

Q3 Report 2018/19

13 March 2019

Lotta Lyrå, President & CEO and **Pär Christiansen**, CFO

The image shows the exterior of a modern building at dusk. A prominent vertical sign on the left side of the building reads "clas ohlson" in white lowercase letters on a blue background. The building's facade is made of light-colored stone or concrete panels. Large glass windows and doors are visible, reflecting the sky and surrounding environment. In the foreground, there are signs for "BROTHERS" in a stylized font, and a red ribbon is visible in the window reflections. The overall scene is well-lit, with the building's lights and the ambient light of the evening.

clas ohlson

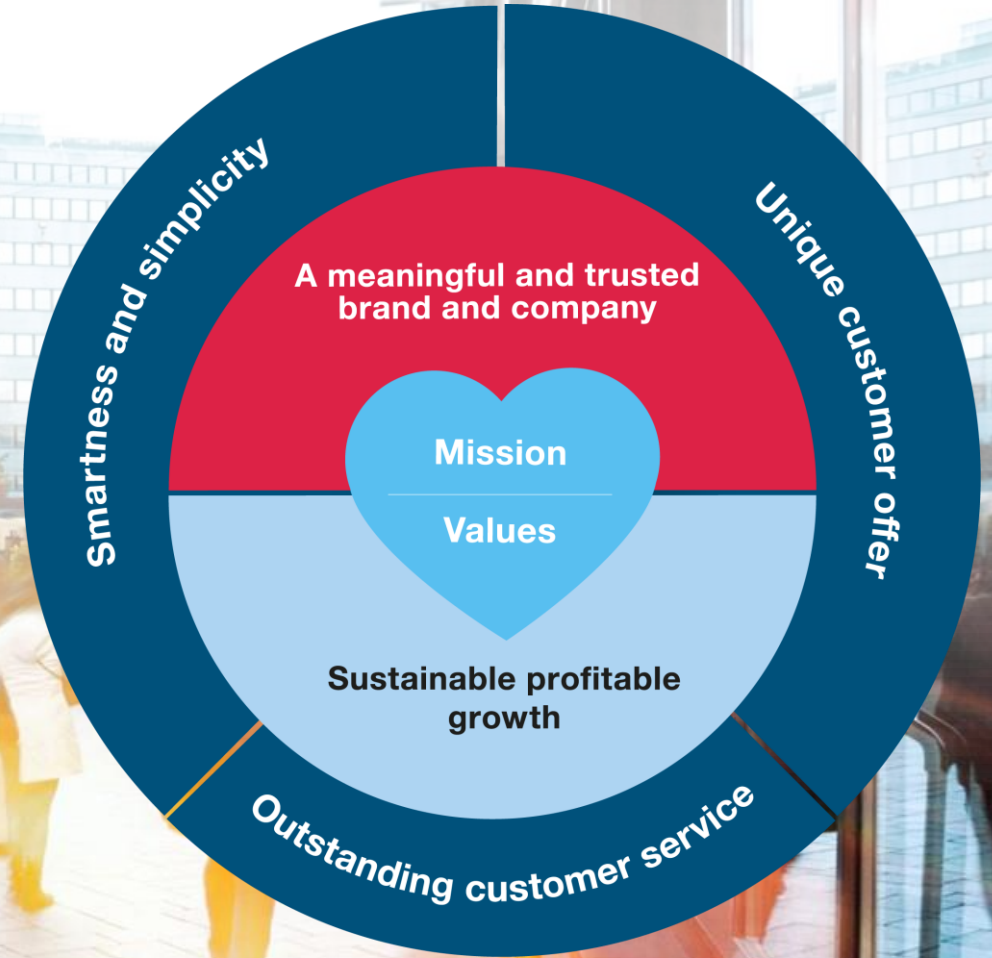
clas ohlson

Agenda

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

Retail in change – Christmas 2018, pace increasing

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



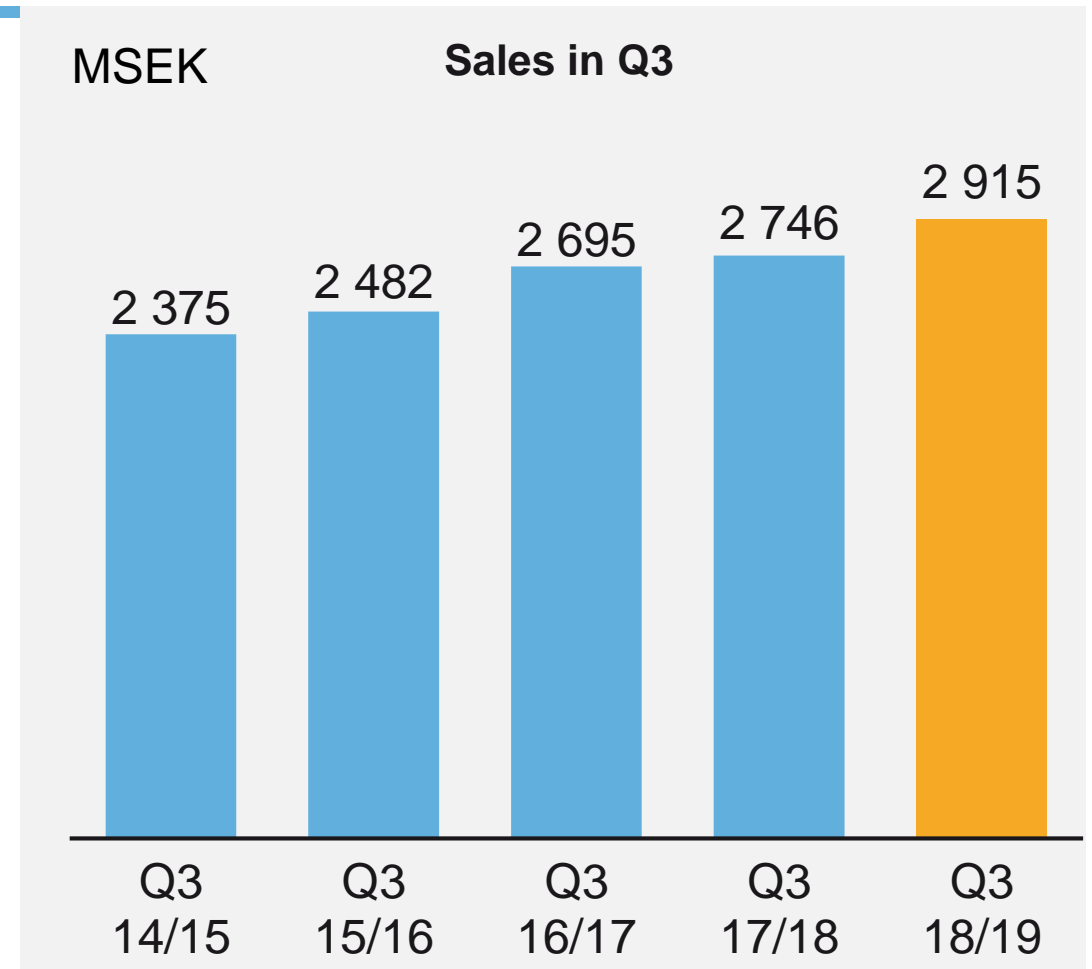
Q3 2018/19 in brief

- Organic growth 4%. Growing both in stores and online in a challenging market climate
- Growth better than market, but lower than internal target, affects profitability for the current year
- Improving underlying operating profit, stable gross margin
- Inventory levels reduced
- Full focus on lower costs— important steps in Q3
- On track with growth initiatives in the ongoing transition



