



TIKKURILA

BUSINESS REVIEW JANUARY-SEPTEMBER 2019

# Revenue increased and profitability continued to improve

Adjusted operating profit increased by 18% in Q3

OCTOBER 29, 2019

## Key takeaways from Q3/2019

**Revenue increased by 3% (2% excl. currency fluctuations and divestments), profitability improved by 18% (+3.4 M€)**

- **Revenue growth was driven by:**
  - improved performance in Finland, Poland and especially in Russia
- **Profitability improved to 14.4% of revenue (Q3/18: 12.6%)**
- **Profitability increase was driven by:**
  - price increases, improved sales mix, continued strict cost control
- **Raw material prices remain still at a historically high level**
- **Headwind from the Swedish Krona, tailwind from the Russian Ruble**
- **Continued strict cost discipline**
- **Improved ROCE and cash flow**

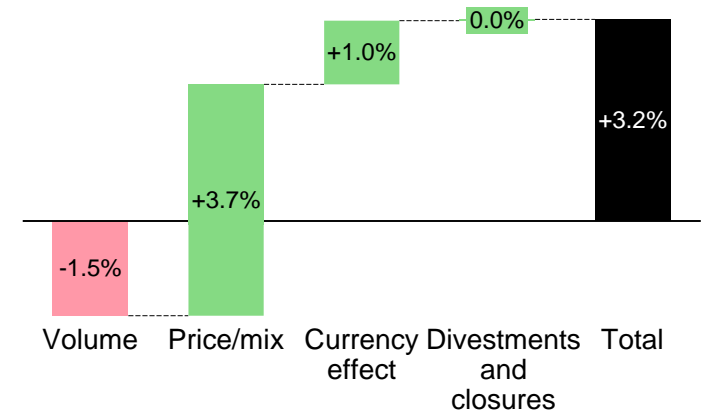


# Key figures – Tikkurila Group

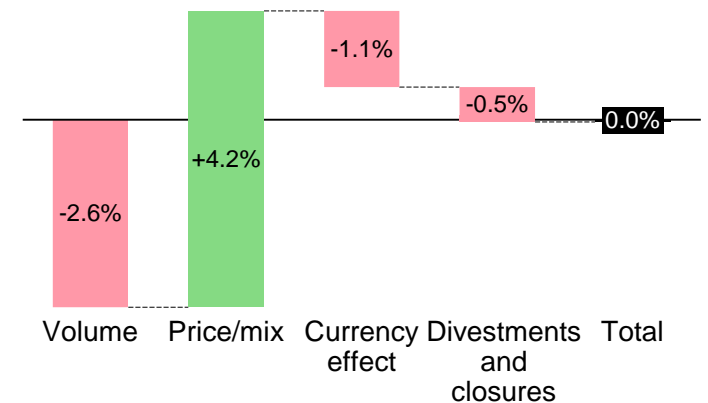
EUR, million	7-9/2019	7-9/2018	Change %	1-9/2019	1-9/2018	Change %	1-12/2018
Revenue	<b>157.1</b>	152.2	3.2%	<b>455.9</b>	456.0	-0.0%	561.5
Excl. impact from currency effects, divestment & closures			2.2%			1.5%	
Adjusted operating profit	<b>22.6</b>	19.2*	17.8%	<b>54.0</b>	44.3	21.8%	38.8
Adjusted operating margin, %	<b>14.4%</b>	12.6%		<b>11.8%</b>	9.7%		6.9%
Operating profit (EBIT)	<b>22.5</b>	14.0	60.7%	<b>51.6</b>	35.2	46.8%	26.5
Operating profit (EBIT) margin, %	<b>14.3%</b>	9.2%		<b>11.3%</b>	7.7%		4.7%
Earnings per share (EPS), EUR	<b>0.39</b>	0.22	75.9%	<b>0.92</b>	0.52	76.8%	0.33
Net interest-bearing debt at period-end				<b>77.7</b>	94.6	-17.9%	85.5
Gearing, %				<b>43.9%</b>	59.3%		57.0%
ROCE, %, rolling				<b>15.2%</b>	3.0%		9.3%
Cash flow after capital expenditure	<b>74.0</b>	62.2	19.1%	<b>44.0</b>	10.1	335.6%	36.3

\* In the third quarter of 2018, the other operating income includes EUR 0.8 million insurance compensation linked to raw material sourcing and EUR 0.7 million compensation related to arbitration proceedings.

