Q4 report

08 June 2023

Kristofer Tonström
President & CEO

Pernilla Walfridsson
CFO
Agenda

• Business update
• Financial development
• Events after the reporting period
• Strategy update & summary
• Q&A
✓ Closing the year with 2% organic growth in Q4 and +1% for the year in a challenging market
✓ Improvements in Gross Margin, EBIT and entering Q1 with a healthy cash flow and inventory
✓ Proactively addressing overhead costs – a new base established
  ✓ Cost efficiency and flexibility important as macro is still volatile
✓ Assortment relevance – prioritized categories driving growth & price perception
✓ Strong start to the new year with +8% organic growth in May
Business update
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
Sustainable profitable growth

Happy co-workers & Happy customers

Full focus on:
- Purchasing prices
- Transportation costs
- Total rental costs
- Internal cost efficiency
Growth drivers

1. Owning key consumer missions
   - Need based shopping
   - Continued strong performance for mission “Tidy up your home”

2. Providing availability & convenience
   - Good conversion rate stores/online
   - Positive LFL development
   - Customer Satisfaction (NPS) improved to 58
   - Feeder stores awarded for innovative logistics solution

3. Core customer focus
   - Continued member growth in Club Clas
   - Member share of sales 66%

4. Win in Finland
   - Ongoing optimization of store network
   - Member sales up 12%
Sales development per month (SE)

![Sales development per month SE, %](image)

- Clas Ohlson, SE
- Durables retail sales, fixed prices (SCB)
- Durables retail sales, current prices (SCB)
Prioritized categories driving growth

- Tidy up your home
- Light up your home
- Fix your home
- Connect and enjoy your home
- Create a conscious home environment
Consumers cautious and price sensitive – Clas Ohlson continue to stay ahead

*Source: Clas Ohlson brand tracker. 0 = cheap, 100 = expensive*
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>&gt;120 stores</td>
<td>53.1% (Q3 50.4%)</td>
</tr>
<tr>
<td></td>
<td>Share of (net sales of)</td>
</tr>
<tr>
<td></td>
<td>private labelled</td>
</tr>
<tr>
<td></td>
<td>products have been</td>
</tr>
<tr>
<td></td>
<td>assessed and classified in accordance with Product Sustainability Assessment Model (PSAM)</td>
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</tbody>
</table>
Significant CO₂ emission reductions in own operations

**Targets:**
- Climate neutral and fully circular by 2045
- Climate neutral in own operations (Scope 1+2) by 2026

**SCOPE 1, ton CO₂e**

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions</td>
<td>72</td>
<td>56</td>
<td>41</td>
<td>46</td>
</tr>
</tbody>
</table>

**SCOPE 2, ton CO₂e**

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions</td>
<td>1,520</td>
<td>1,493</td>
<td>1,218</td>
<td>927</td>
</tr>
</tbody>
</table>

-23% CO₂ emission decrease in own operations (Scope 1+2) in 2022 (calendar year)

-39% CO₂ emission decrease in own operations (Scope 1+2), (from base year 2019)

In Q4 22/23 Clas Ohlson has committed to the Science Based Targets initiative.

[Image of bar charts and additional text about targets and reductions.]
Financial development
Sales development

Q4
- **Total sales unchanged at 1,776 MSEK**, organic sales up 2%
- **Online sales unchanged**
- The store network has decreased by 7 stores compared to end of period last year

<table>
<thead>
<tr>
<th></th>
<th>Total sales, MSEK</th>
<th>Online sales, MSEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 20/21</td>
<td>1,538</td>
<td>274</td>
</tr>
<tr>
<td>Q4 21/22</td>
<td>1,780</td>
<td>221</td>
</tr>
<tr>
<td>Q4 22/23</td>
<td>1,776</td>
<td>220</td>
</tr>
</tbody>
</table>

Q1-Q4
- **Total sales up 3%** to 9,024 MSEK, organic sales up 1%
- **Online sales up 9%**
- The store network decreased by 7 stores during Q1-Q4

<table>
<thead>
<tr>
<th></th>
<th>Total sales, MSEK</th>
<th>Online share of total sales (R12), %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-Q4 20/21</td>
<td>8,284</td>
<td>Stores: 12, Online: 88</td>
</tr>
<tr>
<td>Q1-Q4 21/22</td>
<td>8,784</td>
<td></td>
</tr>
<tr>
<td>Q1-Q4 22/23</td>
<td>9,024</td>
<td></td>
</tr>
</tbody>
</table>
Sales per market

Sweden

Organic growth:
- Q4: +4%
- Q1-Q4: +3%

Norway

- Q4: +2%
- Q1-Q4: +1%

Finland

- Q4: 0%
- Q1-Q4: +1%
Gross margin affected by macro related factors - essentially offset by price increases and favourable product mix

