

Investor presentation

Q4 2021/22

Flügger . COLORS
THAT MATTER



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 figures 2021/22 – continuing operations

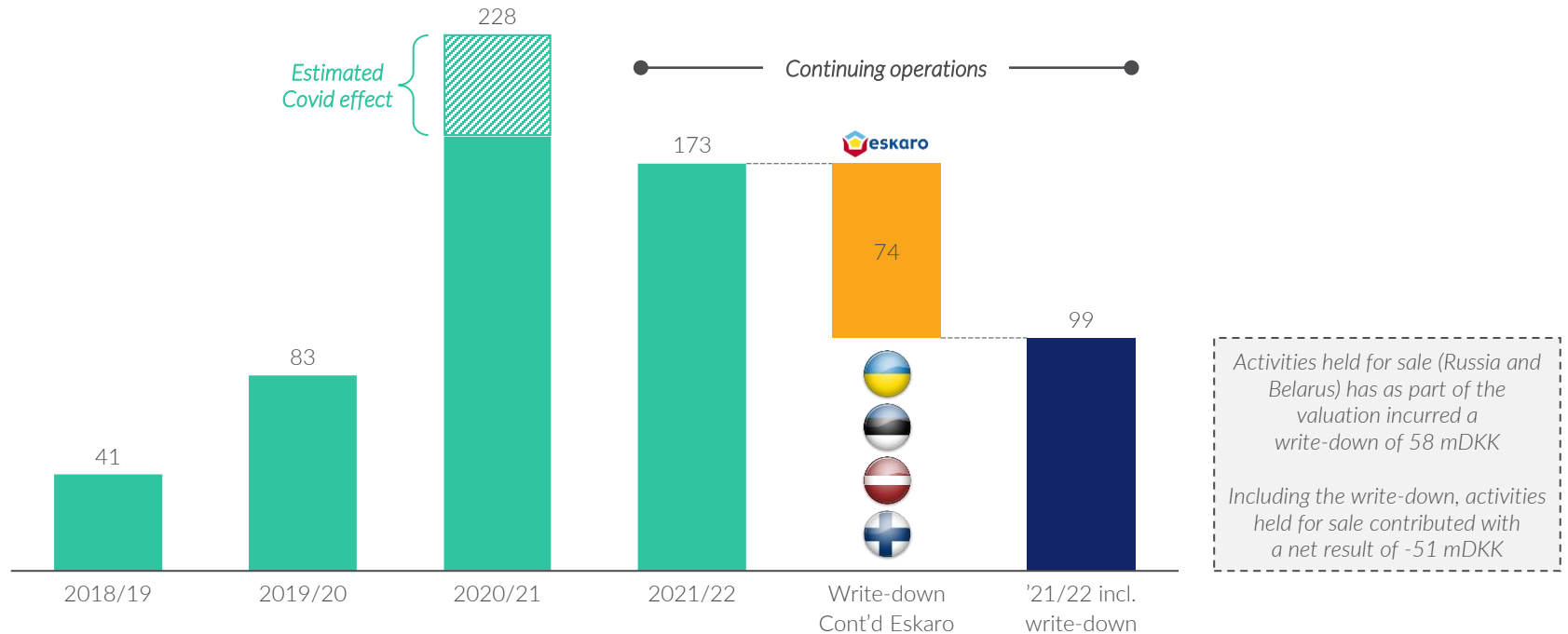
Revenue mDKK	EBIT* mDKK
2,322	173
Full-time employees	Markets
1,804	15
No. factories	No. stores
9	374

Flügger's business model



EBIT affected by significant price increases in raw materials, energy and logistics, as well as write-downs due to war in Eskaro's core markets

EBIT development (mDKK)



Intensifying strategic initiatives will drive profitable growth & efficiency

Key strategic initiatives towards 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.

CSR targets towards 2023/24



ReColor Production
Carbon neutral by 2030



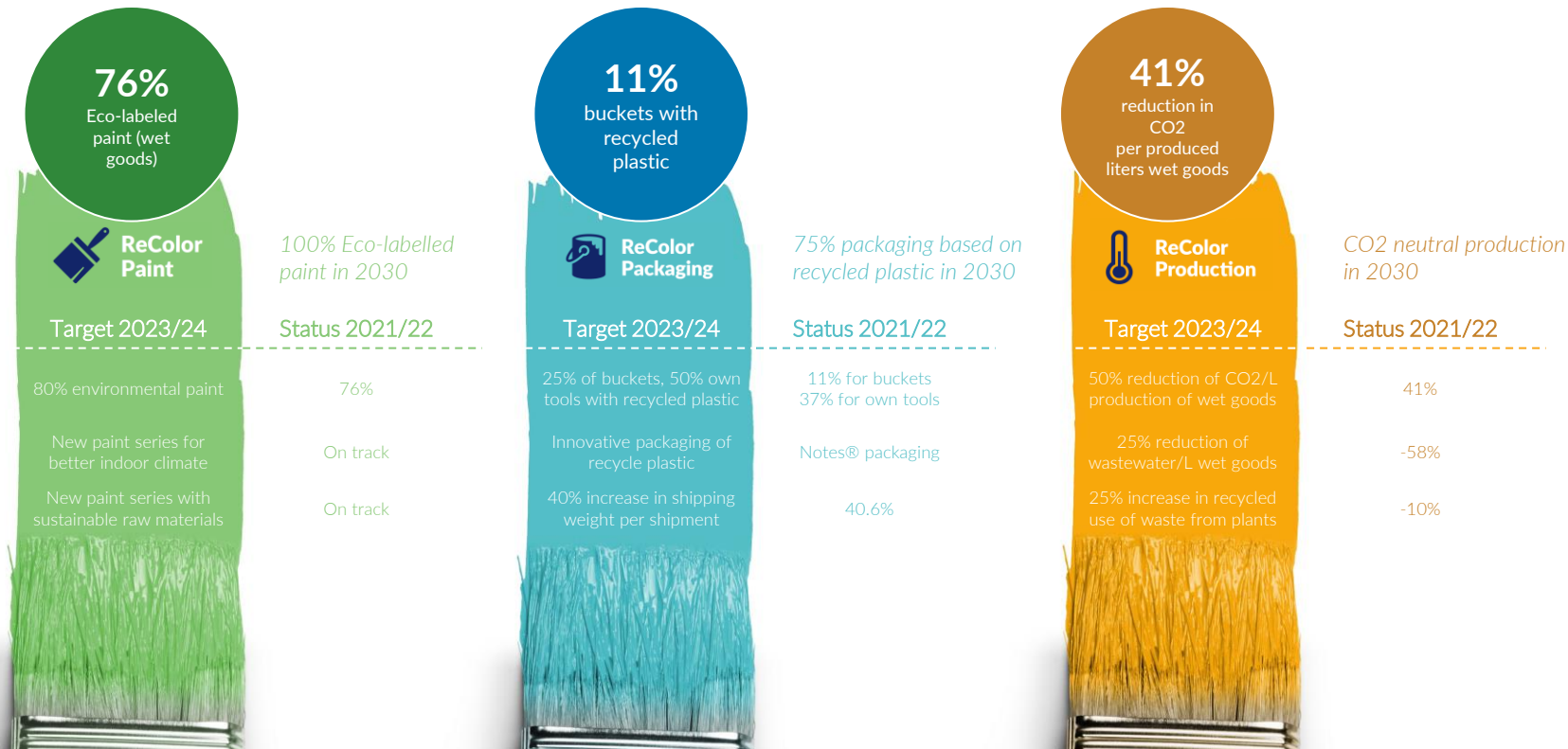
ReColor Packaging
75% recycled plastic by 2030











