



100 YEARS OF **clas  
ohlson**

## Q1 Report 2018/19

5 September 2018

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President & CEO

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CFO



The logo for Clas Ohlson's 100th anniversary. It features the number '100' in a large, gold, sans-serif font. Below the '100' is the text 'YEARS OF' in a smaller, gold, sans-serif font. To the right of 'YEARS OF' is the word 'clas' in a white, lowercase, sans-serif font, and below it is the word 'ohlson' in a larger, white, lowercase, sans-serif font. The background is a blue sky with falling confetti in various colors including gold, red, purple, and white.

100  
YEARS OF clas  
ohlson

## Agenda

- Business update
- Financial development
- Events after reporting period
- Summary, going forward and Q&A



# BUSINESS UPDATE

# Q1 Healthy sales growth - Solid performance from underlying operations in a challenging market environment

- Solid sales growth
  - up 10% total, organic sales up 6% and LFL up 3%
- Online sales up 60%
- Proof of relevance in CO total offering in a tough market and challenging weather conditions
- Q1 underlying earnings amounted to 62 MSEK (100)
  - Lower EBIT reflecting challenging market conditions and commercial activities
  - Costs totalling 30 MSEK relating to non-recurring costs, action programme CO100+ and sCORE



# Retail in change

- Rapidly changing landscape
- Customer behaviour is changing
- Tough competition for share of customers' wallet
- Challenging the cost structure is key to profitable growth





# Action programme CO100+ introduced

- Strategy defined in CO100+ action programme

<i>Growth initiatives</i> – already communicated	<i>Cost savings initiatives</i> – estimated at approx. 200-250 MSEK	<i>Delivering on set financial targets</i>
<h3>Sales growth measures</h3> <ul style="list-style-type: none"><li>• Sales per customer increases</li><li>• Sales per square meter increases</li><li>• Sales online to double every other year</li></ul>	<h3>Cost savings measures</h3> <ul style="list-style-type: none"><li>• More efficient organisation</li><li>• More optimised assortment</li><li>• Indirect purchasing, sourcing and logistics more systematised</li></ul>	<ul style="list-style-type: none"><li>• Average annual sales growth of 5% during next five years</li><li>• Operating margin at 6-8% within next five years</li></ul>

- As previously communicated 1-2% of the underlying operating margin will be invested in sales growth and cost savings initiatives during 2018/19 and 2019/20
- sCORE implemented - an enabler for sales growth and efficiency measures

# Growth initiatives

CO100+

High pace in implementing strategic sales growth initiatives and increasing sales per sqm

- Click & Collect introduced in all our Nordic markets
- MatHem.se: From 800 to 2,000 products offered
- Over 50% of assortment is under optimisation
- Testing new store formats



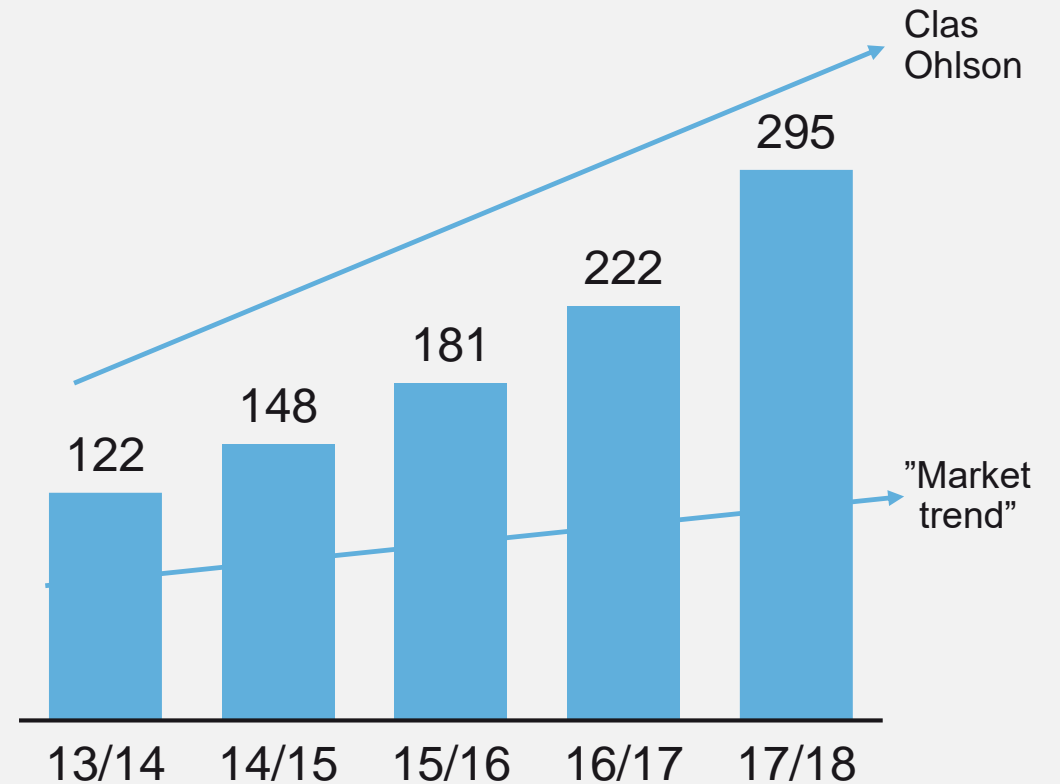


# Increased online sales

- Online sales growth outperforming market development, but still from low levels
- Online share of sales Q1 2018/19 was 5%

