



**XXL**

ALL SPORTS UNITED

**XXL ASA – Q4 and full year 2016**

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This presentation was prepared for the interim results presentation for the fourth quarter 2016, held on 15 February 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 2016 - Group

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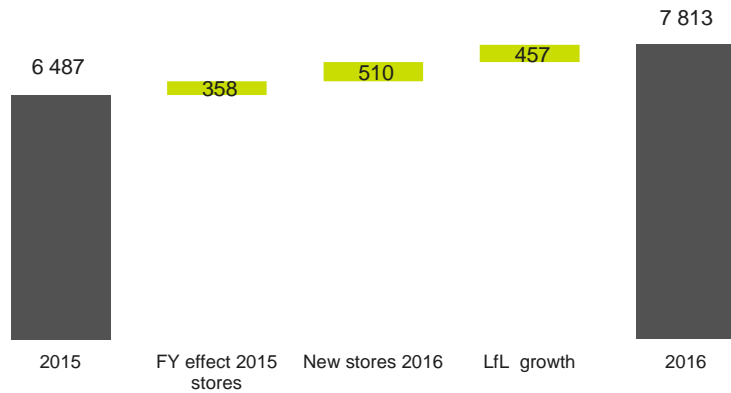
- Revenue growth of 20%
  - Like for like growth of 7.5%
  - E-commerce growth of 60%
- Opened 12 new stores
  - 7 in Norway
  - 2 in Sweden
  - 3 in Finland
- Established E-commerce operation in Denmark
- Stable gross margin of 39.9% (39.8% LY)
- EBITDA-margin of 10.5% (11.2% LY)
  - Costs of new store openings
  - Increased capacity at the central warehouses
  - More digital marketing
  - Establishment of E-commerce in Denmark
- Net income growth of 17% to NOK 501 million
- The Board of Directors will propose a dividend of NOK 2.00 per share for 2016



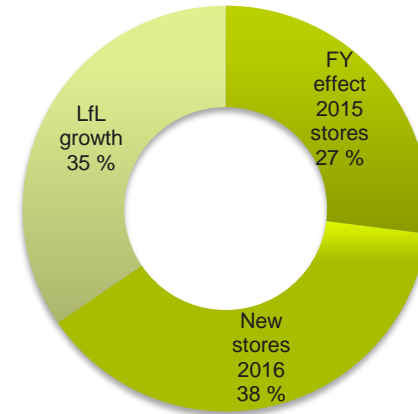
# Growth drivers 2016

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Growth drivers  
(Amounts in MNOK)



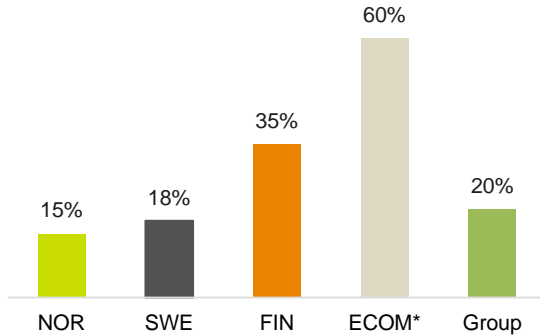
Share of growth



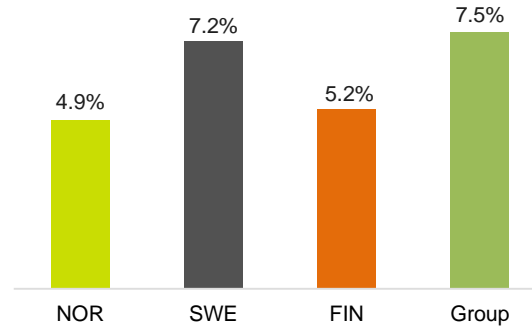
# Growth split by markets 2016

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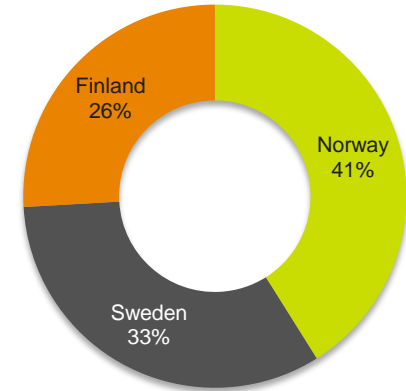
Growth by segments  
(Local currency)



Like for like growth  
(Local currency)



