

PUUILO

**A STRONG YEAR IN AN UNSTEADY OPERATING
ENVIRONMENT**

FINANCIAL STATEMENTS 2022

PUUILO PLC

30 MARCH 2023

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

Our agenda today

- 1. Key figures and main events***
- 2. Proposal for profit distribution***
- 3. Financial development***
- 4. Strategy and long-term financial targets***
- 5. Outlook for the financial year 2023***
- 6. Puuilo as an investment***
- 7. Sustainability in our operations***
- 8. Q&A***



Key figures, Q4/2022 (November – January)

GROWTH

+9.7% (+15.1%)

Net sales

+6.8% (+3.1%)

Like-for-like net sales

37 (34)

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

PROFITABILITY

14.2% (15.7%)

EBITA margin (adj.)

36.2% (36.3%)

Gross margin (%)

EPS

0.08 € (0.08 €)

Earnings per share excluding the effect of listing expenses

EVENTS DURING THE REPORTING PERIOD

- Puuilo's growth continued throughout the year even though the operating environment can be described as changing and challenging*. Our growth was broad-based, generated by both old and new stores and our online store.
- Gross margin has remained at good level despite the rising purchase prices caused by inflation.
- Q4 adjusted EBITA was negatively impacted by EUR 0.7 million depreciation adjustment of cloud-based IT services resulting from the ifric interpretation.
- New stores were opened in Tornio in November 2022 and in Lieto in January 2023 (No new stores).

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

Key figures, financial year 2022 (Feb 2022 – Jan 2023)

GROWTH

+9.7% (+13.2%)

Net sales

+5.5% (+2.6%)

Like-for-like net sales

37 (34)

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

PROFITABILITY

16.5% (17.9%)

EBITA margin (adj.)

36.2% (36.9%)

Gross margin (%)

EPS

0.42 € (0.42 €)

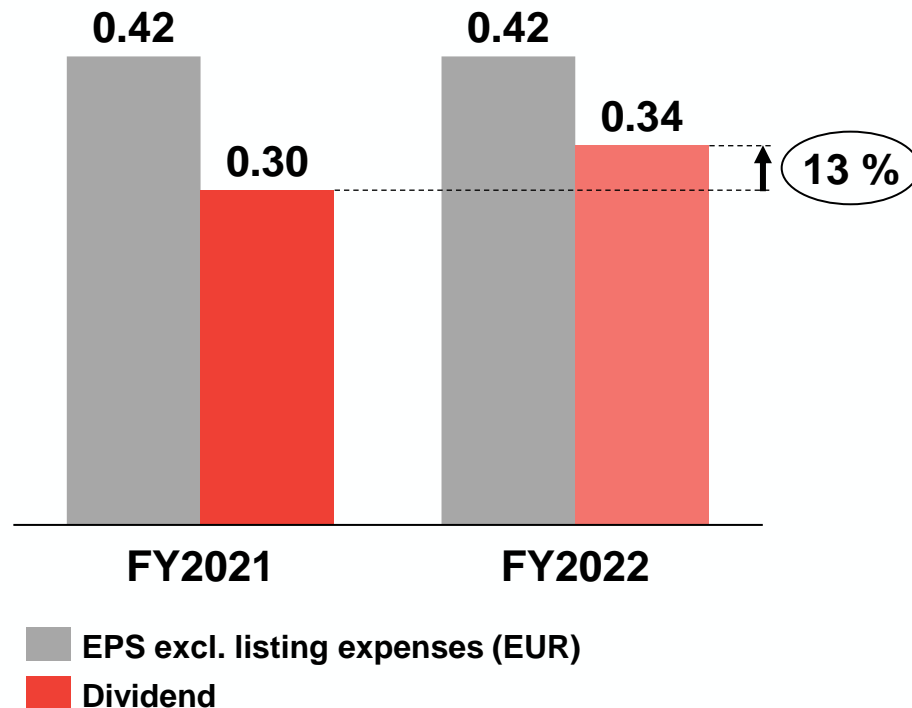
Earnings per share excluding the effect of listing expenses

EVENTS DURING THE REPORTING PERIOD

- Puuilo's performance in financial year 2022 was strong. In terms of the operating environment*, the past financial year was changing and challenging.
- The share of private label products grew strongly, rising to 20.0% of net sales.
- Q4 adjusted EBITA was negatively impacted by EUR 0.7 million depreciation adjustment of cloud-based IT services resulting from the ifric interpretation.
- Three new stores, located in Sastamala, Tornio and Lieto, were opened (4 new stores).
- The Tampere Lielähti store was relocated in May 2022.
- A new online store picking warehouse in Espoo was opened in March 2022.

