

clas ohlson

Q2 Presentation 2019/20

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A good position for profitable growth

- Organic growth and improved profitability in challenging Nordic home markets
- Major upgrade of e-com platform
- CO100+ implementation on track
 - Positive effects from implemented activities
 - Organisational review of approx. 150-200 roles effectuated as planned
- High speed in both growth and cost savings initiatives
- Closure of stores in UK and Germany completed





Agenda

- Business and CO100+ update
- Financial development
- November sales
- Summary and Q&A

Q2 2019/20 in brief

- Nordic sales up 3%, up 3% organic
- Total sales unchanged, up 1% organic and LFL sales up 1%
- Online sales up 21%
- Gross margin at 41.1% (41.6)
- EBIT-margin strengthened to 6.1% (1.6)
 - Improved operating result, both reported and underlying in line with guidance
- Continued focus on lower costs when implementing CO100+





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

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

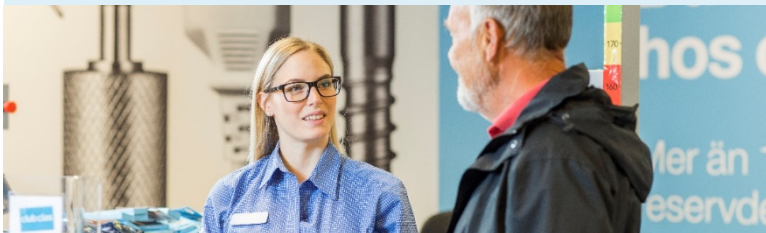
- Significant cost savings within indirect purchasing
- Implement supply chain optimised for all channels



Growth initiatives for continued 5% organic growth

Increase sales per sqm

- Store 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
- Expand Clas Fixare service
- Link product and service offerings



Double sales online every other year

- Broadened online offering
- Increased capacity and improved capabilities – digital and delivery
- Click & Collect break through
- Strategic cooperation with MatHem, Kolonial and Amazon



Major upgrade of e-commerce platform

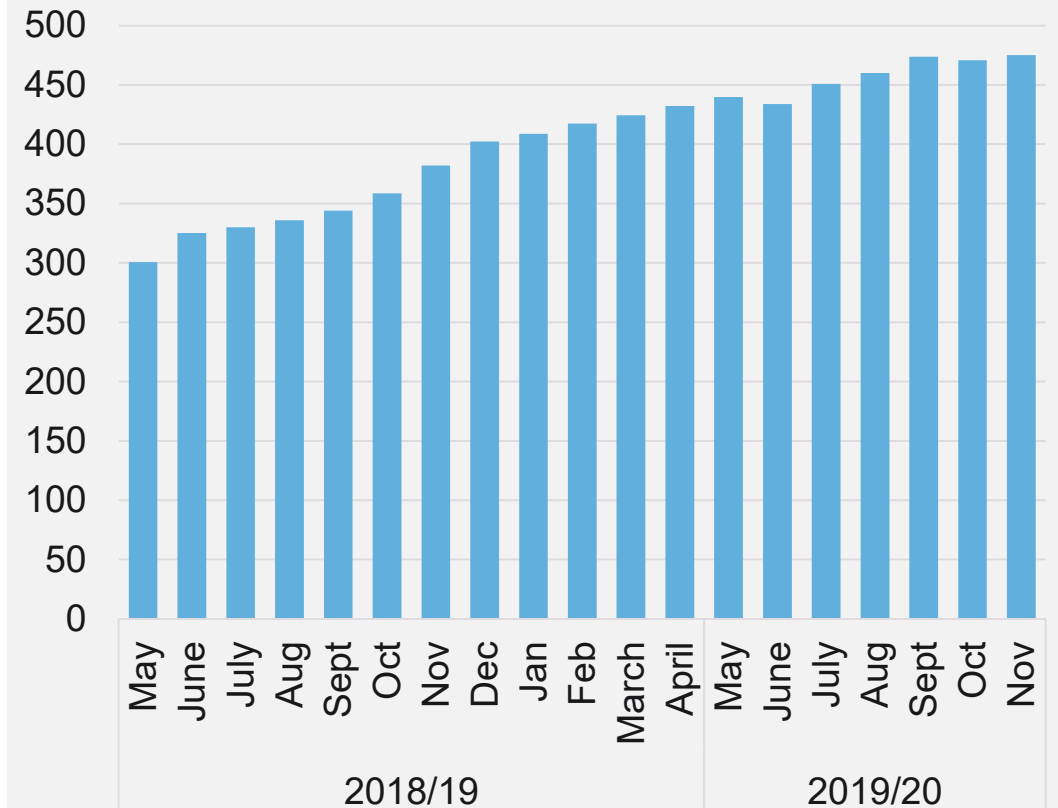
- Upgrade in mid-October affecting online sales
 - To ensure best possible trading conditions ahead of Black Week and Christmas
 - Paid search and campaigns temporarily reduced
- Improving customer experience
 - Faster and better shopping experience from mobile, tablet and desktop
- Generates more traffic
- Scalable and cost efficient platform
 - Allows faster and continuous development



Steady online sales growth

- Online sales +17% first seven months 2019/20 (54%)
- Platform upgrade sharpens online performance
 - Average page speed significantly improved
 - Increased share of mobile transactions
 - Overall increased transaction and conversion rate
 - Black Friday 2019 best day ever in terms of online sales

Online sales rolling 12 months, MSEK



Increasing sales per customer via multiple channels

- Partnership with Kolonial.no, the largest online food store in Norway
 - Positive trend since start in September, 1 of 10 grocery bags contain a Clas Ohlson product
- MatHem collaboration progressing well
 - 1 of 5 grocery bags contain a Clas Ohlson product
- Amazon pilot project in UK to be scaled up
- Increasing demand for Clas Fixare
 - Service to be further streamlined for roll-out in more regions in Sweden



