

MQ Holding AB – Interim report

MQ reports strong sales growth and further earnings improvement

MQ continued to report a positive sales trend, further increasing its sales during the quarter. The company's earnings trend also remained positive. MQ's commercial development work was intensified during the autumn, resulting in both new and refurbished stores, expanded market communication and continued development of the product range.

First quarter (September 2015-November 2015)

- Net sales amounted to SEK 382 million (357), up 7.0 percent. Like-for-like sales increased 7.1 percent (according to the Swedish Retail Institute Index, the market grew 6.1 percent).
- The gross margin was 59.7 percent (61.0).
- Operating profit was SEK 42 million (39), corresponding to an operating margin of 10.9 percent (10.9).
- Profit after tax was SEK 32 million (29), corresponding to SEK 0.92 (0.83) per share after dilution.
- Cash flow from operating activities was SEK 3 million (10).

Events during the first quarter

- MQ opened two stores: one in Norrtälje and one in the Mall of Scandinavia.
- MQ's first flagship store in Norway opened in Grendsen, Oslo.
- The external brands Happy Socks, Franklin & Marshall and Maria Westerlind were launched on MQ Shop Online.
- Mountain Works and Loungewear by 365 were launched in stores.

Events after the end of the reporting period

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



Key figures

SEK m	Q1 Sep-Nov 15/16	Q1 Sep-Nov 14/15	Rolling 12 months Dec 14-Nov 15	Financial year Sep-Aug 14/15
Net sales	382	357	1,583	1,557
Gross margin, %	59.7	61.0	55.5	55.8
Operating profit	42	39	161	158
Operating margin, %	10.9	10.9	10.2	10.2
Profit after financial items	41	37	158	155
Profit for the period	32	29	123	120
Earnings per share before dilution, SEK	0.92	0.83	3.50	3.42
Earnings per share after dilution, SEK	0.92	0.83	3.50	3.42
Number of stores, at the end of the period	121	120	121	119





Comments by the CEO

MQ continued to perform positively during the first quarter and like-for-like sales rose 7.1 percent. The market increased 6.1 percent during the same period. MQ's brand offering commends a strong position among the competition and MQ is capturing market shares in a growing market.

The earnings trend remained positive and the company's net debt is historically low.

We continued to exercise sound cost control, while devoting greater focus to commercial initiatives through external communication and new stores. Our strong cost control is a well-established part of our corporate culture, which will enable us to continue both accelerating and applying the brakes during the year. Accelerating in the form of new establishments, store upgrades, expanded market communication and a focus on increased sales. Applying the brakes in the form of continuous efficiency-enhancement work. The gross margin for the period was impacted by our increased inventories and the strong campaigns we carried out, which were a success both in our physical stores and on MQ Shop Online.

The new store concept has now been launched in several stores. The two largest are MQ's new flagship store in Grendsen, Oslo, and the Mall of Scandinavia in Stockholm. Both stores opened during the period and have more than lived up to our expectations. Our new store in Norrtälje, which opened in October, has also been a success. The opening of the store at the Mall of Scandinavia was MQ's best launch to date. We can certainly confirm that the Mall of Scandinavia is a new, exciting and highly attractive shopping destination. While the new store concept has shown strong results, we are proceeding quickly but cautiously when it comes to investments and upgrading stores gradually on the basis of need, cost focus and business assessments.

This streamlined way of working, including changes to our in-store product displays, is having a positive impact on sales. Our commercial message has been strengthened and MQ's customer offering is now clearer – not only in the stores, but also online and in our other communication channels. All areas of the customer offering will be evaluated and developed on a continuous basis.

The brand portfolio has grown over the autumn following the launch of new external brands – Happy Socks, Franklin & Marshall and Maria Westerlind – on MQ Shop Online. Mountain Works and Loungewear by 365 were launched in stores. Our omnichannel strategy has been very well received by consumers and we are continuing to improve our customer offering.

MQ is well equipped to respond to resurging consumer interest in fashion. We are advancing our position as a player and spokesperson in the fashion industry and have a frequent presence in channels that attract customers. MQ and its new brands are increasingly attracting the attention of the fashion media.

MQ's commercial development is continuing at full strength.

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 four 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

In Sweden, the market for ready-to-wear clothing was strong during the first quarter (September 2015- November 2015), with a positive sales trend of 6.1 percent during the quarter. The sales trend in the market for the 12-month period (December 2014-November 2015) was also positive, up 1.9 percent.

