

**EKORNES®**

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THE INNOVATORS OF COMFORT™



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# Poised for the next step

Capital markets update | 9 June 2017

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# Agenda

08:00 – 08:30

*Registration*

08:30 – 08:50

The Ekornes® Group and our brands

08:50 – 09:30

Stressless® – the innovators of comfort™

*Break*

09:45 – 10:30

IMG – a growth story about comfortable quality furniture

10:30 – 11:00

Group financials – near-term development and long-term ambitions

11:00 – 11:30

Summary and Q&A

# The Ekornes® Group

## Group company

**EKORNES®**

HQ Sykkylven, Norway  
2016 revenue of NOK 3.1bn  
2016 EBIT margin of 14.1%  
~ 2 100 employees

Three brands operated independently –  
separate sales, distribution and supply chains



**IMG**  
N O R W A Y



Stressless® – a brand known by 85 million people globally  
IMG – a discovered brand internationally  
Svane® – a Northern European mattress and beds brand

## Combined group sales & supply chain footprint



Sales in 43 countries  
18 sales offices in 11 countries  
More than 4 000 sales outlets

9 production units  
in 4 countries  
Multiple warehouses  
and 3<sup>rd</sup> party logistics  
partners

# Our brands and customer offerings



THE INNOVATORS OF COMFORT™



Comfortable, premium quality chairs, sofas and other categories



Comfortable, quality chairs



Comfortable, quality beds & mattresses



Stressless® known by 85 million people around the world

IMG and Svane® with foothold in select regions/markets

Sales in 43 countries | 18 sales offices in 11 countries

> 4 000 sales points

## Group brands, sales and distribution footprint



## Group supply chain footprint

# Group history and development



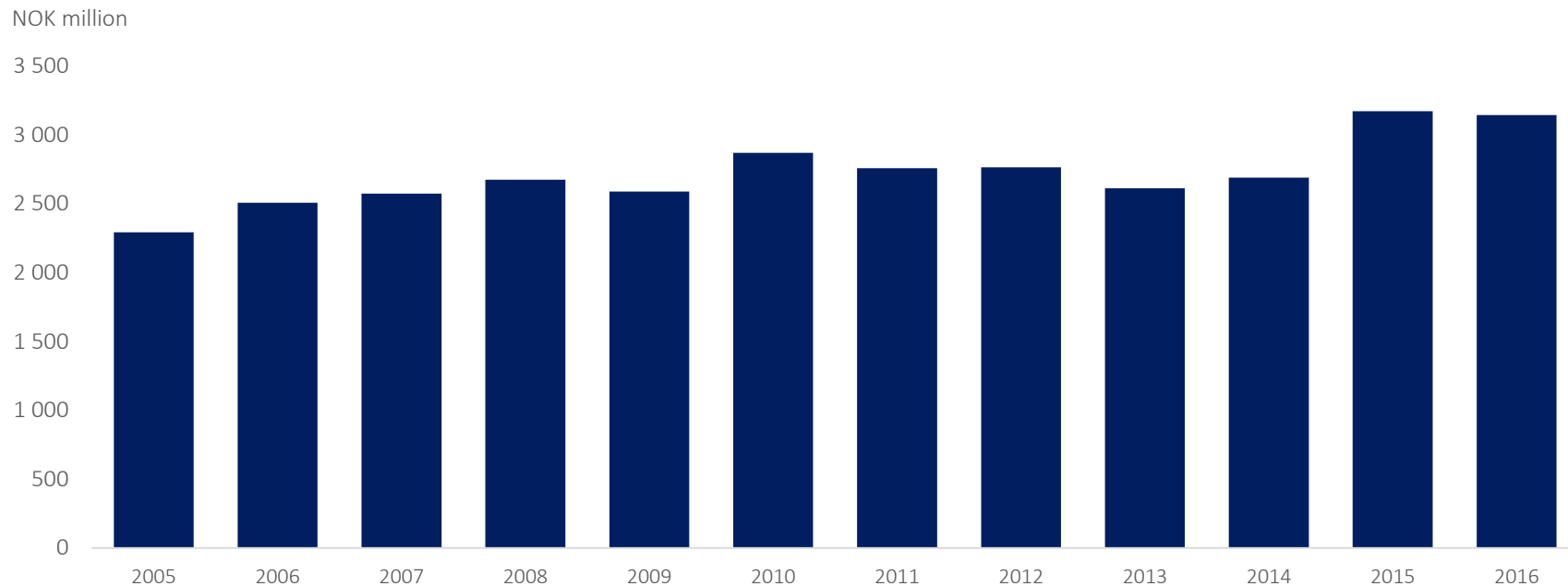




## Strategy pursued

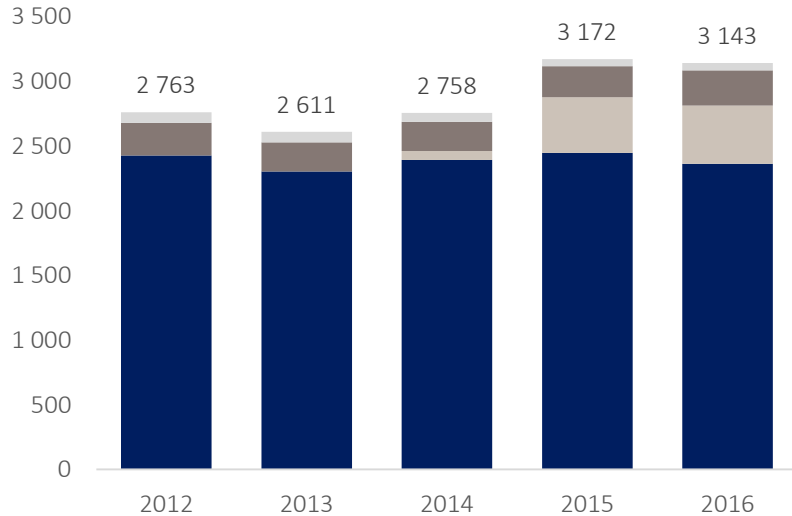
- Be a leading furniture manufacturer in Europe, reputed to deliver quality at every stage
- Build well-known brands, famous for quality and comfort
- Stressless® to be the worldwide best-known furniture brand
- IMG to be a discovered brand internationally

# Group revenue development



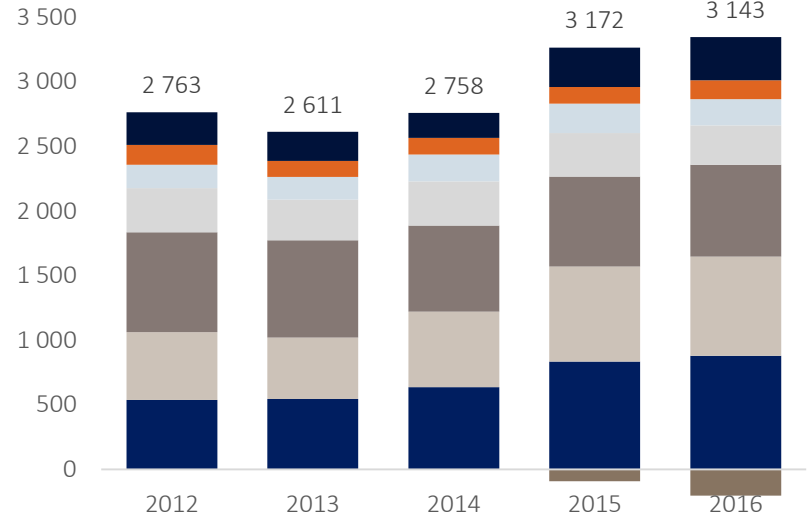
# Group revenue composition

NOK million



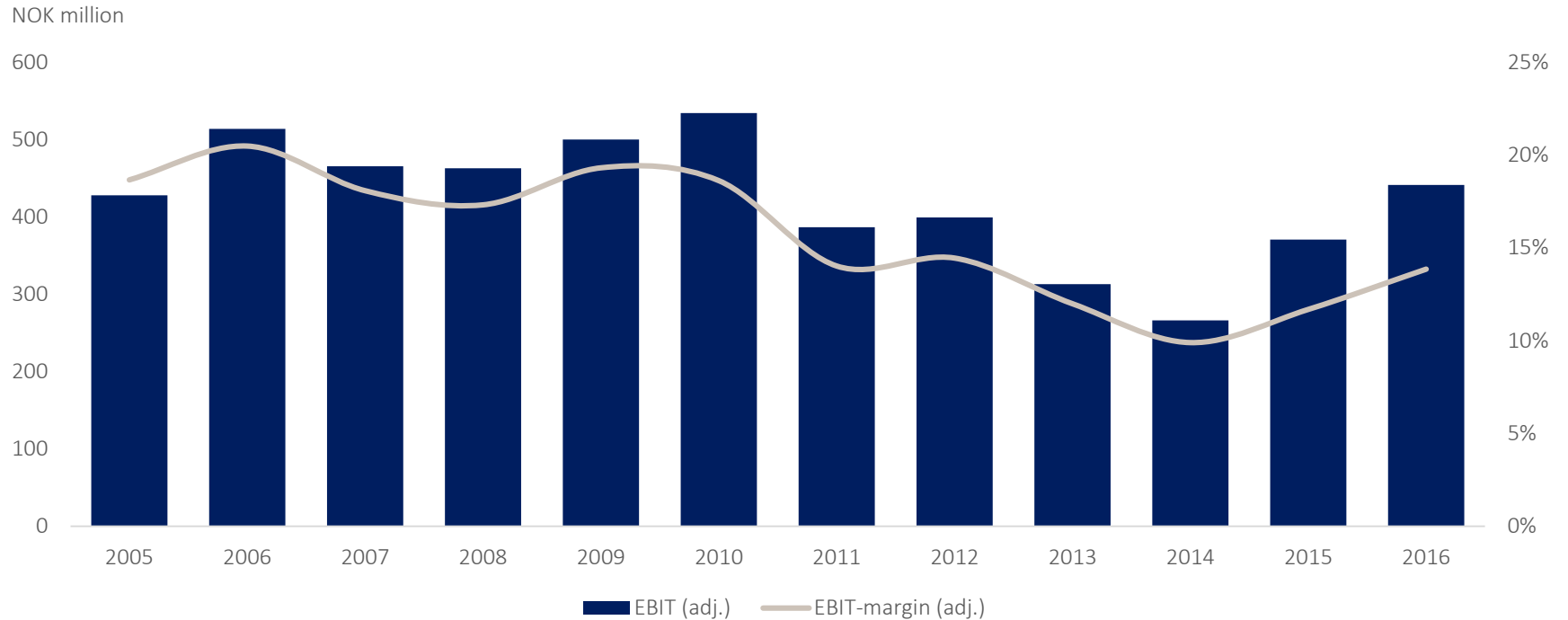
■ Stressless® ■ IMG ■ Svane® ■ Contract

NOK million



■ North America ■ Nordics  
 ■ Central Europe ■ Southern Europe  
 ■ UK/Ireland ■ Japan  
 ■ Other markets ■ Realisation forward contracts

