

marimekko

# Interim Report 1+3/2020

TIINA ALAHUHTA-KASKO, 14 MAY 2020



## Exceptional circumstances caused a downturn in Q1 after a good start

- The year got off to a promising start for Marimekko, but the rapid spread of the coronavirus pandemic in March had an impact on Q1 sales and profitability.
- To safeguard the health of personnel and customers, Marimekko temporarily closed its own retail stores in March and took measures to adjust the number of personnel to the amount of work available in its retail store chain and retail support function.
- Marimekko's online store serves customers as the company's own responsible distribution channel; online demand for products clearly exceeded expectations.
- Marimekko rapidly implemented measures to save fixed costs, reassessed investments and initiated numerous other actions to minimize the negative impact of the coronavirus situation.
- The coronavirus pandemic will have a significant negative impact on Marimekko's net sales and profitability in 2020. As the situation is changing rapidly, it is not possible at the moment to give any precise estimate of the impacts of the pandemic on business. Marimekko will define its guidance for 2020 once a more reliable estimate of the impacts can be made.



# Key figures

EUR million	1-3/2020	1-3/2019	Change, %	1-12/2019
Net sales	24.9	27.1	-8	125.4
International sales	11.3	14.3	-21	54.3
<i>% of net sales</i>	<i>45</i>	<i>53</i>		<i>43</i>
Comparable EBITDA	4.4	5.7	-23	29.7
Operating profit	1.2	2.6	-53	17.1
Comparable operating profit	1.2	2.6	-53	17.1
<i>Comparable operating profit margin, %</i>	<i>4.9</i>	<i>9.6</i>		<i>13.6</i>
Comparable earnings per share, EUR *	0.02	0.24	-91	1.61
Cash flow from operating activities	-4.5	3.0		29.0
<i>Return on investment (ROI), %</i>	<i>18.3</i>	<i>18.0</i>		<i>17.9</i>
<i>Equity ratio, %</i>	<i>41.3</i>	<i>43.4</i>		<i>40.2</i>
Net debt / EBITDA (rolling 12 months) **	0.56			0.35
Gross investments ***	0.5	0.5	-6	2.6
Personnel at the end of the period	441	426	4	450

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

\*\* Due to the adoption of IFRS 16, the ratio of net debt to EBITDA was reported for the first time at the end of the financial year 2019.

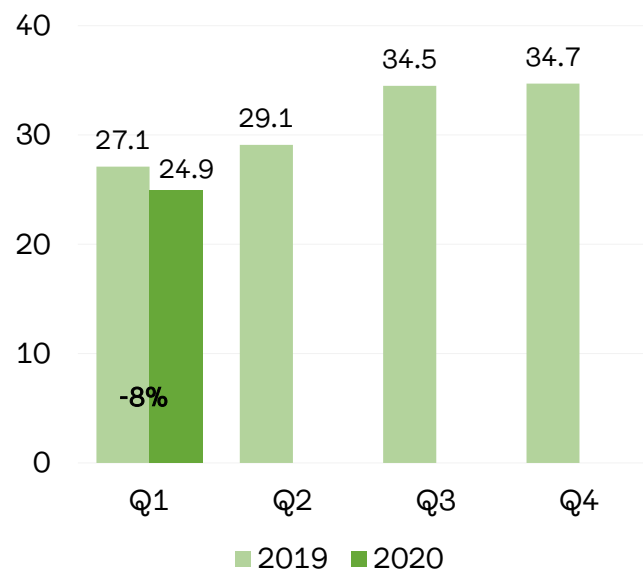
\*\*\* The figures for gross investments do not include the impact of IFRS 16.



# Net sales and operating profit

# Net sales -8% to EUR 24.9 million (27.1)

Quarterly net sales, EUR million



EUR million	Q1 2020	Q1 2019	Change %
Finland	13.6	12.8	6
Scandinavia	2.1	2.1	-3
EMEA	2.7	3.5	-23
North America	1.6	1.9	-15
Asia-Pacific	4.9	6.8	-28
International sales	11.3	14.3	-21
<b>TOTAL</b>	<b>24.9</b>	<b>27.1</b>	<b>-8</b>

