

Brødrene A & O Johansen A/S



# Q4 & FY 2023 – Annual Report

Presented by  
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Per Toelstang, CFO

Webcast 22-02-2024 – 13,00 CET



# Agenda



1. Business highlights 2023
2. Financial performance
3. Outlook 2024
4. Q&A

This presentation contains statements relating to the future, including statements regarding Brødrene A & O Johansen A/S future operating results, financial position, cash flows, business strategy and future targets. Such statements are based on management's reasonable expectations and forecasts at the time of release of the announcement. Forward-looking statements are subject to risks and uncertainties and a number of other factors, many of which are beyond AO's control. This may have the effect that actual results may differ significantly from the expectations expressed in the announcement. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive conditions, supplier issues and financial and regulatory issues as well as any effects of the war in Ukraine that are not specifically mentioned above.





# Business highlights 2023





# FY 2023 – in line with latest guidance



## Revenue

### Original guidance

5.25 to 5.45 Billion DKK  
-2% to +1% growth  
(2022: 5.38 Billion DKK)

### Updated guidance (as announced October 12)

5.15 to 5.3 Billion DKK  
-4% to -1% growth  
(2022: 5.38 Billion DKK)

### FY 2023 In line with guidance

5.26 Billion DKK  
-2% growth  
(2022: 5.38 Billion DKK)

## EBITDA

### Original guidance

435-465 Million DKK  
EBITDA ratio of 8.0% to 8.9%  
(2022: 491 Million DKK)

### Updated guidance (as announced October 12)

400-430 Million DKK  
EBITDA ratio of 7.5% to 8.3%  
(2022: 491 Million DKK)

### FY 2023 In line with guidance

405 Million DKK  
EBITDA ratio of 7.7%  
(2022: 491 Million DKK)

## EBT

### Original guidance

300-330 Million DKK  
EBT ratio of 5.5% to 6.3%  
(2022: 377 Million DKK)

### Updated guidance (as announced October 12)

260-290 Million DKK  
EBT ratio of approx. 4.9%-5.6%  
(2022: 377 Million DKK)

### FY 2023 In line with guidance

262 Million DKK  
EBT ratio of 5.0%  
(2022: 377 Million DKK)

Proposed dividends of DKK 3.75 per share equivalent to slightly above 50% of Earnings After Tax



# 2023 – Business highlights



Q4 sales slightly higher than expected – number of customers in our shops continues to be higher than previous years

B2B roll-out of EA continues and EA in AO shops now account for 25% of total EA sales

B2C in record breaking Black Week – B2C segment returned to growth in Q4

Inventories reduced by 172 MDKK since Q1 2023

Net interest bearing debt of 522 MDKK – 418 MDKK lower than Q2. Solid capital structure - zero bank debt

Green transition has high priority. The journey to collect and establish data to facilitate customers' green choice has begun



# Management observations



Geopolitical and macro-economic tensions create uncertainty - Activity slow-down in Q4 2023

Lower basket sizes drive more internal activity and higher distribution costs

Fierce competition challenges margins in project sales

Consumers have paused green transition

Cost inflation and escalating regulatory burdens are putting pressure on cost of doing business ratio

2024 is going to be a challenging year

# Prepared for a challenging market



## AO momentum

AO continues to invest in longer horizon growth.

Stores are upgraded and flagship stores will be opened in 2024.

The warehouse continues to be developed to increase efficiency and customer service.

Competencies will be onboarded to strengthen focus areas.

## Growth agenda

End 2023, 25% of EA assortment is now sold through AO shops. Further roll-out will increase growth.

We aim to expand geographical footprint in AO Sweden.

AO will pay attention to relevant M&A opportunities.

## Green transition

AO leads by example and has reduced own emissions by 30% since 2020.

AO has initiated the journey to enable us to provide environmental data to customers.

Assortment within green products / flood prevention to be launched.

Ready to serve customers with heat-pumps when market returns.

## Robust capital structure

Net interest-bearing debt of 522 MDKK end of 2023.

