

# PUUILO

**EXCELLENT PERFORMANCE IN A DIFFICULT  
OPERATING ENVIRONMENT**

***HALF-YEAR FINANCIAL REPORT, FEBRUARY - JULY 2022***

***PUUILO PLC***

***15 SEPTEMBER 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. Sustainability in our operations***
- 5. Outlook for the financial year 2022***
- 6. Q&A***

# Key figures, H1/2022 (February – July)

## GROWTH

**+7.2% (+11.5%)**

Net sales

**+2.4% (+2.5%)**

Like-for-like net sales

**34 (33)**

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

## PROFITABILITY

**16.4% (18.5%)**

EBITA margin (adj.)

**35.9% (36.9%)**

Gross margin (%)

## EPS

**0.21 € (0.22 €)**

Earnings per share excluding the effect of listing expenses

## EVENTS DURING THE REPORTING PERIOD

- It took some time to pick up pace in the first half of the year, due to the global uncertainty at the beginning of the year and late spring but turned into strong demand in late spring and summer.
- Difficult operating environment; inflation, war in Ukraine, higher energy prices, consumer caution and COVID-19 pandemic restrictions coming to an end.
- No new stores were opened during the first half of the financial year (3 new stores).
- The Tampere Lielahiti store was relocated in May 2022.
- A new online store picking warehouse was opened.

# Key figures, Q2/2022 (May – July)

## GROWTH

**+11.9% (+5.2%)**

Net sales

**+7.9% (-4.0%)**

Like-for-like net sales

**34 (33)**

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

## PROFITABILITY

**20.2% (21.1%)**

EBITA margin (adj.)

**36.5% (37.2%)**

Gross margin (%)

## EPS

**0.16 € (0.15 €)**

Earnings per share excluding the effect of listing expenses

## EVENTS DURING THE REPORTING PERIOD

- Net sales increased strongly as a result of increased number of customers as well as increase in basket size.
- We have been able to reduce the overstock and the inventory level has decreased by app. EUR 10 million compared to the end of Q1/2022.
- Gross profit continues to be impacted by the additional transport and storage costs. However, these are now clearly levelling off.
- No new stores were opened during the second quarter of the financial year (1 new stores).
- The Tampere Lielahiti store was relocated in May 2022.



A woman with blonde hair tied back, wearing a black t-shirt and blue jeans, is smiling as she works on a blue bicycle. A man in a tan t-shirt is leaning over the front of the bicycle, focused on his work. The background is a workshop filled with shelves of tools and parts.

