



# clas ohlson

## Q3 Report 2014/15

11 March 2015

Klas Balkow  
President & CEO

clas ohlson

# Agenda

- Q3 2014/15
- First nine months 2014/15
- Events after period-end
- Future outlook
- Strategic priorities
- Q&A



**149 SEK**  
Telescopic  
Aluminium Shovel

# High energy and strong position

**196** stores in  
**5** countries  
omni-channel structure

**76** million visitors  
**37** million customers

**4,700**  
service-minded  
employees

High focus on  
sustainability  
agenda

R12 sales  
**7** billion SEK

One of the  
**strongest brands**  
in retail in the Nordics



**Q3 2014/15**  
November – January

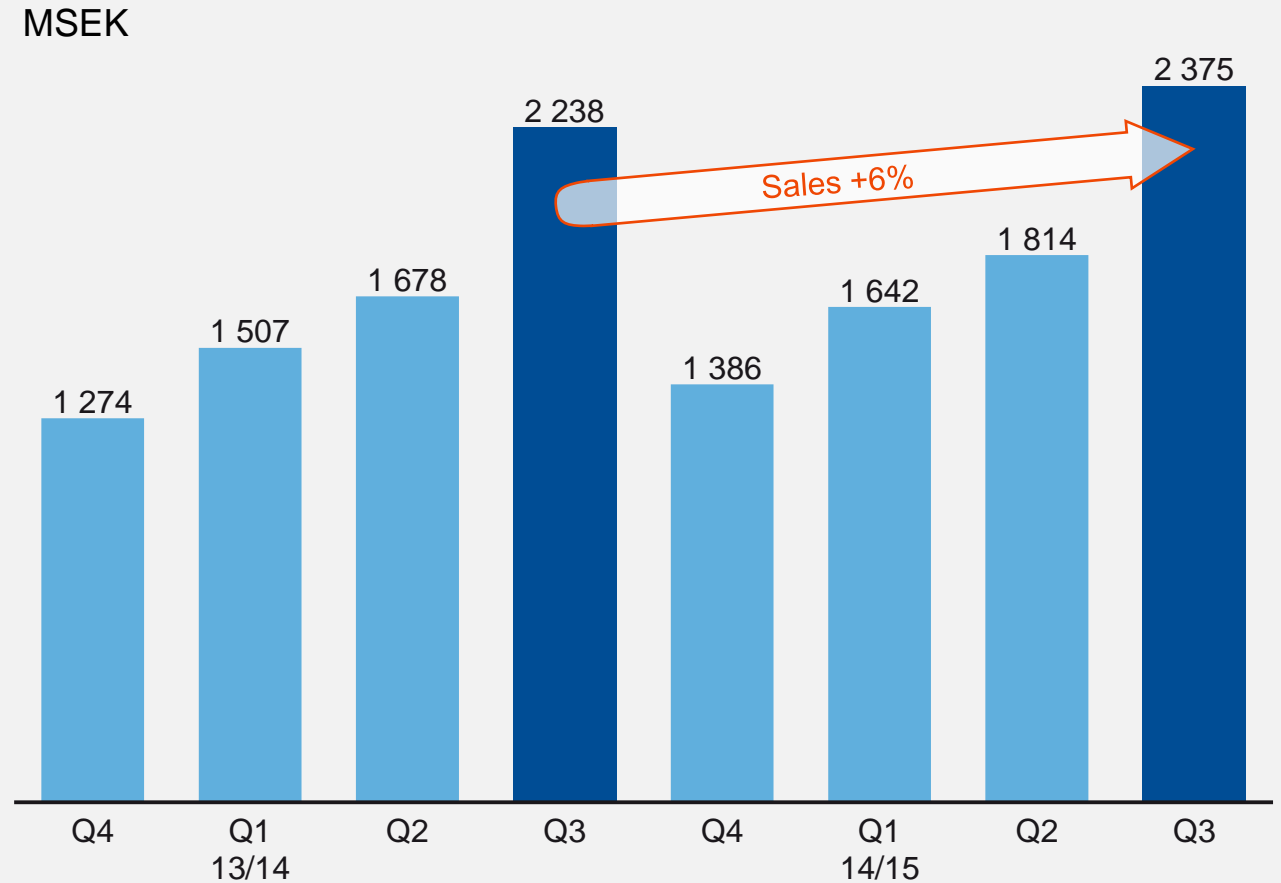
# Highlights Q3

- Record sales and earnings
- Sales up 6% to 2 375 MSEK
- Operating profit up 6% to 350 MSEK
- Net cash holdings 674 MSEK, up more than 300 MSEK versus last year
- Earnings per share improved by 6% to 4.27 SEK

