

STOCKMANN

Stockmann Group Interim Management Statement Q3 2023

Susanne Ehnåge, CEO
Annelie Forsberg, CFO

27 October 2023



LINDEX



Agenda

- Business update
- Financial development
- Way forward
- Q&A





Business update

Stock Exchange Release 25 Sep 2023

Stockmann commenced a strategic assessment

- **Crystallising shareholder value by refocusing the Group's business on Lindex**
 - Lindex generates over two thirds of Stockmann Group's revenue
 - Lindex is the main profit contributor in the Group
- **Stockmann plc is considering a name change to Lindex Group**
 - No changes for the department stores' brand
- **Investigating strategic alternatives for the Stockmann department stores business:**
 - Increasing the independence within the Group
 - Possible ownership changes or strategic partnerships
 - Continuing under the current structure



Q3: Continued strong performance for Lindex; Stockmann Group's third quarter adjusted operating result decreased slightly

- **Group's revenue decreased due to negative currency impact and timing of Crazy Days campaign**
 - Change in local currencies -1.7%
 - Lindex's revenue slightly down, but in local currencies up +4.9%
 - Stockmann division's revenue decreased, mainly due to timing of Crazy Days and reduced store area of Itis department store
- **Group's adjusted operating result improved slightly in local currencies, but decreased in EUR**
 - Lindex improved EUR +3.7 million
 - Stockmann div. affected negatively by the Crazy Days timing
- **Improved financial situation**
 - Higher equity ratio, gross margin, net result
 - Underlying business is developing in the right direction
- **Science Based Targets initiative (SBTi)**
 - Targets prepared, validation expected in 2024

Group's revenue, EUR million

226.9 (244.0)

Group's adjusted operating result, EUR million

20.6 (22.0)

Group's operating result, EUR million

20.3 (6.0)

Inventories, EUR million

193.3 (196.3)

Cash, EUR million

108.0 (140.2)

Net cash (cash – interest bearing debt)
excl. IFRS 16, EUR million

36.1 (72.7)



Lindex division

- Strong performance with significant **profitability improvement**
- In local currencies, increased sales in all **main markets and categories - womenswear** the best performing category
- **Share of digital sales** continued to increase, 19.4% (17.8) of Lindex's sales
- **Growing** with **new** and **active customers** and **increased average purchases**
- Launch of menopause clothing within the **femtech brand** Female Engineering® - **holistic product offering**
- **Major ongoing investment** within new omnichannel warehouse and digital development



Stockmann division

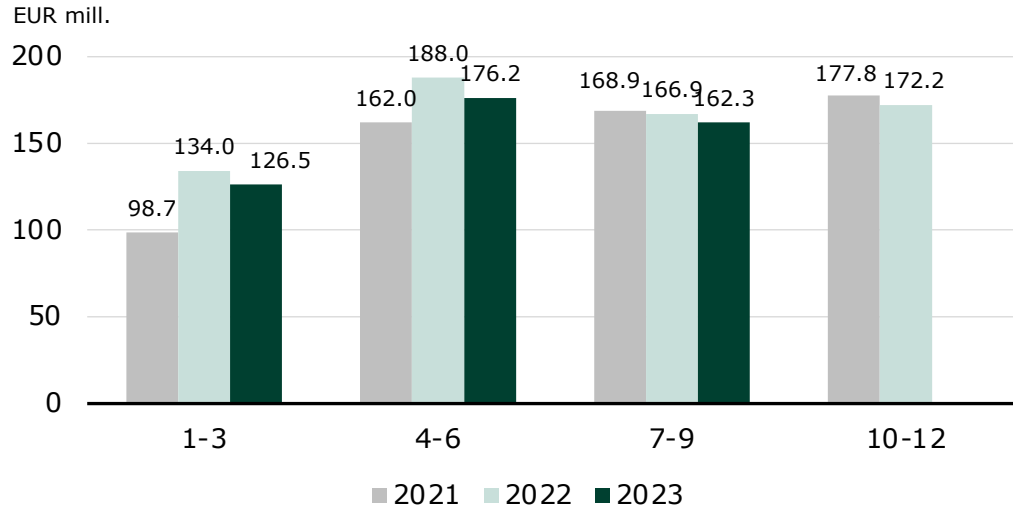
- The **timing of the Crazy Days** was the key reason for the Stockmann division's revenue decline
- After the review period, **the Crazy Days campaign performed well** both in the department stores and online
- **Itis department store** redesign finalised in early September, emphasis on **omnichannel shopping**
- **RFID pilot project to improve process efficiency** completed in Helsinki, rollout in fashion category in the Finnish department stores ongoing
- Good progress in **cost efficiency initiatives** with 3.3 MEUR savings in Q3



