

A large, stylized graphic on the left side of the page, consisting of a white circle inside a white triangle, which is part of a larger white shape that resembles a stylized 'S' or a compass rose, set against a dark green background.

**STOCKMANN**

# INTERIM MANAGEMENT STATEMENT Q3 2020

Jari Latvanen, CEO

Stockmann Group | 30 October 2020



# CORPORATE RESTRUCTURING PROCEEDS

- Stockmann plc decided to file for corporate restructuring proceedings on 6 April 2020
  - After the first week of March, the coronavirus (COVID-19) epidemic in Europe caused significant changes in Stockmann Group's operating environment
  - The strong sales growth in Stockmann's and Lindex' online stores could not compensate for the drastic decline in customer volumes in the current exceptional situation
  - As the company's business remains viable and can be restored to a sound basis, the Board of Directors of Stockmann decided, taking into consideration the company's financial structure, to file for restructuring proceedings for Stockmann plc
  - Lindex and Stockmann's department stores in Tallinn and Riga are not in scope of the restructuring proceedings
  - Stockmann plc's decision to file for restructuring was supported by debtors representing more than half of the debts
- The District Court of Helsinki ruled a temporary prohibition of collection for Stockmann plc on 6 April
  - Attorney Jyrki Tähtinen from Borenius Attorneys Ltd was appointed as administrator
- The District Court of Helsinki ruled to initiate proceedings on 8 April
- Creditors committee nominated on 21 April
- On 17 August, the administrator provided all parties concerned a report of Stockmann plc's assets, liabilities and other undertakings and on the circumstances that affect the financial position of the company and its expected development. The administrator stated that the preconditions for viable business exist and a solid restructuring programme can be established
- A proposal for the restructuring programme shall be drawn up by 11 December 2020



# COVID-19 HAS AFFECTED THE PERFORMANCE DRAMATICALLY

- Stockmann Group's strategy implementation developed as planned in the beginning of 2020.
- Group sales in January–February were on a healthy level, but after the first week of March, the coronavirus changed the situation. The decline in customer volumes and sales was massive, and Stockmann and Lindex launched immediately stringent cost-saving measures.
- The challenging situation continued during the second quarter, but in June customers gradually started to find their way back to Stockmann's department stores and Lindex fashion stores.
- During the third quarter, Stockmann Group's business operations normalised gradually.
- Stockmann's and Lindex's online stores were both performing very well with improved sales growth. During the third quarter, Lindex online sales almost fully compensated the decline in the brick and mortar stores.



# STOCKMANN GROUP IN Q3 2020

**Group's gross margin**

**57.4%**

(56.4)

**Group's operating result,  
EUR mill.**

**11.7**

(2.1)

**Cash, EUR mill.**

**132**

Growth EUR 16.5 mill.  
during Q3

- **Stockmann Group**

- Revenue EUR 207.6 million, down by 6.8% in comparable currency rates
- Gross margin increased in Stockmann but declined in Lindex
- Adjusted operating result EUR 13.9 million (5.4)
- Cash amounted to EUR 132 million

- **Lindex**

- Revenue down by 1.1% to EUR 146.0 million, growth in the online sales was 103.5%
- Operating costs down by EUR 11.2 million
- Operating result increased by EUR 8.1 million to EUR 21.5 million
- Adjusted operating result increased by EUR 8.5 million

- **Stockmann**

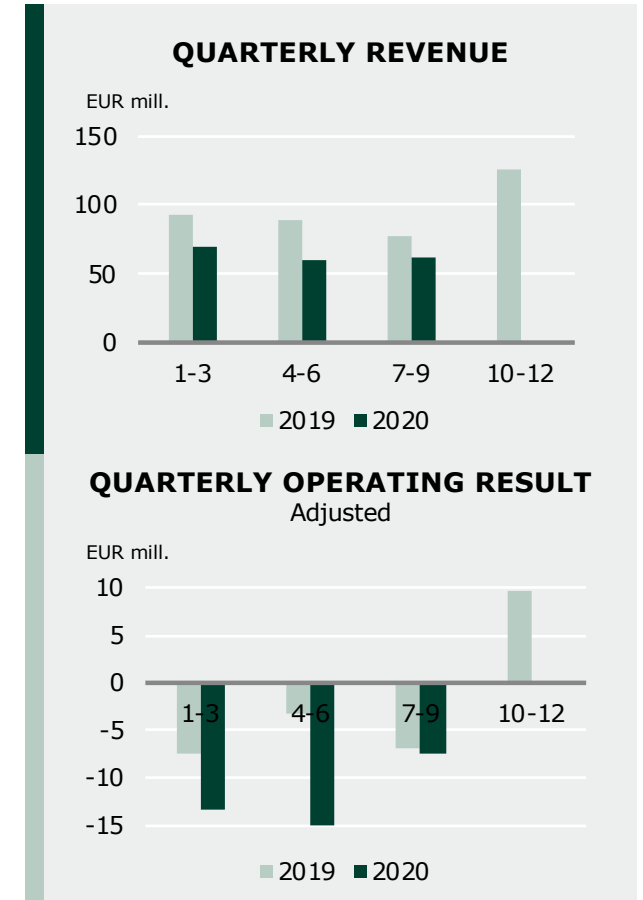
- Revenue down by 20.7% to EUR 61.6 million, growth in the online store 111.0%
- Operating costs down by EUR 10.2 million
- Operating result declined by EUR 0.6 million to -7.5 million
- Adjusted operating result decreased by EUR 0.7 million

