



# Inter IKEA Group Financial Summary FY20

Inter IKEA Group



# Introduction

This document summarises Inter IKEA Group’s financial performance for financial year 2020 (FY20). FY20 is the period from 1 September 2019 to 31 August 2020.

FY20 has been a challenging year for the IKEA franchise system. Retail sales were strong until February. Then the pandemic hit. During the lockdowns, 75% of IKEA stores closed for seven weeks on average.

Despite the closures, many stores continued to fulfil online orders and introduce new services. By 31 August IKEA websites had welcomed 4 billion visits, and online sales grew 45%. FY20 e-commerce accounted for more than 16% of total retail sales compared to 10% in FY19.

IKEA stores re-opened throughout the spring and summer, and many visitors returned. In total, IKEA locations welcomed 825 million visits in FY20 compared to 1 billion in FY19. Online sales remained strong even as stores re-opened.

In-store customer behaviour changed after the lockdowns. In the past many visitors came to browse. Today people visit IKEA for targeted purchases. Conversion rates and average spend have gone up, and impulse sales have gone down. As a result, IKEA stores sold relatively more furniture and fewer accessories.

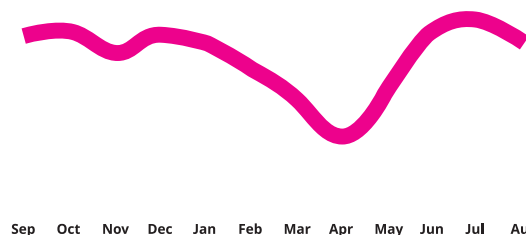
This resulted in total IKEA retail sales of EUR 39.6 billion in FY20 (including sales of IKEA products, food and services by IKEA franchisees) compared to EUR 41.3 billion in FY19.

Inter IKEA Group includes the business operations of the IKEA Franchisor, Range, Supply and certain Industry activities. IKEA franchisees purchase products from Inter IKEA Group companies and pay a franchisee fee based on retail sales.

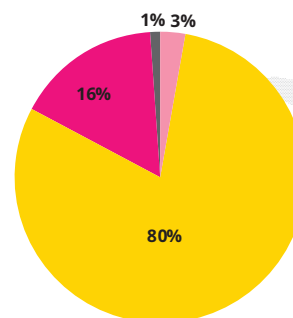
Inter IKEA Group itself reached total revenues of EUR 23.6 billion (including wholesale sales to retailers, franchise fees and the retail sales of the IKEA Delft store) and a net profit of EUR 1.7 billion in FY20.



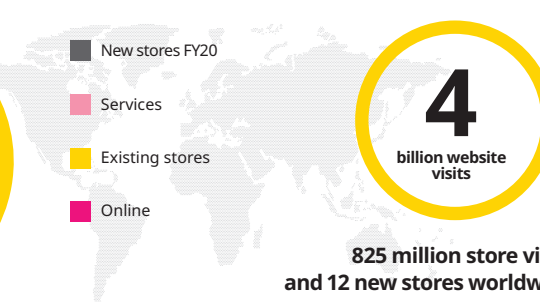
FY20 IKEA retail sales



FY20 IKEA retail sales development



FY20 IKEA retail sales per type



825 million store visits and 12 new stores worldwide

# The IKEA franchise system

IKEA is a franchise business. That means many people and companies with different owners work under one IKEA Brand, dedicated to create a better everyday life for the many people.

The diagram on the next page shows a simplified overview of the franchise system. Inter IKEA Systems B.V., IKEA of Sweden AB, IKEA Supply AG and IKEA Communications AB are part of Inter IKEA Group.

Franchising is a system that encourages everyone to contribute and collaborate. The franchisor has responsibility to continuously develop the IKEA Concept and ensure its implementation in new and existing markets. Franchisees provide valuable input based on consumer and market insights.

The franchise system enables continuous growth, which thereby enables greater economies of scale. This makes it possible to keep prices low.

