

Flügger Group

Investor presentation

Q1 2022/23



Flügger at a glance

Key LTM figures Q1 22/23

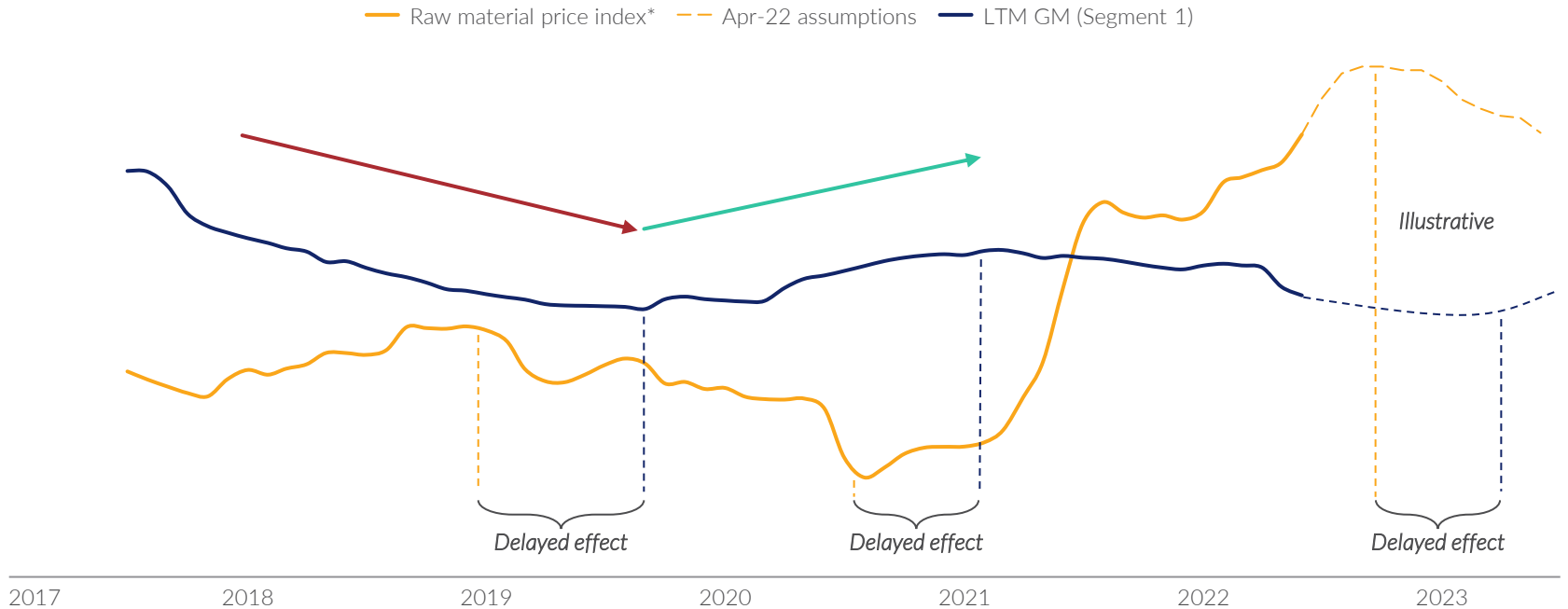
<p>Revenue mDKK</p> <p>2,514</p>	<p>EBIT* mDKK</p> <p>115</p>
<p>Full-time employees</p> <p>2,246</p>	<p>Markets</p> <p>17</p>
<p>No. factories</p> <p>12</p>	<p>No. stores</p> <p>370</p>

Flügger's business model



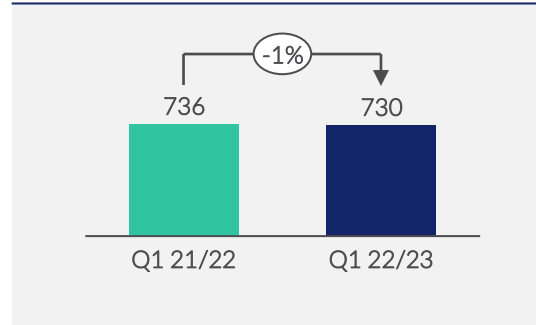
Delayed effect on margins from changes in raw material prices

