

Flügger Group

Investor presentation

Q2 2022/23

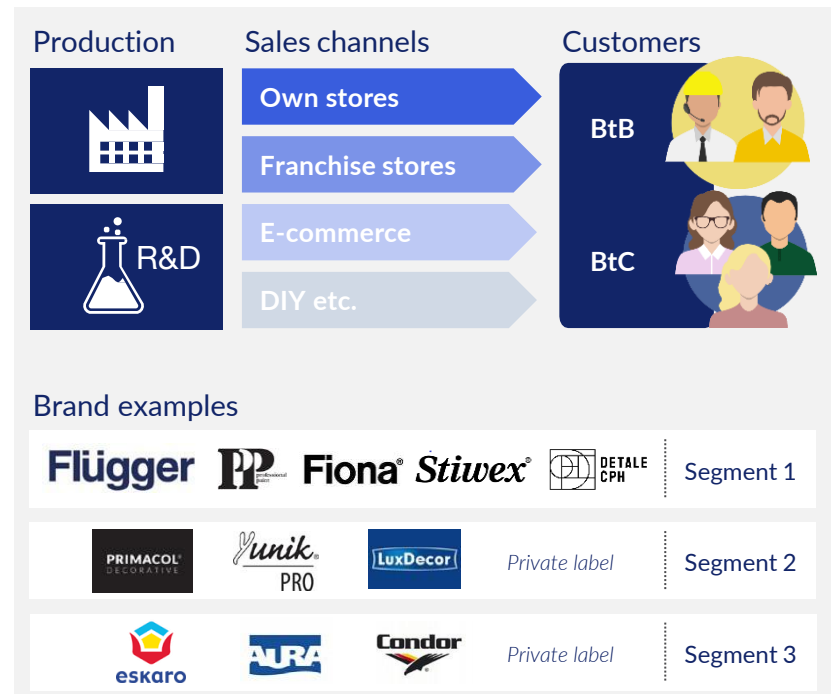


Flügger at a glance

Key LTM figures Q2 2022/23

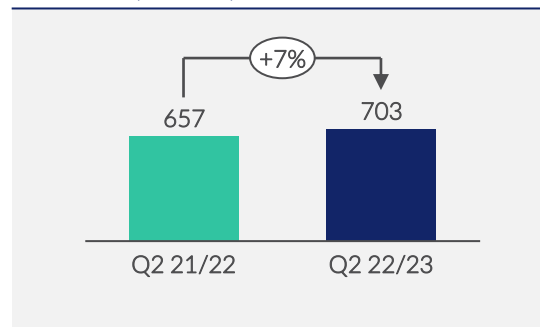
Revenue mDKK	EBIT* mDKK
2,560	96
Full-time employees	Markets
2,278	17
No. factories	No. stores
12	366

Flügger's business model

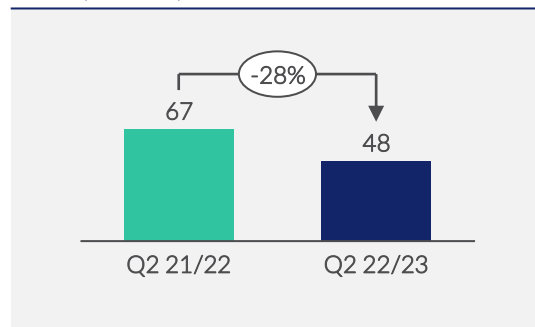


Q2 22/23 highlights

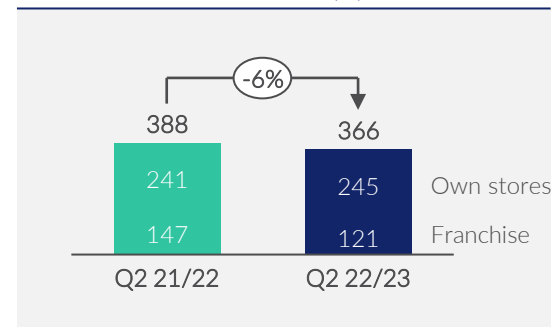
Revenue (mDKK)



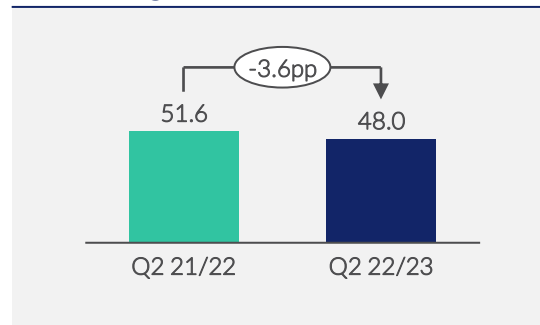
EBIT (mDKK)



