

# Solar A/S Annual General Meeting

13 March 2020

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# AGENDA

1. Election of chair of the general meeting
2. The Board of Directors' report
3. Approval of the annual report
4. Allocation of profits
5. Proposals of the Board of Directors
6. Proposed remuneration of the Board of Directors
7. Election of members to the Board of Directors
8. Election of auditor
9. Authorisation to the chair of the general meeting
10. Any other business

# THE BOARD OF DIRECTORS' REPORT

## HIGH ORGANIC GROWTH RATE – EBITA INCREASED BY DKK 33M

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### 2019

Revenue  
DKK million

**11,679**

Organic growth  
(adjusted)

**4.9%**

EBITA  
DKK million

**360**

### 2018

Revenue  
DKK million

**11,098**

Organic growth  
(adjusted)

**2.2%**

EBITA  
DKK million

**327**

# THE BOARD OF DIRECTORS' REPORT

## CORE BUSINESS ACHIEVED THE BEST RESULT IN 10 YEARS

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### Core business

|                              | 2019          | 2018          |
|------------------------------|---------------|---------------|
| Revenue<br>DKK million       | <b>11,116</b> | <b>10,538</b> |
| Organic growth<br>(adjusted) | <b>5.2%</b>   | <b>1.1%</b>   |
| EBITA<br>DKK million         | <b>379</b>    | <b>348</b>    |

### Related business

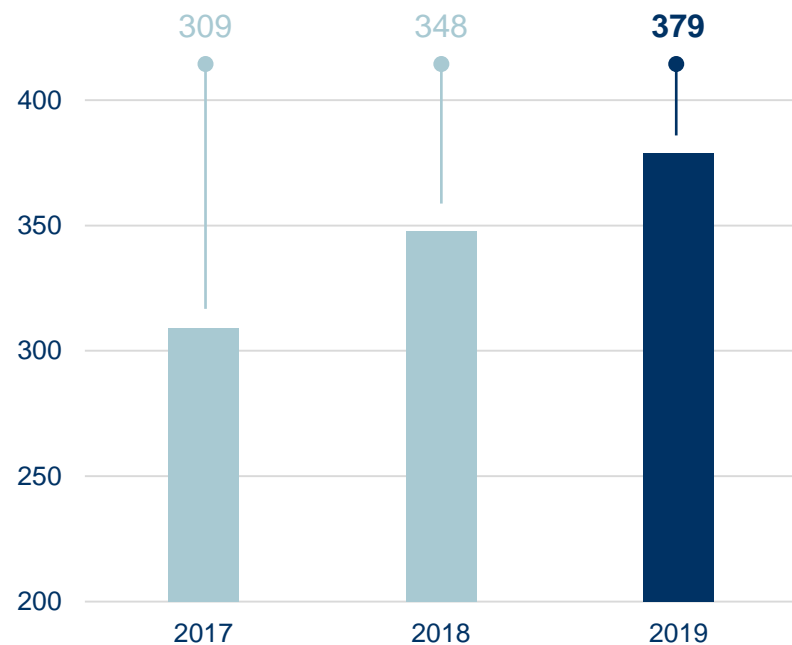
|                              | 2019         | 2018         |
|------------------------------|--------------|--------------|
| Revenue<br>DKK million       | <b>563</b>   | <b>560</b>   |
| Organic growth<br>(adjusted) | <b>-0.3%</b> | <b>28.9%</b> |
| EBITA<br>DKK million         | <b>-19</b>   | <b>-21</b>   |

