



**XXL ASA – Q2 2016**

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This presentation was prepared for the interim results presentation for the second quarter and first half year 2016, held on 22 July 2016. 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 2016

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- Revenue growth of 24%
  - Like for like growth of 11%
  - E-commerce growth of 66%
- EBITDA of NOK 222 million up from NOK 201 million last year
- Opened five new stores
  - Three in Norway
  - One in Sweden
  - One in Finland
- Launched E-commerce offering in Denmark
- Total upgrade of ERP-platform and new front-end website
- Increased marketing costs



# Sport Unites All – XXL All Sports United

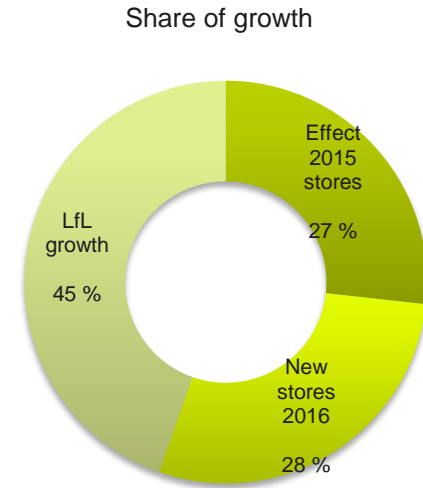
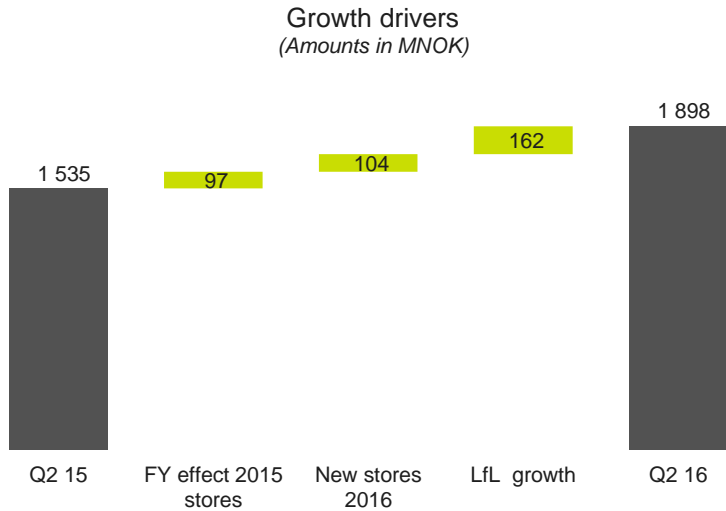
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#xxlmoments

# Growth drivers in the quarter

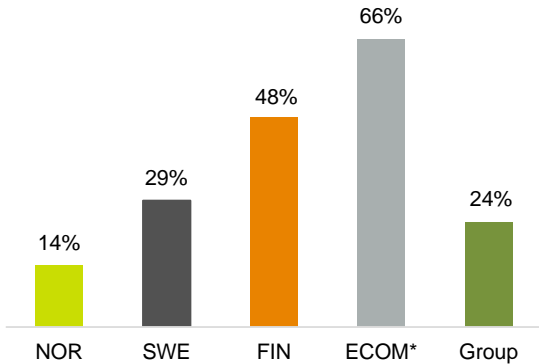
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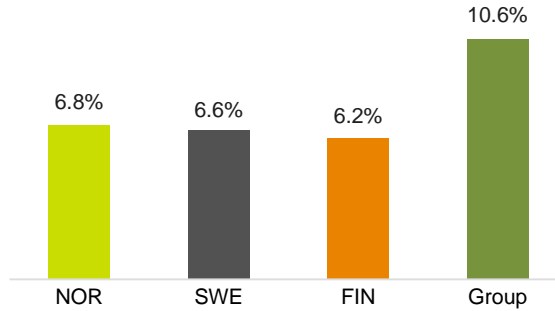
# Growth split by markets

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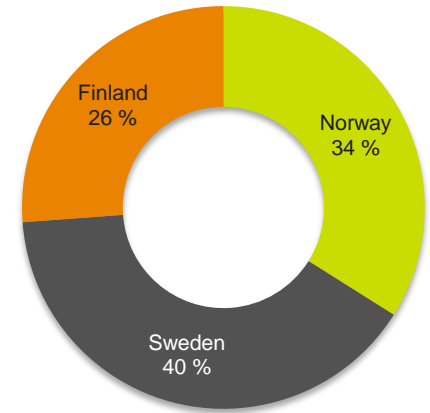
Growth by segments



Like for like growth  
(Local currency)

