



TIKKURILA

Tikkurila in brief

INVESTOR PRESENTATION
UPDATED 29 OCTOBER 2020



Content

- Introduction
- Tikkurila's strong market position and chosen market segments
- Key trends in the industry and competitors
- Tikkurila strategy
- Financial turnaround in 2017-2020



Introduction

Tikkurila in brief

Tikkurila is a leading Nordic paint company with expertise that spans decades. We operate in eleven countries and have 2,700 dedicated professionals. We have seven production sites in six countries. In 2019, our revenue totaled EUR 564 million. The company is listed on Nasdaq Helsinki. Nordic quality from start to finish since 1862.

KEY FIGURES (2019)

Revenue EUR 564 M +0.4% yoy
Adj. EBIT EUR 46 M +19.5% yoy
ROCE 15.4% +6.1%-p yoy
Gearing 45.6% -11.4%-p yoy

REVENUE BY REGION (2019)

RUSSIA (EUR 144M, +7%)
SWEDEN (EUR 119M, -7%)
FINLAND (EUR 91M, -3%)
POLAND (89M, +6%)
OTHER (121M, +0%) 40+ countries

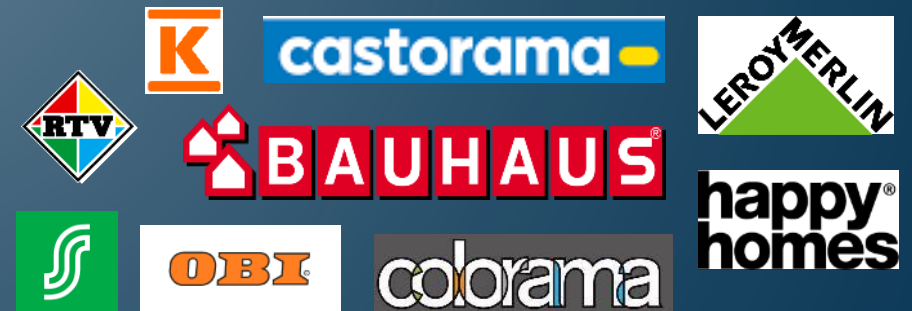
REVENUE BY MARKET SEGMENT

DECORATIVE (83%)
INDUSTRIAL (17%)

