

Flügger

IR presentation Q3



March 2022

Flügger Management team

The management team of Flügger



Sune Schnack, CEO

..... Previous experience



Poul Erik Stockfleth, CFO

..... Previous experience



Ulf Schnack, CDO

..... Previous experience

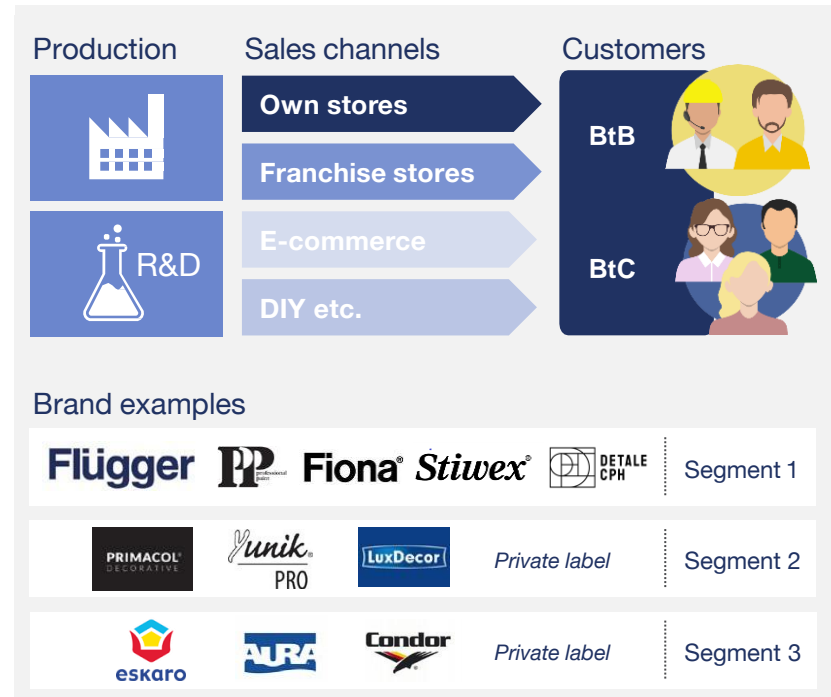


Flügger at a glance

Key LTM figures Q3 21/22

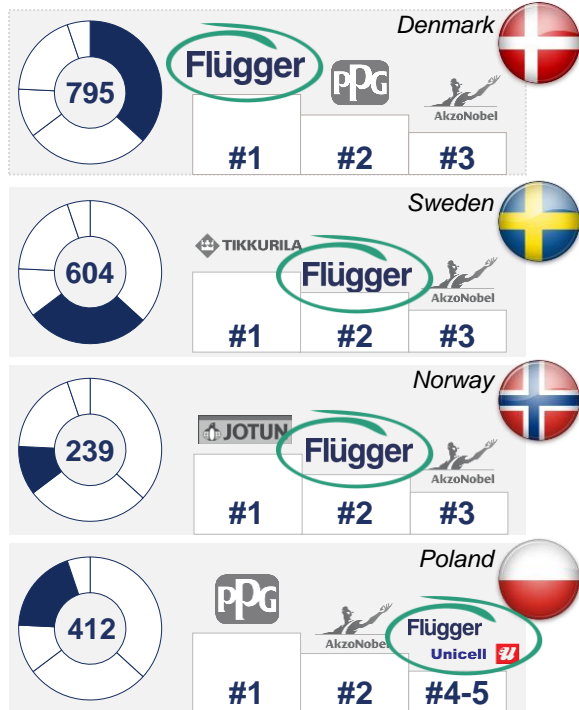
Revenue mDKK	EBIT mDKK
2,454	180
Full-time employees	Markets
2,355 End of Q3 21/22	17
No. factories	No. stores
12	371


Flügger's Business model



Flügger is an international player within decorative coatings

Largest west markets (revenue DKKm)



 = share of Flügger revenue



Largest east markets (revenue DKKm)



Lithuanian partner becomes part of Flügger group A/S

Business overview

- Revenue in 2021 of 4.3m EUR
- 4 own stores in Vilnius and Klaipeda incl. webshop plus network of 21 partner stores
- Large warehouse in Vilnius expected to be extended in 2023
- 14 fulltime employees



