



XXL
ALL SPORTS UNITED

XXL ASA – Q3 2019

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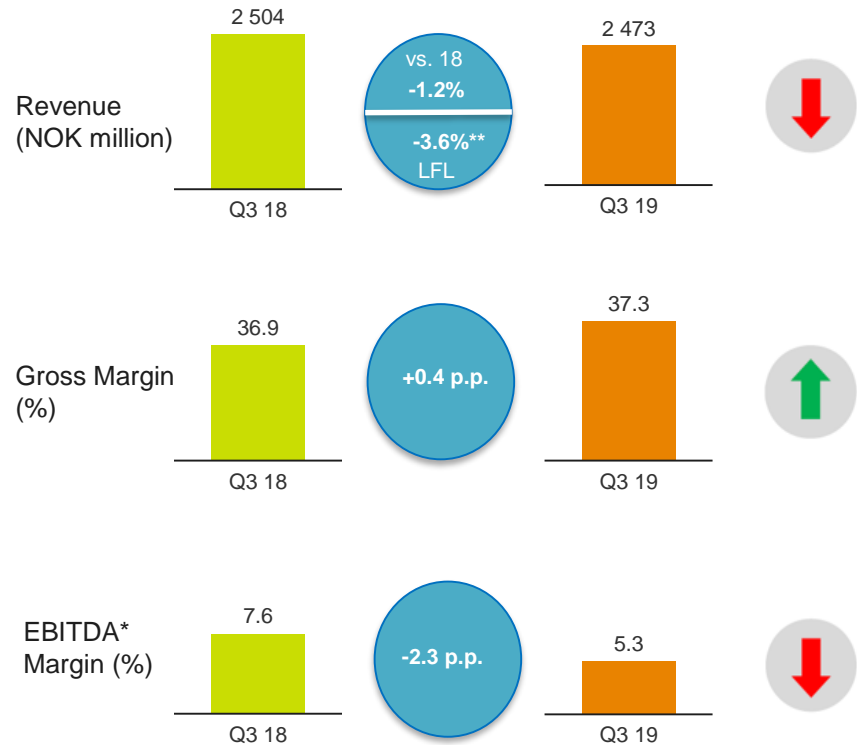
Highlights third quarter 2019

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- Disappointing results – negative like for like growth of 3.6%**
- Particularly September proved to be a challenging month
- Weak development in Norway
- Solid performance in Finland

- EBITDA* of NOK 132 million
- Leverage ratio of 4.2x NIBD/EBITDA*
- Liquidity reserve of NOK 0.6 billion - up NOK 0.2 billion from last year

- Obtained commitments for NOK 500 million in new equity

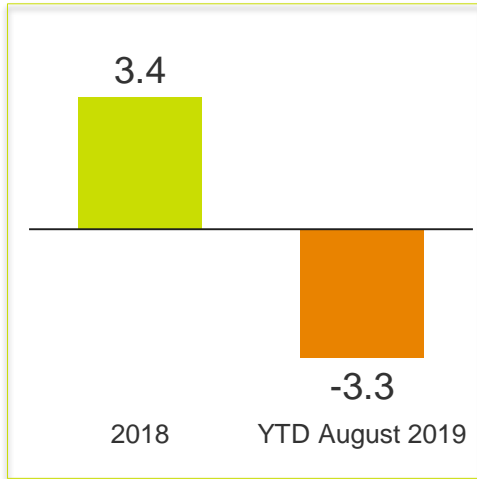


Overall sluggish market growth in the Nordics

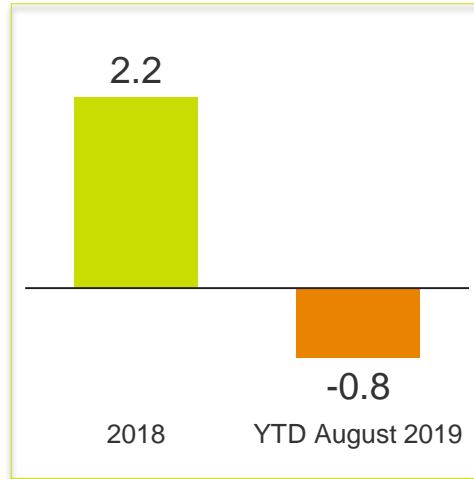
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Norway



