

H&M Group

H & M Hennes & Mauritz AB

Press conference 27 June 2019

Six-month report 2019

H&M COS **WEEKDAY** MONKL **H&MHOME** *& other Stories* ARKET **AFOUND**



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More full-price sales

- Net sales +6% in local currencies in Q2
- Continued increase in full-price sales
 - lower markdowns
 - increased market share
- Online sales +20% in local currencies in Q2
- Very good start to the summer collections
 - net sales in June estimated to grow +12% in local currencies

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Transformation further intensified

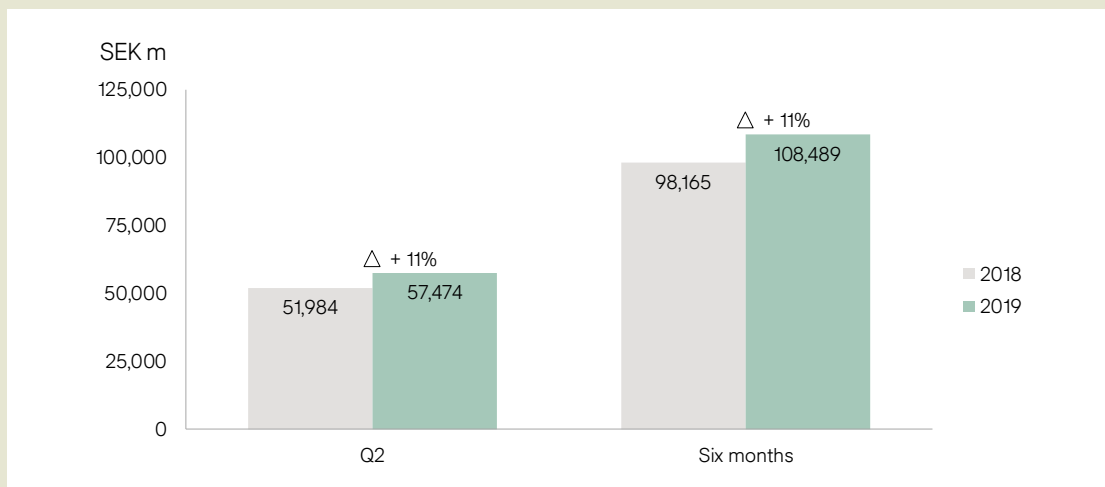
- Industry in rapid change
 - increased competition
 - changing customer behaviour
 - higher customer expectations
- Transformation work with a clear customer focus
 - strengthened customer offering
 - investments in tech infrastructure, AI and logistics