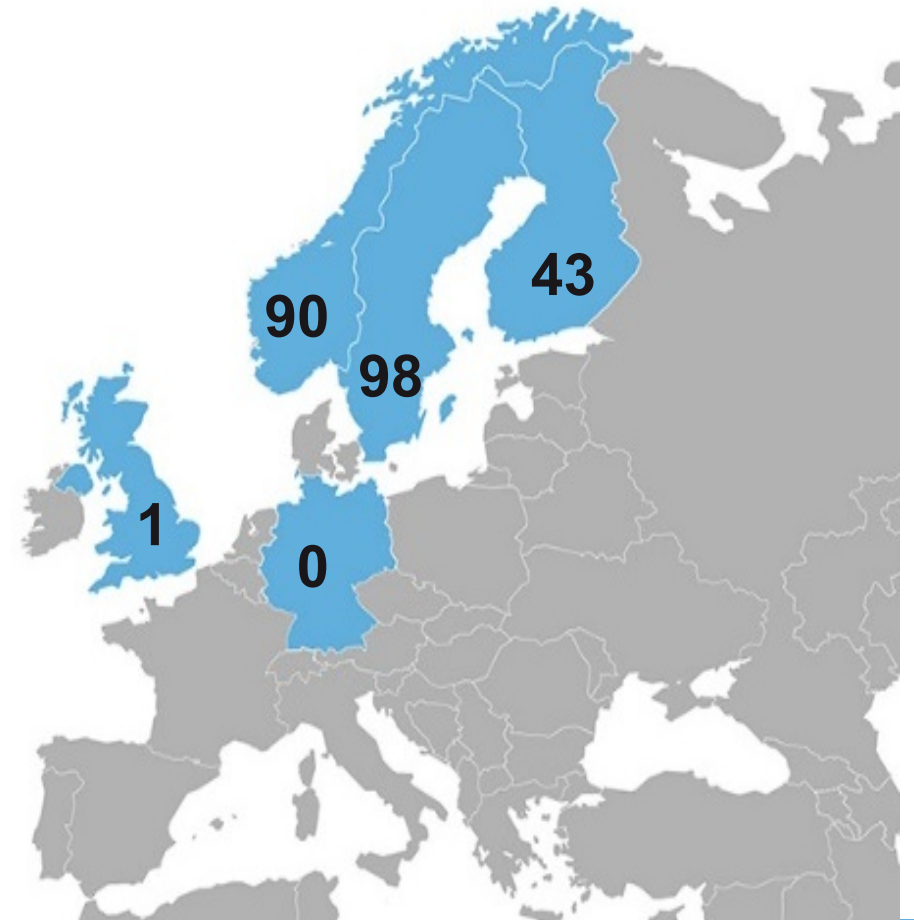
A dynamic store network enables growth

- Stores provide customer experience, services and the opportunity to pick up goods ordered online and serve as logistics hub for same day delivery
 - Clas Ohlson is the second store chain worldwide to host Google's new global shop-in-shop concept
 - New store concept and specialty shop for organising the home in Norway
 - Vinden storage service offered in Sweden and Norway
 - Existing store now serves as logistics hub for Oslo region



Optimising a profitable store network

- Ensuring profitable stores in attractive locations with relevant format
 - Continuous review of leases for existing stores
 - Close or relocate non-profitable stores
 - Change store format and size
 - Selectively open new stores in areas with significant potential
- Actions FY 19/20 to optimise our network
 - Closure of 2 stores completed and 5 to come
 - Relocation of 2 stores
 - Openings of 2 new stores in Sweden and Finland
 - Review of lease conditions proceeding

