



**XXL ASA - Q1 2017**

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This presentation was prepared for the interim results presentation for the first quarter 2017, held on 26 April 2017. 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 2017

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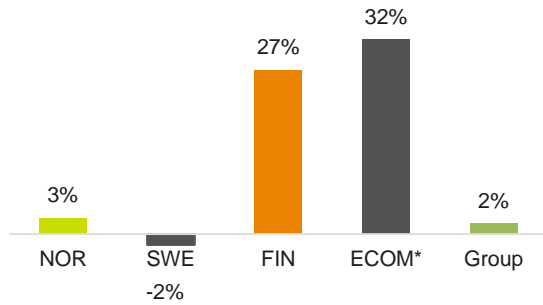
- Challenging winter season
- Revenue growth of 2%
  - Negative like for like growth of 10%
  - E-commerce growth of 32%
- Opened one new store – Lappeenranta in Finland
- Overall stable gross margin
  - Improvement in Norway and Finland
  - Margin decrease in Sweden
- EBITDA of NOK 34 million
  - Low demand and volumes
  - Negative like for like growth
  - Difficult to obtain the same scale in the stores
  - Cost adjustments where possible
- Austria on track for launch in 2H 2017



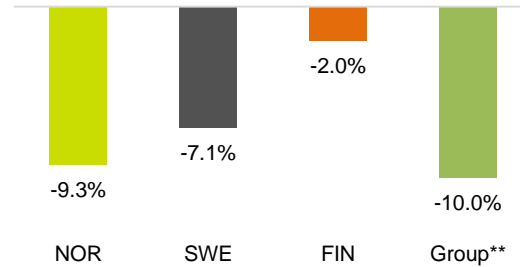
# Growth drivers in the quarter

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Growth by segments  
(Local currency)



Like for like growth  
(Local currency)



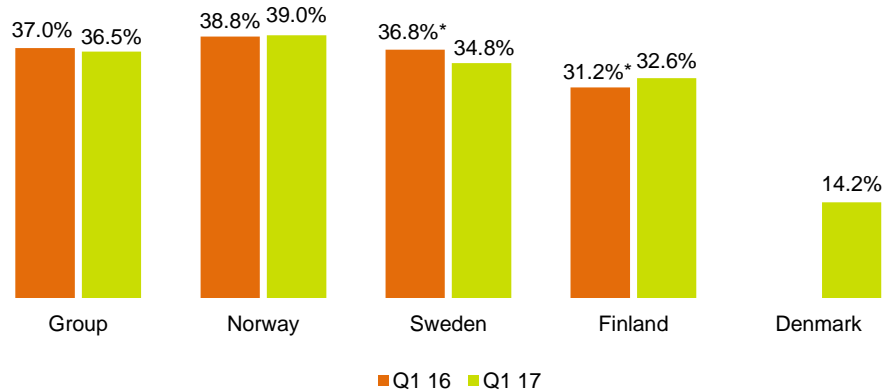
Growth drivers  
(Amounts in MNOK)



# Gross margin development

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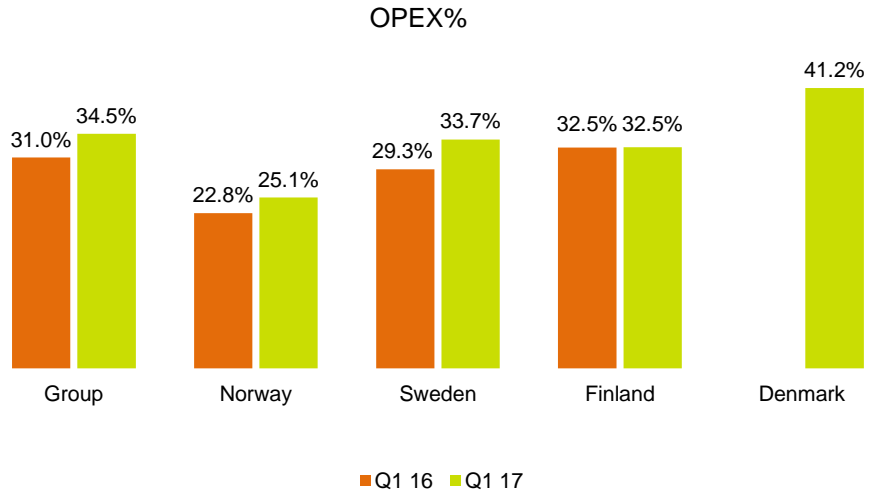
Gross margins



