

# clas ohlson

## Q3 Presentation 2019/20

11 March 2020

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# Improved profitability

- Organic growth although fewer stores in Nordic home markets
- Improved underlying and reported profit margin
- Continued high speed in both growth and cost savings initiatives
- Focus on synergies between channels and offerings
- So far, no material impact due to Corona





## Agenda

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

# Q3 2019/20 in brief

- Nordic sales up 2%, up 2% organic
- Total sales unchanged and LFL sales up 1%
- Online sales up 19%
- Gross margin at 40.1% (40.4)
- EBIT-margin strengthened to 13.0% (3.6),  
EBIT-margin R12 at 5.8% (3.2)
  - Improved operating result, both reported and underlying in line with guidance
- Well on our way to deliver on guidance of 4-6%  
EBIT-margin in 2019/20
- Continued focus on lower costs when  
implementing CO100+



# Shift in Christmas period shopping patterns

- Christmas shopping started in Black Week
  - Strong demand for capital goods
  - Black Friday all time high sales day, both in stores and online
- Christmas celebration throughout December
  - Focus on socializing at home
  - Higher demand for consumables and smaller gifts
- Relevant offerings throughout the period
  - Improved inventory level
  - Valuable insights for coming Christmas planning
- Overall Christmas sales in line with expectations, but with future potential in early December



# Contingency for corona impact and macro consequences

- No material impact in current situation
  - No short-term supply disruptions in production and sourcing
  - Precautionary measures for our co-workers in line with health authorities' guidelines
  - Customer behaviour
- Impact depending om future development
  - Intensified spread in the Nordics might affect customer behavior
  - Pace of recovery in supplier chains in China
  - Impact on sourcing in Europe
  - A weaker macro economy may slowdown consumption
- Continuous evaluation of various scenarios to handle consequences



# 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 improve efficiency
- Automated Guided Vehicles and improved inventory system



## 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, Amazon and pilot with Wolt

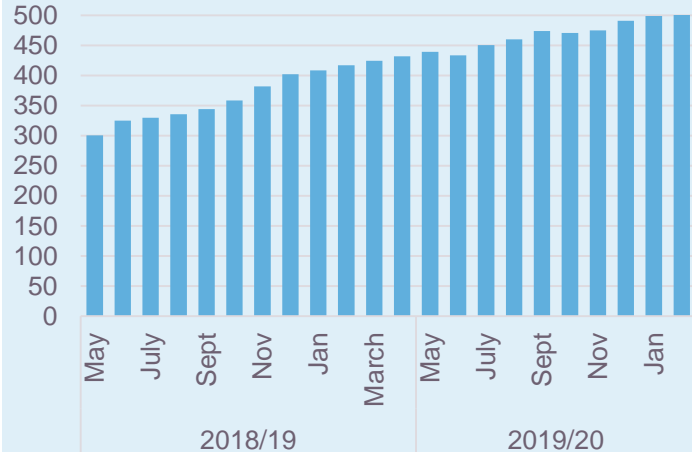


# Multiple investments in future readiness

Modern e-com platform enables future growth



Online sales rolling 12 months, MSEK



Interplay between channels driving growth



Enables increasing sales per customer

- 1 of 5 MatHem.se bags contains a Clas Ohlson product
- 1 of 10 Kolonial.no bags contains a Clas Ohlson product
- Amazon pilot project in UK to be scaled up
- Clas Fixare service to be rolled-out to cover Sweden's four largest cities
- Wolt pilot launched in Helsinki

Optimized and dynamic store network



- Stores provide customer experience, services, pickup in store and serve as logistics hub for same day delivery
- New concepts e.g. Google shop-in-shop
- Ensuring profitable stores in attractive locations with relevant format
- Continuous review of leases for existing stores
- Close/relocate/change format for non-profitable stores

# Optimising a profitable store network

- Ensuring profitable stores in attractive locations with relevant formats
- Dialogue around leases moving in the right direction
- Actions FY 19/20
  - UK and Germany: Closure of stores completed, 1 store in UK remains as e-com logistics hub (Reading)
  - Finland: Closure of 3 of 4 stores, 1 new store opened and 1 new store to be opened (Porvoo)
  - Sweden: Closure of 1 store to come, 1 new store opened and one to be opened (Uddevalla)
  - Norway: 1 new store to be opened (Trondheim)

