

A solid start for the financial year – growth continues

Highlights Q1/2023

- Net sales increased by 10.3% (+0.8%) and were EUR 65.0 million (58.9)
- Like-for-like store net sales increased by 4.9% (-5.0%)
- Online store net sales decreased by 18.8% (-8.4%)
- Gross profit was EUR 23.7 million (20.6) and gross margin was 36.5% (35.0%)
- Adjusted EBITA was EUR 7.3 million (6.2), which corresponds to an adjusted EBITA margin of 11.2% (10.5%)
- EBIT was EUR 7.0 million (5.9) which corresponds to 10.8% of net sales (10.0%)
- Operating free cash flow was EUR 10.3 million (3.2)
- Earnings per share were EUR 0.06 (0.05)
- Earnings per share excluding listing expenses were EUR 0.06 (0.05)
- One new store was opened in Q1 (no new stores)

Figures are in millions of euros unless otherwise stated and have been rounded. Hence the sum of individual figures may differ from the total shown. Puuilo's financial year starts on 1 February and ends on 31 January the following year. The figures in parentheses refer to the comparison period the previous year, unless otherwise stated. The information in this report is unaudited.

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Conference call in English and webcast in Finnish

The report will be presented for analysts, investors, and the media on the publication date in English at 10:00 am EET (9:00 am CET) and in Finnish at 11.30 am EET (10:30 am CET).

The conference call in English can be followed live at <https://puuilo.videosync.fi/2023-q1-results>. Asking questions requires participation in the conference call. You can access the teleconference by registering on the link <http://palvelu.flik.fi/teleconference/?id=10010325>. After the registration you will be provided phone numbers and a conference ID to access the conference. If you wish to ask questions, please, dial *5 on your telephone keypad to enter the queue.

The webcast in Finnish will begin at 11.30 am EET at <https://puuilo.videosync.fi/2023-q1-tulos>.

Recordings of both events will be available later the same day at Puuilo's Investors website at https://www.investors.puuilo.fi/en/investors/reports_and_presentations.

Key figures

EUR million	Q1/2023	Q1/2022	2022
Net sales	65.0	58.9	296.4
Net sales development (%)	10.3%	0.8%	9.7%
Like-for-like store net sales development (%)	4.9%	-5.0%	5.5%
Online store net sales development (%)	-18.8%	-8.4%	3.9%
Gross profit	23.7	20.6	107.2
Gross margin (%)	36.5%	35.0%	36.2%
Adjusted EBITA*	7.3	6.2	48.8
Adjusted EBITA* margin (%)	11.2%	10.5%	16.5%
EBITA*	7.3	6.2	48.2
EBITA* margin (%)	11.2%	10.5%	16.2%
EBIT	7.0	5.9	47.0
EBIT margin (%)	10.8%	10.0%	15.9%
Net income	4.8	4.2	35.1
EPS (EUR)	0.06	0.05	0.41
EPS excl. listing expenses (EUR)	0.06	0.05	0.42
Operating free cash flow	10.3	3.2	52.7
Net debt / adjusted EBITDA	1.5	1.7	1.5
Number of stores (end of period)	38	34	37
Number of personnel converted into full-time employees (FTE)	686	667	693

Puulo's financial year starts on 1 February and ends on 31 January the following year

* Operating profit before the amortisation of Puulo trademark

Outlook for the financial year 2023

Puulo repeats the outlook for the financial year 2023 given in its financial statements release on 30 March 2023.

Puulo forecasts that net sales and adjusted operating profit (adjusted EBITA) for the financial year 2023 in euros will increase compared to the financial year 2022.

The forecast includes elements of uncertainty arising from the energy crisis, the war in Ukraine, rising interest rates and inflation causing decline in purchasing power.

Puulo's long-term targets

There have been no changes in Puulo's long-term financial targets or growth expectations, announced in connection with the listing.

Puulo's long-term targets for the financial years 2021-2025:

- Growth: Net sales above EUR 400 million by the end of financial year 2025 with annual organic growth in excess of 10%.
- Profitability: Adjusted EBITA margin between 17 – 19% of net sales.
- Dividend policy: Puulo aims to distribute at least 80% of net income for each financial year in dividends, depending on the company's capital structure, financial position, general economic and business conditions, and future prospects.
- Leverage: Net debt to adjusted EBITDA below 2.0x.