The effects of various factors on revenue 7-9/19 vs. 7-9/18



The effects of various factors on revenue 1-9/19 vs. 1-9/18

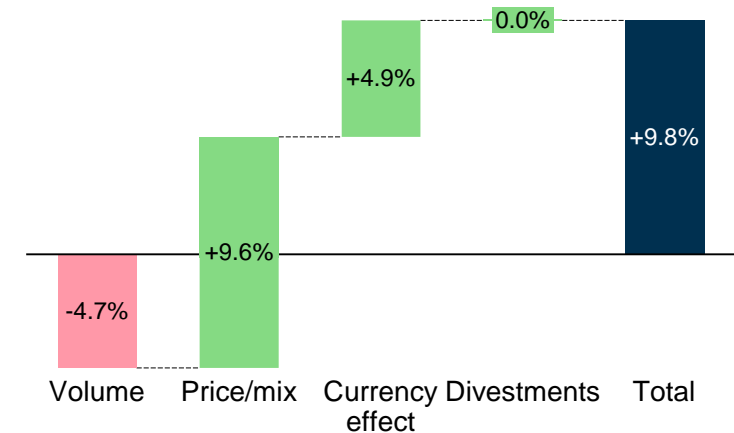


# Key figures – SBU East

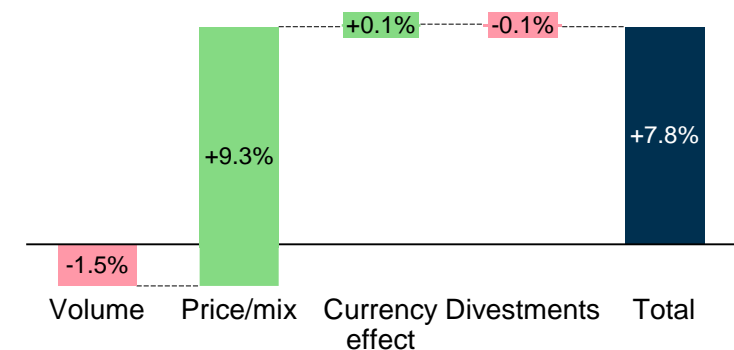
SBU East consists of Russia, Central Asian countries, and China. Furthermore, SBU East is responsible for the exports to more than 30 countries.

EUR million	7–9/2019	7–9/2018	Change %	1–9/2019	1–9/2018	Change %	1–12/2018
Revenue	59.7	54.4	9.8%	153.9	142.7	7.8%	180.3
Excl. currency effects & divestments			4.9%			7.8%	
Adjusted operating profit	11.2	5.7	95.0%	20.3	9.9	105.3%	9.9
Adjusted operating profit, %	18.7%	10.5%		13.2%	6.9%		5.5%

The effects of various factors on revenue 7-9/19 vs. 7-9/18



The effects of various factors on revenue 1-9/19 vs. 1-9/18



## Highlights from July-September

- In Russia, revenue growth was equally driven by positive changes in our product mix and price increases as well as positive tailwind from development of the Russian Ruble. Especially our core Tikkurila brand expanded its share of sales in all channels. The share of private label products decreased.
- The profitability of SBU East increased by 95% compared to the previous year

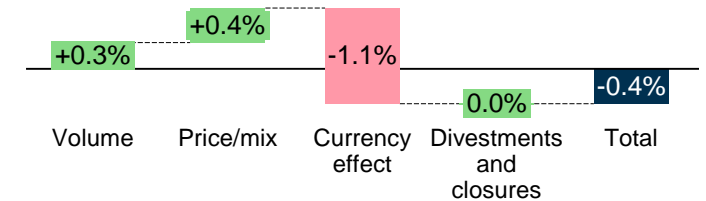
The figures on the graph above have been independently rounded, which should be taken into account when calculating total figures.

