

Q3 Report 2013/14

12 March 2014

Klas Balkow

CEO



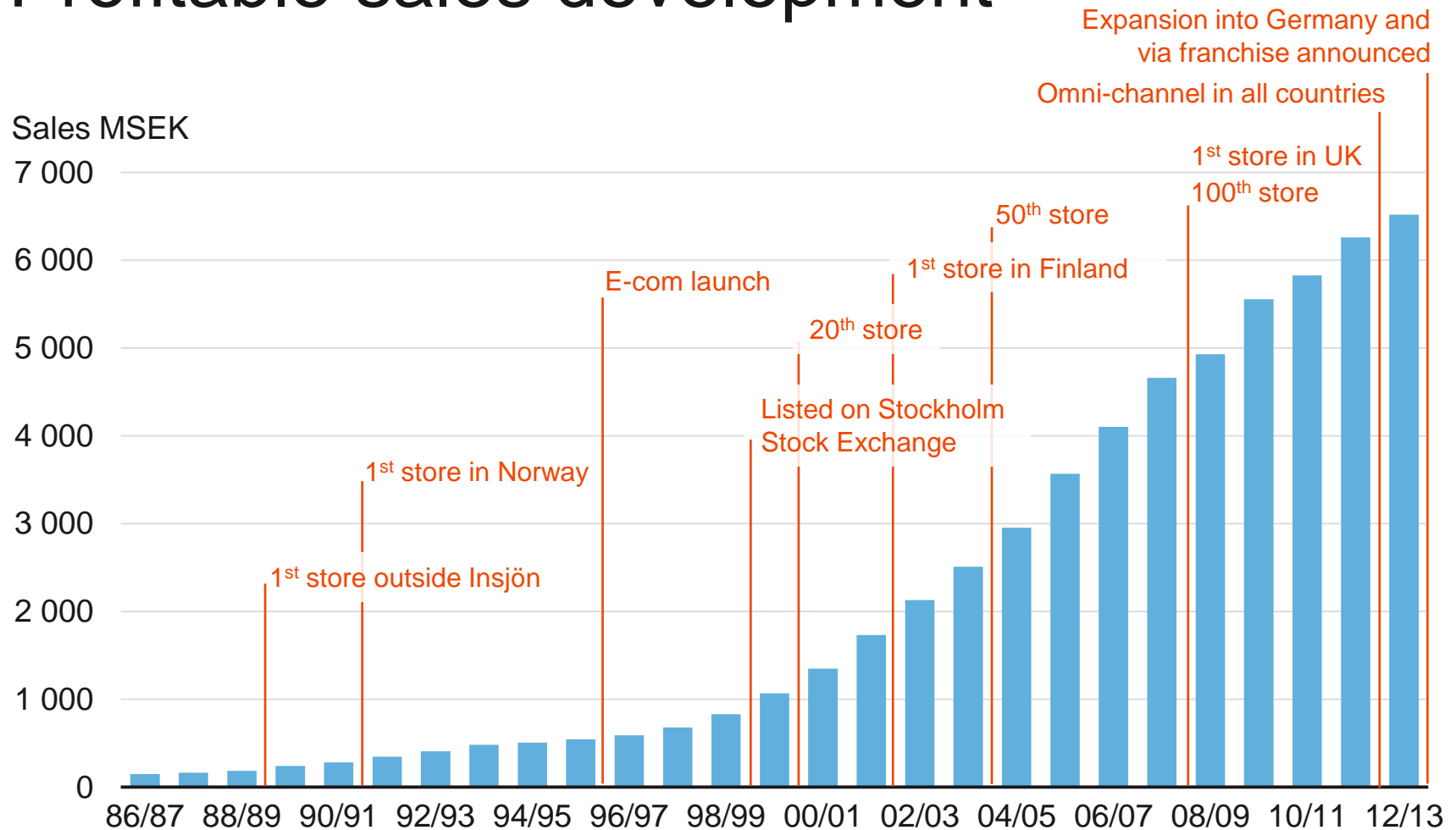
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Agenda

- Q3 2013/14
- First nine months 2013/14
- Events after period-end
- Update on strategic priorities
- Financial targets
- Q&A



Profitable sales development



High energy and strong position

182 stores in
4 countries
in omni-channel structure

72 million visitors
36 million customers

4,500
service-minded
employees

High focus on
sustainability
agenda

R12 sales
6.7 billion SEK

Most trusted brand and one
of the strongest brands in
retail in the Nordics

The Clas Ohlson way

Mission

To help and inspire people to improve their everyday life by offering clever and convenient practical solutions at great value

...broad offer at great value with an edge in clever practical solutions

...proactive, knowledgeable and accessible customer service

...inspiring, convenient and accessible shopping experience across all channels

...sustainable operations that take people and the environment into consideration

Q3 2013/14
November – January

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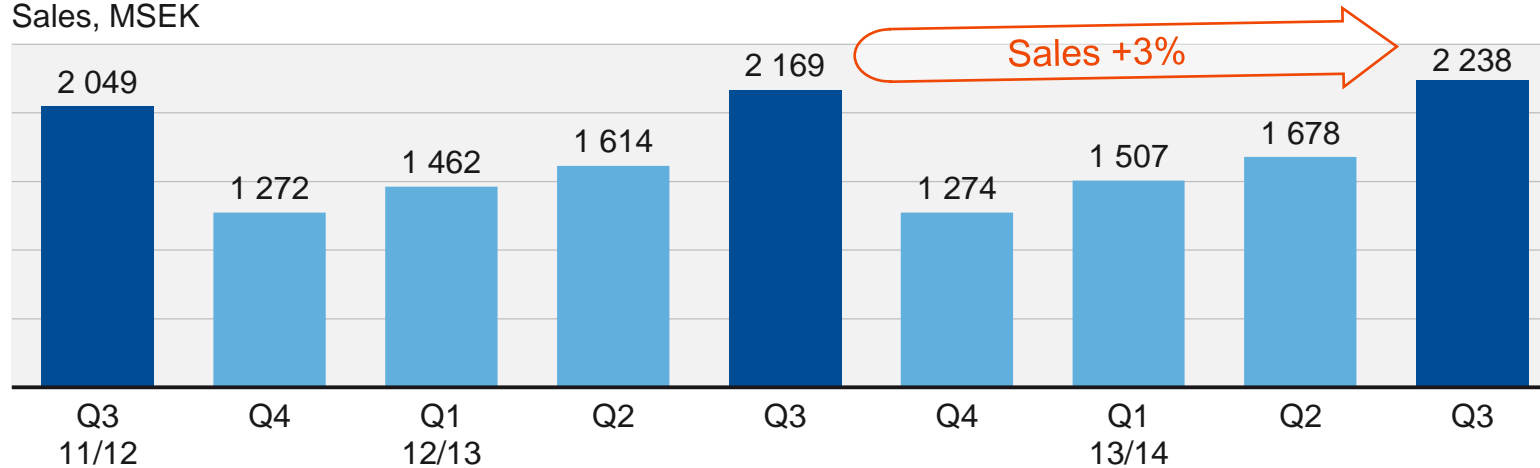
Highlights Q3

- Sales +7% in local currency
- Strong LFL sales +3%
- Negative currency effect
- Improved gross margin
- Strongest ever operating profit in a quarter