Comments on financial performance

Net sales

First quarter, September 2015-November 2015

Net sales amounted to SEK 382 million (357) during the quarter, up 7.0 percent. MQ's like-for-like sales rose 7.1 percent during the first quarter, compared with a market increase of 6.1 percent. The quarter's healthy sales were attributable to a combination of a strong range and good campaign management.

Sales of the product range for women increased 6.3 percent to SEK 202 million (190) and sales of the product range for men rose 7.8 percent to SEK 180 million (167).

Earnings

First quarter, September 2015-November 2015

Gross profit totalled SEK 228 million (218), corresponding to a gross margin of 59.7 percent (61.0). Other costs and personnel expenses for the quarter amounted to SEK 182 million (172). The cost level rose SEK 10 million as a result of increased investments in marketing, new stores and higher employer's contribution for young employees.

Operating profit for the quarter totalled SEK 42 million (39), corresponding to an operating margin of 10.9 percent (10.9). Depreciation/amortisation according to plan amounted to SEK 6 million (7). Net financial items for the first quarter totalled an expense of SEK 1 million (expense: 2). Profit after financial items was SEK 41 million (37). Profit after tax was SEK 32 million (29).

Establishing stores

Efforts to find new store locations are proceeding as planned in both Sweden and Norway.

Cash flow

MQ's cash flow from operating activities totalled SEK 3 million (10) during the quarter. The negative effect of cash flow compared with the year-earlier period was attributable to higher income tax paid during the period. Cash flow after investments amounted to a negative SEK 8 million (pos: 7).

Inventories

At 30 November 2015, the value of inventories was SEK 289 million (257). Most of the higher inventories compared with the previous year is an effect of the higher dollar. In total, the composition of inventories is deemed to be at a highly satisfactory level.

Investments

Investments during the period totalled SEK 10 million (3) and mainly pertained to two new stores, Norrtälje and Mall of Scandinavia, as well as the relocation of the stores in Grensen, Oslo, and Falun. All four stores have been updated to the new store concept.

Financing and liquidity

At 30 November 2015, interest-bearing net debt amounted to SEK 109 million, compared with SEK 166 million at the same date in the preceding year. At the end of the period, cash and cash equivalents totalled SEK 18 million (46). Interest-bearing net debt/EBITDA totalled 0.6 (1.0) for the 12-month period of December 2013-November 2015.

Events during the first quarter

MQ opened two stores: one in Norrtälje and one in the Mall of Scandinavia. MQ's first flagship store in Norway opened in Grensen, Oslo. The external brands Happy Socks, Franklin & Marshall and Maria Westerlind were launched on MQ Shop Online. Mountain Works and Loungewear by 365 were launched in stores.

Events after the end of the reporting period

No events occurred after the end of the reporting period.

Employees

The average number of full-time employees during the 12-month period (December 2014-November 2015) was 585, compared with 585 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 that the company is exposed to 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, supply chain management and to shorten lead times in the development of products in order 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 of improving the predictability of future earnings. For further information about financial instruments and risk management; see the Administration Report and Notes 23 and 24 of the Annual Report for the 2013/2014 financial year.

Parent Company

The Parent Company's net sales during the quarter totalled SEK 3 million (3) and the result after financial items amounted to a loss of SEK 1 million (loss: 1). No investments were made by the Parent Company during the period.

Annual General Meeting

The Annual General Meeting will be held in Gothenburg on 28 January 2016 in MQ's premises. The Annual Report will be available on www.mq.se as of the week commencing 52 December 2015.

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 Act, 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 6 million at 30 November 2015. Determining the fair value of currency forward contracts is based on valuations made by credit institutes, if such figures are available. If these are not available, the fair value is calculated by discounting the difference between the agreed forward rate and the forward rate that can be effected on the balance-sheet date for the remaining period of the contract. For other financial instruments, carrying amounts reflect their fair value.

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 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 to measurements where there are no market listings or other market data. Techniques to obtain a valuation for level three mainly involve discounting cash flows. All of MQ's derivatives belong to the second category.

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

Gothenburg, 16 December 2015

Board of Directors
MQ Holding AB

Claes-Göran Sylvén
Chairman of the Board

Annika Rost
Board Member

Bengt Jaller
Deputy Chairman

Michael Olsson
Board Member

Arthur Engel
Board Member

Mernosh Saatchi
Board Member

Anna Engebretsen
Board Member

Teleconference

A teleconference will be held at 9:00 a.m. on 17 December for analysts, investors and the media. The presentation will also be webcast directly on www.mq.se. To participate, please call +46 (0)8 505 564 74.

