

Q1 report

07 September 2022

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President & CEO



Agenda

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

- ✓ Rapid pace of change in weak market with low consumer confidence
- ✓ Q1 results below expectations after summer bet not paying off
 - Sales decreased by 1% to 2.04 BSEK
 - Operating profit 19 MSEK (ex one time cost of UK closure)
- ✓ Continued strong financial position
 - Strong cash position & net debt/EBITDA –0.4*
- ✓ Value for money, cost efficiency and flexibility important going forward

*Excl IFRS 16



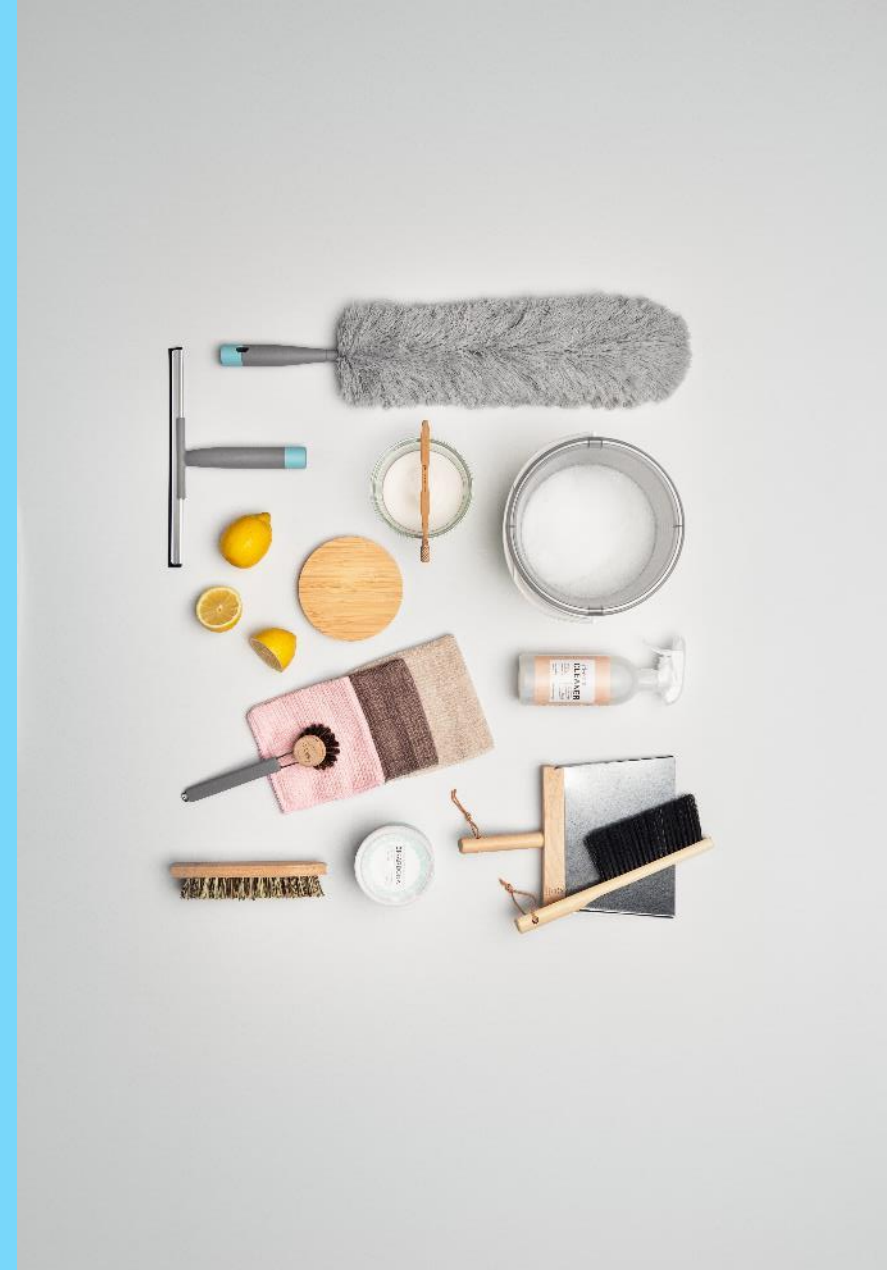


Business update

Q1 2022/23 in brief

- ✓ Organic sales -3%
- ✓ Total sales -1%
- ✓ Online sales +6%
- ✓ Gross margin 35.1% (39.5)
- ✓ EBIT-margin decreased to -0.8% (7.2) incl. UK closure cost
- ✓ Strong cash position & net debt/EBITDA -0.4*

*Excl IFRS 16



Preparations for a strong summer season

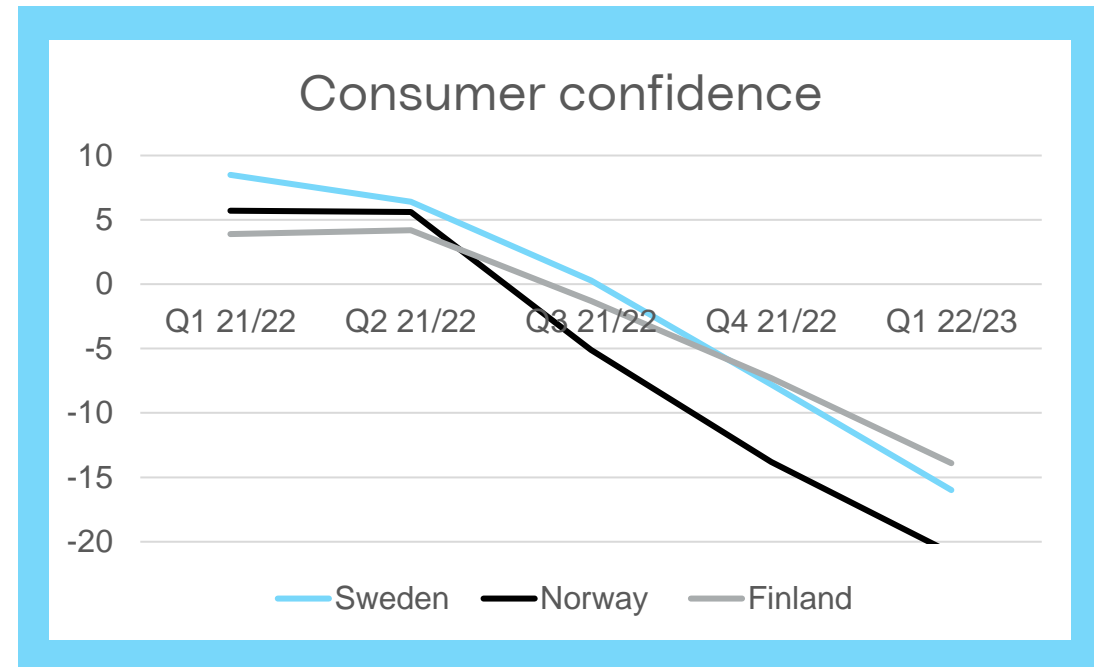
- Placed a bet on an early and strong summer season
- Distributed larger volumes to stores to be prepared
- Sales started later and overall, below expectations – high campaign pressure as of end June
- Consumer confidence continued to decline

