

marimekko



1 November 2018
Tiina Alahuhta-Kasko

Interim Report
1-9/2018



Q3/2018 in brief

- + Net sales grew by 10% and international sales by 4%.
- + Growth in net sales was generated primarily by Finnish retail and wholesale sales as well as wholesale sales in the Asia-Pacific region.
 - Wholesale sales in Finland grew mainly due to nonrecurring promotional deliveries.
 - In the comparison period, net sales in the Asia-Pacific region were boosted by increased royalties; no royalty income was generated this year.
- + Comparable operating profit improved by 44% to EUR 6.3 million, boosted by growth in net sales. Earnings were also improved by an increase in relative sales margin and reduced depreciation.
- Operating profit was weakened by lower royalties and higher fixed costs than in the comparison period.

Events after the end of the review period

Marimekko seeks to accelerate profitable growth and to improve capital efficiency, proposes distribution of an additional dividend of EUR 1.25 per share, as well as revises its long-term financial goals.

Key figures

Q3/2018

- Net sales EUR 29.8 million (27.2)
- Brand sales EUR 54.9 million (49.1)
- EBITDA EUR 6.8 million (5.2)
- Comparable EBITDA EUR 6.9 million (5.2)
- Operating profit EUR 6.2 million (4.4)
- Comparable operating profit EUR 6.3 million (4.4)
- Earnings per share EUR 0.60 (0.41)

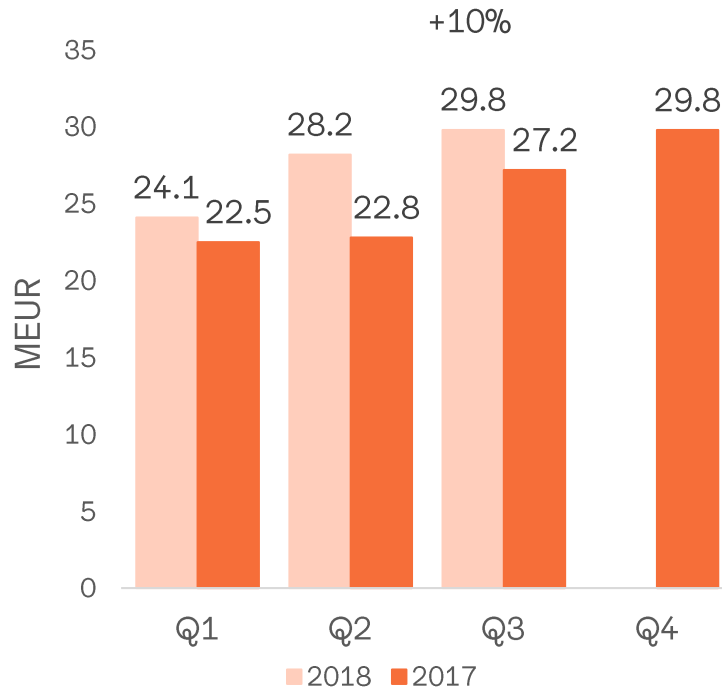
1-9/2018

- Net sales EUR 82.1 million (72.5)
- Brand sales EUR 197.9 million (134.7)
- Operating profit EUR 16.5 million (6.0)
- Comparable operating profit EUR 10.6 million (6.2)



**Net sales and
operating profit**

Net sales Q3/2018



Net sales +10% to EUR 29.8 million (27.2)

- retail sales +8%
- wholesale sales +19%

International sales +4% to EUR 12.7 million (12.2)

- retail sales -1%
- wholesale sales +16%

Sales in Finland +14% to EUR 17.2 million (15.1)

