



# Welcome to Tikkurila's Conference Call

Financial Results for 2020





TIKKURILA

JANUARY-DECEMBER 2020

**Tikkurila's revenue increased by  
3.2% and adjusted operating result  
by 37.5% from the previous year**

FEBRUARY 12, 2021



# Key takeaways from full year 2020

Tikkurila's financial performance was strong



**Decorative paints drove the market**



**DIY (Do-it-Yourself) demand remained on a high level**



**Strategic actions to improve efficiency & cost management delivered results**



**Industry business remained almost at previous year's level**



**Health & Safety of employees, customers and partners in focus**



**ALCRO**

**Strong demand for premium brands**



**Beckers**



WE PAINT A

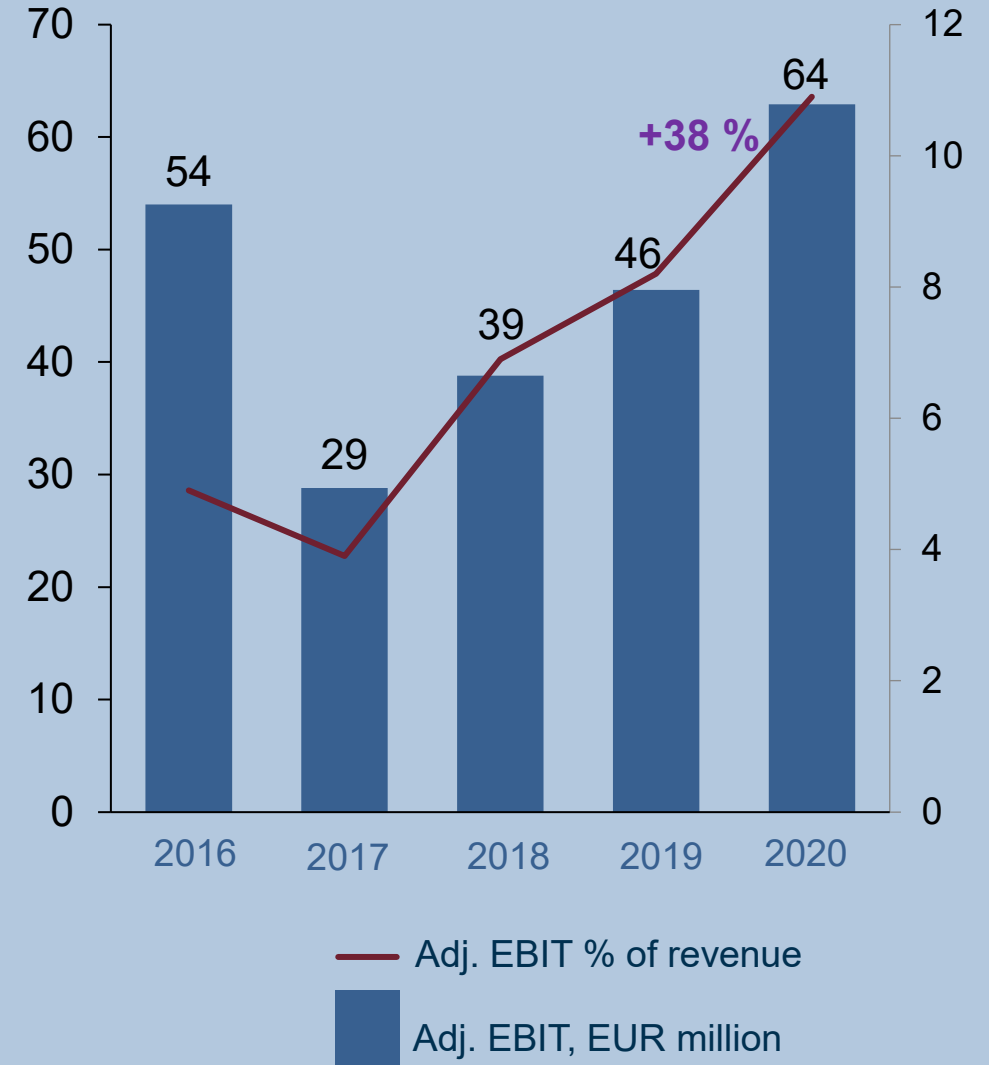
**Colourful Tomorrow.**

SAARA HAUTAMÄKI  
Researcher, Finland  
1 YEAR AT TIKKURILA

# Highlights from FY2020

- **Revenue increased by +3.2%, and by +7.3% excluding currency effects**
  - Good demand in decorative paints and positive development with price/mix in all Tikkurila's core markets, growth driven by SBU West.
  - Revenue increased in Sweden (+10.6%), Finland (+7.4%) and Poland (+3.6%).
  - In Russia, the devaluation of Ruble had a negative effect on euro-denominated revenue; -7%
- **Adjusted EBIT increased by 37.5% to EUR 63.8 (46.4) million**
  - Adjusted EBIT margin was 11.0 (8.2) percent of revenue.
  - EPS increased by 29.6 percent to EUR 0.98 (0.75).
- **Liquidity and funding position improved**
  - ROCE improved to 24.0% (15.4%).
  - Gearing improved to 6.7% (45.6%).
  - Operative cash flow improved by to EUR 97.6 million (61.4).

