

Puulo Plc, Financial statements release 2022 - A strong year in an unsteady operating environment

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PUUILO PLC, FINANCIAL STATEMENTS RELEASE, 30 MARCH 2023, at 8:30 AM (EET)

Highlights Q4/2022

- Net sales increased by 9.7% (+15.1%) and were EUR 68.3 million (62.3)
- Like-for-like store net sales increased by 6.8% (+3.1%)
- Online store net sales increased by 12.0% (-11.8%)
- Gross profit was EUR 24.8 million (22.6) and gross margin was 36.2% (36.3%)
- Adjusted EBITA was EUR 9.7 million (9.8), which corresponds to an adjusted EBITA margin of 14.2% (15.7%), adjusted EBITA includes EUR 0.7 million one-time depreciation.
- EBIT was EUR 9.4 million (9.5) which corresponds to 13.8% of net sales (15.3%)
- Operating free cash flow was EUR 3.9 million (-7.2)
- Earnings per share were EUR 0.08 (0.08)
- Earnings per share excluding listing expenses were EUR 0.08 (0.08)
- Two new stores were opened during the fourth quarter (no new stores)

Highlights FY2022

- Net sales increased by 9.7% (+13.2%) and were EUR 296.4 million (270.1)
- Like-for-like store net sales increased by 5.5% (+2.6%)
- Online store net sales increased by 3.9% (+20.8%)
- Gross profit was EUR 107.2 million (99.6) and gross margin was 36.2% (36.9%)
- Adjusted EBITA was EUR 48.8 million (48.4), which corresponds to an adjusted EBITA margin of 16.5% (17.9%), adjusted EBITA includes EUR 0.7 million one-time depreciation.
- EBIT was EUR 47.0 million (44.5) which corresponds to 15.9% of net sales (16.5%)
- Operating free cash flow was EUR 52.7 million (10.8)
- Earnings per share were EUR 0.41 (0.38)
- Earnings per share excluding listing expenses were EUR 0.42 (0.42)
- Three new stores were opened during the reporting period (four new stores)
- Board's dividend proposal EUR 0.34 per share, proposed to be paid in two instalments.

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. Puulo'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	Q4/2022	Q4/2021	2022	2021
Net sales	68.3	62.3	296.4	270.1
Net sales development (%)	9.7%	15.1%	9.7%	13.2%
Like-for-like store net sales development (%)	6.8%	3.1%	5.5%	2.6%
Online store net sales development (%)	12.0%	-11.8%	3.9%	20.8%
Gross profit	24.8	22.6	107.2	99.6
Gross margin (%)	36.2%	36.3%	36.2%	36.9%

Adjusted EBITA*	9.7	9.8	48.8	48.4
Adjusted EBITA margin (%)*	14.2%	15.7%	16.5%	17.9%
EBITA*	9.7	9.8	48.2	45.6
EBITA margin (%)*	14.2%	15.7%	16.2%	16.9%
EBIT	9.4	9.5	47.0	44.5
EBIT margin (%)	13.8%	15.3%	15.9%	16.5%
Net income	6.7	6.5	35.1	31.9
EPS (EUR)	0.08	0.08	0.41	0.38
EPS excl. listing expenses (EUR)	0.08	0.08	0.42	0.42
Dividend (EUR per share)			0.34**	0.30
Operating free cash flow	3.9	-7.2	52.7	10.8
Net debt / adjusted EBITDA	1.5	1.7	1.5	1.7
Number of stores (at the end of the period)	37	34	37	34
Number of personnel converted into full-time employees (FTE)	669	643	693	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

** Board of Directors' proposal

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 2023

Puילו forecasts that net sales and adjusted operating profit (adjusted EBITA) for the financial year 2023 in euros will increase compared to the financial year 2022.

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

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 performance in financial year 2022 was strong. Our growth continued throughout the year. The operating environment can be described as changing and challenging. Covid-19 pandemic came to an end and life normalized in this consideration. Russia's invasion of Ukraine, energy crisis, rise in interest rates and high inflation rates have lowered consumer confidence at a record low. Despite these factors Puילו's concept, that works in all circumstances, was successful and we are satisfied with the whole year's performance.

In Q4, Puילו's net sales increased by 9.7% and the like-for-like net sales increased by 6.8%. We were able to continue to increase the number of customers. In Q4, we opened new stores in Tornio and Lieto. Q4 gross profit was 36.2%, remaining

at almost previous year's level. The gross profit was negatively impacted by the additional costs resulting from the high inventory levels, but we still managed to report a good gross margin. Adjusted EBITA was EUR 9.7 million, which corresponds to 14.2% of net sales. Operating expenses remained well under control despite the accelerated inflation. Q4 adjusted EBITA was negatively impacted by EUR 0.7 million depreciation adjustment of cloud-based IT services resulting from the ifric interpretation.

