

# Q3 Report 2008/2009

11 March 2009



# Agenda

- Q3 (Nov-Jan) 2008/09
- May – January 2008/09
- Events after period-end
- Business outlook
- Summary
- Q&A

# Clas Ohlson today

- A retail chain with 102 stores in four countries
- Sales of SEK 4.9 billion
- 3,000 employees
- 46 million visitors – 24 million customers
- Product range that solves small practical problems of everyday life



# Q3 08/09

## Wireless Energy Meter.

A unique product that helps you Calculate the total electricity consumption of your home.

The transmitter is placed in the distribution box and wirelessly transmits your electricity consumption to the display unit. Clear display of cost, Consumption in kWh, average consumption and history.

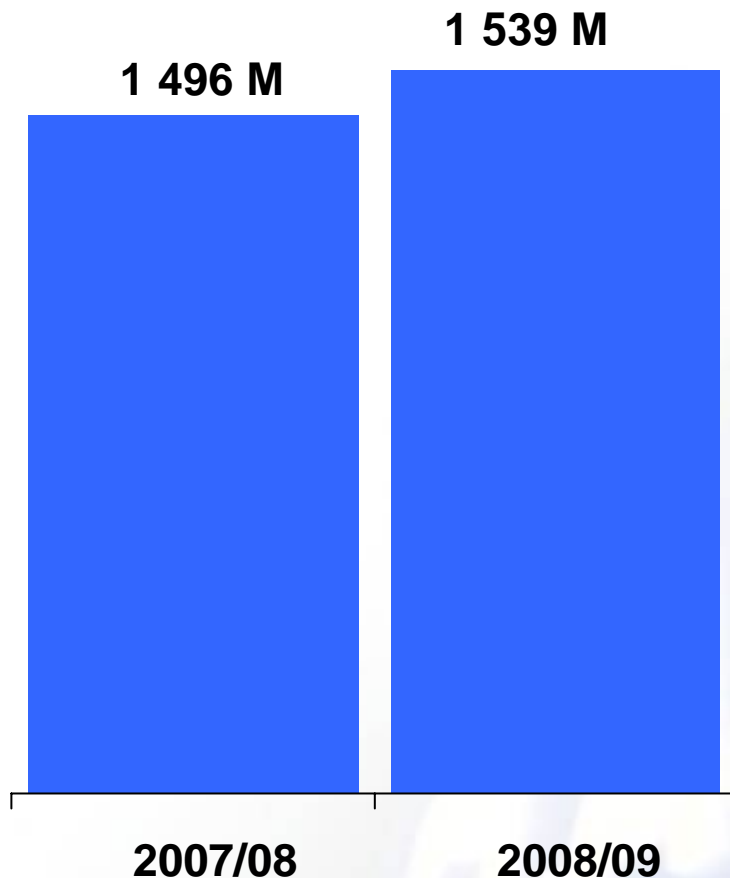
Product number 36-4000      **Price: SEK 595**



# Q3 influenced by...

- Low consumer confidence due to economy slowdown
- Slowdown in retail spending vs. previous years
- Volatile market and consumer psychology

# Sales – Q3

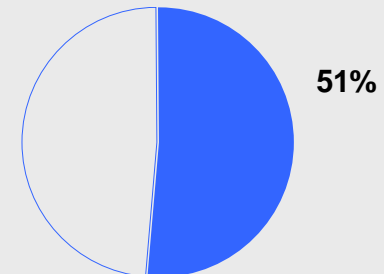


- Sales up 3% to SEK 1 539 M
- 8 new stores to 100
- Store sales up 4% to SEK 1 511 M
  - Comparable stores in local currency -9%
  - New stores +13%
  - Currency effects unchanged
- Mail order/Internet sales down 29% to SEK 28 M

