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WITH SENTIMENT ANALYSIS

Q1 2025 Presentation and Q&A - Solar
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## Corporate Participants

**Jens Andersen** - CEO
**Michael Jeppesen** - CFO
**Dennis Callesen** - Investor Director

## External Participants

**Christian Tornøe** - SEB

## Presentation

**Jens Andersen** - CEO

A very warm welcome to this first quarter webcast for the Solar Group. I'm here together with CFO Michael Jeppesen and our relation Director Dennis Callesen. The agenda for today is a general business update with some highlights for Q1 presented by me. Then I will elaborate over the topic Preparing for Future Growth. Then Michael will take over and present our first year results including a high level cash flow status and of course finally we will have a Q&A; session.

Next slide please. **If we look into the highlights revenue increased to 3.2 billion.** Adjusted organic growth amounted then to 6.5%. If we adjust for a big growth in Solar Polaris which had made a major solar power organic growth amount to 4.3%. **As expected, we saw positive adjusted organic growth in all main markets and across all main segments. In Q1 installation delivered adjusted growth of 4.7%, industry of 3.3% and then finally astonishing 30% in trade.** One of our strategic focus areas that is climate energy also showed positive addition of organic growth amounting to 37%. However, if we adjust for Solar Polaris deliveries to a major solar park project again the real I would say or clean organic growth amount to 14%. Next slide please.

Sweden Our new or upcoming new central warehouse in Kumla is ahead of schedule. This allows us to optimize the completion of the relocation of the warehouse in Urborg and Helmsa by moving our inventory from Helmsdale to Europorp and thus vacating the Helmsdale warehouse earlier than expected in Q1. This resulted in approximately 12 million in transition costs which were initially expected in 2020. In Q1. We also initiated several mitigating measures to adjust our operating model to the market conditions, including cost containment, process improvements but also staff reductions. Consequently, cost in Q1 include restructuring cost of approximately 40 million. **The full year cost savings resulting from the 2025 restructuring are estimated at approximately 60 million. This structural change alone will support our financial target into 2026 where we have a goal with an EBITDA above 5% with an improvement at approximately 0.5%. When adjusted for restructuring and transition costs, our external operating cost and staff cost decreased to 16.4, coming down from 16.8 last year.** EBITDA at 74 million was on par with our expectation and we confirmed our 2025 EBITDA guidance in the range of 530 to 600 million.

Next slide please. **Preparing for future growth by 2026 the AutoSeur system will be operationally in our four main markets managing two hundred and eighty robots picking products from more than two hundred seventy thousand bins. Additionally, we have increased our warehouse capacity across Denmark, Sweden and the Netherlands by 25%.** The initiative focused on automatization but also digitalization and standardization and that represents a total investment of more than 1 billion over the last seven years period. **Our investments in warehouses, upgrades and expenses have increased capacity and enable us to take advantage of market opportunities. By moving up to 70% of all pigs to autostore, we have improved the work environment but also minimized noise and reducing lifting.** The high degree of optimization reduces cost and allows us to accommodate minimum 10% volume growth without adding one extra labor cost. **Thus, our investment in optimization, digitalization and standardization has set the stage for future growth and improved operational performance into new highly standards.** I will now give the word to Michael please.

**Michael Jeppesen** - CFO

Thank you Jens.

Please turn to page 7. **Now revenue in terms of DKK increased to 6% resulting in 3.2 billion versus the 3.0 last year or equal to an organic adjusted organic growth of more than 6%. This means that the trend we saw in Q4 where we for the first time in several quarters return to growth not only continues but also as expected, accelerates. One of our strategic focus areas, climate and energy delivered very strong results and came up from 285 million DKK to almost 400 million.** Of course this was supported by solar Polaris deliveries to huge solar park in Denmark. But even if we're just for this, we still see organic growth within climate and energy. **So the sequential improvement that we saw starting last year continued into this year as expected.** Particularly insulation is now gradually moving out and up and we are particularly happy to see that Denmark almost reached 10% organic growth. It should be noticed that Denmark was actually the first first country where we saw the headwind within installation and now they are also ahead of in moving up. If we take a closer look at industry, particularly marine, offshore and utility delivered very strong growth rates whereas MRO and OEM remained stagnant regarding the latter. **This is however actually an improvement compared to what we have seen during the last couple of years.** Mac 45 was actually slightly below last year. This was as expected. We know that a few key accounts have postponed their investments, so we were aware of this. This is expected to continue throughout the main part of 2025 with a potential pick up late Q4. So no surprises here. Trade if we take polise out of it actually came out with 6% organic growth and this is quite an achievement because the development within DIY which is the main subsegment were more or less stagnant. **So it is the other sub segments which actually drive the growth, meaning we are getting more and more customers on board.**