479:-
Pelarfläkt 74 cm.
Smidig pelarfläkt för varma sommarkdagar.
36-8106

1899:-
Gardena RollUp XL slangvagn
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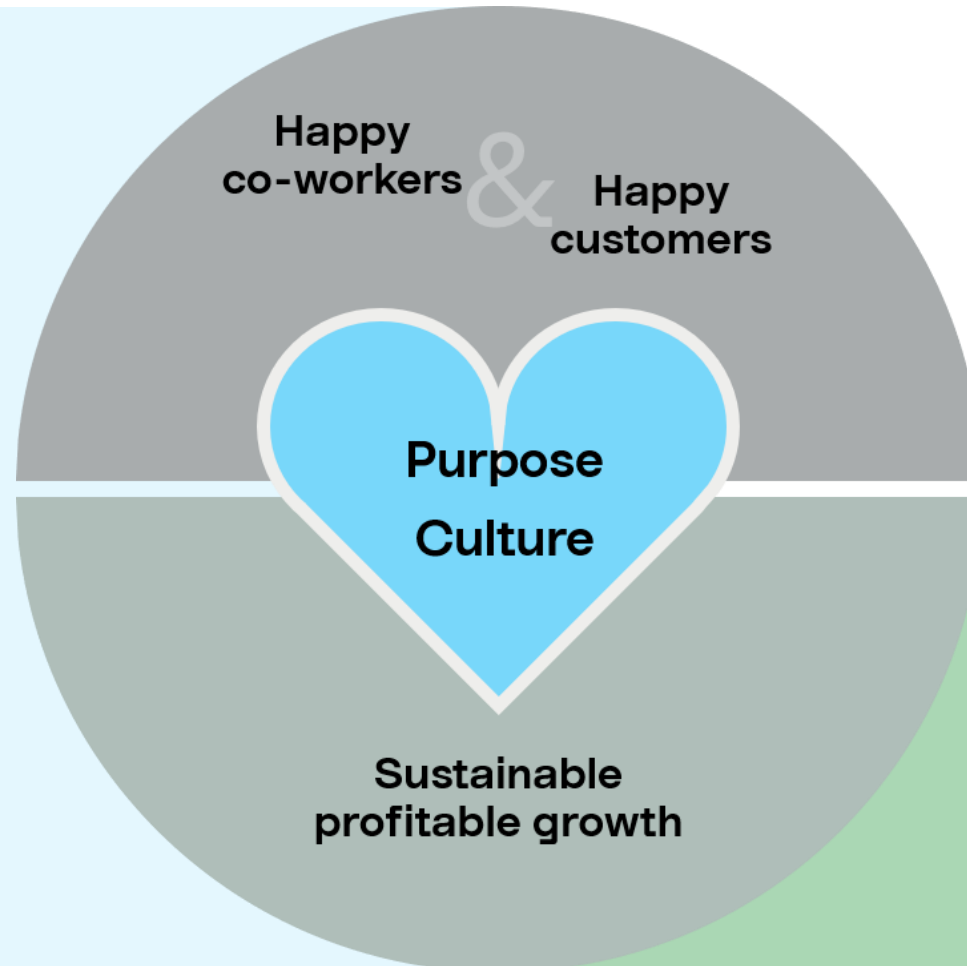
2999:-
Kärcher HighPowerControl, K4 Power Control
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Lätthanterad slangvagn.
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Cost focus in a more challenging market climate

- 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

Development of growth drivers

1



Owning key consumer missions

- Positive development of key categories
- Need based shopping increase
- Strong performance for money-saving products

2



Providing availability & convenience

- Traffic increase to physical stores in Q1 vs Q4 21/22
- Strong online conversion rate
- One new feeder store added (9 in total)

3



Core customer focus

- 4.4 million Club Clas members in total, up from 3.5 million LY
- Member sales +20% compared to Q1 LY

4

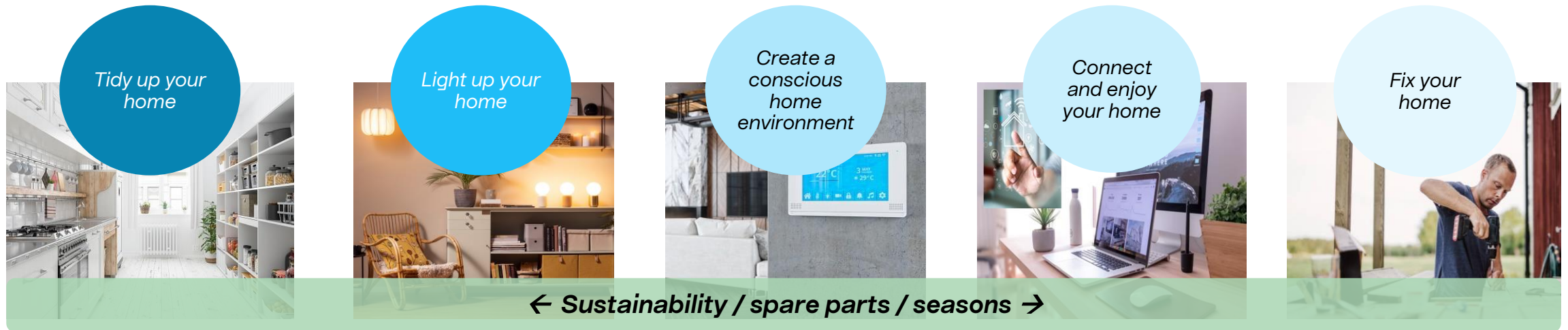


Win in Finland

- +78% CC member sales growth in Finland in Q1 compared to Q1 LY
- Price guarantee
- New marketing concept launched

24/7 relevance through consumer missions

- High focus on "need based" shopping & helping consumers save money



Consumables assortment



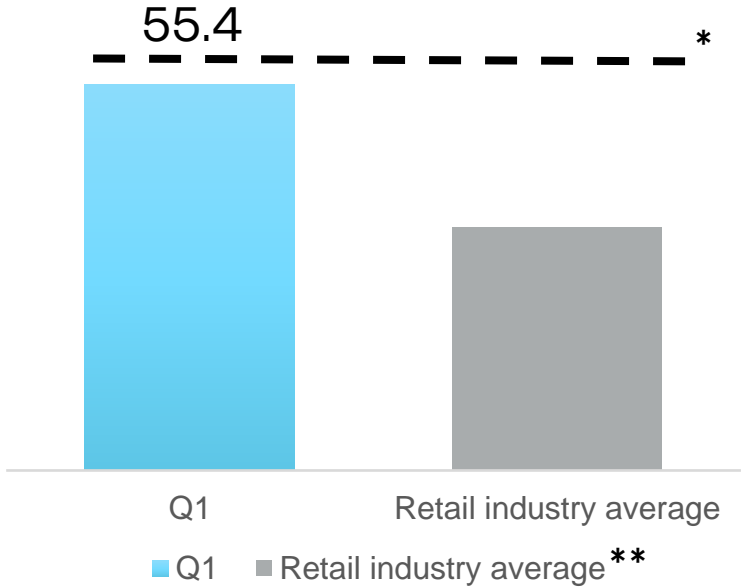
24/7 relevance through consumer missions



Assortment expansion
key part of realizing
missions

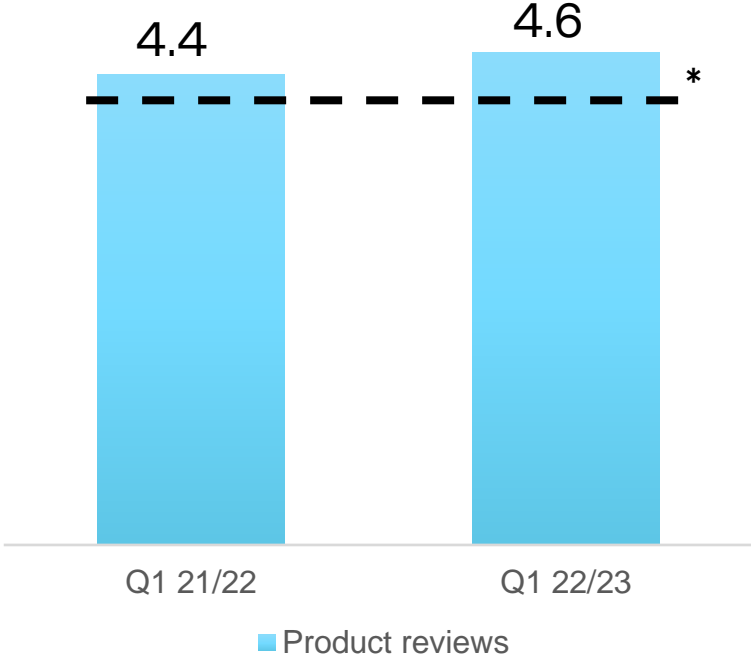
Customer satisfaction in focus

NPS



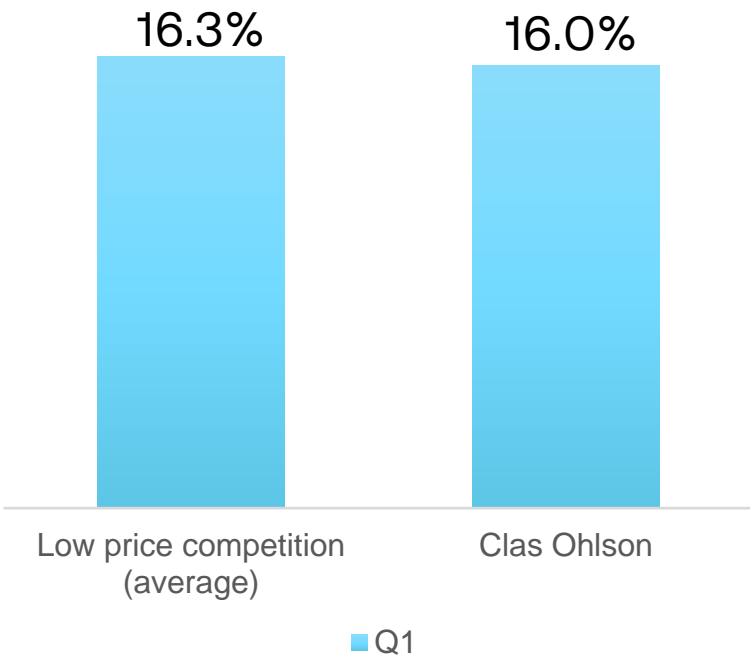
*Target
** Source: Delighted by Qualtrics