CORE PREMIUM BRANDS







EXAMPLES OF CUSTOMER CHAINS



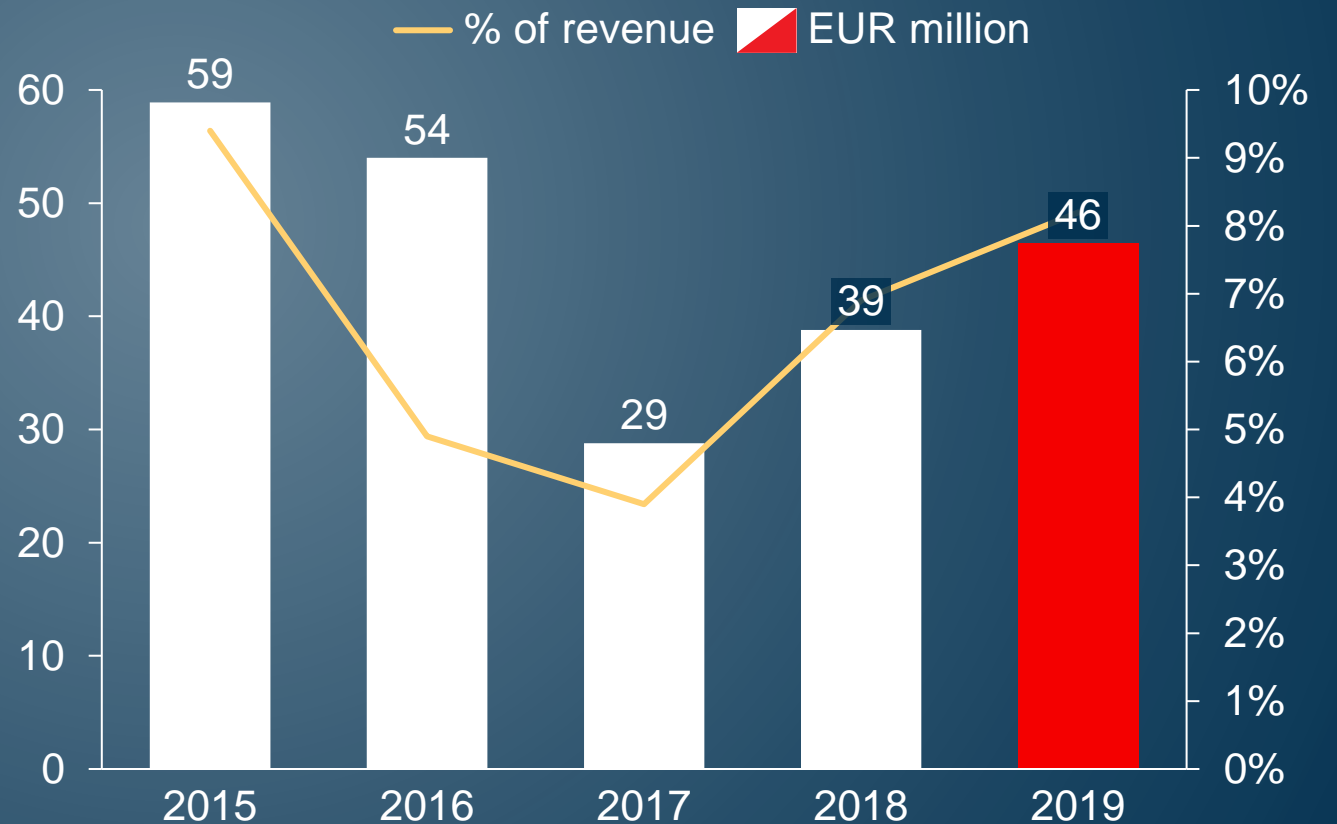
TOP10 customers equal 1/3 of revenue

Tikkurila has made a clear turnaround

Challenges faced in 2017-2018

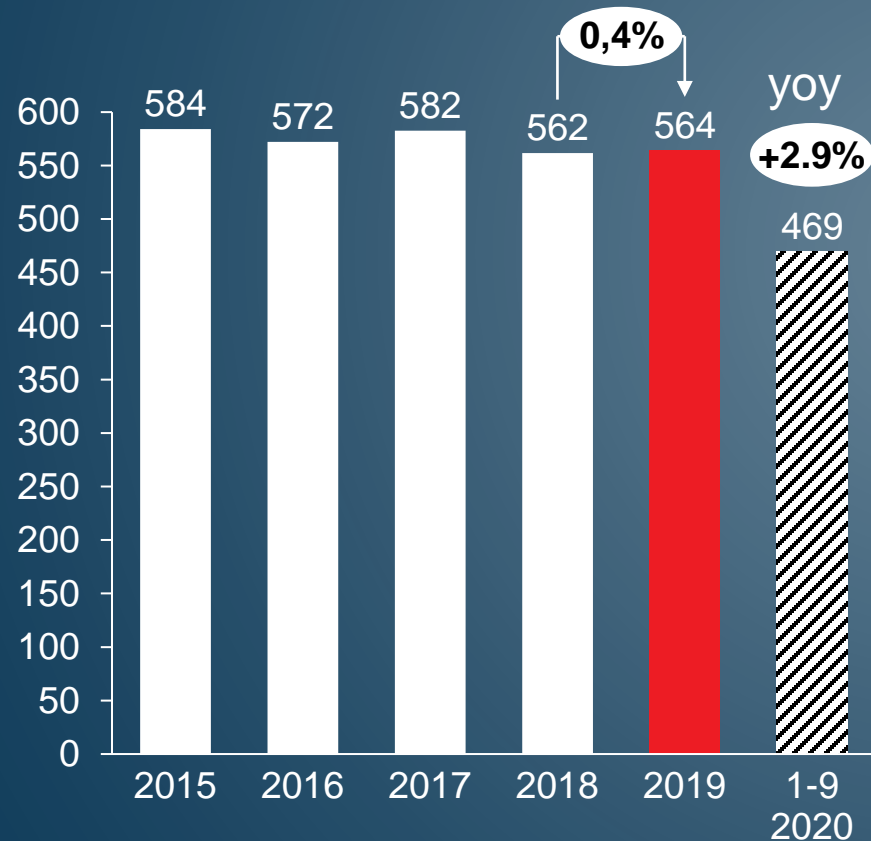
- Global raw material inflation 
- Increasing currency fluctuation in key markets 
- Failed ERP implementation 
- “Holding company” style management culture 

Adjusted EBIT (MEUR)

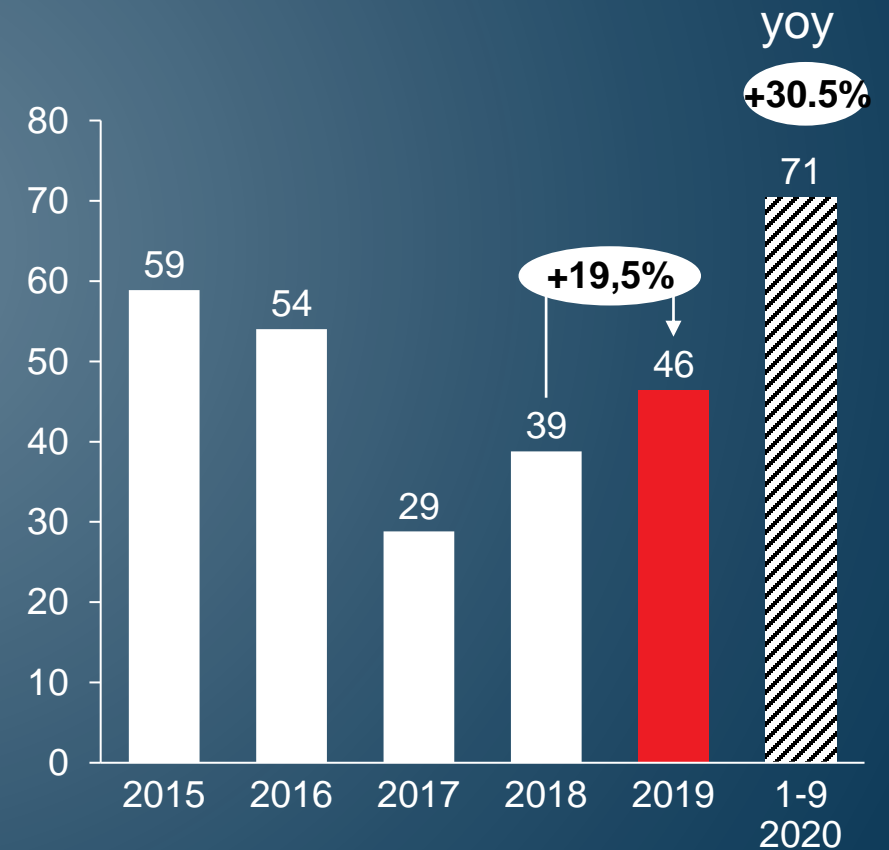


Increasing profitability, growing revenue

Revenue (EUR million)

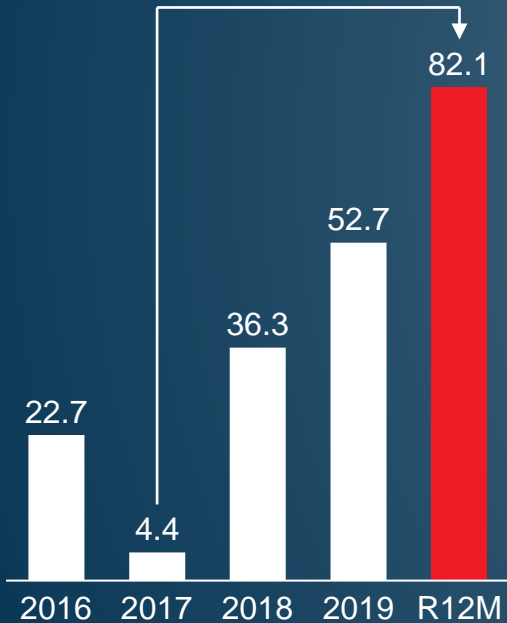


Adjusted operating profit (EUR million)

