



clas ohlson

Q4 Report 2014/15

10 June 2015

Klas Balkow
President & CEO

clas ohlson



Agenda

- Q4 2014/15
- Full year 2014/15
- Events after period-end
- Future outlook
- Strategic priorities
- Q&A

High energy and strong position

198 stores in
5 countries
omni-channel structure

76 million visitors
38 million customers

4,700
service-minded
employees

High focus on
sustainability
agenda

R12 sales
7.3 billion SEK

One of the
strongest brands
in retail in the Nordics



Q4 2014/15
February – April

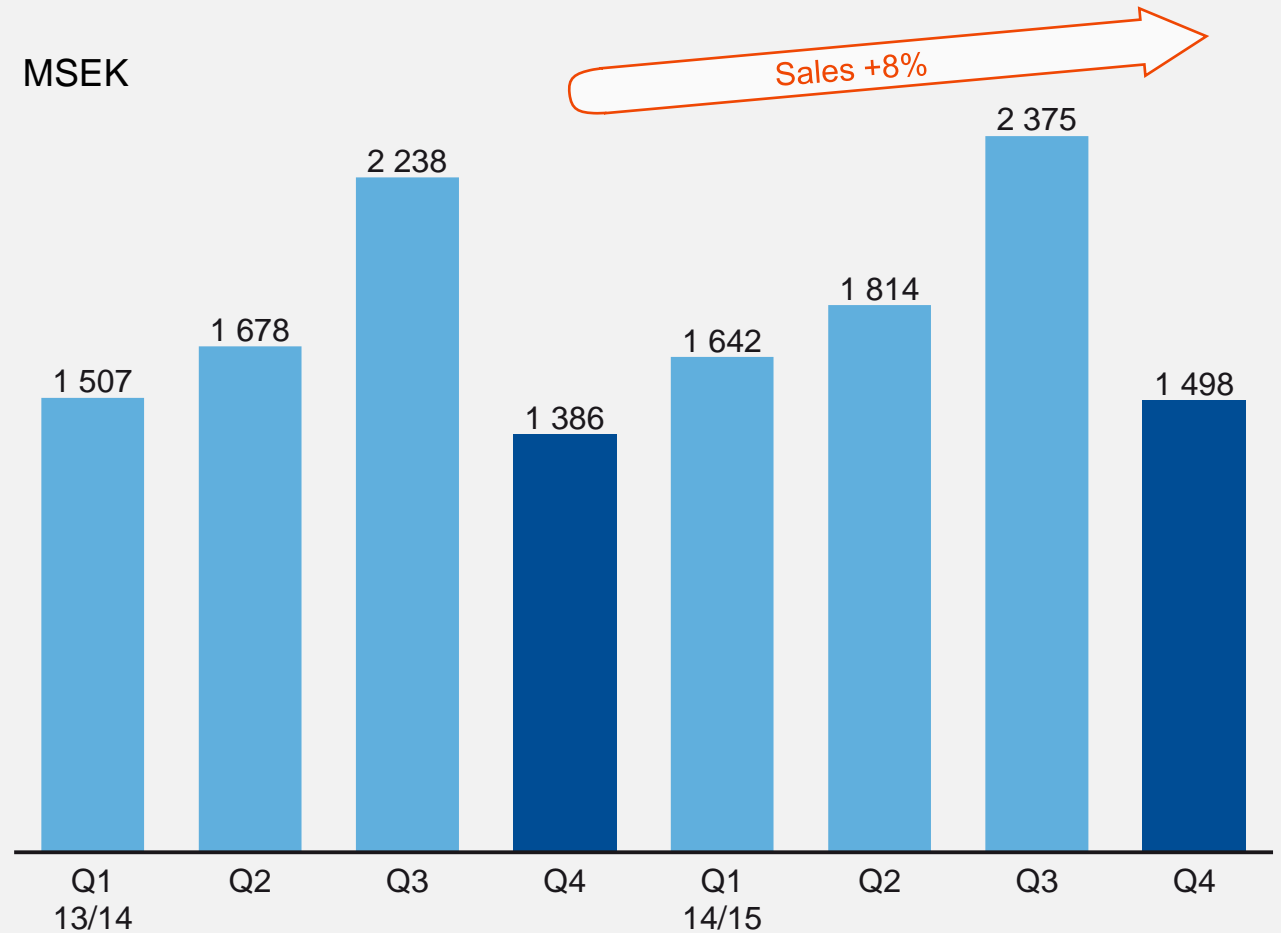
Highlights Q4

- Record sales up 8% to 1,498 MSEK
- Improved operating profit -8 MSEK (-18)
- Sums up fiscal year to record sales and earnings

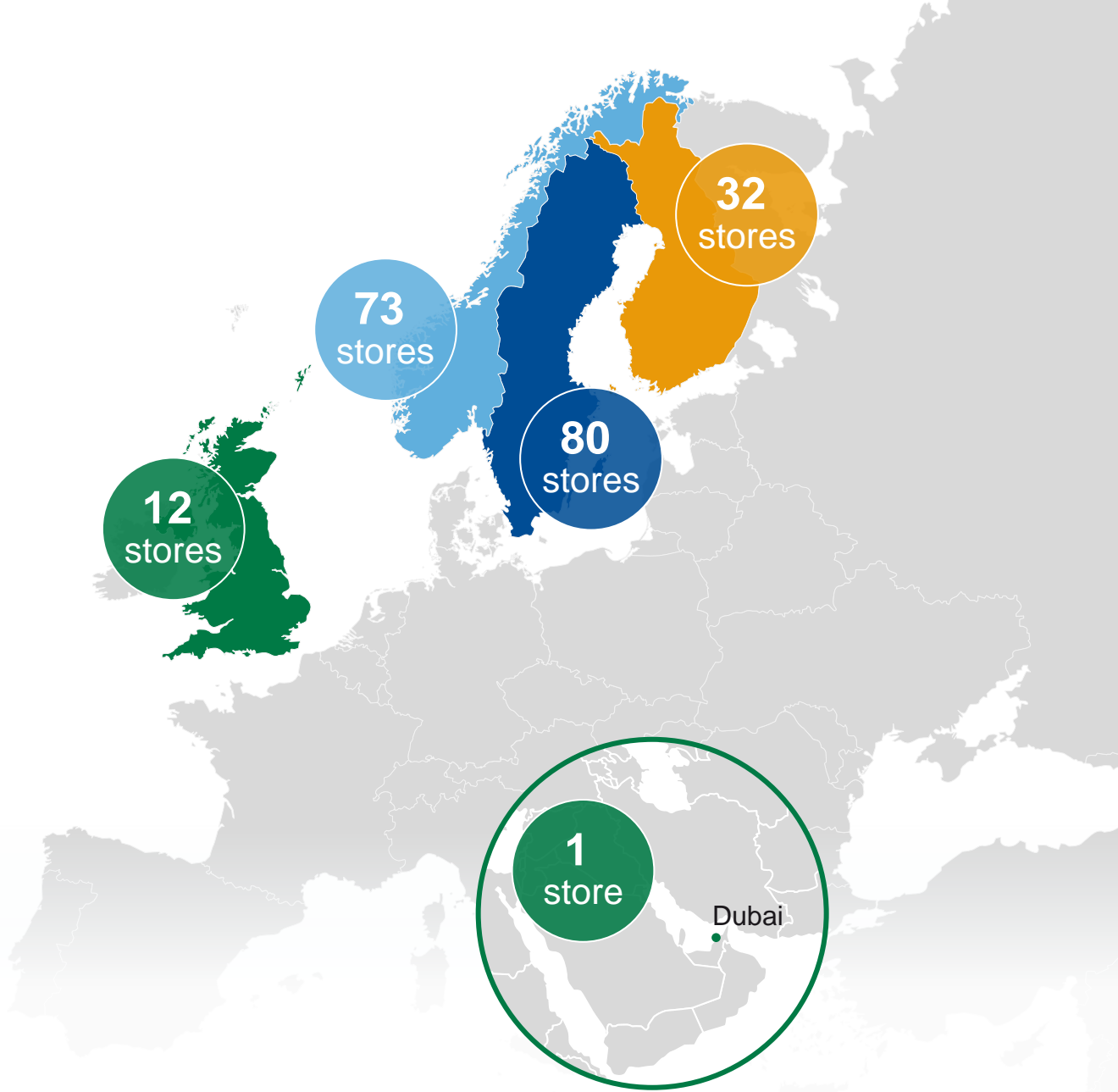
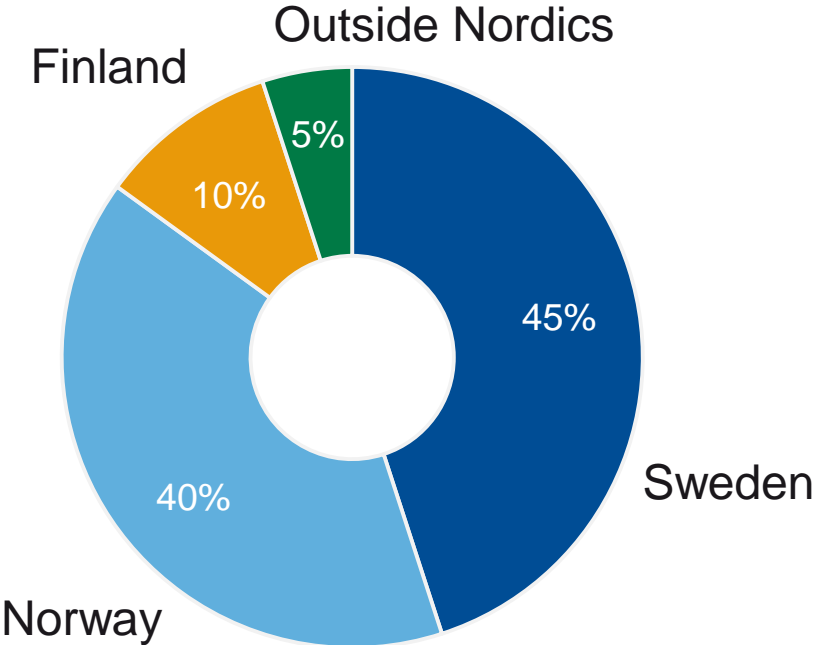


