



# Shaping GREAT experiences



Q2 2020 results presentation

July 16, 2020

Henric Andersson, CEO

Glen Instone, CFO

# Record operating profit in Q2



NET SALES  
**13,482m** (13,789)  
GROWTH\*  
**+3%**

- Demand accelerated quickly as markets gradually reopened
- High customer interest in lawn and garden care equipment



EBIT  
**2,191M** (2,125)  
MARGIN  
**16.3%** (15.4)

- Improved product mix
- Temporary cost avoidance and cost efficiencies



DIRECT OPERATING  
CASH FLOW (H1)  
**2,330m** (2,084)

- Good inventory management
- Strong financial position, net debt decreased by SEK 3.6bn



ROBOTICS AND BATTERY  
**16%** of group sales

- Strong offering with new models for the season

*\*Adjusted for exit of Consumer Brands business and changes in exchange rates.  
Roundings - all items are stated in SEKm and, accordingly, rounding differences can occur.*

# Strong portfolio with high performers and new introductions

Watering solutions



Watering Controls



Hoses / reels



Automower® 305



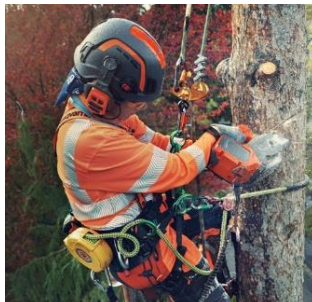
EPOS



Hand tools



AquaBloom



Pro battery



SmartGuard



Husqvarna AMC

# Husqvarna Division

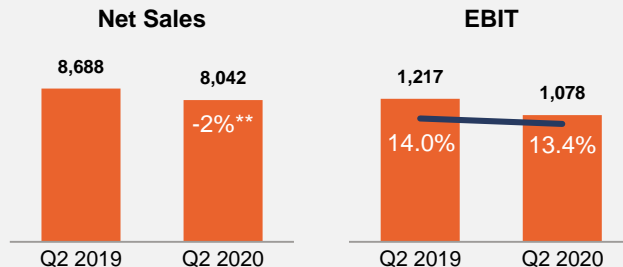
## Net sales decreased 2% in Q2, adjusted for exits and FX

- Demand accelerated as markets gradually reopened – strong growth in June
- Good performance in key categories
- Consumer Brands exits of SEK 550m

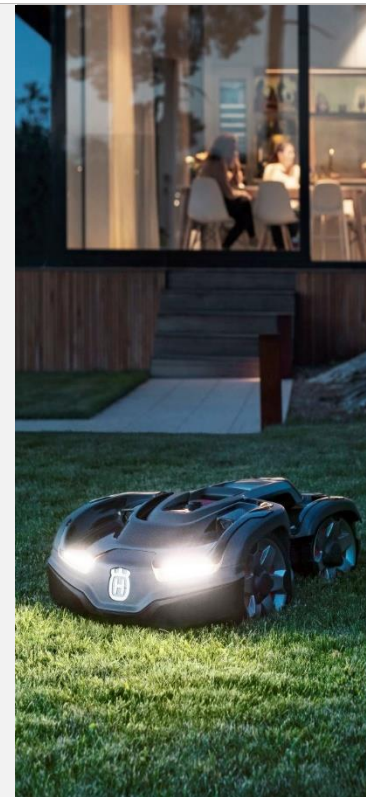
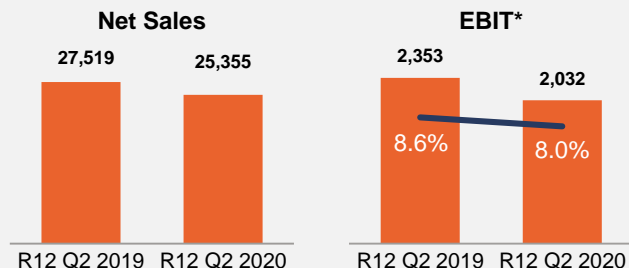
## Operating margin at 13.4% in Q2 and 8.0% for R12\*

- Decreased volumes and production rates – lower cost absorption in factories
- Temporary cost avoidance activities
- Currency impact of SEK -25m in Q2

