



clas  
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## Q4 Report 2016/17

8 June 2017

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Acting President & CEO

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CFO



## Agenda

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



## Business overview

# Fourth quarter highlights

- Solid sales improvement with 5% growth, 2% growth in local currency
  - Soft spring and calendar effects of -2% impacting sales growth
- Improved profit at 17 MSEK
  - Driven by improved gross margin and cost efficiency
- Closing the year at 610 MSEK, close to record level
- Further steps on our strategic agenda
  - Developing our customer offer
  - Strengthening position in Germany
  - Executing UK store optimisation programme

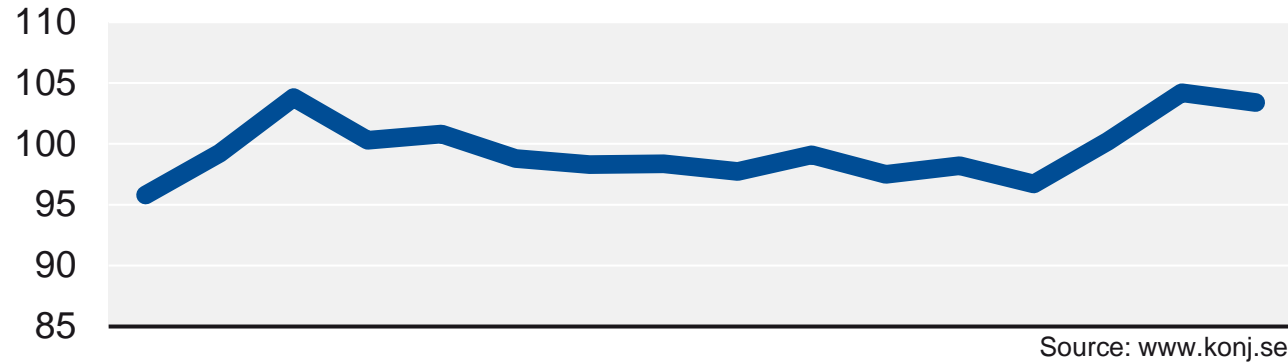


# Sweden

## Stable retail market

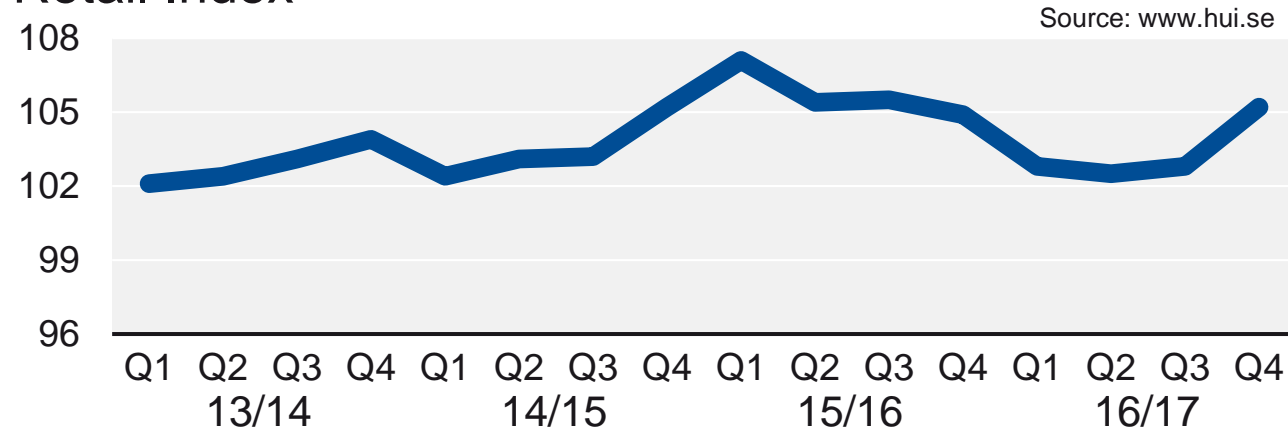


### Consumer Confidence



- Strengthened consumer confidence
- Strengthened retail growth
  - Large variations between sectors with soft development in our sectors

### Retail Index



# Solid position

- Soft sales development over the quarter with 1% sales growth
- Broadening of our service offer
  - Installation service of robotic lawnmower
- Total 87 stores (85)
  - 1 new store during Q4
  - 2 additional stores net compared to preceding Q4

