

# STRATEGY

14:06

## ØSTRE LANDSRET IN COPENHAGEN IS BUILDING A NEW COURT.

From the start of the construction phase, construction plans and buildings are virtualised using BIM technology. BIM enables the project manager to visualise the final result at any given place.



### BIM OBJECTS

Solar has digitalised more than 4,600 of our products into BIM objects.

# OUR BUSINESS MODEL



## KEY RESOURCES

## CORE ACTIVITIES

## VALUE CREATION



### HUMAN RESOURCES

Our 3,000 'can-do' people use market insight to develop new business areas and move our business forward.



### INNOVATION CULTURE

Our people have both the right and the duty to challenge the customers, suppliers and each other in pursuit of innovative solutions.



### TECHNOLOGICAL KNOW-HOW

Our people have thorough knowledge about products and technologies.



### STAKEHOLDER ENGAGEMENT

We engage with a number of different stakeholders to keep developing our business and create an understanding of our productivity agenda.



### FINANCIAL CAPITAL

Our financial situation is sound and our collaboration with the capital market helps to ensure the continuous development of our business.

### SOURCING EXCELLENCE

We build on long-term cooperation with strategic suppliers, and by consolidating customers' sourcing needs, we aim to increase efficiency throughout the supply chain.

Based on our understanding of the customers' needs we work with brand manufacturers while proactively seeking alternatives.

We offer a number of Solar concepts that meet different customer needs. We have concepts suitable for both installation and industry customers.

### SERVICE EXCELLENCE

We work closely with the customers to offer tailored, value-adding services that optimise their business and make them more productive.

The services range from product engineering, advisory services and technical support to customer logistics and Fastbox.

Our broad range of services is suitable for both installation and industry customers.

### OPERATIONAL EXCELLENCE

Central and regional warehousing, common lean processes, integrated IT systems and shared services across our local operating companies support our business.

We drive continuous improvement within a broad range of disciplines, and we effectively leverage our regional footprint to reduce costs and improve efficiency.

We strive to keep costs low to protect the margins in a market with increasing price transparency. We exercise strict management over our cost base.

### DIGITAL LEADERSHIP

With an e-business share above 60%, we are a true digital company and use our platform, including web-shop, website and digital marketing, to support a personalised customer experience.

We assume digital leadership and drive business development in collaboration with digital partners.

We leverage the digital transformation of the construction industry to develop new services to drive productivity and cost savings in collaboration with our customers.



### CUSTOMER VALUE

Within Installation, Industry and Trade we drive customer productivity by helping the customers run their business more efficiently.



### SHAREHOLDER VALUE

We create value for the shareholders by constantly optimising our business to increase the value of the company.



### EMPLOYEE VALUE

We create value for the employees by giving them responsibility, trust, exciting jobs and career opportunities.

