

clas ohlson

Q4 and Year-end report

3 June 2020

Lotta Lyrå
President & CEO

Pär Christiansen
CFO



- ✓ **Organic growth in our Nordic home markets**
- ✓ **Strong underlying performance**
- ✓ **CO100+ completed**
- ✓ **5.2%* EBIT margin - in line with 4-6% target**
- ✓ **Solid financial position - net debt/EBITDA 0.0***

*Excl IFRS 16



Agenda

- Business and CO100+ update
- Financial development
- Events after the reporting period
- Summary and Q&A

Covid-19 effects in brief

- The safety of coworkers and customers top priority
- Reduced traffic in city stores in larger cities – great variations between locations
- Increased online shopping
- Balancing high sick leave with short-term layoffs
- Marginal disruptions in supply chain
- Spending more time in our homes creates new needs and demands



Q4 2019/20 in brief

- Organic sales in the Nordics in line with last year
- Total sales -6%
 - Impacted by currency and closure of stores
- Online sales +45%
- Gross margin at 39.9% (38.2)
- Underlying EBIT -31 MSEK (-52)

- Implementation of CO100+ finalized
- EBIT-margin (excl. IFRS16) FY 2019/20 significantly improved to 5.2% (1.1)
 - Delivering on guidance of 4-6% EBIT-margin in 2019/20



Preparedness for continued corona impact

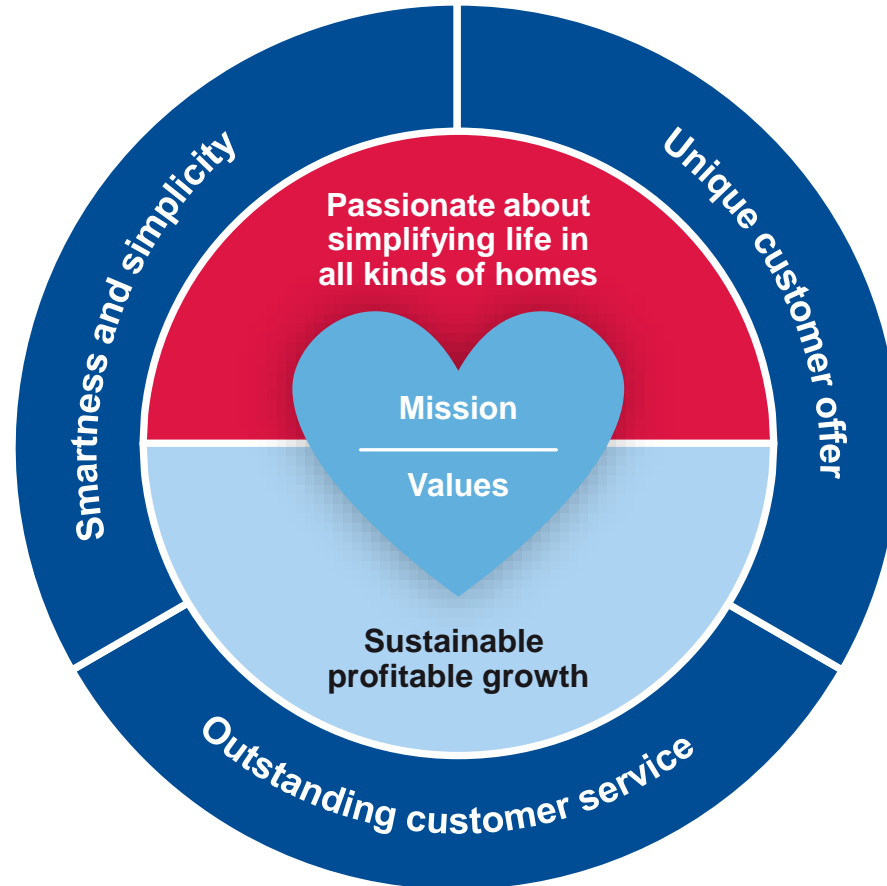
- Continuous monitoring, evaluation and adaption to Covid-19 situation
- Impact depending om future development
 - Macro development
 - Currency
 - Customer behavior

Macroeconomic trends and their impact on retail sector as a result of Covid-19 remain uncertain. At this stage, the Board intends to safeguard Clas Ohlson's solid financial position and flexibility and therefore proposes that no dividend be paid for the 2019/20 financial year.



CO100+ UPDATE

Our growth strategy



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

Summary
outcome
CO100+

Cost savings

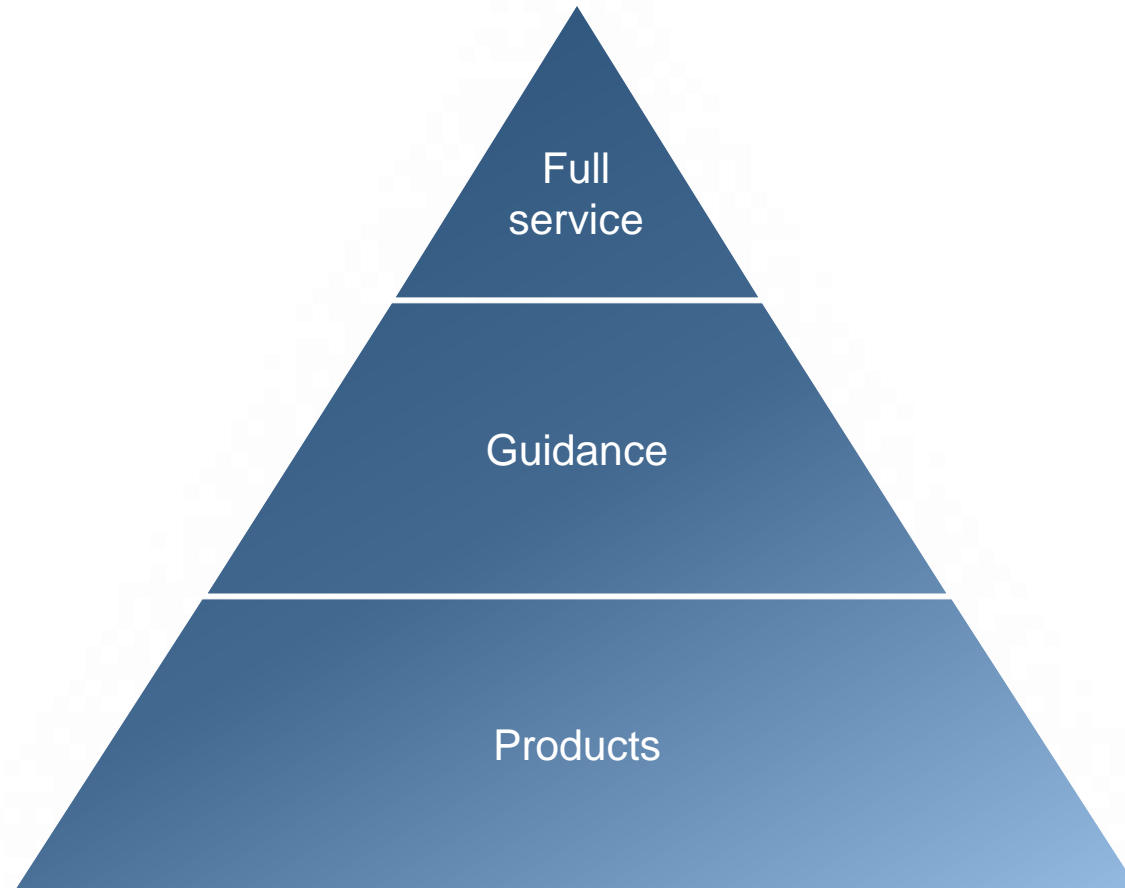
- ✓ Cost level reduced 225-250 MSEK
 - Goods not for resale, 70-75 MSEK
 - Sourcing, 110-120 MSEK
 - Smart and simple organization and logistics, 45-55 MSEK