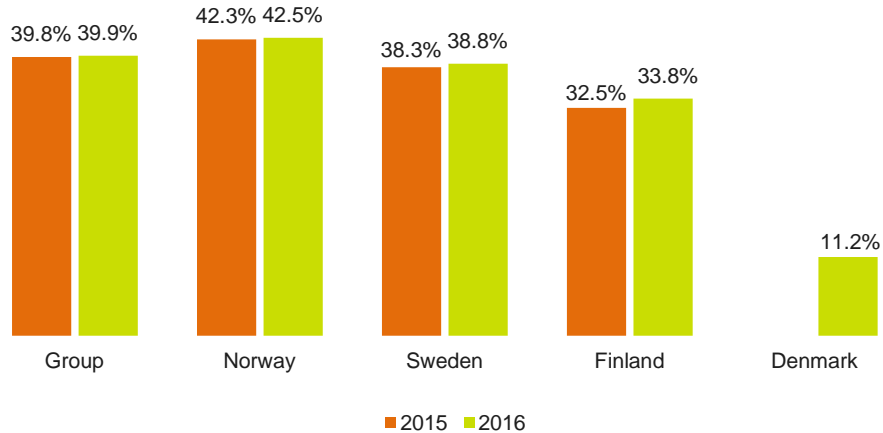
Share of growth by geography



# Gross margin development

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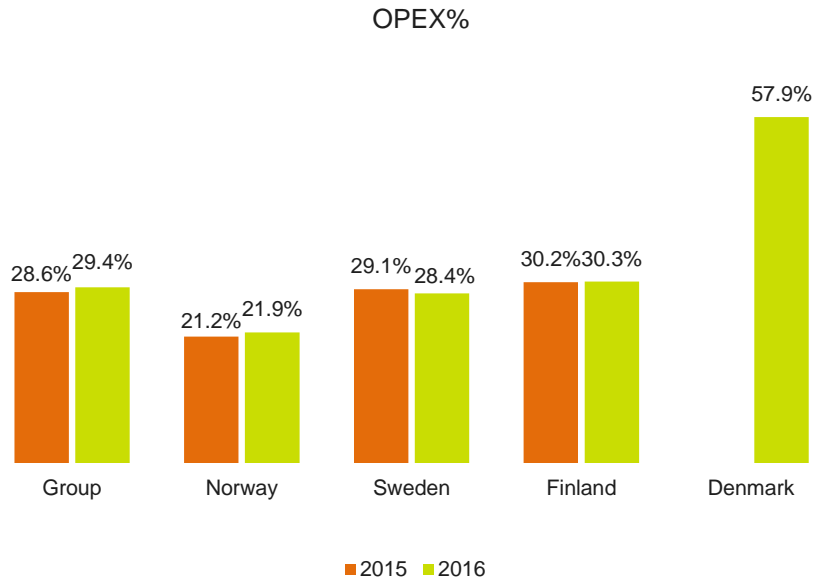
Gross margins



- Group gross margin stable
- Improvements in all markets
- Denmark still in a start-up phase with very low margins
- Geographical mix effects

# OPEX development

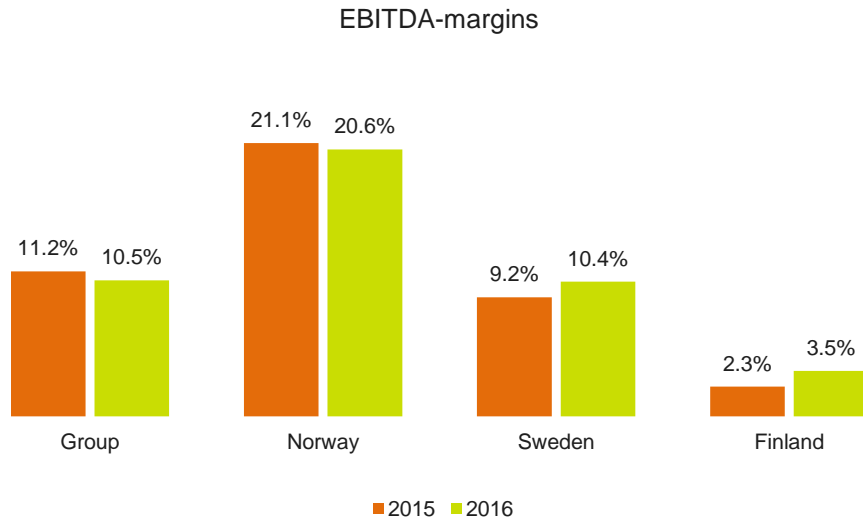
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- Group OPEX% increased 0.8 points
- Sweden improvement despite increase in social security tax and more digital marketing
- Finland with stable OPEX%
- Higher OPEX% in Norway due to 7 new store openings and more digital marketing
- Establishment of E-commerce in Denmark
- Logistics costs increased driven by expansion of capacity at the central warehouses

# EBITDA-margin development 2016

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- EBITDA-margin from 11.2% to 10.5%
- Stable gross margin for the Group
- Group OPEX% increased 0.8 points
- Geographical mix effects



# Highlights 2016 - Operations

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## ■ Norway

- Crossing 30% market share
- Growth of 14.7% and Like for like growth of 4.9% despite cannibalization
- 7 new stores
- Improved gross margin despite challenging currency situation