CEO Juha Saarela's review

Puulo's financial year has started well, and the performance met our expectations. In Q1, net sales increased by 10.3%, while like-for-like net sales increased by 4.9%. Online store net sales decreased, because customers are currently buying cheaper price category products and prefer physical stores rather than the online store. The net sales of the company in total grew quite steadily throughout the entire Q1 but the growth was accelerated towards the end of the quarter. Net sales growth is in line with our long-term targets. Our gross margin grew by 1.5 percentage points and was 36.5%. The gross margin was specially supported by decrease in logistics costs, which are now back to pre-pandemic levels. In addition, we closely monitor market pricing and react to price changes whenever it is considered reasonable. Adjusted EBITA was EUR 7.3 million (11.2% of net sales), an increase of EUR 1.1 million compared to previous year.

We have succeeded in keeping operating expenses under control well despite the high inflation. Personnel expenses increased compared to previous year due to recently opened stores and stores to be opened in near future. In addition, one-time compensation amounting to EUR 0.3 million, in accordance with the new collective agreement, has been recognised and paid in one instalment in Q1.

Consumer purchase power is negatively impacted by general price inflation and rising interest rates. Consumer confidence has remained low, and the card payment data reported by major banks shows a downward trend for Puulo's main market. However, Puulo's sales development is quite the opposite due to the company's defensive concept. In Q1, the number of customers increased by almost 12%, and by 6% in comparative terms. Our sales and number of customers are increasing; thus, we are constantly gaining market share. This is also strongly reflected in a survey conducted for our own customers in May. The survey indicates that we are gaining customers from our main competitors. We are not surprised by the results, but all the more pleased.

Puulo continues to grow in line with our strategy. At the end of March, we opened a new store in Vantaa Porttipuisto followed by Vihti's Nummela last week, which means that we now have 39 stores. These openings exceeded our expectations, and we served grill sausages to more than 4,000 customers in Porttipuisto opening alone. The recent openings have been the most successful in the company's history. Next in line will be Kerava, Helsinki Konala and Vantaa Varisto, where we warmly welcome our existing and new customers.

We will continue to streamline our internal processes in order to further improve our profitability in the future. Among other things, we will introduce automatic order system and use artificial intelligence in work shift planning. In addition, we are determinedly continuing the training and developing of our personnel.

We are often asked, especially in connection with the results announcements, about the net sales development of the current quarter. I will not go into the exact numbers, but let's say that we are confident with the current state. Puulo forecasts that net sales and adjusted operating profit (adjusted EBITA) for the financial year 2023 in euros will increase compared to the financial year 2022.

To conclude this review, I wish our shareholders, customers and personnel happy summer.

Significant events of the reporting period

Performance matching share plan for key employees

On 14 April 2023 the Board of Directors of Puuilo Plc decided to launch a new share-based incentive plan for the key employees of the company. The aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term.

The Performance Matching Share Plan includes one performance period, spanning approximately financial years 2023 – 2025. The performance criteria are the Total Shareholder Return of the Puuilo share (TSR) and the Adjusted EBITA of the Puuilo Group. The target group of the plan consists of a maximum of 80 persons, including the CEO, members of the Management Team, Store Managers and other key personnel. Primarily, the rewards from the plan will be paid partly in the company's shares and partly in cash by the end of May 2026. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. The rewards to be paid on the basis of the plan correspond to the value of an approximate maximum total of 678,000 Puuilo Plc shares, including the proportion to be paid in cash. The final number of shares will depend on the participants' personal share acquisitions and the achievement of the targets set for the performance criteria.

Growth strategy

Puuilo's target is to continue strengthening its position as one of the leading discount retailers in Finland by utilising its key strengths: maintaining an attractive and wide product assortment, low prices and convenient shopping experience.

In line with its growth strategy, the company aims to open at least 3 – 4 new stores per year and to continue to increase its like-for-like net sales by further increasing Puuilo's brand awareness. The company has an efficient and standardised store opening process, which enables the opening of several stores each year without negatively affecting other operational activities. New stores are, on average, profitable after the first full month of opening.