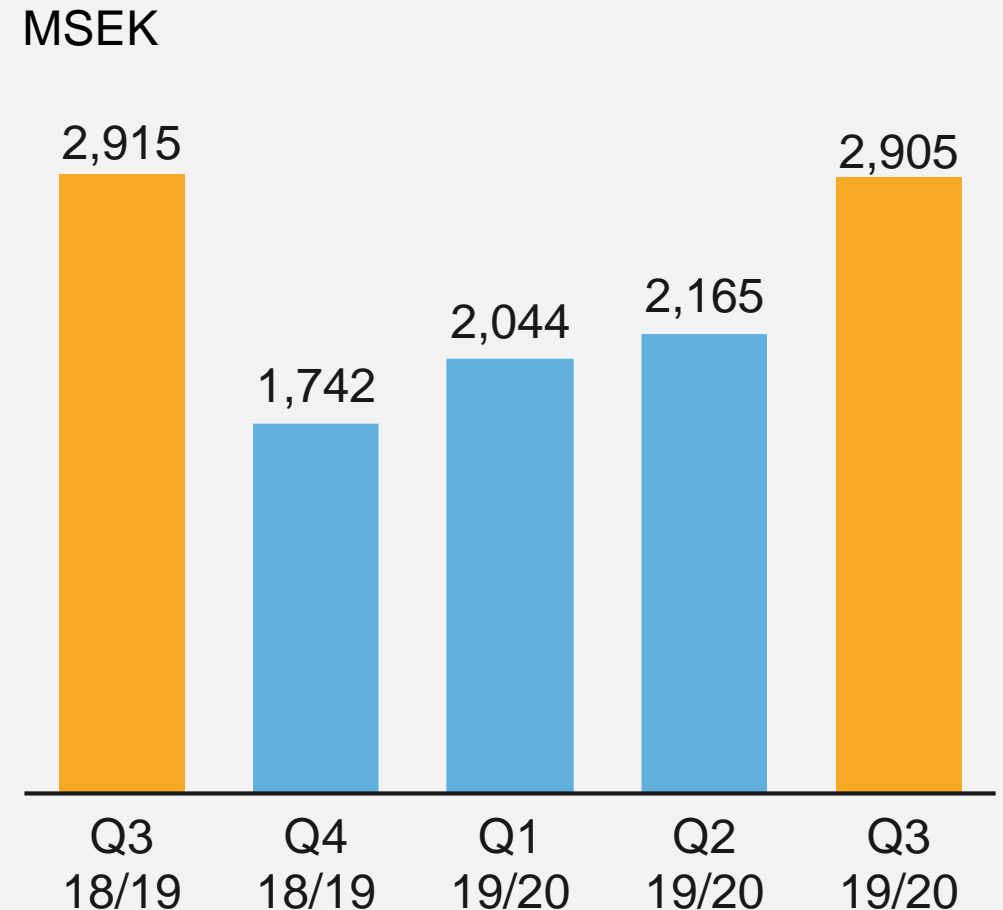




# FINANCIAL DEVELOPMENT

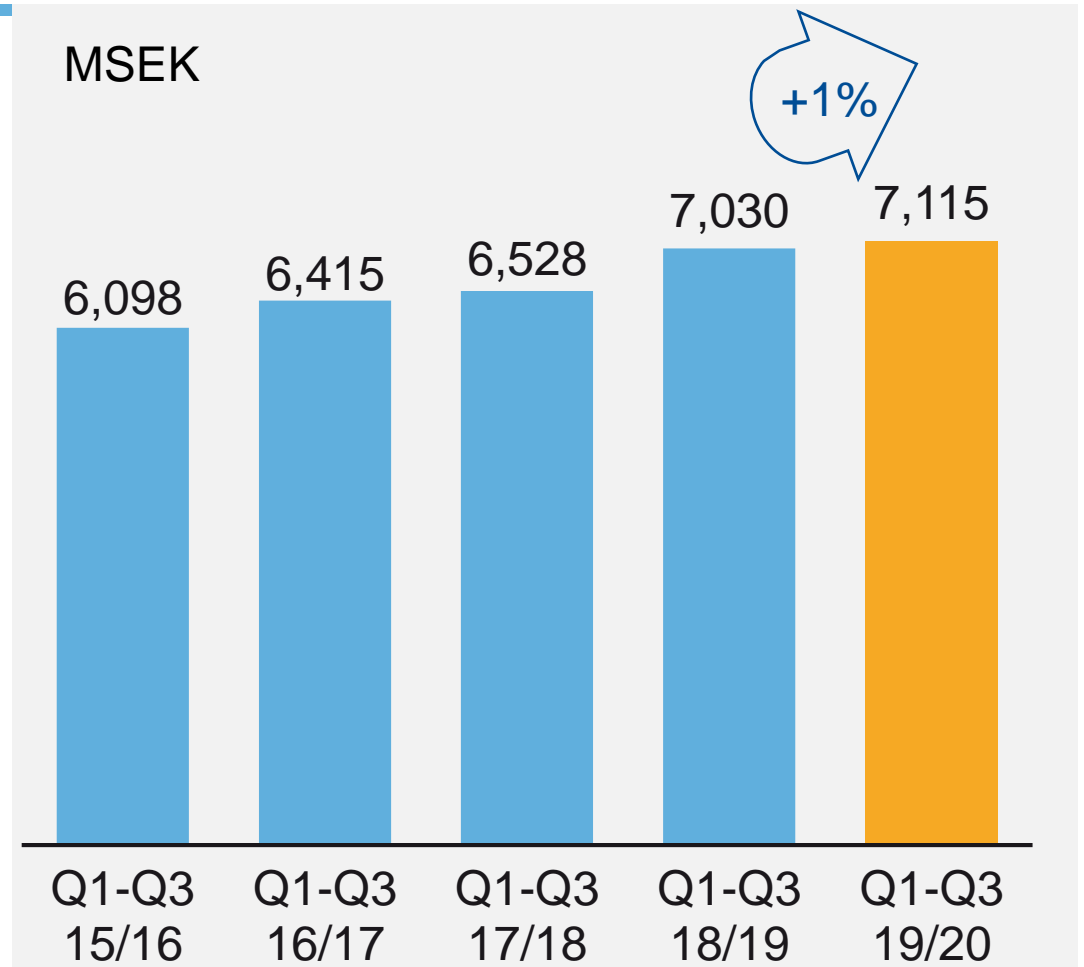
# Sales development in Q3

- Total sales unchanged to 2,905 MSEK, organic sales unchanged and LFL sales up 1%
- Sales in the Nordics up 2% to 2,883 MSEK, up 2% organic
  - Sweden +4% organic
  - Norway +1% organic
  - Finland -1% organic
- Outside Nordics -77%
- Online sales up 19% (51%), corresponding to 6% of total sales (5%)
- Reduction of 8 stores net compared to end of period last year (+14)



