

# H&M group capital markets day Stockholm 2018

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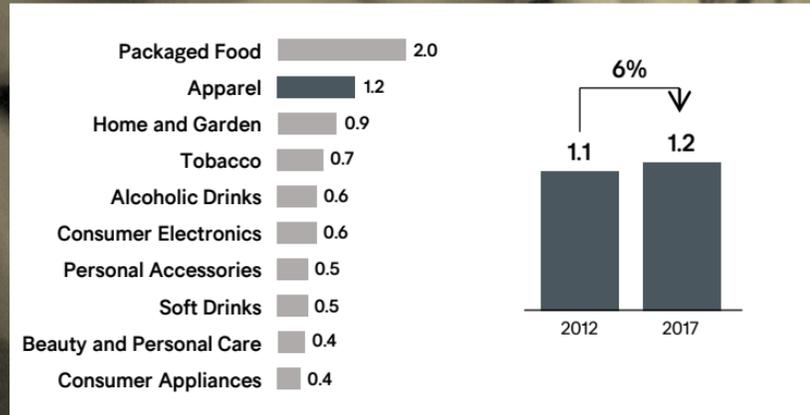
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# a market overview

# – apparel is a large and relevant industry

second  
largest  
consumer  
industry

global  
growth  
6%  
2012 – 2017



Note: Global retail value 2017 (€T)

Note: Overall growth, constant prices, fixed 2017 exchange rates

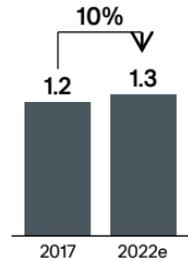
Source: Euromonitor

# ... with big growth potential

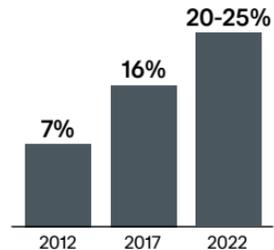
growth  
outlook  
10%  
2017 - 2022

strong  
online  
penetration  
and growth

apparel retail value (€T)



online penetration (%)  
apparel



Note: overall growth, constant prices, fixed 2017 exchange rates  
Source: Euromonitor