ReColor Paint
100% sustainable paint by 2030

Positive traction on key CSR focus areas

Key strategic targets – download our CSR report: [here](#)

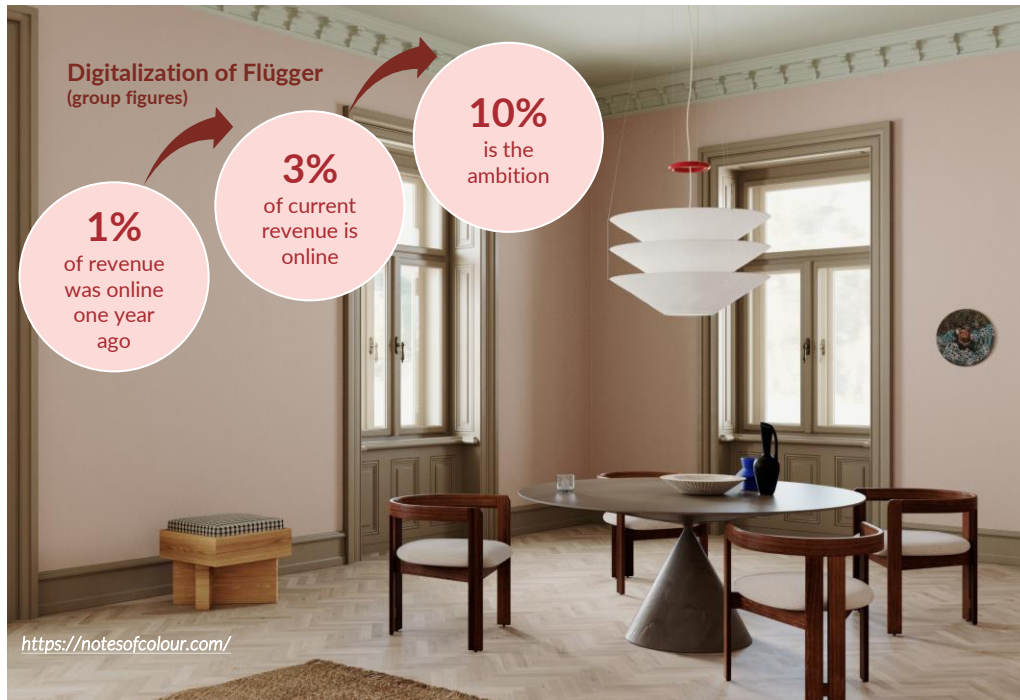


Acquisitions with strategic rationales

Year of acquisition	2019	2020	2021	2021	2022
Figures at time of acquisition		Unicell 		Malgotd.dk	UAB Daniški dažai
Revenue	c. 8 mDKK	c. 145 mDKK	c. 390 mDKK	c. 30 mDKK	c. 32 mDKK
Geography					
Full-time employees	4	c. 190	c. 1,100	22	14
Sales channel	Online/stores	DIY	DIY	Online	Stores/DIY
Customers	BtC	BtB	BtB	BtC	BtC & BTB
Factories	-	2	6	-	-
Synergies	Supplementing product offering to premium BtC customers based on Flügger production	Flexible manufacturing of smaller private label batches	Access to growth markets with possibility of best practice synergies	Significant boost of Flüggers e-commerce capabilities and consumer reach	Access to growth market with administrative and best practice synergies

