

PUUILO

Investor presentation

PUUILO PLC

SEB Roadshow, Stockholm

29 September 2023

Juha Saarela, CEO
Ville Ranta, CFO

Our agenda today

1. Introduction to Puuilo
2. Customer, brand and marketing
3. Market overview
4. Cornerstones of Puuilo concept
5. Financial and performance metrics
6. Growth strategy
7. Sustainability










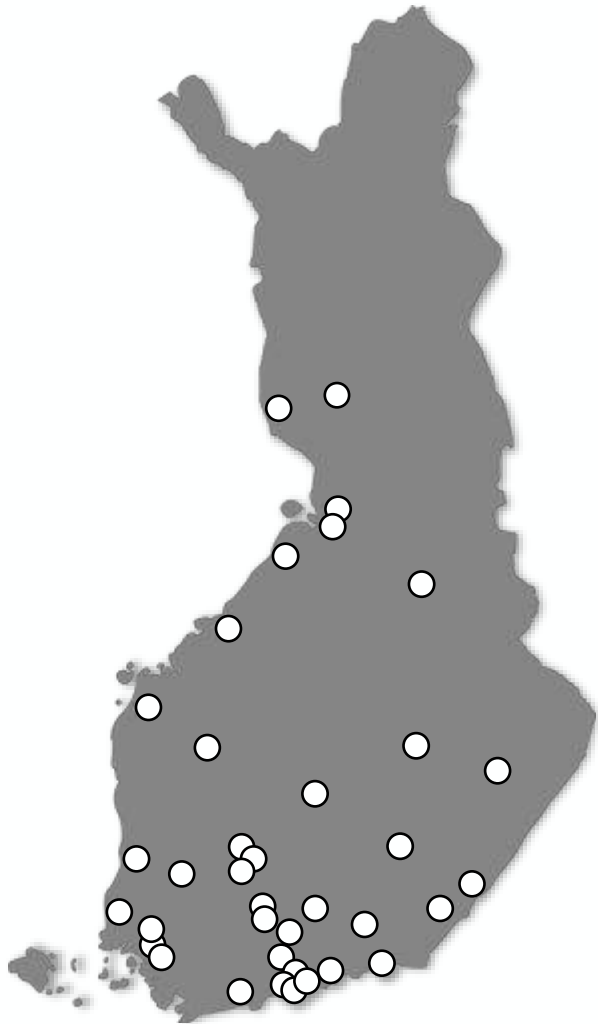
Puuilo private label product

Introduction to Puuilo

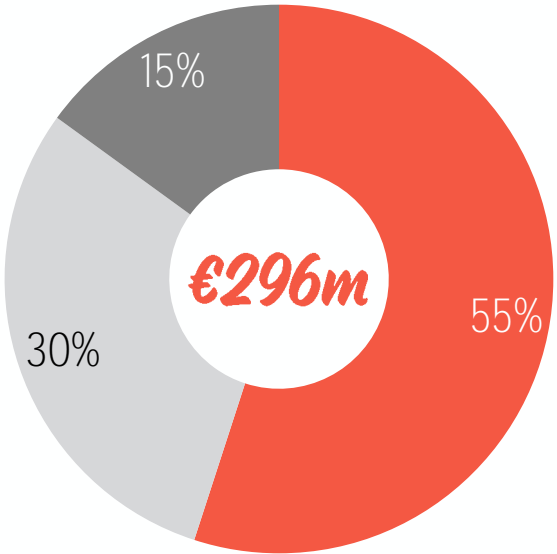
With a growing network of 38 stores, Puuilo is one of the leading discount retailers in Finland









Puuilo in brief ¹⁾

-  38 stores²⁾ and online store
-  €296m net sales
-  21.5% net sales CAGR³⁾
-  16.5% EBITA-margin
-  €28.6 average customer basket
-  +30,000 SKUs
-  20,0% of sales from private label



Sales mix⁴⁾



-  Tools
-  HEPAC
-  Building
-  Car accessories
-  Pet supplies
-  Free time
-  Home
-  Yard and Garden

- X No timber or other building materials
- X No consumer electronics
- X No toys or sport equipment
- X No consumer clothes or fashion
- X No groceries

Notes: 1) All figures based on FY2022 actuals; 2) # of stores as at 04/2023; 3) Net sales CAGR between FY2018 and FY2022; 4) Approximate sales mix based on FY2022 actuals

What makes Puuilo store concept special?

Carefully selected locations ...



- Carefully selected premise locations – low rent level
- Stores easily accessible by car and offer ample parking space
- Optimised store size

... combined with unified premises ...



- Standardised shelf layout increases convenience
- Standardised assortment throughout store network
- Assortment optimised in relation to store size

... equals highly profitable concept!

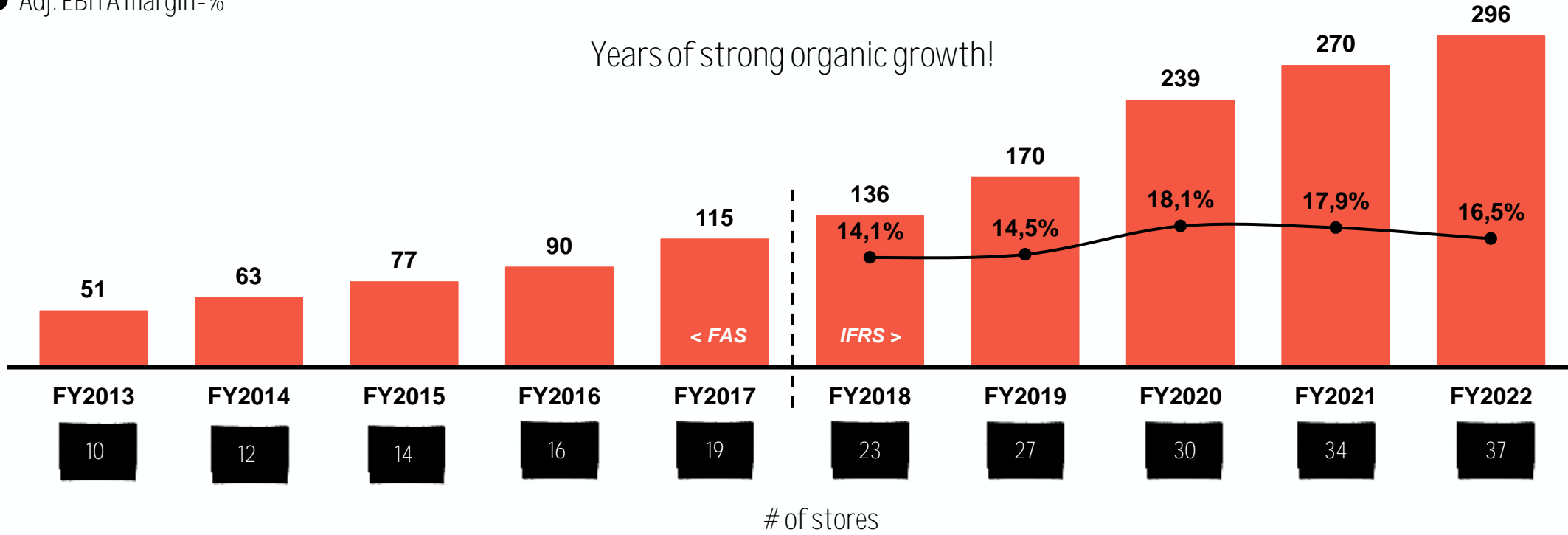


- Sales per sqm of **€3.5k¹⁾** across store network with major room for growth
- FY2022 average store EBITDA of **21.7%²⁾** driven by operational efficiency
- Cash conversion-% of **102.5%³⁾** in FY2022

Notes: 1) Sales per sqm in FY2022 for all stores 2) Based on FAS accounting EBITDA for entire store network in FY2022 3) Operating cash flow / Adj. EBITDA-IFRS16 depreciations, adjusted EBITDA excludes one-off expenses related to IPO.

Long track record of strong sales growth and profitability

- Net sales development (€m)
- Adj. EBITA margin-%

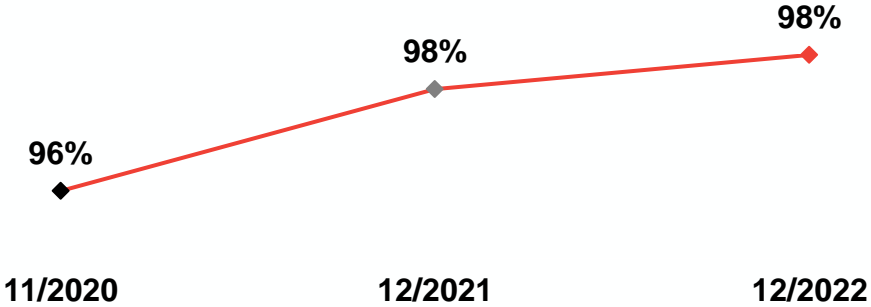


Customer, brand and marketing

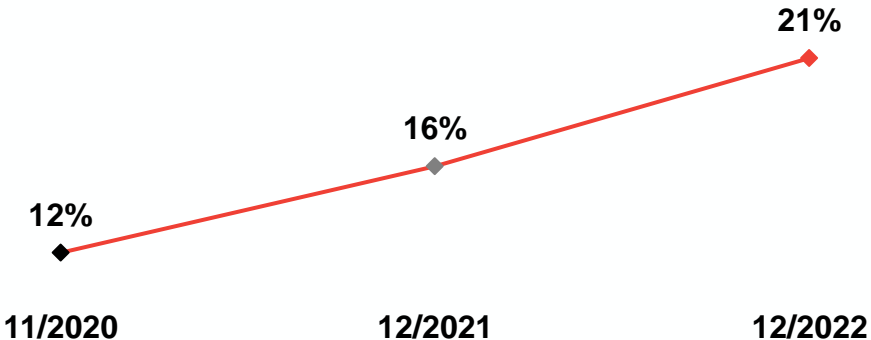
Brand awareness and consideration of Puuilo is growing – still a lot of growth potential

