



# Q2 2021 Earnings Call

Aug 26, 2021, 09:00 CEST

# Performance in-line with long-term financial targets despite tough comparable and unfavorable market conditions

## Continued growth

**Growth maintained across all segments despite tough comparable and warm weather. DACH-region driving growth and signs of recovering B2B demand.**

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## Healthy margins

**Continued gross margin improvement driven by category mix effects and lower average discount, but offset by increased investment into growth, i.e., marketing**

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## Re-stocking efforts successful

**Previously implemented initiatives to re-build stock levels materializing during the period and now well positioned ahead of the upcoming peak-season.**

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## Outstanding customer satisfaction

**Customer feedback continues to be outstanding. Results driven by stable operational performance during the period.**

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## Continued progress on strategic initiatives

**DACH-region overall growth engine and driving B2C growth. Continued strong Amazon growth despite tough comparable.**

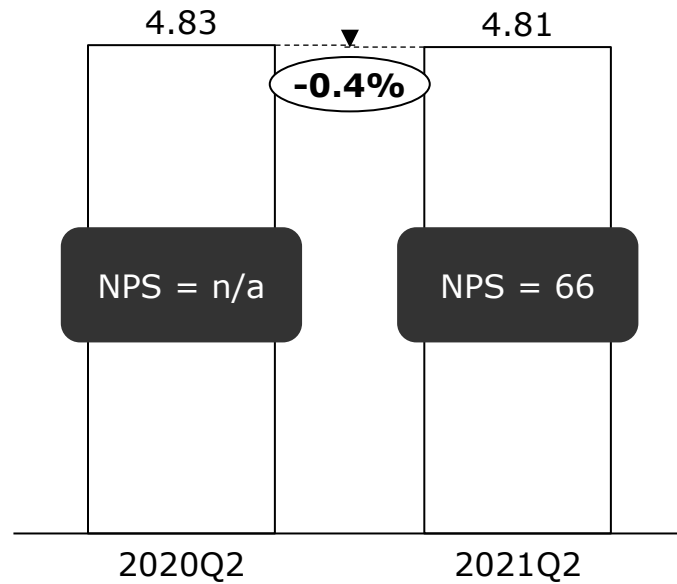
# Business Update



# Center of Gravity vision KPIs continues to develop strongly

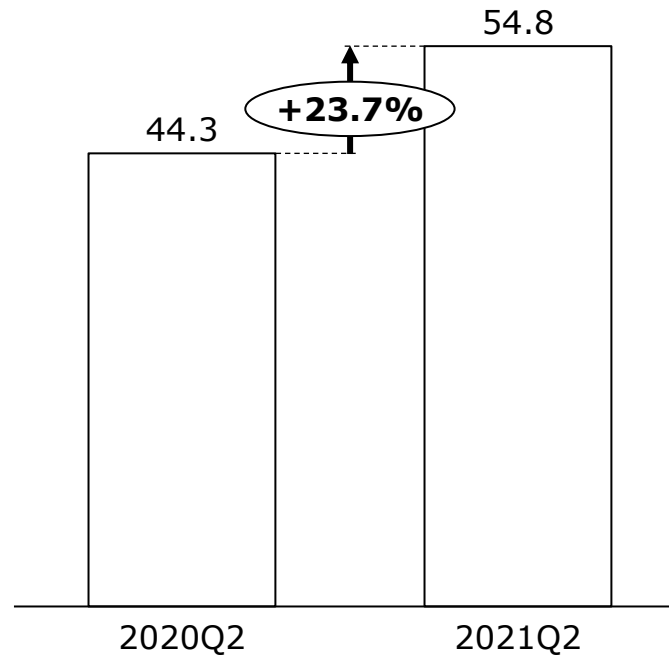
Maintain outstanding customer satisfaction levels