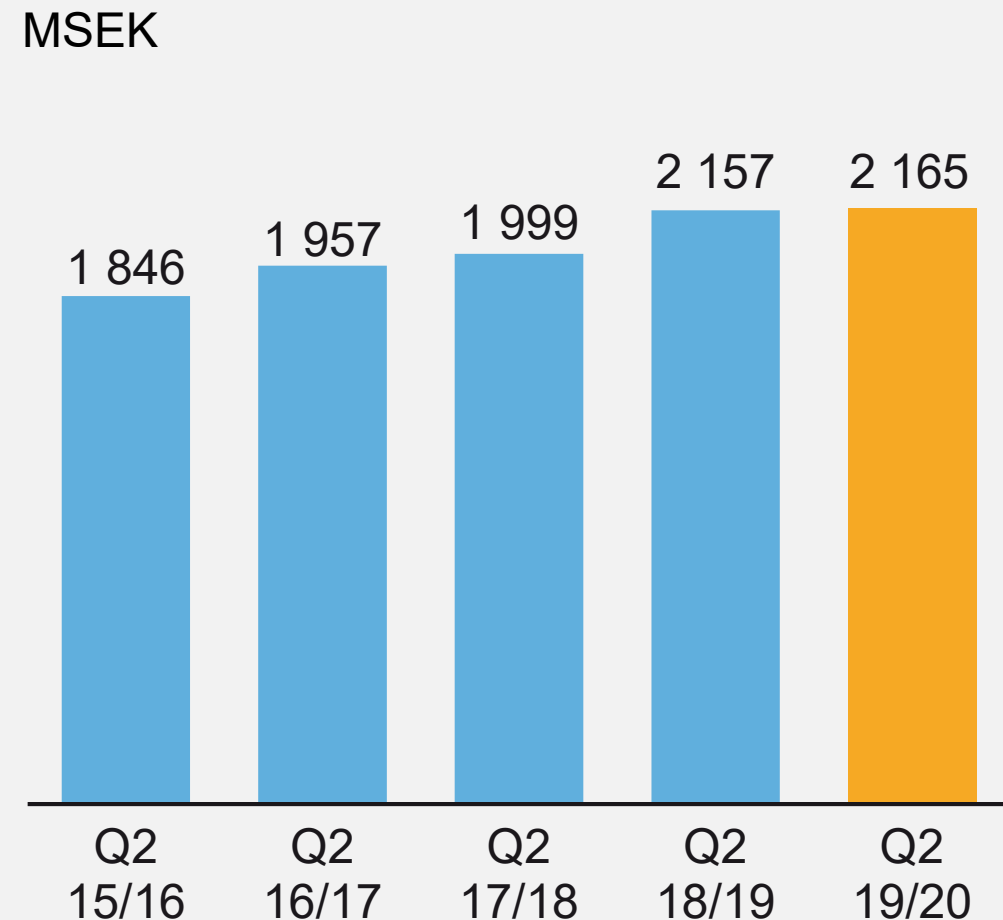




Financial development

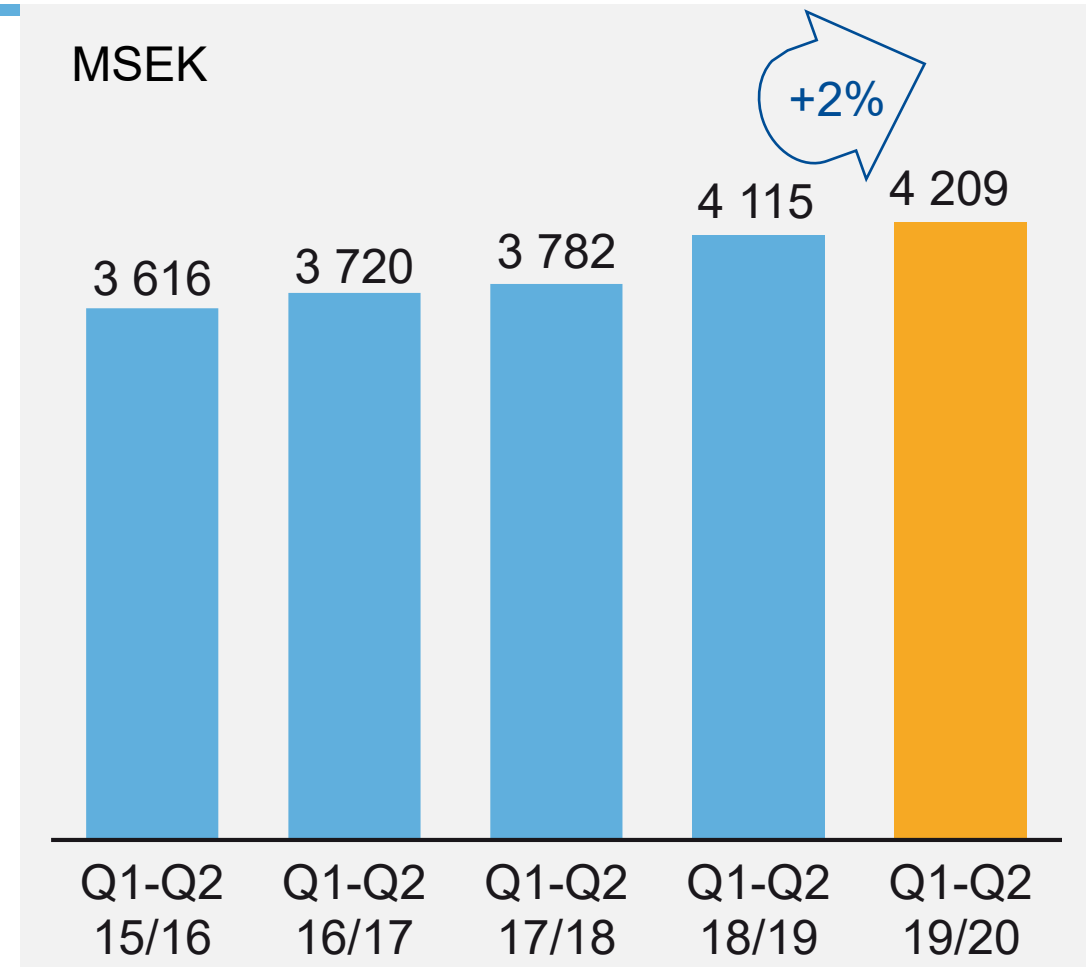
Sales development in Q2

- Total sales unchanged to 2,165 MSEK, organic sales up 1% and LFL sales up 1%
- Sales in the Nordics up 3% to 2,145 MSEK, up 3% organic
 - Sweden +4% organic
 - Norway +1% organic
 - Finland +3% organic
- Outside Nordics -71%
- Online sales up 21% (43%), corresponding to 5% of total sales (4%)
- Reduction of 5 stores net compared to end of quarter last year (+14)



