



100 YEARS OF **clas
ohlson**

Q2 Report 2018/19

5 December 2018

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President & CEO

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CFO





AGENDA

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

Q2 According to plan – high speed in strategy implementation and increased e-commerce capacity

- Solid sales growth
 - Up 8% total, organic sales up 4% and LFL up 1%
- Online sales up 43%
- Q2 underlying EBIT amounted to 124 MSEK (140)
 - Costs totalling 90 MSEK (15) relating to non-recurring costs, action programme CO100+ and sCORE
- Q2 EBIT amounted to 33 MSEK (125)



Strong online growth

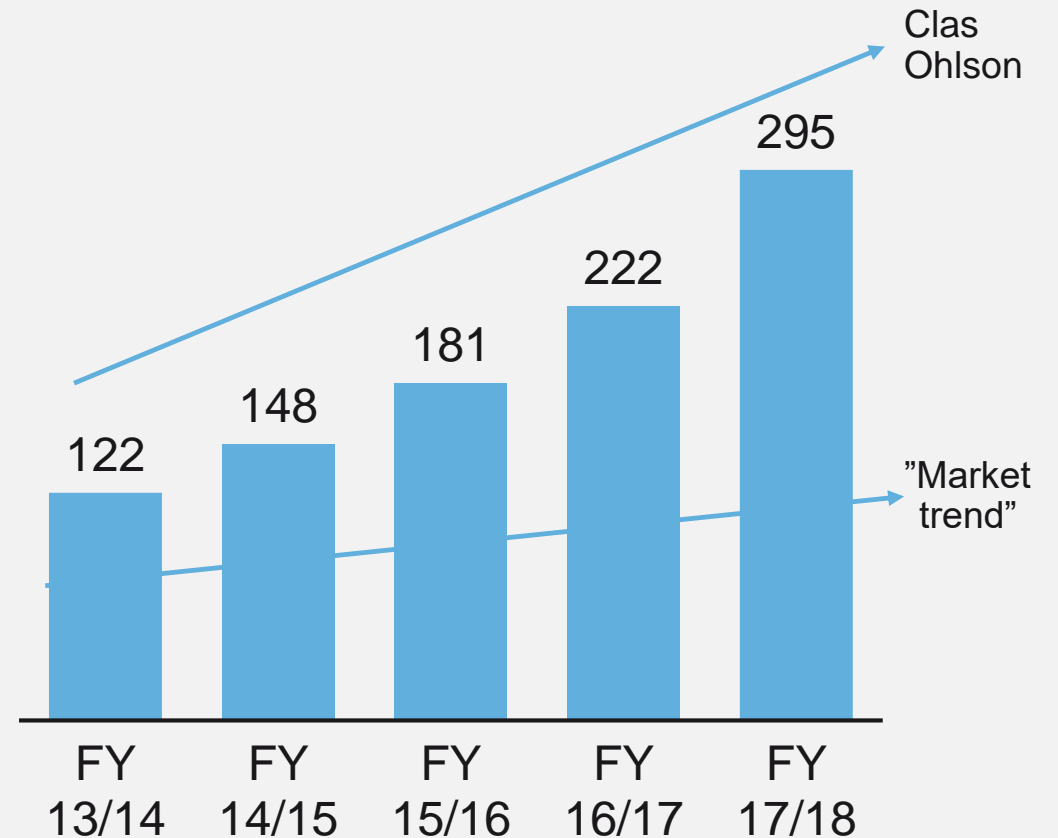
- Online sales growth outperforming market development, but still from low levels
- Online share of sales Q1-Q2 2018/19 was 5%

Online sales growth:

