

Flügger

IR presentation Q2



December 2021

Flügger Management team

The management team of Flügger



Sune Schnack, CEO

..... Previous experience



Poul Erik Stockfleth, CFO

..... Previous experience



Ulf Schnack, CDO

..... Previous experience

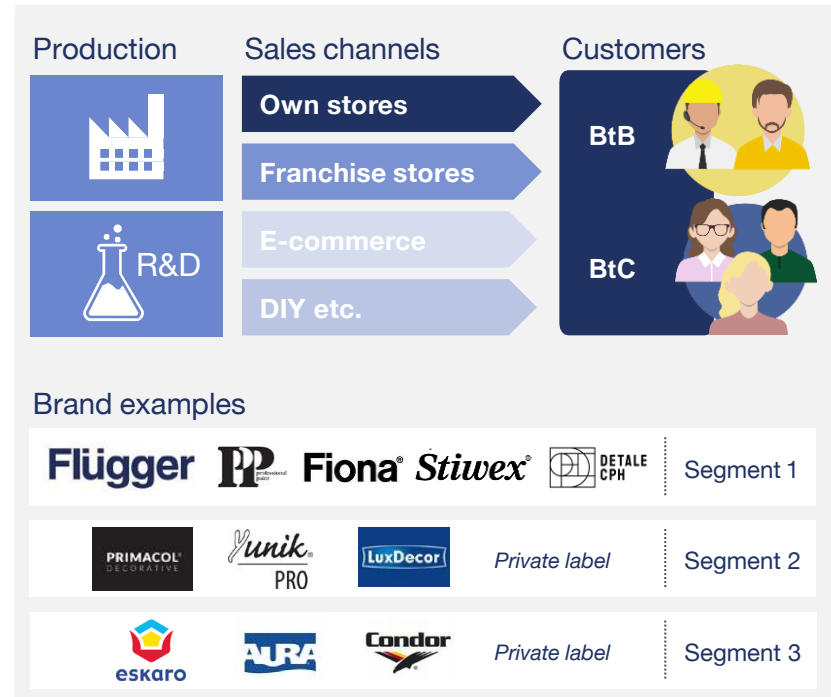


Flügger at a glance

Key LTM figures H1 20/21

| | |
|---------------------------------|------------|
| Revenue mDKK | EBIT mDKK |
| 2,377 | 219 |
| Full-time employees | Markets |
| 2,526 End of Q2 21/22 | 17 |
| No. factories | No. stores |
| 12 | 388 |

Flügger's Business model



Flügger is an international player within decorative coatings

Largest west markets (revenue DKKm)



Largest east markets (revenue DKKm)



Intensifying strategic initiatives will drive profitable growth & efficiency

Key strategic initiatives towards an EBIT of 350 mDKK in 2023/24

- 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 towards 2023/24

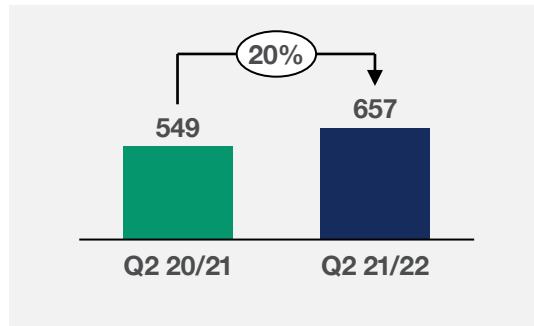


Sustainability targets towards 2030*

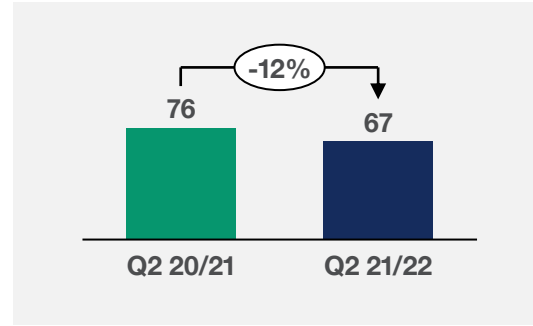


Q2 21/22 Highlights

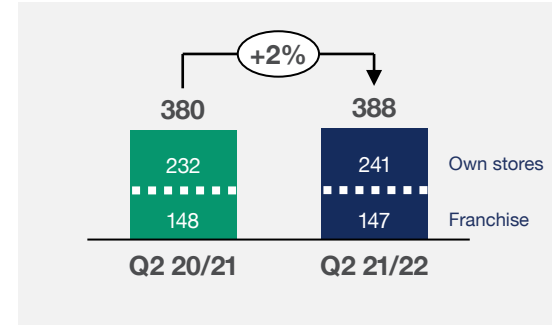
Revenue (mDKK)



