

Tikkurila in CEE

The Power of Entrepreneurship

Markku Immonen



- ▶ M.Sc. (Eng.), Helsinki University of Technology 1997
- ▶ Over 30 years in Paints & Coatings business
- ▶ President, Dejmark Group

Agenda

1. Territory
2. Country Facts
3. Macroeconomics
4. Paint Market
5. Paint Distribution
6. Tikkurila/Dejmark Group in the Territory

Territory



FACTS

- ▶ In the heart of Europe.
- ▶ As west as Finland.
- ▶ Area: 460.000 km².
- ▶ ~ 1.400 km x 330 km.
- ▶ Population: ~ 46 M.



Country Facts

CZECH REPUBLIC

- ▶ **Population:** 10,5 M.
- ▶ **Area:** 79,000 km².
- ▶ **Biggest cities:** Prague (1,3 M), Brno (0,4), Ostrava (0,3), Plzen (0,2).
- ▶ **Sectors of Economy:** Services 59%, Industry 38% and Agriculture: 3%.
- ▶ **Corruption Perception Rank:** 37 / 168.
- ▶ **Average Net Salary 2015:** ~ 760 EUR / month.
- ▶ **Personal Income Tax:** 22%.
- ▶ **Corporate Income Tax:** 19%.
- ▶ **VAT:** 21%.
- ▶ **Currency:** 1 EUR = 27 CZK (koruna).
- ▶ **Government:** Social Democrats, populist Center Party ANO and Christian Democrats.





Country Facts

SLOVAKIA

- ▶ **Population:** 5,4 M.
- ▶ **Area:** 49,000 km².
- ▶ **Biggest cities:** Bratislava (0,5 M), Kosice (0,2), Presov (0,1), Zilina (0,1).
- ▶ **Sectors of Economy:** Services 60%, Industry 31% and Agriculture: 3%.
- ▶ **Corruption Perception Rank:** 50 / 168.
- ▶ **Average Net Salary 2015:** ~ 700 EUR / month.
- ▶ **Personal Income Tax:** 25%.
- ▶ **Corporate Income Tax:** 22%.
- ▶ **VAT:** 20%.
- ▶ **Currency:** EUR.
- ▶ **Government:** Four party coalition lead by populist Social Democrats.





Country Facts

HUNGARY

- ▶ **Population:** 9,9 M.
- ▶ **Area:** 93,000 km².
- ▶ **Biggest cities:** Budapest (1,7 M), Debrecen, Miskolc and Szeged (0,2 each).
- ▶ **Sectors of Economy:** Services 65%, Industry 31% and Agriculture 4%.
- ▶ **Corruption Perception Rank:** 50 / 168.
- ▶ **Average Net Salary 2015:** ~ 640 EUR / month.
- ▶ **Personal Income Tax:** 16%.
- ▶ **Corporate Income Tax:** 19%.
- ▶ **VAT:** 27%.
- ▶ **Inflation rate:** 3,9%.
- ▶ **Currency:** 1 EUR = 310 HUF (Forint).
- ▶ **Government:** populist Conservative Fidesz.

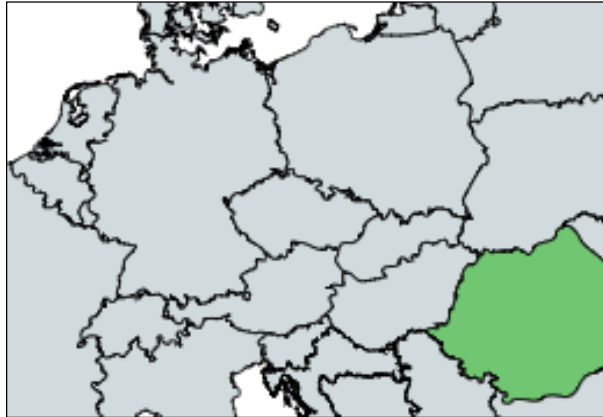




Country Facts

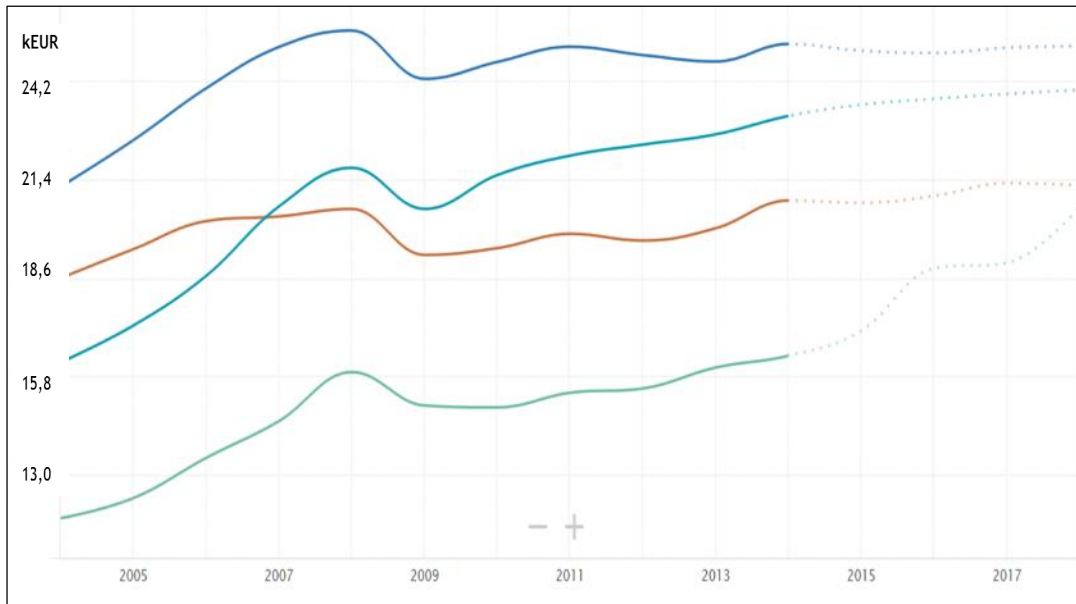
ROMANIA

- ▶ Population: ~ 20 M.
- ▶ Area: 238,000 km².
- ▶ Biggest cities: Bucharest (1,9 M), Cluj (0,3), Timisoara (0,3).
- ▶ Sectors of Economy: Services 52%, Industry 36%, Agriculture 12%.
- ▶ Corruption Perception Rank: 58 / 168.
- ▶ Average Net Salary 2015: ~ 420 EUR / month.
- ▶ Personal Income Tax: 16% .
- ▶ Corporate Income Tax: 16%.
- ▶ VAT: 20%.
- ▶ Currency: 1 EUR = 4,45 RON (Lei)
- ▶ Government: Technocratic.



