

Q4 report

08 June 2023

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President & CEO

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Agenda

- Business update
- Financial development
- Events after the reporting period
- Strategy update & summary
- Q&A

- ✓ **Closing the year with 2% organic growth in Q4 and +1% for the year in a challenging market**
- ✓ **Improvements in Gross Margin, EBIT and entering Q1 with a healthy cash flow and inventory**
- ✓ **Proactively addressing overhead costs - a new base established**
 - ✓ **Cost efficiency and flexibility important as macro is still volatile**
- ✓ **Assortment relevance – prioritized categories driving growth & price perception**
- ✓ **Strong start to the new year with +8% organic growth in May**

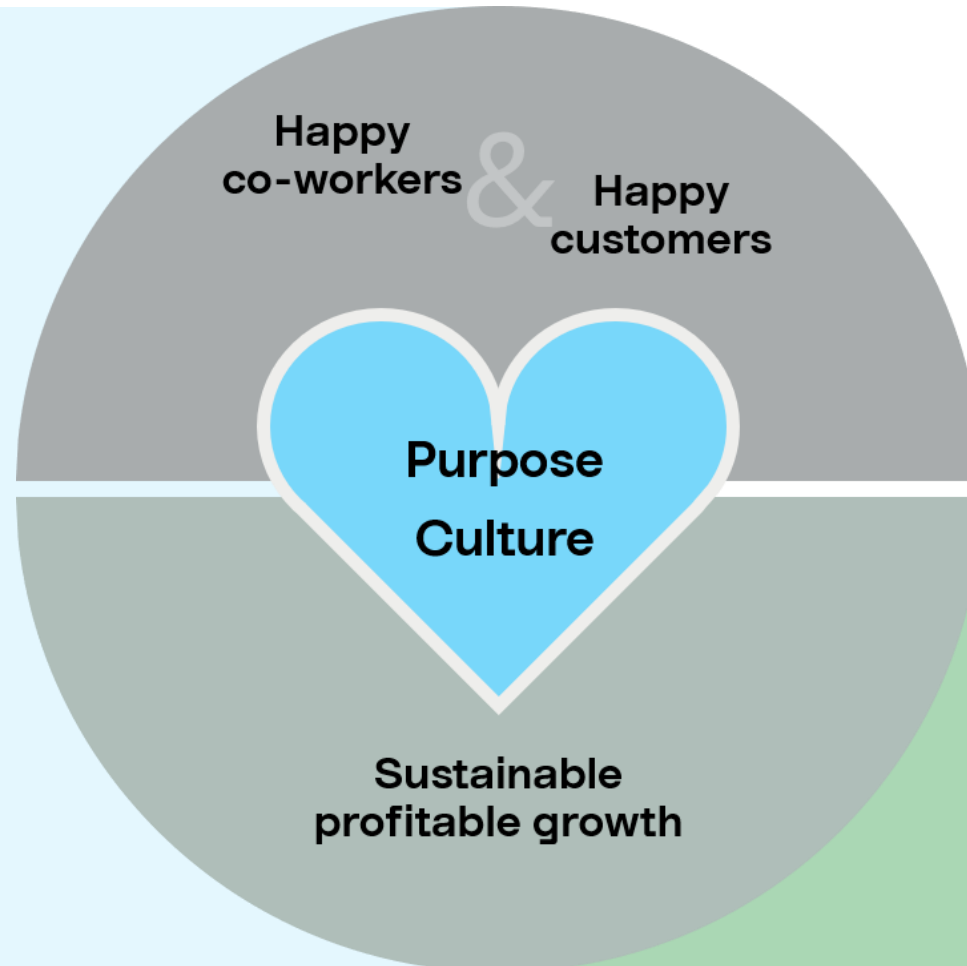




Business update

Clas Ohlson strategic framework

- 1 Creating a winning team
- 2 Core customer focus
- 3 Owning key consumer missions
- 4 Using and building the Clas Ohlson brand
- 5 Providing availability & convenience
- 6 Offering in-home services



Full focus on:

- Purchasing prices
- Transportation costs
- Total rental costs
- Internal cost efficiency

Growth drivers

1



Owning key consumer missions

- Need based shopping
- Continued strong performance for mission "Tidy up your home"

2



Providing availability & convenience

- Good conversion rate stores/online
- Positive LFL development
- Customer Satisfaction (NPS) improved to 58
- Feeder stores awarded for innovative logistics solution

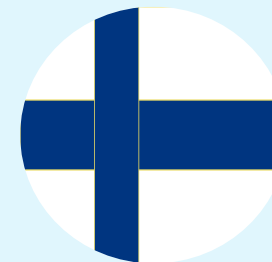
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Core customer focus

