

Q1 Report 2019/20

4 September 2019

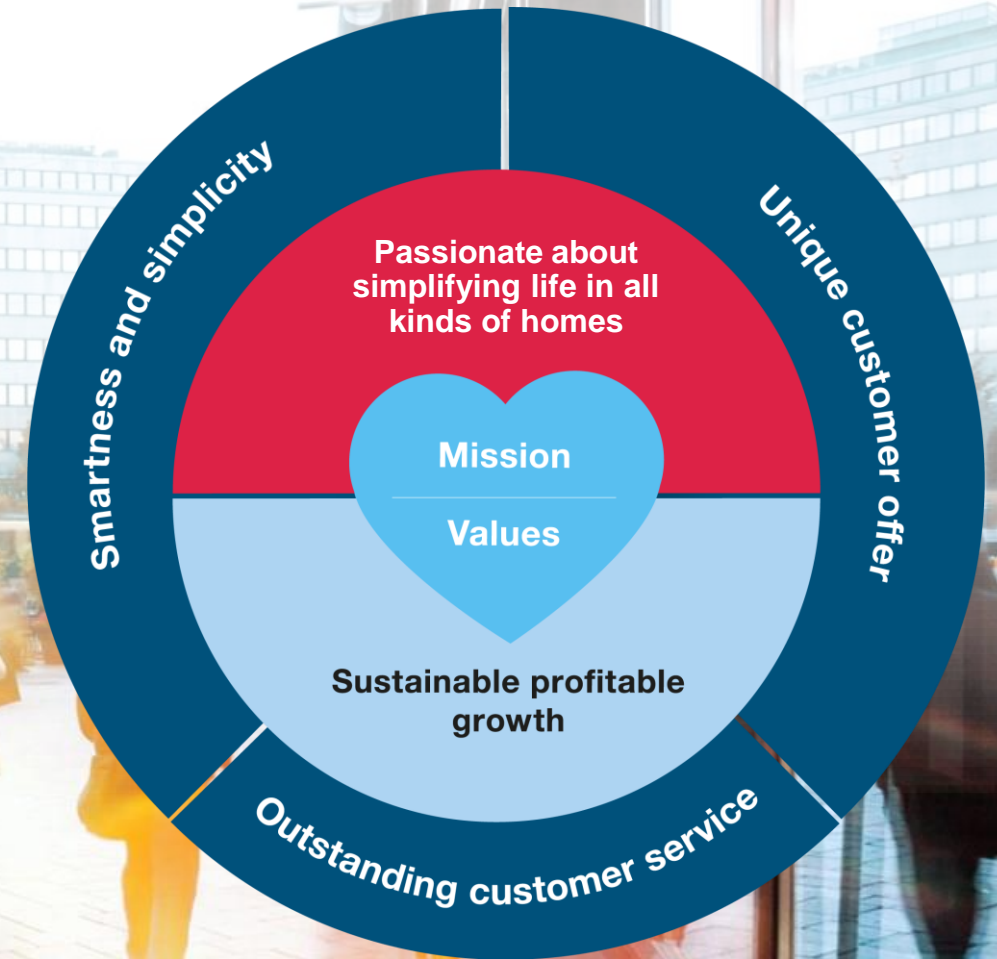
Lotta Lyrå, President & CEO and **Pär Christiansen**, CFO

The numbers provided in this presentation may be affected by the application of IFRS 16. For more information, please read [Restatement of financial information according to IFRS 16](#).

clas ohlson

Good sales performance and strengthened result

- Strong demand during summer indicating appreciated assortment and successful campaigns
- Taking next step in terms of availability and convenience through Kolonial collaboration
- Continued optimisation of store network
- CO100+ implementation on track
 - Positive effects from implemented initiatives
 - High speed in both growth and cost savings initiatives
- Delivering in line with guidance on margins





Agenda

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

Q1 2019/20 in brief

- Sales up 4 per cent, organic sales up 4 per cent and LFL sales up 4 per cent
- Online sales up 20 per cent
- Gross margin at 38.1 per cent (38.5)
- Improved operating result, both reported and underlying
- Full focus on lower costs when implementing CO100+



CO100+ UPDATE



99:90



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

Unique position in terms of availability and convenience

- Being close to the customer is set to become increasingly important
- Convenience and availability is key
 - Relevant assortment
 - Stores in good locations
 - Improved e-com
 - Multiple delivery options
- MatHem partnership showing good progress
 - Similar consumption pattern for consumables (Clas Ohlson) and food (MatHem)



