



100 YEARS OF **clas
ohlson**

Q4 Report 2017/18

8 June 2018

Lotta Lyrå
President & CEO

Göran Melin
CFO

The logo for Clas Ohlson's 100th anniversary. It features the number '100' in a large, gold, sans-serif font. Below the '100' is the text 'YEARS OF' in a smaller, gold, sans-serif font. To the right of 'YEARS OF' is the word 'clas' in a white, lowercase, sans-serif font, and below it is the word 'ohlson' in a larger, white, lowercase, sans-serif font. The background is a blue sky with falling confetti in various colors including gold, red, purple, and white.

100
YEARS OF clas
ohlson

Agenda

- Business update
- Financial development
- Events after period end
- Summary and Q&A

A photograph of an outdoor dining table set for a meal. The table is covered with a white tablecloth and features several place settings. In the foreground, a vibrant red pitcher filled with water, lemon slices, and raspberries sits on a woven placemat. Next to it is a tall, clear wine glass. The table is adorned with fresh greenery, including a sprig of ivy and small yellow and white flowers. In the background, several lit white candles in black holders provide a warm, ambient glow. The setting is outdoors, with a blurred background of green foliage and a wooden structure.

BUSINESS UPDATE

New strategy for growth in a new time

- Retail is undergoing changes due to changes in consumer behaviour
- Today's market conditions require new approaches for ensuring sustainable profitability
- The new Clas Ohlson strategy for profitable growth was presented in May
 - the starting point is our strong brand and broad customer base built up over the years
 - investments short term creates conditions for long-term competitiveness and profitable growth

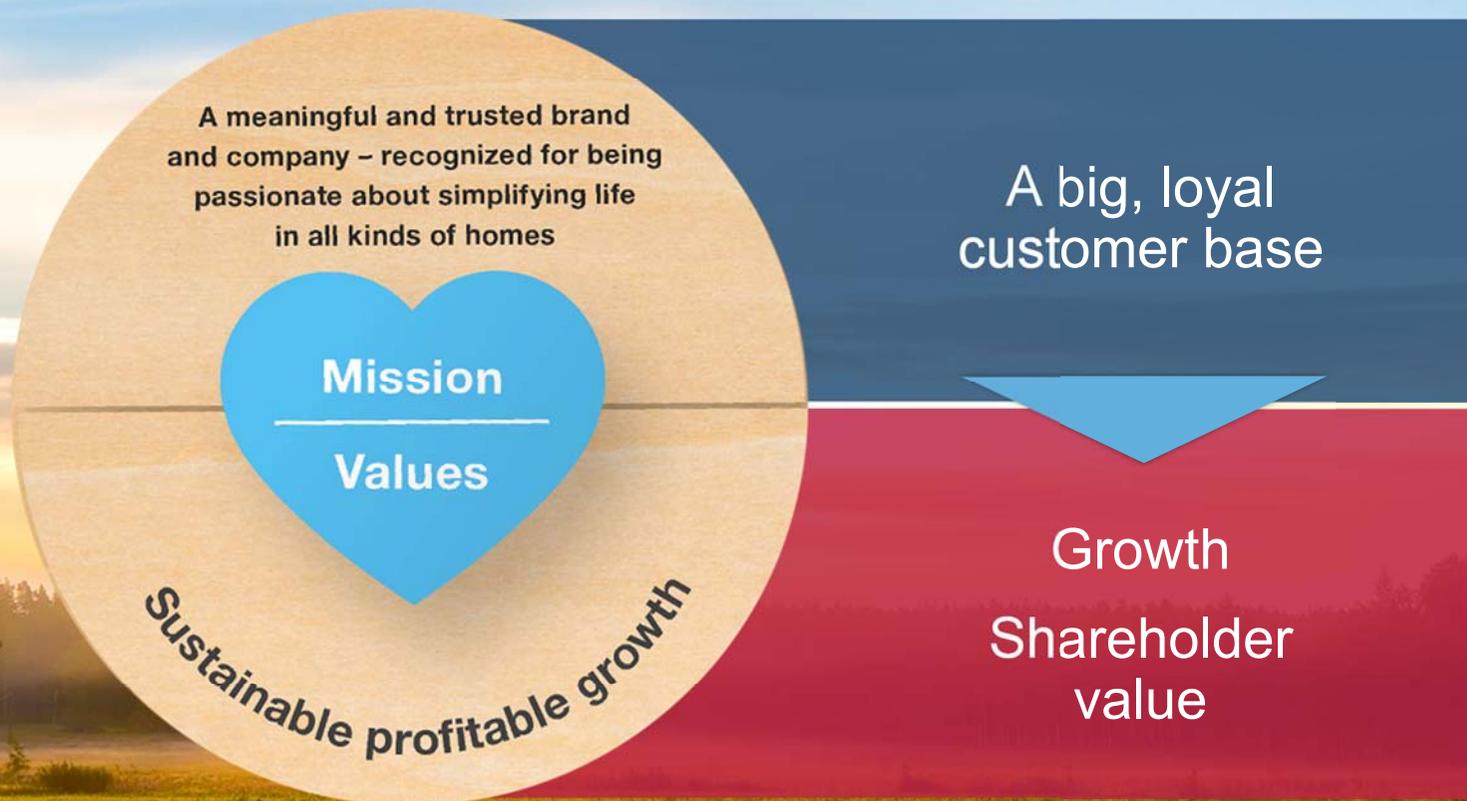


Q4 development

- Solid sales development in a fast changing retail landscape
 - Q4 sales increased by 7% to 1,683 MSEK
 - Significant growth in online traffic and online sales increased by 48%
- Substantial commercial activities including increased marketing spend and margin investment
- Q4 earnings amounted to -106 MSEK, impacted by currency, commercial investments and non-recurring costs of 45 MSEK



100 more years – our business objectives



New financial targets and framework

1

Average annual sales growth of 5% during next five years

- Sales per customer increases
- Sales per square meter increases
- Sales online to double every other year

3

Net debt / EBITDA kept lower than two (2) times

- Investments in line with financial position, cash flow and credit facility

2

Operating margin at 6-8% within next five years

- Share of own brands increased
- Efficient organisation
- Product development, purchasing and logistics systematized