## Adjusted operating result



# Highlights from Q4/2020

**Revenue** increased by +4.5%  
(+12.7% without currency effects)

Revenue growth driven by **SBU West**

**Volumes** developed positively both in decorative and industry businesses.

**Adjusted operating result** improved by +12%

SBU East's reported revenue was negatively impacted by the **weak Russian Ruble**

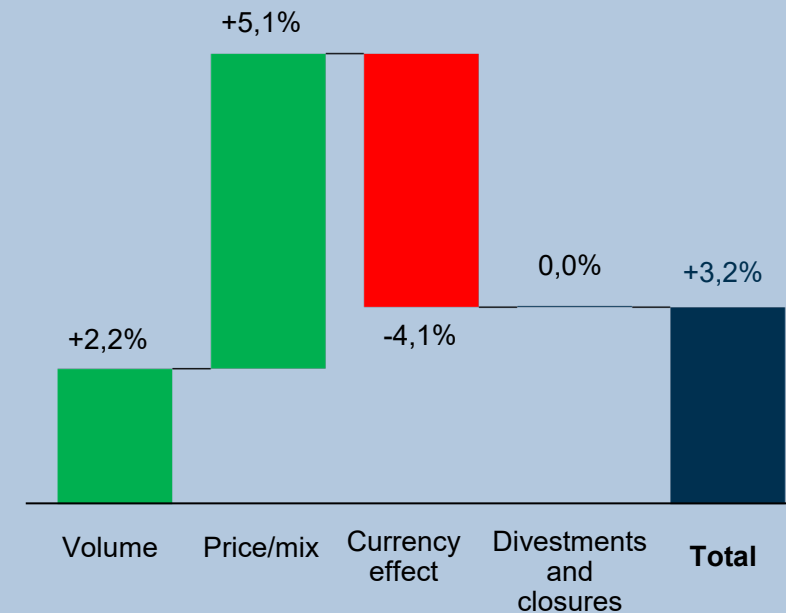
**Adjusted operating profit (EUR million)**



## Key figures – Tikkurila Group

EUR, million	10-12/2020	10-12/2019	Change %	1-12/2020	1-12/2019	Change, %
Revenue	<b>112.8</b>	107.9	+4.5%	<b>582.0</b>	563.8	+3.2%
Excl. currency effects, divestments & closures			+12.7%			+7.3%
Adjusted operating result	<b>-6.7</b>	-7.6	+12.0%	<b>63.8</b>	46.4	+37.5%
Adjusted operating result margin, %	<b>-5.9%</b>	-7.1%	+1.1%-p	<b>11.0%</b>	8.2%	+2.7%-p
Operating result (EBIT)	<b>-7.8</b>	-7.7	-2.2%	<b>61.1</b>	43.9	+39.1%
Operating result (EBIT) margin, %	<b>-6.9%</b>	-7.1%	+0.2%-p	<b>10.5%</b>	7.8%	+2.7%-p
Earnings per share (EPS), EUR	<b>-0.15</b>	-0.17	+7.6%	<b>0.98</b>	0.75	+29.6%
Net interest-bearing debt at period-end				<b>12.1</b>	78.4	-84.5%
Gearing, %				<b>6.7%</b>	45.6%	
ROCE, %				<b>24.0%</b>	15.4%	
Equity ratio, %				<b>41.1%</b>	39.3%	
Cash flow after capital expenditure				<b>92.0</b>	52.7	+74.4%

### The effects of various factors on revenue - Full year 2020 vs. 2019



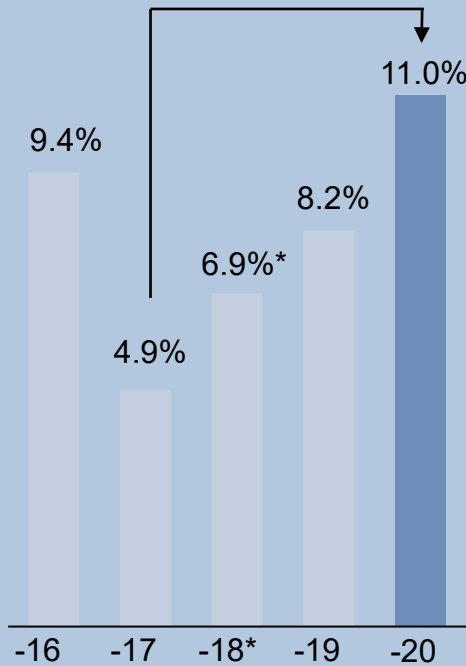
## Financial performance 2020

- Revenue grew despite currency headwinds, drive by volume and positive price/mix development.
- Profitability improved thanks to positive mix development as well as strategy execution and continuous efficiency implementation.
- Earnings per share improved to EUR 0.98 / share.
- ROCE at 24% (15.4%) clearly above strategic target of 20%.
- Cash flow improvement was driven by improved profitability, and a lower level of working capital.
- Net interest-bearing debt decreased to EUR 12.1 million (78.4).
- Gearing improved to 6.7% (45.6%) and clearly below strategic target of 70%.