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Sales

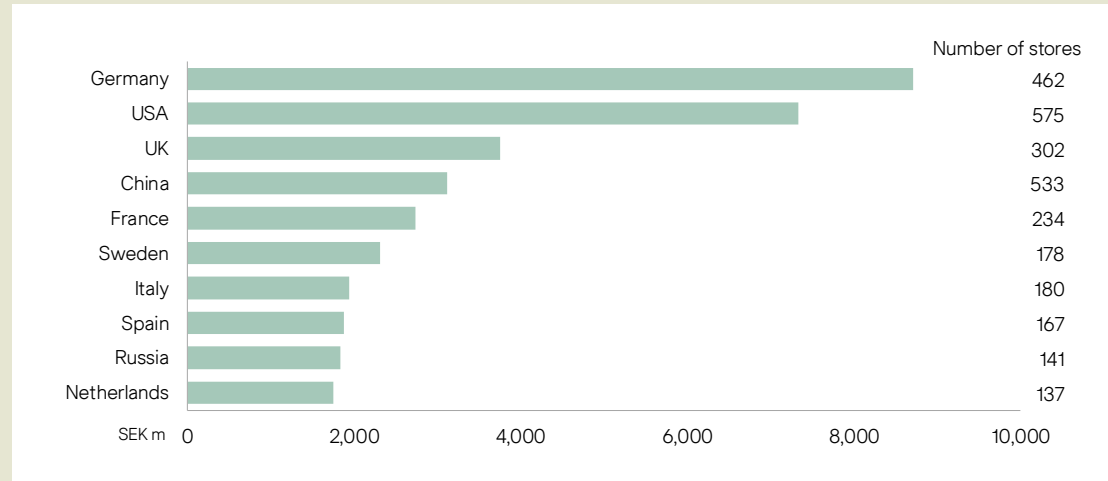
Net sales



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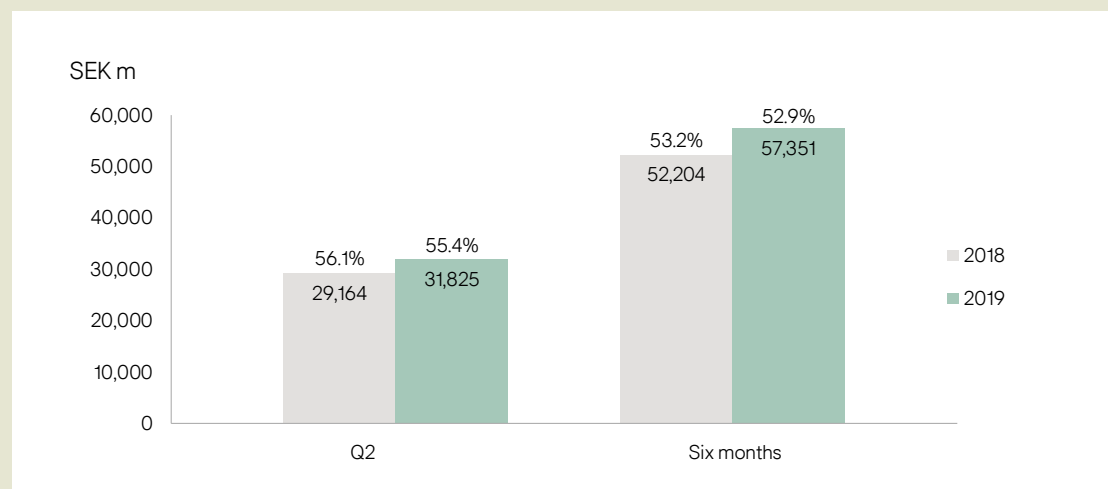
Sales per market

Net sales in ten largest markets, second quarter 2019



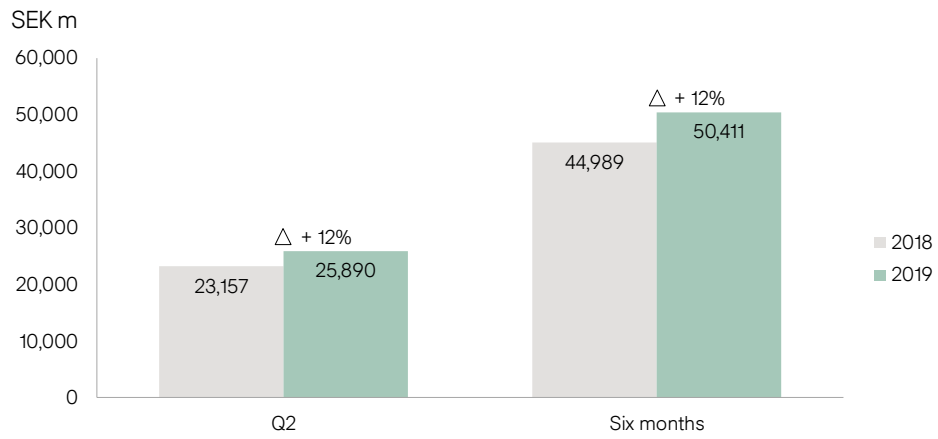
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Gross profit and gross margin



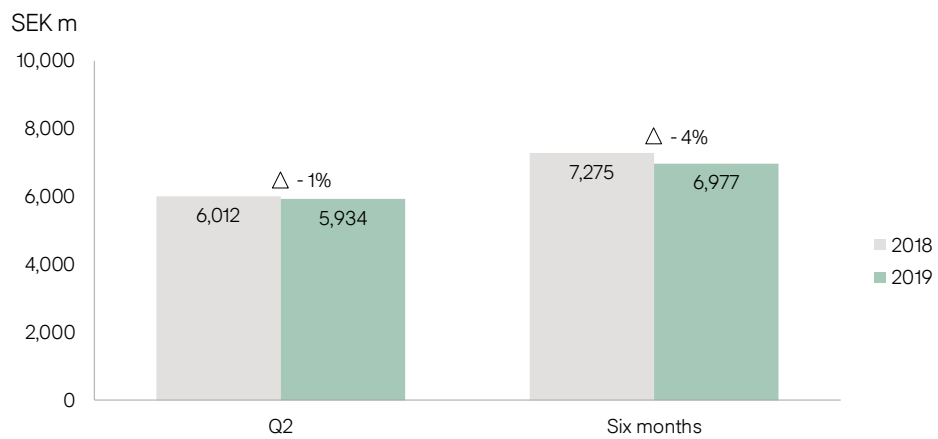
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Selling and administrative expenses



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Profit after financial items



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Sales and profits

Second quarter

SEK m	2019	2018
Net sales	57,474	51,984
Gross profit	31,825	29,164
<i>gross margin, %</i>	55.4	56.1
Operating profit	5,935	6,007
<i>operating margin, %</i>	10.3	11.6
Net financial items	-1	5
Profit after financial items	5,934	6,012
Tax	-1,365	-1,374
Profit for the period	4,569	4,638
<i>Earnings per share, SEK</i>	2.76	2.80