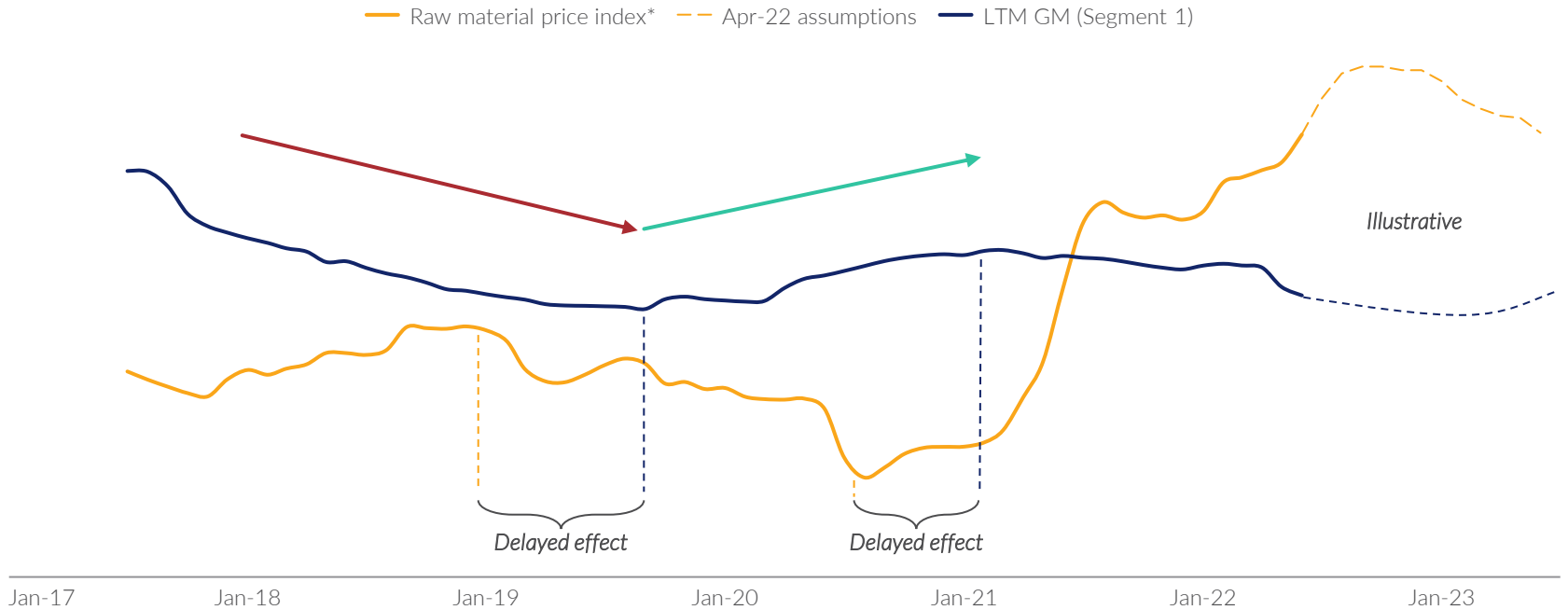
Launch of Notes®

Notes® is a pure online concept – target group is the fashion-conscious consumer with an interest in interior design



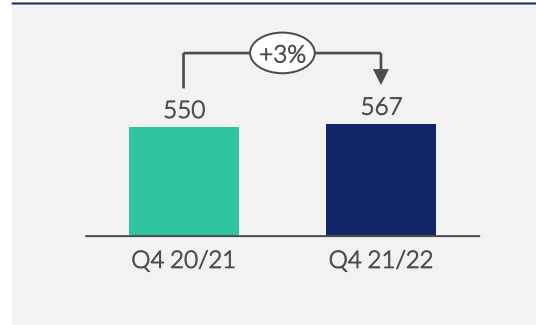
Delayed effect on margins from changes in raw material prices

Usually when raw materials increase there is a period with sales price increase behind the curve, followed by a period ahead

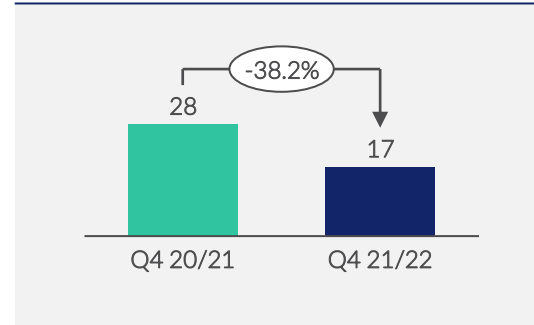


Q4 21/22 highlights - Continuing operations

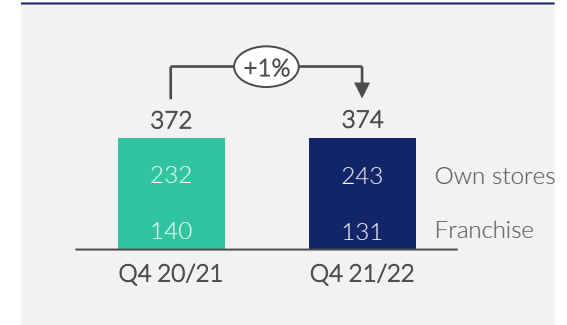
Revenue (mDKK)



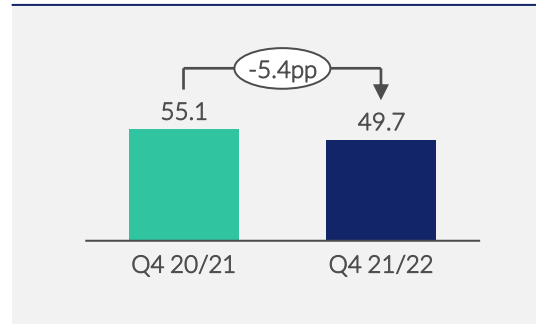
EBIT* (mDKK)



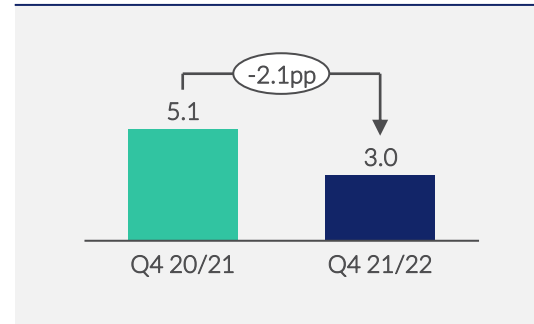
Own & franchise stores (#)



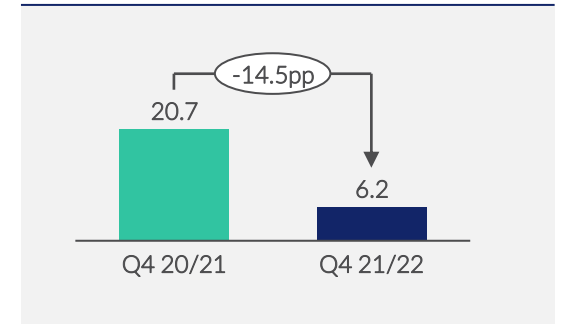
Gross Margin (%)



EBIT-margin* (%)

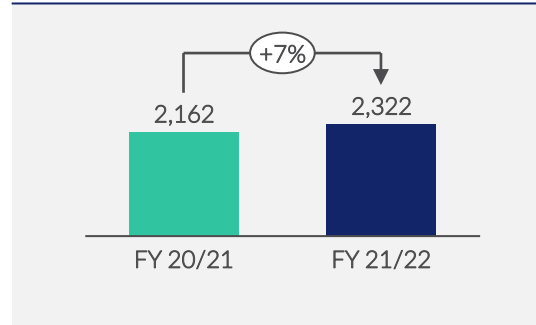


ROCE (%)