Reporting calendar

Interim report, second quarter, December 2015-February 2016

17 March 2016

Interim report, third quarter, March 2016-May 2016

16 June 2016

Year-end report, fourth quarter, June 2016-August 2016

6 October 2016

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 December 2015, at 7:15 a.m.

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Corp. Reg. No. 556697-2211

This year-end 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)	Q1 Sep-Nov 2015/16	Q1 Sep-Nov 2014/15	Rolling 12 months Dec 14-Nov 15	Financial year Sep-Aug 2014/15
Net sales	382	357	1,583	1,557
Other operating income	1	1	13	13
Total operating income	383	358	1,596	1,570
• Goods for resale	-154	-139	-704	-689
• Other external costs	-92	-87	-360	-356
• Personnel expenses	-90	-85	-346	-339
• Other operating expenses	0	-2	-1	-2
• Depreciation/amortisation	-6	-7	-25	-26
Operating profit	42	39	161	158
• Financial income	0	0	0	1
• Financial expenses	-1	-2	-3	-4
Profit after financial items	41	37	158	155
Tax on profit for the period	-9	-8	-36	-35
PROFIT FOR THE PERIOD attributable to Parent Company shareholders	32	29	123	120
OTHER COMPREHENSIVE INCOME				
Items that have been restated or that can be restated in profit for the period				
Translation difference	0	0	1	-1
Changes in fair value of cash-flow hedging	1	6	-6	-1
Incentive programmes	-	16		16
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	33	50	118	135
Earnings per share before dilution (SEK)	0.92	0.83	3.50	3.42
Earnings per share after dilution (SEK)	0.92	0.83	3.50	3.42
Average number of shares before dilution	35,156,507	35,156,507	35,156,507	35,156,507
Average number of shares after dilution	35,156,507	35,156,507	35,156,507	35,156,507

Consolidated balance sheet

Condensed consolidated balance sheet (SEK m)	30 November 2015	30 November 2014	31 August 2015
ASSETS			
Fixed assets			
Intangible fixed assets	1,204	1,203	1,204
Tangible assets	51	50	46
Total fixed assets	1,254	1,253	1,250
Current assets			
Inventories	289	257	286
Current receivables	68	71	105
Cash and cash equivalents	18	46	23
Total current assets	375	374	415
TOTAL ASSETS	1,629	1,627	1,665
EQUITY AND LIABILITIES			
Equity	1,076	1,005	1,043
Liabilities			
Interest-bearing long-term liabilities	84	175	84
Non-interest-bearing long-term liabilities	190	183	190
Interest-bearing current liabilities	49	41	46
Non-interest-bearing current liabilities	230	223	302
TOTAL EQUITY AND LIABILITIES	1,629	1,627	1,665

Statement of changes in equity

Specification of changes in the Group's equity (SEK m)	Period Sep-Nov 2015/16	Period Sep-Nov 2014/15	Period Sep-Aug 2014/15
Equity, opening balance	1,043	955	955
Total comprehensive income	33	50	135
Dividend	-	-	-48
EQUITY, CLOSING BALANCE	1,076	1,005	1,043

Consolidated cash-flow statement

Condensed consolidated cash-flow statement (SEK m)	Q1 Sep-Nov 2015/16	Q1 Sep-Nov 2014/15	Financial year Sep-Aug 2014/15
Cash flow from operating activities before changes in working capital	30	46	167
Changes in working capital	-27	-36	-29
Cash flow from operating activities	3	10	137
Cash flow from investing activities			
Acquisition of intangible assets	0	0	-2
Acquisition of tangible assets	-10	-3	-18
Cash flow after investing activities	-8	7	117
Financing activities			
<i>Amortisation</i>	-	-	-90
<i>Dividend</i>	-	-	-48
<i>Utilisation of overdraft facility</i>	3	-1	4
Cash flow from financing activities	3	-1	-134
Cash flow for the period	-5	6	-17
Cash and cash equivalents at the beginning of the period	23	40	40
Cash and cash equivalents at the end of the period	18	46	23