# STOCKMANN DIVISION



# STOCKMANN DIVISION, PERFORMANCE IN Q3 2020

- **Revenue** EUR 61.6 million (77.7)
  - Revenue was down by 20.7%
  - Sales declined due to the ongoing coronavirus situation
  - Growth in the online store 111.0%
  - Share of online sales was 7.1% for the quarter (2.7)
- **Gross margin** 49.3% (45.9)
  - Gross margin increased mainly due to a better sales mix and because there were no heavy clearance sales like in the previous year
- **Inventories** declined from the previous year
- **Operating costs** down by EUR 10.2 million
  - Lower personnel costs and Group function costs adapted to lower sales performance due to the corona virus
- **Operating result** EUR -7.5 million (-6.9)
  - Adjusted operating result EUR -7.5 million (-6.8)





# STOCKMANN DIVISION, HIGHLIGHTS IN Q3 2020

- **Visitor trend** started to recover in Q3
  - Coronavirus is still the main reason for the decline in sales
- **Stockmann's Crazy Days campaign** was held as an extended, 12 days long online campaign
  - The campaign was held from 30 September to 11 October 2020
  - The online store was successful and generated a sales growth of 58%
- Department store **renewals continue**
  - (Tampere, Tapiola, Jumbo and Helsinki Flagship)
- Brand new natural cosmetics department in Helsinki Flagship opened
- **Two new collections launched** in late August to early September
  - Very popular A+more & Pupulandia joint collection
  - New own brand Essentials by Stockmann
- **Autumn Fashion shows** on 12 September 2020 in Helsinki and 18 September in Riga





# STOCKMANN DIVISION WAY FORWARD

- **Stockmann's new webstore** was successfully launched in October
  - A new platform enables further development
  - The webstore is developed together with the customers
- The organisation is **preparing to open the Christmas season**
  - Christmas shop was opened on 23 October
  - Helsinki Christmas window will be opened on 7 November
  - Christmas magazine will be published in the middle of November
- The **restructuring programme** will be filed by 11 December 2020. The programme will lead our way forward into the year 2021







# STOCKMANN'S UPDATED CUSTOMER CENTRIC STRATEGY

## OUR FIVE MUST WIN BATTLES



### **CUSTOMER RELATIONSHIP**

We aim to class leading customer relationship and loyalty



### **NUMBER 1 INSPIRATION**

We will be number 1 inspiration in fashion, beauty, home, food & beverage



### **GROUNDBREAKING OMNICHANNEL**

We are developing groundbreaking omnichannel customer experience



### **STOCKMANN UNITED**

Everyone is aiming at the customer driven culture as a one Stockmann United team



### **FINANCIAL SUSTAINABILITY**

We are building profitable business and restructuring our operations



# STOCKMANN'S UPDATED CUSTOMER CENTRIC STRATEGY



## **FINANCIAL SUSTAINABILITY**

Strategic goals

1. Improve profitability and capital allocation
2. Re-negotiate commercial footprint
3. Improve focus on selected customer groups to increase full priced revenue
4. Drive growth in digital business
5. Improve cost efficiency of common costs
6. Repay the restructuring debt