## ■ Sweden

- Outperforming the market – growth of 17.7% in local currency vs. market of 5.2%\*
- Like for like up 7.2% in local currency
- Higher gross margin and improved cost position
- EBITDA-margin from 9.2% to 10.4%

## ■ Finland

- Improving the position in a slow market
- Growth of 35.5% in local currency vs. market of 3.7%\*\*
- Good craftsmanship through sales and pricing strategies
- EBITDA of NOK 40 million – margin from 2.3% to 3.5%

## ■ E-commerce

- Launched service in Denmark utilizing existing XXL infrastructure
- Introduced new front-end website
- Strong growth of 59.8%
- Now 10.9% of Group Sales



# Highlights Q4 2016

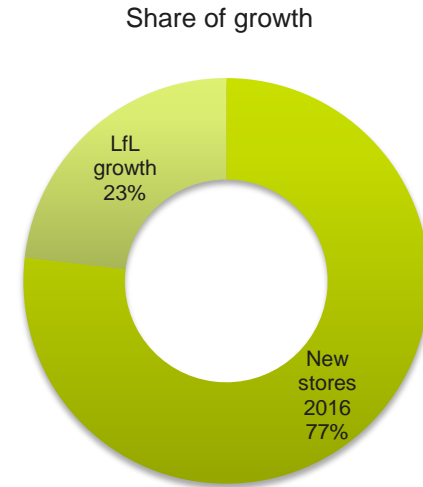
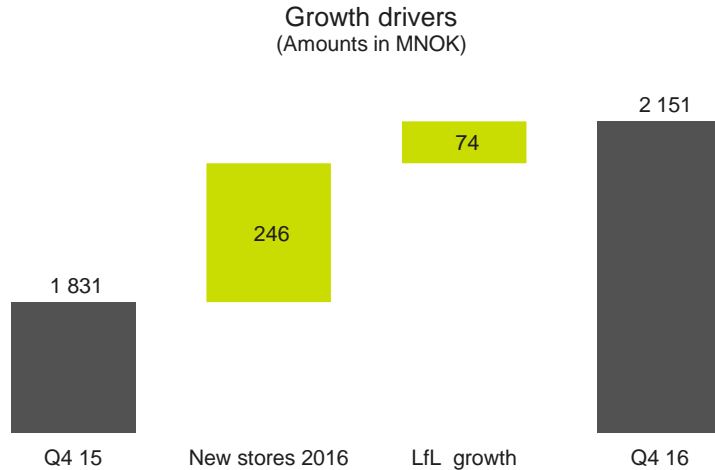
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- Revenue growth of 18%
  - Like for like growth of 4.2%
  - E-commerce growth of 52%
- Autumn conditions in October, early snow in November and lack of winter and cold in December
- Opened 6 new stores
- Group gross margin improved from 41.0% to 42.4% YoY
  - All markets with higher gross margins\*
  - Denmark still in a start-up phase with low gross margins
- EBITDA growth of 25% to NOK 286 million (NOK 229 million)
  - Improved OPEX% in Sweden and especially Finland
  - Three new store openings in Norway
  - Increased capacity in logistics
  - Establishment of E-commerce operation in Denmark
- Challenging start in 2017 with limited winter conditions
  - Revenues declined by 8% in January 2017 to NOK 600 million
  - More clearance and inventory situation impacting the gross margins



# Growth drivers in the quarter

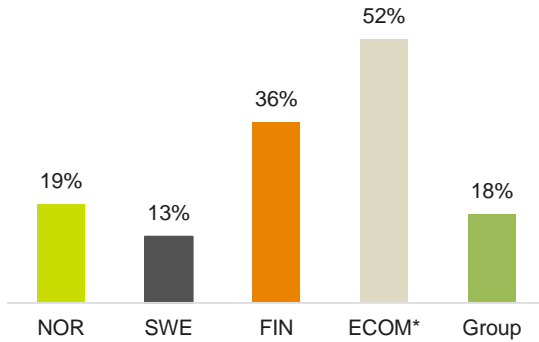
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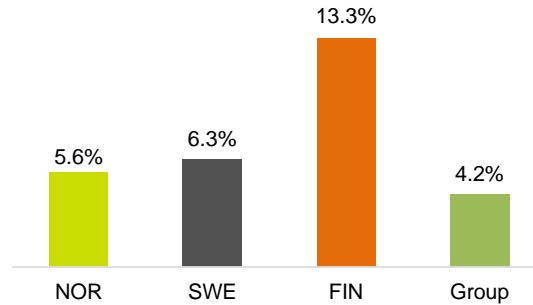
# Growth split by markets

