



# Husqvarna Group

## Capital Markets Day 2021

Creating Sustainable Value

December 1, 2021

## Important notice

This presentation contains a number of forward-looking statements including, in particular, statements about future events, future financial performances, plans, strategies, expectations, prospects, competitive environment, regulation and supply & demand. Husqvarna Group has based these forward-looking statements on its views with respect to future events and financial performance. Actual financial performance of the units described herein could differ materially from that projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, and financial performance may be better or worse than anticipated.

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# Today's agenda

**08:30 | Program starts**

**08:30-10:00 | Group strategy**

External trends  
Group's strategic direction  
Financial framework

**10:00-10:30 | Q&A**

**10:30-11:30 | Product expo – guided tour**

**11:30-12:40 | Divisional deep dives**

Gardena Division  
Husqvarna Division  
Construction Division

**12:40-13.00 | Q&A**

**13.00 | Summary and lunch**

# Management team



**Henric Andersson**  
CEO



**Glen Instone**  
CFO & Acting President  
Husqvarna Division



**Karin Falk**  
President  
Construction Division



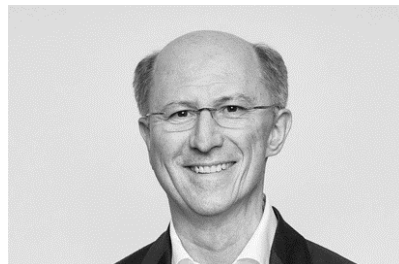
**Pär Åström**  
President  
Gardena Division



**Erik Winberg**  
Senior Vice President  
Strategy & Innovation



**Leigh Dagberg**  
Senior Vice President  
People & Organization



**Pavel Hajman**  
Senior Vice President  
Global Information Services




**Brian Belanger**  
Senior Vice President  
General Counsel





**Husqvarna  
Group**

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Sustainability



Electrification



Connectivity



Autonomous solutions



# Green spaces in urban areas

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60%

of population has  
insufficient access  
to green space



# Water as a scarce resource

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4bn

people affected by  
seasonal scarcity



# CO<sub>2</sub> reduction requirements

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6x

2030 reduction  
needed vs. current  
global commitments





# Battery scale and technology improvement

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20x

increase in EU battery  
volumes by 2030

Electrification





# Connectivity enables services & convenience

27bn

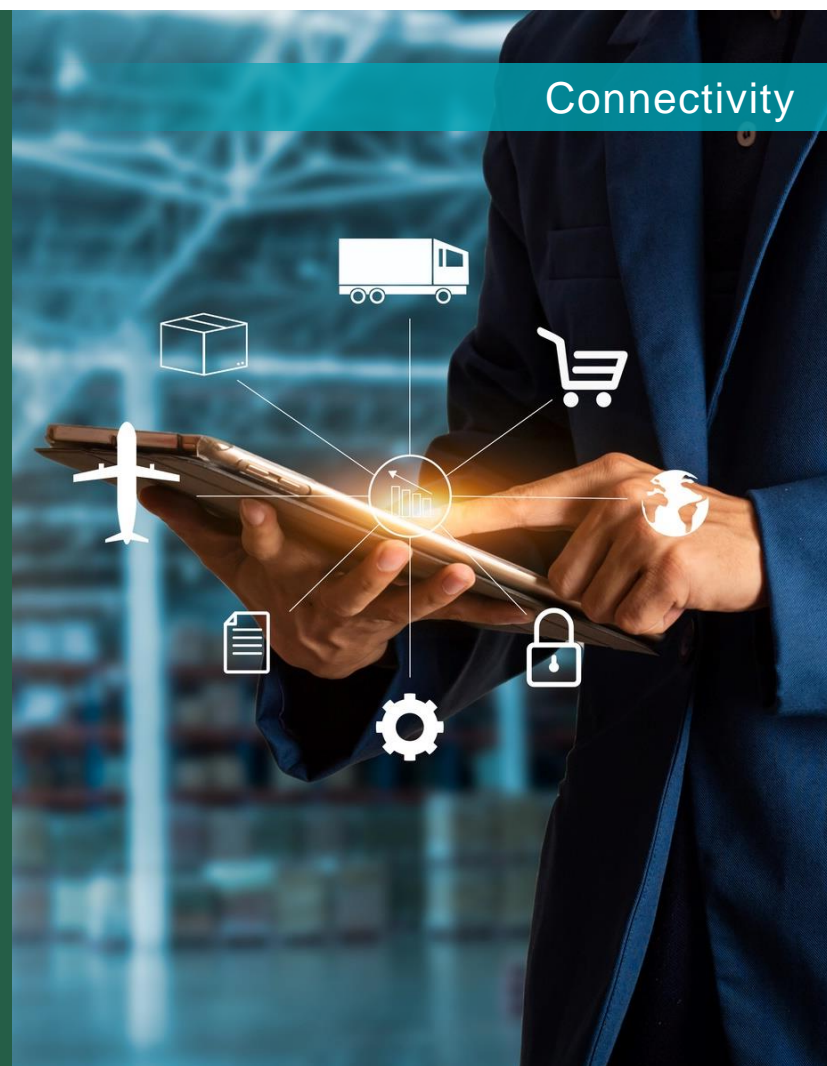
Connected  
devices by 2025



Direct Customer  
Contact

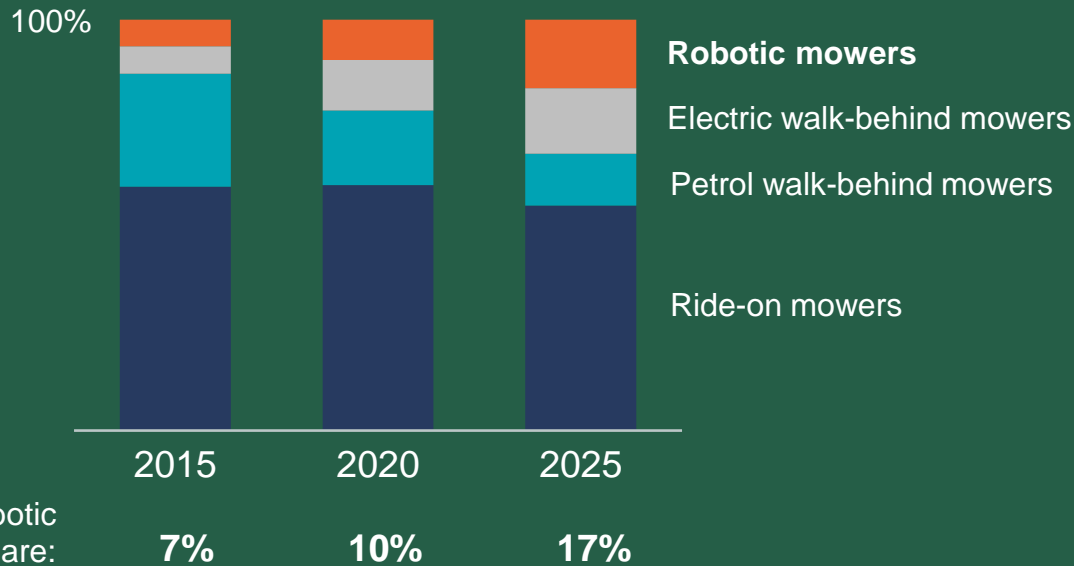


Services



# Rapid growth of autonomous solutions

Share of value of residential lawn mowing market\*



\*Global residential lawn mower market, Husqvarna Group estimates

Autonomous solutions



# Examples of high-growth subsegments

Global market by application (SEK 265bn)

## Double digit growth:



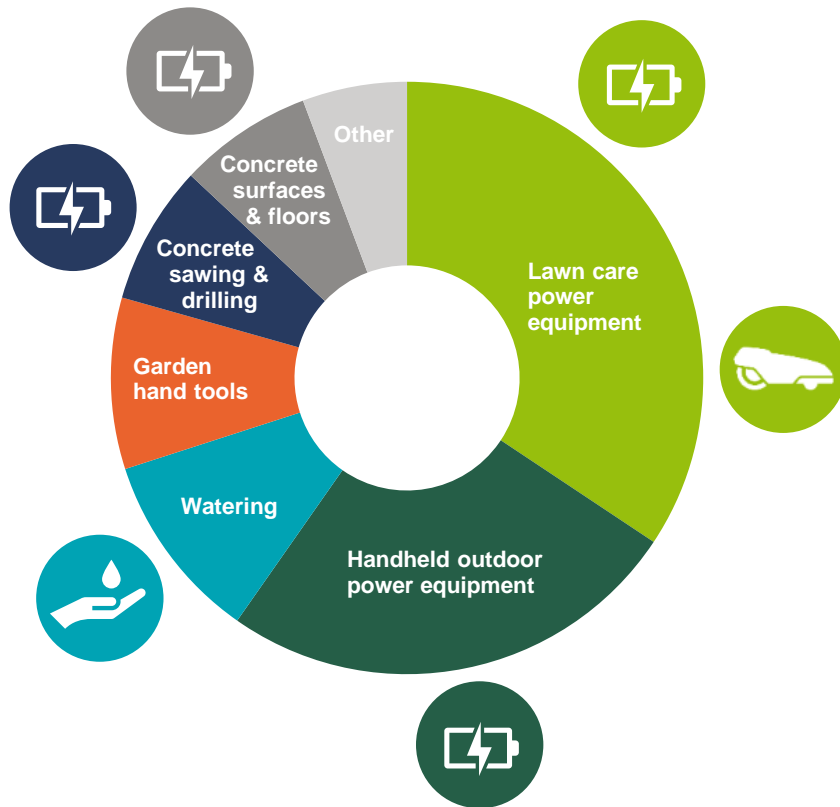
Robotic mowers



Smart watering



Battery solutions





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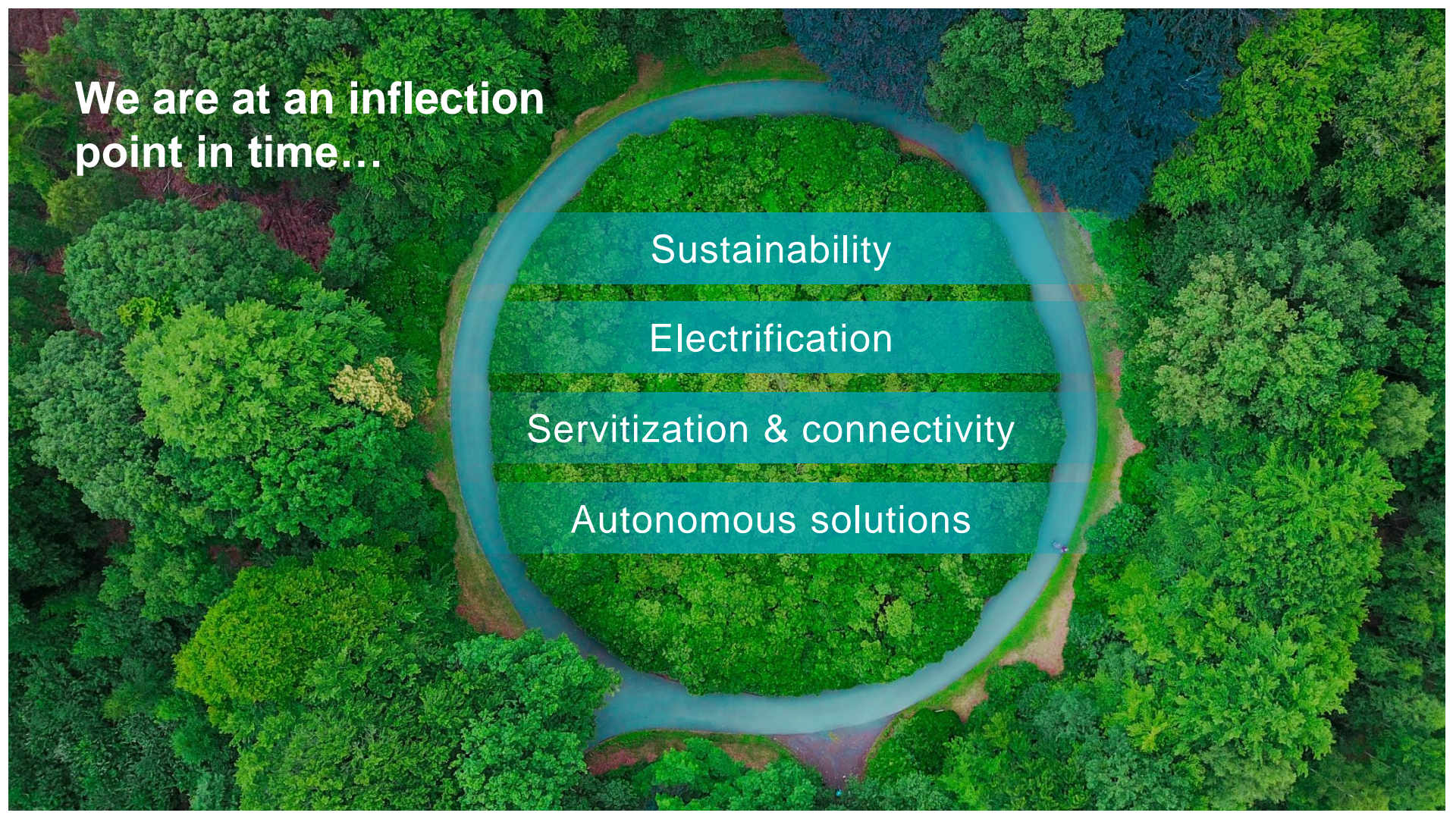
# Husqvarna Group