43% Q2 2018/19

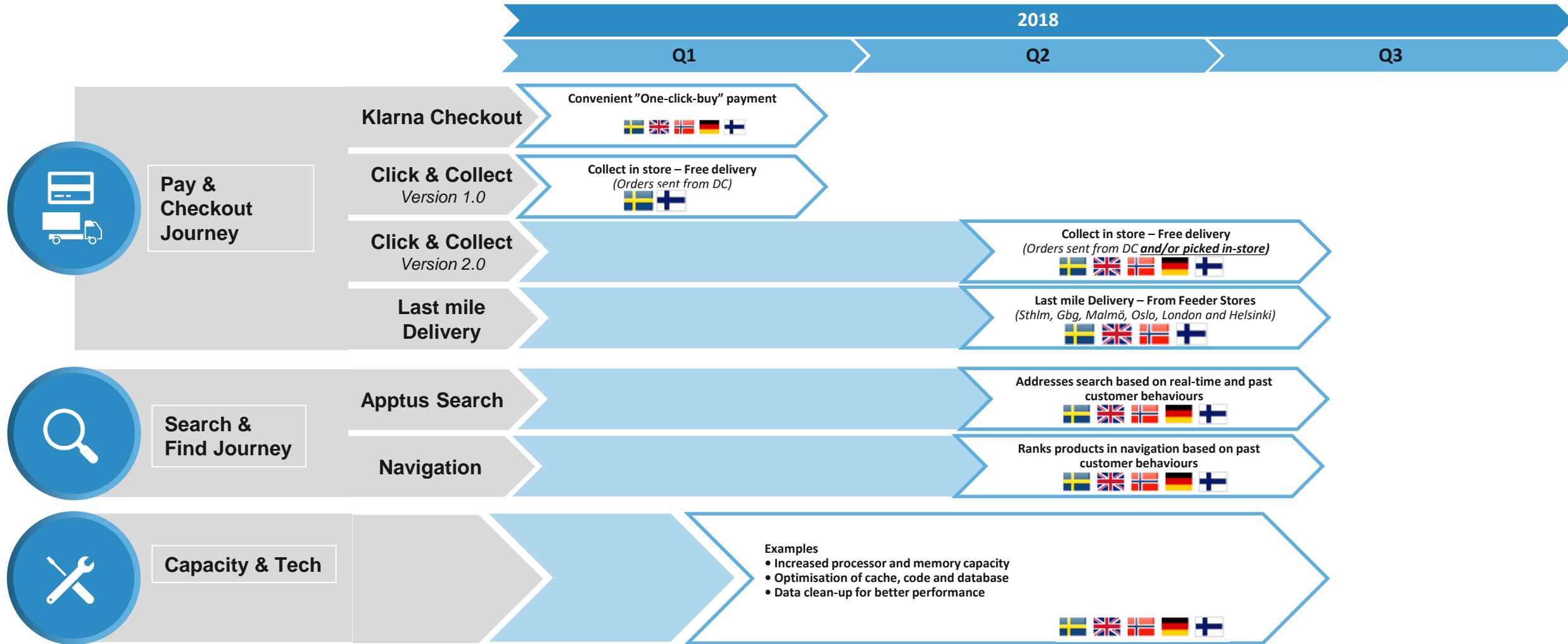
51% first six months 2018/19

MSEK

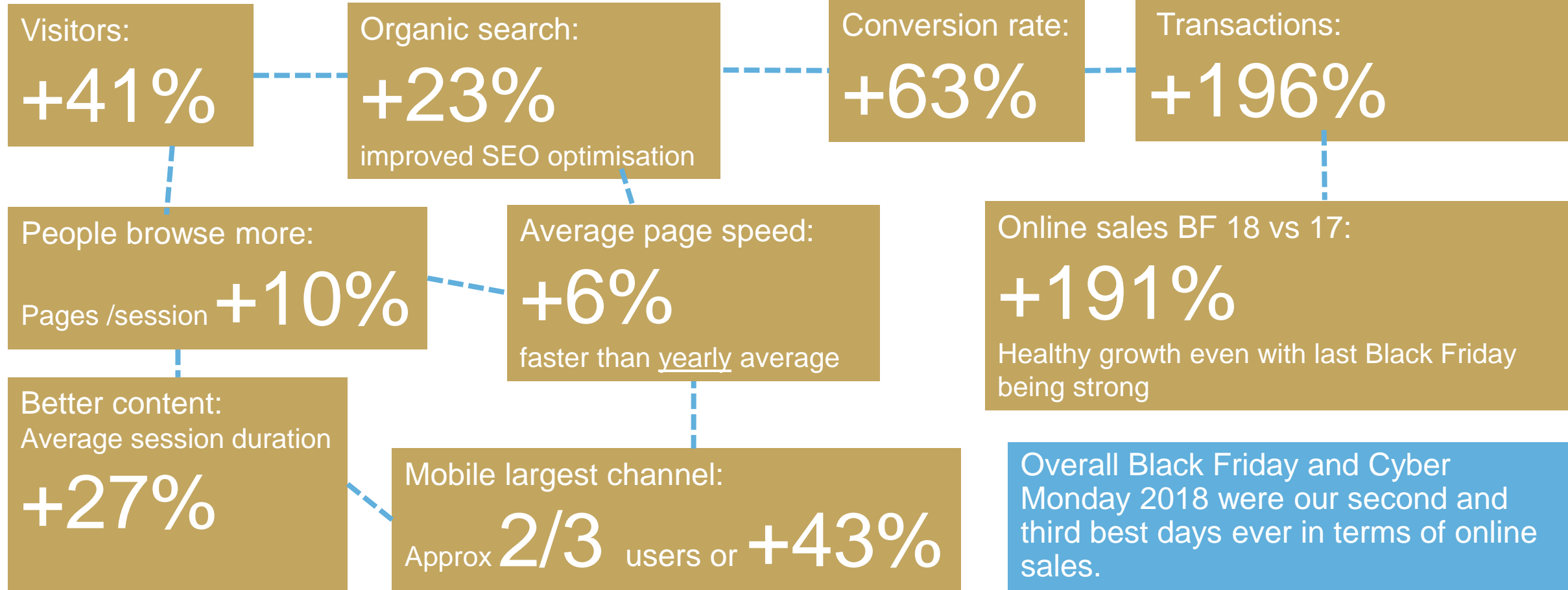


Highly improved capacity and capabilities eCommerce platform

Growth
CO100+



Black Friday – online performance 2018 vs 2017



Strategy defined in CO100+ action programme

An action programme...

1-2% of the underlying operating margin invested in sales growth and cost savings initiatives during FY18/19 and FY19/20

...focusing on strategic initiatives...

Cost savings initiatives 200-250 MSEK

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

Growth initiatives

- ✓ Sales per customer increases
- ✓ Sales per square meter increases
- ✓ Sales online to double every other year

...to achieve Clas Ohlson's financial targets



Average annual organic sales growth of 5% during the current five year period



Operating margin of 6-8% from FY20/21 and onward

Cost savings initiatives totalling 200-250 MSEK

More efficient organisation

- sCORE - an enabler for significant efficiency measures
- Organisational review



More optimised assortment

- More optimised assortment
- Efforts to reduce COGS



More systemisation

- Significant cost savings within indirect purchasing
- Implement supply chain optimised for all channels



Growth initiatives for continued 5% organic growth

Increase sales per sqm

- Optimisation within existing contractual framework
- New store formats being tested
- More optimised assortment
- Increase own brands' share of sales
- sCORE enables customer centric operations

Increase sales per customer

- Moving up the value chain
- Increase cross-selling
- In-store solutions for guidance
- Offer online guidance
- Clas Fixare – launched in Stockholm 26 November

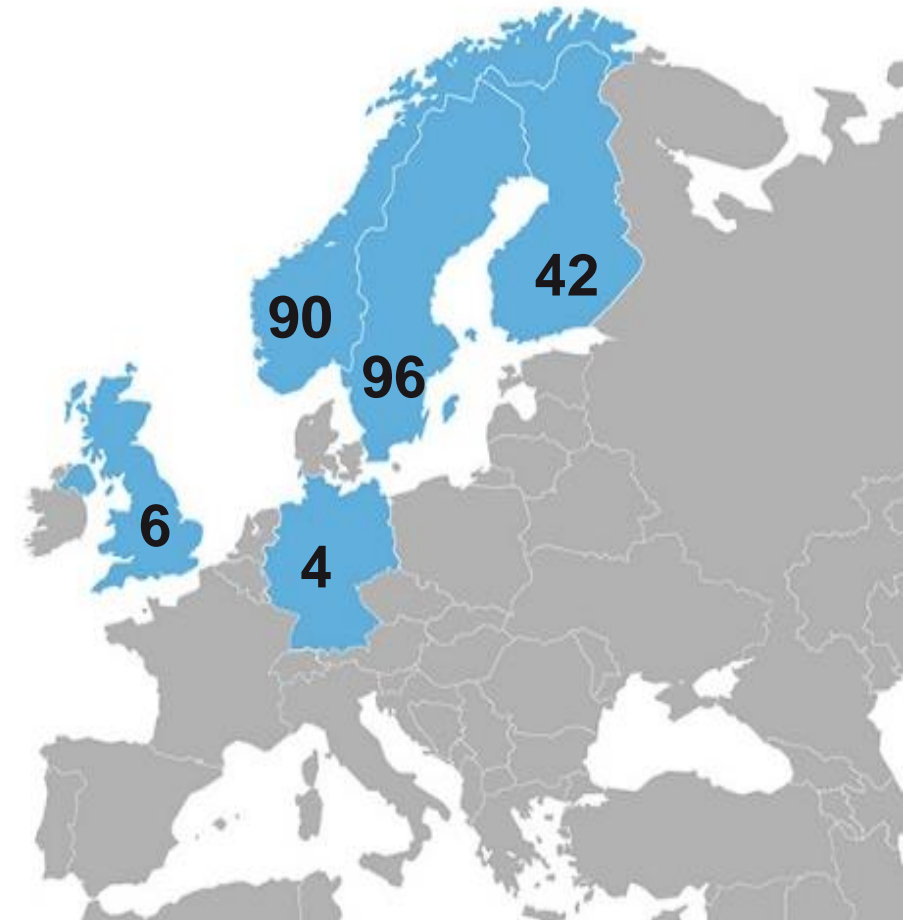
Double sales online every other year

- Broadened online offering
- Increased capacity and improved capabilities – digital and delivery
- Click & Collect well received by customers
- Strategic cooperation with MatHem has expanded
- Pilot with Amazon UK on-going



