



**XXL ASA – Q1 2015**

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This presentation was prepared for the interim results presentation for the first quarter 2015, held on 29 April 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 Q1 2015

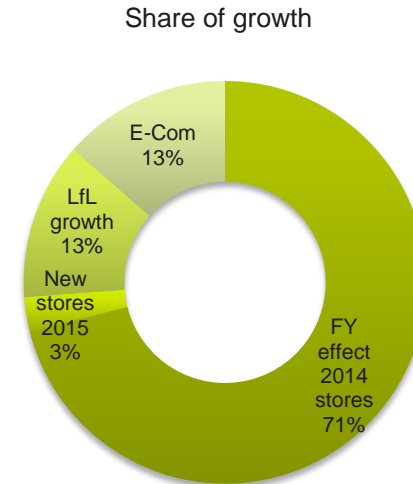
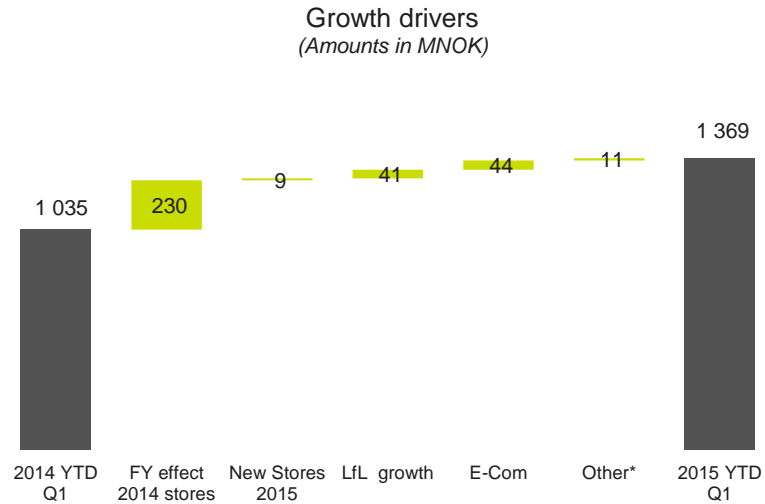
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- Now the largest integrated sports retailer in the Nordics
- Revenue growth of 32%
  - Like for Like growth of 4.3%
  - E-commerce growth of 75%
- On and off winter season with regional differences
- Many campaigns driving volume but affecting margins
- Cost control – OPEX/Sales of 30.3%, down 1.5 pp YoY
- Stable EBITDA-margin compared to last year despite establishment in Finland and lower gross margins
- EBITDA-margin of 6.9%, slightly down 0.1 pp YoY
- Opened 2 new stores in Finland
  - Espoo (Helsinki west) on 24 March
  - Lielähti (Tampere) on 14 April (Q2 2015)



# Growth drivers in the quarter

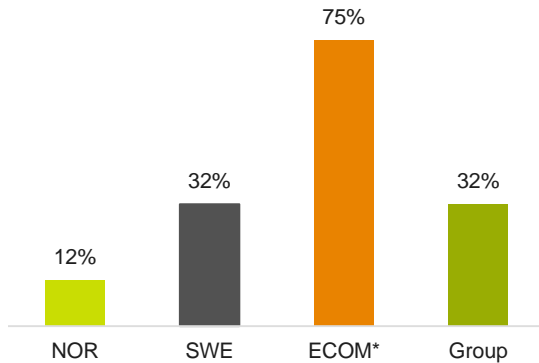
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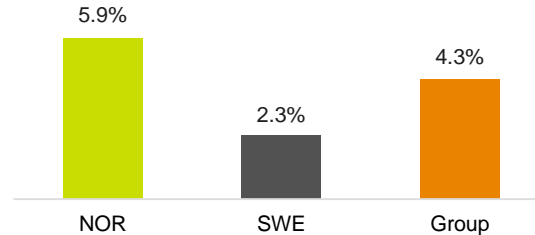
# Growth split by markets