Partnership with Kolonial contributing to our unique offering

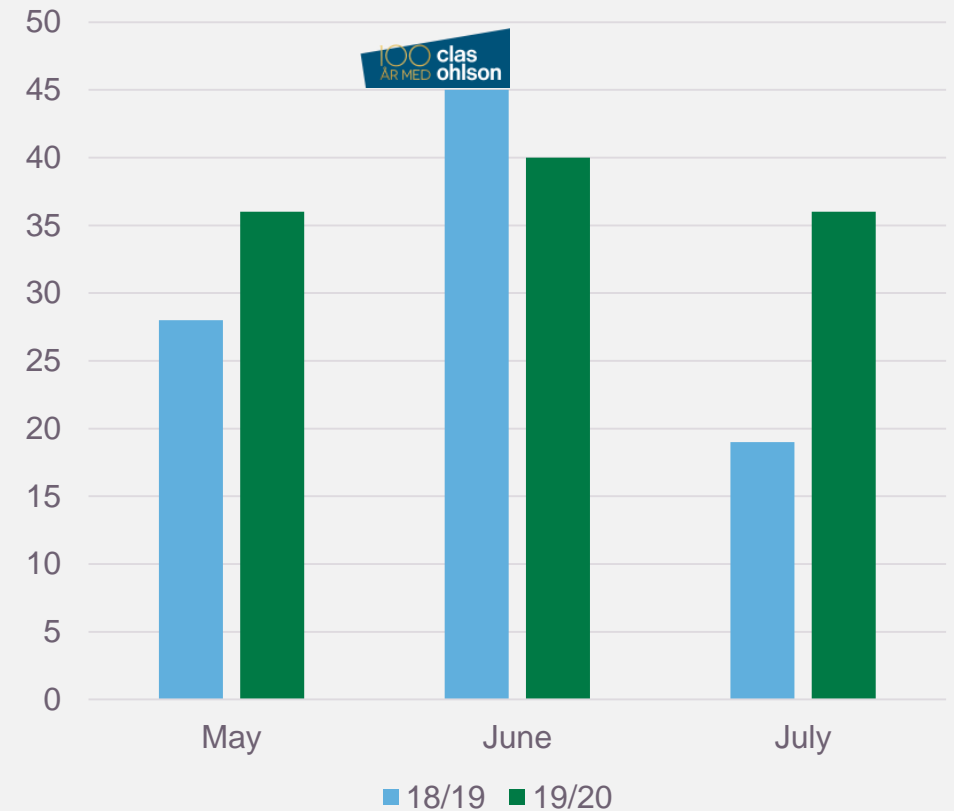
- New partnership with Kolonial.no, the largest online food store in Norway
- Offering new sales channel and smart delivery options for our products to Norwegian customers
- Clas Ohlson products available to customers on Kolonial's platform as from today
- High expectations on Kolonial collaboration after the success with MatHem



Increased online sales

- Online sales Q1 19/20 increased compared to same quarter 18/19
- Online sales showing increasingly improved profitability
- Investments in back-end for responsiveness

MSEK



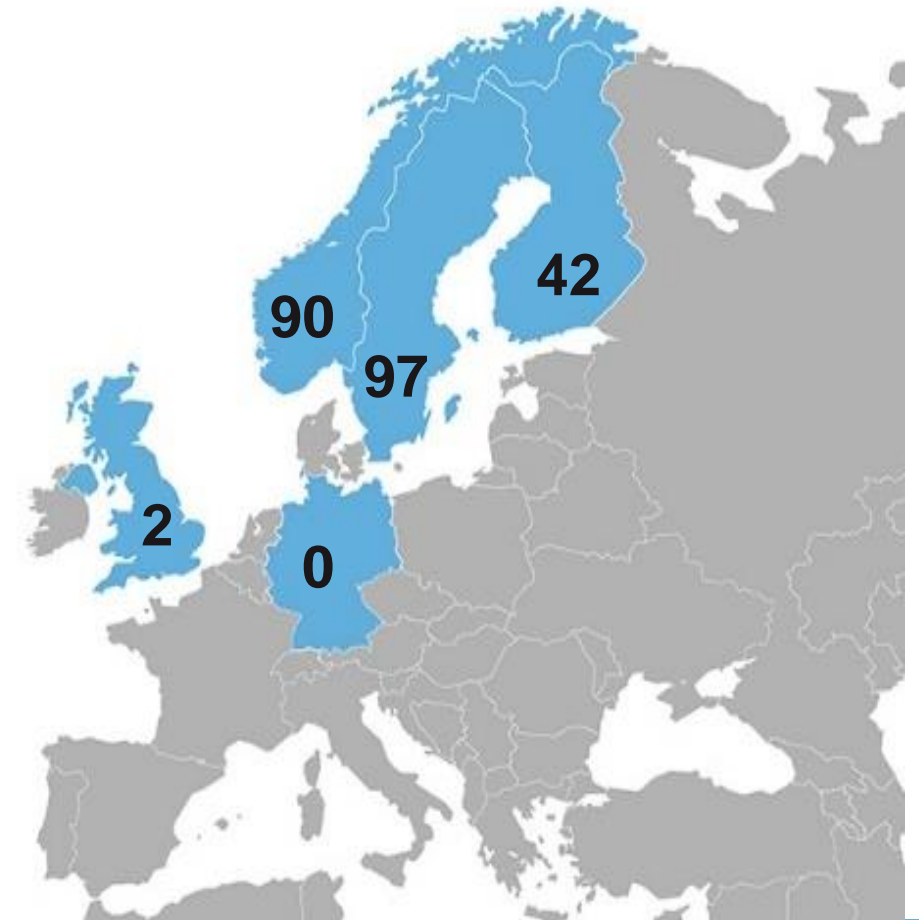
A profitable store network

- Growth mainly expected online but majority of sales still in Clas Ohlson's stores
- The stores provide customer experience, services and the opportunity to pick up goods ordered online
- Profitable stores necessary for our goal of sustainable profitable growth
 - Increase sales per square meter
 - Review of leases in the Nordics
 - Close or relocate non-profitable stores
 - Selectively open new stores in areas with significant potential



Optimising our store network

- Continuously ensuring that our stores are in attractive locations, with a relevant format and profitable is a priority
 - Decision to close 4 stores in Finland and 1 store in Sweden FY 2019/20
 - Part of on-going restructuring of store network in Finland
 - 4 contracted upcoming store establishments in FY 2019/20
 - Increased store density in the major cities – new store to open in Fältöversten, Stockholm
- Closing of store network in the UK and Germany according to plan



