



**XXL**

SPORTSWEAR

**XXL ASA – Q3 2015**

# 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 third quarter 2015, held on 28 October 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 Q3 2015

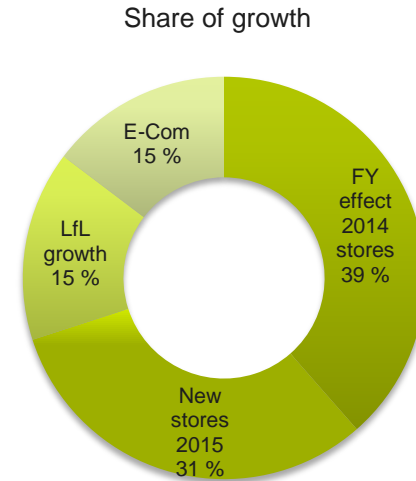
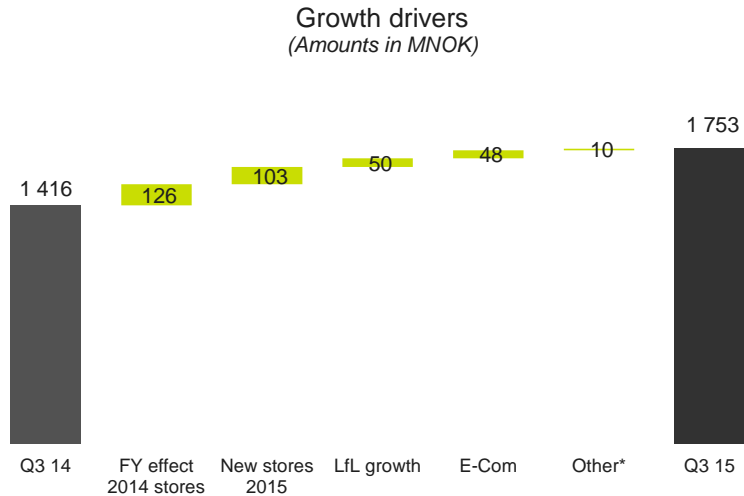
XXL

- Revenue growth of 24%
  - Like for Like growth of 4.6%
  - E-commerce growth of 68%
- Variations between months and regions
- EBITDA-margin of 11.4%
  - Geographical mix effects
  - Continuing more digital marketing activities in Norway
- Sweden well on track
- Reopened the very first XXL store
  - NAF-huset (Oslo) on 2 July
- Opened a new store in Finland
  - Skanssi (Turku) on 19 August
- Expansion of the central warehouse in Sweden progressing according to plan



