

clas ohlson

Q3 report

10 March 2021

Kristofer Tonström
President & CEO

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CFO



Agenda

- Initial reflections new CEO
- Business update
- Financial development
- Events after the reporting period
- Summary and Q&A



Initial reflections

- Compelling company purpose
 - Passionate about simplifying life in all kinds of homes by offering smart, relevant and inspiring solutions
- Strong brand position in home markets
- Customer centric culture & proactive organization
- Broad household penetration and loyal customer base
- Financially stable platform
- Realizing growth potential important focus going forward





BUSINESS UPDATE

Q3 2020/21 in brief

- Organic sales and LFL -5%
- Total sales -9%
 - Impacted by higher Covid-19 restrictions
 - Impacted by weak NOK
- Online sales +59%
- Gross margin improved 41.3% (40.1)
- EBIT-margin improved 13.6% (13.0)
 - EBIT-margin excl. IFRS16 13.0% (12.2)



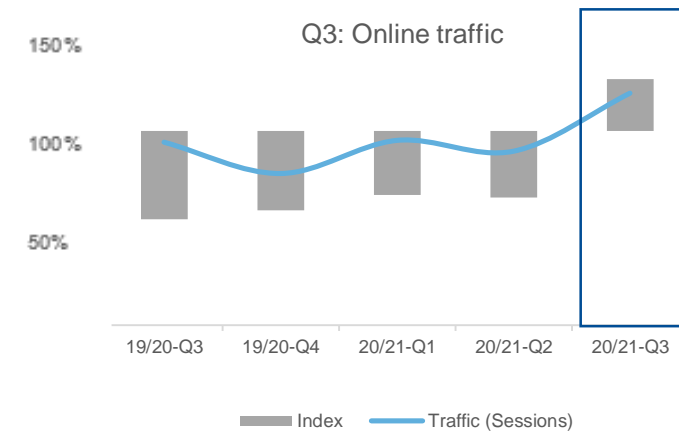
Current Covid-19 situation

- All markets affected by restrictions
 - New restrictions in Sweden before Christmas, new limitations to visitors in stores
 - Lockdowns in Norway in January
 - Finland declares state of emergency on March 1st
 - Continued severely reduced traffic in city locations and in stores usually benefitting from cross-border sales
- Macro environment
 - Increasing freight costs

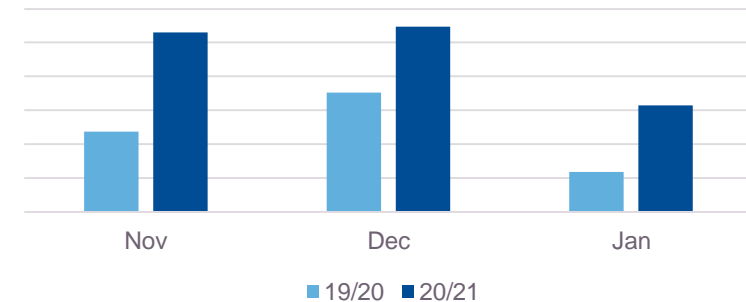


A different kind of quarter

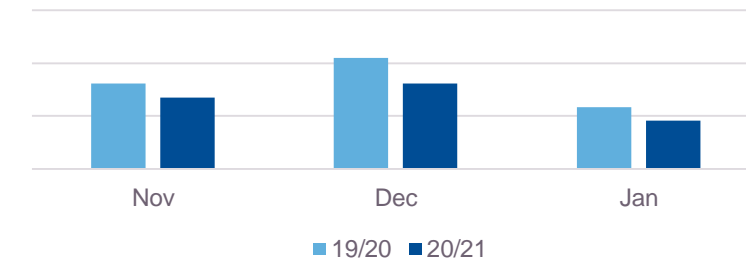
- The safety of co-workers and customers a top priority
 - Black week became Gift week
- Increase in online sales
 - Stores as logistic hubs: Click & Collect
 - Flexible home delivery options
- Decrease in store traffic
 - Sharper restrictions in all markets



Q3: Transaction count Click and Collect



Q3: Traffic to stores



Clear strategy for future profitable growth



- Continue to capitalize on the transformation made and a lower cost level
- Focusing on actions within our circle of influence: growth initiatives and cost control

Continuously striving for efficiency

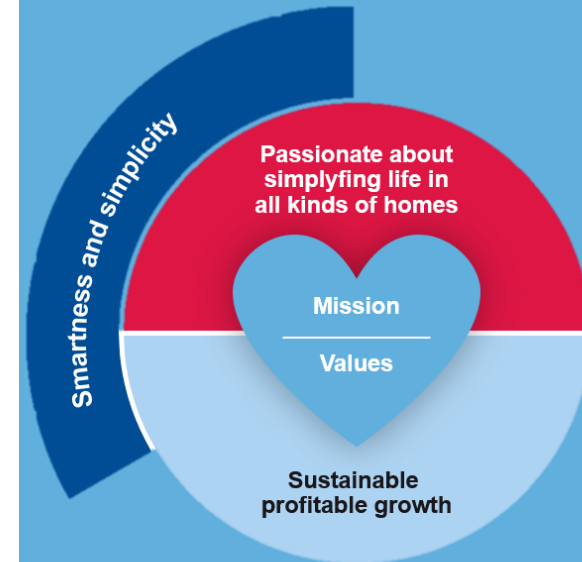
- **New European purchasing office in Warsaw**

- A more agile global sourcing strategy
- Shorter lead times and time to market
- Decreased environmental impact
- Goal to double procurement in Europe in the upcoming 3 years