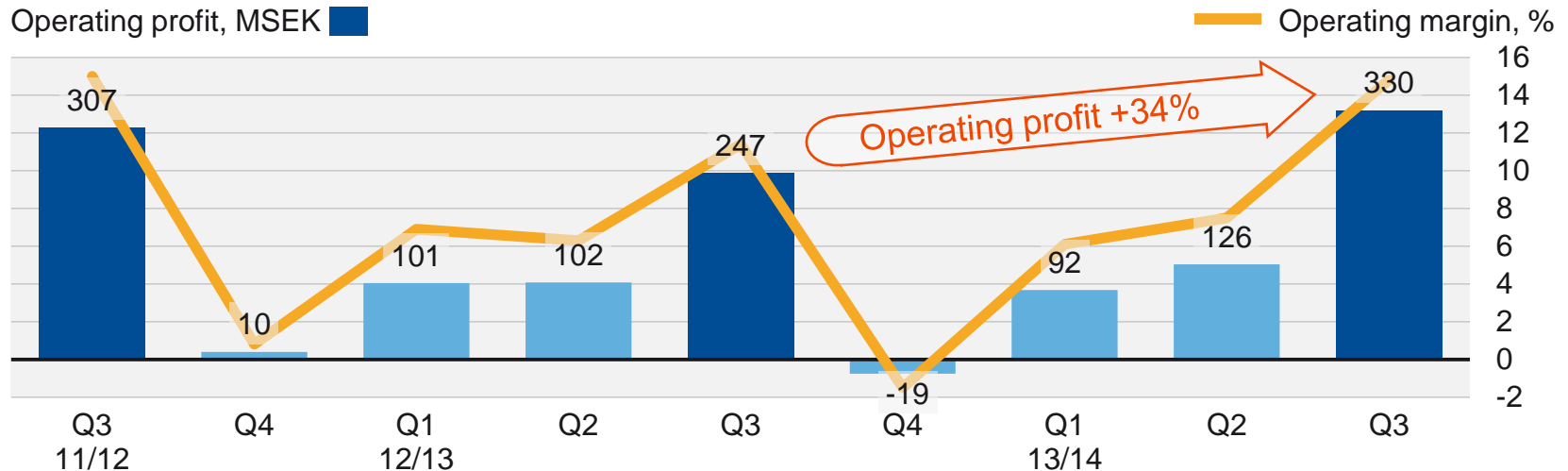


Sales, profit and operating margin

Sales, MSEK

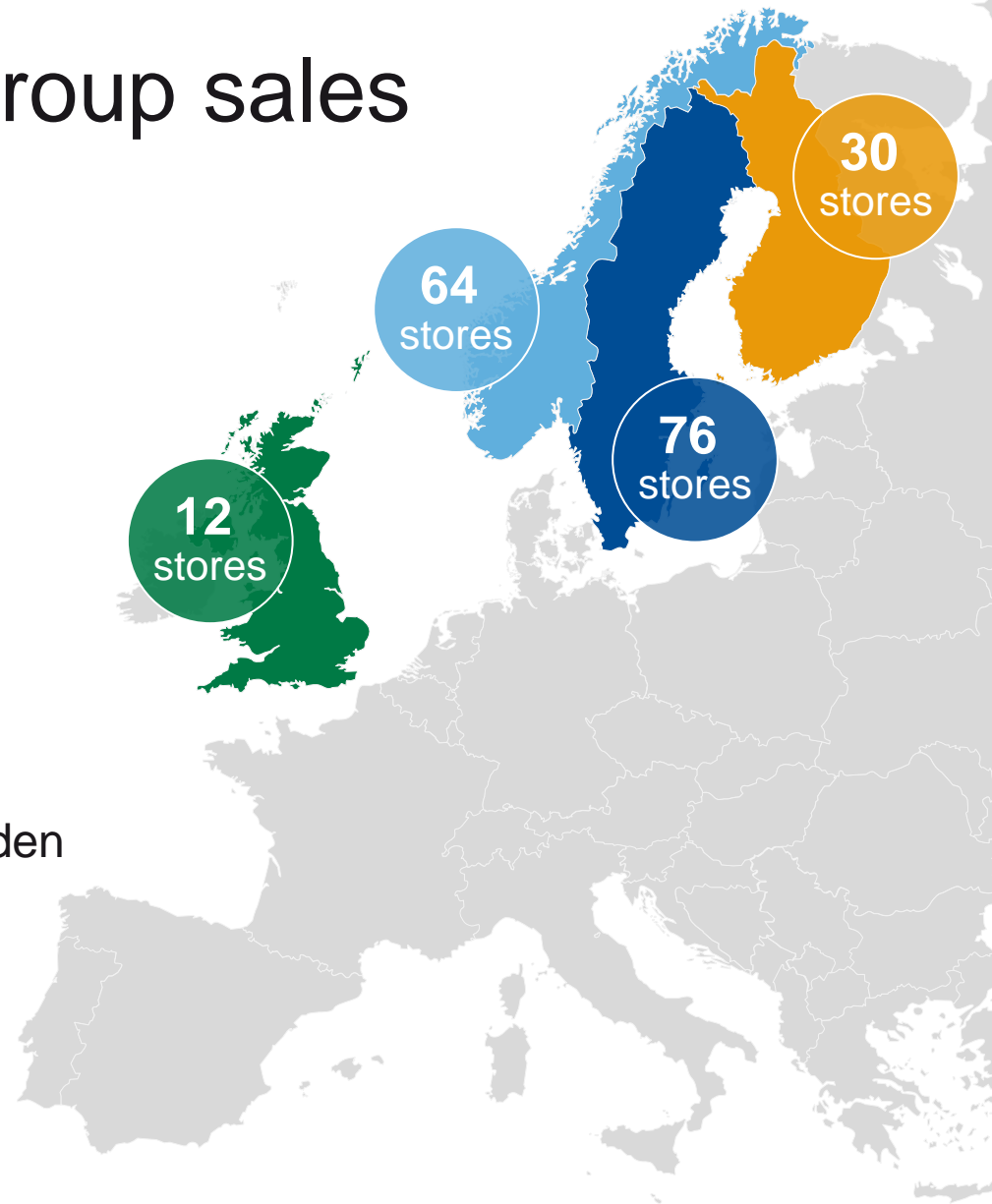
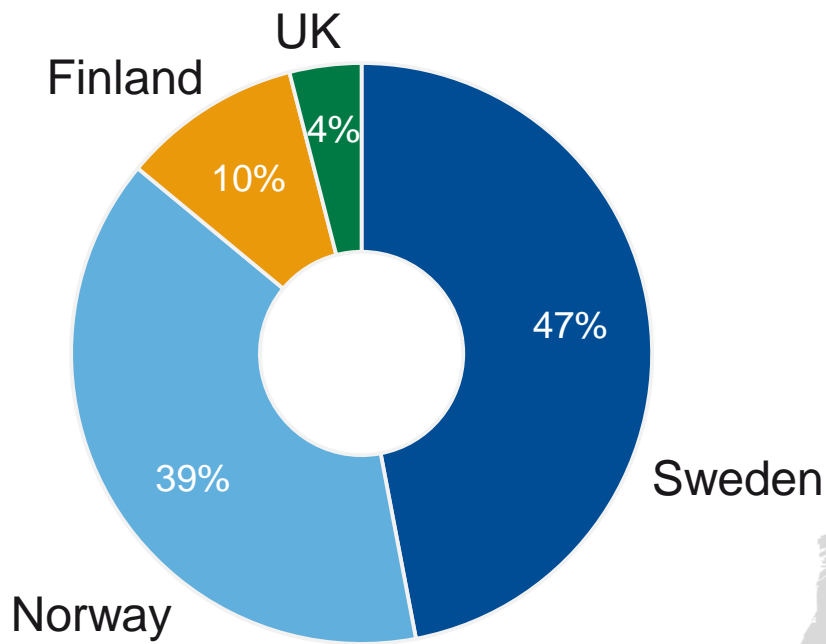


Operating profit, MSEK



Sales – portion of Group sales

Q3 2013/14



Sweden consumer confidence



Consumer Confidence Index



Improving, balancing historical average

Source: www.tradingeconomics.com

Sweden sales Q3

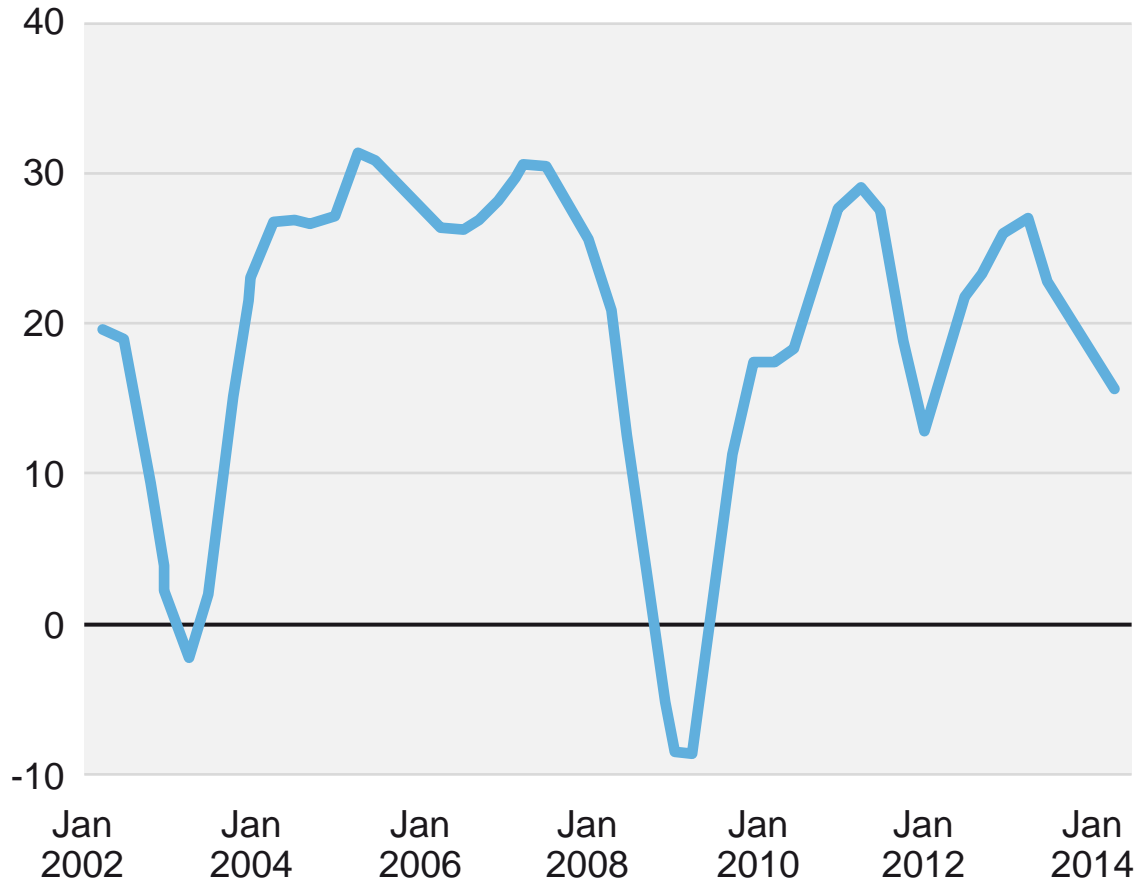
- Sales +4% to 1,042 MSEK
- 76 stores
 - 1 new store during Q3
 - 4 more stores compared to preceding Q3
- Strong market position and strengthened brand



