

PUUILO

**CHALLENGING FIRST QUARTER,
NET SALES AT PREVIOUS YEAR'S LEVEL**

BUSINESS REVIEW FEBRUARY - APRIL 2022

PUUILO PLC

14 JUNE 2022

***Juha Saarela, CEO
Ville Ranta, CFO***

Our agenda today

- 1. Key figures and main events***
- 2. Strategy and long-term financial targets***
- 3. Financial development***
- 4. Outlook for the financial year 2022***
- 5. Q&A***

Key figures, Q1 (February – April 2022)

GROWTH

+0.8% (+21.5%)

Net sales

-5.0% (+12.8%)

Like-for-like net sales

34 (32)

Number of stores (at the end of the reporting period)

PROFITABILITY

10.5% (14.9%)

EBITA margin (adj.)

35.0% (36.5%)

Gross profit margin, %

EPS

0.05 € (0.07 €)

Earnings per share excluding the effect of listing expenses

EVENTS DURING THE REPORTING PERIOD

- Net sales increased, but were weaker than expected
- Inventories at record levels, delayed spring season had a negative impact on sales and led to increased storage costs
- Challenging operating environment; inflation, war in Ukraine and COVID-19 pandemic restrictions coming to an end
- A new online store warehouse was opened
- No new stores were opened during the first quarter of the financial year (2 new stores)

A photograph of two men in a workshop. The man on the left, wearing a brown sweater, is writing in a notebook. The man on the right, wearing a dark blue shirt, is looking at the notebook. They are standing at a wooden workbench. On the workbench are various tools: a green-handled screwdriver, a black and orange power drill, a saw, and a tape measure. In the background, there are shelves filled with stacks of wood and a chainsaw hanging on the wall.

Strategy and long-term financial targets

Puilo's strategy supports our financial targets



Growing the store network



Like-for-like net sales growth in the young store network



Increasing the share of private label products



Maintaining and improving the high profitability



Continuous development of the product assortment and the multichannel business model

+400 MEUR

NET SALES

Net sales above EUR 400 million by the end of financial year 2025 with annual organic sales growth in excess of 10%.

17-19%

PROFITABILITY

Adjusted EBITA margin between 17 - 19%.

< 2.0x

NET DEBT

Net debt to adjusted EBITDA below 2.0x.

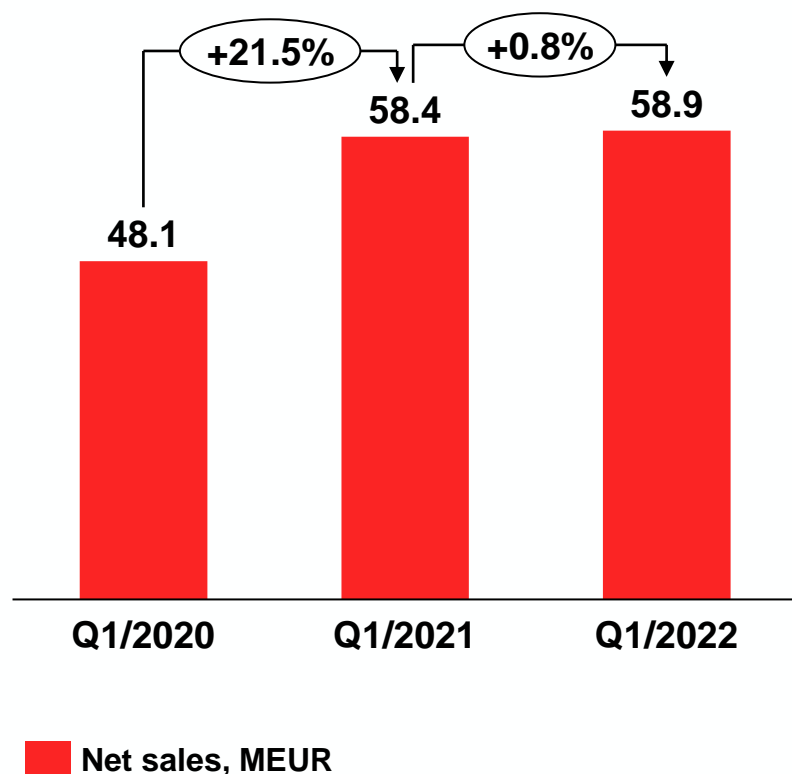
> 80%

DIVIDEND POLICY

Puilo aims to distribute at least 80% of net income for each financial year in dividends.

