

Q2 report

08 December 2021

Kristofer Tonström
President & CEO

Pär Christiansen
CFO



Agenda

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

- ✓ **Strong profitability**
 - ✓ 160* MSEK operating profit
 - ✓ EBIT margin R12 6.6%*
- ✓ **Total sales +4%**
 - ✓ Online sales +36%
- ✓ **Growing customer base**
 - ✓ 1 million Club Clas members in Norway
- ✓ **November total sales up 6% to 1,021 MSEK**

*Excl. IFRS 16 and 25MSEK Fora non-recurring payment





Business update

Q2 2021/22 in brief

- ✓ Organic sales and LFL +3%
- ✓ Total sales +4%
 - Lower traffic to stores
 - Higher conversion
- ✓ Online sales +36%
- ✓ Increased gross margin 43.1% (41.8)
- ✓ EBIT-margin increased to 9.6% (7.3)
 - EBIT-margin excl. IFRS16 8.7% (6.4)
 - 25 MSEK non-recurrent payment from Fora
- ✓ Strong cash position & net debt/EBITDA –0.8*

*Excl IFRS 16



Progress in our focus areas for 2021/22

Strengthen key product categories

- Continued higher ATV
- Organize +34%
- Lighting:
 - Solar lighting +48%
 - Garden lighting +17%



Capture traffic

- Norway:
 - 1 million Club Clas members
 - Awarded #1 brand in retail
- Almost 30 million online visits in Q2
- Traffic increase to physical stores in Nov



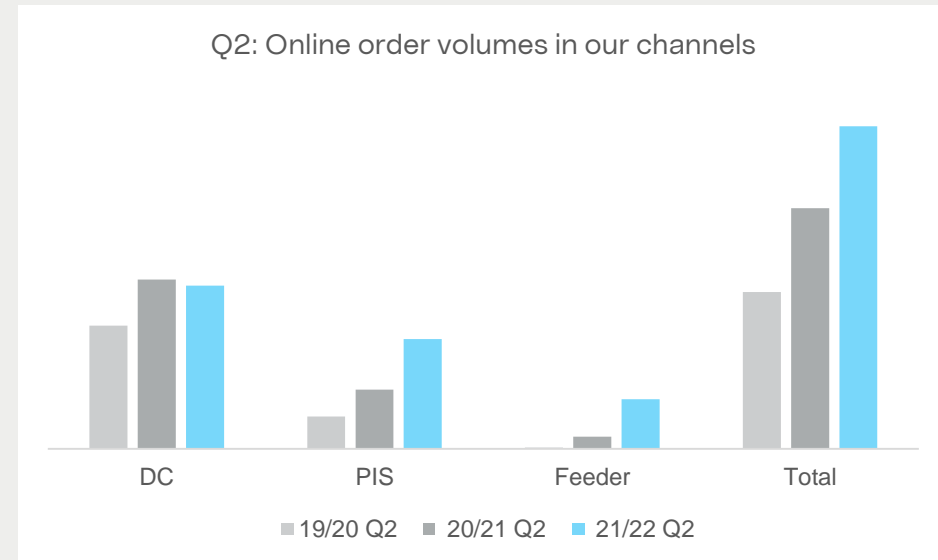
Grow e-com

- Increased capacity for handling e-com orders at DC
- Higher conversion rate compared to Q2 LY:
 - SE: +31%, NO: +45%, FI: +37%



Customer centric logistics

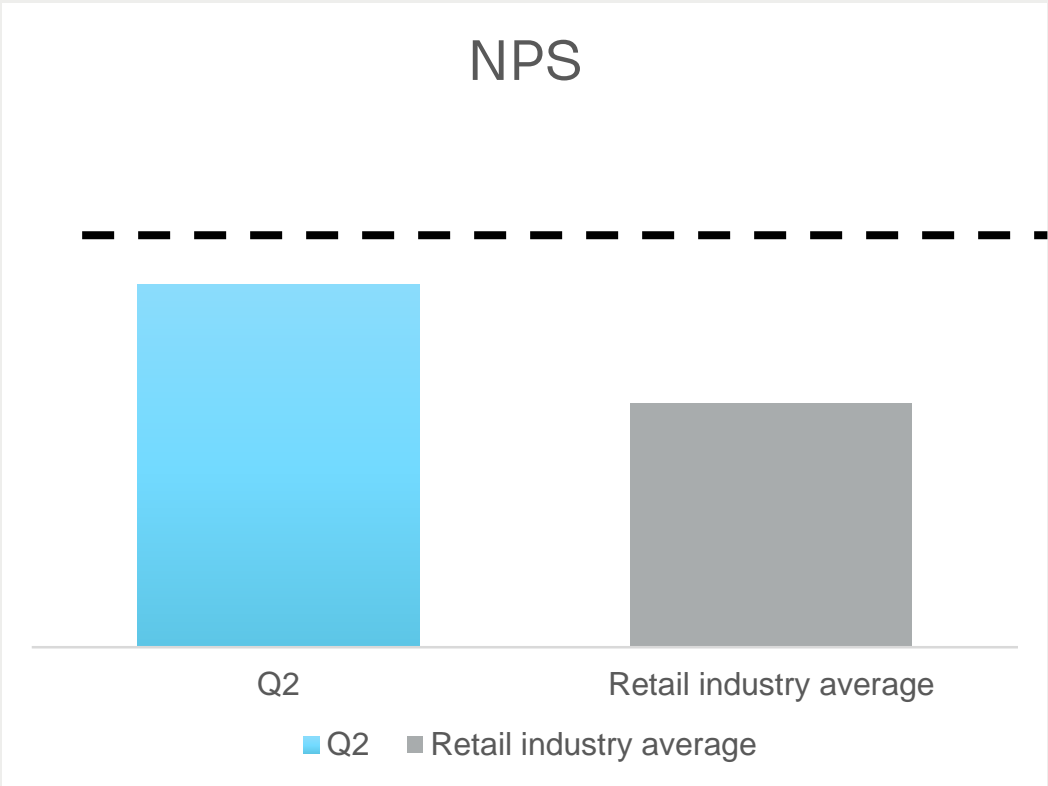
- Positive results from investments in automation and new inventory management system
- Flexible logistics system shortens lead-times and boosts convenience
 - Successful handling of large order volumes at DC
 - Improved delivery speed through Feeder stores and Click & Collect
- Improving e-com customer satisfaction