Puuilo's brand awareness

**Aided brand awareness –
Recognize at least by name**

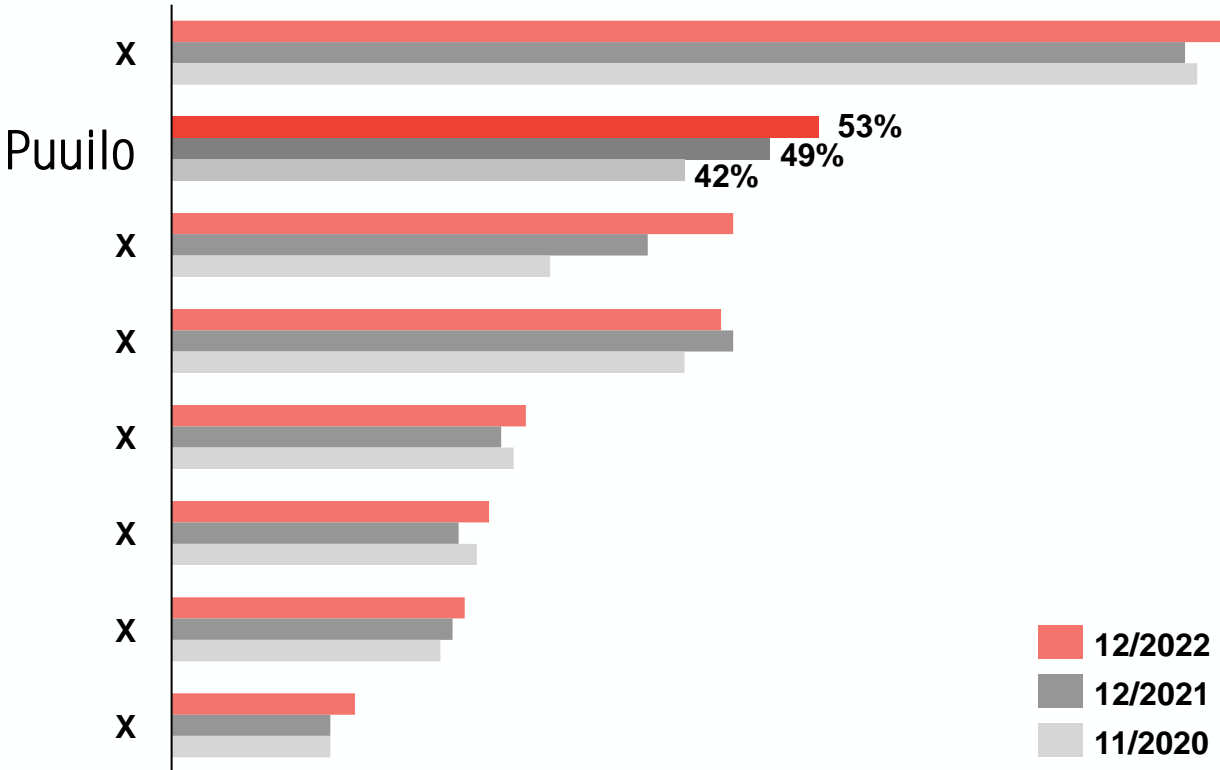


**Spontaneous brand awareness –
Which discount stores do you remember?**



Puuilo's consideration

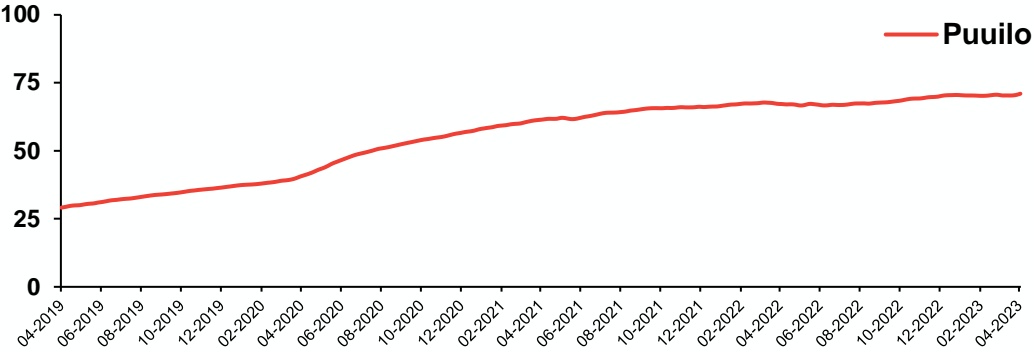
**Which discount store do you prefer to shop at?
What other stores would you also consider?**



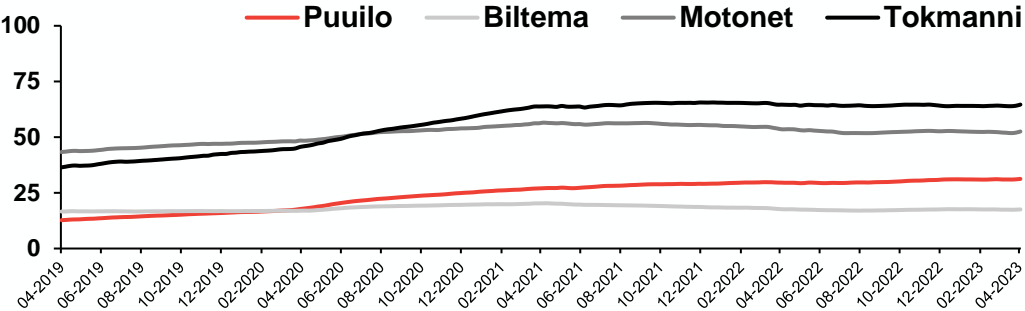
Source: Research commissioned by Puuilo from a business management consulting company in December 2022. (n1000)

Increasing brand awareness

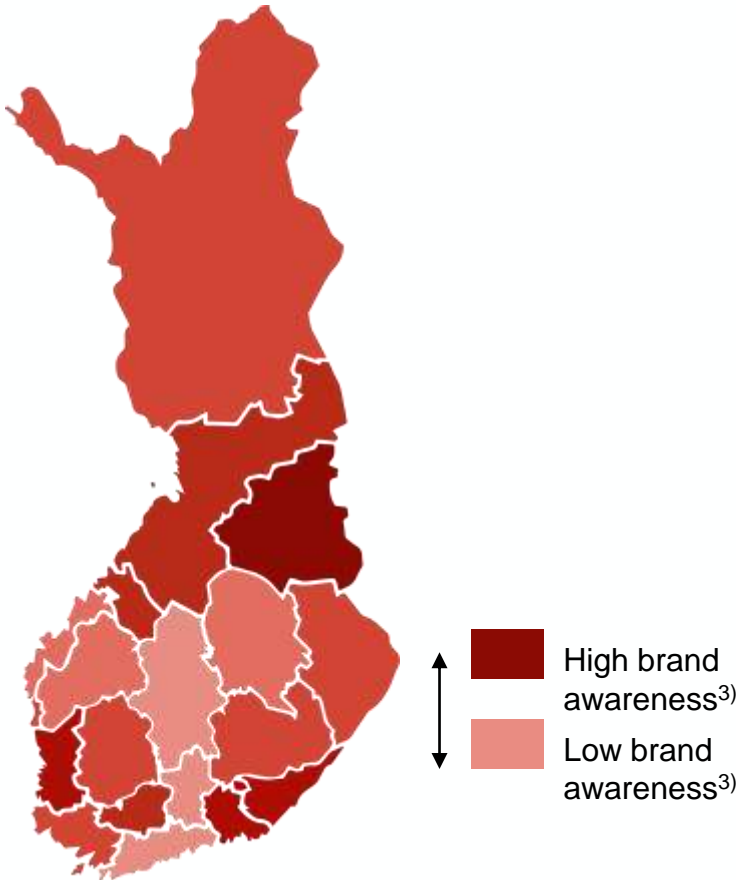
Last 4-year internet search history¹⁾



Puuilo vs. peers internet search history²⁾



Untapped potential in large economic areas³⁾

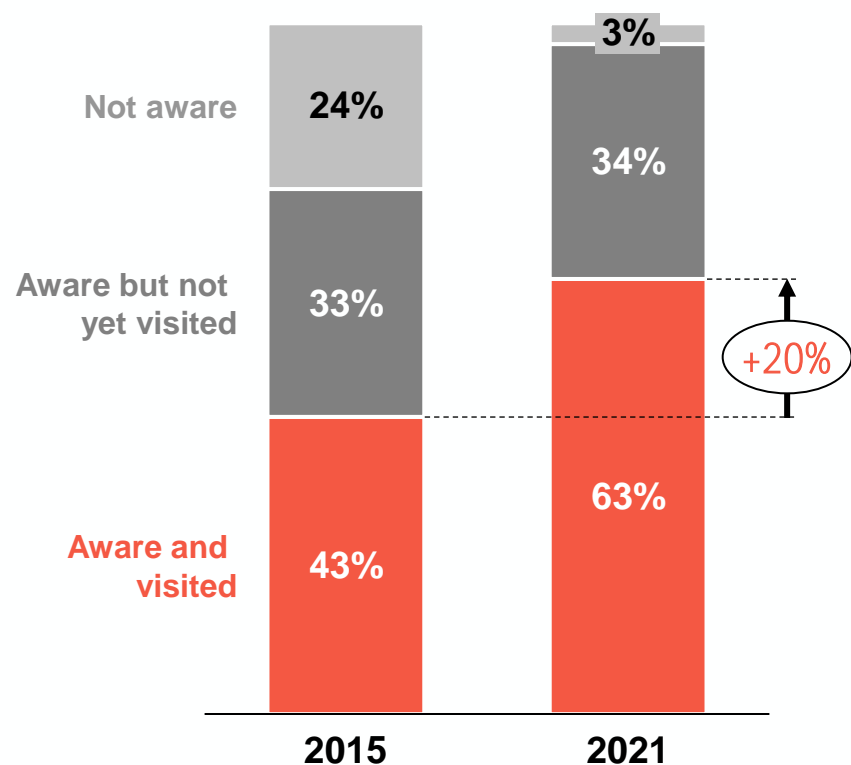


1)Data based on Google Trends analysis as of 13/04/2023 from time 4/2019-4/2023, moving 12-months average. All figures presented are in proportion to Tokmanni, with the highest underlying value indexed to 100; 2)Data based on Google Trends analysis as of 13/04/2023 from time 4/2019-4/2023, moving 12-months average.. Highest underlying value indexed to 100; 3) Represents the amount of Google searches in the area and the highest value indexed to 100. The darkest red colour indicates values between 75-100 and the lightest red values between 0-25. Source: Google trends analysis 13/04/2023

Still potential to increase brand awareness

Puulo's brand awareness in consumer surveys

conducted in 2015 and 2021¹⁾



Notes: 1) Retailer survey March 2021 (n=1601)

Source: Puulo's view informed by multiple sources, including company Taloustutkimus, and a study commissioned by Puulo from a global management consulting company in spring 2021

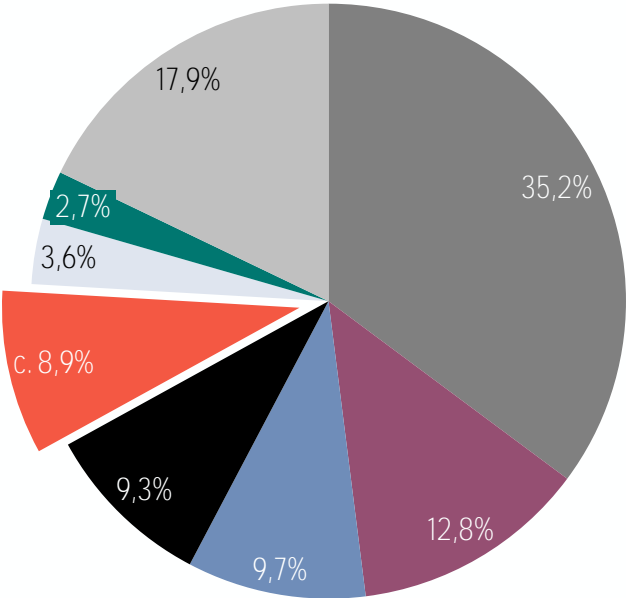
Key commentary

- ✓ Significant room to grow by converting people who have become aware of Puulo but not visited Puulo's stores
- ✓ Spontaneous brand awareness still clearly below level of competitors which indicates further growth potential
- ✓ Brand awareness in important economic areas such as the Helsinki Metropolitan area still below rest of Finland and constitutes a large untapped market
- ✓ Scalable marketing investments which are expected to improve in the future