Financial development

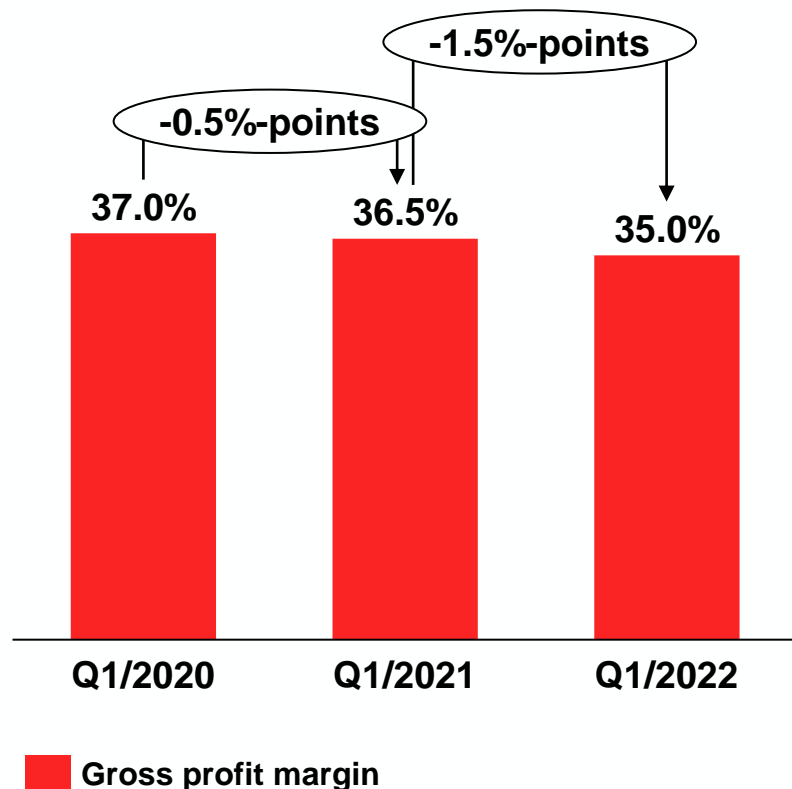
Net sales increased compared to previous year. Growth rate slowed down.



Q1/2022

- Net sales increased by +0.8%. Like-for-like store net sales decreased by -5.0%.
- Net sales increased due to new stores
- In particular, April like-for-like net sales fell short of targets, which caused the entire quarter's net sales to be weaker than expected
- Net sales decreased due to the challenging operating environment and a late spring
- Net sales development negatively impacted also by the strong growth in the comparison period

