



clas ohlson

Q2 report

2 December 2020

Lotta Lyrå
President & CEO

Pär Christiansen
CFO

- ✓ **Improved result in an uncertain world**
- ✓ **Positive impact of our actions to handle the effects of the ongoing pandemic**
- ✓ **Negative impact from weaker NOK**
- ✓ **Organic sales -1%**
- ✓ **EBIT margin 6.4%***
- ✓ **Solid financial position - net debt/EBITDA -0.3***
- ✓ **Continued strategy execution increasing competitiveness**

- ✓ **November – organic sales +2% and strong online sales**

*Excl IFRS 16

Q2 2020/21 in brief

- Organic sales and LFL -1%
- Total sales -6%
 - Impacted by weak NOK
- Online sales +25%
- Gross margin improved 41.8% (41.1)
- EBIT-margin improved 7.3% (6.1)
 - EBIT-margin excl. IFRS16 6.4% (4.9)



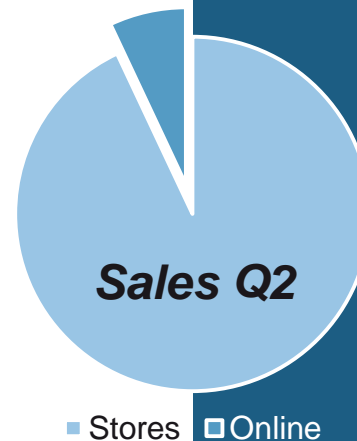
Covid-19 effects in brief

- The safety of co-workers and customers is our top priority
- Balancing high sick leave
- Marginal disruptions in the supply chain
- Rapidly changing customer behaviour
 - Spending more time in our homes creates new needs and demands



Changing customer behaviour

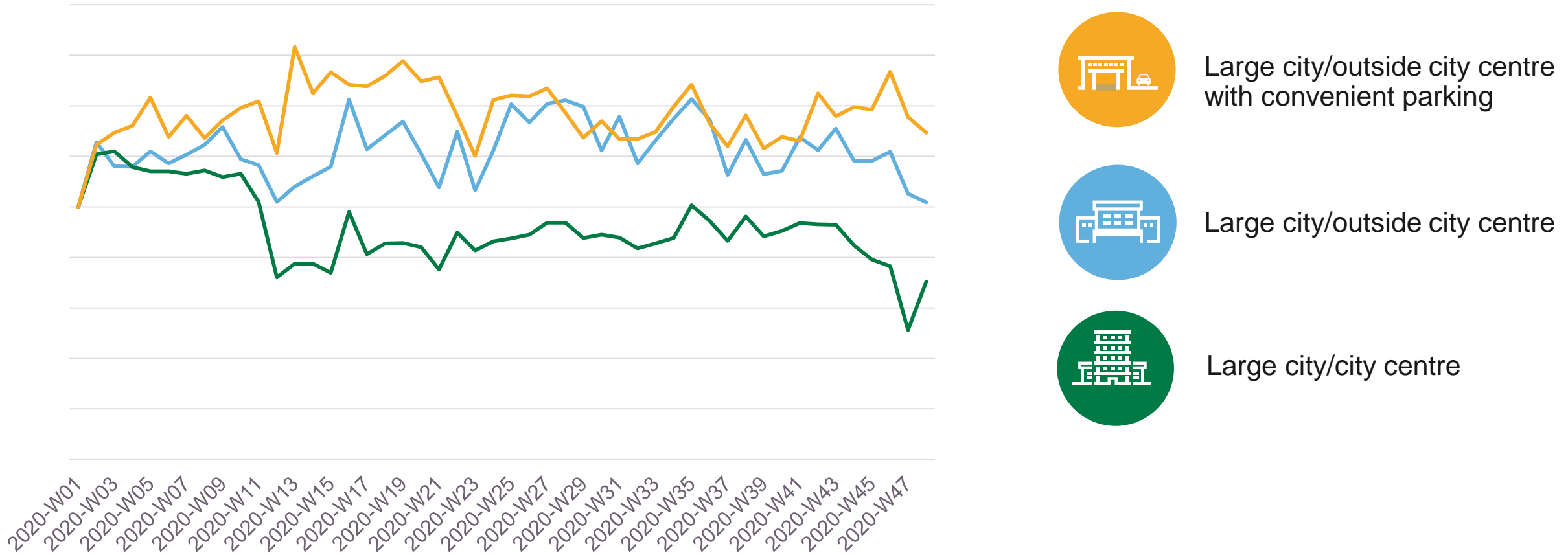
- All stores affected by restrictions
 - Approx. 40% of stores affected by explicit authority advise to not visit stores
 - Severely reduced traffic in city locations in Sweden and Finland and in stores usually benefitting from cross-border sales
 - Safe shopping experience in focus
- Online shopping increases
 - New customer segments
 - Need for flexible delivery options
- Increased focus on the home environment



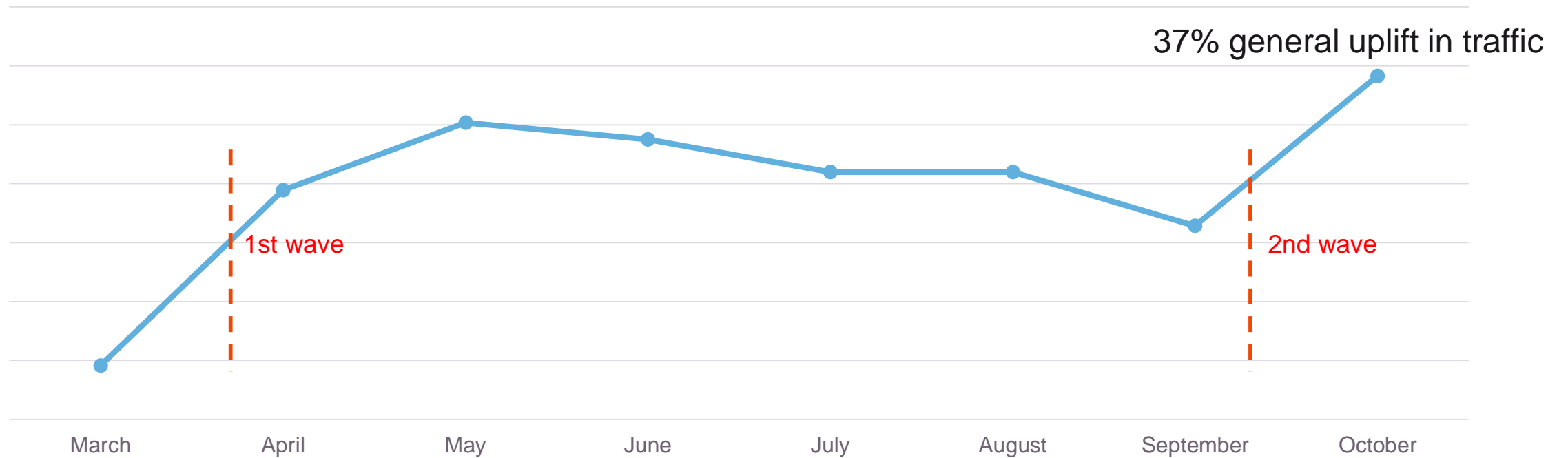
A new platform for growth

- Stores in relevant locations
 - New role for the store, including logistics hub for e-commerce
- Improved online channel
 - Better customer experience
 - Improved logistics
- Sales on other online platforms
- Convenient delivery options
 - Home delivery, pick-up-points, in store, outside store
- Products and services that simplify life at home

Example of traffic pattern in different store locations



Traffic development online



Agenda

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



A festive holiday-themed still life featuring gingerbread cookies, nutcrackers, and various pastries on a wooden surface. The scene includes a woven basket of nutcrackers, a glass dish with gingerbread cookies, a glass dish with small pastries, and a metal tray with many small pastries. A blue banner with the text "BUSINESS UPDATE" is overlaid on the image.