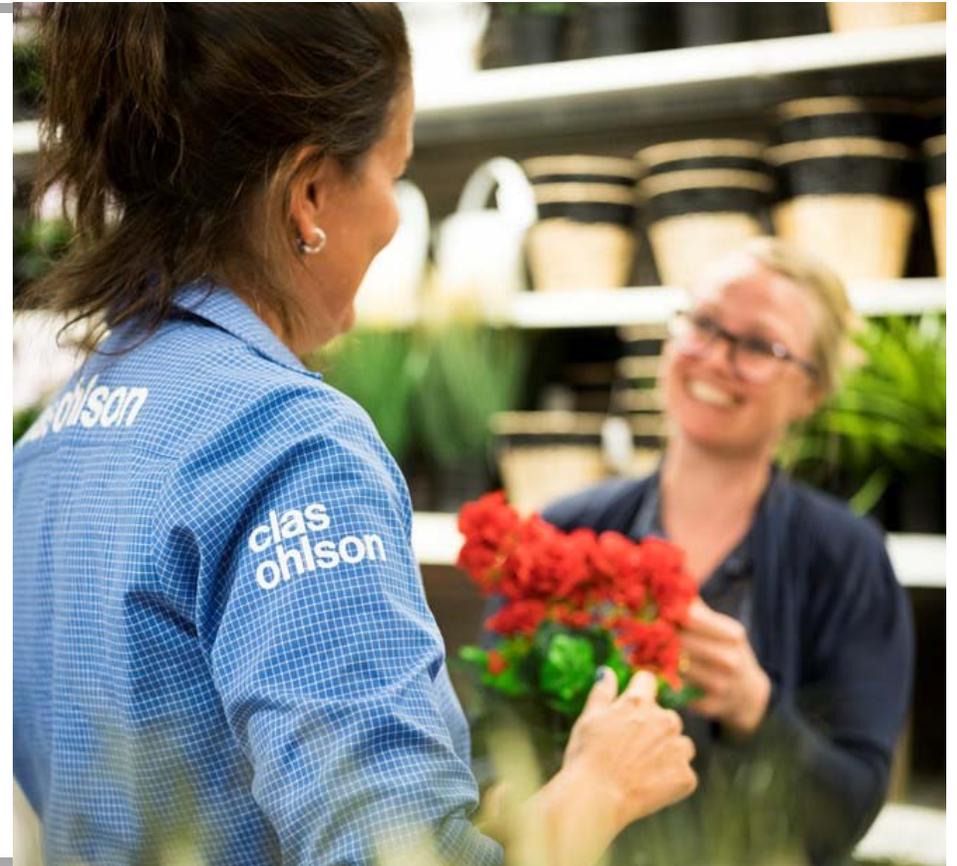
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The dividend policy unchanged

- The dividend is to comprise at least 50% of earnings per share after tax, with consideration for the company's financial position

Short term implications

- During the first two years approximately 1-2% of the underlying operating margin will be invested in strategic initiatives
- During the first two years the ambition is to maintain the dividend at the same level as last year in absolute terms

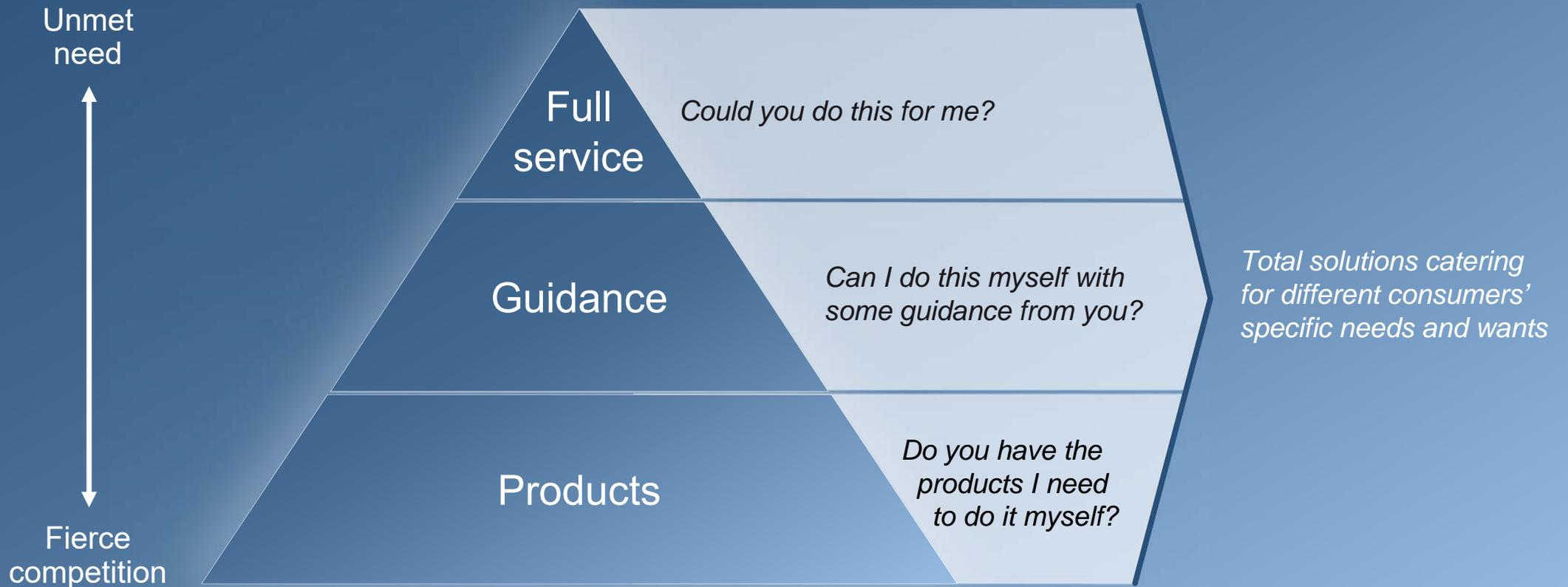


Unique customer offer



- A focused and efficient product offering
- Adding supplementary range of services
- Clearly defining the home as the territory