# Key figures – SBU West

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

EUR million	7–9/2019	7–9/2018	Change %	1–9/2019	1–9/2018	Change %	1–12/2018
Revenue	97.3	97.7	-0.4%	302.0	313.3	-3.6%	381.2
Excl. currency effects & divestments and closures			0.7%			-1.3%	
Adjusted operating profit	12.8	14.2*	-10.2%	38.2	37.8	1.1%	34.5
Adjusted operating profit, %	13.1%	14.6%		12.6%	12.1%		9.1%

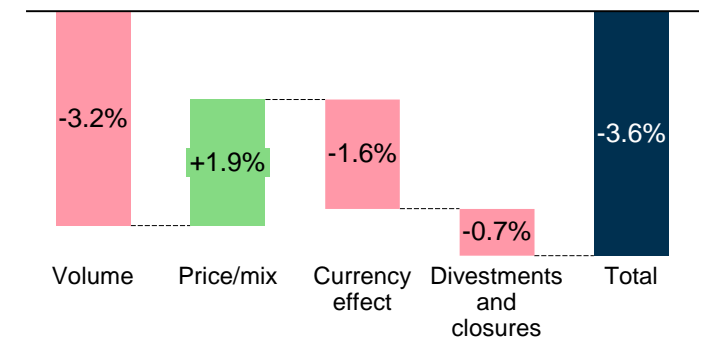
## The effects of various factors on revenue 7-9/19 vs. 7-9/18



## Highlights from July–September

- In Sweden, revenue continued to decrease, including headwind from the negative development of the Swedish Krona. There was positive development with price/mix, but this did not fully compensate the declining volumes, as demand for exterior paints remained at a low level. During the quarter, sales ramp up in DIY stores progressed as planned.
- In Finland, revenue growth was driven by increased sales of interior paints, improved industry sales and price increases. With exterior paints, demand remained at a relatively low level throughout the season compared to previous year.
- In Poland, revenue grew driven by increasing volumes especially in interior paints, despite softening market demand. The share of premium products continued to increase.
- The profitability of SBU West decreased by 10% compared to the previous year

## The effects of various factors on revenue 1-9/19 vs. 1-9/18



\* In the third quarter of 2018, the other operating income includes EUR 0.8 million insurance compensation linked to raw material sourcing and EUR 0.7 million compensation related to arbitration proceedings.

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

# High season (4-9/19) sales at previous years level

## Positives

Positive mix development, as share of premium brands increases

Implementation of price increases

Good sales performance in Poland and Russia, improvement also Finland in Q3

Continued cost discipline

## Challenges

Exterior paint sales in Sweden and Finland. Weakening demand in industry sales overall