Product reviews



*Target

Price perception*

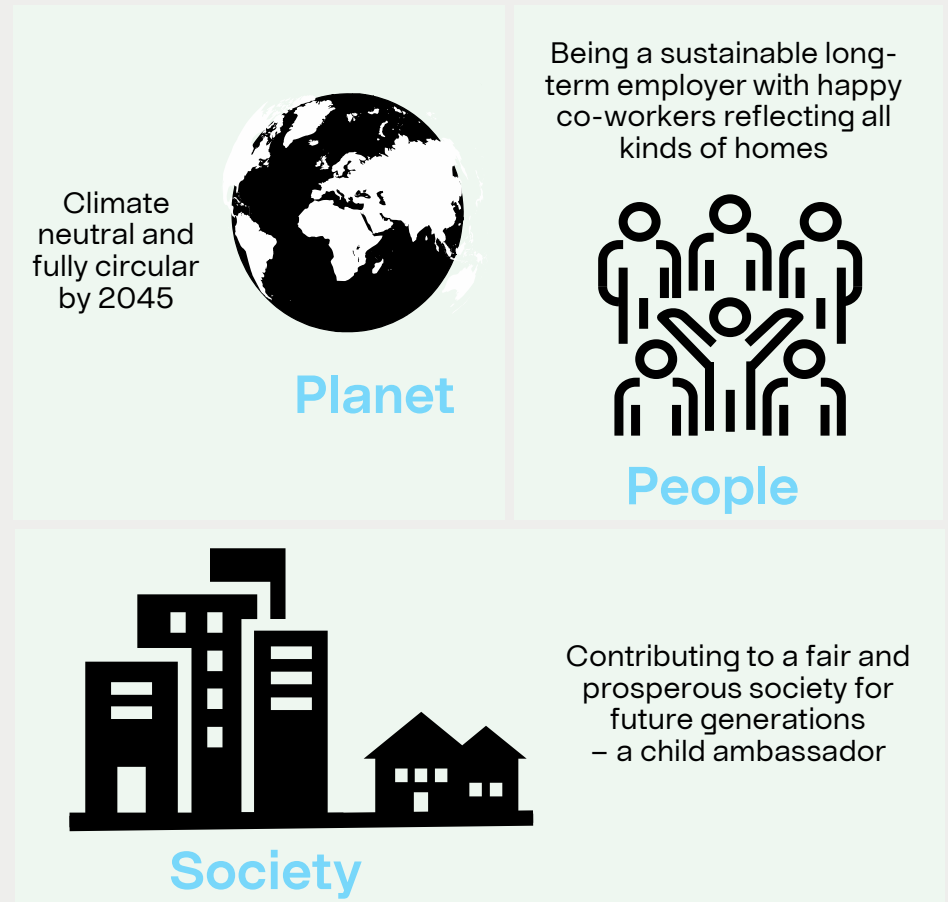


*Source: Clas Ohlson brand tracker.
0% = Cheap, 100% = expensive



Integrating sustainability in our business

- Offering of cost saving products also enabling customers to a more sustainable day-to-day life
- Continuous focus on spare parts, volume increase of 23 per cent (Q4 40 per cent)
- 99.1 per cent of suppliers free from critical findings in relation to our Code of Conduct (Q4 99.8)
- Environmental audits now cover 83 per cent of our purchase volume – 119 audits conducted (Q4 113 audits)
- 25 per cent (net sales) private labelled products have been assessed and classified in accordance with new Product Sustainability Assessment Model (Q4 22 per cent)



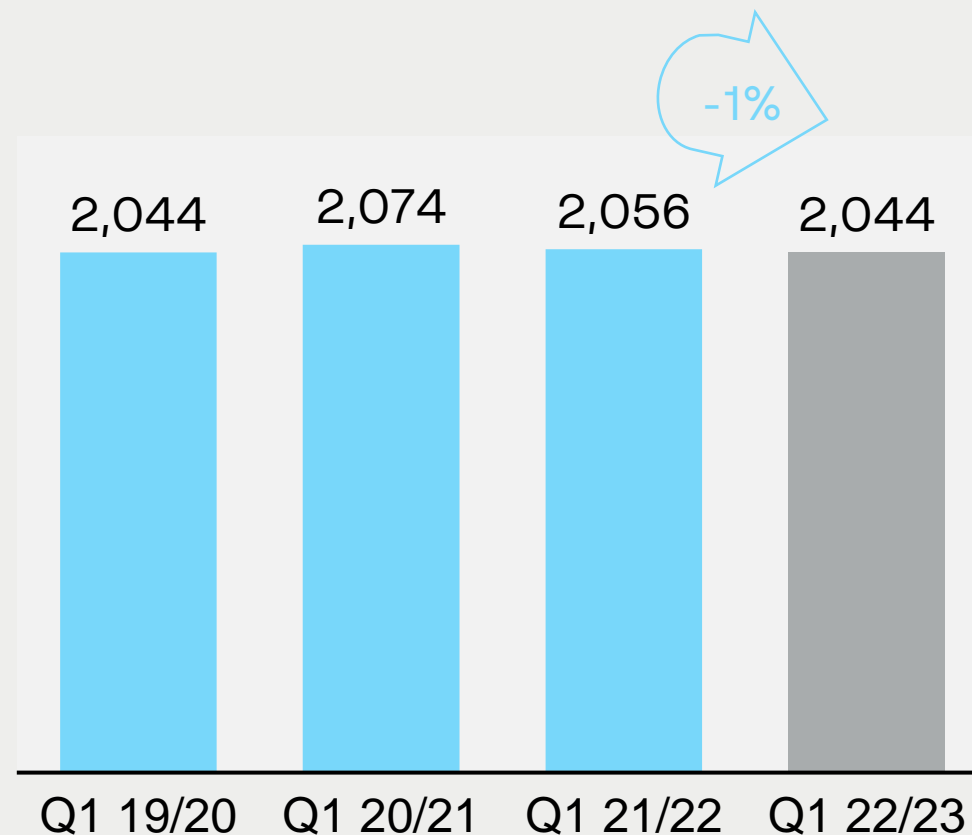


Financial development

Sales development in Q1

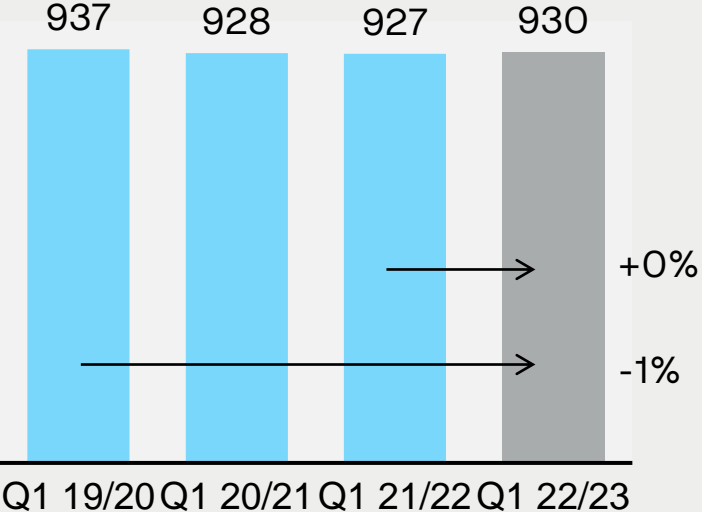
- Total sales down 1% to 2,044 MSEK, organic sales down 3%
- Organic sales development per market:
 - Sweden +0%
 - Norway -7%
 - Finland +2%
 - Outside Nordics -13%
- The store network has decreased by 3 stores compared to end of period last year