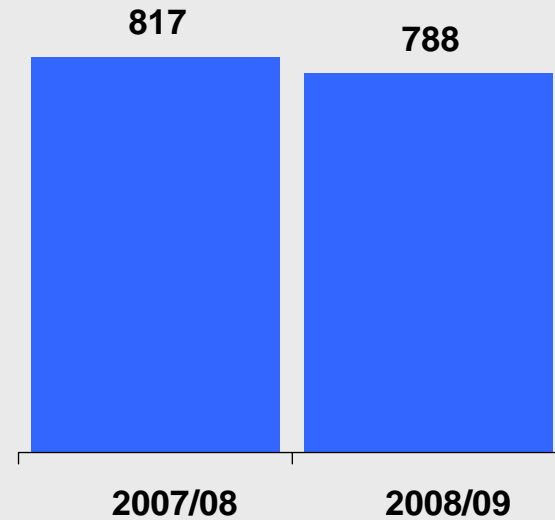
# Sweden & UK – Q3

- Sales down 4%
  - 2 new stores opened in Sweden. Total of 47
  - 5 more stores in Sweden compared to preceding Q3
  - First store opened in the UK
- Significant slowdown in retail sector
- New store concept launched in Skövde
- First “Mini-Clas” opened in Motala

Portion of sales



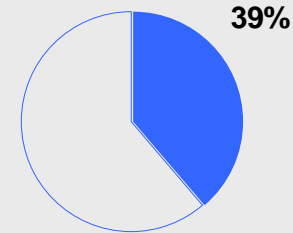
Sales



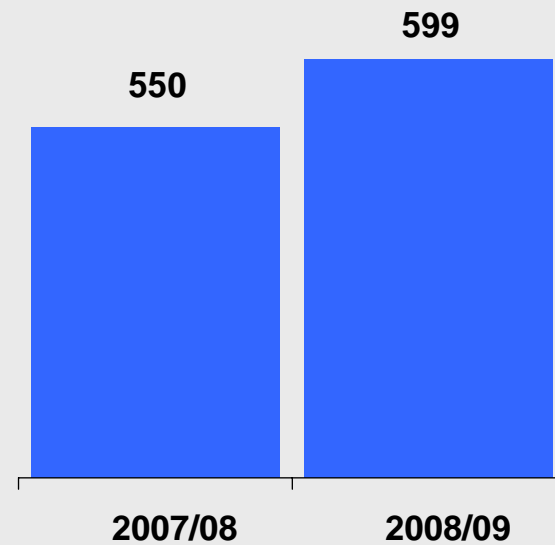
# Norway – Q3

- Sales up 9%
  - 3 new stores opened bringing total to 36
  - 8 more stores compared to preceding Q3
- Negative exchange-rate effects
- Slowdown in retail spending

## Portion of sales



## Sales

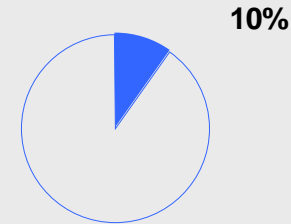




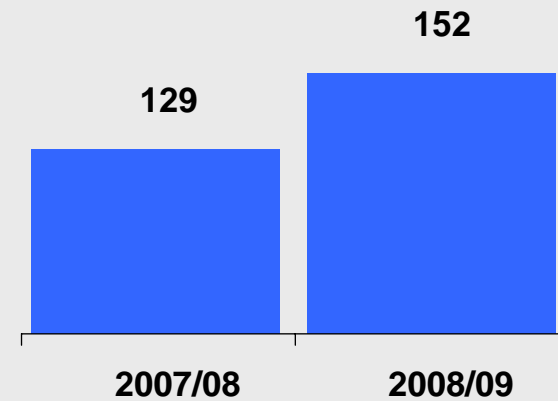
# Finland – Q3

- Sales up 18%
  - 2 new stores opened. Total of 16
  - 4 more stores compared to preceding Q3
- Positive exchange-rate effects
- Significant slow down in retail spending
- Challenging market due to economical climate