# Group profitability development



# Long-term ambitions and near-term priorities



Annual revenue growth of 3%–5%

- Strengthen Stressless® customer offering to grow revenue
- Double IMG revenue next 5 years

- Product development and innovation
- Sales organisation development
- Distribution development
- Supply chain development
- Cost efficiency



EBIT margin of 16%–18%

- Exploit operational leverage by growing revenue and volume
- Ensure cost efficiency

- Relentless cost focus
- Production and logistics optimisation
- Vertical integration

Our two largest brands:  
Stressless® and IMG



THE INNOVATORS OF COMFORT™



THE INNOVATORS OF COMFORT™

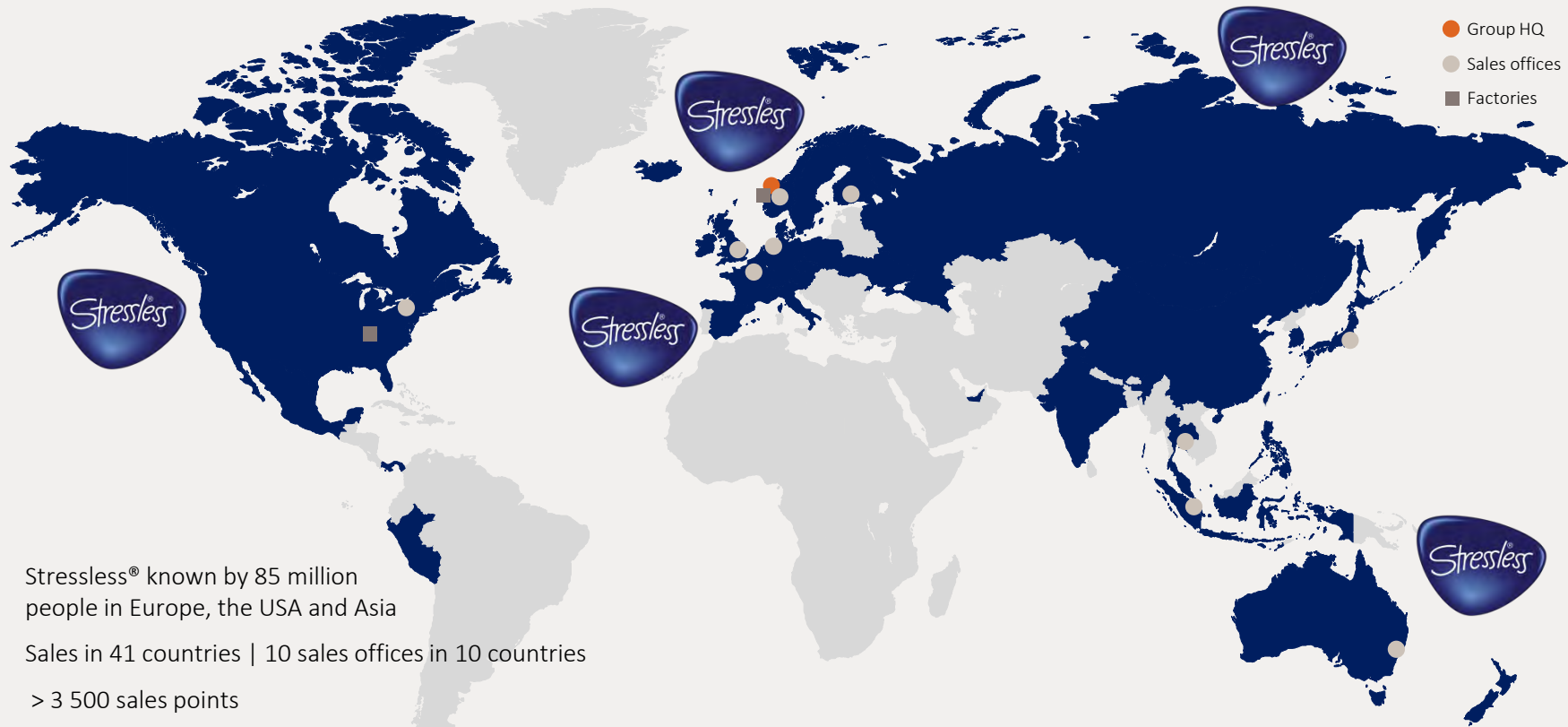
## Stressless® customer offering

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- Comfortable, premium quality furniture
- Recliners, sofas and other categories

**EKORNES®**





Stressless® known by 85 million people in Europe, the USA and Asia

Sales in 41 countries | 10 sales offices in 10 countries

> 3 500 sales points

The Stressless® brand is known by 85 million people

# Stressless<sup>®</sup> – ambitions and priorities



Growth

- Product development and innovation
- Supply chain development
- Cost efficiency



Profitability

- Relentless cost focus
- Production and logistics optimisation

# Stressless® in North America

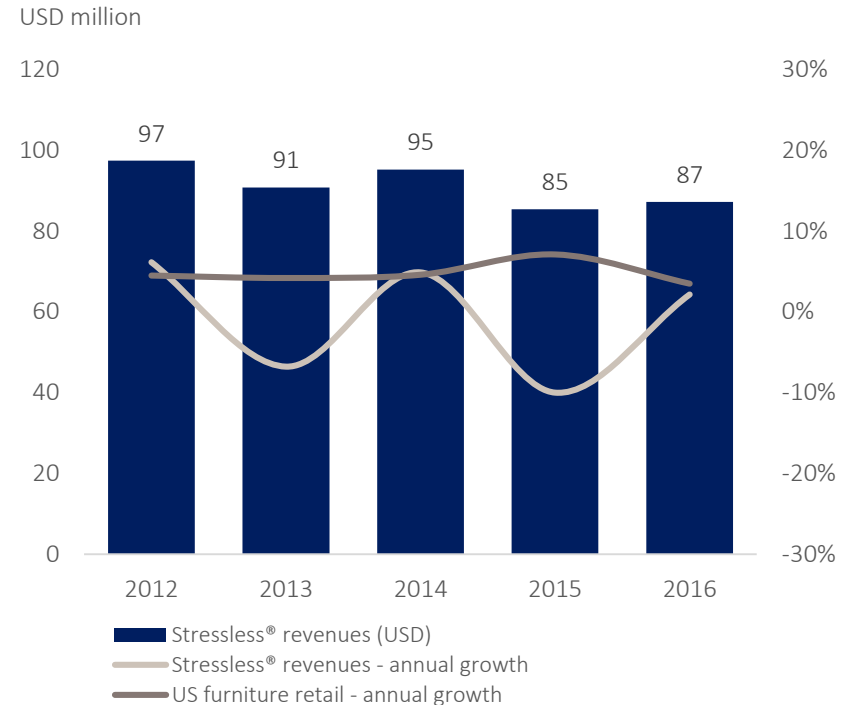


More than **10 million\*** Americans know the Stressless® brand today

- North America is the largest regional Stressless® market, driven by the US
- Sales in all US states, Canada and Mexico
- 412 retailers and retail chains offer Stressless® products to customers through 681 sales points

# The North American market

- The furniture market in the US still in the late stages of recovery
  - Within 2% of the peak in 2006
- Furniture retail sales still in positive territory in 2016; 3.5% increase
  - Q1 '17 up 2.7% yoy



Source: Bloomberg, company data

# Competitive landscape North America

- Broad range of players in the upholstery segment offering Motion Sofas and Recliners
- Stressless® recovered quickly from the recessionary drop



- Increasing competition from Lifestyle segment

Crate&Barrel



WILLIAMS  
SONOMA

- E-commerce and online sales gaining momentum
- Disruptive changes to distribution pave the way for new players

wayfair

amazon

overstock.com

# Stressless® outlook North America

## Trends

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- E-commerce
  - Double digit online growth within furniture
  - New players entering the industry – Amazon
- Distribution
  - Strong growth within Lifestyle segment – Ikea, Williams Sonoma
  - The independent furniture retailer is under more pressure now than ever before
- The motion market increasingly motorised
  - Widely adopted also by lower-end producers
- Changing demographics
  - Millennials emerging as the primary furniture buying household in the USA
  - 142% increase in USD spent from 2012–2014
  - Accounts for 37% of all furniture bought in 2015

## Stressless® priorities

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- Develop customer offering in accordance with customer demand
  - Continued development of collection, to build a niche in the primary US distribution
  - Development of a high quality motorised collection
- Improve customer access
  - Increase penetration with current distributors
  - Add new distributors across the spectrum

# Stressless® in Central Europe



More than **45 million\*** people  
in **Central Europe** know  
the Stressless® brand today

- Central Europe is the second largest regional Stressless® market, mainly driven by Germany
- Sales include Germany, Austria, Switzerland, the Netherlands, Poland, Slovenia and Luxembourg
- Stressless® products are offered to customers through 588 sales points

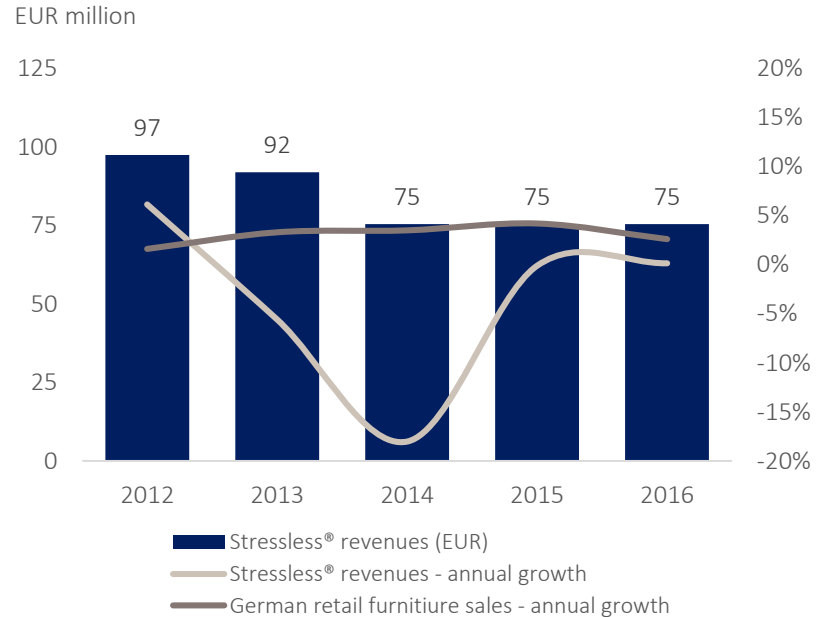
# The Central European market

## German furniture market (YoY change)



Source: Upholstery Germany / Branchenfokus Möbel 2017

## Stressless® revenues & German retail sales



Source: Bloomberg, company data



# Competitive landscape Central Europe



*Sitting Vision*

The logo for Sitting Vision is written in a black, elegant cursive script.