Average TrustPilot rating



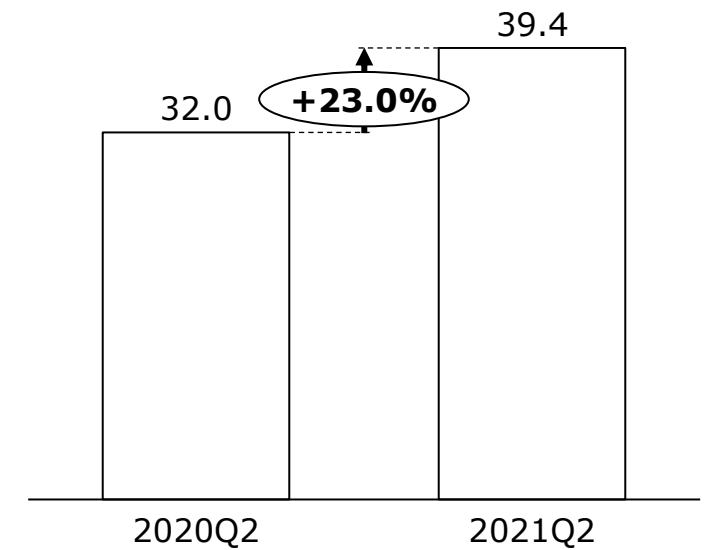
Increase market penetration

# of orders (thousand)



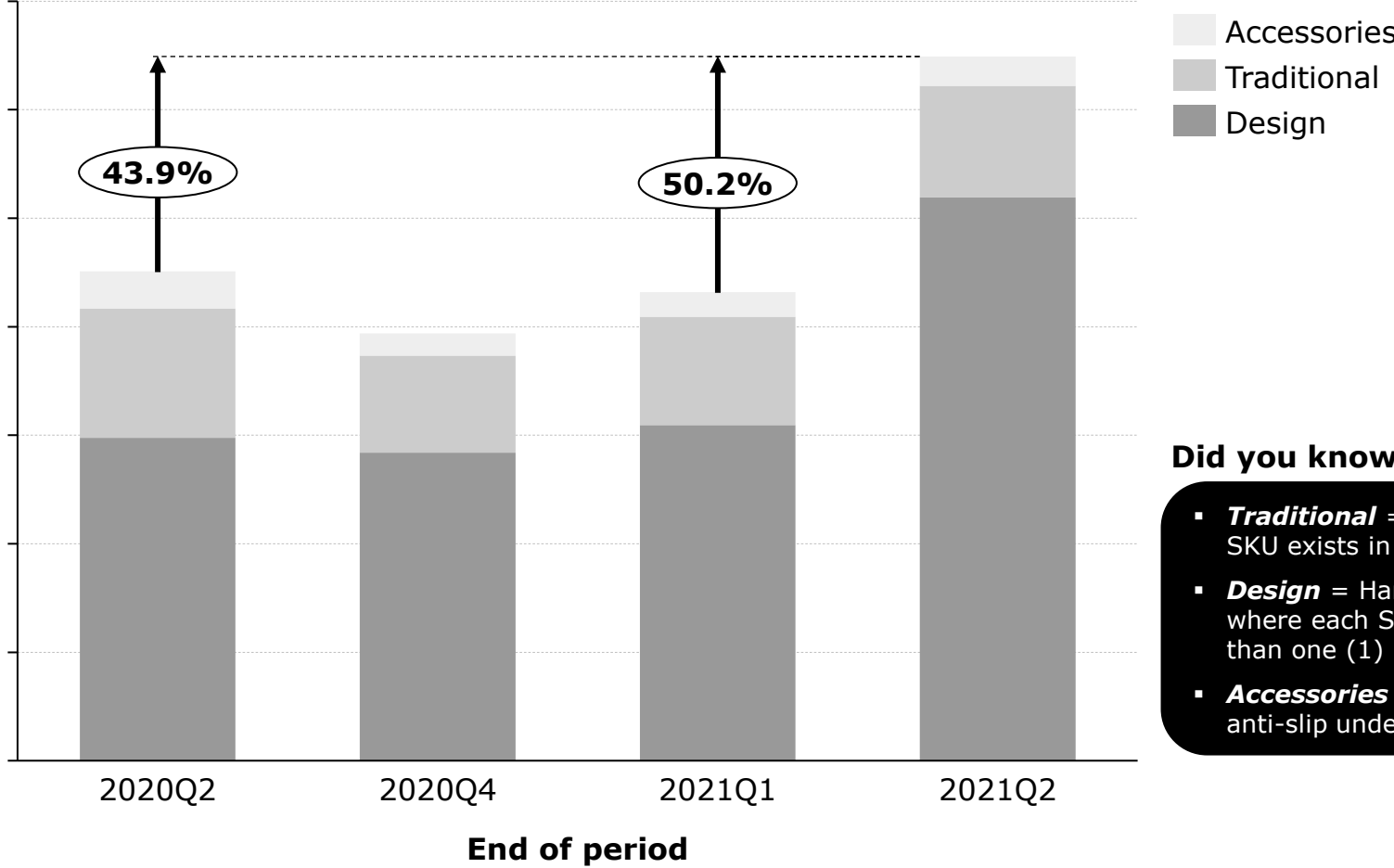
Attract new customers

# of new customers (thousand)



# Successful inventory build-up ensures an attractive and complete assortment offering for the upcoming peak-season

# of items on hand  
Thousand



### Did you know?

- **Traditional** = Hand-knotted rugs where each SKU exists in the quantity of only one (1)
- **Design** = Hand-made or machine-made rugs where each SKU exists in the quantities of more than one (1)
- **Accessories** = Other types of articles, e.g., anti-slip underlays, cleaners, etc.