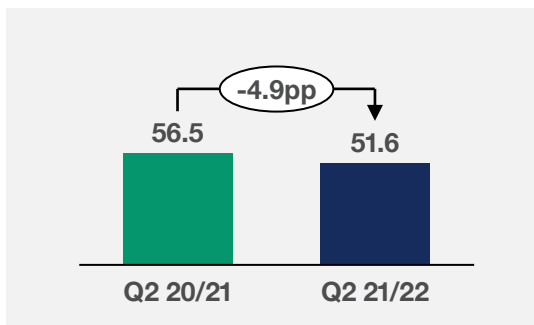
EBIT (mDKK)



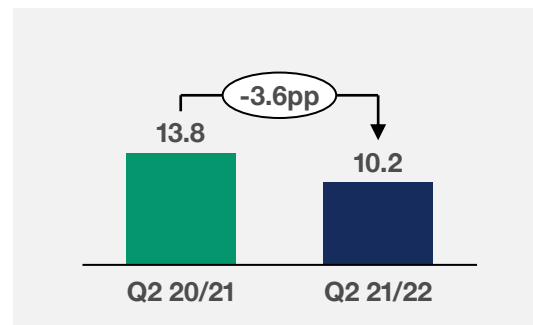
Own & franchise stores (#)



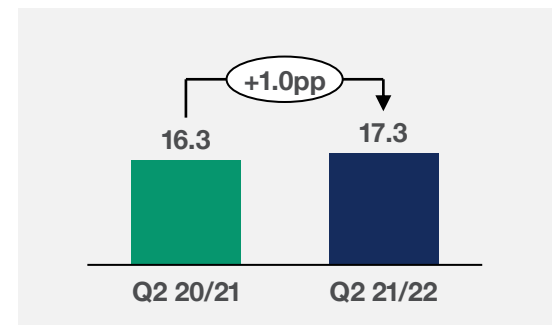
Gross Margin (%)



EBIT-margin (%)

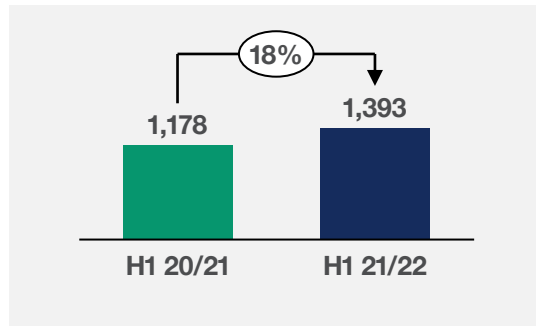


ROCE (%)

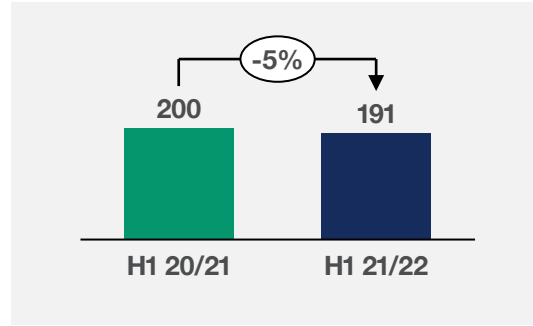


H1 21/22 Highlights

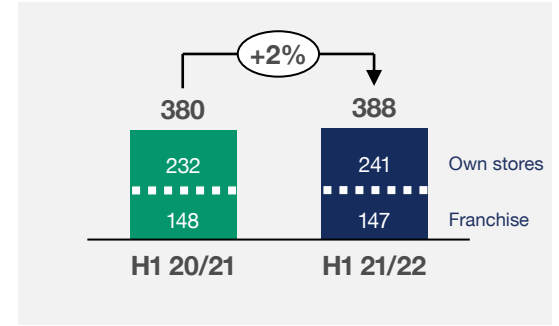
Revenue (mDKK)



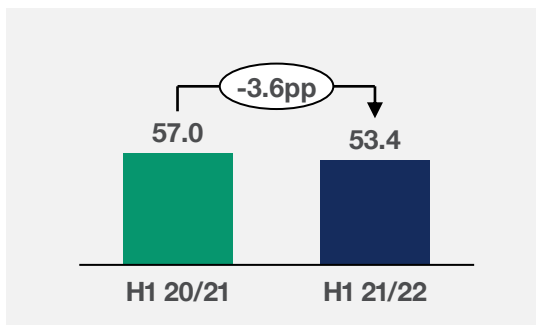
EBIT (mDKK)



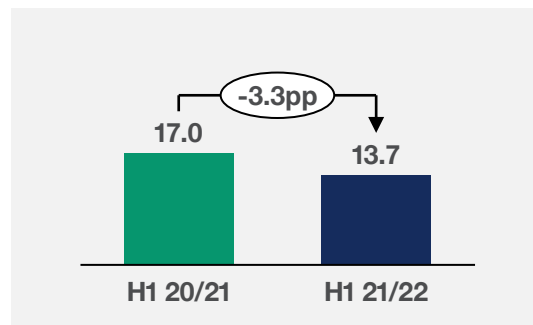
Own & franchise stores (#)



