

Q1 report

08 September 2021

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President & CEO

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Agenda

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

- ✓ **Solid quarter with strong profitability**
 - ✓ **Sales 2 BnSEK and 147 MSEK operating profit**
- ✓ **Agility in adapting to market conditions**
- ✓ **Core business focus**



Business update

Q1 2021/22 in brief

- ✓ Organic sales and LFL -2%
- ✓ Total sales -1%
 - Lower traffic to stores
 - Higher conversion rate offset large part of traffic decline
- ✓ Online sales +19%
- ✓ Increased gross margin 39.5% (38.7)
- ✓ EBIT-margin decreased 7.2% (8.0)
 - EBIT-margin excl. IFRS16 6.2% (7.1)
- ✓ Strong cash position & net debt/EBITDA -1.0*

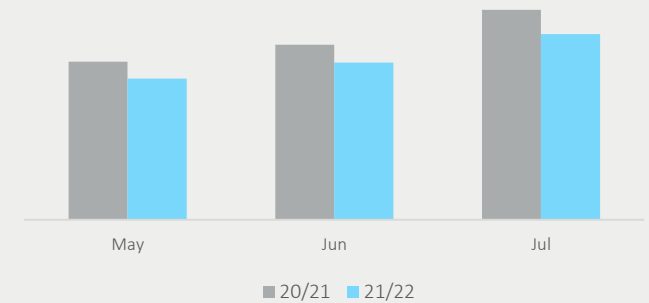
*Excl IFRS 16



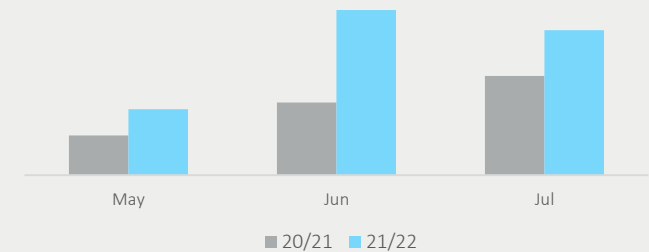
Market dynamics

- Imbalances in global supply chains
 - Strained container situation in Asia impacting transportation costs
 - Higher raw material and commodity prices
- Lower store traffic compared to LY
 - Growing traffic month on month
 - Click & Collect continues to grow in demand
 - Continued strong online traffic

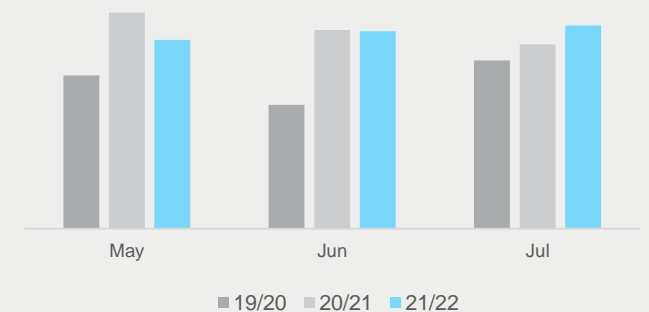
Q1: Monthly traffic to stores



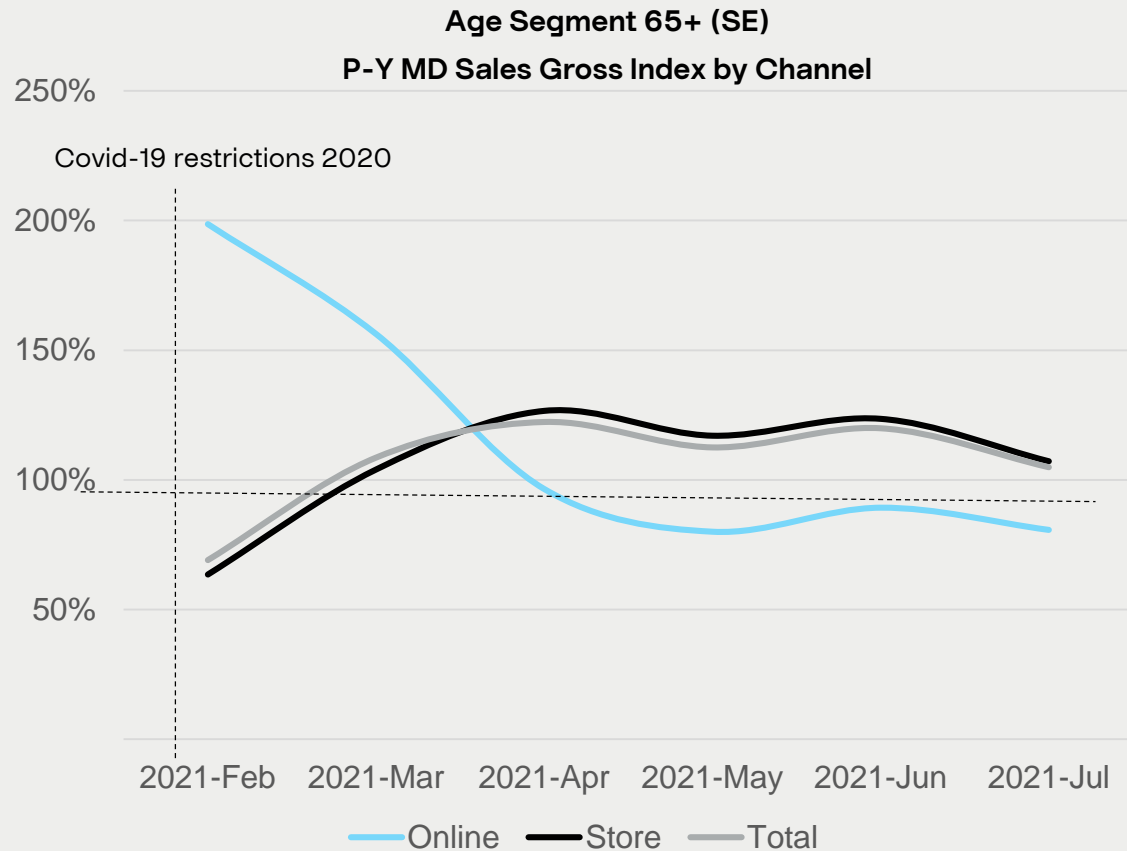
Q1: Click & Collect monthly transactions