## Capital Markets Day 2021

Creating sustainable value

Henric Andersson, CEO



An aerial photograph of a circular road winding through a dense, lush green forest. The road is light gray and forms a nearly perfect circle, with a small section where it branches or joins. The surrounding forest is thick with various shades of green trees. Overlaid on the image are several text elements: a main title in the top left and four horizontal teal bars in the center, each containing a key concept.

**We are at an inflection  
point in time...**

Sustainability

Electrification

Servitization & connectivity

Autonomous solutions



# Our Group strengths



Culture and  
leadership

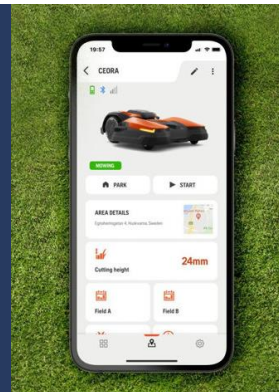


Strong brands



Husqvarna  
Group

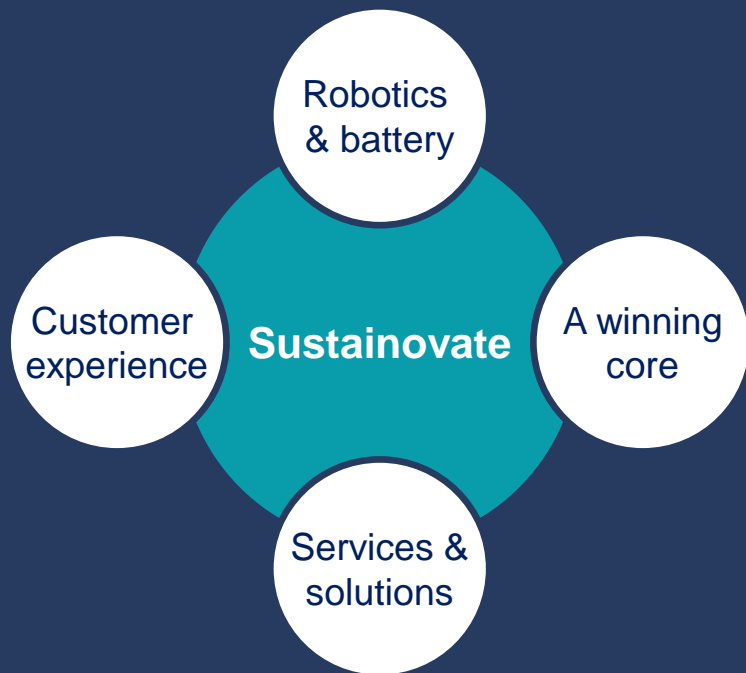
Technology  
and  
innovation



Customer  
relationships  
and market  
reach



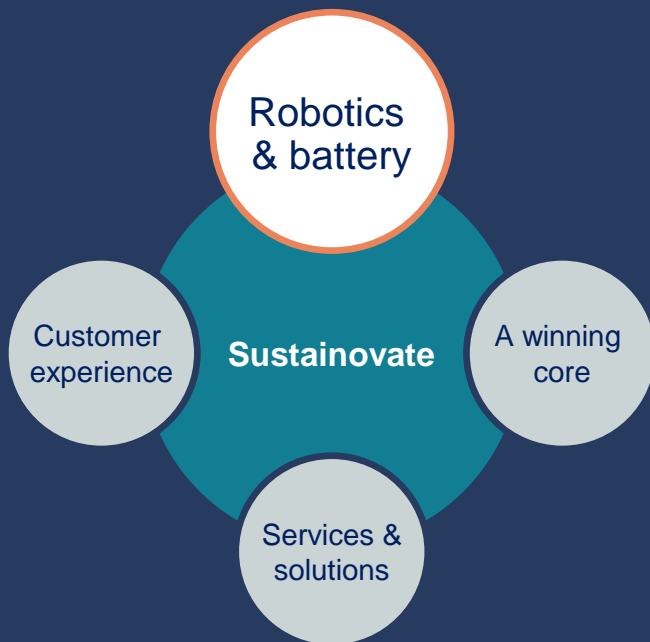
# Our strategy for sustainable value creation



Shaping  
**GREAT**  
experiences



# Our strategy for sustainable value creation



Shaping  
**GREAT**  
experiences





## Ambition #1

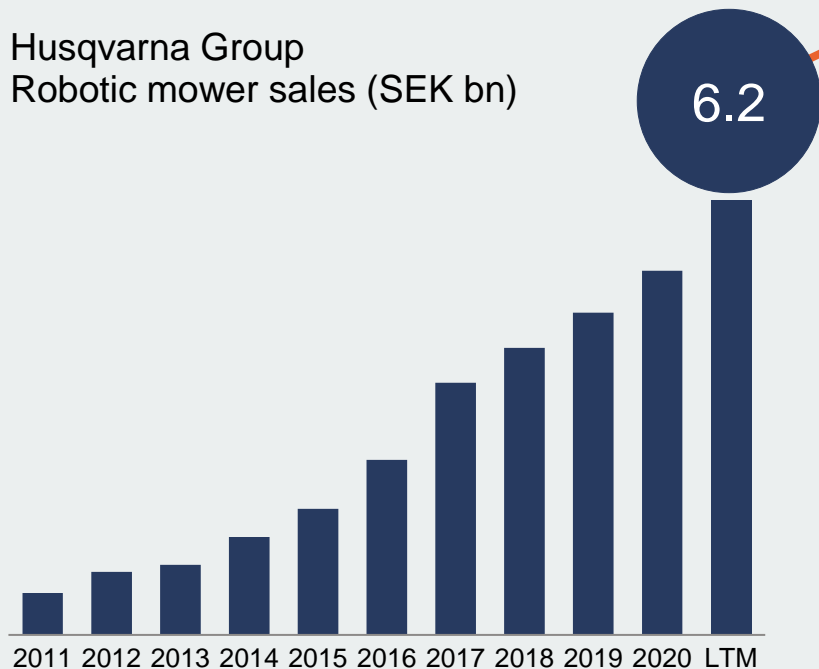
In 5 years, we aim to double  
our robotic mower sales

x2



# Key priorities to reach ambition

Husqvarna Group  
Robotic mower sales (SEK bn)

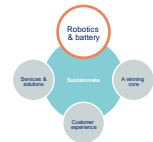


~12

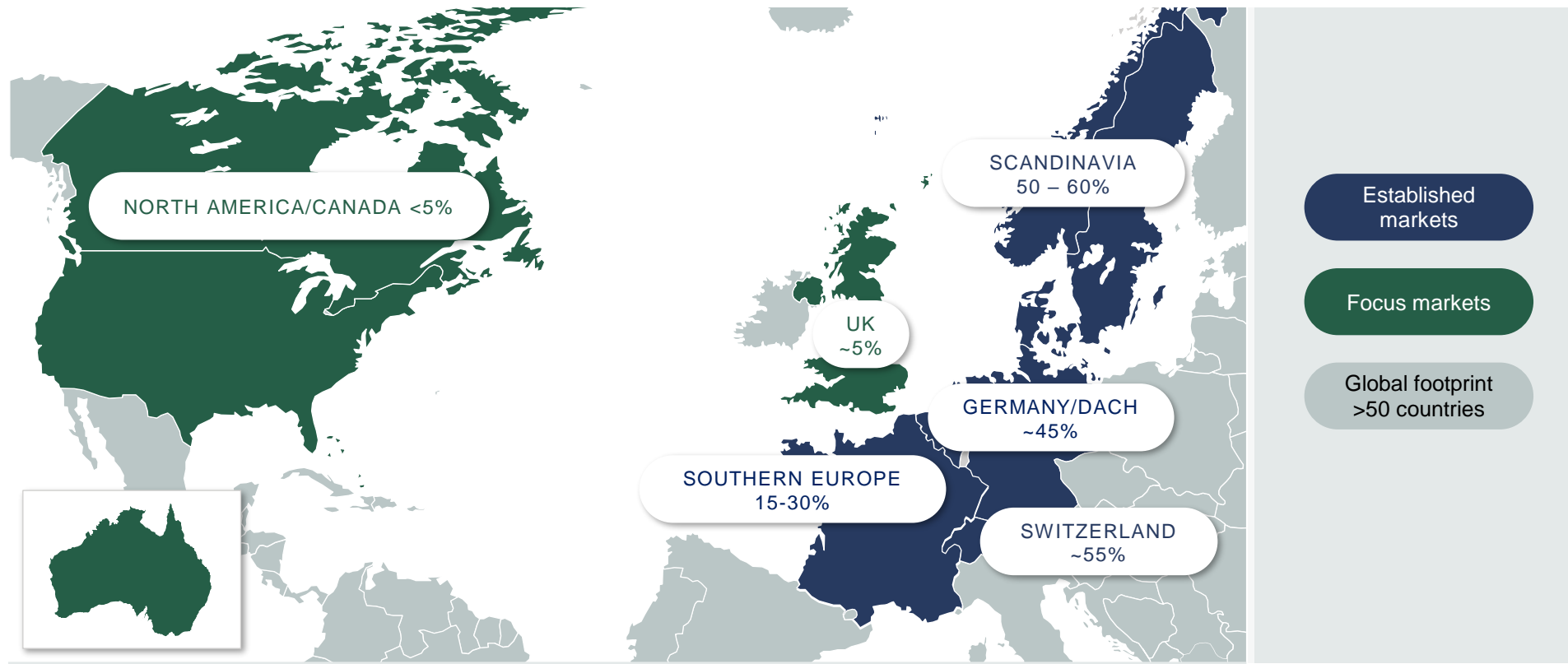
- Lead and drive geographic expansion and further market penetration
- Transform professional lawn care
- Technology leadership to accelerate transformation



