

**EKORNES®**

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THE INNOVATORS OF COMFORT™



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# Q1 2018

25 April 2018

# Agenda

- Introduction
- Highlights
- Operations
- Financials
- Summary and outlook



# The Ekornes® Group

## Group company

**EKORNES®**

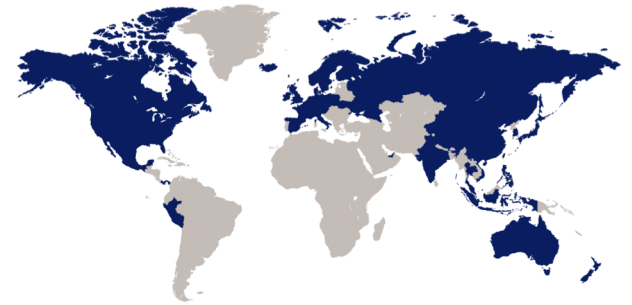
HQ Sykkylven, Norway  
2017 revenue of NOK 3.1bn  
2017 EBIT margin of 10.0%  
~ 2 140 employees

## Three brands operated independently – separate sales, distribution and supply chains



Stressless® – a brand known by 85 million people globally  
IMG – a discovered brand internationally  
Svane® – a North European mattress and beds brand

## Combined group sales & supply chain footprint



Sales in 43 countries  
18 sales offices in 11 countries  
More than 4 000 sales outlets

9 production units  
in 4 countries  
Multiple warehouses  
and 3<sup>rd</sup> party logistics  
partners

# Our strategic journey communicated in June 2017



Annual revenue growth of 3%-5%

- Strengthen Stressless® customer offering to grow revenue
- Double IMG revenue next 5 years



EBIT margin of 16%-18%

- Exploit operational leverage by growing revenue and volume
- Ensure cost efficiency

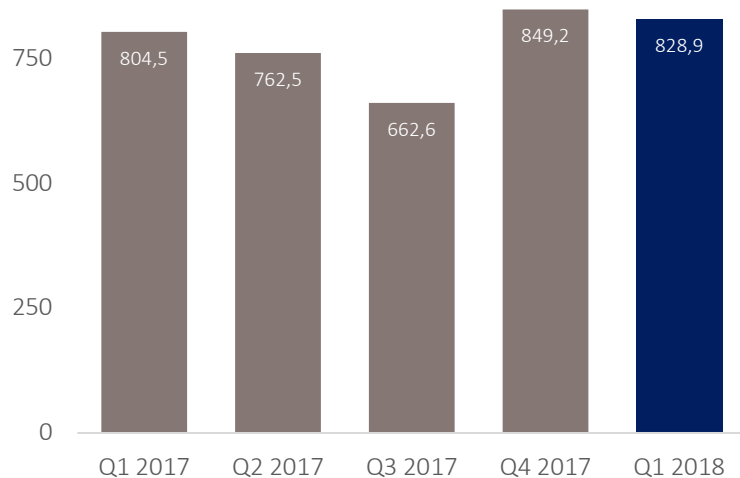
# Highlights

- Group revenue up 3%, underlying development mixed
- Stronger earnings driven by reduced hedging, increased revenue and cost reductions
- Termination of old hedging contracts gives positive effects from Q1'18 and onwards
- Strong order intake in North America, weaker in Europe
- Continued solid cash flow
- Dividend proposal of NOK 6.00 per share for 2017

