

MQ Holding AB – Interim report

MQ doubles its operating profit

MQ experienced a strong third quarter, during which the company doubled its operating profit. Sales were impacted by the fact that the summer sale period in the preceding year began in May, which caused like-for-like sales, adjusted for discount effects, to increase 5.6 percent. The gross margin improved and significant cost savings were achieved. The company reported a strong cash flow and record-low level of net debt.

Third quarter (March 2014-May 2014)

- Net sales amounted to SEK 350 million (354), down 1.1 percent. Sales in comparable stores declined 0.7 percent. Adjusted for discount effects in the preceding year, like-for-like sales rose 5.6 percent (according to the Swedish Retail Institute Index, the market increased 0.6 percent).
- The gross margin was 61.3 percent (60.2).
- Operating profit totalled SEK 42 million (21), corresponding to an operating margin of 12.0 percent (5.9).
- Profit after tax amounted to SEK 31 million (12), corresponding to SEK 0.90 (0.35) per share after dilution.
- Cash flow from operating activities was SEK 63 million (43).

Nine-month period (September 2013-May 2014)

- Net sales amounted to SEK 1,139 million (1,114), up 2.2 percent. Sales in comparable stores increased 0.9 percent. Adjusted for discount effects in the preceding year, like-for-like sales rose 2.7 percent (according to the Swedish Retail Institute Index, the market contracted by 0.7 percent).
- The gross margin was 56.6 percent (56.5).
- Operating profit totalled SEK 97 million (46), corresponding to an operating margin of 8.6 percent (4.1).
- Profit after tax amounted to SEK 70 million (26), corresponding to SEK 2.02 (0.75) per share after dilution.
- Cash flow from operating activities was SEK 118 million (72).



Events during the third quarter

- MQ's brand portfolio was strengthened in March with the addition of three new brands: Sail Racing, Ilse Jacobsen and A-One.
- One store in Malmö was closed: Malmö Entré.

Events after the end of the reporting period

- No significant events occurred after the end of the reporting period.

Key figures

SEK m	Q3 Mar-May 13/14	Q3 Mar-May 12/13	Period Sep-May 13/14	Period Sep-May 12/13	Rolling 12 months Jun 13-May 14	Financial year Sep-Aug 12/13
Net sales	350	354	1,139	1,114	1,488	1,463
Gross margin, %	61.3	60.2	56.6	56.5	55.4	55.3
Operating profit	42	21	97	46	102	50
Operating margin, %	12.0	5.9	8.6	4.1	6.8	3.4
Profit after financial items	40	17	90	35	91	36
Profit for the period	31	12	70	26	106	62
Earnings per share before dilution, SEK	0.90	0.36	2.02	0.76	3.06	1.79
Earnings per share after dilution, SEK	0.90	0.35	2.02	0.75	3.05	1.79
Number of stores at the end of the period	121	122	121	122	121	122



Comments by the CEO

MQ continues to move in a positive direction, with operating profit for the third quarter amounting to double the figure reported for the year-earlier period.

The company reported a favourable sales trend, driven by a competitive range in a market characterised by a resurgent interest in fashion. The early arrival of spring and summer created a demand for dresses and suits, enabling MQ to strengthen its position in this segment. Sales were impacted by the fact that the summer sale period in the preceding year began in May, which caused like-for-like sales, adjusted for discount effects, to increase 5.6 percent. The early start to the summer sale period in the preceding year was a unique occurrence and was mainly intended to make room for the Filippa K brand – an important, large-scale introduction in MQ’s development into a fashion destination.

As a result of changes in campaign activities, MQ is now selling a larger number of products at full price and maintaining a high rate of commercial activity. Our business-minded approach is a key component of our burgeoning corporate culture and is particularly evident in our strong cost control. Our savings programme, which comprises a total of SEK 50 million for the financial year, continues to yield results.

MQ is growing stronger from a financial perspective. Our profit and cash flow have increased sharply and our net debt is at a record-low level.