# Residential robotics – drive market penetration and build new markets

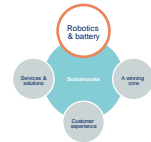


Current market penetration, % (of new sales) – Global penetration is ~10%





# Autonomous has a strong value proposition for the SEK ~100bn professional lawn mowing industry



## Cost structure for professional lawn care (illustrative)

SEK ~100bn



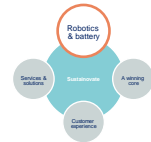
Conventional → Autonomous

## AUTONOMOUS

- Cost saving
- 24/7 operation

## PURPOSE-BUILT ROBOTICS

- No direct emissions
- Low noise
- Safer
- Improved grass quality

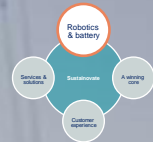


# Setting out to disrupt professional lawn care

## KEY SUCCESS FACTORS

- Complement go-to-market with a dedicated B2B organization
- Technology leadership:
  - Purpose-built small electrical machines
  - Tailored solutions to the application
  - Leading operating system





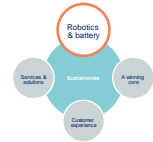
## Ambition #2

In 5 years, we aim to have 2/3 of our motorized sales electrified\*

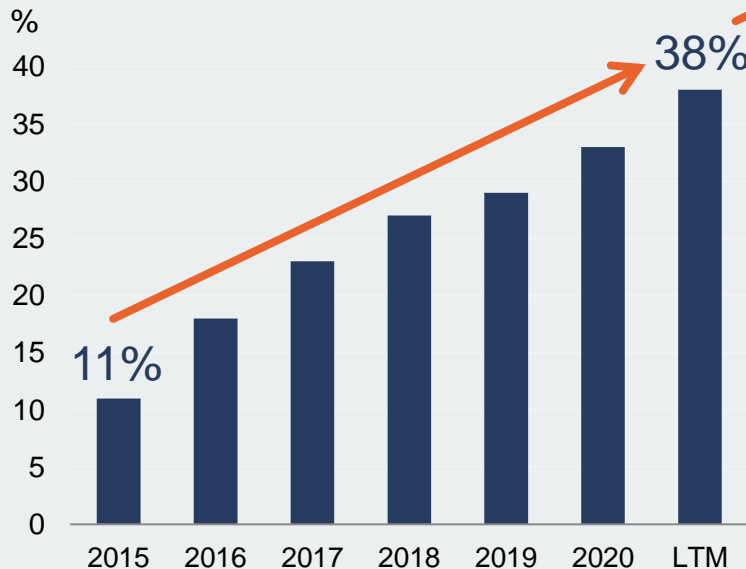
2/3

\*Defined as sales of electrical products as share of sales of total motorized products

# Driving the electric transformation towards the 5 year ambition



Share of electrified products of total motorized products (value)



~67%

- Sustainovate, customer and regulatory driven transformation

- No direct emissions, low noise, ease of use, and lower operating cost

- Battery cell technology and in-field charging is not yet feasible for all products and applications

# Our approach to battery powered products

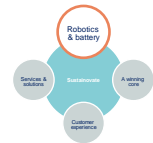
- Cost-effective battery eco-systems in consumer segments (partnerships & alliances)
- Tailored solutions in the premium and professional segments (in-house)



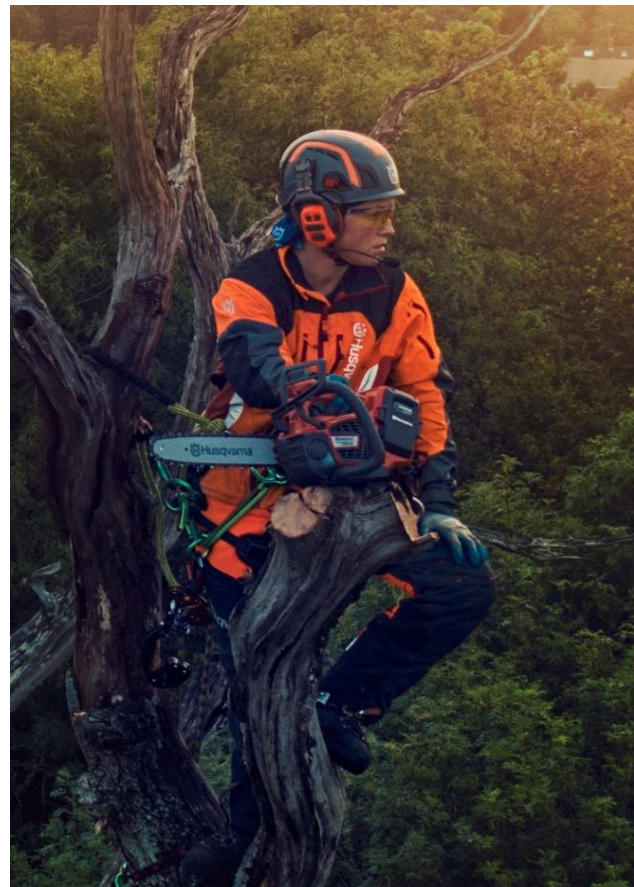
*Co-founder of the Power for All Alliance –  
one of the largest cross-brand 18V battery systems*



# Customer at the center

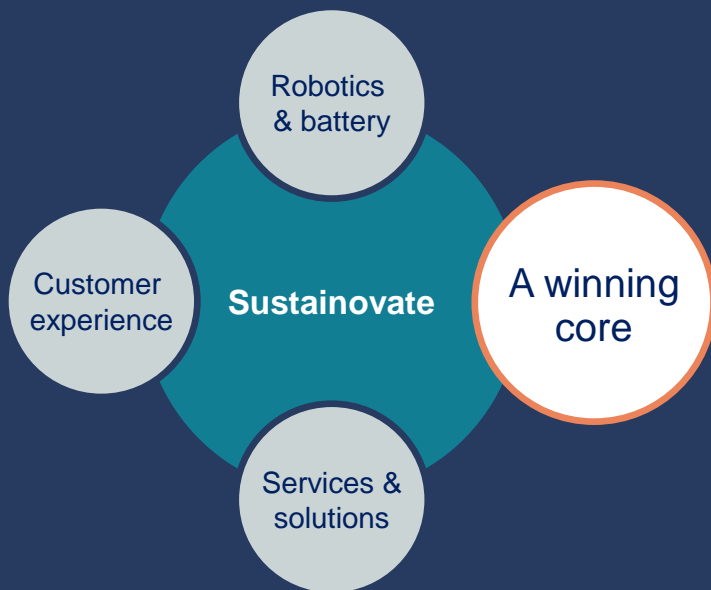


It's ultimately  
about making  
great products  
— indifferent of  
power source





# Our strategy for sustainable value creation



Shaping  
**GREAT**  
experiences



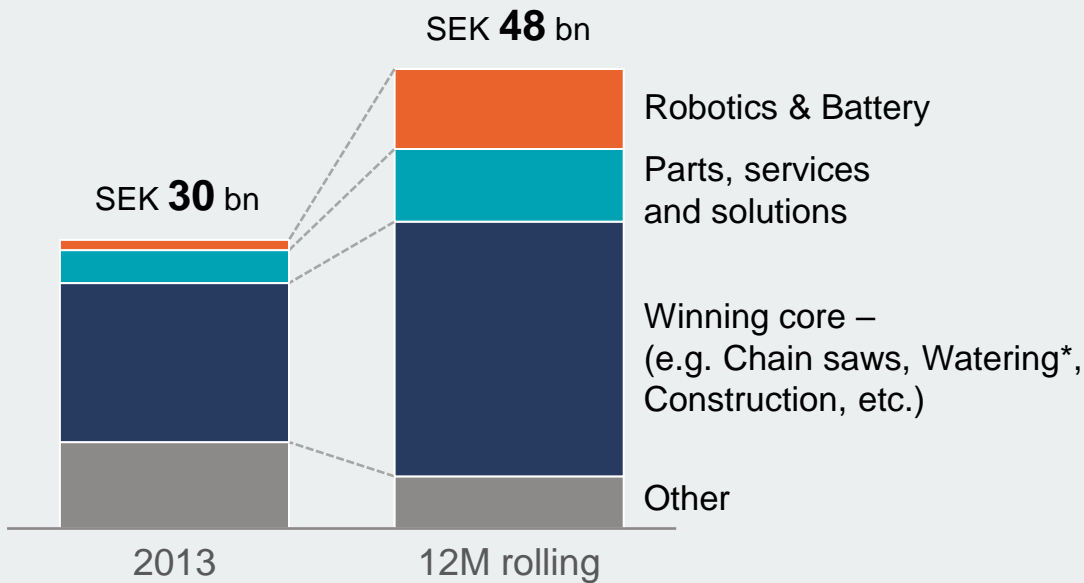


### Ambition #3

Continued growth in our winning core driven by Husqvarna Professional, Gardena and Construction



# Winning core securing good momentum in our transformation journey

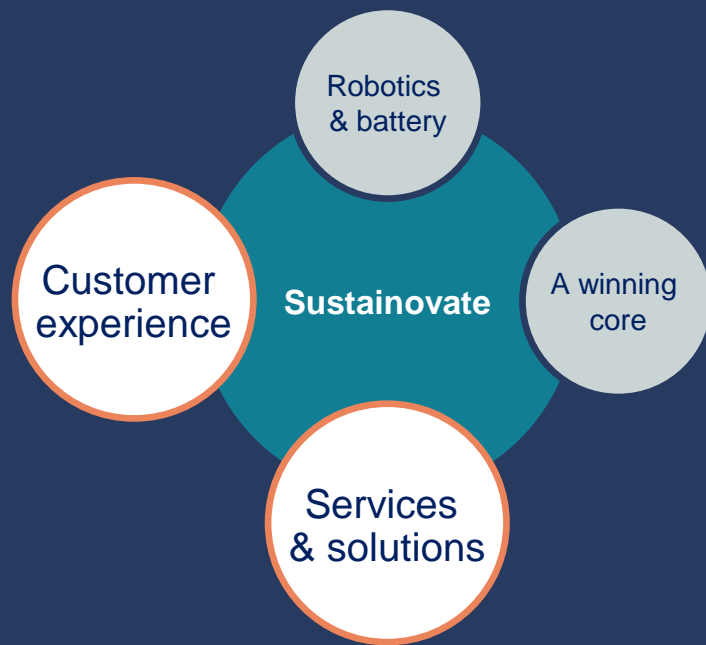


## Winning core priorities

- Accelerating growth of professional solutions
- Geographical expansion of watering and hand tools
- Continued expansion into adjacent construction segments

\* Including recent acquisition of Orbit Irrigation pro forma

# Our strategy for sustainable value creation



Shaping  
**GREAT**  
experiences





# Winning through great customer experiences



**Excellent customer experiences build trust, growth and lifetime value**

Creating intimate one-on-one relationships

Meeting with our customers on their terms

Providing customer value beyond our traditional products





#### Ambition #4

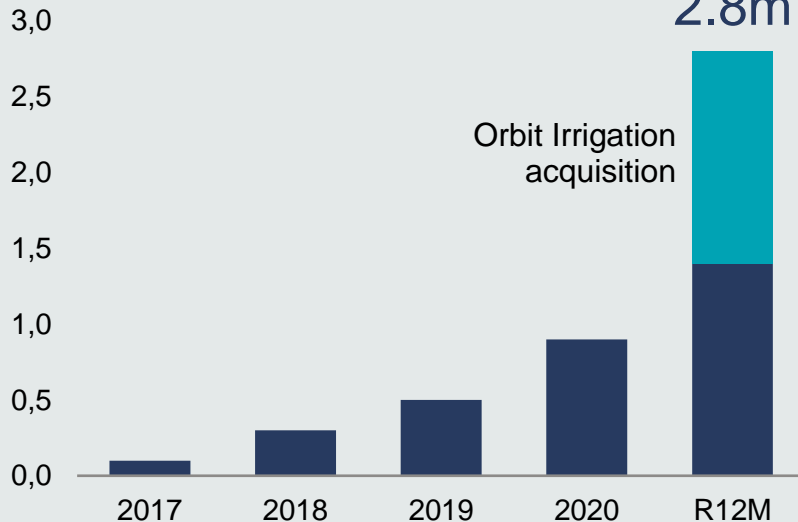
In 5 years, we aim to double  
the number of connected devices.

