

marimekko

A photograph of two young women standing outdoors on a city street. They are both wearing black and white checkered shirts. The woman on the left is smiling and looking towards the right. The woman on the right is also smiling and looking down. The background shows a street with parked cars and buildings.

27 February 2019
Tiina Alahunta-Kasko

Financial Statements 2018



Q4/2018 in brief

- + Net sales were on a par with the previous year.
- + Net sales were supported by growth in Finnish retail and wholesale sales.
 - Successful holiday sales had a positive impact on retail sales in Finland.
 - Wholesale sales in Finland included nonrecurring promotional deliveries.
- International sales fell by 15%.
 - Part of the Q4 wholesale deliveries to the Asia-Pacific region took place in 2019.
- As expected, operating profit was lower than in the comparison period.
 - In 2018, most of the company's earnings were generated during the second and third quarters, contrary to the normal situation.
 - The decline in operating profit was mainly due to a change in the rhythm of deliveries to the Asia-Pacific region and higher fixed costs than in the comparison period.



2018 in brief

- + Net sales grew by 9%.
- + Sales were up in all market areas, except North America where net sales were on a par with the previous year.
- + Growth was generated primarily by Finnish retail and wholesale sales as well as wholesale sales in the Asia-Pacific region.
 - Retail sales in Finland rose by 10%; the growth outpaced the overall trend in the sector.
 - Wholesale sales in Finland – up 25% – grew mainly due to nonrecurring promotional deliveries.
- + Comparable operating profit rose to EUR 12.2 million.
 - Earnings were boosted by sales growth especially in Finland and the Asia-Pacific region.
 - Results were also improved by reduced depreciation and a good relative sales margin, which was partly due to a high level of regular-priced sales.
- Operating profit was weakened by higher fixed costs, especially personnel, marketing and rental expenses.



Key figures

Q4/2018

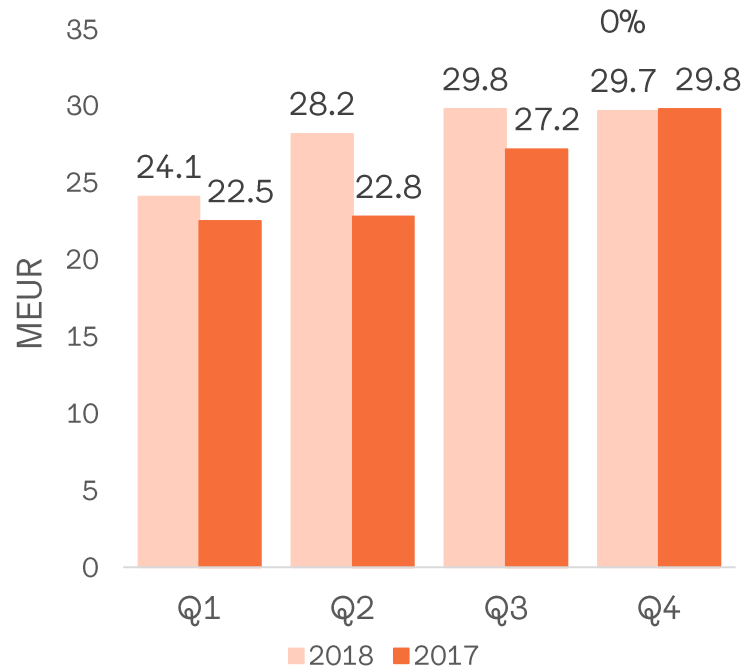
- Net sales EUR 29.7 million (29.8)
- Brand sales EUR 50.5 million (58.0)
- EBITDA EUR 1.8 million (3.2)
- Comparable EBITDA EUR 2.2 million (3.2)
- Operating profit EUR 1.2 million (2.4)
- Comparable operating profit EUR 1.6 million (2.4)
- Earnings per share EUR 0.11 (0.21)

2018

- Net sales EUR 111.9 million (102.3)
- Brand sales EUR 248.4 million (192.7)
- Operating profit EUR 17.7 million (8.4)
- Comparable operating profit EUR 12.2 million (8.6)

**Net sales and
operating profit**

Net sales Q4/2018



Net sales EUR 29.7 million (29.8)

- retail sales +7%
- wholesale sales -10%

International sales -15% to EUR 11.4 million (13.4)

- retail sales +6%
- wholesale sales -26%

Sales in Finland +12% to EUR 18.3 million (16.4)