Growth initiatives

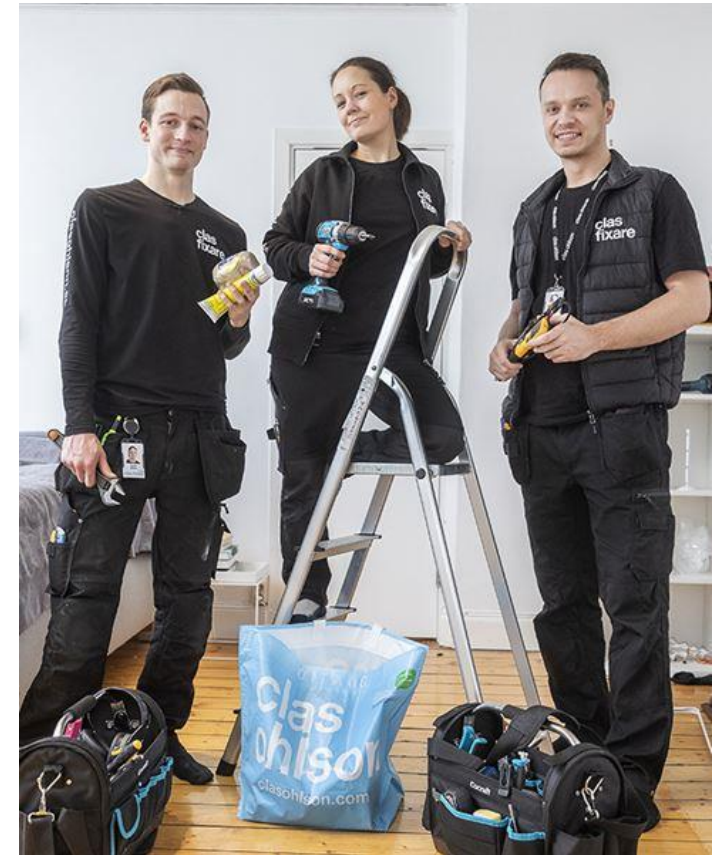
- ✓ Sales per customer up
- ✓ Sales per square meter up
- ✓ Online sales up 84%

- Lower cost level 225-250 MSEK
- Expected P&L-effect of approx. 150-160 MSEK in 2020/21
- Platform for profitable growth

A complete customer offer for all kinds of homes...



A complete customer offer for all kinds of homes...





CLAS FIXARE

HOME DELIVERY

CLICK & COLLECT

CLAS OHLSON
ONLINE

CLAS OHLSON
STORE

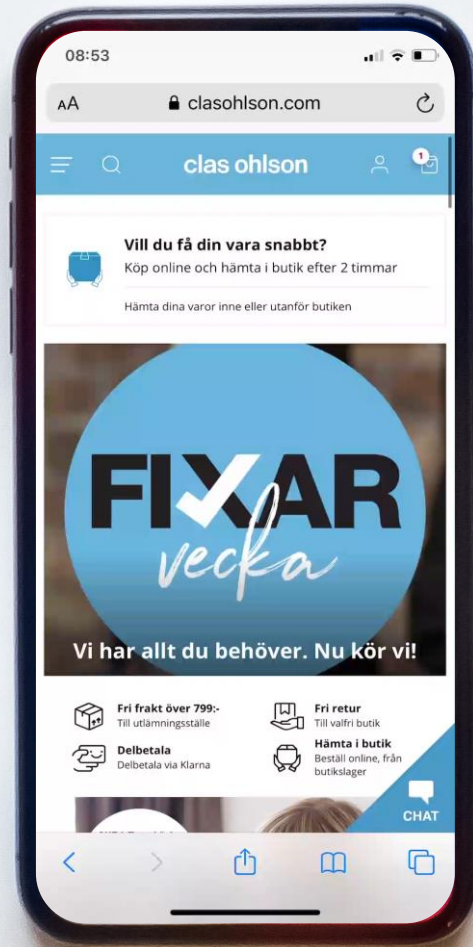
WOLT

AMAZON

MATHEM

KOLONIAL

A modern e-commerce platform



Investments in DC for speedier deliveries



An organisation for the future

- Organisational review of our offices and DC
 - 150-200 roles affected
- New approach for markets outside the Nordics
 - Stores and offices in UK and Germany closed
- A new operating model
 - Markets operated by common functions
 - Leaner management structure
 - Data driven decision making
- 20% net reduction in white collar FTEs