Norway consumer confidence



Consumer Confidence Index

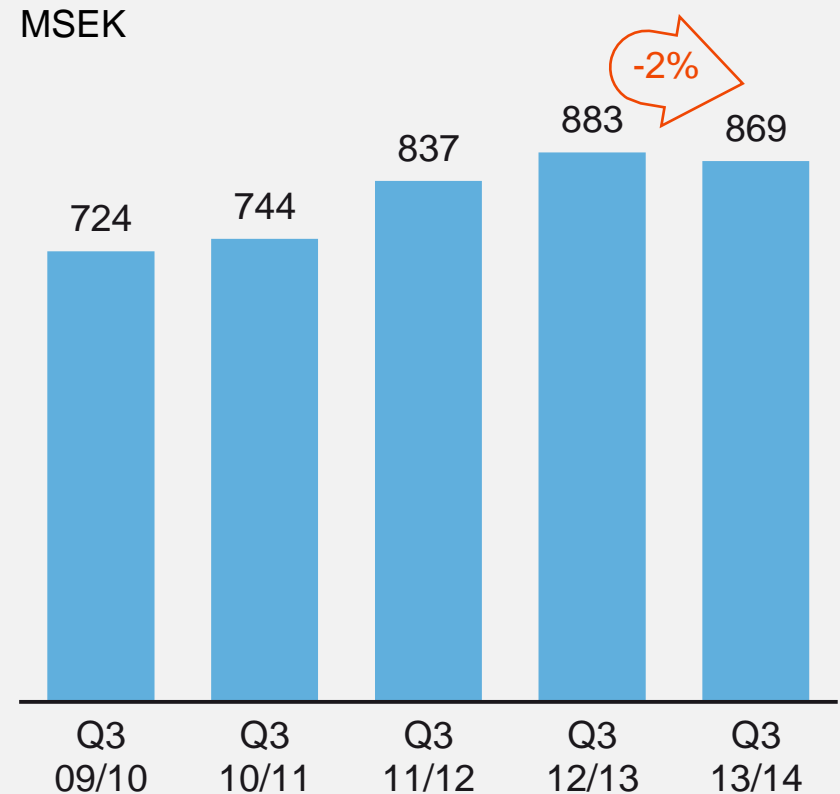


Weakened confidence, coming from a high level

Source: www.tradingeconomics.com

Norway sales Q3

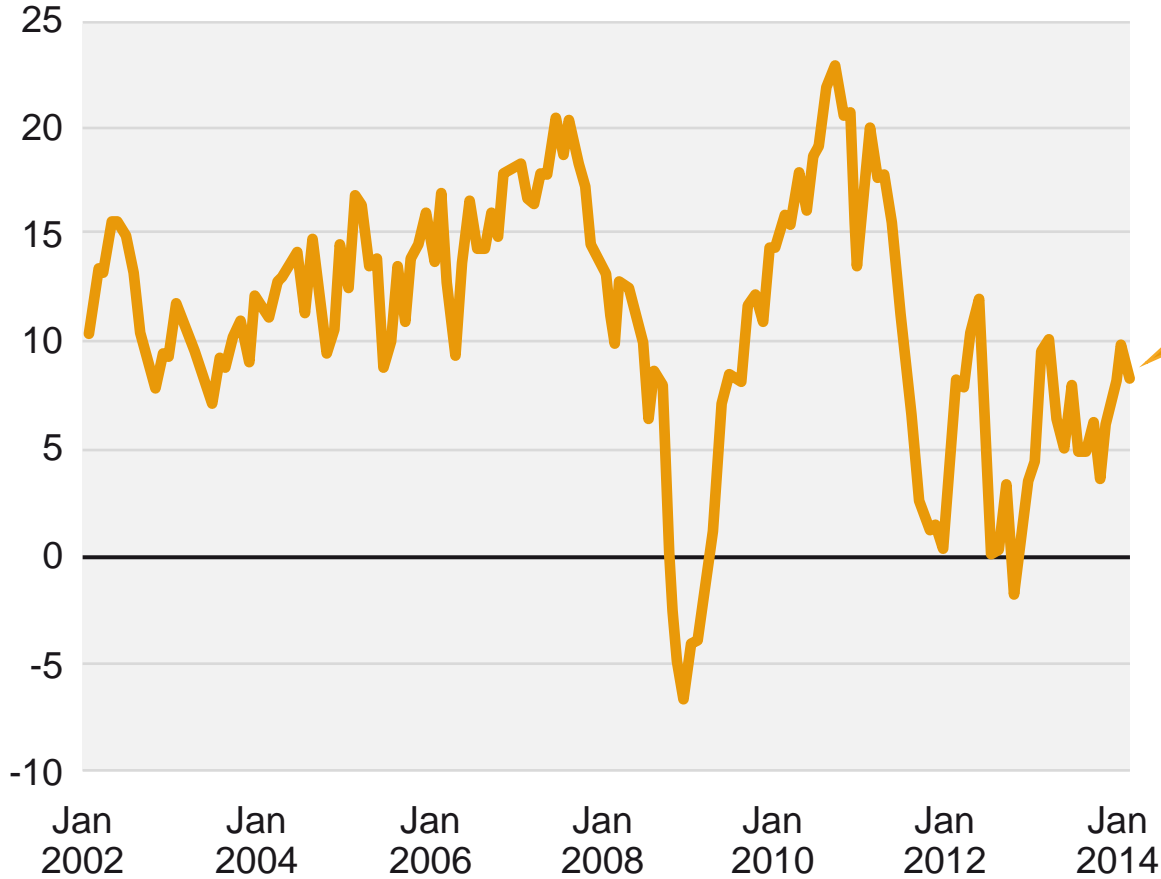
- +8% in local currency
- Sales 869 MSEK
- 64 stores
 - No new stores during Q3
 - 3 more stores compared to preceding Q3
- Substantial negative currency effects
- Strong market position and strengthened brand



Finland consumer confidence



Consumer Confidence Index

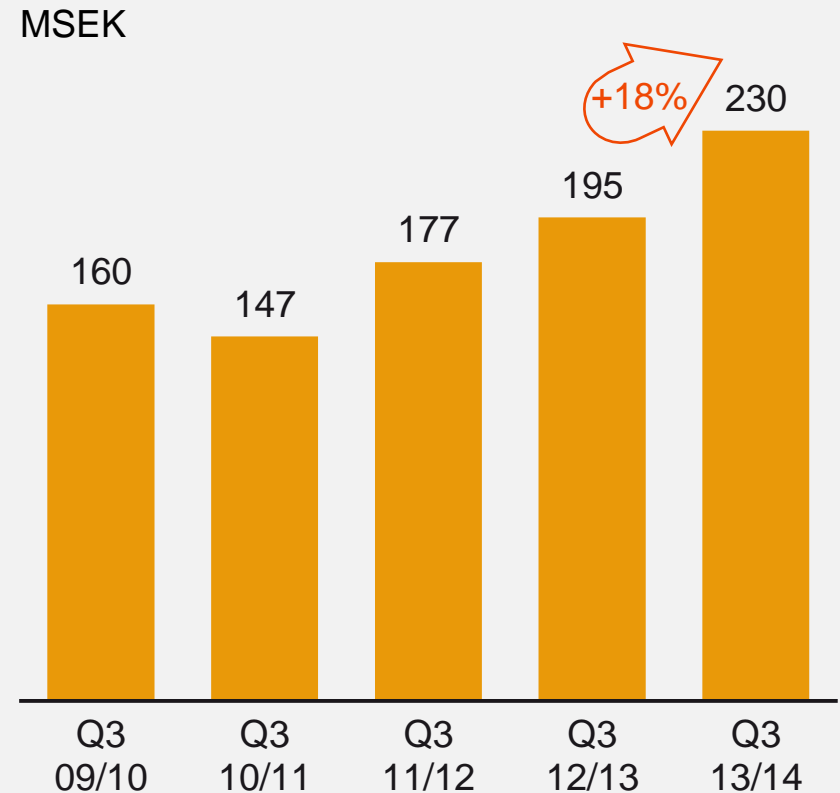


Still at low levels, below historical average

Source: www.tradingeconomics.com

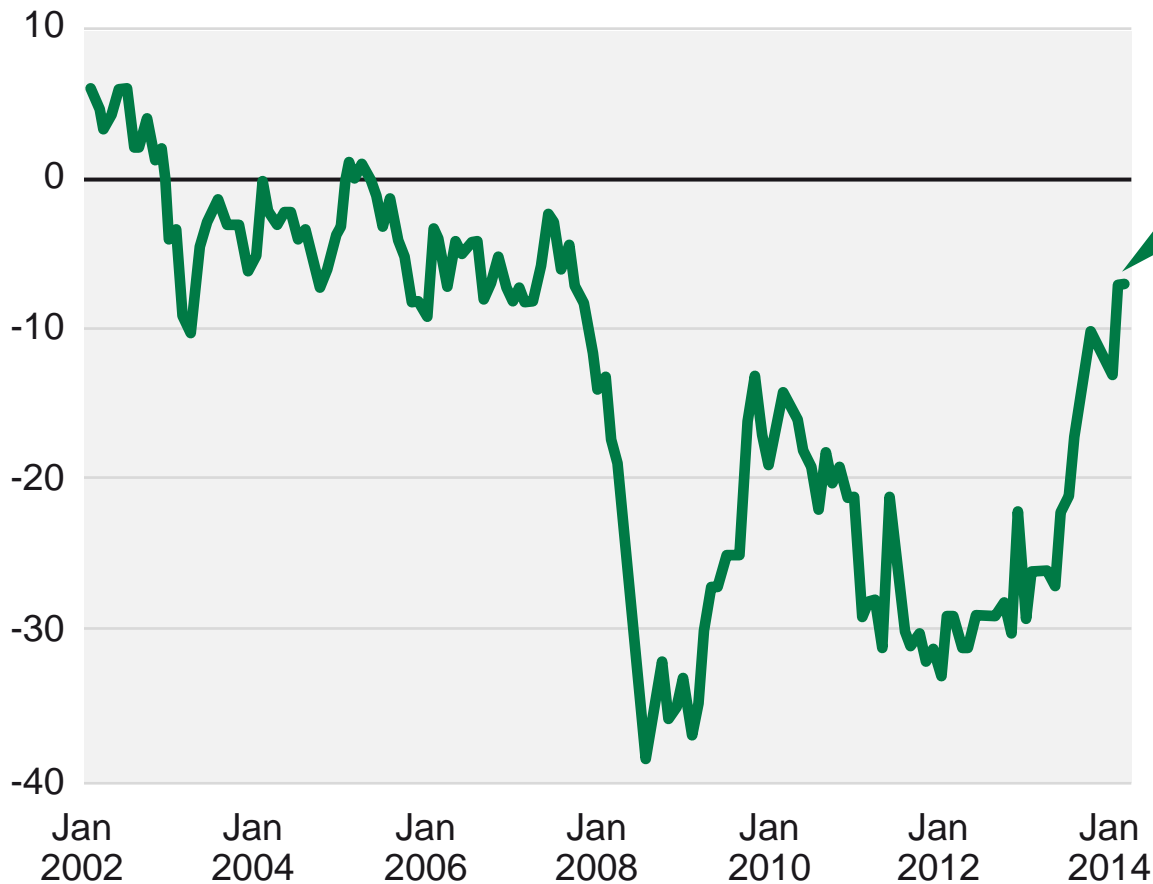
Finland sales Q3

- +14% in local currency
- Sales 230 MSEK
- 30 stores
 - No new stores during Q3
 - 3 more stores compared to preceding Q3
- Strengthened brand and market position in a soft market