Financial development

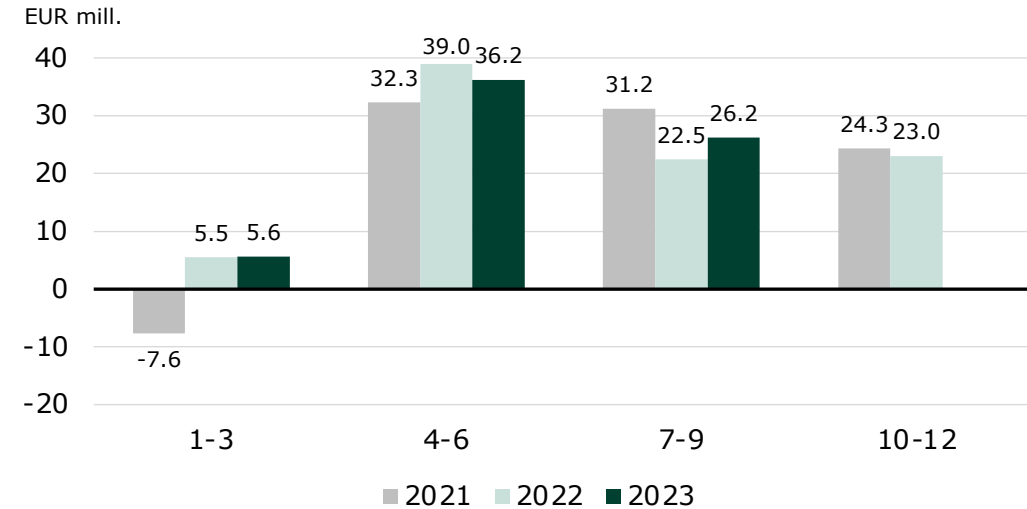
Lindex division – Development in Q1–Q3

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT

Adjusted



Q3

Revenue EUR 162.3 (166.9) million

- Revenue up by 4.9% in local currencies but down by 2.8% in EUR
- Sales increase in local currencies: physical 3.2%, digital 13.8%, in all main markets
- Digital sales share: 19.4% (17.8)

Adjusted operating result EUR 26.2 (22.5) million

- Gross margin increased to 64.2% (61.7)
- Operating costs decreased to EUR 60.6 (61.1) million

Q1–Q3

Revenue EUR 464.9 (488.9) million

- Revenue up by 2.6% in local currencies but down by 4.9% in EUR
- Sales increased: Physical 1.8%, digital 5.8%, in all main markets
- Digital sales share: 19.1% (18.5)

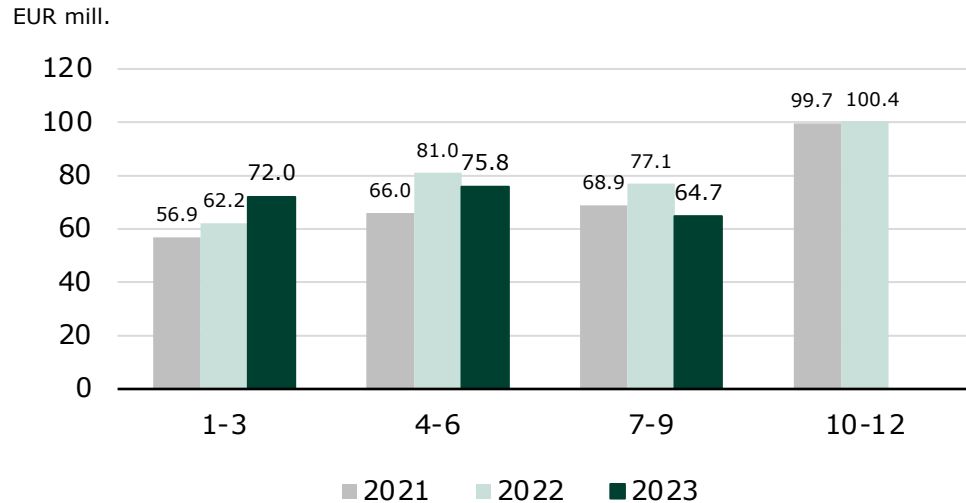
Adjusted operating result EUR 68.0 (67.0) million