- **Leveraging physical stores in e-com customer journey**

- **Streamlined and efficient organisation delivers cost savings**

- Modern inventory management system
- New investments in e-com automation

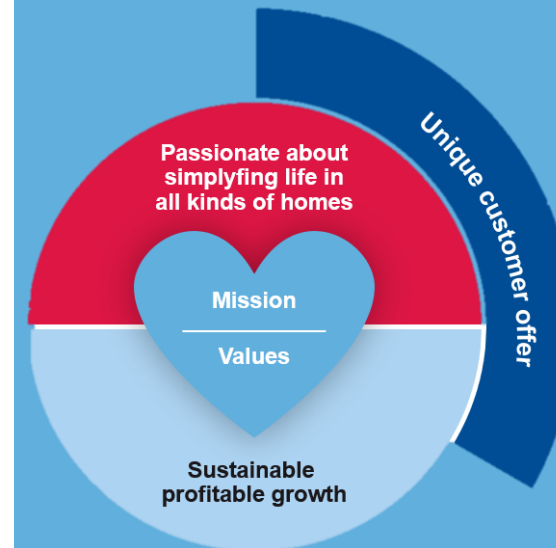


Seizing business opportunities for organic growth

- **Relevant assortment**
 - Consumer insight driven development
 - Capturing feedback: ratings & reviews
 - Availability of core assortment
- **A new take on hardware and DIY**
 - "Give some love": Offering a complete solution as problem solvers and DIY advisors
- **Develop service offering**
 - Next level of delivering on purpose



A holistic customer offer that offers complete solutions in all kinds of homes



Strengthening relations with existing customers and growing our customer base

- **Awarded 1st prize for best customer service within retail in Sweden**
 - Based on 2.5 million customer surveys during 2020
 - 135 competing companies

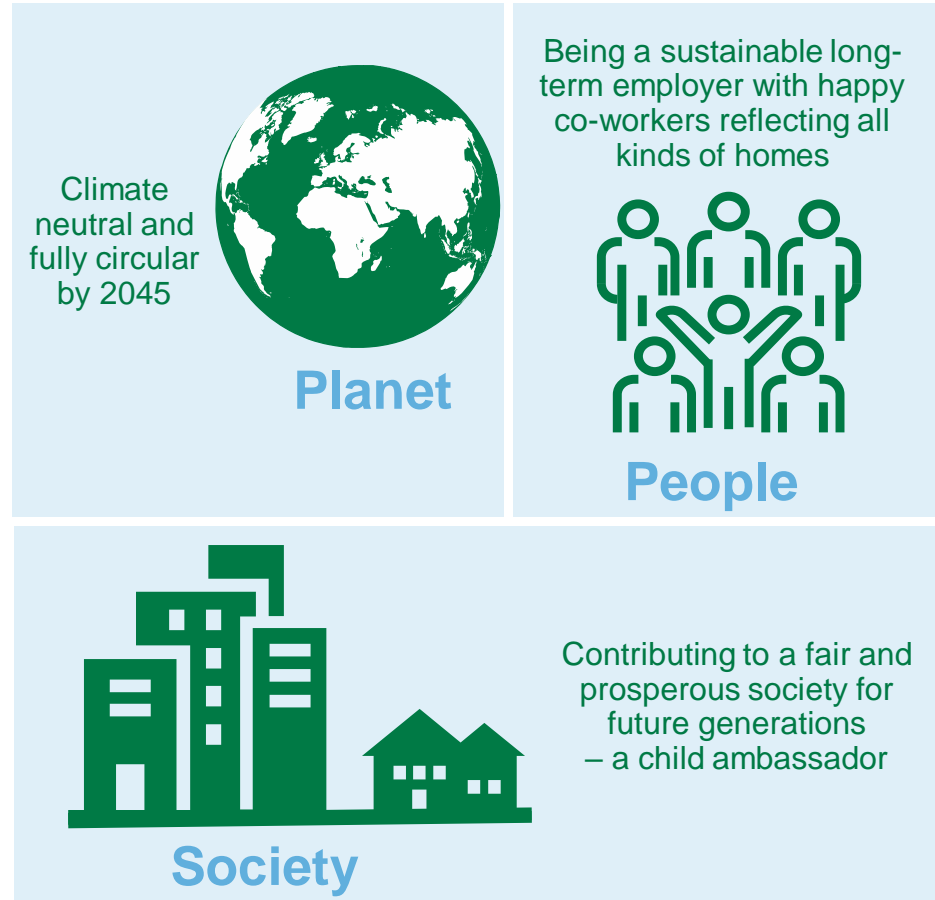


- **Club Clas development**
 - Omni customer most profitable
 - Membership build up in Norway 375,000 in Q3 (315,000 Q2)



New steps in line with our sustainability goals

- Organization-wide sustainability training and strategy rollout
- Clas Ohlson received grade B in CDP:s global sustainability index
- Developing sustainable business models:
 - Launch of Clas Video Service – direct contact with specialists working in Clas Ohlson’s repair centres
- More than 86,000 packs of Childhood plasters sold



A continued clear direction more important than ever

Next phase: Making necessary prioritizations 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