Low prices are more relevant now than ever before. As a result of the pandemic, people have less disposable income while spending more time at home. The IKEA franchise system offers functional home furnishing solutions at affordable prices.

This year Inter IKEA Group supported the franchise system and value chain to recover quickly after the lockdowns. For example, IKEA suppliers were provided short-term credits and payments, loan extensions, and other finance solutions. And franchisees were given the option to delay payments for IKEA products until sales recovered.

Together, the companies in the franchise system also took measures to support people and communities. For example, Inter IKEA Group commissioned suppliers to produce personal protective equipment for healthcare workers. Inter IKEA Group and several IKEA franchisees also donated money and IKEA products to aid recovery efforts.

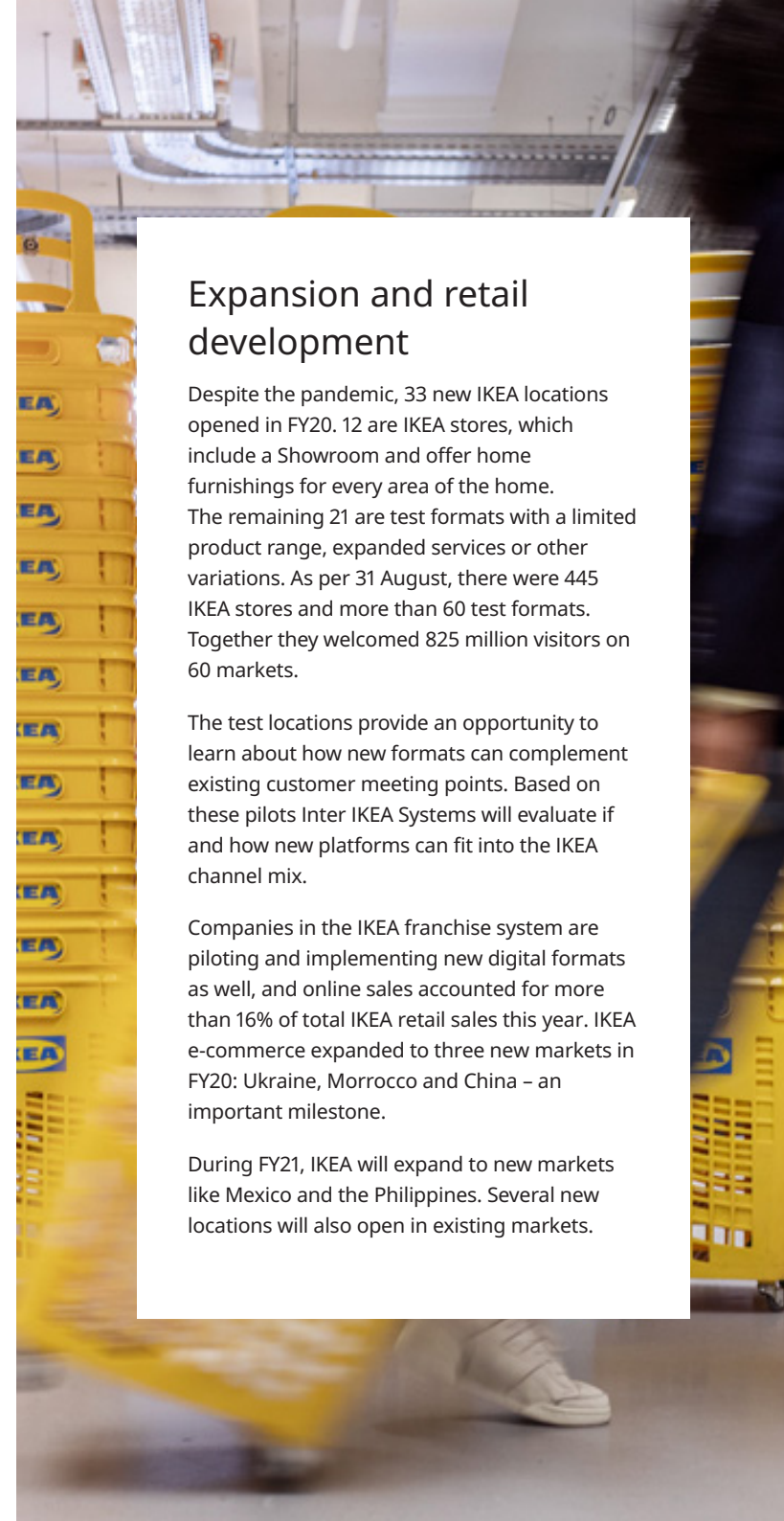
## Expansion and retail development

Despite the pandemic, 33 new IKEA locations opened in FY20. 12 are IKEA stores, which include a Showroom and offer home furnishings for every area of the home. The remaining 21 are test formats with a limited product range, expanded services or other variations. As per 31 August, there were 445 IKEA stores and more than 60 test formats. Together they welcomed 825 million visitors on 60 markets.

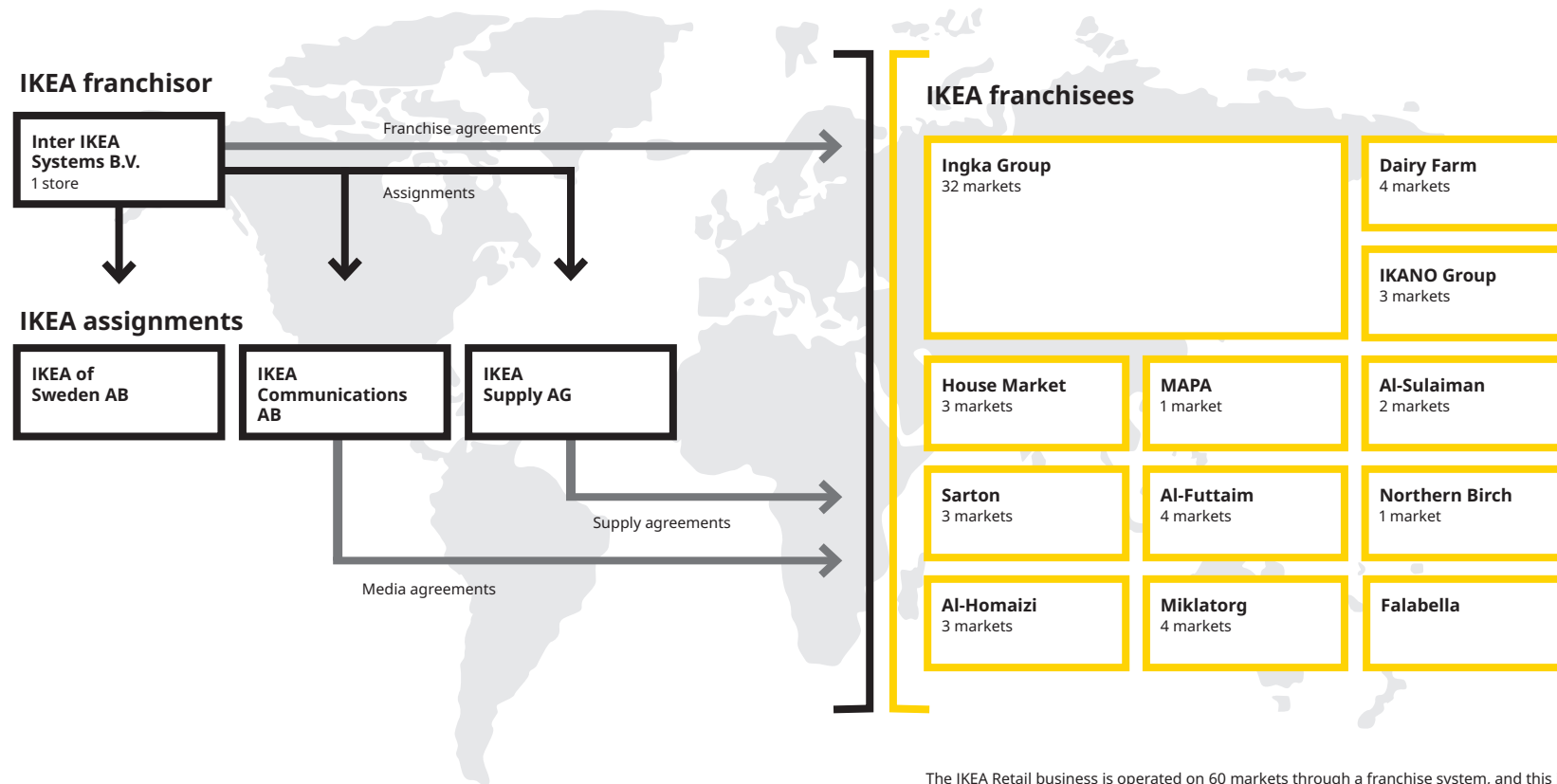
The test locations provide an opportunity to learn about how new formats can complement existing customer meeting points. Based on these pilots Inter IKEA Systems will evaluate if and how new platforms can fit into the IKEA channel mix.