- Gross margin increased to 65.4 % (63.9)
- Operating costs decreased to EUR 182.4 (189.7) million

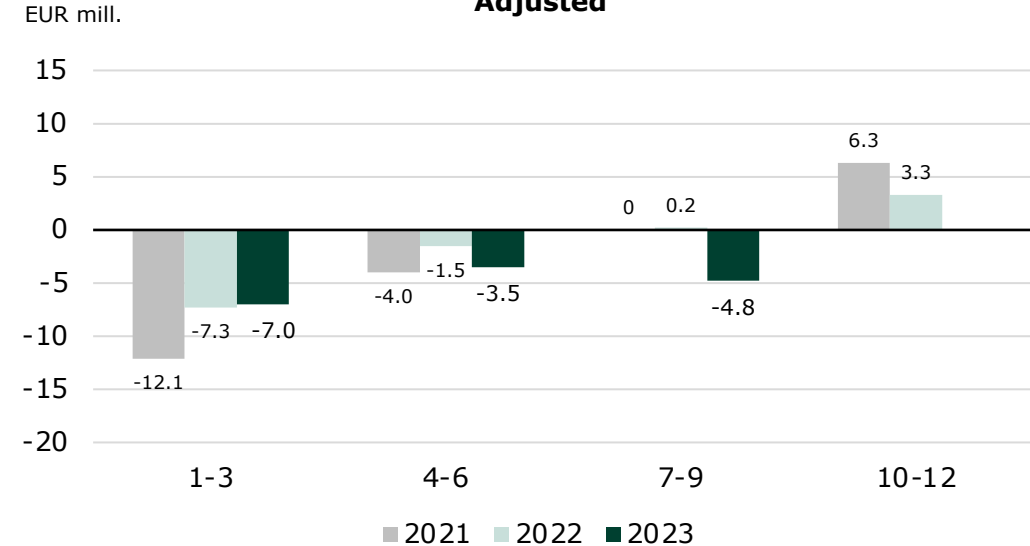


Stockmann division – Development in Q1–Q3

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Adjusted



Q3

Revenue EUR 64.7 (77.1) million

- Revenue down due the timing of the Crazy Days campaign and the reduced store area of the Itis department store
- Digital sales share: 8.2% (8.1)

Adjusted operating result EUR -4.8 (0.2) million

- Gross margin decreased to 44.4% (46.3)
 - Operating costs decreased to EUR 26.4 (45.6) million.
- Q3/2022 included EUR 15.9 million provision related to the LähiTapiola Keskustakiinteistöt Ky arbitration decision.