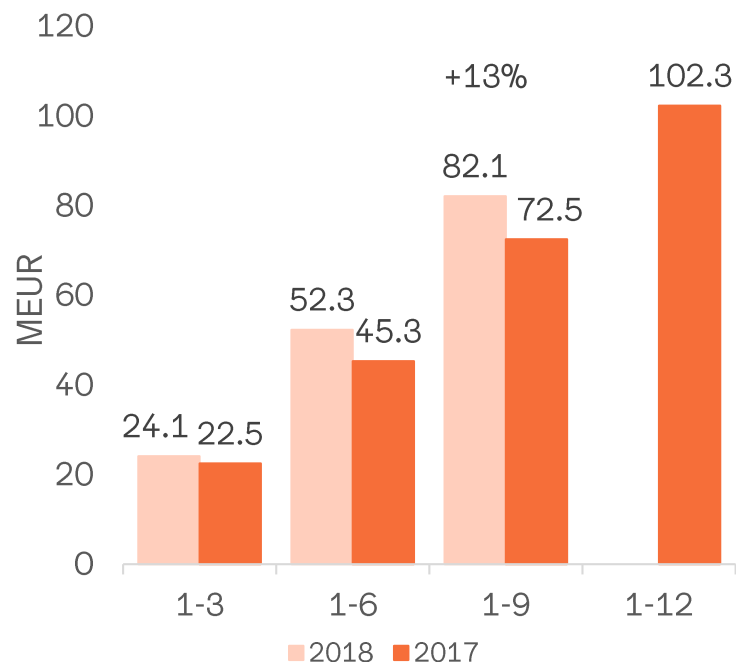
- retail sales +11% (like-for-like +9%*)
- wholesale sales +24%

- + Growth in net sales was generated primarily by Finnish retail and wholesale sales as well as wholesale sales in the Asia-Pacific region.
 - Wholesale sales in Finland grew mainly due to nonrecurring promotional deliveries.
 - In the comparison period, net sales in the Asia-Pacific region were boosted by increased royalties; no royalty income was generated this year.

MEUR	7-9/2018	7-9/2017	Change, %
Finland	17.2	15.1	14
Scandinavia	2.3	2.3	1
EMEA	2.7	2.2	20
North America	2.2	2.2	-1
Asia-Pacific	5.5	5.5	1
TOTAL	29.8	27.2	10

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

Net sales 1-9/2018



Net sales +13% to EUR 82.1 million (72.5)

- retail sales +9%
- wholesale sales +21%

International sales +11% to EUR 36.9 million (33.2)

- retail sales +3%
- wholesale sales +18%

Sales in Finland +15% to EUR 45.2 million (39.3)

- retail sales +11% (like-for-like +11%*)
- wholesale sales +26%

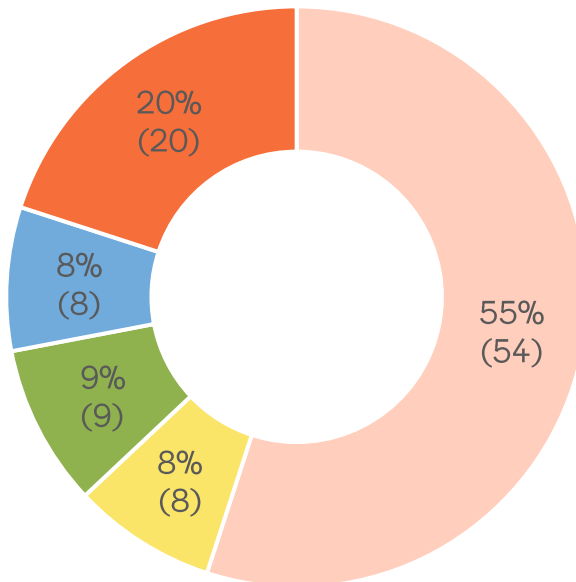
MEUR	1-9/2018	1-9/2017	Change, %
Finland	45.2	39.3	15
Scandinavia	6.4	5.9	9
EMEA	7.5	6.6	14
North America	6.2	6.0	3
Asia-Pacific	16.7	14.7	14
TOTAL	82.1	72.5	13

