

marimekko

A photograph of three young women holding a large Finnish flag against a clear blue sky. The woman on the left has short dark hair and is wearing a purple and white striped shirt. The woman on the right has blonde hair and is wearing a white shirt with colorful geometric patterns. A third woman with blonde hair is visible in the lower center, looking up. The flag is white with a green and red cross. The text '16 May 2019' and 'Tiina Alahuhta-Kasko' is overlaid in the bottom left corner.

16 May 2019
Tiina Alahuhta-Kasko

Interim Report 1-3/2019



Q1/2019 in brief

- + Net sales rose by 13%. Sales grew in all market areas.
- + Sales in Finland grew by 7% and international sales by 18%.
- + Growth in net sales was generated primarily by wholesale sales in the Asia-Pacific region and Finnish retail sales.
 - Sales in the Asia-Pacific were substantially boosted by wholesale deliveries that were transferred to the period under review from the final quarter of 2018.
 - Sales in EMEA also performed well.
- + Operating profit doubled, boosted by sales growth and an increase in relative sales margin.
 - The improvement in relative sales margin was partly due to a favourable trend in regular-priced sales.

Key figures

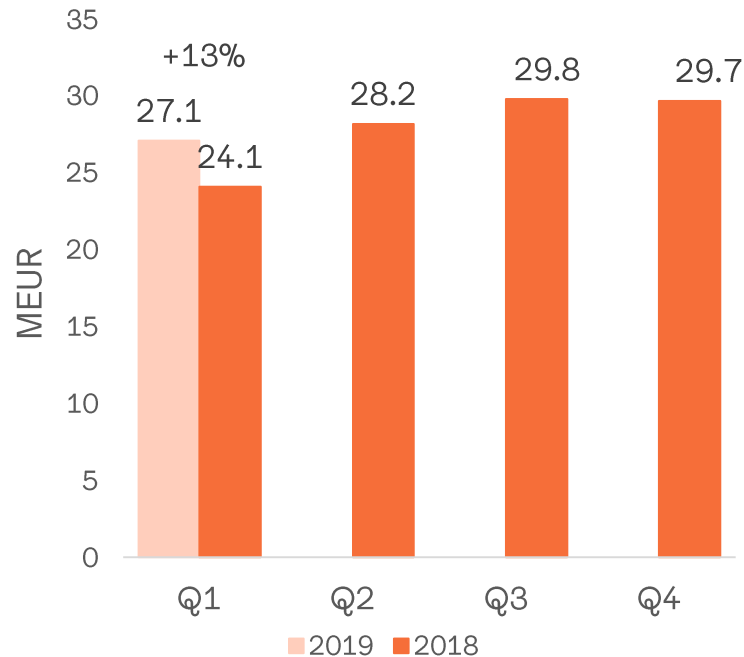
Q1/2019

- Net sales EUR 27.1 million (24.1)
- Brand sales EUR 59.6 million (57.6)
- EBITDA EUR 5.7 million (1.9)
- Comparable EBITDA EUR 5.7 million (1.9)
- Operating profit EUR 2.6 million (1.2)
- Comparable operating profit EUR 2.6 million (1.2)
- Earnings per share EUR 0.24 (0.08)



**Net sales and
operating profit**

Net sales Q1/2019



Net sales EUR 27.1 million (24.1)

- retail sales +11%
- wholesale sales +15%

International sales +18% to EUR 14.3 million (12.2)

- retail sales +11%
- wholesale sales +24%

Sales in Finland +7% to EUR 12.8 million (11.9)

- retail sales +12% (like-for-like +12%*)
- wholesale sales -1%

+ Net sales grew in all market areas.

- Net sales were boosted by growth in wholesale sales in the Asia-Pacific region and retail sales in Finland.
- Net sales in the Asia-Pacific region were substantially increased by wholesale deliveries that were transferred to the period under review from the final quarter of 2018.
- Sales in EMEA also performed well.