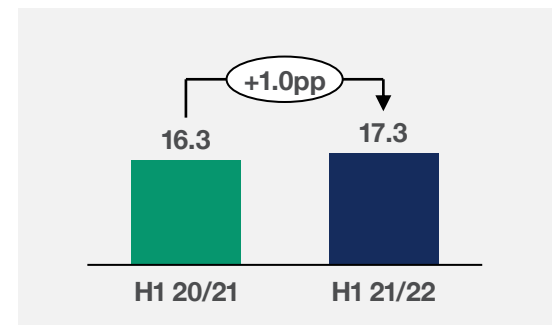
Gross Margin (%)



EBIT-margin (%)



ROCE (%)



Q2 21/22 highlights – Overall satisfactory sales performance. Results remained impacted by Covid-19 related challenges across the Group

Flügger Group Results

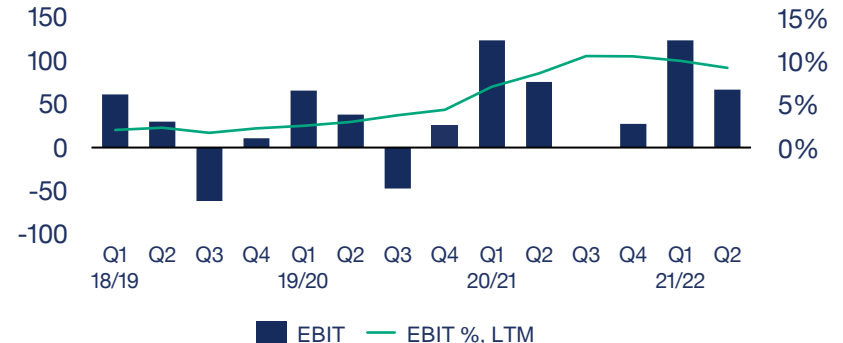
Sales up 108mDKK driven by Eskaro

- Overall satisfactory sales performance driven by the acquisition of Eskaro & Malgodt.dk
- Flat organic growth, driven by a normalization in consumer & DIY sales, however, offset by growth across markets in the professional segment and price increases
- Positive currency movement driven by positive development in Sweden and Norway, partly offset by headwind in Poland

EBIT impacted by market challenges following Covid-19

- Raw material prices continued to increase during Q2, impacting earnings negatively
- Scarcity of raw materials and supply challenges in the markets, also impacted the Q2 result negatively
- EBIT impacted by the overall lower margin in Eskaro, in addition to EBIT of 0mDKK in Q2, due to the Covid-challenges

| mDKK | Q2 21/22 | Q2 20/21 | Change |
|------------------|------------|------------|-------------|
| Net sales | 657 | 549 | 20% |
| Organic growth | 0% | 8% | -8pp |
| M&A | 19% | 10% | 9pp |
| Currency | 1% | -2% | 3pp |
| EBIT | 67 | 76 | -12% |
| EBIT-margin | 10% | 14% | -4pp |



H1 21/22 highlights – Sales growth driven by acquired activities. Earnings reflecting the accelerated cost increases & supply challenges

Flügger Group Results

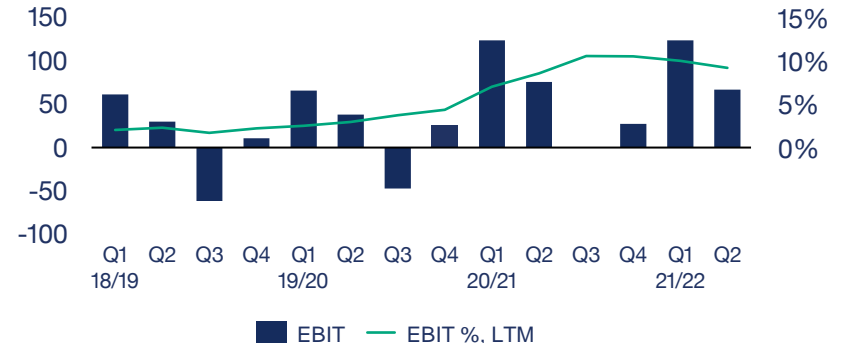
Sales growth driven by acquired activities

- Overall sales performance as expected, driven by the acquisition of Eskaro & Malgodt.dk
- Organic growth impacted by a normalization within the consumer & DIY segment, following the positive Covid-19 effect in 21/22. However, growth across markets in the professional segment

