



TIKKURILA

# Building on our strong premium brands to maximize efficiency and organic growth

CAPITAL MARKETS DAY  
5 JUNE 2019



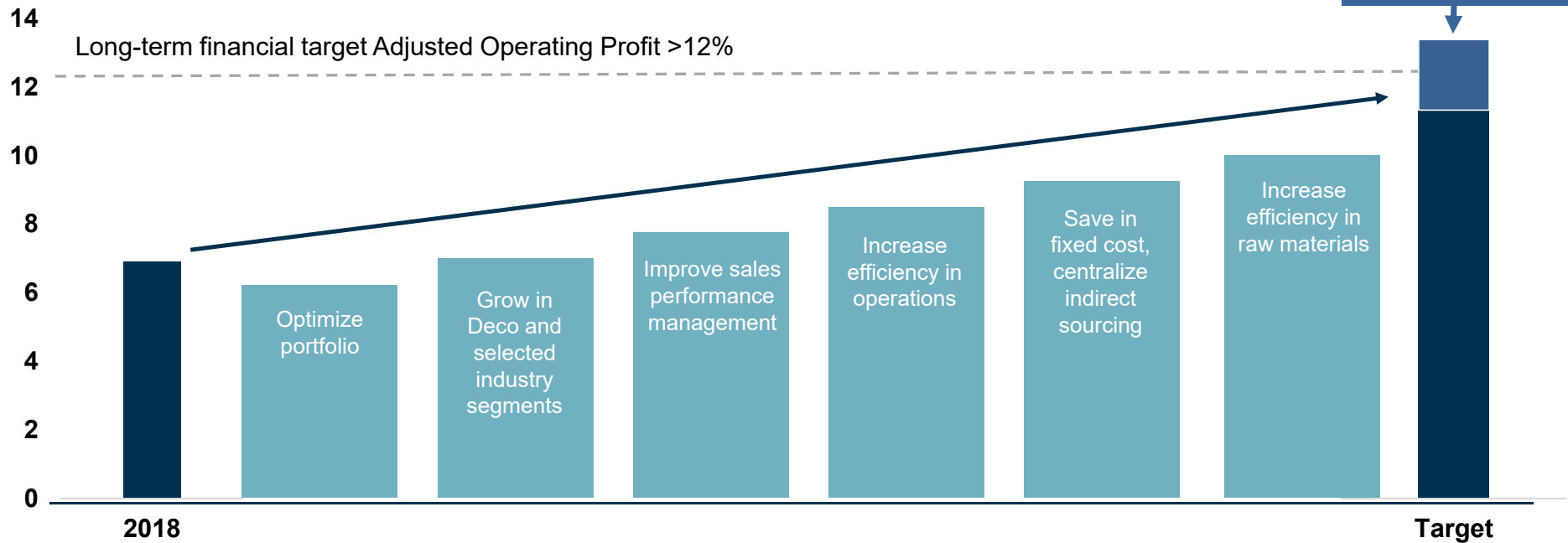
# **We have a clear strategy to reach our financial targets – and progress is underway**

Markus Melkko, CFO



# We have a concrete action plan to improve our performance in all key areas - Tikkurila has considerable potential to improve profitability

Adjusted Operating Profit (%)





