

H&M Group

H & M Hennes & Mauritz AB

Press conference 30 January 2020

Full-year report 2019

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

1



Karl-Johan Persson
CEO

Nils Vinge
Investor Relations

H&M Group

2

Fourth quarter 2019

- The H&M group transformation work continues to bear fruit
 - well-received collections and increased market share
 - increased full-price sales and decreased markdowns
- Operating profit +25% in Q4
- Composition and level of stock-in-trade continue to improve

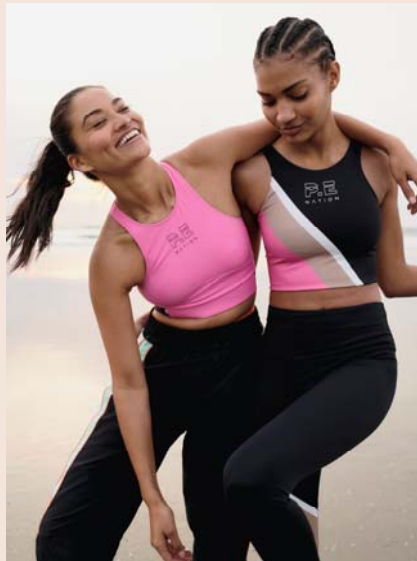


H&M Group

3

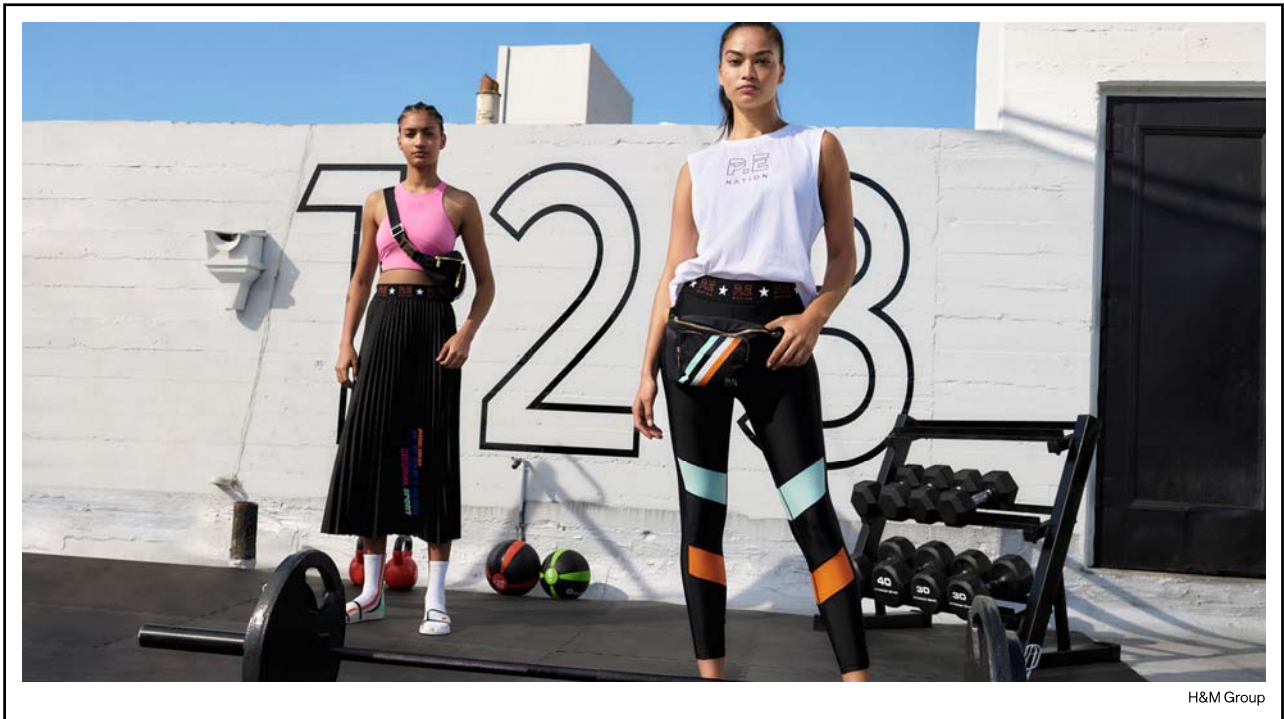
2019 in brief

- Well-received collections and increased market share
- Net sales +11%, +6% in local currencies
- Online sales +24%, +18% in local currencies
- Profit after financial items +11%
 - increased full-price sales and decreased markdowns
- SEK 86 million to H&M Incentive Program



