

# SOLAR EQUITY STORY

We believe in productivity improvement, digitalisation,  
green business opportunities 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. Business update

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5. Digital update

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6. The results we achieved in Q1 2020

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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

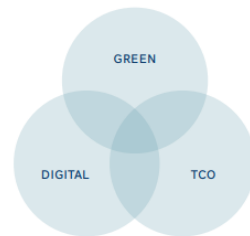
- Solar believes in productivity improvement, digitalisation, the green transition and networked development.
- We support our customers in developing energy-efficient solutions, reducing waste and optimising logistics based on strong digital platforms.
- More than DKK 6bn of our approx. DKK 11bn revenue 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 web-shop, 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

# BUSINESS UPDATE ON OUR STRATEGIC FOCUS AREAS

## Solar has an agile business model

### Strategic suppliers

- Our strong partnerships with suppliers mean that we have alternatives to both products and production sites, which is a clear advantage in a situation such as that caused by COVID-19.
- Our combination of A brands and Solar's concepts allows us to compensate for the shortage of certain products.

### Industry focus

- Solar has entered into a strategic partnership agreement with Global Connect A/S, a leading Northern European data centre and fibre infrastructure provider. It involves a total supply chain solution and will potentially cover a number of geographical markets.
- With our strong position in infrastructure, we see great opportunities in the future 5G network.
- Strategic review of MAG45 is on hold.

solar|plus<sup>+</sup>

solar|light

solar|project<sup>®</sup>

solar|netto<sup>®</sup>

solar|cable

solar|tools

solar|heat

# BUSINESS UPDATE ON OUR STRATEGIC FOCUS AREAS

## SAP eWM and AutoStore implementations

### Operational excellence

- Our cross-border organisation has proved itself during these challenging times, enabling us to deliver execution power.
- Successful implementation of SAP eWM at our central warehouse in Denmark. We now focus on our central warehouse in Norway for the next implementation.
- AutoStore was implemented successfully in the Netherlands and is now fully operational. The system does digital weight control and closes boxes automatically. Furthermore, the system reduces power consumption by approx. 66%.





# BUSINESS UPDATE ON ENERGY-EFFICIENT SOLUTIONS

## WE MAKE OUR CUSTOMERS MORE PRODUCTIVE

### Green business opportunities

- We focus on business opportunities to drive energy transition and support sustainable business.
- We are experiencing growth in our climate and energy initiatives.
- Solar offers many advanced technologies to support energy efficiency, incl. ventilation, LED lighting, EV chargers, heat pumps and solar power.
- With solar cells installed on the roof of their vans, Solar's customers are able to produce their own green power.
- We are enabling our customers to be more productive and by making energy mobile, there is always 230V available to power tools and machinery.
- Apart from increased productivity and flexibility, this also reduces CO2 emission.



# DIGITAL UPDATE



## We are fundamentally a digital business

- More than 60% of Solar's orders are fully digital across key markets, and our mobile app is our fastest growing sales channel.
- With an ever-increasing share of e-business, we are fully capable of serving our customers through digital channels.
- In these times of COVID-19 and social distancing, it has become even clearer how digital solutions can support a healthy business environment.
- We are currently seeing a rapid adoption of digital tools to communicate, coordinate, and order materials.
- This points to an opportunity for higher digital efficiency and collaboration for which Solar is well positioned.

# DIGITAL UPDATE

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## Digital business is better business

- Being digital allows us to invest in improving our customers' experience and our own efficiency at the same time.
- Being digital means being accessible 24/7 and tailored to each individual customer.
- The more digital orders we generate, the more automated we become, and the more data we capture. This way, we can provide better service at a lower cost, while gaining better insight into our business.
- Being the most digital player in our field attracts more digital customers with a higher lifetime value to Solar due to their faster growth and higher profitability.
- We bring value to digital contractors and installers, to digital construction and to digital industry supply.