- retail sales +8% (like-for-like +6%*)
- wholesale sales +22%

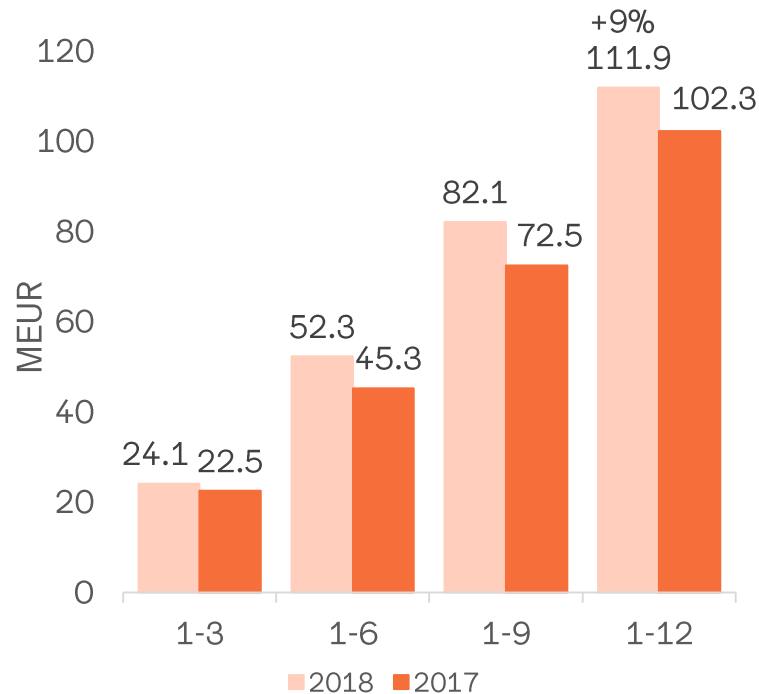
+ Net sales were supported by growth in Finnish retail and wholesale sales.

- Successful holiday sales had a positive impact on retail sales in Finland.
- Wholesale sales in Finland included nonrecurring promotional deliveries.

MEUR	10-12/2018	10-12/2017	Change, %
Finland	18.3	16.4	12
Scandinavia	2.6	2.6	1
EMEA	2.8	3.1	-11
North America	2.0	2.2	-12
Asia-Pacific	4.1	5.5	-26
TOTAL	29.7	29.8	0

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

Net sales 2018



Net sales +9% to EUR 111.9 million (102.3)

- retail sales +8%
- wholesale sales +12%

International sales +4% to EUR 48.3 million (46.6)

- retail sales +3%
- wholesale sales +5%

Sales in Finland +14% to EUR 63.5 million (55.7)

- retail sales +10% (like-for-like +9%*)
- wholesale sales +25%

+ Growth was generated primarily by Finnish retail and wholesale sales as well as wholesale sales in the Asia-Pacific region.

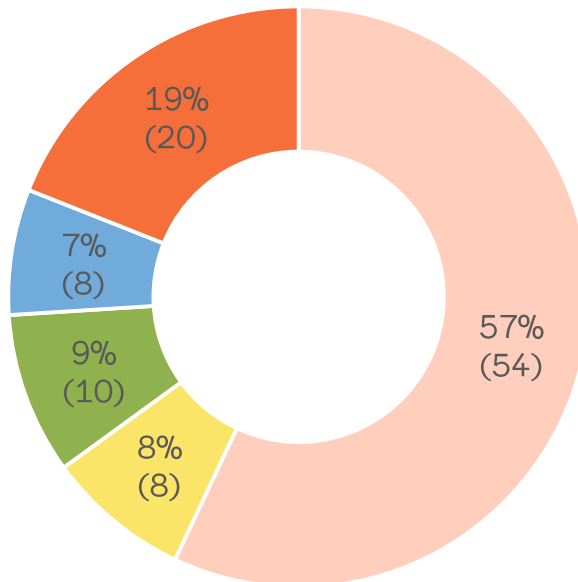
- Retail sales growth in Finland outpaced the overall trend in the sector.
- Wholesale sales in Finland grew mainly due to nonrecurring promotional deliveries.

MEUR	2018	2017	Change, %
Finland	63.5	55.7	14
Scandinavia	9.0	8.5	6
EMEA	10.3	9.7	6
North America	8.2	8.3	-1
Asia-Pacific	20.8	20.2	3
TOTAL	111.9	102.3	9