BUSINESS UPDATE

The first two-year phase of strategy implementation ended in Q4 2019/20 gave us a stable platform



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

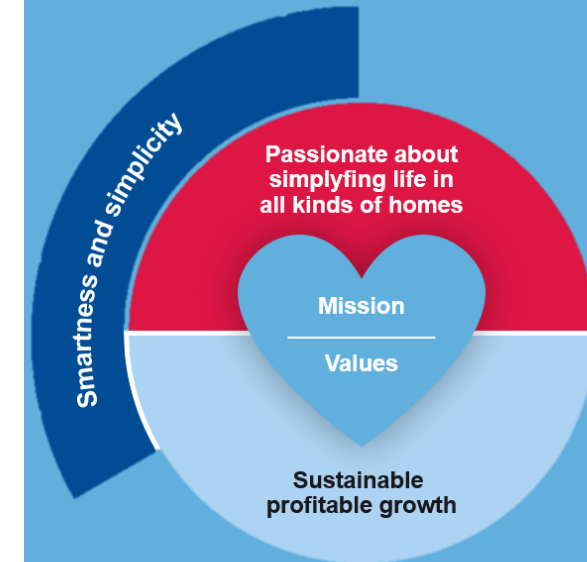
Growth initiatives

- ✓ 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

Continuously striving for best in class efficiency

- **Streamlined and efficient organisation** delivers cost savings
- **Agile global sourcing strategy**
 - New European purchasing office being established
 - Goal to double procurement in Europe in the upcoming 3 years
- **Improved logistics** creates a more competitive and scalable foundation for long-term growth
 - Synergies between physical stores and online channels
 - Feeder stores
 - Increased automation



Seizing business opportunities for continued targeted organic growth

Awarded for Omni experience and Retail chain of the year

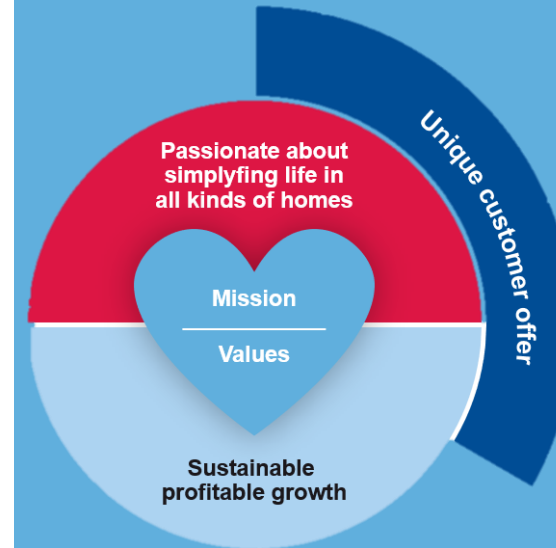


Jury's motivation

Omni experience of the year: "Clas Ohlson shows that it is possible to modernize a well established company. Stores and e-commerce go well hand in hand when a company takes next step and introduces new services. Everything to simplify every day lives of their customers."

Convenient shopping experience and smart products

- Online orders ready for pick-up in stores within 30 minutes
- Instabox – smooth and fossil free deliveries
- Sustainability as a business opportunity
- Rental offering available in all stores



Strengthening relations with existing customers and growing our customer base

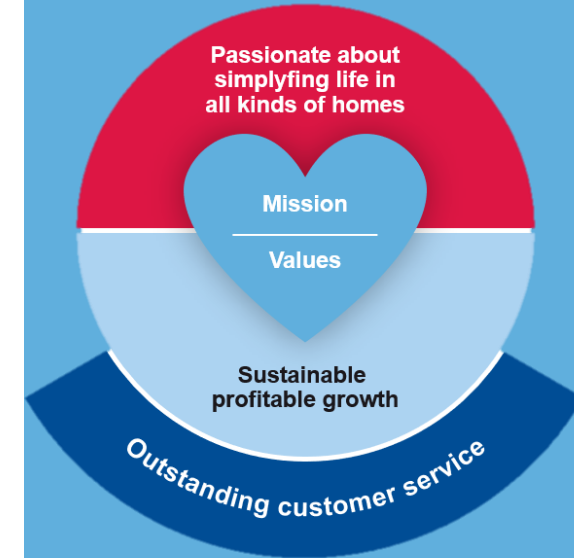
Club Clas: Fostering customer insights and loyalty

- 200,000 new members in Norway during first two weeks
- More than 3 million Club Clas members in Sweden, Finland and Norway
- Increased customer spend for members compared to non-members



Customer service that simplifies everyday life

- Click & Collect also available for pick-up outside the stores
- Special opening hours for risk groups
- Clas Video Assistance – advice via mobile phone
- Helping customers find Christmas gift inspiration with our online Gift generator



Making sustainability profitable with new more ambitious goals

Strategy built around our impact on:



Planet

Climate neutral and fully circular by 2045



People

Being a sustainable long-term employer with happy co-workers reflecting all kinds of homes

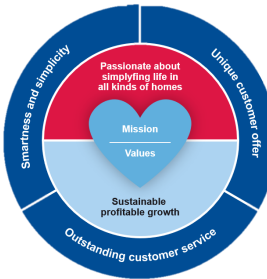


Society

Contributing to a fair and prosperous society for future generations – a child ambassador

Sustainable profitable growth for '100 more years'

Instituting a sustainable business to reduce costs, increase profits and open for new business opportunities



A continued clear direction more important than ever

Next phase: Capitalizing on our stronger competitiveness and customer insights to further elevate customer and shareholder value

...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% within a five-year period as from 20/21