- Customer insights
- AI
- Goods not for resale procurement
- Global sourcing
- New commercial organisation
- New digital organisation, including e-com logistics
- Product design

New capabilities

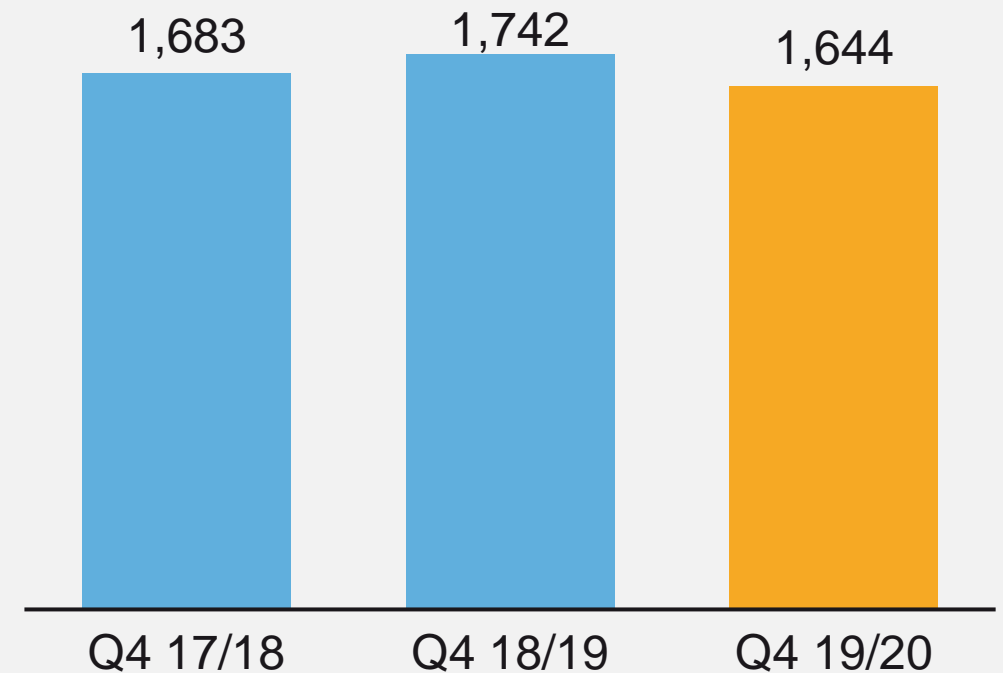


FINANCIAL DEVELOPMENT

Sales development in Q4

- Total sales down 6% to 1,644 MSEK, organic sales -2% and LFL sales unchanged
- Sales in the Nordics down 4% to 1,627 MSEK, unchanged organic
 - Sweden -3% organic
 - Norway +7% organic
 - Finland -13% organic
- Outside Nordics -69%
- Online sales up 45%, corresponding to 8% of total sales
- Reduction of 4 stores net compared to end of period last year

