

# 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 Q2 & H1 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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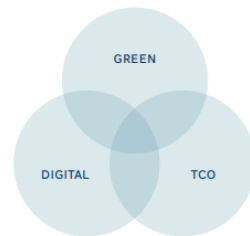
## Digitalisation, the green transition and urbanisation play essential roles

- 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

## WE HAVE A STRONG MARKET POSITION WITHIN INFRASTRUCTURE

**Our agile business model has proved itself during challenging times**

### Strategic suppliers

- Our strong partnerships with suppliers mean that we have alternatives to both products and production sites, which ensures our ability to supply.
- Even during the COVID-19 pandemic we are able to maintain our delivery performance.

### Industry focus

- Infrastructure has performed very well during the COVID-19 crisis, seeing double-digit organic growth rates in Q2.
- In Denmark, we recently extended our agreement with the fibre network company, Fibia.
- During H2 2020, we expect to relaunch the strategic review of MAG45.



# BUSINESS UPDATE ON OUR STRATEGIC FOCUS AREAS

## Successful remote and digital go-live of SAP eWM in Solar Norge

### Operational excellence

- As a digital sourcing and services company we continually invest in digital solutions to optimise customer experience and refine operational excellence.
- Owing to our digital mindset, we even did a remote and digital go-live for the first time with only a limited number of people on site.
- As our final implementation, we expect to implement SAP eWM at our central warehouse in Alkmaar in the Netherlands in Q4.

4.Camera

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5.Camera

7.Camera

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# BUSINESS UPDATE ON ENERGY-EFFICIENT SOLUTIONS

## WE MAKE OUR CUSTOMERS MORE PRODUCTIVE

### Green business opportunities

- We focus on business opportunities to drive energy transition, support sustainable business and the displacement of fossil fuels.
- 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.



# BUSINESS UPDATE ON ENERGY-EFFICIENT SOLUTIONS

## WE COMBINE GREEN INITIATIVES AND PRODUCTIVITY

### Green business opportunities

- We combine green initiatives and productivity wherever possible.
- In Bergen, Norway, we are now able to deliver Solar Fastbox by electric vehicles as is already the case in Oslo.
- Furthermore, we have started to use bikes for our Fastbox delivery in Aarhus in Denmark as we do in Copenhagen.
- Solar Fastbox is a popular service designed to improve customer productivity. It provides a broad assortment, and our fast green deliveries mean that we can protect the environment at the same time.



## DIGITAL UPDATE

### DEDICATED FOCUS ON E-BUSINESS



# SOLAR MOBILE

**SOLAR A/S**



### Solar is a leading digital player within our industry and geographical markets

- As more than 60% of Solar's orders are fully digital across our key markets, our web shop and app are a dominant part of our business.
- The Solar Mobile app won two prizes at the Danish Digital Awards in essential categories: Gold in the Commerce category and Silver in the Customer Experience category.
- During COVID-19 lockdown and the following period, we saw an increasing interest for online shopping.
- Thousands of customers downloaded the Solar Mobile app, resulting in an increase of more than 30% in app downloads.

# DIGITAL UPDATE



## We are fundamentally a digital business

- 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.

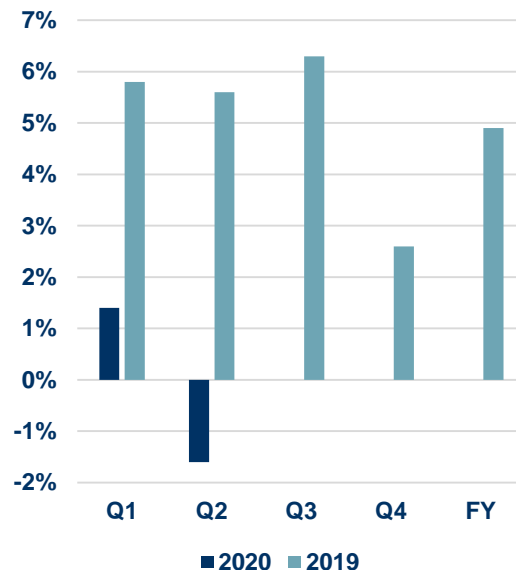


## Q2 REVENUE DOWN BY DKK 123M

### We saw adjusted organic growth of -1.6%

- Solar is a digital company and during COVID-19 we have seen the advantages of serving our customers through digital channels.
- We saw positive adjusted organic growth in Solar Danmark and Solar Nederland, while Solar Norge, Solar Sverige and Solar Polska saw negative adjusted organic growth.
- Solar's overall adjusted organic growth for Installation amounted to around -4%, and for Industry it was around -3%.
- The trade segment delivered solid positive organic growth driven by Special Sales.

