



TIKKURILA

TIKKURILA BUSINESS REVIEW Q1

# Revenue and profitability increased in Q1/2020

- Visibility forward is now weak



# Key takeaways from Q1/2020

## ➤ Revenue increased by +3.0% (+3.6% comparable currencies)

Growth in Russia and Finland, revenue stable in Sweden, despite headwind from the weak Krona. Decline in Poland reflected a strong comparison period.

## ➤ Adjusted EBIT also slightly improved to EUR 8.5 M (8.2)

Positive price/mix development

Currencies had a clear negative impact on profitability in Q1

## ➤ Tikkurila is fully operational

Restrictions did not have a major direct impact on Q1 financials, Liquidity and funding positions are solid

## ➤ Visibility forward is now exceptionally weak

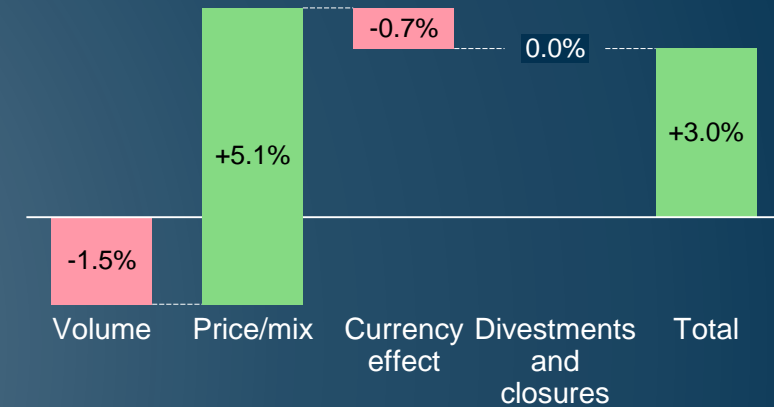
Increasing negative impact on demand expected due to restrictions in coming months, regionally trends will differ



# Key figures – Tikkurila Group

| EUR million                             | 1-3/2020     | 1-3/2019 | Change, % | 1-12/2019 |
|---|--------------|----------|-----------|-----------|
| Revenue                                 | <b>133.0</b> | 129.1    | +3.0%     | 563.8     |
| Excl. currency effects                  |              |          | +3.6%     |           |
| Adjusted operating result               | <b>8.5</b>   | 8.2      | +4.4%     | 46.4      |
| Adjusted operating result margin, %     | <b>6.4%</b>  | 6.3%     |           | 8.2%      |
| Operating result (EBIT)                 | <b>8.5</b>   | 7.9      | +8.4%     | 43.9      |
| Operating result (EBIT) margin, %       | <b>6.4%</b>  | 6.1%     |           | 7.8%      |
| Net result for the period*              | <b>3.8</b>   | 7.4      | -48.9%    | 33.2      |
| Earnings per share (EPS), EUR*          | <b>0.09</b>  | 0.17     | -48.9%    | 0.75      |
| Net interest-bearing debt at period-end | <b>95.6</b>  | 131.1    | -27.1%    | 78.4      |
| Cash and cash equivalents               | <b>70.5</b>  | 17.1     | +311.3    | 47.0      |
| Gearing, %                              | <b>57.5%</b> | 81.7%    |           | 45.6%     |
| ROCE, %                                 | <b>15.8%</b> | 12.1%    |           | 15.4%     |
| Cash flow after capital expenditure     | <b>-17.4</b> | -18.0    | +3.7%     | 52.7      |

The effects of various factors on revenue (y-o-y)



\*Exchange rate differences on internal loans had an adverse impact on net result for the period and EPS.