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

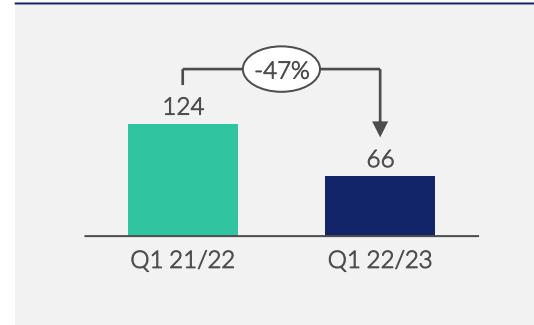


Q1 22/23 highlights

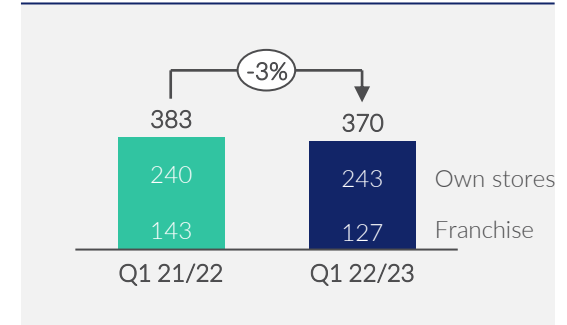
Revenue (mDKK)



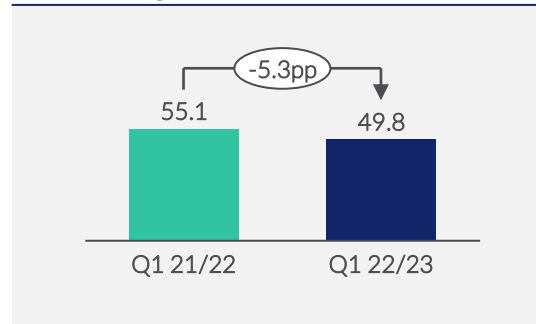
EBIT* (mDKK)



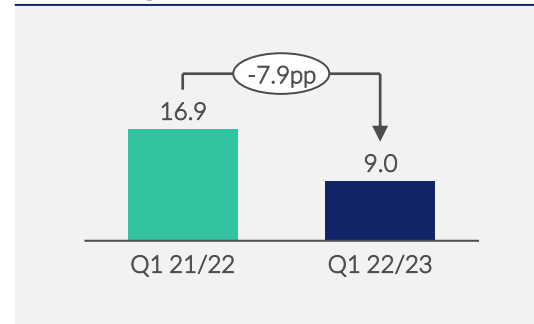
Own & franchise stores (#)



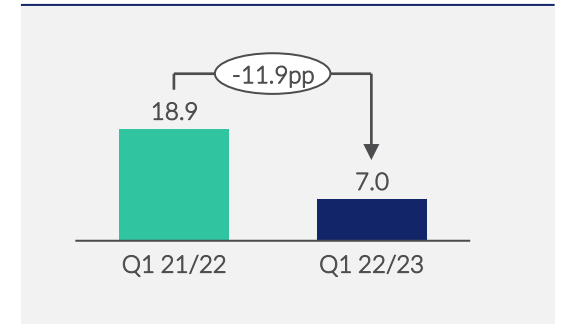
Gross Margin (%)



EBIT-margin* (%)



ROCE* (%)



Q1 22/23 highlights – Satisfactory sales performance. Earnings impacted by high prices on raw materials, energy & logistics

