

Q1-Q3 2022 notification

Aalborg, 24 November 2022

The Board of Directors approved the Q1–Q3 2022 notification with the following principal points:

- Revenue increases by 9.4% to DKK 2,735.6 million. The growth is driven by a higher level of activity and price increases across the group.
- Operating profit (EBITDA) before one-off effects rises to DKK 197.2 million compared to DKK 136.0 million in the same period last year. The increase is due to price increases, better margins and a lower expense ratio. The EBITDA margin rises by 1.8 percentage points to 7.2%.
- The forecast for 2022 is specified. Operating earnings (EBITDA) before one-off effects are expected to be DKK 240–255 million (previous: DKK 225–255 million), with revenue at around DKK 3.6 billion.
- Continued focus on optimising the working capital by reducing an extraordinarily high inventory level, and by optimising the terms of payment of our customers and suppliers.

“The first three quarters of the year were a satisfactory period of time for Sanistål and, in spite of difficult market conditions, we produced solid results for the group. Uncertainty about market conditions going forward still prevails, due to the socioeconomic trends of rising inflation, energy crisis and slowdown in the construction industry. Sanistål is still well-positioned and prepared for competing going forward with its new ‘Accelerate’ market strategy,” says Claudio K. Christensen, CEO.

Group operations, Q1-Q3 2022

Our former subsidiaries – Serman & Tipsmark A/S and Sanistal Spolka z.o.o (the Polish business) – were divested as per 29 April 2022 and 9 November 2022, respectively, and are thus reported as discontinued operations. Comparative figures for 2021 have been adapted.

Revenue for Q1–Q3 amounts to DKK 2,735.6 million, compared to DKK 2,500.9 million in the same period last year. The Danish business is growing by 9.1%, due to increase in sales within all five customer categories. Revenue in the east European business rises 11.2%, due to growth in the project department in particular. The growth in both segments is positively affected by higher selling prices to offset the rising cost prices of a number of raw materials and manufactured goods, including steel.

The gross profit margin for the Danish business segment increases by 0.4 percentage point to 25.0%. The improvement is due to the streamlining of distribution and purchasing, a changed product mix, growth in digital sales and the implementation of market-conform prices and charges for certain products and services.

The gross profit margin for the east European business segment increases by 1.2 percentage points to 21.8%, primarily as a result of change in the product mix. In addition, east European customers are increasingly choosing national or west European suppliers, rather than Russian, and the products in demand have higher margins.

Reliability of supply in the group remains slightly below the desired level but is still satisfactory and not alarming, in the light of the general high level of market activity and strained supply chains. The level of reliability of supply is expected to continue in the months ahead.

The EBITDA before one-off effects rises by DKK 61 million to DKK 197.2 million in Q1–Q3, compared to DKK 136.0 million in the same period last year. Both segments are instrumental in this improvement, which is primarily attributable to price increases, better margins and a lower expense ratio. As a result, the EBITDA before one-off effects rises from 5.4% to 7.2%. The reported EBITDA totalled DKK 199.3 million, compared to DKK 127.1 million in the same period last year.

One-off effects constitutes a net expense of DKK 2.1 million compared to an income of DKK 8.8 million in the same period last year. The amount is the sum of profits from the sale of the head office in Aalborg, minus consultants’ fees for drawing up the new strategy, costs relating to the purchase offer from Ahlsell and remuneration paid to employees made redundant by the reorganisation of the sales organisation in February.

Cash flows from operating activities amounts to DKK 1.4 million, compared to DKK 26.1 million in Q1–Q3 2021, whereas free cash flows amounts to DKK 99.3 million compared to a negative flow of DKK -1.9 million in the period of comparison. The increase is due to the proceeds from the sale of the head office in Aalborg and higher earnings, but it is partly offset by the repayment of a PAYE tax loan. The working capital rises by DKK 15.5 million, primarily due to higher inventory levels.

DKK million	GROUP			DENMARK			EASTERN EUROPE		
	Q1-Q3 2022	Q1-Q3 2021	2021	Q1-Q3 2022	Q1-Q3 2021	2021	Q1-Q3 2022	Q1-Q3 2021	2021
Net revenue	2,735.6	2,500.9	3,405.4	2,410.3	2,208.4	2,997.6	325.3	292.5	407.8
EBITDA	199.3	127.1	163.4	175.5	103.9	133.6	23.7	23.3	29.8
One-off effects	-2.1	8.8	29.1	-2.1	13.6	33.8	-	-4.7	-4.7
EBITDA before one-off effects	197.2	136.0	192.4	173.5	117.4	167.4	23.7	18.5	25.0
EBITDA-margin before one-off effects %	7.2%	5.4%	5.7%	7.2%	5.3%	5.6%	7.3%	6.3%	6.1%

Financial results in Q3 2022

Group revenue rises to DKK 859.8 million in Q3, equating to a 5.2% growth rate, compared to the same period last year. This growth rate was below that of Q1 and Q2, that were marked by a high level of activity, whereas a general slowdown among construction customers was felt in Q3.

EBITDA before one-off effects improves to DKK 61.8 million in Q3, compared to DKK 53.0 million in same period last year, constituting a 16% increase.