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

Dividend proposal to the AGM by the Board of Directors



BOARD'S DIVIDEND PROPOSAL TO THE AGM

0.34 €/share

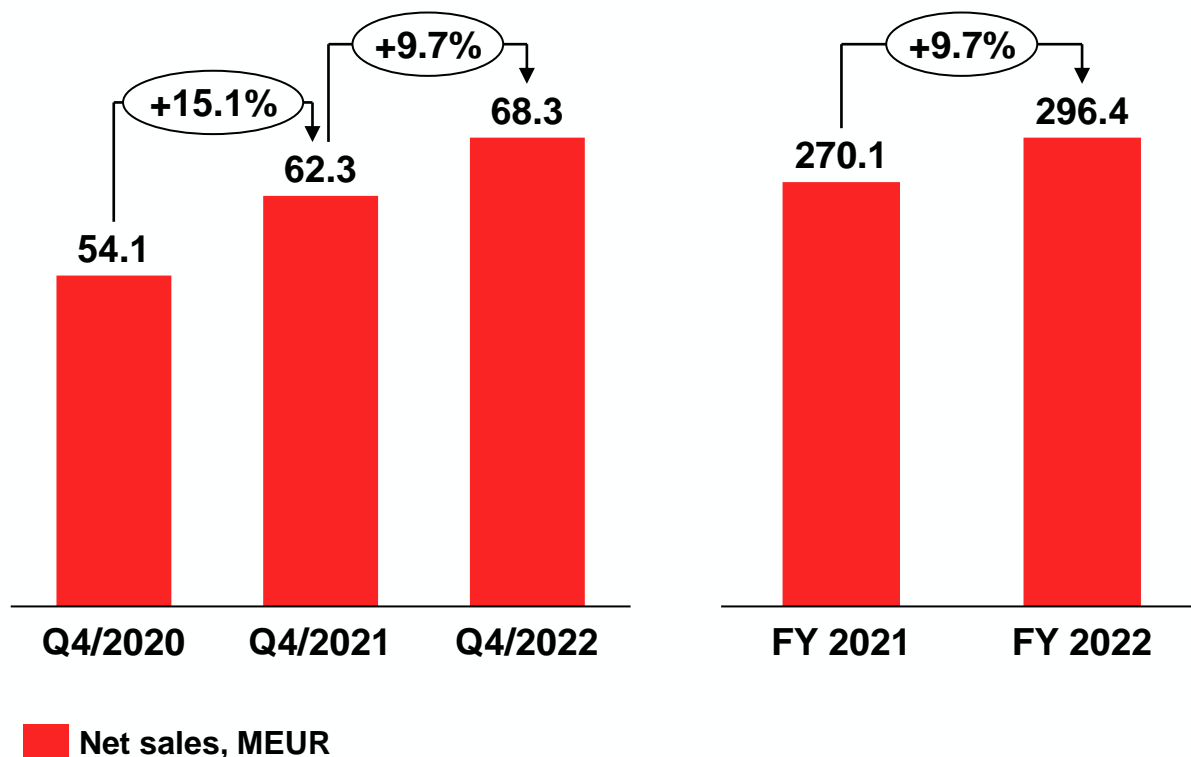
The Board of Directors proposes to the AGM that dividend will be paid in two instalments.

SHARE OF NET RESULT

82 % (80 %)

Financial development

Comparable net sales growth was strong in the fourth quarter



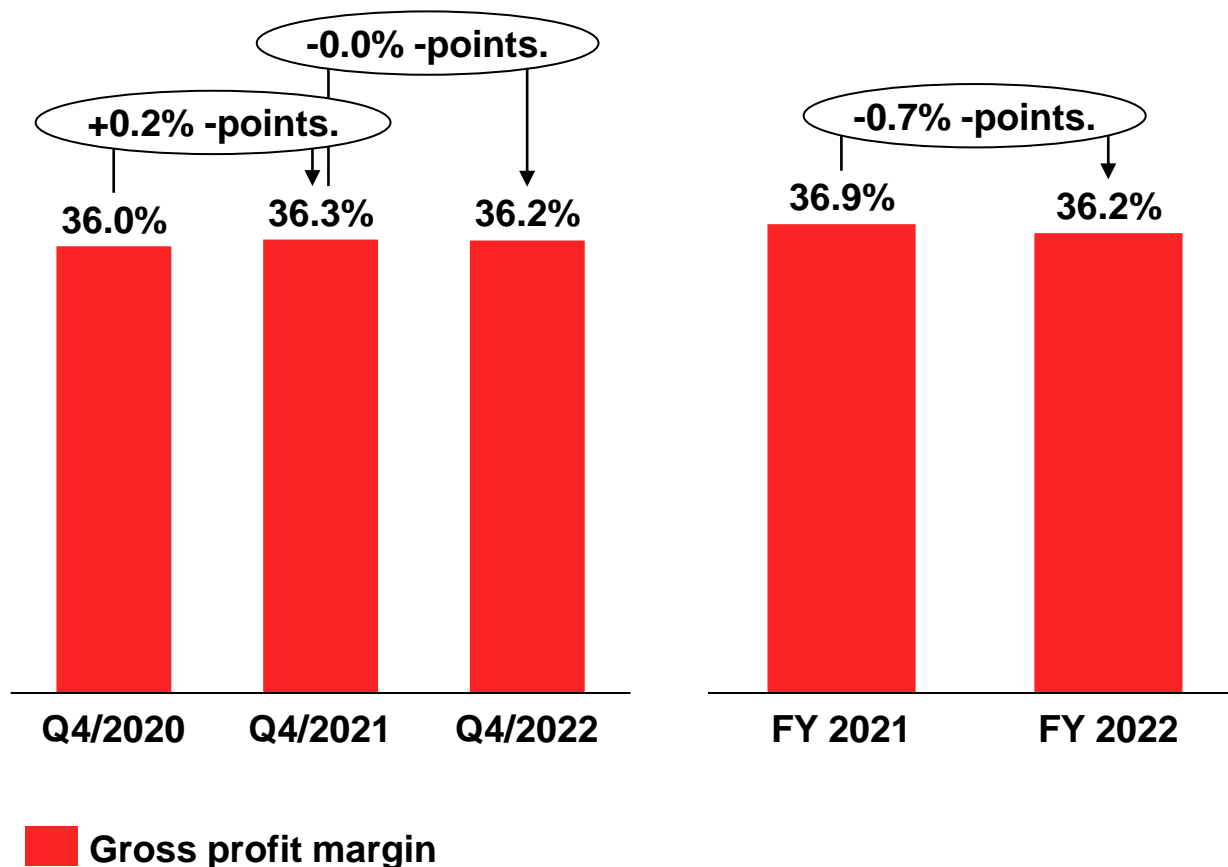
Q4/2022

- Net sales increased by 9.7% and like-for-like store net sales by 6.8%
- Net sales increased in like-for-like stores, new stores and in online store
- The increase in the number of customers continued in the fourth quarter and increased by almost 8%.