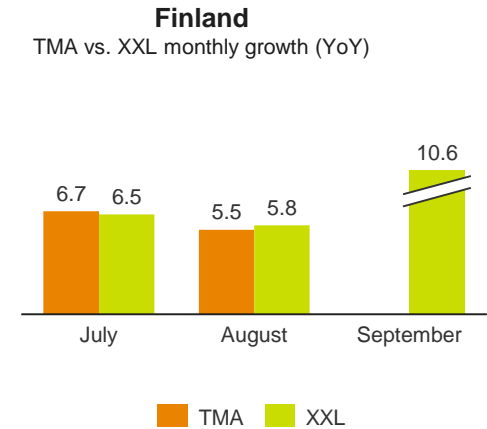
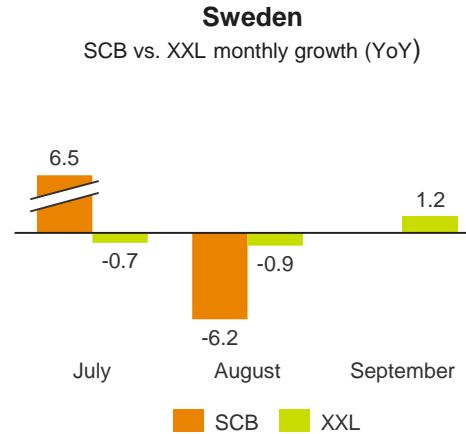
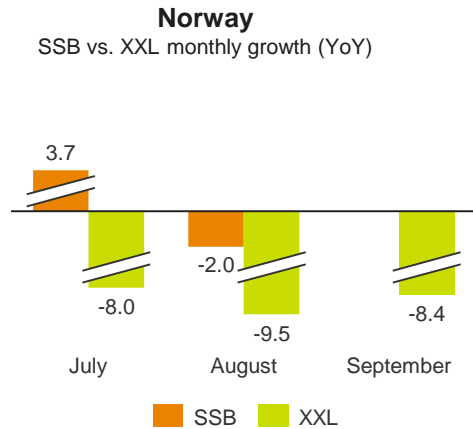
Sweden



Finland



Market data
















- Norway – disappointing sales trend continued
 - Negative like for like growth of 9.8%** in the quarter
- Sweden – regaining some momentum in a volatile market – XXL is now the number 2 player
- Finland – driving market growth and gaining market shares

** Excluding cannibalization effects

Status Q3 2019 – LFL and EBITDA

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| | Group | Norway | Sweden | Finland | Austria | Denmark | HQ |
|----------------|---|---|---|---|--|--|--|
| LFL growth |  - 3.6%** |  - 9.8%** |  - 1.8% |  +5.4%** |  - 10.0% |  - 48.8% | N/A |
| EBITDA* growth |  - 58 MNOK |  - 51 MNOK |  - 25 MNOK |  + 8 MNOK |  + 4 MNOK |  - 1 MNOK |  + 7 MNOK |

* Excluding effects of IFRS 16

** Excluding cannibalization effects

Austria contains only two stores in the Vienna region, both cannibalized by the city store in Vienna

Key focus areas

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Top line

- More exiting and inspiring stores
- New E-commerce front-end
- Broadened assortment online
- Utilize omni-channel opportunities
- Sold out situations