Market overview

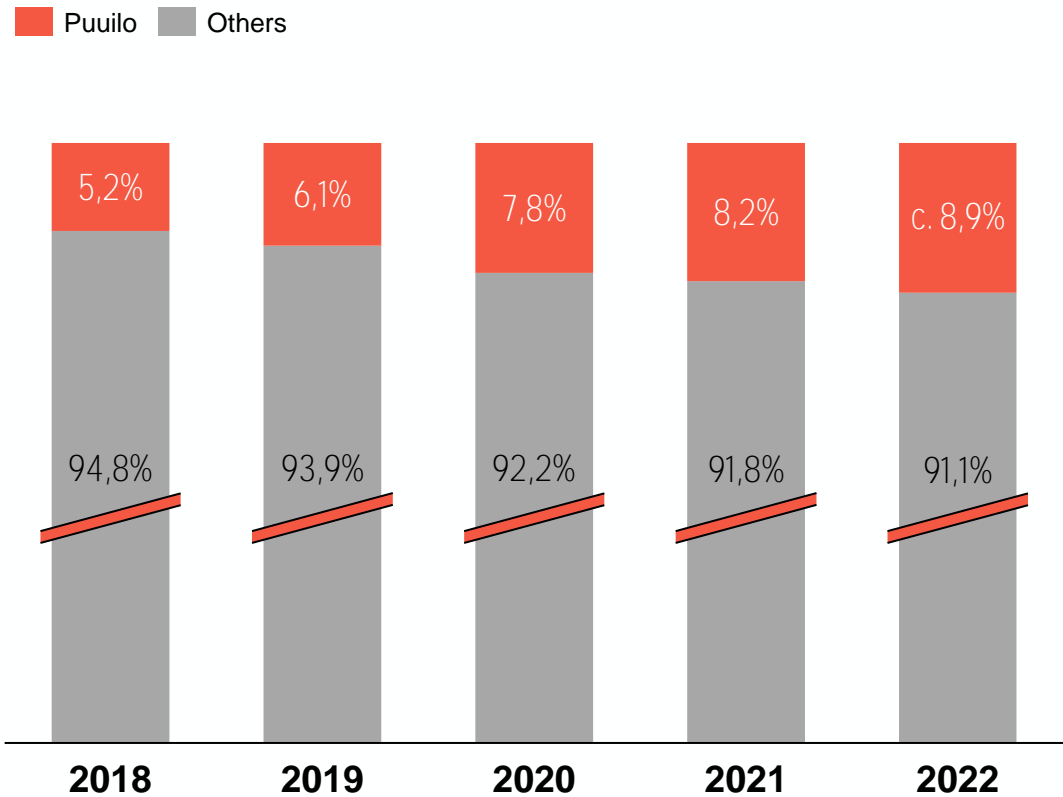
Puulo's market share has continuously improved in the recent years

Finnish discount retail market in 2022



Finnish discount retail market estimated at c. **€3.3b³⁾** in 2022

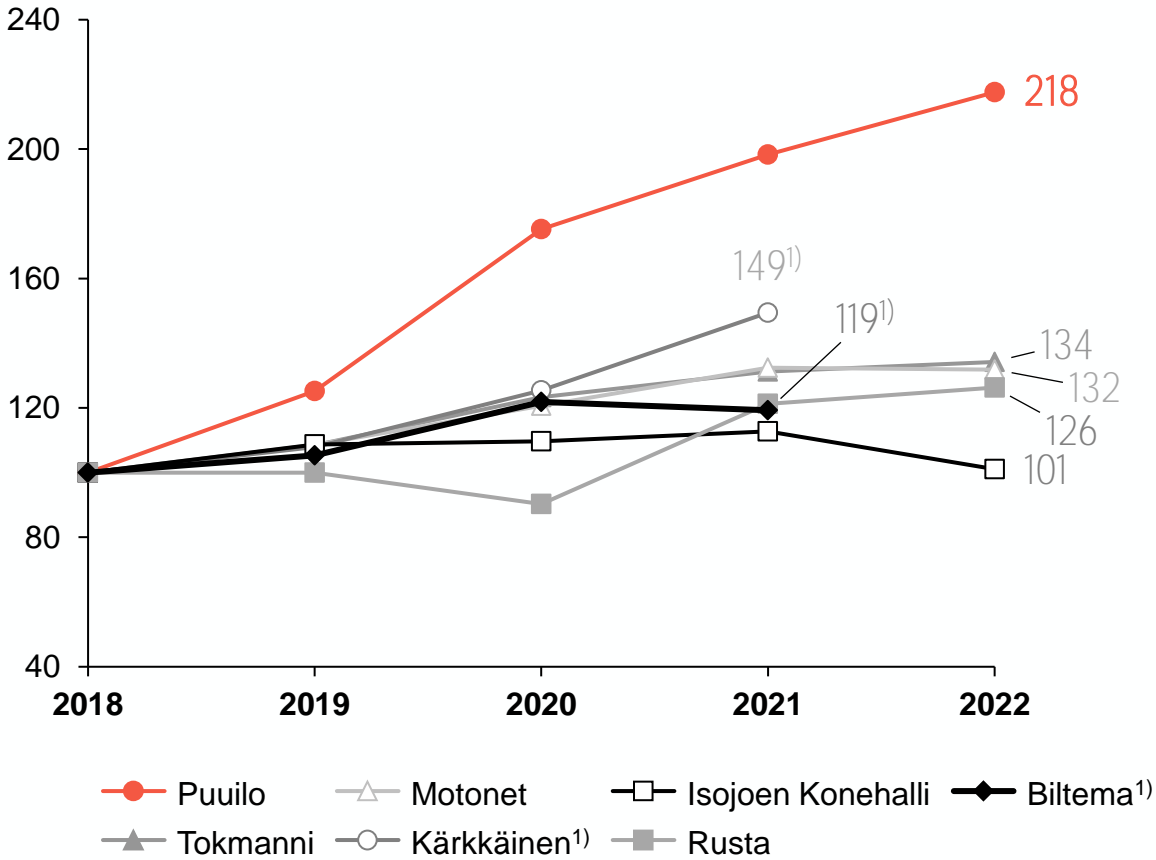
Puulo's market share development 2018-2022



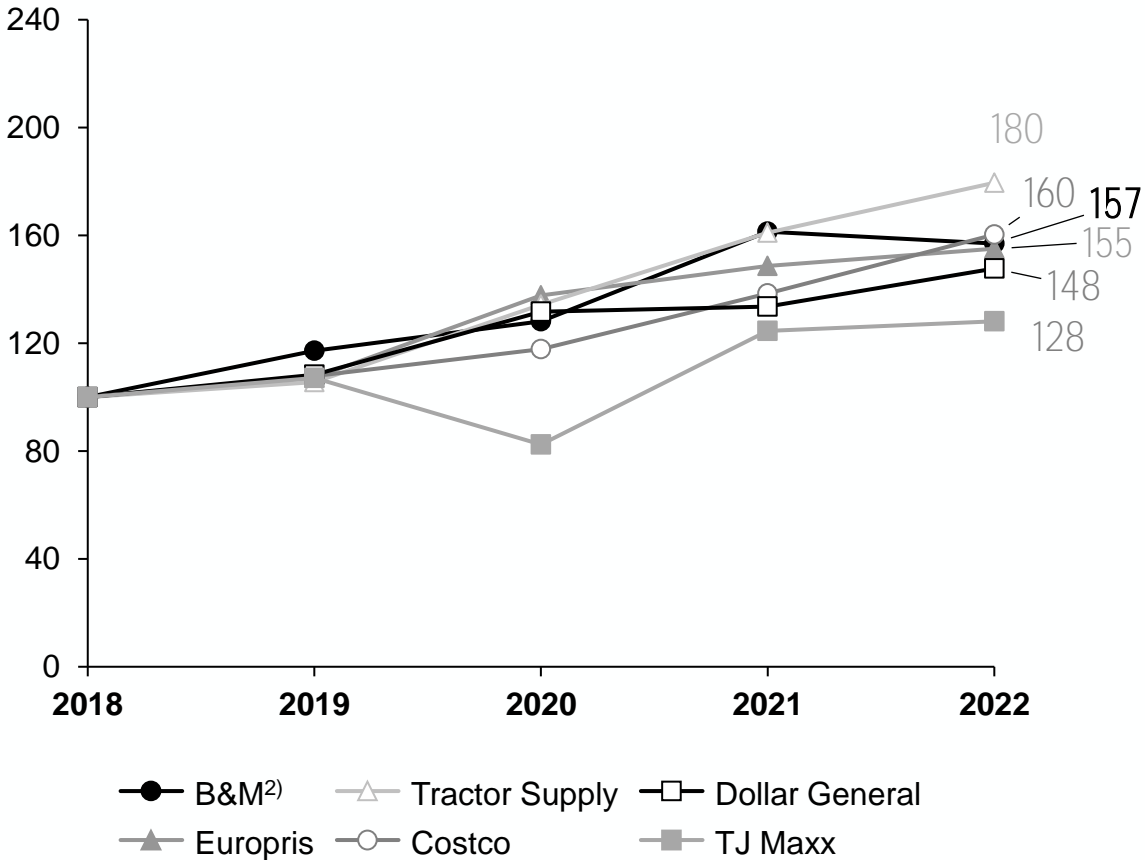
Notes: 1) Actuals not available for 2022, 2021 net sales used for approximating market shares 2) "Others" category consists out of the following companies: Veljekset Keskinen konserni, Rusta Finland Oy, Clas Ohlson Oy, Vaalimaan Kauppakartano Oy, Löytötex Oy, Tampereen Säästötex Oy, Säästäkuoppa Group Oy, Porvoon mikrokulma Oy, Tavaratalo Hurrikaani, BC tuontitukku, Soporaha/Tukkusein Oy. For some of the companies 2022 actuals were not available, 2021 net sales used for these companies. 3) Market size estimated based on available FY2022 net sales of the companies listed in the graph and note 2.

Puilo is among the fastest growing discount retailers in Finland

Finnish discount retailers sales development, indexed (2018 = 100)



Global discount retail sales development, indexed (2018 = 100)



Notes: 1) Actuals not available for 2022 2) Figures for FY2022 ended in March 2022
Source: Company annuals reports

A construction worker wearing a white t-shirt, an orange cap, and black gloves is measuring a red wooden beam on a roof structure. The worker is holding a yellow measuring tape against the beam. The background shows green trees and a clear sky. The text "Financials and performance metrics" is overlaid in white on a semi-transparent dark background.

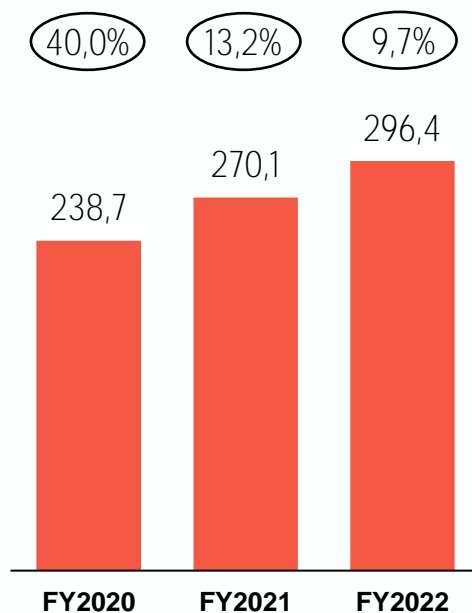
Financials and performance metrics

Financial highlights

Rapid growth

Sales growth

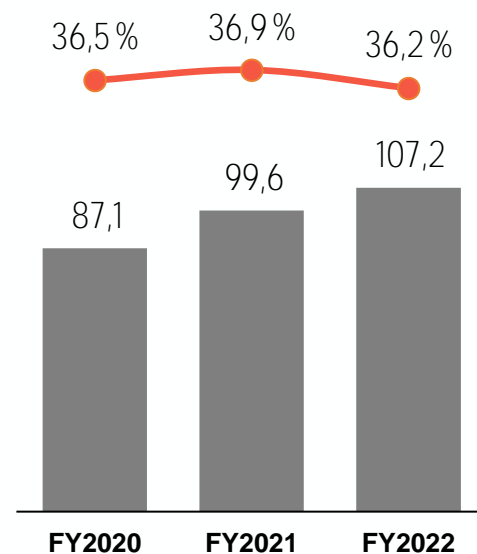
- Net sales (€m)
- YoY sales growth (%)