- retail sales +0%
- wholesale sales -13%

## Sales in Finland +6%

- retail sales +4% (like-for-like +0%\*)
- wholesale sales +12%

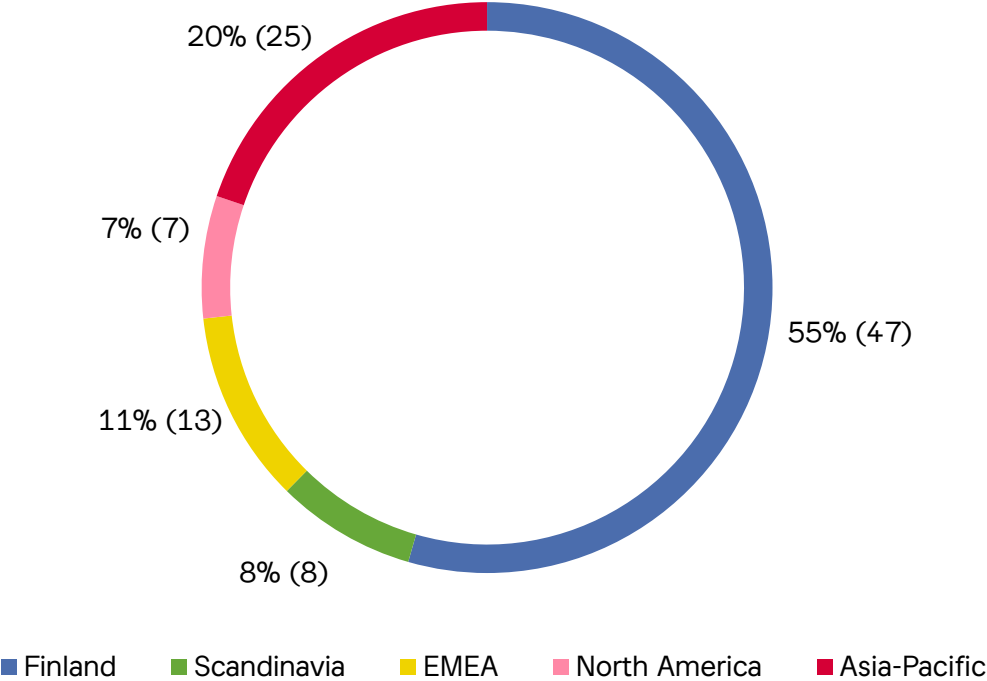
## International sales -21%

- retail sales -9%
- wholesale sales -23%
- licensing income -72%

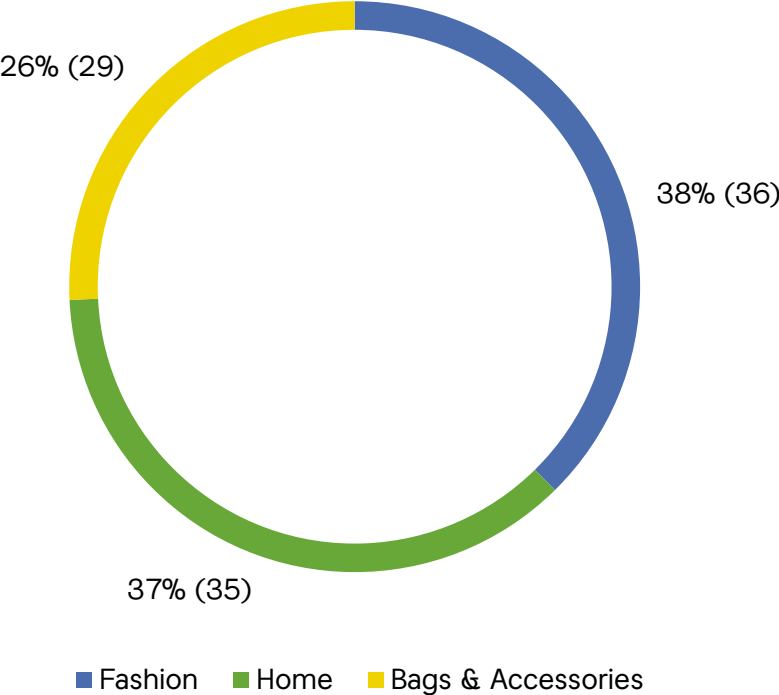
Both retail and wholesale sales increased in Finland, but a decline in wholesale sales in the Asia-Pacific region and EMEA as well as lower licensing income than in the comparison period when license revenue came mostly from North America, in particular, reduced net sales. In the Asia-Pacific, the decline in wholesale sales was mainly due to an exceptional delivery pattern in the comparison period: a part of wholesale deliveries for the final quarter of 2018 took place in the first quarter of 2019. Moreover, some expected wholesale reorders were not placed in the Asia-Pacific region due to the coronavirus pandemic.