Q1: Online Traffic, monthly



Omni-channel dynamics



- Largest online sales increase with age 65+ customer since Covid-19 outbreak
- In Q1, 65+ customers shifted some of their online transactions back to the physical stores
- Most remaining age segments had positive growth in overall sales compared to LY
- Seamless experience of digital and physical with consumers' freedom of choice and flexibility in focus



Progress in our focus areas for 2021/22

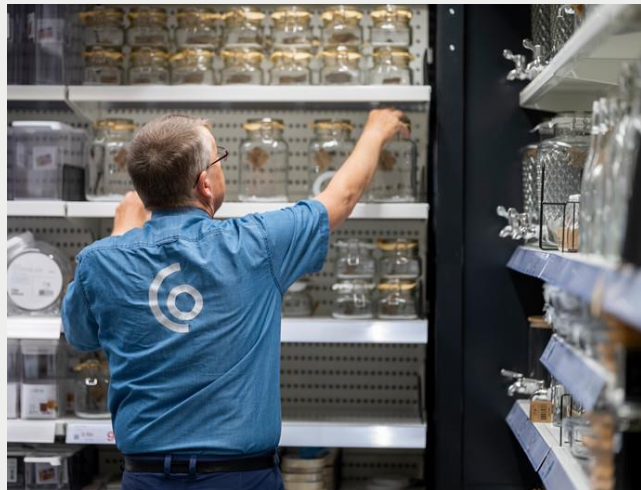
Strengthen key product categories

- Higher conversion rate
- Growth in destination categories
 - Organize +9%
 - Outdoor living +22%
 - Home climate +12%



Capture traffic

- Launch of a new visual identity
- Already 800,000 Club Clas members in Norway



Grow e-com

- Shorter lead times and faster online deliveries
- Higher conversion rate compared to Q1 LY:
 - SE: +16%, NO: +52%, FI: +11%



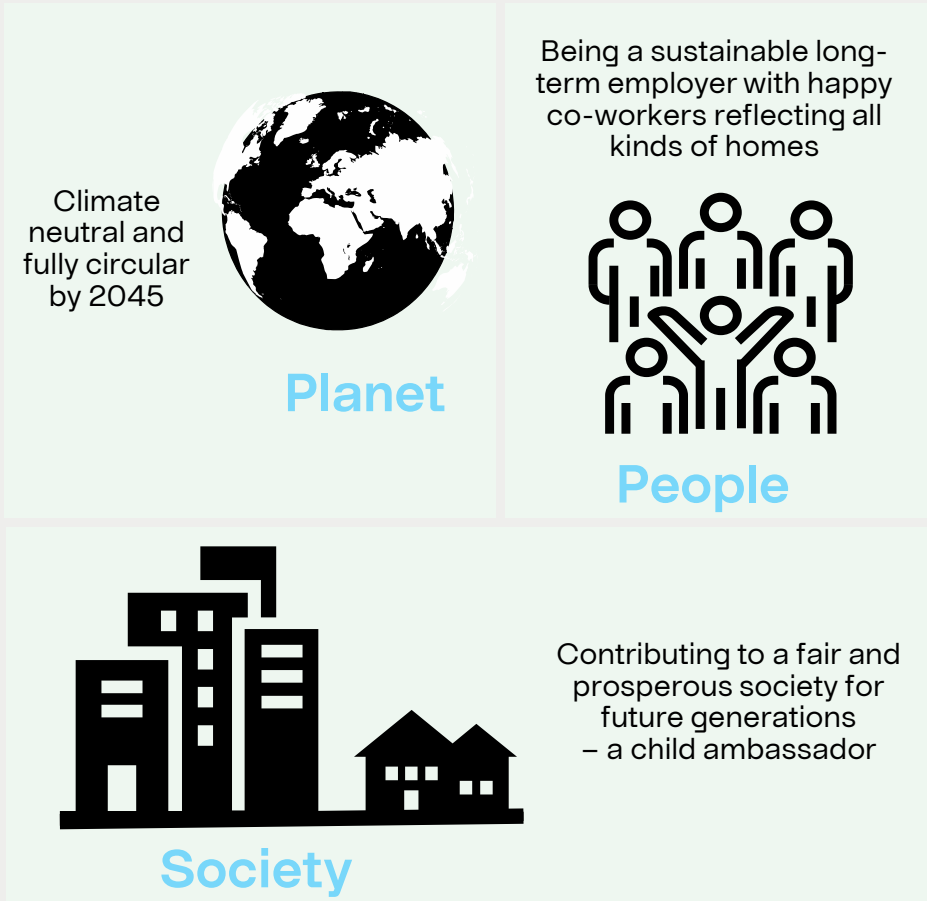
New visual identity

- Reflects the transformation journey with clear ties to company history
- Easier brand recognition
- Updated colour palette, a new font and a distinct logo
 - Updated look in digital channels and marketing
 - Sustainable rollout over time with new store signs, store interior and product packaging



Progress in our sustainability agenda

- New agreement for green financing signed
- 99% of suppliers delivered on the demands in our Code of Conduct during last 15 months
- Executed 335 supplier audits during the last 15 months
- Reached gender distribution target – new 50/50 target set