# Financial results

## Operating revenues

NOK million  
1 000



## EBIT & margin

NOK million

250

25,0%

200

20,0%

150

15,0%

100

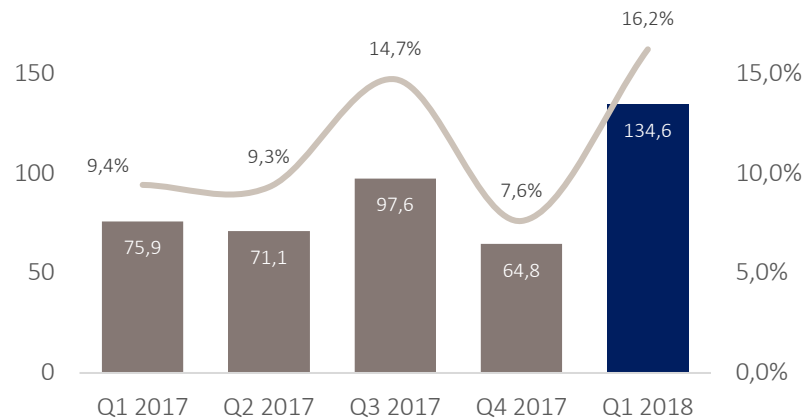
10,0%

50

5,0%

0

0,0%

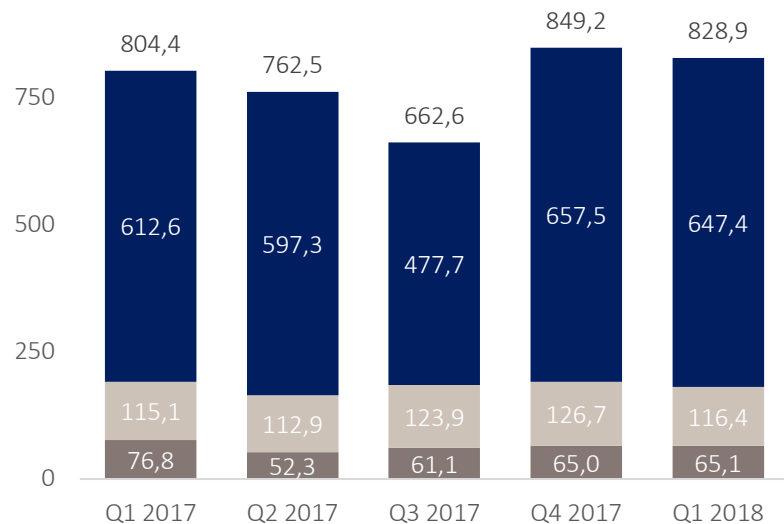


# Operations

# Operating revenue per segment

NOK million

1 000







THE INNOVATORS OF COMFORT™

## Stressless® customer offering

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- Comfortable, premium quality furniture
- Recliners, sofas and other categories

**EKORNES®**

# Positive earnings development

- Revenues up 6% year-over-year, driven by currency effects and periodisation
  - Underlying revenues down 6%
- Order intake stable year-over year
- Margin improvement driven by
  - Reduced hedging
  - Increased revenue
  - Continued cost reductions

## Operating revenue and EBIT-margin

NOK million



# Continued mixed developments in main markets

- Good development in North America, driven by strong consumer sentiment and positive development in distribution
- Continued weak development in Central- and Southern Europe. Some improvements in Central-Europe towards end of quarter and in April. Revenue negatively impacted by Easter
- Satisfactory development in UK despite challenging market for all retailers
- Generally good development in Asian markets



Stressless® Dining

# Positive start

## Market introduction

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- Well received among Scandinavian dealers
- Very positive response from Norwegian consumers - promising for future development
- Positive reception by US dealers following market introduction in April 2018
- Continued product development parallel to international roll-out

## Business Idea

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- New segment with significant potential
- Adding Stressless® features to construction & design
- Synergies to current Stressless® activities





## IMG customer offering

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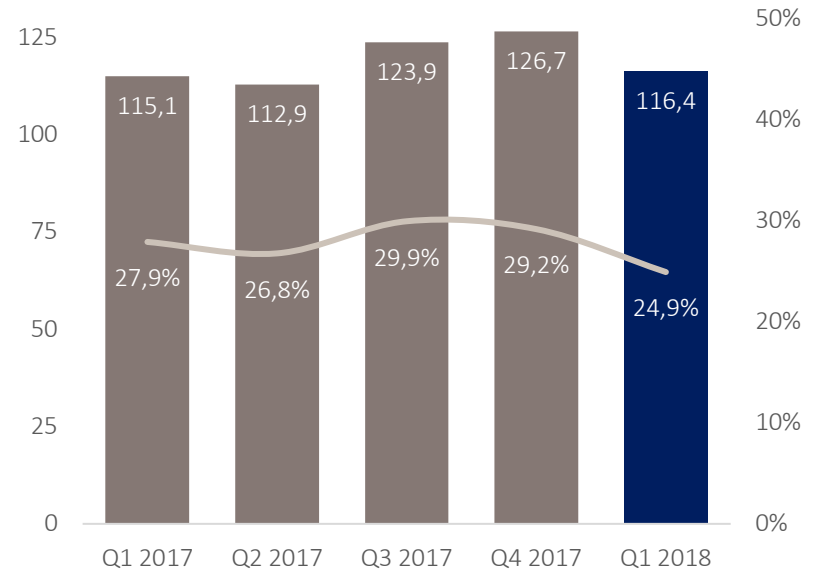
- Comfortable, ergonomic quality furniture
- Recliner and motion categories
- Quality
- Affordability

