

PUUILO

**STRONG PERFORMANCE IN A CHALLENGING OPERATING
ENVIRONMENT – PUUILO’S CONCEPT WORKS IN ALL
MARKET CONDITIONS**

BUSINESS REVIEW FEBRUARY - OCTOBER 2022

PUUILO PLC

15 DECEMBER 2022

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

Our agenda today

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

Key figures, Q3/2022 (August – October)

GROWTH

+14.8% (+14.8%)

Net sales

+10.8% (2.5%)

Like-for-like net sales

35 (34)

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

PROFITABILITY

18.6% (18.8%)

EBITA margin (adj.)

36.6% (37.3%)

Gross margin (%)

EPS

0.13 € (0.12 €)

Earnings per share excluding the effect of listing expenses

EVENTS DURING THE REPORTING PERIOD

- Puuilo's defensive concept performed very well in a challenging operating environment*. Our growth was broad-based, generated by both old and new stores and our online store.
- Growth was again driven by the increase in number of customers, but also the basket size increased.
- Our gross margin was supported by our private label products representing a higher share of net sales. We have been able to pass the increased purchasing prices on to sales prices to a good extent and with moderation.
- A new store in Sastamala was opened in September 2022 (1 new stores).

*Challenging operating environment; inflation, war in Ukraine, higher energy prices and consumer caution.

Key figures, Q1-Q3/2022 (February – October)

GROWTH

+9.8% (+12.6%)

Net sales

+5.2% (+2.5%)

Like-for-like net sales

35 (34)

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

PROFITABILITY

17.1% (18.6%)

EBITA margin (adj.)

36.1% (37.0%)

Gross margin (%)

EPS

0.34 € (0.34 €)

Earnings per share excluding the effect of listing expenses

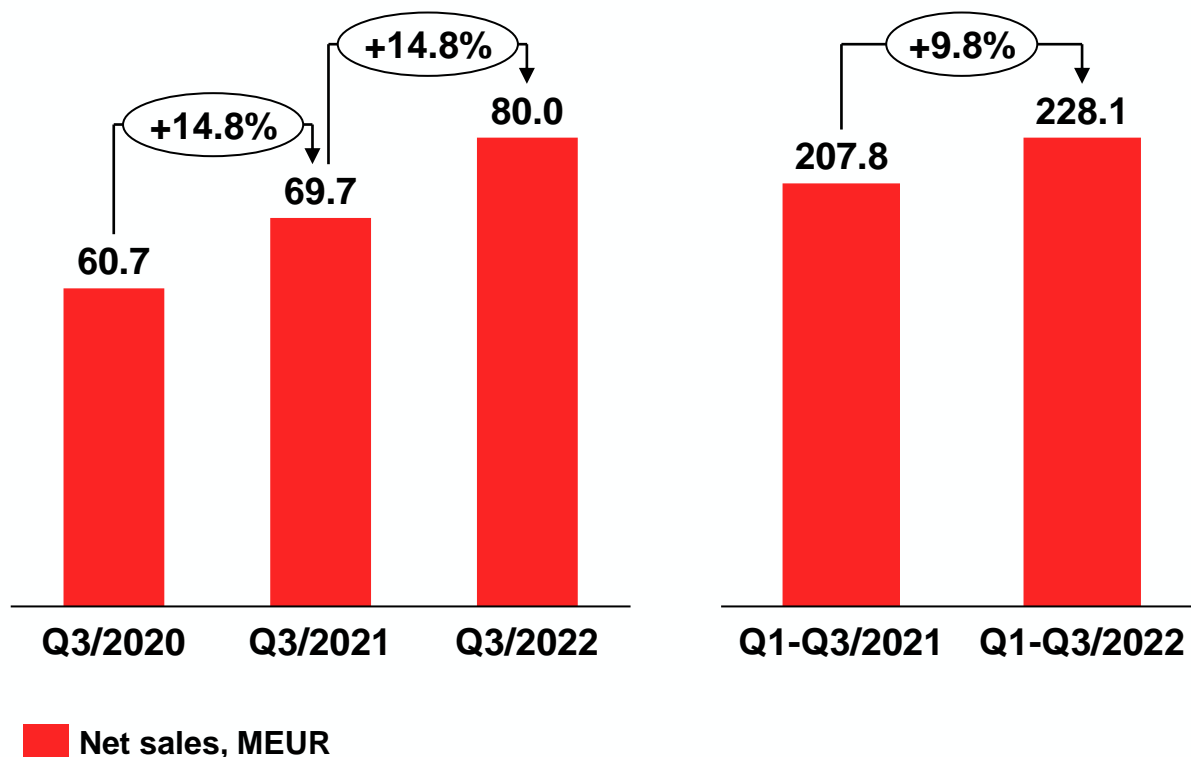
EVENTS DURING THE REPORTING PERIOD

- Strong demand continued in the third quarter despite the challenging operating environment*. 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 after Q1.
- A new store in Sastamala was opened in September 2022 (4 new stores).
- The Tampere Lielahiti store was relocated in May 2022.
- A new online store picking warehouse in Espoo was opened.

*Challenging operating environment; inflation, war in Ukraine, higher energy prices, consumer caution and COVID-19 pandemic restrictions coming to an end.

