

**marimekko**



**9 August 2018  
Tiina Alahuhta-Kasko**

**Half-year Financial  
Report 1-6/2018**





## Q2/2018 in brief

- + Net sales grew by 24% and international sales by 17%.
- + Growth in net sales was generated primarily by Finnish retail and wholesale sales as well as wholesale sales in the Asia-Pacific region.
  - Retail sales in Finland grew partly due to a change in the timing of the company's biannual sales promotion.
  - Wholesale sales in Finland grew due to nonrecurring promotional deliveries.
  - Part of the growth in wholesale sales in the Asia-Pacific region was due to deliveries for the third quarter being transferred to the period under review.
- + Comparable operating profit improved significantly, boosted by growth in net sales.
- + Marimekko's financial position strengthened due to the sale of the company's head office.
  - Marimekko booked a non-recurring taxable capital gain of EUR 6.0 million on the transaction for the second quarter of 2018; the cash flow impact before taxes was EUR 10.5 million.
  - In the autumn, the company's Board of Directors will examine various options to use the funds obtained from the transaction.
- Operating profit was weakened by a decline in relative sales margin, due mainly to an increase in the share of wholesale sales of net sales.



# Key figures

## Q2/2018

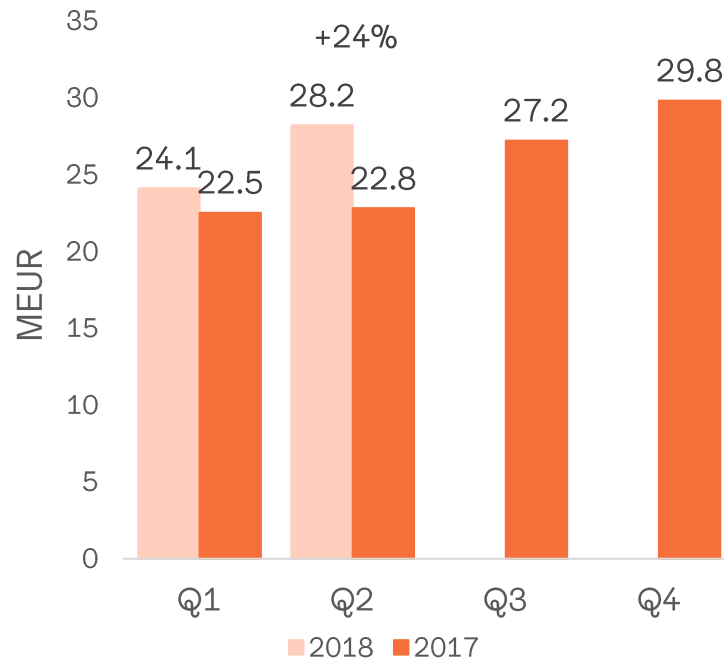
- Net sales EUR 28.2 million (22.8)
- Brand sales EUR 85.5 million (40.9)
- EBITDA EUR 9.8 million (1.5)
- Comparable EBITDA EUR 3.7 million (1.5)
- Operating profit EUR 9.1 million (0.7)
- Comparable operating profit EUR 3.1 million (0.7)
- Earnings per share EUR 0.90 (0.01)

## 1-6/2018

- Net sales EUR 52.3 million (45.3)
- Brand sales EUR 143.0 million (85.6)
- Operating profit EUR 10.3 million (1.6)
- Comparable operating profit EUR 4.3 million (1.8)

**Net sales and  
operating profit**

# Net sales Q2/2018



Net sales +24% to EUR 28.2 million (22.8)

- retail sales +22%
- wholesale sales +31%

International sales +17% to EUR 12.1 million (10.4)

- retail sales +12%
- wholesale sales +24%

Sales in Finland +30% to EUR 16.2 million (12.4)

- retail sales +25% (like-for-like +30%\*)
- wholesale sales +45%

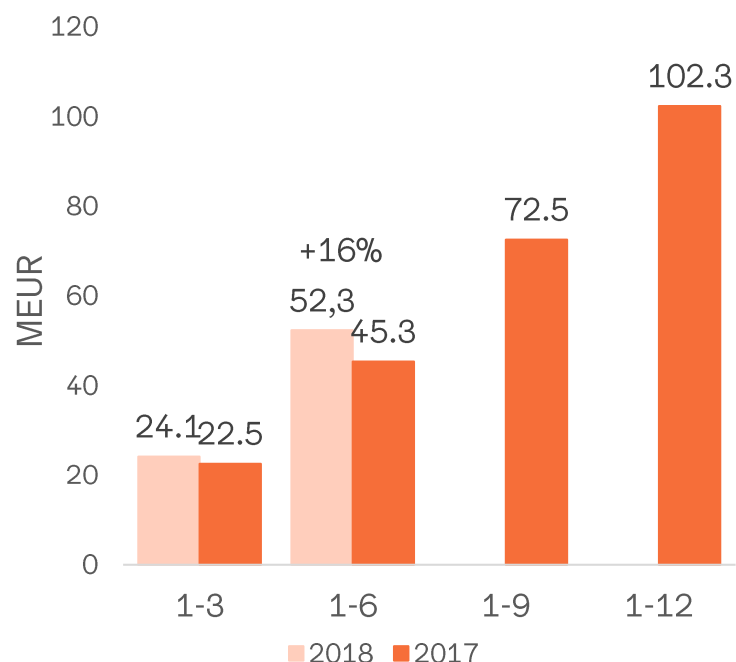
- + Growth in net sales was generated primarily by Finnish retail and wholesale sales as well as wholesale sales in the Asia-Pacific region
  - Retail sales in Finland grew partly due to a change in the timing of the company's biannual sales promotion
  - Wholesale sales in Finland grew due to nonrecurring promotional deliveries
  - Part of the growth in wholesale sales in the Asia-Pacific region was due to deliveries for the third quarter being transferred to the period under review