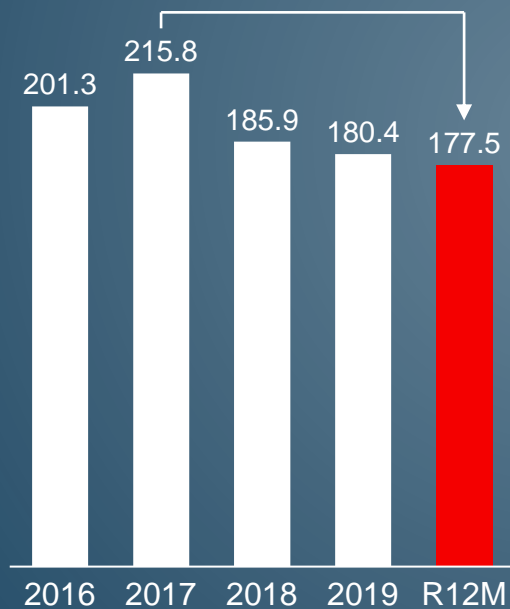


Other key indicators also continued to develop positively

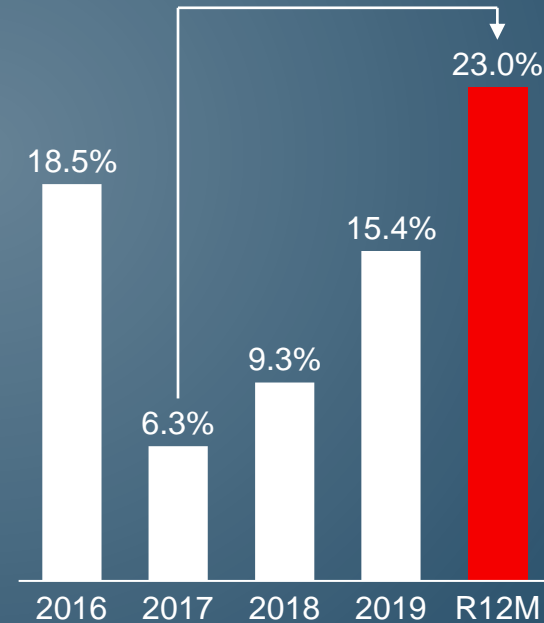
Cash flow after capital expenditure
EUR million, Rolling 12m



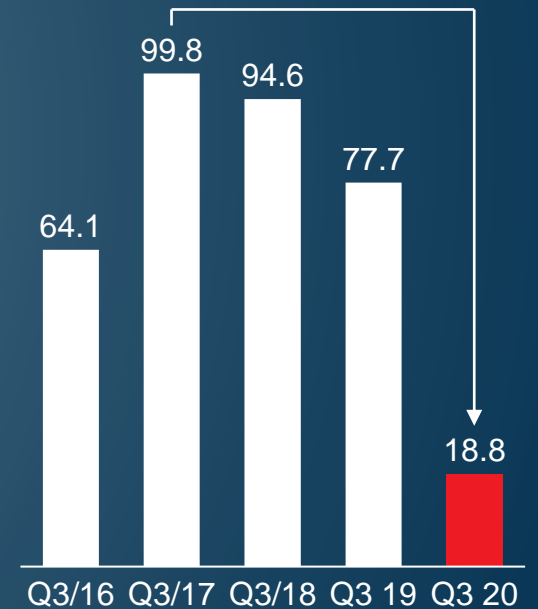
Fixed costs
EUR million
Rolling 12m



ROCE
%
Rolling 12m



Net interest-bearing liabilities
EUR million, end of period



2016-2018 excluding IFRS 16,
2019-2020 including IFRS 16

A dedicated highly-professional management team is executing the turnaround



Elisa Markula
CEO

Since 2018



Meri Vainikka
SVP, Offering

Since 2017



Oskari Vidman
SVP, Sales, West

Since 2019



Roman Ivashko
SVP, Sales, East

Since 2020



Fredrik Linde
SVP, Operations

Since 2019

*In Tikkurila
since 2010*



Markus Melkko
CFO

Since 2019



Anders Rotkirch
SVP, Transformation
& ICT

Since 2018



Melisa Bärholm
SVP, Human Resources

Since 2017

Tikkurila's strong market position and chosen market segments

Tikkurila has been the consolidator in the Baltic Sea region



COUNTRIES WITH
TIKKURILA'S OWN
OPERATIONS

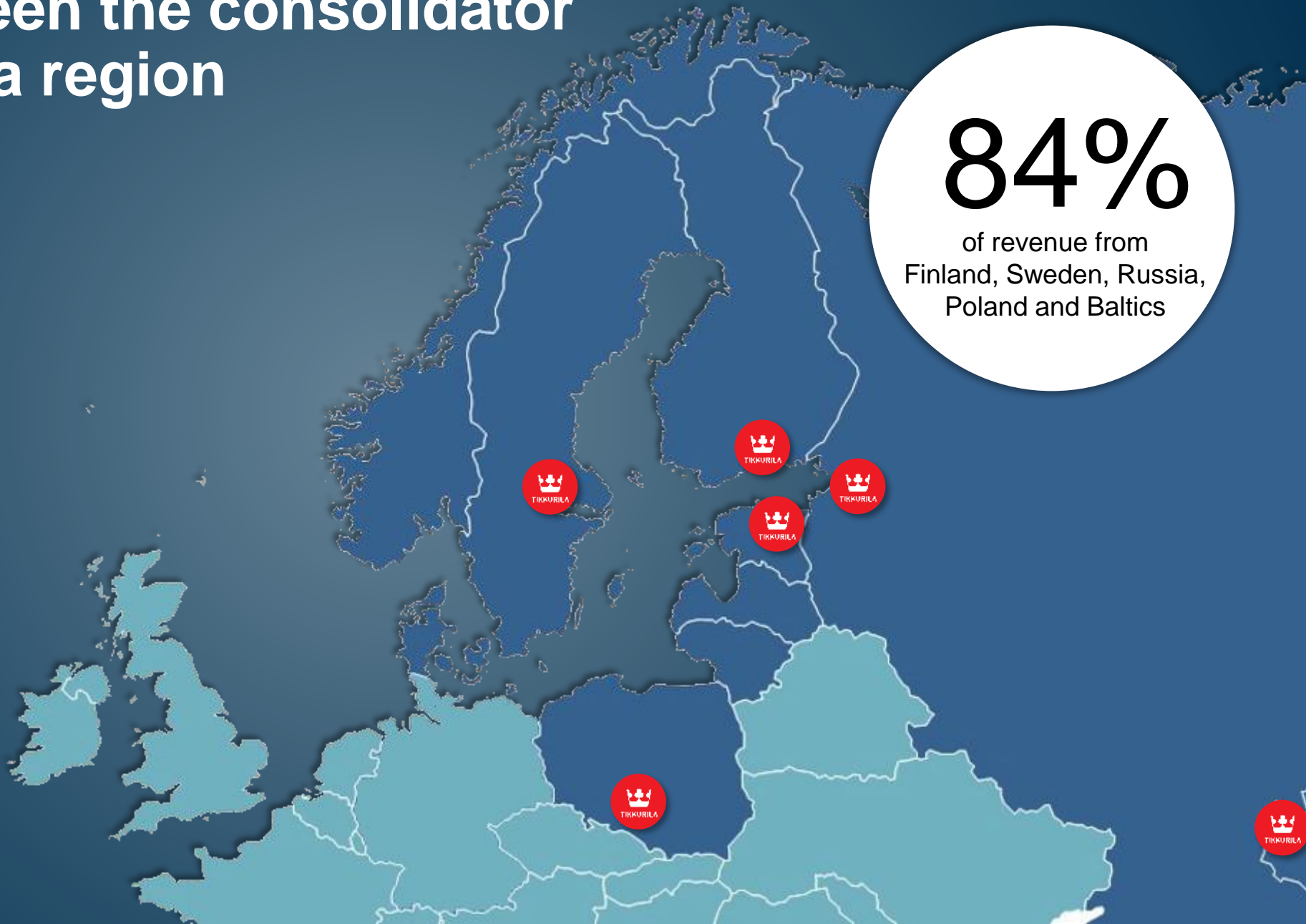


TIKKURILA
PRODUCTION UNITS
(7 sites in 6 countries)