- Continued member growth in Club Clas
- Member share of sales 66%

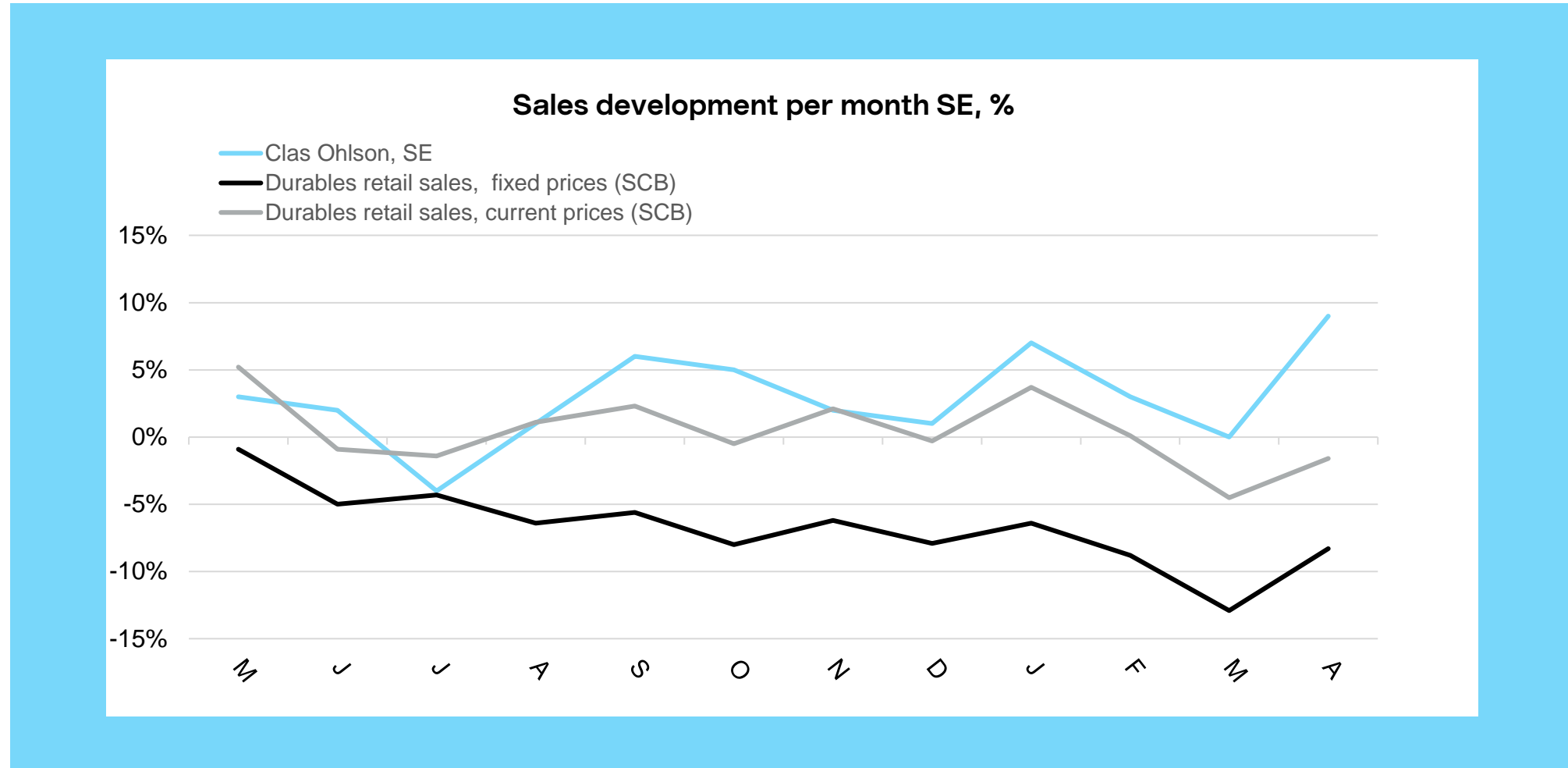
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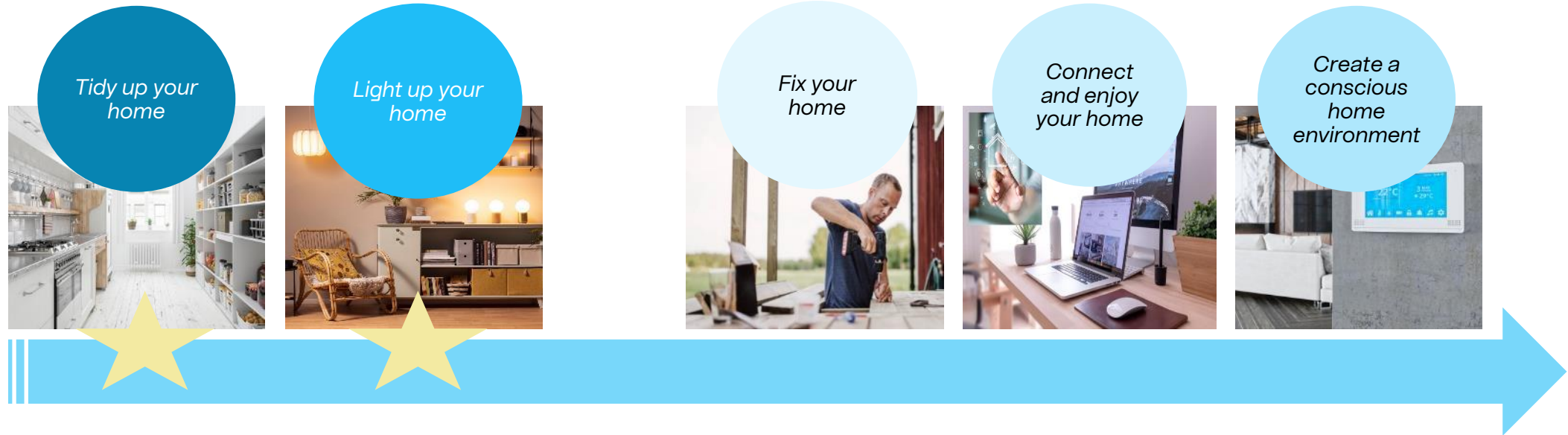
Win in Finland

