



XXL ASA – Q4 and full year 2015

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This presentation was prepared for the interim results presentation for the fourth quarter 2016, held on 19 February 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 2015 - Group

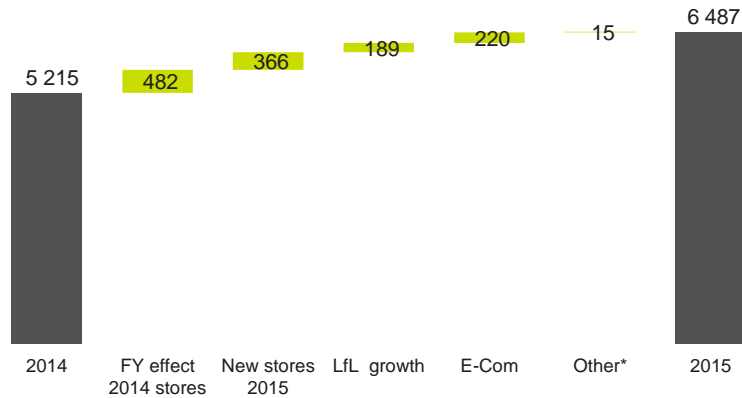
- Revenue growth of 24%
 - LfL growth of 4.7%
 - E-commerce growth of 71%
- Opened 8 new stores
 - 1 in Norway
 - 3 in Sweden
 - 4 in Finland
- OPEX/Sales ratio down 0.1 points to 28.6%
- EBITDA-margin of 11.2% (12.2% LY)
 - Lower gross margin in Norway
 - Geographical mix effects
- HQ & Logistics costs down 0.2 points to 3.8% of Group sales
- Net income of NOK 467 million
- The Board of Directors will propose a dividend of NOK 2.00 per share for 2015



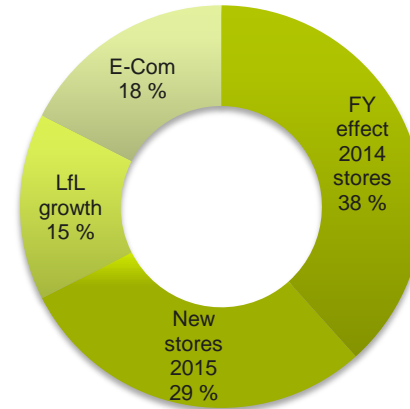
Growth drivers 2015

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Growth drivers 2015
(Amounts in MNOK)



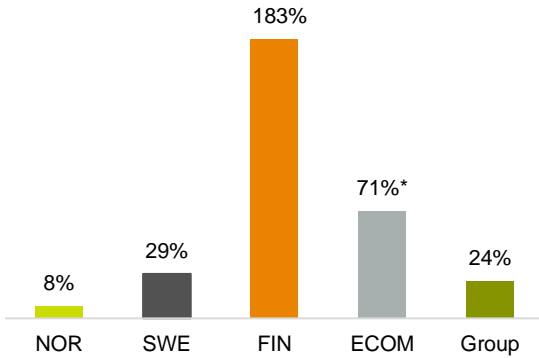
Share of growth 2015



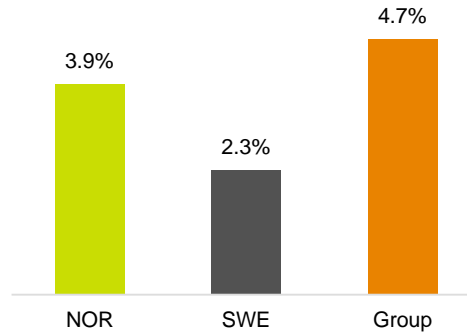
Growth split by markets 2015

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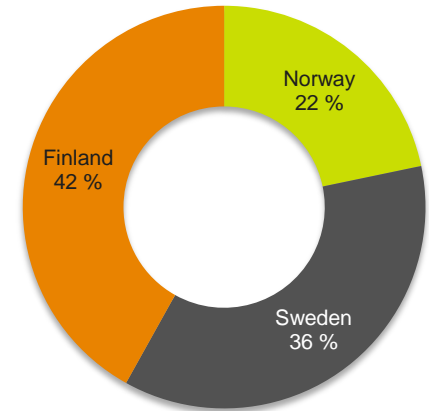
Growth by segments 2015