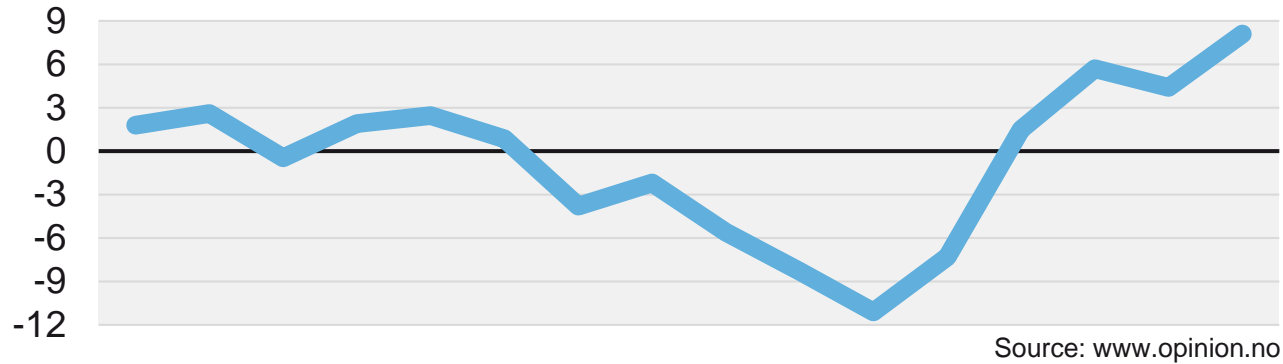


# Norway

## Stable retail market

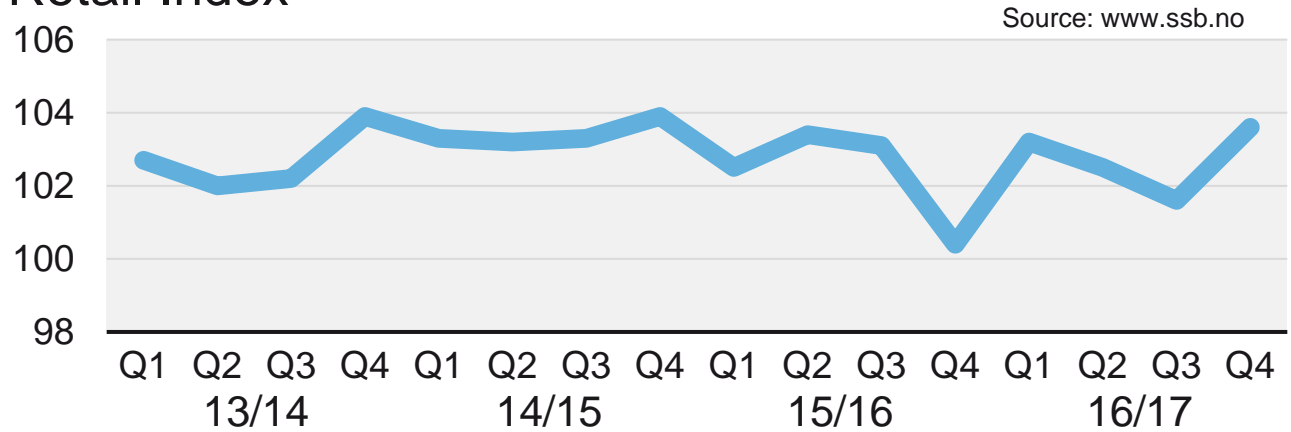


### Consumer Confidence



- Strengthened consumer confidence
- Total retail growth fairly flat

### Retail Index



# Steady performance

- Stable sales development in the quarter with sales growth of 4% in local currency
- Implementing new store formats
  - First Clas Ohlson Compact Store opened
- Total 80 stores (72)
  - 3 new stores during Q4
  - 8 additional stores net compared to preceding Q4



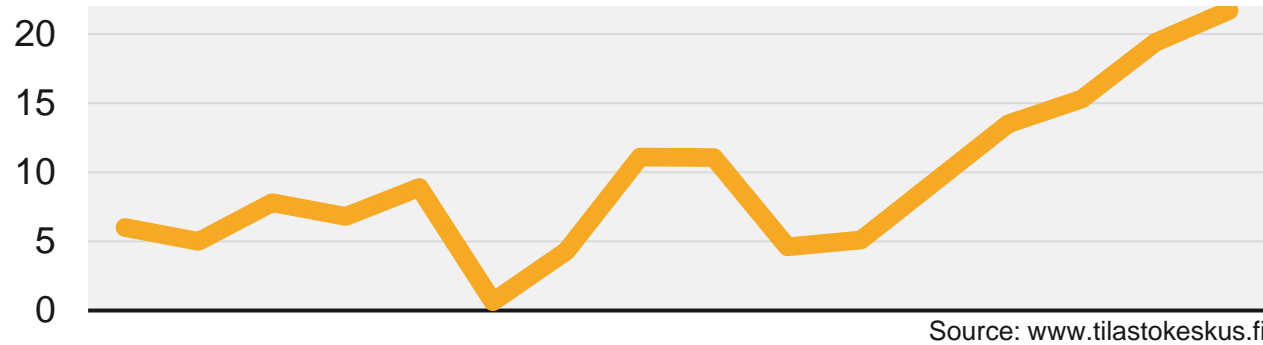


# Finland

## Slight recovery in retail market

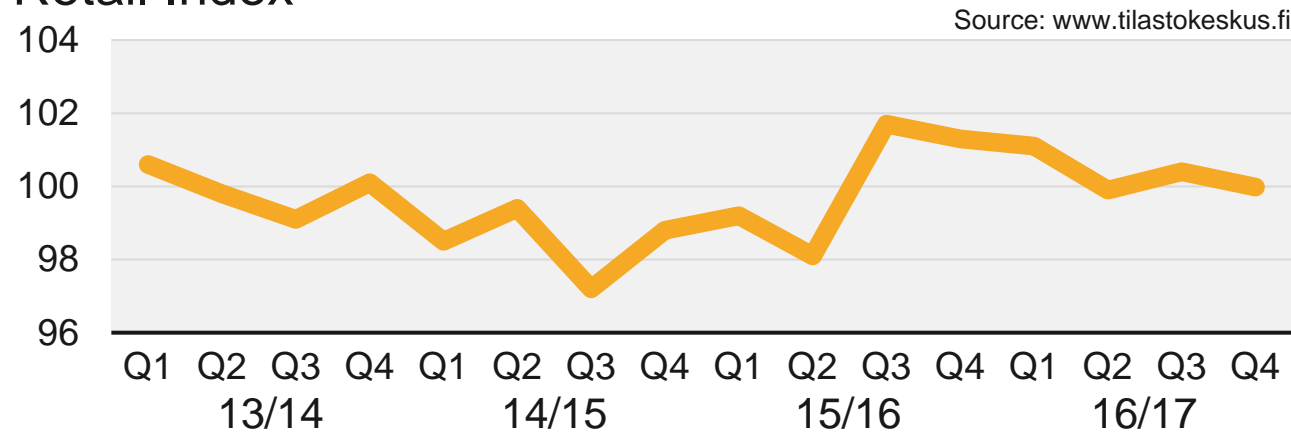


### Consumer Confidence



- Increased consumer confidence, not fully reflected in the market
- Challenging retail market

### Retail Index



# Strong position

- Sales growth of 8% in local currency in a challenging market
- We keep strengthening our position and optimising our store network
- Total 37 stores (34)
  - 1 new store during Q4
  - 3 additional stores net compared to preceding Q4



# High activity in new markets

- High energy in our Hamburg agenda
  - Positive customer feedback
  - Keep build up of brand and strengthening position
- Executing UK store optimisation programme
  - Closure of 2 stores according to plan
  - Continued focus on London cluster
  - Continued positive trend in new format stores
- Total 12 stores (14)
  - No new stores during Q4
  - 2 less stores net compared to preceding Q4