Zero bank drawings – 600 MDKK undrawn facilities.

Board has decided to change gearing target from 0.5-1.5X EBITDA to 1.0-2.5X EBITDA to ensure flexibility and for AO to be able to act on M&A opportunities.

It is AO's longer term ambition to gain market share year by year and to grow the business through an efficient and service-minded business model generating 10% EBITDA-margin.



# Financial performance





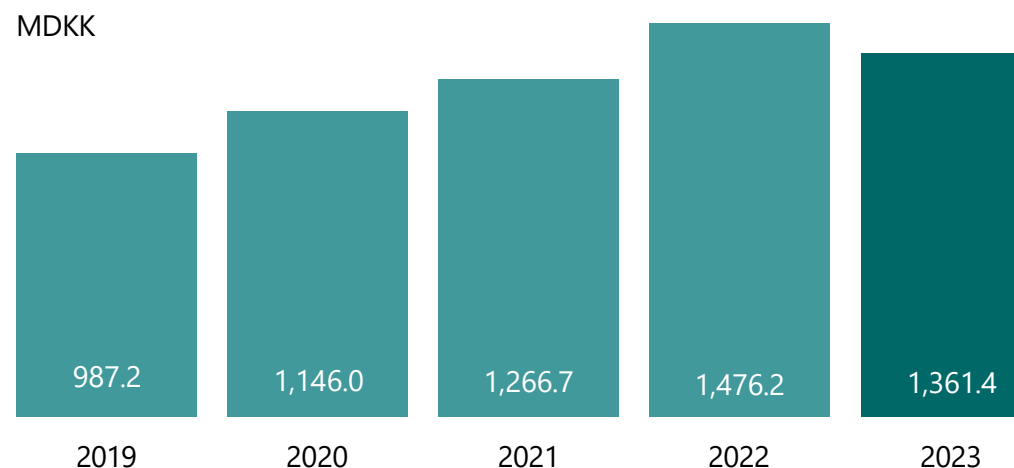
# Q4 sales came in slightly better than expected



MDKK	Q4 2023	Q4 2022
<b>Revenues</b>	<b>1,361.4</b>	<b>1,476.2</b>
COGS	-985.3	-1,039.3
Distribution	-58.3	-59.3
Gross profit	317.8	377.6
Other income	0.4	2.2
Gross profit	318.2	379.8
External costs	-90.1	-107.9
Salaries	-132.7	-132.7
EBITDA	95.4	139.2
Depriciations	-29.6	-26.7
EBIT	65.8	112.5
Financial costs	-7.9	-3.4
<b>EBT</b>	<b>57.9</b>	<b>109.1</b>

- Q4 revenue declined 7.8% - we had expected a 10% reduction in latest guidance
- Lower basket size and lower sales of heat pumps were main drivers behind revenue development
- Gross profit margin decreased as expected due to one-offs in 2022. In 2022 a larger part of supplier bonuses ended up in Q4 while the supplier bonuses in 2023 were more equally distributed between quarters. The change amount to approx 25 millions in Q4 2023.
- Cost containment efforts reduced the external costs and salaries were at same level despite salary inflation – FTE reduced with approximately 20 in 2023