EBIT impacted by the accelerated price increases

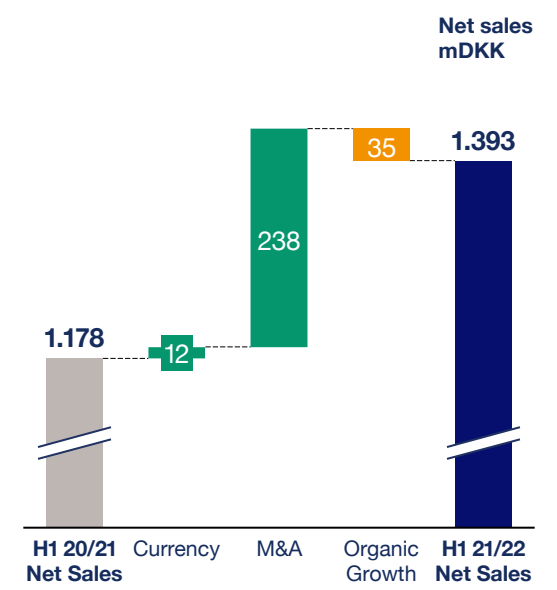
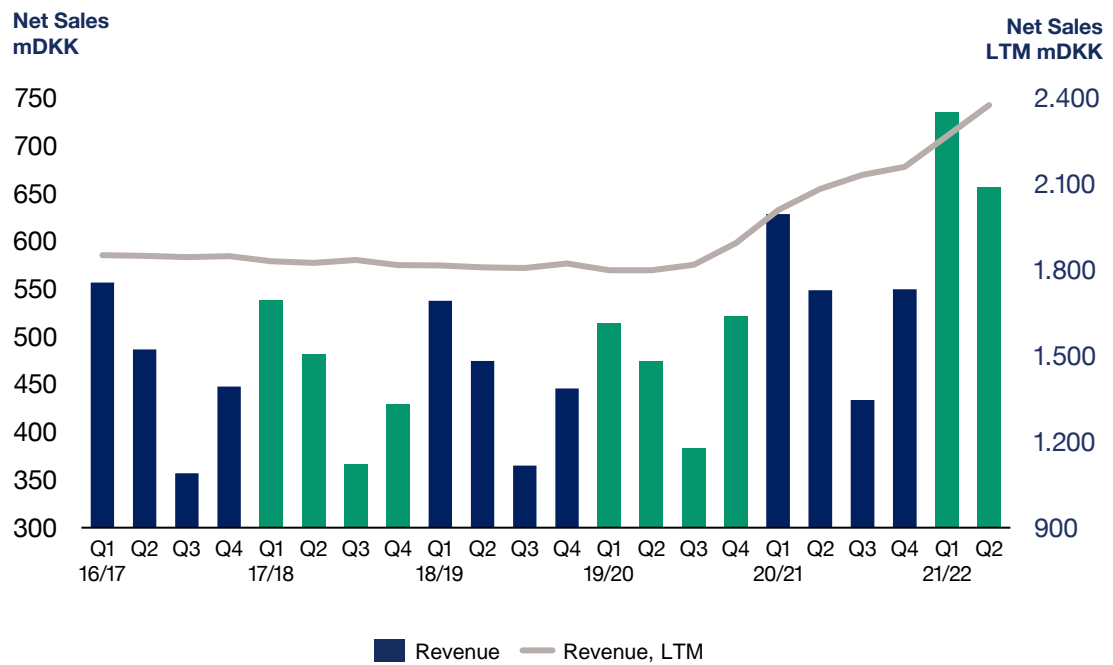
- Earnings impacted by significant, and faster than expected, increases in raw material prices, in addition to higher costs related to packaging, distribution and energy
- The executed price increases, which to the extent possible is passed on to the customer, only partly mitigating the increased costs, due to the accelerated development
- Supply challenges in the markets also impacted the product delivery situation in H1 negatively

| mDKK | H1 21/22 | H1 20/21 | Change |
|------------------|--------------|--------------|--------------|
| Net sales | 1.393 | 1.178 | 18% |
| Organic growth | -1% | 14% | -15pp |
| M&A | 18% | 11% | 7pp |
| Currency | 1% | -3% | 4pp |
| EBIT | 191 | 200 | -5% |
| EBIT-margin | 13,7% | 17,0% | -3pp |



Net sales increased 18% in H1 compared to last year, driven by the acquisition of Eskaro and Malgotd.dk

Group sales development



Segment 1 Own Stores & Resellers: Q2 organic growth is mainly impacted by the normalization of sales following the Covid-19 effect in 21/22

