



TIKKURILA

Revenue and profitability increased in Q3/2020

TIKKURILA OYJ, Q3/2020 BUSINESS REVIEW



Tikkurila's third quarter was very strong

Key takeaways from Q3/2020



Decorative paints drove the market



DIY demand normalized, but remained on a high level



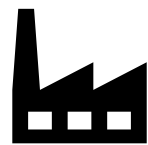
Continued **strategic actions** to improve **efficiency** & active **cost management**



Strong demand for **premium brands**



Health & safety of employees, customers and partners in focus



Industry business remained below previous year's level, by single-digits



Maalilinja
020 191 2002

Consumers spent a lot of time in their homes and summer cottages, which fueled renovation activities. Tikkurila's **customer hotline** was ready to help and has now advised our consumer and professional customers **for 20 years!**

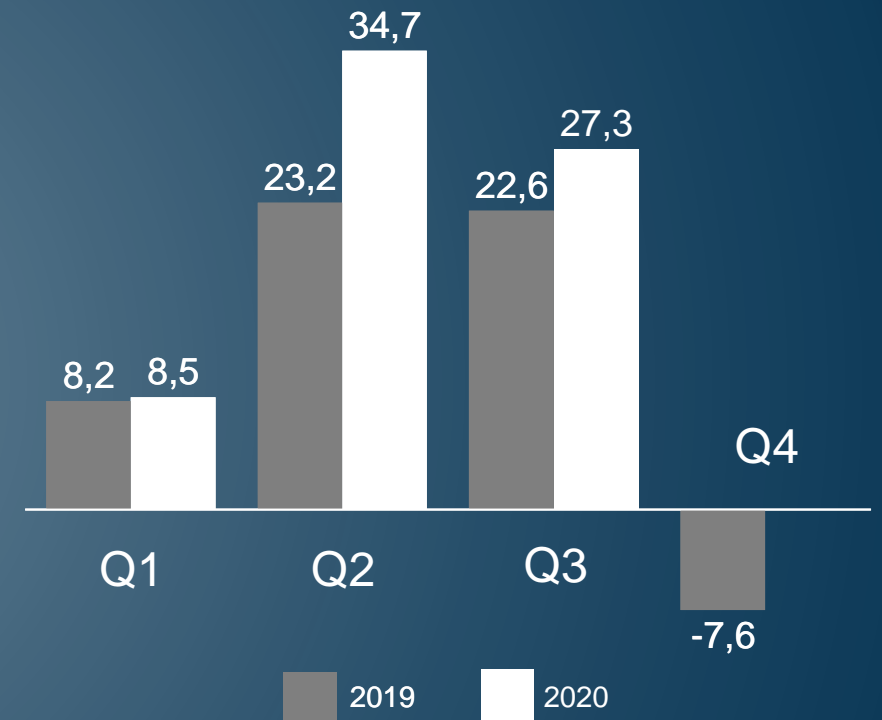
Key financials from Q3/2020

- **Revenue increased by +4.6%, and by +9.7% excluding currency effects**
 - Out of core markets, reported revenue increased in Sweden (+16%), Poland (+11%) and Finland (+2%)
 - In Russia, the weak Russian Ruble turned a double-digit local currency growth into a reported decline in euros (-7%)

- **Adjusted operating result clearly improved to EUR 27.3 million (22.6)**
 - Good demand in decorative paints and positive development with price/mix in all Tikkurila's core markets
 - Continued efficiency improvements
 - Fixed costs were on a normalized level, slightly above the previous year.