Net sales by market area and by product line

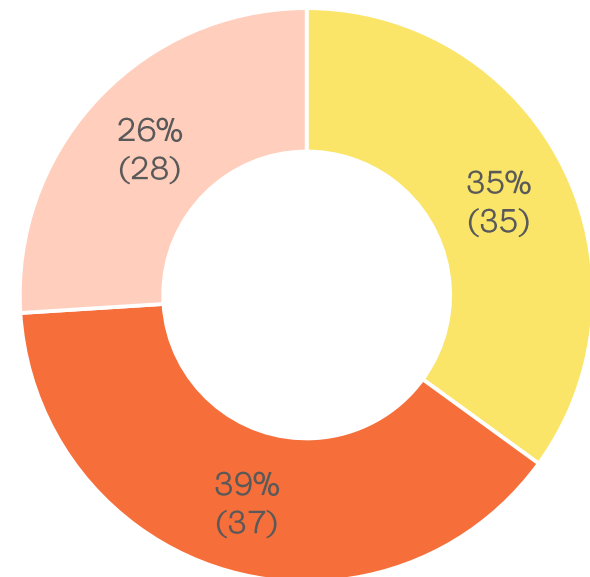
Net sales by market area
2018

Finland Scandinavia EMEA
North America Asia-Pacific



Net sales by product line
2018

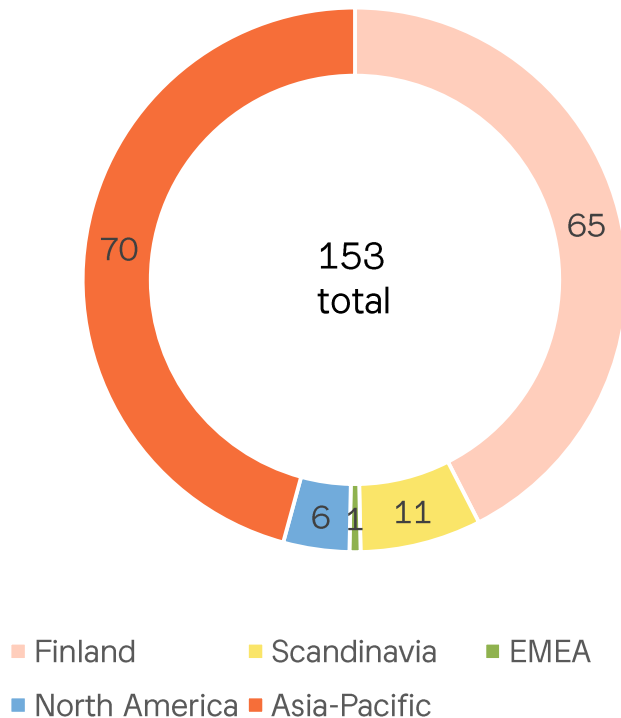
Fashion Home Bags & Accessories



Global footprint

58% of Marimekko stores & shop-in-shops located outside home market
Over 150 stores in 15 countries, ecommerce reaching customers in 31 countries

Global retail footprint* 2018

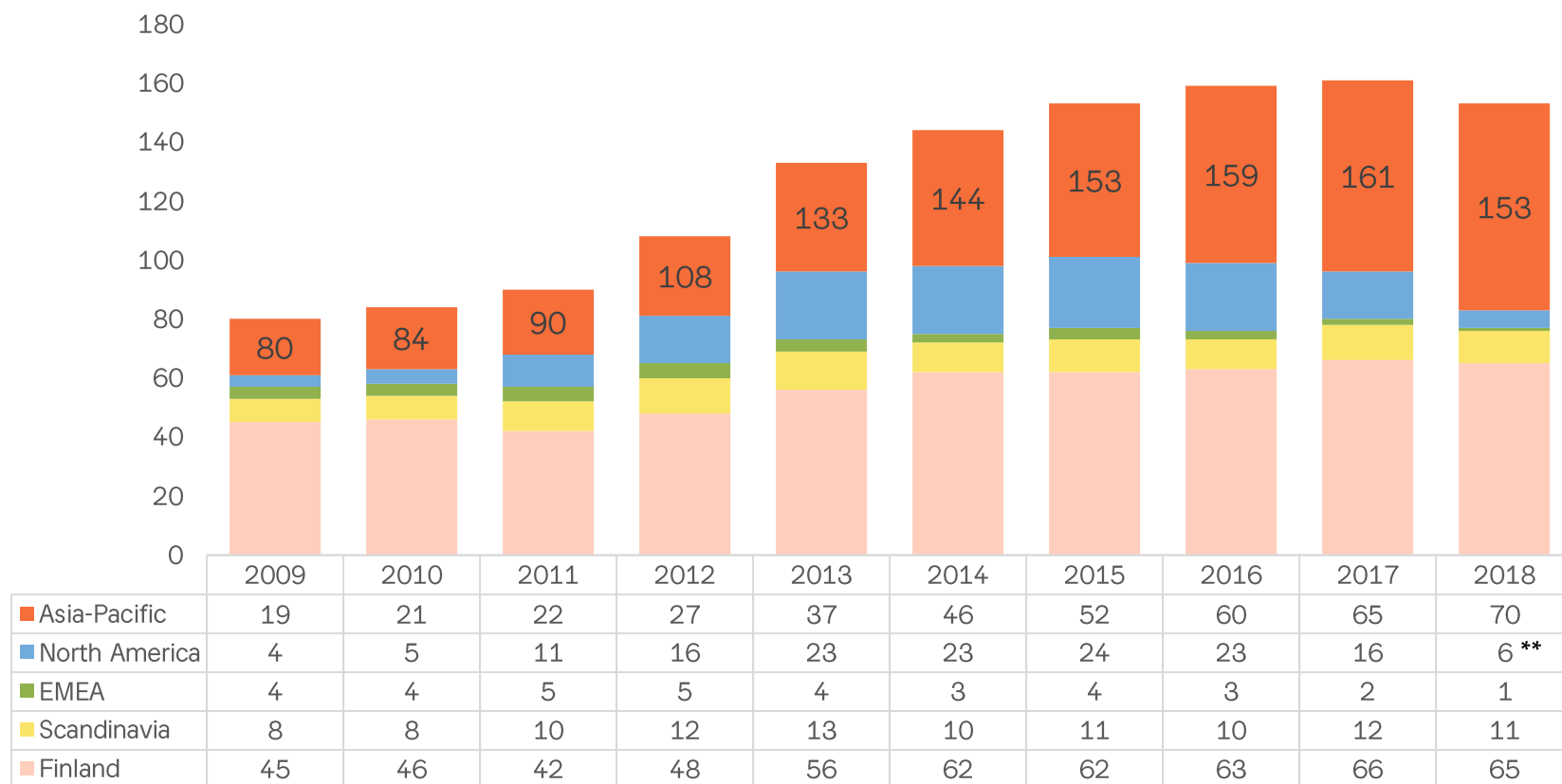


Net sales by channel incl. ecommerce



*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 53 at the end of 2018 (56).