Sales development per geographical segment

- Positive currency effect of 2%, as negative development in Poland offset by favorable development in Sweden and Norway
- Negative organic growth in Nordic, driven by normalization within the consumer segment, following the high demand in 21/22
- Poland delivered two-digit organic growth, driven by the professional segment
- Substantial growth in Russia and Ukraine, partly driven by a lower-than-normal H1 20/21, due to covid-19 restrictions and closed stores
- The acquisition of Malgodt.dk contributed with 1% of the total growth

| Revenue (mDKK) | Q2 20/21 | Currency | M&A | Organic Growth | Q2 21/22 | Reported Growth |
|----------------|------------|-----------|-----------|----------------|------------|-----------------|
| Denmark* | 170 | 0% | 4% | -6% | 167 | -2% |
| Sweden | 132 | 2% | 0% | -4% | 129 | -2% |
| Norway | 59 | 4% | 0% | -5% | 60 | 1% |
| Poland | 62 | -3% | 0% | 10% | 67 | 7% |
| Russia | 6 | 0% | 0% | 31% | 7 | 31% |
| Ukraine | 1 | 0% | 0% | 86% | 2 | 86% |
| Other | 23 | 2% | 0% | 2% | 24 | 4% |
| Total | 453 | 2% | 1% | -1% | 456 | 1% |

* Denmark incl. Iceland, Greenland and Faroe Island

Segment 2 DIY: Q2 21/22 mainly impacted by normalization in sales to consumers

Sales development per geographical segment

- Sales to private label in DIY stores were back at normalized level compared to very high demand in Q1 20/21
- As a result of the lower demand, Unicell realized negative organic growth of 3%, with -5% in Nordics and -1% in Poland

| Revenue (mDKK) | Q2 20/21 | Currency | M&A | Organic Growth | Q2 21/22 | Reported Growth |
|-----------------------|-----------|-----------|-----------|----------------|-----------|-----------------|
| Unicell Nordic | 52 | 1% | 0% | -5% | 51 | -4% |
| Unicell international | 44 | -2% | 0% | -1% | 42 | -3% |
| Total | 96 | 0% | 0% | -3% | 93 | -3% |

Segment 3 Eskaro Group AB: Q2 The acquisition of Eskaro generated 108mDKK in revenue in Q2 21/22

Sales development per geographical segment

- Revenue in segment 3 is solely generated by the acquisition of Eskaro and includes 108 mDKK in revenue in Q2 21/22
- Geographically segment 3 is limited to Finland, Estonia, Latvia, Ukraine, Russia and Belarus
- Eskaro sales distribution is 1/3 in Russia, 1/3 in Ukraine and 1/3 in the remaining countries Belarus, Estland and Finland
- Eskaro products consist of a mix of Eskaro's own trademarks as well as private labels

| Revenue (mDKK) | Q2 20/21 | Currency | M&A | Organic Growth | Q2 21/22 | Reported Growth |
|----------------|----------|-----------|-------------|----------------|------------|-----------------|
| Russia | 0 | 0% | 100% | 0% | 40 | 100% |
| Ukraine | 0 | 0% | 100% | 0% | 38 | 100% |
| Belarus | 0 | 0% | 100% | 0% | 13 | 100% |
| Estonia | 0 | 0% | 100% | 0% | 9 | 100% |
| Other | 0 | 0% | 100% | 0% | 8 | 100% |
| Total | 0 | 0% | 100% | 0% | 108 | 100% |

Segment 1 Own Stores & Resellers: H1 organic growth is mainly impacted normalization of Consumer and Growth in the professional segment

Sales development per geographical segment

- Overall positive currency impact, as currency headwind in Poland was offset by favorable development in Sweden and Norway
- Negative organic growth in Nordic, driven by normalization within the consumer segment, following the high demand in 21/22
- Growth momentum in Poland maintained, driven by the professional segment.
- Substantial growth in Russia and Ukraine, partly driven by a lower-than-normal H1 20/21, due to covid-19 restrictions and closed stores
- The acquisition of Malgodt.dk contributed with 2% in growth

| Revenue (mDKK) | H1 20/21 | Currency | M&A | Organic Growth | H1 21/22 | Reported Growth |
|----------------|------------|-----------|-----------|----------------|------------|-----------------|
| Denmark* | 364 | 1% | 2% | -6% | 354 | -3% |
| Sweden | 289 | 2% | 0% | -4% | 283 | -2% |
| Norway | 125 | 5% | 0% | -5% | 126 | 0% |
| Poland | 119 | -3% | 0% | 14% | 133 | 11% |
| Russia | 10 | 0% | 0% | 56% | 16 | 56% |
| Ukraine | 2 | 0% | 0% | 73% | 3 | 73% |
| Other | 47 | 2% | 0% | -2% | 48 | 0% |
| Total | 956 | 1% | 2% | -2% | 963 | 1% |

* Denmark incl. Iceland, Greenland and Faroe Island

Segment 2 DIY: H1 21/22 mainly impacted by normalization in sales to consumers

Sales development per geographical segment

- Sales to private label in DIY stores were back at normalized level compared to very high demand in H1 20/21
- As a result of the lower demand, Unicell realized negative organic growth of 9%, with -12% in Nordics and -5% in Poland

| Revenue (mDKK) | H1 20/21 | Currency | M&A | Organic Growth | H1 21/22 | Reported Growth |
|-----------------------|------------|-----------|-----------|----------------|------------|-----------------|
| Unicell Nordic | 122 | 1% | 0% | -12% | 109 | -11% |
| Unicell international | 100 | -2% | 0% | -5% | 92 | -7% |
| Total | 222 | 0% | 0% | -9% | 201 | -9% |