# Solid performance in North America

- Revenues stable year-over-year
- Underlying order intake up 14% year-over-year, driven by the US and Asia
- Operating margin impacted by activities for strengthening the sales organization and market activities in new and existing markets
- Expansion of production- and distribution-capacity in Europe will take time

## Operating revenue and EBIT-margin

NOK million



# Strong performance in the US

- Investments in sales- and distribution capacity in the US pays off
  - Order intake up 34% year-over-year
- Continued positive development in Asian markets
- Scandinavian markets marked by price-competition
- Europe remains weak
  - Building competence and capacity through new production- and distribution facility in Lithuania (finalisation in 2019)



Norway & other Nordic



## New launches in Q1 – well received in all markets

- Scandi series - New design
  - New generation of Scandi recliners
  - Light weight and compact appearance
  - New steel base design and steel details on side panels
- Space power - Motorized
  - Recliner with integrated footrest
  - More compact and motorized
  - Simple to operate



SCANDI 1000



SCANDI 1100



SCANDI 1200



SPACE POWER 5100



SPACE POWER 3600



SPACE POWER 5300





## Svane® customer offering

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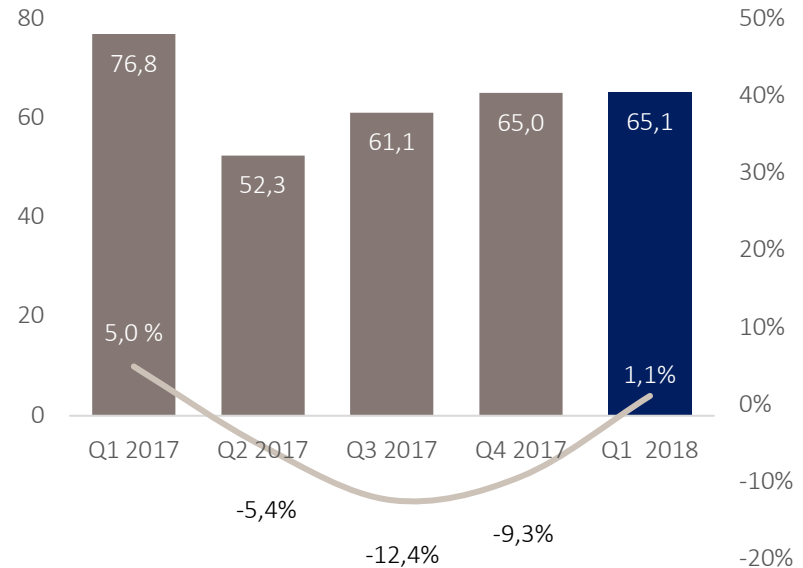
- Beds & mattresses
- Comfort & quality

# Continued weak performance

- Revenues down 15% year-over-year
  - Declining sales across all markets
- Focus on operational improvements
- Considering strategic alternatives for future development