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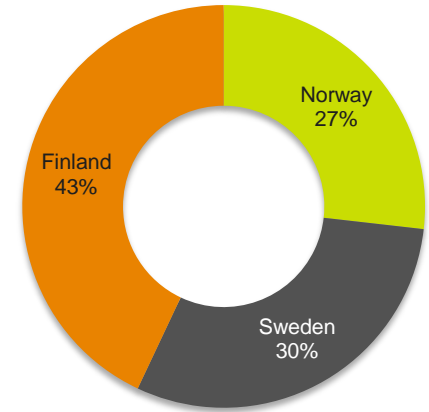
Growth by segments



Growth by country  
Like-for-Like  
(LOCAL CURRENCY)



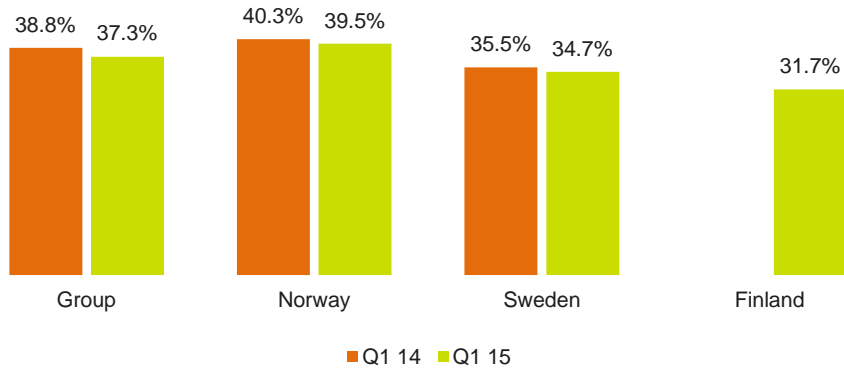
Share of growth by geography



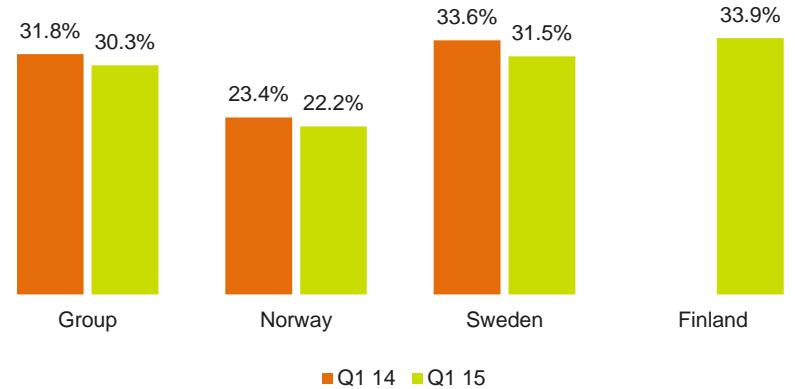
# Gross margin decrease but cost control

