

Clas Ohlson nine-month report 2018/19

Third quarter - 1 November 2018 to 31 January 2019

- Sales increased by 6% to 2,915 MSEK (2,746), organic sales up 4% and up 2% in comparable units
- Online sales increased by 51%
- Operating profit, including non-recurring costs, costs linked to the CO100+ action programme and the closure of the store network in the UK and Germany totalled 105 MSEK (349)
- A non-recurring cost of 210 MSEK was charged to earnings as a result of the closure of the store
 network in the UK and Germany. The closure is expected to generate a positive earnings effect of
 approximately 75 MSEK, with full effect expected to occur after the second quarter 2019/20
- Underlying operating profit amounted to 363 MSEK (359)
- Profit after tax totalled 79 MSEK (270)
- Earnings per share amounted to 1.24 SEK (4.28)

Nine-month period - 1 May 2018 to 31 January 2019

- Sales increased by 8% to 7,030 MSEK (6,528), organic sales up 5% and up 2% in comparable units
- Operating profit, including non-recurring costs, costs linked to the CO100+ action programme, implementation of the sCORE business system and the discontinuation of the store network in the UK and Germany totalled 171 MSEK (574)
- Underlying operating profit amounted to 549 MSEK (599)
- Profit after tax totalled 133 MSEK (444)
- Earnings per share amounted to 2.11 SEK (7.02)

Events after the end of the reporting period

- Sales in February increased by 5% to 545 MSEK (518)
- Decision on an organisational review with 150-200 positions affected. The decision is part of the CO100+ action programme, which is expected to reduce the company's annual costs by 200-250 MSEK, with full effect from the 2020/21 financial year
- Growth in Q3 better than market, but lower than internal target affects profitability for the current year. The operating margin for full-year 2018/2019 is expected to be approximately 3%* and the underlying operating margin approximately 5%

CEO's Comment

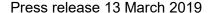
Growing both in store and online in a challenging market

Increased underlying operating profit and solid growth in tough market

For the first time in many years, the market did not grow during Christmas trading this year in Sweden, Norway or Finland. Instead, it was lower than in the preceding year and did not match the forecasts made. A clear pattern was also that Christmas trading had a strong start during "Black week," which was followed by a weak period, before having a very strong final spurt. Online was the sales channel that continued to grow in the market as a whole.

In terms of sales and earnings, the third quarter is the most important for us. We made preparations in the form of attractive customer offerings, increased digital capacity and more and better online delivery options.

^{*} Excluding costs for the closure of the store network in the UK and Germany.





These initiatives produced results. Growth outperformed the market, but was lower than internal target. Organic growth was 4 per cent for the quarter and organic growth for the nine-month period was in line with the target of 5 per cent. During the quarter, online sales increased by 51 per cent, compared with the year-earlier period.

We also maintained the gross margin of 40.4 per cent (40.8) for the quarter. In total, this yielded in an underlying operating profit of 363 MSEK (359), which is somewhat higher than in the preceding year.

Cash flow from operating activities strengthened during the quarter, mainly driven by systematic inventory control, but also by healthy sales and a sustained gross margin. In addition, the inventory value, 1,983 MSEK (1,880) at the end of the quarter, is again at a favourable level after the planned build-up of inventory that was implemented in the first quarter in connection with the implementation of the sCORE business system.

Clas Ohlson is growing both in stores and online in a challenging market climate. However, sales in the quarter did not reach our internal target and that affects profitability for the current year. The operating margin for full-year 2018/2019 is expected to be approximately 3%* and the underlying operating margin approximately 5%.

Closure of the store network in the UK and Germany proceeding to plan

The work to concentrate the store network to the Nordic home market, and thereby close our stores in the UK and Germany and focus on online, is proceeding according to plan. The discontinuation cost has now been booked to 210 MSEK and is charged to earnings for the quarter. The aim is for the process to be completed during the current financial year and that the anticipated positive earnings effect of approximately 75 MSEK per year will have full impact after the second quarter of 2019/20.

Full focus on lower costs

The systematic work to reduce costs as part of the CO100+ action programme is continuing. The decision to conduct an organisational review to reduce costs and create a more efficient and flexible organisation was announced at the beginning of February. A total of 150-200 positions are expected to be affected.

During the quarter, the work also intensified to reduce purchasing and supplier costs and we continued to work on optimising our product range in store.

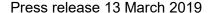
The costs of the CO100+ action programme are also expected to remain in the range announced of 1-2 per cent of the underlying operating margin.

Continuing our initiatives for long-term growth

Projects within CO100+ to create long-term growth are proceeding to plan. One of the most important milestones is to double our online sales every second year. Succeeding at this requires smart solutions for delivery to customers. One example of this is the Click & Collect solution that had something of a breakthrough during Christmas trading, when one in three customers chose to have their online order delivered to a store. This delivery solution also contributes to promoting footfall in stores.

Another example is our partnership with MatHem, which is contributing in a tangible way to enabling us to grow our online business in a cost-effective manner, at the same time as we are making everyday life simpler for our customers. The partnership with MatHem developed well during the quarter. It was also announced in February that Kinnevik would become the new principal owner of MatHem after making a major investment in the company. This step further strengthens MatHem, both for us as an important partner and as a financial investment.

^{*} Excluding costs for the closure of the store network in the UK and Germany.





Long-term profitable growth according to plan

The change in the retail sector is proceeding in the direction we predicted and have built the strategy to address. The trend is now moving faster than expected. This means that I am even more convinced that we are on the right path in our adjustment work. We implemented a number of significant measures during the quarter and are now on schedule with the planned measures under the framework of CO100+, which will have full effect from the 2020/21 financial year.

We are continuing to work on growth-creating initiatives, at the same time as we are ticking off the implemented cost-savings to create long-term, profitable growth and shareholder value for Clas Ohlson also in the future – all according to plan.

Lotta Lyrå, President and CEO of Clas Ohlson AB

Press and analyst conference

The report will be presented today at 9:00 a.m. in Clas Ohlson's store at Sveavägen 52 in Stockholm. The presentation is also streamed live on https://about.clasohlson.com/webcast-201819-Q3. It is also possible to attend via teleconference. To participate, please dial +46856642704 (Sweden), +443333009032 (UK) or +18335268380 (US).

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This information is such that Clas Ohlson AB (publ) is obliged to publish pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was submitted for publication, through the agency of the contact persons set out above, on 13 March 2019 at 07:00 a.m. (CET).

Clas Ohlson was founded in 1918 as a mail order business in Insjön, Sweden. Today we are a retail company with customers in five markets, approximately 5,000 co-workers and annual sales of approximately 8 billion SEK. Our share is listed on Nasdaq Stockholm. A lot has happened since the start in 1918, but one thing has remained the same over the years; that we want to help and inspire people to improve their everyday lives by offering smart, simple, practical solutions at attractive prices. Visit about.clasohlson.com to read about our passion for simplifying life in all kinds of homes.

^{*} Excluding costs for the closure of the store network in the UK and Germany.