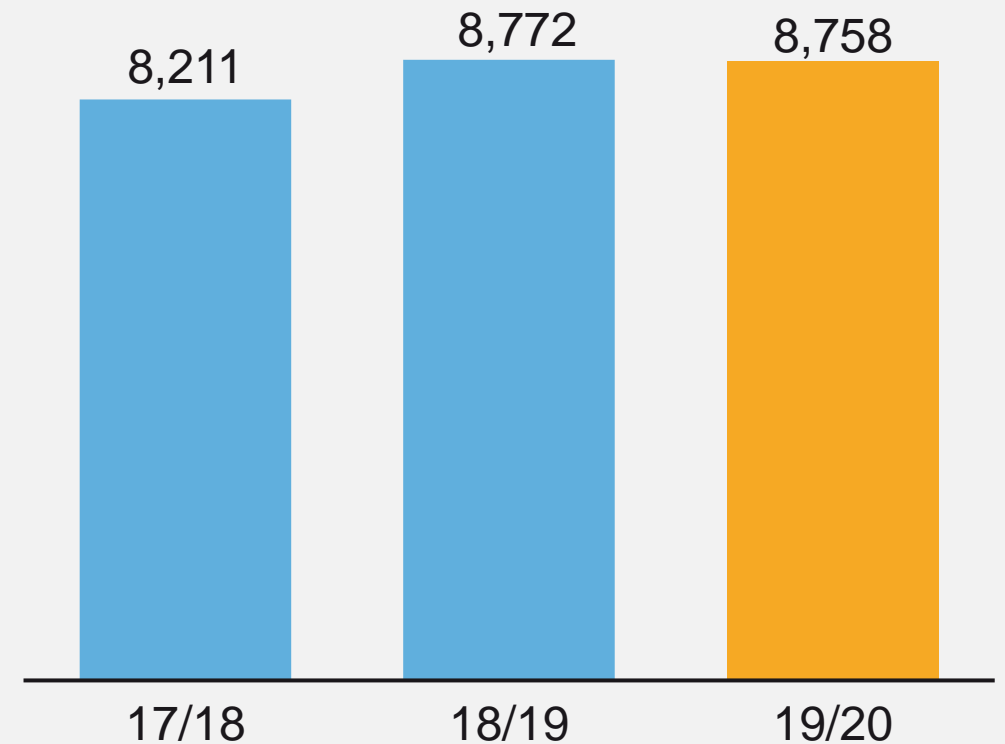
MSEK



Sales development FY

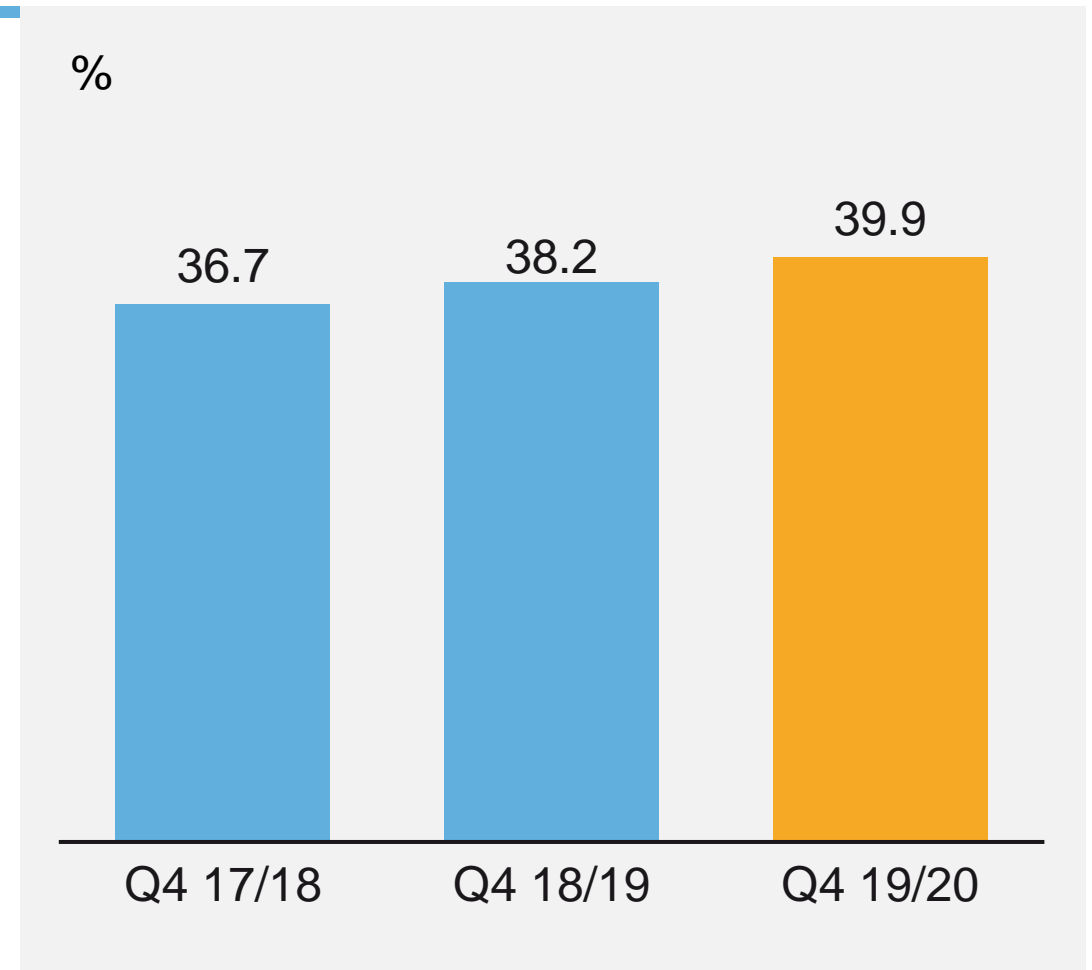
- Total sales flat, 8,758 MSEK, organic sales flat and LFL sales +1%
- Sales in the Nordics up 2% to 8,666 MSEK, up 3% organic
 - Sweden +4% organic
 - Norway +3% organic
 - Finland -1% organic
- Organic outside Nordics, -69%
- Online sales up 25%
- Reduction of 4 stores net during the period

MSEK



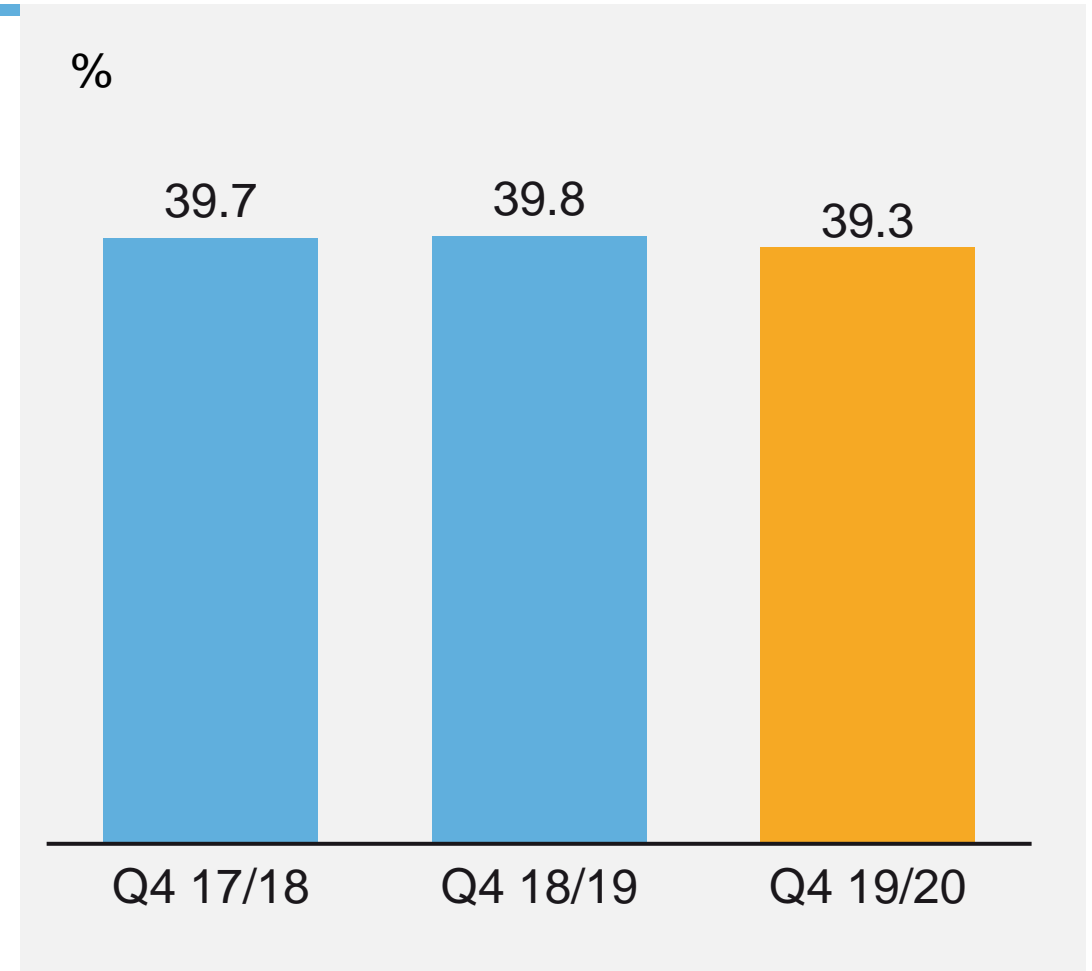
Gross margin in Q4

- Gross margin up 1.7 percentage points to 39.9% (38.2)
 - Positively impacted by currency hedging (NOK), improved product mix, lower campaign intensity, lower sourcing costs
 - Negatively impacted by weakened sales currency (NOK) and stronger purchasing currency (USD)
- Reviewing and reducing purchasing prices part of CO100+
- Continuously reviewing product offerings and pricing on products