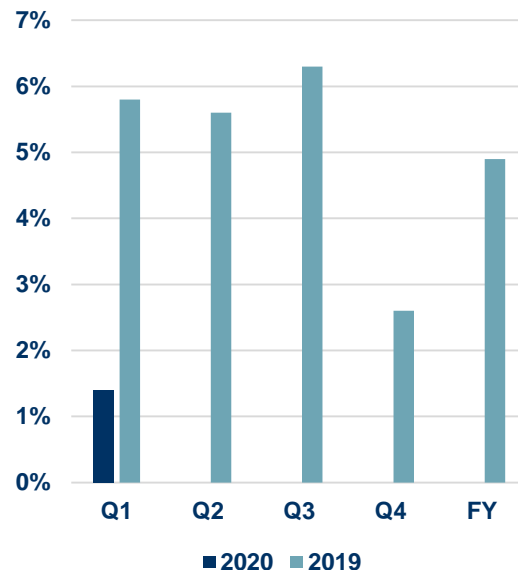


# Q1 REVENUE WAS ON PAR WITH OUR EXPECTATIONS

## We saw adjusted organic growth of 1.4%

- We saw positive adjusted organic growth in Solar Danmark and Solar Nederland, while Solar Norge, Solar Sverige and Solar Polska saw negative organic growth.
- Solar's overall adjusted organic growth for Installation amounted to around 2% and for Industry it was around 0%.
- Due to COVID-19, we began to see a slight decline in revenue in some markets in the last week of March.

## Organic growth, adjusted for number of working days



## Solar Group

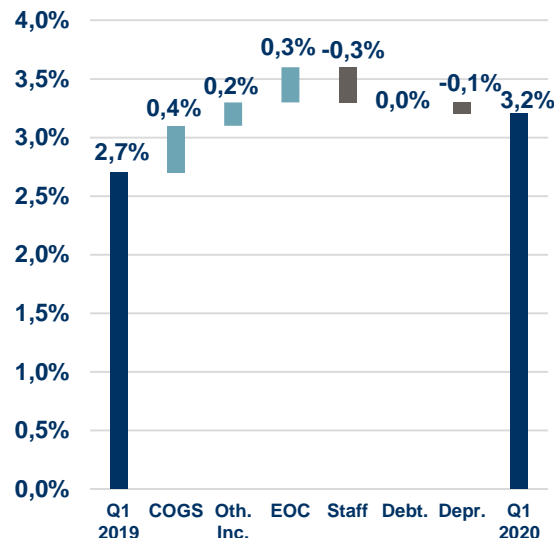
	Q1 2020	Q1 2019
Revenue, DKK m	3,045	2,957
Revenue growth, %	3.0	5.0
Adj. organic growth, %	1.4	5.8

# STRONG FOCUS ON PROFITABILITY RESULTED IN AN EBITA INCREASE OF MORE THAN 20%

## EBITA increased by DKK 17m

- The EBITA increase was driven by improvements in Solar Danmark, Solar Sverige and Solar Norge.
- Increased gross profit margin for Solar Danmark, Solar Sverige, Solar Norge and Solar Polska due to Project Better Business launched in 2019.
- Other income was positively affected by DKK 7m regarding a settlement with the former shareholder of MAG45.
- SAP eWM roll-out costs, AutoStore implementation and restructuring costs had a total negative impact of DKK 17m.

