Strategy for growth
3 May
Strategy for profitable growth
– expanding our role in Nordic homes and gearing up online

- Our 100 year old mission is just as relevant today as ever
- We have gained people’s trust to play a bigger part of everyday lives in all kinds of Nordic homes
- Our future territory Home presents big commercial opportunities

A more complete and unique product offer, adding guidance and new adjacent services
- World-class service
- Disrupting and reinventing our store and online convenience and footprint
- Simplifying and streamlining operations

We have the knowledge, ideas and financial strength to:
- Grow our business with 5% annually on average
  - Sales online to at least double every other year
- Deliver an EBIT margin at 6-8% within a five year period
- Maintain a solid financial position and keep our dividend policy intact
Being Clas Ohlson
– part of a 100 year retail tradition

We share our founder Clas Ohlson’s passion for identifying our customer’s current and future needs

• Clever and convenient practical solutions at great value, and inspiration to improve people’s everyday life, will make a difference

• The same values and our strong corporate culture – how we work and meet each other and others

• Commitment to develop the company – doing good business for our customers is doing good business for us
Our mission is eternal and more relevant than ever

**Our mission**

To help and inspire people to improve their everyday life by offering clever and convenient practical solutions at great value.
Who we want to be

Passionate about simplifying life in all kinds of homes

High credibility to take this role and big commercial opportunities
The Clas Ohlson personality

Our culture

A customer first approach

Our responsibility
Our culture

• The Clas Ohlson spirit
  - our founder’s legacy
  - makes no difference between a co-worker and a customer
  - down to earth and keeping it simple
  - a culture that is still alive and well in our company today

• Our values guide us
A customer first approach

• Customer focus at the core of our business model
• We are going that extra mile for our customers
• Convenience is key
Our responsibility

• Responsibility for our customers, our co-workers and the world around us

• Our sustainability agenda covers our entire value chain but with primary focus on where we can make the biggest difference
  – products for a more sustainable lifestyle
  – resource-efficient business models
What we want to achieve
Our business objectives

A big, loyal customer base

A meaningful and trusted brand and company – recognized for being passionate about simplifying life in all kinds of homes

Mission

Values

Sustainable profitable growth

Growth
Shareholder value
How to deliver upon our business objectives

Our building blocks

- Mission
- Values
- Sustainable profitable growth
- Outstanding customer service
- Unique customer offer
- Smartness and simplicity

A meaningful and trusted brand and company – recognized for being passionate about simplifying life in all kinds of homes.
What does this mean for our customers

Customer journey

- One point of contact
- Access to all of Clas Ohlson
- Unique loyalty setup

C/O platform

Product offering

Service offering

Store experience

Online experience

Passionate about simplifying life in all kinds of homes
OUR CURRENT POSITION

Geir Hoff
Accelerated sales growth driven by store expansion

- 1st store outside Insjön
- E-com launch
- Listed on Stockholm Stock Exchange
- 1st store in Norway
- 20th store
- 50th store
- 1st store in Finland
- 1st store in UK
- 200th store
- Omni-channel in all countries
- 1st store in Germany
- 100th store
- 100 year anniversary

MSEK
- 9,000
- 8,000
- 7,000
- 6,000
- 5,000
- 4,000
- 3,000
- 2,000
- 1,000
- 0

Year:
- 86/87
- 88/89
- 90/91
- 92/93
- 94/95
- 96/97
- 98/99
- 00/01
- 02/03
- 04/05
- 06/07
- 08/09
- 10/11
- 12/13
- 14/15
- 16/17
- March 2018
We have a strong brand to build from

Brand recognition
- Sweden: 99%
- Norway: 100%
- Finland: 96%

Emotional connection
- Sweden: 50%
- Norway: 56%
- Finland: 40%
We have a loyal customer base to build from

- 75 million store visits per year
- 83 million visits online per year
- 2.8 million Club Clas members
  - 15% of the members visit Clas Ohlson at least 10 times per year
  - 93% retention rate
We have strong financials to build from

- An equity/asset ratio above 50%
- A strong cash flow
- A strong cash position
In-depth analysis to gain extensive knowledge

- **40M** shopping baskets
- **14** customer focus groups
- **3,400** customer exit interviews
- **430** employee respondents
- **5Y** financial data
- **11** financial market interviews

1. All shopping baskets in Clas Ohlson last 12 months across channels and countries
2. Response rate of ~80%
We have identified **5** strategic realities

**1. Strong foundation to build on**
- Consumers like shopping at Clas Ohlson, we have a very strong consumer awareness and high consideration for purchase
- Financial position that enables strategic investments

**2. Large potential in further commercializing our full offer**
- Added complexity with 15% new products over last four years, and extended the long-tail of products that underperform
- 40% of all transactions are one item receipts, and cross-selling has been too low
- Investing margin in wrong types of promotions