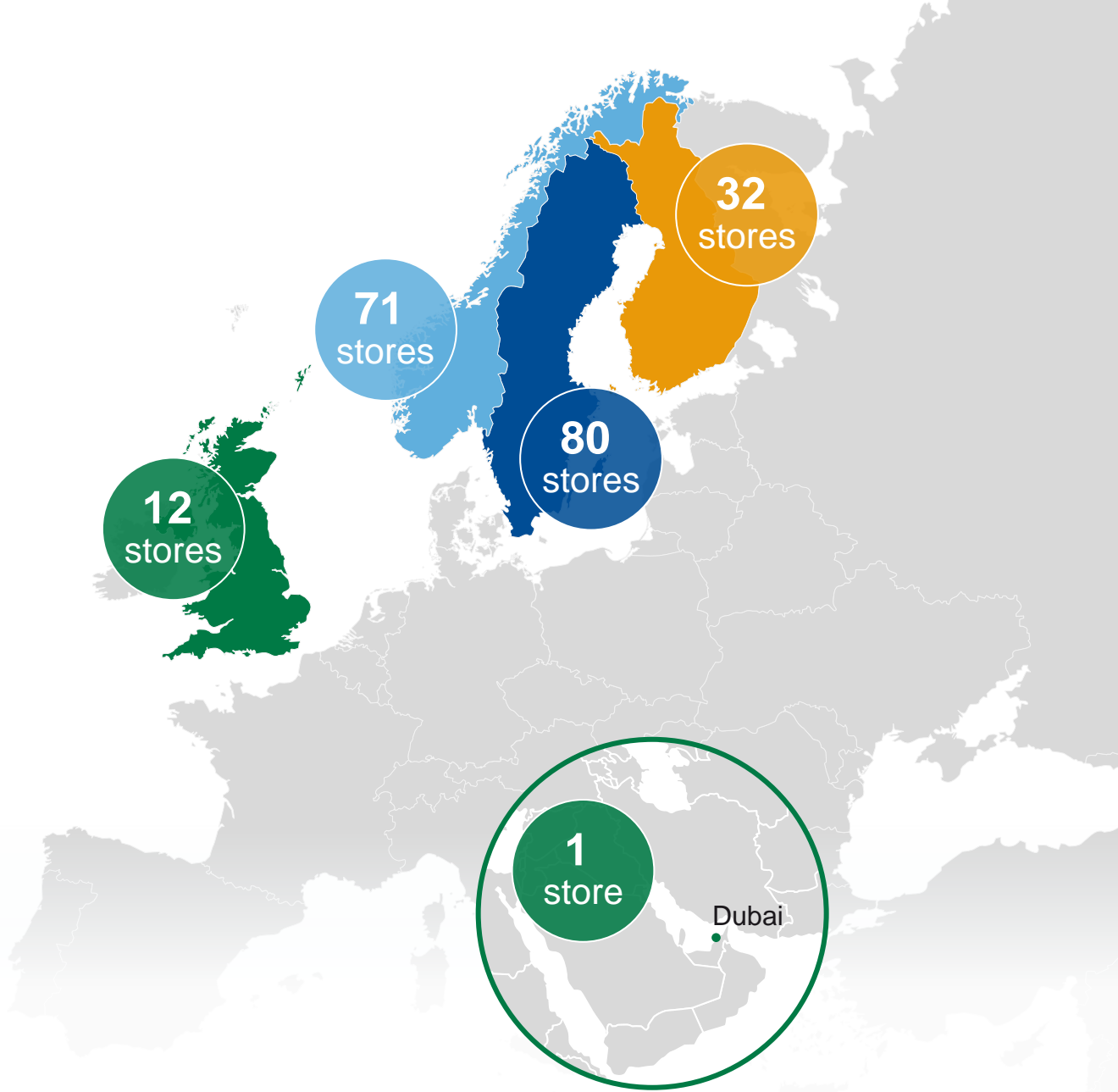
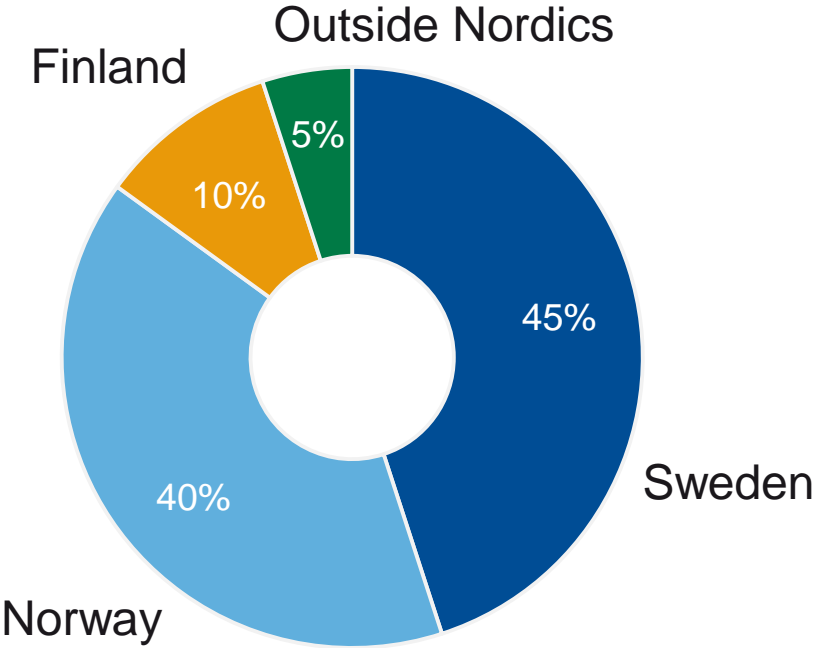


# Sales Q3

- Sales up 5% in local currencies
- Sales 2 375 MSEK, up 6%
- 14 additional stores compared to end of period last year (10)
- Sales comparable units in local currency, up 1%
- Positive currency effect of 1%
- Positive sales development in all sales channels and all markets