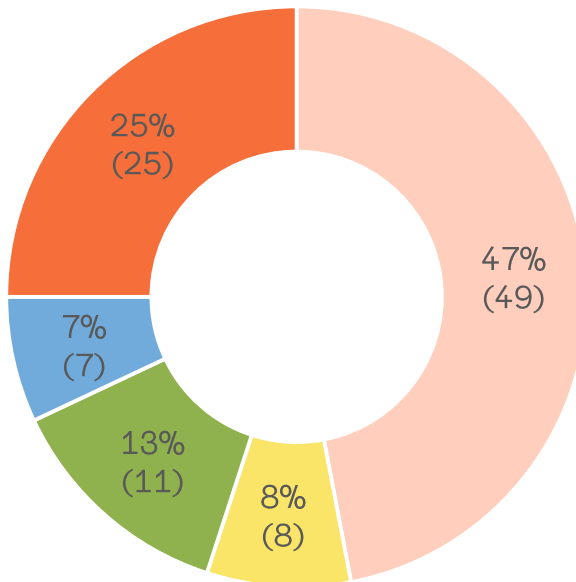
MEUR	1-3/2019	1-3/2018	Change, %
Finland	12.8	11.9	7
Scandinavia	2.1	1.9	11
EMEA	3.5	2.6	33
North America	1.9	1.6	22
Asia-Pacific	6.8	6.0	12
TOTAL	27.1	24.1	13

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

Net sales by market area and by product line

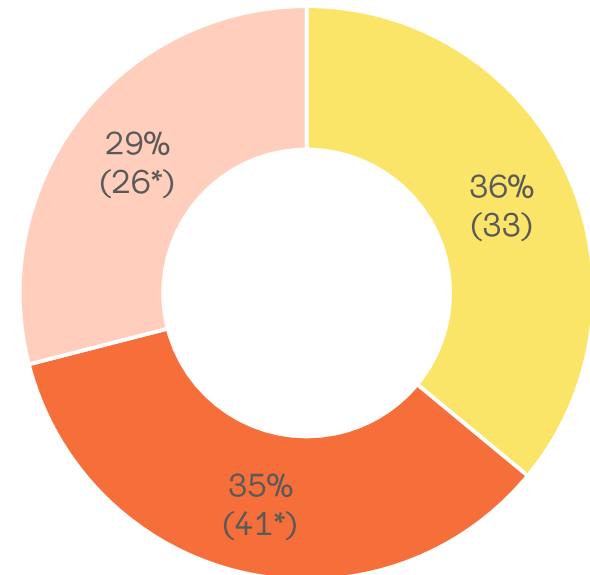
Net sales by market area
Q1/2019

Finland Scandinavia EMEA
North America Asia-Pacific



Net sales by product line
Q1/2019

Fashion Home Bags & Accessories

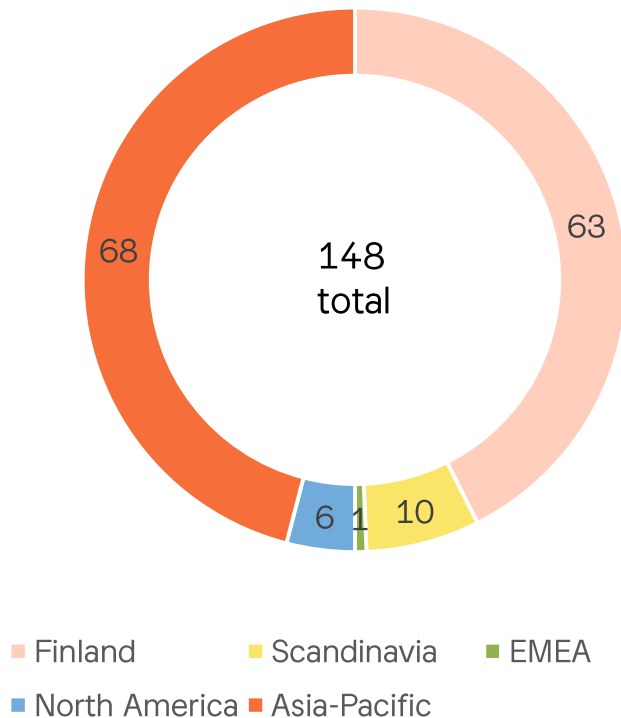


*As of the beginning of 2019, the product category of cosmetic bags is included in the home product line instead of bags and accessories. To maintain comparability, the figures for 2018 have been restated accordingly.