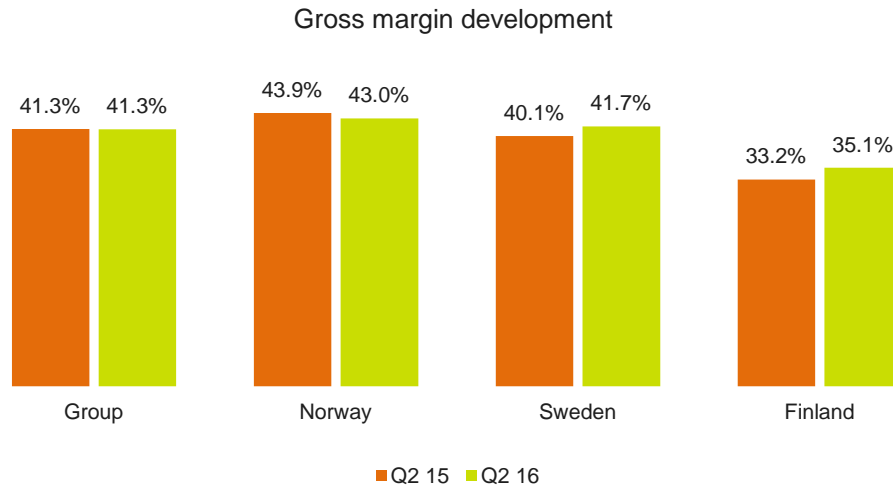


Share of growth by geography



# Gross margin development

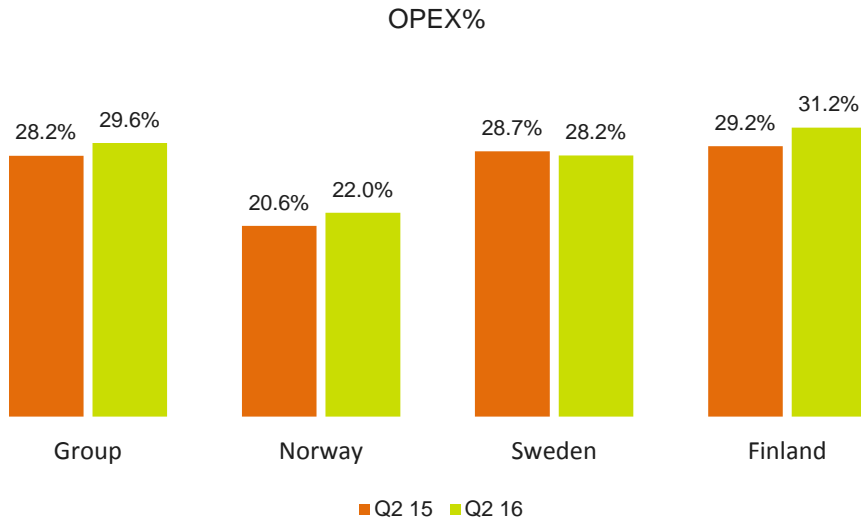
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- Stable gross margin for the Group
- Lower gross margin in Norway
  - Campaigns in all stores when opening three new stores
- Improved gross margins in Sweden and Finland
  - Lower share of campaigns than last year and overall better store operations

# OPEX development

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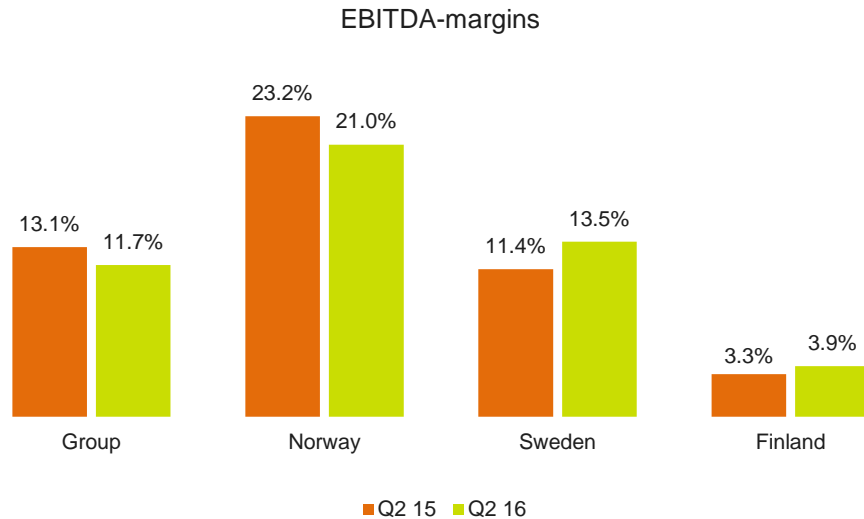