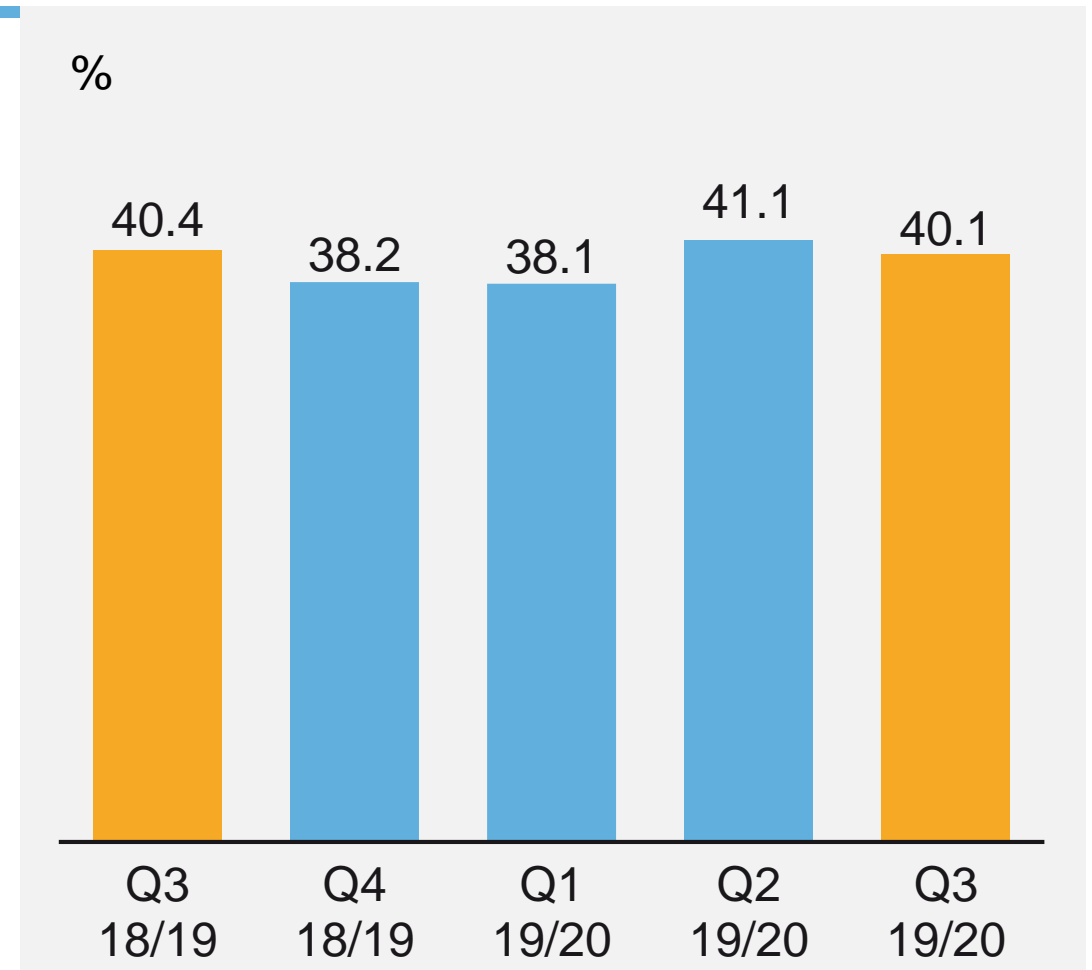
# Sales development Q1-Q3

- Total sales up 1% to 7,115 MSEK, organic sales up 1% and LFL sales up 2%
- Sales in the Nordics up 4% to 7,040 MSEK, up 3% organic
  - Sweden +5% organic
  - Norway +2% organic
  - Finland +2% organic
- Outside Nordics -68%
- Online sales up 20% (51%)
- Reduction of 2 stores net during the period (+9)