Online sales growth Q1 2018/19 was 60%

MSEK



# Cost savings initiatives

CO100+

- Cost savings of approx. 200-250 MSEK will be realized successively with full effect from 2020/21

Savings will mainly be driven by;

- More efficient organisation
- More optimised assortment
- Indirect purchasing, sourcing and logistics more systematised

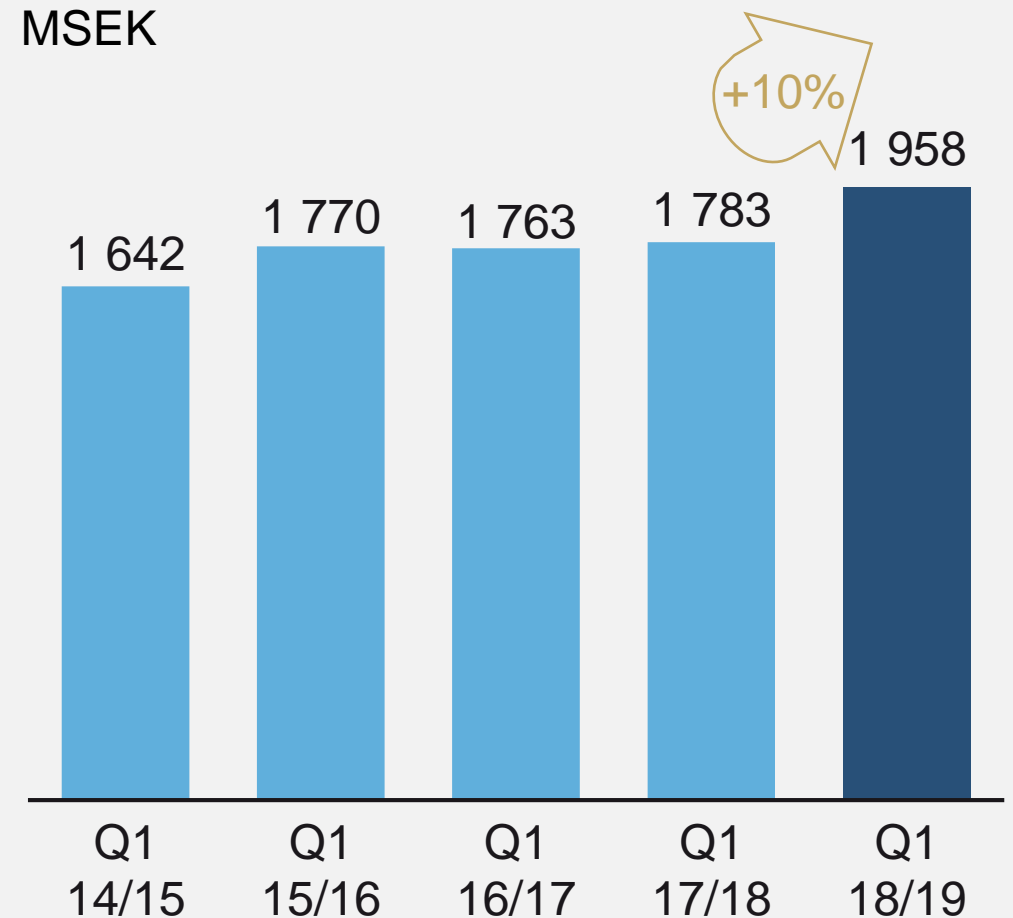


Financial development  
