

**marimekko**



15 August 2019  
Tiina Alahuhta-Kasko

Half-year Financial Report  
1-6/2019



## Q2/2019 in brief: net sales +3% and comparable operating profit +18%

- + Net sales rose by 3%.
- + Sales in Finland grew by 4% and international sales by 2%.
- + Growth in net sales was generated primarily by Finnish retail sales and wholesale sales in EMEA.
- Finnish wholesale sales declined due to the fact that there were no nonrecurring promotional deliveries of corresponding size to those that took place in the comparison period.
- + Comparable operating profit grew by 18%, boosted by improved relative sales margin and sales growth.
  - More moderate discount promotions, product portfolio optimisation and an increase in the share of retail sales of net sales contributed to the improvement in relative sales margin.
- Results were weakened by higher fixed costs.



# Key figures

## Q2/2019

- Net sales EUR 29.1 million (28.2)
- Brand sales EUR 52.9 million (85.5)
- EBITDA EUR 6.8 million (9.8)
- Comparable EBITDA EUR 6.8 million (3.7)
- Operating profit EUR 3.7 million (9.1)
- Comparable operating profit EUR 3.7 million (3.1)
- Earnings per share EUR 0.32 (0.90)
- Comparable earnings per share EUR 0.32 (0.31)

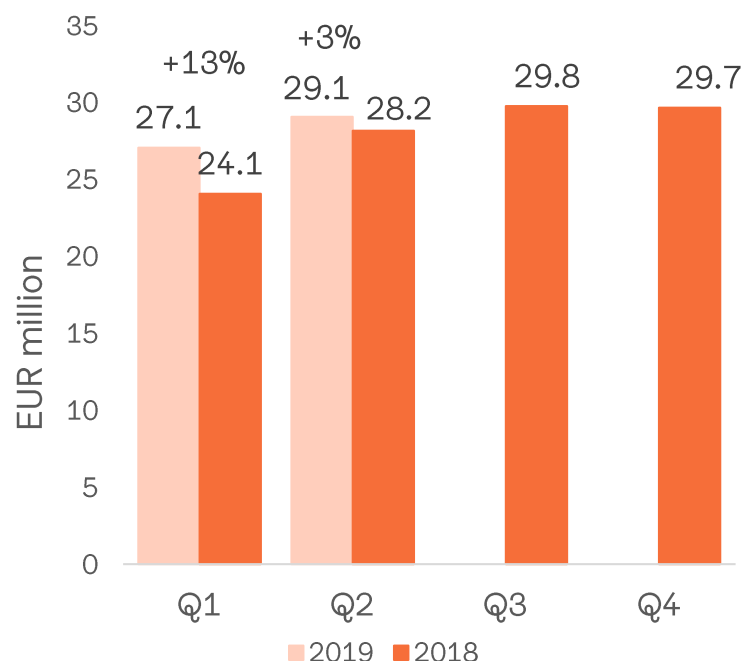
## 1-6/2019

- Net sales EUR 56.3 million (52.3)
- Brand sales EUR 112.5 million (143.0)
- Operating profit EUR 6.3 million (10.3)
- Comparable operating profit EUR 6.3 million (4.3)



**Net sales and  
operating profit**

# Net sales Q2/2019



Net sales +3% to EUR 29.1 million (28.2)

- retail sales +9%
- wholesale sales -3%

International sales +2% to EUR 12.4 million (12.1)

- retail sales -1%
- wholesale sales +6%

Sales in Finland +4% to EUR 16.8 million (16.2)

- retail sales +12% (like-for-like +17%\*)
- wholesale sales -18%

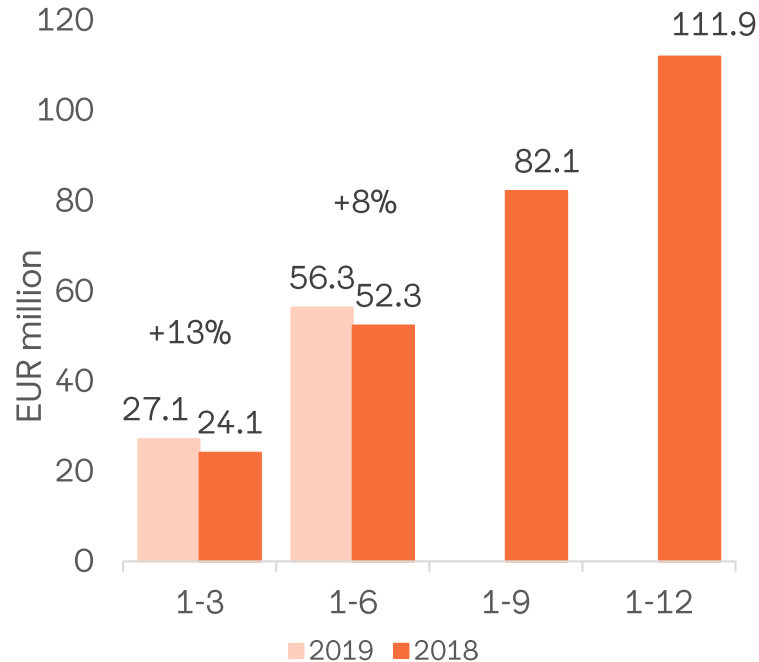
+ Growth in net sales was generated primarily by Finnish retail sales and wholesale sales in EMEA.

