

H&M Group

Annual General Meeting 2019

Karl-Johan Persson, CEO





Industry in transformation

- Rapid tech development
- Changing customer behaviour
 - higher expectations
 - more shopping online
 - new role of the physical stores
- Changing competitive landscape

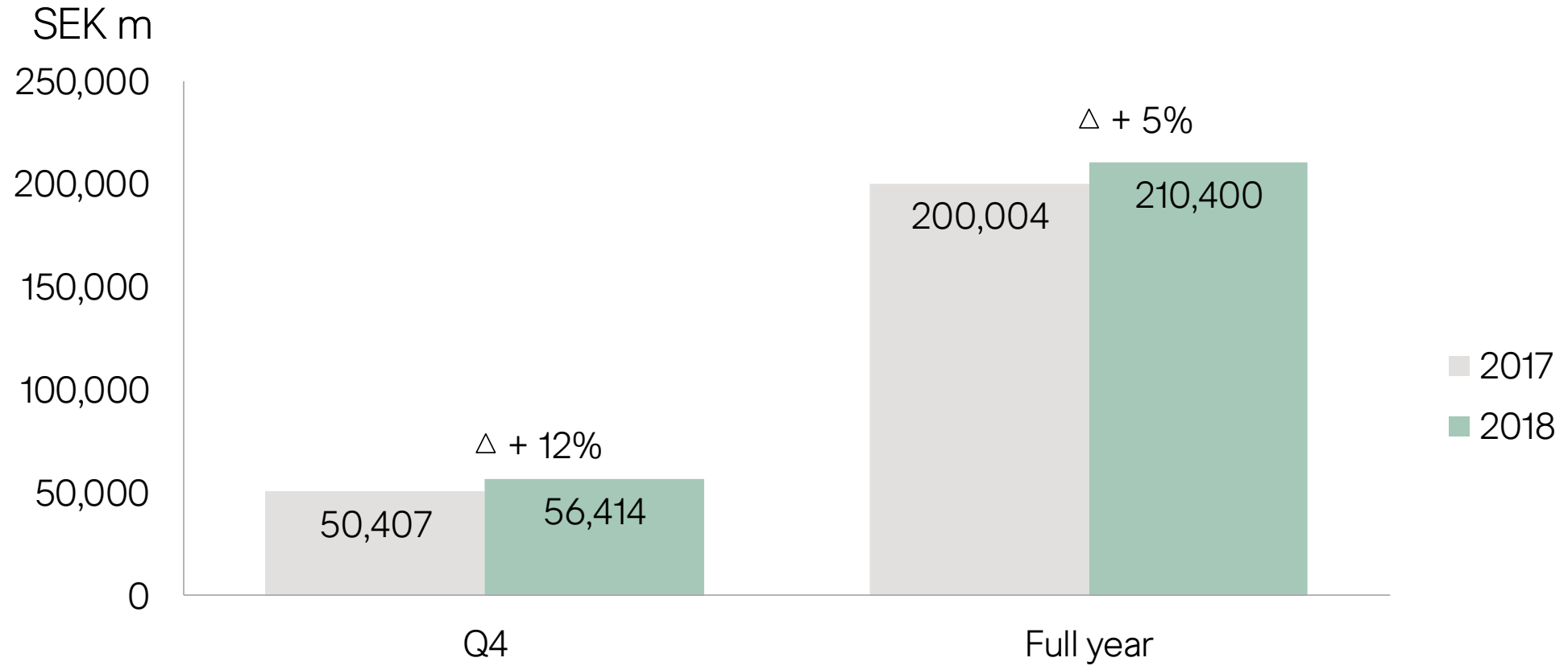


2018 in brief

- Accelerated transformation
- Sales growth in local currencies
 - full year +3%
 - Q4 +6%
- Online sales +21% in local currencies for the full year

