

Clas Ohlson six-month report 2020/21

Improved result in an uncertain world

Second quarter – 1 August to 31 October 2020

- Sales declined 6% to 2,036 MSEK (2,165), organic growth down 1% and down 1% in comparable units
- Online sales increased by 25% to 148 MSEK (119)
- Operating profit totalled 148 MSEK (133). Excluding the effect of IFRS 16, operating profit totalled 130 MSEK (107).
- The operating margin was 7.3% (6.1). Excluding the effect of IFRS 16, the operating margin was 6.4% (4.9).
- Net debt/EBITDA excluding the effect of IFRS 16 (12 months) amounted to -0.3 times (0.6)
- Profit after tax totalled 105 MSEK (91).
- Earnings per share amounted to 1.65 SEK (1.43).

Six months – 1 May to 31 October 2020

- Sales declined 2% to 4,111 MSEK (4,209), organic growth up 3% and up 4% in comparable units
- Online sales increased by 43% to 332 MSEK (232)
- Operating profit totalled 314 MSEK (212). Excluding the effect of IFRS 16, operating profit totalled 277 MSEK (159).
- The operating margin was 7.6% (5.0). Excluding the effect of IFRS 16, the operating margin was 6.7% (3.8).
- Profit after tax totalled 221 MSEK (139)
- Earnings per share amounted to 3.49 SEK (2.21)

Events after the end of the reporting period

- Sales in November decreased 4% to 960 MSEK (995), organic growth of 2% and up 2% in comparable units)
- Online sales in November increased by 64% to 110 MSEK (67)

CEO Lotta Lyrå comments on second quarter 2020/21:

As we now summarise the first six months of our financial year, which were largely dominated by the coronavirus pandemic, I am very proud of what we have succeeded to achieve through our extensive joint efforts. Among many other things, we saw improved operating profit of 314 MSEK for the first six months, compared to 212 MSEK the preceding year, and many initiatives that will strengthen the company moving forward.



Apart from working in various ways to ensure a safe working environment for our employees and a safe shopping experience for our customers, we have countered major fluctuations in consumer patterns with relevant products and flexible customer interaction. For example, we have further improved the Click & Collect delivery alternative, reducing the delivery time from two hours to 30 minutes, and since October, we have offered our Swedish customers convenient and fossil-free delivery of online orders using Instabox. In September, we also launched Club Clas in our strongly growing Norwegian market.

At the same time, we are maintaining a high pace in the development of our business by investing in our digital skills, our digital customer interaction and our technical infrastructure to manage, for example, the increased online shopping volumes and efficient supply chain for our stores. In September, the implementation of a new inventory management system had a negative impact on our online sales, with temporarily longer delivery times, but ultimately a more efficient and more automated logistics chain is a key element to profitable growth. In October, our online sales were already back in line with our long-term targets.

Our efforts have proven to be robust. We have met those new buying patterns that our different customer groups show also during this high-intensity period, that for us begins in November and lasts until Christmas. Online sales in November have been very strong while we have seen continued fluctuations in customer traffic in our stores where many stores have been negatively affected by current restrictions.

Effective cost control and continued impact of a weak Norwegian Krone Organic sales decreased 1 per cent (1) during the second quarter. Online growth was 25 per cent (21). The Norwegian operations continue to deliver very strongly, with organic growth of 8 per cent for the quarter, but the NOK trend continued to negatively impact us also during this quarter. As previously, the Swedish operations were affected by lower footfall in certain urban locations, a trend that was intensified in direct connection with the stricter regional coronavirus restrictions that came into force at the end of October. In Finland, we continued strengthening Clas Ohlson's market position. Our online traffic continued to increase, driven not least by new, older target groups choosing to shop online. Sales on other platforms, such as MatHem and Kolonial, continued to perform very positively. Sales of our products on MatHem increased nearly 140 per cent during the second quarter, compared with the corresponding period last year. The gross margin improved to 41.8 per cent for the quarter compared with 41.1 per cent in the preceding year.

Excluding IFRS 16, operating profit improved to 130 MSEK (107) and the operating margin increased to 6.4 per cent (4.9). With more efficient inventory control and a consistent cost focus, we were able to offset the effects of weaker sales, while at the same time securing a well-balanced inventory level. The supply chain performed well ahead of our most important sales months of November and December. Our goal-oriented efforts also led to a strong cash position and good financial preparedness. As announced earlier, we believe that the fluctuations in the currency market mainly relating to NOK, will have a negative impact on profitability for the financial year.

Efforts by committed employees are yielding results

Based on our growth strategy, we are addressing more intense competition and new purchasing patterns by developing our customer offering and optimising our cost structure. During the current 2020/21 financial year, the remaining cost reductions of approximately 150-160 MSEK will be realised. In a time of major uncertainty, it is reassuring that we have done our homework in this respect. We continuously review our store network, and we open, close and refurbish our stores to give them the right conditions to contribute to



our profitability. Winning the Store Chain of the Year and Omni experience of the Year awards at the Retail Awards in September was a proof of successful development of our business, while at the same time pursuing cost-saving activities. Yet another proof is the attention we have received for our new, ambitious sustainability targets, which state that we will be climate neutral as a company across our value chain by 2045.

Clas Ohlson is a stable business on many levels and, in addition to a strong financial position, we have a large and loyal customer base, and employees who are committed to our customers and the continued success of our company. According to our most recent employee survey, commitment among our employees has further increased from an already high level and I think that says something about the decisiveness with which we are addressing the challenges of the coronavirus pandemic. That said, we continue to be humble about the near and more distant future. The current focus for all of us is to offer practical products and services that will make our customers' Christmas a little simpler, smarter and more sustainable.

I would like to extend my warm gratitude and appreciation to all the fantastic employees, customers and shareholders that I have had the privilege of working with during my time at Clas Ohlson. It has been an incredibly intensive journey, during which we as a team have established an entirely new platform for long-term profitable growth. I am convinced that Clas Ohlson is going toward a bright future, in which further customer and shareholder value will be generated over time under the leadership of my successor Kristofer Tonström, who will take over on 8 February 2021.

Webcasted teleconference at 9.00 a.m.

President and CEO Lotta Lyrå and CFO Pär Christiansen will comment on the report at 9.00 am CET today at a webcasted teleconference. The webcast is accessible via this [link](#). 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 webcast: SE: +46850558354, UK: +443333009271, US: +18335268396

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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, approximately 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.