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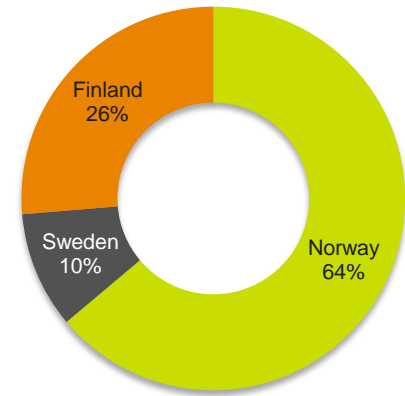
Growth by segments  
(Local currency)



Like for like growth  
(Local currency)

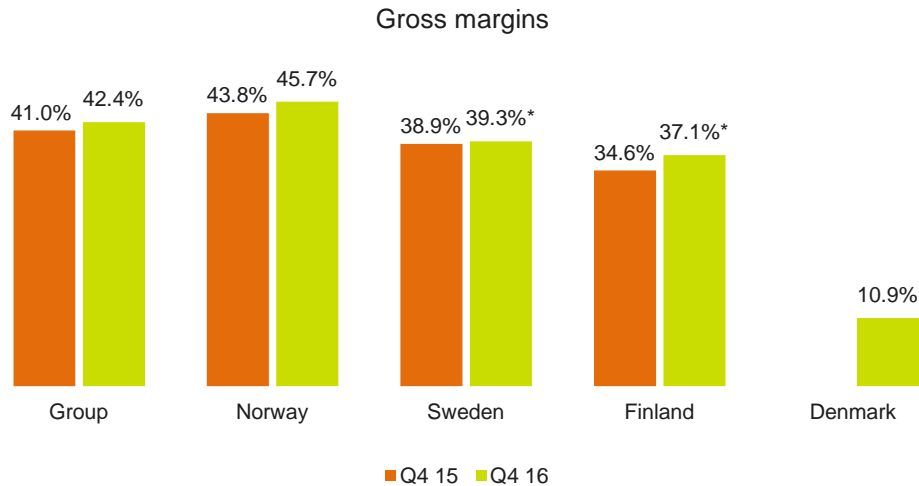


Share of growth by geography



# Gross margin development

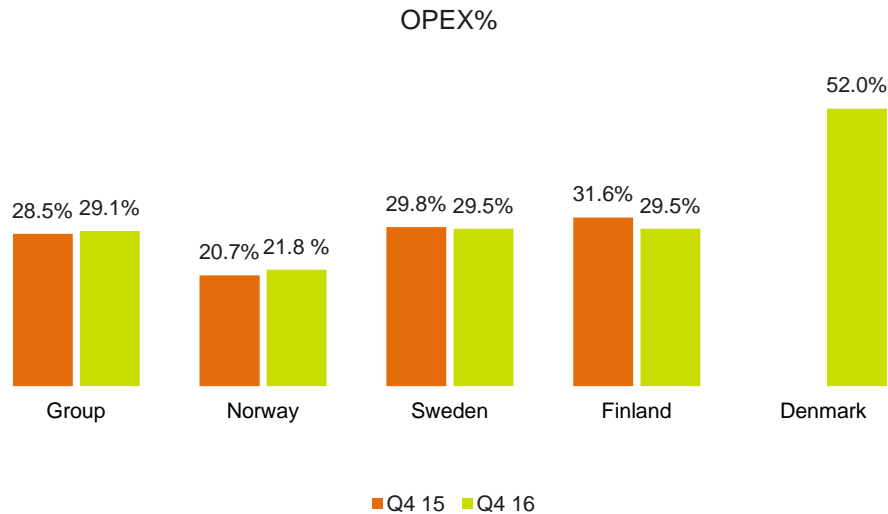
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- Group gross margin improved 1.4 points YoY
- Higher gross margins in all markets\*
- Denmark still in a start-up phase with low gross margins
- Successful Black Friday activities with overall better gross margins

# OPEX development

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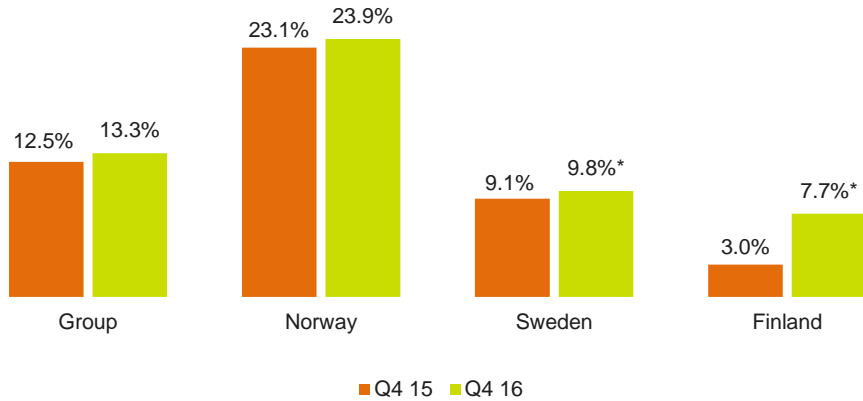