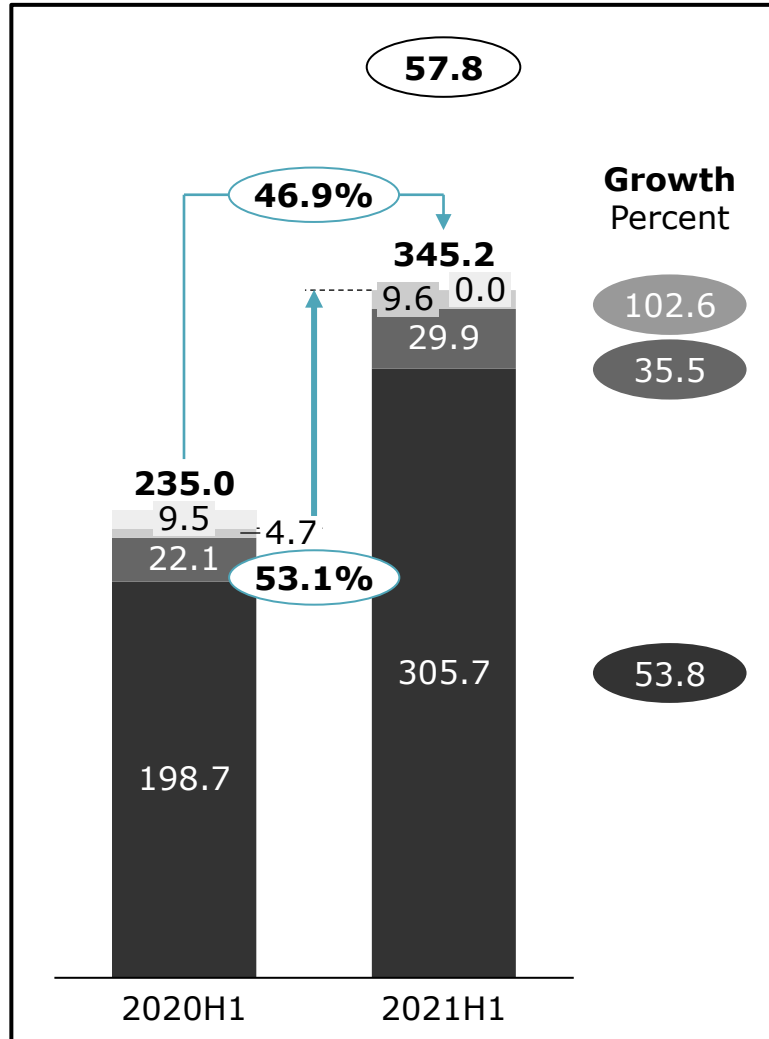


# Financial Update

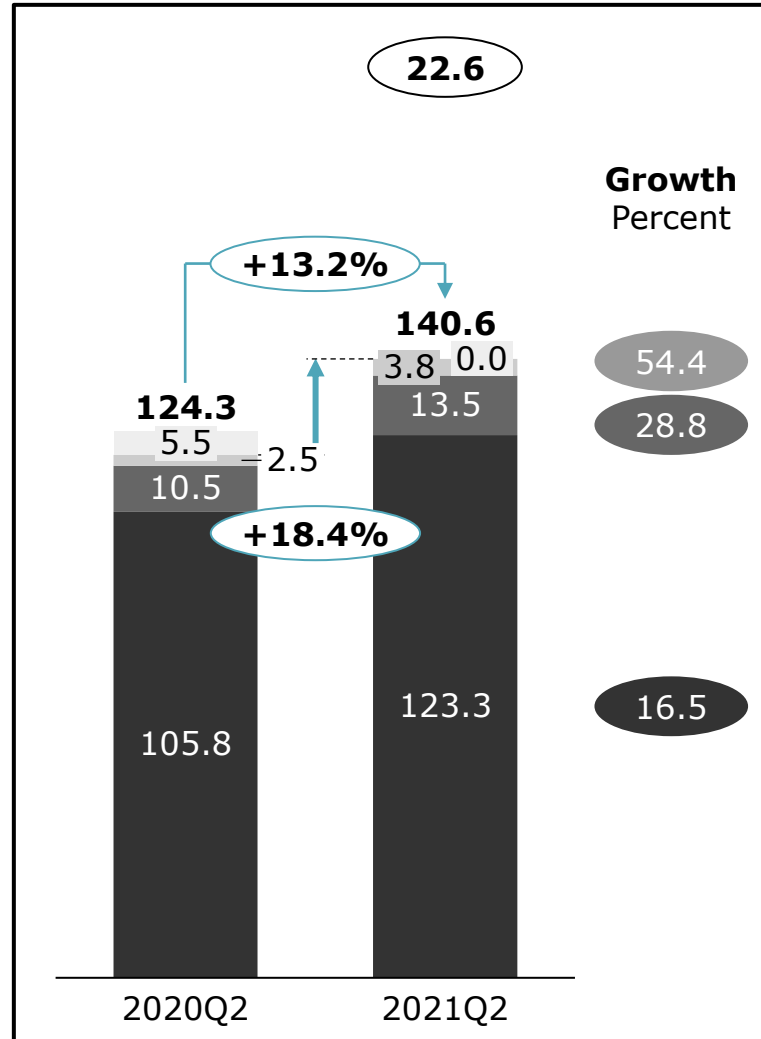


# Solid organic growth in Q2 in-line with long-term target; DACH continues to be strongest growing region

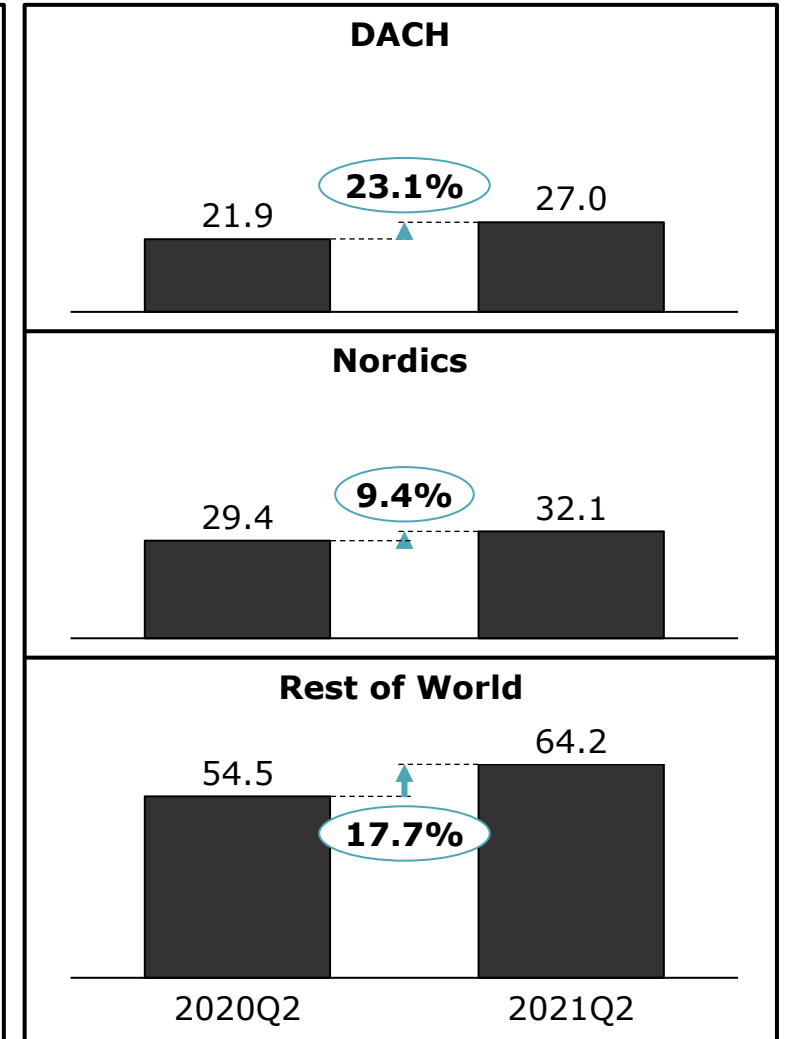