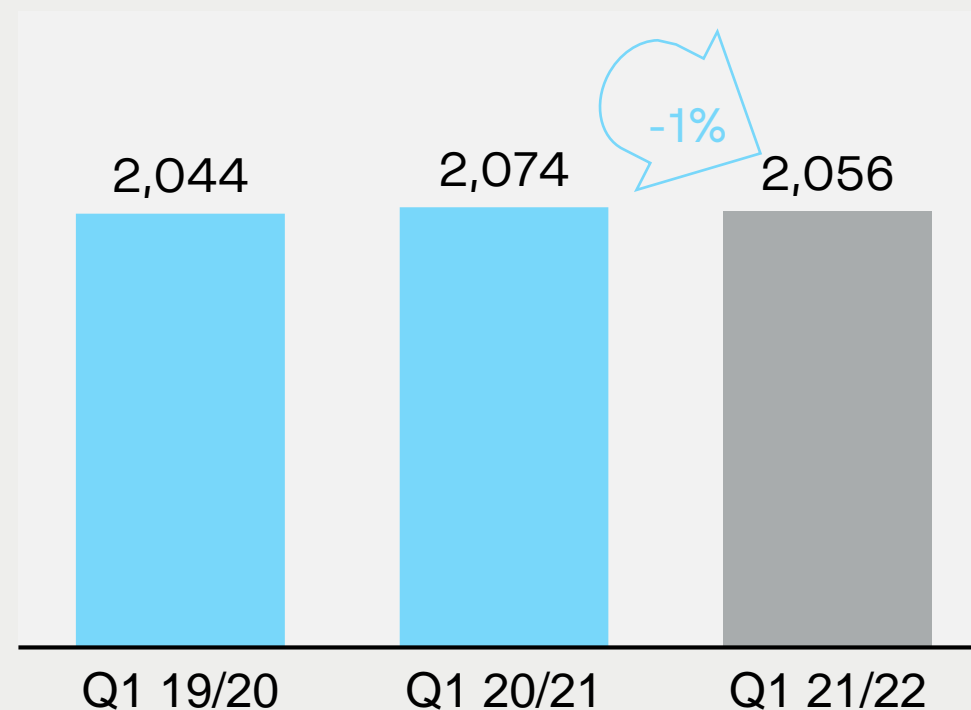


Financial development

Sales development in Q1

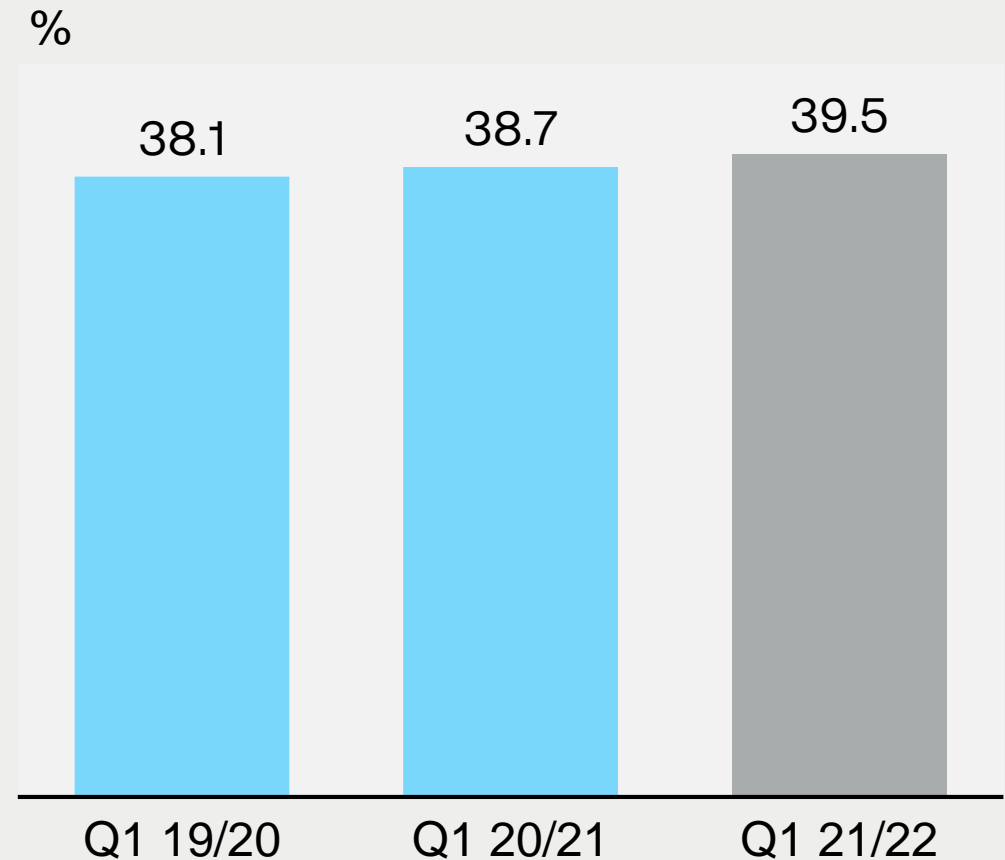
- Total sales down 1% to 2,056 MSEK, organic sales down 2% and LFL sales down 2%
 - Sweden 0% organic
 - Norway -3 % organic
 - Finland -1% organic
 - Outside Nordics -5% organic
- Online sales up 19% to 219 MSEK, corresponding to approx. 11% of total sales
- The store network was unchanged compared to end of period last year