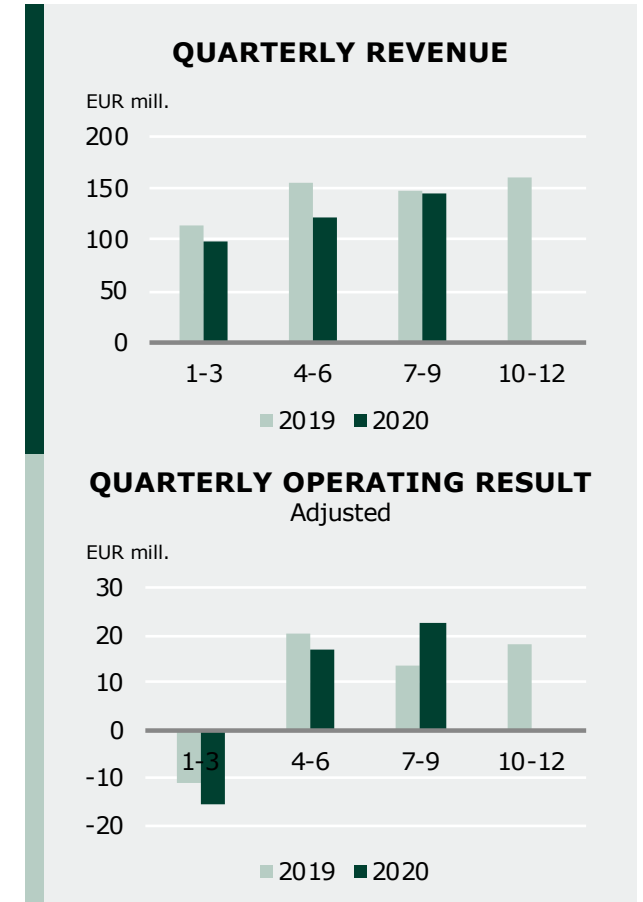
# LINDEX

Susanne Ehnbåge  
Lindex CEO



# LINDEX, FINANCIAL PERFORMANCE IN Q3 2020

- **Revenue** EUR 146.0 million (147.6)
  - Revenue down by 1.1% or down by 0.8% in comparable currency rates
  - Growth in online sales was 103.5%
  - Share of online sales was 13.2% (6.4)
- **Gross margin** decreased to 60.8% (61.9)
- **Operating costs** decreased by EUR 11.2 million
- **Operating result** EUR 21.5 million (13.4)
  - Due to strong digital growth and quick & effective cost saving actions
- Lower and well **balanced stock** despite the corona situation





# LINDEX, HIGHLIGHTS IN Q3 2020

- Focused on meeting the **strong digital growth**
  - Adjusting quickly to meet our customer's expectations
  - Doubled the digital sales and even tripled for some markets
  - Launched on Zalando
- Initiated a **cost reduction program** to **future-proof** Lindex
- Exploring new circular business models
  - Lindex **second hand test**
- Successful launch of **Closely**
- Lindex **franchise** global **awarded**
- **Re-design** of placed orders to autumn fashion
- **459 stores** in 18 countries, of which 39 franchising, 30 October 2020





# LINDEX WAY FORWARD

- Continued development and actions enabling a strong performance and **resilient Lindex**
- Implementing the **cost reduction program**
  - **Adapt our business** to meet the changing customer behavior and further strengthen our digital approach
  - Securing a **profitable store portfolio**
    - More than one third are up for rental renegotiation per year
  - Focus on **strategic investments** in **digital development, sustainability, sales channels** and **innovation**
- Supporting the important **Pink month** for cancer research
  - Donated EUR 14.8 million since start