**Net revenue – Group (H1)**  
SEK million



**Net revenue – Group (Q2)**  
SEK million



**Net revenue – B2C by Region (Q2)**  
SEK million

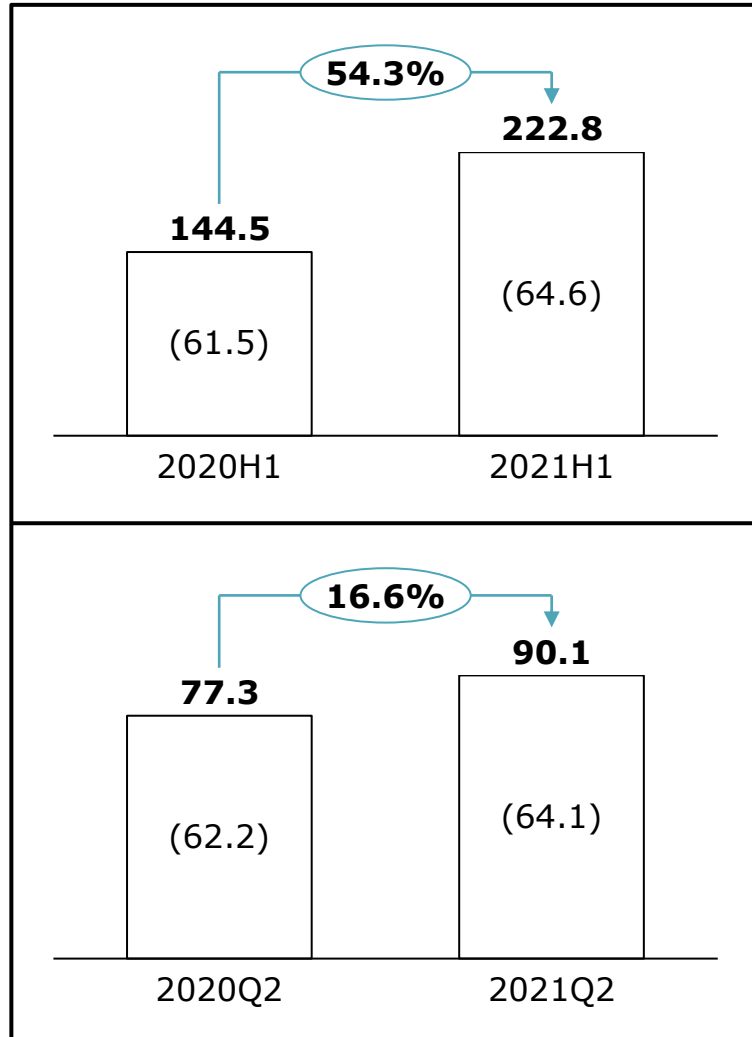


Note: Reported net revenue not including other income  
Note: Rounding differences may occur