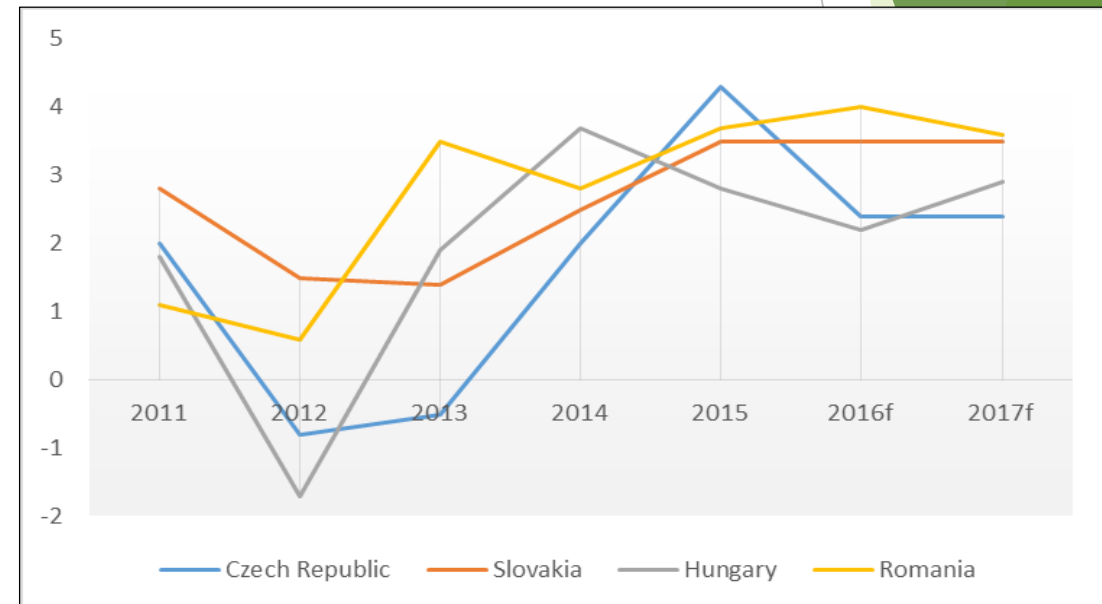
Macroeconomics

GDP Per Capita PPP (kEUR)



- RO GDP Per Capita PPP EUR 16,360
- HU GDP Per Capita PPP EUR 20,801
- CZ GDP Per Capita PPP EUR 25,282
- SK GDP Per Capita PPP EUR 23,220

GDP Annual Growth Rate (%)



- RO GDP Annual Growth Rate 3,7%
- HU GDP Annual Growth Rate 2,8%
- CZ GDP Annual Growth Rate 4,3%
- SK GDP Annual Growth Rate 3,5%

Macroeconomics

Unemployment Rate (%)



- RO Unemployment Rate 6,4%
- HU Unemployment Rate 6,0%
- CZ Unemployment Rate 6,1%
- SK Unemployment Rate 9,9%

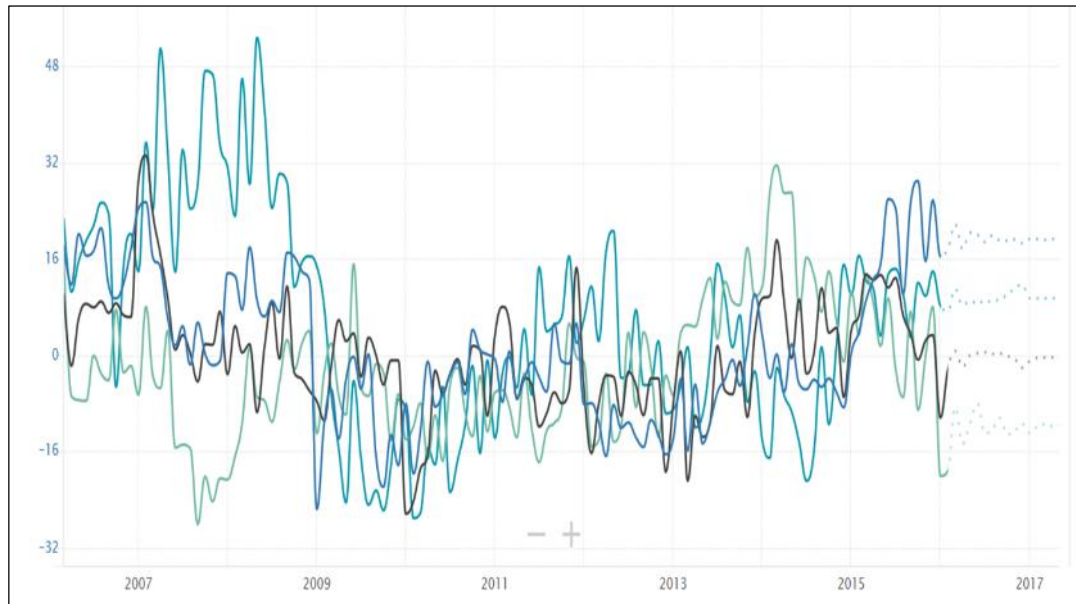
Inflation Rate (%)



- RO Inflation Rate -3,0%
- HU Inflation Rate -0,2%
- CZ Inflation Rate 0,3%
- SK Inflation Rate -0,5%

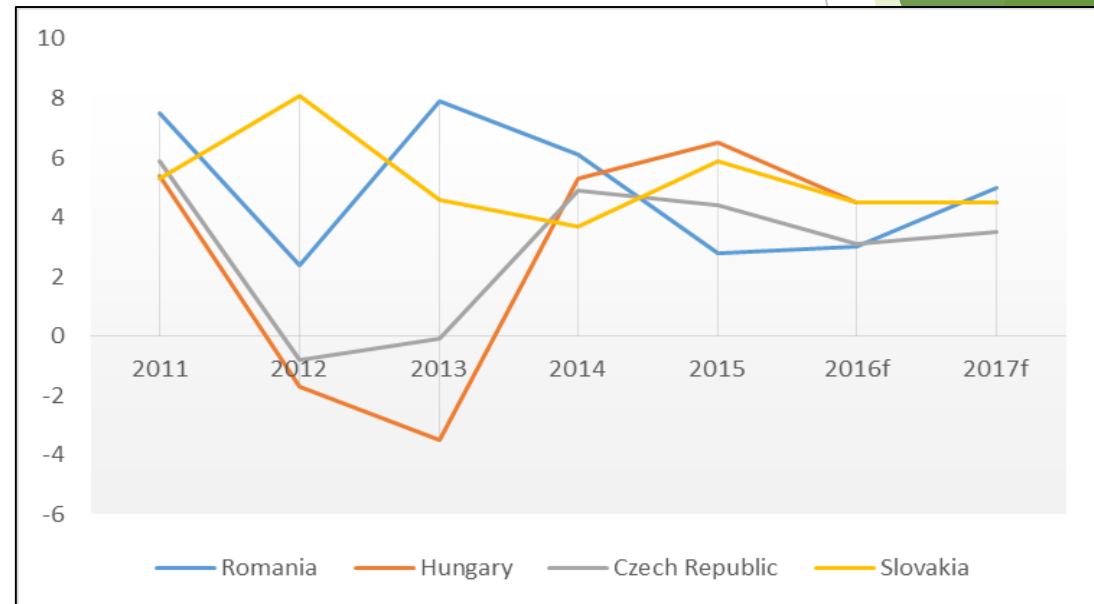
Macroeconomics

Construction Output (%)



- RO Construction Output 8,2%
- HU Construction Output -19,2%
- CZ Construction Output -2,3%
- SK Construction Output 16,4%