# 1.7%

H&M group global market  
share

# a market in transformation



# a market in transformation

**tech  
as the  
catalyst**

**changing  
customer  
behaviour**

**changing  
competitive  
landscape**

# tech as the catalyst



3D



BLOCKCHAIN



AUTONOMOUS VEHICLES  
& DRONES



ROBOTICS



VOICE & IMAGE



AI



AUGMENTED  
& VIRTUAL REALITY



CLOUD



RFID IOT



BIG DATA



CONNECTIVITY  
/MOBILE



DIGITAL  
COMMERCE



PRICE  
PERFORMANCE



EXPONENTIAL  
GROWTH

# changing customer behaviour and higher expectations

design, quality  
and price

personalised

frictionless

social

anywhere  
anytime

sustainability

services &  
experiences

# the competitive landscape is changing



**big online  
platforms**

**new  
business  
models**

**niche online  
players**

the H&M group  
well positioned

# H&M group



# H&M group



external brands

external brands

# shared group assets



global store network

country organisations

multibrand central functions

online platforms

global sourcing

large data assets

financial resources

talent & skills

customer driven supply chain

advanced analytics & AI

tech foundation

CO:LAB

external brands

external brands

# our way



customer first



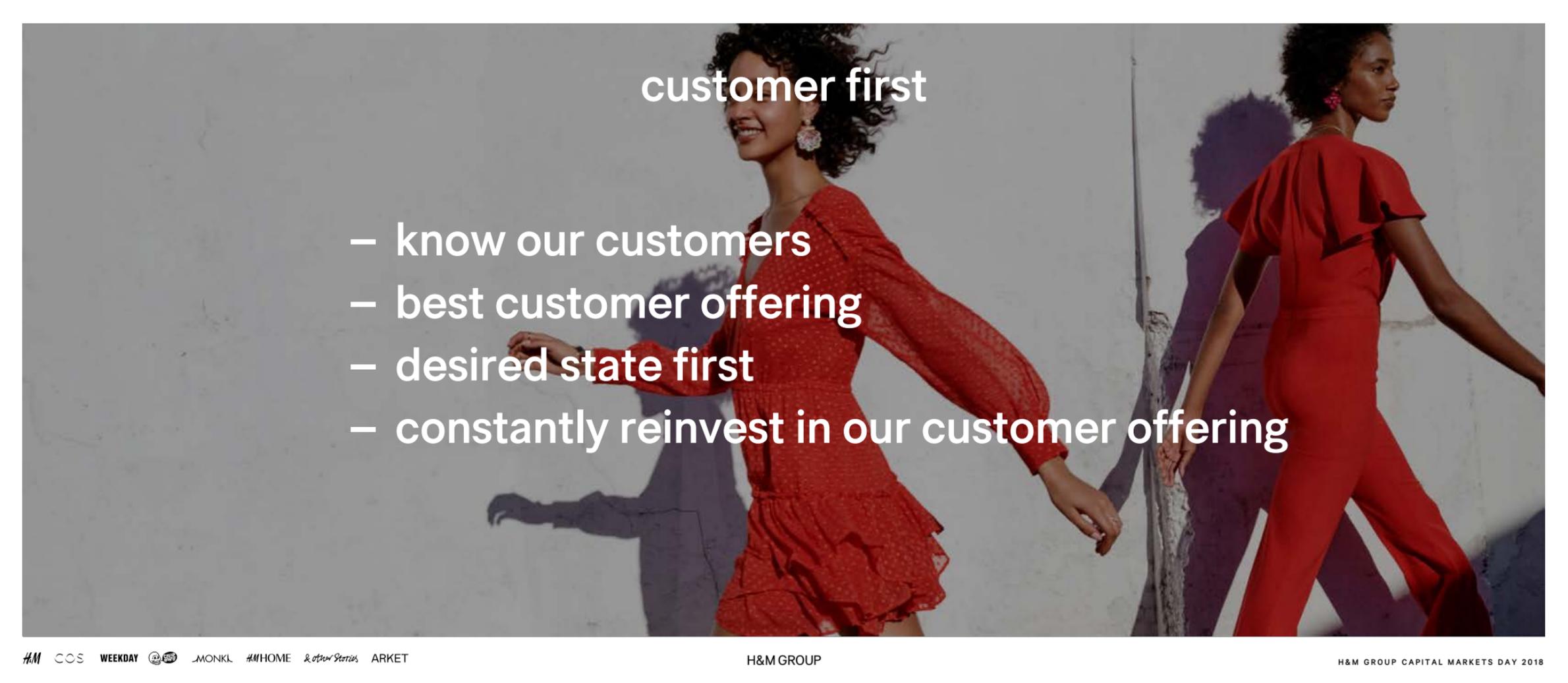
culture



sustainability



long term view

A photograph of two women walking from left to right against a plain white wall. The woman in the foreground is wearing a red, long-sleeved, ruffled dress and is smiling. The woman in the background is wearing a red, long-sleeved jumpsuit and is looking back over her shoulder. The lighting is soft, creating subtle shadows on the wall.

## customer first

- know our customers
- best customer offering
- desired state first
- constantly reinvest in our customer offering

# culture



**we are one team**



**constant  
improvement**



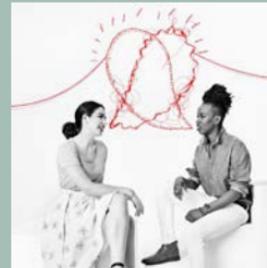
**entrepreneurial  
spirit**



**straightforward  
and open-  
minded**



**cost conscious**



**we believe in  
people**



**keep it simple**

# sustainability

- sustainability deeply integrated
- makes perfect business sense
  - customers
  - colleagues

## long-term view

- sustainable profits
- invest in existing brands and new growth engines
- deliver on short and long-term goals