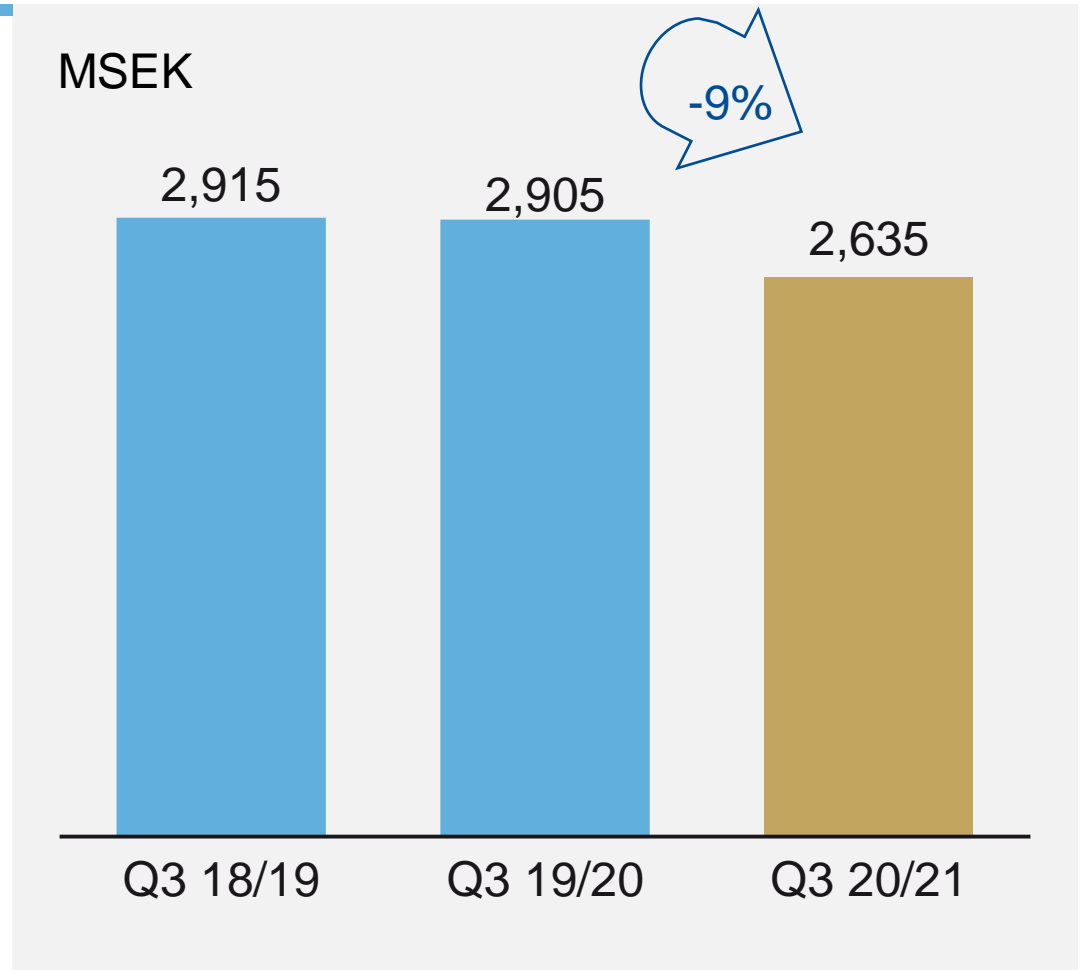


Operating margin of 6-8% within a five-year period as from 20/21

FINANCIAL DEVELOPMENT

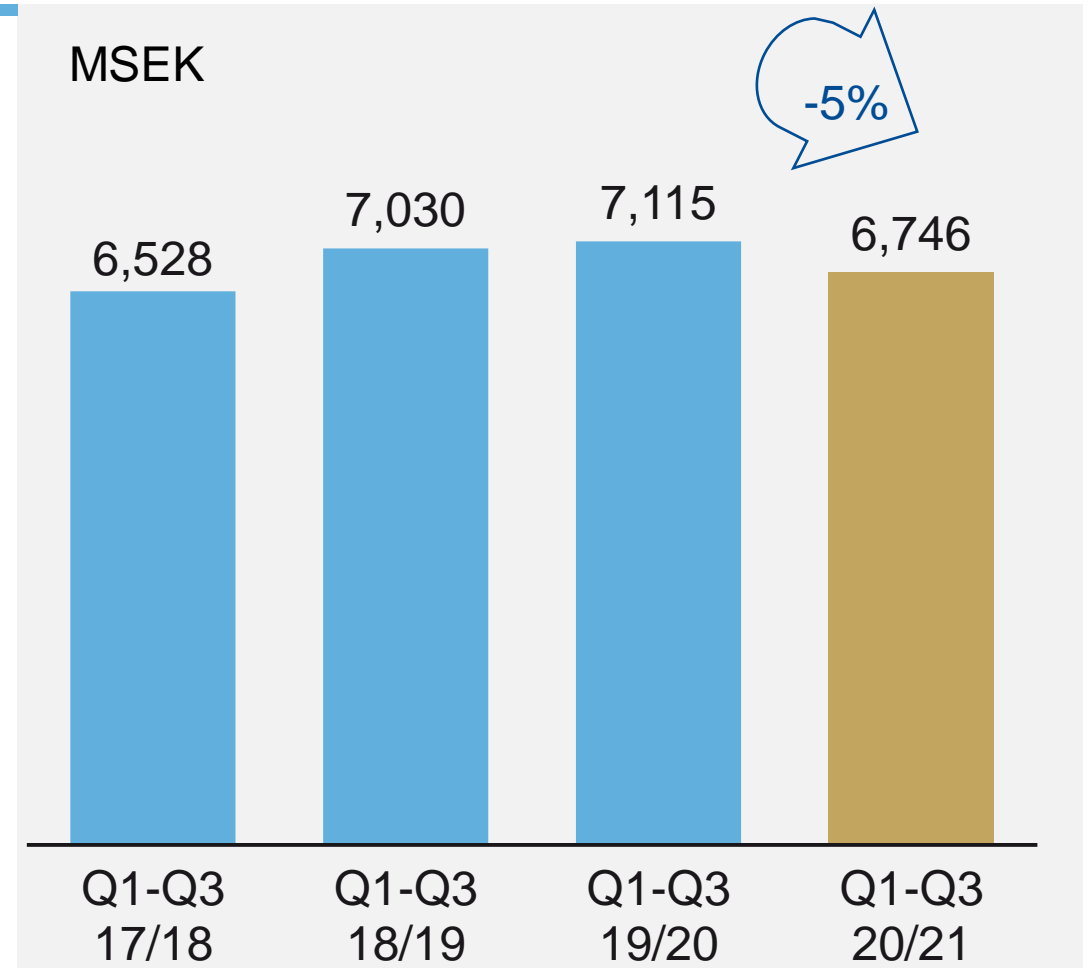
Sales development in Q3

- Total sales down 9% to 2,635 MSEK, organic sales down 5% and LFL sales down 5%
 - Sweden -12% organic
 - Norway +5% organic
 - Finland -12% organic
 - Outside Nordics -24% organic
- Online sales up 59% to 288 MSEK, corresponding to approx. 11% of total sales
- Net decrease of three stores compared to end of period last year