Sales Q4

- Sales up 6% in local currencies
- Sales 1,498 MSEK, up 8%
- 13 additional stores compared to end of period last year (11)
- Sales comparable units in local currency, up 2%
- Positive currency effect of 2%

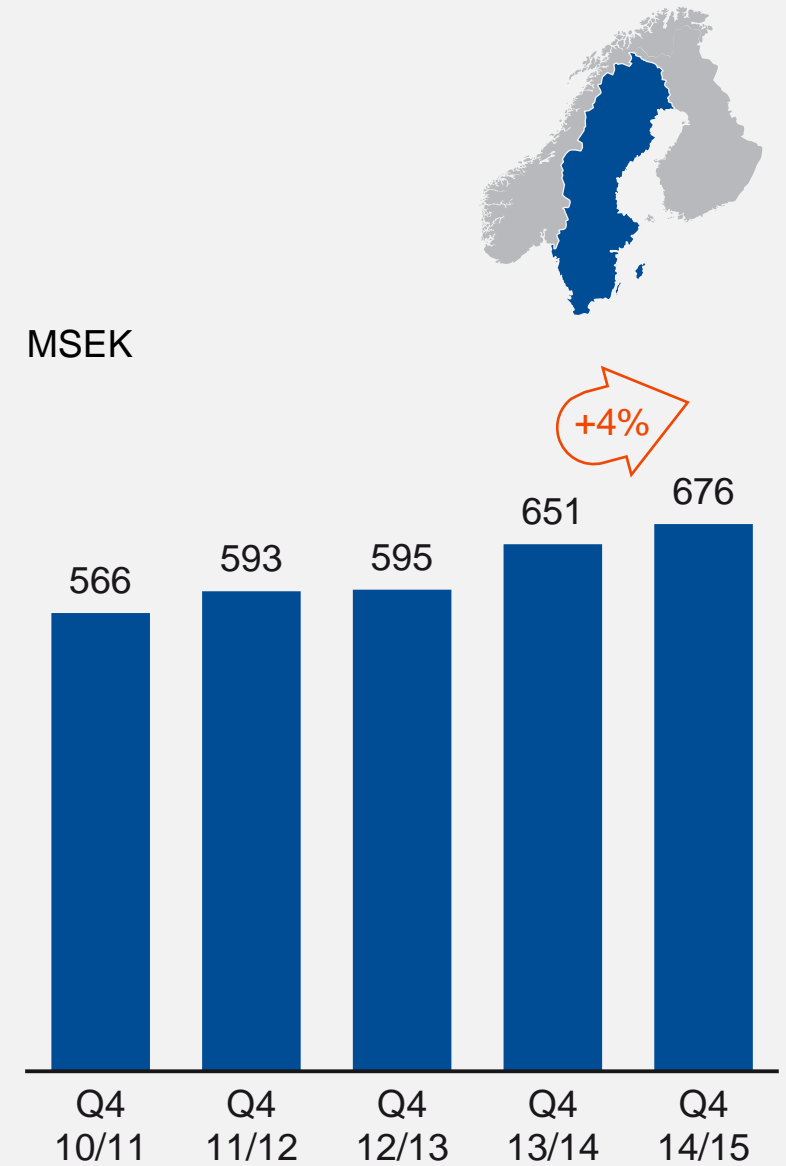


Sales share per market



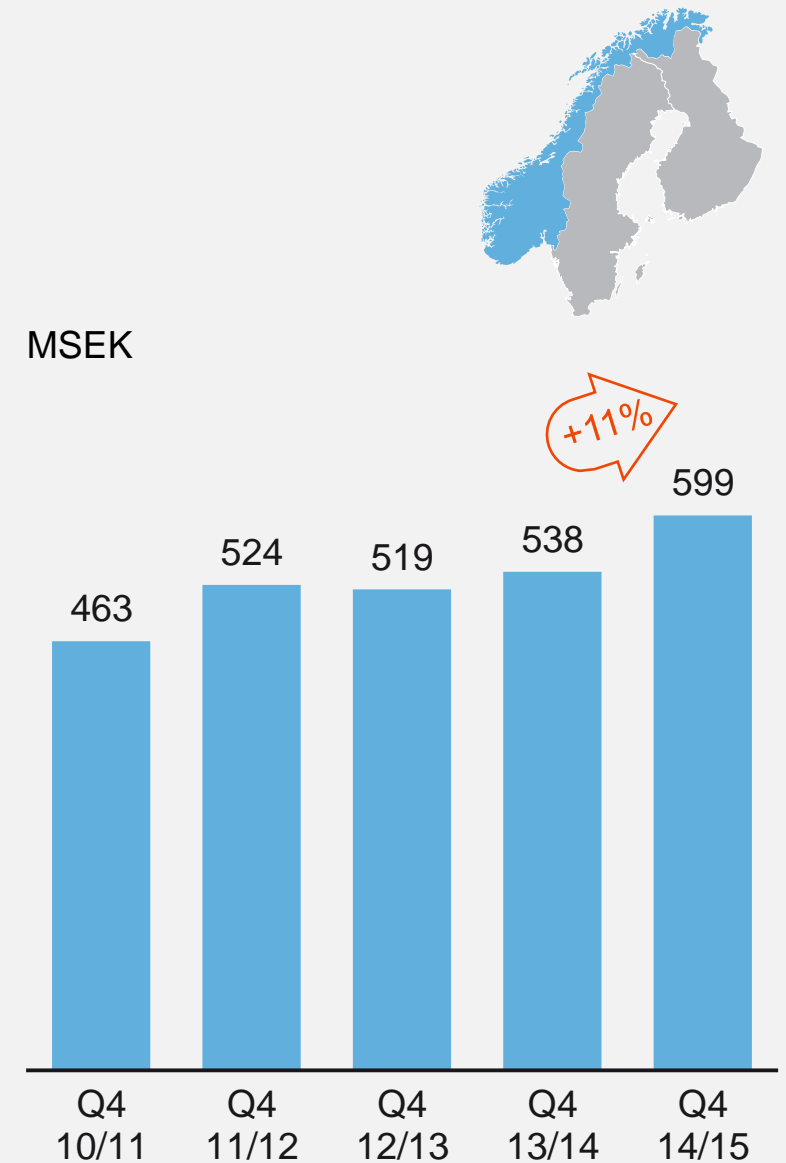
Sweden Q4

- Sales up 4% to 676 MSEK
- Total 80 stores
 - No new stores during Q4
 - 2 more stores compared to preceding Q4
- Strong market position
- Strengthened retail market



