

H&M group capital markets day Stockholm 2018

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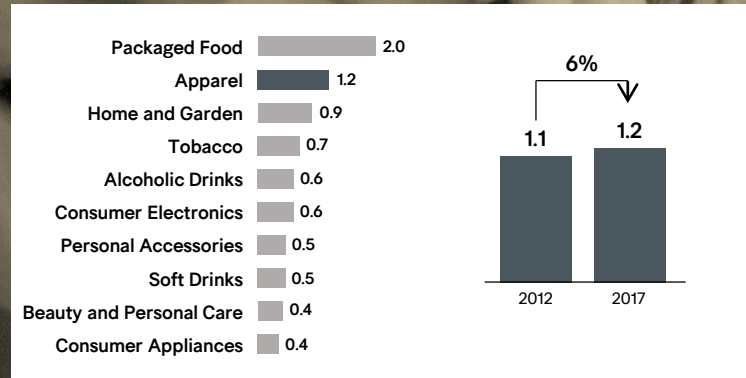
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a market overview

– 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

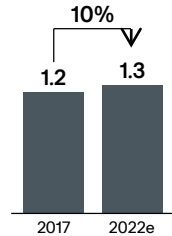
Source: Euromonitor

... with big growth potential

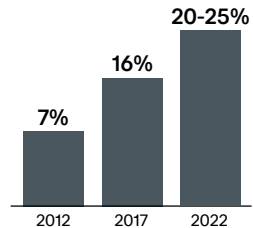
growth
outlook
10%
2017 - 2022

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**

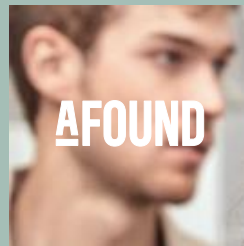
**niche online
players**

the H&M group
well positioned

H&M group



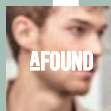
H&M group



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



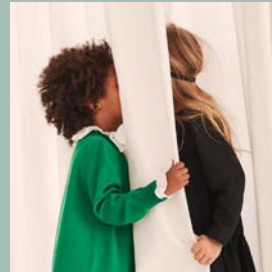
customer first



culture



sustainability



long term view

A photograph of two women walking from left to right against a light-colored, textured wall. The woman in the foreground is smiling and wearing a red, long-sleeved, ruffled dress. The woman behind her is wearing a red jumpsuit. Their shadows are cast onto the wall behind them.

customer first

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

culture



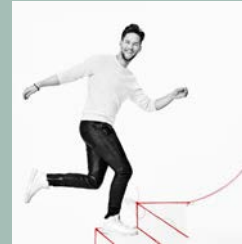
we are one team



**constant
improvement**



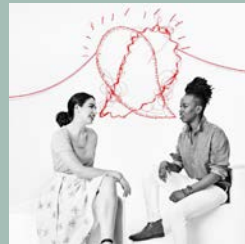
**entrepreneurial
spirit**



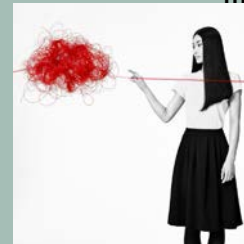
**straightforward
and open-
minded**



cost conscious



**we believe in
people**



keep it simple

A man with short brown hair, wearing a light-colored suit and white sneakers, stands on a lush green grassy hill. He is looking towards the left. In the background, a vast valley with rolling hills, fields, and small settlements is visible under a hazy sky.