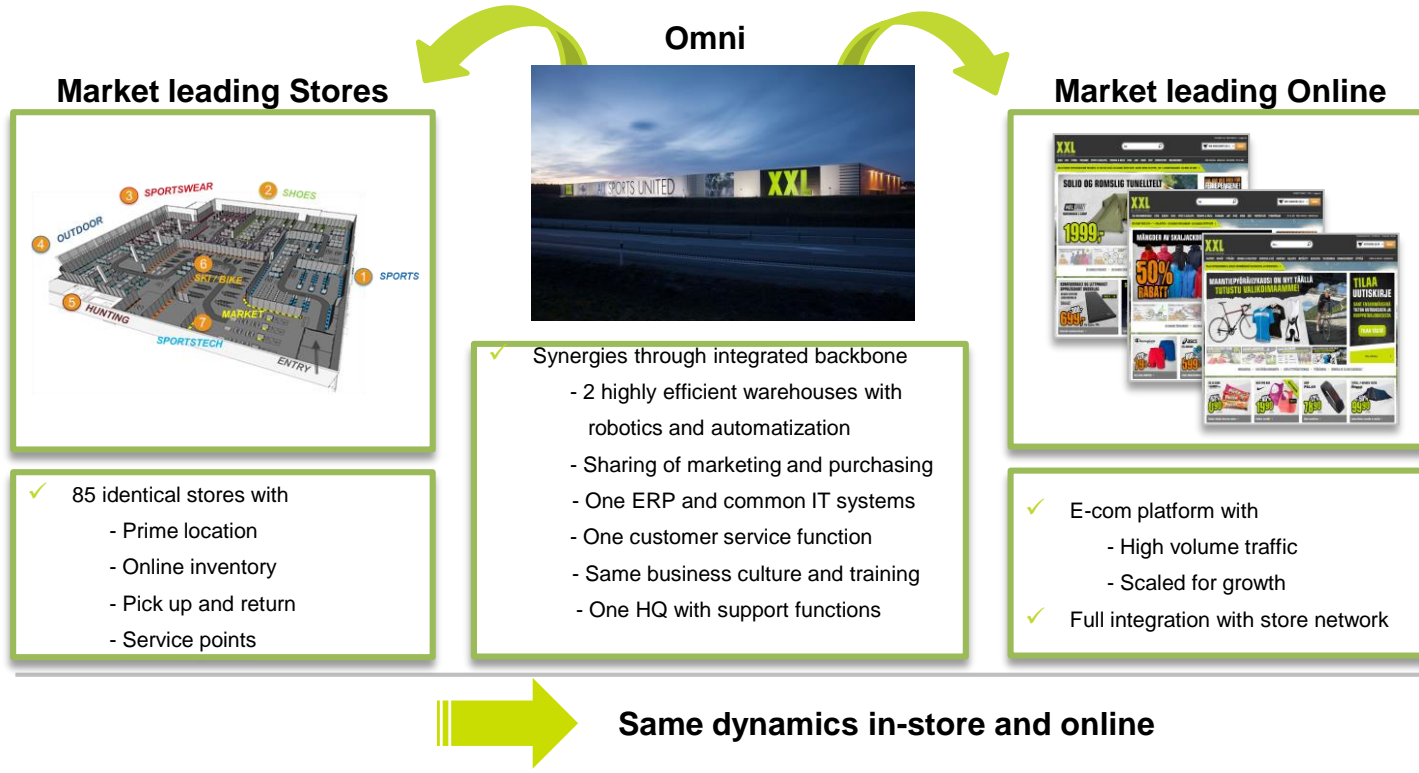
Inventory

- Mandate changed to CFO
- Inventory per store down towards NOK 25 million medium term

Reputation

- Ongoing investigation
- Strengthen leadership, control and routines

Building an Omni-Channel Champion



A man with large, white, feathered wings is shown from a low angle, reaching his right hand up towards a bright, full moon in a cloudy sky. He is wearing a dark blue tank top and dark shorts. The background is filled with dramatic, dark clouds and a bright, glowing moon. The overall mood is aspirational and heroic.

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Financial review

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Key Figures

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| <i>(Amounts in NOK million)</i> | Q3 2019 | Q3 2018 | YTD 2019 | YTD 2018 |
|---------------------------------|---------------------|---------|---------------------|----------|
| | <i>(ex IFRS 16)</i> | | <i>(ex IFRS 16)</i> | |
| GROUP | | | | |
| Operating revenue | 2 473 | 2 504 | 6 673 | 6 905 |
| Growth (%) | -1,2 % | 3,6 % | -3,4 % | 11,7 % |
| Gross profit | 922 | 924 | 2 599 | 2 606 |
| Gross margin (%) | 37,3 % | 36,9 % | 38,9 % | 37,7 % |
| OPEX % | 31,9 % | 29,3 % | 34,0 % | 31,6 % |
| EBITDA | 132 | 190 | 329 | 426 |
| EBITDA margin (%) | 5,3 % | 7,6 % | 4,9 % | 6,2 % |
| EBIT | 81 | 143 | 182 | 288 |
| Net Income | 42 | 105 | 95 | 192 |

- Disappointing sales development in Q3 vs. LY: - 1.2%
 - Negative growth in Norway, Sweden and Denmark
 - Strong growth in Finland
- Gross margins at marginally higher levels than 2018. YTD 2019, gross margins are still at high levels compared to 2018, despite lower supplier volume bonuses
- Opex % hampered by lower sales, compensated by release of NOK 19 mill related to option program
- EBITDA* in Q3 19 ending at NOK 132 mill, down NOK 58 mill vs. LY