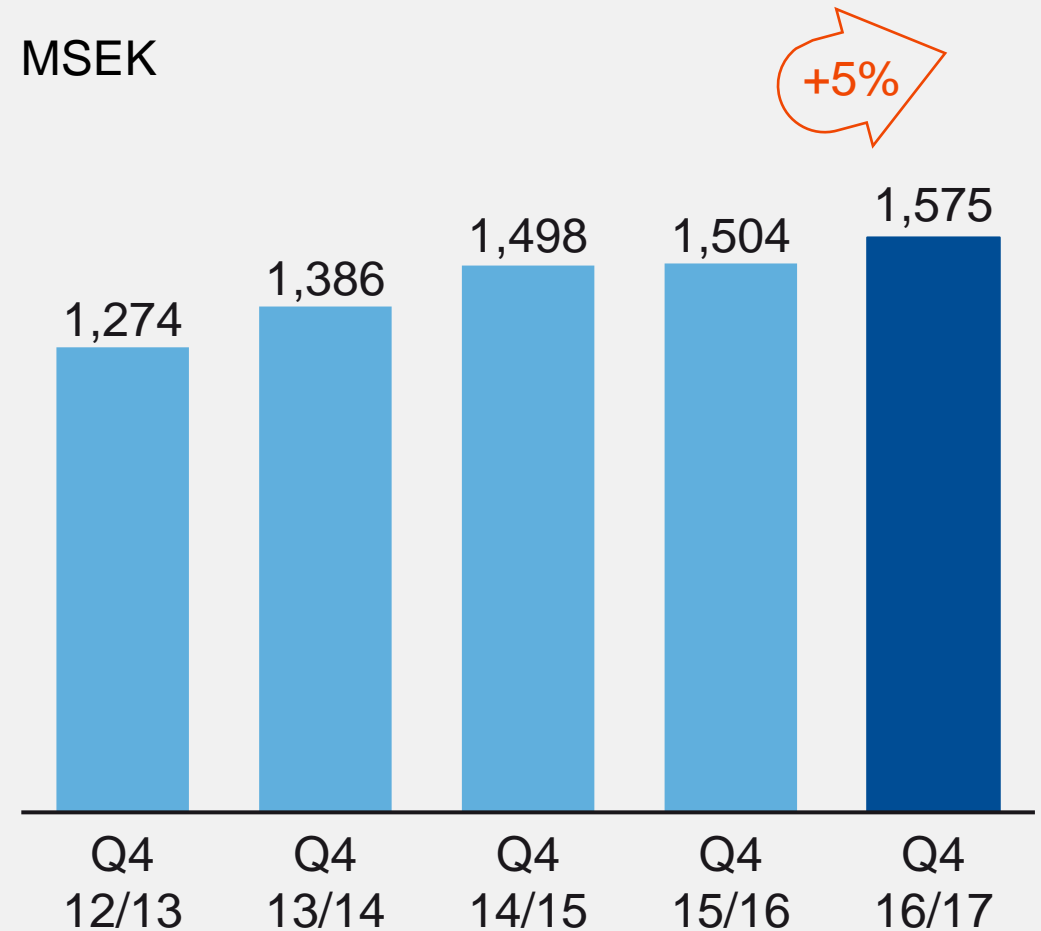


# Financial development Q4 2016/17

# Solid sales improvement

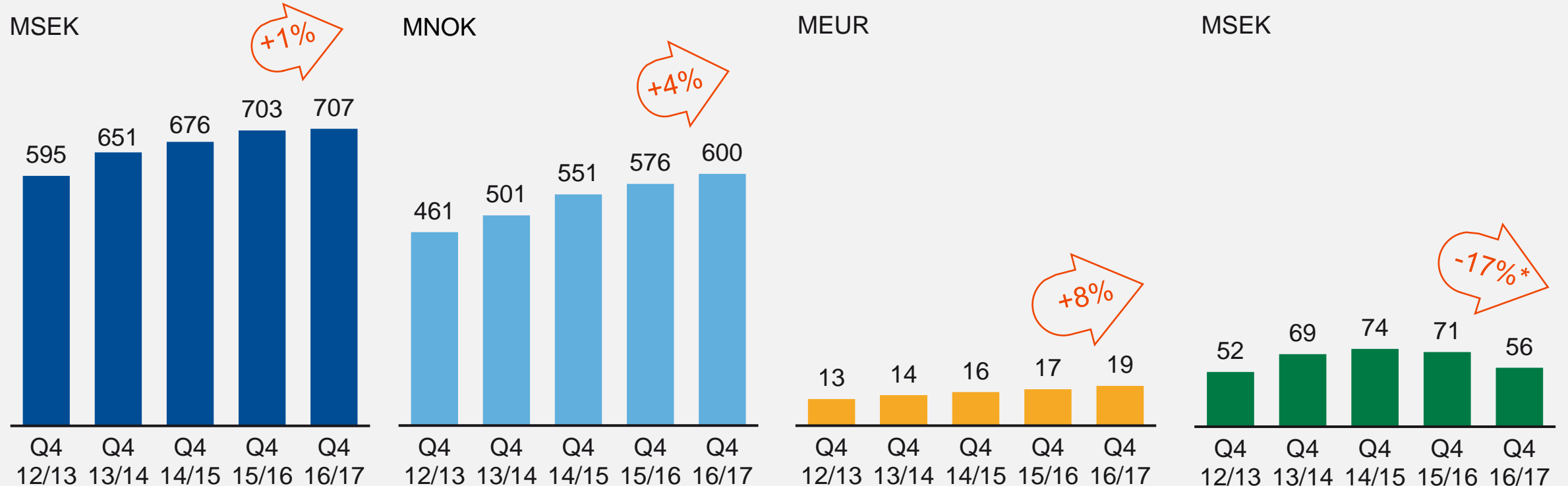
- Sales 1 575 MSEK, up 5%
  - Sweden +1%
  - Norway +11%
  - Finland +11%
  - Outside Nordic countries -21%\*
- Sales up 2% in local currencies
  - LFL down 1%
  - 2% negative calendar effect
- 11 additional stores net compared to end of period last year (7)