Q1 2018/19  
May – July



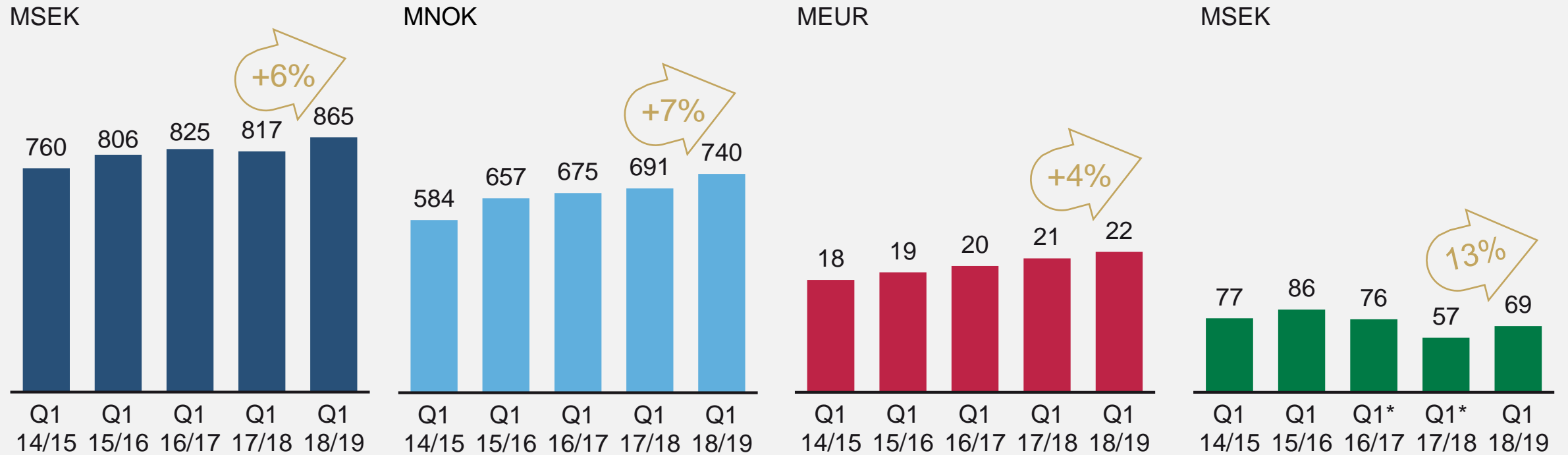
# Sales

- Q1 sales increased by 10% to 1,958 MSEK
- Significant growth in online sales – up by 60%
- Organic sales up 6%, LFL up 3%
- 14 additional stores net compared to Q1 last year (11)



# Sales trend per market

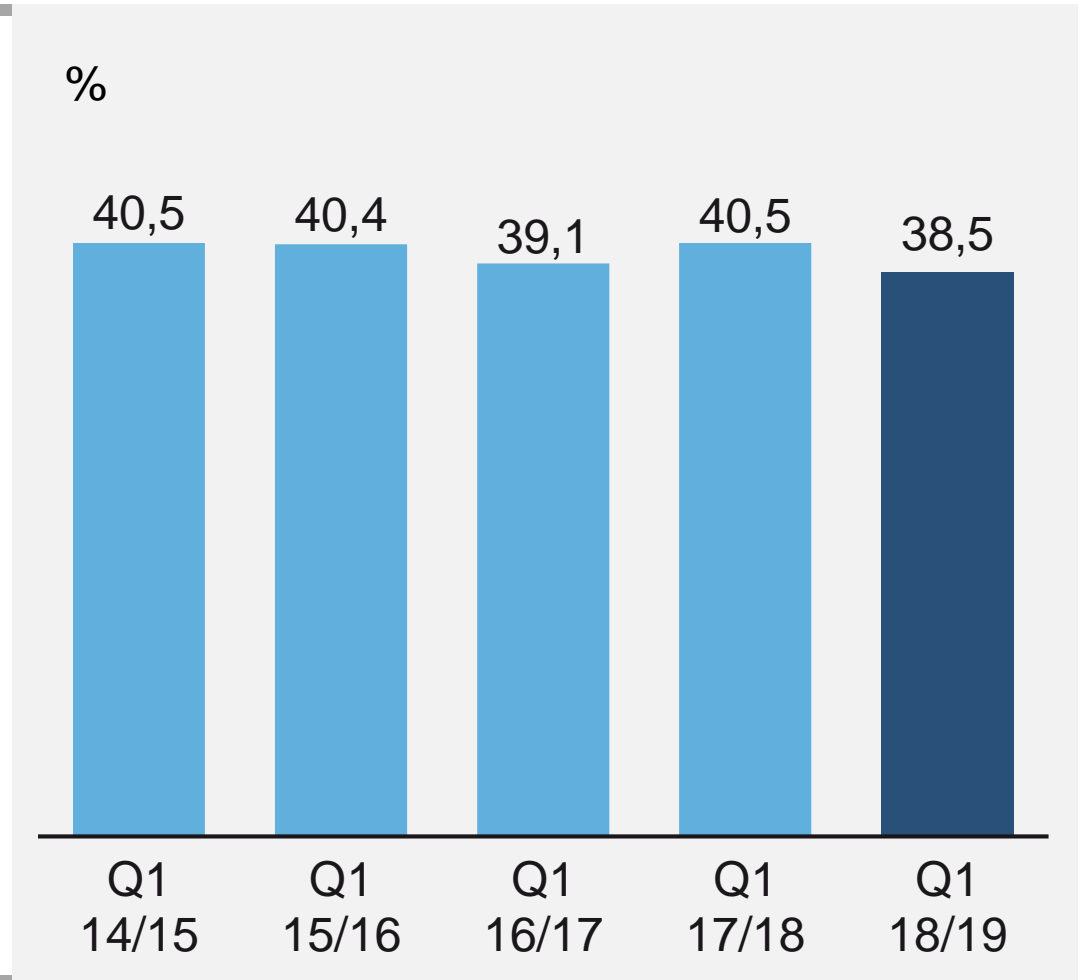
- Sweden
- Norway
- Finland
- Outside Nordic countries