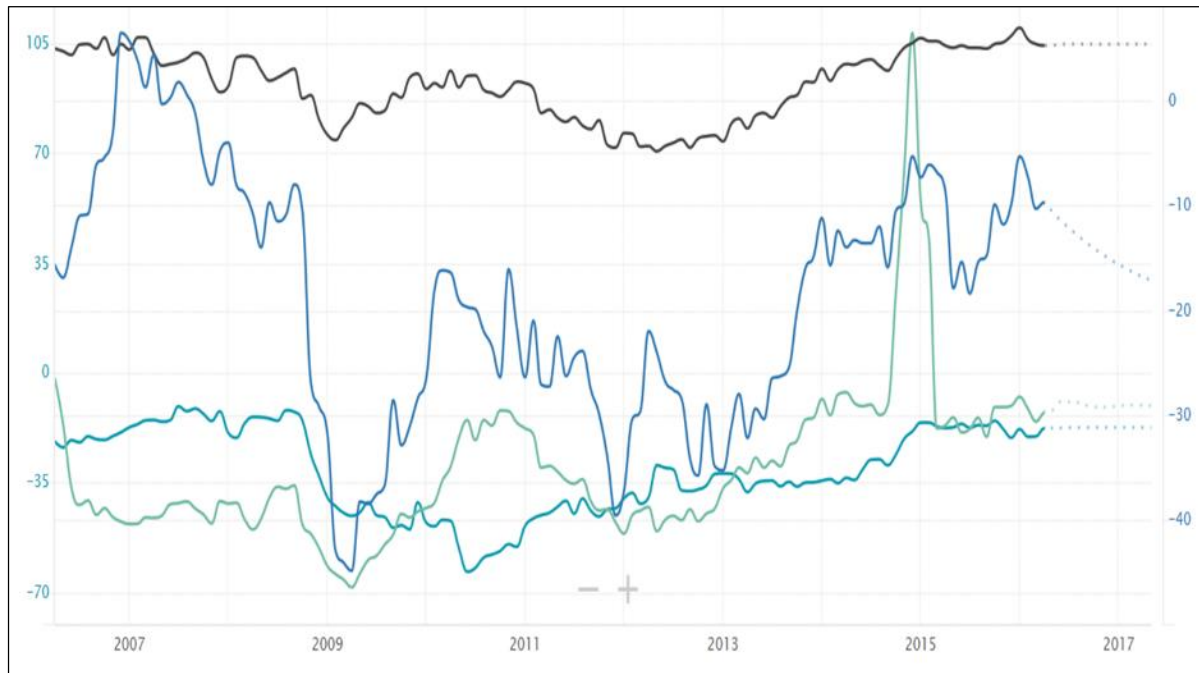
Industrial Production (%)



- RO Industrial Production 2,8 %
- HU Industrial Production 6,5 %
- CZ Industrial Production 4,4 %
- SK Industrial Production 5,9 %

Macroeconomics

Consumer Confidence



RO Consumer Confidence	-17.6
HU Consumer Confidence	-21.1
CZ Consumer Confidence	104.3
SK Consumer Confidence	-9.7

Paint Market

Country	Population (M)	Size of Deco (M kg)	Size of Industrial (M kg)	Total (M kg)	Deco Consumption (L/Capita)
Czech Republic	10,5	100,6	77,2	177,8	8,7
Slovakia	5,4	37,5	25,0	62,5	6,3
Hungary	9,9	78,4	72,5	150,9	7,2
Romania	20,0	93,5	60,5	154,0	4,3
TOTAL	45,8	310,0	235,0	545,0	6,2

Source: IRL 2012

Total paint market ~ **EUR 1 billion.**

Market size (kg) in 2015 at the same level as in 2012.

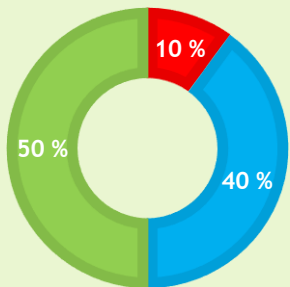
Average total paint consumption ~ **11,9 L/capita.**