- Ongoing optimization of store network
- Member sales up 12%

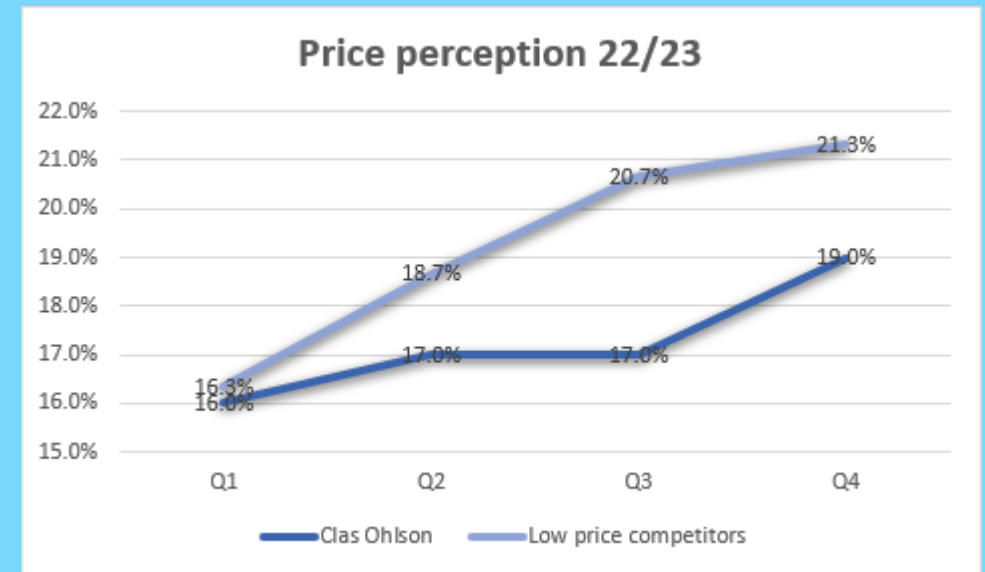
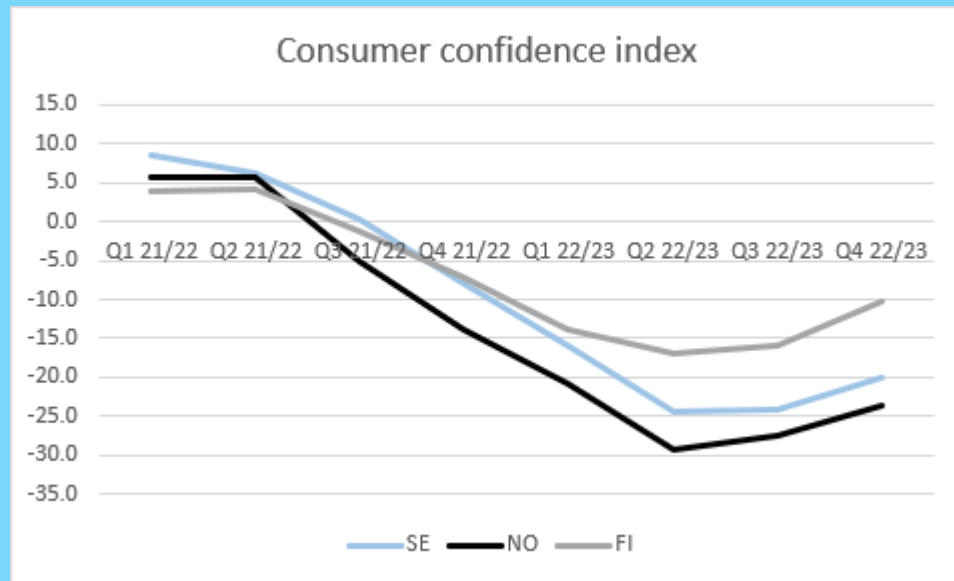
Sales development per month (SE)



Prioritized categories driving growth



Consumers cautious and price sensitive – Clas Ohlson continue to stay ahead



*Source: Clas Ohlson brand tracker.
0 = cheap, 100 = expensive



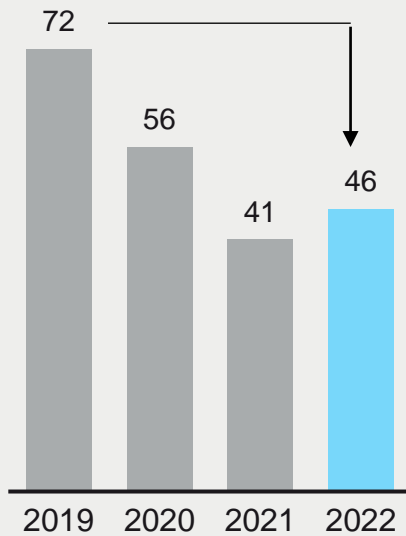
Helping customers to a more sustainable life

Products		Suppliers		
Spare parts	Product assessments	Free from critical findings	Environmental assessments	
>120 stores	53.1% (Q3 50.4%)	99.6% (Q3 99.0%)	93% (Q3 85%)	Planet
Continuos roll-out of spare parts in physical stores in all markets	Share of (net sales of) private labelled products have been assessed and classified in accordance with Product Sustainability Assessment Model (PSAM)	Suppliers free from critical findings in relation to our Code of Conduct	Environmental assessments still cover 93 per cent of our purchase volume. 178 environmental assessments conducted (Q3 168)	
				People
				
				Society

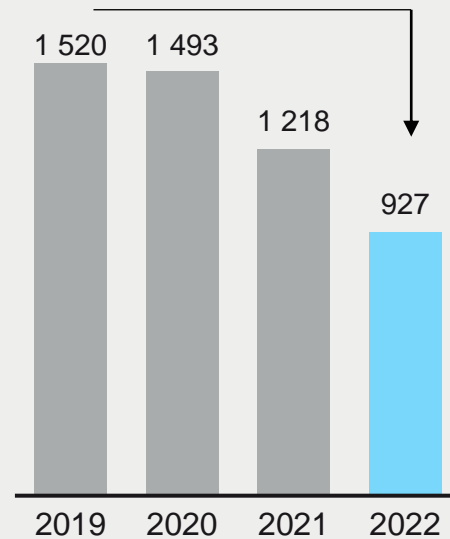


Significant CO₂ emission reductions in own operations

SCOPE 1, ton CO₂e



SCOPE 2, ton CO₂e



-23%

CO₂ emission decrease in own operations (Scope 1+2) in 2022 (calendar year)

-39%

CO₂ emission decrease in own operations (Scope 1+2), (from base year 2019)