- Group gross margin declined 0.5 points YoY
- Early clearance campaigns
- Better pricing strategies to maintain margins
- Norway and Finland with improvements
- Sweden impacted negatively by more clearance sales compared to last year
- Denmark still in an early phase but slight improvement compared to previous quarters

# OPEX development

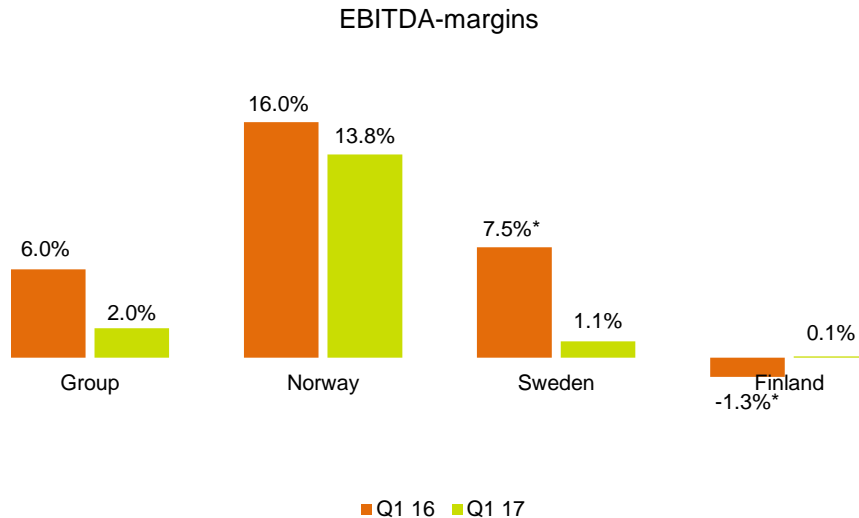
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- OPEX% increased by 13.2% despite...
- 25.0% increase in store base,
- costs related to start up in Denmark and
- higher costs after expanding the central warehouse capacity
- Finland maintained the OPEX%

# EBITDA development

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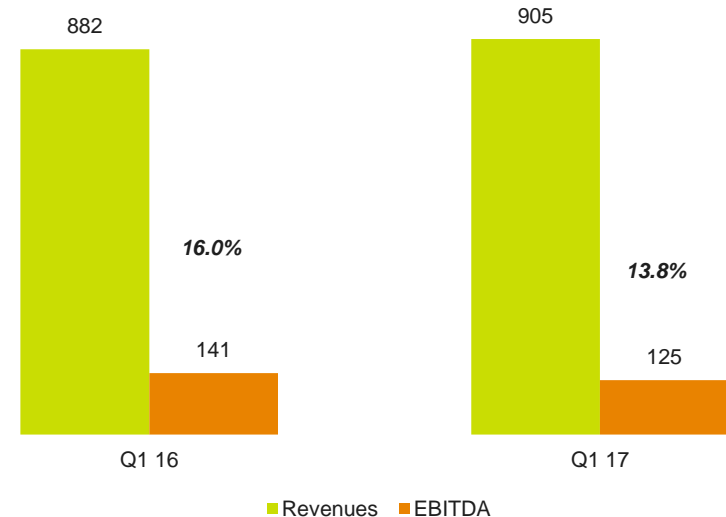
- Low demand and volumes
- Negative like for like growth
- Difficult to obtain the same scale in the stores
- Cost adjustments where possible
- Finland with improvements