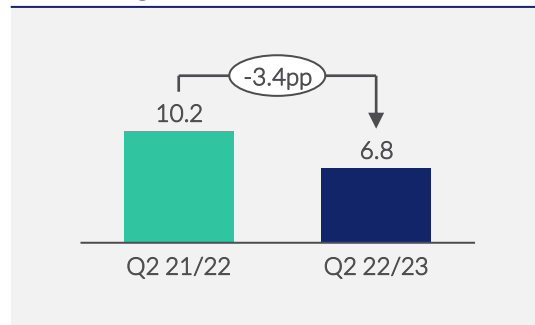
Own & franchise stores (#)



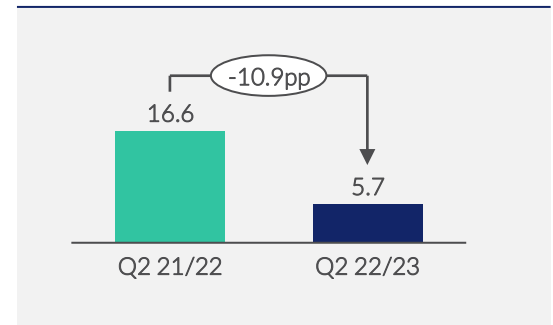
Gross Margin (%)



EBIT-margin (%)

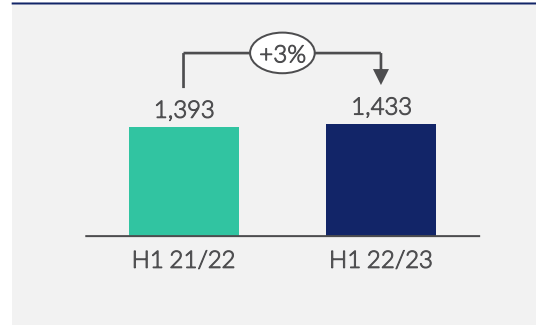


ROCE* (%)

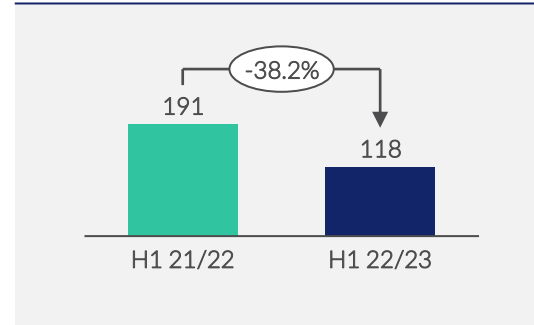


H1 22/23 highlights

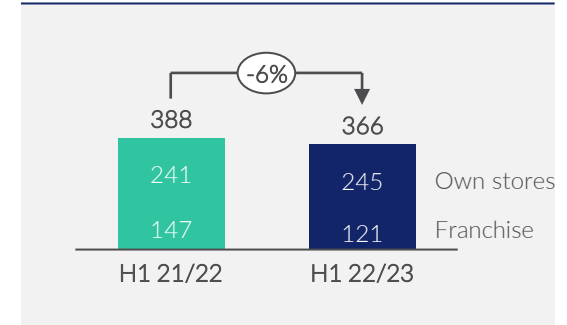
Revenue (mDKK)



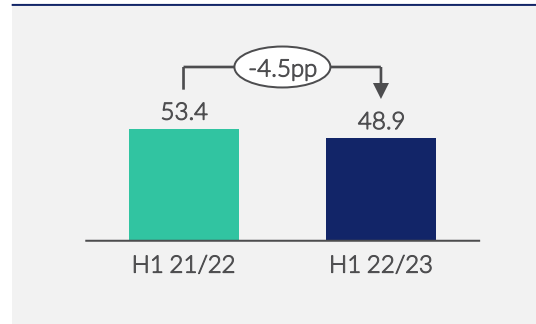
EBIT (mDKK)



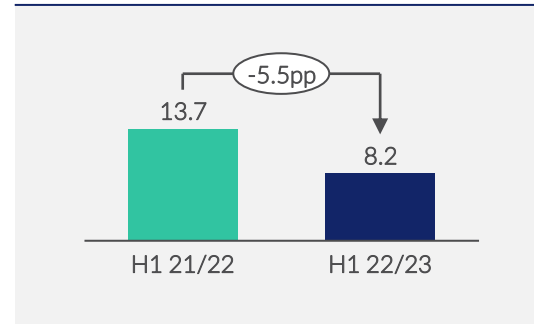
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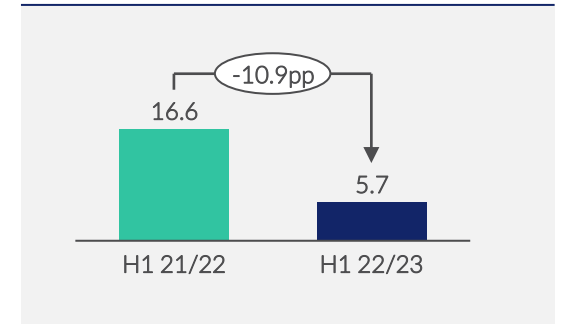
Gross Margin (%)



EBIT-margin (%)



ROCE* (%)