Puuilo aims to continue to develop its value proposition by continuing to provide wide product assortment satisfying the needs of the customer base always with low prices. Puuilo also aims to continue investing in the development and growth of its online store to offer its customers a possibility to shop diversely both in the stores and the online store.

Store network development

During the reporting period Puuilo opened a new store in Vantaa Porttipuisto. In 2023, new stores will be opened in Vihti's Nummela, Kerava, Helsinki Konala and Vantaa Varisto. The aim for the financial year 2024 is to open at least four new stores. According to the definition by Puuilo, a store is considered new during the year of openings and the following financial year. Relocated stores are considered like-for-like stores.

On 30 April 2023, Puuilo had a total of 38 stores (34 stores) across Finland. The current store network is young, approximately half of the stores have been opened during the last five years. In recent years, Puuilo has opened an average of 3 – 4 new stores a year.

Financial development

Seasonality

Puuilo's business is, in part, seasonal in nature. As such, there are seasonal peaks in Puuilo's net sales, operating result and cash flows, although seasonal dependence is relatively low compared to the trade sector in general. Historically, Puuilo's most important seasons in terms of net sales have been the second and third

quarter of each financial year. Additionally, Puuilo's net sales are partly impacted by exceptional, harsh, or seasonally atypical weather.

Financial year

Puuilo's financial year starts on 1 February and ends on 31 January the following year. The figures in parentheses refer to the comparison period the previous year, unless otherwise stated.

Q1/2023

In February – April Puuilo's net sales increased by 10.3% (+0.8%) to EUR 65.0 million (58.9). Net sales of Puuilo's stores were EUR 63.1 million (56.6) and online store net sales were EUR 1.8 million (2.3), which corresponded to 2.8% (3.8%) of net sales. Like-for-like store net sales increased by 4.9% (-5.0%). Online store net sales decreased by 18.8% (-8.4%).

The development of net sales was positively impacted by increase in net sales of like-for-like stores and new stores. The growth was originated from increase in the number of customers also in like-for-like stores.

Puuilo's gross profit for the reporting period was EUR 23.7 million (20.6) and the gross margin was 36.5% (35.0%). Gross margin level was mainly supported by lower cost of logistics as well as sales price adjustments. Inventory turnover has improved significantly compared to the comparison period last year.

Operating expenses were EUR 13.2 million (11.7), which corresponds to 20.3% of net sales (19.8%). The most significant item in operating expenses was personnel expenses. Personnel expenses were EUR 7.9 million (6.8), which corresponds to 12.2% (11.6%) of net sales. The increase in personnel costs was mainly due to stores that were recently opened and stores to be opened in near future. In addition, personnel expenses included a one-time compensation amounting to EUR 0.3 million paid in accordance with the collective bargaining agreement. The compensation was paid in one instalment in April 2023.

Adjusted EBITA was EUR 7.3 million (6.2) and the adjusted EBITA margin was 11.2% (10.5%). EBITA was EUR 7.3 million (6.2) and the EBITA margin was 11.2% (10.5%).

Operating profit was EUR 7.0 million (5.9), which corresponds to an EBIT margin of 10.8% (10.0%).

Net financial expenses were EUR -1.0 million (-0.6). Net financial expenses excluding the effect of IFRS 16 were EUR -0.6 million (-0.3).

Profit before taxes was EUR 6.0 million (5.3). Total income taxes were EUR 1.2 million (1.1). The net result was EUR 4.8 million (4.2) and earnings per share were EUR 0.06 (0.05). Earnings per share excluding the effect of listing expenses were EUR 0.06 (0.05).

Balance sheet, financing, and cash flow

At the end of the reporting period, Puuilo's inventories were EUR 95.1 million (103.0). The inventory levels have significantly decreased compared to the comparison period last year despite four new stores. As sea freight availability and delivery times are back to pre-pandemic levels, the import operations have been normalised and there has not been a need to order imported products earlier or larger amounts than usual. However, our aim is to further improve inventory turnover.