Sales 2018

Net sales



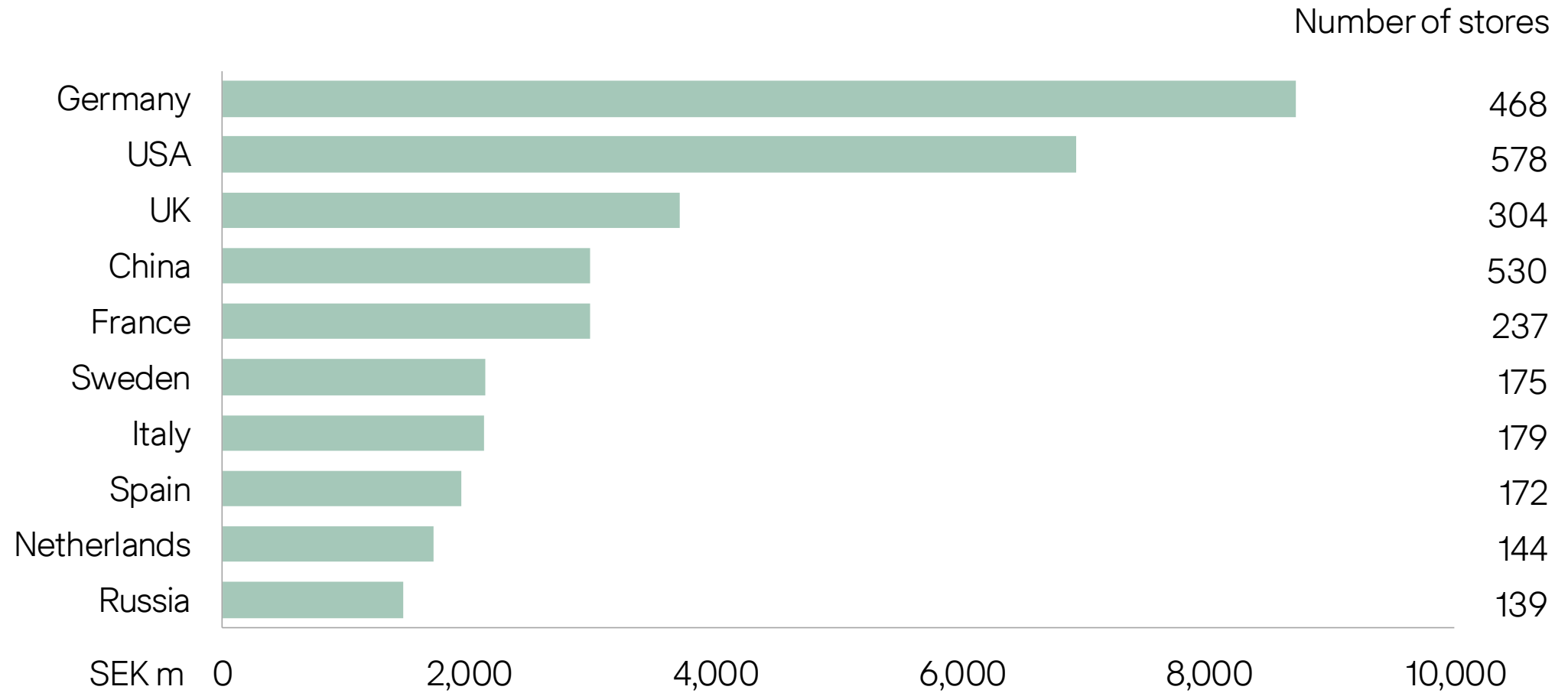


Fourth quarter 2018

- Stronger collections generate more full-price sales
 - lower markdowns
 - increased market share
- Fashion and quality at the best price in a sustainable way