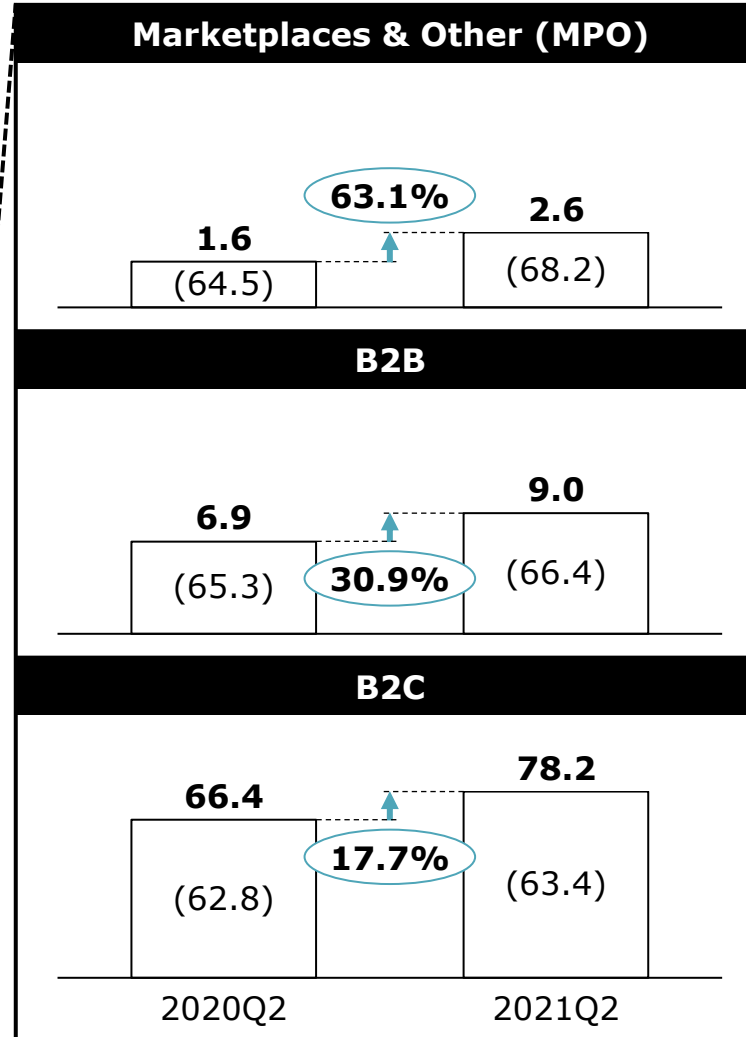
Divested MPO B2B B2C (x) Organic growth, %

# Further improvement in gross margin across all segments; adjusted EBIT margin above long-term target

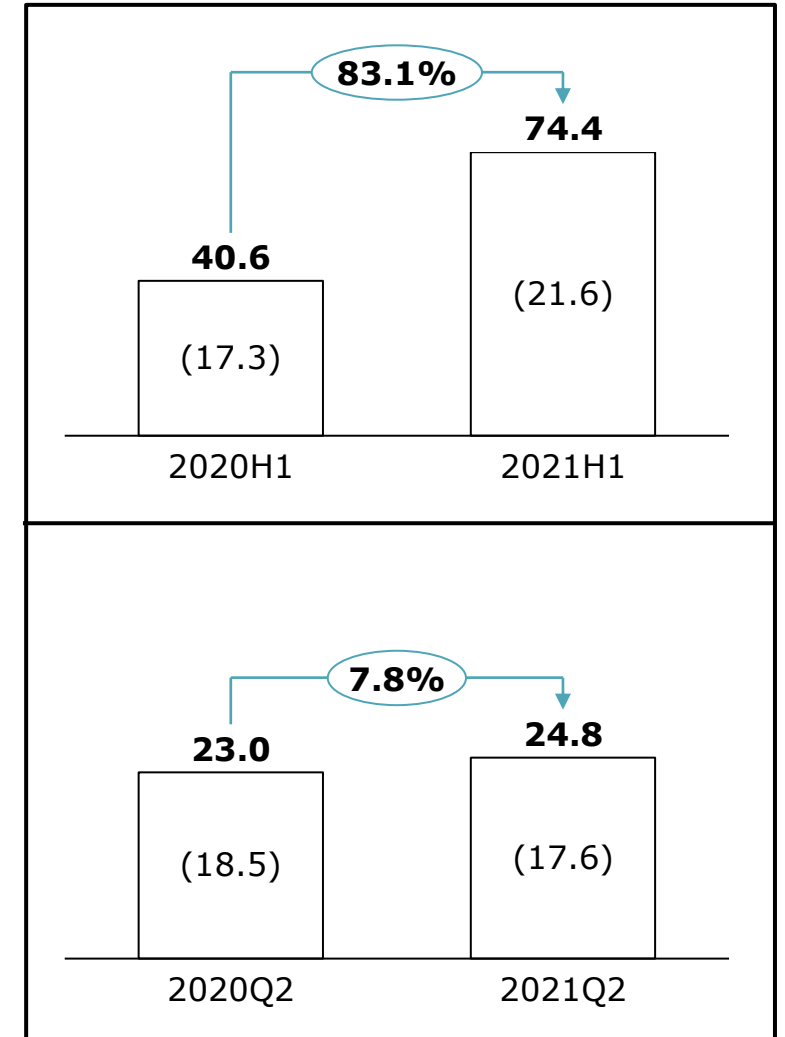
**Gross profit & margin – Group**  
SEK million (% of net revenue)