Heavy increase in cost base market prices over the past two years

Avg. chemical index up c. 80% vs. 2020/21, but expected to decline in 23/24; effects EBIT, but balanced efforts initiated



Avg. chemical index in 2022/23 vs. avg. in 2020/21 is up +81%



Base future on gas for 2023 up +360% since primo 2022
Spot price on electricity up +330% since primo 2022



Europe road index (transport prices) continues to break record;
Q3'22 hits highest contract price, up +25% since primo 2021

2022/23

- Approx. 40% of Flügger raw material spend is impacted by the chemical indexes and 20% fluctuates directly with index
- Other cost drivers like energy and transport still increase or remains at very high level compared to 21/22
- On a two-year stack period Flügger has experienced a cost increase of approx. 250 mDKK

2023/24

- Most chemical indexes are expected to further decline
- Transport prices are expected to stabilize but at a high level
- Energy, and energy-intensive categories, expected to stay high
- Market prices impact Flügger with a 6-9 months delay due to pricing models and average inventory turn

To reduce the negative effect on EBIT, cost-savings efforts have been initiated, combined with intensified pricing and volume initiatives;

The extent of cost-savings efforts will depend on cost levels in the coming months, to balance for long-term strategic initiatives

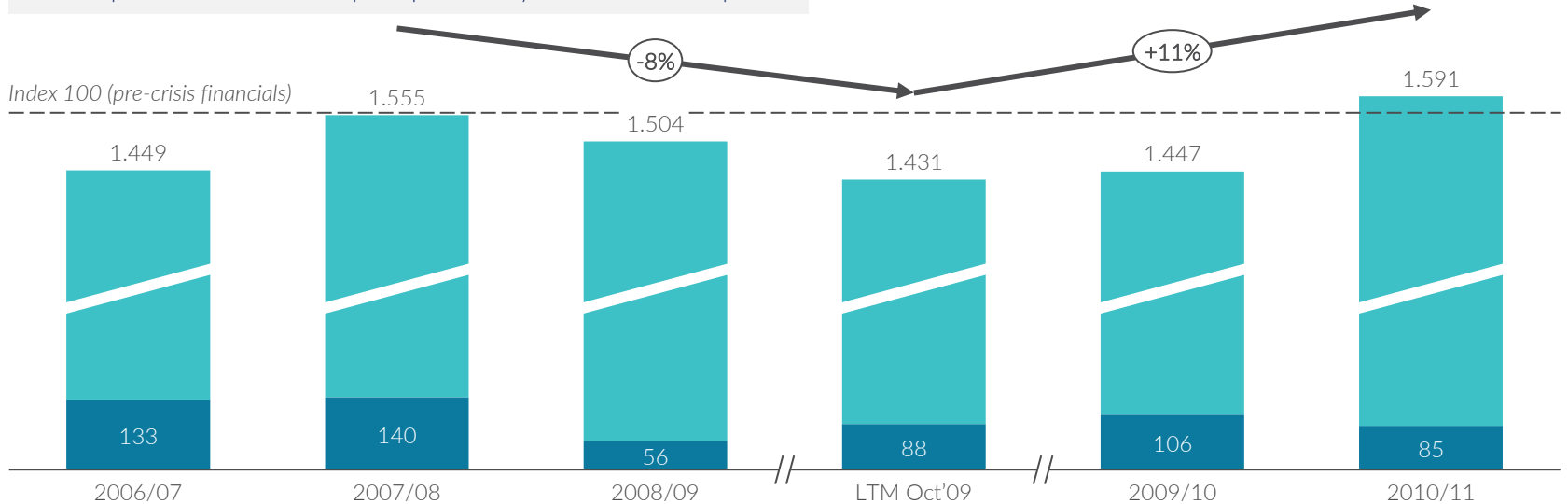
Flügger has previously demonstrated to have a robust multi-pronged business model, catering to different customer groups across channels

It took approx. 1.5 years to hit financial bottom in the 2008 financial crisis (effect from Q2'08/09), and 1.5 years to get back

Mitigating factors for Flügger:

- Trend from new-built to maintenance work during financial crisis
- Drop in sales to professionals compensated by sales to consumers/DIY
- Price pressure and volume drop compensated by lower raw material prices

Revenue (mDKK) EBIT (mDKK)



Q2 22/23 highlights – Organic growth of 5% and earnings impacted unfavourably by customer mix and higher cost levels

Flügger Group Results

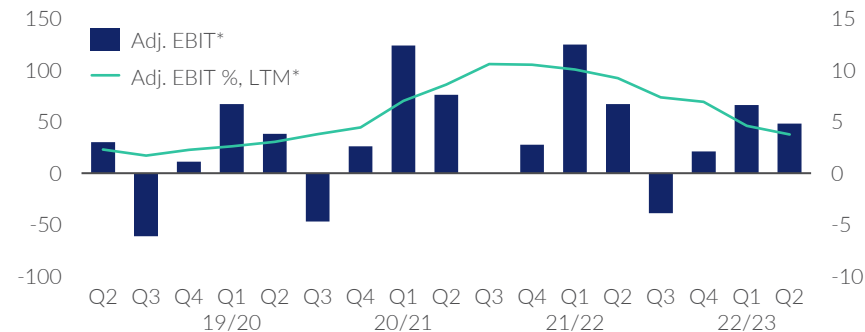
Sales growth in professionals and lower demand from consumers