- OPEX% increased by 1.4 points to 29.6%
- Increased digital marketing costs in all countries
- Establishment of E-commerce in Denmark
- Costs related to five new store openings



# EBITDA development

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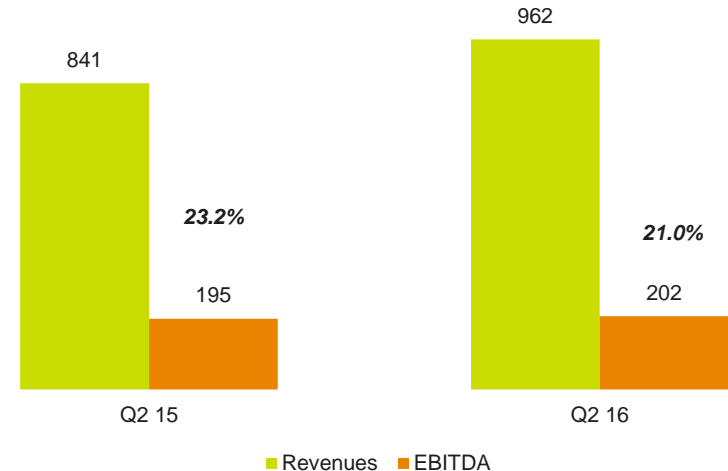
- Stable gross margin
- OPEX% increased
  - Five new store openings
  - Establishment of E-commerce in Denmark
  - More digital marketing costs
- Geographical mix effects – as expected

# Norway – XXL coming to new neighbourhoods

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- 14% revenue growth YoY
- Like for like growth of 6.8%
- Opened three new stores
  - Harstad on 6 May 2016
  - Sartor outside Bergen on 16 June 2016
  - Sandefjord on 30 June 2016
- Successful opening campaigns in all Norwegian stores...
- ... but gross margin negatively impacted
  - 43.0% vs. 43.9% last year
- OPEX/Sales up 1.4 points to 22.0%
  - Costs of opening three new stores
  - More digital marketing costs
- EBITDA-margin of 21.0%
- XXL voted best customer friendly sport retail chain (Norsk Kundebarometer)

Amounts in MNOK

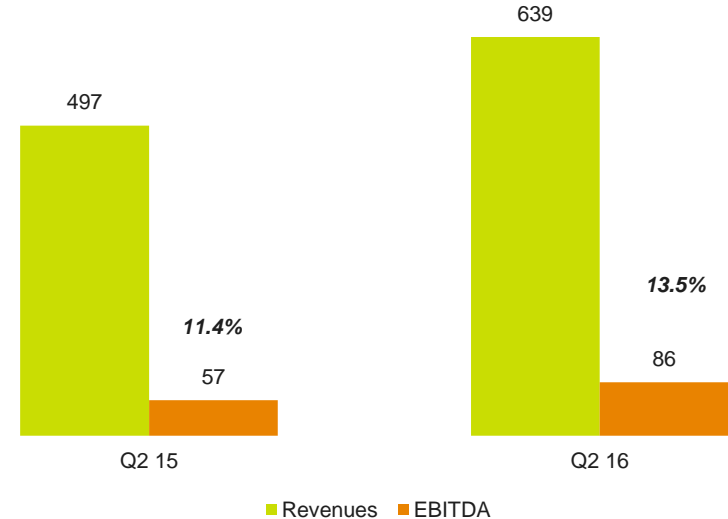


# Sweden – Surpassing market growth

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- Volatile sporting goods market
  - Sporting goods down 4.2% in April and up 3.1% in May (Figures from HUI Research)
- Revenue growth of 18% in local currency
  - Like for like growth of 6.6% in local currency
  - Solid growth from E-commerce
- Opened one new store – Umeå on 25 May 2016
- Gross margin improvements
  - Lower share of campaigns with low prices
  - Better overall store operations
- EBITDA margin up 2.1 points YoY to 13.5%
  - Despite new legislation on social security tax for younger employees and increased digital marketing costs
- Best in class sport retail chain on sustainability (Råd och Rön and ICRT)

