

Puuilo Plc: Business Review for February - April 2022: Challenging first quarter, net sales at previous year's level

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PUUILO PLC, BUSINESS REVIEW, 14 JUNE 2022 at 8:30 AM EET

This release is a summary of Puuilo Group's financial statements release 2021. The complete financial statements release is attached, and also available on the company's website at www.investors.puuilo.fi/en/reports-and-presentations.

Highlights Q1/2022

- Net sales increased by 0.8% (+21.5%) and were EUR 58.9 million (58.4)
- Like-for-like store net sales decreased by 5.0% (+12.8%)
- Online store net sales decreased by 8.4% (+20.9%)
- Gross profit was EUR 20.6 million (21.3) and gross margin was 35.0% (36.5%)
- Adjusted EBITA was EUR 6.2 million (8.7), which corresponds to an adjusted EBITA margin of 10.5% (14.9%)
- EBIT was EUR 5.9 million (7.3) which corresponds to 10.0% of net sales (12.5%)
- Operating free cash flow was EUR 3.2 million (6.9)
- Earnings per share were EUR 0.05 (0.06)
- Earnings per share excluding listing expenses were EUR 0.05 (0.07)
- No new stores were opened during the first quarter of the financial year (2 new stores)

Figures are in millions of euros unless otherwise stated and have been rounded. Hence the sum of individual figures may differ from the total shown. Puuilo's financial year starts on 1 February and ends on 31 January the following year. The figures in parentheses refer to the comparison period the previous year, unless otherwise stated. The information in this report is unaudited.

Key figures

EUR million	Q1/2022	Q1/2021	2021
Net sales	58.9	58.4	270.1
Net sales development (%)	0.8%	21.5%	13.2%
Like-for-like store net sales development (%)	-5.0%	12.8%	2.6%
Online store net sales development (%)	-8.4%	20.9%	20.8%
Gross profit	20.6	21.3	99.6
Gross margin (%)	35.0%	36.5%	36.9%
Adjusted EBITA*	6.2	8.7	48.4
Adjusted EBITA* margin (%)	10.5%	14.9%	17.9%
EBITA*	6.2	7.6	45.6
EBITA margin (%)*	10.5%	13.0%	16.9%
EBIT	5.9	7.3	44.5
EBIT margin (%)	10.0%	12.5%	16.5%
Net income	4.2	4.9	31.9
EPS (EUR)	0.05	0.06	0.38

EPS excl. listing expenses (EUR)	0.05	0.07	0.42
Operating free cash flow	3.2	6.9	10.8
Net debt / adjusted EBITDA	1.7	2.2	1.7
Number of stores (end of period)	34	32	34
Number of personnel converted into full-time employees (FTE)	667	628	663

Puulo's financial year starts on 1 February and ends on 31 January the following year

** Operating profit before the amortisation of Puulo trademark*

Earnings per share has been calculated for all periods presented considering the free-of-charge share issue (split) executed during the financial period 2021.

Outlook for the financial year 2022

Puulo forecasts that net sales will increase. However, net sales growth is forecasted to be below the long-term annual growth target for the current financial year (net sales annual organic growth in excess of 10%). Puulo forecasts adjusted EBITA to be EUR 35 – 45 million.

The forecast includes elements of uncertainty due to the development of the COVID-19 pandemic, the war in Ukraine, rising interest rates, inflation causing decline in purchasing power and the effects of these.

The company changed its outlook with a stock exchange release on 25 May 2022. Previously, the company forecasted that the net sales and the adjusted operating profit (adjusted EBITA) for the financial year 2022 in euros would increase compared to the financial year 2021.

Puulo's long-term targets

There have been no changes in Puulo's long-term financial targets or growth expectations, announced in connection with the listing.

Puulo's long-term targets for the financial years 2021-2025:

- Growth: Net sales above EUR 400 million by the end of financial year 2025 with annual organic growth in excess of 10%.
- Profitability: Adjusted EBITA margin between 17 – 19% of net sales.
- Dividend policy: Puulo aims to distribute at least 80% of net income for each financial year in dividends, depending on the company's capital structure, financial position, general economic and business conditions, and future prospects.
- Leverage: Net debt to adjusted EBITDA below 2.0x.

CEO Juha Saarela's review

The first quarter was challenging for us due to the exceptional circumstances of the current operating environment. We were able to increase the company's net sales by +0.8%; however, the like-for-like store net sales decreased by -5.0%. In particular, April like-for-like net sales fell short of targets, an impact which caused the entire quarter's net sales to be weaker than expected. The adjusted operating profit was EUR 6.2 million, a decrease of EUR -2.5 million as compared to the previous year; and the adjusted EBITA accounted for 10.5% of net sales (14.9%).