- Finnish wholesale sales declined due to the fact that there were no nonrecurring promotional deliveries of corresponding size to those that took place in the comparison period.

| EUR million   | 4-6/2019 | 4-6/2018 | Change, % |
|---------------|----------|----------|-----------|
| Finland       | 16.8     | 16.2     | 4         |
| Scandinavia   | 2.1      | 2.2      | -5        |
| EMEA          | 3.2      | 2.3      | 39        |
| North America | 2.0      | 2.4      | -18       |
| Asia-Pacific  | 5.1      | 5.1      | -1        |
| TOTAL         | 29.1     | 28.2     | 3         |

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

# Net sales 1-6/2019



Net sales +8% to EUR 56.3 million (52.3)

- retail sales +10%
- wholesale sales +6%

International sales +10% to EUR 26.7 million (24.2)

- retail sales +4%
- wholesale sales +15%

Sales in Finland +5% to EUR 29.6 million (28.1)

- retail sales +12% (like-for-like +15%\*)
- wholesale sales -10%

+ Sales rose in all market areas except North America.

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

- Finnish wholesale sales declined due to the fact that there were no nonrecurring promotional deliveries of corresponding size to those that took place in the comparison period.

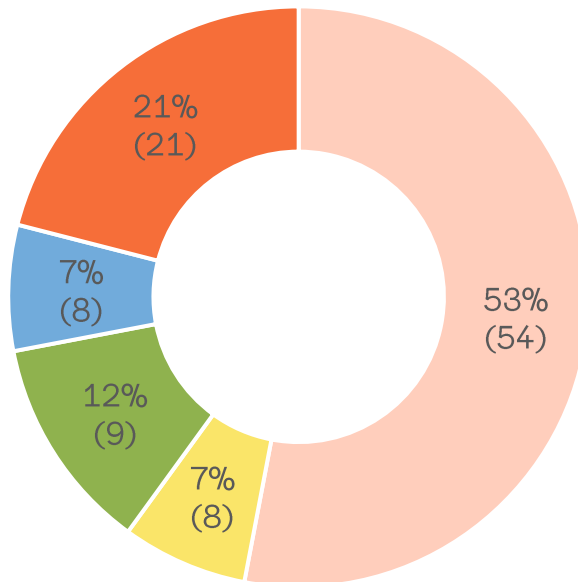
| EUR million   | 1-6/2019 | 1-6/2018 | Change, % |
|---------------|----------|----------|-----------|
| Finland       | 29.6     | 28.1     | 5         |
| Scandinavia   | 4.2      | 4.1      | 2         |
| EMEA          | 6.6      | 4.9      | 36        |
| North America | 3.9      | 4.0      | -2        |
| Asia-Pacific  | 11.9     | 11.2     | 6         |
| TOTAL         | 56.3     | 52.3     | 8         |