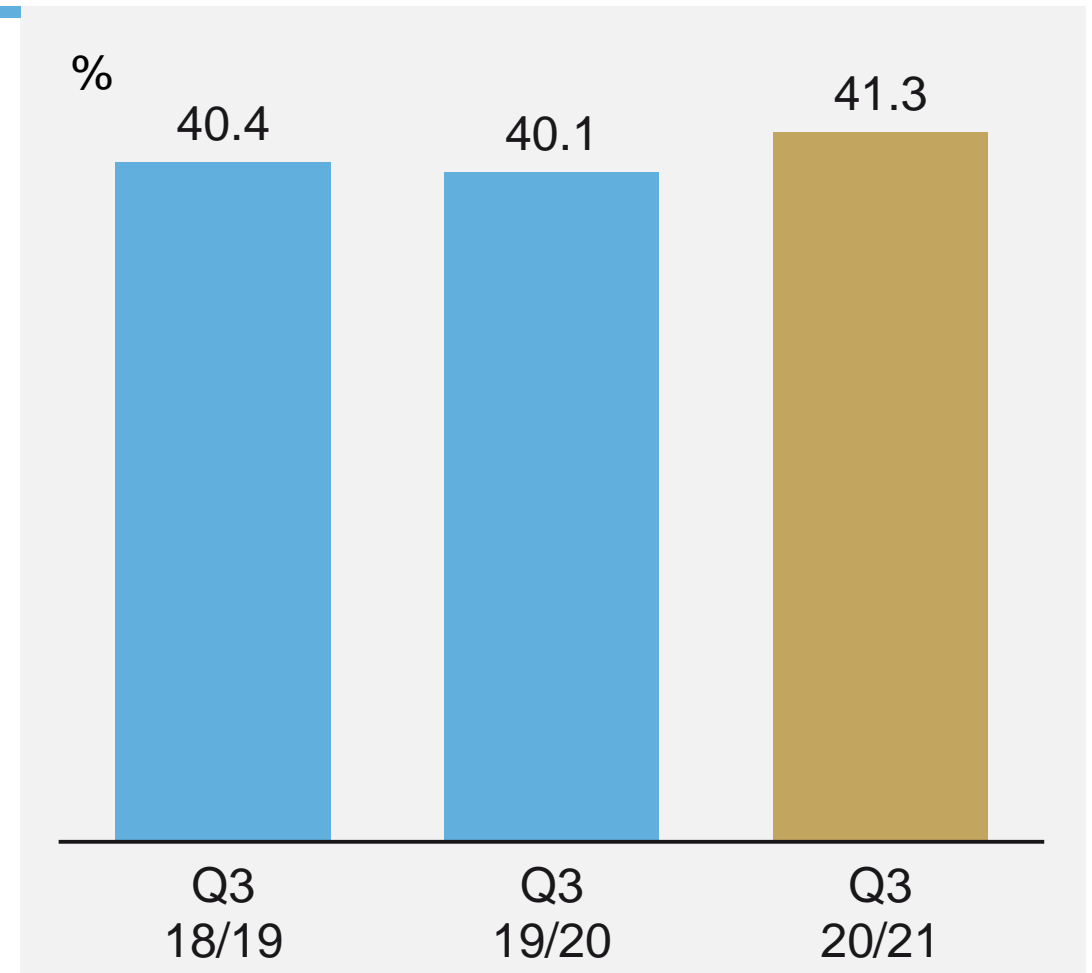
Sales development Q1-Q3

- Total sales down 5% to 6,746 MSEK, unchanged in organic sales and LFL
 - Sweden -7% organic
 - Norway +11% organic
 - Finland -10% organic
 - Outside Nordics -41% organic
- Online sales up 50%
- Net decrease of 1 store during Q1-Q3



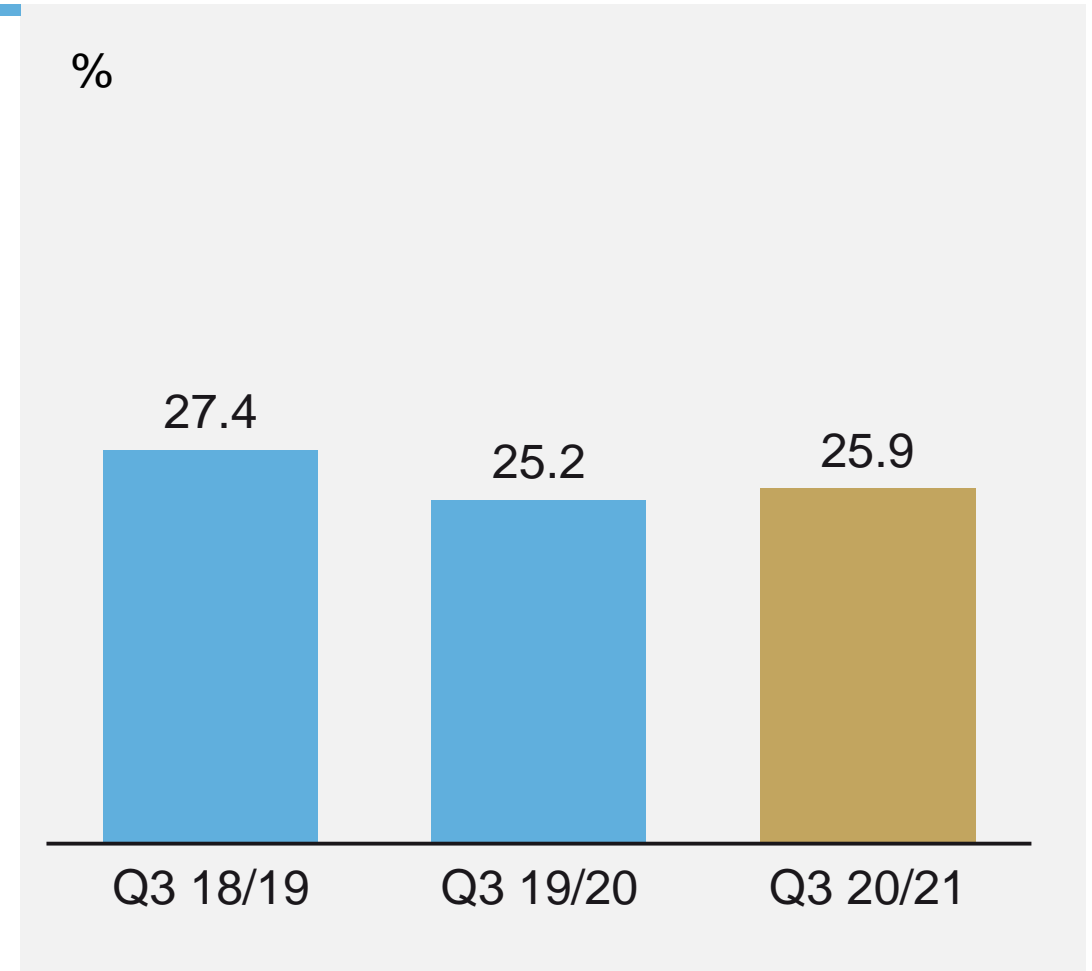
Gross margin in Q3

- Gross margin up to 41.3% (40.1)
 - Positively impacted by an improved product mix, lower campaign intensity and lower sourcing costs
 - Negatively impacted by weaker sales currency (NOK)
 - Marginal impact of weaker purchasing currency (USD), effects from currency hedging (NOK) from futures hedging and exchange rate effects related to inventory delays
- Reviewing and reducing purchasing prices
- Continuously reviewing product offerings and pricing on products



