



**XXL ASA – Q2 2015**

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This presentation was prepared for the interim results presentation for the second quarter 2015 and first half year 2015, held on 23 July 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 Q2 2015

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- Revenue growth of 23%
  - Like for Like growth of 5.4%
  - E-commerce growth of 68%
- Compensating with sales from other categories due to cold weather
- Driving volume increases market position
- EBITDA-margin of 13.1%
  - Establishment in Finland
  - High growth in Sweden
  - More digital marketing activities in Norway
- Opened 2 new stores
  - Lielahi (Tampere - Finland) on 14 April
  - Gävle (Sweden) on 13 May
- Awarded Retailer of the Year and ranked number one customer friendly sports retail chain in Norway

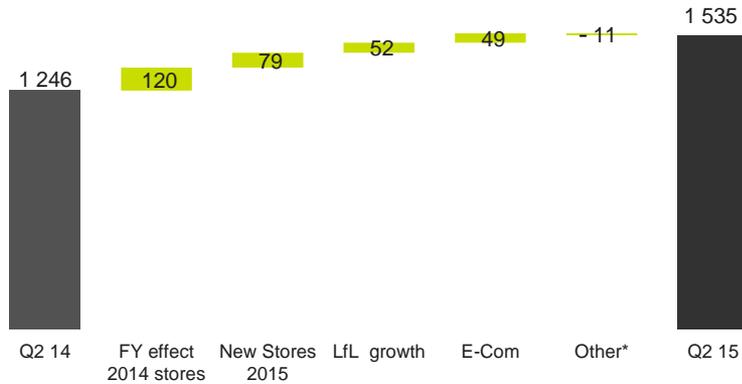
## Reopening the very first XXL store – downtown Oslo 2 July 2015



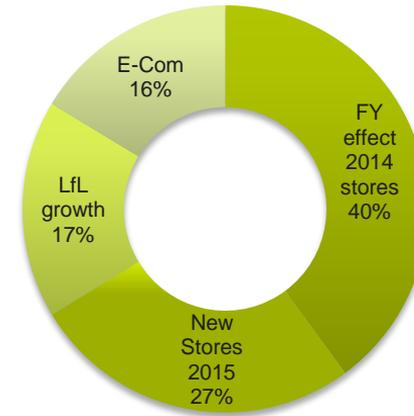
# Growth drivers in the quarter

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Growth drivers  
(Amounts in MNOK)



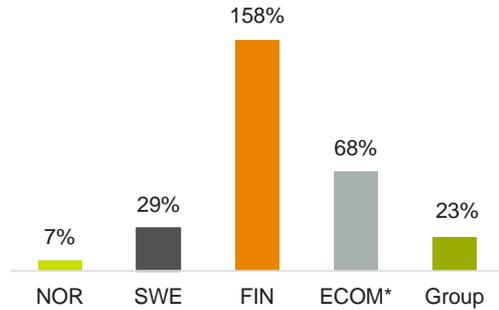
Share of growth



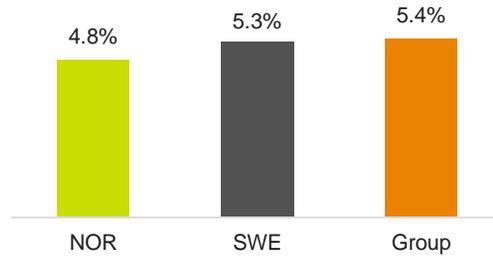
# Growth split by markets

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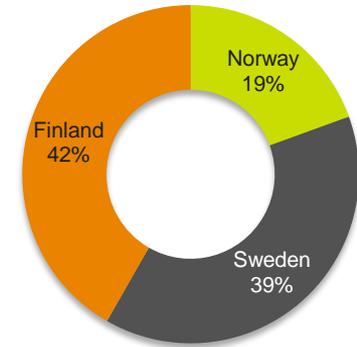
Growth by segments