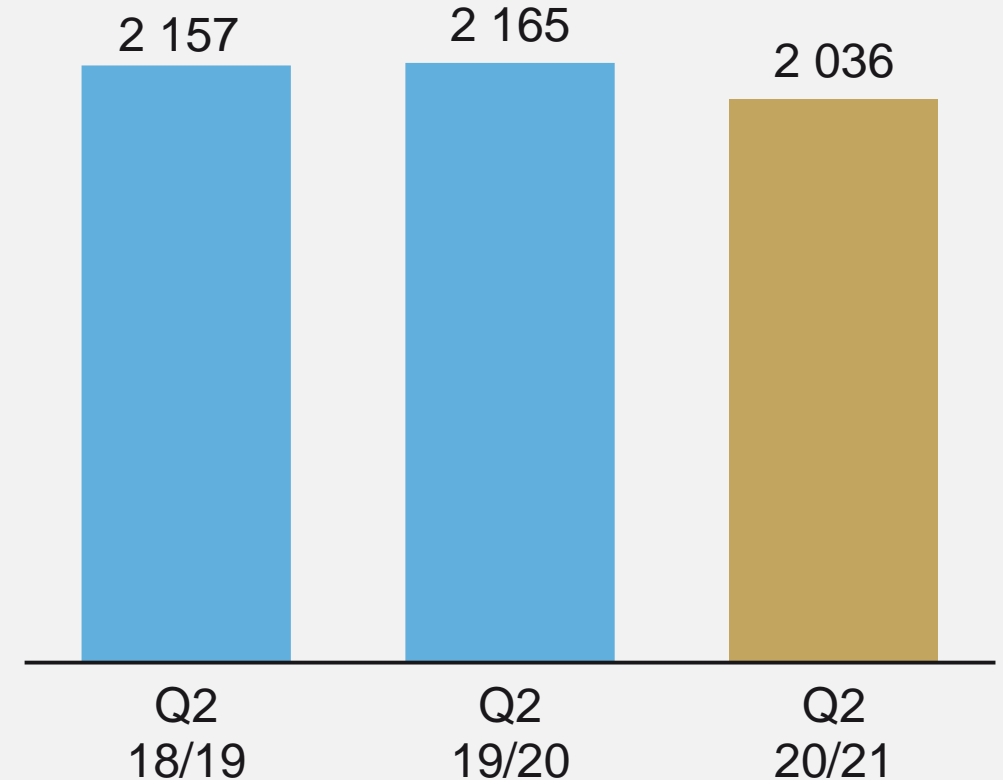
A photograph of a desk setup. On the left, a black desk lamp with a conical shade is positioned. In the center, a green and white variegated plant sits in a terracotta pot. To the right of the plant are several stacked notebooks, including one with a pink cover and another with a green cover. A blue pen and a pencil are resting on the green notebook. The background features a grey wall with a framed abstract painting and a whiteboard.

FINANCIAL DEVELOPMENT

Sales development in Q2

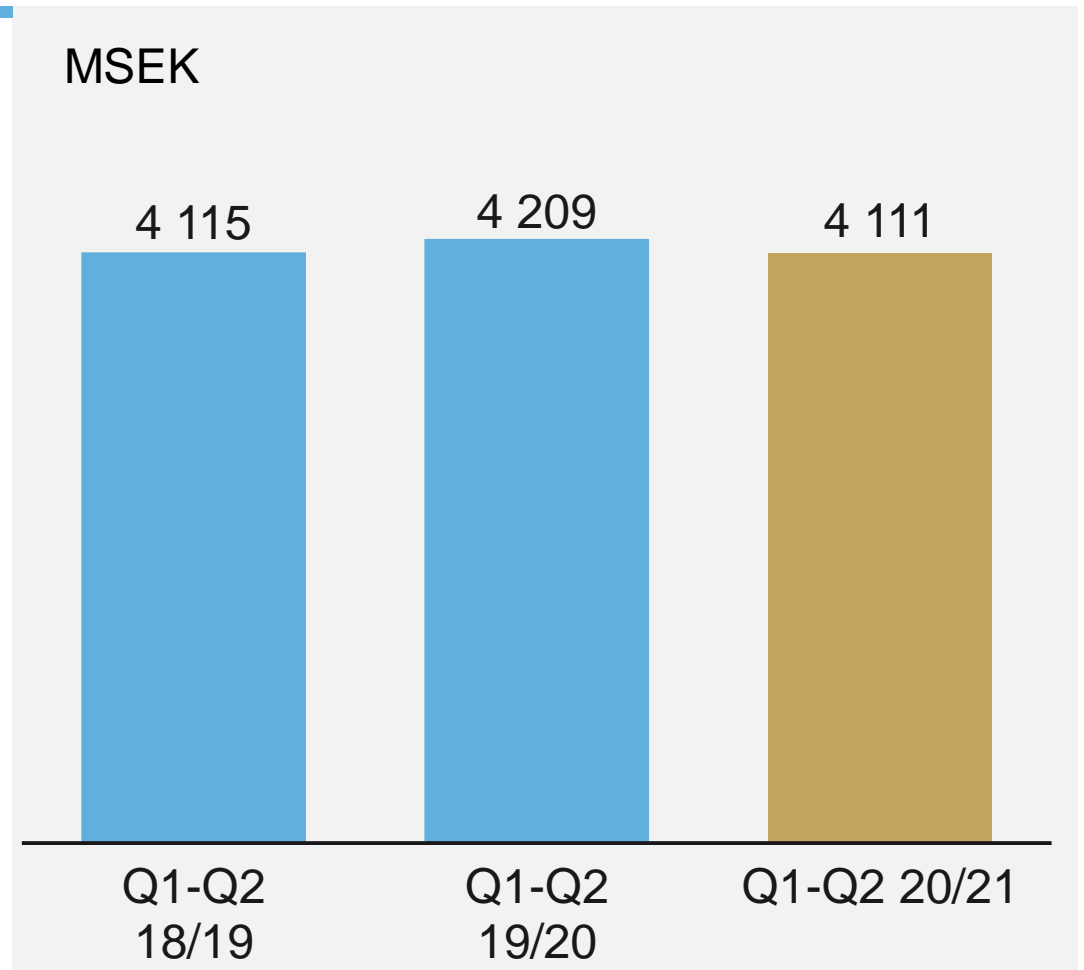
- Total sales down 6% to 2,036 MSEK, organic sales down 1% and LFL sales down 1%
 - Sweden -5% organic
 - Norway +8% organic
 - Finland -11% organic
 - Outside Nordics -36% organic
- Online sales up 25% to 148 MSEK, corresponding to approx. 7% of total sales
- Net decrease of four stores compared to end of period last year