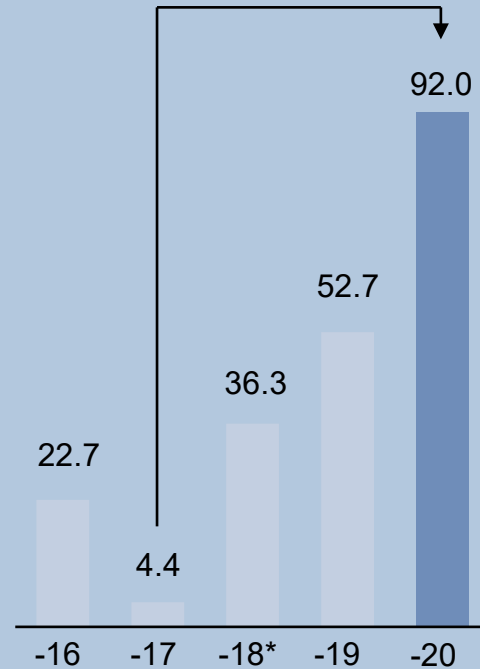
EUR million	2020	Change,%	2019	2018	2017
Revenue	582.0	+3.2%	563.8	561.5	582.4
Adjusted operating result	63.8	+37.5%	46.4	38.8	28.8
Adjusted operating result margin, %	11.0%		8.2%	6.9%	4.9%
Operating result (EBIT)	61.1	+39.1%	43.9	26.5	19.3
Operating result (EBIT) margin, %	10.5%		7.8%	4.7%	3.3%
Net result for the period	43.1	+29.6%	33.2	14.6	10.7
Earnings per share (EPS)	0.98	+29.6%	0.75	0.33	0.24
ROCE, % rolling	24.0%		15.4%	9.3%	6.3%
Cashflow after capital expenditure	92.0	+74.4%	52.7	36.3	4.4
Net interest-bearing liabilities (at period-end)	12.1	-84.5%	78.4	85.5*	90.1*
Gearing, %	6.7%		45.6%	57.0%*	50.2%*
Equity ratio, %	41.1%		39.3%	37.6%*	42.0%*
Number of employees (at period-end)	2,422	-7.1%	2,607	2,717	3,037

# Key indicators continued to develop positively

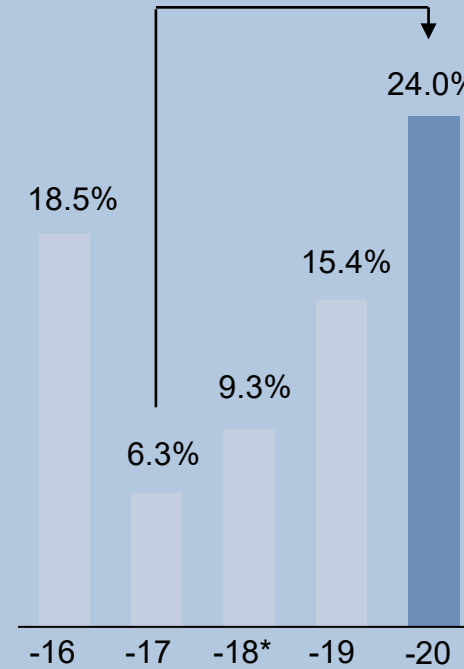
Adjusted operating result margin, %



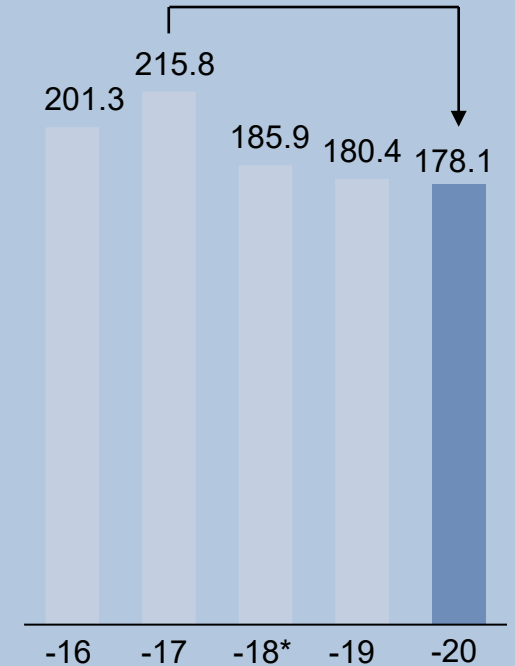
Cash flow after capital expenditure



Return of Capital Employed, %



Fixed costs



\* Including EUR 6 million of insurance compensation for 2018



# Financial performance by divisions

- SBU West
- SBU East



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**Colourful Tomorrow.**

ANTON NEPOMNIASCHIY  
Sales Manager Export, Finland  
5 YEARS AT TIKKURILA

# SBU West – Key figures

EUR million	10–12/2020	10–12/2019	Change %	1–12/2020	1–12/2019	Change %
Revenue	74.9	68.0	+10.1%	398.0	370.0	+7.5%
Excl. currency effects & divestments and closures			+10.1%			+8.5%
Adjusted operating result	-6.1	-7.5	+18.8%	49.2	30.7	+60.3%
Adjusted operating result margin, %	-8.1%	-11.0%	+2.9%-p	12.4%	8.3%	+4.1%-p

## Highlights SBU West, FY2020

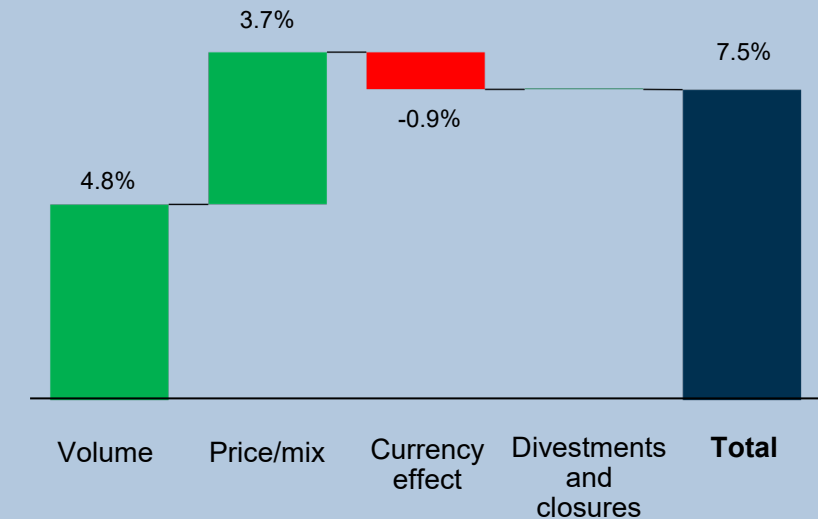
**In Sweden**, revenue increased both in decorative and industry paints. Growth was driven by continued strong consumer demand for all paints, but especially for exterior paints.