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

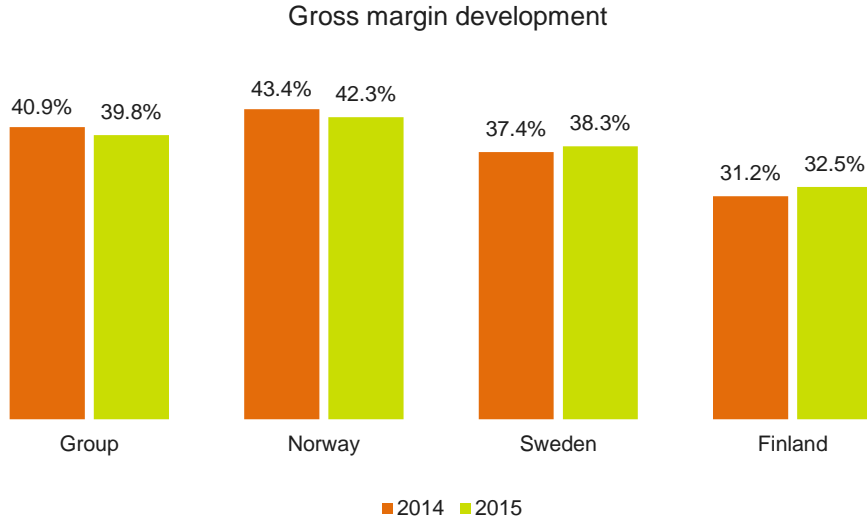


Share of growth by geography
2015



Gross margin development

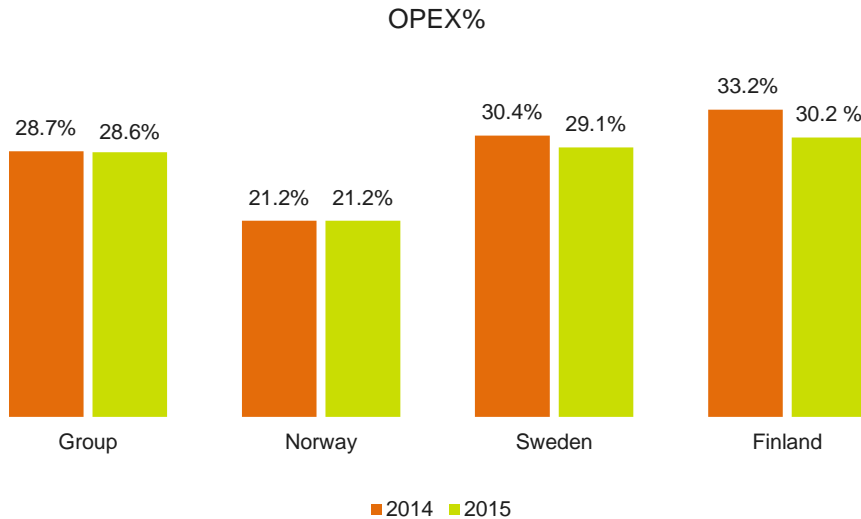
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- Group gross margin decline of 1.1 points
- Lower gross margin in Norway
- Improvements in Sweden and Finland
- Geographical mix effects