# Gross margin in Q3

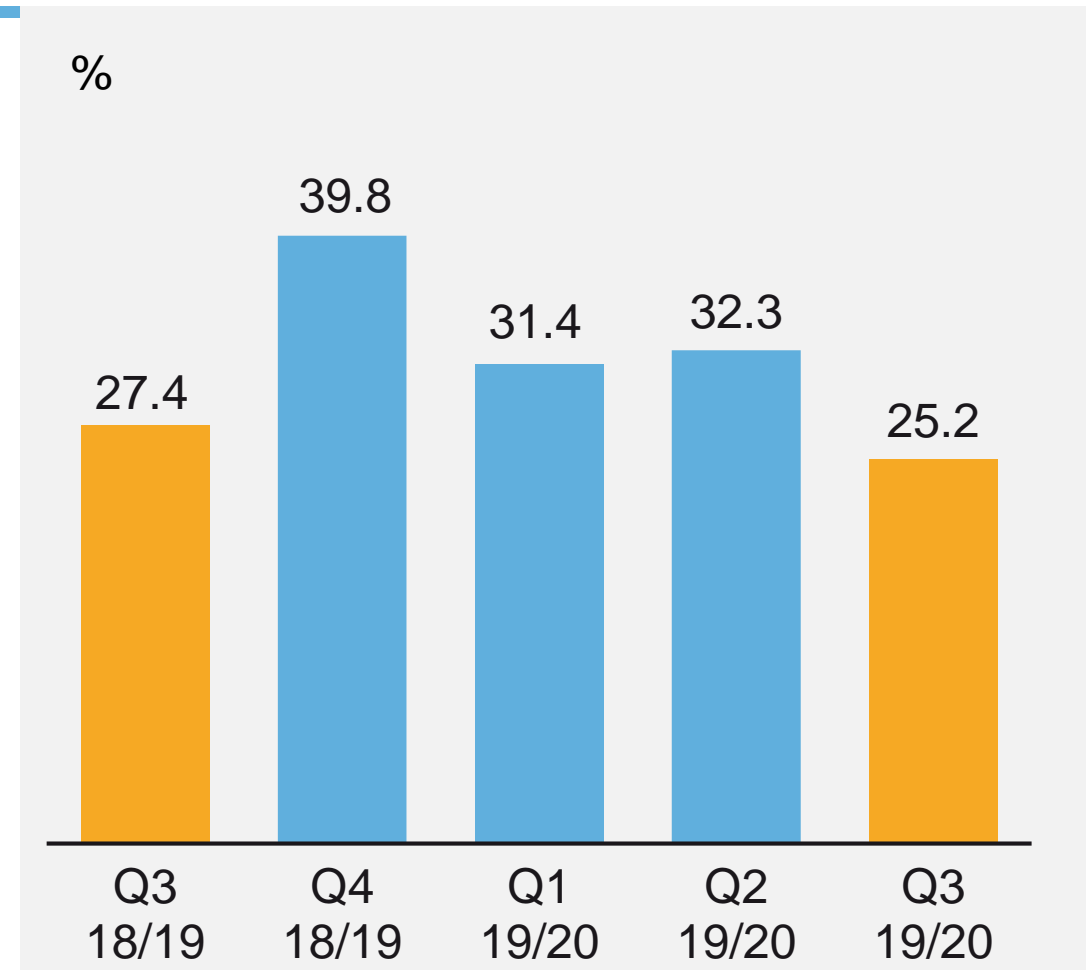
- Gross margin down with 0.3 percentage points to 40.1% (40.4)
  - Negatively impacted by stronger purchasing currency (USD)
  - Positively impacted by an improved product mix, lower sourcing costs and the positive effects of currency hedging (NOK)
- Reviewing and reducing purchasing prices part of CO100+
- Continuously reviewing product offerings and pricing on products





# Share of selling expenses in Q3

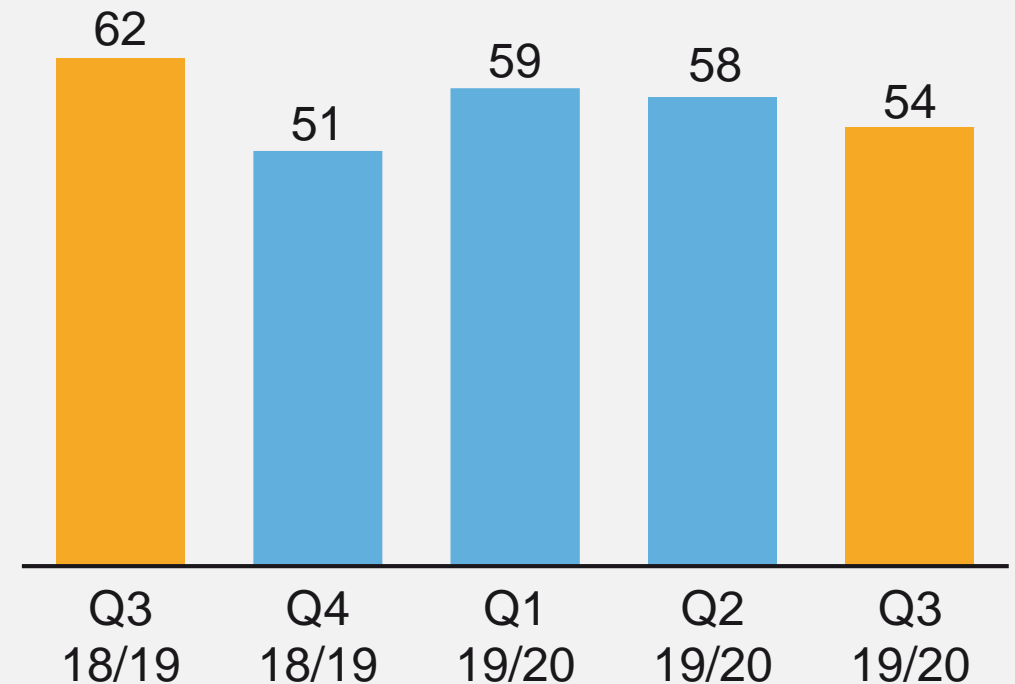
- Share of selling expenses was 25.2% down 2.2 percentage points (27.4)
- Excluding the effect related to IFRS 16 of 0.7 percentage points the share decreased by 1.5 percentage points
- Impacted by lower costs in the UK and Germany and lower costs as a result of CO100+ action programme