UK consumer confidence

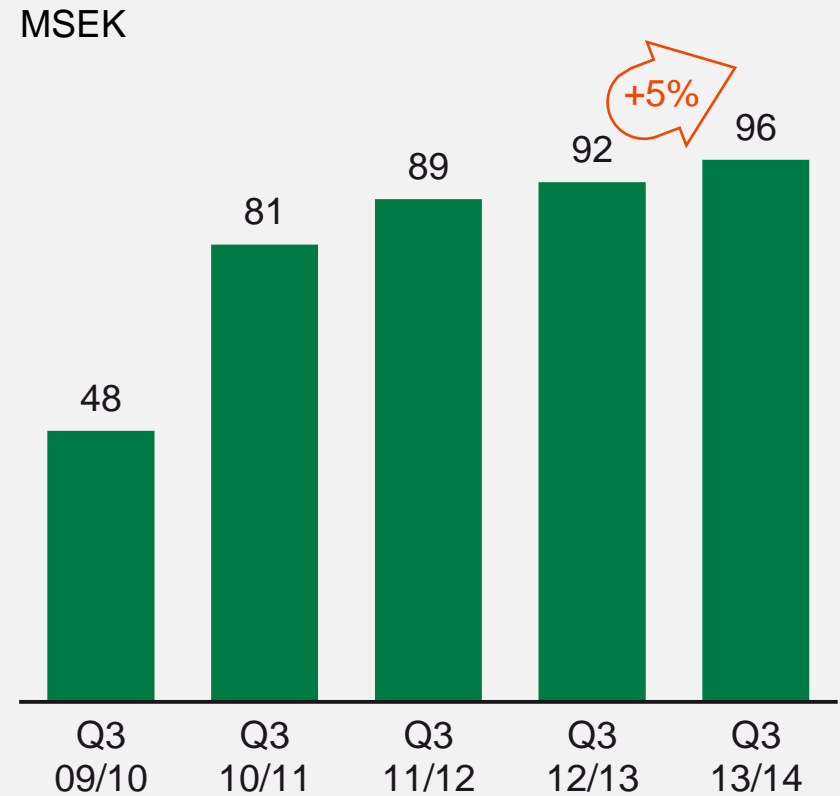


Improvement, but still at low levels

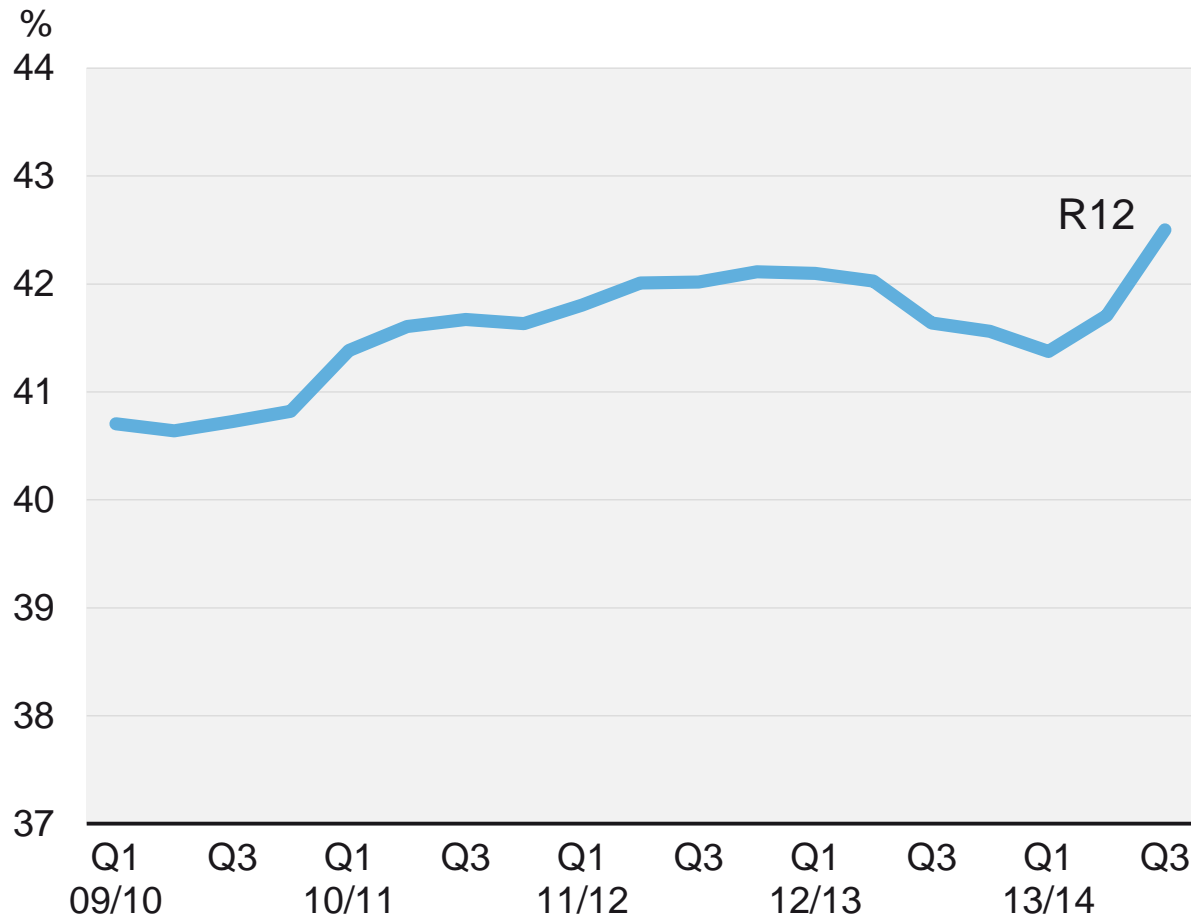
Source: www.tradingeconomics.com

UK sales Q3

- +5% in local currency
- Sales 96 MSEK
- 12 stores
 - No new store during Q3
- Continued positive sales trend
- Improved brand awareness



Gross margin long-term development



- Lower sourcing costs
- Positive sales mix
- Increased share of private label
- Improved distribution efficiency

Impacting gross margin



Q3 gross margin
43.7%, up 2.5 p.p

Positive sales mix



Category



Product



Brand



Promotion mix

- Lower share of campaign priced products
- Lower level of price adjustments in campaigns
- Lower level of sell outs



Du har väl inte glömt att köpa batterier!

clearance **LEGO**

☆☆☆☆ (0 reviews)
Lego Storage Bricks
Fun and smart storage boxes shaped like giant Lego bricks. These interconnectabl...

5.99 (9.99)
MORE Compare

offer

★★★★★ (24 reviews)
CD/MP3 Record Player with Cassette...
CD/MP3 player, turntable, USB, SD card, cassette and radio – everything you nee...

79.99 (99.99)
BUY Compare

tarijous **prologue**

☆☆☆☆☆ (1 arvostelu)
Analoginen rannekello

club clas

Fredrik Stenback
Medlemsnummer: 6351465111001375
Påloggsnamn: 2014-02-20_1415
Påloggs lösenord: check: 505

Min butik: Clas Ohlson Stockholm, Drottninggatan | Ligger in på Mina sidor | Mina medlemmsförfordelar

El Fritid Bygg Multimedia Hem Reservdelar

Organiserat för de smarta.

20%
på alla SmartStore-svarmarter 20-25 februari

Vi på Clas Ohlson har smarta produkter och lösningar för att organisera i hemmet. Just nu får du som är Club Clas-medlem 20% rabatt på hela vårt SmartStore-sortiment – om du vill organisera i hobbyrummet, barnrummet eller skapa smarta förvaringslösningar i hallen.

Skapa din egen SmartStore-lösning här.

*Priserna gäller för dig som Club Clas-medlem i alla våra butiker, på ohlson.se och i hushållsbutikerna så länge lagret räcker – stock slutet 15.00 på 25 februari 2014. Priserna gäller endast i Sverige.

ring kundservice 0247-445 00
kundservice@clasohlson.se
chatta med oss

våra butiker
söta butik

bl social med clas
gilla oss på facebook

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Smart for de smarte
Du er smart og handlevrøflig. Clas Ohlson er din verktøykasse. En verktøykasse full av smarte, nyttige produkter.