MEUR	4-6/2018	4-6/2017	Change, %
Finland	16.2	12.4	30
Scandinavia	2.2	1.9	20
EMEA	2.3	2.3	1
North America	2.4	2.1	17
Asia-Pacific	5.1	4.2	24
TOTAL	28.2	22.8	24

\*Includes both bricks-and-mortar and online sales.



# Net sales 1-6/2018



Net sales +16% to EUR 52.3 million (45.3)

- retail sales +10%
- wholesale sales +22%

International sales +15% to EUR 24.2 million (21.0)

- retail sales +5%
- wholesale sales +19%

Sales in Finland +16% to EUR 28.1 million (24.2)

- retail sales +11% (like-for-like +11%\*)
- wholesale sales +27%

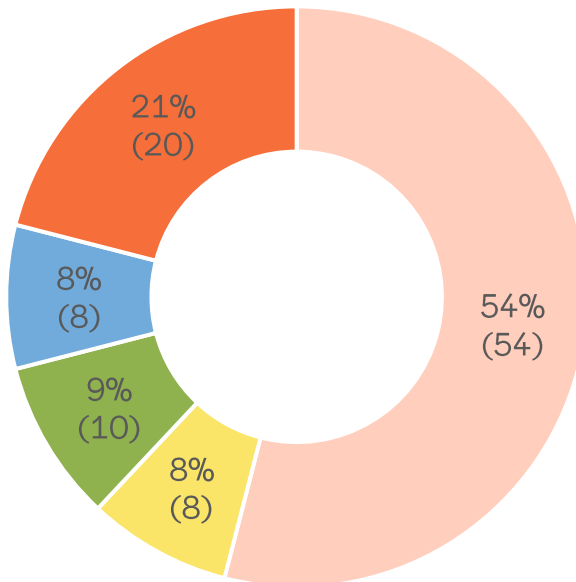
MEUR	1-6/2018	1-6/2017	Change, %
Finland	28.1	24.2	16
Scandinavia	4.1	3.6	14
EMEA	4.9	4.4	11
North America	4.0	3.8	6
Asia-Pacific	11.2	9.2	22
TOTAL	52.3	45.3	16

\*Includes both bricks-and-mortar and online sales.