# Growth drivers in the quarter

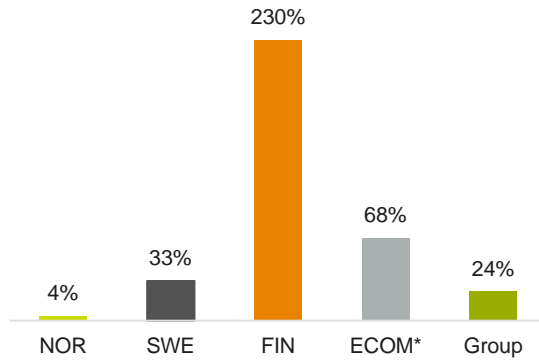
XXL



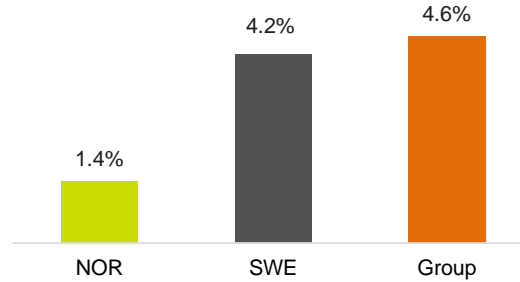
# Growth split by markets

XXL

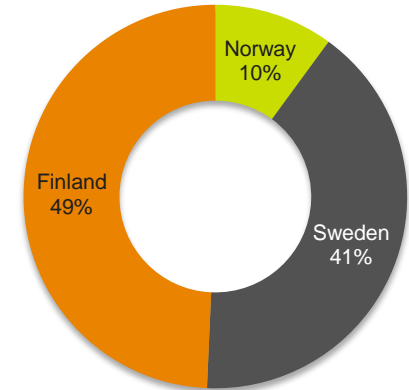
Growth by segments



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

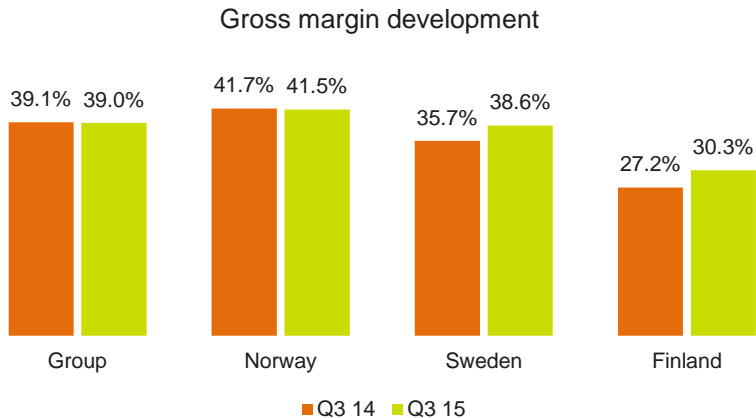


Share of growth by geography



# Gross margin development

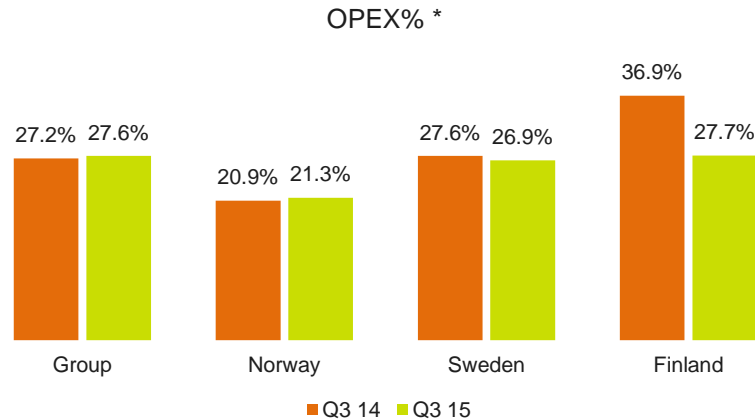
XXL



- Stable gross margin for the Group
- Significant improvements in Sweden
  - Better store operations
  - Less degree of clearance sales
  - Lower handling and logistics costs
- Finland still impacted by low prices to drive volume

# OPEX development

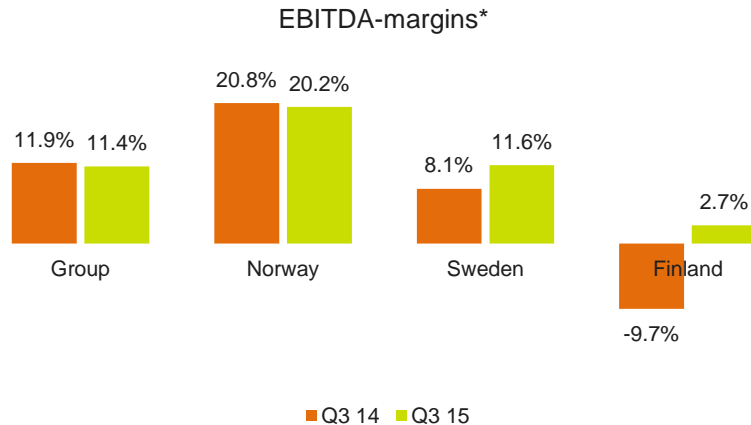
XXL



- Higher share of growth coming outside Norway
- Continuing more digital marketing activities in Norway
- Cost improvements in Sweden despite new legislation on social security tax for younger employees
- Finland with solid improvements
- Costs of being a listed company and costs related to the tax case with Skatt Øst
- Stable OPEX% YTD 15