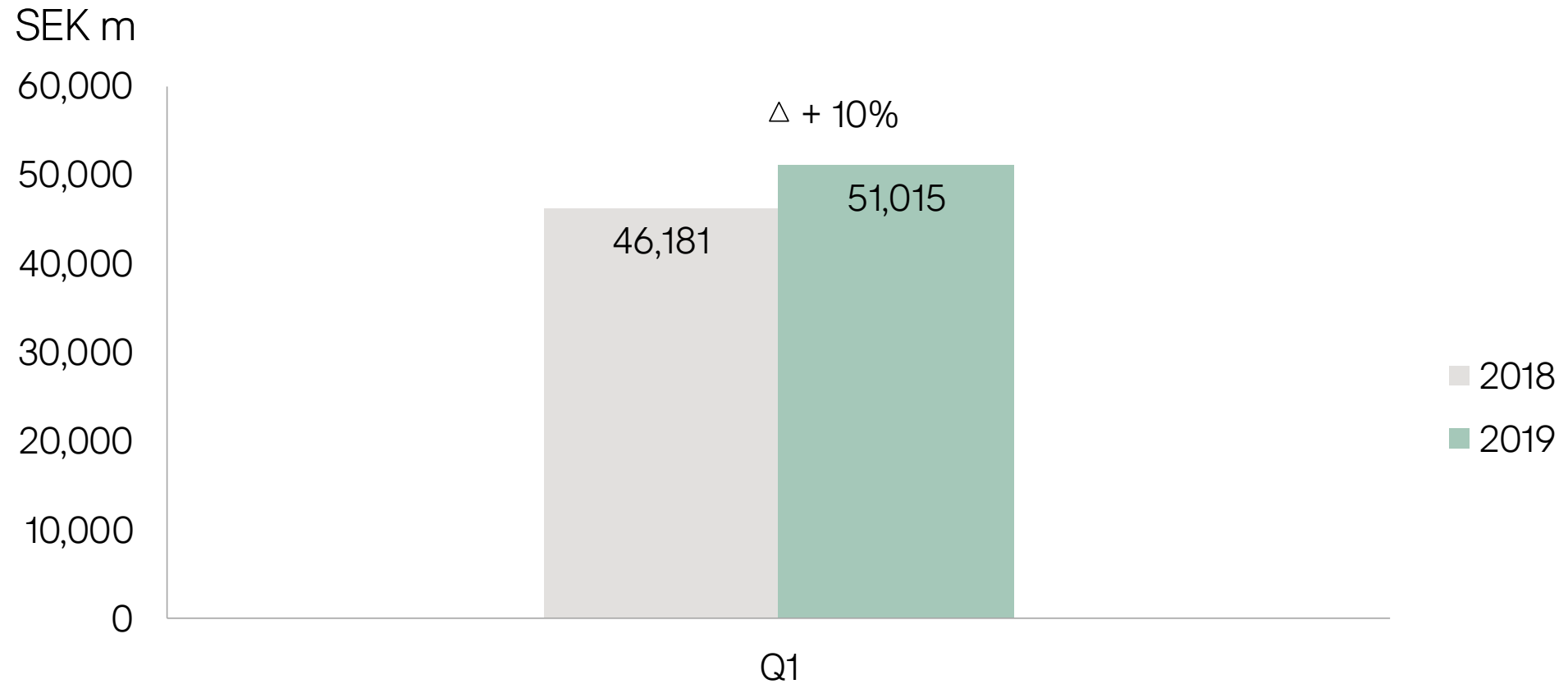
Sales per market

Ten largest markets - Q4 2018



Sales Q1 2019

Net sales



Sales and profits

Full year

SEK m	2018	2017
Net sales	210,400	200,004
Gross profit	110,887	108,090
<i>gross margin, %</i>	52.7	54.0
Operating profit	15,493	20,569
<i>operating margin, %</i>	7.4	10.3
Net financial items	146	240
Profit after financial items	15,639	20,809
Tax	-2,987	-4,625
Profit for the period	12,652	16,184
<i>Earnings per share, SEK</i>	7.64	9.78



Accelerated transformation

- New logistics systems
- Well-executed replacement of online platform in Germany in Q1 2019
 - shorter delivery times
 - store and online integration
- All H&M online markets now on the new platform
- Improved customer experience



Strategic focus areas

- Best customer offering
- Fast, efficient and flexible product flow
- Tech foundation of stable and scalable infrastructure
- Adding new growth



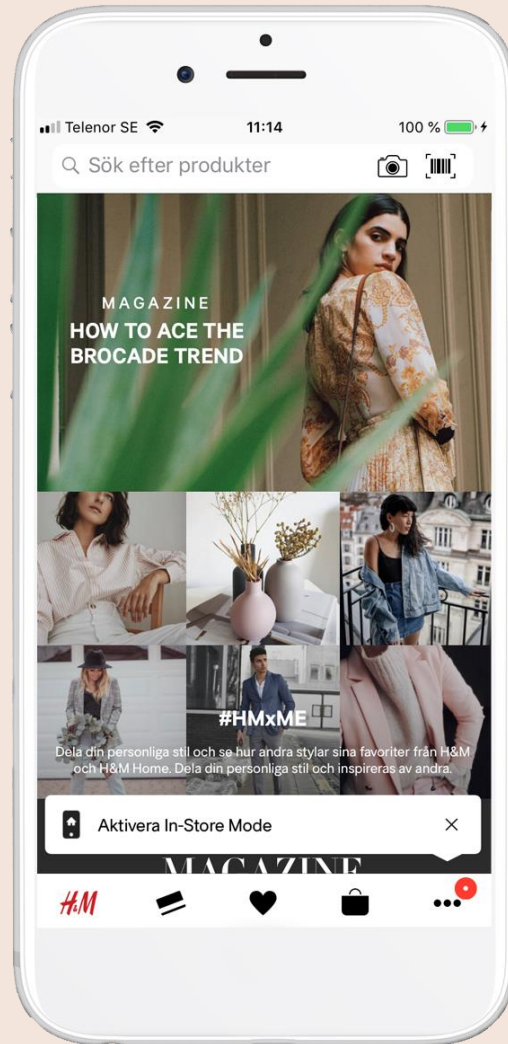
Best customer offering

- Improved assortment
 - increased full-price sales
 - more recurring customers
 - higher customer satisfaction
- Investments in the customer offering
 - fashion and quality at the best price in a sustainable way