# financial overview

# sales 2017

H&M group SEK 232 bn



H&M SEK 215 bn

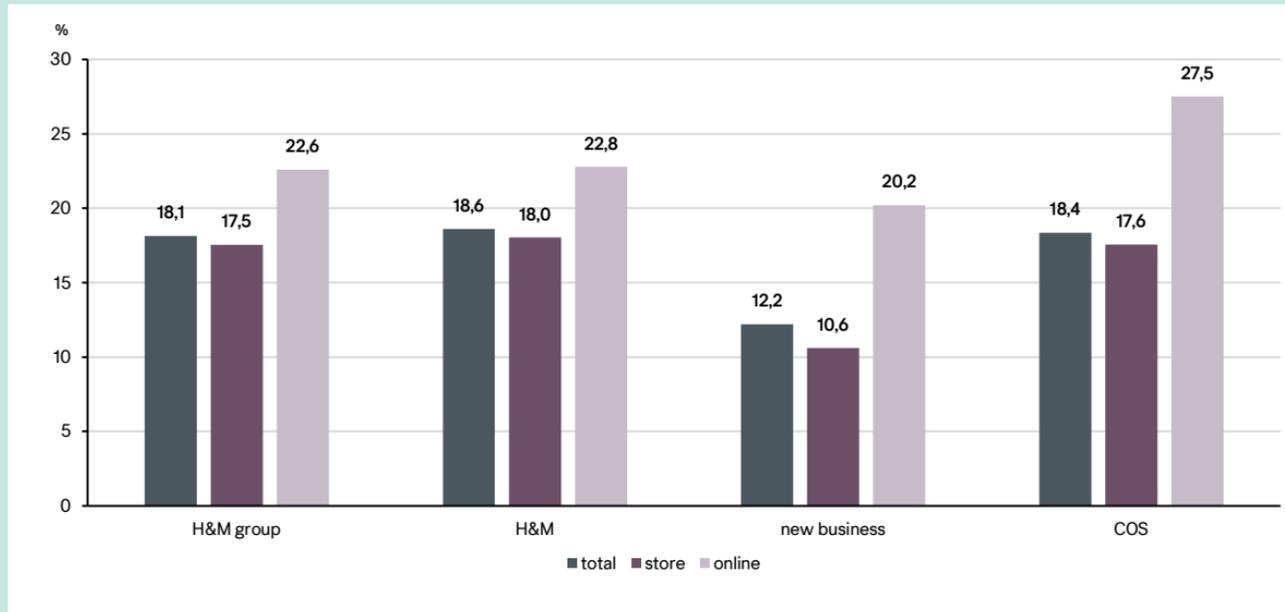


new business SEK 17.3 bn



LOCAL CURRENCIES INCL VAT TRANSLATED TO SEK, AVG RATE FINANCIAL YEAR 2017

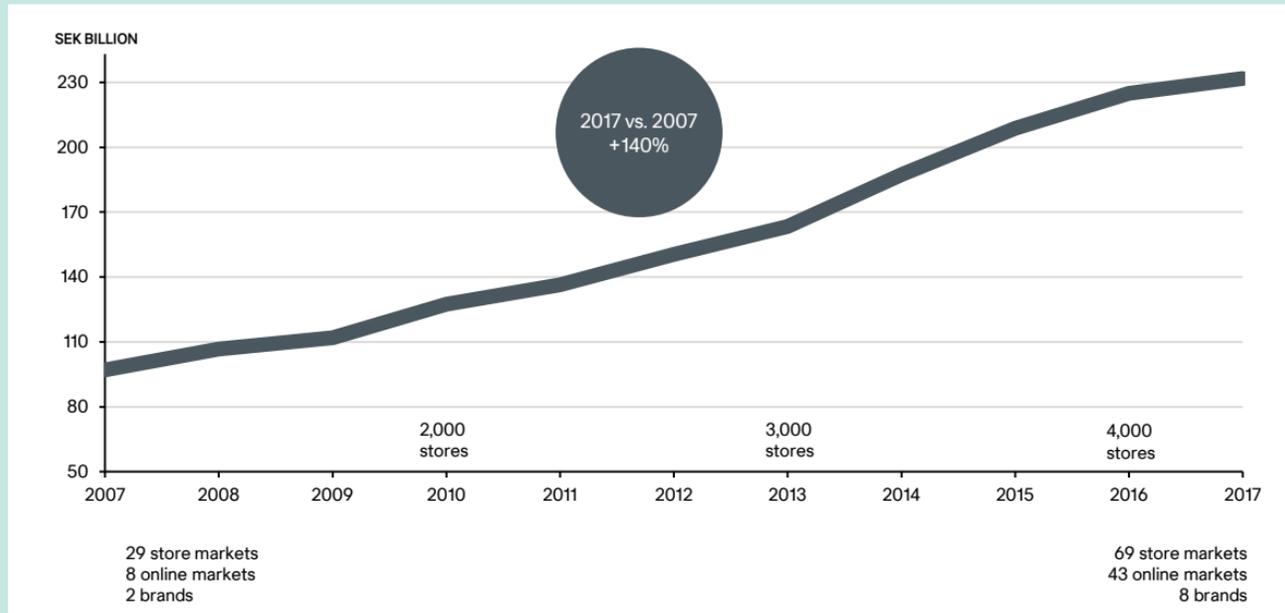
# retail profit\* % of sales 2017



\*EBITDA EXCLUDING ADMINISTRATIVE EXPENSES