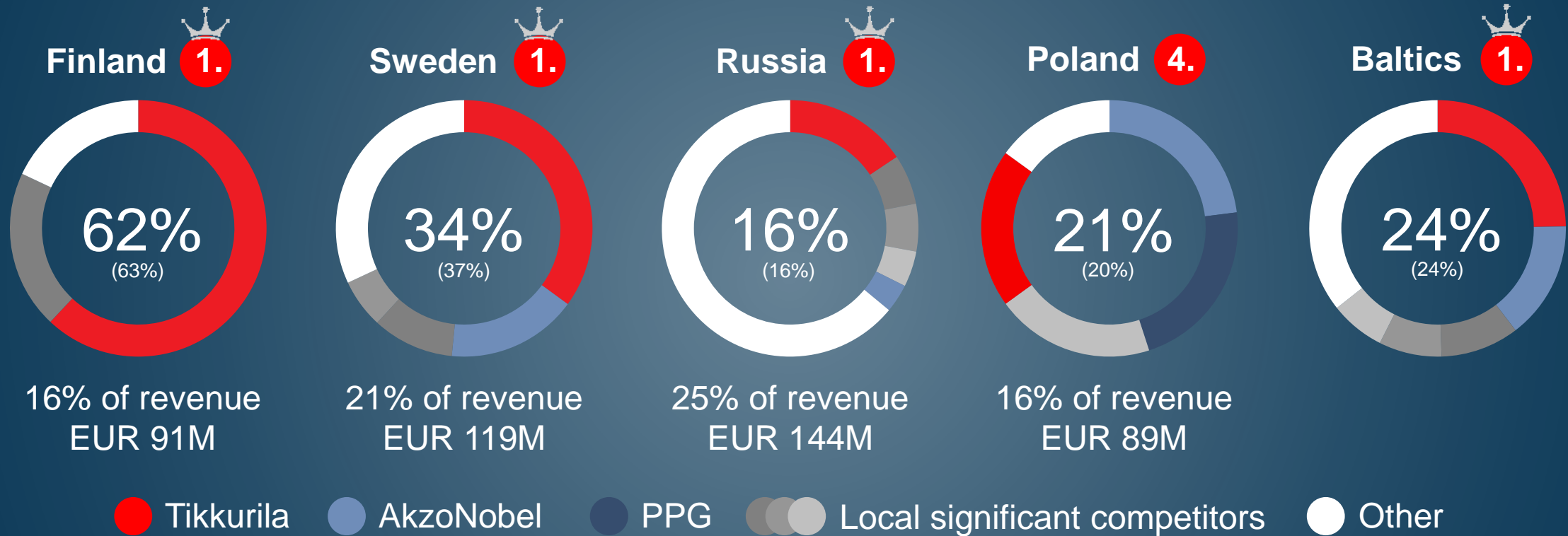
*In total Tikkurila's
products are sold
to 40+ countries*

