



# INTERIM REPORT Q3 2016

Stockmann Group | 28 October 2016

**STOCKMANN**



# HIGHLIGHTS IN Q3 2016

## Gross margin

↑ **54.8%**  
(51.8%)

## Operating result, EUR mill.

↑ **2.9**  
(-10.6)

- **Stockmann Group**

- Sixth consecutive quarter with improved operating result: for the first time in three years a positive figure for Q3
- Efficiency programme progressing according to plan
- Anna Salmi appointed Chief Customer Officer, with the responsibility of customer relations, marketing and digital services

- **Stockmann Retail**

- Improved operating profit and gross margin
- Major cost savings achieved through the efficiency programme

- **Real Estate**

- Several new attractive tenants in department stores both in Finland and in the Baltics
- Occupancy rate in Nevsky Centre up to 98.1%

- **Lindex**

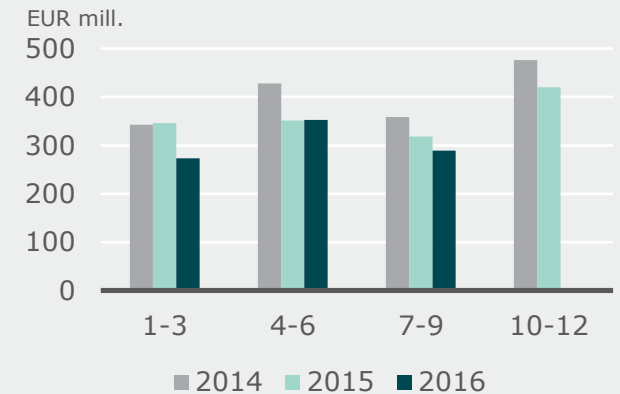
- Operating profit continued to grow
- Sales increased in July and August, but decreased in September



# GROUP'S FINANCIAL PERFORMANCE IN Q3 2016

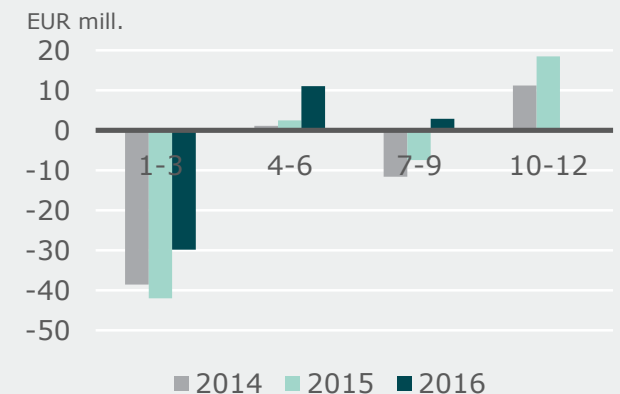
- **Revenue** EUR 288.9 million (EUR 317.9 million)
  - In continuing product areas and businesses, revenue was down by 5.5%
  - Down by 8.2 % in Finland and by 3.5 % in other countries
- **Gross margin** 54.8 % (51.8 %)
  - Gross margin continuously up
  - Improvements both in Stockmann Retail and Lindex
- **Operating costs** EUR 140.8 million (EUR 157.9 million)
  - Costs down due to cost savings measures in all divisions
- **Depreciation** EUR 14.7 million (EUR 17.5 million)
  - Nevsky Centre treated as an investment property and not depreciated
- **Operating profit** EUR 2.9 million (EUR -10.6 million or the adjusted operating profit of EUR -7.4 million)
  - Operating result up EUR 10.9 million in Stockmann Retail
  - Adjustments in Q3 2015 related to the Academic Bookstore
- **Income taxes** EUR 10.4 million (EUR -1.1 million)
  - Taxes of Lindex and other subsidiaries (2015: deferred tax asset from losses)
- **Earnings per share** EUR -0.12 (EUR -0.14)