Share of selling expenses in Q3

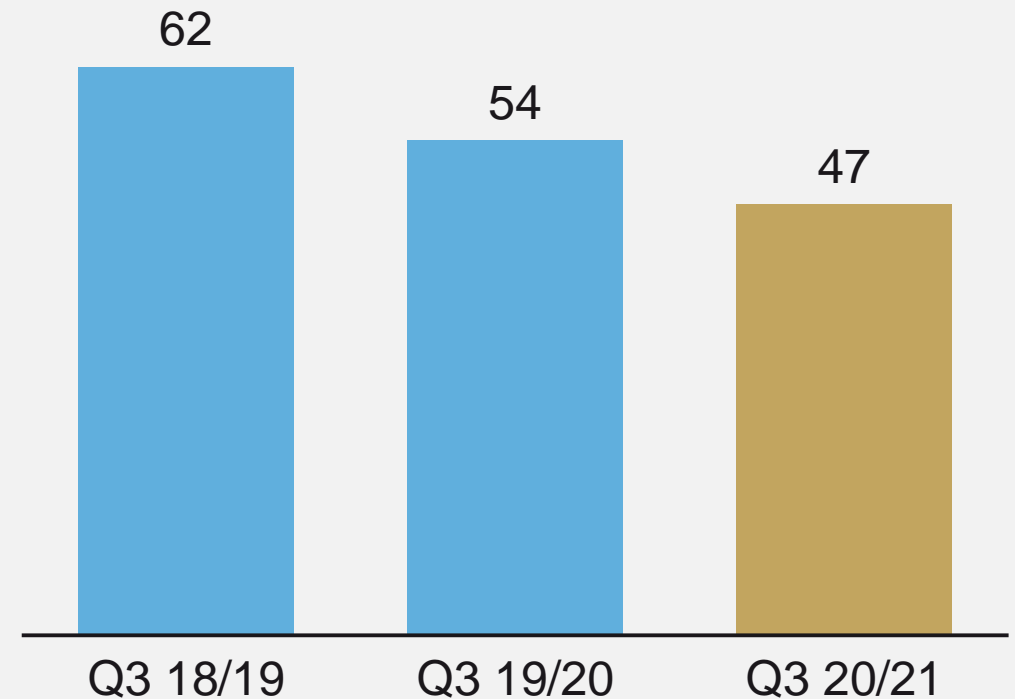
- Share of selling expenses increased by 0.7 percentage points to 25.9% (25.2)
- Impacted by lower sales volumes, almost counterbalance by lower cost level



Administrative expenses in Q3

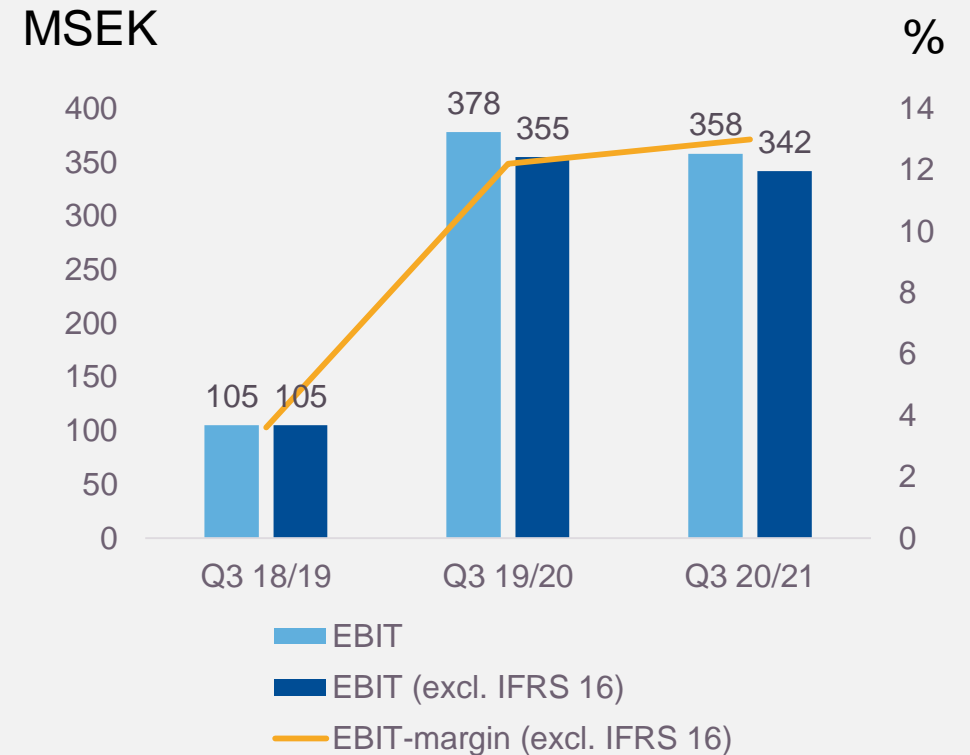
- Administrative expenses decreased by 13% compared to Q3 last year
- Trend in line with expectations after implemented CO100+ activities
- Objective to maintain and continuously improve the level over time