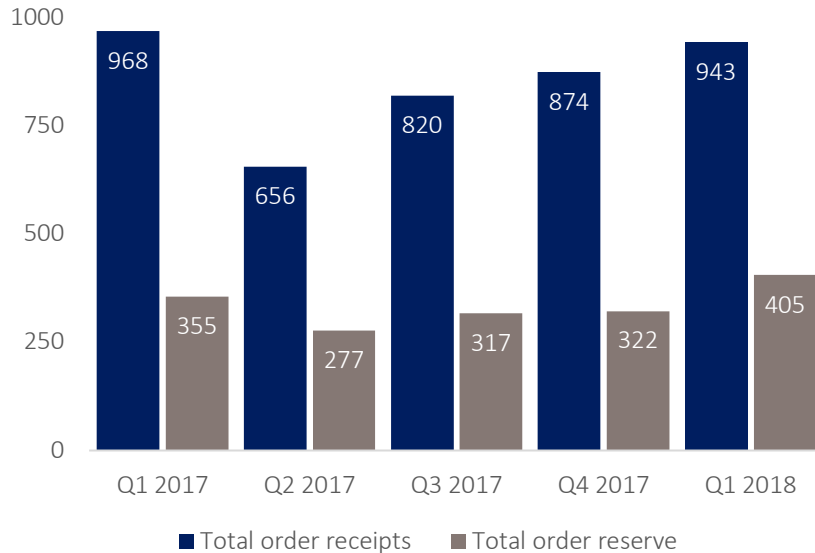
## Operating revenue and EBIT-margin

NOK million



# Positive development in order reserve

NOK million



- Order receipts of NOK 943 million, up 8% from previous quarter, driven by the US
- Underlying development Stressless® down 2% year-over-year
  - North America and Asia up
  - Europe down, but improvements towards end of quarter and in April
- Underlying development IMG up 14% year-over-year
  - North America up
  - Europe down
- Order reserve of NOK 405 million, up 14% from Q1 2017

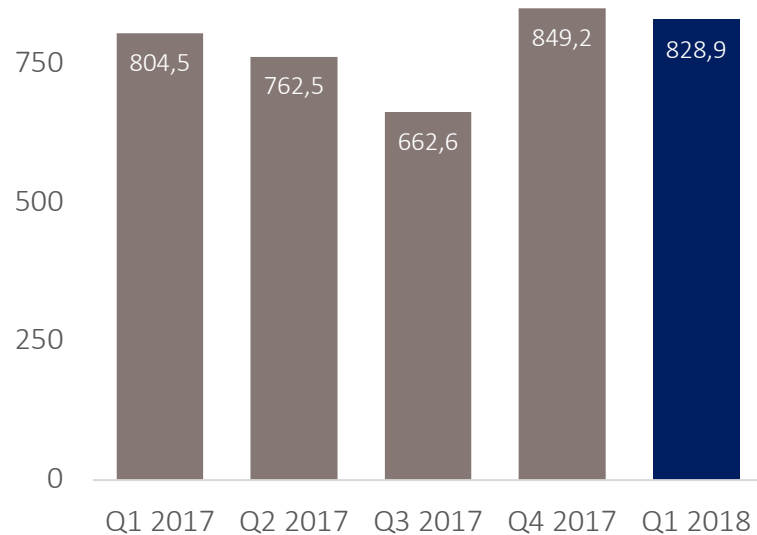
# Financials

(preliminary and unaudited)

# Group operating revenues

NOK million

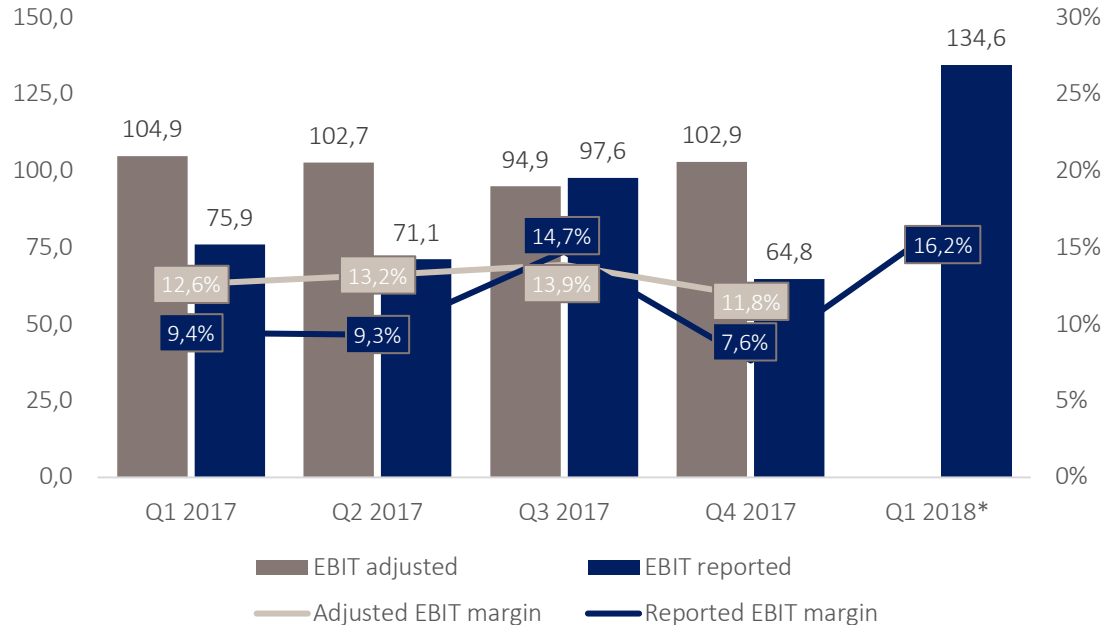
1 000



- Group revenues up 3% year-over-year driven by currency and periodisation
- Underlying development mixed
  - Stressless® down 6%
  - IMG stable
  - Svane® down