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

Net sales by market area and by product line

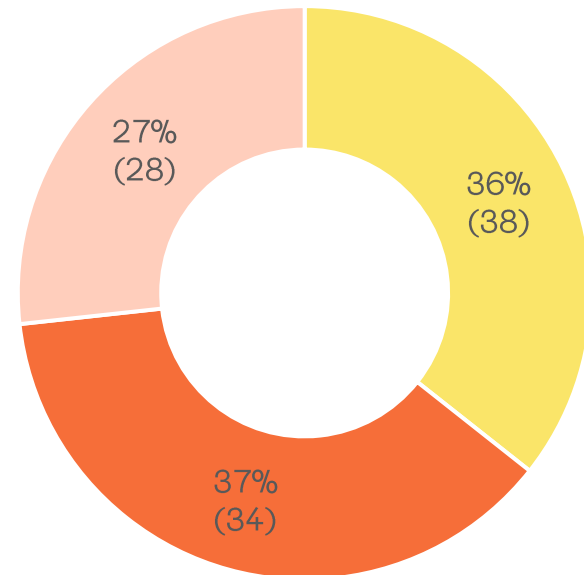
Net sales by market area
1-9/2018

Finland Scandinavia EMEA
North America Asia-Pacific

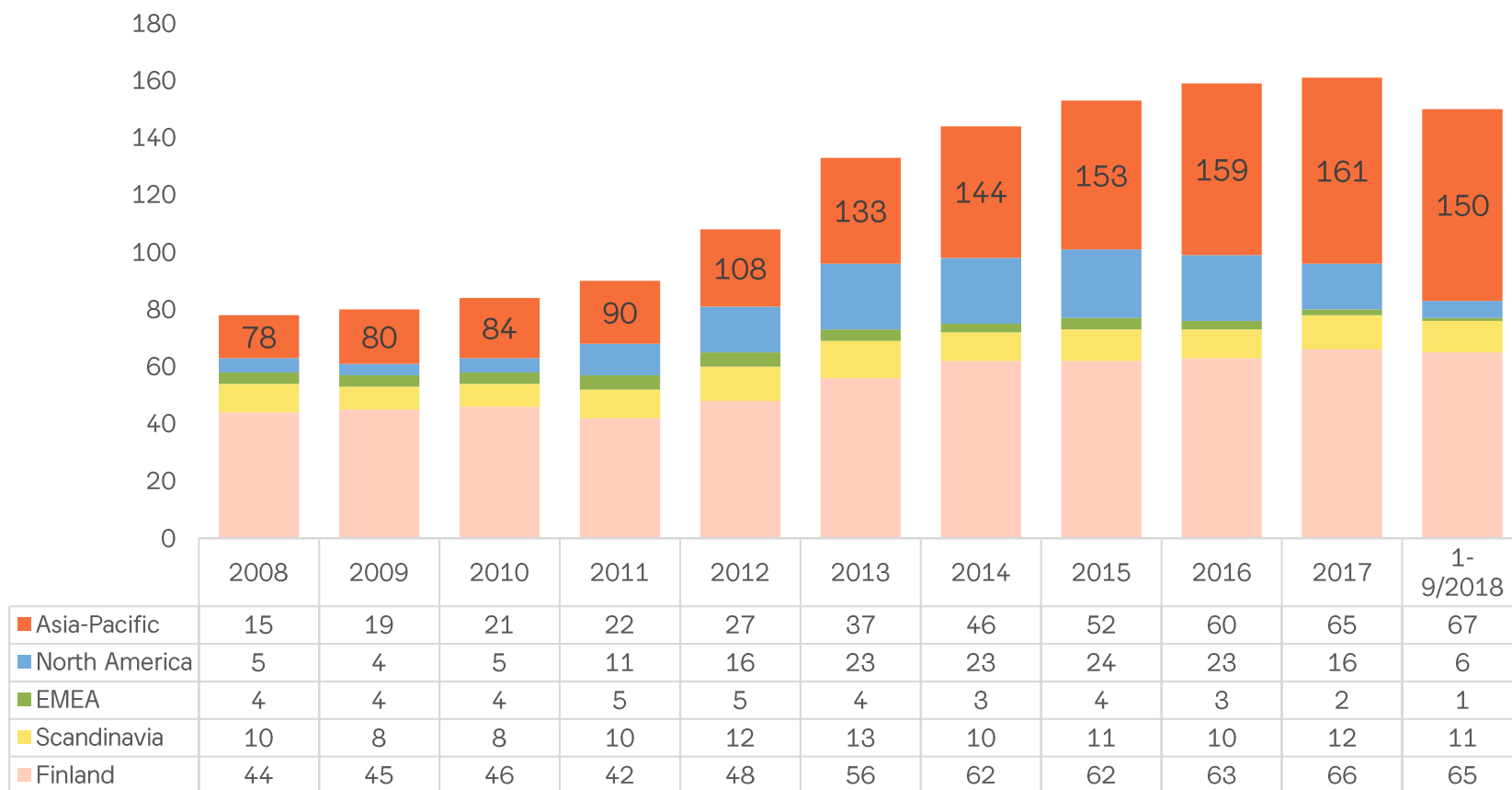