COS IS A PART OF NEW BUSINESS

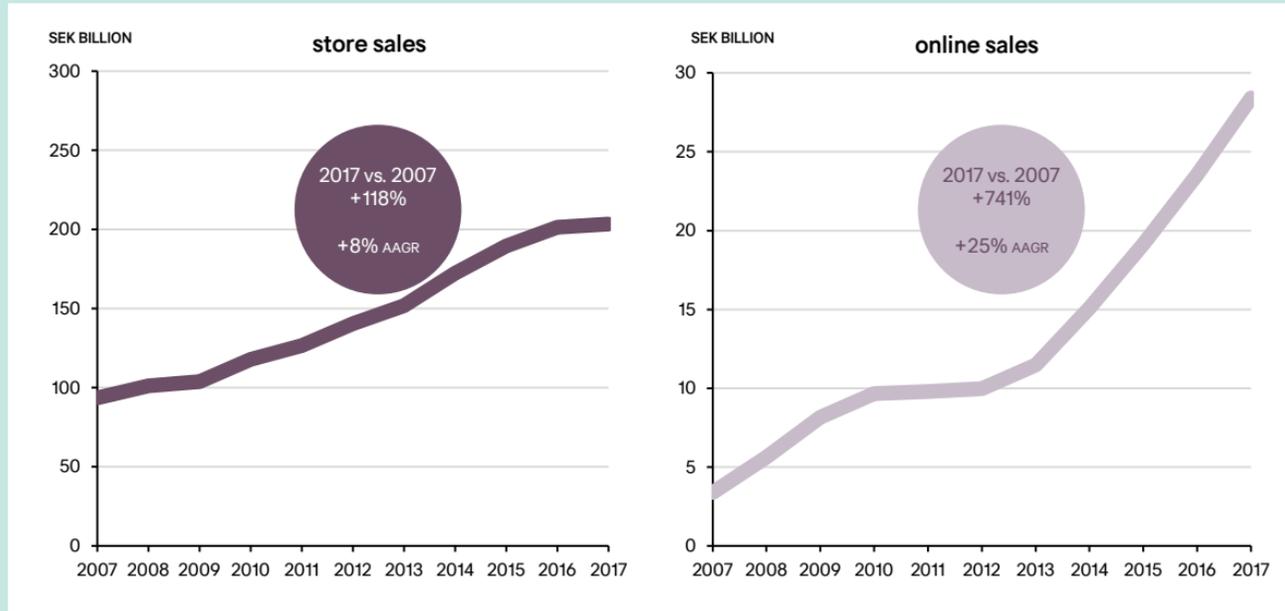
# sales development



CONSTANT CURRENCIES INCL. VAT

COMPARISON TO FINANCIAL YEAR ENDING 30 NOV 2007

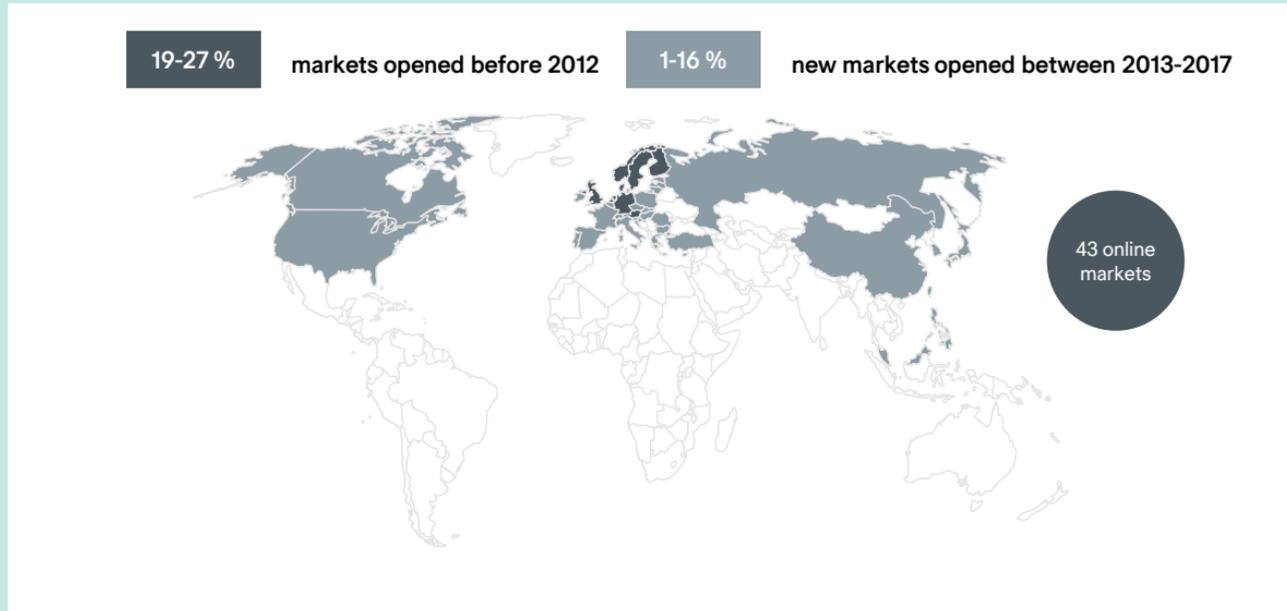
# sales growth per channel



CONSTANT CURRENCIES INCL. VAT

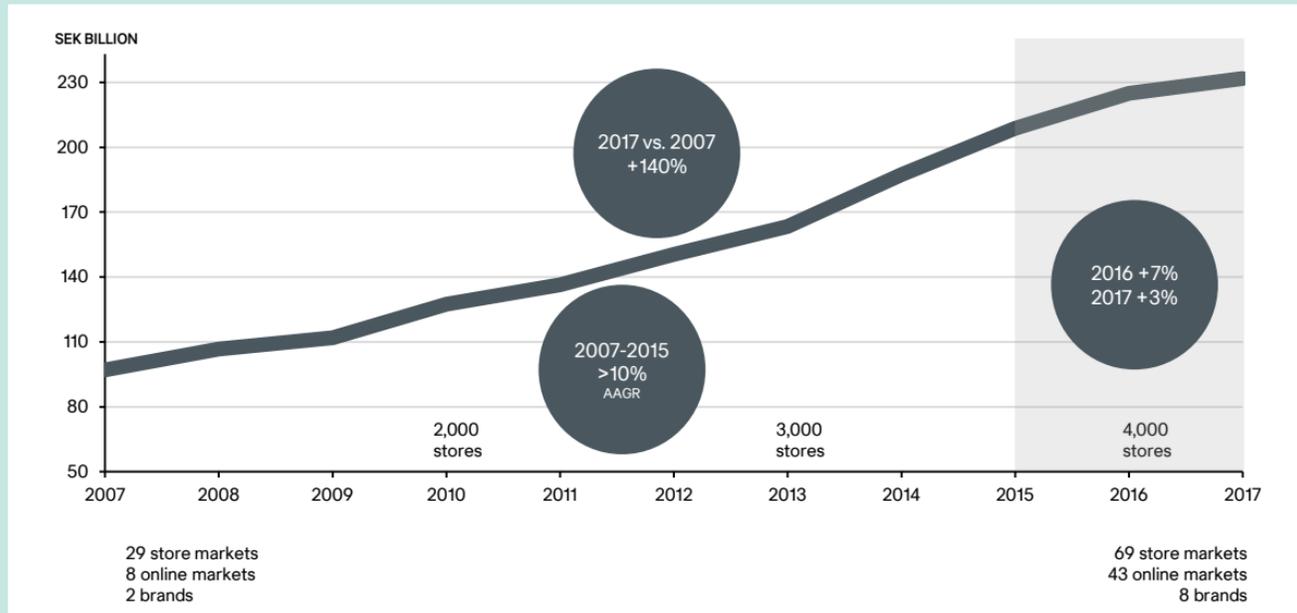
COMPARISON TO FINANCIAL YEAR ENDING 30 NOV 2007