## Q1 EBITA margin development



## Solar Group

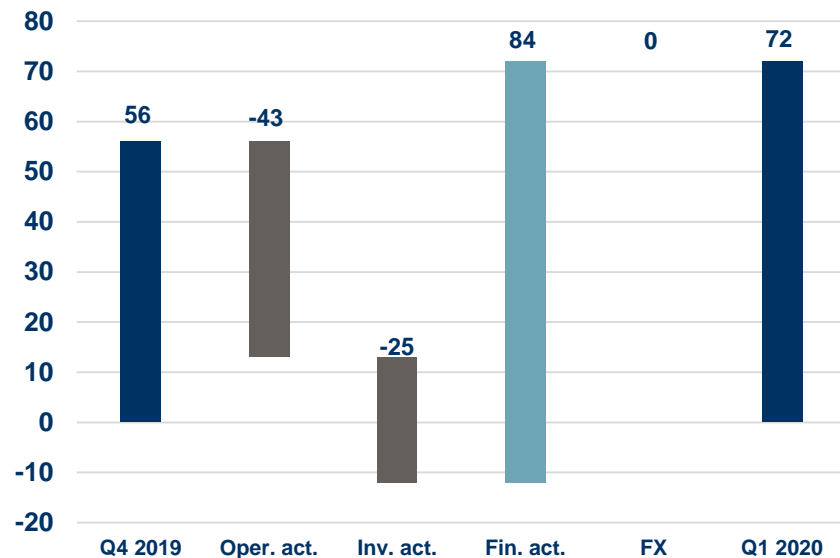
	Q1 2020	Q1 2019
Revenue, DKK m	3,045	2,957
Revenue growth, %	3.0	5.0
Adj. organic growth, %	1.4	5.8
Gross profit, DKK m	623	593
Gross profit margin	20.5	20.1
EBITA, DKK m	97	80
EBITA margin	3.2	2.7