We are in the process of creating a more distinct and attractive MQ. Our head office has been streamlined, which has not only generated financial savings but also – more importantly – enabled us to improve our methods and clarify our shared goals and values. Our head office and stores are becoming more closely linked.

We have intensified our PR efforts in order to raise and strengthen MQ’s fashion position. Thanks to our expanded cooperation with the fashion magazine *Damernas Värld* in preparation for the Guldknappen Awards – one of Sweden’s largest fashion events – MQ will not only be participating as a sponsor, but will also present the award for “Readers’ Choice.”

It feels gratifying to note that MQ is progressing according to plan. Profitability is increasing and our customer offering is improving. Step by step, we are moving in the right direction.



Christina Ståhl
President and CEO, MQ Holding AB



Operations

The MQ Group is a retailer of women's and men's fashion in the Swedish and Norwegian markets. The range, which focuses on fashion-conscious consumers, contains a mix of proprietary and external brands.

Store network

The stores are located throughout Sweden from Ystad in the south to Luleå in the north. MQ was launched in Norway in September 2010 and currently has five stores located in Oslo, Jessheim, Drammen and Kristiansand. All stores sell both women's and men's fashions. At the end of the period, the total number of stores was 121.

Market

The market for ready-to-wear clothing in Sweden recovered slightly during the third quarter (March 2014-May 2014). Sales for comparable stores increased 0.6 percent, while the sales trend for the 12-month period (June 2013-May 2014) was negative, with a decline of 0.6 percent.

Comments on financial performance

Net sales

Third quarter, March 2014-May 2014

Net sales amounted to SEK 350 million (354) during the quarter, down 1.1 percent. MQ's sales in comparable stores declined 0.7 percent during the third quarter. Adjusted for discount effects in the preceding year, MQ's comparable sales rose 5.6 percent, compared with market increase of 0.6 percent. Sales of women's fashion rose 2.2 percent to SEK 182 million (178), sales of men's fashion declined 4.5 percent to SEK 168 million (176).

Nine-month period, September 2013-May 2014

Net sales totalled SEK 1,139 million (1,114) during the nine-month period, up 2.2 percent. MQ's sales in comparable stores rose 0.9 percent during the period. Adjusted for discount effects in the preceding year, MQ's like-for-like sales increased 2.7 percent, compared with a market decline of 0.7 percent. Sales of women's fashion rose 5.9 percent to SEK 560 million (529), while sales of men's fashion declined 1.0 percent to SEK 579 million (585).

Earnings

Third quarter, March 2014-May 2014

Gross profit totalled SEK 215 million (213), corresponding to a gross margin of 61.3 percent (60.2).

Other external costs and personnel expenses for the quarter amounted to SEK 166 million (184). The cost level declined by SEK 18 million, despite inflation, which is a result of the savings programme.

Operating profit for the quarter totalled to SEK 42 million (21), corresponding to an operating margin of 12.0 percent (5.9). Depreciation/amortisation according to plan amounted to SEK 8 million (9). Net financial items for the third quarter amounted to an expense of SEK 2 million (expense: 4). Profit after financial items totalled SEK 40 million (17). Profit after tax amounted to SEK 31 million (12).

Nine-month period, September 2013-May 2014

Gross profit totalled SEK 645 million (629), corresponding to a gross margin of 56.6 percent (56.5).

Other external costs and personnel expenses for the nine-month period amounted to SEK 527 million (560). The cost level declined by SEK 33 million, despite inflation, which is a result of the SEK 50 million savings programme for the financial year.

Operating profit for the nine-month period amounted to SEK 97 million (46), corresponding to an operating margin of 8.6 percent (4.1). Depreciation/amortisation according to plan totalled SEK 24 million (29). Net financial items for the nine-month period amounted to an expense of SEK 8 million (expense: 11). Profit after financial items totalled SEK 90 million (35). Profit after tax amounted to SEK 70 million (26).

