



Q3 Report 2016/17

15 March 2017

Peter Jelkeby
Acting President & CEO

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CFO

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Selecting the RIGHT POWERTOOL

HOW POWERFUL?

UP TO 500W	100-500W	2000W AND ABOVE
Ideal for most household tasks.	Good for most professional tasks.	Designed for heavy-duty tasks.
Lightweight and compact.	Medium weight and size.	Heavy and bulky.
Good for use in confined spaces.	Good for use in most situations.	Not suitable for use in confined spaces.

WHAT'S WHAT?

VIDEO 10
Specifies the battery usage and depth capacity to how powerful the machine is.

BATTERY TYPE

Video 10 specifies the battery usage and depth capacity to how powerful the machine is.



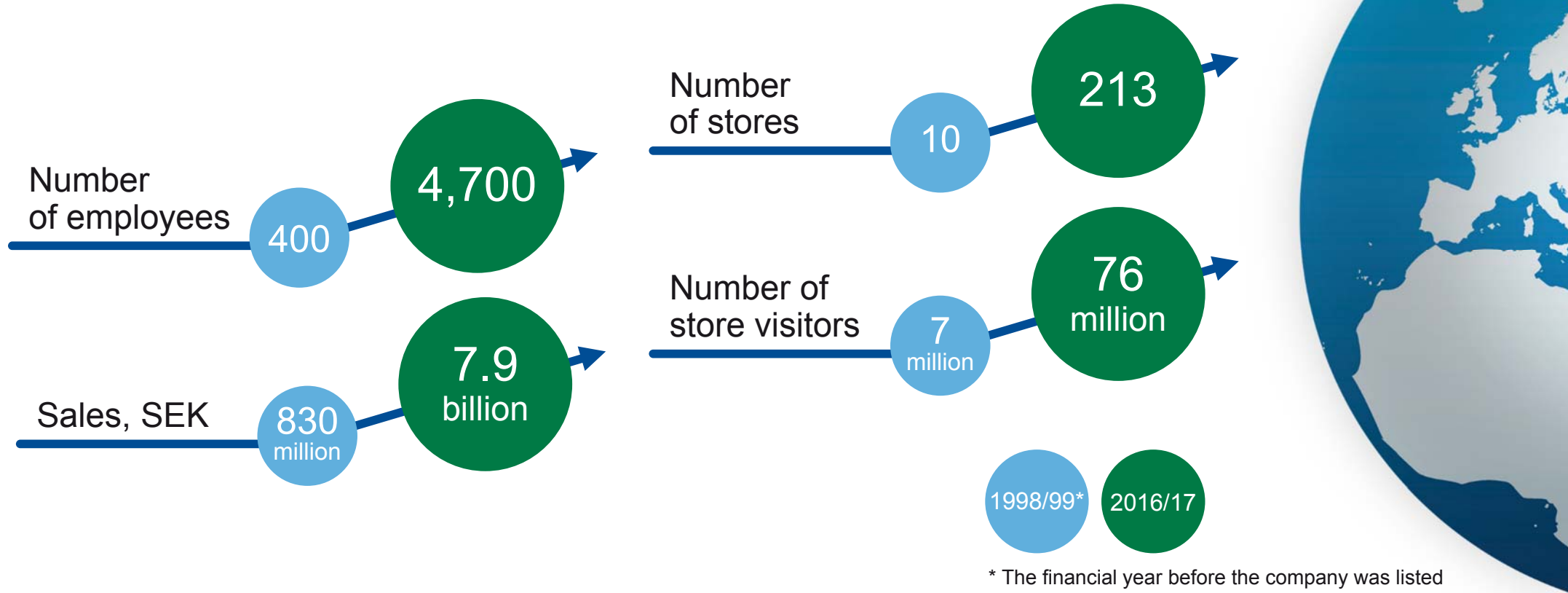
Agenda

- Business overview
- Financial development
- Strategic outlook
- Q&A

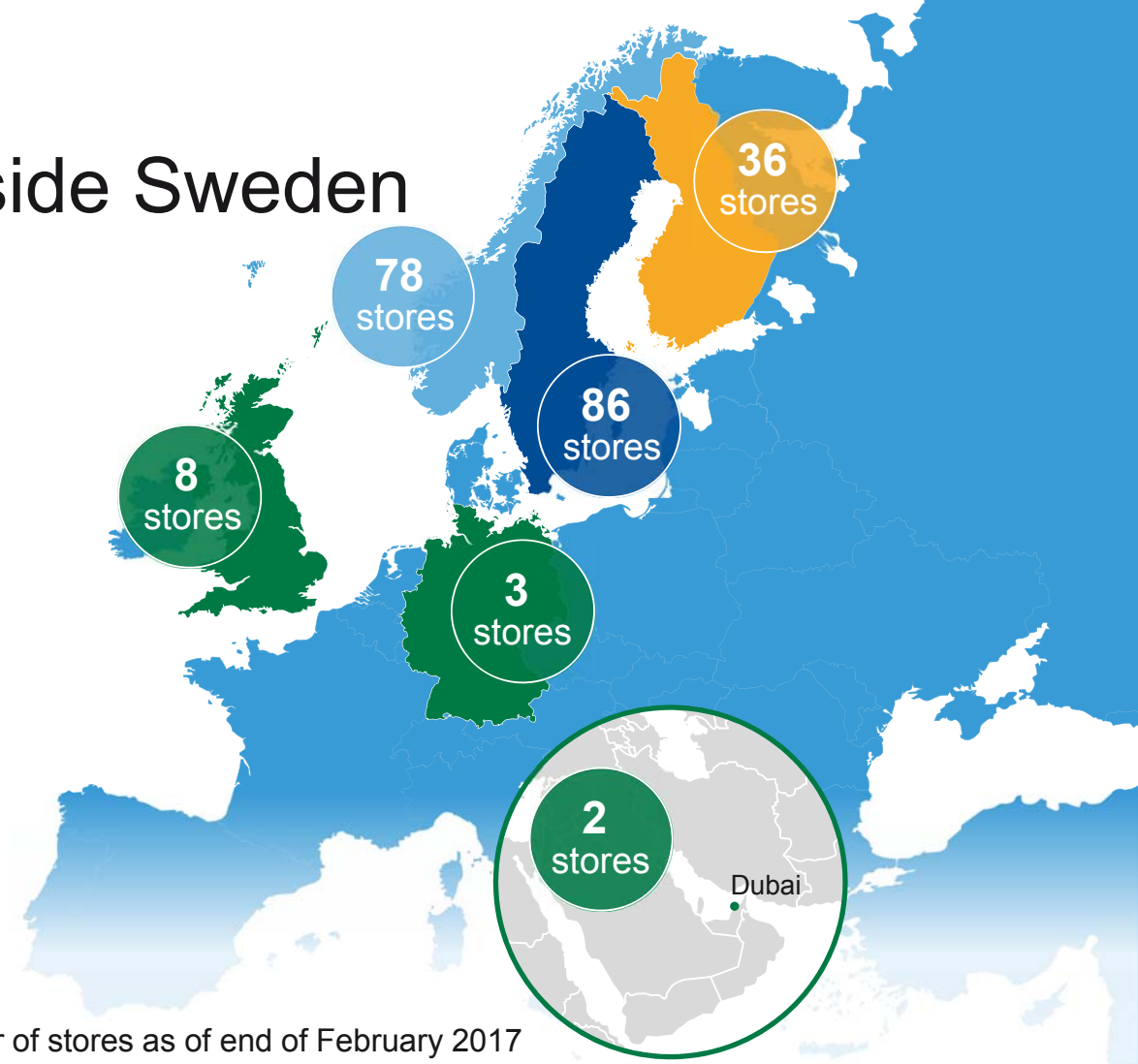
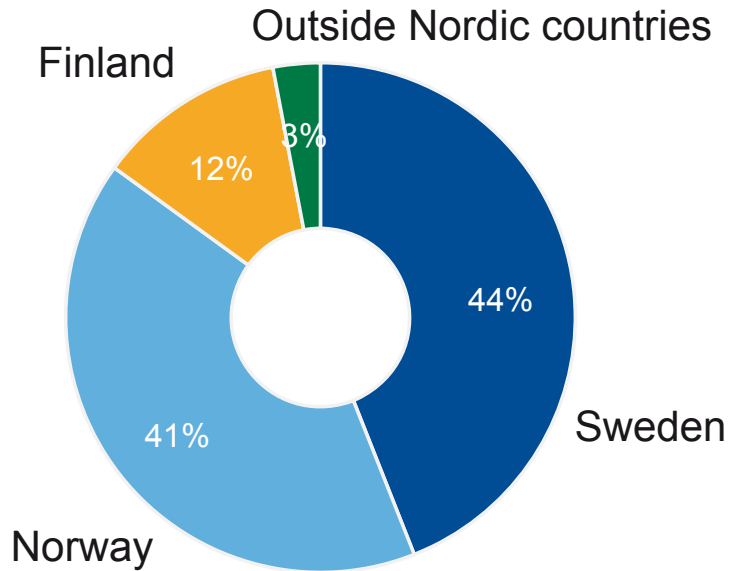