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Key data

SEK m	31 May - 2019	31 May - 2018
Stock-in-trade	40,406	36,333
Cash flow from current operations	9,099	9,133
Investments	4,769	5,703
Cash and cash equivalents and short-term investments	13,076	11,107
Return on shareholders' equity, % *	23.8	26.5

* rolling twelve months

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Strategic focus areas

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

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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

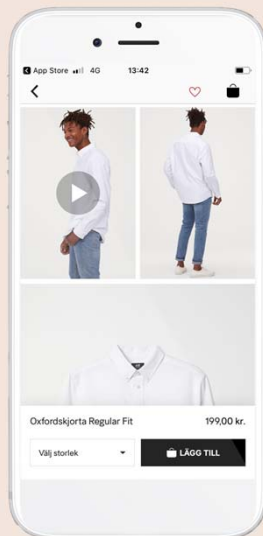
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Improved shopping experience

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

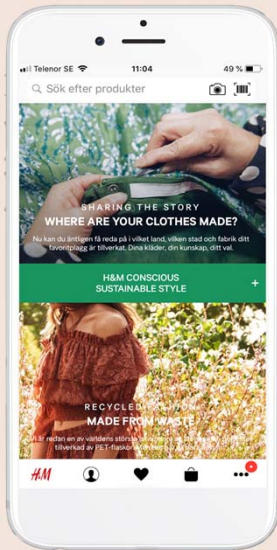
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Online store upgrade

- H&M's mobile app and hm.com
 - improved navigation and product presentation
 - more payment options
 - shorter delivery times
- Digital features
 - visual search, notify-if-back #HMxME and more

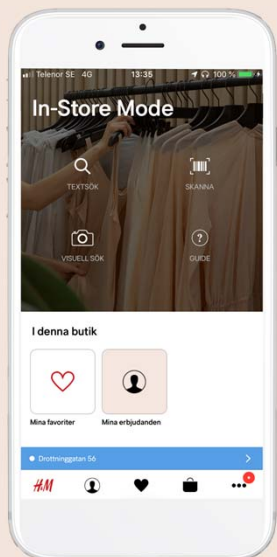
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Increased transparency

- H&M drives increased transparency in the value chain
- First among the world's large fashion companies to show information about factory and material on individual garments
 - online and in-store

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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

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Loyalty programme for H&M's customers

- H&M's customer loyalty programme further developed
 - more relevant offers
- 43 million members
 - 19 markets
- Continued expansion

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Product flow

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

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AI

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

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Tech foundation

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

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Adding new growth

- Global online roll-out continues
 - H&M online in Mexico in April 2019
 - H&M online in Thailand, Indonesia and Egypt via franchise in 2019
- Collaboration with external platforms in 2019
 - H&M to launch on Myntra in India
 - & Other Stories to launch on Tmall in China

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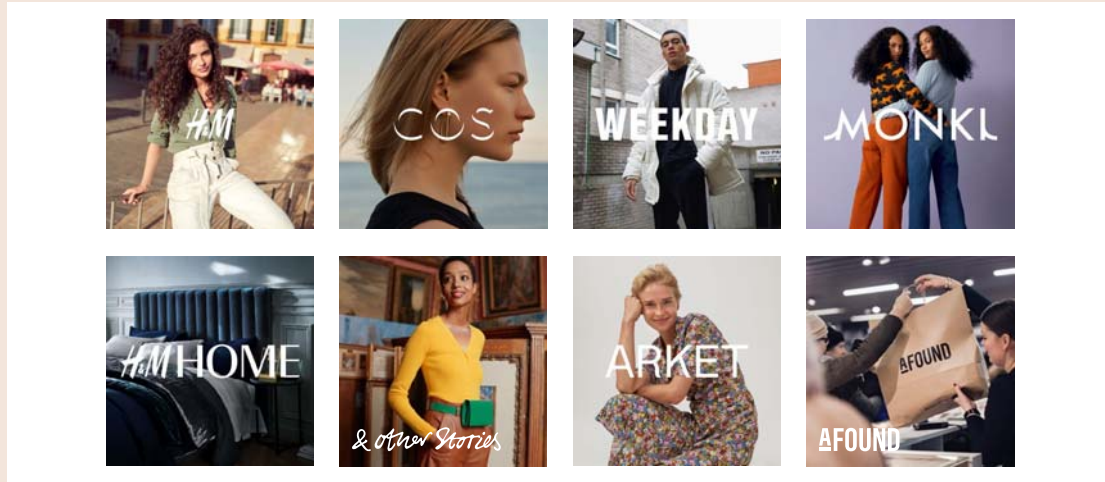


Adding new growth

- Accelerated adaption to customers' changed shopping patterns
 - net addition of approx 130 new stores for 2019
 - 45 fewer than previously said
 - more digital investments
- Focus on growth markets for H&M's store expansion
- Store portfolio optimisation

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