Q1–Q3

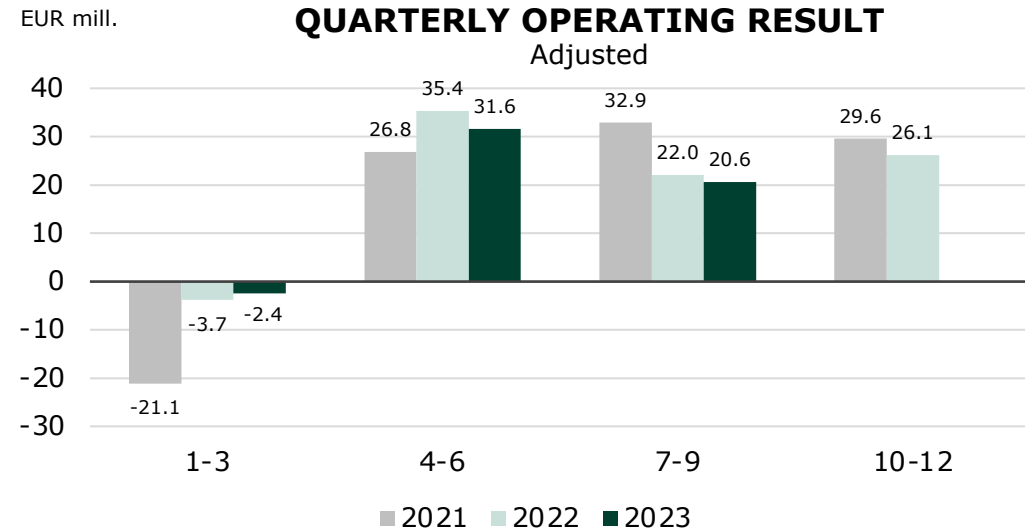
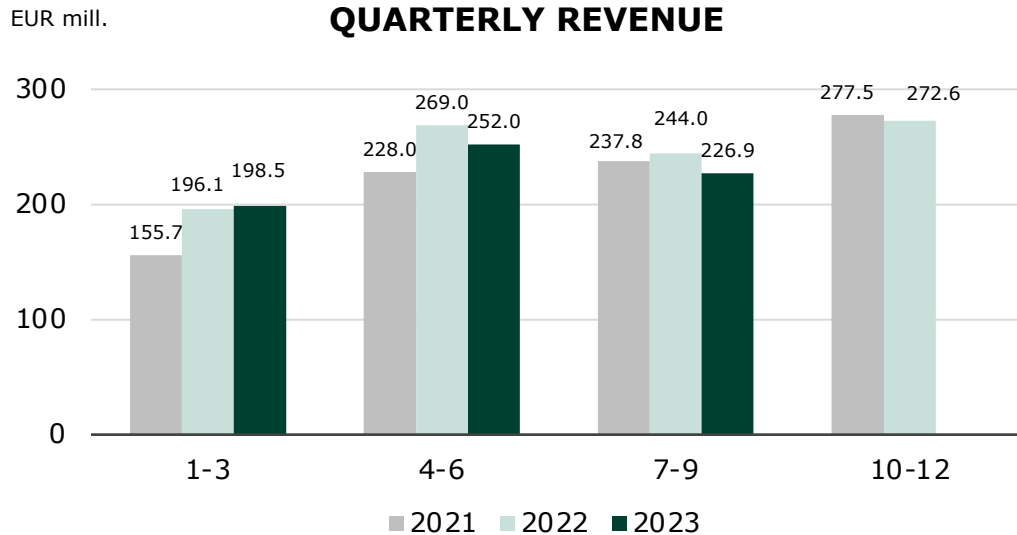
Revenue EUR 212.4 (220.2) million

- Decrease in Q3 pushed the revenue below the comparison period
- Digital sales share: 11.0% (11.7)

Adjusted operating result EUR -15.3 (-8.7) million

- Gross margin decreased to 43.4% (45.2)
 - Operating costs decreased to EUR 86.4 (107.6) million.
- Q3/2022 included EUR 15.9 million provision related to the LähiTapiola Keskustakiinteistöt Ky arbitration decision.

Stockmann Group – Development in Q1–Q3



Q3

Revenue EUR 226.9 (244.0) million

- Down by 1.7% in local currencies
- Down by 7.0% in EUR

Adjusted operating result EUR 20.6 (22.0) million – slightly increased vs PY in LC

- Lindex division EUR 26.2 (22.5) million
- Stockmann division EUR -4.8 (0.2) million
- Stockmann group costs EUR -0.8 (-0.6) million

Operating result EUR 20.3 (6.0) million, provision last year EUR 15.9 million

Q1–Q3

Revenue EUR 677.4 (709.1) million

- Up by 0.7% in local currencies
- Down by 4.5% in EUR

Adjusted operating result EUR 49.8 (53.7) million – increase vs PY in local currencies

- Lindex division EUR 68.0 (67.0) million
- Stockmann division EUR -15.3 (-8.7) million
- Stockmann group costs EUR -2.9 (-4.7) million