# Administrative expenses in Q3

- Administrative expenses decreased with 14.2 percentage points compared to previous year
  - Amounted to -53.6 MSEK (-62.4)
- Trend in line with expectations on implemented CO100+ activities
- Objective to maintain and continuously improve the level over time

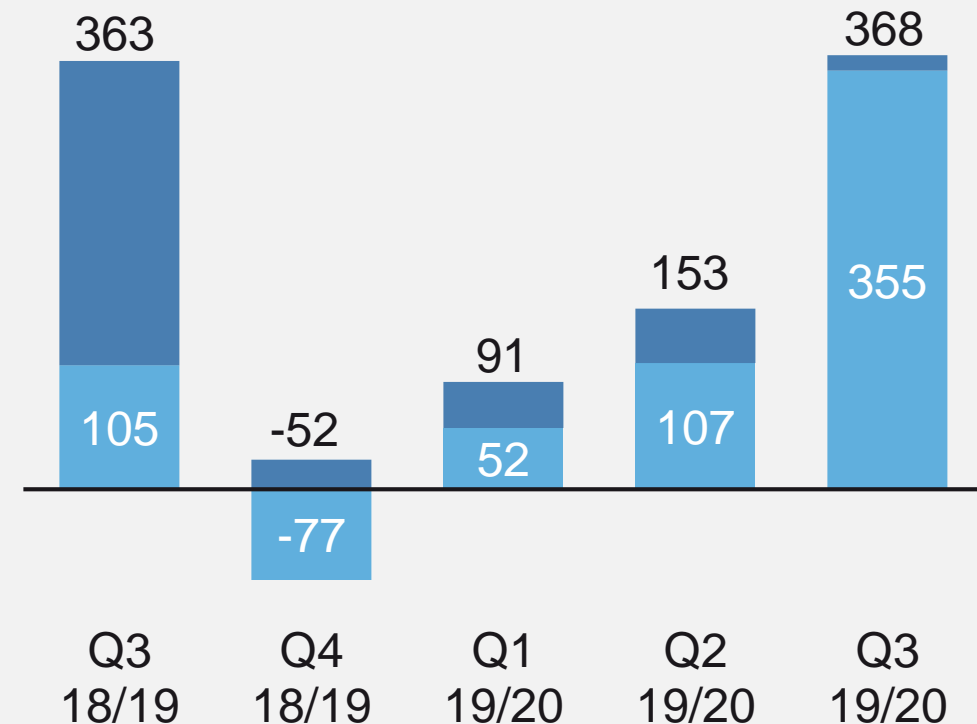
MSEK



# Reported and underlying profit in Q3

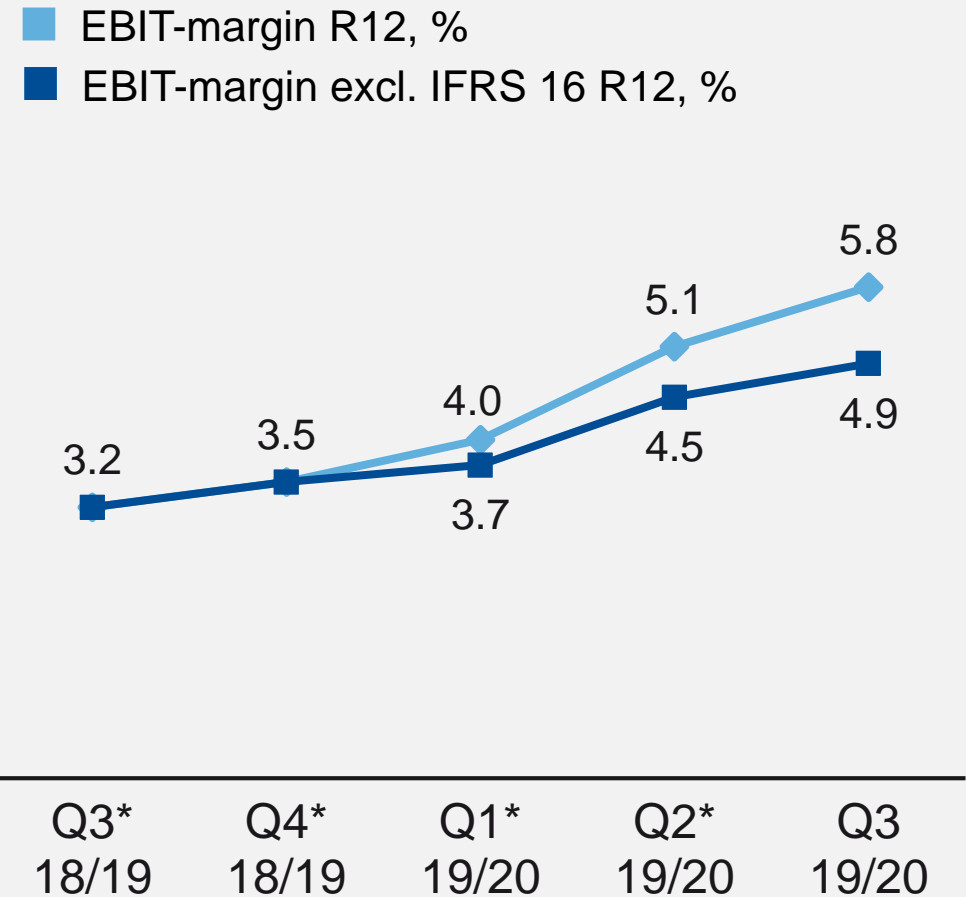
- Operating profit improved to 378 MSEK (105) impacted by
  - Positive IFRS 16 effect of +23 MSEK
  - IFRS 16 parameters adjusted at calendar year-end 2019. For January 2020, the positive effect was approx. 6 MSEK
  - Non-recurring costs and costs related to CO100+ of -13 MSEK (-260)
- Underlying EBIT was 368 MSEK (363)
- EBIT-margin improved to 13.0% (3.6)
  - Positive IFRS 16 effect of +0.8 percentage points
- Earnings per share was 4.47 SEK (1.24)