84%

of revenue from
Finland, Sweden, Russia,
Poland and Baltics



We are the market leader in decorative paints in most of our key markets

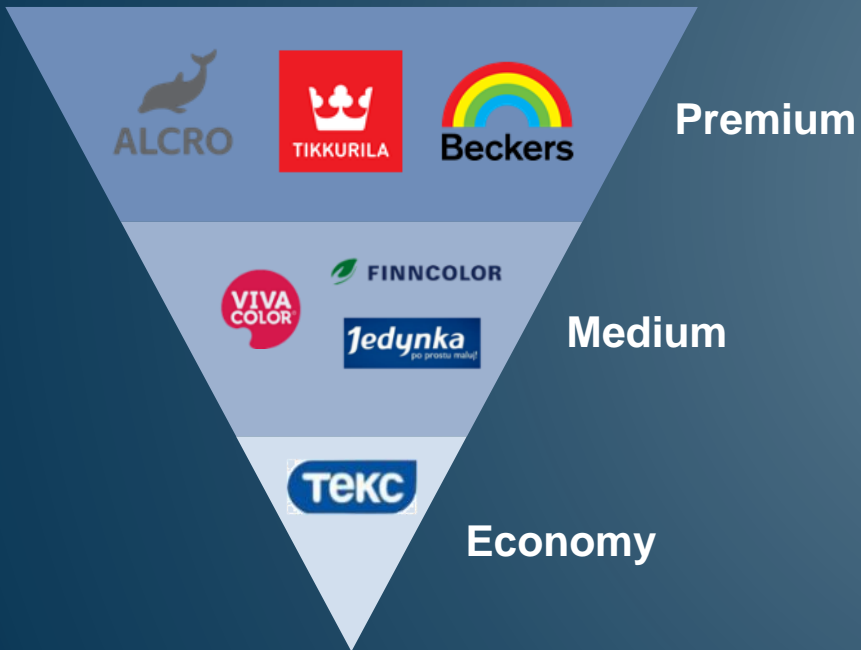


In industrial paints our market share is ~15-17 %

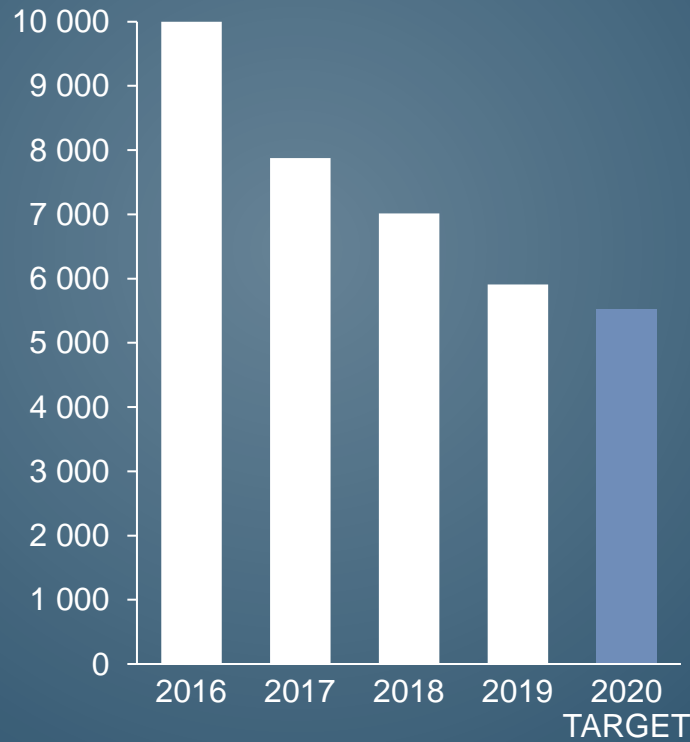
Sources: VTY, SVEFF, Chem Courier, GFK, company financials
 Data: Market shares in value for 2019 (comparison 2018)