### Organic growth, adjusted for number of working days



### Solar Group

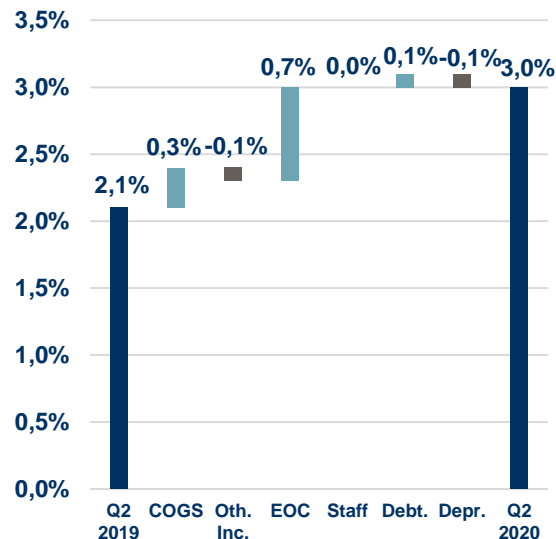
	Q2 2020	Q2 2019
Revenue, DKK m	2,745	2,868
Revenue growth, %	-4.3	4.9
Adj. organic growth, %	-1.6	5.6

# EBITA INCREASE OF 35% DUE TO IMPROVEMENT OF GROSS PROFIT MARGIN, EFFICIENCY GAINS AND COST CONTAINMENT

## EBITA increased by DKK 21m

- Gross profit decreased by DKK 18m but we saw continuous improvement in the gross profit margin, which increased to 20.5%.
- Due to COVID-19, we launched several cost-saving measures to protect short-term earnings and to deliver cash generation.
- External operating costs and staff costs were down by DKK 42m; FX of DKK 10m, cost savings of DKK 27m, furlough schemes of DKK 12m but SAP eWM costs of DKK 7m.
- Part of the cost savings are temporary savings and are expected to be partly normalised as the impact of COVID-19 diminishes.

## Q2 EBITA margin development



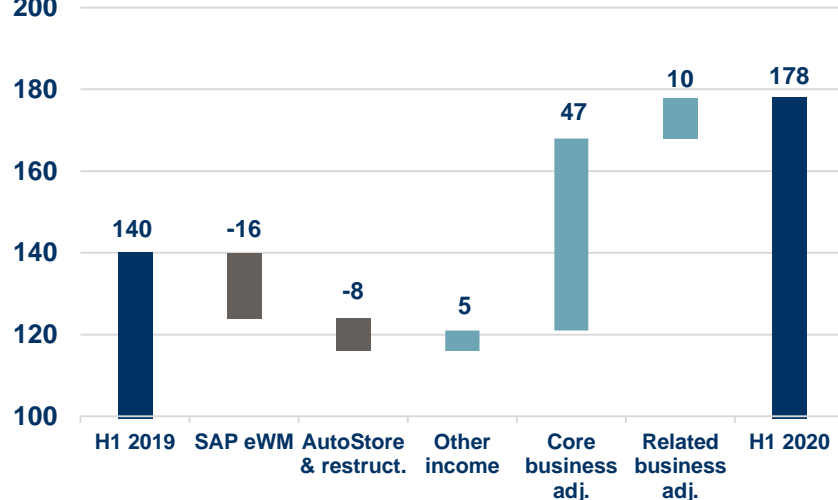
## Solar Group

	Q2 2020	Q2 2019
Revenue, DKK m	2,745	2,868
Revenue growth, %	-4.3	4.9
Adj. organic growth, %	-1.6	5.6
Gross profit, DKK m	562	580
Gross profit margin	20.5	20.2
EBITA, DKK m	81	60
EBITA margin	3.0	2.1