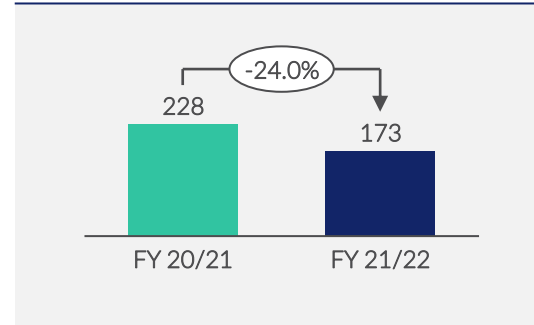


Full-year 21/22 highlights - Continuing operations

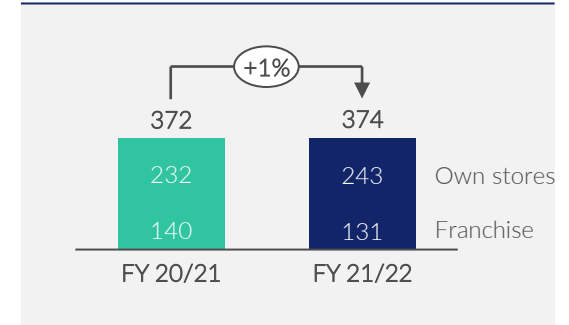
Revenue (mDKK)



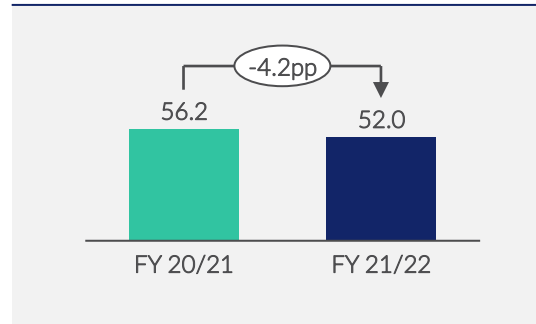
EBIT* (mDKK)



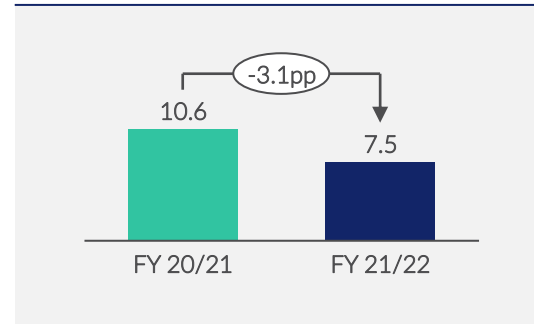
Own & franchise stores (#)



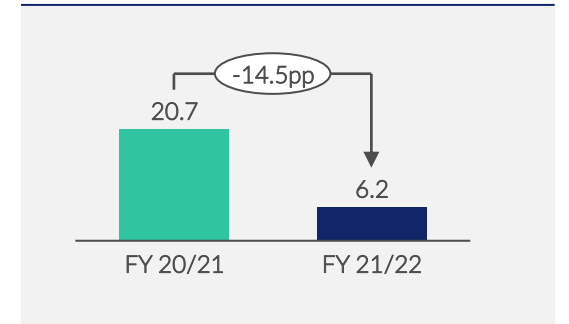
Gross Margin (%)



EBIT-margin* (%)



ROCE (%)



Q4 21/22 highlights – Overall result impacted by the war in Ukraine. Earnings impacted prices on raw materials, energy & distribution

Flügger Group Results

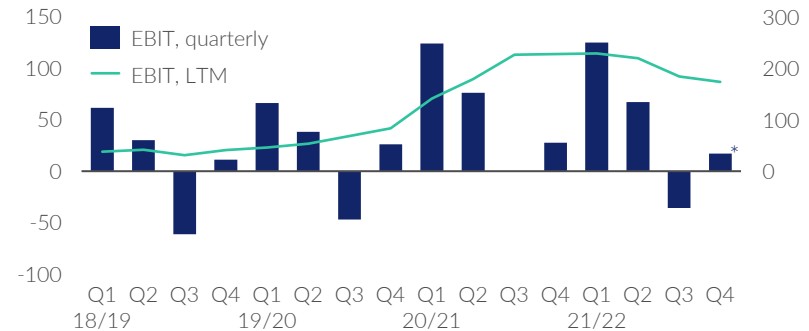
Sales impacted by the war in Ukraine

- The Q4 financial result was impacted by the uncertainties and sanctions following the war in Ukraine
- The uncertainty in the market weakened the demand from Consumers further, especially impacting Nordic. Development partly offset by growth across markets in the professional segment
- Acquisition of the Lithuanian company UAB Daniški dažai was completed
- Sales growth driven by the acquired businesses: Eskaro & Malgødt.dk

EBIT* impacted by lower Consumer sales & higher cost levels

- Raw material prices, energy and distribution costs continued to increase in Q4, impacting earnings negatively
- The lower Consumer sales impacted earnings negatively
- The supply continued to be challenged, however overall stable compared to last quarter

mDKK	Q4 21/22	Q4 20/21	Change
Net sales	567	550	3%
Organic growth	-3%	4%	-7pp
M&A	7%	0%	7pp
Currency	-1%	0%	-1pp
EBIT*	17	28	-38%
EBIT-margin*	3,0%	5,1%	-2pp



Full-year 21/22 highlights – Overall sales growth driven by acquired activities. Earnings reflect the accelerated cost increases & supply challenges

Flügger Group Results

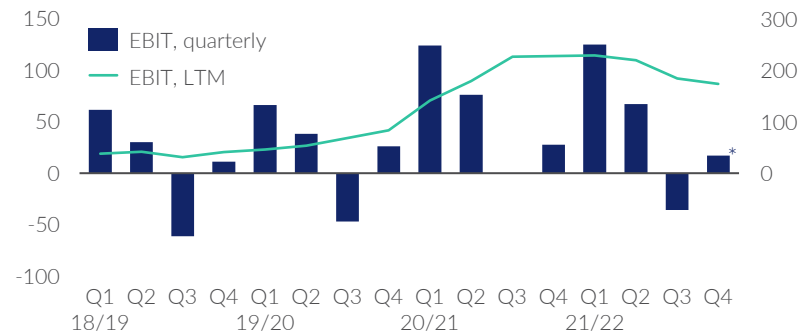
Overall sales growth impacted by the lower Consumer & DIY sales

- Organic growth impacted by a normalization within the consumer & DIY segment, following the positive Covid-19 effect in 21/22. However, growth was realized in Poland, export markets and in the professional segment in Nordics
- Sales growth driven by the acquisition of Eskaro & Malgodt.dk