- Group OPEX% increased by 0.6 points to 29.1% YoY
- Both Sweden and especially Finland with improvements
- Higher OPEX% in Norway due to three new store openings
- Establishment of E-commerce in Denmark
- Higher costs at the central warehouses after expansions of capacity

# EBITDA development

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EBITDA-margins



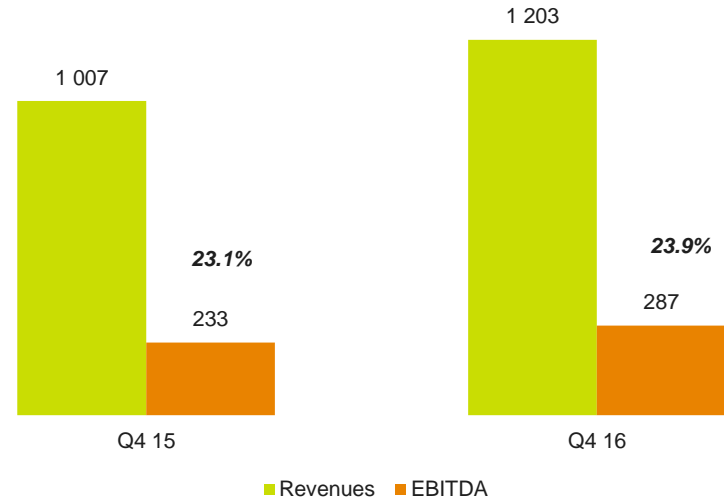
- EBITDA growth of 25%
- Improved gross margin for the Group
- OPEX% increased
  - Store openings in Norway
  - Establishment of E-commerce in Denmark
  - Higher costs at the central warehouses
- Finland showing good progress

# Norway – Attacking new grounds

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- 20% revenue growth YoY
- Like for like growth of 5.6%, but 8.4% adjusted for cannibalization effects
- Autumn conditions in October and early snow in November compensated for December with limited winter conditions
- Opened 3 new stores
  - Buskerud Storsenter (Drammen) on 10 November 2016
  - Lyngdal on 24 November 2016
  - Porsgrunn on 8 December 2016
- All new stores will yield lower than average sales per store
- Gross margin improved from 43.8% to 45.7%
  - Successful Black Friday activities
  - Early snow in November
- Higher costs when opening 3 new stores
- EBITDA-margin improved by 0.8 points to 23.9%

Amounts in MNOK



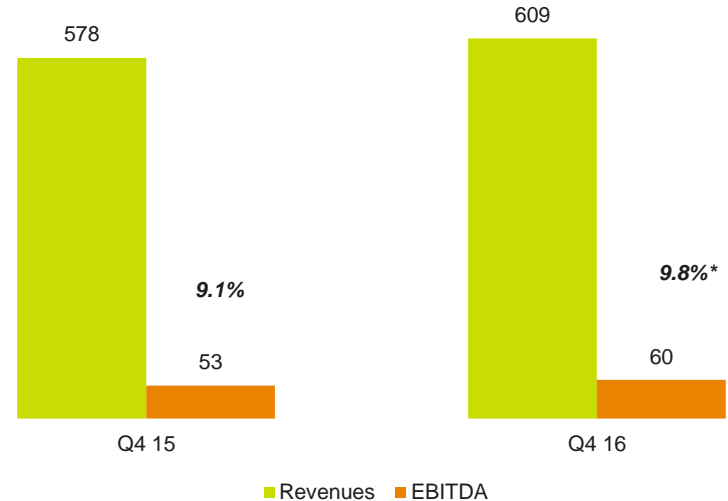


# Sweden – Taking market shares

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- Revenue growth of 14% in local currency
- Like for like growth of 6.3% in local currency
- Very volatile market this quarter
  - Sporting goods sales up 9.6% in October and 14.6% in November, but down 2.9% in December (Figures from HUI Research)
- Opened a new store – Kalmar on 23 November 2016
- Gross margin improved from 38.9% to 39.3% YoY\*
  - Reported gross margin of 37.8%
  - Reclassification has no impact on the Group figures nor the yearly figures for Sweden
- OPEX% improvement by 0.3 points to 29.5% YoY
- EBITDA of NOK 60 million and a margin of 9.8%\*
  - Reported EBITDA of NOK 51 million and a margin of 8.3%
  - Q4 2015 EBITDA of NOK 53 million and a margin of 9.1%