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

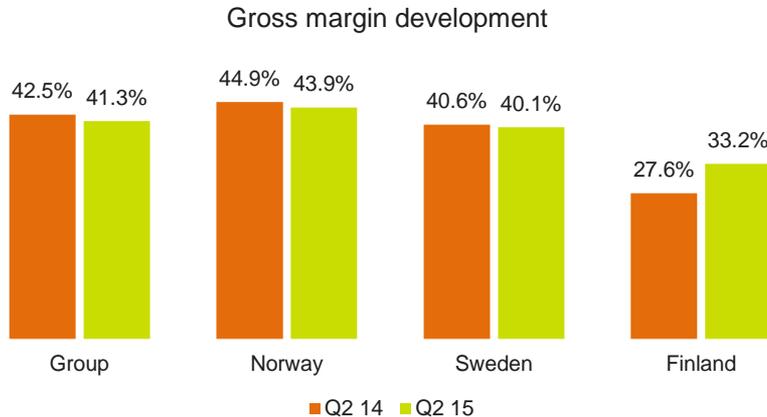


Share of growth by geography



# Gross margin development

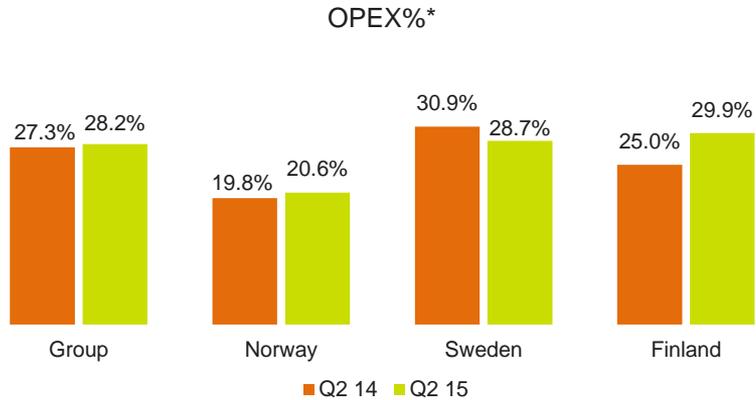
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- Significantly lower supplier bonuses compared to last year
- Adjusted gross margin of 40.7% in Q2 15 vs. 41.0% in Q2 14
- Geographical mix effects

# OPEX development

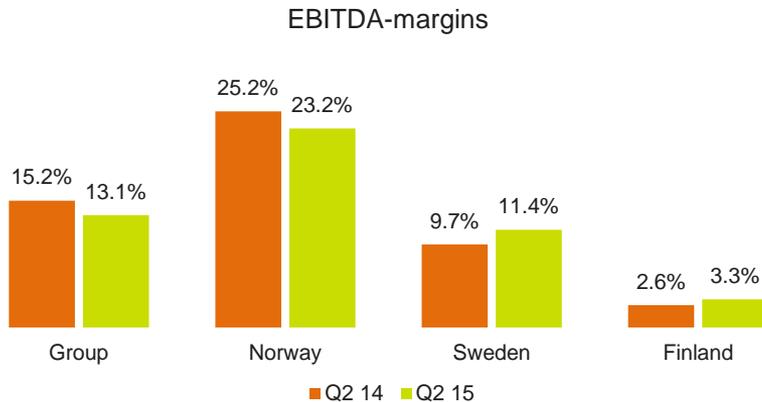
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- Higher share of growth coming outside Norway
- More digital marketing and higher personnel bonuses in Norway
- Cost improvements in Sweden
- Finland still in an early phase – intention to double the store base in 2015
- OPEX% in 1H 15 of 0.2 pp lower than 1H 14\*

# EBITDA development

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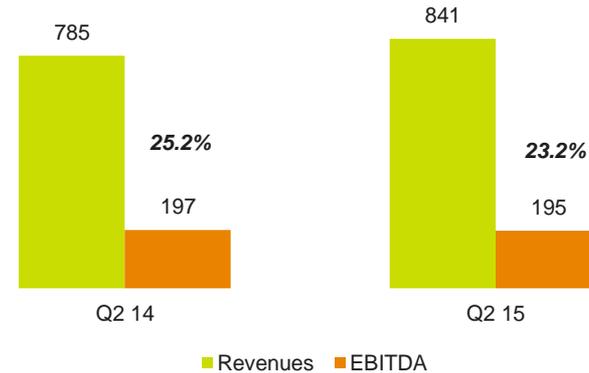
- More digital marketing and higher personnel bonuses in Norway
- Cost focus improves EBITDA-margins in Sweden and Finland
- Significantly lower supplier bonuses compared to last year in Norway
- Adjusted EBITDA-margin of 12.5% in Q2 15 vs. 13.7% in Q2 14\*