Order type	Delivery method	Leadtime customer
DC orders	Home delivery, parcel locker or pick-up point	2-5 days (depending on market)
Pick in store	Click & Collect	30 minutes
Feeder store	Home delivery, parcel locker or pick-up point	0-1 days



Customer satisfaction in focus



*Target

** Source: Delighted by Qualtrics

*Target



Progress in our sustainability agenda

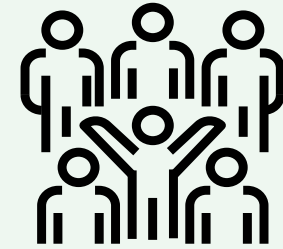
- Replacing candles from paraffin to stearin
 - 350 tons of fossil emissions saved in last 12 months
- New agreement for installation of solar panels on our distribution centre
- Executed 48 environmental audits since June 2021
- 99% of suppliers free from critical findings in relation to our Code of Conduct
- Ranked the 7th most sustainable consumer goods company on Nasdaq Stockholm

Climate neutral and fully circular by 2045

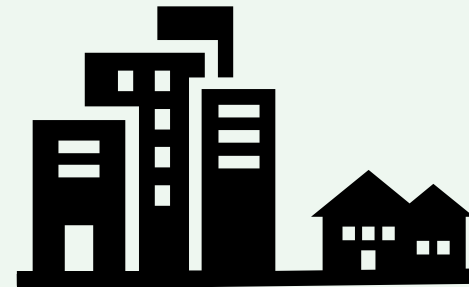


Planet

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



People



Society

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

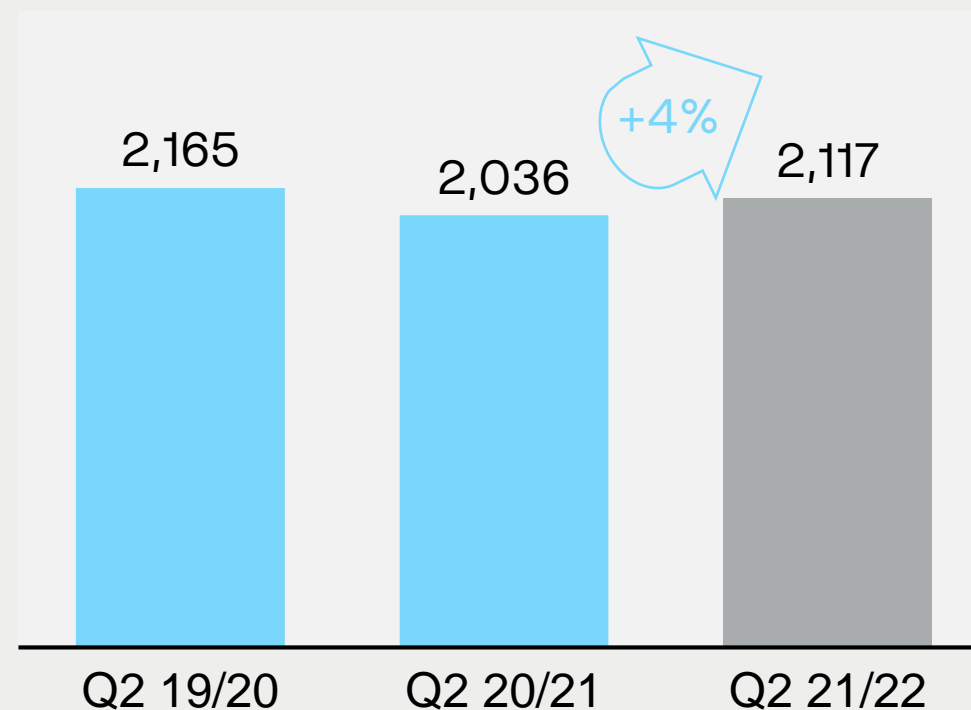


Financial development

Sales development in Q2

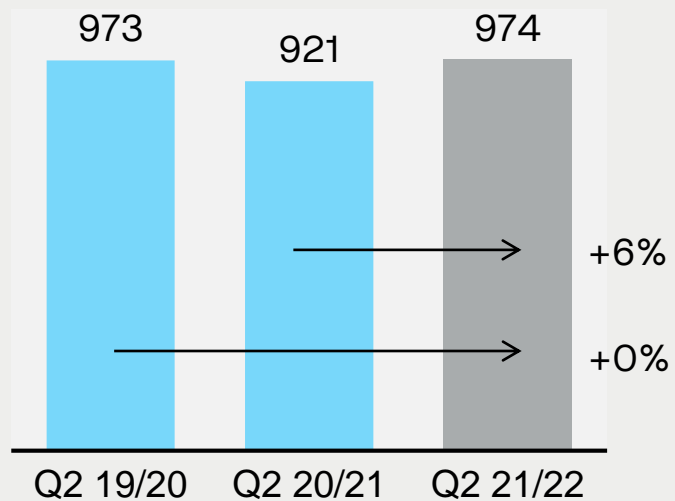
- Total sales up 4% to 2,117 MSEK, organic sales up 3% and LFL sales up 3%
- Organic sales development per market:
 - Sweden +6%
 - Norway -1 %
 - Finland +5%
 - Outside Nordics 4%
- The store network was unchanged compared to end of period last year