- **Liquidity and funding position is good**
 - ROCE improved to 23.0% (15.2%)
 - Interest-bearing net liabilities down to EUR 18.8 million (77.7)
 - Operative cash flow improved by 7% to EUR 79.3 million (74.0)

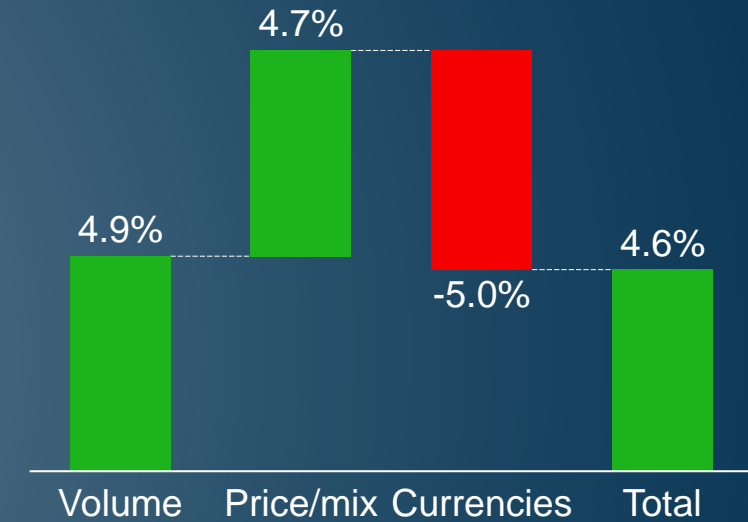
Adjusted operating profit (EUR million)



Key figures – Tikkurila Group

EUR million	7-9/2020	7-9/2019	Change %	1-9/2020	1-9/2019	Change %	1-12/2019
Revenue	164.3	157.1	+4.6%	469.1	455.9	+2.9%	563.8
Excluding currency effects			+9.7%			+6.1%	
Operating result (EBIT)	27.3	22.5	+21.1%	68.9	51.6	+33.6%	43.9
Operating result margin, %	16.6%	14.3%		14.7%	11.3%		7.8%
Adjusted operating result	27.3	22.6	+20.8%	70.5	54.0	+30.5%	46.4
Adjusted operating result margin, %	16.6%	14.4%		15.0%	11.8%		8.2%
Net result for the period ¹⁾	19.1	17.1	11.7%	49.9	40.6	22.8%	33.2
Earnings per share (EPS), EUR ¹⁾	0.43	0.39	11.7%	1.13	0.92	22.8%	0.75
Interest-bearing net liabilities at period-end				18.8	77.7	-75.8%	78.4
Cash and cash equivalents				98.3	41.8	+134.9%	47.0
Gearing, %				10.1%	43.9%		45.6%
ROCE, %				23.0%	15.2%		15.4%
Cash flow after capital expenditure	79.3	74.0	+7.1%	73.3	44.0	+66.9%	52.7

The effects of various factors on revenue, Q3/20 vs Q3/19

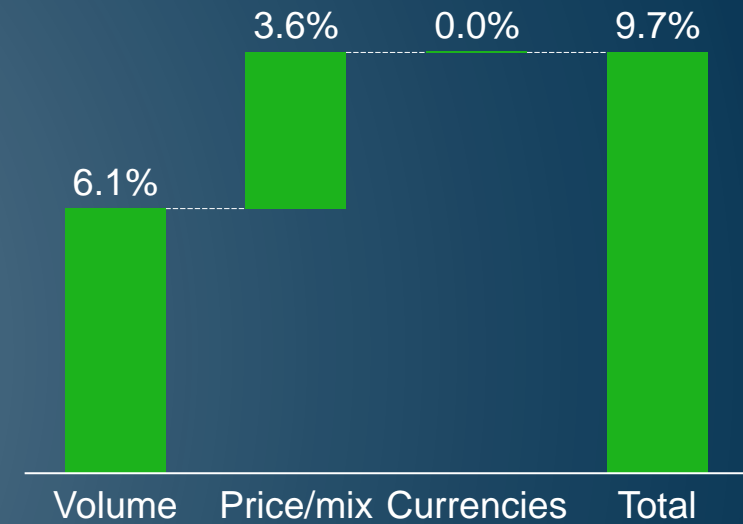


1) Exchange rate differences on internal loans had an adverse impact on net result for the period and EPS.