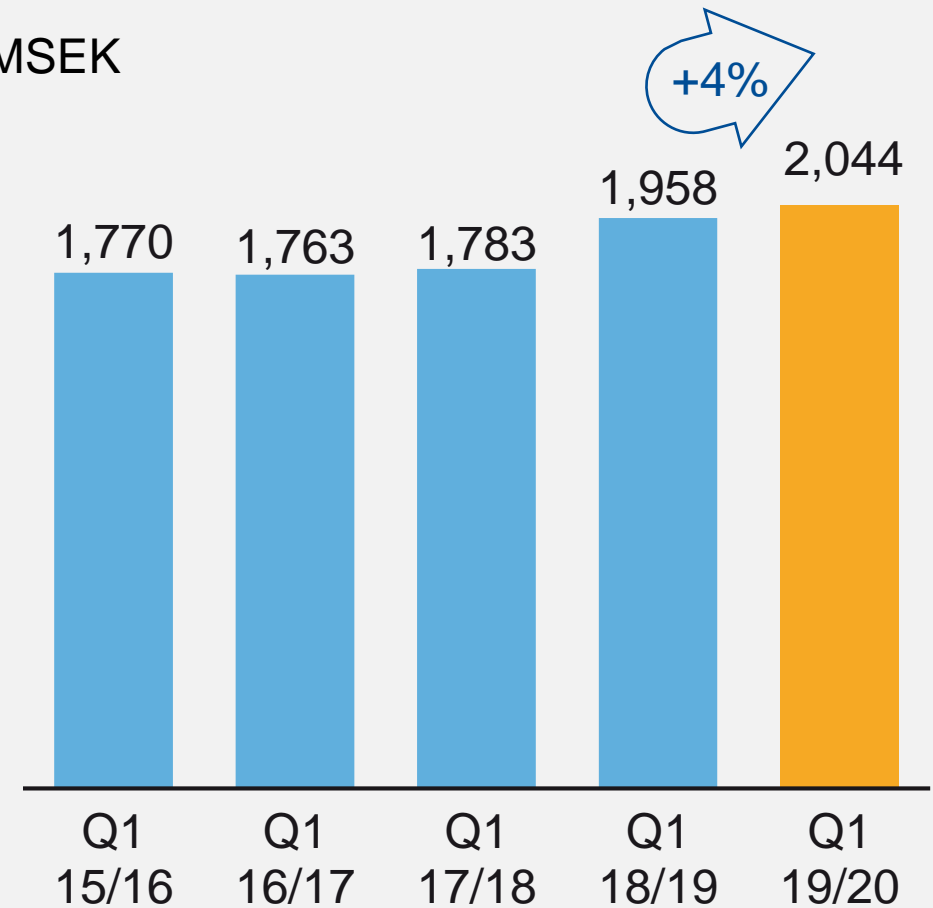


FINANCIAL DEVELOPMENT Q1

Sales Q1

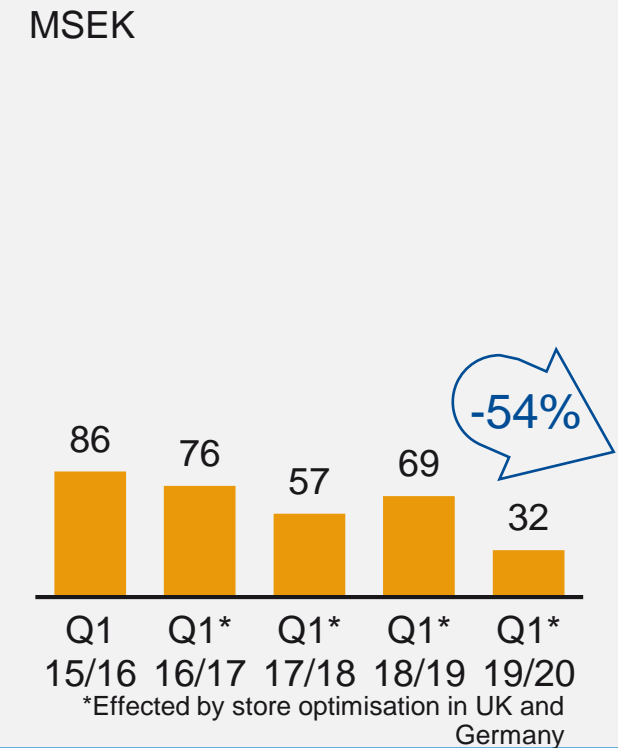
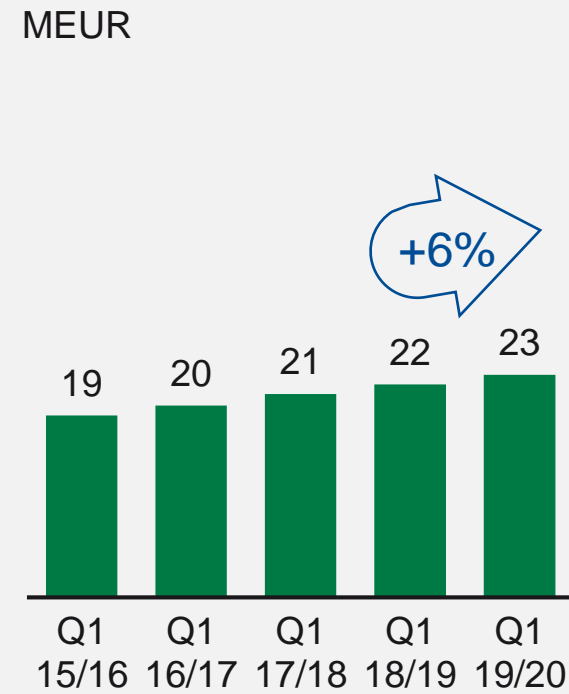
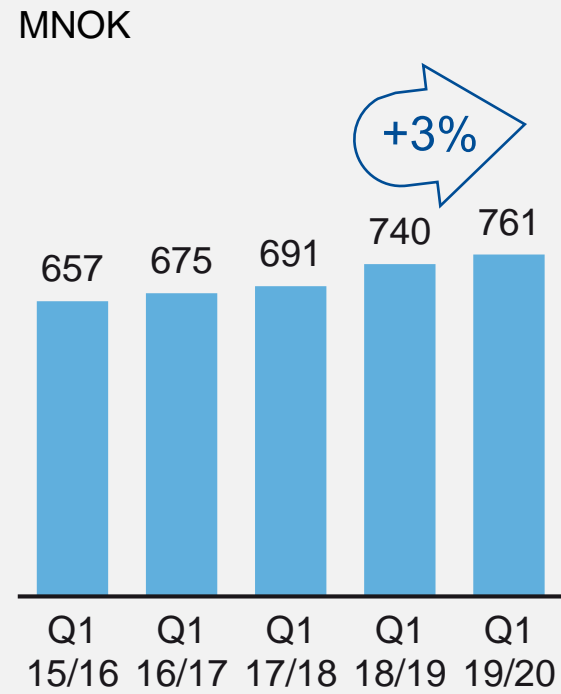