MSEK



Gross margin in Q1

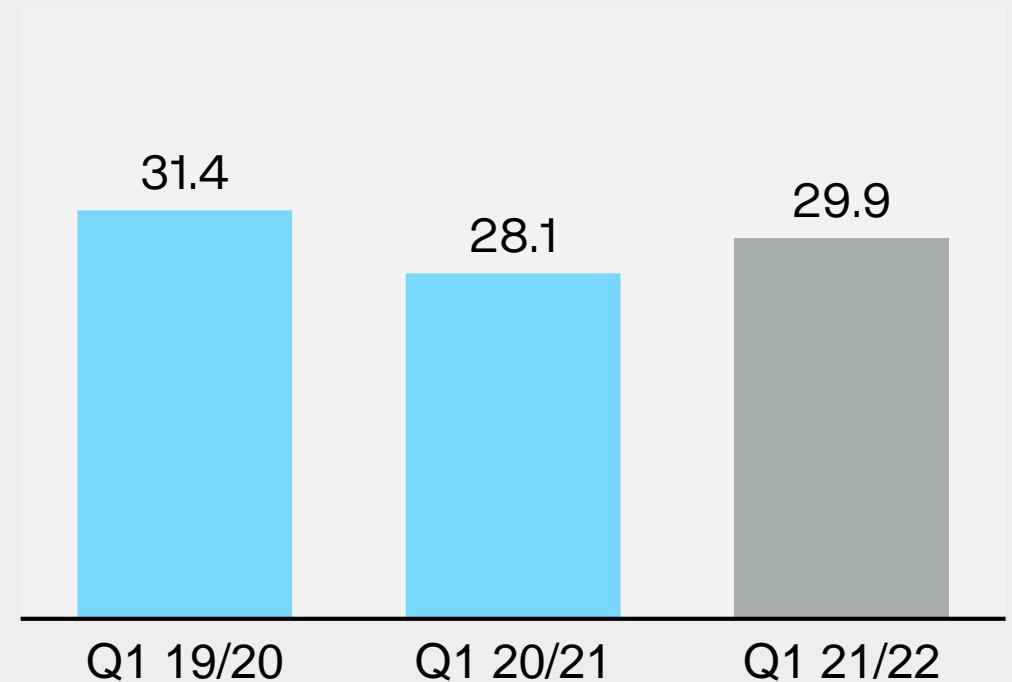
- Gross margin increased 39.5% (38.7)
 - Positively impacted by weaker purchasing currency (USD), stronger sales currency (NOK) and reduced sourcing costs.
 - Negatively impacted by currency hedging (NOK) from future hedging and exchange rate effects related to inventory delays, product mix and higher campaign intensity.



Share of selling expenses in Q1

- Share of selling expenses increased by 1.8% to 29.9% (28.1)
- The share increased mainly as a result of reduced sales in comparable units and more normalised costs for store operations, with lower costs during the preceding year as a result of the COVID-19 pandemic.