Expansion

Efforts to find new store locations are proceeding as planned. The further development of MQ Shop Online is continuing.

Cash flow

MQ's cash flow from operating activities during the nine-month period amounted to SEK 118 million (72). The positive trend was generated from better results in the form of higher sales and lower costs. Cash flow after investments amounted to SEK 113 million (49).

Inventories

At 31 May 2014, the value of inventories amounted to SEK 214 million (219). In total, the composition of inventories is adjudged to be at a satisfactory level.

Investments

Investments during the period amounted to SEK 5 million (23) and mainly pertained to investments in existing stores. Two stores in Helsingborg and Täby Centrum were remodelled and moved to better locations.

Financing and liquidity

At 31 May 2014, interest-bearing net debt amounted to SEK 214 million, compared with SEK 295 million a year earlier. At the end of the period, cash and cash equivalents totalled SEK 36 million (34). Interest-bearing net debt/EBITDA was 1.6 (2.8) for the 12-month period of June 2013-May 2014.

Events during the third quarter

MQ's brand portfolio was strengthened with the addition of three new brands: Sail Racing, which offers sporty, high-tech fashion for men, with a focus on nautical style; Ilse Jacobsen, with attractive feminine dresses in colours and patterns to enhance the wearer's personality; and A-One, which offers a new, exciting jacket collection for both men and women, designed by Bernadotte & Kylberg. This collection is sold exclusively at MQ. One store in Malmö was closed: Malmö Entré.

Events after the end of the reporting period

No significant events occurred after the end of the reporting period.

Employees

The average number of full-time employees during the 12-month period (June 2013-May 2014) was 584, compared with 625 in the year-earlier period.

Related-party transactions

There were no material related-party transactions during the period.

Risks and uncertainties

MQ's operations are exposed to a number of risks that are completely or partly beyond the company's control, but which could impact sales and earnings. The risks to which the company is exposed include the economic trend, shifts in fashion and interest-rate and currency risks. MQ is dependent on consumer preferences with respect to trends, design and quality. MQ makes conscious efforts to develop its trend monitoring, information systems, forecasts and supply chain management and to shorten lead times in the development of products to minimise the risks in fashion shifts. The purchasing power of Swedish consumers is a prerequisite for retail growth. This is particularly important for growth in the high price ranges, characterised by high fashion content among retailers and brand specialists. It is probable that a change in Sweden's economic growth would impact the purchasing power of consumers and thus growth in the retail sector. Financial risks

pertain to fluctuations in the company's earnings and cash flow resulting from movements in exchange rates, interest rates, liquidity and credit risks. The Group's financial risks are managed by the Group's finance department, which is in charge of identifying and minimising the risk of negative effects on earnings and improving the predictability of future earnings. For further information about financial instruments and risk management, refer to the Administration Report and to Notes 23 and 24 of the Annual Report for the 2012/2013 financial year.

Parent Company

The Parent Company's net sales for the nine-month period amounted to SEK 8 million (8) and profit after financial items totalled SEK 10 million (27). No investments were made by the Parent Company during the period.

Accounting policies

This condensed consolidated interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with Chapter 9 of the Swedish Annual Accounts, Interim Financial Reporting. For the Group and the Parent Company, the same accounting policies and measurement principles have been applied as in the most recent Annual Report. Derivative instruments are measured at fair value, which amounted to SEK 2.2 million as at 31 May 2014. For currency contracts (currency forward contracts), the fair value is determined based on measurement from credit institutions if such is available. If such is not available, the fair value is calculated by discounting the difference between the contracted forward rate and the forward rate that can be subscribed on the balance-sheet date for the remaining contract period. According to IFRS 7, financial instruments must be categorised in three categories based on the input data used to measure the fair value. The first category pertains to financial instruments listed in an active market. The second category pertains to financial instruments that are not listed in an active market but where other market information can be used to obtain a measurement. The final category pertains to measurements where there are no market listings, as well as other market data. Methods for obtaining a measurement for the third category consist primarily of discounted cash flows. All MQ's derivatives belong to the second category.