x2

# Digitalization is transforming our business and connectivity is a key enabler for value add



Million connected devices

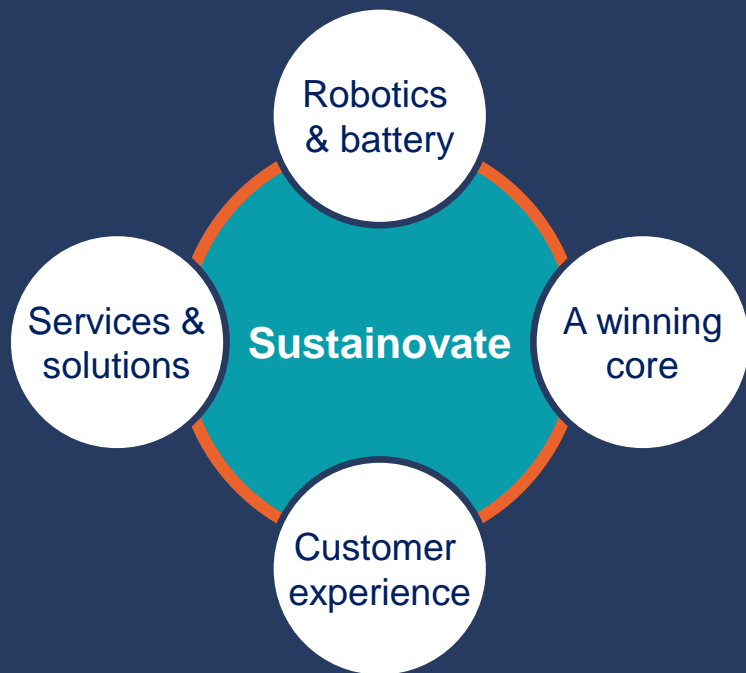


• Making our product portfolio connected

• Investing into data management and Artificial Intelligence

• Pipeline of data driven services

# Our strategy for sustainable value creation



Shaping  
**GREAT**  
experiences

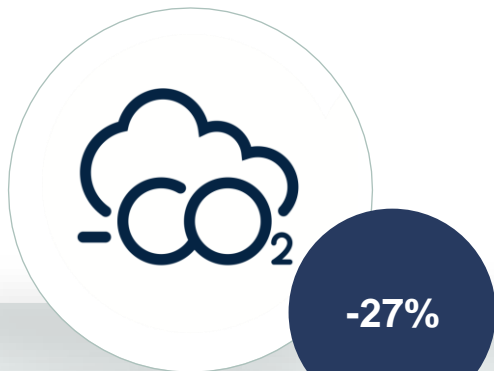






# On our way to reach our Sustainovate 2025 targets

## CARBON



Reduce absolute  
CO<sub>2</sub> emissions by  
**35%**  
Scope 1-3

## CIRCULAR



Launch  
**50**  
new circular  
innovations

## PEOPLE

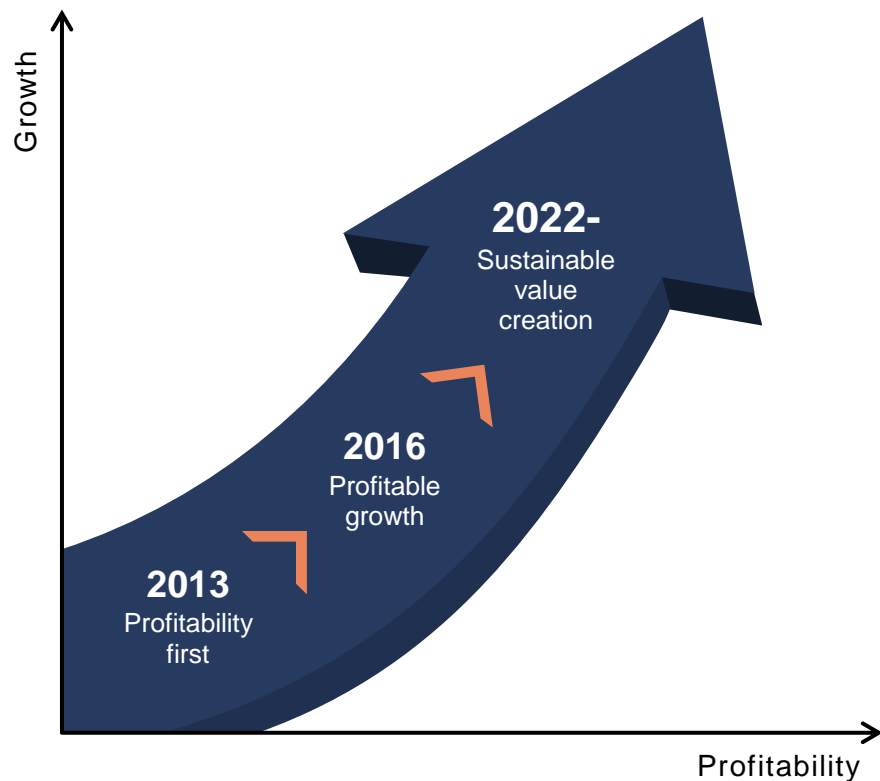


Empower  
**5 million**  
people to make  
sustainable choices

# Strong financial position enables selective M&A to accelerate and complement organic efforts



# Sustainable value creation



- Attractive markets
- Well positioned in high growth segments
- Clear value creation strategy with consistent execution
- We have built a stronger Husqvarna Group and will play a leading role in the industry transformation



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# Husqvarna Group

## Capital Markets Day 2021

Creating sustainable value  
Glen Instone, CFO

# Financial targets from CMD 2019 achieved

Target		Performance LTM
Market +2 ppts	 SALES GROWTH	14%
>10%	 OPERATING MARGIN*	12.6%
≤ 25%	 CAPITAL EFFICIENCY**	21.3%

\* Excluding items affecting comparability \*\* Operating working capital / net sales rolling 12-months



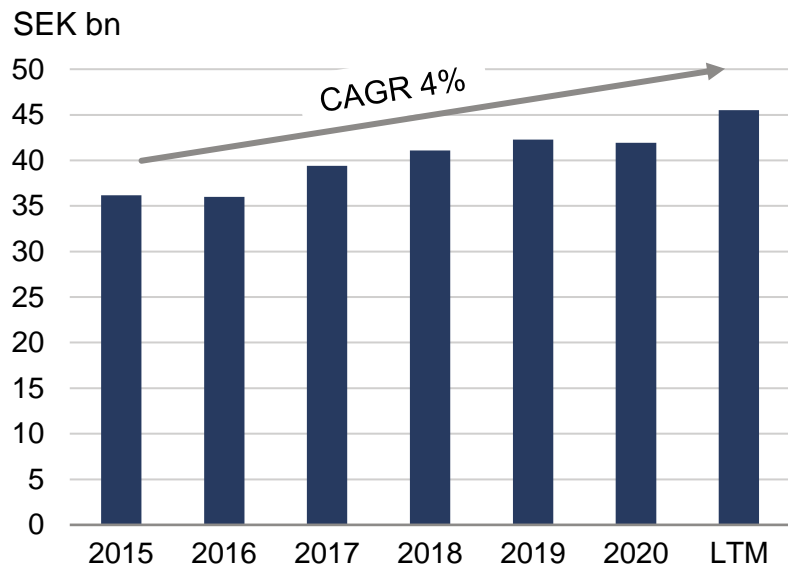
## Stronger post pandemic

- Strengthened market positions
- Positive effect from stay-at-home trend – increased long-term interest in home and garden
- E-commerce expansion
- More volatile global supply chain

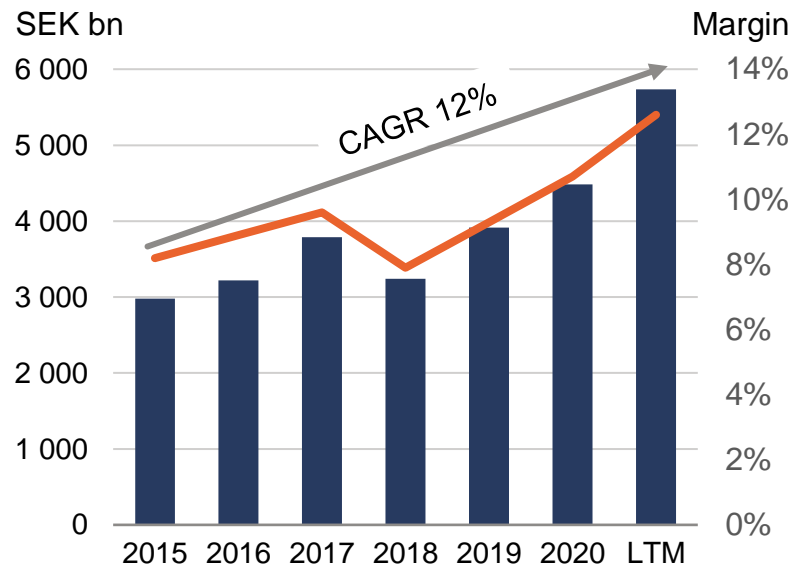


# Strengthened our financial position

## Net sales



## Operating income





# New financial targets



## GROWTH

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Net organic sales  
growth 5%



