



**XXL ASA – Q4 and full year 2014**

**XXL**  
ALL SPORTS UNITED

# Disclaimer

---



## Important notice

The following presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated (“relevant persons”). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the XXL group. The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about, and observe, such restrictions.

This presentation includes and is based, inter alia, on forward-looking information and contains statements regarding the future in connection with the XXL group’s growth initiatives, profit figures, outlook, strategies and objectives. All forward-looking information and statements in this presentation are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for the XXL group and its lines of business. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates” or similar expressions.

Important factors may lead to actual profits, results and developments deviating substantially from what has been expressed or implied in such statements. Although XXL believes that its expectations and the presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the presentation.

XXL is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the presentation, and neither XXL nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use.

This presentation was prepared for the interim results presentation for the fourth quarter and full year of 2014, held on 25 February 2015. Information contained herein will not be updated. The following slides should also be read and considered in connection with the information given orally during the presentation.

# Highlights 2014 - Group

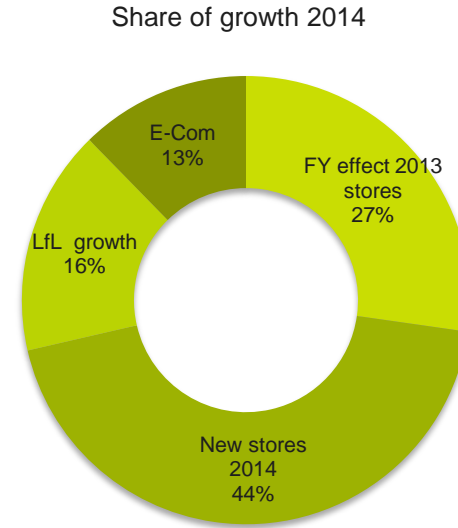
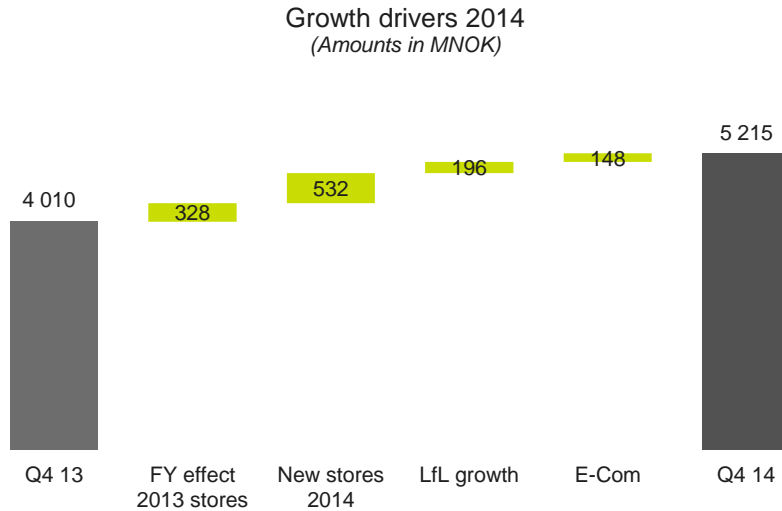
---

- Revenue growth of 30%
  - LfL growth of 5.7%
  - E-commerce growth of 91%
- Opened 9 new stores
  - 1 in Norway
  - 4 in Sweden
  - 4 in Finland
- Stable OPEX\*/Sales ratio of 28.7%, despite the cost of establishing Finland
- EBITDA-margin\* of 12.2% (11.5% LY)
- Successful IPO at NOK 58 in October 2014
- The Board of Directors proposes a dividend of NOK 2.00 per share for 2014