**Home market Finland represents about half of net sales,  
the Asia-Pacific region second biggest market**

Net sales by market area, Q1/2020 (Q1/2019)



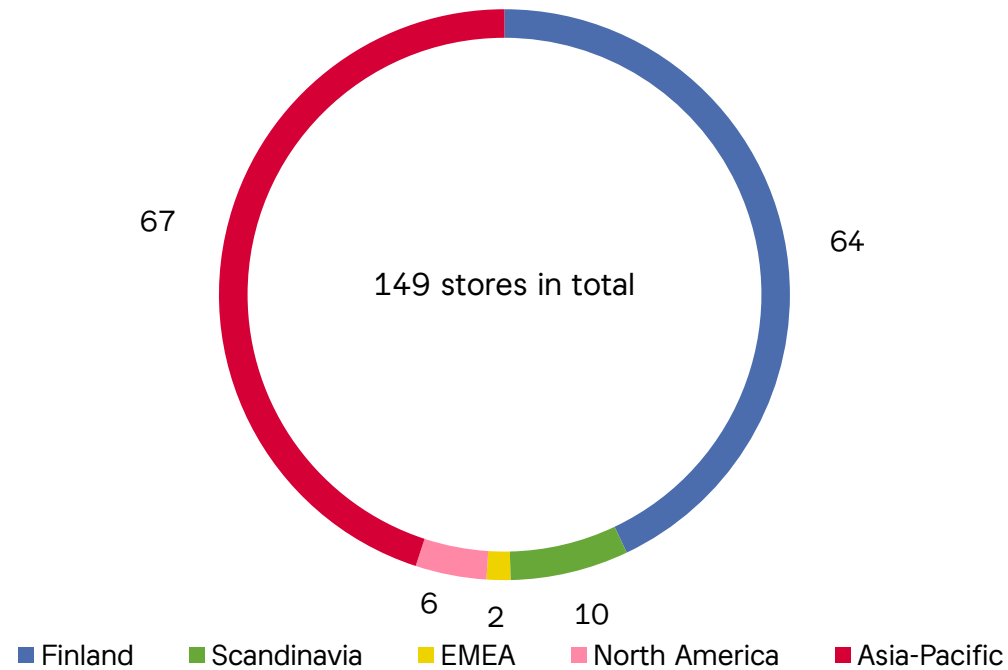
Net sales by product line, Q1/2020 (Q1/2019)