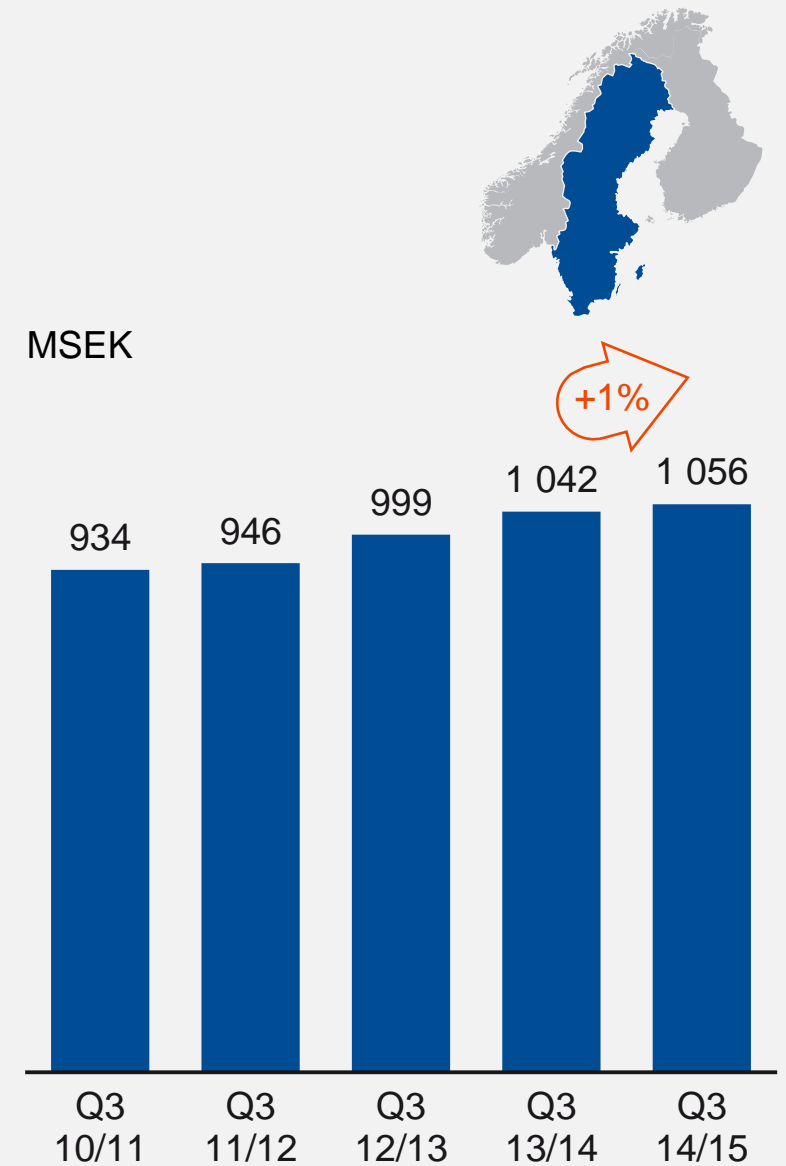


# Sales share per market



# Sweden Q3

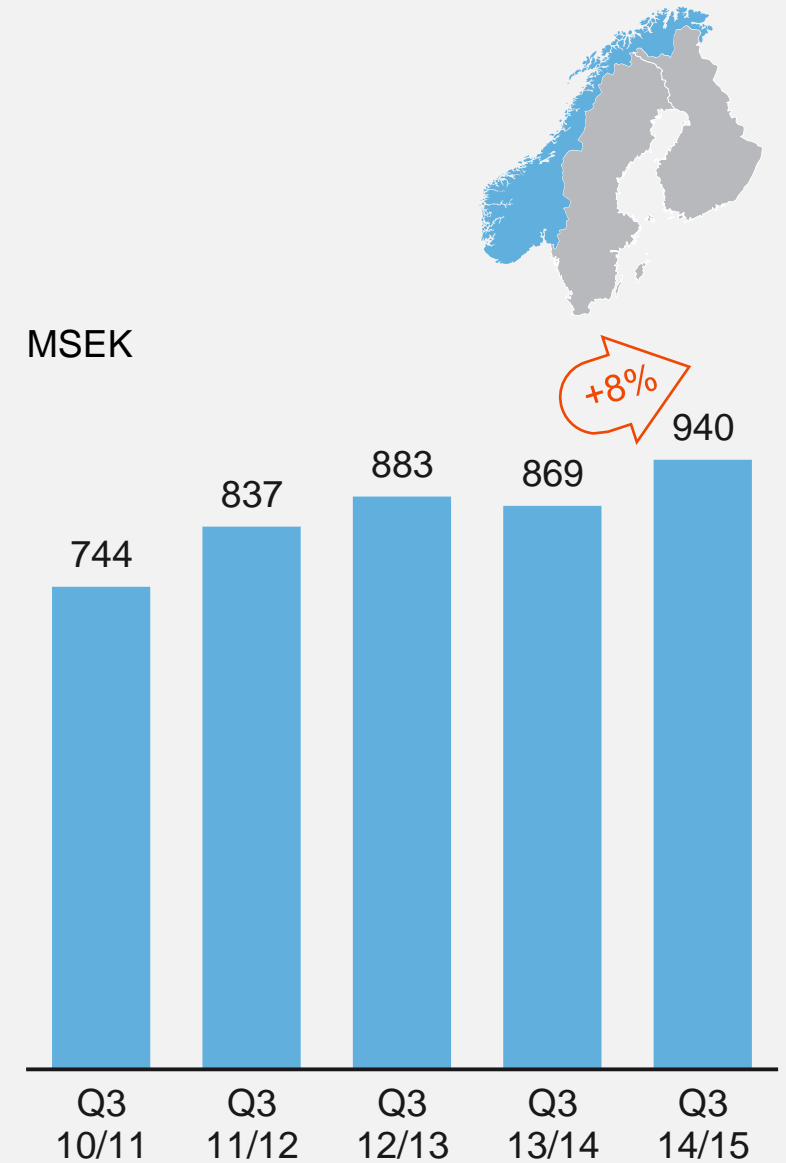
- Sales up 1% to 1 056 MSEK
- Total 80 stores
  - 2 new stores during Q3
  - 4 more stores compared to preceding Q3
- Strong market position
- Sales of winter related products somewhat slower than previous year





# Norway Q3

- Sales up 9% in local currency
- Sales 940 MSEK, up 8%
- Total 71 stores
  - 2 new stores during Q3
  - 7 more stores compared to preceding Q3
- Strong market position and strengthened brand

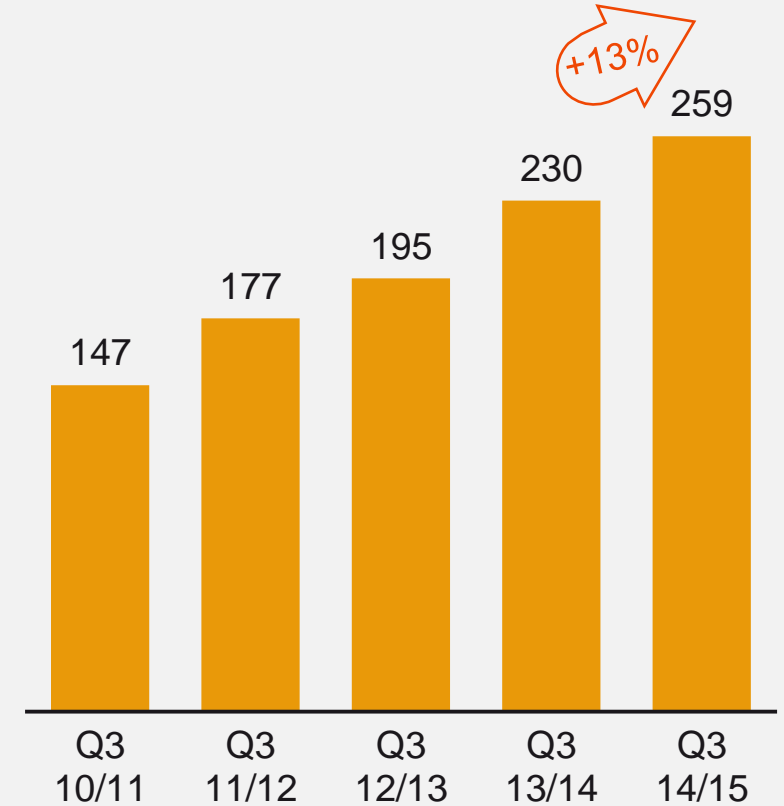


# Finland Q3

- Sales up 7% in local currency
- Sales 259 MSEK, up 13%
- Total 32 stores
  - No new stores during Q3
  - 2 more stores compared to preceding Q3
- Strengthened brand and market position in a weak market