Cost control

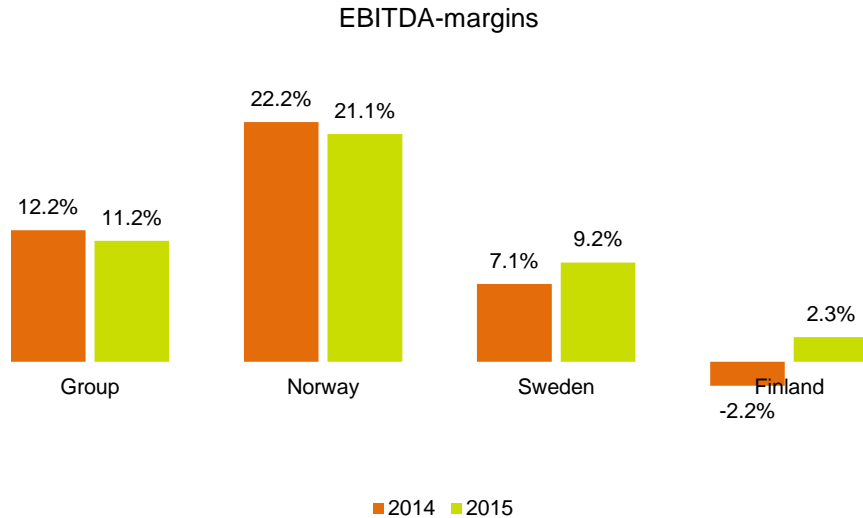
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- Group OPEX% down 0.1 points
- Sweden improvement despite increase in social security tax
- Lower OPEX% in Finland due to scale on larger store base
- Norway stable at 21.2% despite increased costs on digital marketing
- Scalable logistics model

EBITDA-margin development 2015

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- EBITDA-margin from 12.2% to 11.2%
- Lower gross margin for the Group
- Geographical mix effects

Highlights 2015 - Operations

■ Norway

- Challenging market conditions – more campaigns
- Regional differences
- Growth of 8.3% and LfL growth of 3.9%
- OPEX % on par with last year

■ Sweden

- Volatile market – growth of 24.2% in local currency vs. market of 5.3%*
- LfL up 2.3% in local currency, despite cannibalization
- Better store operations and reduced costs due to synergies across the organization
- EBITDA-margin from 7.1% to 9.2%

■ Finland

- Taking a strong position in a tough market
- Doubled the store base from 4 to 8 stores in total
- Focus on volume and customer perception
- Achieved a positive EBITDA of NOK 19 million

■ E-commerce

- Building capacity and a scalable organization
- Improving the online service
- Strong growth of 70.5%
- Now 8.2% of Group sales

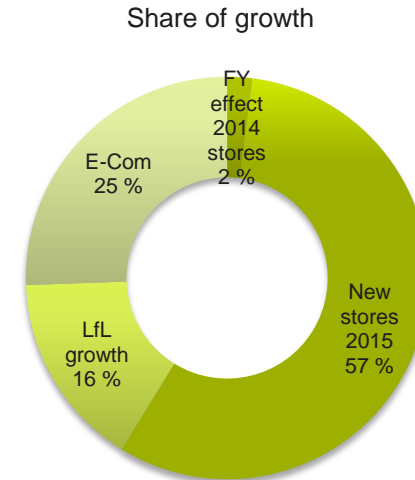
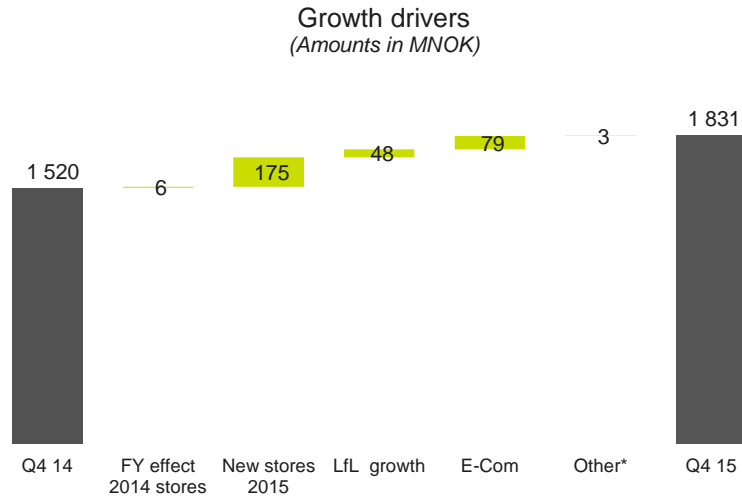