# Earnings picking up

NOK million



\* Adjusted reporting discontinued from Q1 2018

- EBIT margin of 16.2% (9.4%)
  - Q1 2017 impacted currency forward contracts
  - Adjusted EBIT-margin in Q1 2017 was 12.6 %
- Stressless® margins lift by
  - Currency and reduced hedging
  - Increased revenue
  - Cost reductions
- IMG margin impacted by
  - Investments in sales organization and market activities in new and existing markets
- Continued weak performance for Svane®

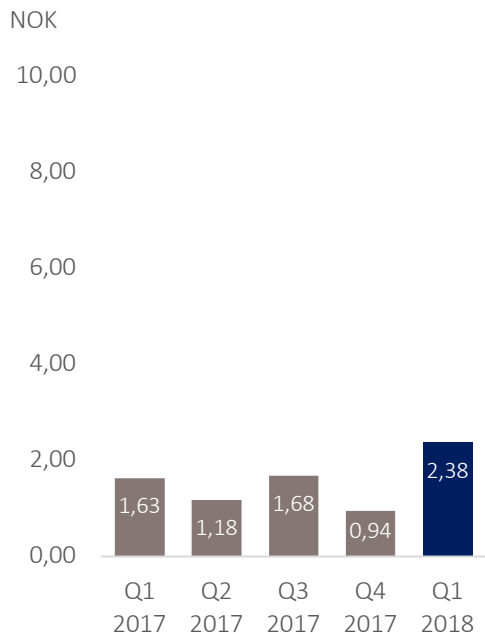
# Earnings effects from hedge contracts

- Significant negative effects on EBIT from currency hedging contracts historically
- Final hedging contract under “old” regime expired in in Q1 2018
- New hedge strategy initiated in Q1 2015 and further developed in Q3 2016
  - **80% - 0-6 months:**  
80% of expected exposure secured in currencies where expected annual exposure is NOK 75m or more
  - **50% - 6-12 months:**  
50% of expected exposure secured inn currencies where expected annual is NOK 75m or more

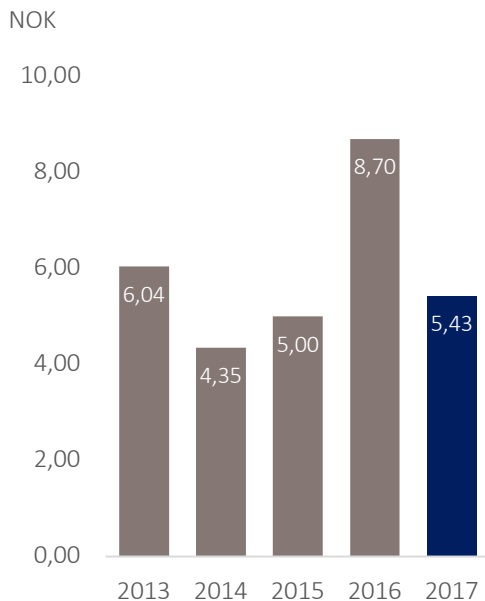
<i>Figures in NOK million</i>	<b>2017</b>
<u>Reported EBIT</u>	<u>309.5</u>
Negative impact hedge contracts	-189.0
<b><u>Reported EBIT without “old” currency hedging - illustrative</u></b>	<b><u>498.5</u></b>
<u>Adjusted EBIT</u>	<u>405.3</u>
Negative impact from “old” hedge contracts	-93.0
<b><u>Adjusted EBIT without “old” currency hedging – illustrative</u></b>	<b><u>498.3</u></b>