Companies in the IKEA franchise system are piloting and implementing new digital formats as well, and online sales accounted for more than 16% of total IKEA retail sales this year. IKEA e-commerce expanded to three new markets in FY20: Ukraine, Morocco and China – an important milestone.

During FY21, IKEA will expand to new markets like Mexico and the Philippines. Several new locations will also open in existing markets.



# Overview of the IKEA franchise system



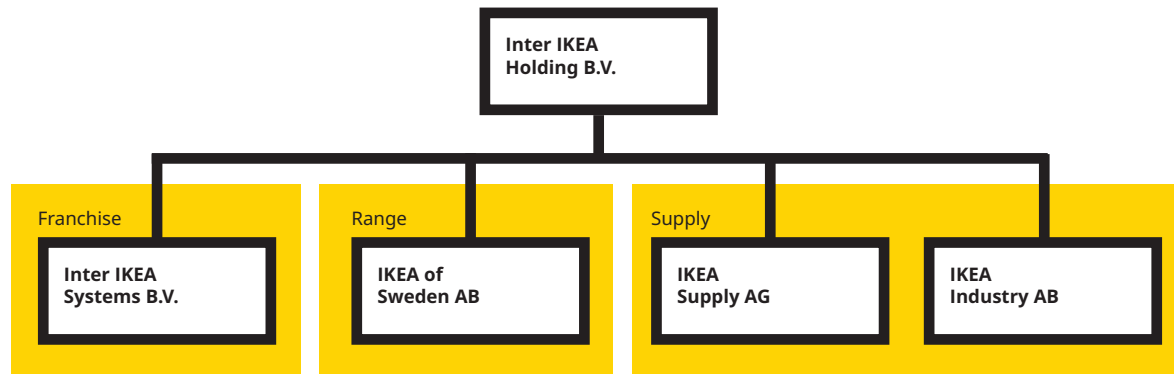
The IKEA Retail business is operated on 60 markets through a franchise system, and this infographic shows a simplified overview thereof. Market information accurate as per 31 August 2020. For detailed information please visit [inter.ikea.com](https://inter.ikea.com) or [about.ikea.com](https://about.ikea.com)

# Inter IKEA Group

Inter IKEA Holding B.V. is the holding company of the Inter IKEA Group.

In September 2020 Inter IKEA Group adjusted its governance structures to better support the franchise system. As a result there are three distinct core businesses: Franchise, Range and Supply.

The three core businesses work together with franchisees and suppliers to co-create an even better IKEA offer and franchise system. Inter IKEA Group aims to provide the best possible conditions for implementing and operating the IKEA Concept, and to create a strong platform for growth.