Flügger Group Results

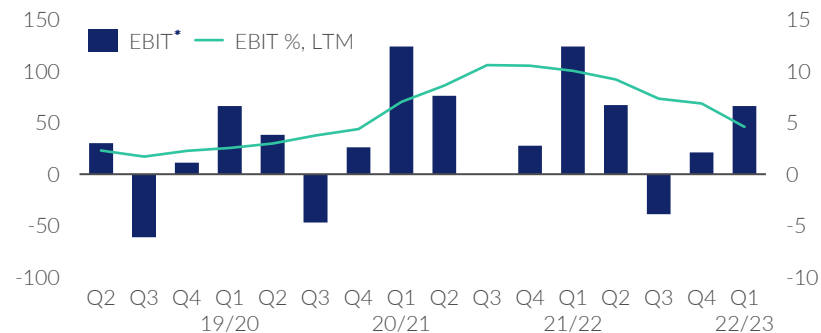
Sales overall at a satisfactory level

- In the Q1 financial result, activities in Russia and Belarus, are reclassified as continuing operations
- The demand from consumers declined broadly across markets and segments – a trend impacting the industry in general
- Professional sales were in line with last year and at a satisfactory level
- Segment 3 remained significantly affected by the war in Ukraine, but performed above expectations, and positive currency impact in Russia

EBIT impacted by lower consumer sales & higher cost levels

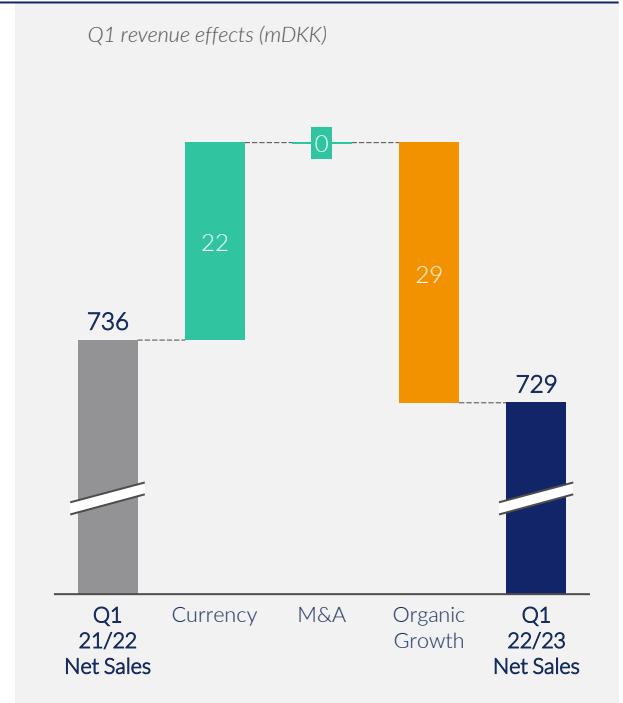
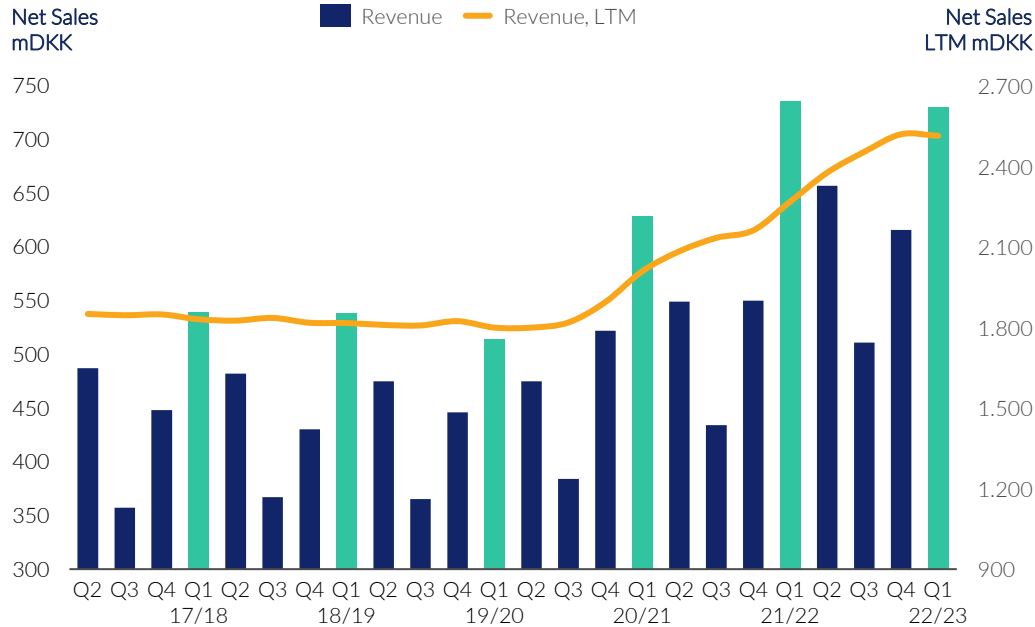
- High prices on raw materials, energy and logistic impacted earnings negatively
- Pricing initiatives partly offset the cost increases and the diluting effect on gross margin
- Decline in high-margin consumer sales impacted earnings negatively
- Higher warehouse cost driven by inventory build-up, to secure supply during a potential raw material shortage following the energy crisis