- Sales impacted by the slowdown and uncertainty in the global economy
- Lower demand from Consumers especially impacts the Nordics
- Professionals realized positive growth in Sweden, Norway and Poland, partly offset by Denmark
- Segment 3 remained significantly affected by the war in Ukraine, but performed above expectations, and positive currency impact in Russia

EBIT impacted by lower GM% & 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	Q2 22/23	Q2 21/22	Change
Net sales	703	657	7%
Organic growth	5%	0%	5pp
M&A	0%	19%	-19pp
Currency	2%	1%	1pp
EBIT	48	67	-28%
EBIT-margin	6.8%	10.2%	-3pp



H1 22/23 highlights – Sales performance in line with last year and earnings impacted unfavourably by customer mix and higher cost levels

Flügger Group Results

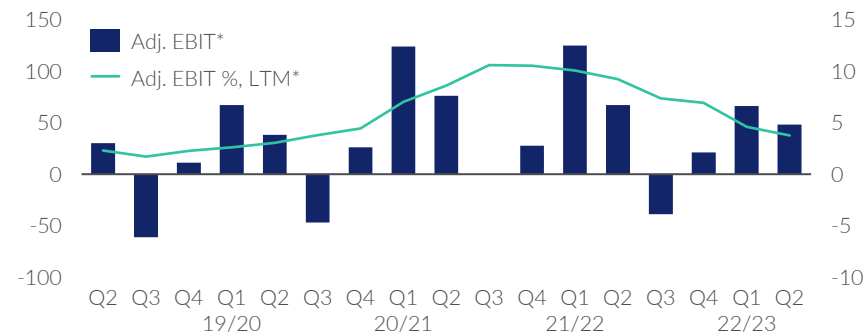
Sales overall in line with last year

- The uncertainty in the market weakened the demand from Consumers further, in addition to a normalization after high sales during COVID-19
- Norway, Sweden and Poland delivered positive growth in the professional segment, however competition in the market intensified
- 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

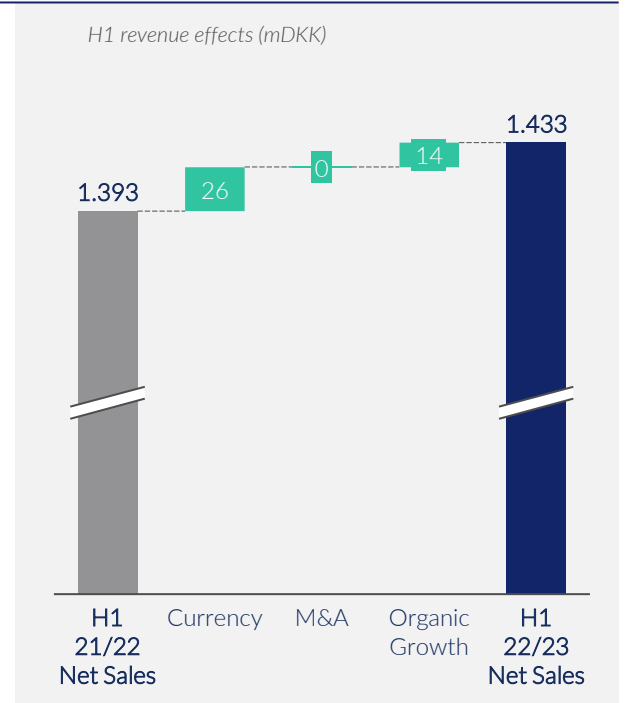
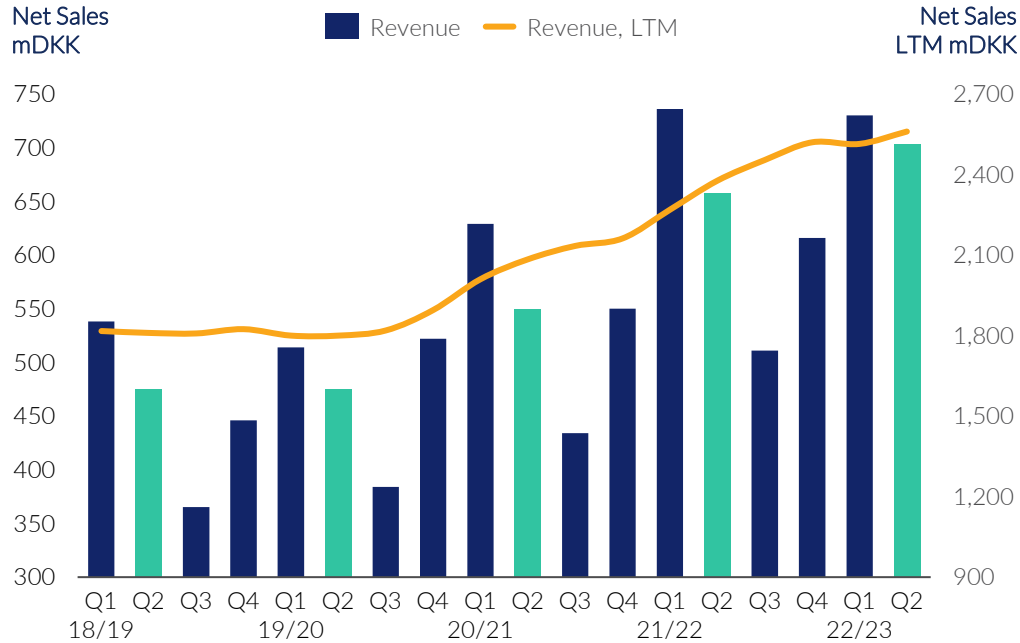
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mDKK	H1 22/23	H1 21/22	Change
Net sales	1.433	1.393	3%
Organic growth	1%	-1%	2pp
M&A	0%	18%	-18pp
Currency	2%	1%	1pp
EBIT	118	191	-38%
EBIT-margin	8.2%	13.7%	-6pp