Growing in both stores and online in a tough market

- Well prepared for Christmas
 - Attractive customer offerings
 - Increased digital capacity
 - More and better online delivery options
- Organic sales up 4%. Better than market, lower than internal target
- Sustaining gross margin at 40.4% (40.8)
- Improving underlying results
 - Underlying EBIT 363 MSEK (359)



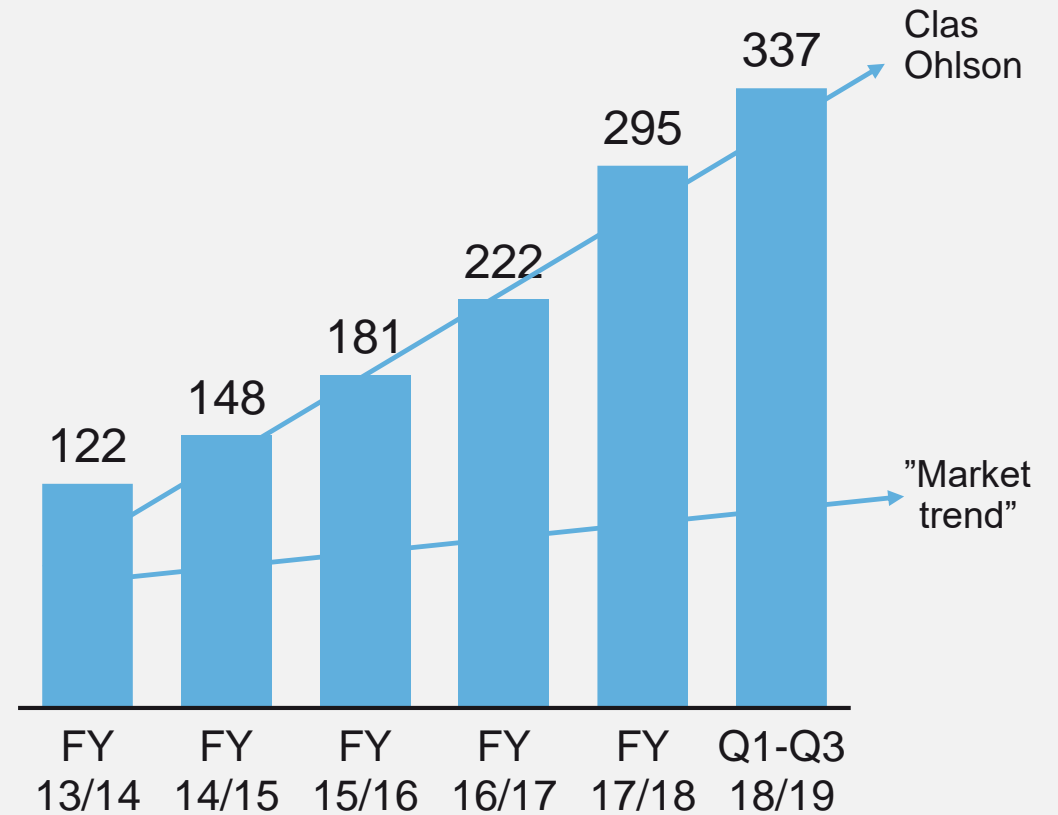
Online growth initiatives produce results

Online sales growth:

51% Q3 2018/19

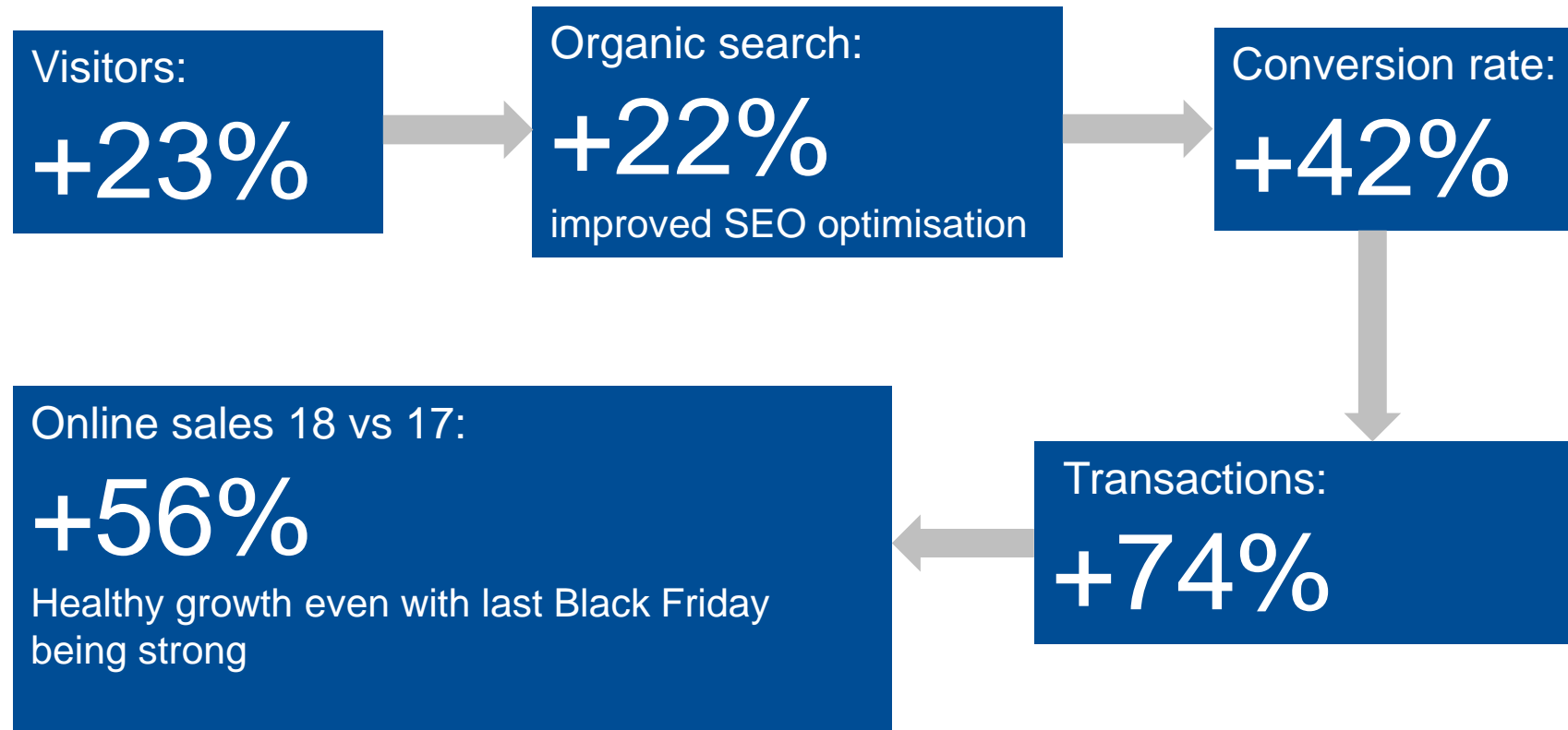
51% first nine months 2018/19

MSEK



Black Week to Christmas

– online performance 2018 vs 2017



Breakthrough for Click & Collect in December*

Share of online sales:

30%

Top Click & Collect stores:

- Drottninggatan, Stockholm
- Jumbo, Vantaa
- Täby
- Alingsås

Online shoppers buys more.
Average Transaction Value
Click&Collect:

+82%
(vs in stores)

38,000

Click&Collect orders in total

*Collect in Store available until 14 December.