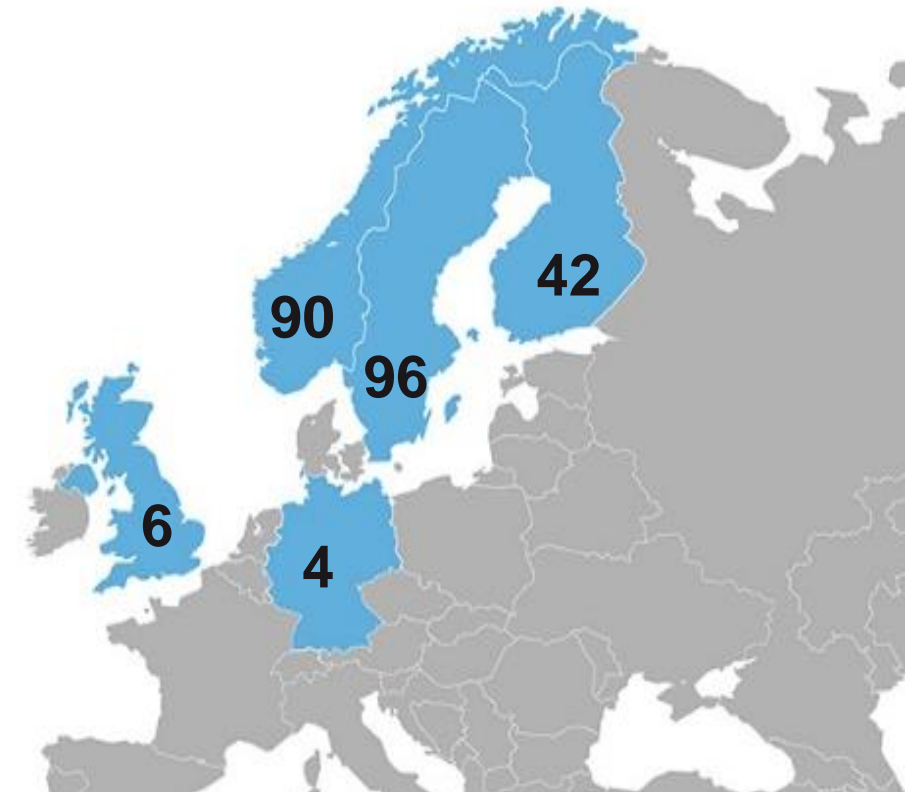
New strategy for Clas Ohlson's market presence outside the Nordics

- Sweden and Norway: both markets are highly profitable and developing healthy sales growth, stores and online
- Finland: Development not on par with Sweden and Norway – calls for extra attention
- Online focus in UK and Germany
 - The UK: Optimisation of store network not enough to stop losses
 - German: Pilot with four stores in Hamburg not showing potential for profitable growth



New strategy for Clas Ohlson's market presence outside the Nordics

- Approx 150 co-workers in the UK and Germany are affected by this decision
- Total cost for closure estimated to maximum 210 MSEK – will be reported in the nine month report 2018/19
- Positive contribution to P&L of approximately 75 MSEK when store network is closed



By reducing complexity we can increase focus on creating continued profitable growth in the Nordics, growing online in line with target and adapting our cost base to a more competitive level

Overview strategy implementation effect on EBIT FY 2018/19

CO100+ According to plan

Investing 1-2% of the underlying operating margin

- ✓ According to plan

Cost savings of 200-250 MSEK not yet materialised

- ✓ According to plan
- ✓ Full effect from 2020/21

Growth initiatives

- ✓ Sales growth in line with target



Operating margin of 4-6% from FY18/19 and FY 19/20

New approach market presence outside the Nordics

One-off reservation for closing store network

- ✓ Totalling up to maximum **210 MSEK**
- ✓ To be reported as **non-recurring** cost during Q3 2018/19

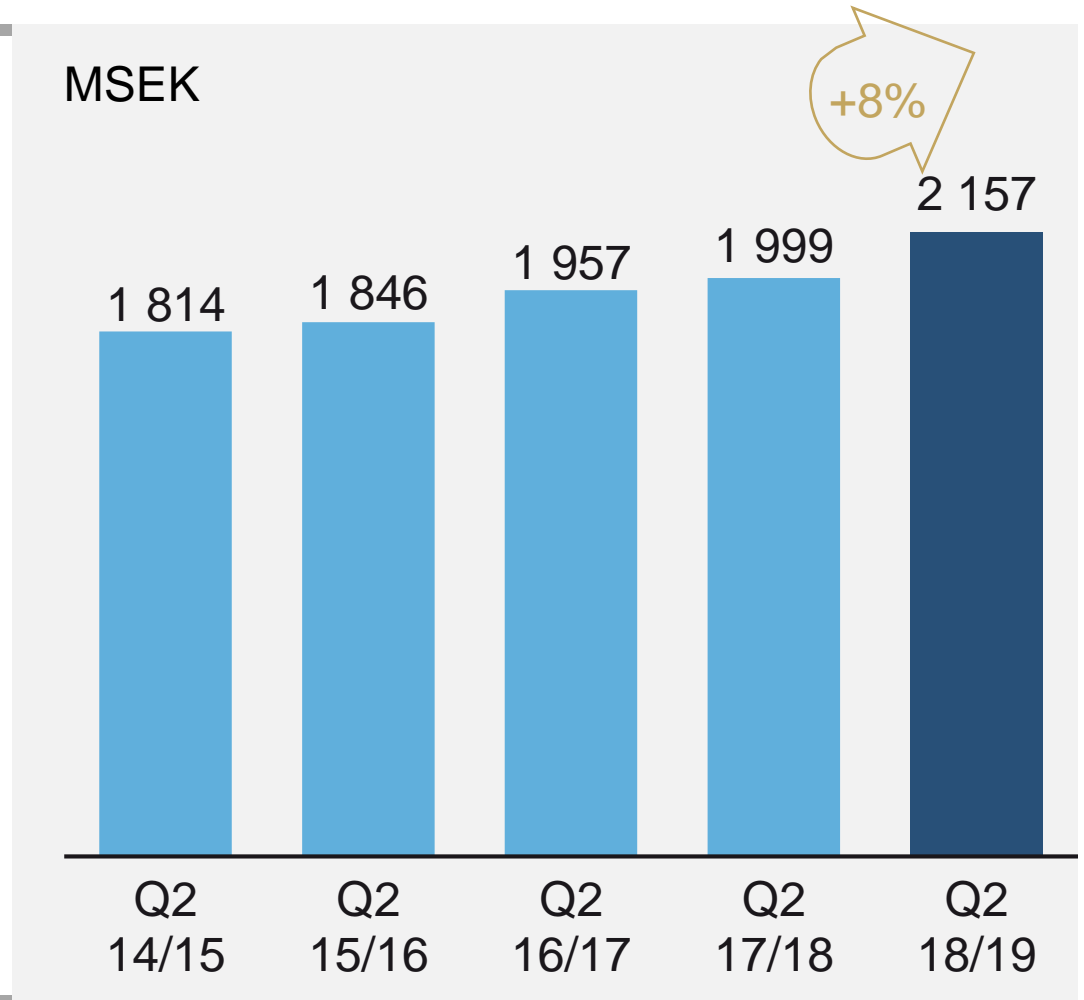
Positive effect approximately 75 MSEK when store network is closed