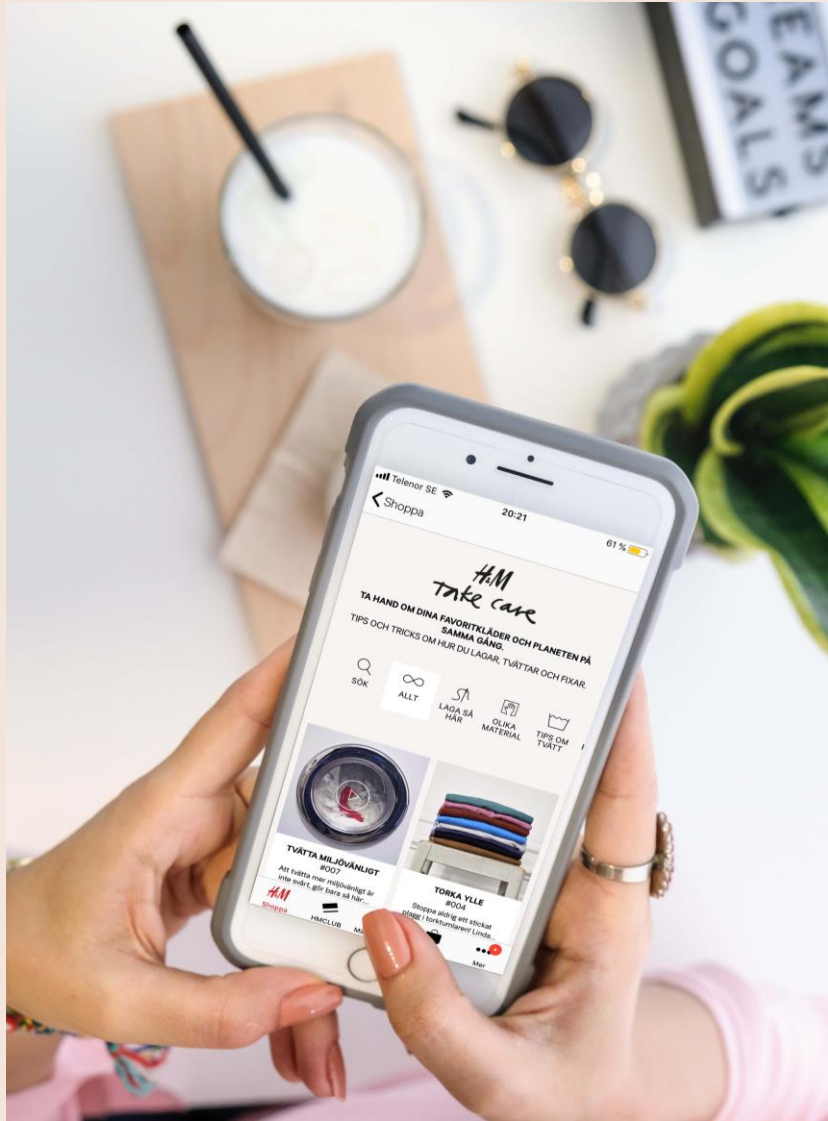
Improved shopping experience

- Improving in-store and online shopping experience
- Enhanced H&M store experience
 - ongoing tests get positive response
 - more happy customers and increased sales



Online store upgrade

- H&M's mobile app and hm.com
 - improved navigation and product presentation
 - more payment options
 - shorter delivery times
- New digital features
 - Perfect fit, Visual search and more



Integrating physical stores and online

- Seamless shopping experience
 - click & collect
 - online returns in store
 - scan & buy
 - in-store-mode
 - find-in-store
- Convenient and accessible



Loyalty programme for H&M's customers

- H&M's customer loyalty programme further developed
 - more relevant offers
- Membership doubled in 2018
 - more than 35 million members today
- New markets 2019
 - US, Canada, Russia and more



Product flow

- Supply-chain investments
 - fast, efficient and flexible product flow
- New logistic centres
- Advanced analytics and AI
- Differentiated buying to increase precision and shorten lead times



New logistics centres

- Three new logistics centres in Q4 2018
 - Kamen, Germany
 - Stryków and Bolesławiec, Poland
- Automation in Poznań, Poland
- New logistics centres outside London and Madrid 2019/2020
- High-tech logistics centre planned on US West Coast in 2020



AI

- Advanced analytics and AI
- Increasingly important support
 - trend detection
 - quantification and allocation
 - pricing
 - personalisation