MSEK

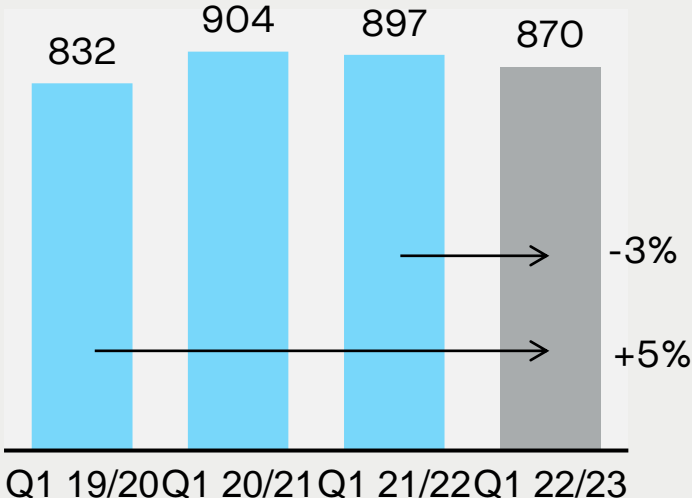


Total sales per market compared to Q1 last year and most recent pre-pandemic Q1

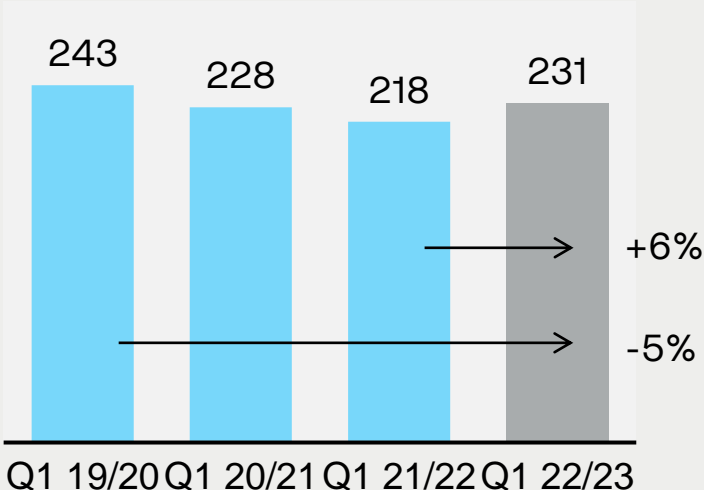
MSEK
Sweden 



MSEK
Norway 



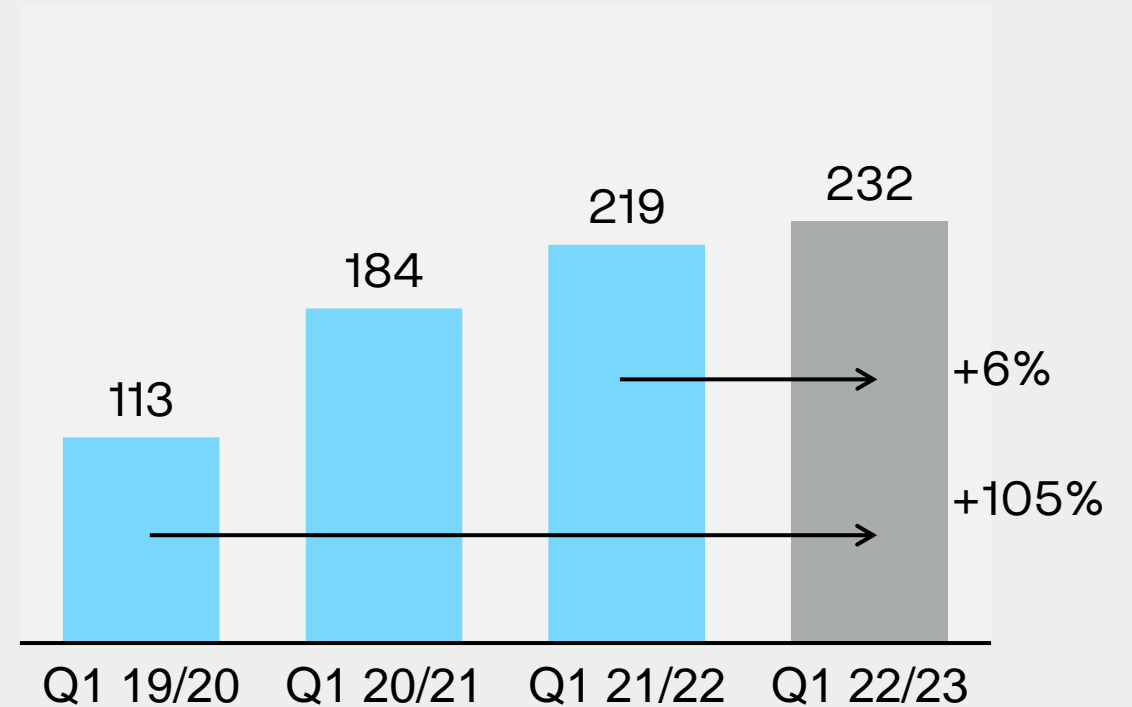
MSEK
Finland 



Online sales compared to Q1 last year and most recent pre-pandemic Q1

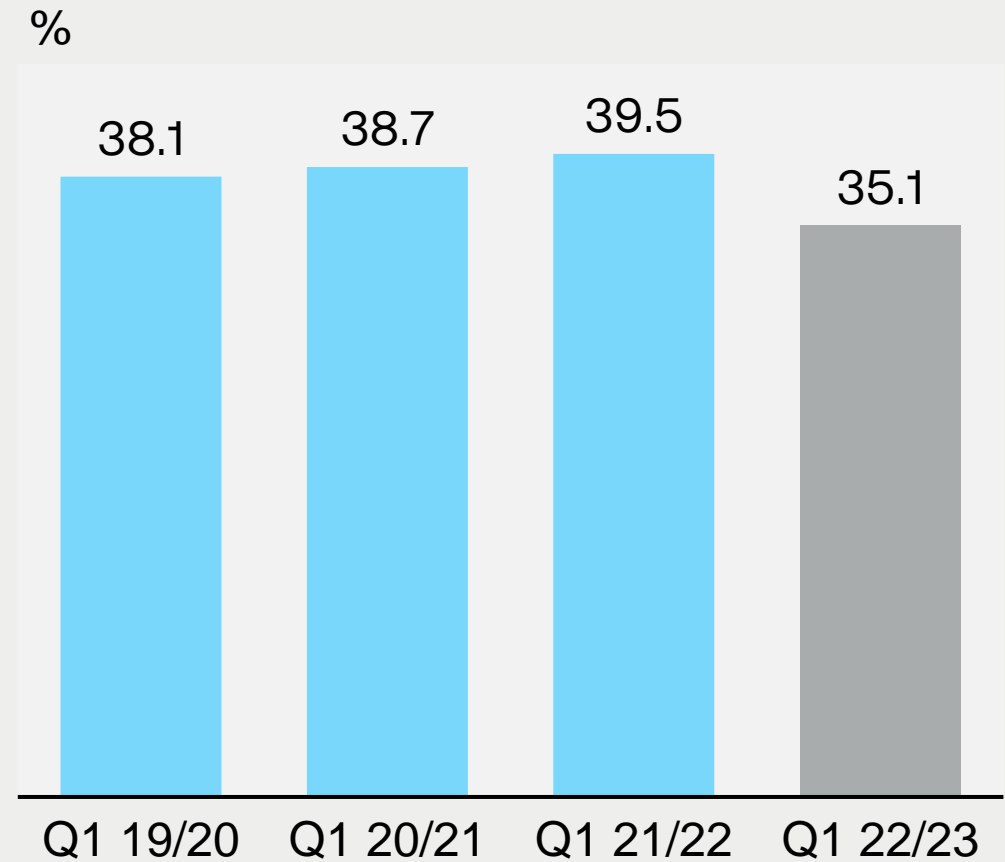
- Online sales up 6% to 232 MSEK, corresponding to approx. 11% of total sales