Financial development

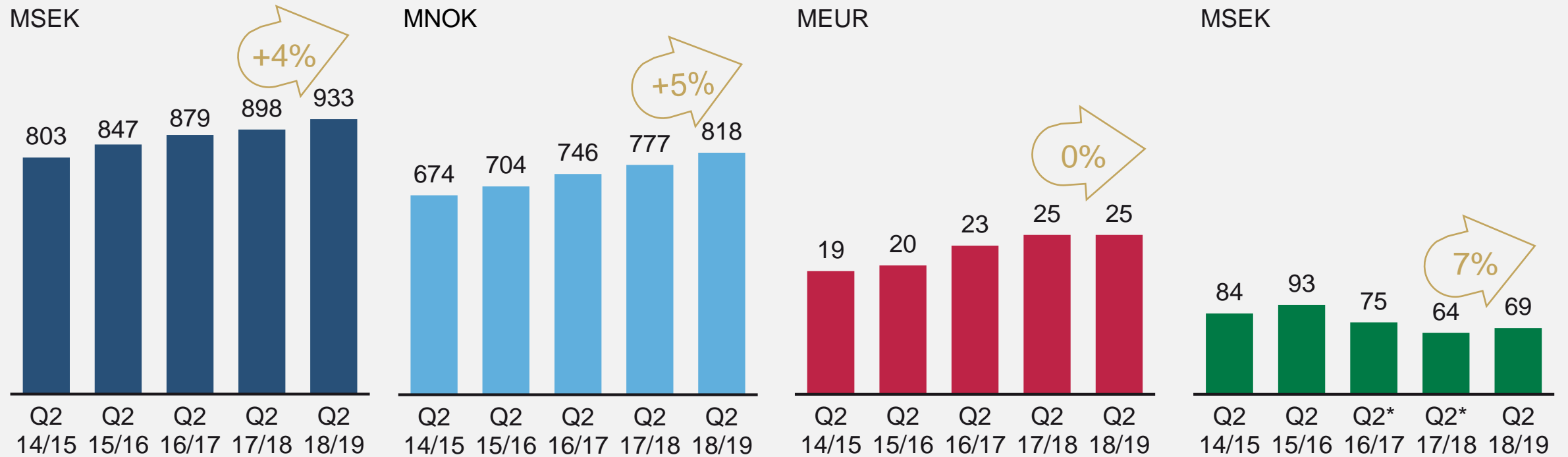
Sales Q2

- Q2 sales increased by 8% to 2,157 MSEK
- Significant growth in online sales – up by 43%
- Organic sales up 4%, LFL up 1%
- 14 additional stores net compared to Q2 last year (15)



Sales trend per market

- Sweden
- Norway
- Finland
- Outside Nordic countries



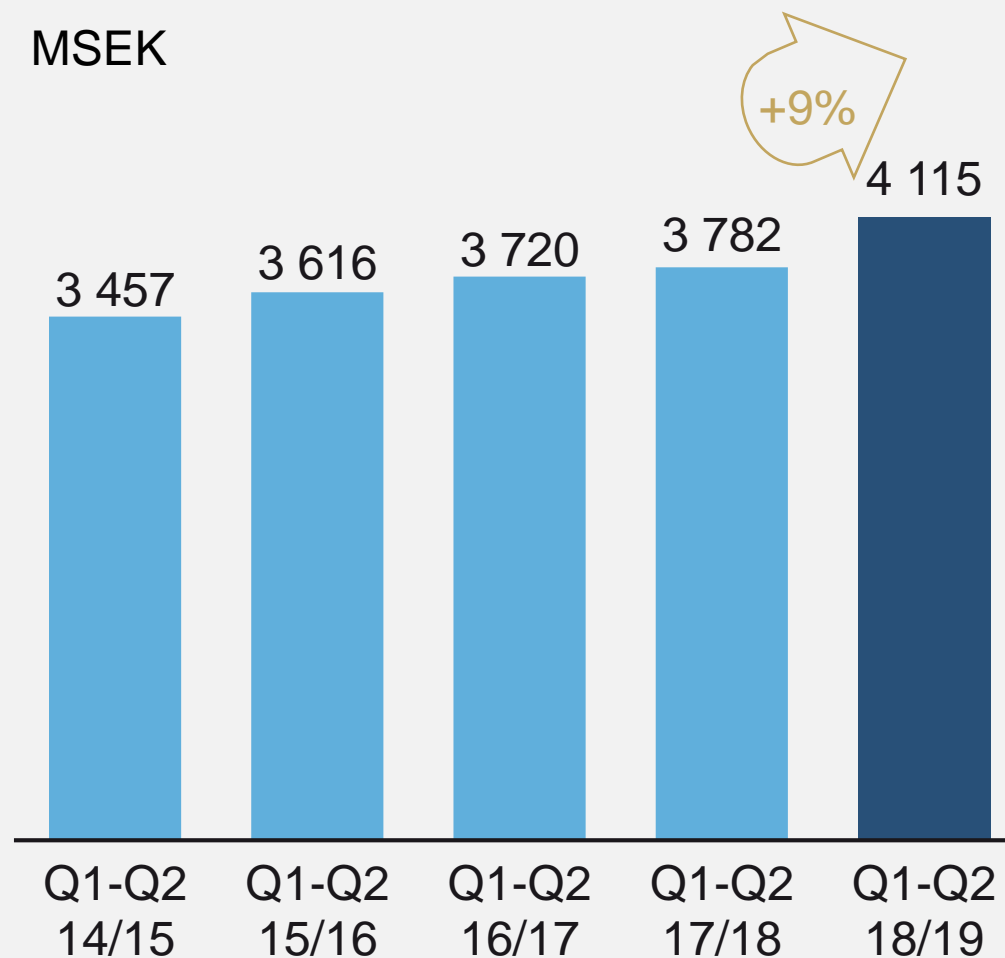
*Impacted by store optimisation in UK

Sales Q1-Q2

- Sales 4,115 MSEK, up 9%
- Significant growth in online sales – up by 51%
- LFL sales up 2%
- Organic sales up 5%
 - Sweden +5%
 - Norway +6%
 - Finland +2%
 - Outside Nordic countries 5%*
- 14 additional stores net compared to end of period last year (15)