153 Marimekko stores* at the end of 2018



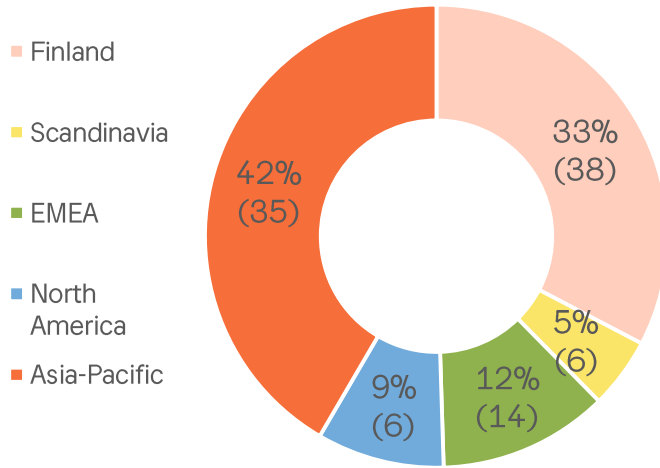
*Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 53 at the end of 2018 (56).

** In its interim report of 1 November 2018, the company corrected the number of stores in North America by reducing 11 shop-in-shops. These Marimekko shop-in-shops located in the stores of Canadian home furnishings company EQ3 have an area of less than 30 sqm and so are below the reporting limit. The change had no effect on reported North American wholesale sales.

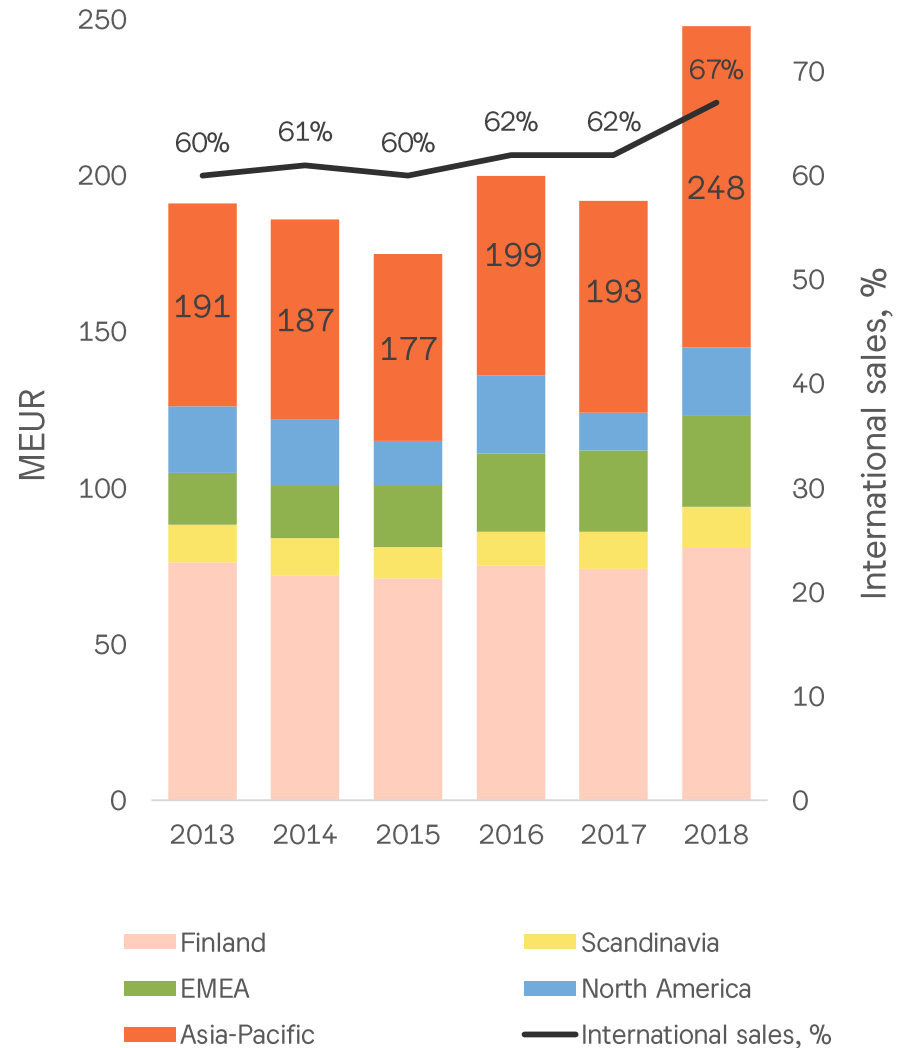
Marimekko brand sales

In Q4, 55% of the brand sales came from abroad (62)