MSEK



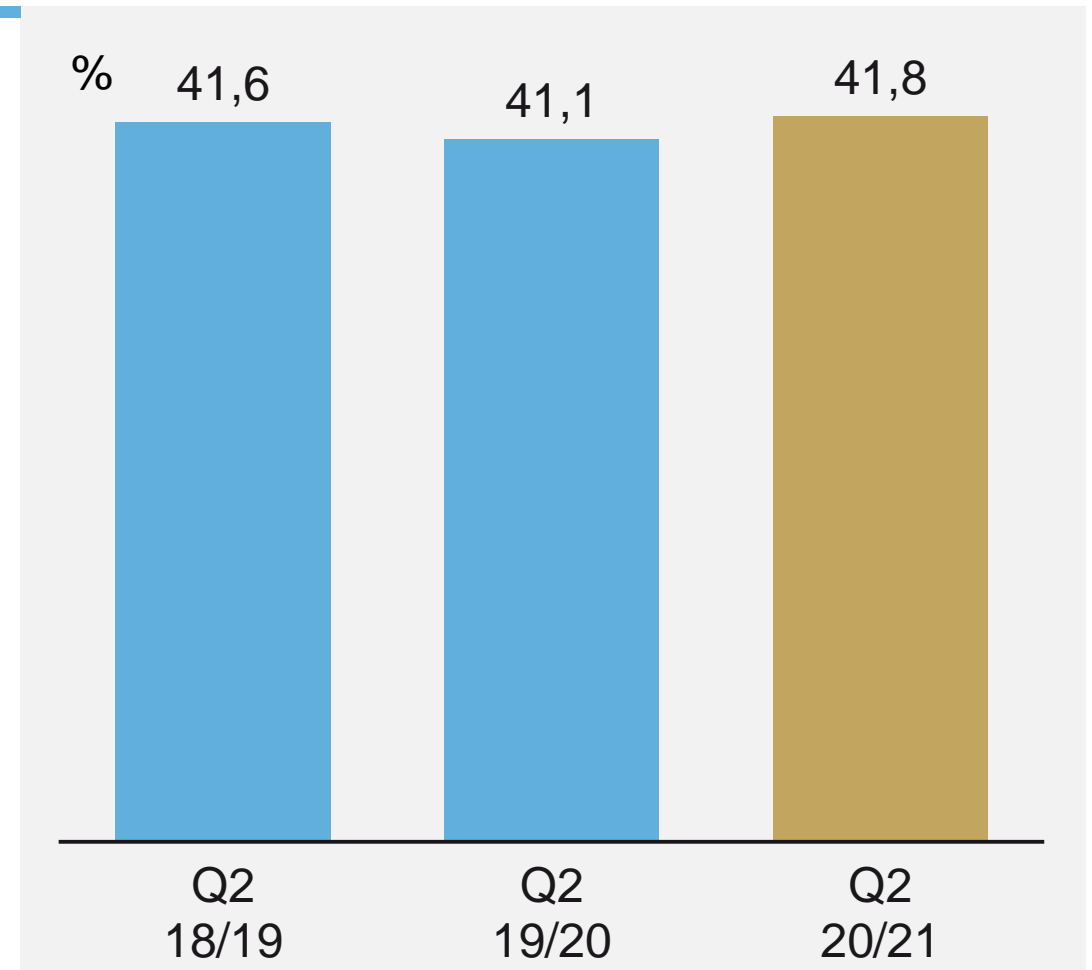
Sales development Q1-Q2

- Total sales down 2% to 4,111 MSEK, organic sales up 3% and LFL sales up 4%
 - Sweden -3% organic
 - Norway +15% organic
 - Finland -8% organic
 - Outside Nordics -48% organic
- Online sales up 43%
- Unchanged number of stores net during Q1-Q2



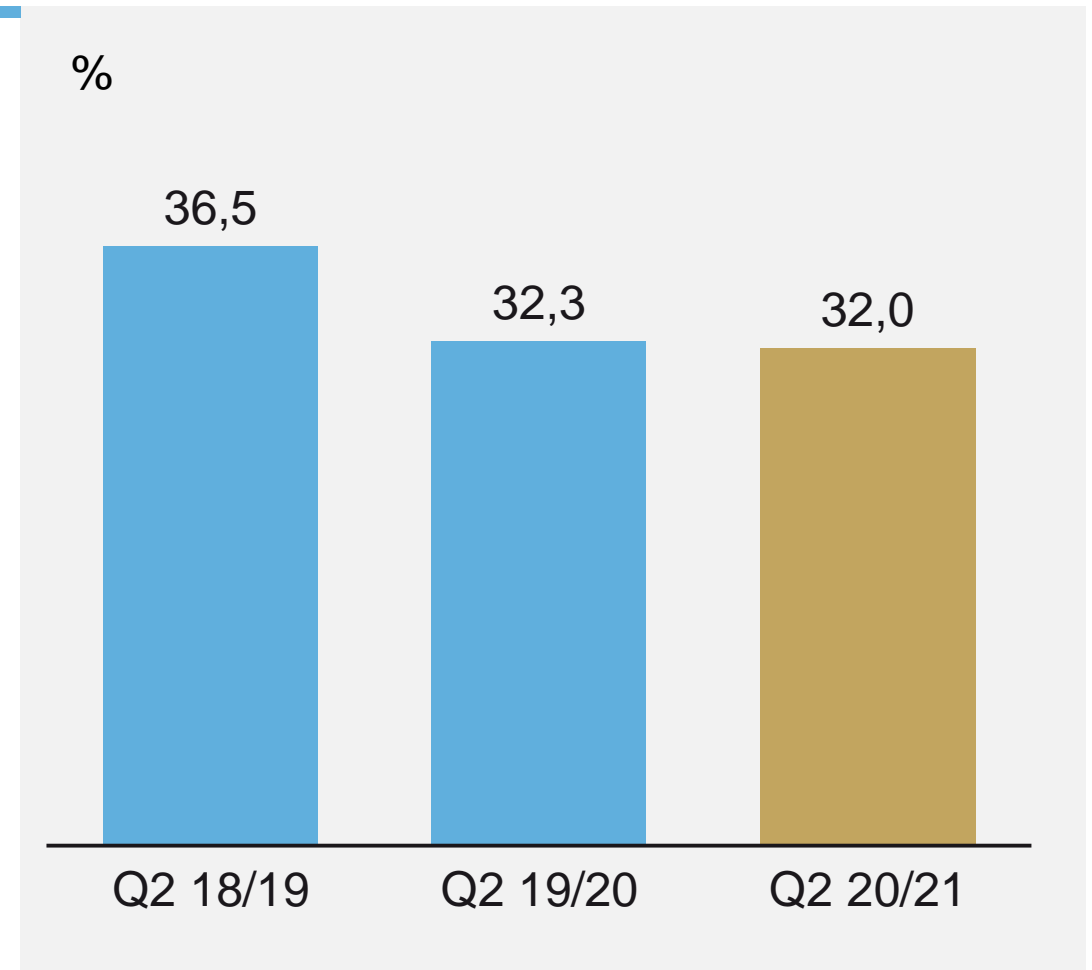
Gross margin in Q2

- Gross margin up to 41.8% (41.1)
 - Positively impacted by an improved product mix, lower campaign intensity, effects from currency hedging (NOK) from both currency forwards and exchange rate effects related to inventory delays
 - Negatively impacted by weakened sales currency (NOK) and stronger purchasing currency (USD) and higher sourcing costs
- Reviewing and reducing purchasing prices
- Continuously reviewing product offerings and pricing on products