Share of selling expenses in Q4

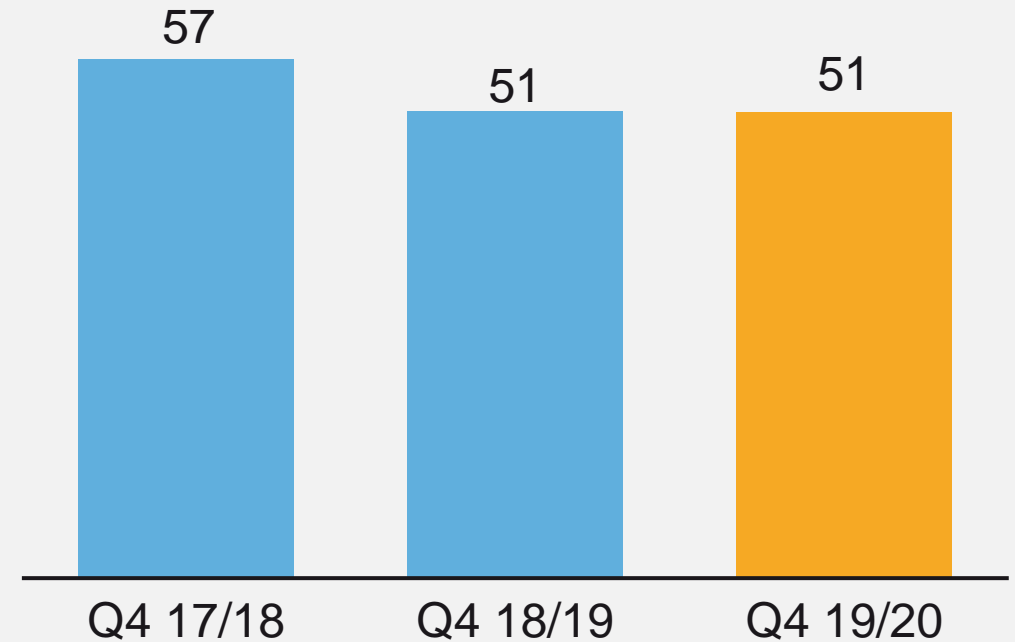
- Share of selling expenses was 39.3% down 0.5 percentage points (39.8)
- Excluding the effect related to IFRS 16 of 1.1 percentage points the share increased by 0.6 percentage points
- Impacted by lower sales, increased costs related to the CO100+ action programme partly compensated by lower costs in the UK and Germany



Administrative expenses in Q4

- Administrative expenses in line with last year
- Trend in line with expectations on implemented CO100+ activities
- Objective to maintain and continuously improve the level over time

MSEK

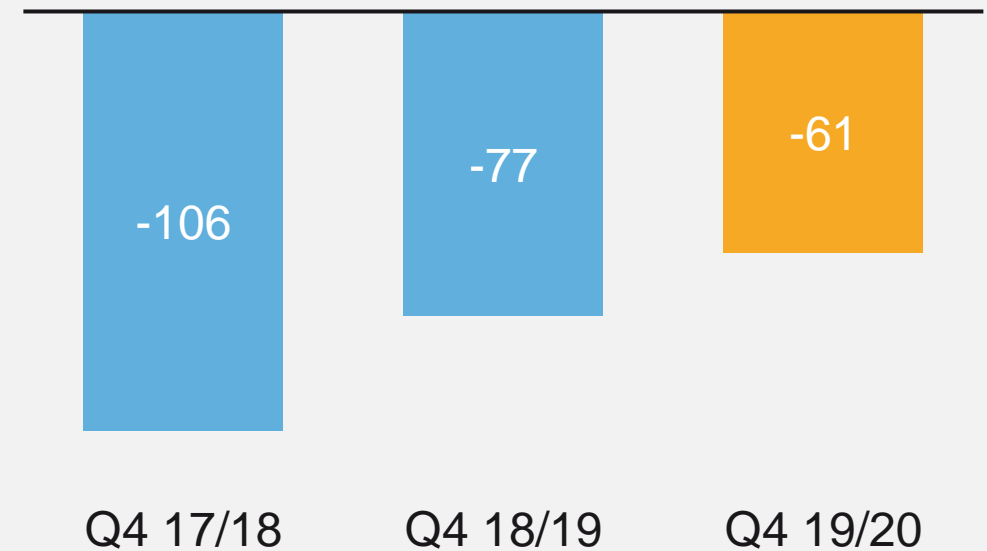


Reported and underlying profit in Q4

- Operating profit improved to -41 MSEK (-77) impacted by
 - Positive IFRS 16 effect of +20 MSEK
 - Non-recurring costs and costs related to CO100+ of 30 MSEK (25)
- Underlying EBIT was -31 MSEK (-52)
- EBIT-margin improved to -2.5% (-4.4)
 - Positive IFRS 16 effect of +1.2 percentage points
- Earnings per share was -0.73 SEK (-0.98)