## QUARTERLY REVENUE



## QUARTERLY OPERATING RESULT

Excluding adjustments





# KEY FIGURES

		1-9/2016	1-9/2015	1-12/2015
<b>Equity ratio</b>	%	<b>45.4</b>	43.8	46.1
<b>Gearing</b>	%	<b>80.8</b>	89.9	72.1
<b>Net financial costs</b>	EUR mill.	<b>14.0</b>	14.0	21.2
<b>Result for the period</b>	EUR mill.	<b>-40.6</b>	-69.7	-88.9
<b>Earnings per share</b>	EUR	<b>-0.62</b>	-0.97	-1.24
<b>Net earnings per share, including discontinued operations</b>	EUR	<b>-0.47</b>	-1.17	-2.43
<b>Cash flow from operating activities</b>	EUR mill.	<b>-54.6</b>	-79.8	17.2
<b>Inventories</b>	EUR mill.	<b>205.4</b>	261.2	170.8
<b>Capital expenditure</b>	EUR mill.	<b>29.6</b>	37.0	53.4
<b>Depreciation</b>	EUR mill.	<b>43.8</b>	52.4	71.9
<b>Property, plant and equipment</b>	EUR mill.	<b>998.6</b>	1 003.9	1 016.2
<b>Balance sheet total</b>	EUR mill.	<b>2 234.7</b>	2 337.5	2 273.9



# MARKET ENVIRONMENT AND OUTLOOK FOR 2016

- Economic situation continues to be uncertain in **Finland**: low consumer purchasing power, retail market environment continuously weak
- Relatively stable development expected in **Sweden, Norway** and the **Baltic countries**
- Overall increasing competition in all markets
- Weak outlook for **Russia** which has had 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
- **Adjusted operating result** is expected to be slightly positive in 2016
- **Capital expenditure** to be approximately EUR 40-45 million which is less than the estimated depreciation for 2016





# POSSIBLE DIVESTMENT OF NEVSKY CENTRE IN ST PETERSBURG

Gross leasable area  
sqm

46 000

Usage by Stockmann  
Retail 0%

Occupancy rate  
%

98.1

- The Board of Directors has decided to investigate a possible divestment of the Nevsky Centre shopping centre
- The shopping centre opened in the heart of St Petersburg in November 2010, and has today over 90 tenants



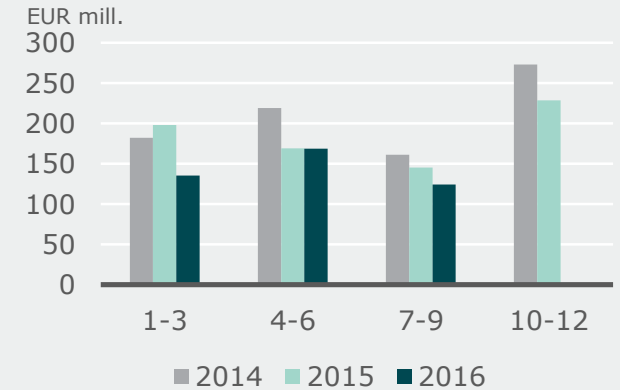
# STOCKMANN RETAIL



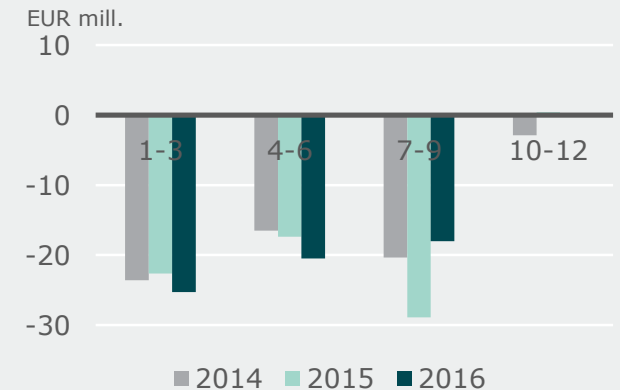
# STOCKMANN RETAIL IN Q3 2016

- **Revenue** EUR 124.2 million (EUR 145.1 million)
  - Revenue down by 9.1% in continuing product areas and businesses
- **Gross margin** 40.2 % (38.4 %)
  - Gross margin up due to more efficient buying, changes in product areas and fewer price-driven campaigns
- **Operating costs** EUR 64.2 million (EUR 80.4 million)
- **Operating result** EUR -18.0 million (EUR -28.9 million)
  - Department store business: EUR -15.8 million (EUR -26.7 million)
  - Hobby Hall: EUR -2.2 million (EUR -2.2 million)
- **Capital expenditure** EUR 4.6 million (EUR 6.9 million)
  - Refurbishments in Helsinki flagship and Turku Delicatessen
  - Building up new online stores stockmann.com and hullutpaivat.com