- Operating profit excl. IFRS 16, MSEK
- Underlying EBIT, MSEK



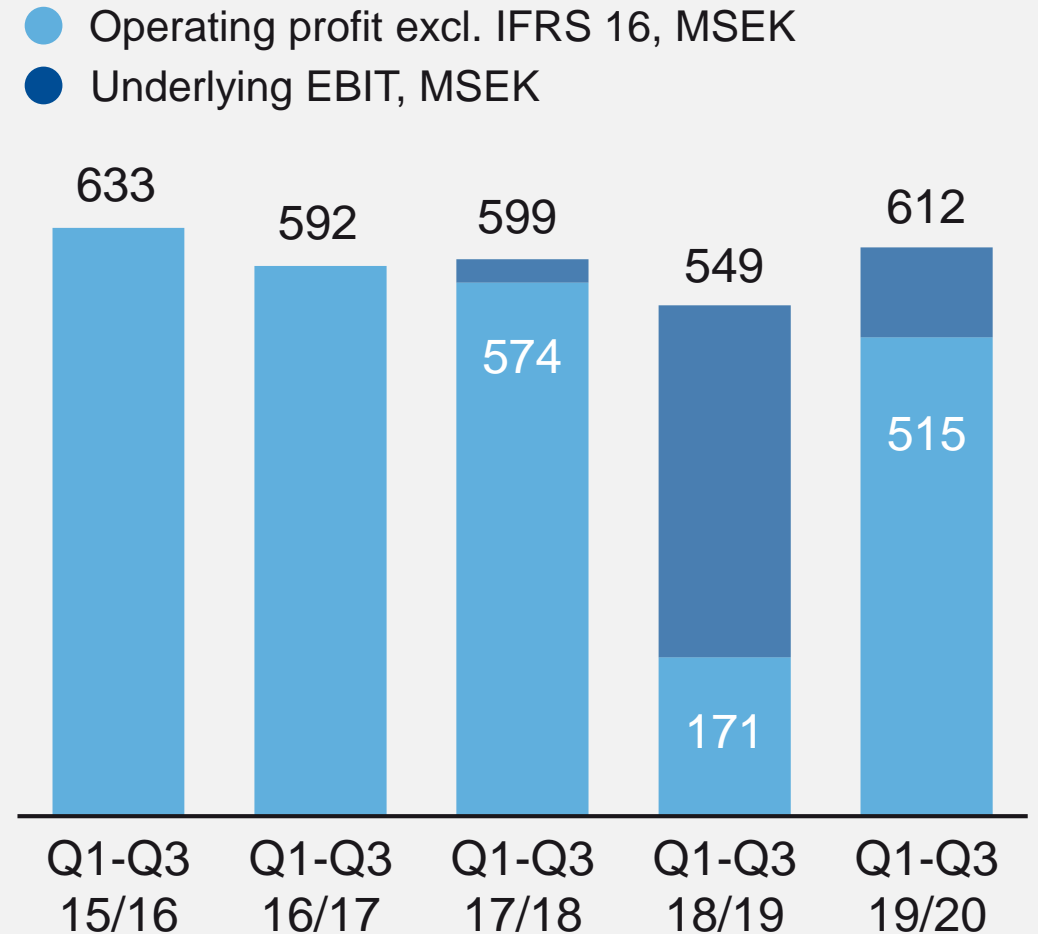
# Operating margin development

- EBIT-margin improved to 13% (3.6) in Q3
- EBIT-margin R12 at 5.8%
- Performance in line with financial target of operating margin of 4-6% FY 2019/20