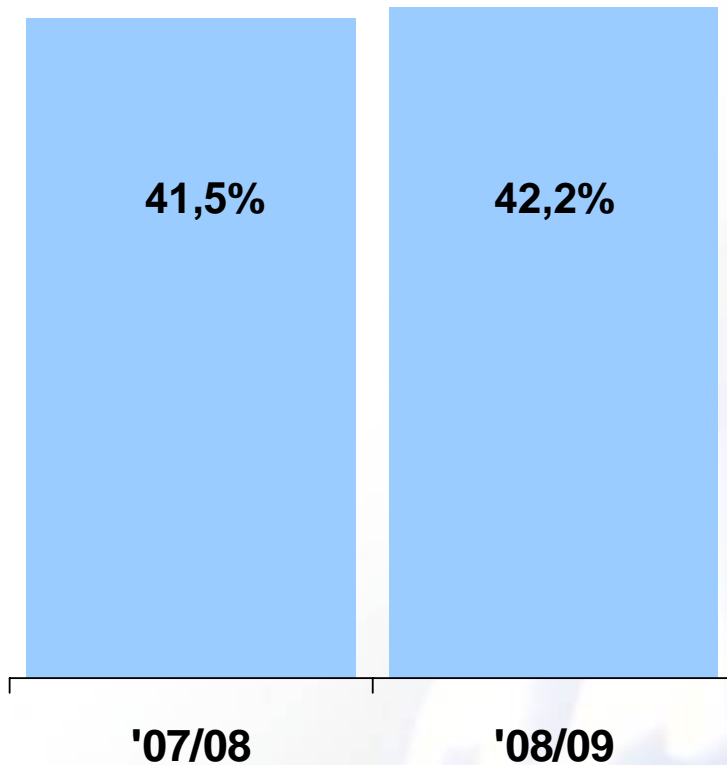
Portion of sales



Sales



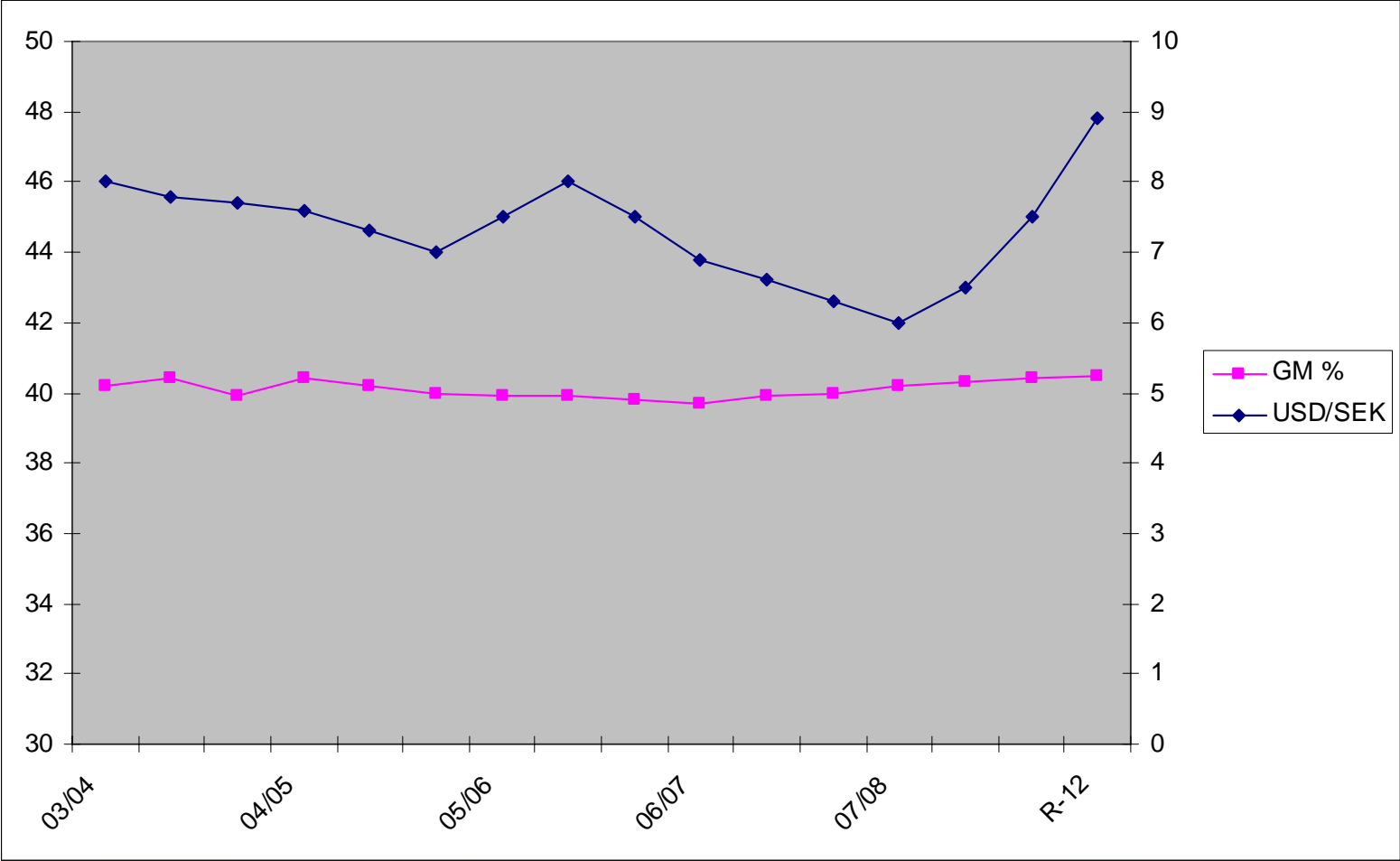
# Gross margin – Q3



Gross margin up 0.7 percentage points to 42.2 percent

- + Favourable sales mix
- Handling costs
- Costs for establishing new purchasing office in Asia