# IN H1, EBITA INCREASED TO DKK 178M

## Improved EBITA in H1 both for core and related business

DKK million



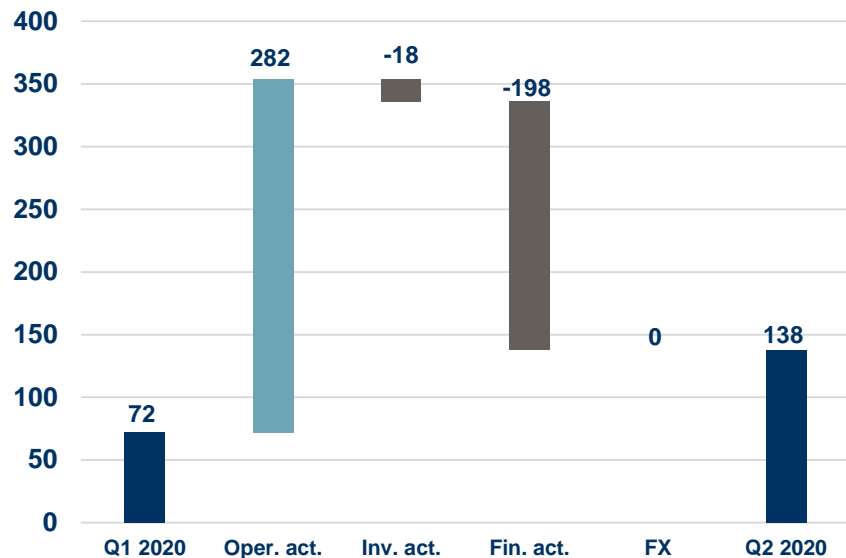
## Solar Group

	Core business		Related business	
	H1 2020	H1 2019	H1 2020	H1 2019
Revenue, DKK m	5,502	5,530	288	295
EBITA, DKK m	177	147	1	-7
Adj. organic growth, %	0.0	5.6	-0.7	6.4
EBITA margin	3.2	2.7	0.3	-2.4