# *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%**

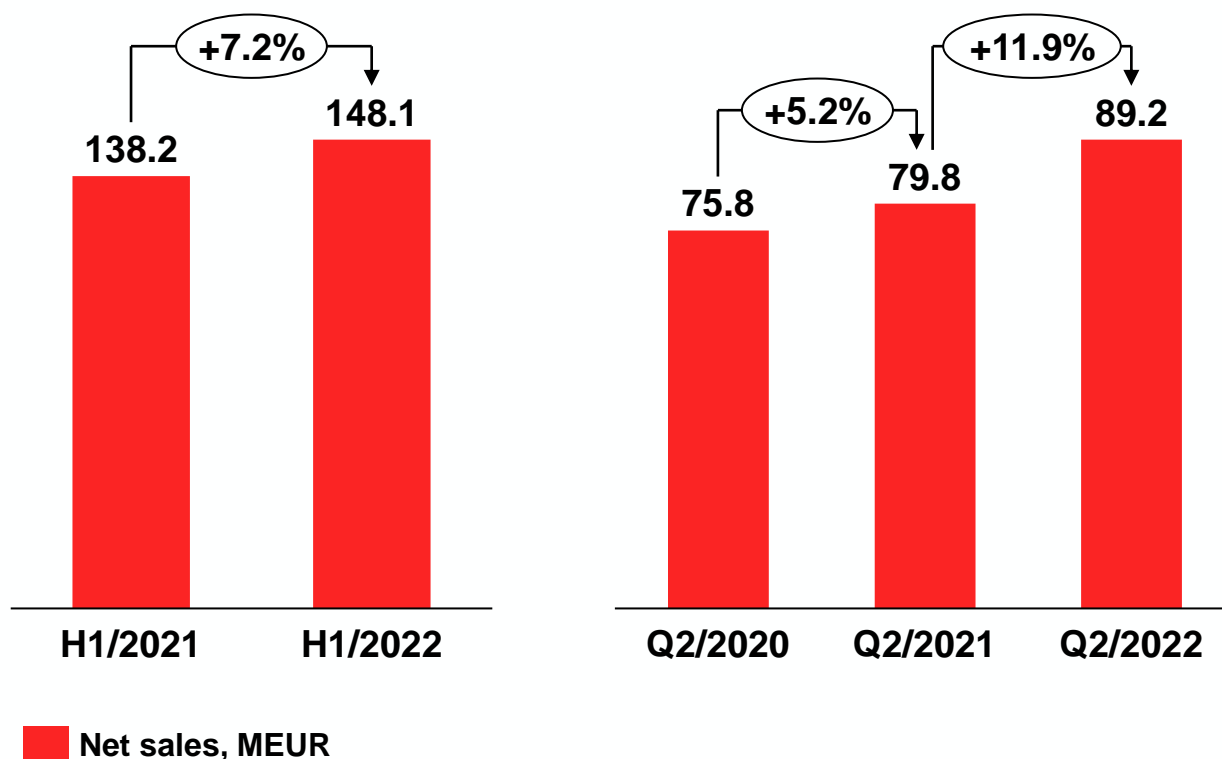
## **DIVIDEND POLICY**

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



# *Financial development*

## Net sales increased strongly compared to previous year



### H1/2022

- Net sales increased by +7.2% and like-for-like store net sales by +2.4%
- Net sales increased in like-for-like and in new stores
- The growth in net sales was positively impacted by increase in the number of customers and an increase in basket size

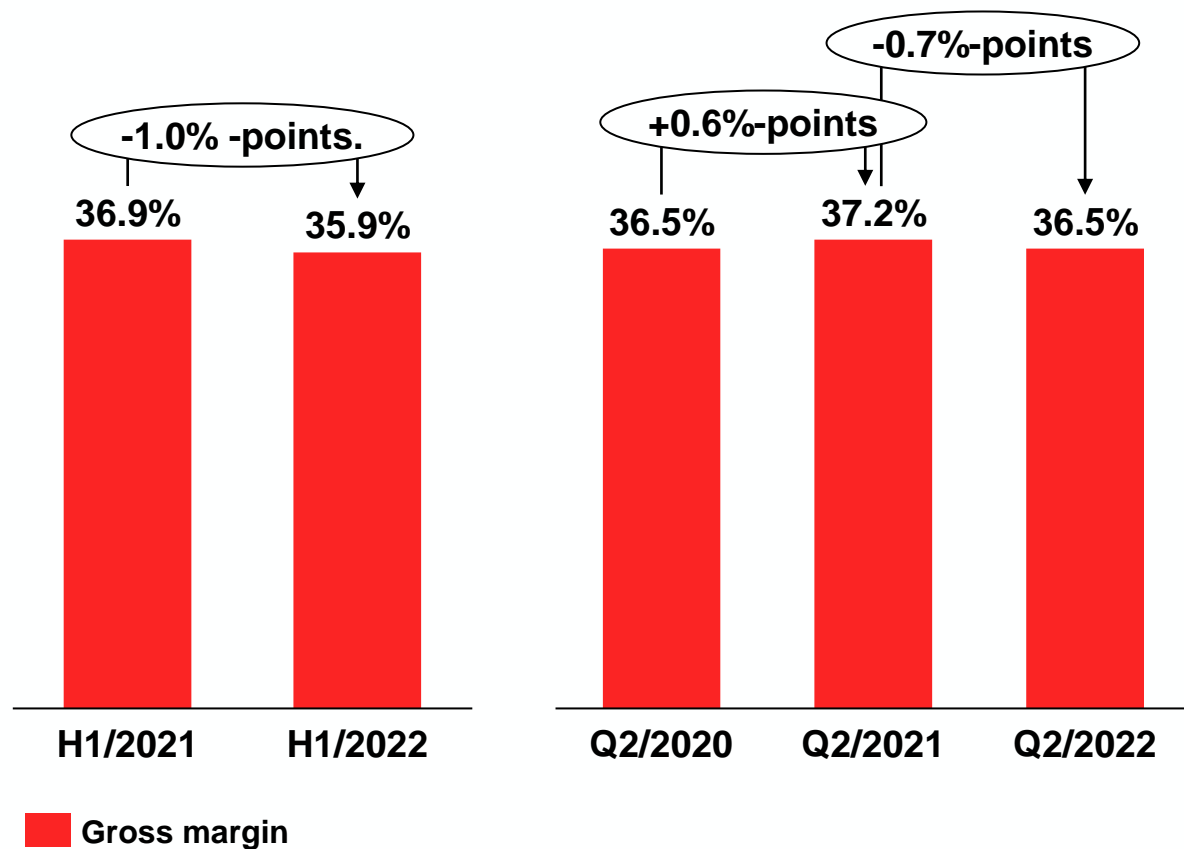
### Q2/2022

- Net sales increased by +11.9%. Like-for-like store net sales by +7.9%
- Net sales increased in like-for-like and in new stores
- After a late spring, net sales growth was boosted in the second quarter