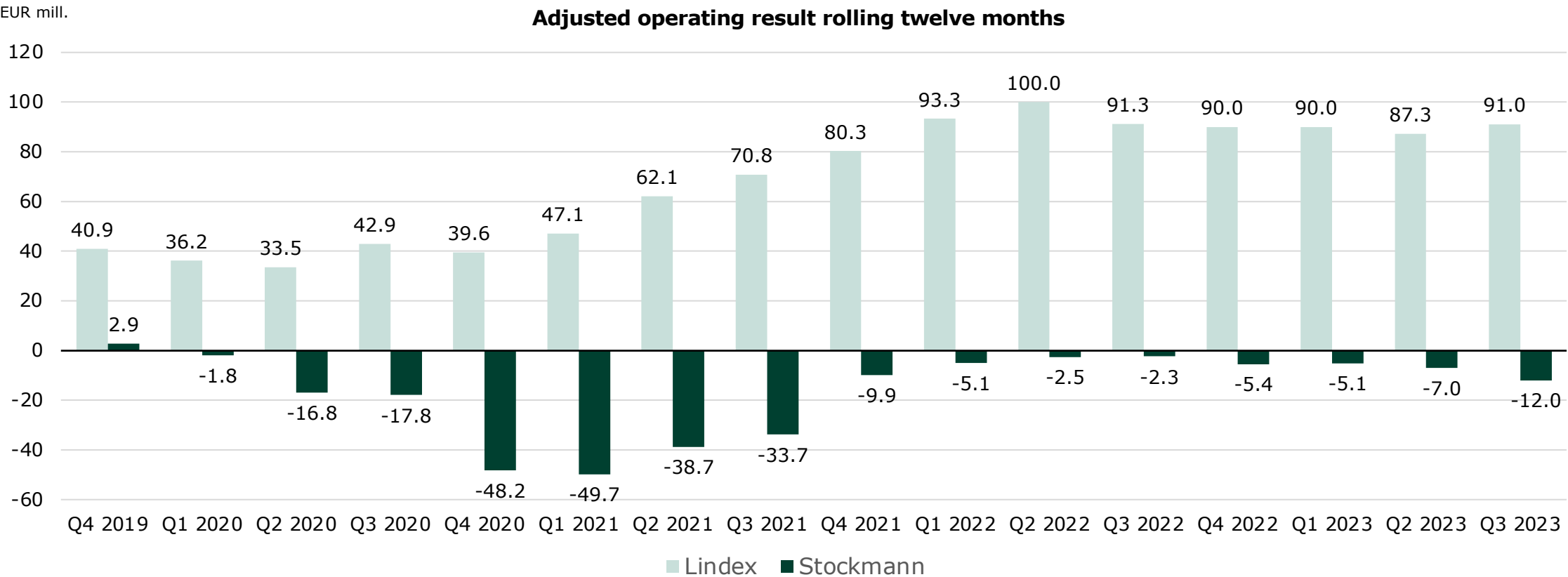
Operating result EUR 47.6 (130.3) million

- Capital gain from sale of Helsinki & Riga real estate last year EUR 95.4 million



