

# SOLAR EQUITY STORY

We believe in productivity improvement, digitalisation,  
the green transition and networked development

solar

*stronger together*



# AGENDA

1. Future perspectives and business trends

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2. Our strategic sourcing and services approach

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3. Investment proposition

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4. Financial targets and strategic focus areas

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5. Business update

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6. The results we achieved in Q4 and FY 2019

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7. Outlook 2020

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8. Appendix – facts about Solar

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# SOLAR - A DIGITAL AND GREEN SOURCING AND SERVICES COMPANY

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## Digitalisation, the green transition and urbanisation play essential roles

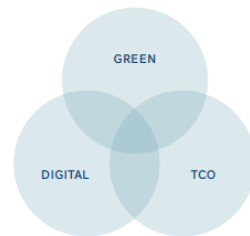
- Solar believes in productivity improvement, digitalisation, the green transition and networked development.
- We support our customers in developing energy-efficient solutions, reducing waste and optimising logistics based on strong digital platforms.
- More than DKK 6bn of our approx. DKK 11bn revenue come from digital sales. Consequently, e-business and digitalisation are central elements in our business.
- Our energy-efficient solutions match the green transition. Especially the process of electrification will play an important role in the future.
- Our productivity agenda and our well-established Fastbox concept match the ongoing urbanisation.



# STRATEGIC UPDATE ON BUSINESS TRENDS

## We drive customer productivity to enable a responsible use of resources

- In our view, common sense lies in the intersection between green transition, digitalisation and Total Cost of Ownership.
- We see a growing demand for Fastbox, which is designed to improve customer productivity. At our customer centre in Copenhagen, we use bicycles for delivery and paper bags instead of cardboard boxes for our fast green deliveries.
- With our strong positions in infrastructure and digitalisation, we see great opportunities in the future 5G network. This will enable consumers, industries and IoT devices to be connected on an unprecedented scale, which is fully in line with our smart home solutions.





# HOW WE CREATE VALUE

## OUR STRATEGIC SOURCING AND SERVICES APPROACH

### Our business model



#### KEY RESOURCES



**HUMAN RESOURCES**  
Our 3,000 'can-do' people use market insight to develop new business areas and move our business forward.



**INNOVATION CULTURE**  
Our people have both the right and duty to challenge our customers, suppliers and each other to create innovative solutions.



**TECHNOLOGICAL KNOWHOW**  
Our people have thorough knowledge about products and technologies.



**STAKEHOLDER ENGAGEMENT**  
We engage with a number of different stakeholders to keep developing our business and create an understanding of our productivity agenda.



**FINANCIAL CAPITAL**  
Our financial situation is sound and our collaboration with the capital market helps to ensure the continuous development of our business.

#### CORE ACTIVITIES

##### SOURCING EXCELLENCE

We build on long-term cooperation with our strategic suppliers, and by consolidating our customers' sourcing needs, we aim to increase efficiency throughout the supply chain.

Based on our understanding of our customers' needs we work both with brand manufacturers and proactively seek alternatives.

We offer a number of Solar concepts that meet different customer needs. We have concepts suitable for both installation and industry customers.

##### SERVICES EXCELLENCE

We work closely with our customers to offer tailored, value-adding services that optimise their businesses and make them more productive.

Our services range from product engineering, advisory services and technical support to customer logistics and Fastbox.

Our broad range of services are suitable for both installation and industry customers.

##### OPERATIONAL EXCELLENCE

Central and regional warehousing, common lean processes, integrated IT systems and shared services across our local operating companies support our business.

We drive continuous improvement within a broad range of disciplines, and we effectively leverage our regional footprint to reduce costs and improve efficiency.

We strive to keep our costs low to protect our margins in a market with increasing price transparency. We exercise strict management over our cost base.

##### DIGITAL LEADERSHIP

With an e-business share above 50%, we are a true digital company and use our platform, including webshop, website and digital marketing, to support a personalised customer experience.

We assume digital leadership and drive business development in collaboration with our digital partners.

We use the digital transformation of the construction industry to develop new services to drive productivity and cost savings in collaboration with our customers.