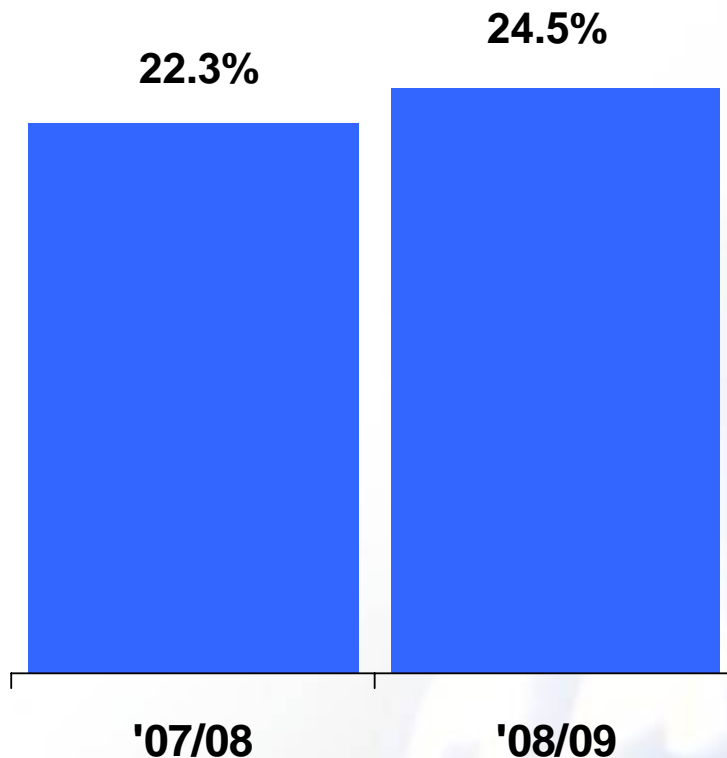
# USD/SEK & gross margin, 03/04 -08/09



# Gross margin – impacting factors



# Share of sales costs – Q3



Share of sales costs increased by 2.2 percentage points

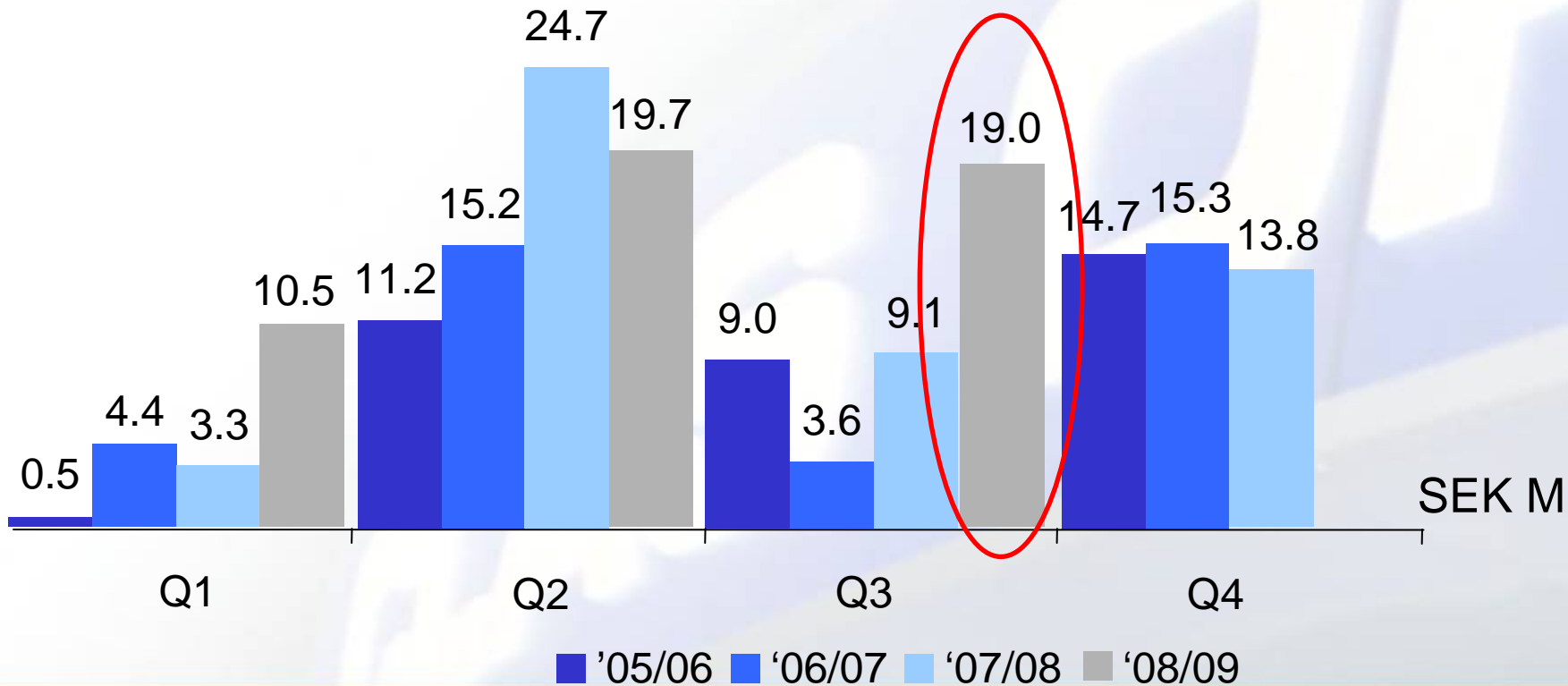
## Store network

- Lower sales in comparable stores
- Increased rental costs in current stores
- + Improved store productivity