CO100+ UPDATE



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

Focus on implementation – Cost savings initiatives totalling 200-250 MSEK

More efficient organisation

- Organisational review to reduce costs and create a more efficient organisation
- sCORE - an enabler for significant efficiency measures



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



Focus on implementation – 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

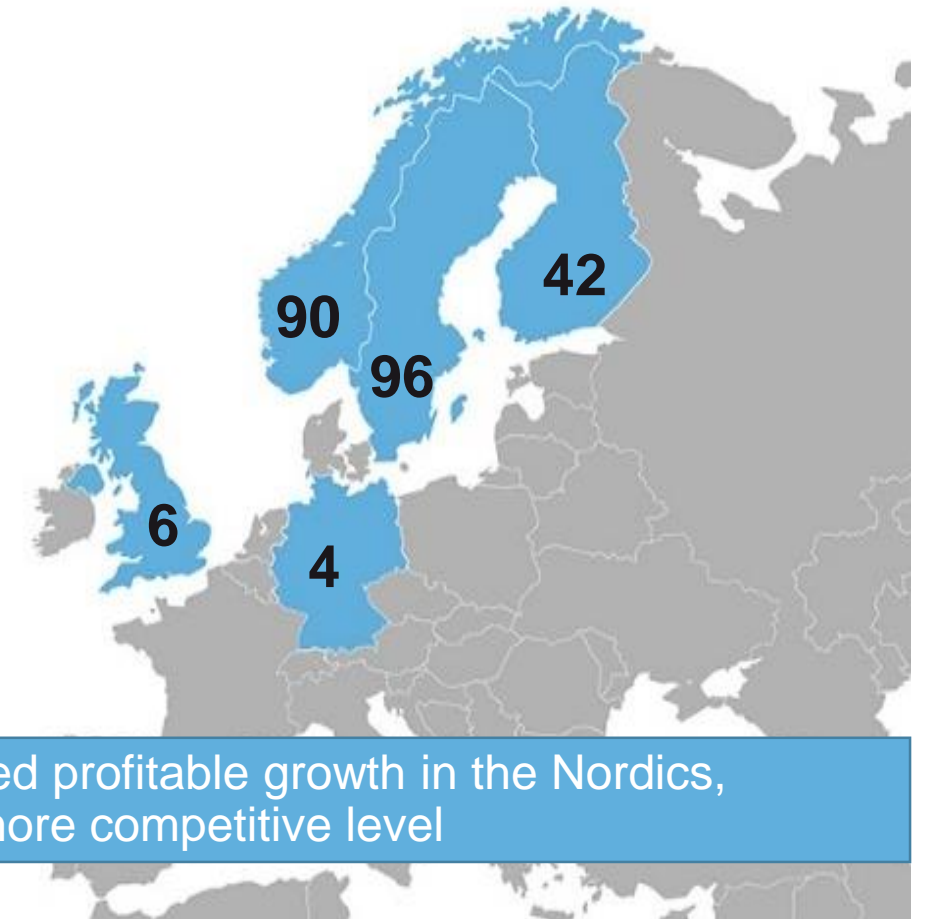
Double sales online every other year

- Broadened online offering
- Increased capacity and improved capabilities – digital and delivery
- Click & Collect breakthrough in December
- Strategic cooperation with MatHem expanded



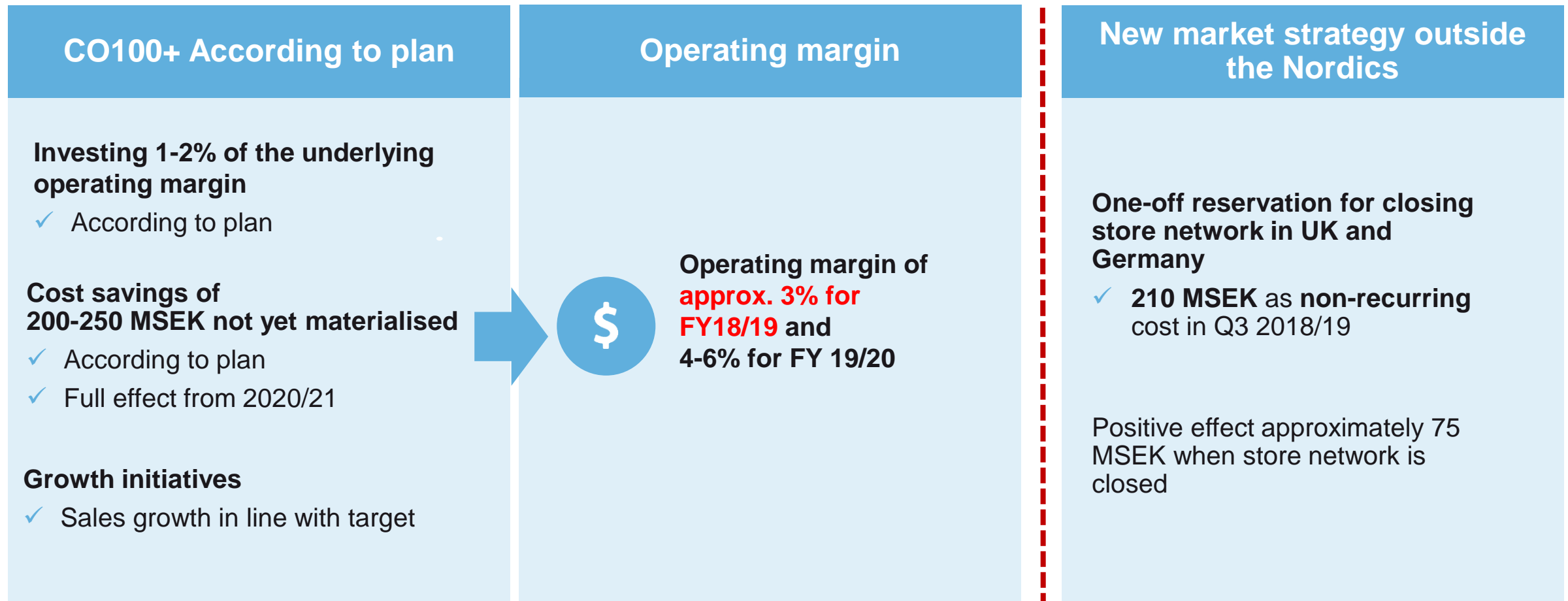
Focus on implementation – New market strategy outside the Nordics

- Focus on online outside the Nordics
- Closing of store network in the UK and Germany according to plan
- Total cost for closure 210 MSEK
- To be completed during 2018/19
- Positive contribution to P&L of approximately 75 MSEK with full effect after Q2 2019/20



