



**XXL**

**XXL ASA – Q1 2016**

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This presentation was prepared for the interim results presentation for the first quarter 2016, held on 27 April 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 Q1 2016

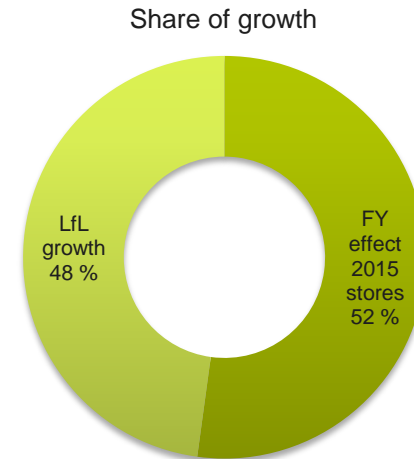
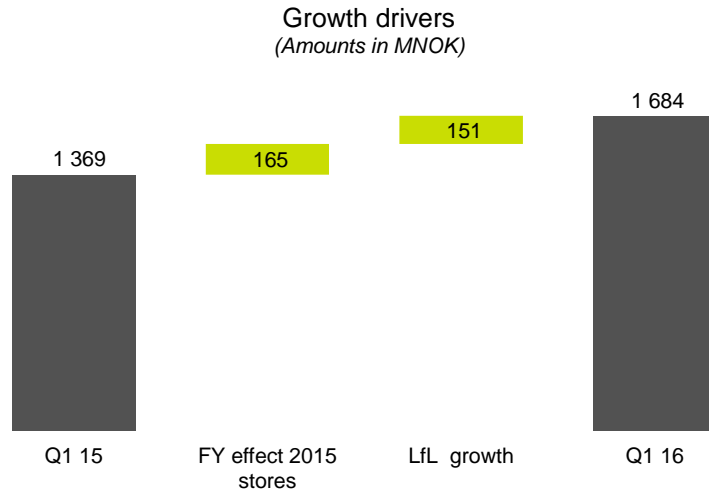
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- Revenue growth of 23%
  - Like for Like growth of 11.2%
  - E-commerce growth of 57%
- Good winter conditions in January
- No start of spring season in March
- Focus on clearance of winter related products resulted in healthy inventory
- Increased digital marketing costs
- Higher costs when doubling the central warehouse in Örebro
- EBITDA of NOK 101 million up from NOK 95 million last year
- Sweden standing out with strong results



# Growth drivers in the quarter

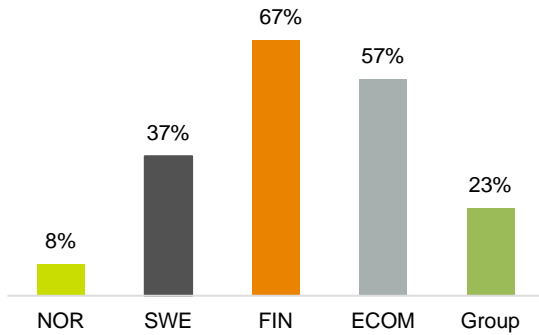
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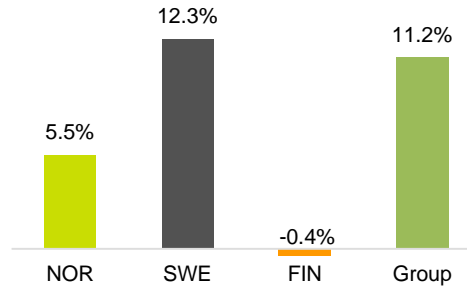
# Growth split by markets

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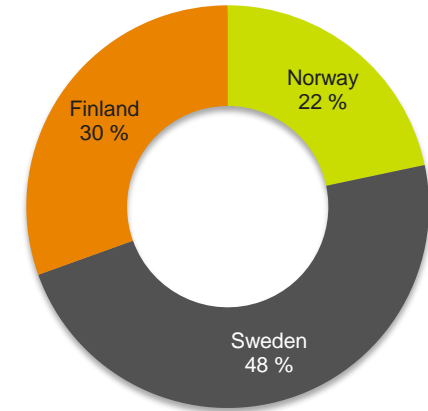
Growth by segments



