Q2 report
07 December 2022
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President & CEO
Pernilla Walfridsson
CFO
Agenda

- Business update
- Financial development
- Events after the reporting period
- Summary
- Q&A
✓ Increased sales in a soft market: +6% to 2.25 BSEK – online up 28%
✓ Operating profit 112 MSEK
✓ Solid financial position: net debt/EBITDA 0.8*
✓ Value for money, enhanced operational efficiency, high speed and flexibility important going forward
✓ Measures to build a more efficient Clas Ohlson
  • Cost savings and reduced depreciation amounting to approx. 110 MSEK effective 2023/24
✓ November sales: +6% to 1,085 MSEK – online up 27%

*Excl IFRS 16
Business update
Q2 2022/23 in brief

✓ Organic sales +3%
✓ Total sales +6%
✓ Online sales +28%
✓ Gross margin 37.7% (43.1)
✓ EBIT-margin 5.0% (9.6)
✓ Net debt/EBITDA 0.8*

*Excl IFRS 16
Clas Ohlson strategic framework

1. Creating a winning team
2. Core customer focus
3. Owning key consumer missions
4. Using and building the Clas Ohlson brand
5. Providing availability & convenience
6. Offering in-home services

Purpose Culture

Happy co-workers & Happy customers

Sustainable profitable growth
Development of growth drivers

1. Owning key consumer missions
   - Positive development of key categories
   - Need based shopping increase
   - Strong performance for energy and money saving products

2. Providing availability & convenience
   - Traffic increase to physical stores in Q2 vs Q1
   - Improved online conversion rate
   - Continued optimization of store network and delivery options

3. Core customer focus
   - 4.7 million members
   - Positive development for Club Clas in all markets
   - Member sales +21% compared to Q2 LY

4. Win in Finland
   - +84% CC member sales growth in Finland in Q2 compared to Q2 LY
   - New store opened in Vaasa
Helping customers save money

Offering know how and products for saving energy and...

... know how and products for reducing food waste
Increased availability and convenience

✓ New store opened in Linköping, Sweden
✓ New store opened in Vaasa, Finland
✓ Instabox now offered also in Norway
✓ Speedy home deliveries from feeder stores via Bring in Norway
Improved customer satisfaction

**NPS**

- Q1: 55.4
- Q2: 56.4
- Retail industry average**: 55.4

**Product reviews**

- Q2 21/22: 4.4
- Q2 22/23: 4.5

*Target
** Source: Delighted by Qualtrics
Clas Ohlson customer value perception higher than for low price competitors

*Source: Clas Ohlson brand tracker.
0 = cheap, 100 = expensive
Consumers increasingly cautious and price sensitive
Elevated cost focus mitigating cost inflation

1. Creating a winning team
2. Core customer focus
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5. Providing availability & convenience
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Full focus on:
- Purchasing prices
- Transportation costs
- Total rental costs
- Internal cost efficiency
Helping customers to a more sustainable life

<table>
<thead>
<tr>
<th>Products</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spare parts</td>
<td>Product assessments</td>
</tr>
<tr>
<td>+21% (Q1 +23%)</td>
<td>47.6% (Q1 125%)</td>
</tr>
</tbody>
</table>

Continuous focus on spare parts with a volume increase of 21 per cent (Q1 23\%) and roll out spare parts in physical stores in all markets.

Share of (net sales) of private labelled products have been assessed and classified in accordance with new Product Sustainability Assessment Model.

Suppliers free from critical findings in relation to our Code of Conduct.

Environmental assessments now cover 85 per cent of our purchase volume. 165 environmental assessments conducted (Q1 119).
Financial development
Sales development

Q2
- **Total sales up 6%** to 2,250 MSEK, organic sales up 3%
- **Online sales up 28%**
- The store network has decreased by 5 stores during Q1-Q2

Q1-Q2
- **Total sales up 3%** to 4,294 MSEK, organic sales unchanged
- **Online sales up 17%**
- The store network decreased by 5 stores during Q1-Q2
Sales per market

Sweden

MSEK

Q2 20/21 921
Q2 21/22 974
Q2 22/23 1,011

+4%

Norway

MSEK

Q2 20/21 861
Q2 21/22 883
Q2 22/23 972

+10%

Finland

MSEK

Q2 20/21 242
Q2 21/22 247
Q2 22/23 267

+8%

Organic growth:

Q2: +4%
Q1-Q2: +2%

Q2: +4%
Q1-Q2: -1%

Q2: +2%
Q1-Q2: +2%
Mainly macro related factors putting pressure on gross margin

Q2 2021/22

43.1

- Sourcing costs and currency effects

Q2 2022/23

37.7

- Product mix and campaigns
## Income statement

<table>
<thead>
<tr>
<th></th>
<th>Q2 22/23</th>
<th>Q2 21/22</th>
<th>Q1-Q2 22/23</th>
<th>Q1-Q2 21/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>112</td>
<td>204</td>
<td>96</td>
<td>351</td>
</tr>
<tr>
<td>Profit after financial items</td>
<td>96</td>
<td>188</td>
<td>65</td>
<td>319</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>69</td>
<td>148</td>
<td>45</td>
<td>251</td>
</tr>
<tr>
<td>EPS before dilution, SEK</td>
<td>1.10</td>
<td>2.34</td>
<td>0.72</td>
<td>3.97</td>
</tr>
</tbody>
</table>

### Share of selling expenses, Q2
- **30.3%** (32.1%)

### Administrative expenses, Q2
- **50 MSEK** (51 MSEK)

### EBIT-margin, Q2
- **5.0%** (9.6%)%

### One-offs Q1-Q2
- FORA repayment Q2 2021: +25 MSEK
- UK closure Q1 2022: -35 MSEK
Inventory

- **Inventory level:** 2,811 MSEK (2,114) at the end of the period
- **Average inventory level LTM:** 2,319 MSEK (1,797)
- **Inventory turnover rate DC:** 4.7 (5.7)
## Cash flow and financial position

<table>
<thead>
<tr>
<th></th>
<th>Q1-Q2 22/23</th>
<th>Q1-Q2 21/22</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from operating activities, before change in working capital</strong></td>
<td>365</td>
<td>645</td>
</tr>
<tr>
<td><strong>Change in working capital</strong></td>
<td>-566</td>
<td>22</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>-201</td>
<td>667</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td>-78</td>
<td>-83</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td>-86</td>
<td>-453</td>
</tr>
<tr>
<td><strong>Cash flow for the period</strong></td>
<td>-366</td>
<td>131</td>
</tr>
</tbody>
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### Approved credit facilities

- **800 MSEK**
  - Of which utilized 602 MSEK

### Dividend pay-out

- **412 MSEK**
  - (198 MSEK)

### Net debt/EBITDA excl IFRS 16

- **0.8x**
  - (-0.8x)
Macro trends with business impact

Factors impacting Clas Ohlson:
- Container shipping costs and raw material and commodity prices
- Translation/transaction effects - sales instant effects and purchasing with a time lag
- Hedging policy/effects
- Pricing effects

Counteracting measures:
- Pricing – continuously optimizing prices
- Sourcing – diversified sourcing strategy
- Long-term freight contracts
- Optimize sales mix – private label, product and category mix
- Products and packaging

* Monthly average, The Riksbank/Nasdaq

Spot prices for 40t containers from Asia to Gothenburg
Events after the reporting period
Measures to mitigate cost inflation and to make Clas Ohlson more efficient

- **Internal cost efficiency**
- **Purchasing prices**
  - Ongoing negotiations
- **Transportation costs**
  - Ongoing negotiations
- **Total rental costs**
  - Ongoing negotiations
  - Closure of stores

- Simplifying ways of working
- Reducing office functions by approx. 85 FTEs
- Rationalizing IT-systems
- Reducing office space

...and more

Cost savings and reduced depreciation of approx. 110 MSEK with full effect from 2023/24

One-off costs connected to lay-offs and disposals approx. 120 MSEK to be reported in Q3 2022/23
November sales development

- Total sales up 6% to 1,085 MSEK, organic sales up 3%
  - Sweden +2% organic
  - Norway +8% organic
  - Finland -3% organic
- Online sales up 27%
- Black Week sales well above last year
- Decrease of 5 stores compared to end of November last year
Summary
Well positioned in an uncertain market

• Sales growth in a challenging market
• Stronger customer position
  – Loyal and larger customer base
  – Increased customer satisfaction
  – Strengthened price value position
• Increased uncertainty around consumer spending
• Value for money is key
• Measures taken for increased efficiency