# Earnings per share

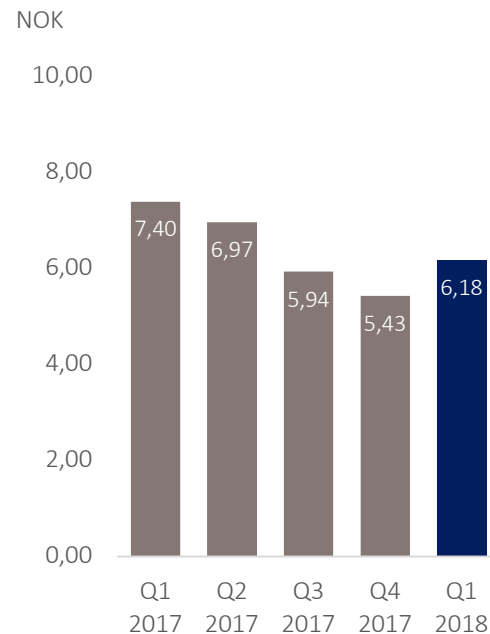
## EPS per quarter



## EPS per year



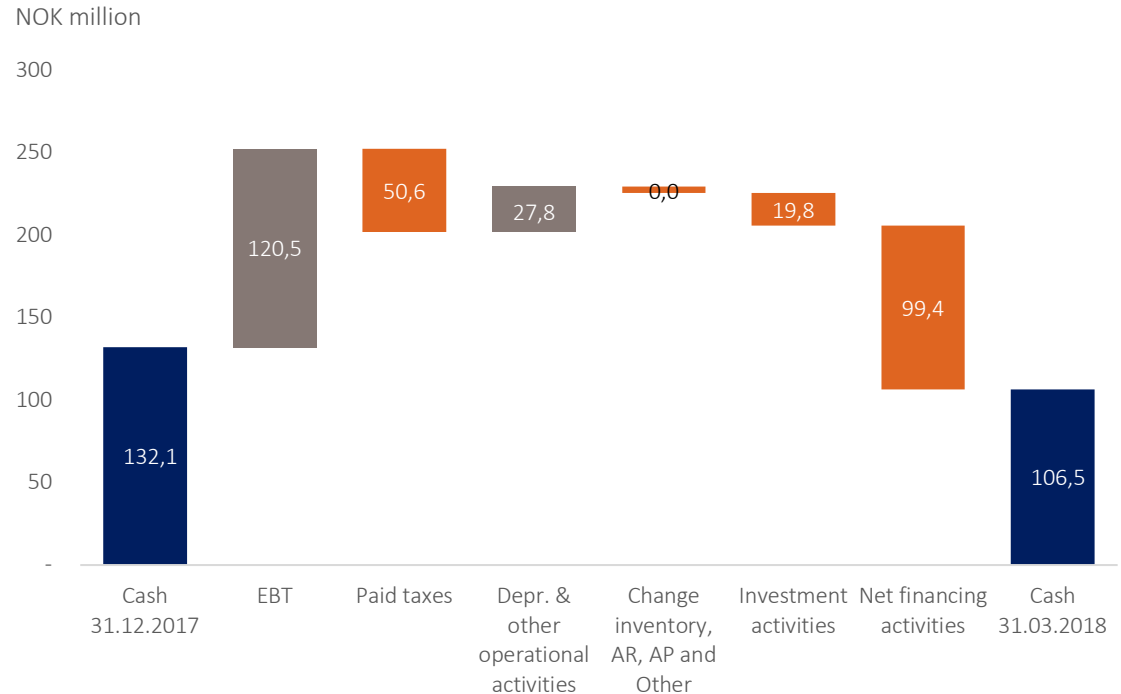
## EPS 12 months rolling





# Strong cash flow from operations

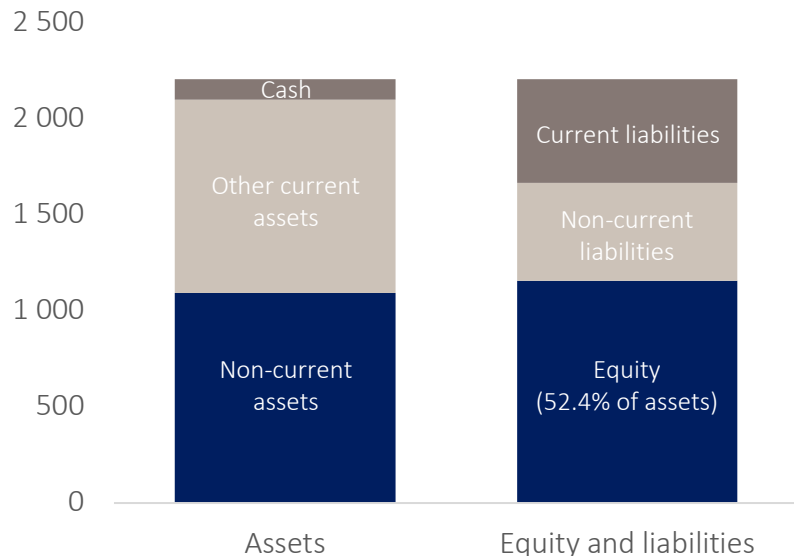
- Cash flow driven by solid operational performance
- Investments of NOK 19.8 million
  - Depreciations of NOK 27.8 million
- Debt instalments of NOK 99.4 million