FY 2022

- Net sales increased by 9.7% and like-for-like store net sales by 5.5%
- Net sales increased in like-for-like stores, new stores and in the online store
- The growth in net sales was especially impacted by increase in the number of customers but also an increase in basket size.
- Sales increased in all our key product categories.

Gross margin maintained its good level



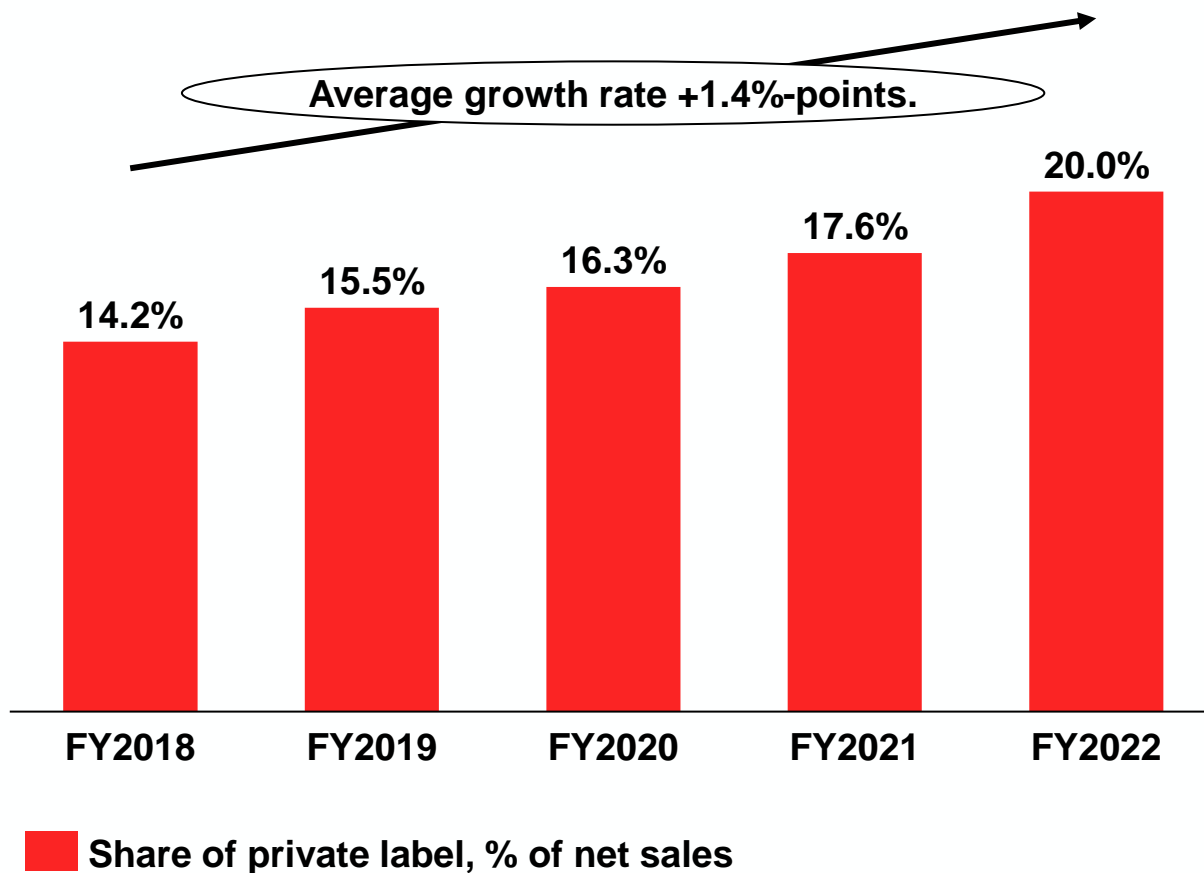
Q4/2022

- Gross margin maintained its good level, being 36.2%.
- Increased purchase prices resulting from inflation and increased logistics costs have been successfully passed on to sales prices.
- Increase in the share of private label products in sales supported gross margins.

FY 2022

- Gross margin decreased slightly and was 36.2%.
- 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 turnover is improving.
- In addition, gross margin level was supported by a positive development in the share of private label products in net sales, which increased to 20.0% (17.6%).