The Board of Directors and the CEO give their assurance that the interim report provides a fair overview of the development of the Group's and Parent Company's operations, financial position and earnings, and also describes material risks and uncertainties facing the Parent Company and companies included in the Group.

Gothenburg, 16 June 2014

Board of Directors
MQ Holding AB

Erik Olsson
Chairman of the Board

Göran Barsby
Board Member

Bengt Jaller
Board Member

Annika Rost
Board Member

Arthur Engel
Board Member

Mernosh Saatchi
Board Member

Michael Olsson
Board Member

Christina Ståhl
Chief Executive Officer

Teleconference

A teleconference will be held for analysts, investors and the media on 17 June at 9:00 a.m. The presentation will also be webcast live on www.mq.se. To participate, please call + 46 8 505 564 74.

Reporting schedule

Year-end report, June 2014-August 2014	7 October 2014
Interim report, first quarter, September 2014-November 2014	18 December 2014
Interim report, second quarter, December 2014-February 2015	18 March 2015

This constitutes information that MQ Holding AB (publ) is legally obliged to publish under the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 17 June 2014 at 7:15 a.m.

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This interim report has not been reviewed by the company's auditors.

Consolidated statement of earnings and other comprehensive income

Condensed consolidated statement of comprehensive income (SEK m)	Q3 Mar-May 13/14	Q3 Mar-May 12/13	Period Sep-May 13/14	Period Sep-May 12/13	Rolling 12 months Jun 13-May 14	Financial year Sep-Aug 12/13
Net sales	350	354	1,139	1,114	1,488	1,463
Other operating income	1	1	4	6	3	6
Total operating income	351	355	1,143	1,120	1,491	1,468
• Goods for resale	-136	-141	-494	-485	-663	-654
• Other external costs	-83	-95	-266	-292	-349	-374
• Personnel expenses	-83	-89	-261	-268	-343	-351
• Depreciation/amortisation	-8	-9	-24	-29	-34	-38
Operating profit	42	21	97	46	102	50
• Financial income	0	0	0	0	0	0
• Financial expenses	-2	-4	-8	-11	-10	-14
Profit after financial items	40	17	90	35	91	36
Tax on profit for the period	-9	-4	-20	-9	15	26
PROFIT FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	31	12	70	26	106	62
OTHER COMPREHENSIVE INCOME						
Items that have been restated or that can be restated in profit for the period						
Translation difference	-1	0	0	0	-1	-1
Changes in fair value of cash-flow hedging	1	4	0	6	2	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	31	16	70	32	107	69
Earnings per share before dilution (SEK)	0.90	0.36	2.02	0.76	3.06	1.79
Earnings per share after dilution (SEK)	0.90	0.35	2.02	0.75	3.05	1.79
Average number of shares before dilution	34,631,507	34,631,507	34,631,507	34,631,507	34,631,507	34,631,507
Average number of shares after dilution	34,759,371	34,758,692	34,759,371	34,758,692	34,759,371	34,725,233

Consolidated balance sheet

Condensed consolidated balance sheet (SEK m)	31 May 2014	31 May 2013	31 August 2013
ASSETS			
Fixed assets			
Intangible assets	1,204	1,205	1,205
Tangible assets	58	83	75
Total fixed assets	1,262	1,288	1,280
Current assets			
Inventories	214	219	291
Current receivables	75	65	114
Cash and cash equivalents	36	34	43
Total current assets	325	318	448
TOTAL ASSETS	1,587	1,606	1,728
EQUITY AND LIABILITIES			
Equity	928	836	872
Liabilities			
Interest-bearing long-term liabilities	201	271	221
Non-interest-bearing long-term liabilities	180	213	180
Interest-bearing current liabilities	49	58	134
Non-interest-bearing current liabilities	229	228	322
TOTAL EQUITY AND LIABILITIES	1,587	1,606	1,728