Segment 3 Eskaro Group AB: The acquisition of Eskaro generated Revenue of 229mDKK in H1 21/22

Sales development per geographical segment

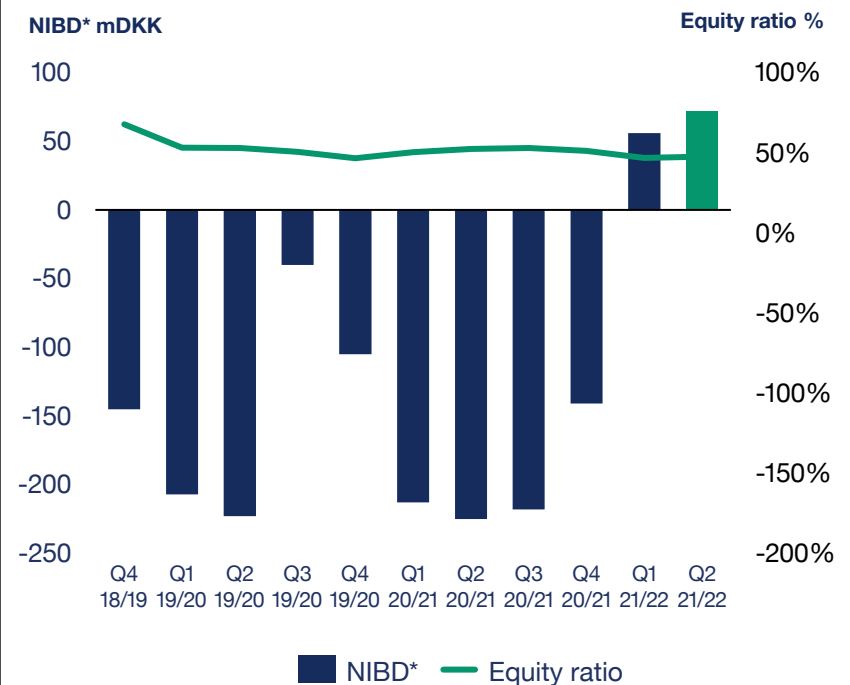
- Revenue in segment 3 is solely generated by the acquisition of Eskaro and includes 229 mDKK in revenue in H1 21/22
- Geographically segment 3 is limited to Finland, Estonia, Latvia, Ukraine, Russia and Belarus
- Eskaro sales distribution is 1/3 in Russia, 1/3 in Ukraine and 1/3 in the remaining countries Belarus, Estland and Finland
- Eskaro products consist of a mix of Eskaro's own trademarks as well as private labels

| Revenue (mDKK) | H1 20/21 | Currency | M&A | Organic Growth | H1 21/22 | Reported Growth |
|----------------|----------|-----------|-------------|----------------|------------|-----------------|
| Russia | 0 | 0% | 100% | 0% | 80 | 100% |
| Ukraine | 0 | 0% | 100% | 0% | 77 | 100% |
| Belarus | 0 | 0% | 100% | 0% | 30 | 100% |
| Estonia | 0 | 0% | 100% | 0% | 21 | 100% |
| Other | 0 | 0% | 100% | 0% | 21 | 100% |
| Total | 0 | 0% | 100% | 0% | 229 | 100% |

NIBD impacted by the aquisition of Eskaro. Balance sheet remain as a solid foundation for further possible acquisitions.