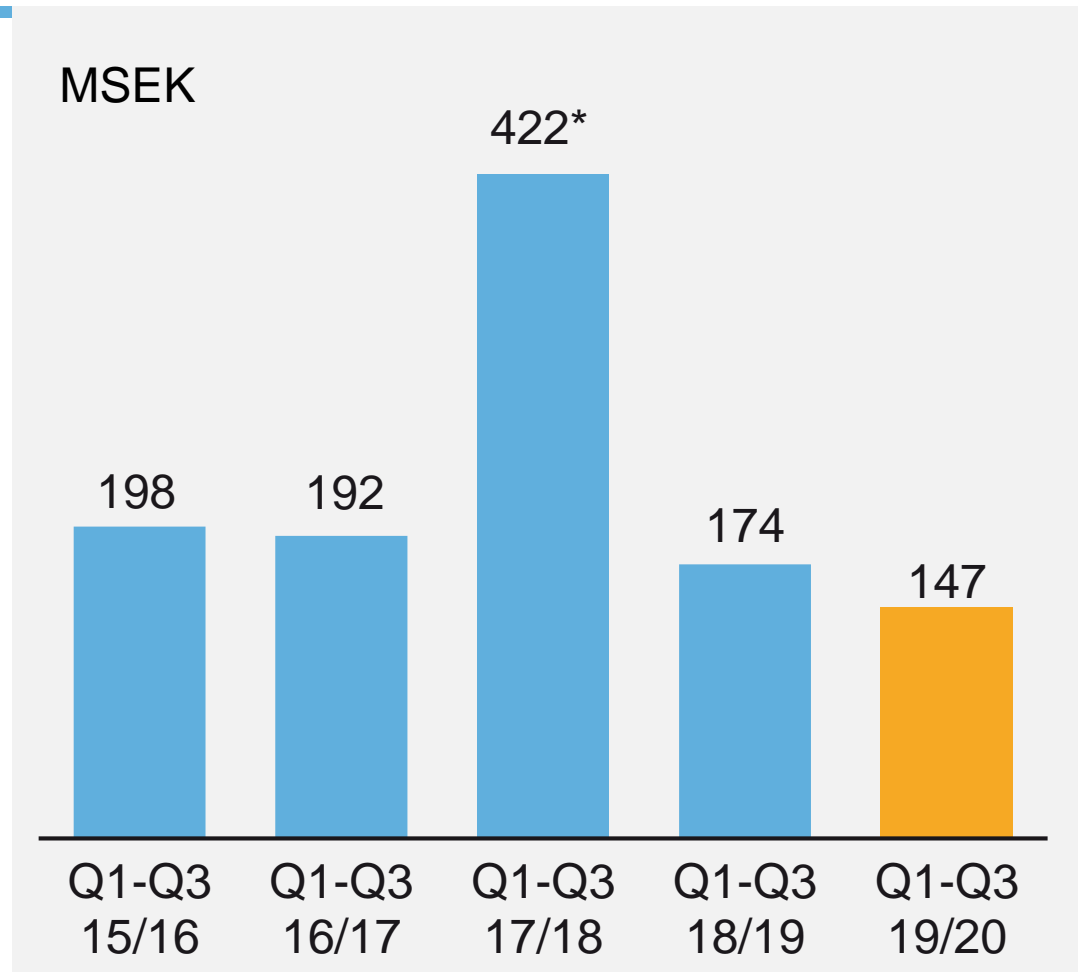
# Reported and underlying profit in Q1-Q3

- Operating profit improved to 590 MSEK (171) impacted by
  - Positive IFRS 16 effect of +75 MSEK
  - Non-recurring costs and costs related to CO100+ of -97 MSEK (-378)
- Underlying EBIT increased by 11% to 612 MSEK (549)
- EBIT-margin improved to 8.3% (2.4)
  - Positive IFRS 16 effect of 1.1 percentage points
- Earnings per share was 6.68 SEK (2.11)



# Investments Q1-Q3

- Total investments Q1-Q3 of 147 MSEK (174) of which
  - New stores and refurbishments 33 MSEK (41)
  - IT systems 100 MSEK (88)