Like for like growth  
(Local currency)



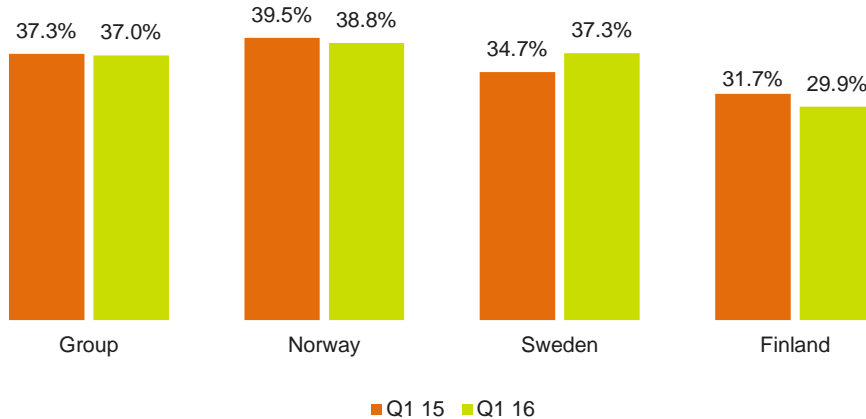
Share of growth by geography



# Gross margin development

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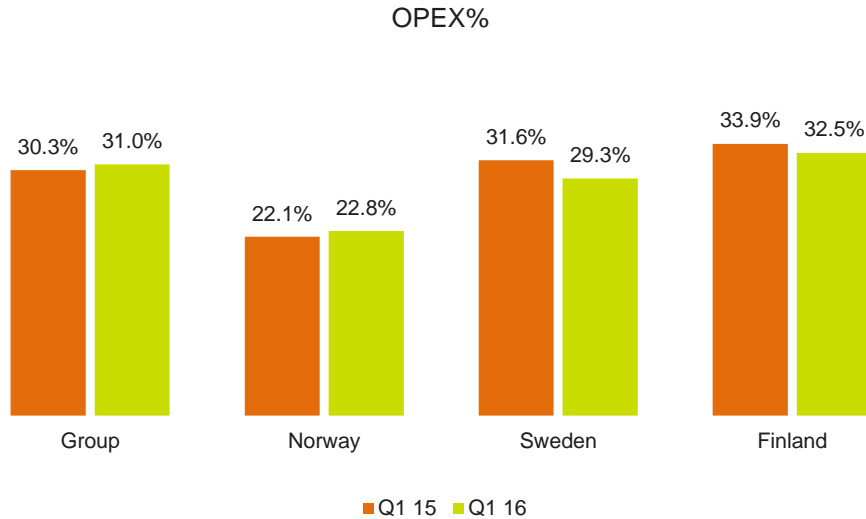
Gross margin development



- Lower gross margin in Norway and Finland
  - Clearance of winter goods and no sales for the upcoming spring season with higher margins
- Improved gross margin in Sweden
  - Lower share of clearance sales than last year due to better winter conditions and a strong overall market