# online share of sales 2017



12.5% SHARE OF TOTAL SALES

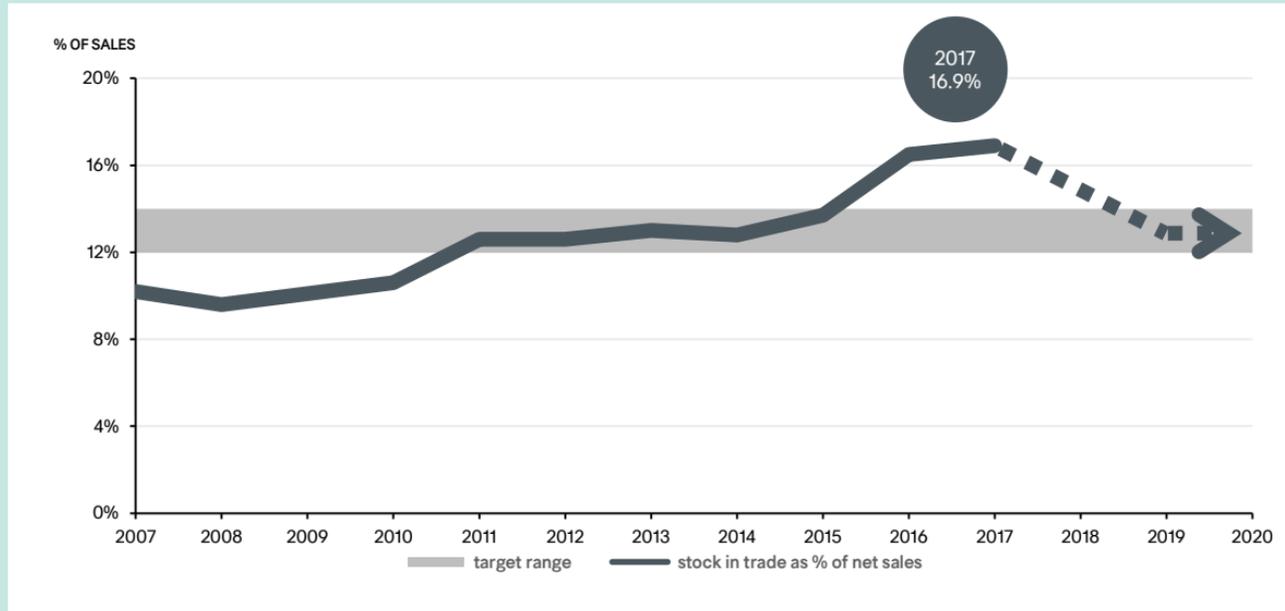
# sales development



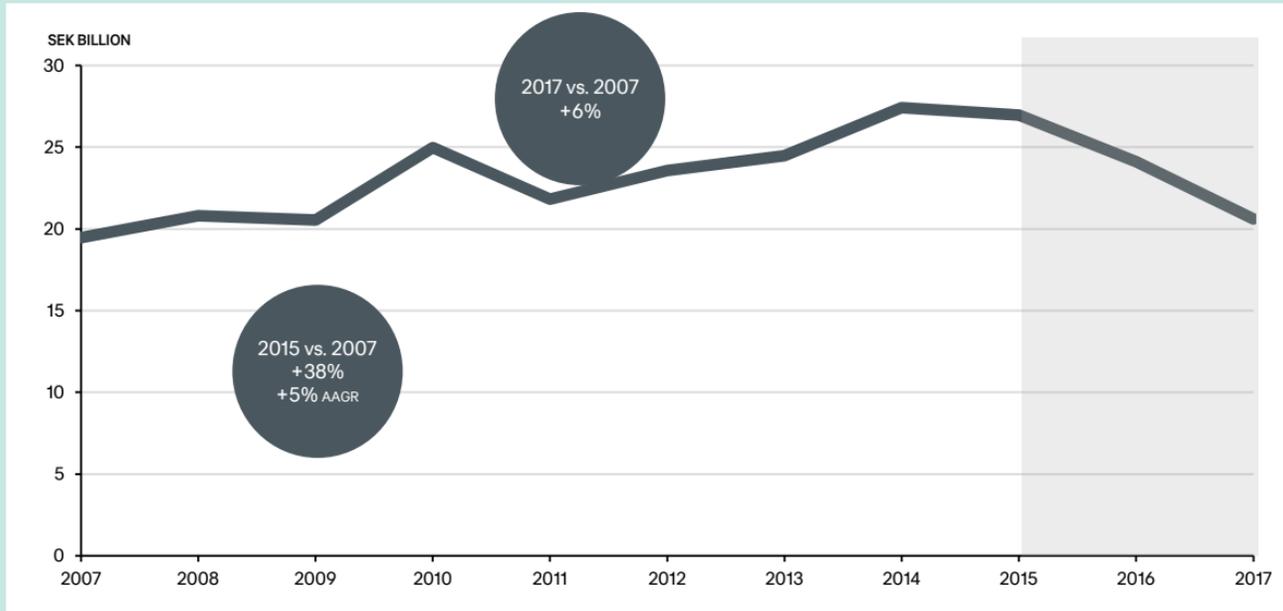
CONSTANT CURRENCIES INCL. VAT

COMPARISON TO FINANCIAL YEAR ENDING 30 NOV 2007