# THE BOARD OF DIRECTORS' REPORT

## FROM 2017-2019, EBITA FROM CORE BUSINESS INCREASED BY DKK 70M

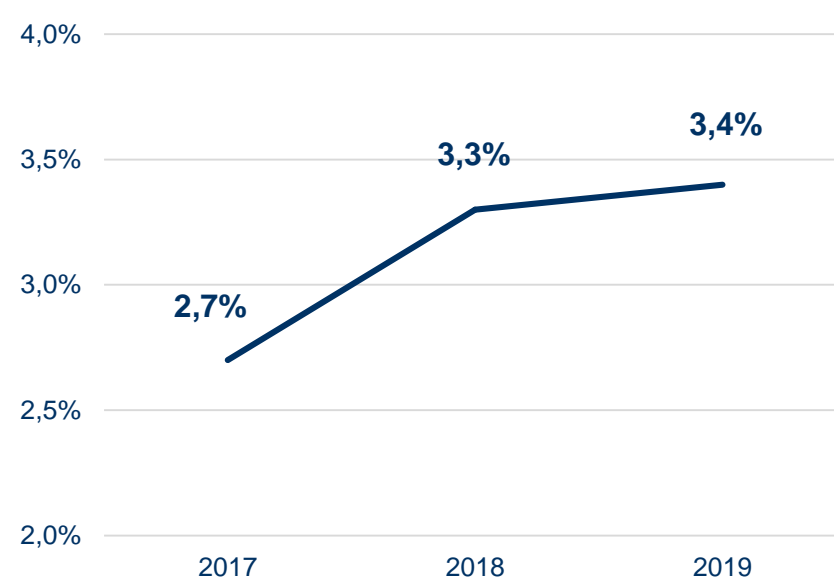
### Core business, EBITA 2017-2019

DKK million.



### Core business, EBITA margin 2017-2019

DKK million



# THE BOARD OF DIRECTORS' REPORT FOLLOW-UP ON 2019



## Stronger than expected

- **Strong revenue development in Solar Norge**  
Organic growth of 10%. All segments achieved improved performance, especially within Industry.



## As expected

- **Industry**  
Still welcoming new industry customers, especially within infrastructure.
- **Strategic suppliers and concept sales**  
All concepts have now been established in all markets, and we see increasing concept revenue.
- **SAP eWM and AutoStore implementations**  
SAP eWM was implemented at the central warehouse in Örebro. AutoStore was implemented in Gardermoen.



## Weaker than expected

- **Revenue development in MAG45**  
MAG45 saw negative organic growth in H2.

# THE BOARD OF DIRECTORS' REPORT

## SHARE RETURN OF APPROX. 10%

### Solar was ranked number 6 among Danish listed companies with the highest dividend yield

- In 2019, we paid out DKK 14.00 in dividends per share, corresponding to DKK 102m in total.
- Between 2015-2019, Solar paid out DKK 395m in dividends and spent DKK 216m on share buy-back. Meaning that DKK 611m in total was paid back to our shareholders.
- CORONAVIRUS – effect in 2020?
- Solar's job is to perform and deliver results under the existing conditions at any given time.

### Solar's share price increased from 284 to 297 in 2019.



# THE BOARD OF DIRECTORS' REPORT FOCUS 2020

## 1

### Strategic suppliers

- **Extended range of products and growing concept sales**  
Extension of the range of products.  
Focus on increasing concept sales.
- **Green business opportunities**  
Growth in climate and energy and focus on green business opportunities.

## 2

### Industry

- **Increased industry sales**  
Prioritisation of select industry verticals.  
Attracting new customers across national borders.

## 3

### Operational excellence

- **SAP eWM and AutoStore implementations**  
Implementation of SAP eWM at our central warehouses in Denmark, Norway and the Netherlands.  
AutoStore implementation at the central warehouse in the Netherlands.
- **Project Better Business**  
Pruning of our range of products.