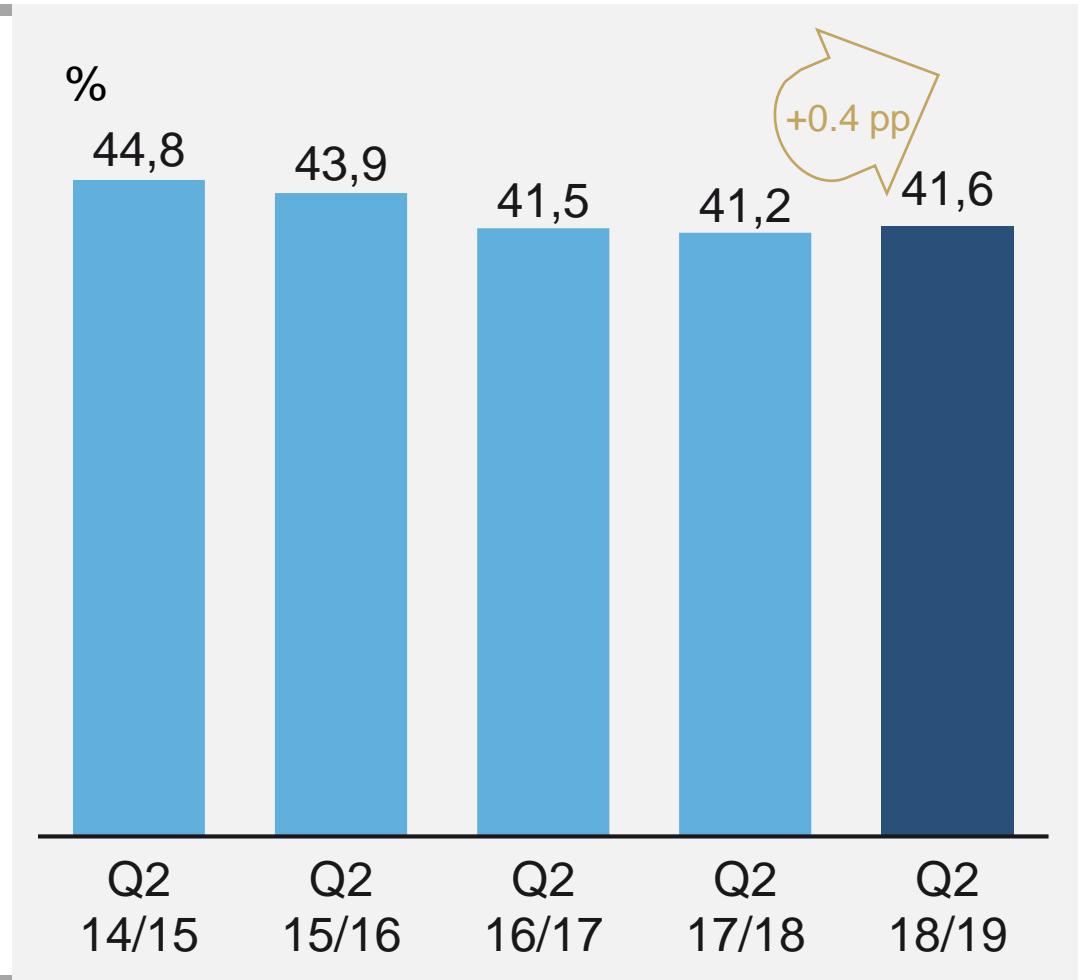
*Effected by store optimisation in the UK

MSEK



Gross margin Q2

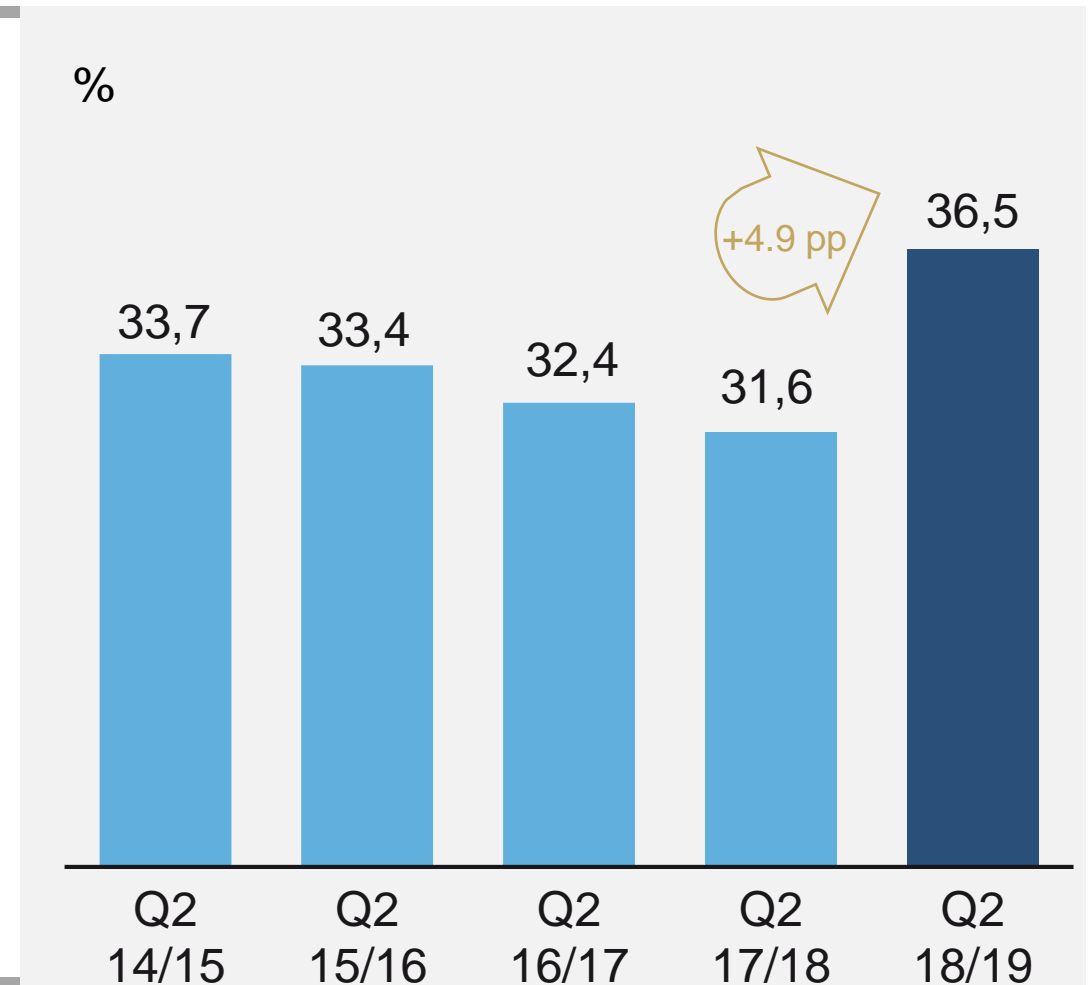
- Gross margin up to 41.6% (41.2)
 - Positive effects from strong NOK (sales) and weaker USD (purchase) and from pricing and increased profitability from campaigns
 - Negative effects from FX-hedges (NOK) hedges and currency effects related to delays in inventory and sourcing costs