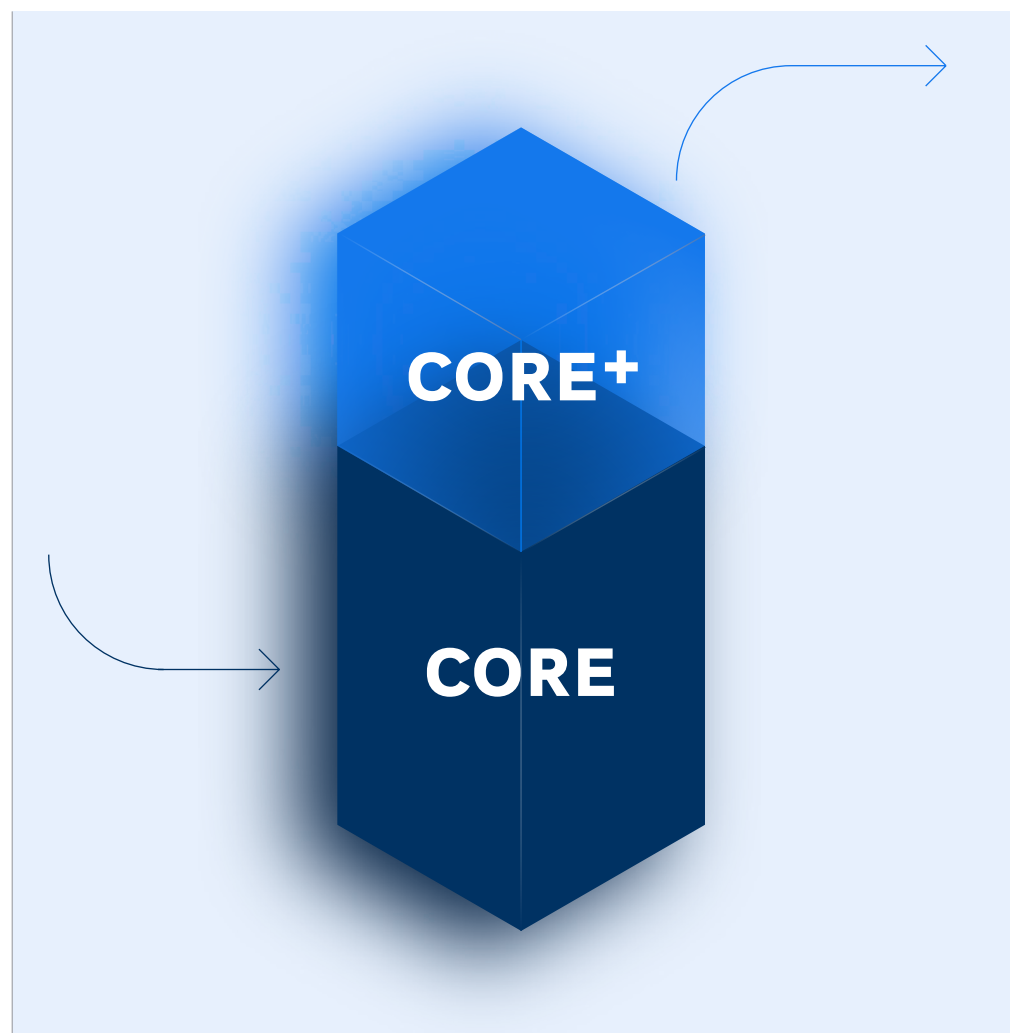


# CORE+: STRONGER EXECUTION OF BETTER BUSINESS

## THE CORE: STRONGER TOGETHER

Solar has successfully completed a three-year strategic drive to improve the profitability of our core business while investing in the future.

At the core we are a Sourcing & Services company. We play an assertive role in the value chain, mindful of our value add. We are a partner for the customers as well as the strategic suppliers. This allows us to always source the right products and deliver on time, every time, in ways that make the customers more productive. We call it 'Stronger Together'.



## CORE+: STRONGER EXECUTION OF BETTER BUSINESS

For the next strategy period, we are building on the solid foundation of CORE. So we remain stronger together, while adding further leverage from two megatrends impacting our business: DIGITAL and GREEN.

At Solar, we see market opportunities as well as operational efficiencies in digital and green. And the two often go hand in hand with customer productivity, efficiency and cost savings, e.g.:

- A new robotics solution based on AutoStore improves warehouse productivity, saves space, costs and energy.
- A Smart Supply kanban solution with digital inventory management and efficient replenishment boosts customer productivity.
- A green Fastbox service, where customers place a digital order through our mobile app, enables us to deliver within the hour by electric scooters, thus saving customers time.

Everyone wins, including the environment.

# DIGITAL TOGETHER

**Our high digital order share is the perfect enabler of both automated and data driven operations and digital services for our customers.**

We are developing our business, delivering personalised and productive digital customer experiences. We are automating operations for efficiency and integrate digitally with customers and strategic suppliers. In addition, we have a close network of technology partners with whom we are actively exploring the next wave of digital solutions. We are not afraid to challenge the status quo – where it adds more value. That is what true partners do. We call it 'Digital Together'.

**1. Efficient and data driven business operations**

We operate our business with powerful, easy to use productivity tools, leveraging data insights and a high degree of automation.