**Gross Profit & margin – Segments (Q2)**  
SEK million (% of net revenue)



**Adj<sup>1</sup> EBIT & Adj<sup>1</sup> EBIT margin – Group**  
SEK million (% of net revenue)



**R** 1 Adj = Adjusted  
Note: Rounding differences may occur



# Continued improvement in Goods for resale ratio during Q2 offset by increase in Other external expenses

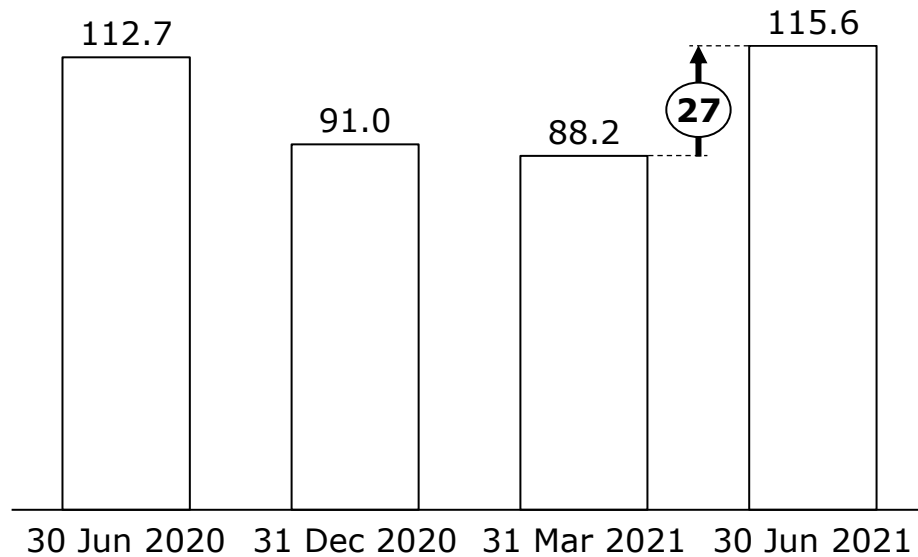
Cost ratios & margins Percent of net revenue	H1			Q2			
	2020	2021	Δ	2020	2021	Δ	
<b>Goods for resale</b>	-38.9%	-35.7%	3.3pp	-38.3%	-36.2%	2.1pp	Category mix effects & reduced discount rates
<b>Other external expenses</b>	-33.1%	-35.5%	-2.4pp	-31.3%	-33.8%	-2.5pp	Q2 increase driven by tough comparable and growth investments
<b>Personnel expenses</b>	-9.3%	-9.2%	0.2pp	-9.0%	-11.0%	-2.0pp	Driven by reduced scale effects, annual salary increase cycle, and per plan higher number of FTEs
<b>Other operating expenses</b>	-0.1%	-0.1%	0.0pp	-1.8%	-0.3%	1.6pp	Reduced net effect from FX fluctuations on transactions
<b>Depreciation &amp; Amortization</b>	-1.7%	-1.1%	0.5pp	-1.6%	-1.4%	0.2pp	
<b>EBIT</b>	17.3%	18.7%	1.4pp	18.5%	17.6%	-0.9pp	
<b>Adjusted EBIT<sup>1</sup></b>	17.3%	21.6%	4.3pp	18.5%	17.6%	-0.9pp	



Note: Rounding differences may occur  
<sup>1</sup> Excluding costs related to the IPO in Q1 2021

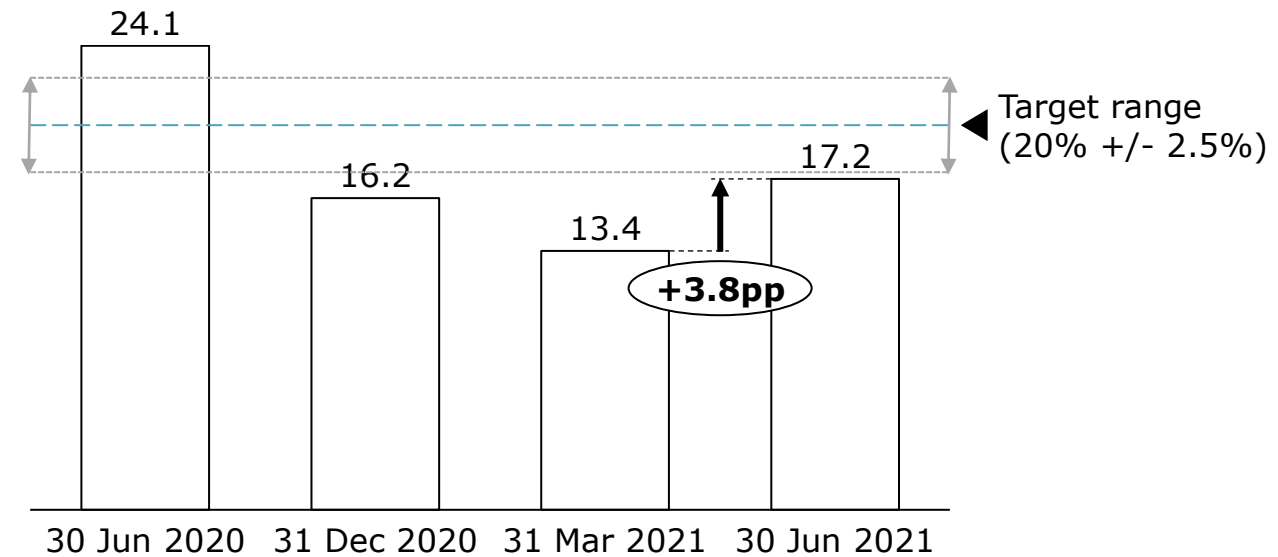
# Investments in inventory during Q2 to prepare for upcoming peak-season with LTM ratio roughly in-line with target

