growth
Denmark*	172	0%	0%	1%	174	1%
Sweden	119	6%	0%	-5%	120	1%
Norway	54	8%	0%	-1%	57	7%
Poland	54	-5%	0%	24%	64	19%
Other	11	-1%	0%	166%	30	165%
<b>Total</b>	<b>410</b>	<b>1%</b>	<b>0%</b>	<b>7%</b>	<b>444</b>	<b>8%</b>

## Segment 2 DIY: Q4 sales affected by cold weather impacting exterior sales

### Sales development per geographical segment

- Sales to private label in DIY stores in the Nordics was back at normalized level compared to very high demand in Q4 19/20
- Especially exterior sales in the Nordics declined, which was also impacted by very cold weather
- Unicell International on par with last year

Revenue (mDKK)	Q4 19/20	Currency	M&A	Organic Growth	Q4 20/21	Reported Growth
Unicell Nordic	70	3%	0%	-11%	64	-8%
Unicell international	42	-3%	0%	1%	42	-2%
<b>Total</b>	<b>113</b>	<b>0%</b>	<b>0%</b>	<b>-6%</b>	<b>106</b>	<b>-6%</b>

## Segment 1 Own Stores & Resellers: FY sales growth of +9% primarily driven by positive impact from COVID-19 in Denmark and Sweden

### Sales development per geographical segment

- COVID-19 driving up organic sales growth primarily from consumers in Denmark and Sweden
- Norway challenged by unfavorable currency development and periods with closed stores due to COVID-19 restrictions. Growth driven by sales to painters via e-commerce
- Strong organic growth in Poland partly counterbalanced by currency headwind
- Other sales growing significantly despite COVID-19 restrictions
- Uplift in earnings driven by increased sales to consumers as well as rationalization of store and product portfolios

Revenue (mDKK)	FY 19/20	Currency	M&A	Organic Growth	FY 20/21	Reported Growth
Denmark*	607	-1%	0%	12%	673	11%
Sweden	465	4%	0%	5%	506	9%
Norway	224	-5%	0%	7%	228	2%
Poland	218	-5%	0%	13%	236	8%
Other	98	-1%	0%	16%	112	15%
<b>Total</b>	<b>1,613</b>	<b>-1%</b>	<b>0%</b>	<b>10%</b>	<b>1,756</b>	<b>9%</b>

mDKK	FY 2019/20	FY 20/21
Revenue	1,613	1,756
<b>EBIT</b>	<b>73</b>	<b>187</b>
EBIT-margin %	5%	11%

\* Denmark incl. Iceland, Greenland and Faroe Island



## Segment 2 DIY: FY primarily driven by acquisition of Unicell

### Sales development per geographical segment

- Solid sales in Unicell Nordic driven by increased consumer focus on DIY due to COVID-19

- Unicell International, which was incl. in November 2019, showing strong organic growth also driven by COVID-19 circumstances

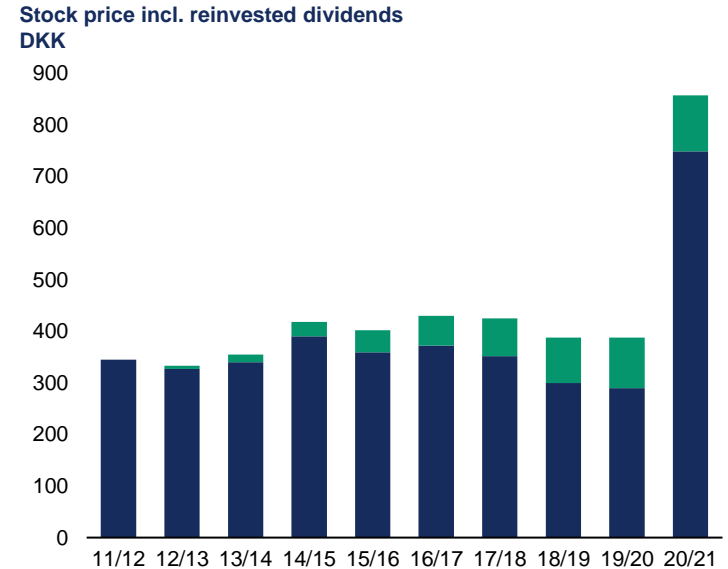
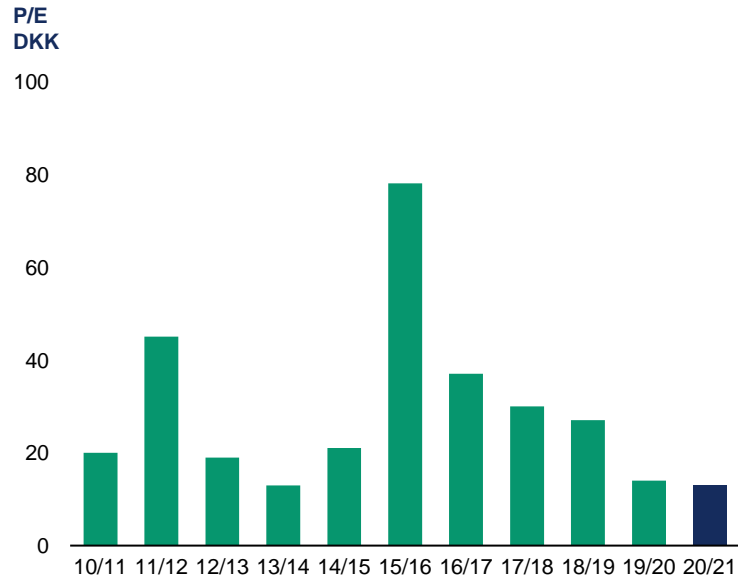
- Especially acquisition of Unicell International contributed to increased earnings