Amounts in MNOK

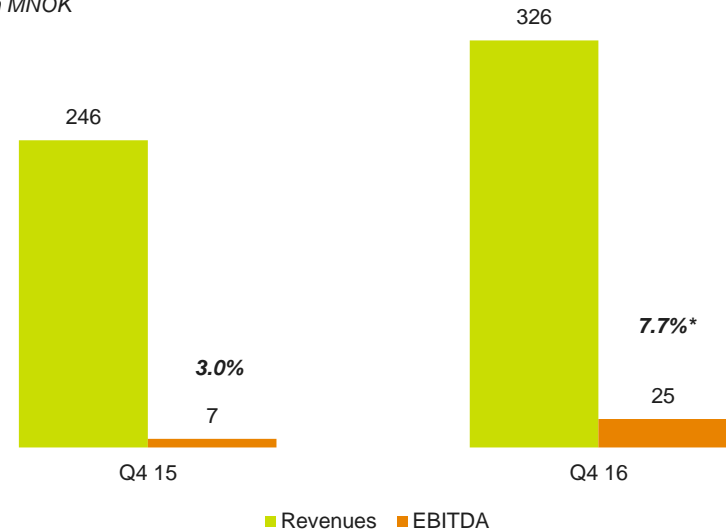


# Finland – Striking back with solid improvements

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- 36% revenue growth YoY in local currency
- Like for like growth of 13.3% in local currency
  - Strong growth for E-commerce
- Overall still a challenging and slow market
- Opened 2 new stores
  - Lahti on 19 October 2016
  - Vaasa on 2 December 2016
- Gross margin improved from 34.6% to 37.1%\*
  - Reported gross margin of 39.9%
  - Reclassification has no impact on the Group figures nor the yearly figures for Finland
- Good craftsmanship and cost focus
  - OPEX% down from 31.6% to 29.5% YoY
- EBITDA of NOK 25 million and a margin of 7.7%\*
  - Reported EBITDA of NOK 34 million and a margin of 10.4%
  - Q4 2015 EBITDA of NOK 7 million and a margin of 3.0%

Amounts in MNOK

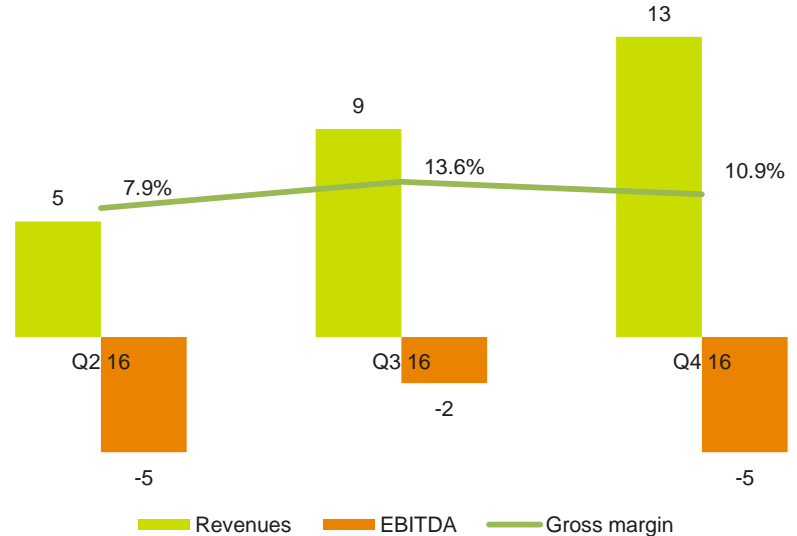


# Denmark – Step by step

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- Still in the early start-up phase
  - Launched services late May 2016
- Steady positive revenue development
  - Increase in traffic and conversion rates during the quarter
  - Total revenues of NOK 13 million
- Building brand awareness with low prices and many market campaigns
  - Gross margin of 10.9%
  - Negative EBITDA of NOK 5 million
- 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

Amounts in MNOK

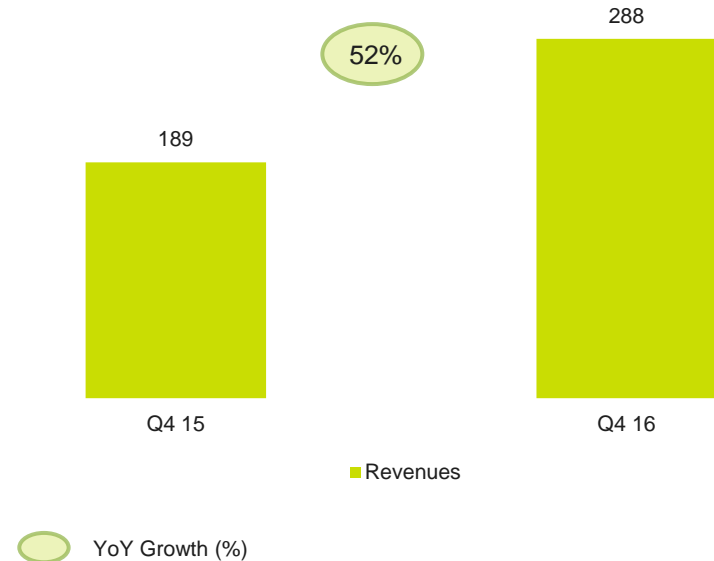


# E-commerce – Securing scalability

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- 52% revenue growth
- 13.4% of Group sales compared to 10.3% in Q4 15
- Moved the platform over to cloud services to secure scalability
- Black Friday a big event with no technical disruptions
- Building a robust digital customer database
- Many initiatives in the years to come