Global footprint

57% of Marimekko stores & shop-in-shops located outside home market
Around 150 stores in 15 countries, e-commerce reaching customers in 32 countries

Global retail footprint*
Q1/2019

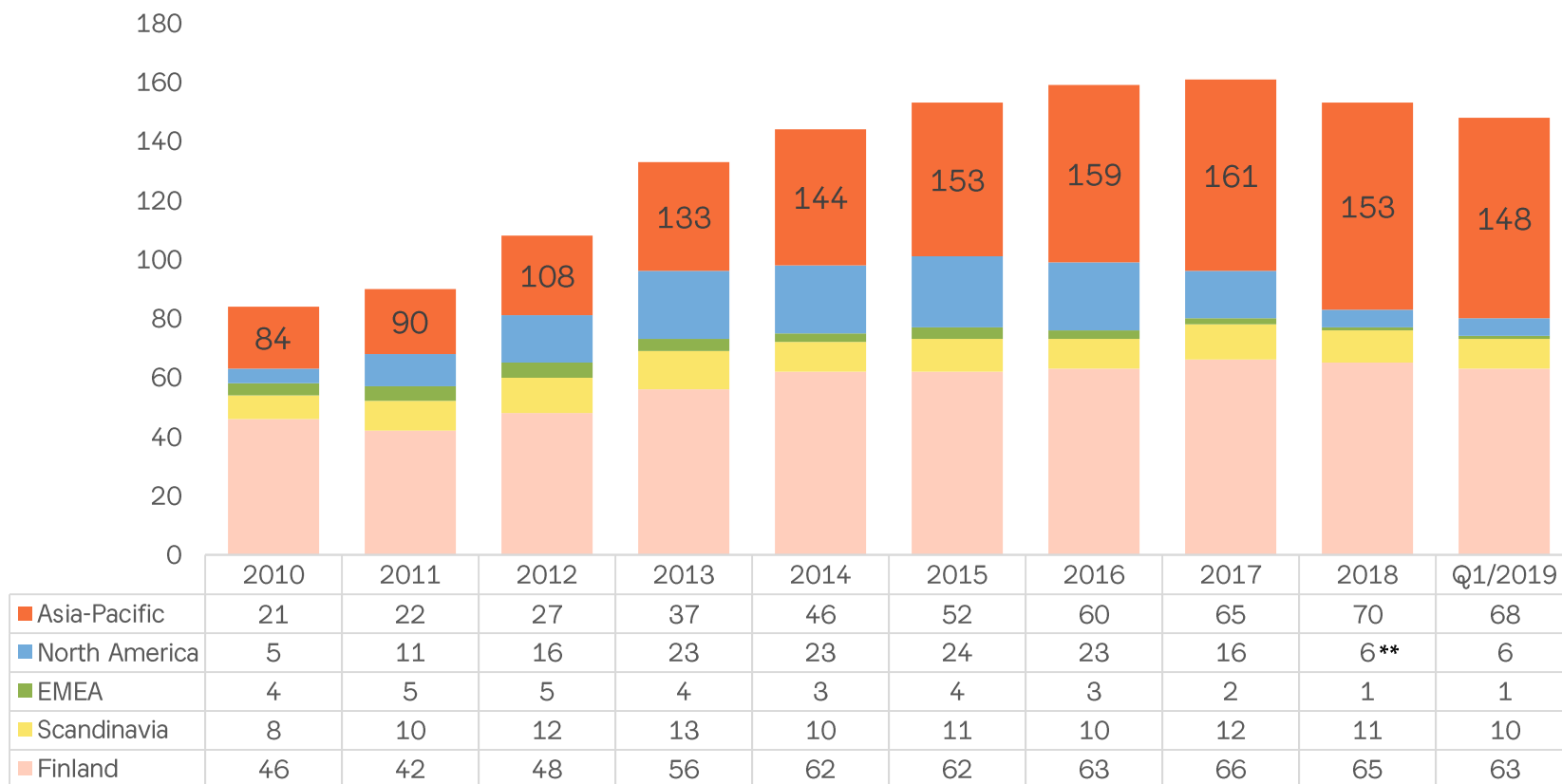


Net sales by channel
incl. e-commerce



*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 52 at the end of March 2019 (56).