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

Strategy implementation effect on EBIT FY 2018/19

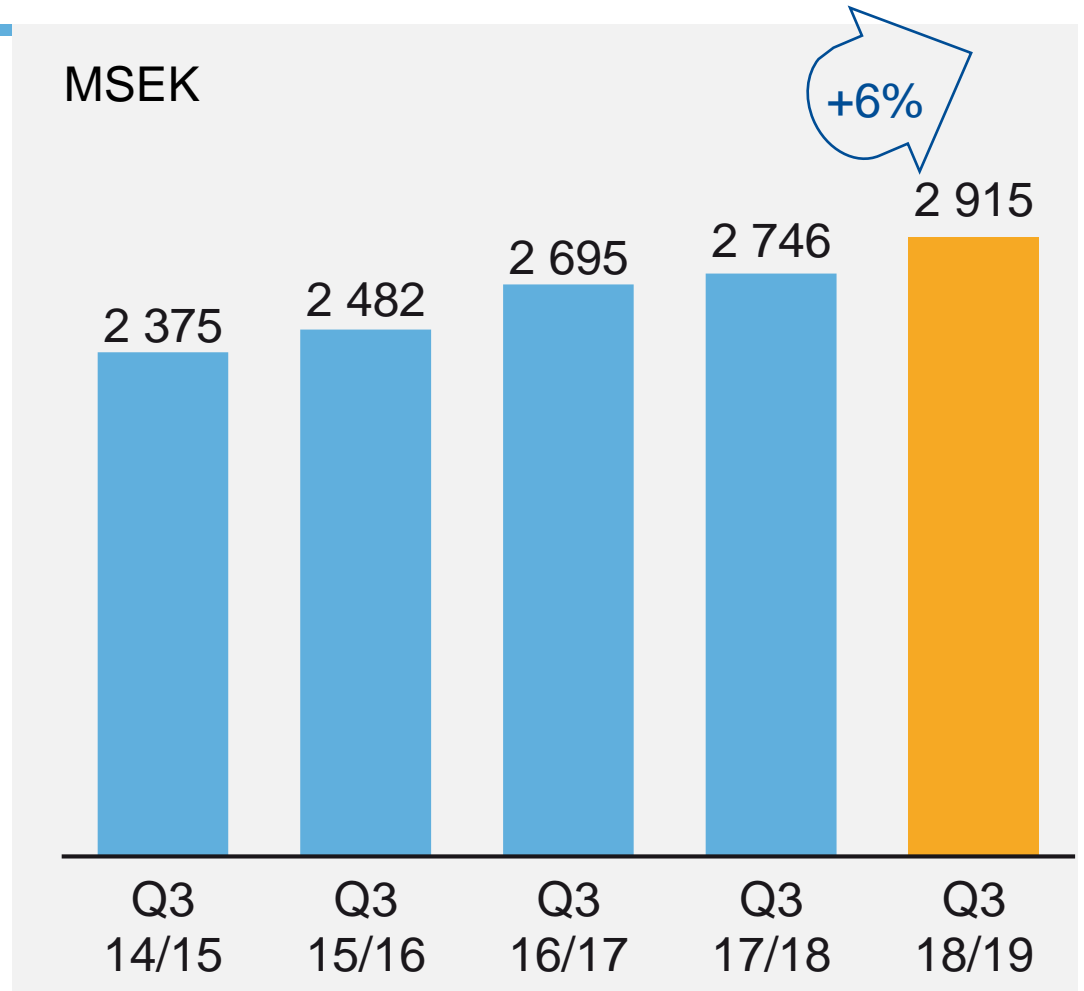




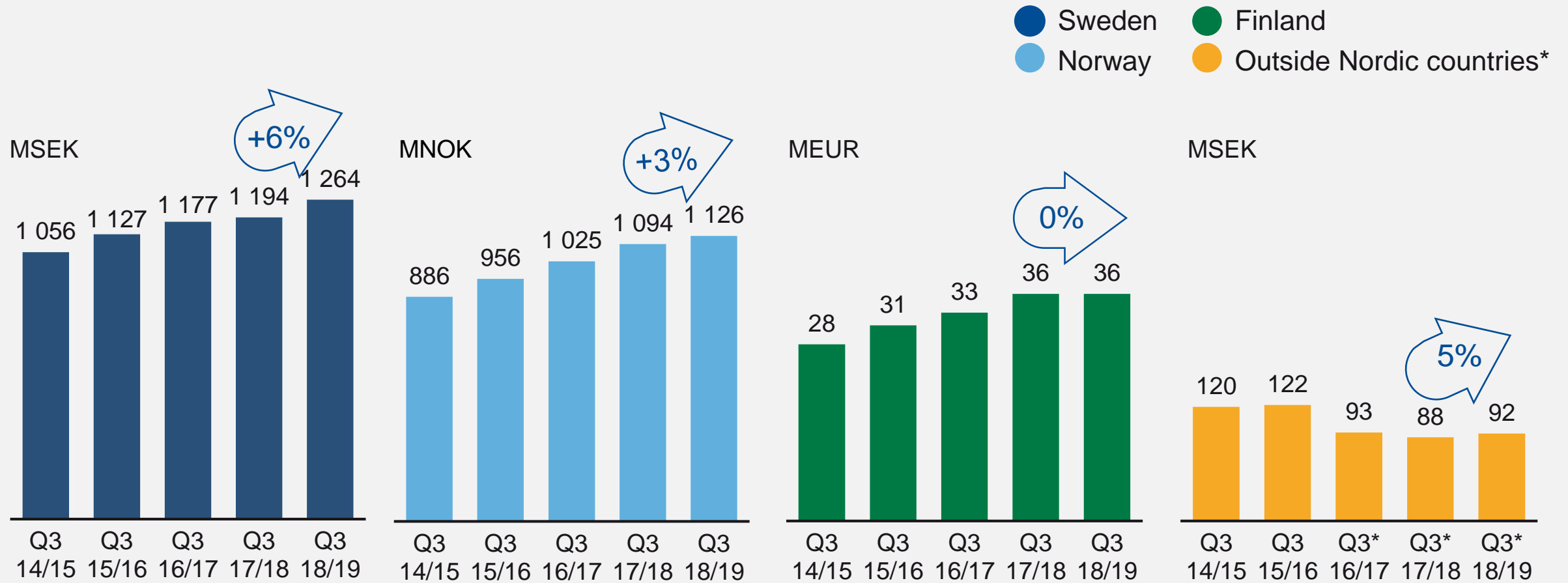
FINANCIAL
DEVELOPMENT

Sales Q3

- Q3 sales increased by 6% to 2,915 MSEK
- Growth in both stores and online
- Significant growth in online sales – up by 51%
- Organic sales up 4%, LFL up 2%
- 14 additional stores net compared to Q3 last year (11)