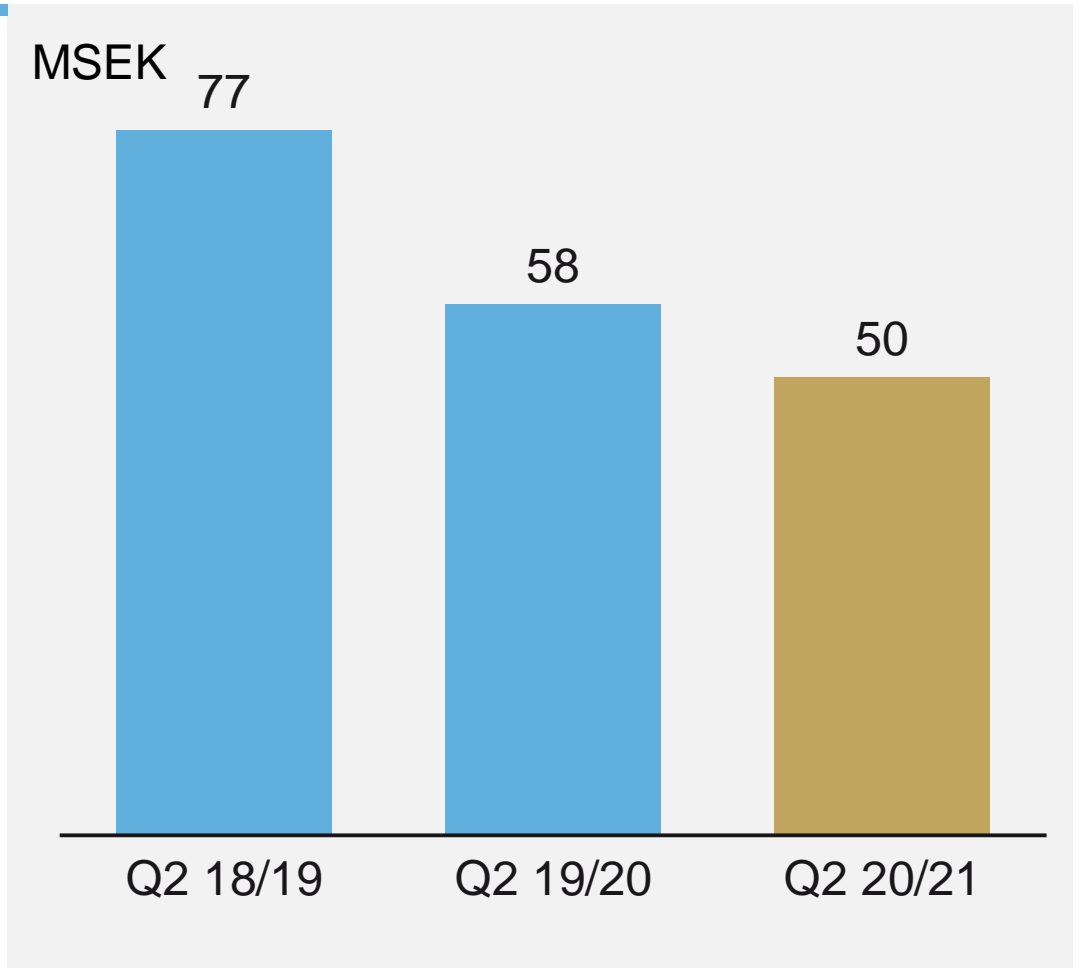
Share of selling expenses in Q2

- Share of selling expenses decreased by 0.3 percentage points to 32.0% (32.3)
- Impacted by lower costs operating the store network and lower costs in the UK and Germany



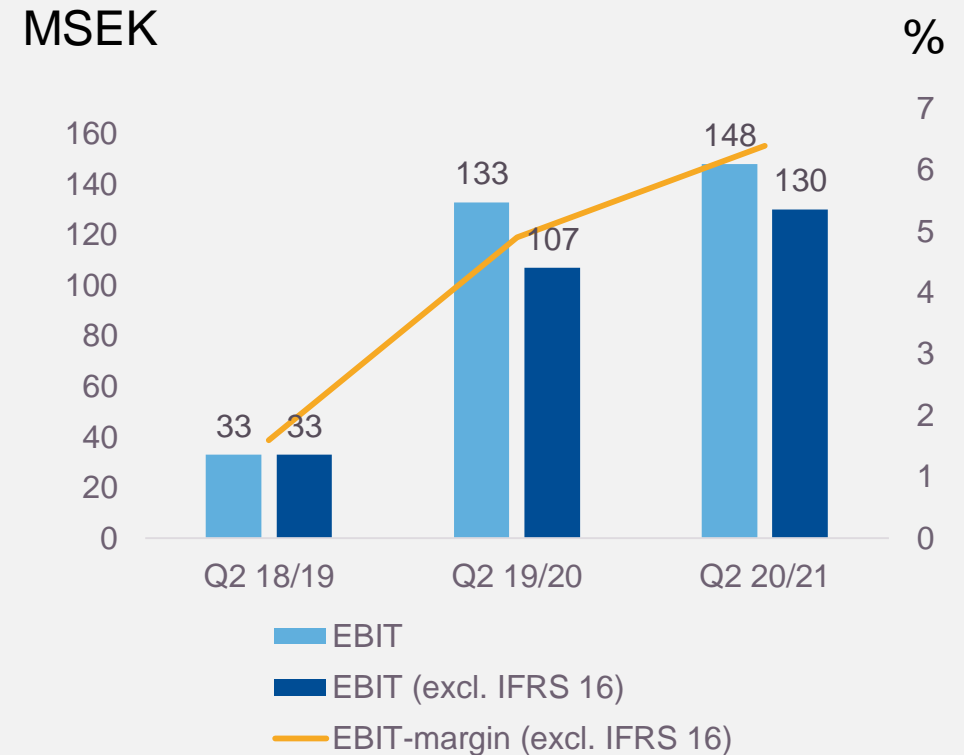
Administrative expenses in Q2

- Administrative expenses decreased by 14% compared to Q2 last year
- Trend in line with expectations after implemented CO100+ activities
- Objective to maintain and continuously improve the level over time



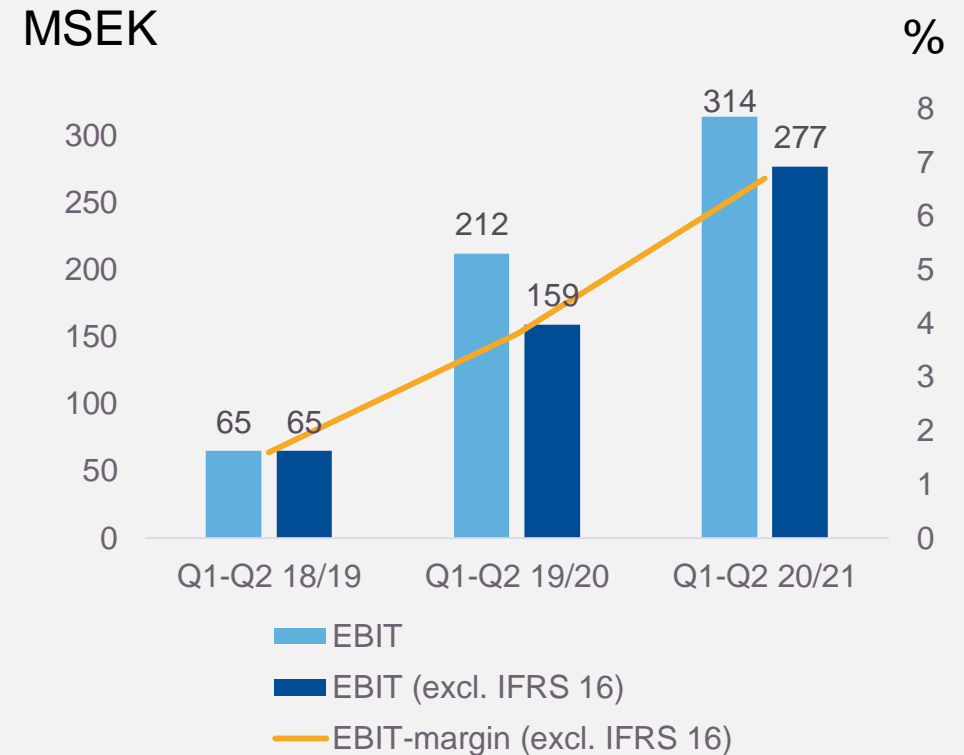
Operating profit in Q2

- Operating profit significantly improved to 148 MSEK (133)
 - Positive IFRS 16 effect of +17 MSEK
- EBIT-margin improved to 7.3% (6.1)
 - Positive IFRS 16 effect of +0.9 percentage points
 - EBIT-margin excl IFRS 16 6.4% (4.9)
- Earnings per share was 1.65 SEK (1.43)