## OPERATING MARGIN

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Operating margin  
13%



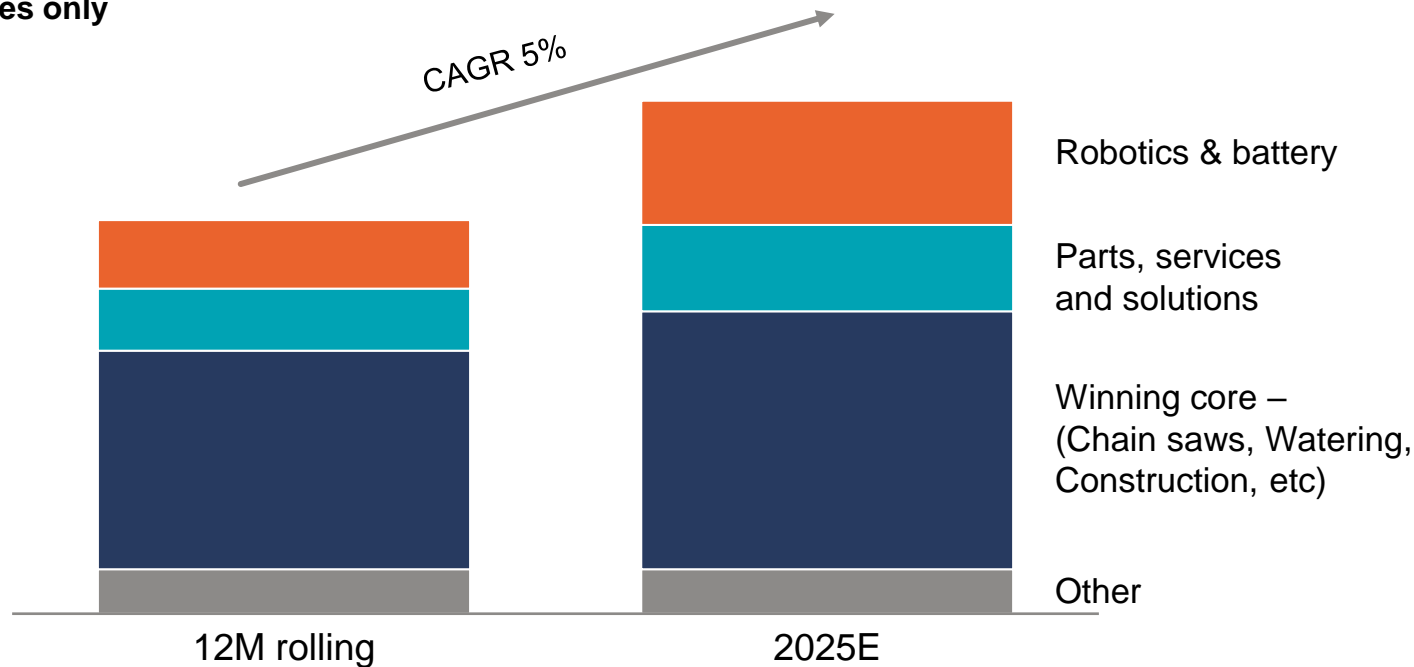
## CAPITAL EFFICIENCY

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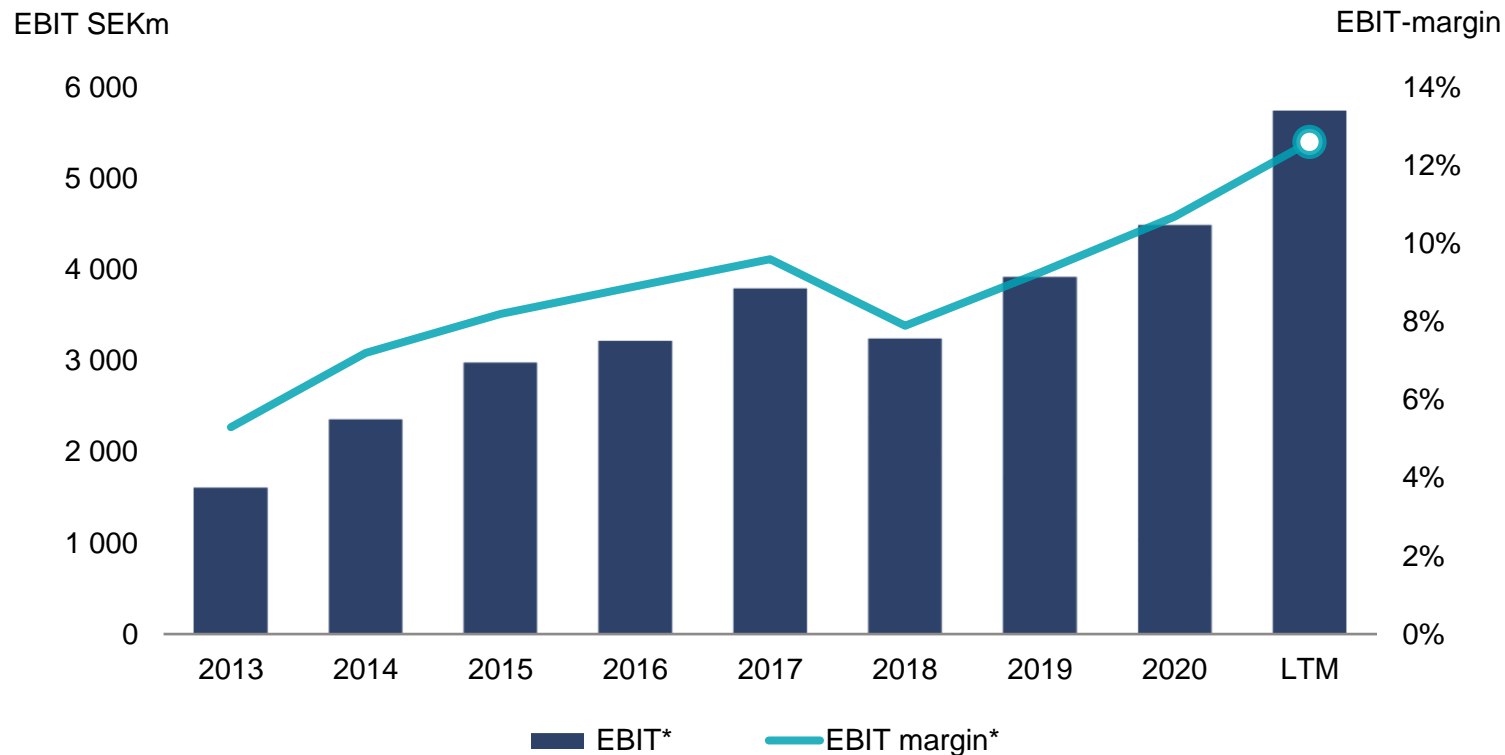
Net working capital / net  
sales  $\leq 20\%$

# Continued momentum in our transformation journey

For illustration  
purposes only



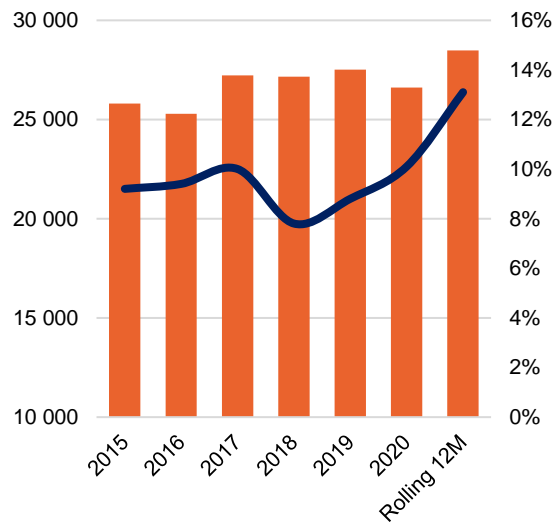
# Continued EBIT-margin expansion



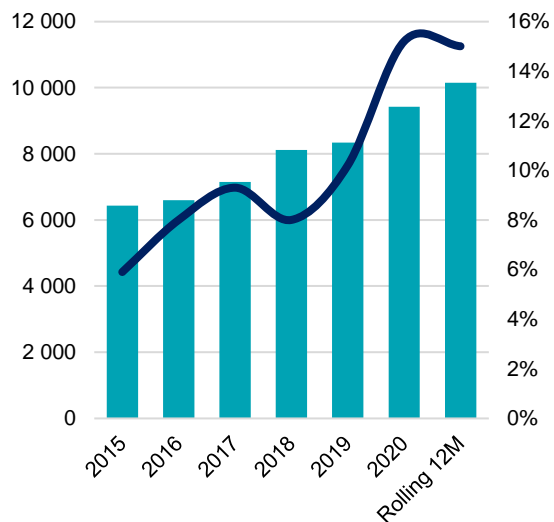
\* Excluding items affecting comparability

# Divisional sales and margin performance

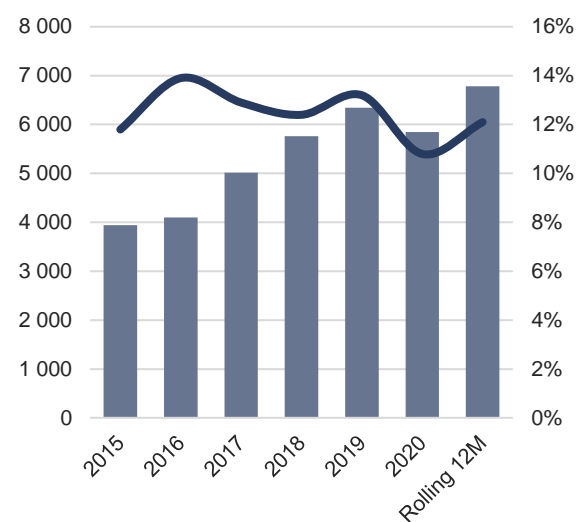
## Husqvarna



## Gardena



## Construction



■ = Net sales    — = Operating margin



# Profitable growth; organic growth 5%: EBIT-margin target: 13%

## Tailwinds...

Organic growth  
Product mix  
Price increases  
Efficiencies

## ...headwinds...

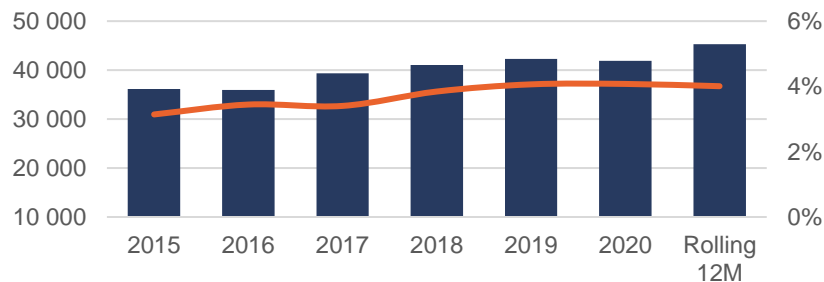
Higher costs for raw materials  
Increased logistics costs  
Temporary effect from stay-at-home trend

## ...& investments...

Transformational investments (go-to-market & R&D)  
Digitalization – world class IT-capabilities

# Increased R&D and CAPEX

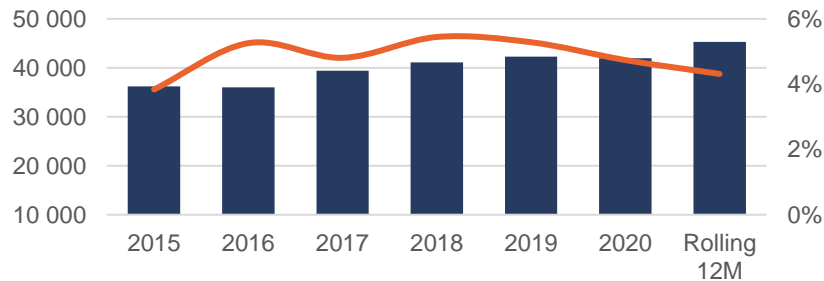
R&D / net sales



Future guidance

**~5%**  
of net sales in R&D

Capex / net sales



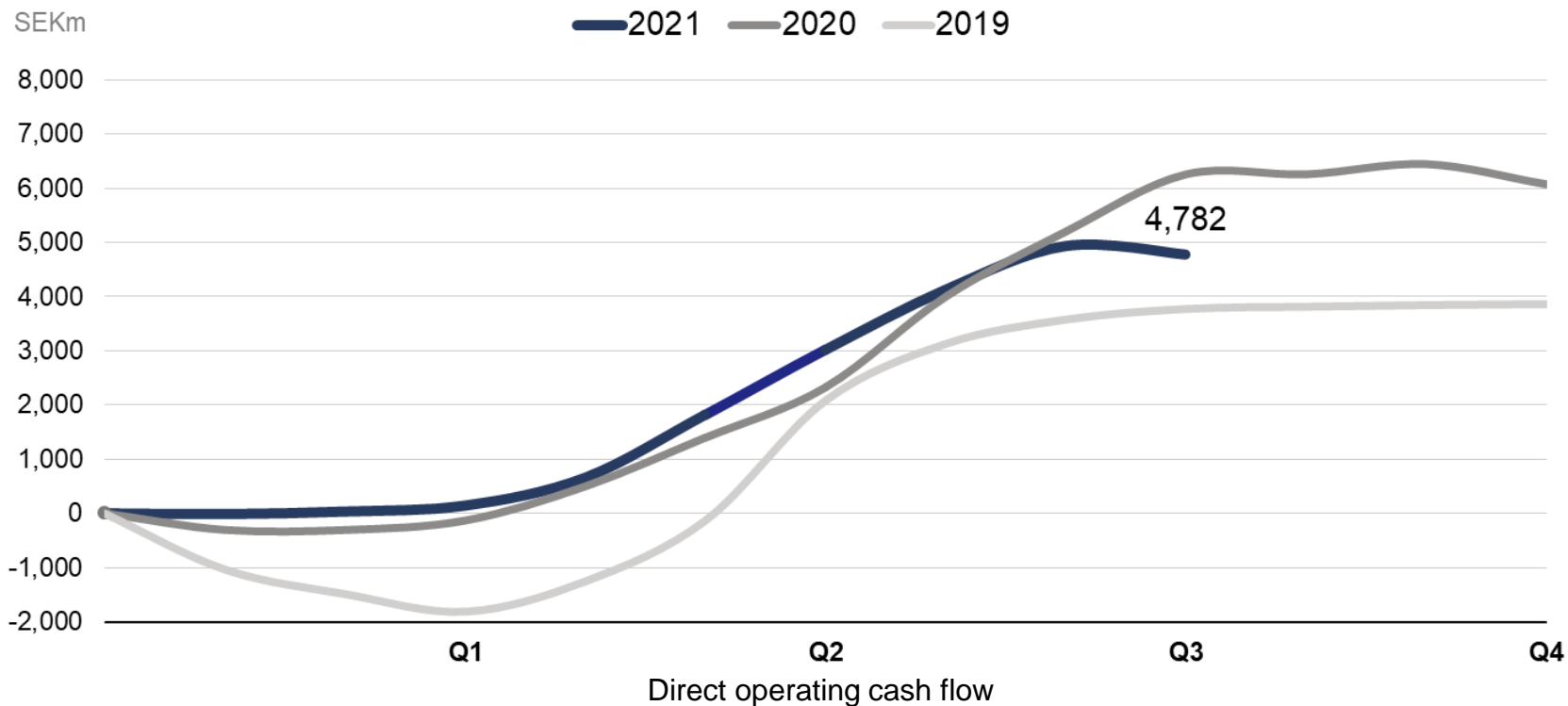
**~5.5%-6%**  
of net sales in CAPEX

# Acquisition of Orbit Irrigation

- Forming the global #1 in residential watering
- Enterprise value: USD 480m
- Operating margin slightly dilutive to Group
- Funded using existing cash and undrawn credit facilities