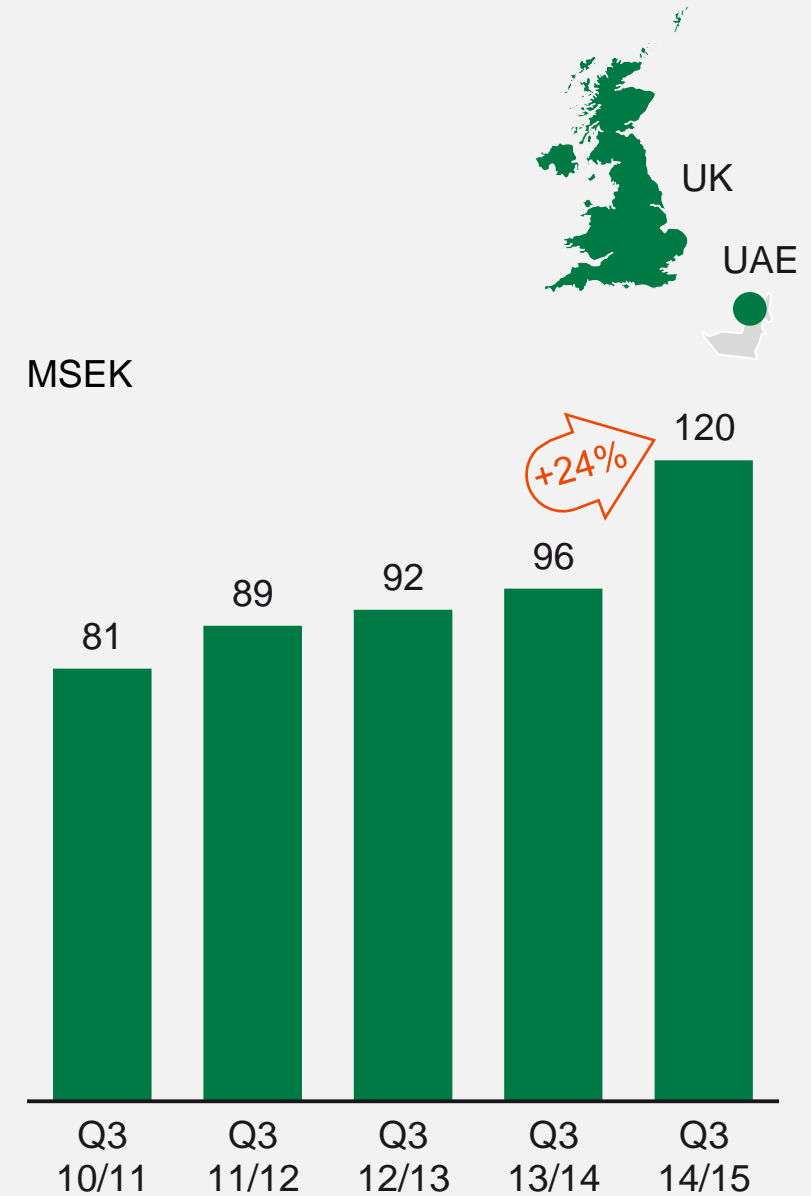


MSEK

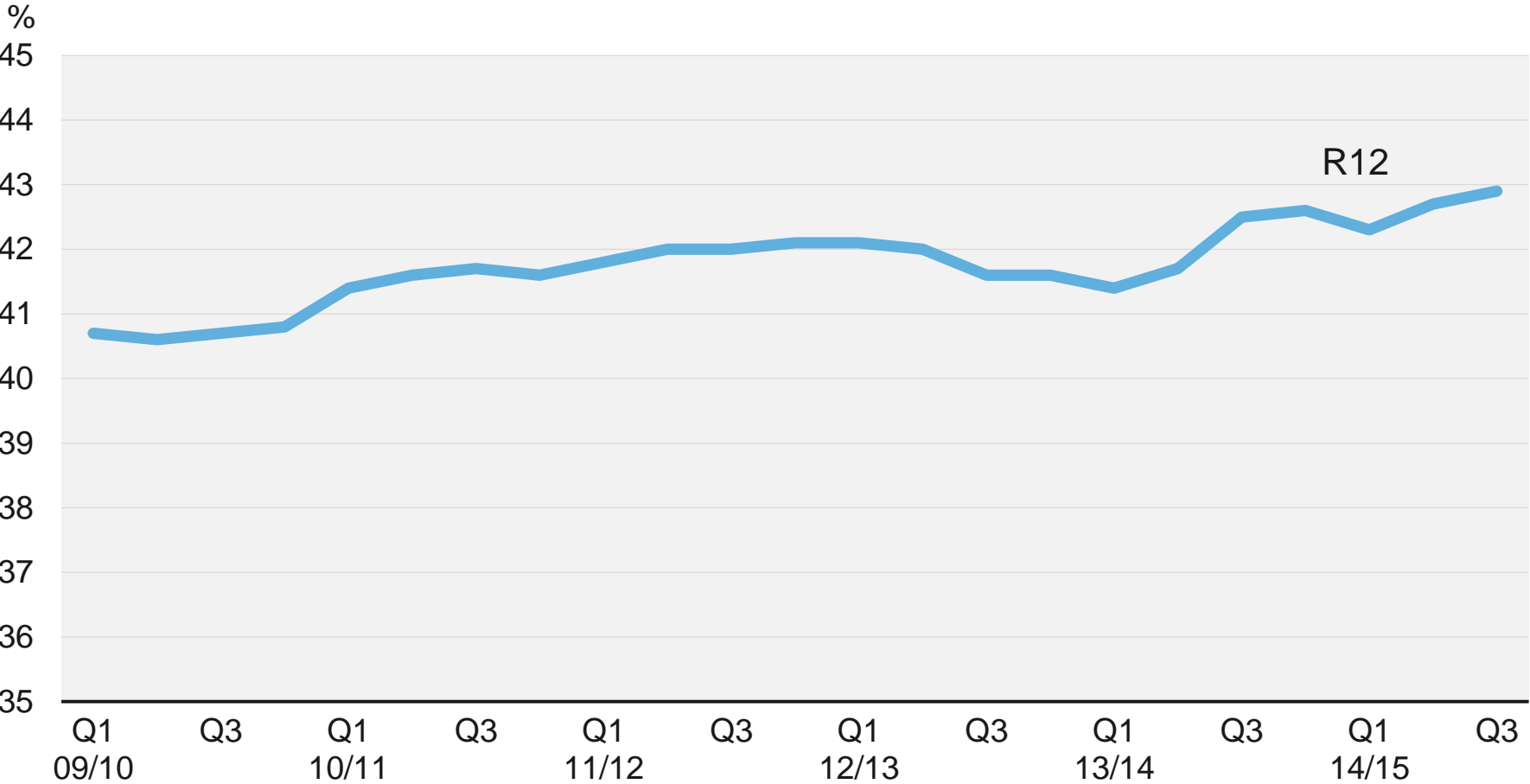


# Outside Nordic countries Q3

- Sales up 12% in local currencies
- Sales 120 MSEK, up 24%
- 13 stores whereof one franchise
  - No new stores during Q3
  - 1 more store (franchise) compared to preceding Q3
- Continued positive sales trend in the UK
  - Sales comparable units in local currency up more than 5%
- Continued positive sales trend from Dubai store

