Flügger

Company report

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Flügger painting a profitable recovery

Flügger took a solid step forward in 2024/25 in the recovery from a cyclical downturn, following the Covid-19 demand surge and resulting inflationary period. Management's greater focus on the core professional painter segment in combination with controlled organic growth in the higher margin International market, can support continuing moderate revenue growth and sustained margin and EPS growth. We see a favourable risk/reward based on absolute and relative valuation and initiate our coverage of Flügger with an "Accumulate" recommendation and price target of DKK 370.

Nordic coatings group with international growth engine

Flügger is a family-controlled decorative paints company with strong market positions in the Nordics and a growing footprint in Central Europe. The group operates through three segments: Nordics, International, and Partnerships. Nordic earnings are recovering gradually as housing and renovation activity remains subdued, while the International segment, driven primarily by Poland, has become the key growth engine, with double-digit revenue growth in recent years. The Partnerships segment (notably Unicell in Poland and Eskaro in Ukraine) adds steady revenues, with upside potential from future reconstruction of Ukraine. Under the Flügger Organic strategy (2024-2027), the company is refocusing on professional painters, adding stores internationally, expanding market access through partnerships, and maintaining cost discipline after years of store consolidation.

Margins to expand with focus on more profitable segments

With a revenue CAGR of 3.8% 2024/25-2027/28e, we model moderate growth within historical range. Despite modest growth, margins are forecast to expand. Growth in the higher-margin International segment, focus on core professional customers adding value, a shift in product-mix towards higher-margin own-brands, away from white labels, and an operating leverage effect from relatively stable production and store costs. A return to revenue growth and margin expansion enables double-digit EBIT growth from 2024/25 to 2027/28e.

Deleveraged balance sheet and moderate CAPEX support increasing shareholder return

We expect strong cash flow as recent factory capacity upgrades enable moderate CAPEX in the medium term. The balance sheet is deleveraged, with net bank debt/EBITDA around 1.0x at end-2024/25, and increasing cash flow from rising profitability enables a high payout ratio and estimated dividend yield >7%.

Absolute and relative valuation support favorable total return profile

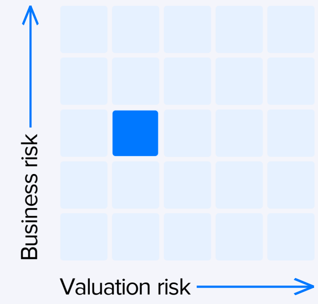
Our DCF-based model value of DKK 385 per share highlights the value to be unlocked from a sustained recovery. Despite uncertainty remaining in the timing and pace of a continued market strengthening, the DCF value supports long-term value creation. The estimated absolute EBIT growth and resulting strong cash flow support and increasing dividend outlook, with a sustained yield >7% while downside risk is reduced following deleveraging, despite the ongoing sanctions case, and trading multiples are reasonably priced compared to peers. We believe that Flügger's expected return exceeds the required rate of return over the next year and medium term, supported by a range of valuation methods, and we initiate our coverage with an "Accumulate" recommendation and price target of DKK 370 per share.

Recommendation

Accumulate
(prev. n/a)

370 DKK
(prev. n/a)

Share price:
320



Key indicators

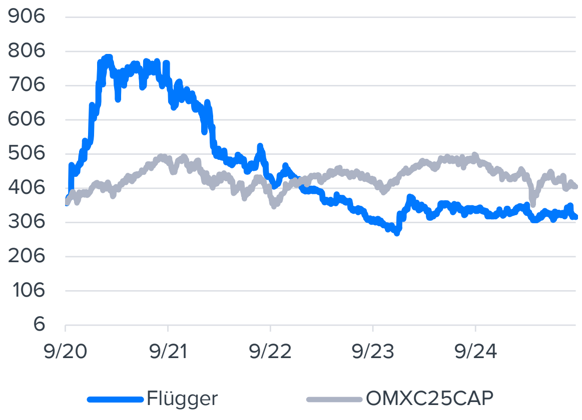
	2025	2026e	2027e	2028e
Revenue	2272	2358	2452	2546
growth-%	2.9%	3.8%	4.0%	3.8%
EBIT	94	119	144	169
EBIT-%	4.1 %	5.0 %	5.9 %	6.6 %
Net Income	63	81	102	122
EPS (adj.)	21.11	27.08	34.18	40.87
P/E (adj.)	15.0	11.8	9.4	7.8
P/B	1.1	1.1	1.1	1.0
Dividend yield-%	6.3 %	7.8 %	8.4 %	8.8 %
EV/EBIT (adj.)	17.0	13.1	10.5	8.7
EV/EBITDA	6.0	5.3	4.7	4.2
EV/S	0.7	0.7	0.6	0.6

Source: HCA

Guidance (New guidance)

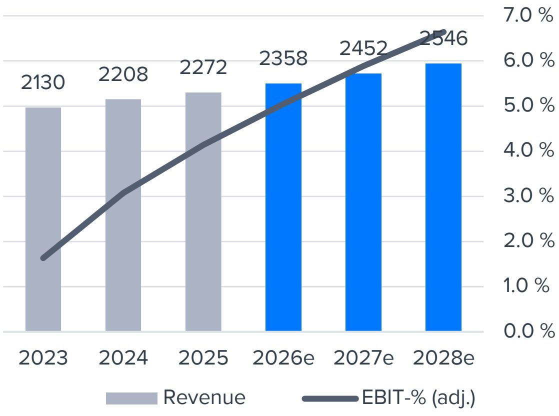
Flügger full year guidance for 2025/2026e is for revenue of MDKK 2,200-2,400 (-3% to 6% y/y growth from MDKK 2,272 2024/25). EBIT is expected in the range of MDKK 100-120, reflecting a margin range of 4.5-4.8%, (4.1% margin 2024/25).

Share price



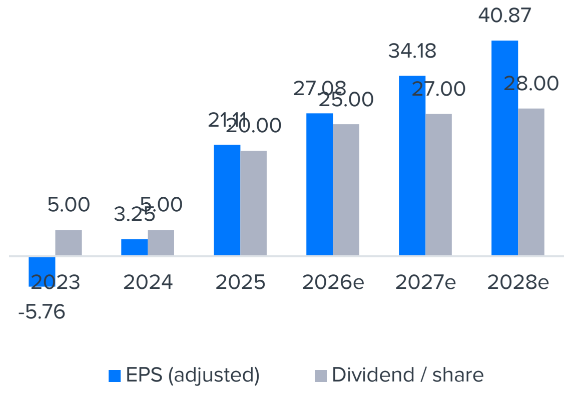
Source: CapitalIQ

Revenue and EBIT-%



Source: HCA

EPS and DPS



Source: HCA

Value drivers

- Strong growth in higher margin Poland to support group earnings
- Flügger Organic to drive operating leverage effect via higher volumes of own-brands
- Ukraine production facility gives optionality on rebuild of Ukraine
- Moderate CAPEX and deleveraged balance sheet support strong cash flow

Risk factors

- Recovery in housing/refurbishment market is early and is sensitive to interest rates and economic development
- An ongoing legal case related to past sanctions compliance may impact the Flügger brand reputation
- Limited short-term pricing power risks margin contraction if cost inflation returns
- Majority family ownership adds stability but limits free float and share liquidity

Valuation	2026e	2027e	2028e
Share price	320.0	320.0	320.0
Number of shares, millions	2.98	2.98	2.98
Market cap	953	953	953
EV	1558	1513	1469
P/E (adj.)	11.8	9.4	7.8
P/E	11.8	9.4	7.8
P/FCF	8.0	7.4	7.1
P/B	1.1	1.1	1.0
P/S	0.4	0.4	0.4
EV/Sales	0.7	0.6	0.6
EV/EBITDA	5.3	4.7	4.2
EV/EBIT (adj.)	13.1	10.5	8.7
Payout ratio (%)	92.3 %	79.0 %	68.5 %
Dividend yield-%	7.8 %	8.4 %	8.8 %

Source: HCA

Contents

Flügger in brief

Flügger is an international water-based decorative paints producer based in the Nordics and Central Europe. The company is listed on the Nasdaq Copenhagen with around 1,700 employees.

1783
Established in Hamburg, Germany, by Daniel Flügger

1983
Flügger A/S was listed on the Danish stock exchange

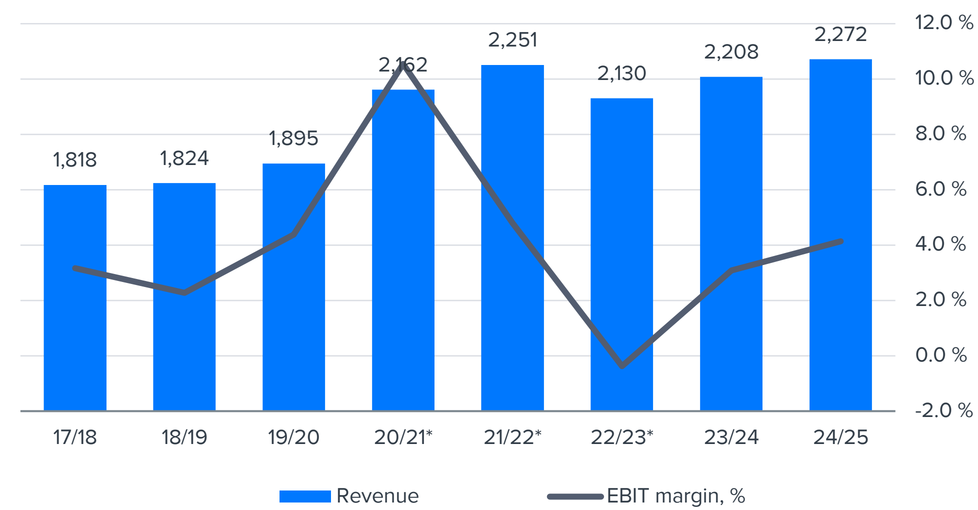
2,272 MDKK **(+3% vs. 2023/2024)**
Net sales 2,208 MDKK 2023/2024

94 MDKK **(4.1% of net sales)**
EBIT 68 MDKK 2023/2024

~1,700
Employees globally

1783-1983 German foundations lead to Danish ownership	1994-2010 Flügger expands to Scandinavia and invests internationally	2014-2021 International expansion and factory upgrades	2021-2025 New management, Covid-19, Ukraine war and Flügger Organic
• Flügger is established in Hamburg in 1783 becoming Danish-owned after WWII. • Ulf Schnack age 22 develops Danish production in 1958. Kolding factory built in 1970. • Flügger is listed on the Danish stock exchange in 1983.	• From 1994 Flügger expands in Scandinavia, acquiring Swedish production facilities. • Continued growth in Sweden and Norway and to Poland and China. • Flügger navigates the financial crisis.	• New CEO Jimmi Mortensen sets more aggressive expansion to Eastern Europe via acquisitions • Consolidation of store network across markets. • Unicell and Eskaro acquired expanding distribution and reach.	• Sune Schnack appointed CEO. • Covid-19 sees record year, followed by inflation • War in Ukraine led to divestment of Eskaro assets (non-Ukraine). • Flügger Organic strategy period announced.

Revenue and EBIT-% development



Note: results for 2023 and 2024 represent results for 2022/23 and 2023/24 respectively. Results (*) are also restated following the divestment of non-Ukraine Eskaro assets.

Company description and business model 1/9

Flügger - The (quality) painter's supplier

Flügger designs, produces, and markets a wide and coordinated range of professional-grade decorative (water-based) paints, wood preservatives, spackling paste, wallpaper, and painting tools. The company's primary sales and distribution channel is its "Flügger Farver" retail chain stores, selling direct to professional painters and retail consumers primarily across the Nordics and Central European markets.

Flügger had 296 stores across its Nordic and international markets in 2024/25 (210 owned, 86 franchise stores in the Nordics, and additional partnerships with resellers). Flügger also sells B2B via white-label brands to builders' merchants and do-it-yourself (DIY) stores, expanding its addressable market across the decorative paints value chain.

The Nordics remain the core of Flügger's business and the largest share of revenue (66% FY24/25); however, it is a mature and mostly stable market. Growth is in large part driven by Poland/Central European markets, with the first 'Flügger Farver' store opening in Poland in 2007, to capitalize on rising incomes in the region. Organic growth via own stores is the focus following acquisitions of white-label focused Unicell in Poland (60% owned) in 2019 and Eskaro in Ukraine (80% owned) in 2021.

Vertically integrated from production to consumers

Flügger is highly vertically integrated, producing approx. 30 million liters/year of paint from its primary production in Kolding, 27 million liters of filler per year from its factory in Bollebygd, Sweden, additional tools, paintbrushes, and more in Sweden, and with further smaller facilities in Poland (including Unicell), and Ukraine (via Eskaro). The 'Flügger Farver' store distribution and sales network enables influence at the point of sale via value-added services, supporting superior gross margins to peers. Store management is decentralized, giving managers flexibility, but with centralized control and a shared ERP system, to enable distribution scale benefits.

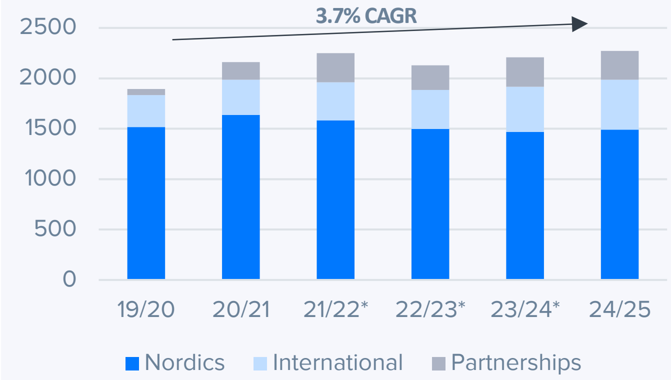
Flügger's store-heavy business model leads to greater fixed costs and operating leverage vs. peers, resulting in greater earnings sensitivity to changes in sales, which works positively in strong markets and negatively amid market weakness. During 2020/21, lockdowns and good weather boosted renovation activity, positively impacting revenue and earnings, while soft housing market activity since 2022/23 reduced renovation activities.

Nordic core with Central European expansion

Focus on being the painter's paint and developing products and services alongside professional painters (small- to medium-sized teams) has helped Flügger capture a leading position in Denmark. The store-centric model with value-added services for professional painters, such as on-site mixing and tinting machines, technical advisory, ESG documentation support, etc., has helped to develop a top 3 market position in Sweden and Norway.

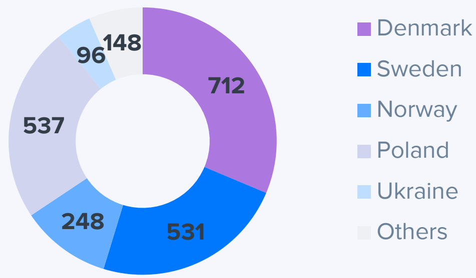
Flügger supplements its core retail-store business with sales to builders' merchants and independent dealers under private label brands such as Yunik, Primacol, and Lux Décor, and via majority-owned partnerships with Unicell and Eskaro. White label sales have lower gross margins but lower distribution costs and allow Flügger to address lower quality segments of the market without diluting the core Flügger brand, and this way maximizes factory utilization, supporting group margins.

Flügger revenue and EBIT-%

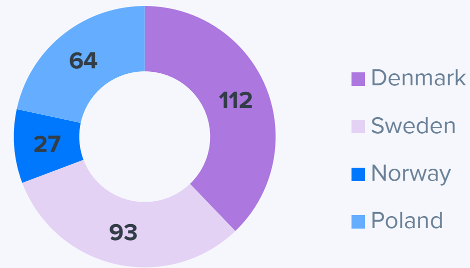


Note: * restated for divestment of Eskaro non-Ukraine. segment split 2020/21 to 2022/23 estimated based on previous segmentation

Revenue by country FY'24/25 MDKK



Total stores by country FY'24/25



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Nordic - 66% sales 2024/25

The Flügger Farver concept was established in 1974 and has been the core of Flügger's business ever since, providing timely and quality service to professional painters and acting as community hubs for painters in an otherwise solitary profession. Flügger has a market-leading position in Denmark with 112 stores, supported by #2-3 market positions in Sweden and Norway, developed since the 1990s when Scandinavian expansion began.

The Nordics provide stable revenue and cash flow with the store network generating captive demand for Flügger's production capacity, strong brand loyalty among professional painters, and a significant asset base, which is a barrier to entry for new competition. However, the Nordic market is mature with low growth since the 2008 financial crisis. It is also increasingly competitive with high income levels and prices for paint drawing in competition.

The latest 'Flügger Organic' strategy aims to develop market share through product offering simplification, brand unification, and enhanced service delivery to professional painters. The strategy also builds on previous efforts to optimize the store network and improve operational efficiency with IT and ERP system upgrades. While significant market share gains are unlikely, incremental growth can generate an outsized earnings increase, given the operating leverage. The Nordics remain a cash-generative core that can continue to fund dividends and reinvestment into international growth.

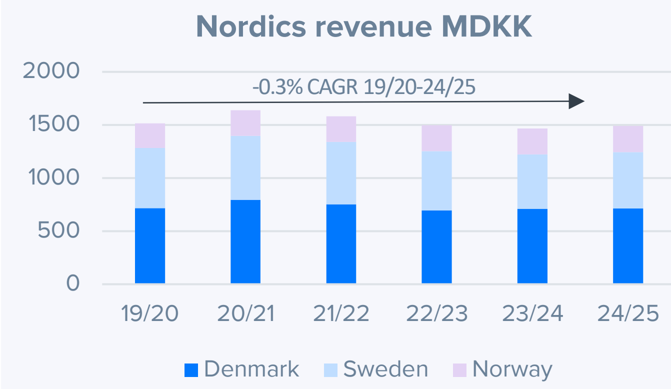
International - 22% sales 2024/25

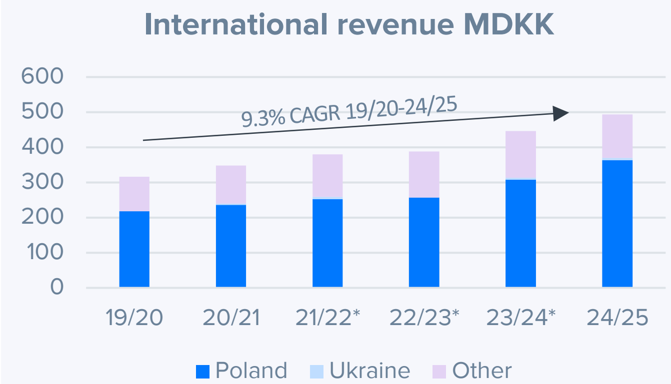
The international segment is Flügger's highest margin segment (EBIT margin FY'24/25: International 16.6%; Nordics 1.1%), with ongoing growth potential as geographical diversification. Developing European markets, including Poland, Lithuania, and Ukraine, enjoy rising incomes per capita, in turn, increasing demand for premium paints. The region also has a high density of professional painters who learned their trade in the Nordics and returned with positive associations to Flügger and Scandinavian design. Growing Flügger-brand sales internationally increases the share of factory capacity (increased since 2019 upgrades) used to produce higher-margin own-brand paint, raising average margins per unit and distributing fixed costs across greater paint volumes, supporting margins across the group.