Shop photo



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

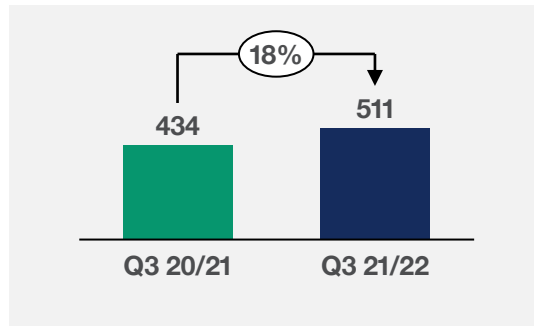


Sustainability targets towards 2030*

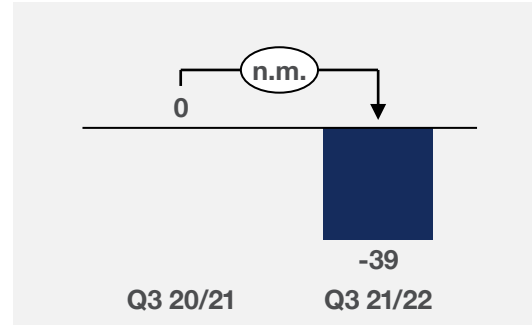


Q3 21/22 Highlights

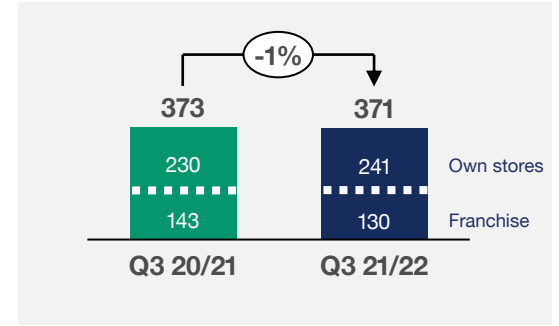
Revenue (mDKK)



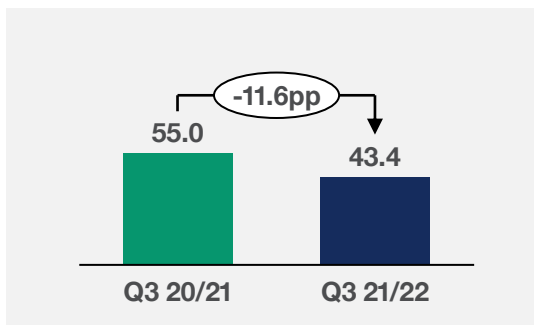
EBIT (mDKK)



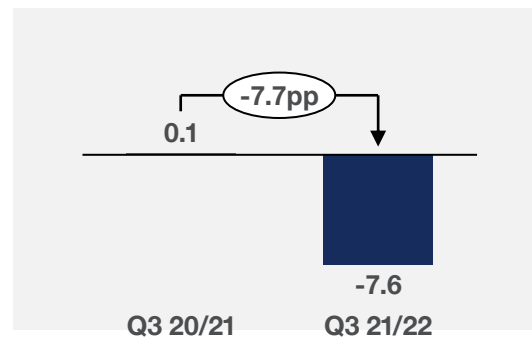
Own & franchise stores (#)



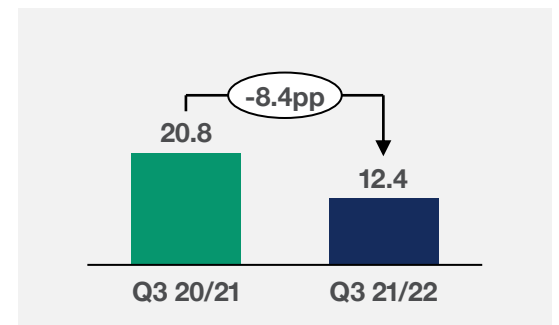
Gross Margin (%)



EBIT-margin (%)

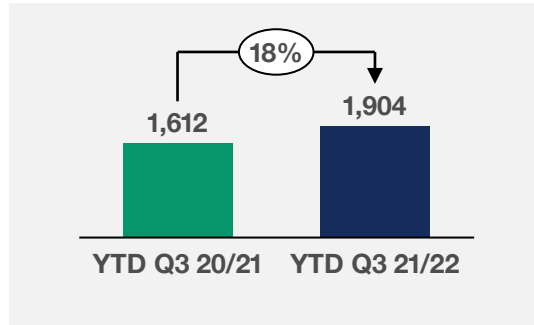


ROCE (%)

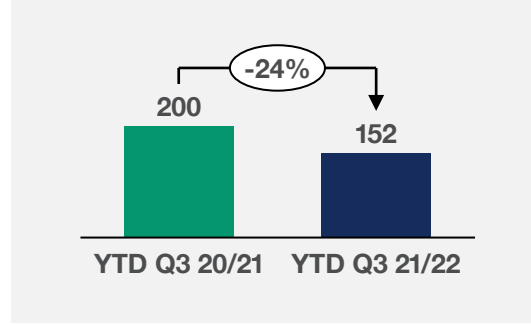


YTD 21/22 Highlights

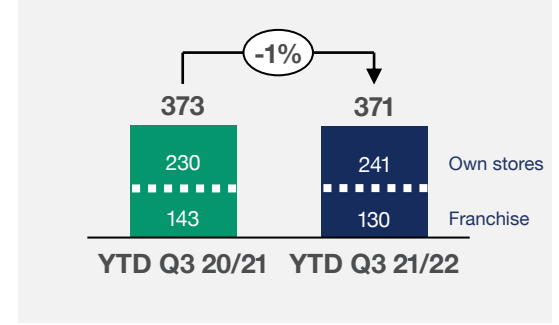
Revenue (mDKK)