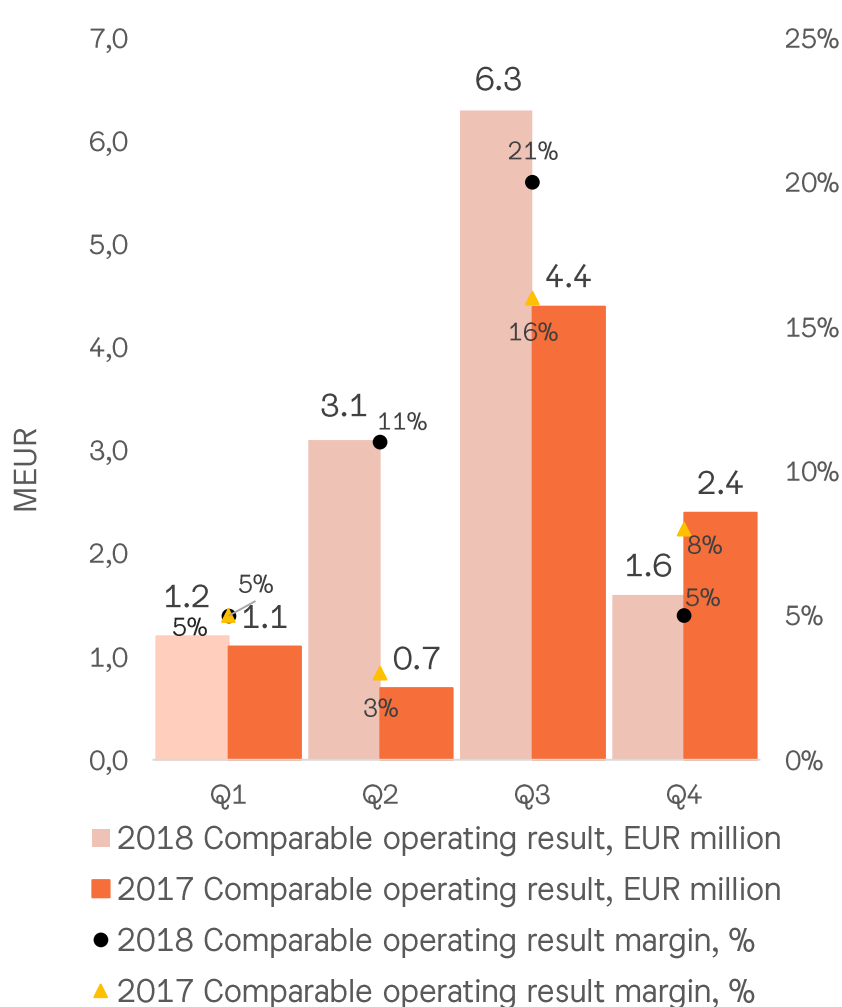
Brand sales by market area
2018



MEUR	2018	2017	Change, %
Finland	81.2	74.2	10
Scandinavia	12.5	11.7	7
EMEA	29.2	26.5	10
North America	22.0	12.2	80
Asia-Pacific	103.5	68.2	52
TOTAL	248.4	192.7	29



Operating profit Q4/2018



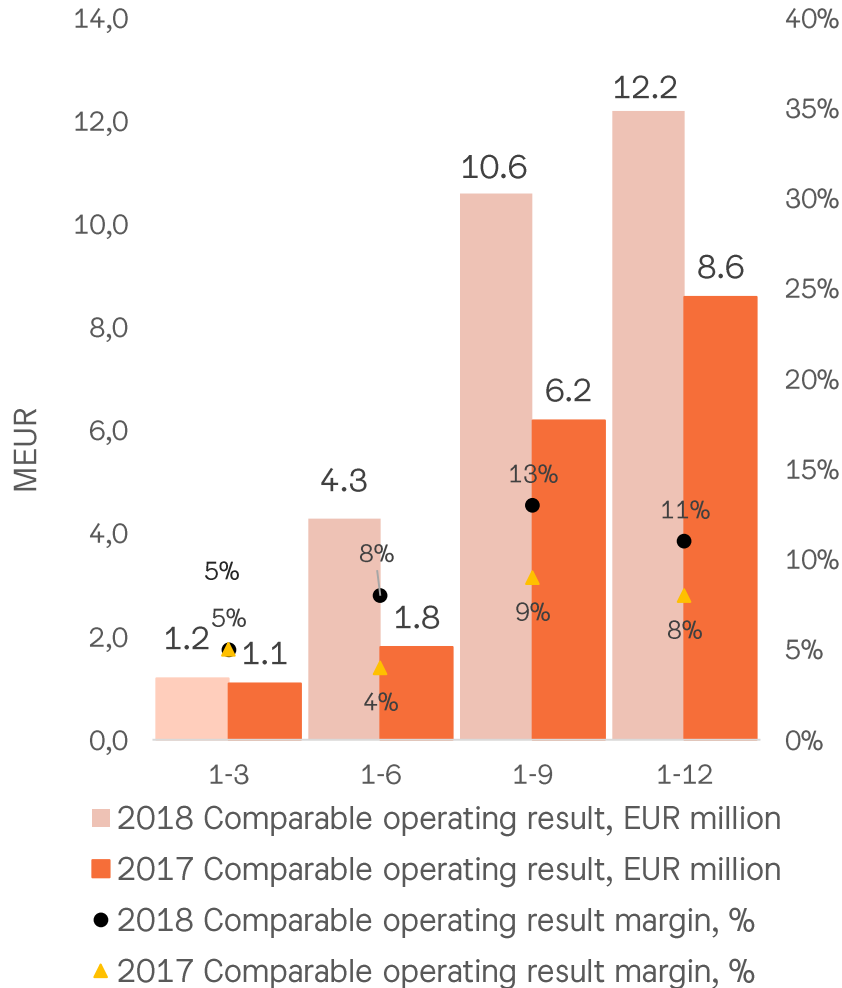
Operating profit EUR 1.2 million (2.4)

Comparable operating profit EUR 1.6 million (2.4)

- Change in the rhythm of deliveries to the Asia-Pacific region
- Increase in fixed costs

In 2018, most of the company's earnings were generated during the second and third quarters, contrary to the normal situation.