Poland has been the centre of this expansion, with strong growth (6.9% CAGR 19/20 - 24/25). Polish expansion has provided the blueprint for opening new stores in Central Europe, with additional opportunity (white spots, with attractive demographics) to open stores in Poland, Lithuania, and more. Further collaboration with local distributors and partners in export markets can facilitate growth under a well-defined playbook.

Partnerships - 13% sales 2024/25

Partnerships include majority-owned Unicell and Eskaro Ukraine, both focused on the private label/DIY segment. Both partnerships have modern production facilities and customer relationships that can support Central European ambitions. Eskaro's production is reduced due to the war; however, its production facility near Odesa remains operational, and is well positioned to capitalize on a post-war rebuilding of Ukraine.





Note: segment split prior to 2023/24 estimated based on previous reporting. CAGR based on first full year of E

Note: segment split prior to 2023/24 estimated based on previous reporting, and normalized following divestment of Eskaro, non-Ukaine

Company description and business model 3/9

Premium quality upheld by raw materials and R&D

Flügger's brand leadership in the Nordic professional segment is supported by premium product performance that boosts painter efficiency and reduces job costs. In high-wage markets such as in Scandinavia, labour accounts for most of the total project cost, making low-coat, high-coverage paint a critical lever to lowering costs and therefore allowing Flügger to command premium prices vs lower quality competitors.

Paint quality is maintained through ongoing R&D managed at Flügger's headquarters and production facility in Kolding. The R&D team optimizes product formulas while ensuring compliance with leading environmental certifications such as the Nordic Swan Ecolabel and EU Ecolabel. Innovation has also given rise to low-emission and asthma/allergy-friendly paints as customers demand safer and more sustainable solutions.

Product quality is also ensured by using high-grade raw materials, including binders, pigments (especially titanium dioxide), fillers, thinners, and auxiliary substances. Titanium dioxide is the key quality-defining and costliest input, with Flügger's premium products featuring high titanium dioxide content. Titanium dioxide concentrations vary across Flügger brand products but are generally at a high level. As such, sourcing of raw materials, and especially titanium dioxide, has a key impact on cost-of-goods-sold and margins.

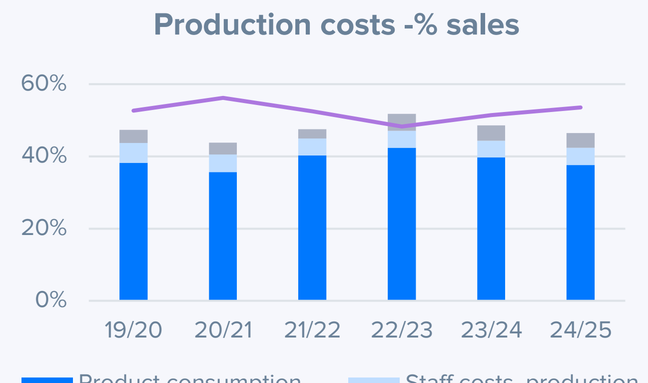
Raw material inflation pressured gross margins in 2022/23, which also highlighted Flügger's relative exposure as a smaller player with less purchasing power than global peers. Nonetheless, cost discipline and efficiency measures have mitigated margin erosion over time [product consumption - 36% sales FY'24/25].

Vertically integrated production

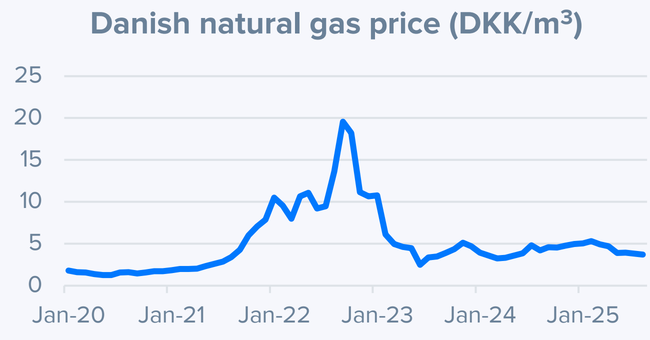
Flügger operates an integrated production network, giving it control from development to delivery across its branded and private-label products and with flexibility to meet different market needs.

The Kolding facility in Denmark serves as the group's primary production site, manufacturing both Flügger-branded paints and private-label products. While tools and filler/spackle, and other products are produced across three facilities in Sweden. Investment of around MDKK 300 in recent years to upgrade both factories increases capacity to also service Central Europe. The investments enable lower CAPEX over the medium term, boosting cash flow available for dividends.

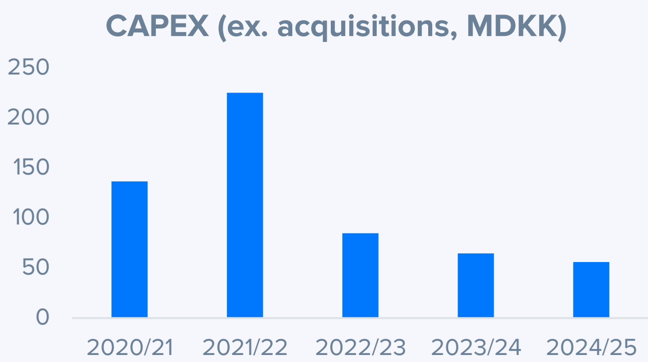
Flügger's Unicell factory in Poland produces own-brand, private-label, and white-label paint for DIY stores. The Eskaro facility in Odesa is among the few operational paint plants in Ukraine, and despite running at reduced capacity, it supplies a few of its own stores and DIY stores, and is well-positioned for a post-war rebuilding of Ukraine.



Note: FY21/22, FY22/23 and FY23/24 use restated results following the divestment of Eskaro



Source: Forsyningstilsynet



Company description and business model 4/9

Distribution and sales channels

Flügger's core sales channel is its owned and franchise 'Flügger Farver' stores throughout the Nordics, Poland, and Central Europe - the core business model since 1974. The stores are distribution hubs with local autonomy but managed via a centralized ERP system to streamline distribution throughout the network. Flügger expands its value chain with additional sales to:

- Builders' merchants and DIY chains.
- Direct-to-consumer e-commerce, targeting DIY customers.
- To a lesser extent, sales to large real-estate/infrastructure projects.

Sales & Marketing

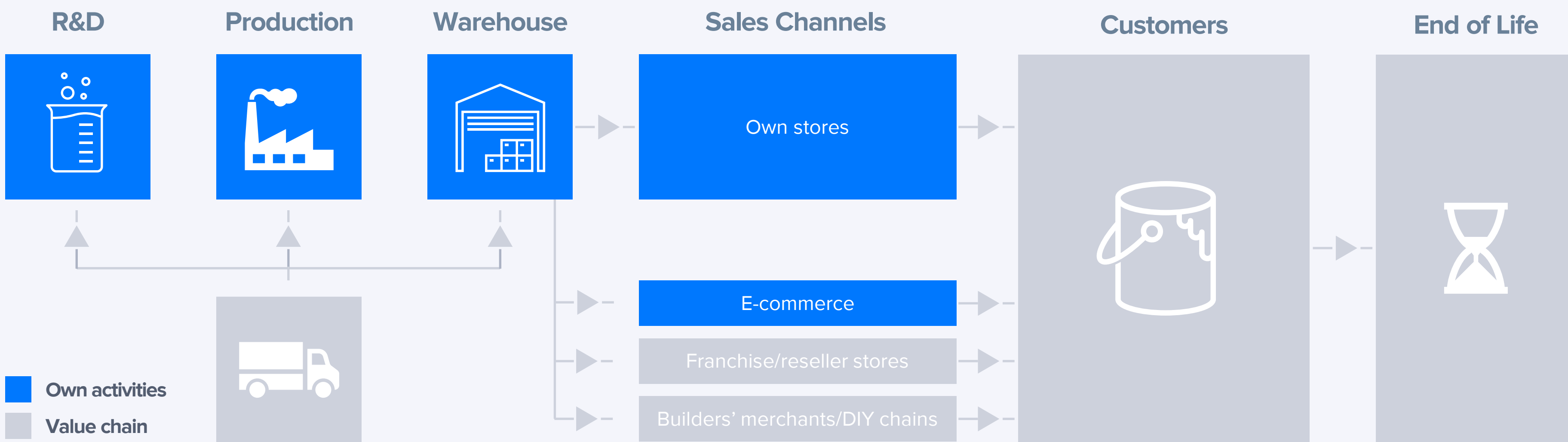
Marketing and brand-building are key levers in a market where paint can be perceived as a commodity. Flügger's brand premium is supported by high product performance and trust-based relationships with professionals. Flügger enjoys a somewhat self-reinforcing position in Denmark, where its market dominance and development into a household name lowers marketing needs to maintain the premium brand image. However, brand building remains important in Denmark, while in Poland and other growth markets, proactive brand building supports market share development and pricing strength. In Poland, the premium brand among professional painters and architects facilitates stronger margins.

In-store services as a competitive advantage

A major differentiator remains Flügger's in-store service model. While its store network adds fixed costs and operational complexity, it allows for influence at the point of sale, as stores serve as community hubs for professional painters across the Nordics, to share knowledge, get advice, and build relationships. In-store services add customer stickiness by adding value, including:

- In-store tinting machines and on-demand colour mixing to save time
- Technical advisory and guidance on product selection, surface preparation, and meeting health and environmental standards
- Project cost guarantees.
- Administrative support, including ESG documentation and invoicing services
- Training on best practices, new applications, and regulatory developments.

These services enhance customer loyalty and differentiate Flügger from builders' merchants, which offer lower service levels and less specialized expertise. The service model is proving effective in Poland, where painters who previously worked in the Nordics return with positive brand associations with Flügger's service quality and product performance.



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Strong brands at the heart of the business model

Flügger's strategy combines a portfolio of products and brands, led by 'Flügger', the company's primary international brand, each positioned to meet specifications across its markets and verticals. Brand strength is also reinforced by daily customer interactions at stores, where painters gain technical advice, other support services, and community benefits, leading to a positive feedback loop of repeat sales. The company's long-term competitiveness also relies on cost-effective and responsible sourcing of raw materials, efficient distribution, and high production efficiency to maintain product quality and price competitiveness.

Multi-brand strategy to address multiple market segments

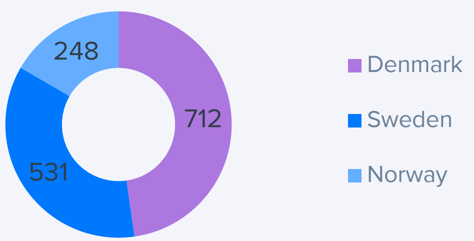
Flügger's product portfolio includes multiple brands, such as Flügger, PP Professional Paint (PP), Primacol, Eskaro, and others, to address the full decorative paints value chain across markets. Flügger is the core brand for the premium market, with other brands targeting other niches or DIY/builders merchants' segments. Additional white label production supports factory scale and efficiency, and targets additional parts of the value chain, and through increasing volumes, is margin accretive, despite volumes being gradually redirected toward own brands.

Brand simplification across markets under 'Flügger Organic'

As part of the ongoing 'Flügger Organic' strategy launched in 2024, the company has initiated a broad simplification of its product and brand architecture. The aim is to eliminate redundant SKUs, harmonise product formulations, and reduce complexity across the organisation. Flügger is prioritising its flagship brand across international markets, consolidating secondary brands where possible, and unifying the customer experience across channels. These measures are expected to enhance operational efficiency, improve pricing discipline, and elevate brand clarity.

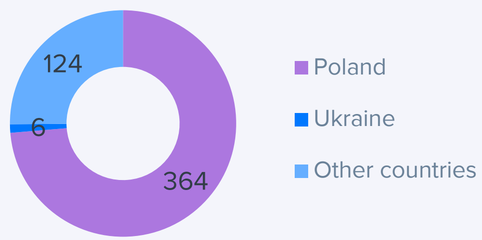
Flügger's vertically integrated, brand-led model, anchored by trusted products, proximity to end-users through its stores, and strong brand recognition, positions the company to sustain market leadership in the Nordics and expand its market share in Poland and Central Europe, supported by a balanced multi-brand portfolio. Near-term, the brand ambitions may face headwinds from negative press relating to an investigation into the past resale of paint into Russia, which Flügger states resulted from a terminated partner, acting as a Flügger representative without being one. We assume that the strong professional painter positioning will lead to little/no lasting brand damage.

Nordics revenue FY'24/25



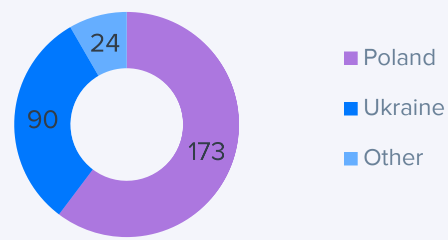
Distribution channels:
own stores, franchise stores, builders' merchants

International revenue FY'24/25



Distribution channels:
Own stores and dealers (Poland own stores only)

Partnerships revenue FY'24/25



Distribution channels:
Own stores

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Figures at time of acquisition MDKK	DETALE CPH	Unicell international	eskaro	Malgodt.dk	UAB Daniški dažai
Acquisition time	2019	2020 (60% owned)	2021 (80% owned)*	2021	2022
Geography	DK	PL	Ukraine	DK	LT
Revenue	8 MDKK	145 MDKK	117 MDKK*	30 MDKK	32 MDKK
Employees I factories	4 / 0	190 / 2	n.m / 1	22 / 0	14 / 0
Sales channel	Online / BtC	DIY / BtB	DIY / BtB	Online / BtC	Stores / BtC & BtB
Deal Value (EV)	8 MDKK	117 MDKK	n.m.	31 MDKK	16 MDKK
Implied EV/Sales	1.0	0.8	0.2	1.0	0.5
Strategic rationale	Increase offering to premium BtC customers and boost online sales channel.	Acquire production capacity in Poland and local DIY sales channel network.	Acquire production and local distribution in Ukraine.	Boost online (e-commerce) sales channel and broaden private consumer reach in Denmark.	Acquire presence and contacts in Lithuania, an Eastern European growth market.
Evaluation	Small acquisition adding a little premium BtC product to portfolio.	Unicell's DIY focus sits outside the core Flügger Organic strategy; however, the local presence and additional production added operating leverage.	Unpredictable war in Ukraine led to significant write-down of MDKK 128. Medium/long-term may benefit from the rebuilding of Ukraine.	Small BtC, primarily e-commerce business, with key technical capabilities which Flügger has since absorbed.	Established own-store activities in Lithuania, a strong export market. Is a platform to grow via the Polish blueprint with own stores in Lithuania.

Note*: Flügger acquired 70% of Eskaro Group in May 2021, including activities in Ukraine, Russia, Belarus, Estonia, Finland, and others. However, following the war in Ukraine, Flügger divested its non-Ukraine Eskaro assets back to the minority shareholder, raising its equity position in Eskaro Ukraine to 80% in return". Eskaro Ukraine realized revenue of MDKK 117 for 2021/22, and is hence an estimated value.

Company description and business model 7/9

Executive Management

Sune Schnack, CEO, joined Flügger in 2018 as Manager for PP Professional Paint (a subsidiary brand), and held several leadership positions before rising to lead the family-controlled business as CEO in 2021. Prior to joining Flügger, Sune's business experience was developed as a consultant at Rambøll and analyst at FSN Capital. He assumed the CEO role when Flügger had undergone a series of acquisitions, necessitating a strategic focus on operational stability across the group. Before he was appointed CEO, Sune held the position of Vice Chairman of the Board.

Lucas Eichild, CFO, joined Flügger in 2021 in a leadership role focused on business development before being appointed CFO in 2024. His appointment coincided with the more expansionary Going Green strategy period. Prior to joining Flügger, he held senior positions at Carnegie Investment Bank.

The management team also includes Ulf Schnack, Chief DNA Officer. Ulf has shaped its international and strategic direction over decades. He serves in an advisory capacity. He is the father of CEO Sune Schnack; together they hold 80.2% of voting rights and 46.4% of share capital.

The Board of Directors

Three new members were elected at the August 2025 Annual General Meeting following the decision of The Chairman (Peter Korsholm), Vice Chairman (Jimmi King Mortensen), and board member (Kim Balle) deciding not to seek re-election. While the change is significant, the new board members bring strategic competencies within retail, technology, and internationalization, in addition to classic competencies within finance and governance. The new board composition may also be more governance-friendly, with the departure of former CEO of Flügger Jimmi King Mortensen.

Karen Frøsig has been appointed Chair of the Board of Directors. She is an independent board member, former CEO of Sydbank, serves on several boards in both Danish and international retail, and brings a legal background combined with strong strategic business expertise.

Alexander Vilhelm Martensen-Larsen (Vice Chair) is another independent member with a financial and strategic background, having held senior positions at IC Group, Gubra, and Revolution Race, as well as experience from audit committees.

Bettina Antitsch Mortensen has been re-elected to the Board as a non-independent member. She is a major shareholder in Flügger, owner and CEO of the M+ Group, and brings experience from the construction and real estate sectors.

Nicolai Schnack has been elected to the Board as a non-independent member and signals the next generation of Schnack influence as the grandson of Ulf Schnack. With experience as CTO of Joe & The Juice, he contributes expertise in digitalization and business-critical systems.