Business overview

From Dalarna to international retailer



Growing share of sales outside Sweden



* Number of stores as of end of February 2017

Third quarter highlights

- Strong sales development with 9% growth in SEK and 3% LFL growth in the quarter
 - Strong November and December followed by a softer January
- All time high profit of 390 MSEK despite negative impact from currency hedging
- Further steps expanding outside Nordics
 - Additional store in Germany
 - New franchise store in Dubai
 - Continued store optimisation in UK

Helsinki – Finland



Jyväskylä – Finland



Dubai – UAE



Hamburg – Germany



Svolvær – Norway



Several awards and recognitions

- Finalist for Store of the Year award in Germany (Jungfernstieg store)
- Recognised for having the best digital signage solution in the industry (Mall of Scandinavia store)
- Ranked 5th among Nordic companies in BearingPoint's *Digital leaders* survey
 - digital marketing, digital product experience, e-commerce, e-CRM, mobile and social media
- Industry leader in children's rights work according to BCG and Global Child Forum

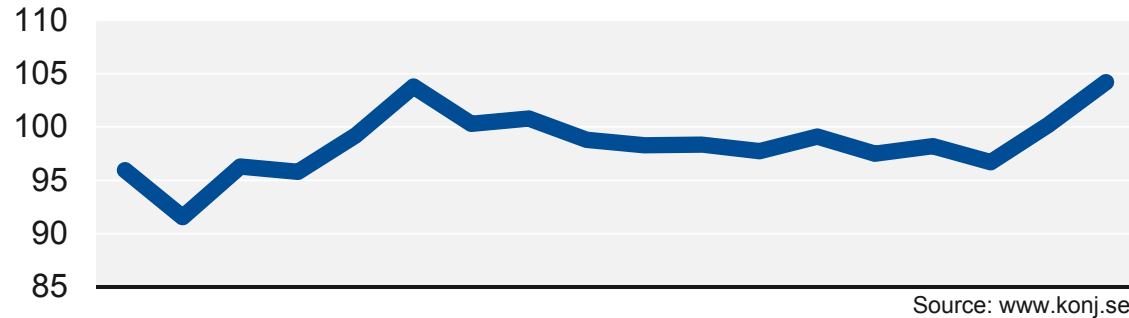


Sweden

Stable retail market

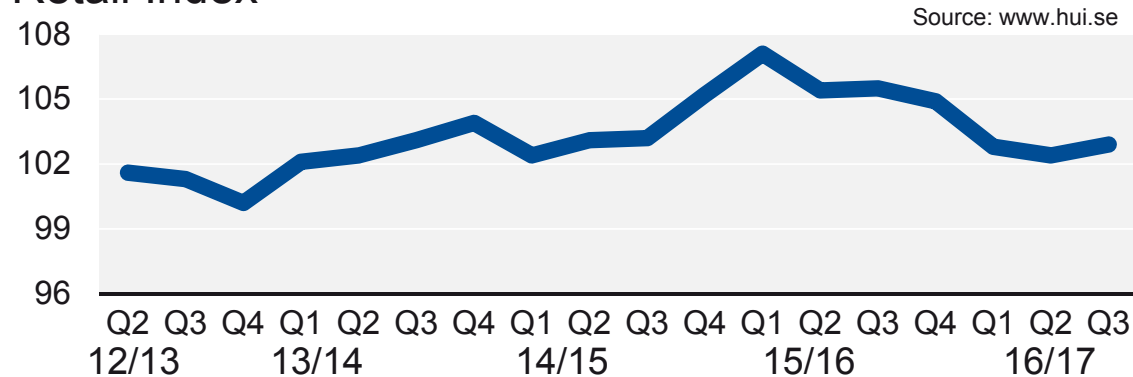


Consumer Confidence



- Strengthened consumer confidence
- Slight slow down in retail growth

Retail Index



Solid position

- A stable development over the quarter with 4% sales growth
- Strong growth up to Christmas followed by a softer period post new year
- Total 86 stores (84)
 - No new stores during Q3
 - 2 additional stores net compared to preceding Q3