# Growth drivers 2014

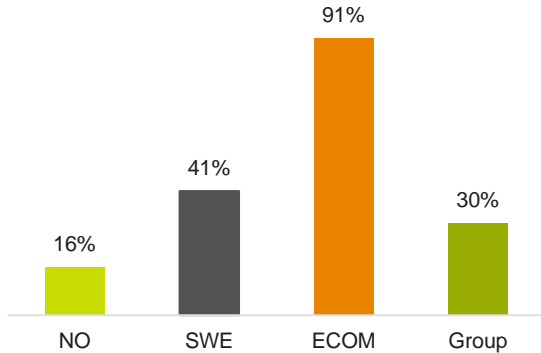
XXL



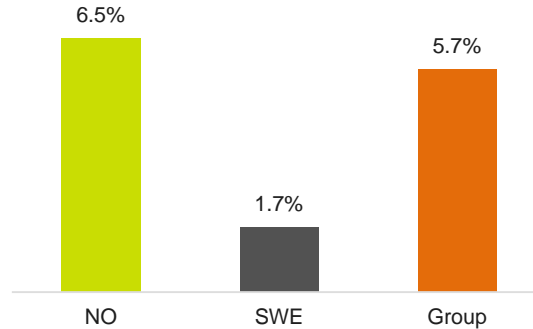
# Growth split by markets 2014

XXL

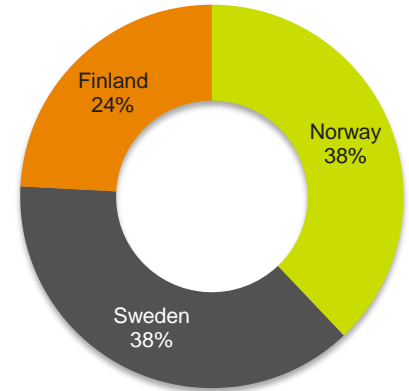
Growth by segments 2014



Growth by country 2014,  
Like-for-Like  
(Local currency)

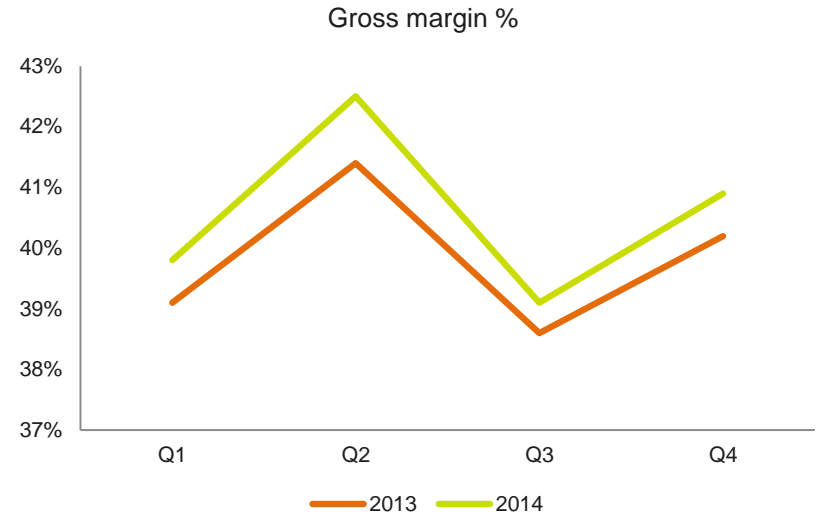
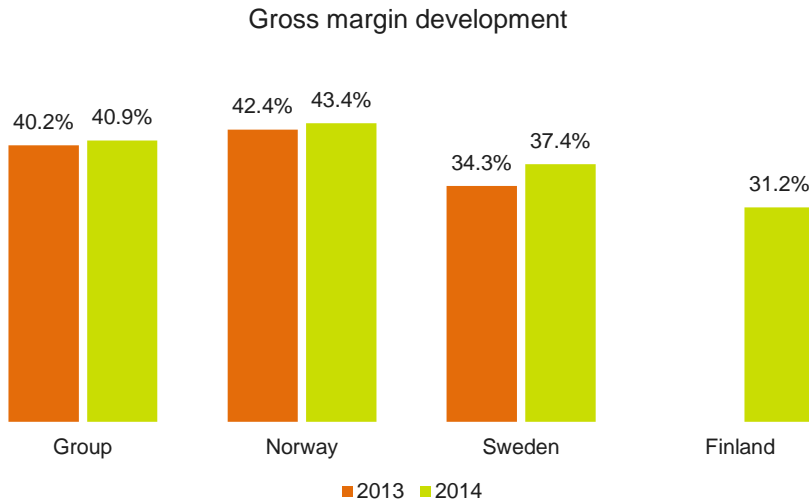