# OPEX development

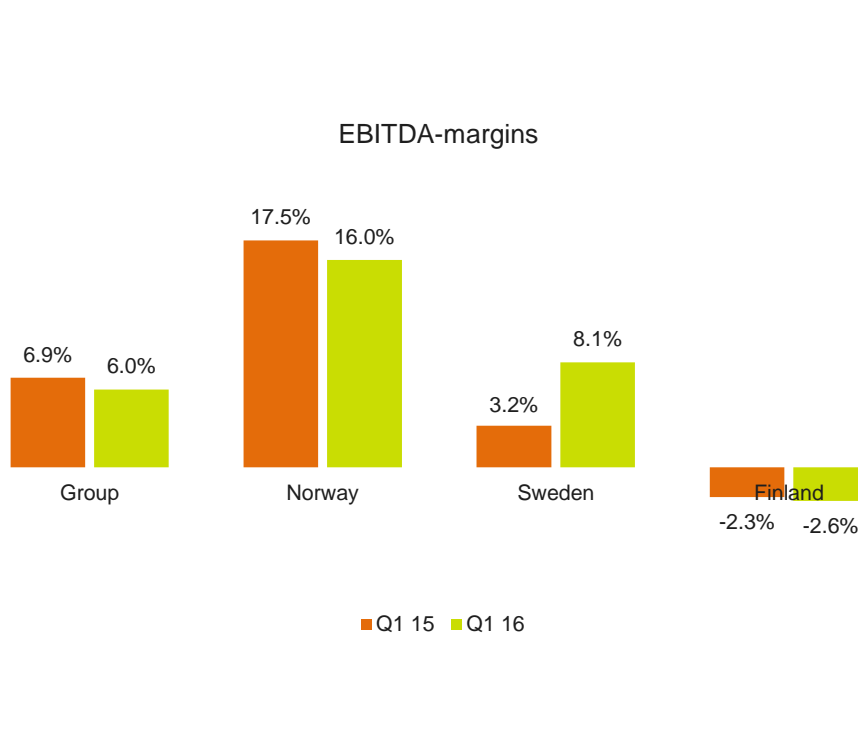
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- OPEX% increased by 0.7 points to 31.0%
- Increased digital marketing costs
- Higher costs at the central warehouse in Sweden after doubling the capacity
- Cost improvements in both Sweden and Finland

# EBITDA development

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- Lower gross margin
- Increased costs related to warehouse capacity and digital marketing
- Geographical mix effects – as expected

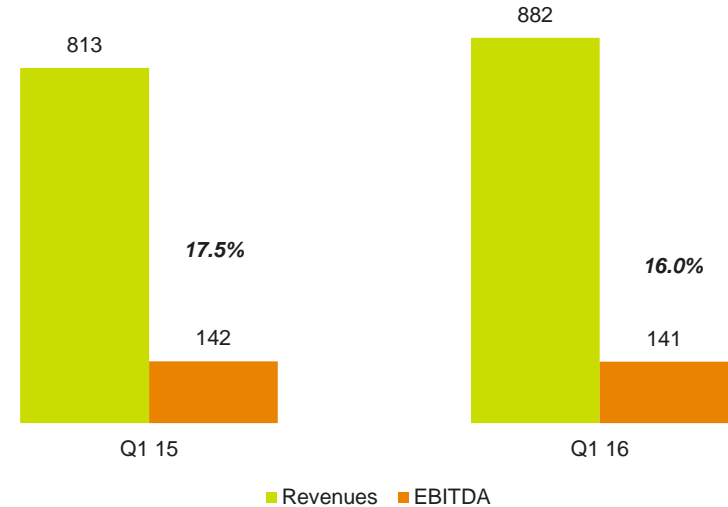


# Norway – Delivering on the price promise

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- 8% revenue growth YoY
- Like for like growth of 5.5%
- Higher share of clearance sales compared to Q1 15
- Gross margin negatively impacted
  - 38.8% vs. 39.5% last year
- Continuing more digital marketing
  - OPEX/Sales up 0.7 points to 22.8%
- EBITDA-margin of 16.0%
- XXL won several price tests compared to main competitor Gresvig