Net sales by product line
1-9/2018

Fashion Home Bags & Accessories



150 stores* at the end of September 2018

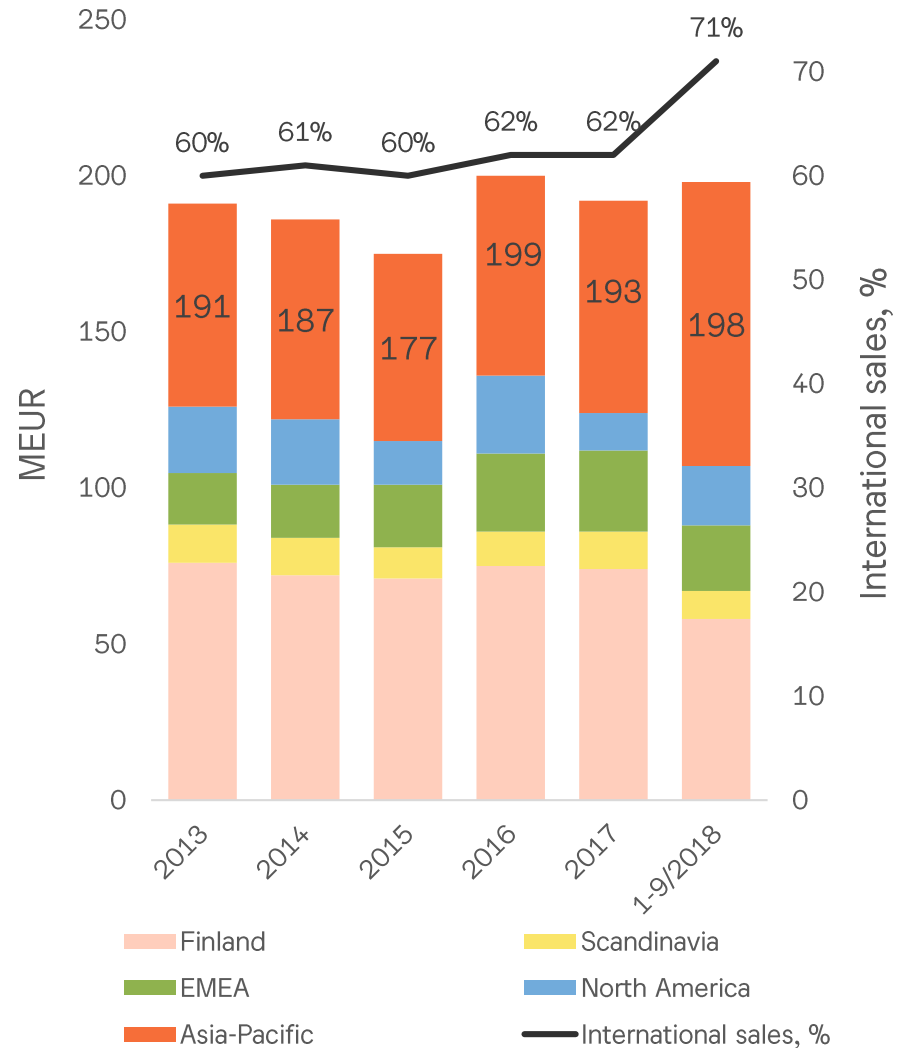
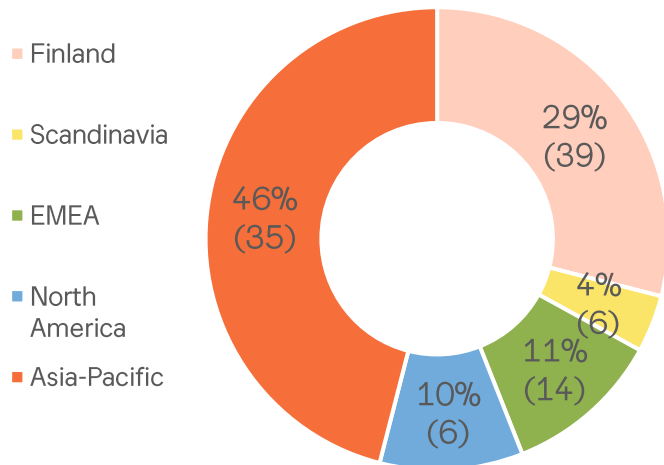


*Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 54 at the end of September 2018 (56).