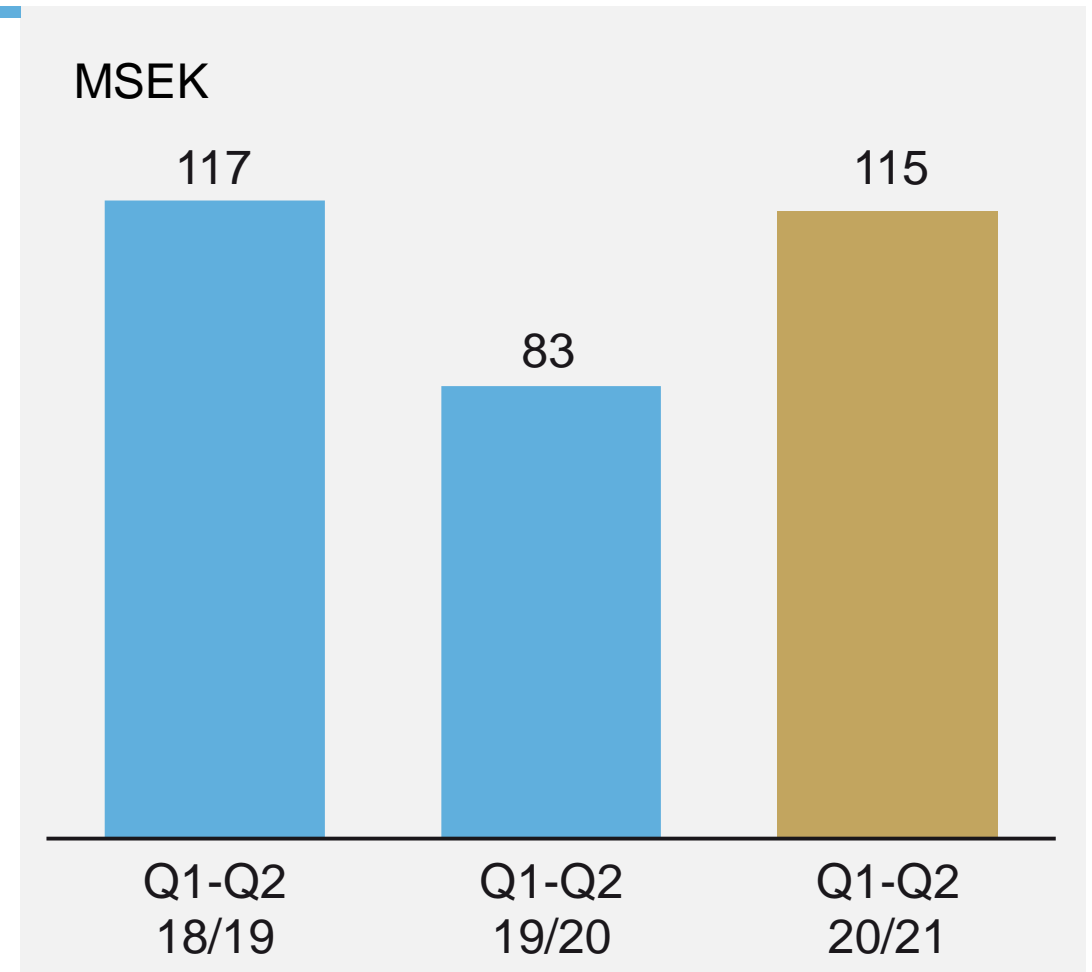
Operating profit in Q1-Q2

- Operating profit significantly improved to 314 MSEK (212)
 - Positive IFRS 16 effect of +37 MSEK
- EBIT-margin improved to 7.6% (5.0)
 - Positive IFRS 16 effect of +0.9 percentage points
 - EBIT-margin excl IFRS 16 6.7% (3.8)
- Earnings per share was 3.49 SEK (2.21)



Investments Q1-Q2

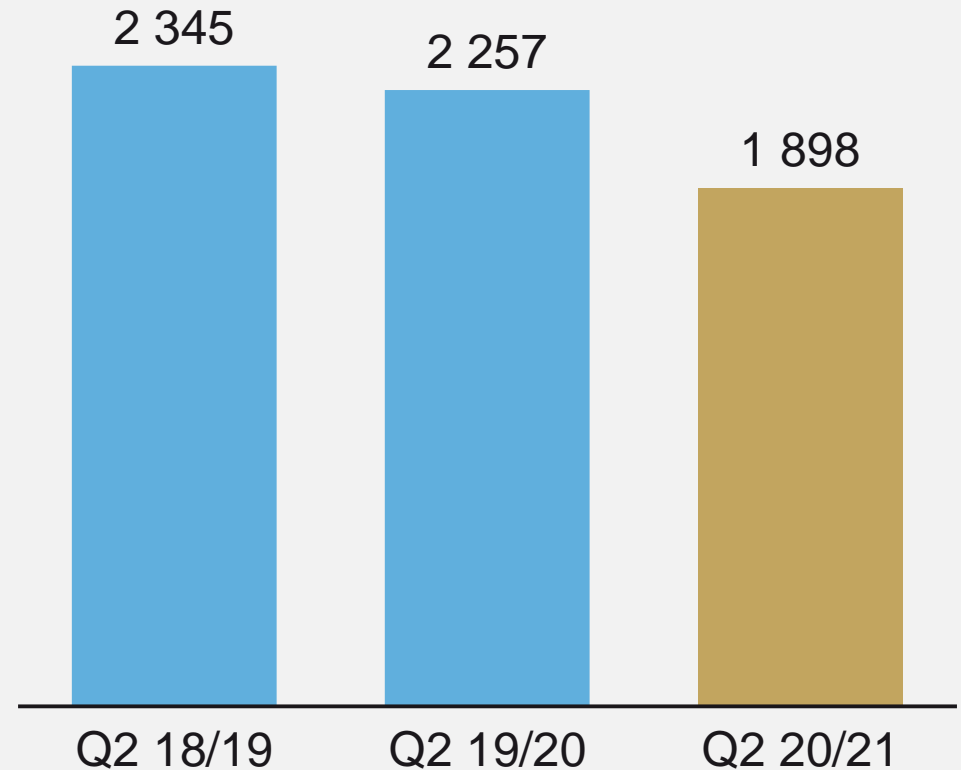
- Total investments 115 MSEK (83)
- New stores and refurbishments 24 MSEK (24)
- IT systems 50 MSEK (48)
- Other investments mainly related to improved distribution system