## Q4 revenue 2019-2023





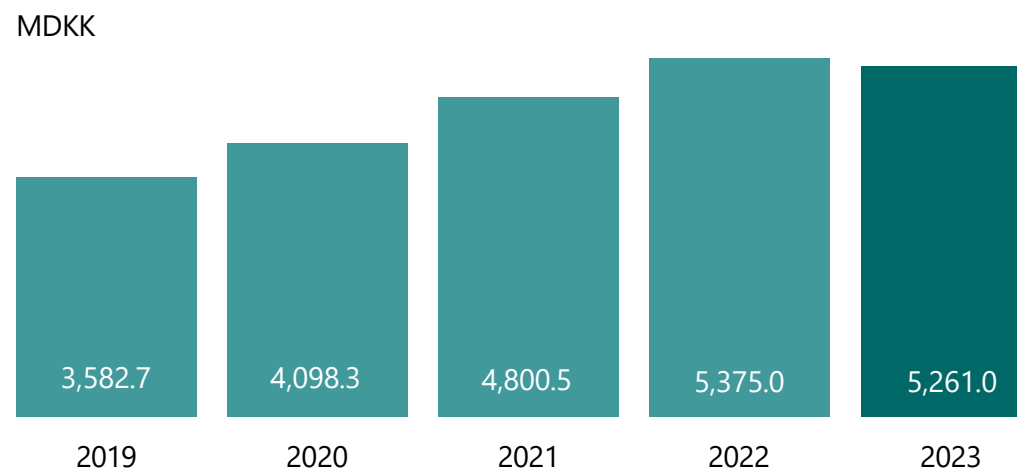
# AO maintained momentum during a difficult 2023



MDKK	2023	2022
<b>Revenues</b>	<b>5,261.0</b>	<b>5,375.0</b>
COGS	-3,817.2	-3,855.2
Distribution	-211.5	-213.1
Gross profit	1,232.3	1,306.7
Other income	2.0	3.6
Gross profit	1,234.3	1,310.3
External costs	-310.7	-318.5
Salaries	-518.3	-500.2
EBITDA	405.3	491.6
Depriciations	-113.1	-108.0
EBIT	292.2	383.6
Financial costs	-30.4	-6.2
<b>EBT</b>	<b>261.8</b>	<b>377.4</b>

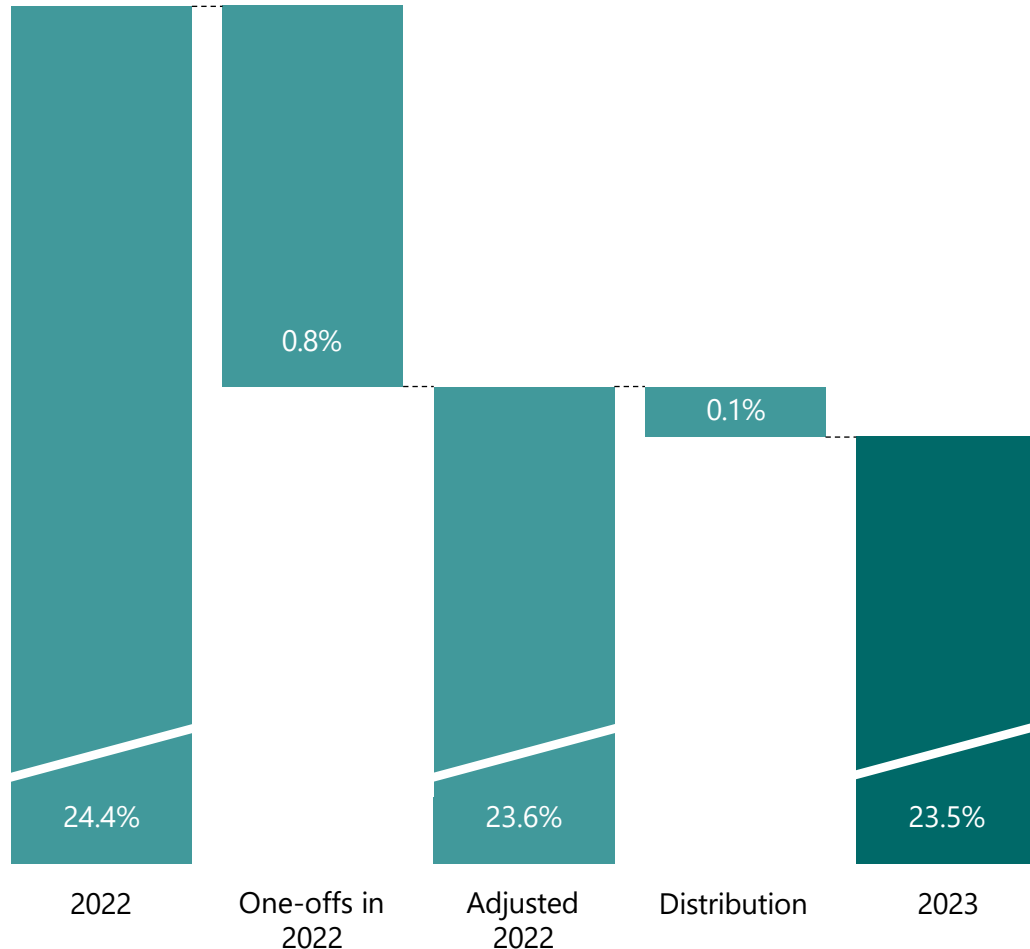
- Sales in index 98 despite market activity slow down
- Adjusted for one-offs in 2022 gross profit margin was maintained
- Cost containment effort kept cost of doing business stable despite cost inflation
- EBITDA of 405 MDKK - an EBITDA margin close to 8%