Statement of changes in equity

Specification of changes in the Group's equity (SEK m)	Period Sep-May 2013/14	Period Sep-May 2012/13	Financial year Sep-Aug 2012/13
Equity, opening balance	872	834	834
Total comprehensive income	70	32	69
Buyback of own shares/incentive programme	0	0	-1
Dividend	-14	-30	-30
EQUITY, CLOSING BALANCE	928	836	872

Consolidated cash-flow statement

Condensed consolidated cash-flow statement (SEK m)	Q3 Mar-May 2013/14	Q3 Mar-May 2012/13	Period Sep-May 2013/14	Period Sep-May 2012/13	Financial year Sep-Aug 2012/13
Cash flow from operating activities before changes in working capital	42	22	116	52	56
Changes in working capital	21	21	2	20	1
Cash flow from operating activities	63	43	118	72	57
Cash flow from investing activities					
Acquisition of intangible assets	0	0	-1	-2	-2
Acquisition of tangible assets	0	-5	-4	-21	-22
Cash flow after investing activities	63	38	113	49	32
Financing activities					
<i>Amortisation</i>	0	0	-20	-20	-320
<i>Loans raised</i>	0	0	0	0	250
<i>Dividend</i>	0	0	-14	-30	-30
<i>Utilisation of overdraft facility</i>	-49	-30	-86	-3	73
Cash flow from financing activities	-49	-30	-120	-53	-27
Cash flow for the period	14	8	-7	-4	5
Cash and cash equivalents at the beginning of the period	23	27	43	38	38
Cash and cash equivalents at the end of the period	36	34	36	34	43

Key figures

	Q3 Mar-May 13/14	Q3 Mar-May 12/13	Period Sep-May 13/14	Period Sep-May 12/13	Rolling 12 months Jun 13-May 14	Financial year Sep-Aug 12/13
Growth in net sales, %	-1.1	2.0	2.2	-3.0	-0.8	-4.6
Sales growth in comparable stores, %	-0.7	-2.5	0.9	-5.9	-2.5	-7.4
Gross margin, %	61.3	60.2	56.6	56.5	55.4	55.3
Operating profit, SEK m	42	21	97	46	102	50
Operating margin, %	12.0	5.9	8.6	4.1	6.8	3.4
Profit after financial items	40	17	90	35	91	36
Profit for the period	31	12	70	26	106	62
Total depreciation/amortisation, SEK m	-8	-9	-24	-29	-34	-38
Earnings per share before dilution, SEK	0.90	0.36	2.02	0.76	3.06	1.79
Interest-bearing net debt, SEK m	214	295	214	295	214	312
Interest-bearing net debt /EBITDA, multiple	1.6	2.8	1.6	2.8	1.6	3.5
Equity/assets ratio, %	58	52	58	52	58	50
Equity, SEK m	928	836	928	836	928	872
Average number of shares before dilution	34,631,507	34,631,507	34,631,507	34,631,507	34,631,507	34,631,507
Average number of shares after dilution	34,759,371	34,758,692	34,759,371	34,758,692	34,759,371	34,725,233

Shareholder structure

Largest shareholders as of 30 May 2014

Name	Number of shares	Votes and capital, %
ÖRESUND, INVESTMENT AB	4,729,300	13.4
DANSKE CAPITAL SVERIGE AB	4,582,921	13.0
JALLER KLÄDCENTER AB	2,862,000	8.1
LÄNSFÖRSÄKRINGAR FONDFÖRVALTNING AB	1,975,015	5.6
DNB – CARLSON FONDER	1,157,973	3.3
SVENSKA LÄRARFONDER	1,135,545	3.2
CATELLA FONDFÖRVALTNING	1,117,730	3.2
UNIONEN	1,100,000	3.1
HANDELSBANKEN FONDER AB RE JPMEL	1,019,501	2.9
SKANDIA FONDER	734,658	2.1
ANDRA AP-FONDEN	566,860	1.6
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	560,690	1.6
NORDEA BANK AB (PUBL.) – SECURITIES FINANCE	511,102	1.4
CANCERFONDEN - RIKSFÖRENINGEN MOT	374,000	1.1
NORDNET PENSIONS FÖRSÄKRING AB	324,864	0.9
Total 15 largest	22,752,159	64.7
Other	12,404,348	35.3
Total	35,156,507	100.0