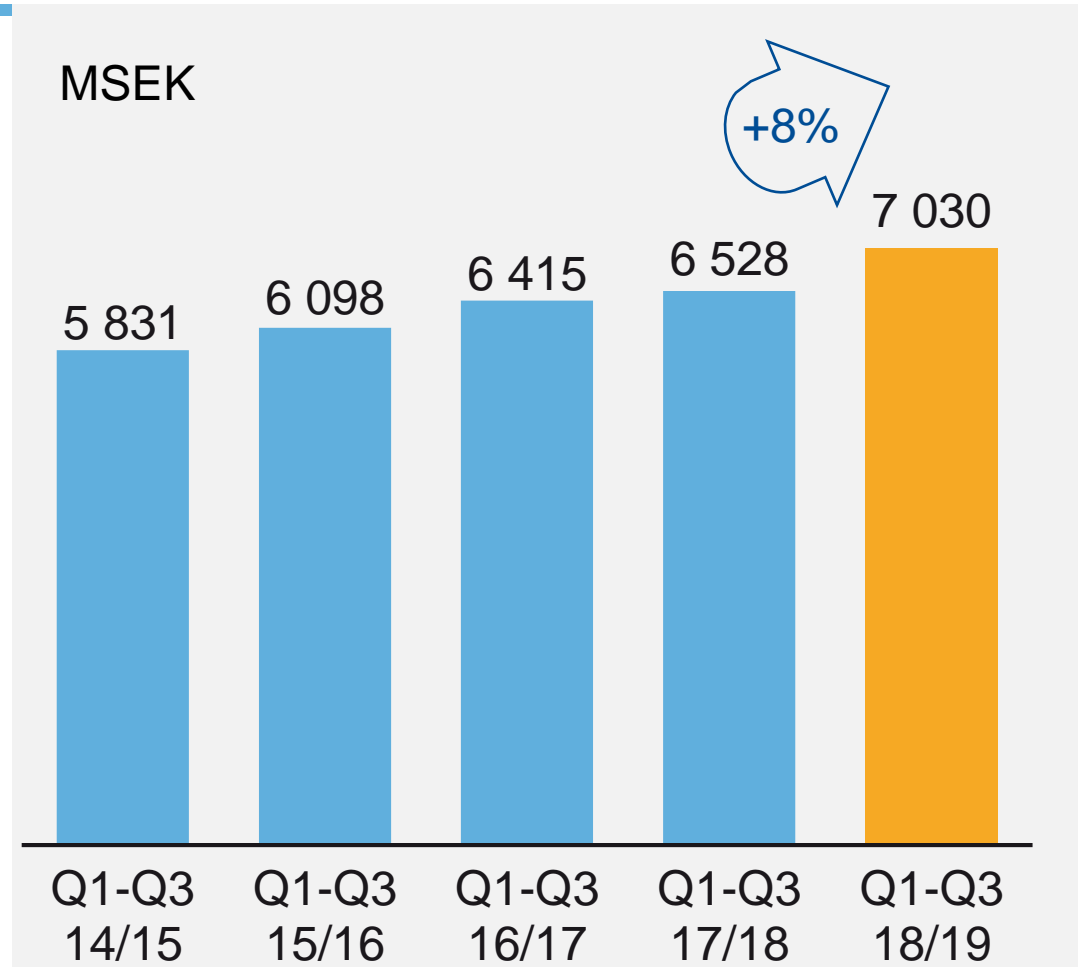
Sales trend per market



*Impacted by store optimisation in UK

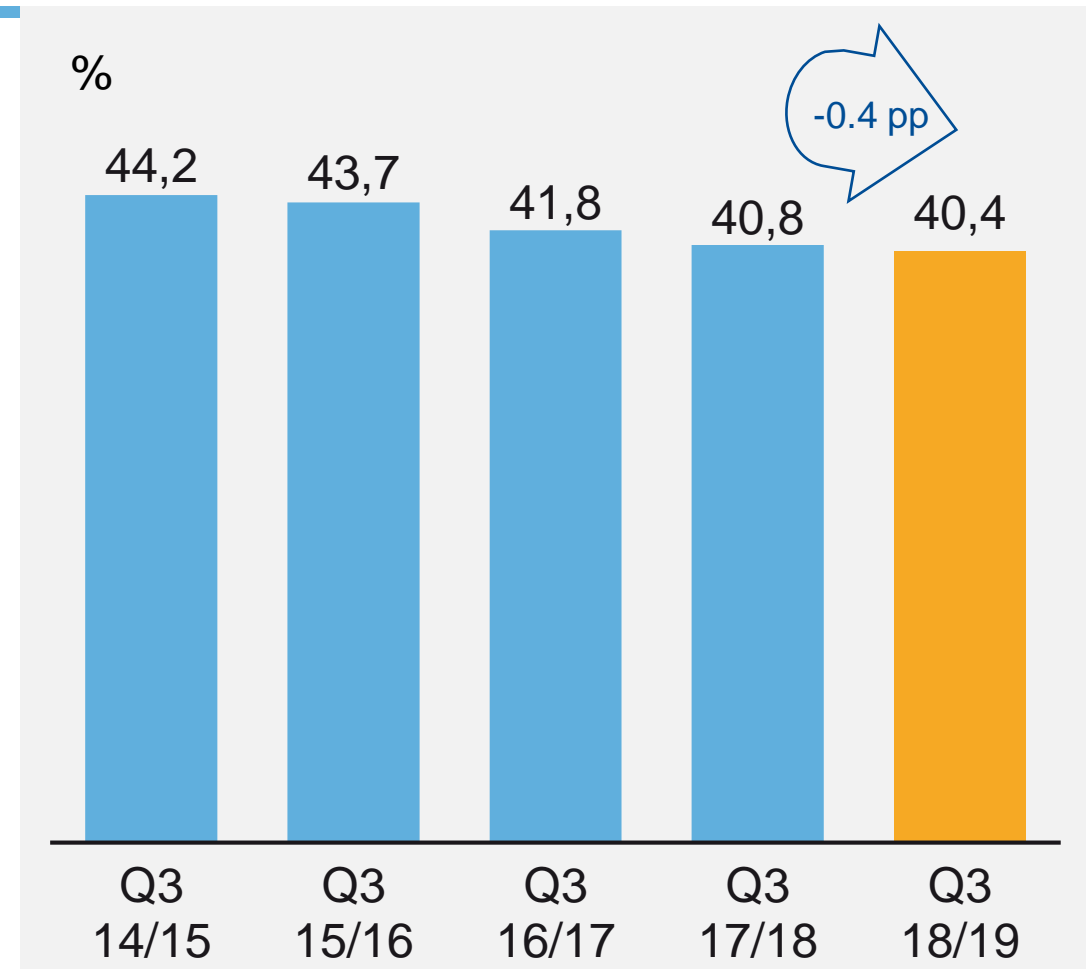
Sales Q1-Q3

- Sales up by 8% to 7,030 MSEK
- Online sales up by 51%
- LFL sales up 2%
- Organic sales up 5%
- 9 additional stores net compared to end of period last year (8)



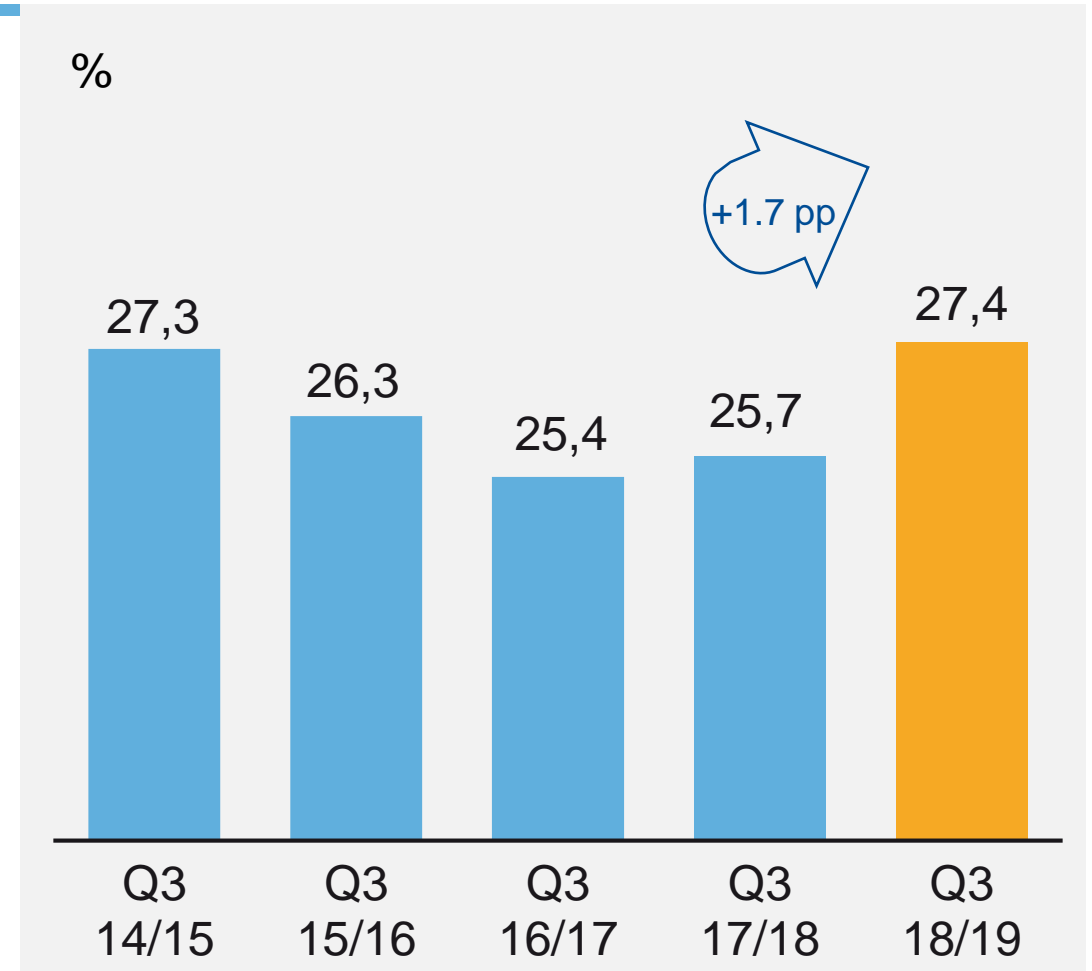
Gross margin Q3

- Gross margin maintained at 40.4% (40.8)
- Positive effects from strong NOK, FX-hedges and weaker purchasing currency
- Impacted by commercial initiatives and increased sourcing costs