## We have realistic long-term financial targets

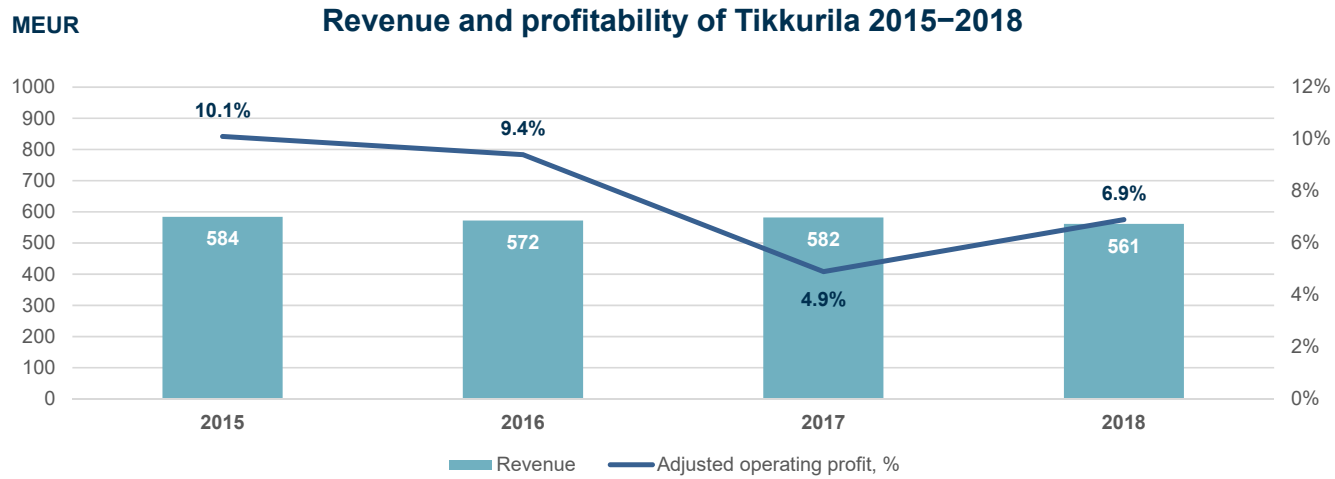
	Target	2018
Revenue growth, %	Faster than market growth	-3.6%
Adjusted operating profit, %	Over 12%	6.9%
Return on capital employed (ROCE), %	Over 20%	9.3%
Gearing, %	Less than 70%	57%
Dividend, % of annual operative net income*	Over 40%	100%

\* Operative net income means net profit for the period excluding non-recurring items and adjusted for tax effects. Any dividends to be paid in future years, their amount and the time of payment will depend on the Company's future earnings, financial condition, cash flows, investments, solvency, business cycle and other factors, which the Company's Board of Directors considers relevant.



## We continue to focus on our key markets and premium brands

	2016	2017	2018	
<b>Divestments</b>	Ukraine and Belarus subsidiaries (Revenue -12 MEUR)	Serbia and Macedonia (Revenue -13 MEUR)	Germany closing (Revenue -7 MEUR)	The total effect of divestments in revenue -32 MEUR

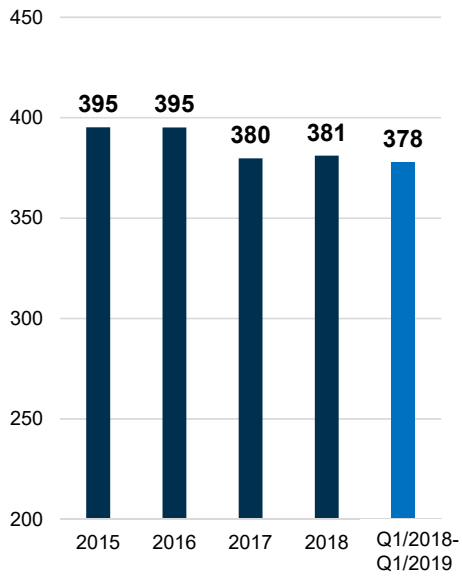




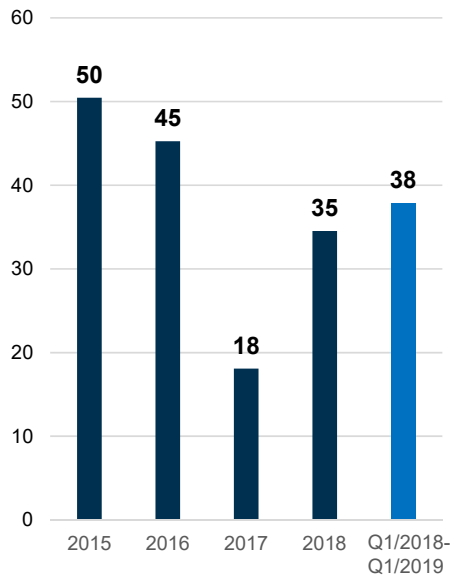
## Both segments are recovering from 2017–2018 performance issues