Key figures

	Q1 Sep-Nov 2015/16	Q1 Sep-Nov 2014/15	Rolling 12 Months Dec 14-Nov 15	Financial year Sep-Aug 2014/15
Growth in net sales, %	7.0	-4.0	5.0	2.4
Sales growth, comparable sales, %	7.1	-4.2	5.6	3.3
Gross margin, %	59.7	61.0	55.5	55.8
Operating profit, SEK m	42	39	161	158
Operating margin, %	10.9	10.9	10.2	10.2
Profit after financial items	41	37	158	155
Profit for the period	32	29	123	120
Total depreciation/amortisation, SEK m	-6	-7	-25	-26
Earnings per share before dilution, SEK	0.92	0.83	3.50	3.42
Interest-bearing net debt, SEK m	109	166	109	103
Interest-bearing net debt/EBITDA, multiple	0.6	1.0	0.6	0.6
Equity/assets ratio, %	66	62	66	63
Equity, SEK m	1,076	1,005	1,076	1,043
Average number of shares before dilution	35,156,507	35,156,507	35,156,507	35,156,507
Average number of shares after dilution	35,156,507	35,156,507	35,156,507	35,156,507

Largest shareholders as of 30 November 2015

Name	Number of shares	Share capital, %
Öresund, Investment AB	6,057,170	17.2
Jaller Klädcenter AB	3,062,000	8.7
Danske Capital Sverige AB	2,772,684	7.9
DNB – Carlson Fonder	1,210,294	3.4
Catella Fondförvaltning	1,202,325	3.4
Unionen	1,100,000	3.1
Qviberg Engebretsen, Anna	971,836	2.8
Länsförsäkringar Fondförvaltning AB	970,209	2.8
Sijoitusrahasto Evli Ruotsi Pi	800,000	2.3
Handelsbanken Fonder	736,473	2.1
Qviberg, Eva	600,000	1.7
Qviberg, Jacob	500,000	1.4
Försäkringsaktiebolaget, Avanza Pension	479,356	1.4
Mellon US Tax Exempt Account	460,346	1.3
CBNY-Dfa-Int Sml Cap V	450,678	1.3
Total 15 largest	21,373,371	60.8
Other	13,783,136	39.2
Total	35,156,507	100

Parent Company income statement

Parent Company income statement in summary (SEK m)	Q1 Sep-Nov 2015/16	Q1 Sep-Nov 2014/15	Rolling 12 months Dec 14-Nov 15	Financial year Sep-Aug 2014/15
Net sales	3	3	13	13
Other operating income	0	0	0	0
Total operating income	3	3	13	13
• Goods for resale	0	0	0	0
• Other external costs	-1	-1	-5	-5
• Personnel expenses	-3	-3	-12	-12
• Other operating expenses	0	0	0	0
• Depreciation/amortisation	0	0	0	0
Operating loss	-1	-1	-4	-4
• Income from shares	0	0	48	48
• Financial income	0	1	2	3
• Financial expenses	0	-1	-2	-3
Profit/loss after financial items	-1	-1	43	43
Group contributions	0	0	4	4
Profit before tax	-1	-1	47	47
Tax on profit for the period	0	0	0	0
PROFIT/LOSS AFTER TAX	-1	-1	47	47

Parent Company balance sheet

Parent Company balance sheet in summary (SEK m)	30 November 2015	30 November 2014	31 August 2015
ASSETS			
Fixed assets			
Intangible assets	0	0	0
Tangible assets	0	0	0
Financial fixed assets	1,110	1,110	1,110
Total fixed assets	1,110	1,110	1,110
Current assets			
Current receivables	1	1	1
Cash and cash equivalents	0	1	1
Total current assets	1	2	2
TOTAL ASSETS	1,111	1,112	1,112
EQUITY AND LIABILITIES			
Equity	567	568	568
Liabilities			
Interest-bearing long-term liabilities	80	170	80
Interest-bearing current liabilities	40	40	40
Non-interest-bearing liabilities	424	334	424
TOTAL EQUITY AND LIABILITIES	1,111	1,112	1,112
Pledged assets			
Shares in subsidiaries	1,110	1,110	1,110
Contingent liabilities			
Guarantees related to subsidiaries' completion of leasing contracts	44	40	45
Guarantees related to MQ Retail AB	184	184	184
Total contingent liabilities	228	224	229

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 on MQ Shop Online and in Swedish stores, with the exception of sales in new stores. A new store becomes comparable one year after its inauguration.

Interest-bearing net debt

Interest-bearing liabilities less 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 Stockholm since 18 June 2010. For more information, please visit our website at www.mq.se.