### Q2 2020 (SEKm)



### Rolling 12-months (SEKm)



\* Excluding items affecting comparability

\*\* Net sales growth adjusted for exits and FX

# Record quarter for the Gardena Division – to some extent driven by Covid-19 stay at home trend

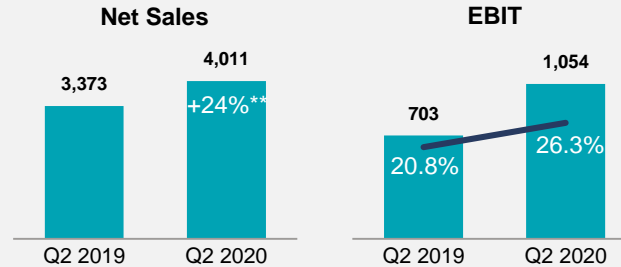
## Net sales increased by 24% in Q2, adjusted for exits and FX

- Strong growth as markets reopened
- Positive effect on consumers buying patterns related to impact of Covid-19
- Particularly strong growth in watering products and watering systems

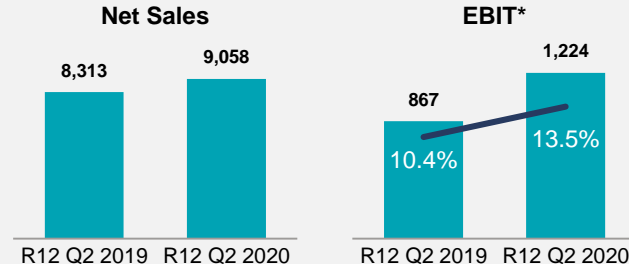
## Operating margin at 26.3% in Q2 and 13.5% R12

- Good leverage on volume growth
- Temporary cost avoidance activities
- Currency effect of SEK -40m in Q2

### Q2 2020 (SEKm)



### Rolling 12-months (SEKm)



\* Excluding items affecting comparability

\*\* Net sales growth adjusted for exits and FX

# Construction Division

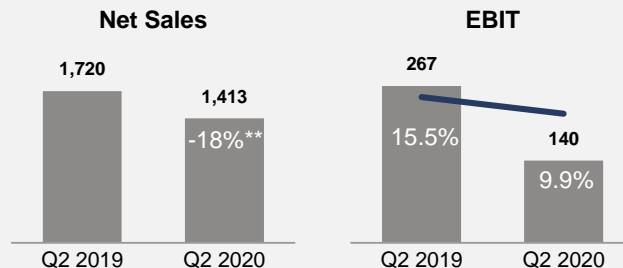
## Net sales decreased by 18% in Q2 adjusted for FX

- Clearly improved market situation in May and June compared to the start of the quarter
- Positive trend in all regions in line with reopening of markets

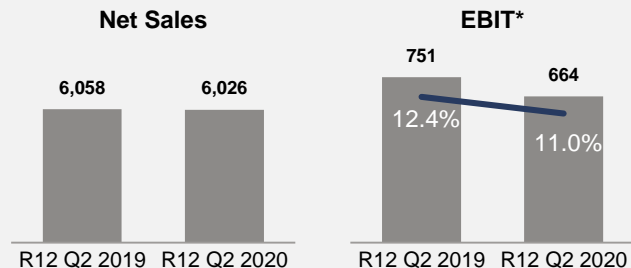
## Operating margin at 9.9% in Q2 and 11.0% R12

- Lowered volumes and manufacturing levels
- Solid execution of temporary cost reduction activities and lowered inventory levels
- Good product mix
- Currency effects of SEK -5m in Q2