Financial development

Strong net sales development continued in Q3 – growth driven by the number of customers



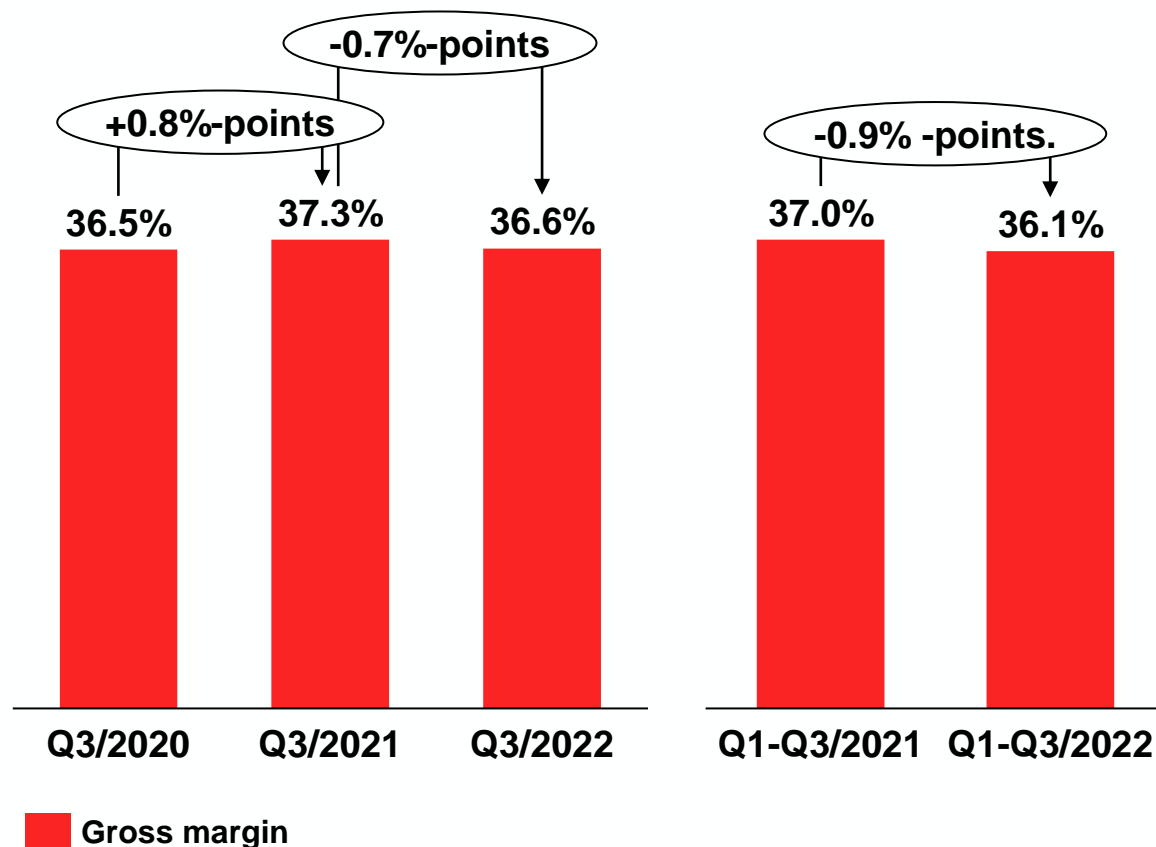
Q3/2022

- Net sales increased by 14.8% and like-for-like store net sales by 10.8%
- Net sales increased in like-for-like stores, new stores and in online store
- Growth was driven by the increase in the number of customers, which was approximately 11%, while the increase in basket size was about 4%.
- Sales increased in all our key product categories.

Q1-Q3/2022

- Net sales increased by 9.8% and like-for-like store net sales by 5.2%
- Net sales increased in like-for-like stores, new stores and in the online store
- The growth in net sales was positively impacted by increase in the number of customers and increase in basket size