# Net sales by market area and by product line

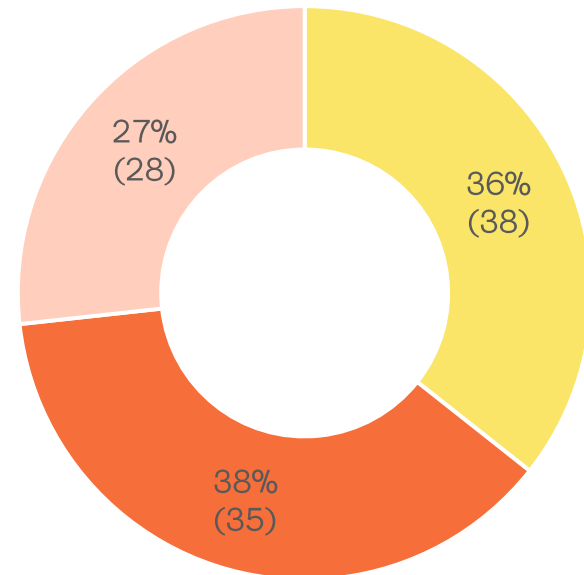
Net sales by market area  
1-6/2018

Finland Scandinavia EMEA  
North America Asia-Pacific



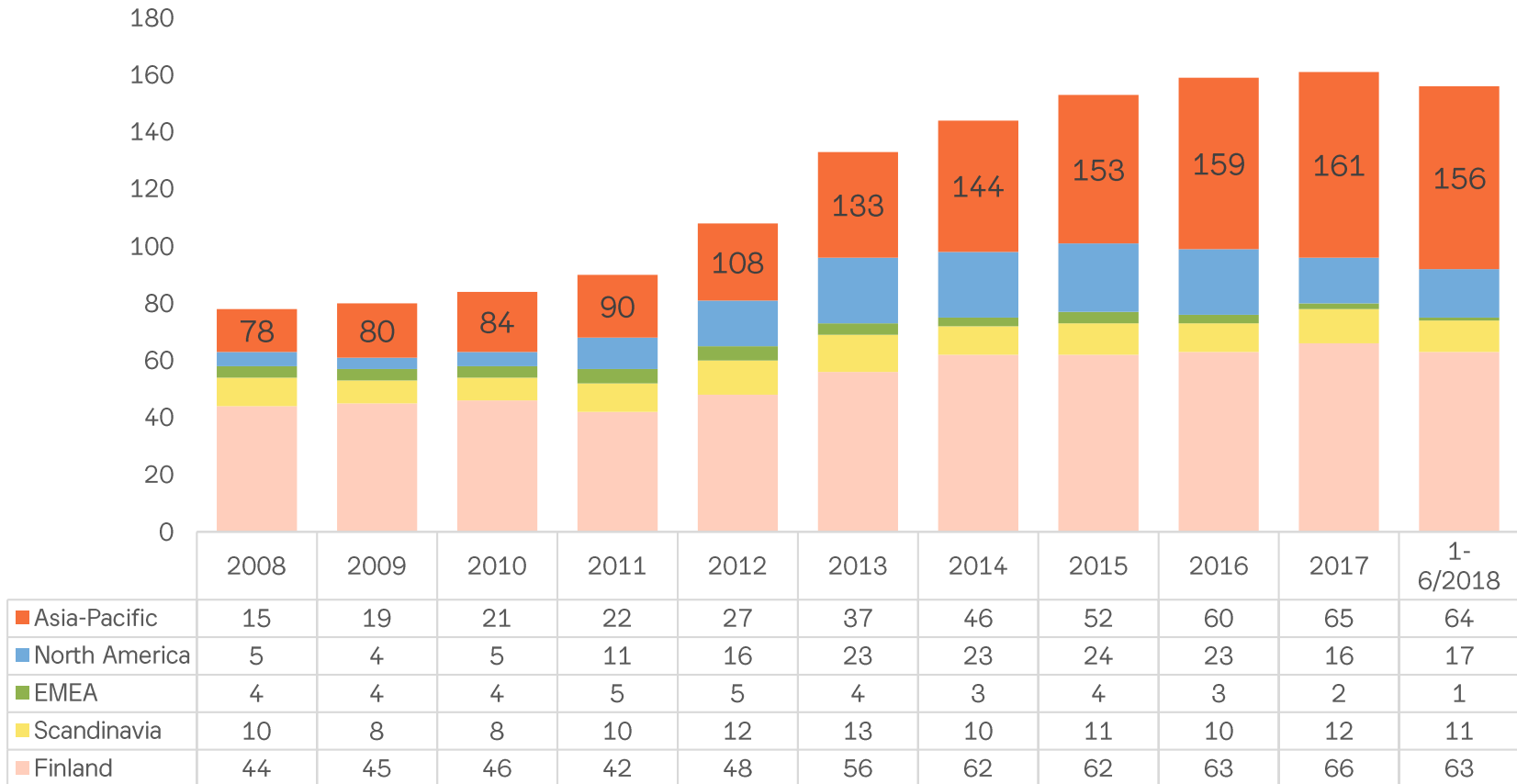
Net sales by product line  
1-6/2018

Fashion Home Bags & Accessories





# 156 stores\* at the end of June 2018

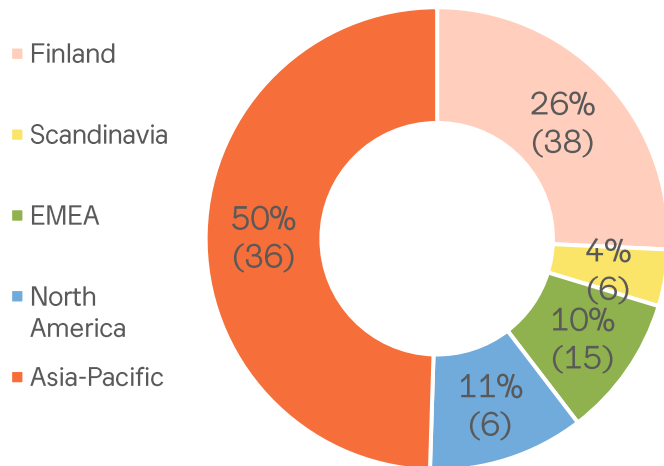


\*Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 54 at the end of June 2018 (56).