Revenues 2019-2023





# AO succeeded in keeping margins adjusted for the one-off in 2022



- Margins reduced to 23.5% from 24.4% in 2022 to due to one-offs in 2022 related to price increases
- EA roll-out continues to have a positive margin development
- B2C margins are higher than B2B margins



# Segment reporting



MDKK	B2B	Δ%	B2C	Δ%	Total	Δ%
Revenue	4,658.6	-1.6%	602.5	-5.8%	5,261.0	-2.1%
Cost of Goods sold	-3,427.5	-0.4%	-387.8	-5.7%	-3,815.3	-0.9%
<b>Product margin</b>	<b>1,231.1</b>	<b>-5.0%</b>	<b>214.6</b>	<b>-5.9%</b>	<b>1,445.7</b>	<b>-5.1%</b>
Distribution	-160.7	-3.1%	-50.7	+7.4%	-211.5	-0.8%
<b>Gross margin</b>	<b>1,070.4</b>	<b>-5.2%</b>	<b>163.9</b>	<b>-9.4%</b>	<b>1,234.3</b>	<b>-5.8%</b>
Direct expenses	-485.9	0.4%	-133.2	-1.6%	-619.1	0.0%
<b>EBITDA before indirect expenses</b>	<b>584.5</b>	<b>-9.5%</b>	<b>30.7</b>	<b>-32.5%</b>	<b>615.2</b>	<b>-11.0%</b>
Indirect expenses					-209.9	5.2%
<b>EBITDA</b>					<b>405.3</b>	<b>-17.6%</b>
Depreciation and amortisation					-113.1	
<b>EBIT</b>					<b>292.2</b>	
Financial income and expenses					-30.4	
<b>EBT</b>					<b>261.8</b>	
<b>Key figures</b>						
Gross margin %	23.0%	-0.8%-p	27.2%	-1.1%-p	23.5%	-0.9%-p
EBITDA (before indirect expenses) %	12.5%	-1.1%-p	5.1%	-2.0%-p	11.7%	-1.2%-p
EBITDA %					7.7%	-1.4%-p