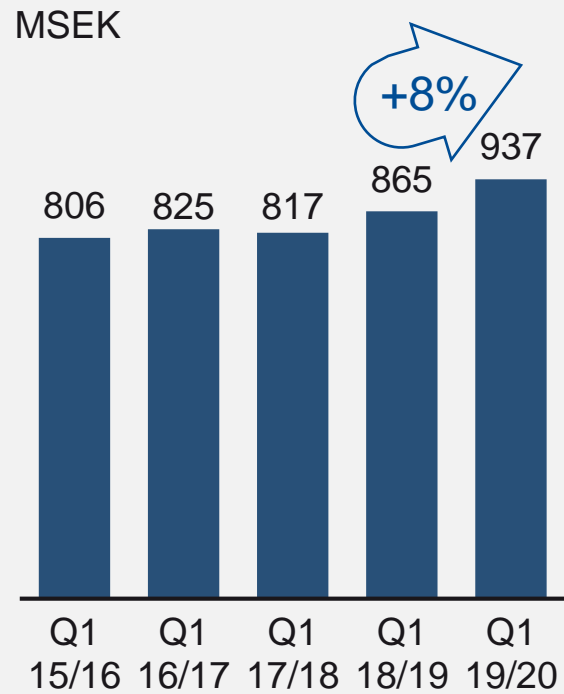
- Q1 sales 2,044 MSEK, up 4 per cent
- Organic sales up 4 per cent, LFL sales up 4 per cent
- Online sales increased by 20 per cent
- Unchanged number of stores net compared to Q1 last year (14)

