



# HALF YEAR FINANCIAL REPORT 2016

Stockmann Group | 12 August 2016

**STOCKMANN**

# AGENDA

STRATEGY & Q2 2016 PERFORMANCE

GROUP AND STOCKMANN RETAIL – LAURI VEIJALAINEN

REAL ESTATE – BJÖRN TEIR

LINDEX – INGVAR LARSSON



# HIGHLIGHTS IN Q2 2016

## Gross margin

↑ **54.5%**  
(52.7%)

## Operating result, EUR mill.

↑ **11.1**  
(-4.1)

- Fifth consecutive quarter when the Stockmann Group's operating **result improved**
- Lindex achieved its **all-time high second quarter** revenue and result: operating profit EUR 28.1 million (EUR 18.6 million)
- Stockmann's own offering is now fully focused on **fashion, beauty, home and food**
- New attractive tenants coming on-board, such as the first **Joe & the Juice** bar in Finland
- Withdrawal from non-core businesses completed with the agreement of selling Hobby Hall as of 1 January 2017
- Lindex's withdrawal from Russia completed in May 2016
- Outlook for 2016 remains unchanged: adjusted operating result is expected to be slightly positive
- Actions for **sales growth and cost efficiency** continue



# GROWTH BY FOCUSING ON KEY PRODUCT AREAS: NEW WOMEN'S ACCESSORIES IN HELSINKI FLAGSHIP



- High engagement product category inside the **largest product area**, fashion
- Modern inspiring **shopping environment**
- **Differentiation** from competition:
  - New premium brands in own selection, some not available earlier in Finland
  - Seasonal pop-ups (now Finnish brands Balmuir, Lumi and Marimekko)
  - Tenants complementing the selection: Longchamp and more to come
- **Omnichannel**: most of brands also available in stockmann.com store



# TARGETING A POSITIVE EBIT FOR RETAIL IN 2018

## EFFICIENCY PROGRAMME

- New support functions with personnel reductions in 2015 and spring 2016
- Supplier programme for improved gross margin
- Released store space to decrease rental costs
- Cost savings in indirect procurement

savings  
**EUR 50 million**  
by the end of 2016



## NEW LEANER ORGANISATION

- Headcount to be reduced with around 300 people in Finland
- A provision of EUR 5.8 million related to restructuring measures booked in Q2 2016

savings  
**EUR 20 million**  
in 2017



## NEW DISTRIBUTION CENTRE

- Annual cost savings EUR 5.5 million, or EUR 3.5 including depreciation, in full in 2018
- In 2016, overlapping rental and other additional costs approx. EUR 2 million

savings  
**EUR 5.5 million**  
in stages from 2017



# NEW LEANER STRUCTURE AND ORGANISATION

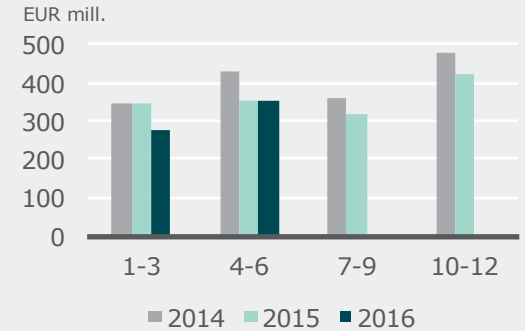
- Management Teams of the Stockmann Group and Stockmann Retail were merged in June
- Directors for Store Operations, Delicatessen, Supply Chain and Human Resources appointed
- Target is to considerably flatten the organisational structure, eliminate overlaps and simplify processes
- Codetermination negotiations initiated in June, to adjust the number of employees in line with the scope of current operations
- As a result, approximately 300 positions will be ended, most of them through lay-offs
- In addition, around 80 people from the support functions offered a new position as a sales assistant
- Number of department store sales assistants will not be reduced to ensure excellent customer service
- Negotiations concerned around 3 000 employees, and at the start of the negotiations, the reduction need was estimated to be around 380
- Goal is annual cost savings of approximately EUR 20 million, which will be achieved during 2017