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

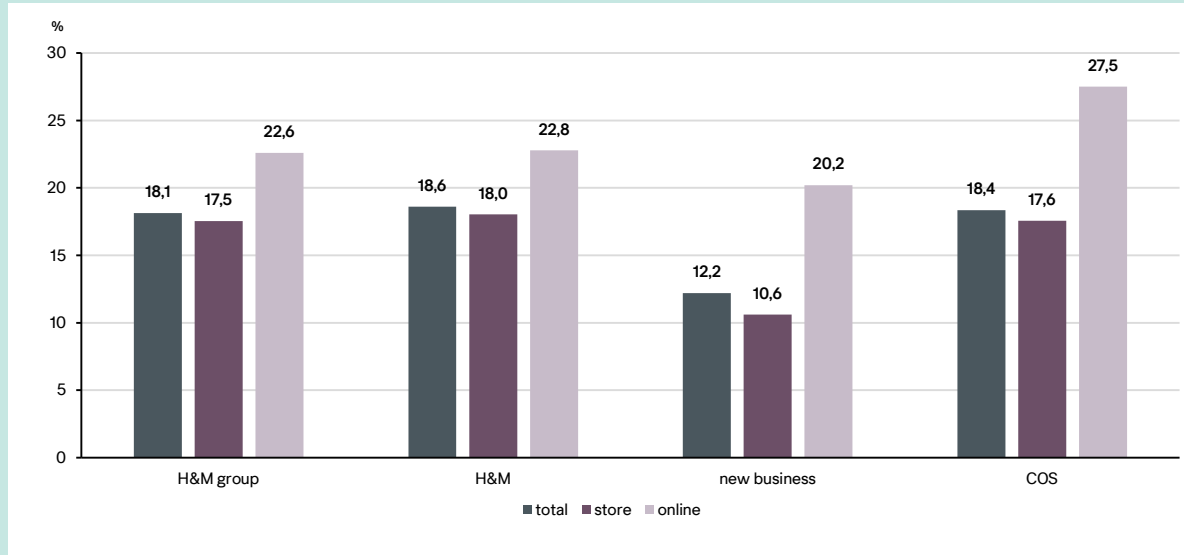


new business SEK 17.3 bn



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