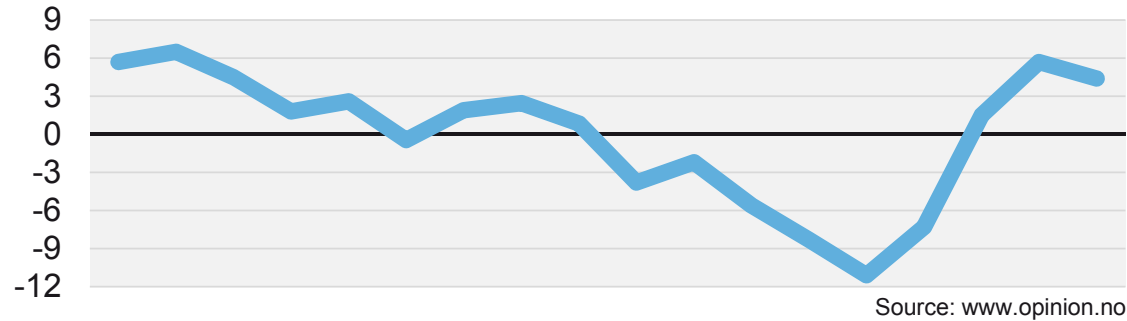


Norway

Stable retail market

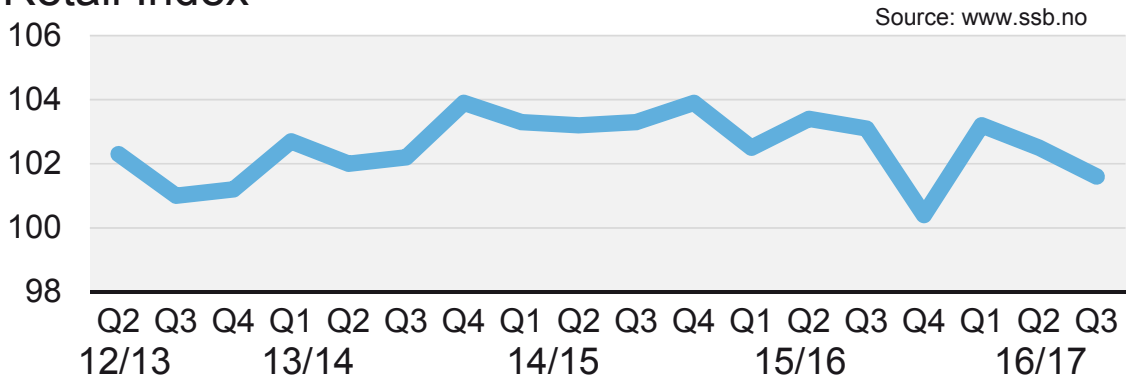


Consumer Confidence



- Consumer confidence recovery
- Total retail growth fairly flat

Retail Index



Strong performance

- With sales growth of 7% in local currency we continue to strengthen our position
- Strong growth up to Christmas followed by a softer period post new year
- Total 77 stores (73)
 - 1 new store during Q3
 - 4 additional stores net compared to preceding Q3

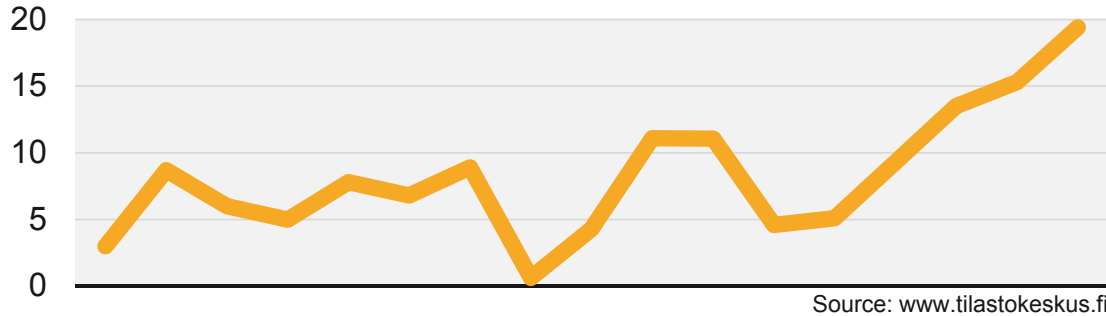


Finland

Slight retail market recovery

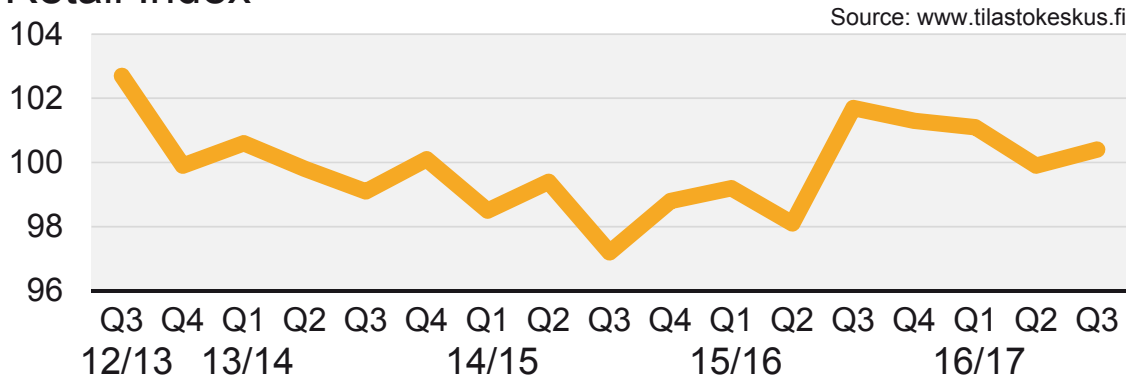


Consumer Confidence



- Consumer confidence increase
- Positive signals in a challenging retail market

Retail Index



Strengthened position

- With 6% growth in local currency in a challenging market, we keep strengthening our position
- Optimise store network and build up of brand understanding key drivers
- Total 36 stores (34)
 - 2 new stores during Q3
 - 2 additional stores net compared to preceding Q3



High activity in new markets

- First phase in German launch completed
 - 3 stores and e-com in Hamburg
- Continued UK optimization
 - Focus on London cluster remains
 - Positive trends in new format stores
- Next step in franchise development
 - Opening 2nd store in Dubai
- Total 14 stores (14)
 - 2 new stores during Q3
 - No additional stores net compared to preceding Q3