Operating profit 2018



Operating profit EUR 17.7 million (8.4)

- 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 12.2 million (8.6)

- + Growth in net sales
- + Good relative sales margin
- + Reduced depreciation
- Increased fixed costs, especially personnel, marketing and rental expenses

Key figures

	10-12/ 2018	10-12/ 2017	Change, %	1-12/ 2018	1-12/ 2017	Change, %
Net sales, EUR million	29.7	29.8	0	111.9	102.3	9
International sales, EUR million	11.4	13.4	-15	48.3	46.6	4
<i>% of net sales</i>	38	45		43	46	
EBITDA, EUR million	1.8	3.2	-44	20.2	11.7	73
Comparable operating result, EUR million	1.6	2.4	-32	12.2	8.6	42
<i>Comparable operating result margin, %</i>	5.4	8.0		10.9	8.4	
Result for the period, EUR million	0.9	1.7	-47	13.7	5.7	142
Earnings per share, EUR	0.11	0.21	-47	1.70	0.70	142
Cash flow from operating activities, EUR million	5.8	8.9	-35	12.2	9.8	25
<i>Return on investment (ROI), %</i>				47.6	21.6	
<i>Equity ratio, %</i>				70.0	65.2	
<i>Gearing, %</i>				-56.9	-9.4	
Gross investments, EUR million	0.2	0.3	-31	1.3	1.2	6
Contingent liabilities, EUR million				48.1	25.7	87
Personnel at the end of the period				445	446	0
outside Finland				102	122	-16

Key events in 2018



Key events in 2018

Worldwide launch of two limited-edition collaboration collections: one with the Japanese clothing brand Uniqlo and the other with the cosmetics brand Clinique

Opening of revamped flagship stores in Stockholm, Tokyo and Sydney

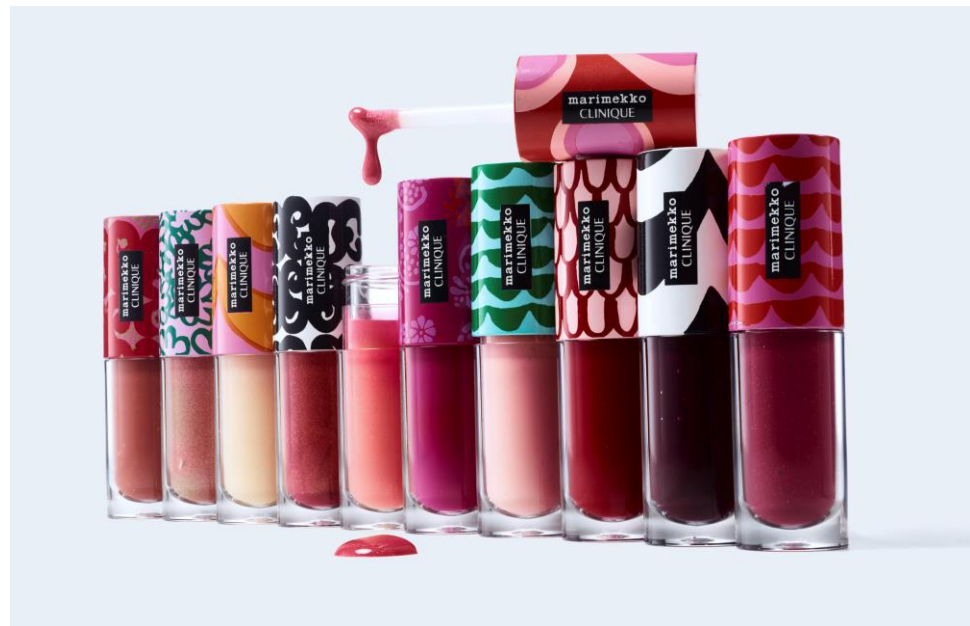
Presentation of Marimekko's ready-to-wear collections at Paris Fashion Week

Sale and leaseback of the company's head office building

Collaboration between Marimekko and Plan International to promote equality in celebration of the 50th anniversary of the striped Tasaraita design

Board decisions regarding acceleration of profitable growth, improvement of capital efficiency, additional dividend and financial goals

Board decision to arrange a personnel share issue in Finland



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



Marimekko Omotesando
flagship store

Revamped Marimekko flagship stores in Stockholm, Tokyo and Sydney

- Revamped Marimekko flagship stores opened in Stockholm's Norrmalmstorg in February, in Tokyo's Omotesando district in August, and in Sydney's Westfield shopping centre in November.
- As the most prominent embodiment of the Marimekko brand, flagship stores play a significant role globally.



Marimekko successfully presented its ready-to-wear collections at Paris Fashion Week in March and September 2018.



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.



Marimekko's Esplanadi Fashion Show in May 2018 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.



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 its stock exchange release of 27 February 2019, Marimekko announced that the Board of Directors has decided on the detailed terms and conditions as well as schedule of the personnel share issue. The complete terms and conditions of the share issue are attached to the stock exchange release. A maximum total of 150,000 new shares in the company will, in deviation from the shareholders' pre-emptive right, be offered for subscription to Marimekko's employees and freelance designers in Finland.