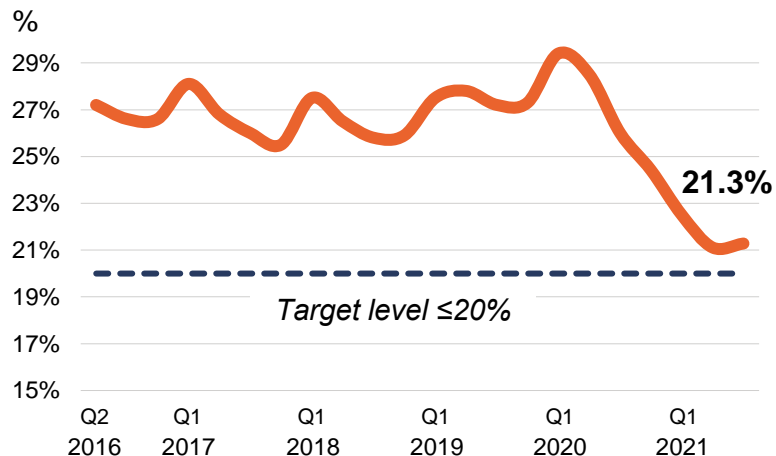
# Solid cash generation





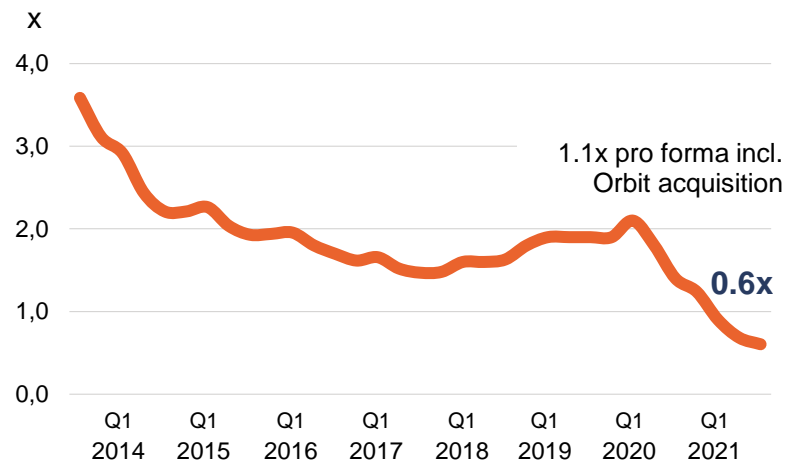
# Strong financial position

## Operating working capital / net sales (LTM)



- Continued inventory management
- Growth in net sales

## Net debt / EBITDA



- Strong cash generation
- Good headroom for M&A opportunities

# Capital allocation

## INVESTMENT FOR ORGANIC GROWTH:

Support growth strategy

Increased R&D and CAPEX



## FINANCIAL RESILIENCE:

Strong balance sheet & liquidity headroom

At least BBB rating



## SHAREHOLDERS RETURNS:

Sustainably grow dividend

≥40% of net income



## M&A:

Disciplined and selective

Complement organic growth strategy





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An aerial photograph of a lush green forest. A light-colored, circular path winds through the trees, forming a large loop. The path is surrounded by dense foliage in various shades of green. The text is overlaid on the image, with the main title in the top left and three bullet points in the center, each on a separate semi-transparent blue horizontal bar.

# Product exhibition focus

**Autonomous solutions - Robotics**

**Electrification – Pro battery**

**Smart sustainable watering**





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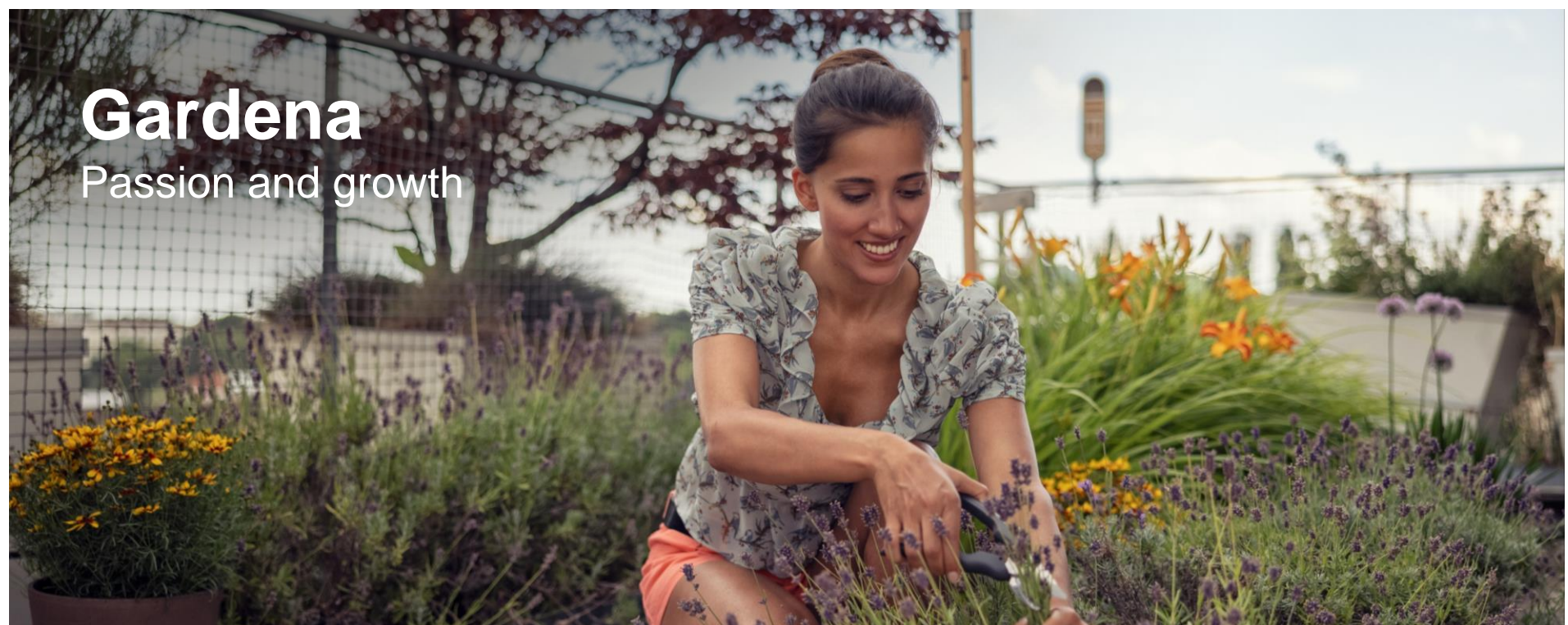


*Realise Your  
Gardening  
Dreams*



# Gardena

Passion and growth



SEK **70** bn  
Global market size

SEK **10.2** bn  
Net sales

**15.0%**  
Operating  
margin

**>100**  
Sales in countries

**13%\***  
sales CAGR  
since 2015

**3,600**  
Employees

*\* Excluding consumer brands business*



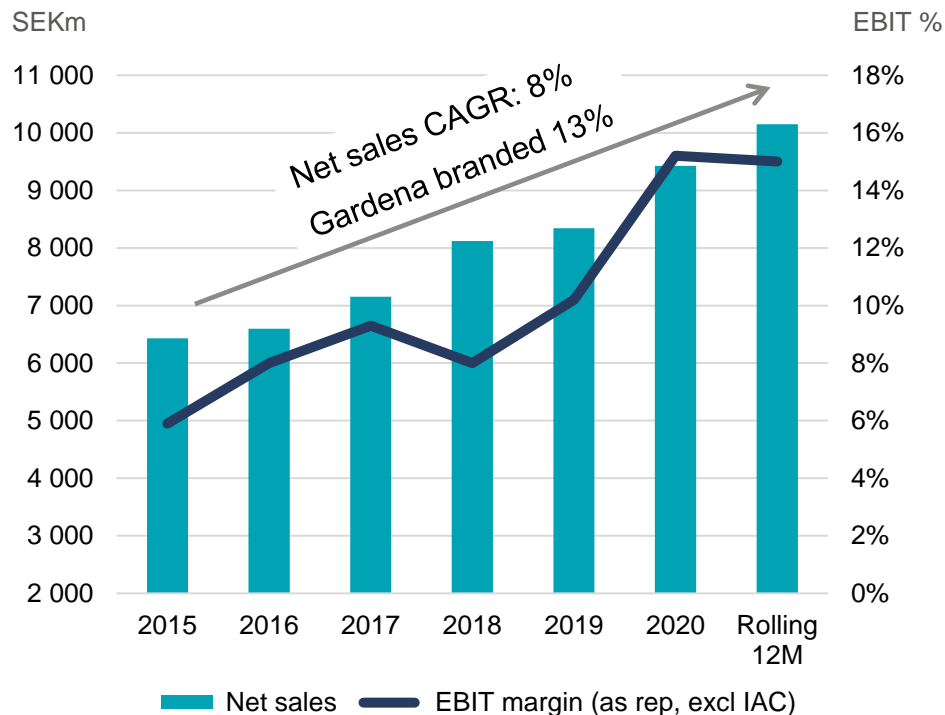
# Leading positions – A gardening super brand!