## GROSS PROFIT

**Gross margin decreased slightly as a result of high inflation and increased storage and transportation costs**



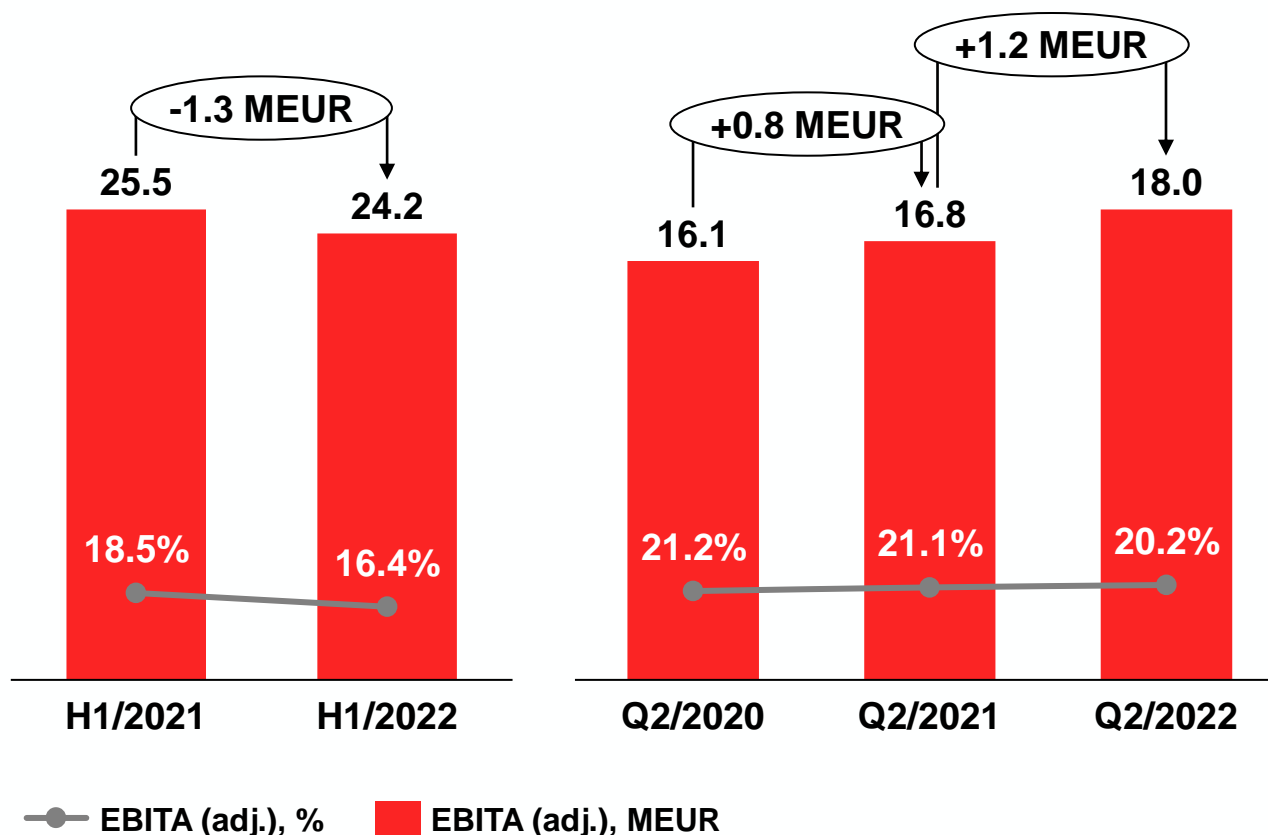
### H1/2022

- Gross margin decreased slightly and was 35.9%.
- Increased inventory levels have resulted in higher storage and transportation costs, which has had an impact on gross margin.
- The higher purchase prices of goods due to inflation have decreased the gross margin.
- However, Puuilo has managed to transfer the increased purchase prices and logistics costs to the sales prices

### Q2/2022

- Gross margin decreased slightly and was 36.5%.
- Gross margin decrease slowed down in the second quarter
- In addition, the share of private label products of sales has increased, which has contributed to maintaining a good gross margin level.
- Strong performance in gross margin level in the difficult operating environment