- Product mix / Price increases
- Sourcing costs and currency effects

Q4 2021/22: 39.7%
Q4 2022/23: 38.8%
# Financial overview

<table>
<thead>
<tr>
<th></th>
<th>Q4 22/23</th>
<th>Q4 21/22</th>
<th>Q1-Q4 22/23</th>
<th>Q1-Q4 21/22</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit</strong></td>
<td>-7</td>
<td>-10</td>
<td>305</td>
<td>719</td>
</tr>
<tr>
<td><strong>One-off items</strong></td>
<td>-</td>
<td>-</td>
<td>154</td>
<td>-25</td>
</tr>
<tr>
<td><strong>Operating profit excl. one-off items</strong></td>
<td>-7</td>
<td>-10</td>
<td>459</td>
<td>695</td>
</tr>
<tr>
<td><strong>Profit after financial items</strong></td>
<td>-22</td>
<td>-25</td>
<td>242</td>
<td>656</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>-23</td>
<td>-16</td>
<td>181</td>
<td>523</td>
</tr>
<tr>
<td><strong>EPS before dilution, SEK</strong></td>
<td>-0.36</td>
<td>-0.25</td>
<td>2.85</td>
<td>8.25</td>
</tr>
</tbody>
</table>

- **Share of selling expenses, Q4**: 35.9% (37.4%)
- **Administrative expenses, Q4**: 40 MSEK (48 MSEK)
- **EBIT-margin, Q4**: -0.4% (-0.6%)
Effective inventory management

- **Inventory level**: 2,177 MSEK (2,199) at the end of the period
- **Average inventory level LTM**: 2,397 MSEK (1,986)
- **Inventory turnover rate DC**: 4.5 (5.5)
# Cash flow and financial position

<table>
<thead>
<tr>
<th></th>
<th>Q1-Q4 22/23</th>
<th>Q1-Q4 21/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSEK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities, before change in working capital</td>
<td>1,001</td>
<td>1,295</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-60</td>
<td>-309</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>941</td>
<td>986</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-123</td>
<td>-158</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-1,129</td>
<td>-909</td>
</tr>
<tr>
<td>Cash flow for the period</td>
<td>-311</td>
<td>-81</td>
</tr>
</tbody>
</table>

**Approved credit facilities**

- **800 MSEK**
  - Of which utilized **244 MSEK**

**Dividend pay-out**

- **824 MSEK**
  - (396 MSEK)

**Net debt/EBITDA excl IFRS 16**

- 0.2x
  - (-0.5x)
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

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

Spot prices for 40t containers from Asia to Gothenburg

* Shanghai Containerized Freight Index

* Monthly average, The Riksbank/Nasdaq
Events after the reporting period
Continued focus on internal cost efficiency by simplifying ways of working

1. **2022/23**
   - Reduced office functions by approx. 85 FTEs
   - Re-assessment of IT-systems
   - Reducing office space

   *One-off costs Q3 2022/23: 119 MSEK*

2. **2023/24**
   - Reduced office functions by approx. 75 FTEs
   - Re-assessment of IT-systems finalized

   *One-off costs 2023/24: approx. 180 MSEK
   Major part non cash effect*

Cost savings and reduced depreciation of:

1. approx. 110 MSEK with full effect from 2023/24
2. approx. 100 MSEK on a full year basis
May sales development

- Total sales up 6% to 670 MSEK, LFL up 11% and organic sales up 8%
  - Sweden +13% organic
  - Norway +8% organic
  - Finland -3% organic
- Online sales up 18%
- Decrease of 6 stores compared to end of May last year
Proposed dividend

• Proposed dividend 1.50 SEK per share

In line with dividend policy: *At least 50 per cent of earnings per share after tax, with consideration for the financial position*
Strategy update and summary
Clas Ohlson targets to achieve an organic sales growth of 5% per year.

The company is targeting a reported operating margin* of 7-9% per year.

Dividends are to comprise at least 50% of earnings per share after tax, with consideration for the company’s financial position.

Net debt in relation to EBITDA is to be below two times. Investments are to be made in line with the company’s financial position, cash flow and credit facility.

* i.e. incl IFRS16
Focus areas 2023/24 for profitable growth

<table>
<thead>
<tr>
<th>Make assortment relevant 12 months/year</th>
<th>A profitable and growing online business</th>
<th>Expand the store network</th>
<th>Efficient customer communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drive profitable growth with five customer missions that builds our position as the #1 choice for home fixing</td>
<td>Drive profitable growth by developing the online channel and a broader assortment adapted to online customers shopping behavior</td>
<td>Drive profitable growth by opening new stores in the right location at the right cost</td>
<td>Drive profitable growth via optimised marketing and value creation through Club Clas</td>
</tr>
</tbody>
</table>

A competitive cost base
Execution on our sustainability agenda
Expansion of store network

• Solid current store network with positive LFL
• Reduced cost base an enabler for profitable growth by store expansion going forward
• Stores & e-com supporting each other
• Recently opened stores performing well
• Ongoing and constructive dialogue with landlords
• As of today, two new rental leases have been signed
  – we are planning for expanding the store network by approx. a net total of 10 stores during the financial year
Positioned for sustainable and profitable growth

• Solid development in a tough retail market
• Continued uncertainty around consumer spending
• Relevant assortment, value for money and increased flexibility is key
• Improved customer satisfaction and a strong price position
• Executed on cost saving measures - continued cost focus going forward
• Full focus on capitalizing on our unique strengths