High profitability

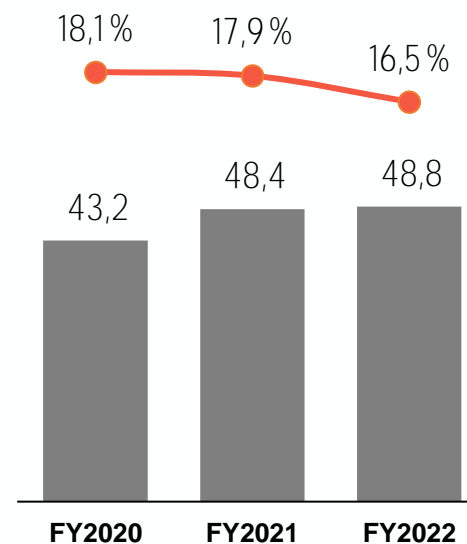
Gross margin development

- Gross margin (€m)
- Gross margin-%



EBITDA development

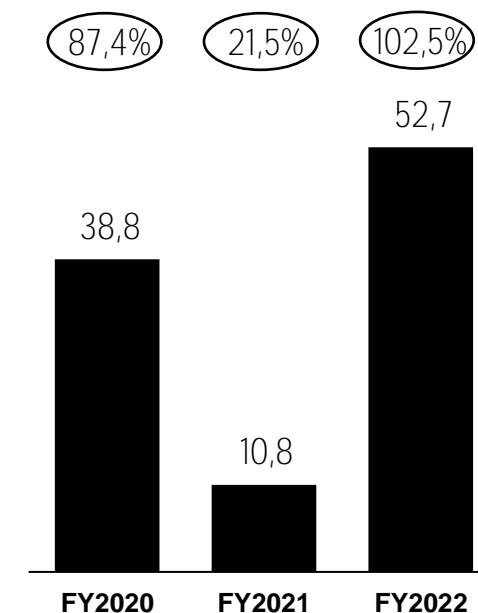
- Adj.¹ EBITA (€m)
- Adj.¹ EBITA margin-%



Strong cash flow

Cash flow development

- Operating cash flow (€m)
- Cash conversion-% (Op.Cf / IFRS16 adj.¹ EBITDA)



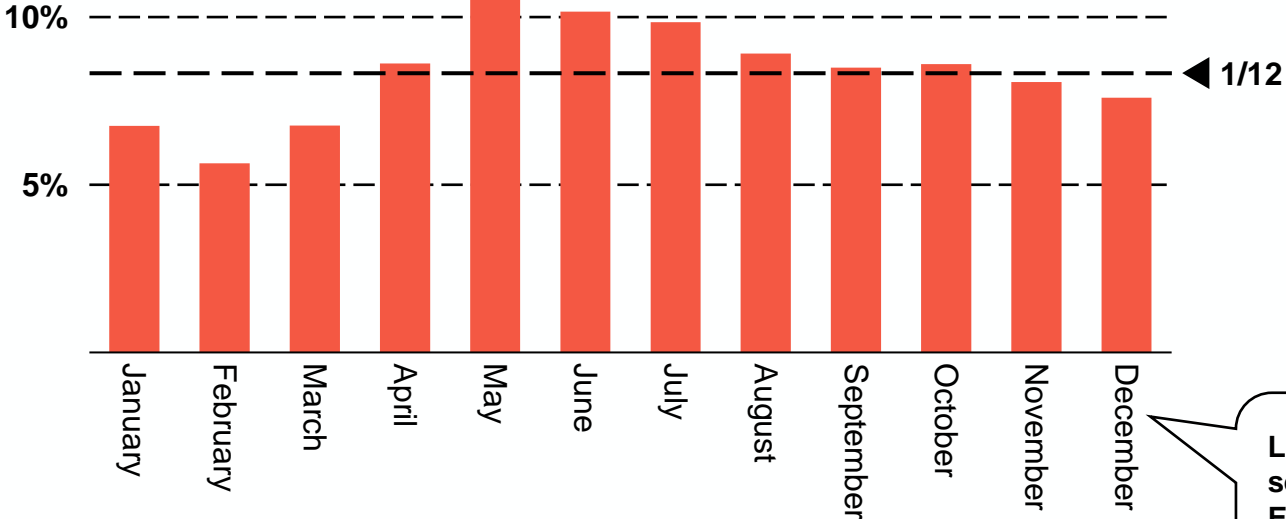
Notes: 1) Adjusted EBITA and EBITDA exclude one-off expenses related to IPO, IFRS16 adjusted EBITDA = adjusted EBITDA + IFRS16 depreciation

Low seasonality – no dependency on e.g., Christmas

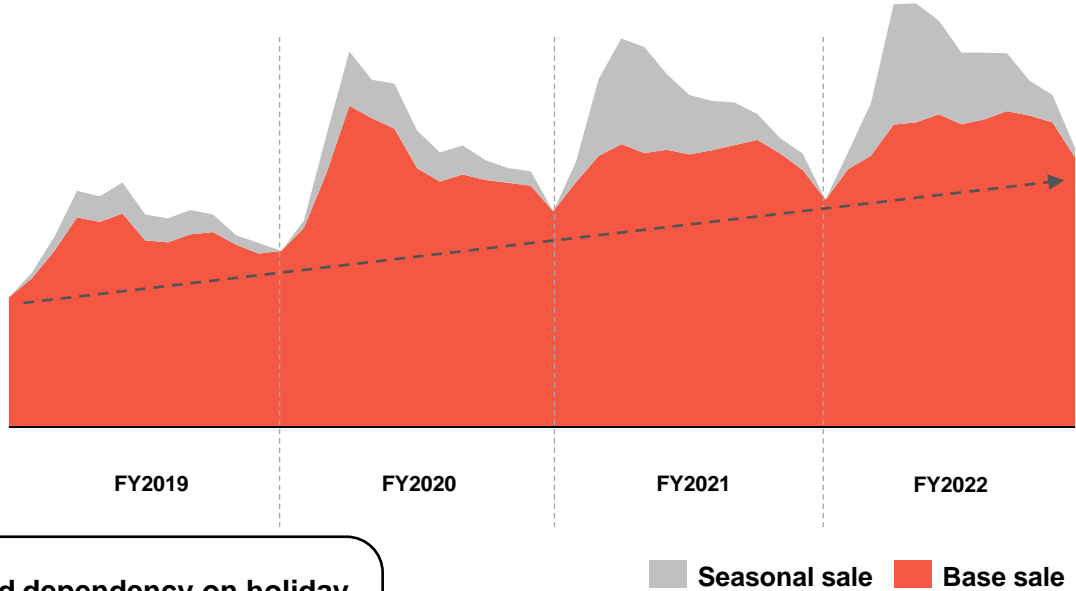
Monthly net sales seasonality

% of the LfL annual group net sales, average for 2020-2022 ¹⁾

Steady contribution over the year.
Similar profile between the years.



+ STRONG AND NON-CYCLICAL BASE SALE THROUGH SEASONS! ²⁾

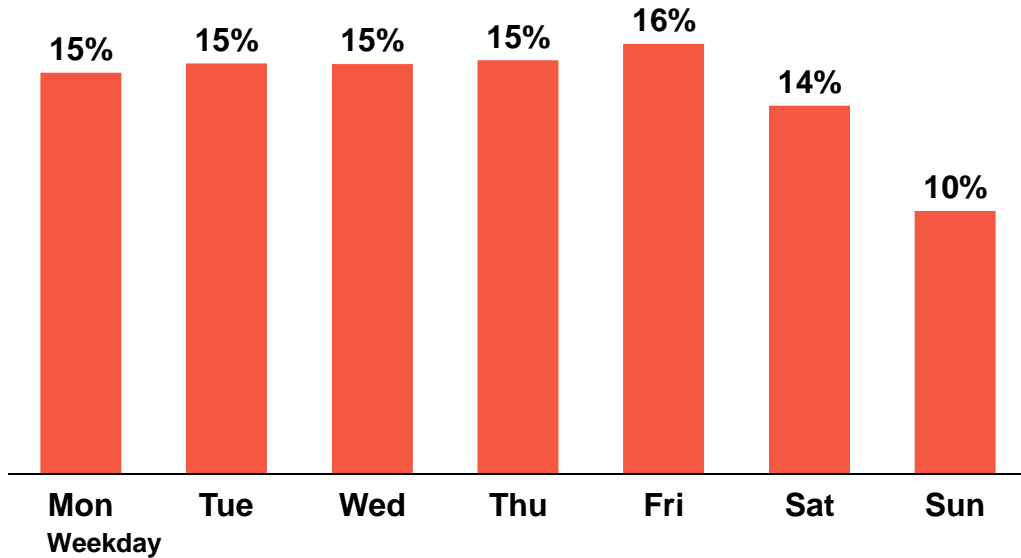


Limited dependency on holiday seasons, e.g. Christmas, Easter, Black Friday

Notes: 1) LfL stores excl. E-com; unaudited monthly figures 2) Total sales. Seasonal sale is based on the management estimate of product groups whose sales are seasonal; unaudited monthly figures

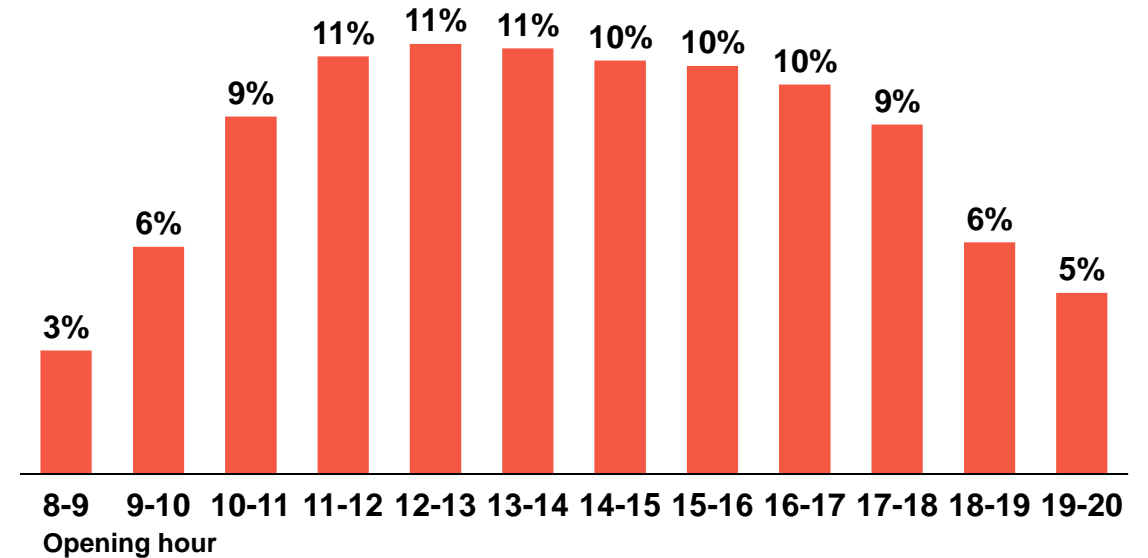
Very favourable sales distribution among weekdays and opening hours

Sales distribution by weekday ⁽¹⁾



- ✓ Trading is less weekend depended. Sales are not cyclical within a week
- ✓ Even weekday sales distribution eases store replenishment and logistics processes
- ✓ Even sales distribution across weekdays allows to use personnel resources efficiently during the week