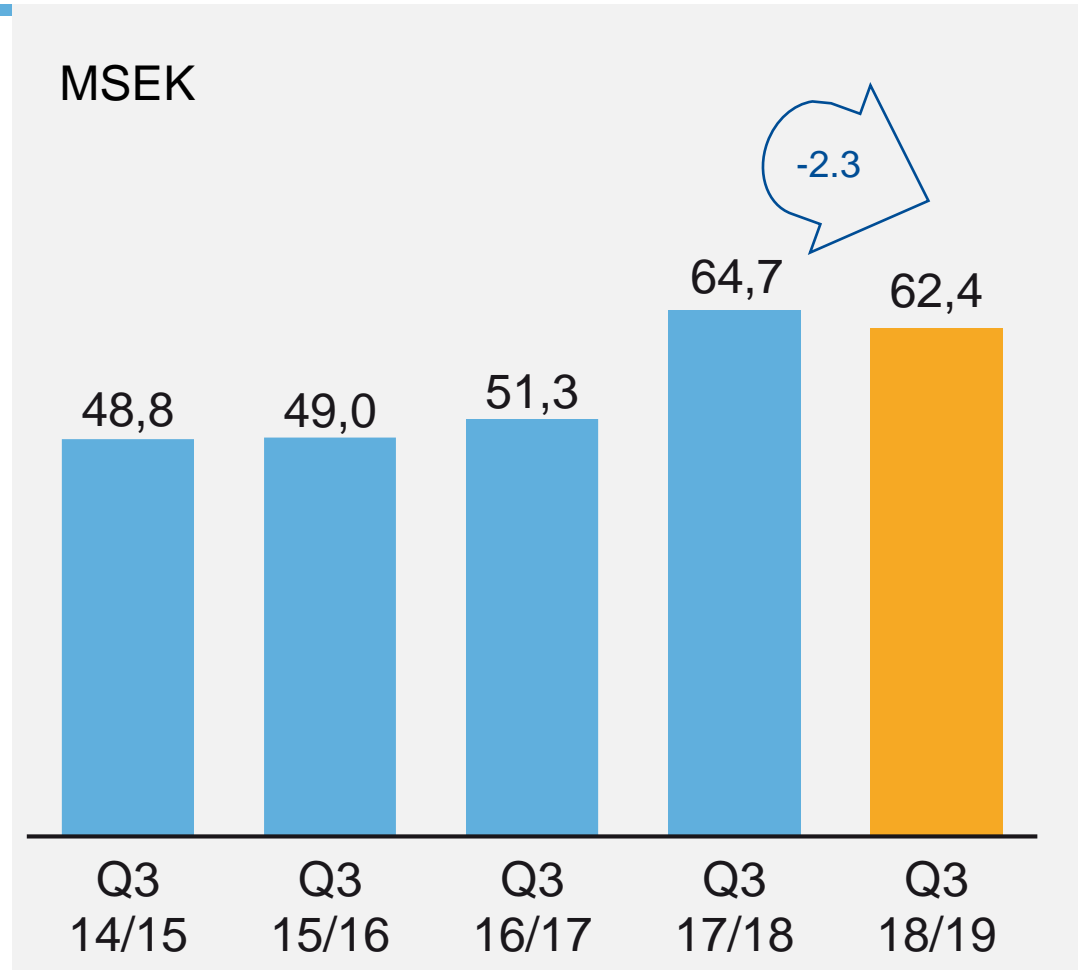
Share of selling expenses Q3

- Share of selling expenses 27.4% up 1.7 pp. according to plan
 - CO100+ programme
 - Commercial activities, marketing and brand building



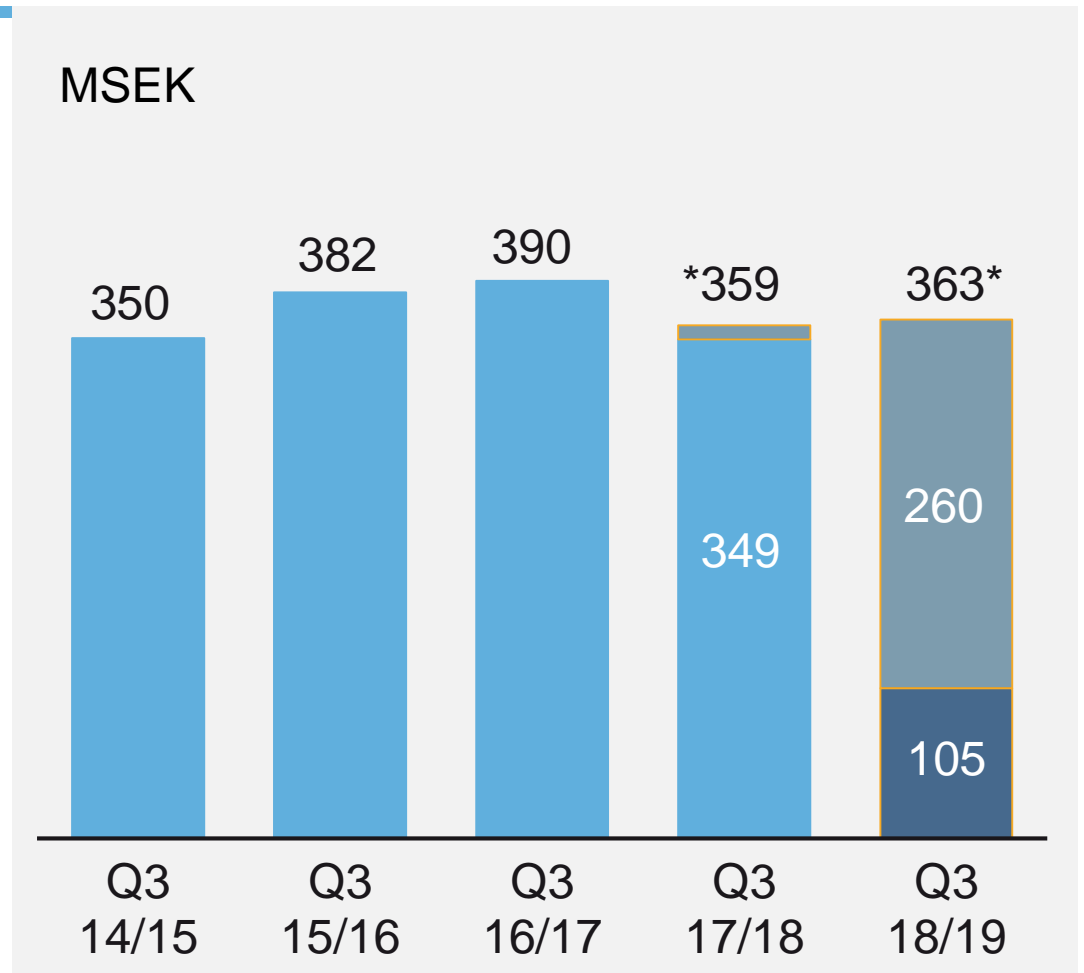
Administrative expenses Q3

- Administrative expenses decreased compared to previous year and amounted to 62 MSEK (65)



