



# Q4 Report 2010/2011

9 June 2011

# Agenda

- Q4 2010/11 (Feb-Apr)
- Full year 2010/11 summary (May-Apr)
- Events after period-end
- Update on strategic priorities
- Q&A

# Clas Ohlson today

- A retail chain with 139 stores in four countries
- Sales of SEK 5,8 billion
- 3,900 employees
- 64 million visitors – 31 million customers
- Product range that solves small practical problems of everyday life



## Q4 2010/11 (February-April)

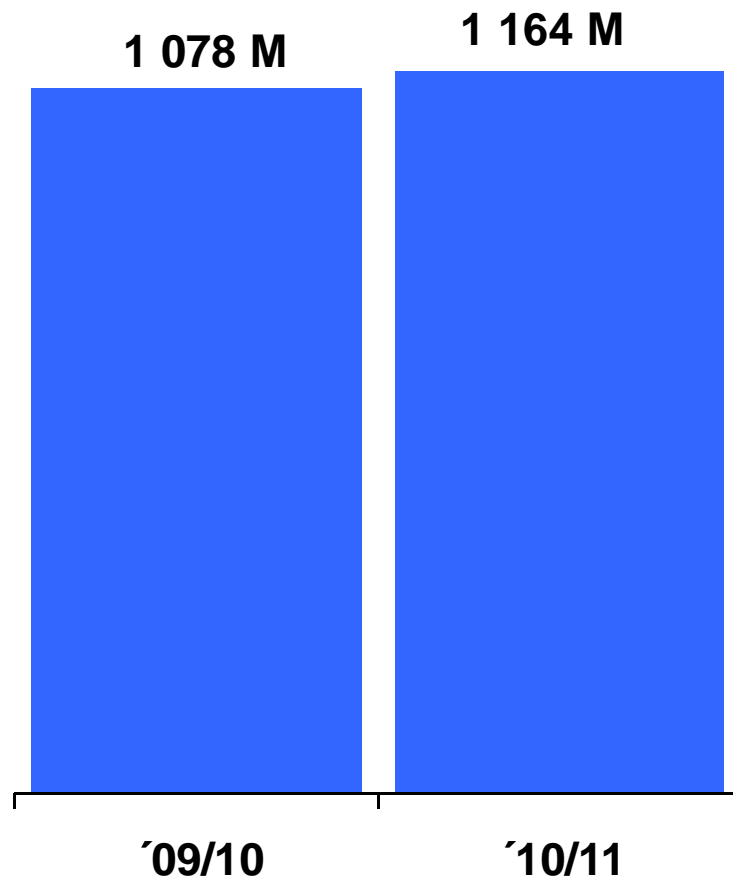
### **Cotech Planer with reversible blade.**

Planer width: 82 mm. Shaving depth: 0-3 mm.  
Rebate depth: 20 mm. Power: 900W. Speed:  
16000 rpm. Comes with dust extractor port,  
parallel and rebate guide. Weight: 3.0 kg.

Product number 30-9984      **Price: SEK 499**



# Sales – Q4

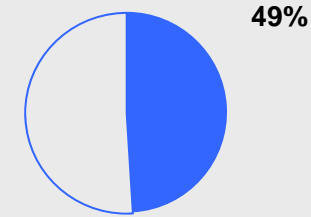


- Sales up 8% to SEK 1 164 M, +12% in local currencies
- 19 (14) more stores vs. April 10
  - Comparable stores in local currency unchanged
  - New stores +12%
  - Currency effects -4%
- Mail order/Internet SEK 20 M (20 M)

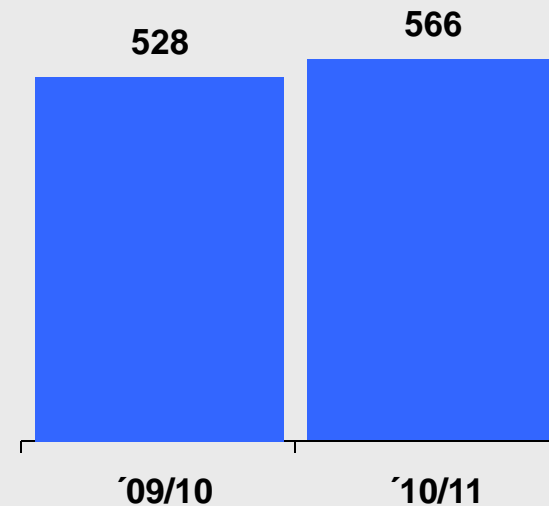
# Sweden – Q4

- Sales up 7%
  - No new stores during Q4. Total of 61
  - 5 more stores compared to preceding Q4
- Majority of new stores double establishments
- Highly competitive and overall volatile market

Portion of sales



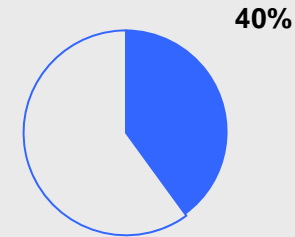
Sales, SEK M



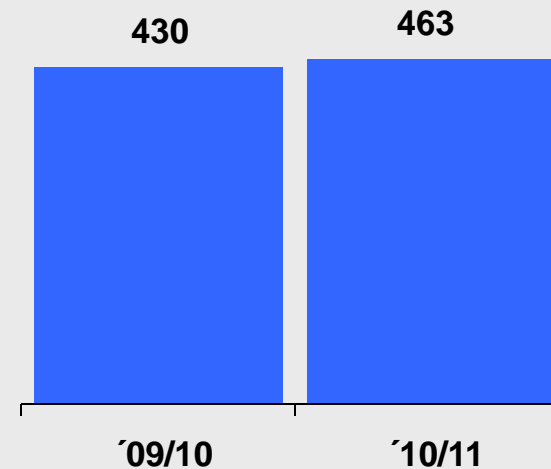
# Norway – Q4

- Sales in SEK +8%
  - +15% in local currency
  - 3 new stores during Q4. Total of 50
  - 9 more stores compared to preceding Q4
- Large variations in monthly traffic and sales growth