The share of private label products in net sales increased to 20.0%

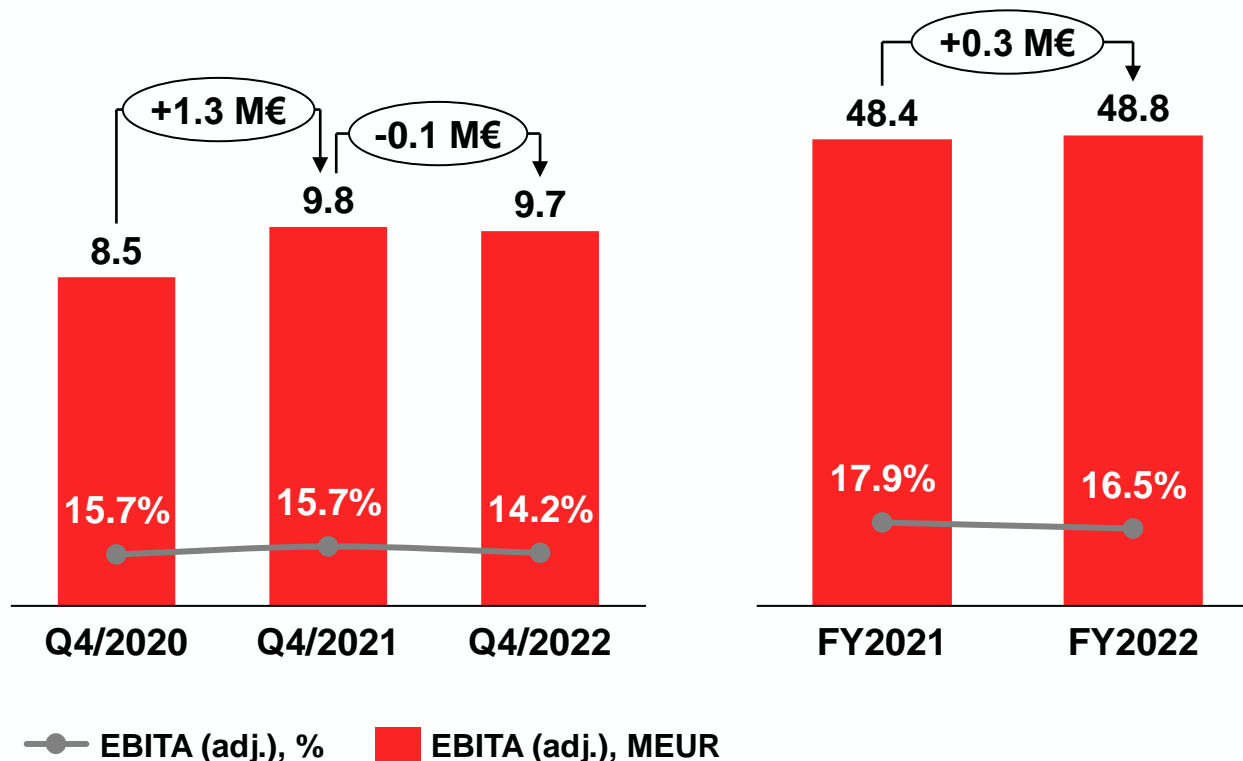


FY 2022

- Increasing the share of private label products in net sales is a key part of Puuilo's growth strategy.
- The share of private label products in net sales was 20.0% and it increased by 2.4% -points.
- Strong growth in the share of private label products supported gross margins.
- The long -term goal is to increase the share of private label products of net sales to about 30 %.



Adjusted EBITA at the same level in the fourth quarter, but increased during the financial year



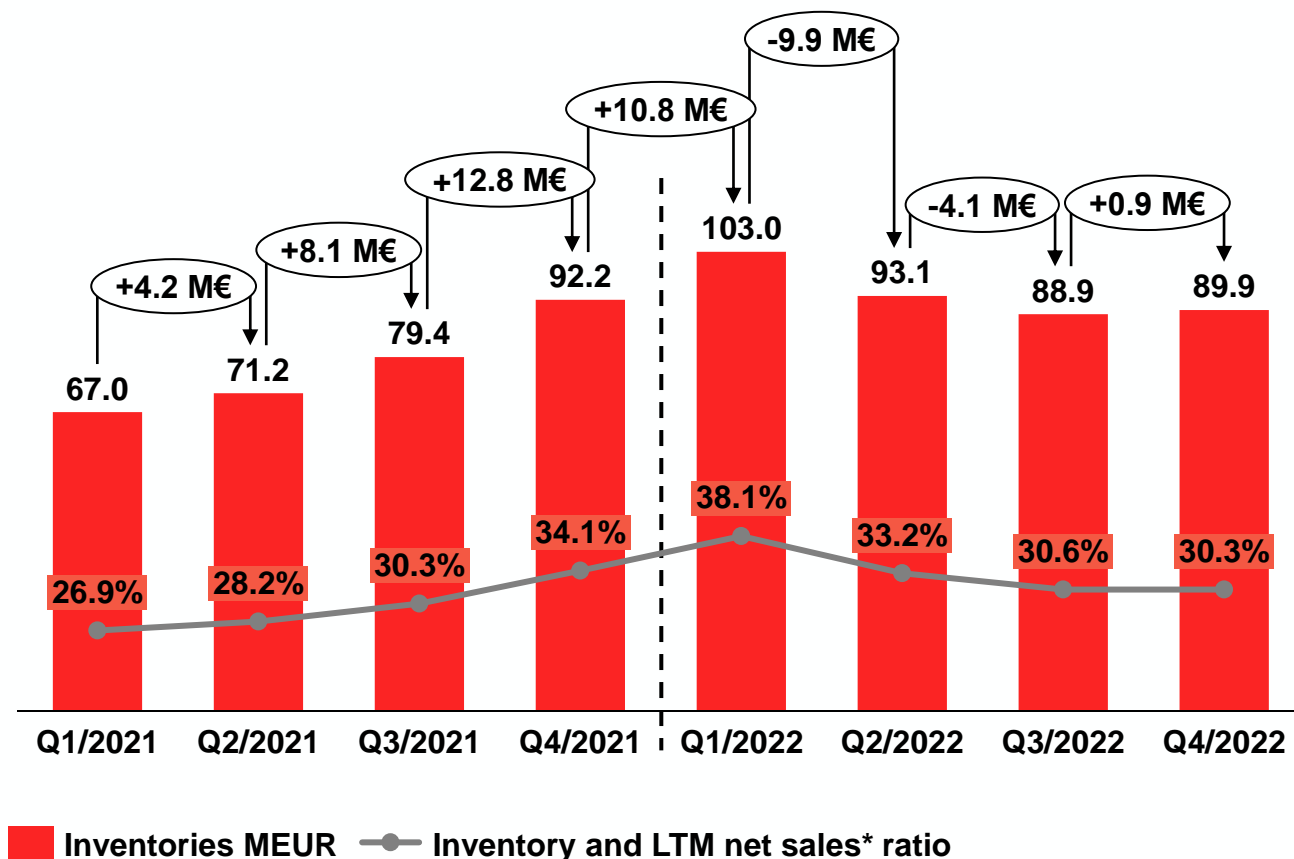
Q4/2022

- Adjusted EBITA decreased by 0.1 MEUR
- Relative profitability was 14.2% of net sales.
- Adjusted EBITA was negatively impacted by EUR 0.7 million depreciation adjustment of cloud-based IT services resulting from the ifric interpretation.