### SBU West

Revenue, MEUR

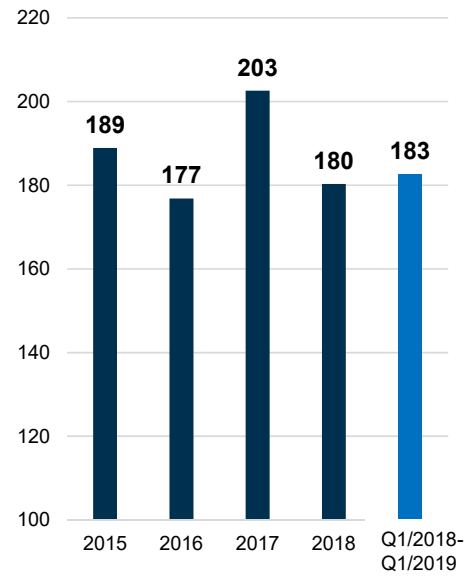


Adjusted Operating Profit, MEUR

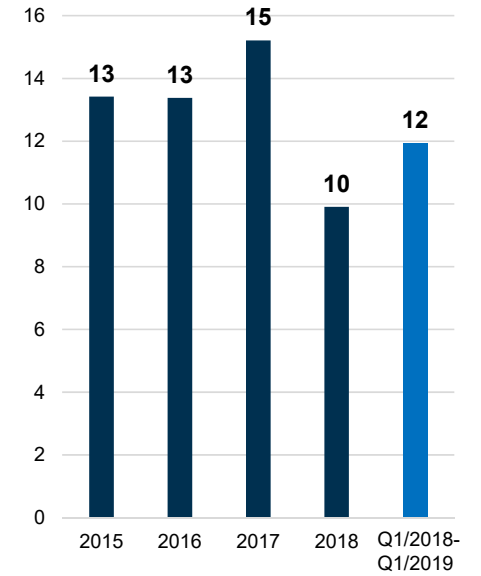


### SBU East

Revenue, MEUR



Adjusted Operating Profit, MEUR



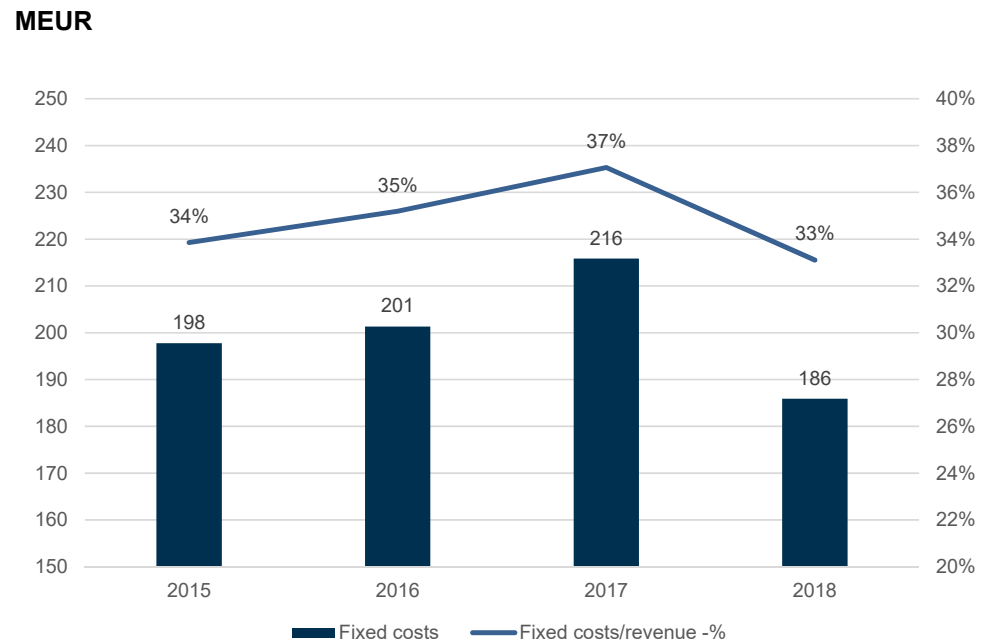


# Group efficiency program is progressing well, cost-to-sales ratio improving

Tikkurila initiated in 2017 an Efficiency program to boost profitability targeting 30 MEUR saving

- ✓ Cost savings from optimizing the production network.
- ✓ Savings from other fixed expenses.
- ✓ Current run rate lower than in the previous year due to the efficiency program