Executive Management

Sune Schnack
CEO

Lucas Eichild
CFO

Ulf Schnack
Chief DNA Officer

Board of Directors

Karen Frøsig
Chair of the Board

Alexander Vilhelm Martensen-Larsen
Vice-chair of the Board

Bettina Antitsch Mortensen
Board member

Nicolai Schnack
Board member

Dorthe Laursen - Board member
(Employee representative)

Mikkel Boelskifte - Board member
(Employee representative)

Source: HC Andersen Capital and Flügger

Company description and business model 8/9

Dual class share structure: A and B shares

Flügger's share capital is divided into Class A and Class B shares, with only the Class B shares listed on Nasdaq OMX Copenhagen. Each Class A share carries ten votes, whereas each Class B share carries one vote, and in this way, control is retained within the family.

As of April 30, 2025, there were 590,625 Class A shares, representing 71.0% of the total voting rights, despite accounting for only 19.7% of total shares. There are 2,393,052 Class B shares, representing 79.7% of total shares and 28.8% of the voting rights. Additionally, the company holds 20,346 Class B treasury shares, corresponding to 0.2% of the total voting rights.

Family ownership ensures majority control through A shares

As outlined on the previous page regarding Flügger's top management, the company's Chief Executive Officer, Sune Schnack, and Chief DNA Officer, Ulf Schnack, hold 80.2% of the voting rights and 45.1% of the share capital, primarily through their holding company SUS 2013 ApS. Additionally, the Schnack family is further represented among the major shareholders by Susan Schnack, who, however, has no operational role in Flügger, holds 5.0% of the share capital, and 1.8% of the voting rights.

One major shareholder outside the family

Flügger has one major shareholder outside the Schnack family with an ownership stake exceeding 5%. This shareholder is M Plus II A/S, a company within the M Plus Group. Bettina Antitsch Mortensen, a member of Flügger's board of directors, exercises controlling influence over M Plus II A/S. The company holds 28.3% of the share capital, corresponding to 10.2% of the voting rights.

Low free float

Flügger's principal shareholders, each holding more than 5% of the company, collectively own 78.4% of the shares and control 92.2% of the voting rights. This limited free float significantly reduces the daily trading liquidity of Flügger shares. The low liquidity makes Flügger less attractive to potential institutional and larger investors, as it constrains their ability to acquire a meaningful position in the market.

The main shareholder, SUS 2013 A/S, holds a controlling interest in the company and is represented in executive management. This high concentration of ownership, particularly among individuals actively involved in management, raises concerns regarding the alignment of interests with minority shareholders. Such a structure may contribute to perceptions of less shareholder-friendly and further impact share liquidity.

Flügger is actively seeking to increase the proportion of shares in free float through initiatives such as a broader share-based incentive program for employees.

Despite the low free float, Flügger, on the contrary, sees significant value in its public listing, particularly in terms of visibility and public relations benefits. The company has not indicated any intention to delist.

Composition of Share Capital as of 30 April 2025

Number	Shares	%	Votes	%
A-Shares	590,625	19.7	5,906,250	71.0
B-Shares	2,393,052	79.7	2,393,052	28.8
B-Shares held by the company*	20,346	0.7	20,346	0.2
Total	3,004,023	100.0	8,319,648	100.0

Ownership Structure as of 30 April 2025

Major Shareholders (≥5%)	Shares	%	Votes	%
Susan Schnack	150,329	5.0	150,329	1.8
M+ II A/S**	851,487	28.3	851,487	10.2
Ulf & Sune Schnack***	1,354,101	45.1	6,669,726	80.2
Total	2,355,917	78.4	7,671,542	92.2

*Voting rights cannot be exercised for the company's holding of its own shares.

**M+ II A/S owns 851,487 B-shares in Flügger group A/S. Bettina Antitsch Mortensen has controlling influence in M+ II A/S.

***Ulf & Sune Schnack (father and son) jointly own 1,354,101 Flügger shares, of which 590,625 are A-shares and 720,610 are B-shares held in SUS 2013 ApS (Flügger Holding).

Company description and business model 9/9

ESG under “Going Green” and “Flügger Organic”

Flügger has a long history of aligning with environmental standards, with water-based paints forming the foundation of its portfolio since the 1970s, decades before regulatory enforcement in the EU. Flügger has maintained a leading edge in its sustainability credentials, demonstrated by introducing the market’s first Nordic Asthma and Allergy-certified paint product (Dekso AÏR). ESG has remained a focus in recent years to stay ahead of evolving regulations and also to build trust with professional painters, supported by customer-facing tools to help painters in their ESG documentation.

Under its “Going Green” strategy (2020–2024), Flügger achieved measurable progress across three key environmental dimensions: product formulation, packaging, and production. Notably, 83% of company-wide wet goods and 90% under the Flügger brand are now eco-labelled. The latest “Flügger Organic - Delivering sustainable value” strategy builds on the company’s targets under Flügger Organic:

- 90% of wet goods to be eco-labelled by FY26/27,
- 90% of internal tools and buckets to contain ≥50% recycled plastic,
- A 55% reduction in CO_2 emissions (from 2015/16 levels), with particular emphasis on addressing the Scope 3 CO_2 footprint

High female representation in a male-dominated field

Flügger demonstrates a strong commitment to diversity, with 46% female representation across the organization, reflecting a high commitment to diversity in a male-dominated field, though this falls to 33% at the senior management level. At the board level, gender representation is evenly balanced.

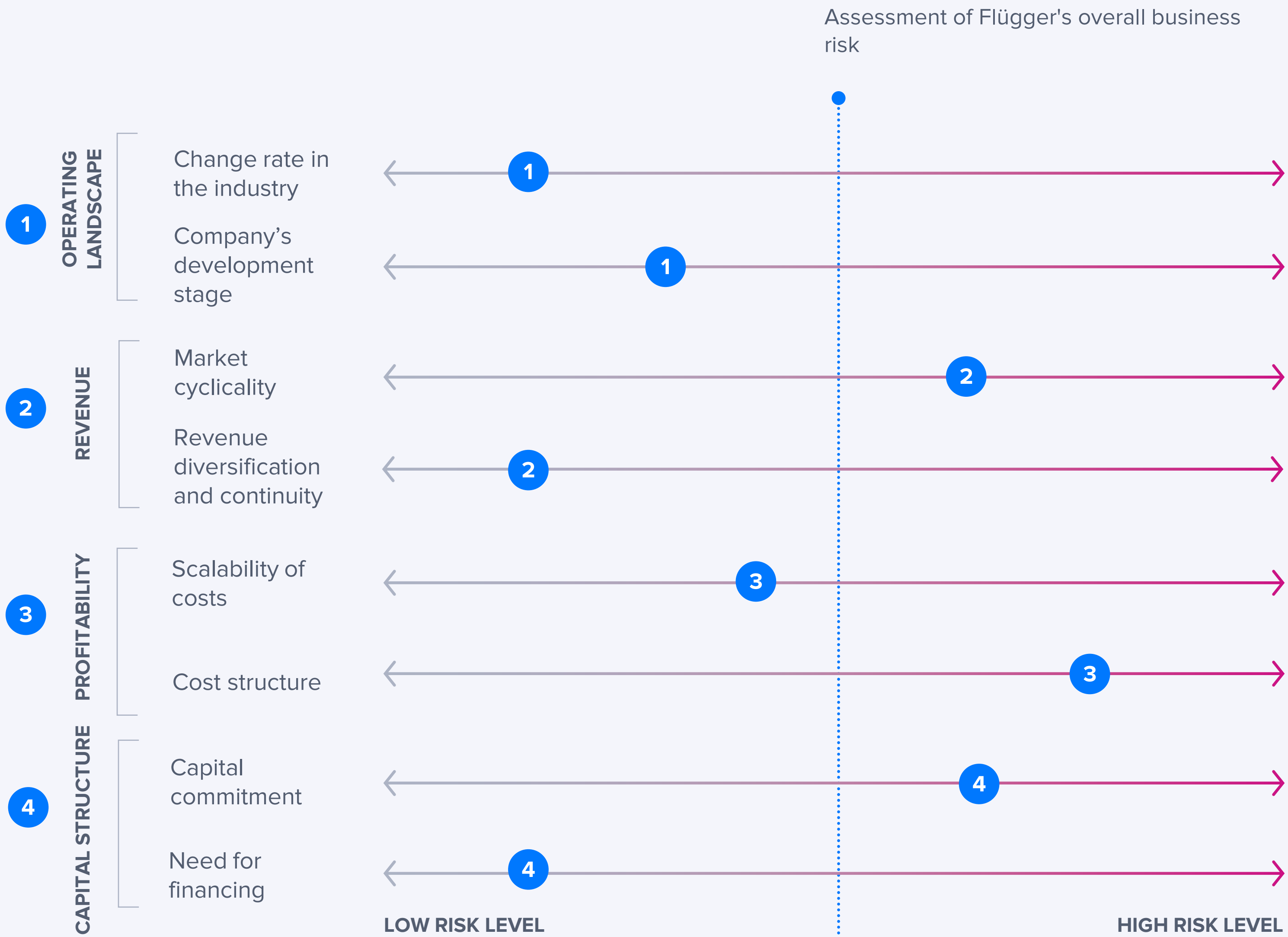
ESG reinforces brand strength, but with limited long-term competitive advantage

While Flügger ranks among the ESG leaders within its niche, the highly regulated nature of the decorative paints industry limits the ability to turn ESG into a sustained economic advantage. In our view, ESG benefits Flügger by:

- A supporting factor in maintaining brand pricing power
- Stronger brand associations in export markets such as Poland and Lithuania
- Reinforce brand equity and trust, particularly with professional painters.
- A barrier to entry by adding costs for new entrants to be ESG compliant.
- A risk mitigant by ensuring compliance and reducing legal risks.

Sustainability focus areas under Flügger Organic – Delivering Sustainable Value strategy		Selected target 2026/27
ReColour Paint	100% eco-labelled paint by 2030	90% of own-produced wetgoods with eco-label
ReColour Packaging	95% packaging with 50% recycled plastic by 2030	75% of own-produced buckets and tools with 100% recycled plastic
Recolour Value Chain	CO2 neutral by 2050	15% reduction of CO2e in scope 1 and scope 2 10% reduction of CO2e in scope 3

Risk profile of the business model



The change rate is low, with well-established leading players. Regulation and ESG are the drivers of change.

Flügger has operated for over 200 years and produced water-based paint in Denmark since 1970.

The market is stable in the Nordics with some cyclicality to housing market conditions. But also some 'lipstick effect' protection in recessions.

Customers are diversified across markets, regions, and verticals, but with Nordic sales concentration.

A vertically integrated model lowers the scalability of costs with operating leverage when revenues rise

The cost structure is fixed in the short-term with full vertical integration, while stores and employee composition are variable over the medium term. Production costs are fixed.

An asset-heavy business model needs maintenance and expansion CAPEX, despite leases adding some flexibility.

The leverage ratio has normalized, and bank debt is low. Operating cash flow is sufficient to finance CAPEX and working capital.

Investment profile

1. **Leading Nordic brand expanding in high growth Polish/Central European markets**

2. **Cash flow and balance sheet strength support growth investment and attractive shareholder returns**

3. **Fixed cost structure magnifies margin volatility in both directions**

4. **The buildings/materials market is cyclical, although refurbishing activity being more stable**

5. **Family ownership ensures continuity but raises governance considerations**

Potential

- Nordic market share growth via other professionals (through builders' merchants) as part of Flügger Organic strategy to drive margins via operating leverage effect.
- Continued strong growth and strong margins in Poland supported by significant remaining 'white spot locations' in a growing market with rising brand reputation.
- Production in Ukraine remains operational, despite the war, positioning it to capture Ukraine rebuild upside.
- A solid balance sheet allows cash flow to support strong shareholder returns, primarily via dividends

Risks

- With a high fixed-cost base, margins are highly sensitive to demand swings. A further deterioration of housing/ refurbishment conditions can pressure EBIT margins.
- Flügger's market is competitive, which puts a ceiling on pricing power, despite differentiation for professionals.
- Majority family ownership adds stability but limits free float and share liquidity.
- Flügger faces an ongoing legal case related to past sanctions compliance. The financial impact may prove limited, but reputational damage may impact.

Strategy 1/2

Flügger Organic – Delivering Sustainable Value

Grow Nordic market share by simplifying operations across production, products, and partnerships

Flügger aims to defend and incrementally expand its market position in the Nordics via partnerships and adding more value for professional painters. Win core markets in Nordics by:

- Increase brand value to lift sales volumes and add pricing power.
- Partner with professional DIY chains to reach more craftsmen.
- Adding value to painters via pro centres, document support, and more.

Expand Polish/Central European operations and international exports leveraging brand strength

Measured expansion of operations in Poland and Central Europe under a proven playbook to grow volumes.

- Open new stores in Poland and Lithuania under well-defined playbook.
- Roll-out new initiatives with local distributors to grow volumes in existing export markets.
- Grow exports in new countries with partnerships and proven strategy.

HCA' comments on Flügger's strategic objectives

- Flügger has reached a natural ceiling in the Nordic market, which ex. 2021 has been a very low-growth market and is also highly competitive. Flügger's gross margins are above peers', showing competitive unit economics. Incremental revenue increase can have a larger impact on earnings, given operating leverage and new DIY chain partnerships can expand market opportunity; however, growth may be challenging as competitors also experience sticky brand loyalty.

- Factory capacity upgrades have reduced cost per unit, which can boost margins if the new capacity can be sold at attractive prices. Expanding the addressable market with select builders' merchant chains can support volume growth with favorable, lower-volume, higher-margin sales to small and midsized craftsmen teams.

- Market cyclicality presents a challenge. A post-COVID pull-forward in demand, and softness in housing activity since 2022, continues to present near-term headwinds, though lower repainting activity in 2024/25 suggests some room for a cyclical rebound.

- Poland/Central Europe offers structural tailwinds with high growth rates in GDP and income per capita. Flügger's International segment has the highest margin across Group operations, and International growth can drive Group margin expansion. We assess that while significant white spots remain, growth can exhibit increasing returns to scale without cannibalizing profitability at existing stores.

- Poland/Central Europe and international expansion is key to increasing the share of Flügger volumes as a share of total factory capacity, a key driver to increasing group margins. A proven blueprint for new stores and export partnerships based on historical experience increases the likelihood of shorter payback periods.

- The acquisitions of Unicell and Eskaro have been mixed with their respective focus on builders' merchants secondary to the core own-brand strategy. The war in Ukraine and divestment in non-Ukraine regions negatively impacted shareholder value, however, Eskaro is well-positioned to capitalize on a rebuilding of Ukraine.

Strategy 2/2

Strategy overview: 'painters paint'

The strategic aspiration is to be the preferred choice of painters and quality-oriented consumers. The 'Flügger Organic - Delivering Sustainable Value' strategy looks to expand market potential by entering into structural partnerships with professional builders' merchants as well as growing internationally to achieve the right economies of scale and increased profitability across all markets, organically.

Flügger Organic (2024-2027)

The strategy targets renewed focus on the core business after several years pursuing acquisitions to return to stable growth with rising margins driven by 5 strategic pillars:

- Nordics
- International
- Brand
- Simplification
- Robustness

In the **Nordics**, Flügger seeks to add further value to professional painters through strengthened relationships, application training, and increased new digital services and availability of data. Additional expanded availability of Flügger brands via partnerships with builders' merchants can raise overall volumes and market share

International focuses on adding new stores in Poland and Lithuania to utilize improved production capacity, while also growing international exports with existing and new partners.

Brand looks to strengthen the Flügger brand across regions to support market share growth with expanded brand efforts at builders' merchants to reach greater numbers of professional craftsmen.

Simplification looks to consolidate labels and recipes across customer groups and closing non-core business activities, while Robustness centers on further development of the IT system to improve operational efficiency.

In our assessment, the strategy can benefit shareholders by incrementally increasing sales while maintaining/streamlining its cost structure, which can positively impact net income margins. A consistent improvement in margins can build investor confidence after a lower margin period. Organic international growth may be more measured than acquisitions, but with faster payback time, increasing returns on invested capital. The large Polish market size suggests white spots remain; with around 100 cities with population >50k and 64 active stores in 2024/25. Nordic growth driven by brand and simplification is rational and relatively low-cost and assessed as effective, however, negative media press relating to Russian sanctions may challenge the strategy.

Going Green in review (2020-2024)

The previous "Going Green" strategy laid the groundwork for today's organic growth ambitions. It focused on strengthening ESG credentials and scaling production efficiency. Key milestones include:

- A DKK 130m upgrade of the Kolding facility, centralising paint production and improving cost competitiveness.
- An additional DKK 70m invested in a Swedish filler plant, boosting capacity group efficiency.

These upgrades enabled consolidation of production; however, has increased reliance on selling volumes to lower margin builders' merchants and DIY stores. However, overall group production also underpins the current strategy to grow sales of higher margin Flügger brand paints, with optionality to dial up higher margin own brand production and dial down low margin white label production.

Other strategic initiatives, such as expanding e-commerce, growing B2B sales, and acquisitions, had mixed results:

- Professional painter adoption of e-commerce is slow, but Flügger's capabilities ensure participation as digital penetration increases.
- The Unicell acquisition expanded Flügger's presence in Poland but is DIY-focused and misaligned with the current B2B-centric strategy.
- The Eskaro acquisition, though burdened by post-acquisition impairments and the war in Ukraine, may provide significant upside in a reconstruction scenario.

Long-term targets

The current mid-term strategy does not include direct long-term targets, but we expect that the medium-term objectives are to return to historical gross margin levels, with steady organic growth, driven by new stores in Central Europe and ongoing return to shareholders via dividends.

Past development

Stagnating growth and internal challenges pressured margins in 2010s

Following steady growth in the 2000s, with gross margins around 55% and EBIT margins of 7 - 10%, performance deteriorated in the 2010s. Weaker demand in Denmark (the core market) post financial crisis, combined with rising raw materials and distribution costs, squeezed EBIT margins.

While the ongoing expansion of own stores in Scandinavia, Poland, and others continued in the 2010s, internal challenges, including IT system issues and two CEO changes, saw roughly flat topline development and ongoing low single-digit EBIT margins of 2-5%. A focus on returning capital to shareholders was maintained with a dividend payout ratio of >50% during this period.