#### VALUE CREATION



**CUSTOMER VALUE**  
We create customer productivity by helping our customers run their businesses more efficiently and reduce energy consumption and waste.



**SHAREHOLDER VALUE**  
We strive to create value for our shareholders by constantly optimising our business to increase the value of the company.



**EMPLOYEE VALUE**  
We create value for our employees by giving them responsibility, trust, exciting jobs and career opportunities.

# INVESTMENT CASE

## OUR INVESTMENT PROPOSITION

### Green business opportunities

Today, climate and energy makes up more than 10% of our revenue, corresponding to more than DKK 1bn and we are experiencing continuous growth within this business area. Our energy-efficient solutions match the green transition. Especially the process of electrification will play an important role going forward and provide us with new business opportunities. Solar provides several products and solutions within renewable energy and energy efficiency such as heat pumps, solar cell panels, electric vehicle charging stations, LED lighting and ventilation.

**>1 bn**  
DKK

### A true digital company

With an e-business share above 50% – in Denmark up to 80% – more than DKK 6bn of our approx. DKK 11bn revenue comes from digital sales. We use our strong digital platforms, including our webshop, website and digital communication and marketing, to support a personalised customer experience. Our Installation and Industry customers are making increasing use of mobile apps and digital tools in their work. Together with the digital transformation of the construction industry, this provides us with opportunities for new services to drive productivity and cost savings in collaboration with our customers. In addition, we hold a dual track investment in four digital startups. This is partly a financial investment and partly a way to strengthen our core business via collaborations, not necessarily as a long-term owner.

**>6 bn**  
DKK

### Strong cash flow generation

Historically, Solar has succeeded in generating a strong and stable cash flow. We aim to increase our profitability and thereby strengthen our margin. At the same time, we do not foresee the same need for investments as was the case in 2017-2019. All things being equal, this will generate capital. On average for 2015-2019, our cash conversion rate was approx. 50% despite investments in digitalisation and automation.

**50%**

### Dividends and share buy-back

The Board of Directors regularly assesses the company's capital and share structure to ensure that these are appropriate for both our shareholders and the company. We use dividends and share buy-back programmes as instruments to adjust our financial capital. In 2019, Solar was ranked number 6 among Danish listed companies with the highest dividend yield. Between 2015-2019, we paid out DKK 395m in dividends and spent DKK 216m on share buy-back, meaning DKK 611m in total was paid back to our shareholders.

**611 m**  
DKK

# FINANCIAL TARGETS AND STRATEGIC FOCUS AREAS

We work dedicatedly on our three strategic focus areas in order to achieve our 2020 financial targets

Financial ratios	2020 financial targets*
Growth, core business	Profitable growth above market level
Growth, related business	Organic growth of at least 15% per year
EBITA margin, core business	At least 4% in 2020 at the latest, corresponding to ROIC of at least 12% after tax
Equity interest	35-40%
Gearing (NIBD/EBITDA)	1.5**-3.0
Pay-out ratio	At least 35%***

\* Technical recalculation due to implementation of IFRS 16, Leases.

\*\* We maintain the lower part of the range as we want a higher degree of freedom in order to have sufficient capital in the company for continued development of the business.

\*\*\* Changed due to our historical pay-out ratios.

## Our three strategic focus areas

### Strategic suppliers:

We pursue opportunities for growth within concept sales.

### Industry focus:

As industry sales is the most profitable of our key segments we will continue to focus on this business area.

### Operational excellence:

We will continue to invest in improved productivity in order to continuously grow the company and expand the services we offer to our customers.

# BUSINESS UPDATE ON OUR STRATEGIC FOCUS AREAS

Our three strategic focus areas have enabled us to offer our customers more value

## Strategic suppliers

- We increased our share of concept sales in all our markets and within our seven concepts: Solar Plus, Solar Netto, Solar Project, Solar Light, Solar Cable, Solar Heat and Solar Tools.

## Industry focus

- Our Scandinavian industry business made good progress. Our growth rate within Industry in our core business was around 7% in 2019.
- Strategic review of MAG45 is ongoing.