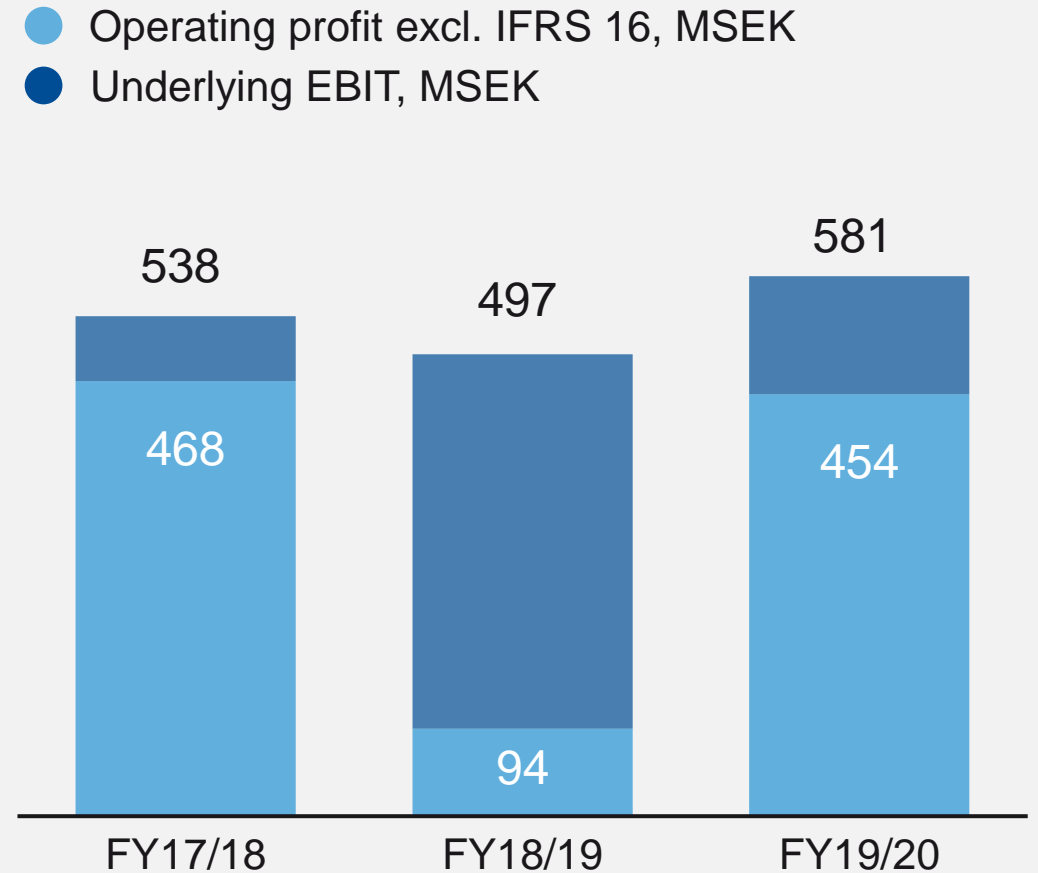
MSEK

Operating profit excl. IFRS 16



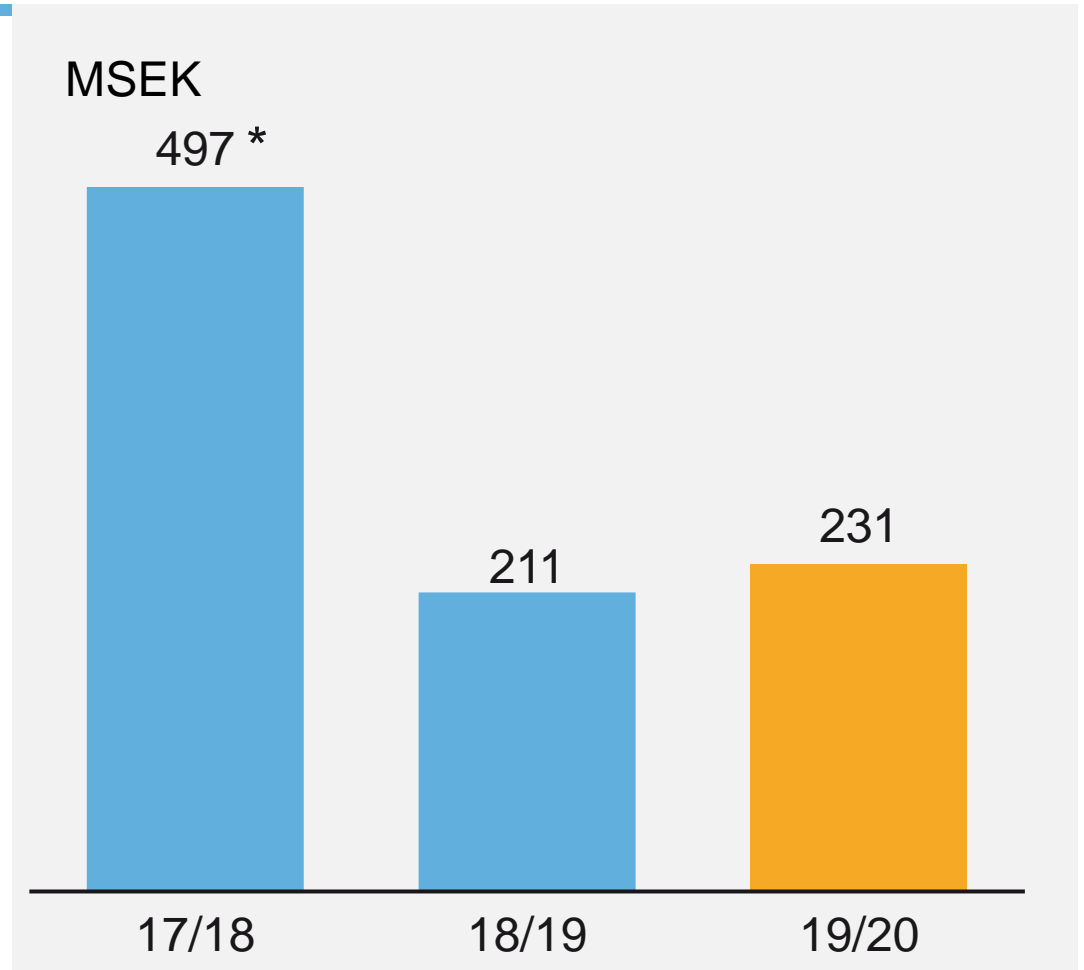
Reported and underlying profit FY

- Operating profit improved to 549 MSEK (94) impacted by
 - Positive IFRS 16 effect of +95 MSEK
 - Non-recurring costs and costs related to CO100+ totalled 127 (403) MSEK
- Underlying EBIT increased by 17% to 581 MSEK (497)
- EBIT-margin improved to 6.3% (1.1)
 - Positive IFRS 16 effect of 1.1 percentage points
- Earnings per share was 5.94 SEK (1.13)