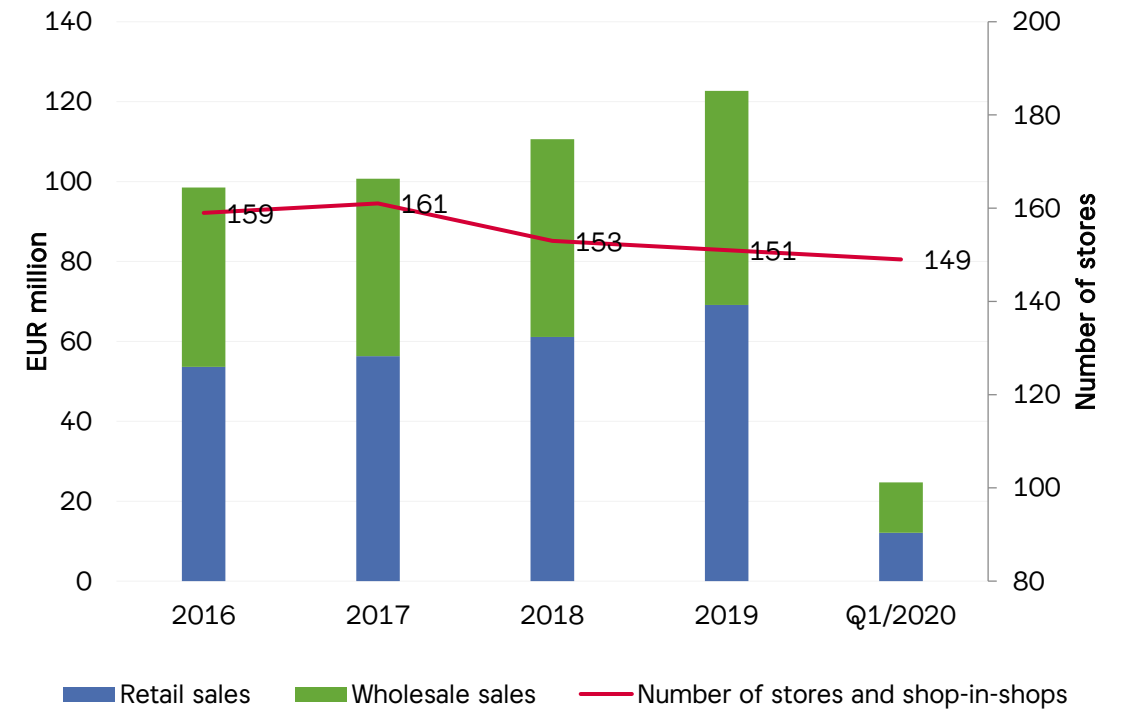
# Global footprint

57% OF MARIMEKKO STORES AND SHOP-IN-SHOPS LOCATED OUTSIDE HOME MARKET FINLAND  
AROUND 150 STORES IN 15 COUNTRIES, E-COMMERCE REACHING CUSTOMERS IN 32 COUNTRIES

## Global retail footprint Q1/2020

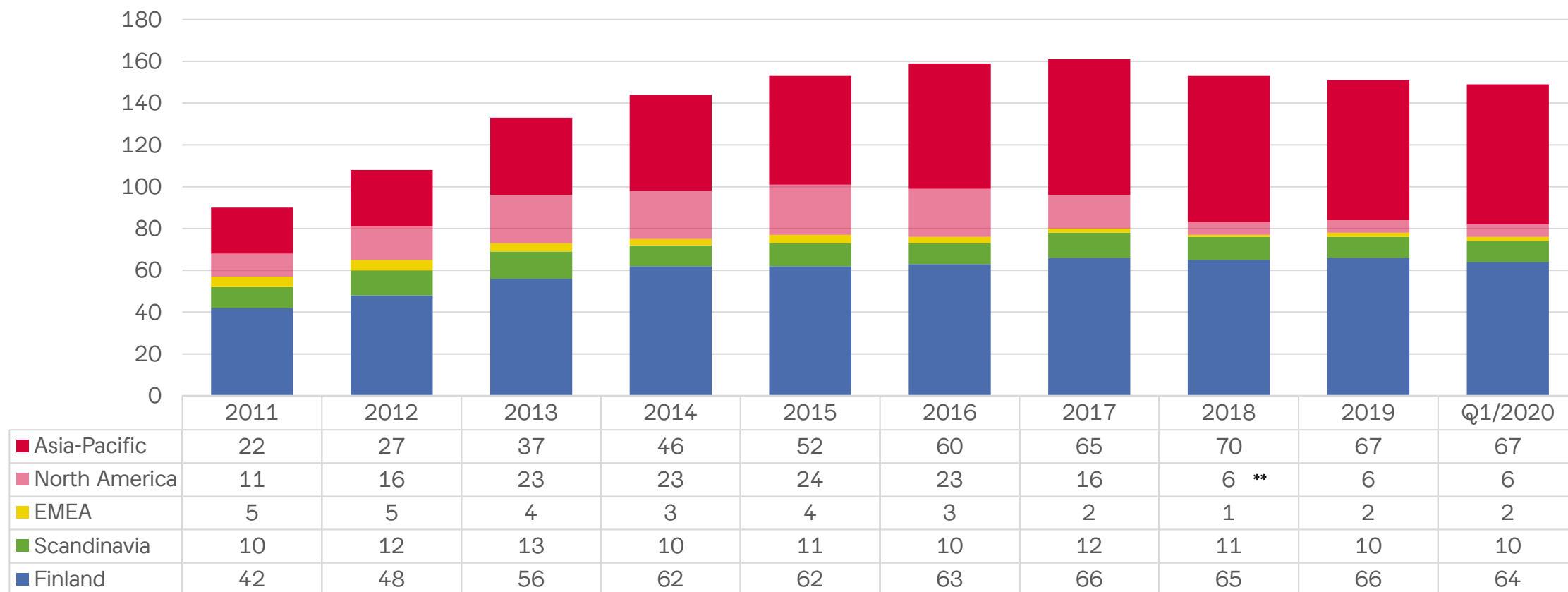


## Net sales by channel, e-commerce included





# 149 Marimekko stores\* on 31 March 2020



\* 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 Q1/2020 (52).

