



Duell Corporation
First Quarter 2023 Financial Report
September 2022-November 2022



Duell Corporation | Inside Information

This is not an interim report in accordance with IAS 34. The company complies with the semi-annual reports required by the Securities Markets Act and normally publishes business reports for the first three and first nine months of the year, which present key information describing the company's financial development.

Uncertain market impacted first quarter – operational efficiency in focus

Unaudited financials presented below:

September 2022-November 2022 "Q1 2023" (comparable figures in parenthesis 9/2021-11/2021):

- Net sales decreased 5.2% to EUR 25.8 million (EUR 27.2 million). Organic net sales decreased by 19.0%. Constant currency net sales decreased 3.4%.
- Adjusted EBITDA decreased 111% to EUR -0.2 million (EUR 2.0 million) with an adjusted EBITDA margin of -0.9% (7.4%).
- Adjusted EBITA decreased 122.9% to EUR -0.4 million (EUR 1.9 million) with an adjusted EBITA margin of -1.7% (6.8%).
- Adjusted operating profit was EUR -0.9 million (EUR 1.5 million) with a margin of -3.6% (5.4%).

Outlook for financial year 2023 (outlook unchanged)

The market continues to be uncertain. The accelerating inflation and the overall economic environment have decreased consumer confidence. These factors reduce predictability. Duell will continue to execute its growth strategy despite uncertain market conditions.

Duell expects to have net sales growth organically and inorganically. Adjusted EBITA is expected to grow both in absolute and relative terms for the current financial year ending August 31, 2023. Organic net sales growth is calculated excluding the impact of acquisitions and divestments.

CEO Jarkko Ämmälä:

The net sales and EBITDA of the first quarter fell slightly short of our targets. Net sales decreased by 5.2% and organic net sales by 19.0%. The EBITDA margin was negative 1.4%. These were influenced by several factors, such as continued market uncertainty and weakened consumer demand, which resulted in dealers further reducing their inventory levels. The lower profitability was a result of postponed sales and deliveries, write-down of inventory, credit losses and effects of exchange rates. Still, the sales margin improved slightly from Q4 2022 as a result of a better product sales mix and price increase measures.

In Finland, there were challenges at the Mustasaari logistics centre due to the implementation of a new warehouse management system. The collection of products was temporarily slowed down and delayed the customer deliveries. This led to higher inventory levels. Additionally, the logistics costs increased for now due to increased outbound delivery batches.

The effects of the ongoing cost saving program did not yet materialise in the first quarter. The benefits of the program will be realised mainly during the third and fourth quarters. To address the tough market environment, we will continue our program with the aim of improving profitability. Despite the soft first quarter, we believe that the market will gradually recover during 2023 and combined with our own efficiency measures, we keep our full year guidance unchanged.

Key figures and ratios EUR thousand	Q1 2023 (9/2022- 11/2022)	Q1 2022 (9/2021- 11/2021)	FY 2022 (9/2021- 8/2022)
Net sales	25,751	27,154	123,991
Net sales growth, %	-5.2	73.0	61.5
Constant currency net sales growth, %	-3.4	70.2	61.9
Organic net sales growth, %	-19.0	32.2	15.7
EBITDA	-357	-31	7,383
EBITDA margin, %	-1.4	-0.1	6.0
Items affecting comparability, EBITDA*	135	2,051	2,074
Adjusted EBITDA	-222	2,020	9,457
Adjusted EBITDA margin, %	-0.9	7.4	7.6
EBITA	-561	-195	6,652
EBITA margin, %	-2.2	-0.7	5.4
Adjusted EBITA	-426	1,856	8,726
Adjusted EBITA margin, %	-1.7	6.8	7.0
Operating profit	-1,060	-586	4,904
Operating profit margin, %	-4.1	-2.2	4.0
Adjusted operating profit	-924	-1,465	6,978
Adjusted operating profit margin, %	-3.6	5.4	5.6
Earnings per share, basic, EUR	-0.06	-0.07	0.08
Earnings per share, diluted, EUR	-0.06	-0.07	0.08
Number of outstanding shares at the end of the period, basic	25,454,574	25,454,574	25,454,574
Number of outstanding shares at the end of the period, diluted	25,454,574	25,454,574	25 454 574
Weighted average number of shares, basic	25,454,574	25,454,574	25 454 574
Weighted average number of shares, diluted	25,454,574	25,454,574	25,454,574
Investments in tangible and intangible assets excluding acquisitions	413	40	915
Net debt	50,398	27,627	44,571
Net working capital	62,108	41,080	57,718
Operating free cash flows	-4,972	-7,480	-1,818