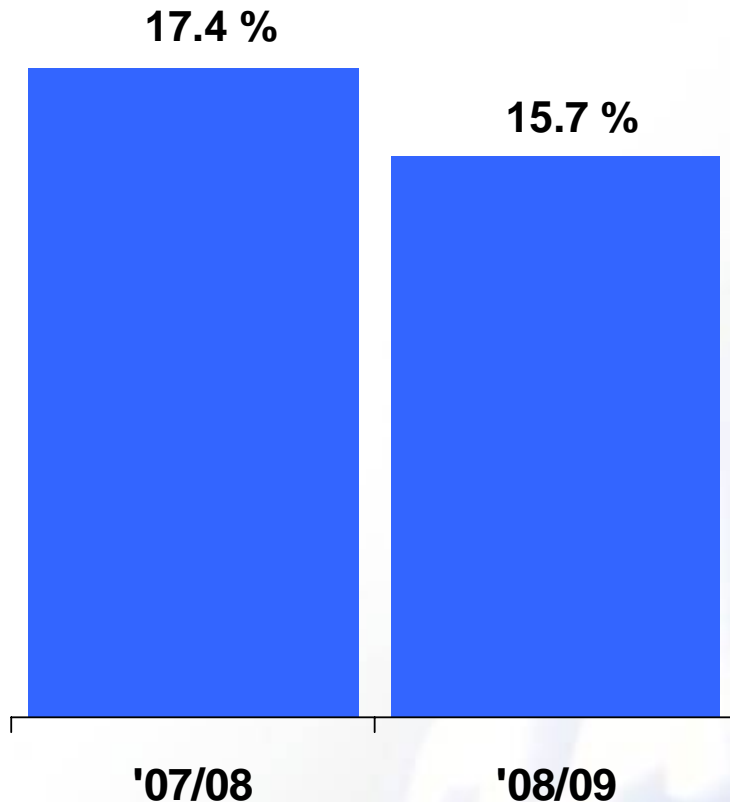
## New stores

- Higher share of sales costs until store is established
- Start up costs for UK

# Start-up costs new stores Q3



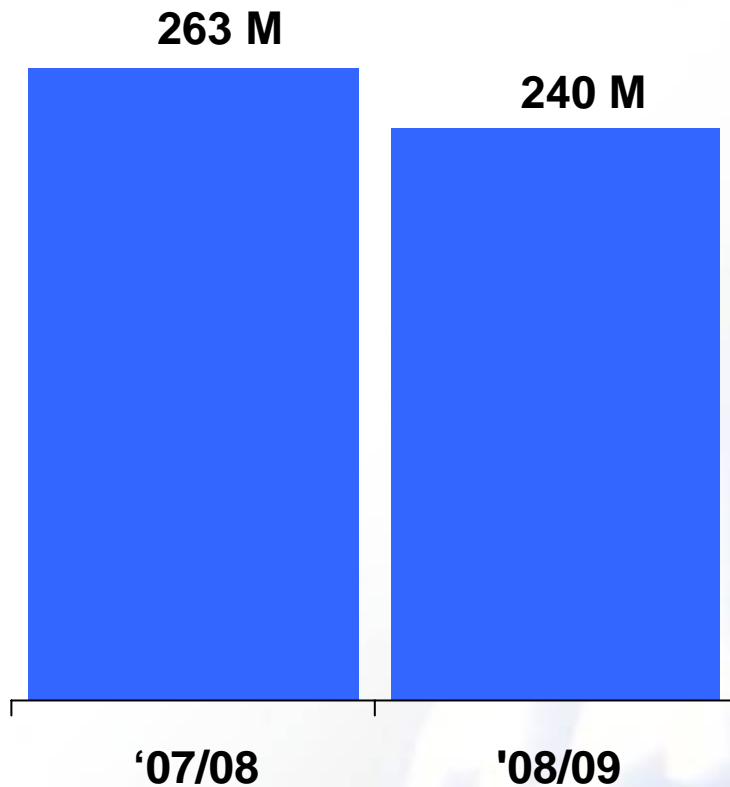
# Operating margin – Q3



Operating margin: 15.7% (17.4%)

