

# CLAS OHLSON

Q2 report 2008/09



# Agenda

- Q2 2008/09
- May – October 2008/2009
- Events after period-end
- Business outlook
- Summary
- Q&A

# Clas Ohlson today

- A retail chain with 99 stores in four countries
- Sales of SEK 4.8 billion
- 3,000 employees
- 46 million visitors – 24 million customers
- Product range that solves practical minor problems of everyday life



# Q2 08/09

## **USB/SD Turntable.**

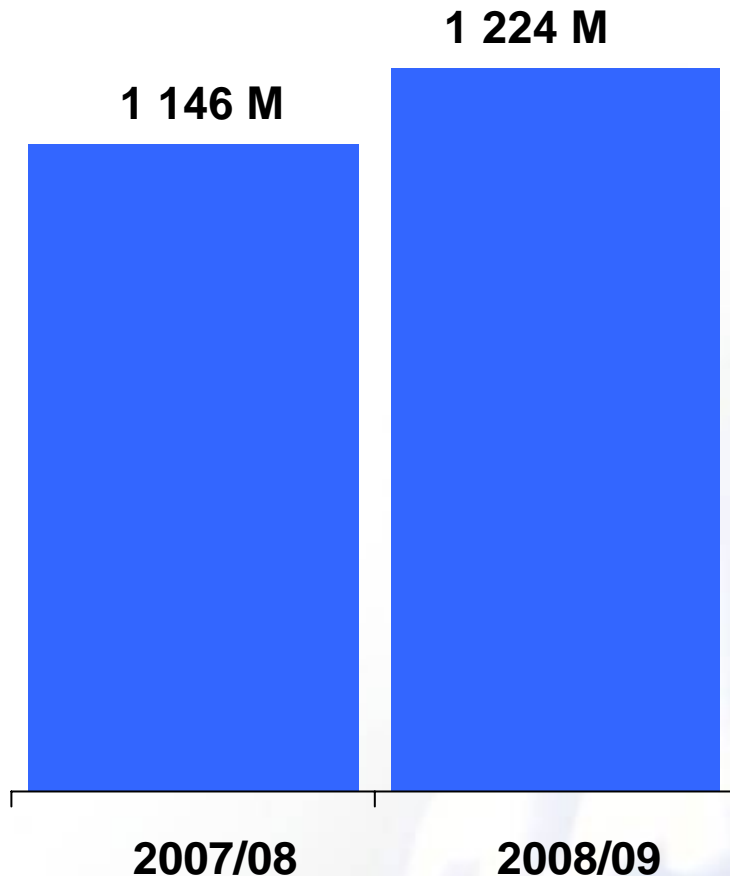
Possible to record in MP3-format on the USB or SD card directly from the turntable. Built-in RIAA amplifier. 2 RCA connections. Made for connecting to an external amplifier.

Product number 38-2999

**Price: SEK 995**



# Sales – Q2



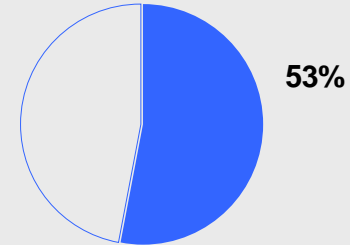
- Sales up 7% to SEK 1 224 M
- 4 new stores to 92
- Store sales up 8% to SEK 1 197 M.
  - Comparable stores in local currency: -5%
  - New stores: +14%
  - Currency effects: -1%
- Mail order/Internet sales: down 18% to SEK 27 M