Key figures – SBU West

EUR million	7-9/2020	7-9/2019	Change %	1-9/2020	1-9/2019	Change %	1-12/2019
Revenue	106.7	97.3	+9.7%	323.1	302.0	+7.0%	370.0
Excluding currency effects			+9.6%			+8.1%	
Revenue in Sweden	34.1	29.4	16.3%	103.3	95.9	7.8%	118.7
Revenue in Finland	23.9	23.4	2.1%	85.0	78.4	8.4%	91.1
Revenue in Poland	27.7	24.9	11.1%	74.8	72.2	3.7%	89.4
Adjusted operating result	19.6	12.8	+53.5%	55.3	38.2	+44.8%	30.7
Adjusted operating result margin, %	18.4%	13.1%		17.1%	12.6%		8.3%

The effects of various factors on revenue, Q3/20 vs Q3/19



Highlights from July–September (Q3)

- In **Sweden** (revenue +16%), revenue increased in both decorative and industry paints. Growth was driven by continued strong consumer demand for all paints, but especially for exterior paints.
- In **Finland** (+2%), revenue increased in decorative paints, driven by exterior paints. Revenue decreased slightly in industry paints.
- In **Poland** (+11%), revenue increased in decorative paints, driven by interior paints. Revenue decreased in industry paints.
- The revenue increase in other countries was driven by Denmark and the Baltics.

SBU West consists of Sweden, Denmark, Norway, Finland, Poland, Estonia, Latvia, and Lithuania.

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

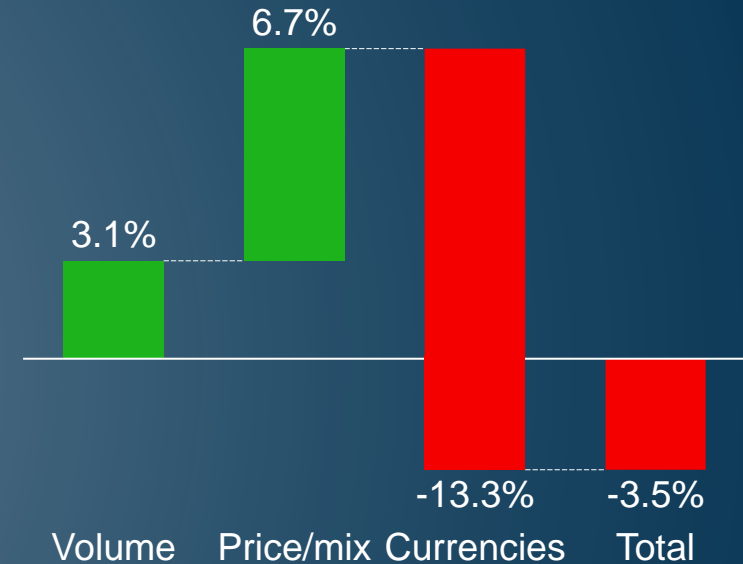
Key figures – SBU East

EUR million	7-9/2020	7-9/2019	Change %	1-9/2020	1-9/2019	Change %	1-12/2019
Revenue	57.6	59.7	-3.5%	146.1	153.9	-5.0%	193.8
Excluding currency effects			9.8%			+2.1%	
Revenue in Russia	42.5	45.5	-6.5%	109.3	114.6	-4.6%	143.6
Adjusted operating result	10.1	11.2	-9.7%	20.1	20.3	-0.8%	22.0
Adjusted operating result margin, %	17.5%	18.7%		13.8%	13.2%		11.4%

Highlights from July-September (Q3)

- In **Russia** (SBU East), euro-denominated revenue declined due to the weakening Russian Ruble, but revenue in local currency was in double-digit growth, driven by exterior paints. Sales mix continued to develop positively, as demand increased especially for premium brands (Tikkurila).

