

## Clas Ohlson six-month report 2018/19

### Second quarter – 1 August to 31 October 2018

- Sales increased by 8% to 2,157 MSEK (1,999), organic sales up 4% and up 1% in comparable units.
- Online initiative yields results — sales growth totalled 43%
- Operating profit, including non-recurring items and costs linked to CO100+ action programme, totalled 33 MSEK (125)
- Underlying operating profit amounted to 124 MSEK (140)
- Profit after tax totalled 25 MSEK (96)
- Earnings per share amounted to 0.40 SEK (1.52)

### Six months – 1 May to 31 October 2018

- Sales increased by 9% to 4,115 MSEK (3,782), organic sales up 5% and up 2% in comparable units.
- Operating profit, including non-recurring items and costs linked to CO100+ action programme, totalled 65 MSEK (225)
- Underlying operating profit amounted to 186 MSEK (240)
- Profit after tax totalled 55 MSEK (173)
- Earnings per share amounted to 0.87 SEK (2.74)

### Events after the end of the reporting period

- Sales in November increased by 10% to 979 MSEK (889).
- The Board has decided on a new direction for Clas Ohlson's market presence that going forward will focus on online shopping. Consequently, the store network in the UK and Germany will be closed.
- As previously communicated, operating margin for the current and next full-year is estimated to be about 4-6%. For the full-year 2018/19 an additional non-recurring cost of maximum 210 MSEK will be reported for the closure of the store network outside the Nordics. A positive effect on earnings of 75 MSEK will arise when the retail network has been closed.

### CEO's Comment

#### Increased focus on profitable growth in the Nordics and online. Closure of store network outside the Nordics

The market climate for retail remains challenging with a fast rate of change. Based on our solid financial position, we are following our plan of building on Clas Ohlson's strengths and can proceed with our change work at a swift pace. A sign that we are on the right track is that organic growth is in line with our target of 5 per cent and online growth was a full 51 per cent for the first six months of the financial year. The gross margin also strengthened in the second quarter. This also shows that our aggressive commercial ventures have generated results, that optimising our product range is bearing fruit in terms of higher sales and that the profitability of our campaigns is improving. Underlying operating profit for the quarter amounted to 124 MSEK (140).

We strengthened our online shopping platform in the quarter by broadening the range and expanding digital capabilities and delivery capacity to customers' homes. We are thus prepared to manage the increase we

expect in the forthcoming Christmas shopping period and established an e-commerce platform for future growth. Our reinforced online capacity provides us with eight more online shopping days for Christmas compared with last year. These measures fall within the announced interval of 1-2 percentage points of the operating margin for strategic investments. Operating profit amounted to 33 MSEK (125). This level reflects the market climate, our high rate of change and that identified cost savings have not yet generated effects, which is according to plan.

### **New direction for Clas Ohlson's market presence**

The Nordic region is our home market and our operations in Sweden and Norway enjoy a uniquely strong position and have performed positively in terms of both growth and earnings. We see opportunities for further improving profitability in Finland. In light of the shift in the retail sector and in line with our previously announced strategy, the Board has decided on a completely new direction for our operations outside the Nordics. The aim is to establish a scalable business model that improves long-term profitable growth at a lower financial risk exposure.

After ten years, the business in the UK is continuing to incur significant losses despite measures in recent years to optimise the store network. The evaluation of the pilot of four stores in Germany has revealed that the operations will be unable to deliver on plan and therefore the right conditions are not in place to achieve profitability. Against this background, the store network in the UK and Germany will be discontinued and in line with the new direction our presence in these markets will be concentrated to online shopping. This direction will allow us to develop a scalable business model for the UK and Germany initially, and then later in other markets.

The Board's decision on a new direction for Clas Ohlson's market presence and to close the store network outside the Nordic region will have a positive effect on operating profit of approximately 75 MSEK per year when the closure has been completed. The closure of the store network in the UK and Germany will affect approximately 150 employees and the total settlement cost is estimated at maximum 210 MSEK. The planning of the closures of the relevant stores will be made following careful consideration of the lease terms for each store so as to optimise total discontinuation costs. The estimated discontinuation costs will be reported in the nine-month report.

### **Full focus on implementation of CO100+**

The CO100+ action programme is progressing according to plan. As part of developing the customer offering and enhancing the efficiency of the operations, we implemented a number of measures for generating tangible customer value and improving efficiency during the quarter.

### ***Increased efficiency and lower cost base***

The efficiency-enhancing measures equivalent to approximately 200-250 MSEK identified to date in such central areas as purchasing and administration will successively generate effects during the two-year period of 2018/19-2019/20 and have a full effect from the full-year 2020/21. Important steps in primarily purchasing were taken during the quarter, with more extensive supplier renegotiations on both direct and indirect purchases.

### ***Cost-efficient solutions that make it easier our customers***

We expanded our product range via MatHem's platform in the autumn. This was positively received. We have also created a cost-efficient warehouse and logistics solution whereby three Clas Ohlson stores in Stockholm, Gothenburg and Malmö pick and deliver items directly to MatHem's central warehouse to be transported to the homes of the end customers.

Our Click & Collect solution received a very positive reception. Approximately 30 per cent of Swedish online customers choose this delivery option. We now offer about 100 products through our partnership with Amazon.uk to customers in the UK. Tests of new concepts such as Lab store and Concept store are continuing. Our new “Clas Fix it” – where we offer help with home DIY services – was launched in certain Stockholm areas.

### ***A more optimised product range***

To create a more optimised product mix, an action plan was drawn up in the summer for products equivalent to 50 per cent of our sales. The in-store tests performed show that we can reduce the number of products and still considerably increase sales in many categories. The implementation of the range strategy throughout the entire store network will begin in January.

### **Right path for higher customer and shareholder value**

I continue to strengthen my conviction that we are on the right path. Our customers value our offering, services, products and store concept. We are also becoming more agile at analysing, evaluating and adapting the store network and format, online shopping platform and market presence. The new direction for the operations outside the Nordics is another important step towards long-term profitable growth. Combined with a solid financial position, it provides a basis for delivering customer and shareholder value now and in the future.

*Lotta Lyrå, President and CEO of Clas Ohlson AB*

### **Press and analyst conference**

The report will be presented on Wednesday, 5 December at 8:30 a.m. in Clas Ohlson’s store at Sveavägen 52 in Stockholm. The presentation is also streamed live on [about.clasohlson.com/reports](http://about.clasohlson.com/reports). It is also possible to attend via teleconference. To participate, please dial +46856642698 (Sweden), +442030089808 (UK) or +18558315948 (US).

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***Clas Ohlson*** was founded in 1918 as a mail order business based in Insjön, Sweden. This year, we are celebrating 100 years as a business with customers in five markets, more than 5,000 co-workers and annual sales of approximately 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. Read more about our history on [clasohlson100.com/en](http://clasohlson100.com/en) or visit [about.clasohlson.com](http://about.clasohlson.com) for current events and information.