MSEK



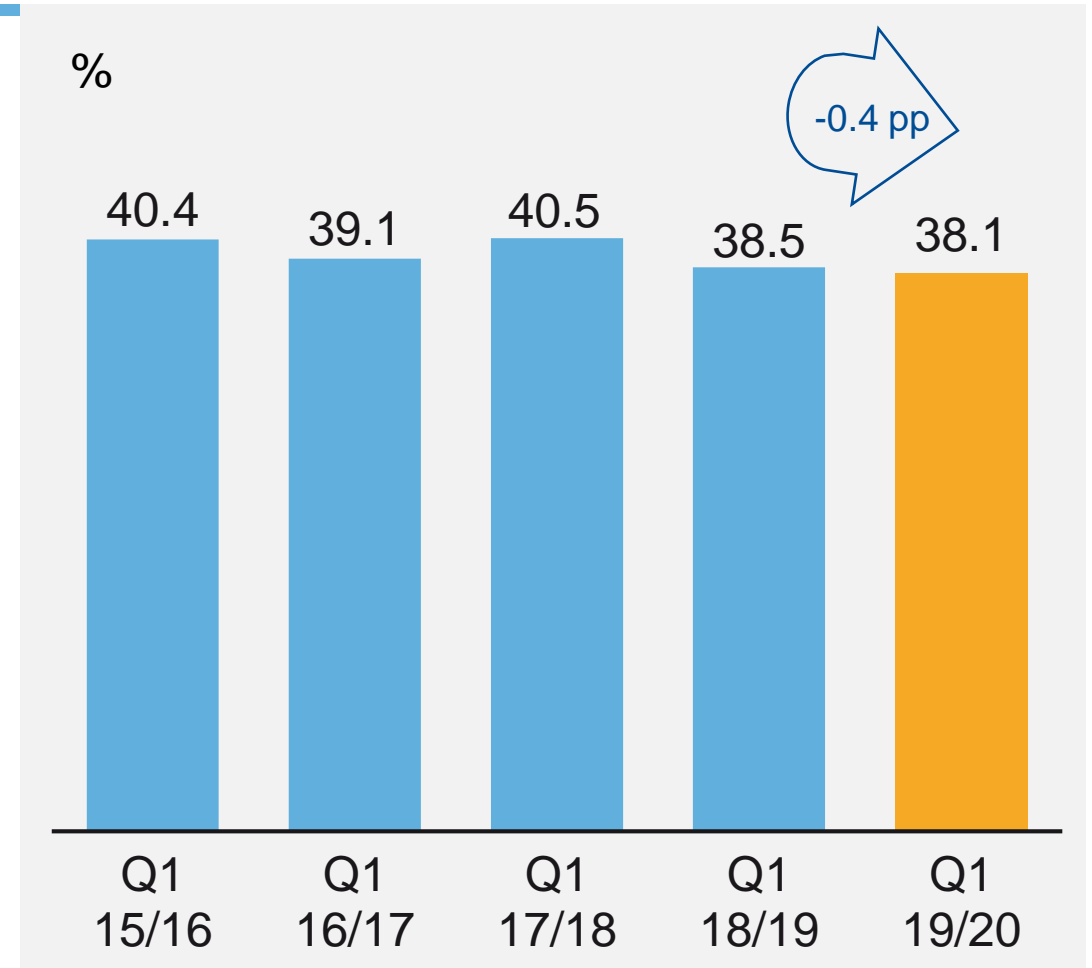
Sales trend per market

- Sweden
- Finland
- Norway
- Outside Nordic countries



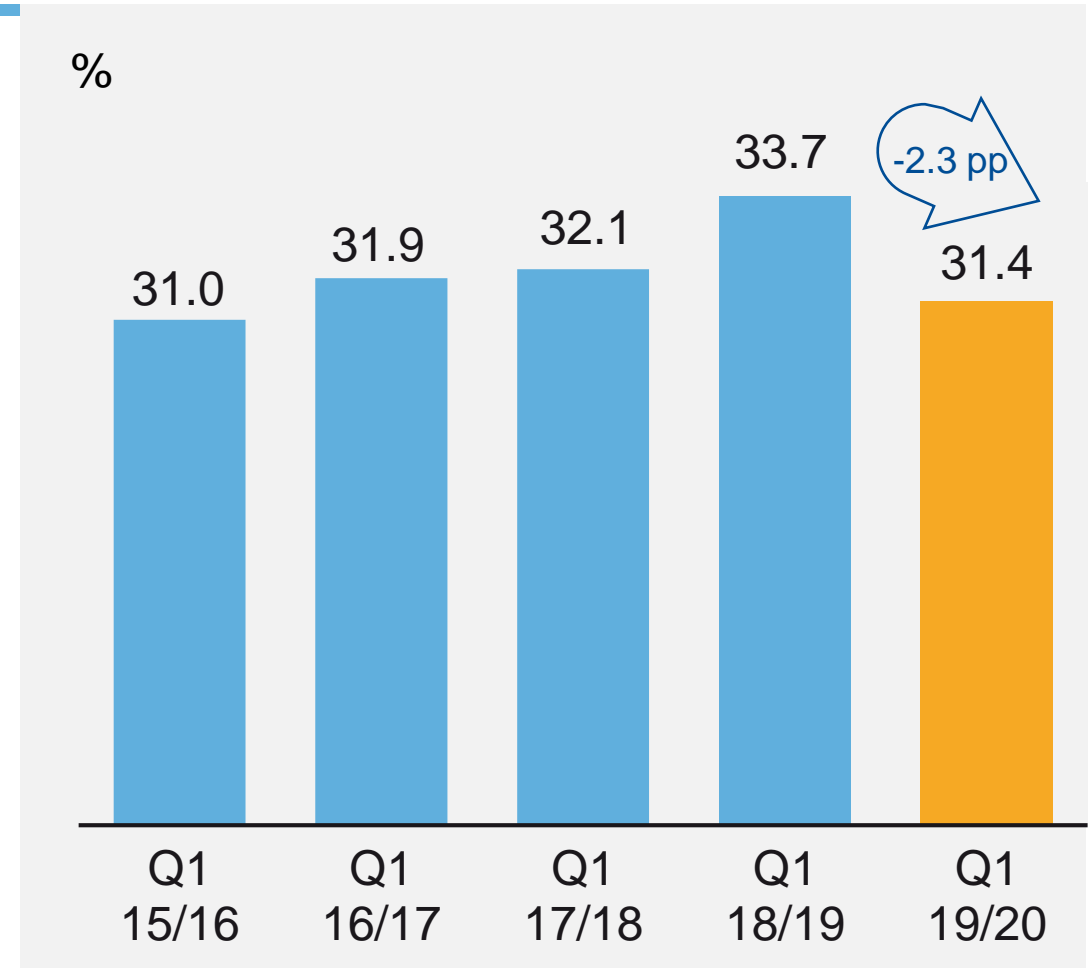
Gross margin Q1

- Gross margin down with 0.4 percentage points to 38.1 per cent (38.5)
- Negatively impacted by stronger purchasing currency (USD)
- Reviewing and reducing purchasing prices as part of CO100+
- Continuously reviewing the pricing on products