MSEK

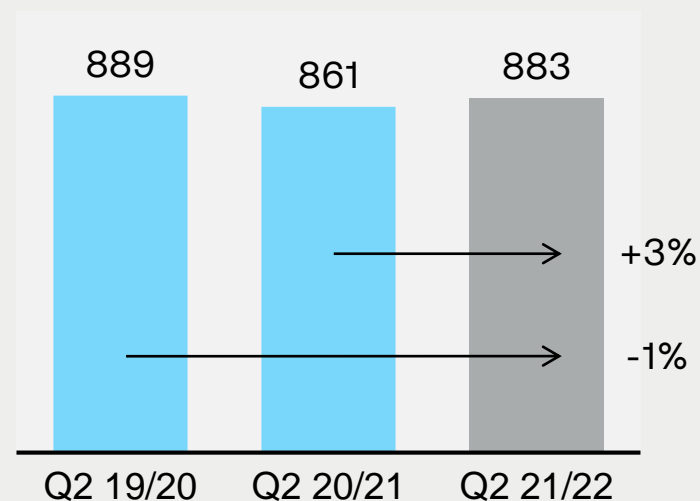


Total sales per market in Q2 compared to the previous two years, MSEK

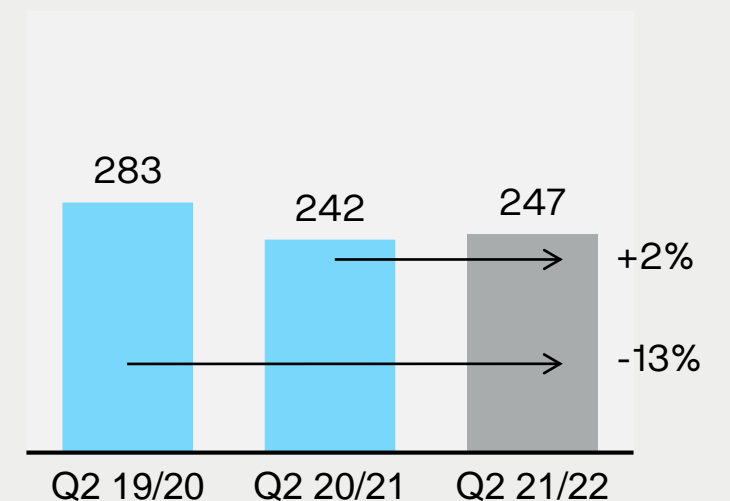
• Sweden 



• Norway 



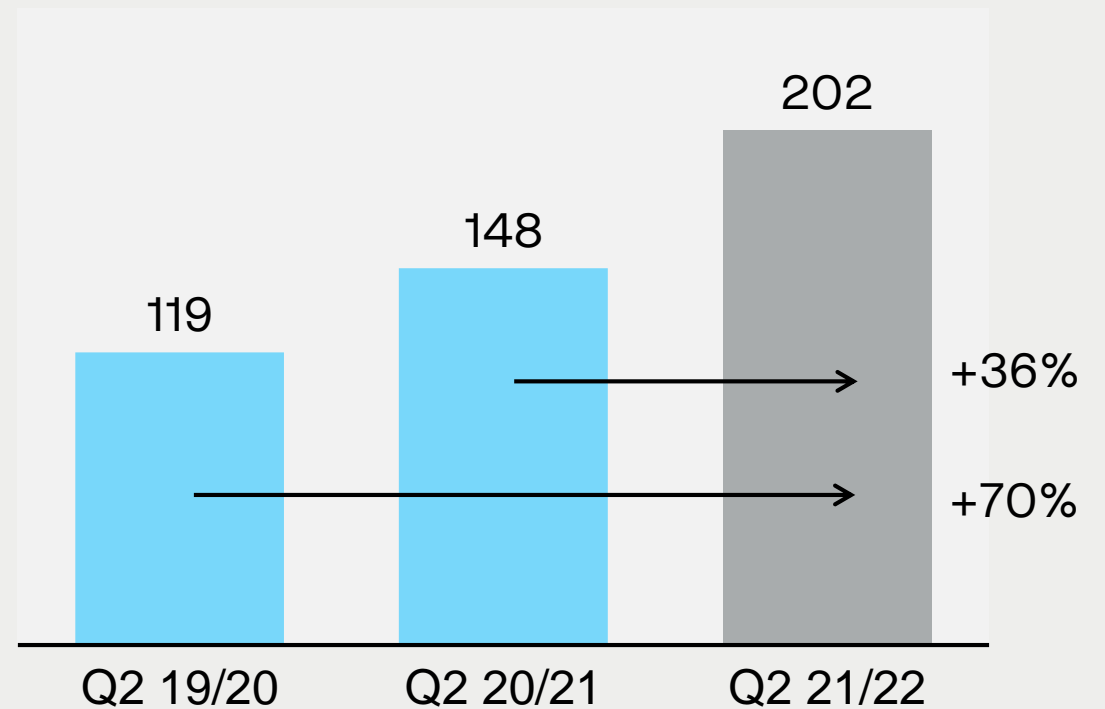
• Finland 



Online sales in Q2 compared to the previous two years

- Online sales up 36% to 202 MSEK, corresponding to approx. 10% of total sales

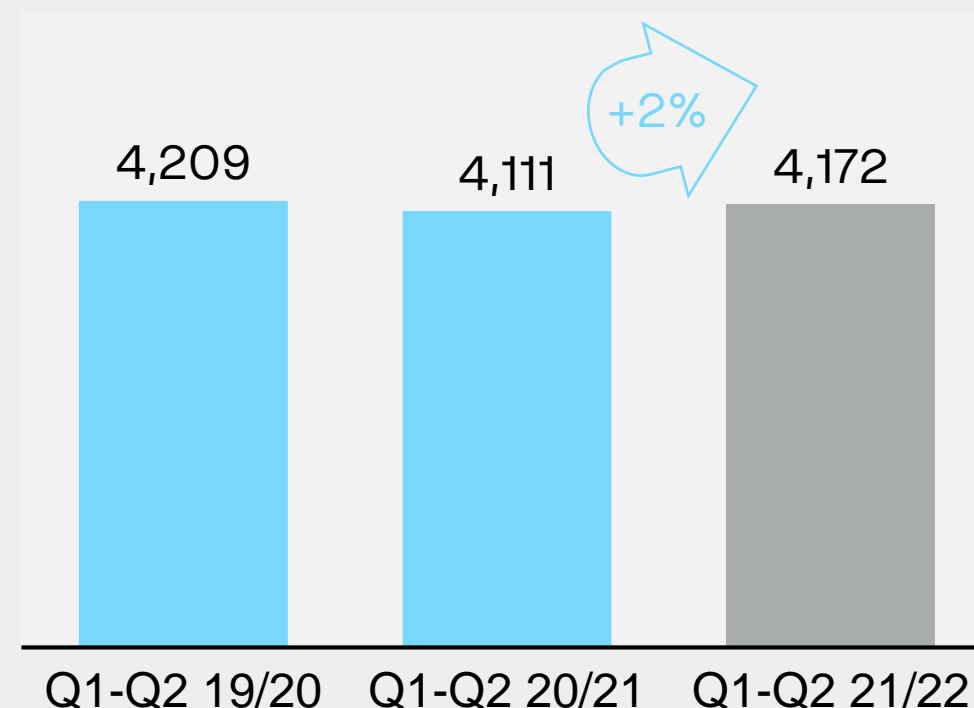
MSEK



Sales development Q1-Q2

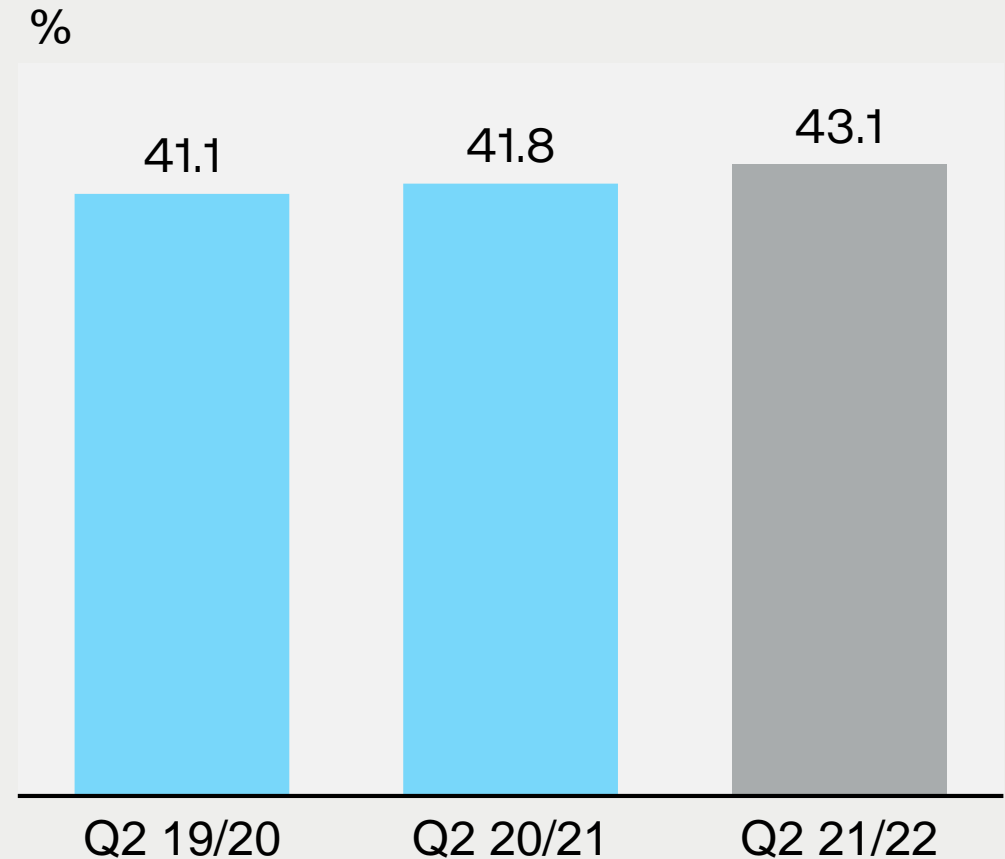
- Total sales up 2% to 4,172 MSEK, organic sales up 1% and LFL sales unchanged