# stock-in-trade in relation to net sales



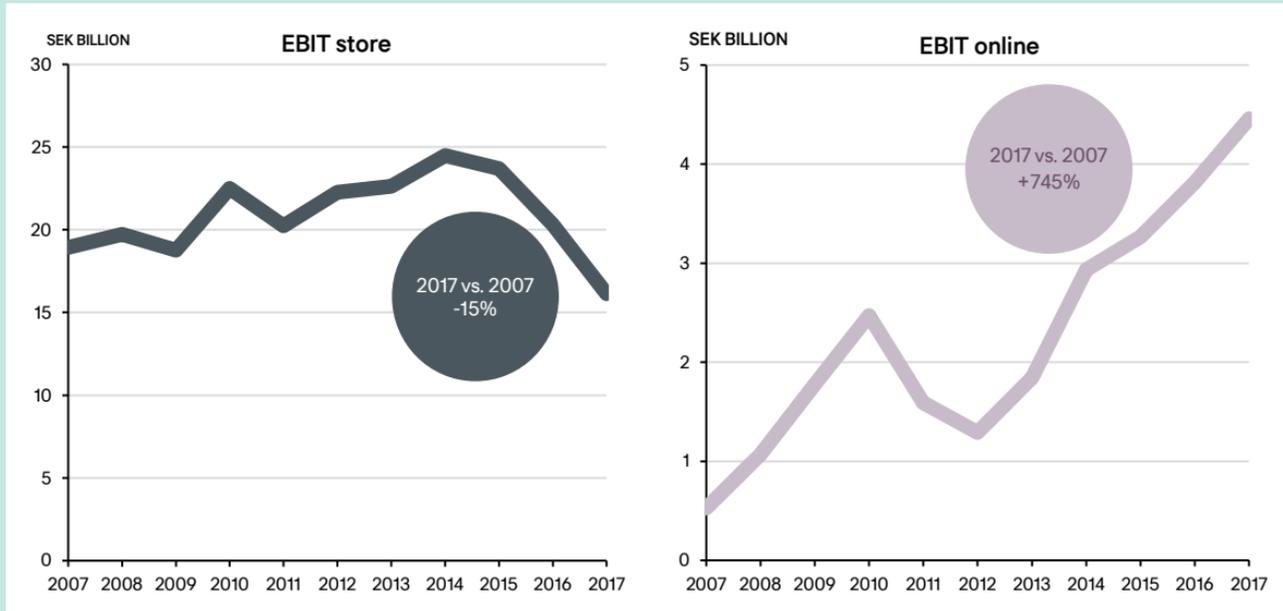
# EBIT development



CONSTANT CURRENCIES

COMPARISON TO FINANCIAL YEAR ENDING 30 NOV 2007

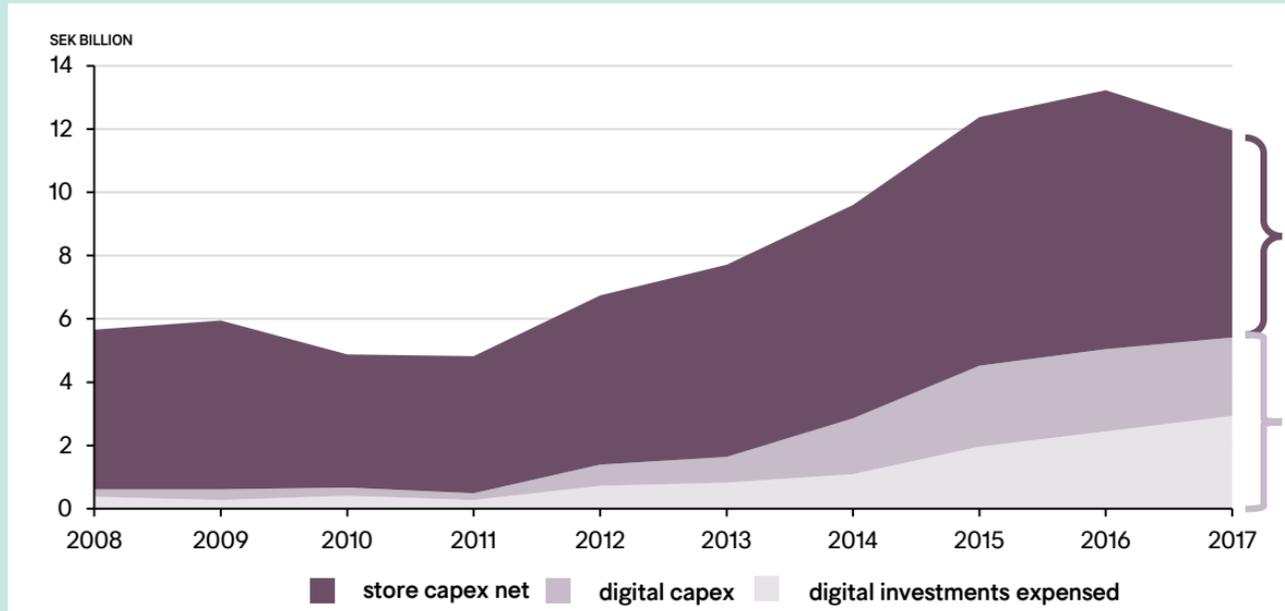
# EBIT per channel



CONSTANT CURRENCIES

COMPARISON TO FINANCIAL YEAR ENDING 30 NOV 2007