Inventory level

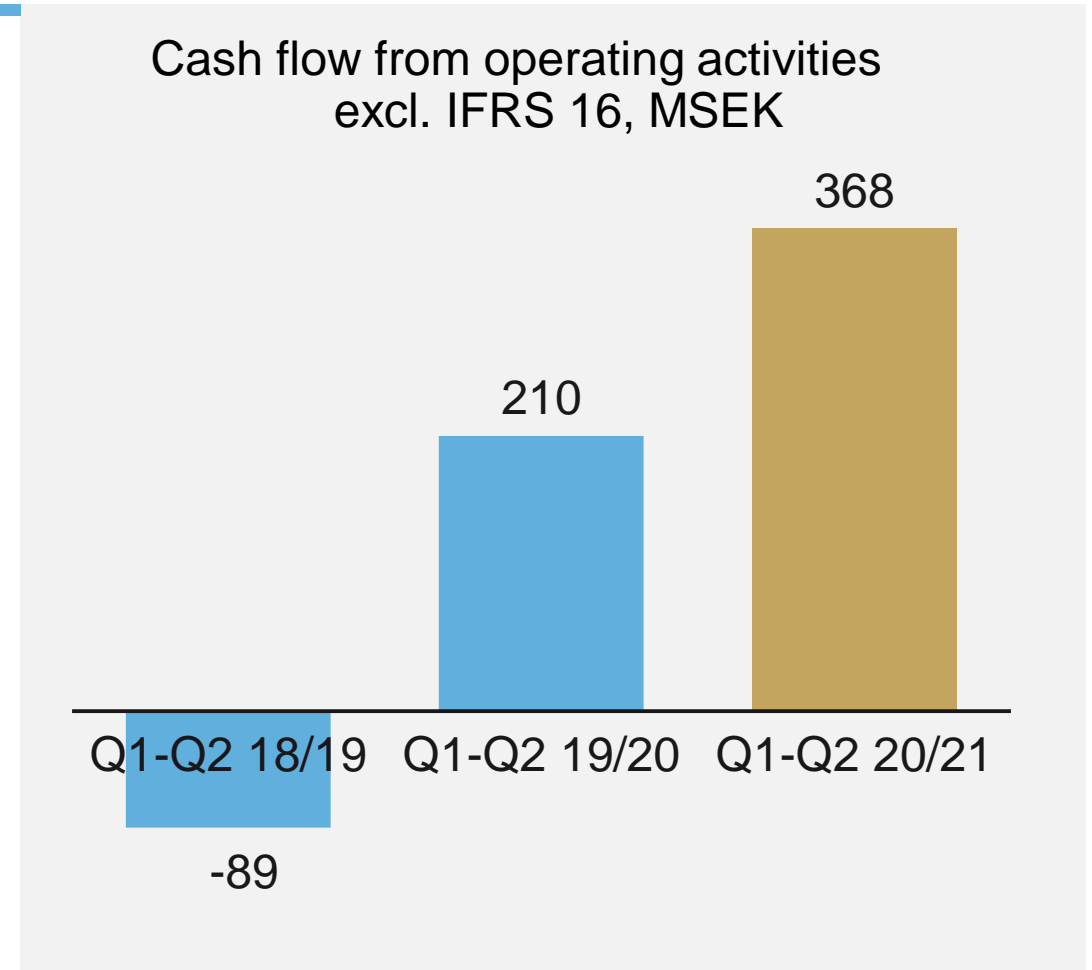
- Inventory level decreased to 1,898 MSEK (2,257) at the end of the period
- Average inventory level LTM was 1,820 MSEK (2,036)
 - Inventory turnover rate DC 5.9 (5.7)

Value of inventories end of period, MSEK



Cashflow Q1-Q2 and financial position

- Cashflow from operating activities excl. IFRS 16 was 368 MSEK (210)
 - Cash flow from operating activities was 654 MSEK (455)
- Cash flow from investments and financing activities was -115 MSEK (-83)
- Net debt/EBITDA excl. IFRS 16 was -0.3 times (0.6)
- Approved credit facilities of 1,100 MSEK