- Global #1 in residential watering
- Global #1 in smart watering
- Leadership positions in Handtools, Robotics, Electric Tools
- Proven omni-channel capability
- Pioneering sustainable gardening





# Strong growth and margin performance



## Growth levers:

- Innovation in core & new categories
- Focus markets growth
- Capitalizing on stay-at-home trend

## Profit levers:

- Value from mix - innovation & new products
- Cost control to leverage growth

# Sustainable value creation

Geographic  
expansion



Omni-channel  
experience




Innovation  
leadership




# Acquisition of Orbit Irrigation

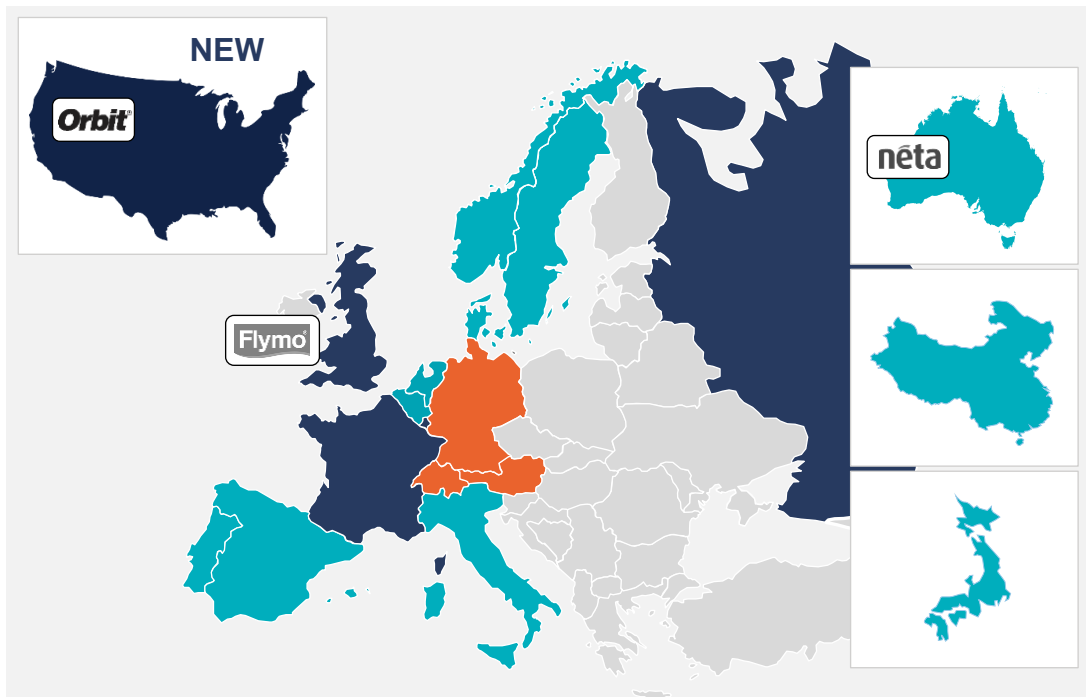
A strong stand-alone opportunity...

- 
- A residential watering leader in North America
  - The smart watering leader – B-hyve®
  - Strong go-to-market capability

... & accelerating Gardena's geo-expansion

- 
- Go-to-market capability for Gardena in US market
  - Expand with technology offering, robotics
  - Opportunity to build a premium offering in US

# A geographic growth journey



## Strategic Focus Markets for accelerated growth

- Superior market shares; fostering our #1 position
- Prioritize growth over profitability improvement
- 2-3x brand & marketing investments
- Accelerated online sales and marketing

Core markets

~35%

Strategic focus markets

~35%

Focus markets

~20%

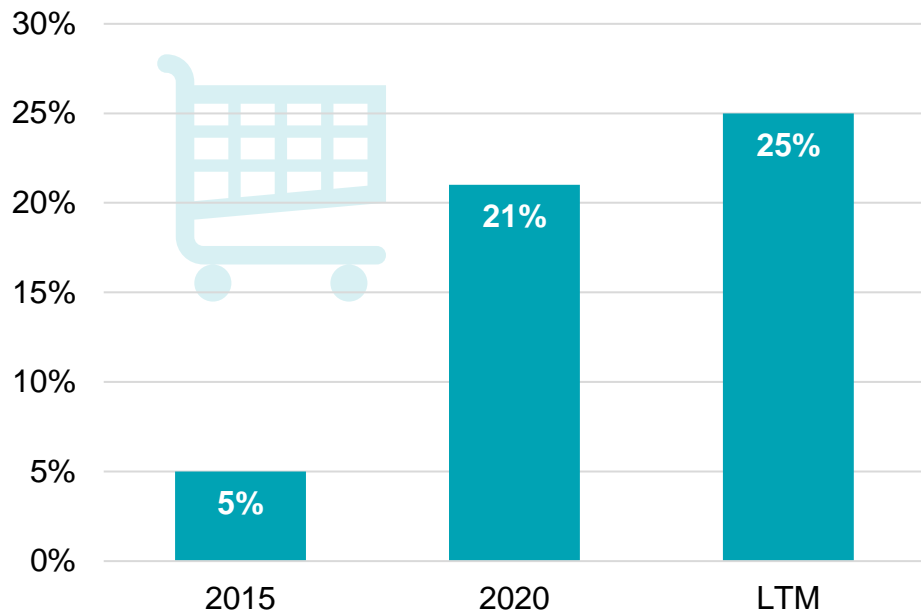
Other markets

~10%



# Omni-channel – meeting passionate gardeners where they are

## Gardena sales in the online channel



*Share of Gardena sales in the online channel including online shops of traditional DIY customers*

## Key capabilities established

- Market intelligence and data-driven mindset
- Center of excellence e-commerce
- Content for online shopper experience
- “E-commerce ready” product offering

# #1 in Smart Watering – key for sustainable gardening



**600k devices connected**

330m liters of water saved this season\*  
countless user interactions every day



**1.4m devices connected**

52bn liters of water saved this season\*

**Adding up to 2 million connected devices**



*\*Since June 2021, Gardena using the Adaptive Scheduling feature*

# Innovation – with focus on sustainability

28% of 2021 sales come from products launched within past 2 years

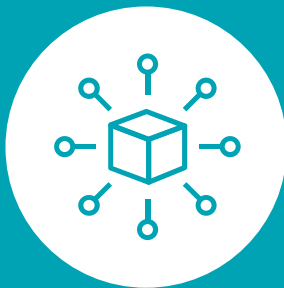


# Sustainable value creation

Geographic  
expansion



Omni-channel  
experience



Innovation  
leadership







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# Husqvarna Division

A global leader



SEK **150** bn  
Global market size

SEK **28.5** bn  
Net sales LTM

**13.1**%  
Operating margin  
LTM

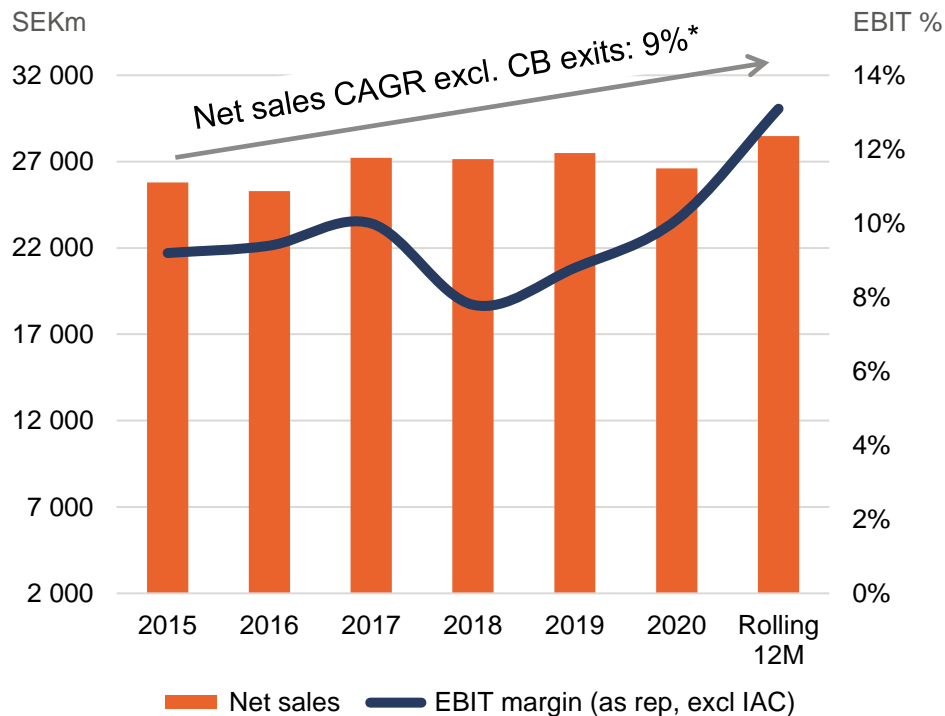
**>130**  
Sales in countries

**9%\***  
sales CAGR  
since 2015

**7,500**  
Employees

*\* Excluding consumer brands exited business*

# Good growth and margin performance



- Strong growth in prioritized categories
- Value from innovation, new products & mix
- Brand focus & customer centricity
- Consumer brands exits 2018-2020
- Recent benefit from stay-at-home trend

\*2% not adjusting for Consumer Brands exits

# Sustainable value creation

Continued market  
leadership in  
residential robotics



Expand Professional  
and transform Pro  
turf care



Drive  
electrification





## Residential robotics – expand the current SEK ~9 bn market

- Clear global market leader
- Large installed base – recurring revenues and repurchase opportunity
- Significant additional penetration and growth opportunities in established markets
- Targeted investments to build new markets – reach customer density



# Husqvarna smart lawn care – innovation focus

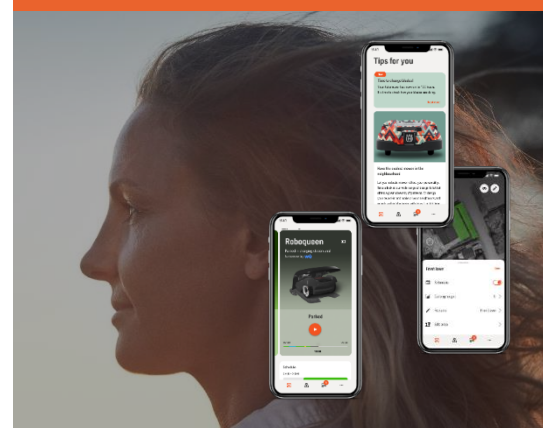
## A.I.M – Automower® Intelligent Mapping



## Improved boundary wire free experience



## New user experience in Automower® Connect



# Pro robotics – potential to create a SEK 100 bn Pro robotic market (assuming 100% penetration)

**Sports**



**Golf**



**Facility  
management**



**Landscapers**



# Transform professional turf care

**Sports**



**Golf**



**Facility  
management**



**Landscapers**



- Market leading offering
- Enhancing go-to-market
- Capability build and expanded business models
- Pro dealership development – installation, service and support



# Driving growth in our professional business

- Customer centered
- Innovative and pioneering product range
- Capitalize on service & aftermarket opportunity



## Strong growth and product line-up in battery powered solutions

- Driving the electrification in the industry – key sustainability driver
- Best-in-class applications
- Leading offering and strong product pipeline



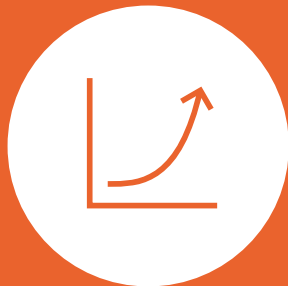


# A clear Go-to-Market strategy shift



# Sustainable value creation

Continued market  
leadership in  
residential robotics



Expand professional  
and transform pro  
turf care



Drive  
electrification







**Husqvarna  
Group**

[www.husqvarnagroup.com](http://www.husqvarnagroup.com)