### Q2 2020 (SEKm)



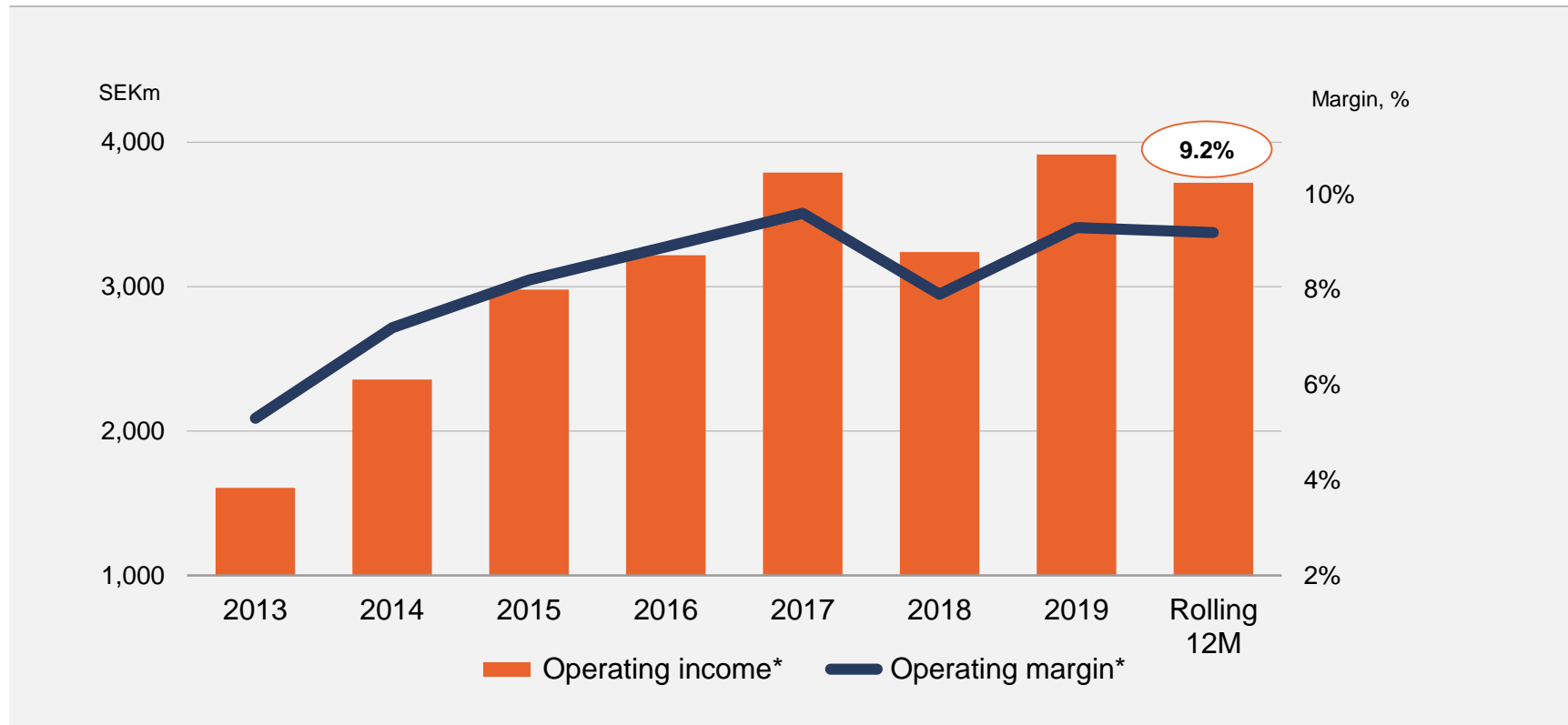
### Rolling 12-months (SEKm)