## Group fixed expenses



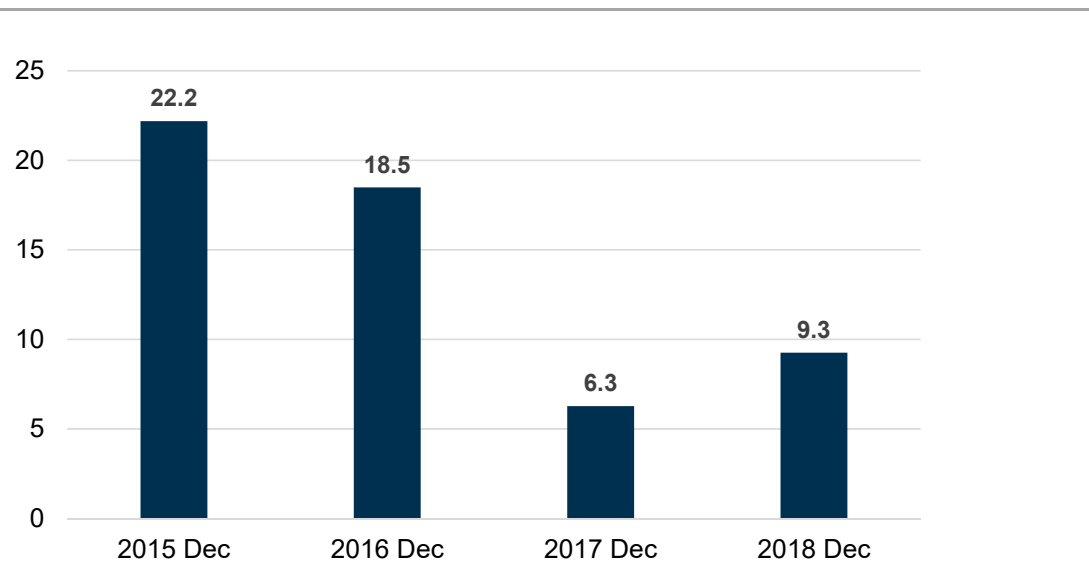
NOTE: 2018 fixed cost reduction incl. EUR 7m currency effect



# Lower net working capital and better profitability key drivers for improved ROCE

- Capital employed peaked end-2017 / early 2018
- Decisive actions with net working capital and tight capital expenditure have helped reducing capital employed
- Profitability improvement has turned ROCE trend again towards the long-term goal on 20%

% Return on capital employed



- ROCE = Operating result + share of profit or loss of equity-accounted investees (rolling 12 months) / Capital employed (avg 12 months)
- Capital employed = Net working capital + property, plant and equipment ready for use + intangible assets ready for use + '+ investments in equity-accounted investees (averages 12 month)



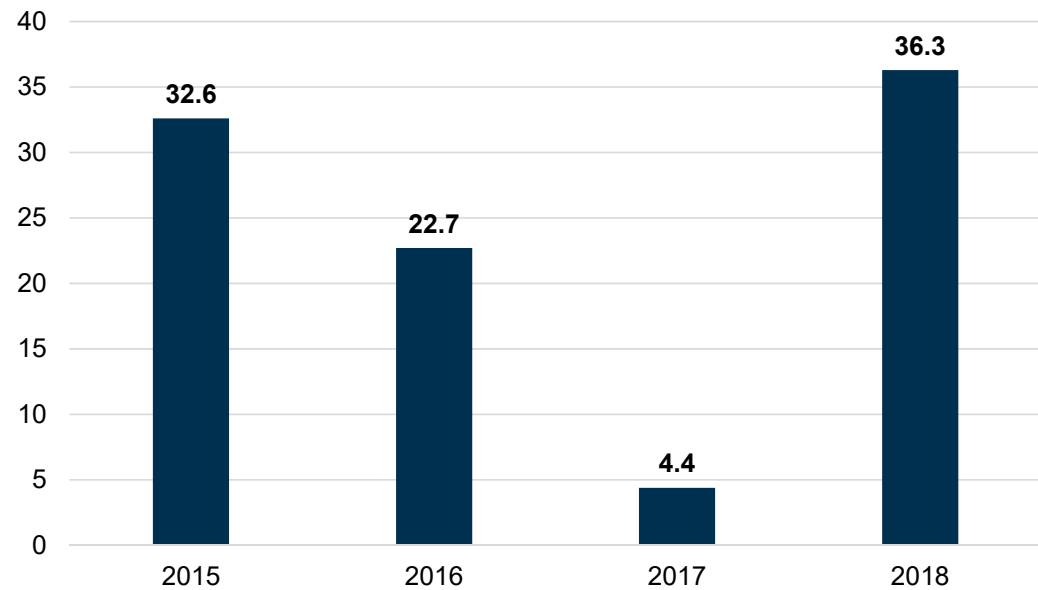


## Efficiency program actions have increased our cash flow

- Several actions improving net working capital
- Capital expenditure under tight scrutiny
- Improved profitability

