

FY2023

Annual report

Presented by
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8 February 2024



AGENDA

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1. Highlights
2. Solve strategy
3. Solve financial targets and focus areas
4. The results we achieved in Q4 2023
5. Q&A

FY 2023 - highlights

FY 2023 results

- Revenue reached DKK 13.0bn, slightly below expectations.
- EBITDA reached DKK 0.9bn, equalling a margin of 6.7%.

Segments and strategic focus areas

- Concept performance supported EBITDA margin
- Measures to reduce the impact from cost and salary inflation delivered more savings than expected.
- Climate & Energy came in below expectations.

Guidance

- Revenue of DKK 12.5bn.
- EBITDA of DKK 600m.



Our Strategy

Our strategy

Our purpose

We improve construction, building operation and industry processes with a commitment to sustainability and productivity. For our customers. With our partners. For a better world.



As a leading sourcing and services partner, we will use our strong core to combine products, services and specialist competence to deliver value-adding solutions solving business challenges sustainably.

With Solve, it is our ambition to create additional value at an earlier stage of our customers' decision-making process.

Strategic focus areas



Climate & energy

We maximise the growth potential in climate and energy solutions, such as heat pumps, solar panels, EV charging and ventilation. The newly established Solar Industrial Solutions offers combined solutions for both existing and new industry customers based on our product technology and know-how.



Concept strength

Our concepts will drive overall profitability and enhance our position in the value chain. We aim to further develop value adding concept assortments powered by logistical services and specialist competences to increase the ease and effectiveness of our customers' daily operations.



Solution sales

We create new opportunities in selected areas by leading with solution selling, specialist competence and a 360-degree view on the future needs of our customers' business. We aim to increase the share of wallet with existing customers and open new doors to new customer groups.

Sustainability



Climate impact

We work to become carbon neutral in our own operation and to enable our customers to decarbonize in their part of the value chain.



Sustainable supply chain

We source energy efficient products complying to the latest standards, from suppliers characterized by respect for human rights, environment, and society.



Diversity and inclusion

We foster a workplace and culture that promotes diversity and inclusion to attract, develop, and retain employees, while respecting human rights.

Powered by our Dedicated people, Digital leadership and Superior logistics

Solve financial targets and focus areas

We set targets for our business and value chain that embody our purpose and drive our Solve strategy. These targets help us measure and report transparently against our performance.

Following a slowdown in 2024, the remaining part of the strategy period (2025-26) is assumed to be characterised by:

- Average annual GDP growth of at least 1.5%
- Low cost and salary inflation
- Pick-up in industry and building activities
- Continued governmental support for the green transition.

Financial ambitions

EBITDA margin
by 2026

>6.0%

Gearing

1.0-3.0x

Strategic focus areas



Climate & energy
Share of revenue

>15%



Concept strength
Gross profit margin improvement

>0.7 Percentage points



Solution sales
Share of revenue

>20%

Sustainability



Climate impact
Scope 1 & 2 emission:
Reduction compared to base year 2020

65%



Sustainable supply chain
Spend covered by Code of Conduct

>95%



Diversity and inclusion
Women in senior management*

>25%

*Calculated according to the Danish Financial Statements Act §99b

Q4 2023

Financial highlights

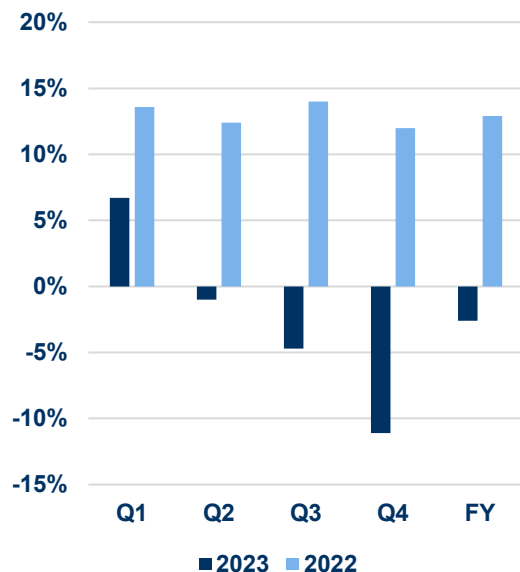
Our assessment is that we in general maintained market share