# THE BOARD OF DIRECTORS' REPORT

## GUIDANCE 2020 – EBITA OF APPROX. DKK 400M IN TOTAL

### EBITA guidance includes approx. DKK 30m in one-off costs for SAP eWM

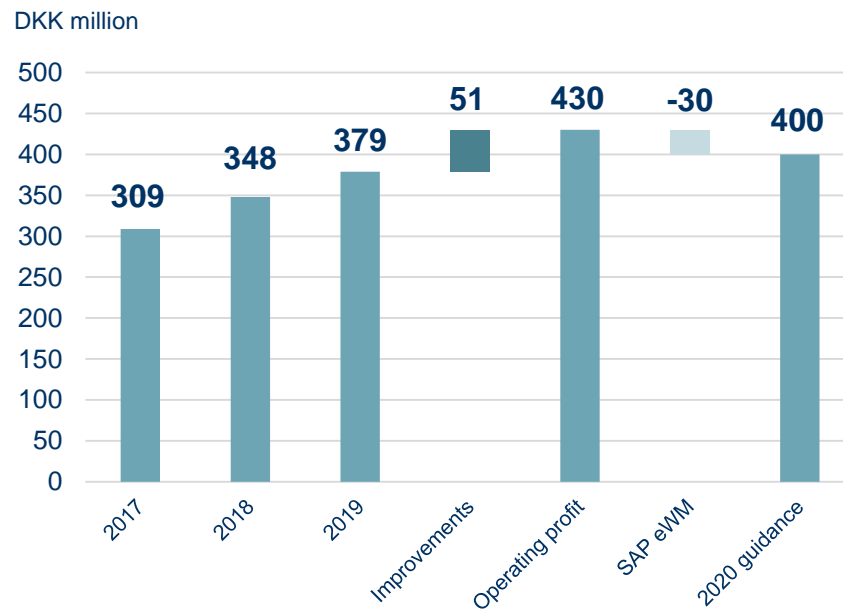
#### Core business

- Expected revenue of approx. DKK 11.2bn, corresponding to an organic growth of approx. 1%.
- Pruning of our range of products is expected to reduce revenue by approx. DKK 200m. Adjusted for this, we expect an underlying growth of approx. 3%.
- Expected EBITA of approx. DKK 400m including total one-off costs of approx. DKK 30m for the implementation of SAP eWM in DK, NO and NL.
- Core business is expected to achieve operating EBITA of approx. DKK 430m.

#### Related business

- Expected revenue of DKK 600m, organic growth of approx. 3% and EBITA of DKK 0m.
- Continuing strategic review of MAG45.

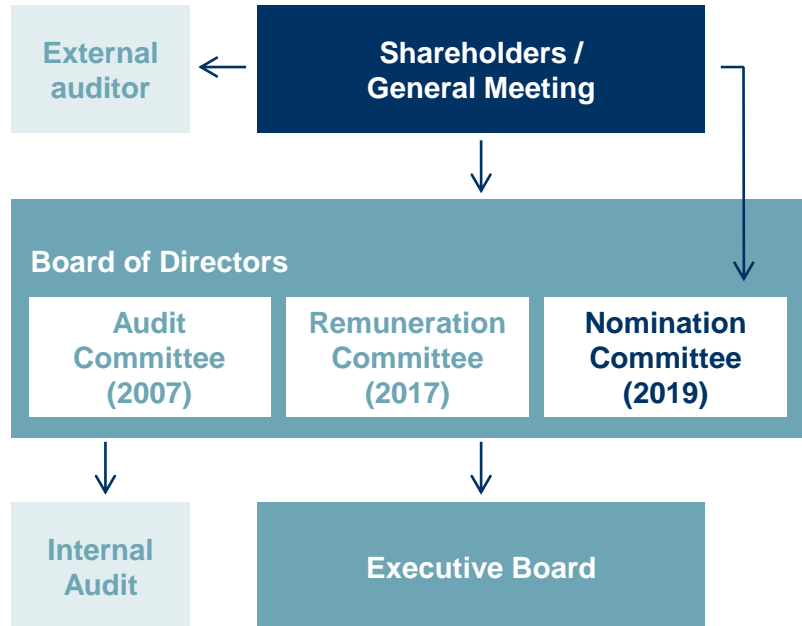
### Core business expects EBITA of approx. DKK 400m – an increase of DKK 91m from 2017



# THE BOARD OF DIRECTORS' REPORT

## NOMINATION COMMITTEE ESTABLISHED IN 2019

### Corporate governance structure



### The Nomination Committee involves shareholders

- Nomination Committee established as a formal forum for dialogue with our major shareholders regarding the composition of the Board of Directors.
- The Nomination Committee makes proposals for the composition of the Board of Directors.
- Representatives from the 3 largest shareholders (currently the Fund of 20<sup>th</sup> December, RWC and Nordea) together with the chairman of the company's Board of Directors.
- Read the committee's charter at [www.solar.eu](http://www.solar.eu).

# WHEN LOOKING AT THINGS FROM ABOVE...

Jens Andersen, CEO

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# ...AND THEN ZOOMING IN A BIT



# ...YOU SEE THE CUSTOMERS – AND THEIR NEEDS



# WE MUST BE ABLE TO SEE THE BIGGER PICTURE – AND ALSO SEE EYE TO EYE WITH THE CUSTOMERS



# FINANCIAL STATUS PRIOR TO THE LAST YEAR OF THE STRATEGY PERIOD

During the strategy period, EBITA was raised from DKK 264m in 2017 to an expected DKK 400m in 2020

| DKK million                             | Core business | Related business | Solar Group |
|---|---------------|------------------|-------------|
| <b>2017, publ. 12.01.2018</b>           | <b>309</b>    | <b>-45</b>       | <b>264</b>  |
| Divestments AT, BE & NO                 | 21            | 12               | 33          |
| Improvements, net                       | 18            | 12               | 30          |
| <b>2018, actual result contin. act.</b> | <b>348</b>    | <b>-21</b>       | <b>327</b>  |
| eWM implementation costs                | -10           | -                | -10         |
| Acquisition SE, net                     | -10           | -                | -10         |
| Improvements, net                       | 51            | 2                | 53          |
| <b>2019, actual result</b>              | <b>379</b>    | <b>-19</b>       | <b>360</b>  |
| eWM/business activities/other 2019      | 11            | -                | 11          |
| Expected improvements, net              | 40            | 19               | 59          |
| <b>2020, operational EBITA</b>          | <b>430</b>    | <b>0</b>         | <b>430</b>  |
| eWM implementation costs DK, NO & NL    | -30           | -                | -30         |
| <b>2020, guidance</b>                   | <b>400</b>    | <b>0</b>         | <b>400</b>  |