## Operational excellence

- After successful implementations of SAP eWM in Sweden, implementations at our central warehouses in Denmark, Norway and the Netherlands will follow.
- AutoStore was implemented successfully in Norway in 2019.
- We have embarked on the implementation of AutoStore in the Netherlands.





# BUSINESS UPDATE ON SUSTAINABLE BUSINESS

## We focus on energy-efficient solutions to drive the green transition

- We deploy many advanced technologies to support energy efficiency, including ventilation, LED lighting, EV chargers, heat pumps and solar power, and we are experiencing growth in our climate and energy initiatives.
- We see obvious green business opportunities ahead of us. Our energy-efficient solutions go hand in hand with the green transition where the process of electrification, in particular, will play an important role in the future.
- Solar Nederland has developed Solar Zero, a total product and services concept, to respond to the energy transition needs.

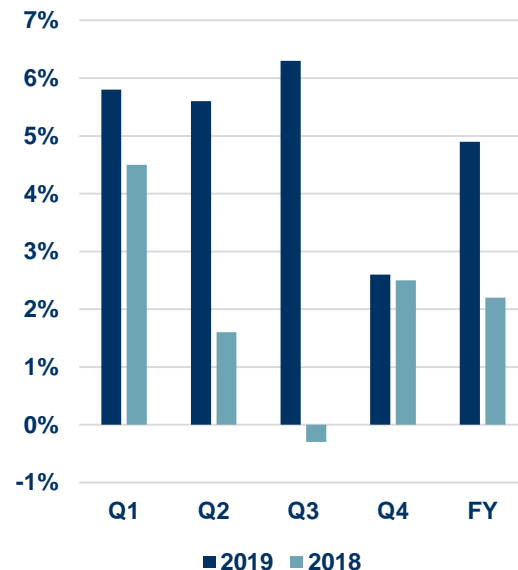


## IN Q4, SOLAR SAW ORGANIC GROWTH OF 2.6%

### Adjusted organic growth amounted to 2.6%

- We saw positive adjusted organic growth in Solar Danmark, Solar Norge and Solar Nederland.
- The industry segment continued to see growth in all our markets in Q4.
- Solar's overall adjusted organic growth for both Installation and Industry was around 5%.

### Organic growth, adjusted for no. of working days



### Solar Group

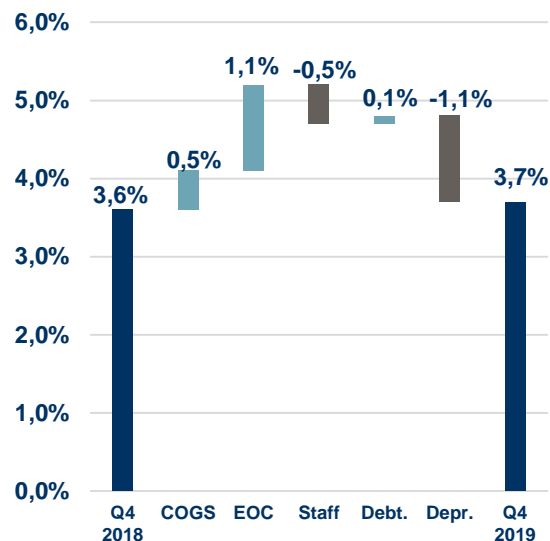
	Q4 2019	Q4 2018
Revenue, DKK m	3,077	3,009
Revenue growth, %	2.3	1.4
Adj. organic growth, %	2.6	2.5

## IN Q4, EBITA WAS UP BY DKK 6M

### Q4 EBITA margin increased to 3.7%

- The EBITA increase was driven by improvements in Solar Nederland.
- Increased gross profit margin in Solar Danmark, Solar Sverige, Solar Norge and Solar Polska.
- Solar Nederland saw two-digit adjusted organic growth in Q4. However, a significant part of the growth related to low margin products and customers.
- Implementation of IFRS 16, Leases had insignificant impact on EBITA level but impacted development in EOC and depreciation compared to Q4 2018.