Acquisitions and Covid-19

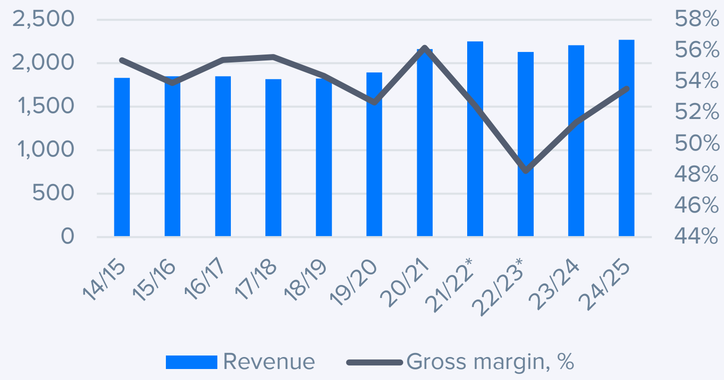
Former CEO Jimmi Mortensen (appointed 2016) initially focused on consolidating the store network to improve operational efficiency, but, facing ongoing competitive challenges in the Nordics, looked to accelerate growth with production capacity expansions in Denmark and the acquisitions of Unicell and Eskaro in Poland and Ukraine, which expanded Flügger's footprint within builders' merchants/DIY. Earnings surged temporarily during Covid-19, as lockdowns boosted demand, but subsequent inflation in raw materials and logistics eroded margins again.

Return to family leadership and re-focus on Flügger's core

In 2021, Sune Schnack, part of the founding family, was appointed CEO to navigate high inflation and geopolitical challenges related to the war in Ukraine. A divestment of non-Ukraine Eskaro assets due to the war and focus on core business has seen debt decline, with both gross and operating margins improving.

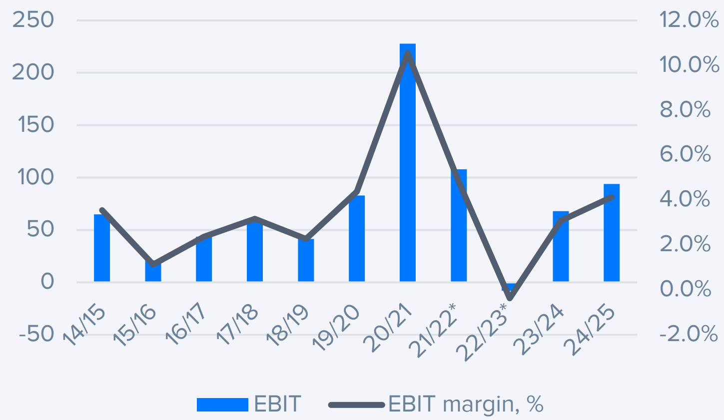
The current management team looks to improve competitiveness in its own stores in Scandinavia by driving value to its core professional painter customers to incrementally grow volumes and revenues, thereby utilizing the operating leverage to lift margins. A more stable balance sheet also enables a return to organic International growth, with opportunities to grow the store network in Poland and Lithuania, and grow international exports with partners.

Historical revenue and gross margin (MDKK, %)



Source: HC Andersen Capital and Flügger. *Numbers restated, following divestment of non-Ukraine Eskaro assets

Historical EBIT and margin (MDKK, %)



Source: HC Andersen Capital and Flügger. *Numbers restated, following divestment of non-Ukraine Eskaro assets

Financial position

Asset and working capital-heavy balance sheet

Flügger's vertically integrated model is clearly reflected in its balance sheet, with PP&E (including lease assets) around 45% of total assets. This level of PP&E is not uncommon for industrial companies, but can suggest higher levels of maintenance CAPEX to remain competitive compared to other industries. However, Flügger's CAPEX is similar to peers in the low-single digits as a share of revenue.

Working capital intensity is a feature of Flügger's model, as inventories and trade receivables represent around 40% of total assets. High inventory levels reflect the need to stock stores across multiple markets, while receivables are elevated to support store and franchisee cash flow and provide professional painters with favourable payment terms. This structure supports revenue generation and customer stickiness, particularly in fragmented markets like Poland, but it ties up capital. However, working capital efficiency has improved in recent years, and we deem a roughly stable foundation has been achieved at of 24/25.

Flügger's low goodwill (around 8% of assets) reflects a low risk of further write-downs, following the write-downs of MDKK 128 relating to the acquisition and partial divestment of Eskaro, including a goodwill write-down to zero. The low goodwill reflects a long history of organic growth and lesser reliance on acquisitions. While asset damage in Ukraine remains a risk, Eskaro's total book value is a small share of total assets.

Flexibility through leases

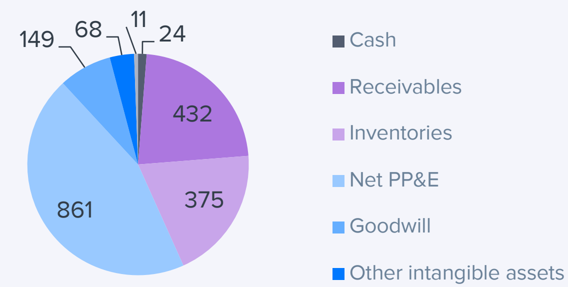
A large share of Flügger's liabilities are leases for real estate and equipment relating to the store network. While leases inflate assets and liabilities under IFRS 16, they provide operational and financial flexibility, enabling easier strategic pivots in store footprint if needed. Adjusting for leases, Flügger's financial leverage is also lower.

With stores a cornerstone to the 'Flügger Organic' strategy, we don't expect any material change to this structure, but Flügger's debt adjusted for leases is significantly lower. The reduction of bank debt since 2022/23 and following the divestment of Eskaro also gives greater flexibility to allocate cash flow towards CAPEX, dividends, and to pursue organic growth initiatives, such as opening new stores in Poland. Some debt is also appropriate, given the asset-heavy capital structure, to support a lower cost of capital on a group basis.

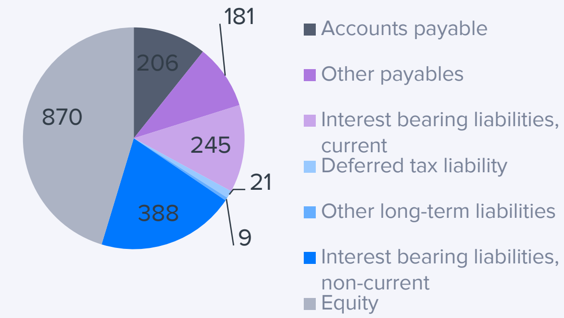
Equity is supported by retained earnings

Equity is primarily built on retained earnings, suggesting a stable source of funding and very low dilution risk, while a solid debt-to-equity ratio of (0.73x 24/25) is appropriate for an asset-heavy model. Net-interest-bearing-debt to EBITDA (NIBD/EBITDA) has declined to 2.3x 2024/25 and is 1.0x if adjusted for lease liabilities. With expectations of retaining some debt in an optimal capital structure, and earnings cyclically low, we expect greater cash allocation towards dividends than further debt repayment.

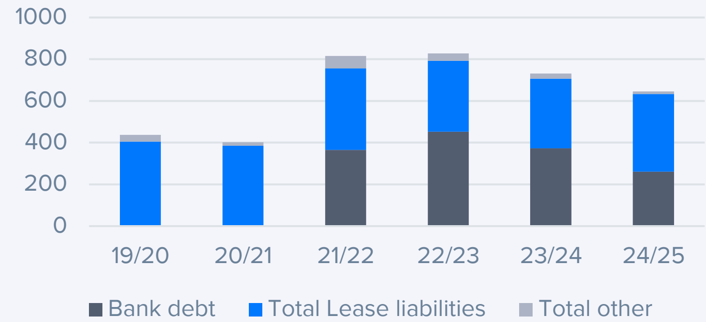
Balance Sheet Assets 2024/25



Balance Sheet Liabilities 2024/25



Flügger debt development (MDKK)



Source: HC Andersen Capital and Flügger

Market and Competition 1/6

A Global decorative paints market: steady growth and regional divergence

The global paints and coatings market was valued at around USD 200bn in 2024 and is expected to grow at a global CAGR of around 6% towards 2029 according to the chemicals business strategy group ChemQuest. Of this total, the decorative paints segment represents approximately 42%, with industrial coatings and special purpose coatings accounting for 58%. Decorative paint demand is primarily driven by renovation and maintenance activities within residential and commercial real estate.

Flügger is focused on the decorative paints segment. In contrast to larger global peers with diversified industrial exposure, Flügger's positioning is more exposed to housing-related renovation cycles. While still exposed to cyclical fluctuations, housing activity and renovations are less sensitive to the business cycle than industrial applications and the broader buildings and materials industry.

Europe: modest growth, but strong share of decorative paints

Europe accounts for approximately USD 37bn of the global market, or around 19%. From 2019-2024 the European coatings market grew at only 0.8% CAGR, with a negative 1.9% CAGR in volumes. A declining volume market in mature European markets has presented a challenge.

However, ChemQuest expects a return to volume growth at +1.8% CAGR 2024-2029, with overall market growth of 4.1% CAGR during the same period. It is still expected that Central/Eastern Europe will be the fastest-growing region within Europe, but with a return to growth in mature regions too.

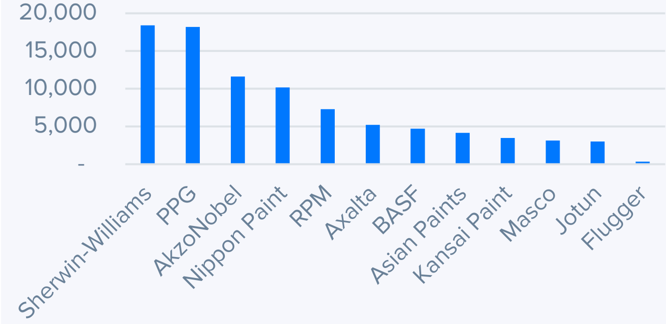
Growth will be driven by renovation activity, increasing ESG compliance demands, and rising consumer preference for eco-labelled and water-based paints - areas in which Flügger has a strong competitive position.

Nordics: mature market, low growth, but price leadership

In the Nordics, the decorative paint market is expected to return to modest growth as falling interest rates lift overall market activity. Flügger will lean on its service model, focus on professional painters, and brand simplification to incrementally grow market share amid a stable market. The international segment, including Poland and Lithuania, is expected to experience structurally faster, but not exceptional, growth driven by urbanization and rising renovation and insulation activity.

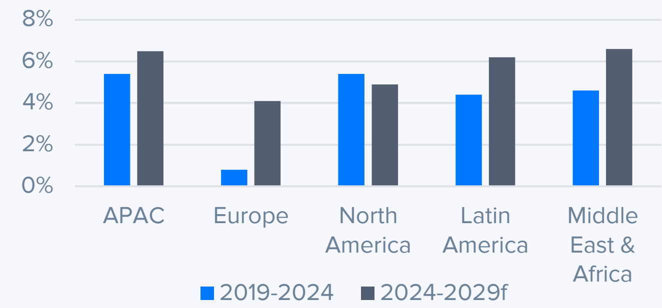
Asia-Pacific is the largest global paint market (around 50% total) and the fastest growing, with a 4 - 6% CAGR. Flügger has some sales to China, but it is a smaller share of overall revenues. North America is not a significant market for Flügger.

Largest decorative paint producers 2024 and Flügger MUSD



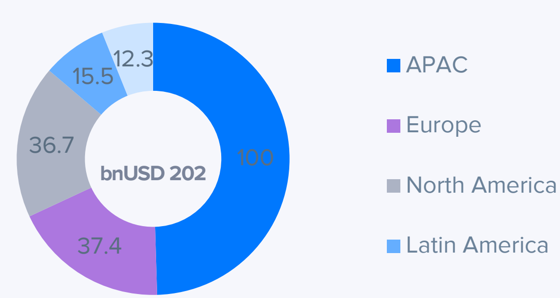
Source: Coatings World. Flügger #40 market position

5 year CAGR historical and forecast



Source: ChemQuest

Global coatings market size 2024 bnUSD



Source: ChemQuest

Market and Competition 2/6

A fragmented by consolidating market, led by large global companies.

The global decorative paints market remains structurally fragmented, despite ongoing consolidation by industry leaders. The top 10 global players, led by Sherwin-Williams, PPG, Akzo Nobel, and others, account for around half of global sales, with an estimated global market size of USD 200 billion in 2024. There are over 80 companies globally with more than USD 100 million in annual paint revenues (Flügger - MUSD 350 FY2024/25), and more than 5,000 local or regional producers operate below that threshold. This creates a competitive landscape where scale advantages typically support greater margins among market leaders, where distribution efficiency, brand trust, and direct-to-user access offer durable competitive moats - an area where Flügger holds an edge in its core markets.

M&A driving industry consolidation

M&A remains a key theme across the industry, driven by the need to access local brands or distribution networks, with industry sources suggesting around 40-50 average annual acquisitions globally. In the Nordics, Dyrup was acquired by PPG in 2011, while Tikkurila (a Finnish-based peer to Flügger) was also acquired by PPG in 2021, after a bidding war with Akzo Nobel in a EUR 1.5bn deal at a high EV/EBIT valuation around 25x, according to S&P Capital IQ. Large competitors have been buying their way into the high-quality Nordic market.

Flügger had an active M&A strategy from 2019-2022, but has since shifted the strategy to focus on strengthening its existing distribution network and developing its distribution network in the more fragmented Polish and Lithuanian markets organically.

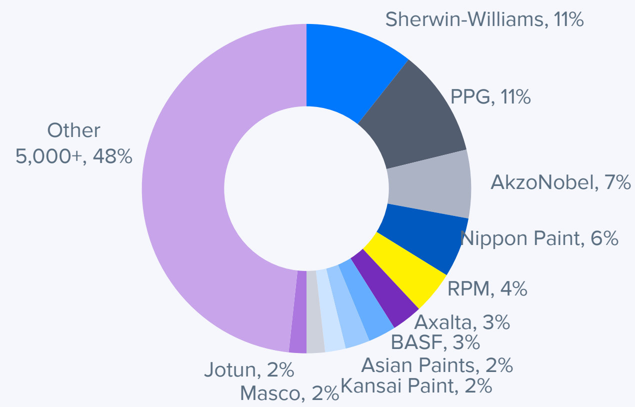
Flügger 40th largest player globally, but not an acquisition target given family control

Flügger is listed as the 40th largest global paint producer (by revenue) in 2024 and would likely be an acquisition target for global firms given its strong Nordic market position, brand, and distribution network. However, the Schnack family's control of Flügger means it will likely remain a Danish-owned business. While an acquisition at a premium would provide a short-term return for investors, family ownership enables participation in the long-term return on invested capital.

Brand equity is a competitive advantage in the defensive Nordic market.

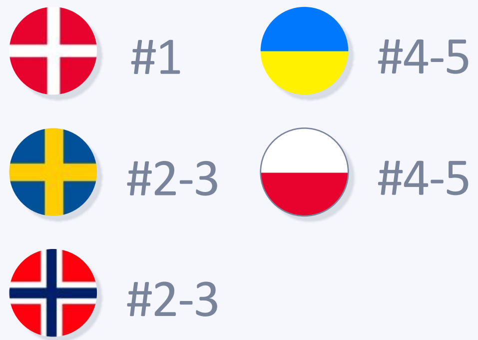
Flügger has a defensive market position in the mature Nordic market, and particularly Denmark, where it is the market leader with over 130 'Flügger Farver' stores. Flügger competes directly with global leaders in the Nordics with Dyrup (PPG), Nordsjö (Akzo Nobel), and Jotun, all with significant market share in the Nordics. Smaller competitors such as Beck & Jorgensen also compete in the Danish and Nordic markets. Overall, the Danish market is quite concentrated towards leading brands, and with Flügger holding the leading market share in Denmark.

Decorative paint market share 2024



Source: Coatings World

Flügger's market position in geographies



Market and Competition 3/6

Housing market activity a key driver of paint demand in the Nordics

The key driver of the decorative paints market is renovation activity, which is strongly correlated to housing market activity. Existing home sales offers a good proxy for market demand as people redecorate when moving to a new house, but also as activity increases in strong markets where renovation activities also generally rise. Newbuilds are a less important segment of the market for Flügger, given its focus on professional painters compared to industrial projects.

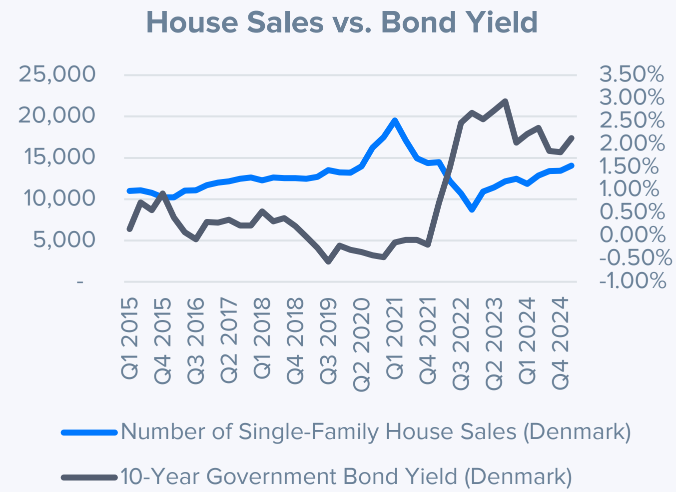
Denmark, as Flügger's largest market, showcases the heightened housing market cyclicality since 2019 and the relationship with interest rates. Housing market activity spiked in 2021 as negative interest rates and Covid-19 stimulus provided an opportunity to move/upgrade homes (upper right chart). However, these conditions quickly reversed as inflation drove interest rates markedly higher, resulting in 'golden handcuffs' where refinancing a new home at far higher rates creates a large barrier to switching. Home sales in Denmark sank to well below its 10-year average (no. units) during 2022-2024, but as interest rates retreated during 2024 has begun to raise home sale levels back towards normalized levels. Higher housing market activity can support greater demand for decorative paints. We assess that the cycle has been roughly replicated across Scandinavia, with Sweden most negatively impacted.

Renovation cycles roughly 5-7 years.

With renovation being the critical industry driver, Flügger also experienced a positive demand shock during Covid-19 as lockdowns across Scandinavia and Europe, in combination with good weather, led to a surge of DIY home decoration activities. Market insights suggest that households redecorate interior walls roughly every 5-7 years. Given a demand pull-forward renovation cycle in 2020, many of the Covid redecorations are coming around for renewal. This process has likely smoothed but could provide a smaller tailwind across markets in 2025.