Highlights Q4 2015

- Revenue growth of 21%
 - Like for Like growth of 4.5%
 - E-commerce growth of 71%
- Lack of cold weather and snow
- Aggressive campaigns to capture volume
- OPEX% down 0.5 points to 28.5%
 - Despite increased digital marketing costs
 - Despite increased social security costs in Sweden
- Opened three new stores
 - Mylly (Turku - Finland) on 4 November
 - Bodø (Norway) on 12 November
 - Östersund (Sweden) on 25 November
- Opened the very first XXL Outlet
 - Charlottenberg (Sweden) on 11 December
- HQ and Logistics costs down 0.7 points YoY to 3.5% of Group sales



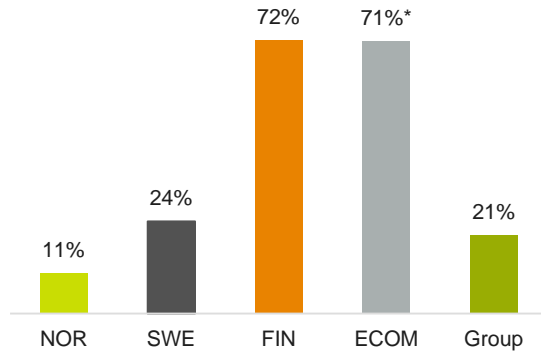
Growth drivers in the quarter



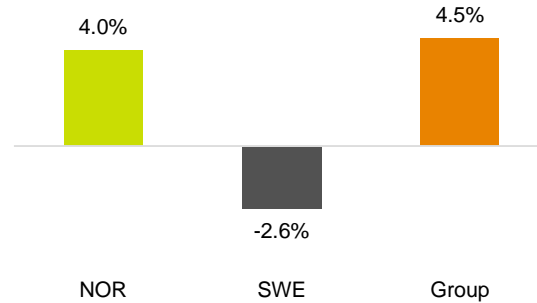
Growth split by markets

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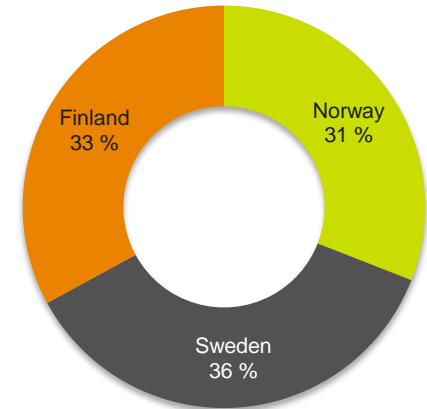
Growth by segments