FY 2022

- Adjusted EBITA increased by 0.3 MEUR
- Relative profitability was 16.5% of net sales, decreased compared to previous year
- Adjusted operating profit (EBITA) increased as a result of good development in net sales and cost control.

Inventory turnover accelerated towards the end of the financial year 2022

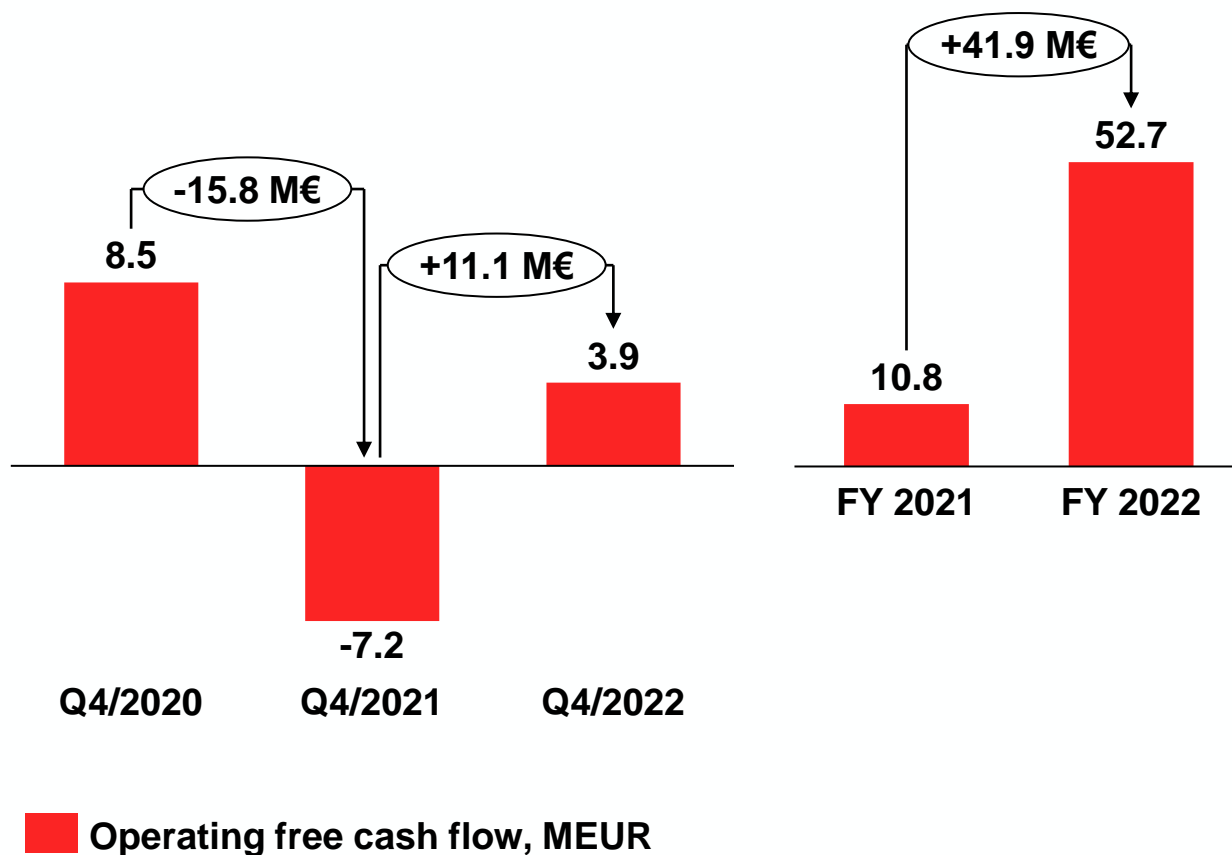


*LTM=previous 12 months rolling net sales

FY 2022

- The inventories amounted to 89.9 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.
- The inventory turnover has been improved, and the inventories have indeed decreased during the financial year by approximately 2.3 MEUR despite of the three new stores. The aim is to further improve inventory turnover.
- Three new stores, located in Sastamala, Tornio and Lieto, were opened (4 new stores).

Continued strong cash flow due to increased EBITA and decreased inventories



Q4/2022

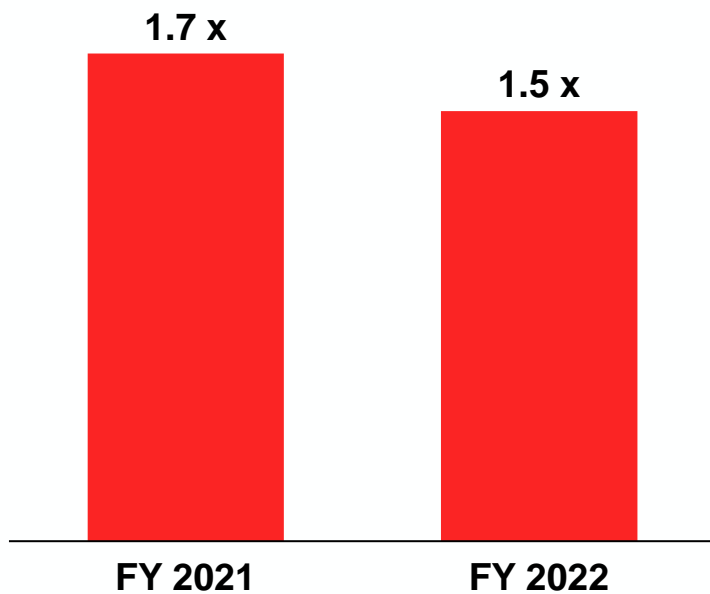
- Operating free cash flow was 3.9 MEUR.
- Operating free cash flow increased mainly due to good EBITA and decrease in inventory levels.
- Cash conversion, i.e. the ratio of cash flow to EBITDA remained at a good level.