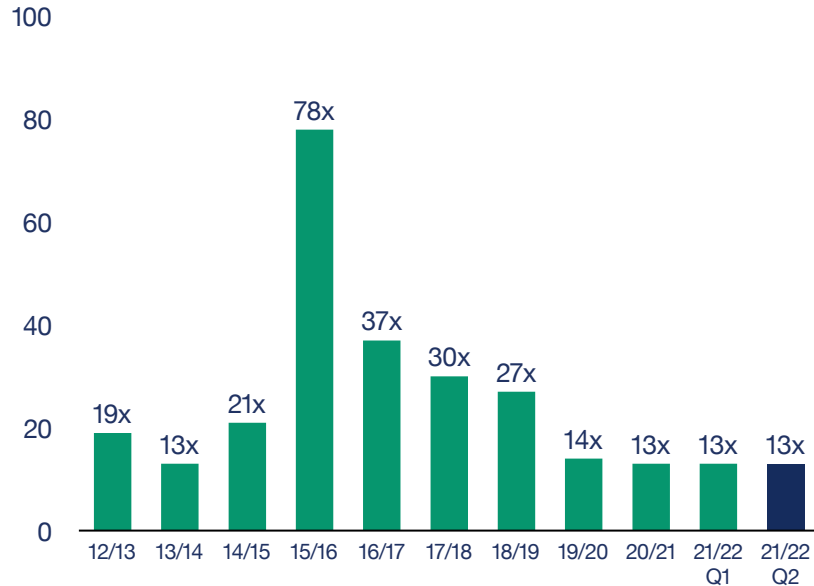
Financial solidity

- 1 | Balance sheet remain very solid with an equity ratio above 45% since 19/20 despite large acquisition
- 2 | 2019/20 – 2021/22 NIBD impacted by leasing obligation of approx. 400 mDKK due to implementation of IFRS16
- 3 | Strong cash position leaves room for further acquisitions

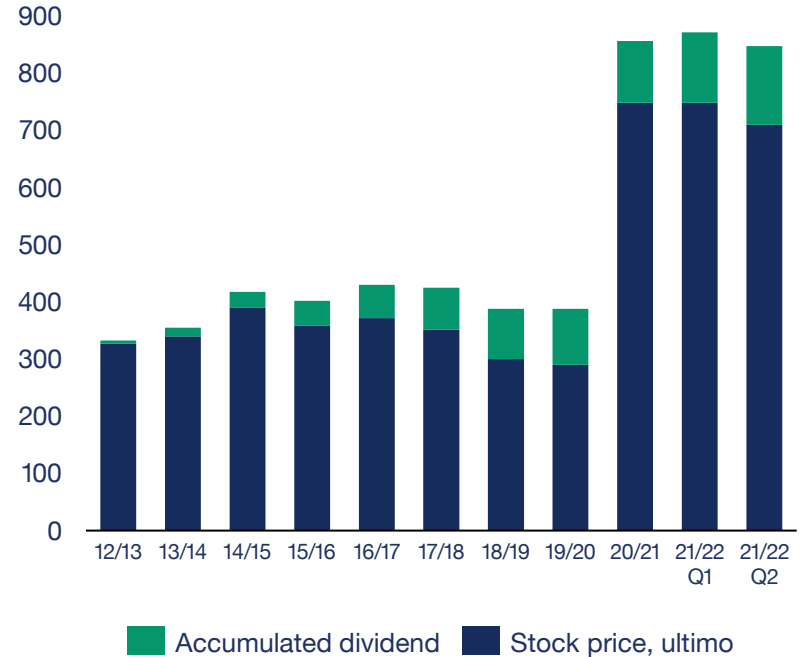


Earnings increase with stock price keeping the price/earnings stable around 13x

Development in price/earnings and stock price (DKK)



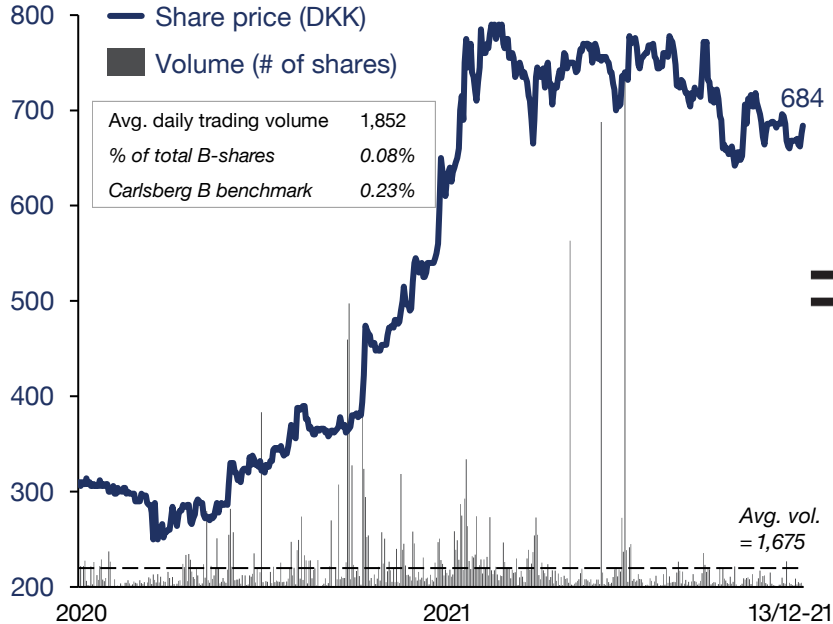
Stock price incl. reinvested dividends (DKK)