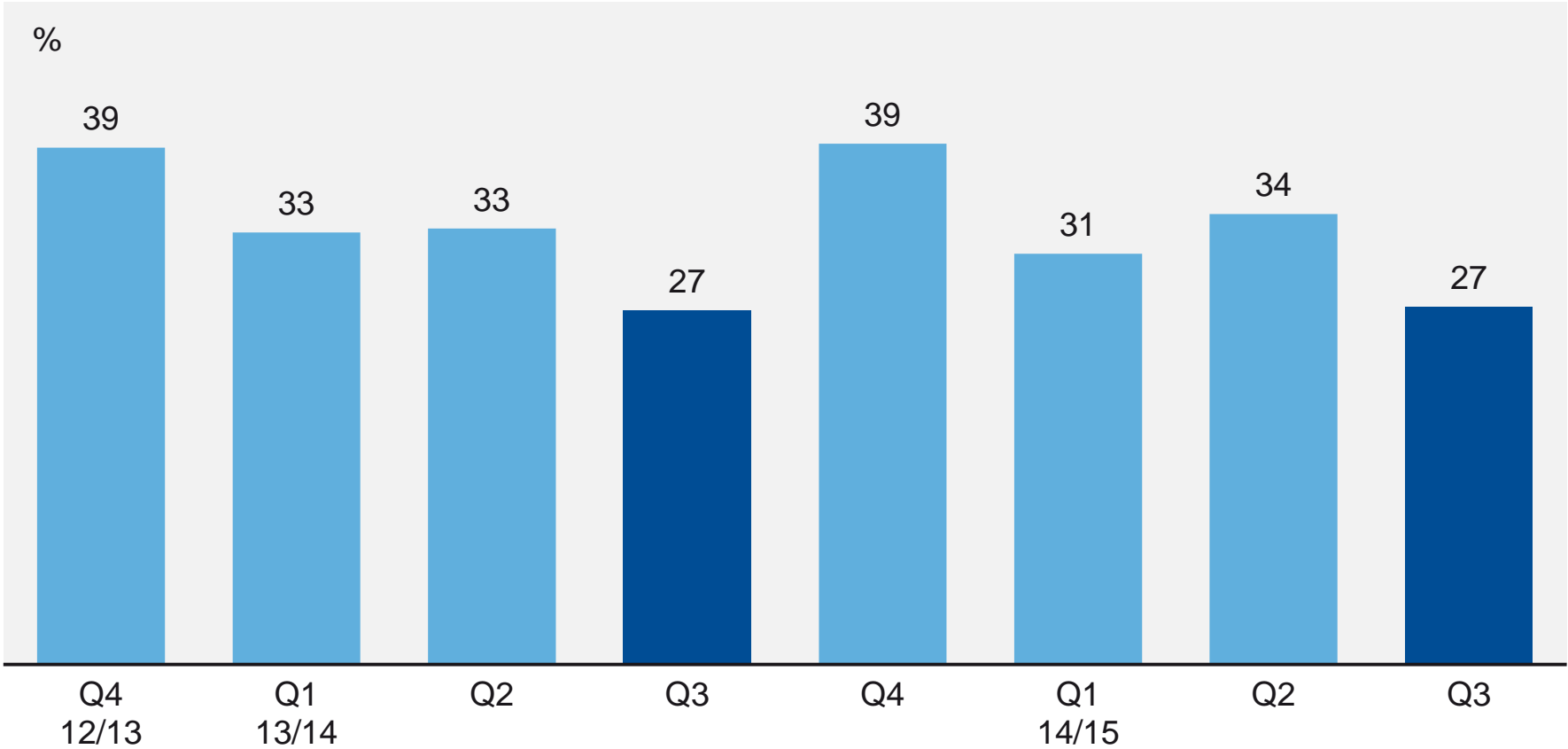


# Gross margin long-term development



- Positive long-term trend
- Up in the quarter by 0.5 p.p to 44.2%
  - Positive sales mix
  - Increased sourcing efficiency
  - Negative currency impact

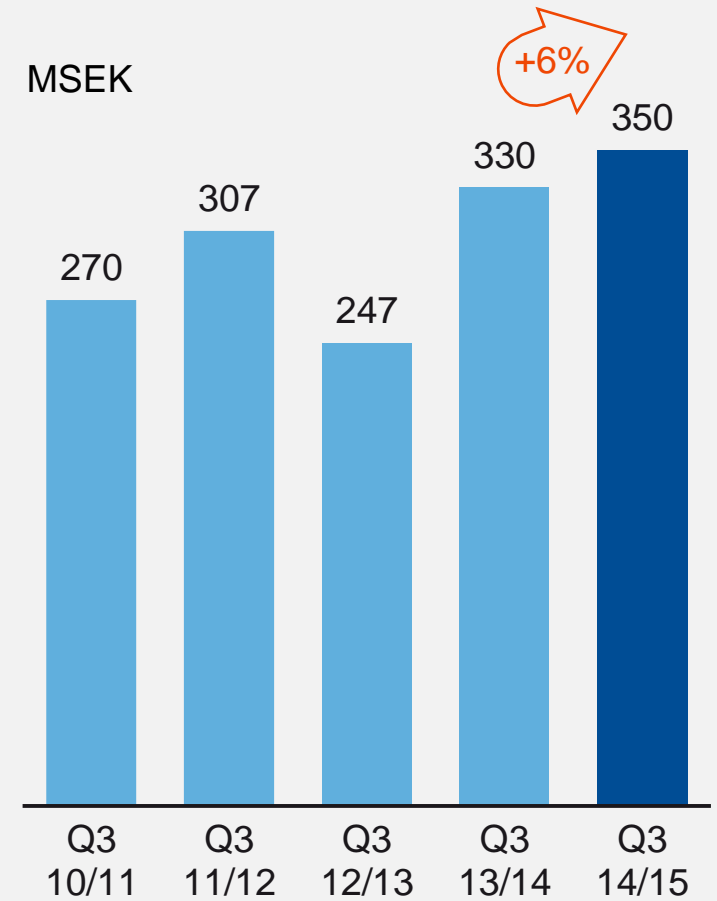
# Share of selling expenses



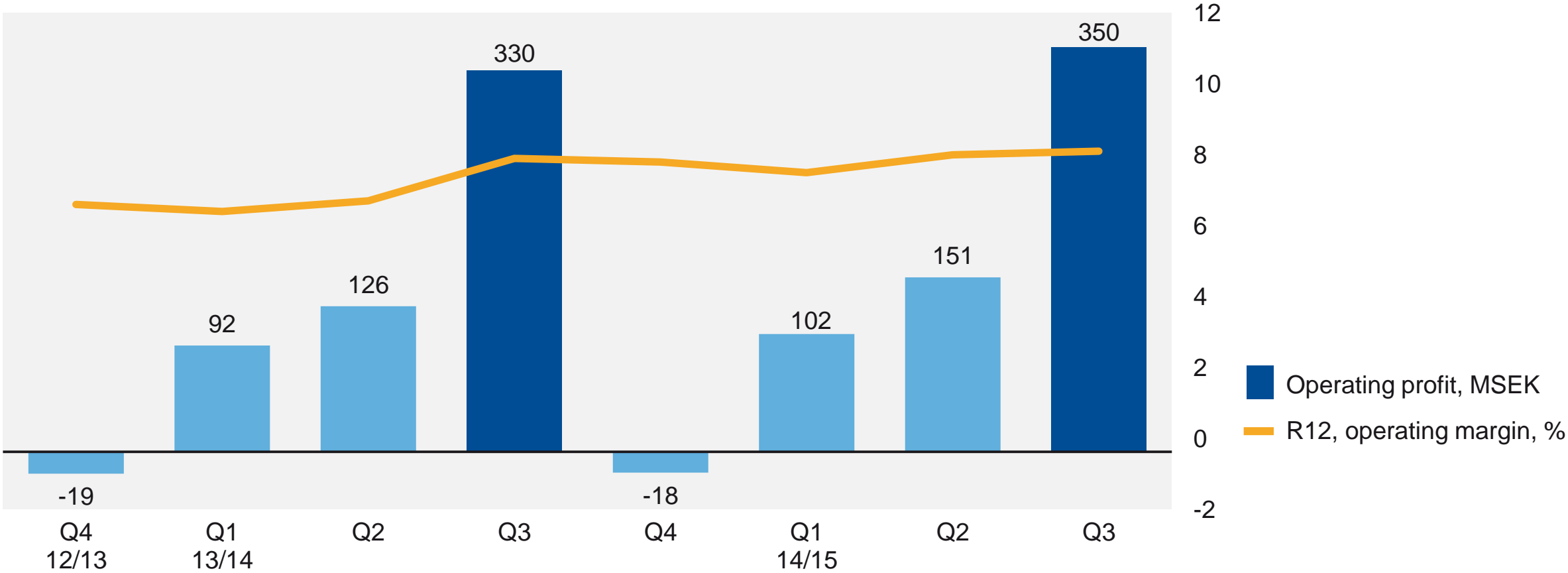
- Share of selling expenses 27.3%, up 0.6 p.p.
- Mainly due to increased marketing spend and start-up costs
  - 14 new stores compared to third quarter last year (10)