Share of growth by geography 2014



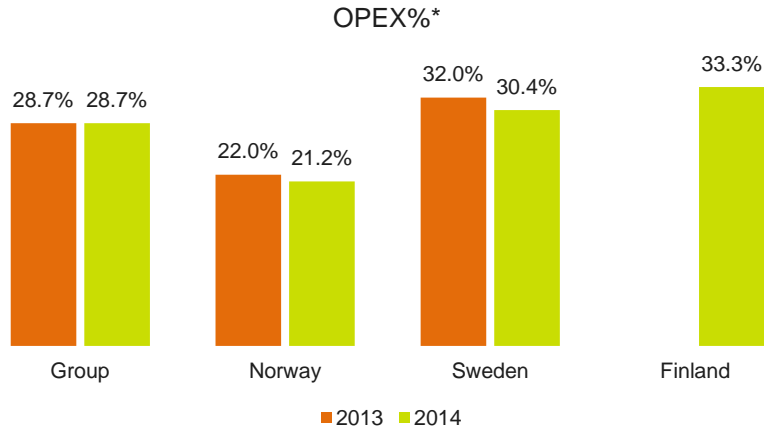
# Gross margin improvements

XXL



# Cost control

XXL

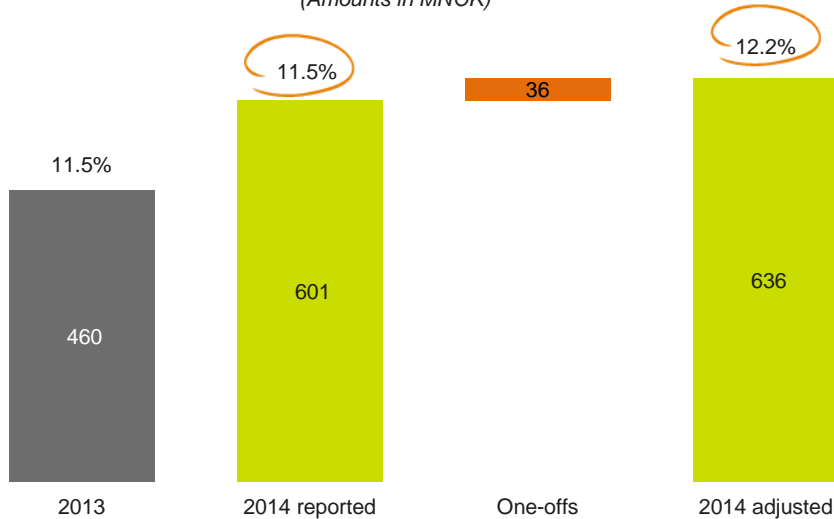


- Group OPEX % stable despite opening Finland
- Improvements in both Norway and Sweden compared to last year
- Finland with high sales growth giving lower OPEX % over time

# EBITDA-margin development 2014

XXL

EBITDA-margin development 2014  
(Amounts in MNOK)



- EBITDA-margin before one-offs of 12.2%
- One offs of NOK 36 million
  - IPO cost of NOK 39 million
  - Change in accruals of NOK 3 million
- EBITDA-margin after one-offs of 11.5%



# Highlights 2014 - Operations

---

## ■ Norway

- Rapid switch from winter to summer assortment
- Very good summer season
- Strengthened the market leader position
- Strong growth in new stores and 6.5% LfL

## ■ Sweden

- Difficult market in 2H 2014
- Boosted sales with more aggressive pricing
- LfL up 1.7% in local currency, despite cannibalization