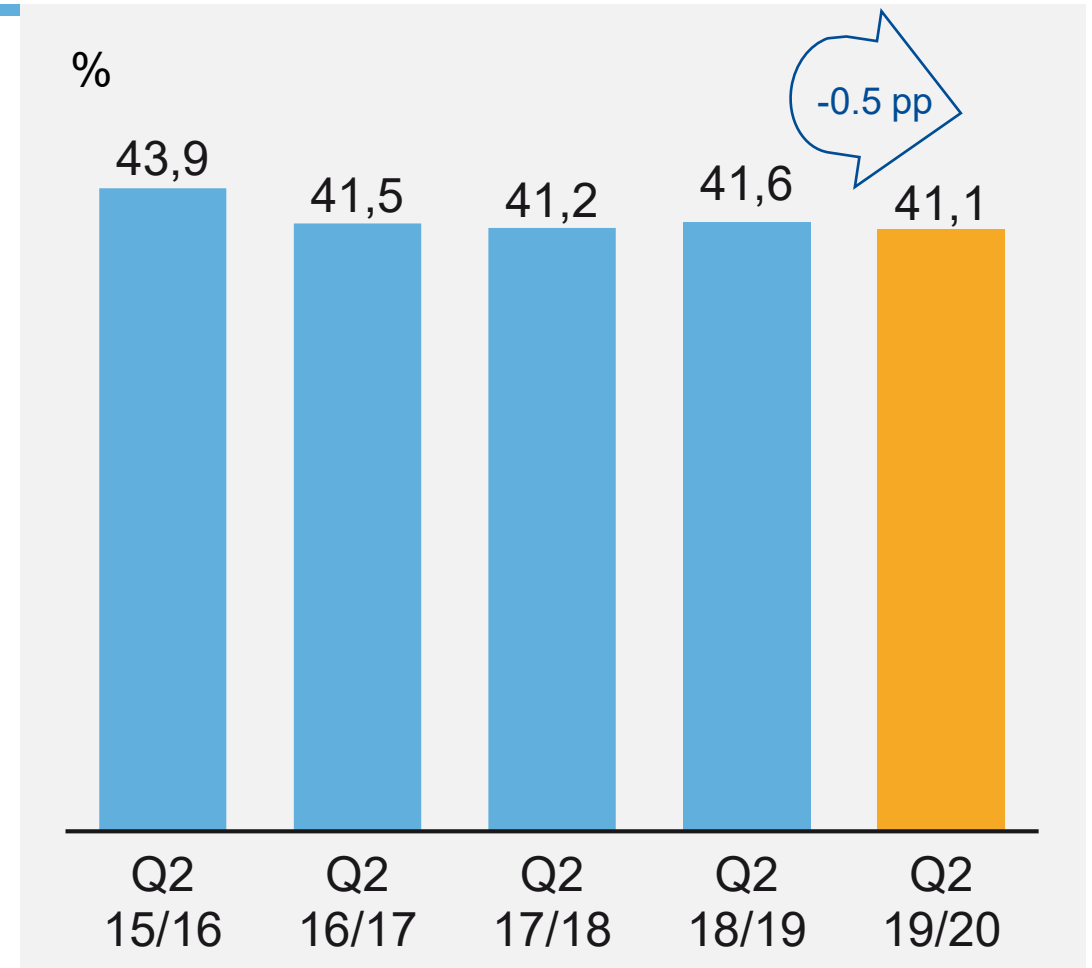
Sales development Q1-Q2

- Total sales up 2% to 4,209 MSEK, organic sales up 2% and LFL sales up 3 %
- Sales in the Nordics up 4% to 4,157 MSEK, up 4% organic
 - Sweden +6% organic
 - Norway +2% organic
 - Finland +5% organic
- Outside Nordics -63%
- Online sales up 20% (51%)
- Unchanged number of stores net during Q1-Q2 (+8)



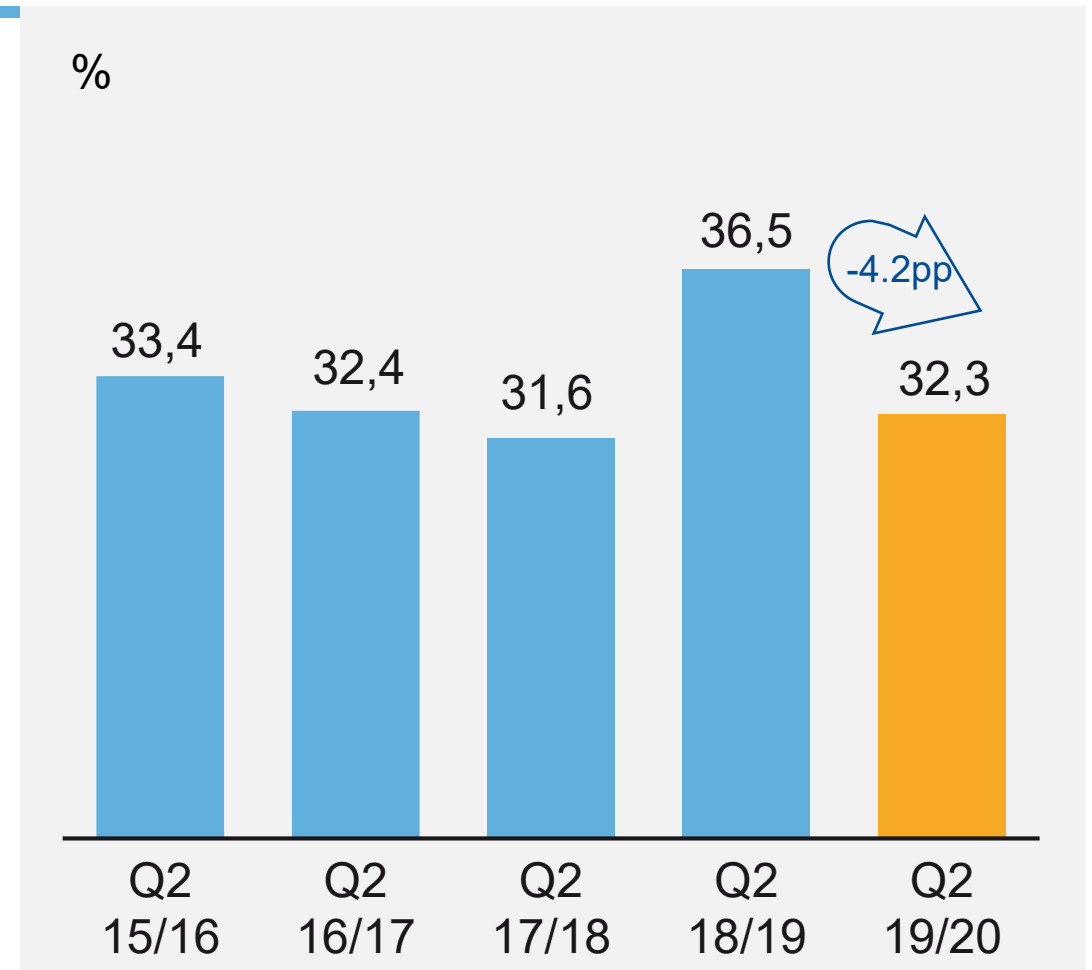
Gross margin in Q2

- Gross margin down with 0.5 percentage points to 41.1% (41.6)
- Negatively impacted by stronger purchasing currency (USD)
- Reviewing and reducing purchasing prices as part of CO100+
- Continuously reviewing product offerings and pricing on products