148 Marimekko stores* at the end of Q1/2019



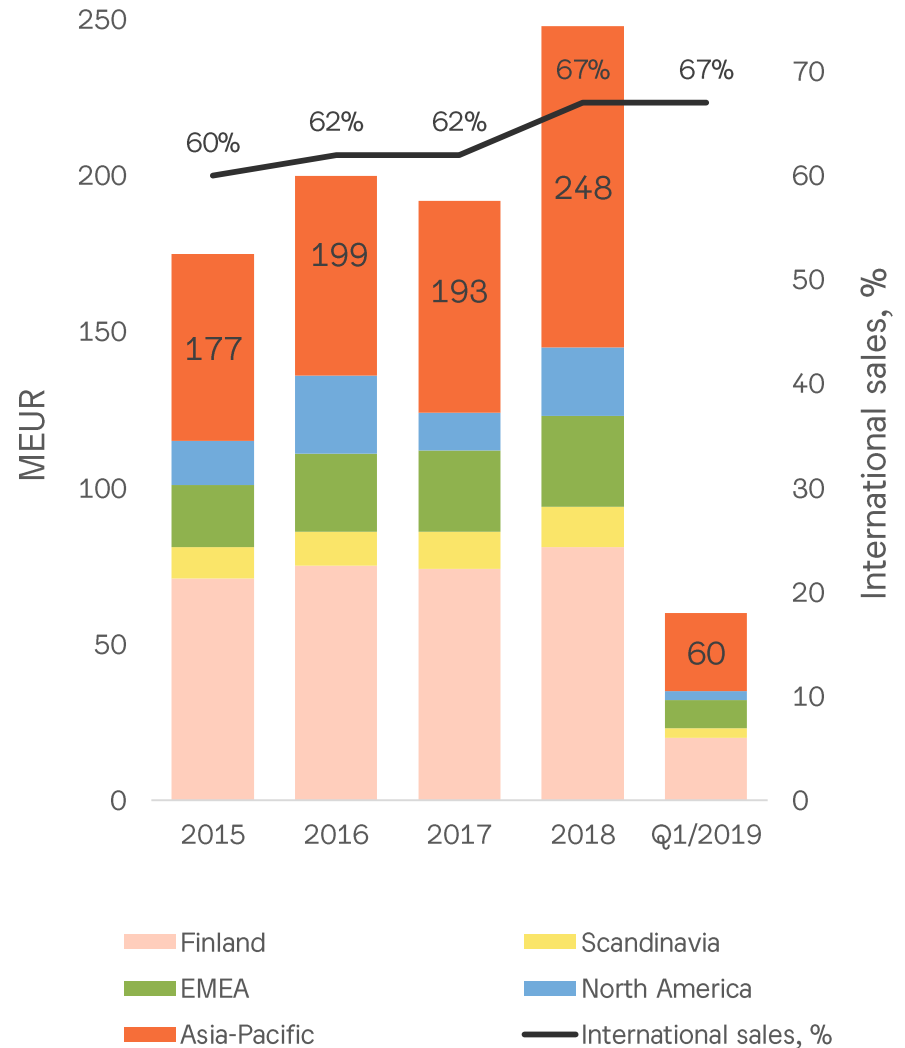
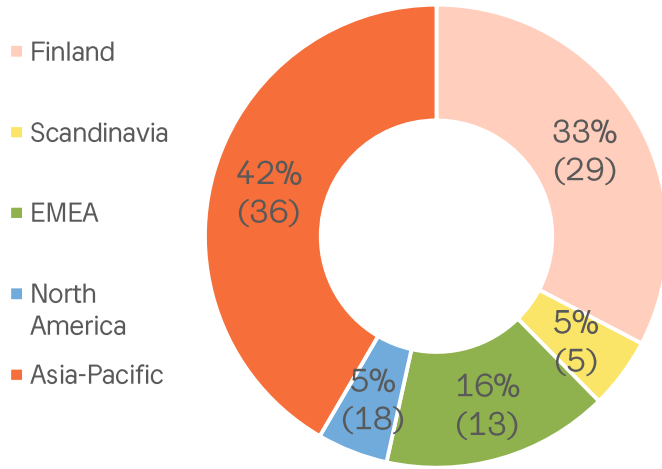
*Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 52 at the end March 2019 (56).