\*Effected by store optimisation in the UK



# Sales development per market

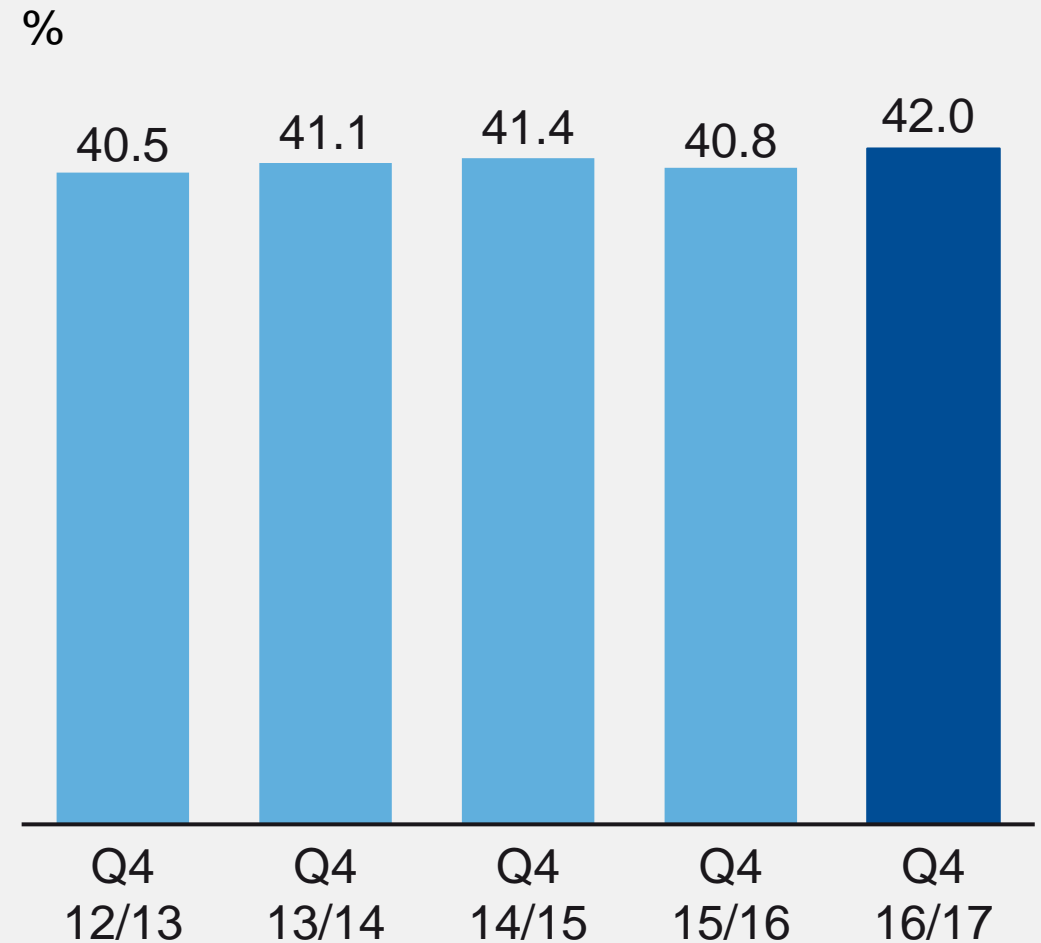
- Sweden
- Norway
- Finland
- Outside Nordic countries