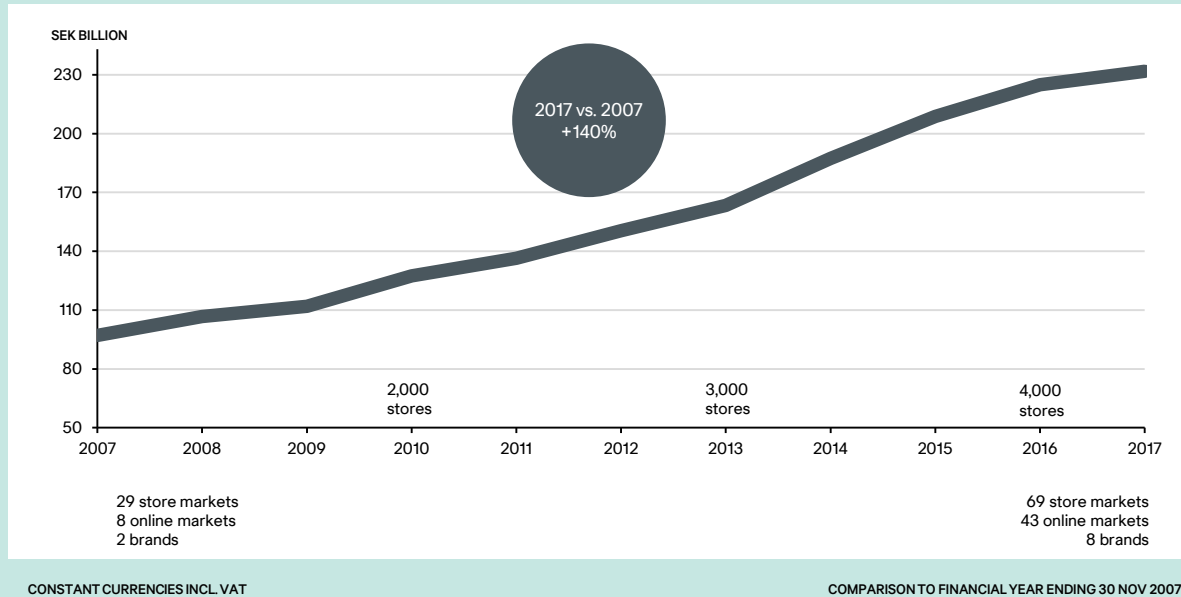
retail profit* % of sales 2017



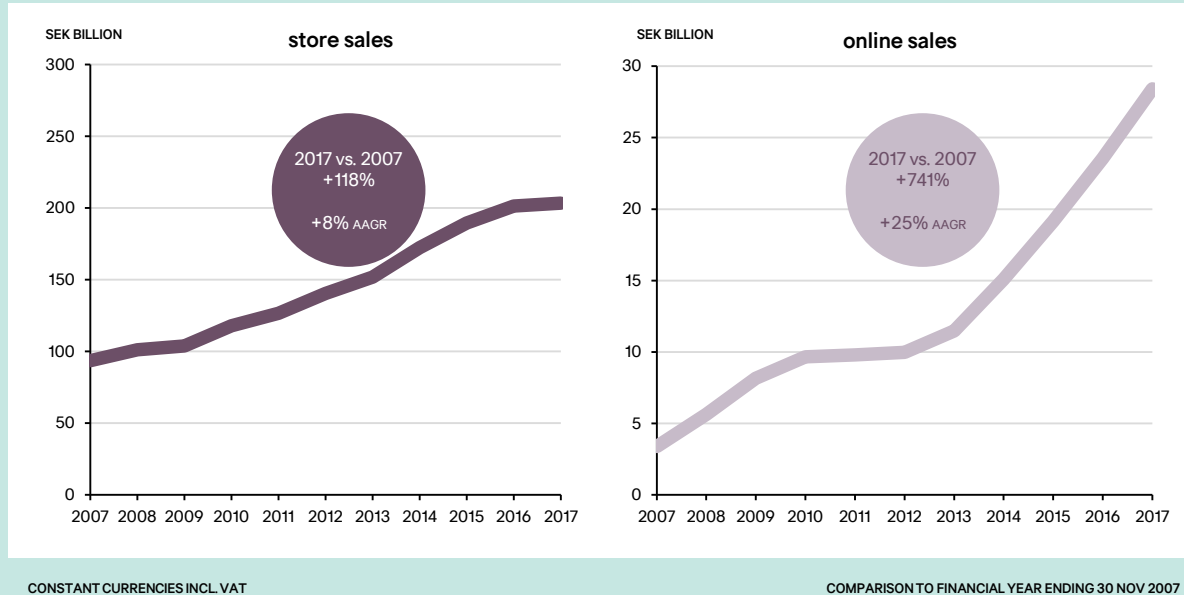
*EBITDA EXCLUDING ADMINISTRATIVE EXPENSES