Market cyclicality and 'lipstick effect'

Exposure to the housing market leads the decorative paints market to have a cyclical component, which has also been seen historically in Flügger's results. However, decorative paints are less cyclical than industrial paints, which are a significant share of most peers' businesses. During prior recessions, including the 2008 Great Financial Crisis (GFC), the demand for paint fell moderately as consumers pursue cheaper cosmetic 'feel good' renovation projects, in place of larger cost projects or moving to a nicer/larger house. This dynamic, known as the lipstick effect, can put somewhat of a floor in the market, but given the operating leverage, smaller topline declines can still impact earnings significantly.



Source: Danmarks Statistik

Source: Danmarks Statistik

Market and Competition 4/6

Mature market in Nordics.

Flügger holds leading market positions in the Nordic region, a mature and competitive market characterized by both national and international players.

The Nordics are generally experiencing subdued growth, largely due to stable but moderate economic development across markets. As a result, growth prospects in the Nordic region are generally lower compared to certain other global markets. The market is also characterized by cyclical sensitivity, with economic fluctuations and clear seasonal variations. Despite the modest growth potential, markets are still expected to rise over time. Flügger is therefore well-positioned to maintain and strengthen its cash flows in the Nordic market in the coming years.

Rising income levels in Poland and developing Europe lift preference for premium paint

The growth region within Europe for decorative paint is in Eastern Europe, where Flügger is present in several countries, including Poland and Lithuania. This region remains in a growth phase, particularly within the premium paint segments as rising incomes per capita accelerate premium preferences.

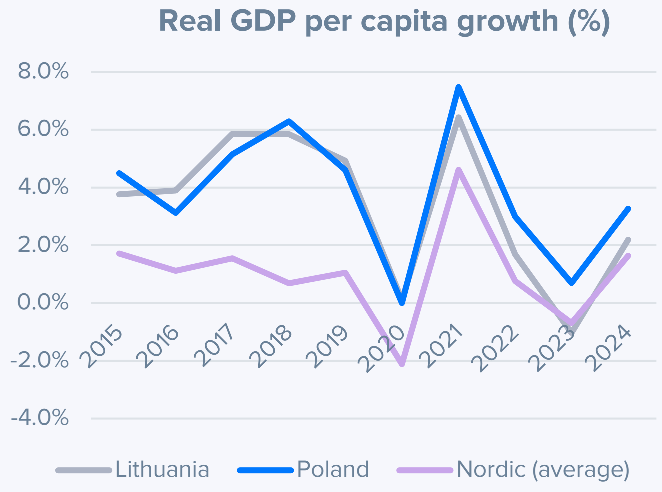
Flügger is strategically well-positioned to meet the increasing demand in Eastern Europe, with production facilities in Poland, Ukraine, and capacity in the Danish facility. As in the Nordic market, demand in Eastern Europe is influenced by cyclical fluctuations. However, the economies of Eastern European countries are experiencing more robust and sustained growth. In Poland, for example, GDP per capita nearly doubled between 2015 and 2024, corresponding to a compound annual growth rate (CAGR) of 7.8%.

This economic progress has driven significant increases in both new construction and renovation activity, which in turn has boosted demand for paint products. According to OECD estimates, the positive growth trend is expected to continue in both Poland and Lithuania, supporting Flügger's expansion opportunities in the region.

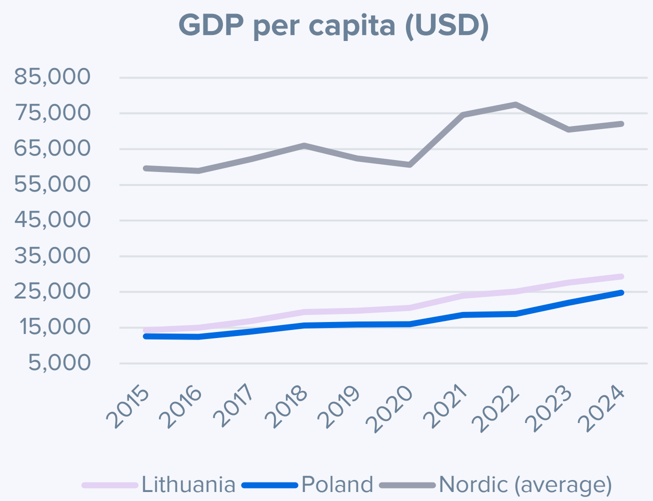
In Central and Eastern Europe (CEE), rapid urbanization and growing middle-class wealth are driving higher demand for quality decorative paints, especially in the DIY segment. Flügger's expansion in Poland and Lithuania, as well as its partnerships with builders' merchants and local distributors, support its ability to capture this rising demand for higher-end, branded decorative products.

Ukraine rebuild a significant opportunity

Flügger's position in Ukraine may present significant upside following an end to the Russia-Ukraine war. The EU Commission has a dedicated Ukraine Facility funded with up to EUR 50bn for the reconstruction of Ukraine in the event of peace. Flügger is among few local paint production facilities not damaged by war activities, resulting in a strong market position, and in addition has an established Flügger export hub in Kyiv. War activities leave operations in a dampened state, but we assume production can be ramped up quickly once peace is achieved. However, we do not speculate on the timing of such an event.



Source: Eurostat



Source: International Monetary Fund (IMF)

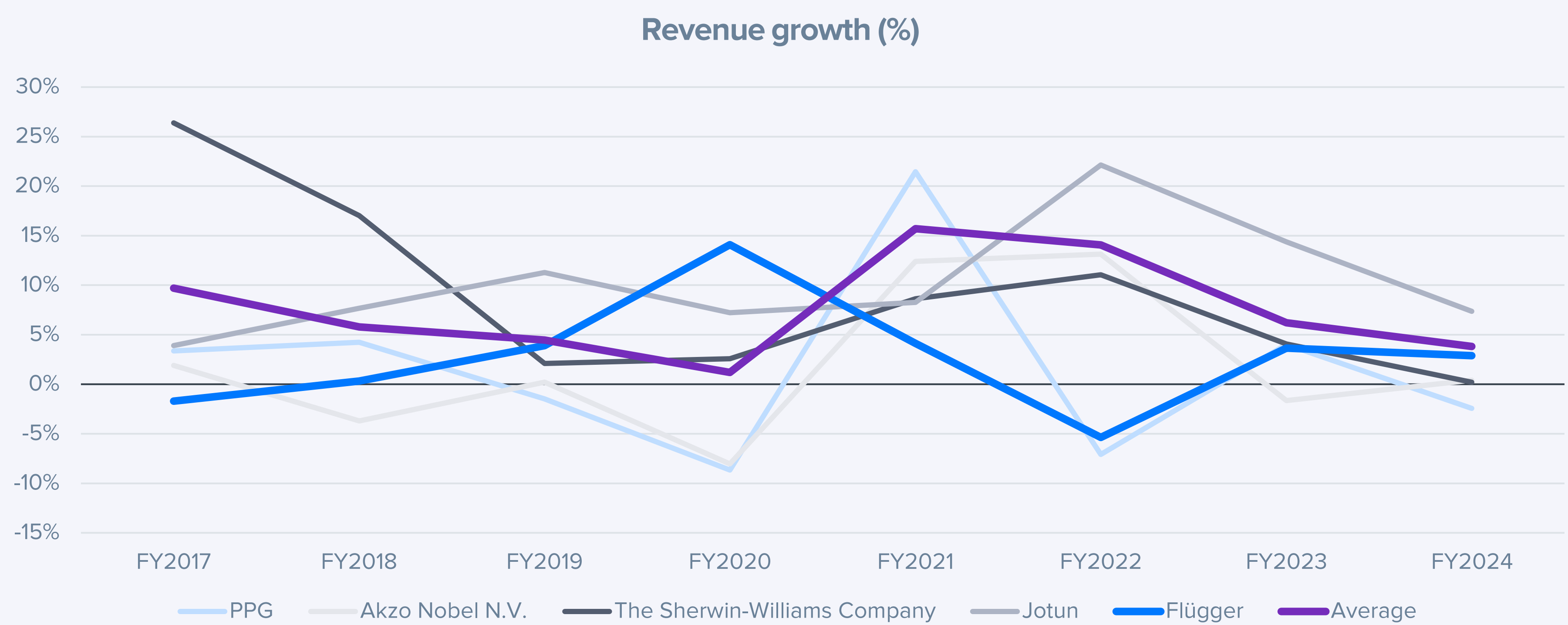
Market and Competition 5/6

Flügger growth lagging peers in recent years

In the years up to the Covid-19 pandemic, Flügger's topline growth was roughly stable as the broader paint market also faced muted growth. While the growth in peers was above Flügger's, the global market leaders maintained the industry's M&A trend, slightly overinflating their true growth rate. However, Flügger was also negatively impacted by concentrated Nordic exposure, which experienced mostly flat market conditions against a higher growth rate globally. With the Nordics and particularly Sweden facing challenging housing market conditions and below global market growth, the market concentration is a significant factor in explaining underperformance. Management's focus on the divestment of Eskaro may have detracted from core business focus, with the possibility of a catch-up effect following the divestment and full commitment to the Flügger Organic strategy.

Challenges not isolated to Flügger but sweeping across the industry

The challenging market conditions since 2022 have been broad sweeping, also felt by global peers. Global inflation in 2021 and 2022, and the response in global interest rates, has reduced housing market activity across major markets. Inflation also reduced consumer disposable income, reducing the propensity to spend on non-essentials such as renovation activities.



Source: HC Andersen Capital and S&P CapitalIQ. Note: Flügger 2024/25 compared to 2024 for peers to optimize comparison given Flügger's skewed reporting.

Market and Competition 6/6

Vertical integration supports higher gross margins

Flügger's vertically integrated model with its store distribution network supports higher gross margins than experienced by peers. This is also boosted by the higher selling point of premium paint in the Nordics vs more globally exposed peers.

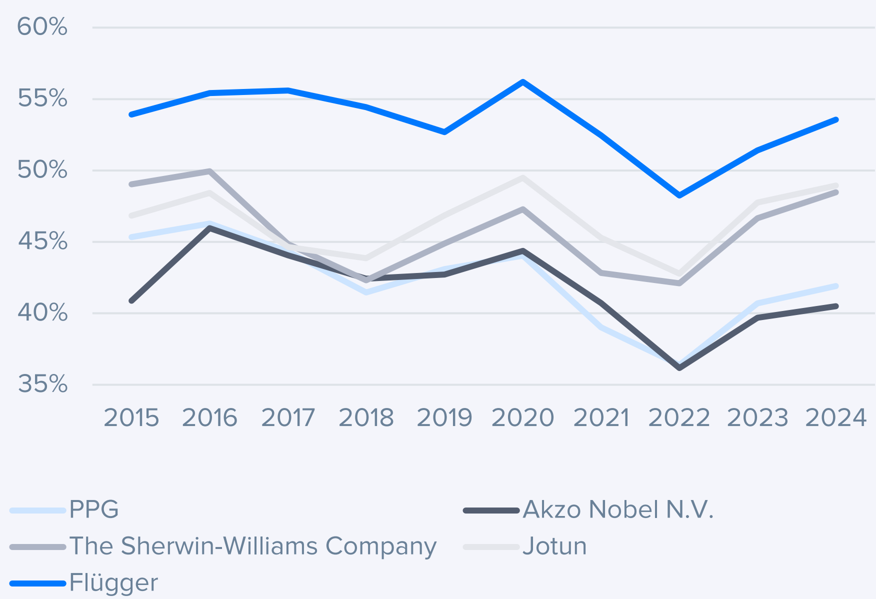
Gross margins compressed with lagging rebound vs peers

Flügger and its peers faced gross margin compression since 2021 as raw materials inflation increased costs of production, while tight consumer budgets limited the ability to pass on costs to consumers. Raw materials costs have since softened, however, and price rises implemented. The rebound in gross margin has been mixed among peers, but Flügger remains significantly below its pre-Covid norm.

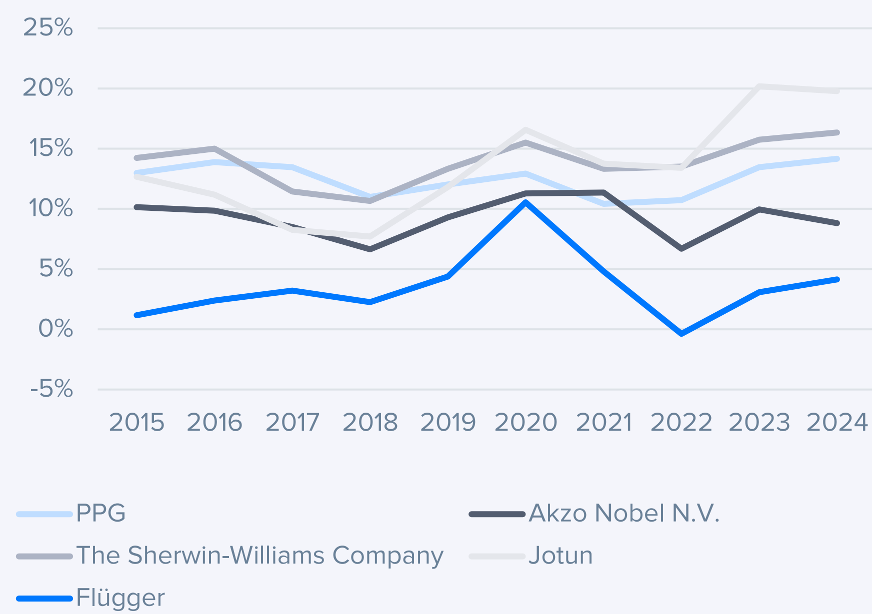
EBIT margin trending higher, but remains below peers

Historically, Flügger's EBIT margin has lagged peers, resulting in part from its store network adding greater distribution costs compared to peers. However, the 2010s period also presented internal company challenges, such as the IT system reducing operational efficiency. Improving internal controls is supporting an EBIT margin trending towards its peers, but still has work to do. Further discipline on costs, such as by reducing SKUs, may support EBIT margin improvement towards peers; however, with significant steps taken to optimize operating costs, driving gross margin improvement is likely key to improving EBIT margin near term.

Gross margin (%)



EBIT margin (%)



Source: HC Andersen Capital and S&P CapitalIQ. Note: Flügger 2024/25 compared to 2024 for peers to optimize comparison given Flügger's skewed reporting.

Estimates 1/6

Guidance suggests market stability in 2025

We model Flügger through its three reporting segments: Nordics, International, and Partnerships. Within the Nordics, which accounts for the largest share of group revenue, we break down revenue development by Denmark, Sweden, and Norway. We estimate gross margin and EBIT margin on a segment level. We estimate revenue growth on an organic basis, anticipating volume recovery and macro drivers such as housing activity.

Flügger Organic to gradually drive volume growth

Denmark remains Flügger’s anchor market, generating around half the Nordics’ revenue. Revenue growth in Denmark is expected to gradually accelerate as execution of the Flügger Organic strategy supports volume growth, particularly as market access is expanded via partnerships with builders’ merchants focused on professional tradesmen. We expect moderate growth to continue into 2026/27e and beyond, due to tailwinds from falling interest rates driving a rebound in depressed renovation activity levels in the Danish market.

We forecast slower but still positive growth in Sweden for 2025/26e, as the more severe housing market correction in Sweden 2022-2024 is in the early stages of stabilisation and recovery. However, a low base of housing market activity can give rise to a catch-up effect further out on the growth curve in Sweden.

In Norway, recent store network consolidation provides a base to return to growth in 2025/26e, following several years of flat revenue development. A stable store count, in combination with expanded partnerships with paint distributors and general housing market tailwinds, can allow faster incremental short-term growth in Norway.

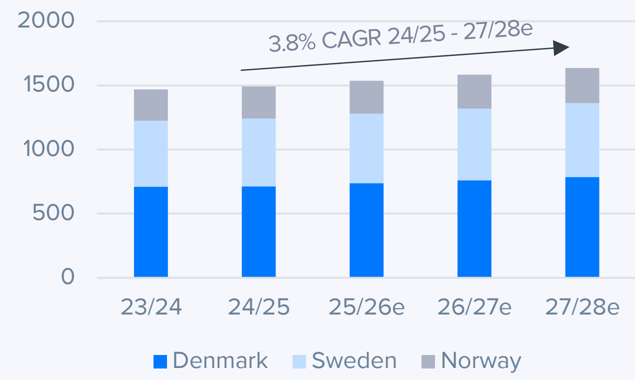
We also expect that a generally warm and dry spring/summer across the Nordic region has positively impacted demand for decorative paints in Q1 and Q2 2025/26e.

Underutilized production capacity to enable margin expansion

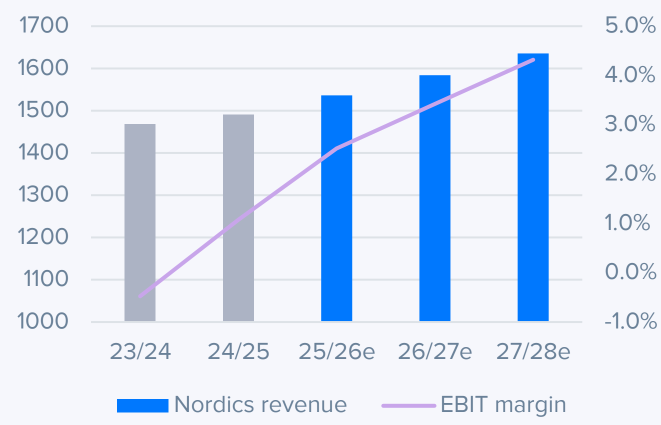
Following the factory upgrades previously discussed, we anticipate that Flügger's Nordic production facilities can increase volumes without further large investments, while existing white-label paint volumes are converted to higher-margin own-brand paint, once demand favours the shift. The relatively fixed costs of production and store assets can enable gross and EBIT margin expansion as volumes and revenues rise. We also expect roughly stable raw materials prices to support gross margin expansion, alongside continued cost discipline, as seen in recent years, and compound the operating leverage effect to support EBIT margin growth.

Overall, we assess that the return to revenue growth in the Nordics in 2024/25 (+1.6% y/y) for the first time since 2021/22 is a signal of market stabilisation, and a foundation for a broader recovery in 2025/26e and into 2026/27e and beyond.