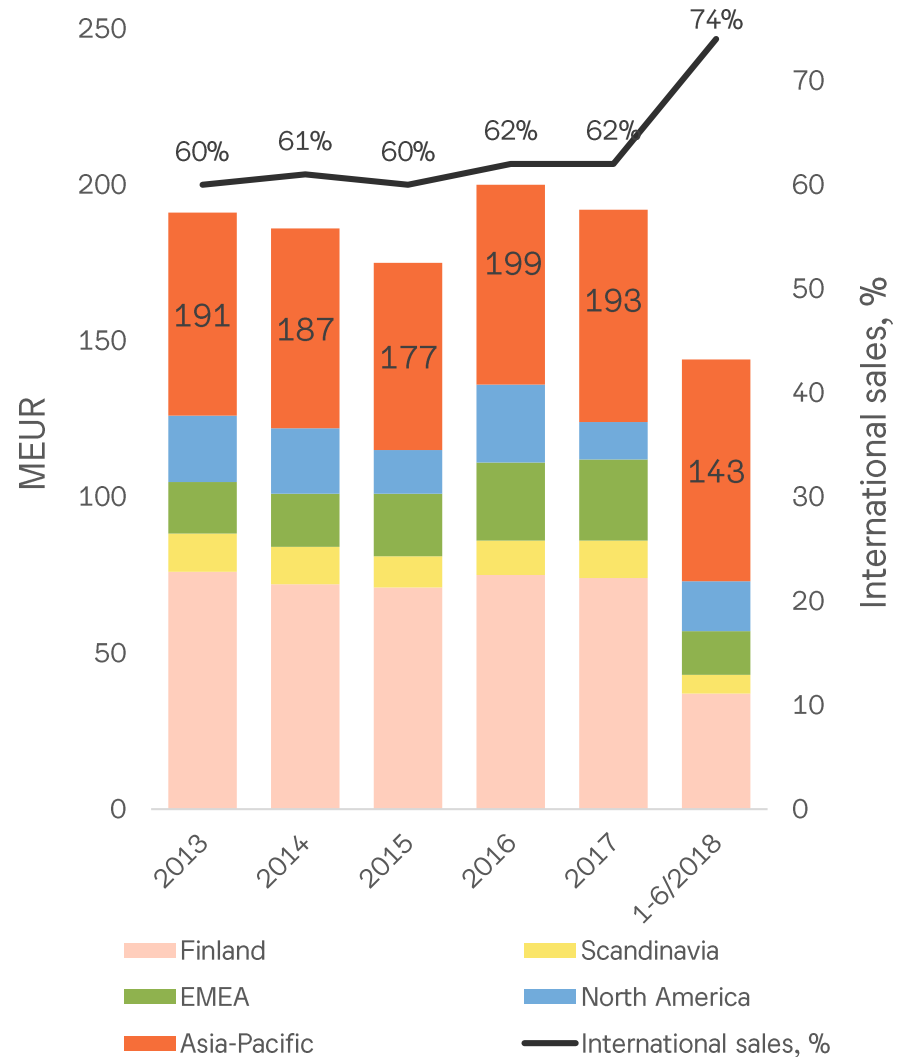
# Marimekko brand sales

In Q2, 76% of the brand sales came from abroad (60)

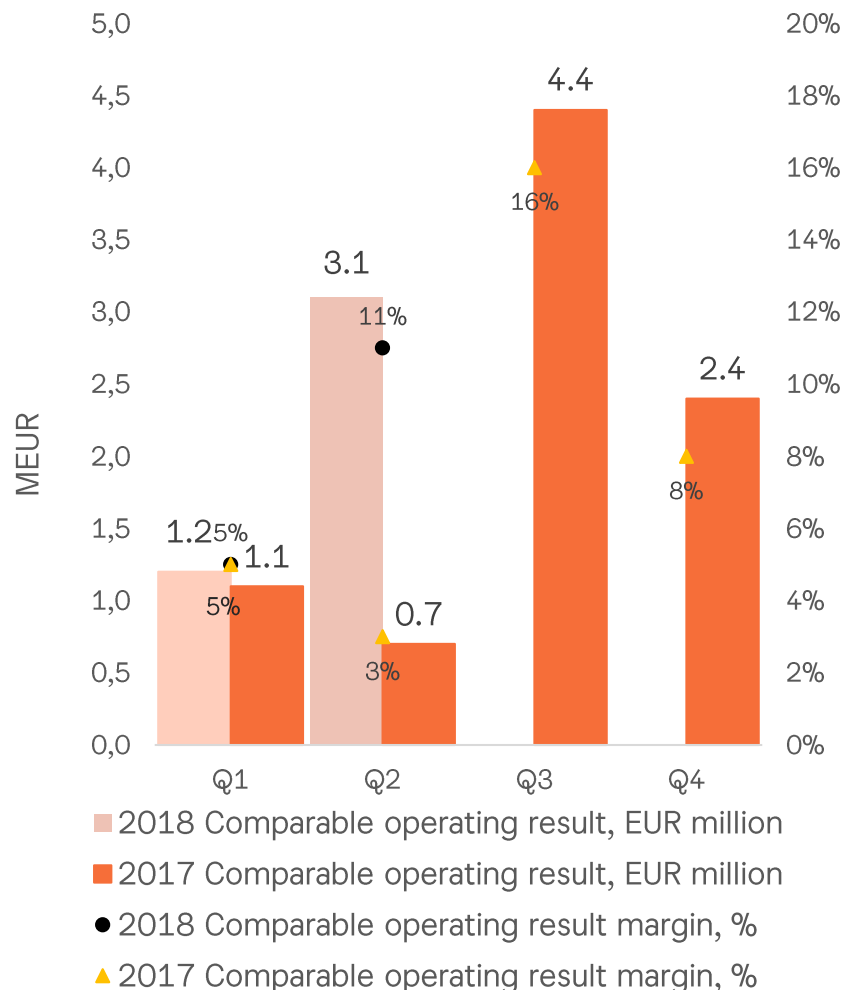
Brand sales by market area  
1-6/2018



MEUR	1-6/2018	1-6/2017	Change, %
Finland	36.6	32.5	12
Scandinavia	5.6	4.9	14
EMEA	14.1	12.5	12
North America	15.9	5.1	213
Asia-Pacific	70.9	30.5	132
TOTAL	143.0	85.6	67



