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**STOCKMANN**

# HALF YEAR FINANCIAL REPORT 2019

Lauri Ratia, Executive Chairman  
Stockmann Group | 9 August 2019



# STRATEGIC TRANSFORMATION IS PROGRESSING

## LINDEX

- Strategy and business plan for 2019–2023 approved
- Further strengthening international growth and digital transformation
- Board of Directors has decided to investigate strategic alternatives for the ownership

## STOCKMANN

- Stockmann Retail and Real Estate divisions combined as of 1 July 2019
- Significant renewal of fashion, beauty and home selections
- Store rejuvenations:
  - Tallinn Delicatessen ongoing
  - Jumbo total store renewal in 2020
  - Helsinki flagship women's fashion in 2020
- Programme to reduce costs by at least EUR 40 million by 2021
  - Savings will start to be visible towards end of 2019
- Position Stockmann for growth in the Baltics, both in fashion and grocery





# JARI LATVANEN APPOINTED STOCKMANN'S NEW CEO

- Born 1964, MBA, Finnish citizen
- Previous work experience:
  - HKScan Oyj, CEO and President, 2016–2018
  - Stora Enso, Executive Vice President, Head of Consumer Board, 2014–2016
  - Findus, Chief Executive Officer Fincus Nordic, 2010–2014
  - Nestlé Czech Republic and Slovakia, Managing Director, 2008–2010
  - Nestlé SA, Assistant Vice President, Zone Europe, 2007–2008
  - Nestlé Sweden, Managing Director, 2003–2006
  - Nestlé Nordic, Marketing Director, 2001–2003
- Jari Latvanen will join Stockmann and the Group's Management Team on 19 August 2019





# PEKKA VÄHÄHYYPÄ APPOINTED STOCKMANN'S NEW CFO

- Born 1960, M.Sc. (Econ.), EMBA, Finnish citizen
- Previous work experience:
  - Finnair plc, CFO, 2015–2019
  - Finnair plc, Interim CEO, 2018
  - Stockmann plc, Executive Vice President and CFO, 2008–2015
  - Stockmann plc, CFO, 2000–2008
  - Nestlé Nordic and Sweden, Director, Finance & Control, 1997–1999
  - Nestlé Finland, CFO, 1994–1996
  - OKO-Venture Capital, Director, 1991–1994
  - A-lehdet Oy, CFO, 1986–1990
- Pekka Vähähyypä will join Stockmann and the Group's Management Team on 19 August 2019





# Q2 2019 IN BRIEF

Group's gross margin

**58.6%**

(58.2)

Group's adjusted operating result, EUR mill.

**16.2**

(23.8, or 19.3 excluding Nevsky Centre)

- **Stockmann Group**
  - Revenue down by 12.1% in comparable currency rates
  - Adjusted operating result EUR 16.2 million (23.8, or 19.3 excluding Nevsky Centre)
- **Lindex**
  - Comparable revenue down by 2.5%, growth in the online store 23%
  - Improved gross margin and operating result on a par in SEK
- **Stockmann Retail**
  - Revenue down by 19% due to the timing of the Crazy Days campaign in Finland
  - Gross margin increased and operating costs declined
- **Real Estate**
  - Revenue and operating result declined due to the property divestments
  - Real Estate division merged with Stockmann Retail as of 1 July 2019