Unfavorable currency translation, especially with Swedish Krona

Raw material prices remain at a historically high level

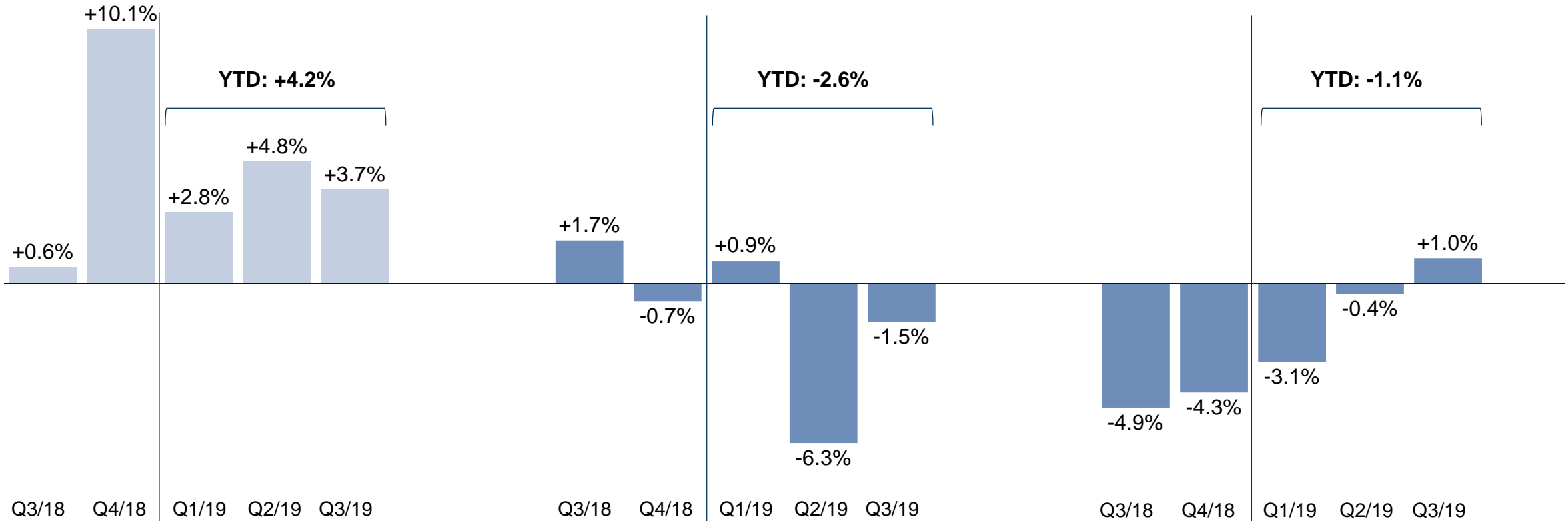
Economic growth softening in our core markets

