

Clas Ohlson three-month report 2022/23

Rapid pace of change in a weak market

First quarter – 1 May to 31 July

- Sales declined by 1% to 2,044 MSEK (2,056) with organic sales down 3%
- Online sales increased by 6% to 232 MSEK (219)
- Operating profit, excluding costs for the closure of operations in the UK, totalled 19 MSEK. Operating loss totalled -16 MSEK (operating profit 147)
- Operating margin was -0.8 per cent (7.2).
- Net debt/EBITDA (12 months) excluding the effect of IFRS 16 amounted to -0.4 times (-1.0)
- Loss after tax totalled -24 MSEK (profit after tax 103).
- Earnings per share was -0.38 SEK (1.63)
- Closure of UK operations of 35 MSEK was charged to earnings

Events after the end of the reporting period

- Sales in August increased by 7% to 758 MSEK (711), an organic increase of 2%
- Online sales in August increased by 42% to 83 MSEK (58)

CEO Kristofer Tonström comments on first quarter 2022/23:

Following a record strong year in 2021/22 I can state that our bets in the first quarter of 2022/23 did not meet our expectations. We prepared ourselves for an early and strong summer season that pick up later than planned and developed weaker than in last year. This was especially significant in Norway, where consumer confidence fell to historically low levels during the quarter. Sales declined a total of 1 per cent. Excluding non-recurring costs for the closure of the UK operations, we recorded an operating profit of 19 MSEK in the first quarter.

Our long-term focus to build our strong position with our customers to be able to deliver on our financial targets remains. At the same time, we are also taking action here and now to further enhance the efficiency of our operations – to increase customer value, competitiveness and conversion in a more challenging market. One example is the closure of our UK operations enabling us to focus even more intently on our Nordic home markets.

New steps towards sustainable and profitable growth

One of our key principles is that, regardless of market climate, we are continuing to work with what we can actually control. For example, customer footfall in our physical stores has increased. By taking care of every customer who visits us, we have considerable opportunities to grow organically. Customer satisfaction remains at high levels with an NPS (Net Promotor Score) of 55, and we are continually working to make further improvements. Our conversion increased in August in both stores and online and monthly sales added up to seven per cent total sales increase and an increase of 42 per cent in online sales.

As we look to the future, we can see that the strategic path we have taken with a comprehensive focus on selected problem-solving areas in the home was the right one. By being the number one choice in relevant destination categories such as storage, connected and energy-smart homes and lighting, customers always have a good reason to visit Clas Ohlson. This will become increasingly important as customers seek out new ways of saving money and being environmentally friendly. In the first quarter, we posted strong growth figures in all types of storage solutions – particularly in food storage – and sales of spare parts increased 23 per cent compared with the preceding year. We also note that customers are increasingly satisfied with the products that they purchase from us. The average customer review for products increased from the already high score of 4.4 to 4.6 out of 5.

We are also continuing to develop our availability and in May, we launched rapid online-order deliveries in northern Norway. The refurbishment of our store in Tromsø means that we now have a total of nine stores that serve as e-com warehouses. We also closed four stores in Finland during the quarter and now have a more optimised store network for our future journey of growth. In the autumn we will celebrate 20 years in the Finnish market and we do so with the knowledge that we take steps in the right direction. For example, Club Clas now plays a more important role for the Finnish customer. We have increased sales to members by 78 per cent year-on-year and are continually adding new member benefits such as price guarantees that create value for customers, which is particularly relevant in a time where many want to save money. Looking at all markets, we now have 4.4 million Club Clas members and sales to our members have increased by 20 per cent during the first quarter, compared to the corresponding period last year.

Negative margin impact in the quarter

The lower gross margin in the quarter was primarily impacted by three major factors. To

begin with, increased sourcing costs are now having a greater impact. Even though transportation costs have declined lately, many of the products we sold during the quarter were purchased at a time when transportation costs were at their very highest. One positive factor is our retail prices, which have allowed us to successfully offset the majority of the increased costs. The third factor was the weaker market climate that resulted in us prioritising price reductions of many of our summer products to be able to enter the next season with more space for new, relevant products in our stores. In addition, the previously positive exchange-rate effect did not materialise.

In light of the continuing longer lead times for transportation, we have placed many orders extra early ahead of the autumn and Christmas period. As a result, we have an unusually high amount of goods en route from suppliers to our central warehouse, which impacts our inventory value that has increased compared with the preceding year. Higher sourcing costs and lower sales also impacted inventory value for the quarter.

Entering the autumn at a high pace

The market climate remains challenging. We know that we need to be agile in the short term and persistent in the long term to deal with the complex macroeconomic factors and new customer behaviors that are part of the new playing field. But we are also convinced that there are many opportunities if we constantly work to be relevant to our customers. In addition to the examples already mentioned, we have continued to improve our purchasing efforts and will shortly place our first orders in the Indian market. We are also taking steps in our sustainability activities to accelerate the pace of our environmental audits of suppliers and with even more products classified in accordance with our new, more stringent, criteria for sustainable products.

We are now focused on the autumn and Christmas sales period based on a strong financial position and with a dedicated organisation. I would like to take this opportunity to thank all of our co-workers who do their utmost to make customers happy in every situation. With happy co-workers creating happy customers, we will create customer and shareholder value over time. And with a relevant offering, we will, here and now, help our customers to save energy, repair products they already own and simplify their DIY in their homes.

Webcasted presentation today at 9.00 a.m.

President and CEO Kristofer Tonström will comment on the report at 9:00 CET today at a webcasted teleconference available via this [link](#). The presentation will be held in English and is followed by a Q&A session.

To participate in the telephone conferences, 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: SE: +46850558351 UK: +443333009035 US: +16467224956

An on-demand version of the webcast will be available at about.clasohlson.com/reports after closing of the presentation.

For more information, please contact:

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Clas Ohlson was founded in 1918 as a mail order business in Insjön, Sweden. Today we are a retail company with customers in four markets, approximately 5,000 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 more about us and how we simplify home fixing for everyone, responsibly.