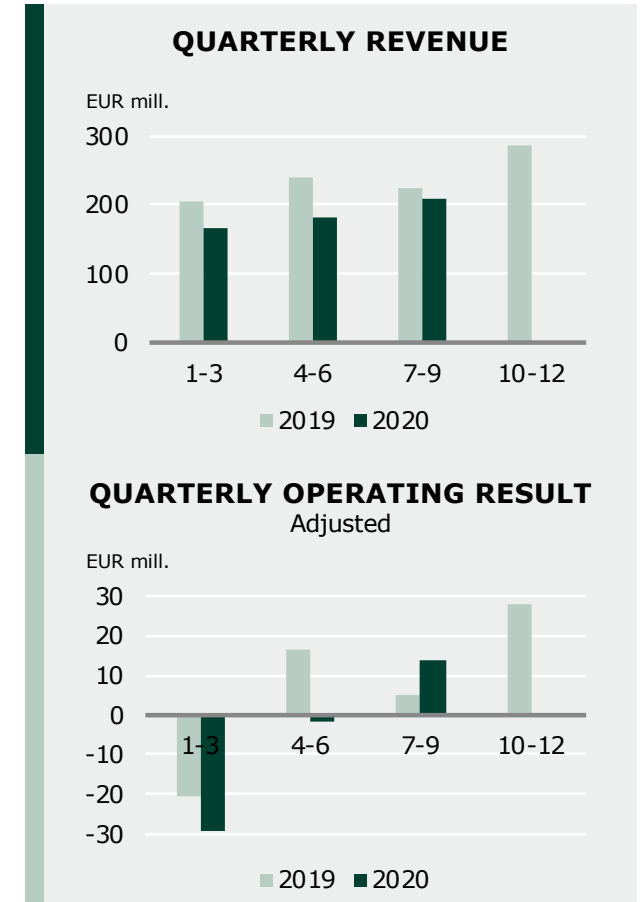
# STOCKMANN GROUP

Pekka Vähähyppä  
CFO



# STOCKMANN GROUP, FINANCIAL PERFORMANCE IN Q3 2020

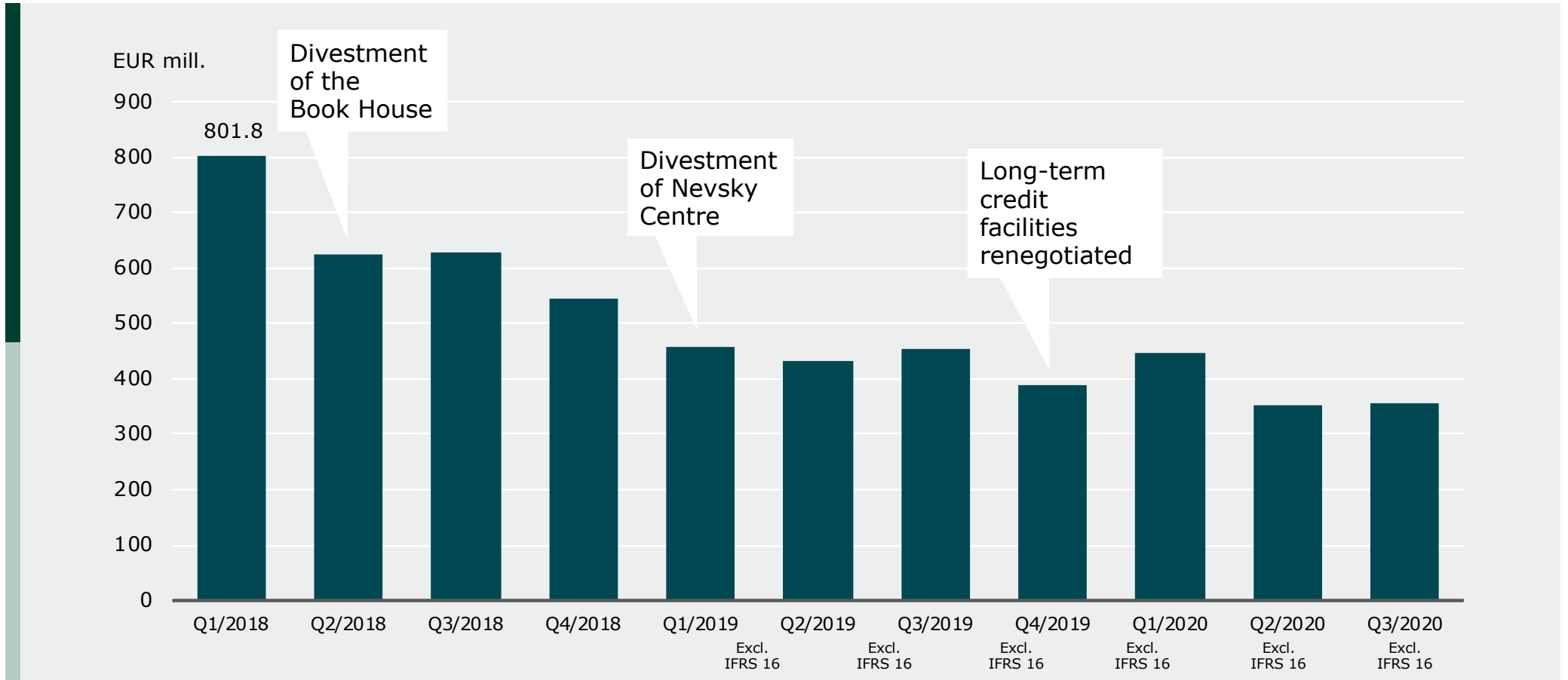
- **Revenue** EUR 207.6 million (225.3)
  - Down by 6.8% in comparable currency rates
- **Gross margin** 57.4% (56.4)
  - Gross margin up in Stockmann but down in Lindex
- **Operating costs** down by EUR 14.9 million
- **Operating result** EUR 11.7 million (2.1)
- **Adjusted operating result** EUR 13.9 million (5.4)
- **Result for the quarter** EUR 1.1 million (-18.2)