\*Impacted by store optimisation in UK

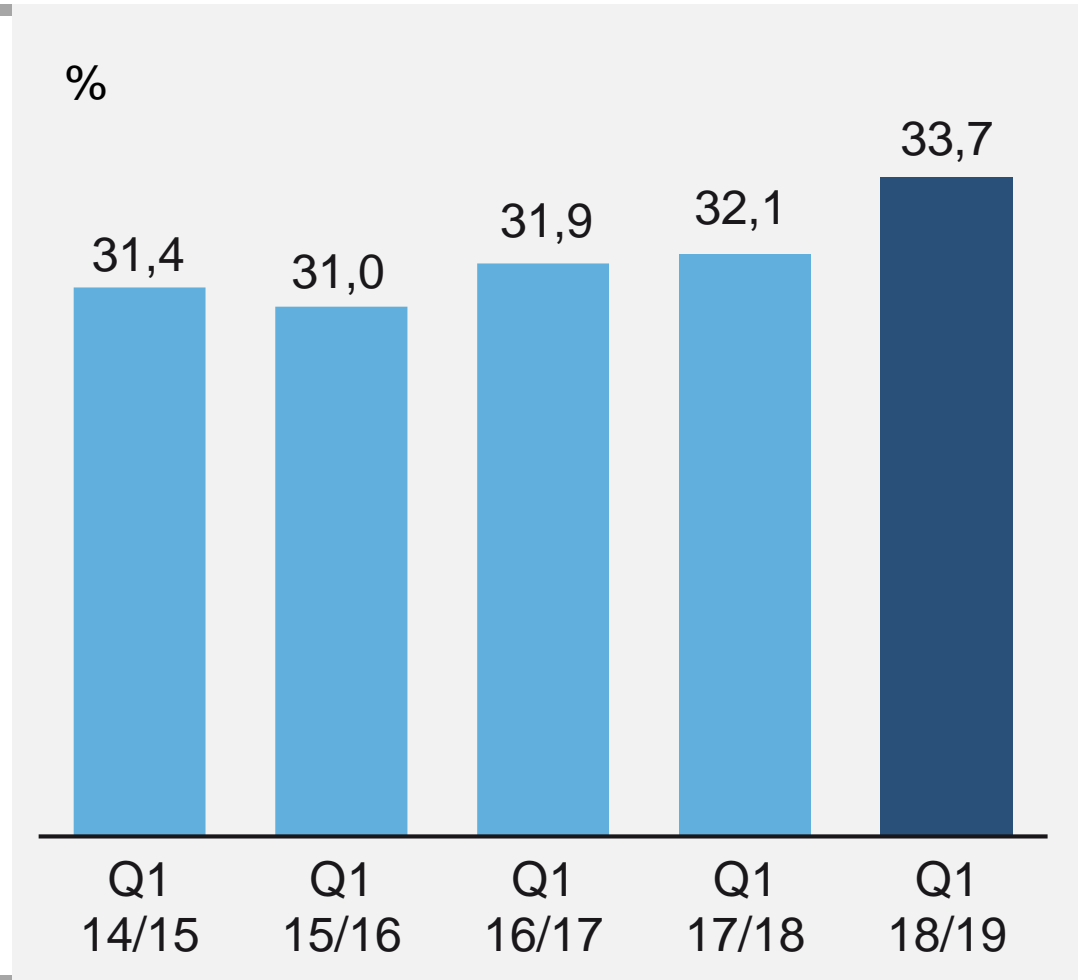
# Gross margin

- Gross margin down to 38.5% (40.5)
  - Increased commercial activities including celebrating Clas Ohlson 100 years with our customers increased sales that contributed to gross profit, but impacted margin
  - FX effects neutral
    - Strong NOK (sales) and weaker USD (purchase)
    - Negative effects from FX-hedges (NOK) hedges and currency effects related to delays in inventory