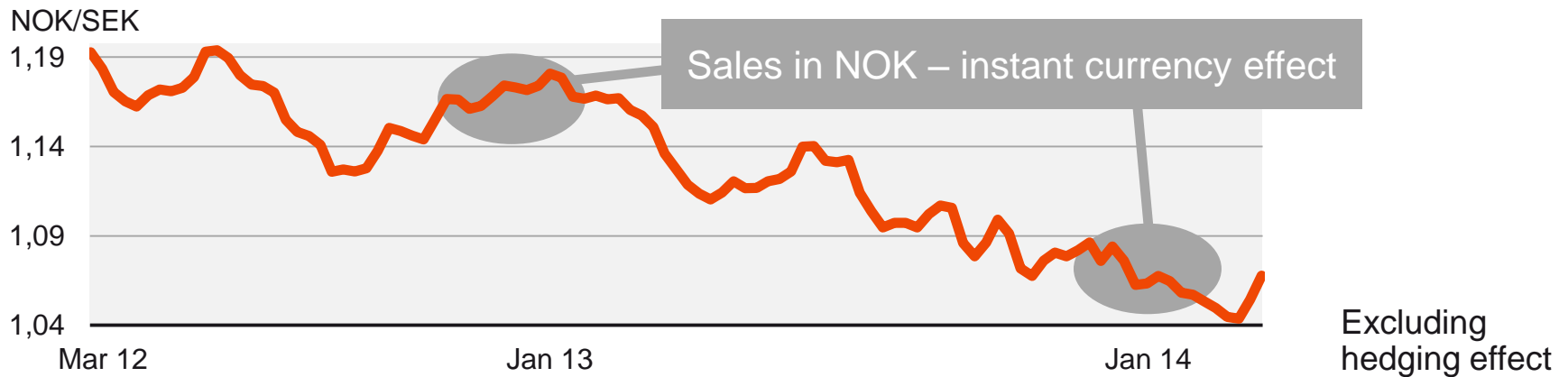
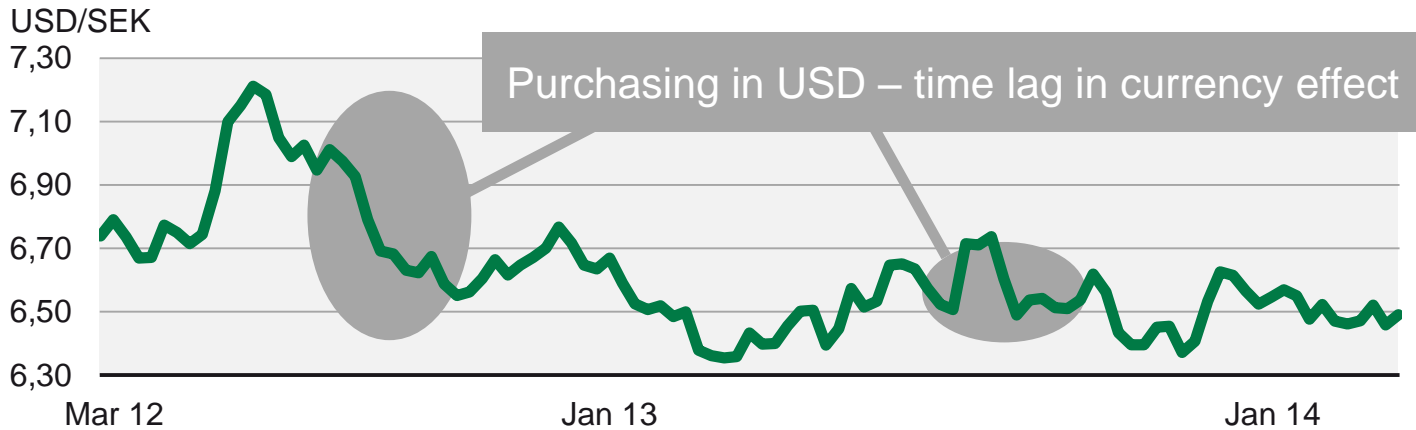
Systematisk for de systematiske | Surt for de sunne | Läkert for de lekne | Varmt for de froste

club clas

Flytande isskrapa Sonax
Klubbpris
2 för 99,-
(59,-/st)