Net sales increased 7% compared to last year driven by organic growth in the professional segment

Group sales development



Segment 1 Own Stores & Resellers: Q2 & H1 22/23

Sales development by geography in Segment 1

- Q2 realized positive organic growth, whilst flat organic growth for H1
- Denmark realised negative organic growth, with decline in both sales to professionals and consumers
- Norway and Sweden realised positive growth driven by professionals, whereas sales to consumers declined
- Poland delivered 7% organic growth in Q2 and 6% H1, equally split between consumers and the professional segment

mDKK	H1 21/22	H1 22/23
Revenue	962	944
EBIT	167	70
EBIT-margin %	17%	7%

Q2
22/23

Revenue (mDKK)	Q2 21/22	Currency	M&A	Organic Growth	Q2 22/23	Reported Growth
Denmark	167	1%	0%	-4%	161	-4%
Sweden	129	-6%	0%	5%	129	-1%
Norway	60	1%	0%	8%	65	9%
Poland	67	-4%	0%	7%	69	3%
Other	33	2%	0%	4%	34	5%
Total	456	-2%	0%	2%	458	0%

H1
22/23

Revenue (mDKK)	H1 21/22	Currency	M&A	Organic Growth	H1 22/23	Reported Growth
Denmark	354	1%	0%	-6%	336	-5%
Sweden	283	-5%	0%	2%	275	-3%
Norway	126	0%	0%	3%	130	3%
Poland	133	-4%	0%	6%	136	2%
Other	66	2%	0%	0%	67	2%
Total	962	-1%	0%	0%	944	-2%

Segment 2 DIY: Q2 & H1 22/23

Sales development by geography in Segment 2

- The segment realised flat organic growth in Q2, and negative organic growth YTD of -7%, driven by a normalisation compared to a very high demand in 21/22 on the back of COVID
- 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

mDKK	H1 21/22	H1 22/23
Revenue	406	374
EBIT	-3	18
EBIT-margin %	-1%	5%

Q2
22/23

Revenue (mDKK)	Q2 21/22	Currency	M&A	Organic Growth	Q2 22/23	Reported Growth
Unicell Nordic	51	-3%	0%	1%	50	-2%
Unicell international	42	-3%	0%	-1%	40	-5%
Total	93	-3%	0%	0%	90	-4%

H1
22/23

Revenue (mDKK)	H1 21/22	Currency	M&A	Organic Growth	H1 22/23	Reported Growth
Unicell Nordic	230	1%	0%	-12%	204	-11%
Unicell international	176	-2%	0%	-1%	170	-3%
Total	406	-1%	0%	-7%	374	-8%

Segment 3 Eskaro Group AB: Q2 & H1 22/23

Sales development by geography in Segment 3

- Revenue in segment 3 is generated solely by Eskaro Group
- Growth in Russia and Belarus impacted by higher prices/mix and positive currency development
- Ukraine remained significantly affected by the war, however, performance was better than expected
- Eskaro products consist of a mix of own trademarks as well as private label
- Products are produced and sold locally