HJORT  
KNUDSEN  
DANISH DESIGN

The logo for HJORT KNUDSEN features the brand name 'HJORT KNUDSEN' in a bold, uppercase sans-serif font, with 'DANISH DESIGN' written in a smaller, uppercase sans-serif font below it.

KOINOR

The logo for KOINOR features the brand name 'KOINOR' in a bold, uppercase sans-serif font, enclosed within a dark grey rectangular border.

# Stressless® outlook Central Europe

## Trends

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- Upholstery market is increasingly motorised
- Online is the fastest growing channel in the furniture trade
- Retailer margin pressure

## Stressless® priorities

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- Increase sales in existing network
- Product innovation
  - Contemporary style
  - Motorisation
- Address channel margins
  - Pricing
  - Retailer margin adjustment

# Stressless® in the Nordics

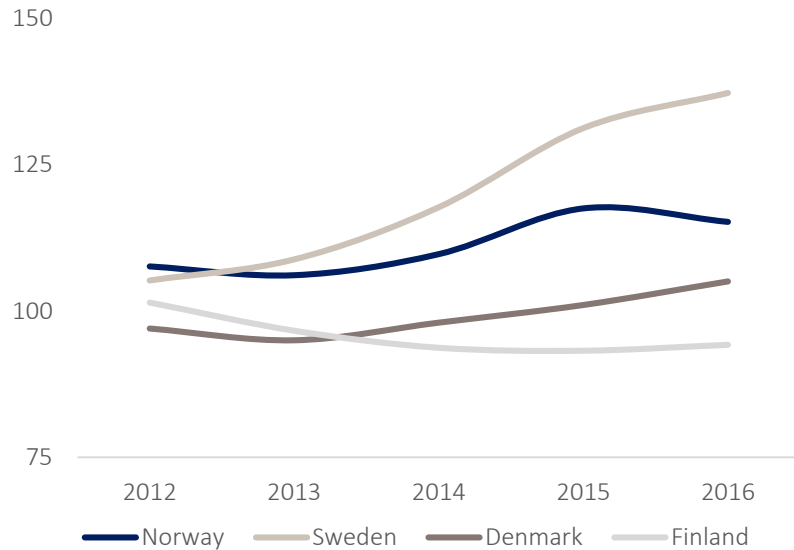


More than **9 million\*** people  
in the Nordics currently know  
the Stressless® brand

- The Nordics is the third largest regional Stressless® market, mainly driven by Norway
- Sales in Norway, Denmark, Sweden, Finland, Iceland and the Faroe Islands
- Stressless® products are offered to customers through 433 sales points

# The Nordic furniture market

## Furniture retail index



## Stressless® revenues



Source: Bloomberg, Statistics Norway, Statistics Finland

# Competitive landscape in the Nordics

Hjellegjerde®

pohjanmaan™  
Inspired by Pohjanmaa

HJORT  
KNUDSEN  
DANISH DESIGN

NATUZZI<sup>ITALIA</sup>

BERG Furniture  
comfort in design

CONFORM®

ELANO®










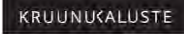












BRUNSTAD

KEBE  
lifestyle furniture



furninova

# The Nordic markets' characteristics

	Norway	Sweden	Denmark	Finland
Market growth	Flat	Strong	Low	Flat
Stressless® distribution	Selected independent retailers			
	 	 	 	 <b>ISKU</b> 
Dominating players overall	   	  	Bolia.com  	  <b>ISKU</b> 

# Stressless® outlook in the Nordics

## Trends

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- Significant increase in recliners with integrated, motorised features
- Independent retailers declining, larger chains gaining momentum
- Stores remain important for sales
- Online gaining momentum driven by demographic change and smaller goods and low-priced furniture

## Stressless® priorities

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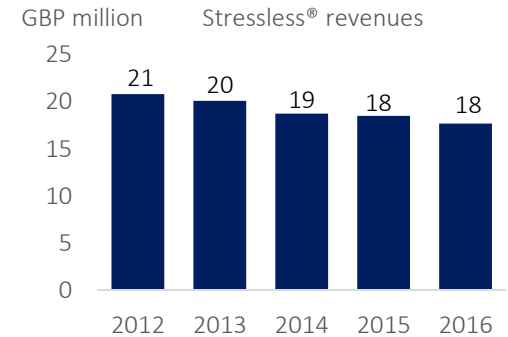
- Secure and develop strong retail network
- Accelerate innovation, developing products with relevant features
- Capitalise on strong Stressless® brand awareness

# Stressless® in the UK and Ireland



More than **3 million people**  
in the **UK** currently know  
the Stressless® brand\*

- Stressless® products are offered to customers through 193 sales points





# Stressless® outlook in the UK & Ireland

## Trends

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- Margin pressure
  - Mature market, where retailers use brands to drive footfall
- Weak GBP
  - Forces suppliers and retailers to increase prices, while inflation is equal to wage growth
- Consolidation
  - Multiples and chains increase market share, at the expense of independents
- Growth in online/omni-channel
  - The suppliers/retailers who are currently gaining market share, are those with a compelling offer both physically and online

## Stressless® priorities

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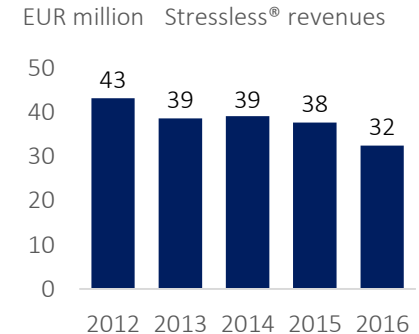
- Distribution – cornerstones of the Stressless® strategy are to expand in terms of number of outlets and spread of channels
  - With ‘independents’ losing market share, diversification is a key objective
- Retailer relations
- Marketing
  - Moving increasingly to digital activities
- Maintain brand awareness above 30% in target group
  - Of the four UK furniture brands recording stronger brand awareness, three are UK businesses

# Stressless® in Southern Europe



More than 23 million\* people in Southern Europe currently know the Stressless® brand

- Sales in France, Belgium, Spain, Italy and Andorra
- Stressless® products are offered to customers through 694 sales points



# Stressless® outlook Southern Europe

## Trends

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- Negative trend
  - Overall furniture market in decline in recent years
- Margin pressure
  - Mature market, with discounts as main driver of sales
  - Furniture stores rebuild margins with new products, using brand products to catch consumer attention
- Consolidation
  - Large-scale furniture distribution represents >50%
  - Large chains increase their market shares
- Motorisation

## Stressless® priorities

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- Innovations
  - Bring relevant products to market
- Utilise strong brand awareness
- Revitalise and strengthen a loyal dealer network



# Ensuring a leading customer offering

- Strengthen core products: Chairs and sofas
- Enter new categories where Stressless® is competitive
  - Comfort, quality, brand, distribution and supply chain power
- Develop physical products, and innovate
  - Design, functionality, quality
- Continued Stressless® brand building
- Digitisation of the customer journey
  - Personalising the offering, and building loyalty

# Product development and innovation

Ambition	Expand into new product categories	Develop existing and new products and continue to offer innovative solutions	Continue brand building efforts to strengthen awareness	Improve the total customer offering
<b>Today's situation</b>	<ul style="list-style-type: none"> <li>• Chairs</li> <li>• Sofas</li> <li>• Other products</li> </ul>	<ul style="list-style-type: none"> <li>• Stressless® needs products in the modern design category, in addition to the traditional design category</li> </ul>	<ul style="list-style-type: none"> <li>• Products brand: Stressless®</li> <li>• Corporate brand Ekornes® endorses product brand</li> <li>• Brand extension Stressless® YOU has not yielded sales as expected</li> </ul>	<ul style="list-style-type: none"> <li>• Strong focus on surrounding elements as perceived by retailer and consumer</li> <li>• Marketing communication</li> <li>• Studio development</li> <li>• Digital channels development</li> </ul>
<b>Future development and innovation</b>	<ul style="list-style-type: none"> <li>• Build on comfortable, quality brand perception and move into new categories</li> </ul>	<ul style="list-style-type: none"> <li>• Product development like motorisation of chairs</li> <li>• Product innovation like Signature and Balance adapt™</li> <li>• Digitisation of the customer journey</li> </ul>	<ul style="list-style-type: none"> <li>• Joint investment in brand building activities together with retailer partners</li> <li>• Digitisation of the customer journey to increase relevance, build loyalty, and enhance brand</li> </ul>	<ul style="list-style-type: none"> <li>• Customer preferences, innovation and product development cycles (time-to-market)</li> <li>• Omnichannel preparedness</li> <li>• Sustainability</li> </ul>

# Product development example: Stressless® View



**BalanceAdapt™**



**Signature base**

# Stressless® moving into the dining category

## The market opportunity

- Significant market potential
  - Some 10% of the total EU furniture market
  - Some 12% of the total US furniture market
- Comfort features, mainly through
  - Foaming & textiles
  - Construction & design
- Stressless® features
  - Brand value
  - Comfort compatibility
- Synergies to current Stressless® activities
  - Production
  - Distribution
  - Customers



## Stressless® market plan

- Product development 2016–2017
- Market rollout 2017–2018
- Expected to grow revenue from 2018

# New potential Stressless® categories

## Motorisation

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## Modern

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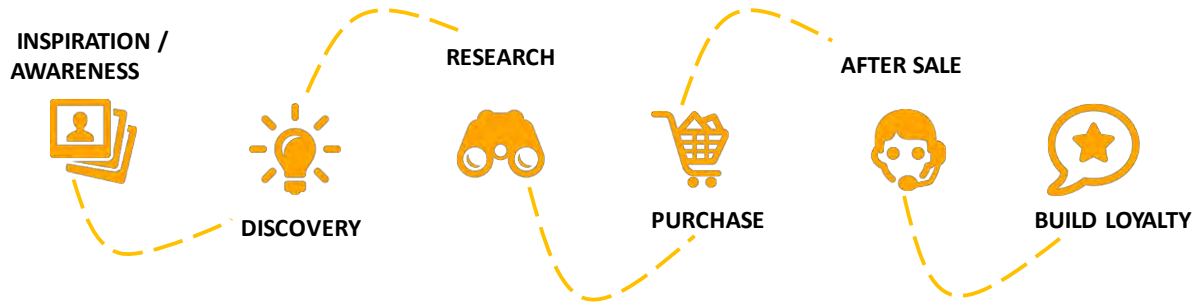




# Digitisation of the customer journey to grow sales

Making the customer journey digital...