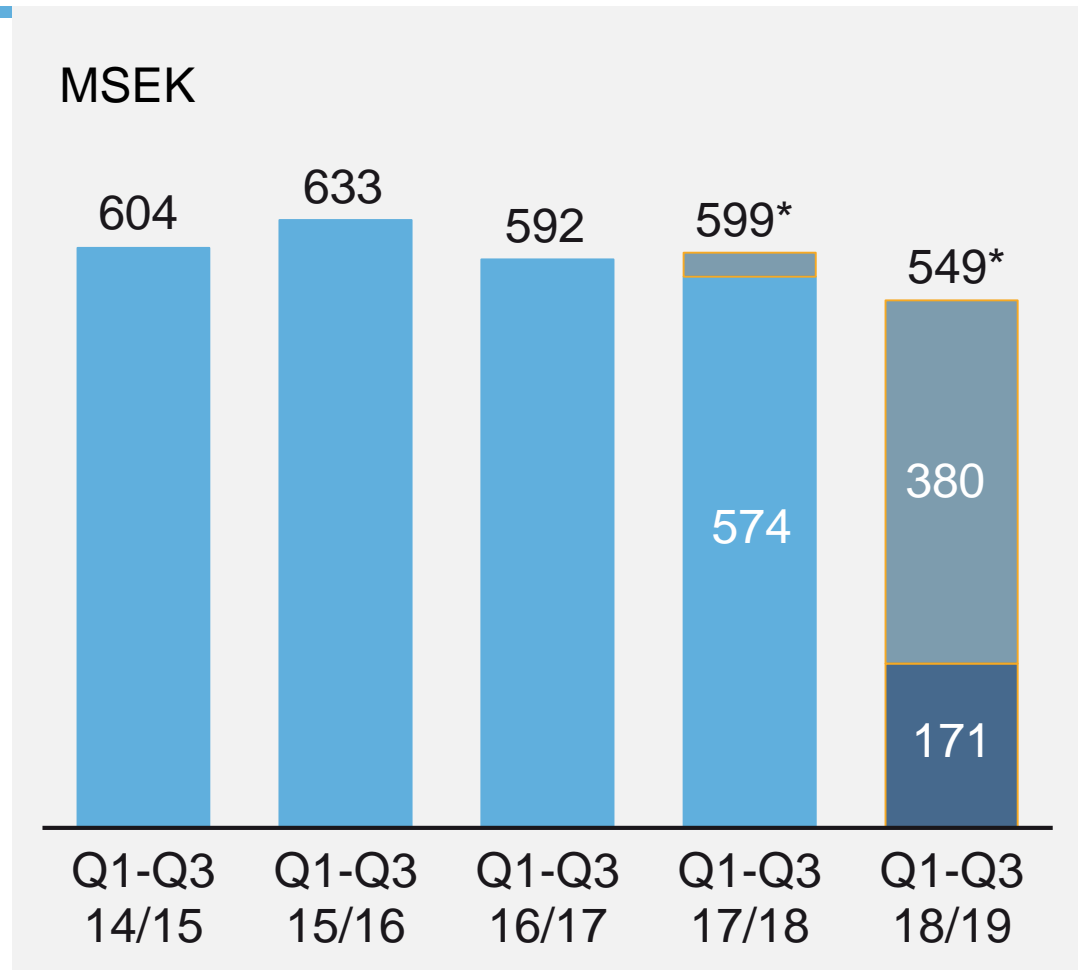
Profit Q3

- Operating profit 105 MSEK (349)
 - Operating margin 3.6%
- Non-recurring costs, costs for action programme CO100+ and closing of stores in UK/Germany totalling 260 MSEK (10)
- *Underlying EBIT 363 MSEK (359)
 - Underlying EBIT margin 12.4%
- Earnings per share 1.24 SEK (4.28)



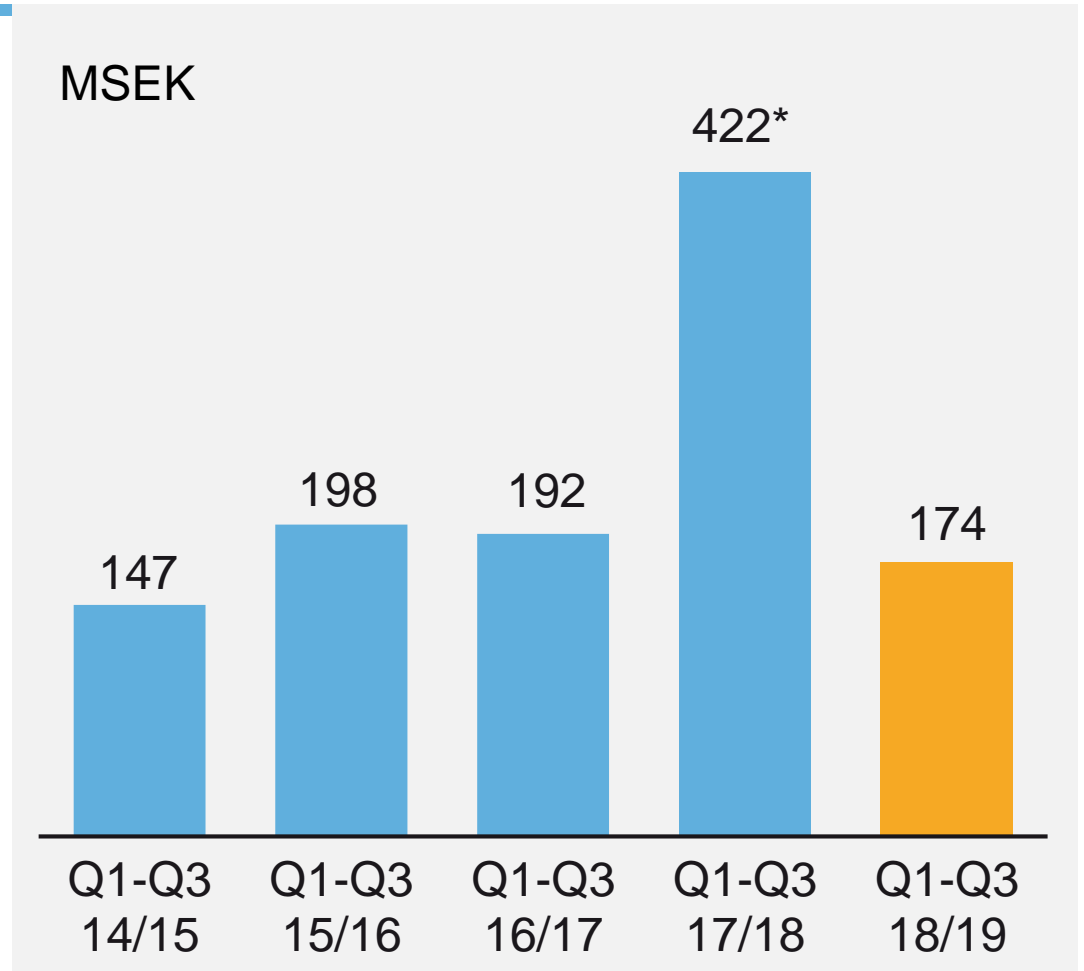
Profit Q1-Q3

- Operating profit 171 MSEK (574)
 - Operating margin 2.4%
- Costs totalling 380 MSEK (25) relating to non-recurring costs, action programme CO100+, sCORE and closing of stores in UK/Germany
- *Underlying EBIT 549 MSEK (599)
 - Underlying EBIT margin 7.8%
- Earnings per share was 2.11 SEK (7.02)