Expected average growth ~ **2-6 % p.a.**

Paint Market, Czech Republic

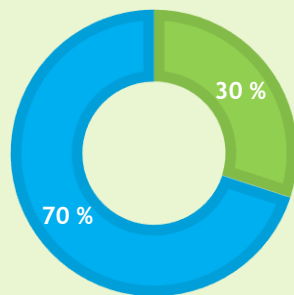
MARKET SEGMENTS

■ Premium ■ Medium ■ Economy



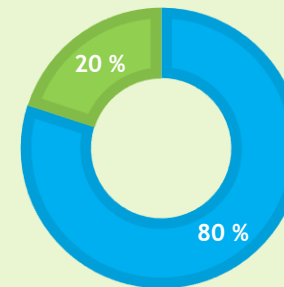
WATER VS. SOLVENT-BASED

■ Solvent-Based ■ Water-Based



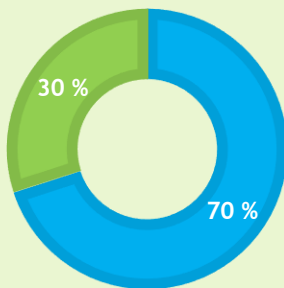
INTERIOR VS. EXTERIOR

■ Interior ■ Exterior



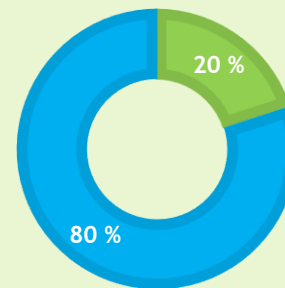
PROFESSIONAL VS. DIY

■ Professional ■ DIY



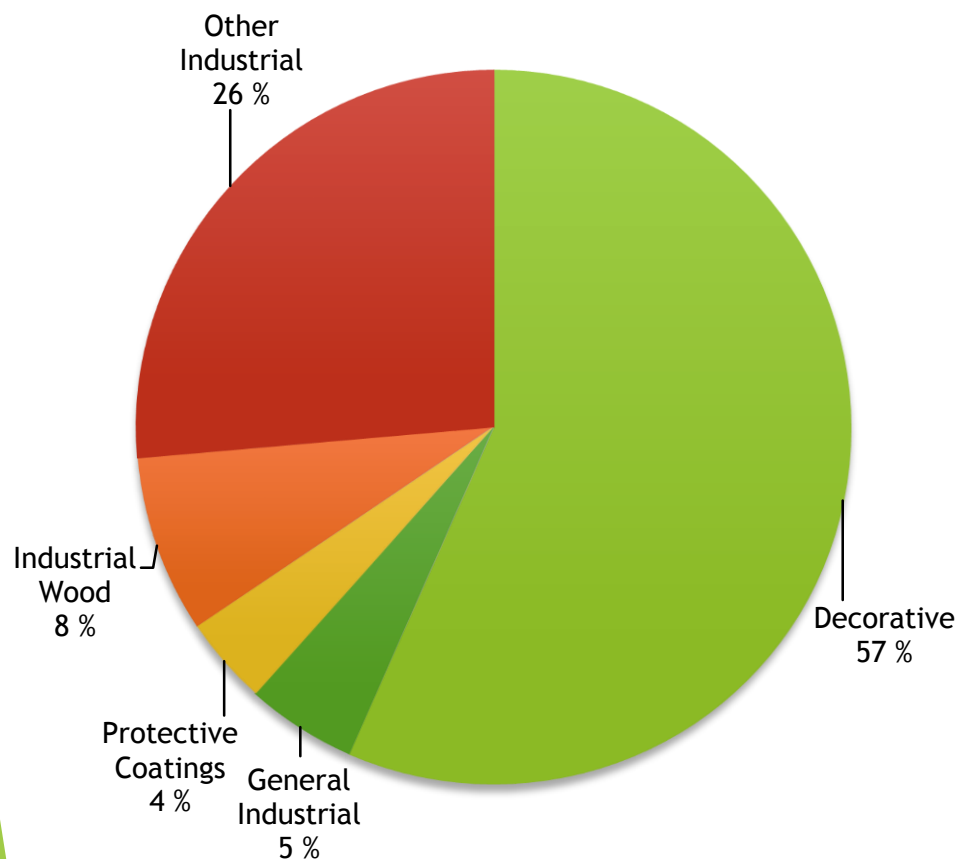
TINTED VS. READY-MADE

■ Tinted ■ Ready-Made

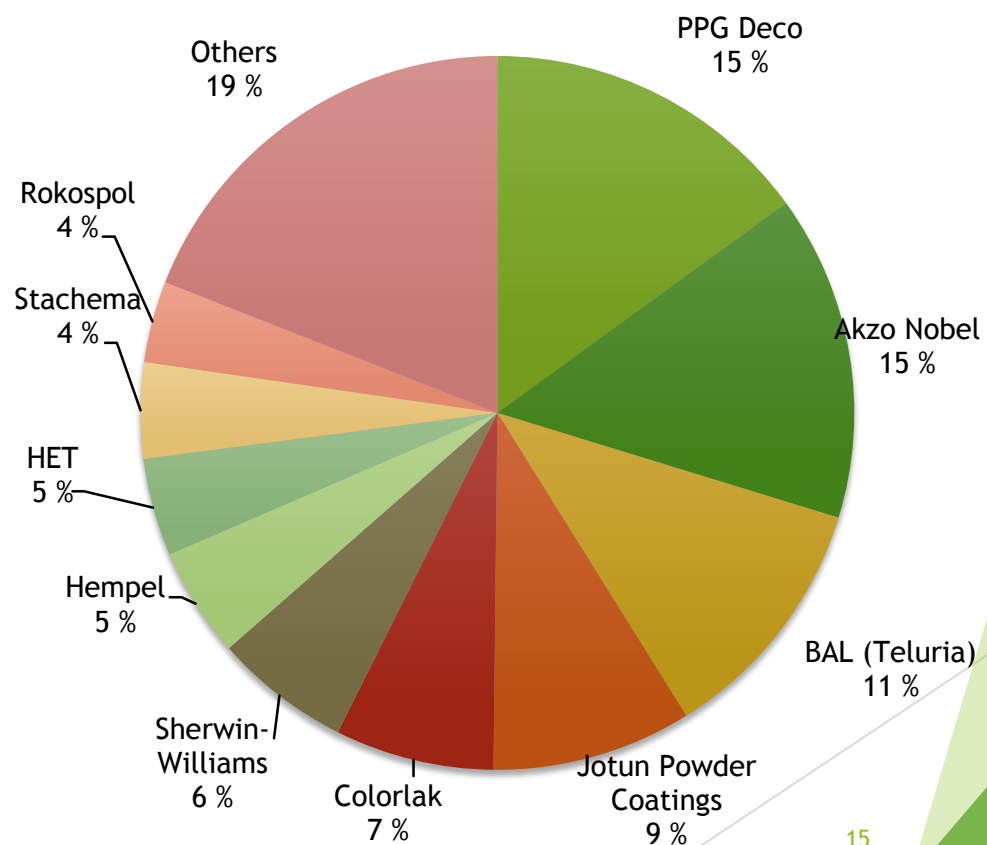


Paint Market, Czech Republic

CZ Paint Market (VOL-%)



Market Share (VALUE-%)



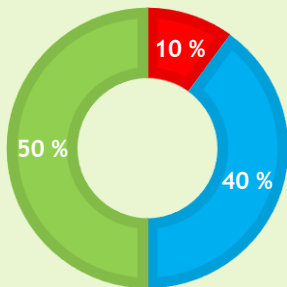
Source: IRL 2012

Source: EDB on-line company database

Paint Market, Slovakia

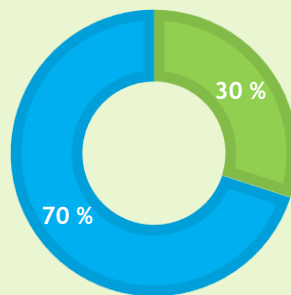
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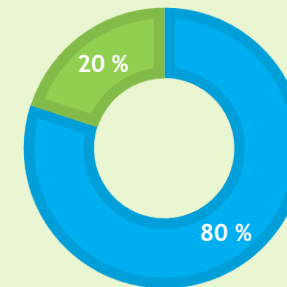
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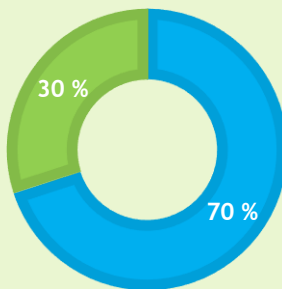
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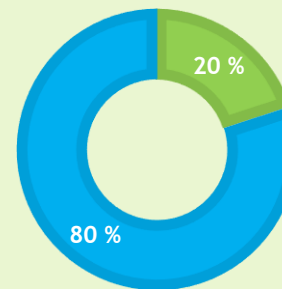
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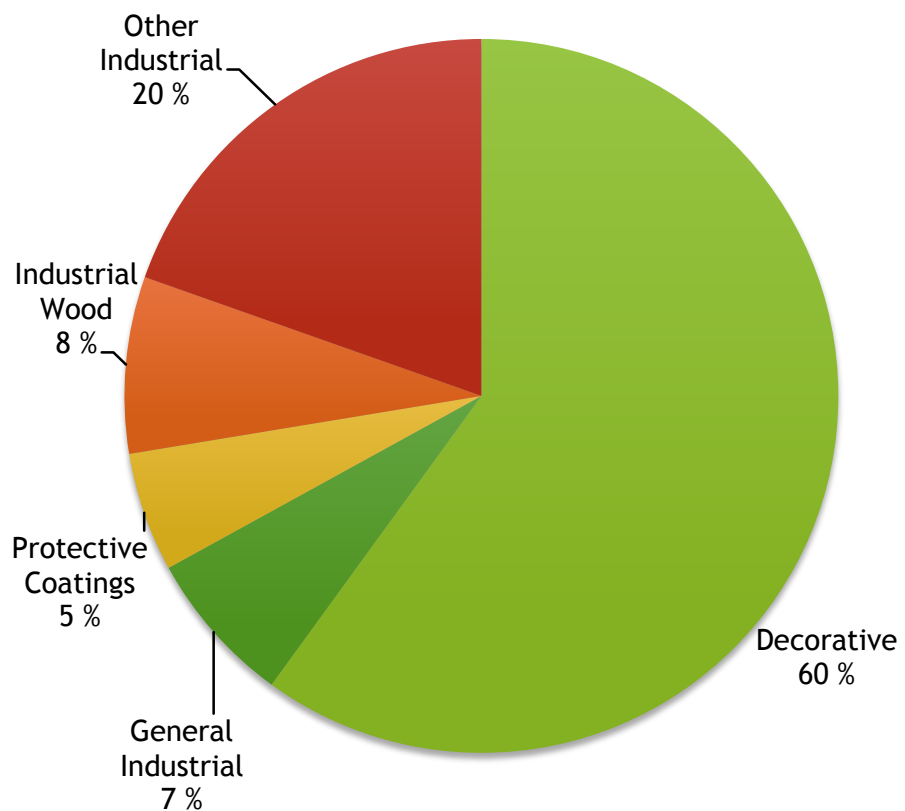
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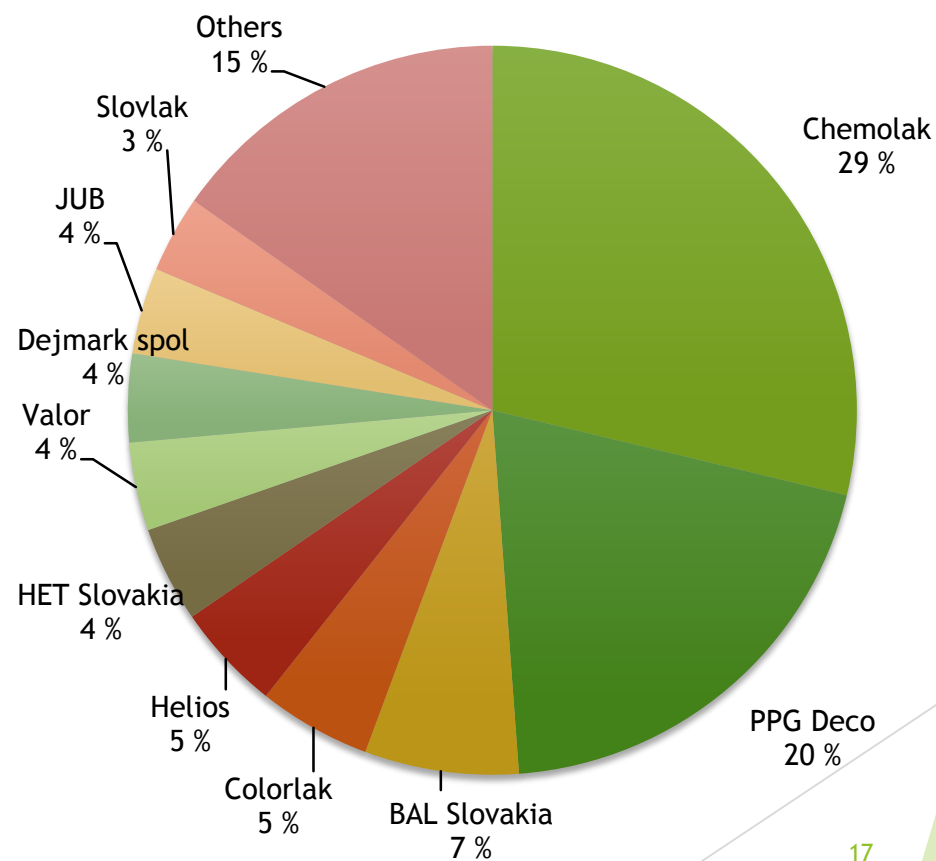


