

Puilo Plc: Business Review for February - October 2022: Strong performance in a challenging operating environment - Puilo's concept works in all market conditions

15.12.2022 08:30:00 EET | Puilo Oyj | Interim report (Q1 and Q3)

Highlights Q3/2022

- Net sales increased by 14.8% (+14.8%) and were EUR 80.0 million (69.7)
- Like-for-like store net sales increased by 10.8% (+2.5%)
- Online store net sales increased by 18.4% (+28,9%)
- Gross profit was EUR 29.3 million (26.0) and gross margin was 36.6% (37.3%)
- Adjusted EBITA was EUR 14.9 million (13.1), which corresponds to an adjusted EBITA margin of 18.6% (18.8%)
- EBIT was EUR 14.6 million (12.8) which corresponds to 18.2% of net sales (18.3%)
- Operating free cash flow was EUR 16.0 million (2.6)
- Earnings per share were EUR 0.13 (0.12)
- Earnings per share excluding listing expenses were EUR 0.13 (0.12)
- One new store was opened during the third quarter (one new store)

Highlights February - October 2022

- Net sales increased by 9.8% (+12.6%) and were EUR 228.1 million (207.8)
- Like-for-like store net sales increased by 5.2% (+2.5%)
- Online store net sales increased by 2.0% (+32.0%)
- Gross profit was EUR 82.4 million (77.0) and gross margin was 36.1% (37.0%)
- Adjusted EBITA was EUR 39.1 million (38.6), which corresponds to an adjusted EBITA margin of 17.1% (18.6%)
- EBIT was EUR 37.6 million (34.9) which corresponds to 16.5% of net sales (16.8%)
- Operating free cash flow was EUR 48.8 million (18.0)
- Earnings per share were EUR 0.34 (0.31)
- Earnings per share excluding listing expenses were EUR 0.34 (0.34)
- One new store was opened during the reporting period (four 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. Puilo'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	Q3/2022	Q3/2021	1 Feb 2022 - 31 Oct 2022	2 Feb 2021 - 31 Oct 2021	2021
Net sales	80.0	69.7	228.1	207.8	270.1
Net sales development (%)	14.8%	14.8%	9.8%	12.6%	13.2%
Like-for-like store net sales development (%)	10.8%	2.5%	5.2%	2.5%	2.6%
Online store net sales development (%)	18.4%	28.9%	2.0%	32.0%	20.8%
Gross profit	29.3	26.0	82,4	77.0	99.6
Gross margin %	36.6%	37.3%	36.1%	37.0%	36.9%
Adjusted EBITA*	14.9	13.1	39.1	38.6	48.4
Adjusted EBITA margin (%)*	18.6%	18.8%	17.1%	18.6%	17.9%

EBITA*	14.9	13.1	38.5	35.8	45.6
EBITA margin (%)*	18.6%	18.7%	16.9%	17.2%	16.9%
EBIT	14.6	12.8	37.6	34.9	44.5
EBIT margin (%)	18.2%	18.3%	16.5%	16.8%	16.5%
Net income	11.1	10.2	28.4	25.4	31.9
EPS (EUR)	0.13	0.12	0.34	0.31	0.38
EPS excl. listing expenses (EUR)	0.13	0.12	0.34	0.34	0.42
Operating free cash flow	16.0	2.6	48.8	18.0	10.8
Net debt / adjusted EBITDA	1.4	1.5	1.4	1.5	1.7
Number of stores (end of period)	35	34	35	34	34
Number of personnel converted into full-time employees (FTE)	683	647	699	667	663

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

* Operating profit before the amortisation of Puילו 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

Puילו 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%). Puילו forecasts adjusted EBITA to be EUR 46-50 million. Previously, the company forecasted adjusted EBITA to be EUR 40-50 million.

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

Puילו's long-term targets

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

Puילו'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: Puילו 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

Puילו's concept performed very well in a challenging operating environment. Our net sales in August-October (Q3) increased by 14.8% and the like-for-like net sales increased by 10.8%. Our growth was broad-based, generated by both old and new stores and our online store. We achieved sales growth in all of our key product categories. Growth was again driven by the increase in the number of customers, which was approximately 11% for the reporting period, while the increase in basket size was about 4%. We are very satisfied with our performance in Q3.