Gross margin at good level despite inflation and additional logistics costs



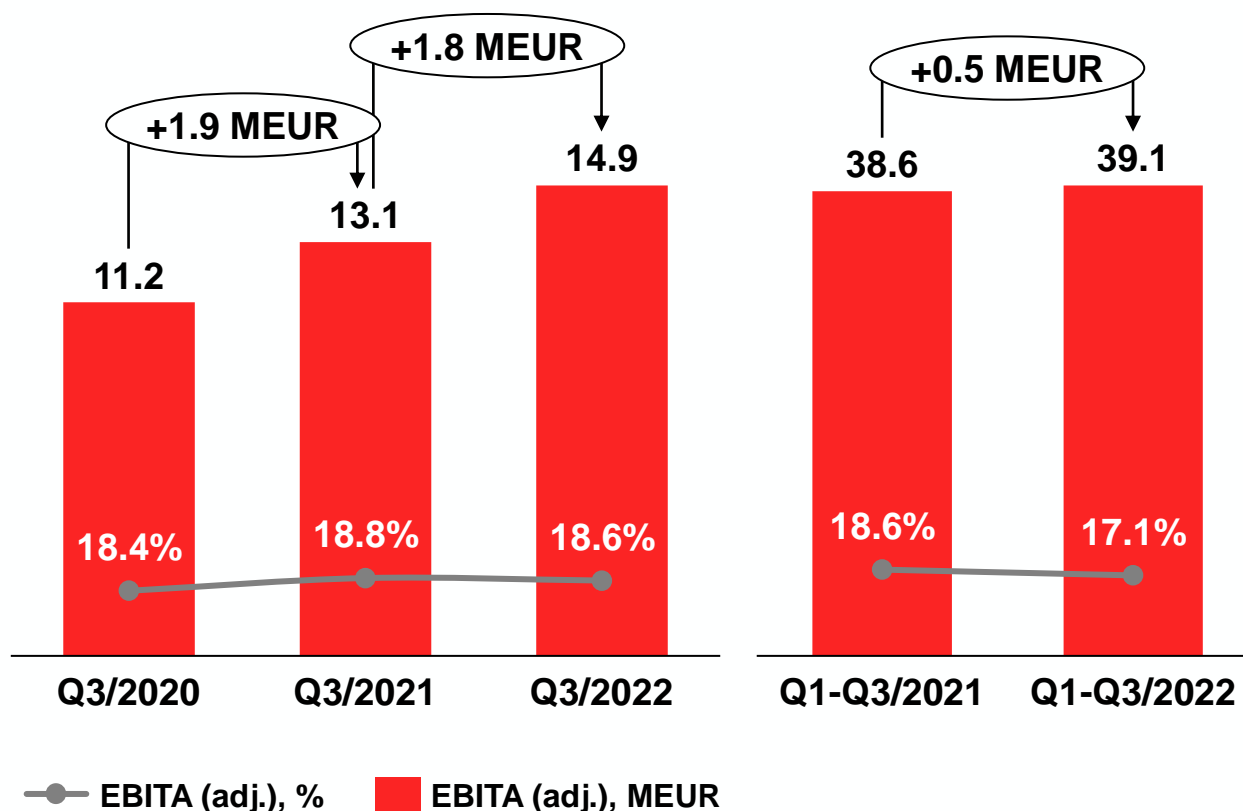
Q3/2022

- Gross margin decreased slightly and was 36.6%.
- Gross margin development turned positive in the third quarter compared to the first half of the year.
- A good gross margin level has been maintained by the continued positive development in the share of private label products in sales. Puuilo has managed to pass increased purchase prices and logistics costs on to the sales prices.

Q1-Q3/2022

- Gross margin decreased slightly and was 36.1%.
- The high inventory levels, in particular at the beginning of the year, have increased storage and transportation costs, which has had an impact on the gross margin. Inventory levels are decreasing.
- The increase in the share of private label products in sales has supported a good gross margin level.