## Core Business Franchise

Core Business Franchise consists of Inter IKEA Systems B.V. and its subsidiaries. Inter IKEA Systems B.V. is the worldwide IKEA franchisor and owner of the IKEA Concept.

Core Business Franchise continuously develops the IKEA Concept and ensures its successful implementation in new and existing markets. This enables IKEA to remain forward-looking in areas such as brand development, sustainability, people and environment, market potential and expansion.

## Core Business Range

Core Business Range includes IKEA of Sweden AB, IKEA Communications AB and related businesses.

## Manufacturing and distribution

In August, Inter IKEA Group completed a 100,000 square metre distribution centre in Kuala Lumpur, Malaysia. It is the third largest IKEA distribution centre in the world and serves IKEA retail operations in Malaysia, Singapore, Thailand, Indonesia and India. It will also service the planned store in Manila, the Philippines, when it opens later this year.

This year Inter IKEA Group also leveraged advancements in digital technologies to future-proof manufacturing operations, increase efficiency, reduce costs and support sustainability. The Manufacturing System of the Future program, integrating advancements such as automation, connectivity and artificial intelligence, went live in August 2020 in Lubawa, Poland.

The Inter IKEA Group factory in Hultsfred, Sweden, invested EUR 12 million this year to support a circular business model by using recycled wood to produce wood-based boards for IKEA furniture.

During the coming years the Inter IKEA Group factory in Zbaszynek, Poland, is planning to install 52,000 solar panels. Together they will bring an estimated yearly savings of 15,200 tonnes of CO<sub>2</sub>. It will be one of the largest solar installations in Europe.

Core Business Range is responsible for developing and designing the overall IKEA product range – including home furnishings and food. Inter IKEA Systems B.V. assigns IKEA of Sweden AB to develop products, product communication and packaging solutions.

IKEA Communications AB is the communication agency that creates and produces IKEA communication for IKEA organisations.

### Core Business Supply

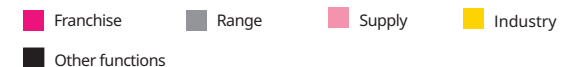
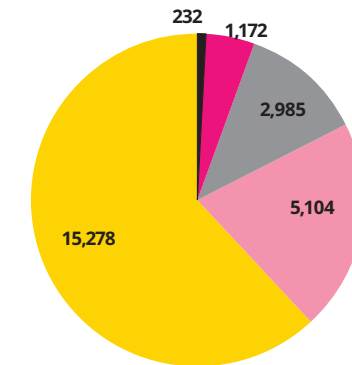
Core Business Supply includes IKEA Supply AG, IKEA Industry AB and related businesses. Inter IKEA Systems B.V. assigns IKEA Supply AG to source and distribute IKEA products to IKEA franchisees. IKEA Industry AB is a strategic IKEA manufacturer owned by Inter IKEA Group.

### Other functions

To support the core businesses, Inter IKEA Group includes group functions for People & Culture, Communication, Digital, Finance and other activities. IKEA Älmhult AB, which owns and operates the IKEA Hotell and Museum, is also part of Inter IKEA Group.

### Ownership

Inter IKEA Group (Inter IKEA Holding B.V. and all its subsidiaries) is ultimately owned by Interogo Foundation, based in Liechtenstein and established in 1989. Interogo Holding AG is a co-shareholder, contributing capital and loans to Inter IKEA Group. Interogo Foundation is the sole controlling shareholder in Inter IKEA Holding B.V.



**FY20 full-time equivalent co-workers per core business**

# Inter IKEA Group FY20 financial results

Despite the pandemic, Inter IKEA Group achieved a solid financial result in FY20.

When the lockdowns began, Inter IKEA Group revised sales projections and took several measures to mitigate the negative consequences of the pandemic and reduce operational costs. Following the fast and strong recovery of retail sales, Inter IKEA Group delivered better operating income than projected.