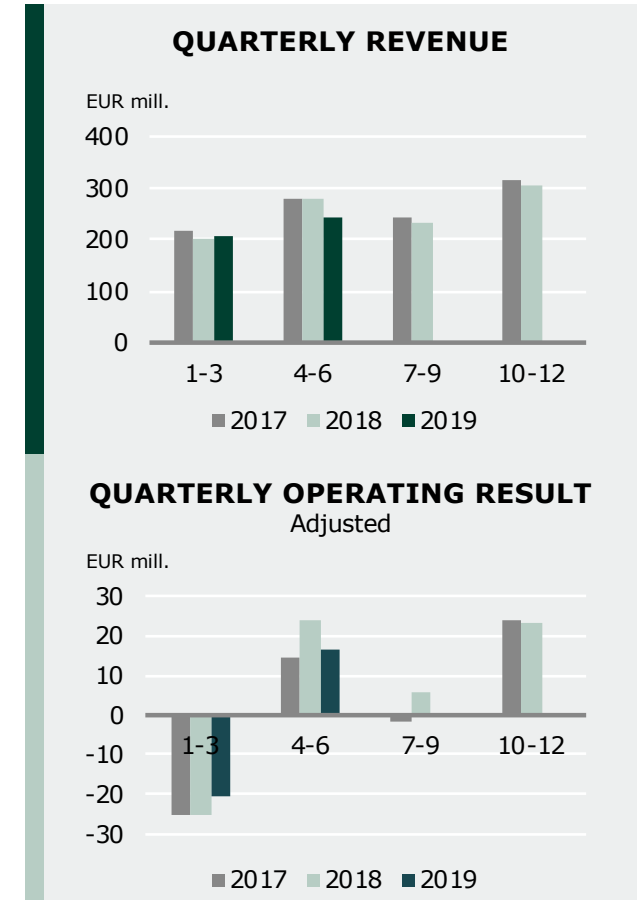
# STOCKMANN GROUP

Kai Laitinen  
CFO



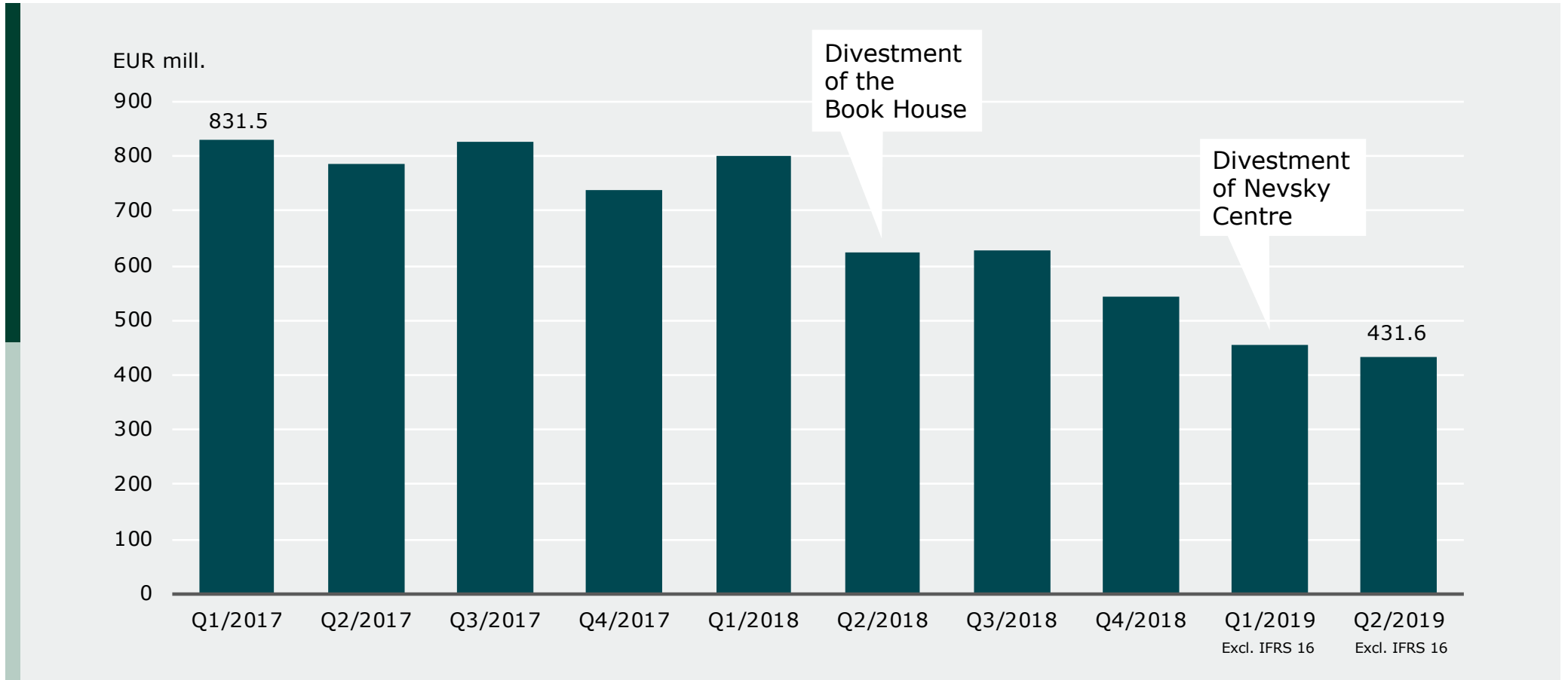
# STOCKMANN GROUP, FINANCIAL PERFORMANCE IN Q2 2019