- Lower sales in comparable stores
- Increased costs
  - Establishment in UK
  - Rental costs
  - New stores
- Increased productivity

# Profit after financial items – Q3

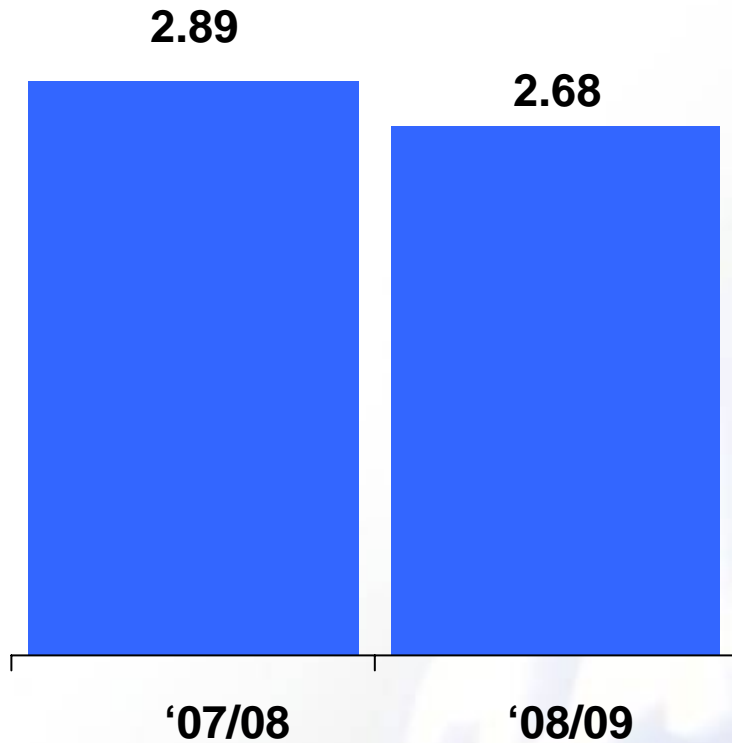


- Profit amounted to SEK 240 M (263)
- Financial items of SEK -2 M (+2)