...with clear objectives:



- Stressless® wants to form a closer relationship with the end-consumer
- Stressless® will strengthen customer dialogue through direct digital communication and direct customer insight data collection

- Digital marketing to drive **traffic and optimise customer acquisition**
- eCommerce platforms built to **optimise sales conversion**
- Digital tools to **improve instore sales effectiveness and dealer interaction**

# Digitisation approach as of today

**1** Digital marketing to drive traffic and optimise customer acquisition



Paid



Organic search



Direct



Referral

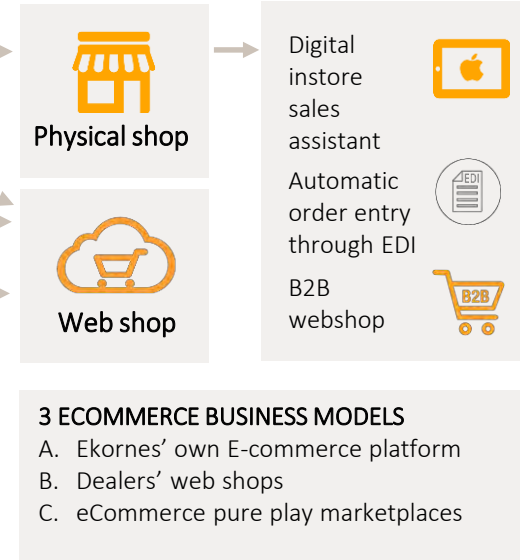


Social

**2** E-commerce platforms built to optimise conversion



**3** Digital tools to improve instore sales effectiveness and dealer interaction



# Supply chain optimisation to support growth



J.E. Ekornes AS production unit Aure, Norway

- Concentrating production to ensure efficiency
  - Combined two Stressless® sofa production units in Norway in 2016
  - No further changes planned as of today, but sharp focus on productivity
- Optimising logistics to improve customers' access to products
  - Creating European logistics/distribution hub in the Netherlands, serving European markets
  - Creating logistics/distribution hub in Bangkok, to improve supply chain in Asia
  - Downscaling in Singapore, Tokyo, Shanghai and Sydney
  - Reducing lead time for retailers and end-customers





## Stressless® focus

- Growth initiatives
  - Product development and innovation
  - Supply chain development
  - Cost efficiency
- Profitability improvements
  - Relentless cost focus
  - Production and logistics optimisation

**IMG**  
N O R W A Y

**EKORNES®**

# IMG acquired by Ekornes® in 2014



## A growth story for Ekornes®

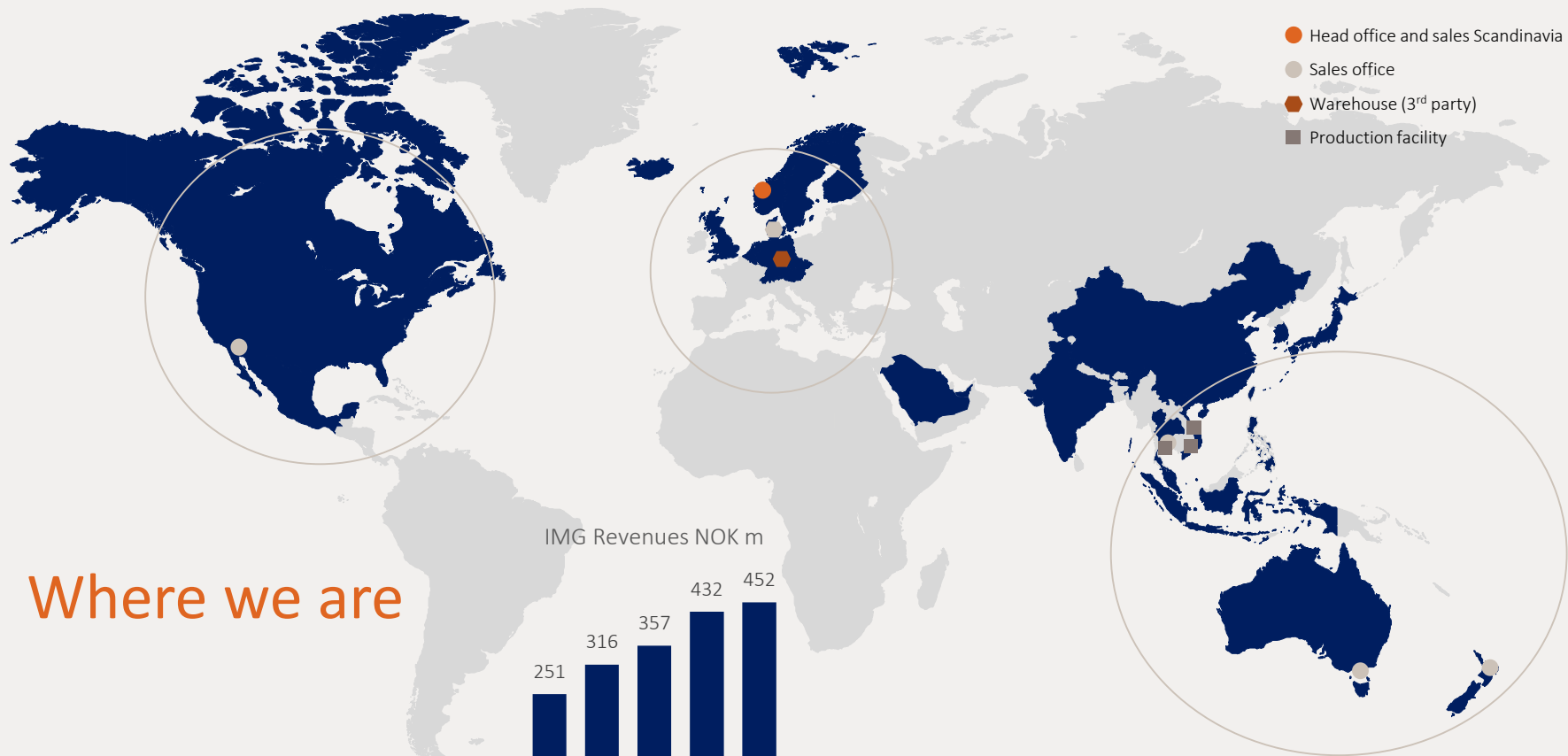
- Take-over 1 November 2014
- Total investment of NOK 550 million
- To improve Ekornes® growth potential
- Broadened market and segment presence
- Group synergies to support IMG growth
- Accumulated EBITDA of NOK 332 million



## IMG customer offering

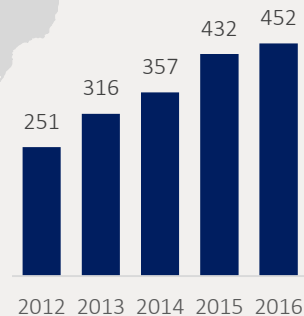
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- Comfortable, ergonomic quality furniture
- Recliner and motion categories
- Quality
- Affordability



## Where we are

IMG Revenues NOK m





# The IMG offering – quality products at good value





- Specialised recliner and motion supplier
- Wide range of recliner and motion products
- Flexible supply chain structure, serving different regions and different distribution channels in the most optimal way
- Product characteristics with high value proposition at affordable prices
- Provide distribution channels with high margins per sqm sales area
- IMG brand or private brands



# IMG market approach

- Focus on retailer relationships
- “Discovered brand ” when consumers are looking for recliners
- Efficient sales system and studio within the store
- Emphasis on digital information channel to support the “discovered” brand story
- Competitive differentiation utilising the Scandinavian DNA
  - Product
  - Quality and warranty
  - Heritage
- Utilise flexibility to build competitiveness and take advantage of local differences
- Quickly adapt to changes in customer demands and competitive landscape

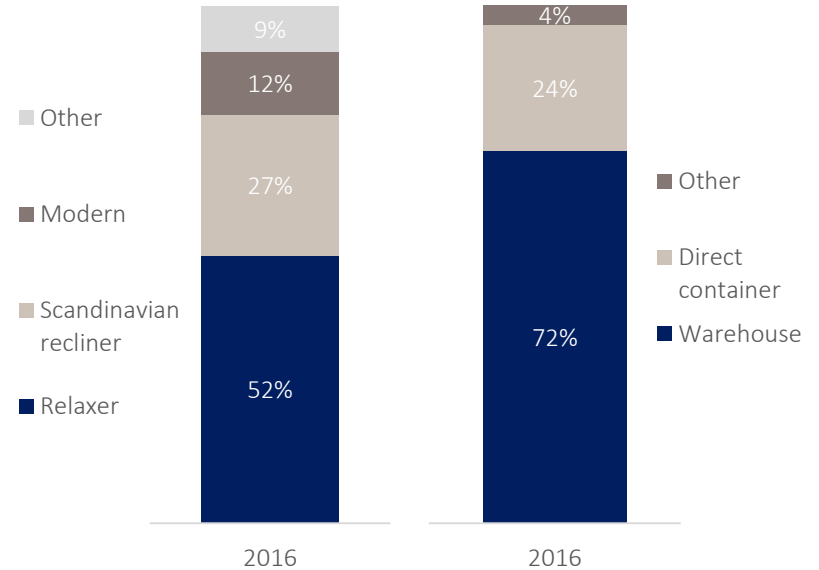
# IMG products and concepts

Relaxers & motion	Scandinavian recliner	Modern	Other
			

# Relaxers & recliners through warehouse distribution



## Revenues by category and segment

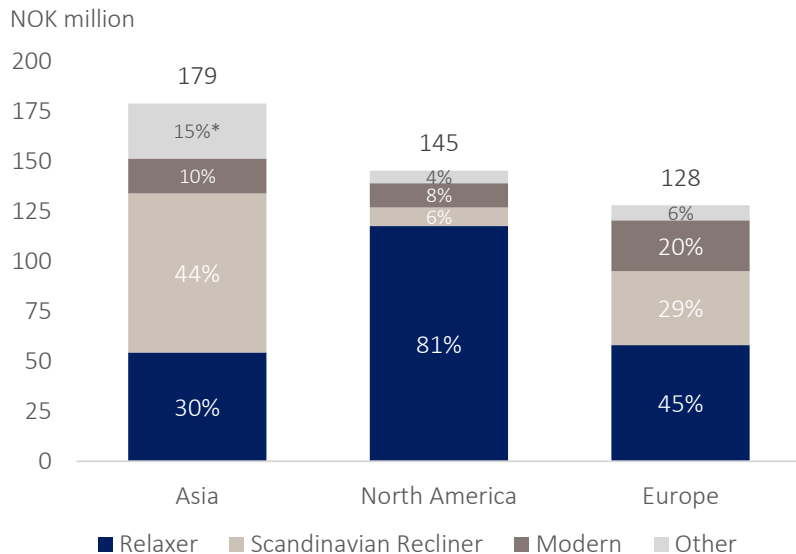


Source: Company data

# Categories and distribution

- **Asia:** Scandinavian recliners and Relaxers
- **North America:** All Relaxers
- **Europe:** Scandinavian recliners and Relaxers