Premium brands are Tikkurila's core strength

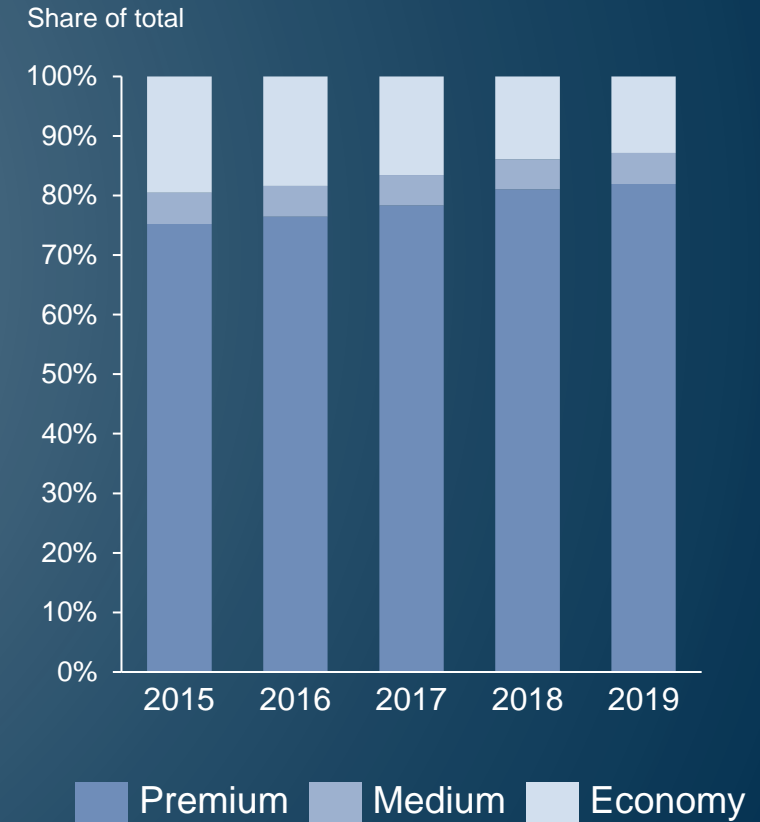
We focus on our key brands



Number of SKUs cut in half



Share of value increasing



We have focused on the customer segments where we are the strongest

Decorative paints

83% of revenue*



Consumers



Professional painters

Core brands in decorative



Industrial paints

17% of revenue*



Wood industry



OEM



Protective coatings

Core brand in industry



Customers 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*

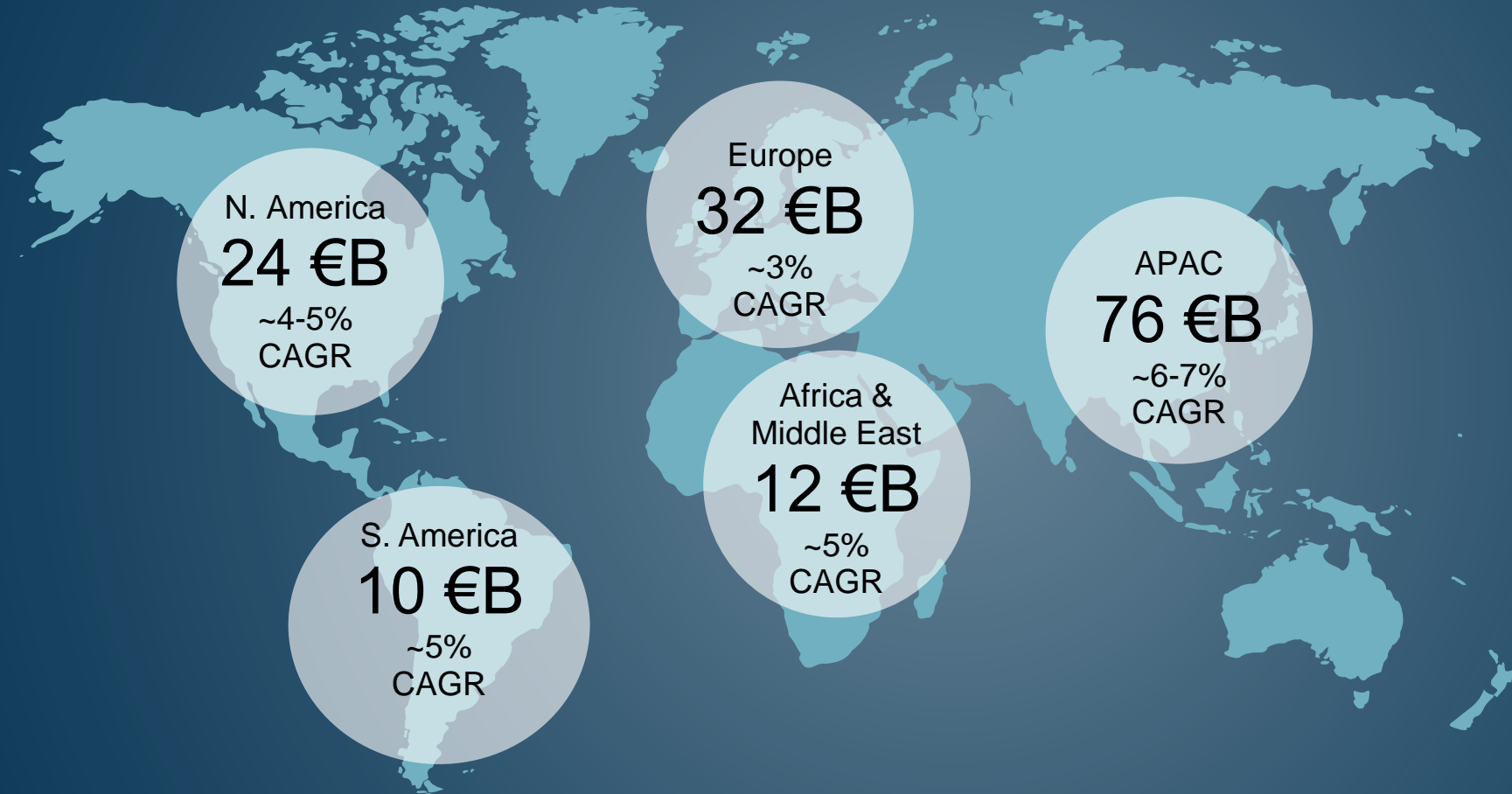
Industry



- ▶ Wood industry
- ▶ OEM
- ▶ Protective coatings

Key trends in the industry & competitors

We operate in a large global market driven by stable structural growth



Worldwide paintings & coatings market, 2019

>154 €B
46B Liters

Pre-Covid forecast
2020: 162 €B
2019-2024 growth: +5,5%

Post-Covid:
2020: 147 €B
2020-2025 growth: +3.7%

Note: Market size for 2019, based on production; Compounded annual growth rate forecast 2019-2024 period. Revenue growth expected to be higher than volume growth due to shift to higher value-add coating products. Source: Markets & Markets P&C market analysis.

Urbanization, consolidation and customer needs drive the industry



Impact on painting industry:

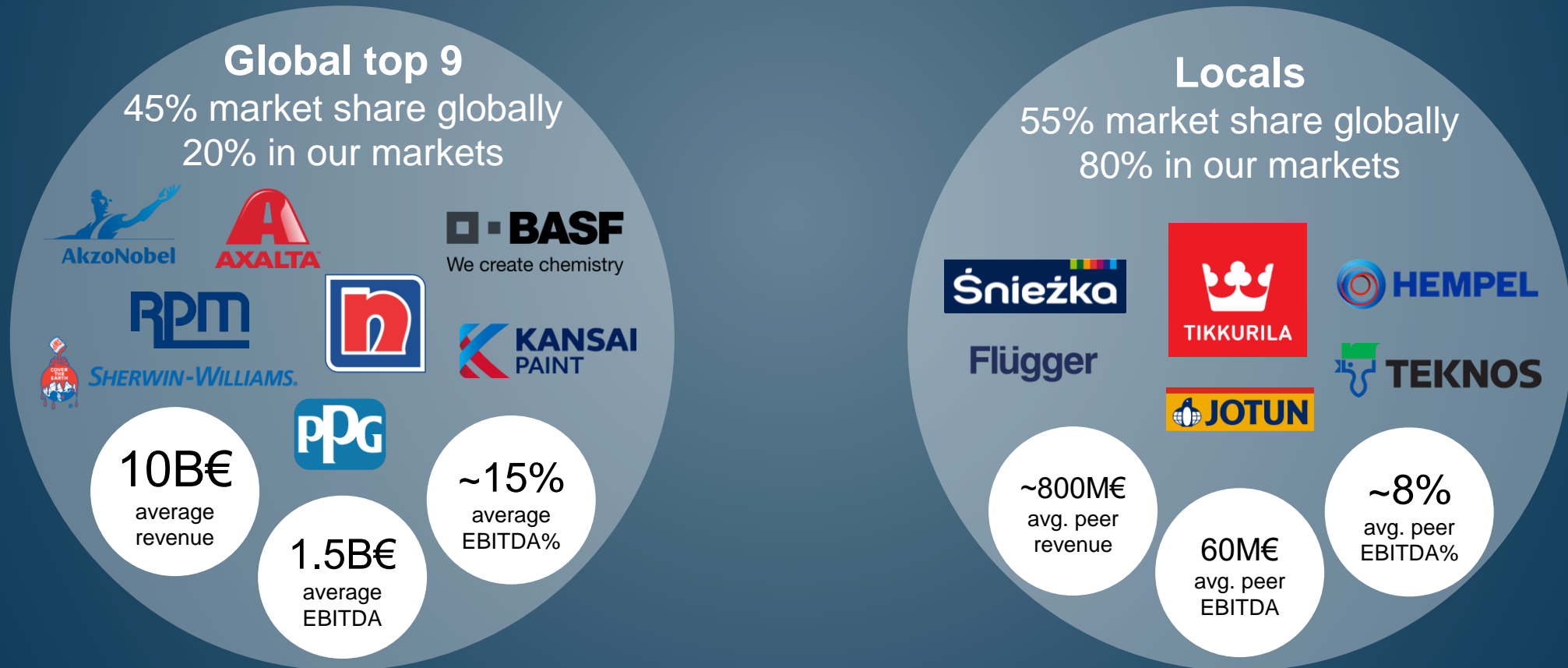
Increasing need for **efficiency and sustainability**

Increasing need for **premium products and functional solutions**

Increasing need for **understanding the customer**

Market split to two types of paint companies

Each with distinct competitive advantages – there is room for both local and global players. Tikkurila is among the TOP25 paint producers globally.