After taxes and financial expenses, net income was EUR 1,731 million. The Inter IKEA Group consolidated income statement shows a simplified overview of this year's financial performance.

## Sales of goods

*Sales of goods* refers to wholesale sales of IKEA products to IKEA franchisees. Inter IKEA Group also owns and operates one IKEA store in Delft, the Netherlands. IKEA Delft's retail sales are also included in this line item.

At the height of the pandemic, more than 350 IKEA stores were closed. As a result, sales of goods dropped significantly for several weeks. Orders were cancelled, and production at both Inter IKEA Group and IKEA suppliers' factories stopped.

## Consolidated income statement

in millions of EUR	FY20	FY19
Sales of goods	22,387	23,916
Franchise fees	1,162	1,195
Other income	64	73
<b>Total revenues</b>	<b>23,613</b>	<b>25,184</b>
Cost of goods sold	18,860	20,633
<b>Gross profit</b>	<b>4,753</b>	<b>4,551</b>
Operational cost	2,529	2,695
<b>Total operating income</b>	<b>2,224</b>	<b>1,856</b>
Financial income and expense	-201	-65
<b>Total income before taxes</b>	<b>2,023</b>	<b>1,791</b>
Income taxes	-295	-301
Results from the sale of entities	3	-5
<b>Net income</b>	<b>1,731</b>	<b>1,485</b>

After the lockdowns, sales were significantly higher than initial projections. To meet the new demand, suppliers quickly ramped up production. But the lockdowns were lifted unevenly across the supply chain, hampering logistics. This affected product availability on various markets.

### Franchise fees

In a franchise setup, one company pays another *franchise fees* for the right to use their brand, products and intellectual property. IKEA franchisees pay Inter IKEA Group an annual fee of 3% over their net sales. In return, they are authorised to market and sell the IKEA product range and operate IKEA stores and other sales channels.

As retail sales decreased in FY20, franchise fee income decreased accordingly.

### Other income

*Other income* mainly consists of income from selling the IKEA catalogue and other marketing materials created for IKEA retailers.

### Cost of goods sold

*Cost of goods sold* describes the total accumulated costs to purchase, manufacture, store and distribute products. IKEA Industry, part of Inter IKEA Group, manufactures about 11% of the IKEA range. Inter IKEA Group sources the remaining 89% from nearly 1,000 external suppliers. This includes both home furnishing and food products.

Total costs this year were less than in FY19, mainly as a result of lower purchase volumes due to the pandemic and lower prices from IKEA suppliers. However, e-commerce sales continued to create increased costs for packaging and logistics in FY20.

Decreased raw material prices offset part of the lost sales volume, which resulted in a higher gross margin percentage.

## Range development

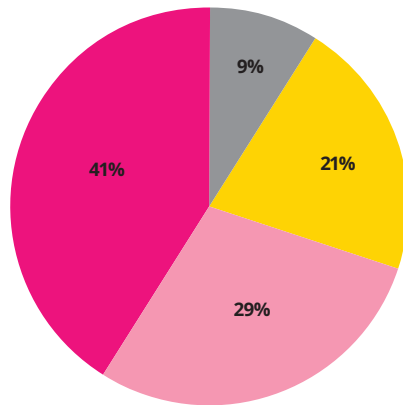
Inter IKEA group introduced more than 2000 products this year. Some highlights are described below:

The urban population is growing, living spaces are shrinking and for many the concept of home is no longer a geographical constant. **RÅVAROR** is a new collection designed for these realities and consists of items that quickly turn small spaces into smart spaces with the convenience and comfort of home. And when it is time to move, it's simple to pack up, stack the items together and relocate to your next home.

For the first time since the launch in 1985, the much-loved IKEA meatball faces serious competition. **HUVUDROLL** is made with pea protein, oats, potatoes, apples and onion, but has the look, taste and juicy bite of a meatball. And not only that; the climate footprint is a mere 4% of its meaty counterpart.