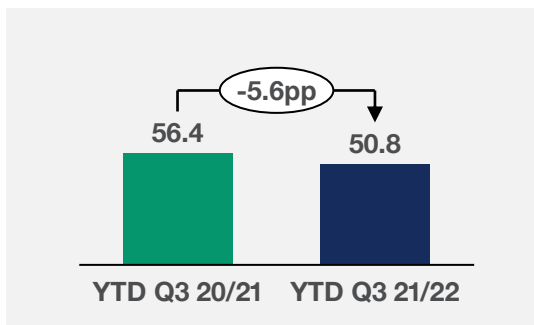
EBIT (mDKK)



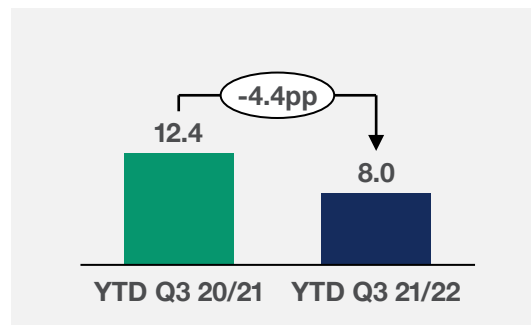
Own & franchise stores (#)



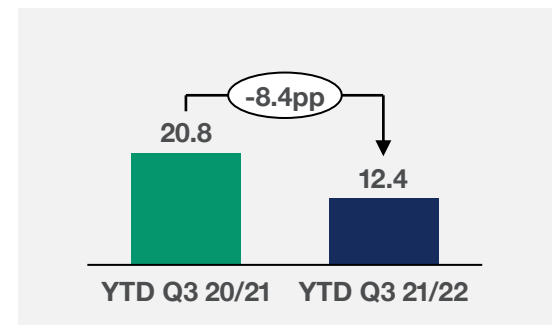
Gross Margin (%)



EBIT-margin (%)



ROCE (%)



Q3 21/22 highlights – Satisfactory sales performance. Results remained impacted by increased prices on raw materials, energy & distribution

Flügger Group Results

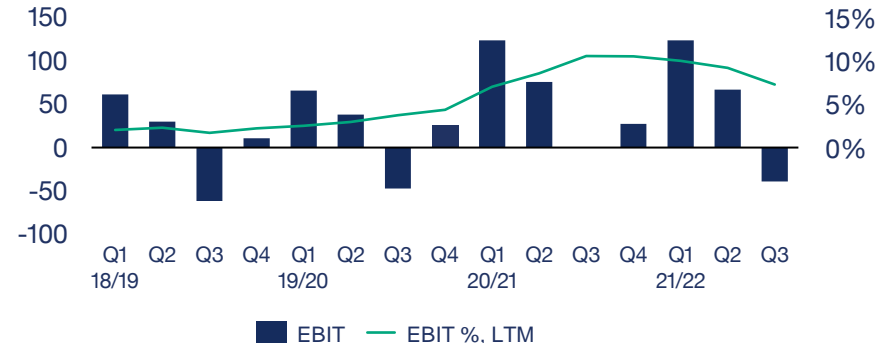
Sales up 74mDKK driven by Eskaro

- The Q3 financial result was not impacted by the conflict between Russia and Ukraine
- Overall satisfactory sales performance driven by the acquisition of Eskaro & Malgodt.dk
- Negative organic growth, driven by a normalization in consumer & DIY sales, however, offset by growth across markets in the professional segment and price increases

EBIT impacted by market challenges following Covid-19

- Raw material prices, energy and distribution costs continued to increase in Q3, impacting earnings negatively
- The supply situation in the market improved in Q3, impacting the product delivery situation positively
- EBIT impacted by the overall lower margin in Eskaro, in addition to EBIT of -7mDKK in Q3

mDKK	Q3 21/22	Q3 20/21	Change
Net sales	511	434	18%
Organic growth	-1%	11%	-8pp
M&A	18%	3%	15pp
Currency	1%	-1%	3pp
EBIT	-39	0	-
EBIT-margin	-7,6%	0,1%	-8pp



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

Flügger Group Results

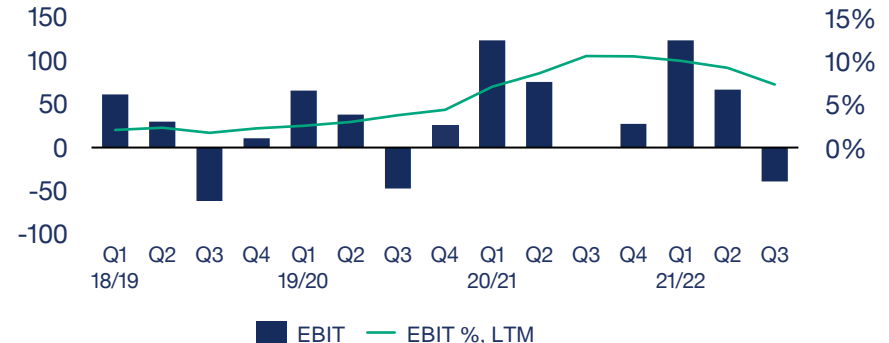
Sales growth driven by acquired activities