For the full financial year, our net sales increased by 9.7% and the like-for-like net sales increased by 5.5%. We opened new stores in Sastamala, Tornio and Lieto. All new stores have had a solid start. Gross profit for the financial year 2022 was 36.2% (36.9%), a decrease compared to previous year due to temporarily increased storage costs. Adjusted EBITA increased and amounted to EUR 48.8 million, which corresponds to an adjusted EBITA margin of 16.5%.

Puulo was able to maintain its profitability despite the challenging operating environment. We have been consistent, but moderate in passing-on higher purchasing prices to sales prices. We determinedly continued to implement our growth strategy and opened the above mentioned three new stores. We also increased the share of private label products to 20% of net sales while remaining good cost control. In the longer term, our target is to increase the share of private label products to 30%. These factors are well reflected in the Company's result.

Going into 2023, the challenges of the operating environment are still present. Russia's invasion of Ukraine continues, and the world's geopolitical risks have increased. Interest rates continue to rise, and the consumer confidence has remained low. However, our customers' day-to-day life has become easier as the most acute phase of the energy crisis has probably been passed and consumer purchasing power will probably improve as a result of the pay settlements. At the same time, we can see a downward trend in purchase prices of goods supplied by Puulo supported by a decrease in energy and sea freight prices. Therefore, we believe that the gross margin will improve this year. I will take the opportunity to repeat that low-price concept works better in challenging times relative to retail industry in general. Once again this is reflected in our solid figures for the reporting period.

We forecast that net sales and adjusted EBITA in euros will increase in the financial year 2023. The growth is supported by the opening of no less than five new stores in the current financial year. All new stores are located in or near to Helsinki metropolitan area and we are expecting a rapid start for the stores thanks to good business locations. At the same time, we forecast that our relatively young like-for-like stores and the Online store will increase their net sales in the current financial year. We will also continue to improve our internal processes in order to lower costs related to i.e. warehousing, logistics and store operations. We have succeeded in lowering the high inventory levels of 2022, but we are still expecting to increase the inventory turnover.

The Board of Directors proposes for the Annual General Meeting that a dividend of EUR 0.34 per share will be distributed, which exceeds previous year's dividend by more than 10%.

Puulo's growth continues.

To conclude this review of a strong year for Puulo, I want to thank our customers, personnel and shareholders and wish everyone a happy spring!

Significant events after the end of the reporting period

Flagging notification

On 15 February 2023 Puulo received a notification in accordance with Chapter 9, Section 6 and 7 of the Finnish Securities Markets Act. According to the notification, Adelis Holding I AB's indirect holdings in shares fell below the flagging threshold of 20% and was 18.66% after the transaction.

Proposal of the Shareholders' Nomination Board

The shareholders' Nomination Board of Puulo Plc proposes that current members of the Board of Directors Bent Holm, Mammu Kaario, Rasmus Molander and Markku Tuomaala will be re-elected. The Nomination Board also proposes that Lasse Aho and Tuomas Piirtola will be elected as a new members to the Board of Directors. Current members of the Board of Directors Tomas Franzén and Timo Mänty have notified that they are no longer available to be elected as a members of the Board of Directors. The Nomination Board proposes to the Annual General Meeting that Lasse Aho will be elected as a Chairman of the Board of Directors.

The Nomination Board proposes that the remunerations of the members of the Board of Directors fees are same than the current remuneration fees.

Proposal for profit distribution

The Board of Directors of Puulo Plc proposes for the Annual General Meeting to be held on 16 May 2023 that a dividend of EUR 0.34 per share be paid for the financial year 1 February 2022 - 31 January 2023 based on the adopted balance sheet

on shares held outside the company. The remaining distributable assets will remain in equity. The Board of Directors proposes that the dividend be paid in two instalments.

The first instalment, EUR 0.17 per share, will be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 23 May 2023. The board proposes that the first dividend instalment payment date be 30 May 2023.

The second instalment, EUR 0.17 per share, will be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 19 October 2023. The board proposes that the second instalment payment date be 26 October 2023. The Board proposes it be authorised to decide, if necessary, on new dividend payment record dates and pay dates for the second instalment, if the rules and statutes of the Finnish book-entry system change or otherwise so require.

As at the date of the proposal for the distribution of profit, 29 March 2023, a total of 84,461,953 shares were held outside the company, and the corresponding total amount of dividends was EUR 28,717,064.02.

The distributable assets of Puuilo Plc total EUR 102,738,190.57 of which profit for the financial year is EUR 41,297,199.63. The proposed dividend corresponds to approximately 82% of Puuilo Group's net income for the financial year.

Financial statements

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

Annual General Meeting

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.

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.

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

All financial reports are published in English and in Finnish and are available at:

<https://www.investors.puuilo.fi/en/reports-and-presentations>.

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-q4-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=10010324>. 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-q4-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

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