H&M Group

4

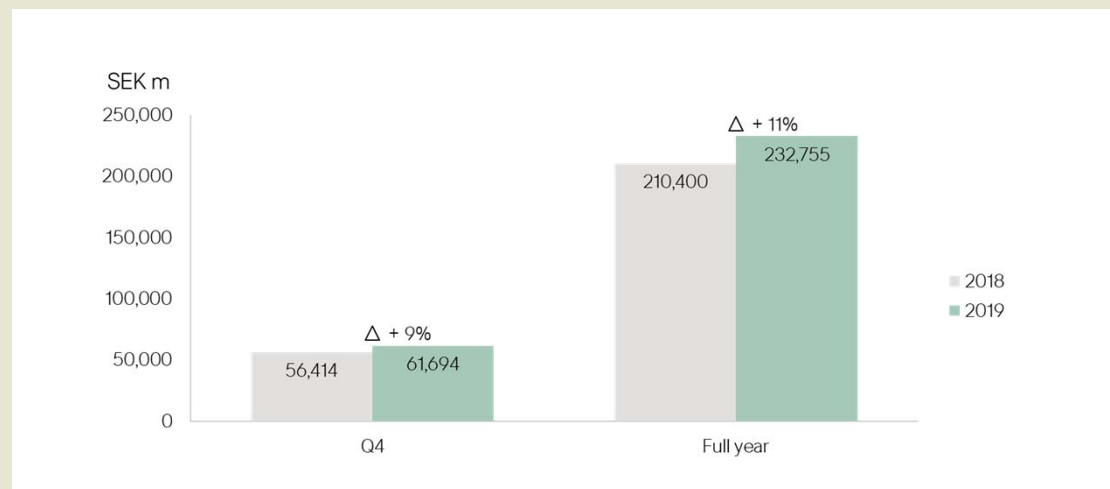


H&M Group

5

Sales

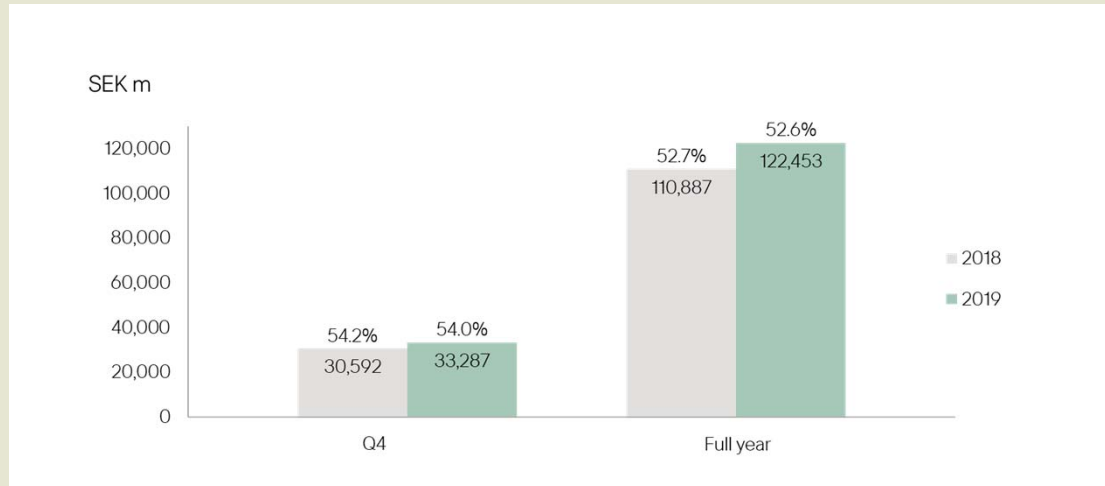
Net sales



H&M Group

6

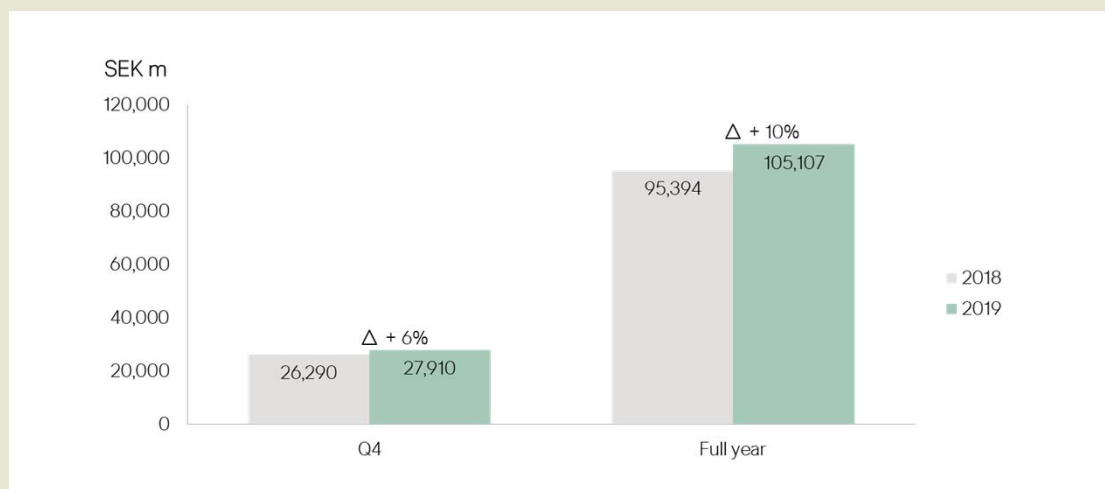
Gross profit and gross margin



H&M Group

7

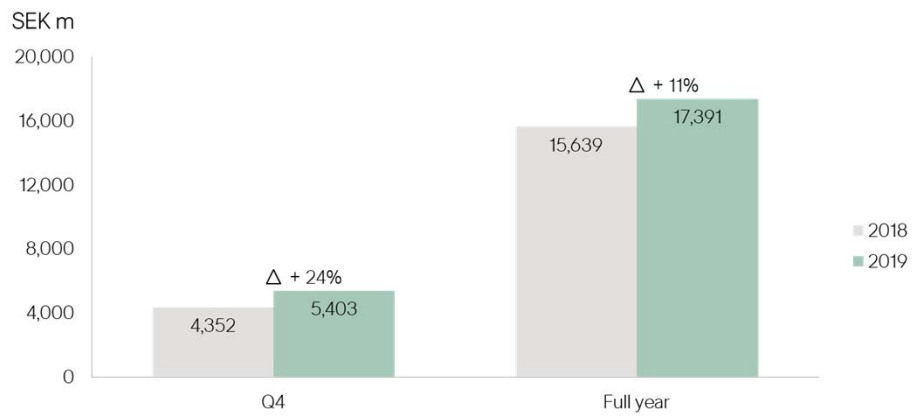
Selling and administrative expenses



H&M Group

8

Profit after financial items



H&M Group

9

Sales and profits

Fourth quarter

SEK m	2019	2018
Net sales	61,694	56,414
Gross profit	33,287	30,592
<i>gross margin, %</i>	54.0	54.2
Operating profit	5,377	4,302
<i>operating margin, %</i>	8.7	7.6
Net financial items	26	50
Profit after financial items	5,403	4,352
Tax	-1,191	-809
Profit for the period	4,212	3,543
<i>Earnings per share, SEK</i>	2.54	2.14

H&M Group

10

Sales and profits

Full year

SEK m	2019	2018
Net sales	232,755	210,400
Gross profit	122,453	110,887
<i>gross margin, %</i>	52.6	52.7
Operating profit	17,346	15,493
<i>operating margin, %</i>	7.5	7.4
Net financial items	45	146
Profit after financial items	17,391	15,639
Tax	-3,948	-2,987
Profit for the period	13,443	12,652
<i>Earnings per share, SEK</i>	8.12	7.64

H&M Group

11

Key data

SEK m	30 Nov - 2019	30 Nov - 2018
Stock-in-trade	37,823	37,721
Cash flow from current operations	28,986	21,287
Investments	10,340	12,828
Cash and cash equivalents and short-term investments	12,312	11,590
Dividend (SEK)	9.75*	9.75
Return on shareholders' equity, %	23.3	21.4
Average number of employees**	126,376	123,283

* proposed dividend

** converted to full-time positions

H&M Group

12



13



Long-term investments

- Transformation of fashion retail
- Investments to secure the position of the H&M group
 - digitalisation
 - efficient supply chain
 - tech infrastructure
 - advanced analytics and AI
- Positive effects support continued transformation work