Amounts in MNOK

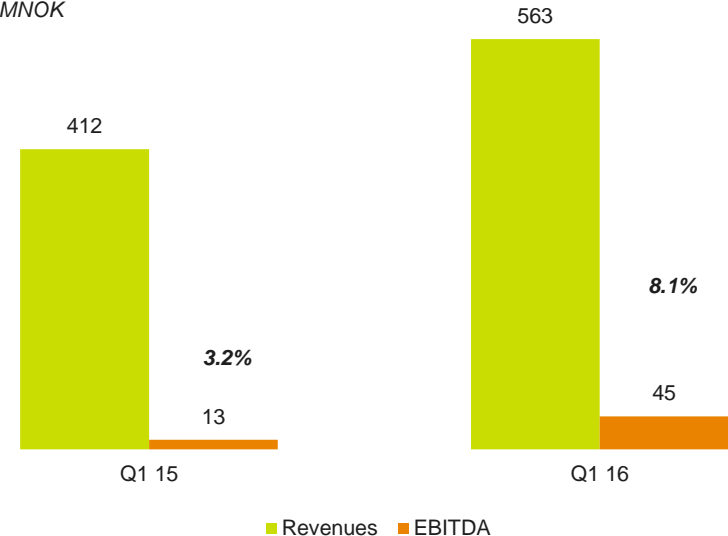


# Sweden – Solid performance

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- Revenue growth of 25% in local currency
  - Like for Like growth of 12.3% in local currency
  - Solid growth from E-commerce
- Strong sporting goods market
  - Sporting goods sales up 15.0% in January and 14.4% in February  
(Figures from HUI Research)
- Better winter condition than last year
  - Less clearance sales
  - Gross margin improved from 34.7% to 37.3% YoY
- EBITDA margin up 4.9 points YoY to 8.1%
  - Despite new legislation on social security tax for younger employees and increased digital marketing costs
- Linköping store awarded chain store of the year at Handelsgalan

Amounts in MNOK

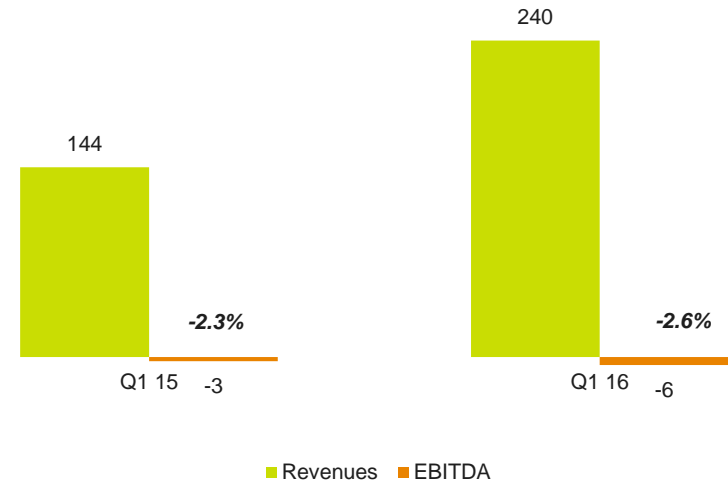


# Finland – Building position in a tough market

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- Challenging macro situation
- XXL driving the market with aggressive campaigns to capture the volume
- Cannibalization in Helsinki and Tampere resulting in negative like for like of 0.4% in local currency
- High degree of clearance sales due to poor winter conditions
  - Gross margin of 29.9% (31.7% in Q1 15)
  - Healthy inventory situation
- Improved cost position with larger store base
  - OPEX/Sales down from 33.9% to 32.5% YoY