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Gross margin development

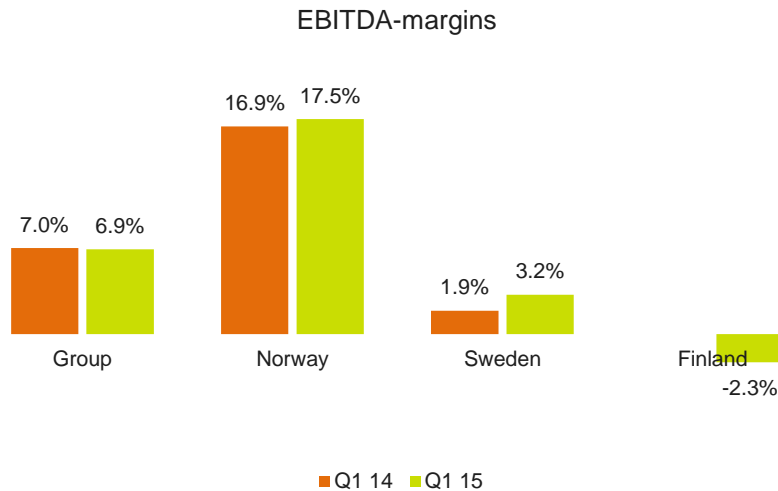


OPEX%



# Underlying EBITDA-margin improvements

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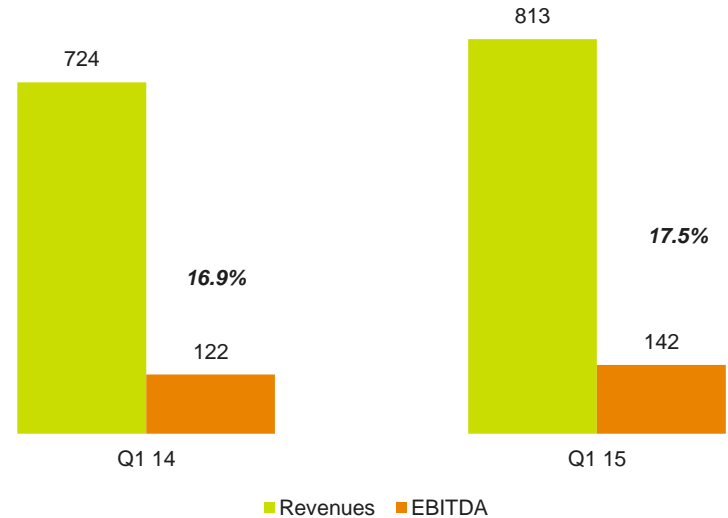
- Driving volume impacts gross margins
- Cost focus improves EBITDA-margins in Norway and Sweden
- Negative EBITDA when establishing Finland
- Taking down cost through central warehouses and overhead costs
- Stable EBITDA-margin for the Group

# Norway – Driving volumes

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- 12% revenue growth YoY
- 5.9% Like for Like growth
- Driving volumes and utilizing improved winter conditions and early signs of spring
- Lower gross margin due to winter clearance and campaigns in the market
- Cost focus and efficiency
- EBITDA-margin improved from 16.9% to 17.5% YoY

Amounts in MNOK



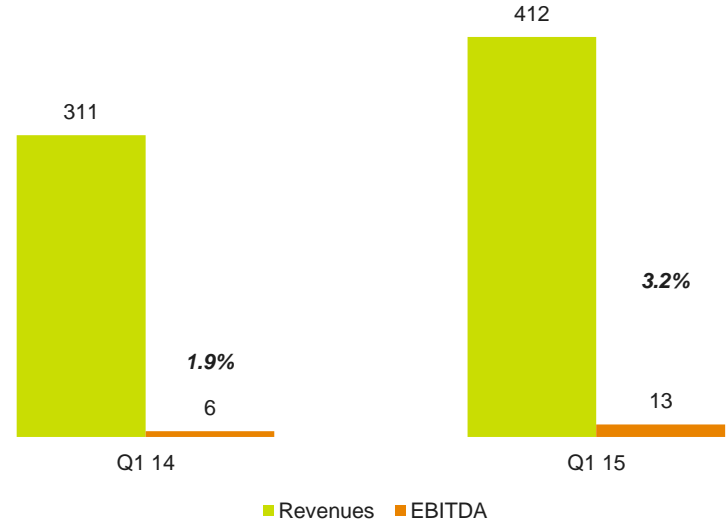


# Sweden – Focusing on sales

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- Revenue growth of 32%
- Still a volatile market
  - Sporting goods sales up 2.1% in Q1 (Figures from HUI Research)
- Positive trend shift in Like for Like
  - Growth of 2.3% in local currency
  - Still cannibalization in Stockholm, but...
  - ...growth in Stockholm of 48% YoY
- More aggressive campaigns and clearance of winter assortment
  - Gross margin down from 35.5% to 34.7% YoY
- EBITDA-margin up to 3.2% (1.9% LY)