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

# Net sales by market area and by product line

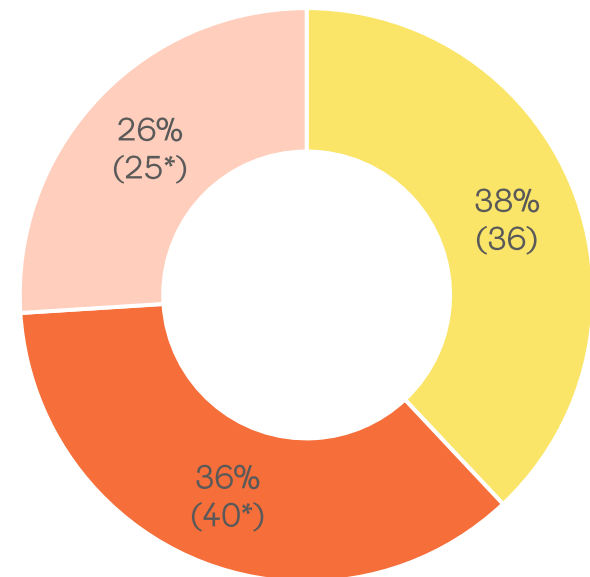
Net sales by market area  
1-6/2019

Finland Scandinavia EMEA  
North America Asia-Pacific



Net sales by product line  
1-6/2019

Fashion Home Bags & Accessories



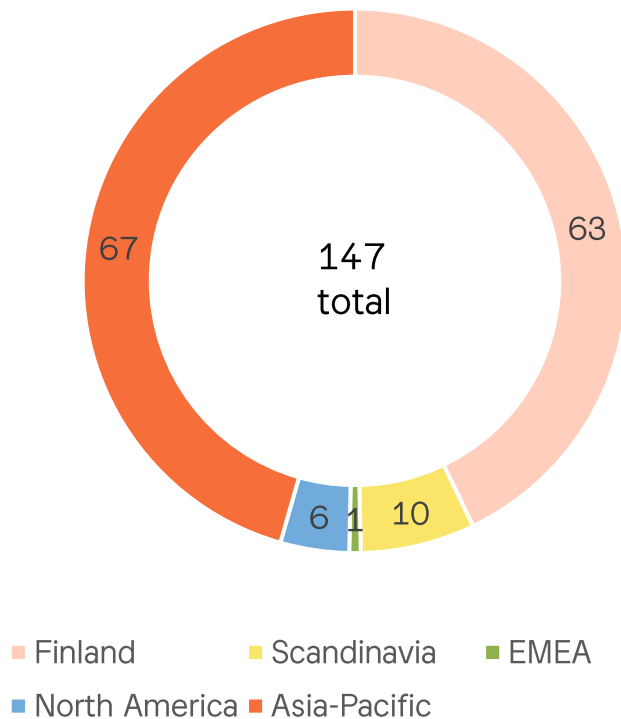
\*As of the beginning of 2019, the product category of cosmetic bags is included in the home product line instead of bags and accessories. To maintain comparability, the figures for 2018 have been restated accordingly.