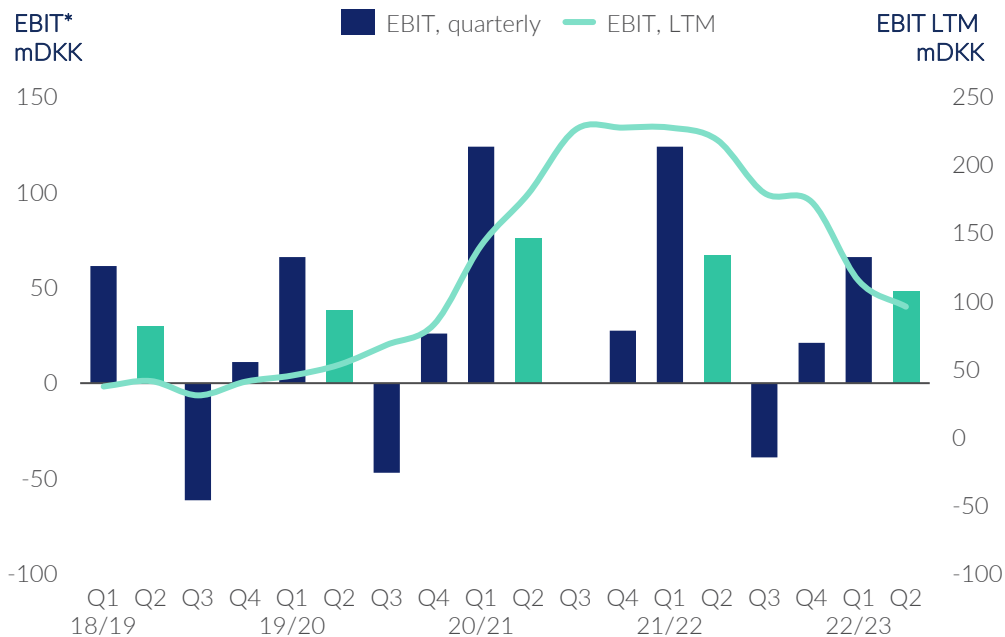
mDKK	H1 21/22	H1 22/23
Revenue	229	301
EBIT	6	51
EBIT-margin %	3%	17%

	Q2 22/23					Q2 22/23	Reported Growth
	Revenue (mDKK)		Currency	M&A	Organic Growth		
Russia	39		65%	0%	55%	87	120%
Ukraine	38		-12%	0%	-22%	25	-34%
Belarus	13		19%	0%	26%	19	44%
Estonia	9		0%	0%	9%	10	9%
Other	9		1%	0%	70%	14	71%
Total	108		22%	0%	21%	155	43%

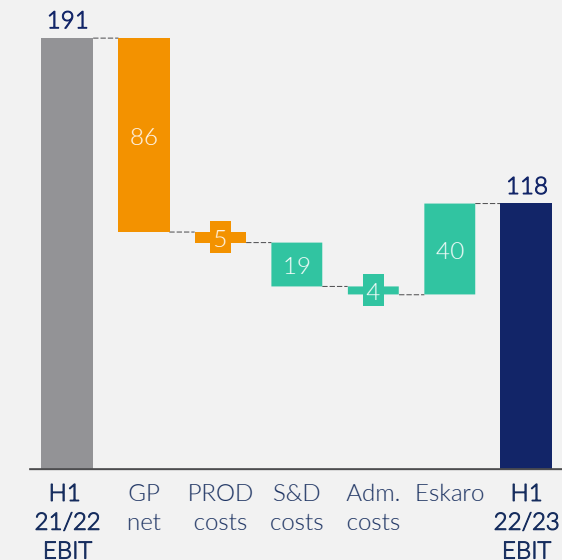
	H1 22/23					H1 22/23	Reported Growth
	Revenue (mDKK)		Currency	M&A	Organic Growth		
Russia	80		62%	0%	44%	164	106%
Ukraine	77		-4%	0%	-36%	46	-40%
Belarus	30		18%	0%	22%	42	40%
Estonia	21		0%	0%	7%	23	7%
Other	21		2%	0%	21%	26	23%
Total	229		23%	0%	9%	301	31%

EBIT impacted by unfavorable customer mix and higher cost levels

Group EBIT development



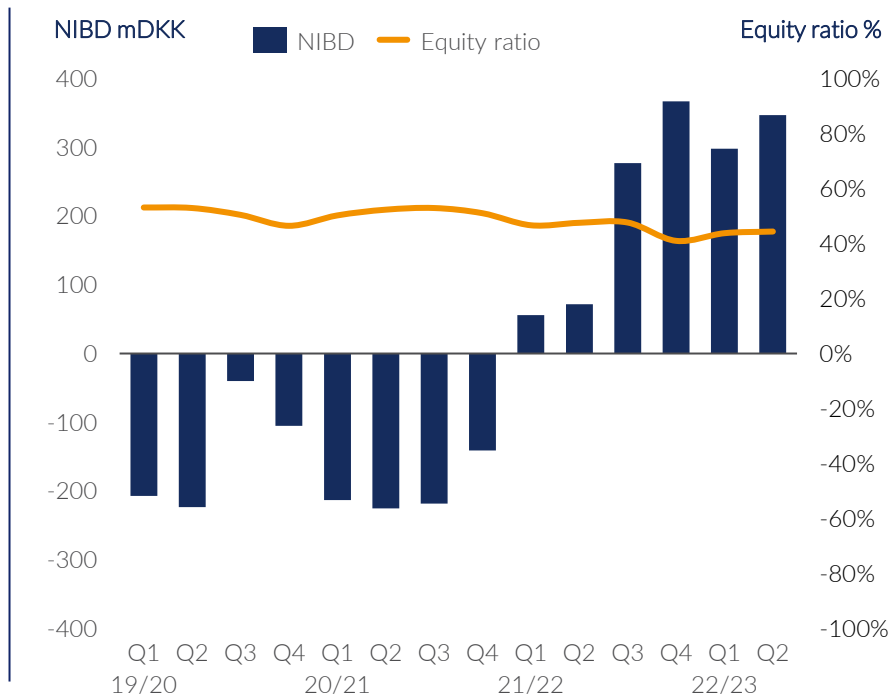
H1 EBIT effects (mDKK)