**2. Engaging and productive digital channels**

We have a digital first approach and strive to provide the customers with a personalised and engaging digital experience, supporting their productivity through innovative digital services.

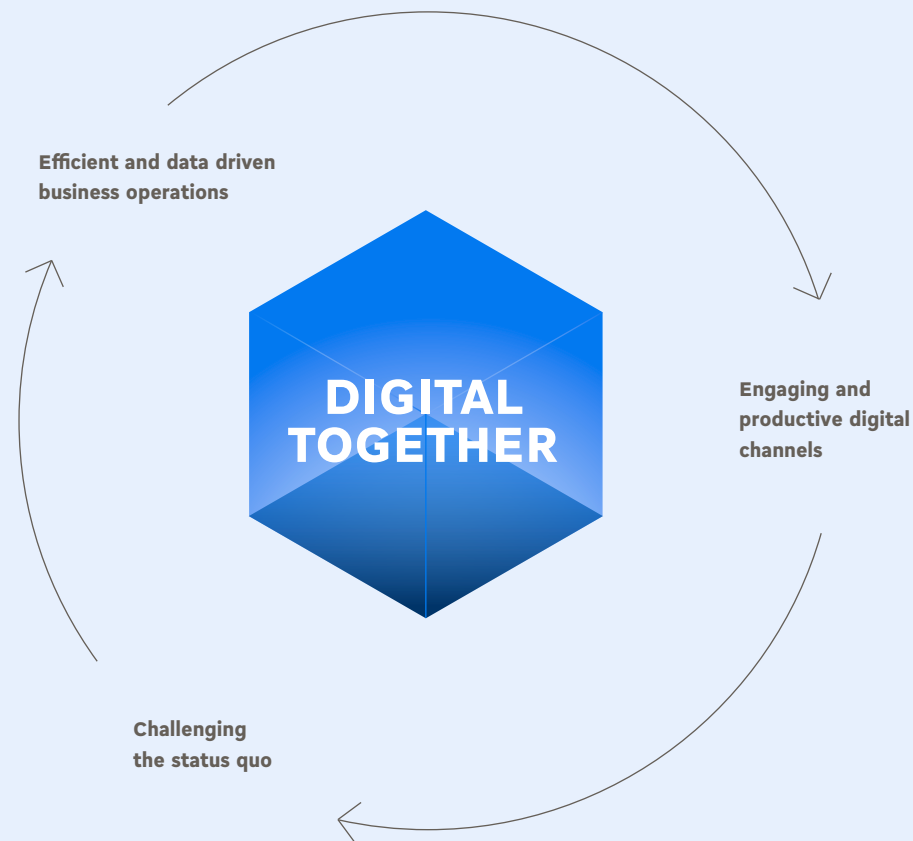
**3. Challenging the status quo**

We are driving our industry forward through digitalisation. We are setting new standards in e-business, automation and digital logistics services by working closely with first mover customers, suppliers and technology partners.



## MEGATREND – DIGITAL TRANSFORMATION

We see a **digital transformation** happening all across our industry. App usage, digital integration and virtual design and construction are all on the rise. And with COVID-19, even the laggards are logging on. Solar already leads our peers in the **digital** area with the highest digital order share. We are essentially a digital company, uniquely wired to reap the benefits.



# GREEN TOGETHER

Global attention on sustainability presents Solar with both market opportunities and operational demands.

Customers and suppliers expect us to run a responsible business and rely on our expertise in bringing sustainable products and solutions to market. Therefore, we are measuring and monitoring our consumption and, together with employees and business partners, we constantly focus on how to reduce our CO<sub>2</sub> emissions. Jointly we are able to contribute to a more sustainable world. We call it 'Green Together'.

## 1. Ensuring a responsible business

Being a responsible business is at the very core of who we are. Today, this includes proactively reducing waste and energy consumption across our processes and operations.