# 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\*  
1-6/2019

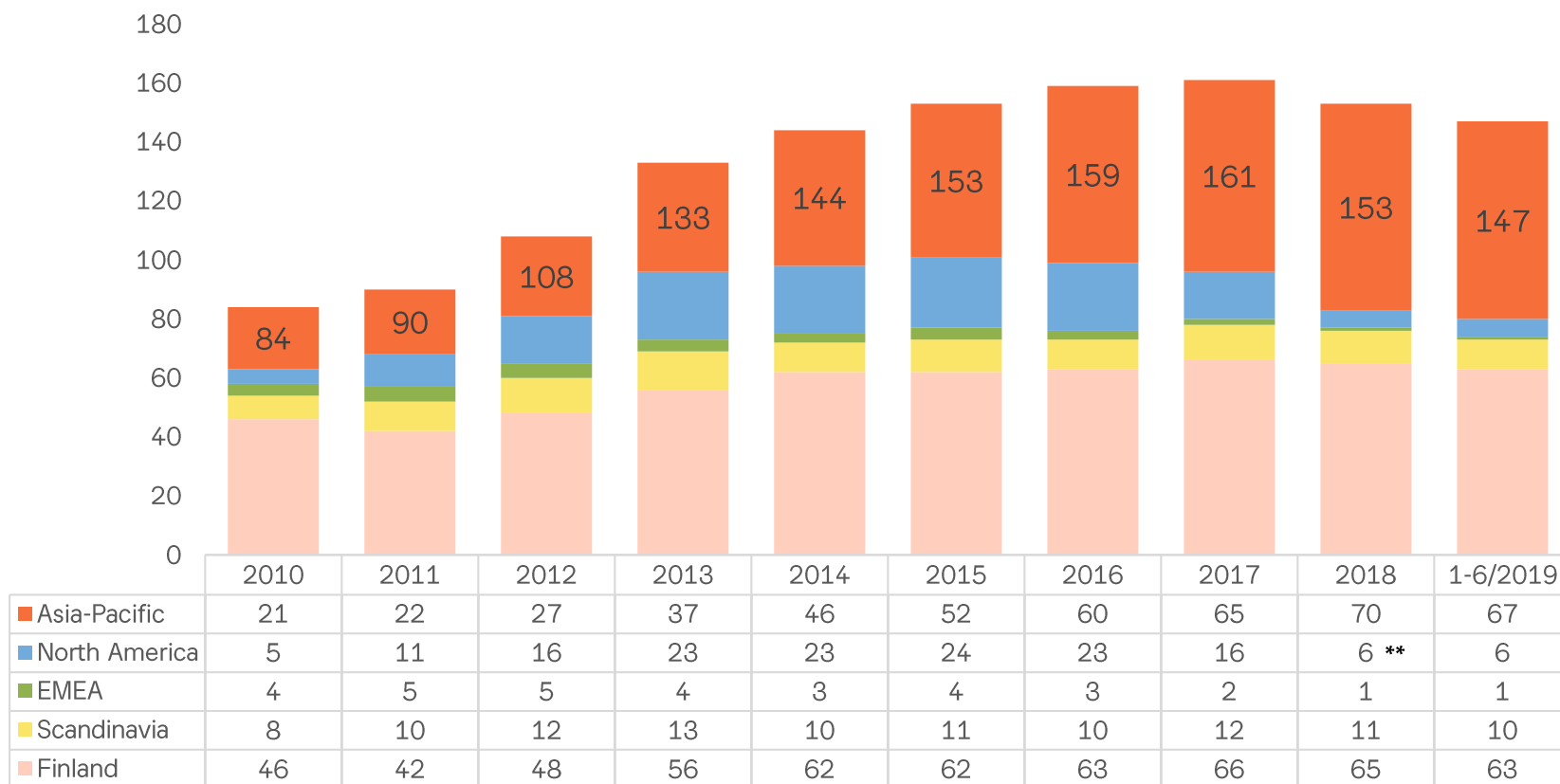


Net sales by channel  
incl. e-commerce



\*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 June 2019 (54).

# 147 Marimekko stores\* at the end of June 2019



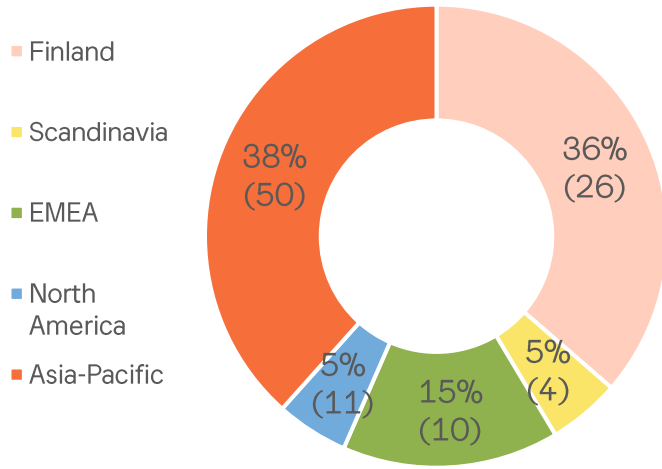
\*Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 52 at the end June 2019 (54).

\*\* 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.