# Norway – Challenging winter conditions

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- Challenging winter conditions, no sign of spring and low demand
- 3% revenue growth YoY
- Growth from E-commerce and new stores opened in 2016
  - Remember that all stores opened in 2016 will yield lower than average sales per store
- Negative like for like growth of 9.3%, but 3.9% adjusted for cannibalization effects
- Gross margin stable at 39.0% vs. 38.8% Q1 2016
- Difficult to achieve scale in the stores
- EBITDA-margin down by 2.2 points to 13.8%

Amounts in MNOK



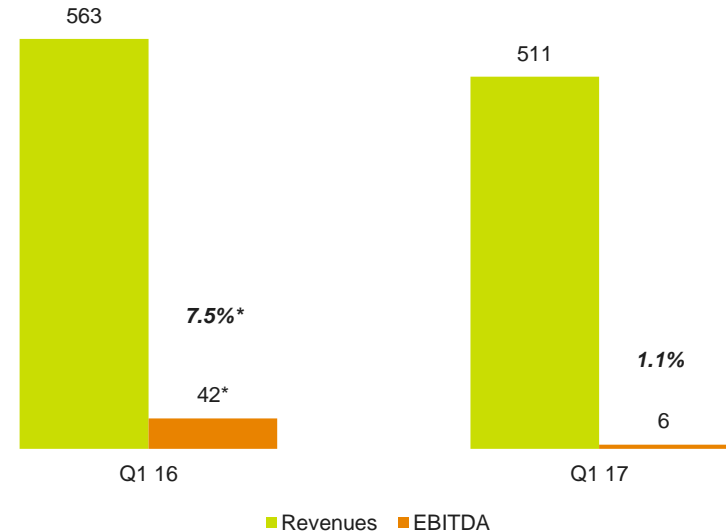


# Sweden – Challenging winter conditions and tough comparisons

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- Very soft market this quarter
  - Sporting goods sales down 10.6% in January and 10.3% in February (Figures from HUI Research)
- Revenues declined 1.8% in local currency
  - Positively impacted by new stores opened in 2016
  - Negative like for like growth of 7.1 per cent
- Strong 2016 winter season with low degree of clearance sales
- Gross margin decreased from 36.8%\* to 34.8% YoY
  - Higher share of clearance sales this year
  - Reported gross margin in Q1 16 of 37.3%
- Low volumes leading to negative like for like growth and less scale benefits in the stores
- EBITDA of NOK 6 million and a margin of 1.1%
  - Reported EBITDA of NOK 45 million and a margin of 8.1% in Q1 2016

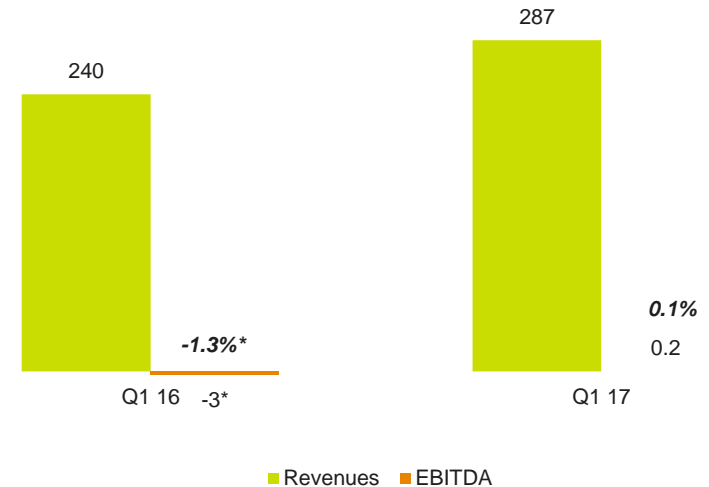
Amounts in MNOK



# Finland – Gaining market shares in a slow market **XXL**

- 27% revenue growth YoY in local currency
  - Growth from new stores opened in 2016
- Opened one new store
  - Lappeenranta on 29 March 2017
- Difficult winter conditions and continued slow market
  - According to market estimates the market decreased by around 4.5% in the quarter
- Negative like for like growth of 2.0% in local currency
  - Strong growth from E-commerce
- Gross margin improved from 31.2%\* to 32.6% YoY
  - Better sales and pricing strategies
  - Reported gross margin in Q1 2016 of 29.9%
- Stable OPEX% of 32.5% despite negative like for like growth and costs of opening a new store
- EBITDA of NOK 0.2 million and a margin of 0.1%
  - Reported EBITDA of NOK -6 million and a margin of -2.6% in Q1 2016