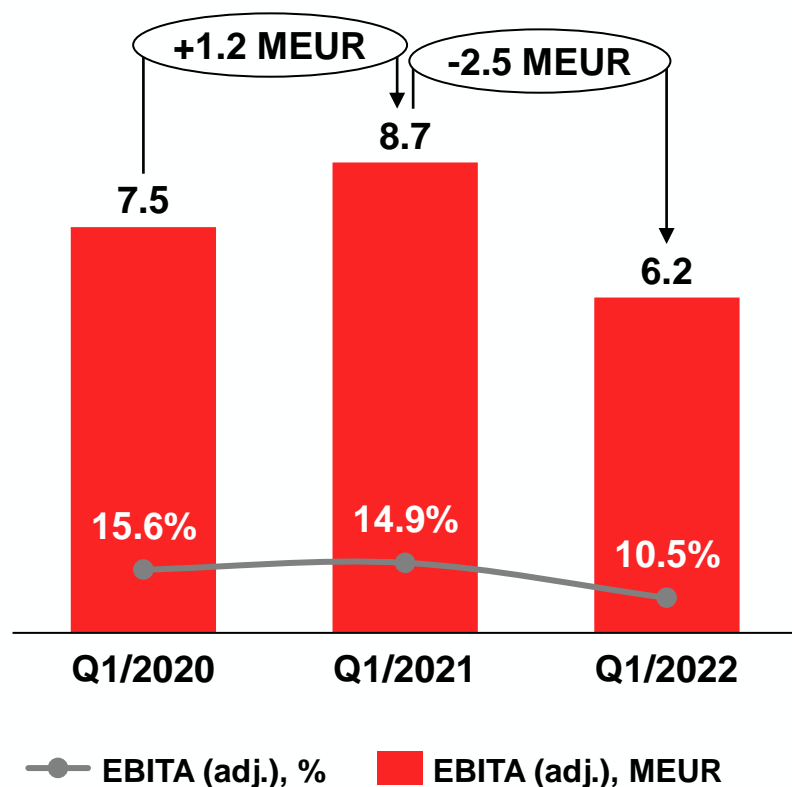
Gross profit margin decreased as a result of increased storage and transportation costs



Q1/2022

- Gross profit margin decreased and was 35.0% of net sales
- Puuilo has intentionally increased inventory levels to ensure the availability of goods in Puuilo's stores. The inventory has remained larger than planned due to the challenging operating environment and late spring.
- Increased inventory levels has resulted in higher storage and transportation costs impacting the gross profit margin
- In addition, the increase in the purchase prices of goods due to inflation has reduced the gross margin.
- Gross profit also affected by the sharply elevated fuel and raw material prices

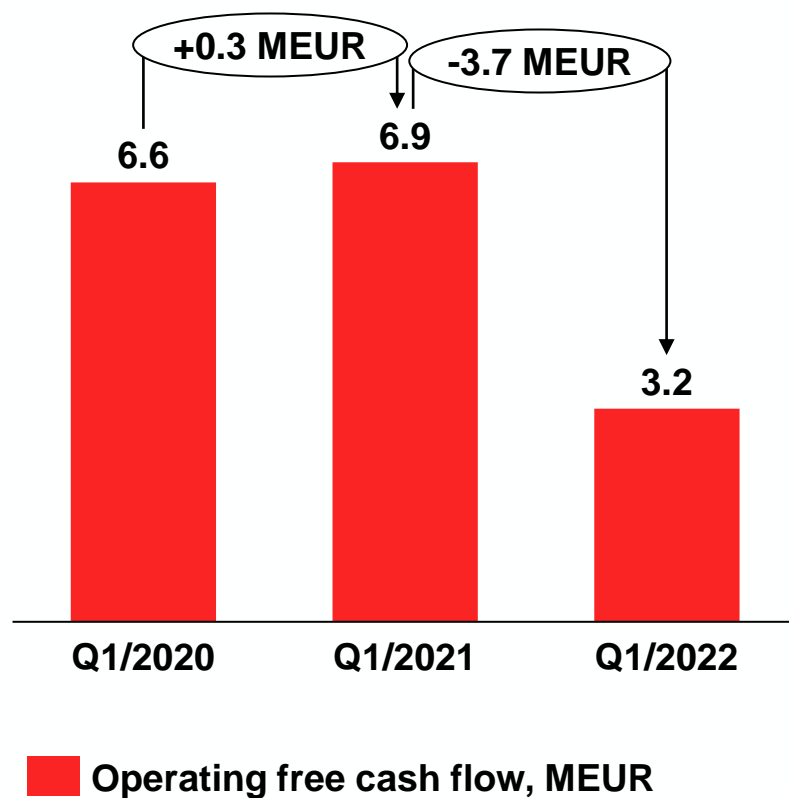
Q1 adjusted EBITA decreased due to gross profit margin and increased operating expenses



