

Clas Ohlson three-month report 2020/21

A very strong first quarter in an uncertain market climate

First quarter – 1 May to 31 July

- Sales increased 1% to 2,074 MSEK (2,044), organic growth up 7% and up 8% in comparable units
- Online sales increased by 63% to 184 MSEK (113).
- Operating profit totalled 166 MSEK (79). Excluding the effect of IFRS 16, operating profit totalled 147 MSEK (52).
- The operating margin was 8.0% (3.9). Excluding the effect of IFRS 16, the operating margin was 7.1% (2.6).
- Net debt/EBITDA excluding the effect of IFRS 16 (12 months) amounted to -0.5 times (0.0)
- Profit after tax totalled 117 MSEK (49).
- Earnings per share amounted to 1.84 SEK (0.77).

Events after the end of the reporting period

- Sales in August decreased by 7% to 689 MSEK (740), organic sales down 2% and a decrease of 1% in comparable units.
- Online sales in August increased by 35% to 47 MSEK (35).
- Kristofer Tonström appointed new President and CEO of Clas Ohlson – will take up his new position no later than 9 March 2021
- CFO Pär Christiansen appointed acting CEO as from 4 December, when Lotta Lyrå is leaving the company, until Kristofer Tonström takes office

CEO Lotta Lyrå comments on first quarter 2020/21:

Ability to face rapid changes

Clas Ohlson is passionate about simplifying life in all kinds of homes. After a summer when many people spent more time at home, I can conclude that we were very successful in meeting the new customer needs that arose. According to a survey we conducted among our Club Clas members in July, three out of four said that they would spend their summer holidays fixing up their homes, which was also reflected in the demand for products for repairs, decoration and other small home and garden projects. In addition to offering a relevant product range, our initiatives in expanding sales onto other platforms such as MatHem and Kolonial performed very positively. In combination with our store network and our numerous flexible delivery alternatives, this means we have taken an important step in staying close to our customers. Total organic growth for the first quarter was 7 per cent, and online growth was 63 per cent.

It is also interesting that nearly half of our Club Clas members in the previously mentioned survey said that they would likely stay at home during the next holiday period regardless of the trend in the coronavirus pandemic. Moreover, many of them—young people in particular—stated a preference for renting tools instead of purchasing them. This shows the importance of a rapid response and sensitivity to customers' needs, which are now changing even more quickly than ever before. For some time now, we have been offering a range of rental products in all our stores, which provides customers with the opportunity to rent



various tools instead of buying them. Together with the autumn campaign's focus on smart products for taking care of what you already have, we are showing how our commercial initiatives not only support our long-term profitability target of an operating margin of 6–8 per cent, but also our new ambitious sustainability agenda.

Growth initiatives and cost measures continue to deliver results

Operating profit amounted to 166 MSEK (79). The operating margin (excluding IFRS 16) amounted to 7.1 per cent (2.6). This shows that, after the initial phase of implementing our growth strategy (carrying out the CO100+ action programme and closing down the store network in Germany and the UK), we have built a stable platform for profitable growth. On the other hand, the drop in the Norwegian krone has had a negative effect during the quarter. At present, we anticipate that foreign exchange fluctuations will at least persist in the short term and thus have a negative effect on profitability for the year.

As a brand, Clas Ohlson is strong and its offering has demonstrably hit its mark. The Norwegian operations continue to yield strong growth. Adjusted for the effect that Covid-19 has brought, through reduced customer traffic in a limited number of central locations and in stores that normally benefit from cross-border trade, the development in Sweden has been good. In Finland, we continued our work on strengthening Clas Ohlson's position in the market but the restrictions imposed to stop the spread of coronavirus had a significantly negative impact on sales for the quarter. With more efficient inventory control, we have been able to balance the effects of weaker sales, reducing inventory levels by approximately 250 MSEK compared with the year-earlier period. Corona has, to date, had a limited effect on our supply chain and we are confident in the supply of goods as we approach the autumn. The gross margin improved to 38.7 per cent for the quarter compared with 38.1 per cent in the preceding year.

Strengthened competitiveness converted into customer and shareholder value

An important starting point for our growth strategy is that competition is becoming tougher, and we are continuing to develop our customer offering and optimise our cost structure in order to strengthen our position in the market. Leveraging our own power, we have successfully reduced our costs levels to the 225–250 MSEK range over the last two years, and the remaining cost reductions of approximately 150–160 MSEK will be realised during the current 2020/21 financial year. In parallel, we are working every day to find new opportunities for simplifying and enhancing the efficiency of every part of our operations for the purpose of remaining competitive and profitable under all market conditions. At the same time, we are investing in our digital infrastructure and digital skills so as to scale up our business over time. For example, we have recently implemented a new inventory management system, and we are continuing to build our team of specialists in digital customer experience.

Continuing to act quickly in a changeable market will be crucial going forward as well, and we remain humble with respect to the continued effect of the coronavirus pandemic on the macroeconomy and customer behaviour. An important strength for Clas Ohlson is that we meet the challenges with a strong financial position built by generating stable cash flows from operating activities. To date during the pandemic, we have grown through active work on our customer offering and fended off rapid changes in demand with strict cost control, which have made an especially positive contribution to profitability during the quarter. Moving forward, we are prepared for the fact that uncertainty will remain. We will meet this by continuing to focus on what we ourselves can influence, and by continuing to develop Clas Ohlson at the same high tempo as we



have done over the last few years. This is how we will achieve our goal of generating sustainable customer and shareholder value for at least 100 more years.

Webcasted teleconference at 9.00 a.m.

President and CEO Lotta Lyrå and CFO Pär Christiansen will comment on the report at 9.00 am CET today at a webcasted teleconference. The webcast is accessible via this [link](#). 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 webcast: SE: + 46856642705, UK: + 443333009032, US: + 18332498407

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Clas Ohlson was founded in 1918 as a mail order business based in Insjön, Dalarna, Sweden. Today, we are a retail company with customers in five markets, approximately 4,500 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/en to read about our passion for simplifying life in all kinds of homes.