# Financial position remains strong

## Balance sheet per 31 March 2018

NOK million

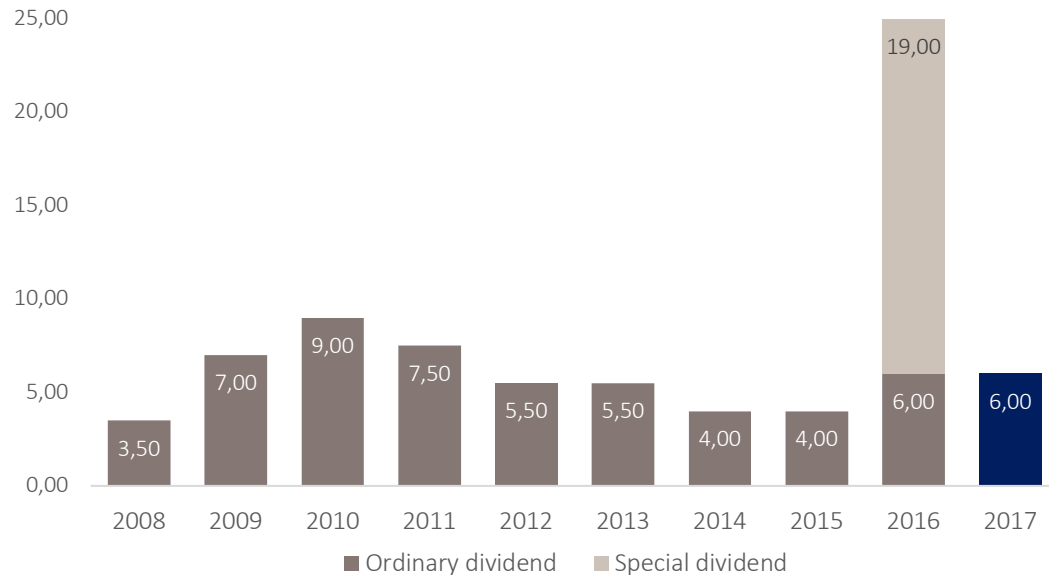


- Working capital stable around NOK 780 million
- Equity ratio of 52.4%, up from 47.3% at 31.12.17
  - Well above minimum target of 30%
  - Dividend for 2017 will be included in Q2, after AGM approval
- Interest-bearing debt NOK 618.6 million, down from NOK 718.0 million as of 31.12.17
  - Short term debt reduced by NOK 99.4 million
- Total credit facilities of NOK 1 250 million
  - Revolving credit and overdraft facilities of NOK 750 million, of which NOK 631 million undrawn
  - Long term debt of NOK 500 million, bullet repayment September 2022

# 2017 cash dividend of NOK 6.00 per share

## Annual dividends per share

NOK million



- Proposed ordinary dividend of NOK 6.00 per share
- Annual General Meeting 24 April
- Ex. date 25 April
- Record date 26 April
- Payment date 3 May

# Summary and outlook

# Focus on brands and customer offerings development



THE INNOVATORS OF COMFORT™





Stressless® known by 85 million people around the world

IMG and Svane® with foothold in select regions/markets

Sales in 43 countries | 18 sales offices in 11 countries

> 4 000 sales points

## Focus on sales and distribution development

# 2018 outlook

- Strong order intake for Stressless® and IMG in the US, development expected to continue
- Positive reception of Stressless® Dining in Scandinavia
- Expect effects from sales promoting initiatives and supply chain development in Europe. Stressless® see positive development towards end of quarter and in April
- Termination of old hedging contracts gives positive effects from Q1'18 and onwards

# Summary

- Group revenue up 3%, underlying development mixed
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- Continued solid cash flow
- Dividend proposal of NOK 6.00 per share for 2017



# Contact information

## Financial calendar:

Q2 2018 results, 13 July 2018

Q3 2018 results, 25 October 2018

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