MSEK

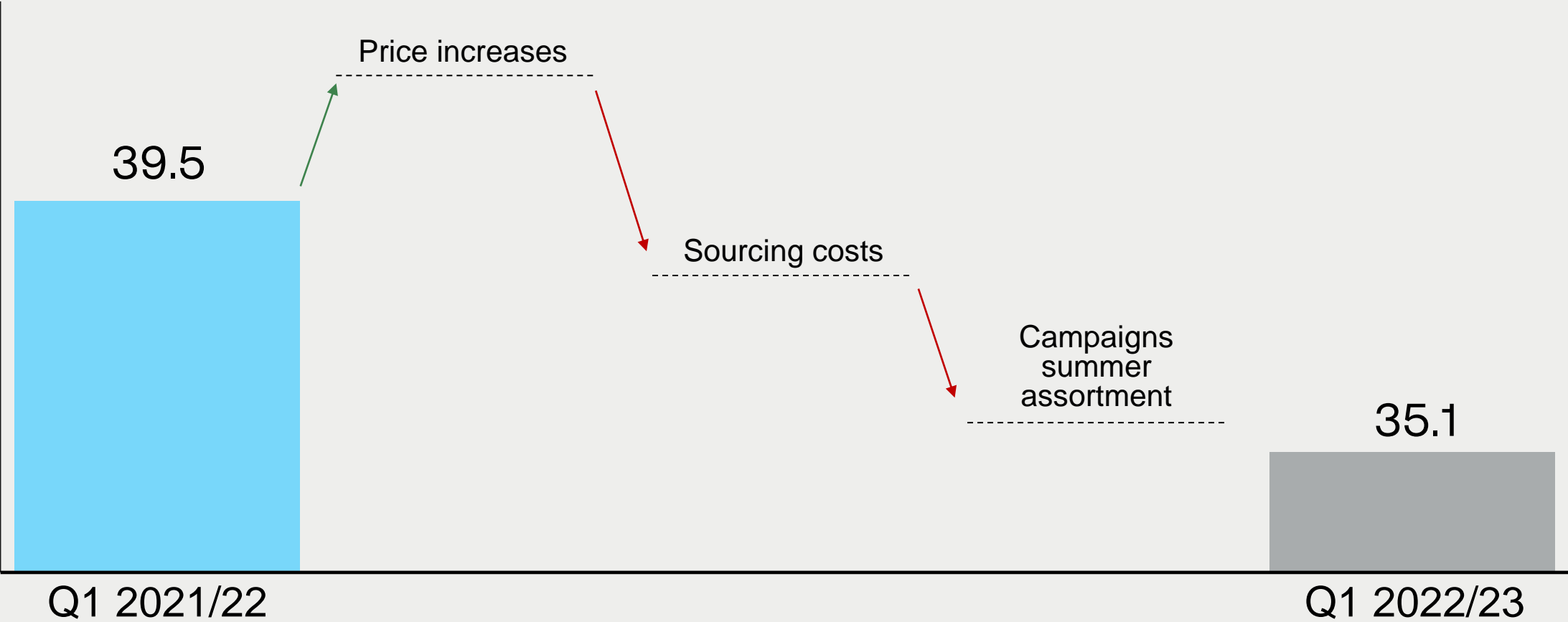


Gross margin in Q1

- Gross margin decreased to 35.1% (39.5)
→ Negatively impacted by increased sourcing costs and a higher campaign intensity



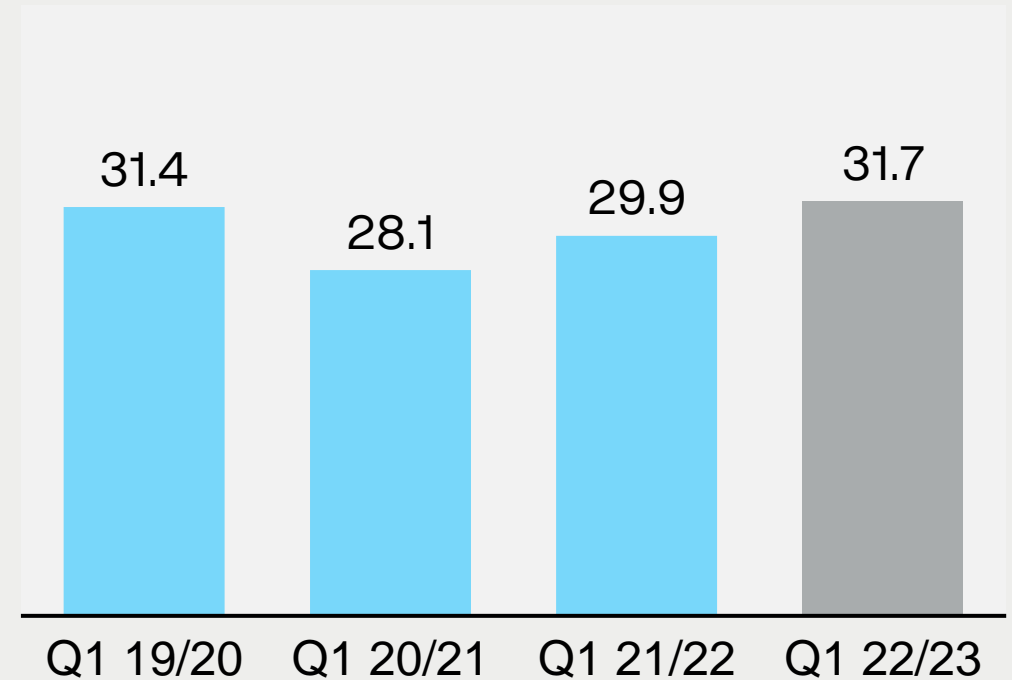
Gross margin development



Share of selling expenses in Q1

- Share of selling expenses increased by 1.9% to 31.7% (29.9), due to lower sales

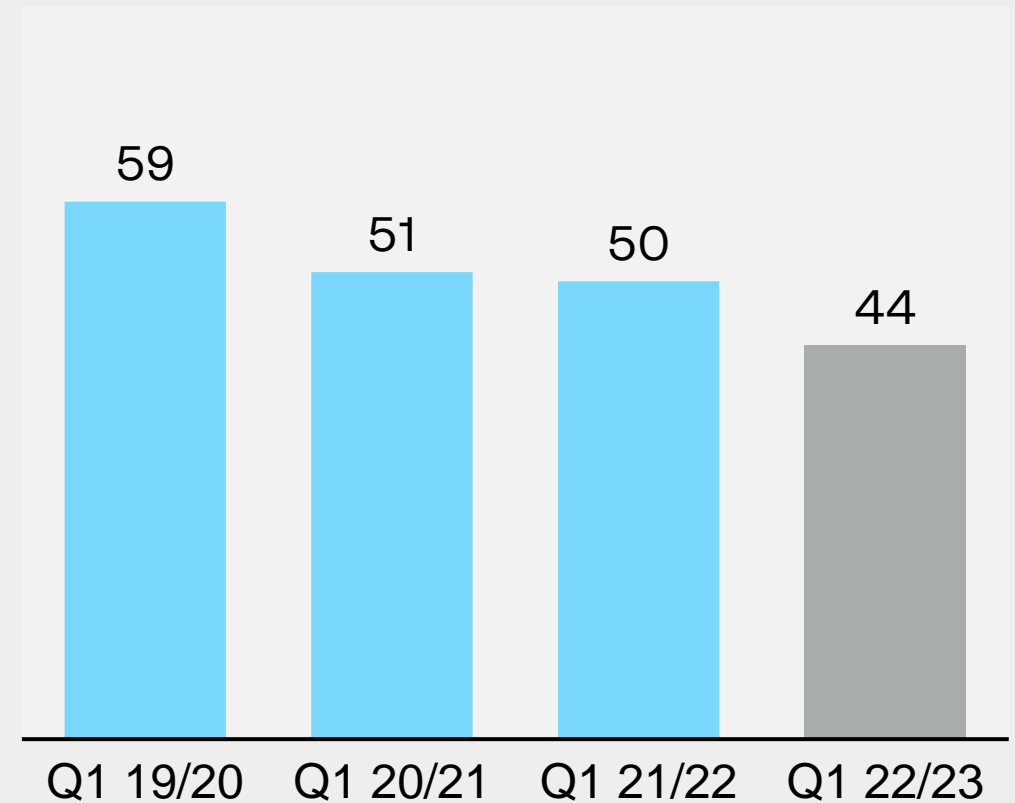
%



Administrative expenses in Q1

- Administrative expenses decreased by 5 MSEK compared to Q1 last year
- Continued cost focus