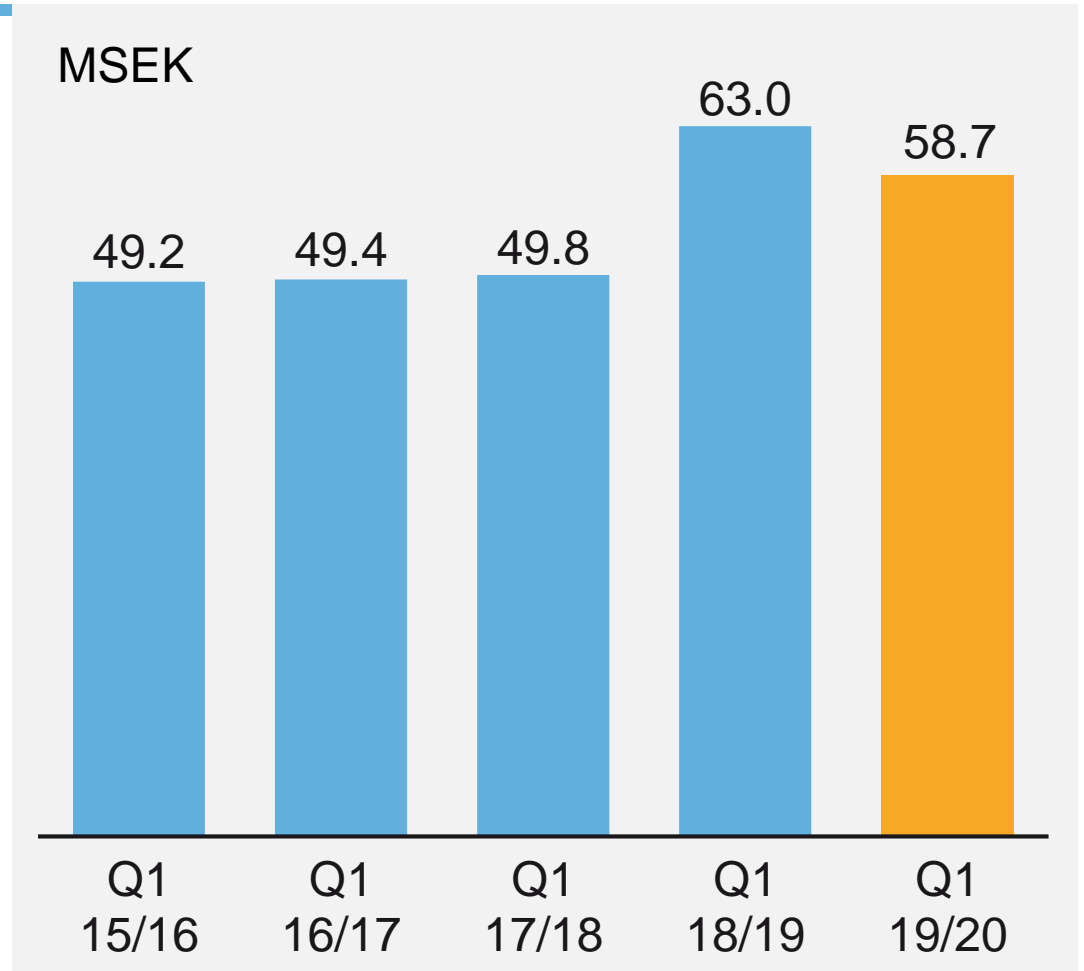
Share of selling expenses Q1

- Share of selling expenses 31.4 per cent down 2.3 percentage points
- Excluding the effect related to IFRS 16 of 1.2 percentage points, the share decreased by 1.1 percentage points
- Impacted by lower costs in the UK and Germany, partly offset by costs related to CO100+



Administrative expenses Q1

- Administrative expenses decreased compared to previous year
 - Amounted to 58.7 MSEK (63.0)



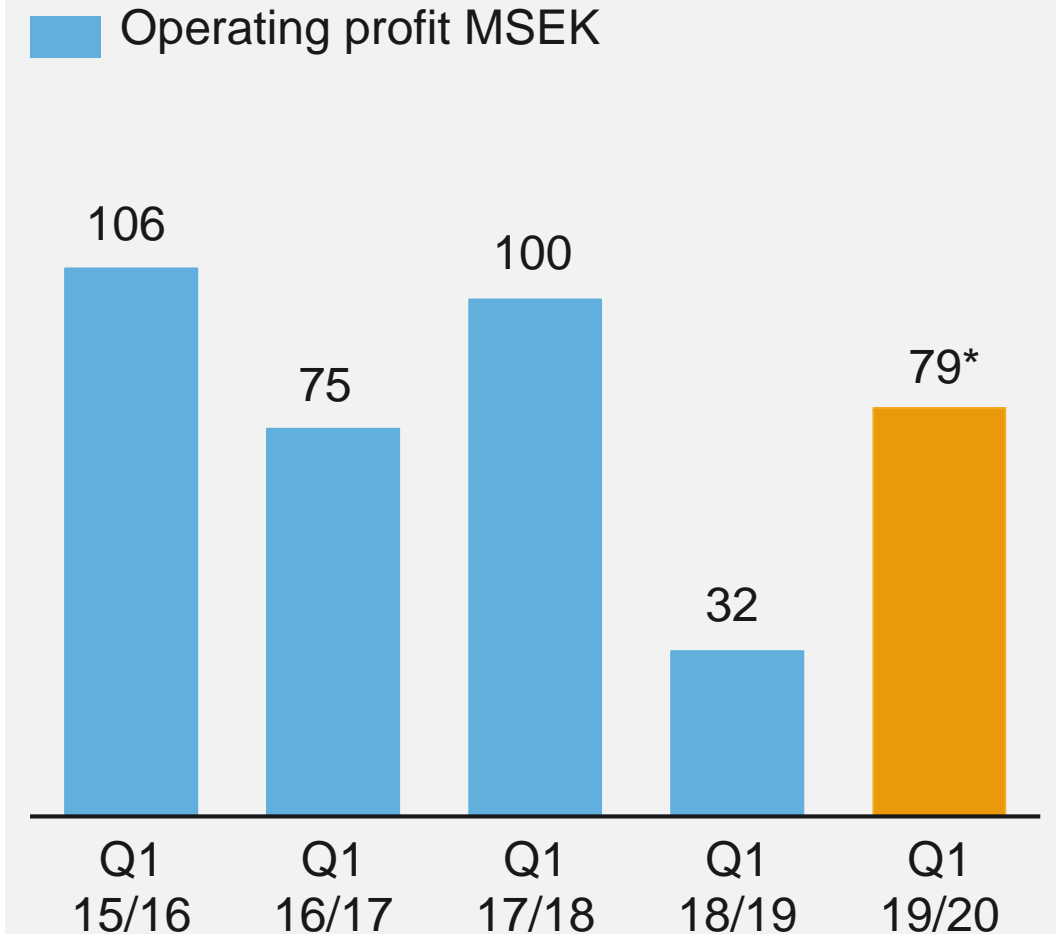
Application of IFRS 16

- The main impact of IFRS 16 on the Group's reporting is attributable to the recognition of leases for premises
- The operating profit for Q1 was charged with depreciation of right-of-use assets instead of expenses for operating leases
- Operating profit for the quarter was positively impacted by 27 MSEK
- EBITDA was positively impacted by 139 MSEK