# Earnings per share – Q3

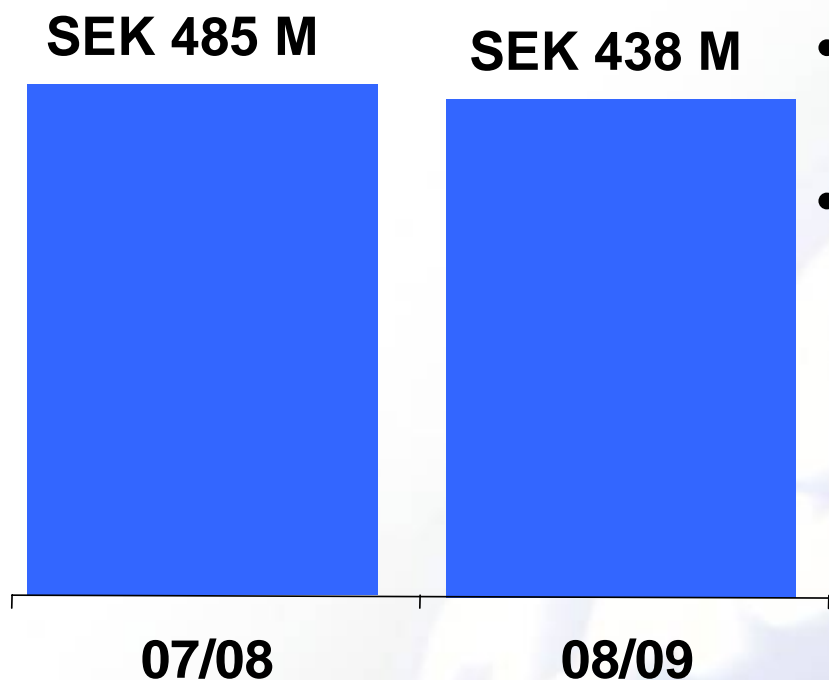
- SEK 2.68 (2.89)



# 9-months highlights: May – Jan 2008/09

- Sales up 6% to SEK 3 877 M (3 674)
- Gross margin 41.1% (40.7)
- Operating profit SEK 464 M (528)
- Operating margin 12.0% (14.4)
- Profit after financials SEK 466 M (534)
- Earnings per share SEK 5.17 (5.86)

# Cash flow before investments May-January 2008/09



- Cash flow before investments SEK 438 M (485)
- Inventories up 1% to SEK 1 009 M (996)
- Investments amounted to SEK 318 M (173) of which:
  - New stores SEK 76 M (52)
  - Distribution Center SEK 207 M (97)

# Events after period-end

## **Aiptek PocketDV AHD 200 Camcorder.**

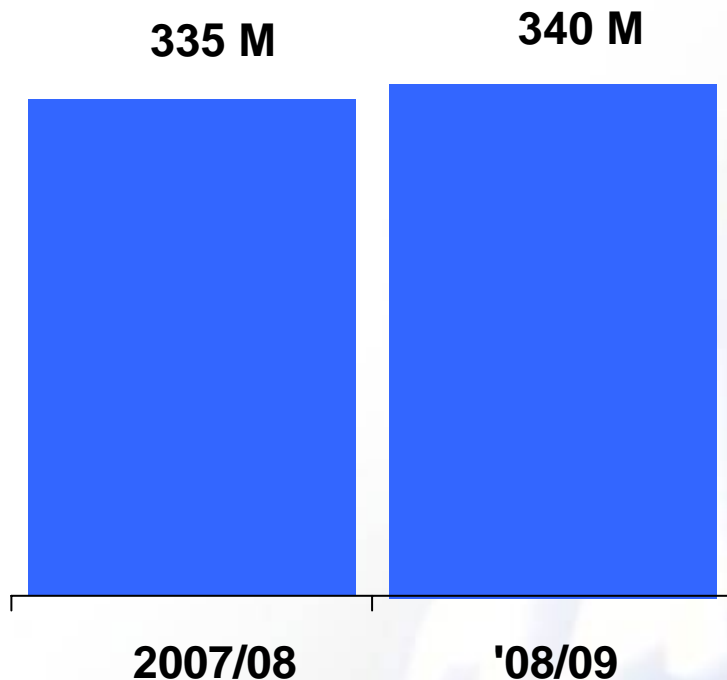
Records on a SD memory card (not included). Resolution up to 1280x720 (720p, 30 fps, 16:9 widescreen). Adjustable 2.4" display. Built in flash and microphone. Requires Windows XP/Vista 32.