A complete solution to be uniquely positioned



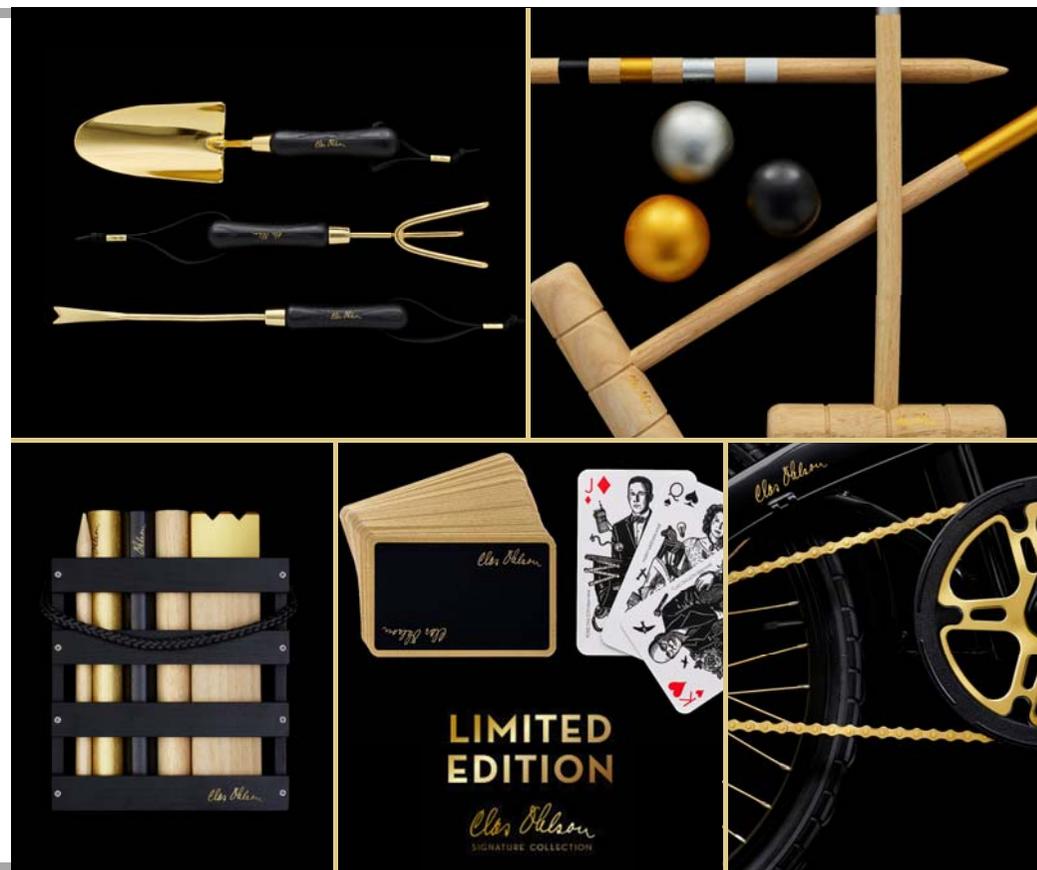
New products launched

- A large number of new products launches during spring
- Focus on outdoor activities
 - Workwear collection 2
 - Extended solar cell range
 - New electrical bikes range
 - New concept Make & play to be launched



Introducing Clas Ohlson Limited Edition

- A tribute to our founder
- A carefully selected range of everyday products with an exclusive twist, manufactured in a limited edition
- Designed by Clas Ohlson's design team in Insjön
- Selected to represent best sellers and customer favourites throughout the years
- Available in stores and online as from 2 June 2018



Cooperation with Telenor

- Cooperation with Telenor kicked off in March in selected stores in Sweden
- Telenor offers sales of products and services at a dedicated area in store with own sales staff
- The initial pilot proves significant synergies in sales in the Multimedia category
- A step towards offering a more complete solution in a specific product area