Revenue (mDKK)	FY 19/20	Currency	M&A	Organic Growth	FY 20/21	Reported Growth
Unicell Nordic	220	2%	0%	3%	230	5%
Unicell international	62	0%	174%	9%	176	183%
<b>Total</b>	<b>282</b>	<b>0%</b>	<b>40%</b>	<b>4%</b>	<b>406</b>	<b>44%</b>

mDKK	FY 2019/20	FY 20/21
Revenue	282	406
<b>EBIT</b>	<b>10</b>	<b>41</b>
EBIT-margin %	4%	10%

# Earnings increase with stock price keeping the P/E stable around 13

## Development in P/E and stock price



■ Accumulated dividend ■ Stock price, ultimo

# Stock price development

## Facts about Flügger Group A/S (FLUG B)

Bud/Udbud	Dagens kursspænd	Omsætning	3mGnsOms	Markedsværdi
704,00 - 712,00	704,00 - 722,00	1.113	2.244	2,09Mia.
Seneste luk	52 ugers spænd	P/E	Udbytte	ISIN
722,00	312,00 - 800,00	12,63	1,39	DK0010218189

## Development - Flügger & Competitors

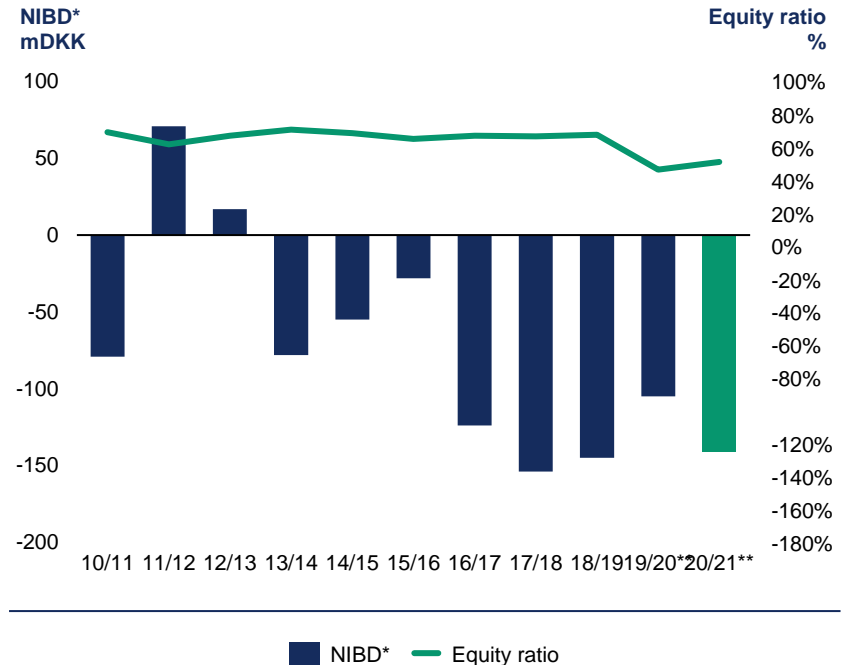


Source: June 18 2021 - <https://www.morningstar.com/stocks/xcse/flug%20b/quote>

# Solid balance sheet as the foundation for further possible acquisitions

## Financial solidity

- 1 | Very solid balance sheet with equity ratio above 60% except from 2019/20, which is due to implementation of IFRS16
- 2 | 2019/20 and 2020/21 NIBD impacted by leasing obligation of 400 mDKK due to implementation of IFRS16
- 3 | Positive cash balance (negative debt) leaves possibility for further acquisitions



\* Net interest-bearing debt excl. leasing (-) / cash (+)  
 \*\* Impacted by leasing obligation of 400 mDKK (IFRS16)

# Financial Outlook



Revenue | 2.500-2.700 mDKK

EBIT | 220-270 mDKK

Result after tax and  
minority interests | 155-190 mDKK

Result per share | 53-65 DKK



- Positive impact from COVID-19 expected to normalize during second half of the year
- Continued positive effect from increased sales to consumers with high margins
- Acquisition of Eskaro expected to contribute 400-450 mDKK of revenue
- Increase in raw material prices and salary increases especially in Easter Europe
- Cost efficiencies in production, sales and administration
- Positive earnings contribution from Eskaro