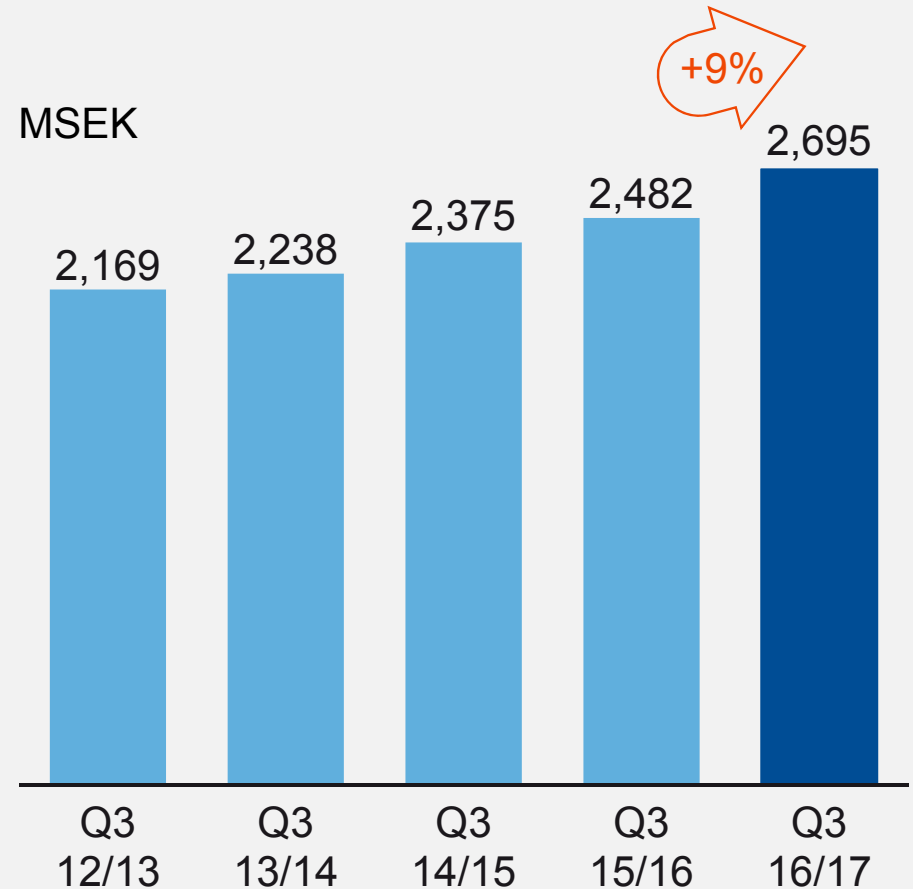


Financial development Q3 2016/17

Strong sales development

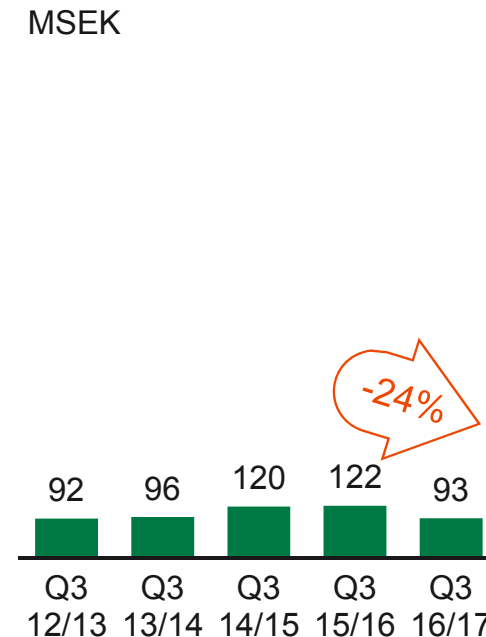
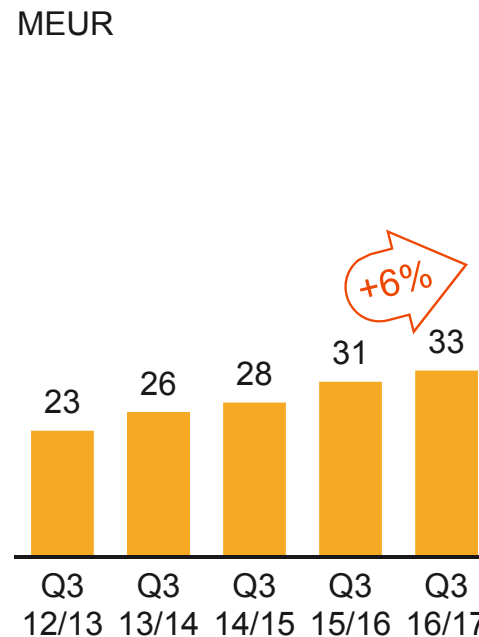
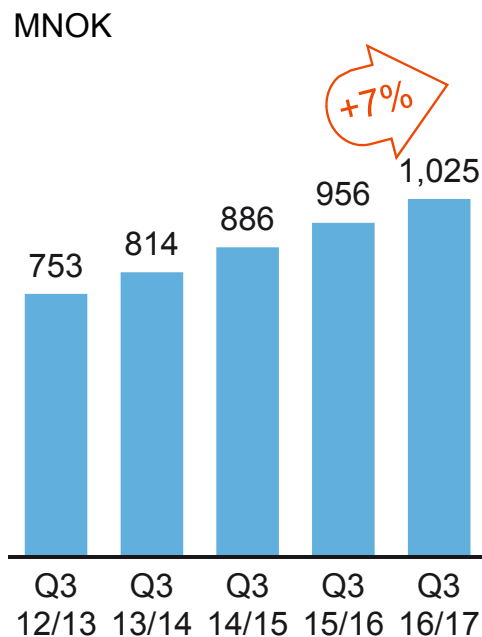
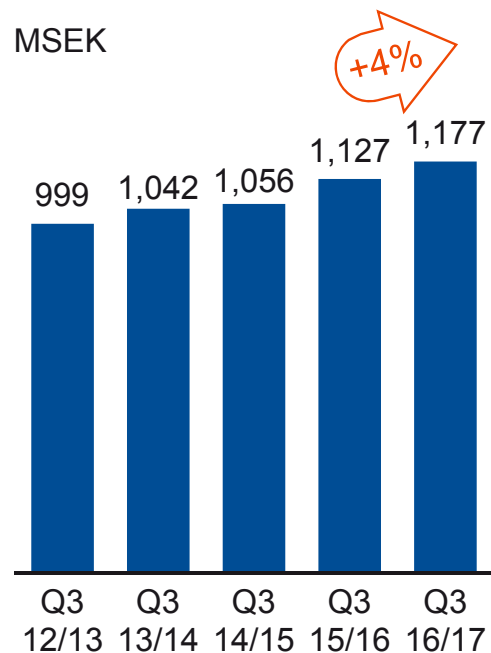
- Sales 2,695 MSEK, up 9%
 - Sweden +4%
 - Norway +17%
 - Finland +11%
 - Outside Nordic countries -24%*
- Sales up 5% in local currencies
- LFL sales up 3%
- 8 additional stores net compared to end of period last year (9)