Nordics revenue by country MDKK



Nordics revenue and EBIT-% MDKK



Estimates 2/6

Poland remains the growth engine

Flügger's International segment is primarily driven by Poland, with additional contributions from exports to other markets (including export and own stores in Lithuania and China), and to a small extent, Ukraine. Poland, International realized revenue growth of 20% and 18% in 2023/24 and 2024/25, and remains the center of the expansion focus. However, the Flügger Organic strategy also targets continued growth in other international markets, particularly with its own stores in Lithuania, and expanding export partnerships. Ukraine is a small part of International revenue and is mostly serviced by Eskaro under Partnerships.

The Polish market is large relative to Flügger's current footprint

Poland remains a large market opportunity, with a population of around 37 million people, around six times larger than Denmark (Flügger's largest market). Expanding the store footprint in white-spot locations, under a proven go-to-market strategy, can sustain growth in Poland with a CAGR around 8% 2024/25-2027/28e. By targeting professional painters (individual or small teams with smaller volume, higher margin orders), Flügger has sustained strong margins in Poland. Therefore, continued growth in Poland under this regime can support group margin expansion.

We believe that margins can remain solid at around 16-17% in Poland as a growing store network brings distribution synergies, offsetting any impact from competitive pressures in the short to medium term. We believe existing production capacity can support growing volumes in Poland, with a continued option to convert volumes to higher-margin own-brand paint for the Polish market.

Other international markets face near-term lost volumes but provide longer-term value

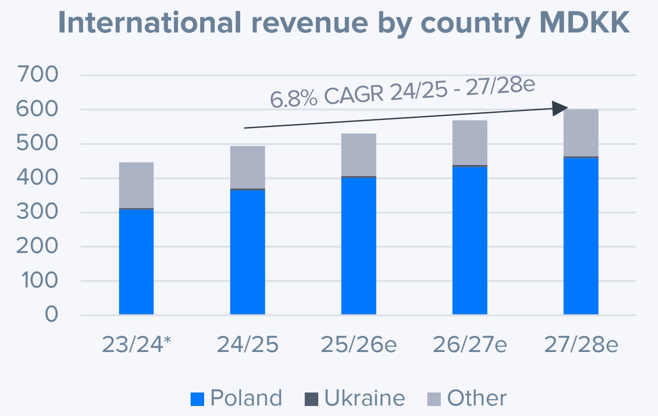
Other markets, including parts of the Baltics and export activities, contributed 5.5% of Group revenues in 2024/25. Despite being a smaller segment, it represents a medium-term growth opportunity as the Polish playbook is rolled out to other attractive markets, such as Lithuania, where the acquisition of UAB Daniski Dazai in 2022 established its own-store footprint. However, in the short term, we expect flat revenue development in 2025/26e as the termination of sales to countries in proximity to Russia (in combination equivalent to one large store in Denmark), following suspicions of distributors violating agreements, offset revenue gains elsewhere.

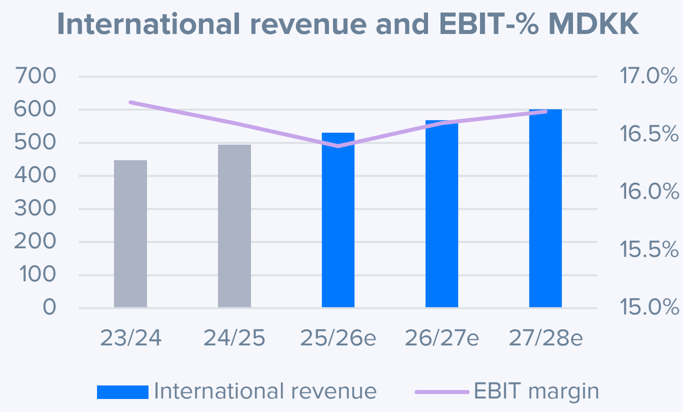
Ukraine deprioritized while war continues

Ukraine is a very small part of International revenue. While an opportunity to increase Flügger-brand sales in Ukraine may exist under peacetime, we do not forecast meaningful development here while the war with Russia continues.

Margins grow from distribution efficiency

The strategy to expand its own stores in Poland is a cornerstone of the Flügger Organic strategy. Flügger has fast payback times of new store openings of 1.5-2.0 years, given the limited CAPEX related to lease agreements of stores and the incremental nature of new store openings. See more on CAPEX and cash flow on p34.





Estimates 3/6

Unicell and Eskaro to realize modest growth

The Partnerships segment consists of Unicell in Poland and Eskaro in Ukraine, both primarily selling into their home markets, with a small contribution from other markets. We model revenues on a stable trajectory with moderate growth, linked to underlying GDP trends in Poland. Partnerships are less integrated into Flügger's core professional painters' focus, with a greater emphasis on higher volume, lower margin paint for builders' merchants/DIY stores. However, Unicell and Eskaro both have their own brands, and Eskaro operates its own stores in Ukraine, closer to the Nordic and International model.

Unicell to grow with Polish economic expansion

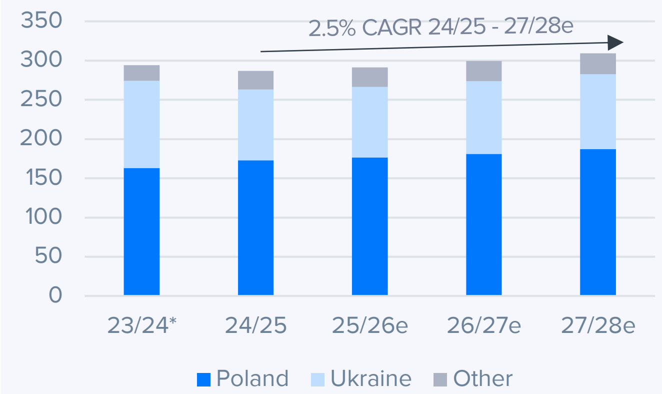
Unicell's core remains paint for builders' merchants and DIY stores (own brand, white label, and third party), which is less central to Flügger's latest strategy plan. We therefore assume the revenue growth in Unicell (2.7% CAGR 2024/25-2027/28e) will be driven by the broader economic growth in Poland's economy, which is expected to keep outpacing the European average. We anticipate a slight margin improvement from 6.3% 2024/25 to 7.0% 2027/28e, driven by operating leverage and macro tailwinds.

Eskaro has asymmetric upside, but we remain conservative as war continues

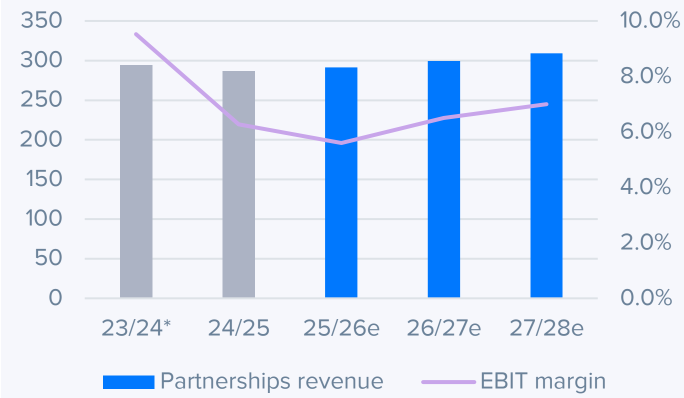
Eskaro Ukraine has been structurally challenged since Flügger acquired its majority stake in 2021, as the war has deeply disrupted the economy, workforce availability, and consumer demand. Its modern production facility in Odesa remains operational and has improved its relative market position after competing plants were damaged or shut down. Despite this, the shift to a war economy has deprioritized decorative paints, while a significant share of the workforce is engaged in military service, leaving Eskaro operating below capacity. Given repeated failures in peace negotiations, our base case assumes the war continues for the foreseeable future, with only limited growth potential in the short term, with a CAGR of 2.0% 2024/25-2027/28e.

Strategically, Eskaro is more aligned with Flügger's core model, with own-brand products, own stores, and a modernized facility offering scope for efficient scaling. If conditions stabilize, Flügger may apply its proven Poland playbook in Ukraine: expanding distribution, targeting professional painters to realize growth with solid margins. In such a scenario, Eskaro could be a significant growth contributor, benefiting from international funding for Ukraine's reconstruction. However, we remain conservative, with low-growth assumptions to reflect ongoing war risks. We view Eskaro's post-war potential as optionality in the equity story - meaningful if unlocked, but not embedded in our base case forecasts.

Partnerships revenue by country MDKK



Partnerships revenue and EBIT-% MDKK



Estimates 4/6

Growth rebound and margin expansion expected medium term

We expect Flügger's growth trajectory to strengthen in 2025/26e as execution of the Flügger Organic strategy and a gradual recovery in renovation activity lift volumes. We forecast revenue of DKK 2,358m in 2025/26e, representing +3.8% growth y/y, and at the upper end of the -3% to +6% guidance range. Poland remains the primary growth engine, driving around 45% of the incremental revenue increase, followed by Denmark and the wider Nordics.

Flügger's renewed focus on its historic core of professional painters provides the foundation for margin-accretive growth, driven by higher volumes of own-brand paints, stronger utilization of the store network after a period of consolidation, and growth led by the higher margin International segment. With store numbers outside Poland mostly stable and inflation normalized, cost discipline should remain intact. We expect growth momentum to accelerate further into 2026/27e, as market conditions normalize and broader renovation activity recovers.

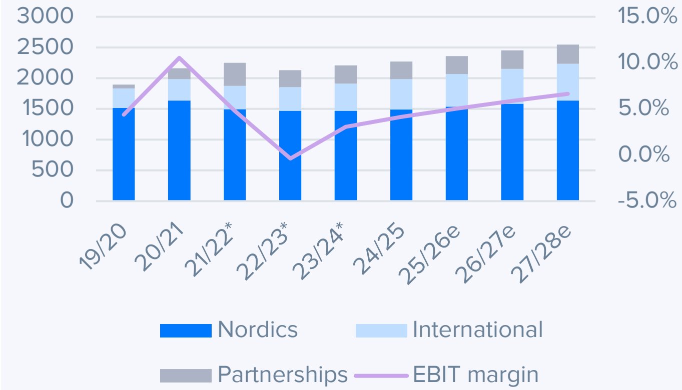
At the group level, we model revenue CAGR of 3.1%. 2024/25–2027/28e. This growth rate is not aggressive in a historical perspective, when considering market normalization, and is roughly in line with analyst estimates for peers (PPG, Akzo Nobel, Sherwin-Williams). A catch-up effect in the Nordic markets vs rest of world, which peers are generally more exposed to, and sustained momentum in Poland, should enable modest growth over the medium term.

We estimate positive gross margin and EBIT margin impacts over the medium term. Gross margin expansion can be driven by growth in higher-gross-margin Poland, relatively stable raw materials prices, and greater capacity utilization. We expect gross margin to expand from 53.6% to 55.5% (+1.9p.p.) 2024/25-2027/28e.

We anticipate that raw materials and labour costs will rise more slowly than revenue, over the medium term. This is supported by European energy costs returning to normalized levels, as per page 8, management's efforts to strengthen supply chains with localized suppliers and robust agreements, and a solid titanium dioxide supply outlook, with market intelligence platform ChemAnalyst reporting a -2.1% price decline in Q2 2025.

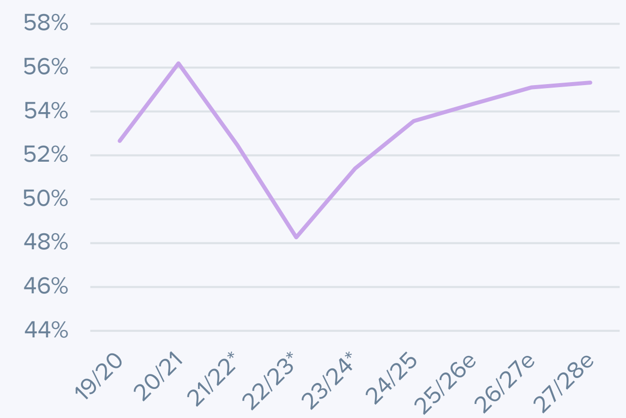
We estimate that EBIT margin will be further supported by the growing contribution of the higher-margin International segment, a positive operating leverage effect from fixed store costs, and distribution efficiencies with volume growth. We see EBIT margins rising from 4.1% in 2024/25 to 6.7% in 2027/28e (+2.6p.p.)

Group revenue and EBIT-% estimates



Note: segment split 2020/21 to 2022/23 estimated based on previous segmentation

Gross margin estimate



Note: segment split 2020/21 to 2022/23 estimated based on previous segmentation

Estimates 5/6

Stronger balance sheet to support greater FCF and dividends

We expect Flügger to increase dividends over the medium term as growth and margin expansion lift earnings, and a stronger balance sheet, combined with modest CAPEX ambitions, enables higher payouts to shareholders.

Bank debt declined to DKK 262m in 2024/25, corresponding to a bank debt/EBITDA of around 1.0x. We view some debt as appropriate in Flügger's capital structure, with further deleveraging to come primarily from EBITDA growth rather than absolute debt reduction.

A more stable balance sheet reduces interest expense volatility, anchoring annual financing costs at around MDKK 15. Greater absolute EBIT supports EPS expansion, which we estimate will rise from DKK 27.4 per share in 2025/26e, to DKK 40.9 per share in 2027/28e, a CAGR of 22%. This earnings momentum, combined with strong free cash flow generation, supports Flügger's ability to maintain high payout ratios, consistent with its dividend policy of distributing excess cash above business needs to shareholders.

Cash Flow and Investments

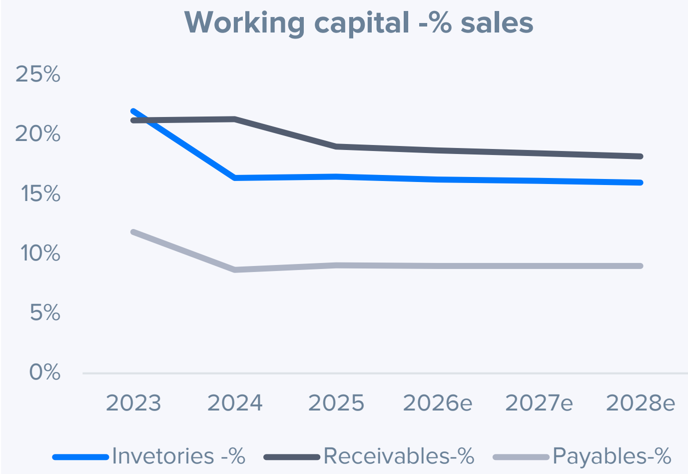
Free cash flow is set to rise as stronger earnings are coupled with modest CAPEX. In 2025/26e, we expect investments related to upgrading the operating model, via new POS and B2B platforms, while existing factory capacity reduces the need for large-scale production investments. Over the medium term, we expect a positive cash flow effect in 2025/26e and 2026/27e before rising to slightly above the maintenance level of D&A in the medium term as investment in international growth continues. While the Flügger Organic strategy outlines several projects relating to levelling up the operating model, we expect investment to remain below levels seen during the factory upgrade cycle.

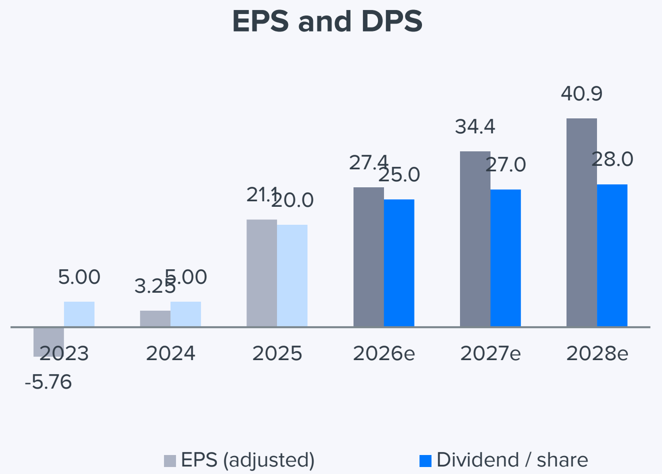
Working capital has reached a sustainable level

Flügger's operations require working capital in the form of inventories and favourable receivable terms for franchise stores and professional painters. Recent focus on working capital management has been effective, with inventory levels falling from 22% of sales 2021/22 to an improved 16% of sales 2024/25, which we also see as a historically sustainable level. Receivables have also fallen over 2 p.p. since 2021/22 to 19% of sales. We believe current working capital as a share of sales reflects a refined base that can be maintained as a share of revenue as growth returns. The result is a more limited but still negative cash flow impact from working capital over the forecast period.

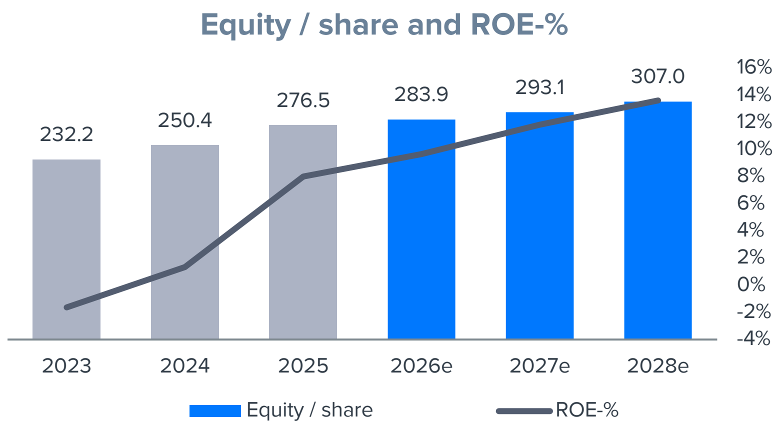
Long-term estimates

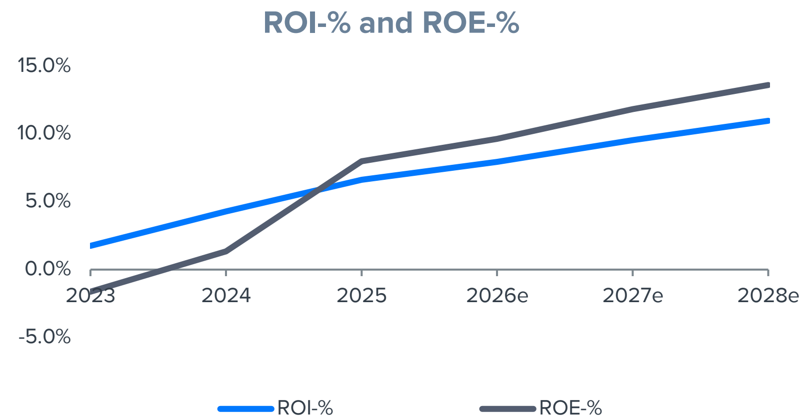
Over the long term, we expect stable working capital ratios, CAPEX aligned to maintenance and selective growth needs, and high payout ratios to continue underpinning strong shareholder returns. With a healthier balance sheet and normalised investment levels, free cash flow conversion should remain robust, supporting an attractive dividend profile even as the company pursues measured growth in Poland and potential optionality in Ukraine.