# Positive price/mix development drives our revenue growth

Impact of price/mix on revenue

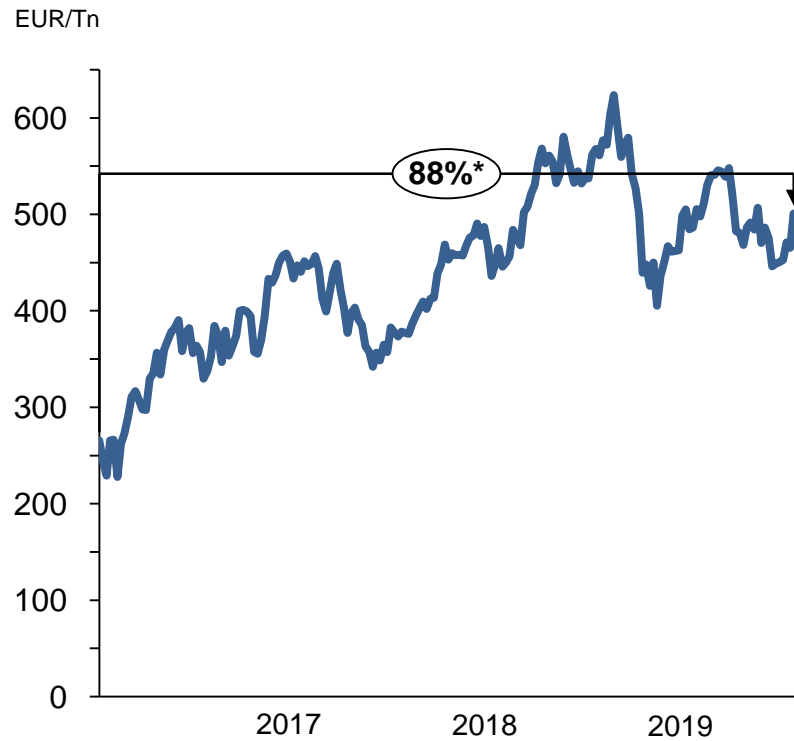
Impact of volume on revenue

Impact of currencies on revenue

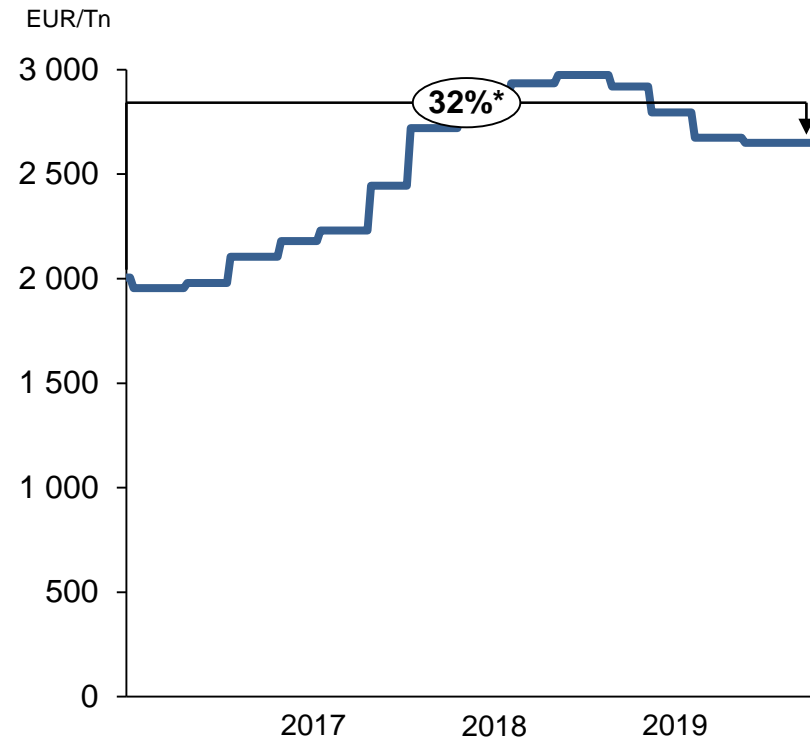


# Raw material prices remain on a historically high level

Price development of oil (Brent), 2016-



Price development of titanium dioxide, 2016-



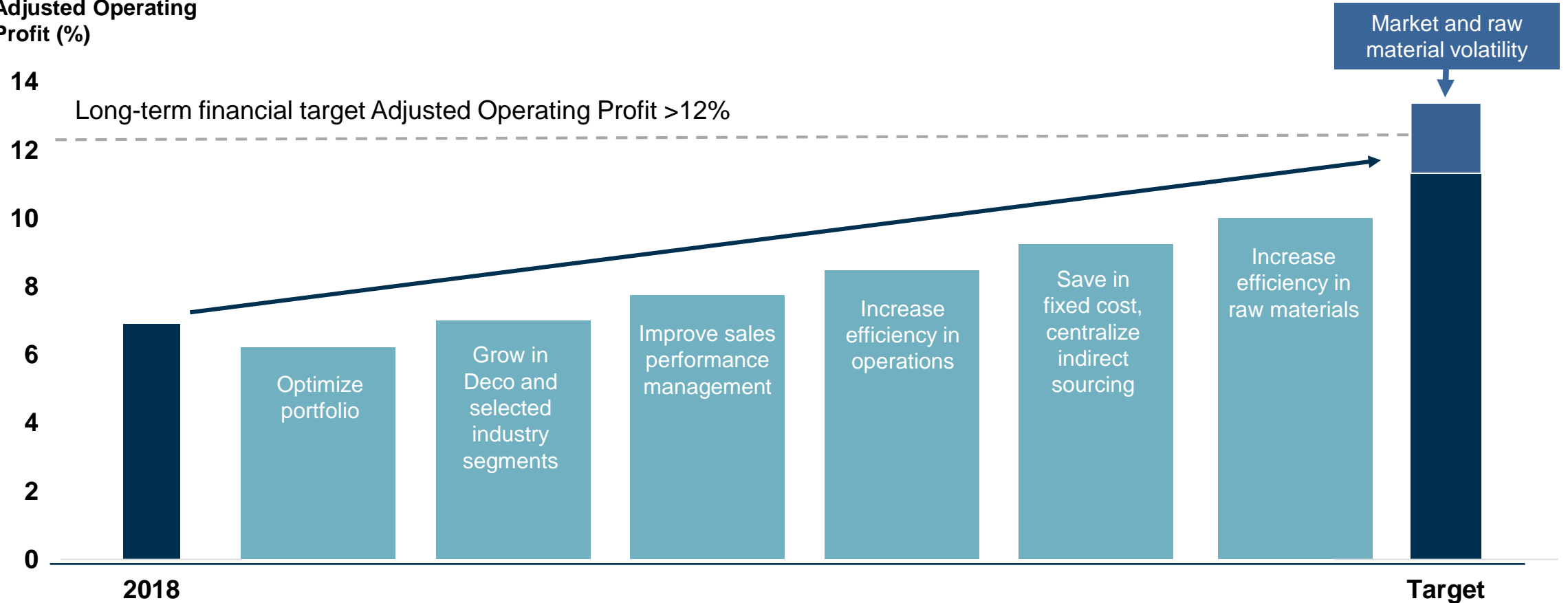
\* Increase from the level in the beginning of 2016