Investments

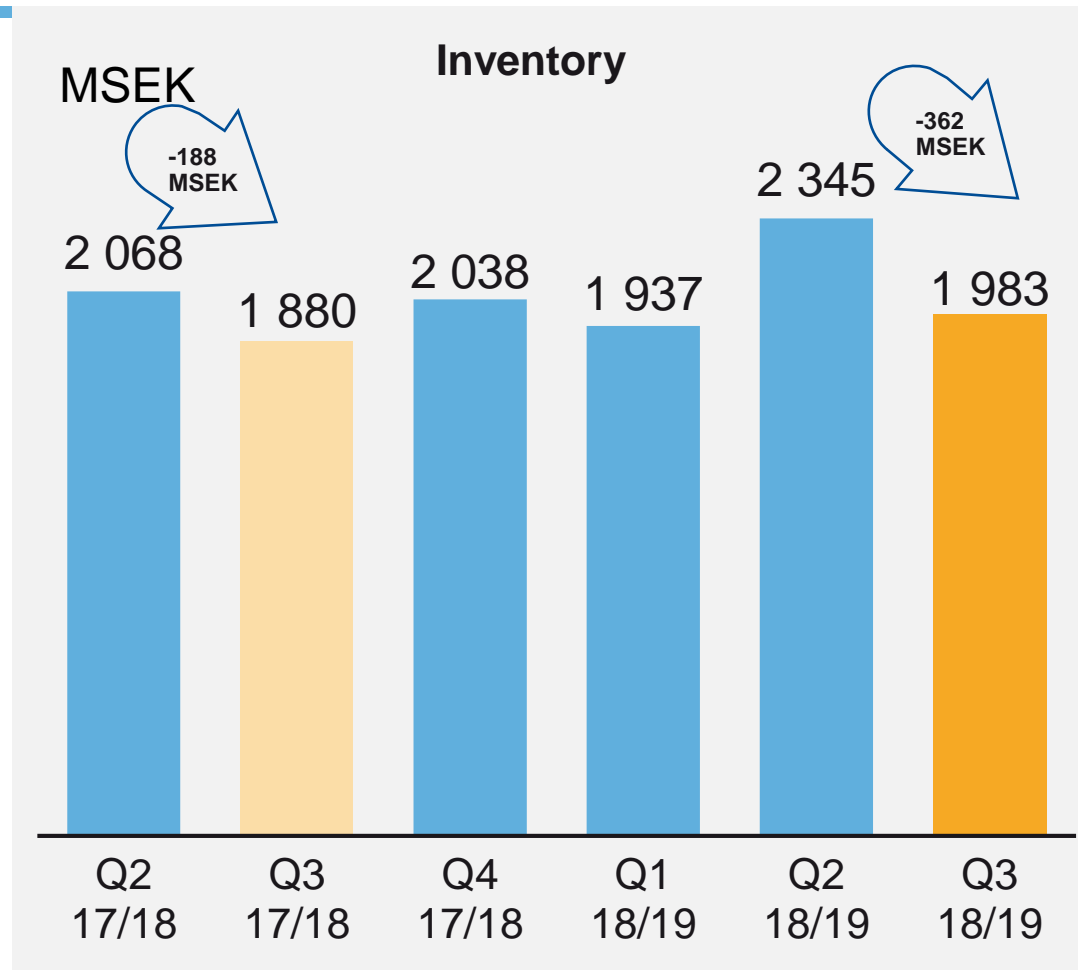
- Total investments 174 MSEK (422)
- New stores and refurbishments 41 MSEK (67)
- IT systems 88 MSEK (89)



*Including the acquisition of MatHem of 224 MSEK.

Financial position

- Positive cash flow from operating activities in Q3 of 728 MSEK (585)
- Inventory 1,983 MSEK (1,880)
- Cash flow after investments and financing activities of 70 MSEK (-40)
- Net cash of 185 MSEK (584, net cash)
- Approved credit facilities of 750 MSEK



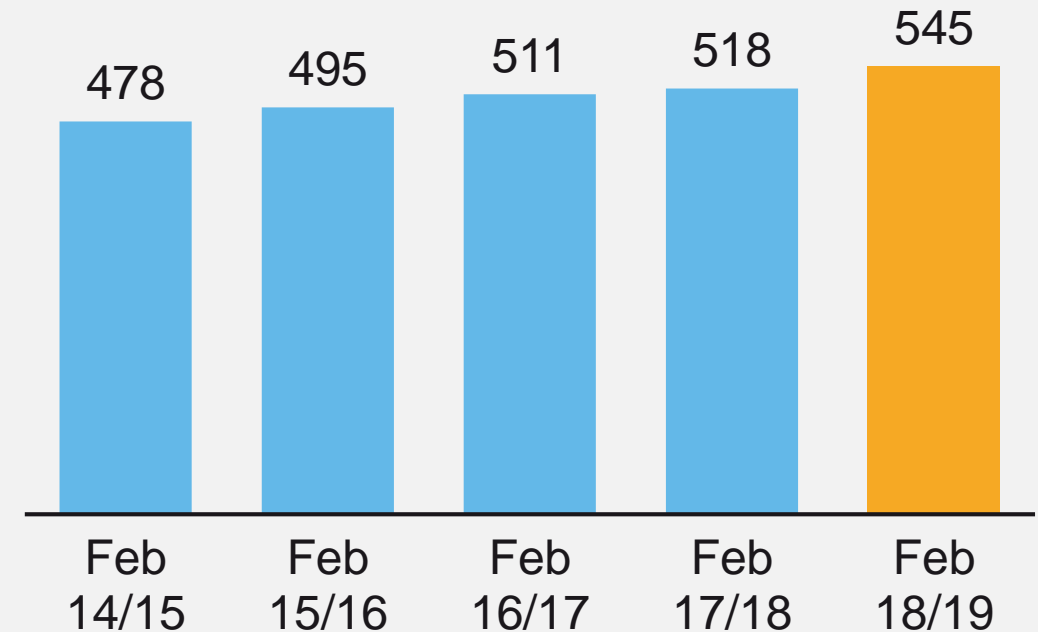
Events after reporting period



February sales

- Sales 545 MSEK, up 5%
- Organic sales up 2%
- LFL sales unchanged
- Online sales up 47%
- 13 additional stores net compared to end of February last year (12)

MSEK



Clas Ohlson
Lab Store

SUMMARY Q3 AND GOING FORWARD

Clas Ohlson
Lab Store

Q3 in summary

- Growing both in stores and online in a challenging market climate
- Growth better than market, but lower than internal target, affects profitability for the current year
- Improving underlying operating profit, stable gross margin
- CO100+ on track
 - Investing 1-2 per cent of the underlying operating margin in 2018/19 and 2019/20
 - Full focus on lower costs
 - On track with growth initiatives



Going forward

- Market changing, faster than expected
- CO100+ action program designed to meet the change
 - A more unique customer offer
 - Grow online business & Optimise store network
 - Challenging the cost structure
- We take, and will take, the actions needed to deliver long-term profitable growth



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

Q&A

clas ohlson

pop up
store

#claspop

Tagga ditt inlägg och li...

Passa på!
399:-

20%

#claspopup

Allt du behöver.
När du behöver det.

Här finns smarta produkter, praktiska lösningar och inspiration. Finns inte det du behöver här, så dig att beställa det hem till dig närmaste butik.

Pop-up erbjudande
Passa på!

clas ohlson

www.clasohlson.com