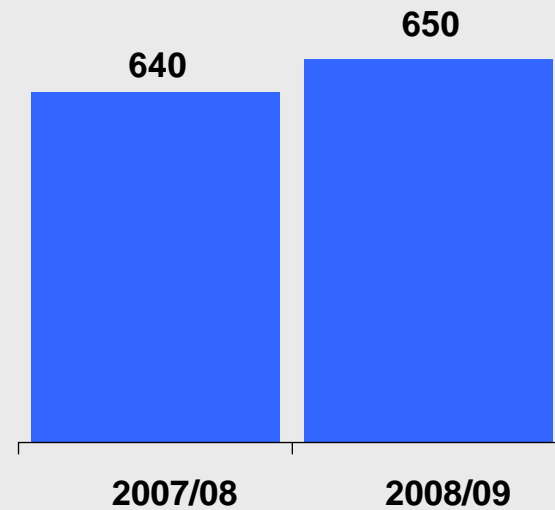
# Sweden – Q2

- Sales up 2%
  - No new stores opened. Total of 45
  - 5 more stores than in preceding Q2
- Accelerated slowdown in retail sector
- Continued increased competitive pressure

Portion of sales



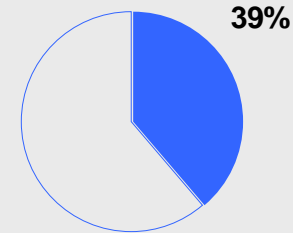
Sales



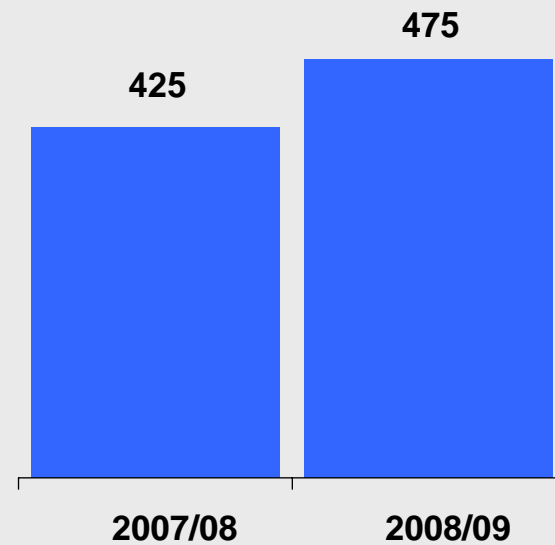
# Norway – Q2

- Sales up 12%
  - 2 new stores opened in the quarter bringing total to 33
  - 7 more stores than in preceding Q2
- Negative exchange-rate effects
- Slow down in retail spending

## Portion of sales



## Sales



# Finland – Q2

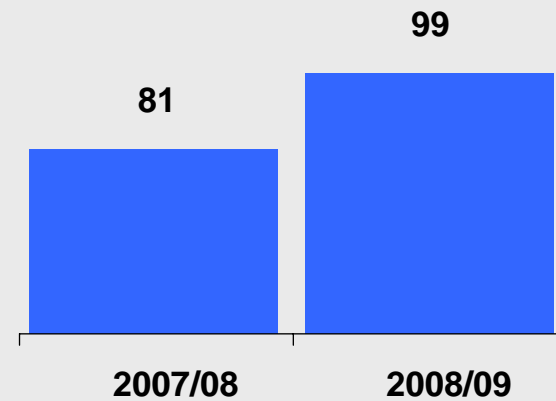
- Sales up 23%
  - 2 new stores opened in the quarter. Total of 14.
  - 4 more stores than in preceding Q2.
- Positive exchange-rate effects
- Slow down in retail spending
- Continued marketing efforts to strengthen brand in Finland