mDKK	Q1 22/23	Q1 21/23	Change
Net sales	730	736	-1%
Organic growth	-4%	-4%	0pp
M&A	0%	20%	20pp
Currency	3%	1%	2pp
EBIT*	66	106	-38%
EBIT-margin*	9.0%	21.0%	-12pp



Organic growth driven by lower demand in consumer & DIY offset by positive development from currency

Group sales development



Segment 1 Own Stores & Resellers: Q1 22/23

Sales development by geography in Segment 1

- Negative organic growth driven by lower sales to consumers – a trend impacting the industry in general
- The Nordics realised negative organic growth of 4%, driven by decline in consumer sales, while the professional sales was in line with last year
- Poland delivered 5% organic growth, equally split between consumers and the professional segment
- Sales in Other countries negatively impacted by sanctions on export to Russia

Q1 22/23	Revenue (mDKK)	Q1 21/22	Currency	M&A	Organic Growth	Q1 22/23	Reported Growth
	Denmark	187	187	1%	0%	-7%	176
Sweden	154	154	-4%	0%	-1%	146	-5%
Norway	66	66	0%	0%	-2%	65	-2%
Poland	66	66	-3%	0%	5%	67	2%
Other	33	33	2%	0%	-4%	32	-2%
Total	506	506	-1%	0%	-3%	486	-4%

Segment 2 DIY: Q1 22/23

Sales development by geography in Segment 2

- The segment realised negative organic growth of -8%, driven by a normalisation compared to very high demand in 20/21
- The development was equally driven by Nordic and Poland
- The past year, focus on smaller dealers and DIY shops has been intensified, which sells the trademarks Yunik, Primacol, Lux Decor or private label
- Price increases following the development in raw materials are, to the extent contractually possible, passed on to the customers

Q1 22/23	Revenue (mDKK)	Q1 21/22	Currency	M&A	Organic Growth	Q1 22/23	Reported Growth
	Unicell Nordic	59	-2%	0%	-8%	53	-10%
	Unicell international	50	-3%	0%	-7%	45	-10%
	Total	109	-2%	0%	-8%	98	-10%

Segment 3 Eskaro Group AB: Q1 22/23

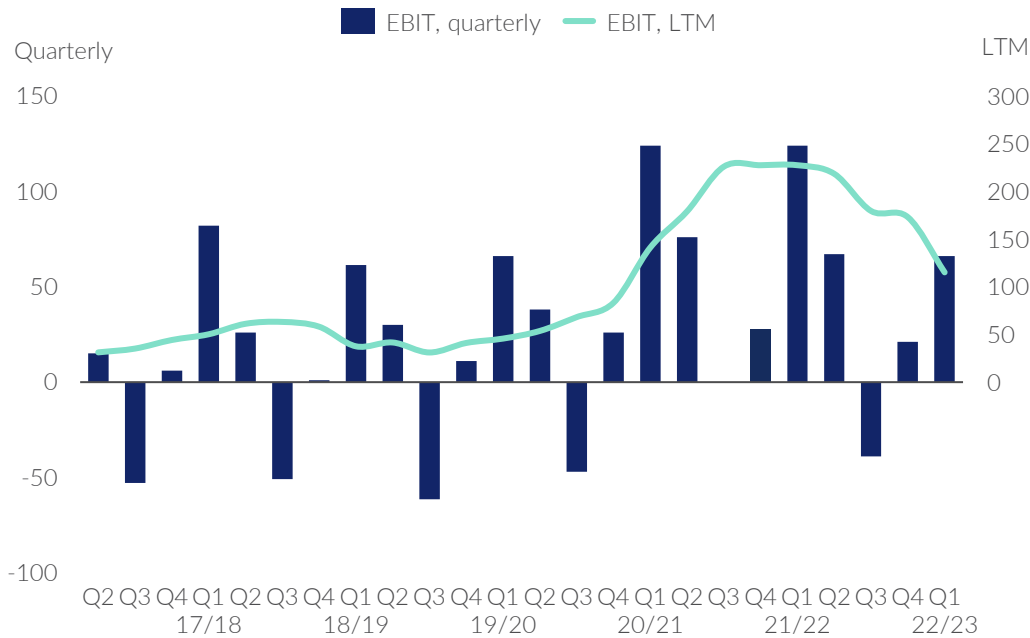
Sales development by geography in Segment 3