New business strategy for the parent company

The new business strategy – Accelerate – sets out the framework for Sanistål’s future development and focuses on profitable growth. The fundamental drivers behind the strategy are:

- > Digital Transformation
- > Sales & Customer Excellence
- > Sustainability
- > People & Culture

The initiatives for driving the strategy and permeating all Sanistål processes going forward were drawn up in Q3. As a result, the overarching framework for the strategy is in place and detailed targets and action plans are being worked out. Strategic initiatives:



Putting the customer first

- > Omni Channel – create a 360 degree customer view
- > Customer Journey – support a data-driven customer journey



Scalability

- > Investing in technology and processes to grow and upscale the business
- > Expansion of our automated stock management system



New business areas

- > Wider range of products for customers to encourage one-stop shopping

Digital Transformation

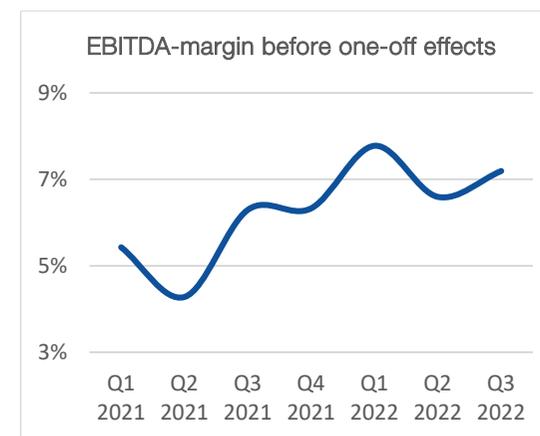
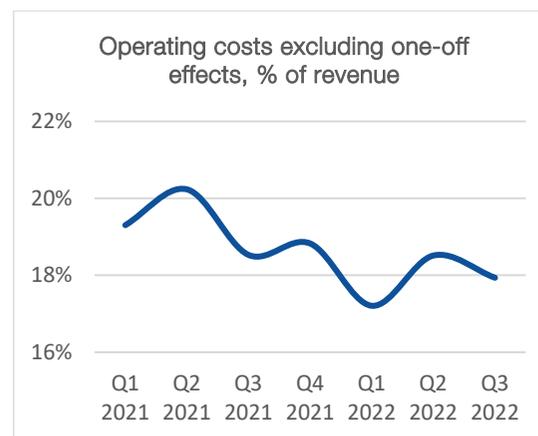
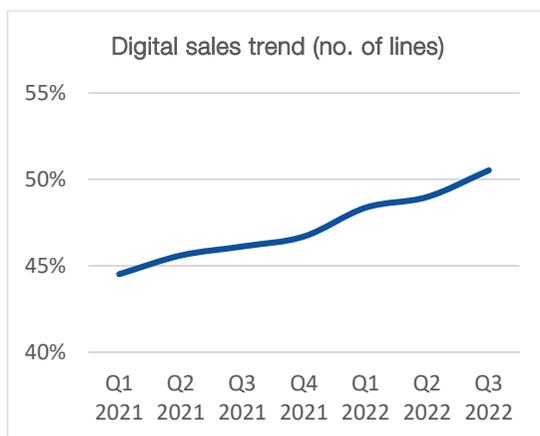
- > Digital sales via our online shop, apps, EDI and concepts amounts to 49.2% of the parent company’s revenue lines, compared to 45.4% in Q1–Q3 2021.
- > Focus on generating and optimising integrated, multichannel and single-channel customer experiences through the 360 degree customer view.

Sustainability

- > A project has been launched in cooperation with an external partner to further increase our recycling ratio to enable the utilisation of waste as a valuable resource.
- > The supply chain is being required to implement labelling schemes that make it easier to buy sustainable products. The labelling schemes are found in the online shop, and a carbon-emissions label will be added to any products where this is possible from 1 January.

People & Culture

- > Sanistål has been singled out by the Ministry of Employment for taking special social responsibility by its inclusion of flexible-hours employees at the Billund central warehouse. This activity will be further developed going forward.



*Operating costs excluding one-off effects

We maintains, but specifies expectations for 2022

Sanistål is specifying its forecast announced on 9 May (company announcement no. 6, 9 May 2022). Sanistål is narrowing the interval for operating earnings (EBITDA) before one-off effects to DKK 240–255 million, at revenue unchanged around DKK 3.6 billion. The interval is being narrowed due to better-than-expected results. Hints of deceleration were detected in Q3, however, which explains the downward adjustment of the Q4 forecast. By comparison, the operating profit (EBITDA) before one-off effects amounted to DKK 192.4 million in 2021, at revenue of DKK 3.4 billion.

The essential assumptions of the forecast:

- > that there will continue to be an underlying growth in demand on the primary Danish market;
- > that the current unrest and war in Ukraine will not end up having a significantly adverse impact on the economy and market conditions;
- > that Sanistål's customers will not be adversely affected by the expiry of various aid packages relating to the COVID-19 pandemic, leading to lower market activity;
- > that product availability, business trends and interest rates will not profoundly change on global markets so that this has a significant impact on activities; and
- > that digital sales will continue to grow.

It is worth emphasising that substantial uncertainty still prevails due to rising inflation, pressure on wages and prices and reduced consumer confidence, as well as due to the risk of scarcity of goods and supply-chain bottlenecks.

OUTLOOK 2022				
DKK million	24 November 2022	9 May 2022	8 March 2022	Realized Q1-Q3 2022
EBITDA before one-off effects	240-255	225-255	210-240	197

Further information

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