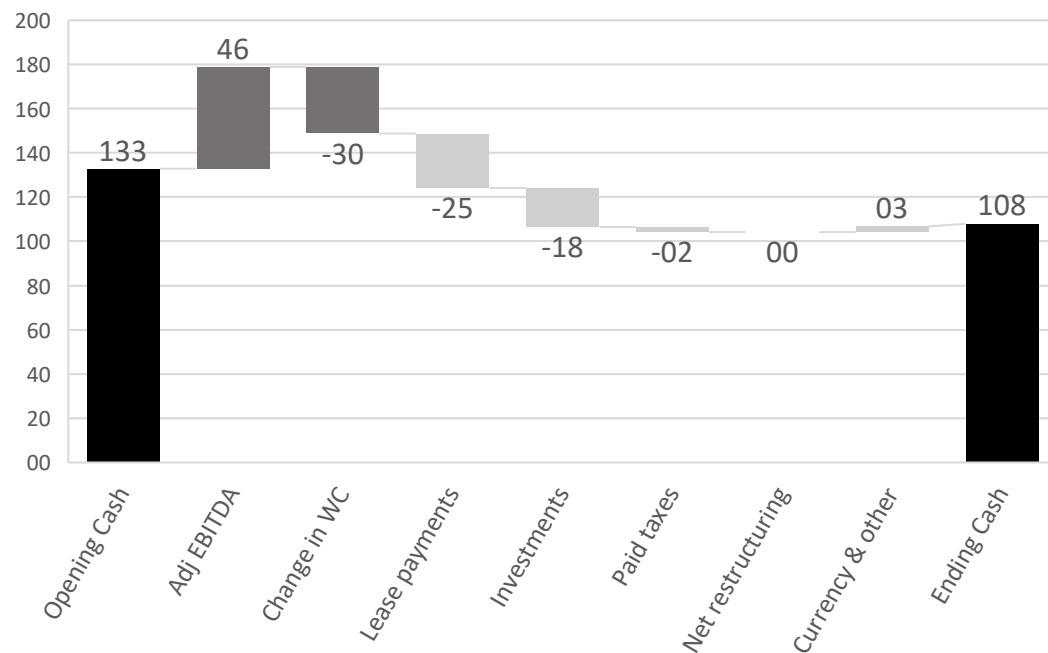
Profitability level of divisions

Index impacted by exchange rates and Stockmann division by the Crazy Days timing

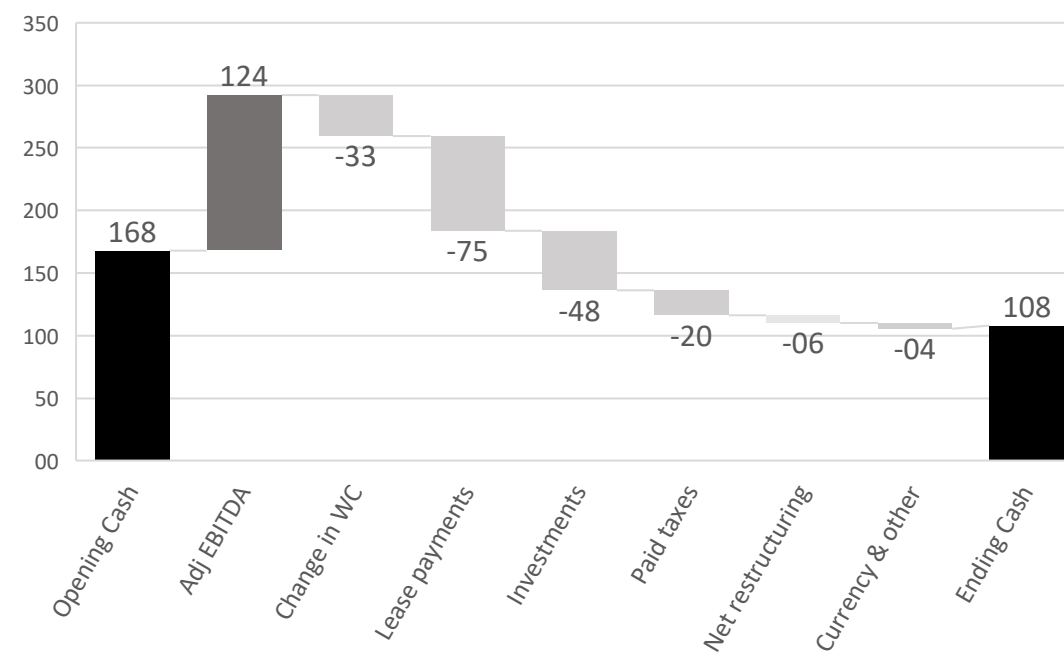


Total cash flow in Q3 and YTD 2023

EUR mill.



EUR mill.



Q3 2022	185	+48	-31	-28	-30	-2	-1	-1	140
----------------	------------	------------	------------	------------	------------	-----------	-----------	-----------	------------

Q1-Q3 2022	214	+131	-83*	-78	-42	-17	+22	-7	140
-------------------	------------	-------------	-------------	------------	------------	------------	------------	-----------	------------

- Inventories decreased EUR 193.3 (196.3) million
- CAPEX Lindex Omnichannel distribution centre EUR 13.2 million in Q3 2023, EUR 31.4 million YTD and EUR 70.2 million since start
- CAPEX Omnichannel distribution centre going forward 2023: EUR 16 million, 2024: EUR 21 million, 2025: EUR 3 million

* In 2022, change in Working Capital included repayment of pandemic loans approx. EUR 42 million in Q1 and Q2



Improved financial position – positive net debt

Cash

EUR 108.0 mill.

(140.2)