# TOTAL CASH FLOW OF DKK 66M

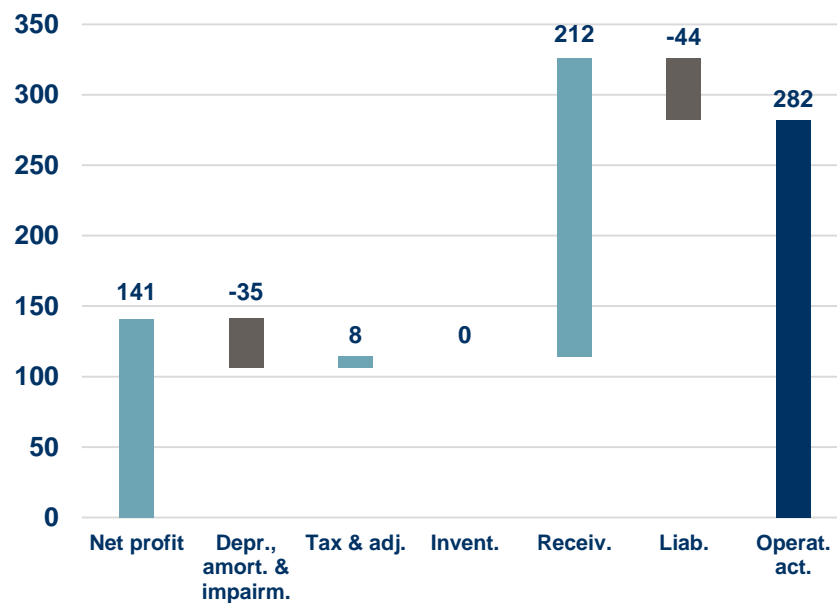
## Cash flow, total

DKK million



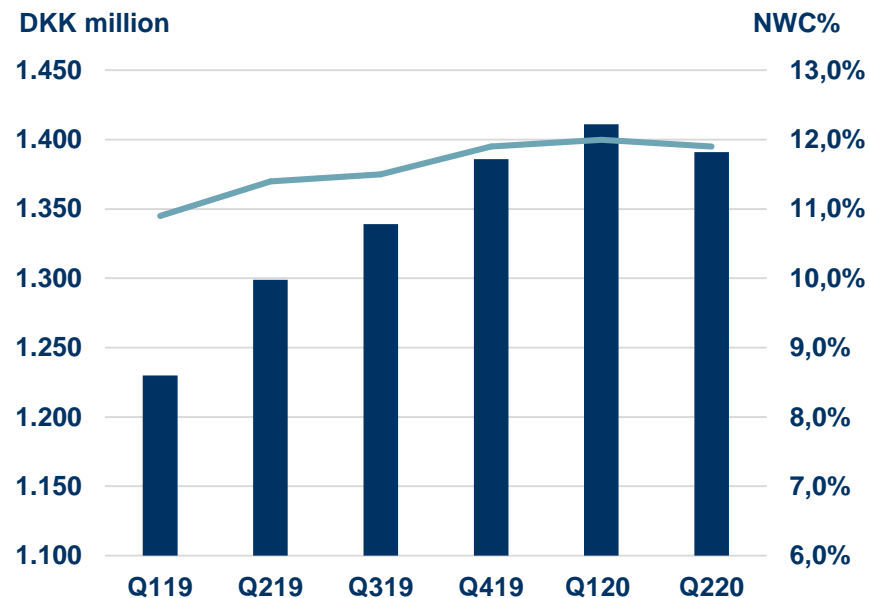
## Cash flow, operating activities

DKK million

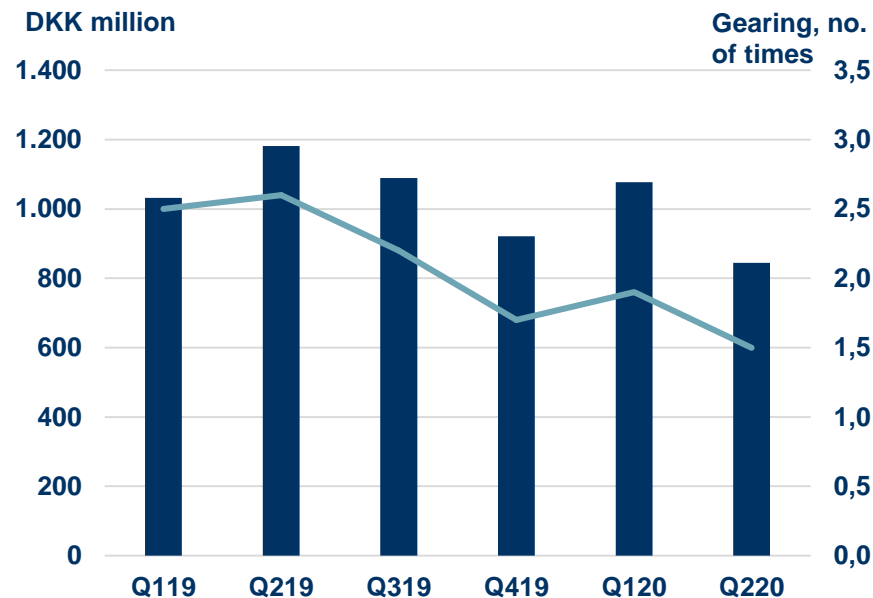


# DEVELOPMENT IN NET WORKING CAPITAL (NWC) AND NET INTEREST-BEARING DEBT (NIBD)

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



## NIBD and gearing



# NEW GUIDANCE 2020 IS REVENUE OF DKK 11.4BN AND REITERATION OF EBITA OF DKK 400M

Increased gross profit margin, efficiency gains and cost containment are to deliver EBITA of DKK 400m

- Due to the COVID-19 pandemic, we see an increased risk in the market outlook for 2020 compared to 2019.
- The new guidance for 2020 is based on the assumptions that:

## External factors

- no significant resurgence of COVID-19 resulting in new lockdowns will take place in our markets,

## Internal factors

- the steady improvements in the gross profit margin seen in the most recent quarters will continue throughout H2,
- costs are to be partly normalised during H2 - as part of the cost savings seen in Q2 are temporary savings - albeit still at a lower level than H2 2019,
- in H2, we only expect a minor sum from furlough schemes, whereas we were granted DKK 13m in H1,
- no significant restructuring is needed.