## 2. Providing climate & energy solutions

As a sourcing and services company we have a unique opportunity to work together with customers and suppliers to capture the growing green potential. This involves exiting non-sustainable product areas, like oil and gas boilers, and shifting to green alternatives.

## 3. Contributing to a more sustainable world

By seeking sustainable solutions, placing demands on suppliers and supplying to our customers in more sustainable ways, we contribute to a more sustainable world.



## MEGATREND – GREEN TRANSFORMATION

We see a growing demand for **green** solutions in all markets. Many are closely linked to the technical solution areas we already serve and have mastered. **Electrification of society and transportation** has the potential to supercharge Solar's business – as did the introduction of light bulbs into homes when Solar was founded over a century ago.



# STRATEGIC FOCUS AREAS FOR PROFITABLE GROWTH

With Core+, we will focus the Digital and Green trends on four strategic areas, where we have a solid track record and see further opportunities for profitable growth in the years to come.

Industry and Trade are distinct segments, while Concepts and Climate & Energy are strategic drivers in the Installation, Industry and Trade segments.

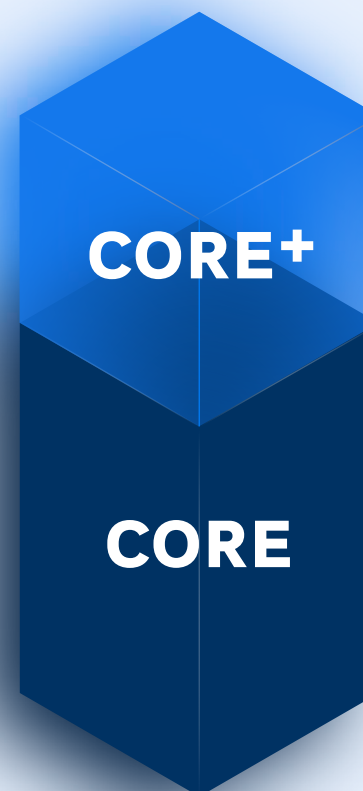
Digital and Green investments and initiatives shape the operating plans for each of the four strategic focus areas.

## MEGA TRENDS

Digital



Green



## STRATEGIC FOCUS AREAS

### 1. Concepts

Grow Concept share across all customer segments

### 2. Climate & Energy

Focus on Climate & Energy solutions in all segments

### 3. Industry

Become the preferred supplier to four selected Industry segments

### 4. Trade

Grow Trade with focus on retail, e-tail and e-trading customers

# OUR FOUR STRATEGIC FOCUS AREAS



## CONCEPTS

Our concepts embody our deepest insights into customer needs within Installation, Industry and Trade. Every segment in which we want to play a significant role is supported by a Solar concept. They power our sourcing as well as the service-led sales of products from strategic suppliers.

Where Core was about broadening and proving the concept portfolio, Core+ is about expanding concept share across all markets with an emphasis on digital and green, such as digital concept sales and sustainability documentation.

**25%**

share of revenue

Our target is to increase our share of revenue in Sweden, Norway and the Netherlands. Ultimately, targetting a concept share of 25% of revenue for the core business, up from 21%.



## CLIMATE & ENERGY

Solar is already well established in sales of sustainability solutions, and we aim to grow substantially in the coming years, especially within the fields of heat pumps, EV charging, photovoltaic and energy storage.

Where Core was about product sales and building expertise in solution selling, Core+ is about establishing Solar as a value-added reseller and sourcing partner within selected sustainability solutions. In parallel, we invest in sustainable operations, energy efficiency, and reducing packaging and waste.

**5%**

CAGR for our strategic period

With a starting point of DKK 600m for 2020, we are targetting a CAGR of 5% for the strategic period.



## INDUSTRY

We have long served selected sub-segments of Industry with an industry-deep approach. Industry customers appreciate the breadth and depth of our product assortment as well as our digital integrated services, which leads to long-term contract relationships.

With Core we took the first steps in a regional sales setup and a value proposition around total-cost of ownership. With Core+ we will drive the regional sales approach deeper into Infrastructure, MRO, OEM and Offshore & Marine, each with unique value propositions and an emphasis on digital and green.