Q1/2022

- Adjusted EBITA decreased by -2,5 MEUR.
- Relative profitability was 10.5% of net sales, decreased compared to previous year
- Adjusted operating profit (EBITA) decreased as a result of the decrease in gross margin and higher operating expenses
- Personnel expenses increased the most of the non-gross margin expenses

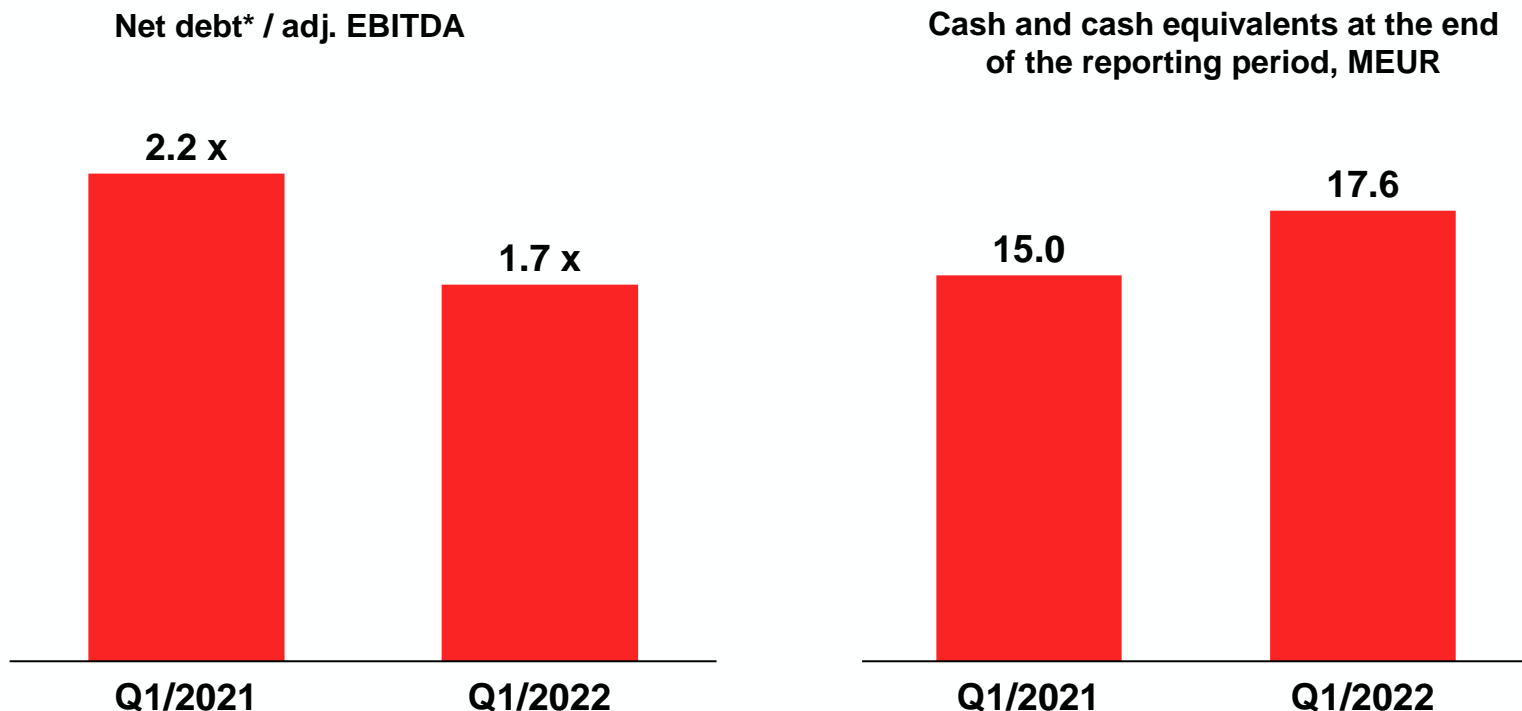
Operating free cash flow impacted by decrease in EBITDA and increase in inventory levels