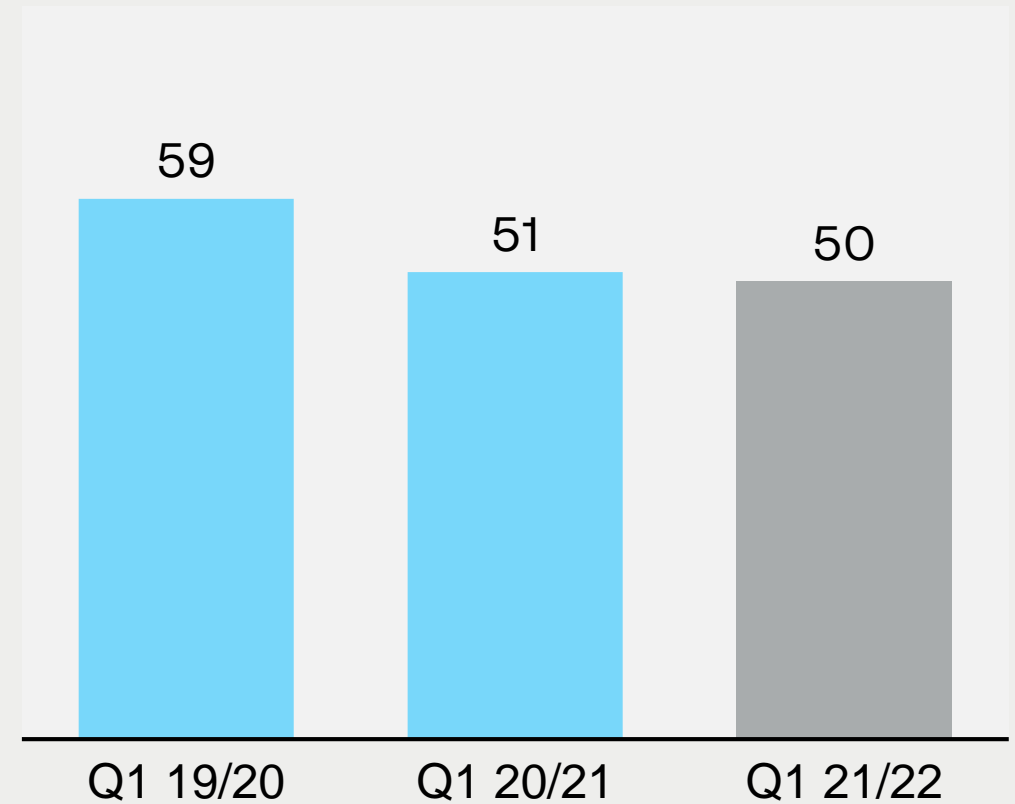
%



Administrative expenses in Q1

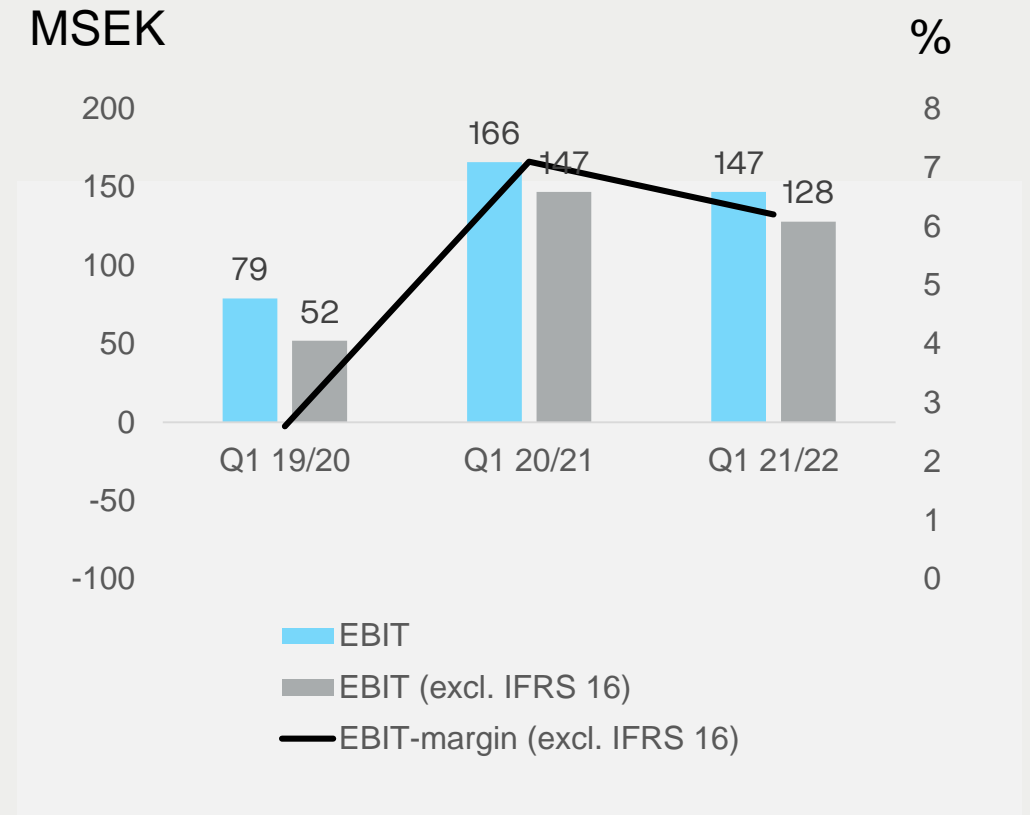
- Administrative expenses decreased by 1 MSEK compared to Q1 last year

MSEK



Operating profit in Q1

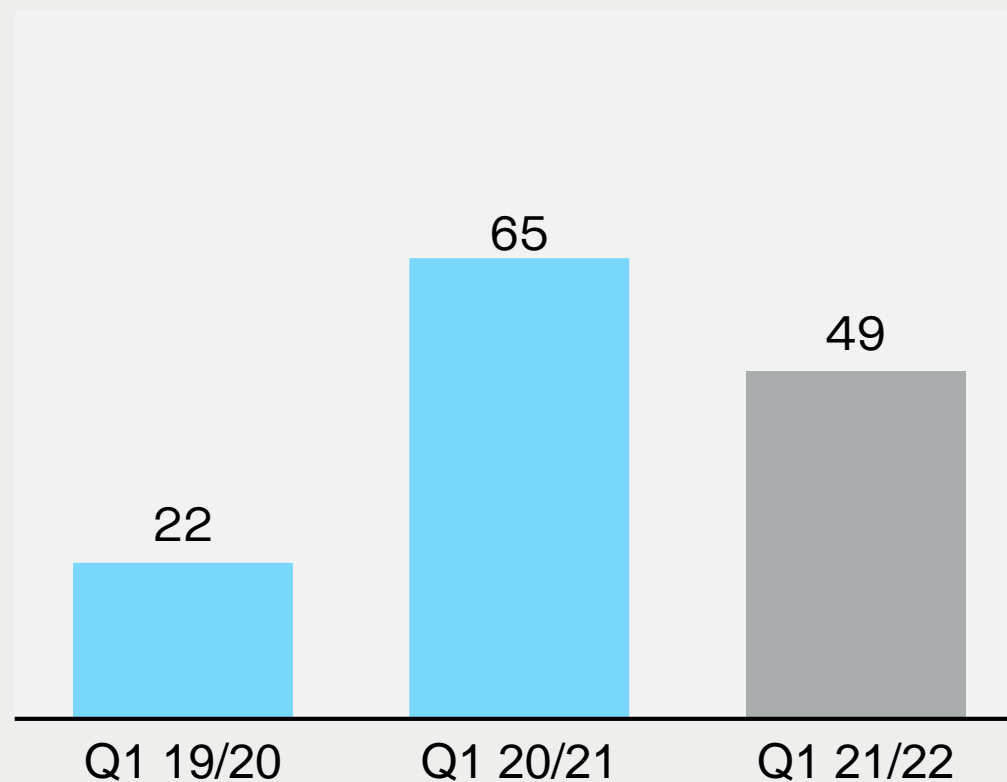
- Operating profit decreased to 147 MSEK (166)
 - Positive IFRS 16 effect of +20 MSEK (+19)
- EBIT-margin decreased to 7.2% (8.0%)
 - Positive IFRS 16 effect of +1.0 percentage points (+0.9)
 - EBIT-margin excl IFRS 16 6.2% (7.1)
- Earnings per share was 1.63 SEK (1.84)