Marimekko brand sales

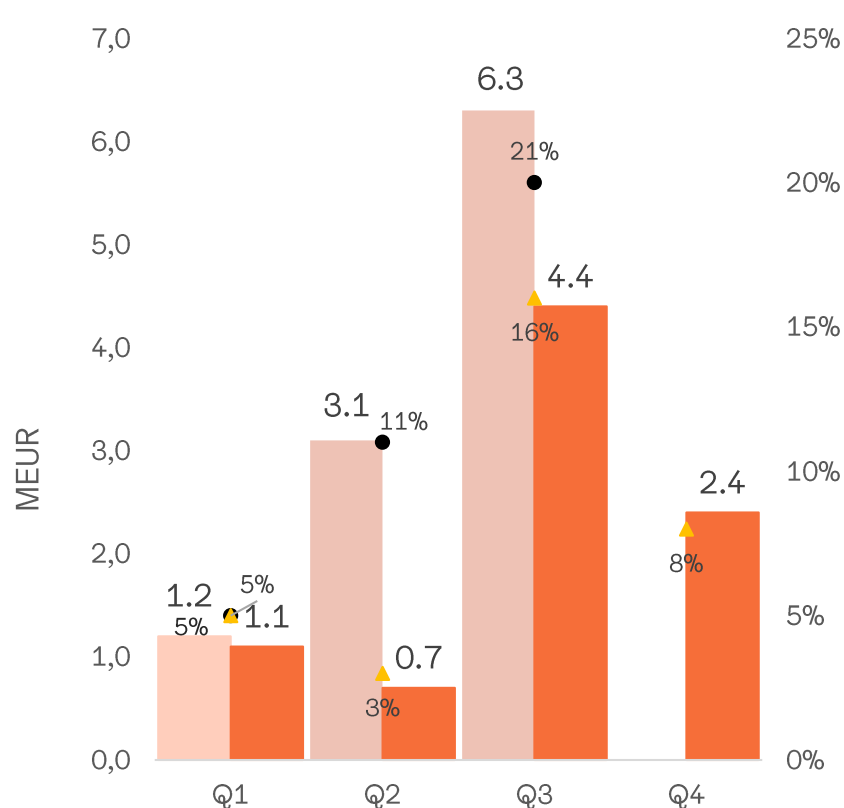
In Q3, 60% of the brand sales came from abroad (60)

Brand sales by market area
1-9/2018



MEUR	1-9/2018	1-9/2017	Change, %
Finland	58.3	52.4	11
Scandinavia	8.8	8.0	11
EMEA	20.9	18.7	12
North America	19.1	8.7	118
Asia-Pacific	90.9	46.9	94
TOTAL	197.9	134.7	47

Operating profit Q3/2018



Operating profit EUR 6.2 million (4.4)

Comparable operating profit EUR 6.3 million (4.4)

- + Growth in net sales
- + Increase in relative sales margin
- + Reduced depreciation
- Lower royalties
- Increase in fixed costs

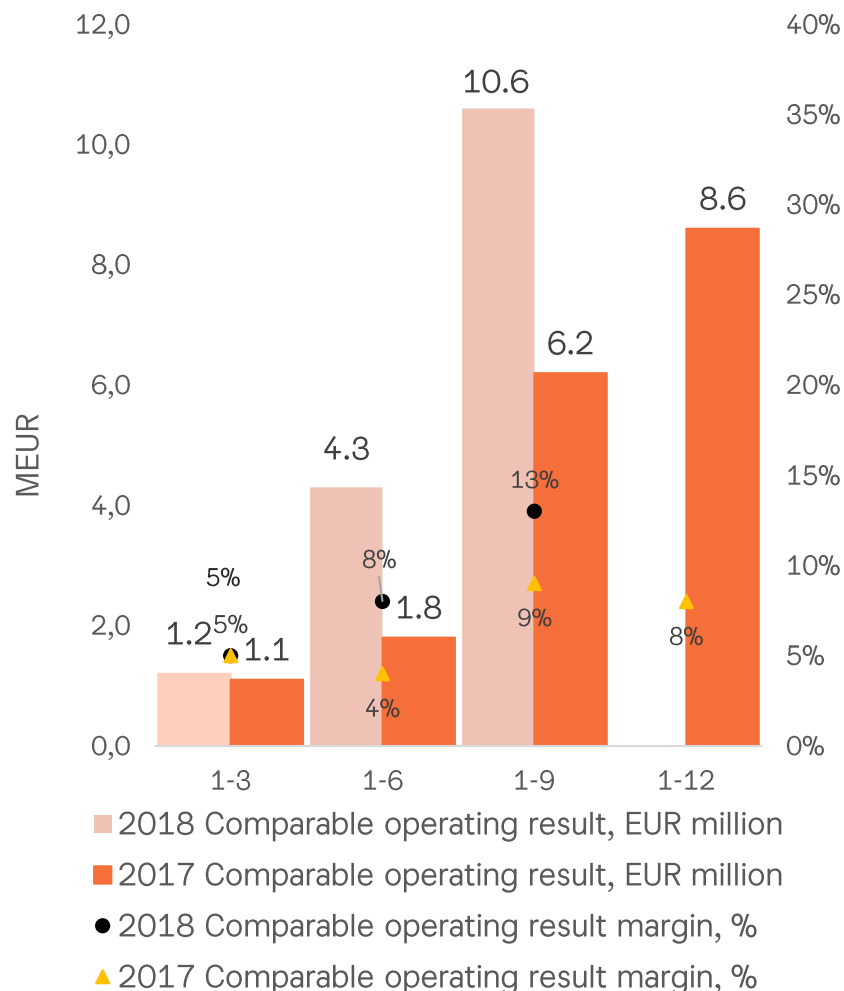
■ 2018 Comparable operating result, EUR million