Norway Q4

- Sales up 10% in local currency
- Sales 599 MSEK, up 11%
- Total 73 stores
 - 2 new stores during Q4
 - 9 more stores compared to preceding Q4
- Strong market position and strengthened brand
- Somewhat strengthened retail market

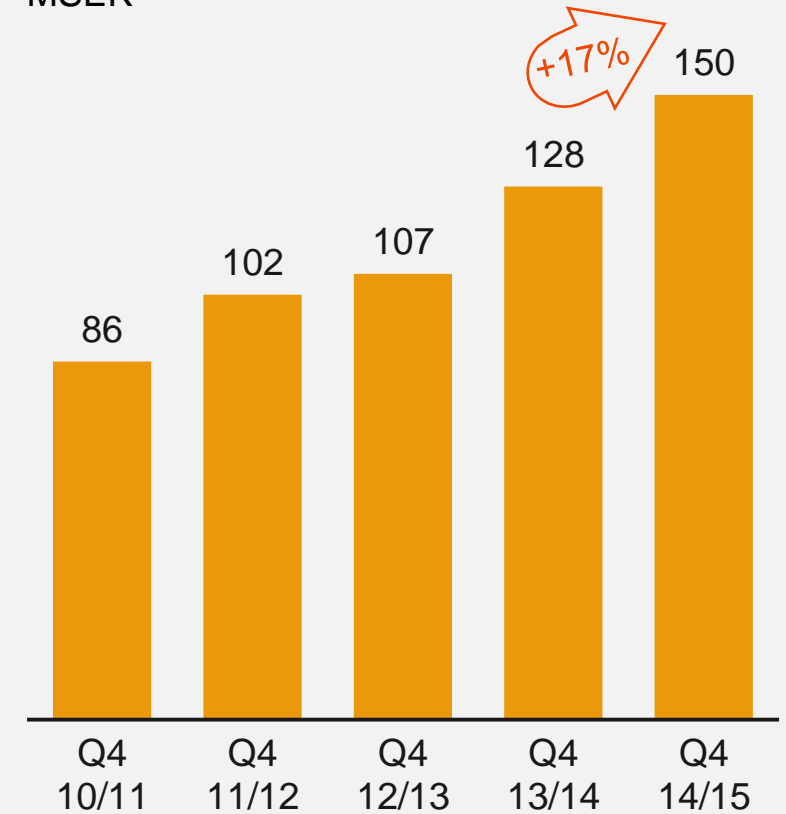


Finland Q4

- Sales up 12% in local currency
- Sales 150 MSEK, up 17%
- Total 32 stores
 - No new stores during Q4
 - 2 more stores compared to preceding Q4
- Strengthened brand and market position
- Overall weak retail market



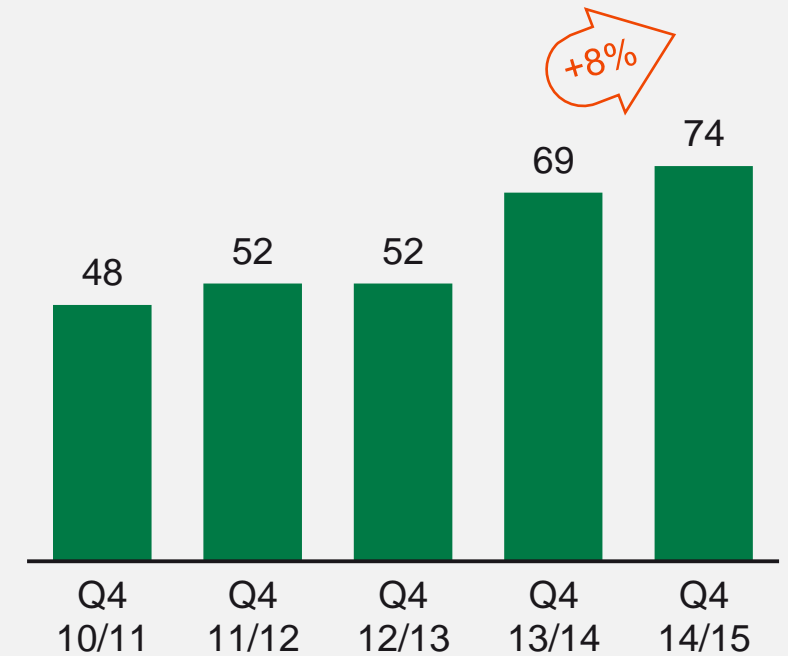
MSEK



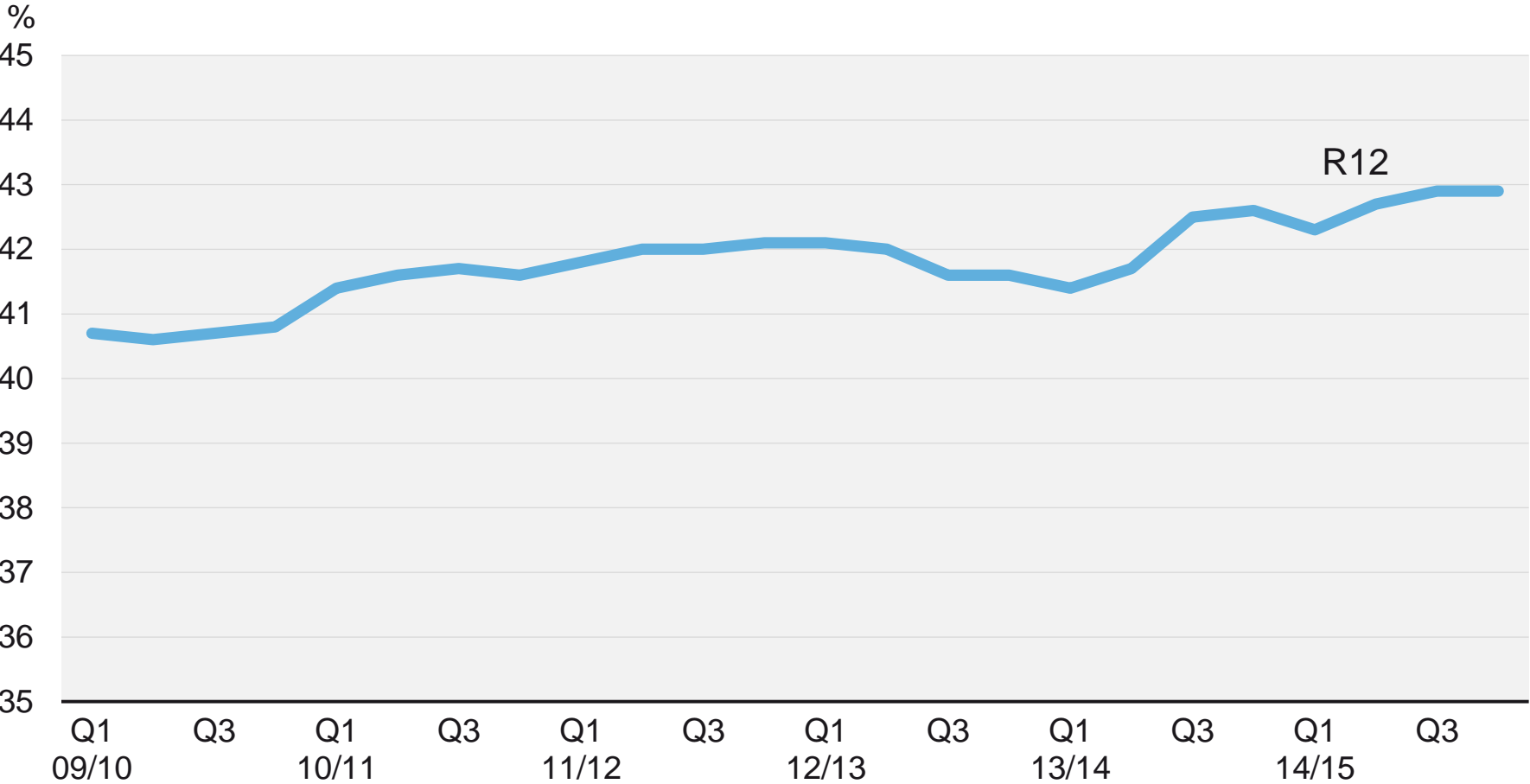
Outside Nordic countries Q4

- Sales -9% in local currencies
 - Last year impacted by inventory build-up franchise store
- Sales 74 MSEK, up 8%
- 13 stores whereof one franchise
 - No new stores during Q4
 - No additional stores compared to preceding Q4
- Flat sales trend in the UK