## Q2 adjusted EBITA increased due to net sales growth and good control of operating expenses



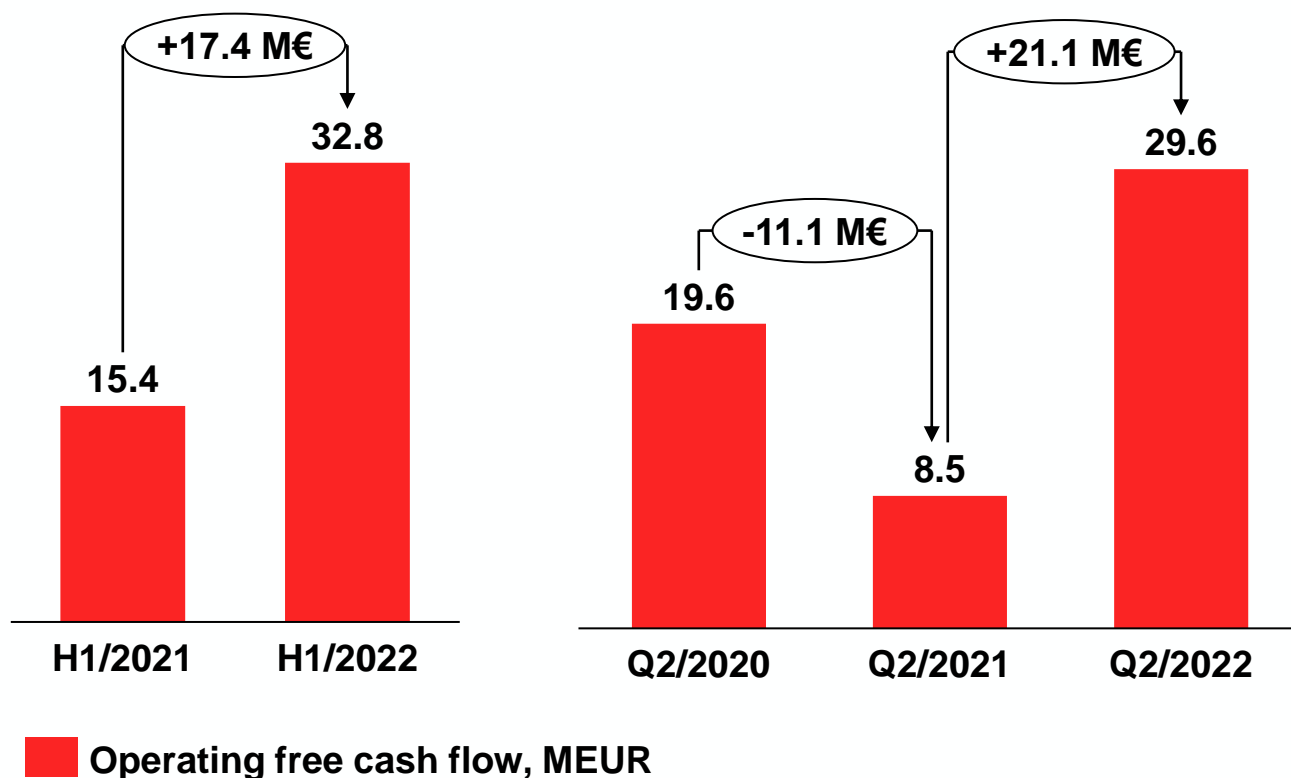
### H1/2022

- Adjusted EBITA decreased by -1.3 MEUR
- Relative profitability was 16.4% of net sales, decreased compared to previous year
- Adjusted operating profit (EBITA) decreased as a result of lower gross margin and higher operating expenses in the first quarter

### Q2/2022

- Adjusted EBITA increased by +1.2 MEUR
- Relative profitability was 20.2% of net sales, which we are satisfied with
- The increased adjusted operating profit (EBITA) was driven by increased net sales and good control of operating expenses