# Operating profit

- Operating profit up 6% to 350 MSEK
- Earnings per share up 6% to 4.27 SEK



# Operating profit and Operating margin





# First nine months 2014/15

May – January



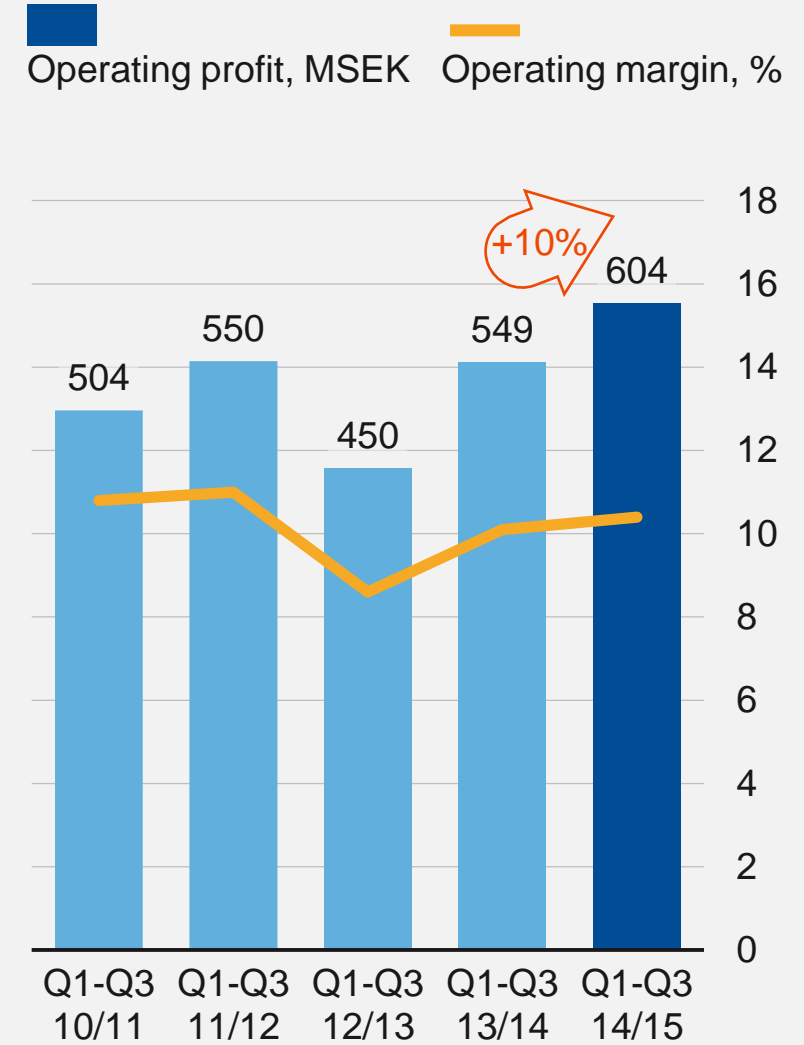
# Sales Q1-Q3

- Sales up 6% in local currency
- Sales 5 831 MSEK, up 8%
  - Comparable units in local currency +2%
  - New stores +4%
  - Currency effects +2%
- 14 additional stores compared to end of period last year (10)



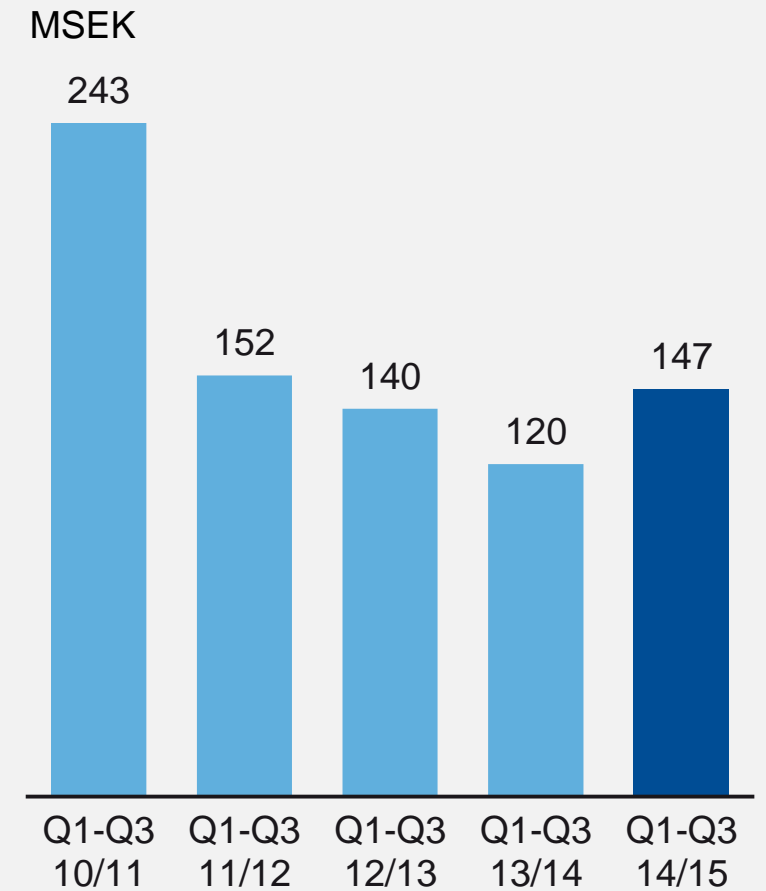
# Profit Q1-Q3

- Operating profit up 10% to 604 MSEK
- Operating margin up 0.3 percentage points to 10.4%
- Earnings per share up 11% to 7.35 SEK



# Investments

- Total investments 147 MSEK (120)
- New stores and refurbishments 65 MSEK (44)
- IT-systems 56 MSEK (26)
  - Implementation of new IT-platform
  - Other IT developments



# Strong cash flow

- Cash flow operating activities was 772 MSEK (652)
  - Inventory 1 458 MSEK (1 326)
  - Inventory turnover rate DC 7.1 (6.9)
- Cash flow after investments and financing activities of 316 MSEK (246)
- Net cash holdings of 674 MSEK, improvement of over 300 MSEK versus last year