COS IS A PART OF NEW BUSINESS

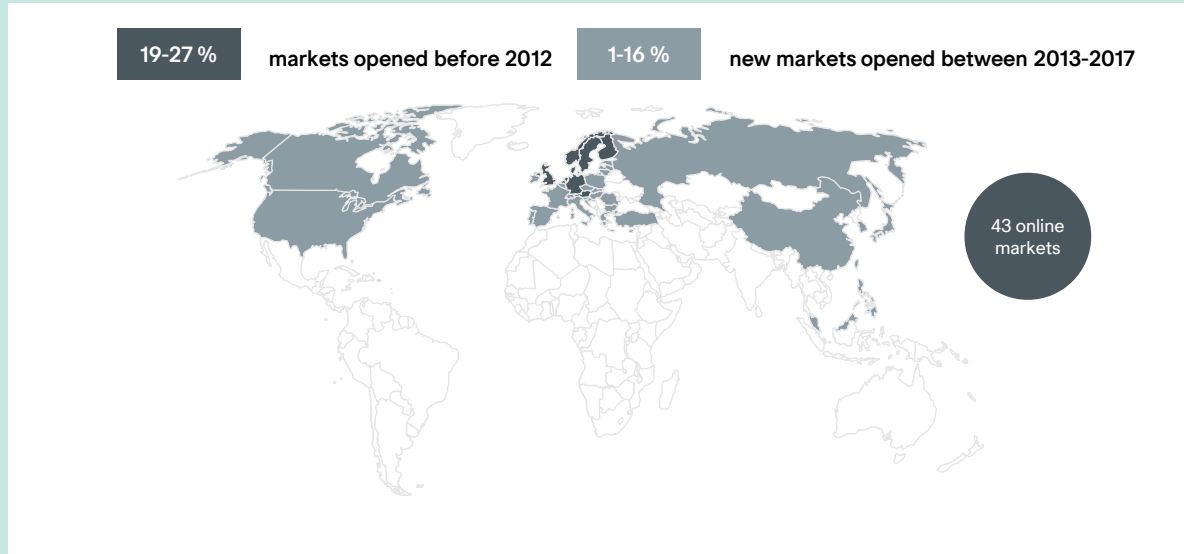
sales development



sales growth per channel

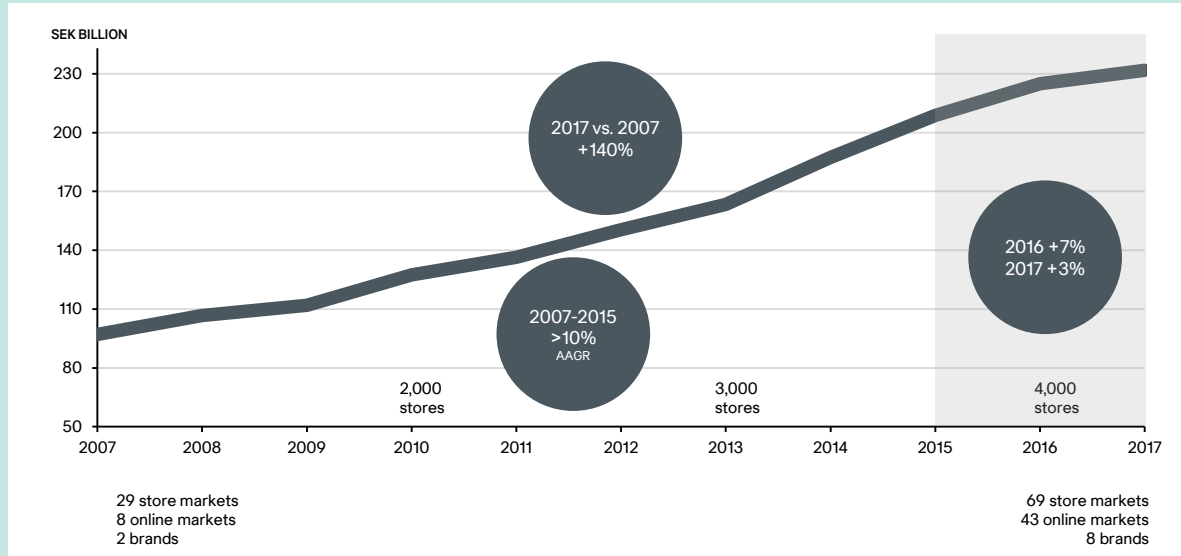


online share of sales 2017



12.5% SHARE OF TOTAL SALES

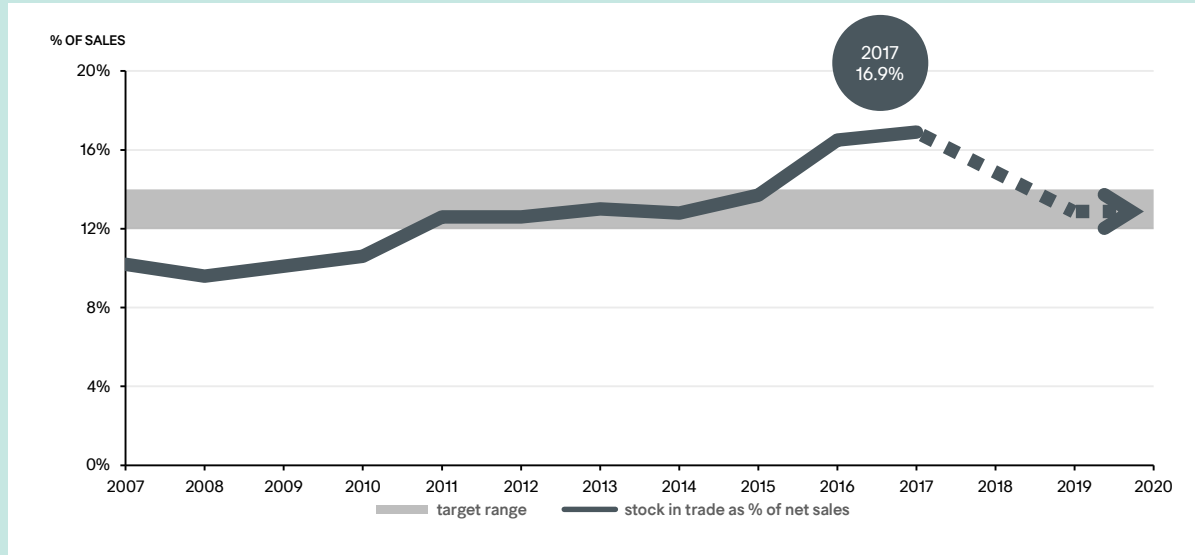
sales development



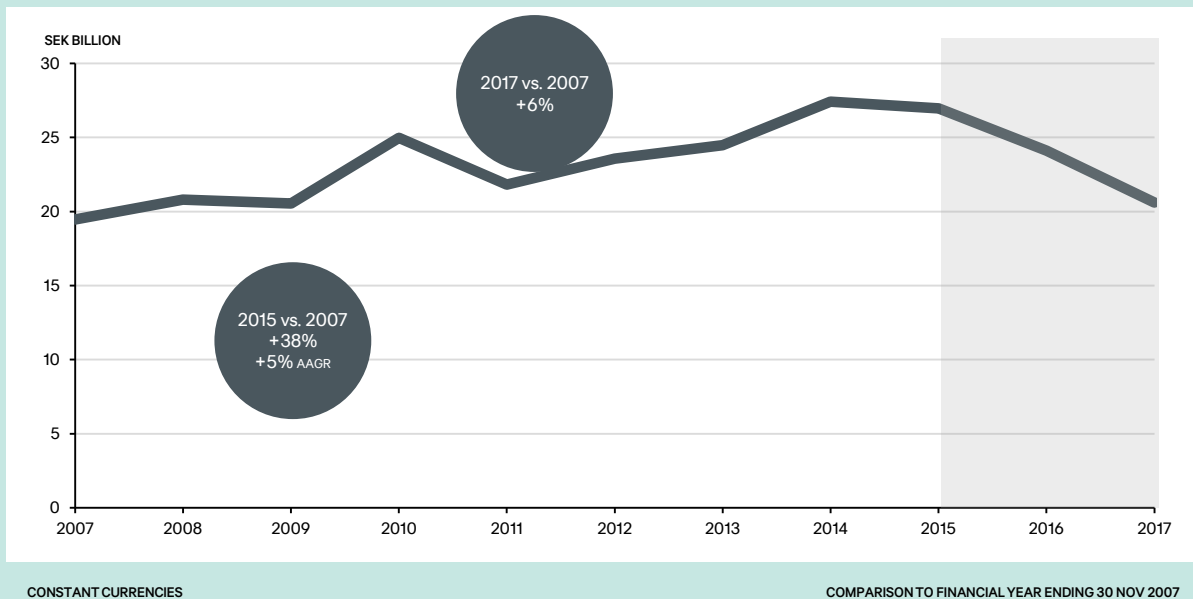
CONSTANT CURRENCIES INCL. VAT