MSEK

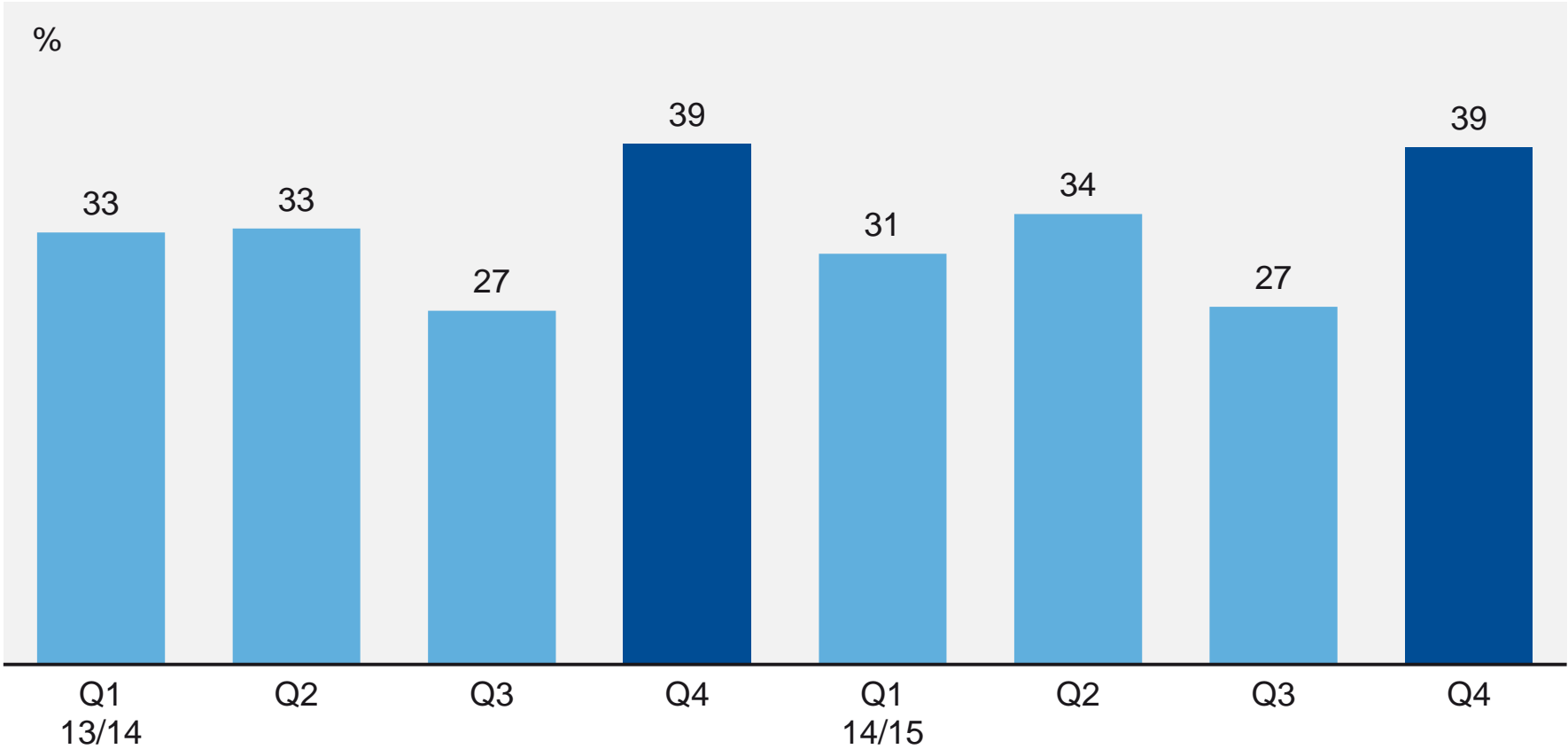


Gross margin long-term development



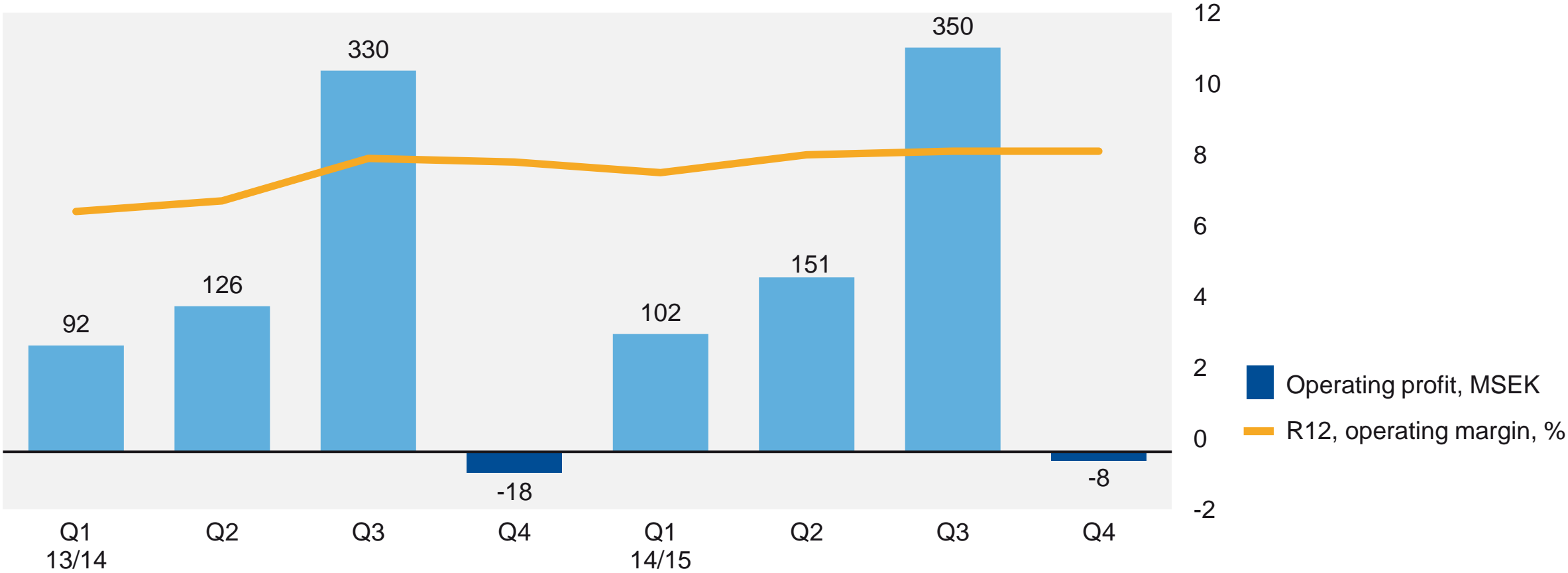
- Positive long-term trend
- Up in the quarter by 0.3 p.p to 41.4%
 - Negative currency impact
 - Increased sourcing efficiency
 - Positive sales mix

Share of selling expenses



- Share of selling expenses 39.1%, down 0.2 p.p. in quarter
- Somewhat lower marketing spend