Adjusted EBITA increased in the third quarter and cumulatively



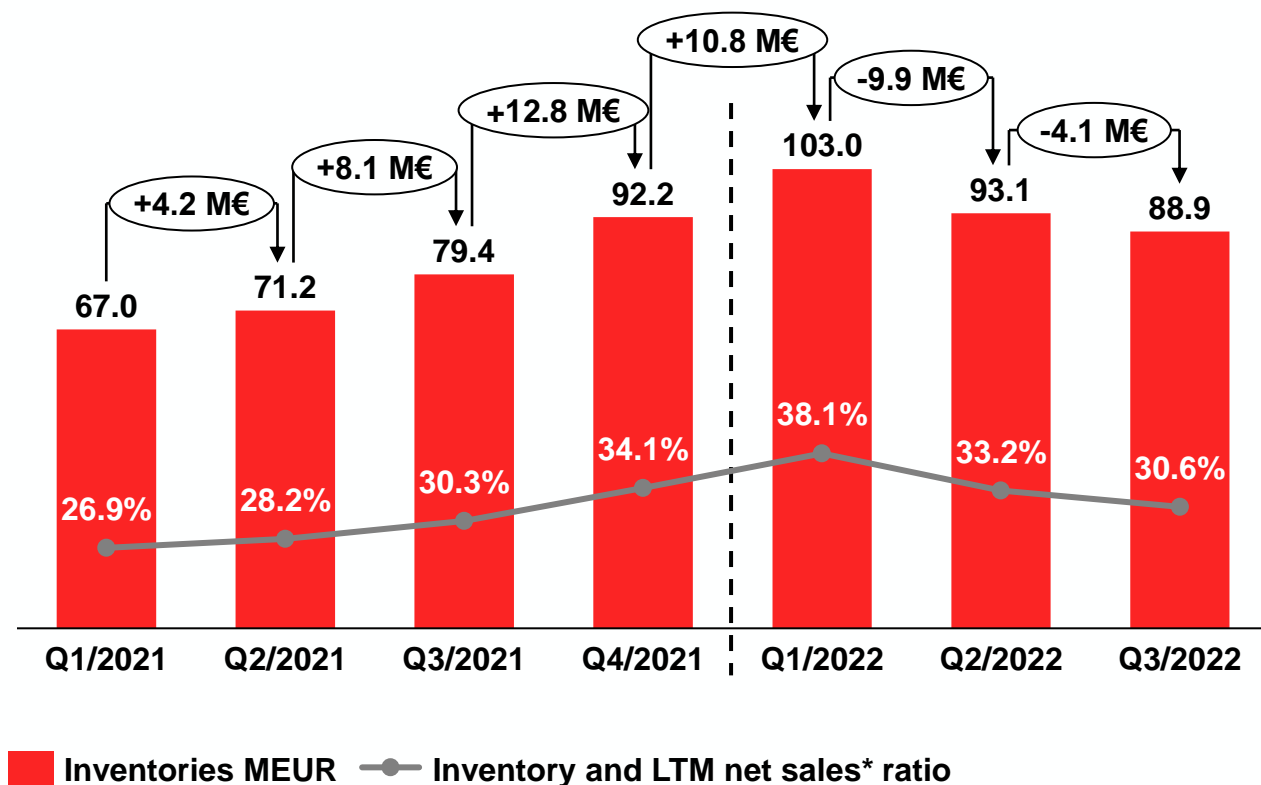
Q3/2022

- Adjusted EBITA increased by 1.8 MEUR
- Relative profitability was 18.6% of net sales, and it remained at a good level.
- The increased adjusted operating profit (EBITA) was driven by increased net sales, the good gross margin level and the determined execution of cost control.

Q1-Q3/2022

- Adjusted EBITA increased by 0.5 MEUR
- Relative profitability was 17.1% of net sales, decreased compared to previous year
- Adjusted operating profit (EBITA) increased as a result of strong development in net sales and good cost control.

Inventory levels have continued to decrease as planned in Q3

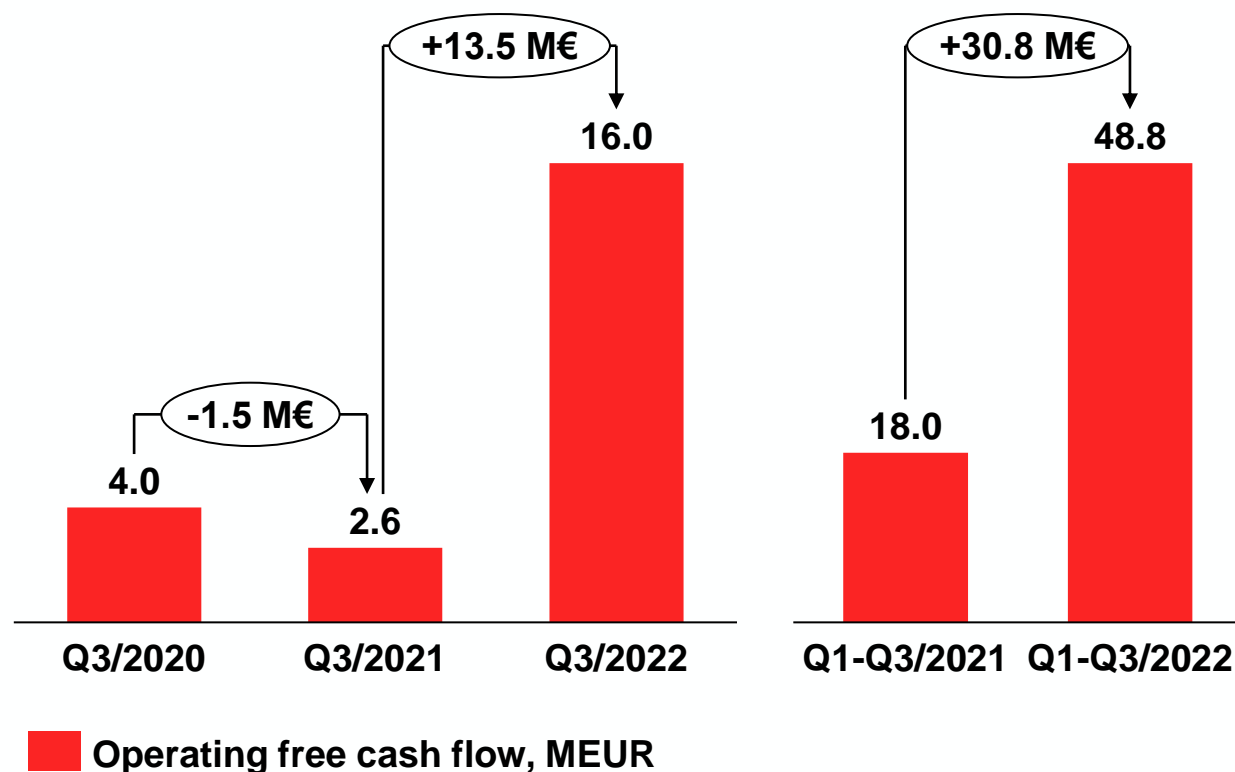


*LTM=previous 12 months rolling net sales

Q1-Q3/2022

- The inventories amounted to 88.9 MEUR
- The increase in inventories late 2021 and at the beginning of 2022 was due to the increase in private label products volume in line with our strategy. In addition, the inventory levels were intentionally increased to ensure the availability of goods in Puuilo's stores in challenging operating environment.
- Inventory levels have decreased in a controlled manner in both the second and the third quarters, a total of approximately 14 MEUR.
- The aim is to further improve stock turnover.
- A new store in Sastamala was opened in September 2022 (4 new stores).