- **Revenue** EUR 242.3 million (279.4)
  - Down by 12.1% in comparable currency rates
- **Gross margin** 58.6% (58.2)
  - Up in both Lindex and Stockmann Retail
- **Operating costs** down by EUR 29.8 million
  - Decrease mainly due to IFRS 16
  - Comparable costs down by EUR 8.5 million
- **Adjusted EBITDA** EUR 51.6 million (37.7)
- **Depreciation** EUR 35.3 million (13.9)
  - Increase due to IFRS 16
- **Adjusted operating result** EUR 16.2 million (23.8 or 19.3 excluding Nevsky Centre)
  - IFRS 16 items EUR 3.8 million
- **Reported operating result** EUR 10.2 million (29.6)
- **Result for the quarter** EUR -5.5 million (8.0)





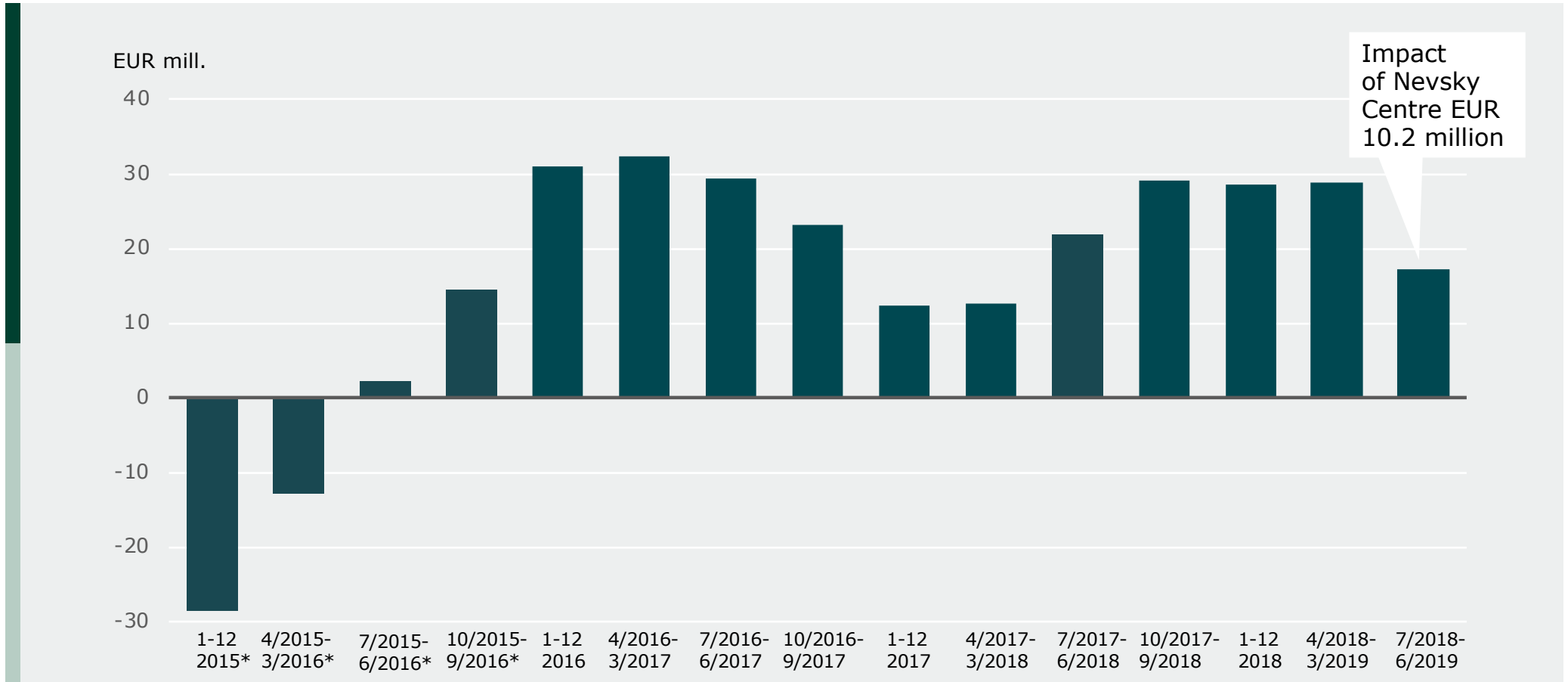
# STOCKMANN GROUP, INTEREST-BEARING NET DEBT