So, to summarize, the quarter was as expected. Expected. Please turn to page 8. With an EBITDA of 74 million DKK, Q1 was on par with our expectations. But if we look at the underlying ebitda, meaning we disregard the restructuring and the transition costs totaling 52 million, we end up with 126 million, which is increase compared to last year. Looking at the gross margin we we saw a decrease of 0.2% compared to last year. This can in all material aspects be explained by the diluting impact from Solar Polaris. Bear in mind that when we look into Solar Polaris, this is a slightly different creature. So although they may have a very low gross margin, there is hardly any cost below gross margin on these projects. So if we compare the underlying margin, it is more or less in line with what we saw in the preceding quarters last year. Regardless, it's still our assessment that there remains a fierce competition in the market. We do not see this having eased yet. **As expected, we are benefiting from the initiatives we carry out last year, where we also focused on cost containment and process optimization and staff reductions, successfully ensuring that the cost didn't dilute the margin further. Actually it strengthened the margin. Now, as Jens also mentioned, in order to secure this development, we did in Q1 carry out further initiatives which on a full**

**year will bring in savings of 60 million, but be cost neutral in the year.** Of course we'll have to carry the weight of 12 million from the transition from Helmster Central Warehouse. So regardless of the initiatives we've done, we'll continue to have a very strong focus on this to ensure that we keep the development that we've seen so far moving us towards the 5% next year.

Please turn to page 9. **Now operating came out negative. Operating activities came out with a negative effect of 88 million.** If you take a closer look at it, you can see that the main reason for this is a substantial increase in accounts receivable. This is of course the normal seasonality that we always see. We continue to reduce the inventory and even though we reduced it with 45 million, it still remains above what we would see at the optimal point. But we will continue the work. Looking at the investing activities came out with net 78 million. We did in total invest 126 million in PPE, of which the 115 million relates to Kumla. We also, as expected, received the Proceeds from the sale of diver, that is the old central wells in the Netherlands, 76 million. In addition, we invested 26 million in intangible assets. **As you may remember, last year we upgraded our SAP ERP platform to S4HANA, thereby ensuring us many years of Runway.** We have continued this process and are now upgrading our EVMC also to S4HANA. In addition, we are of course investing heavily in our more customer oriented system. For instance our webshop integrations and the likes. Please turn to the next page. If you look at the net working capital and see it as an average for the last four quarters compared to last year there we were at 16.7%. Now we're down to 14.7%. Meaning we continue to reduce networking capital as a percentage of the revenue. Of course, despite this, the gearing is slightly up. Last year we were at 22.1 here at the end of March. Currently we are at 2.4. This is well within our range, albeit it's slightly higher than what we normally see. The main reason is of course the investments we're doing in cum laude. And of course also because we paid out 110 million in dividend in the quarter. Please turn to page 11. Now, as also stated by Jens, we confirm our guidance for 2025. This means we still expect a revenue in the range of 12.3 to 12.8 and an EBITDA in the range of 530 to 600 million. Now, regarding tariffs, we are not directly affected by any tariffs imposed by the U.S. but of course we're not immune to any potential knock on effects. We will of course continue to monitor the market development very closely and act accordingly. But it is rather unpredictable. Despite this increased uncertainty, we stick to our initial assumption of a continued recovery. Albeit you could argue that both the timing and the strengths could become more unpredictable. So we still expect all markets to be either stagnant or to grow in 2025, resulting in all over growth in all main segments.

Thank you.

**Jens Andersen** - CEO

Thank you, Michael. Now it's time for questions and answers.

**Jens Andersen** - CEO

So please, if there are any questions.

**Moderator**

Thank you. To ask a question, you will need to press Star one and one on your telephone and wait for your name to be announced. To restore your question, please press Star one and one again. If you wish to ask a question via the webcast, please type it into the box and click Submit.

We will now go to our first question. One moment please. And our first question comes from the line of Christian Torno from seb. Please go ahead.

**Christian Tornøe** - SEB

Yes, thank you. A Couple of questions from my side. So you say the quarter was as expected, yet you are announcing this efficiency initiative where I understand the material part is staff cost reduction. So maybe just elaborate a bit on the motivation for doing that.