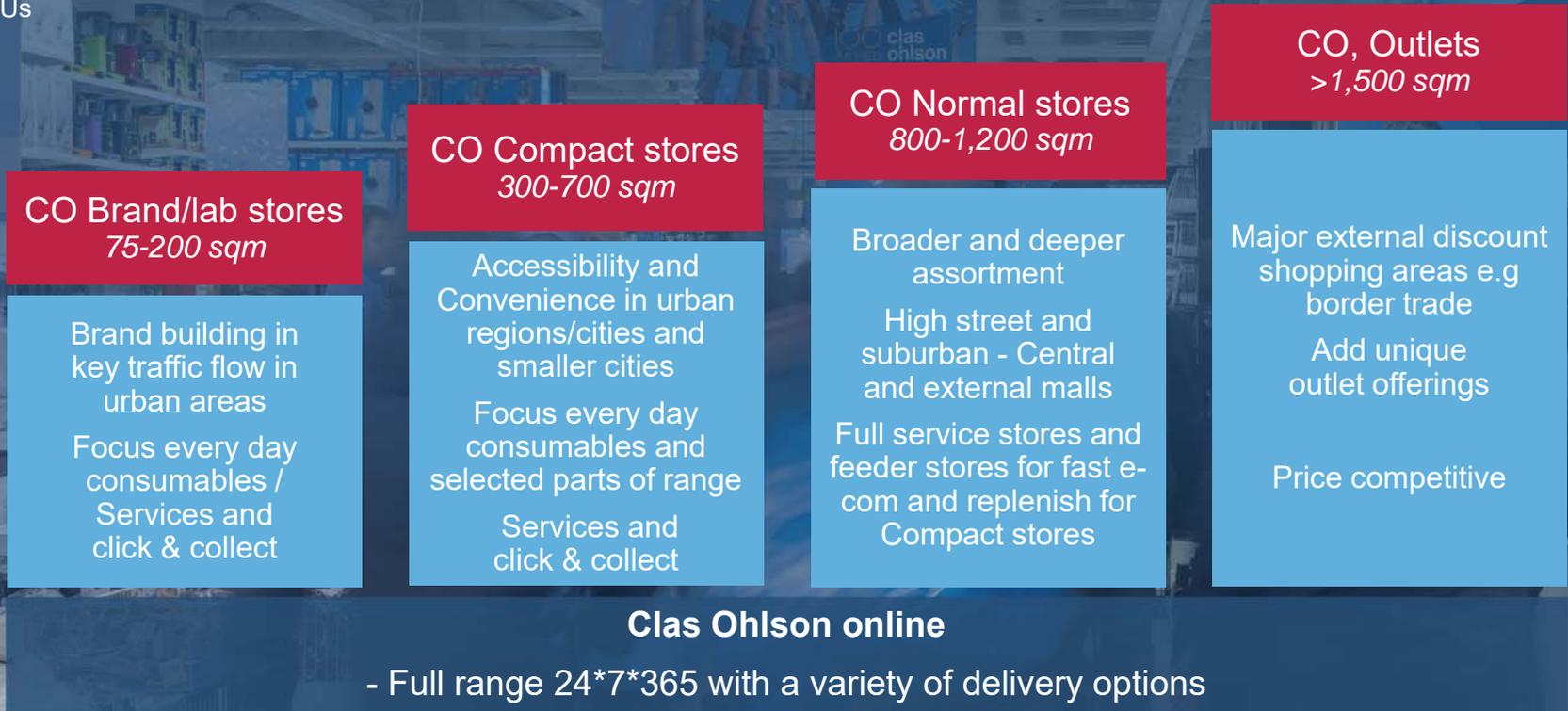
Outstanding customer service

- Improving the already high level of service
- Increase accessibility
- Provide more personal guidance both online and in stores
- Increase added value to our customers



Store matrix supporting the unique customer offer

Range, number of SKUs



Clas Ohlson online

- Full range 24*7*365 with a variety of delivery options

Store size, sqm

Optimising size and location of existing store network

- Optimisation within existing contractual framework
 - Relocations
 - Downsizing
 - Transformation to other formats
- High flexibility in store network
 - Approximately 50 stores up for renegotiations or with break options within the next two years



New store formats being tested

Lab store
at Sveavägen
in Stockholm
September 2018

Pop-up store
at Bogstadveien
in Oslo
June 2018

Lab store
at Otaniemi
in Espoo
September 2018

Lab store at
Hakaniemi metro
station in Helsinki
Autumn 2018



Short term online actions – ready for Christmas

- Addressing relevant challenges and enhancing our online performance
 - simplifying check out process on our e-com site
 - shortening delivery lead-time for customers
 - improve user experience both for mobile and desktop version
 - providing new route to markets utilizing our MatHem partnership
 - providing last mile delivery options
 - providing Click & Collect solutions



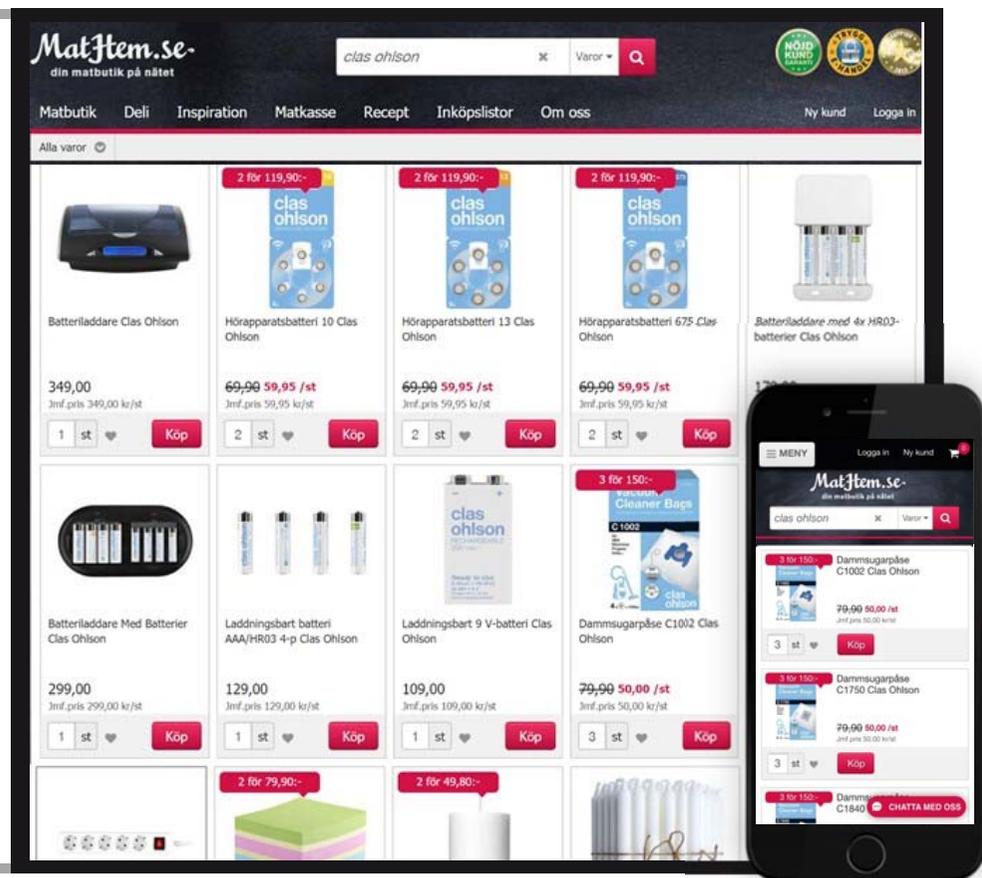
Implementing Click & Collect

- In February Click & Collect was launched across Norway
- Being implemented across remaining markets during coming months
- A step towards offering a more convenient way of shopping for customers



Cooperation with MatHem.se

- High speed in the strategic collaboration with MatHem, Sweden's largest online grocery store
 - selected parts of our product range is being offered via MatHem's digital platform
 - customers who buy via our e-com will be able to choose to have products delivered home to the front door via MatHem.se
- Very first customer order received on 27 March
- Successful pilot process
 - sales of piloted products on par with sales in own channels without marketing
- Full-scale launch during next week covering approximately 700 products
 - delivery from MatHem's distribution centres in Stockholm, Gothenburg and Malmö in Sweden



Smartness and simplicity

- Increase systematics in
 - product development
 - purchasing
 - deliveries
- Increase cost efficiency and promptness in relation to the customer



Implementation of sCORE

- Main release of sCORE programme successfully implemented
- Critical capabilities for a future, more efficient Clas Ohlson through state-of-the art platform
 - scalability, compliance, efficiency
- Enable customer centric operations
 - tailor assortment per store
 - customer driven sales and supply planning
 - optimize commercial planning
- sCORE total investments of 500 MSEK during period 2013/14 -2018/19
 - e-com part of new digital platform and part of financial plan of the strategy



Developing more efficient operations

- With support of data science, implementing more thorough mechanics measuring and steering investment and commercial decisions
 - more effective promotion investments optimizing margin generation
 - initiated a category reset initiative to optimize customer offers
 - review and optimization of overall commercial process



A string of warm white spherical Christmas lights hangs in front of a brick wall at night. The lights are out of focus, creating a bokeh effect. The brick wall is a warm reddish-brown color. The background is dark, suggesting it is nighttime.