# STOCKMANN GROUP, INTEREST-BEARING NET DEBT





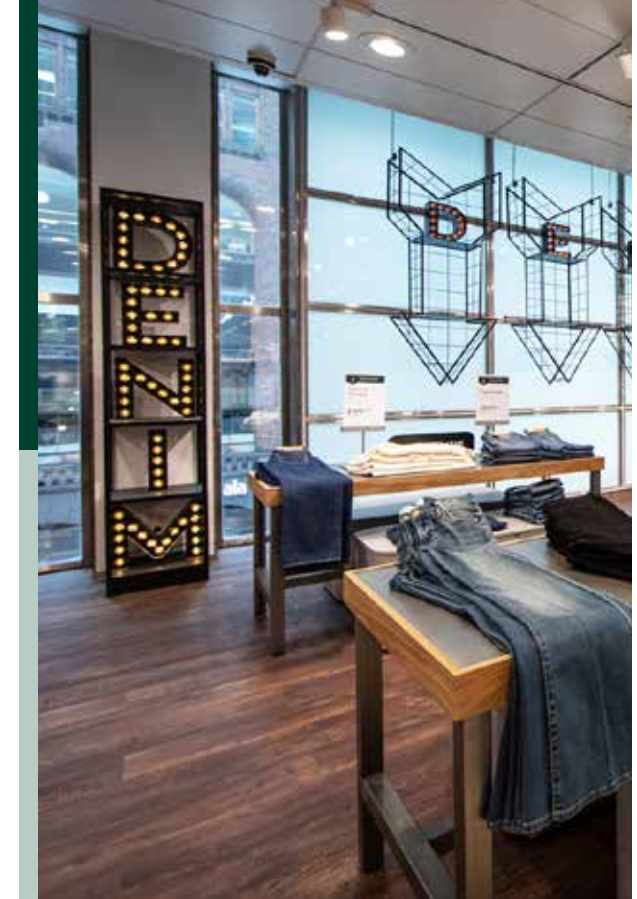
# KEY FIGURES

		7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
<b>Equity ratio</b>	%			35.8	36.3	38.1
- Excluding IFRS 16				45.6	48.8	51.2
<b>Net gearing</b>	%			104.4	125.8	112.4
- Excluding IFRS 16				47.5	58.8	48.4
<b>Operating result</b>	EUR mill.	11.7	2.1	-21.9	-9.1	13.3
<b>Net financial items</b>	EUR mill.	-9.9	-13.1	-29.4	-40.4	-52.7
<b>Result for the period</b>	EUR mill.	1.1	-18.2	-51.2	-56.1	-54.3
<b>Earnings per share</b>	EUR	-0.02	-0.27	-0.8	-0,83	-0.84
<b>Cash flow from operating activities</b>	EUR mill.	23.3	4.4	109.2	32.3	102.3
<b>Cash and cash equivalents</b>	EUR mill.			132.0	12.2	24.9
<b>Inventories</b>	EUR mill.			150.1	179.2	145.8
<b>Capital expenditure</b>	EUR mill.	4.2	8.5	14.6	24.2	33.8
<b>Depreciation, amortisation and impairment losses</b>	EUR mill.	34.3	34.1	106.1	104.8	139.6
<b>Balance sheet total</b>	EUR mill.			2092.0	2119.8	2 103.2



# OUTLOOK AND GUIDANCE FOR 2020

- **Outlook for 2020:** Outbreak of the global coronavirus has caused significant changes in the operating environment of the Stockmann Group, with extreme decline in customer volumes and cash flow. The uncertainties in the global economy are expected to remain in 2020 and the coronavirus situation will have significant impacts on the world economy. The retail market is expected to remain challenging due changes in consumer behavior and confidence, which also are affected by the coronavirus situation.
- **Updated guidance for 2020:** The COVID-19 pandemic has a significant negative impact on the entire Stockmann Group's business operations. The fourth quarter is associated with greater uncertainty than normal due to the coronavirus situation. The revenue for the year 2020 will be on a lower level than in the previous year and the operating result will be loss-making.
- Earlier guidance for 2020 on 16.3.2020: Due to the rapid changes that took place in the business environment, Stockmann's previous guidance, published on 13 February 2020, is no longer valid. Stockmann will provide a new guidance once visibility in our markets is clearer.
- Stockmann is working on drawing up a proposal for the restructuring programme, which according to the decision of the District Court, must be drawn up by 11 December 2020.



# Q & A

**Further information**  
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