# GROUP'S ROLLING 12-MONTH ADJUSTED OPERATING PROFIT





# IMPACT OF IFRS 16

<b>EUR million, quarterly</b>	<b>Reported 4-6/2019</b>	<b>IFRS 16 items 4-6/2019</b>	<b>Excluding IFRS 16 items 4-6/2019</b>	<b>Reported 4-6/2018</b>
<b>Revenue</b>	242.3	-0.5	242.8	279.4
<b>EBITDA</b>	45.6	25.5	20.0	43.5
<b>Adjusted EBITDA</b>	51.6	25.5	26.0	37.7
<b>Depreciation</b>	35.3	21.7	13.6	13.9
<b>Operating result (EBIT)</b>	10.2	3.8	6.4	29.6
<b>Adjusted operating result (EBIT)</b>	16.2	3.8	12.4	23.8
<b>Net financial expenses</b>	-13.6	-6.8	-6.8	-8.8
<b>Net result</b>	-5.5	-2.5	-3.1	8.0
<b>Cash flow from operating activities</b>	48.0	18.7	29.3	62.7



# IMPACT OF IFRS 16

<b>EUR million, YTD</b>	<b>Reported 1-6/2019</b>	<b>IFRS 16 items 1-6/2019</b>	<b>Excluding IFRS 16 items 1-6/2019</b>	<b>Reported 1-6/2018</b>
<b>Revenue</b>	449.5	-1.1	450.6	481.8
<b>EBITDA</b>	59.5	51.0	8.5	30.8
<b>Adjusted EBITDA</b>	66.3	51.0	15.3	27.1
<b>Depreciation</b>	70.7	43.4	27.3	28.1
<b>Operating result (EBIT)</b>	-11.2	7.6	-18.8	2.7
<b>Adjusted operating result (EBIT)</b>	-4.4	7.6	-12.0	-1.0
<b>Net financial expenses</b>	-27.3	-13.5	-13.9	-17.5
<b>Net result</b>	-37.9	-4.7	-33.2	-22.9
<b>Assets</b>	2 121.8	541.3	1 580.5	1 881.6
<b>Interest-bearing net debt</b>	961.0	529.3	431.6	623.3
<b>Cash flow from operating activities</b>	27.9	37.6	-9.6	3.9