EBIT impacted by the accelerated price increases

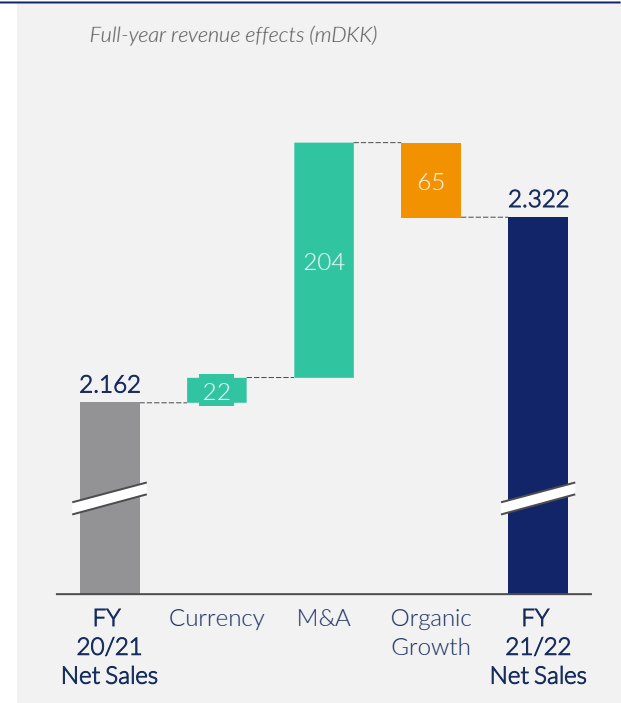
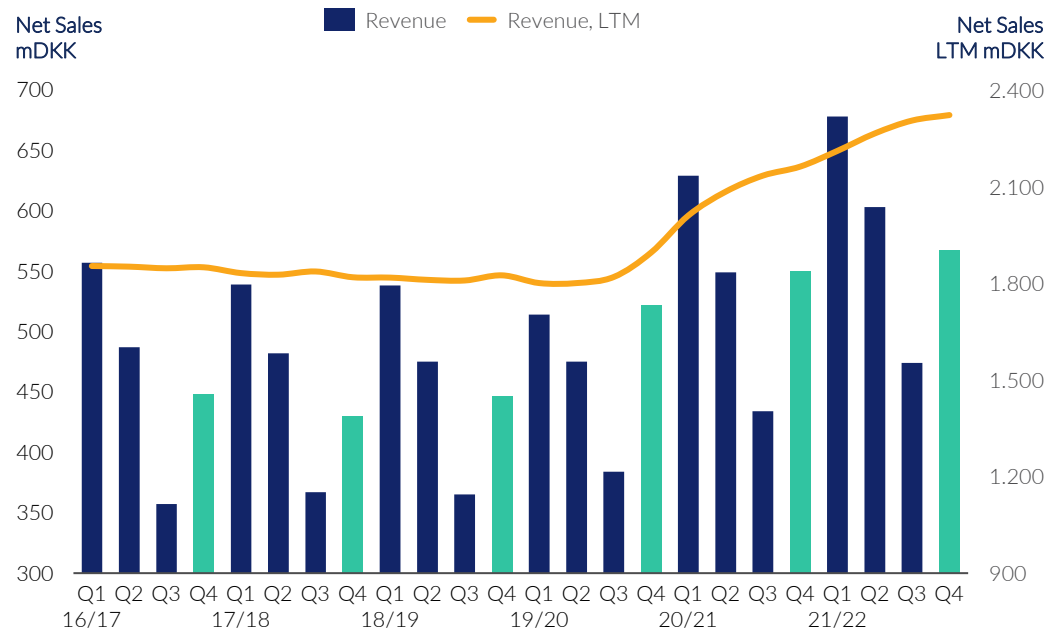
- Earnings impacted by increases in raw material prices of above 20%
- Overall change in customer mix towards lower Consumer and higher professional sales, drove gross margin to a lower level
- Higher prices on distribution and energy significantly impacted earnings
- To mitigate the accelerated cost levels, price increases are to the extend possible pushed on to customers, however with lagging effect impacting gross margin negatively

mDKK	2021/22	2020/21	Change
Net sales	2.322	2.162	7%
Organic growth	-3%	9%	-12pp
M&A	9%	6%	3pp
Currency	1%	-1%	2pp
EBIT*	173	228	-24%
EBIT-margin*	7,5%	10,6%	-3pp



Net sales increased 7% compared to last year driven by the acquired activities. Organic growth impacted by the lower demand in Consumer & DIY

Group sales development



Segment 1 Own Stores & Resellers: Q4 & FY

Sales development by geographical segment

<ul style="list-style-type: none"> Flat organic growth positively influenced by professional painters and negatively affected by sales to consumers. Denmark had a decline of 8% against the last years positive growth of 12%. Sweden and Norway realized -2% and -4%, respectively. Poland delivered 9% organic growth, driven by the professional segment 	FY 21/22	Revenue (mDKK)	FY 20/21	Currency	M&A	Organic Growth	FY 21/22	Reported Growth
		Denmark*	673	1%	3%	-8%	647	-4%
		Sweden	506	1%	0%	-2%	501	-1%
		Norway	228	5%	0%	-4%	231	1%
		Poland	236	-2%	0%	9%	252	7%
		Ukraine	4	0%	0%	38%	5	38%
		Estonia	1	1%	0%	630%	4	631%
		Other	108	2%	0%	10%	121	12%
Total		1.756	1%	1%	0%	1.761	2%	
<ul style="list-style-type: none"> Sales in Other countries increased 10%, partly driven by the fact that many exporting countries eased on COVID-19 restrictions The acquisition of Malgødt.dk contributed with 3% in growth FY 21/22 	Q4 21/22	Revenue (mDKK)	Q4 20/21	Currency	M&A	Organic Growth	Q4 21/22	Reported Growth
		Denmark*	174	1%	2%	-12%	158	-9%
		Sweden	120	-3%	0%	3%	120	0%
		Norway	57	4%	0%	-1%	59	3%
		Poland	64	-2%	0%	1%	63	-1%
		Ukraine	1	0%	0%	-3%	1	-3%
		Estonia	0	-3%	0%	n.m.	4	n.m.
		Other	29	2%	0%	2%	30	4%
Total		445	-1%	1%	-3%	435	-3%	

Segment 2 DIY: Q4 & FY

Sales development by geographical segment

- The segment realized negative organic growth of -7%, driven by a normalization compared to very high demand in 20/21. Denmark was in particular impacted by the lower Consumer sales

FY 21/22	Revenue (mDKK)	FY 20/21	Currency	M&A	Organic Growth	FY 21/22	Reported Growth
	Unicell Nordic	230	1%	0%	-12%	204	-11%
Unicell international	176	-2%	0%	-1%	170	-3%	
Other	406	-1%	0%	-7%	374	-8%	

- Within the past year, focus on smaller dealers and DIY shops has been intensified, which sells the trademarks Yunik, Primacol, Lux Decor or private label.