Q1/2022

- Operating free cash flow was 3.2 MEUR
- Operating free cash flow decreased mainly due to decrease in EBITDA and higher inventory levels
- The increase in inventories due to the opening of new stores and the increase in the volumes of private label products, in line with Puuilo's strategy
- Puuilo has intentionally increased inventory levels to ensure the availability of goods in Puuilo's stores. The inventory has remained larger than planned.
- The aim is to reduce inventory levels by the end of the financial year.

Net debt to EBITDA ratio improved, financial position is stable.



Q1/2022

- Cash and cash equivalents at a good level despite the planned temporary working capital increase
- The ratio of net debt to adjusted EBITDA in line with the long-term target
- Puuilo's long-term loans from financial institutions were 69.8 MEUR at the end of the period. The maturity of the loans is 3 + 1 + 1 years

* Net debt includes lease liabilities reported in accordance with IFRS 16

KEY FIGURES OF THE REPORTING PERIOD

Q1 / 2022 (1 Feb 2022 – 30 Apr 2022)

- Net sales increased by 0.8% (+21.5%) and were EUR 58.9 million (58.4)
- Like-for-like store net sales decreased by 5.0% (+12.8%)
- Online store net sales decreased by 8.4% (+20.9%)
- Gross profit was EUR 20.6 million (21.3) and gross margin was 35.0% (36.5%)
- Adjusted EBITA was EUR 6.2 million (8.7), which corresponds to an adjusted EBITA margin of 10.5% (14.9%)
- EBIT was EUR 5.9 million (7.3) which corresponds to 10.0% of net sales (12.5%)
- Operating free cash flow was EUR 3.2 million (6.9)
- Earnings per share were EUR 0.05 (0.06)
- Earnings per share excluding listing expenses were EUR 0.05 (0.07)
- No new stores were opened during the first quarter of the financial year (2 new stores)



Outlook for the financial year 2022

OUTLOOK

Puulo's outlook for the financial year 2022

Puulo forecasts that net sales will increase. However, net sales growth is forecasted to be below the long-term annual growth target for the current financial year (net sales annual organic growth in excess of 10%). Puulo forecasts adjusted EBITA to be EUR 35–45 million.

The forecast includes elements of uncertainty due to the development of the COVID-19 pandemic, the war in Ukraine, rising interest rates, inflation causing decline in purchasing power and the effects of these.

The company changed its outlook for the financial year 2022 with a stock exchange release on 25 May 2022. Previously, the company forecasted that the net sales and the adjusted operating profit (adjusted EBITA) for the financial year 2022 in euros would increase compared to the financial year 2021.

