Q1 report
07 September 2022
Kristofer Tonström
President & CEO

Clas Ohlson
Agenda

- Business update
- Financial development
- Events after the reporting period
- Summary
- Q&A
✓ Rapid pace of change in weak market with low consumer confidence
✓ Q1 results below expectations after summer bet not paying off
  • Sales decreased by 1% to 2.04 BSEK
  • Operating profit 19 MSEK (ex one time cost of UK closure)
✓ Continued strong financial position
  • Strong cash position & net debt/EBITDA –0.4*
✓ Value for money, cost efficiency and flexibility important going forward

*Excl IFRS 16
Business update
Q1 2022/23 in brief

✓ Organic sales -3%
✓ Total sales -1%
✓ Online sales +6%
✓ Gross margin 35.1% (39.5)
✓ EBIT-margin decreased to -0.8% (7.2) incl. UK closure cost
✓ Strong cash position & net debt/EBITDA -0.4*

*Excl IFRS 16
Preparations for a strong summer season

- Placed a bet on an early and strong summer season
- Distributed larger volumes to stores to be prepared
- Sales started later and overall, below expectations – high campaign pressure as of end June
- Consumer confidence continued to decline
Cost focus in a more challenging market climate

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

Happy co-workers & Happy customers

Purpose Culture

Sustainable profitable growth

Full focus on:
- Purchasing prices
- Transportation costs
- Total rental costs
- Internal cost efficiency
Development of growth drivers

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

2. Providing availability & convenience
   - Traffic increase to physical stores in Q1 vs Q4 21/22
   - Strong online conversion rate
   - One new feeder store added (9 in total)

3. Core customer focus
   - 4.4 million Club Clas members in total, up from 3.5 million LY
   - Member sales +20% compared to Q1 LY
   - +78% CC member sales growth in Finland in Q1 compared to Q1 LY
   - Price guarantee
   - New marketing concept launched

4. Win in Finland
24/7 relevance through consumer missions

- High focus on "need based" shopping & helping consumers save money
24/7 relevance through consumer missions

- Tidy up your home
- Light up your home
- Create a conscious home environment
- Connect and enjoy your home
- Fix your home

← Sustainability / spare parts / seasons →

Consumables assortment

Assortment expansion key part of realizing missions
Customer satisfaction in focus

**NPS**
- Q1: 55.4
- Retail industry average: **

**Product reviews**
- Q1 21/22: 4.4
- Q1 22/23: 4.6

**Price perception**
- Low price competition (average): 16.3%
- Clas Ohlson: 16.0%

*Target
** Source: Delighted by Qualtrics

*Source: Clas Ohlson brand tracker. 0% = Cheap, 100% = expensive
Integrating sustainability in our business

- Offering of cost saving products also enabling customers to a more sustainable day-to-day life
- Continuous focus on spare parts, volume increase of 23 per cent (Q4 40 per cent)
- 99.1 per cent of suppliers free from critical findings in relation to our Code of Conduct (Q4 99.8)
- Environmental audits now cover 83 per cent of our purchase volume – 119 audits conducted (Q4 113 audits)
- 25 per cent (net sales) private labelled products have been assessed and classified in accordance with new Product Sustainability Assessment Model (Q4 22 per cent)
Financial development
Sales development in Q1

• Total sales down 1% to 2,044 MSEK, organic sales down 3%

• Organic sales development per market:
  - Sweden +0%
  - Norway -7%
  - Finland +2%
  - Outside Nordics -13%

• The store network has decreased by 3 stores compared to end of period last year
Total sales per market compared to Q1 last year and most recent pre-pandemic Q1

MSEK

Sweden

Norway

Finland

<table>
<thead>
<tr>
<th>Market</th>
<th>Q1 19/20</th>
<th>Q1 20/21</th>
<th>Q1 21/22</th>
<th>Q1 22/23</th>
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<td>Finland</td>
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Q1 19/20 compared to Q1 20/21:
- Sweden: +0%
- Norway: -3%
- Finland: +6%

Q1 20/21 compared to Q1 21/22:
- Sweden: -1%
- Norway: +5%
- Finland: -5%

Q1 21/22 compared to Q1 22/23:
- Sweden: +5%
- Norway: -3%
- Finland: +6%
Online sales compared to Q1 last year and most recent pre-pandemic Q1

• Online sales up 6% to 232 MSEK, corresponding to approx. 11% of total sales
Gross margin in Q1

- Gross margin decreased to 35.1% (39.5)
  → Negatively impacted by increased sourcing costs and a higher campaign intensity

<table>
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<th>Quarter</th>
<th>Margin (%)</th>
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<td>Q1 19/20</td>
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<td>39.5</td>
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<tr>
<td>Q1 22/23</td>
<td>35.1</td>
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Gross margin development

Q1 2021/22: 39.5
Q1 2022/23: 35.1

Price increases
Sourcing costs
Campaigns summer assortment
Share of selling expenses increased by 1.9% to 31.7% (29.9), due to lower sales.
Administrative expenses in Q1

- Administrative expenses decreased by 5 MSEK compared to Q1 last year
- Continued cost focus
Operating profit in Q1

- Operating profit excluding costs for the closure of operations in the UK totalled 19 MSEK (147)
- Operating profit decreased to -16 MSEK (147)
- EBIT-margin decreased to -0.8% (7.2%)
- Earnings per share was -0.38 SEK (1.63)
Investments Q1

- Total investments 32 MSEK (49)
- New stores and refurbishments 10 MSEK (13)
- IT systems 17 MSEK (14)
Inventory level in Q1

- Inventory level increased to 2,476 MSEK (1,793) at the end of the period
  - Primarily driven by earlier orders of autumn and Christmas products
- Average inventory level LTM was 2,133 MSEK (1,754)
  - Inventory turnover rate DC 5.0 (5.8)
Inventory details

- Higher inventory primarily driven by earlier orders of autumn and Christmas products – still longer lead times in supply chains
- Purchasing costs and transportation costs affecting inventory value
- Moderate level of summer items in stock, judged to be sellable next summer season
Cash flow Q1 and financial position

- Cash flow from operating activities was -35 MSEK (399)
- Cash flow after investments and financing activities was -197 MSEK (224)
- Net debt/EBITDA excl. IFRS 16 was -0.4 times (-1.0)
- Approved credit facilities of 650 MSEK of which used 0 MSEK
Proposed dividend

- Proposed dividend 6.75 SEK per share (6.25) to be distributed as two separate payments of 3.375 SEK
- Proposed extra dividend 6.25 SEK per share to be distributed as two separate payments of 3.125 SEK
- To be distributed as two separate payments of 6.50 SEK in September 2022 and 6.50 SEK in January 2023
- In line with dividend policy

At least 50 per cent of earnings per share after tax, with consideration for the financial position
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
- Optimize sales mix – private label, product and category mix
- Products and packaging

Prices for 40t containers from Asia to Gothenburg

NOK/SEK*

USD/SEK*

* Monthly average, The Riksbank/Nasdaq

* Shanghai Containerized Freight Index
Events after the reporting period
August sales development

- Total sales up 7% to 758 MSEK, organic sales up 2%
  - Sweden +1% organic
  - Norway +6% organic
  - Finland -3% organic
  - Outside Nordics -87% organic
- Online sales up 42%
- Decrease of 4 stores compared to end of August last year
Summary
Meeting customer needs in a challenging market

• Strong track-record of adaptability and resilience
• Immediate actions to prepare for more challenging market climate
• Full focus on our three Nordic markets
  – UK closed as of August 2022
• Clear long-term priorities and targets