** 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

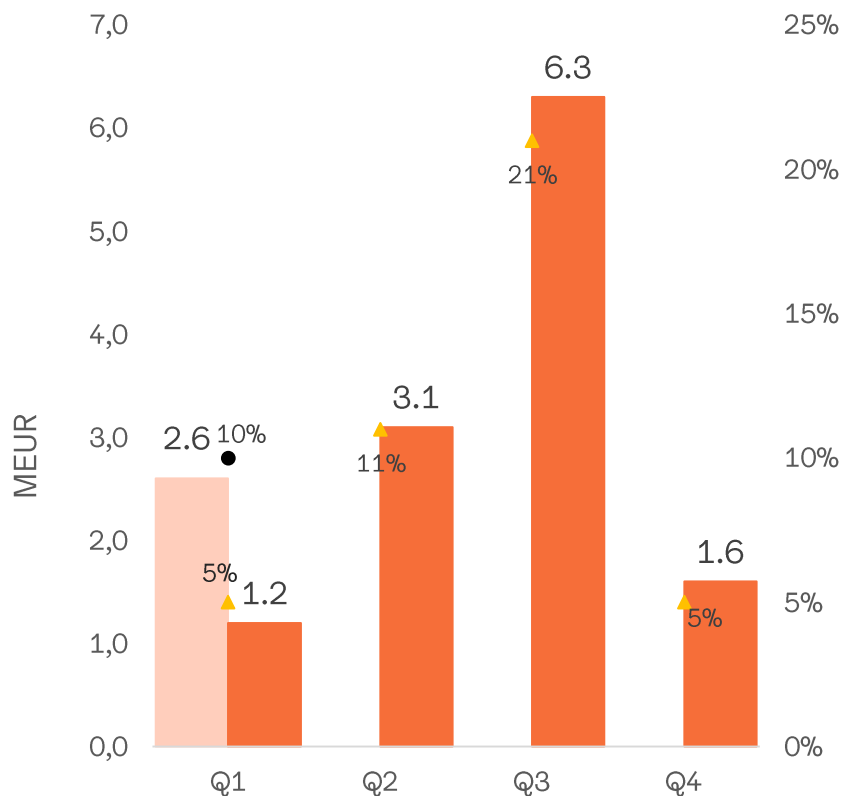
In Q1, 67% of the brand sales came from abroad (71)

Brand sales by market area
Q1/2019



MEUR	Q1/2019	Q1/2018	Change, %
Finland	19.5	16.4	19
Scandinavia	3.0	2.8	9
EMEA	9.3	7.3	27
North America	2.8	10.3	-73
Asia-Pacific	24.9	20.7	21
TOTAL	59.6	57.6	4

Operating profit Q1/2019



Operating profit EUR 2.6 million (1.2)

Comparable operating profit EUR 2.6 million (1.2)

- + Growth in net sales
- + Increase in relative sales margin
 - favourable trend in regular-priced sales

Key figures

	1-3/2019	1-3/2018	Change, %	2018
Net sales, EUR million	27.1	24.1	13	111.9
International sales, EUR million	14.3	12.2	18	48.3
<i>% of net sales</i>	53	51		43
EBITDA, EUR million	5.7	1.9	196	20.2
Comparable operating profit, EUR million	2.6	1.2	125	12.2
<i>Comparable operating profit margin, %</i>	9.6	4.8		10.9
Result for the period, EUR million	1.9	0.6		13.7
Earnings per share, EUR	0.24	0.08		1.70
Cash flow from operating activities, EUR million	3.0	-1.9		12.2
<i>Return on investment (ROI), %</i>	18.0	20.9		47,6
<i>Equity ratio, %</i>	43.4	66.9		70.0
<i>Gearing, %</i>	36.1	-2.1		-56.9
Gross investments, EUR million	0.5	0.4	34	1.3
Contingent liabilities, EUR million	0.6	24.3	-98	48.1
Personnel at the end of the period	426	416	2	445
outside Finland	94	103	-9	102

IFRS 16 had an impact on the change in EBITDA, cash flow from operating activities, and equity ratio.



Share issue directed to personnel

In its stock exchange release of 1 November 2018, the company announced that

- Board of Directors had decided to arrange a personnel share issue in Finland, and
- a maximum of 150,000 new shares in the company are offered for subscription to the personnel and to designers employed by the company on a freelance basis.

In its stock exchange release of 1 April 2019, Marimekko announced that

- half of those entitled to subscribe took part in the share issue. The terms were favourable.
- a large proportion of Marimekko employees hold shares in the company and thus take part in building Marimekko's future also in the role of shareholders.
- a total of 40,224 subscriptions for new shares were approved.

The new shares were entered into the Trade Register on 11 April 2019 and the number of shares in the company increased to 8,129,834. The total subscription price of EUR 725,988 is recorded in the company's reserve for invested non-restricted equity.