Continued strong cash flow due to increased EBITA and lower inventory levels in Q3



Q3/2022

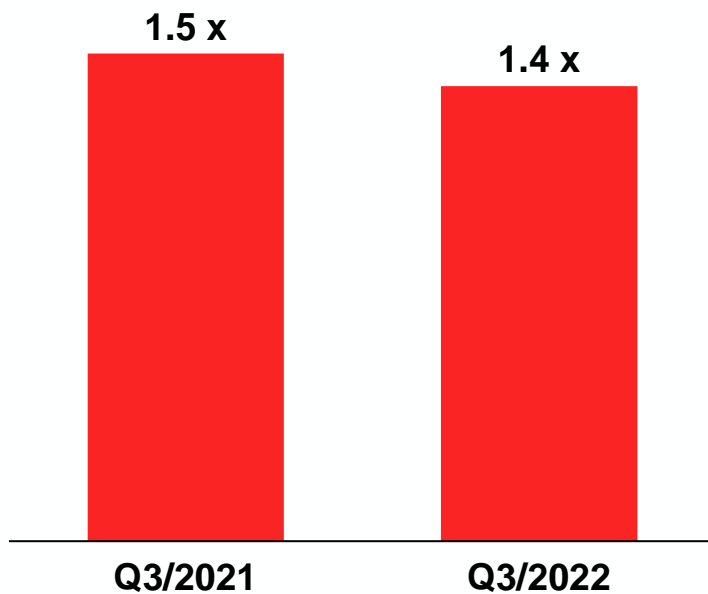
- Operating free cash flow was 16.0 MEUR.
- Operating free cash flow increased mainly due to good EBITA and decrease in inventory levels.
- Cash conversion, i.e. the ratio of cash flow to EBITDA remained at a good level.

Q1-Q3/2022

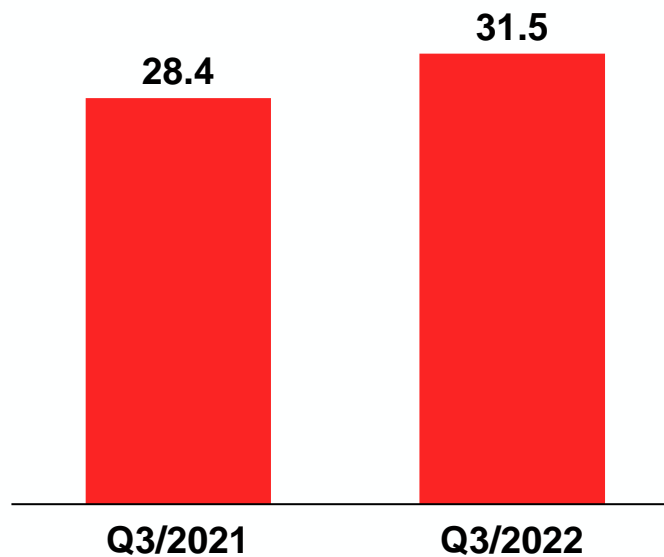
- Operating free cash flow was 48.8 MEUR.
- Inventory levels have decreased in a controlled manner in both the second and the third quarters. The aim is to further reduce inventory levels.

Net debt to EBITDA ratio decreased. Financial position is stable.

Net debt* / adj. EBITDA



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



Q3/2022

- 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.

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

KEY FIGURES OF THE REPORTING PERIOD

Q3 / 2022 (1 Aug 2022 – 31 Oct 2022)

- Net sales increased by 14.8% (+14.8%) and were EUR 80.0 million (69.7)
- Like-for-like store net sales increased by 10.8% (+2.5%)
- Online store net sales increased by 18.4% (+28.9%)
- Gross profit was EUR 29.3 million (26.0) and gross margin was 36.6% (37.3%)
- Adjusted EBITA was EUR 14.9 million (13.1), which corresponds to an adjusted EBITA margin of 18.6% (18.8%)
- EBIT was EUR 14.6 million (12.8) which corresponds to 18.2% of net sales (18.3%)
- Operating free cash flow was EUR 16.0 million (2.6)
- Earnings per share were EUR 0.13 (0.12)
- Earnings per share excluding listing expenses were EUR 0.13 (0.12)
- One new store was opened during the third quarter (one new store)

Q1-Q3 / 2022 (1 Feb 2022 – 31 Oct 2022)

- Net sales increased by 9.8% (+12.6%) and were EUR 228.1 million (207.8)
- Like-for-like store net sales increased by 5.2% (+2.5%)
- Online store net sales increased by 2.0% (+32.0%)
- Gross profit was EUR 82.4 million (77.0) and gross margin was 36.1% (37.0%)
- Adjusted EBITA was EUR 39.1 million (38.6), which corresponds to an adjusted EBITA margin of 17.1% (18.6%)
- EBIT was EUR 37.6 million (34.9) which corresponds to 16.5% of net sales (16.8%)
- Operating free cash flow was EUR 48.8 million (18.0)
- Earnings per share were EUR 0.34 (0.31)
- Earnings per share excluding listing expenses were EUR 0.34 (0.34)
- One new store was opened during the reporting period (four new stores)



A person dressed as Santa Claus, wearing a white fur-trimmed coat and a black hat, is holding a large, empty wicker basket. The basket is filled with several pieces of cut firewood, including birch and pine logs. The background is a snowy, outdoor setting with a dark, possibly metal, surface visible. The overall tone is warm and festive, suggesting a winter or holiday theme.

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.

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 46–50 million. Previously, the company forecasted adjusted EBITA to be EUR 40–50 million.

The forecast for the financial year 2022 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.

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.