Targets:

Climate neutral and fully circular by 2045

Climate neutral in own operations (Scope 1+2) by 2026

In Q4 22/23
Clas Ohlson has
committed to the
Science Based Targets
initiative



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION





Financial development

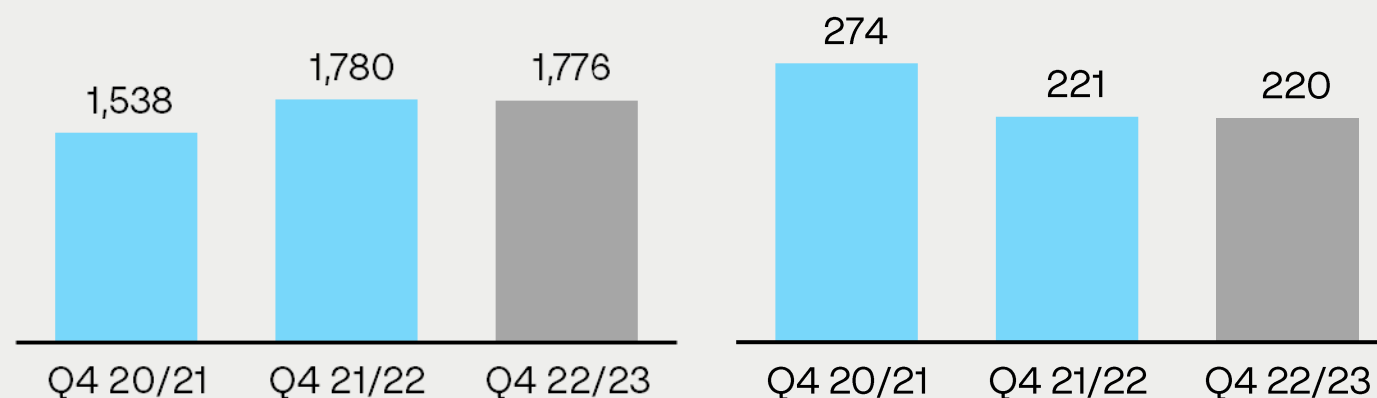
Sales development

Total sales, MSEK

Online sales, MSEK

Q4

- **Total sales unchanged at 1,776 MSEK**, organic sales up 2%
- **Online sales unchanged**
- The store network has decreased by 7 stores compared to end of period last year

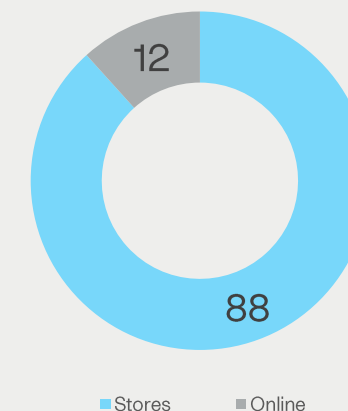
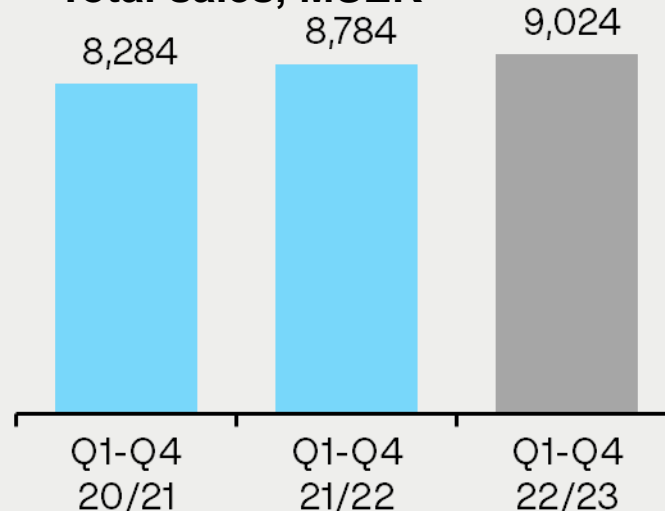


Q1-Q4

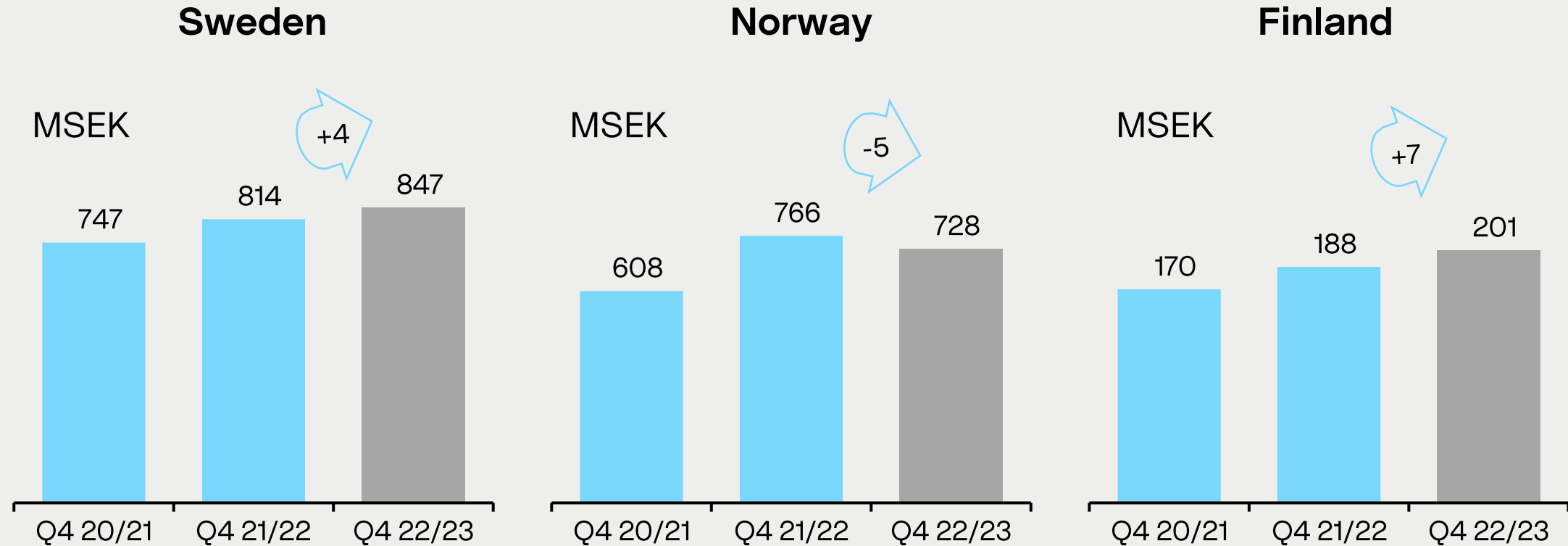
- **Total sales up 3% to 9,024 MSEK**, organic sales up 1%
- **Online sales up 9%**
- The store network decreased by 7 stores during Q1-Q4