* Excluding IFRS 16 effects

** Excluding cannibalization effects

Strengthening the balance sheet

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Capital Raise of NOK 500 mill

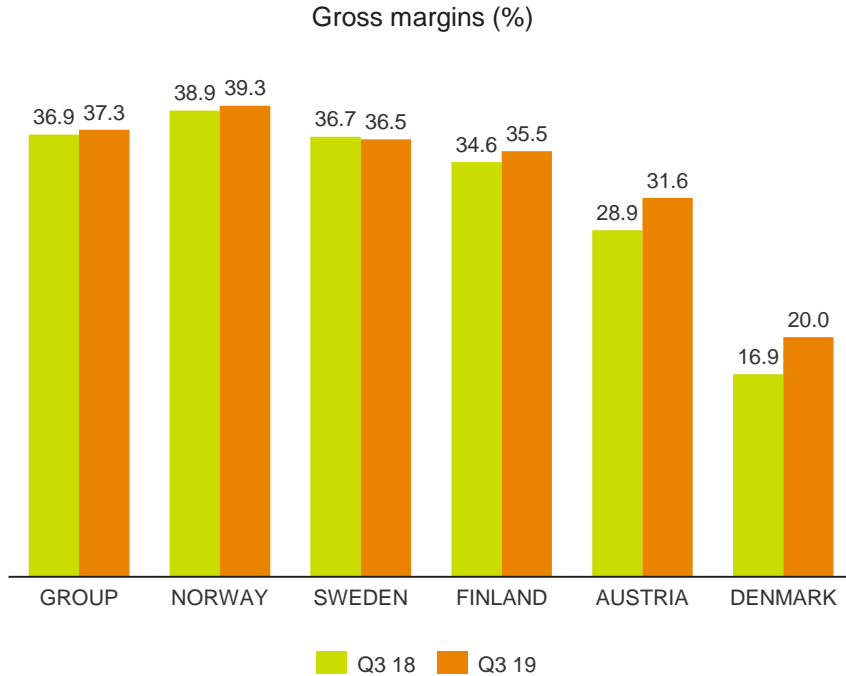
- Conditional private placement of NOK 400 mill directed at key share holders
- Proposal of NOK 100 mill subsequent offering to shareholders not part of the private placement as recorded in VPS on 17th of Oct. 2019
- The Board of Directors has considered the capital raise in light of the equal treatment obligations
- Both the private placement and the subsequent offering are subject to approval by the EGM to be held on 6th of Nov. 2019

New bank agreement

- Agreed on new covenants for 2020
- NIBD*/EBITDA**: 4.0x
- Potential impact from liquidation/sale of inventory outside of existing distribution channels and main markets will not be part of the covenant calculation
- No distribution of dividends nor share buy back in 2020
- Subject to completion of the private placement and subsequent offering

Gross margin development

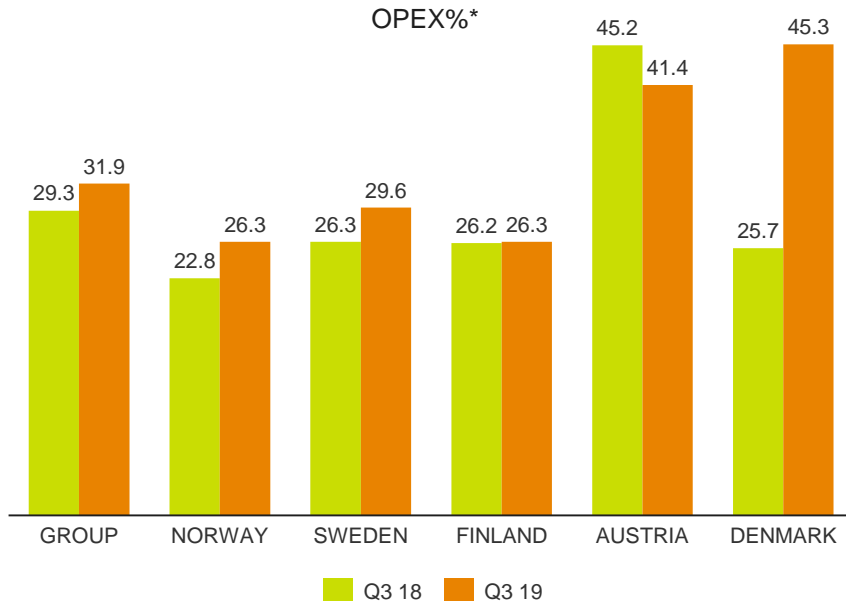
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- Continued margin improvement - gross margin was 37.3% in Q3 2019 vs. 36.9% in Q3 2018
- All segments negatively affected by lower supplier volume bonuses