Operating profit and Operating margin

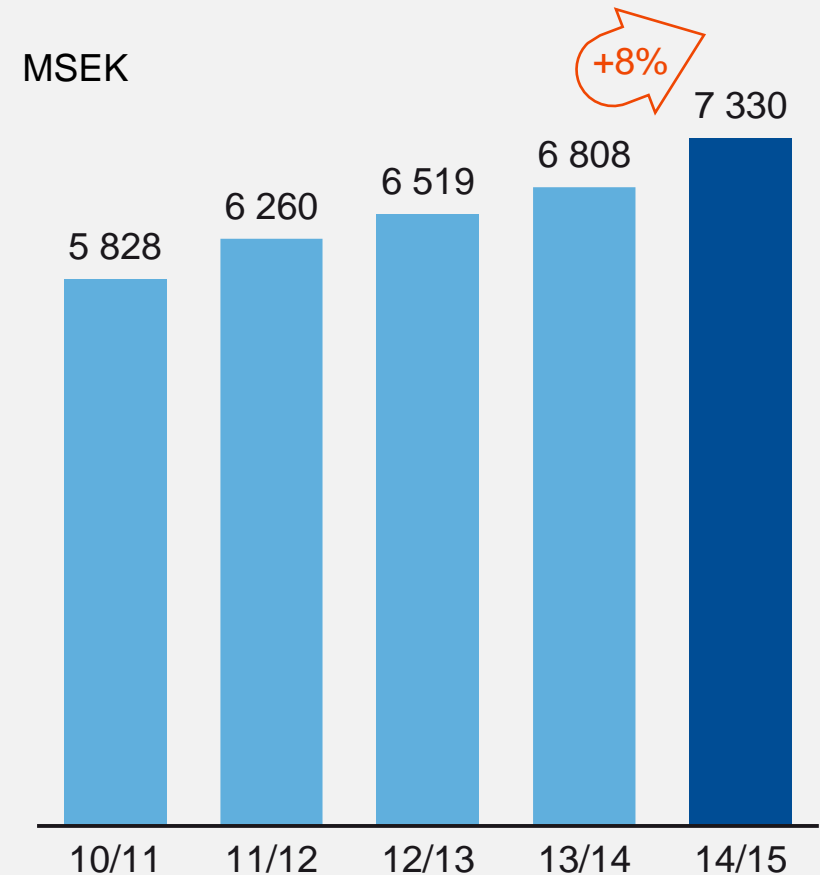


Full year 2014/15
May – April



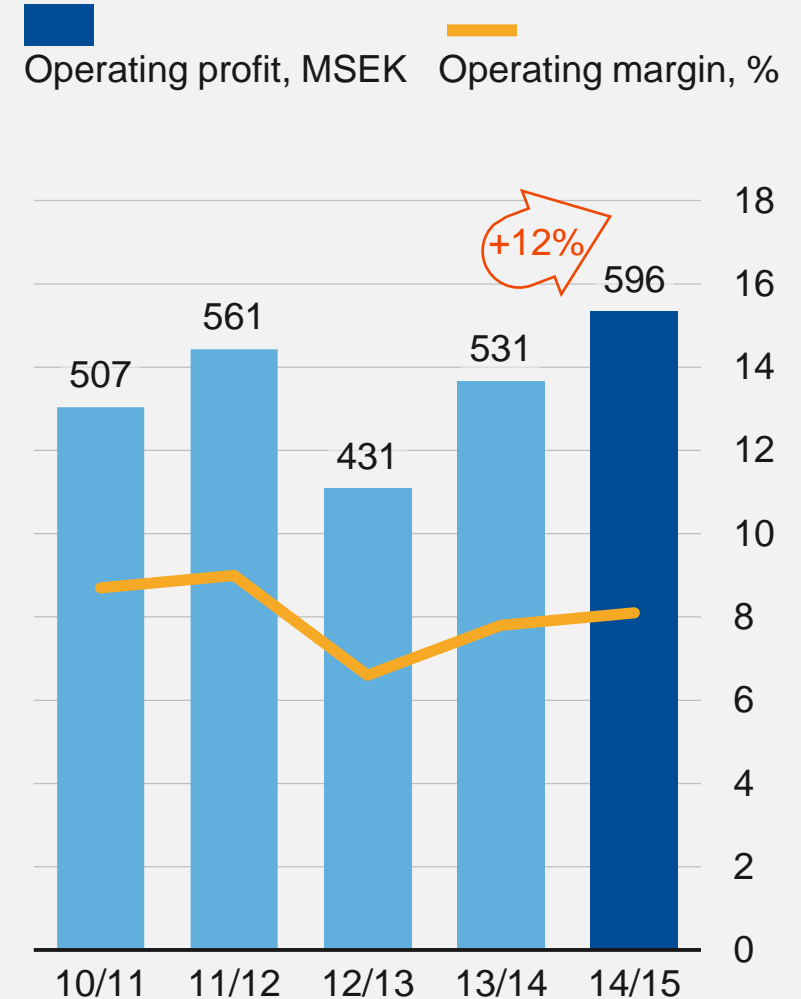
Sales 2014/15

- Sales up 6% in local currency
- Sales 7 330 MSEK, up 8%
 - Comparable units in local currency +2%
 - New stores +4%
 - Currency effects +2%
- 13 additional stores compared to end of period last year (11)



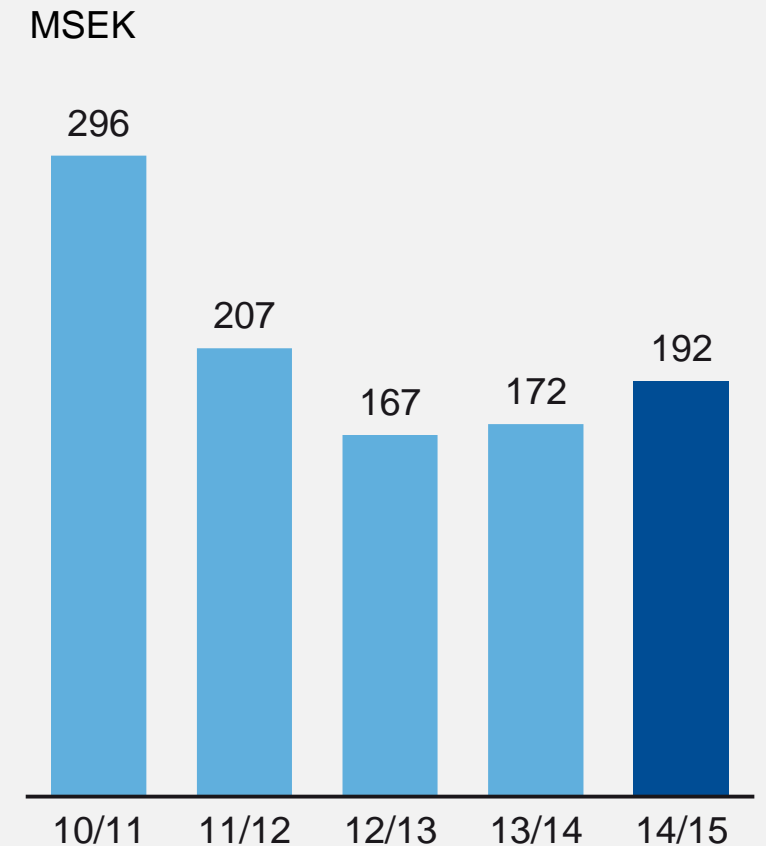
Profit 2014/15

- Operating profit up 12% to 596 MSEK
- Operating margin up 0.3 percentage points to 8.1%
- Earnings per share up 13% to 7.27 SEK



Investments

- Total investments 192 MSEK (172)
- New stores and refurbishments 88 MSEK (64)
- IT-systems 69 MSEK (41)
 - Implementation of new IT-platform
 - Other IT developments