Total sales, MSEK

Online share of total sales (R12), %



Sales per market



Organic
growth:

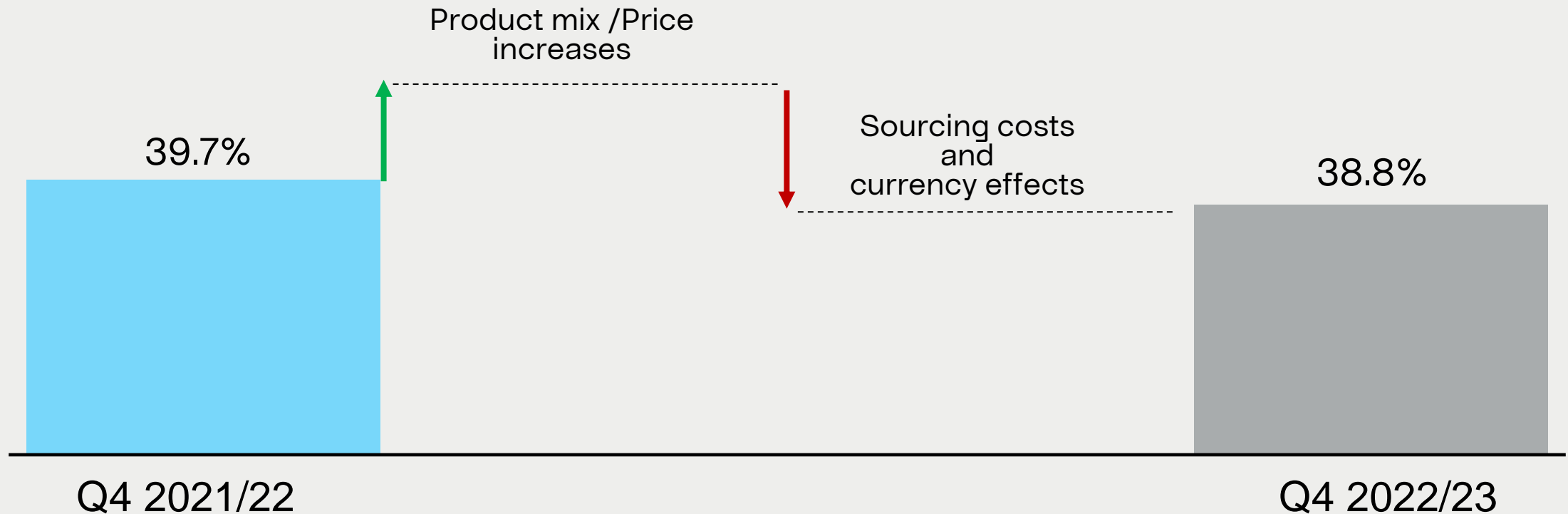
Q4: **+4%**
Q1-Q4: **+3%**

Q4: **+2%**
Q1-Q4: **+1%**

Q4: **0%**
Q1-Q4: **+1%**



Gross margin affected by macro related factors - essentially offset by price increases and favourable product mix



Financial overview

MSEK	Q4 22/23	Q4 21/22	Q1-Q4 22/23	Q1-Q4 21/22
Operating profit	-7	-10	305	719
<i>One-off items</i>	-	-	154	-25
<i>Operating profit excl. one-off items</i>	-7	-10	459	695
Profit after financial items	-22	-25	242	656
Profit for the period	-23	-16	181	523
EPS before dilution, SEK	-0.36	-0.25	2.85	8.25

Share of selling expenses, Q4

35.9%

(37.4%)

Aministrative expenses, Q4

40 MSEK

(48 MSEK)