## Exceptionally strong cash flow due to increased EBITDA and lower inventory levels in Q2



### H1/2022

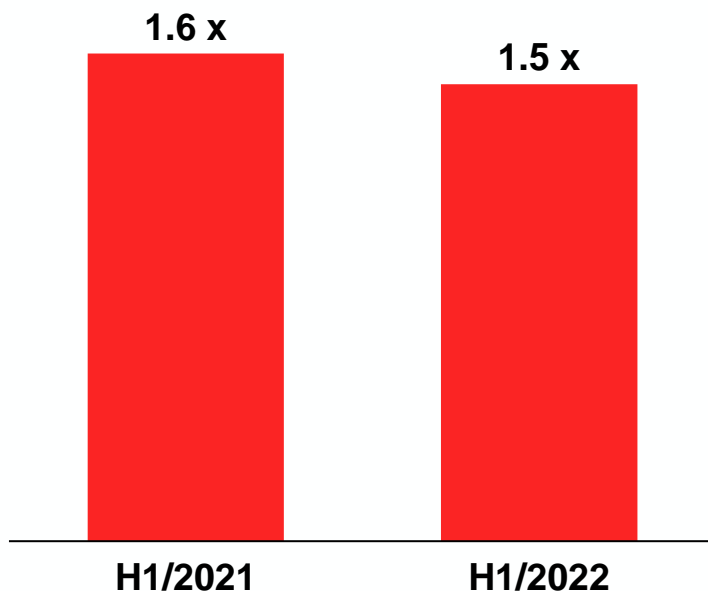
- Operating free cash flow was 32.8 MEUR.
- Higher inventory levels due to the increase in private label products volume in line with our strategy.
- Puulo has intentionally increased inventory levels to ensure the availability of goods in Puulo's stores. The inventory has remained larger than planned.
- Actions to lower inventory levels are underway and the results can be seen already. The aim is to further reduce inventory levels.

### Q2/2022

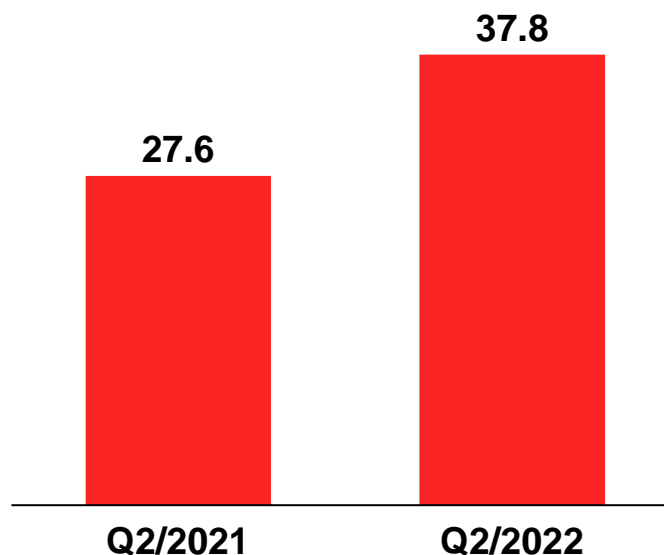
- Operating free cash flow was 29.6 MEUR.
- Operating free cash flow increased mainly due to good EBITDA and positive change in working capital.
- Cash conversion, i.e. the ratio of cash flow to EBITDA reached a good level.

## Net debt to EBITDA ratio further improved, financial position is stable

Net debt\* / adj. EBITDA



Cash and cash equivalents at the end of the reporting period, MEUR



### H1/2022

- Puuilo's financial position is stable.
- 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 years.
- At the end of Q2, the company's cash and cash equivalents included the 8.0 MEUR overdraft facility drawn up in May. The loan has been repaid in August 2022.

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



## KEY FIGURES OF THE REPORTING PERIOD

### H1 / 2022 (1 Feb 2022 – 31 Jul 2022)

- Net sales increased by 7.2% (+11.5%) and were EUR 148.1 million (138.2)
- Like-for-like store net sales increased by 2.4% (+2.5%)
- Online store net sales decreased by 4.6% (+33.3%)
- Gross profit was EUR 53.1 million (51.0) and gross margin was 35.9% (36.9%)
- Adjusted EBITA was EUR 24.2 million (25.5), which corresponds to an adjusted EBITA margin of 16.4% (18.5%)
- EBIT was EUR 23.0 million (22.2) which corresponds to 15.5% of net sales (16.0%)
- Operating free cash flow was EUR 32.8 million (15.4)
- Earnings per share were EUR 0.20 (0.19)
- Earnings per share excluding listing expenses were EUR 0.21 (0.22)
- No new stores were opened during the reporting period (3 new stores)

### Q2 / 2022 (1 May 2022 – 31 Jul 2022)

- Net sales increased by 11.9% (+5.2%) and were EUR 89.2 million (79.8)
- Like-for-like store net sales increased by 7.9% (-4.0%)
- Online store net sales decreased by 1.6% (+45.2%)
- Gross profit was EUR 32.5 million (29.6) and gross margin was 36.5% (37.2%)
- Adjusted EBITA was EUR 18.0 million (16.8), which corresponds to an adjusted EBITA margin of 20.2% (21.1%)
- EBIT was EUR 17.1 million (14.9) which corresponds to 19.2% of net sales (18.6%)
- Operating free cash flow was EUR 29.6 million (8.5)
- Earnings per share were EUR 0.15 (0.13)
- Earnings per share excluding listing expenses were EUR 0.16 (0.15)
- No new stores were opened during the second quarter (1 new store)







# *Sustainability in our operations*



# A RESPONSIBLE RETAILER

## OUR OBJECTIVES FOR 2022:

- Increase the share of suppliers committed to BSCI or equivalent in our supply chain to 80% by the financial year 2025.
- Continue factory audits when the circumstances allow.
- Continue incorporating the Supplier Code of Conduct in agreements with the aim of covering 80% of the agreements by the financial year 2025.
- Enter into goal-oriented partnership agreements with suppliers outside the EU as well.
- Pay attention to ensuring product quality and to establish a Quality Control team within the purchasing organisation.