- 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

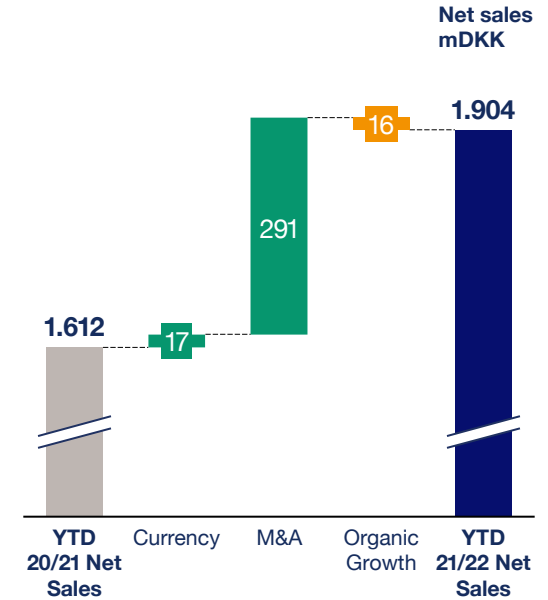
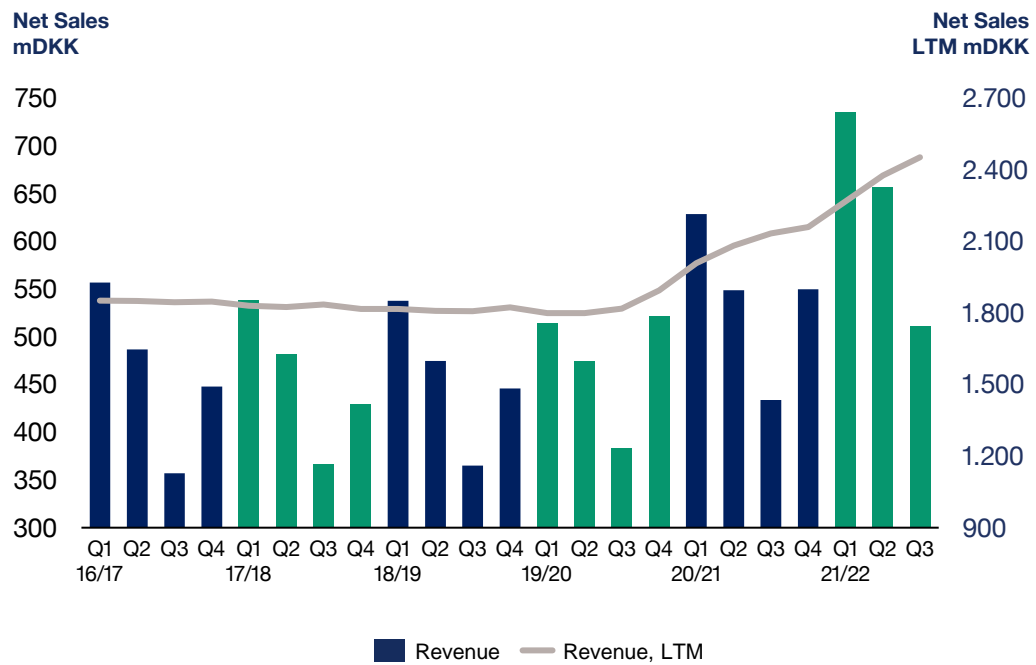
- Earnings impacted by significant increases in raw material prices, in addition to higher costs related to energy, and distribution.
- Overall cost development stabilized at current high level during Q3
- Price increases are executed to mitigate the accelerated cost levels

mDKK	YTD Q3 21/22	YTD Q3 20/21	Change
Net sales	1.904	1.612	18%
Organic growth	-1%	11%	-15pp
M&A	18%	8%	7pp
Currency	1%	-1%	2pp
EBIT	152	200	-24%
EBIT-margin	8,0%	12,4%	-4pp