FY 2022

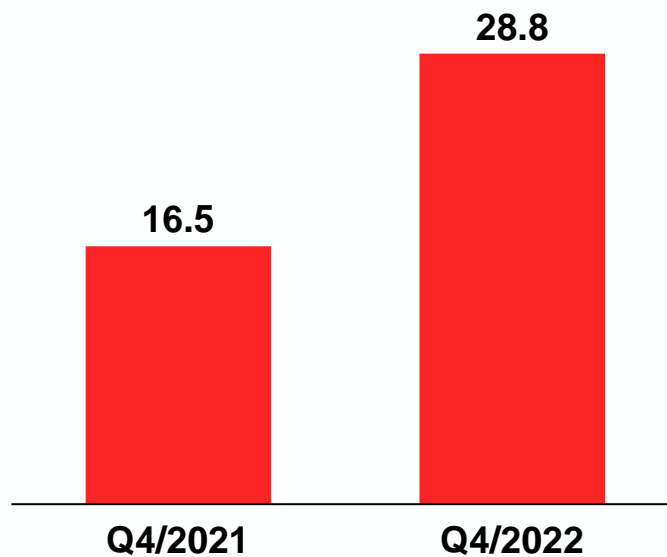
- Operating free cash flow was 52.7 MEUR.
- Operating free cash flow was particularly affected by a good EBITA and a positive change in working capital.
- Inventory levels have decreased in a controlled manner during the financial year. The aim is still to improve the turnover rate of the inventory.

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



FY 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.

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

KEY FIGURES OF THE REPORTING PERIOD

Q4 / 2022 (1 Nov 2022 – 31 Jan 2023)

- Net sales increased by 9.7% (+15.1%) and were EUR 68.3 million (62.3)
- Like-for-like store net sales increased by 6.8% (+3.1%)
- Online store net sales increased by 12.0% (-11.8%)
- Gross profit was EUR 24.8 million (22.6) and gross margin was 36.2% (36.3%)
- Adjusted EBITA was EUR 9.7 million (9.8), which corresponds to an adjusted EBITA margin of 14.2% (15.7%), adjusted EBITA includes EUR 0.7 million one-time depreciation.
- EBIT was EUR 9.4 million (9.5) which corresponds to 13.8% of net sales (15.3%)
- Operating free cash flow was EUR 3.9 million (-7.2)
- Earnings per share were EUR 0.08 (0.08)
- Earnings per share excluding listing expenses were EUR 0.08 (0.08)
- Two new store was opened during the fourth quarter (no new stores)

FY 2022 (1 Feb 2022 – 31 Jan 2023)

- Net sales increased by 9.7% (+13.2%) and were EUR 296.4 million (270.1)
- Like-for-like store net sales increased by 5.5% (+2.6%)
- Online store net sales increased by 3.9% (+20.8%)
- Gross profit was EUR 107.2 million (99.6) and gross margin was 36.2% (36.9%)
- Adjusted EBITA was EUR 48.8 million (48.4), which corresponds to an adjusted EBITA margin of 16.5% (17.9%), adjusted EBITA includes EUR 0.7 million one-time depreciation.
- EBIT was EUR 47.0 million (44.5) which corresponds to 15.9% of net sales (16.5%)
- Operating free cash flow was EUR 52.7 million (10.8)
- Earnings per share were EUR 0.41 (0.38)
- Earnings per share excluding listing expenses were EUR 0.42 (0.42)
- Three new stores were opened during the reporting period (four new stores)
- Board's dividend proposal EUR 0.34 per share, proposed to be paid in two instalments.



A person wearing a black jacket and blue gloves is captured in the middle of throwing a large, fluffy snowball. The snowball is in mid-air, creating a dynamic splash of white snow. The background is a soft-focus winter scene with snow-covered trees and a dark fence. The overall tone is bright and wintry.

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 2023

OUTLOOK

Puulo's outlook for the financial year 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, development of the COVID-19 pandemic, the war in Ukraine, rising interest rates and inflation causing decline in purchasing power.

Puulo's long-term targets

+400 MEUR

NET SALES

By the end of financial year 2025 with annual organic sales growth in excess of 10%.

< 2.0x

NET DEBT

Net debt to adjusted EBITDA below 2.0x.

17-19%

PROFITABILITY

Adjusted EBITA margin between 17 - 19%.

> 80%

DIVIDEND POLICY

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



Puulo's new stores

Store openings in FY 2023:

- Vantaa Porttipuisto, today 30 March 2023
- Nummela
- Kerava
- Vantaa Varisto
- 1 to Helsinki metropolitan area

The aim for 2024 is to open at least 4 new stores!



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.

Puuido as an investment

Puilo 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

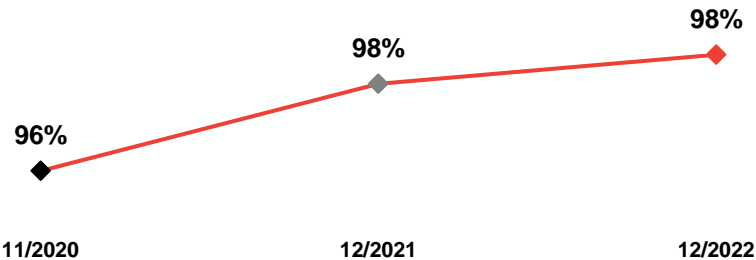


Growth clearly outperforming the market, high profitability and strong cash flow

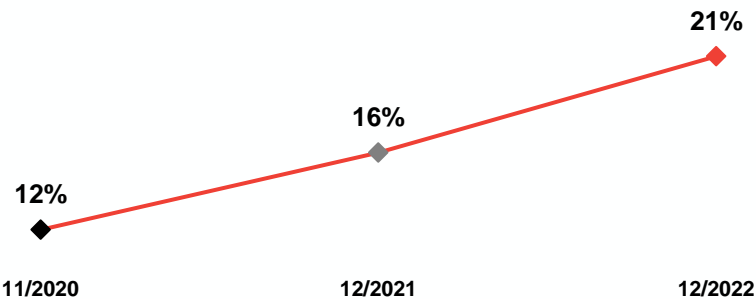
The brand awareness and consideration of Puuilo is growing – still a lot of growth potential