盛大开幕



连衣裙



上衣



长裤



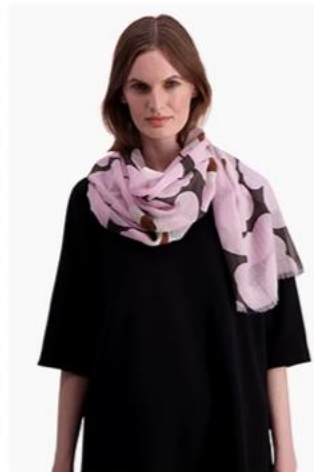
包袋



Clothing
服饰



Bags
包袋



Accessories
配饰

Online sales in China

- We are devoting greater efforts to marketing and boosting brand awareness in China.
- First steps to launch online sales of Marimekko products in WeChat and Tmall have been taken.
- China is a strategically important market for us and
 - our aim is to improve the availability of our products and offer an omnichannel experience to our customers
 - our partner is responsible for the operation of the Marimekko stores in China and we are responsible for online sales
 - we will gain valuable lessons in the future of digital business.
- As online sales are still very much in the early stages, it will incur expenses for us in 2019.



Piloting the new *Shoppable Marimekko Home* concept in Milan

- We want to challenge traditional forms of retail and investigate combining physical and digital worlds into one inspiring and effortless customer experience.
- During Milan Design Week in early April, we piloted a new service concept by bringing a shoppable Marimekko home to the heart of the city.
- In the new concept, a home-like, physical setup was combined with a digital shopping experience.

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

- Marimekko has become aware of cases of grey exports and has taken due action. The control of the cases may have a weakening impact on the company's sales and earnings.
- 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 6.3 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.

*The classification method for marketing expenses has changed in 2019; to maintain comparability, the figures for 2018 have been restated accordingly.

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.