Operating free cash flow was EUR 10.3 million (3.2). Operating free cash flow was positively impacted by strong development of sales, solid EBITA as well as decrease in inventories compared to Q1 previous year.

At the end of the reporting period cash and cash equivalents were EUR 37.6 million (17.6) and the company's financial position is stable.

At the end of the reporting period, Puuilo's interest-bearing liabilities totalled EUR 128.7 million (116.5), of which non-current financial loans amounted to EUR 69.9 million (69.8). At the end of the period, the Group did not have current financial loans (-). Other interest-bearing liabilities consisted of lease liabilities reported in accordance with IFRS 16. At the end of the reporting period, the ratio of net debt to adjusted EBITDA was 1.5 (1.7), which is in line with the long-term target.

Investments

Puuilo's investments were EUR 0.8 million (0.6). Investments were mainly related to the furnishing of new stores. Comparison period investments were mainly related to development of IT-systems and to the furnishing of new stores.

Personnel

The number of full-time employees was 686 (667).

Shares and shareholders

Share information and share trading

Puuilo Plc has one class of shares. Each share carries one vote at the company's Annual General Meeting. The shares have no nominal value. Puuilo Plc's share capital was EUR 80,000 at the end of the reporting period and the company had 84,776,953 shares.

On the last trading day of the reporting period, 28 April 2023, the closing price of the share was EUR 7.02. The share turnover during the reporting period was EUR 71 million and 11,374,110 shares. The highest intra-day share price during the reporting period was EUR 7.08 and the lowest intra-day price was EUR 5.82. At the end of the reporting period, the market value of the shares was EUR 593 million.

At the end of the reporting period, Puuilo had 36,694 registered shareholders.

The company held 315,000 treasury shares at the end of the reporting period.

Further information on Puuilo's shares and shareholders is available on the company's website at https://www.investors.puuilo.fi/en/investors/share_information/shareholders and on the management's holdings at https://www.investors.puuilo.fi/en/investors/share_information/management_shareholding.

Flagging notifications

During the review period, Puuilo received the following shareholder flagging notifications in accordance with the Finnish Securities Markets Act:

- On 15 February 2023 Puuilo received a notification in accordance with Chapter 9, Section 6 and 7 of the Finnish Securities Markets Act. According to the notification, Adelis Holding I AB's indirect holdings in shares fell below the flagging threshold of 20% and was 18.66% after the transaction.

Managers' share transactions

Puulo's managers' transactions after the listing have been published as stock exchange releases and are available on the company's investor website at <https://www.investors.puulo.fi/en/releases>.

Principles and key themes of sustainability

Conducting business in a sustainable and responsible manner is an integral part of Puulo's operations, overall quality of operations and our company's values. The company recognises sustainability as a theme that not only affects the entire chain of operations, but also creates value for the business as a whole. This requires precise and targeted measures at all levels of the company.

Customers, personnel, shareholders, authorities, investors and the media have been identified as the most relevant stakeholders for sustainability work. All activities aim to serve stakeholders to the highest possible standard, while taking into account sustainability considerations. The key sustainability issues are grouped into three priority areas: responsible retailer, a good place to work and sustainable consumption. Being a responsible retailer covers both our own personnel and the supply chain. A good place to work means that, as an employer, Puulo strives to be a good workplace, that our personnel want to commit to. In addition, we aim to build a responsible work atmosphere and attitude environment that the personnel can relate to and thus be involved in building a shared responsible workplace. Promoting sustainable consumption means concrete savings and measures in our own operations in order to improve the environment but also cost efficiency.

Puulo has published a report on non-financial information as part of the Report by the Board of Directors 2022 and a separate Sustainability Report 2022. Both reports are available at https://www.investors.puulo.fi/en/investors/reports_and_presentations.

Risks and business uncertainties

Risks and uncertainties related to Puulo's operating environment, markets, business, strategy implementation, financing and financial position are described in detail in the Report by the Board of Directors 2022. The most significant business risks and uncertainties are related to the war in Ukraine, rising interest rates, inflation causing decline in purchasing power and the effects of these.