Portion of sales

8%

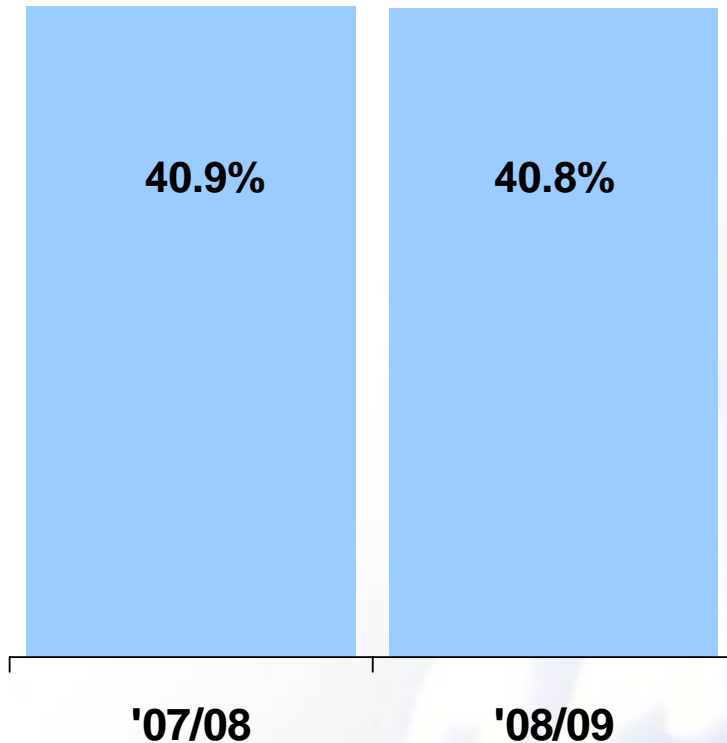


Sales





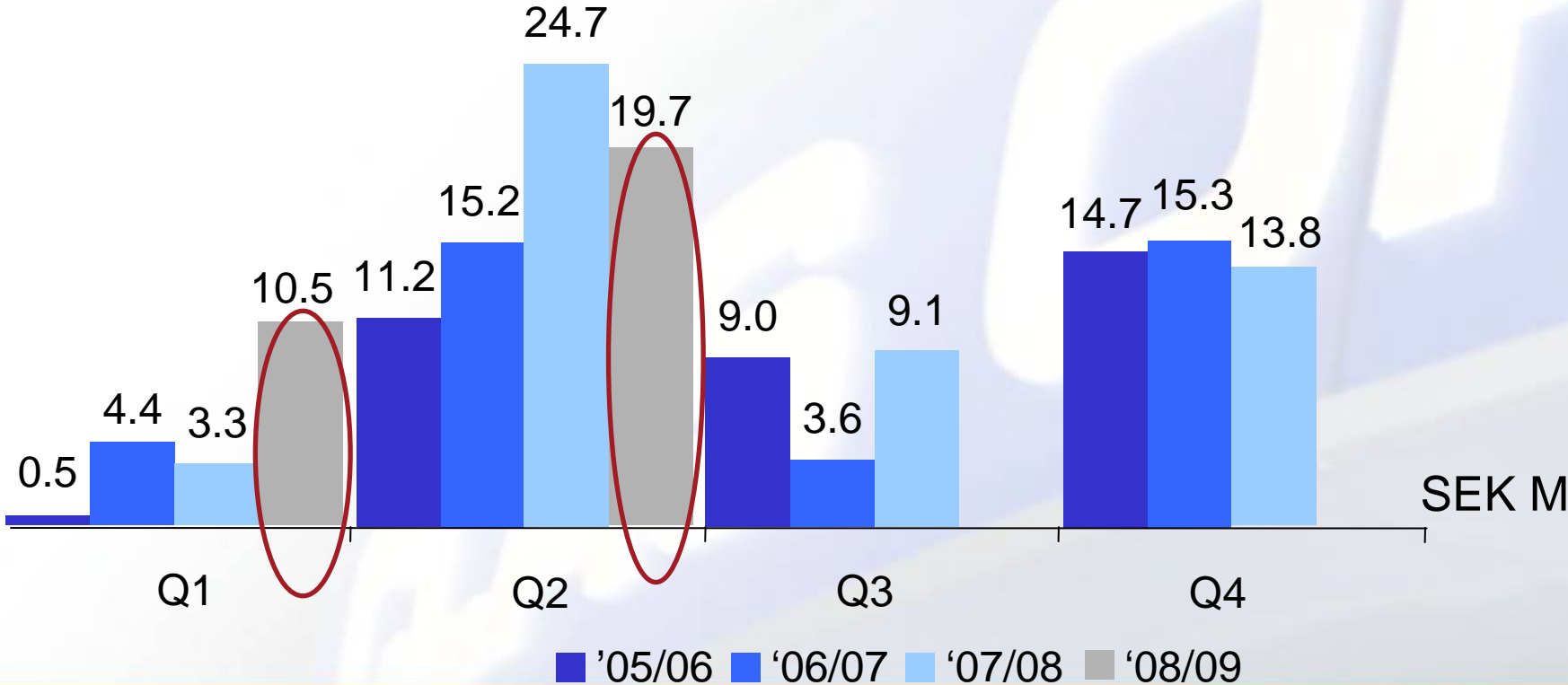
# Gross margin – Q2



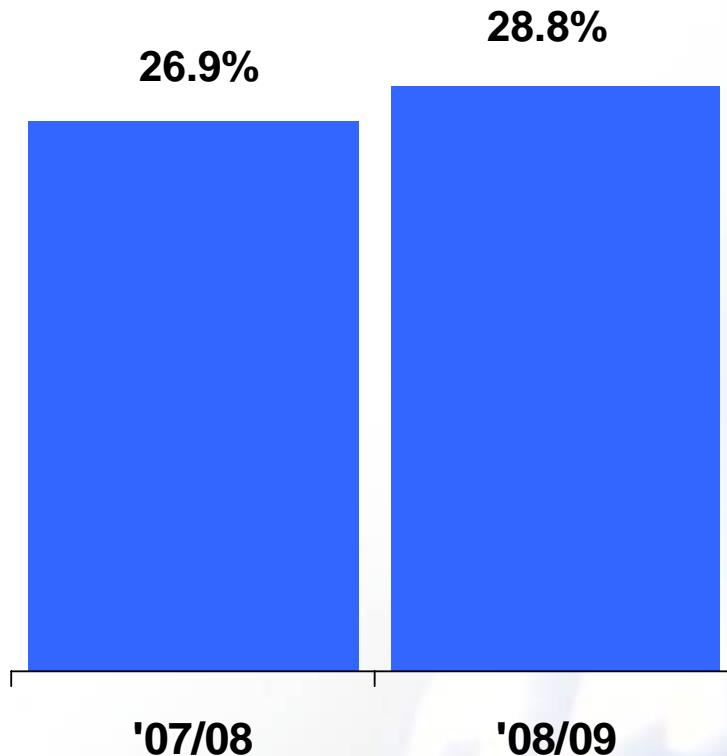
Gross margin down 0.1 percentage points

- + Positive effects of currency hedging of USD
- Establishment of purchasing office in China
- Higher freight costs
- Higher distribution handling costs