## OUR 2022 MEASURES:

- The share of foreign suppliers committed to BSCI or equivalent in our supply chain is 46%. We continue to work to increase the share to 80%.
- Factory audits have still not been possible due to the prevailing pandemic situation.
- The Supplier Code of Conduct is included in more than 70% of domestic cooperation agreements. We continue to work to increase the share.
- A standard contract form including sustainability and Supplier Code of Conduct will be prepared also for non-domestic suppliers by the end of financial year.
- Puuilo's purchasing organisation has been strengthened by a person responsible for product development and quality.

# A GOOD PLACE TO WORK

## OUR OBJECTIVES FOR 2022:

- Publish Puuilo's values and actively communicate them to personnel.
- Develop the employer activities that are already on a good level and build a positive employer image.
- Continue personnel and, in particular, supervisor training for management excellence.
- Continue to offer primarily full-time employment contracts.
- Draw up internal ethical guidelines for the Puuilo employees.
- Continue to provide occupational safety training and measure accident frequency in order to reduce accidents.
- Conduct an annual job satisfaction survey.

## OUR 2022 MEASURES:

- Puuilo's values have been prepared during the financial year 2022, implementation will be completed by the end of the year.
- The new share-based incentive plan launched during the financial year. The target group consist of management team and other key personnel.
- In order to improve the well-being Puuilo has offered ePassi for the entire personnel. ePassi can be used for sport, culture and wellness services of own choice.
- Orientation model for new employees and tutor training introduced in 2022. Supervisor training for management excellence will continue.
- Offering primarily full-time employment contracts continued as planned.
- The preparation of internal ethical guidelines begun.
- Occupational safety trainings continued and are a part of the employee orientation process.
- For the 2022 financial year, the job satisfaction survey will be carried out during the second half of the financial year. The previous survey was conducted for the entire personnel in 2021.



# CONSUME MORE SUSTAINABLY

## OUR OBJECTIVES FOR 2022:

- We will decrease the comparable greenhouse gas emissions of ground, sea and air transports that Puuilo has control over.
- We will further improve our energy efficiency.
- We will investigate the opportunities to build charging stations for electric vehicles.
- Three new solar power stations to our stores.
- We will develop the handling and sorting of waste and improve the recycling rate: the goal is 73% by the financial year 2025.

## OUR 2022 MEASURES:

- In cooperation with our partner, we are building relevant metrics to measure the emissions load of transport Puuilo has control over.
- Energy efficiency improved by replacing fluorescent tubes with LED lights in several stores.
- The possibility to build charging stations for electric vehicles investigated during the first half of the financial year 2022. Further actions will be decided later.
- Solar power station implemented in Seinäjoki store during the first half of the year. Solar power stations implemented in Porvoo and Kokkola stores at the beginning of September 2022.
- Puuilo's recycling rate increased during H1/2022 and was 69%.



# *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 forecast 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 40–50 million.

The forecast includes elements of uncertainty due to the energy crisis, 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 7 September 2022. Previously, the company forecasted adjusted EBITA to be EUR 35–45 million. The net sales forecast remained unchanged.