### Q4 EBITA margin development



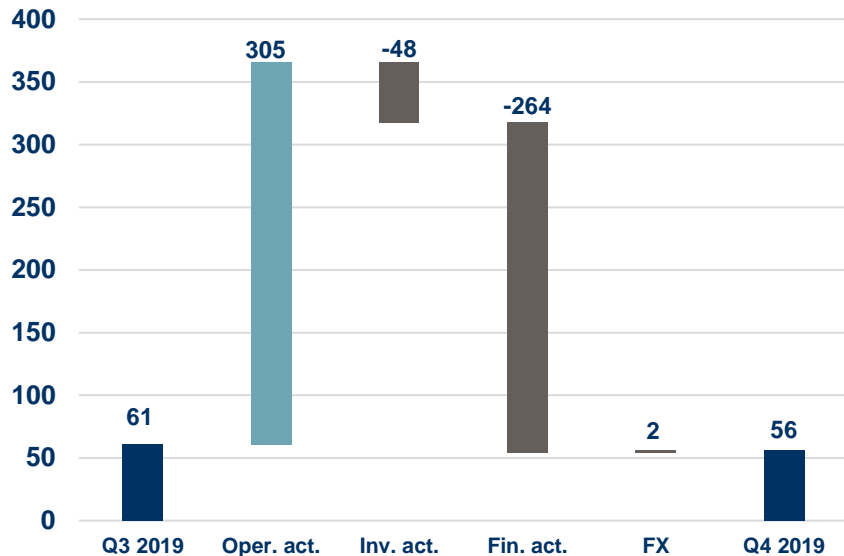
### Solar Group

	Q4 2019	Q4 2018
Revenue, DKK m	3,077	3,009
Revenue growth, %	2.3	1.4
Adj. organic growth, %	2.6	2.5
Gross profit, DKK m	632	602
Gross profit margin	20.5	20.0
EBITA, DKK m	115	109
EBITA margin	3.7	3.6

## IN Q4, TOTAL CASH FLOW AT DKK -7M

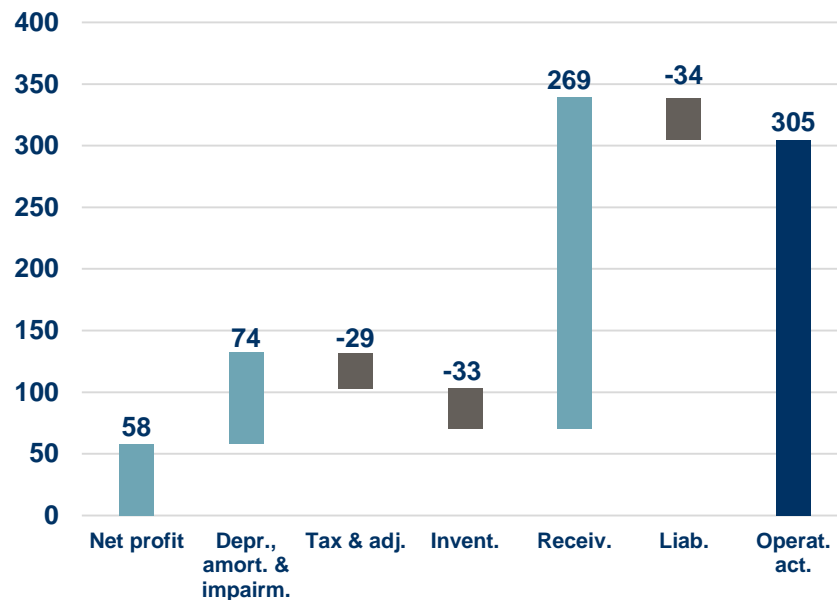
### Cash flow, total

DKK million



### Cash flow, operating activities

DKK million





## IN 2019, CORE BUSINESS POSTED BEST RESULT IN A DECADE

### Our group results were largely on par with guidance

#### Stronger than expected

- Sales development in Solar Norge - Strong organic growth of 10%. All segments performed better especially within Industry.

#### As expected

- Industry - We are gaining new customers and we closed some significant contracts in 2019.
- SAP eWM and AutoStore implementation - We implemented SAP eWM in Solar Sverige, AutoStore in Solar Norge and embarked on AutoStore in Solar Nederland.
- Strategic suppliers and concept sales - We have now established all the concepts in our markets, and revenue from concept sales is picking up.