## ■ Finland

- Taking a strong position in a challenging market
- Focus on volume and customer perception
- Q4 2014 with positive EBITDA

## ■ E-commerce

- Presence in all three markets, Finland from April 2014
- Improving the online offering
- Strong growth of 91%



# Highlights Q4 2014

---

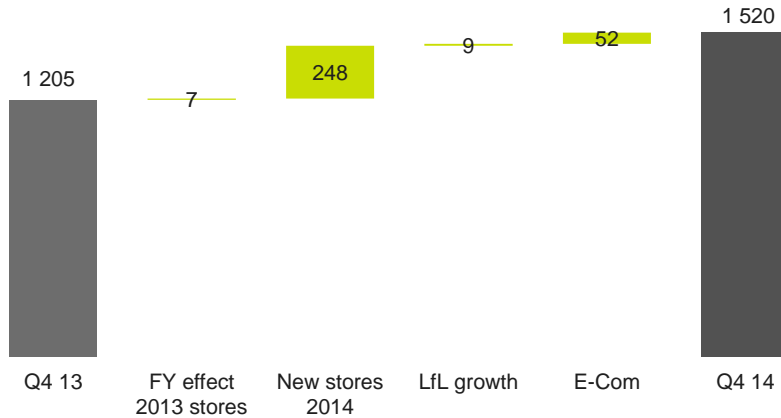
- Revenue growth of 26%
  - Like for Like growth of 1.3%
  - E-commerce growth of 88%
- Opened 4 new stores
  - Kaleva (Tampere) on 8 October
  - Kluuvi (down town Helsinki) on 5 November
  - Luleå (North of Sweden) on 19 November
  - Barkarby (Stockholm) on 26 November
- Gross margin improvements in all markets
  - More goods through our central warehouses
  - Several improvements in the value chain
  - Nordic purchasing synergies
- OPEX/Sales\* of 29%
- EBITDA-margin\* of 13.5%
- Inventory per store of around NOK 30 million



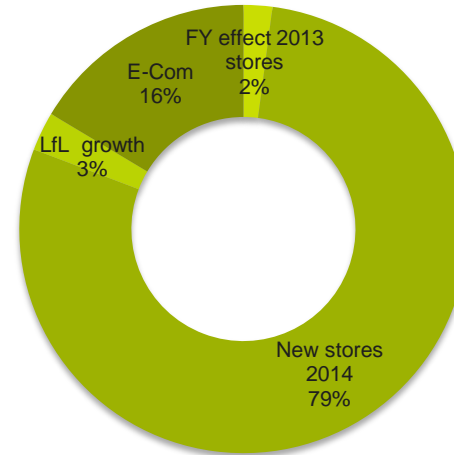
# Growth drivers in the quarter

XXL

Growth drivers Q4 14  
(Amounts in MNOK)