### *Puulo's long-term targets*

#### **+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**

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



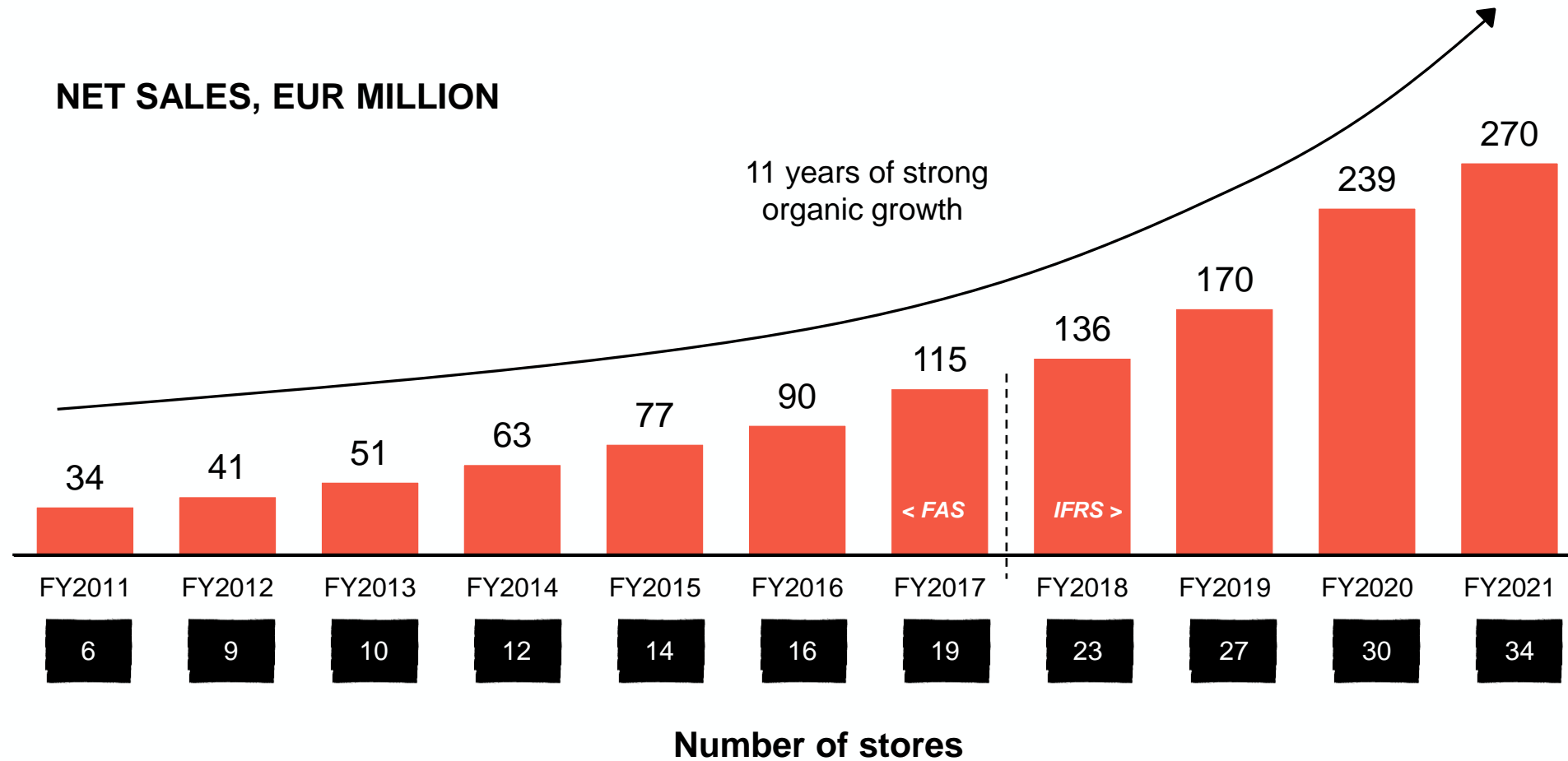
# *Our focus areas in 2022*

- Expanding the store network and successful store openings
- More intensive marketing in order to boost the sales
- Even closer cost control
- Lowering 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 (opened on 1 Sep 2022)
- Tornio
- Lieto

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.