#### Weaker than expected

- Sales development in MAG45 - We saw negative organic growth in H2 and have embarked on restructuring initiatives.

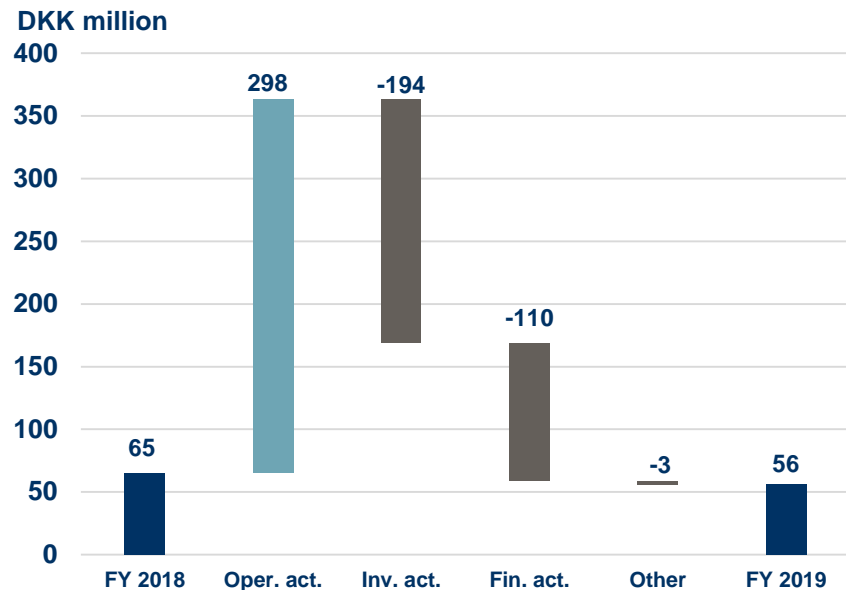
### Solar Group

	Core business		Related business	
	FY 2019	FY 2018	FY 2019	FY 2018
Revenue, DKK m	11,116	10,538	563	560
EBITA, DKK m	379	348	-19	-21
Adj. organic growth, %	5.2	1.1	-0.3	28.9
EBITA margin	3.4	3.3	-3.4	-3.8