# Operating profit Q2/2018



Operating profit EUR 9.1 million (0.7)

- Operating profit included a non-recurring taxable capital gain of EUR 6.0 million due to the sale of the company's head office

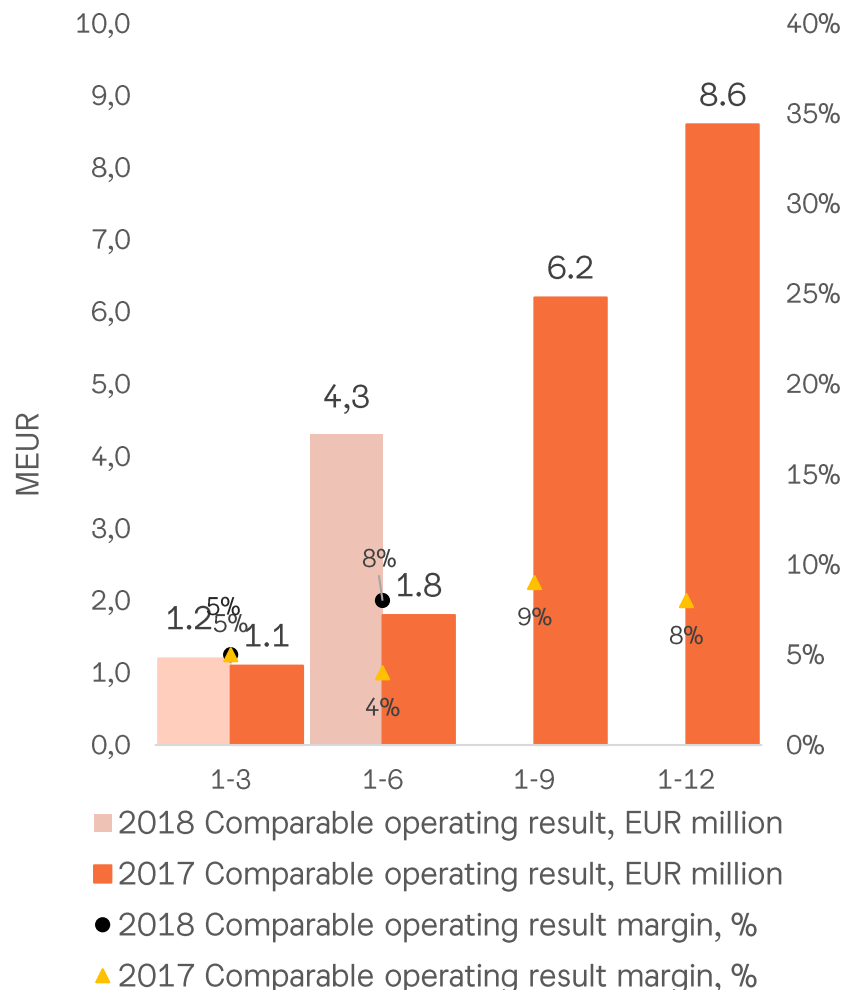
Comparable operating profit EUR 3.1 million (0.7)

+ Growth in net sales

– Decline in relative sales margin

- share of wholesale sales of net sales higher than in the comparison period

# Operating profit 1-6/2018



Operating profit EUR 10.3 million (1.6)

- Operating profit included a non-recurring taxable capital gain of EUR 6.0 million due to the sale of the company's head office

Comparable operating profit EUR 4.3 million (1.8)

- + Growth in net sales
- + Reduced depreciation
- Decline in relative sales margin
  - share of wholesale sales of net sales higher than in the comparison period
- Increase in fixed costs



# Key figures

	4-6/ 2018	4-6/ 2017	Change, %	1-6/ 2018	1-6/ 2017	Change, %	2017
Net sales, EUR million	28.2	22.8	24	52.3	45.3	16	102.3
International sales, EUR million	12.1	10.4	17	24.2	21.0	15	46.6
<i>% of net sales</i>	43	45		46	46		46
EBITDA, EUR million	9.8	1.5		11.7	3.3		11.7
Comparable operating result, EUR million	3.1	0.7		4.3	1.8	136	8.6
<i>Comparable operating result margin, %</i>	11.1	3.1		8.2	4.0		8.4
Result for the period, EUR million	7.3	0.1		7.9	0.7		5.7
Earnings per share, EUR	0.90	0.01		0.98	0.08		0.70
Cash flow from operating activities, EUR million	5.6	-1.6		3.7	-2.7		9.8
<i>Return on investment (ROI), %</i>				45.9	17.4		21.6
<i>Equity ratio, %</i>				68.9	54.0		65.2
<i>Gearing, %</i>				-43.8	35.5		-9.4
Gross investments, EUR million	0.4	0.4	0	0.8	0.7	15	1.2
Contingent liabilities, EUR million				46.0	33.7	36	25.7
Personnel at the end of the period				456	452	1	446
outside Finland				104	109	-5	122