# 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**

# Q&A

*Contact requests: [ir@puuilo.fi](mailto:ir@puuilo.fi)*

## *NEXT FINANCIAL REPORTS*

*15 December 2022*

*30 March 2023*

*Business review (February–October 2022)*

*Financial statements release 2022*



# *APPENDIX*

# Puuiilo is one of the leading discount retailers in Finland

## PUUILO KEY FACTS<sup>1)</sup>

**270 m€** net sales

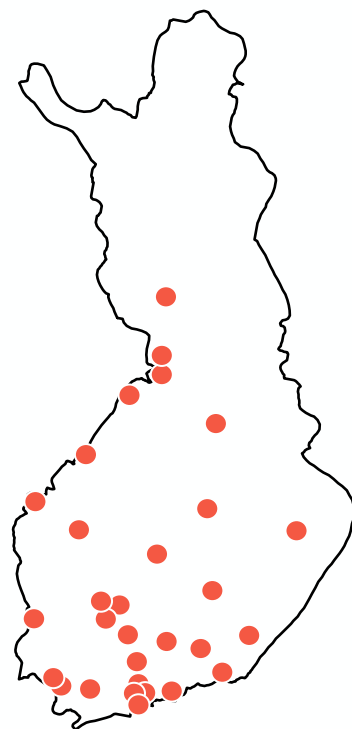
**44.5 m€** operating profit

**16.5%** operating profit -%

**48.4 m€** adjusted EBITA<sup>2)</sup>

**17.9%** adjusted EBITA-%

## 35 STORES AND AN ONLINE STORE



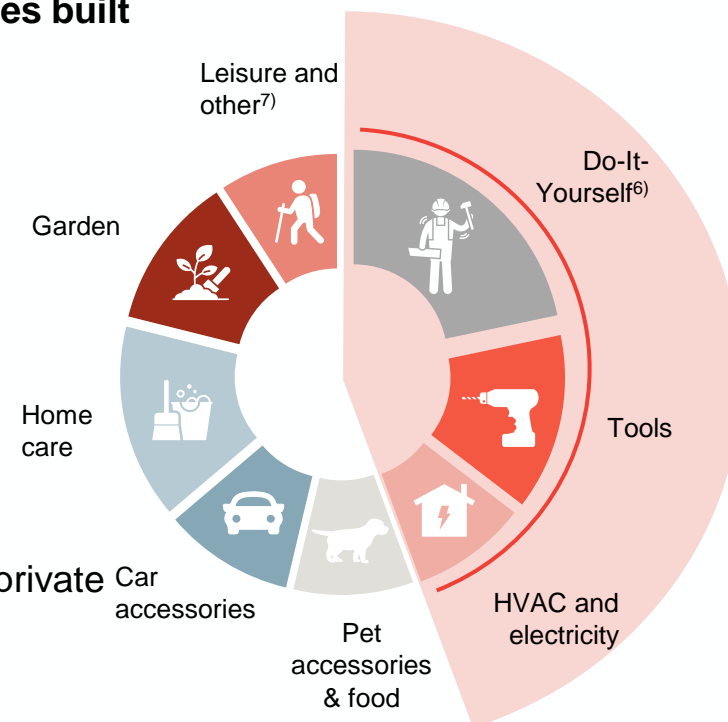
## Key product categories built around DIY<sup>5)</sup>

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

**+30 000** SKUs<sup>3)</sup>

**18%** of sales from private label products<sup>1)</sup>

**27 €** average store basket size

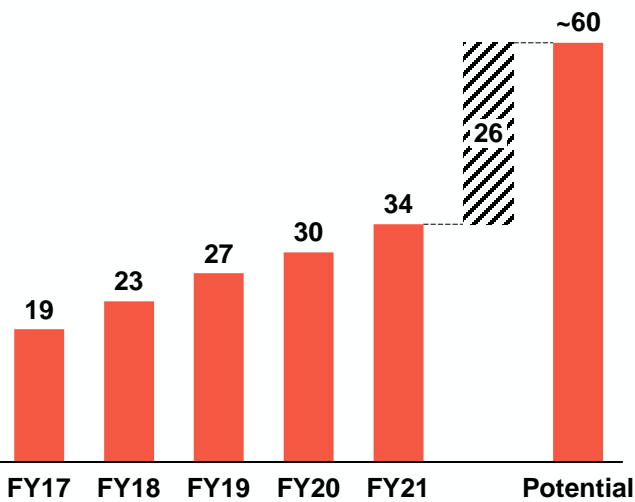


Note: 1) FY2021 ending January 31<sup>st</sup> 2022 except where otherwise indicated; 2) EBITA, excluding items affecting comparability; 3) SKU number per stores varies slightly and as per 27<sup>th</sup> of January 2021 the average SKUs at store inventory was approximately 34k; 5) Sales split FY2020; 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

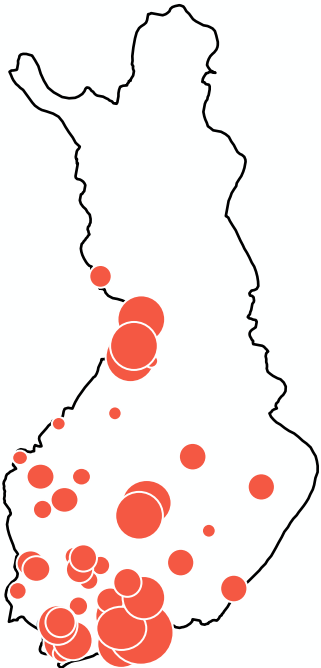
Potential to double the store network with the current concept 1)



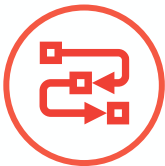
## NEW POTENTIAL STORE LOCATIONS<sup>2)</sup>

● 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 <sup>3)</sup>

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