## Category distribution by market



\* Includes contract sales  
Source: Company data

# Flexible supply chain is core

## Vertically integrated production set up in Asia

- Cost-leadership
- Structure flexibility
- Supply chain control

## Direct container warehouse

- Adaptive distribution structure
  - Warehouse (Europe)
  - Direct container (US)
  - Combination of warehouse and direct container

## Retailers

- High margins
- Protection
  - Private brands
  - Exclusive models
- Sales-tools and studio systems
  - Exclusive/own
  - IMG

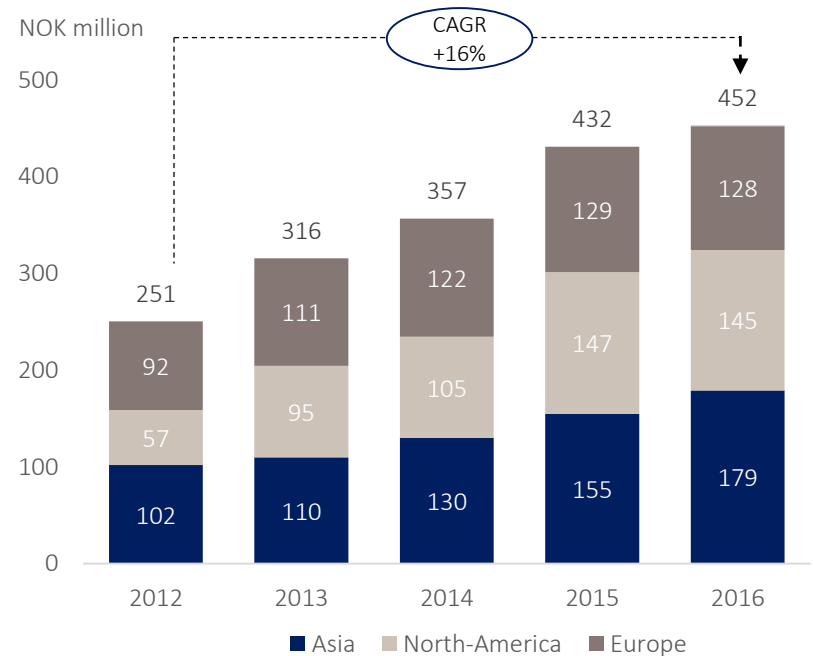
# Vertical integrated production setup



- Our three «green-field» factories are essential to IMG's success
  - Custom-built facilities
  - Vertically integrated
- Capacity to grow 40-50 % without significant investments
  - Depending on product mix
  - Investments in production equipment
  - Labour available

# Revenue development

- CAGR of 16% in 2012–2016 period
- Growth subsides in 2016
- Ambitions to double revenues within 5 years



Source: Company data





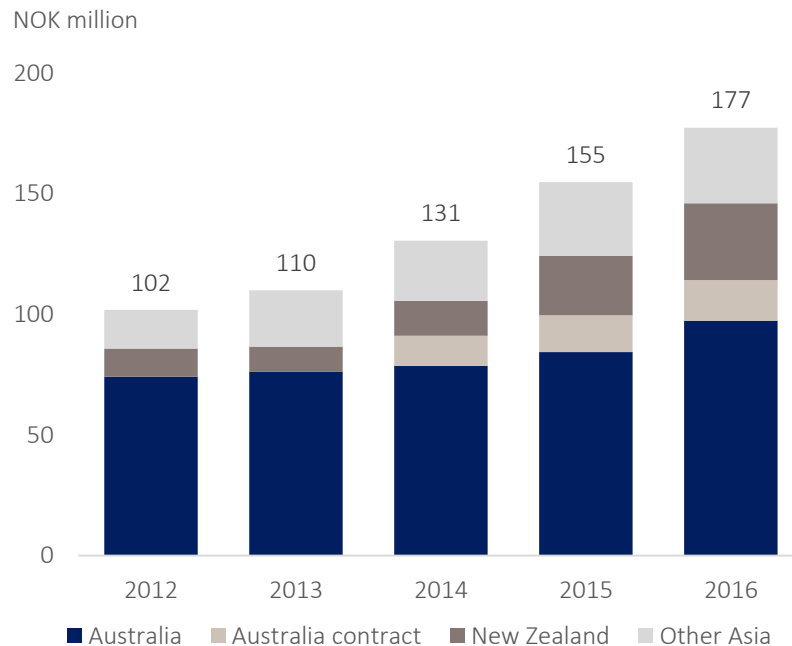
## The main markets

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**EKORNES**<sup>®</sup>

# Oceania & Asia

- Australia and New Zealand
  - Strong distribution footprint
  - Potential in product expansion
- Strengthening Asia sales operations
  - Penetrating the Chinese furniture market
  - Establishing distributor in Japan
  - Growing established Asian middle income markets, through distribution development and expansion



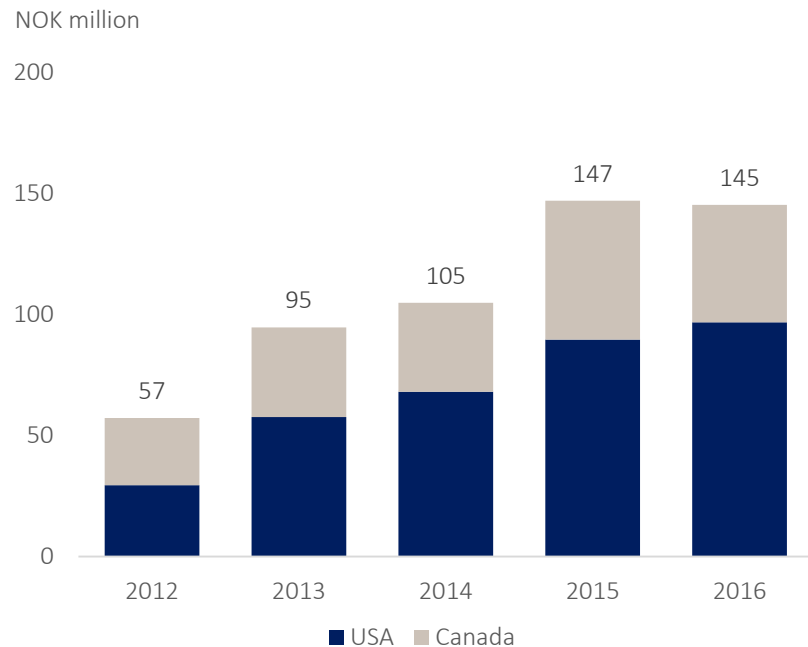
Source: Company data

# North America

- Significant growth potential in the US
- Strengthening sales operations and key account management
- Focus on direct container customers
  - # of customers in pipeline
- Both private and IMG brand



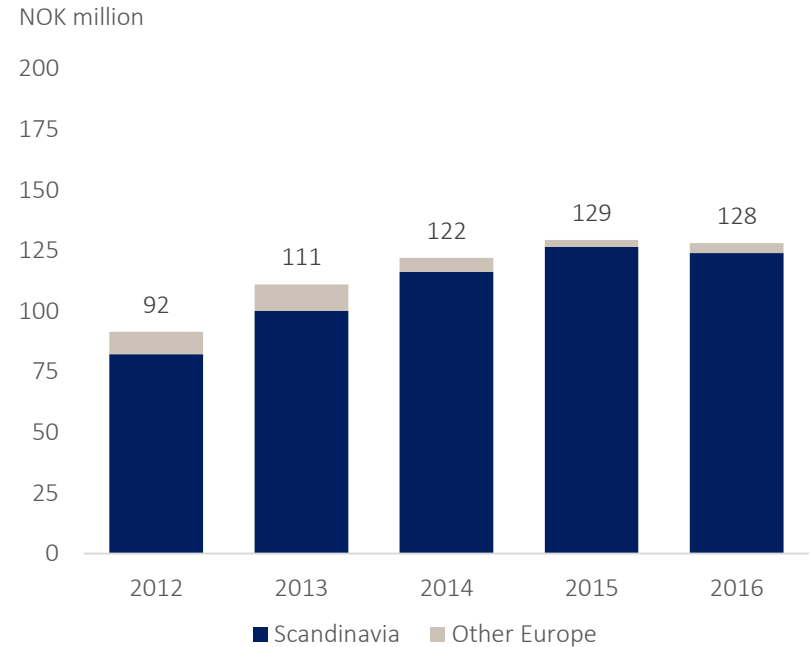
- Strong Canadian footprint



Source: Company data

# Scandinavia & Europe

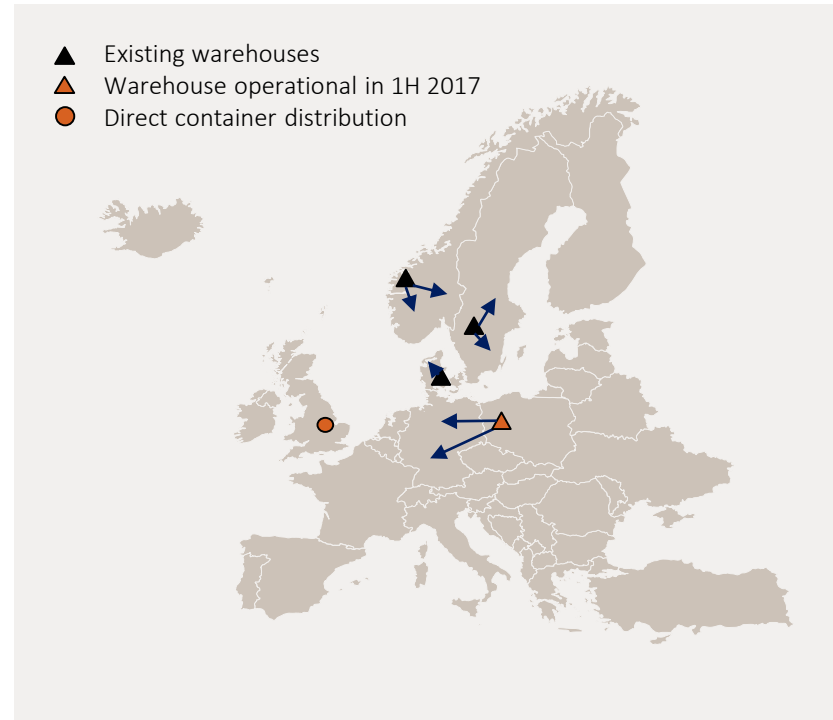
- Established a warehouse and distribution system for Central Europe and developing a sales organisation
- Achieved compliance with strict UK requirements and ready to penetrate the market with direct container business
- Limited potential in the Norwegian markets
- Sweden and Denmark perform well; potential in distribution development