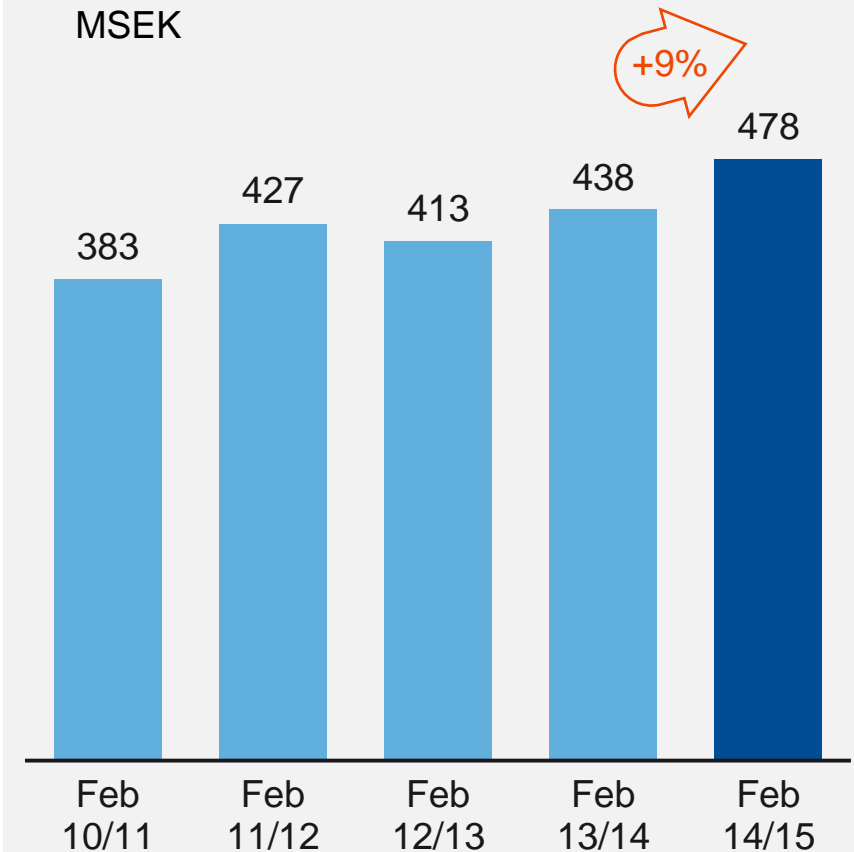
Events after period-end

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# February sales

- Sales 478 MSEK, up 9%
- Sales up 6% in local currencies
  - Sweden + 4%
  - Norway + 10%
  - Finland + 11%
  - Outside Nordic countries + 9%\*
- 14 additional stores compared to end of February last year (10)

\*excluding franchisee inventory build up of 6 MSEK during February 2014



# Tax audit Norway

- Tax audit in Norway concerning transfer pricing concluded
- Decision in March 2015 from Norwegian tax authorities on additional taxation of a total of 49 MNOK for year 2008 to 2010
- Tax reduction in Sweden is deemed to be obtained corresponding to the extent tax imposed in Norway





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**Future outlook**



# Number of new stores target

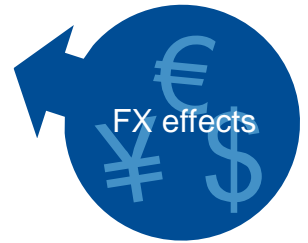
2014/15	
Planned new stores	<b>10-15</b>
Forecast new stores	<b>13</b>

2015/16	
Planned new stores	<b>10-15</b>

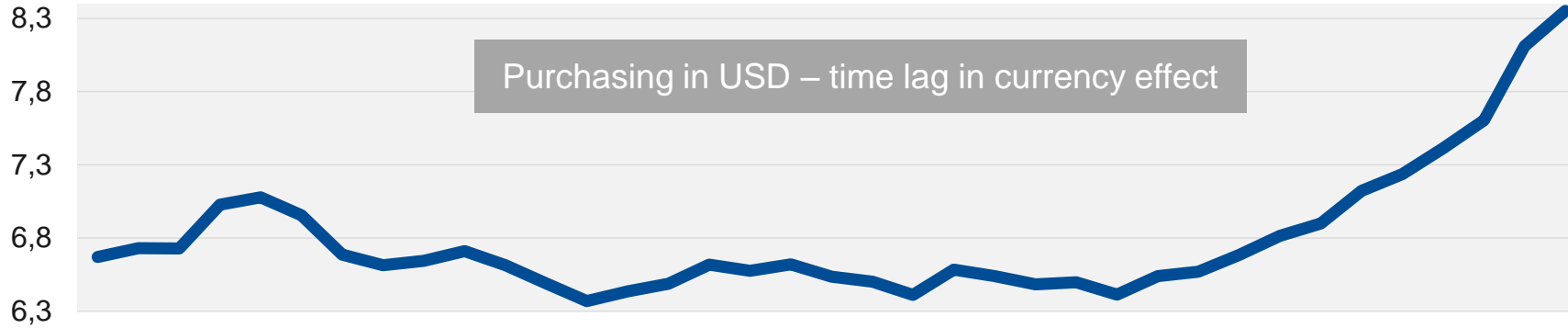
# Gross margin influencing factors



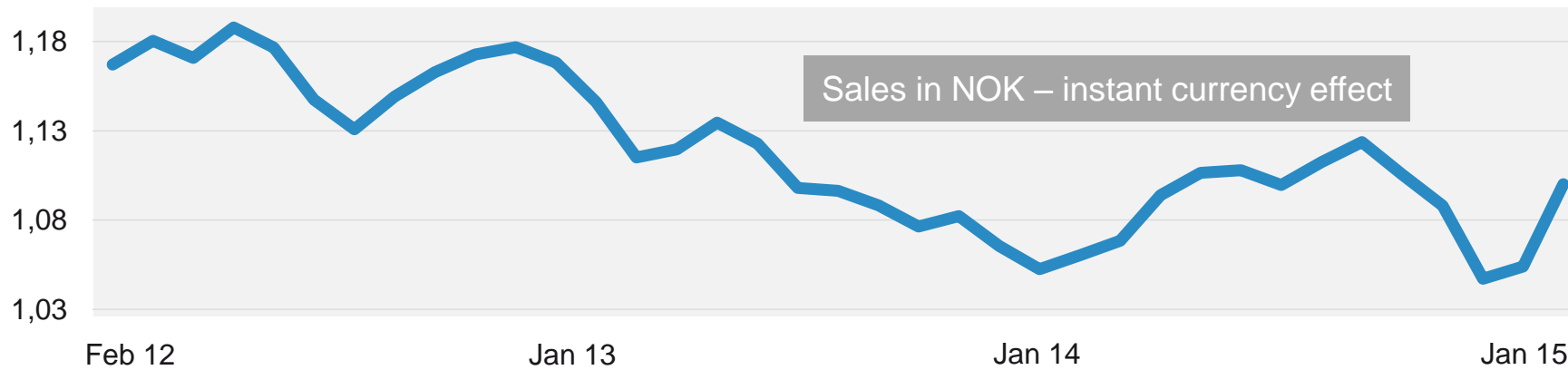
# Negative currency impact



USD/SEK



NOK/SEK



Excluding hedging effect

Source: Sveriges Riksbank

# Price position



- We will never compromise on our low price value proposition
- Over time we expect the increase in USD related sourcing cost to be reflected in consumer pricing for the whole industry

6 995 SEK



# Sales mix



- Continue to develop product and category mix
- Continue to develop private label

**GAVIA**

**CO/TECH**

*Capere*

**north**  
LIGHT

coline

**PROAQUA**  
WATERSPORTS EQUIPMENT

**Cocraft**

**asaklitt**

*prologue*

**Song**

**EXIBEL**

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# Increase sourcing efficiency

- Increase share of direct sourcing
- Lower sourcing cost due to lower raw material prices
- More efficient in-bound and out-bound transportation
- More efficient Distribution Centre





# Update on strategic priorities

# Strong loyal customer base

- Customer satisfaction index 85
- 65% Net Promoter Score
- Successful customer loyalty programme Club Clas

1 600 828  
members





# Product range development

- Increased focus on quality and design at great value
- Continued development of spare-parts offering
- Inspiring spring and summer product range
- Development of innovative products for a more sustainable lifestyle