# STRATEGIC SUPPLIERS

## GROWING CONCEPT SALES

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### Increased concept sales

- We increased our share of concept sales in all of our markets within our 7 concepts: Solar Plus, Solar Netto, Solar Project, Solar Light, Solar Cable, Solar Heat and Solar Tools.

### Important milestone

- In Denmark, concept sales reached DKK 1 billion in revenue for the first time.

### Category Management

- We have defined 10 different categories and appointed key persons to be responsible for their categories across Denmark, Sweden, Norway, the Netherlands and Poland. Product Management, Sourcing and Master Data are working together on maintaining and developing the individual categories.



# STRATEGIC SUPPLIERS

## GREEN BUSINESS OPPORTUNITIES

### We make our customers more productive, and green workers are attractive

- With solar cells installed on the roof of their vans, Solar's customers are able to produce their own green power.
- By making the power mobile, the workers always carry 230 volt with them and have easy access to tools and machines that require power when at the end customers'.
- Apart from their increased productivity and flexibility, green workers help increase the production of renewable energy and reduce CO2 emission.
- Solar's own clothing bus has gotten solar cells installed on the roof. The bus gives the customers quick access to work clothes.



# INDUSTRY FOCUS

## STRONG MARKET POSITION

MRO (F&B)



OEM



Offshore/Marine



Infrastructure



### Industry focus

- Within our Scandinavian industry division, we focus on select verticals in which we have experience, professional competences and extensive knowledge of the trade. This has led to both new and extended customer agreements in 2019.
- For the first time in the history of the company, industry earnings have exceeded earnings from the installation business. Our strong position within industry means that we become less dependent on construction, which is traditionally cyclic.



# OPERATIONAL EXCELLENCE

## We focus on good and sustainable business to increase our earnings

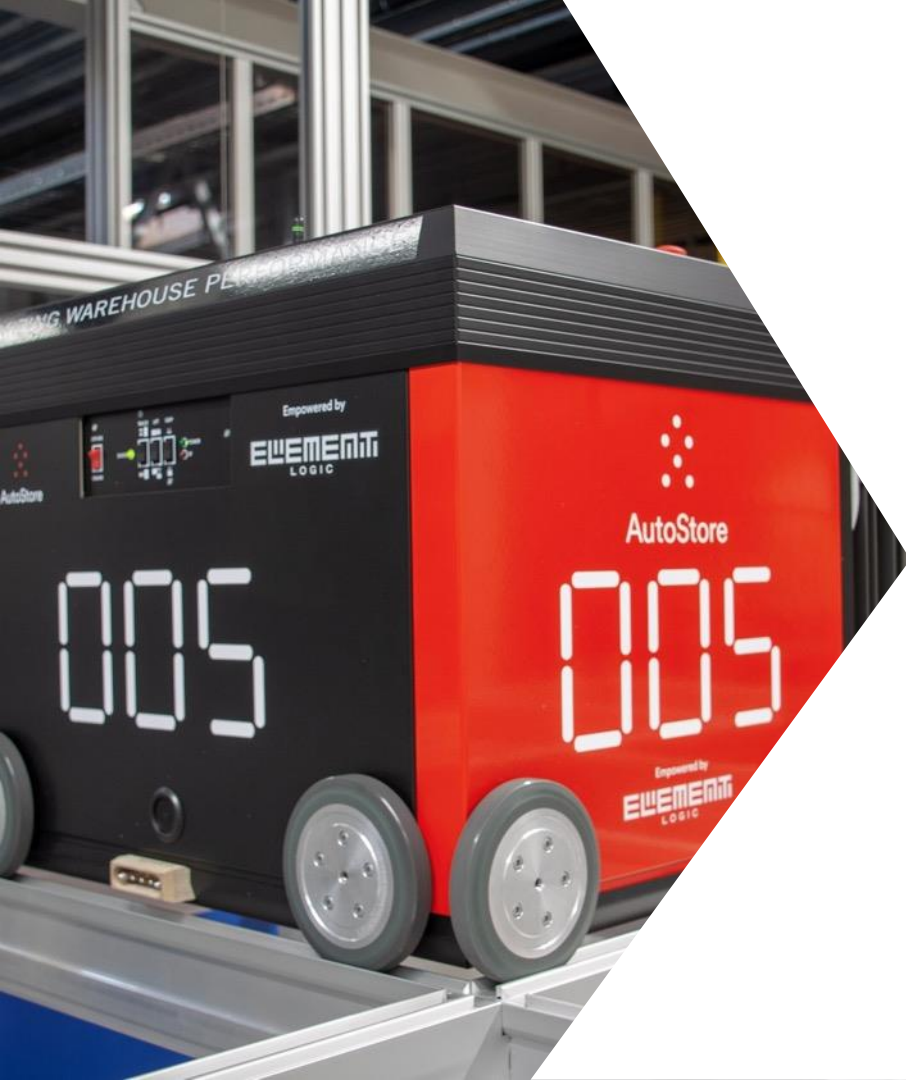
- We have launched project Better Business across our markets.
- This strategic initiative is about selling the right products to the right customers.
- One example is moving away from selling low-margin gas boilers in the Netherlands to selling heat pumps instead.
- It means better business for us and at the same time, we go from black energy to green energy.
- We deliver Solar Fastbox by electric cars in Oslo and by bike messengers in Copenhagen.