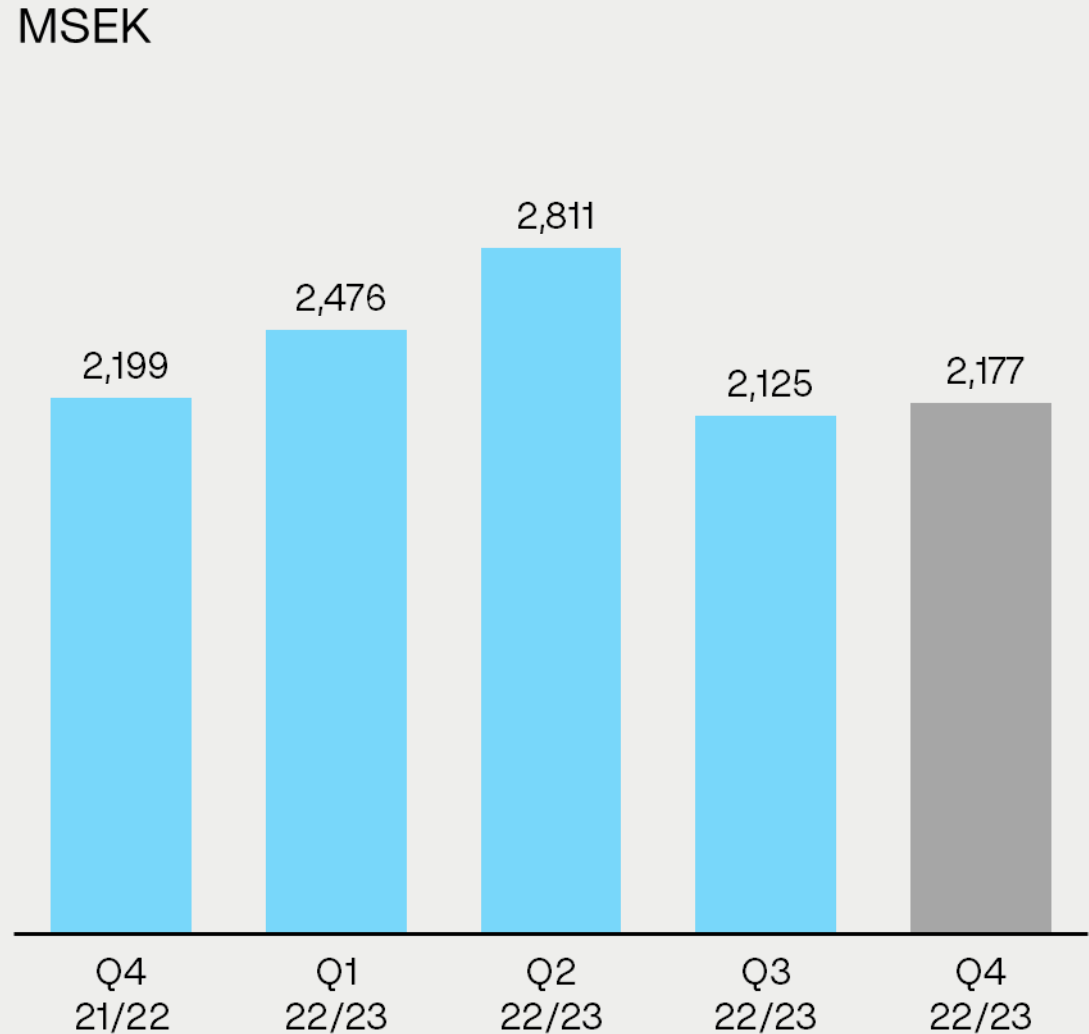
EBIT-margin, Q4

-0.4%

(-0,6%)

Effective inventory management

- **Inventory level:** 2,177 MSEK (2,199) at the end of the period
- **Average inventory level LTM:** 2,397 MSEK (1,986)
- **Inventory turnover rate DC:** 4.5 (5.5)



Cash flow and financial position

MSEK	Q1-Q4 22/23	Q1-Q4 21/22
Cash flow from operating activities, before change in working capital	1,001	1,295
Change in working capital	-60	-309
Cash flow from operating activities	941	986
Cash flow from investing activities	-123	-158
Cash flow from financing activities	-1,129	-909
Cash flow for the period	-311	-81

Approved credit facilities

800 MSEK
Of which utilized 244 MSEK

Dividend pay-out

824 MSEK
(396 MSEK)

Net debt/EBITDA excl IFRS 16

0.2x
(-0.5x)



Macro trends with business impact

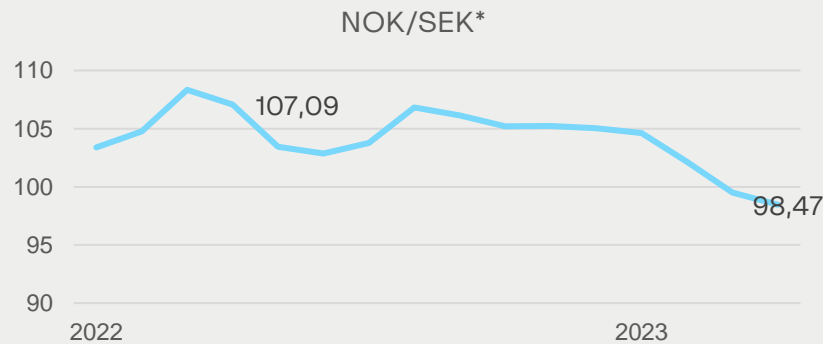
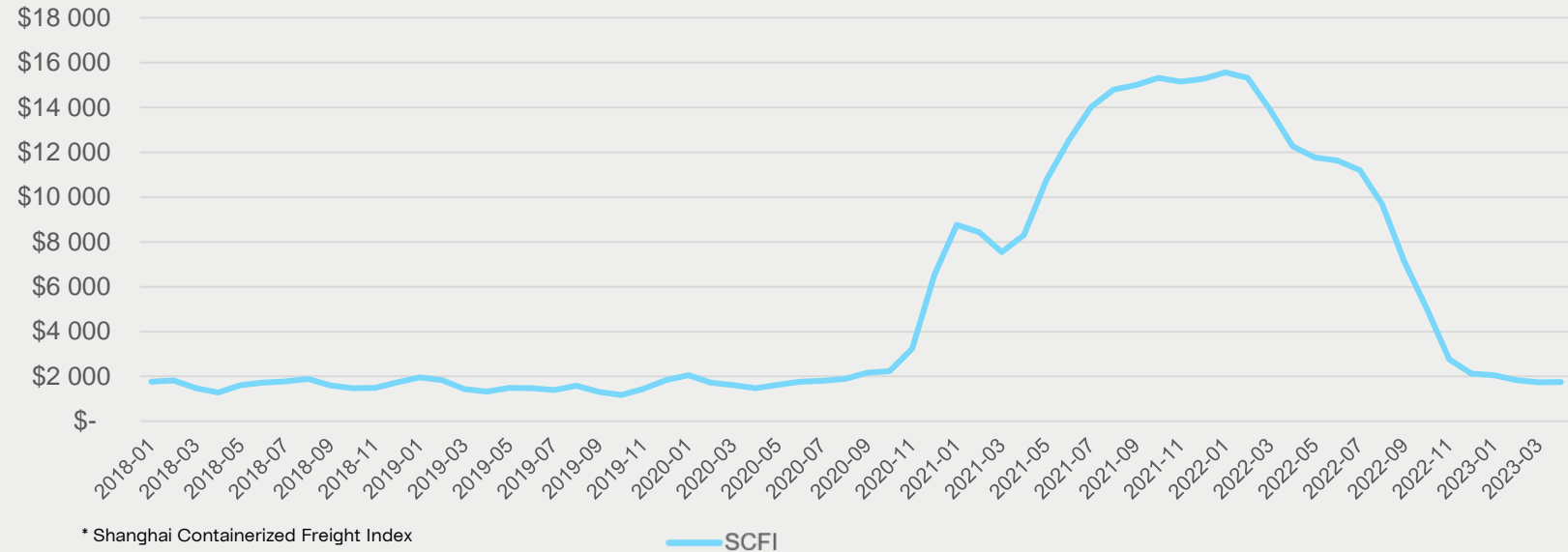
Factors impacting Clas Ohlson:

- 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

Proactive measures:

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

Spot prices for 40t containers from Asia to Gothenburg



* Monthly average, The Riksbank/Nasdaq





Events after the reporting period

Continued focus on internal cost efficiency by simplifying ways of working

1

2022/23

- ✓ Reduced office functions by approx. 85 FTEs
- ✓ Re-assessment of IT-systems
- ✓ Reducing office space

One-off costs Q3 2022/23: 119 MSEK

2

2023/24

- ✓ Reduced office functions by approx. 75 FTEs
- ✓ Re-assessment of IT-systems finalized

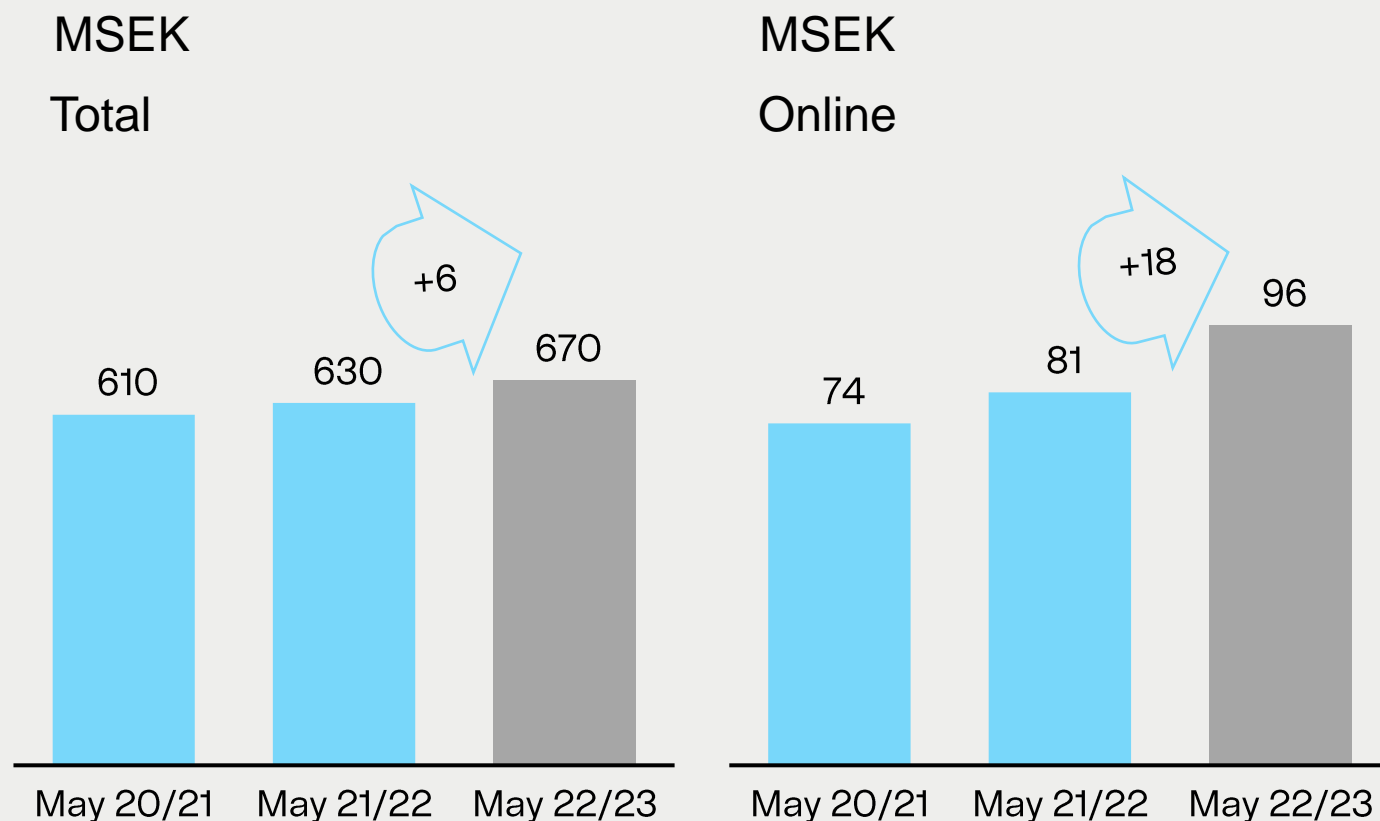
*One-off costs 2023/24: approx. 180 MSEK
Major part non cash effect*