Puulo's long-term targets

+400 MEUR

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DIVIDEND POLICY

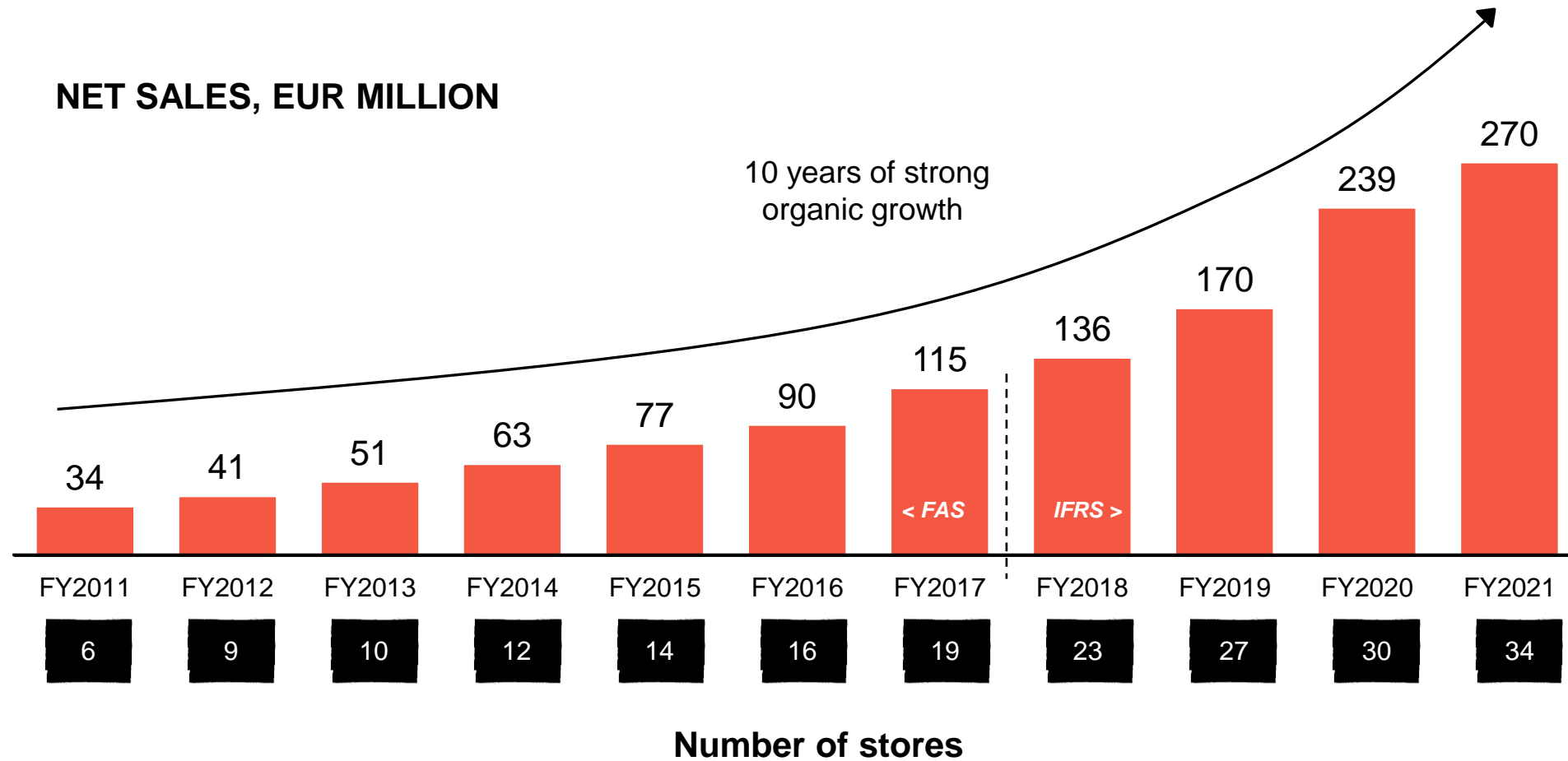
Puulo aims to distribute at least 80% of net income for each financial year in dividends.

Our focus areas in 2022

- Growing the store network and successful store openings
- More intensive marketing in order to boost the sales
- Even closer cost control
- Reduction of inventory levels in central warehouses and stores
- Optimization of storage costs



A decade of continuous growth – up to 4 new openings each year



Puuiilo

Seven new stores in the pipeline

Store openings in 2022;

- Sastamala
- Lieto
- Tornio

The opening of at least four new stores has been agreed for 2023. New stores will be opened in Vihti's Nummela and Kerava, along with two more in the Helsinki metropolitan area.