*Effected by store optimization in the UK



Strong sales increase in home markets

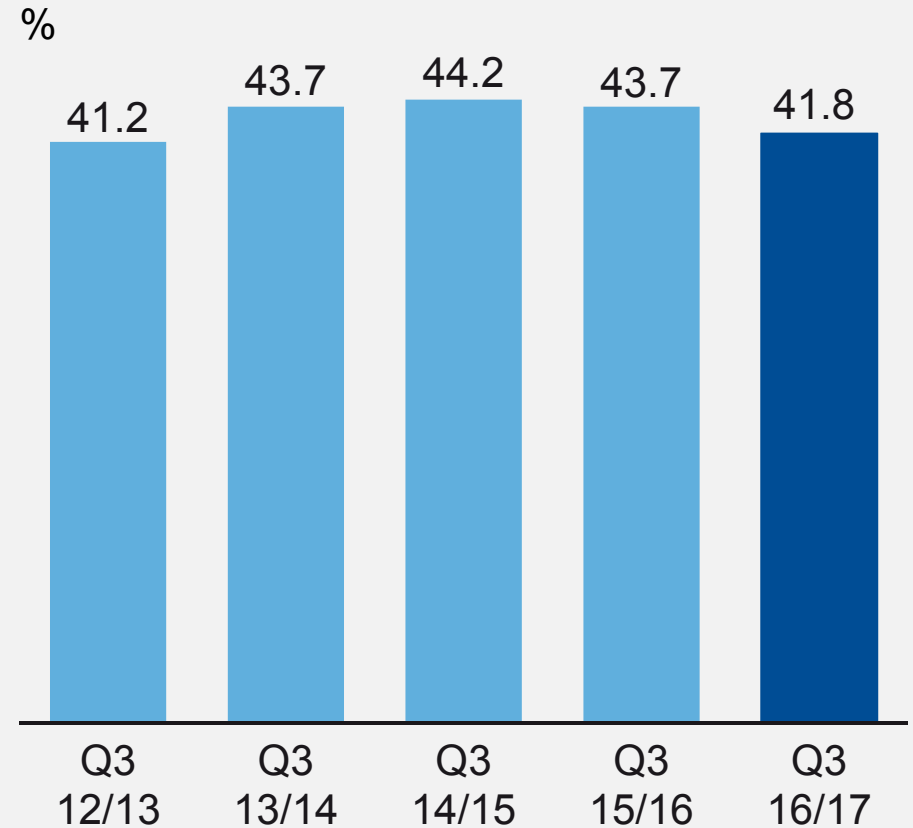
- Sweden
- Norway
- Finland
- Outside Nordic countries



*Effected by store optimization in UK

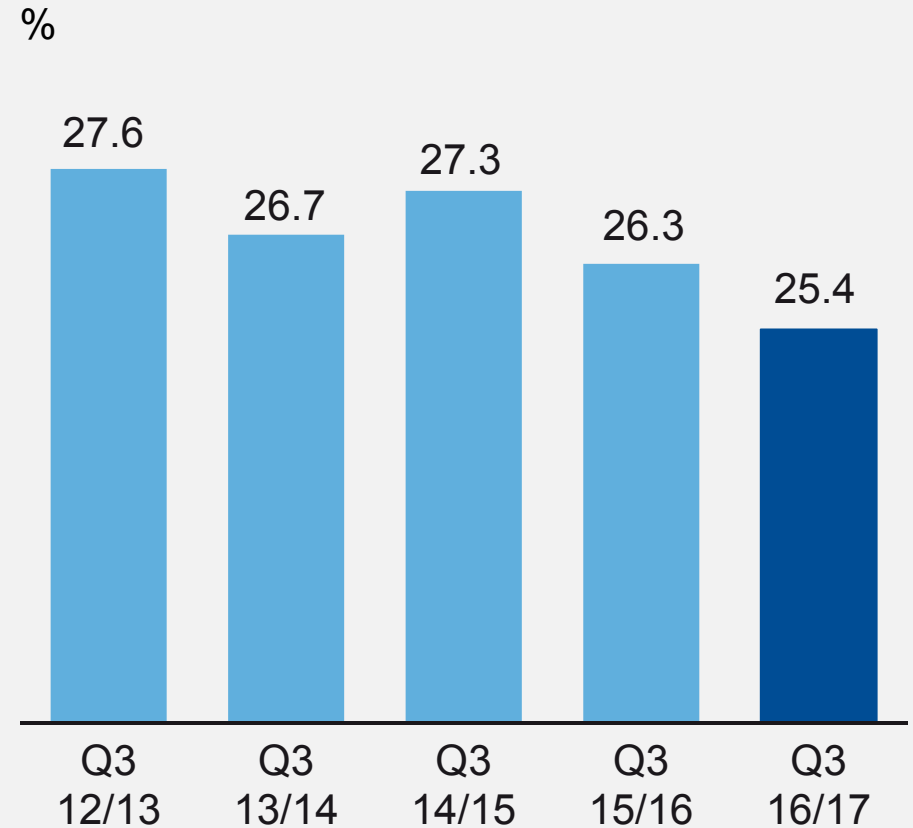
Gross margin still under pressure

- Gross margin down 1.9 percentage points to 41.8%
 - Negatively effected by currency hedging NOK