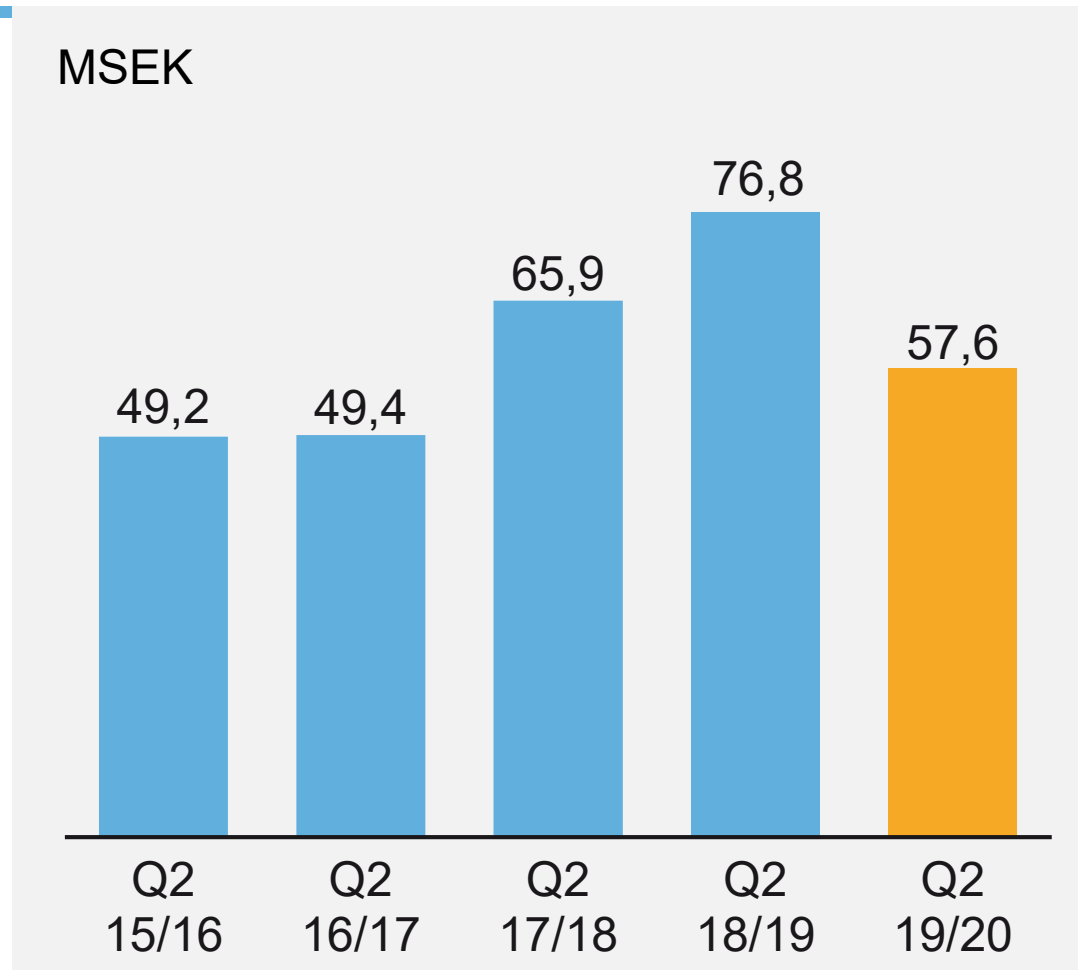
Share of selling expenses in Q2

- Share of selling expenses was 32.3% down 4.2 percentage points
- Excluding the effect related to IFRS 16 the share decreased by 3.1 percentage points
- Impacted by lower costs in the UK and Germany and lower costs as a result of CO100+ action programme