# KEY FIGURES

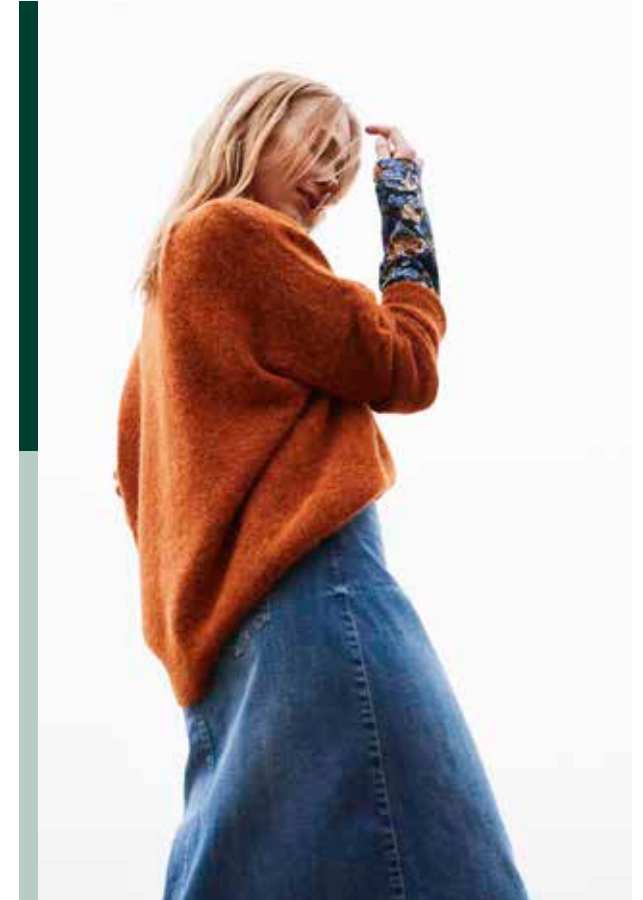
		Q2/2019	Q2/2018	1-6/2019	1-6/2018	1-12/2018
<b>Equity ratio</b>	%			37.2	45.7	46.2
- Excluding IFRS 16				50.3		
<b>Net gearing</b>	%			121.7	72.6	64.4
- Excluding IFRS 16				54.6		
<b>Net financial items*</b>	EUR mill.	-13.6	-8.8	-27.3	-17.5	-34.6
<b>Result for the period*</b>	EUR mill.	-5.5	8.0	-37.9	-22.9	-43.7
<b>Earnings per share*</b>	EUR	-0.10	0.09	-0.56	-0.35	-0.68
<b>Cash flow from operating activities</b>	EUR mill.	48.0	62.7	27.9	3.9	82.9
<b>Inventories</b>	EUR mill.			149.3	149.6	141.9
<b>Capital expenditure</b>	EUR mill.	9.3	7.4	15.8	15.1	29.3
<b>Depreciation, amortisation and impairment losses</b>	EUR mill.	35.3	13.9	70.7	28.1	80.9
<b>Balance sheet total</b>	EUR mill.			2 121.8	1 881.6	1 827.9

\* Continuing operations.



# MARKET ENVIRONMENT AND OUTLOOK FOR 2019

- The general economic situation was moderate in Finland during the second quarter. The consumer confidence declined clearly, but was still at a good level
  - Fashion market in Finland in January–June was -1.5%  
(1–6/2018: -1.0%, source: Fashion and Sport Commerce Association, TMA)
- In Sweden, the general economic situation continued its stable development.
  - Fashion market in Sweden January–June was -2.1%  
(1–6/2018: -2.0%, source: Swedish Trade Federation, Stilindex)
- The retail market continued its growth both in Estonia and Latvia.
- **Guidance for 2019 remains unchanged:**  
Stockmann expects the Group's adjusted operating profit, excluding Nevsky Centre but including the impact of IFRS 16, to be on a par with 2018
  - 2018: EUR 10.4 million





LINDEX

Susanne Ehnbåge  
CEO



# LINDEX, PERFORMANCE IN Q2 2019

## FINANCIALS

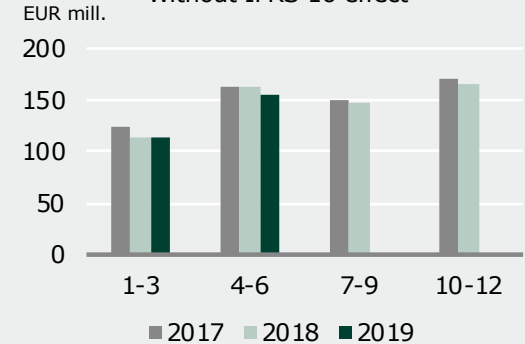
- **Revenue** down by 6.0% to EUR 154.0 million (163.8)
  - Same-store sales in comparable currencies decreased by 2.5%
  - Online sales increased by 23%
- **Increased gross margin** 64.3% (63.7)
- **Operating costs** down by EUR 3.0 million
- **Operating result** EUR 18.8 million (19.6, or adjusted 20.8)
  - In SEK, the operating result was on a par with the previous year