Profit Q1*

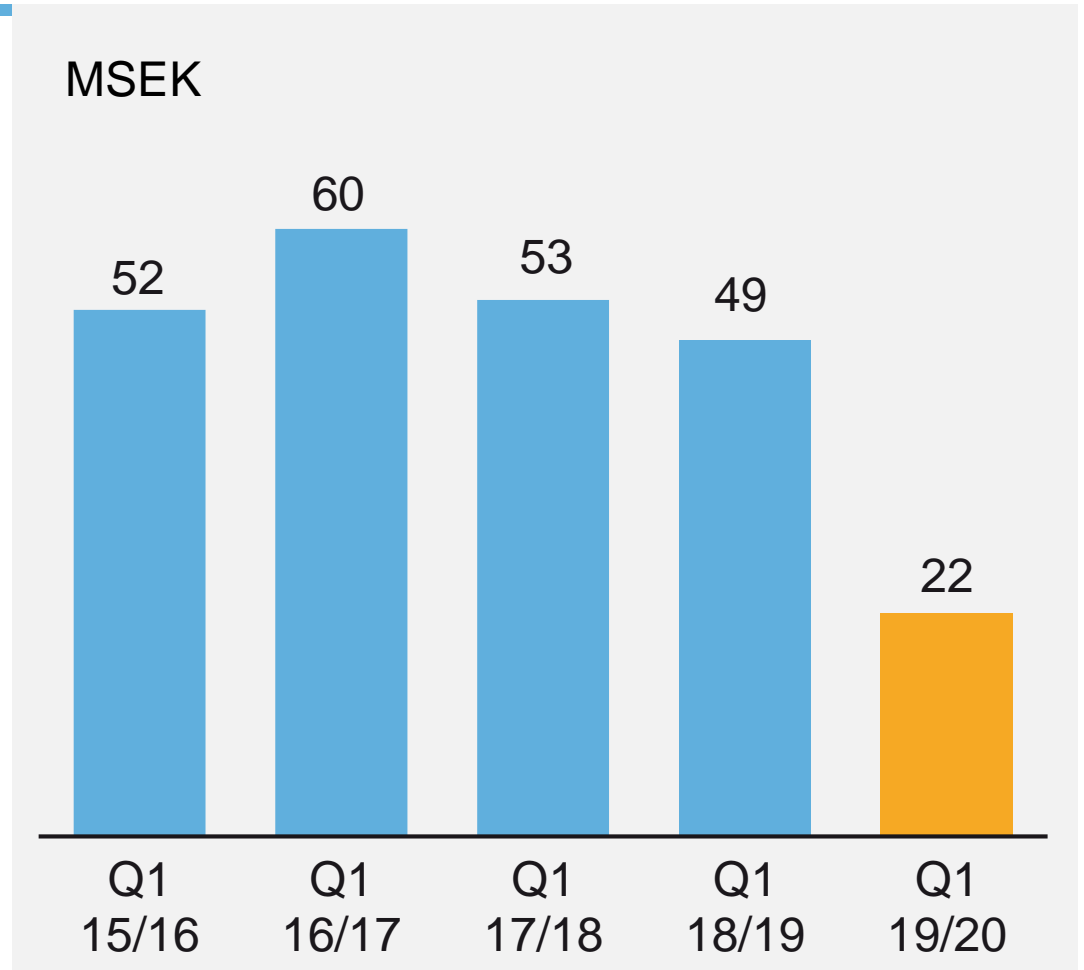
- Operating profit improved to 79 MSEK (32)
- Underlying EBIT improved to 91 MSEK (62)
- Operating margin 3.9 per cent (1.6)
- Earnings per share 0.77 SEK (0.47)



