H&M Group

H & M Hennes & Mauritz AB

Press conference 30 January 2020
Full-year report 2019

H M COS WEEKDAY MONKL HOME & Other Stories ARKET FOUND

Karl-Johan Persson
CEO

Nils Vinge
Investor Relations
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

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
Sales
Net sales

<table>
<thead>
<tr>
<th></th>
<th>Q4</th>
<th>Full year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>56,414</td>
<td>210,400</td>
</tr>
<tr>
<td>2019</td>
<td>61,694</td>
<td>232,755</td>
</tr>
</tbody>
</table>

Δ = 9%  Δ = 11%
Gross profit and gross margin

Selling and administrative expenses
Profit after financial items

Sales and profits
Fourth quarter

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>64,694</td>
<td>56,444</td>
</tr>
<tr>
<td>Gross profit</td>
<td>53,287</td>
<td>30,592</td>
</tr>
<tr>
<td>gross margin, %</td>
<td>540</td>
<td>542</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5,377</td>
<td>4,302</td>
</tr>
<tr>
<td>operating margin, %</td>
<td>8.7</td>
<td>7.6</td>
</tr>
<tr>
<td>Net financial items</td>
<td>26</td>
<td>50</td>
</tr>
<tr>
<td>Profit after financial items</td>
<td>5,403</td>
<td>4,352</td>
</tr>
<tr>
<td>Tax</td>
<td>-119</td>
<td>-809</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>4,212</td>
<td>3,543</td>
</tr>
<tr>
<td>Earnings per share, SEK</td>
<td>2.54</td>
<td>2.14</td>
</tr>
</tbody>
</table>
# Sales and profits

Full year

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (SEK m)</td>
<td>232,755</td>
<td>210,400</td>
</tr>
<tr>
<td>Gross profit (SEK m)</td>
<td>122,453</td>
<td>110,887</td>
</tr>
<tr>
<td>gross margin, %</td>
<td>52.6</td>
<td>52.7</td>
</tr>
<tr>
<td>Operating profit</td>
<td>17,346</td>
<td>15,493</td>
</tr>
<tr>
<td>operating margin, %</td>
<td>7.3</td>
<td>7.4</td>
</tr>
<tr>
<td>Net financial items</td>
<td>45</td>
<td>146</td>
</tr>
<tr>
<td>Profit after financial items (SEK m)</td>
<td>17,391</td>
<td>15,639</td>
</tr>
<tr>
<td>Tax</td>
<td>-3,048</td>
<td>-2,967</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>13,443</td>
<td>12,662</td>
</tr>
<tr>
<td>Earnings per share, SEK</td>
<td>8.72</td>
<td>7.64</td>
</tr>
</tbody>
</table>

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# Key data

<table>
<thead>
<tr>
<th></th>
<th>30 Nov - 2019</th>
<th>30 Nov - 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock-in-trade</td>
<td>37,823</td>
<td>37,721</td>
</tr>
<tr>
<td>Cash flow from current operations (SEK m)</td>
<td>283,866</td>
<td>243,877</td>
</tr>
<tr>
<td>Investments</td>
<td>10,540</td>
<td>12,026</td>
</tr>
<tr>
<td>Cash and cash equivalents and short-term investments (SEK m)</td>
<td>12,312</td>
<td>11,590</td>
</tr>
<tr>
<td>Dividend (SEK)</td>
<td>9.75*</td>
<td>9.75</td>
</tr>
<tr>
<td>Return on shareholders’ equity, %</td>
<td>23.3</td>
<td>21.4</td>
</tr>
<tr>
<td>Average number of employees**</td>
<td>126,376</td>
<td>123,283</td>
</tr>
</tbody>
</table>

* proposed dividend
** converted to full-time positions
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
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
  – higher customer satisfaction
  – more recurring customers
• Investments in the customer offering
  – fashion and quality at the best price in a sustainable way
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

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
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

Product flow

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

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

Business Tech

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

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

SELLPY
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