Source: Company data

# Addressing European supply chain challenges

- New warehouse in Poland
  - Access to Central Europe – Europe's largest furniture markets
  - Shorter lead times
  - First deliveries in June
- Serving the UK market through direct container distribution
  - Major accounts signed up



# IMG margin development and earnings

- Growth initiatives will affect margins
  - Strengthening sales operation
  - Market positioning and penetration
- Increased earnings from continued growth
  - Economies of scale
- Strong focus on cost continues
  - Lean
  - Operational efficiency
  - Vertical integration
  - Optimised and targeted sales & marketing initiatives
  - Strong coordination and control





## IMG focus

- Growth – revenues doubled within 5 years
  - Strengthen sales operation capacity
  - Strong central support functions
  - Continued focus on product innovation
  - Improve supply chain efficiency in Europe
- Keep cost leadership
  - Relentless cost focus – top to bottom
  - Scale, precision and quality focus
  - Vertical integration
  - Maintain operational flexibility

Group financials:  
Near-term development  
and long-term ambitions



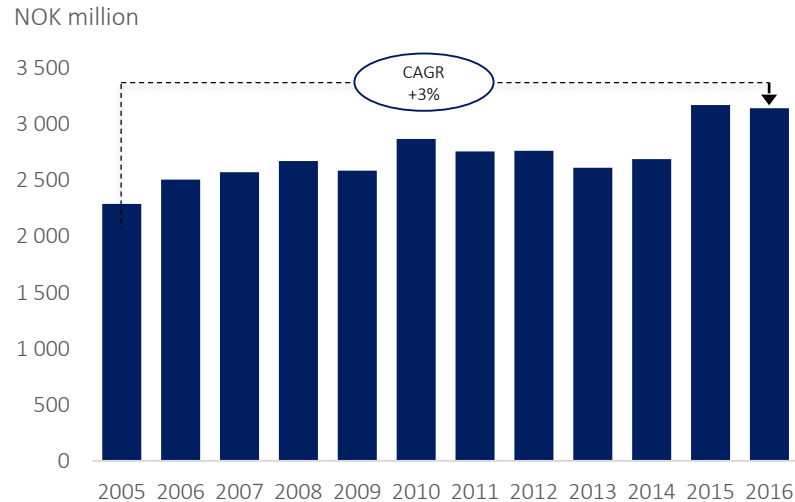
# Near-term development and long-term ambitions

- Improvement programme launched in August 2015 has provided results
  - Includes Stressless® and Svane®
  - Increased profitability and competitiveness through cost-cutting
  - Stronger cash flow and improved overall financial position
- Ambitions
  - Revenue growth
  - Improved profitability
  - Capital structure adjustments

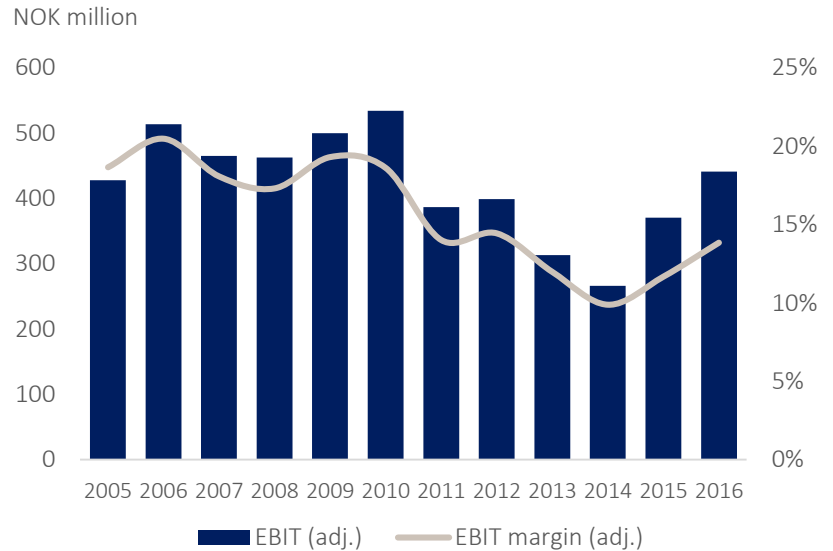


# The long-term development

## Group revenue



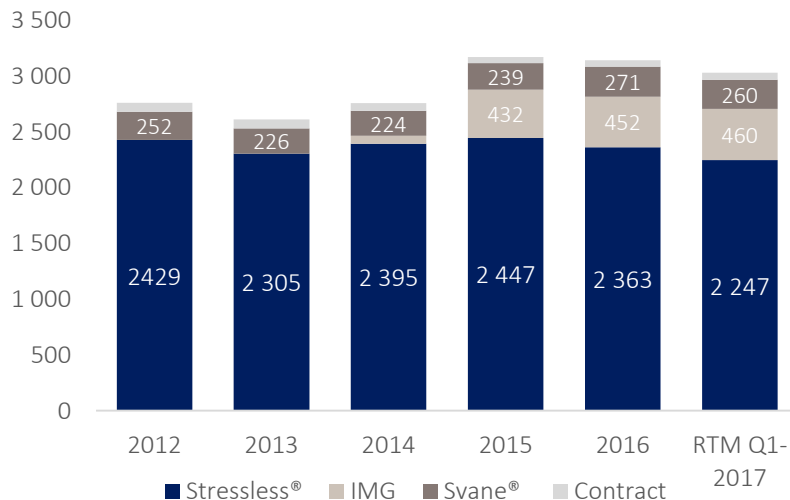
## Adjusted EBIT and EBIT margin (%)



# Group revenue lifted by the IMG acquisition

## Group revenue

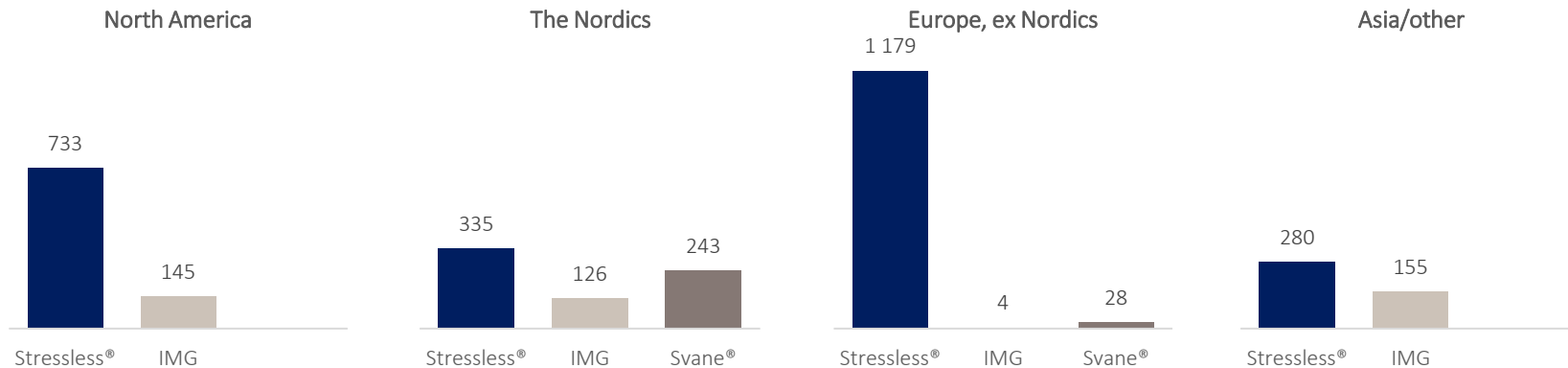
NOK million



- Decreasing Stressless® revenue
  - Lower sales in Europe are main cause of reduction
  - Negative impact of cut-off and currency hedge
  - Comprehensive initiatives to lift sales volume ongoing across all markets
- IMG included since acquisition in 2014
  - 6–7% increase in revenues over past 15 months, due to growing sales in Australia
  - Aims to strengthen product development and sales and distribution structure to significantly increase sales

# Revenue distribution

NOK million, 2016 figures



# Development year to date 2017

## Q1 2017

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- Group revenues down 12.4% yoy
  - Stressless down 16.3%, slowdown in Europe
  - IMG up 7.4%, driven by North America
- Underlying margins slightly down yoy, up qoq