\*Effected by store optimisation in UK

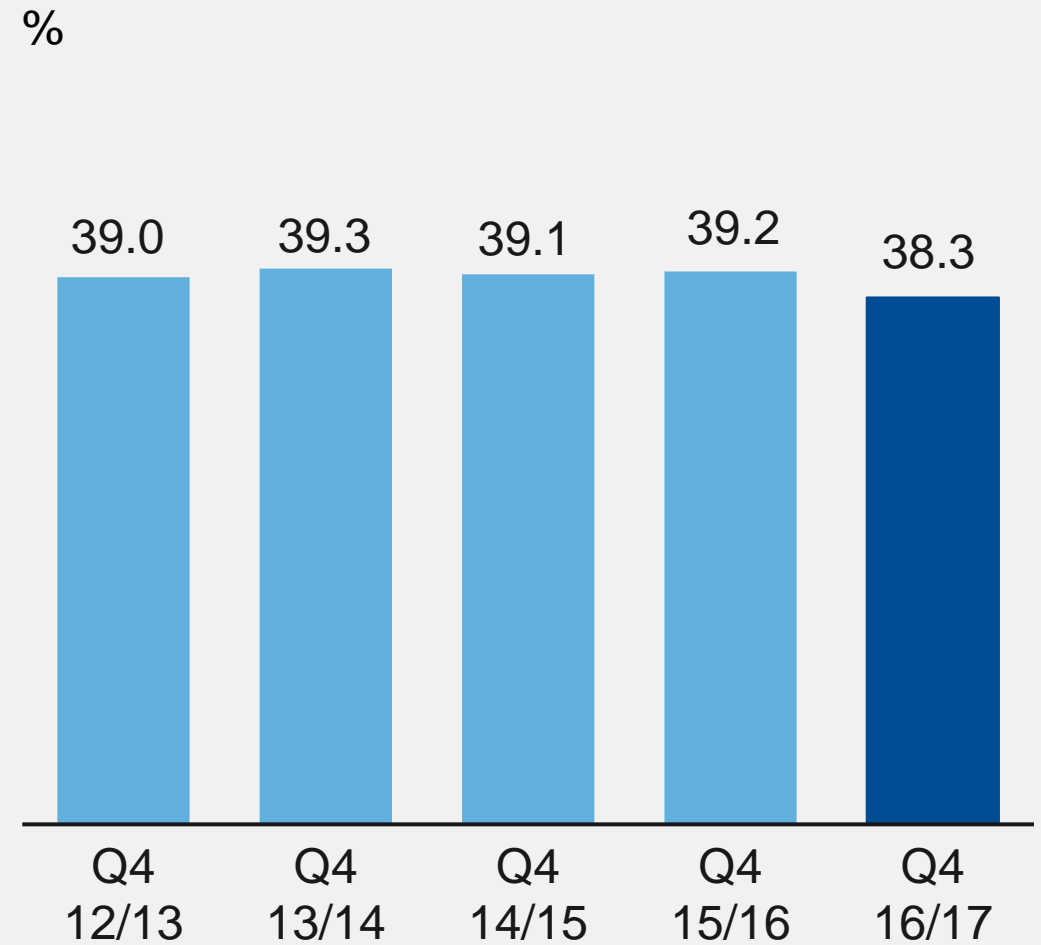
# Strengthened gross margin

- Gross margin up 1.2 percentage points to 42.0%
  - Positively effected by strengthened sales currency (NOK)
  - Positively effected by lower sourcing costs
  - Negatively effected by currency hedging (NOK)



# Improved cost efficiency

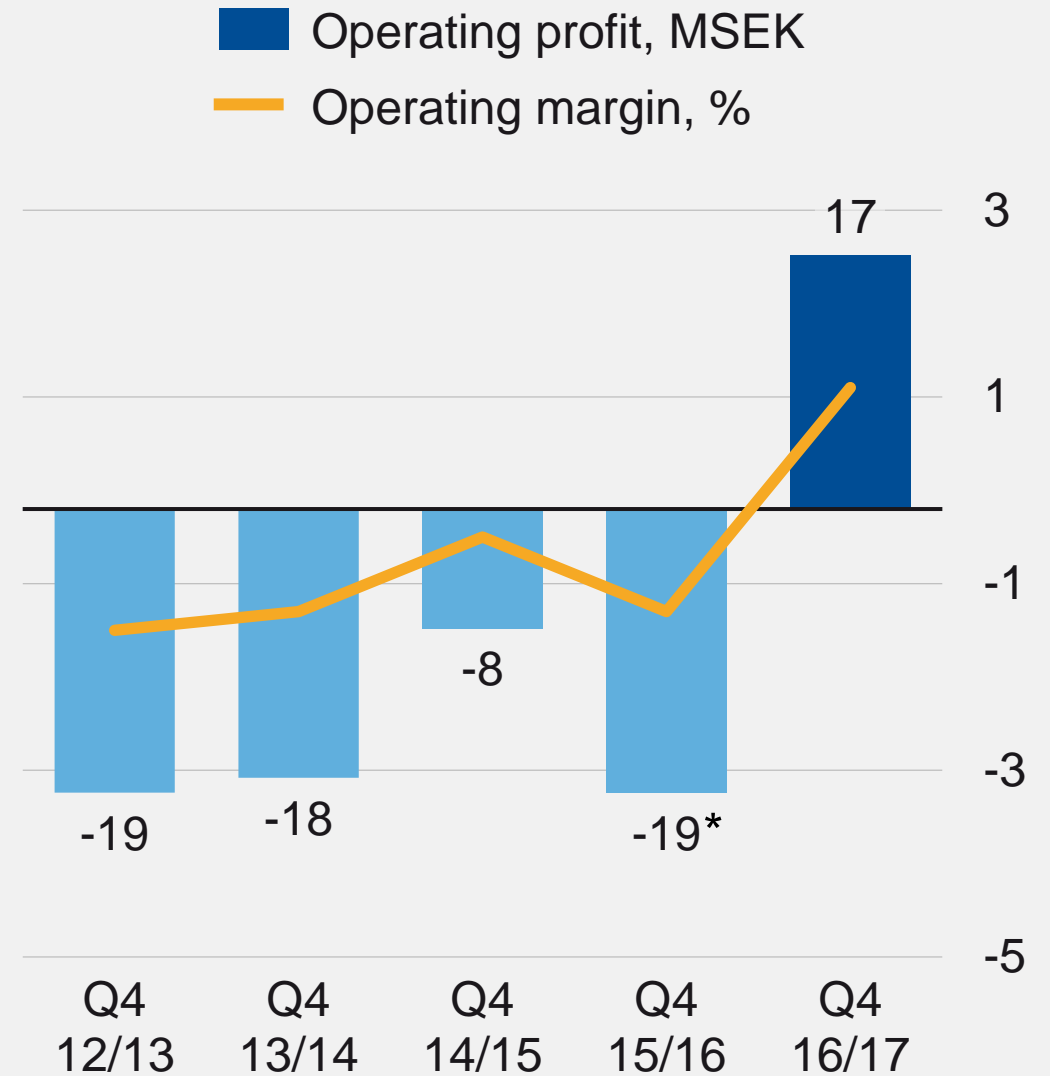
- Share of selling expenses 38.3%, down 0.9 p.p. in the quarter
  - Positively effected by lower costs in UK
  - Partly offset by costs for Germany





# Profitable fourth quarter

- Operating profit increased to 17 MSEK
- Operating margin increased to 1.1%
- Earnings per share increased to 0.31 SEK