## QUARTERLY REVENUE



## QUARTERLY OPERATING RESULT Excluding adjustments





# CRAZY DAYS CAMPAIGN

- The **Crazy Days campaign** was held in the department stores and online store in October, after the third quarter
- **Comparable sales** down by 2 per cent in total
  - Finland down by 2 per cent
  - Baltics on a par with the previous year
  - Best growth in cosmetics in Finland and in food in the Baltic countries
- **New Crazy Days online store** launched in Finland
  - Over a million visitors
  - Online orders increased significantly during the campaign
  - Great growth in the online sales





# OVER 50 NEW BRANDS INTRODUCED IN SELECTION

**BUSNEL**  
DEPUIS 1920

**Theory**

**KENZO**

SAMSØE  $\phi$  SAMSØE



**I R O**

**ALEXANDER WANG**

**HESTRA**

**JIM  
RIC  
KEY**

KENDALL + KYLIE



**HELMUT LANG**

MALA ALISHA®

**OPUS**

VICTORIA BECKHAM

**FILA**

**HUNKYDORY**  
STOCKHOLM

**CAROLL**  
PARIS

3.1 Phillip Lim

*American Vintage*

**MAX&Co.**

**kate spade**  
NEW YORK

**Pajar**  
CANADA

*persona*  
by MARINA RINALDI

**HAMAKI-HO**



**ALPHA INDUSTRIES**

**ARELA**



**XO**

**JOFAMA**  
HALUNG SWEDEN



scandinavian sneakers

**FORMAL FRIDAY**

**WHISTLES**

**NYX**  
PROFESSIONAL MAKEUP

**RIMMEL**  
LONDON



**MARULA**  
PURE BEAUTY OIL™

**REUZEL**

**URBAN DECAY**  
beauty with an edge®



**HIMMEE**

**SNURK**  
FOR HORIZONTAL LIVING

**PERIGOT**

**FLOS**

**normann**  
COPENHAGEN

**MAKE**  
international

**LENE BJERRE**  
DENMARK

**FRAMA**

**LION**  
SABATIER

**epicurean**



# RENEWALS READY IN HELSINKI AND TURKU IN NOVEMBER



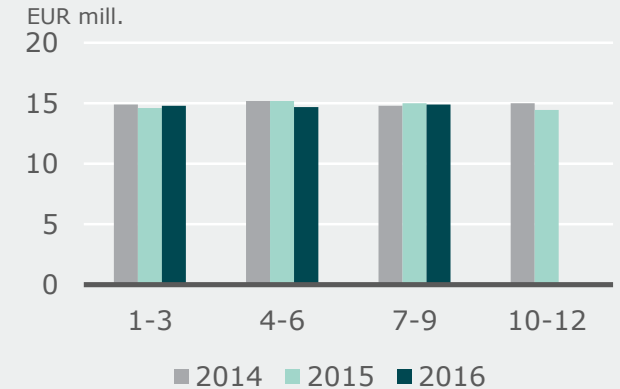
# REAL ESTATE



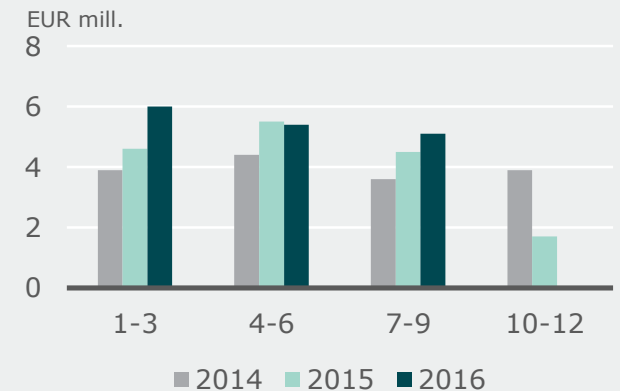
# REAL ESTATE IN Q3 2016

- **Fair value** of the properties
  - EUR 904.3 million (1 January 2016: EUR 918.2 million)
  - Nevsky Centre treated as an investment property and not depreciated
- **Occupancy rate** 98.9% (98.7%)
  - The renovated fifth floor in Tallinn now fully occupied
  - Occupancy rate in Nevsky Centre up to 98.1% (96.7%)
- **GLA** in own properties: Stockmann Retail using 52% (71%)
  - Decline due to transfer of the department store in Nevsky Centre to a new owner
- **Net operating income** from Stockmann-owned properties EUR 10.9 million (EUR 11.6 million)
  - Down due to timing of expenses and temporary rent adjustments in Nevsky Centre
  - Average monthly rent EUR 32.86 per sqm (EUR 33.23)
- **Revenue** EUR 14.9 million (EUR 15.0 million)
- **Operating profit** EUR 5.1 million (EUR 4.5 million)
- **Capital expenditure** EUR 1.5 million (EUR 1.0 million)