**In Finland**, revenue increased in decorative paints, driven both by interior and exterior paints. Revenue decreased slightly in industrial paints.

**In Poland**, revenue increased in decorative paints, driven by interior paints. Revenue decreased slightly in industry paints.

**Adjusted operating result** increased 60.3 percent to EUR 49.2 (30.7) million in 2020.

The effects of various factors on revenue  
Full year 2020 vs. 2019



## SBU East – Key figures

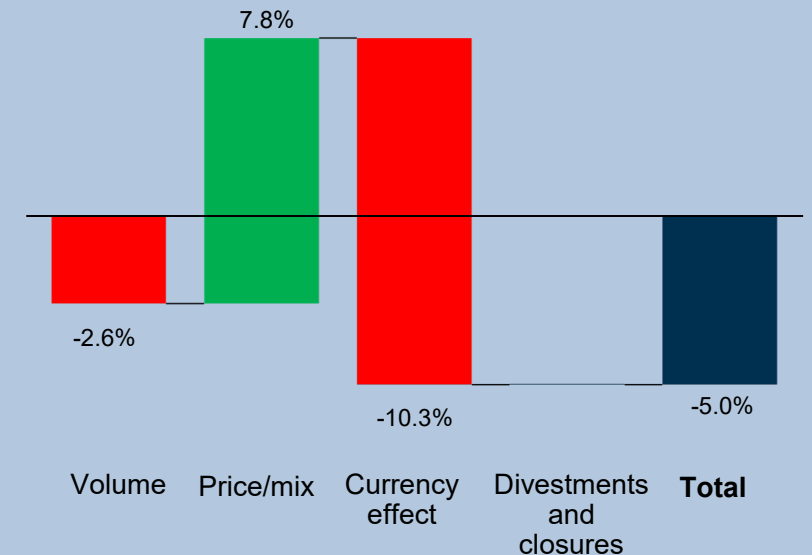
EUR million	10–12/2020	10–12/2019	Change %	1–12/2020	1–12/2019	Change %
Revenue	38.0	39.9	-4.9%	184.1	193.8	-5.0%
Excl. currency effects, divestments & closures			+17.2%			+5.2%
Adjusted operating result	1.7	1.7	-4.9%	21.8	22.0	-1.1%
Adjusted operating result margin, %	4.4%	4.4%	0.0%-p	11.8%	11.4%	+0.5%-p

### Highlights SBU East, FY 2020

- **In Russia**, revenue decrease of 5.0 percent on the previous year. **Revenue** development was negative due to the heavily weakened Russian Ruble. However, in comparable terms, revenue increased by 5.2 percent in local currencies.
- **Operating result** was EUR 20.4 (20.0) million, thanks to effective margin and cost management.
- **Adjusted operating result** decreased by 1.1 percent to 21.8 (22.0) million. Items affecting comparability in 2020 relate to closure of small production site St. Petersburg, Russia.

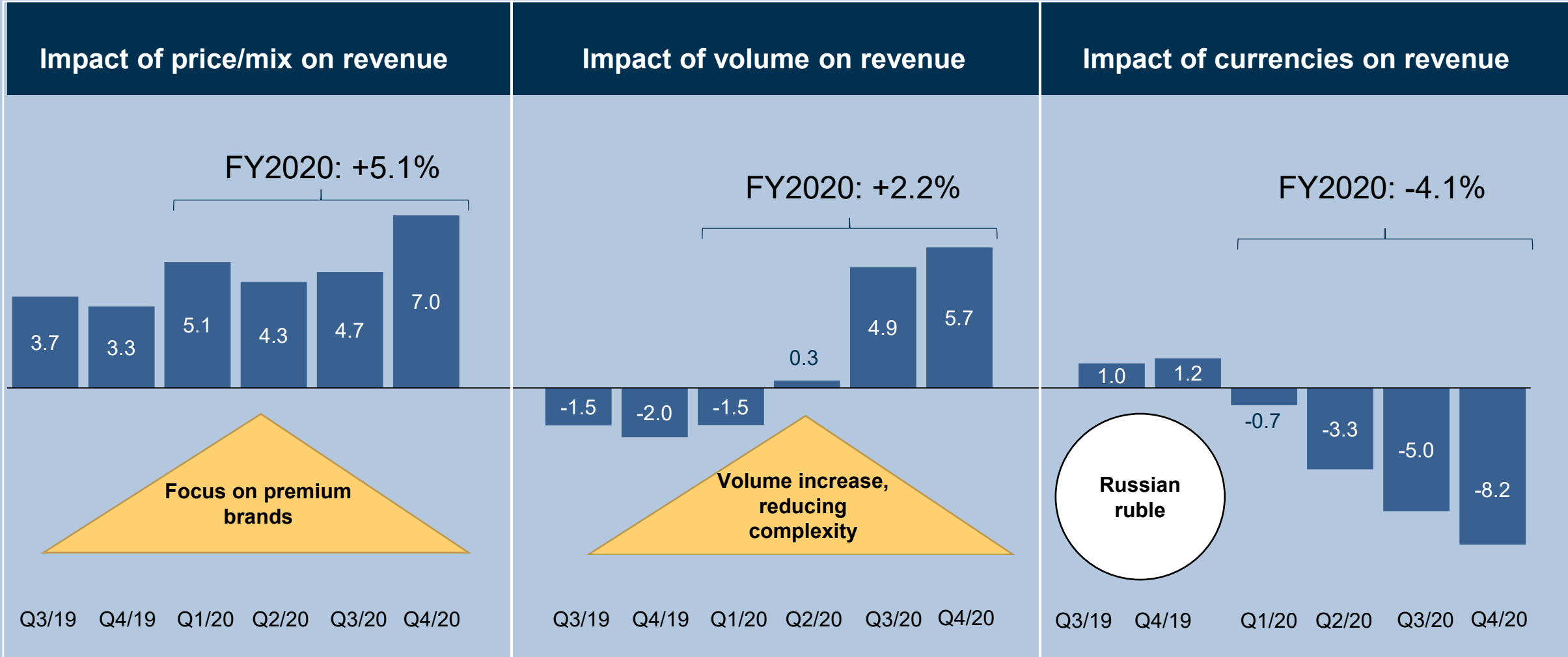
SBU East consists of Russia, Central Asian countries, and China. Furthermore, SBU East is responsible for the exports to more than 30 countries.