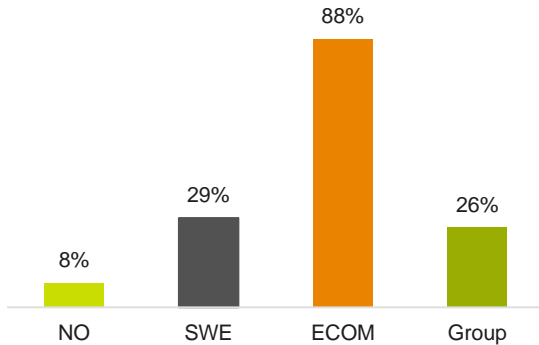
Share of growth Q4 14



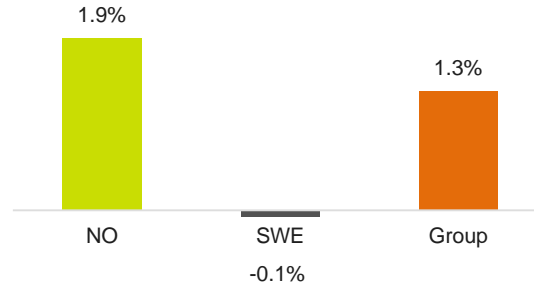
# Growth split by markets

XXL

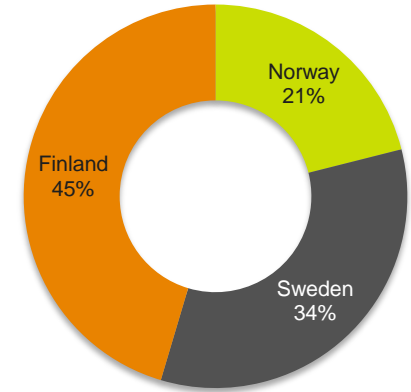
Growth by segments Q4 14



Growth by country Q4 14,  
Like-for-Like  
(LOCAL CURRENCY)

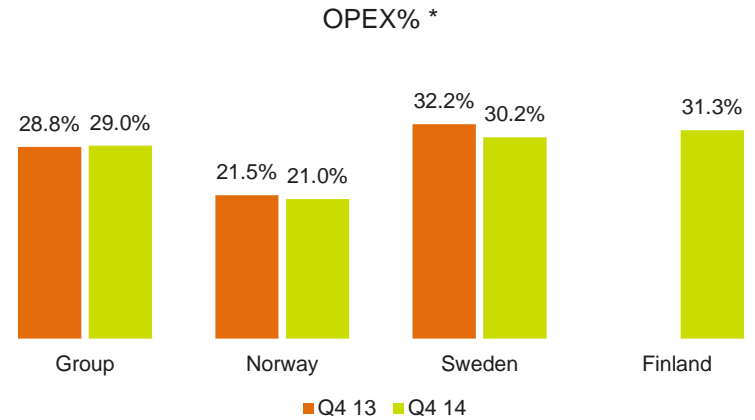
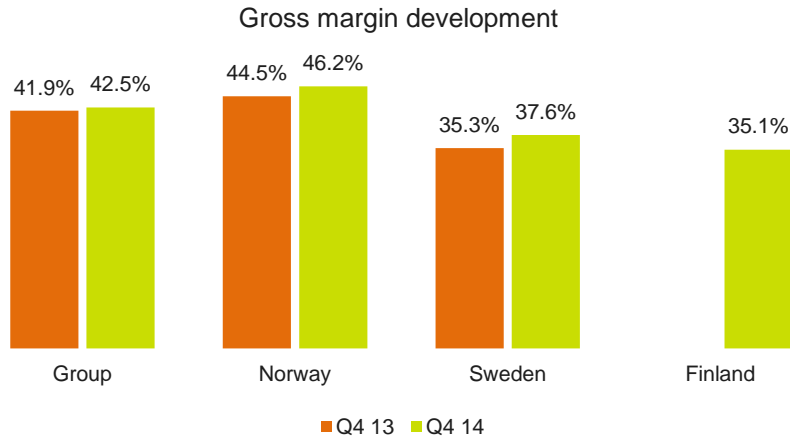


Share of growth by geography Q4 14



# Gross margin development and cost control

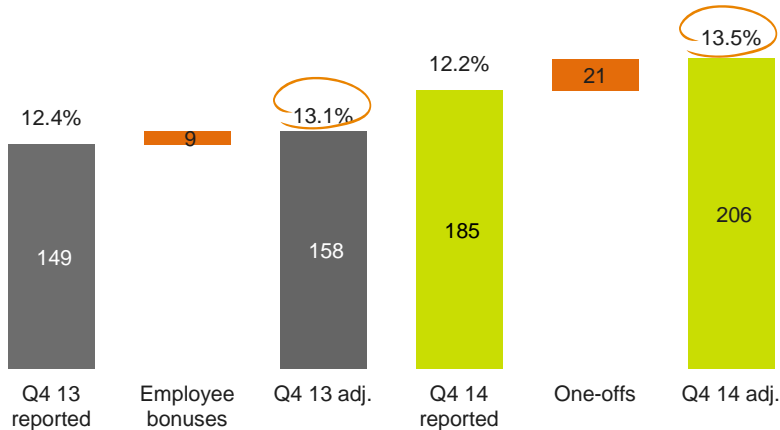
XXL



# EBITDA-margin development

XXL

EBITDA-margin development  
(Amounts in MNOK)