# GROUP'S FINANCIAL PERFORMANCE IN Q2 2016

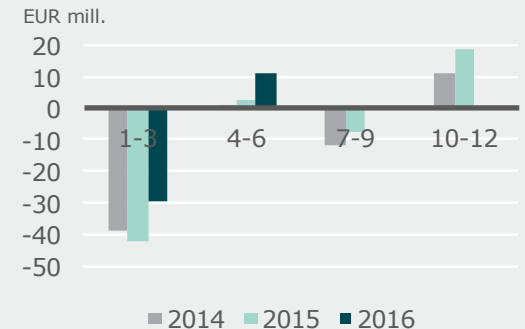
- **Revenue** EUR 352.7 million (EUR 351.0 million)
  - In continuing product areas and businesses, revenue was up by 6.8%
  - Up 12.6% in Finland due to the timing of the Crazy Days campaign
  - Up 2.5% in other countries due to good growth in Lindex main markets
- **Gross margin** 54.5% (52.7%)
  - Gross margin continuously up
- **Operating costs** EUR 166.3 million (EUR 171.8 million)
  - Costs down despite a reservation of EUR 5.8 million for restructuring measures and overlapping warehouse costs
- **Depreciation** EUR 15.0 million (EUR 17.4 million)
  - Nevsky Centre treated as an investment property and not depreciated
- **Operating profit** EUR 11.1 million (EUR -4.1 million or the adjusted operating profit of EUR 2.5 million)
  - Excellent performance for Lindex
  - Operating result slightly up in Stockmann Retail

## QUARTERLY REVENUE



## QUARTERLY OPERATING RESULT

Excluding adjustments





# KEY FIGURES

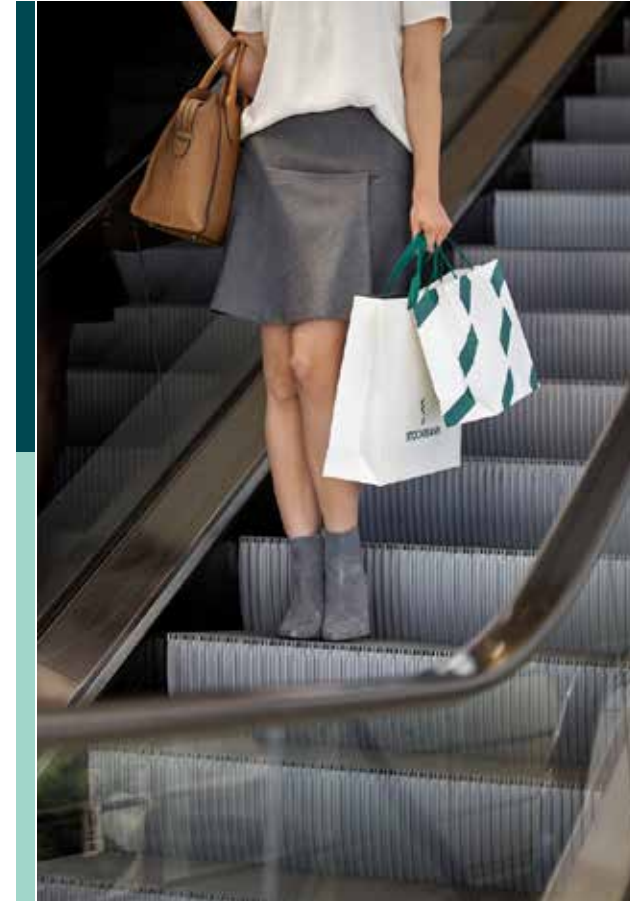
		1-6/2016	1-6/2015	1-12/2015
<b>Equity ratio</b>	%	<b>46.0</b>	44.6	46.1
<b>Gearing</b>	%	<b>76.2</b>	85.3	72.1
<b>Net financial costs</b>	EUR mill.	<b>8.9</b>	9.1	21.2
<b>Result for the period</b>	EUR mill.	<b>-33.3</b>	-59.3	-88.9
<b>Earnings per share</b>	EUR	<b>-0.50</b>	-0.82	-1.24
<b>Net earnings per share, including discontinued operations</b>	EUR	<b>-0.35</b>	-0.94	-2.43
<b>Cash flow from operating activities</b>	EUR mill.	<b>-20.9</b>	-48.0	17.2
<b>Inventories</b>	EUR mill.	<b>169.6</b>	216.4	170.8
<b>Capital expenditure</b>	EUR mill.	<b>19.5</b>	26.2	53.4
<b>Depreciation</b>	EUR mill.	<b>29.2</b>	35.0	71.9
<b>Property, plant and equipment</b>	EUR mill.	<b>1 003.6</b>	1 012.3	1 016.2
<b>Balance sheet total</b>	EUR mill.	<b>2 230.0</b>	2 333.9	2 273.9