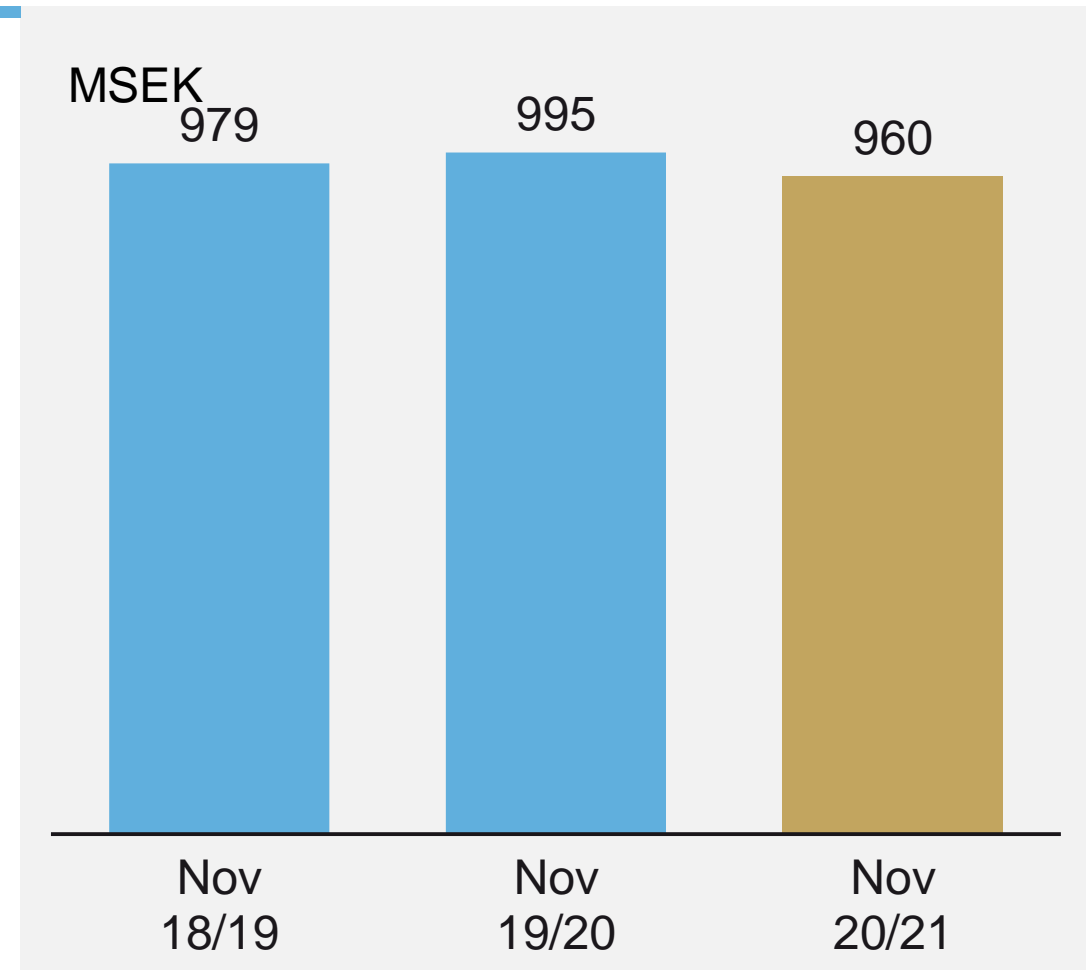




EVENTS AFTER THE REPORTING PERIOD

November sales development

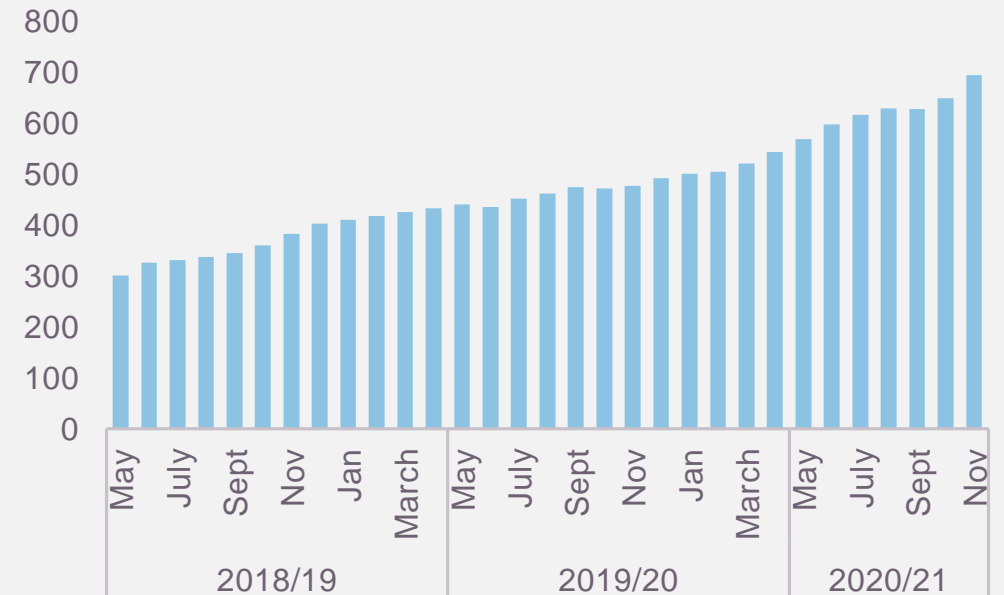
- Total sales down 4% to 960 MSEK, organic sales up 2% and LFL sales up 2%
 - Sweden -7% organic
 - Norway +15% organic
 - Finland -8% organic
 - Outside Nordics -12% organic
- Negative calendar effect of 2%
- Online sales up 64%
- Reduction of 2 stores net compared to end of November last year



Steady online sales growth

- Online sales +48% first seven months 2020/21 (17%)
- Platform upgrade sharpens online performance
 - A more streamlined website: purchase process down from 14 to only 4 clicks
 - Average page speed significantly improved

Online sales rolling 12 months, MSEK



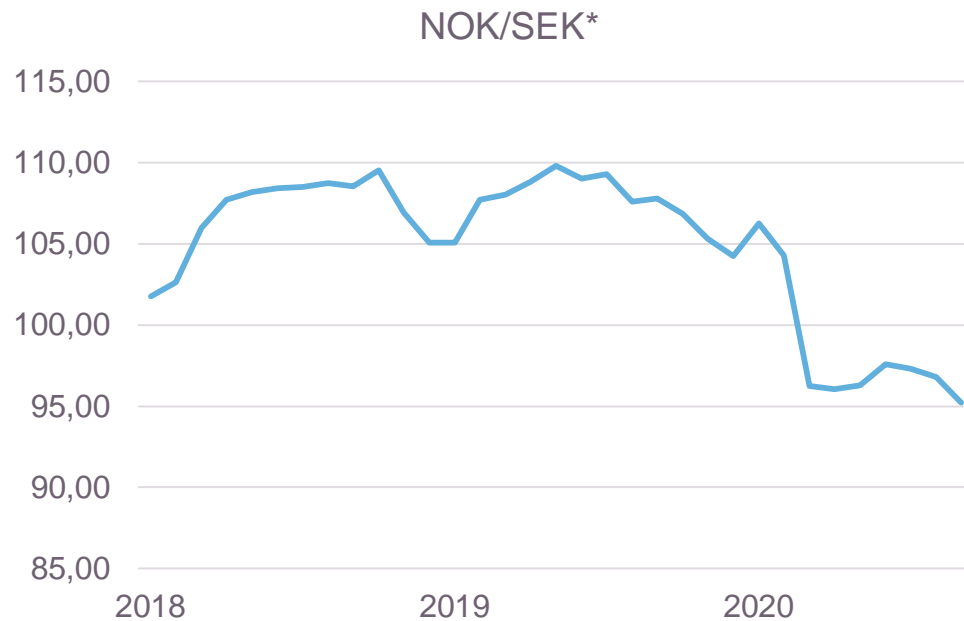
Currency situation

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

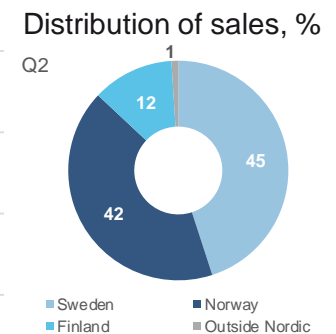
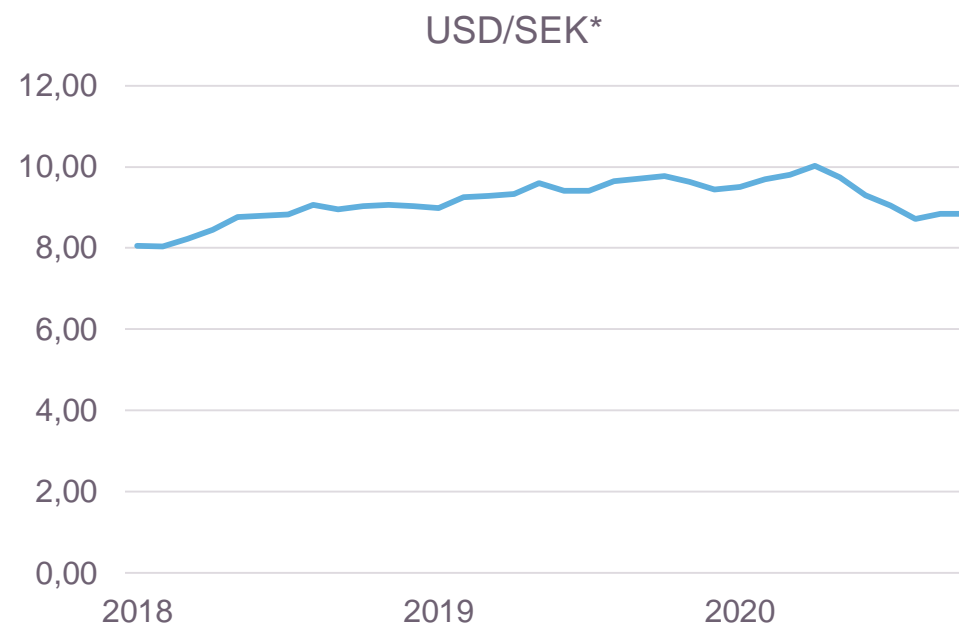
- Translation/transaction effects - Sales instant effects and Purchasing with a time lag
- Hedging policy/effects
- Pricing effects

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

Clear strategy for profitable growth and an improved result for our second quarter

- Continuous monitoring, evaluation and adaption to Covid-19 situation
- Impact depending on future development
 - Macro development
 - Currency
 - Customer behavior
- Focusing on areas with own impact
- Continue to capitalize on the transformation made and a significantly lower cost level
- Strong financial position and financial preparedness





RETAIL  AWARDS



Q&A

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