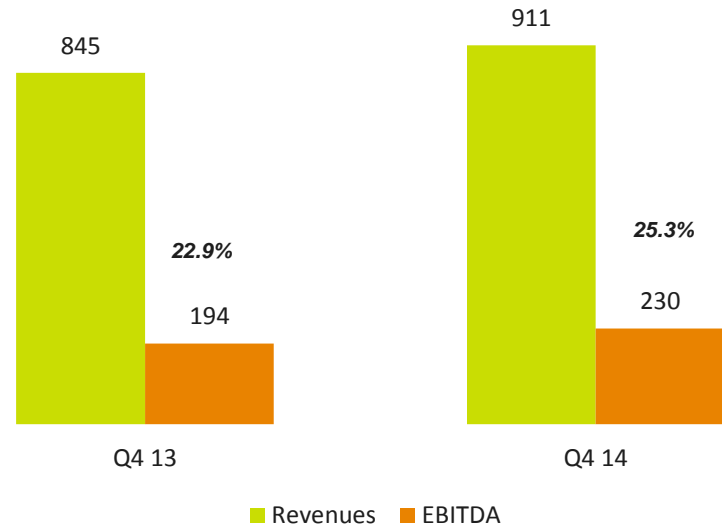
- EBITDA-margin before one-offs of 13.5%
- One offs of NOK 21 million
  - IPO cost of NOK 24 million
  - Change in accruals of NOK 3 million
- EBITDA-margin after one-offs of 12.2%
- Adjustment for change in periodization of employee bonuses
  - NOK 8.7 million more in Q4 2013
  - Adjusted margin in Q4 2013 of 13.1%

# Norway – Driving the market

XXL

- 8% revenue growth YoY
- 1.9% LfL growth
- Later arrival of winter impacted sales of winter goods, but other categories compensated
- Increased volumes with the snow fall just prior to Christmas
- Reopening in Åsane (Bergen)
- EBITDA-margin\* from 22.9% to 25.3%

Amounts in MNOK

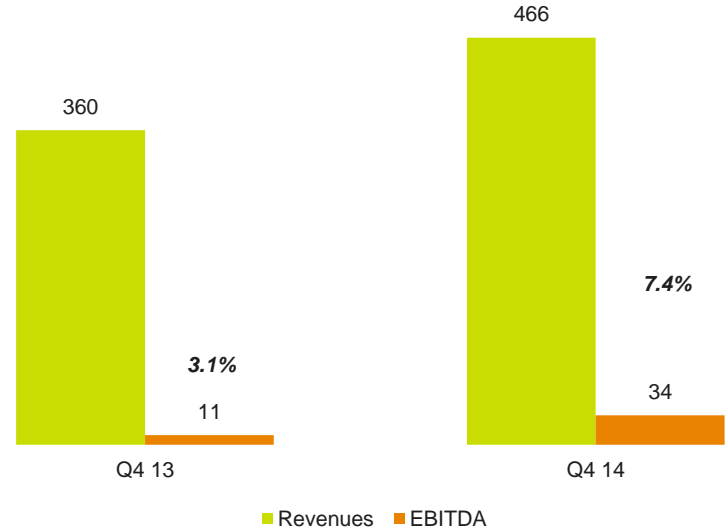


# Sweden – Challenging environment

XXL

- Revenue growth of 29%
- High growth in a volatile market
  - Sporting goods sales down 0.7% in October, down 3.5% in November and up 5.8% in December (Figures from HUI Research)
- More aggressive campaigns to drive volume
  - Good response in after Christmas sale
- LfL in local currency down 0.1% YoY despite cannibalization
  - Growth in Stockholm of 45% YoY
- EBITDA margin up to 7.4% (3.1% LY)
  - New central warehouse contributes to improved margins
  - Margins negatively impacted by two new store openings