Portion of sales



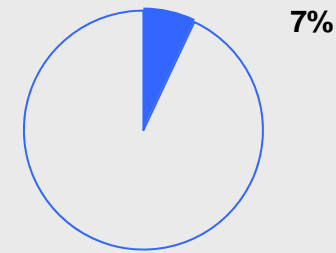
Sales, SEK M



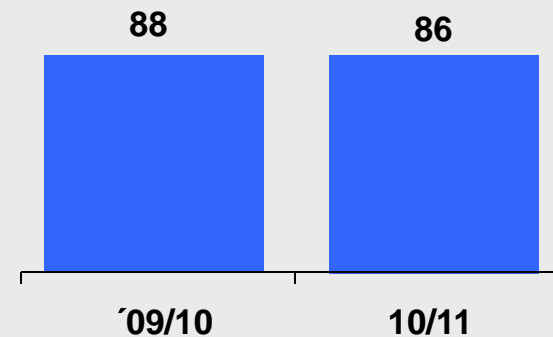
# Finland – Q4

- Sales in SEK -2%
  - +8% in local currency
  - No new stores during Q4. Total of 17
  - One more store compared to preceding Q4
- 5 new contracts signed
- Positive sales trend in local currencies
- Increased market share

Portion of sales



Sales, SEK M

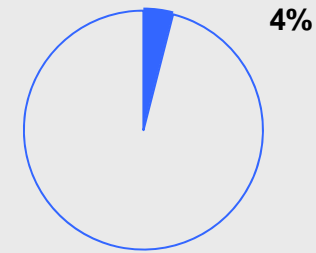




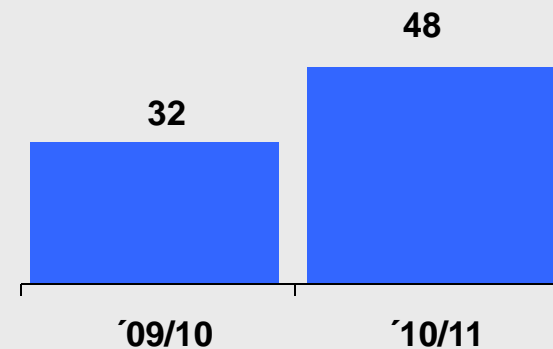
# UK – Q4

- Sales in SEK +51%
  - +63% in local currency
  - No new stores during Q4. Total of 11 stores
  - 4 more stores compared to preceding Q4
- UK-market burdened by weak economy, financial pressure on households and increased VAT

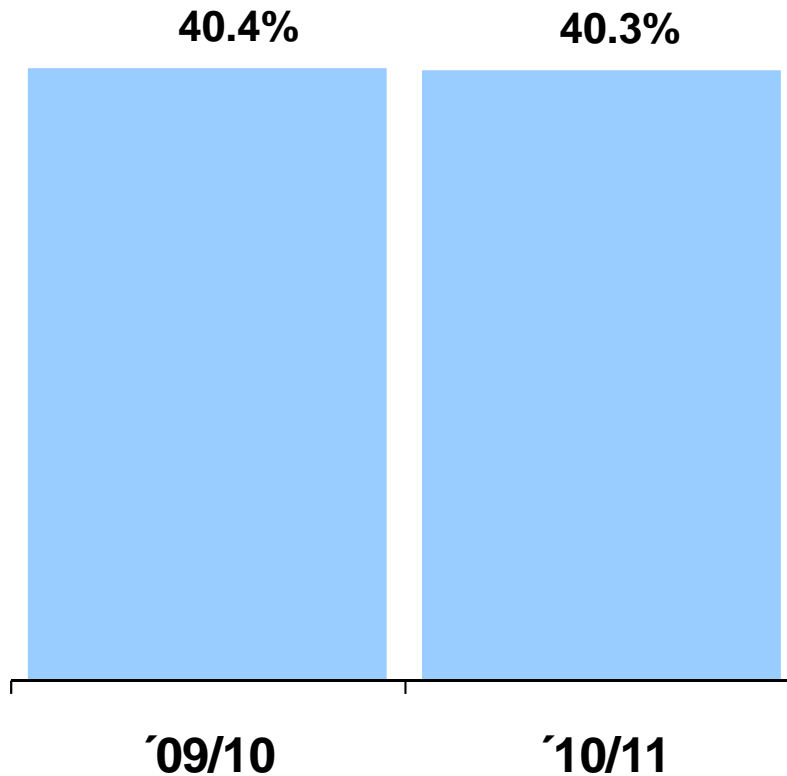
Portion of sales



Sales, SEK M



# Gross margin – Q4



Gross margin down 0.1 percentage points to 40.3%

- Currency effects
- + Increased share of direct purchasing
- + Positive sales mix impact