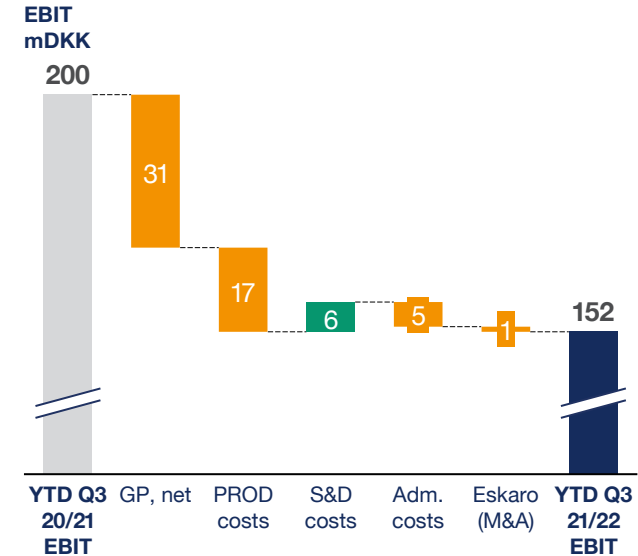
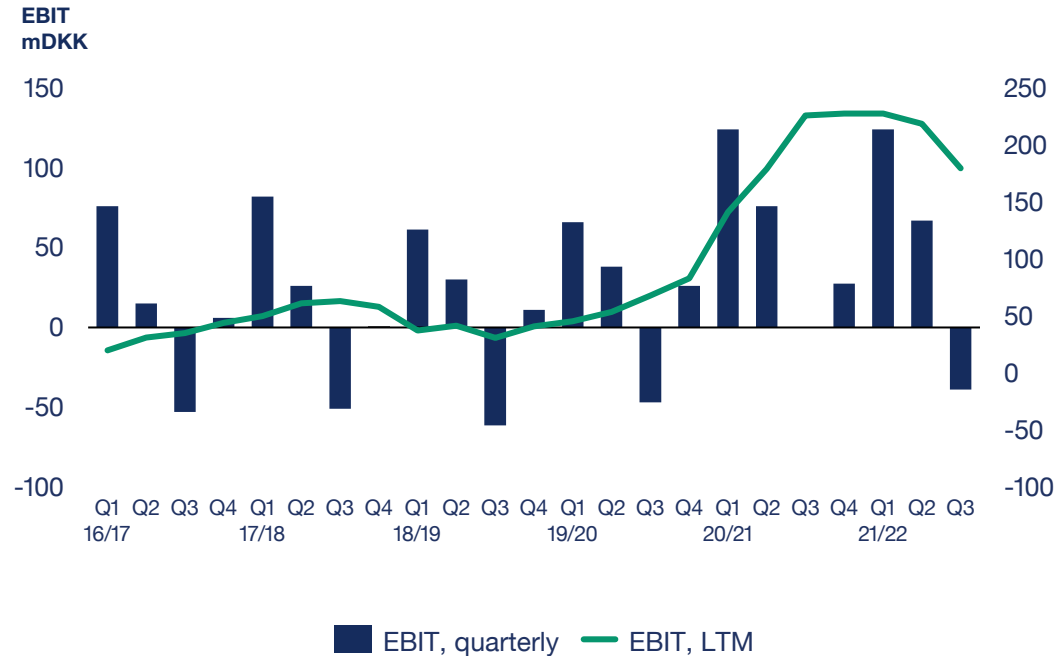
Net sales increased 18% YTD compared to last year, driven by the acquisition of Eskaro and Malgodt.dk

Group sales development



EBIT impacted significantly by increased raw material prices, in addition to higher costs related to distribution and energy

Group EBIT development



Segment 1 Own Stores & Resellers: Q3 organic growth is mainly impacted by the normalization of sales following the Covid-19 effect in 21/22

Sales development by geographical segment

- Positive currency effect of 1%. Negative development in Poland is offset by favorable development in Norway
- Negative organic growth in Nordic, driven by normalization within the consumer segment, following the high demand in 20/21
- Poland delivered 9% organic growth, driven by the professional segment
- Substantial growth in Russia, partly driven by a lower-than-normal Q3 in 20/21, due to covid-19 restrictions and closed stores
- The acquisition of Malgodt.dk contributed with 4% of the total growth

Revenue (mDKK)	Q3 20/21	Currency	M&A	Organic Growth	Q3 21/22	Reported Growth
Denmark*	136	0%	4%	-5%	135	-1%
Sweden	98	0%	0%	1%	98	0%
Norway	46	6%	0%	-6%	46	0%
Poland	53	-2%	0%	9%	56	7%
Russia	1	0%	0%	288%	5	288%
Ukraine	1	0%	0%	36%	1	36%
Other	22	4%	0%	6%	24	10%
Total	357	1%	1%	3%	365	5%

* Denmark incl. Iceland, Greenland and Faroe Island

Segment 2 DIY: Q3 21/22 mainly impacted by normalization in sales to consumers

Sales development by geographical segment

- Sales to private label in DIY stores were back at normalized level compared to very high demand in 20/21
- As a result of the lower demand, Unicell realized negative organic growth of 7%, with -6% in Nordics and -7% in Poland
- Price increases following the development in raw materials are, to the extent contractually possible, passed on to the customers

Revenue (mDKK)	Q3 20/21	Currency	M&A	Organic Growth	Q3 21/22	Reported Growth
Unicell Nordic	43	0%	0%	-6%	40	-6%
Unicell international	34	-4%	0%	-7%	31	-10%
Total	77	-1%	0%	-7%	71	-8%

Segment 3 Eskaro Group AB: Q3 The acquisition of Eskaro generated 75mDKK in revenue in Q3 21/22