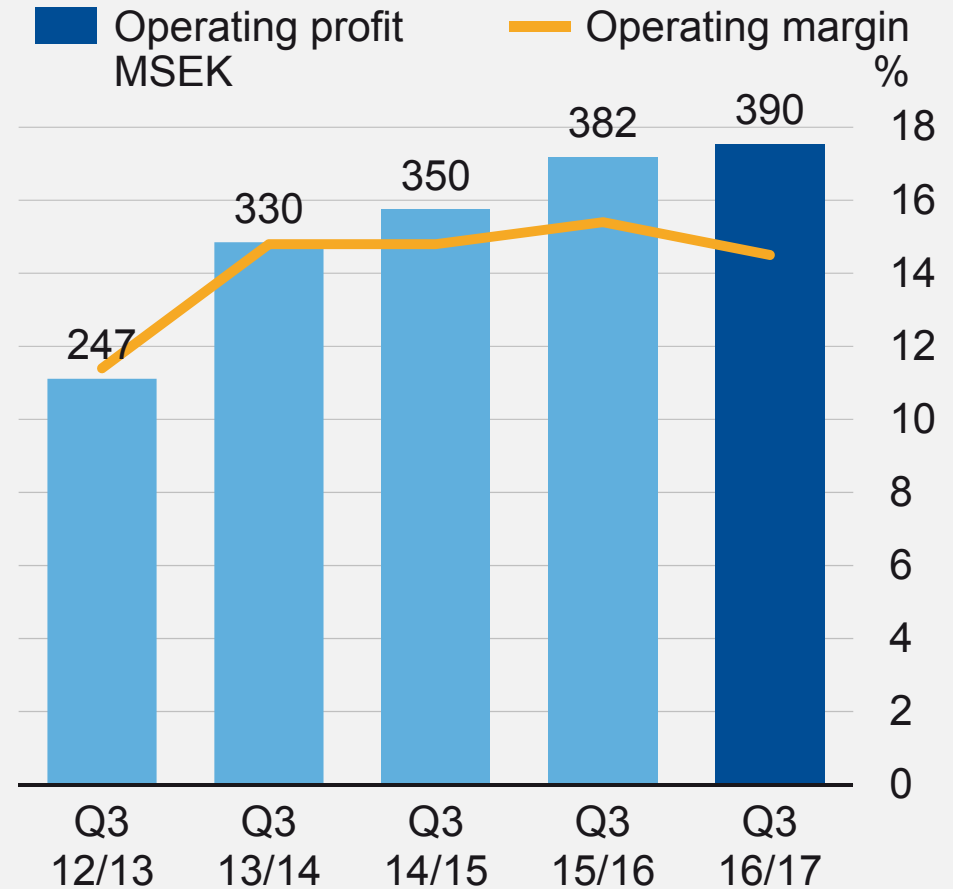
Improved cost efficiency

- Share of selling expenses 25.4%, down 0.9 p.p. in the quarter
 - + Lower cost in UK
 - Partly offset by costs for establishment in Germany



Record profit

- Operating profit amounted to 390 MSEK
- Operating margin amounted to 14.5%
- Earnings per share 4.84 SEK
 - Positively affected by recalculated tax in Norway, 4.5 MSEK





1715 1714 1713
knoppar, krokar och beslag

1706 1705
målning

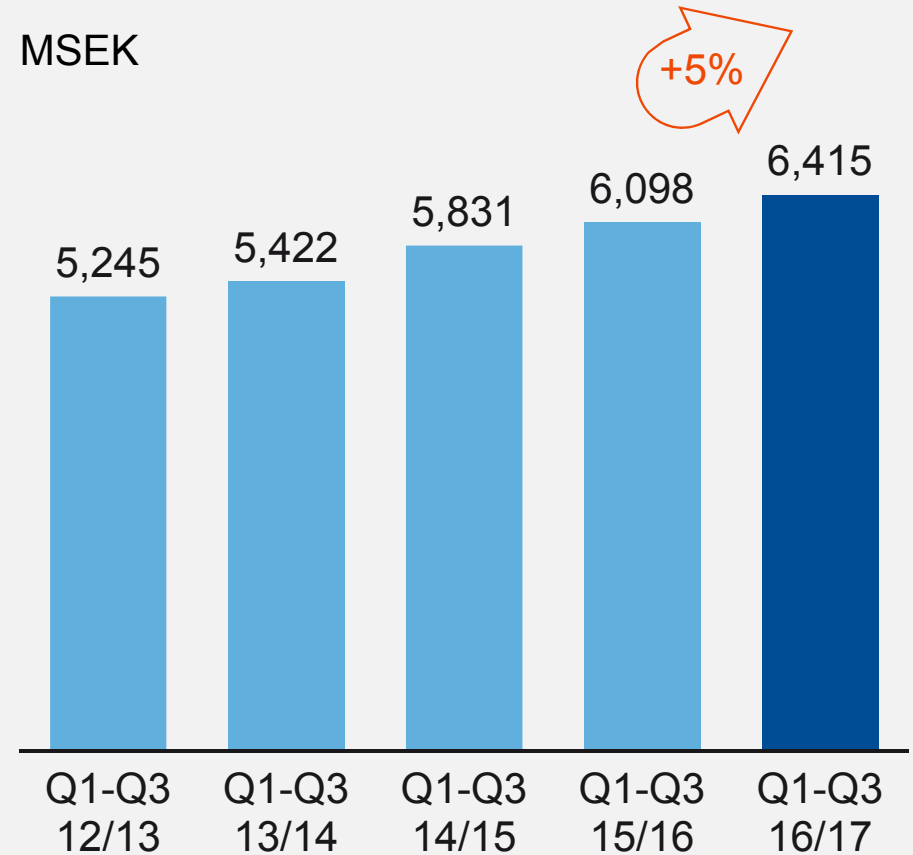
Financial development
Q1-Q3 2016/17

↓
Pris: 29,-

119,-

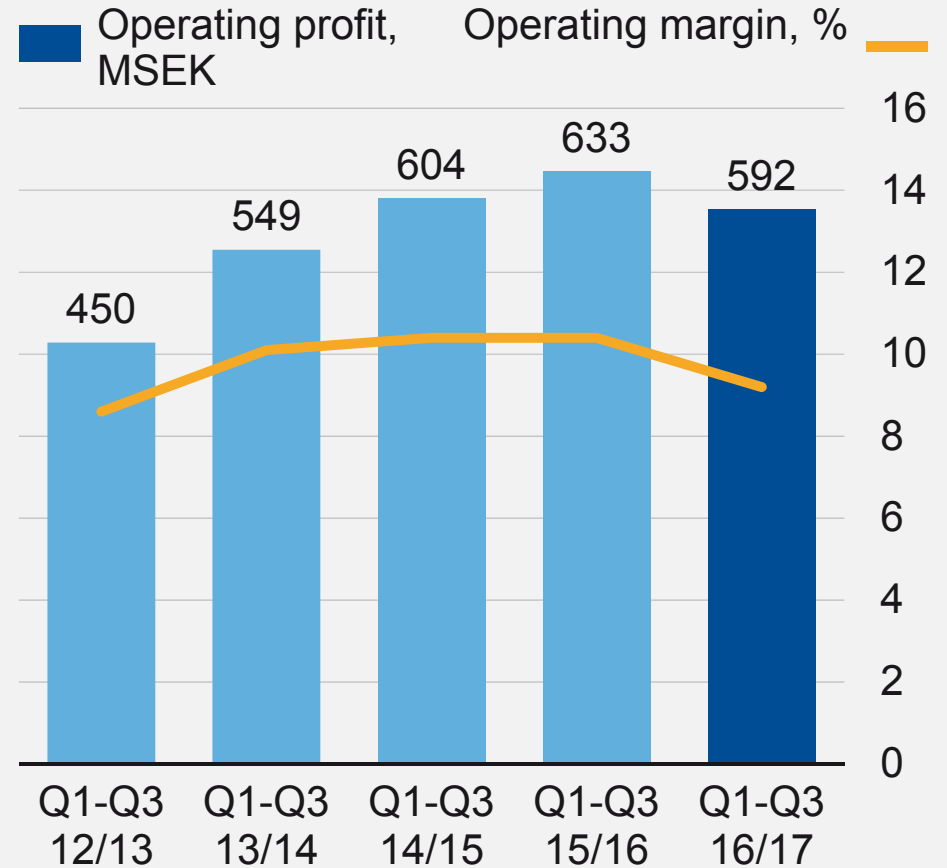
Solid sales development

- Sales 6,415 MSEK, up 5%
- Sales up 4% in local currencies
- LFL sales up 2%
- 8 additional stores net compared to end of period last year (9)