Amounts in MNOK



# HQ and Logistics – Expanding capacity

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- OPEX of NOK 81 million to 3.7% of Group sales (3.5% LY)
- Expansion of central warehouses
- Higher rental and personnel costs
- Total infrastructure investments of NOK 48 million in 2016 of which NOK 11 million in Q4 16. Additional investments will be carried out in 1H 17



# 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
- Focusing on cost improvements
- Launching XXL in new markets



# Category 7 - Sportstech

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- Introducing a new category to the concept
  - Innovative and up to date
  - Connecting sports and electronics
  - Driving like for like growth
  - Now 7 specialist categories under the same roof
- Trial period in 2016 successful
- Roll-out to all stores and web this year
- Products from well-know brands including
  - Sport watches
  - Action cameras
  - Drones
  - GPS
  - Earplugs and headphones
  - Portable loudspeakers
  - Sunglasses
  - Pulse meters
  - Power banks
  - Cycle computers
  - and more

**NY AVDELING  
SPORTS  
TECH**

Teknologi er en viktig del av vår hverdag. Derfor forener XXL nå Sport og Teknologi! Alt som kan kobles til din sportshverdag skal du finne hos XXL.

Actionkamera, droner, pulsklokker, wattpedaler, sørfones, GPS, bluetooth høyttalere, mobiltelefoner, støjhjul, Tack-ruller, pluss mye mer...

Allt til XXL priser, selvsagt.

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**NY AVDELNING  
SPORT  
TECH**

Teknologi är en viktig del av vår vardag och därför förenar nu XXL Sport & Teknologi. Allt du behöver till din sportvardag ska du nu hitta hos XXL.

Actionkamera, dronere, pulsklokker, wattpedaler, kørulere, GPS, bluetoothhøytalere, mobiltelefoner, hoverboard, cykeltrainer och mycket mer...

Allt hittar du självklart till XXL-priser

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**XXL:N UUSI  
URHEILU-  
ELEKTRONIIKKA-  
OSASTO**

Löydät nyt XXL:stä kaiken, mikä liittyy urheilulliseen arkeesi.

Action-kamera, kovanopeuslento, sykemittarit, wattmittarit, kuulokkeet, GPS-laitteet, bluetooth-käytännöt, matkapuhelimet, tasapainokopterit, Tack-harjoitusvastukset ja paljon muuta...

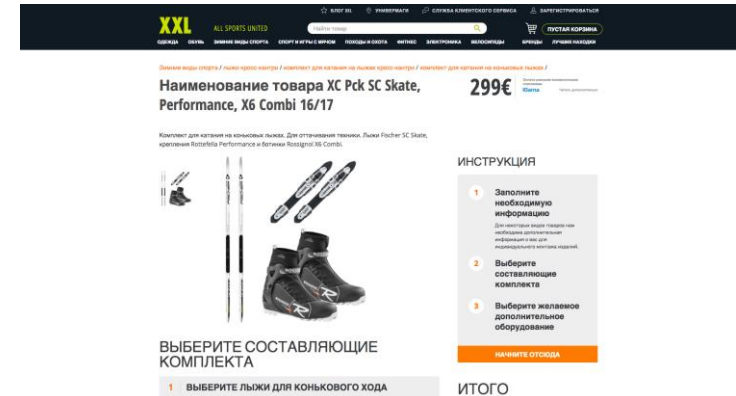
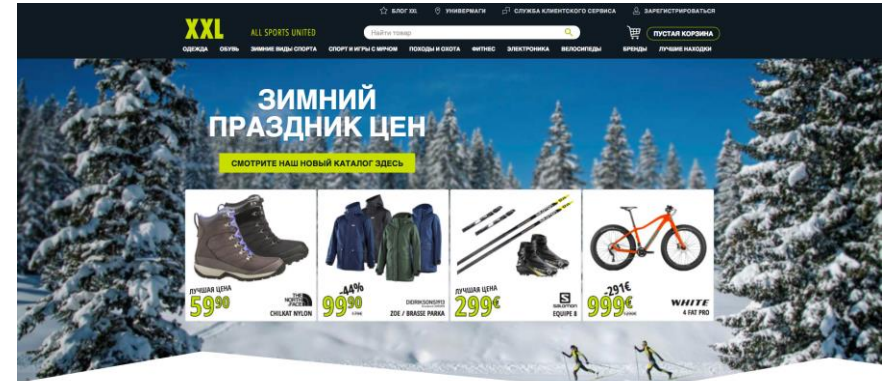
Kaikki extraedulliseen XXL-hintaan, totta kai.