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In Q4, growth declined more than expected

- Revenue from Climate & Energy did not reach the expected growth rates in Q4. Sales of high-capacity ThermoNova industrial heat pumps delivered the expected growth rates, while heat pump sales for the residential market were disappointing.
- **Installation:** Adjusted organic growth relating to the electrical business as well as the heating and plumbing business amounted to around -11% (6%).
- **Industry:** Adjusted organic growth of around -4% (13%). MAG45 saw positive growth while main markets posted negative growth.
- **Trade:** Adjusted organic growth of around -30% (50%). Solar Nederland saw significant negative growth while Solar Danmark and Solar Sverige posted positive growth.

Adjusted organic growth



Solar Group

	Q4 2023	Q4 2022
Revenue, DKKm	3,160	3,684
Revenue growth, %	-14.2	9.0
Adj. organic growth, %	-11.1	12.0

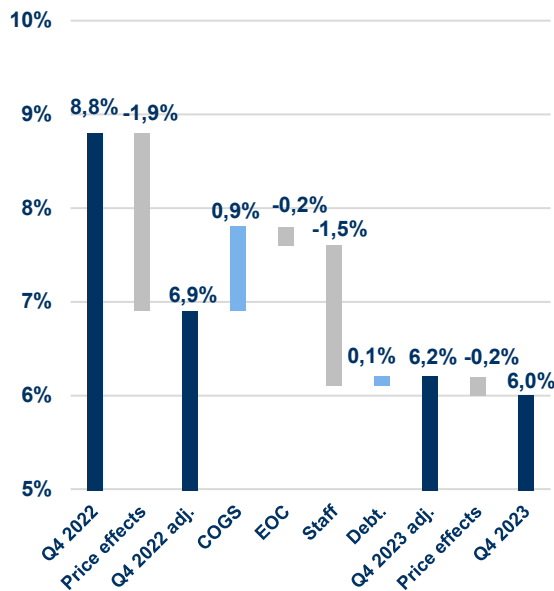
Q4 EBITDA of DKK 190m in line with expectations

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Reduced costs not able to compensate for revenue decline

- Adjusted for one-off price effects, the underlying EBITDA margin amounted to 6.2% (6.9%).
- The gross profit margin for Climate & Energy products remained substantially below that for last year.
- Freight costs were lower than normal which, combined with a strong performance from year-end activities, increased the gross profit margin.
- Several measures were initiated in 2023, including cost containment, process improvements and staff reduction to reduce the impact of cost inflation. These initiatives became effective in Q2, and despite the impact of inflation, costs declined in Q4 compared Q4 2022.

Q4 EBITDA margin



Solar Group

	Q4 2023	Q4 2022
Revenue, DKKm	3,160	3,684
Revenue growth, %	-14.2	9.0
Adj. organic growth, %	-11.1	12.0
Gross profit, DKKm	709	869
Gross profit margin	22.4	23.6
EBITDA, DKKm	190	326
EBITDA margin	6.0	8.8

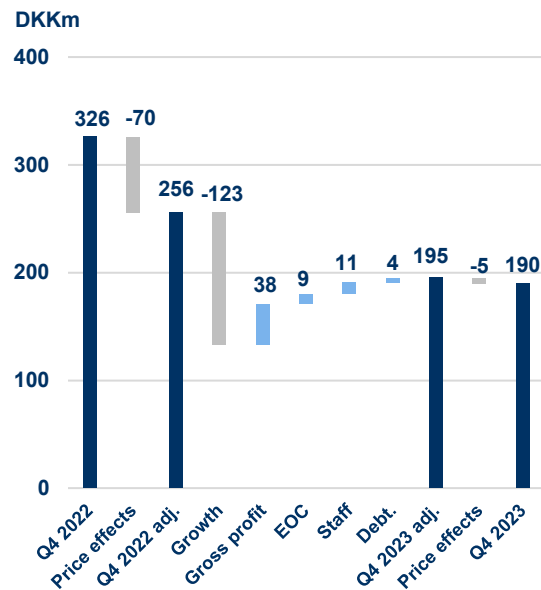
Q4 EBITDA of DKK 190m – in absolute figures costs were down