# Currency effects: Q4 10/11 vs. Q4 09/10

NOK/SEK

Sales:  
Instant

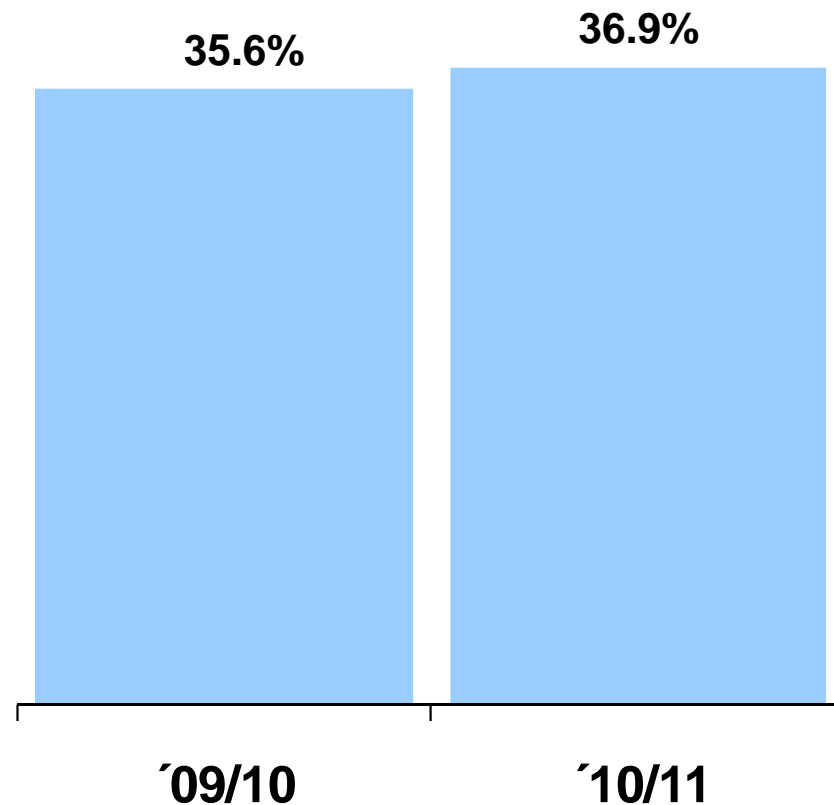


USD/SEK

Purchasing:  
Time lag



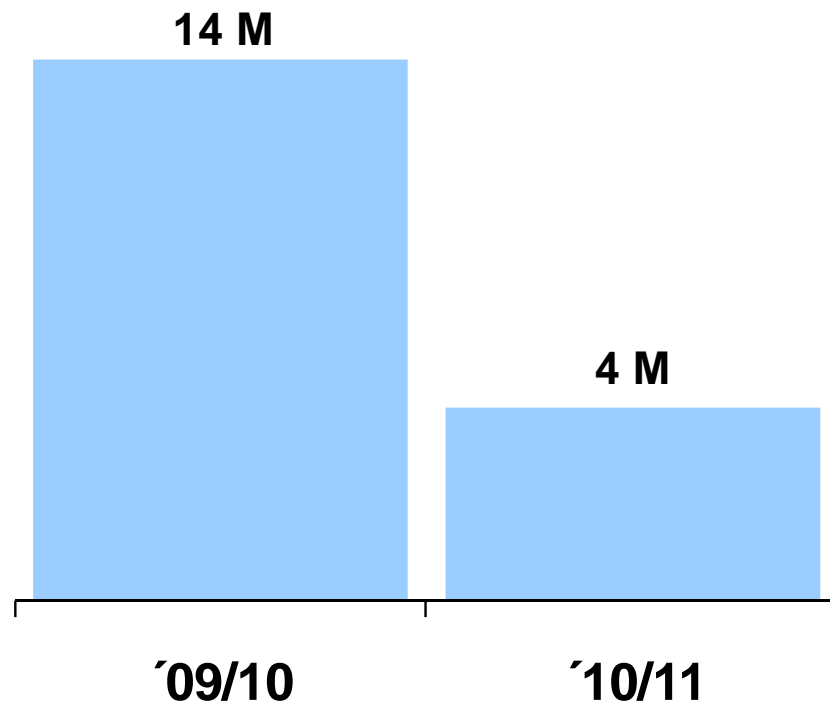
# Share of sales costs – Q4



Share of sales costs up 1.3 percentage points to 36.9%

- Higher share of sales costs new markets (UK)
- + Start up costs SEK 8 M (17)

# Operating profit – Q4



- Operating profit SEK 4 M (14)
  - Negative currency effects (NOK)
  - Costs for new market entry (UK)
- Profit after financial items SEK 1 M (14)

# Full year 2010/11 summary (May-April)

## Cotech 5 t Log Splitter

with adjustable splitting length 35-52 cm.

Two hand operating system.

Preset auto return. Splitting force

5 tonnes. 230 V/ 1500 W motor.

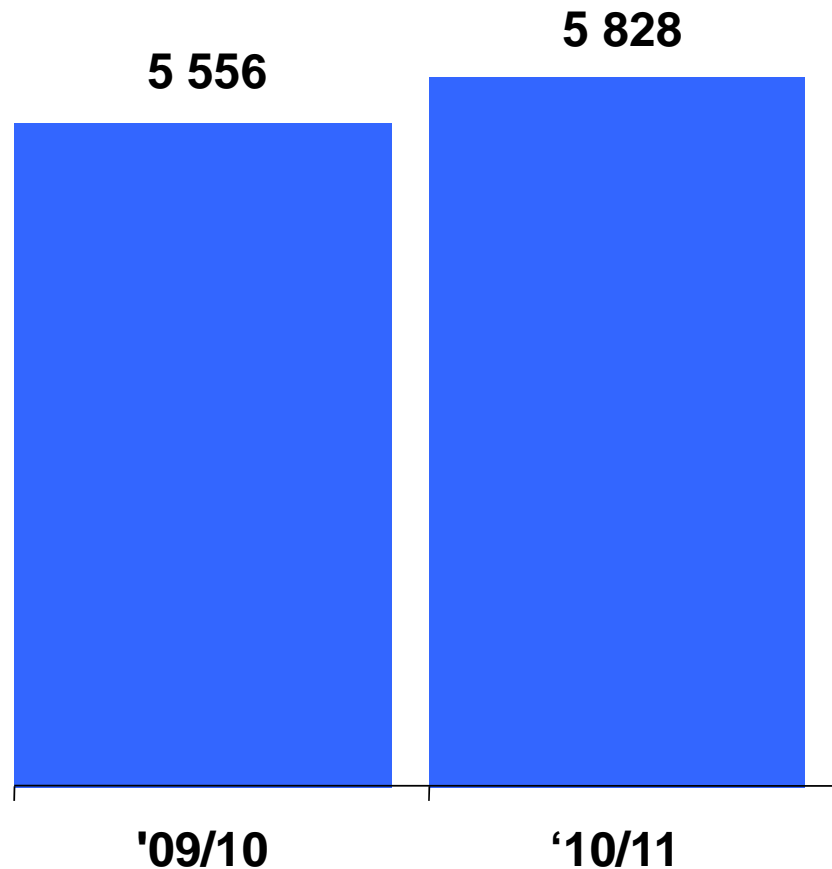
Weight 50 kg. Size 122x25x48 cm.

