

Clas Ohlson six-month report 2022/23

Increased sales in a tough market

Second quarter – 1 August to 31 October

- Sales increased by 6% to 2,250 MSEK (2,117), with organic sales up 3%
- Online sales increased by 28% to 258 MSEK (202)
- Operating profit totalled 112 MSEK (204). Operating profit in the preceding year, excluding a non-recurring payment from Fora, amounted 179 MSEK
- The operating margin was 5.0% (9.6)
- Net debt/EBITDA (12 months) excluding the effect of IFRS 16 amounted to 0.8 times (-0.8)
- Profit after tax totalled 69 MSEK (148)
- Earnings per share was 1.10 SEK (2.34)

Six months – 1 May to 31 October

- Sales increased by 3% to 4,294 MSEK (4,172). Organic growth was unchanged
- Online sales increased 17% to 490 MSEK (421)
- Operating profit, excluding costs for the closure of operations in the UK, totalled 131 MSEK (326 MSEK, excluding a non-recurring payment from Fora). Operating profit amounted to 96 MSEK (351)
- The operating margin was 2.2% (8.4).
- Profit after tax totalled 45 MSEK (251)
- Earnings per share amounted to 0.72 SEK (3.97).
- Closure of UK operations of 35 MSEK was charged to earnings

Events after the end of the reporting period

- Sales in November increased by 6% to 1,085 MSEK (1,021), up 3% organically
- Online sales in November increased by 27% to 154 MSEK (121)
- Clas Ohlson takes action that is expected to deliver cost savings and reduced depreciation totalling approximately 110 MSEK with full effect in the 2023/24 financial year. The actions entails non-recurring costs of approximately 120 MSEK to be recognised in the third quarter of 2022/23.

CEO Kristofer Tonström comments on second quarter 2022/23:

Sales growth in the second quarter once again confirms Clas Ohlson's relevance and ability to quickly adapt to a changing market in which households are being put under pressure by high energy costs, interest rate hikes and uncertainty about the future. In total, sales in the quarter increased by 6 per cent and online sales increased by 28 per cent. Overall, this means that at the end of the second quarter we have returned to the same total sales levels as at the same point in time last year, following a weaker first quarter.

Customers confirming our relevance

We have noted a very strong trend for all types of energy-saving products, as well as for much of the base range of products for storage and organising the home. Product satisfaction scored 4.5 out of 5 in the quarter and customer satisfaction was 56.4 (NPS), an improvement compared with the preceding quarter, and the number of Club Clas members continue to increase and now amount to 4.7 million. We also hold a price position that customers perceive as better than the low-price operators in the sector. Within the framework of the company's growth strategy, we are also continuing to optimise the store network, and are ready to intensify these efforts unless we can agree on reasonable rent levels with our landlords. To date this year, we have closed six stores and in the months ahead we will close a further three stores in Sweden where we cannot see that the right conditions are in place that enable profitable operations. At the same time, we have also increased our footprint in recent months with two stores in very attractive locations in Linköping in Sweden and Vaasa in Finland. In the run up to the year's most intense shopping weeks, we also opened up for even higher capacity to provide quick and flexible deliveries for online shopping customers in Norway by adding Instabox as a delivery option and with a new partnership with Bring for deliveries from our in-store e-com warehouses.

Continuing cost challenges

Similar to the first quarter, high purchasing and transport costs and a weaker SEK impacted the second quarter. The USD is at an historically high level in relation to the SEK, which puts us at a disadvantage since we purchase the majority of our goods in USD. In parallel, customers are increasingly on the lookout for sales and campaigns, which negatively affected the margin. Operating profit totalled 112 MSEK and the operating margin was 5 per cent.

An ever-more efficient Clas Ohlson

In a more difficult market with increased pressure on consumption capacity, it will become even more important to help our customers save money. We are leaving no stone unturned in our efforts to counterbalance an inflation-driven, higher cost level and have intensified efforts to simplify and streamline the organisation. Within the context of this, we are reducing the workforce at our offices by approximately 85 full-time employees. We will also rationalise our IT systems to better reflect the strategy and simplified work processes. The actions initiated will deliver cost savings and reduced depreciation totalling approximately 110 MSEK with full effect in the 2023/24 financial year. In the short-term, this will entail non-recurring costs of approximately 120 MSEK to be recognised in the third quarter of 2022/23. Of these, approximately 20 MSEK relates to costs for headcount reductions and approximately 100 MSEK to disposals of IT systems. All of these measures aim to defend our price position and strengthen Clas Ohlson, providing the company with greater flexibility and ensuring that it is a relevant home fixing destination in all situations.

Logistics flows and product availability

Ensuring the right product range at the right price with the right availability is fundamental for sustained success and we are continuing to work to expand purchasing activities in more markets. This provides a basis for the best possible price and quality while reducing the risk related to global logistics chains. In parallel, we are working actively with our logistics partners to safeguard the business here and now. Our inventory is higher than previously ahead of the Christmas shopping period and we have good access to products during the most important sales period of the year. It should be added that much of the increase in the value of inventory is attributable to higher purchasing and transport costs, and a weak SEK. It is pleasing in this context that logistics are now running more smoothly than previously, but we are prepared to act to the best of our ability in response to the uncertain geopolitical situation.

Full focus on a strong Christmas

As I write this, we are devoting all our energy to achieving the strongest possible Christmas sales. The Christmas shopping period has started well with total sales in November increasing by 6 per cent compared with the preceding year. With the combined energy of thousands of dedicated colleagues, I am convinced that we can together succeed in transforming this into both customer and shareholder value over

time. With our unique brand, closeness to customers and solid financial position, we are continuing the journey towards a stronger and more agile Clas Ohlson. I am convinced we will emerge from a period distinguished by challenging market conditions with a head start on our competitors. We'll see you in the Christmas shopping season!

Webcasted presentation today at 9.00 a.m.

President and CEO Kristofer Tonström and CFO Pernilla Walfridsson will comment on the report at 9:00 CET today at a webcasted teleconference available via this link about.clasohlson.com/q2-2223-en. The presentation will be held in English and is followed by a Q&A session.

If you wish to participate via teleconference please register on the link below. After registration you will be provided phone numbers and a conference ID to access the conference. You can ask questions verbally via the teleconference. [Link teleconference](#).

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 three 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.