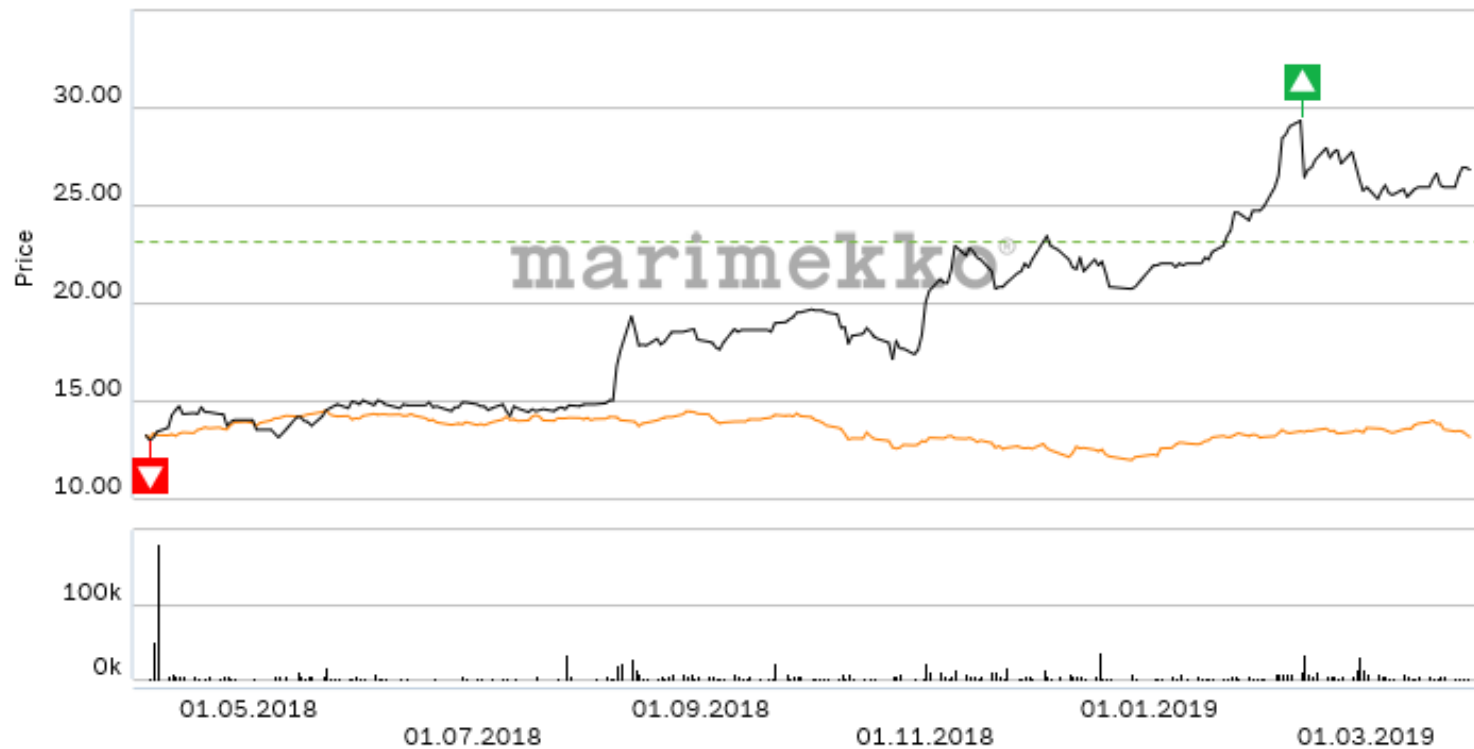


Financial guidance for 2019

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.

Share price, previous 12 months

(as per 31 March 2019)



■ Marimekko Corporation ■ Nasdaq Helsinki

Appendices

Income statement

MEUR	1-3/2019	1-3/2018
NET SALES	27.1	24.1
Other operating income	0.2	0.1
Use of materials and consumables*	-9.5	-9.0
Employee benefit expenses	-6.9	-6.3
Depreciation and impairments	-3.1	-0.8
Other operating expenses	-5.3	-7.0
OPERATING PROFIT	2.6	1.2
Net financial items	-0.1	-0.4
RESULT BEFORE TAXES	2.5	0.8
Income taxes	-0.5	-0.2
NET RESULT	1.9	0.6

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

Balance sheet

MEUR	31.3.2019	31.3.2018	MEUR	31.3.2019	31.3.2018
Non-current assets	44.0	12.9	Equity	42.8	31.3
Inventories	23.0	21.0	Financial liabilities	29.3	3.1
Other current assets	7.7	9.0	Other non-current liabilities	-	-
Cash and cash equivalents	24.0	4.0	Current liabilities	26.7	12.5
TOTAL ASSETS	98.8	46.9	SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	98.8	46.9

Cash flow statement

MEUR	1-3/2019	1-3/2018
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL	5.7	1.9
Change in working capital	-2.1	-3.3
CASH FLOW FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAXES	3.5	-1.4
Financial items and taxes	-0.5	-0.5
CASH FLOW FROM OPERATING ACTIVITIES	3.0	-1.9
Cash flow from investing activities	-0.4	-0.3
CASH FLOW BEFORE FINANCING ACTIVITIES	2.6	-2.1
Proceeds from share issue	0.7	-
Leasing payments	-2.5	-0.1
CHANGE IN CASH AND CASH EQUIVALENTS	0.8	-2.2
Cash and cash equivalents at the beginning of the period	23.2	6.2
Cash and cash equivalents at the end of the period	24.0	4.0

Largest shareholders

Quoted on Nasdaq Helsinki - Consumer goods

- 1999, I list
- 2002, main list

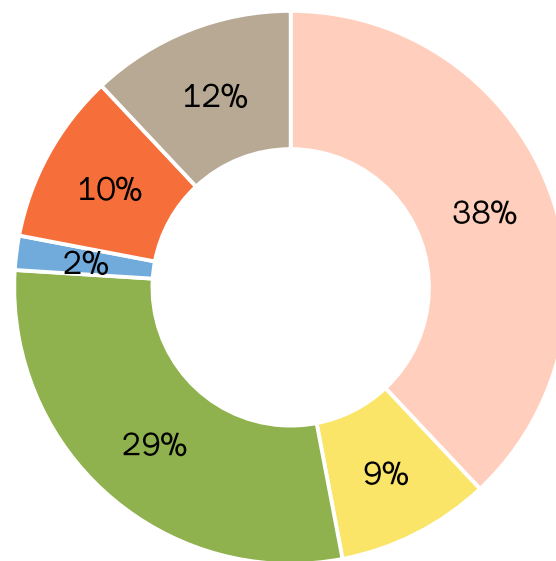
Market cap ~ EUR 216.3 million

9,205 shareholders

Largest shareholders, 31 March 2019	No. of shares and votes	%
PowerBank Ventures Ltd (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	233,000	2.88
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 Aktia Europe Small Cap	85,643	1.06

Ownership by sector,
31 March 2019

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



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