# Start-up stores Q2



# Share of sales costs – Q2



Share of sales costs increased by 1.9 percentage points

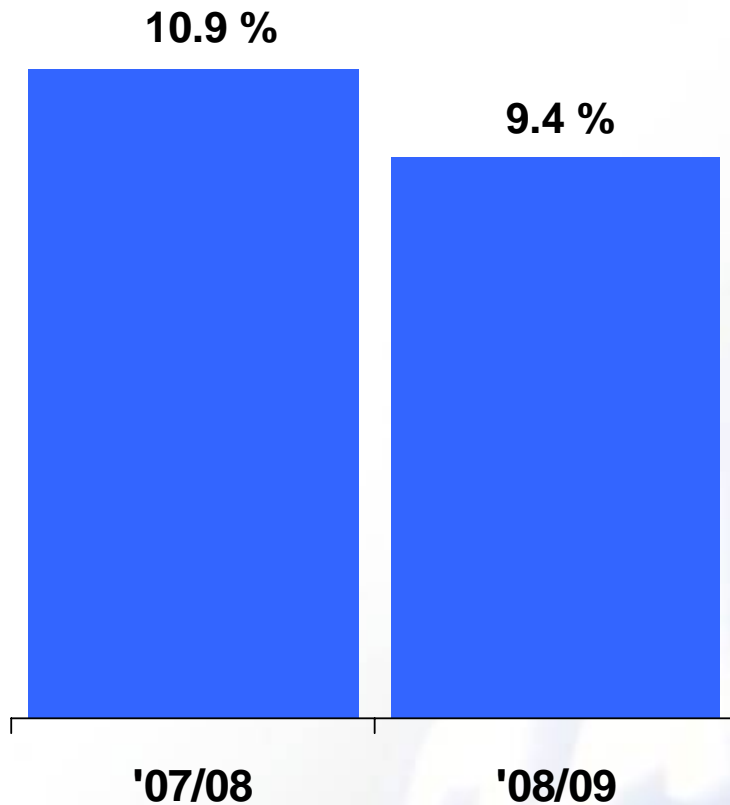
## Store network

- Lower sales in comparable stores
- Increased rental costs in current stores
- + Improved store productivity

## New stores

- Higher share of sales costs until store is established
- Start up costs for UK

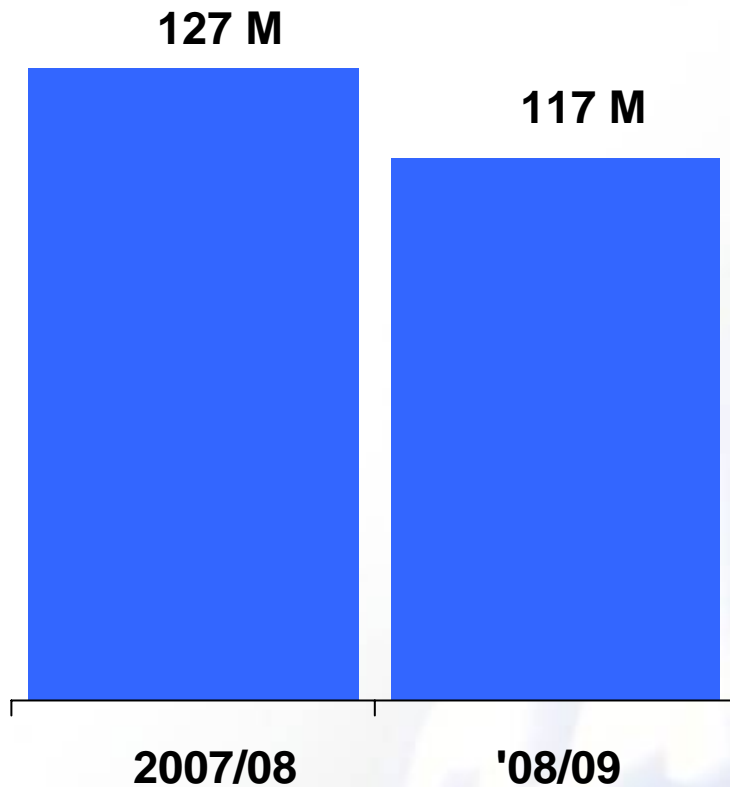
# Operating margin – Q2



Operating margin: down 1.5 percentage points

- Lower sales in comparable stores
- Increased rental costs for current stores
- Establishment costs in UK and Shanghai, China