The effects of various factors on revenue  
Full year 2020 vs. 2019



The figures on the graph have been independently rounded, which should be taken into account when calculating total figures.

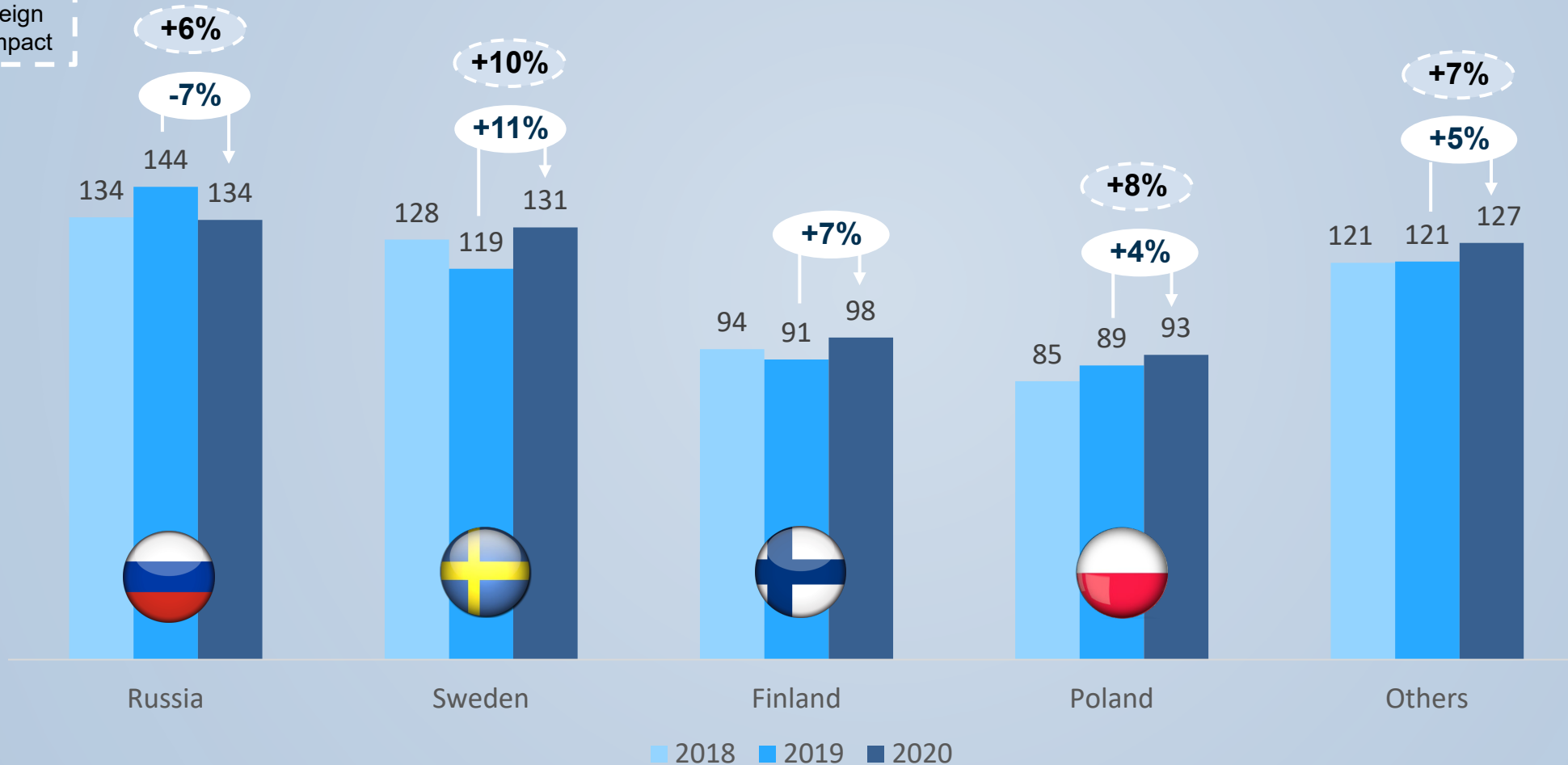
# Price/mix impact increased due to focus on premium brands; Currency impact -8.2% mainly by the weakening Russian ruble