Amounts in MNOK

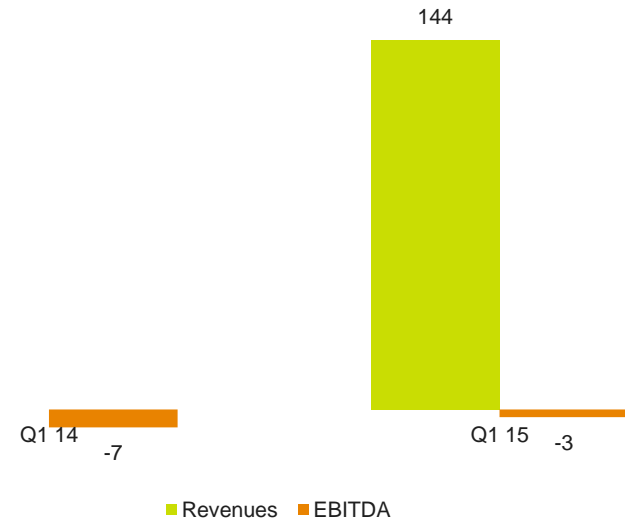


# Finland – Gaining market position

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- Challenging macro environment
- According to Sporttimyyjä XXL gained a market share of 3.5% in 2014
- Increasing customer perception drives volume both in stores and online
- Still in an establishing phase, opened two new stores
  - Espoo (Helsinki west) on 24 March
  - Lielahiti (Tampere) on 14 April (Q2 2015)

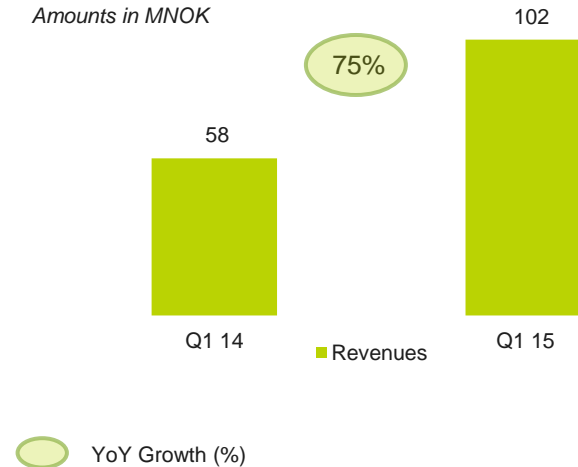
Amounts in MNOK



# E-commerce – Continuing high growth

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- 75% revenue growth
- 7.5% of Group sales compared to 5.6% last year
- All three markets contribute with high growth
- New initiatives
  - Pick-up at store roll-out during spring
  - Retargeting solutions
  - Recruitment of new competence
  - And many more



# HQ and logistics – Cost focus

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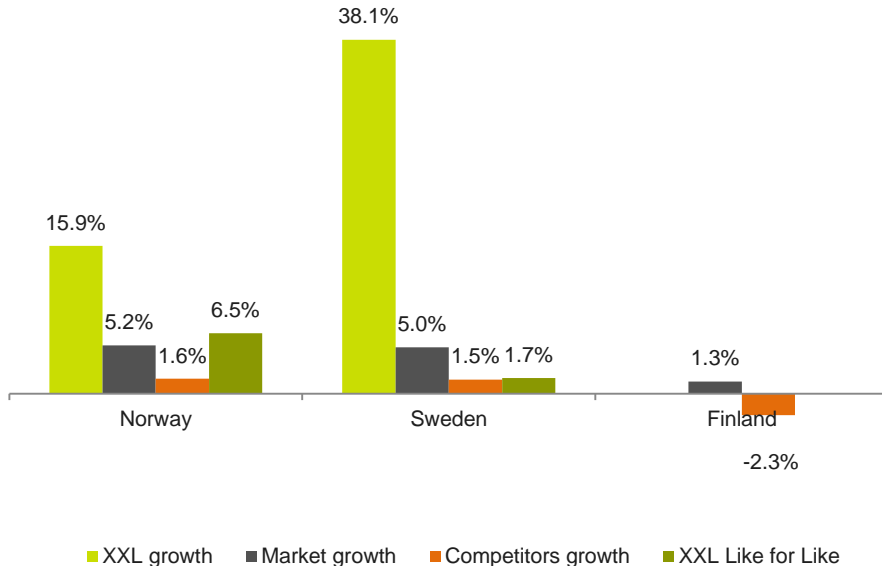
- Handling more goods through the two central warehouses compared to last year
- Cost focus throughout the organization
- OPEX of NOK 57 million, up 17%, but...
- ...decrease of 0.6 pp YoY to 4.1% of Group sales