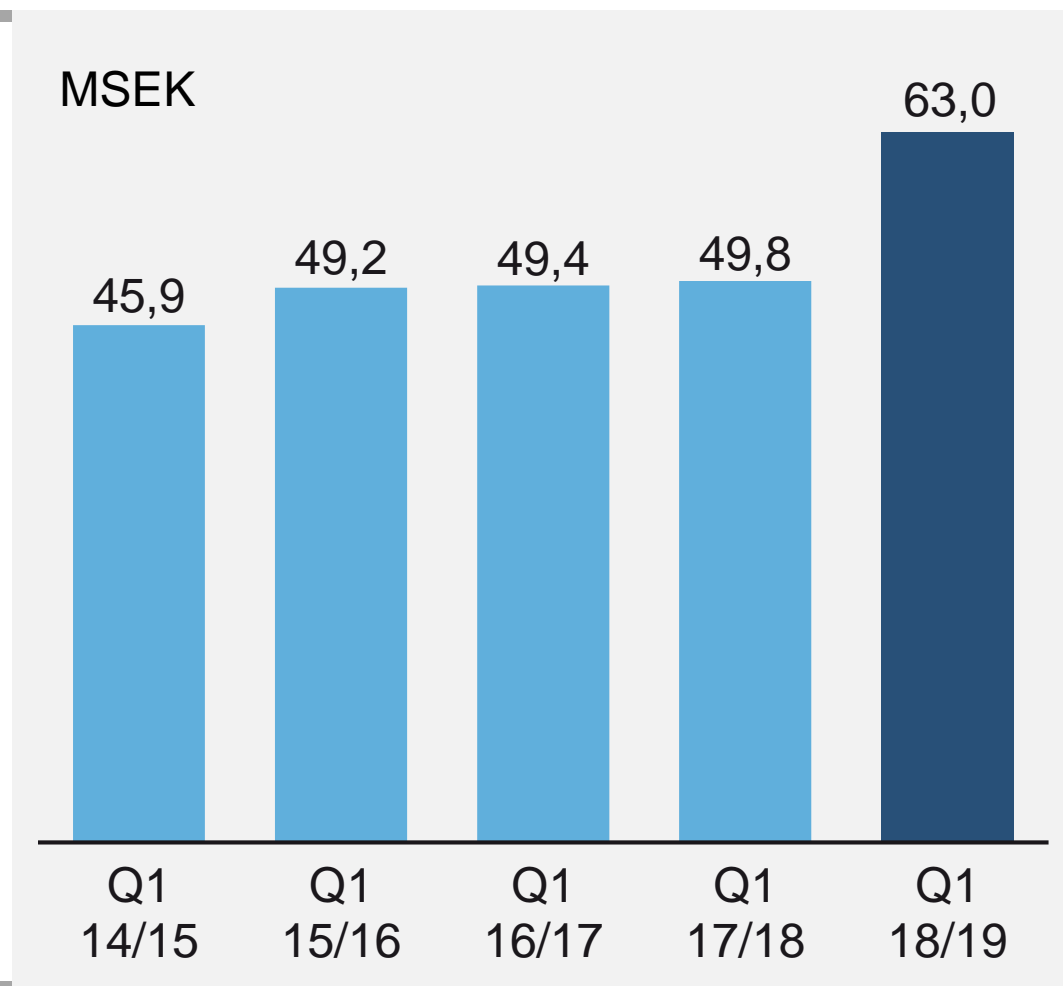
# Share of selling expenses

- Share of selling expenses 33.7%  
– up 1.6 percentage points
- Affected by CO100+ programme and commercial activities



# Administrative expenses

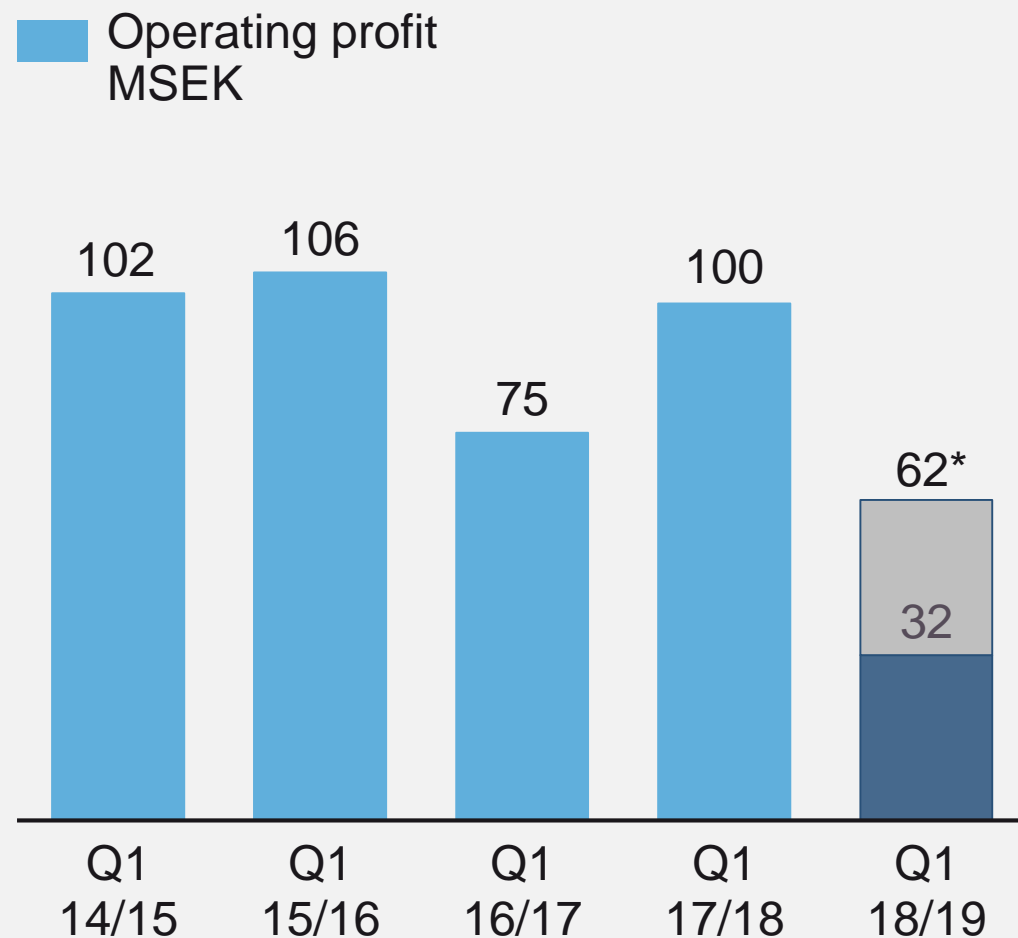
- Administrative expenses increased in the quarter by approx. 10 MSEK as previously communicated for Q1 and Q2