Q4 21/22	Revenue (mDKK)	Q4 20/21	Currency	M&A	Organic Growth	Q4 21/22	Reported Growth
	Unicell Nordic	64	-1%	0%	-15%	54	-16%
Unicell international	41	-3%	0%	20%	46	17%	
Other	105	-2%	0%	-1%	100	-3%	

- Price increases following the development in raw materials are, to the extent contractually possible, passed on to the customers

Segment 3 Eskaro Group AB: Q4 & FY

Sales development by geographical segment

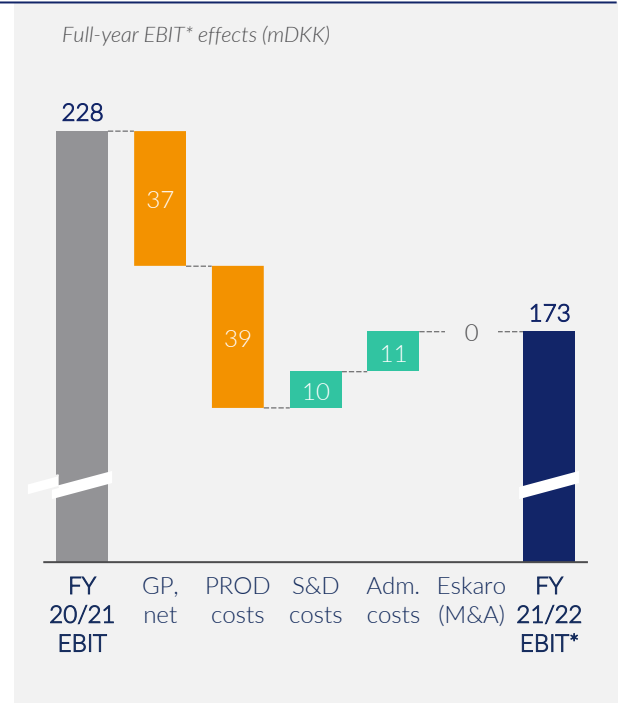
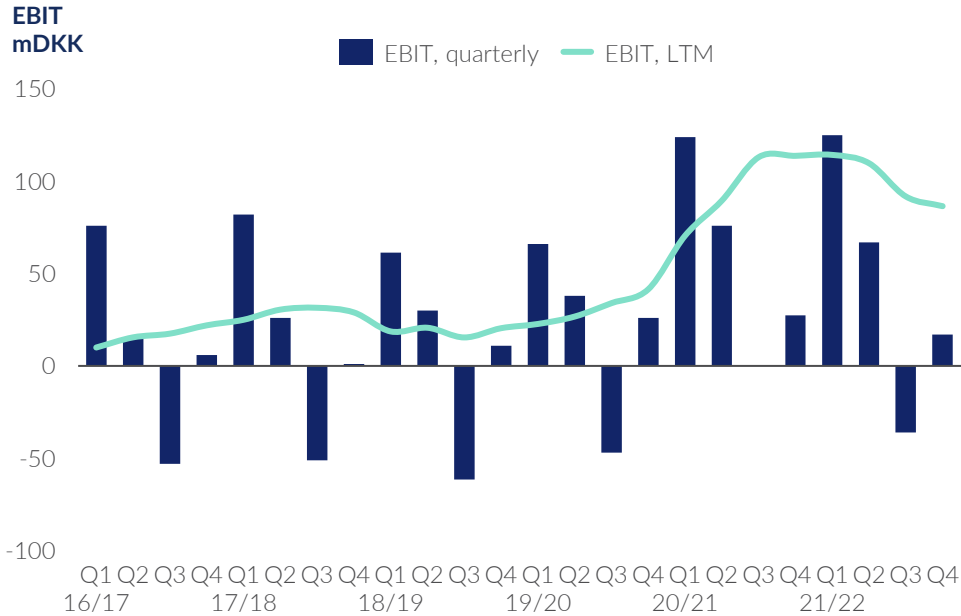
- Revenue in segment 3 is generated solely by Eskaro. The activities in Russia and Belarus are held for sale and not included in the figures
- Geographically continuing operations in segment 3 are limited to Finland, Estonia, Latvia, Ukraine
- Eskaro products consist of a mix of Eskaro's own trademarks as well as private labels

FY 21/22	Revenue (mDKK)	FY 20/21	Currency	M&A	Organic Growth	FY 21/22	Reported Growth
	Ukraine	0	0%	100%	0%	114	100%
Estonia	0	0%	100%	0%	37	100%	
Other	0	0%	100%	0%	36	100%	
Other	0	0%	100%	0%	187	100%	

Q4 21/22	Revenue (mDKK)	Q4 20/21	Currency	M&A	Organic Growth	Q4 21/22	Reported Growth
	Ukraine	0	0%	100%	0%	10	100%
Estonia	0	0%	100%	0%	9	100%	
Other	0	0%	100%	0%	13	100%	
Other	0	0%	100%	0%	32	100%	