Amounts in MNOK



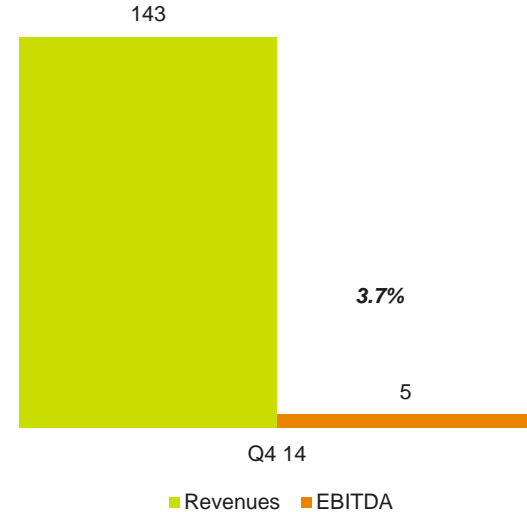


# Finland – Building brand and recognition

XXL

- Challenging macro environment
- Increasing customer perception drives volume and market shares
- Opened the third and fourth store
  - Kaleva (Tampere) on 8 October
  - Kluuvi (down town Helsinki) on 5 November
- Q4 2014 with positive EBITDA

Amounts in MNOK

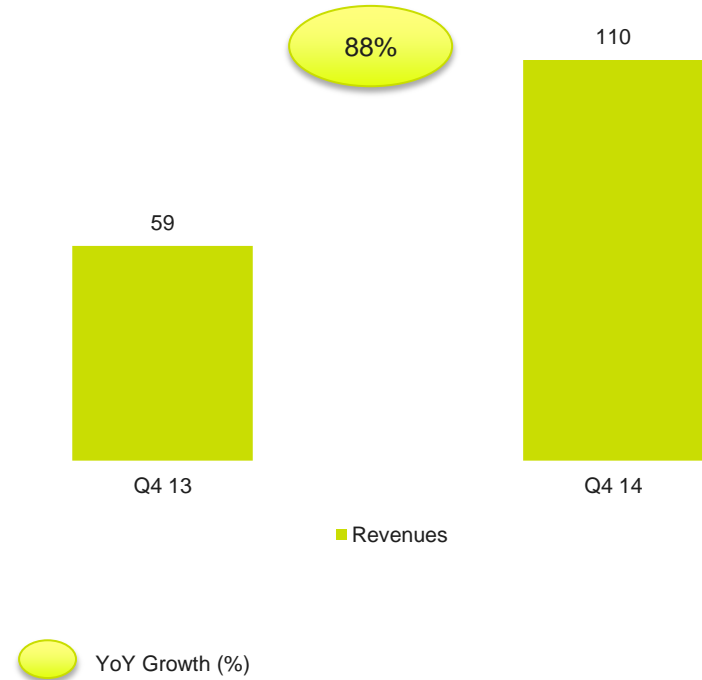


# E-commerce – Solid growth

XXL

- 88% revenue growth
- 7.2% of Group sales compared to 4.9% last year
- All three markets with high growth
- Still developing shared costs in omni-channel
- New initiatives
  - Pick-up at store pilot successful, roll-out during spring
  - Chat function introduced in customer support
  - Easier payment solution established

Amounts in MNOK

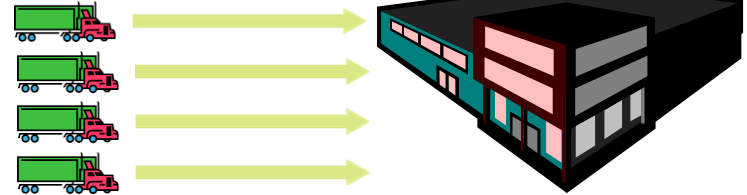


# HQ and logistics – Proof of scale

XXL

- Handling more goods through the two central warehouses compared to last year
- OPEX\* of NOK 64 million
- OPEX\* decrease of 0.3 pp YoY to 4.2% of Group sales