\* Excluding items affecting comparability

\*\* Net sales growth adjusted for FX

# Our profitability improvement trajectory



*\*Excluding items affecting comparability*

# Consolidated income statement

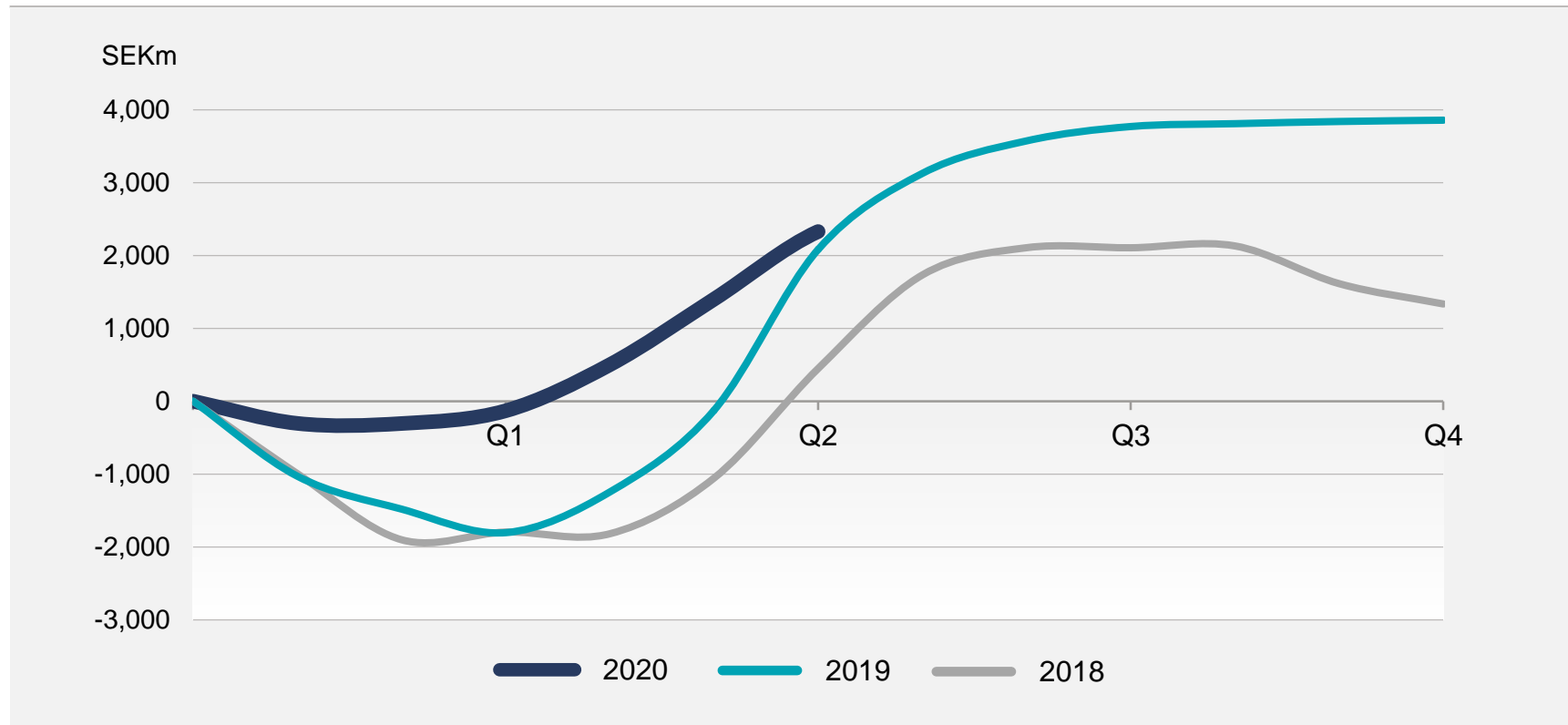
SEKm	Q2 2020	Q2 2019	Jan-June 2020	Jan-June 2019	Rolling 12 months
Net sales	13,482	13,789	25,690	27,440	40,526
Cost of goods sold	-8,863	-9,176	-17,264	-18,724	-28,288
<b>Gross income</b>	<b>4,619</b>	<b>4,613</b>	<b>8,426</b>	<b>8,716</b>	<b>12,238</b>
<b>Gross margin, %</b>	<b>34.3</b>	<b>33.5</b>	<b>32.8</b>	<b>31.8</b>	<b>30.2</b>
Selling expenses	-1,789	-1,952	-3,657	-3,861	-6,781
Administrative expenses	-640	-550	-1,167	-1,092	-2,126
Other operating income/expense	2	14	14	6	205
<b>Operating income*</b>	<b>2,191</b>	<b>2,125</b>	<b>3,616</b>	<b>3,811</b>	<b>3,719</b>
<b>Operating margin*, %</b>	<b>16.3</b>	<b>15.4</b>	<b>14.1</b>	<b>13.9</b>	<b>9.2</b>
Items affecting comparability	0	0	0	-42	-183
Financial items, net	-78	-153	-187	-313	-442
Income tax	-547	-466	-870	-810	-654
<b>Income for the period</b>	<b>1,567</b>	<b>1,506</b>	<b>2,559</b>	<b>2,646</b>	<b>2,441</b>
EPS, after dilution, SEK	2.74	2.63	4.47	4.62	4.27

\*Excluding items affecting comparability, note gross income is including items affecting comparability