Administrative expenses in Q2

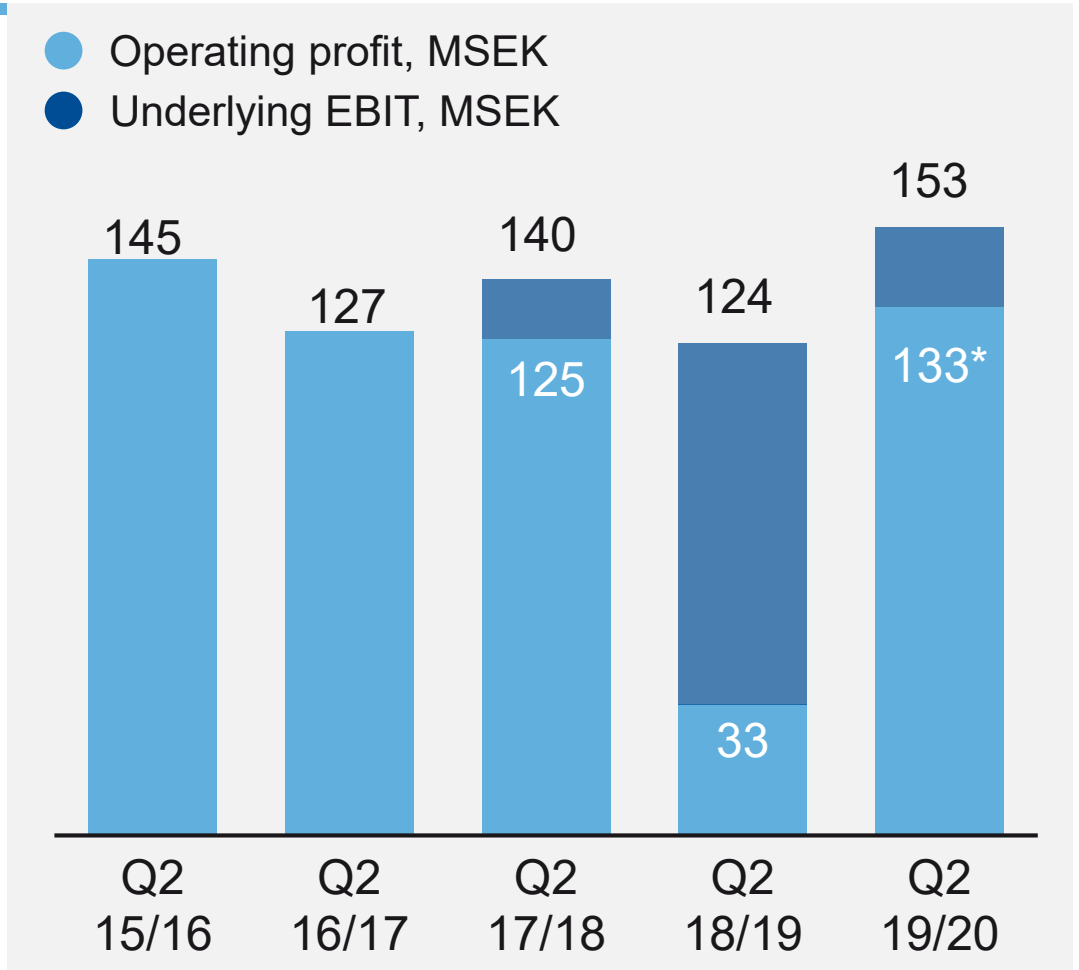
- Administrative expenses decreased compared to previous year
 - Amounted to 57.6 MSEK (-76.8)



Reported and underlying profit in Q2

- Operating profit improved to 133 MSEK (33) impacted by
 - Positive IFRS 16 effect of +26 MSEK
 - Non-recurring costs and costs related to CO100+ of -46 MSEK (-90)
- Underlying EBIT increased by 23% to 153 MSEK (124)
- EBIT-margin improved to 6.1% (1.6)
- Earnings per share 1.43 SEK (0.40)

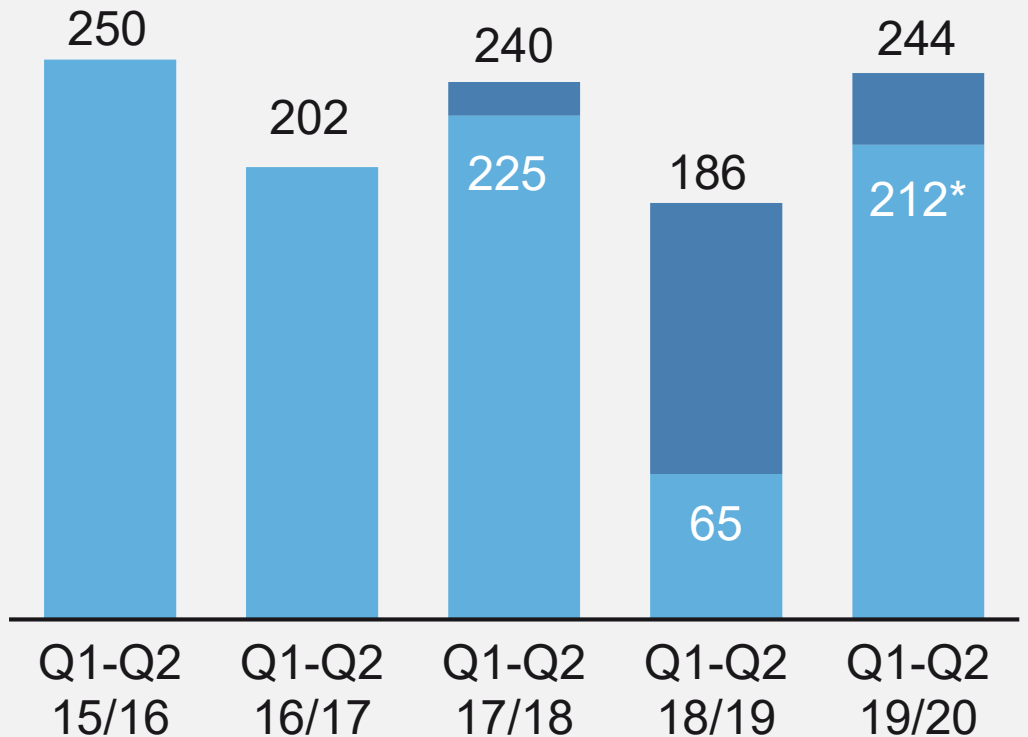
*Affected by the application of IFRS 16



Reported and underlying profit in Q1-Q2

- Operating profit improved to 212 MSEK (65) impacted by
 - Positive IFRS 16 effect of +53 MSEK
 - Non-recurring costs and costs related to CO100+ of -85 MSEK (-120)
- Underlying EBIT increased by 31% to 244 MSEK (186)
- EBIT-margin improved to 5.0% (1.6)
- Earnings per share was 2.21 SEK (0.87)