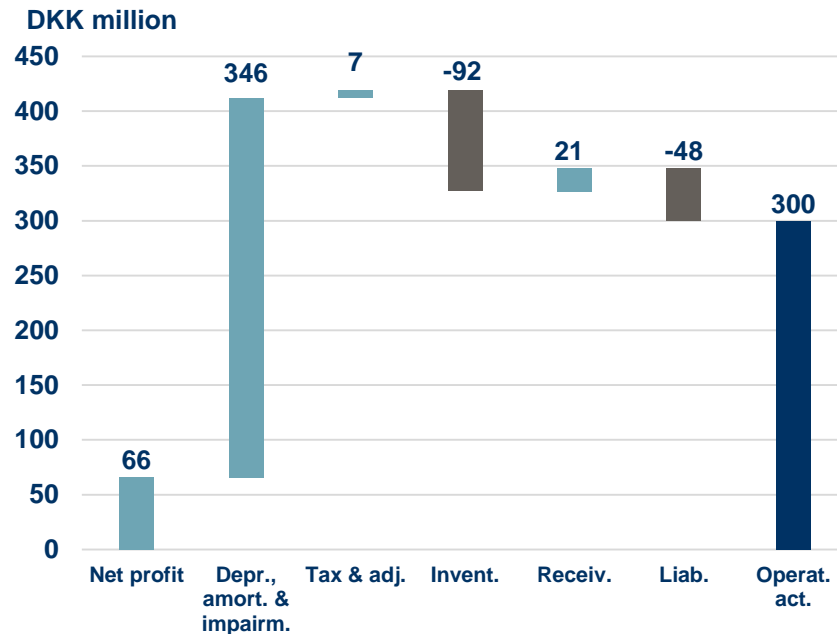
# CASH FLOW 2019

## OPERATING ACTIVITIES CONTRIBUTED WITH DKK 300M

### Cash flow, total

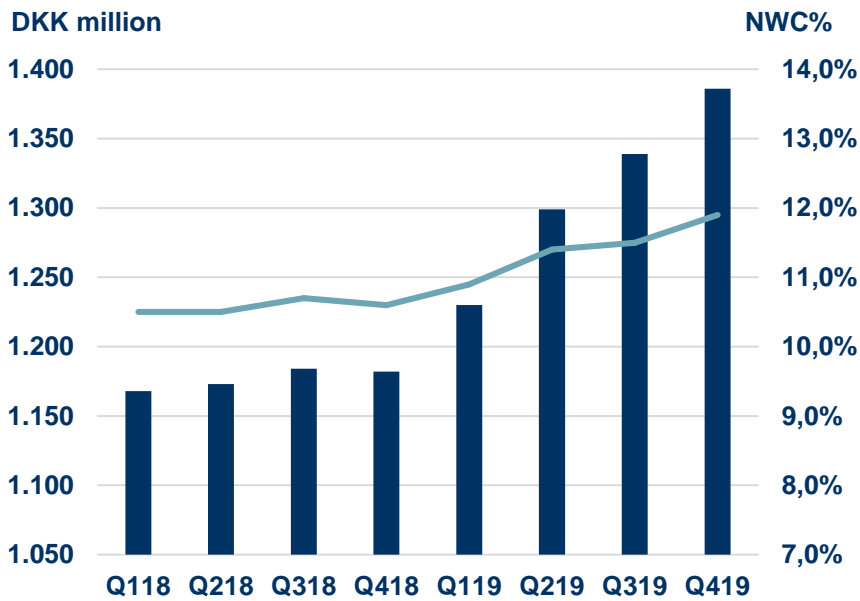


### Cash flow, operating activities

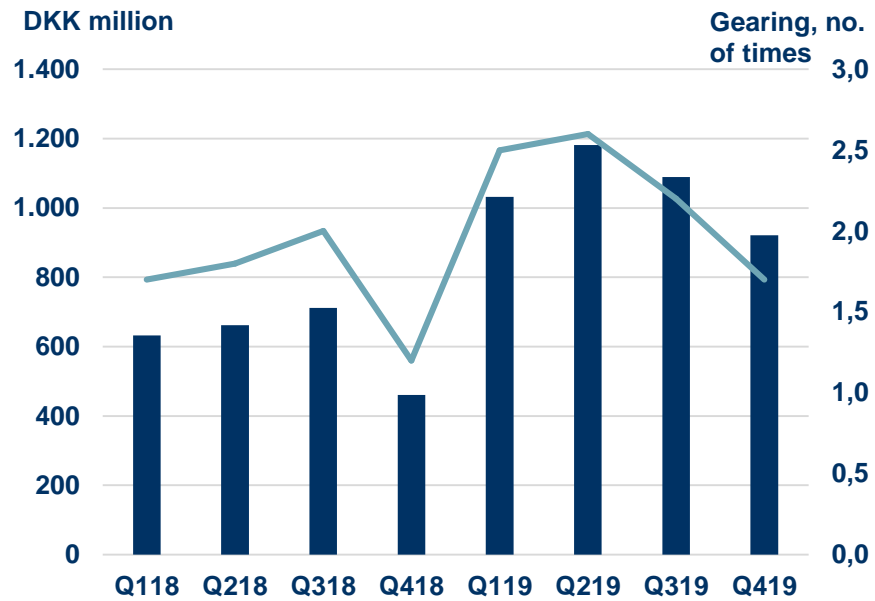


# DEVELOPMENT IN NET WORKING CAPITAL (NWC) AND NET INTEREST-BEARING DEBT (NIBD)

One of our focus areas in 2020 is to reduce the inventory level



NIBD and gearing impacted by the implementation of IFRS 16, Leases



# GUIDANCE 2020

## REVENUE OF APPROX. DKK 11.8BN AND EBITA OF APPROX. DKK 400M

### EBITA of DKK 400m includes one-off costs of DKK 30m related to SAP eWM implementations

#### Solar Group

- We do not expect any major changes in the 2020 market outlook compared to 2019.