**30%**

share of core revenue

We aim to increase our Industry share of revenue, particularly in Sweden and the Netherlands, which supports our ambition of an Industry share of 30% of core revenue, up from 27%.



## TRADE

A large and growing customer segment, including DIY stores and e-tailers, no longer source their materials from installers or from traditional wholesalers. With our digital business model and broad and specialised assortments, particularly within energy efficiency and sustainability, we can attract these customers through a proactive sales approach.

Where Core was based on a local approach, Core+ will apply best practice across markets, with an emphasis on outreach sales, as well as digital and green.

**5%**

CAGR for our strategic period

Our ambition is to introduce Trade to more of our markets and aim for a CAGR of 5% over the coming three years with a starting point of DKK 874m for 2020.

# AMBITIONS FOR 2023

Our CORE+ strategy derives from the winning aspiration to be a leading green and digital sourcing and services company in our industry.

We want to develop Solar in a profitable way by focusing on key markets, building around our four strategic focus areas and deploying the core capabilities embedded in a strong and agile operating model.



## GROUP: FINANCIAL TARGETS

- EBITDA margin above 6%, corresponding to a ROIC above 17% after tax
- Gearing (NIBD/EBITDA) 1.5-3.0x

## GROUP: NON FINANCIAL TARGETS

- E-business share of 70%, corresponding to almost DKK 8bn
- Complete the training of 2,000 participants in renewable solutions at our Solar School

## ESG

- Increase gender diversity at management level
- All electricity for Solar's own buildings will be from renewable sources
- Install PV equipment at all Solar-owned sites and EV chargers at all major Solar sites
- Further ESG targets will be launched during 2021

## CONCEPT

- 25% share of core revenue

## CLIMATE & ENERGY

- Revenue CAGR of 5% for the strategic period

## INDUSTRY

- 30% share of core revenue

## TRADE

- Revenue CAGR of 5% for the strategic period





#### **DELIVERIES**

We deliver more than  
115,000 fastboxes  
a year.

# OUR STRATEGIC FOCUS AREAS

**14:32**

#### **A GREENER CHOICE**

Solar Fastbox makes our customers more efficient and flexible in their daily work. Moreover, by using bicycles and electric vehicles wherever possible, we underpin our aim to make Solar Fastbox the more sustainable option.

**Solar Fastbox**



## OUR STRATEGIC FOCUS AREAS

# CONCEPTS

Solar Concept is our product portfolio targeted at customers in the installation and industry segments. We offer a selected assortment of high-quality products. Solar Concept embodies five elements - price, quality, availability, coverage and delivery.

We have introduced seven different concepts: **Solar Plus, Solar Light, Solar Tools, Solar Netto, Solar Cable, Solar Heat and Solar Project.** Each concept comprises a simple and transparent product offering together with guidance from industry specialists.

**1 Solar Plus** offers access to products and components needed on a day-to-day basis. When it comes to top tier quality, but at lower prices, we do not compromise. And we understand the importance of professional pride.

**2 Solar Light** offers a carefully chosen assortment of products and a group of Solar Light specialists who are ready to support you with solutions to projects of any size.

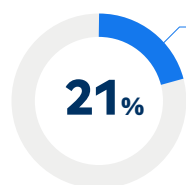
**3 Solar Tools** offers high quality products at competitive prices and makes ordering tools more accessible.

**4 Solar Netto** is our most cost-effective alternative. This means fixed low prices for materials that meet standard requirements.

**5 Solar Cable** entails collaboration with a number of suppliers across Europe, which means we can offer a wide range of cables to match individual requirements.

**6 Solar Heat** comprises a wide assortment of high-quality products within heating solutions, which are sold by piece or as full concepts.