# The largest sports retailer in the Nordics



Market data of sport retail chains for 2014



Source: Sportsbransjen AS (NOR), Sportfack (SWE) and Sportiimyymä (FIN)

- XXL growth significant higher than market growth
- XXL Like for Like growth higher than competitors growth in both Norway and Sweden in 2014
  - Including cannibalization in Stockholm and Linköping
  - Competitors figures includes new establishments
- XXL taking all the market growth in Finland
  - Competitors are reducing
- Following releases of annual accounts from competitors, XXL is now the largest sports retailer in the Nordics in term of revenues
  - > NOK 500 million higher revenue than number 2

# Priorities going forward

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- 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

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# Income statement

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- Revenue growth of 32%
- Cost control most important
  - OPEX% of Group sales from 31.8% to 30.3% YoY
- Stable EBITDA-margin
- Net financials negative due to currency effects
  - Negative currency effect of NOK 21 million
  - Interest expenses of NOK 8 million
- Effective tax rate of 23%

<i>Amounts in MNOK</i>	<b>Q1 15</b>	<b>Q1 14</b>
<b>Total operating revenue</b>	1 369	1 035
<b>Operating income</b>	74	55
<b>Net financials</b>	-30	-65
<b>Profit before income tax</b>	44	-10
<b>Income tax expense</b>	10	0
<b>Net profit</b>	34	-10



# Cash flow

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- Inventory level increased due to goods related to new season and opening of new stores
- Inventory is healthy with less winter goods compared to last year
- Changes in accounts payables
- Share buy-back of NOK 8 million
- Equity ratio of 59%
- Net interest bearing debt of NOK 874 million
- Liquidity reserve of NOK 529 million
- NIBD / EBITDA down at 1.4x

## Cash flow

<i>(Amounts in MNOK)</i>	Q1 2015	Q1 2014
Cash provided by operating activities	47	-62
Cash used by investing activities	-25	-23
Cash used by financing activities	-15	-19
<b>Net change in cash and cash equivalents</b>	<b>7</b>	<b>-104</b>
Cash and cash equivalents beginning of year	222	170
Cash and cash equivalents end of period	229	65

## Changes in working capital

<i>(Amounts in MNOK)</i>	Q1 2015	Q1 2014
Changes in inventory	-212	-132
Changes in receivables	59	61
Changes in payables	164	18
Prepayments of financial leases	-3	-3
Changes in other assets and liabilities	-18	-61
<b>Change in working capital</b>	<b>-10</b>	<b>-117</b>

# Outlook

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- XXL has signed 8 new lease agreements for new store openings in 2015
  - One store might be postponed to spring 2016 due to local regulations
  - The Group expects the new store openings to be back-end loaded
  - Two stores already opened in Finland this year
- An achievement if Finland delivers positive EBITDA in 2015
- Sweden had a good improvement in margin in 2014 due to the new central warehouse and better operations. Margin improvement going forward will not be in the same pace as in 2014
- 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

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- 32% revenue growth
  - Like for Like growth of 4.3% for the Group
  - E-commerce growth of 75%
- Cost control – OPEX/Sales of 30%
  - Down 1.5 %p
- Stable EBITDA-margin compared to last year despite establishment in Finland and lower gross margins
- Continued expansion and growth in 2015





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