 - Sweden +3% organic
 - Norway -2 % organic
 - Finland +2% organic
 - Outside Nordics -1% organic
- Online sales up 27%
- Unchanged number of stores net during Q1-Q2

MSEK



Gross margin in Q2

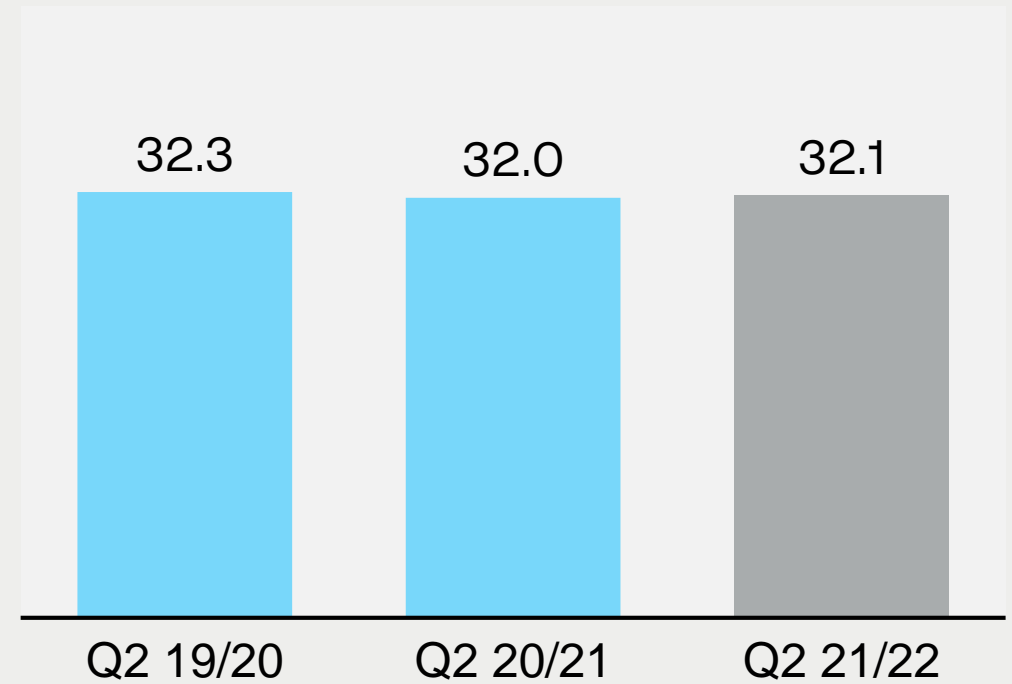
- Gross margin increased 43.1% (41.8)
 - Positively impacted by weaker purchasing currency (USD), reduced sourcing costs and stronger sales currency (NOK).
 - Negatively impacted by currency hedging (NOK) from future hedging and exchange rate effects related to inventory delays.