Amounts in MNOK

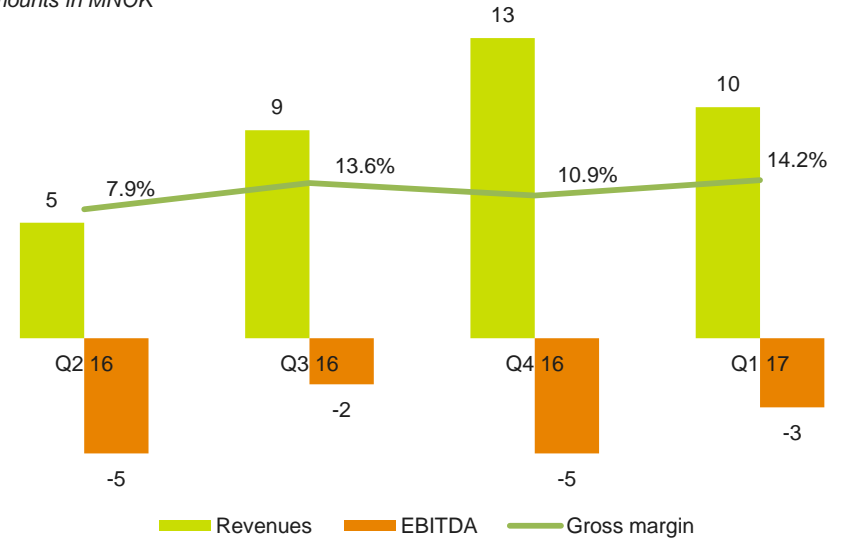


# Denmark – According to plan

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- Total revenues of NOK 10 million
- Still building brand awareness with low prices and many market campaigns
- Gross margin of 14.2 per cent, low but improving
- Negative EBITDA of NOK 3 million
- According to plan of being a small Swedish store in terms of revenue
  - Loss making first years of operation
  - Pay-back time of 4-5 years

Amounts in MNOK

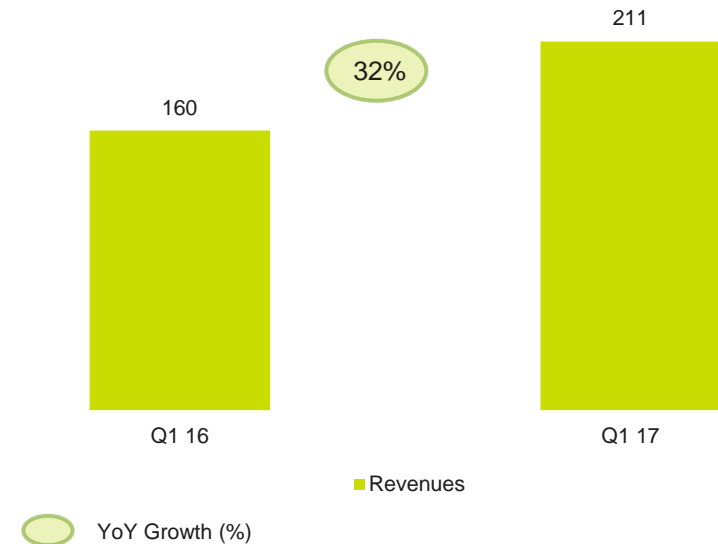


# E-commerce – Building the digital presence

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- 32% revenue growth
- 12.3% of Group sales compared to 9.5% in Q1 16
- E-commerce sales also impacted negatively by the difficult winter season
- Implemented a new customer service system
  - More automatization
  - Faster response times
  - Improved customer experience
- Tested targeted CRM activities
- Invested in new and efficient analytical tools
- Many initiatives in the years to come