**Inventory value**  
SEK million



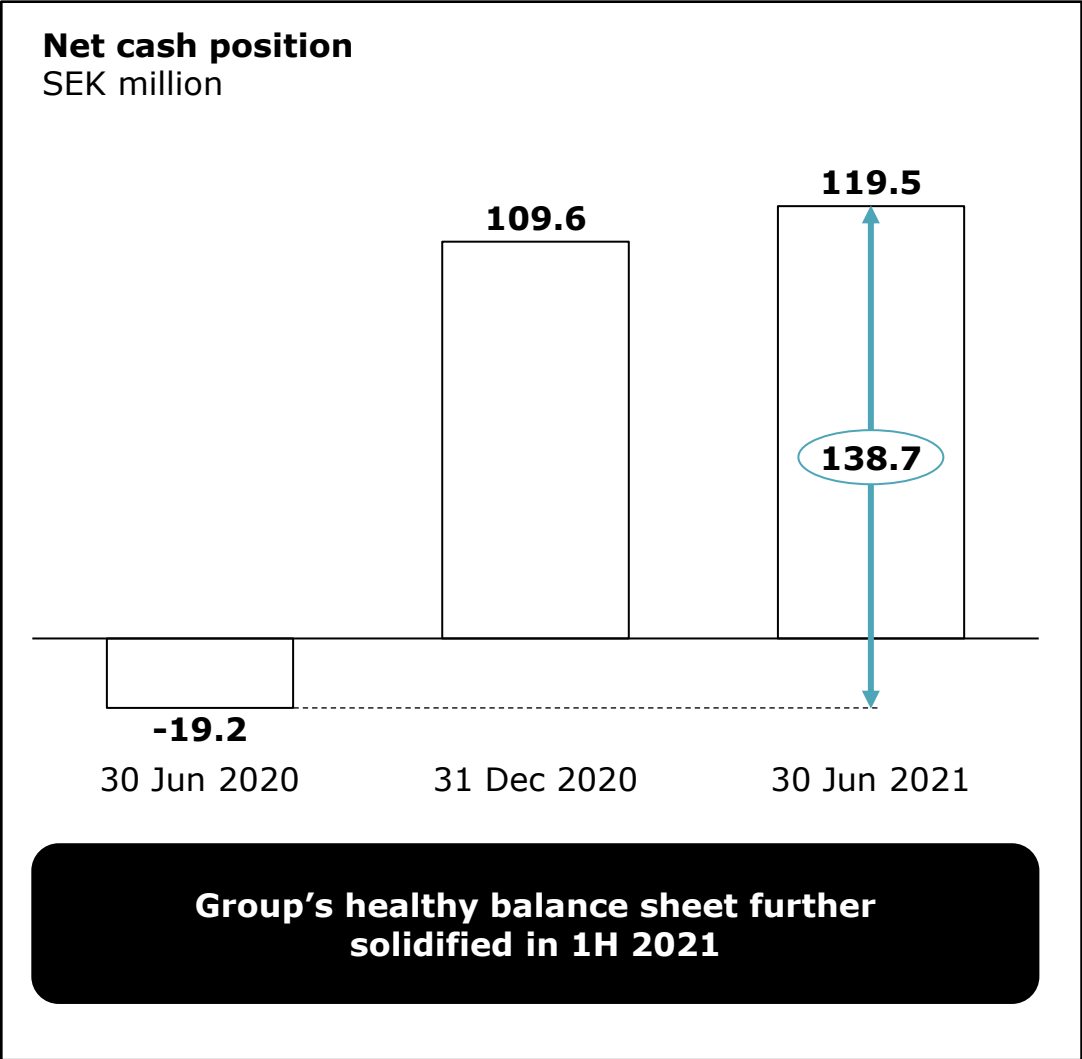
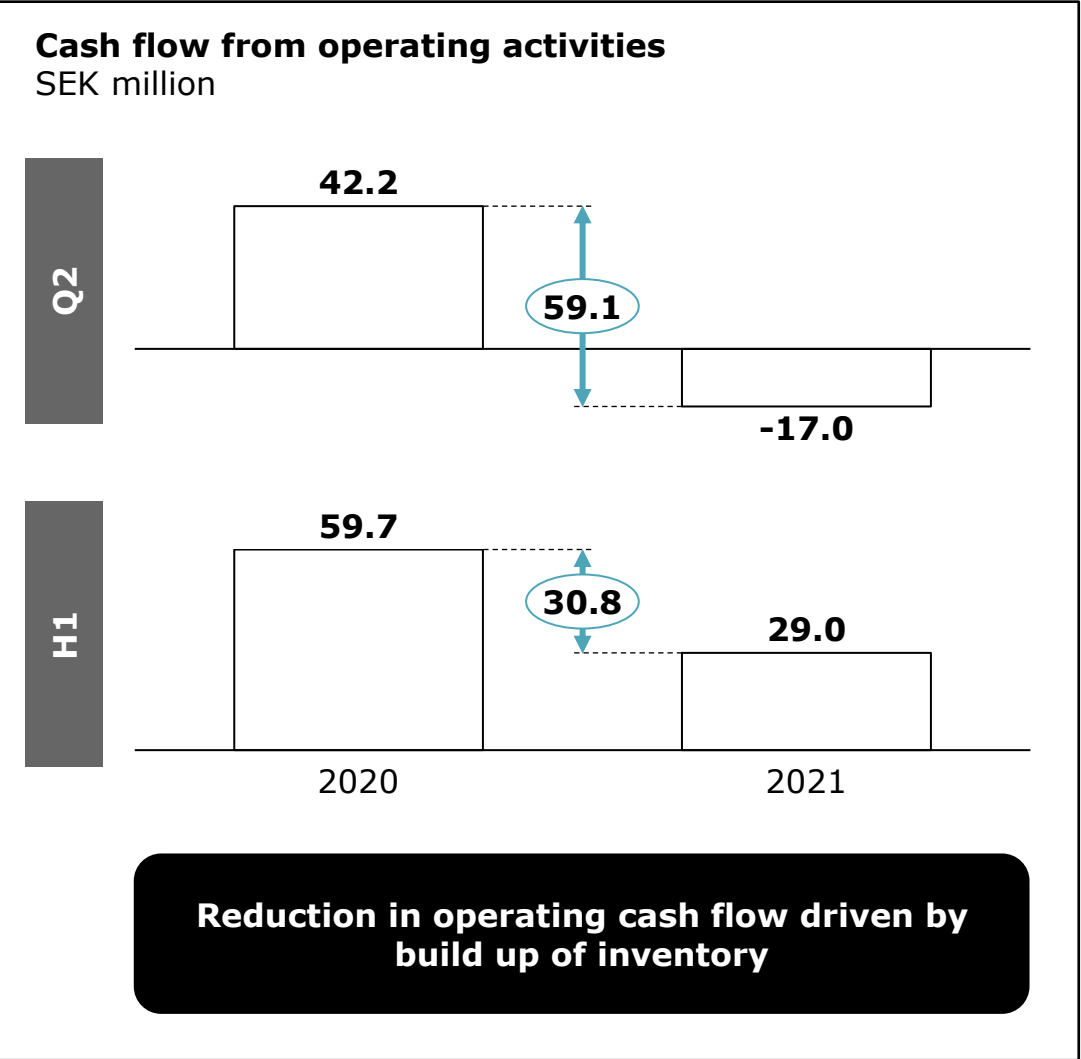
**SEK 27 million increase in stock value during Q2 2021**