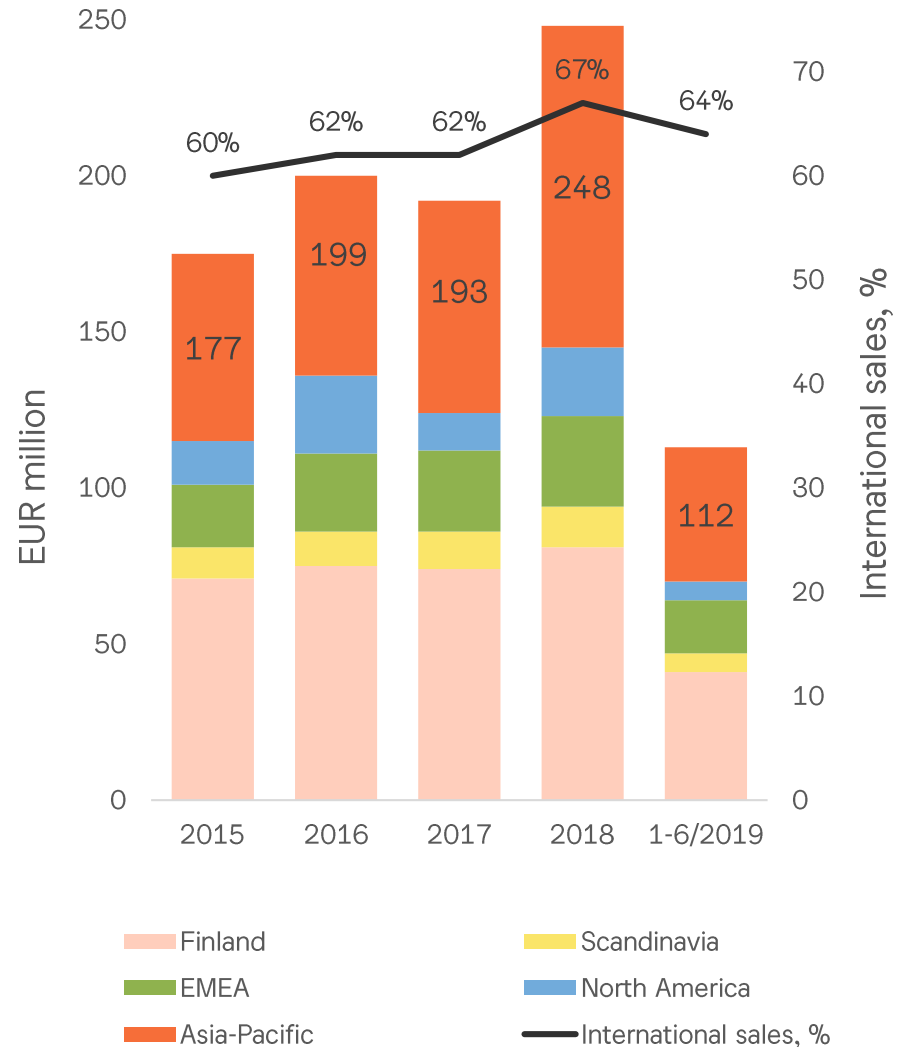
# Marimekko brand sales

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

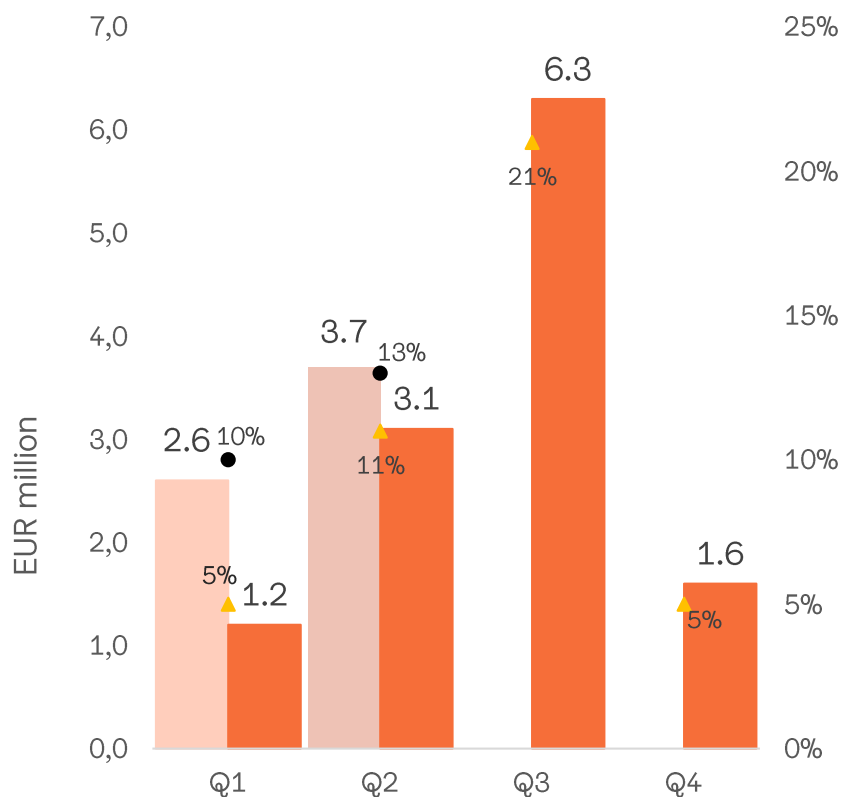
Brand sales by market area  
1-6/2019



| EUR million   | 1-6/2019 | 1-6/2018 | Change, % |
|---------------|----------|----------|-----------|
| Finland       | 40.5     | 36.6     | 11        |
| Scandinavia   | 5.9      | 5.6      | 4         |
| EMEA          | 17.3     | 14.1     | 23        |
| North America | 6.0      | 15.9     | -63       |
| Asia-Pacific  | 42.8     | 70.9     | -40       |
| TOTAL         | 112.5    | 143.0    | -21       |



# Operating profit Q2/2019



- 2019 Comparable operating result, EUR million
- 2018 Comparable operating result, EUR million
- 2019 Comparable operating result margin, %
- ▲ 2018 Comparable operating result margin, %

Operating profit EUR 3.7 million (9.1)

- In 2018, operating profit for Q2 included a nonrecurring taxable capital gain of EUR 6.0 million due to the sale of the company's head office.