# Good demand in decorative paints and positive development with price/mix in all Tikkurila's core markets

Revenue development per region, 2018-2020, EUR million

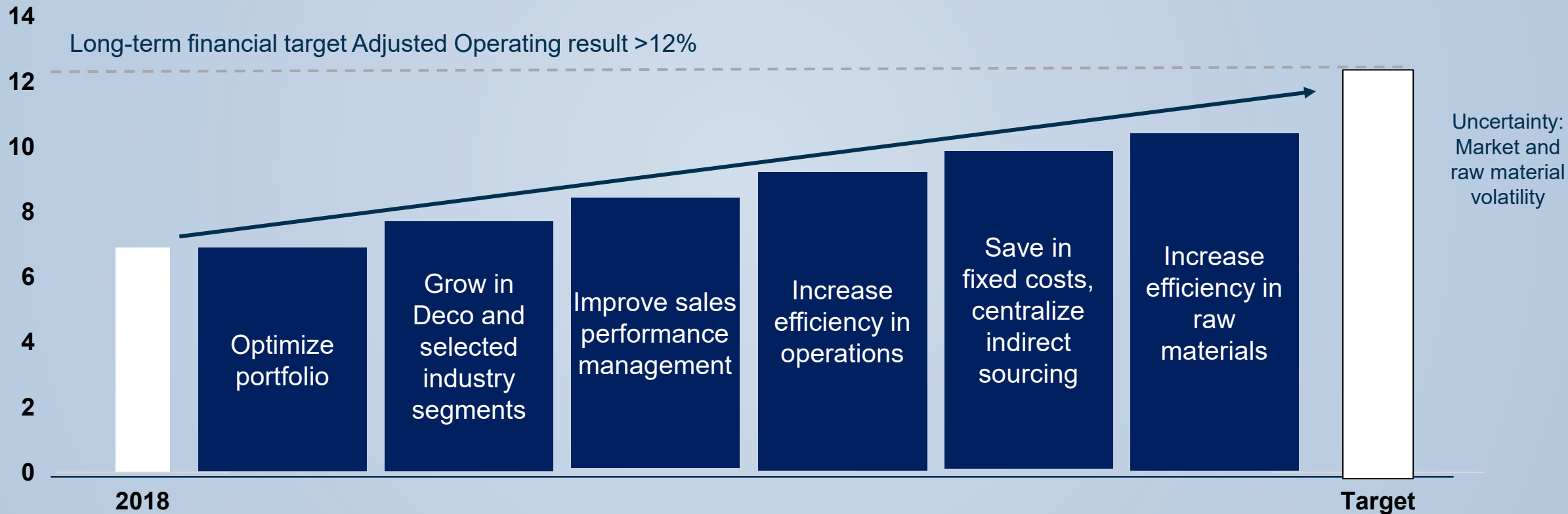
Excluding  
currency foreign  
exchange impact



Other countries comprise: Baltic countries, Denmark, Norway, China, Kazakstan, Export to >30+ countries

# We have systematically executed our strategy action plan towards long-term financial target Adjusted operating result >12%

Adjusted Operating result (%)



# Strategy action plan progressed in 2020 despite Covid-19

Key improvements in 2020

Optimize portfolio	Less formulas	Less raw materials	Less sales articles 10,000 → 5,000
Grow in Deco and selected industry segments	New products launches	Multiple new services (e.g. Colour App)	Marketing campaigns carried out in all main markets
Improve sales performance management	Price increases implemented in selected markets	Increasing the share of premium products and improving product mix	Sales function split in West and East divisions
Increase efficiency in operations	Tikkurila Business Steering (TBS) rolled-out to integrated S&OP Planning	Logistics and Supply Chain Planning centralized to improve efficiency and service	Focus on waterborne paint production and continued development of land area in Vantaa
Save in fixed cost, centralize indirect sourcing	Fixed costs down by 1% to EUR 178.1 million in 2020	Temporary savings implemented in 1H20 due to C-19 pandemic	Active cost management in 2H20
Increase efficiency in raw materials and indirect sourcing	A large number of cost reduction actions implemented	Commercial renegotiations were executed as planned	Improving collaboration between R&D, product portfolio mgmt and raw material sourcing.

We continue to systematically execute our strategy action plan

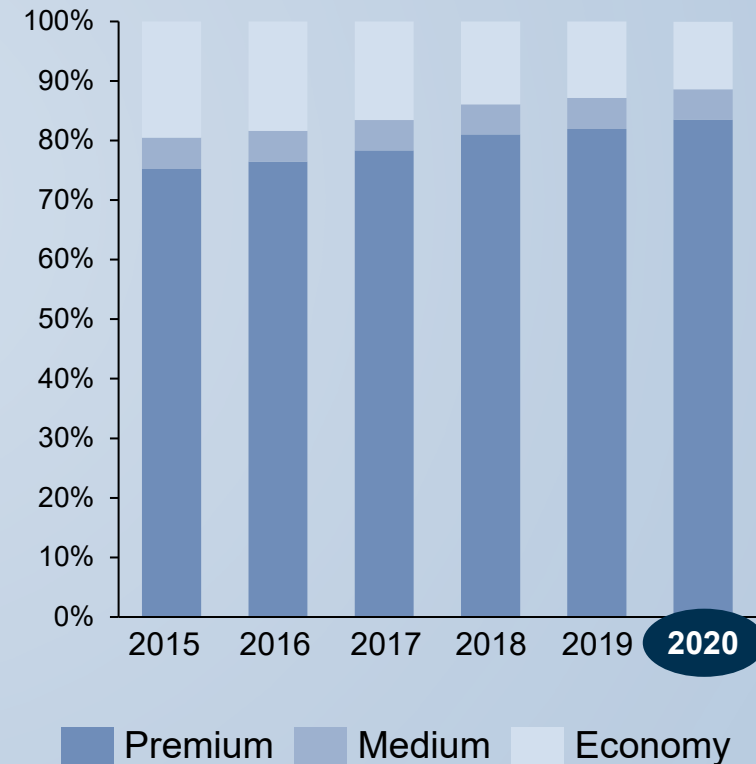
# Premium brands are Tikkurila's core strength – 84 % of total revenue