Product number 30-8710

**Price: SEK 1999**

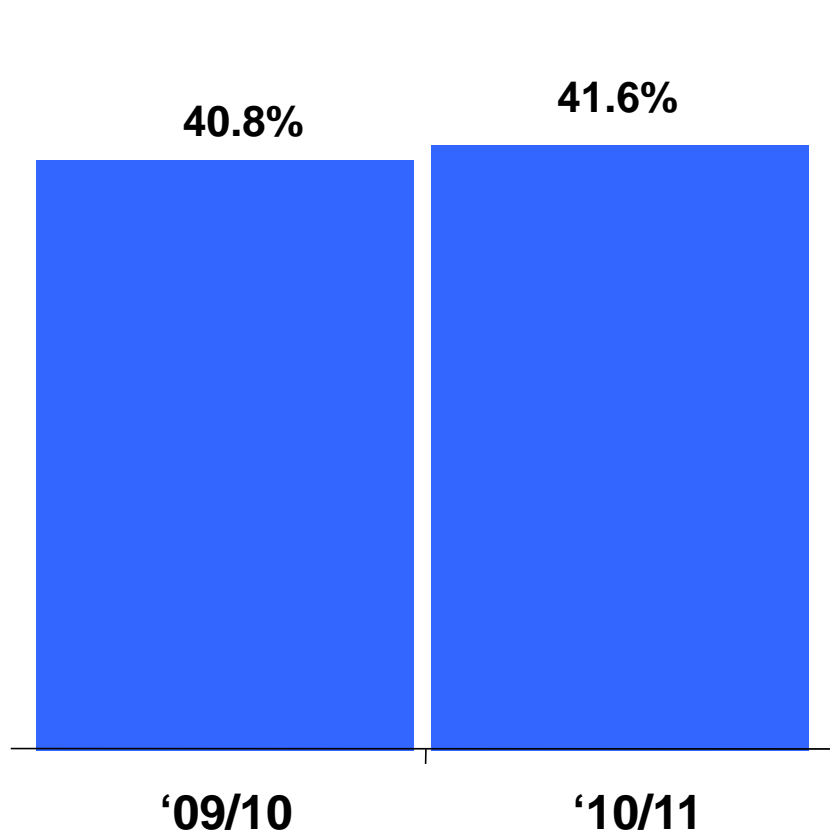


# Sales – Full year 2010/11



- Sales +5% to SEK 5 828 M, + 8% in local currencies
  - Comparable stores in local currencies -1%
  - New stores +9%
  - Currency effects -3%
- Mailorder/Internet SEK 89 M (94 M)

# Gross margin – Full Year 2010/11

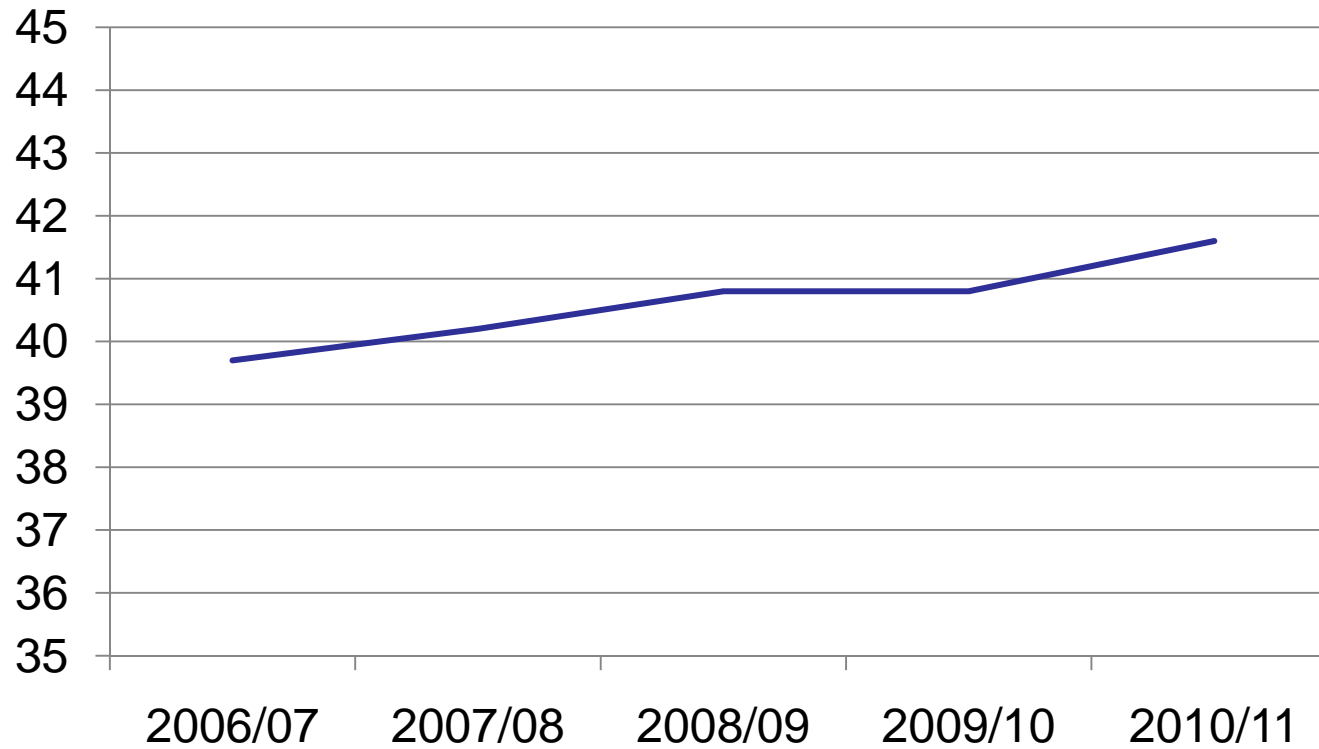


Gross margin up 0.8 percentage points to 41.6%

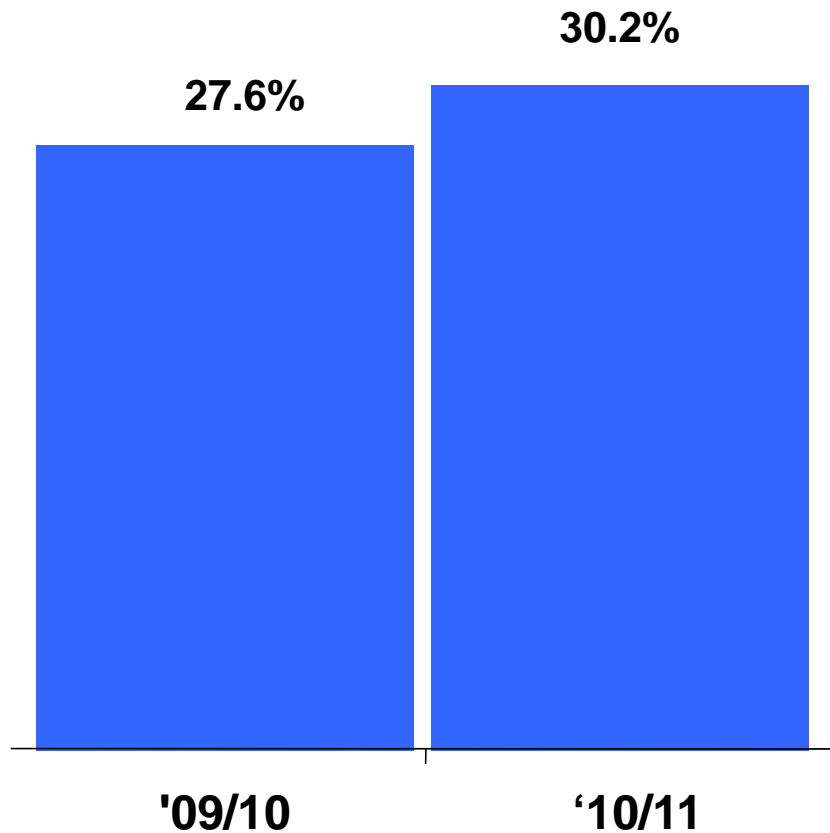
- + Positive sales mix impact
- + Increased share of direct sourcing
- Currency effects