Paint Market, Slovakia

SK Paint Market (VOL-%)



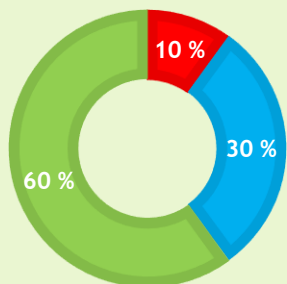
Market Share (VALUE-%)



Paint Market, Hungary

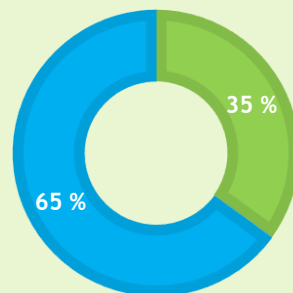
MARKET SEGMENTS

■ Premium ■ Medium ■ Economy



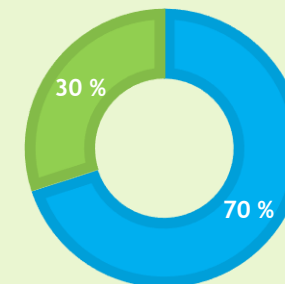
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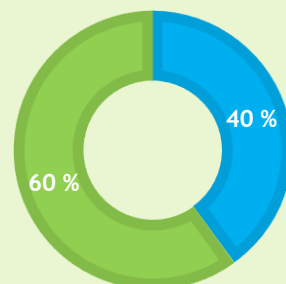
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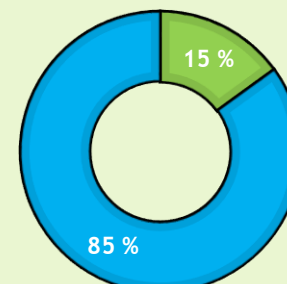
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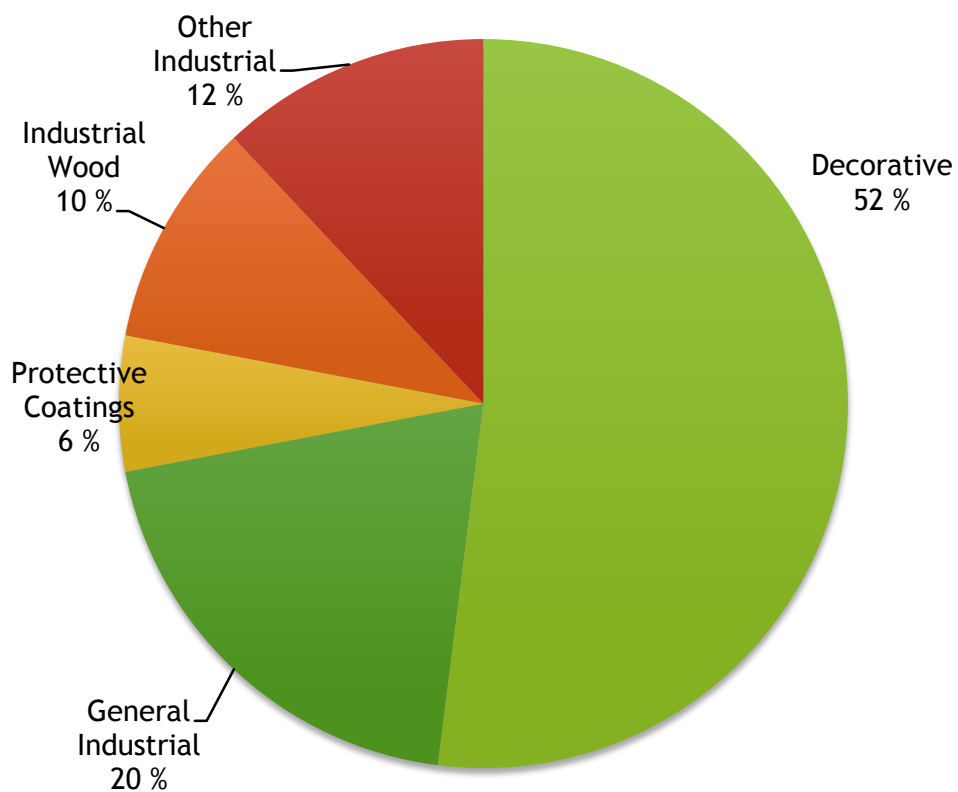
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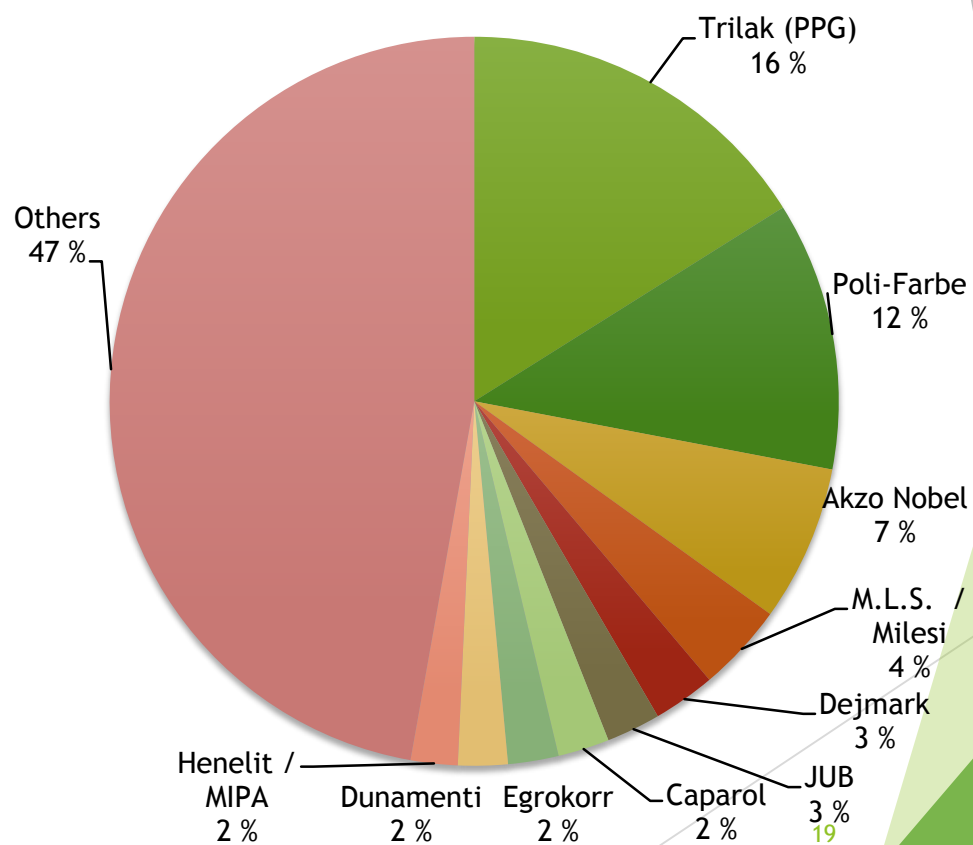
Paint Market, Hungary