FINANCIAL
DEVELOPMENT
Q4 2017/18

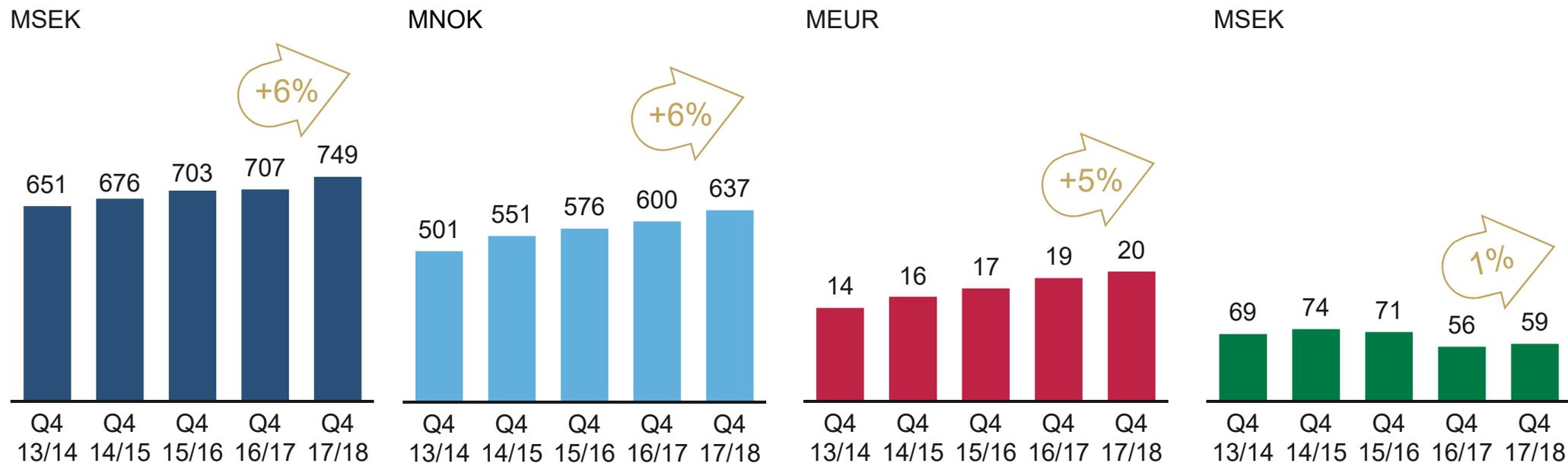
Sales Q4

- Sales 1,683 MSEK, up 7%
 - Sweden +6%
 - Norway +6%
 - Finland +12%
 - Outside Nordic countries 5%
- Sales up 6% in local currencies
 - LFL sales up 3%
- Online sales up 48%
- 5 additional stores net compared to end of period last year (3)



Sales development per market

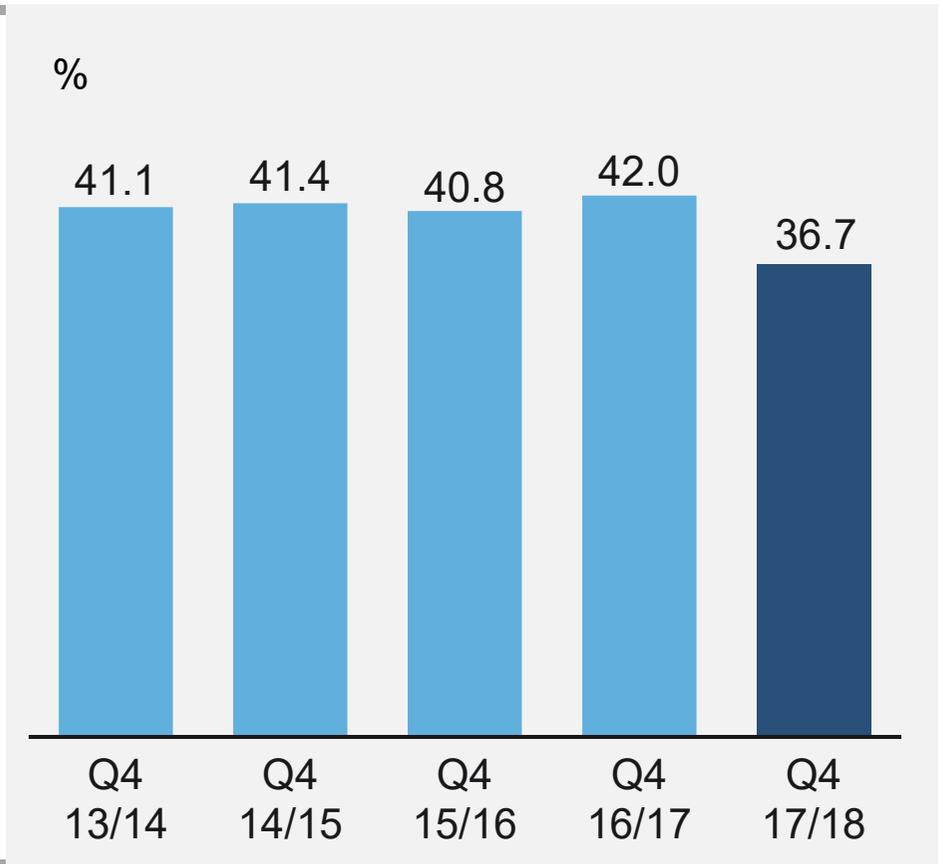
- Sweden
- Norway
- Finland
- Outside Nordic countries