*) Items affecting comparability:

IPO costs of EUR 0 thousand in Q1 2023 (EUR 2,051 thousand in Q1 2022).

Cost saving program costs of EUR 135 thousand in Q1 2023 (EUR 0 thousand in Q1 2022).

Operational key figures	Q1 2023 (9/2022- 11/2022)	Q1 2022 (9/2021- 11/2021)	FY 2022 (9/2021- 8/2022)
Number of brands	484	300	496
Share of own brand sales, % of total	19.1	21.7	20.7
Share of online sales, % of total	19.4	25.8	25.2
Equity ratio, %	28.8	36.1	33.4
Full-time equivalent employees, average*	214	171	193

*) Including seasonal employees

	Q1 2023 (9/2022- 11/2022)	Q1 2022 (9/2021- 11/2021)	FY 2022 (9/2021- 8/2022)
Net sales, EUR thousand			
Nordics	16,005	16,428	76,362
Rest of Europe	9,746	10,727	47,629
Total	25,751	27,154	123,991

Net sales

Duell's net sales from the rest of Europe amounted to 37.8%, compared to 39.5% previous year. The slight decrease was attributable to the acquisition done in Finland in May 2022, as PowerFactory Nordic Oy Ab operates in the Nordics. Additionally, the Nordic market share is normally stronger in the first two quarters due to the winter products market.

The share of online channel sales of total net sales amounted to 19.4% in Q1 2023 and 25.8% in Q1 2022. The decrease was attributable to lower share of online channel sales in the acquired companies.

The share of own brand sales of the total net sales amounted to 19.1% in Q1 2023 and 21.7% in Q1 2022.

Profitability

Duell's EBITA declined to EUR -0.6 million (EUR -0.2 million) and adjusted EBITA decreased to EUR -0.4 million (EUR 1.9 million). Restructuring costs of the cost saving program are presented as items affecting comparability. Adjusted EBITA margin declined to -1.7 % (6.8 %). The decrease was primarily attributable to lower sales volumes, higher logistics costs and increased operating costs to supporting organic and inorganic growth.

Balance sheet and cash flow

Duell's consolidated balance sheet total on November 30, 2022 was EUR 104.5 million (EUR 79.3 million). The amount of goodwill in the balance sheet was EUR 15.9 million (EUR 13.4 million). The most significant balance sheet change compared to the comparison period was the increased net working capital by EUR 21.0 million, which had an impact on the increase of net debt to EUR 50.4 million (EUR 27.6 million). Net debt to adjusted EBITDA ratio on November 30, 2022, was 7.0 (2.9). The increase was driven by acquisitions and overall increase of inventory.

Duell has historically financed its operations with cash flow from operations and with borrowings from financial institutions. Duell's liquidity requirements principally arise from maintaining net working capital, regular operating expenses and expansion of its business into new markets including acquisitions. Duell's cash and cash equivalents amounted to EUR 4.9 million and total interest-bearing liabilities amounted to EUR 55.3 million on November 30, 2022.