# OPERATIONAL EXCELLENCE

## Implementation of AutoStore in Solar Nederland

- Investment is expected to return >20%.
- The system consists of 41,000 bins, is operated by 50 robots 24/7 and can handle small articles.
- The system does digital weight control and closes boxes automatically. We thereby avoid using unnecessary packaging and "transporting air".
- The system reduces power consumption to a third of what it was before.
- We currently pick approx. 6,000 product lines per day, the target is 9,000 product lines before the end of April 2020.



# FINANCIAL STATEMENTS 2019

Michael H. Jeppesen, CFO

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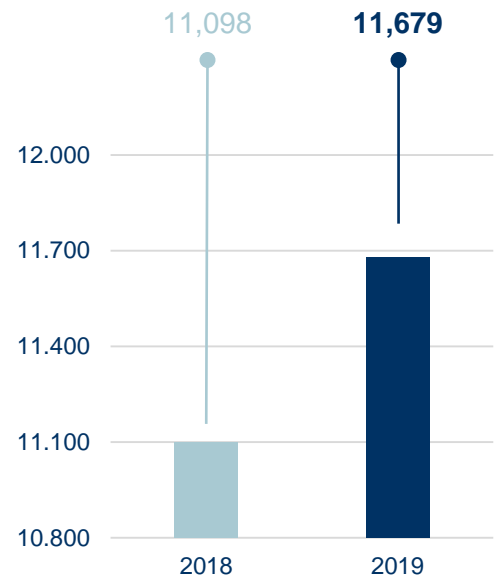