The purchasing behavior of customers is currently characterized to some extent by a focus on emergency preparedness, but also by ordinary day-to-day needs. Emergency preparedness by customers is reflected in our business in the form of strong growth for products such as generator sets, log splitters, fire grates, batteries and sealing products, as well as

various fuels and firewood. Current needs are also reflected by our strong performance in product categories such as tools and supplies required for property maintenance and repairs, as well as tools and supplies for yard work in the autumn.

Our reported adjusted EBITA for Q3 amounted to EUR 14.9 million, which represents 18.6% of net sales. This level of profit performance exceeded our expectations. It seems even more clear that the weak Q1 was mainly due to the late spring and the war started by Russia. The challenges in the current operating environment have not decreased the demand in Puuilo. Our gross margin was supported by our private label products representing a higher share of net sales. We have also been able to pass the increased purchasing prices on to consumer prices to a good extent and with moderation. Our robust figures for the reporting period meant that we again improved on the strong comparison period. This speaks to the resilience of Puuilo's business concept and the effectiveness of the strategy we have chosen.

We opened one new store in Q3, in Sastamala. The opening went well, and the store is already profitable. We also opened a store in Tornio on 24 November, and the store in Lieto will follow in January 2023. These two store openings will fall into Q4 in our financial year. We will then turn our eyes to the next financial year, with at least four new stores to be opened: Nummela, Kerava and two stores in the capital region.

The operating environment in the retail trade is characterized by major challenges currently. Consumer confidence is at the lowest level on record, energy prices and interest rates have risen sharply over a short period of time, and there are fears that the Finnish economy could drift into a recession. Russia's invasion of Ukraine is also causing concern for many consumers. In spite of the turbulence around us, the day-to-day life carries on and the demand for products needed in everyday life will remain. At Puuilo, we have full confidence in our discount retail concept and our product range, which fulfils the daily needs of our customers. This will make us a winner also in the current operating environment.

There have been changes in Puuilo's competitive landscape also in recent times, with our competitors expanding their retail networks. This can be seen as an indication of the health and growth of discount retail. We haven't noticed any significant changes in the customer volumes of the Puuilo stores that have seen new stores opened by competitors nearby. On the contrary the entry of competitors into the same area has historically increased the number of customers in Puuilo. We truly believe in the differentiation of the Puuilo concept. It will carry us through turbulent times and perform at an excellent level in the competition for discount retail customers.

To conclude this review of a strong period for Puuilo, I want to wish our shareholders, customers and personnel a happy holiday season!

Significant events of the reporting period

Change of guidance

On 7 September 2022 Puuilo changed its guidance for the financial year 2022 with a stock exchange release. According to the updated forecast net sales would increase. However, net sales growth was 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 forecasted adjusted EBITA to be EUR 40 – 50 million. Refined outlook given in connection with Q3/2022 business review: see section Outlook for the financial year 2022.

With a stock exchange release on 25 May 2022 Puuilo forecasted adjusted EBITA to be EUR 35–45 million.

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.

Financial statements release 2022	on 30 March 2023
Business review February – April 2023	on 14 June 2023
Half-year financial report February – July 2023	on 14 September 2023
Business review February – October 2023	on 14 December 2023

The Financial statements 2022 and the Report by the Board of Directors and will be published during week 16.

Puuilo's Annual General Meeting is planned for Tuesday 16 May 2023. The meeting will be convened by the company's Board of Directors separately at a later date.

Conference call and webcast

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-q3-results>. Asking questions requires participation in the conference call. You can access the teleconference by registering on the link <http://palvelu.fliik.fi/teleconference/?id=1008682>. After the registration you will be provided phone numbers and a conference ID to access the conference. If you wish to ask questions, please, dial *5 on your telephone keypad to enter the queue.

The webcast in Finnish will begin at 11.30 am EET at <https://puuilo.videosync.fi/2022-q3-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>.

For further information, please contact:

Juha Saarela, CEO, mobile phone: +358 50 409 7641

Ville Ranta, CFO, mobile phone: +358 40 555 4995

Attachments

- [Download announcement as PDF.pdf](#)
- [Puuilo Plc Q3 2022 Business Review.pdf](#)