We focus on our key brands

Share of value increasing



Share of total



Beckers in decorative paints



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



**SHARE OF  
ECO-LABELED\***

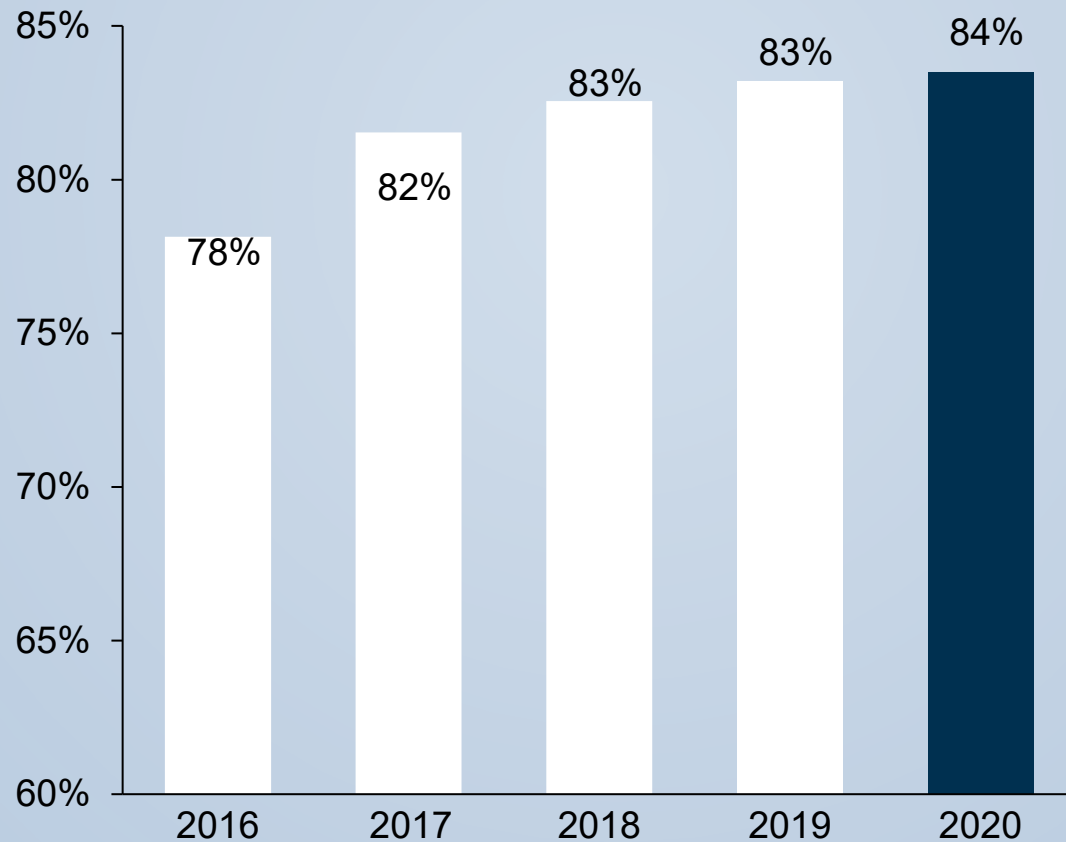
43%  
(2020)

**SHARE OF  
WATER-BORNE\***

84%  
(2020)