Market outlook and growth targets for 2019

Finland

- Finland represents about half of the company's net sales.
- Sales in Finland are expected to be roughly on a par with the previous year.
- Wholesale sales in 2018 were boosted by nonrecurring promotional deliveries; there were promotional deliveries in each quarter and the largest deliveries took place in the second and final quarters. There will be no promotional deliveries of comparable size in 2019.

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 in this region to Marimekko. The other countries' combined share of the company's net sales is still relatively small, as operations in these countries are at an early stage compared with Japan.
- Sales growth is supported by developing the operations of existing stores, optimising the product range and increasing online sales. This year, net sales in the Asia-Pacific region are forecast to grow.
- The company sees increasing demand for its products in this area especially in the longer term.

Also

- Royalty income in 2019 is expected to be roughly on a par with the previous year.
- The expenses of marketing operations in 2019 are forecast to be higher than in 2018 (EUR 5.8 million).
- Total investments are estimated to grow significantly relative to the previous year (EUR 1.3 million). Most of the investments will be used to revamp the store network and the company's headquarter premises as well as to improve IT systems to underpin digital business.
- The expenses of the personnel share issue and estimated effects of the long-term bonus system targeted at the company's Management Group are expected to exert a drag on the company's results. The effects will depend on the trend in the price of the company's share during the year.
- 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, and this is expected to be the case in 2019 as well. 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 an impact on results for the whole year.

Market outlook and growth targets for 2019

Growth targets for 2019

- The key drivers of the company's growth are its own e-commerce and other online sales channels, partner-led retail in Asia, and increasing the sales per square metre of existing stores in Finland and the international markets.
- The main thrust in new openings is on retailer-owned Marimekko stores and other wholesale channels.
- The aim is to open approximately 10 new Marimekko stores and shop-in-shops in 2019.



Financial guidance for 2019

The Marimekko Group's net sales for 2019 are forecast to be higher than in the previous year and comparable operating profit is estimated to be approximately at the same level as the year before.



Proposal for the 2018 dividend and for an additional dividend

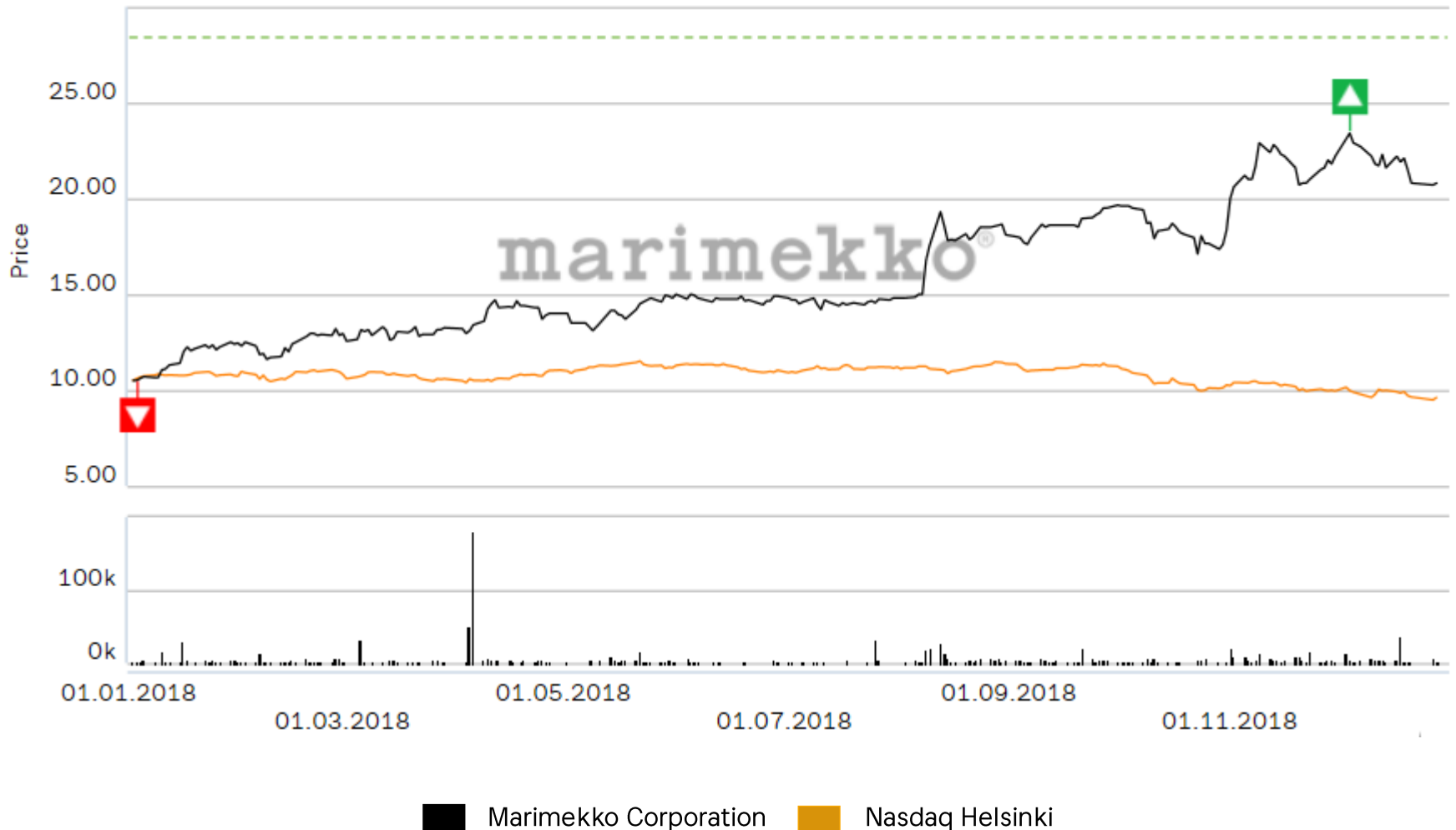
On 31 December 2018, the parent company's distributable funds amounted to EUR 29,959,907.71; profit for the financial year was EUR 15,125,007.73.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2018. The Board will also propose the payment of an additional dividend of EUR 1.25 per share. As announced on 1 November 2018, the decision to propose the payment of an additional dividend was made because the sale of Marimekko's head office in spring 2018 strengthened the company's financial position. The proposal by the Board is based on earnings per share (EPS) and takes into consideration the total of the proposed dividends, EUR 1.85 per share.