**Events during  
the period**

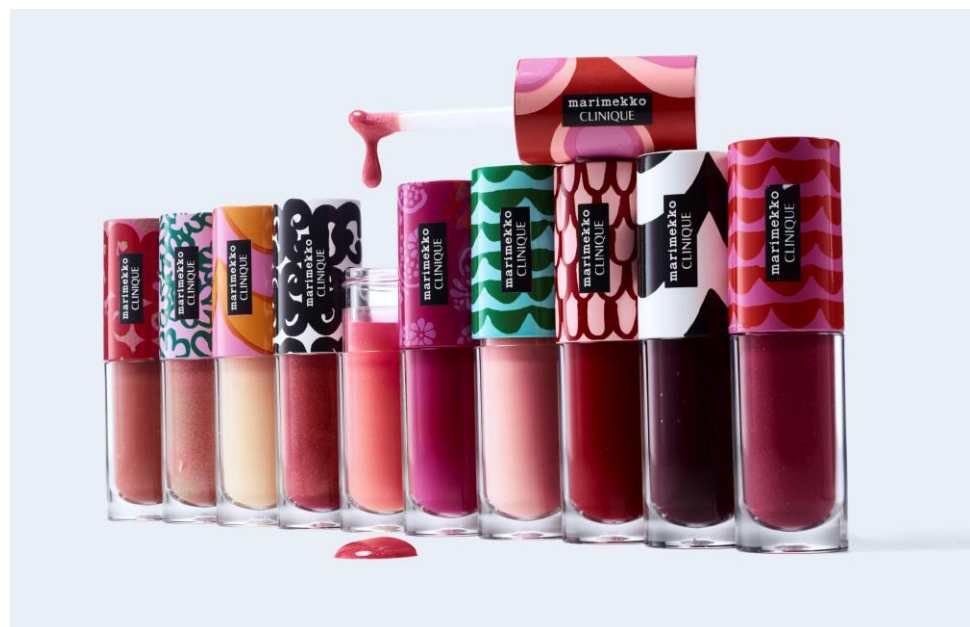
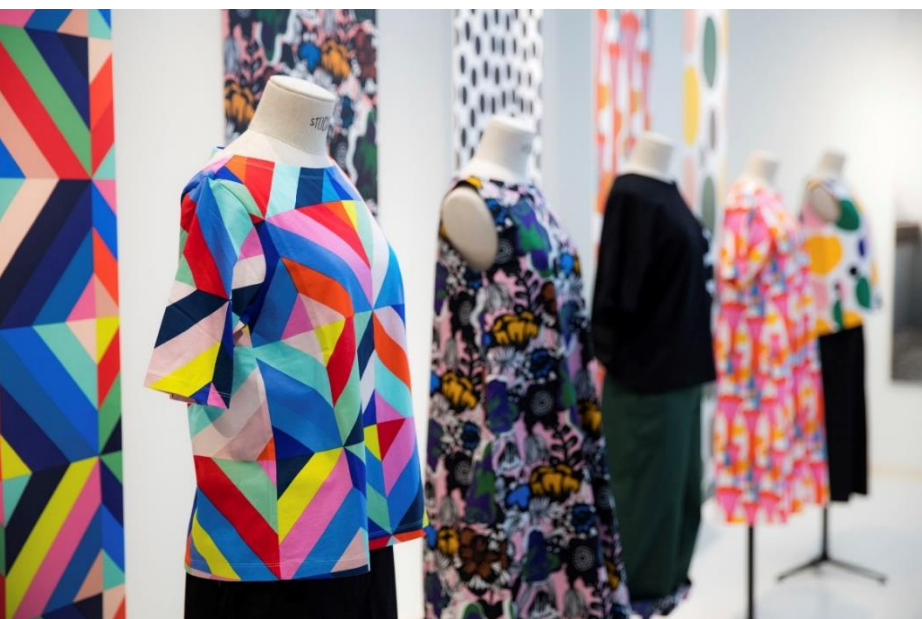


# Sale and leaseback of head office

In April 2018, Marimekko announced that it has sold its head office building in Herttoniemi, Helsinki to the Finnish Real Estate Fund Finland III Ky, a fund of OP Financial Group. Marimekko also signed a long-term lease agreement and remained as a tenant in the building.

As a result of the transaction, Marimekko booked a non-recurring taxable capital gain of EUR 6.0 million in the second quarter of 2018 and the cash flow impact before taxes was EUR 10.5 million. In addition, OP has committed to invest in renovating the building.

As a result of the transaction, Marimekko's expenses will increase by about EUR 1 million and depreciation will decrease by about EUR 0.5 million annually.



Limited-edition collaboration collections with the clothing brand Uniqlo and the cosmetics brand Clinique conferred exceptionally broad international visibility during the first of half the year.





This summer Marimekko's Esplanadi Fashion Show was based around the theme of equality in honour of the 50th anniversary of the striped Tasaraita pattern. This Marimekko classic and symbol of equality was designed by Annika Rimala in 1968 for everyone regardless of age or gender.

# Market outlook and growth targets for 2018

## Finland

- Finland represents about half of the company's net sales.
- Growth in retail trade in Finland is forecast to be at a fairly good level.
- Nonrecurring promotional deliveries will have a positive impact on the company's sales in 2018. About half of the deliveries were due in the second quarter and the remainder is fairly evenly distributed over the other quarters of the year.
- Marimekko's sales in Finland are expected to grow in 2018.