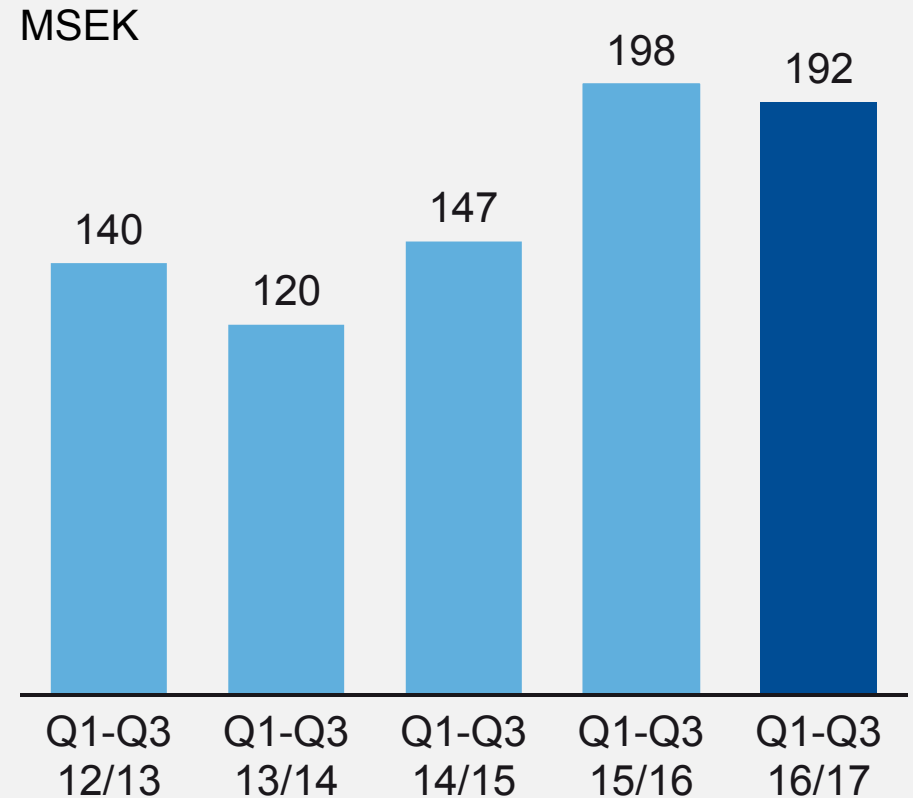
Profit effected by currency

- Operating profit 592 MSEK
- Effected by
 - Negative currency hedging
 - Costs for establishment in Germany
 - Lower cost in the UK
- Operating margin 9.2%
- Earnings per share 7.28 SEK



Continued investments

- Total investments 192 MSEK (198)
- New stores and refurbishments 91 MSEK (58)
- IT-systems 78 MSEK (100)



Continued strong financial position

- Cash flow from operating activities was 763 MSEK (908)
 - Inventory 1,617 MSEK (1,540)
 - Inventory turnover rate DC 6.5 (6.5)
- Cash flow after investments and financing activities of 145 MSEK (352)
- Net cash holdings of 753 MSEK (861)



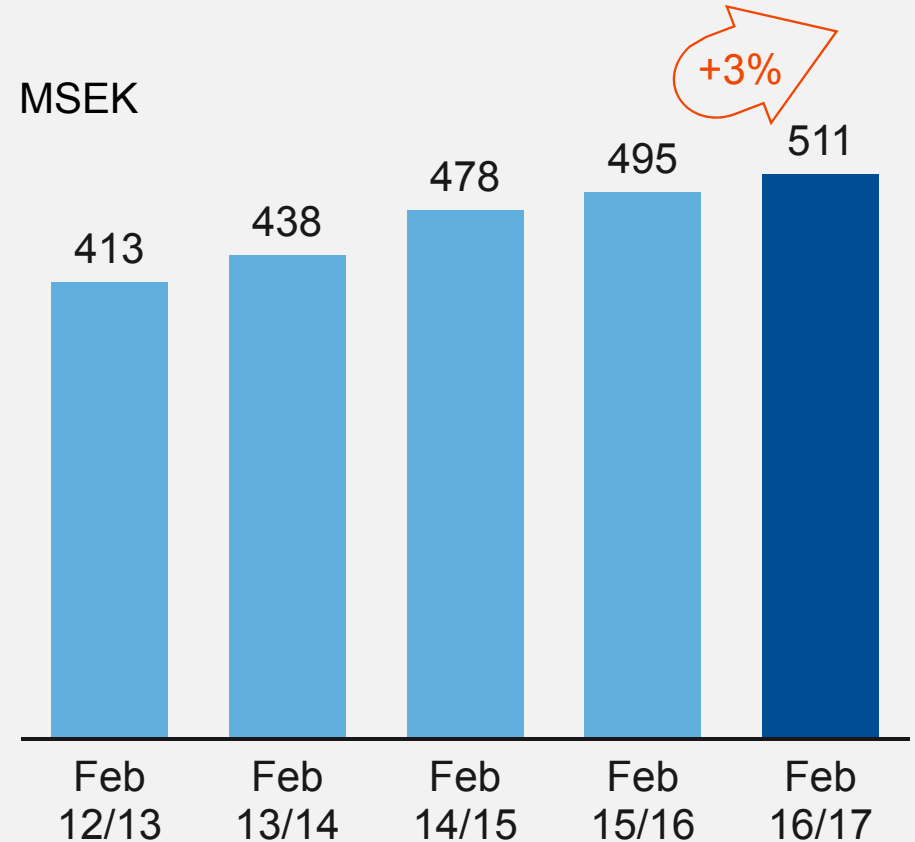
Financial development
February 2016/17



February sales

- Sales 511 MSEK, up 3%
 - Negative calendar effect of approximately 4%
- Sales unchanged in local currencies
 - Sweden -1%
 - Norway 1%
 - Finland 10%
 - Outside Nordic countries -15%*
- 9 additional stores net compared to end of February last year (8)