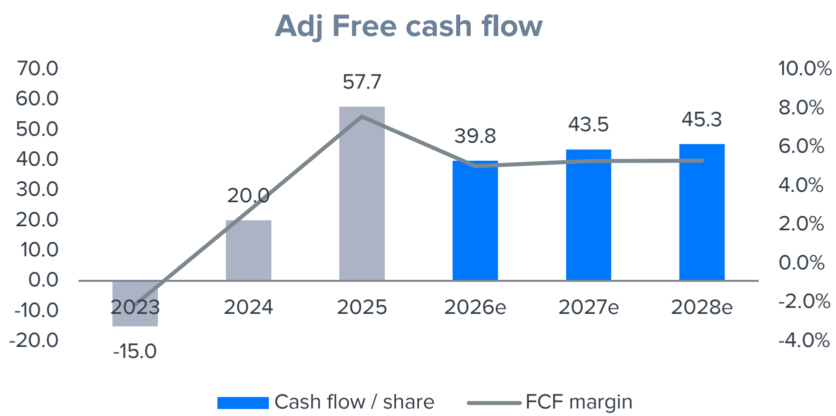




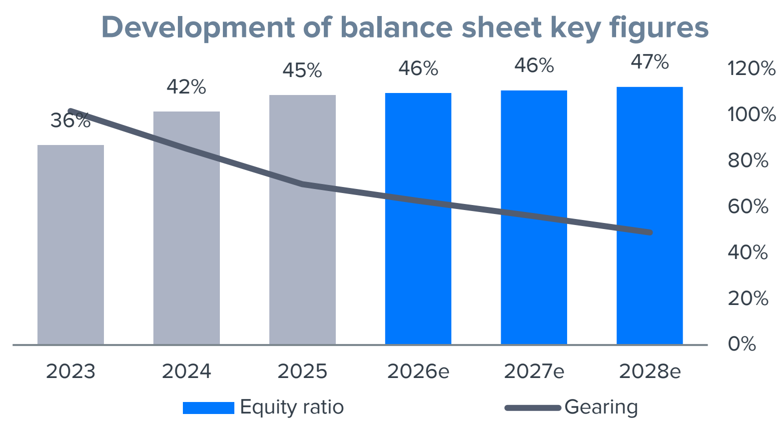
Estimates 6/6







Note: restated Free Cash Flow adjusted for leases. 2025 includes one-off cash from receivables (discontinuing) of MDKK 43 (DKK 14/share)



Valuation 1/3

EV/EBIT is our favored cash flow proxy

The decorative paints industry is a mature market with many publicly traded peers, giving a basis for multiples-based valuation analysis. Flügger's vertically integrated business model, with greater market concentration in the Nordics and Poland compared to less asset-heavy, more global peers, leads us to place less weight on relative valuation. However, with similar market drivers, comparison remains relevant.

Given Flügger's ongoing need for regular reinvestments in production (although less so short-term), we feel EBIT is the more appropriate cash flow proxy for the company. Additionally, IFRS 16 lease expenses are currently depreciated below the EBITDA line, making EBIT a more appropriate comparison to peers than EBITDA, with easier comparison of GAAP and IFRS reporting.

Large and sustained EV/Sales valuation gap

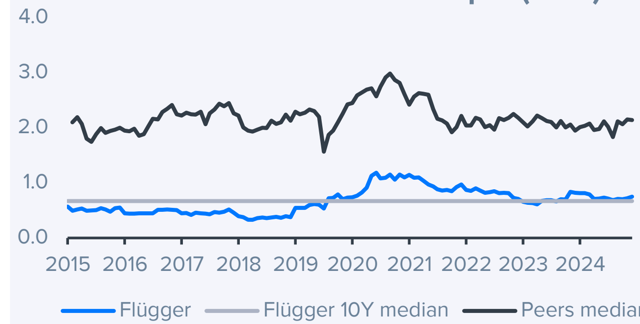
While EV/Sales is not our favoured valuation comparison metric, Flügger's EV/Sales (LTM) trading multiples show a clear historical discount to peers. Flügger's median EV/Sales LTM of 0.7x is below half its peers' median of 2.1x. The last 10 years have seen Flügger face challenges with low growth in the Nordics and internal challenges in the mid-2010s, which have put downward pressure on margins and valuation. Significantly lower historical margins and low share liquidity justify a historical valuation gap. However, our forecast of moderate growth is roughly in-line with consensus estimates for peers (closing the growth gap), while margins recovering towards peer margin levels can also justify some narrowing of the EV/Sales difference.

EV/EBIT supportive medium-term

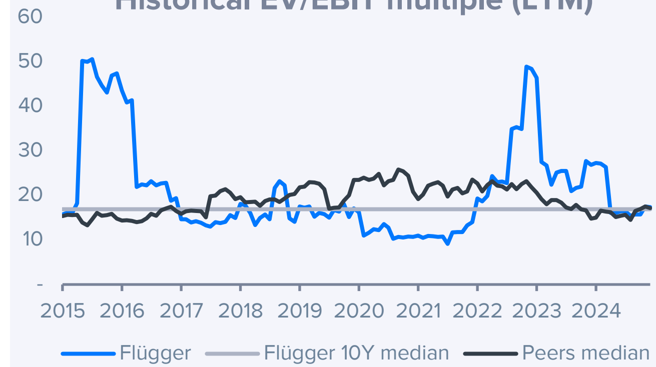
Flügger's historical EV/EBIT has ranged between 10-20x, excluding periods of high sensitivity to low absolute earnings as in 2015-16 and 2022-2023. The valuation gap to peers has been less pronounced with respect to EV/EBIT vs peers, which reinforces our focus on EBIT as a more appropriate cash flow proxy and relative valuation method. During 2025, Flügger's trailing EV/EBIT has fallen more in line with peers. Median peer EV/EBIT is currently for fiscal 2025 (2026e in graph) is around 14.5x, compared to Flügger's 13.1x

However, with EBIT margins recovering, a valuation gap reopens over the medium term, falling to 10.4x for 2026/27e, against the peer group median of 13.1x. While the differences in business models and margin profile between Flügger and its peers lead to a lesser focus on relative valuation, we see trading multiples as supportive over the medium term, with absolute EBIT growth from cyclically lower levels key to unlocking multiples expansion in the medium term. We see execution of the Flügger Organic strategy and sustained margin recovery as key triggers for narrowing the current valuation gap to peers.

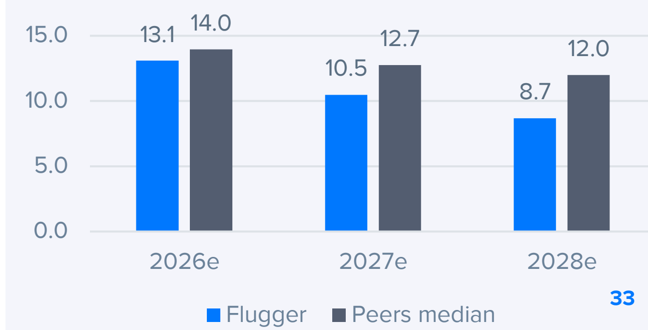
Historical EV/Sales multiple (LTM)



Historical EV/EBIT multiple (LTM)



EV/EBIT forward estimates



Note: 2026e reflects Flügger's 2025/26e fiscal period, and is compared to peers' FY2025e fiscal period.

Valuation 2/3

DCF valuation

We have also valued Flügger using a DCF model, which we consider an appropriate method given the company's relatively stable industry, long operating history, and cash flow profile. The suitability of the model is, however, somewhat reduced by uncertainties around the pace of the Nordic renovation activity recovery and the visibility of earnings in Ukraine, which increases the sensitivity of long-term assumptions.

Estimates supported by historical levels, but below company ambitions

Our base case DCF suggests an equity value of DKK 385 per share, implying 20% upside from the current share price of DKK 320. We apply a WACC of 8.3%, with a fairly high cost of equity of 11.3%, reflecting both Flügger's limited share liquidity and exposure to cyclical market drivers (although less than the broader building market).

In the model, we assume revenue growth of c.3-4% annually over FY2025-28e, with EBIT margins gradually recovering towards 6.6% by FY2027/28e. For the terminal period, we use a growth rate of 2.0% to reflect a low-growth market, with revenue growth converging towards inflation in Flügger's core markets, and a terminal EBIT margin of 5.0%, which reflects long-term competitive pressures in the industry. In our DCF model, the terminal period accounts for 49% of total value, which we view as reasonable given Flügger's current low-margin base and the expected recovery path; however, it does also highlight the importance of sustained margin recovery.

Sensitive to WACC and EBIT margin changes

Our sensitivity analysis shows the DCF value is highly responsive to assumptions around discount rate and long-term profitability. With a WACC of 9.3%, our fair value falls towards DKK 300 per share, closer to current trading levels. Conversely, lowering the WACC to 7.3% lifts the value to nearer DKK 500 per share.

Valuation	2026e	2027e	2028e
Share price	320.0	320.0	320.0
Number of shares, millions	2.98	2.98	2.98
Market cap	953	953	953
EV	1558	1513	1469
P/E (adj.)	11.8	9.4	7.8
P/E	11.8	9.4	7.8
P/FCF	8.0	7.4	7.1
P/B	1.1	1.1	1.0
P/S	0.4	0.4	0.4
EV/Sales	0.7	0.6	0.6
EV/EBITDA	5.3	4.7	4.2
EV/EBIT (adj.)	13.1	10.5	8.7
Payout ratio (%)	92.3 %	79.0 %	68.5 %
Dividend yield-%	7.8 %	8.4 %	8.8 %

Source: HCA

Valuation 3/3

Total return profile attractive

We view Flügger as a solid long-term investment case, supported by its strong brand heritage in the Nordics and growing presence in Eastern Europe. The company is well-positioned to benefit from a gradual recovery in housing and refurbishment activity in the Nordics, alongside structural growth in Poland and eventual optionality in Ukraine. The Flügger Organic strategy (2024-27) sharpens this focus on professional painters, stable cost discipline, and expanded distribution through builders' merchants, which together provide a clear framework for sustainable, margin-accretive growth.

Unlike larger global peers, Flügger's vertically integrated model and family-controlled structure offer a combination of long-term stability and operational leverage. The group has demonstrated resilience through difficult years of raw material inflation and housing downturn, emerging with a stronger balance sheet, modernised production assets, and a leaner store footprint.

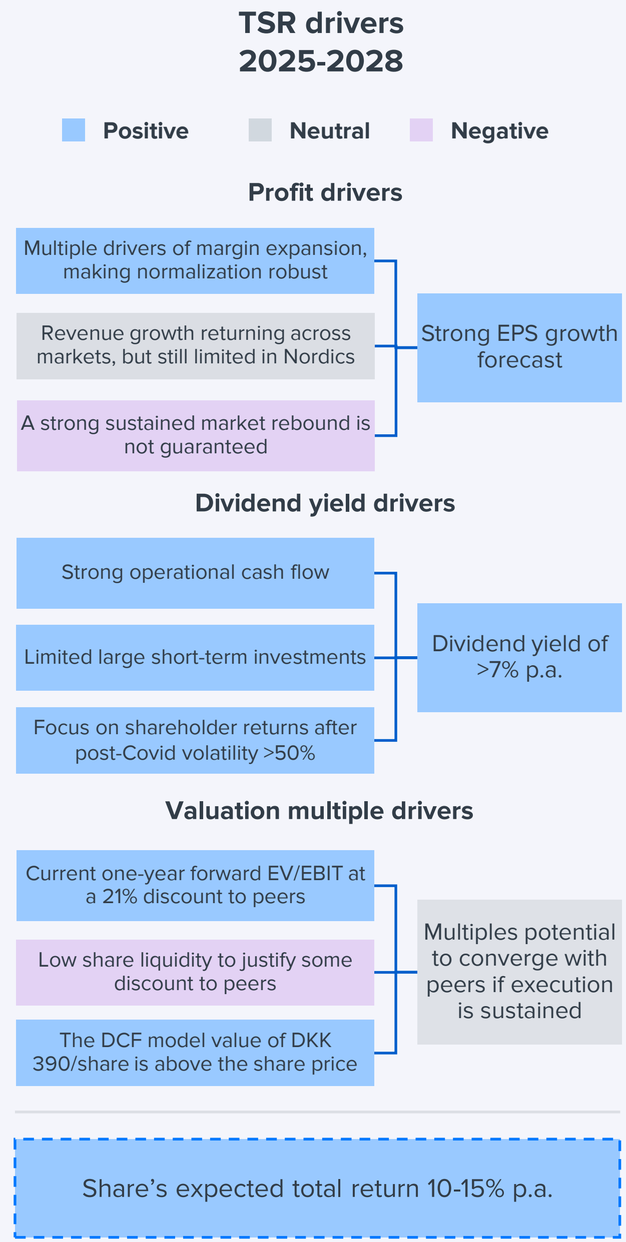
Strong cash flow supports dividend yield

Following several years of dampened dividends, Flügger is committed to returning capital to shareholders and is expected to maintain a strong payout ratio alongside moderate organic growth. Following a dividend of DKK 20/share and dividend yield of 6.3% (from date of report) A dividend yield for 2025/26e of 7.8%, increasing as earnings grow in the medium term, gives Flügger an attractive dividend profile, while absolute earnings growth is an additional driver for share price appreciation.

Absolute and relative valuation upside

Trading multiples remain supportive of our view, with Flügger trading at a one-year forward EV/EBIT of 13.1x compared to its peer group median of 14.0x. We believe that execution in line with our expectations can narrow this gap, while the absolute increase in EBIT necessitates share price appreciation to prevent multiples rising on a forward basis.

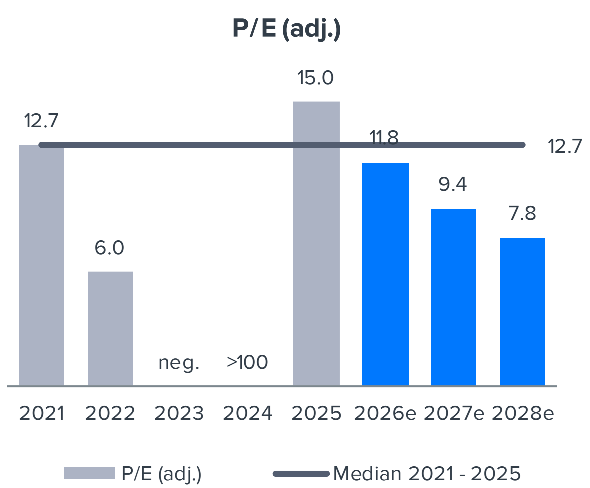
Our DCF model output also supports our view, given a model-implied value per share of DKK 385. As described, lingering market rebound uncertainty a currently short-lived earnings recovery, discount the full value of the DCF being currently priced in, however, the model gives further support to our view. Based on the combination of our DCF model, and relative valuation analysis we set our target price for Flügger at DKK 370 per share

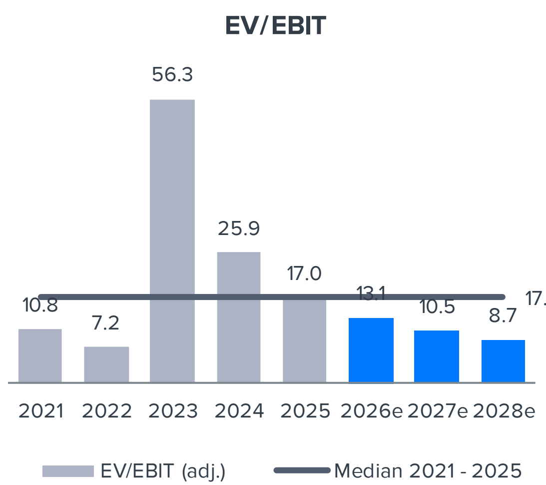


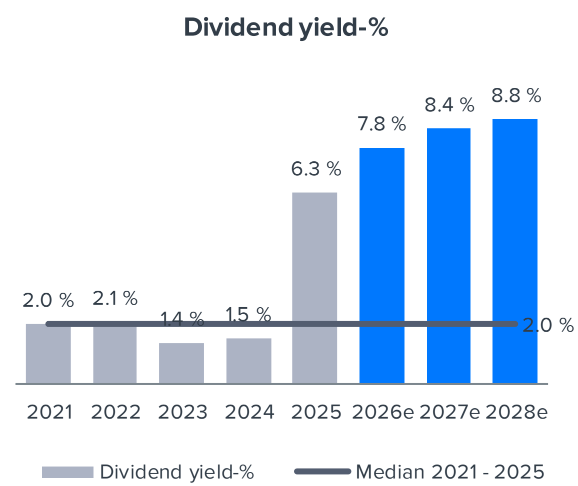
Valuation table

Valuation	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Share price	750.0	485.0	364.0	330.0	316.0	**320.0**	**320.0**	**320.0**	**320.0**
Number of shares, millions	2.89	2.94	2.99	2.99	2.98	**2.98**	**2.98**	**2.98**	**2.98**
Market cap	2168	1427	1089	987	943	**953**	**953**	**953**	**953**
EV	2453	2198	1957	1761	1597	**1558**	**1513**	**1469**	**1421**
P/E (adj.)	12.7	6.0	neg.	>100	15.0	**11.8**	**9.4**	**7.8**	**6.7**
P/E	12.7	10.7	neg.	>100	15.0	**11.8**	**9.4**	**7.8**	**6.7**
P/FCF	14.0	neg.	neg.	16.5	5.5	**8.0**	**7.4**	**7.1**	**6.8**
P/B	2.4	1.6	1.6	1.3	1.1	**1.1**	**1.1**	**1.0**	**1.0**
P/S	1.0	0.6	0.5	0.4	0.4	**0.4**	**0.4**	**0.4**	**0.4**
EV/Sales	1.1	1.0	0.9	0.8	0.7	**0.7**	**0.6**	**0.6**	**0.5**
EV/EBITDA	6.7	6.1	9.6	7.4	6.0	**5.3**	**4.7**	**4.2**	**3.8**
EV/EBIT (adj.)	10.8	7.2	56.3	25.9	17.0	**13.1**	**10.5**	**8.7**	**7.3**
Payout ratio (%)	25.4 %	22.0 %	neg.	153.7 %	94.7 %	**92.3 %**	**79.0 %**	**68.5 %**	**60.0 %**
Dividend yield-%	2.0 %	2.1 %	1.4 %	1.5 %	6.3 %	**7.8 %**	**8.4 %**	**8.8 %**	**9.0 %**