# Gross Margin % 2006-2011

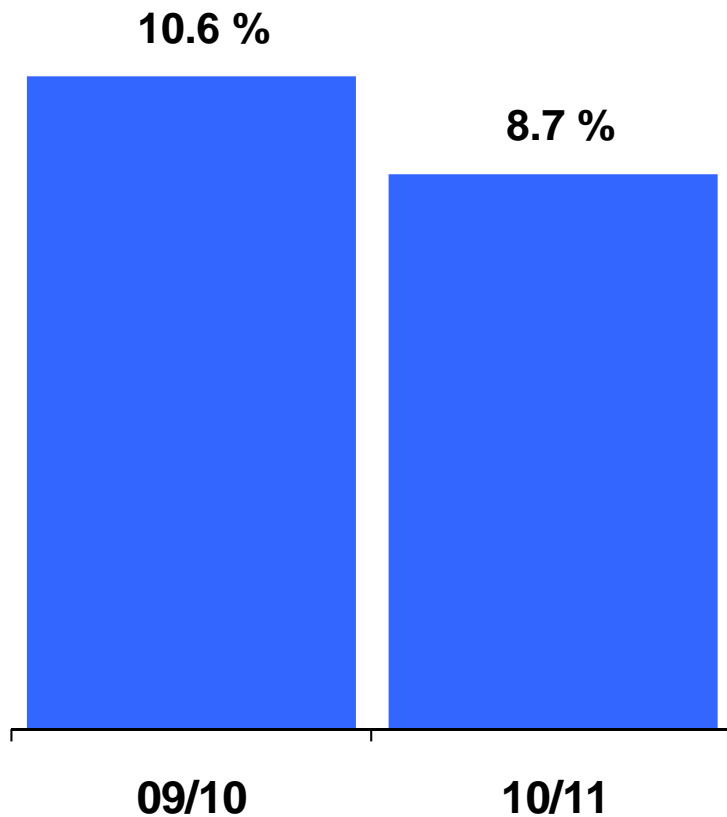


# Share of sales costs – Full year 2010/11



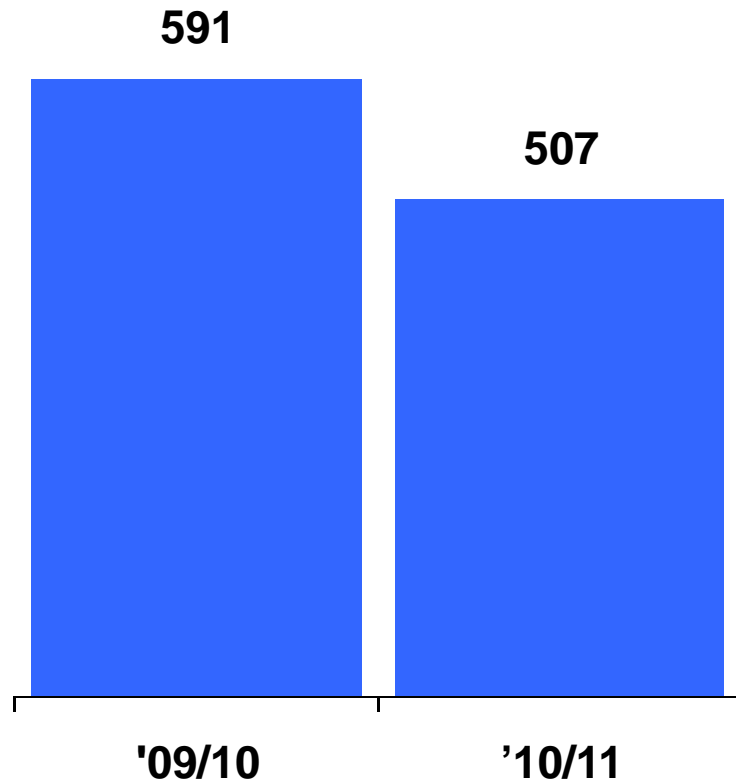
- Share of sales costs up 2.6 percentage points to 30.2%
- Higher share of sales costs new markets (UK)
  - Higher start up costs
  - Costs for business development and organisational build up
  - Lower sales in comparable stores

# Operating margin – Full year 2010/11



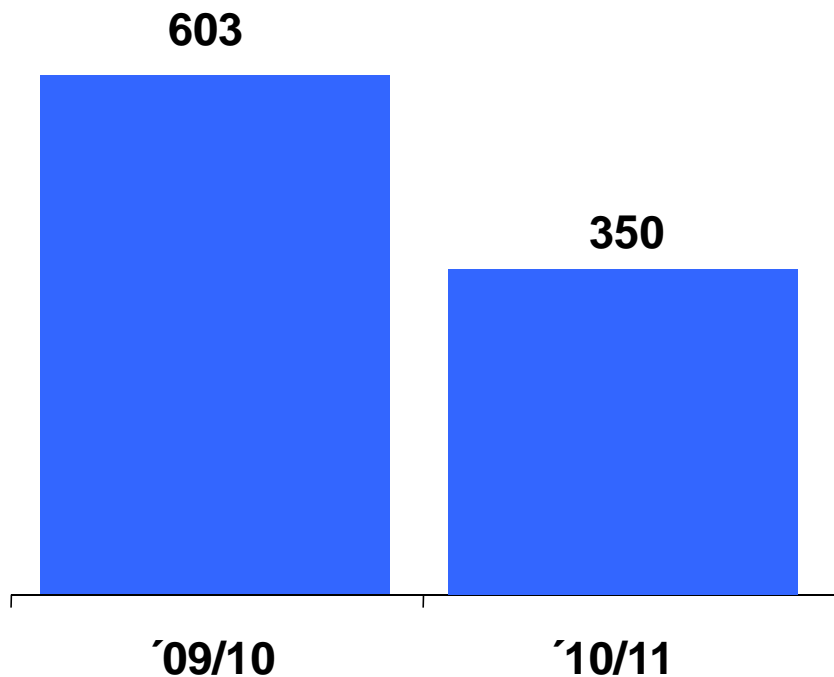
- Operating margin 8.7% (10.6)
  - UK expansion (EBIT impact within guidance of 2-3 p.p.)
  - Negative currency effects