Amounts in MNOK



# Market share development

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- Norway from 26% in 2015 to 28% in 2016
  - Source: Sportsbransjen AS – total market
- Sweden from 14% in 2015 to 16% in 2016
  - Source: Sportsfack – sport retail chains only
- Finland from 13% in 2015 to 17% in 2016
  - Source: TMA – sport retail chains only



XXL gaining market shares in all markets

FRANSCHENS VINNARE 90 kr inkl. moms #04 APRIL 2017

**Portfack**

**Hockeyrevolution**  
Flow Motion Technology började som en lösning för att få inläs mer lika skridskor. Nu har de tagit samma teknik till hockeyskridskor och de som testat säger att det är en revolution. **SIDAN 16**

**"Anledningen till de fina siffrorna är allt det arbete som våra duktiga medarbetare gör."**  
JANICKE BLOMSNES XXL **SIDAN 26**

**XXL Vinnare 2016**

XXL var den kedjan i Sverige som hade högst tillväxt förra året: +xx procent.

**MIZUNO**  
Av de större leverantörerna var Mizunos den som hade den allra högsta tillväxten: +xx procent.

**STADIUM**  
Stadium är fortfarande Sveriges överlägset största sportkedja, nästan en miljard mer än nästan alla andra.

**SALMING.**  
Det går fortastiskt bra för många svenska varumärken utomlands. Ett av de som har stora exportframgångar är Salming: +71% på tre år.

Sporthandeln växte med fem procent förra året. Ingen fantastisk siffra, men ändå ganska bra.

Vi har alla siffrorna så att du kan titta både på helheten och plocka ut vinnarna.

**SIDAN 18**

# HQ and Logistics – Investing in the backbone

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- OPEX of NOK 94 million to 5.5% of Group sales (4.7% LY)
  - Influenced by the lower than expected sales volume
- Expansion of central warehouse in Norway
  - From 24 000 to 32 000 sqm
  - Finalized and handed over in mid November 2016
  - Higher rental and personnel costs
- Total infrastructure investments of NOK 25 million in Q1 17
- Start up costs related to the establishment in Austria
  - Salaries to the first employees
  - Head office and office supplies
  - Cost related to training and recruitment



# Austria Status

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- Managing Director in place
  - Mr. Patrick Verwilligen, former Unibail-Rodamco
- Recruitments to the first two stores in Vienna
  - Well attended “speed dating”
- Austrian head office established
- Establishing a centralized organization scalable for the DACH-region
  - In total 12 Austrian XXL employees today – bringing local competence and experience
  - Local team for buying, E-commerce and support
- Signed the third lease agreement
  - Best location in Linz, Plus City shopping mall
- Whole XXL organization working on Austrian support
- Objectives maintained
  - Negative profits the first years of operation
  - Average sales per store ~ EUR 12 million
  - Gross margin and EBITDA-profile will be as in Sweden over time when excluding for the build-up of the centralized organization
  - CAPEX per store ~ EUR 1.7 -1.9 million
  - Pay-back per store of 4-5 years



# Priorities going forward

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- Improving the omni-channel experience
  - Continuing to drive like for like growth
  - Opening of new stores
  - Improving the E-commerce user experience
  - Utilizing new technological opportunities
- Focusing on cost improvements
- Launching XXL in new markets







## Financial review

# Income statement

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- Challenging winter season
- Revenue growth of 2%
- Overall stable gross margin
  - Improvements in Norway and Finland
  - Margin in Sweden decreased
- Low volumes impacting the scale benefits in the operations
- OPEX increase of 13%
  - 25% increase in store base
  - Costs related to start up in Denmark
  - Increased costs after expansion of central warehouse capacity
- Net financials cost of NOK 9 million
  - Positive currency effect of NOK 2.8 million
  - Interest expenses of NOK 7.3 million
  - Other transaction and financial costs
- Income tax expenses for 2016 decreased by NOK 15 million and the effective tax rate for 2016 was 19.7%