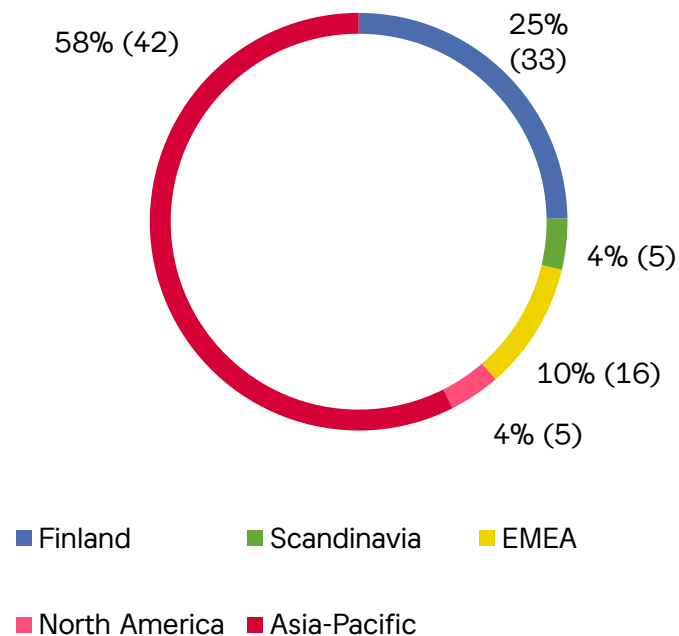
\*\* The company corrected the number of stores in North America in 2018 by reducing 11 shop-in-shops. These shops have an area of less than 30 sqm and so are below the reporting limit. The change had no effect on reported North American wholesale sales.



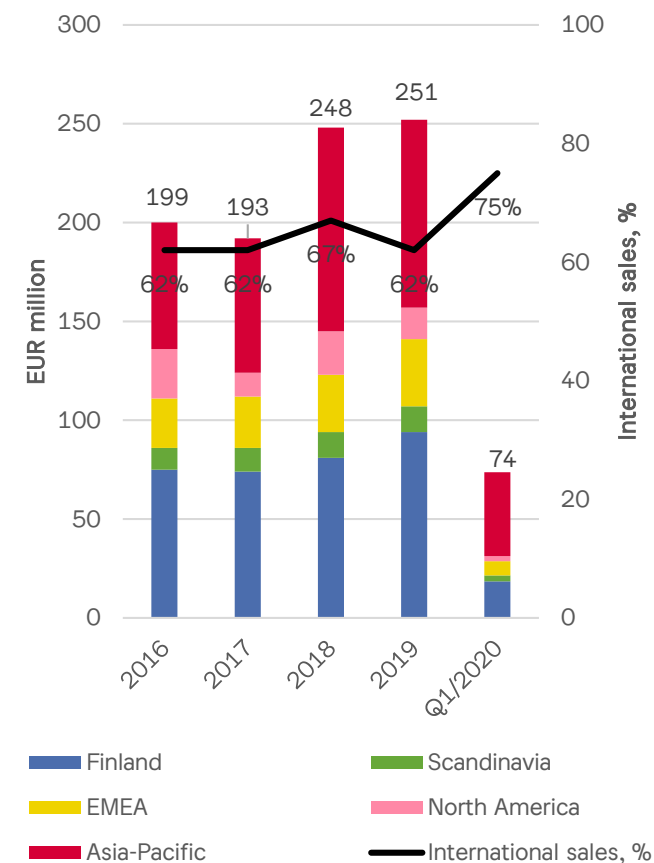
# Marimekko brand sales +24% to EUR 73.7 million (59.6)

IN Q1, 75% OF BRAND SALES OUTSIDE HOME MARKET (67)

Brand sales by market area,  
Q1/2020 (Q1/2019)