We cannot be satisfied with our February - April results. There are, however, a number of well-known and interdependent factors behind this, and the combined effects of these are reflected in our reported figures. During the spring-summer season of last year, significant risk factors emerged within supply chains. As a result, we set out to increase the order volumes and stock levels of our private label products. This was done to ensure sufficient quantities of goods for the ongoing year. In line with our strategy, inventory levels were also boosted by increasing the number of our own brands. However, the beginning of the spring season did not go as expected due to winter conditions which lasted until April and delayed the beginning of spring season. This led to increased storage costs and thus affected our gross profit. Gross profit was also affected by the sharply elevated fuel and raw material prices. At the end of February, the war in Ukraine began. This further impacted price inflation, suppressing consumer confidence and purchasing power.

We also see that there is clearly a so-called "coronavirus hangover" in the air at the moment. During the pandemic years of 2020 and 2021, demand was overheated, and certain goods were even sold out. The net sales growth during Puulo's first quarter in these years was in the double digits. All in all, this quarter's net sales slightly exceeded those of the previous year, but failing to sustain a similar growth rate. In addition to tangible goods, consumers spend their money more on

services now. While the first quarter did not turn out as expected, we now evaluate Puuilo's relative competitiveness as even better than before. Sales of Puuilo's private label products will increase again this financial year, setting up the conditions for better profitability in the future. The aim is to reduce inventory levels by the end of the financial year.

In the coming days, Puuilo will celebrate its first year as a listed company. The company has also celebrated 40 years since Puuilo was founded. During these years many unexpected events and changes have taken place within Puuilo's operating environment. Our concept and business model have proven their strengths — even in the most challenging times. We continue to pursue our determined expansion of the store network, and we currently have the opening of seven new stores in the pipeline. During this financial year, new stores will be opened in Sastamala, Lieto, and Tornio. In the next financial year, new stores will be opened in Vihti's Nummela and Kerava, along with two more in the Helsinki metropolitan area. Our marketing operations are running more intensively than ever before in supporting our sales during this financial year. Cost control has always been in our focus. In the future we will pay even more attention to it. We will perform determined monitoring and evaluation of our inventories in order to reduce costs and inventory levels in both central warehouses and stores.

Furthermore, we believe that in times of challenging financial environments, customers look even more closely to find the best value for their money. We have always been able to respond to this customer need, and yet again we intend to do this!

For now, I wish a joyful summer season to all of our shareholders, customers, and co-workers!

Significant events of the reporting period

Performance matching share plan for key employees

On 20 April 2022 the Board of Directors of Puuilo Plc decided to launch a new share-based incentive plan for the key employees of the company. The aim of the new plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term.

The new Performance Matching Share Plan 2022 – 2024 includes one performance period, spanning approximately financial years 2022 – 2024. The performance criteria are the Total Shareholder Return of the Puuilo share (TSR) and the Adjusted EBITA of the Puuilo Group. The target group of the plan consists of a maximum of 75 persons, including the CEO, members of the Management Team, Store Managers and other key personnel. Primarily, the rewards from the plan will be paid partly in the company's shares and partly in cash by the end of May 2025. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. The rewards to be paid on the basis of the plan correspond to the value of an approximate maximum total of 315,000 Puuilo Plc shares, including the proportion to be paid in cash. The final number of shares will depend on the participants' personal share acquisitions and the achievement of the targets set for the performance criteria.

Significant events after the end of the reporting period

Profit warning on 25 May 2022: Puuilo weakens its guidance for the financial year 2022

Puuilo forecasts that net sales will increase. However, net sales growth is forecasted to be below the long-term annual growth target for the current financial year (net sales annual organic growth in excess of 10%). Puuilo forecasts adjusted EBITA to be EUR 35 – 45 million.

The forecast includes elements of uncertainty due to the development of the COVID-19 pandemic, the war in Ukraine, rising interest rates, inflation causing decline in purchasing power and the effects of these.

Previously, the company forecasted that the net sales and the adjusted operating profit (adjusted EBITA) for the financial year 2022 in euros would increase compared to the financial year 2021.

Next financial reports

Puuilo's financial year starts on 1 February and ends on 31 January the following year. The company publishes Business Reviews for the first and third quarter, a Half-year Financial Report and a Financial Statements Release for the financial year 2022.

Half-year Financial Report February – July 2022 15 September 2022

Business Review February – October 2022 15 December 2022

Conference call in English and webcast in Finnish

The report will be presented for analysts, investors and the media on the publication date in English at 10:00 am EET (9:00 am CET) and in Finnish at 11.30 am EET (10:30 am CET).

The conference call in English can be followed live at <https://puuilo.videosync.fi/2022-q1-results>. Participate by calling the

number according to your location a few minutes before the start of the event.

The webcast in Finnish will begin at 11.30 am EET at <https://puuilo.videosync.fi/2022-q1-tulos>.

Recordings of both events will be available later the same day at Puuilo's Investors website at <https://www.investors.puuilo.fi/en/reports-and-presentations>.

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Attachments

- [Download announcement as PDF.pdf](#)
- [Puuilo Plc Q1 2022 Business Review.pdf](#)