The effects of various factors on revenue, Q3/20 vs Q3/19

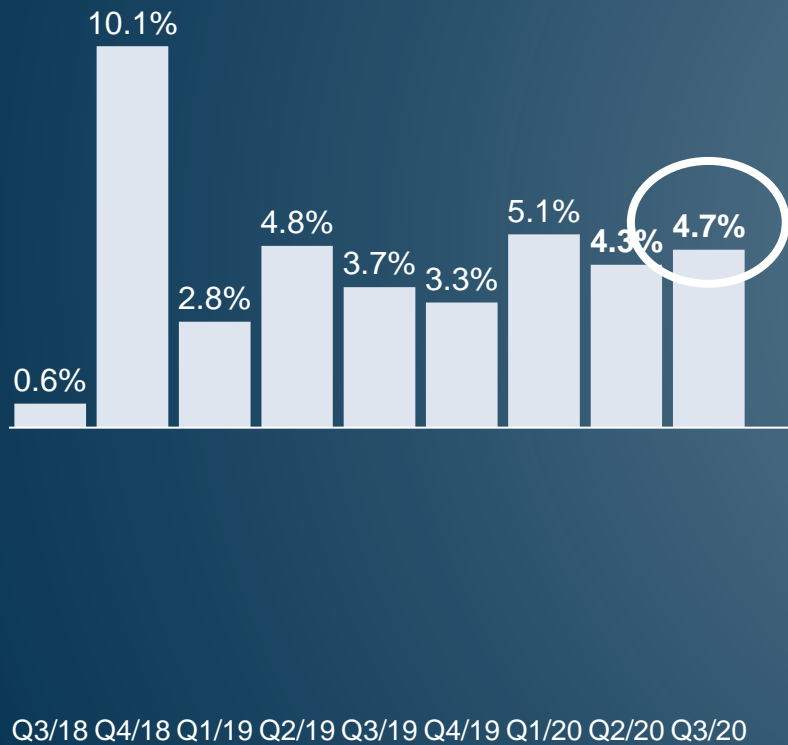


SBU East consists of Russia, Central Asian countries, and China. Furthermore, SBU East is responsible for the exports to more than 30 countries.

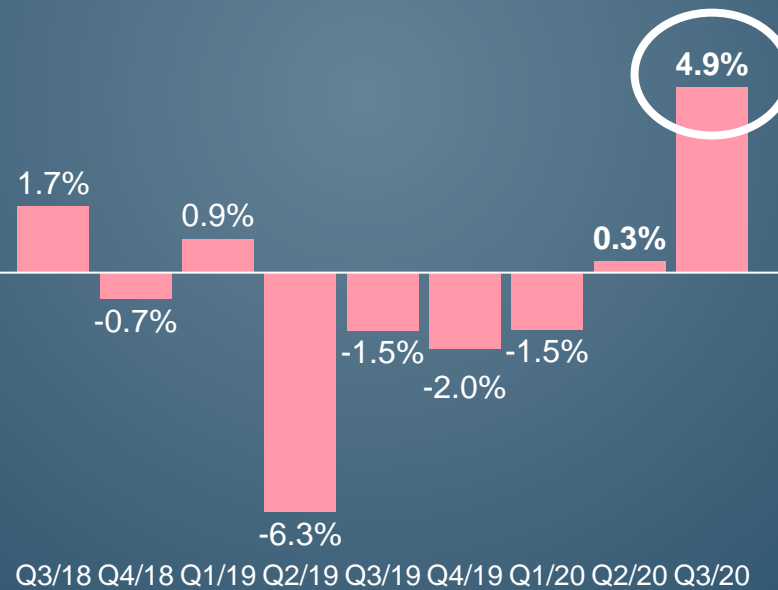
The figures on the graph have been independently rounded, which should be taken into account when calculating total figures.