*Effected by store optimization in the UK





Strategic outlook

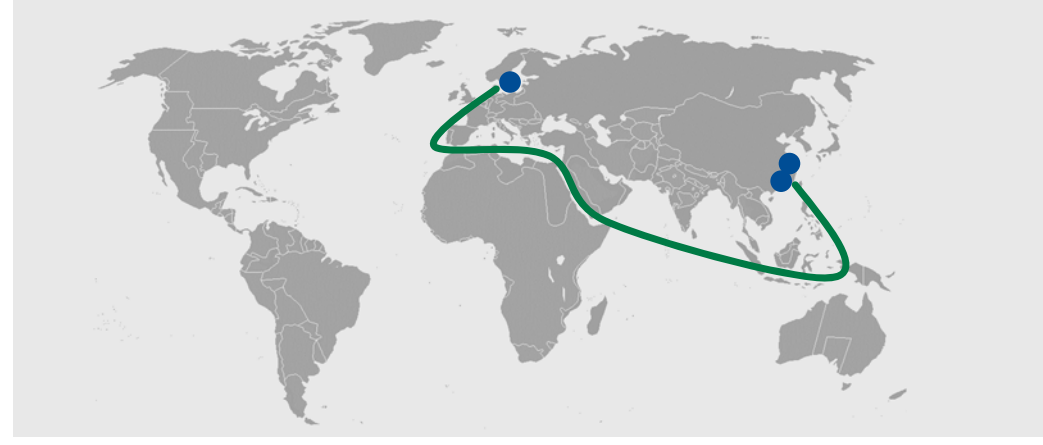
Keep developing unique category mix

- Identifying “tomorrows practical solutions”
- Developing and expanding own brands portfolio, 30% of sales
 - Strengthen our identity and position
- Introducing spring range with many news
 - Focus on gardening tools
 - Solar cell range
- Launching new product categories
 - Workwear range
 - Pets accessories



Increasing supply efficiency

- Increasing share of direct sourcing in Asia
 - Stronger presence in dynamic sourcing market
- Improving transportation efficiency
 - Developing consolidation points
- Keep improving warehouse and distribution productivity to support expansion



Taking steps in sustainability agenda

- Growing share of a spare parts offering
- Testing new rental concept
”Rent at Clas Ohlson”
- Focusing on sustainable transportation reducing carbon dioxide footprint
 - Railway replacing road

from here
to
sustainability

Hyr hos Clas Ohlson

Kvalitetsverktyg
& fixarfavoriter

från
29:-/dygn



Continuing omni channel focus

Store format



Catalogue/Call centre



Online/digital



Loyalty programme and CRM

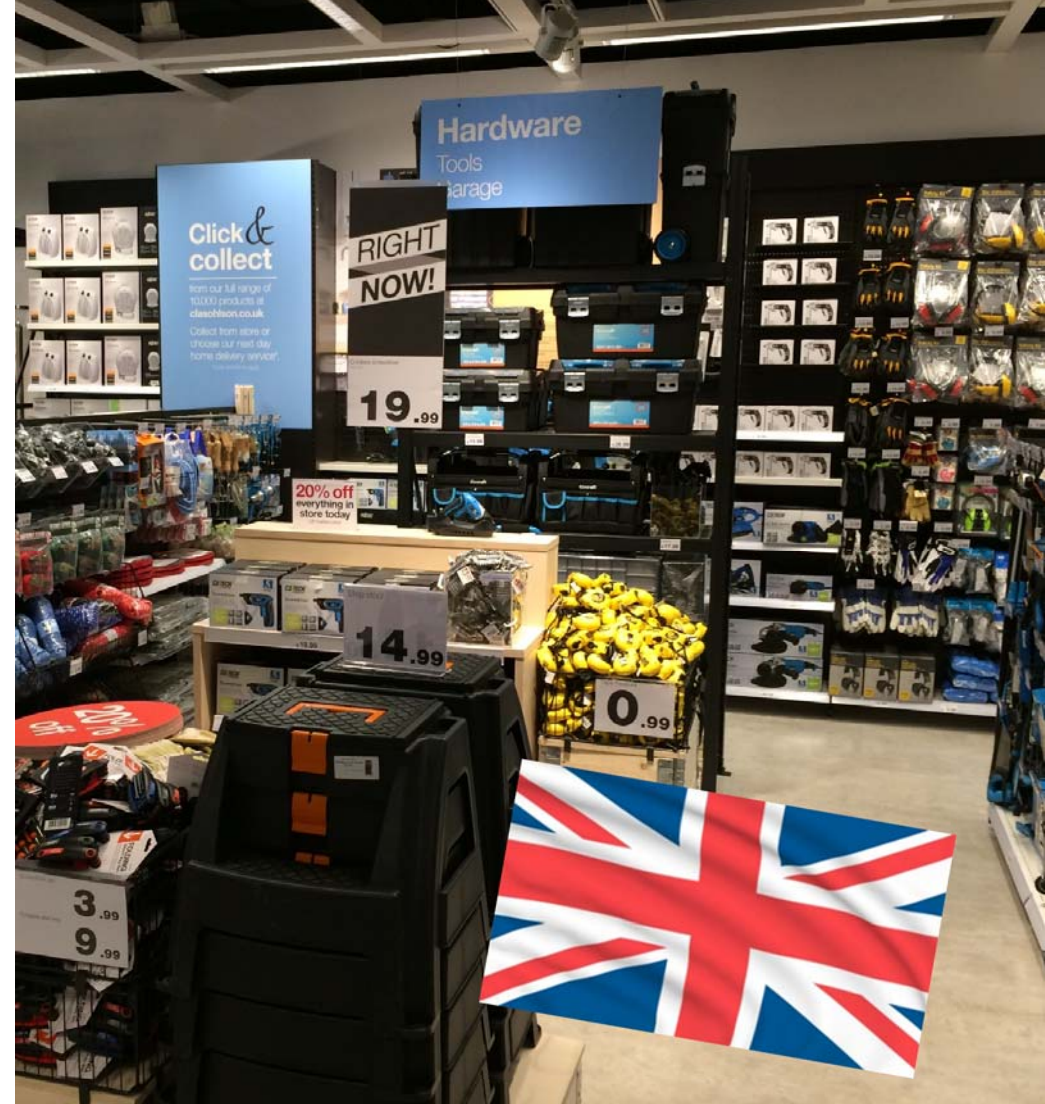


Social media



Optimizing UK network

- London cluster strategy
 - Concentrate on our store network in London area
 - New smaller format with positive development
- Store closures
 - Watford closed in February
 - Newcastle to close in March
 - Croydon date to be confirmed
- Revised plan
 - 6 stores to close in 2016/17 (original plan 7)
 - Closure Croydon store still pending
 - Excluding Croydon estimated savings 60 MSEK 2017/18 (original plan 70 MSEK)



Strengthen German position

- First phase completed
 - 3 stores and e-com in Hamburg
 - Strong diverse platform
- Showing a promising start
 - Solid ATV and conversion rate
 - In-depth shopping of our range offer
 - Private label highly appreciated
- Keep build up of brand and strengthening position



Successfully implementing new business system

- Scalable platform for future growth
- Improved capabilities in a number of areas
 - Inventory planning
 - Warehouse and transportation system
 - Omni channel (customer data, e-com etc.)
- Estimated investment of 145 MSEK annually during the remaining two-year period



Increasing new stores target

2016/17

Planned
new stores net
3-8

Actual
new stores
11

2017/18

Planned
new stores net
10-15



Summary

- Strong sales growth
- Record profits despite currency impact
- High energy for future growth



Questions & Answers

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