**Inventory as share of LTM<sup>1</sup> net revenue**  
Percent



**Inventory level now more or less in-line with target range**

# Inventory build-up resulting in negative cash flow during Q2, but balance sheet remains healthy



## Growth and profitability in-line with long-term target

- Solid organic net revenue growth of 22.6% in Q2 despite tough comparable and unfavorable market conditions
  - Continued improvement in gross margin during the quarter driven by category mix effects and lower average discount rate
  - Q2 EBIT margin marginally below last year primarily driven by growth investments, i.e., marketing
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## Re-stocking efforts materializing

- Re-stocking efforts initiated during 2<sup>nd</sup> half of 2020 in collaboration with producers ensures healthy peak-season starting position
  - Inventory value increase of SEK 27 million in Q2 resulting in ratio to LTM net revenue being in-line with mid-term ambition (17.5%-22.5%)
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## Cautiously optimistic outlook remains

- Facing strong Q4 2020 comparable which was partly influenced by Covid-19 restrictions
- Continued uncertainty regarding Covid-19 outlook and post-pandemic consumer behavior
- Organization well prepared across all functions to capitalize on upcoming peak-season



# Q&A



## Financial calendar

Event	Date
○ Interim report July – September 2021	November 11, 2021
○ Interim report October – December 2021	February 17, 2022

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# Introduction to what we are aiming to achieve

## *Vision*

**To become the  
*Center of Gravity*  
for the European rug  
industry**

## *Strategic initiatives*

### **Penetrate core markets further,**

e.g., enhanced localization and invest into building a known and preferred brand over time.

### **Showcase our assortment,**

e.g., emphasize our exclusive products, more inspirational & informative content, and improve website usability.

### **Complete journey from “Good-to-Great”,**

e.g., more tools & processes to steer and optimize commercial as well as operational performance.

### **Capture selected marketplace opportunities,**

e.g., scale Amazon business through assortment optimization and leveraging available tools.

**Continue to ensure high customer satisfaction ratings and leverage data & technology to fuel the initiatives**

## **Mid-term to long-term financial targets**

**RugVista Group targets to organically grow net revenues by approximately 20 percent per year.**

**RugVista Group targets to maintain an EBIT margin of at least 15 percent.**

**RugVista Group targets to invest resources into growth and developing the business. In addition, RugVista Group aims to pay out up to 50 percent of annual net profits in dividends to shareholders.**



# About RugVista Group (publ)

## Introduction

RugVista Group is one of the leading European direct-to-consumer online platforms within carpet and rug sales through its online stores, available in 20 different languages, using the RugVista and CarpetVista brands.

The company was founded in 2005 and offers a broad and relevant range of quality design and traditional carpets and rugs. RugVista Group offers its EU based customers free deliveries and returns free of charge.

RugVista Group's operations are divided into three segments: B2C, B2B, and Marketplaces & Other (MPO). The B2C segment represents the consumer market and is the Company's core segment.

## Purpose and vision

RugVista Group's purpose is ***to help people to a home they love.***

RugVista Group has defined three visions, each of which has a clear ambition.

- **Business:** *Be the center of gravity for the European rug industry.*
- **Sustainability:** *Lead the rug industry towards a sustainable future.*
- **People:** *Attract, motivate, and retain extraordinary people.*

## Strengths and competitive advantages

RugVista Group considers itself having several strengths and competitive advantages which contributes to the Group's ability to realize strategic objectives and reaching financial targets.

- Large European rug market with strong momentum for online sales.
- Attractive position on a market in which size is important.
- Large and growing customer base in Europe.
- Product expertise and assortment.
- Data-driven operational platform.
- Financial profile combining growth and profitability.
- A well-qualified Board of Directors and management team with extensive and relevant experience.

## Financial targets

The Board of Directors has adopted the following financial targets for the medium to long term:

- RugVista Group targets to organically grow net revenues by approximately 20 percent per year.
- RugVista Group targets to maintain an EBIT margin of at least 15 percent.
- RugVista Group targets to invest resources into growth and developing the business. In addition, RugVista Group aims to pay out up to 50 percent of annual net profits in dividends to shareholders.