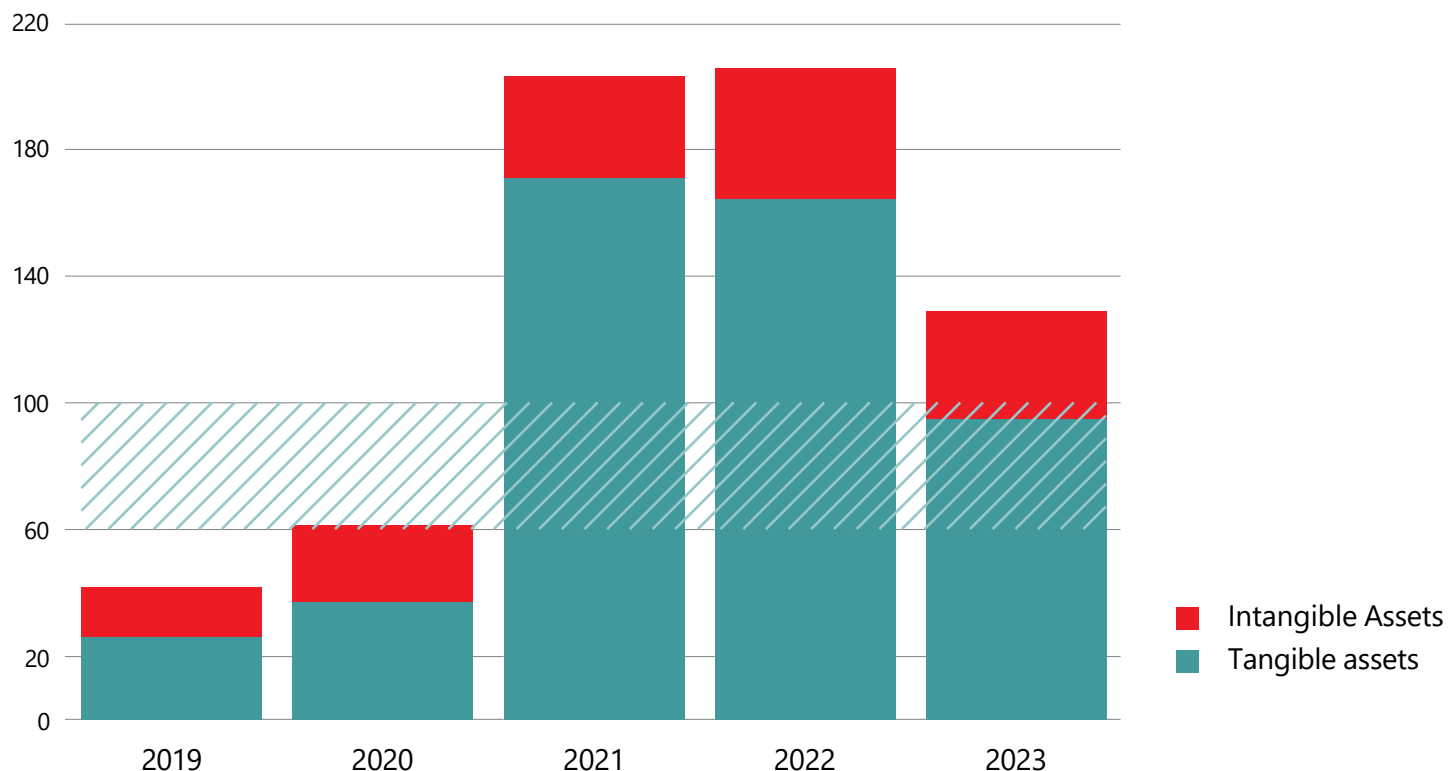
- B2B revenues impacted by market slow down in second half of the year. Market share increased in 2023
- As expected B2B EBITDA ratio returned to level from 2021 as price effects were minimal in 2023
- B2C market started to improve towards end of the year but was still negative for the full year
- B2C Gross margin is significantly higher than B2B margins
- Indirect expenses are mainly Head-quarter-costs

