



H & M Hennes & Mauritz AB

# TELEPHONE CONFERENCE 27 MARCH 2018

THREE-MONTH REPORT 2018



- **KARL-JOHAN PERSSON**

CEO

- **JYRKI TERVONEN**

CFO

- **NILS VINGE**

INVESTOR RELATIONS





# RAPIDLY CHANGING INDUSTRY

- Digitalisation driving rapid change
  - challenges and opportunities
- Changing customer behaviour
  - online shopping growing fast, mobile is central
  - reduced traffic to physical stores
- Customer expectations increasing fast
- 2018 - a year of transformation for the H&M group

# SALES AND PROFITS

## FIRST QUARTER

SEK m	2018	2017
Net sales	46,181	46,985
Gross profit	23,040	24,466
<i>gross margin, %</i>	49.9	52.1
Operating profit	1,208	3,159
<i>operating margin, %</i>	2.6	6.7
Net financial items	55	53
Profit after financial items	1,263	3,212
Tax	109	-755
Profit for the period	1,372	2,457
<i>Earnings per share, SEK</i>	0.83	1.48



# KEY DATA

SEK m	28 Feb 2018	28 Feb 2017
Stock-in-trade	34,959	32,692
Cash flow from current operations	1,307	2,361
Investments	2,108	2,418
Cash and cash equivalents and short-term investments	10,003	8,437
Return on shareholders' equity, % *	24.1	30.2

\* rolling twelve months





# PRIORITY ACTION AREAS

- Accelerating our transformation in a rapidly changing industry
- Our priority action areas
  - restlessly develop our brands, focusing on H&M
  - accelerate our key enablers
  - new growth
  - good cost control and efficiencies



# RESTLESSLY DEVELOP OUR BRANDS

- Restlessly develop our brands, focusing on H&M
- Assortment – best combination of fashion, quality, price and sustainability
- Physical stores – develop new store concepts and optimise existing store portfolio
- Online store – further enhanced through additional testing and faster development
- Seamless – integration of physical and digital stores
  - frictionless between channels
  - faster, more flexible delivery and payment options



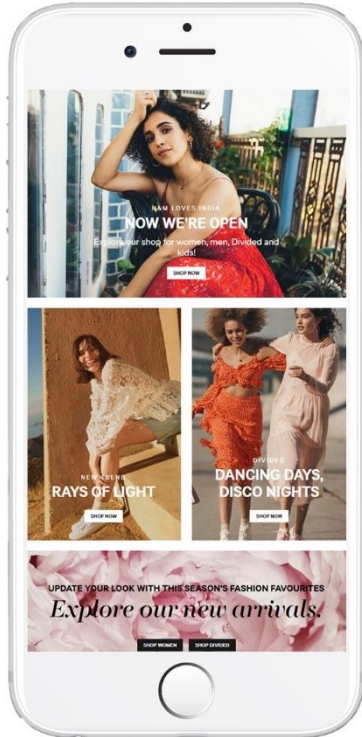


# ACCELERATE OUR KEY ENABLERS

- Make our supply chain faster, more flexible and efficient
  - for example new highly automated logistic centres
- Expanding our initiatives relating to advanced analytics and AI
- Continued investments in our tech foundation
  - robust and scalable platforms
  - faster development of various consumer apps and new technologies



# NEW GROWTH



- Digital expansion of existing brands
  - new markets, external partners and social platforms; widen the product assortment
- H&M online in 45 markets with successful launch in India 15 March
  - Saudi Arabia and UAE to open online 2018
- H&M, H&M Home very well-received on Tmall in mainland China since launch 21 March
- Approx. 220 new stores net for the H&M group 2018
  - H&M to open in Uruguay and Ukraine
- Developing new concepts and business models





# NEW BRANDS

- H&M, COS, Monki, Weekday, & Other Stories, Cheap Monday, ARKET and H&M Home
  - our eight unique brands
- Development of new brands
  - for new customer needs and segments
- In 2018 our ninth brand will open, Afound
  - Afound, a new marketplace for off price
  - well-known fashion and life style brands, external as well as H&M group brands
  - launch of first stores and digital marketplace in Sweden





# GOOD COST CONTROL AND EFFICIENCIES

- With good cost control, operating costs are expected to continue increase at a slow rate
- Ongoing efficiencies, with several promising initiatives within buying and production
  - in addition, the weaker USD is currently having a favourable impact on purchasing costs
- Great potential to reduce markdown costs from 2019 and onwards



H & M Hennes & Mauritz AB



COS

WEEKDAY



MONKL



& other Stories

ARKET