*Affected by the application of IFRS 16

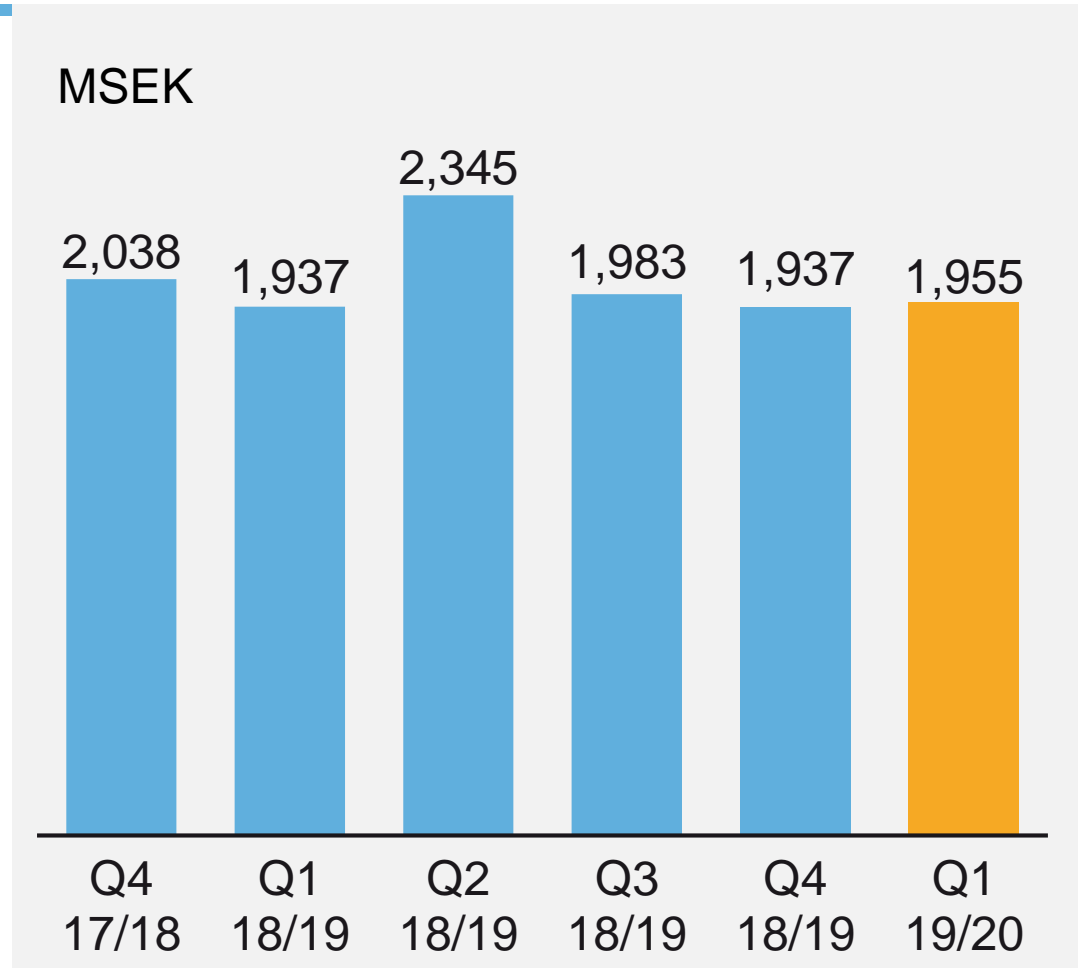
Investments

- Total investments 22 MSEK (49)
- New stores and refurbishments 11 MSEK (7)
- IT systems 11 MSEK (33)



Financial position

- Cash flow from operating activities was 310 MSEK (-28)
 - Inventory 1,955 MSEK (1,937)
 - Inventory turnover rate DC 5.7 (6.2)
- Cash flow after investments and financing activities of 1 MSEK (-17)
- Net cash of -14 MSEK (37)
- Approved credit facilities of 850 MSEK

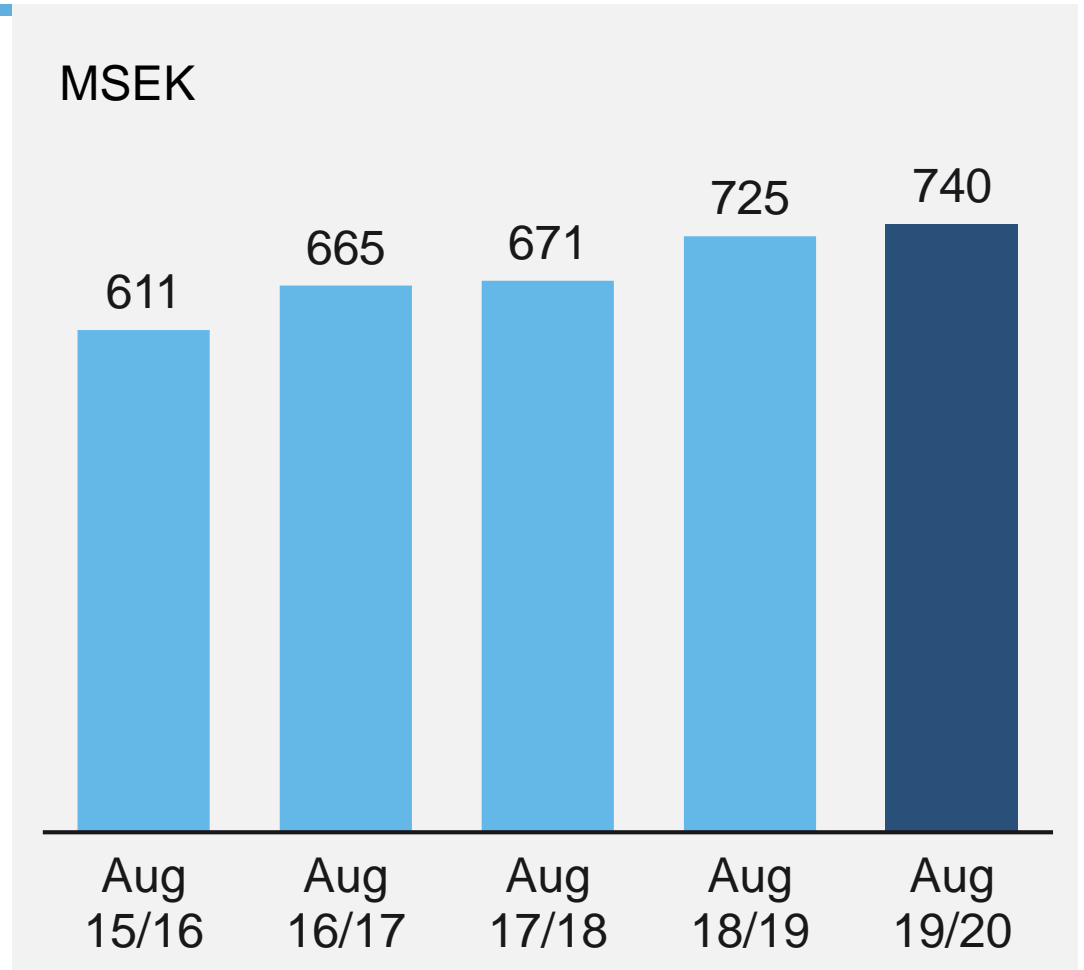


A string of warm white spherical lights hangs across the frame. The background is a brick wall, and the scene is lit with warm, ambient light, suggesting an outdoor setting at night. The lights are out of focus, creating a bokeh effect.

Events after
reporting period

August sales

- Sales 740 MSEK, up 2 per cent
- Organic sales up 2 per cent
- LFL sales up 3 per cent
- Online sales up 36 per cent
- Reduction of 1 store net compared to end of August last year (13)



Clas Ohlson
Lab Store

SUMMARY

Clas Ohlson
Lab Store

Summary

- Growth both in stores and online
 - Organic growth in the Nordics up 6% in Q1 and up 4% in August
- Delivering in line with guidance on margin
- Unique offering – assortment, availability and convenience
 - Kolonial partnership in Norway
- Ongoing store optimisation
- High pace in CO100+ cost initiatives





Q&A

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