# TOTAL CASH FLOW AT DKK 16M

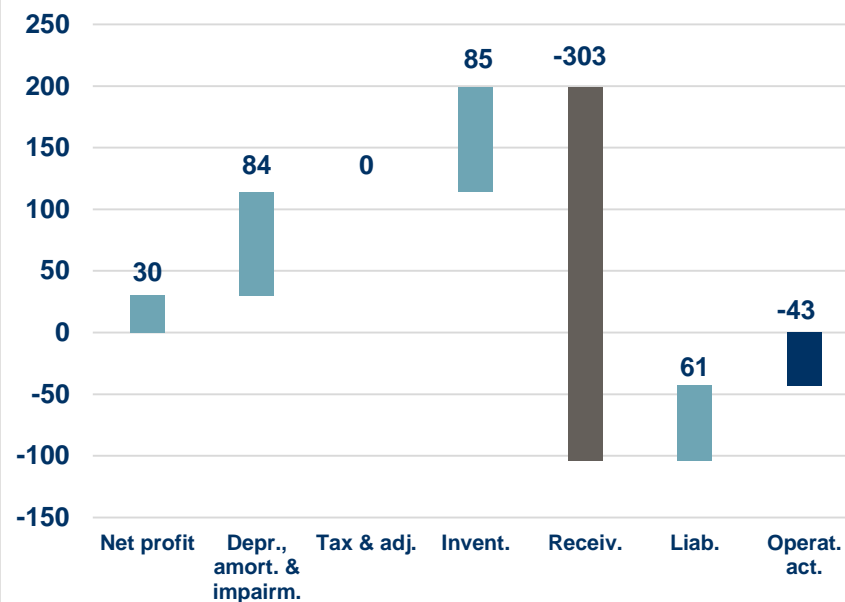
## Cash flow, total

DKK million



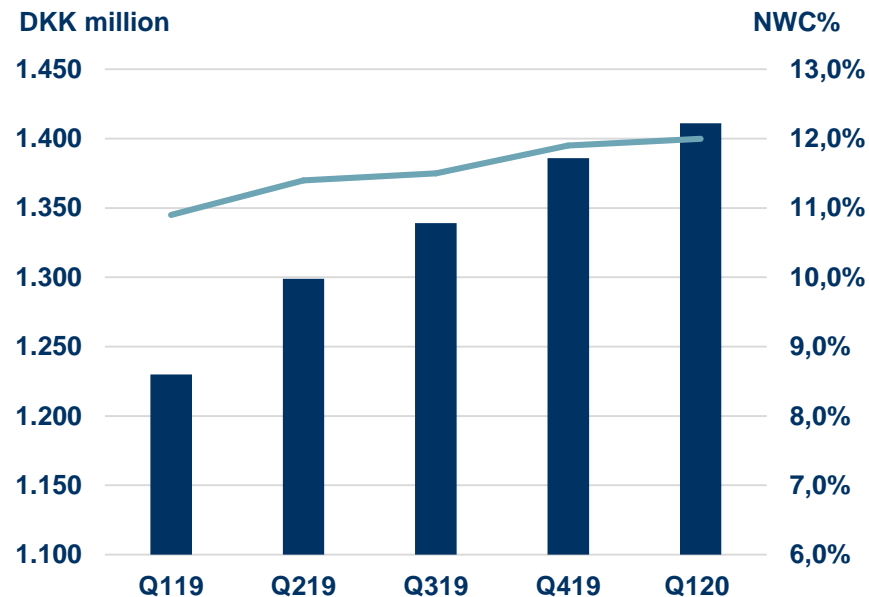
## Cash flow, operating activities

DKK million

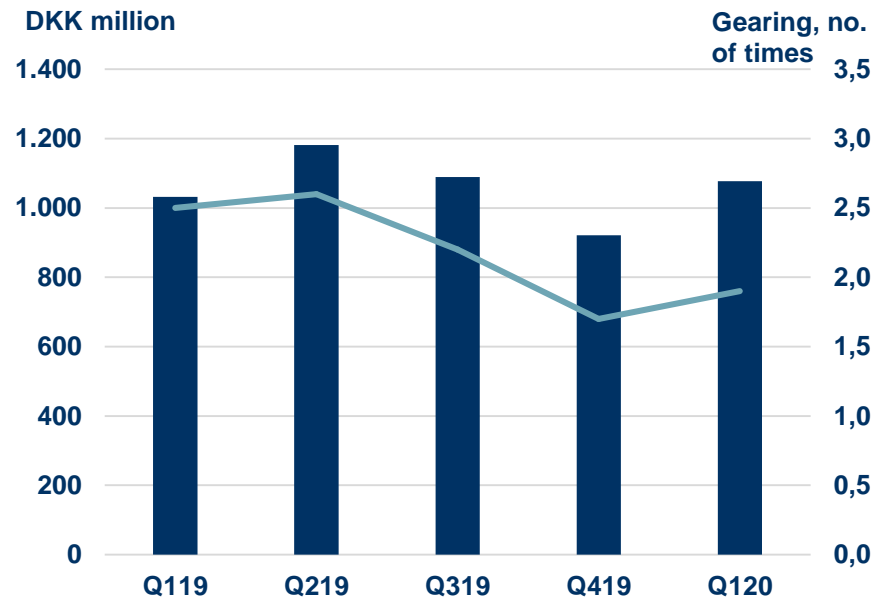


## DEVELOPMENT IN NET WORKING CAPITAL (NWC) AND NET INTEREST-BEARING DEBT (NIBD)

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



NIBD and gearing – Paid dividend of DKK 102m in Q1



# DUE TO COVID-19, GUIDANCE FOR 2020 WAS WITHDRAWN DESPITE A HIGH LEVEL OF ACTIVITY IN Q1

**At 27 March 2020, we announced a withdrawal of the previously announced outlook for 2020 due to the development in connection with the outbreak of COVID-19**

- During the COVID-19 pandemic, we are working with different financial scenarios, and we are making preparations to take the initiatives needed to safeguard business continuity. We have also put our strategic review of MAG45 on hold.
- In April, our most profitable entities Solar Danmark and Solar Norge were stagnant, whereas Solar Sverige, Solar Nederland and Solar Polska saw negative growth.
- We have launched several prudent cost-saving initiatives to protect short-term earnings and cash generation – mainly the furlough scheme, hiring freeze, reduction in the use of temporary staff and general cost containment.
- However, as the situation develops, we will continue to take decisive actions whilst ensuring that the business is appropriately sized for the post COVID-19 operating environment.
- As soon as a more stable external environment has been established and we have a clear overview of the effects of COVID-19 on Solar, we will issue a new guidance for 2020.