Share of selling expenses in Q2

- Share of selling expenses increased by 0.1% to 32.1% (32.0)

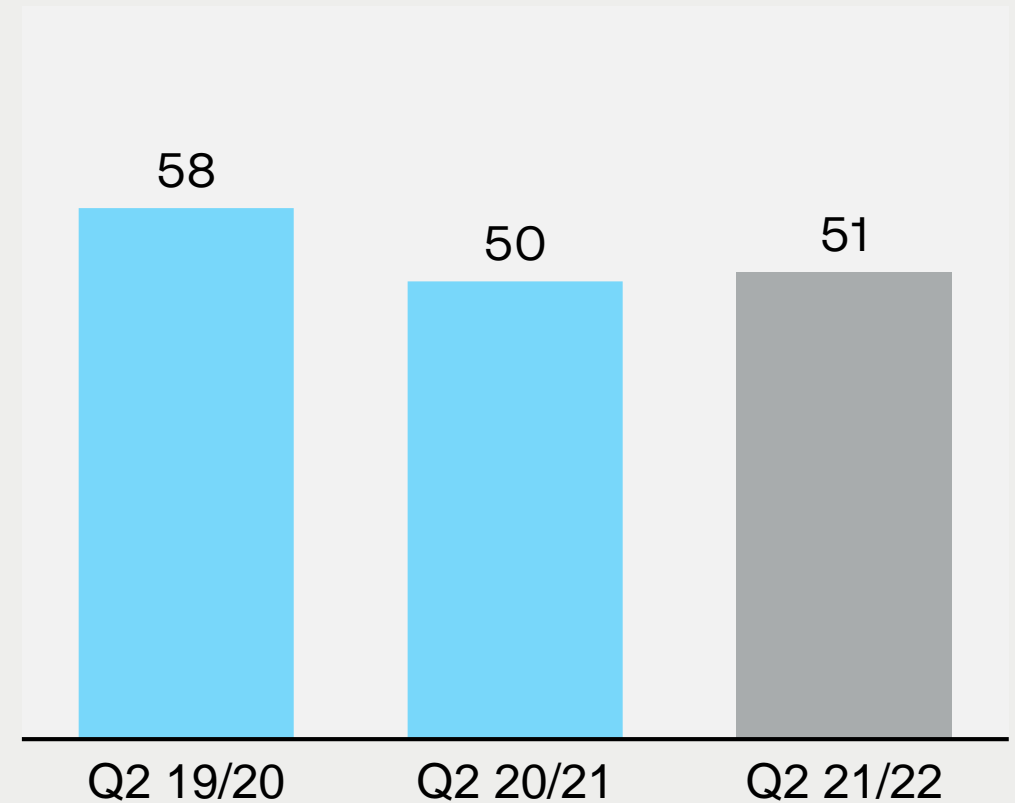
%



Administrative expenses in Q2

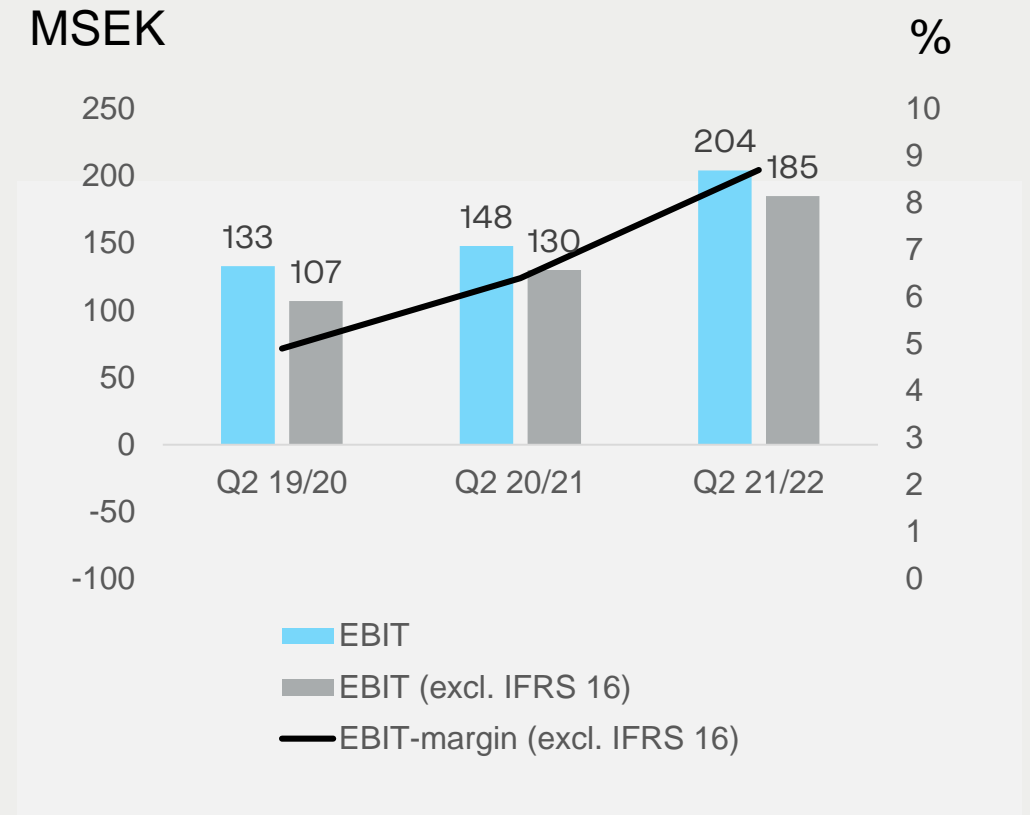
- Administrative expenses increased by 1 MSEK compared to Q2 last year
- Continued cost focus