# MARKET ENVIRONMENT AND OUTLOOK FOR 2016

- Economic situation continued to be uncertain in **Finland**: low consumer purchasing power, retail market environment continued to be weak
- Relatively stable development expected in **Sweden, Norway** and the **Baltic countries**
- Overall increasing competition in all markets
- Weak outlook for **Russia** which may have a negative impact on rental income and occupancy rate in Stockmann's Russian real estate operations
- Stockmann Group's **revenue** for 2016 is expected to be down on 2015 due to on-going strategic actions in order to improve profitability
- The **adjusted operating result** is expected to be slightly positive in 2016.
- **Capital expenditure** re-estimated to be approximately EUR 40-45 million which is around EUR 20 million less than the estimated depreciation for 2016



# STOCKMANN RETAIL



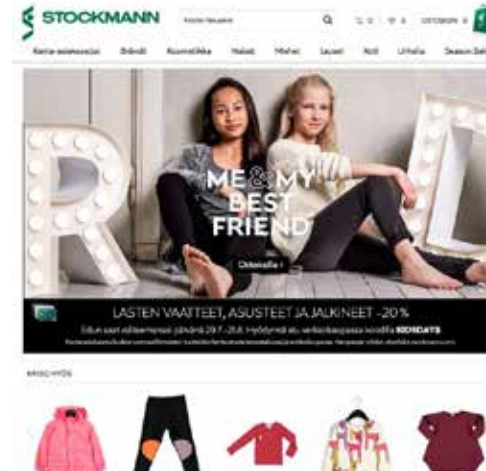
# ACTIONS TO SECURE SALES DEVELOPMENT

Focus on first-class customer experience in fashion, beauty, food and home products



## Improving selection in key product areas

- Major changes in product areas are completed
- New premium brands in selection
- Seasonal pop-up shops



## New stockmann.com

- Revamped online store to be launched in the second half of 2016
- New features in stages, e.g. online availability for goods in department stores



## Refurbishing store premises

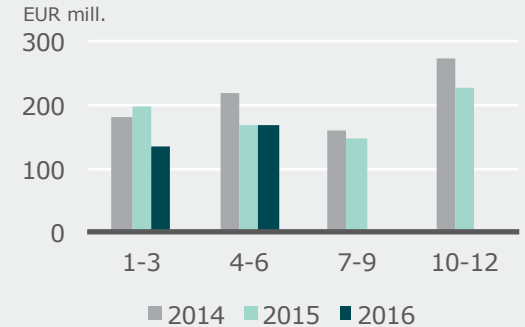
- Women's accessories and home departments in Helsinki flagship
- Delicatessen in Turku
- New fifth floor in Tallinn
- New Tapiola store in 2017