**BOTANISK** is a collection made in collaboration with 6 social businesses around the world, like Jordan River Foundation, which creates jobs for Syrian refugees and Jordanian women. Whether you're a plant swapper, urban gardener, or simply dream of growing a green thumb, BOTANISK has what it takes to sort you out. From tool kits and clay pots to large baskets, this handmade collection doesn't only add to the fun of indoor potting – it creates jobs in regions where they are most needed.





■ Staff and travel cost
 ■ Bought services
 ■ Depreciation/amortisation
 ■ Other operating expenses

**FY20 operational cost per category**

### Operational cost

*Operational cost* includes staff costs, utilities, rent and other costs related to day-to-day operations.

Staff costs mainly consist of salaries, benefits, training and social costs. During FY20, Inter IKEA Group employed 24,771 full-time equivalent co-workers, compared to 26,227 in FY19. To manage staff costs during the pandemic, several Inter IKEA Group companies introduced recruitment stops.

Inter IKEA Group also re-financed pension obligations for co-workers at IKEA of Sweden AB, a subsidiary. This contributed a one-off gain of EUR 113 million to this year's total income before taxes. Co-workers' pension terms and conditions were unaffected.

*Operational costs* also include expenses to develop new products and solutions. The costs related to development and innovation portfolios amounted to EUR 267 million in FY20. Charitable donations are also included in operational costs.

In addition, Inter IKEA Group worked closely with retailers to develop new and different ways to shop the IKEA product range – online, in remote locations and in city centres. This included a wider range of flexible and affordable services to make shopping more convenient for IKEA customers.

### Financial income and expense

*Financial income and expense* is revenue and costs regarding loans, investments and positions in foreign currencies. Last year currency developments led to financial income, while this year they led to expenses.

### Income taxes

This year the Inter IKEA Group tax charge was EUR 295 million. This equals 15% of pre-tax income, compared to 17% in FY19. This decrease is mainly due to a nominal tax rate change in The Netherlands. Inter IKEA Group operates in several countries, with its main activities in the Netherlands, Sweden and Switzerland. As a result most income tax is paid in these countries.

Inter IKEA Group has a strong financial position and therefore did not make use of pandemic-related government support.

# Inter IKEA Group balance sheet

The Inter IKEA Group financial position improved during FY20. Inventories and debts went down, and the equity ratio increased from 39% to 45%. The consolidated balance sheet shows an overview of Inter IKEA Group's assets, equity, and what is due to suppliers, partners and other organisations.

## Intangible fixed assets

In general terms, fixed assets are business property intended for long-term use. *Intangible fixed assets* are assets that lack physical form, like patents, concepts and intellectual property. Intangible fixed assets form much of Inter IKEA Group overall assets.

Most Inter IKEA Group intangible fixed assets are so-called proprietary rights for the IKEA trademarks and intellectual property. These rights were acquired for EUR 11.8 billion. As these rights are expected to provide a positive return over a long period of time, these costs are spread over a period of 45 years.

## Tangible fixed assets

*Tangible fixed assets* include real estate and equipment that you can physically touch and feel. Inter IKEA Group tangible fixed assets are mainly factories and distribution centres.

## Consolidated balance sheet

in millions of EUR	31 Aug 2020	31 Aug 2019
Intangible fixed assets	10,004	10,355
Tangible fixed assets	1,691	1,663
Financial fixed assets	250	295
<b>Total fixed assets</b>	<b>11,945</b>	<b>12,313</b>
Inventories	3,661	4,312
Receivables	5,276	4,692
Cash and cash equivalents	225	153
<b>Total current assets</b>	<b>9,162</b>	<b>9,157</b>
<b>Total assets</b>	<b>21,107</b>	<b>21,470</b>
<b>Group equity</b>	<b>9,541</b>	<b>8,298</b>
Provisions	322	705
Non-current liabilities	5,979	6,487
Current liabilities	5,265	5,980
<b>Total liabilities</b>	<b>11,566</b>	<b>13,172</b>
<b>Equity and liabilities</b>	<b>21,107</b>	<b>21,470</b>