Parent Company income statement

Condensed income statement for Parent Company (SEK m)	Q3 Mar-May 13/14	Q3 Mar-May 12/13	Period Sep- May 13/14	Period Sep-May 12/13	Rolling 12 months Jun 13-May 14	Financial year Sep-Aug 12/13
Net sales	2	2	8	8	15	15
Other operating income	0	0	0	0	0	0
Total operating income	2	2	8	8	15	15
• Goods for resale	0	0	0	0	0	0
• Other external costs	-1	-1	-4	-4	-5	-5
• Personnel expenses	-3	-3	-8	-8	-16	-16
• Other operating expenses	0	0	0	0	0	0
• Depreciation/amortisation	0	0	0	0	0	0
Operating profit/loss	-2	-2	-4	-4	-6	-6
• Income from shares	0	0	14	31	14	31
• Financial income	2	3	6	9	8	11
• Financial expenses	-2	-3	-6	-9	-8	-11
Profit/loss after financial items	-2	-2	10	27	8	25
Group contributions	0	0	0	0	6	6
Profit/loss before tax	-2	-2	10	27	14	31
Tax on profit/loss for the period	0	0	0	0	0	0
PROFIT/LOSS AFTER TAX	-2	-2	10	27	14	31

Parent Company balance sheet

Condensed balance sheet for Parent Company (SEK m)	31 May 2014	31 May 2013	31 August 2013
ASSETS			
Fixed assets			
Intangible assets	0	0	0
Tangible assets	0	0	0
Financial assets	1,110	1,111	1,111
Total fixed assets	1,110	1,111	1,111
Current assets			
Current receivables	1	1	1
Cash and cash equivalents	1	1	0
Total current assets	2	2	1
TOTAL ASSETS	1,112	1,113	1,112
EQUITY AND LIABILITIES			
Equity	550	551	554
Liabilities			
Interest-bearing long-term liabilities	201	271	221
Interest-bearing current liabilities	40	40	40
Non-interest-bearing liabilities	320	251	297
TOTAL EQUITY AND LIABILITIES	1,112	1,113	1,112
Assets pledged as security			
Shares in subsidiaries	1,110	1,111	1,111
MQ brand	-	690	-
Contingent liabilities			
Guarantees related to subsidiaries' completion of leasing contracts	47	31	55
Guarantees related to MQ Retail AB	184	96	190
Total contingent liabilities	231	127	245

Definitions

Gross margin

Net sales less costs for goods sold as a percentage of sales.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

Equity

Consists of share capital, other contributed capital, reserves and retained earnings, including the Group's profit for the year.

Equity per share

Equity divided by the number of shares on the closing date.

Like-for-like sales

The term "like-for-like sales" is used to designate all sales in Sweden, with the exception of sales in new stores. A new store becomes comparable when it has been opened for one year.

Interest-bearing net debt

Interest-bearing liabilities minus cash and cash equivalents.

Interest-bearing net debt/EBITDA

Interest-bearing liabilities divided by EBITDA for the most recent 12-month period.

Operating margin

Operating profit as a percentage of net sales for the period.

Equity/assets ratio

Equity as a percentage of total assets.



MQ is one of Sweden's leading retailers of fashion brands. Through a select mix of proprietary and external brands, MQ offers men's and women's clothes with a high fashion content in attractive stores. The store chain currently comprises 121 stores and the aim is to establish MQ as the leading retailer of fashion brands in the Nordic region. The MQ share has been listed on NASDAQ OMX Stockholm since 18 June 2010. For more information, please visit our website at www.mq.se.