HU Paint Market (VOL-%)



Source: IRL 2012

Market Share (VALUE-%)

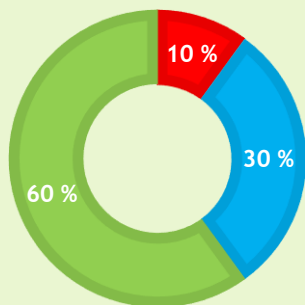


Source: Opten Informatikai on-line company database

Paint Market, Romania

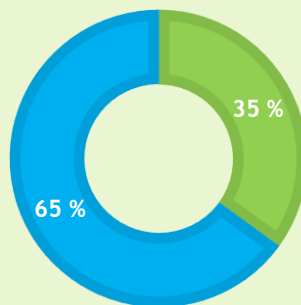
MARKET SEGMENTS

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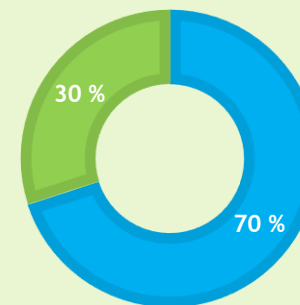
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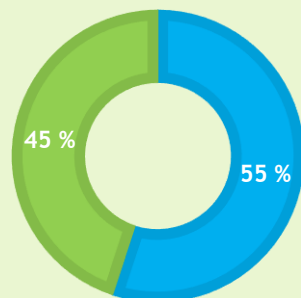
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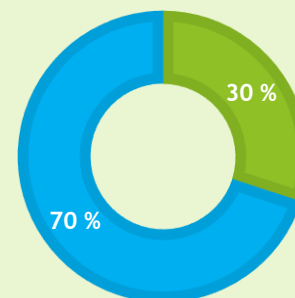
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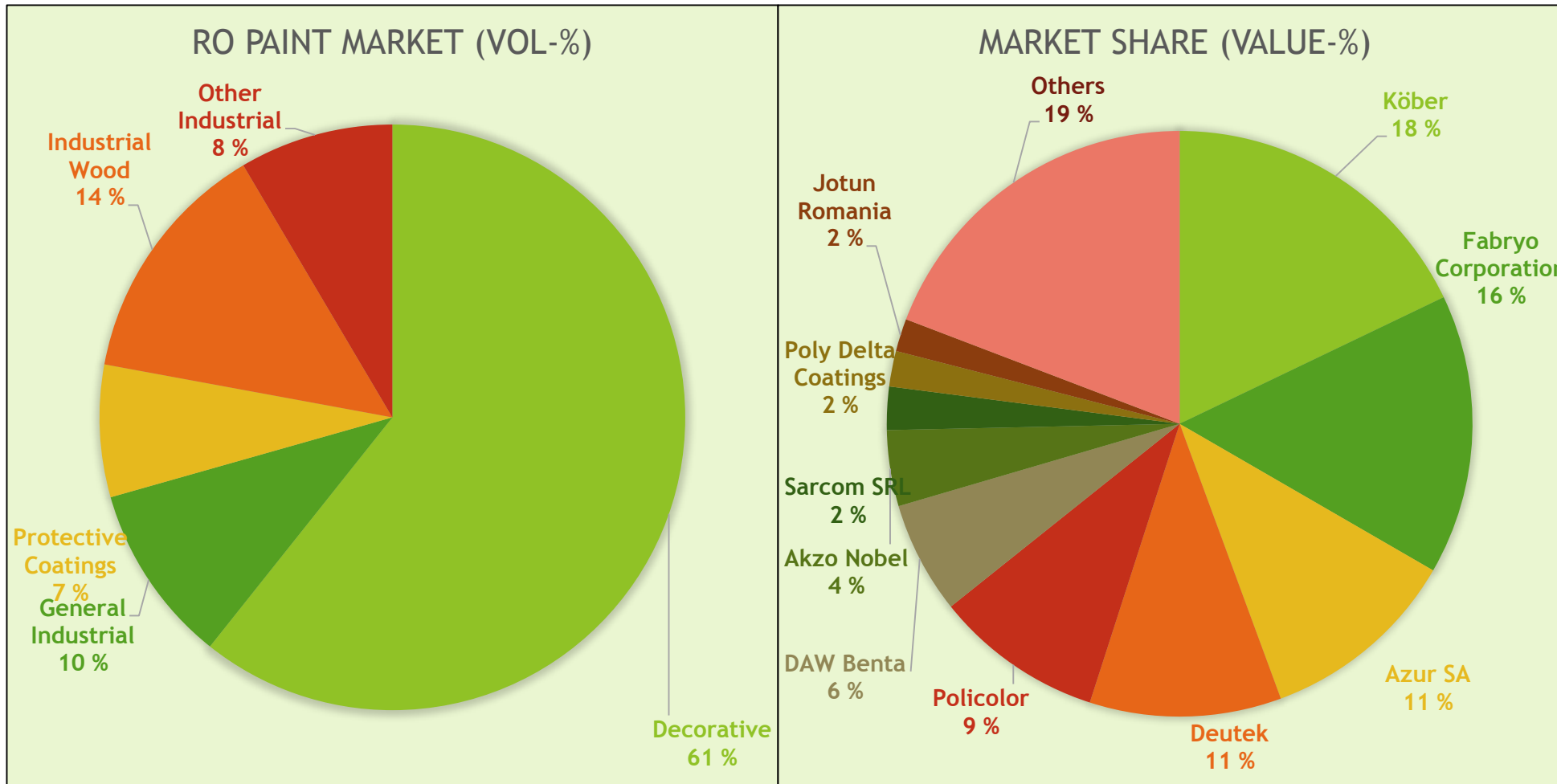


TINTED VS. READY-MADE

■ Tinted ■ Ready-Made



Paint Market, Romania



Distribution



Consumers



Professionals



Industry

Paint Stores

DIY Chains

Own Stores and/or On-Line

Service Centers

Wholesalers

Paint Producer / Importer

Traditional Paint Stores

Country	Number of Paint Stores
Czech Republic	~ 1100
Slovakia	~ 800
Hungary	~ 1100
Romania	~ 3000