NIBD impacted by timing effects of working capital, lower earnings and CAPEX investments

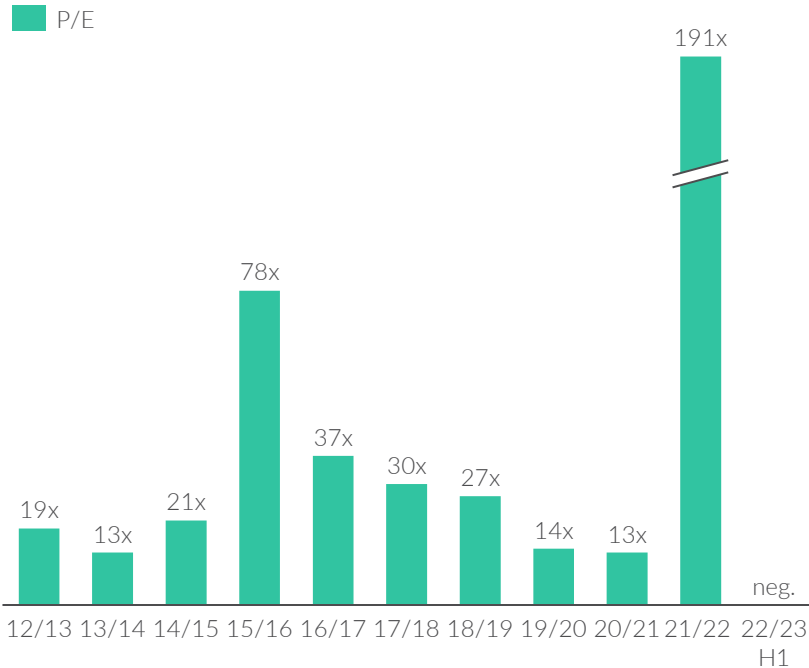
Financial solidity

- 1** | NIBD development compared to last quarter is driven by timing in working capital, hence inventory build-up to secure supply
- 2** | NIBD impacted by the lower earnings level and payout of dividends of 30mDKK
- 3** | NIBD impacted by CAPEX investment executed in 22/23

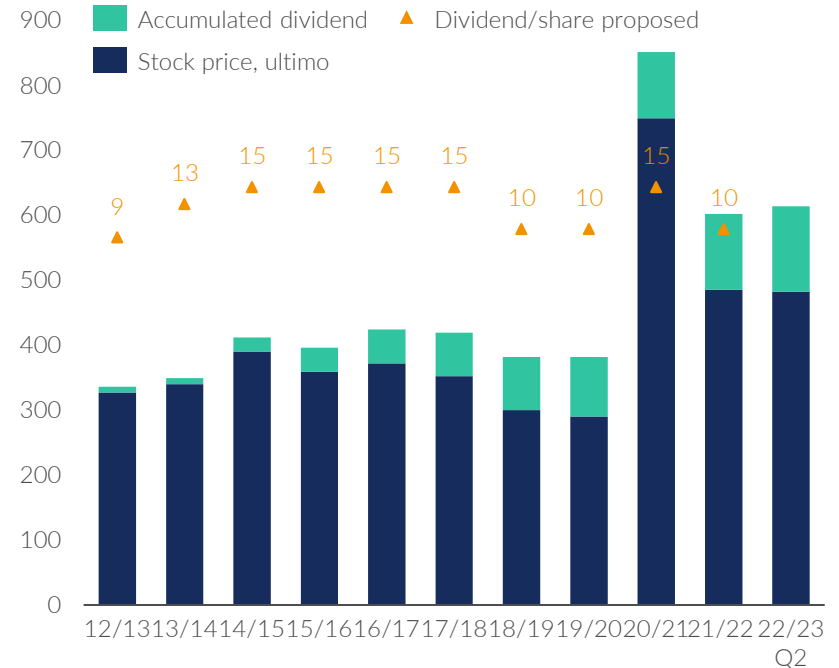


Price/earnings ratio driven mainly by write-downs related to Eskaro and the lower earnings

Development in price/earnings



Stock price incl. reinvested dividends (DKK)