# FINANCIAL STATEMENTS 2019

## INCREASED EBITA. EBT AFFECTED BY THE VALUE OF BIMOBJECT

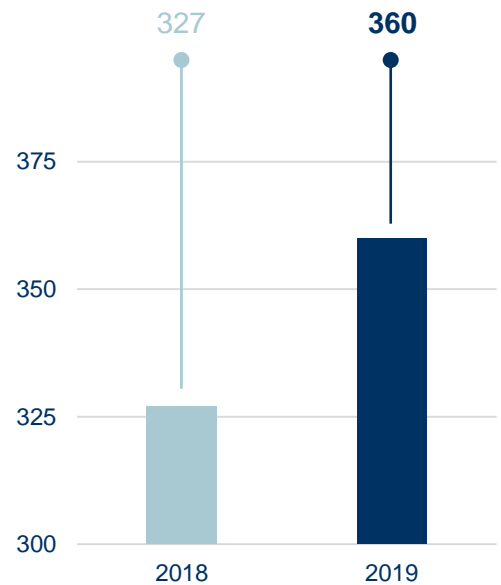
### Revenue

DKK million



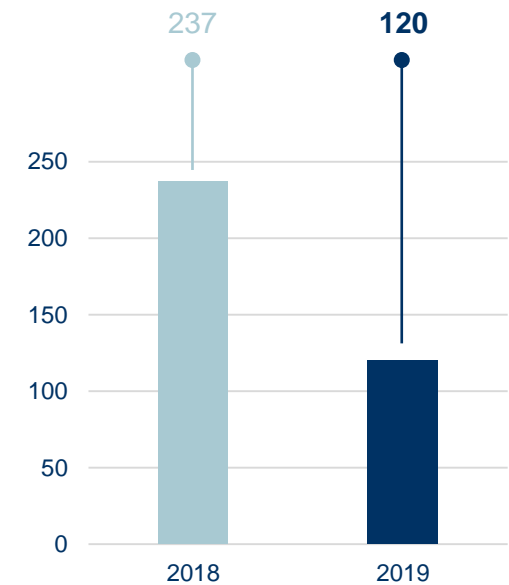
### EBITA

DKK million



### EBT

DKK million



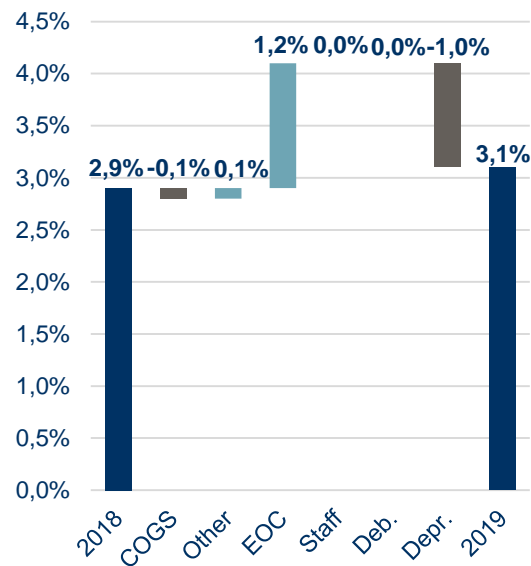
# FINANCIAL STATEMENTS 2019

## EBITA INCREASE DRIVEN BY SOLAR NORGE AND SOLAR NEDERLAND

### EBITA margin increased to 3.1%

- Solar Nederland and Solar Norge achieved adjusted organic growth of 7.6% and 10.1%, respectively.
- Gross profit was negatively affected by direct low margin deliveries in Solar Norge in Q2. In H2, a significant part of the revenue in Solar Nederland was affected by low-margin products and customers.
- Implementation of IFRS 16, Leases affected the development in EOC and depreciations compared to 2018, while the effect on EBITA was insignificant.

### Development in EBITA margin



### Solar Group

|                          | 2019   | 2018   |
|--------------------------|--------|--------|
| Revenue, DKK million     | 11,679 | 11,098 |
| Revenue growth, %        | 5.2    | 0.3    |
| Adj. organic growth, %   | 4.9    | 2.2    |
| Gross prof., DKK million | 2,353  | 2,247  |
| Gross profit             | 20.1   | 20.2   |
| EBITA, DKK million       | 360    | 327    |
| EBITA margin             | 3.1    | 2.9    |

# FINANCIAL STATEMENTS 2019

## SPECIAL MATTERS AFFECTED THE FINANCIAL STATEMENTS

### IFRS 16, Leases was implemented in 2019

- Comparative figures should not be recalculated according to the method chosen by Solar.
- The implementation affects
  - Other external charges (EOC)
  - Earnings before depreciation and amortisation
  - Depreciation
  - Interest-bearing debt
  - Balance sheet total
  - Financial ratios
- See table with the effect of the implementation in note 1 on page 53 of Annual Report 2019.

### Earnings before tax (EBT) affected by special items

- EBT was affected by special items in both 2019 and 2018.
- Fair value adjustment of associated businesses, primarily in relation to BIMobject.
- Impairment:
  - Goodwill & customer lists
  - Software
- Earn-out receivable reversed.

### EBT adjusted for special items increased by DKK 25m

|  | 2019       | 2018       |
|--|------------|------------|
| <b>EBT</b>                               | <b>120</b> | <b>237</b> |
| Fair value adj., finan. items            | 0          | -11        |
| Fair value adj. associates               | 86         | -59        |
| <b>EBT adj. for effect of associates</b> | <b>206</b> | <b>167</b> |
| Impairment other intangible assets       | 21         | 9          |
| Impairment goodwill and customer lists   | 4          | 8          |
| Earn-out receivables reversed            | 0          | 22         |
| <b>EBT adjusted</b>                      | <b>231</b> | <b>206</b> |