# EBITDA development

XXL



- Geographical mix effects
- More digital marketing spending in Norway
- Cost focus improves EBITDA-margins in Sweden and Finland

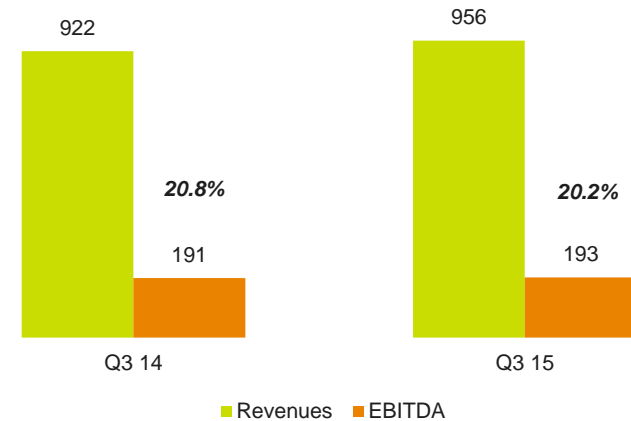


# Norway – Maintained gross margin on modest growth

XXL

- 4% revenue growth YoY
- Modest 1.4% Like for Like growth
  - 9.8% Like for Like growth in Q3 14
  - Regional differences
  - E-commerce with high growth
  - Above 20% growth in the reopened store in Oslo
- Stable gross margin
- Continuing more digital marketing
- OPEX/Sales increase of 0.4 pp to 21.3% YoY...
- ...but stable of 21.3% YTD 15 vs. YTD 14
- Voted number 8 most admired company by Norwegian consumers (by IPSOS MMI)
  - Business ethics
  - Communication and advertising
  - Environment and sustainability
  - Profitability

Amounts in MNOK

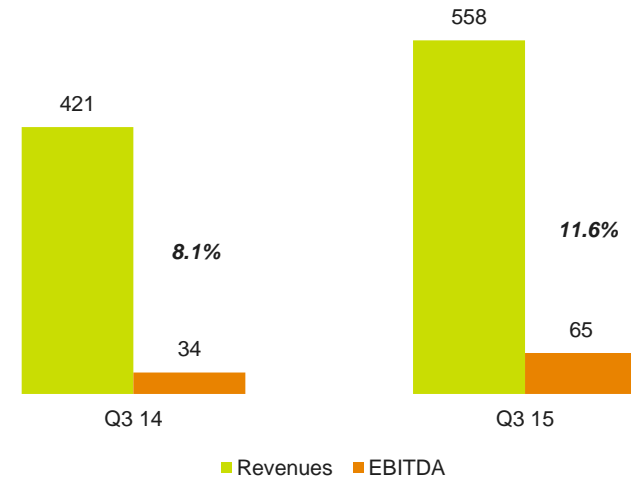


# Sweden – Well on track

XXL

- Revenue growth of 24% in local currency
- High volatility in the market
  - Sporting goods sales up 13.4% in July and 1.7% in August (Figures from HUI Research)
- Like for Like growth of 4.2% in local currency
  - Decreasing cannibalization effects in Stockholm, but...
  - ...still 17% growth in Stockholm YoY
- Gross margin improved from 35.7% to 38.6% YoY
  - Better store operations
  - Reduced handling and logistics costs
  - Less clearance sales
- EBITDA margin of 11.6% - up 3.5 pp YoY despite new legislation on social security tax for younger employees
  - Negative effect of NOK 4.6 million in the quarter
  - NOK 1.5 million negative effect per month on current store base
- Increased cost focus