Investments

- Total investments 231 MSEK (211)
- New stores and refurbishments 42 MSEK (51)
- IT systems 143 MSEK (105)
- During Q4 an investment of 27 MSEK was made to support MatHems' growth initiatives

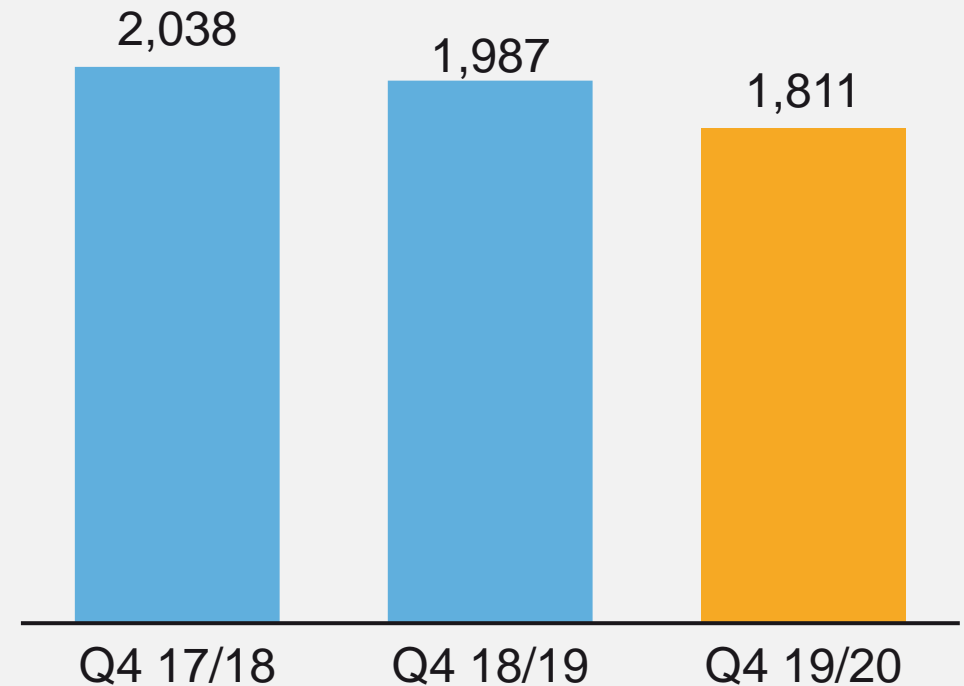


*Including the acquisition of MatHem of 224 MSEK.

Cashflow FY and financial position

- Cashflow from operating activities excl. IFRS 16 was 817 MSEK
 - Cash flow from operating activities was 1 284 MSEK (312)
- Cash flow after investments and financing activities of -20 MSEK (-11)
- Inventory level improved to 1,811 MSEK (1,987) at the end of the period
 - Inventory turnover rate DC 5.6 (5.9)
- Net debt/EBITDA excluding IFRS 16 was 0.0 times (0.5)
- Approved credit facilities of 1,000 MSEK of which used 67 MSEK

Value of inventories end of period, MSEK

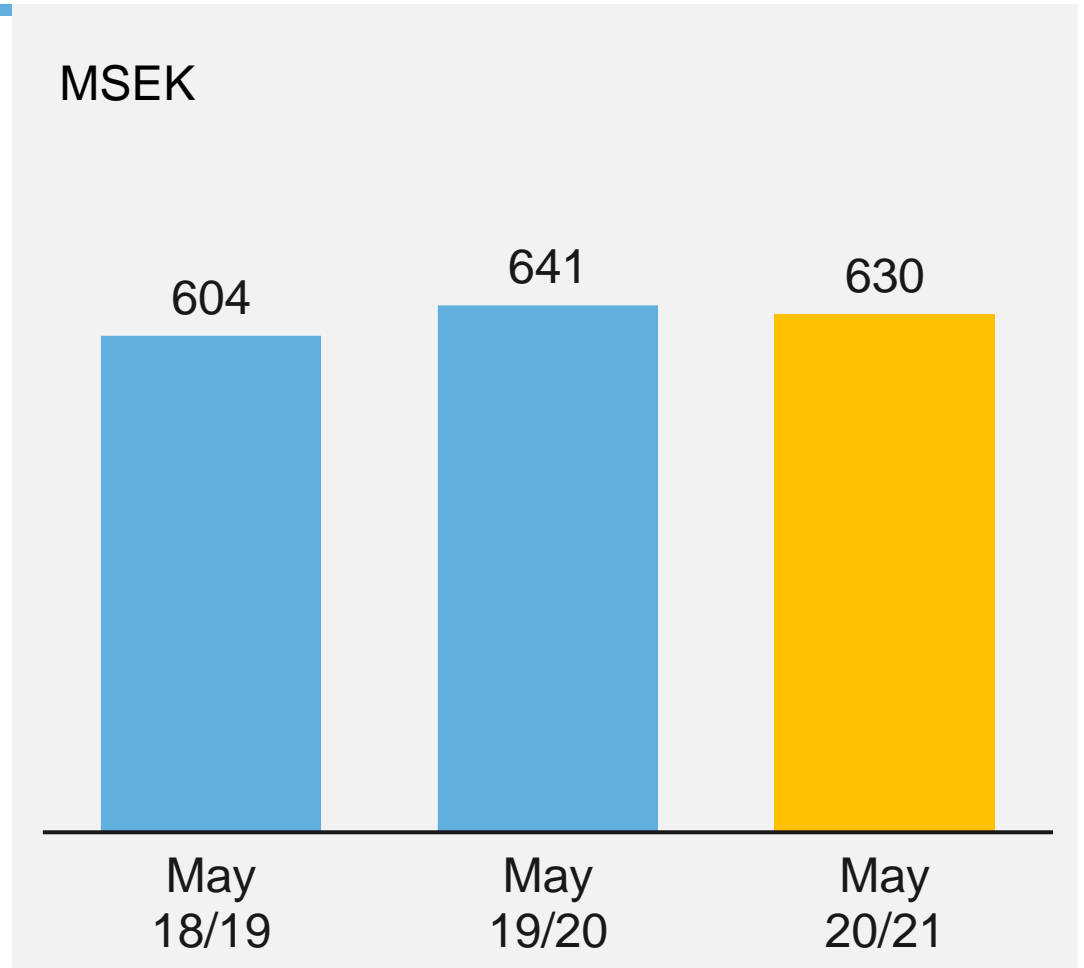


A yellow Kärcher pressure washer is the central focus in the foreground, sitting on a wooden deck. It has a black handle and a red hose. A white container of cleaning solution is attached to the top. In the background, a person in a grey shirt and black pants is using a yellow and black spray gun to clean the deck. The background is slightly blurred, showing a wooden bench and a building with grey siding. A blue banner with white text is overlaid across the middle of the image.