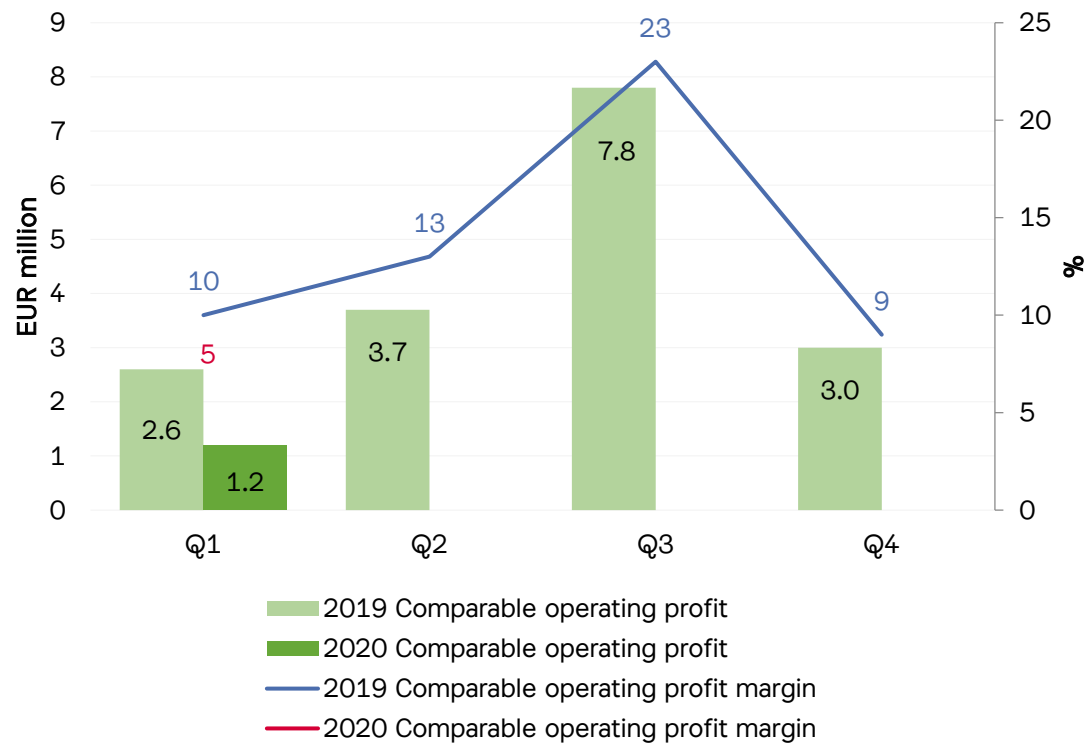


EUR million	Q1 2020	Q1 2019	Change %
Finland	18.5	19.5	-6
Scandinavia	3.0	3.0	0
EMEA	7.2	9.3	-23
North America	2.6	2.8	-5
Asia-Pacific	42.4	24.9	70
International sales	55.2	40.1	38
<b>TOTAL</b>	<b>73.7</b>	<b>59.6</b>	<b>24</b>



# Operating profit decreased due to lower net sales and a decline in relative sales margin, resulting mainly from increased logistics costs

## Comparable operating profit



- Operating profit and comparable operating profit amounted to EUR 1.2 million (2.6), -53%
- A decline in net sales, especially reduced wholesale sales in the Asia-Pacific region and EMEA as well as lower licensing income in North America, had a weakening impact on results.
- In addition, a decline in relative sales margin, due to increased logistics costs, especially, contributed to the decrease in earnings.
- Earnings were boosted by a decrease in fixed costs. Employee benefit expenses fell, as the estimated effects of the long-term, share-based incentive scheme for management diminished. In the comparison period, employee benefit expenses also included costs related to the personnel share issue arranged in spring 2019. In addition, savings in fixed costs were already achieved in the first quarter, as the company swiftly initiated cost-saving measures when the coronavirus started to spread. Other operating expenses were increased by higher credit loss provisions.



Q1/2020

# Key events in Q1



# Our strong, continuous measures to manage the coronavirus crisis

- The health and well-being of our personnel and customers is our priority
- Strict cost control and reassessment and cutting of planned investments to secure cash flow
- E-commerce as our own responsible distribution channel to support cash flow
- Supporting the operations and post-crisis recovery of the Marimekko stores open in Asia
- Preparations for the safe reopening of our own retail stores as soon as possible
- Negotiations on rent reductions and payment schedules
- Active purchase, product flow and inventory management
- Contingency plans in supply chain to ensure continuous production and logistics
- Securing financing
- Postponement of the dividend payout for 2019
- Proceeding with the long-term development of business to ensure the continuity of operations
- Taking care of all our stakeholders in line with our values





## **Announcement of a new spearhead collaboration collection with Uniqlo**

- Continuing the success of earlier collaborations, Marimekko and Uniqlo announced a third limited-edition collection for women and children.
- The capsule, available since April, was inspired by the Finnish summer living and is one of Uniqlo's spearhead collaborations in 2020.
- The collaboration collection offers Marimekko an opportunity to share its design philosophy with a wide global audience while strengthening its core business through increased brand awareness.



## Iconic patterns on a groundbreaking sustainable fabric

- In February, Marimekko and the Finnish fiber technology company Spinnova presented the first ever printed clothes made of Spinnova's wood-based fiber containing no harmful chemicals.
- Marimekko designed, printed and manufactured the demo outfits in the Marimekko House in Helsinki.
- Our Helsinki printing factory offers us a unique opportunity to actively participate in development projects and thus take the textile industry towards a more sustainable future.
- We are committed to continuously increasing the share of more sustainable materials in our products and packaging.





A woman with dark skin and short hair, wearing a light blue and white checkered shirt, is holding up a large piece of white fabric with a bold, colorful Marimekko print. The print features stylized orange and yellow lemons, green leaves, and black outlines. The background is a clear blue sky.