Adj. organic growth %	April 2020
Core business	-2.5
Related business	14.1
Solar Group	-1.6

# 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

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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\*

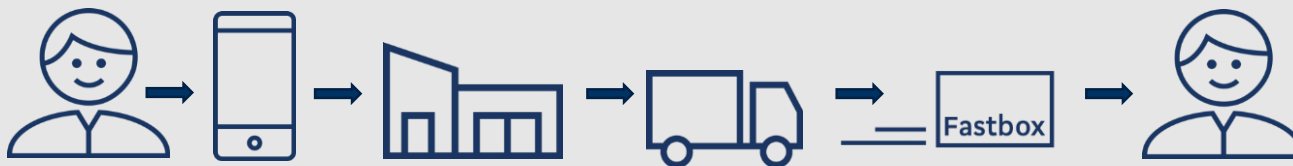
### We work while you sleep

- 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

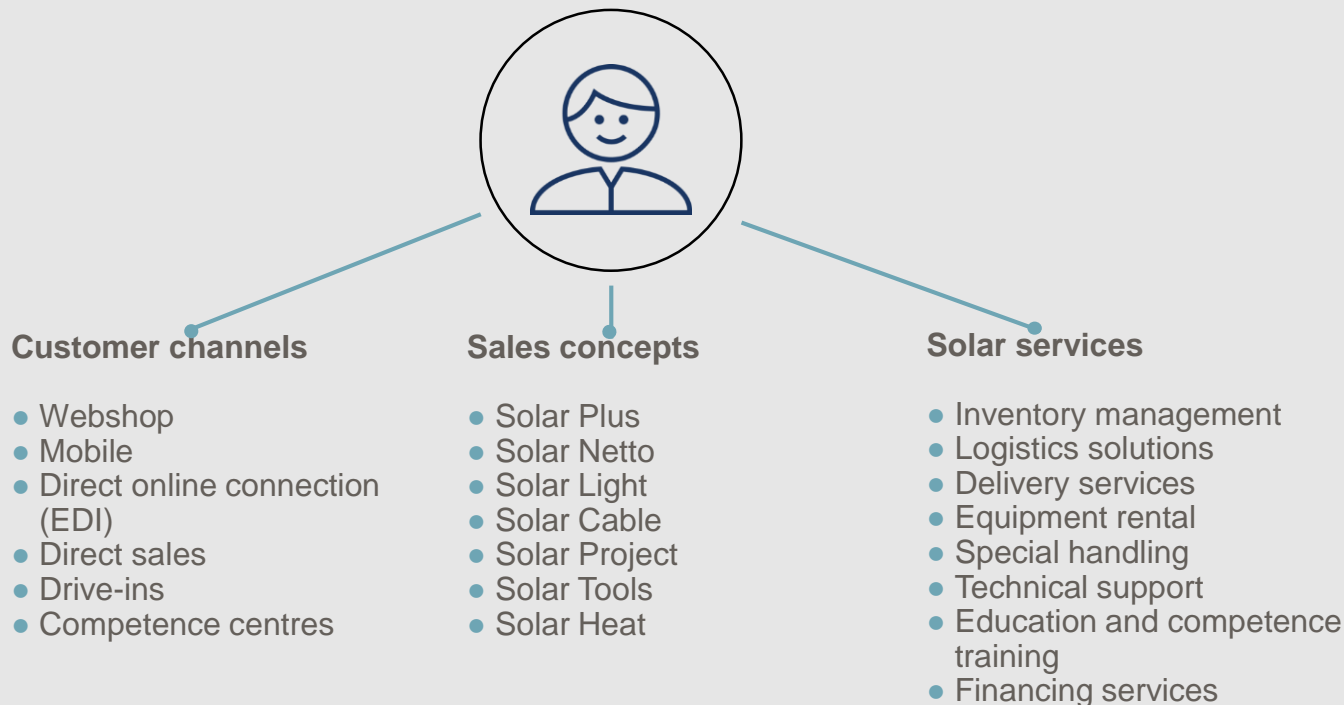
# SOLAR FASTBOX CONCEPT AT WORK SITE WITHIN AN HOUR



- 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 in percentage - 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
Investeringsforeningen Nordea Invest, København, Denmark	5.0	2.4