Share of selling expenses Q2

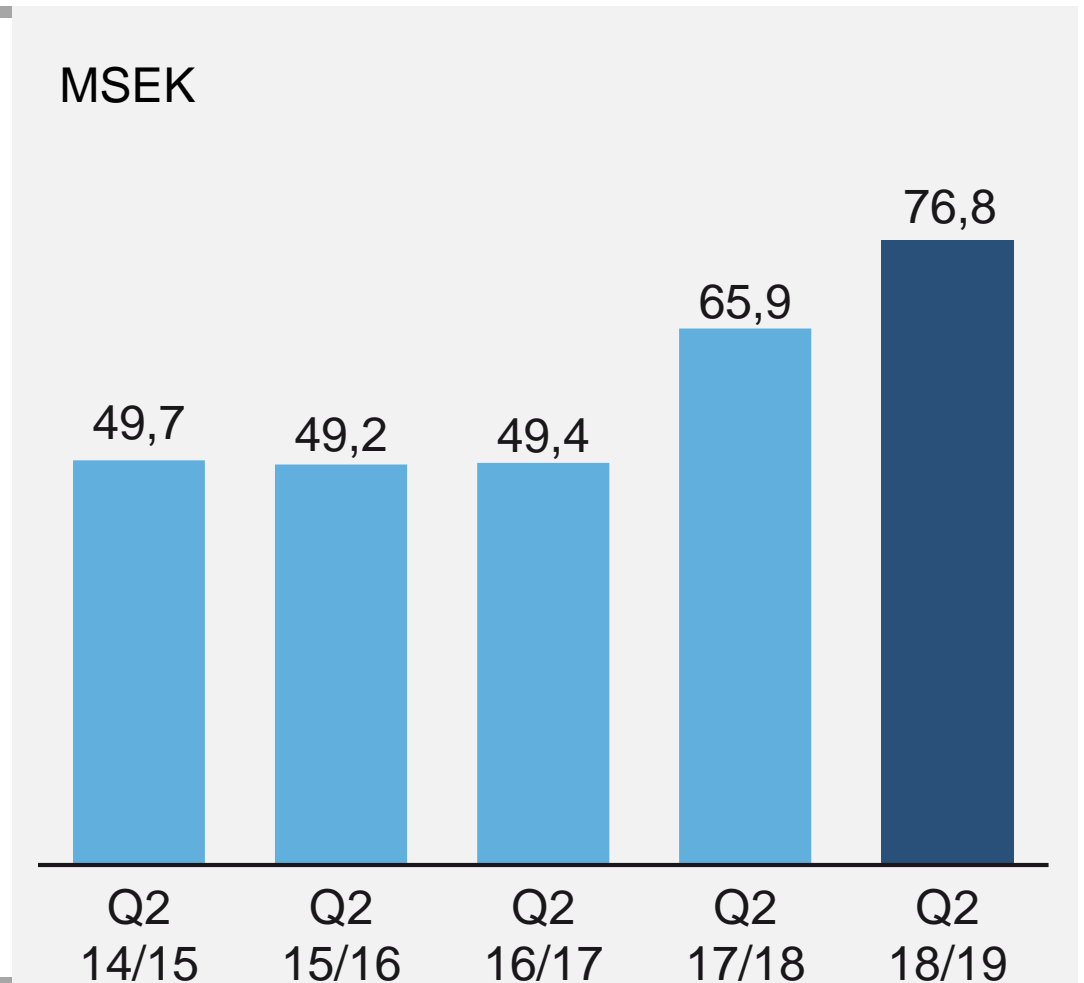
- Share of selling expenses 36.5%
– up 4.9 pp. according to plan
- CO100+ programme
- Increased capacity and capability in e-commerce platform
- Commercial activities, marketing and brand building

Increased activity during Q2 – ramping up for Q3



Administrative expenses Q2

- Administrative expenses increased in the quarter by approx. 10 MSEK in line with previous communication

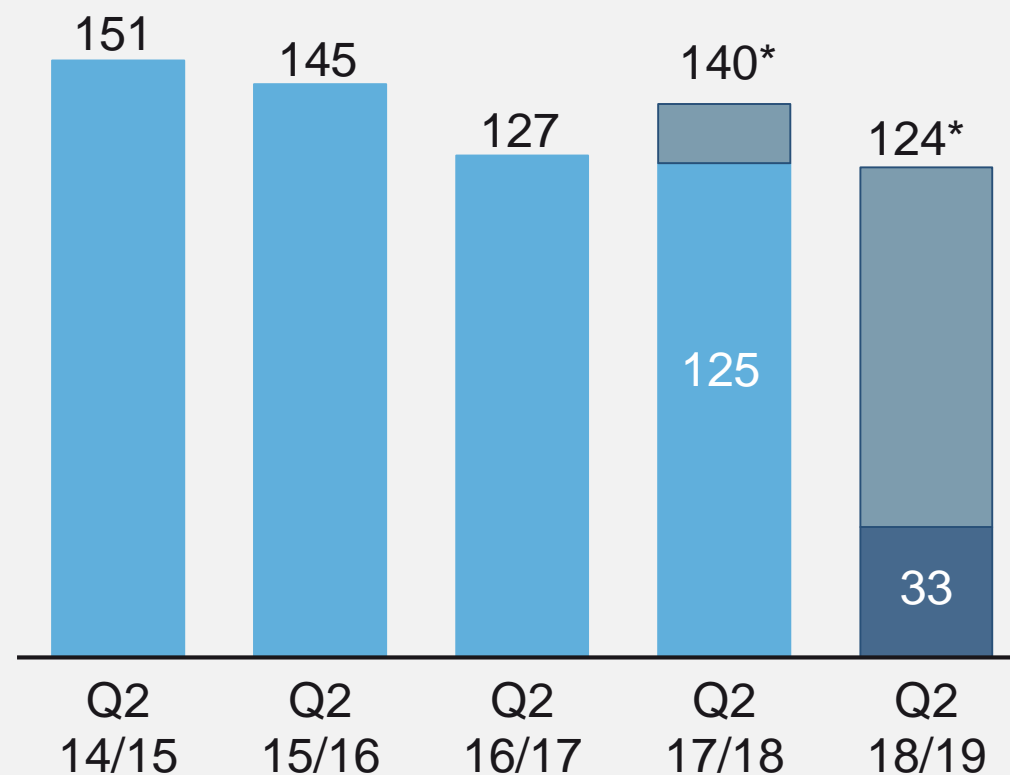


Profit Q2

- Operating profit amounted to 33 MSEK (125)
- Operating margin 1.6%
- Earnings per share 0.40 SEK (1.52)