Puuilo’s brand awareness

Aided brand awareness –
Recognize at least by name

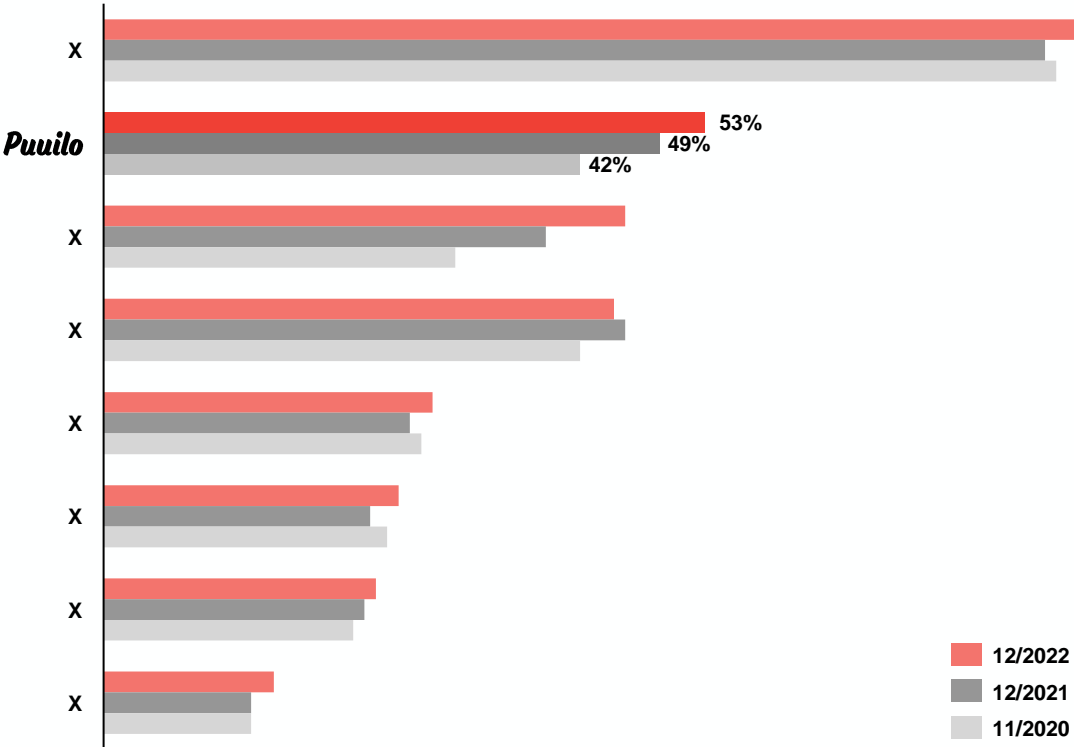


Spontaneous brand awareness –
Which discount stores do you remember?



Puuilo’s consideration

Which discount store do you prefer to shop at?
What other stores would you also consider?

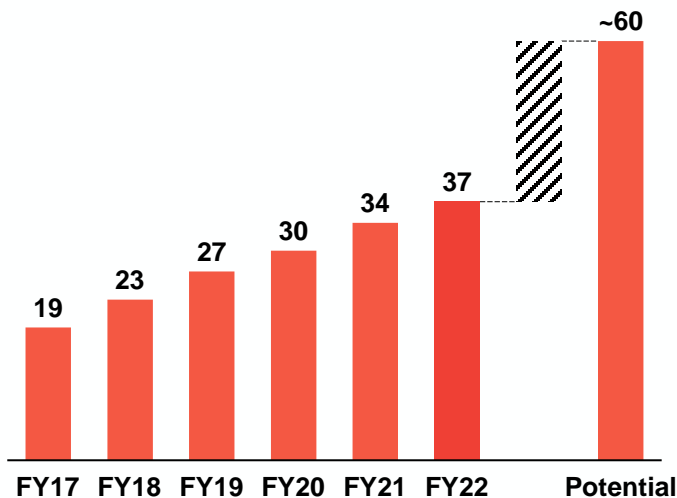


Source: Research commissioned by Puuilo from business management consulting company in December 2022. (n1000)

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

STORE NETWORK GROWTH

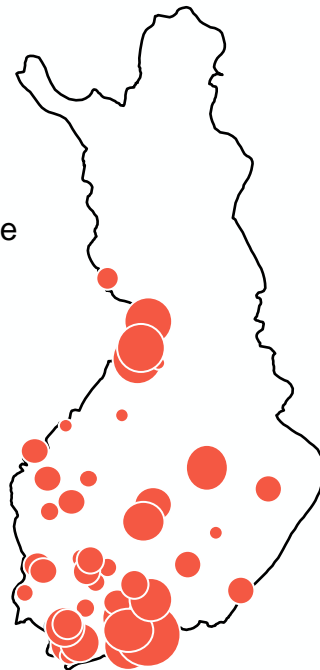
Potential to grow the chain up to 60 stores with the existing concept¹⁾