Investments in Q1

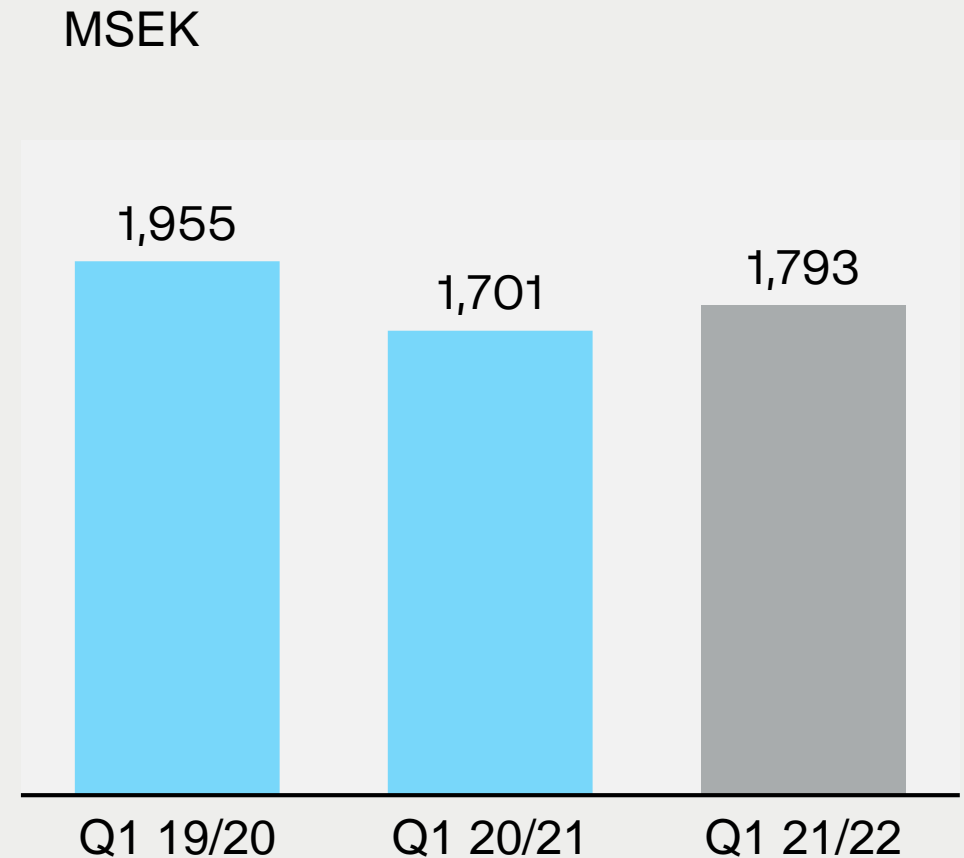
- Total investments 49 MSEK (65)
- New stores and refurbishments 13 MSEK (11)
- IT systems 14 MSEK (33)
- Other investments mainly related to improved distribution system

MSEK



Inventory level in Q1

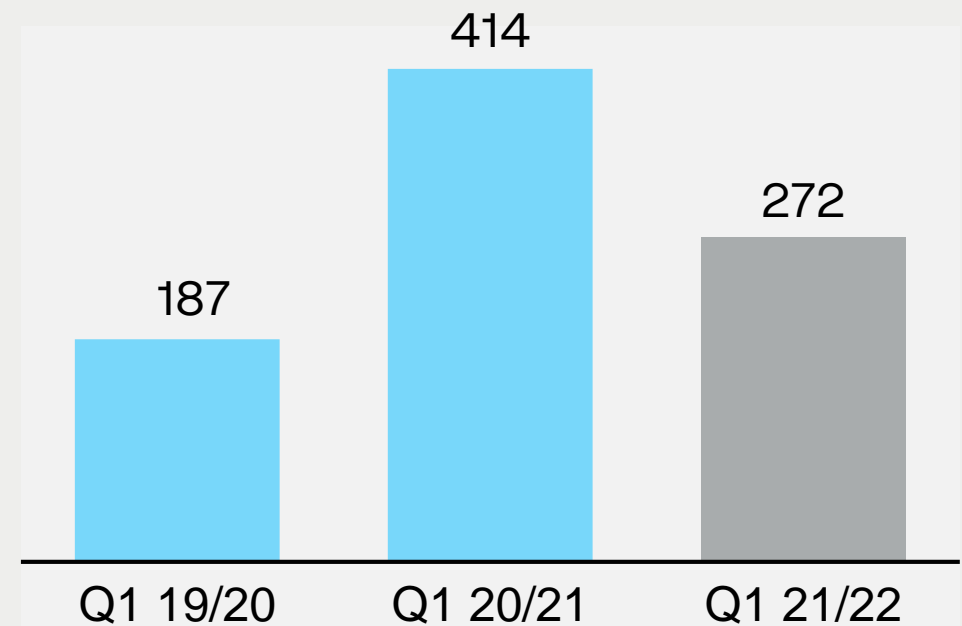
- Inventory level increased to 1,793 MSEK (1,701) at the end of the period
- Average inventory level LTM was 1,754 MSEK (1,902)
 - Inventory turnover rate DC 5.8 (5.7)