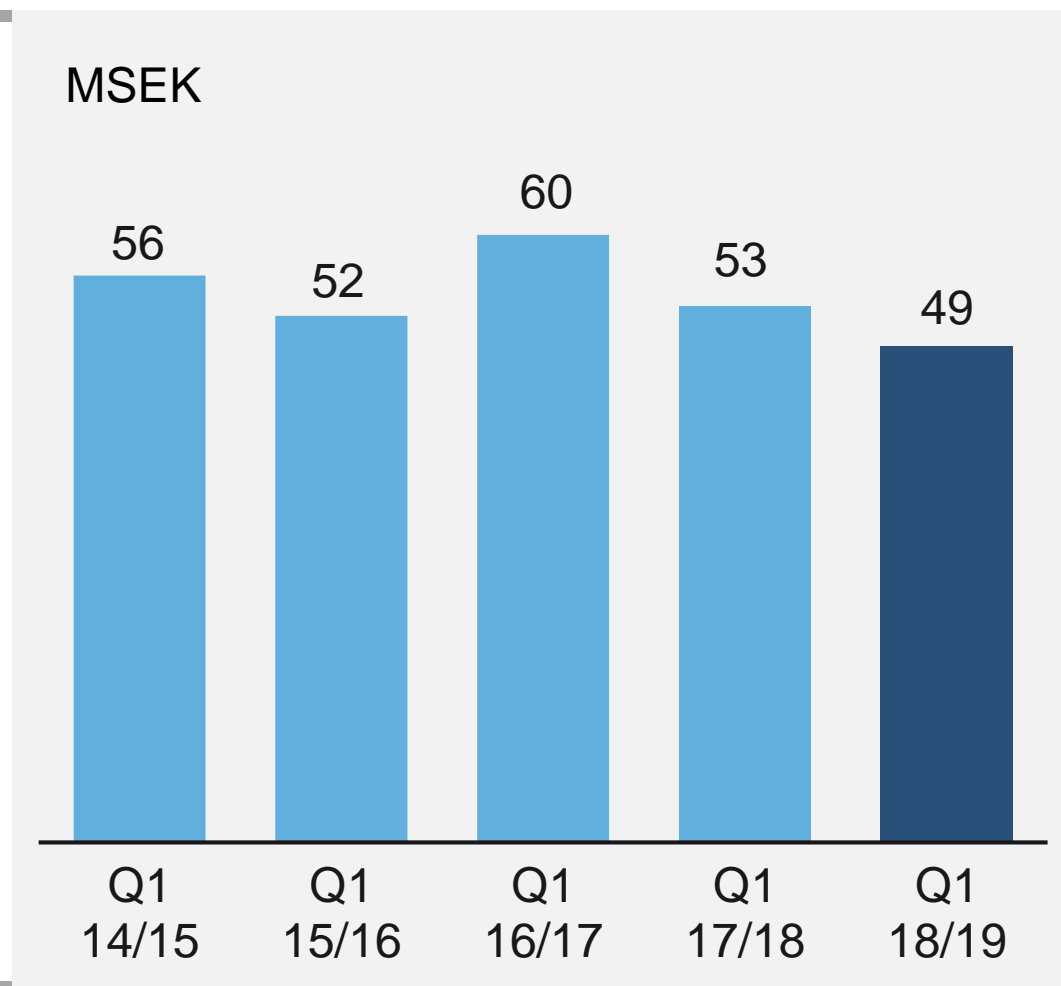
# Profit

- Operating profit amounted to 32 MSEK (100)
- Operating margin amounted to 1.6%
- Earnings per share 0.47 SEK (1.22)
  