Amounts in MNOK

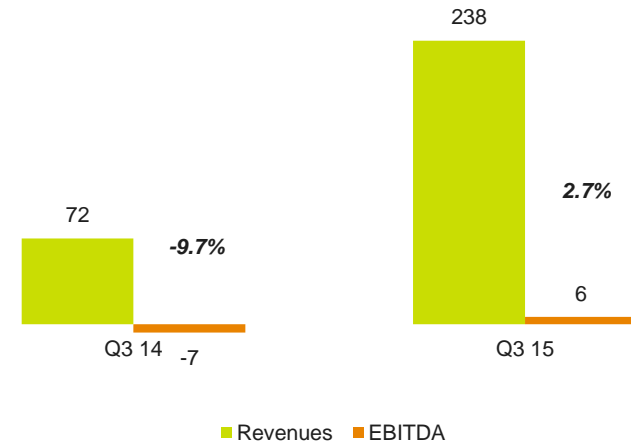


# Finland – Present in the three largest cities

XXL

- Still challenging macro situation
- XXL driving the market
- Opened the first store in the city of Turku (Skanssi)
- Opening campaigns and low prices to drive volume, but affecting the gross margin
- Cost focused mindset
- Ongoing cost improvements
  - OPEX/Sales of 27.7%
- Positive EBITDA of NOK 6 million

Amounts in MNOK

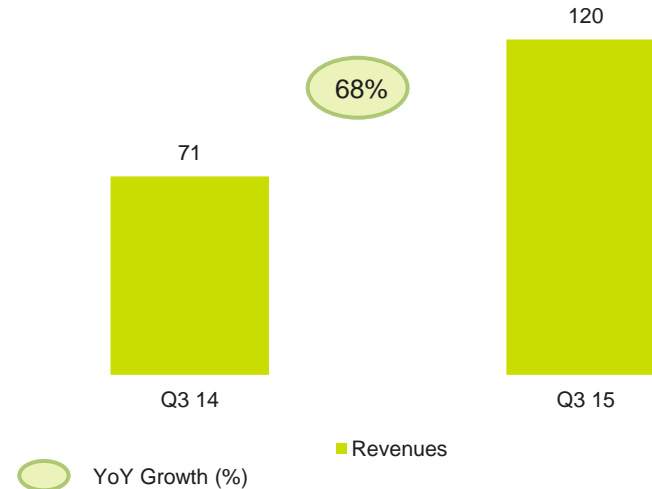


# E-commerce – Delivering the online experience

XXL

- 68% revenue growth
- 6.8% of Group sales compared to 5.0% last year
- Historically lower activities in the summer months
- New check-out service introduced
- Strengthened the customer service department
- Pick-up at store established in Sweden, ongoing rollout in Finland

Amounts in MNOK



# HQ and logistics – Expanding capacity

XXL

- OPEX of NOK 63 million to 3.6% of Group sales
- Slight increase in cost base
  - Costs of being a listed company
  - Costs related to the ongoing tax case with Skatt Øst
- Well-functioning value chain
- Central warehouses with high overall utilization
- Expansion in Örebro progressing according to plan
  - From 20,000 to 40,000 sqm
  - Finalization and handover in November
  - Innovative robotics and cost efficient solutions
  - CAPEX of around NOK 35 million of which 11 million already booked



# XXL Outlet - Charlottenberg

XXL

- Opening XXL Outlet
  - 3,500 sqm store
  - Located on the Norwegian/Swedish border - Charlottenberg
- Outlet concepts proved to be very popular
- Norwegians like to shop on the Swedish border
  - Opened on Sundays
  - No significant impact from currency situation
- Utilize value chain, central warehouse and existing organization
- Ready for Christmas shoppers with the best prices in the market