Q&A

Contact requests: ir@puuilo.fi

NEXT FINANCIAL REPORTS

15 September 2022

15 December 2022

Half-year Financial Report (February-July 2022)

Business review (February-October 2022)

APPENDIX

Puuiilo is one of the leading discount retailers in Finland

PUUILO KEY FACTS¹⁾

270 m€ net sales

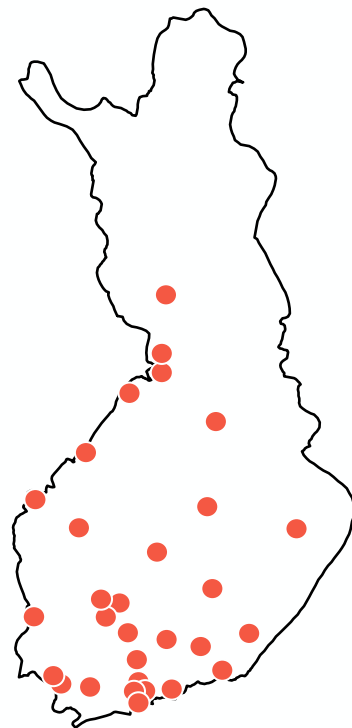
44,5 m€ operating profit

16,5% operating profit -%

48,4 m€ adjusted EBITA²⁾

17,9% adjusted EBITA-%

34 STORES AND AN ONLINE STORE



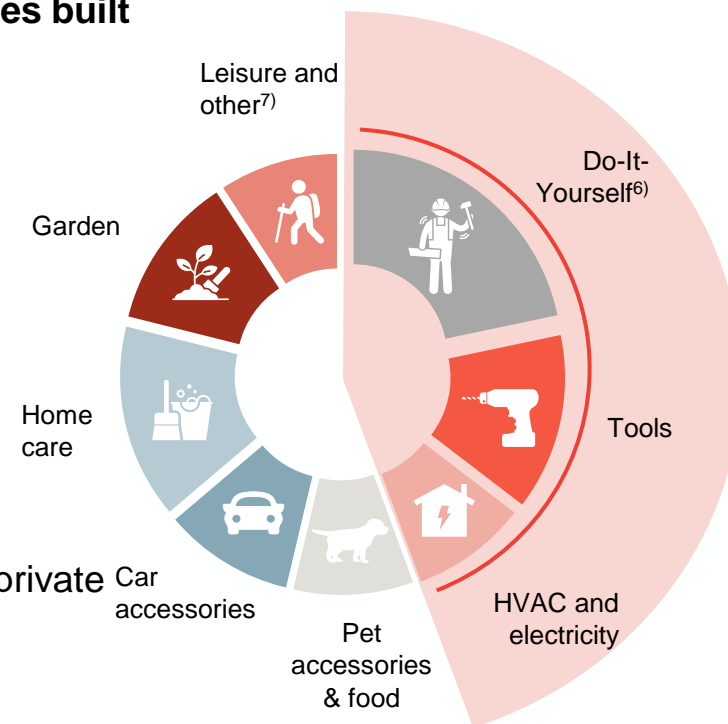
Key product categories built around DIY⁵⁾

- X No building materials
- X No consumer electronics
- X No clothes

+30 000 SKUs³⁾

18% of sales from private labels¹⁾

27 € average store basket size

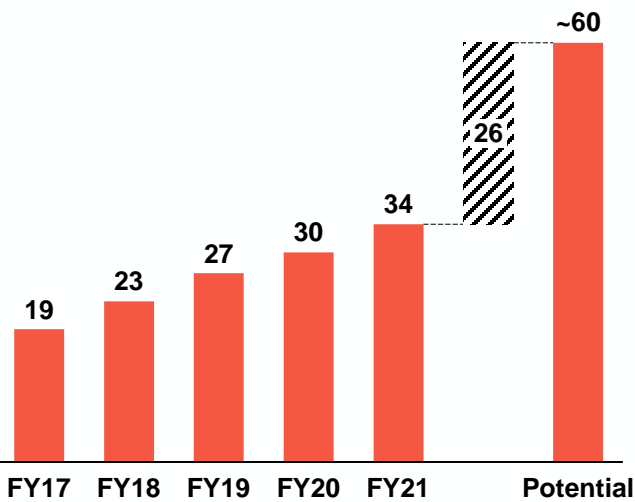


Note: 1) FY2021 ending January 31st 2022 except where otherwise indicated; 2) EBITA, excluding items affecting comparability; 3) SKU number per stores varies slightly and as per 27th of January 2021 the average SKUs at store inventory was approximately 34k; 5) Sales split FY2020; 6) DIY categories including 'Do It Yourself', 'Tools' and 'HVAC and electricity' as defined by the company. 7) Other category including service products and groceries Source: Company annual reports and company information