MSEK



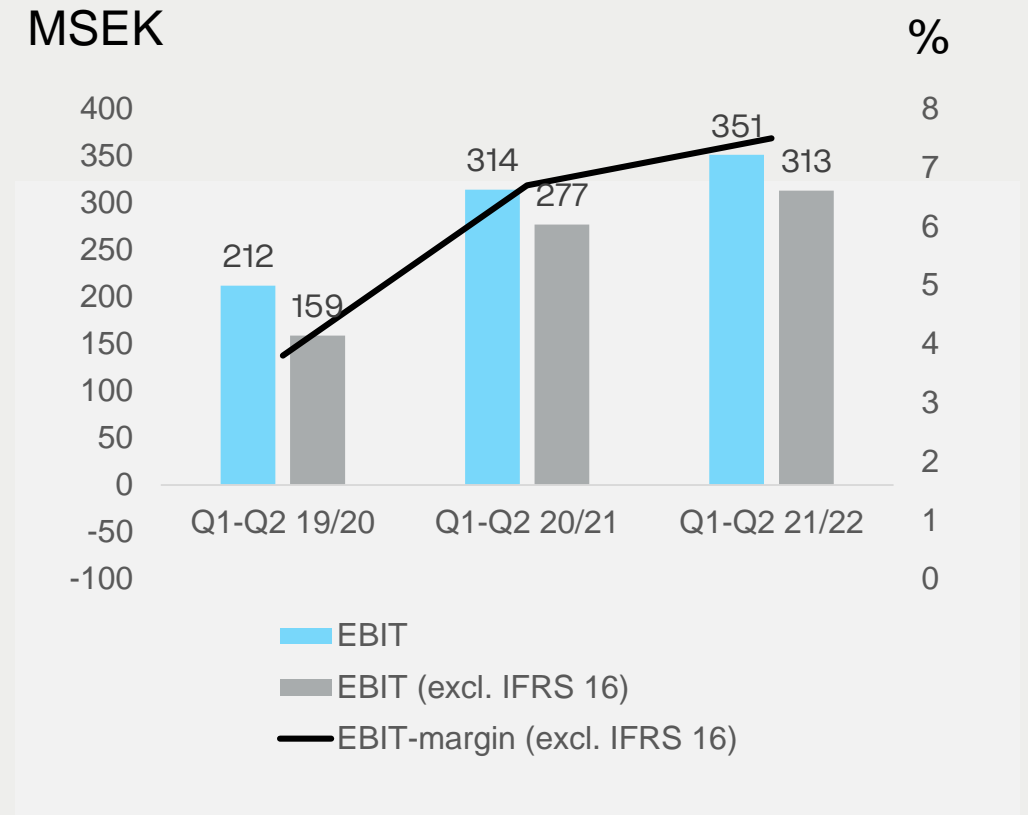
Operating profit in Q2

- Operating profit increased to 204 MSEK (148)
 - Positive IFRS 16 effect of +19 MSEK (+17)
- EBIT-margin increased to 9.6% (7.3%)
 - Positive IFRS 16 effect of +0.9 percentage points (+0.9)
 - EBIT-margin excl IFRS 16 8.7% (6.4)
- Earnings per share was 2.34 SEK (1.65)
- 25 MSEK non-recurrent payment from Fora



Operating profit in Q1-Q2

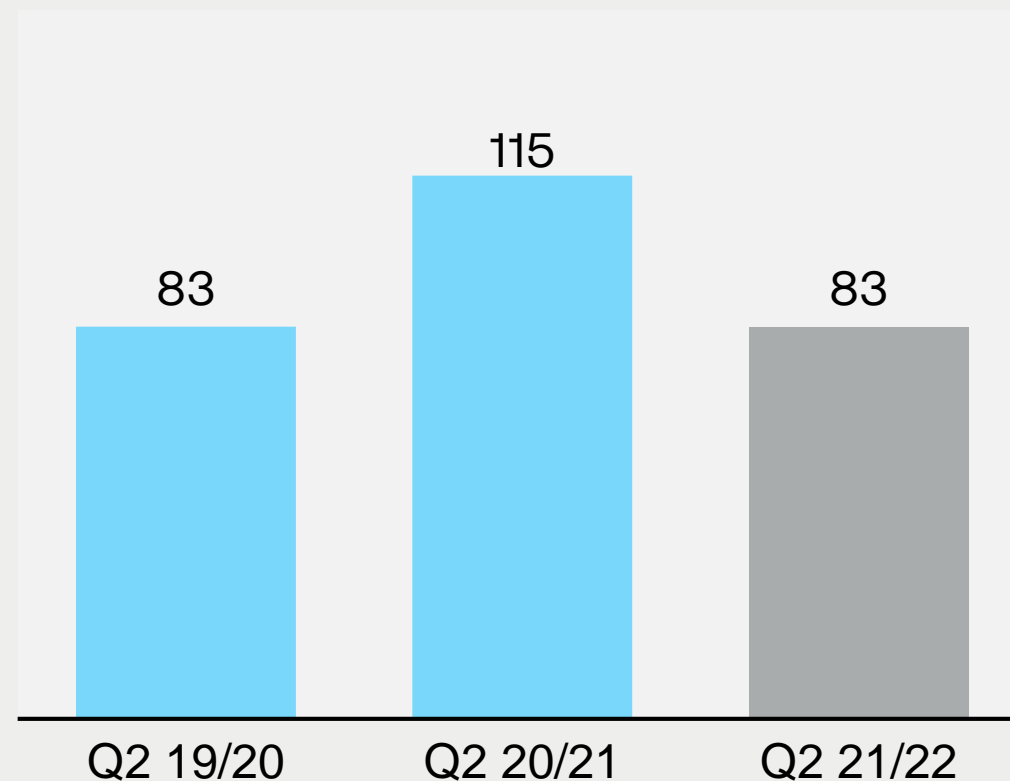
- Operating profit increased to 351 MSEK (314)
 - Positive IFRS 16 effect of +39 MSEK (+37)
- EBIT-margin increased to 8.4% (7.6%)
 - Positive IFRS 16 effect of +0.9 percentage points (+0.9)
 - EBIT-margin excl IFRS 16 7.5% (6.7)
- Earnings per share was 3.97 SEK (3.49)