# FINANCIAL STATEMENTS 2019

## IMPLEMENTATION OF IFRS 16, LEASES AFFECTED THE BALANCE SHEET

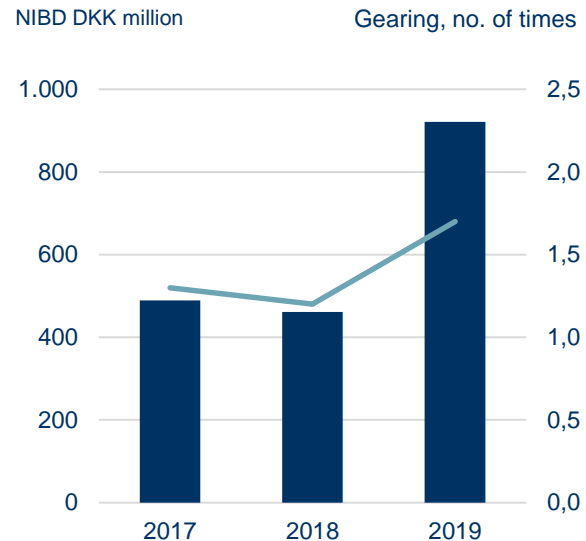
### Balance sheet total increased by DKK 344m related to leasing



### Balance sheet total and gearing affected by implementation of IFRS 16

- Balance sheet total was DKK 5.0bn
- Equity ratio of 32%
- At the end of 2019, interest-bearing debt, net, amounted to DKK 921m
- Average working capital of 11.9%
- Gearing of 1.7 times EBITDA

### Gearing increased by 0.3 times EBITDA as a consequence of leasing

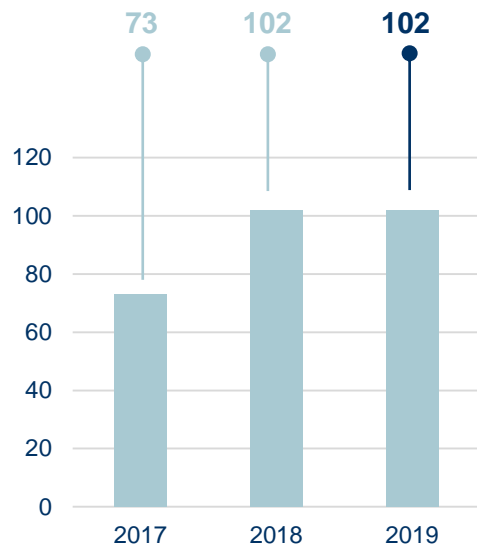


# FINANCIAL STATEMENTS 2019

## APPROPRIATION OF PROFIT. PROPOSED DIVIDENDS OF DKK 102M.

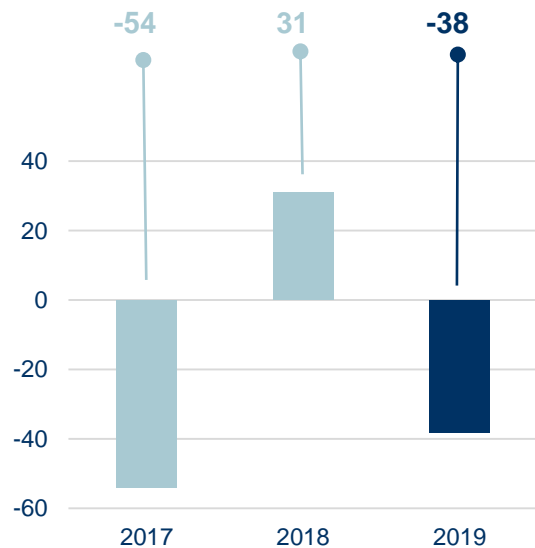
### Dividend

DKK million



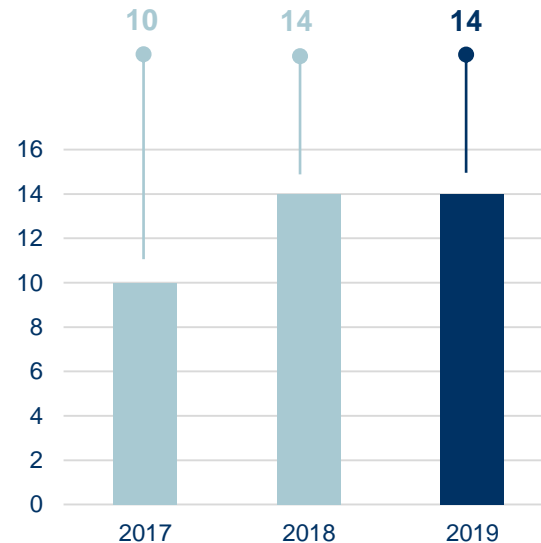
### Retained earnings

DKK million



### Dividend per share

DKK



# PROPOSALS FROM THE BOARD OF DIRECTORS

Bo Holse, chair of the meeting



# PROPOSALS FROM THE BOARD OF DIRECTORS

## AUTHORISATIONS TO THE BOARD OF DIRECTORS

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### Extraordinary dividend

- The Board of Directors proposes that the company's Board of Directors be authorised in the period until the next annual general meeting to decide to distribute extraordinary dividend of up to DKK 15.00 per share.