Sales distribution by opening hours ⁽²⁾

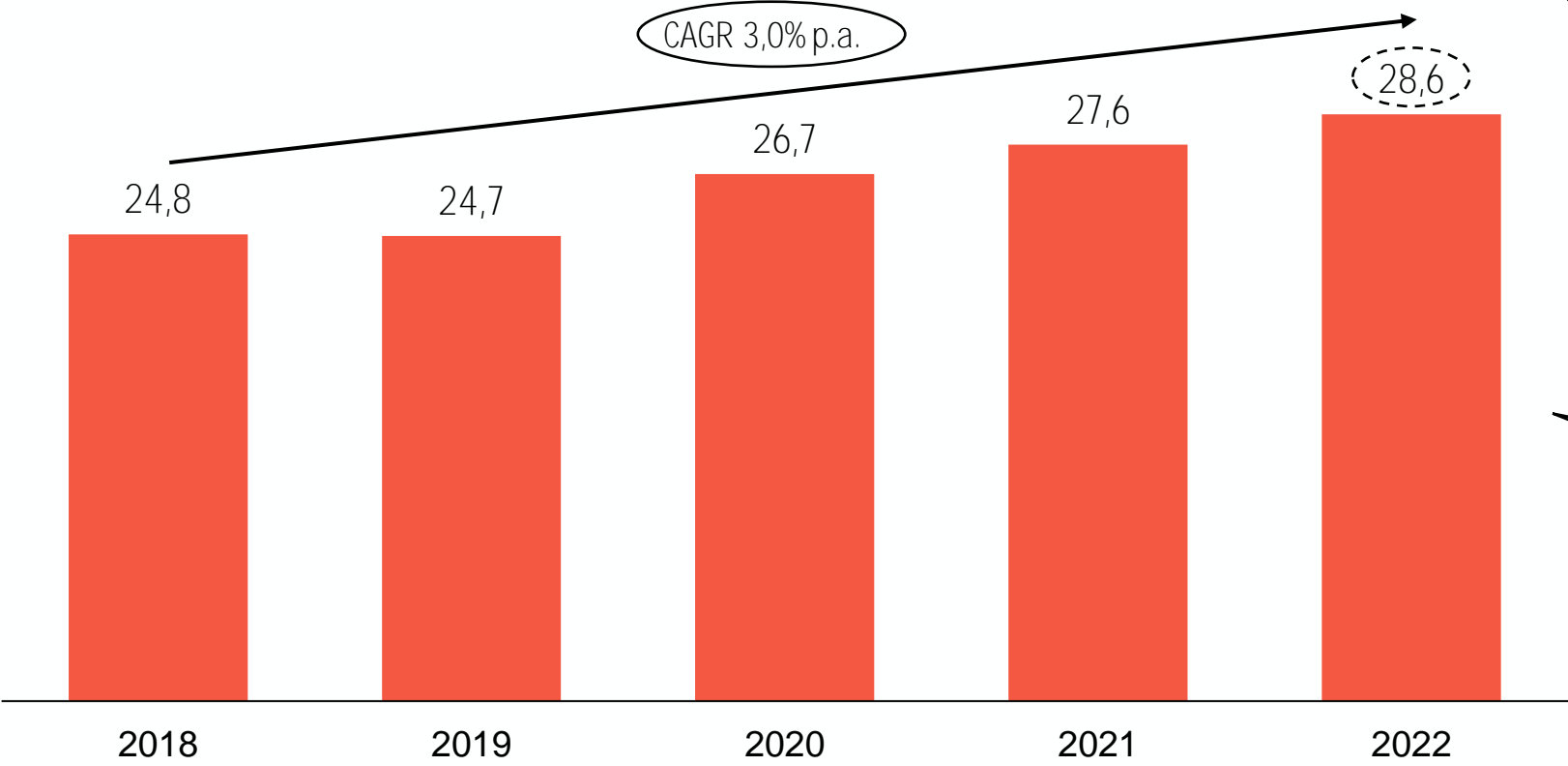


- ✓ Peak sales hours are in the middle of the day “lunch hours”. Sales hours distribution remains same across different weekdays
- ✓ Less morning or evening focused sales gives more possibilities for e.g., efficient work shift planning
- ✓ Middle of the day peak hours indicates fast and convenient shopping experience which is one of the key customer promises

1) FY2022 full year company data, LFL stores excl. E-com. 2) FY2022 full year company data, all weekdays aggregated, LFL stores excl. E-com.

The average customer basket is cheap and consists out of affordable products

Average customer basket development (€)



The average customer basket consists out of approx. 5 products¹⁾

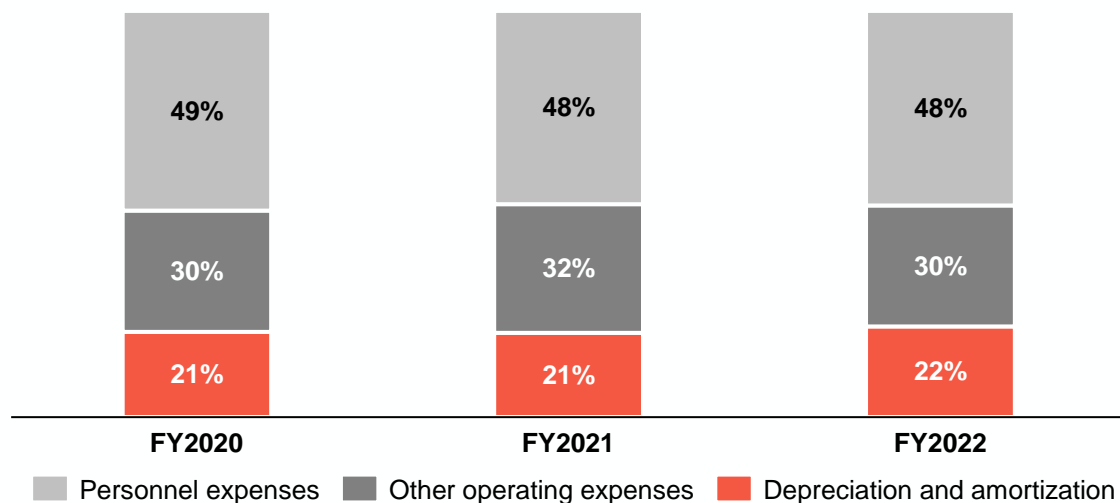
This results in an average price per product of **€5.7**



Notes: 1) Customer basket data for FY2022

Efficient operating model translates into a light cost structure

Operating expense split FY2020-FY2022



€m	FY2020	FY2021	FY2022
1 Personnel expenses	22,7	26,4	29,0
2 Other operating expenses	13,8	17,6	18,0
3 Depreciation and amortization	9,7	11,5	13,5
Operating expenses total	46,2	55,5	60,5
Op.Ex. %-of sales	19,4%	20,5%	20,4%

Commentary

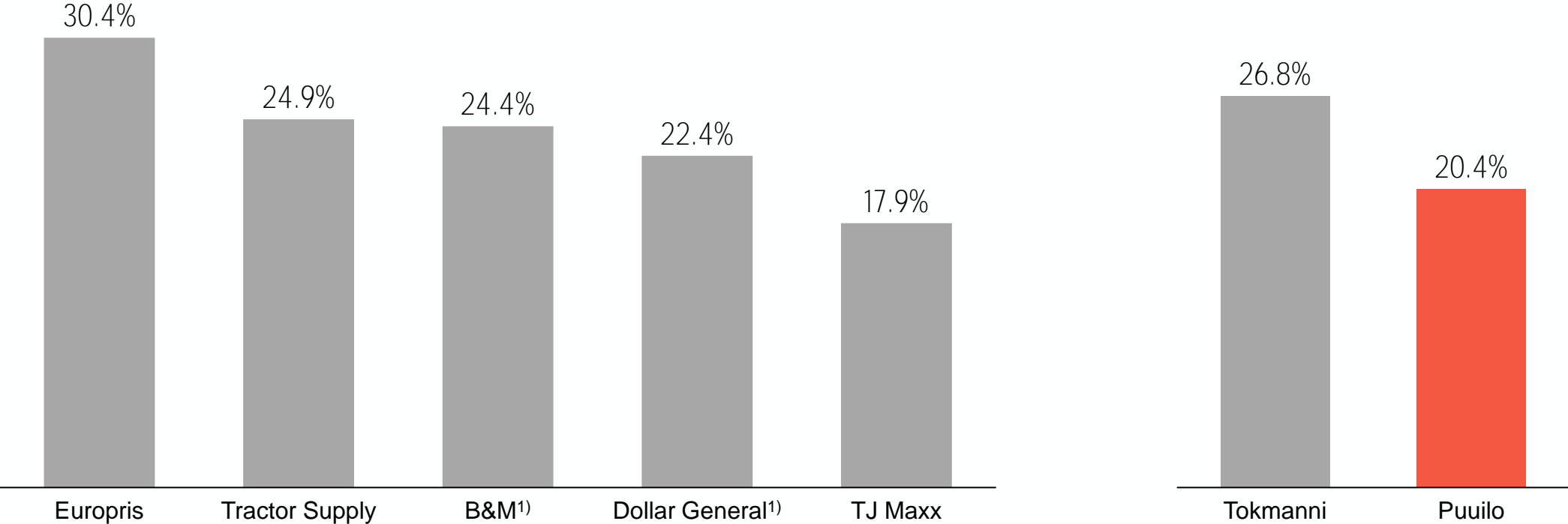
- 1 Personnel expenses are the largest component. Thus, further improvements in e.g., shift planning will have a noticeable impact in operating cost structure.
- 2 Other operating expenses consist out of items related to maintenance of premises, rents, IT-expenses etc. Further cost savings achievable from e.g. more energy efficient stores.
- 3 IFRS16 related depreciation is the main component in D&A. Low capex requirements for new store openings and low maintenance capex translate into low non-IFRS16 depreciation.

Regardless of inflation, operating expenses proportionally decreased in FY2022

Puulo's light cost structure supports high profitability going forward

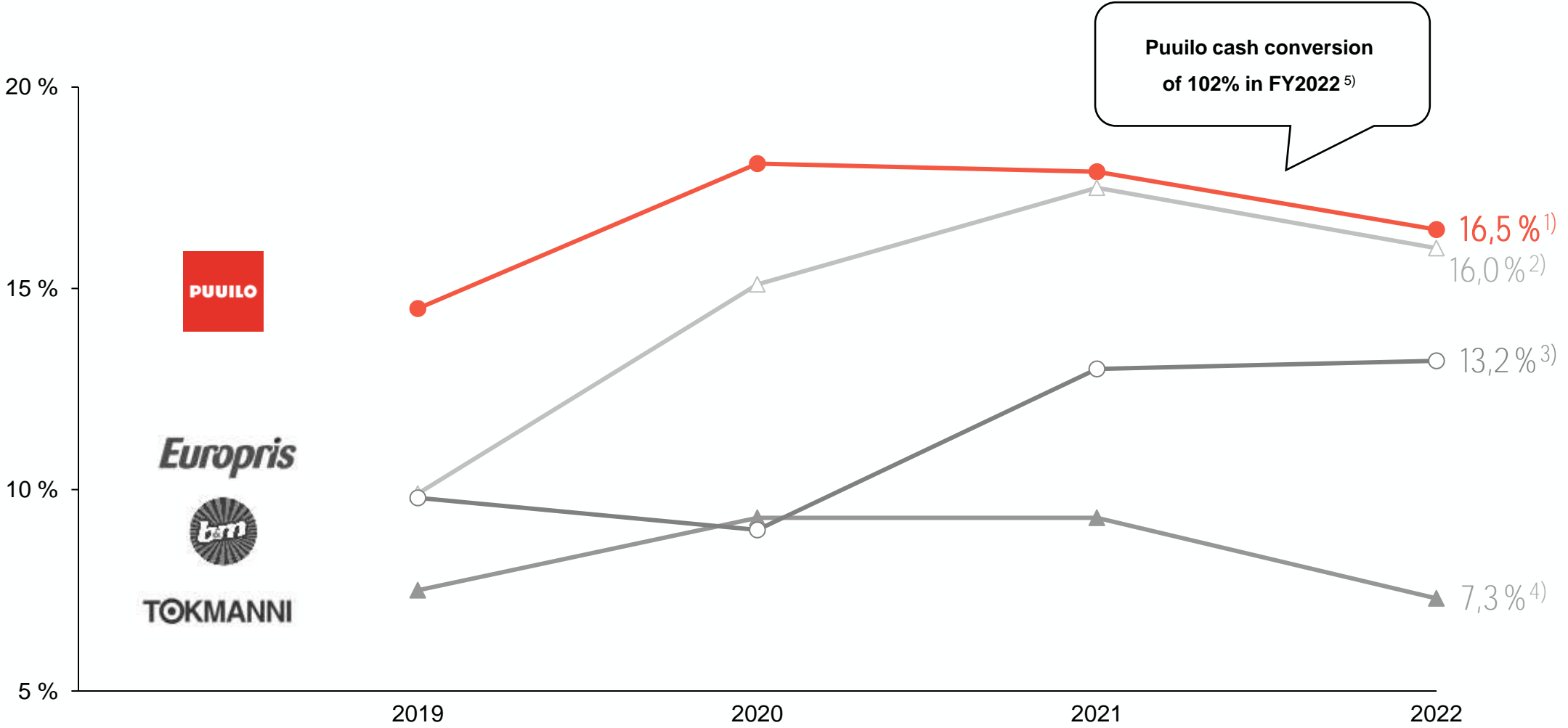
Global publicly listed discount retailers, operating expenses %-of sales FY2022