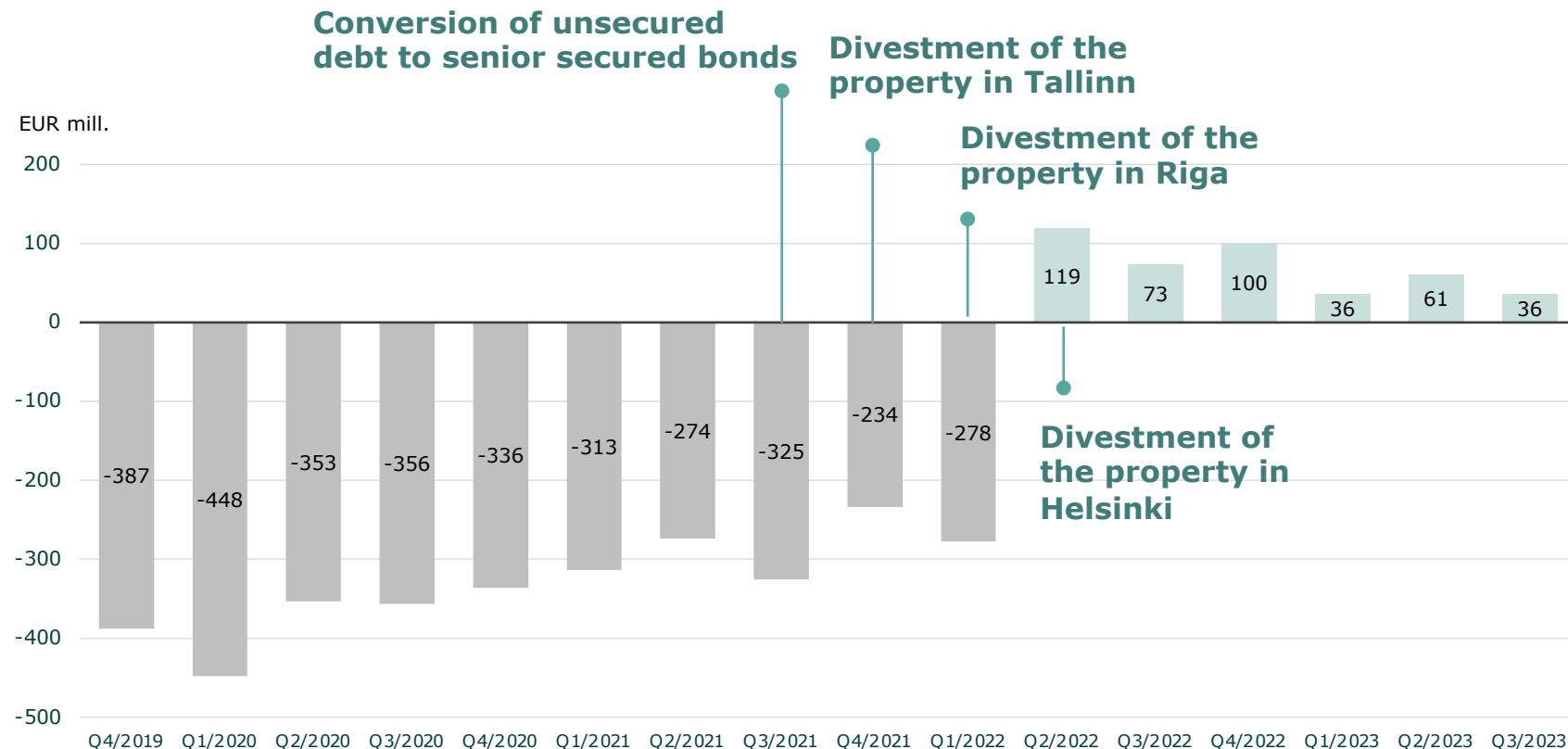
Interest-bearing
liabilities (excl. IFRS)
Bond**EUR 71.9 mill.**

(67.5)

Lease liabilities (IFRS)

EUR 549.4 mill.