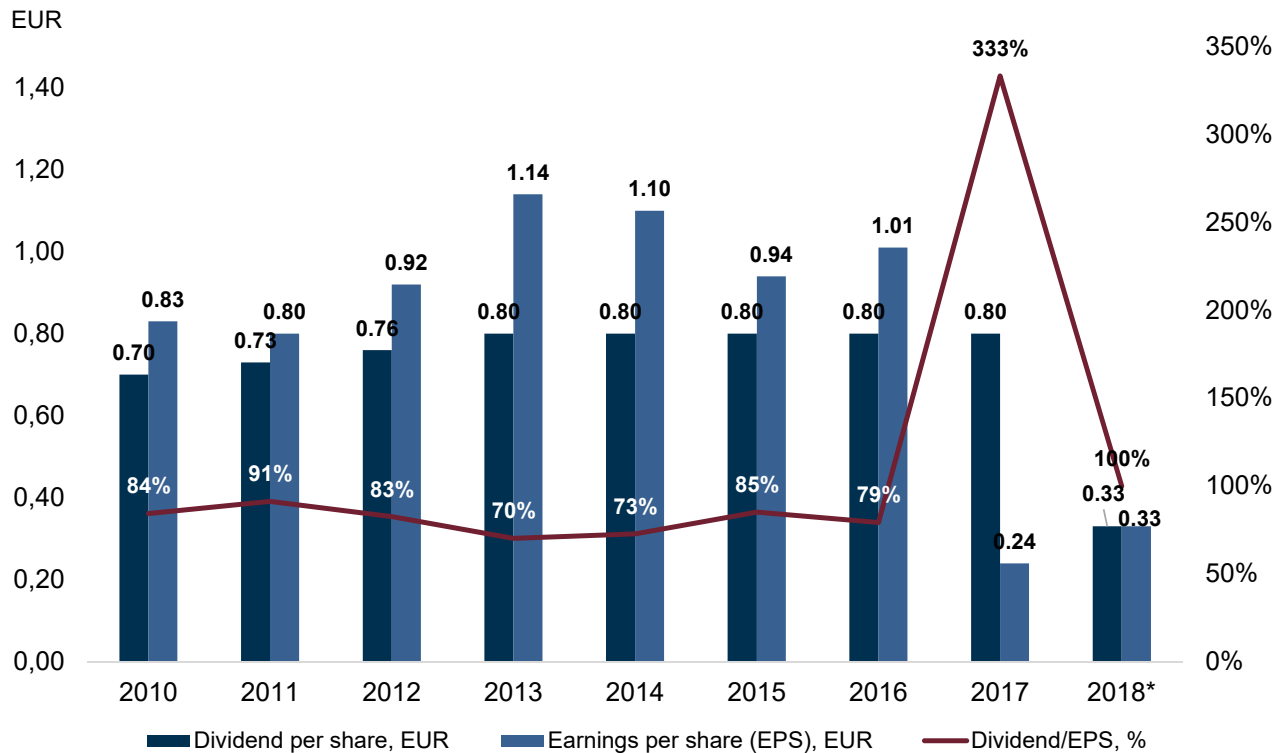
Cash flow after capital expenditure

MEUR





## Dividend Yield has Remained Strong Throughout the Years



### Dividend policy

Tikkurila aims to distribute a dividend of at least **40 percent** of its annual operative net income. Operative net income means net profit for the period excluding non-recurring items and adjusted for tax effects.

Any dividends to be paid in future years, their amount and the time of payment will depend on the Company's future earnings, financial condition, cash flows, investments, solvency, business cycle and other factors, which the Company's Board of Directors considers relevant.



TIKKURILA

**Thank you!**



## Speakers



**Elisa Markula**  
**CEO**

- SVP, Paulig Group
- MD, Oy Gustav Paulig Ab
- Country Manager, LEGO
- Sales Director, Snellman



**Meri Vainikka**  
**SVP Offering**

- Marketing & Communications Director, Tikkurila
- Marketing Director, Hartwall
- Marketing Manager, L'Oréal



**Oskari Vidman**  
**SVP Sales**

- Chief P&M Officer, Cloetta Group
- Sales Director, Cloetta
- Head of Trade, BAT
- Country Manager, British American Tobacco



**Mika Uusitalo**  
**VP Sourcing**

- Head of Operations Consulting, PwC
- Management Consultant, IBM
- Senior Project Manager, Tamro



**Fredrik Linde**  
**SVP Operations**

- VP, Supply Chain Planning, Tikkurila
- General Manager, Kefa Drytech
- VP, Alcro-Beckers
- Director, AstraZeneca Sweden



**Markus Melkko**  
**CFO**

- VP, Business Control, Tikkurila
- CFO, Unisport Saltex
- CFO, Ekokem Oyj



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