## QUARTERLY REVENUE



## QUARTERLY OPERATING RESULT





# RENEWED 5<sup>TH</sup> FLOOR OPENED IN TALLINN DEPARTMENT STORE

Gross leasable area  
sqm

22 000

Occupancy rate  
%

99.8

Usage by  
Stockmann Retail  
%

83

5

Restaurants, travel, optician,  
jewellery, pharmacy, furniture

4

Home, children's fashion,  
toys, electronics

3

Women's fashion

2

Men's fashion

1

Delicatessen, cosmetics,  
flowers, café

K1

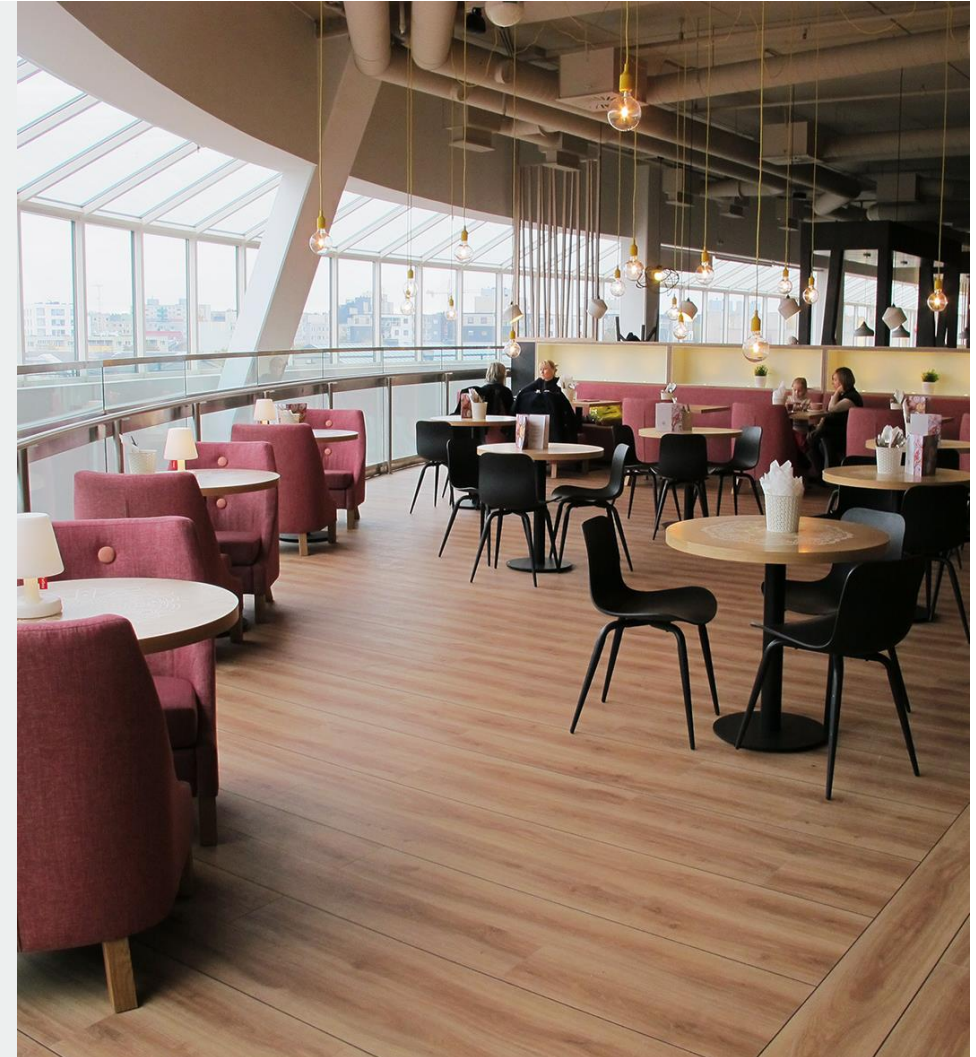
Warehouse



VEPSÄLÄINEN



Hästens





# SEVERAL NEW PARTNERS IN RIGA DEPARTMENT STORE

Gross leasable area  