Strong cash flow

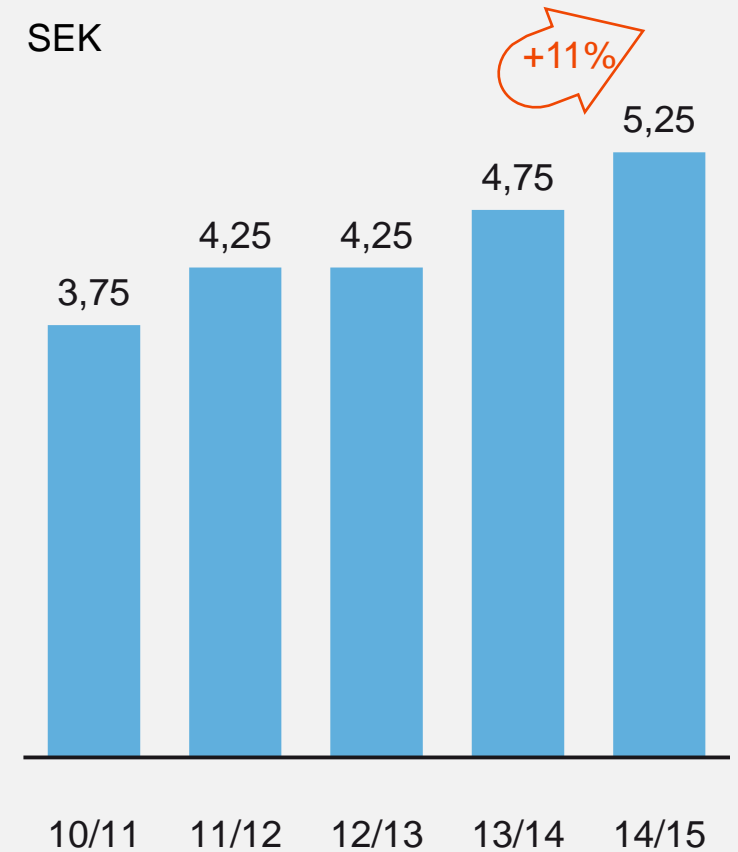
- Cash flow operating activities was 647 MSEK (689)
 - Inventory 1 569 MSEK (1 348)
 - Inventory turnover rate DC 7.0 (6.9)
- Cash flow after investments and financing activities of 156 MSEK (234)
- Net cash holdings of 517 MSEK (358)

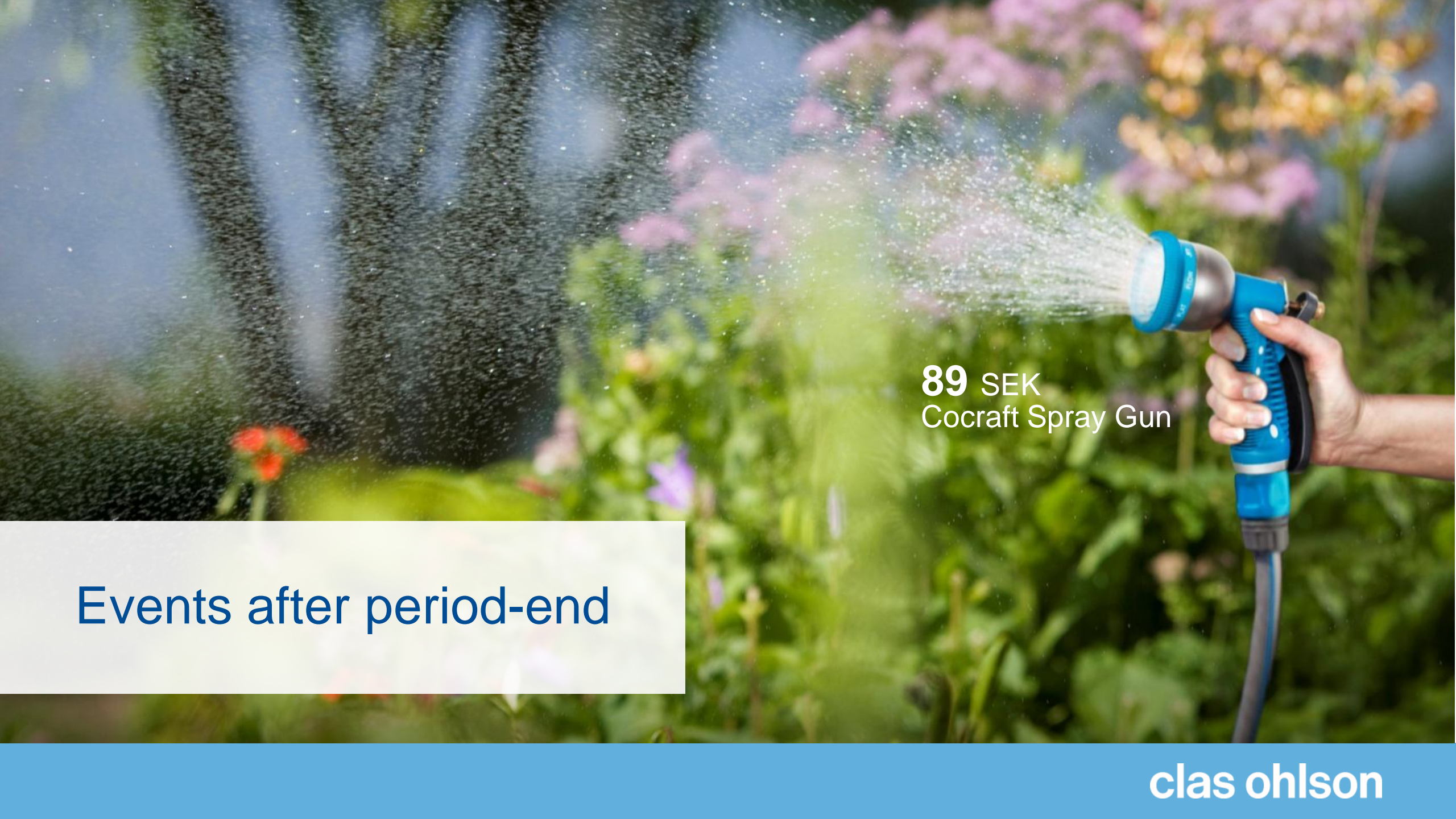


Proposed dividend

- Proposed dividend 5.25 SEK per share (4.75)
- Equivalent to 75% (77) of net profit
- Inline with dividend policy

At least 50 per cent of earnings per share after tax, with consideration for the financial position





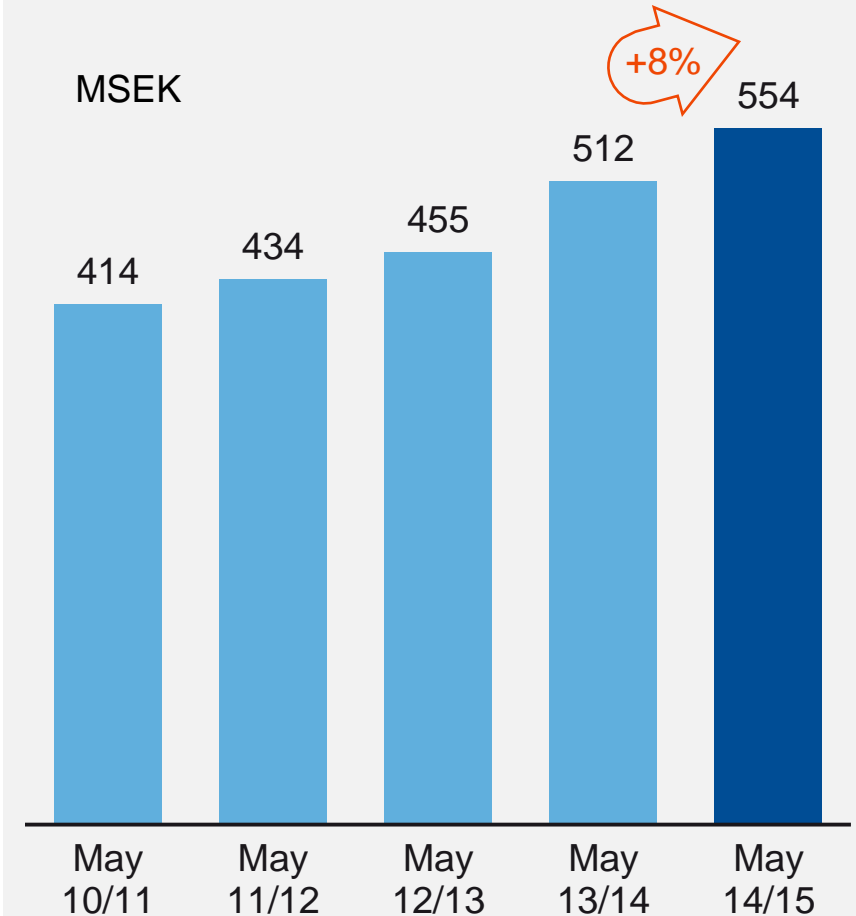
89 SEK
Cocraft Spray Gun

Events after period-end

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May sales

- Sales 554 MSEK, up 8%
- Sales up 7% in local currencies
 - Sweden + 3%
 - Norway + 14%
 - Finland + 6%
 - Outside Nordic countries + 1%
- 13 additional stores compared to end of last May (9)