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

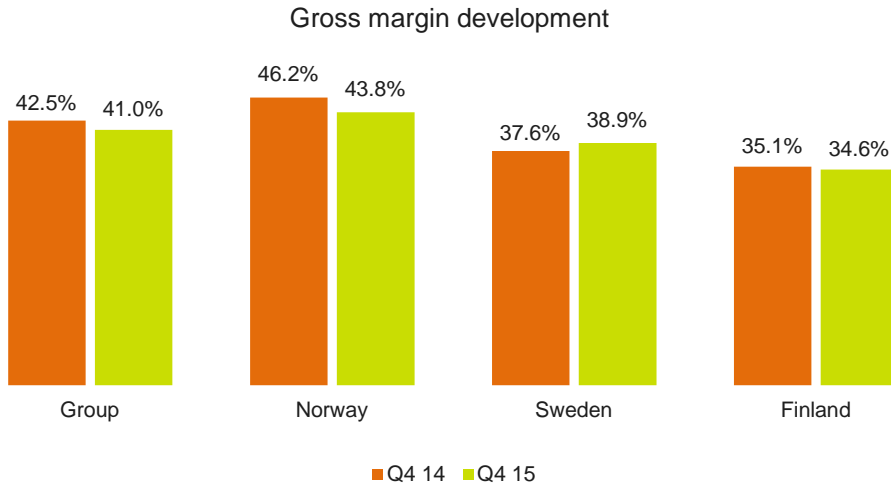


Share of growth by geography



Gross margin development

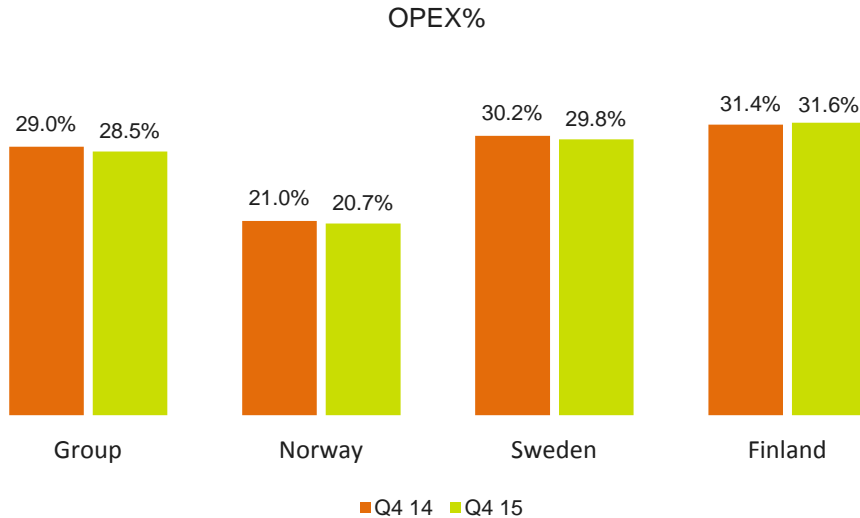
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- Lower gross margin in Norway and Finland due to aggressive marketing campaigns
- Improved gross margin in Sweden due to lower share of clearance sales

OPEX development

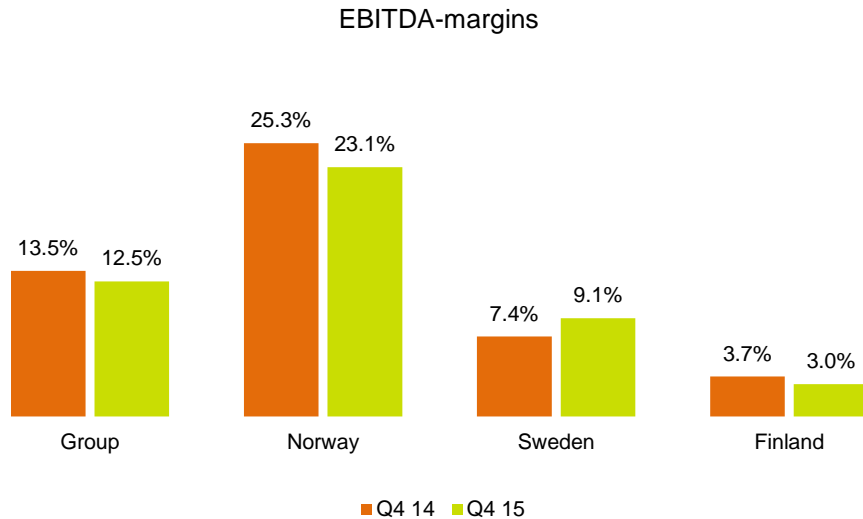
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- OPEX% improved with 0.5 points to 28.5% despite
 - Increased digital marketing costs
 - Higher social security tax in Sweden
- Cost improvements
- Synergies in stores as well as HQ and Logistics