# Strategy action plan announced at the CMD (June 5, 2019)

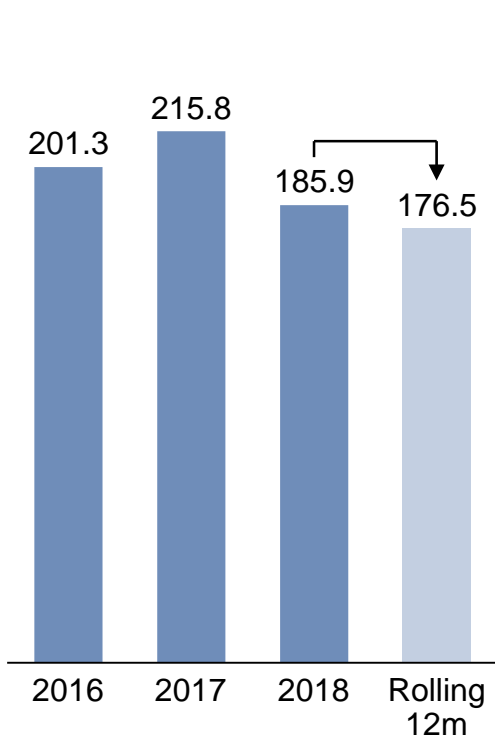
## - Tikkurila has considerable potential to improve profitability

Adjusted Operating Profit (%)