Sales development by geographical segment

- Revenue in segment 3 is solely generated by the acquisition of Eskaro and includes 75mDKK in revenue in Q3 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, Estonia and Finland
- Eskaro products consist of a mix of Eskaro's own trademarks as well as private labels

Revenue (mDKK)	Q3 20/21	Currency	M&A	Organic Growth	Q3 21/22	Reported Growth
Russia	0	0%	100%	0%	27	100%
Ukraine	0	0%	100%	0%	27	100%
Belarus	0	0%	100%	0%	9	100%
Estonia	0	0%	100%	0%	7	100%
Other	0	0%	100%	0%	5	100%
Total	0	0%	100%	0%	75	100%

Segment 1 Own Stores & Resellers: YTD organic growth mainly impacted by normalization of Consumer segment and growth with the professionals

Sales development by 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 20/21
- Growth momentum in Poland maintained, driven by the professional segment
- Substantial growth in Russia and Ukraine, partly driven by a lower-than-normal 20/21, due to covid-19 restrictions and closed stores
- The acquisition of Malgodt.dk contributed with 3% in growth

Revenue (mDKK)	YTD Q3 20/21	Currency	M&A	Organic Growth	YTD Q3 21/22	Reported Growth
Denmark*	500	1%	3%	-6%	489	-2%
Sweden	386	2%	0%	-3%	381	-1%
Norway	171	5%	0%	-5%	172	0%
Poland	172	-2%	0%	12%	189	10%
Russia	12	0%	0%	80%	21	80%
Ukraine	3	0%	0%	62%	4	62%
Other	68	2%	0%	1%	71	3%
Total	1.312	1%	1%	0%	1.327	2%

* Denmark incl. Iceland, Greenland and Faroe Island

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

Sales development by geographical segment

- Sales to private label in DIY stores were back at normalized level compared to very high demand in 20/21
- As a result of the lower demand, Unicell realized negative organic growth of 8%, with -10% in Nordics and -6% in Poland
- Price increases following the development in raw materials are, to the extent contractually possible, passed on to the customers

Revenue (mDKK)	YTD Q3 20/21	Currency	M&A	Organic Growth	YTD Q3 21/22	Reported Growth
Unicell Nordic	166	0%	0%	-10%	150	-10%
Unicell international	134	-2%	0%	-6%	123	-8%
Total	300	-1%	0%	-8%	273	-9%

Segment 3 Eskaro Group AB: The acquisition of Eskaro generated Revenue of 304mDKK YTD 21/22

Sales development by geographical segment

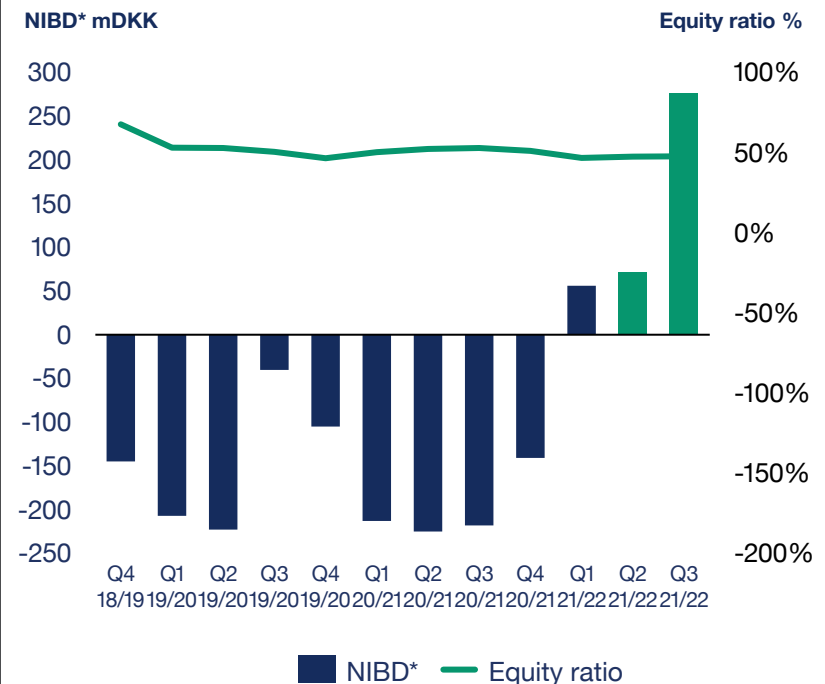
- Revenue in segment 3 is solely generated by the acquisition of Eskaro and includes 304 mDKK in revenue YTD 21/22
- Geographically segment 3 is limited to Finland, Estonia, Latvia, Ukraine, Russia and Belarus
- Eskaro sales distribution is 1/3 in Russia, 1/3 in Ukraine and 1/3 in the remaining countries Belarus, Estonia and Finland
- Eskaro products consist of a mix of Eskaro's own trademarks as well as private labels