Traditional distribution



XXL distribution



# Priorities going forward

---

- Investing in our employees
- Delivering the omni-channel experience
- Opening of new stores
- Continuing to drive LfL growth
- Improving the profitability in Sweden
- Always focusing on cost improvements





# Financial review

**XXL**  
ALL SPORTS UNITED

# Income statement

XXL

- Q4 2014
  - Revenue growth of 26%
  - Net financials at NOK 2 million positive due to repayment of shareholder loan, better terms on existing bank facility and currency effects
- 2014
  - Revenue growth of 30% amounting to NOK 1.2 billion
  - Stable margins despite establishing Finland
  - Cost control most important
  - Effective tax rate down to 23.9% for 2014

<i>Amounts in MNOK</i>	<b>Q4 14</b>	<b>Q4 13</b>	<b>2014</b>	<b>2013</b>
<b>Total operating revenue</b>	1 520	1 205	5 215	4 010
<b>Operating income</b>	158	132	521	401
<b>Net financials</b>	2	-49	-182	-225
<b>Profit before income tax</b>	160	83	339	176
<b>Income tax expense</b>	35	20	81	51
<b>Net profit</b>	125	63	258	125

# Cash flow

XXL

- Inventory level down 9% from last quarter to around NOK 30 million per store
- One more store established in 2014 vs. 2013
- Periodization differences in accounts payables
- Equity ratio of 60%
- Net debt of NOK 882 million
- Liquidity reserve of NOK 522 million
- NIBD / EBITDA down at 1.5x

## Cash flow

<i>(Amounts in MNOK)</i>	2014	2013
Cash provided by operating activities	325	407
Cash used by investing activities	-152	-152
Cash used by financing activities	-121	-140
<b>Net change in cash and cash equivalents</b>	<b>52</b>	<b>114</b>
Cash and cash equivalents beginning of year	170	57
Cash and cash equivalents end of period	222	170

## Changes in working capital

<i>(Amounts in MNOK)</i>	2014	FY 2013
Changes in inventory	-324	-295
Changes in receivables	60	55
Changes in payables	40	147
Prepayments of financial leases	-7	40
Changes in other assets and liabilities	4	17
<b>Change in working capital</b>	<b>-228</b>	<b>-36</b>

# Dividends 2014

---

- The Board of Directors proposes a dividend of NOK 2.00 per share
- Equals 79% of net income 2014 adjusted for interest on the shareholder loan (repaid at the IPO)
- Strong financial position
- No change in the growth strategy
- Following the resolution by the Annual General Meeting on Wednesday 27 May 2015, the XXL share will be traded ex dividend on 28 May 2015





# Outlook

---

- Total operating revenues in January 2015 grew by 22% to NOK 503 million
- XXL have signed 7 new lease agreements for new store openings in 2015, and aims for 8-9 new stores in total.
  - The Group expects the new store openings to be back-end loaded.
  - The first store is expected to be opened during the spring in Finland
- An achievement if Finland delivers positive EBITDA in 2015
- Big improvements done in Sweden in 2014. Do not expect such big steps going forward
- The Group maintains the following long term objectives (as compared to 2013 figures):
  - Like-for-like growth of mid-single digits over time
  - E-commerce share of total revenues of low double digits
  - Gross margins to be stable. For Norway maintained at the same level, increasing to high 30's in Sweden and Finland
  - EBITDA-margin stable as a result of stable gross margins and operating expenses. In Norway at low 20's, in Sweden low double digits and in Finland high single digits



# Summary

---

- 30% revenue growth in 2014
  - LfL of 5.7% for the Group
  - Finland with revenues of NOK 292 million
  - E-commerce growth of 91%
- Gross margin improvements in all markets
- OPEX improvement
- Proposed DPS of NOK 2.00 for 2014
- Continued expansion and growth in 2015





**XXL ASA – Q4 and full year 2014**

**XXL**  
ALL SPORTS UNITED