COMPARISON TO FINANCIAL YEAR ENDING 30 NOV 2007

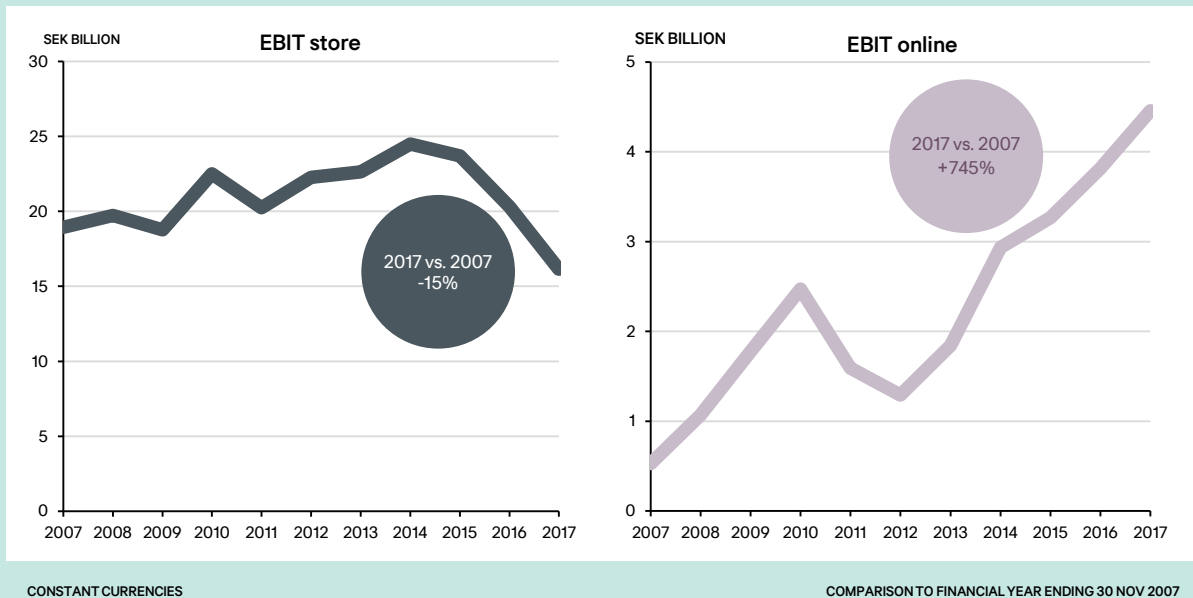
stock-in-trade in relation to net sales



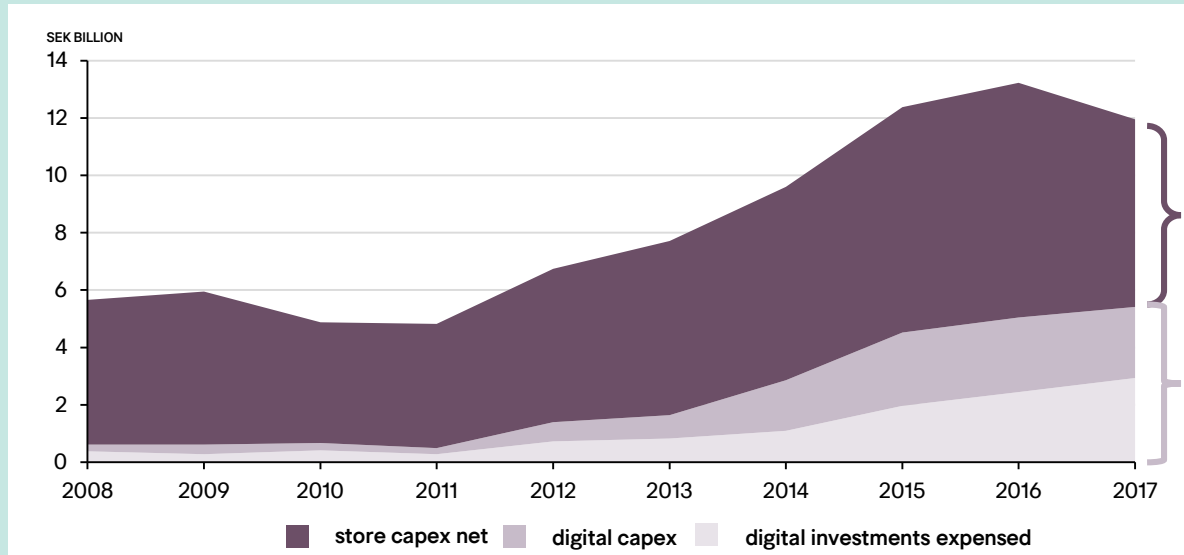
EBIT development



EBIT per channel



strategic growth investments

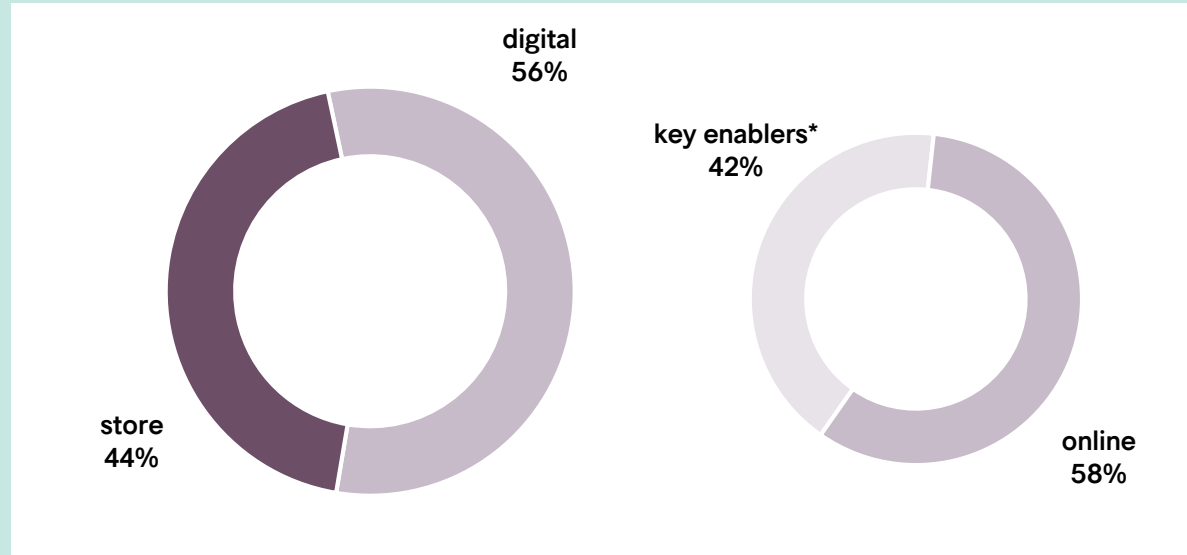


CONSTANT CURRENCIES

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