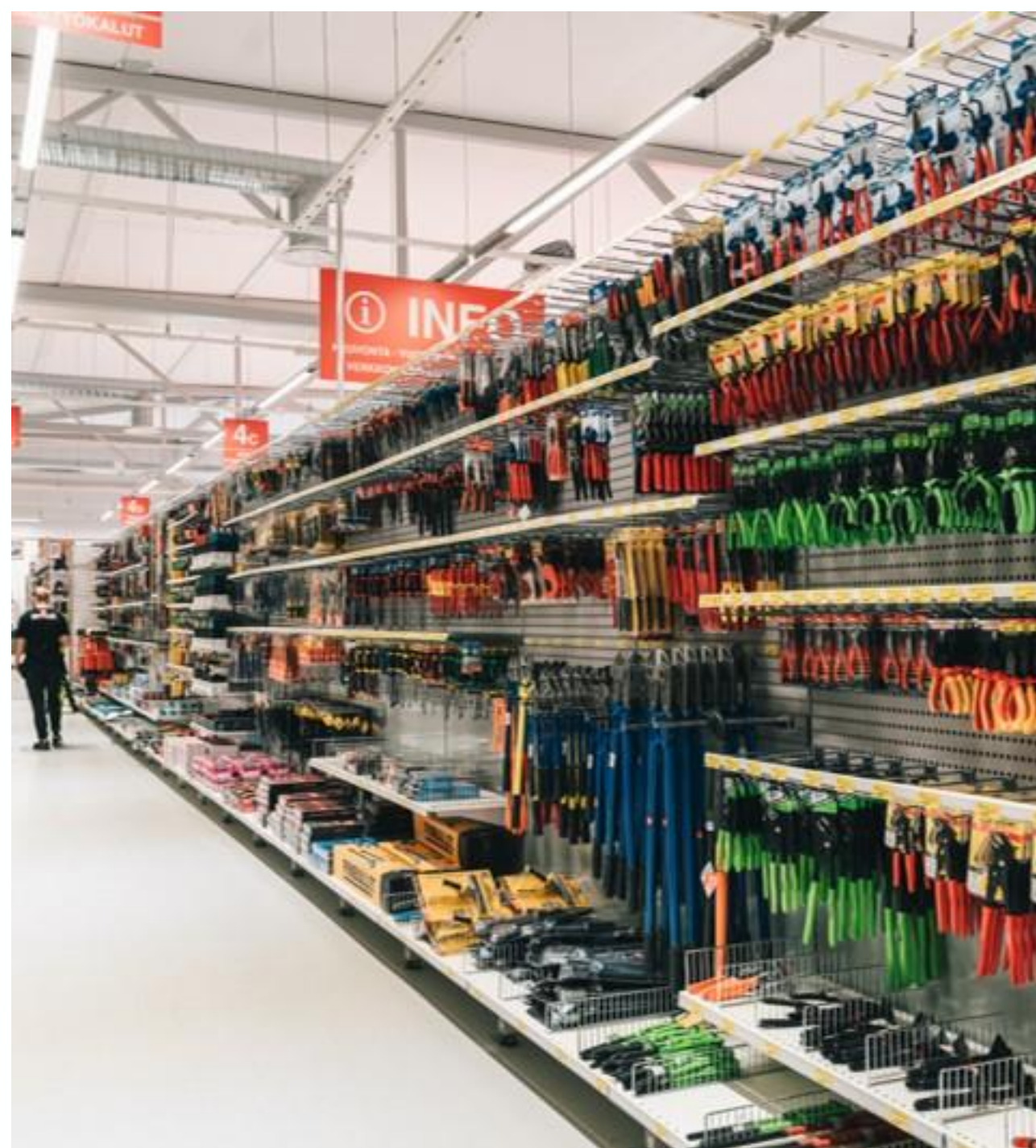
> 80%

DIVIDEND POLICY

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

We did what we promised

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



Puuiilo's new stores

Store openings in 2022:

- Sastamala (opened on 1 Sep 2022)
- Tornio (opened on 24 Nov 2022)
- Lieto

The opening of 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.



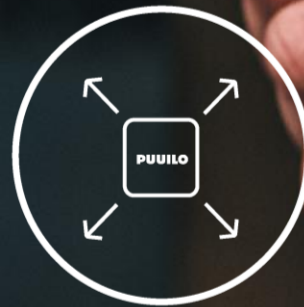
A welder wearing a green jacket, safety glasses, and ear protection is working on a metal structure. A large, bright splash of sparks is visible, extending from the welder's work area towards the right side of the frame. The background shows a dark, industrial building with several windows and a red fire extinguisher on the ground to the right. The sun is visible in the sky, creating a warm, golden light.