EBITDA development

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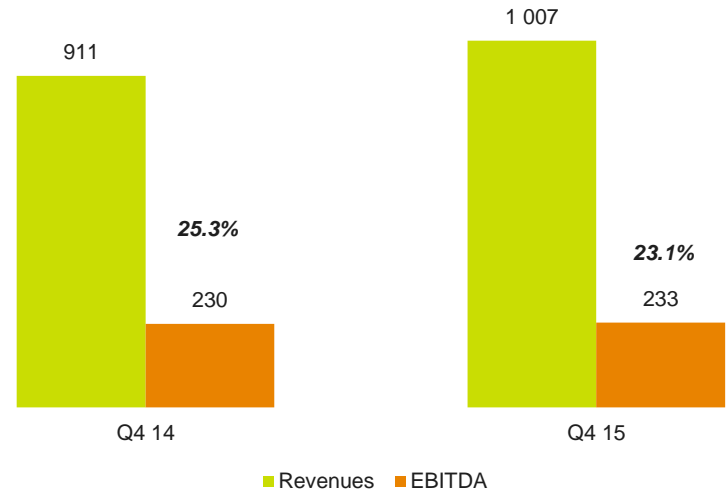
- Lower gross margin
- Partly offset by improved cost position
- Geographical mix effects – as expected

Norway – Good growth driven by several campaigns

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- 11% revenue growth YoY
 - 4.0% Like for Like growth
 - Opened one new store, Bodø on 12 November
- Unseasonably high temperatures
- Many initiatives and campaigns
 - Black Friday very successful
- Gross margin negatively impacted
 - 43.8% vs. 46.2% last year
- OPEX/Sales down 0.3 points to 20.7%
- EBITDA-margin of 23.1%
- Continuing more digital marketing

Amounts in MNOK

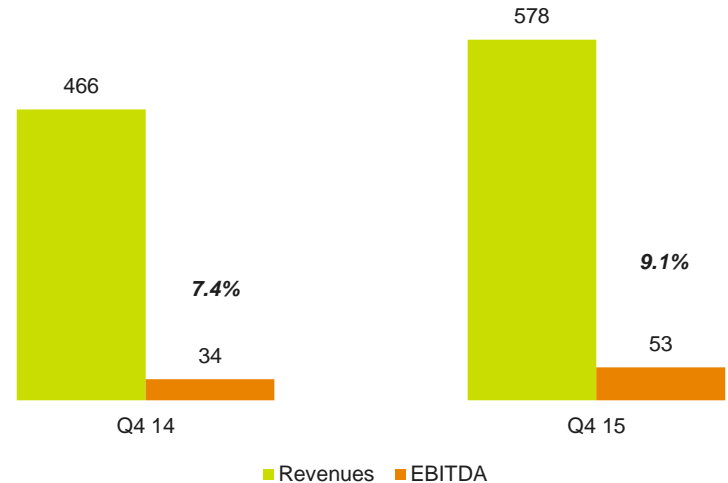


Sweden – Volatile market

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- Revenue growth of 15% in local currency
- Still a volatile market
 - Sporting goods sales up 5.4% in October and 8.5% in November, but down 1.4% in December
(Figures from HUI Research)
- Opened one store in Östersund on 25 November
- First XXL Outlet opened in Charlottenberg on 11 December with a promising start
- Lack of cold weather and snow...
- ... but very good sales with the arrival of winter conditions in January 2016
- Like for Like growth down 2.6% in local currency
- Gross margin improved from 37.6% to 38.9% YoY
- EBITDA margin of 9.1% - up 1.7 points YoY despite new legislation on social security tax for younger employees
 - Negative effect of NOK 5 million in the quarter