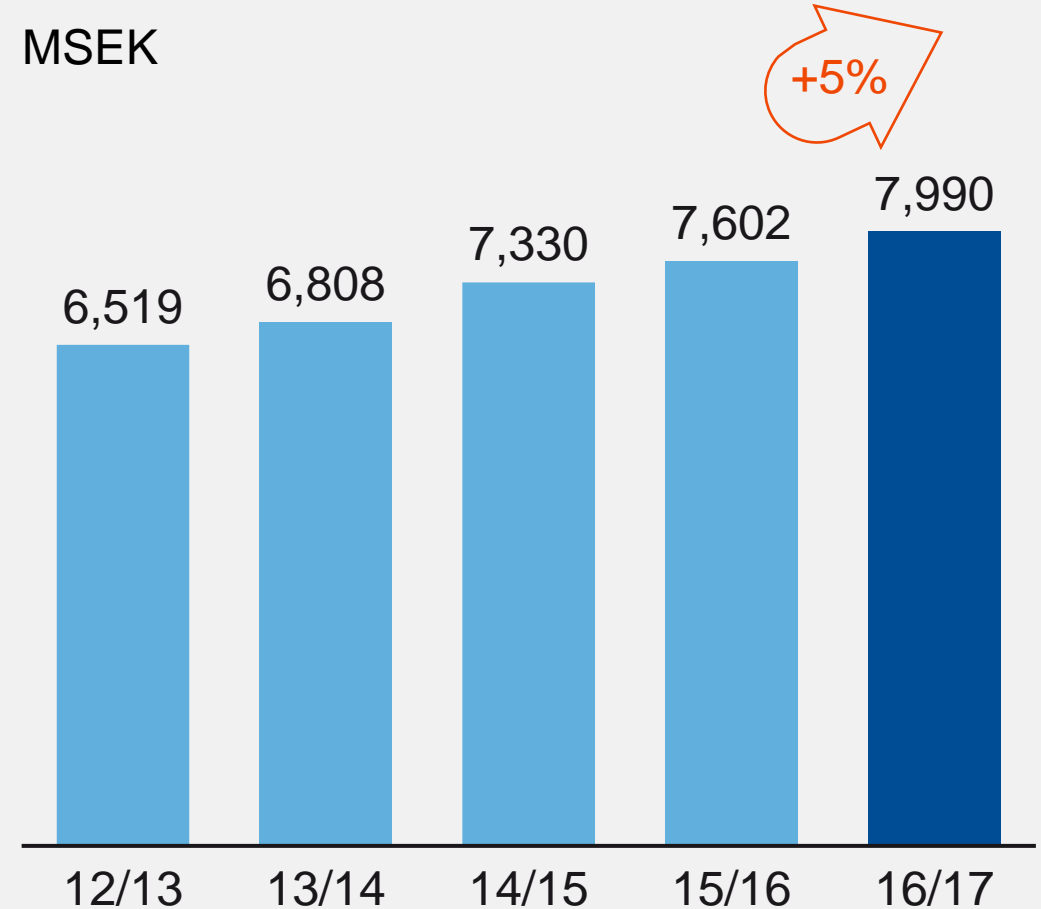
\* Excluding non-recurring cost of 107 MSEK



Financial development  
Financial year 2016/17

# Solid sales development

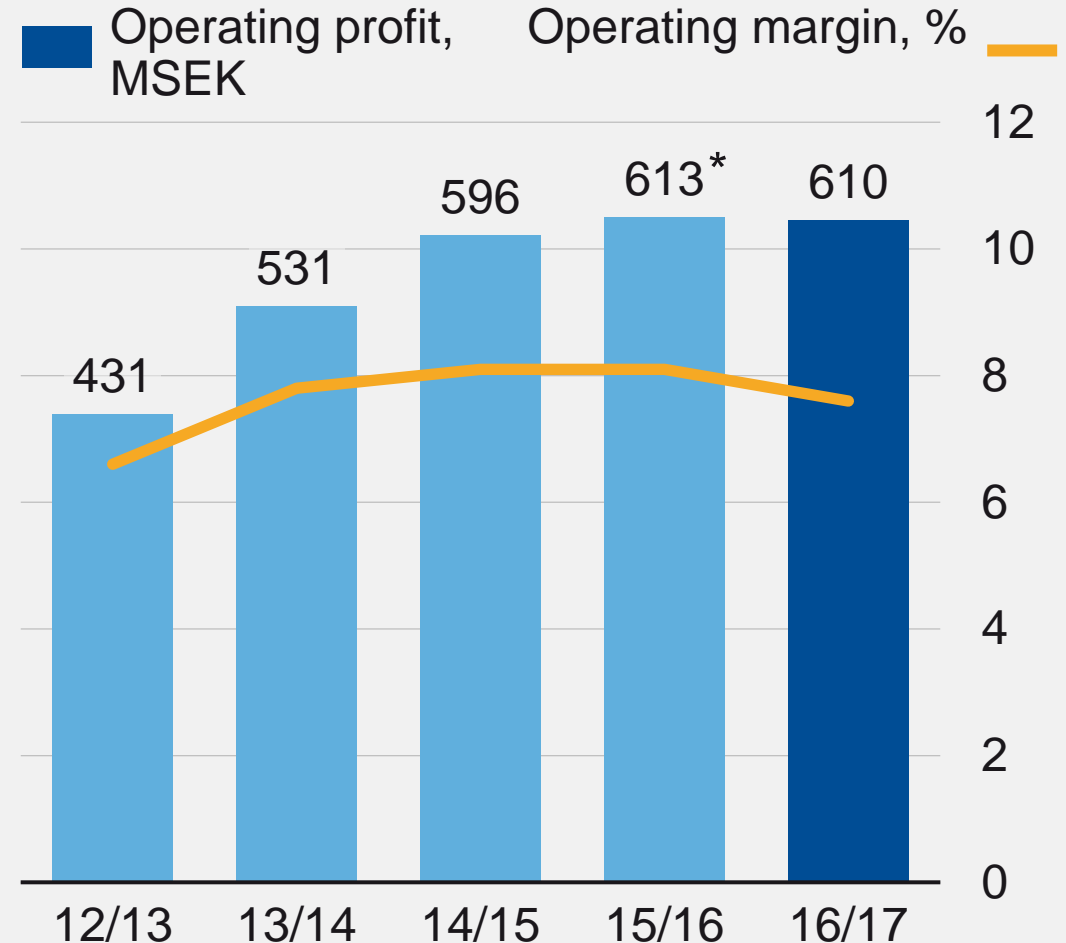
- Sales 7,990 MSEK, up 5%
- Sales up 4% in local currencies
- LFL sales up 1%
- 11 additional stores net compared to end of period last year (7)