Significant positive impact from price/mix and volumes, currencies had a clear negative impact

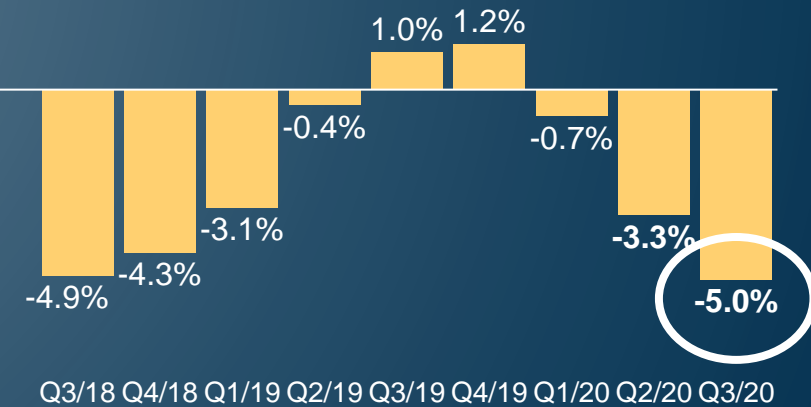
Impact of price/mix on revenue



Impact of volume on revenue

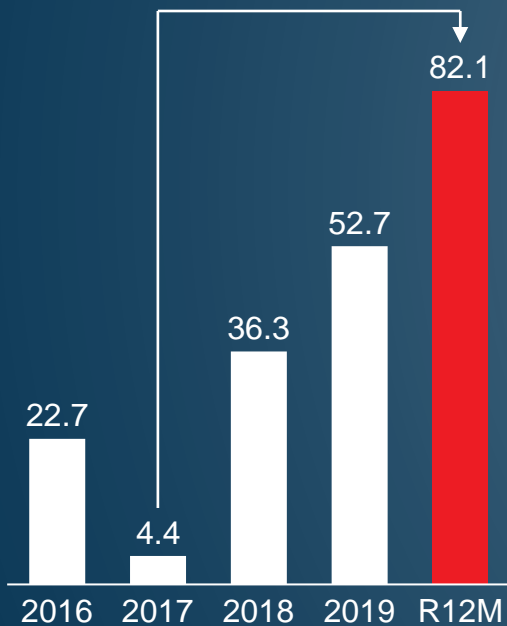


Impact of currencies on revenue

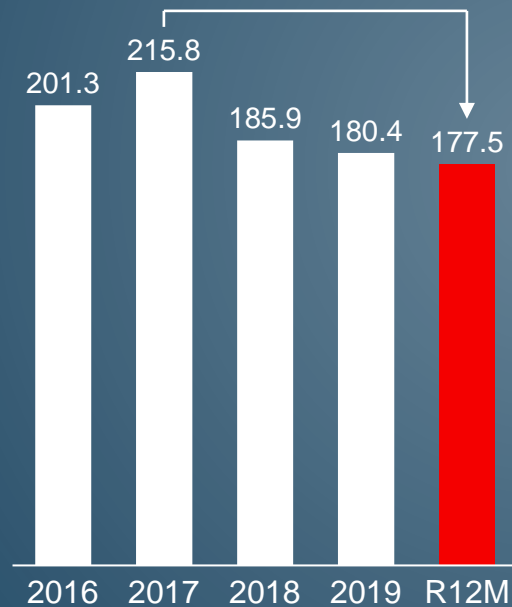


Other key indicators also continued to develop positively

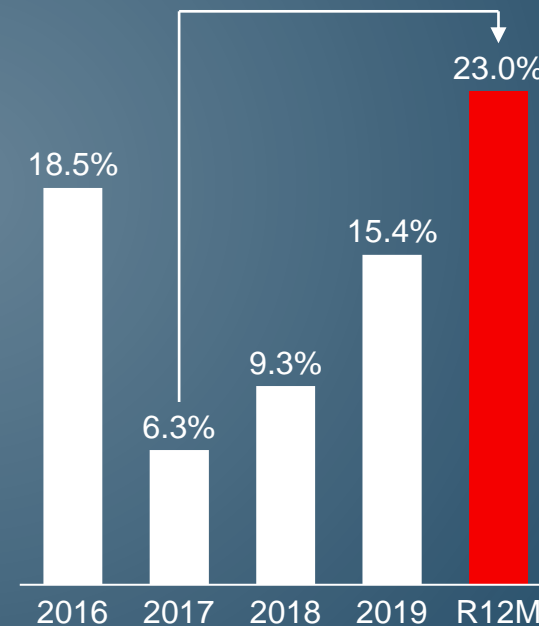
Cash flow after capital expenditure
EUR million, Rolling 12m