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# Russia – with love

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- Communicate with Russian consumers shopping in Finland
- Will be a part of the Finnish E-commerce operation
  - Translation from the Finnish website with the same prices
  - Utilizing existing team
  - One local Russian E-commerce manager hired and located in Helsinki
- Only sales in EUR and through pick-up at store services
  - Opening store in Lappeenranta this spring
  - Russian trade in other stores as well
- Around 6 million people in the St. Petersburg area
  - Some 2 hours drive from Lappeenranta and 4 hours from Helsinki
- No intention to open physical stores or entering the Russian market





# Austria Status

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- Signed two lease contracts for store openings in 2H 17
  - Received authorities approval
  - Ongoing and promising negotiations on several more lease contracts
- Have the right candidate for Managing Director position
  - Details to be disclosed when final agreement
- Establishing a centralized organization scalable for the DACH-region
  - In total 5 Austrian XXL employees today – bringing local competence and experience
  - Local team for buying and support
  - Will at least employ five more central functions than in Sweden or Finland
- 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





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**Financial review**

# Income statement

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## ■ Q4 2016

- Revenue growth of 18%
- Reclassification on gross margin between Sweden and Finland
- Improved margins in all markets YoY adjusted for reclassification
- Finland and Norway standing out with good results

## ■ 2016

- Revenue growth of 20%
- Cost increase due to establishment in Denmark, more digital marketing, increased warehouse capacity and 12 new store openings
- Currency effects on net financials
- Effective tax rate down to 22.0% for 2016
- Net profit of NOK 501

<i>Amounts in MNOK</i>	<b>Q4 16</b>	<b>Q4 15</b>	<b>2016</b>	<b>2015</b>
<b>Total operating revenue</b>	2 151	1 831	7 813	6 487
<b>Operating income</b>	247	203	697	634
<b>Net financials</b>	-6	-18	-55	-28
<b>Profit before income tax</b>	240	186	642	606
<b>Income tax expense</b>	53	81	141	179
<b>Net profit</b>	188	104	501	427

# Cash flow

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- Inventory increase is driving the working capital
  - More stores and growth
  - Lower December sales
  - Too high purchased volume
  - Inventory is healthy
- Inventory per store increased by NOK 3.3 million
  - Many initiatives to reduce this level
  - Expected to normalize during Q3 2017
- Settlement in tax case with cash effect this year
- Higher investments in stores, IT and infrastructure – some investments in central warehouse capacity postponed to 2017
- Draw down of facilities of NOK 549 million related to new stores and dividend payment of NOK 277 million
- Net interest bearing debt of NOK 1 553 million
- NIBD / EBITDA of 1.9x
- Increased RCF with NOK 700 million in February 2017

## Cash flow

<i>(Amounts in MNOK)</i>	2016	2015
Cash provided by operating activities	31	352
Cash used by investing activities	-248	-169
Cash provided (used) by financing activities	253	-319
<b>Net change in cash and cash equivalents</b>	<b>36</b>	<b>-135</b>
Cash and cash equivalents beginning of year	87	222
Cash and cash equivalents end of period	115	87

## Changes in working capital

<i>(Amounts in MNOK)</i>	2016	2015
Changes in inventory	-777	-531
Changes in receivables	14	-11
Changes in payables	73	124
Prepayments of financial leases	-8	-11
Changes in other assets and liabilities	115	108
<b>Change in working capital</b>	<b>-583</b>	<b>-322</b>

# Dividends 2016



- The Board of Directors will propose a dividend of NOK 2.00 per share
- Equals 56% of net income 2016
- Dividend policy going forward in the range of 40-50% of net income
- Maintained at the same level on per share basis
- Following the resolution by the Annual General Meeting on Wednesday 7 June 2017, the XXL ASA share will be traded ex dividend on Thursday 8 June

<i>Key information relating to the proposed cash dividend</i>	
Dividend amount	NOK 2.00 per share
Declared currency	NOK
Last day including right	7 June 2017
Ex-date	8 June 2017
Record date	9 June 2017
Payment date	4 July 2017
Date of approval	7 June 2017

# Outlook

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- Revenue decrease of 8 per cent in January 2017 to NOK 600 million
- 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
- Focus on branded goods with high marketing spending and introduction prices
- 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 20% in 2016
- 12 new store openings
- Taking markets shares in all markets
- EPS of NOK 3.62 for 2016
- The Board will propose a DPS of NOK 2.00 for 2016
- Established E-commerce in Denmark
- Signed first two lease contracts in Austria
- Built a solid platform for further growth in the years to come







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