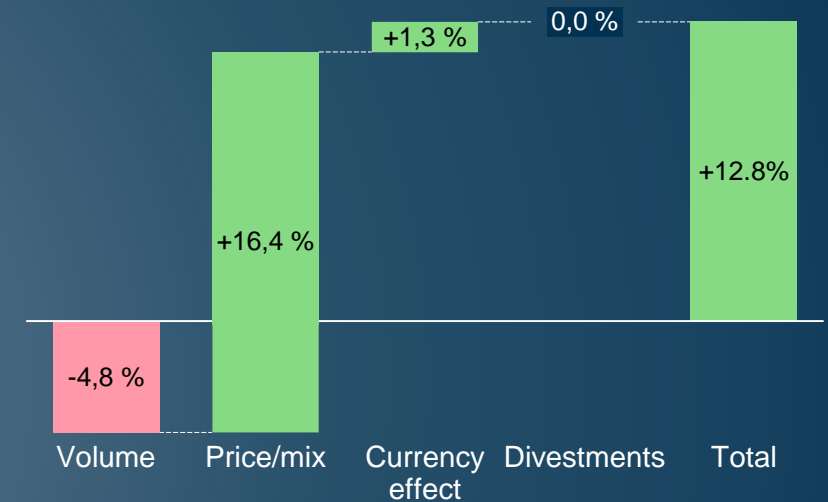
# Key figures – SBU East

| EUR million                         | 1–3/2020 | 1–3/2019 | Change % | 1–12/2019 |
|-------------------------------------|----------|----------|----------|-----------|
| Revenue                             | 36.0     | 32.0     | +12.8%   | 193.8     |
| Excluding currency effects          |          |          | +11.5%   |           |
| Revenue in Russia                   | 27.7     | 21.8     | +27.0%   | 143.6     |
| Adjusted operating result           | -0.9     | -0.7     | -38.0%   | 22.0      |
| Adjusted operating result margin, % | -0.9     | -0.7     | -37.9%   | 20.0      |

## Highlights from January – March

- **In Russia**, revenue increased driven by positive changes in our product mix in decorative paints. Growth was particularly strong in the Moscow region. Sales in DIY stores increased supported by a new DIY retail chain customer.
- The y-o-y change of the Russian Ruble since Q1/2019 had a slight positive effect on revenue growth in SBU East during the first quarter.
- Currencies had a clear negative impact on profitability, especially the Russian Ruble devaluated markedly in March and has remained on the same level after the reporting period.
- Revenue declined in **China** where our exposure is limited.

The effects of various factors on revenue (y-o-y)

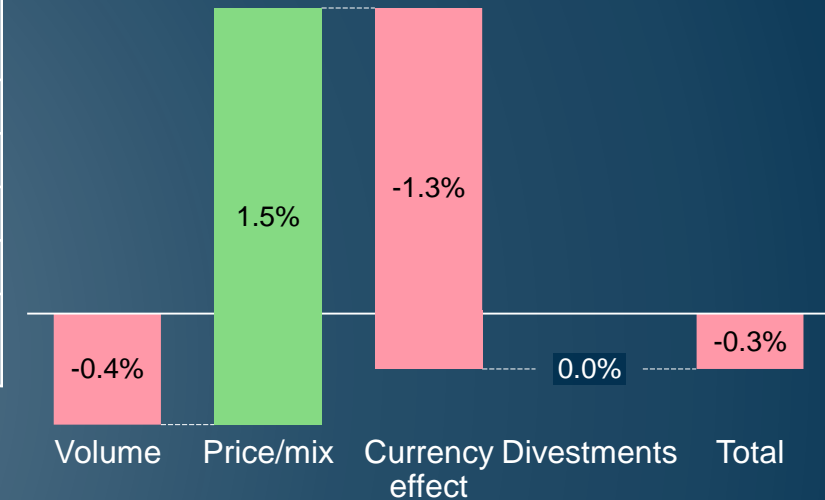


SBU East consists of Russia, Central Asian countries, and China. Furthermore, SBU East is responsible for the exports to more than 30 countries. The figures on the graph have been independently rounded, which should be taken into account when calculating total figures.

# Key figures – SBU West

| EUR million                         | 1-3/2020 | 1-3/2019 | Change % | 1-12/2019 |
|-------------------------------------|----------|----------|----------|-----------|
| Revenue                             | 96.9     | 97.2     | -0.3%    | 370.0     |
| Excl. currency effects              |          |          | +1.0%    |           |
| Revenue in Sweden                   | 31.0     | 31.2     | -0.8%    | 118.7     |
| Revenue in Finland                  | 27.6     | 26.6     | +3.8%    | 91.1      |
| Revenue in Poland                   | 21.4     | 23.6     | -9.0%    | 89.4      |
| Adjusted operating result           | 10.4     | 10.6     | -2.0%    | 30.7      |
| Adjusted operating result margin, % | 10.4     | 10.5     | -1.1%    | 30.4      |

The effects of various factors on revenue (y-o-y)



## Highlights from January – March

- **In Sweden**, revenue was close to previous years' level driven by sales of exterior paints which improved compared to the previous year. Revenue from wood industry paints was in strong growth supported by Tikkurila's new competitive product portfolio. Sales continued to increase also in DIY stores. Weakening Swedish Krona and lower demand in the construction industry had a negative impact on revenue.
- **In Finland**, revenue increased in all main customer segments, in both decorative and industrial paints.
- **In Poland**, business developed as expected as the revenue decline reflected a tough comparison period, during which decorative paint volumes had increased ahead of price increases. Industry sales were at previous years' level, despite continued headwinds affecting the Polish export sector in general.
- Currencies had a clear negative impact on profitability.