The general principles of Puulo's risk management are also described on the company's investor website at https://www.investors.puulo.fi/en/investors/corporate_governance/risk_management.

Significant events after the end of the reporting period

Puulo did not have any significant events after the reporting period.

Resolutions of the Annual General Meeting

The Annual General Meeting of Puulo Plc held on 16 May 2023 adopted the company's financial statements for the 2022. The Annual General Meeting resolved to distribute a dividend of EUR 0.34 per share on shares held outside the company. The dividend will be paid in two instalments of EUR 0.17 per share. The record date of the first dividend instalment was 23 May 2023 and the pay date was 30 May 2023. The record date of the second dividend instalment is 19 October 2023 and the pay date 26 October 2023. The Board was authorised to decide, if necessary, on new dividend payment record date and pay date for the second instalment, if the rules and statutes of the Finnish book-entry system change or otherwise so require. The remaining distributable assets will remain in equity.

The resolutions of the Annual General Meeting were communicated in more detail in a stock exchange release on 16 May 2023.

Next financial reports

Puulo's financial year starts on 1 February and ends on 31 January the following year. The company publishes Business reviews for the first and third quarter, a Half-year financial report and a Financial statements release.

Half-year financial report February – July 2023	on 13 September 2023
Business review February – October 2023	on 13 December 2023

All financial reports are published in English and in Finnish and are available at:
https://www.investors.puulo.fi/en/investors/reports_and_presentations.

13 June 2023
PUUILO PLC
Board of Directors

DISTRIBUTION
Nasdaq Helsinki
www.puulo.fi

Calculation of certain alternative performance measures and other key figures

Puulo uses alternative performance measures to reflect the changes in business performance and profitability. These indicators should be examined together with the IFRS-compliant performance key indicators.

Like-for-like store net sales development is used to reflect the changes in Puulo's business volume between periods. The indicator reflects the change in the net sales excluding the impact of new stores. Like-for-like stores include the stores that have existed during both the review period and the comparison period.

Adjusted profit and profitability indicators are used to improve the comparability of operational performance between periods. Items affecting comparability include unusual material items outside the ordinary course of the business. These unusual expenses relate to listing expenses and strategic development projects.

Alternative performance measures, adjusted for the effect of IFRS 16, are used to monitor the achievement of financial targets. EBITDA excluding the effect of IFRS corresponds to EBITDA before the adoption of IFRS 16.

In addition, financial performance indicators for the group have been presented as alternative performance measures. The management uses these indicators to monitor and analyse business performance, profitability and financial position.

Key figure	Definition
Like-for-like store net sales development (%)	Like-for-like store net sales development is calculated as the net sales development of the comparable stores that are not considered new or closed stores. A store is considered a new store during the opening year and the following financial year after the opening. Relocated stores are considered like-for-like stores.
Online net sales development (%)	Change in online store net sales for the period divided by online store net sales for the previous period
Gross profit	Net sales – materials and services
Gross margin (%)	Gross profit as percentage of net sales
EBITA	Operating profit before the amortisation of Puulo trademark
EBITA margin (%)	EBITA as percentage of net sales
Adjusted EBITA	EBITA adjusted with items affecting comparability
Adjusted EBITA margin (%)	Adjusted EBITA as percentage of net sales
EBIT (operating profit)	Profit before income taxes and finance income and finance costs
EBIT margin (%)	EBIT as percentage of net sales
Earnings per share (basic and diluted) (EUR)	Earnings per share have been calculated by dividing the profit for the period according to the consolidated income statement by the weighted average number of shares issued.

Earnings per share excluding listing expenses (EUR)	Earnings per share have been calculated by dividing the profit for the period excluding the listing expenses recognised in profit and loss according to the consolidated income statement by the weighted average number of shares issued.
EBITDA	Operating profit before depreciation, amortisation, and impairment
Adjusted EBITDA	EBITDA before items affecting comparability
Operating free cash flow	Adjusted EBITDA – depreciation of right-of-use assets – change in net working capital in cash flow statement – net capital expenditure
Net debt / Adjusted EBITDA	Interest-bearing liabilities (loans from financial institutions + lease liabilities) – cash and cash equivalents divided by annualised adjusted EBITDA