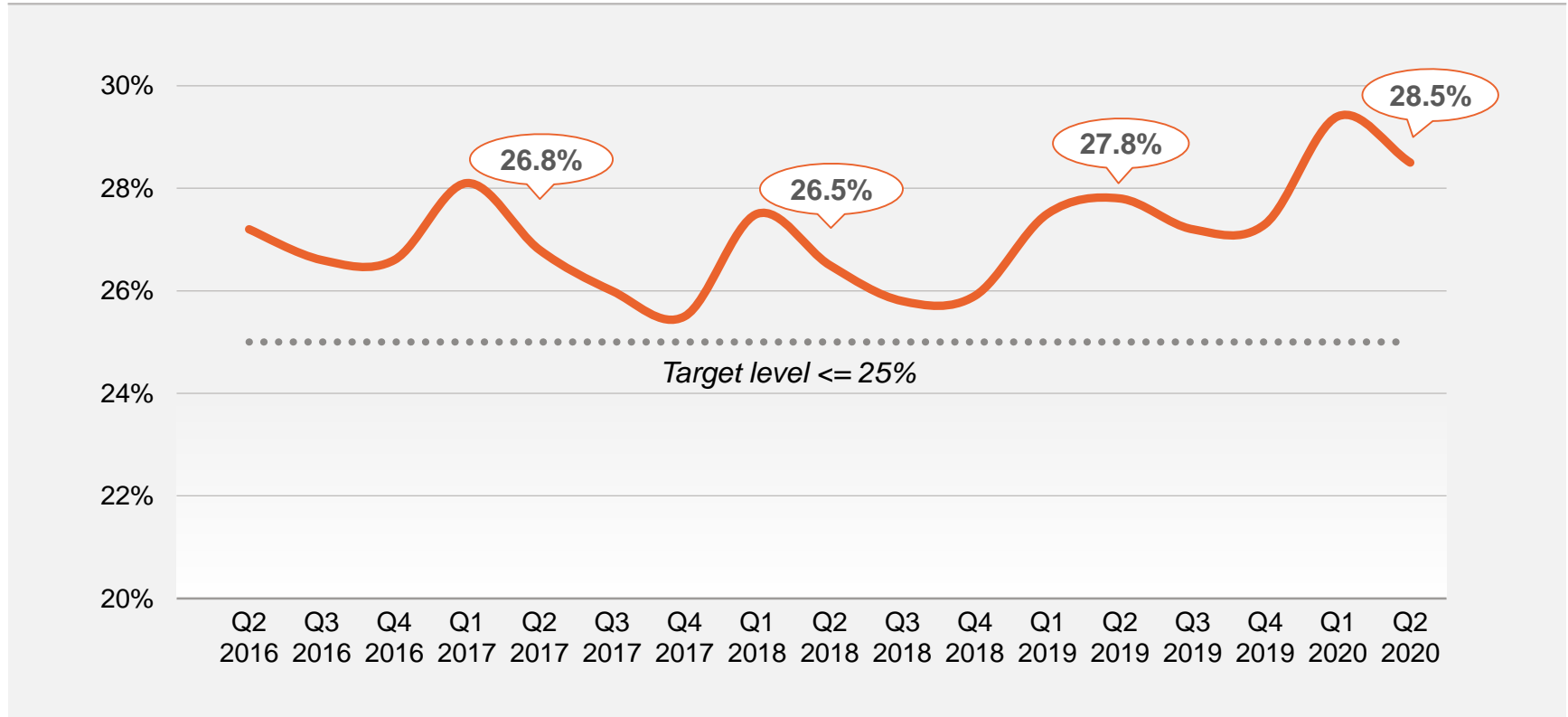
- Gross margin +0.8 ppts\* in Q2
  - Improved product mix notably Watering growth and Consumer Brands exits
  - Lower manufacturing volumes
  - Negative FX
- SG&A
  - Temporary cost avoidance
  - Efficiencies
- Operating margin at 16.3% (15.4)
- Reduced net financial items - lower interest rates and lower debt levels in USD
- EPS up 4% in Q2