Source: MGMT Estimates



DIY Chains

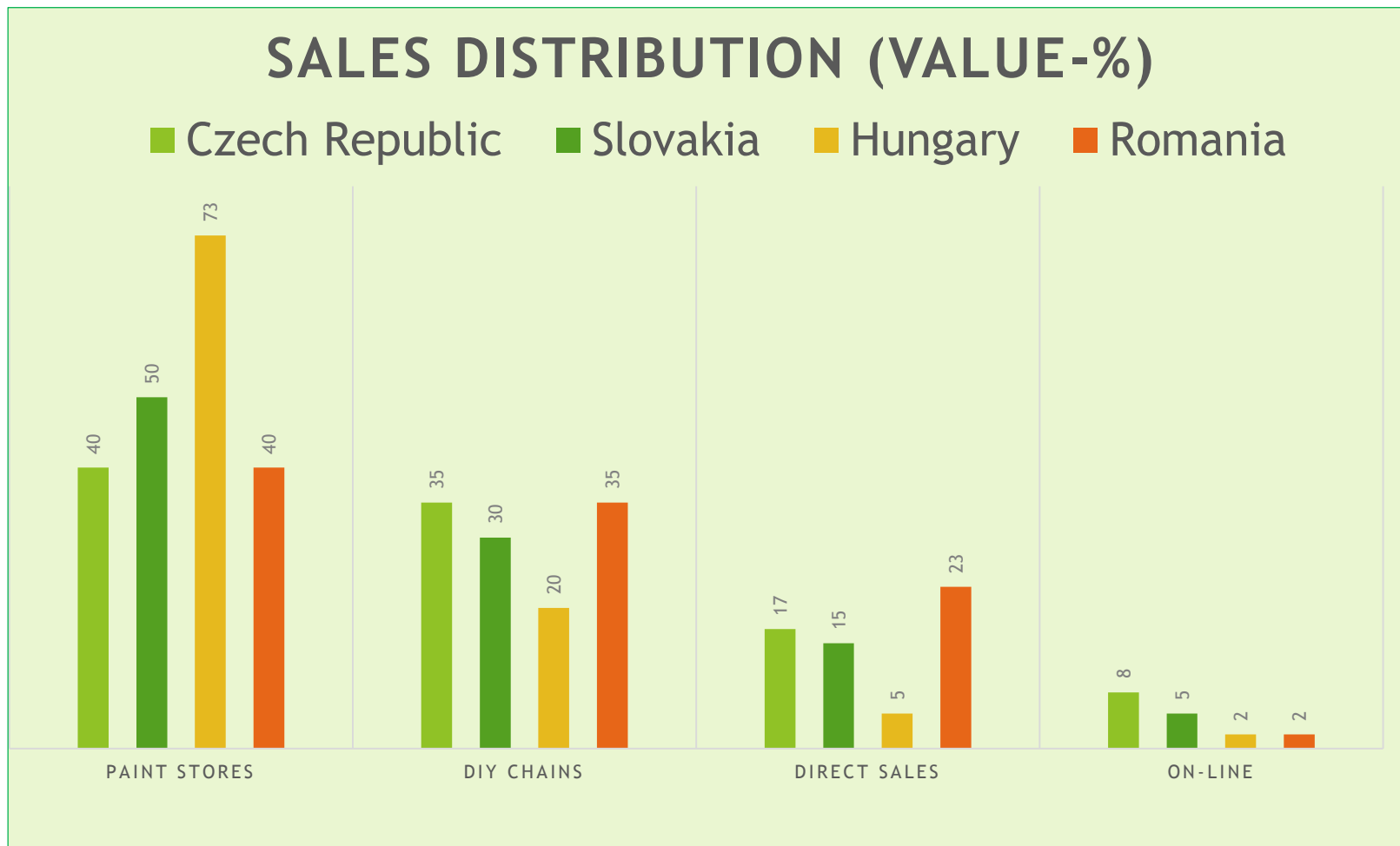
Czech Republic	DIY Stores
OBI	33
Baumax (Merkury Market)	18
Hornbach	9
Bauhaus	8
TOTAL	68

Slovakia	DIY Stores
OBI	14
Baumax (Merkury Market)	18
Hornbach	3
Bauhaus	1
TOTAL	36

Hungary	DIY Stores
OBI	29
Praktiker (Wallis Group)	18
Bauhaus	3
TOTAL	50

Romania	DIY Stores
Dedeman	44
Praktiker (Search Chemicals)	28
Leroy Merlin	18
Arabesque	18
Brico Depot	15
Hornbach	6
Mr. Bricolage	2
TOTAL	131

Distribution channels



Tikkurila/Dejmark in the Territory

- ▶ **1990** Auguste Reymond (1997 Tikkurila KFT).
- ▶ **1995** Finncolor Slovakia (2008 Tikkurila Slovakia).
- ▶ **2005** Finncolor CZ (2006 Tikkurila sro).
- ▶ **2008** Tikkurila JUB Romania (2009 Tikkurila SRL).
- ▶ **1/2012** Dejmark Group s.r.o. established.
- ▶ **3/2012** Tikkurila KFT, Tikkurila Slovakia, Tikkurila s.r.o. acquired.
- ▶ **5/2012** Tikkurila SRL acquired.
- ▶ **4/2013** Eurocolor Retail stores (3) acquired in Romania.

Dejmark Group, Facts

Facts

- ▶ A leading independent distributor of paints, coatings, tools & related products and concepts in the Territory.
- ▶ Established in 2012 (1990).
- ▶ ~ 90 service oriented professionals.
- ▶ Head Office: Prague.
- ▶ Territory: Hungary, Czech Republic, Slovakia & Romania.
- ▶ ~ 46 M inhabitants.
- ▶ ~ EUR 1 billion paint market.



DEJMARK

Dejmark Group, Strategy

Areas of Activity

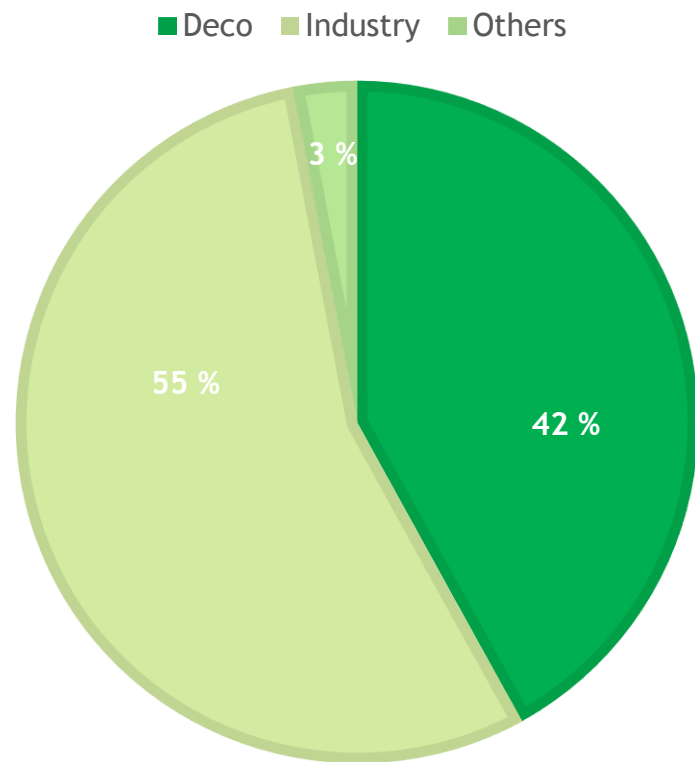
		HUNGARY	ROMANIA	CZECHIA	SLOVAKIA
Industrial	Metal	○	○	○	○
	Wood	○	○	○	○
	Floors	○	○	○	○
	Adhesives	○	○	○	○
Decorative Professional	Paints	○	○	○	○
	Plasters	○	○	○	○
	Tools	○	○	○	○
	Abrasives	○	○	○	○