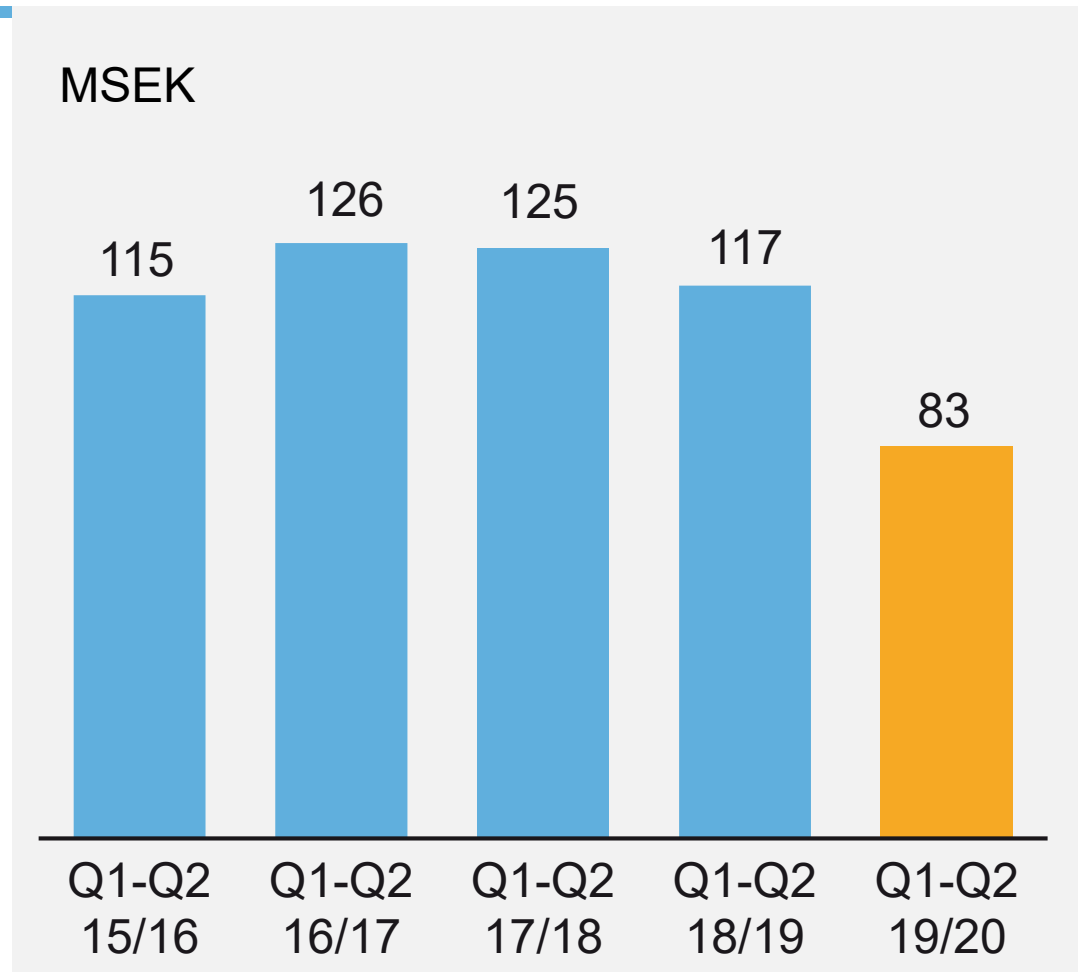
- Operating profit, MSEK
- Underlying EBIT, MSEK



*Affected by the application of IFRS 16

Investments Q1-Q2

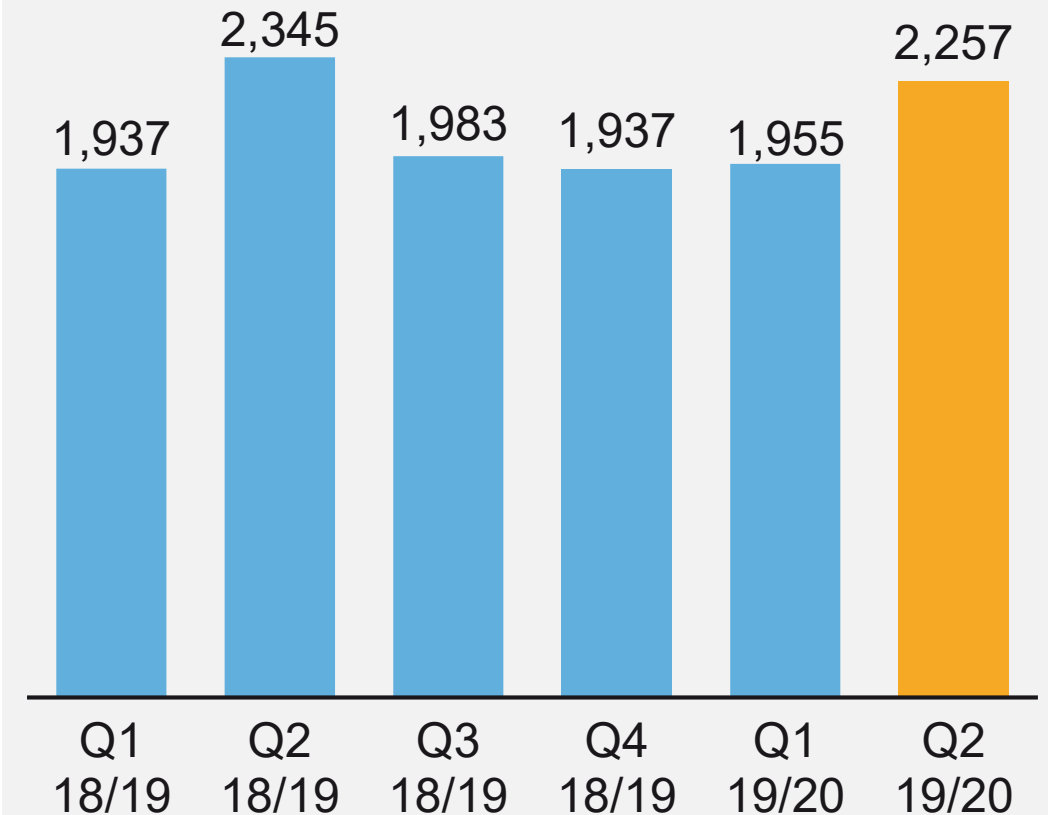
- Total investments Q1-Q2 of 83 MSEK (117)
- New stores and refurbishments 24 MSEK (32)
- IT systems 48 MSEK (52)