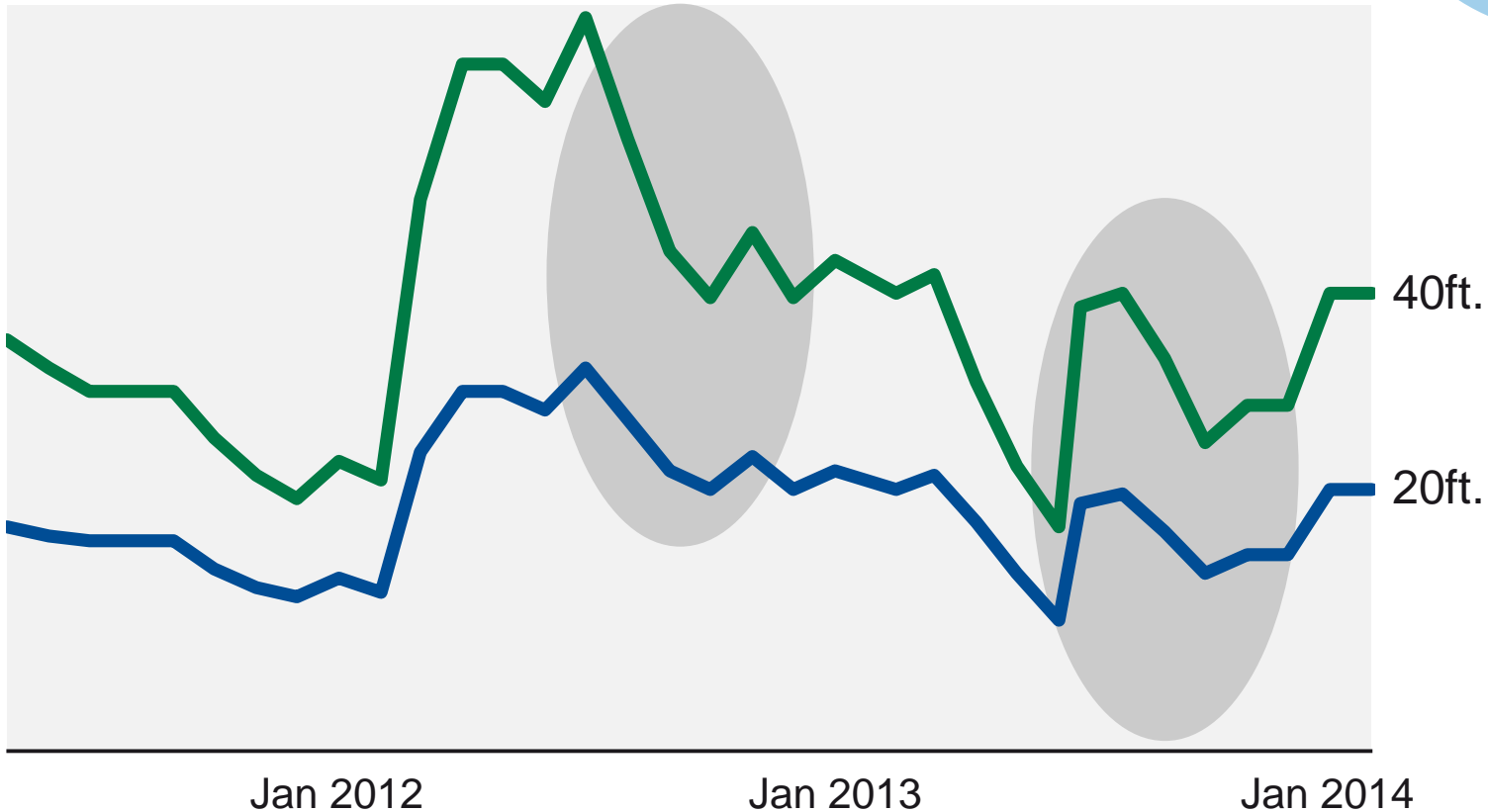
Läs mer

Currency effects

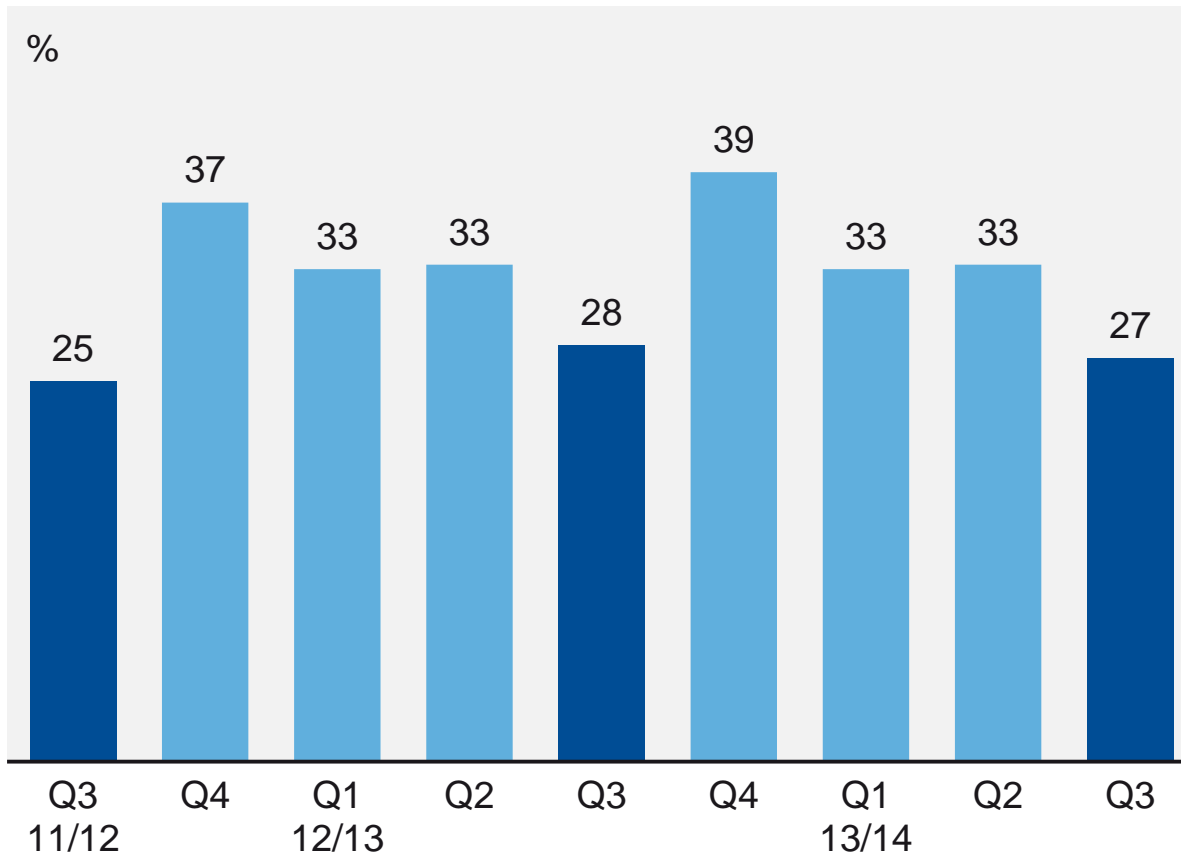


Lower sourcing costs

Example price development sea freight costs

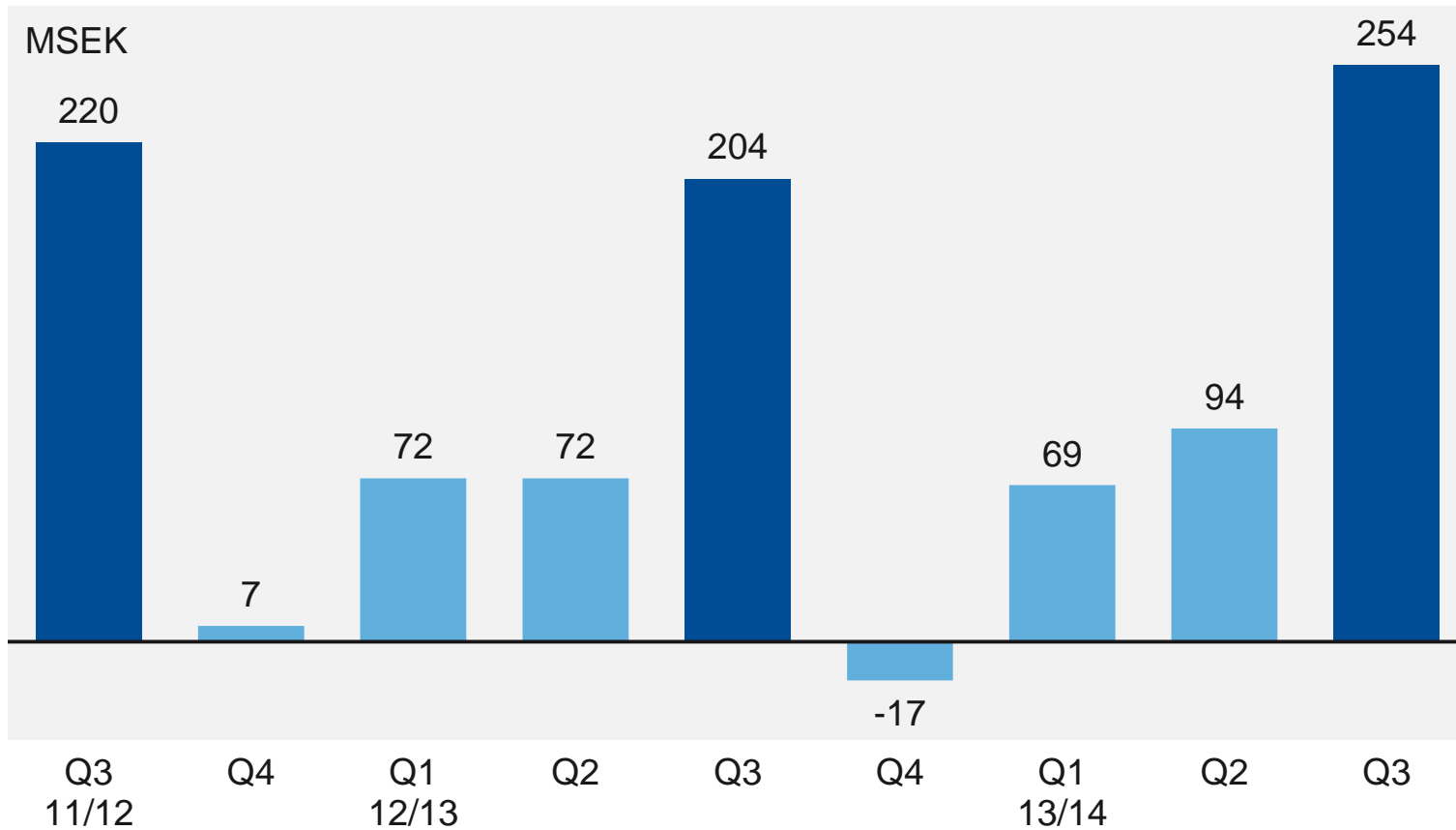


Share of sales costs



- Share of sales cost 27%
- Decrease due to
 - positive LFL sales
 - lower start up cost
 - lower marketing cost

Record high profit after tax

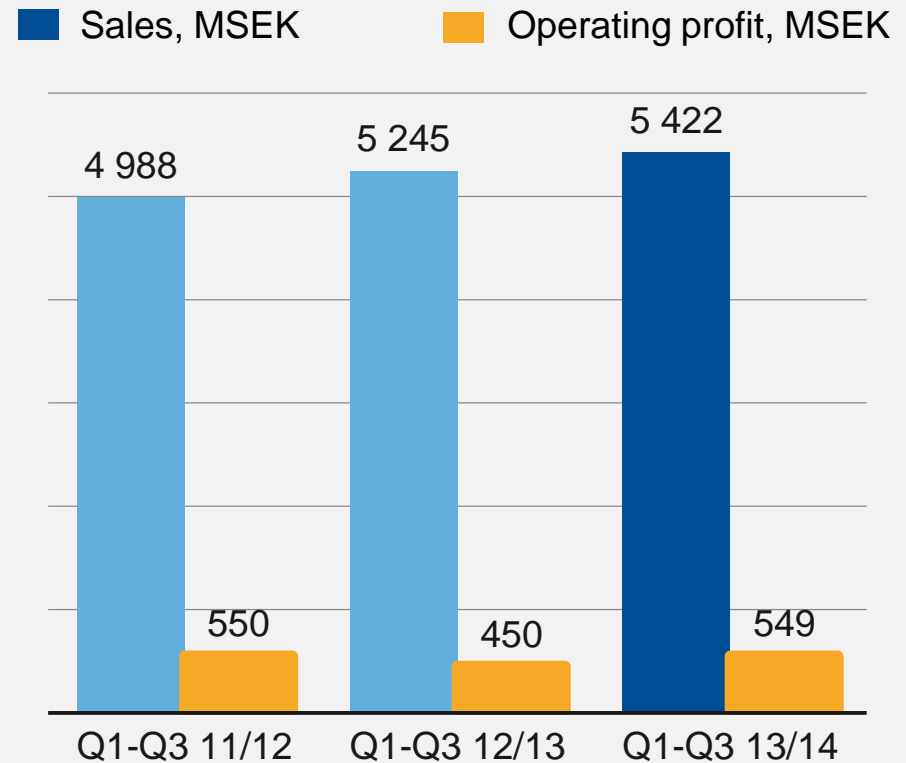




First nine months 2013/14
May – January

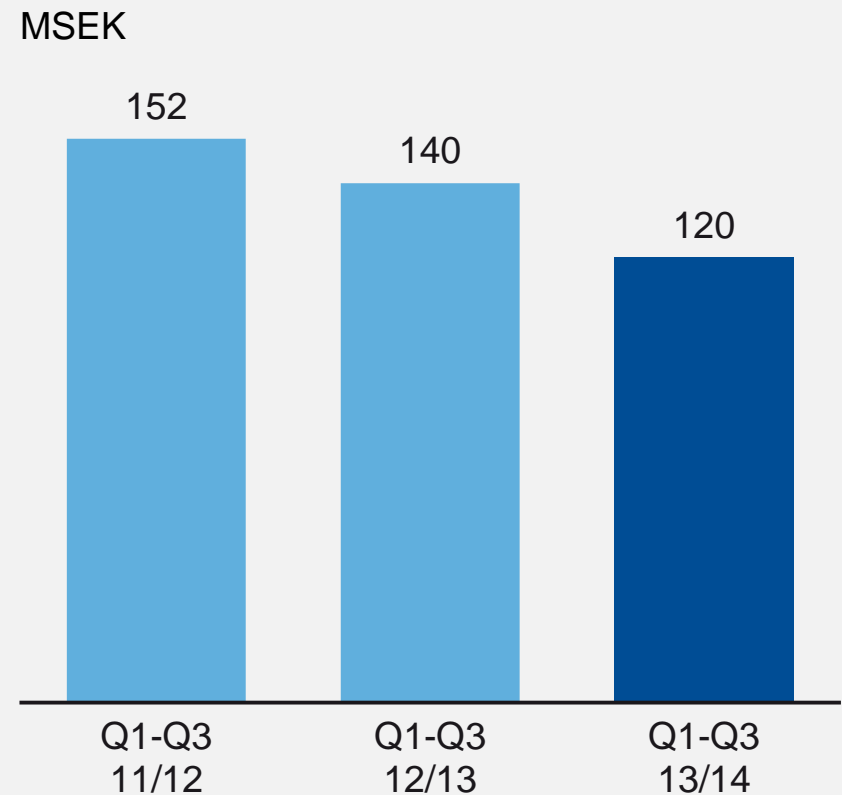
First nine months

- Sales +6% in local currency
- Sales +3% to 5,422 MSEK
 - Comparable stores in local currency +2%
 - New stores +4%
 - Currency effects -3%
- Operating profit +22%
- 10 additional stores compared to end of January last year (20)