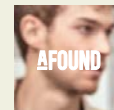
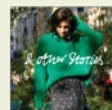
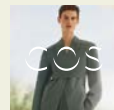
- product and assortment
- inspiring, relevant and convenient shopping

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

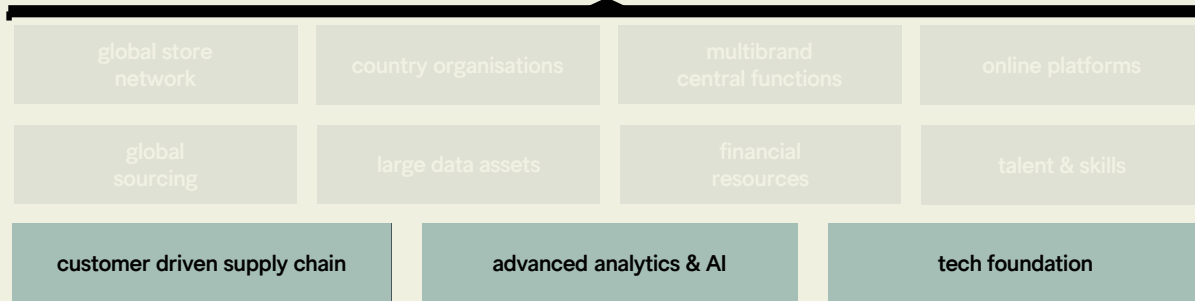
online

- 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

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