OPEX development (ex IFRS16)

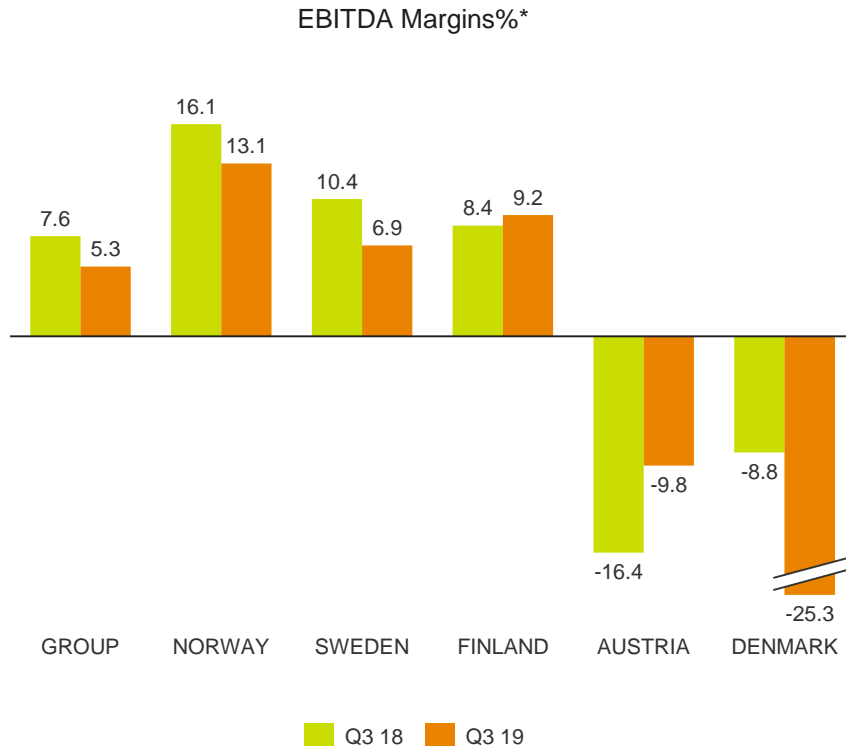
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- Group OPEX% up by 2.6 points to 31.9% YoY
 - Driven by negative like for like growth of 4.0%
- Negative like for like growth in the stores impacting the cost leverage
- Decreased costs in HQ and Logistics segment, partly explained by release of provisions related to share option program of NOK 19 mill
- Austria showing improvements

EBITDA development (ex IFRS16)