\* % of decorative paint revenue

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

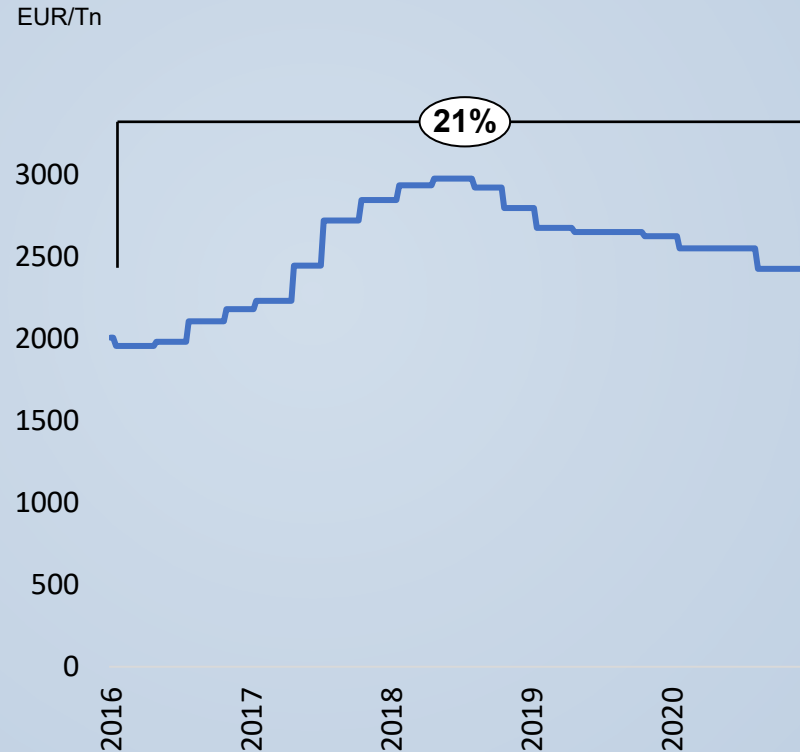


# Raw material prices remain on a historically high level

Price development of oil (Brent), 2016-



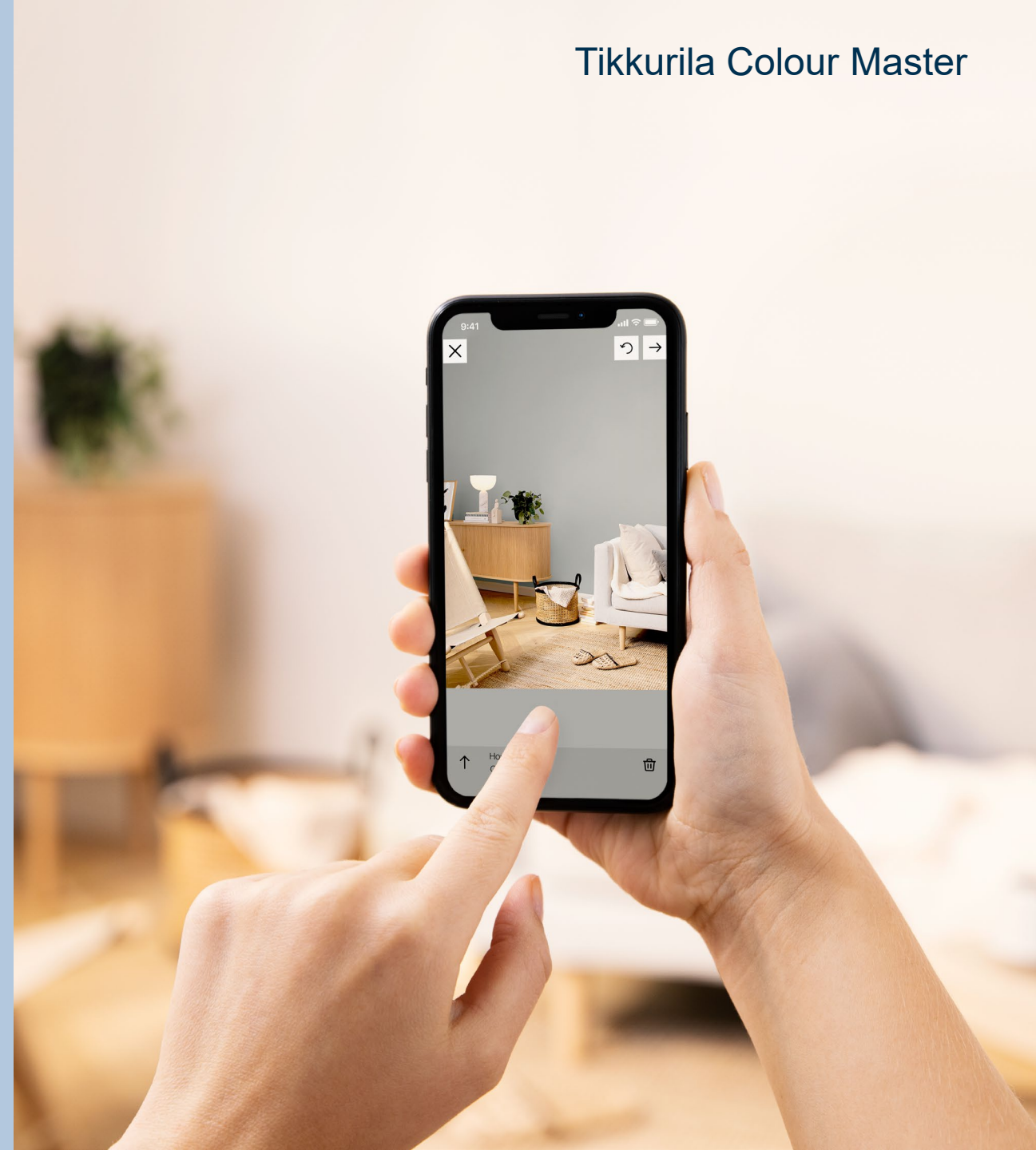
Price development of titanium dioxide, 2016-



- Raw material and packaging material price volatility has increased significantly. Raw materials have remained at historically high levels, following the inflation during recent years
- Price of titanium dioxide increasing on the market due to heavy demand and constrained global supply
- Oil prices continue to recover and climb up

## Guidance for 2021

- Revenue is expected to remain at previous level excluding currency effect and adjusted operating result to remain on or slightly below previous year's level when excluding costs in connection with implementing the public tender offer. (2020: EUR 582 million and EUR 63.8 million).



## Dividend proposal

- Due to the ongoing tender offer process, the Board proposes that Tikkurila's Annual General Meeting decides that no dividend be paid based on the decision of the Annual General Meeting from the financial year 2020.
- The Board would like to remind the shareholders that according to the terms of the tender offer, any eventual dividend paid would be reduced from the Offer price.





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# Tender Offer by PPG

**February 4, PPG increased its offer price to 34.00 € per share, the Tender Offer process continues**

# PPG's Tender Offer process\*

- ✓ Tender Offer period January 15, 2021 to March 15, 2021
- ✓ The Board of Directors unanimously recommends for shareholders to accept the offer
- ✓ Certain large shareholders have sold their shares to PPG (9.32%); the sale of shares owned by Oras Invest Oy is subject to a receipt of certain regulatory approvals (20.1%)
- ✓ Tender Offer price: EUR 34.00
- ✓ Regulatory approvals progressing
- ✓ Expected closing as early as March or early in the second quarter of 2021
- ✓ Tender offer acceptance threshold from **>90%** to **> 66.7%**

*\* All subject to the Terms and Conditions of the Tender Offer.*

“I am very pleased with and proud of our committed personnel on how we have succeeded during these exceptional times.

I want to thank all our employees for the hard work they have done for our customers. Likewise, I want to thank our partners, customers, and shareholders for their continued support.”

*Elisa Markula, CEO*





# Keep going. Blue skies ahead.

Y354 CUMULUS  
COLOR OF THE YEAR 2021

#COLORNOW2021







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