Cost savings and reduced depreciation of:

- 1 approx. **110 MSEK** with full effect from 2023/24
- 2 approx. **100 MSEK** on a full year basis

May sales development

- Total sales up 6% to 670 MSEK, LFL up 11% and organic sales up 8%
 - Sweden +13% organic
 - Norway +8% organic
 - Finland -3% organic
- Online sales up 18%
- Decrease of 6 stores compared to end of May last year



Proposed dividend

- Proposed dividend 1.50 SEK per share

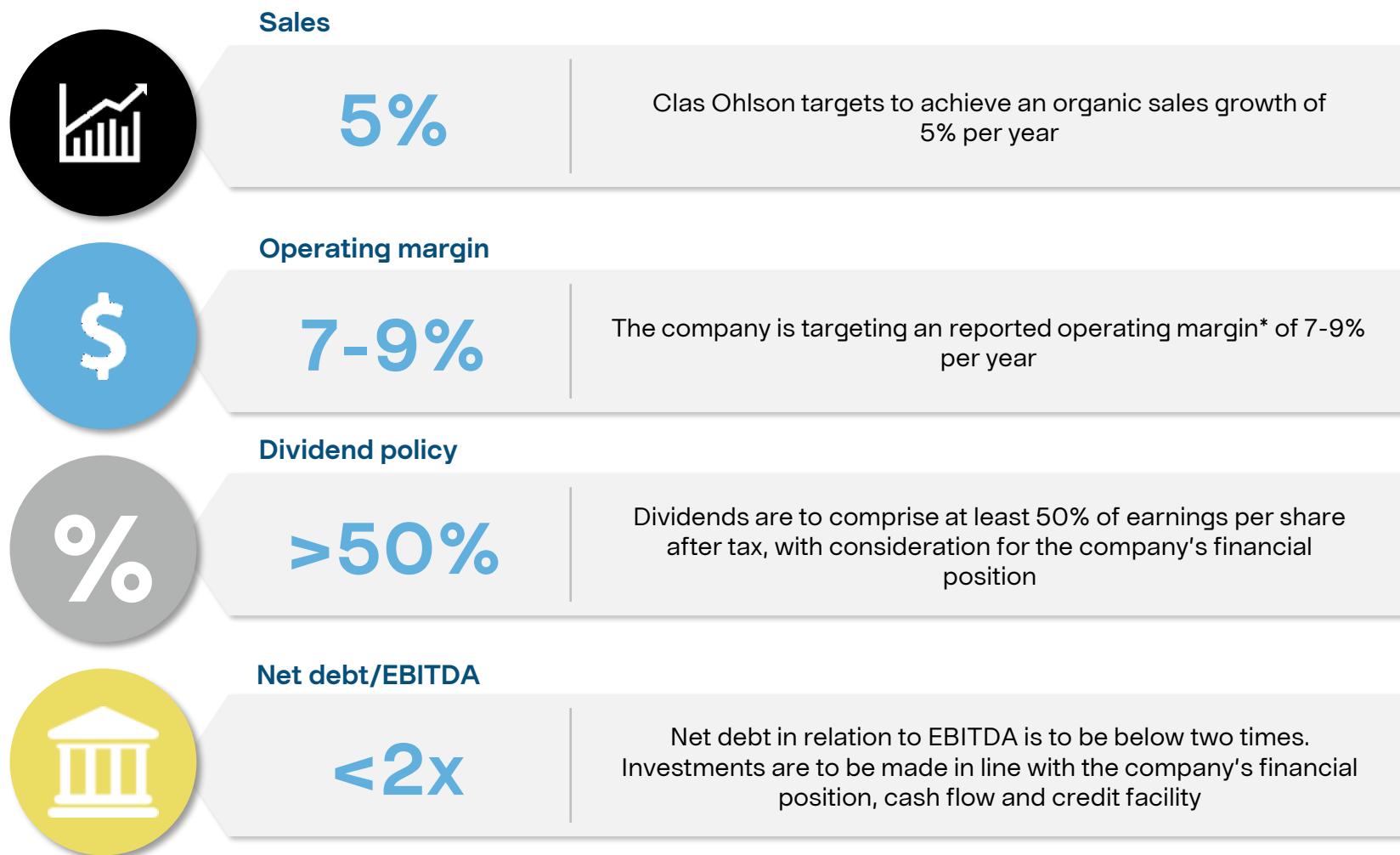
In line with dividend policy: *At least 50 per cent of earnings per share after tax, with consideration for the financial position*





Strategy update and summary

Financial targets and framework - unchanged



Focus areas 2023/24 for profitable growth

+ Make assortment relevant 12 months/year



Drive profitable growth with five customer missions that builds our position as the #1 choice for home fixing

+ A profitable and growing online business



Drive profitable growth by a developing the online channel and a broader assortment adapted to online customers shopping behavior

+ Expand the store network



Drive profitable growth by opening new stores in the right location at the right cost

+ Efficient customer communication



Drive profitable growth via optimised marketing and value creation through Club Clas

A competitive cost base
Execution on our sustainability agenda

Expansion of store network

- Solid current store network with positive LFL
- Reduced cost base an enabler for profitable growth by store expansion going forward
- Stores & e-com supporting each other
- Recently opened stores performing well
- Ongoing and constructive dialogue with landlords
- As of today, two new rental leases have been signed
 - we are planning for expanding the store network by approx. a net total of 10 stores during the financial year



Positioned for sustainable and profitable growth

- Solid development in a tough retail market
- Continued uncertainty around consumer spending
- Relevant assortment, value for money and increased flexibility is key
- Improved customer satisfaction and a strong price position
- Executed on cost saving measures - continued cost focus going forward
- Full focus on capitalizing on our unique strengths





Q&A