Inter IKEA Group owns several offices and distribution centres, the IKEA Delft store, the IKEA Hotell and Museum, and around 42 factories. Most of the factories are located in Europe. The majority produce IKEA furniture, and two produce components like screws and wooden dowels used to assemble IKEA furniture.

This year new owners took over the Inter IKEA Group manufacturing facilities in Danville, USA and Konstantynow, Poland. The Konstantynow facility continues to supply IKEA customers with chairs made of solid wood.

### **Inventories and receivables**

*Inventories* mostly consist of IKEA products in warehouses. Inventories reduced dramatically when stores re-opened after the lockdown. While the supply chain mobilised quickly, it took several weeks to restart production and address logistics challenges.

*Receivables* is money owed to the Inter IKEA Group by business partners. Most receivables are for franchise fees and products sold and invoiced to IKEA franchisees.

This year Inter IKEA Group supported franchisees by delaying payment obligations for goods sold. The company also extended loans to several IKEA suppliers to ensure they could re-start production after the lockdowns. Money owed under these agreements are reflected in this year's receivables.

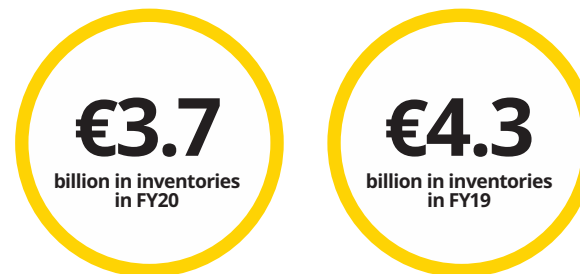
### **Group equity, provisions and liabilities**

*Equity* is the capital invested by shareholders of the Inter IKEA Group plus accumulated profits over time. Equity increased with EUR 1.2 billion during FY20.

Of the EUR 1,731 million profit achieved during FY20, EUR 850 million will be distributed as a dividend to Interogo Holding AG, a holding company that is fully owned by the Interogo Foundation. The remaining EUR 881 million will be added to Inter IKEA Group equity.

*Provisions* are money set aside for pension commitments, deferred taxes and claims. Provisions decreased this year as a result of the changed funding for the IKEA of Sweden AB pension scheme.

*Liabilities* are money owed to others. Most Inter IKEA Group non-current liabilities, which are due over a long period of time, consist of loans from Interogo Holding AG (a non-controlling shareholder). As in FY19, Inter IKEA Group will continue to repay EUR 500 million each year. Current liabilities are short-term loans, money due to suppliers and the current portion of long-term loans from Interogo Holding AG.



Note to reader: the included abbreviated financial statements are an abridged version of the consolidated financial statements of Inter IKEA Holding B.V. as included in the Annual Report for the financial year 2020. An unqualified auditor's report dated 29 October 2020 was issued on these financial statements. Inter IKEA Holding B.V.'s consolidated financial statements, from which these abbreviated financial statements have been derived, have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

FY20 was a challenging year for IKEA. Despite the global pandemic, retail sales remained relatively stable, supporting a positive result for Inter IKEA Group. Inside, learn more about IKEA and Inter IKEA Group financial performance for the year that has passed.

For further information visit [Inter.IKEA.com](https://www.interikea.com)

**Released 6 October 2020**



IKEA Facts & Figures FY20

**Released 3 November 2020**



Inter IKEA Group Financial Summary FY20



Inter IKEA Group Annual Report FY20



Inter IKEA Group List of subsidiaries FY20

**Coming early 2021**



IKEA Sustainability Report

Inter IKEA Group 

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