Significant room to expand store network with proven ramp-up process

STORE NETWORK GROWTH

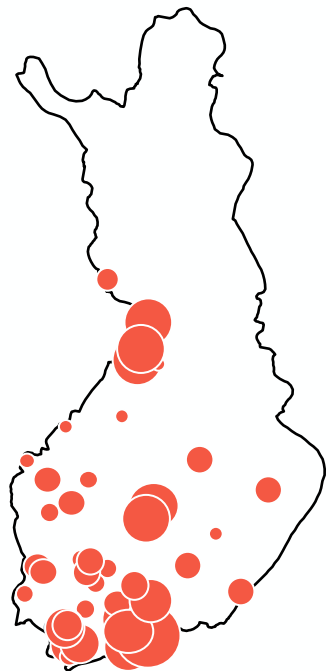
Potential to double the store network with the current concept 1)



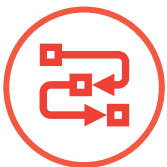
NEW POTENTIAL STORE LOCATIONS²⁾

● Net sales potential

Up to 50 new locations identified



EFFICIENT LAUNCH PROGRAM



Standardized process for new store openings



Track-record of successfully opening ~4 new stores p.a.



Average new store profitable in first full month after opening ³⁾

Notes: 1) Management estimate; 2) Analysis conducted by European provider of advanced analytics as part of Store Network Optimisation analysis; 3) Based on average of 15 most recent store openings (excl. Vaasa, which opened in 2/2021). Based on pricing margin (POS). Source: Puuilo's view informed by multiple sources, including a study by a European provider of advanced analytics and commissioned by Puuilo

Puulo as an investment



A leading player in the growing discount retail market of Finland



Successful concept based on wide product assortment, low prices, perceived low price level and convenient shopping experience



Growing store network and online store



Growth clearly outperforming the market, high profitability and strong cash flow

Our sustainability work in 2022

PUUILO

A RESPONSIBLE RETAILER

Development of sustainable supply chain

We will continue to implement Amfori BSCI's Code of Conduct principles in our supply chain. Our goal is to have 80% of suppliers in high-risk-countries with BSCI (or similar) commitment by 2025. Once the pandemic and travel situation allows, we will continue with factory audits to verify commitments. We will also continue to include the Supplier Code of Conduct in all new agreements and old contracts when they are renewed. We will pay special attention to product quality assurance and establish a Quality Control unit.

A GOOD PLACE TO WORK

Providing an enjoyable and safe workplace

A responsible workplace and skilled managers are especially important to Puuilo and need to be further developed. We will continue to do good and high-quality employer work by, among other things, continuously monitoring job satisfaction, training staff and managers, and promoting a non-discriminatory and pro-equality work culture. We will pay special attention to the prevention of workplace accidents and continue our annual occupational safety trainings. We will continue to offer primarily permanent employment contracts, with the goal of keeping their share above 80%.

CONSUME MORE SUSTAINABLY

Continuous improvement of resource efficiency

In our line of work, logistics has a significant environmental impact. Our aim is to reduce greenhouse gas emissions from land, sea and air transportation controlled by Puuilo, in cooperation with our main logistics partner. We have started to monitor our emissions.

In our stores, we are improving energy efficiency through, among other things, renovations in lighting and energy optimization, as well as increasing the number of solar power systems. This year we will invest in three new solar installations. We are exploring the possibilities of building charging points for electric cars at our stores and will introduce them where feasible. We will further develop the managing and sorting of waste and improve our recycling rate.