SBU West consists of Sweden, Denmark, Norway, Finland, Poland, Estonia, Latvia, and Lithuania. For 2018, Germany is presented in SBU West. In 2019, after closing the activities of Tikkurila's German subsidiary, Germany has belonged to export and is presented in SBU East, but items related to German subsidiary are reported in SBU West during 2019. The figures on the graph have been independently rounded, which should be taken into account when calculating total figures.

# Highlights from Q1/2020

**Profitability** continued to improve

**Revenue** increased by +3.0%  
(+3.6% comparable)

Strong growth in **Russia**, especially in Moscow.  
DIY retail chain won as a new customer.

Revenue increased in **Finland** in  
all customer segments

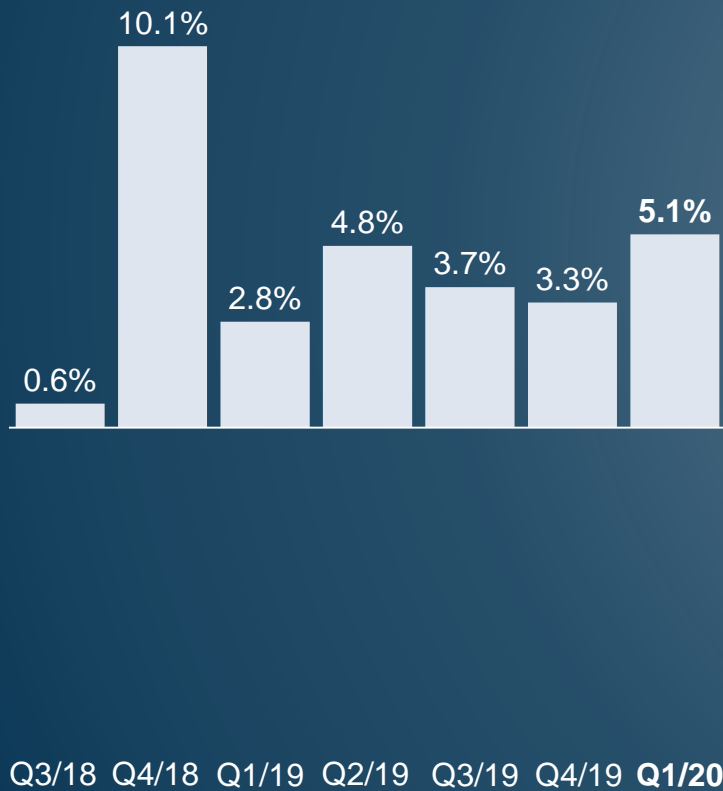
Revenue in **Sweden**  
grew in local currency

In **Poland** revenue decline was expected,  
reflected a strong comparison period

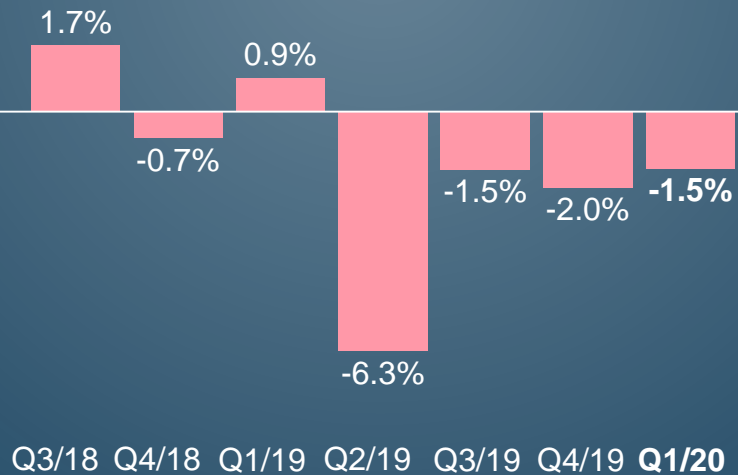
**Currency fluctuation** had a significant  
negative impact on profitability