sqm

16 000

Occupancy rate  
%

100

Usage by  
Stockmann Retail  
%

86

4

Home, restaurants, toys,  
electronics

3

Women's and children's  
fashion

2

Men's fashion, books, optician

1

Delicatessen, cosmetics, café

K1

Warehouse

rigas  
**laiks**

**EURONICS**

**MONOKEL**

**OPTIKA**  
**metropole**

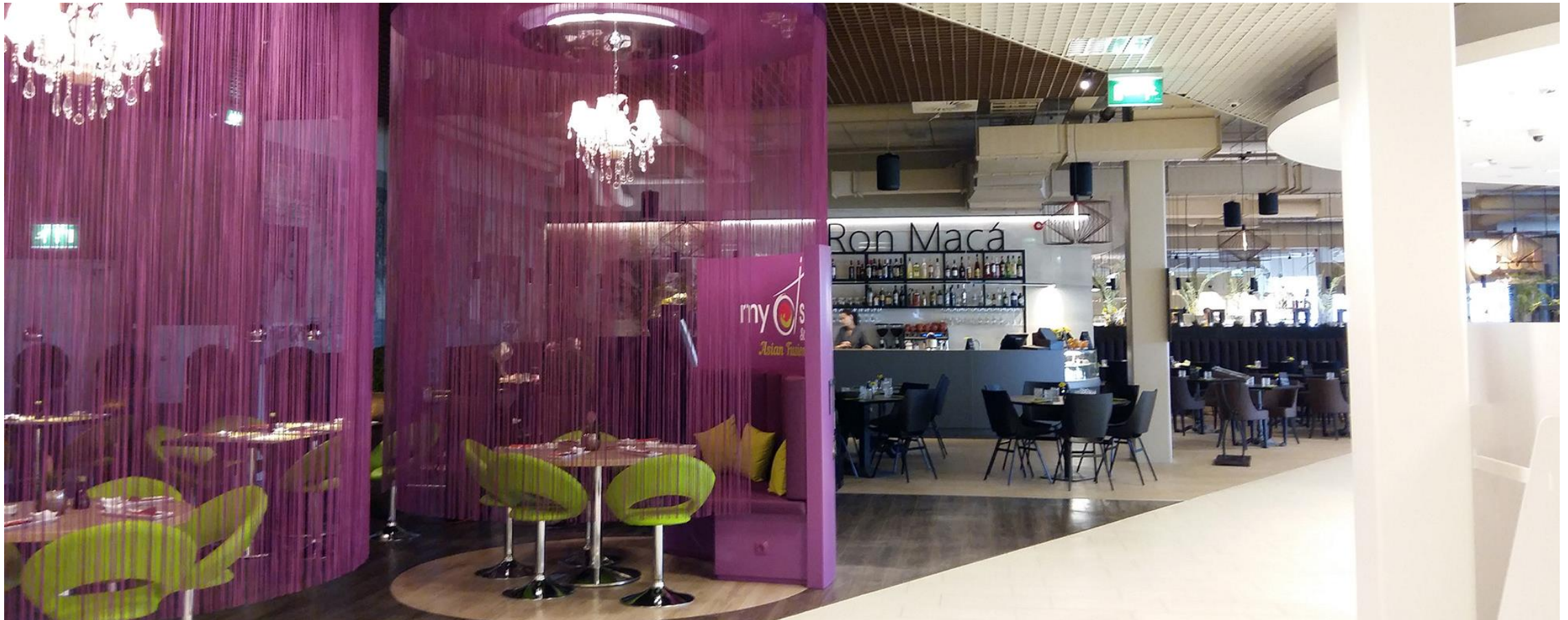
**ZVAIGZNE ABC**

**WOOD RELIGION**  
**BARBER SHOP**  
HAIRCUTS AND SHAVE





# NEW FOOD & BEVERAGE EXPERIENCES TO OUR CUSTOMERS



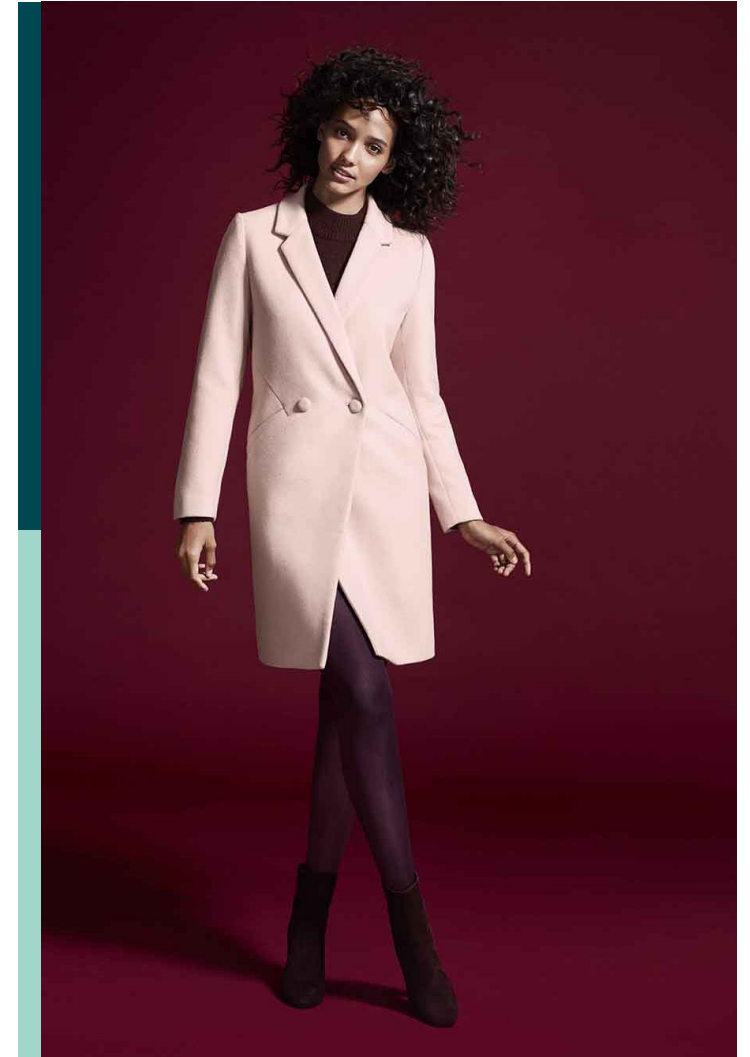


LINDEX



# HIGHLIGHTS IN Q3 2016

- **Operating profit up** EUR 0.2 million in Q3
- Good sales during the **summer**, but a weak September
- **Kid's wear**: strong sales increase in August and a good introduction of Holly & Whyte
- Launch of "**Reuse Recycle**" possibility in all Nordic markets
- Successful Autumn campaigns in women's wear with very positive response and publicity of the initiative to **extend the size range** for all concepts
- Great progress in the **sustainability work**: Today more than 50% of Lindex clothes are made of more sustainable materials

