

Clas Ohlson takes problem solving in the home to a new level – launches growth strategy with digital focus and new service offering

Clas Ohlson will grow on the Nordic market, focusing on simplifying people's everyday lives at home through a more unique customer offering of products, supplementary services and guidance. A developed online business model, world-class service and simplified, streamlined operations are critical parts of the new strategy.

The entire growth strategy will be presented today at the company's Capital Markets Day, where representatives from Group Management will report on results and conclusions from the extensive analysis work that has been conducted. A number of strategic focus areas, as well as a number of new initiatives going forward, will be presented.

100 years of building relations creates new opportunities

The entrepreneur Clas Ohlson founded a company 100 years ago with the idea of simplifying people's everyday lives. Much has happened since then, but our founder's idea is just as relevant today as it was then. We will continue to help and inspire people to improve their everyday life by offering smart, simple and practical solutions at attractive prices.

Over the years, Clas Ohlson has earned a place in the hearts of millions and established strong relationships with its customers. This gives us the conditions and the confidence to simplify people's lives in new ways when their habits, needs and patterns of consumption change and where new technology makes it possible. This is an opportunity we will seize.

Closer customer relations focusing on the Nordic home

Our new growth strategy is based on thorough analysis and strategy work that has been in progress since September 2017. This work has clarified the picture of Clas Ohlson's market position, our behaviour and our customers' behaviour in a new competitive situation, and the company's opportunities and challenges in a new landscape. Some of the key takeaways are that Clas Ohlson has:

- A strong foundation to grow from, with a high level of brand awareness and a financial position that enables offensive initiatives
- Large potential in further commercializing the offering and to streamline the product range
- Great opportunities to simplify and streamline our operations
- Great potential for developing online operations, which currently represent 3.5 per cent of sales which is below market average
- Large potential in growing the Nordic region

Our unique market position in the Nordic region gives us the opportunity to broaden our offering to all kinds of homes, and to capture a greater share of customers' spending linked to the home – what we call *share of home**. The home products market is estimated to generate approximately 90 billion SEK in the Nordic region today, and is expected to continue growing over the next few years. Clas Ohlson's ambition is to grow its market share faster than the market in this area over a coming period, with sustained focus on simplifying people's everyday lives at home with smart, simple, practical solutions at attractive prices.

In addition, we will be adding new related services to our offering, which means we are entering the market for home services. That market is estimated to generate approximately 15 billion SEK in the Nordic region.

All in all, Clas Ohlson will operate in a market that currently generates approximately 105 billion SEK in the Nordic region.

"Most people in the Nordic region know, like, and depend on Clas Ohlson. This provides us with fantastic, quite unique opportunities to gain the trust for taking on a larger role in simplifying people's everyday lives in more Nordic homes. We can solve more problems in more, entirely new, ways for even more people. By developing our offering, we will come closer to our customers' everyday lives, and thereby becoming even more relevant and accessible to them. Clas Ohlson should always be the easy choice. We will also be breaking new ground to show what a traditional retail company like us can be and do in a new landscape," says Lotta Lyrå, President and CEO of Clas Ohlson.

Focus on three strategic areas

In the new strategic plan, online operations play a critical role for our increased accessibility in relation to our customers. The plan contains the development of an entirely unique digital platform that will provide the customer with an integrated interface with Clas Ohlson's expanded customer offering. A number of initiatives in connection with this will be launched starting this year. Clas Ohlson's long-term ambition is to develop an entirely new business model online.

Seen as a whole, the company's strategic plan includes a large number of initiatives that, in the short and long term, will strengthen Clas Ohlson's position in the market:

- **Develop a unique customer offering:** we will become even more relevant to the customer by offering a more focused product offering where we more clearly define the home as our territory while adding a supplementary range of services. As an initial step, today we can talk about Clas Fix it – a collaboration with Pegital Investment AB to develop services for practical problem solving in the home (see separate press release).
- **Provide world-class service:** we will increase added value to our customers by improving our already high level of service with increased accessibility and providing more personal guidance both online and in stores, thus building a closer relationship with the customer.

- **Simplify and streamline operations:** we are introducing a number of initiatives to increase the systematics in product development, purchasing and deliveries in order to increase cost efficiency and promptness in relation to the customer.

Financial plan in brief and new financial targets

The new growth strategy means that the company's financial targets are being revised. A larger available market and a more unique offering will increase sales while we improve our operating margin compared with current actual levels.

- Sales will increase organically an average of 5 per cent annually over a five-year period
 - sales per customer increase
 - sales per square metre increase
 - sales online to at least double every other year
- Operating margin will amount to 6–8 per cent within a five-year period
 - private label increase as a share of sales
 - the organisation and retail space will be streamlined
 - development of product range, purchasing and logistics will be systematised

Over the first two years, we expect to invest approximately 1–2 per cent of the underlying operating margin in strategic initiatives.

- Net debt in relation to EBITDA to be below two (2) times
 - investments are being planned as regards financial position, cash flow and strategic activities
- The dividend policy remains unchanged from previous policy
 - the dividend is to comprise at least 50 per cent of earnings per share after tax, considering the company's financial position

Over the first two years, the ambition is that the dividend will be maintained at the level for the 2016/17 financial year, in absolute terms.

As a consequence of the strategic plan, e-com will be transferred from the ongoing implementation of the IT platform sCORE to be included instead in the development of a new digital platform, the financing of which is included in the financial plan related to the strategy. Even with this change, the investment related to sCORE will amount to the previously announced 500 MSEK for the five-year period 2013/14 to 2018/19.

Presentation material and webcast from today's Capital Markets Day will be released after the conclusion of Capital Markets Day, on about.clasohlson.com.

For further information, please contact:

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***Clas Ohlson** was founded in 1918 as a mail order business based in Insjön, Dalarna, Sweden. We are celebrating 100 years as a company this year with customers in five markets, just over 4,800 employees, and sales of approximately 8 billion SEK. Our share is listed on Nasdaq Stockholm. A lot has happened since the beginning, but one thing has been the same all these years: every day, 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 at clasohlson100.com or where we are today at about.clasohlson.com.*