Investments Q1-Q2

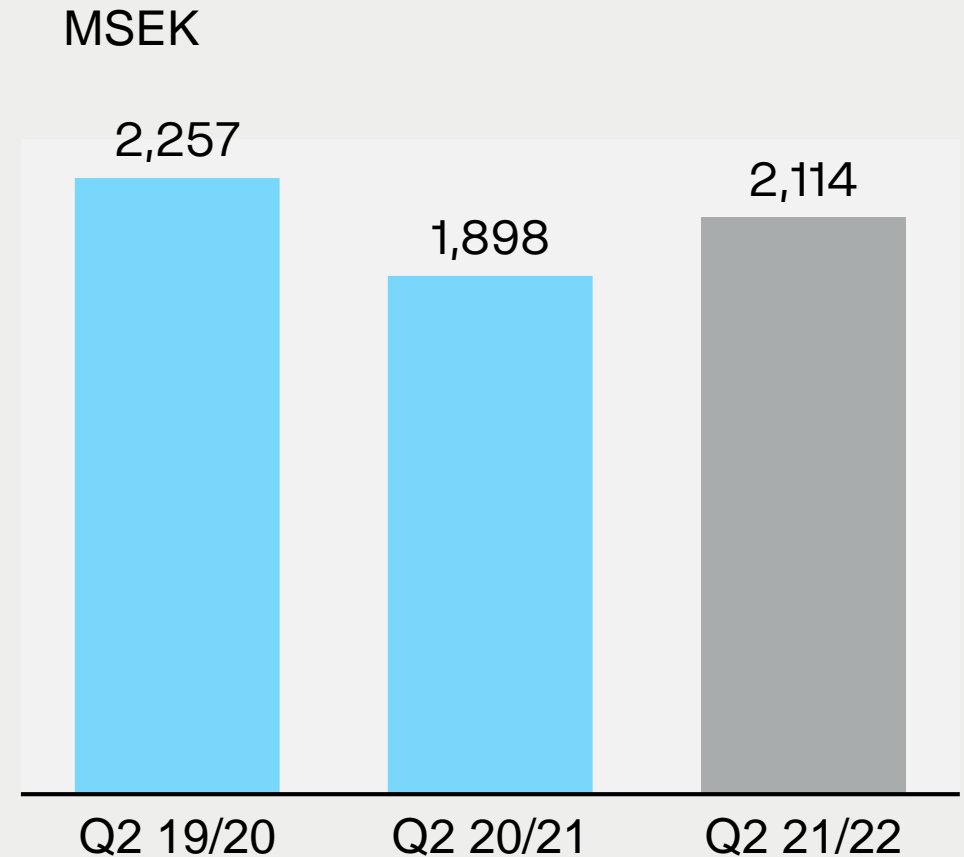
- Total investments 83 MSEK (115)
- New stores and refurbishments 29 MSEK (24)
- IT systems 24 MSEK (50)
- Other investments mainly related to improved distribution system

MSEK



Inventory level in Q2

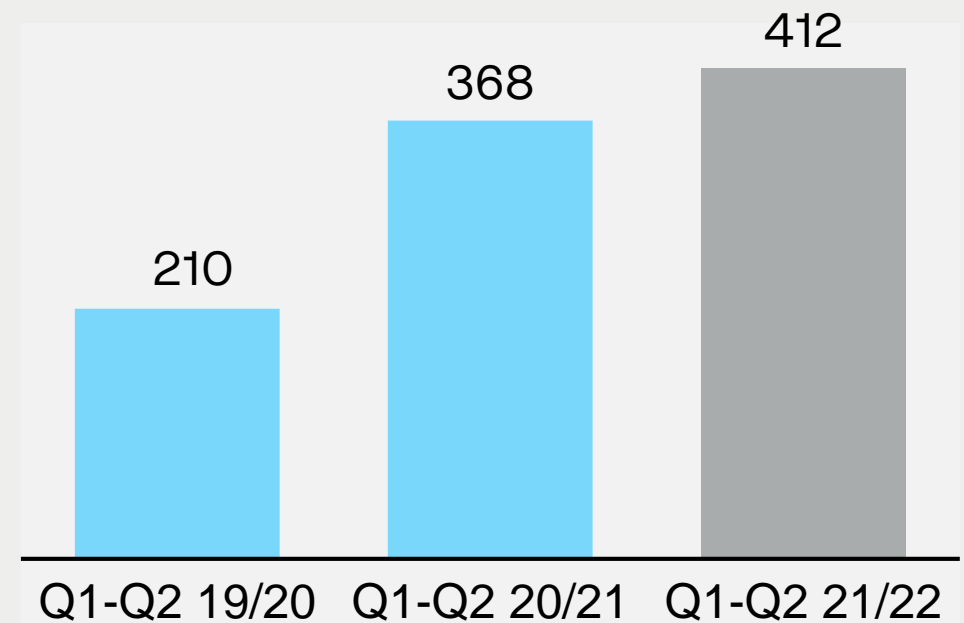
- Inventory level increased to 2,114 MSEK (1,898) at the end of the period
- Average inventory level LTM was 1,797 MSEK (1,820)
 - Inventory turnover rate DC 5.7 (5.9)



Cashflow Q1-Q2 and financial position

- Cashflow from operating activities excl. IFRS 16 was 412 MSEK (368)
 - Cash flow from operating activities was 667 MSEK (654)
- Cash flow after investments and financing activities was 131 MSEK (185)
- Net debt/EBITDA excl. IFRS 16 was -0.8 times (-0.3)
- Approved credit facilities of 650 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 september

Cash flow from operating activities
excl. IFRS 16, MSEK



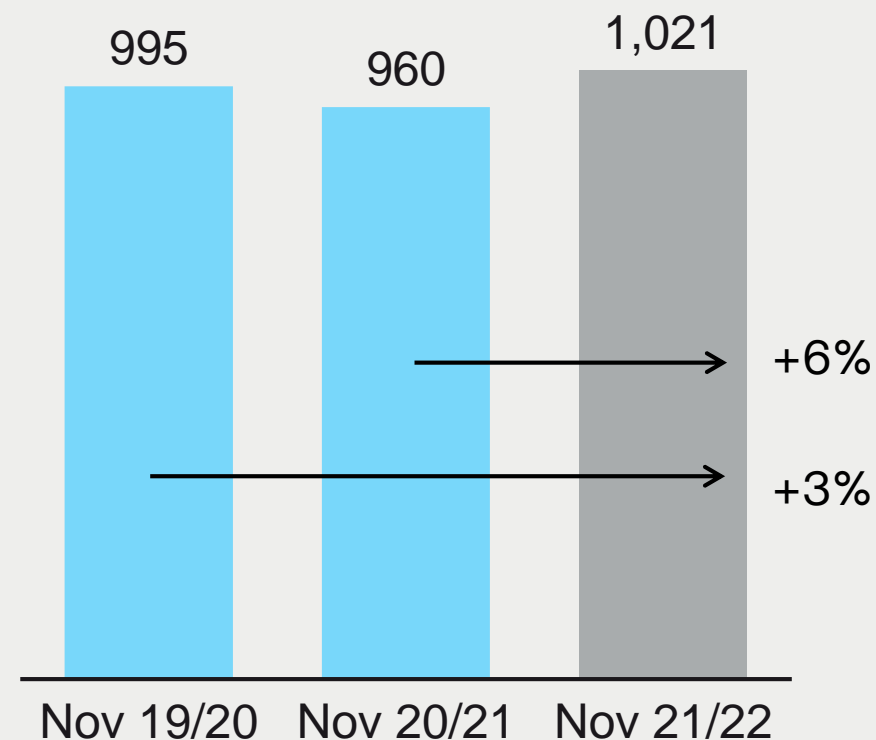


Events after the reporting period

November sales development

- Total sales up 6% to 1,021 MSEK, organic sales up 4% and LFL up 4%
 - Sweden +12% organic
 - Norway -3% organic
 - Finland -2% organic
 - Outside Nordics -7% organic
- Online sales up 9%
- Store network unchanged compared to end of November last year
- First month with increasing store traffic in 21/22