# Norway – Increasing marketing activities

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- 7% revenue growth YoY
- 4.8% Like for Like growth
- Reopening the very first XXL store on 2 July
  - Isolated NOK 10 million negative sales effects
  - 8 000 visitors and around NOK 6 million gross sales on the opening day
- Gross margin increase when adjusting for supplier bonuses
- Increasing digital marketing and personnel bonuses
- OPEX/Sales increase of 0.8 pp to 20.6% YoY...
- ...but down 0.2 pp 1H 15 vs. 1H 14
- EBITDA-margin adjusted for supplier bonuses of 22.8% in Q2 15 vs. 23.1% in Q2 14

Amounts in MNOK

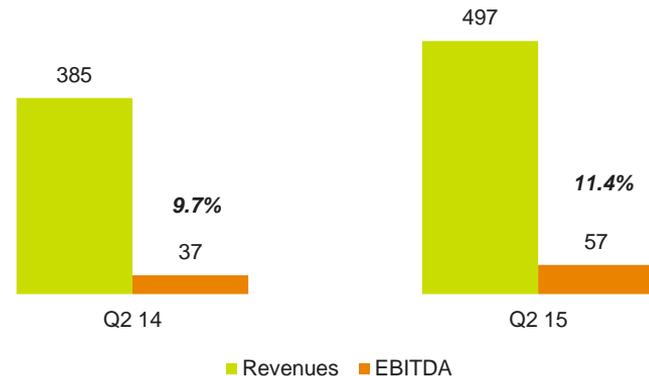


# Sweden – Continuing positive Like for Like

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- Revenue growth of 28% in local currency
- Still a volatile retail market – good demand for sporting goods
  - Sporting goods sales up 3.9% in April and 3.2% in May (Figures from HUI Research)
- Like for Like growth of 5.3% in local currency
  - Decreasing cannibalization effects in Stockholm, but...
  - ...still 24% growth in Stockholm YoY
- One new store opening
  - Gävle on 13 May
- Aggressive pricing to drive volume
  - Gross margin down from 40.6% to 40.1% YoY
- EBITDA margin of 11.4% - up 1.7 pp YoY
  - OPEX/Sales down from 30.9% to 28.7% YoY
  - Better store operations and increased cost focus

Amounts in MNOK

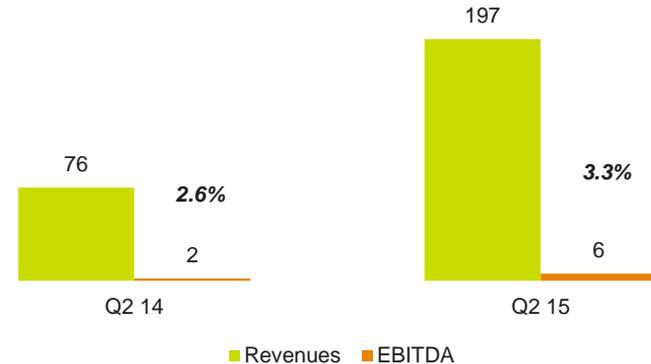


# Finland – XXL culture coming through

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- Still challenging macro environment
- According to TMA XXL gained a market share of above 10% in May
- One new store opening - now 6 stores in total
  - Lielahiti (Tampere) on 14 April
- Large volumes and low price offerings affecting gross margin
- Focused operations with XXL cost culture delivering positive EBITDA
  - OPEX/Sales of 29.9%