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Solar Group

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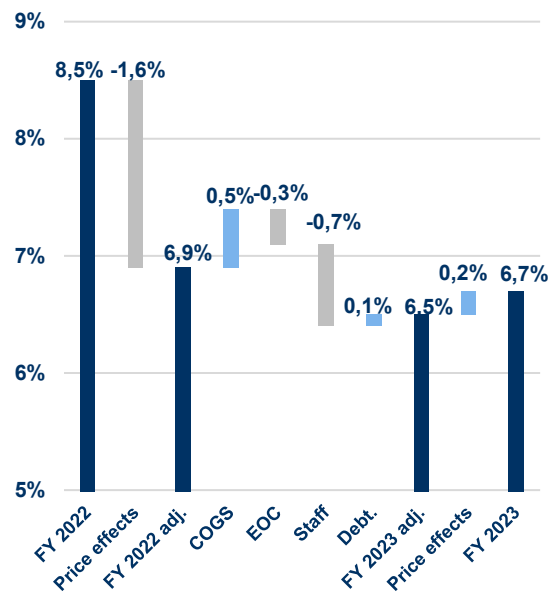
2023 EBITDA of DKK 871m is in line with our expectations

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2023 EBITDA among the best results in Solar's history

- When adjusted for one-off price effects, the underlying EBITDA amounted to DKK 841m (DKK 960m) corresponding to an underlying EBITDA margin of 6.5% (6.9%).
- As expected, 2023 saw declining growth. Adjusted organic growth at group level amounted to -2.6% (12.9%). Revenue from Climate & Energy, one of our strategic focus areas did not reach the expected growth rates in H2 2023.
- Gross profit margin amounted to 22.5% (23.4%). During H2 growth in Concept sales was not sufficient to offset the loss in gross profit margin in other categories, including Climate & Energy which experienced particular headwinds.
- External operating costs and staff costs amounted to an unchanged DKK 2.0bn due to initiated measures and despite the impact from inflation.

2023 EBITDA margin



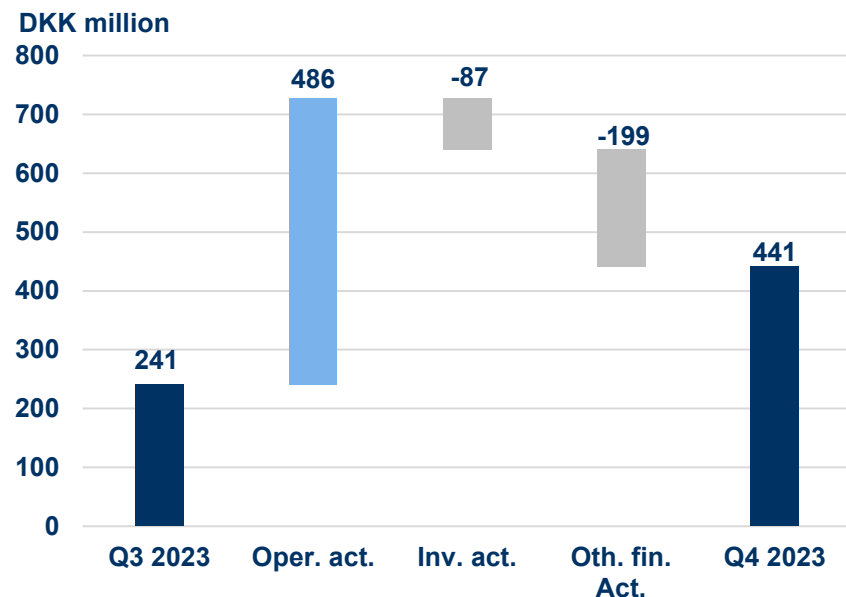
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	FY 2023	FY 2022
Revenue, DKKm	13,031	13,863
Adj. organic growth, %	-2.6	12.9
Gross profit, DKKm	2,930	3,245
Gross profit margin	22.5	23.4
EBITDA, DKKm	871	1,175
EBITDA margin	6.7	8.5