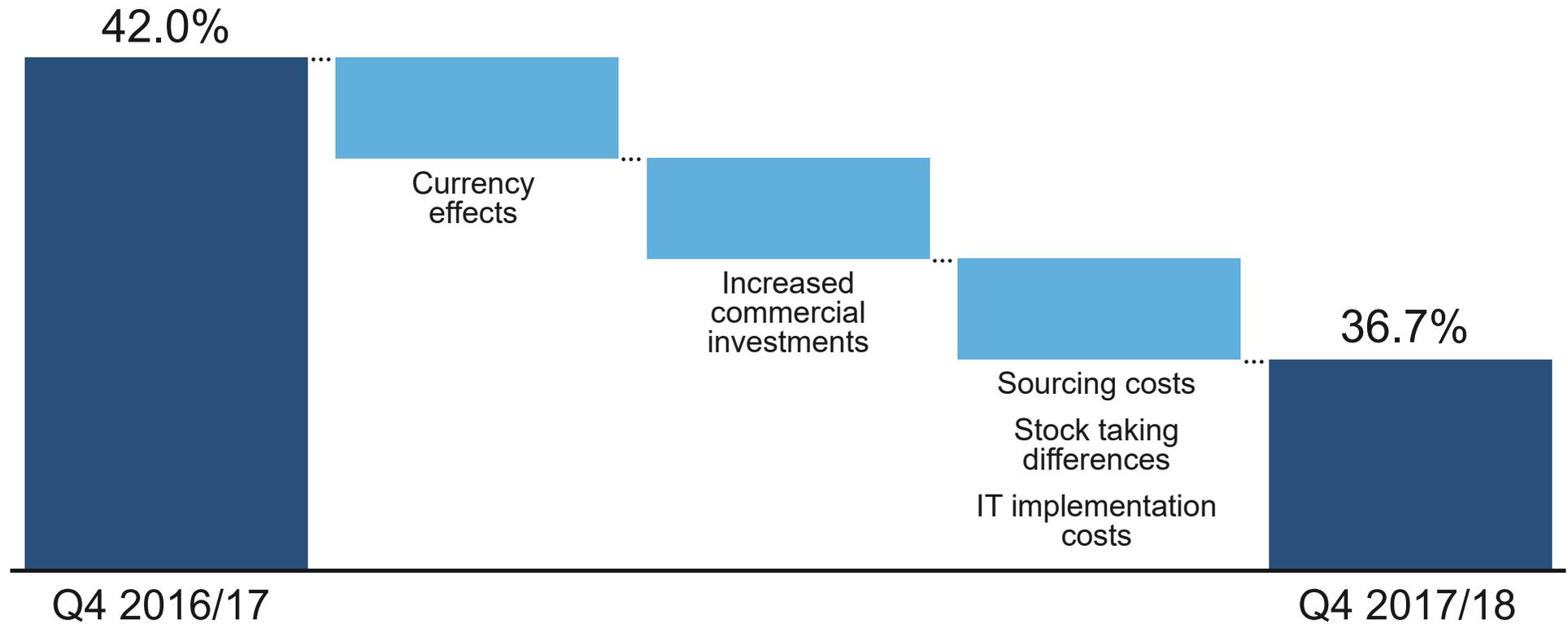
*Effected by store optimisation in UK

Gross margin Q4

- Gross margin down 5.3 percentage point to 36.7%
- Three factors impacting the gross margin to equal extents
 - exchange-rate effects
 - increased commercial investments
 - other effects



Gross margin development



Share of selling expenses

- Share of selling expenses 39.7% up 1.4 percentage points
 - Negatively effected by the strategic initiatives initiated, approximately 25 MSEK being an allocation of costs as part of the strategic plan that has been brought forward a quarter
 - Positively effected by reduced costs in the UK and increased sales in comparable units, which was counteracted by increased commercial investments and higher costs in Germany



Administrative expenses

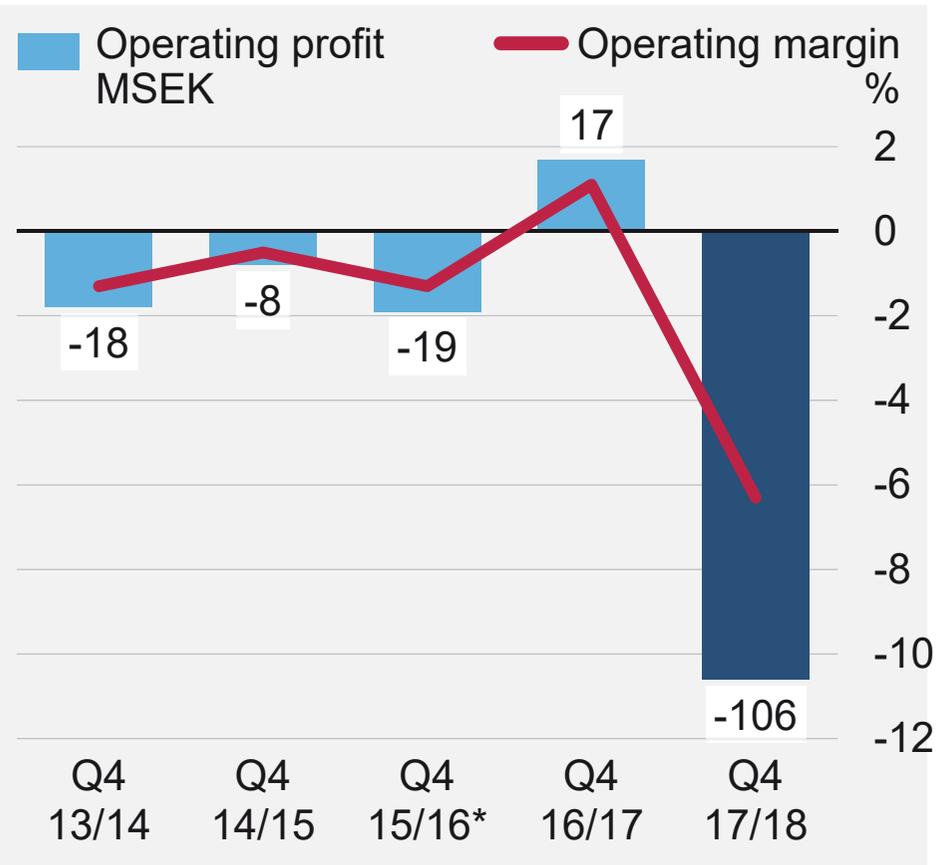
- Administrative expenses increased in the quarter by approximately 10 MSEK as a result of the strategic review
- Expected administrative expenses of approximately 10 MSEK per quarter for the upcoming two quarters related to strategic review and launch