■ 2017 Comparable operating result, EUR million

● 2018 Comparable operating result margin, %

▲ 2017 Comparable operating result margin, %

Operating profit 1-9/2018



Operating profit EUR 16.5 million (6.0)

- 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 10.6 million (6.2)

- + 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

	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	2017
Net sales, EUR million	29.8	27.2	10	82.1	72.5	13	102.3
International sales, EUR million	12.7	12.2	4	36.9	33.2	11	46.6
<i>% of net sales</i>	42	45		45	46		46
EBITDA, EUR million	6.8	5.2	29	18.4	8.5	117	11.7
Comparable operating result, EUR million	6.3	4.4	44	10.6	6.2	71	8.6
<i>Comparable operating result margin, %</i>	21.2	16.2		12.9	8.6		8.4
Result for the period, EUR million	4.9	3.3	48	12.8	3.9	224	5.7
Earnings per share, EUR	0.60	0.41	48	1.58	0.49	224	0.70
Cash flow from operating activities, EUR million	2.8	3.6	-24	6.5	0.9		9.8
<i>Return on investment (ROI), %</i>				48.5	18.3		21.6
<i>Equity ratio, %</i>				73.3	61.9		65.2
<i>Gearing, %</i>				-46.6	20.0		-9.4
Gross investments, EUR million	0.3	0.3		1.1	0.9	16	1.2
Contingent liabilities, EUR million				43.8	27.2	61	25.7
Personnel at the end of the period				421	417	1	446
outside Finland				98	110	-11	122

**Events during
the period**



Revamped Marimekko flagship store in Tokyo

- The revamped Marimekko flagship store in Tokyo's Omotesando district opened its doors at the end of August.
- As the embodiment of the Marimekko brand, flagship stores play a significant role globally.



Marimekko launched its spring/summer 2019 ready-to-wear collection at Paris Fashion Week at the end of September 2018.

**Events after the
end of the period**



Acceleration of profitable growth, improvement of capital efficiency, additional dividend and revised financial goals

In its stock exchange release of 1 November 2018, Marimekko announced the following:

- The sale of Marimekko's head office in spring 2018 strengthened the company's financial position and, during the autumn, the Board of Directors has examined various options to use the funds obtained from the transaction.
- In its evaluation, the Board has focused on accelerating profitable growth and improving capital efficiency.
- The Board has decided that
 - part of the funds will be used for the development of strategically important business areas
 - a proposal for the payment of an additional dividend of EUR 1.25 per share will be made to the Annual General Meeting to be held in spring 2019.
- At the same time, the Board has examined the company's long-term financial goals and decided to revise the goals related to profitability and capital structure.



Revised long-term financial goals

- Annual growth in net sales over 10% (unchanged)
- Operating profit margin 15% (earlier: 10%)
- Ratio of net debt to EBITDA at year end max. 2 (new)
- The intention is to pay a yearly dividend; percentage of earnings per share allocated to dividends at least 50% (unchanged)

Directed share issue to personnel

In its stock exchange release of 1 November 2018, the company announced that Marimekko Corporation's Board of Directors has, pursuant to the authorisation granted by the Annual General Meeting held on 12 April 2018, decided to arrange a personnel share issue in Finland, in which new shares in the company are offered for subscription to the personnel and to designers employed by the company on a freelance basis.

The Board will decide on the detailed terms and conditions as well as schedule of the personnel share issue in early 2019.