# Operating profit - Full year 2010/11



- Operating profit SEK 507 M (591)
- Earnings after Financial items SEK 499 M (588)

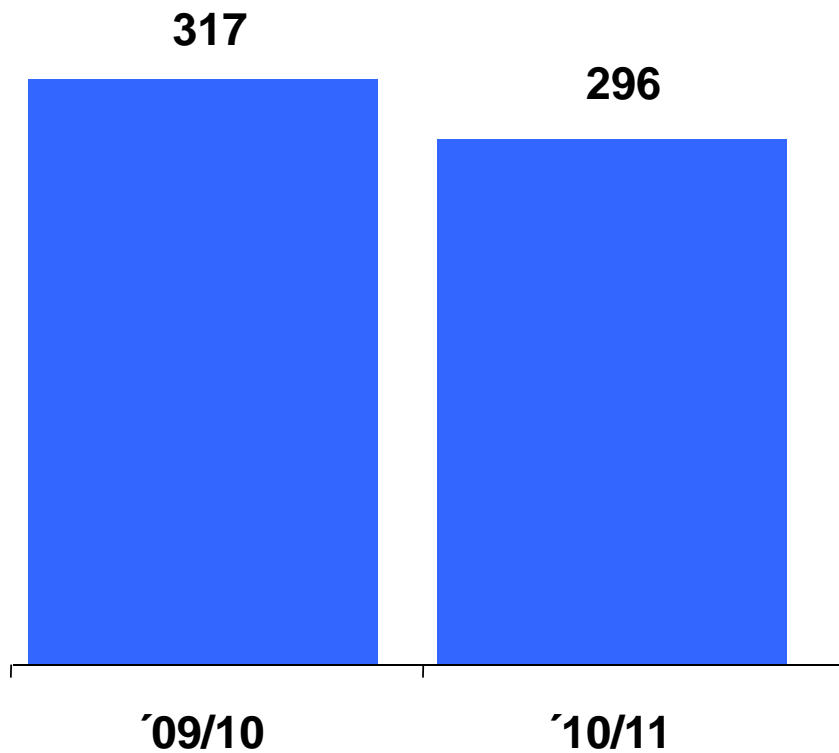
# Cash flow – Full year 2010/11



- Cash flow from operating activities SEK 350 M (603)
- Inventory: SEK 1 429 M (1 204)
  - Average inventory R12 +22%
  - 19 new stores compared to 2010/11
  - Increased direct purchasing from Asia with earlier inbound delivery and more goods in transit
- Cash flow for the period SEK 49 M (19)

■ Cash flow from operating activities, SEK M

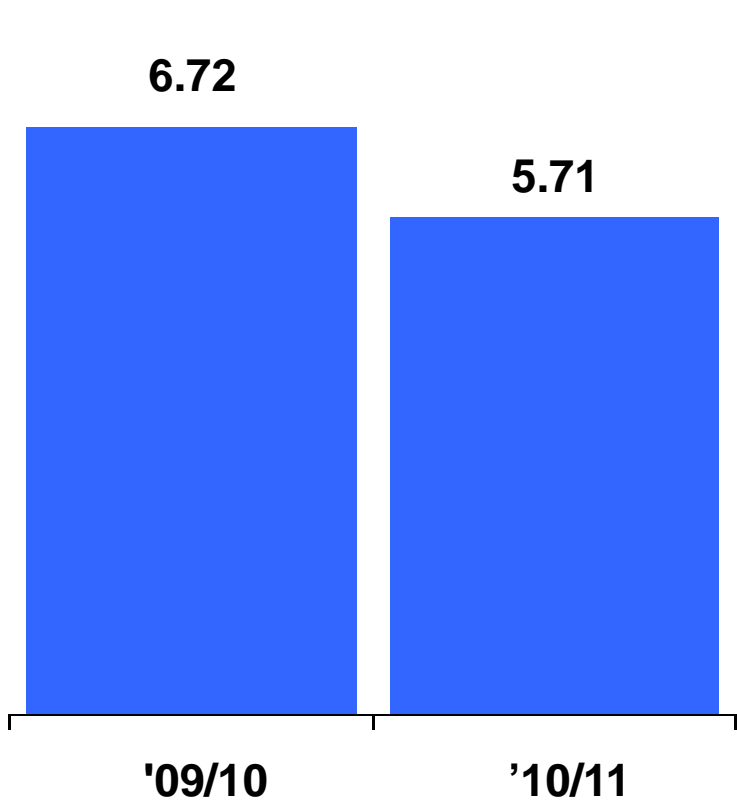
# Investments – Full year 2010/11



- Investments of SEK 296 M (317) of which:
  - New/refurb. Stores: SEK 193 M (93)
  - Distribution Center: SEK 9 M (149)
  - Other investments: SEK 94 M (75)

■ Investments, SEK M

# Profit per share – Full year 2010/11



- Profit per share SEK 5.71 (6.72)

# Proposed dividend

For the 2010/11 financial year, the Board proposes that a dividend of SEK 3.75 per share be paid (3.75), equivalent to around 68 per cent of the Group's net profit (57 per cent).

## Dividend policy:

The level of dividend should be equivalent to around half the net profit. In addition, the Board may propose that surplus liquidity also be distributed.