Comparable operating profit EUR 3.7 million (3.1)

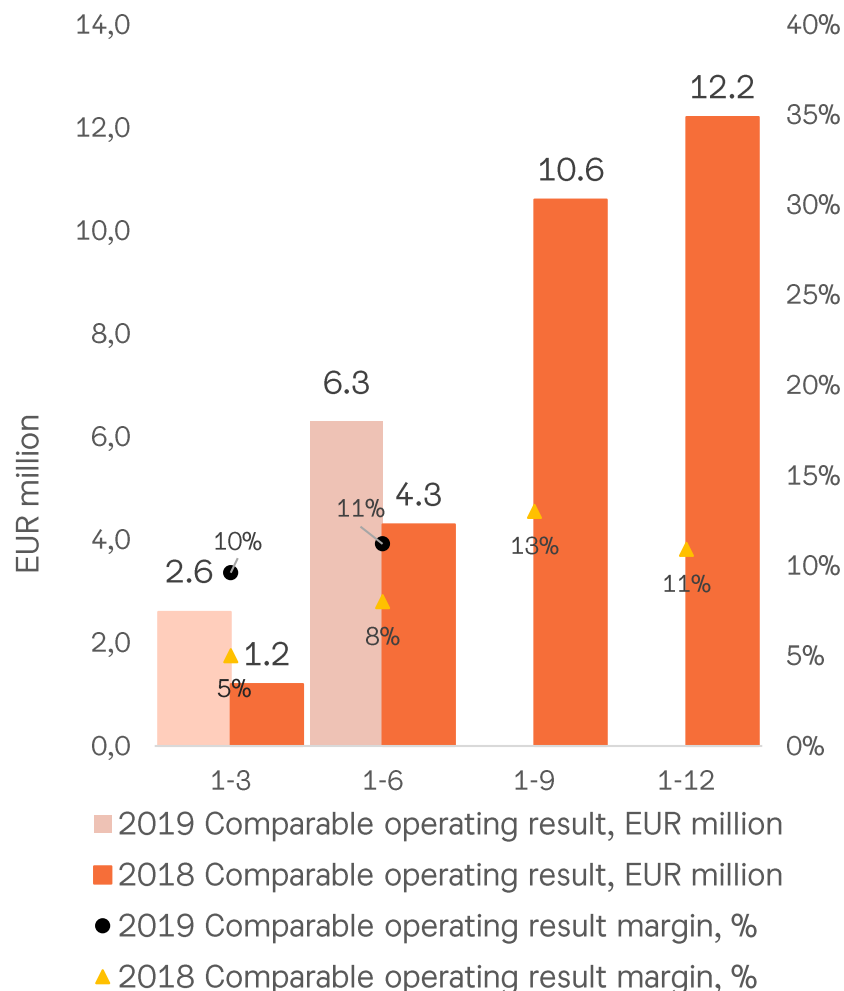
+ Improved relative sales margin

- More moderate discount promotions, product portfolio optimisation and an increase in the share of retail sales of net sales contributed to the improvement in relative sales margin.

+ Growth in net sales

- Higher fixed costs

# Operating profit 1–6/2019



Operating profit EUR 6.3 million (10.3)

- Operating profit for the comparison period included a nonrecurring taxable capital gain of EUR 6.0 million due to the sale of the company's head office.

Comparable operating profit EUR 6.3 million (4.3)

- + Growth in net sales
- + Improved relative sales margin
  - More moderate discount promotions, product portfolio optimisation and an increase in the share of retail sales of net sales contributed to the improvement in relative sales margin.
- Higher fixed costs