**Jens Andersen** - CEO

Yes, hello, Christian. It's more or less we have decentralized some of the centralized function within commercial market and also done something else, I would say with shared services. We have put that under solar or it. So we call it for the future Solar digital. The that means we want, as we have done with Autostore in our operations, we want to digitalize even more. And that's why we have put that on our cio. So there we did some changes, but the major part of our changes was within commercial market where we have now a much smaller group entity and then we have decentralized product management, category management and partly also sourcing into the countries. So that was the majority of the staff reductions. Also some middle managers were. I would say we had. It was too complex and we were too many compared to the market conditions as we see right now. So that's the majority of our structural changes.

**Michael Jeppesen** - CFO

You should bear in mind, Greysten, we also already, when we came out with the Q4, announced that we would do a restructuring again this year and we have a target of reaching the 5%. And a part of that is we need to become more efficient. So we've been working on this for a while. I would say it's not a sudden idea, even though it may look like that.

**Jens Andersen** - CEO

No, it wasn't. Is it okay?

**Christian Tornøe** - SEB

Yeah, yeah, that's definitely fine.

But sort of along the same line, I understand your sort of description of, of demand being somewhat unpredictable in the current macroeconomic environment. But should your industry segment be sort of negatively impacted by this? What can you do? Because obviously you also highlight that you reduced cost last year and then you have another round this year. Is there more to do? Should demand not come as expected?

**Jens Andersen** - CEO

There's always something to do, I'm sure of this. But I would say that what we see right now, of course we're a little bit concerned about the machine builders exporting to us.

We haven't seen any major effect yet, but I'm sure that it might be that the reality will come within a couple of months and I don't think we want to reduce further on that behalf because there will also come a day after the terrorists, hopefully. And we have very skilled and good people. But then of course, our other opportunities, as we have seen, climate energy is now growing again. There will be a lot of opportunities within defence in the different markets. We haven't seen that yet, but we are sure that there will come something positively out of that. And again from the vendor side, we only have I think one or two vendors directly selling out of us into solar. So we're not affected on that part as well.

**Michael Jeppesen** - CFO

You could add that within the industry the two subsegments, I assume it's OEM and MRO you are aiming at. Of course there's, as Jens saying, the defence industry. But having that been said, there's still quite a market. There's still a lot of small and mid size customers that we can address and we expect with the organizational change that we've done to get some more traction on this. So I would say it's also a matter of trying to onboard new customers. Although we do know that within industry it takes more time compared to installations. You should bear that in mind. But there are also opportunities in this. That's basically what we're saying.

**Jens Andersen** - CEO

But you're sure the uncertainty has increased? That's for sure. That's true, yeah. That's also what we are writing.

**Christian Tornøe** - SEB

That makes good sense. Thank you.

And then just my last question on your installation segment in terms of your project business. Can you elaborate on sort of your order intake and what you're seeing in this kind of installation as typically a good leading indicator for the rest of the year?

**Jens Andersen** - CEO

**We are still growing on our order intake on projects so it's still positive. Also more positive than than we expected from the very beginning of the year.** But of course it's also very cyclic. **But so far we had a Good start in 2025.**

**Christian Tornøe** - SEB

Great to hear. Thank you. That was all for me.

**Jens Andersen** - CEO

Thank you Christian.

**Moderator**

Thank you. I will now hand over to Dennis for web questions.

**Dennis Callesen** - Investor Director

First question. One of your competitors was out in Danish media a few weeks ago flagging the risk of price pressure from Chinese floating the market. What is your assessment of the dynamic and what is your general thought around the risk upside, downside from the current trade tensions?

**Jens Andersen** - CEO

Yeah, for sure. That is also. It's a good question but it also quite difficult to answer because we haven't seen anything yet. But potentially there will be some effect. In my mind it could be on PV panels because that is also last year we had a very hard hit on PV panels. **So it's really down from where it was the normal last year they were down with 50%.** So there's also a limitation how low they can go on the rest of the products. We cannot use us material in the Nordics. So at least that part will not be imported into Euro. **I would say some of our vendors could of course potentially get better prices and that will of course we will turn to our advantage. I think that may be the most positive part for solar and our competitors, I would say.** And again, within methyl and steel we are not that highly affected because of course we have trunks and things like that. But again there we are not hit as hard as some of our steel wholesalers because we are only indirectly depending on steel.

**Dennis Callesen** - Investor Director

You continue to pursue cost containment, process improvements and staff reductions at the same time, in my understanding is that the solved strategy is about raising competences across the organization to secure growth. What is your main focus at this point?