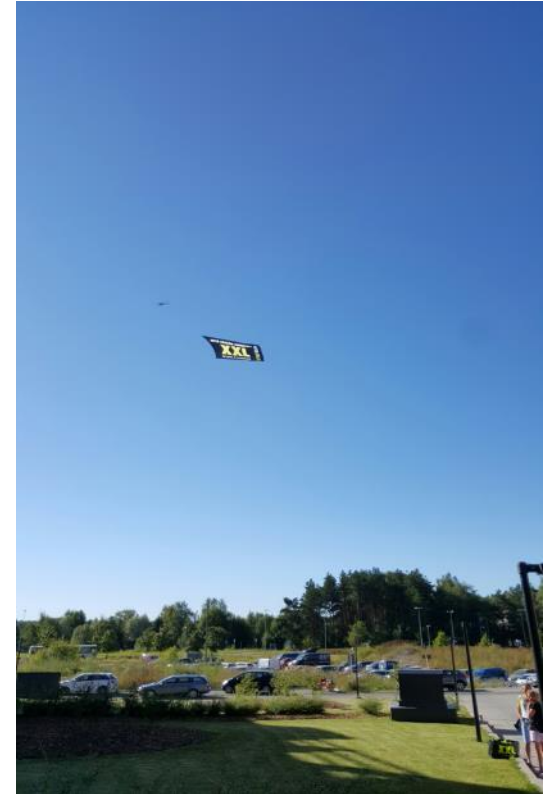
# XXL OUTLET



# Priorities going forward

XXL

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





**XXL**

SPORTSWEAR

**Financial review**



# Income statement

XXL

- Revenue growth of 24%
- Sweden and Finland main growth drivers
- EBITDA-margin of 11.4%
  - Norway down 0.6 %-points
  - Sweden up 3.5%-points
  - Finland up 12.4%-points
  - IPO costs of NOK 10 million in Q3 14
- Net financials positive due to currency effects
  - Positive currency effect of NOK 25 million
  - Interest expenses on bank loan of NOK 7 million
  - Refinanced at IPO
- Effective tax rate estimated to 23%

<i>Amounts in MNOK</i>	<b>Q3 15</b>	<b>Q3 14</b>	<b>YTD 15</b>	<b>YTD 14</b>
<b>Total operating revenue</b>	1 753	1 416	4 656	3 696
<b>Operating income</b>	177	141	431	363
<b>Net financials</b>	13	-59	-10	-183
<b>Profit before income tax</b>	190	82	421	179
<b>Income tax expense</b>	45	20	98	47
<b>Net profit</b>	145	62	323	133

# Improved structure of the bank facility

XXL

- Parts of existing term loan pushed down to the Swedish and Finnish entity
  - Converted to local currencies
  - Repayment of intercompany loans
  - Reduced effects of currency on intercompany loans
  - Advantage of lower IBOR in SEK and EUR
- New credit facility of NOK 400 million

## Debt and liquidity at the end of Q3 15:

- Net interest bearing debt of NOK 1 165 million
- Available liquidity reserve of NOK 637 million
- NIBD / EBITDA of 1.7x

Term Loan	30 Sept 15	30 June 15
NOK	300	1 087
SEK	400	0
EUR	40	0
NOK	1 087	1 087

# Cash flow

XXL

- Inventory level increased due to growth
  - Increased due to currency by NOK 125 million
- NWC with positive impacts from timing differences
- Investment in central warehouse in Sweden
  - NOK 35 million in total
  - NOK 11 million already booked
- Dividend payment of NOK 277 million
- Draw down of credit facility of NOK 100 million

## Cash flow

<i>(Amounts in MNOK)</i>	YTD 2015	YTD 2014
Cash provided by operating activities	137	88
Cash used by investing activities	-98	-93
Cash used by financing activities	-209	-115
<b>Net change in cash and cash equivalents</b>	<b>-170</b>	<b>-120</b>
Cash and cash equivalents beginning of year	222	170
Cash and cash equivalents end of period	52	49

## Changes in working capital

<i>(Amounts in MNOK)</i>	YTD 2015	YTD 2014
Changes in inventory	-352	-326
Changes in receivables	49	73
Changes in payables	-4	43
Prepayments of financial leases	-6	-8
Changes in other assets and liabilities	-24	-76
<b>Change in working capital</b>	<b>-337</b>	<b>-294</b>

# Outlook

---

- Additional 4 stores in Q4, ending at 8 in total for 2015
- Good prospects of delivering positive EBITDA in Finland this year
- Swedish margins improving, but not 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
- XXL has already signed 8 new lease agreements for new store openings in 2016 and aims for 8-10 new stores in total



# Summary

---

- 24% revenue growth
  - Like for Like growth of 4.6%
  - E-commerce growth of 68%
- Sweden and Finland with good performance
  - Growth and margin development
- EBITDA-margin of 11.4%
- Restructuring of existing bank facility
- Continued expansion and growth going forward





**XXL**

SPORTSWEAR

**XXL ASA – Q3 2015**