Cashflow Q1 and financial position

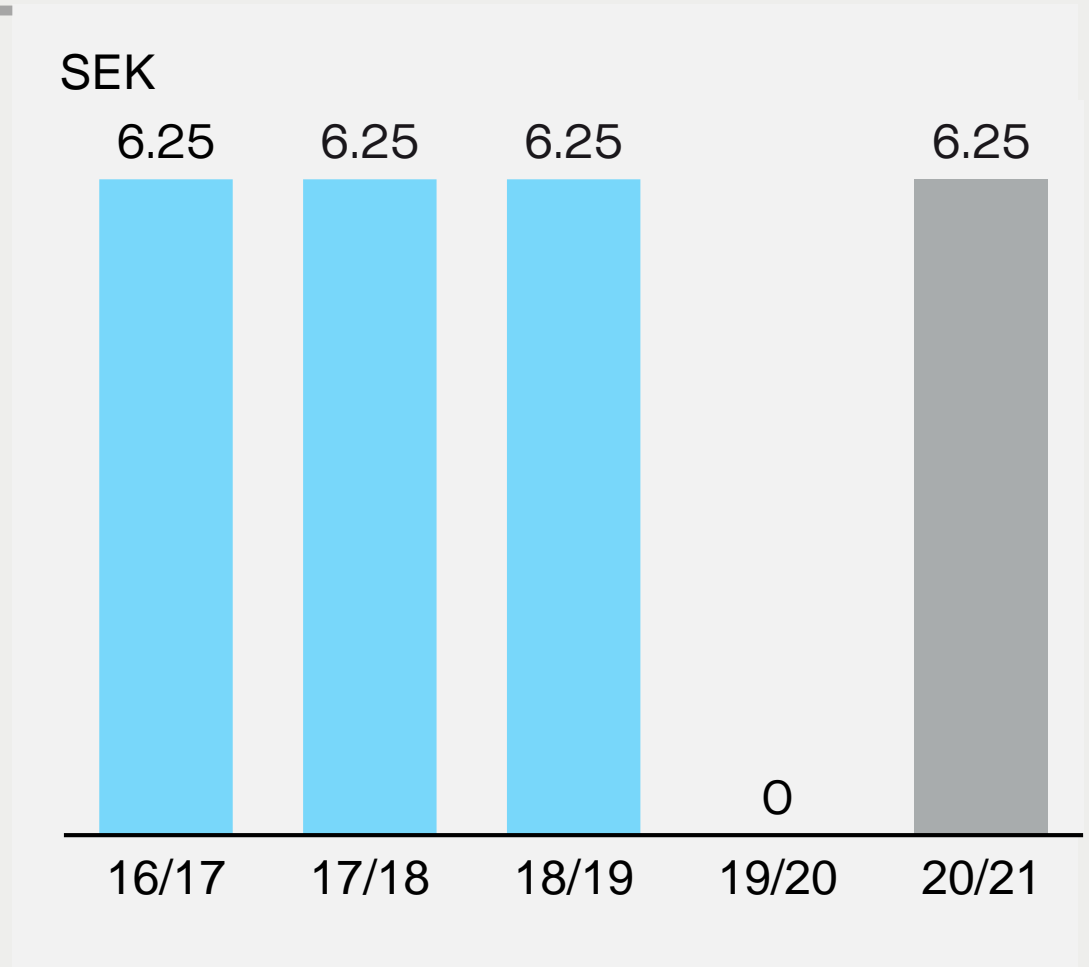
- Cashflow from operating activities excl. IFRS 16 was 272 MSEK (414)
 - Cash flow from operating activities was 399 MSEK (580)
- Cash flow after investments and financing activities was 224 MSEK (283)
- Net debt/EBITDA excl. IFRS 16 was -1.0 times (-0.5)
- Approved credit facilities of 850 MSEK of which used 0 MSEK
 - 'Green financing' agreement in place where delivery on company sustainability targets affects interest rate
 - Total credit facilities reduced in August

Cash flow from operating activities
excl. IFRS 16, MSEK



Proposed dividend

- Proposed dividend 6.25 SEK per share (0.00), to be distributed as two separate payments of 3.13 SEK in September 2021 and 3.12 SEK in January 2022
- In line with dividend policy and guidance
At least 50 per cent of earnings per share after tax, with consideration for the financial position

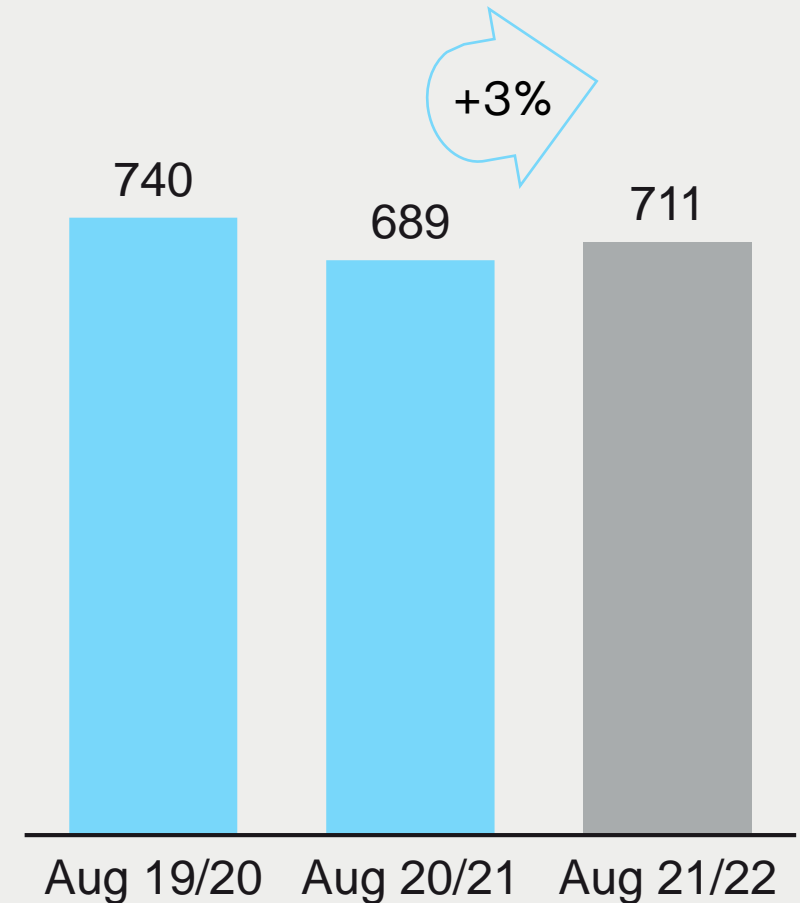




Events after the reporting period

August sales development

- Total sales up 3% to 711 MSEK, organic sales up 3% and LFL up 3%
 - Sweden +8% organic
 - Norway -2% organic
 - Finland +3% organic
 - Outside Nordics -12% organic
- Online sales up 22%
- Store network unchanged compared to end of August last year