Source: HCA







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MDKK**	**MDKK**	**2026e**	**2027e**	**2026e**	**2027e**	**2026e**	**2027e**	**2026e**	**2027e**	**2026e**	**2027e**	**2026e**
Akzo Nobel N.V.	78132	111669	13.4	12.2	10.0	9.4	1.4	1.4	14.8	13.5	2.0	2.1	2.2
PPG Industries, Inc.	159161	201675	13.2	12.3	11.1	10.5	2.0	1.9	14.1	12.9	2.8	2.9	3.4
The Sherwin-Williams Company	570243	654990	25.3	23.1	22.7	20.7	4.4	4.2	31.8	28.2	3.1	3.3	20.6
Nippon Paint Holdings Co., Ltd.	104538	152790	14.5	13.2	11.1	10.4	2.0	1.9	14.5	13.2	16.0	17.5	1.4
RPM International Inc.	103274	120527	17.5	16.3	14.7	13.8	2.4	2.4	21.9	19.8	2.0	2.1	4.9
Axalta Coating Systems Ltd.	42995	61058	10.7	10.2	8.4	8.0	1.8	1.8	12.4	11.4			2.9
Flügger (HCA)	**953**	**1558**	**13.1**	**10.5**	**5.3**	**4.7**	**0.7**	**0.6**	**11.8**	**9.4**	**7.8**	**8.4**	**1.1**
Average			**15.8**	**14.5**	**13.0**	**12.1**	**2.4**	**2.3**	**18.3**	**16.5**	**5.2**	**5.6**	**5.9**
Median			**14.0**	**12.7**	**11.1**	**10.4**	**2.0**	**1.9**	**14.7**	**13.3**	**2.8**	**2.9**	**3.2**
Diff-% to median			***-6%***	***-18%***	***-52%***	***-55%***	***-67%***	***-68%***	***-19%***	***-30%***	***181%***	***187%***	***-64%***

Source: S&P Capital IQ / HCA

Income statement

Income statement	2024	H1'25	H2'25	2025	H1'26e	H2'26e	2026e	2027e	2028e	2029e
Revenue	**2208**	**1243**	**1029**	**2272**	**1298**	**1061**	**2358**	**2452**	**2546**	**2643**
EBITDA	**237**	**222**	**45**	**267**	**243**	**51**	**294**	**321**	**347**	**375**
Depreciation	-169.5	-82	-91	-173	-87	-88	-175	-177	-178	-180
EBIT	**68.0**	**140**	**-46**	**94**	**156**	**-37**	**119**	**144**	**169**	**196**
Net financial items	-22	-6	-6	-12	-6	-6	-12	-14	-13	-12
PTP	**46.4**	**134**	**-52**	**82**	**150**	**-43**	**107**	**131**	**156**	**183**
Taxes	-21	-9	-10	-19	-35	8	-26	-29	-34	-40
Minority interest	-16	0	0	0	0	0	0	0	0	0
Net earnings	**10**	**125**	**-62**	**63**	**115**	**-35**	**81**	**102**	**122**	**143**
EPS (rep.)	**3**	**42**	**-21**	**21**	**39**	**-12**	**27**	**34**	**41**	**48**

Key figures	2024	H1'25	H2'25	2025	H1'26e	H2'26e	2026e	2027e	2028e	2029e
Revenue growth-%	3.7 %	3.6 %	2.0 %	2.9 %	4.4 %	3.1 %	3.8 %	4.0 %	3.8 %	3.8 %
Adjusted EBIT growth-%	95.5 %	13.8 %	-16.4 %	38.2 %	11.5 %	-19.5 %	26.6 %	21.4 %	17.1 %	15.6 %
EBITDA-%	10.8 %	17.9 %	4.4 %	11.8 %	18.7 %	4.8 %	12.4 %	13.1 %	13.6 %	14.2 %
Adjusted EBIT-%	3.1 %	11.3 %	-4.5 %	4.1 %	12.0 %	-3.5 %	5.0 %	5.9 %	6.6 %	7.4 %
Net earnings-%	0.4 %	10.1 %	-6.0 %	2.8 %	8.9 %	-3.3 %	3.4 %	4.2 %	4.8 %	5.4 %

Source: HCA

Balance sheet

Assets	2024	2025	2026e	2027e	2028e
Non-current assets	**1088**	**1089**	**1056**	**1030**	**1021**
Goodwill	147	149	149	149	149
Intangible assets	0.0	0.0	0.0	0.0	0.0
Tangible assets	917	929	896	870	861
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	23.7	11.0	11.0	11.0	11.0
Current assets	**851**	**831**	**892**	**956**	**1028**
Inventories	362	375	383	396	407
Other current assets	0.1	0.1	0.1	0.1	0.1
Receivables	471	432	441	452	463
Cash and equivalents	18.1	24.0	68.2	107	157
Balance sheet total	**1939**	**1920**	**1949**	**1986**	**2048**

Source: HCA

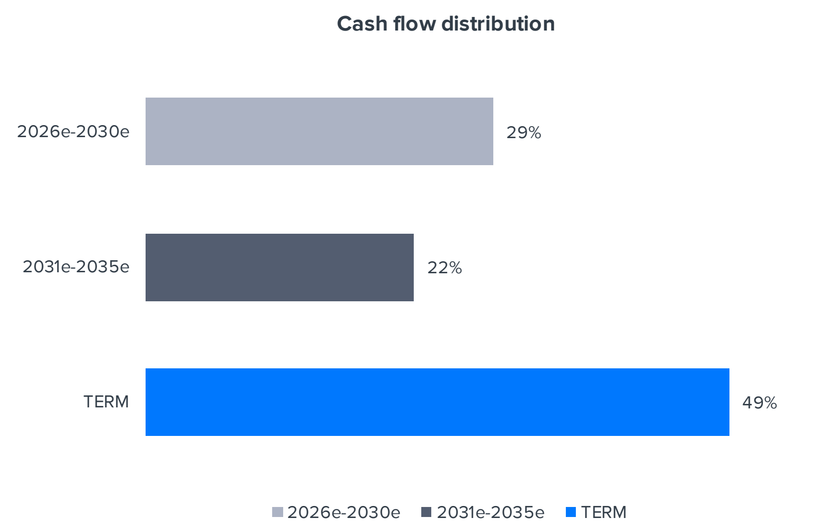
Liabilities & equity	2024	2025	2026e	2027e	2028e
Equity	**821**	**870**	**891**	**918**	**960**
Share capital	60.0	60.0	60.0	60.0	60.0
Retained earnings	836	875	896	923	965
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-146.6	-110.0	-110.0	-110.0	-110.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	71.7	45.0	45.0	45.0	45.0
Non-current liabilities	**410**	**418**	**431**	**422**	**425**
Deferred tax liabilities	27.1	21.0	21.0	21.0	21.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	377	388	401	392	395
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	6.0	9.0	9.0	9.0	9.0
Current liabilities	**708**	**632**	**627**	**646**	**664**
Interest bearing debt	343	245	227	230	233
Payables	192	206	212	221	229
Other current liabilities	173	181	188	195	202
Balance sheet total	**1939**	**1920**	**1949**	**1986**	**2048**

DCF calculation

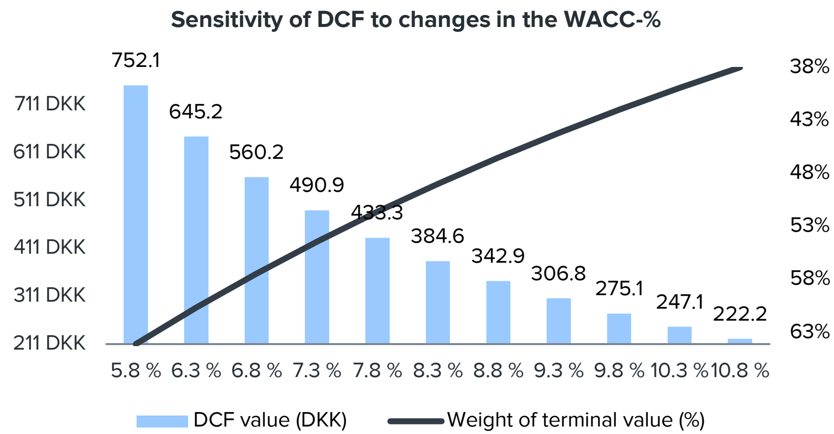
DCF model	2025	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	TERM
Revenue growth-%	2.9 %	3.8 %	4.0 %	3.8 %	3.8 %	3.7 %	3.5 %	3.2 %	3.0 %	2.5 %	2.0 %	2.0 %
EBIT-%	4.1 %	5.0 %	5.9 %	6.6 %	7.4 %	7.8 %	7.8 %	7.8 %	7.0 %	6.0 %	5.0 %	5.0 %
EBIT (operating profit)	**94.0**	**119**	**144**	**169**	**196**	**214**	**221**	**228**	**211**	**185**	**158**	
+ Depreciation	173	175	177	178	180	181	182	181	182	182	182	
- Paid taxes	-7	-26	-29	-34	-40	-45	-47	-48	-45	-39	-33	
- Tax, financial expenses	-4	-3	-3	-3	-3	-3	-4	-4	-4	-4	-4	
+ Tax, financial income	1	0	0	1	1	1	1	2	2	2	2	
- Change in working capital	4	-4	-9	-7	-6	-6	-5	-4	-2	-2	0	
Operating cash flow	**185**	**260**	**281**	**303**	**327**	**342**	**349**	**356**	**345**	**325**	**305**	
+ Change in other long-term liabilities	121.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-134	-142	-151	-168	-186	-185	-186	-181	-182	-182	-182	
Free operating cash flow	**172**	**118**	**130**	**135**	**141**	**157**	**164**	**174**	**163**	**143**	**123**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	172	118	130	135	141	157	164	174	163	143	123	1990
Discounted FCFF		**107**	**108**	**104**	**99.8**	**103**	**99.1**	**97.4**	**84.0**	**68.0**	**54.1**	**876**
Sum of FCFF present value		1800	1693	1585	1481	1381	1279	1180	1082	998	930	876
Enterprise value DCF		**1800**										
- Interest bearing debt		-633.0										
+ Cash and cash equivalents		24.0										
-Minorities		-45.0										
-Dividend/capital return		0.0										
Equity value DCF		**1146**										
Equity value DCF per share		**385**										

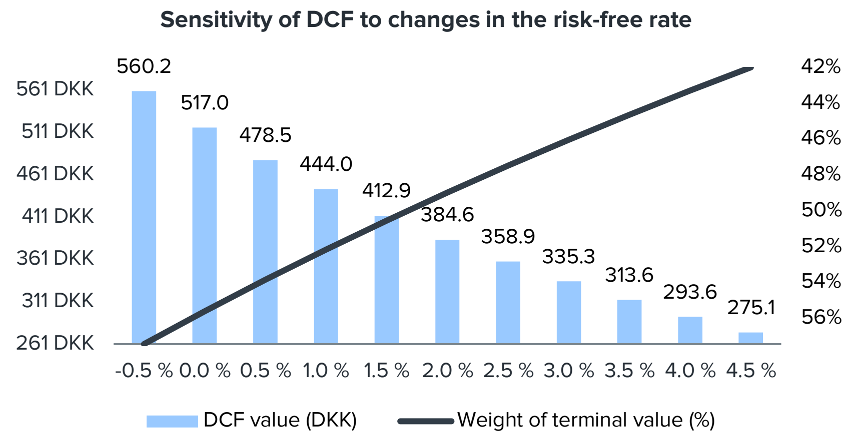
WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	40.0 %
Cost of debt	4.8 %
Equity Beta	1.30
Market risk premium	5.80%
Liquidity premium	1.80%
Risk free interest rate	2.0 %
Cost of equity	**11.3 %**
Weighted average cost of capital (WACC)	**8.3 %**

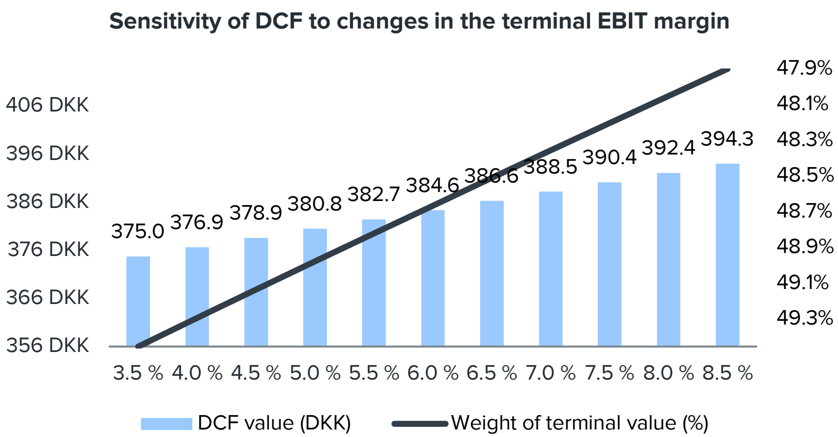
Source: HCA

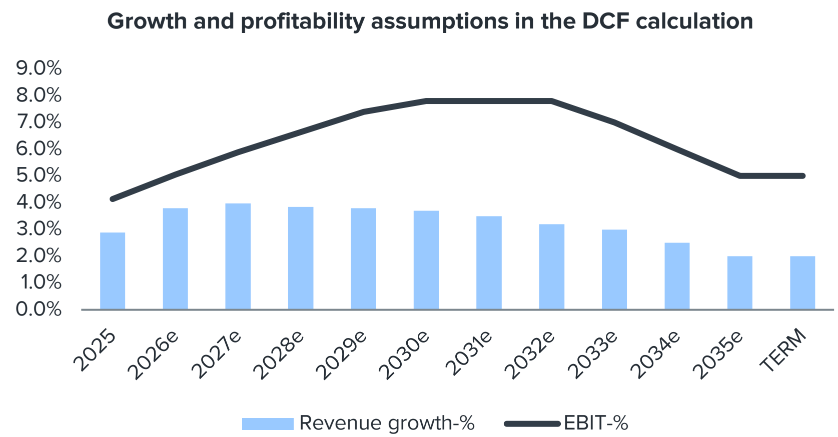


DCF sensitivity calculations and key assumptions in graphs









Source: HCA. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2023	2024	2025	2026e	2027e
Revenue	2130	2208	2272	**2358**	**2452**
EBITDA	203	237	267	**294**	**321**
EBIT	39	68	94	**119**	**144**
PTP	6	46	82	**107**	**131**
Net Income	-13	10	63	**81**	**102**
Extraordinary items	4	0	0	**0**	**0**

Per share data	2023	2024	2025	2026e	2027e
EPS (reported)	-4.4	3.3	21.1	**27.1**	**34.2**
EPS (adj.)	-5.8	3.3	21.1	**27.1**	**34.2**
OCF / share	13.1	42.1	62.1	**87.3**	**94.1**
FCF / share	-15.0	20.0	57.7	**39.8**	**43.5**
Book value / share	232.2	250.4	276.5	**283.9**	**293.1**
Dividend / share	5.0	5.0	20.0	**25.0**	**27.0**

Balance sheet	2023	2024	2025	2026e	2027e
Balance sheet total	2132	1939	1920	**1949**	**1986**
Equity capital	774	821	870	**891**	**918**
Goodwill	145	147	149	**149**	**149**
Net debt	789	702	609	**559**	**515**

Growth and profitability	2023	2024	2025	2026e	2027e
Revenue growth-%	-5%	4%	3%	**4%**	**4%**
EBITDA growth-%	-43%	17%	12%	**10%**	**9%**
EBIT (adj.) growth-%	-89%	95%	38%	**27%**	**21%**
EPS (adj.) growth-%	-107%	-156%	549%	**28%**	**26%**
EBITDA-%	9.5 %	10.8 %	11.8 %	**12.4 %**	**13.1 %**
EBIT (adj.)-%	1.6 %	3.1 %	4.1 %	**5.0 %**	**5.9 %**
EBIT-%	1.8 %	3.1 %	4.1 %	**5.0 %**	**5.9 %**
ROE-%	-1.6 %	1.3 %	8.0 %	**9.7 %**	**11.8 %**
ROI-%	1.8 %	4.3 %	6.6 %	**7.9 %**	**9.6 %**
Equity ratio	36.3 %	42.3 %	45.3 %	**45.7 %**	**46.2 %**
Gearing	102.0 %	85.6 %	70.0 %	**62.8 %**	**56.1 %**

Cash flow	2023	2024	2025	2026e	2027e
EBITDA	203	237	267	**294**	**321**
Change in working capital	-31	7	4	**-4**	**-9**
Operating cash flow	39	126	185	**260**	**281**
CAPEX	-161	-145	-134	**-142**	**-151**
Free cash flow	-45	60	172	**118**	**130**

Valuation multiples	2023	2024	2025	2026e	2027e
EV/S	0.9	0.8	0.7	**0.7**	**0.6**
EV/EBITDA	9.6	7.4	6.0	**5.3**	**4.7**
EV/EBIT (adj.)	56.3	25.9	17.0	**13.1**	**10.5**
P/E (adj.)	neg.	>100	15.0	**11.8**	**9.4**
P/B	1.6	1.3	1.1	**1.1**	**1.1**
Dividend-%	1.4 %	1.5 %	6.3 %	**7.8 %**	**8.4 %**

Source: HC Andersen Capital

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Sell — The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
17/09/2025	Accumulate	370 DKK	320 DKK

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We believe that all information should be equally accessible for all investors, and that improving the symmetry of information between companies and all investors strengthens company-investor relationships and trust in the financial markets.

Our team of analysts has many years of experience in the financial markets, previously with leading Nordic institutions.

HC Andersen Capital is based in Copenhagen, Denmark, and operates in the Nordics. HC Andersen Capital works closely in partnership with the leading Finnish-based equity research company, Inderes Oyj.

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Connecting investors
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