**7 Solar Project** covers the full project scope – from Plus to Heat.



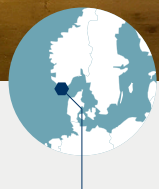
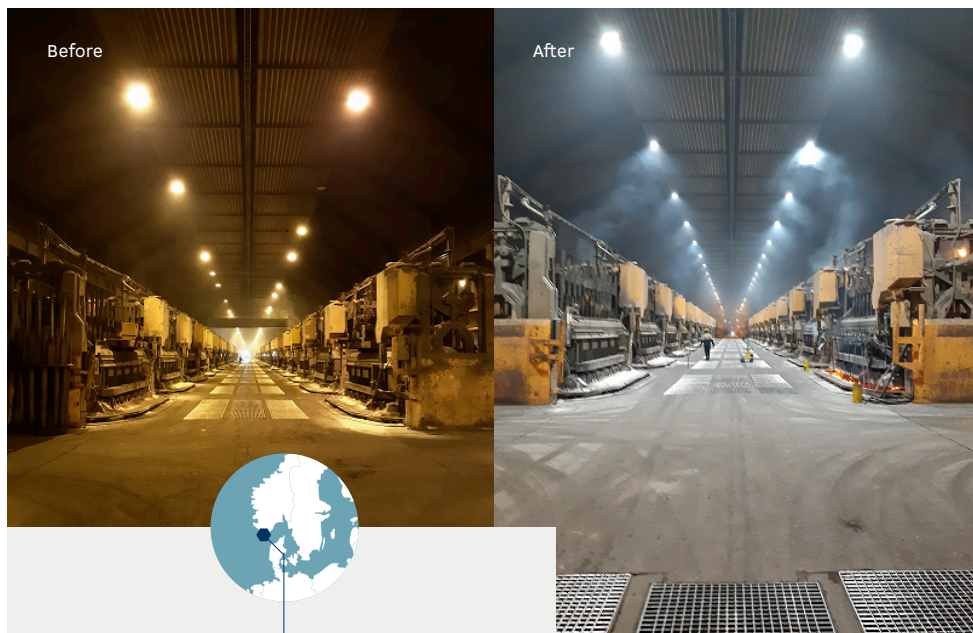
### 2020 SHARE OF CORE REVENUE

Our seven concepts are tailored to different customer demands



Aesthetics plays a major role at Hotel Villa in Copenhagen. Lighting is particularly important for creating a welcoming atmosphere.

## OUR STRATEGIC FOCUS AREAS



**Alcoa**  
**LISTA, NORWAY**

Alcoa is the second largest aluminum producer in the world, supplying industries across Europe. The production site is located in Lista in southern Norway.



**We had constant problems with our lighting and the cables were too old to provide power. Our new LED solution means that these issues are consigned to the past.**

### CASE: CONCEPTS

## NEW LIGHTING IMPROVES SAFETY

When the world's second largest aluminum producer, Alcoa, needed a new lighting solution, Solar Light was the ideal choice. The end result provides better and safer working conditions for all employees on site.

Obsolete light bulbs and fluorescent tubes were replaced with a customised LED solution that created a brighter workplace for almost 200 employees at Alcoa in Norway. As well as delivering greater energy efficiency, the new lighting system has also enhanced safety in the production area. "Our staff used to wear headlights, but after the new lighting system was installed, we were able to do without them. We also used to have a few vehicle collisions, but the improved vision will obviously help to prevent more accidents," says Ove Martin Kjølleberg from Alcoa.

He also points out two other benefits. Colour representation has improved, which means that cables are easier to distinguish. And with the furnaces emitting different gases, it is now easier to spot when extra precautions need to be taken. Electricians at Alcoa used to change light bulbs every three years, and some of the lighting was changed even more frequently than that. The time saved can now be spent more efficiently.

"We had constant problems with our lighting and the cables were too old to provide power. Our new LED solution means that these issues are consigned to the past", explains Ove Martin Kjølleberg.

Prior to the installation, Solar Light components were tested in an operational environment and exposed to the aluminum production temperature which is 30 degrees higher than the outside temperature.

As a result of the successful installation, another Solar Light solution will be installed inside two hangars at Alcoa's production site in Norway.