MSEK



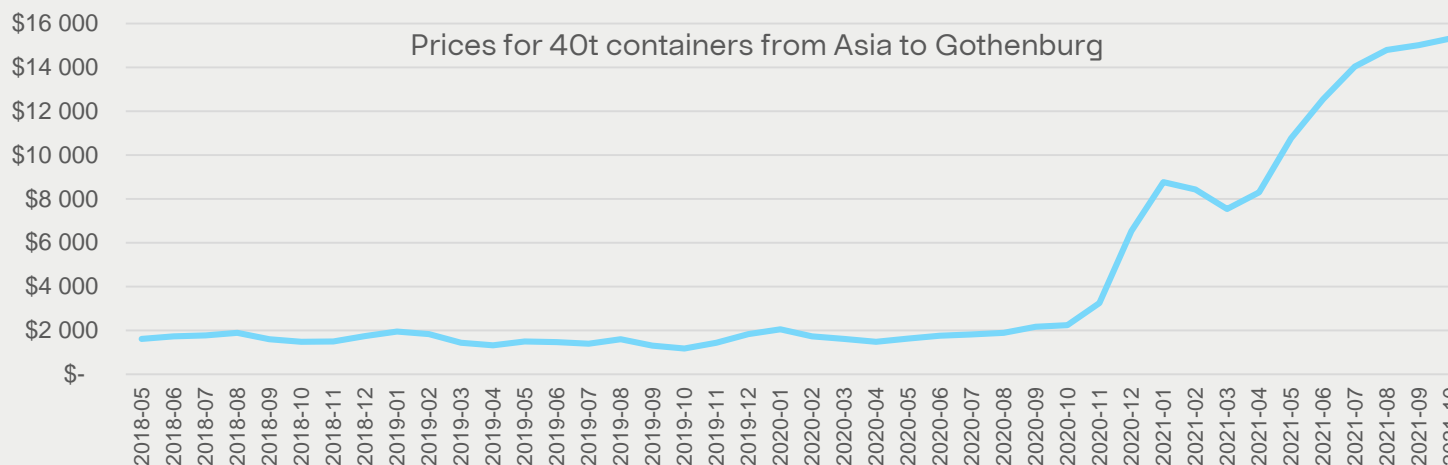
Macro trends with business impact

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

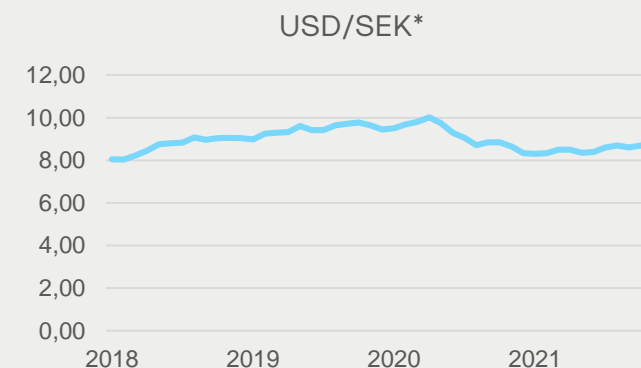
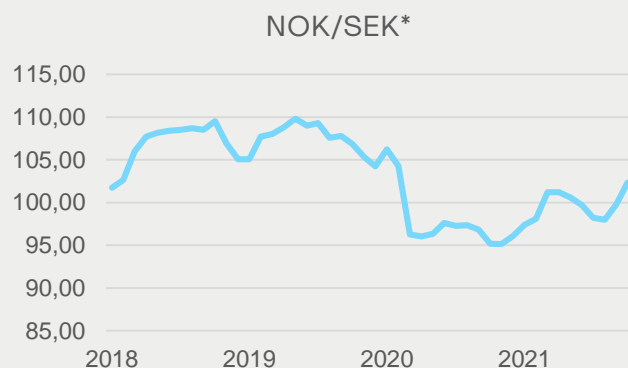
Counteracting measures:

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



* Shanghai Containerized Freight Index

— SCFI



* Monthly average, The Riksbank/Nasdaq





Summary and outlook

Continue to:

Build on our strengths...

Attractive 90 SEKbn home improvement market

Strong financial record

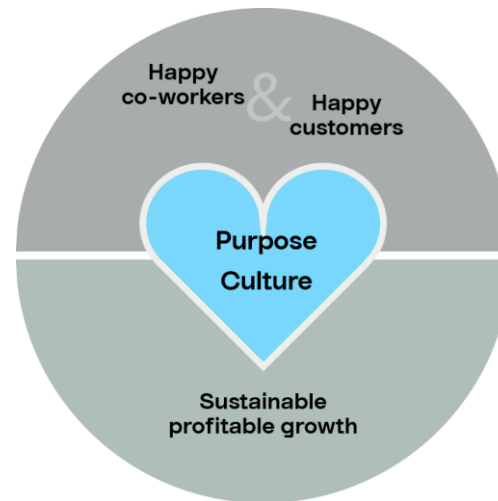
An industry leader within sustainability

Strong brand/market position

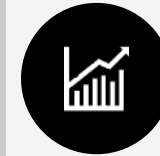
Compelling growth opportunities

Equipped with relevant competencies for the future

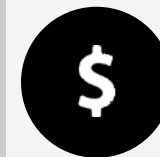
...guided by our strategy for co-worker, customer and shareholder value...



...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



Way forward – focusing on what we can influence

- Strong financial position and financial preparedness
- Closely monitoring the development of the pandemic
- Customer centric focus areas driving revenue growth
- Continue to focus on areas with own impact



Q&A