■ Operating expenses (incl. D&A) %-of sales



Notes: 1) Figures for FY2022 ended in March 2022
Source: Company annual reports

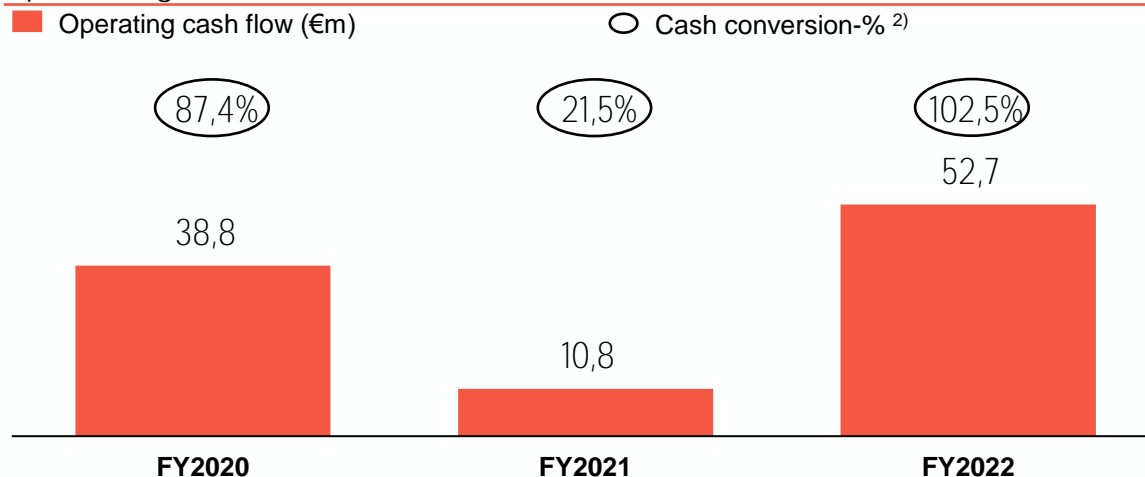
Puilo has evidenced continuously higher margin vs listed peers



Notes: 1) Adjusted EBITA; 2) Adjusted EBIT as the company does not have PPA Amortization; 3) Financial year ending in March ie. FY2022 ending in 3/2022 – Adj. EBITDA less depreciation on property, plants and software; 4) Comparable operating profit (adj. EBIT) 5) Average of FY2020-FY2022, Cash conversion = OpFCF / (Adj. EBITDA – IFRS16 depreciation)
 Source: Company annual reports

Structurally high cash flow driven by operational efficiency

Operating cash flow and cash conversion



€m	FY2020	FY2021	FY2022
1 Adj. EBITDA ¹⁾	51,8	58,8	61,2
IFRS16 depreciation	-7,4	-8,7	-9,8
IFRS16 Adj. EBITDA	44,4	50,1	51,4
2 Change in NWC	-3,0	-34,9	3,9
3 Capex	-2,7	-4,4	-2,6
Operating cash flow	38,8	10,8	52,7
<i>Cash Conversion</i>	<i>87,4%</i>	<i>21,5%</i>	<i>102,5%</i>

Commentary

- 1** The base of strong cash flow is high profitability driven by operational efficiency
- 2** Inventory is the largest item driving change in NWC. During FY2021 inventory levels were purposefully increased to accommodate new store openings and to ensure future availability amid Covid-19 related supply chain issues.
 - During FY2022 several initiatives were launched to increase efficiency in inventory management, e.g. Relex. Results are already seen in the NWC level for FY2022.
- 3** Efficient new store opening process and light maintenance capex result in low overall capex

Notes: 1) Adjusted EBITDA excludes one-off expenses related to IPO 2) Cash conversion-%=Op.Cf / (Adj. EBITDA- IFRS16 depreciations)

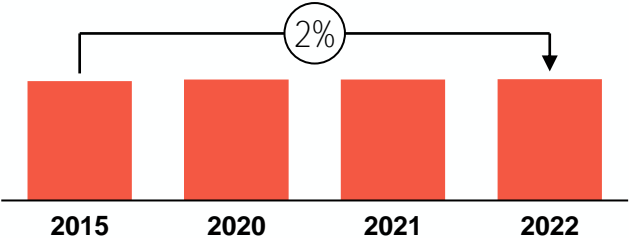
Cornerstones of Puuilo concept

Significant increase in assets that require fixing and maintenance for years to come

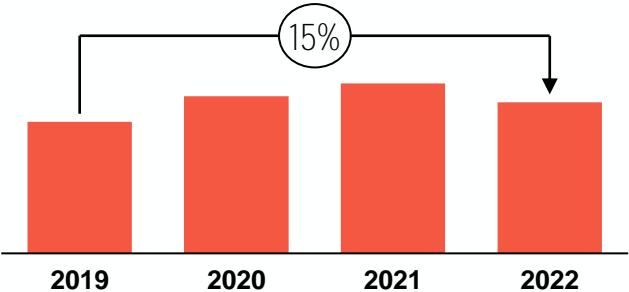
Selected examples



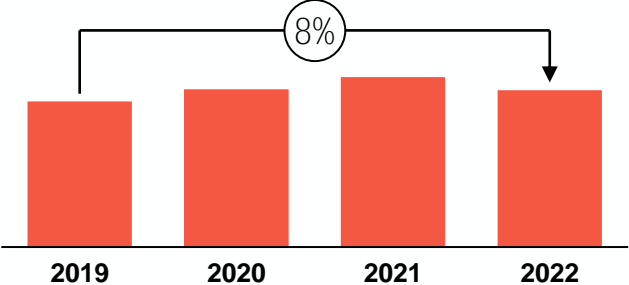
Free-time properties



Boat first registrations



Registered dogs



Supplies will continue to be needed for greater amount of assets. Fixing and maintenance will continue!



Source: Free-time properties: Statistics Finland; Boat first registrations: Traficom; Registered dogs; Suomen kennelliitto.

In FY2022 half of total sales¹⁾ consisted out of products cheaper than €20

	Examples of products	Share of total sales	Share of sales volume
<p>Low price point</p> <p>Prices below €20</p>			
<p>Medium price point</p> <p>Prices between €20-100</p>			
<p>Higher price point</p> <p>Prices above €100</p>			

Notes: 1) FY2022 total sales for all stores, including web stores

Private label offering is an integral and growing part of Puuilo's concept

Examples of successful private label families

tamforce®



- ✓ Tamforce is Puuilo's first private label product family launched in 2012
- ✓ Currently has more than 400 different products especially in building and tools categories
- ✓ Large product family with well-known brand provides easy platform for future launches

PITSTONE®



- ✓ Pitstone first product launched in 2018
- ✓ Focused on more expensive welding category
- ✓ Sales has developed well historically, further potential as brand awareness increases

Luulea®



- ✓ Luulea first product launched in 2019
- ✓ Inexpensive painting products with short lifecycle
- ✓ Great example of converting a low brand value product category to private label offering

Value of private label brands

✓ Differentiation

✓ Pricing power

✓ Higher margins

✓ Loyalty

Puuilo has private label products in all its main product categories!

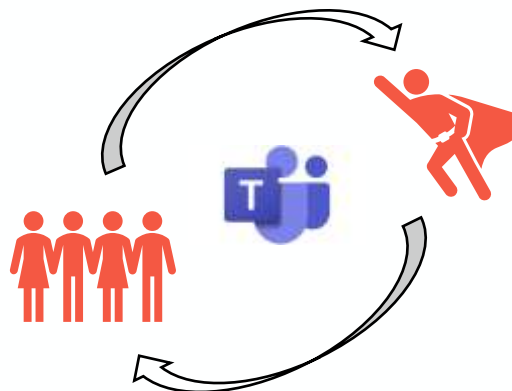
Efficient store operations key factor in profitable concept

Strong store leadership



- ✓ Store manager leads the store staff from floor level which strengthens the employer perception and morale among employees
- ✓ Store manager performance evaluated based on KPIs for both sales and employee satisfaction and efficiency, and rewarded with sophisticated STI system

Efficient in-store management



- ✓ Store manager in charge of daily operations and running the store's practical matters
- ✓ Seamless communication between store staff and management ensures efficient daily operations

Real time reporting and feedback



- ✓ Daily in-store reports on product specific sales and inventory levels enables quick corrective actions
- ✓ Clear channels for customer feedback in order to provide excellent customer experience

Growth strategy

Puulo's strategy cornerstones



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%

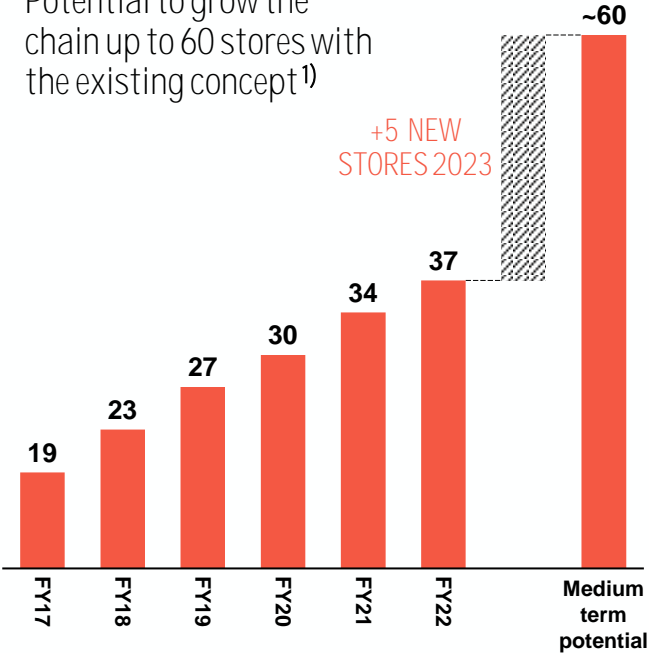
DIVIDEND POLICY

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

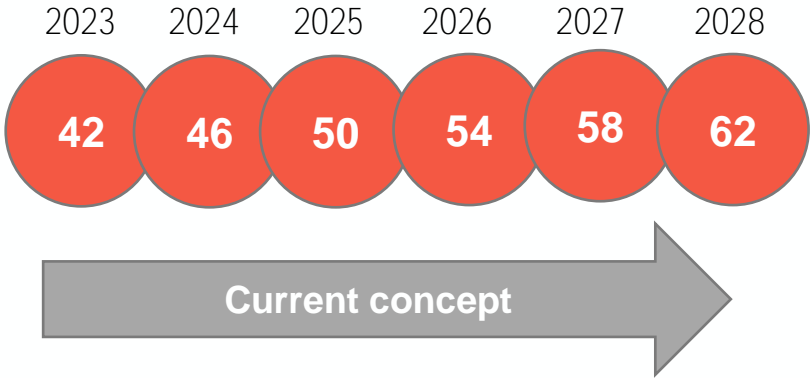
Significant room to expand store network with a proven ramp-up process

STORE NETWORK GROWTH

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



NEW POTENTIAL STORE LOCATIONS¹⁾



There will be growth potential for years to come!