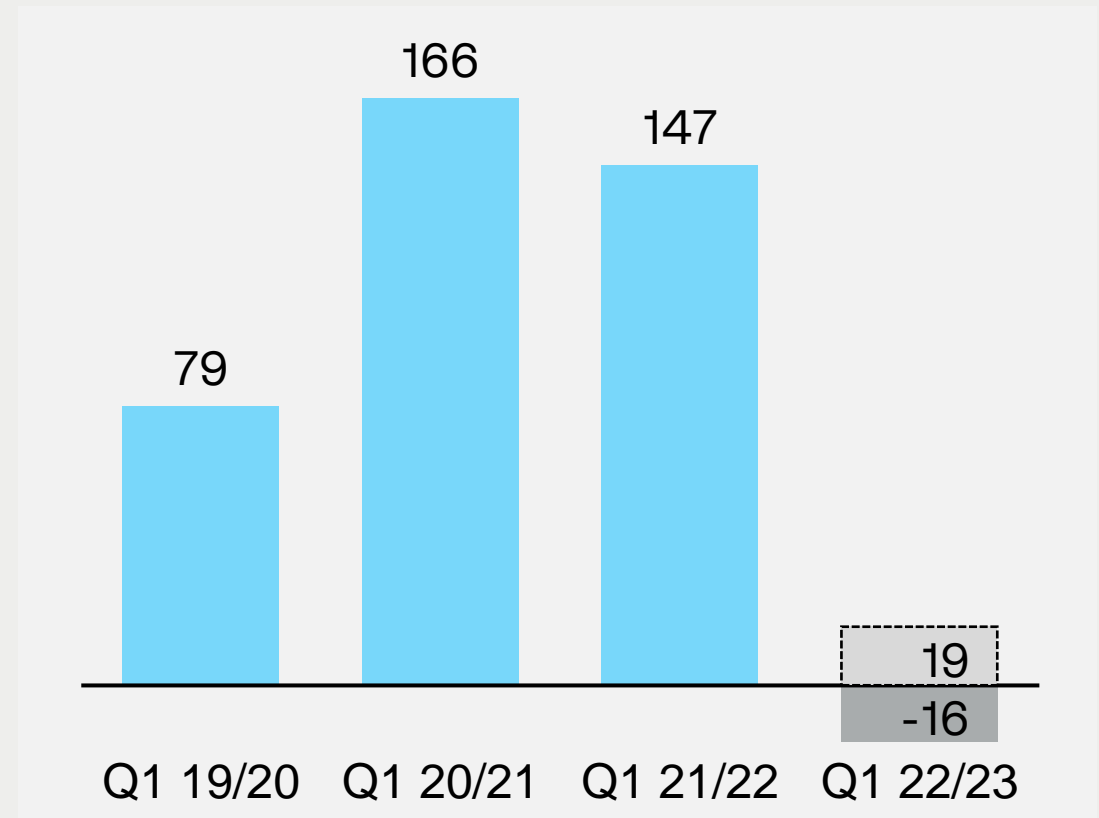
MSEK



Operating profit in Q1

- Operating profit excluding costs for the closure of operations in the UK totalled 19 MSEK (147)
- Operating profit decreased to -16 MSEK (147)
- EBIT-margin decreased to -0.8% (7.2%)
- Earnings per share was -0.38 SEK (1.63)

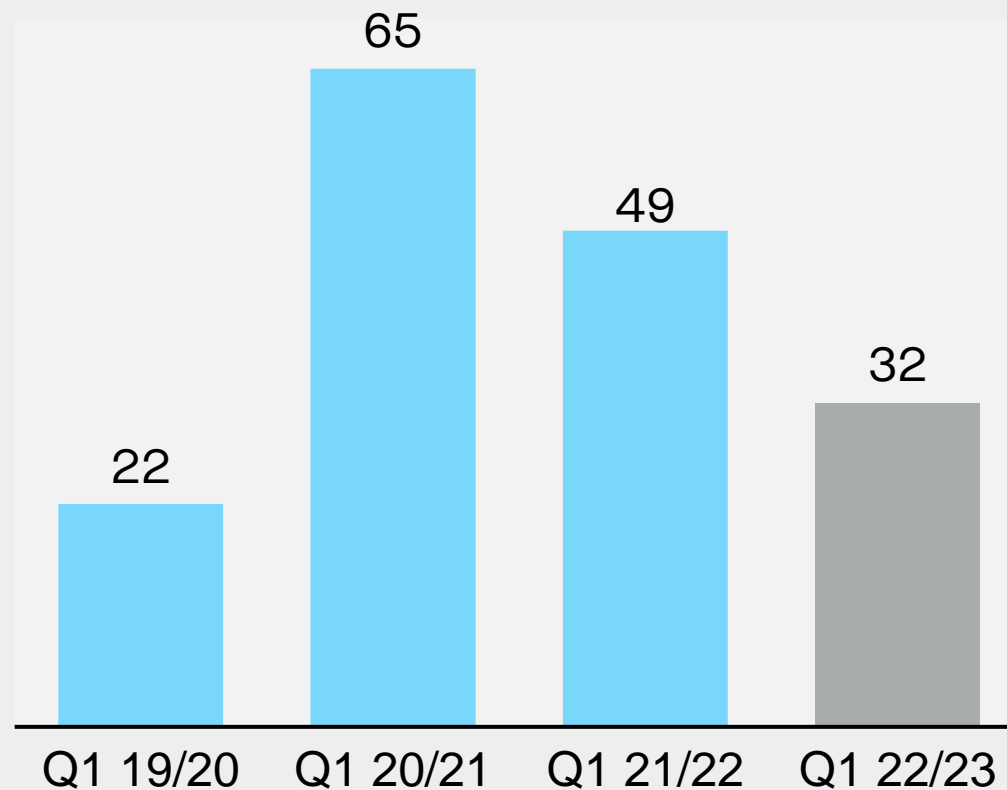
MSEK



Investments Q1

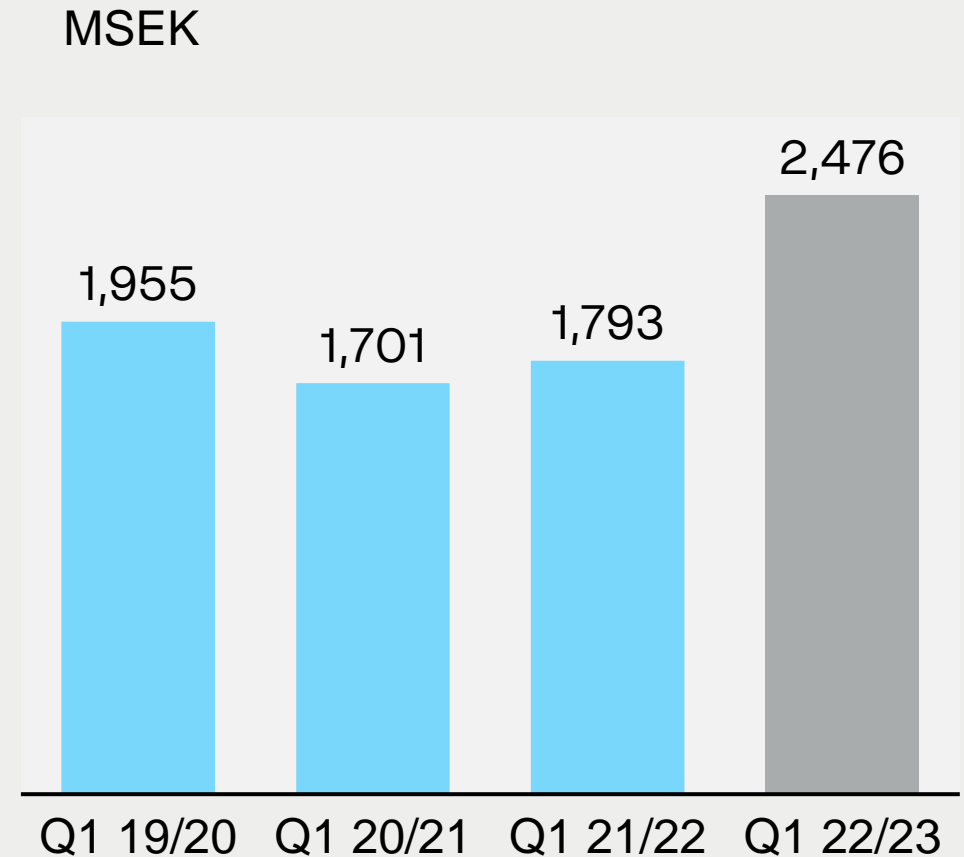
- Total investments 32 MSEK (49)
- New stores and refurbishments 10 MSEK (13)
- IT systems 17 MSEK (14)

MSEK



Inventory level in Q1

- Inventory level increased to 2,476 MSEK (1,793) at the end of the period
 - Primarily driven by earlier orders of autumn and Christmas products
- Average inventory level LTM was 2,133 MSEK (1,754)
 - Inventory turnover rate DC 5.0 (5.8)



Inventory details

- Higher inventory primarily driven by earlier orders of autumn and Christmas products – still longer lead times in supply chains
- Purchasing costs and transportation costs affecting inventory value
- Moderate level of summer items in stock, judged to be sellable next summer season