## Guidance overview

DKK million	New guidance 2020	Withdrawn guidance 2020	Actual 2019
<b>Core business</b>			
Revenue	10,850	11,200	11,116
EBITA	400	400	379
<b>Related business</b>			
Revenue	550	600	563
EBITA	0	0	-19
<b>Solar Group</b>			
Revenue	11,400	11,800	11,679
EBITA	400	400	360

# 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



### >60%

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\*

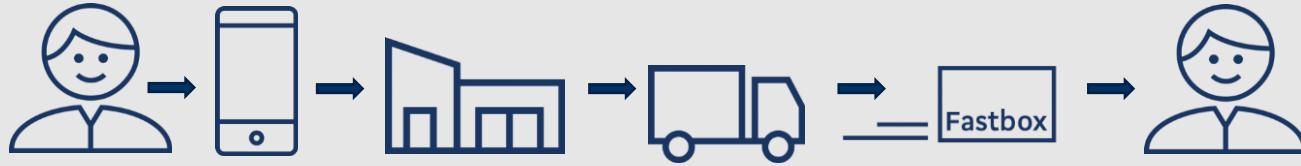
### We work while you sleep

- 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

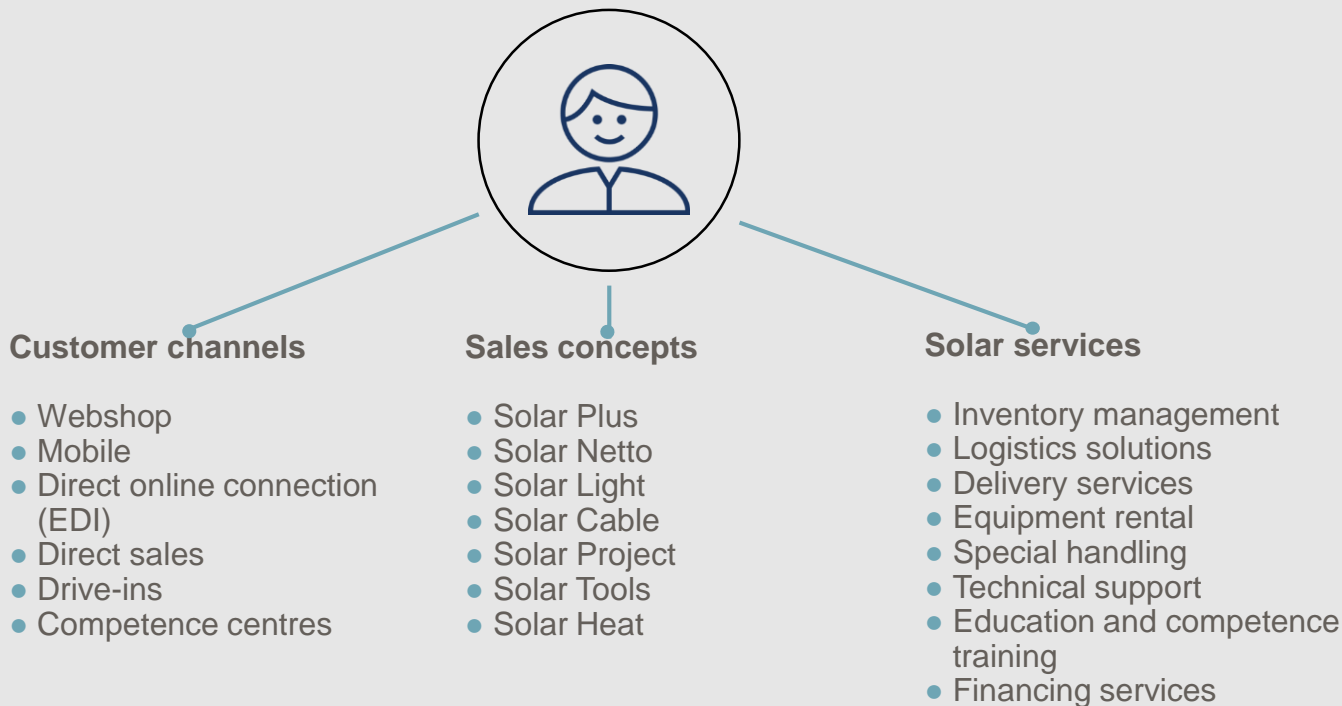
# SOLAR FASTBOX CONCEPT AT WORK SITE WITHIN AN HOUR



- 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	14.7	7.0
Nordea Funds Ltd, Helsinki, Finland	10.4	5.0
Investeringsforeningen Nordea Invest, København, Denmark	5.0	2.4