# Outlook for 2020

# Market outlook and growth targets for 2020

1 / 3

- The coronavirus that spread rapidly all over the world during the first quarter of 2020 has taken uncertainty over the global economy to a completely new level. Consequently, consumer confidence and consumer demand forecasts have significantly weakened in all of Marimekko's market areas.
- The exceptional circumstances and the resulting changes in consumers' and partners' purchasing behavior have an impact on Marimekko's sales, profitability and cash flow. Furthermore, the global crisis may affect the operational reliability of the company's value chain.
- The duration of the pandemic and the way the crisis is handled by different countries affect the pace of economic recovery and, at the moment, there is no clear outlook on how things will develop in different markets.

# Market outlook and growth targets for 2020

2/3

## Finland

- Finland traditionally represents about half of the company's net sales.
- To take care of the health of its personnel and customers, Marimekko decided in March to temporarily close its own retail stores in Finland. Marimekko's online store has since served as the company's own responsible distribution channel in Finland, and demand for products in the webstore has clearly exceeded expectations.
- Domestic wholesale sales in 2020 will be boosted by nonrecurring promotional deliveries, the total value of which will be substantially higher than last year. A vast majority of the deliveries will take place in the second half of the year.
- The outlook for Marimekko's domestic market and the company's consolidated net sales and earnings essentially depends on when stores can safely be reopened and the trend in customer numbers thereafter. The first of Marimekko's own stores in Finland will reopen in the week beginning on 18 May with elevated safety measures in place.

## The Asia-Pacific region

- The Asia-Pacific region is Marimekko's second-largest market and it plays a significant part in the company's internationalization.
- 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 earlier stage than in Japan. Japan already has a very comprehensive network of Marimekko stores.
- The Marimekko stores in mainland China and Hong Kong have returned to normal opening hours. The stores in Japan are still temporarily closed.
- The temporary closure of partner-owned Marimekko stores in Asia and the impacts of the pandemic on consumer sentiment affect the company's outlook for wholesale sales for the remainder of the year.
- Despite the pandemic, the company continues to see increasing demand for its products in the Asia-Pacific region in the longer term.

## Also

- Marimekko has taken due action to control cases of grey exports, which will have a clear weakening impact on sales and earnings.
- Licensing income in 2020 is estimated to be markedly lower than in the previous year.



# Market outlook and growth targets for 2020

3/3

- The importance of e-commerce in the company's business has continued to grow in 2020.
- In addition, Marimekko will focus on the safe reopening of its own retail stores as soon as possible and on recovering from the exceptional circumstances as well as support its partners in their similar efforts. The temporary closure of the company's own retail stores in Finland, Scandinavia, Germany, the United States and Australia will have a significant impact on the company's net sales and profitability in the second quarter of the year.
- The outlook for the full year 2020 essentially depends on the duration of the Marimekko stores' temporary closure and the return of customer flows in each market after the stores are reopened. The company's wholesale partners' and customers' recovery from the crisis impacts not only their orders for the winter 2020 and especially the spring 2021 collections but also their replenishment orders, and so Marimekko's current full-year outlook as well. Moreover, full-year sales will be substantially supported by nonrecurring promotional deliveries in Finland.
- The company's aim is still to open approximately 10 new Marimekko stores and shop-in-shops in 2020. The main thrust in new openings is on retailer-owned Marimekko stores.
- The exceptional circumstances have so far only had a minor impact on the supply chain.
- Higher-than-expected demand for products in the online store and wholesale delivery problems caused by the pandemic have posed challenges to Marimekko's logistics. The company expects an increase in logistics costs in the second quarter of the year.
- The impacts of the ambitious fixed-cost saving program will be significantly stronger in the second quarter. Also the impacts on personnel expenses of the temporary layoffs in the company's retail organization will be evident in the second quarter of the year.
- The company has re-evaluated its earlier investment plans and expects its total investments to be lower than in the previous year (EUR 2.9 million).
- The estimated effects of the long-term bonus system targeted at the company's Management Group will depend on the trend in the price of the company's share during the year.



## Financial guidance for 2020

On 25 March 2020, Marimekko withdrew its earlier financial guidance for 2020 solely due to the estimated impacts of the coronavirus pandemic.

The coronavirus pandemic will have a significant negative impact on Marimekko's net sales and profitability in 2020. As the situation is changing rapidly, it is not possible at the moment to give any precise estimate of the impacts of the pandemic on business. Marimekko will define its guidance for 2020 once a more reliable estimate of the impacts can be made.