Amounts in MNOK

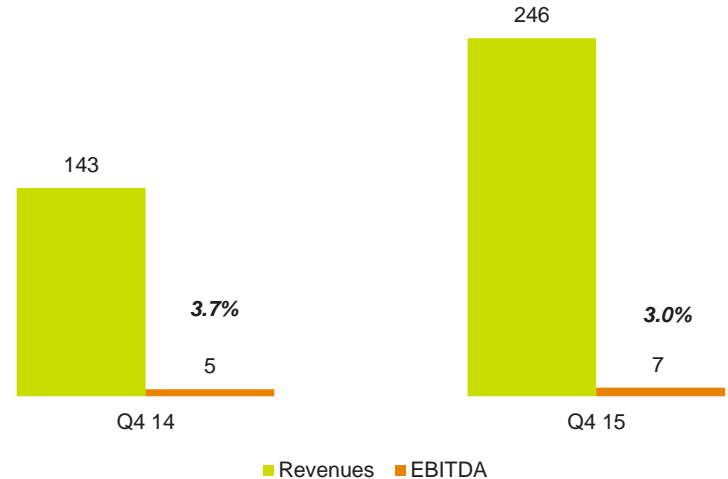


Finland – Building position with low prices

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- Still challenging macro situation
- XXL driving the market
- Opened one new store
 - Mylly (Turku) on 4 November
- No snow and high temperatures
- Aggressive campaigns to capture the volume
- Another quarter with positive EBITDA
 - NOK 7 million

Amounts in MNOK

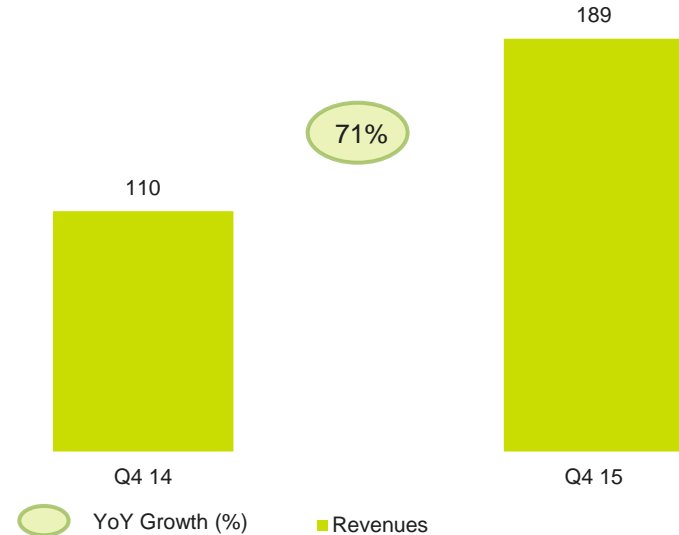


E-commerce – Solid growth

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- 71% revenue growth
- 10.3% of Group sales compared to 7.2% in Q414
- High growth in all three markets
- New mobile check-out service introduced
- New search engine implemented
- Pick-up at store established in all stores
- Building customer database

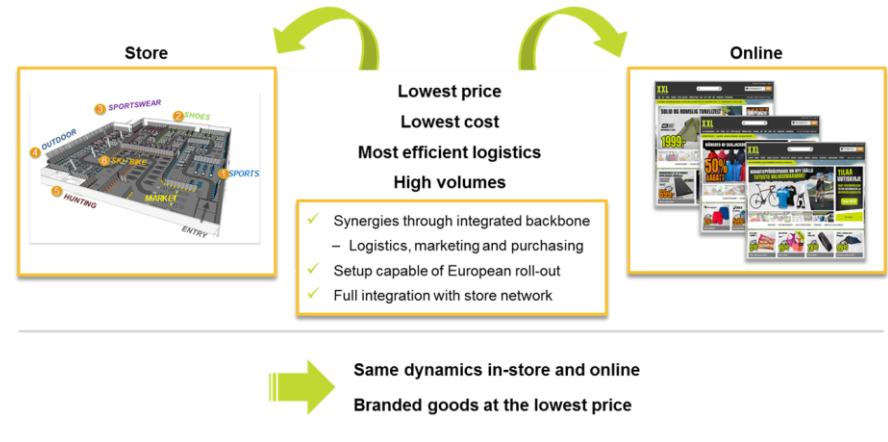
Amounts in MNOK



XXL Denmark – Pure online player



- Fragmented market with a total size of around EUR 1 billion
- Entering as a pure online player
- Plug&Play – we have what we need
- Already hired 3 employees
- Office established in Copenhagen
- Low risk but will return negative profits the first years of operation
 - Aggressive pricing and high marketing spending
 - Minor initial CAPEX
 - Considered as a small store outside Norway
 - Pay-back of 4-5 years