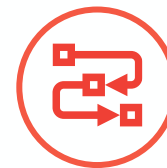
NEW POTENTIAL STORE LOCATIONS²⁾

● Net sales potential

Up to 50 new locations identified by developing the concept



EFFICIENT LAUNCH PROGRAM



Standardized process for new store openings



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

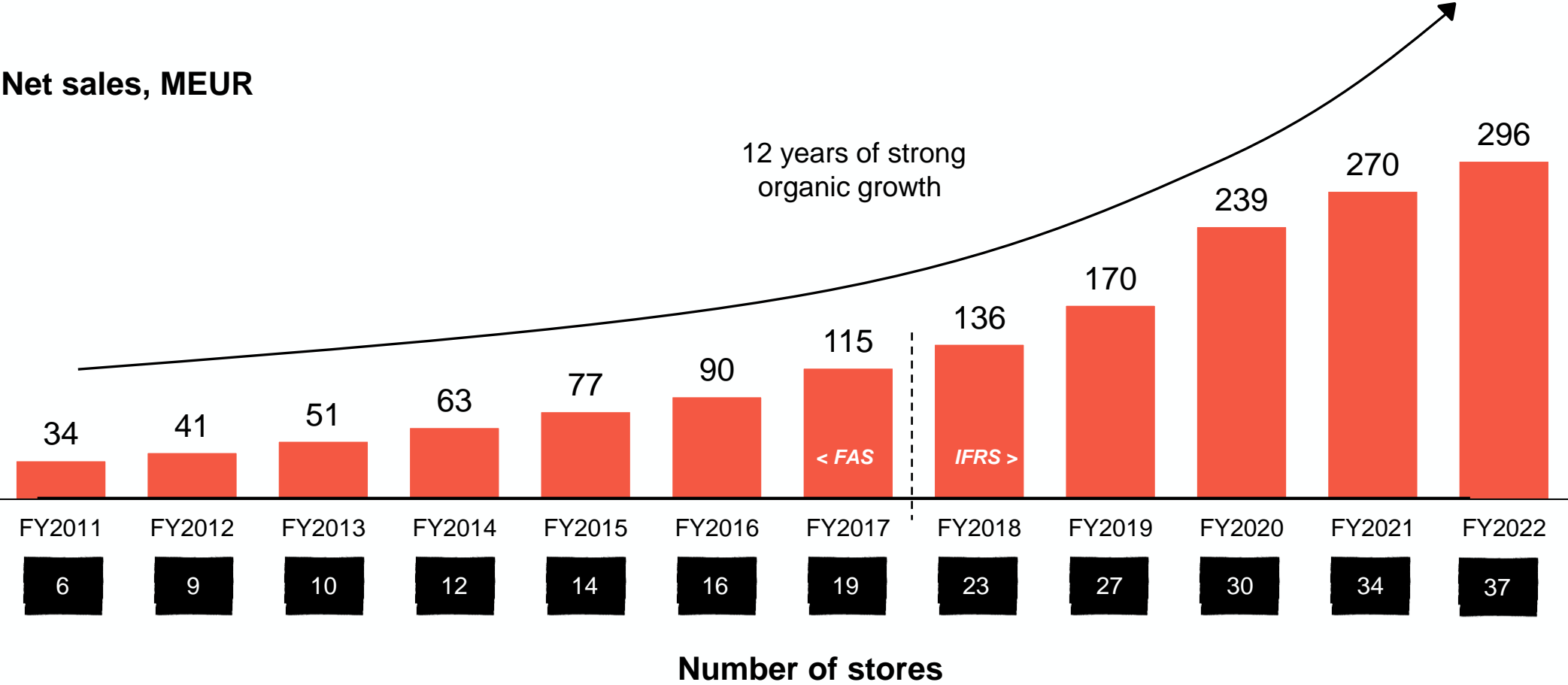


Average new store profitable in first full month after opening³⁾

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



A man with blonde hair, wearing a black t-shirt with a red 'PUUILO' logo, black work pants, and black boots, is kneeling on a light-colored floor in a warehouse. He is using a blue manual chain puller to move a chain from a shelf. The shelf is part of a larger metal structure holding several large spools of chain. In the background, there are more shelves filled with blue boxes. The text 'Sustainability in our operations' is overlaid in a large, white, cursive font.

Sustainability in our operations

Our sustainability work in 2022 and 2023 priority objectives



A RESPONSIBLE RETAILER

A responsible retailer covers both the work carried out by Puuilo employees and activities of our supply chain to the extent that we have influence over it. In the financial year 2022, we have continued to implement measures started in 2021.

The share of foreign suppliers committed to BSCI or equivalent in our supply chain is 44%. We continue to work to increase the share to 80% by the end of the financial year 2025.

The Supplier Code of Conduct is included in the majority of the most significant domestic cooperation agreements. The work will continue with the next size category of agreements.

The factory audits abroad can be continued this spring.

Through Unicef, we donated 40 thousand euros to the children of Ukraine.



A GOOD PLACE TO WORK

Strong and sustainable growth is possible only when personnel are skilled and motivated. That is why Puuilo wants to be a good place to work.

The values of Puuilo have been written open.

Puuilo's internal Code of Conduct has been drawn up and communicated to the personnel.

Primarily full-time employment contracts

Aiming to management excellence and a safe work environment: A new orientation model has been launched, supervisor training and occupational safety training have been continued.

The participation rate in the job satisfaction survey was almost 100% and the results improved.



CONSUME MORE SUSTAINABLY

Puuilo wants to operate in a resource-wise manner and ensure that we have a clean and life-sustaining environment in the future as well. That is why we have defined more sustainable consumption as one of our three main focus areas.

100% of the electricity we procure ourselves is from renewable energy sources. Energy efficiency improved by changing to LED lights in several stores. We will continue to improve energy efficiency and reduce electricity consumption in a comparable manner.

3 new solar power stations. For this year, the aim is to start using 6 more solar power stations.

Comparable recycling rate increased to 69%. The goal is 73% by the financial year 2025.

Q&A

Contact requests: ir@puuilo.fi

NEXT FINANCIAL REPORTS

Week 16 2023

14 June 2023

14 September 2023

14 December 2023

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)