- Revenue in segment 3 is generated solely by Eskaro
- In the 2021/22 annual report, Russia and Belarus were classified as 'held-for-sale'. It is no longer considered likely that Russia and Belarus can be divested within 12 months due to sanctions. Russia and Belarus are therefore part of the continuing activity. Comparative figures have been adjusted
- Segment 3 remained significantly affected by the war in Ukraine, however, performance was better than expected and positively impacted by currency
- Eskaro products consist of a mix of own trademarks as well as private labels

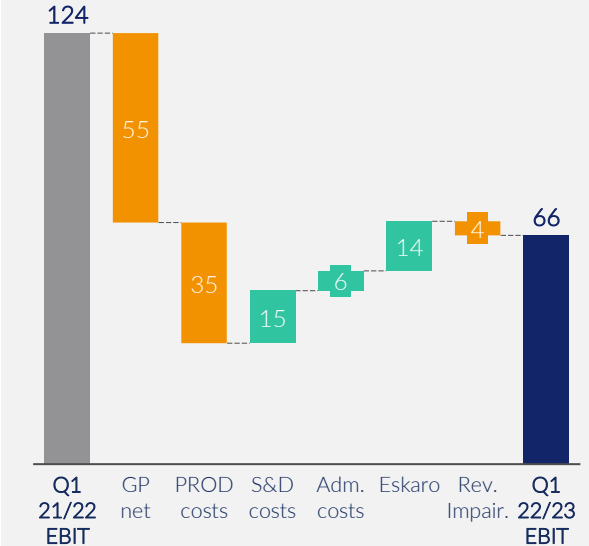
Q1 22/23	Revenue (mDKK)	Q1 21/22	Currency	M&A	Organic Growth	Q1 22/23	Reported Growth
		Russia	40	59%	0%	33%	77
	Ukraine	39	3%	0%	-49%	21	-46%
	Belarus	17	17%	0%	20%	23	37%
	Estonia	12	0%	0%	5%	13	5%
	Other	13	2%	0%	-9%	12	-7%
	Total	121	23%	0%	-3%	146	20%

EBIT impacted by lower margins and higher cost levels on raw materials, energy & logistics

Group EBIT development (mDKK)*



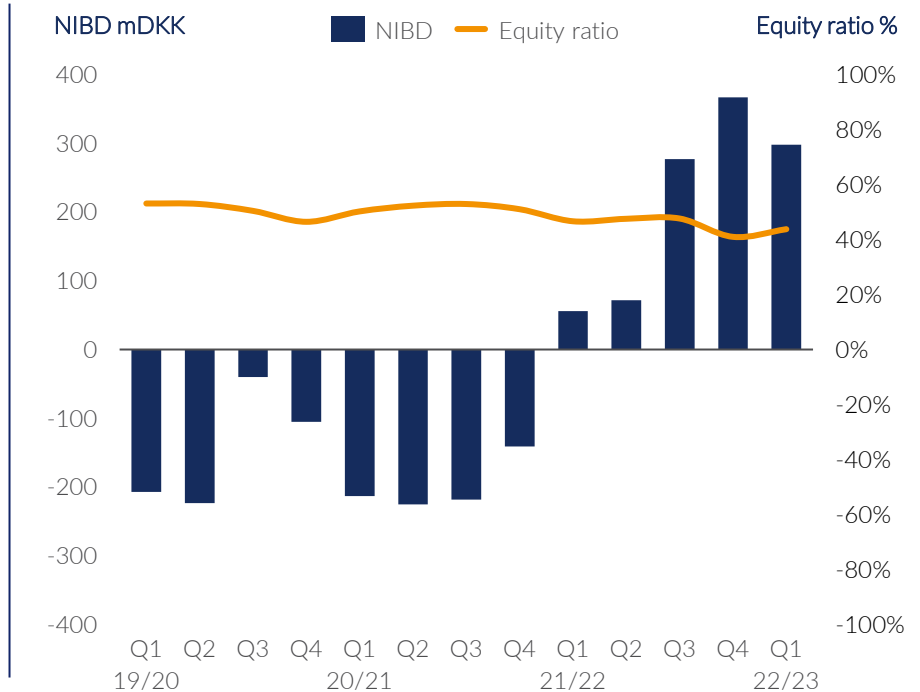
Q1 EBIT effects (mDKK)