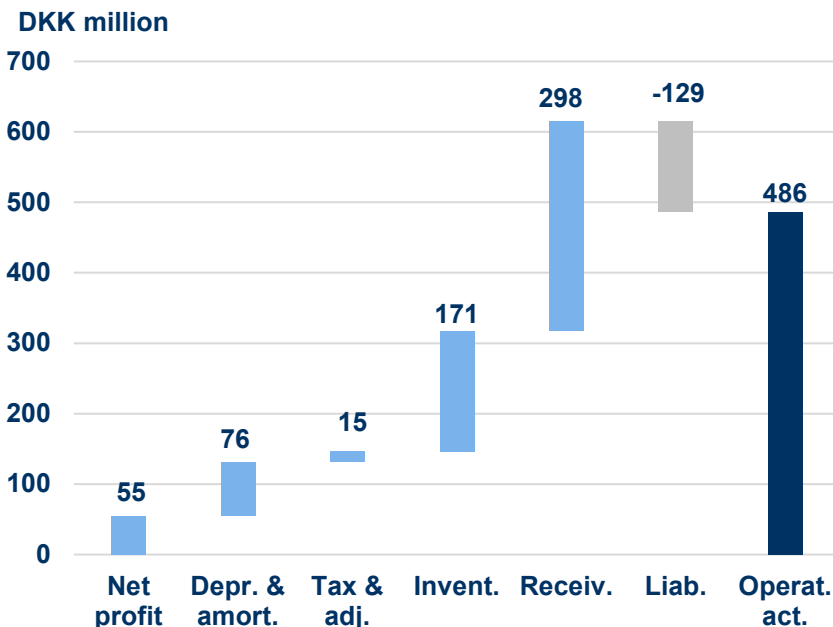
Strong cash flow from operating activities supported by inventory normalisation