EFFICIENT LAUNCH PROGRAM



Standardized process for new store openings



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

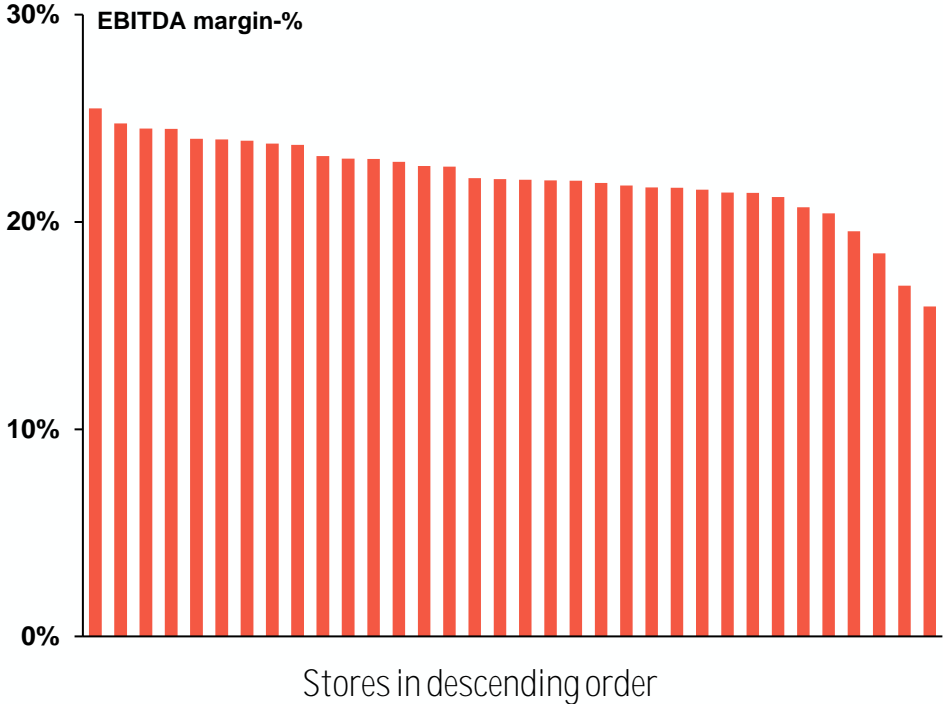


Average new store profitable in first full month after opening²⁾

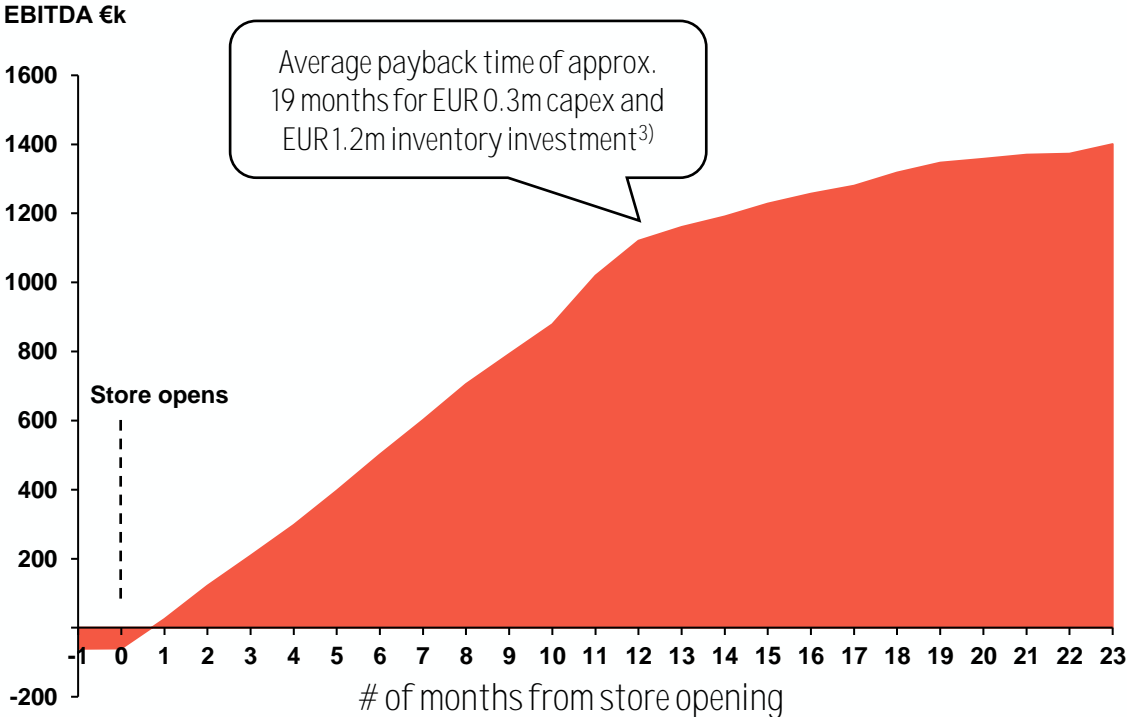
Notes: 1) Management estimate; 2) Based on average of 10 most recent store openings. Based on pricing margin (POS).

All stores are profitable. New stores are EBITDA profitable on average after 1-2 months

FY2022 store EBITDA-margins for all stores¹⁾



Rolling 12-month EBITDA for an average new store opening²⁾

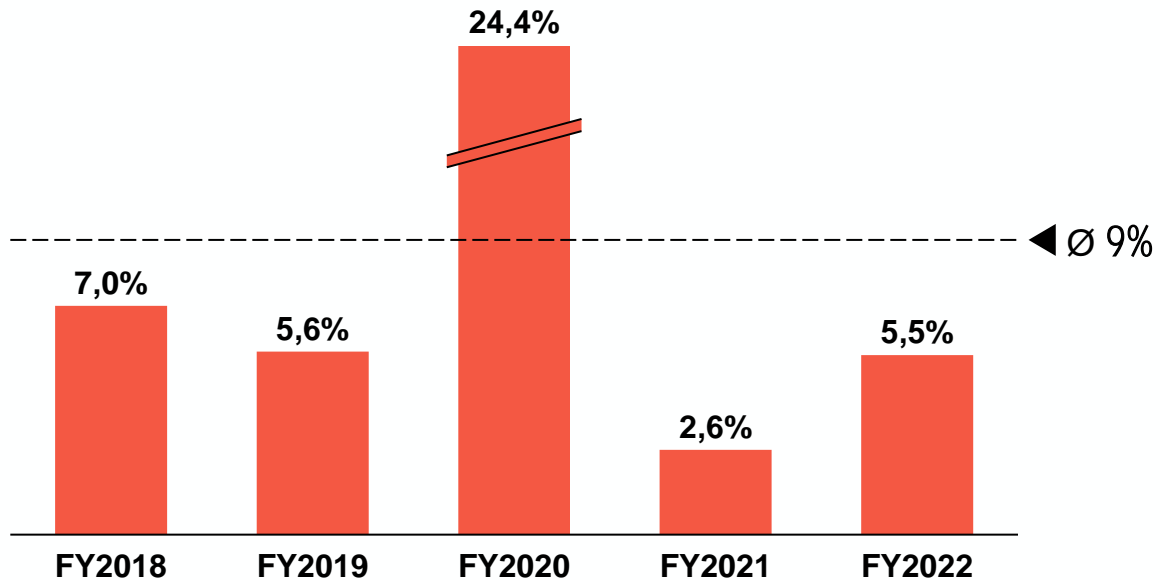


Untapped potential to further improve store level margins e.g. through improving work shift planning!

Notes: 1) FY2022 profitability based on FAS accounting EBITDA, excluding recently opened stores Lieto (opened Jan 2023), Sastamala (opened Sep 2022) and Tornio (opened Nov 2022); 2) Based on average of 10 most recent store openings, excluding stores opened during FY2022: Lieto, Sastamala, Tornio (for dates, refer to note 1). Based on pricing margin and does not include loss of products. 3) Average payback time calculated as the time that cumulative store EBITDA takes to reach initial combined EUR 1.5m investment (Capex + inventory)

High LfL growth driven by traffic growth and increased basket size

LfL sales development¹⁾, FY2018-FY2022



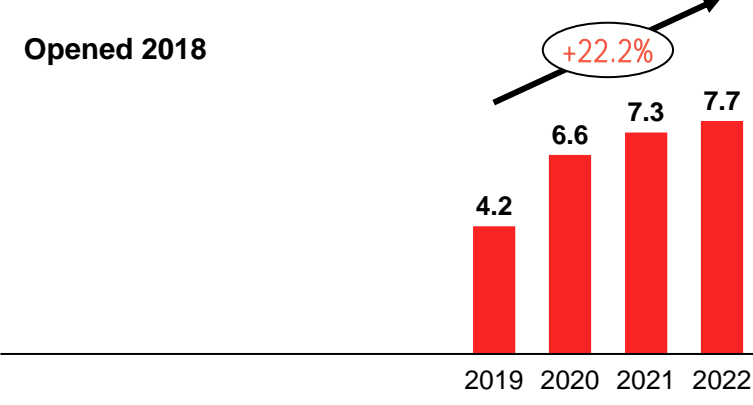
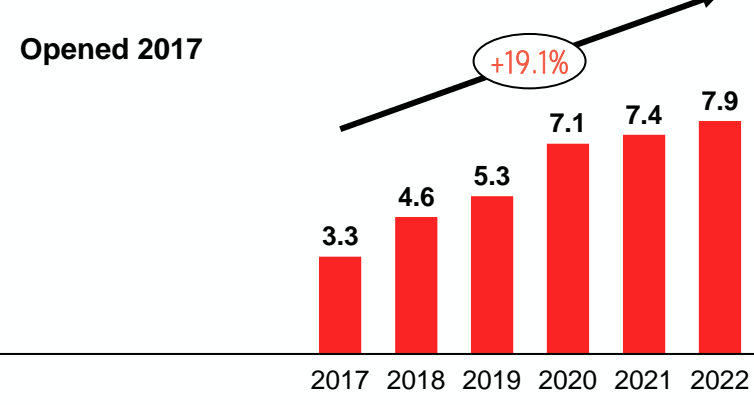
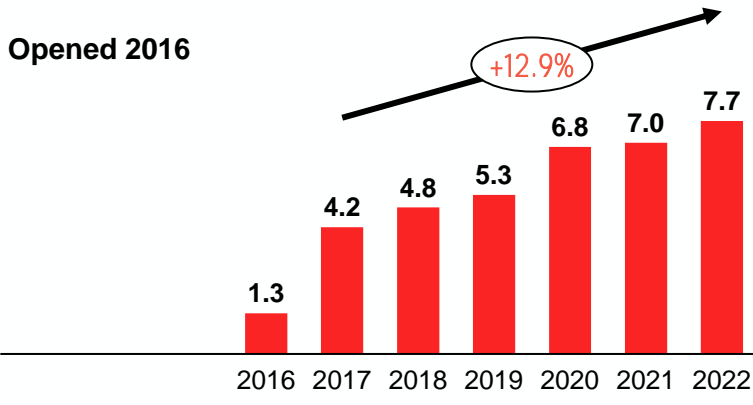
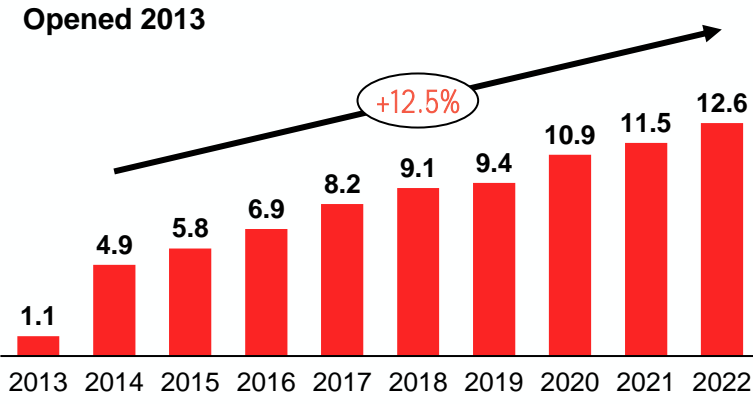
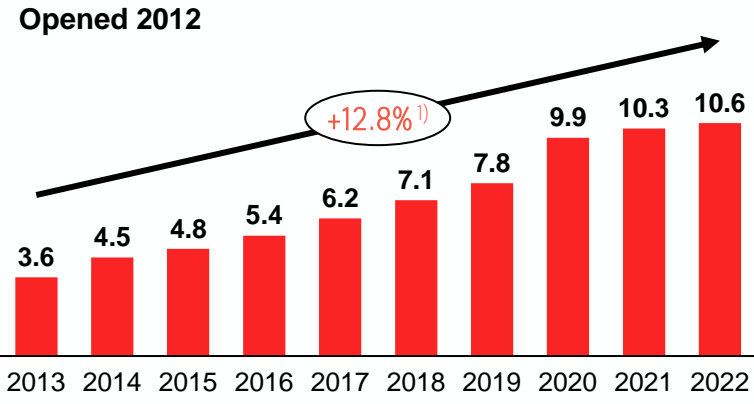
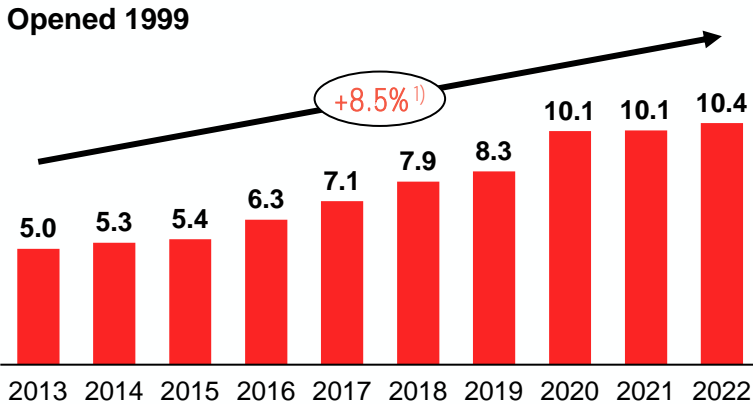
Key LfL growth components