# Profit at record levels

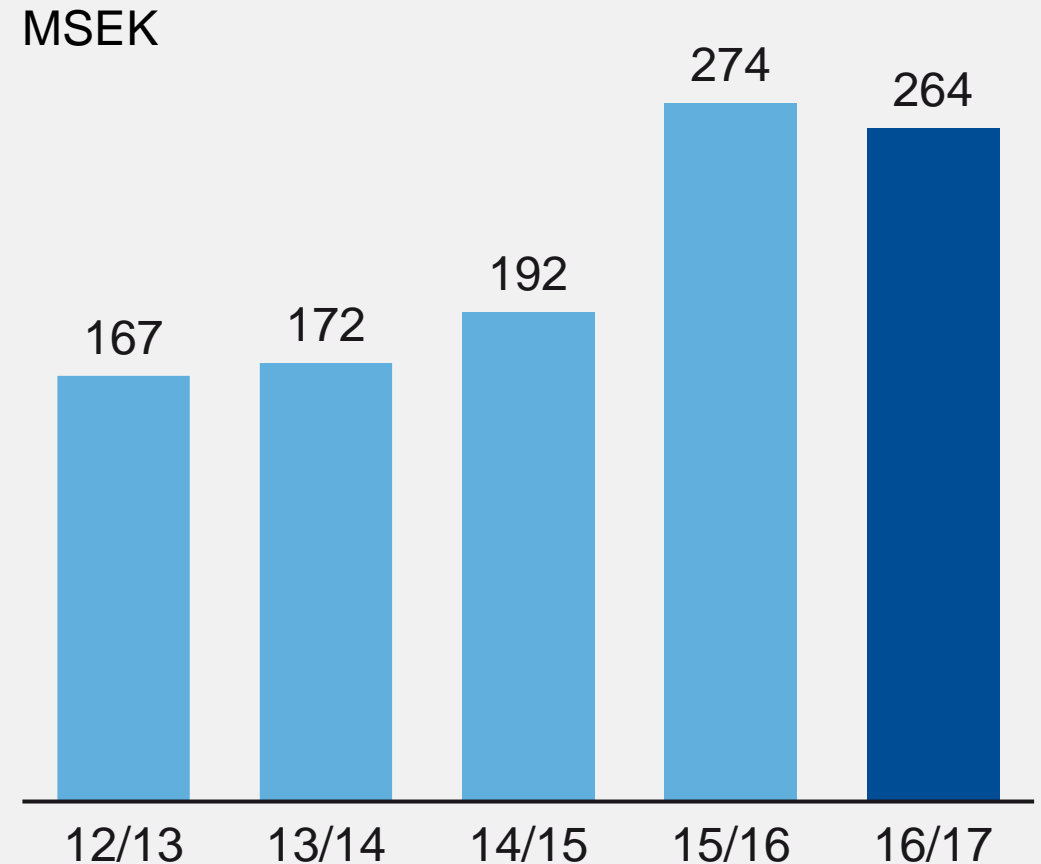
- Operating profit 610 MSEK
  - Negatively effected by currency hedging (NOK)
  - Positively effected by strengthened sales currency (NOK)
  - Positively effected by cost savings in the UK, amounting to 35 MSEK 2016/17
  - Partly offset by costs for Germany
- Operating margin 7.6%
- Earnings per share 7.59 SEK

\* Excluding non-recurring cost of 107 MSEK in Q4



# Continued investments

- Total investments 264 MSEK (274)
- New stores and refurbishments 128 MSEK (90)
- IT-systems 106 MSEK (133)
  - Implementation of new business system according to plan



# Continued strong financial position

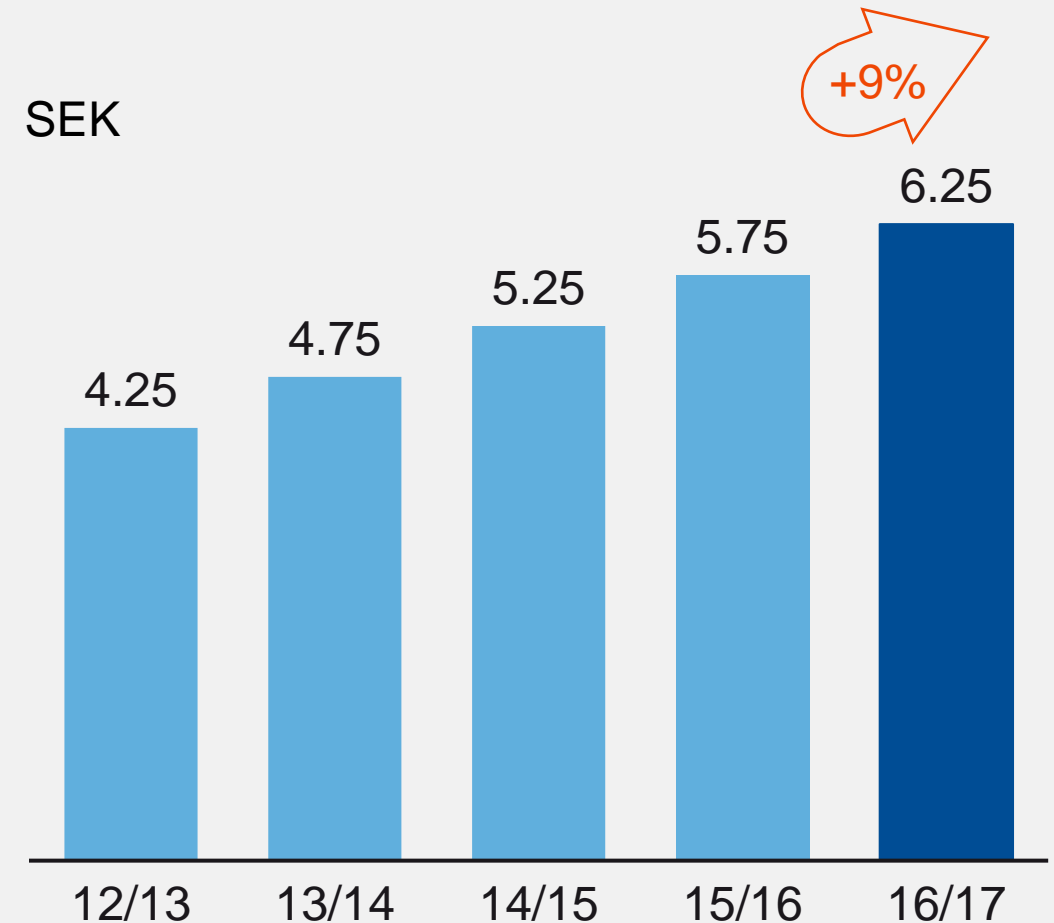
- Cash flow from operating activities was 699 MSEK (705)
  - Inventory 1,631 MSEK (1,639)
  - Inventory turnover rate DC 6.6 (6.5)
- Cash flow after investments and financing activities of 17 MSEK (95)
- Net cash holdings of 625 MSEK (604)



# Proposed dividend

- Proposed dividend 6.25 SEK per share (5.75)
- Equivalent to 86% (100) of net profit
- Inline with dividend policy

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



A photograph of a balcony at night, decorated with string lights, potted plants, a table with a coffee pot and cups, and a bar cart with a Marshall speaker. The balcony has a wooden deck and a black metal railing. The background shows a building with windows.