Amounts in MNOK

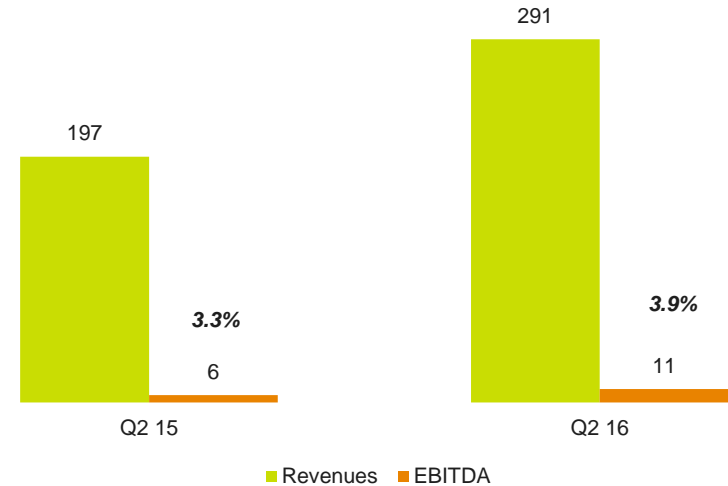


# Finland – Improving the gross margin

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- Challenging macro situation
- One new store opening – Oulu on 18 May 2016
- 36% revenue growth YoY in local currency
- Like for like growth of 6.2% in local currency
  - Driven by E-commerce growth
  - Still some cannibalization effects
- Challenging to achieve scale in the stores
  - OPEX/Sales up from 29.2% to 31.2% YoY
- Despite this the EBITDA-margin improved to 3.9% due to higher gross margin

Amounts in MNOK



# Denmark – Infrastructure working well

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- Launched on 27 May 2016 with E-commerce offering only
- Utilizing existing infrastructure within the Group
- Heavy investing in marketing and visibility
- Logistics, delivery times and organization surpassing expectations
- 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

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**ÅBNINGSFESTEN STARTER I DAG KL. 18:00!**  
Nu åbner Nordens største sportssucces dørene med en netbutik i Danmark. Med et enormt stort udvalg af kendte mærkevarer, til ekstremt lave priser, kan vi med rette sige: Nu bliver sport billigere i Danmark!

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SMBAND XT

**STOR ÅBNINGSFEST!**  
Festen starter på  
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KL. 18:00

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**-2500,-**  
1000 SALR

**399,-**  
**-63%**

**99,-**  
**-33%**

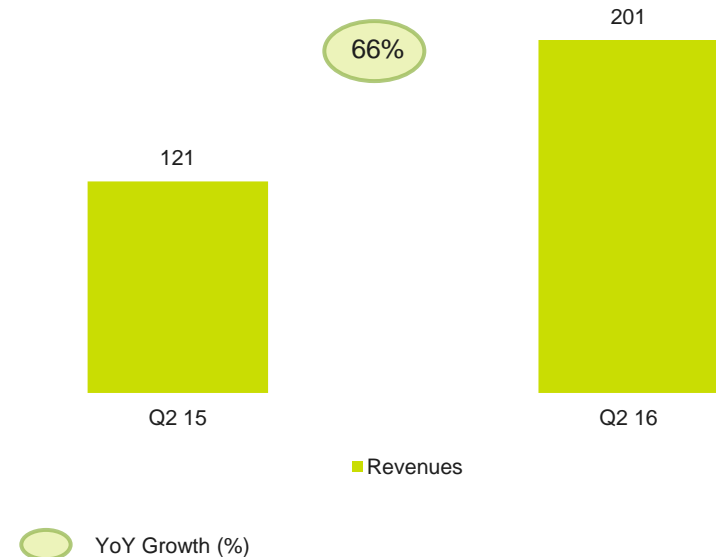
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# E-commerce – 11% of Group sales

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- 66% revenue growth
- 10.6% of Group sales compared to 7.9% in Q2 15
- High growth in all markets
- Established operations in Denmark
- New front-end website in all countries
  - Improved user experience
  - Faster loading speeds
  - Better mobile interface
  - Personalization opportunities
  - Better testing and measuring
- Introduced XXL Blogs in all markets
- Securing scalability when moving over to cloud services
- Building omni-channel customer service function

Amounts in MNOK



# HQ and Logistics – Impressive ERP upgrade

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- OPEX of NOK 72 million to 3.8% of Group sales
- Scale in logistics costs
- Expansion of central warehouses
  - Sweden finalized
  - Norway started on increase from 24 000 to 32 000 sqm
- Total upgrade of ERP-platform for all operations
  - Some impacts on the value chain in the transition days
  - Delivered according to tight time schedule
  - Impressive!