## HIGHLIGHTS

- Release of new **e-commerce platform** and opening of new **e-commerce warehouse**
- Well-received design collaboration with By Malina
- Signed agreement of **store opening in Denmark**
- Launch of Lindex **sustainability promise** for future generations
- **465 stores** in 17 countries, of which 43 franchising, on 30 June 2019

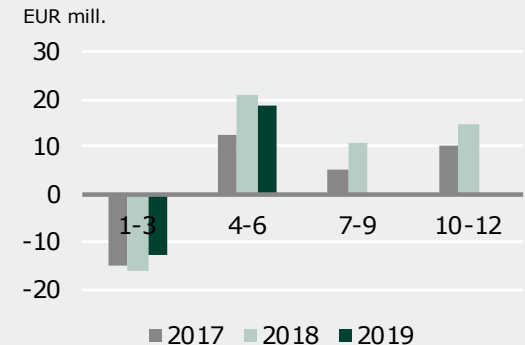
### QUARTERLY REVENUE

Without IFRS 16 effect



### QUARTERLY OPERATING RESULT

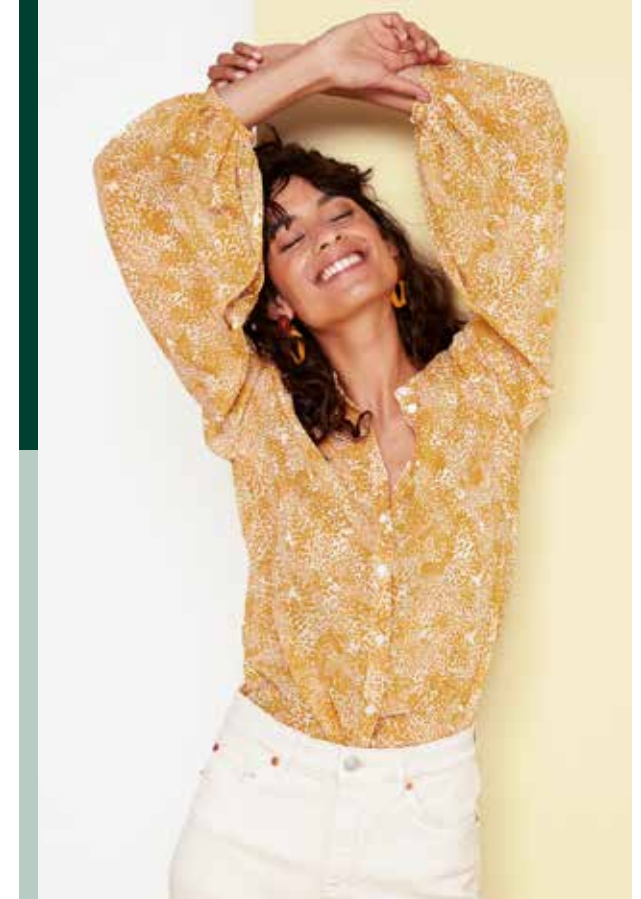
Adjusted, without IFRS 16 effect





# LINDEX WAY FORWARD

- **Updated strategy** for 2019–2023 approved
  - Further strengthening international growth and digital transformation
- **Sales growth** and continued good cost control in focus
- Important autumn **season start**
  - Strong commercial fashion offer with relevant products for the period
  - Well balanced stock with high share of new items
- Proceeding in the **digital development**
  - Continued growth, both through own channels and with online partners
  - Roll-out of new e-commerce platform for all Lindex markets
  - Meet future needs in new efficient e-commerce warehouse
- **Store portfolio** efficiency
  - Continued focus on rental reductions
  - New flexible store formats