# Value continues to drive Tikkurila's revenue

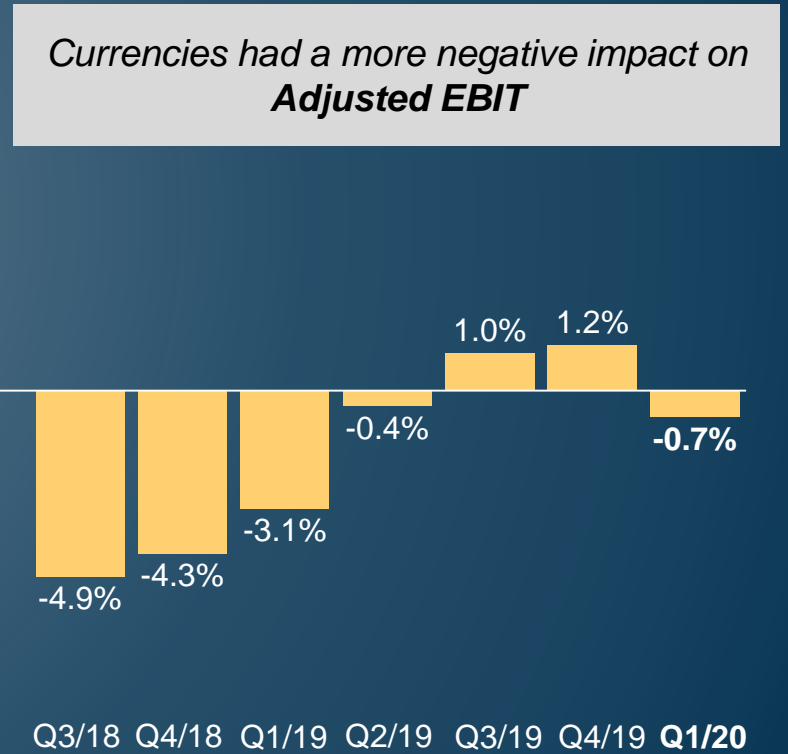
Impact of price/mix on revenue



Impact of volume on revenue


















Impact of currencies on revenue

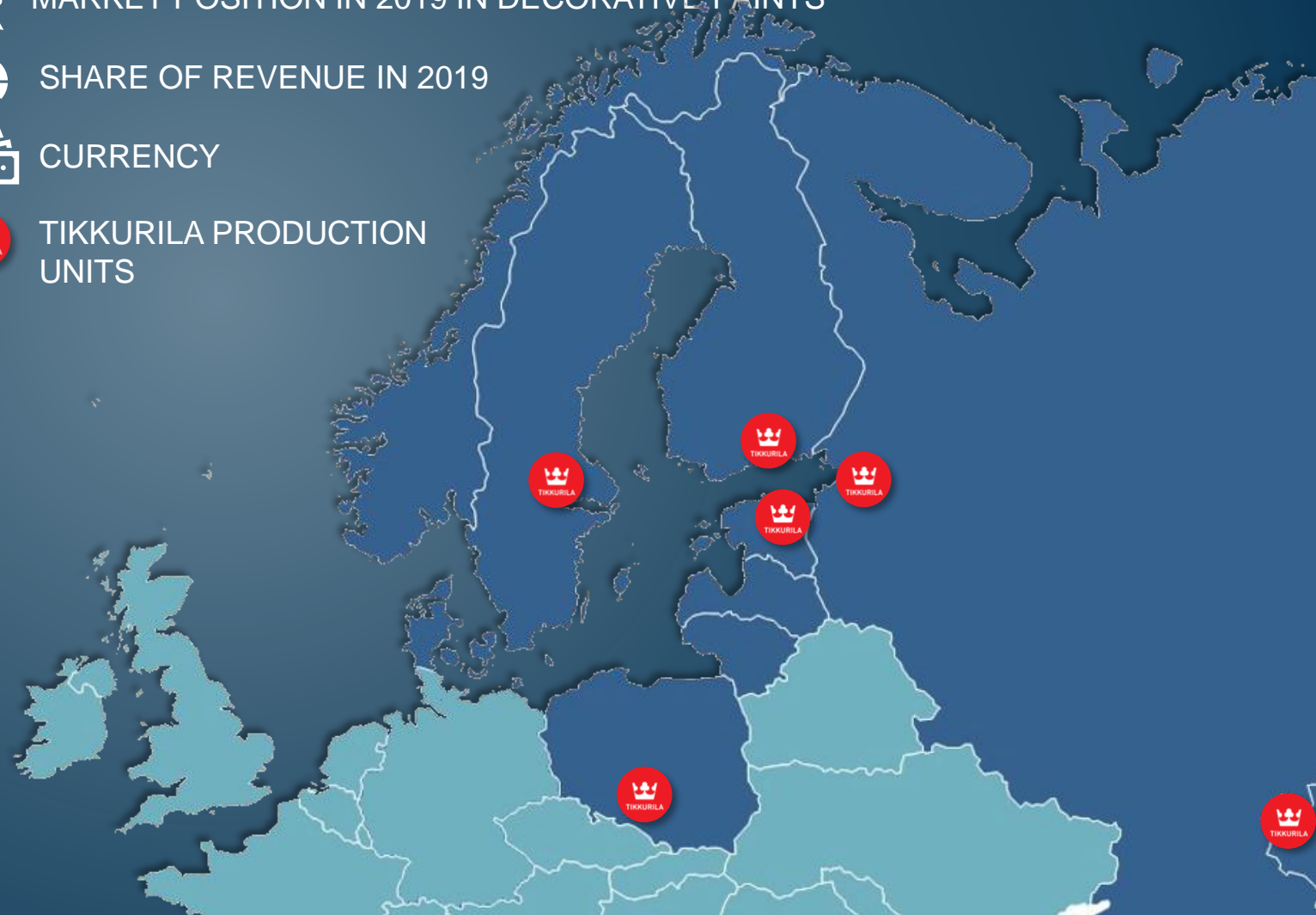


*Currencies had a more negative impact on Adjusted EBIT*

# Restrictions drive market demand during the next months

|   |   |  |  |
|---|---|--|--|
|    | <br>1.   | <br>25%   | <br>RUB   |
|    | <br>1.   | <br>21%   | <br>SEK   |
|   | <br>1.   | <br>16%   | <br>EUR   |
|  | <br>4. | <br>16% | <br>PLN |

-  MARKET POSITION IN 2019 IN DECORATIVE PAINTS
-  SHARE OF REVENUE IN 2019
-  CURRENCY
-  TIKKURILA PRODUCTION UNITS





# Trends differ between customer segments

\* 2019

83% of revenue\*