- *Underlying EBIT 124 MSEK (140)
- Underlying EBIT margin 5.7%

MSEK

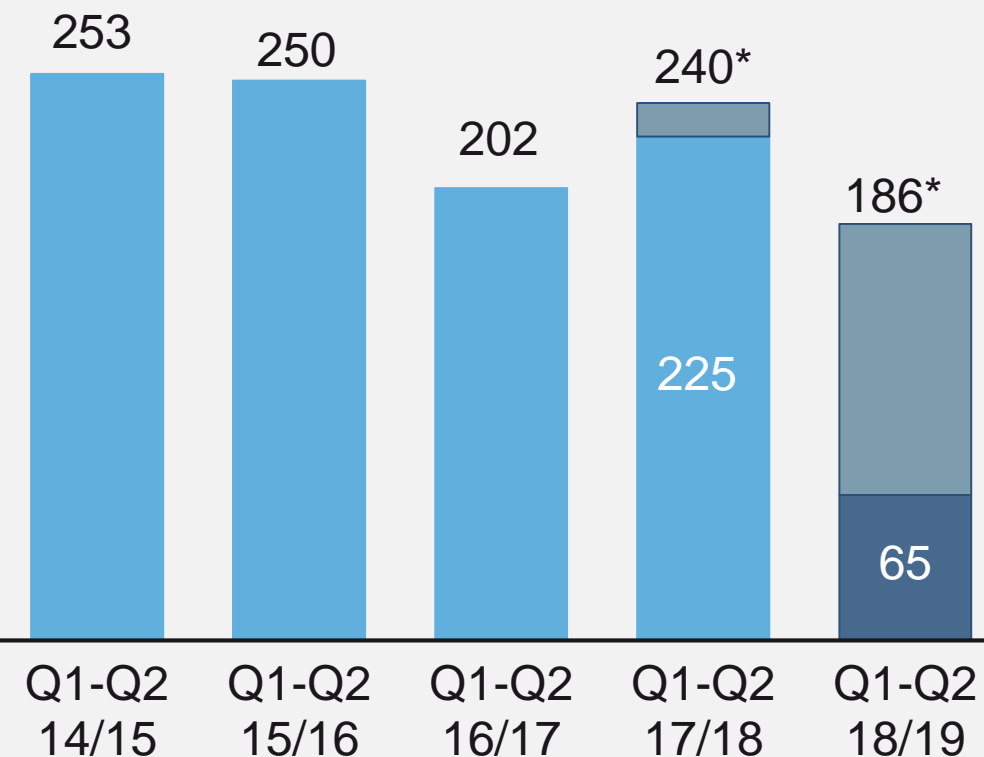


Profit Q1-Q2

- Operating profit amounted to 65 MSEK (225)
- Operating margin 1.6%
- Earnings per share was 0.87 SEK (2.74)