- \*Underlying EBIT 62 MSEK (100)
- Underlying EBIT margin 3.2%



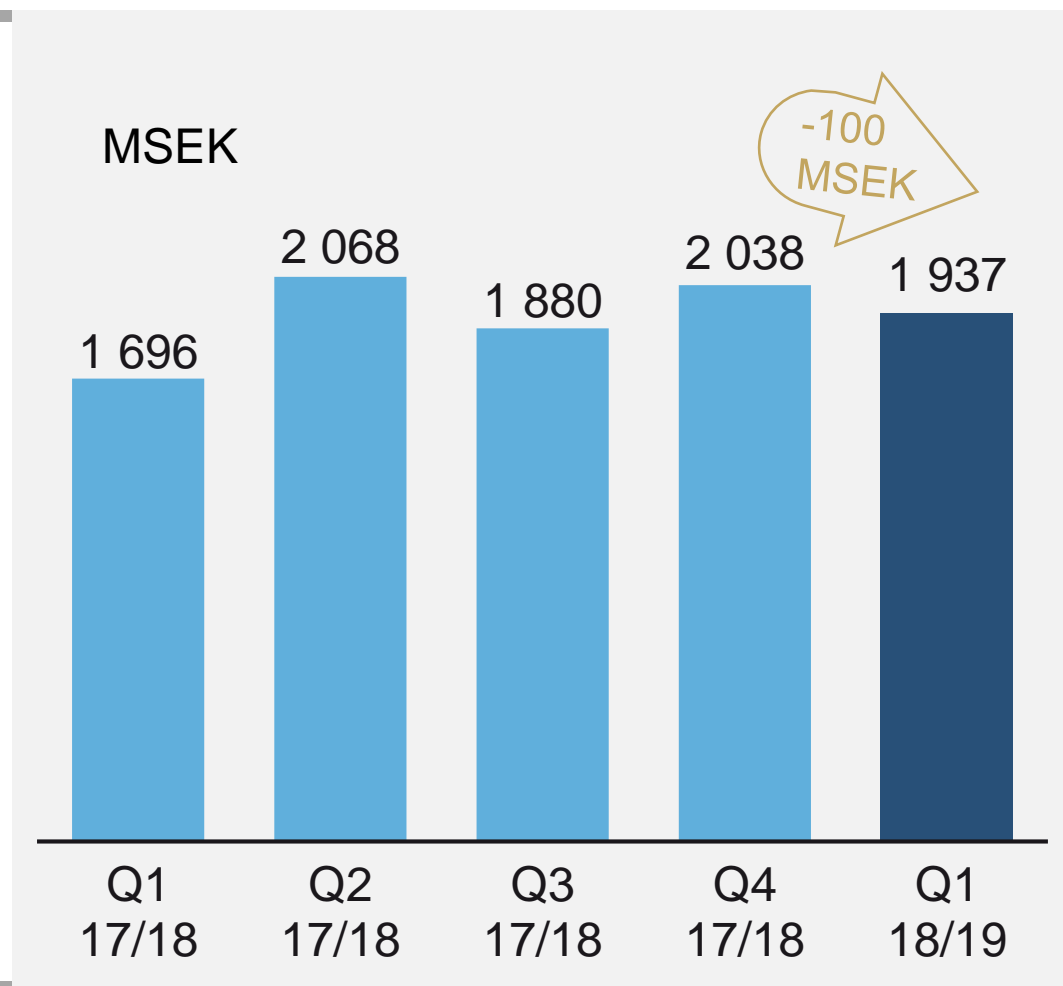
# Investments

- Total investments 49 MSEK (53)
- New stores and refurbishments 7 MSEK (15)
- IT systems 33 MSEK (30)
  - Implementation of new IT platform
  - Other IT developments
  
- sCORE implemented



# Financial position

- Cash flow from operating activities was -28 MSEK (93)
  - Inventory 1,937 MSEK (1,696)
  - Inventory turnover rate DC 6.2 (6.8)
  - Inventory end of period  
Q4 2017/18 - Q1 2018/19 down 100 MSEK
- Cash flow after investments and financing activities of -17 MSEK (45)
- Net cash of 37 MSEK (668)
- Approved credit facilities of 650 MSEK