Duell's equity ratio was 28.8% (36.1%) on November 30, 2022 and the return on equity was -4.8 % (-2.2 %). The equity ratio decreased due to higher net debt. Net cash flow from operating activities Q1 2023 was negative EUR 5.2 million (EUR -8.1 million), an improvement of EUR 2.9 million. The increase in net cash flow from operating activities was primarily attributable to change in net working capital as the purchasing payment terms improved during the quarter.

Duell's net cash flow from financing activities Q1 2023 was EUR 6.8 million (EUR 10.7 million), a change of EUR -3.9 million.

The covenants for loans from financial institutions relate to net debt to EBITDA (Leverage) and the share of net debt of equity (Gearing). The conditions for the covenants were exceptionally not met at financial year-end due to cash tied into inventory. A waiver was received from the bank conditions for the loans remaining. The financing agreement with the bank will be renewed during the second quarter. This will include a review of covenants and other conditions. The company has launched a net working capital

optimisation project and a cost saving program to improve the capital structure and profitability of the company.

Significant events during the reporting period

The company announced to start change negotiations in Finnish companies on October 4, 2022, in accordance with the Co-operation Act. The need to reduce workforce in production is based on financial and operational reorganization grounds. The negotiations concern a total of approximately 80 employees in Finland. The goal is to achieve annual cost savings of around EUR 1 million in the Duell Group. The cost savings estimate for the current financial year is approximately EUR 600,000. The estimated personnel reduction need is at its most totally 25 employees in Duell Group.

Duell announced on November 30, 2022, that the Chief Operating Officer (COO) and member of the Management Team, Dennis Nylund, has resigned from the company to move to another position outside the company. Nylund will continue in his current position until the end of January 2023.

Significant events after review period

The Board decided in its organisational meeting held after Annual General Meeting on December 1, 2022, to elect Anna Hyvönen as the chair of the board and Sören Gaardboe as vice chair. Anu Ora was elected as the chair of the People and Remuneration Committee and Anna Hyvönen and Niko Mokka as members. The Board also decided to establish an Audit Committee. Kim Ignatius was elected as the chair of the Audit Committee and Niko Mokka and Sami Heikkilä as members.

Jukka Smolander (MSc. Economics) has been appointed as member of Duell Corporation's Management Team with responsibility for the Group's bicycle business. The position is new at Duell. Smolander has long experience of the retail industry.

Medium-term financial targets (3-5 years) (Targets unchanged)

Growth: net sales in the range of EUR 200-300 million by the end of 2025, achieved through yearly growth organically and inorganically. (The growth target remains the same, however, the part considering organic growth has been updated on November 10, 2022: Growth target from previous year: net sales in the range of EUR 200–300 million by the end of 2025, achieved through a combination of clearly above 10 % annual organic growth and acquisitions.)

Profitability: adjusted EBITA margin of at least 13% in the medium-term.

Leverage: net debt to adjusted EBITDA ratio in the range of 2-3. Leverage may temporarily exceed the target range (for example, in conjunction with acquisitions).

Financial reporting and Annual General Meetings in 2023

Business reports for financial year 2023

- September 2022-February 2023 including second quarter: Wednesday, April 5, 2023
- September 2022-May 2023 including third quarter: Thursday, July 6, 2023
- September 2022-August 2023 including fourth quarter: Thursday, November 9, 2023

The Annual General Meeting is scheduled for December 5, 2023. The Board of Directors of the company will convene the meeting.

Further information

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Duell Corporation (Duell) is an import and wholesale company based in Mustasaari, Finland, established in 1983. Duell imports, manufactures, and sells products through an extensive distribution network in Europe covering 8,500 dealers. The range of products includes 150,000 items under 500 brands. The assortment covers spare parts and accessories for motorcycling, bicycling, ATVs/UTVs, mopeds and scooters, snowmobiling and boating. Logistics centres are located in Finland, Sweden, Netherlands and France. Duell's net sales in 2022 was EUR 124 million and it employs over 200 people. Duell's shares were listed in November 2021 and are traded on the First North Marketplace. www.duell.eu