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 took place in the first half of the year and more than half of the deliveries for the second half-year took place in the third quarter.
- 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, most of the company's earnings are estimated to be generated during the second and third quarters, contrary to the normal situation. More costs than in 2017 are expected to occur in the final quarter of the year. During the latter half of the year, a somewhat larger part of wholesale sales will be generated in the third 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.



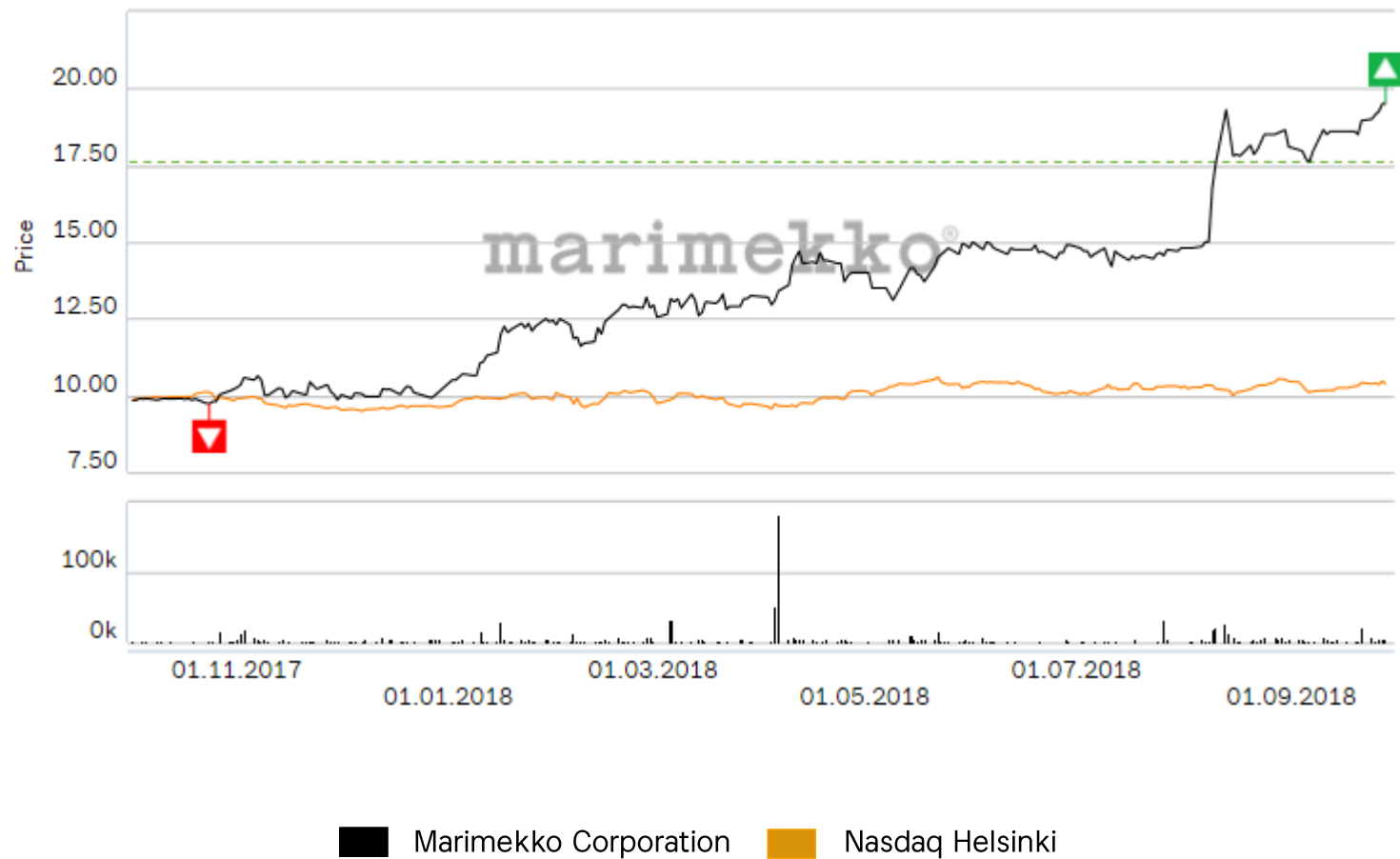
Financial guidance for 2018

(as revised on 21 September 2018)

The Marimekko Group's net sales for 2018 are forecast to be higher than in the previous year; comparable operating profit for 2018 is expected to be higher than in the previous year, amounting at the most to approximately EUR 12 million.