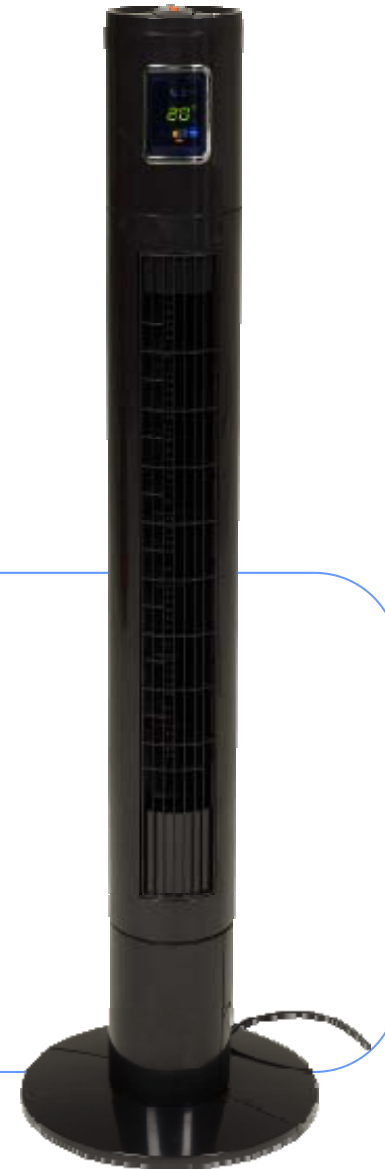
# Events after period-end

## **Tower fan.**

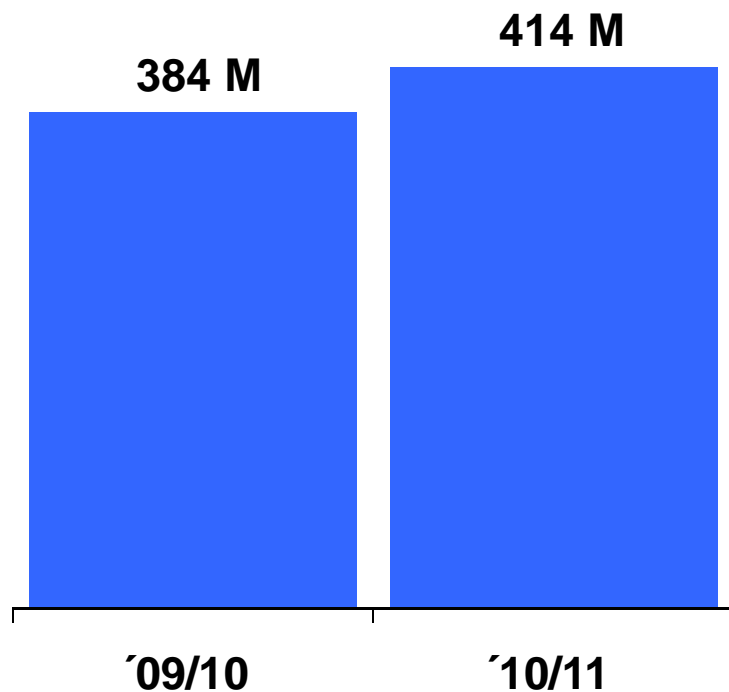
Sleek portable fan requiring very little room.  
3 speeds, oscillation, timer and remote control.  
Height: 115 cm. 45 W. Black.

Product number 36-4526

**Price: SEK 499**



# Sales – May



- Sales up to SEK 414 M (384) +8%.  
+12% in local currencies
- 19 (13) more stores vs. May 2010
- Sales in local currencies +12%
  - Sweden +3%
  - Norway +26%
  - Finland +17%
  - UK +5%
- Mail order/Internet: SEK 6 M (6)

# Update on strategic priorities

## **Cocraft Tool Cabinet.**

Sturdy sheet steel with ball bearing expansion drawer runners and anti-slip mat in each drawer. Four 100 mm wheels, two of which are lockable swivel castors.

Lockable drawers. Size: WxDxH 69x46x85 cm..

Product number 40-7818

**Price: SEK 1995**



# Long term vision

## Vision:

To develop Clas Ohlson into a European Modern Hardware retailer with high profitability and good growth in value for our shareholders...

...through being the preferred retailer for consumers to solve the small practical problems of everyday life



# Our way forward

- Growth and expansion
- Develop a high performing organisation
- Simplification and increased efficiency



# Business plan towards our vision

- ✓ Expansion in the UK
- ✓ Develop our sales channels
  - ✓ New store concept
  - ✓ New store formats
  - ✓ Updated and expanded e-commerce
- ✓ Expanded and modernised Distribution Center
- ✓ Improved purchasing
  - ✓ More direct purchasing in Asia
  - ✓ Fewer suppliers
- ✓ Expanded product range for European market requirements
- ✓ Improved store productivity
- ✓ Strengthened international organisation and processes



# Strengthened organisation and processes

- Develop a high performing organisation
  - Sales and Merchandising
  - Logistics
  - E-commerce
- Processes and IT-systems
- Business development
  - Multichannel/E-commerce
  - Store concepts and formats





# Strengthened organisation - recent appointments



- Magnus Højman, Supply Chain Director (from Accenture)
- Ulrika Göransson, Business Development Director (Internal recruitment)
- Lars Andréason, Sales & Communication Director (Internal)
- Sampo Päälyysaho, Country Manager Clas Ohlson Finland (from Kesko)
- Nina Lindfors, Country Manager Clas Ohlson Sweden (Internal)



# UK – Expansion

- Four new stores during 2010/11 to total of 11 stores:
  - Birmingham
  - Cardiff
  - Norwich
  - Doncaster
- Contract signed for new store in Newcastle opening in 2011/12



# UK – Market

- Austerity measures to reduce national debt has negative impact on the UK economy
- Continued pressure on UK retail market
- Low consumer confidence
- Increased VAT
- Increasing unemployment rates
- House prices in decline
- Improved retail market expected from 2012

## Consumer confidence falls to 'worrying' level in April

Consumer confidence fell sharply this month, making the chances of a double dip recession “increasingly real”, according to the GfK NOP.

Its Consumer Confidence Index fell to -31 in April, only the third time it has dropped below -30 in the 37 years the index has been running.

The other two times were in the early 1990s and mid 2008.

The -31 figure is 15 points lower than this time last year, and a ~~record low~~ record low.

**RetailWeek**

## Focus DIY falls into administration

Focus, the DIY chain, is the latest retailer to collapse as the number of administrations in the sector reaches its highest for two years.



The retailer has appointed Ernst & Young as the administrator. The group is said to be in talks as to whether the chain can be sold as a going concern, or will have to cease trading.

Focus is owned by private equity group Cerberus, which bought the chain in 2007 for £1. It appointed former MFI marketer Michael Greenhalgh as its head of marketing after the role has been vacant for a number of months.