# Financial development

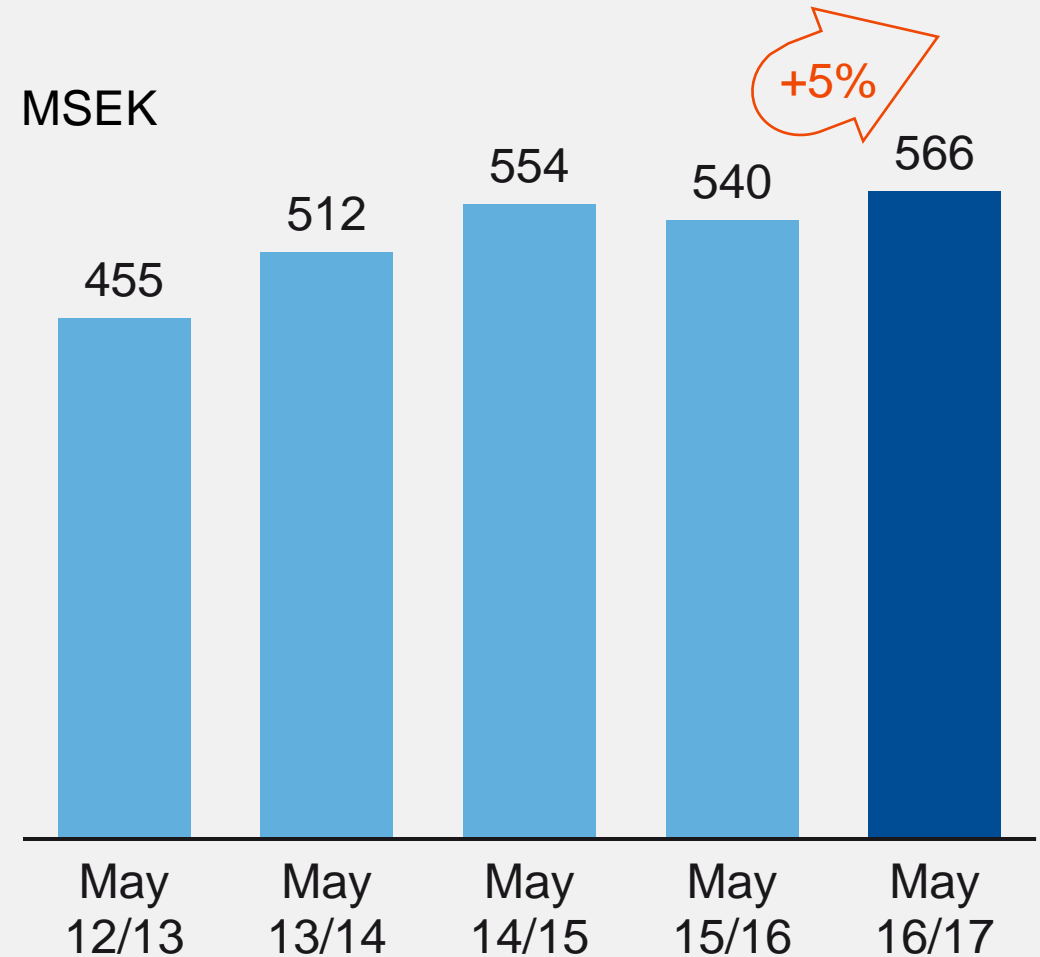
## May 2017/18



# May sales

- Sales 566 MSEK, up 5%
- Sales up 3% in local currencies
  - Sweden 2%
  - Norway 9%
  - Finland 9%
  - Outside Nordic countries -34%\*
- 10 additional stores net compared to end of May last year (9)

\*Effected by store optimisation in the UK





# Strategic outlook

# Keep strengthening our customer offer

- Developing and expanding own brands portfolio
  - Increased focus on design
  - Build up of competence and resource
- New range launches
  - Promising start of new workwear and solar cell range
  - New LED and lighting range to be launched
- Growing importance of complementing range with service offer, i.e. rentals, installations, spare parts



# Continued development of sales channels

- Developing integrated sales channels through the entire customer journey
- Optimising store formats and store network
  - Relevant offer with regards to location
  - Introducing Clas Ohlson Compact Store
- Upgrading e-com platform to improve speed and flexibility



# New steps in sustainability

- New sustainability goals adopted
  - Products for a more sustainable lifestyle is to represent at least 25 per cent of sales by 2020
  - Reduce emissions of CO<sub>2</sub> over time in relation to turnover
- Expanding range for more sustainable lifestyle
  - Clas Ohlson Product Innovation Challenge
- Initiatives to engage the public
  - Batterijakten (The Battery Hunt) changing attitudes and behaviour on recycling
  - 50,000 fourth grade students in Sweden and Norway

clas ohlson | Product Innovation Challenge



# New markets development

- United Kingdom - London cluster strategy
  - Keep commercial focus on brand, traffic and new store format
- Germany - First phase ongoing
  - Keep building brand and strengthening position
  - Complementing network with one more store in prime location
  - Total network 4 stores in Hamburg and e-com





## Summary

- Solid sales growth
- Profit at record levels
- Further steps on strategic agenda
- High energy for the future



# Questions & Answers



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