# STOCKMANN RETAIL

Tove Westermarck  
Chief Operating Officer



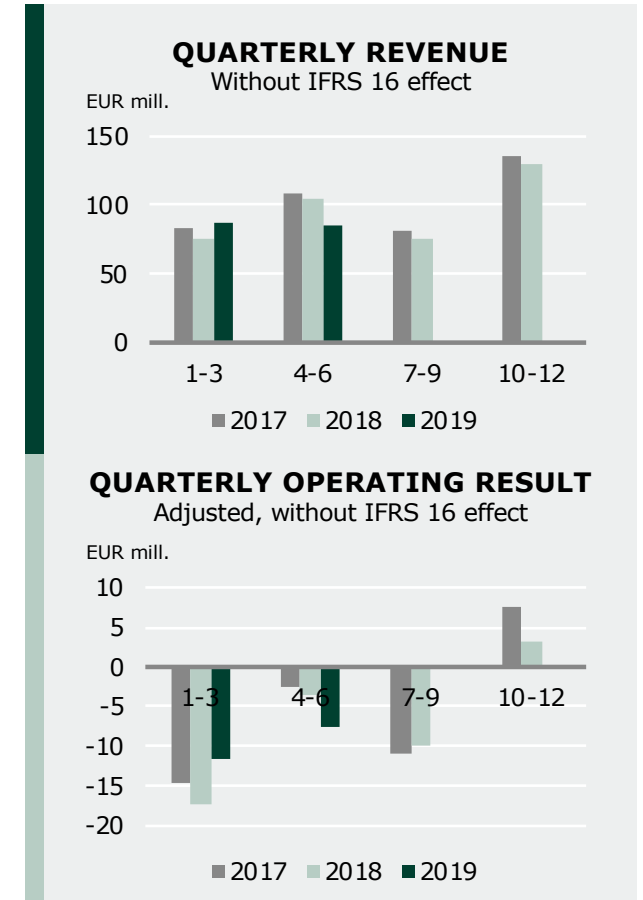
# STOCKMANN RETAIL, PERFORMANCE IN Q2 2019

## FINANCIALS

- **Revenue** EUR 84.9 million (104.7)
  - Revenue down by 19.0% due to the timing of the Crazy Days campaign in Finland and renewal in Tallin Delicatessen
- **Gross margin** 46.7% (45.4)
- **Operating costs** down by EUR 4.0 million including adjustments
  - Personnel and support function costs declined but rents were up
- **Adjusted operating result** EUR -7.4 million (-3.6)

## HIGHLIGHTS

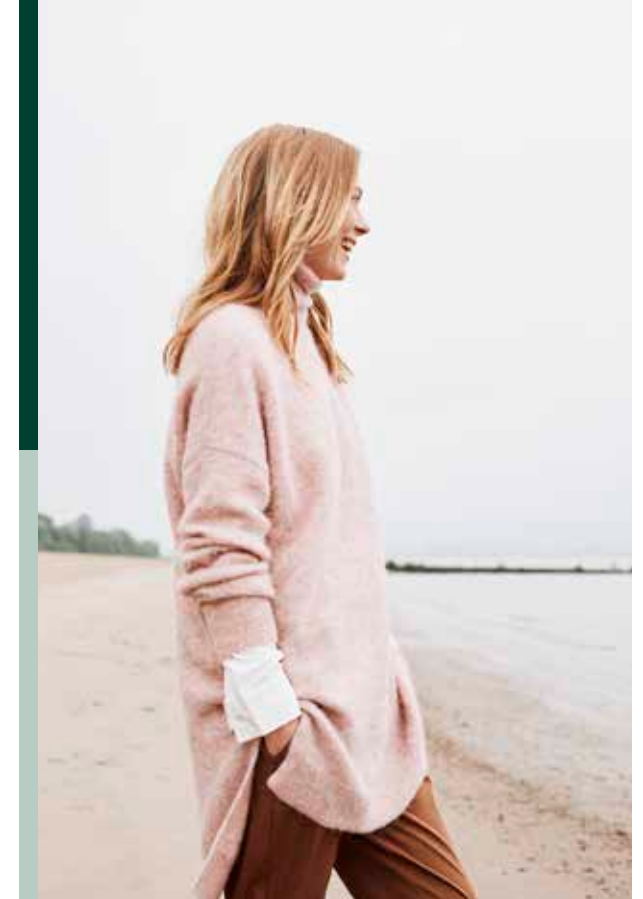
- Marketplace successfully opened in stockmann.com
  - Online Exclusive partners complete Stockmann's online offering
- Good sales in the pop up for tourists in the Helsinki flagship
  - Alipay introduced in the Riga department store
- Renewal of Delicatessen in the Tallinn department store