Amounts in MNOK

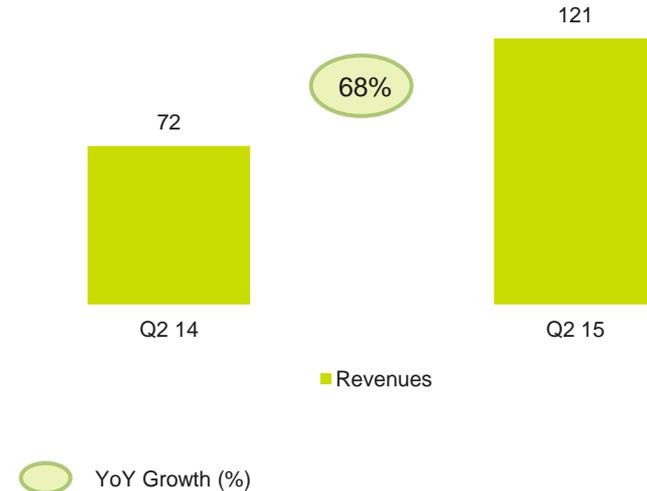


# E-commerce – Improving the online experience

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- 68% revenue growth
- 7.9% of Group sales compared to 5.8% last year
- All three markets contributing with high growth
- New initiatives
  - Pick-up at store in all Norwegian stores
  - On-going rollout of pick-up at store in Sweden and Finland
  - Evaluating new delivery services
  - Recruitment of new competence
  - Improving user experience and retargeting
  - And more to come

Amounts in MNOK



# HQ and logistics – Expanding capacity

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- OPEX of NOK 58 million to 3.8% of Group sales
- Cost focus throughout the organization
- Well-functioning value chain
- Central warehouses with high overall utilization
- Expanding the central warehouse in Örebro from 20,000 to 40,000 sqm
  - Innovative robotics and cost efficient solutions
  - CAPEX this year of around NOK 35 million



# Priorities going forward

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- Improving the omni-channel experience
- Opening of new stores
- Continuing to drive LfL growth
- Always focusing on cost improvements





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**Financial review**

# Income statement

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- Revenue growth of 23%
- Sweden and Finland growing more than Norway
- EBITDA-margin of 13.1%
  - Negative Y-O-Y effects from supplier bonuses
  - Sweden up 1.7 %-points
- Net financials positive due to currency effects
  - Positive currency effect of NOK 20 million
  - Interest expenses of NOK 7 million
  - Re-financed at IPO
- Effective tax rate estimated to 23%

<i>Amounts in MNOK</i>	<b>Q2 15</b>	<b>Q2 14</b>	<b>1H 15</b>	<b>1H 14</b>
<b>Total operating revenue</b>	1 535	1 246	2 903	2 280
<b>Operating income</b>	179	166	254	222
<b>Net financials</b>	7	-59	-23	-124
<b>Profit before income tax</b>	186	108	231	98
<b>Income tax expense</b>	43	27	53	27
<b>Net profit</b>	144	80	178	71

# Cash flow

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- Inventory level increased due to growth
- Periodical changes in accounts payables
- Drawn down on existing facility in late June
  - NOK 100 million related to the dividend payment in early July
- Equity ratio of 56%
- Accrual for dividend of NOK 277 million
- Net interest bearing debt of NOK 963 million
- Liquidity reserve of NOK 441 million
- NIBD / EBITDA of 1.5x

## Cash flow

<i>(Amounts in MNOK)</i>	1H 2015	1H 2014
Cash provided by operating activities	4	33
Cash used by investing activities	-67	-49
Cash provided by financing activities	83	-110
<b>Net change in cash and cash equivalents</b>	<b>19</b>	<b>-126</b>
Cash and cash equivalents beginning of year	222	170
Cash and cash equivalents end of period	241	44

## Changes in working capital

<i>(Amounts in MNOK)</i>	1H 2015	1H 2014
Changes in inventory	-268	-241
Changes in receivables	68	50
Changes in payables	-22	25
Prepayments of financial leases	-5	-5
Changes in other assets and liabilities	-21	-29
<b>Change in working capital</b>	<b>-248</b>	<b>-200</b>

- 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
  - Three stores opened this year – one in Sweden and two in Finland
- 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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- 23% revenue growth
  - Strong Like for Like growth of 5.4%
  - E-commerce growth of 68%
- Sweden and Finland with good performance
  - Growth and cost control
- EBITDA-margin of 13.1%
- Continued expansion and growth in 2015





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