Core Strategy

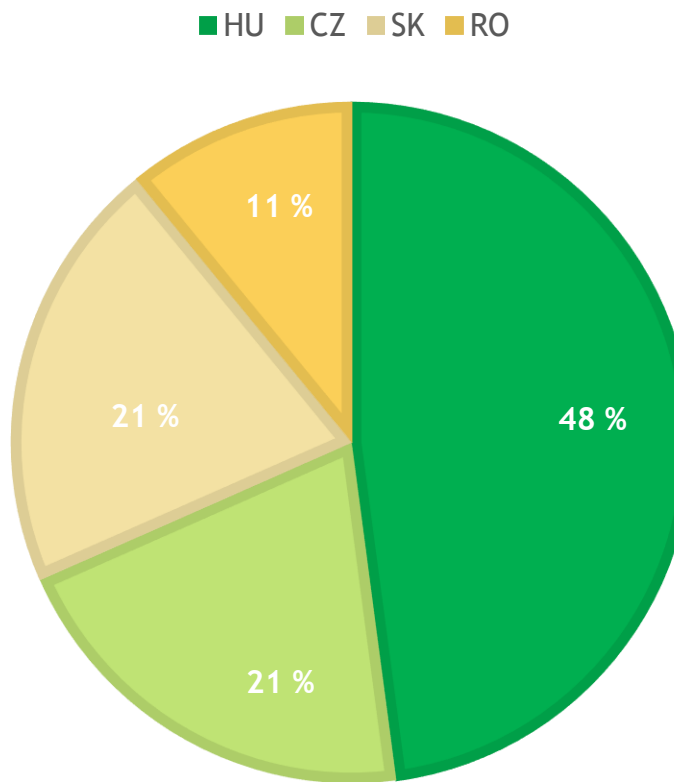


Dejmark Group, Market segments

Market Segments (%)



Geographical (%)



Dejmark Group, Customers

> 2000 customers in the Territory.
~ 500 tinting partners.

- ▶ Traditional paint stores.
- ▶ Direct industrial customers.
- ▶ Consumers.
- ▶ Professionals.
- ▶ DIY chains.
- ▶ Wholesalers.
- ▶ Construction material chains.
- ▶ Building and painting contractors.
- ▶ Architects and designers.



DEJMARK

Dejmark Group, Brands

Premium



**Industrial
Paint Service**

Medium



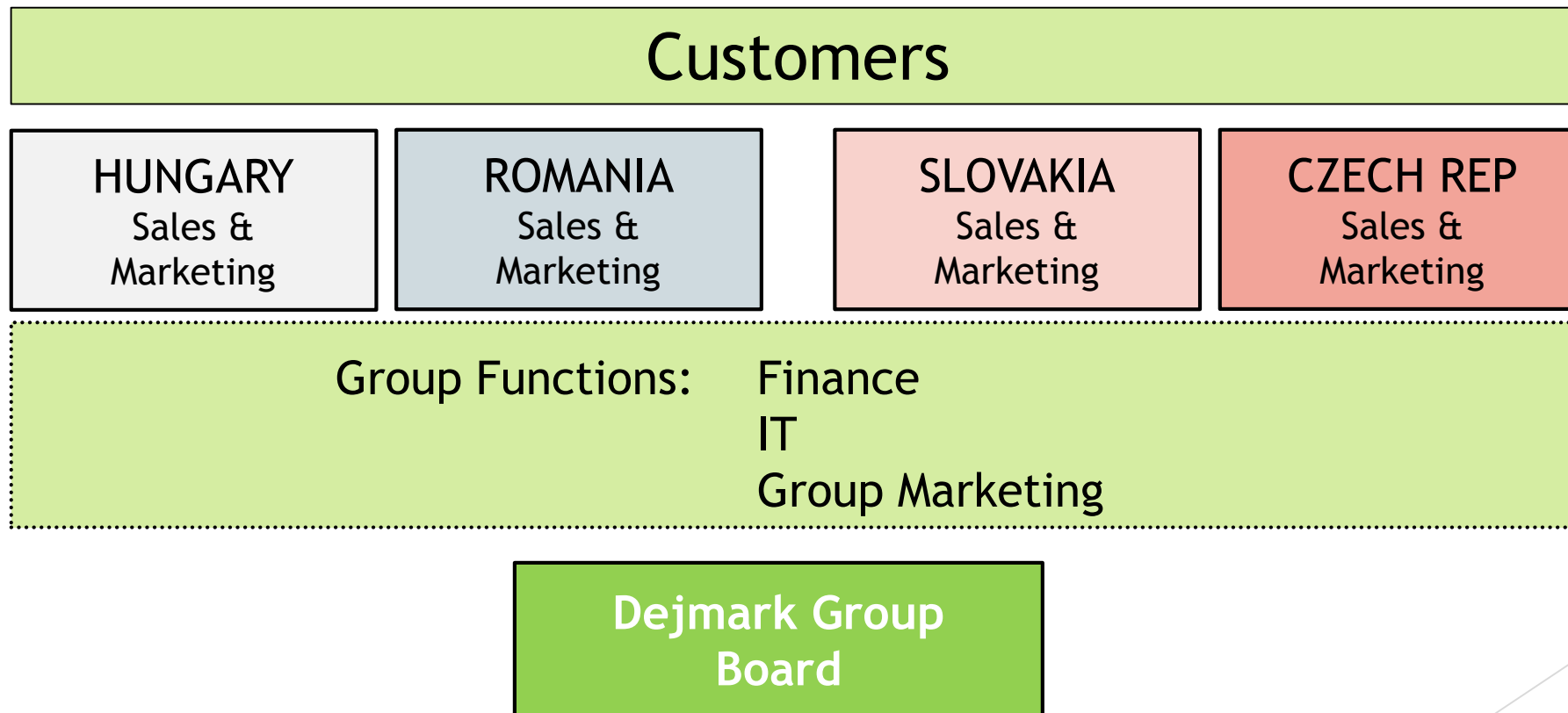
Economy

Dejmark Group, Organization

~ 90 employees

Key Elements

- Ambition.
- Customer orientation.
- Decision making.
- Efficiency.
- Profitability.



Dejmark Group, Infrastructure



DISTRIBUTION CENTERS (3):

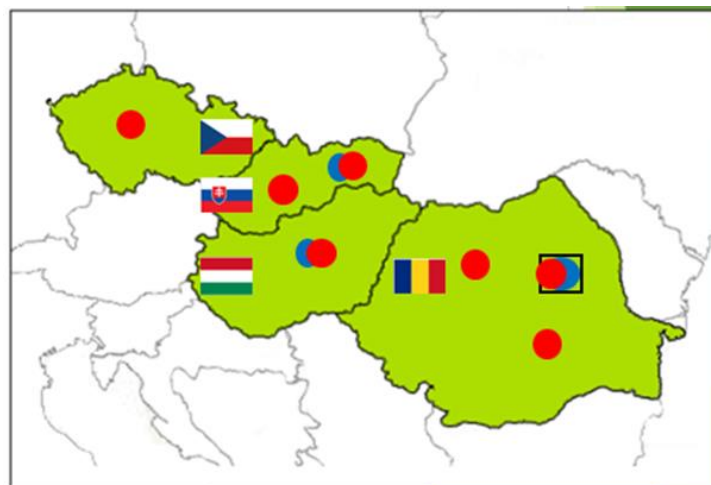
Budapest 2500 m²

Martin 2000 m²

Targu Secuiesc 300 m²

SALES OFFICES (7)

Prague, Bratislava, Martin, Budapest,
Bucharest, Cluj-Napoca, Targu-Secuiesc



Dejmark Group, Own Paint Stores



Budapest



Martin



Bratislava



Bucharest



Cluj-Napoca



Targu Secuiesc

Dejmark Group, Key to success

KEY TO SUCCESS - DECO MARKET

- Efficient distribution (in each channel)
- Portfolio based on the real market needs
- Proactive, systematic sales efforts
- Brand recognition, training/motivation
- Earnings opportunity



KEY TO SUCCESS - INDUSTRIAL MARKET

- Reliability & service
- References, Certificates, Specifications
- Quality and competitiveness
- Added value
- Proactive, systematic sales efforts

Dejmark Group, Vision

*Achieve together the exceptional success
that we will never forget!*

DEjMARK