## Consumers



- ▶ Renovators
- ▶ Decorators
- ▶ Gardeners
- ▶ Home and garden builders

## Professional



- ▶ Contractors & subcontractors
- ▶ Man & Van entrepreneurs
- ▶ Designers
- ▶ Developers & property owners

17% of revenue\*

## Industry



- ▶ Wood industry
- ▶ OEM
- ▶ Protective coatings

## No guidance for 2020

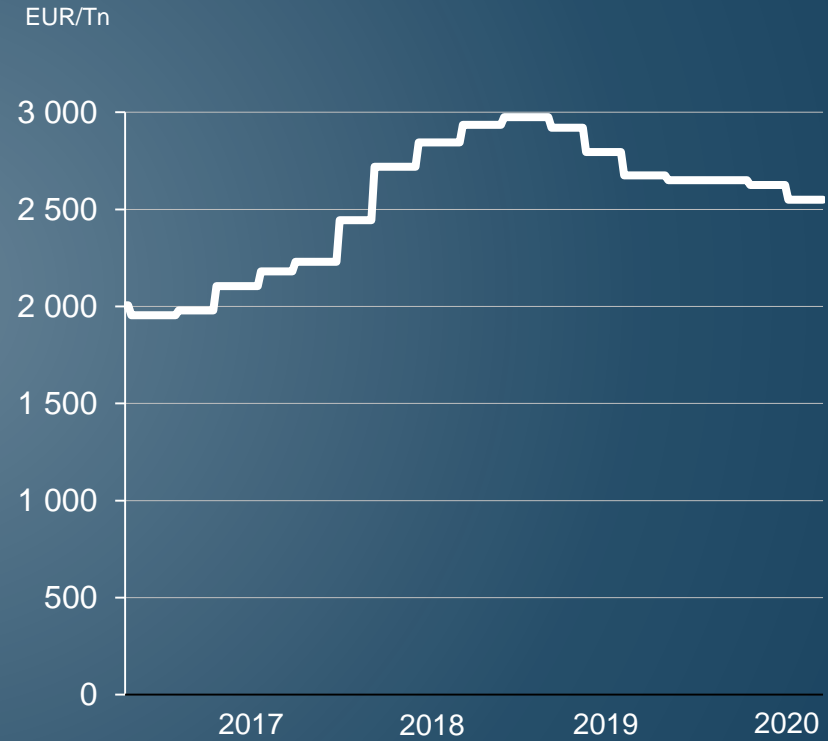
- As announced on March 27, Tikkurila has **withdrawn its guidance** for 2020 due to increased uncertainty and weakened visibility, as the global coronavirus pandemic (Covid-19) and the related local regulation and restrictions are changing Tikkurila's business environment. Management continues to closely monitor the situation.
- The company's long-term financial targets remain unchanged.