# Construction

Shaping urban environments for tomorrow



SEK **45** bn  
Global market size

SEK **6.8** bn  
Net sales LTM

**12.1%**  
Operating  
margin LTM

**>100**  
Sales in countries

**10%**  
Sales CAGR  
Since 2015

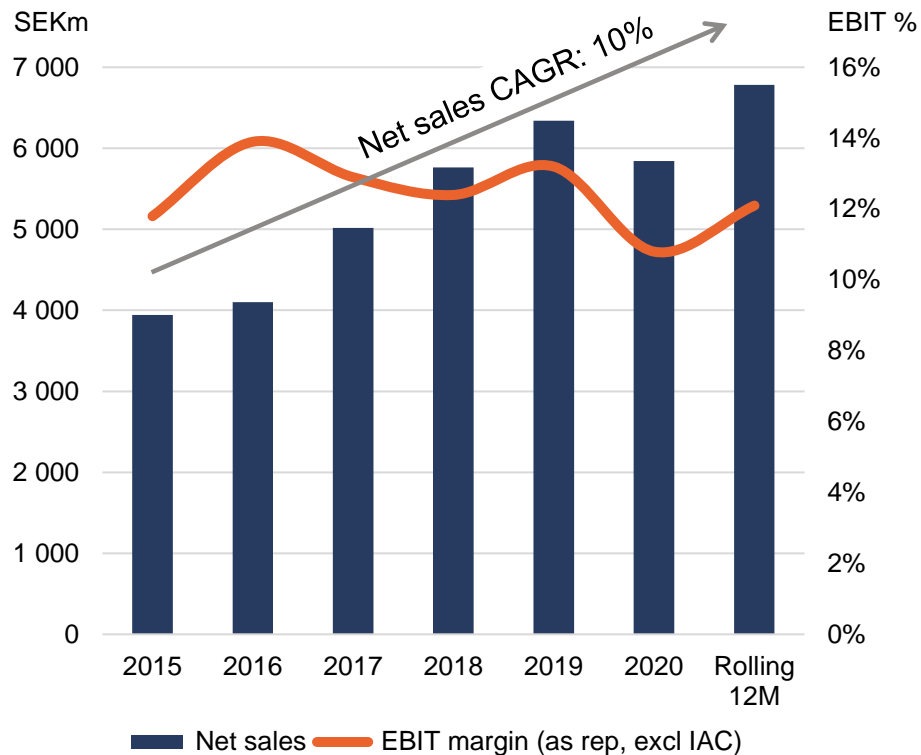
**2,700**  
Employees

# Leading position in attractive segments

- High performing premium sustainable solutions
- Innovation leader
- Strong customer focus
- Continuous growth, boosted by acquisitions and recurring revenues



# Strong sales growth



- Organic expansion in combination with ~50% of growth from acquisitions
- Operating margin dilution effect from acquisitions
- Ongoing synergy realization
- 2020 covid drop, recovery from Q3



# Our customers define who we are



Cutting, sawing and drilling contractors



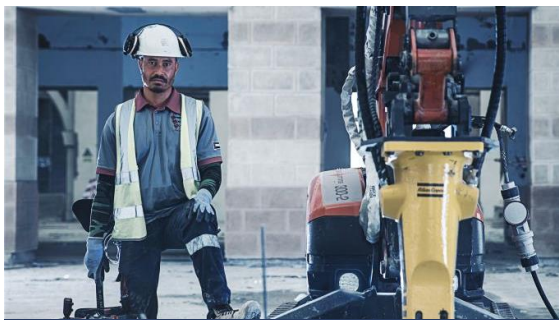
Tradespeople



Flooring contractors



Compaction, placing, and finishing contractors



Demolition / abatement contractors



Stone industry

# Sustainable value creation

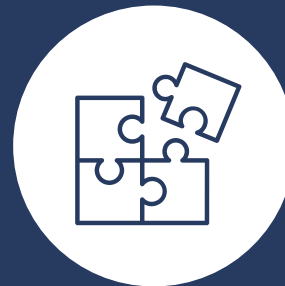
Grow services and  
solutions



Take the lead within  
electrification



Continued  
acquisition growth



# 45% recurring revenues with ambition to grow



# Driving electrification in our industry

- Current product range >40% electric
- Battery complements corded range
- Powerful battery ecosystems established
- Strong product pipeline with the ambition to be leader in battery



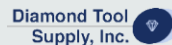


# Continued M&A growth with strong track record

2013 – 2020

8 successful integrations in  
a 7-year period

Realized synergies and  
integrated brands



Trowel



Compaction &  
Concrete placement



DIAMOND  
ELEVEN

FUTURE FOCUS:

Strengthen core in  
Concrete Sawing  
& Drilling

Further build  
Concrete Surfaces &  
Floors

Capture adjacent  
opportunities

# Acquisitions for Concrete surfaces & Floors built around customer needs

Light Compaction

**Atlas Copco**

2018



Placement & Troweling

**Atlas Copco**

2018



2019



**SOFF-CUT**  
INTERNATIONAL INC.

2007



**KING CONCEPTS**

2007



2008



Grinding & polishing

**Diamond Tool Supply, Inc.**

2016



2017



**BLASTRAC**

2021



Dust & slurry management

**KING CONCEPTS**

2007



**Pullman  
Ermator**

2017



2017



**BLASTRAC**

2021



# Shaping urban environments for tomorrow

High performing premium  
sustainable solutions



Innovation leader



Strong customer focus



Continuous growth,  
boosted by acquisitions  
and recurring revenues



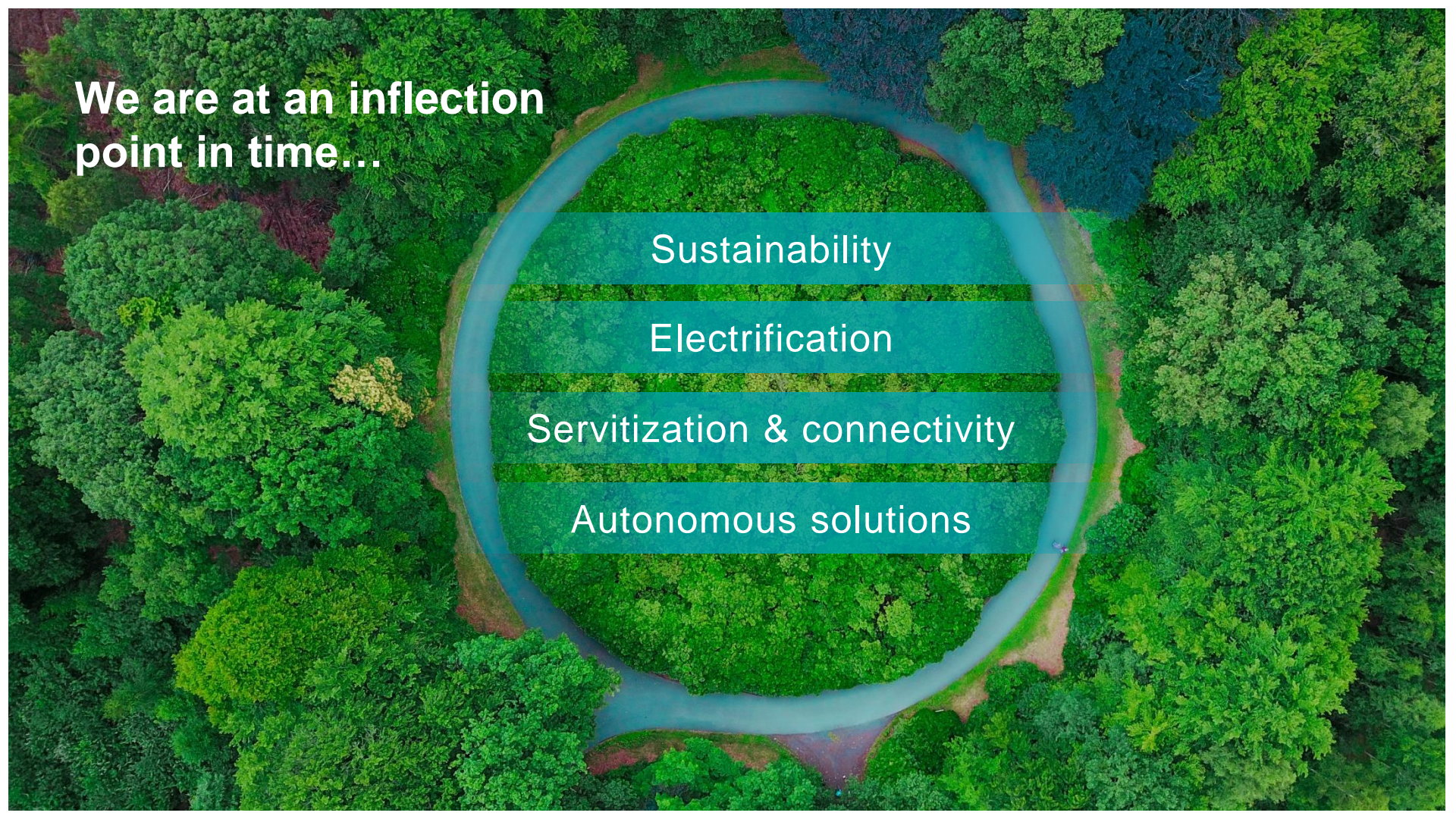




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An aerial photograph of a circular road winding through a dense green forest. The road is light gray and forms a nearly perfect circle. In the center of the circle, there is a small, irregularly shaped patch of forest. The surrounding forest is thick with various shades of green trees. The text "We are at an inflection point in time..." is in the top left. Four horizontal teal bars with white text are centered over the road: "Sustainability", "Electrification", "Servitization & connectivity", and "Autonomous solutions".

**We are at an inflection  
point in time...**

Sustainability

Electrification

Servitization & connectivity

Autonomous solutions



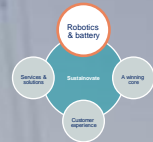


## Ambition #1

In 5 years, we aim to double  
our robotic mower sales

x2





## Ambition #2

In 5 years, we aim to have 2/3 of our motorized sales electrified\*

2/3

\*Defined as sales of electrical products as share of sales of total motorized products





### Ambition #3

Continued growth in our winning core driven by  
Husqvarna Professional, Gardena and Construction





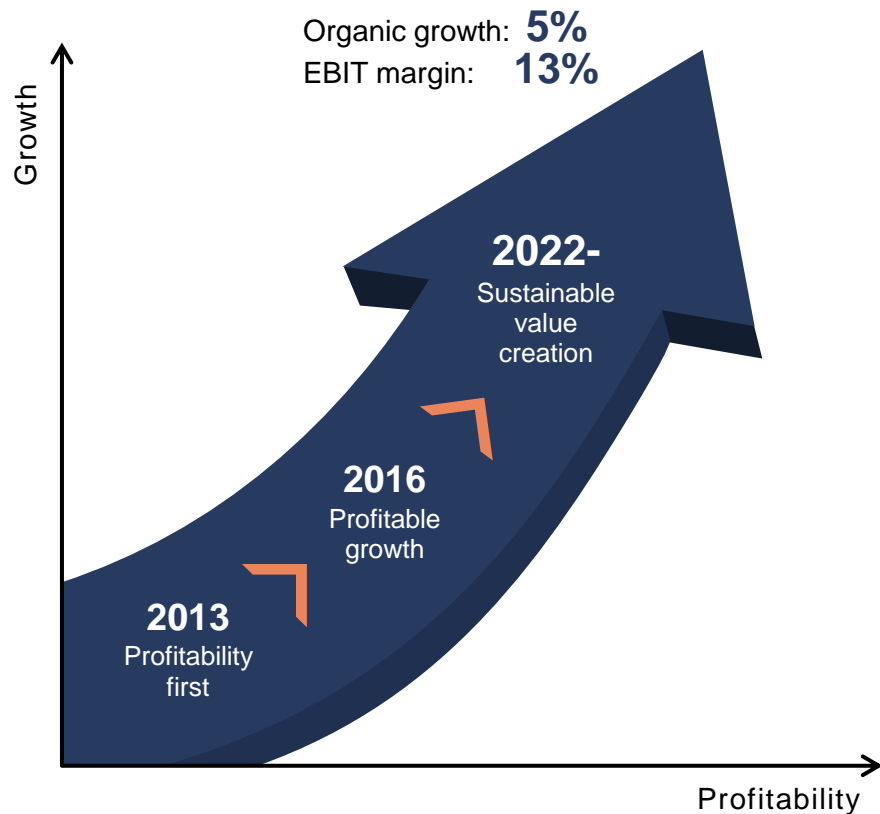


#### Ambition #4

In 5 years, we aim to double  
the number of connected devices.

x2

# Sustainable value creation



- Attractive markets
- Well positioned in high growth segments
- Clear value creation strategy with consistent execution
- We have built a stronger Husqvarna Group and will play a leading role in the industry transformation



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