Profit Q4

- Operating profit -106 MSEK (17)
- Operating profit affected by one off costs and costs related to strategy implementation
 - 10 MSEK related to strategic review and launch
 - 25 MSEK related to strategic initiatives
 - 10 MSEK related to new business system and optimisation of the store network in the UK
- Operating margin -6.3% (1.1)
- Earnings per share -1.36 SEK (0.31)

*Excluding non-recurring cost of 107 MSEK



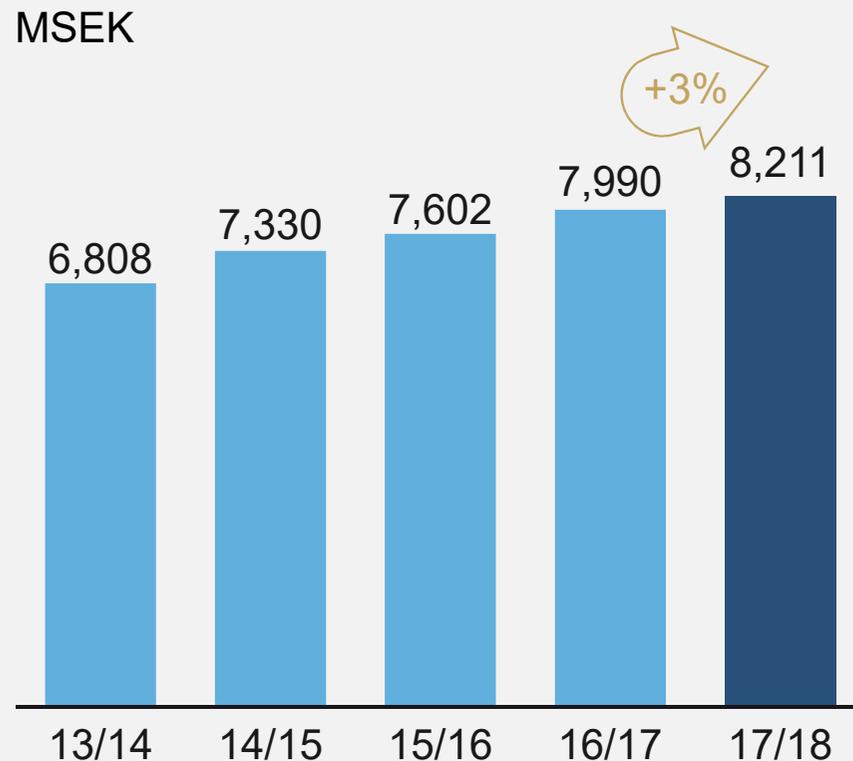


FINANCIAL
DEVELOPMENT
YEAR 2017/18

Sales 2017/18

- Sales 8,211 MSEK, up 3%
 - Sweden +2%
 - Norway +3%
 - Finland +9%
 - Outside Nordic countries -10%*
- Sales up 3% in local currencies
 - LFL sales growth flat
- Online sales up 33%
- 13 additional stores net compared to end of period last year (11)

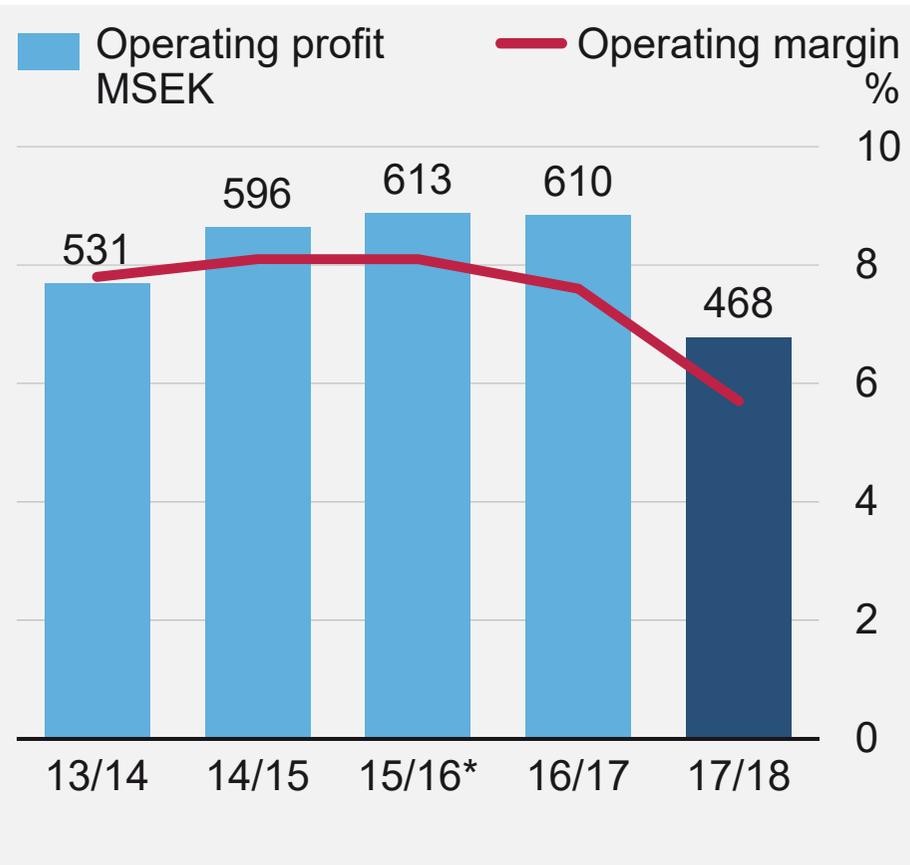
*Effected by store optimization in the UK