# Raw material prices remain volatile

Price development of oil (Brent), 2016-



Price development of titanium dioxide, 2016-



# Management focus during Covid-19



**Health & Safety of employees**



**Customer & supplier relations**



**Daily internal coordination**



**Costs savings & financial controls**



**Digital transformation**



# Additional temporary cost savings implemented

## Savings in fixed costs and investments

Investments prioritized

Travel ban

Marketing campaigns heavily digitalized and prioritized

Indirect spending under scrutiny

Customer events, trade fairs stopped

Strong restrictions to use external consulting

Recruitment freeze

All projects prioritized

## Strict application of commercial credit limits

Sales receivables under special scrutiny

Commercial negotiations with partners and suppliers

## Demand Driven Planning

Follow demand, adjust inventories of raw materials and finished goods

# Solid liquidity and funding position

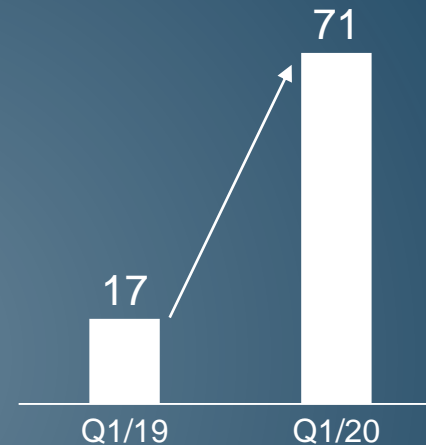
At the end of the quarter:

- **Cash and cash equivalents** were at EUR 70.5 million.
- Out of EUR 150 million **commercial paper program** 51% were in use at end of quarter. Revolving credit facility (EUR 100 million) remained unused.

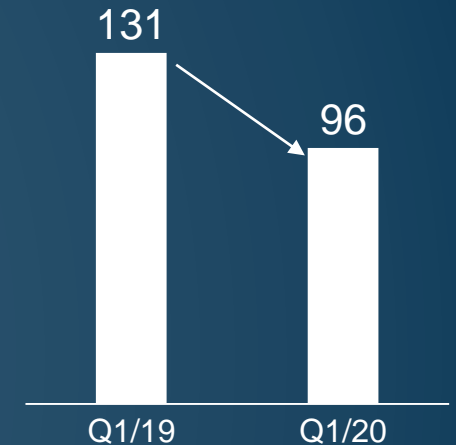
In addition,

- Tikkurila has other **short-term financing instruments** at its disposal.

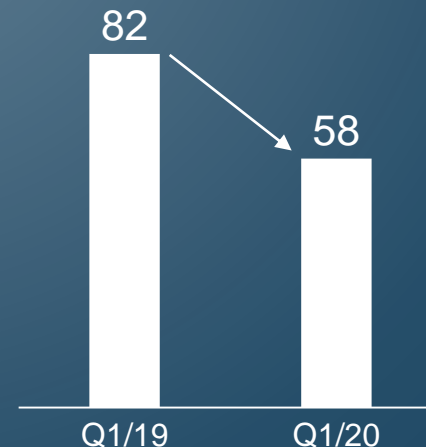
Cash and cash equivalents at end of period (Eur M)



Net interest-bearing debt at period end (EUR M)



Gearing (%)



Cash flow after capital expenditure (EUR M)



**Thank you!**  
**Questions?**