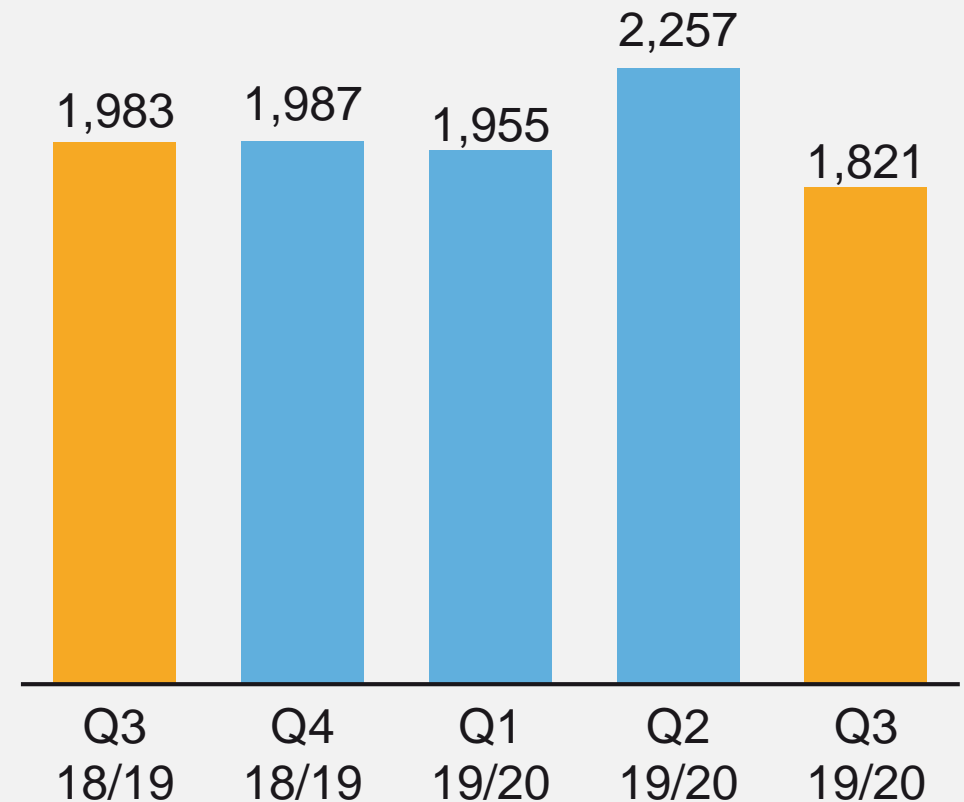


\*Including the acquisition of MatHem of 224 MSEK.

# Cashflow and financial position per 31 Jan

- Cash flow from operating activities for the period of 1 318 MSEK (639)
  - Cashflow from operating activities excl. IFRS 16 was 943 MSEK
- Cash flow after investments and financing activities of 127 MSEK (70)
- Inventory level improved to 1,821 MSEK (1,983) at the end of the period
  - Inventory turnover rate DC 5.7 (5.7)
- Net debt/EBITDA excluding IFRS 16 was -0.3 times
- Approved credit facilities of 850 MSEK

Value of inventories, MSEK



A photograph of a desk setup. In the center is a white desk lamp with a curved neck and a cylindrical shade. To its right is a black wire pen holder containing pens and scissors. In the foreground, a small red wooden toy car sits on a wooden desk. To the right of the lamp is a black mesh pen holder filled with pens. Further right is a potted plant with green leaves. The background is a light blue wall with a black wire rack holding a pair of glasses and a poster. A yellow banner with white text is overlaid across the middle of the image.

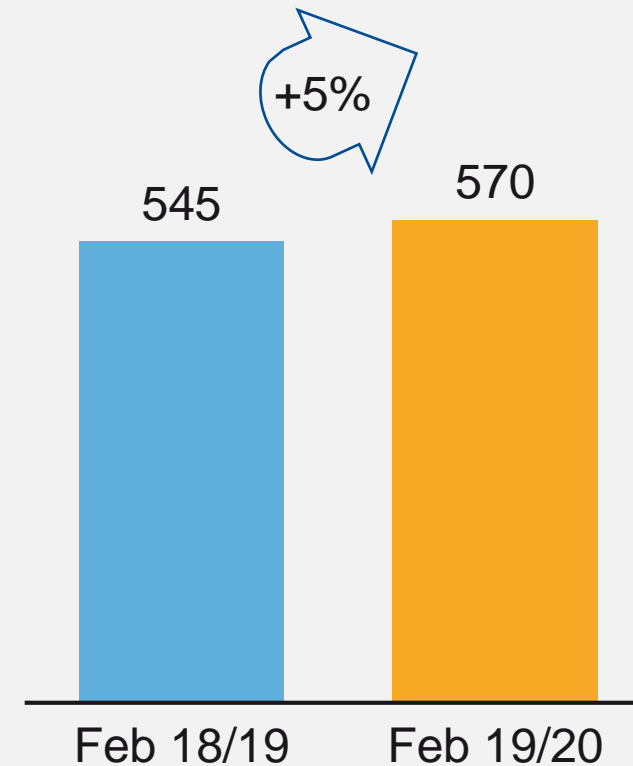
# EVENTS AFTER REPORTING PERIOD



# February sales development

- Total sales up 5% to 570 MSEK, organic sales up 6% and LFL sales up 8%
- Sales in February were positively impacted by a calendar effect of 4%
- Sales in the Nordics up 8% to 566 MSEK, up 9% organic
  - Sweden +6% organic
  - Norway +11% organic
  - Finland +11% organic
- Outside Nordics -78%
- Online sales up 16%
- Reduction of 9 stores net compared to end of February last year (+13)

MSEK



# Investment in MatHem funding round

- Collaboration with MatHem in Sweden and Kolonial in Norway key for establishing a unique position
- MatHem funding round of approx. 500 MSEK announced on 14 Feb 2020
- Enables new environmentally certified warehouse in Larsboda, Stockholm
- Pension company AMF invested 280 MSEK, became third largest owner
- Clas Ohlson invested 27 MSEK to maintain its rights, fifth largest owner (7.7%)
- The investment is reported in Q4 2019/20



A photograph of a modern outdoor patio. The scene features dark wicker furniture, including a sofa and a table, with striped and solid-colored cushions. A tall, cylindrical heater is visible on the left. String lights with white globe bulbs are strung across the top. A small table holds a glass jar and a bowl. The patio is set on a light-colored rug, and the background shows lush green trees.

# SUMMARY AND OUTLOOK

# Going forward

- Improved profitability in line with guidance on margins
- Stable sales development in challenging Nordic markets, in all channels
- Continued delivery on our CO100+ programme, effects to be summarised in Q4
- Strong financial position
- Synergies between stores, service offerings and supplementary e-com platforms enables growth
- Continuously forward-thinking striving for best in class efficiency and seizing business opportunities
- Monitor, evaluate and adapt to Corona and macro development



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



# Q&A

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