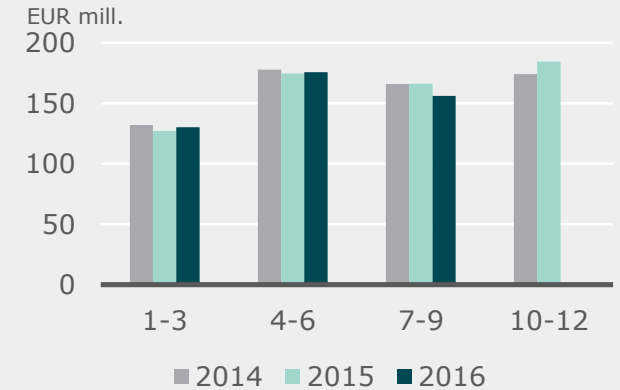




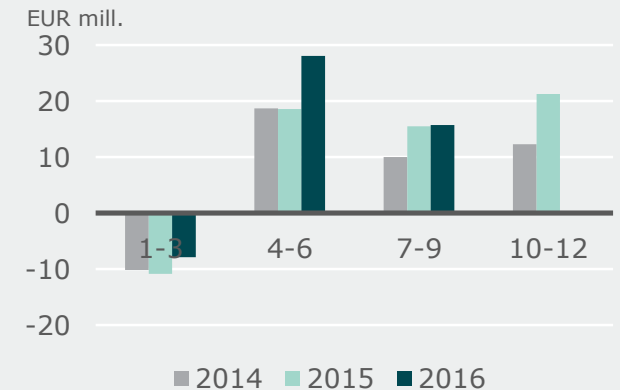
# LINDEX IN Q3 2016

- **Revenue** down 6.2% to EUR 156.1 million (EUR 166.2 million)
  - At comparable exchange rates down 5.0%, or 4.3% in comparable stores
  - Sales increased in July and August, but decreased in September due to exceptionally warm weather in the main markets
- **Gross margin** 62.8 % (61.6 %)
  - Gross margin was up due to higher start prices
  - One-time adjustment affected the margin positively
- **Operating costs** down by EUR 4.1 million
  - Lower store and office costs, partly due to closure of operations in Russia
- **Operating profit** EUR 15.7 million (EUR 15.5 million)
- **Capital expenditure** EUR 3.9 million (EUR 2.9 million)

## QUARTERLY REVENUE



## QUARTERLY OPERATING RESULT



# INTERNATIONAL EXPANSION



- **Store network**  
on 30 September 2016:
  - **476 stores in 16 countries**, of which 37 franchising stores
  - 1 new store opened in Q3 2016
  - 4 stores closed in Q3 2016, including closing operations in the United Arab Emirates
- **New stores and markets**
  - New franchising stores in the Balkan area in the end of 2016 and 2017
  - Investigates possibilities to enter new franchising markets in 2017



# CAMPAIGNS AND ACTIVITIES FOR THE REST OF THE YEAR

- Important **Pink Ribbon Campaign** for the fight against breast cancer
  - The fourteenth year in a row
- New **Even Better Denim** styles made from post consumer recycled cotton
- Launch of the **new store concept in Finland**
- Strong assortment and important Christmas campaign expressing our concept **We Make Fashion Feel Good**
- Proceeding in the **digital development** and customer insight
- Continuously increased **customer and sales focus**





# LINDEX CHRISTMAS





# SITE VISIT TO JUSSLA DISTRIBUTION CENTRE 23 NOVEMBER

- For investors and analysts
- Including tour and presentations by CEO and Management
- Departure at 13:00 by bus from Helsinki city centre
- Back to Helsinki at around 17:00





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



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