Macro trends with business impact

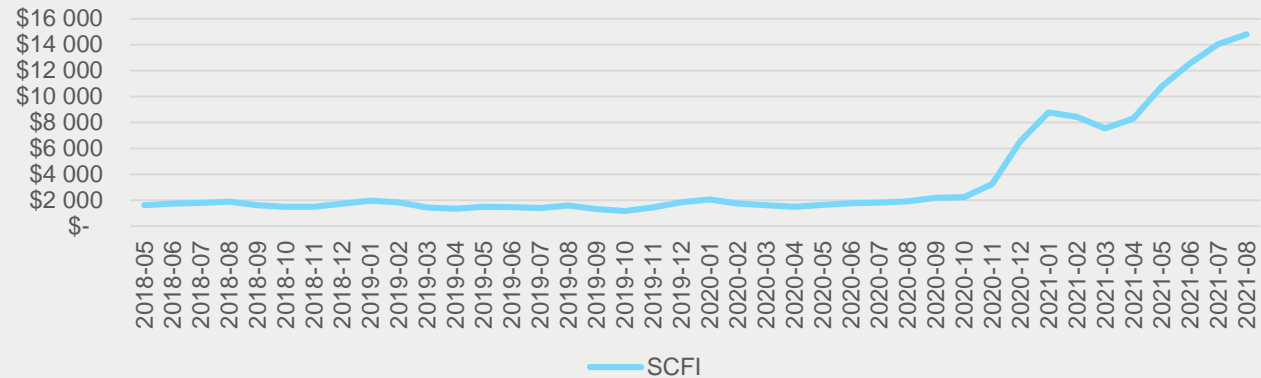
Factors impacting Clas Ohlson:

- Container shipping costs and raw material and commodity prices
- Translation/transaction effects - sales instant effects and purchasing with a time lag
- Hedging policy/effects
- Pricing effects

Counteracting measures:

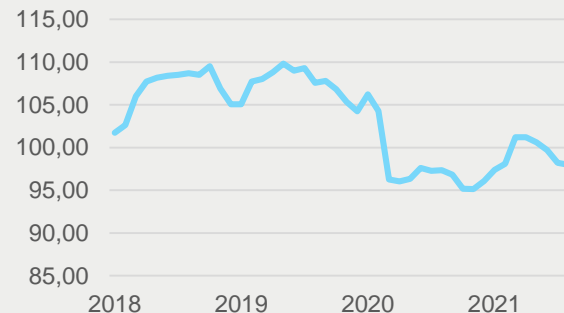
- Pricing – continuously optimizing prices
- Sourcing – diversified sourcing strategy
- Optimize sales mix – private label, product and category mix
- Products and packaging

Prices for 40t containers from Asia to Gothenburg

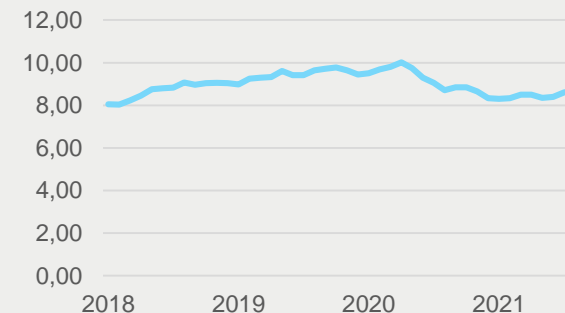


* Shanghai Containerized Freight Index

NOK/SEK*



USD/SEK*



* Monthly average, The Riksbank/Nasdaq





Summary and outlook

Continue to:

Build on our strengths...

Attractive 90 SEKbn home improvement market

Strong financial record

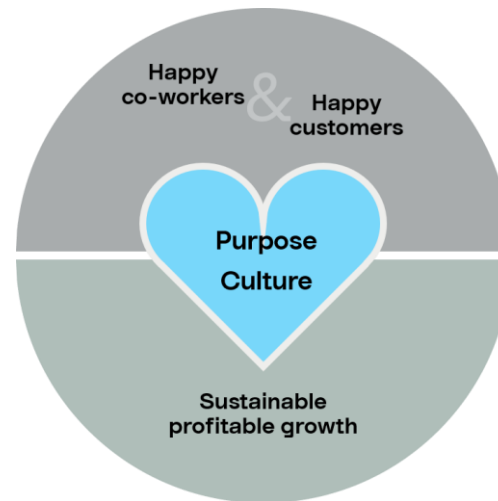
An industry leader within sustainability

Strong brand/market position

Compelling growth opportunities

Equipped with relevant competencies for the future

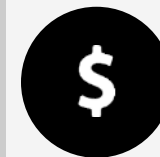
...guided by our strategy for co-worker, customer and shareholder value...



...to achieve Clas Ohlson's financial targets



Sales will increase organically an average of 5% annually over a five-year period



Operating margin will amount to 6–8% within a five-year period

Focus areas

2021/2022

Strengthen key product categories

- Continue to move from seasons to destinations
- Solve our customers' most relevant problems
- Grow destination categories

Capture traffic

- Leverage our brand & optimize marketing
- Capture increasing traffic to stores & online
- Club Clas membership & loyalty

Grow e-com

- Shorten lead times
- Continue to develop the digital customer meeting
- Integrate with personal service in-store



Q&A





**Clas
Ohlson**