Tech foundation

- Stable and scalable infrastructure
 - transition completed to new online platform globally
 - new logistics systems
- Further improvements for customers
- Faster development of customer-facing technologies



Adding new growth

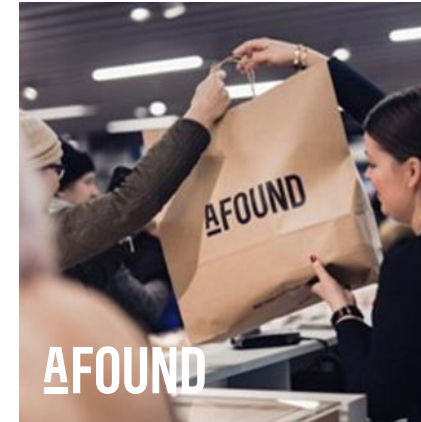
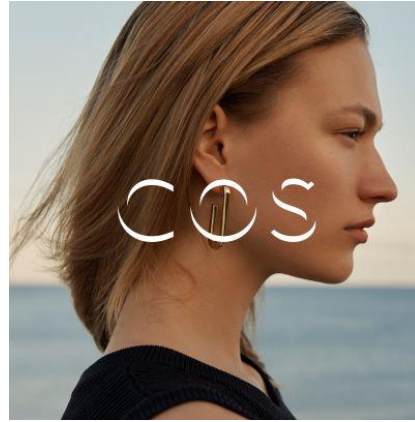
- Global roll-out of online continues
 - four new H&M online markets in 2018
- H&M very well received on Tmall in China 2018
- Mexico and Egypt (franchise) new online markets for H&M in 2019
- H&M to launch on Myntra and Jabong in 2019
 - India's largest e-commerce platforms



Adding new growth

- Focus on growth markets for H&M's store expansion
- Bosnia-Herzegovina new market in March 2019
 - H&M very well received
- Intensified optimisation of the store portfolio
- Approx. 175 new stores net for the H&M group 2019

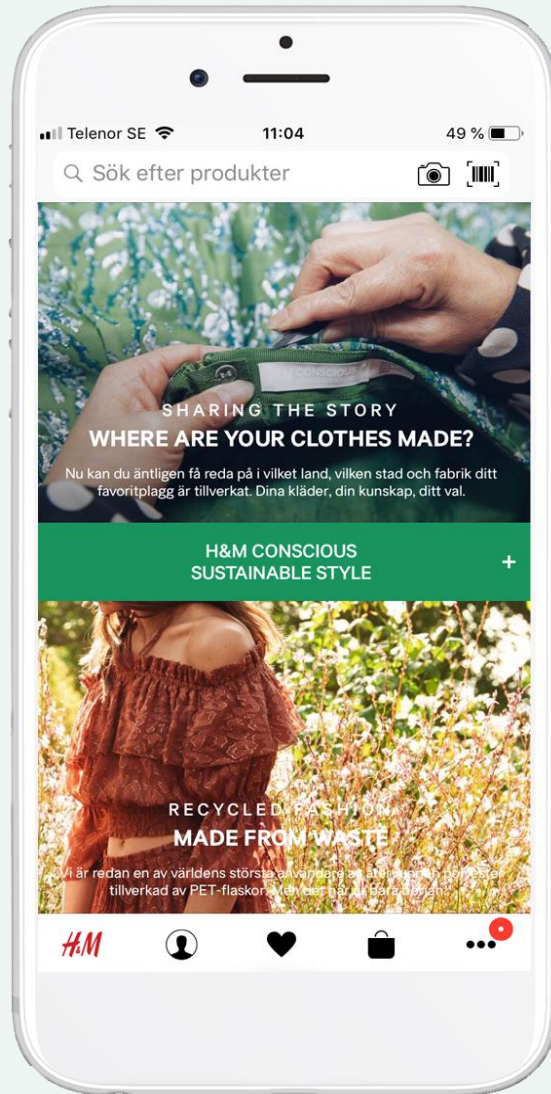
H&M Group





Our brands

- H&M, COS, Monki, Weekday, H&M Home, & Other Stories, ARKET and Afound
- Continued good growth opportunities for all brands
- Priorities with focus on the core business
 - Cheap Monday closing in 2019
 - part of ongoing transformation



Sustainable development

- 95% sustainable cotton in 2018
- Climate positive value chain 2040 goal
- Global cooperation on wages in the textile industry
 - follows UN recommendations
- Information about supplier, factory and materials
 - for each H&M garment



H&M Group

H&M

COS

WEEKDAY

MONKL

H.M.HOME

& other stories

ARKET

AFOUND