Source: Capital IQ

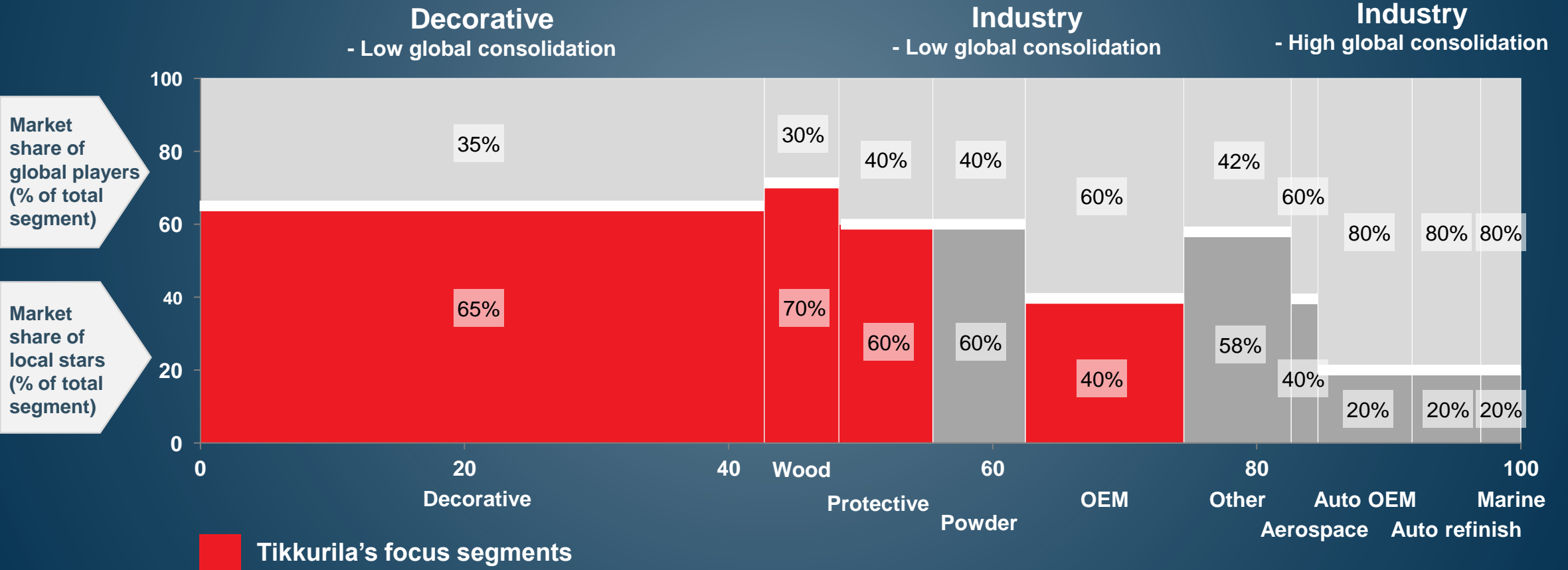
We focus on segments where local players are strong

Share of total market (%)
in value

~ 40 %

~ 40 %

~ 20 %



Source: IHS P&C market study, Redburn, BCG analysis


2.11.2020

The share of **water-borne** paints grows especially in decorative paints



SHARE OF **ECO-LABELED***

43%
(2019)

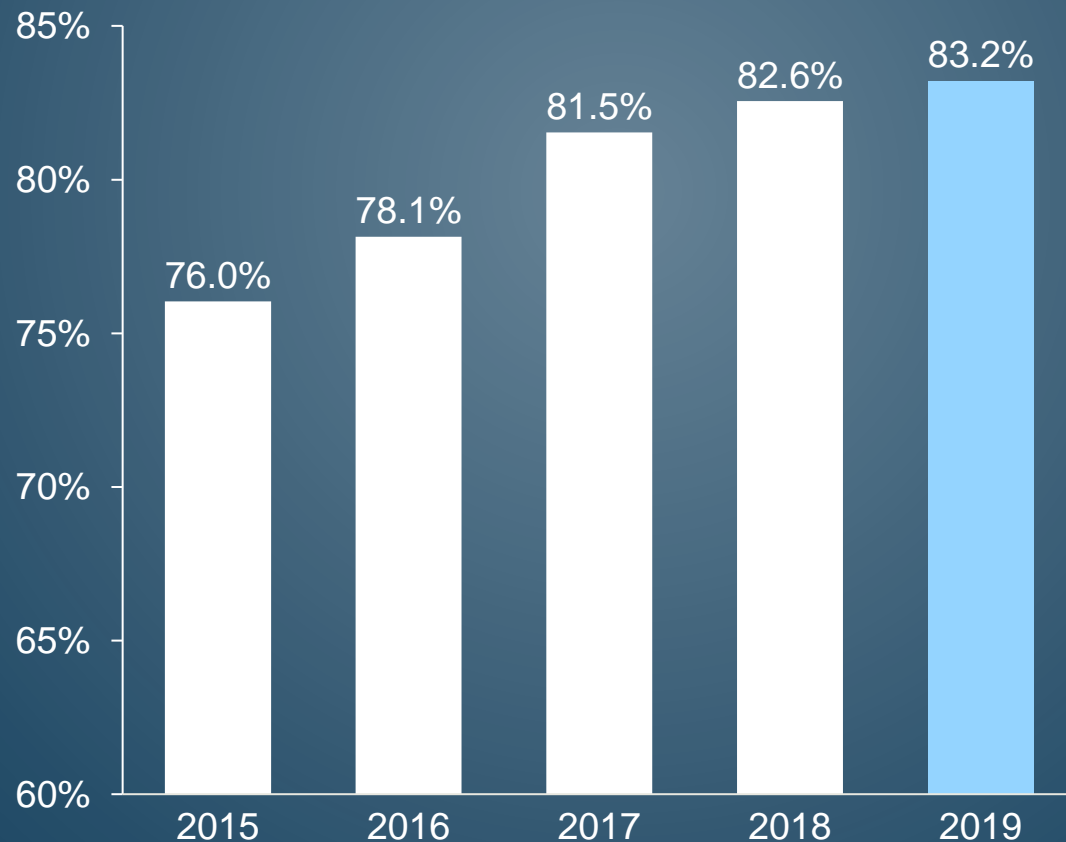


SHARE OF **WATER-BORNE***

83%
(2019)



The share of water-borne paints as a % of Tikkurila's revenue from decorative paints



* % of decorative paint revenue

Tikkurila awarded a **silver rating** from EcoVadis: Tikkurila is among the **top 9%** of companies in this industry.

Press release August 8, 2020



Tikkurila's strategy

Tikkurila is committed to creating value by improving efficiency and accelerating organic growth

This is Tikkurila

Market leader in North-Eastern Europe. Among TOP20 globally.