## OUR STRATEGIC FOCUS AREAS

# CLIMATE & ENERGY

Climate & Energy is experiencing increased focus on, and activity within, climate and energy-efficient solutions. This stems from a diverse customer base, including industrial enterprises, public buildings and private home installations.

The expanding base is the result of ever-increasing energy prices, stricter environmental requirements and government targets to reduce CO<sub>2</sub> emissions by 2030.

Solar Climate & Energy provides the right assortment of climate & energy solutions and supports customers with tailored construction designs, technical support and future energy consumption calculations, all of which ensure that customers receive products with minimum energy consumption.

The EU as well as governments have introduced a range of targets to reduce CO<sub>2</sub> emissions by 2030. Solar Climate & Energy will be an active player in this endeavour.



### 2020 REVENUE

We are experiencing an increasing demand for sustainable solutions.

In 2020, we sold more than 2,700 charging stations - over 60% more than the year before.





## OUR STRATEGIC FOCUS AREAS



### **Boligbeton** **LØSNING, DENMARK**

Boligbeton delivers innovative concrete solutions to the Danish construction industry - covering residential, industrial and office construction.

### CASE: CLIMATE & ENERGY

## INSTALLING HEAT PUMPS REDUCES CO<sub>2</sub> EMISSIONS

Danish concrete producer Boligbeton's ambition is to reduce CO<sub>2</sub> emissions significantly. Therefore, they have decided to replace all oil and gas heating with greener alternatives. Alongside Solar, they have found the right solution, which will ensure sustainable energy, a comfortable indoor climate and better business.

It takes a lot of water, heat and electricity to produce concrete panels round-the-clock. Boligbeton produces concrete panels for all types of constructions, and the largescale production means a high level of CO<sub>2</sub> emissions. The company has resolved to reduce its emissions and improve the environmental labelling of its products.

"It is important that we take action both as an industry and as a company," says Tom Kristensen, Boligbeton's Managing Director.

One initiative is to replace the old heating systems with new heat pumps.

"For the sake of the environment, it makes sense to replace oil and gas with greener solutions such

as heat pumps – and there are financial benefits", explains Tom Kristensen.

"Compared to the old system, Boligbeton is set to reduce energy consumption by approximately 70 percent. The heat pumps will also result in improved circulation and a more comfortable indoor climate", says Tom Nielsen, Sales Engineer at Solar Climate & Energy.

Solar is assisting Boligbeton with project design and product selection in its green transition. So far, the company has installed five new heat pump systems. They are also working on an idea for a solar cell park that will provide green energy for lighting and machinery.

## OUR STRATEGIC FOCUS AREAS

# INDUSTRY

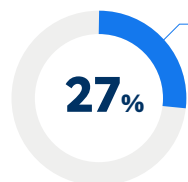
Industry constitutes a significant part of our business. The prime focus is on long-term contracts with industrial customers, both with a local and cross-border presence.

Our main industrial business focus areas are: Infrastructure, MRO (Maintenance, Repair & Operation), OEM (Original Equipment Manufacturer) and Marine & Offshore.

Our assortment offers everything from lighting and tools to vital spare parts that safeguard against production downtime.

One of our key focus areas is to help customers reduce costs by cutting back on suppliers, orders and administration – a process known as Total Cost of Ownership (TCO). This allows the customers to eliminate heavy and inefficient processes, which results in significant financial savings.

Having the right stock is important in almost every industry. Our Smart Supply service, for instance, offers a transparent stock solution with greater overview. Moreover, the system ensures that the right items are available at all times and helps customers to avoid expensive production downtime. Increased productivity and efficiency are the result.



### 2020 SHARE OF CORE REVENUE

Industry is the most profitable segment in the majority of our markets.



More than 100 industrial customers are already using our smart supply kanban storage solution which reduces their stock by 30%.

## OUR STRATEGIC FOCUS AREAS



### Flensted, Denmark

Flensted Food Group is a Danish manufacturer of convenience food. It was founded in 1966 and employs 200 people. The group's head office and production facilities are based in Western Jutland.