Share price development

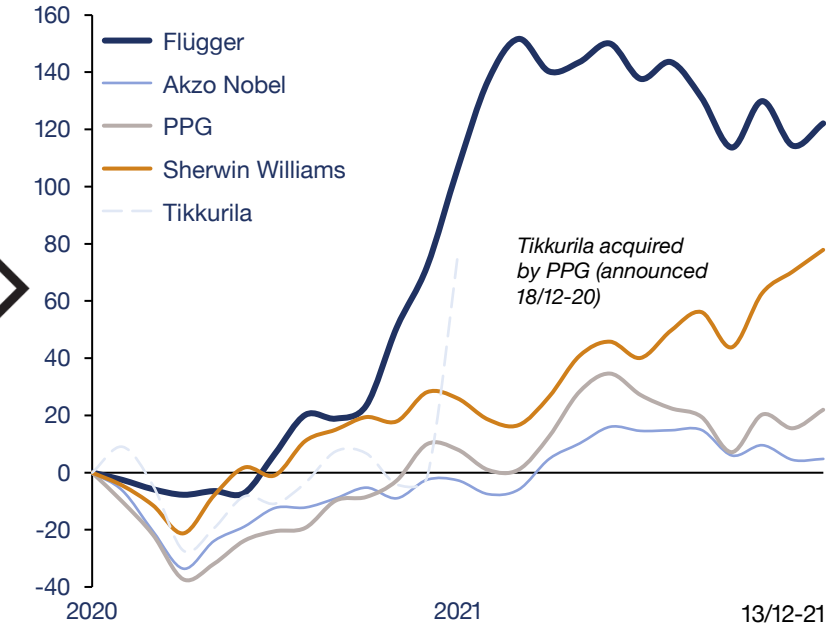
Flügger's share price development

Share price



Benchmarking to other industry players (indexed)

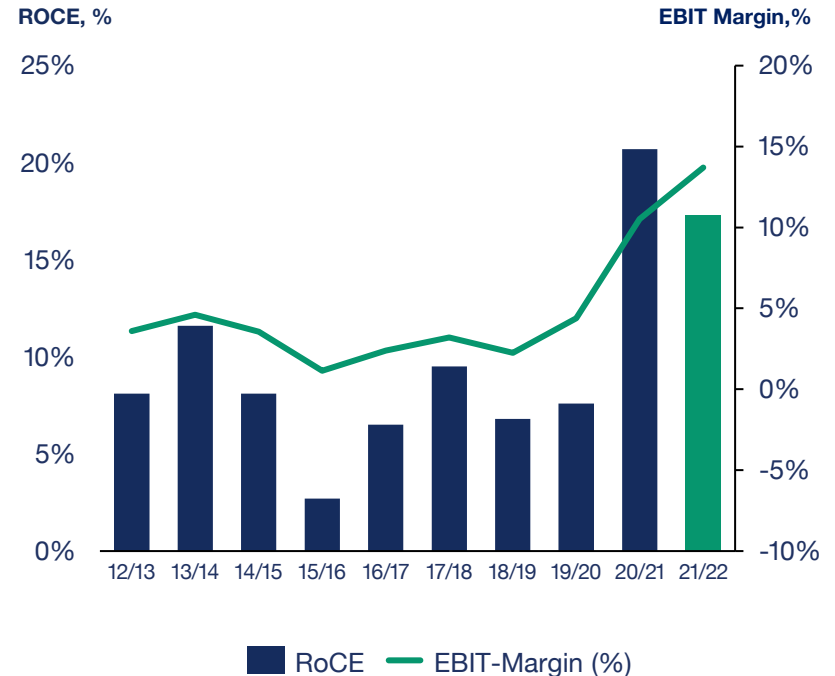
Price indexed



As expected Return on Capital Employed diluted by the acquisition of Eskaro. However, strong profitability and capital efficiency remains

Financial solidity

- 1** | Q2 21/22 EBIT Margin (%) remain solid as expected after normalization of sales and increase in raw materials
- 2** | ROCE in 21/22 is diluted by the acquisition of Eskaro and Malgodt.dk, where synergies are yet to kick in
- 3** | ROCE is positive impacted by the increased EBIT levels in 20/21, as well as working capital optimization



Guidance for 2021/22 - EBIT guidance narrowed to 220m-250m of the initial range of 220m-270m

Selected financial metrics (DKK) for 2021/22

Revenue | **2,500m – 2,700m**

EBIT | **220m – 250m**
initial range 220m-270m

Profit after tax and minority interests | **155m – 175m**
initial range 155m-190m

Result per share | **53 – 60**
initial range 53m-65m

Key drivers and success factors

- Earnings impacted by higher price on raw materials and transport, which are pushed to sales prices with a delayed timing
- Integration of Eskaro and Malgodt.dk
- Successful upgrade of factories in Kolding and Sweden
- Keep the sales momentum of professional customers
- Continued expansion of the franchise chain



Dividend policy

- A relatively high dividend compared to share price and market interest rates (with respect of capital structure)
- Dividends are subject to prudence in respect of potential acquisitions and other investment opportunities
- The payout for 2020/21 was DKK 15 per share

Thank you for listening

Please contact
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for any further
questions or visit
fluegger.com/investor

Q&A

Flügger