Well-known and preferred premium brands

Skillful employees with close to 160 years knowledge in surfaces

This is our strategy

INCREASING EFFICIENCY

ACCELERATING PROFITABLE GROWTH

CREATING A STRONG "ONE TIKKURILA" CULTURE

This is our target

Revenue Growth

Faster than home market growth

Profitability

EBIT > 12%

ROCE

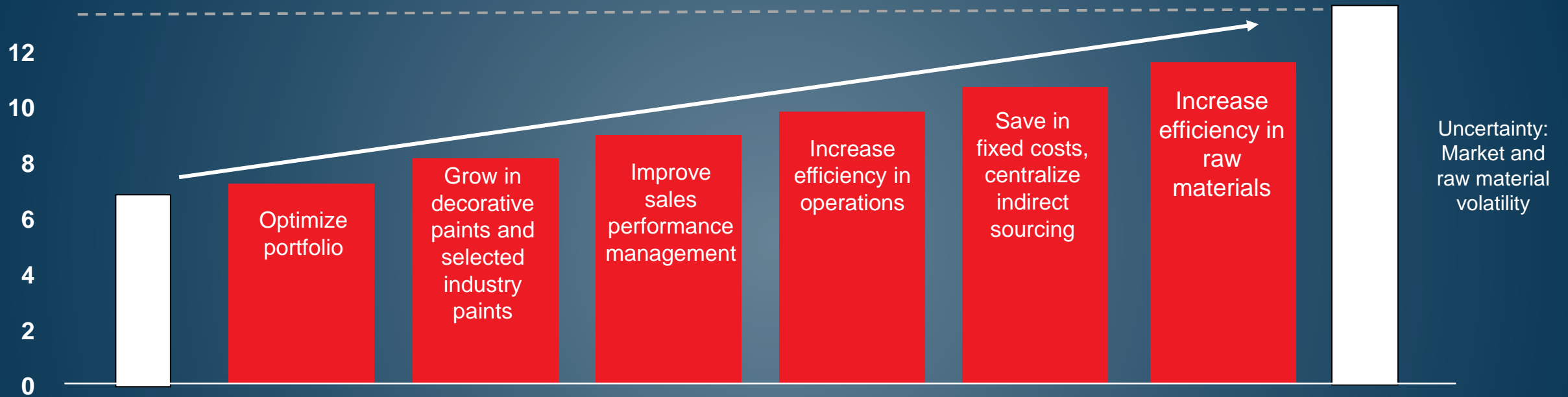
> 20%

Gearing

< 70%

We continue to systematically execute our strategy action plan towards long-term financial target Adjusted operating profit >12%

Adjusted operating profit,
% of revenue



Uncertainty:
Market and
raw material
volatility

Portfolio

- Tikkurila continued to reduce complexity, targeting a 50% reduction in sales articles by the end of this year, compared to 2016. Target will be achieved by the end of this year.

Growth

- New product's share of revenue increased.
- Marketing campaigns refocused in all markets to support the recovery of demand.

Sales

- Focus premium products and mix.
- Price increases continued as planned.
- Active margin management in each business.
- Sales split in two: West and East divisions.

Operations

- As announced on 29 April 2020, a small solvent-borne industrial paint production unit to be closed in St. Petersburg, as Tikkurila continues to focus on water-borne paints

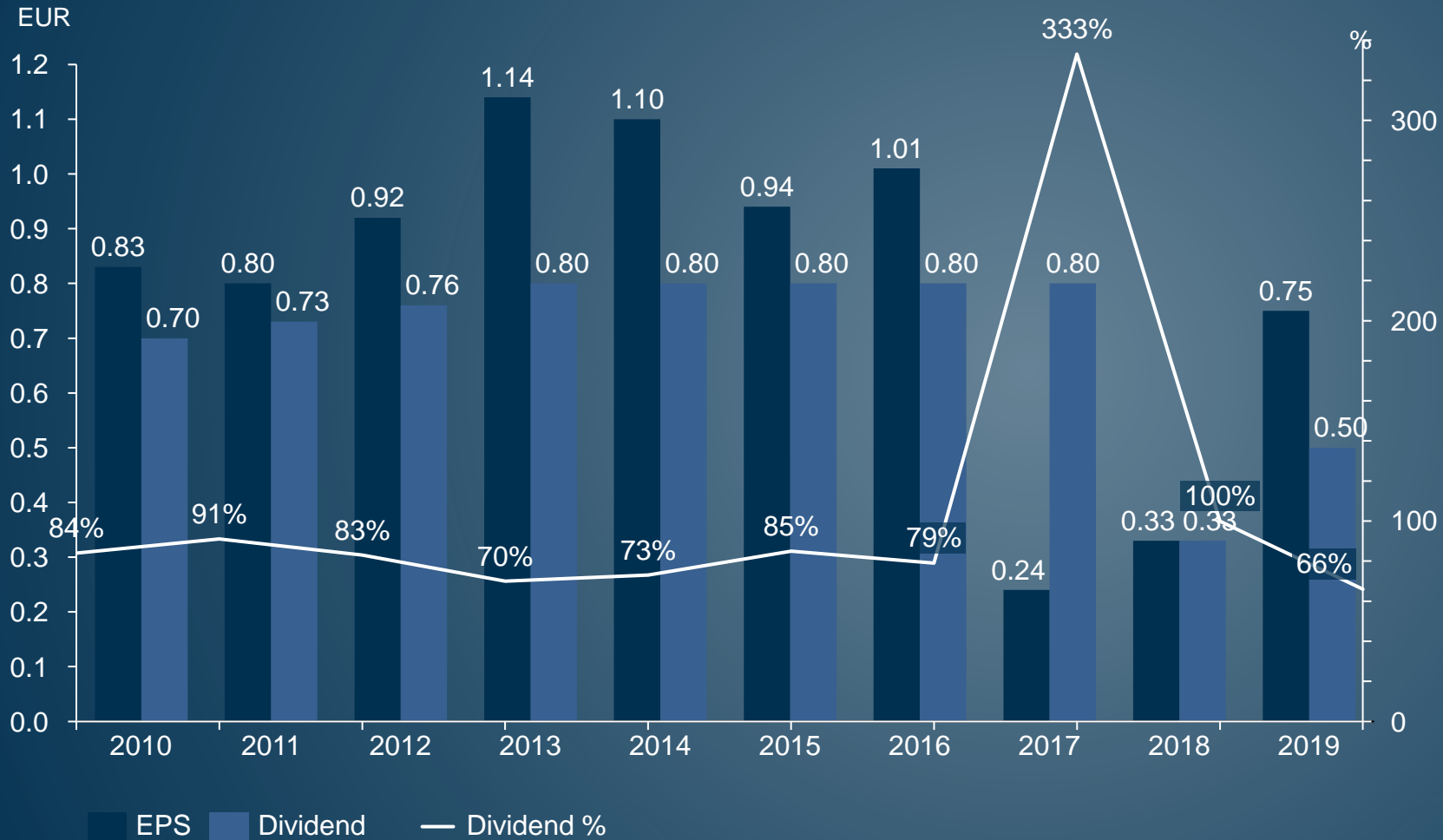
Fixed costs

- From cost reduction to active cost management.
- Successful implementation of temporary savings related to the Covid-19 pandemic.

Raw materials

- Successful negotiations with raw material and packaging suppliers, as the company continued to seek for cost savings in sourcing.

Dividend yield



Dividend policy

Tikkurila aims to distribute a dividend of at least **40 percent** of its annual operative net income. Operative net income means net profit for the period excluding non-recurring items and adjusted for tax effects.

Any dividends to be paid in future years, their amount and the time of payment will depend on the Company's future earnings, financial condition, cash flows, investments, solvency, business cycle and other factors, which the Company's Board of Directors considers relevant.

Our strong values



Trustworthy



Innovative



Professional