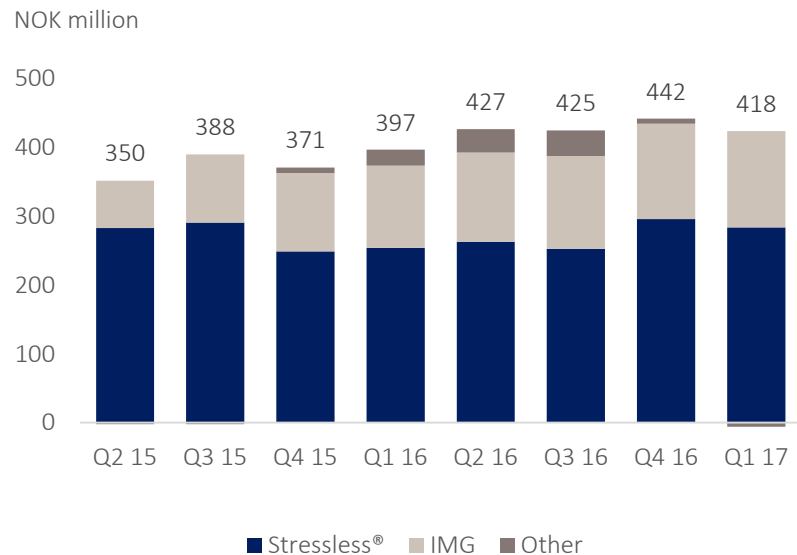
## April–May 2017

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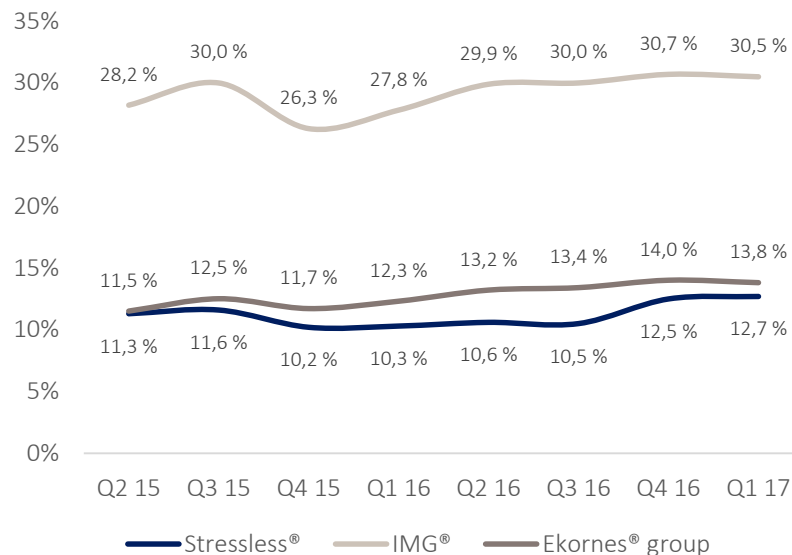
- April-May group revenues decline by mid single-digit percent compared to same period last year
- Q2'17 profitability expected to be affected

# Profitability – incremental improvements

## Adjusted EBIT, 12m rolling



## Adjusted EBIT margin, 12m rolling



# Adopting currency hedging policy to visibility

- Ekornes® sells its products in the respective countries' local currencies
- Changes to hedging policy over time:

Up to Q1 2015	Hedged close to all FX exposure up to <b>36</b> months in advance
Q1'15–Q3'16	Hedged close to all FX exposure up to <b>18</b> months in advance, decreasing level throughout the period
Current	Hedging 80% of FX exposure for <b>0–6</b> months and 50% of FX exposure for the following <b>6–12</b> months Necessary leeway maintained to initiate operational and financial adaptations to major currency fluctuation

- Effective 1 January 2016, Ekornes® discontinued hedge accounting, with the following P&L effects:
  - Accumulated gains or losses on hedging instruments are recognised in “*Other income and expenses*” up until the anticipated transaction takes place
  - When the individual forward contract matures, amounts recognised in “*Other income and expenses*” are reversed and offset against sales revenues

# Currency impacts in Profit & Loss statement

## Hedge portfolio value 2015

Hedge portfolio value per year-end 2015 was NOK -398 million, with the following split:

**2016: NOK -201 million**

**2017: NOK -178 million**

**2018: NOK -19 million**

## 2016: strengthened NOK

- Realised 2016 losses of NOK 158.8 million
  - Difference between booked negative value of NOK 201 million and actual loss of NOK 158.8 million for 2016 is NOK 42.2 million
  - Due to earlier hedge accounting, the NOK 42.2 million was booked as a decrease of revenue and decrease of cost – no EBIT impact
- When presenting reported EBIT, unrealised gain on the remaining portfolio is NOK 95.4 million

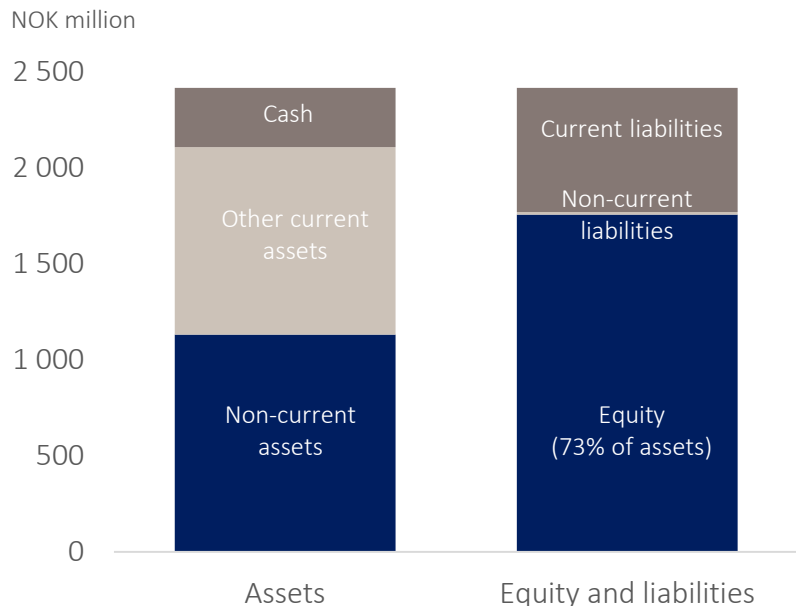
## Q1 2017: weakened NOK

- Realised 2017 losses of NOK 20.5 million
  - Difference between booked negative value of NOK -48.7 million and actual loss of NOK 20.5 million for 2017 Q1 is NOK 28.2 million
  - Due to earlier hedge accounting, the NOK 28.2 million was booked as a decrease of revenue and decrease of cost – no EBIT impact
- When presenting reported EBIT, unrealised loss on the remaining portfolio is NOK 29 million in Q1 2017



# Optimising capital structure

## Balance sheet per 31 March 2017

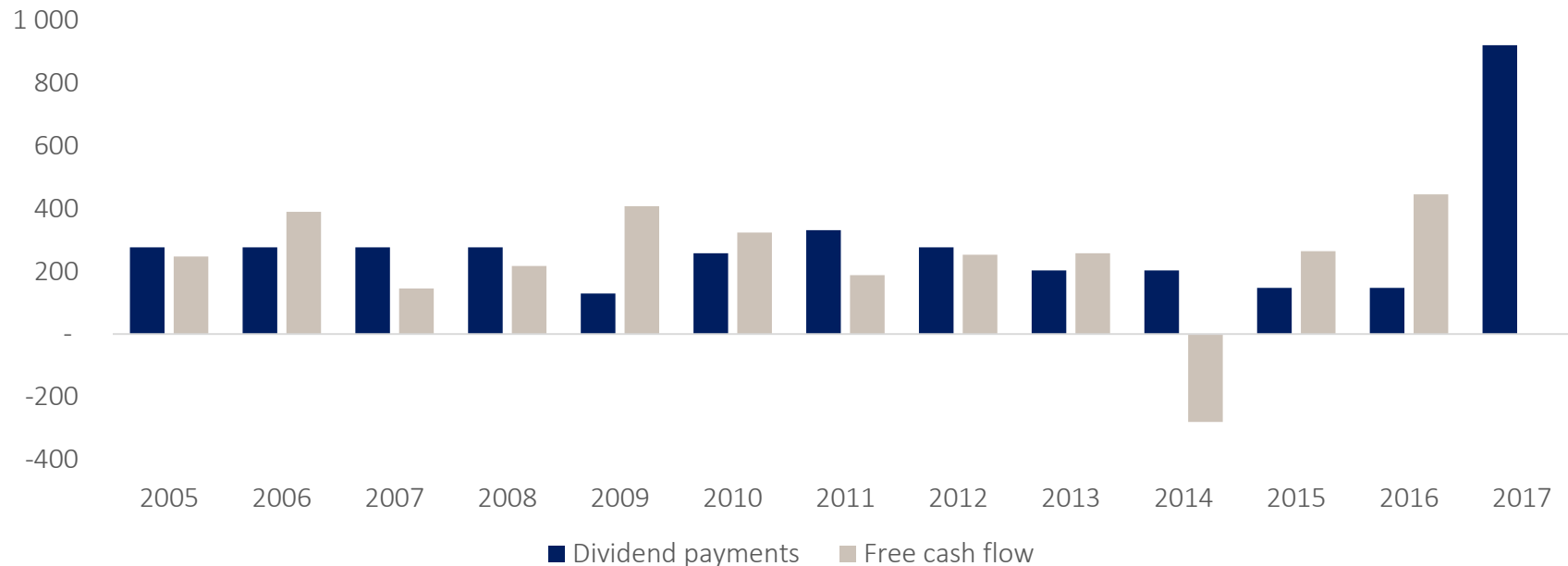


- Optimising the capital structure, while maintaining a solid balance sheet
- Dividend payments will lower equity ratio
  - Ordinary dividend of NOK 221 million paid in Q2, and additional dividend of NOK 700 million to be paid in Q3 2017. All dividends included in balance sheet after AGM.
- Contingent consideration IMG of NOK 150 million paid as planned in Q2
- Substantial Group financing capacity
  - Solid annual cash flow
  - Undrawn credit facilities of in total NOK 815 million at end of Q1

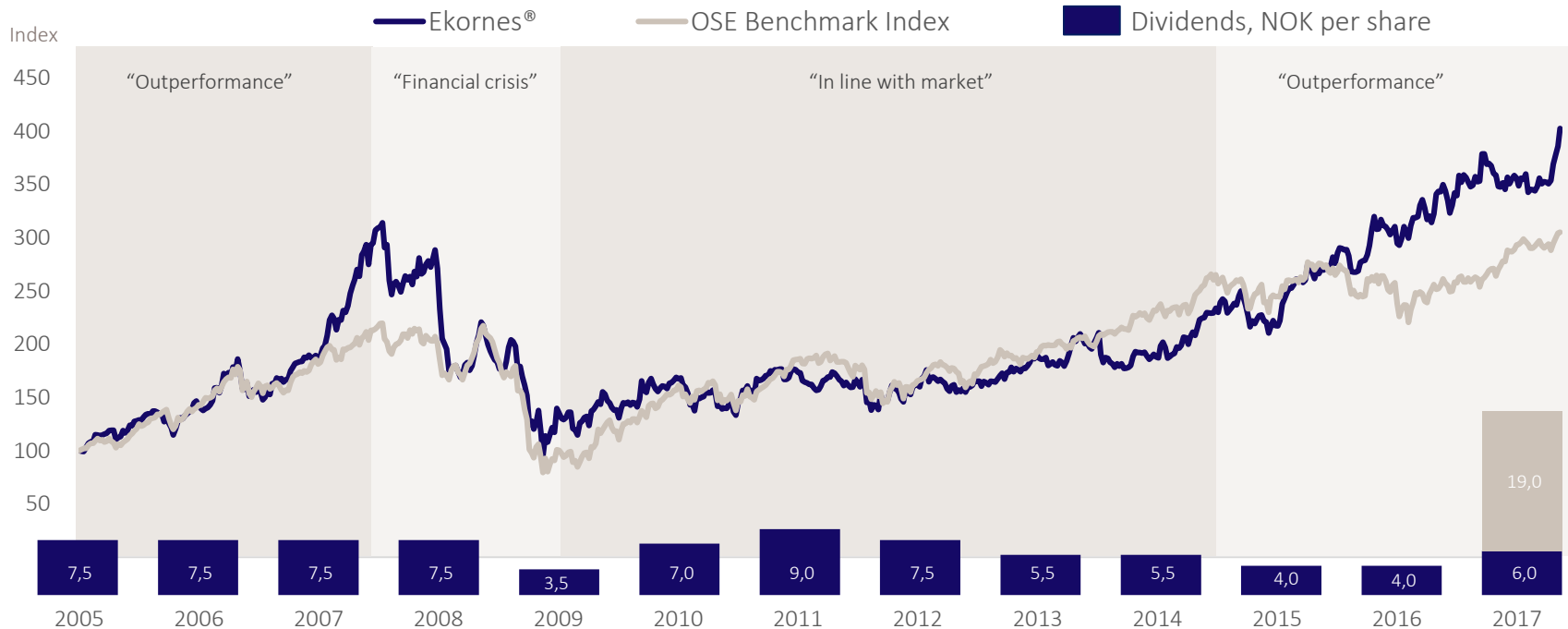
# Free cash flow generation and dividend payments