UK store network development

- Next step in UK expansion plan
 - New smaller store format cluster in London region
 - Omni channel key element
- New store in St Albans to open September 2015
 - New small store format approximately 300 sqm
 - Located in the high traffic Maltings Shopping centre
 - Primary catchment area approximately 108,000
- Optimising store network
 - Store in Manchester will optimise store space July 2015
 - Store in Merry Hill in Birmingham will close August 2015
 - non-recurring cost appr 10 MSEK in Q1 to be balanced out during 2015/16



Contracted stores in Germany

- Three stores contracted to open in Hamburg
- Store openings from summer 2016





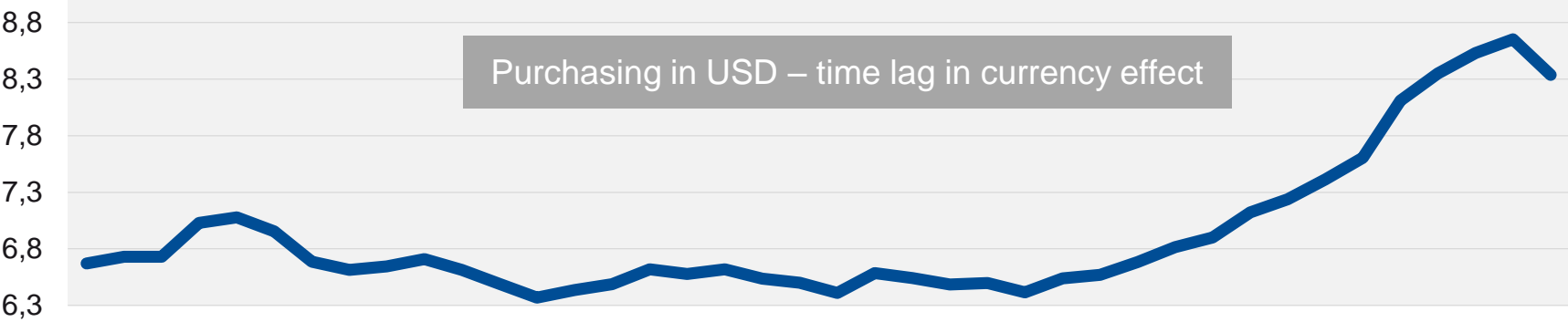
Future outlook

Macro economic trends

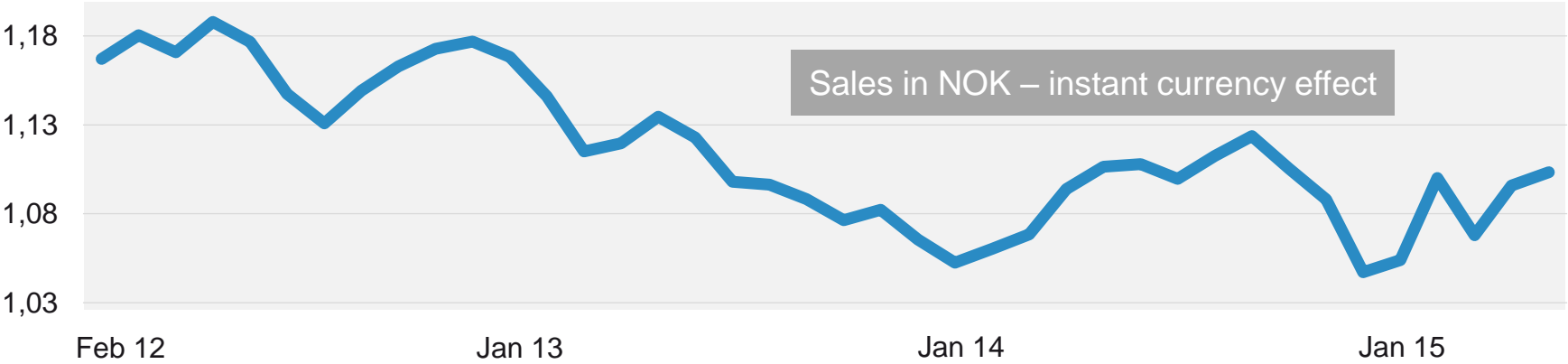


Main challenge going forward

USD/SEK



NOK/SEK



Excluding hedging effect

Source: Sveriges Riksbank

Counteracting measures

1

Monitor price development

2

Optimise sales mix

3

Increase sourcing efficiency



1 Price position

- Closely monitor market price development
- Never compromise on low price value proposition
- Over time we expect the USD-effect to be reflected in consumer pricing for the whole industry



2 Sales mix

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



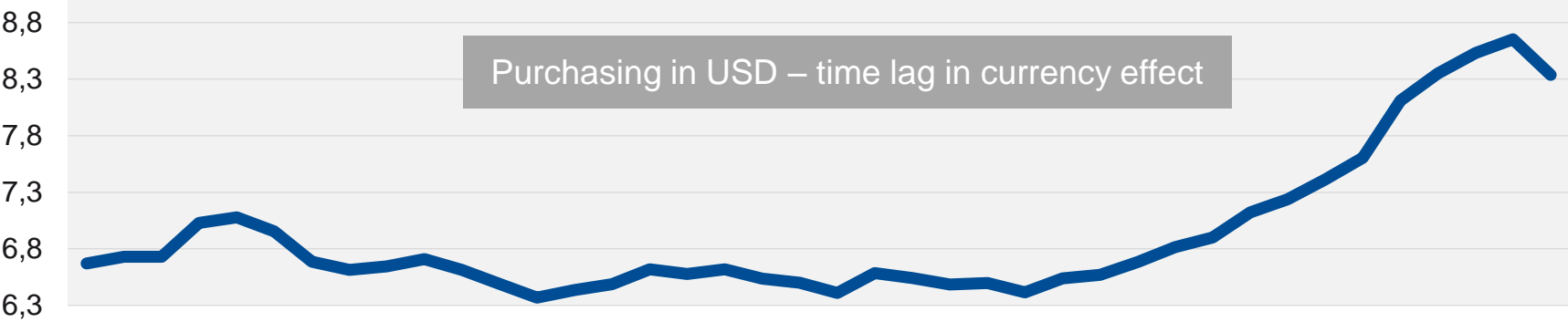
3 Sourcing efficiency

- Increase efficiency in supply chain
 - Long-term transport agreement contributing from July last year
- Increase share of direct sourcing
- Further initiatives to increase efficiency with our main suppliers
- Increase efficiency at Distribution Centre