Positive development in NIBD compared to year-end, driven mainly by timing effects of working capital and sale of own shares

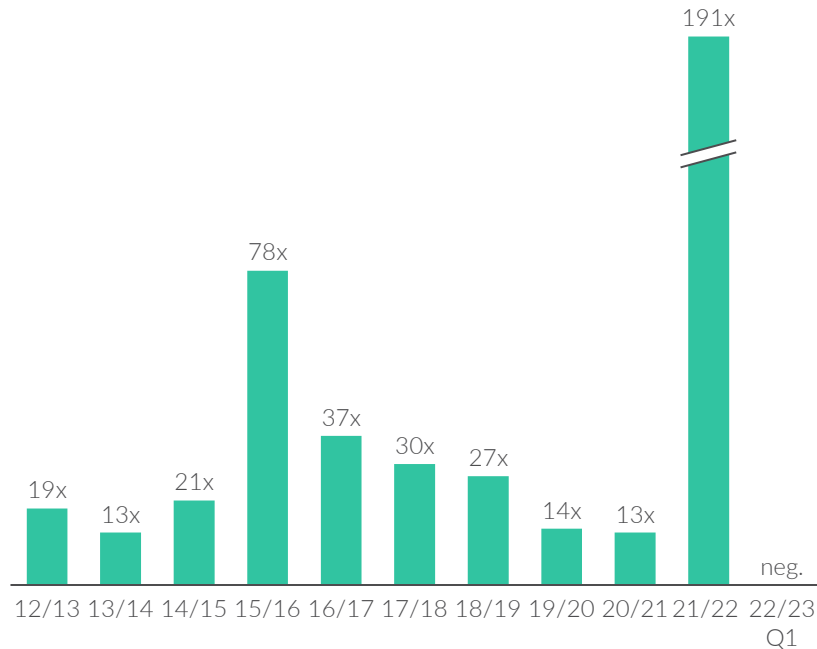
Financial solidity

- 1** | NIBD development compared to last quarter is driven by timing in working capital, hence inventory build-up to secure supply
- 2** | NIBD was impacted by sale of own shares
- 3** | NIBD compared to Q1 LY driven by acquisitions and CAPEX executed in 21/22