2005–2016: 98% of accumulated free cash flow paid out in dividends

NOK million



# Total shareholder return



Source: Bloomberg. Shows total shareholder return after reinvested dividends. Index 100 per January 2005



## Long term financial ambitions

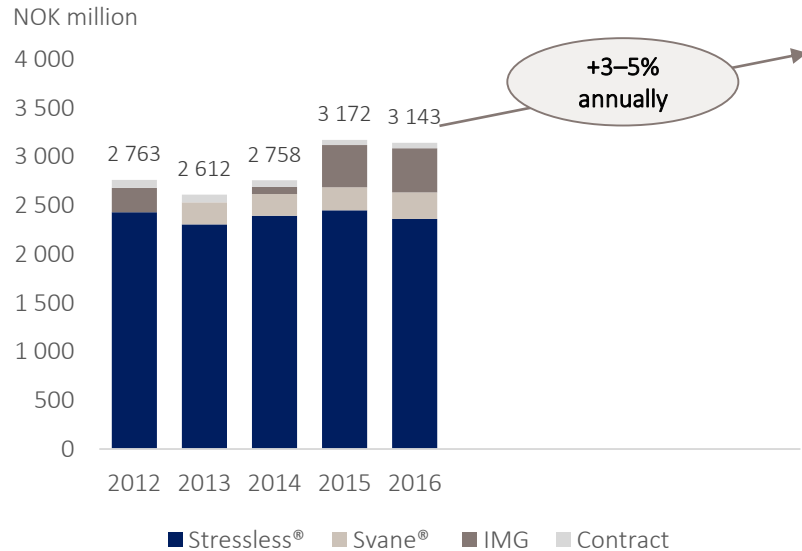
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# Updated long-term financial ambitions

	Revised targets	Previous targets
Growth	Annual revenue growth of <b>3–5%</b>	Annual revenue growth <b>&gt; 5%</b>
Profitability	EBIT margin of <b>16–18%</b>	Net profit margin <b>&gt; 15%</b>
Capital structure	Equity-to-asset ratio of at least <b>30%</b>	Equity-to-asset ratio <b>&gt; 50%</b>
Dividend policy	Stable and increasing dividend of at least <b>50%</b> of net profit. Account will be taken of Group investment level, growth rate and equity ration target	Pay-out at least 30–50% of net profit

# Ambition to grow top-line by 3–5% annually over time

## Revenue growth ambition

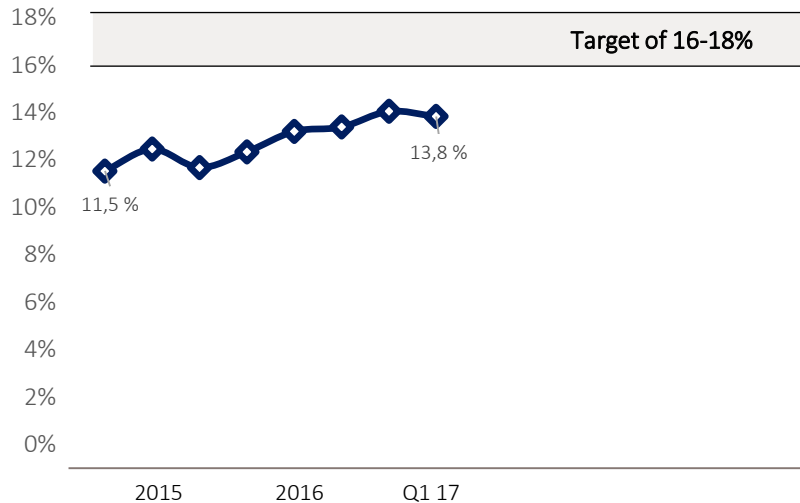


## Main growth initiatives

- Stressless® growth initiatives
  - Product development and innovation
  - Distribution development in selected markets
  - Digitisation and online sales
  - Supply chain optimisation to improve retailer and end-customer access to offering
- Ambition of doubling IMG top-line over next five years
  - Strengthen North American sales
  - Strengthen European supply chain

# Profitability target: EBIT margin of 16–18%

## Adj. EBIT margin



Adj. EBIT margin, 12m rolling figures

## Profitability focus areas

- Exploit operational leverage by growing revenue and volume
- Ensure cost efficiency
  - Relentless cost focus
  - Production and logistics optimisation
  - Vertical integration

# Relentless cost focus

- Cost efficiency programme August 2015: *“Aims to reduce 2014 cost base by NOK 150 million by the end of 2016”*

- 2014 cost base reduced by NOK 188 million (gross cuts, including supply chain) by 2016 to materialise in 2017/2018:
  - Stressless® and Svane®
  - Streamlining of logistics
  - Streamlining of sales and marketing
  - Reduction in indirect costs, reduction in organisational overhead
  - Multiple measures across the value chain
- Net effect for the same period 2016–2017 approx. NOK 100 million:
  - Changed sales mix increasing costs, will increase revenue
  - SAP currency issues and other factors

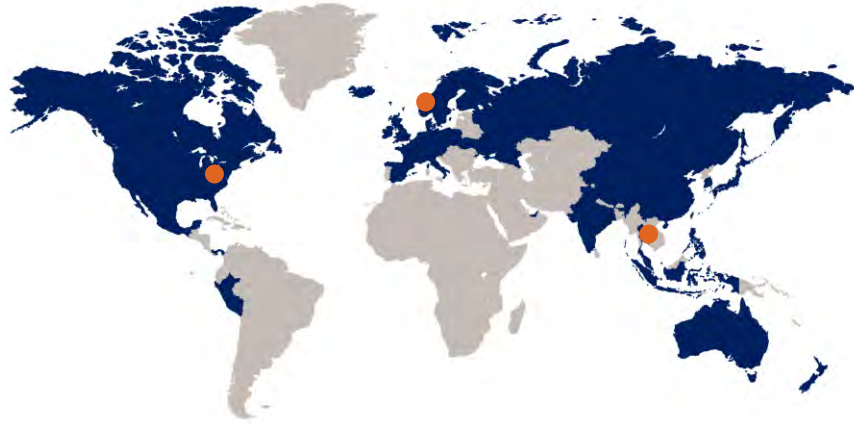
- Continuous cost reduction measures going forward:
  - Realise the cost reduction potential from the initiatives already in place



# Supply chain optimisation and capacity

## Group production units

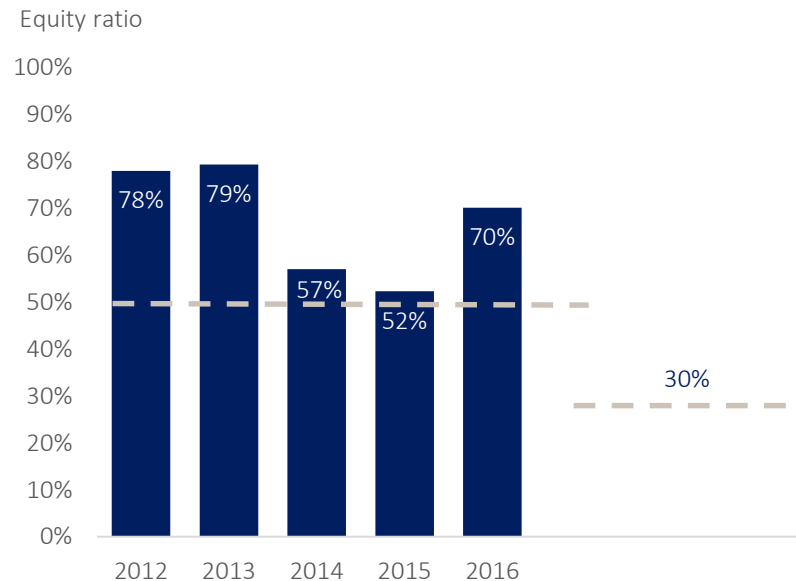
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- Recent production and logistics optimisation initiatives
  - Concentration of Stressless® sofa production in Norway
  - IMG warehouse in Poland serving new European markets
- Stressless® and IMG supply chains can handle growth with limited investments
  - Production capacity already in place
  - Increased capacity utilisation will improve supply chain efficiency

# Capital structure and efficiency

## Lower equity-to-asset ratio & higher gearing



- Ekornes® will strive to maintain an equity-to-asset ratio of at least 30%
- Improved capital efficiency
- Effective from Q2 2017

# Attractive dividend pay-out

## Historically a high pay-out ratio



## Revised dividend policy

- Ambition: Sum dividend and increase in share price as high as possible over time
- Ekornes® will strive to pay out a substantial portion of net profit in dividend. This should normally correspond to at least 50% of net profit
- Ekornes® aims to pay stable and increasing dividends, while maintaining an equity ratio of at least 30%
- When proposing dividend, the board will take into consideration Ekornes® growth plans, financial flexibility and ensure ability to exploit relevant business opportunities

# Summary and Q&A

# Long-term ambitions and near-term priorities



Annual revenue growth of 3%-5%

- Strengthen Stressless® customer offering to grow revenue
- Double IMG revenue next 5 years

- Product development and innovation
- Sales organisation development
- Distribution development
- Supply chain development
- Cost efficiency



EBIT margin of 16%-18%

- Exploit operational leverage by growing revenue and volume
- Ensure cost efficiency

- Relentless cost focus
- Production and logistics optimisation
- Vertical integration