Puuido as an investment

Puuiilo 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

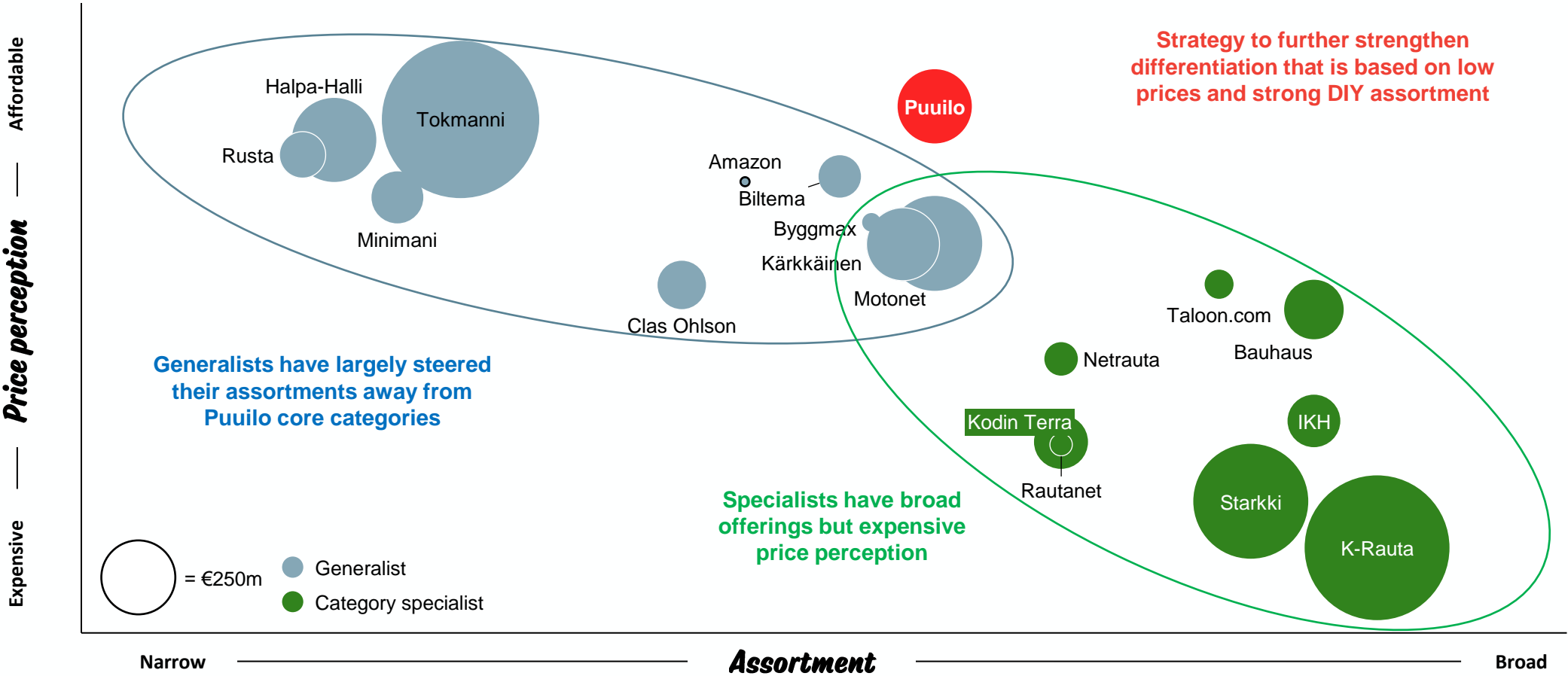


Growing store network and online store



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

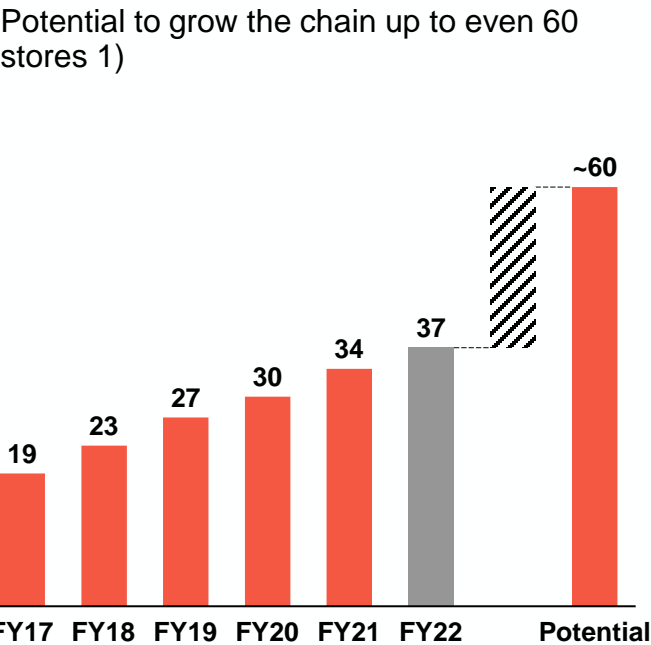
Customer price and assortment perception vs. competitors in DIY and tools category