<i>Amounts in MNOK</i>	<b>Q1 17</b>	<b>Q1 16</b>
<b>Total operating revenue</b>	1 713	1 684
<b>Operating income</b>	-1	75
<b>Net financials</b>	-9	-14
<b>Profit before income tax</b>	-10	61
<b>Income tax expense</b>	-2	14
<b>Net profit</b>	-8	47

# Cash flow

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- Cash-flow lowered due to reduced EBITDA
- Inventory increase is driving the working capital
  - Inventory increase from Q4
  - Lower cost of goods in Q1 than expected for the season
  - Winter related products are under control
- Inventory per store increased by NOK 3.3 million
  - Many initiatives to reduce this level
  - Expected to normalize during Q3 2017
- Investments in new stores, maintenance CAPEX on existing stores and infrastructure
- Change in financing activities was NOK 140 million and now used NOK 696 million of the NOK 1 400 million facilities
- Net interest bearing debt of NOK 1 718 million
- NIBD / EBITDA of 2.3x

## Cash flow

<i>(Amounts in MNOK)</i>	Q1 17	Q1 16
Cash provided by operating activities	-153	-38
Cash used by investing activities	-59	-44
Cash provided (used) by financing activities	140	64
<b>Net change in cash and cash equivalents</b>	<b>-72</b>	<b>-18</b>
Cash and cash equivalents beginning of year	115	87
Cash and cash equivalents end of period	46	69

## Changes in working capital

<i>(Amounts in MNOK)</i>	Q1 17	Q1 16
Changes in inventory	-79	-50
Changes in receivables	72	87
Changes in payables	-24	-95
Prepayments of financial leases	-3	-3
Changes in other assets and liabilities	-93	-70
<b>Change in working capital</b>	<b>-127</b>	<b>-131</b>

# Outlook

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- XXL has signed 10 lease agreements for new store openings for 2017 where of 1 in Norway, 4 in Sweden, 3 in Finland and 2 in Austria. The aim for 2017 is 10-12 new stores in total
- Total investments in infrastructure, IT and training facilities for 2017 in the range of NOK 70-90 million
- The Group maintains the following long term objectives:
  - Like-for-like growth of mid-single digits over time
  - Gross margins: In Norway at low 40's, high 30's in Sweden and between mid and high 30's in Finland.
  - EBITDA-margins: In Norway at low 20's, in Sweden low double digits and in Finland high single digits
  - Due to the demanding macro in Finland the lift in margins will take longer time than in Sweden
  - Both gross margin and EBITDA-margin for the Group will be negatively affected by the establishment in new markets



# Outlook Austria

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- XXL will open two stores in Vienna and E-commerce in Austria in late 2017
- Establishing a local team for buying and support
  - At least employ five employees
  - Scalable for the whole DACH-region, together with the Swiss entity
- Expectations on new store economics
  - Average sales of around EUR 12 million
  - Gross margin and EBITDA-profile will be as in Sweden over time
  - CAPEX in the range of EUR 1.7 - 1.9 million
  - Average pay-back time of 4-5 years after three years in operation
- Total potential of 15-20 stores in the Austrian market
- The start-up in Austria will have higher costs than the launch in Sweden, Finland and Denmark



# Summary

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- Revenue growth of 2% under challenging winter season
- 32% growth from E-commerce
- Actions taken to maintain gross margin
  - Improvements in both Norway and Finland
  - Sweden with tough comparisons
- Actions to reduce OPEX
  - OPEX % of sales is higher than last year
  - But OPEX increases 13 % vs. 25 % increase in store base
- EBITDA affected by low growth in sales
- However,
  - Good progression in Finland
  - Austria developing according to plan





**XXL ASA - Q1 2017**