**Jens Andersen** - CEO

The main focus by continuously making improvement on cost as we have done with Autostore, is of course to invest in digitalization and alpha store. But it's not because we want to get rid of competencies. No, that's opposite. We want to invest in competencies and we want to, I would say, lower our normal labor costs to the highest possible degree by using it to the maximum auto store to the maximum AGVs, maybe collateral tree robots, etc. So we invest in technology and competence and not in buildings like some other do.

**Michael Jeppesen** - CFO

So just to be absolutely clear on this, it's not like we're running a lawnmower to the costs. We're doing agency, we're doing changes to ensure structural change to ensure that we become more efficient using new technology that also enable us to invest in new competence.

**Jens Andersen** - CEO

That's also why when Kumla is done, and that is the mid of 2026, I would say over the last seven years we have prepared for future growth and we have, I would say, the highest standard within our industry to pick and pack. **So from that day on, at least mid-2026, I would say we have a very strong operational setup in our warehouses.**

**Dennis Callesen** - Investor Director

The next is three questions from Stokk.io who I will take one by one. First is with the growth package from Germany and more expected Stimuli in the eu. How do you expect this to impact your business going forward to 27?

**Jens Andersen** - CEO

We hope that there will be an impact, but so far it's very difficult to predict. They will invest heavily as stated in defense. And of course there will be a lot of small SMBs in Denmark that will support that, also out of Poland and Holland. And then they have a huge packet on infrastructure because they are, you know yourself, if you drive through Germany, sometimes the telephone simply switch off because there is no net. That part is a Strong leg in our strong vertical in Solar. And of course potentially we could deliver from Vejen our central warehouse in Vejen to the northern part of Germany, but we haven't seen it yet. But we open for business to the northern part of Germany when it comes to that.

**Dennis Callesen** - Investor Director

Second question from Stokk.io, do you expect to keep the dividend at around 15 kroner per share in 2025?

**Michael Jeppesen** - CFO

Well, for the time being, we really don't know. The dividend is always decided at the board of directors meeting, which is regarding the dividend for 25. Will be decided when you know the 25 and have a very good opinion on the cash flow for 26, because there are several factors that need to weigh against each other before they decide. So in a nutshell, for the time being, we really don't know.

**Dennis Callesen** - Investor Director

Third question from Stokk.io Wouldn't it make more sense to shift to share buyback program instead of dividend program with the stock being historically at a quite low point if you expect to see increased operational performance in the future?

**Michael Jeppesen** - CFO

It's a bit along the same lines at every meeting with the Board of directors, we assess the capital structure of the company and as you may know, the board of Directors did at the annual general meeting ask for permission to acquire own shares. So it's a tool that's available, but again, it's a board of directors meeting decision. So for the time being. And you would of course know if we have decided otherwise because we would have to announce it. No such decision has been made, but it's being discussed at every meeting. What's the most best? What's the best for the company and the shareholders?

**Dennis Callesen** - Investor Director

**Can you expand on the quarterly EBITDA margins?** Performance in Sweden and Norway, both around 0%. What do you expect from these demographics going forward?

**Michael Jeppesen** - CFO

There's no doubt both Norway and Sweden are impacted also by the restructurings that we did, so you should adjust for that. But they are still low. **Sweden is probably the market that's been hit the hardest by the setback we have seen.** But having that been said, historically they have also been able to bounce back the fastest when the trend turns. But there's no doubt currently they're running on a much lower level than what we expect going forward. And it's also an underlying assumption for our 5% that they will will increase. However, we do not disclose how much. But I think you should be careful about just assessing everything out of this one quarter because the figures are slightly different than what you see due to the restructurings.

**Dennis Callesen** - Investor Director

Final written question, why do you like Autostore, which is not the fast warehouse automatization. Is it because it's cheaper than for example, shuttles, since old buildings can be used, or is it because it's of the low electricity demand, or both?

**Jens Andersen** - CEO

I would say the electricity part is of course a good part. It's not why we invest now in the way we work, where you can order until 6 o' clock in the afternoon. It's the perfect solution. If you have a lot of branches like some of our competitors, the shuttle solution is even better. And then bear in mind that in solar, electrical products are often very small and that fits very well to out of store, because you can store your products easily on fewer square meters than you can do with shuttles. But before we had mini load that also served us well for 15 to 20 years, so. But at least our choice was Alphastore. And I think others have done the same because they are doing tremendously well and others choose shuttles.

**Dennis Callesen** - Investor Director

No more questions from our side.

**Jens Andersen** - CEO

Yep. But thank you for listening in. Have a nice and sunny day. Thank you. Bye bye.