- ✓ LfL growth driven by traffic growth, comprising new and old customers
- ✓ Improved commercial performance in stores due to field management and analysis
- ✓ Step change in brand awareness and new customers during 2020
- ✓ Average basket size has slightly increased in-line with inflation and customer needs related to increasing fixing, maintenance and energy saving

1) FY2022 full year company data, LFL stores excl. E-com.

Robust sales growth regardless of store vintage

Stores performance statistic examples (MEUR) and sales growth CAGR from opening




Note: 1) CAGR from 2013

New store opening process in a nutshell




Screening

- Systematic screening for potential locations in the areas deemed attractive in Puuilo's market analyses
- Strict selection criteria based on:
 - Rent expense
 - Location easily accessible by car and with ample parking space
 - Premise layout and condition




Setting up the store

- Opening of a new store is a seamless joint effort by all Puuilo functions
- The process is carefully planned and standardised, consisting of the following steps:
 - Finalizing the premises, e.g. installing shelves etc.
 - Recruiting key personnel
 - Purchasing and marketing of opening day products



Store opened

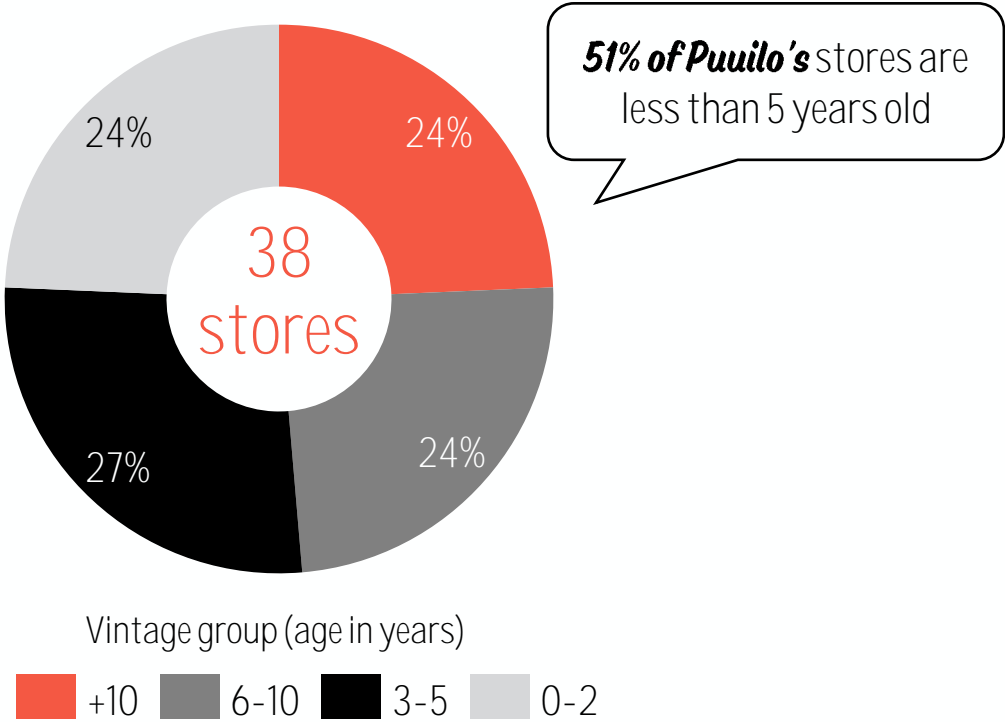
- Final in-store preparations, e.g. shelving the products and last minute alterations to the store layout
- Store opening marketing campaigns
- On average, store opened in **six weeks** from getting access to the premises







Efficient new store roll-out process is the key to retaining profitability while expanding!

Young store network with significant growth potential

Puuiilo store split by vintage as of April 2023



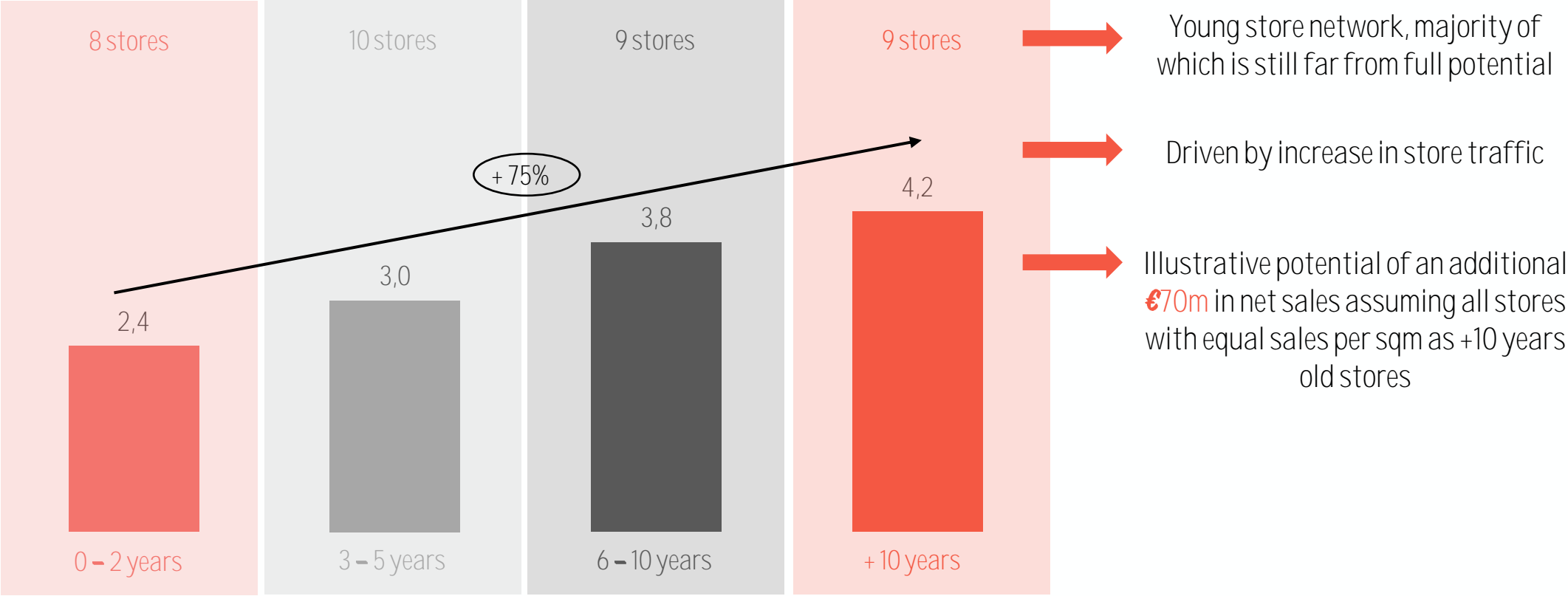
Actions supporting growing store awareness and traffic

-  New store openings expanding geographical reach
-  Continued increases in marketing budget. Proven track record of increasing brand awareness.
-  Targeted marketing efforts for wider customer audience e.g. B2B customers
-  Further differentiation of product assortment from competition

LfL growth continues to be strong even in stores that are 10+ years old!

Strong like-for-like growth driven by increasing store traffic

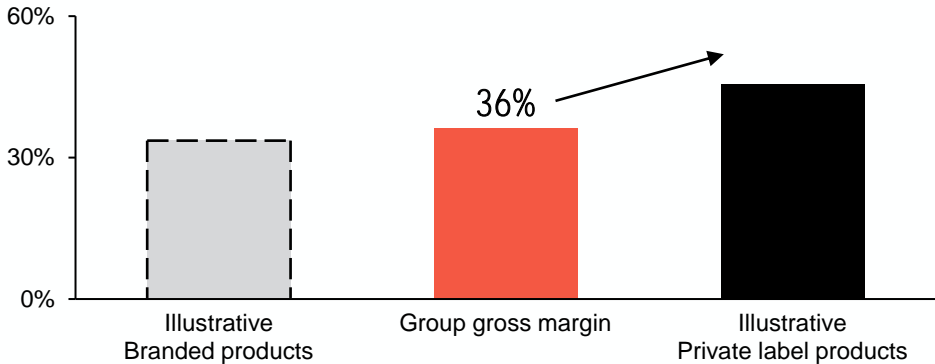
Average store sales for different vintage groups - **€k per sqm¹⁾**



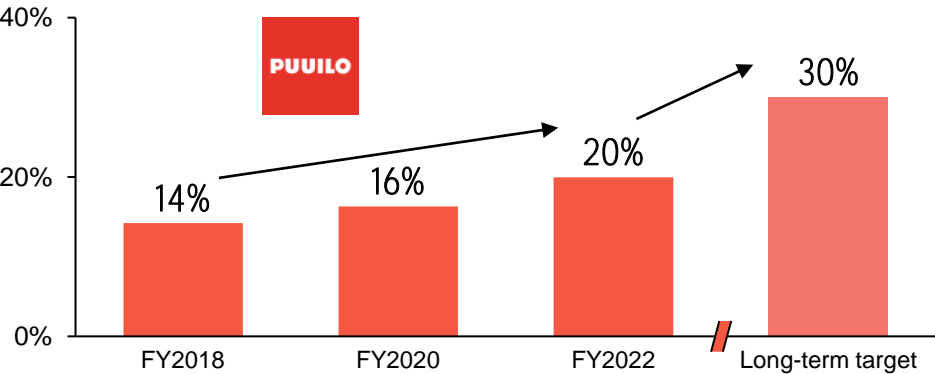
Notes: 1) FY2022 excluding Lieto, which opened in Jan 2023.

Further margin potential from increasing share of private label sales

Gross margin illustration ¹⁾



Private label share of sales



Private labels

TOMBER[®] 
€12,90

tamforce[®] 
€59,90

Nuorkami 
€49,90

tamforce[®] 
€99

Brand alternative

FISKARS[®] 
€49,90

DEWALT 
€159

MUURIKKA 
€79,90

STANLEY 
€149

Sustainability

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.

Strong
growth prospects

1

High profitability
and cash flow

2

Resilient
market
position

3

Q & A



Thank you!