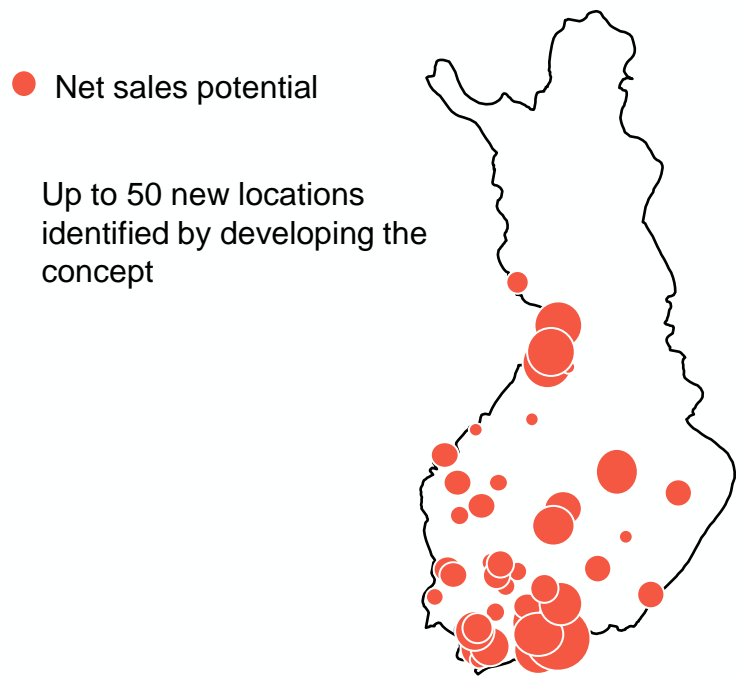
Notes: 1) The size of the bubble represent net sales of company's Finnish legal entity. For Amazon, no financials for the Finnish operations available. Kodin Terra including SOK's Hardware trade (Kodin Terra and S-Rauta) revenue. Source: Puuilo's view informed by multiple sources, including Taloustutkimus and a study commissioned by Puuilo from a global management consulting company in spring 2021. (n=1601)

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

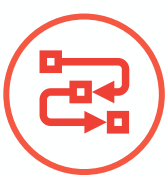


STORE NETWORK GROWTH



NEW POTENTIAL STORE LOCATIONS²⁾



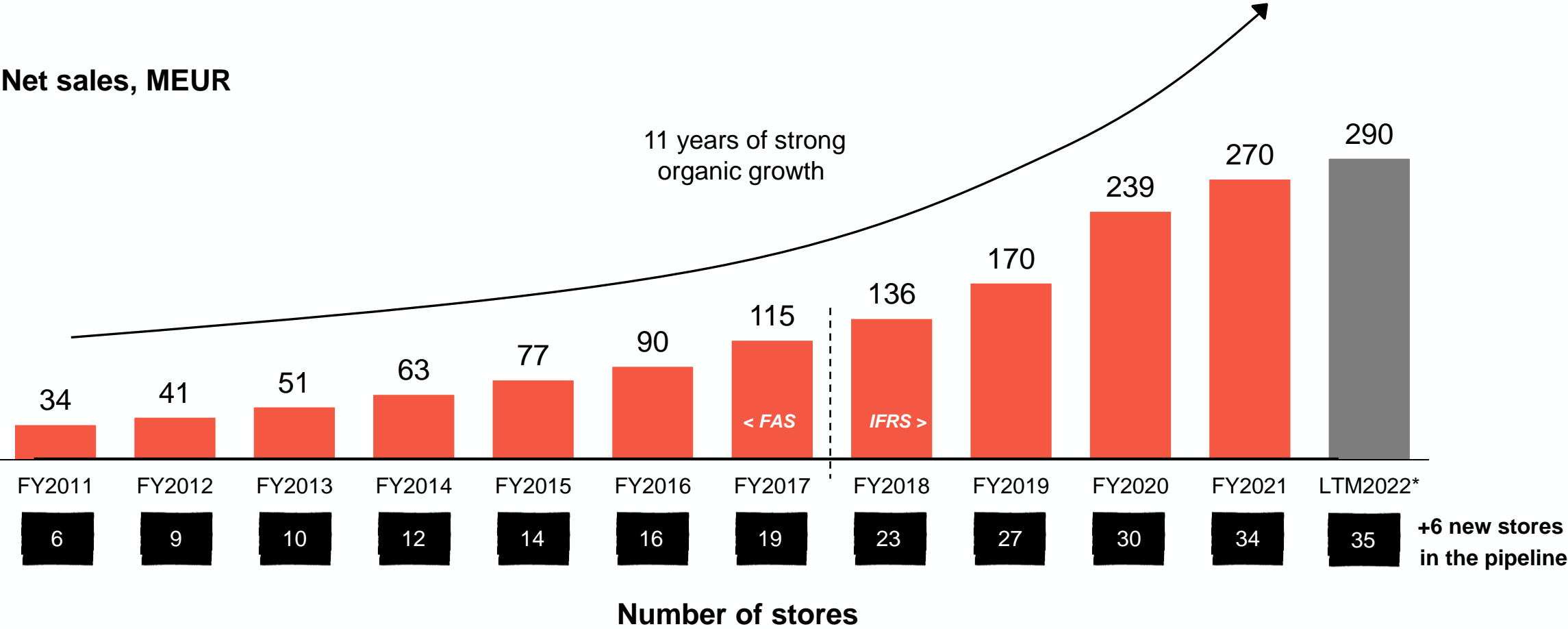
EFFICIENT LAUNCH PROGRAM

-  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

A decade of continuous growth – 3-4 new openings each year

Net sales, MEUR



*LTM2022 = Q4/2021-Q3/2022

Q&A

Contact requests: ir@puuilo.fi

NEXT FINANCIAL REPORTS

30 March 2023

Week 16 2023

14 June 2023

14 September 2023

14 December 2023

Financial statements release 2022

The Financial statements 2022 and the Report by the Board of Directors

Business review Q1 (February-April 2023)

Half-year financial report Q2 / H1 (February-July 2023)

Business review Q3 (February-October 2023)