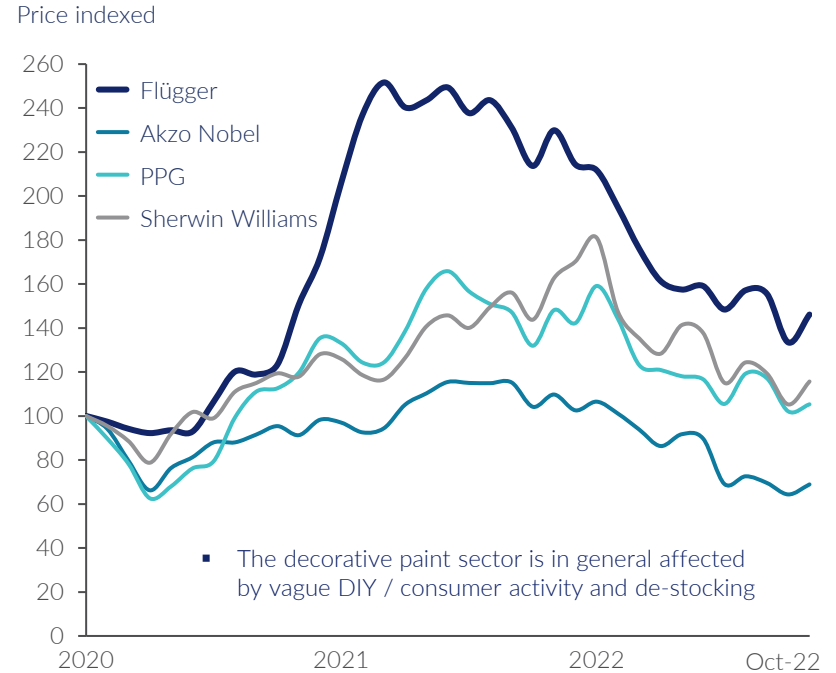


Share price development

Flügger's share price development



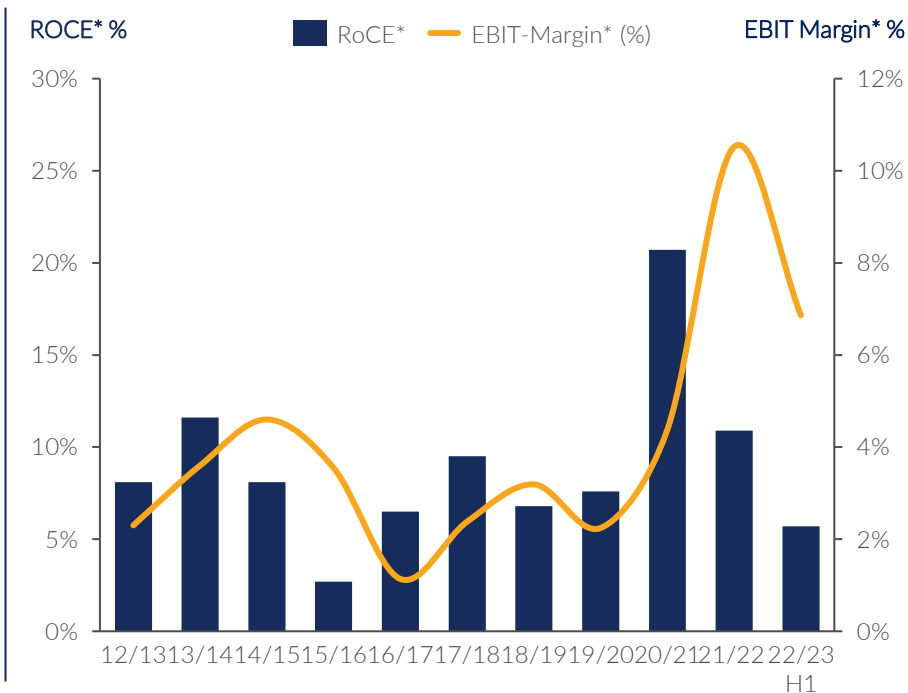
Flügger's relative share price development (indexed)



ROCE development driven by the lower earnings and higher investments

Financial solidity

- 1** | ROCE is negatively impacted by the lower EBIT level for the last 12 months
- 2** | ROCE diluted by the acquisition of Eskaro, Lithuanian UAB Daniški dažai and Malgodt.dk, where synergies are yet to fully kick in on an annualized basis
- 3** | ROCE impacted by CAPEX investments which increase capital employed (LTM)



2022/23 Guidance: Revenue guidance of 2,500m-2,700m maintained EBIT guidance updated from 100-150m to 50-80m

Selected financial metrics (DKK) for 2022/23

Updated guidance as of 11 November 2022



Key drivers for guidance

- EBIT guidance was updated 11 November from 100-150m to 50-80m; In 2022/23 cost increases of approx. 120 mDKK compared to last year, are expected for raw materials, energy and distribution – the increases in sales prices have not been sufficient in the short term to mitigate the increased costs, which impacts earnings expectations
- Revenue expectations for 2022/23 is driven by positive impact from price increases, partly offset by decreasing volumes currently affecting the market
- The effects of increased costs of raw materials, energy and logistics combined with lower 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 normalized 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 because of the war
- To reduce the negative effect on EBIT, cost-savings efforts with effect in current and future financial years, have been initiated, combined with intensified pricing and volume initiatives



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you for
listening

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