# Priorities going forward

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







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**Financial review**

# Income statement

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- Revenue growth of 24%
- Stable gross margins
- Costs related to new store openings
  - Opened 5 stores in Q2 16 vs. 2 stores in Q2 15
- Higher costs related to digital marketing
- Costs of start-up with E-commerce in Denmark
- Net financials cost of NOK 11 million
  - Interest expenses of NOK 5 million
  - Other transaction and financial costs
- Estimated effective tax rate of 21.7%

<i>Amounts in MNOK</i>	<b>Q2 16</b>	<b>Q2 15</b>	<b>1H 16</b>	<b>1H 15</b>
<b>Total operating revenue</b>	1 898	1 535	3 581	2 903
<b>Operating income</b>	194	179	269	254
<b>Net financials</b>	-11	7	-25	-23
<b>Profit before income tax</b>	183	186	244	231
<b>Income tax expense</b>	40	43	54	53
<b>Net profit</b>	143	144	190	178

# Cash flow

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- Paid tax settlement with Norwegian tax authorities of NOK 38 million
  - Adjusted cash from operating activities of NOK 23 million
- Inventory per store increased by NOK 3.8 million
  - Currency effects of NOK 0.9 million
  - Inventory is healthy
- Investments in stores and infrastructure according to plan
- Draw down of NOK 300 million related to dividend payment of NOK 277 million in July
- Net interest bearing debt of NOK 1 204 million
- NIBD / EBITDA of 1.6x
- Liquidity reserve of NOK 586 million

## Cash flow

<i>(Amounts in MNOK)</i>	1H 16	1H 15
Cash provided (used) by operating activities	-14	4
Cash used by investing activities	-145	-67
Cash provided by financing activities	258	83
<b>Net change in cash and cash equivalents</b>	<b>99</b>	<b>19</b>
Cash and cash equivalents beginning of year	87	222
Cash and cash equivalents end of period	186	241

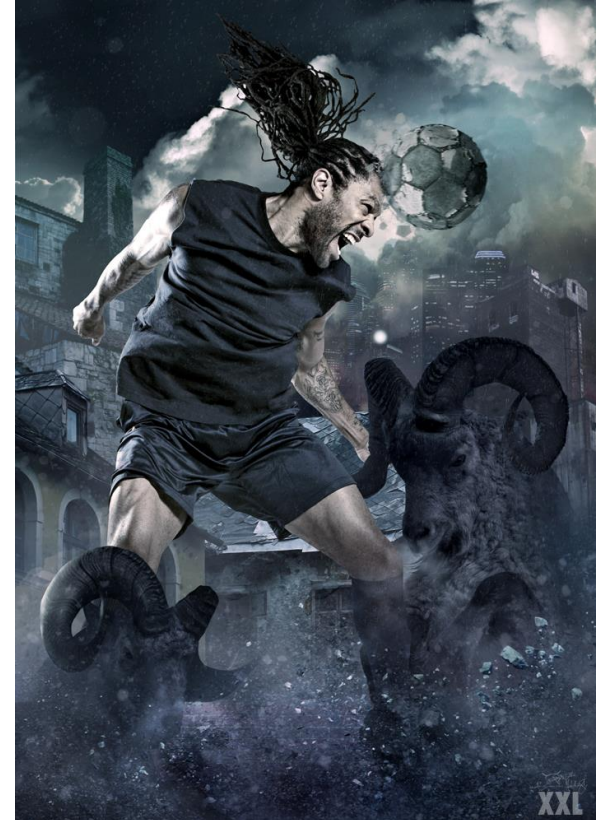
## Changes in working capital

<i>(Amounts in MNOK)</i>	1H 16	1H 15
Changes in inventory	-339	-268
Changes in receivables	93	68
Changes in payables	41	-22
Prepayments of financial leases	1	-5
Changes in other assets and liabilities	-64	-21
<b>Change in working capital</b>	<b>-269</b>	<b>-247</b>

# Outlook

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- XXL has signed 12 new lease agreements for store openings for 2016 where of 7 in Norway, 2 in Sweden and 3 in Finland. XXL has opened 5 stores so far in 2016.
- XXL launched an E-commerce offering in Denmark in May 2016
  - Aggressive pricing and high marketing spending
  - Negative profit the first years of operation
- Total infrastructure investments for 2016 in the range of NOK 50-65 million
- Increased marketing costs of appr. 0.5 pp of sales in all countries in a transition period from analogue to digital marketing
- The Group maintains the following long term objectives:
  - Like-for-like growth of mid-single digits over time
  - Gross margins to be stable. In Norway at low 40's, high 30's in Sweden and between mid and high 30's in Finland.
  - Group EBITDA-margin stable. In Norway at low 20's, in Sweden low double digits and in Finland high single digits



# Summary

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- Revenue growth of 24%
  - Like for Like growth of 11%
  - There of E-commerce growth of 66%
- E-Commerce in Denmark
- Sweden delivered strong results
- Many operational highlights in the quarter – securing future growth





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