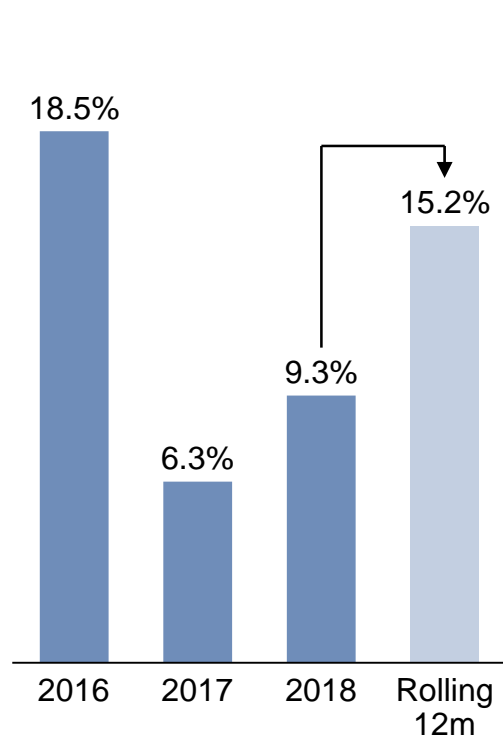


# Key indicators continued to develop positively

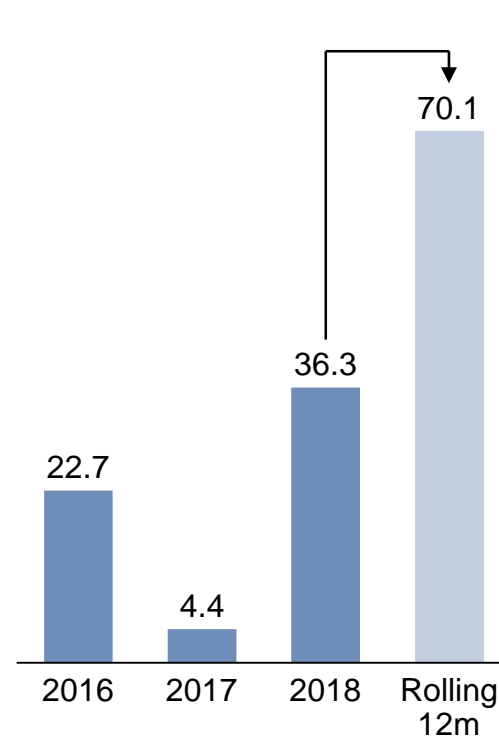
Fixed costs



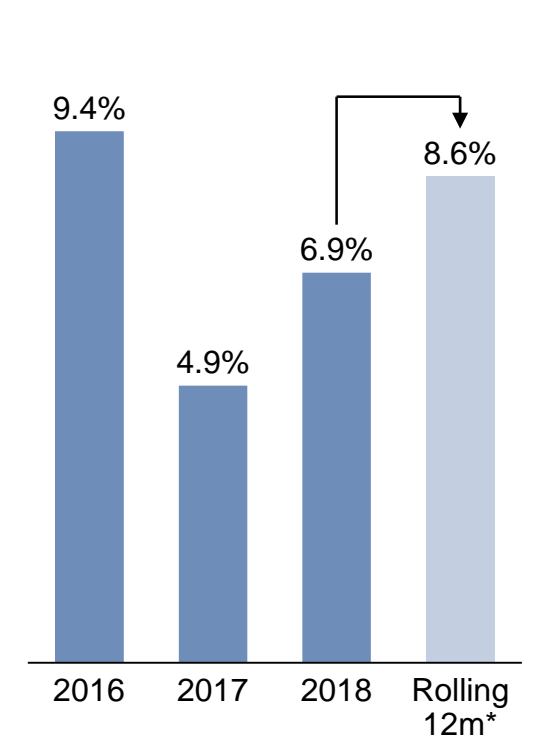
Return of Capital Employed



Cash flow after capital expenditure



Adjusted operating profit margin, %



\* Including EUR 4.75 million of insurance compensation booked in Q4/18

# Tikkurila is committed to creating value by improving efficiency and accelerating organic growth

## This is Tikkurila

Market leader in North-Eastern Europe. Among TOP20 globally.