# Appendices



# Income Statement

EUR million	1-3/2020	1-3/2019	1-12/2019
<b>Net sales</b>	24.9	27.2	125.4
Other operating income	0.1	0.2	0.6
Change in inventories of finished goods and work in progress	1.9	0.7	0.4
Raw materials and consumables	-11.1	-10.2	-45.4
Employee benefit expenses	-6.1	-6.9	-27.8
Depreciation and impairments	-3.2	-3.1	-12.5
Other operating expenses	-5.3	-5.3	-23.6
<b>Operating profit</b>	1.2	2.6	17.1
Net financial items	-1.0	-0.1	-1.0
<b>Result before taxes</b>	0.2	2.5	16.2
Income taxes	-0.1	-0.5	-3.1
<b>Net result</b>	0.2	1.9	13.0

# Balance sheet

EUR million	31.3.2020	31.3.2019	31.12.2019
Non-current assets	38.8	44.0	41.6
Inventories	24.7	23.0	22.6
Other current assets	7.3	7.7	6.6
Cash and cash equivalents	24.0	24.0	26.1
<b>Assets, total</b>	<b>94.8</b>	<b>98.8</b>	<b>96.9</b>
Shareholders' equity	39.2	42.8	38.9
Non-current liabilities	25.0	30.2	27.6
Current liabilities	30.6	25.8	30.4
<b>Shareholders' equity and liabilities, total</b>	<b>94.8</b>	<b>98.8</b>	<b>96.9</b>

# Cash flow statement

EUR million	1-3/2020	1-3/2019	1-12/2019
<b>Cash flow from operating activities before change in working capital</b>	4.4	5.7	29.7
Change in working capital	-5.4	-2.1	2.9
Cash flow from operating activities before financial items and taxes	-1.1	3.5	32.5
Financial items and taxes	-3.4	-0.5	-3.6
<b>Cash flow from operating activities</b>	-4.5	3.0	29.0
Cash flow from investing activities	-1.1	-0.4	-1.6
<b>Cash flow before cash flow from financing activities</b>	-5.6	2.6	27.4
Short-term loans drawn	6.1	-	0.3
Personnel share issue	-	0.7	0.7
Leasing payments	-2.7	-2.5	-10.4
Dividends paid	-	-	-15.0
<b>Cash flow from financing activities</b>	3.4	-1.8	-24.5
<b>Change in cash and cash equivalents</b>	-2.2	0.8	3.0
Cash and cash equivalents at the beginning of the period	26.1	23.2	23.2
Cash and cash equivalents at the end of the period	24.0	24.0	26.1



# Share price trend



# Largest shareholders

AS AT 31 MARCH 2020

Quoted on Nasdaq Helsinki

Consumer goods

- 1999, I list

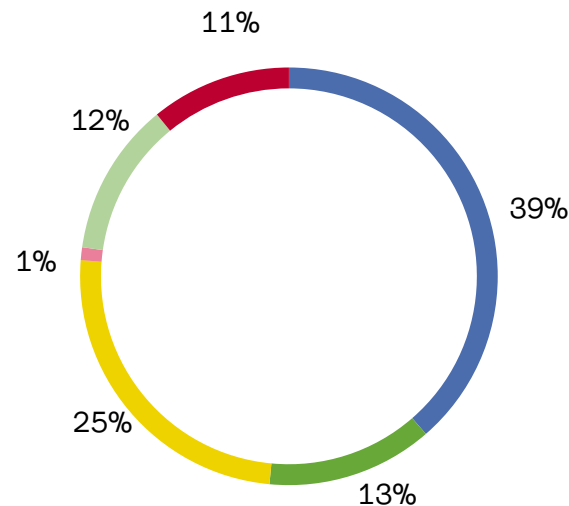
- 2002, main list

Market cap:

~ EUR 181 million

14,652 shareholders

Ownership structure by sector, %



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

Shareholder	No. of shares and votes	%
PowerBank Ventures Ltd (Mika Ihamuotila)	1,017,700	12.52
Moomin Characters Oy Ltd	453,740	5.58
Ilmarinen Mutual Pension Insurance Company	395,419	4.86
Varma Mutual Pension Insurance Company	385,920	4.75
Ehrnrooth Anna Sophia	340,377	4.19
Evli Finnish Small Cap Fund	249,269	3.07
Oy Etra Invest Ab	233,000	2.87
Nordea Nordic Small Cap Fund	199,885	2.46
Veritas Pension Insurance Company	160,470	1.97
Oy Talcom Ab	101,000	1.24

# For more information

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