### Acquisition of own shares

- The Board of Directors proposes that the company's Board of Directors be authorised in the period until the next annual general meeting to allow the company to acquire own shares for consideration. It is proposed that the authorisation be granted to acquire up to 10% of the share capital, and so that the consideration must be the current market price plus/minus 10%.

# PROPOSALS FROM THE BOARD OF DIRECTORS

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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- a) New Article 11.1, no. 3 will be worded "*Indicative vote on approval of the remuneration report for the past financial year.*"
- b) New Article 11.1, no. 4 will be worded: "*Approval of remuneration to the Board of Directors in the current financial year.*"
- c) Former Article 11.1, no. 3, 4 and 5 will consequently be amended to Article 11.1, no. 5, 6 and 7.
- d) Former Article 16.4 concerning guidelines for incentive programmes will be deleted.
- e) Former Article 16.5 (now Article 16.4) will be amended from "*The company's Board of Directors has prepared a remuneration policy for Solar A/S' Board of Directors and Executive Board. The remuneration policy was adopted at the company's general meeting held on 1 April 2016 and is available at the company's website at [www.solar.eu](http://www.solar.eu).*" to "*The company's Board of Directors has pursuant to section 139 of the Danish Companies Act prepared a remuneration policy for Solar A/S' Board of Directors and Executive Board. The remuneration policy must be approved by the general meeting whenever a material amendment is made and at least every four years. The remuneration policy is available at the company's website [www.solar.eu](http://www.solar.eu).*"
- f) New Article 16.5 will be worded "*The company's Board of Directors must pursuant to section 139 b of the Danish Companies Act prepare a remuneration report on the remuneration of the Board of Directors and the Executive Board in the past financial year. The general meeting will at the company's annual general meeting take an indicative vote on the approval of the remuneration report for the past financial year.*"
- g) Article 4.3 – Adaptation of name and CVR no. of the keeper of the register of shareholders.

The amendments in items a), d), e) and f) are a result of the implementation of the Shareholder Rights Directive into Danish law. The amendment in item b) is a result of the corporate governance rules. The amendments in item c) are a result of the new provisions stated in a) and b). The amendment in item g) are a result of the merger of VP Investor Services A/S and VP Securities A/S.

# PROPOSALS FROM THE BOARD OF DIRECTORS

## REMUNERATION POLICY

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### Approval of the company's remuneration policy for the Board of Directors and Executive Board

- The Board of Directors proposes that the company's remuneration policy be amended in accordance with the attached appendix 1. Consequently, Solar's "General Guidelines for Incentive Programmes" will be cancelled.

# PROPOSALS FROM THE BOARD OF DIRECTORS

## THE BOARD OF DIRECTORS' REMUNERATION

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### Proposal for the Board of Directors' remuneration

- The Board of Directors proposes that the fee for members of the Board of Directors in 2020 be DKK 200,000.
- The chairman of the Board of Directors will receive triple remuneration, and the vice chairman of the Board of Directors and the chairman of the audit committee will receive one and a half times the remuneration covering their extended duties.

# PROPOSALS FROM THE BOARD OF DIRECTORS

## ELECTION OF MEMBERS TO THE BOARD OF DIRECTORS

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The Nomination Committee proposes re-election of  
the current members of the Board of Directors:



Morten Chrono



Peter Bang



Louise Knauer



Jesper Dalsgaard



Jens Peter Toft



Jens Borum



# PROPOSALS FROM THE BOARD OF DIRECTORS

## AUDITOR

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### Election of auditor

- The Board of Directors proposes re-election of PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab in accordance with the recommendation of the audit committee.
- The audit committee has not been influenced by third parties and is not subject to any agreements with third parties that restrict the general meeting's election of certain auditors or audit firms.

# PROPOSALS FROM THE BOARD OF DIRECTORS

## CHAIR OF THE MEETING

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### Authorisation to the chair of the meeting

- The Board of Directors proposes that the general meeting authorises the chair of the general meeting (with a right of substitution) to file and register the adopted resolutions with the Danish Business Authority and to make such amendments to the documents filed with the Danish Business Authority, as the Danish Business Authority may request or find appropriate in connection with the registration of the adopted resolutions.

# Any other business