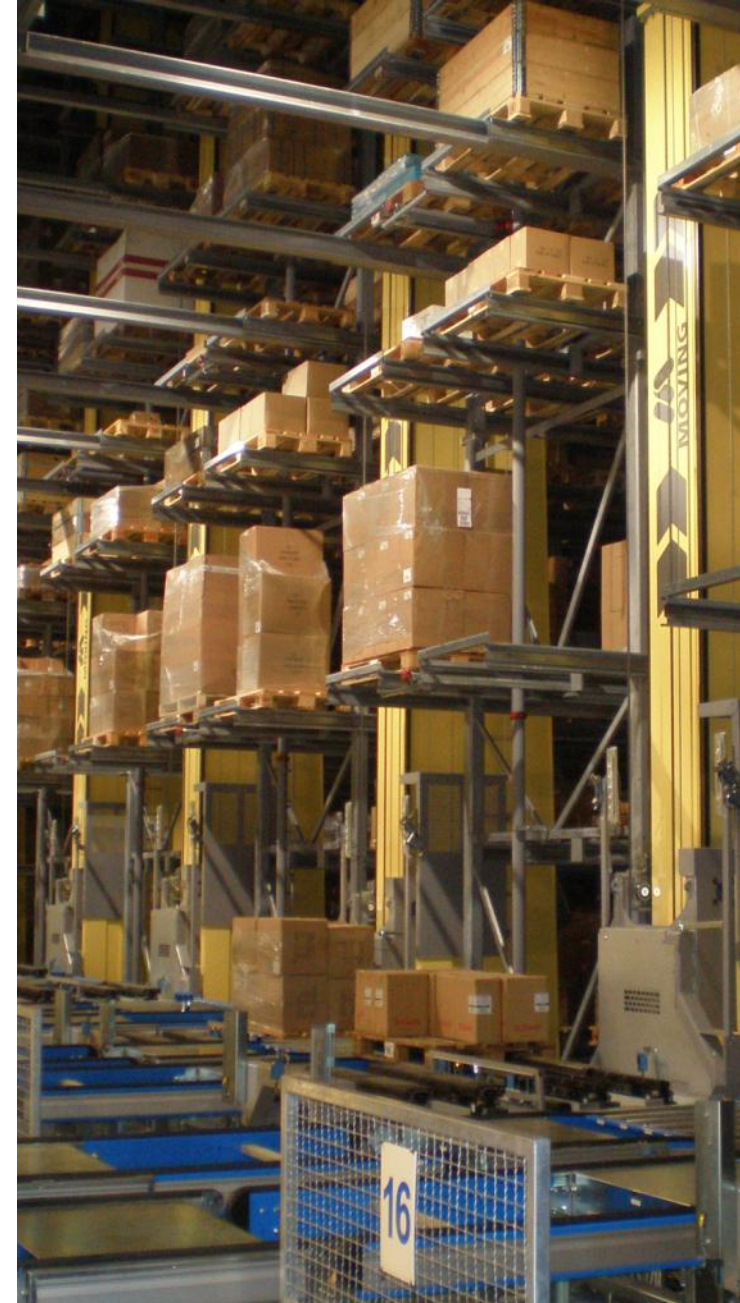
Investments

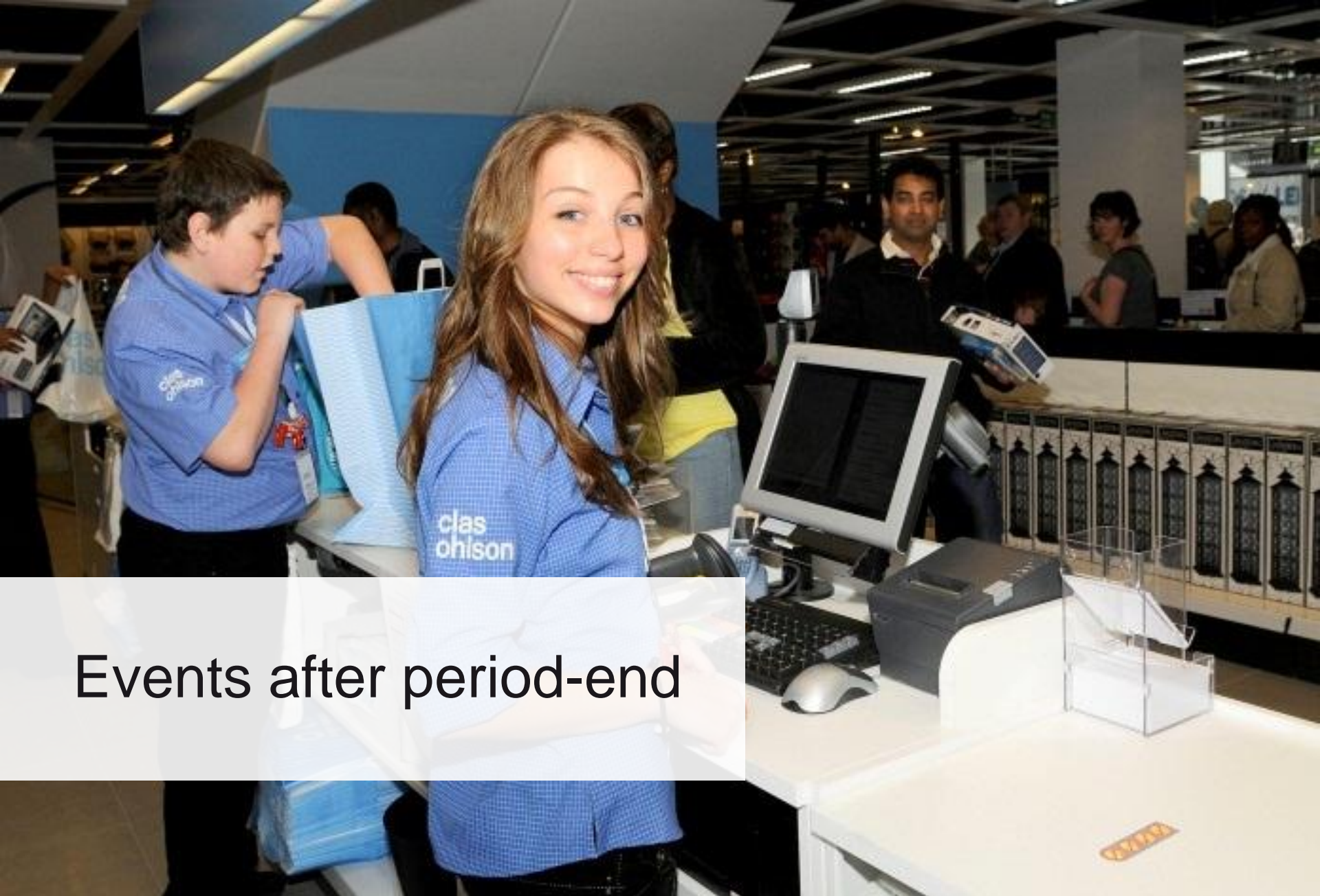
- New stores and refurbishments
44 MSEK (86)
- IT-systems 26 MSEK (33)
- Preparation for new IT-platform



Cash flow

- Cash flow from operating activities was 652 MSEK (625)
 - Inventory 1,326 MSEK (1,256)
 - Inventory turnover rate DC 6.9 (6.9)
- Cash flow after investments and financing activities was 246 MSEK (151)
- Net cash holdings of 367 MSEK (261)





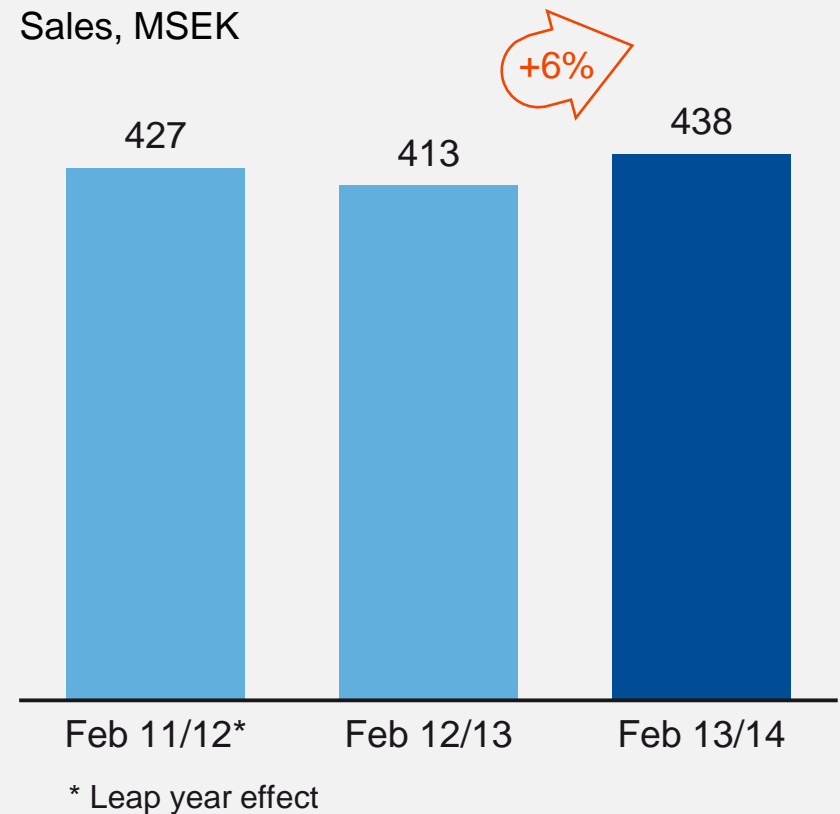
Events after period-end

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Sales February

- Sales +8% in local currency
 - Sweden +6%
 - Norway +7%
 - Finland +12%
 - Outside Nordics* 42%
- Sales +6% to 438 MSEK
- 10 additional stores compared to end of February last year (18)

* Of which 6 MSEK during February 2014 pertains to sales to franchisee for stock build-up



Launch of paint assortment

- High quality paint range launched in Norway
- All other markets to follow during spring 2014
- Quality branded with EU Ecolabel



The battery hunt

- Initiative in Sweden and Norway aiming to educate fourth graders on recycling
- More than 1,700 classes and 40,000 children will participate
- Target set to recycle more than 100 tons of batteries



New distribution agreement

- Long-term cooperation agreement for in-bound and out-bound transportation
- More efficient transport solutions
- Reduced carbon dioxide footprint





Update on strategic priorities

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Trends implicating strategic priorities



More conscious customers

- Shop with a clean and green conscience
- Demand higher quality and level of service