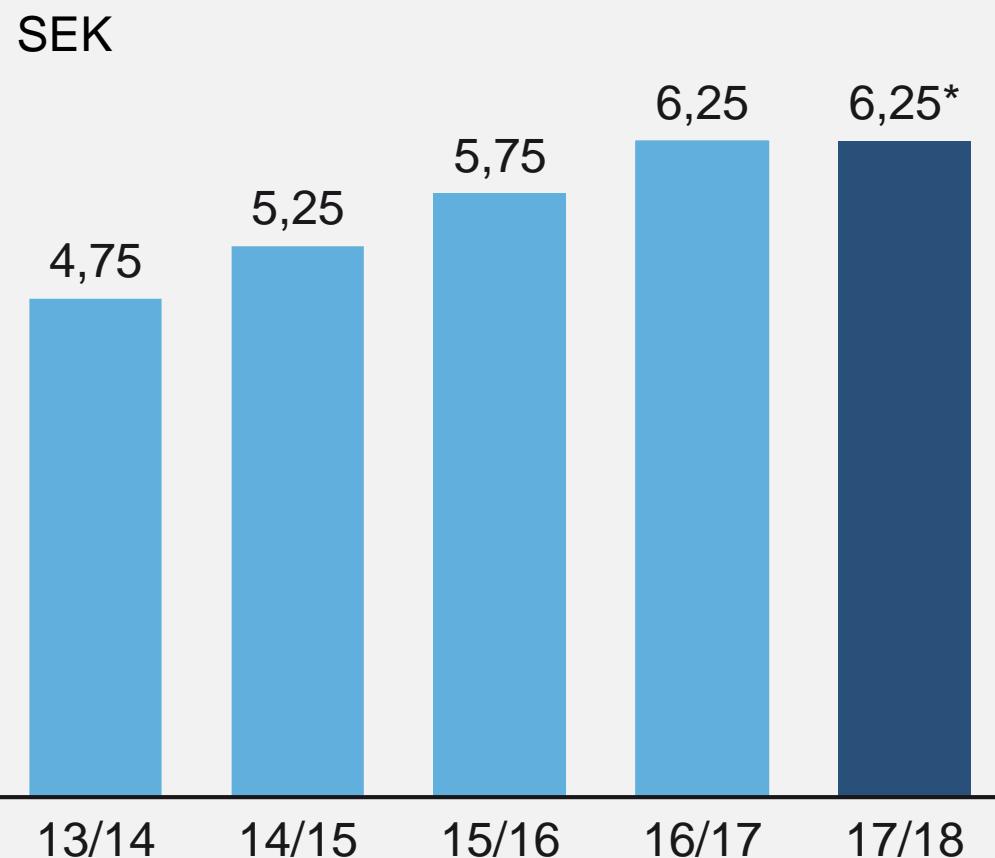
# Proposed dividend

- Proposed dividend 6.25 SEK per share (6.25)
- Equivalent to 115% (86) of net profit FY 2017/18

- In line with dividend policy

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

*Over the first two years, the ambition is that the dividend will be maintained at the level for the 2016/17 financial year, in absolute terms*



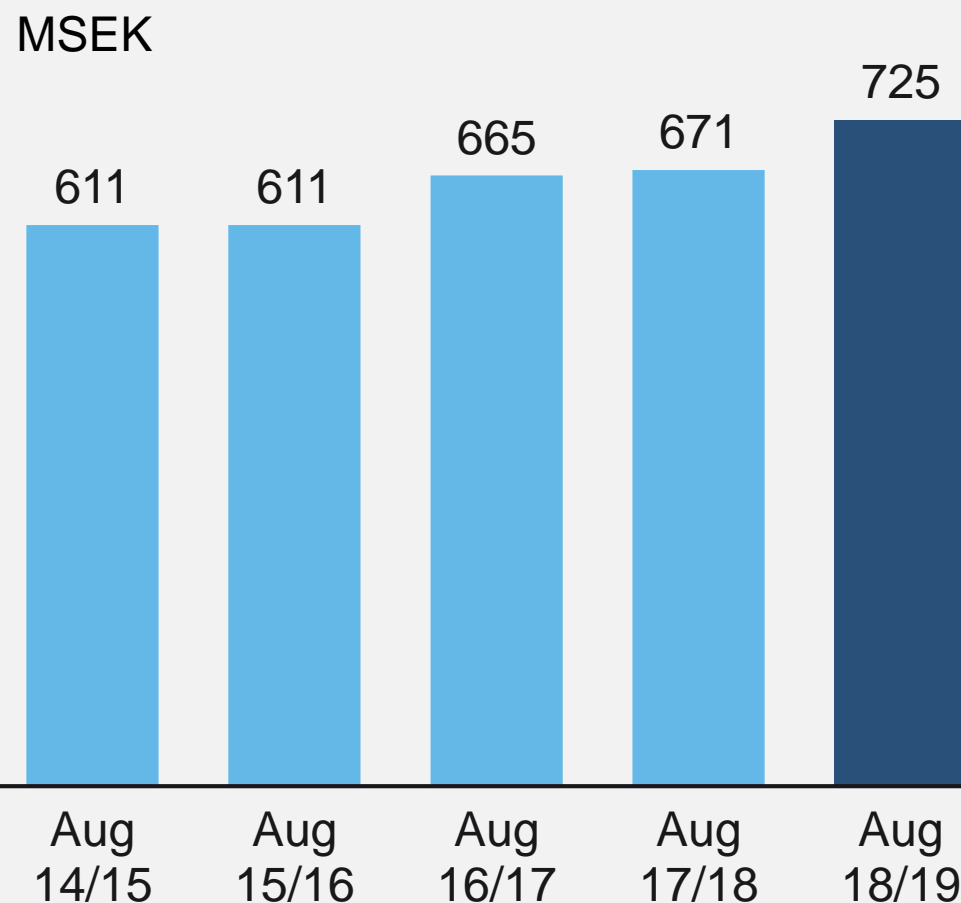
\* Proposed dividend

# Events after reporting period



# August sales

- Sales 725 MSEK, up 8%
  - Sweden +2%
  - Norway +13%
  - Finland +14%
  - Outside Nordic countries 11%
- Organic sales up 4%
- LFL sales up 1%
- Online sales up 31%
- 13 additional stores net compared to end of August last year (12)





Summary Q1 and  
going forward

# Focus on profitable growth and shareholder value

- Q1 according to plan
- 4-6 % EBIT-margin full year 2018/19 and 2019/20 according to plan
- Full speed ahead – i.e. cost frontloaded in the two-year period 2018/19 and 2019/20 and in Q1 and Q2 this year
  - Growth initiatives – reaching targeted 5% sales growth
  - Identified cost savings of approx. 200-250 MSEK

Delivering on an operating margin of 6-8% from 2020/21





# Q&A