EVENTS AFTER THE REPORTING PERIOD

May sales development

- Total sales down 2% to 630 MSEK, organic sales up 4% and LFL sales up 5%
- Sales in the Nordics -1% to 626 MSEK, up 5% organic
 - Sweden -2% organic
 - Norway +21% organic
 - Finland -16% organic
- Outside Nordics -56%
- Online sales up 68%
- Reduction of 4 stores net compared to end of May last year



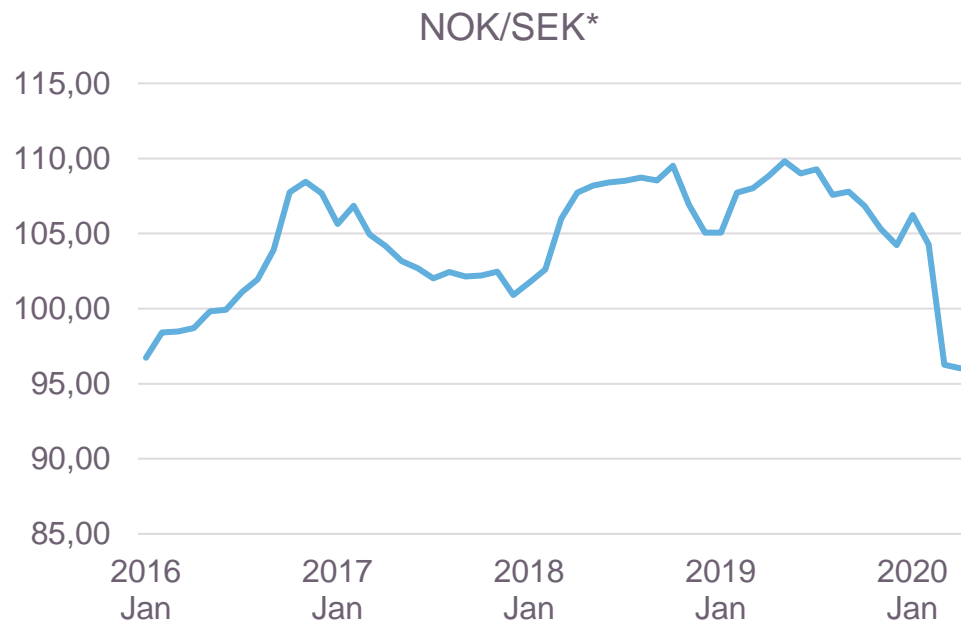
Currency situation

Future impact on Clas Ohlson will depend mainly on these factors:

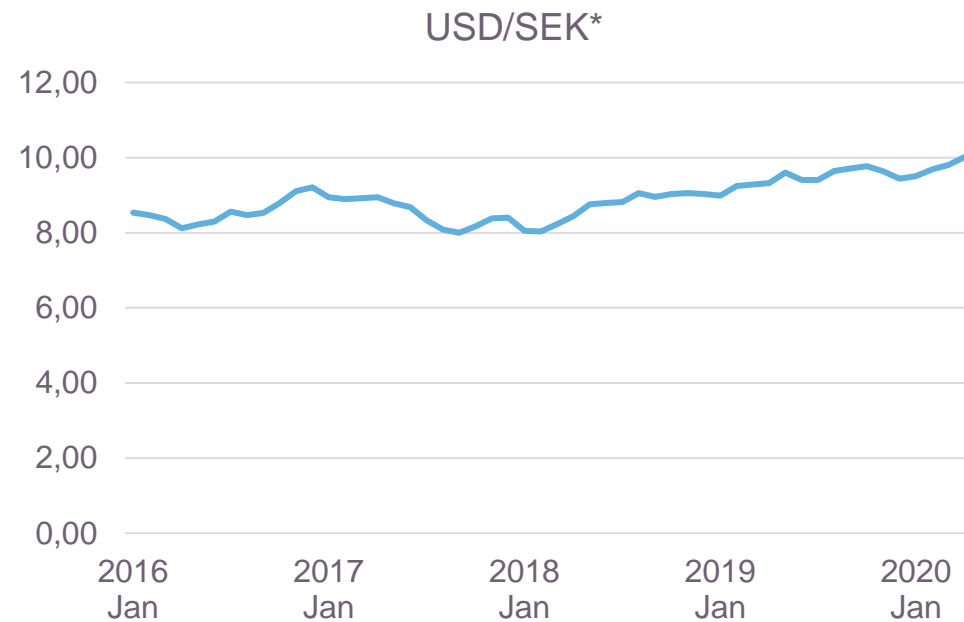
- Translation/transaction effects - Sales instant effects and Purchasing with a time lag
- Hedging policy/effects
- Pricing effects

Counteracting measures:

- Pricing - We expect the long term currency effects to be reflected in consumer pricing over time in the market
- Sourcing – Continuously improve sourcing
- Optimize Sales mix –Private label, Product and category mix



* Monthly average, The Riksbank/Nasdaq





SUMMARY AND OUTLOOK

Well equipped for the journey ahead

- Capitalising on the transformation made over the last two years
- Further develop and improve relevance of; stores, service offerings and supplementary e-com platforms to enable growth
- Striving for best in class efficiency and seizing business opportunities
- Strong financial position and financial preparedness
- Energized by simplified management structure and strong commitment from dedicated colleagues



In our founder Clas Ohlson's spirit that to always put the customer in the first room and strive for simplicity, we now continue to develop the business. Delivering on an operating margin of 6-8% from 2020/21



Q&A

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<https://about.clasohlson.com>