# Key figures

|  | 4-6/<br>2019 | 4-6/<br>2018 | Change,<br>% | 1-6/<br>2019 | 1-6/<br>2018 | Change,<br>% | 2018  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|-------|
| Net sales, EUR million                           | 29.1         | 28.2         | 3            | 56.3         | 52.3         | 8            | 111.9 |
| International sales, EUR million                 | 12.4         | 12.1         | 2            | 26.7         | 24.2         | 10           | 48.3  |
| <i>% of net sales</i>                            | 42           | 43           |              | 47           | 46           |              | 43    |
| EBITDA, EUR million                              | 6.8          | 9.8          | -30          | 12.5         | 11.7         | 7            | 20.2  |
| Comparable operating profit, EUR million         | 3.7          | 3.1          | 18           | 6.3          | 4.3          | 47           | 12.2  |
| <i>Comparable operating profit margin, %</i>     | 12.7         | 11.1         |              | 11.2         | 8.2          |              | 10.9  |
| Result for the period, EUR million               | 2.6          | 7.3          | -65          | 4.5          | 7.9          | -43          | 13.7  |
| Earnings per share, EUR                          | 0.32         | 0.90         | -65          | 0.56         | 0.98         | -43          | 1.70  |
| Comparable earnings per share, EUR *             | 0.32         | 0.31         | 4            | 0.56         | 0.38         | 45           | 1.15  |
| Cash flow from operating activities, EUR million | 7.2          | 5.6          | 30           | 10.2         | 3.7          | 177          | 12.2  |
| <i>Return on investment (ROI), %</i>             |              |              |              | 26.3         | 45.9         |              | 47.6  |
| <i>Equity ratio, %</i>                           |              |              |              | 35.5         | 68.9         |              | 70.0  |
| <i>Gearing, %</i>                                |              |              |              | 83.1         | -43.8        |              | -56.9 |
| Gross investments, EUR million                   | 0.4          | 0.4          | 1            | 0.9          | 0.8          | 16           | 1.3   |
| Contingent liabilities, EUR million              |              |              |              | 0.6          | 46.0         | -99          | 48.1  |
| Personnel at the end of the period               |              |              |              | 453          | 456          | -1           | 445   |
| outside Finland                                  |              |              |              | 99           | 104          | -5           | 102   |

\* Taking account of similar items as in comparable operating profit. Tax effect included.

IFRS 16 had an impact on the change in EBITDA, cash flow from operating activities, equity ratio and contingent liabilities. The figures for gross investments do not include the impact of IFRS 16.



**Events during  
the period**



# Share issue directed to personnel

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

- the Board of Directors had decided to arrange a personnel share issue in Finland, and
- a maximum of 150,000 new shares in the company will be 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.





## 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.





# Sustainability Review 2018

- Marimekko's sustainability review for 2018 was published in May. The review presents our progress in implementing our sustainability commitments and covers, among other things, the use of sustainable materials, sustainability in our supply chain, the environmental impacts of our in-house operations, as well as our work to develop our personnel and the workplace.
- The focus of our sustainability work is especially on developing sustainable, timeless and long-lasting, design and responsible sourcing – without neglecting the entire value chain of the products.





## Annual public fashion show in Helsinki

- In May, Marimekko celebrated the beginning of the summer season with its annual public fashion show in Helsinki's Esplanadi Park. Once again, the sunny show attracted thousands of spectators.
- The public show, now held for the 28<sup>th</sup> consecutive year, is a manifestation of the inclusive and equal values of the Marimekko philosophy going against the superficiality often prevalent in the fashion world.

# 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 total value of promotional deliveries will be lower than last year, and the major deliveries will occur in the latter half of the year.

## 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.
- Anticipated royalty income in 2019 is expected to be higher than estimated and to exceed the figure for the previous year.
- More costs than in 2018 are expected to occur in the remaining half of the 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

(as revised on 22 July 2019)

The Marimekko Group's net sales for 2019 are forecast to be higher than in the previous year and comparable operating profit is also expected to be higher than in the previous year, amounting at the most to approximately EUR 15 million.

In its interim report of 16 May 2019, the company estimated that the Group's net sales for 2019 would be higher than in the previous year and that comparable operating profit would be approximately at the same level as the year before.

# Share price, previous 12 months

(as per 30 June 2019)



■ Marimekko Corporation ■ Nasdaq Helsinki

# Appendices

# Income statement

| EUR million                       | 4-6/2019 | 4-6/2018 | 1-6/2019 | 1-6/2018 |
|-----------------------------------|----------|----------|----------|----------|
| NET SALES                         | 29.1     | 28.2     | 56.3     | 52.3     |
| Other operating income            | 0.2      | 6.1      | 0.4      | 6.2      |
| Use of materials and consumables* | -10.3    | -10.8    | -19.8    | -19.7    |
| Employee benefit expenses         | -6.7     | -6.3     | -13.6    | -12.6    |
| Depreciation and impairments      | -3.1     | -0.6     | -6.2     | -1.4     |
| Other operating expenses          | -5.4     | -7.5     | -10.7    | -14.5    |
| OPERATING PROFIT                  | 3.7      | 9.1      | 6.3      | 10.3     |
| Net financial items               | -0.5     | 0.2      | -0.7     | -0.1     |
| RESULT BEFORE TAXES               | 3.2      | 9.4      | 5.6      | 10.2     |
| Income taxes                      | -0.6     | -2.1     | -1.1     | -2.3     |
| NET RESULT                        | 2.6      | 7.3      | 4.5      | 7.9      |