Profit 2017/18

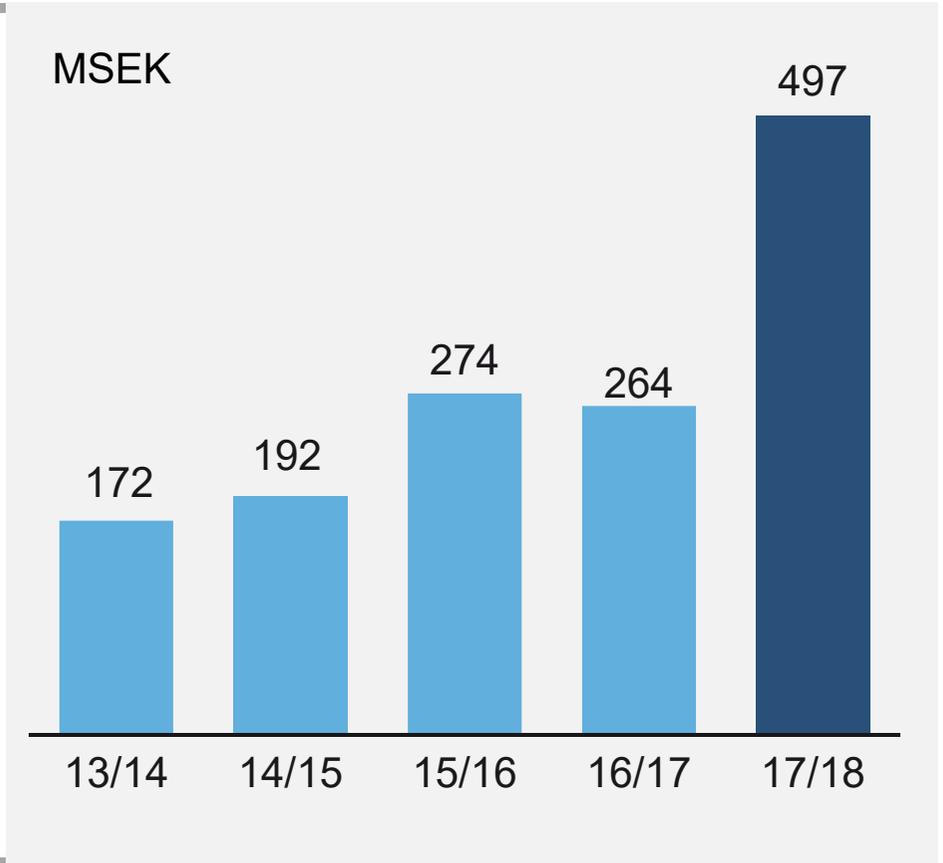
- Operating profit 468 MSEK (610)
- Operating profit affected by one off costs and costs related to strategy implementation
 - 5 MSEK donation to Clas Ohlson Foundation
 - 30 MSEK related to strategic review and launch
 - 25 MSEK related to strategic initiatives
 - 10 MSEK related to new business system and optimisation of the store network in the UK
- Operating margin 5.7% (7.6)
- Earnings per share 5.66 SEK (7.59)

*Excluding non-recurring cost of 107 MSEK in Q4



Investments

- Total investments 497 MSEK (264)
 - MatHem investment 224 MSEK
 - New stores and refurbishments 82 MSEK (128)
 - IT-systems 124 MSEK (106)



Strong financial position

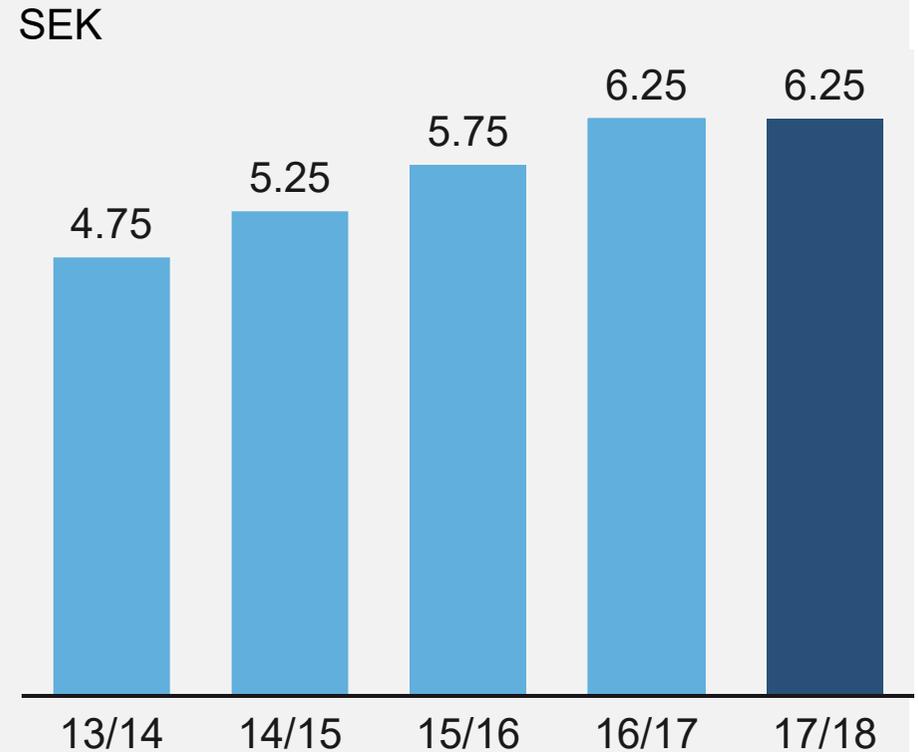
- Cash flow from operating activities was 373 MSEK (699)
 - Inventory 2,038 MSEK (1,631)
 - Inventory turnover rate DC 6.5 (6.6)
- Cash flow after investments and financing activities of -514 MSEK (17)
- Net cash holdings of 116 MSEK (625)



Proposed dividend

- Proposed dividend 6.25 SEK per share (6.25)
- Equivalent to 115% (86) of net profit
- Inline with dividend policy

*At least 50 per cent of earnings per share after tax,
with consideration for the financial position*





EVENTS AFTER PERIOD END

May sales

- Sales up 7 % to 604 MSEK
 - Sweden +0%
 - Norway +13%
 - Finland +12%
 - Outside Nordic countries +10%
- Sales up 4 % in local currencies
 - LFL sales up 1 %
- Online sales up 24 %
- 14 additional stores net compared to end of May last year (10)





SUMMARY

Summary financial year 2017/18

- Solid sales development supported by significant commercial investments
- We have invested energy and resources in the development of our new strategy
- The implementation of the strategy has begun, in which we make use of our financial strength and our underlying earnings to invest in the future
- New initiatives to further develop our customer offering, customer meeting, and sales channels
 - both in the short-term and long-term



A warm and inviting outdoor patio scene at night. In the foreground, a wicker coffee table holds a lit candle in a glass jar, a small vase of white flowers, and a silver lantern. To the right, a black wicker side table features a blue lantern and a black patio heater. The background shows a wicker sofa with white and patterned cushions, a tall patio heater, and a wooden wall adorned with string lights and a hanging basket. The overall atmosphere is cozy and intimate.

Q&A

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