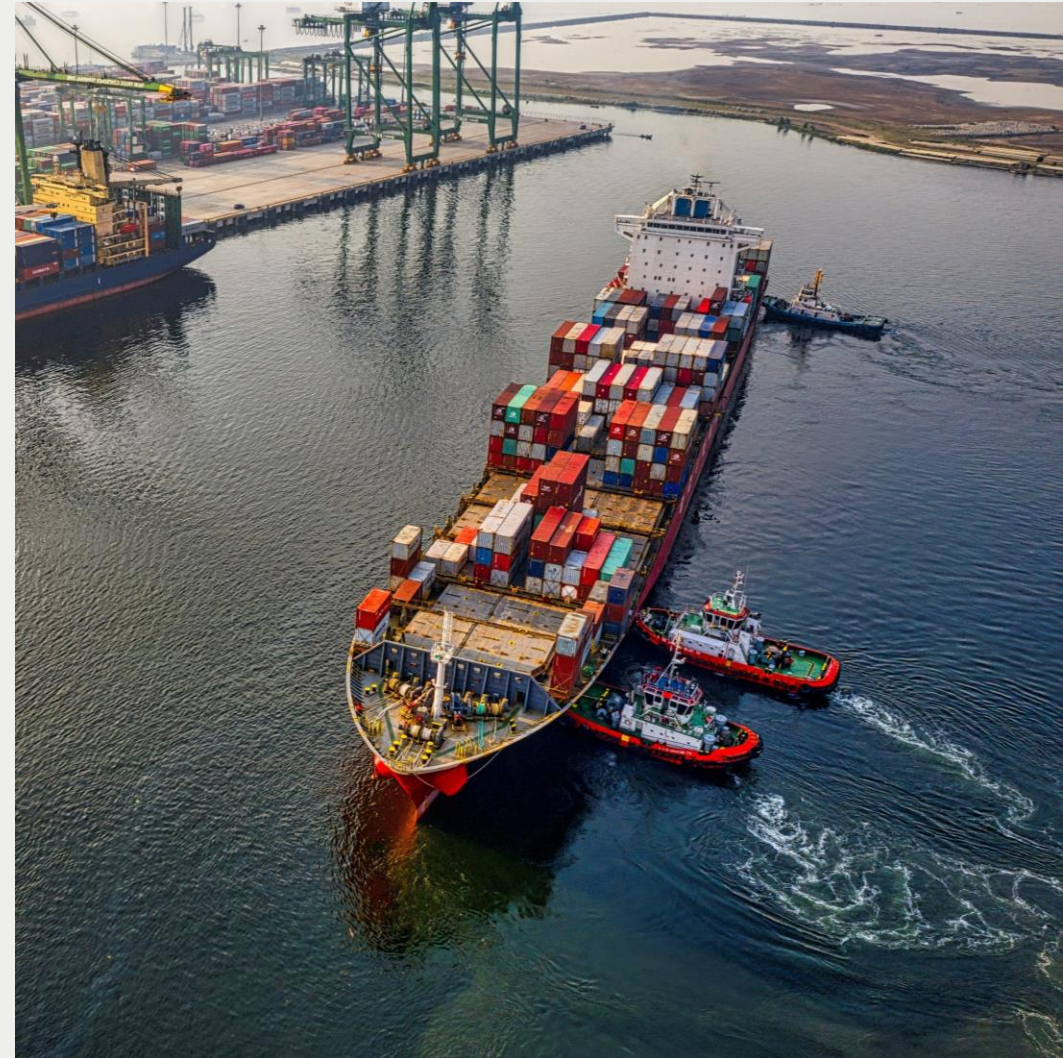
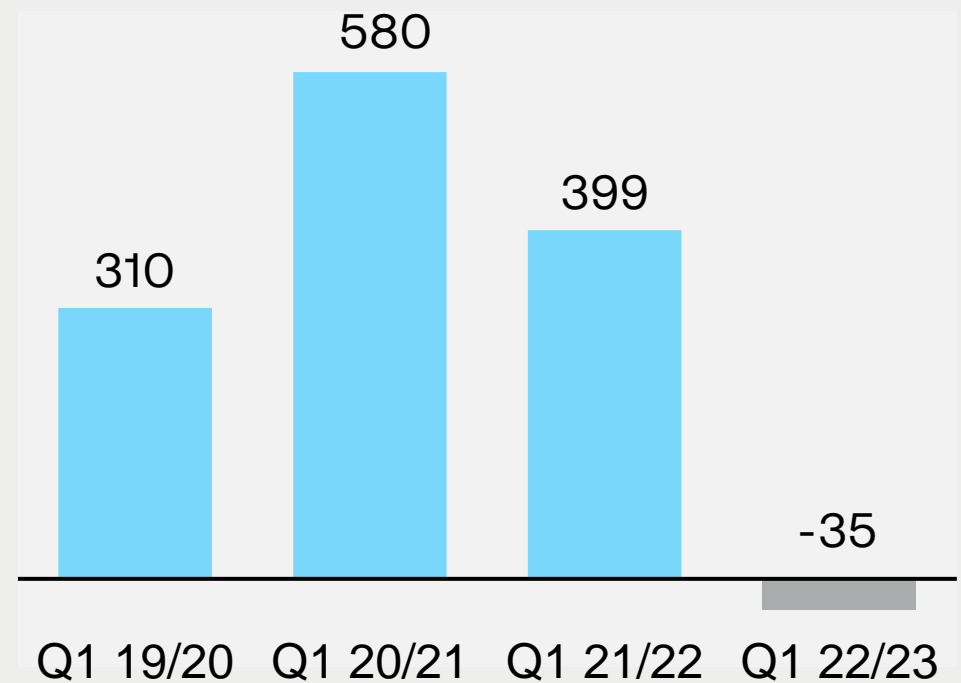


Photo by [Jeremy Bishop](#) on [Unsplash](#)

Cash flow Q1 and financial position

- Cash flow from operating activities was -35 MSEK (399)
- Cash flow after investments and financing activities was -197 MSEK (224)
- Net debt/EBITDA excl. IFRS 16 was -0.4 times (-1.0)
- Approved credit facilities of 650 MSEK of which used 0 MSEK

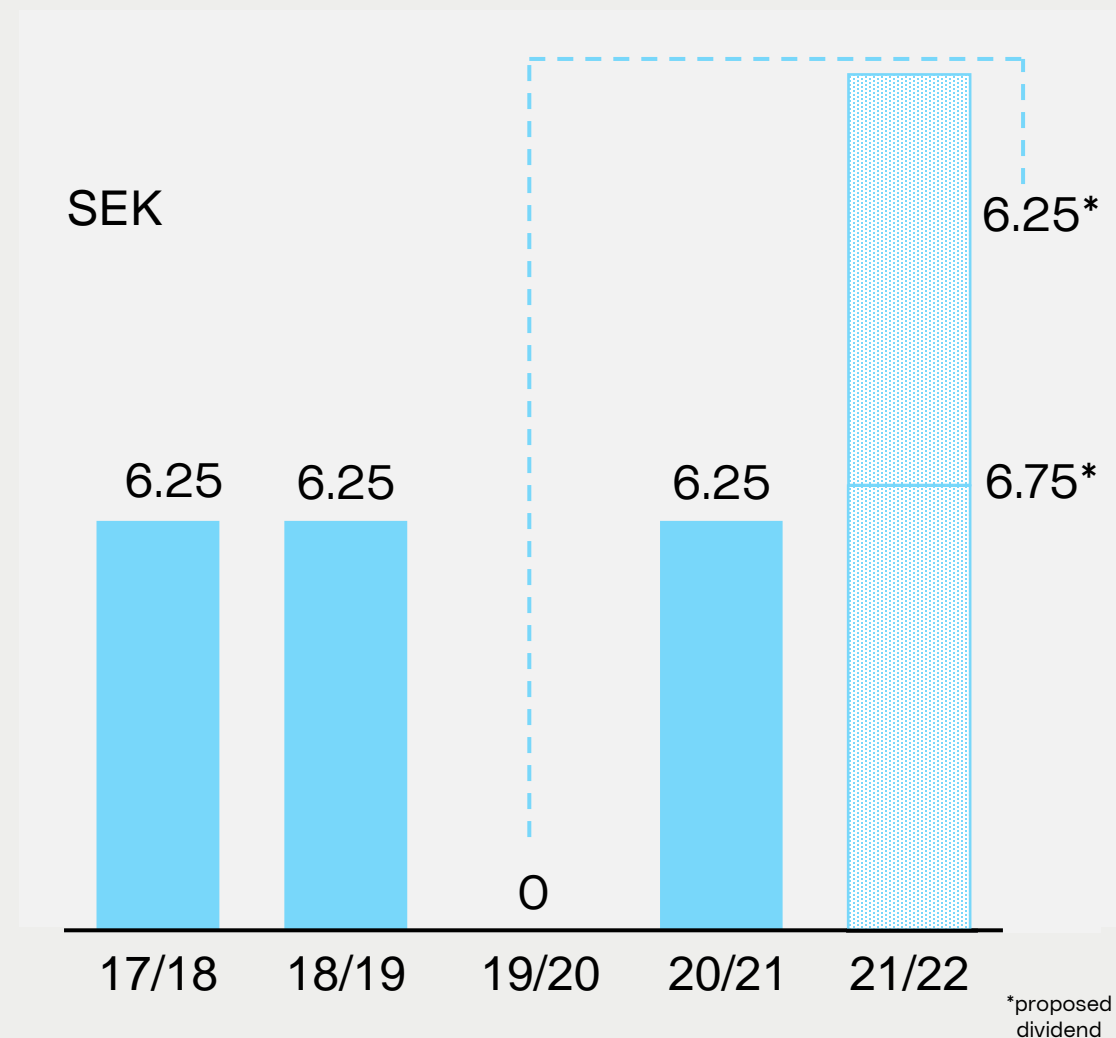
Cash flow from operating activities, MSEK