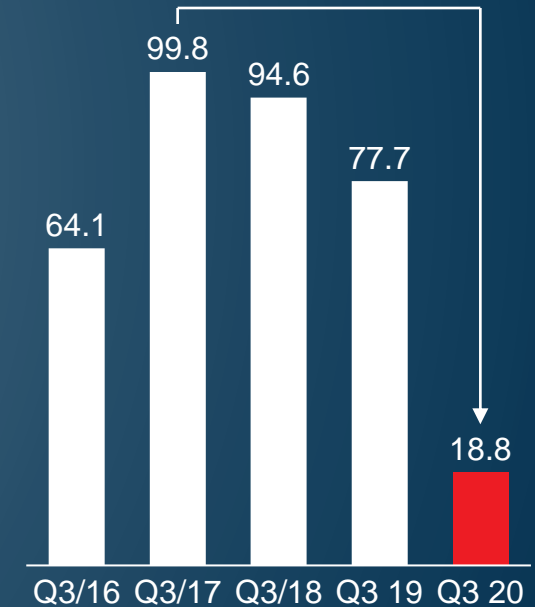
Fixed costs
EUR million
Rolling 12m



ROCE
%
Rolling 12m



Net interest-bearing liabilities
EUR million, end of period



2016-2018 excluding IFRS 16,
2019-2020 including IFRS 16

Good revenue growth in all core markets



Q1 revenue,
growth, % yoy

27%

-1%

+4%

-9%²⁾

-3%

Q2 revenue,
growth, % yoy

-17%

+8%

+18%

+8%

1%

Q3 revenue,
growth, % yoy

-7%¹⁾

+16%

+2%

+11%

7%

YTD revenue,
growth, % yoy

-5%

+8%

+8%

+4%

2%


1) Revenue decline in Q3/2020 reflected significant negative impact from the Russian Ruble. Local currency revenue was in double digit growth.

10/29/2020

2) Revenue decline in Q1/2020 reflected a strong comparison period, during which decorative paint volumes had increased ahead of price increases.

We are focused on our strategy, but visibility forward remains weak

Focus on growth and efficiency improvements will continue



>12%	ROCE
<i>Adjusted EBIT</i>	>20%
<i>Faster than home market growth</i>	<i>Gearing <70%</i>



DIY market has stabilized, but visibility remains low







New construction projects impacted by uncertainty



New Covid-19 waves, and net impact on paint industry unclear

Macroeconomic uncertainty expected to impact B2B business

Forecasted* GDP decline in 2020

 -3,8%	 -3,7%
 -4.0%	 -3.5%

*Sources for GDP growth rates: Oxford Economics

Guidance for 2020 remains unchanged

- **Adjusted operating result is expected to continue to improve (2019: EUR 46.4 million)**
- **Due to expected fluctuations in demand in all segments, Tikkurila will not give guidance for the revenue for 2020.**

Assumptions behind the guidance

- On 27 March 2020, Tikkurila withdrew its original guidance for 2020 due to increased uncertainty and weakened visibility, as the global coronavirus pandemic (Covid-19) and the related local restrictions were rapidly changing Tikkurila's business environment.
- On 24 July 2020, the guidance for profitability was restored after a strong Q2/2020.
- During the third quarter, the decorative paint market stabilized, but demand remained relatively strong for July-September. Overall, the quarter was strong, both in terms of revenue and profitability.
- However, uncertainties remain concerning the development of demand for paint as well as the general macroeconomic development. Specifically, the professional and industry businesses are expected to continue to be impacted by the forecasted negative GDP development in all key markets. Also, in decorative paints, customers place their orders at a relatively short notice. Thus, any forecasting can only be done based on current demand and visibility remains weak.



TIKKURILA

Thank you! Questions?