# Investments in flagship stores and roll out of EA assortment



## Investment overview

MDKK

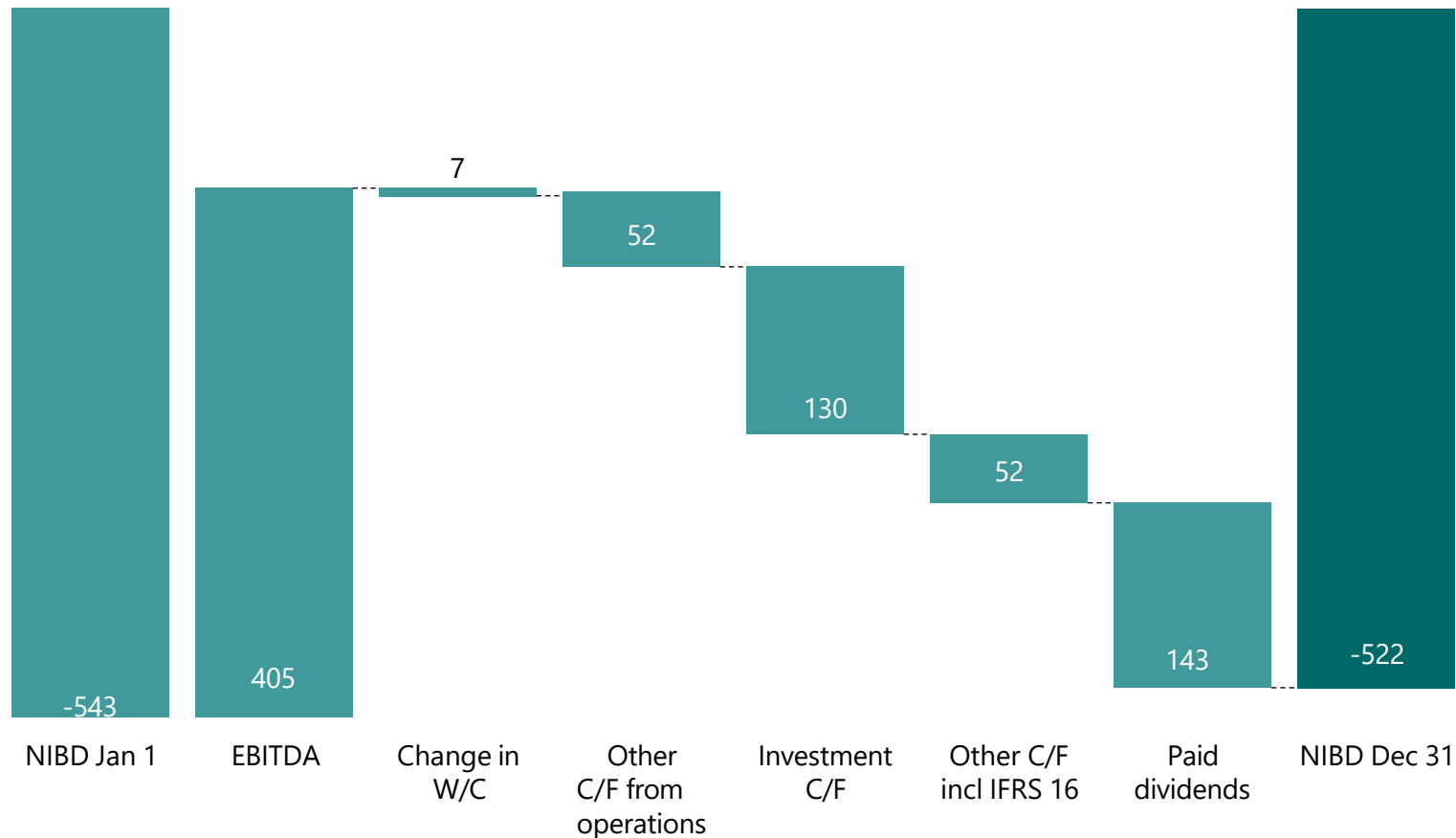


- Investment level lower than the two previous years
- Intangible asset investments consists primarily of IT-software related to digital development and IT security
- Maintenance investments amounts to approx. 60-80 MDKK yearly
- For 2024 CAPEX investments are expected to be 150-200 MDKK. Higher than normal CAPEX due to increased shop-investments related to making EA nationwide



# Reduction of net debt through reduction of inventory levels

Change in Net Interest Bearing Debt  
MDKK



- Strong cash-flow from operations amounted to 6.6% of revenue
- Working capital at year end was 5.6% of net revenue. Inventory levels decreased 172 MDKK from 31/3-23 level
- Investments of 130 MDKK marks a lower level than in previous years
- Dividends to shareholder kept at 50% of net result

# Outlook 2024





# Guidance 2024 – targets and assumptions



Revenue

5.0 – 5.2

Billion DKK

-5% to -1%

growth

(2023: 5.26 Billion DKK)

EBITDA

340 – 370

Million DKK

EBITDA ratio of

6.5% to 7.4%

(2023: 405 MDKK / 7.7%)

EBT

200 – 230

Million DKK

EBT ratio of

3.8% to 4.6%

(2023: 262 MDKK / 5.0%)

# Guidance 2024 – targets and assumptions



It is AO's ambition to outgrow the market year by year.