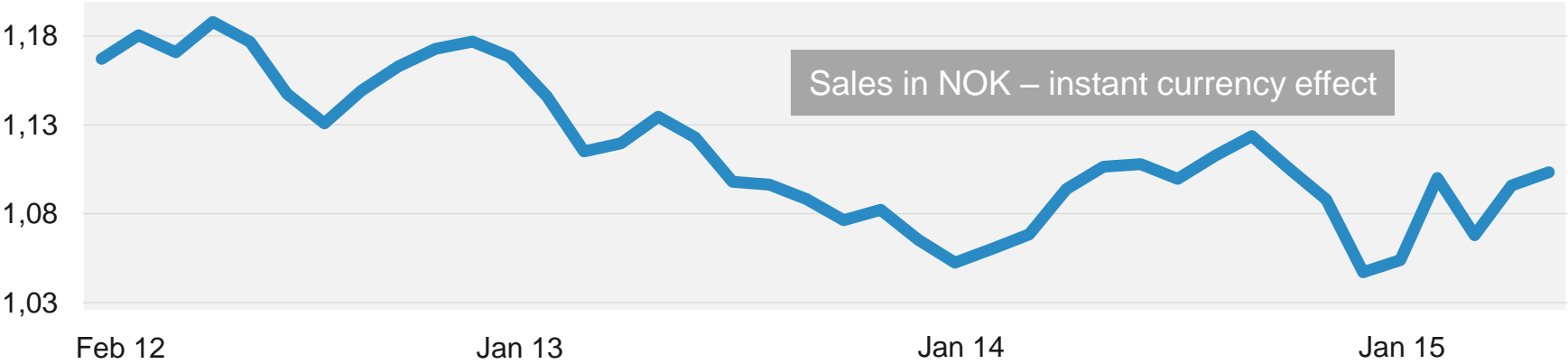


Main challenge going forward

USD/SEK



NOK/SEK



Excluding hedging effect

Source: Sveriges Riksbank



Update on strategic priorities

Continued product range development

- Focus on practical smart products
 - Seasonal product range
 - Private labels
 - Products for a sustainable lifestyle
 - Spare-parts offering



Further customer loyalty development

- High ranks on service, price and product range
- Top rated e-commerce and customer experience
- Continued recruitment of Club Clas customers
- Stable growth of Clas Office customers

Här är kundernas drömgalleria

Om kunderna själva fick bestämma utbudet av butiker i sin drömgalleria, skulle Clas Ohlson vara ett givet förstaval. Här är de tio hetaste butikerna på kundernas önskelista.

De butiker som svenska folket helst vill ha i sin drömgalleria.

1. Clas Ohlson
2. Apoteket
3. Stadlum
4. Ikea
5. Åhléns
6. Akademibokhandeln
7. Kjell & Company
8. Ica Maxi
9. H&M
10. Intersport

Källa: Drömgallerian

1 738 543

Club Clas members



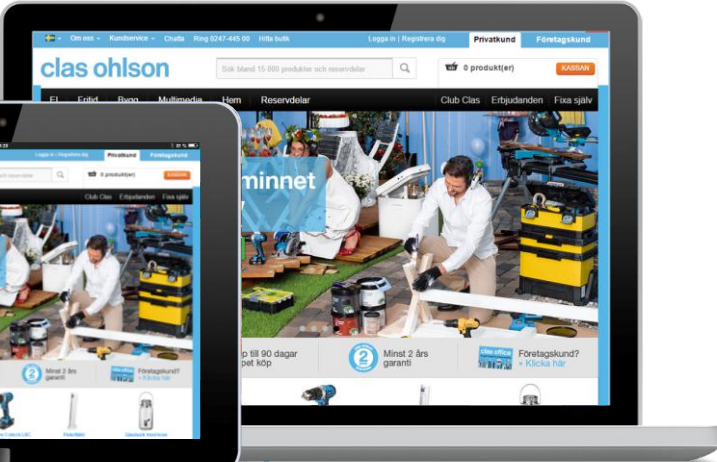
Omnichannel development

Online

Stores



Catalogue/Phone



Social media

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



International expansion - Germany

- Large market with high potential
- Research confirms high consumer interest
- Clear demand for a Clas Ohlson concept
- Gap in the market
- Retail structure fits Clas Ohlson



Criteria German expansion

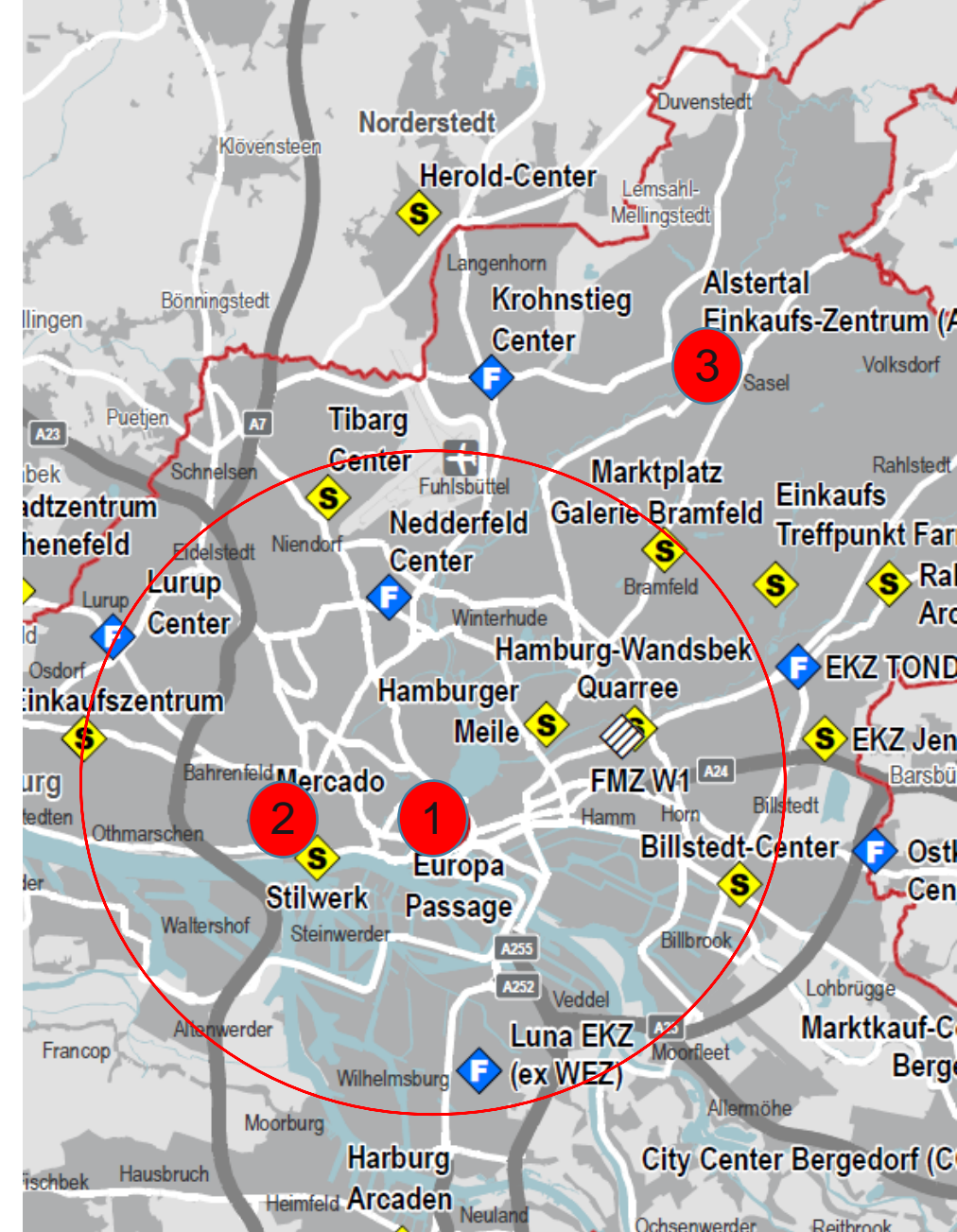
- Initial Northern Germany focus
- 1 city clustering approach
 - First store locations in city centre high street and/or high profile shopping centre with high traffic and visibility
- Omni channel approach
- Further expansion pending market impact



First step Germany expansion

Three contracted full size stores in Hamburg

1. Jungfernstieg to open Summer 2016
 - Flagship location in the heart of the city
2. Altona to open Autumn 2016
 - Located in one of the more popular city districts
3. Alstertal to open Autumn 2016
 - Located in Hamburg's largest shopping centre





Summary 2014/15

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



Questions & Answers

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