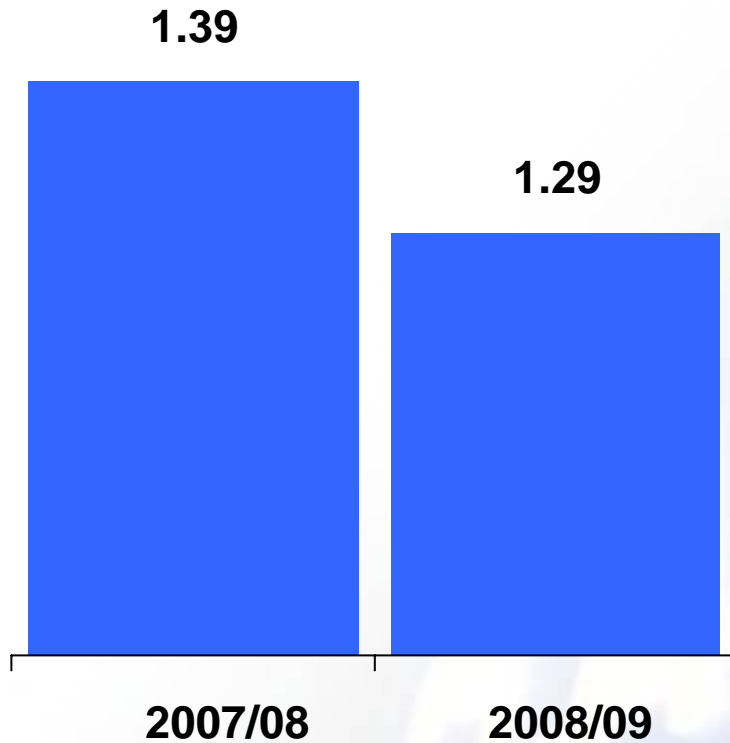
# Profit after financial items – Q2



- Profit amounted to SEK 117 M (127)

# Earnings per share – Q2

- SEK 1.29 (1.39)



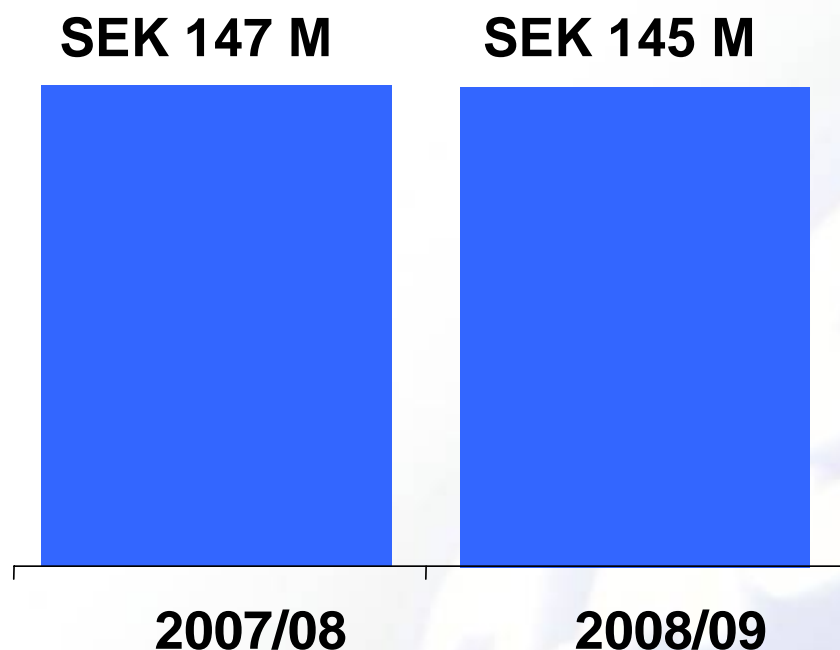


# 6-months highlights: May – October 2008/09

- Sales up 7% to SEK 2 338 M (2 178)
- Gross margin 40,4% (40,2)
- Operating profit SEK 223 M (267)
- Operating margin 9,5% (12,2)
- Profit after financials SEK 226 M (271)
- Earnings per share SEK 2.49 (2.98)

# Cash flow before investments

## May-October 2008/09



- Cash flow before investments down 1% to SEK 145 M (147)
- Inventories up 3% to SEK 1 100 M (1 072).
- Investments amounted to SEK 173 M (101) of which:
  - New stores SEK 43 M (31)
  - Distribution Center SEK 106 M (53)