# Strong direct operating cash flow



# Slowdown impacting our capital efficiency – but positive development in quarter

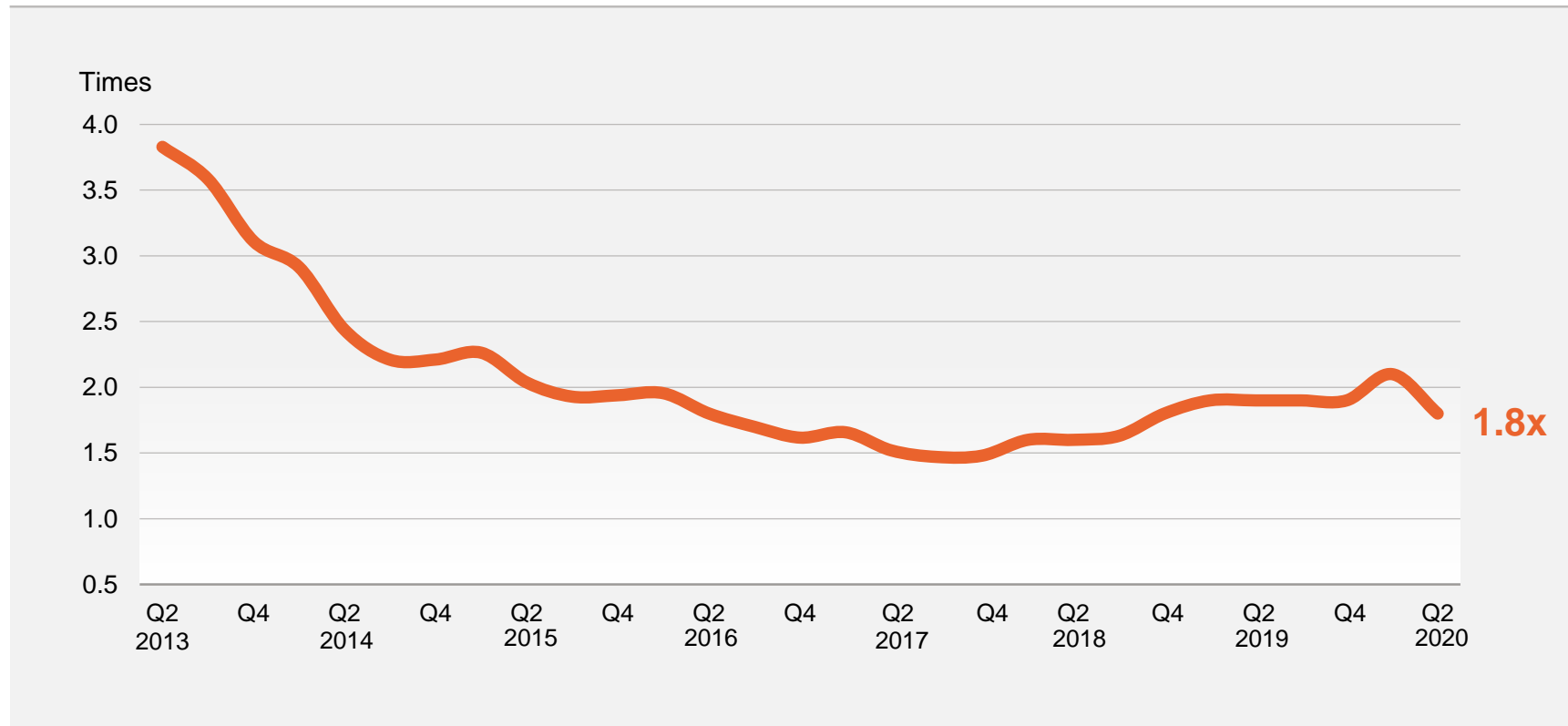


# Consolidated balance sheet

SEKm	June 30 2020	June 30 2019	December 31 2019
Non-current assets	23,392	23,025	23,739
Inventories	8,766	10,275	10,858
Trade receivables	7,293	6,754	3,620
Other current assets	1,641	2,088	1,853
Cash and short term investments	6,926	2,116	1,911
<b>Total assets</b>	<b>48,018</b>	<b>44,258</b>	<b>41,981</b>
Total equity	19,353	17,395	17,283
Borrowings	11,418	9,411	10,025
Lease liabilities	1,535	1,690	1,761
Provisions for pensions	2,914	2,391	2,622
Other provisions	3,213	3,045	2,927
Trade payables	4,407	4,805	4,099
Other current liabilities	5,179	5,521	3,264
<b>Total equity and liabilities</b>	<b>48,018</b>	<b>44,258</b>	<b>41,981</b>

- Lower inventory levels compared to last year. SEK ~1.5bn improvement.
- Receivables increased related to strong quarter end
- Net debt of SEK -7.7bn (-11.3)
  - Cash from operations +4.4bn, excl financial investments
  - Cash flow from financing -0.2bn
  - Currency effect +0.3bn
  - Dividend paid -0.9bn
- Solid cash and short term investments position of SEK 6,9bn. Undrawn RCF of SEK 5 bn.