**3. Great opportunities to simplify and streamline our operations**
- Too long lead-times toward consumers
- Instore inventory build-up
- Behind best in class retailers on buying direct and indirect goods

**4. Need to embrace digital**
- Represents only 3.5% of sales and behind overall market penetration
- Not invested sufficiently in capabilities

**5. Large potential in growing the Nordic region**
- <10% market share in a healthy growing market
OUR MARKET AND OPPORTUNITIES

Lotta Lyrå
Behavioral change

Global marketplace

Networked

Customized experience

Real time

Technology disruption

Mobile

Social

Analytics

Cloud

AI
What this means for retail

Greater consumer demands and closer relationship

Increased competitive landscape due to online

Experimentation of store concept and online

Increased and broader service offerings
Our view on retail economics

- Customer base the most important asset
- Sales per customer the new LFL
- Accessible platform and footprint is everything
- Investments shifting from bricks to bits
- Core competence redefined
This creates great opportunities and we are well positioned to take leadership
Important to remind us that still, in the middle of all the things happening...

... people and their homes will always need care
Household spend in relevant Clas Ohlson consumer missions

Connect your home
Style your home
Enjoy your home
Fix your home
Organize your home
Clean your home

9.2 thousand SEK annual household spend in our categories

Source: Statistics Sweden (SCB.se), Statistics Norway (SSB.no), Statistics Finland (Stat.fi)
Our Nordic market opportunity

- Number of households in greater London area
- Number of households in greater Hamburg area

Source: Statistics Sweden (SCB.se), Statistics Norway (SSB.no), Statistics Finland (Stat.fi)
Nordic household spending expected to grow further

<table>
<thead>
<tr>
<th>Year</th>
<th>Nordic Households (million)</th>
<th>Annual Household Spend (thousand SEK)</th>
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<tr>
<td>2017</td>
<td>9.6</td>
<td>9.2</td>
</tr>
<tr>
<td>2022</td>
<td>10.1</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Source: Statistics Sweden (SCB.se), Statistics Norway (SSB.no), Statistics Finland (Stat.fi)
Ambition to grow and expand business in the Nordics

Our Nordic market

90 billion SEK
Nordic market size

Clas Ohlson today

9% share of home*

Clas Ohlson ambition 2022/23

>10% share of home*

*Share of what the Nordic consumer spend on products in the home that Clas Ohlson can or would like to offer

Source: Statistics Sweden (SCB.se), Statistics Norway (SSB.no), Statistics Finland (Stat.fi)
People’s behaviour and dreams

- Wish for more time and quality drives service’s share of wallet
- Real convenience means delivery to home

The home has become a sales channel

- Industry economics will require scale and consolidation of flows connected to the home
- Services are key to delivery, to meet demands for convenience and expectations – to deliver real solutions
- Big commercial upside to have access to peoples’ homes

Business logic and economics

- Last mile logistics economics – need for high density and basket value
- Present Nordic e-com model not fully scalable
Expanding into new growing market segment

The Nordic home service market is large

15 billion SEK

Source: Skatteverket, Statistics Finland (Stat.fi), SIFO Consumer research Norway
Nordic home service market expected to grow further

- **2017**: 15 billion SEK
- **2022**: 25 billion SEK

Share of households using home services:
- **2017**: 15%
- **2022**: 20-25%

Source: Skatteverket, Statistics Finland (Stat.fi), SIFO Consumer research Norway
Total addressable market in the Nordics

- Our Nordic home market today: 90 billion SEK
- The Nordic home service market today: 15 billion SEK
- Total addressable market: 105 billion SEK

The total addressable market for the Nordics is 128 billion SEK.
Online will be key to obtain growth

Nordics behind other markets on customer convenience and last-mile fulfilment with regards to online

Clas Ohlson with a strong convenience position. Short lead times and direct delivery critical for consumers to take full benefit of our online offering

Current model with delivery to pick-up points not scalable to meet future online volumes

More polarized demand. People want it now, and are willing to pay for it, or want it for free and are ready to pick up in store

Fully succeeding online is important to set-up Clas Ohlson going forward
Transforming the Nordic online model

Current agenda

*Stores and online*
- Channels largely operating independently
- Click & collect being launched

Next step

*Direct to consumer*
- Launching new routes to market
- Stores to shorten lead-times

Our transformation ambition

*Into consumers’ homes*
- Delivery at any time
- Offer solutions to consumers
- C/O platform being launched
Ambition to grow and expand business online

Our Nordic online market: 15% market penetration

Clas Ohlson today: 3.5% share of sales

Clas Ohlson ambition 2022/13: Double online sales every other year
Our territory

• The home is our arena
• Focus on growing our position in our Nordic market
• We continue to develop UK and Germany
• Same way forward for growth in all markets