# Sustainable focus

- Battery hunt
  - Initiative to educate fourth graders on recycling
  - More than 40 000 children participating
  - Last year 330 tons of batteries were recycled
- Toner recycling
  - Initiative to recycle toners and cartridges
- Save the Children campaign
  - Initiative to support Save the Children, both specific projects in China as well as disaster fund



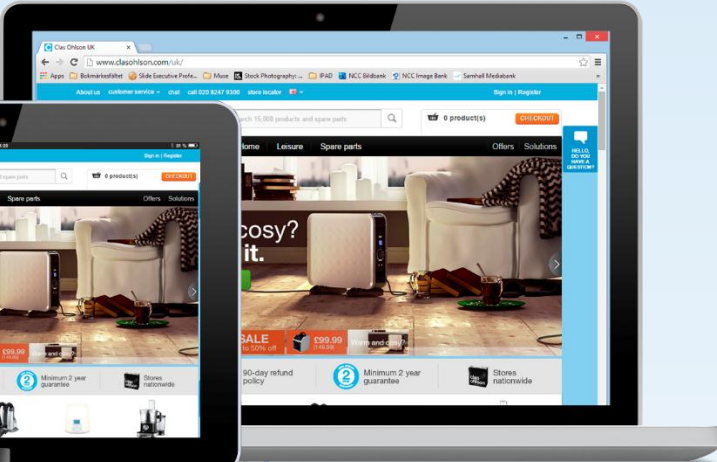
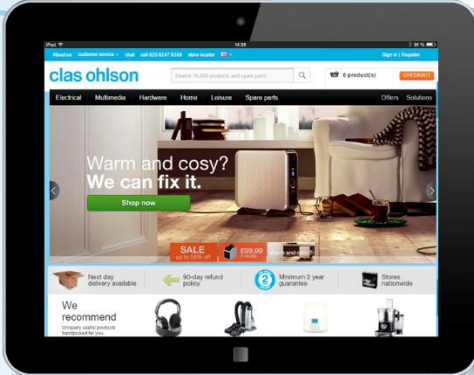
# Omnichannel development

Online

Stores



Catalogue/Phone



Social media

# Store development

- Continue conversion to new store concept
- Continue to develop our store concept
  - Higher level of inspiration
  - Developing service concept
- Continue to develop our store format
  - Testing smaller formats



# Online development

- Improving inspiration and solutions
- Positive online trading development
- High ROPO effect (research online, purchase offline)

The screenshot shows the Clas Ohlson website interface. At the top, there are navigation links for 'Om oss', 'Kundservice', 'Chatta', 'Ring 0247-445 00', and 'Hitta butik'. The main header includes the 'clas ohlson' logo, a search bar with the text 'Sök bland 15 000 produkter och reservdelar', and a shopping cart icon showing '0 produkt(er)'. Below the header, there are category tabs: 'El', 'Fritid', 'Bygg', 'Multimedia', 'Hem', and 'Reservdelar'. A navigation bar at the bottom of the header includes 'Club Clas' and 'Erbjudanden'. The main content area features a project titled 'Gör din egen ljusstake' (Make your own candle holder). The project includes a video tutorial with a '45 min' timer, a checklist of required materials, and 'KÖP' (Buy) buttons for each item. The checklist items are: a wooden dowel, a metal elbow fitting, a metal T-junction fitting, a metal pipe, a roll of Matfolie (plastic wrap), a roll of aluminum foil, and a hand saw.

# Broaden customer segments

- B2B concept Clas Office
  - Office related products
  - Easily accessible via store network, internet and phone
  - Stepwise introduction in Sweden and Norway



The image is a screenshot of the Clas Ohlson website. At the top, there is a navigation bar with links for "Om oss", "Kundservice", "Chatta", "Ring 0247-44403", "Hitta butik", "Logga in", "Registrera dig", "Privatkund", and "Företagskund". Below this is the "clas ohlson" logo and a search bar. The main content area features a large banner for "clas office" with the text "Allt för kontoret. Och lite till." and "Unika erbjudanden för dig som företagskund." Below the banner are several promotional tiles: "Aktuella erbjudanden 15% på första köpet", "Alltid 3% rabatt", "30 dagars kredit", "Retur till valfri butik", "Upp till 90 dagar öppet köp", "Minst 2 års garanti", and "Allt på en faktura". At the bottom, there is a section titled "Företagsfavoriter" with four product tiles: "Förvaringslåda SmartStore Classic" (23,20), "Ficklampa med nödbelysning" (119,20), "Tejphållare" (31,20), and "Kulspetspenna" (79,20).

# Business and system development

- Continue developing and implementing new ERP platform
  - Building on Microsoft AX platform
  - Gradual roll out over coming three years
- Substantial potential for increased retail efficiency
  - Improved inventory planning
  - Benefits from true omnichannel platform
  - Scalable platform for future growth



# New markets development – United Kingdom

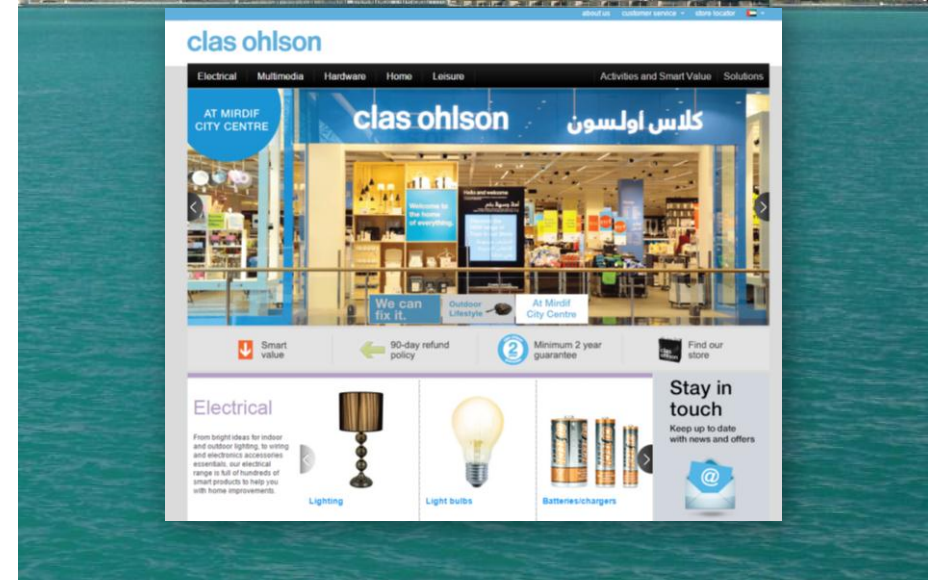
- Healthy growth development in all sales channels
- Increased brand awareness
- Reviewing and optimising current store network
- Ready to take a balanced next step
  - Preparations to establish a couple of smaller stores in the London area





# New markets development – Gulf region

- Developing the franchising model for future expansion opportunities
- First franchise store in Dubai being evaluated
- Ongoing search for at least one more store in evaluation phase



# New markets development – Germany

- One to two stores in northern part of Germany and online shopping
- Positive response from landlords
- Ongoing discussions for AAA locations
- Store opening planned for 2015





## Summary Q3

- All time high sales and earnings
- Very strong financial position
- Many initiatives for further development



# Questions & Answers

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[www.clasohlson.com](http://www.clasohlson.com)