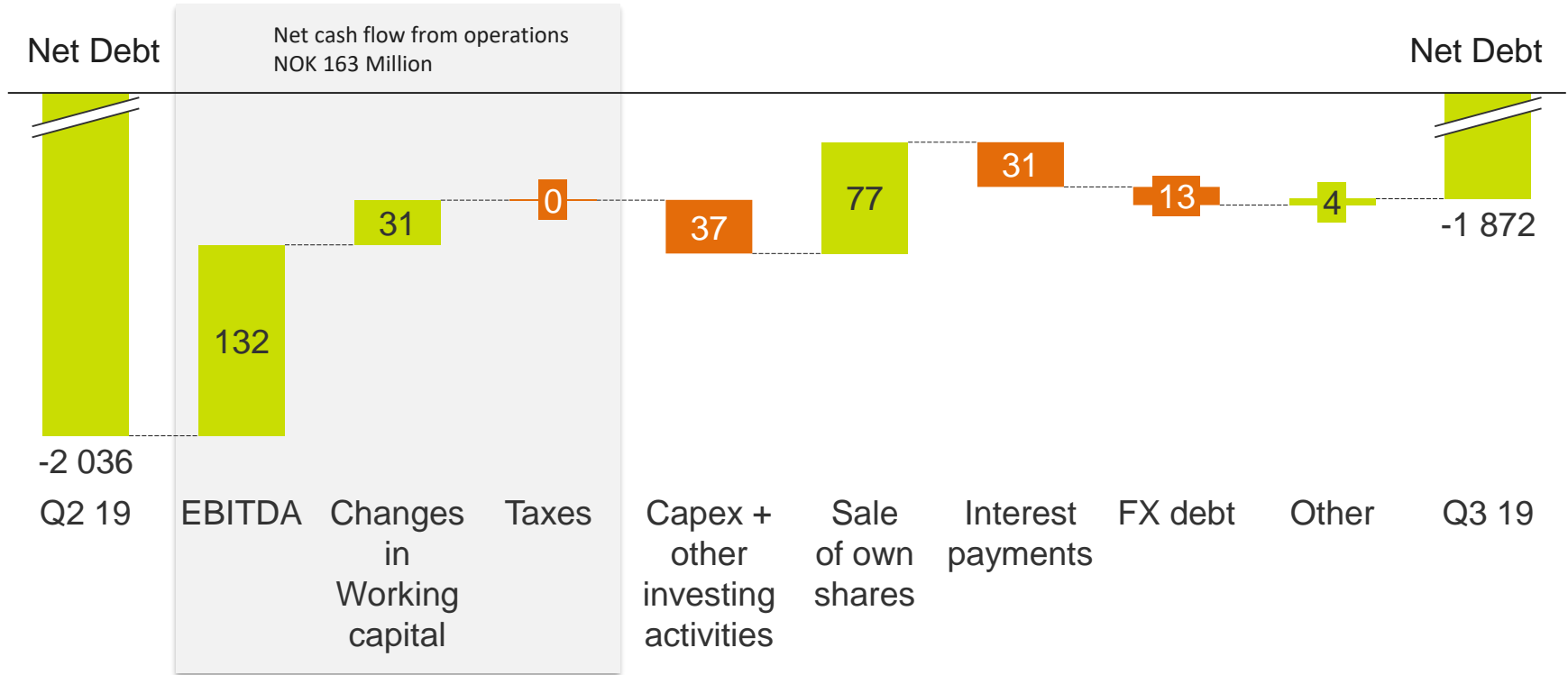
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- EBITDA decline of NOK 58 million vs. LY
 - negative revenue growth
 - lower supplier volume bonuses of NOK 13 mill
 - compensated by release of provisions related share option program of NOK 19 mill
- Significant decline in Norway and Sweden
- Solid improvement in Finland
- EBITDA improvement in Austria of NOK 4 million
- Denmark – structural changes ongoing

Net debt development (ex IFRS16)

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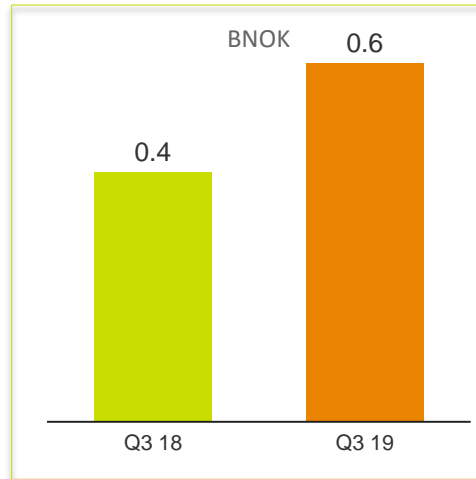
Liquidity reserves ending at NOK 0.6 billion

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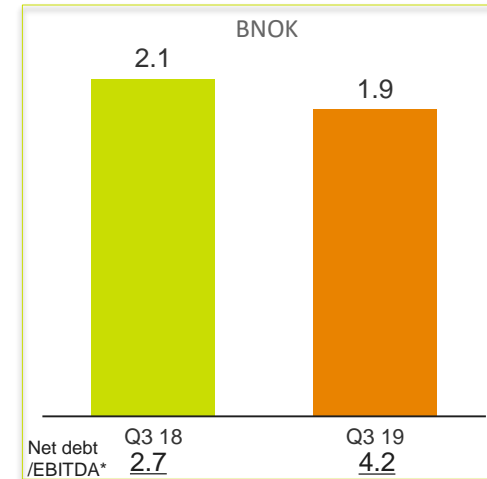
Q3 Operational cash flow*