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

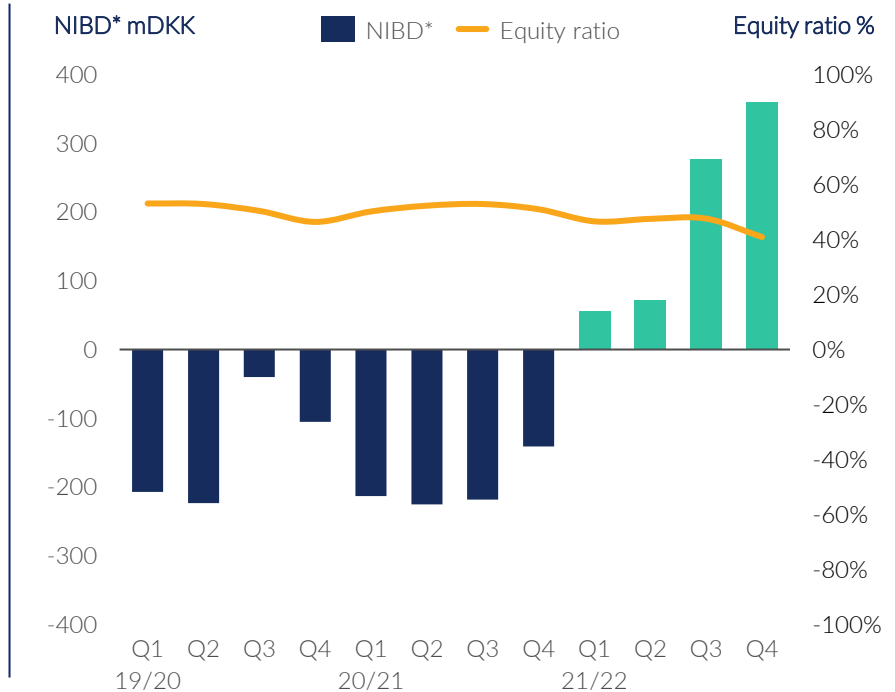
Group EBIT* development



Development in NIBD impacted by the acquired activities and CAPEX related to the factory footprint

Financial solidity

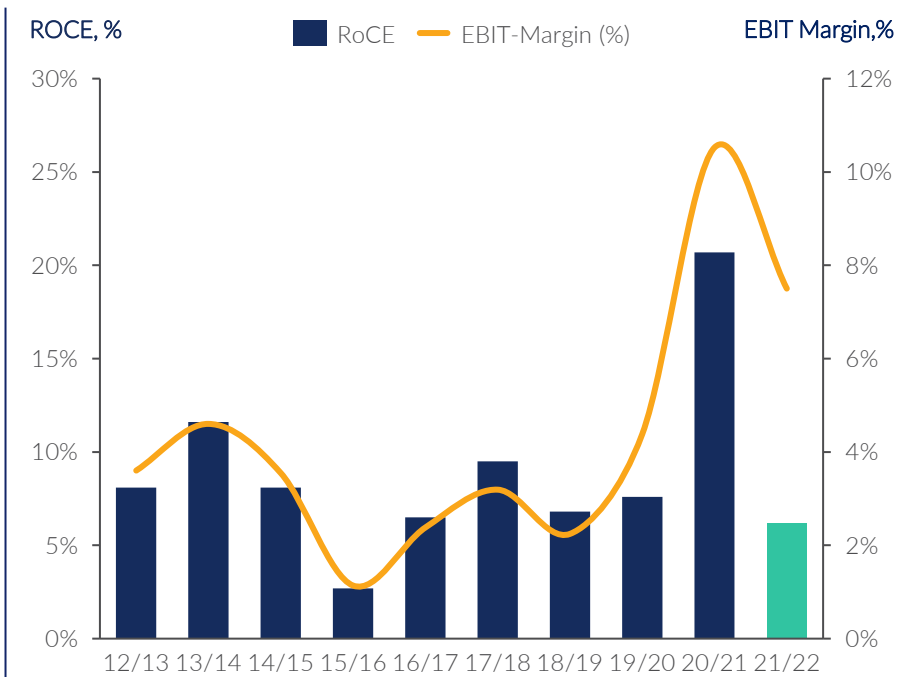
- 1** | NIBD driven by acquisitions and CAPEX executed in 21/22
- 2** | NIBD impacted by increased working capital, driven by price increases on raw materials
- 3** | 2019/20 – 2021/22 NIBD impacted by leasing obligation of approx. 400 mDKK due to implementation of IFRS16



Return on Capital Employed

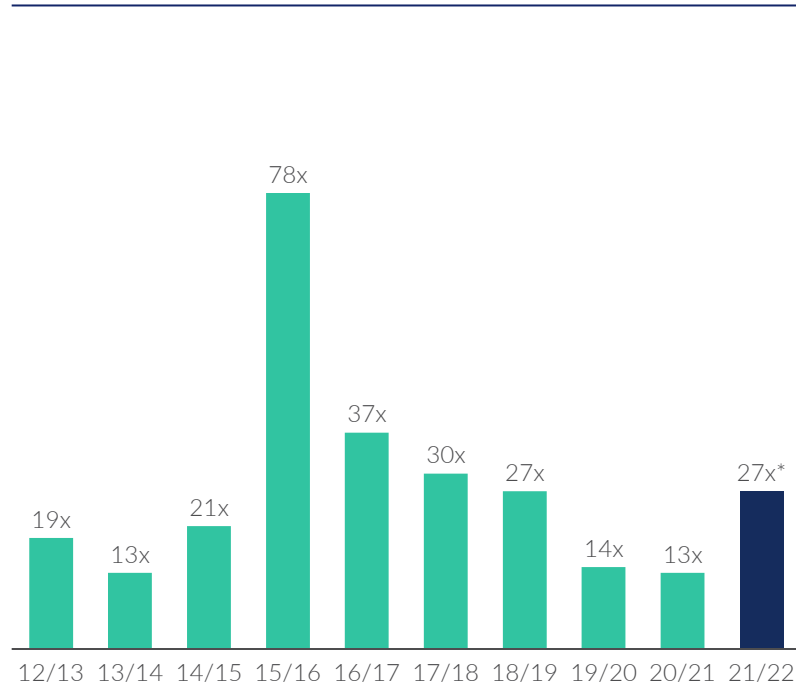
Financial solidity

- 1** | ROCE impacted negatively by 4.7%-point due to the impairment of Eskaro
- 2** | ROCE diluted by the acquisition of Eskaro and Malgodt.dk, where synergies are yet to kick in
- 3** | ROCE is negatively impacted by the lower EBIT levels in 21/22