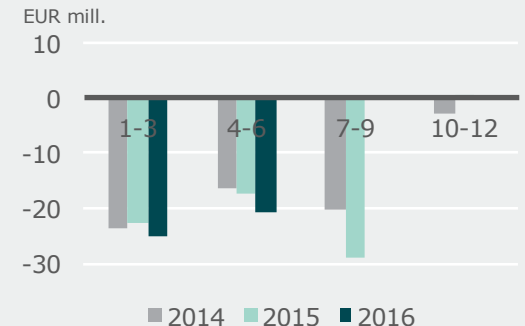
# STOCKMANN RETAIL IN Q2 2016

- **Revenue** EUR 168.7 million (EUR 169.2 million)
  - Revenue up 10.8% in continuing product areas and businesses due to the timing of the Crazy Days campaign in Finland
- **Gross margin** 40.2% (40.2%)
  - Excluding the effect of the Crazy Days campaign, gross margin was up
- **Operating costs** EUR 84.3 million (EUR 85.7 million)
  - Costs down despite a reservation of EUR 5.8 million for restructuring measures and overlapping warehouse costs
- **Operating result** EUR -20.5 million (EUR -21.8 million)
  - Department store business: EUR -18.1 million (EUR -20.9 million)
  - Hobby Hall: EUR -2.4 million (EUR -0.9 million)

## QUARTERLY REVENUE



## QUARTERLY OPERATING RESULT Excluding adjustments





# REAL ESTATE



# BROADENING OFFERING IN THE DEPARTMENT STORES

- RECENT OPENINGS
  - **Isku-Vallila-Värisilmä** home decoration shop in the Helsinki Book Building
  - **UMA Esplanadi** co-working place operated by **Techopolis** in the Helsinki Book Building
  - **Smörre Gastrobar** in Helsinki flagship store
  - Rebranded **Power** electronics shops in Helsinki, Turku and Tampere
  - **Longchamp** accessories shop in the Helsinki flagship store
- NEW SHOPS TO OPEN IN HELSINKI FLAGSHIP
  - **Polarn o. Pyret** children's clothing in September
  - **White Dress** wedding service in September
  - **Westerback** watches and jewellery in November
  - **Joe & The Juice** bar to before Christmas
- OTHER SHOPS and SERVICES
  - **Westerback** to Itis, Jumbo, Tapiola, Tampere and Turku during 2016-2017
  - **Zucchini** and **Chat** restaurants and **Melior** wellbeing clinic in Tallinn in October
  - **Laiks** watch & accessories, optician, bookstore and barber shop in Riga in October