Well-known and preferred premium brands

Skillful employees with close to 160 years knowledge in surfaces

## This is our strategy

**INCREASING EFFICIENCY**

**ACCELERATING PROFITABLE GROWTH**

**CREATING A STRONG "ONE TIKKURILA" CULTURE**

## This is our target

### Revenue Growth

Faster than home market growth

### Profitability

EBIT > 12%

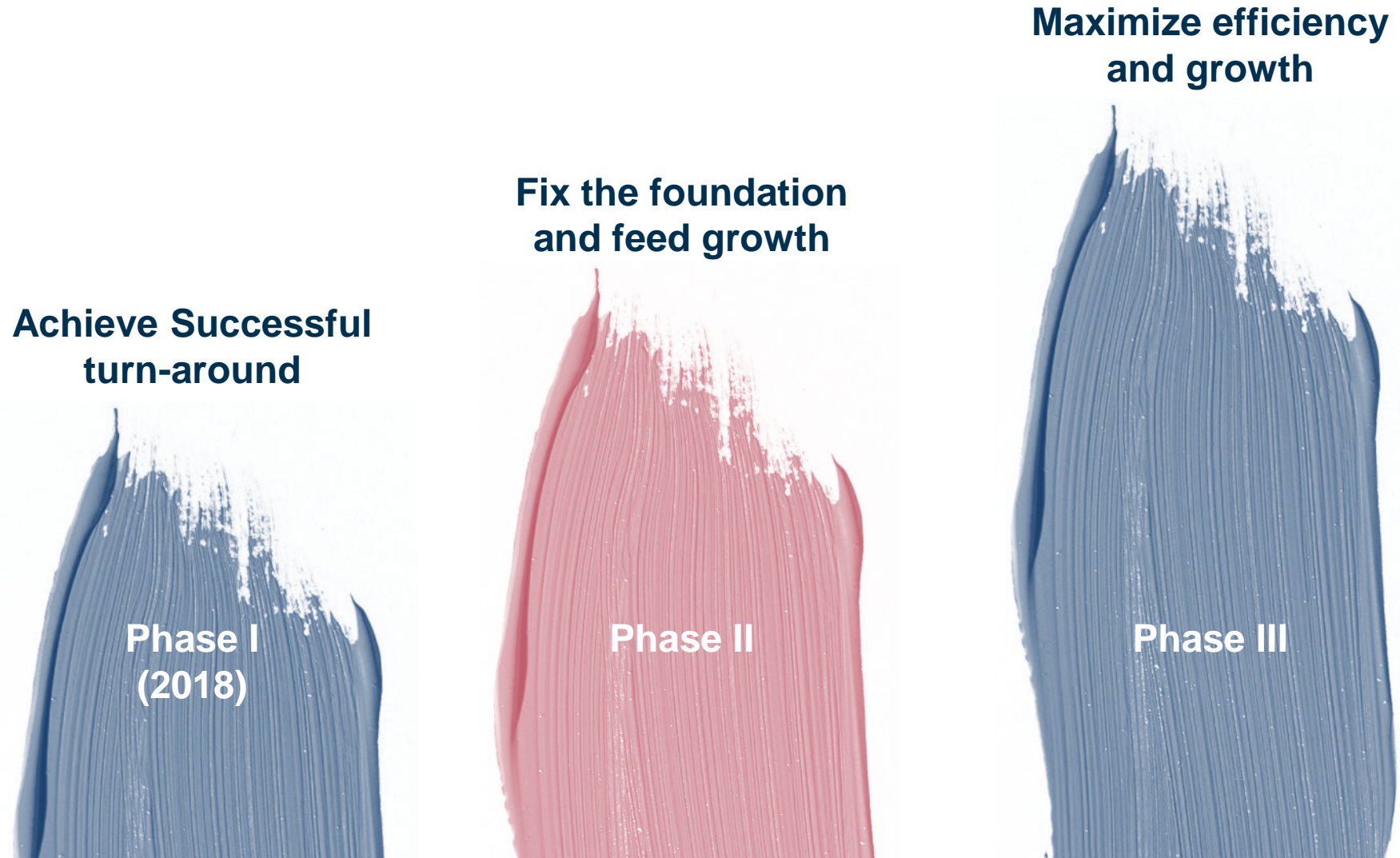
### ROCE

> 20%

### Gearing

< 70%

# Our long-term target is to achieve maximum efficiency and grow faster than the market



## Guidance for 2019 unchanged

- Revenue is expected to remain at the same level as in 2018
- Adjusted operating profit will continue to improve.



The unique colors of nature vanish as threatened species disappear. Choose paints from our new Endangered Colors chart and contribute to the conservation of animals which need protection from extinction.

## **Color Now 2020**

**Tikkurila's color of the  
year to be announced on  
October 31!**





# Thank you !





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TIKKURILA

” Tikkurila is a Nordic paint company whose products are manufactured of carefully chosen raw materials that meet the highest quality standards. Our vision is to create surfaces that make a difference.

[www.tikkurilagroup.com](http://www.tikkurilagroup.com)