Revenue (mDKK)	YTD Q3 20/21	Currency	M&A	Organic Growth	YTD Q3 21/22	Reported Growth
Russia	0	0%	100%	0%	107	100%
Ukraine	0	0%	100%	0%	104	100%
Belarus	0	0%	100%	0%	39	100%
Estonia	0	0%	100%	0%	28	100%
Other	0	0%	100%	0%	26	100%
Total	0	0%	100%	0%	304	100%

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

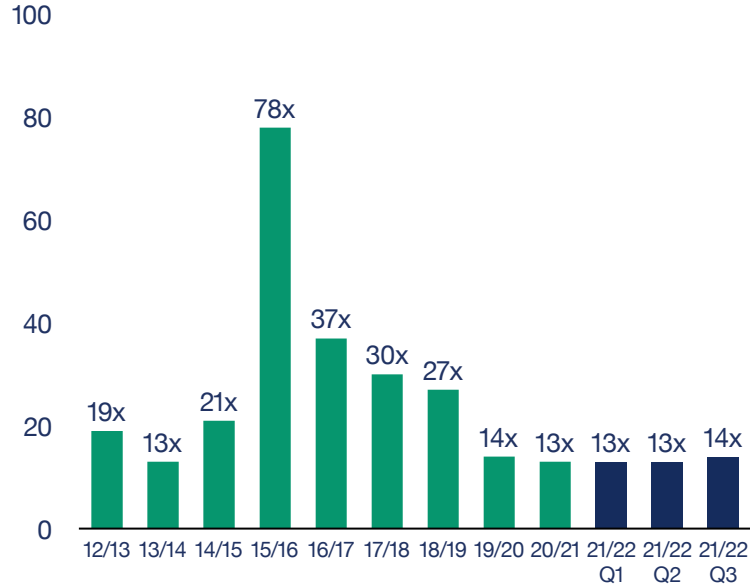
Financial solidity

- 1 | Balance sheet remains 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

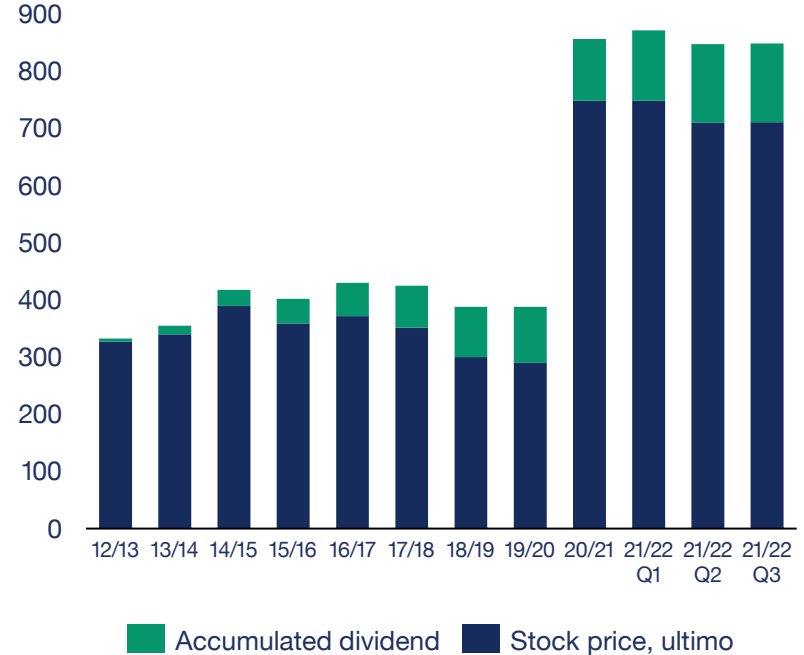


Earnings increase with stock price keeping the price/earnings stable around 13x

Development in price/earnings and stock price (DKK)



Stock price incl. reinvested dividends (DKK)



Share price development

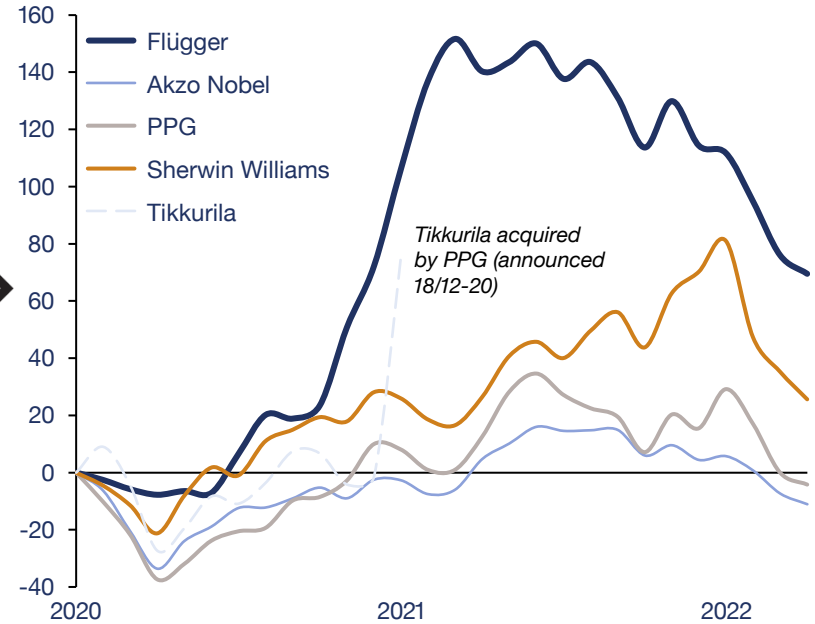
Flügger's share price development

Share price



Benchmarking to other industry players (indexed)