## The Asia-Pacific region

- The Asia-Pacific region, Marimekko's second-biggest market, plays a significant part in the company's internationalisation.
- Japan is clearly the most important country to Marimekko in this region; the other countries' combined share of the company's net sales is still relatively small, as operations in these markets are in fairly early stages.
- Sales in Japan are supported by enhancing the operations of stores and by optimising the product range.
- Sales in the Asia-Pacific region in 2018 are forecast to grow, and the company sees increasing demand for its products in this area especially in the longer term.

## Also

- Royalty income in 2018 is expected to be roughly on a par with the previous year.
- The expenses of marketing operations in 2018 are forecast to be higher than in 2017 (EUR 4.5 million). The total investments are estimated to grow relative to the previous year (EUR 1.2 million).
- Due to the seasonal nature of Marimekko's business, the major portion of the company's net sales and earnings are traditionally generated during the last two quarters of the year. In 2018, net sales and earnings for the second quarter were to some extent boosted by timing-related factors. Sales growth in Finland was partly attributable to a change in the timing of the annual spring sales promotion, in addition to nonrecurring promotional deliveries, and part of the growth in wholesale sales in the Asia-Pacific region was due to deliveries for the third quarter being transferred to the preceding quarter. The share of holiday sales in particular of the company's net sales for the last quarter is considerable and the outcome of the holiday season has a significant impact on results for the whole year.

## Growth targets for 2018

- The main thrust in expansion remains on openings of retailer-owned Marimekko stores.
- The company's own e-commerce and other online sales channels are forecast to continue to grow.
- The aim is to open around 10–15 new Marimekko stores and shop-in-shops.
- The company will continue the enhancement of the operations of Marimekko stores opened in recent years.



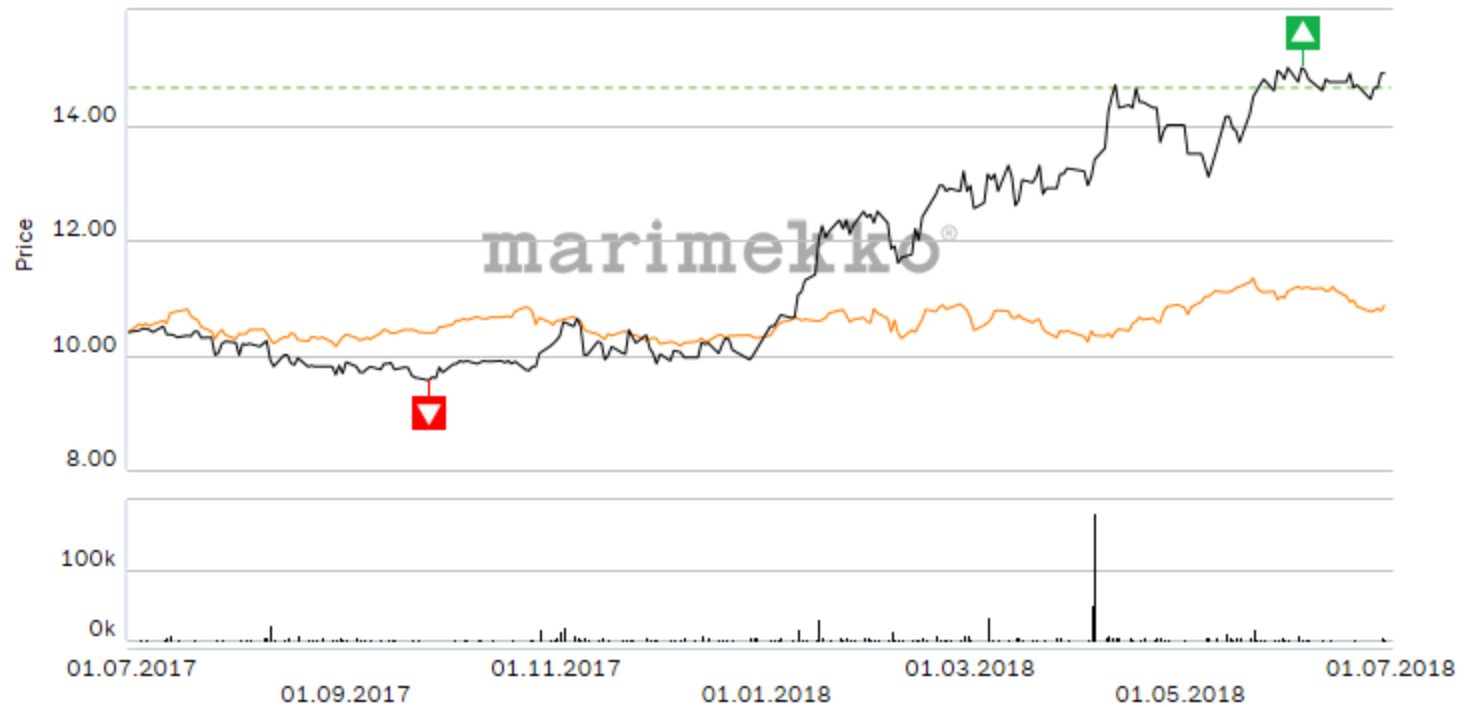
# Financial guidance for 2018 (specified)

Marimekko specifies its net sales estimate for 2018: net sales are forecast to be higher than in the previous year. The estimate of comparable operating profit remains unchanged.