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

# Balance sheet

| EUR million               | 30.6.2019 | 30.6.2018 | EUR million                                 | 30.6.2019 | 30.6.2018 |
|---------------------------|-----------|-----------|---|-----------|-----------|
| Non-current assets        | 42.6      | 5.4       | Equity                                      | 30.4      | 34.4      |
| Inventories               | 22.3      | 21.0      | Financial liabilities                       | 27.8      | 0.2       |
| Other current assets      | 8.1       | 8.6       | Other non-current liabilities               | -         | -         |
| Cash and cash equivalents | 12.8      | 15.5      | Current liabilities                         | 27.5      | 15.9      |
| TOTAL ASSETS              | 85.8      | 50.5      | SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL | 85.8      | 50.5      |



# Cash flow statement

| EUR million  | 1-6/2019 | 1-6/2018 |
|--|----------|----------|
| CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL | 12.5     | 5.6      |
| Change in working capital  | -1.1     | -0.2     |
| CASH FLOW FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAXES | 11.4     | 5.4      |
| Financial items and taxes  | -1.2     | -1.7     |
| CASH FLOW FROM OPERATING ACTIVITIES                                  | 10.2     | 3.7      |
| Cash flow from investing activities                                  | -1.2     | 9.9      |
| CASH FLOW BEFORE FINANCING ACTIVITIES                                | 9.0      | 13.6     |
| Proceeds from share issue  | 0.7      | -        |
| Leasing payments   | -5.1     | -0.2     |
| Dividends paid   | -15.0    | -4.0     |
| CHANGE IN CASH AND CASH EQUIVALENTS                                  | -10.4    | 9.2      |
| Cash and cash equivalents at the beginning of the period             | 23.2     | 6.2      |
| Cash and cash equivalents at the end of the period                   | 12.8     | 15.5     |

# Largest shareholders

Quoted on Nasdaq Helsinki - Consumer goods

- 1999, I list
- 2002, main list

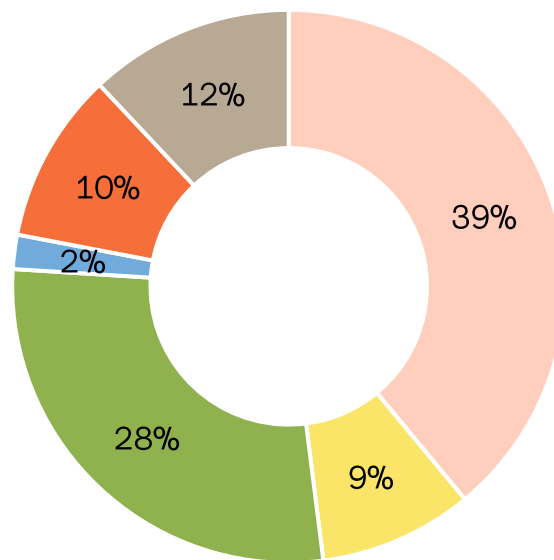
Market cap ~ EUR 210.9 million

10,138 shareholders

| Largest shareholders, 30 June 2019         | No. of shares and votes | %     |
|--|-------------------------|-------|
| PowerBank Ventures Ltd (Mika Ihamuotila)   | 1,297,700               | 15.96 |
| Moomin Characters Oy Ltd                   | 615,240                 | 7.57  |
| Ehnröoth Anna Sophia                       | 400,377                 | 4.93  |
| Varma Mutual Pension Insurance Company     | 385,920                 | 4.75  |
| Oy Etra Invest Ab                          | 233,000                 | 2.87  |
| Odin Finland                               | 231,301                 | 2.85  |
| Ilmarinen Mutual Pension Insurance Company | 215,419                 | 2.65  |
| Nordea Nordic Small Cap Fund               | 199,885                 | 2.46  |
| Veritas Pension Insurance Company Ltd.     | 190,470                 | 2.34  |
| Investment Fund Aktia Europe Small Cap     | 85,643                  | 1.05  |

Ownership by sector,  
30 June 2019

- 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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