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Q4 cash flow

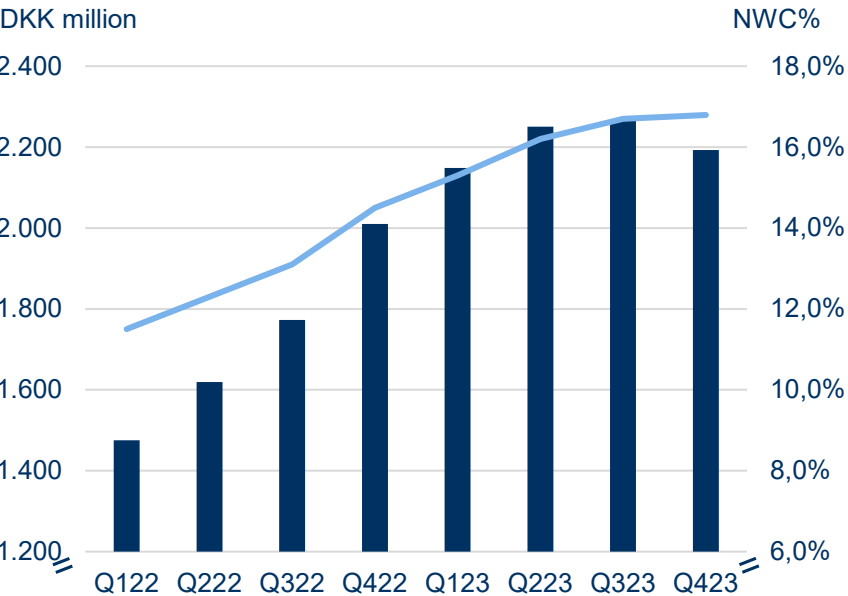


Q4 cash flow, operating activities

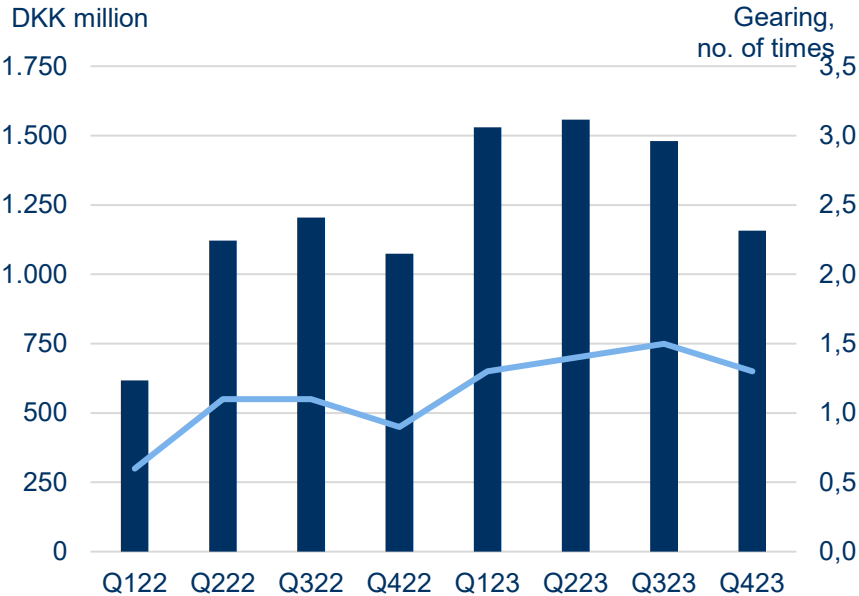


NWC as average unchanged but year-end down to solar 14.6% from 15.9%

NWC (LTM)



NIBD and gearing



2024 guidance:

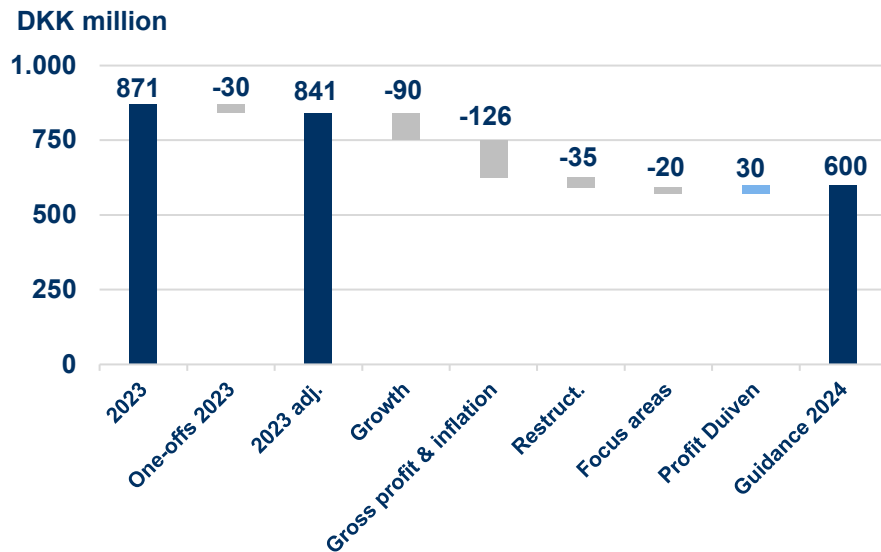
Revenue of DKK 12.5bn and EBITDA of DKK 600m

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Main assumptions for 2024 guidance

- Our 2024 guidance is impacted by a more unpredictable market outlook due to heightened geopolitical and macroeconomic tension. However, we expect a global recovery in the macroeconomic situation at the end of the year.
- During the latter part of 2023, we saw a loss in gross profit margin in several product categories despite a positive impact from Concepts. We expect this development to continue for the remainder of 2024. In addition, we elevate our delivery service level which leads to an increase in freight costs. Consequently, we expect a lower gross profit margin for 2024.
- As expected, cost and wage inflation increased during 2023. We anticipate this trend to persist throughout H1 2024. Our 2024 guidance includes restructuring costs of approx. DKK 35m, mainly in Q1. However, we expect to invest DKK 20m in our new strategic focus areas.
- The financial impact of the sale of our warehouse in Duiven is an expected capital gain of approx. DKK 30m, which is included in the guidance.

High-level EBITDA bridge



Q&A

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