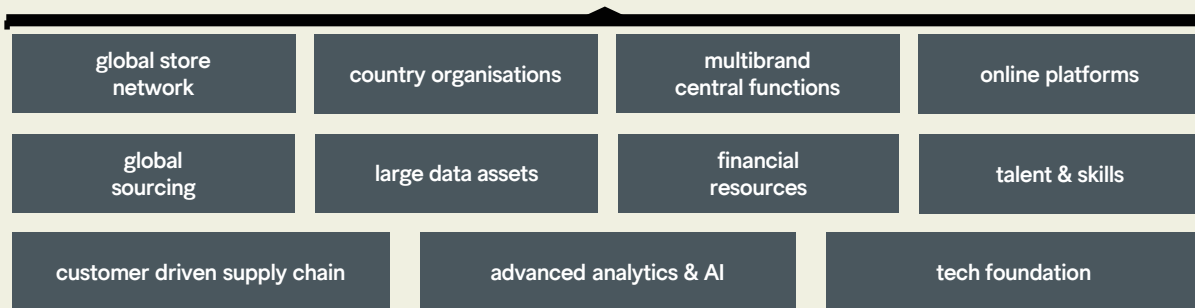
accelerate
key
enablers


tech foundation

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



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

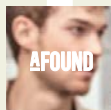
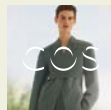
new growth

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!