MSEK



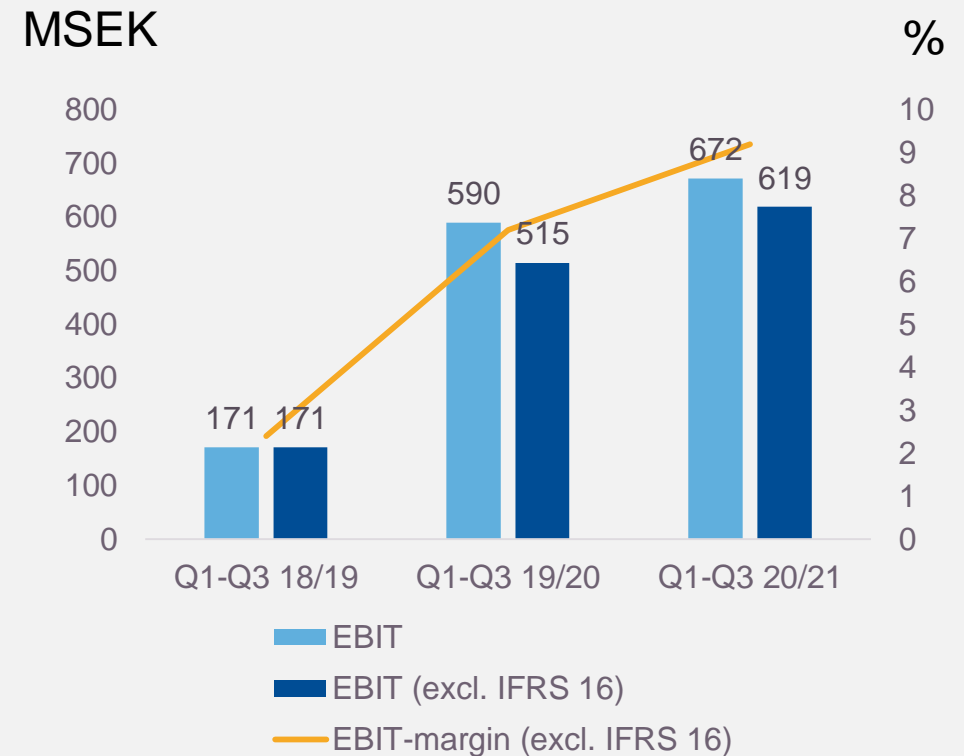
Operating profit in Q3

- Operating profit decreased to 358 MSEK (378)
 - Positive IFRS 16 effect of +17 MSEK
- EBIT-margin improved to 13.6% (13.0)
 - Positive IFRS 16 effect of +0.6 percentage points (0.8)
 - EBIT-margin excl IFRS 16 13.0 % (12.2)
- Earnings per share was 4.18 SEK (4.47)



Operating profit in Q1-Q3

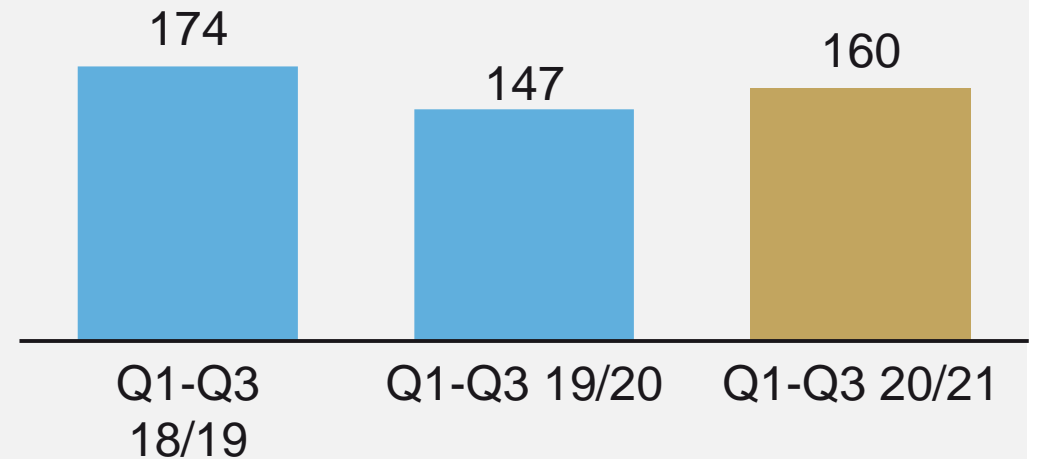
- Operating profit significantly improved to 672 MSEK (590)
 - Positive IFRS 16 effect of +53 MSEK
- EBIT-margin improved to 10.0% (8.3)
 - Positive IFRS 16 effect of +0.8 percentage points (1.1)
 - EBIT-margin excl IFRS 16 9.2% (7.2)
- Earnings per share was 7.67 SEK (6.68)



Investments Q1-Q3

- Total investments 160 MSEK (147)
- New stores and refurbishments 36 MSEK (33)
- IT systems 67 MSEK (100)
- Other investments mainly related to improved distribution system