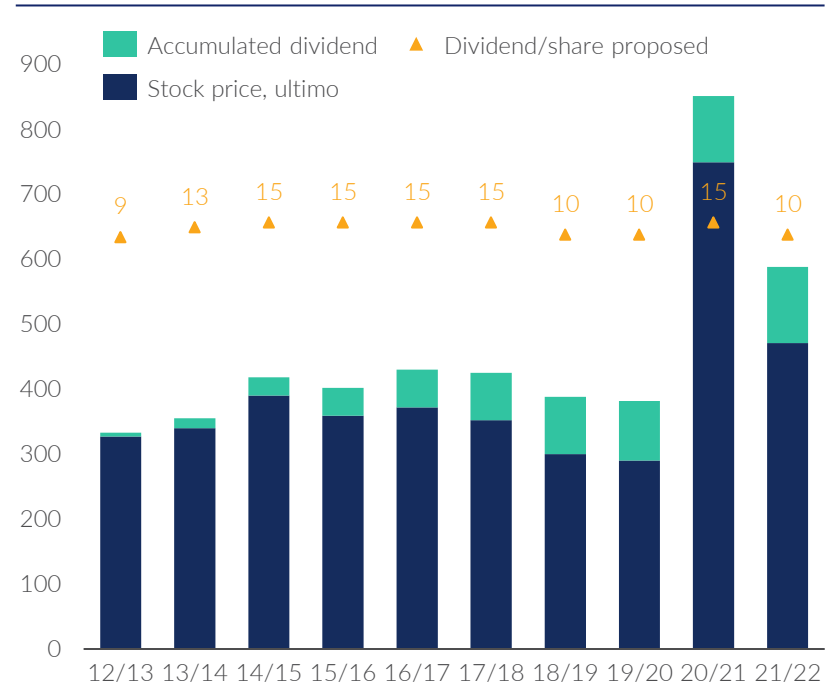


Price/earnings ratio up impacted by the write-downs related to Eskaro and the lower earnings following the higher cost levels

Development in price/earnings and stock price (DKK)

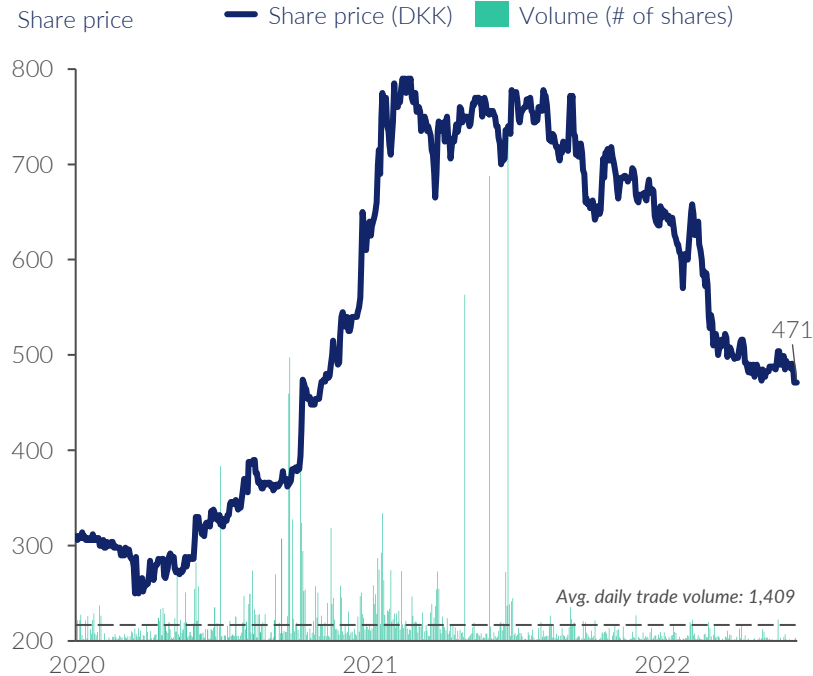


Stock price incl. reinvested dividends (DKK)

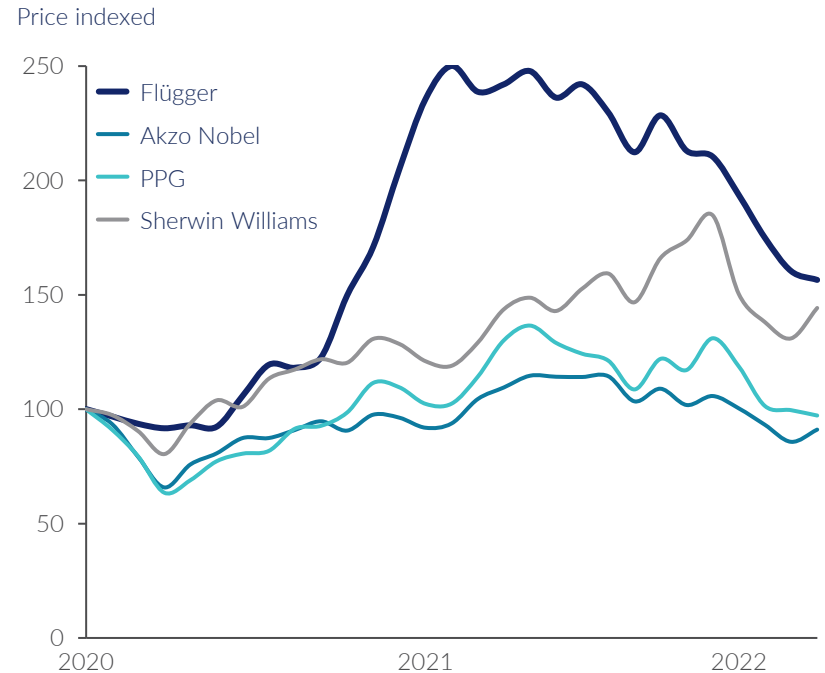


Share price development

Flügger's share price development



Flügger's relative share price development (indexed)



2022/23 Guidance: Segment 1 and 2 Revenue of 2.200m-2.400m and EBIT of 80-130m. Segment 3 EBIT of +/- 10m

2022/23 guidance (DKK)

Segment 1 & 2



Segment 3



A dividend of 10 DKK / share is proposed based on the 2021/22 result

Key drivers for guidance

Starting March 2022, Flügger has experienced a significant decline in sales to consumers, which has been the case for several industries, as well as within paints and other building materials across Europe. This trend is expected to continue. Sales to professionals is expected in line with the previous year

The effects of high inflation, that can not be fully transferred into the sales prices, as well as the slowdown in the high margin consumers market, will put earnings under pressure. 2022/23 is therefore expected to be a transitional year. Improvement in earnings is expected at the end of the financial year, under the assumption that raw material prices will normalize

The guidance for segment 3 assumes; that the war will continue into the financial year 2022/23, and that the factory in Ukraine remains intact. EBIT for segment 3 is expected in interval minus 10 mio. DKK to plus 10 mio. DKK



Thank
you for
listening

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