

## **Clas Ohlson six-month report 2019/20**

### **Important steps towards long-term profitable growth**

#### **Second quarter - 1 August to 31 October 2019**

- Sales in the Nordics increased by 3% to 2,145 MSEK (2,089), organic growth up 3% and total sales were unchanged at 2,165 MSEK (2,157), organic growth up 1%
- Online sales increased 21% to 115 MSEK (95)
- Operating profit, including non-recurring costs and costs linked to the CO100+ action programme, totalled 133 MSEK (33). Excluding the effect of IFRS 16, operating profit amounted to 107 MSEK
- Underlying operating profit amounted to 153 MSEK (124) (excl IFRS 16)
- The operating margin was 6.1% (1.6)
- Net debt/EBITDA excluding the effect of IFRS 16 (12 months) amounted to 0.6 times (0.5)
- Profit after tax totalled 91 MSEK (25)
- Earnings per share amounted to 1.43 SEK (0.40)
- A partnership with Kolonial.no, Norway's largest online food retailer, started in September

#### **Six months - 1 May to 31 October 2019**

- Sales in the Nordics increased by 4% to 4,157 MSEK (3,978), organic growth up 4% and total sales increased 2% to 4,209 MSEK (4,115), organic growth up 2%
- Operating profit, including non-recurring items and costs linked to CO100+ action programme, totalled 212 MSEK (65). Excluding the effect of IFRS 16, operating profit amounted to 159 MSEK
- Underlying operating profit amounted to 244 MSEK (186) (excl IFRS 16)
- The operating margin was 5.0% (1.6)
- Profit after tax totalled 139 MSEK (55)
- Earnings per share amounted to 2.21 SEK (0.87)

#### **Events after the end of the quarter**

- In November, sales in the Nordics increased by 4% to 988 MSEK (948), organic growth up 4% and total sales increased by 2% to 995 MSEK (979), organic growth up 2%
- Online sales in November increased by 7% to 65 MSEK (61)

#### **CEO Lotta Lyrå comments on the quarter:**

##### **We are growing organically in the Nordics**

A challenging market climate in our Nordic home markets has dominated the autumn. Accordingly, it is gratifying to state that we increased our sales in the Nordics organically by 3 per cent during the quarter, driven by growth in Sweden, Norway and Finland, both in stores and online.

Offering customers availability and convenience are essential to our continued journey of growth. The major upgrade of our online shopping platform in mid-October was thus a key step. It provides an enhanced customer experience on mobile, tablet and computer, and offers a more scalable platform to enable a faster pace of development going forward.

We can also see short-term results. Online sales for November, with Black Friday accounting for our best day ever in terms of online sales, shows that customers value the investments in an improved digital experience and more attractive campaigns.

The gross margin was 41.1 per cent (41.6) for the quarter and was mainly impacted by the stronger purchasing currency in USD.

### **Lower costs enable profitable growth**

Since our CO100+ action programme started, we have maintained a high pace of change to achieve a lower cost base and a more efficient organisation. This time last year we presented a clear online strategy for our markets outside the Nordics and we have now closed our stores in the UK and Germany. We have also completed the organisational review that we announced in February and we are now seeing the full effect of this ahead of the next financial year. Alongside this, we are continuing to work on other important initiatives, for example, reviewing our purchasing costs.

The measures implemented under the CO100+ framework are a key reason that the underlying operating profit for the second quarter improved 23 per cent from 124 MSEK to 153 MSEK. We are moving in the right direction, in line with our plan, for achieving our operating margin target of 4-6 per cent for the current year.

### **Interplay between channels driving our business**

The majority of our sales continue to take place in store. For this reason, we are working intensively to continuously improve both the store network's profitability and the in-store experience.

Another important focus area is offering our products in several channels. We quickly saw that our new partnership from the start of September with Kolonial.no, Norway's largest online food retailer, was positively received by customers, following the same trend we noted for MatHem in Sweden. We also carried out an exciting pilot project with Amazon in the UK and were pleased with the outcome. We intend to expand our product range to scale up this business.

We also see continuing rising demand for our Clas Fix it service. We are continuing to streamline and develop our offering as well as prepare for the roll-out to more geographical regions in Sweden.

### **Focus on growth and customer experience**

It has been confirmed many times over that our CO100+ action programme is generating the effects we had hoped for, as can be seen in the profitability trend for the quarter for example. In a short space of time, we have created a more flexible cost structure and established new ways of interacting with our customers in stores, online and in customers' homes.

An important focus area moving forward in the implementation of CO100+ is to further improve and link our product offering together with our service offering. This will allow us to create unique added value for our customers and as basis for higher sales.

I am proud of what we, all the employees at Clas Ohlson, have achieved together in this quarter. The important Christmas shopping period is now under way. We have made meticulous preparations to deliver the optimal customer experience both in store and online. By combining a

distinct focus on daily operations and continuing the implementation of CO100+ we will create a profitable Clas Ohlson and value for our shareholders.

**Webcasted telephone conference at 9.00 a.m.**

A webcasted telephone conference will be held at 9.00 a.m. CET today, where President and CEO Lotta Lyrå and CFO Pär Christiansen will present the report and answer questions. The webcast is accessible at the direct link:

<https://about.clasohlson.com/webcast-201920-q2>

To participate in the conference via telephone, and thereby be able to ask questions verbally, please dial in on any number below a couple of minutes before the start of the call:

+46 850558352 (Sweden), +44 3333009272 (UK) or +18 335268398 (US)

**For more information, please contact:**

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*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 8.8 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](https://about.clasohlson.com) to read about us and our passion for simplifying life in all kinds of homes.*