Financial position

- Cash flow from operating activities of 455 MSEK (-89)
 - Inventory of 2,257 MSEK (2,345)
 - Inventory turnover rate DC 5.7 (5.8)
- Cash flow after investments and financing activities of 4 MSEK (-5)
- Net debt/EBITDA excluding IFRS 16 was 0.6
- Approved credit facilities of 850 MSEK

Value of inventories, MSEK

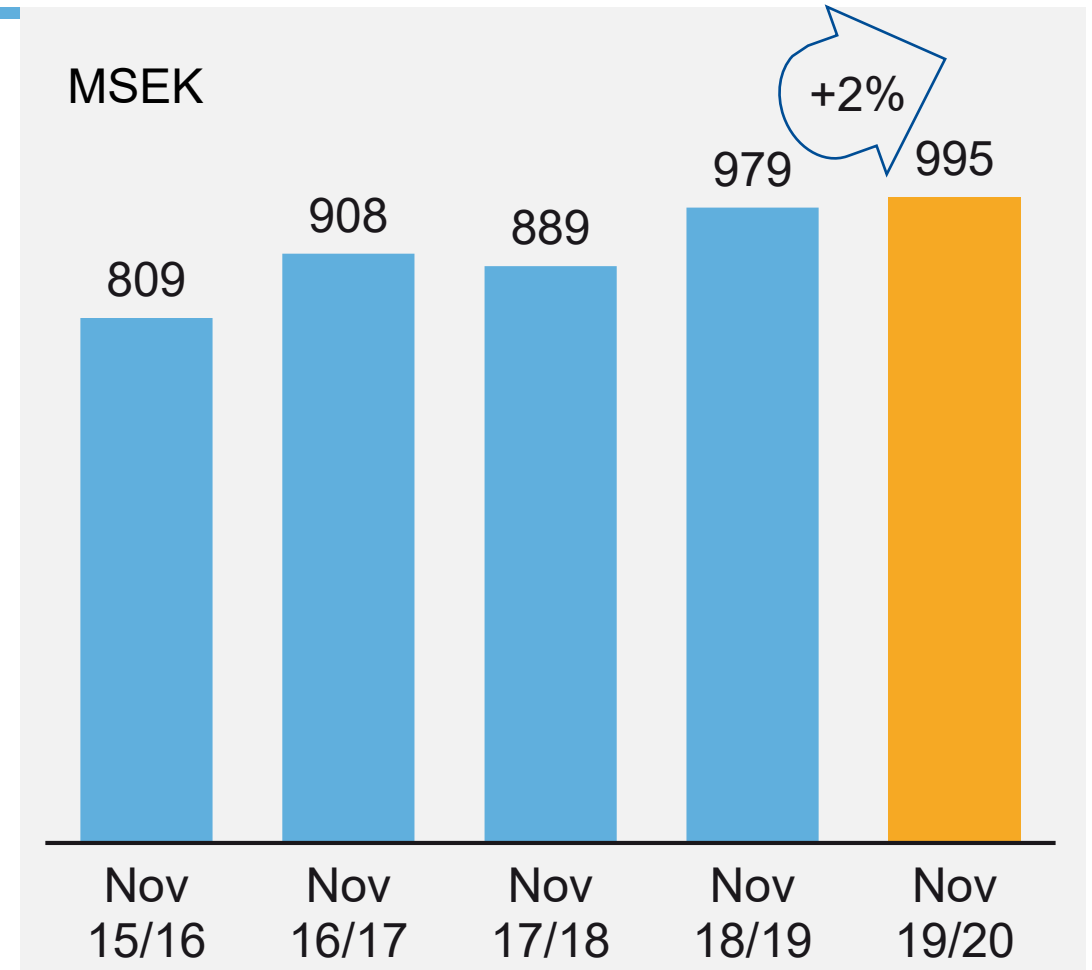


A festive Christmas scene featuring a decorated tree on the left with white, gold, and red ornaments. The background is filled with warm white string lights and several brown paper gift bags hanging from the lights. Each bag is tied with a ribbon and has a small white tag with a number (4, 5, 6, 7, 8, 9, 10, 11, 12). In the foreground, a black metal wire basket sits on a wooden table, containing more gift bags. To the right, a small vase with green eucalyptus leaves sits on the table. The overall atmosphere is cozy and celebratory.

EVENTS AFTER REPORTING PERIOD

November sales development

- Total sales up 2% to 995 MSEK, organic sales up 2% and LFL sales up 3%
- Sales in the Nordics up 4% to 988 MSEK, up 4% organic
 - Sweden +4% organic
 - Norway +4% organic
 - Finland +7% organic
- Outside Nordics -77%
- Online sales up 7%
- Reduction of 6 stores net compared to end of November last year (+11)



A photograph of a well-lit outdoor patio at night. In the foreground, a wicker coffee table holds a lit candle in a glass jar, a small vase of white flowers, and a silver cloche. A wicker sofa with white cushions and patterned pillows is the centerpiece. To the right, a black side table holds a lit blue lantern and a black patio heater. In the background, a wooden fence is illuminated by warm string lights, and a tall patio heater stands near a tree. The scene is cozy and inviting.

SUMMARY AND OUTLOOK

Summary and outlook

- Improved profitability in line with guidance on margins
- Continued delivery on our CO100+ programme
- Increased sales in Nordic markets, in all channels, provide good position for growth
- Next step focusing on:
 - Adding customer value by further improving and linking product and service offerings
 - Continuously addressing cost levels by best in class efficiency



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



Q&A

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