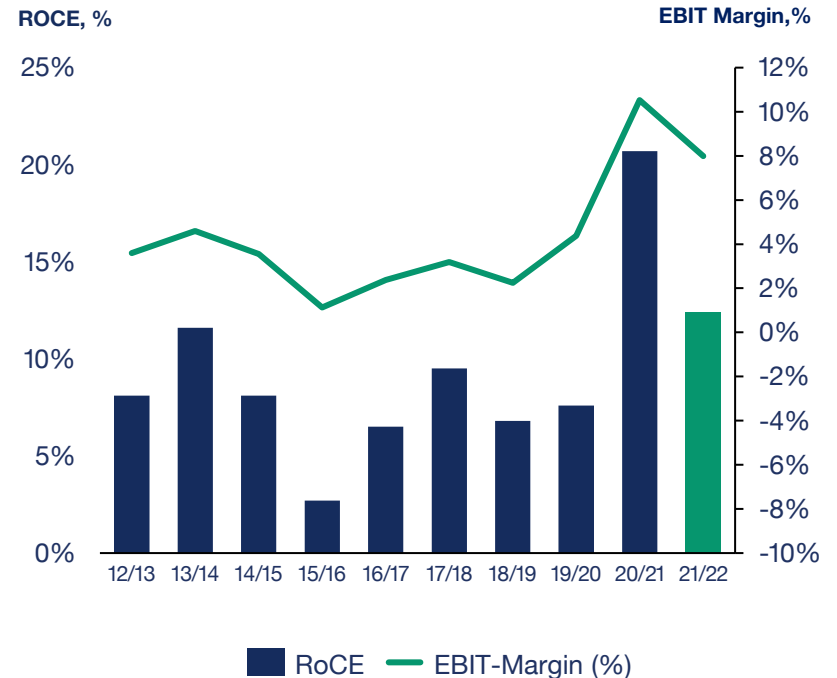
Price indexed



As expected, the Return on Capital Employed is diluted by the acquisition of Eskaro

Financial solidity

- 1** | Q3 21/22 EBIT Margin (%) remains 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 positively impacted by the increased EBIT levels in 20/21, as well as working capital optimization



Guidance for 2021/22 – Overall EBIT guidance suspended. EBIT guidance for segment 1 and 2 of 200m-220m maintained

Selected financial metrics (DKK) for 2021/22

Revenue | **2,500m – 2,600m**
previous range 2,500m-2,700m

EBIT
Segment 1 & 2 | **200m – 220m**
previous range incl.
segment 3 suspended

Profit after tax and
minority interests | **Suspended**
previous range 155m-175m

Result per share | **Suspended**
previous range 53m-60m

Key drivers for guidance

- Earnings generally impacted by higher prices on raw materials and transport, which are pushed to sales prices with a delayed timing
- The conflict in Ukraine creates significant uncertainty about earnings for the rest of the financial year. Therefore, guidance on EBIT for segment 3 was suspended on 24 February 2022, when the war started

Guided EBIT for segment 1 and 2 is overall in line with the initial expectations for the year



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

Segment 3 – Eskaro impacted by the conflict in Ukraine

Risk & uncertainties

Status

The conflict in Ukraine did not impact the Q3 result but will impact the full year financial results for 21/22.

Eskaro comprises employees, production and sales activity in both Ukraine, Belarus and Russia, as well as Estonia, Latvia and Finland. At present, all activity in Ukraine has ceased, whereas the other markets operates with reduced pace to avoid harming our business partner, employees or loose control over the business. All new investments are stopped. Production only serves the local market.

The considerable uncertainty about the supply stability of raw materials and trade sanctions, will affect production as well as sales.

Flügger owns 70% of Eskaro Group, whilst the remaining 30% is held by the local partner.

Guidance suspended for segment 3

Due to the very high uncertainty related to Russia, Belarus and Ukraine, full year guidance 21/22 for Segment 3 – Eskaro is suspended.

Amount at risk

Eskaro group

Annual revenue	+400 mDKK
Normalized EBIT*	30 mDKK
Net investment	300 mDKK

Ukraine

Annual revenue	+150 mDKK
Normalized EBIT*	17 mDKK
Assets	136 mDKK

The Group's assets in Russia, Belarus and Ukraine are subject to considerable uncertainty and may also be subject to impairment and write-downs.

** EBIT normalized from the unusual impact from raw material prices in 2021/22*

Thank you for listening

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

Q&A

Flügger