Amounts in MNOK

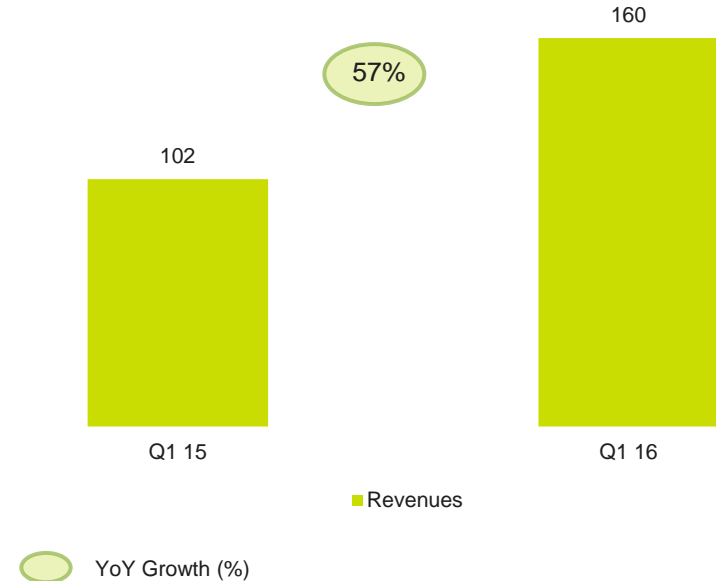


# E-commerce – Continuing growth

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- 57% revenue growth
- 9.5% of Group sales compared to 7.5% in Q1 15
- High growth in all three markets
- New organization in place in Sweden
- Increasing the number of SKU's
- Building customer database
- Investing in scalable infrastructure and digital marketing
- Denmark launch to come soon

Amounts in MNOK



# HQ and Logistics – Increased capacity

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- OPEX of NOK 79 million to 4.7% of Group sales compared to 4.2% in Q1 15
- Increased personnel and rental costs when doubling the capacity at the central warehouse in Örebro
  - From 20,000 to 40,000 sqm
  - Finalized with handover in November 2015



# Priorities going forward

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- Improving the omni-channel experience
- Launching E-commerce service in Denmark
- 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%
- Higher logistics costs
  - Double capacity at central warehouse in Sweden
- Higher costs related to digital marketing
- Cost improvements in Sweden and Finland
- Net financials cost of NOK 14 million
  - Negative currency effect of NOK 3.4 million
  - Interest expenses of NOK 4.7 million
  - Other transaction and financial costs
- Effective tax rate of 23.3%

<i>Amounts in MNOK</i>	<b>Q1 16</b>	<b>Q1 15</b>
<b>Total operating revenue</b>	1 684	1 369
<b>Operating income</b>	75	74
<b>Net financials</b>	-14	-30
<b>Profit before income tax</b>	61	44
<b>Income tax expense</b>	14	10
<b>Net profit</b>	47	34



# Cash flow

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- Inventory per store increased by NOK 2.4 million
  - Currency effects of NOK 1.6 million
  - Limited sale of spring related goods in March but good sales of winter related goods
  - Inventory is healthy
- Periodization differences in accounts payables
- Investments in stores and infrastructure according to plan
- Equity ratio of 59%
- Net interest bearing debt of NOK 1 121 million
- Liquidity reserve of NOK 613 million
- NIBD / EBITDA of 1.6x
- Settlement in tax case

## Cash flow

<i>(Amounts in MNOK)</i>	Q1 16	Q1 15
Cash provided (used) by operating activities	-38	47
Cash used by investing activities	-44	-25
Cash provided (used) by financing activities	64	-15
<b>Net change in cash and cash equivalents</b>	<b>-18</b>	<b>7</b>
Cash and cash equivalents beginning of year	87	222
Cash and cash equivalents end of period	69	229

## Changes in working capital

<i>(Amounts in MNOK)</i>	Q1 16	Q1 15
Changes in inventory	-50	-212
Changes in receivables	87	59
Changes in payables	-95	164
Prepayments of financial leases	-3	-3
Changes in other assets and liabilities	-70	-18
<b>Change in working capital</b>	<b>-131</b>	<b>-10</b>

# Outlook

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- XXL has signed 10 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
- 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

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- Revenue growth of 23%
  - Like for Like growth of 11.2%
  - There of E-commerce growth of 57%
- Good performance comparing to a good spring start in March last year
- Focus on clearance of winter related products resulted in lower margins but a healthy inventory
- Sweden delivered strong results
  
- **Coming up:** at least 10 store openings in 8 months
  - + E-commerce in Denmark





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