HQ and Logistics – Scalability

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- OPEX of NOK 64 million to 3.5% of Group sales compared to 4.2% in Q4 14
- Well-functioning value chain and scale
- Cost focus throughout the organization
- Expansion in Örebro finalized with handover in November
 - From 20,000 to 40,000 sqm
 - Innovative robotics and cost efficient solutions
 - CAPEX of NOK 36 million of which 25 million booked in Q4 2015



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





Financial review

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Income statement

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■ Q4 2015

- Revenue growth of 21%
- Reclassified gains on hedging instruments

■ 2015

- Revenue growth of 24%
- Cost control most important
- Net financials significantly improved due to repayment of shareholder loan at the IPO and improved structure of the bank facility
- Effective tax rate down to 23.2% for 2015
- Net profit of NOK 467 million

<i>Amounts in MNOK</i>	Q4 15	Q4 14	2015	2014
Total operating revenue	1 831	1 520	6 487	5 215
Operating income	203	158	634	521
Net financials	-16	2	-26	-182
Profit before income tax	187	160	608	339
Income tax expense	44	31	141	77
Net profit	144	129	467	262

Cash flow

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- Dividends of NOK 277 million paid in July 2015
- Inventory increased to NOK 35.7 million per store
 - Currency effects of NOK 3.0 million
 - Reduced sales in December
- Investment in central warehouse in Sweden
 - NOK 25 million booked in Q4 2015
 - NOK 36 million in total
- Periodization differences in accounts payables
- Equity ratio of 58.5%
- Net debt of 1 034 million
- 1.4x NIBD / EBITDA
- Liquidity reserve of NOK 787 million

Cash flow

<i>(Amounts in MNOK)</i>	2015	2014
Cash provided by operating activities	352	325
Cash used by investing activities	-169	-152
Cash used by financing activities	-319	-121
Net change in cash and cash equivalents	-135	52
Cash and cash equivalents beginning of year	222	170
Cash and cash equivalents end of period	87	222

Changes in working capital

<i>(Amounts in MNOK)</i>	2015	2014
Changes in inventory	-531	-324
Changes in receivables	3	60
Changes in payables	124	40
Prepayments of financial leases	-11	-7
Changes in other assets and liabilities	93	4
Change in working capital	-322	-227

Dividends 2015

- The Board of Directors will propose a dividend of NOK 2.00 per share
- Equals 60% of net income 2015
- Dividend policy going forward in the range of 40-50% of net income
- Strong financial position
- Following the resolution by the Annual General Meeting on Friday 3 June 2016, the XXL ASA share will be traded ex dividend on Monday 6 June



Outlook

- Revenue growth of 30 per cent in January 2016 to NOK 652 million
- XXL has signed 9 new lease agreements for store openings for 2016 where of 6 in Norway. The aim for 2016 is 10-12 new stores in total
- XXL will launch an e-commerce offering in Denmark in 2016
 - Aggressive pricing and high marketing spending
 - Negative profit the first years of operation
 - The business case has minor initial CAPEX but the total investment should be considered as a small store outside Norway with 4-5 years of pay-back.
- 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 (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. Due to the demanding macro in Finland the lift to high 30's will take longer time than in Sweden
 - 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

- 24% revenue growth in 2015
- Cost and scalability
- We made money in Finland
- EPS of NOK 3.37 for 2015
- The Board will propose a DPS of NOK 2.00 for 2015
- Built a solid platform for further growth in the years to come





XXL ASA – Q4 and full year 2015

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