Proposed dividend

- Proposed dividend 6.75 SEK per share (6.25) to be distributed as two separate payments of 3.375 SEK
- Proposed extra dividend 6.25 SEK per share to be distributed as two separate payments of 3.125 SEK
- To be distributed as two separate payments of 6.50 SEK in September 2022 and 6.50 SEK in January 2023
- In line with dividend policy

At least 50 per cent of earnings per share after tax, with consideration for the financial position



Macro trends with business impact

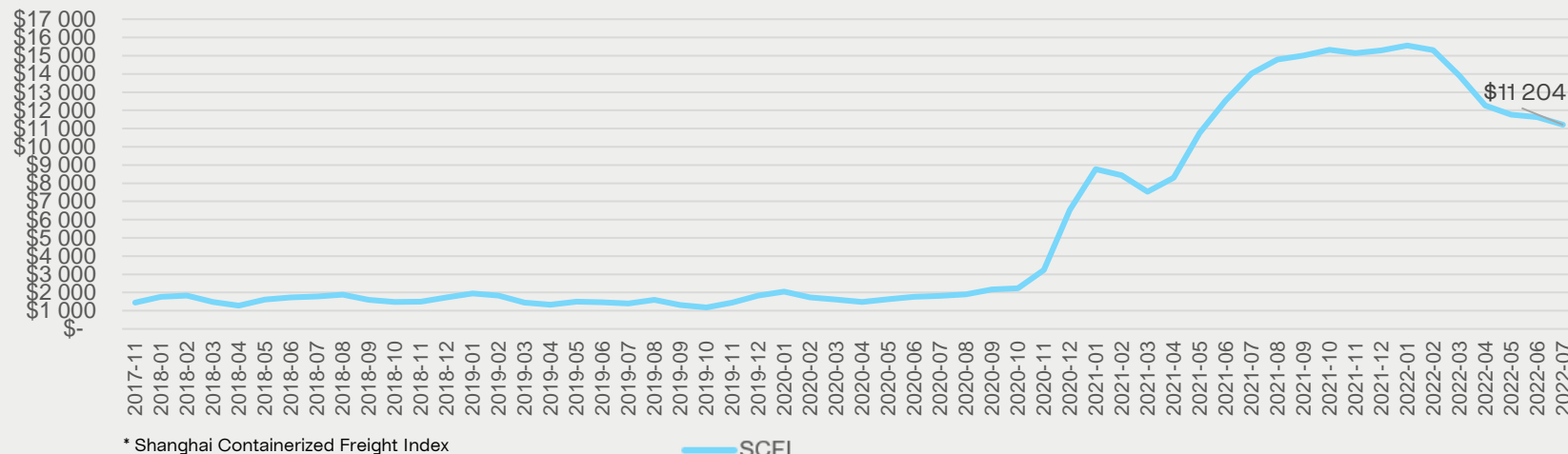
Factors impacting Clas Ohlson:

- 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

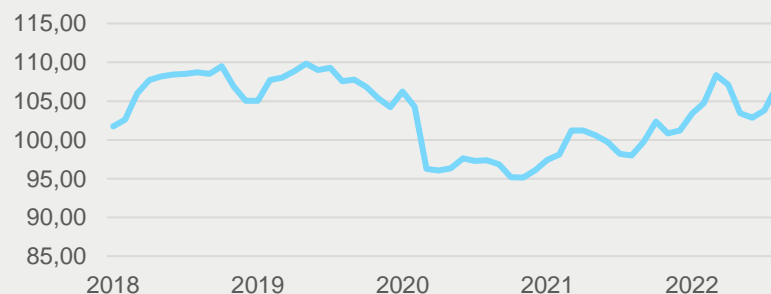
Prices for 40t containers from Asia to Gothenburg



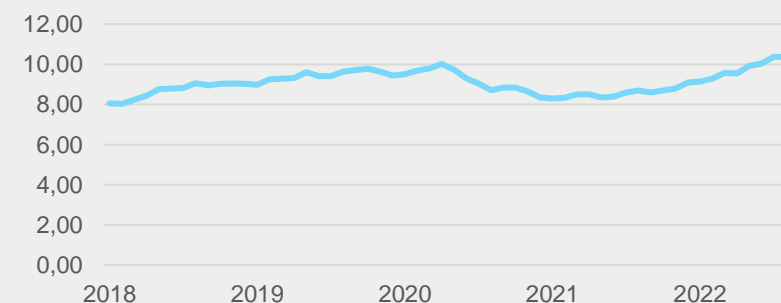
* Shanghai Containerized Freight Index

— SCFI

NOK/SEK*



USD/SEK*



* Monthly average, The Riksbank/Nasdaq

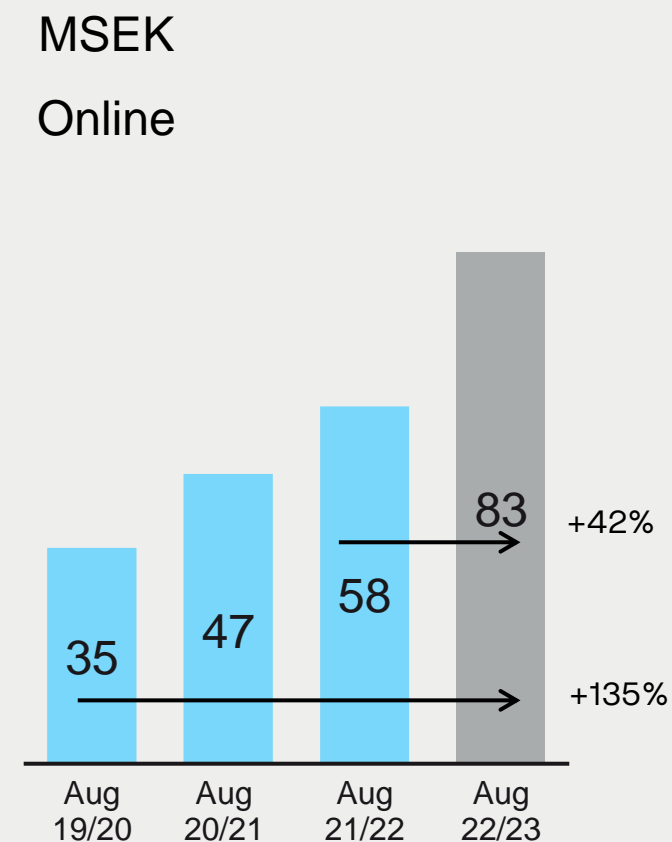
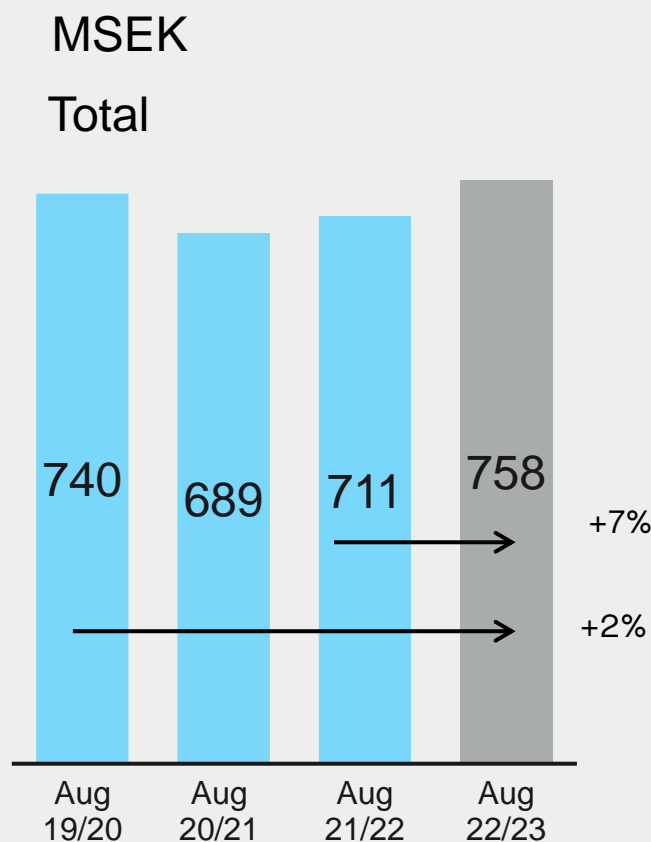




Events after the reporting period

August sales development

- Total sales up 7% to 758 MSEK, organic sales up 2%
 - Sweden +1% organic
 - Norway +6% organic
 - Finland -3% organic
 - Outside Nordics -87% organic
- Online sales up 42%
- Decrease of 4 stores compared to end of August last year





Summary

Meeting customer needs in a challenging market

- Strong track-record of adaptability and resilience
- Immediate actions to prepare for more challenging market climate
- Full focus on our three Nordic markets
 - UK closed as of August 2022
- Clear long-term priorities and targets



Clas Ohlson

Q&A