- *Underlying EBIT 186 MSEK (240)
- Underlying EBIT margin 4.5%

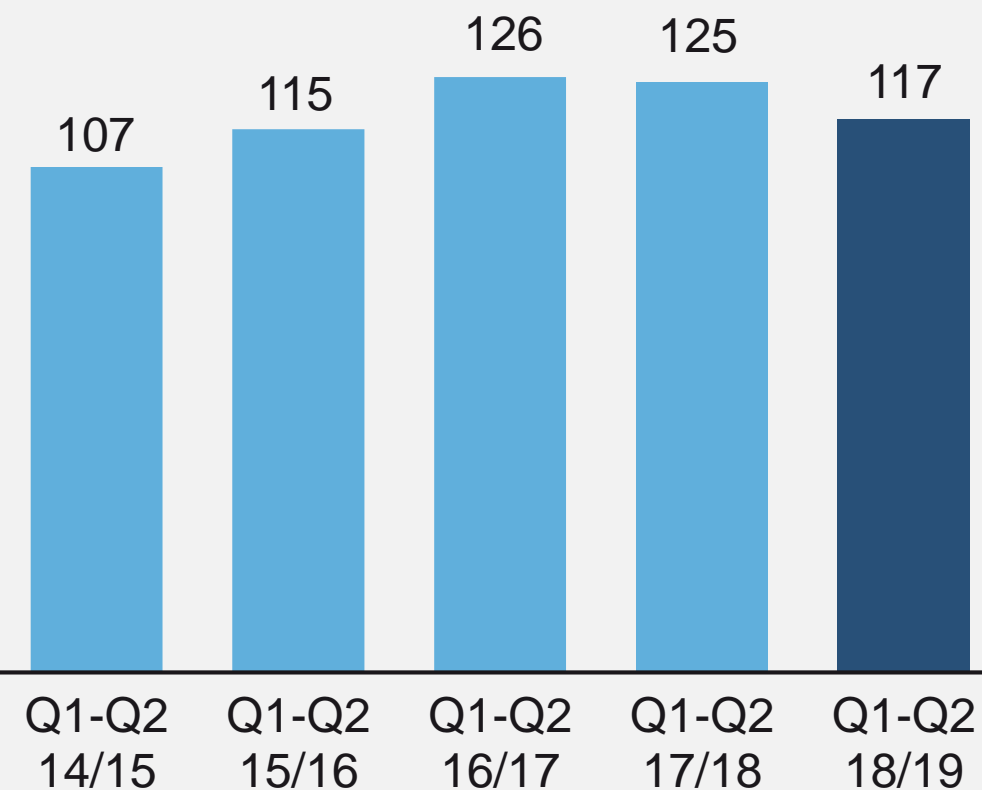
MSEK



Investments

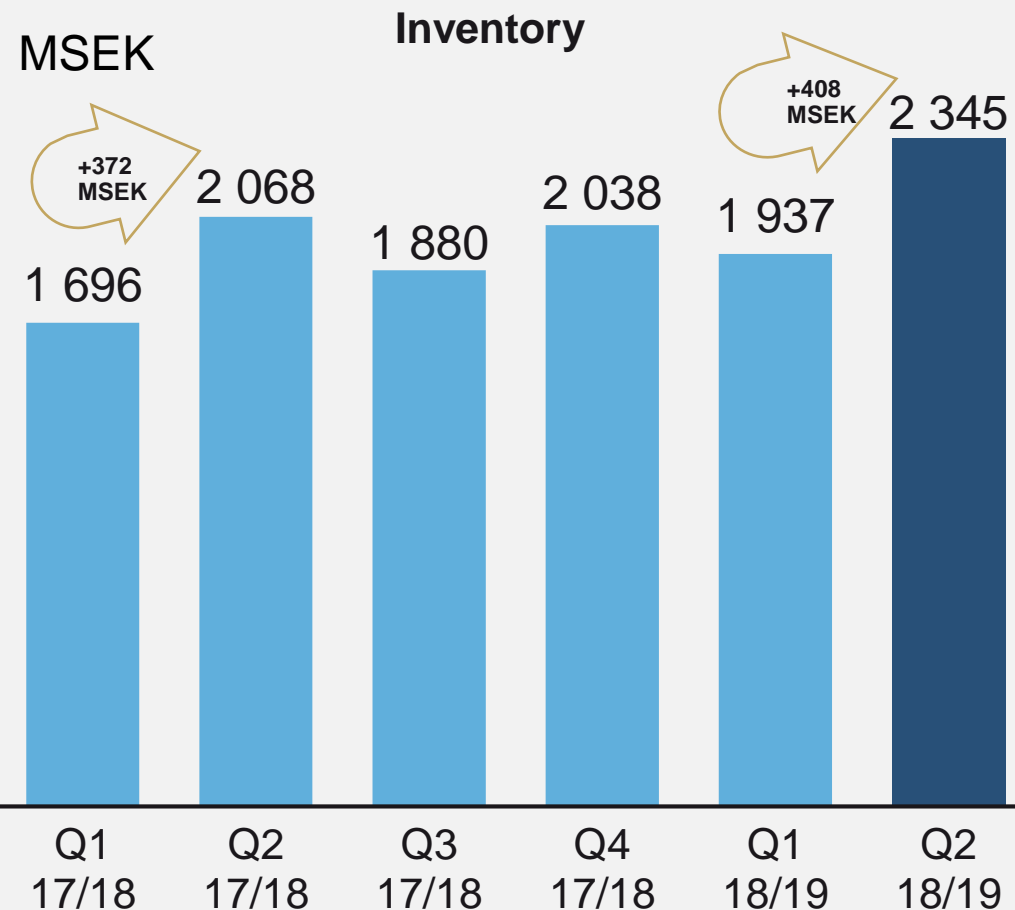
- Total investments 117 MSEK (125)
- New stores and refurbishments 32 MSEK (50)
- IT systems 52 MSEK (54)
 - Implementation of new IT platform
 - Other IT developments

MSEK



Financial position

- Cash flow from operating activities was -89 MSEK (187)
- Inventory 2,345 MSEK (2,068)
 - Inventory turnover rate DC 5.8 (6.8)
 - Inventory build up reflects preparations for intensive third quarter – Black Friday and Christmas
 - 14 more stores compared to last year
- Cash flow after investments and financing activities of -5 MSEK (-329)
- Net debt of -486 MSEK (296, net cash)
- Approved credit facilities of 750 MSEK

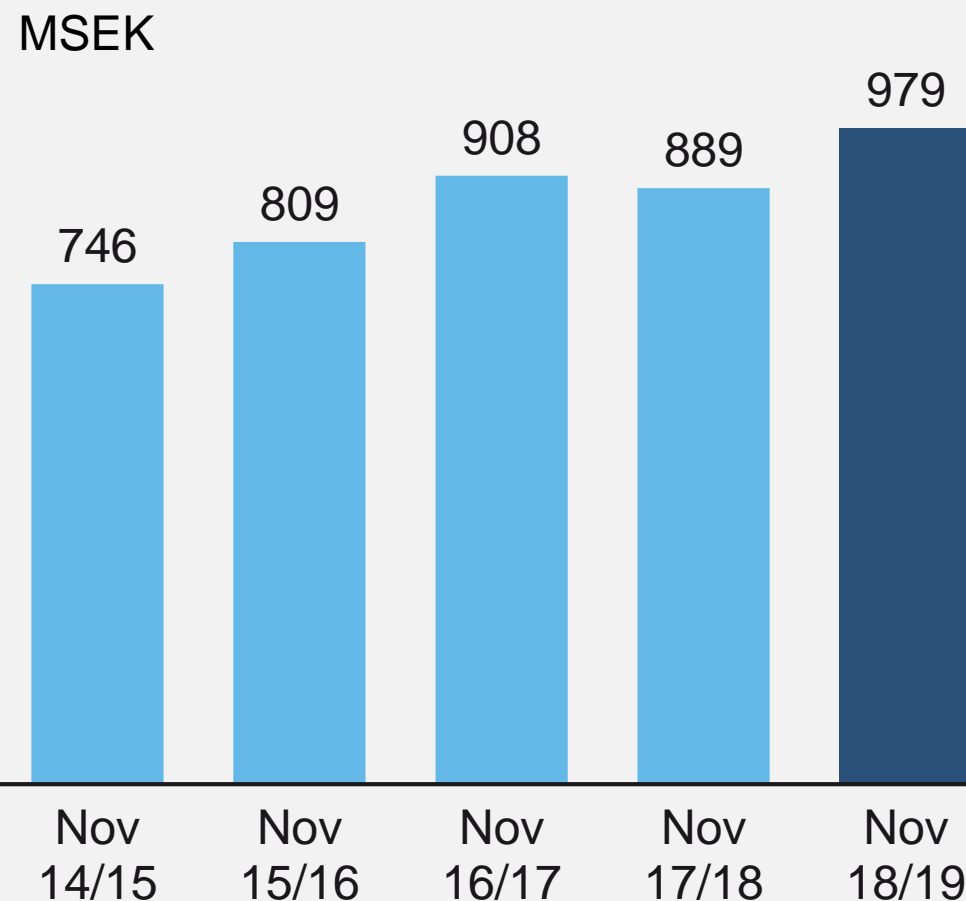


Other events after reporting period



November sales

- Sales 979 MSEK, up 10%
 - Sweden +10%
 - Norway +11%
 - Finland +5%
 - Outside Nordic countries 17%
- Organic sales up 8%
- LFL sales up 6%
- Online sales up 63%
- 11 additional stores net compared to end of November last year (15)





Summary Q2 and going forward

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Increased focus on continued profitable growth in the Nordics and online. Closing of store network outside the Nordics

- Q2 according to plan
- Investing 1-2 p.p.of EBIT margin in strategic initiatives 2018/19 and 2019/20
- Full speed ahead – i.e. cost frontloaded in the two-year period 2018/19 and 2019/20
- Growth initiatives bear fruit – organic sales growth in line with target
- Cost savings of 200-250 MSEK – will give full effect from 2020/21
- A new scalable business model for online operations outside the Nordics to be established – non Nordic online operations to be centralised to London, store network will be closed



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

Q&A

Du mathemmar.
Vi fixar julen.

clas ohlson ♥ MatItem.se

