

Clas Ohlson year-end report 2019/20

Proof of strength in uncertain times

Fourth quarter – 1 Feb to 30 April

- Sales in the Nordics decreased by 4% to 1,627 MSEK (1,688). Organic growth was unchanged. Total sales fell by 6% and organic sales declined by 2% to 1,644 MSEK (1,742)
- Online sales increased by 45% to 138 MSEK (96)
- Operating loss, including non-recurring costs and costs linked to the CO100+ action programme, totalled -41 MSEK (-77) Excluding the effect of IFRS 16, operating loss amounted to -61 MSEK.
- Underlying operating loss amounted to -31 MSEK (-52) (excl IFRS 16)
- The operating margin was -2.5% (-4.4)
- Net debt/EBITDA excluding the effect of IFRS 16 (12 months) amounted to 0.0 times (0.5)
- Loss after tax totalled -46 MSEK (-62)
- Earnings per share amounted to -0.73 SEK (-0.98)

Financial year – 1 May to 30 Apr

- Sales in the Nordics increased by 2% to 8,666 MSEK (8,489), organic growth up 3%, and total sales and organic growth were unchanged at 8,758 MSEK (8,772).
- Online sales increased by 25% to 542 MSEK (432).
- Operating profit, including non-recurring costs and costs linked to the CO100+ action programme, totalled 549 MSEK (94). Excluding the effect of IFRS 16, operating profit amounted to 454 MSEK.
- Underlying operating profit amounted to 581 MSEK (497) (excl. IFRS 16)
- The operating margin was 6.3% (1.1).
- Profit after tax totalled 376 MSEK (72)
- Earnings per share amounted to 5.94 SEK (1.13)
- Macroeconomic trends and their impact on retail sector as a result of Covid-19 remain uncertain. At this stage, the Board intends to safeguard Clas Ohlson's solid financial position and flexibility and therefore proposes that no dividend be paid for the 2019/20 financial year.

Events after the end of the reporting period

- Sales in the Nordics in May decreased by 1% to 626 MSEK (631), organic growth up 5% and total sales decreased by 2% to 630 MSEK (641), organic growth up 4%
- Online sales in May increased by 68% to 61 MSEK (36)

CEO Lotta Lyrå comments on fourth quarter/financial year 2019/20:

A relevant offering generates growth

The corona pandemic has resulted in major consequences for all people and for society at large. At Clas Ohlson, the safety of our employees and customers is, and remains, our highest priority. At the same time, we are working to adapt to new customer requirements caused by the pandemic. Many people are spending more time at home and we have seen elevated demand for products for both the home office and DIY.



Accordingly, we have worked intensely during the quarter to adapt the commercial agenda and most of the operations. This has generated results.

A relevant range combined with our store network, convenient online shopping on our own and other companies' platforms, such as Mathem and Kolonial, and flexible delivery options have created an attractive mix. The outcomes for our sales and profitability have thus been relatively favourable for the first few months of the corona pandemic. In April, we grew organically and online sales increased by a full 61 per cent, corresponding to 10 per cent of sales for the month. Fourth-quarter organic sales in the Nordics were at the same level as in the year-earlier period.

Although the weak NOK had a negative impact, the Norwegian operations have proven the strength of Clas Ohlson's offering and brand. In Sweden, COVID-19 primarily affected sales in the form of a lower footfall in central store locations in the large cities and in stores that normally benefit from cross-border shopping. In Finland, we continued our work on strengthening Clas Ohlson's position in the market but the restrictions imposed to stop the spread of coronavirus had a significantly negative impact on sales for the quarter.

By more effectively controlling inventory we have been able to offset weaker sales and reduce inventory levels by about 200 MSEK compared with 30 April last year. Corona has, to date, had a limited effect on our supply chain and we are confident in the supply of goods as we approach the summer. The gross margin was at 39.9 per cent for the quarter compared with 38.2 per cent in the preceding year.

We are delivering on our promises

The CO100+ action programme ended this quarter. The operating margin (excluding IFRS 16) of 5.2 per cent means that we achieved the target of 4-6 per cent announced when our growth strategy was launched two years ago.

Underlying operating profit for the fourth quarter amounted to -31 MSEK compared with -52 MSEK last year, and for the full-year was 581 MSEK compared with 497 MSEK last year. This shows that both our systematic and goal-oriented cost and growth initiatives under the CO100+ programme and the closure of the store networks in Germany and the UK have yielded the promised results. The initiatives thus have a positive effect on the margin in the short term, and also provide us with a better platform for profitable growth going forward.

According to plan, we have reduced the rolling cost level to between 225 and 250 MSEK. Part of this has gradually been realised, mainly in savings from indirect spend, lower costs of goods for sale and a more efficient organisation. The remaining about 150-160 MSEK will be realised in the 2020/21 financial year. Combined with a continuing focus on online growth and sales per square metre and per customer, this will help us achieve our long-term profitability target of an operating margin of 6-8 per cent.

Besides completing the CO100+ programme, we took additional measures during the quarter to tackle the consequences of the corona pandemic. In April, about 300 store employees were temporarily laid off, due to shorter opening hours and fewer visitors. This currently affects only a small number of city stores and stores that have significant cross-border shopping. Furthermore, about 200 office employees have had their



working hours reduced until mid-June. The layoffs for this group will not be extended and the assessment is that they will not be resumed after the holiday period. Negotiations are being held with property owners regarding rent relief. We have also put in place a more cost-efficient and agile organisation by simplifying our management structure and reducing the number of administrative positions.

Well-equipped for the journey ahead

The macroeconomic climate and the impact on customer behaviour are the greatest uncertainty factors for our business related to coronavirus. We are also affected by fluctuations in the currency market. Furthermore, we must add that the retail sector is already undergoing extensive change. I believe that after the pandemic we will see a new normal and that, coupled with the underlying structural change in the retail sector, this new normal will require a great deal of flexibility, sensitivity and continued upgrading of the business model. I am also convinced that the companies that offer their customers the opportunity to live more sustainably will have a competitive advantage.

In addition to the clear results of our change process, we have in recent months also received confirmation that our business model is robust and flexible to meet unforeseen external events. In the spirit of our founder Clas Ohlson, who always placed the customer first and sought simplicity, we are now continuing to develop our operations. We are well equipped for the future on which the road ahead is based on: offering an even more relevant range of products, stores in the right locations, attractive online shopping on our own and other companies' platforms, flexible delivery options and a strong service offering. On this journey, we bring with us the strength of our extensive, and now accelerated, work on sustainability. This is how Clas Ohlson will continue to generate customer and shareholder value. Finally, I would particularly like to sincerely thank all of my fantastic Clas Ohlson colleagues whose strength of purpose makes a difference every day!

Webcasted presentation today at 9:00 a.m CET

President and CEO Lotta Lyrå and CFO Pär Christiansen will comment on the report today at 9:00 a.m CET in a webcasted presentation which is reached via this [link](#). The presentation takes place in English and is followed by a Q&A session. To participate in the conference via telephone, and thereby be able to ask questions verbally, please dial in on any number below a couple of minutes before the start of the call:

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Clas Ohlson was founded in 1918 as a mail order business based in Insjön, Dalarna, Sweden. Today, we are a retail company with customers in five markets, about 4,500 co-workers, and annual sales of approximately 8.8 billion SEK. Our share is listed on Nasdaq Stockholm. A lot has happened since the start in 1918, but one thing has remained the same over the years; that we want to help and inspire people to improve their everyday lives by offering smart, simple, practical solutions at attractive prices. Visit about.clasohlson.com/en to read about our passion for simplifying life in all kinds of homes.