# Net debt / EBITDA (based on average net debt)



Average net debt / rolling 12 months EBITDA, excl. items affecting comparability

# Effective COVID-19 strategy

- Health and safety of our employees and securing business continuity are our top priorities
- Temporary cost avoidance activities – gradual increase in paused strategic Initiatives for strong start in 2021
- Continuing to closely monitor and ready to act in the unfolding Covid-19 situation



Care for  
our  
people

Secure  
business  
continuity

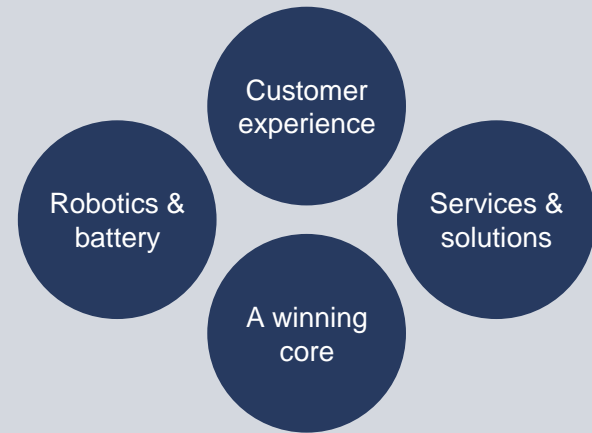
Contribute  
to society

# Strategy execution

- New business strategy is the base for long-term execution – certain areas will be sharpened
- Continuing of transformation activities and strategic initiatives



“Above industry growth and margins”



**Sustainovate**  
**Operational & Commercial**  
**excellence**

# Professional robotic lawn mowing

- Exploring robot as a service concepts for professional green space segment

- >150 pilot units in Sweden & Germany

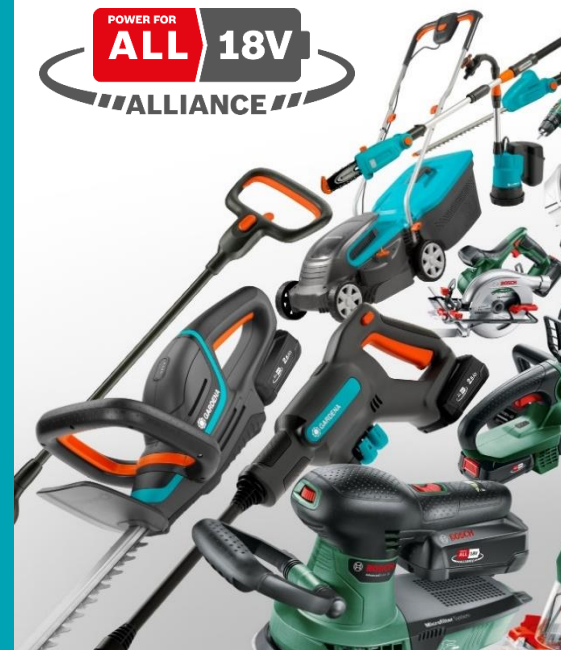
- EPOS – our new satellite-based solution allows for mowing with virtual boundaries

- >100 pilot units in core markets – SE, DE, FR & U.S.



# Co-founder of 18V consumer battery alliance

- One of the largest cross-brand battery alliances of leading manufacturers worldwide
- One battery across brands and devices all around the home
- 20 million compatible batteries already out in the market
- For season 2021, Gardena is converting its entire 18V range to the “Power for All” Alliance battery system



Important part of the Group's strategy for 18V consumer battery solutions



# New sustainability targets – Sustainovate 2025

- Joined the Business Ambition for 1.5°C
- Updated Carbon target approved by Science Based Targets Initiative
- Sustainovate Open



CARBON

CIRCULAR

PEOPLE

Reduce CO2 emissions by – 35% across our value chain

Launch 50 new circular innovations

Empower 5 million customers and colleagues to make sustainable choices

# Key management changes

## Karin Falk

President Construction  
Division, part of Group  
Management Team



## Robert McCutcheon

President of  
North American  
Husqvarna Division



# Husqvarna Group – summary

## A record quarter

- Demand accelerated quickly when markets gradually reopened
- High customer interest in lawn and garden care equipment
- Good effects from temporary cost avoidance activities
- Demand continued to stay strong at the start of Q3, although we have passed the peak in the lawn & garden season

## Effective Covid-19 strategy

- Health and safety of our employees is our priority
- Manufacturing and warehouse sites in operation
- Strong cash flow and financial position

## Execution of strategy

- Gradually increase of strategic initiatives in second half
- Updated business strategy from 2019 is the base for long-term execution, with sharpened components





**Husqvarna**  
**Group**