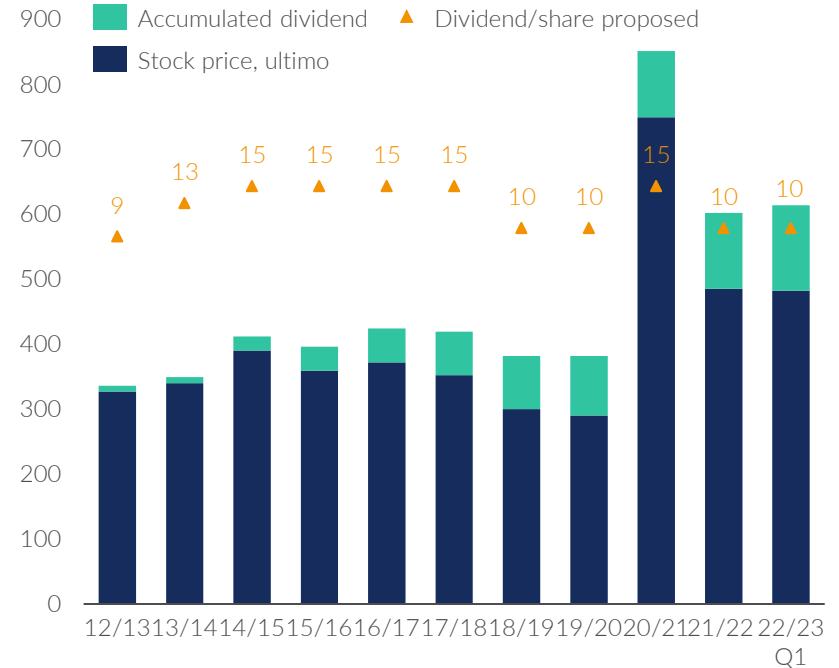


Price/earnings ratio driven mainly by write-downs related to Eskaro and the lower earnings following the higher cost levels

Development in price/earnings and stock price (DKK)

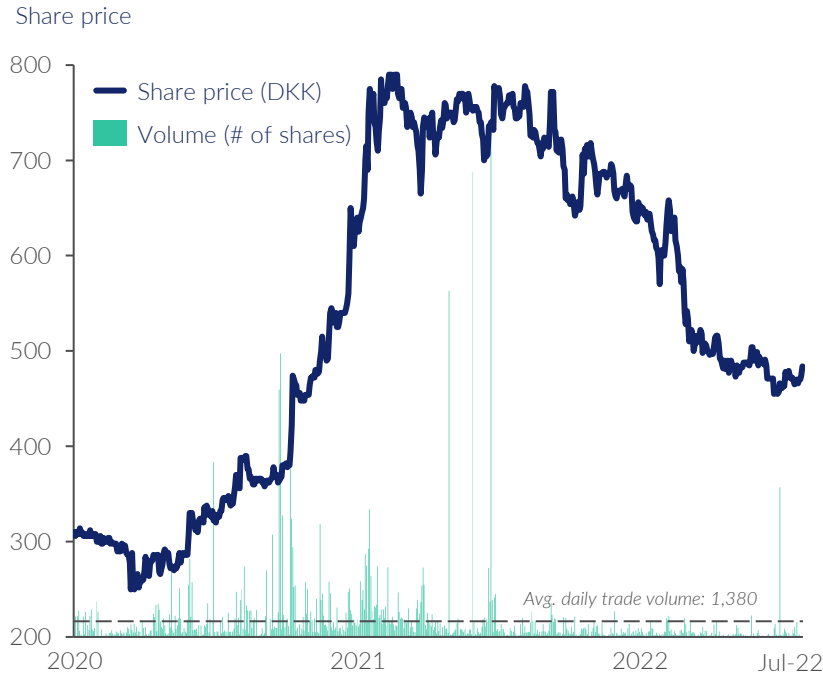


Stock price incl. reinvested dividends (DKK)