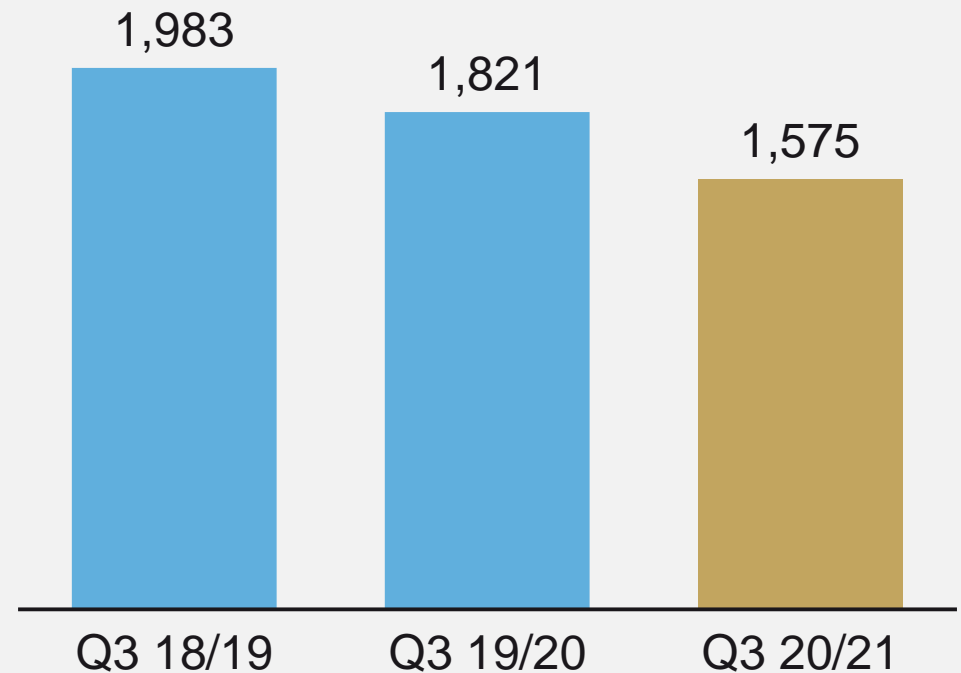
MSEK



Inventory level

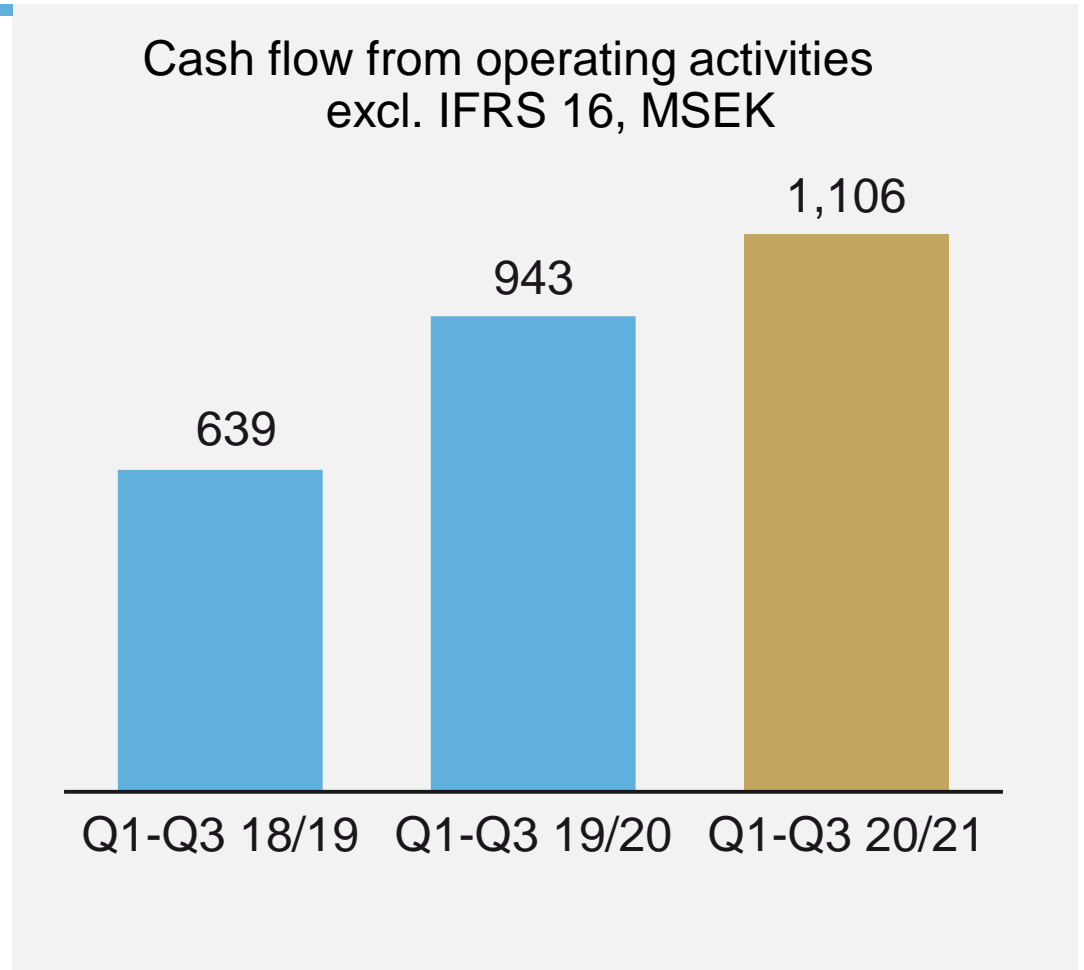
- Inventory level decreased to 1,575 MSEK (1,821) at the end of the period
- Average inventory level LTM was 1,757 MSEK (2,007)
 - Inventory turnover rate DC 5.8 (5.7)

Value of inventories end of period, MSEK



Cashflow Q1-Q3 and financial position

- Cashflow from operating activities excl. IFRS 16 was 1,106 MSEK (943)
 - Cash flow from operating activities was 1,513 MSEK (1,318)
- Cash flow from investments and financing activities was –635 MSEK (-1,191)
- Net debt/EBITDA excl. IFRS 16 was -1.2 times (-0.3)
- Approved credit facilities of 1,100 MSEK