Product number 38-2931

**Price: SEK 995**



# Sales – February



- Sales up 2% to SEK 340 M
- Calendar effect vs. 2008 of 4%
- Store sales up 2% to SEK 332 M
  - Sweden & UK down 4% to SEK 172 M
  - Norway up 6% to SEK 137 M
  - Finland up 13% to SEK 31 M
- Mail order/Internet sales down -16% to SEK 8 M
- Two new stores opened (Sweden and Norway)

# The road ahead

## **Cotech Cordless Drill/Driver with soft grip.**

10 mm keyless chuck, variable speed 0-550 rev/min, brake, with reverse, 16 torque settings. Max. torque 10 Nm.

Drilling capacity wood: 25 mm steel: 10 mm. Comes with 14.4 V/1.2 Ah NiMH battery, 3-5 hr. charger, and 6 drill bits and 6 screwdriver bits. Weight 1.5 kg.

Product number 30-9980

**Price: SEK 299**



# Long term vision

## Vision:

To develop Clas Ohlson into a European 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



# Awards and nominations

- Best customer service (phone and e-mail)
- Best customer service (in stores)
- Nominated for best logistics: Posten Logistic Awards and Schenker Logistic Awards
- Nominated for Retail Chain of the Year in Sweden & Norway (Svensk Handel, NSCS)
- Third hottest retail chain (all categories)
- Great places to work (Top 5 in Finland)





# The road ahead

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



# Launch of Clas Ohlson in UK

- Croydon store, November
- Positive launch and feedback from customers & employees
- New store in the Arndale Shopping Centre Manchester (April 2009)



# Launch of new store concept

- New store concept introduced in Croydon, Skövde, Motala and Falun
- Objectives of new concept
  - Increase sales
  - Improved navigation
  - Modernisation and new design
- 10 stores to be rebuilt 2009/10
  - First store: Norrköping
  - Estimated investment of SEK 40 M



# Launch of new format “Mini Clas”

- First store opened in Motala
- 500-800 m<sup>2</sup>
- Smaller assortment – large and rare items by order
- Less staff intensive
- Positive feedback from customers
- Next locations: Hudiksvall, Örebro (Marieberg)



# Store establishment

## Existing stores:

Sweden: 48

Norway: 37

Finland: 16

UK: 1

---

102

## Contracted:

Sweden: 8

Norway: 4

Finland: 0

UK: 1

---

13

## Target, number of stores:

2008/09: 106 of which 2 in UK

2009/10: 121-126 of which 6-10 in the UK

# Investment in Distribution Center

- Implementation of Miniload facility started (operational September 2009)
- Construction of new High Bay Warehouse started (operational in Q4 2009/10)
- Capacity for efficient storage and picking for 150+ stores



# First spring catalogue

- First spring catalogue ever
- Launch - March 16
- First catalogue in UK - April
- New logo & identity
  - Signs (new stores)
  - Marketing material, etc
  - “Soft conversion”

**clas ohlson**

allt för en enklare vardag



**CLAS OHLSON**

# Business outlook

- Continued establishment of new stores but adjusted to current market conditions:
  - 2008/09: 20 stores of which 2 in UK
  - 2009/10: 15-20 stores of which 4-8 in UK
- Further opportunities in new store concept and small store concept
- Continued efforts to adapt costs to mitigate the impact on profit of the lower growth rate caused by the recession



# Summary Q3 2008/09

- Sales growth affected by lower retail spending
- Operating profit of more than 15%
- High rate of activity and investments for future growth and profitability
  - UK launched
  - Launch of new store concept
  - Launch of new small store concept
  - Started implementation of new picking facility (Miniload)
  - Improved store productivity

# Q&A

## Clock Radio

Clock Radio with calendar and indoor temperature display. Alarm with snooze and battery backup.

FM/AM radio alarm and sleep timer.

Size: LxDxH 230x100x105 mm. Adaptor included.

Batteries: 3x LR03/AAA (not included),  
1xLR44 (included).

Product number 31-4176

**Price: SEK 129**



clas  
ohlson

outdoor lighting  
800