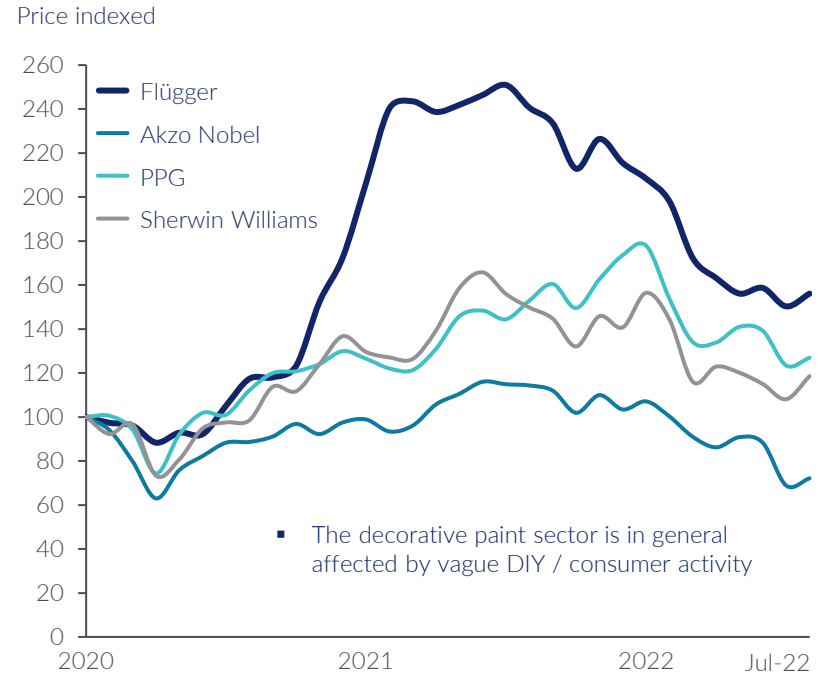


Share price development

Flügger's share price development



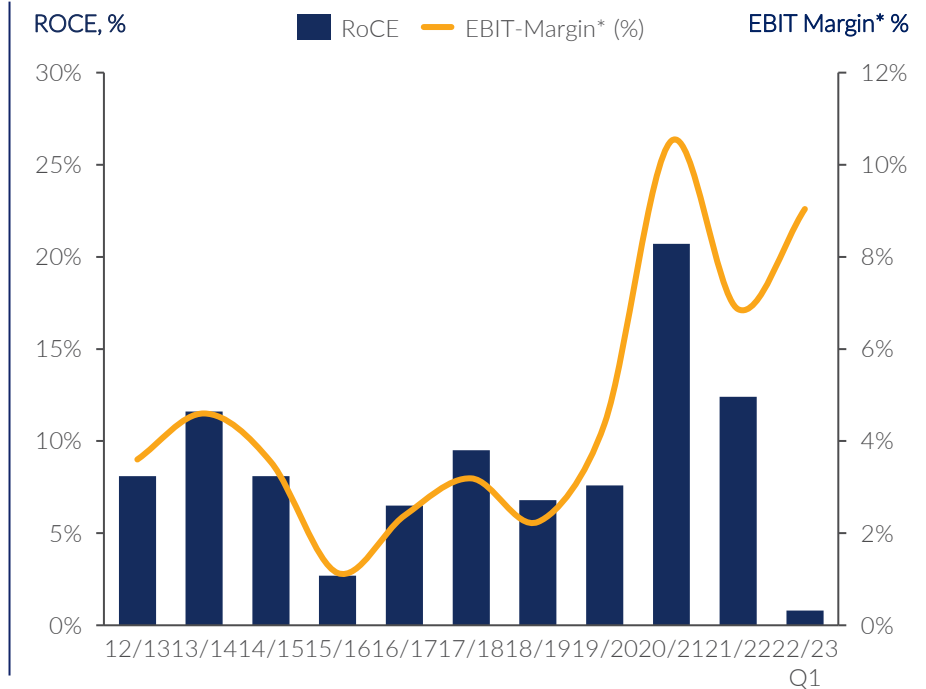
Flügger's relative share price development (indexed)



Development in Return on Capital Employed mainly driven by the impairment of Eskaro and the lower earnings last 12 months

Financial solidity

- 1** | ROCE impacted negatively by 6.2%-point due to the impairment of Eskaro
- 2** | ROCE diluted by the acquisition of Eskaro, Lithuanian UAB Daniški dažai and Malgodt.dk, where synergies are yet to kick in
- 3** | ROCE is negatively impacted by the lower EBIT level the last 12 months



2022/23 Guidance: Revenue of 2,500m-2,700m and EBIT of 100-150m

Selected financial metrics (DKK) for 2022/23

Updated guidance as of 9 August 2022, including reclassification of the, previously 'held for sale', entities in Russia and Belarus as continuing operations



Key drivers for guidance

- Revenue expectation 22/23 is driven by positive impact from price increases, partly offset by decreasing volumes currently affecting the market
- The effects of increasing costs of raw materials, energy and logistics combined with lower expected activity in general is expected to affect earnings negatively
- The margin is expected to improve towards the end of the financial year, when raw material prices are expected to be at a more normalised level
- Due to the sanctions against Russia and Belarus there is considerable uncertainty about day-to-day operations in these markets. Similarly, our Ukrainian business has high uncertainty as consequence of the war



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listening

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