

## **Clas Ohlson three-month report 2018/19**

### **First quarter – 1 May to 31 July 2018**

- Sales increased by 10% to 1,958 MSEK (1,783), organic sales up 6% and up 3% in comparable units
- Online initiative yields results — sales growth totalled 60%
- sCORE business system implemented
- Strategy implemented in the CO100+ action programme, except from ongoing growth initiatives, efficiency improvement measures of 200–250 MSEK identified so far
- Operating profit, including non-recurring items and costs linked to CO100+ action programme, totalling 32 MSEK (100)
- Underlying operating profit amounted to 62 MSEK (100)
- Profit after tax totalled 30 MSEK (77)
- Earnings per share amounted to 0.47 SEK (1.22)
- Pär Christiansen took office as CFO on 1 July 2018

### **Events after the end of the reporting period**

- Sales in August increased by 8% to 725 MSEK (671), organic sales up 4%
- As previously communicated, operating margin for the current and next full-year are estimated to be about 4 – 6%

### ***CEO's Comment***

#### **Stable underlying earnings in a challenging market climate**

We have continued to implement our new strategy at a fast pace, and the initiative for profitable growth is being carried out according to plan. We are gradually beginning to see the positive effects of our work, which strengthens our conviction that we are on the right path.

In addition to continued stiff competition for our customers' wallets, the summer weather was a challenge for the retail sector in general. Clas Ohlson's strength is in its relevant product range both for different weather conditions and over time. Compared with the end of the fourth quarter, our levels of stock have decreased by approximately 100 MSEK.

The quarter's commercial investments drive traffic to our stores and online, which generates increased sales per customer and square metre both now and over time. In addition, we are increasing the turnover rate in our product range, and in particular further strengthening our position in our broad customer base prior to the Christmas shopping season. For the quarter, we delivered a stable underlying operating profit of 62 MSEK (100).

#### ***Defined strategy in the CO100+ action programme***

The way forward includes a continued clear focus on a number of selected strategic initiatives in the areas of "creating a unique customer offering, providing world-class service and simplifying and enhancing the efficiency of operations." All this to deliver on set goals of organic growth of 5 per cent and an operating margin of 6–8 per cent.

As previously communicated, we are investing 1–2 percentage points of the operating margin in our strategic initiatives over a two-year period, which means that the operating margin for the current and next full-year are estimated to be about 4–6 per cent.

This ongoing effort means that the strategic initiatives have been defined into an action programme: CO100+. In addition to initiatives intended to drive growth, efficiency-enhancing measures equivalent to approximately 200–250 MSEK have so far been identified, which successively will have effect during the two-year period 2018/19-2019/20 and full effect from the full year 2020/21.

### **Intense focus on execution**

As part of developing the customer offering and increase operational efficiency, we have now implemented a number of measures for generating tangible customer value and increased efficiency.

#### *More convenient for our customers*

After the positive reception of the Click & Collect concept in Norway, we are now launching this convenient solution in 92 Swedish stores. With that, Click & Collect will have been introduced across our entire Nordic home market. Through collaboration with Klarna, we have simplified check-out for our online customers.

#### *More in-depth collaboration increases availability for our customers*

We have initiated a number of strategic collaborations to provide customers with better availability and more complete offerings. In August we expanded our partnership with MatHem when the product range was increased from 700 to 2,000 products. We see great potential for growth in ‘non-food’ products online, which will be an important part of our aggressive growth goal of doubling our online sales every other year. “Hemma hos” in Oslo, which opened in June, is the first Clas Ohlson store where customers can experience parts of our product range in a home-like environment. This autumn, Clas Ohlson will initiate a collaboration with Amazon in which we use its platform to offer our products to customers in the UK.

#### *A more optimised product range*

One of our most important initiatives to increase sales per square metre is ensuring that we have the right product mix. In an initial step this summer, we drew up an action plan for products equivalent to 50 per cent of our sales. We are now initiating tests in our shops and beginning a dialogue with our suppliers. The outcome will result in products successively being phased out and new products being added.

#### *sCORE launched – enhanced internal efficiency and increased flexibility*

sCORE, which was initiated 2013/14, is now up and running. With sCORE, we have established a scalable platform for achieving efficiency gains in our supply chain and central administrative functions, while we can adapt the product range with greater flexibility to different areas and channels.

#### *Improved campaign precision*

Using advanced data analysis, we are tailoring our campaigns in a smarter, significantly more cost-effective way, taking into account product selection and size of discount in relation to effect.

### **Profitable growth for 100 more years**

We are now continuing our goal-oriented work on capitalising on the opportunities identified in our strategy review, which has been translated into a specific action programme. Clas Ohlson enjoys a uniquely strong market position in the Nordic region. With a strong financial position we are, under controlled conditions, continuing to develop our operations, generate growth and deliver shareholder value now and for the future. With sCORE, we now also have a scalable platform where powerful efficiency enhancements in central areas such as purchasing and administration will produce tangible effects on gross and operating margins.

This will also result in increased scope for action in order to more quickly launch new products and services that will make our customers' everyday life at home easier.

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

### **Press and analyst conference**

The report will be presented on Wednesday, 5 September at 8:30 a.m. in Clas Ohlson's store at Drottninggatan 53 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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This information is such that Clas Ohlson AB (publ) is obliged to publish pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was submitted for publication, through the agency of the contact person set out above, on 5 September 2018 at 07:00 a.m. (CET).

***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 4,800 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.*