**MarketingWeek**

# UK – update and expansion plans

- Overall positive feedback from customers regarding range, stores, prices and service
- Number of visitors and customers in line with group average. Conversion rate and average purchase lower
- Current 11 stores reach over 1/3 of UK population (30 min drive)
- Focus on further development of existing stores
- Balancing expansion plans to market development (1-4 stores during 2011/12)





# New store concept

- Easier navigation & improved competitiveness
- Stronger growth rate among stores with new concept
- 41 new stores (to date)
- 12 refurbished (to date)
- 53 of 139 stores with new concept (38%)



Årets butikslösning



# Awards and nominations

- Best Customer Service 2008, 09,10 (Sweden)
- Winner: Store concept of the year (Sweden)
- Nominated: Retail Chain of the year (Sweden)
- Nominated: Growing Retailer of the year (Retail Week 2011)
- Nominated: Best Product Catalogue (Dagens Media)
- Winner: “Fixa Självs” Customer Magazine (Tidskriftsallsvenskan)

**market•**



Årets butikskedja



Årets butikslösning



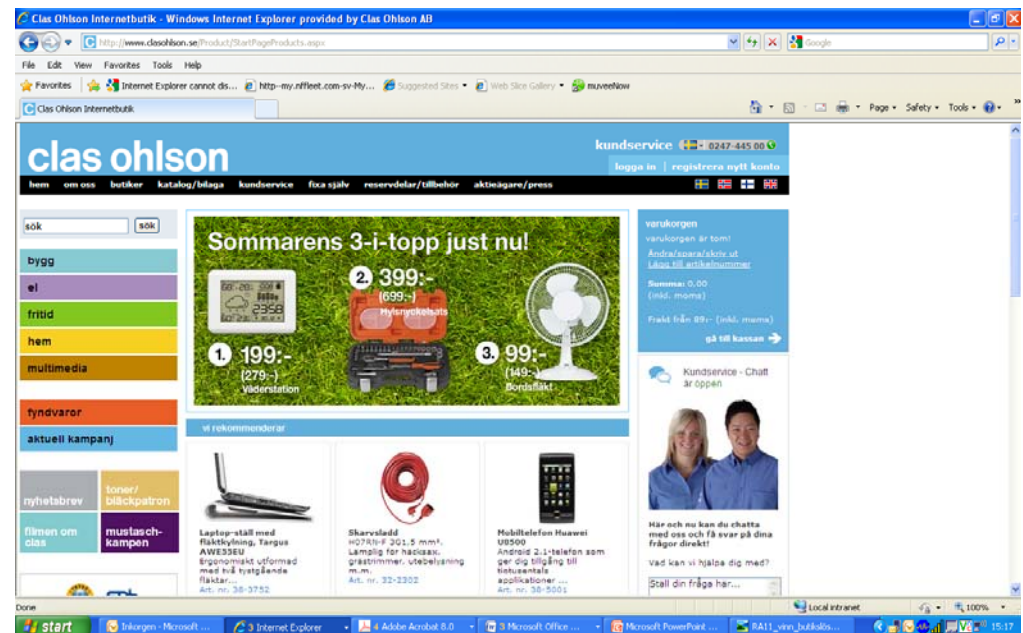
# Developed new formats

- Different formats to match local potential
  - Large
  - Standard
  - Small
- New large format stores in Insjön, Stockholm and Oslo
- Further developed small store format (9 stores)



# Potential in Multichannel retailing

- E-commerce/Multichannel launch in 2011/12
  - New multichannel strategy, processes and platform
  - Additional markets with launch in Finland and UK
  - Strong channel for building awareness and image in new markets



# Distribution efficiency

- New automated picking facility and High Bay Warehouse completed in 2010
- Increased productivity and doubled storage capacity
- Increased depreciation
- Capacity for efficient storage and picking for 150+ stores





# Store expansion – pipeline and plans



- 19 new stores (14) of which 4 in the UK during 2010/11
- Target of 17-22 new stores during 2011/12 of which 2-4 in Finland and 1-4 in UK
- 23 new stores contracted of which 16 opening in 2011/12 and 7 in 2012/13
  - Sweden: 8
  - Norway: 9
  - Finland: 5
  - UK: 1

# Revised long term growth objective

- Growth of at least 10 per cent annually (previously 15%), measured as the increase in average annual sales over a five-year period
- Operating margin of at least 10 per cent (unchanged)

Revised long term growth objective in order to better reflect the group's current development phase.

# Outlook

- Continued focus on long term profitable growth in Europe in accordance with financial targets
- Positive development and strong position in our established markets
- Business plan to invest in new markets (currently UK)  
- annual impact of up to 2-3 percentage points on EBIT-margin
- Further potential to increase sales via developed product assortment and sales channels in the Nordic region

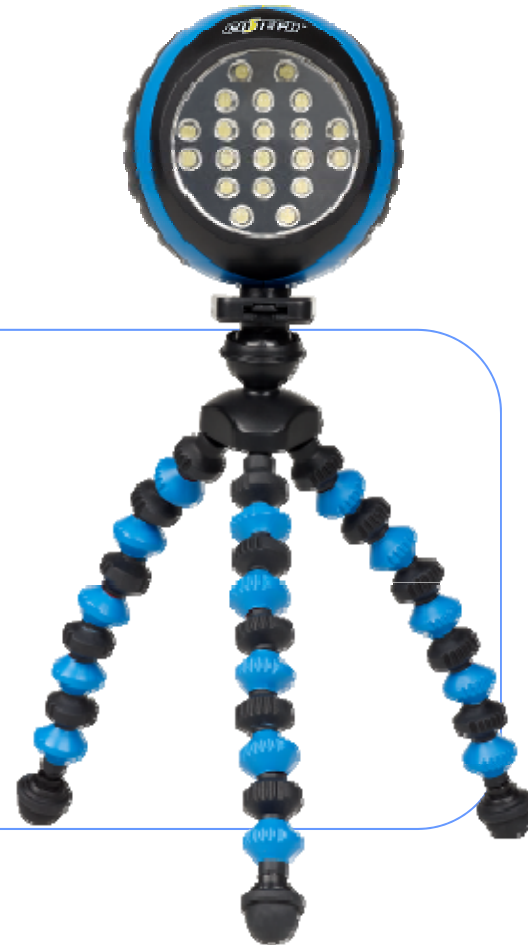


# Q&A

## LED Work Light.

Three flexible and bendable legs. Can be used standing or wrapped around a pipe. A ball joint between the light and legs enables it to rotate 360°. Rubberised, anti-slip legs. 20 cold white LEDs. Two constant beam settings and a flashing setting.

Product number 36-4458      **Price: SEK 249**



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[www.clasohlson.se](http://www.clasohlson.se)