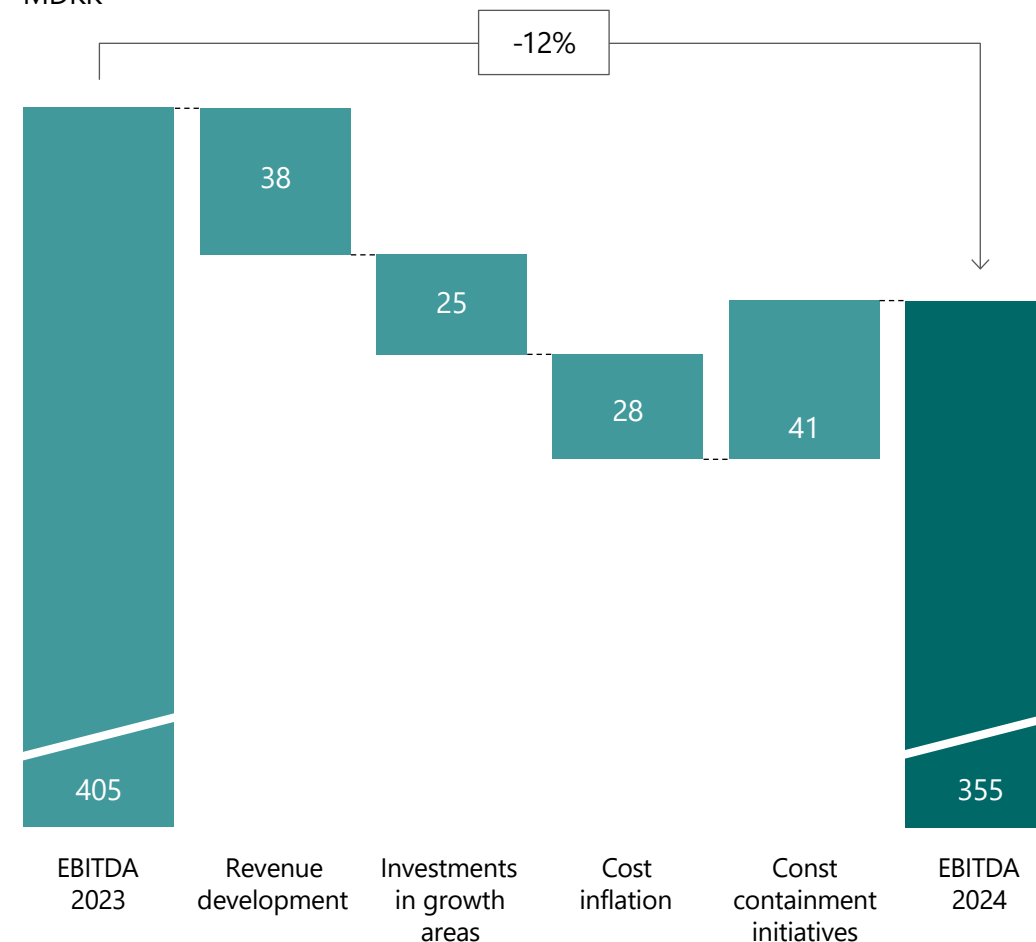
## Market Assumptions 2024

- Market is expected to decline 3-7.5% in 2024 – highest in the beginning of 2024. AO's momentum is expected to reduce AO sales decline to 1-5%
- It is expected that EBITDA and EBT in 2024 are impacted by 20-30 MDKK in extraordinary margin pressure and investment in new competencies in order to facilitate longer term growth
- Sales and earning outlook for 2024 does not match the longer-term potentials for AO



## Assumed development in EBITDA

MDKK





# Q&A





# Thank you!