H&M Group

14



Strategic focus areas

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

H&M Group

15



Best customer offering

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

H&M Group

16



Improved customer experience

- Continued improvements in physical stores and online
- Enhanced H&M store experience
 - inspiring and easy for customers
 - ongoing tests get positive response

H&M Group

17

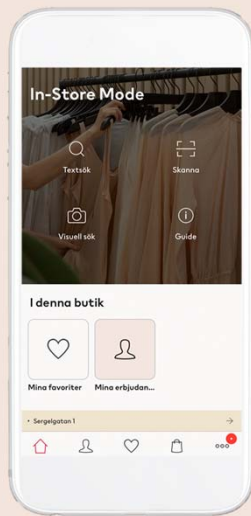


Online store upgrade

- H&M's mobile app and hm.com
 - improved navigation and product presentation
 - more payment options
 - shorter delivery times
- Digital features
- Climate smart deliveries

H&M Group

18



Integrated physical stores and online

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

H&M Group

19



Product flow

- Supply chain investments
 - fast, efficient and flexible product flow
- New logistics centre
 - Milton Keynes in the UK for stores and online

H&M Group

20

Tech foundation

- Investments in tech infrastructure
- Robust, scalable platforms
 - enable faster development of new customer apps and technologies



H&M Group

21

Business Tech

- Business Tech
 - replaces functions of IT, Advanced Analytics & AI and Business Development
- Cross functional in agile teams
 - increased flexibility, speed and efficiency



H&M Group

22



Store portfolio optimisation

- Accelerated adaption to customers' changing shopping patterns
 - continued store portfolio optimisation
- Approx. 200 new stores and 175 closures planned for 2020
 - net addition of approx. 25 stores
- Relevant presence in each market

H&M Group

23



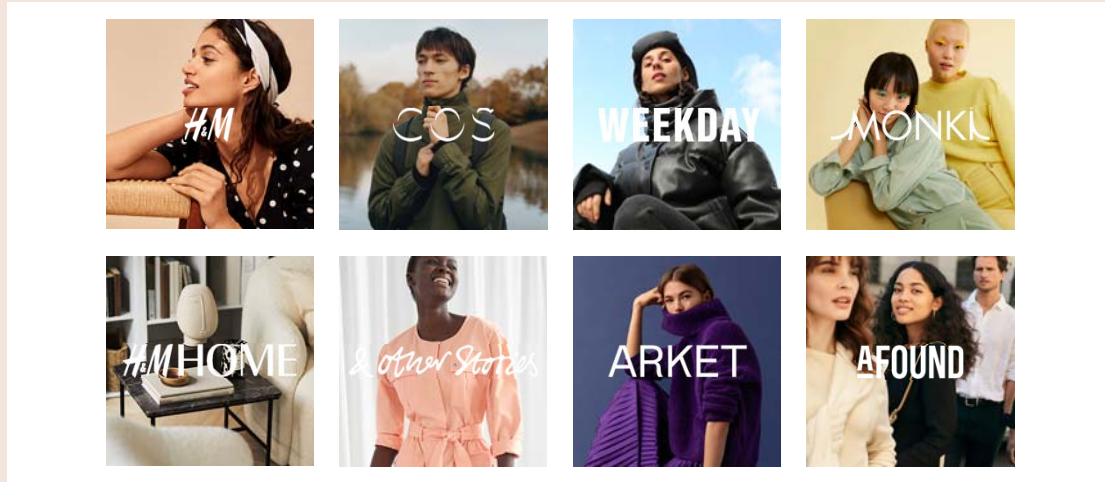
Adding new growth

- New franchise partner in Central America
 - H&M to open in Panama late 2020
- Global online roll-out continues
 - H&M online in Australia in 2020
- Collaboration with external platforms
 - H&M to launch on SSG.COM in South Korea in 2020

H&M Group

24

H&M Group



H&M Group

25



26



Sustainable development

- H&M Group on CDP's A List for leading environmental transparency and performance
 - mitigate climate risks and contribute to the transition to a fossil-free economy
- H&M Group ranked among world's 30 most sustainable companies in 2020 by Corporate Knights

H&M Group

27

H&M Group

H & M Hennes & Mauritz AB

H&M COS **WEEKDAY** MONKL **H&M HOME** & OTHER STORIES ARKET **AFOUND**

28