#### Core business

- We expect revenue at approx. DKK 11.2bn corresponding to an organic growth of approx. 1%. As part of our project Better Business, we are pruning products. This is expected to reduce revenue by approx. DKK 200m compared to 2019. Adjusted for this, we expect an underlying growth of approx. 3%.
- We expect EBITA of approx. DKK 400m including total one-off costs of DKK 30m related to our SAP eWM implementations in DK, NO & NL.
- Consequently, we expect core business to deliver an operating EBITA of approx. DKK 430m.

#### Related business

- We expect revenue of around DKK 600m, organic growth in the region of 3% and an EBITA of approx. DKK 0m.

### Solar Group

DKK million	Core	Related	Group
<b>2017, publ. 12.01.2018</b>	<b>309</b>	<b>-45</b>	<b>264</b>
Divestments AT, BE & NO	21	12	33
Improvements, net	18	12	30
<b>2018, actual continuing act.</b>	<b>348</b>	<b>-21</b>	<b>327</b>
eWM implement. costs	-10	-	-10
Acquisition SE, net	-10	-	-10
Improvements, net	51	2	53
<b>2019, actual</b>	<b>379</b>	<b>-19</b>	<b>360</b>
eWM/business act./other 2019	11	-	11
Expected improvements low, net	40	19	59
<b>2020, operating EBITA</b>	<b>430</b>	<b>0</b>	<b>430</b>
eWM impl. costs DK, NO & NL	-30	-	-30
<b>2020, guidance</b>	<b>400</b>	<b>0</b>	<b>400</b>



# APPENDIX – FACTS ABOUT SOLAR

Solar is a leading sourcing and services company

Our core business centres on product sourcing, value-adding services and optimisation of our customers' businesses



# SOLAR GROUP AT A GLANCE

## WE DRAW ON 100 YEARS OF EXPERIENCE AND KNOWHOW



### 1919

Founded in 1919



### 1953

Listed on the stock exchange since 1953



### DKK 11.7bn

Approx. DKK 11.7bn in revenue and EBITA of DKK 360m in 2019



### Customers

A lot of close customer relationships in our markets



### >50%

E-business share



### Warehouses

Strategically placed central warehouses



### 500,000

Without increasing the number of stock-keeping units, we are expanding the number of available products from 215,000 to an anticipated 500,000



### 3,000

Approx. 3,000 people

# SOLAR'S CORE BUSINESS AREAS

## ELECTRICAL, HEATING AND PLUMBING, AND VENTILATION TECHNOLOGIES



**Installation**



**Cables**



**Marine &  
Offshore**



**Lighting**



**Industry**



**Communication**



**Security**



**Ventilation**



**Heating, Water  
& Sanitation**



**Renewable  
energy**

# SOLAR'S CORE BUSINESS

## OPTIMAL SUPPLY TO OUR CUSTOMERS

### We offer a flexible distribution setup

- Day delivery
- Night delivery
- Delivery on worksite
- Delivery at company address
- Pick-up
- Fastbox\*

### We work while you sleep

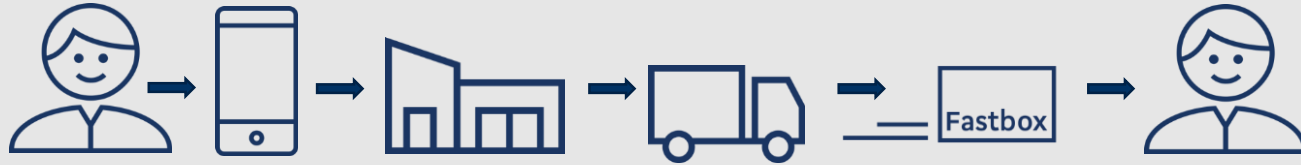
- Order via e-business before 6 PM and receive before 7 AM\*
- We have a 97% delivery success rate
- We perform extensive quality control in our operation