### CASE: INDUSTRY

# WHEN ONE SUPPLIER IS ENOUGH

The Danish food manufacturer, Flensted, has optimised its sourcing setup in partnership with Solar. Making Total Cost of Ownership (TCO) visible has led to more transparency and tighter control.

### It all began with a phone call

Jes Christensen, Purchasing Manager at Flensted, was looking for a supplier for a new project. The technical support department needed to simplify procurement.

"As an example, we used to buy components from four different suppliers, but I was convinced that we could optimise that."

In close collaboration with Flensted, Solar undertook a transparency analysis of the purchasing pattern for technical components. This provided Flensted with the opportunity to optimise its sourcing and handling setup, such as consolidating suppliers, improving master data and standardising products and brands.

"The benefits are clear. We have cut back on suppliers, orders, deliveries and administration, which of course means significant financial savings", says Jes Christensen.

The next step was to implement a Smart Supply system to enable the 15 technicians to locate items and components in stock more easily.

"We had too many items in stock and bought products whenever we needed them – even though we probably had them already. We needed an overview," the Purchasing Manager explains.

With a constant backup, the Smart Supply system ensures that Flensted never runs out of important products. The system is based on two bins containing the same items. When the first bin becomes empty, a new delivery will be on its way. Meanwhile, the technicians use the second bin.



**The benefits are clear. We have cut back on suppliers, orders, deliveries and administration, which of course means significant financial savings.**

"We now have transparency, which makes it easier for our employees", he says.

### Minimising downtime

An additional benefit is that the factory has kept downtime to a minimum. According to the Purchasing Manager, a breakdown can be very expensive; machines come to a standstill, goods for customers may be delayed, and products may go to waste because of their short shelf-life.

"Availability and a clear stock overview are essential to run a cost-optimised business with maximum efficiency and minimum cost. Flensted has a clear future strategy deeply rooted in a TCO mindset that ensures continued transparency and a structure for phasing in and phasing out products. Being in control in this way increases competitiveness in a competitive market", explains Lars Lange, Head of Food and Beverage at Solar.



## OUR STRATEGIC FOCUS AREAS

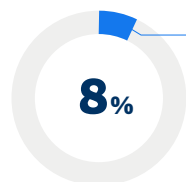
# TRADE

Trade focuses on a growing customer group with different buying patterns from the Installation and Industry customer segments. They are typically DIY/retailers, webshops or smaller independent B2B-customers.

The main criteria for these customers are a wide assortment, a convenient webshop and flexible logistics solutions – requirements that are combined into a solution that puts them in the best possible position to leverage their 'go to market' strategy.

Contracts typically contain agreements on storage facilitation, inventory management and logistics solutions for either customer or end-user deliveries.

We can offer all that, which makes us the preferred partner for a large group of such customers.



### 2020 SHARE OF CORE REVENUE

Trade is currently centred in Denmark and the Netherlands.



Our long-standing experience and know-how within logistics and inventory solutions enable us to serve new segments.



## OUR STRATEGIC FOCUS AREAS

CASE: TRADE

# WHEN ONLY ONE SUPPLIER IS NEEDED

**CARSTEN ANTONISEN**  
Senior Vice President,  
Sales

Buying behaviour has changed. Many companies demand one-stop shopping. As a sourcing and services company, we constantly adopt new ways to make our customers more efficient - which is why we have a strategic focus on Trade.

Instead of buying batteries at a hardware store and light bulbs from a webshop, our customers use Solar as a one-stop shop to purchase whatever consumables they need from our wide assortment.

This makes good business sense for the customers and for Solar. Customers can cut back on suppliers, deliveries and administration, which saves them time and money. We see this as a self-service concept, where customers typically do not require technical support or visits from our sales team. Instead, they need a great webshop with a wide assortment, where they can quickly find what they are looking for and have everything delivered through our flexible logistics solutions.

Trade is a business area that will contribute to our financial growth. The next step is to take best practice from Denmark and implement it in Sweden, Norway, Poland and the Netherlands.