# Events after period-end

## Cocraft Socket & Spanner Set

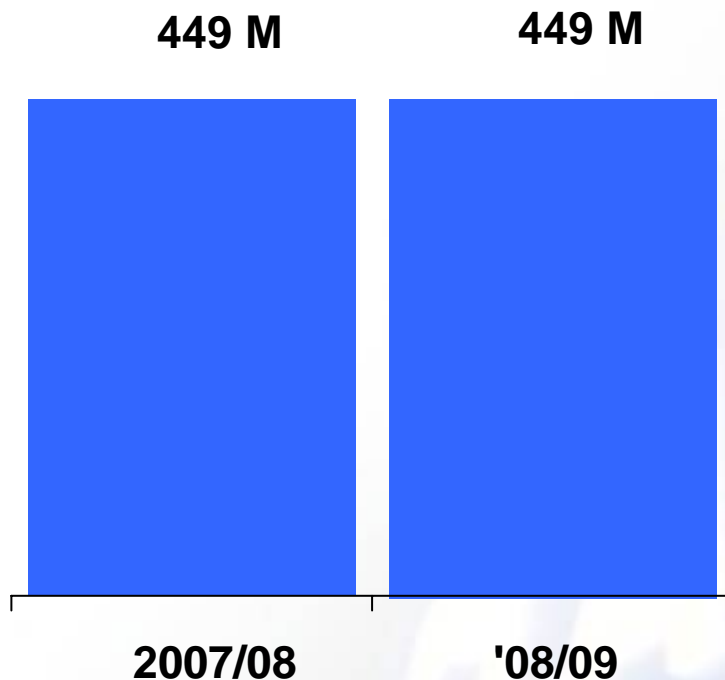
Cocraft Tools Sets are made of high quality matt finish Chrome Vanadium Steel. The sockets have rounded corners for maximum grip. 72-tooth ratchet with offset handle and cushioned grip for more comfort, quick release/socket lock button. All sets come in a sturdy plastic carry case. 10-year guarantee.

Product number 30-9795

**Price: SEK 895**



# Sales – November



- Sales unchanged at SEK 449 M
- Store sales up 1% to SEK 439 M
  - Sweden & UK, -7%, SEK 231 M
  - Norway up 5% to SEK 175 M
  - Finland up 24% to SEK 43 M
- Mail order/Internet sales down 36% to SEK 10 M



# First store in the UK – Croydon, London





# clas ohlson







# Impressions from opening week

- Positive launch of first store in the UK
- Marketing campaign has generated high interest and awareness in Croydon
- High number of visitors during the opening week with positive feedback from customers





# UK retail market – long term opportunities, short term challenges

- Long term growth opportunities in a large retail market
- Several UK retailers are struggling:
  - Woolworth files for administration
- Significant slowdown in UK retail spending



SLÅR SNART IGEN. Kunder väntar på att Woolworths i Romford i Essex ska öppna, men snart får det över för den anrika butikskedjan. FOTO: CHESLAR/ARNE

## Brittisk butiksjätte går under

LONDON  
Gårdagen blev finanskrisens hittills mörkaste dag för brittisk detaljhandel. Woolworths, en av Storbritanniens stora detaljhandelskedjor med 30 000 anställda, har inlett konkursförfarande.

Woolworths, som har över 800 butiker och har funnits på brittiska affärsgator i snart 100 år, har hört till läggprestarerna inom brittisk detaljhandel i flera år.

Under hösten har Woolworths finansiella situation blivit allt mer ohållbar. Det börsnoterade företaget har kämpat med skulder på 385

miljoner pund, 4,9 miljarder kronor, och företagets likviditetssituation har pressats allt hårdare.