The Board will propose 23 April 2019 as the dividend record date, and 30 April 2019 for the dividend payout.

Share price, previous 12 months

(as per 31 Dec. 2018)



Appendices

Income statement

MEUR	10-12/2018	10-12/2017	1-12/2018	1-12/2017
NET SALES	29.7	29.8	111.9	102.3
Other operating income	0.2	0.1	6.5	0.4
Use of materials and consumables*	-11.3	-11.6	-40.9	-37.1
Employee benefit expenses	-7.6	-6.8	-26.2	-24.5
Depreciation and impairments	-0.5	-0.8	-2.5	-3.3
Other operating expenses	-9.3	-8.4	-31.1	-29.4
OPERATING PROFIT	1.2	2.4	17.7	8.4
Net financial items	0.0	-0.2	-0.2	-1.2
RESULT BEFORE TAXES	1.3	2.2	17.6	7.1
Income taxes	-0.4	-0.5	-3.9	-1.5
NET RESULT	0.9	1.7	13.7	5.7

*Sum of "Change in inventories of finished goods and work in progress" and "Raw materials and consumables".

Balance sheet

MEUR	31.12.2018	31.12.2017	MEUR	31.12.2018	31.12.2017
Non-current assets	4.9	13.3	Equity	40.0	30.7
Inventories	22.1	20.9	Financial liabilities and finance lease liabilities	0.2	3.1
Other current assets	6.9	6.6	Other non-current liabilities	-	-
Cash and cash equivalents	23.2	6.2	Current liabilities	16.9	13.3
TOTAL ASSETS	57.1	47.1	SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	57.1	47.1

Cash flow statement

MEUR	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL	14.1	11.7
Change in working capital	1.5	0.4
CASH FLOW FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAXES	15.7	12.1
Financial items and taxes	-3.5	-2.3
CASH FLOW FROM OPERATING ACTIVITIES	12.2	9.8
Cash flow from investing activities	9.4	-1.0
CASH FLOW BEFORE FINANCING ACTIVITIES	21.7	8.8
Acquisition of treasury shares	-0.3	-
Net change in long-term loans and payment of finance lease liabilities	-0.3	-2.9
Dividends paid	-4.0	-3.2
CHANGE IN CASH AND CASH EQUIVALENTS	17.0	2.7
Cash and cash equivalents at the beginning of the period	6.2	3.5
Cash and cash equivalents at the end of the period	23.2	6.2

Largest shareholders

Quoted on Nasdaq Helsinki - Consumer goods

- 1999, I list
- 2002, main list

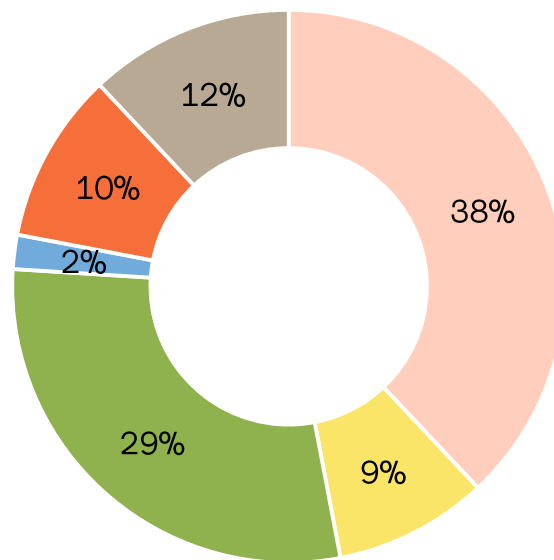
Market cap ~ EUR 167.8 million

8,335 shareholders

Largest shareholders, 31 December 2018	No. of shares and votes	%
PowerBank Ventures Ltd (Mika Ihamuotila)	1,297,700	16.04
Moomin Characters Oy Ltd	615,240	7.61
Ehnrooth 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.	190,470	2.36
Nordea Nordic Small Cap Fund	189,885	2.35
Investment Fund Taaleritehdas Mikro Markka	93,987	1.16

Ownership by sector,
31 December 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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