\* Electrical, heating and plumbing components



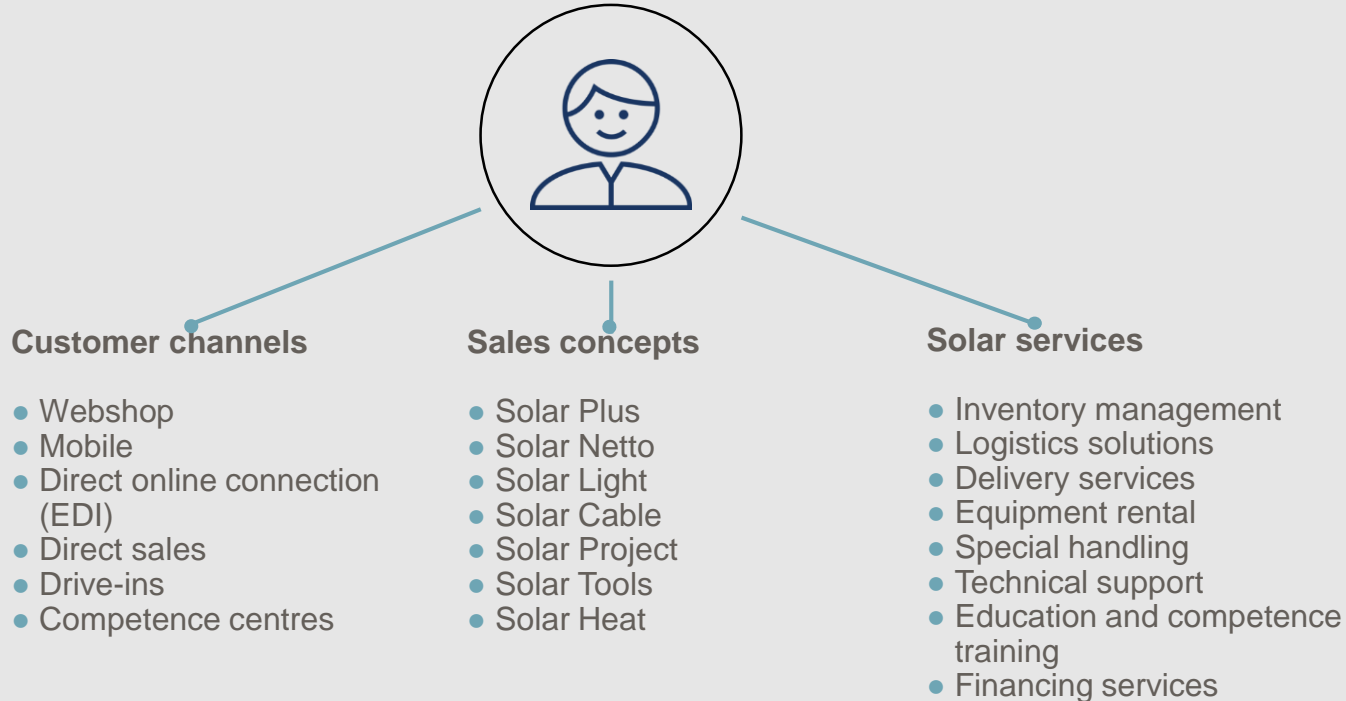
# SOLAR FASTBOX CONCEPT AT WORK SITE WITHIN AN HOUR



- With Solar Fastbox
  - We make life easier for our customers
  - Increase productivity
  - Save time and transportation costs
  - Make materials available at customer work site within an hour

# HOW WE SERVE OUR CUSTOMERS

## EVERYTHING STARTS WITH THE CUSTOMER



## OWNERSHIP - SOLAR IS LISTED ON NASDAQ COPENHAGEN AND HAS A MAJORITY OF LONG TERM INVESTORS

### Distribution of share capital and votes based on the latest public information

Holdings of 5% or more of share capital	Share capital	Votes
The Fund of 20 December, Vejen, Denmark	16.9%	60.0%
RWC Asset Management LLP, London, England	15.8%	7.5%
Nordea Funds Ltd, Helsinki, Finland	10.4%	5.0%