Demand for accessibility and information

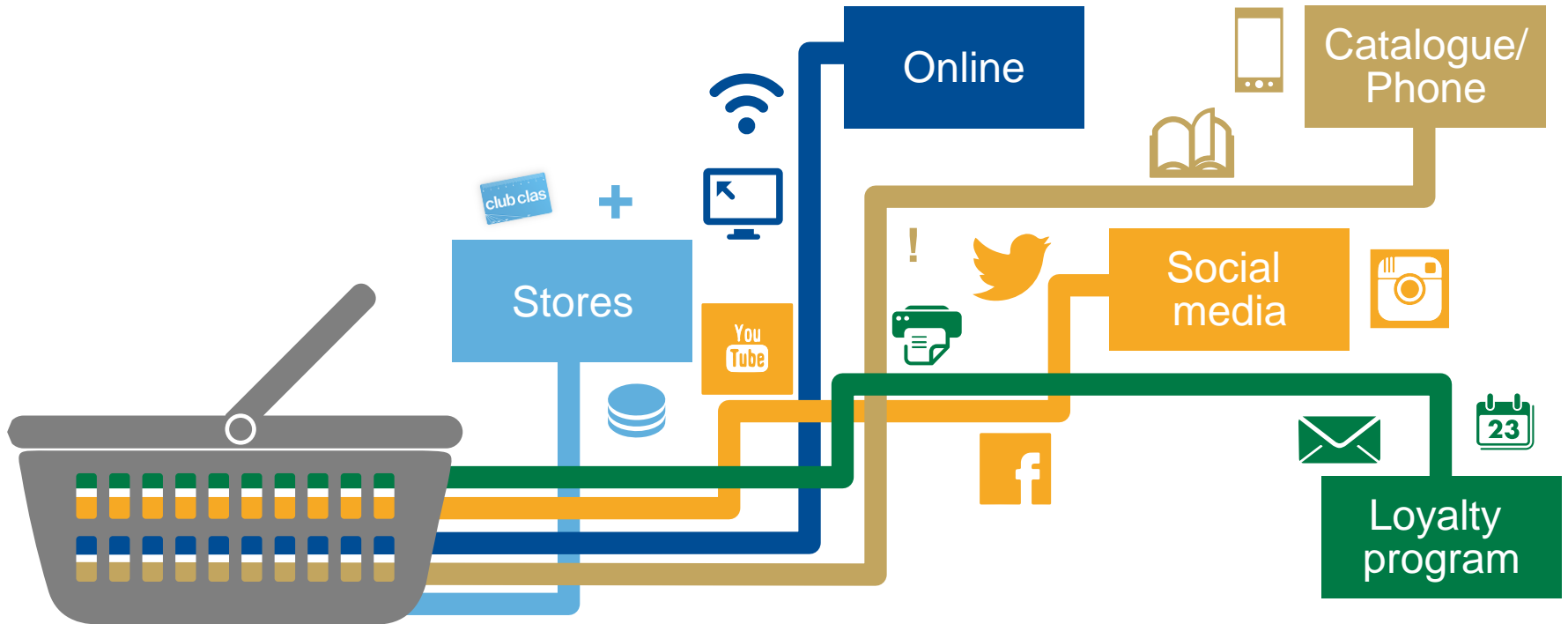
- Mobile technology allows us to fulfil basic needs
- Increasing demands on information access



New competition

- Increased level of shopping centres
- More retailers and more stores per retailer
- Global competition in online sales channel

Omni-channel strategy



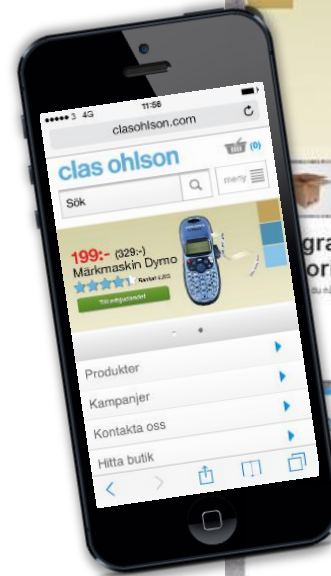
Sales channel development

Stores

- Continued focus on converting stores into new store concept
- Optimising current locations and store formats
- Continue to improve sales solutions

Online

- Traffic growth up +30% versus last year
- Inspirational pre shopping
- Drives traffic and sales to stores
- Continued focus on increasing traffic and commercial trading



Loyalty program

- Successful launch in Sweden
- 800,000 members since March 2013
- Positive sales and marketing effects
 - More frequent visits
 - Increased ATV and loyalty
 - Higher marketing efficiency
- Launch in other markets will follow

The screenshot shows the Club Clas website interface. At the top left is the 'club clas' logo. To the right, a white box contains member information: 'Fredrik Stenbeck', 'Medlemsnummer: 6361460111001375', 'Poängsaldo 2014-02-20: 1415', and 'Poäng till nästa check: 585'. Below this is a navigation bar with links: 'Min butik: Clas Ohlson Stockholm, Drottninggatan | Logga in på Mina sidor | Mina medlemarbjudanden'. A main banner features the text 'Organiserat för de smarta.' and a red circular badge stating 'Klubberbjödande 20% på hela SmartStore-sortimentet 20-26 februari'. Below the banner, a paragraph explains the offer: 'Vi på Clas Ohlson har smarta produkter och lösningar för att organisera i hemmet. Just nu får du som är Club Clas-medlem 20% rabatt på hela vårt SmartStore-sortiment - om du vill organisera i hobbyrummet, barnrummet eller skapa smarta förvaringslösningar i hallen.' A link 'Skapa din egen SmartStore-lösning här.' is provided. A small disclaimer at the bottom of the banner reads: '*Priserna gäller för dig som Club Clas-medlem i alla våra butiker, på clasohlson.se och i telefonbutiken så länge lagret räcker - dock längst t.o.m. 26 februari 2014. Priserna gäller endast i Sverige.' The footer contains contact information: 'ring kundservice 0247-445 00', 'våra butiker hitta butik', 'bli social med clas' with a Facebook icon, and 'gilla oss på facebook'. The 'clas ohlson' logo is prominently displayed at the bottom right, overlaid on a large image of a blue ruler with the 'club clas' logo and angle markings (25°, 45°, 60°, 75°).

Sustainable offer

- Sustainable sourcing
- Strong position in energy-saving products
- “Wear and NOT tear” attitude in customer offer
- Increased sales in spare parts
- Workshops serving all markets

Search for spare parts and products

Search spare part by product name, manufacturer or article number



Include discontinued products in the search.



> El reservdelar



> Bygg reservdelar



> Multimedia reservdelar



> Hem reservdelar



> Fritid reservdelar



Growth into new customer segments

- B2B offering creates leverage on strong retail brand
- Easily accessible via store network, internet and phone
- Estimated total SME Nordic market value of 6 billion SEK
- Launch planned for 2014, starting in Sweden and Norway



Growth into new markets

– GCC*

- Entering the GCC*-region via franchise with SYH Retail, Al Homaizi Group
- Potential for minimum 20 stores during 2014-2019
- First store to open before summer in Mirdif City Centre, Dubai
 - Number of stores: 430
 - Number of visitors: 20,000,000

* United Arab Emirates, Kuwait, Saudi Arabia, Qatar, Oman, Bahrain



Growth into new markets

– Germany

- 1-2 stores in northern part of Germany and online shopping
- Ongoing range adaptation and search for store premises
- Store opening planned for calendar year 2015

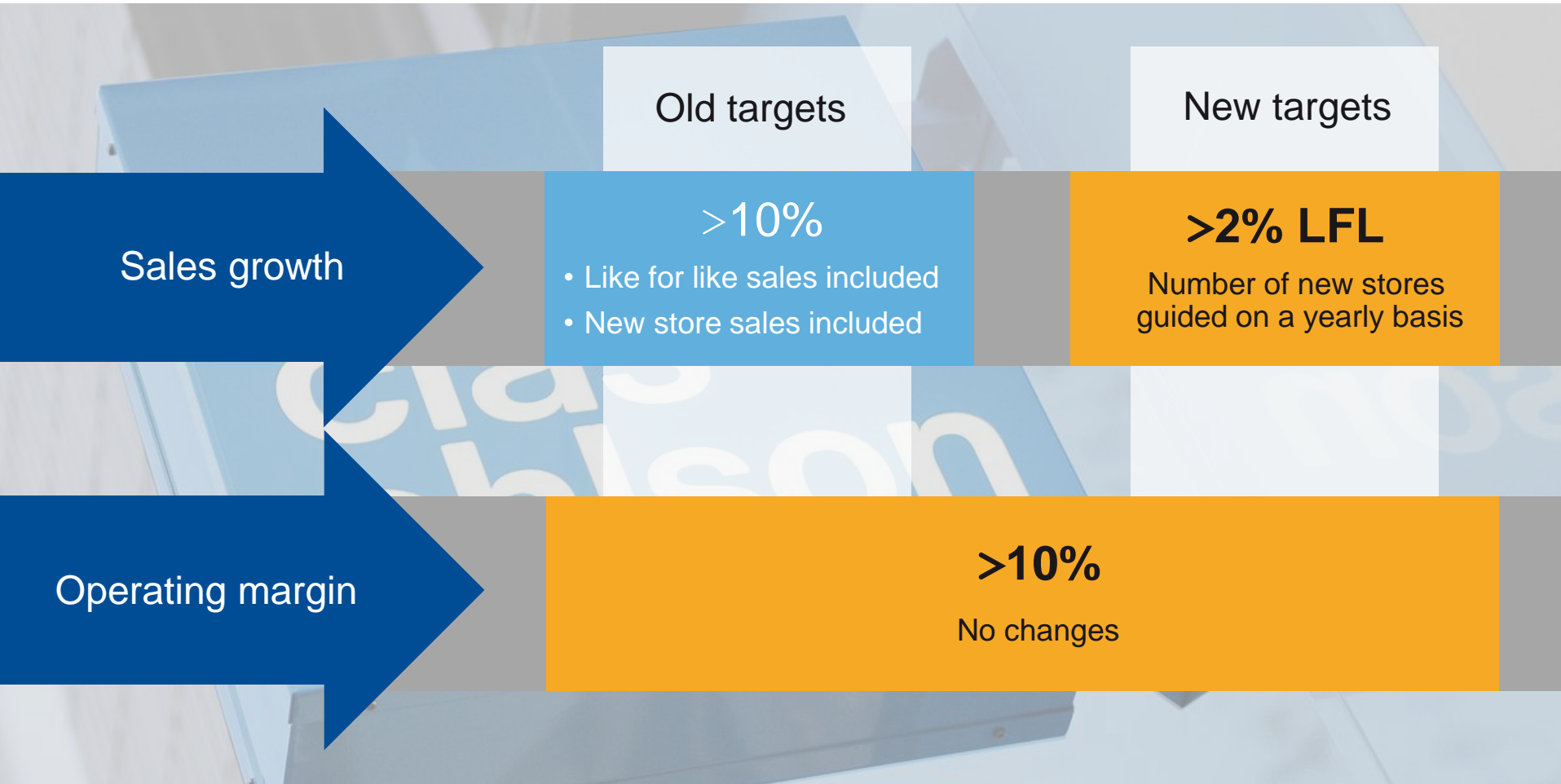




Financial targets

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Adjusted long-term financial targets



Store expansion

2013/14

New established stores

10

2014/15

Planned new stores

10-15

Summary

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- Continued growth in all markets
- Strengthened market position
- Increased profit
- Strong cash flow and financial position
- Further potential to increase sales and profit
 - New customer segment (B2B)
 - New markets
 - Franchising model



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www.clasohlson.com