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

Share price, previous 12 months



Appendices

Income statement

MEUR	7-9/2018	7-9/2017	1-9/2018	1-9/2017
NET SALES	29.8	27.2	82.1	72.5
Other operating income	0.1	0.1	6.3	0.3
Use of materials and consumables*	-9.9	-9.7	-29.6	-25.5
Employee benefit expenses	-6.0	-5.4	-18.6	-17.8
Depreciation and impairments	-0.6	-0.8	-2.0	-2.5
Other operating expenses	-7.3	-6.9	-21.8	-21.0
OPERATING PROFIT	6.2	4.4	16.5	6.0
Net financial items	-0.1	-0.3	-0.2	-1.0
RESULT BEFORE TAXES	6.1	4.1	16.3	5.0
Income taxes	-1.2	-0.8	-3.5	-1.0
NET RESULT	4.9	3.3	12.8	3.9

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

Balance sheet

MEUR	30.9.2018	30.9.2017	MEUR	30.9.2018	30.9.2017
Non-current assets	5.2	13.9	Equity	39.0	29.2
Inventories	22.5	22.2	Financial liabilities and finance lease liabilities	0.2	6.0
Other current assets	8.4	8.6	Other non-current liabilities	-	-
Cash and cash equivalents	17.7	2.4	Current liabilities	14.6	12.0
TOTAL ASSETS	53.9	47.2	SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	53.9	47.2

Cash flow statement

MEUR	1-9/2018	1-9/2017
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL	12.3	8.5
Change in working capital	-3.3	-5.9
CASH FLOW FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAXES	9.1	2.6
Financial items and taxes	-2.6	-1.7
CASH FLOW FROM OPERATING ACTIVITIES	6.5	0.9
Cash flow from investing activities	9.7	-0.8
CASH FLOW BEFORE FINANCING ACTIVITIES	16.2	0.1
Net change in long-term loans and payment of finance lease liabilities	-0.3	0.0
Dividends paid	-4.0	-3.2
CHANGE IN CASH AND CASH EQUIVALENTS	11.5	-1.1
Cash and cash equivalents at the beginning of the period	6.2	3.5
Cash and cash equivalents at the end of the period	17.7	2.4

Largest shareholders, 30 September 2018

Quoted on Nasdaq Helsinki - Consumer goods
 - 1999, I list
 - 2002, main list

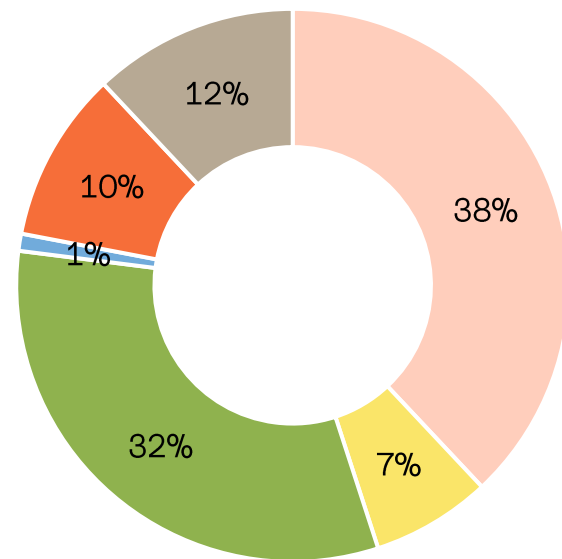
Market cap ~ EUR 157.4 million

7,925 shareholders

Largest shareholders, 30 September 2018	No. of shares and votes	%
PowerBank Ventures Oy (Mika Ihamuotila)	1,297,700	16.04
Moomin Characters Oy Ltd	615,240	7.61
Ehnröoth 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
Ilmarinen Mutual Pension Insurance Company	215,419	2.66
Veritas Pension Insurance Company Ltd.	202,627	2.51
Nordea Nordic Small Cap Fund	162,007	2.00
Aktia Europe Small Cap Equity Fund	138,744	1.72

Ownership by sector,
 30 September 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

Tiina Alahuhta-Kasko, President and CEO
Phone +358 9 758 71
tiina.alahuhta-kasko@marimekko.com

Eliina Anckar, CFO
Phone +358 9 758 7261
elina.anckar@marimekko.com

Piia Kumpulainen, Communications Director
Phone +358 9 758 7293
piia.kumpulainen@marimekko.com

marimekko.com
company.marimekko.com
facebook.com/marimekkodesignhouse
instagram.com/marimekko
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