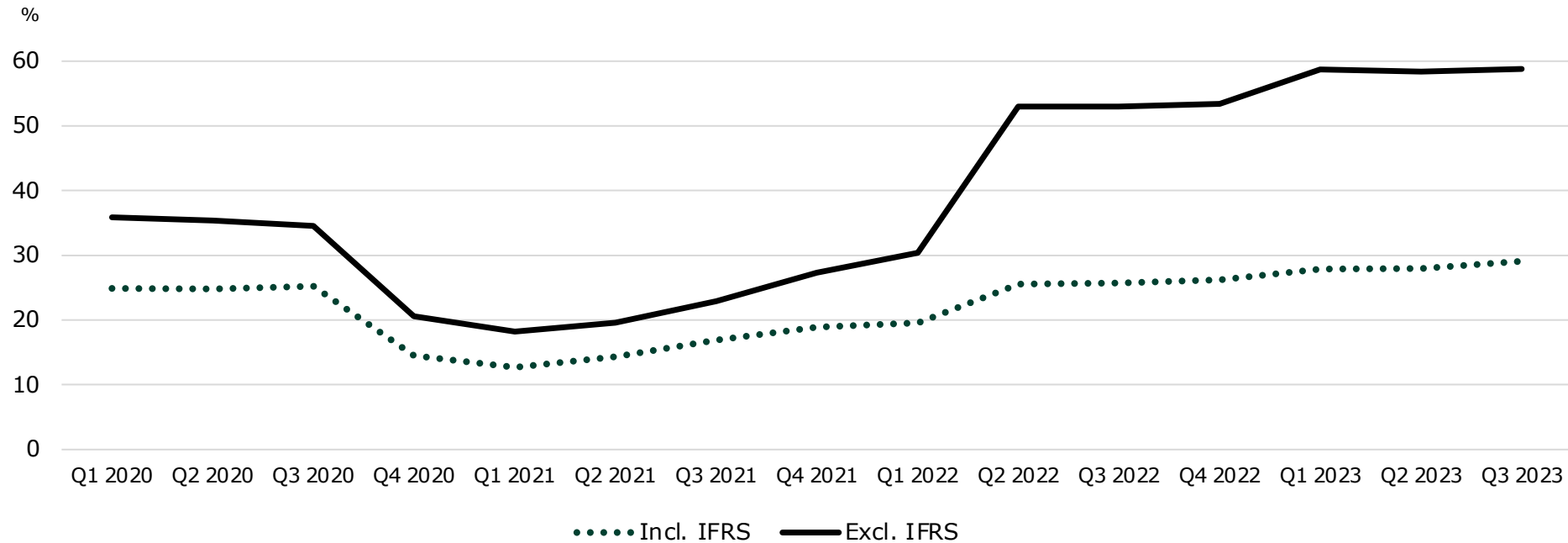
(559.1)



Revolving Credit Facility of EUR 40 million signed in Quarter 3



Equity ratio further improved: +58.8% excl IFRS



		30.9.2023	30.9.2022	31.12.2022
Equity	EUR mill.	364.8	327.8	335.6
IFRS 16 Lease liabilities	EUR mill.	549.4	551.9	554.8
Balance sheet total	EUR mill.	1 254.0	1 281.3	1 282.9
Equity ratio	%	29.1	25.7	26.2
Equity ratio excluding IFRS 16 lease liabilities	%	58.8	53.0	53.4



Way forward

Lindex division

- Continue to grow and transform

- **Multichannel development for global growth**
 - Customer-oriented sustainable assortment and strong brand offerings
 - Growth in new and existing markets and channels
- Continue our **femtech journey**, explore **circular business models** and new collaborations for **circular materials**
- **Investments** for enabling our growth and transformation
- Supporting the important **Pink Ribbon campaign** for cancer research for 20 years
 - Donated EUR 19.3 million since the start



Stockmann division

- Strengthen customer-centricity and improve profitability

• Customer-centric growth

- **Touch of luxury** – new partners and brands to strengthen premium positioning
- Value-driven development of **loyalty programme**
- Development of **department stores into inspiring destinations**; Helsinki flagship store, Turku and Riga
- Selected **second hand partners to enrich circular offering**

• Improving profitability

- Investments in **digital solutions and automation**
- Increase **non-merchandise income and media sales**
- Cost efficiency initiatives



Market Outlook for 2023

- The current challenging geopolitical situation and the high inflation level are expected to continue. However, inflation is predicted to slow down compared to the latter part of the year 2022. The inflation together with high interest rates, is forecast to have a negative impact on consumer confidence and purchasing power.
- The retail market is expected to remain challenging due to lower consumer demand and increased purchasing prices and operating costs. The risk of potential disruptions in the supply chains and international logistics cannot be excluded, either.



Guidance for 2023

(unchanged)

- In 2023, Stockmann expects the Group's revenue to be in the range of **EUR 940–1 000 million** and the Group's adjusted operating result to be **EUR 65–85 million**, subject to foreign exchange rate fluctuation.
- The guidance is based on the assumption that the continuing high inflation will increase costs from 2022 and have an adverse impact on consumer demand.
- At the same time, the Stockmann Group continues taking firm measures to minimise the impacts of cost increases.



Welcome to the Stockmann Group's CMD

- **16 Nov 2023 at 13:00–16:30 EET**
in Allas Sea Pool and live webcast
- Agenda: strategies and future ambition levels
for both divisions
- Sign up to Allas Sea Pool by 9 Nov 2023
via investor.relations@stockmann.com





Q&A

Further information

stockmanngroup.com

investor.relations@stockmann.com