# STOCKMANN RETAIL'S WAY FORWARD

- Targeting a **Fashion & Style authority** position
  - Clear focus on a core target customer, modern working professional
  - Renewing Fashion, Home and Beauty offering – our promise: inspiring quality
  - Create newness with relevant, sustainable and unique brands
  - Several new brands: NA-KD, Scotch & Soda and Olivia Klein
  - New contemporary own brand for men: Construe
- Strengthen **digital shopping** channel
  - Accelerate growth – online sales in H1 up by 30%
  - Introduce new partners and products in stockmann.com
- Create **inspiring store experiences**
  - Renovation of Tallinn Delicatessen ongoing, ready in September
  - Jumbo store will be completely redesigned and renovated in 2020
  - Several upgrades in Helsinki flagship: e.g in men's fashion and Denim Wall in women's fashion
- New **Loyalty programme** to be introduced in Q4





# RENEWED JUMBO DEPARTMENT STORE WILL OPEN IN 2020



Picture: Suunnittelutoimisto Amerikka Oy

# REAL ESTATE

Elena Stenholm  
Director, Real Estate



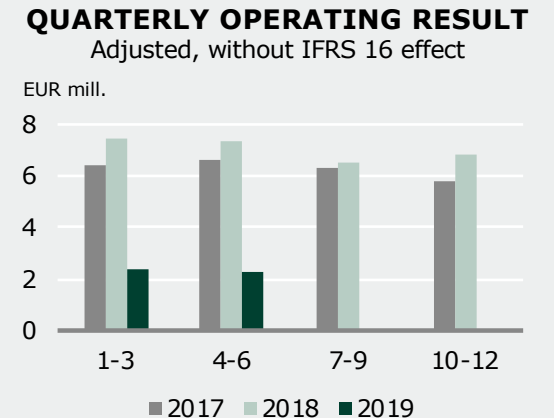
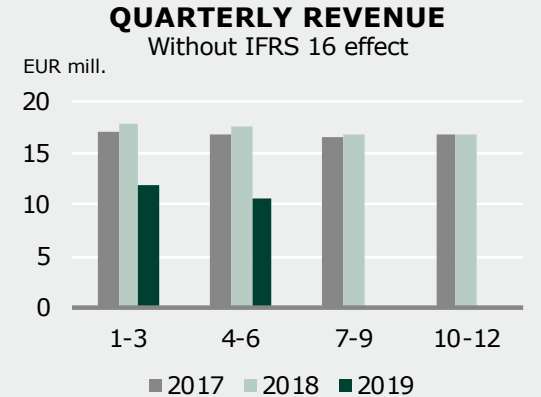
# REAL ESTATE, FINANCIAL PERFORMANCE IN Q2 2019

## FINANCIALS

- **Revenue** EUR 10.5 million (17.5)
  - Down due to the divestment of the Book House property in Helsinki and the Nevsky Centre property in St Petersburg
- **Net operating income** from own properties EUR 7.9 million (12.9)
  - Average monthly rent EUR 37.59 per sqm (38.58)
- **Adjusted operating result** EUR 2.3 million (7.4, or 2.8 excluding Nevsky Centre)

## HIGHLIGHTS

- New jewellery area in Helsinki flagship
- Workland coworking space in Tallinn





# REAL ESTATE, STOCKMANN-OWNED PROPERTIES

- **Fair value** of the department store properties: EUR 681.0 million (1 January 2019)
- **Gross leasable area** (GLA) 88 000 sqm, of which Stockmann Retail is using 73%
- **Occupancy rate** 98.0% (99.4)
- Combining Stockmann Retail and Real Estate to offer a unified customer experience



## Helsinki flagship property

Occupancy rate 98.9%  
GLA 51 000 sqm  
Usage by Retail 66%



## Tallinn department store property

Occupancy rate 94.2%  
GLA 22 000 sqm  
Usage by Retail 82%



## Riga department store property

Occupancy rate 100.0%  
GLA 15 000 sqm  
Usage by Retail 86%



# Q&A

## **Further information**

[stockmanngroup.com](https://stockmanngroup.com)

[investor.relations@stockmann.com](mailto:investor.relations@stockmann.com)