LONGCHAMP  
PARIS

POLARN O. PYRET

WESTERBACK  
1897

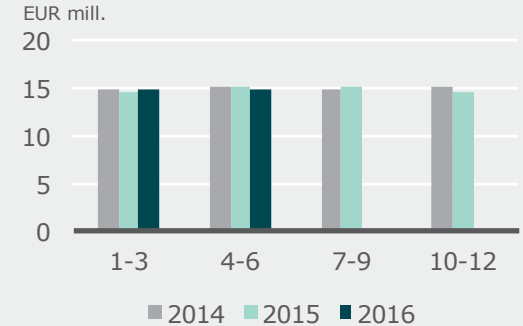




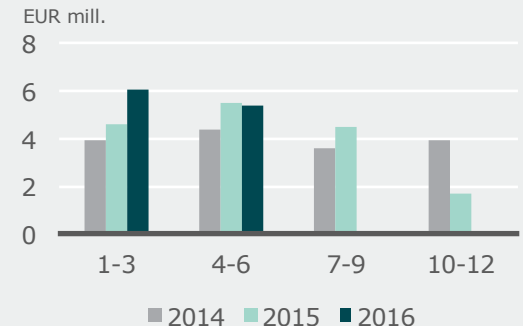
# REAL ESTATE IN Q2 2016

- **Fair value** of the properties
  - 1 January 2016: EUR 918.2 million
  - 30 June 2016: EUR 909.5 million
  - Nevsky Centre treated as an investment property and not depreciated
- **Occupancy rate** 96.7% (99.2%)
  - Lower occupancy rate in Tallinn due to renovation of the fifth floor
- **GLA** in own properties: 53% used by Stockmann Retail (74%)
  - Decline due to transfer of the department store in Nevsky Centre to a new owner
- **Net operating income** from Stockmann-owned properties  
EUR 10.2 million (EUR 12.5 million)
  - Decline partly due to timing of operating expenses in 2015
  - Net rental yield 4.9% (5.4%)
  - Average monthly rent EUR 33.35 per sqm (EUR 33.37)
- **Revenue** EUR 14.7 million (EUR 15.2 million)
  - Decline mostly due to temporary rent adjustments in Nevsky Centre
- **Operating profit** EUR 5.4 million (EUR 5.5 million)

## QUARTERLY REVENUE



## QUARTERLY OPERATING RESULT



# LINDEX





# HIGHLIGHTS IN Q2 2016

- Lindex achieved its all-time high Q2 revenue and result
  - Operating profit up EUR 9.5 million
- Successful collections and campaigns
  - **Positive sales development** particularly in Sweden, Norway and Finland
  - **Greater clarity** in women's wear concept and collections
  - Successful extension of the size range for the **Holly & Whyte** concept
- Great progress in sustainability
  - Increased amount of **sustainable garments by 64% in 2015**
  - 42% of the garments now made of sustainable materials





# INTERNATIONAL EXPANSION



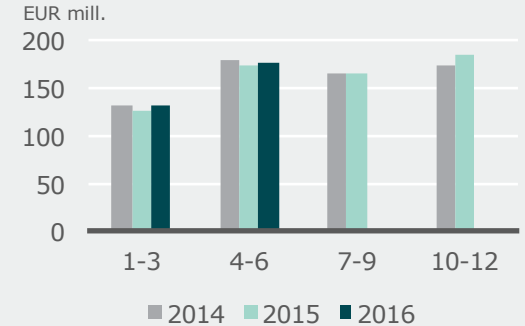
- Store network on 30 June 2016:
  - **479 stores in 17 countries**, of which 38 franchising stores
  - 2 new stores opened in Q2 2016
  - 6 stores closed in Q2 2016
- **Target for 2016:**
  - Total number of stores to decline
  - All stores in Russia now closed



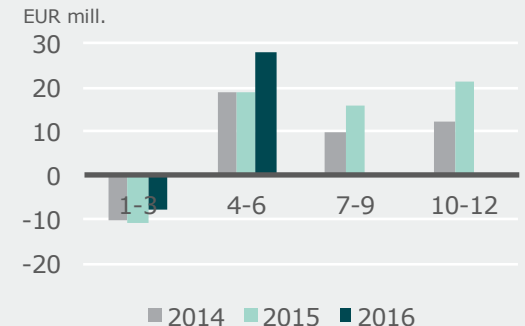
# LINDEX IN Q2 2016

- **Revenue** up 0.6% to EUR 175.6 million (EUR 174.6 million)
  - At comparable exchange rates up 3.4%, or 4.3% in comparable stores
  - All-time high sales in Q2
- **Gross margin** 65.0% (62.9%)
  - Increase due to lower markdowns and the timing of the mid-season sale, as well as healthier stock composition
- **Operating costs** down by EUR 4.5 million
  - Lower store and office costs
  - Closure of the remaining operations in Russia
- **Operating profit** EUR 28.1 million (EUR 18.6 million)

## QUARTERLY REVENUE



## QUARTERLY OPERATING RESULT





# STRONG AUTUMN CAMPAIGNS TO COME

- Women's wear **Fall Fashion Heroes**, including an extended size range for all concepts
- **Own design collection** in October where 10% of sales goes to the fight against breast cancer
- Introduction of **Holly & Whyte for kids** wear





FURTHER INFORMATION:  
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