# strategic growth investments

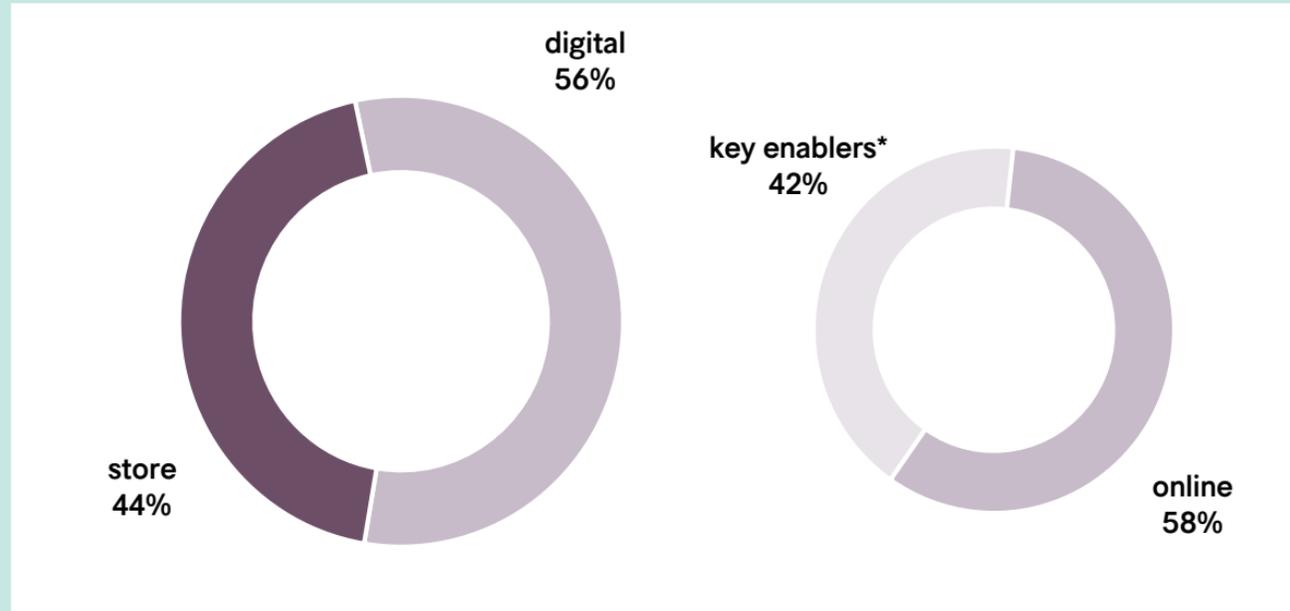


CONSTANT CURRENCIES

store  
55%

digital  
45%

# digital investments 2018 - share of total investments



\*KEY ENABLERS: CUSTOMER DRIVEN SUPPLY CHAIN, ADVANCED ANALYTICS & AI AND TECH FOUNDATION.