The specified estimate in full is as follows: the Marimekko Group's net sales for 2018 are forecast to be higher than in the previous year and comparable operating profit is forecast to be at the same level as or higher than in the previous year.

In its interim report of 9 May 2018, the company estimated that the Group's net sales and comparable operating profit for 2018 would be at the same level as or higher than in the previous year.

# Share price, previous 12 months



■ Marimekko Corporation ■ Nasdaq Helsinki



# Appendices

# Income statement

MEUR	4-6/2018	4-6/2017	1-6/2018	1-6/2017
NET SALES	28.2	22.8	52.3	45.3
Other operating income	6.1	0.1	6.2	0.2
Use of materials and consumables*	-10.8	-7.9	-19.7	-15.8
Employee benefit expenses	-6.3	-6.1	-12.6	-12.4
Depreciation and impairments	-0.6	-0.8	-1.4	-1.7
Other operating expenses	-7.5	-7.3	-14.5	-14.1
OPERATING PROFIT	9.1	0.7	10.3	1.6
Net financial items	0.2	-0.6	-0.1	-0.7
RESULT BEFORE TAXES	9.4	0.1	10.2	0.9
Income taxes	-2.1	0.0	-2.3	-0.2
NET RESULT	7.3	0.1	7.9	0.7

\*Sum of "Increase/decrease in inventories of completed and unfinished products" and "Raw materials and consumables".

# Balance sheet

MEUR	30.6.2018	30.6.2017	MEUR	30.6.2018	30.6.2017
Non-current assets	5.4	14.5	Equity	34.4	25.8
Inventories	21.0	22.4	Financial liabilities and finance lease liabilities	0.2	9.8
Other current assets	8.6	8.1	Other non-current liabilities	-	-
Cash and cash equivalents	15.5	2.9	Current liabilities	15.9	12.3
TOTAL ASSETS	50.5	47.9	SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	50.5	47.9

# Cash flow statement

MEUR	1-6/2018	1-6/2017
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL	5.6	3.2
Change in working capital	-0.2	-4.7
CASH FLOW FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAXES	5.4	-1.4
Financial items and taxes	-1.7	-1.3
CASH FLOW FROM OPERATING ACTIVITIES	3.7	-2.7
Cash flow from investing activities	9.9	-0.6
CASH FLOW BEFORE FINANCING ACTIVITIES	13.6	-3.3
Net change in long-term loans and payment of finance lease liabilities	-0.2	3.9
Dividends paid	-4.0	-3.2
CHANGE IN CASH AND CASH EQUIVALENTS	9.2	-0.6
Cash and cash equivalents at the beginning of the period	6.2	3.5
Cash and cash equivalents at the end of the period	15.5	2.9



# Largest shareholders, 30 June 2018

Quoted on Nasdaq Helsinki - Consumer goods

- 1999, I list
- 2002, main list

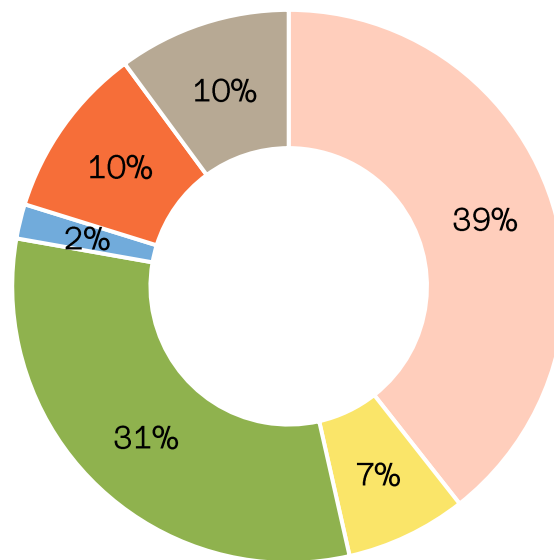
Market cap ~ EUR 120.4 million

7,800 shareholders

Largest shareholders, 30 June 2018	No. of shares and votes	%
PowerBank Ventures Oy (Mika Ihamuotila)	1,297,700	16.04
Moomin Characters Oy Ltd	615,240	7.61
Ehnröth Anna Sophia	400,377	4.95
Varma Mutual Pension Insurance Company	385,920	4.77
Oy Etra Invest Ab	236,823	2.93
Odin Finland	231,301	2.86
Veritas Pension Insurance Company Ltd.	220,000	2.72
Ilmarinen Mutual Pension Insurance Company	215,419	2.66
Nordea Nordic Small Cap Fund	162,007	2.00
Aktia Europe Small Cap Equity Fund	138,900	1.72

Ownership by sector,  
30 June 2018

- Households
- Financial and insurance corporations
- Non-financial corporations and housing corporations
- Non-profit institutions
- General government
- Nominee-registered and non-Finnish holders





## For more information

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