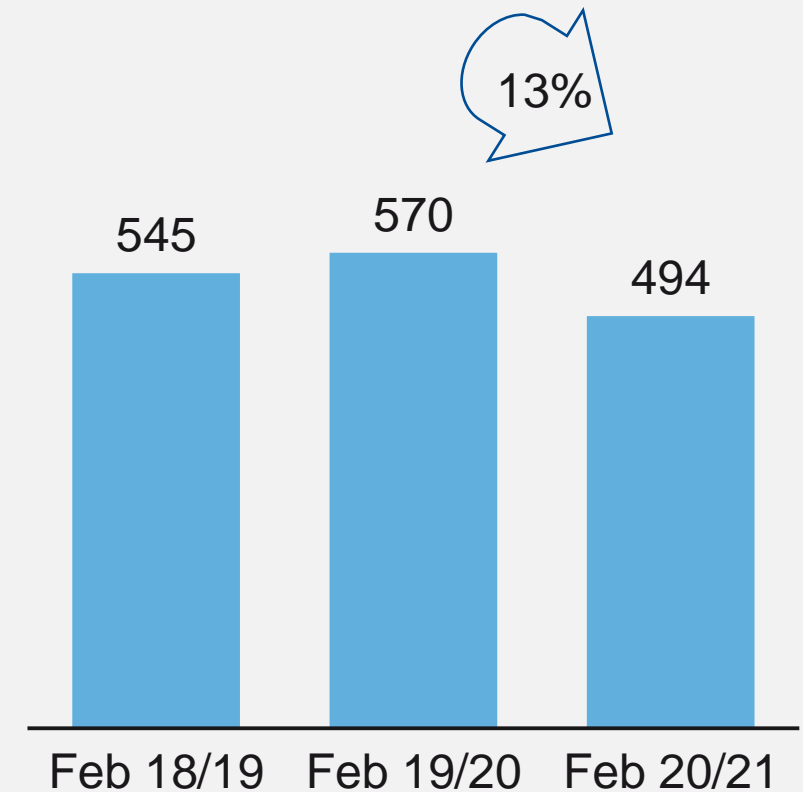


EVENTS AFTER THE REPORTING PERIOD

February sales development

- Total sales down 13% to 494 MSEK, organic sales down 11% and LFL down 11%
 - Sweden -9% organic
 - Norway -9% organic
 - Finland -20% organic
 - Outside Nordics +9% organic
- Negative calendar effect of 4%
- Online sales up 112%
- Reduction of 2 stores net compared to end of February last year

MSEK



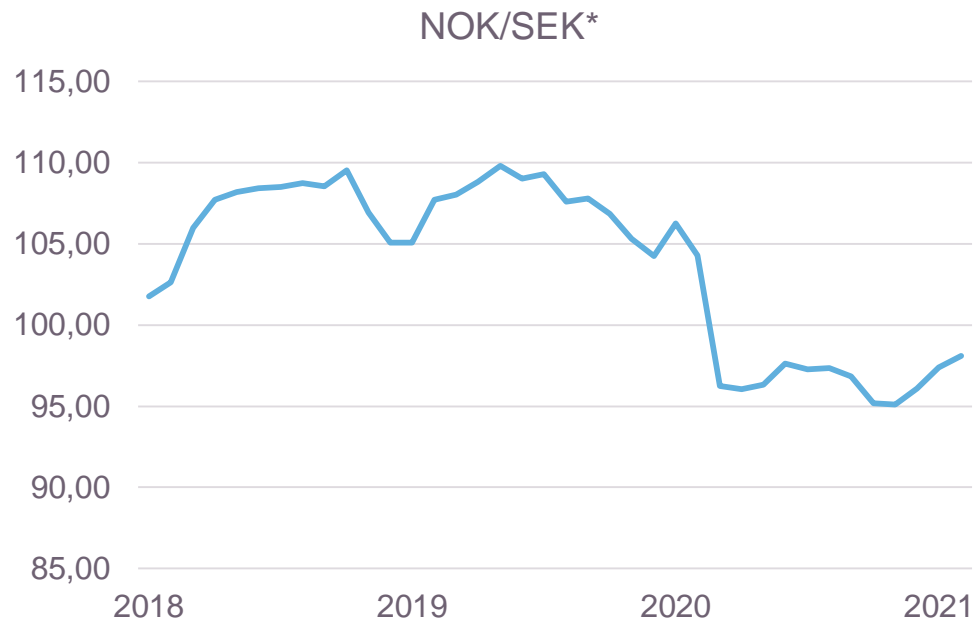
Currency situation

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

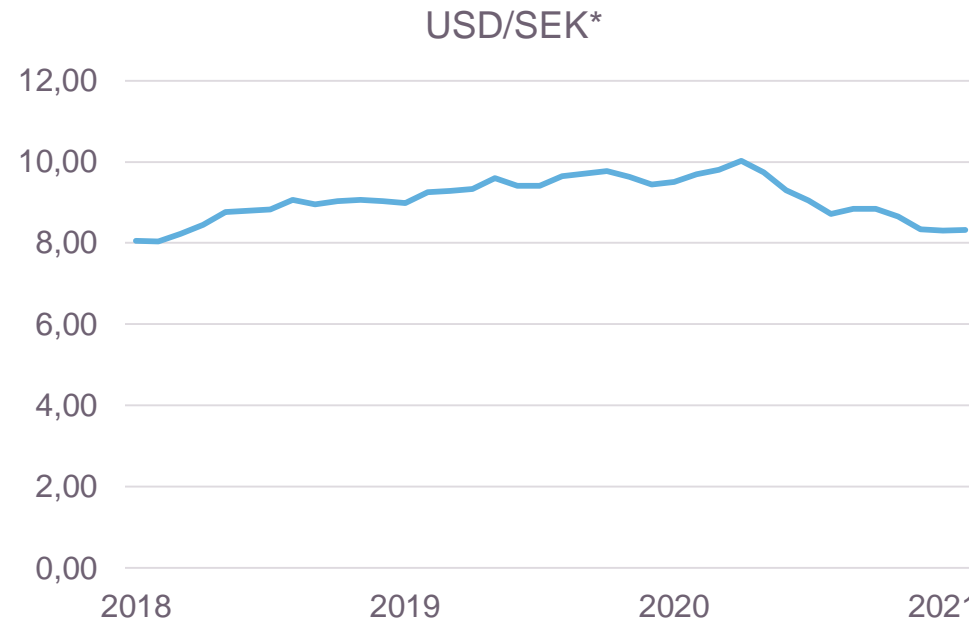
- Translation/transaction effects - Sales instant effects and Purchasing with a time lag
- Hedging policy/effects
- Pricing effects

Counteracting measures:

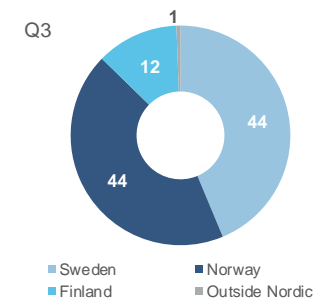
- Pricing - We expect the long term currency effects to be reflected in consumer pricing over time in the market
- Sourcing – Continuously improve sourcing
- Optimize sales mix –Private label, Product and category mix



* Monthly average, The Riksbank/Nasdaq



Distribution of sales, %



SUMMARY AND OUTLOOK



Way forward – focusing on what we can influence

- Clear strategy for future profitable growth
 - No changes of current financial targets
- Prioritize initiatives driving revenue growth
 - Customer centric: relevant offer, right experience and convenient delivery
 - Continued digital and e-com transformation
- Increasing efficiency and optimizing costs
 - Stable foundation: strong financial position and financial preparedness
- Humble about future development



RETAIL AWARDS



Q&A

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