## investments in 2008-2017

- a scalable world class backbone
- a scalable online platform enabling a strong development for online growth
- highly automated online warehouses
- a strong store network with updated technology – supports online growth
- a portfolio of brands with big potential

# improvement areas

- comparable store sales H&M
  - decrease markdowns
- working capital efficiency
  - decrease inventory level
  - cash flow

# summary

- **strong online sales growth**
- **profitable and scalable online business**
  - new online market becomes profitable fast with a quick payback within 3 to 12 months
- **good sales performance in new stores**
  - payback within less than 17 months
- **big potential for our newer brands**
  - COS already at a good profit level
- **strategic growth investments to capitalise on for many years to come**

# how to drive profitable growth

# how to drive profitable growth

restlessly  
develop our  
brands

- product and assortment
- inspiring, relevant and convenient shopping

accelerate  
key enablers

- customer driven supply chain
- advanced analytics & AI
- tech foundation

new growth

- online growth for existing brands
- new stores for existing brands
- new concepts
- new brands and new initiatives



# restlessly develop our brands

restlessly  
develop our  
brands

## product & assortment

- design
- quality
- price
- relevance

## inspiring, relevant and convenient shopping

### store

- new concepts
- new formats
- optimise portfolio

### online

- a/b testing
- faster development cycles

### seamless

- fast & flexible deliveries
- fast & easy payments
- omni features

# accelerate key enablers



accelerate  
key  
enablers

# customer driven supply chain

accelerate  
key  
enablers

agility &  
speed

future proof &  
optimised

digitalisation &  
automation

accelerate  
key  
enablers

## advanced analytics & AI

- give our brands competitive advantages and increased profitability
- empower the creation of the right products and the best customer experiences
  - trend detection and design support
  - demand forecasting, quantification and allocation
  - price management
  - personalisation



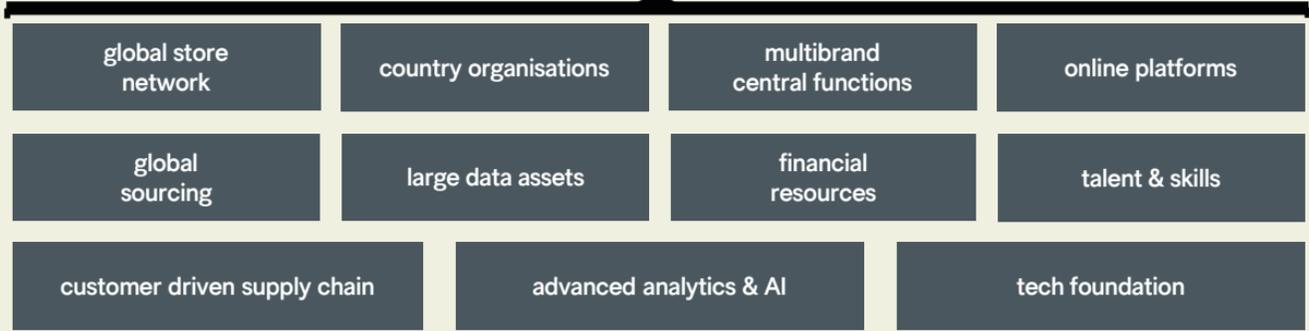
accelerate  
key  
enablers

## tech foundation

- robust and scalable backbone for omni sales, logistics and finance
- faster development of consumer facing technologies
- cloud strategy, API, microservices
- RFID, 3D

new growth

# H&M group





new growth

# new growth

## online growth for existing brands

- new markets
- wider assortment
- partnerships
  - online platforms
  - social commerce

## new stores for existing brands

- H&M focus on emerging markets
- new brands focus on established markets

## new concepts

## new brands and new initiatives



new growth

external brands

initiative 1

external brands

# shared group assets



global store network

country organisations

multibrand central functions

online platforms

global sourcing

large data assets

financial resources

talent & skills

customer driven supply chain

advanced analytics & AI

tech foundation

CO:LAB

external brands

initiative 2

external brands

# our view

SALES	2018	2019-2022
H&M		
<i>Online sales growth</i>	> 25%	> 20% p.a.
<i>Net new added sales (store)</i>	4%	1-3% p.a.
<i>LFL sales (store)</i>	Negative	Positive p.a.
New business total sales growth	> 25%	> 25% p.a.

p.a. per annum

# our view

COSTS		
	2018	2019-2022
Markdowns	Flat/slight increase vs. 2017	Considerable improvements vs. 2017
SG&A	+ 4-5 % (local currencies)	Grow slower than sales (%)
PROFIT DEVELOPMENT		
	2018	2019-2022
EBIT in bn SEK	Moderate increase vs. 2017	Yearly increases
STOCK IN TRADE		
	2018	2019-2022
Stock-in-trade as % of sales	Lower % vs 2017, but still above target range 12-14%	Within target range 12-14%

# successful years to come

- **omni-model with brand control and direct customer relationships**
- **portfolio of brands with proven business models and most growth ahead of us**
- **strong group assets**

**clear direction forward:**

- **comprehensive action plan to drive profitable growth**
  - **restlessly develop our brands, accelerate key enablers and new growth**

thank you!