### Krävt kontant betalning

Sedan ett par månader tillbaka har Woolworths leverantörer krävt kontantbetalning vid sina leveranser eftersom långivarna slutade att garantera koncernens betalningar.

Den senaste veckan har Woolworths styrelse suttit i förhandlingar med bland annat omstruktureringsfirman Hilco som, enligt brittiska medier, har erbjudits att köpa butikerna, inklusive skulderna, för 1 pund.

I onsdags handelstoppa-

des Woolworths aktie, som har tappat runt 95 procent av sitt värde i år.

I går morse utsågs revisionsfirman Deloitte till konkursförvaltare.

Deloitte uttalade genast ambitionen att rädda det som går av Woolworths genom att sälja så många delar som möjligt av företaget.

"De senaste 24 timmarna har vi fått intresseförfrågningar om både detaljistkedjan och grossistdelen från ett antal olika parter", säger Dan Butters, delägare i Deloitte.

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Source: Dagens Industri 28 November

# Store establishment

Existing stores: 99

Contracted but not opened: 14

Total: 113

Sweden: 55

Norway: 41

Finland: 16

UK: 1

# New store concept launched

- On November 27, Clas Ohlsons new store concept was introduced in Croydon London and Skövde Sweden
- The new store concept has the following objectives
  - Improved navigation
  - Modernisation and new design
- Existing stores will be rebuilt over a five year period
- Estimated investment of SEK 40 M per year

# Clas Ohlson in Skövde – new store concept





# New store concept – navigation



hem

badrum  
förvaring  
klockor  
kontor  
kropp och hälsa  
kök  
lampor  
städ  
väder



# New store concept - design



# Göran Atterling appointed new CFO

## **Background:**

CFO for Electro Skandia Nordics 2002-2008  
Previous roles as CFO at Dagab and Philips RC

Joins Clas Ohlson as of 7 January 2009  
Will enter his role as CFO in March 2009

Current CFO, Lars Wallén has requested to retire at age 62 and will leave Clas Ohlson as of April 30 2009





# The road ahead

## MIO MOOV 560 Sat navigator

- Map coverage: Western Europe
  - Display: 4.7" Wide
  - Speed cameras: Pre-installed
- Automatic route calculation,  
voice navigation with street names etc.

Product number 38-3096

**Price: SEK 1,995**



# The road ahead

- Growth and expansion
- Develop a high performing international organisation
- Simplification and increased efficiency



# High rate of activity

- ✓ New group organization in place
- ✓ Purchasing and product range
  - ✓ Fewer suppliers and reduced number of products (work in progress)
  - ✓ Purchasing office established (work in progress)
- ✓ Store concepts
  - ✓ New concept launched in November
  - Launch of smaller store concept in Q4 2008/09



# High rate of activity, continued

- Logistics
  - Investment of SEK 615 M under way to ensure continued automation and efficiency enhancement
  - Capacity for >150 stores
- Market communication
  - More efficient marketing (media mix)
  - 2 catalogues annually. New catalogue in March
- Efficiency measures
  - Staffing and scheduling

# Business outlook

- Long term growth opportunities for Clas Ohlson remains
- Short term challenges due to significant slowdown in retail spending
- Positive feedback from first UK customers in Croydon
- Market downturn creates opportunities, especially in the UK

# Business outlook - continued

- Continued establishment of new stores but adjusted to current market conditions:
  - 2008/09: 20-22 stores of which 2 in UK
  - 2009/10: 15-20 stores of which 4-8 in UK
- Further opportunities in new store concept and small store concept
- Intensified efforts to adapt costs to mitigate the impact on profit of the lower growth rate caused by the recession

# Summary

- Q2 results affected by lower LFL sales
- First steps taken into the UK. High interest and positive first reactions from customers
- Attractive long term growth prospects in the UK. Short term challenges due to slow down in retail spending
- Establishment of new stores adjusted to current market conditions
- Measures to offset profit impact of lower growth rate

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outdoor lighting  
800