Liquidity reserves



Net interest bearing debt



Summary

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Q3 19 takeaways

- Disappointing results – negative like for like growth of 3.6%**
- Weak performance in Norway
- Solid development in Finland
- EBITDA* decline of NOK 58 million
- Leverage ratio of 4.2x (NIBD/EBITDA) – below covenant of 4.25x
- Obtained commitments for NOK 500 million in new equity + new covenant for 2020

Priorities

- Regain sales momentum
- Reduction of inventory
- Reputation - Strengthen routines and control

Outlook

- New updated outlook to be presented at the Q4 2019 presentation as well as a revised strategy plan



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Appendix

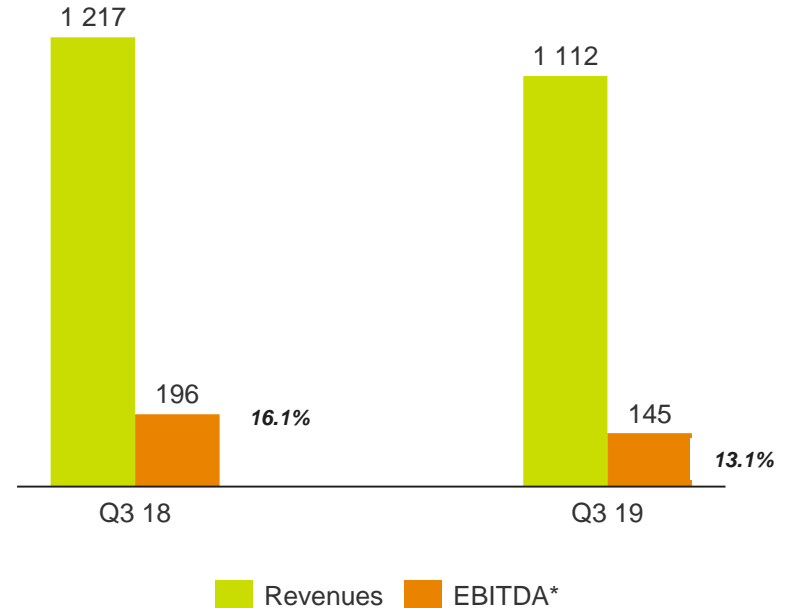
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Norway

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- Disappointing sales development, especially September proved to be a challenging month
- Negative like for like growth of 10.2%
 - 9.8% adjusted for cannibalization effects
 - Impacting the cost leverage negatively
- Higher gross margins – up 0.4%p to 39.3%
- EBITDA-margin* down 3.0 points to 13.1%

Amounts in MNOK

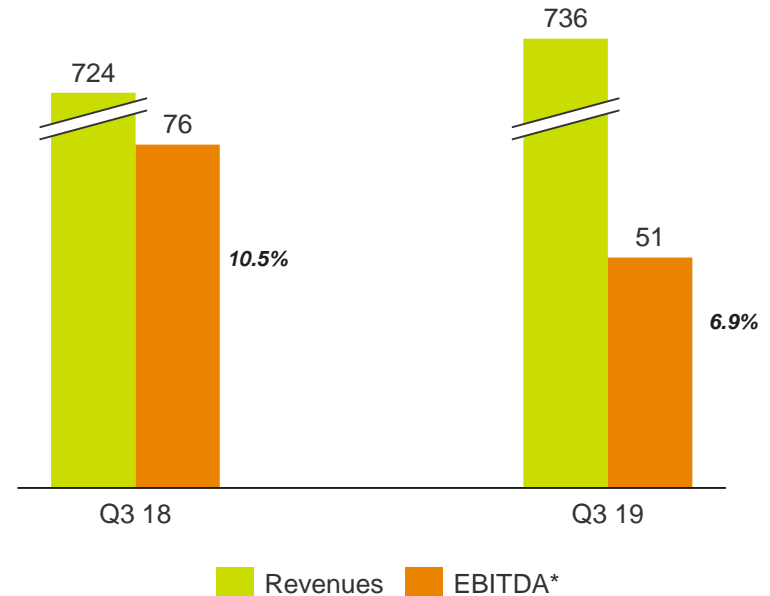


Sweden

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- Volatile and price focused market
- Like for like growth down 1.8% in local currency
 - Affecting the cost leverage negatively
- Negative development in gross margin of 0.2%p to 36.5%
- EBITDA* of NOK 51 million and a margin of 6.9%

Amounts in MNOK

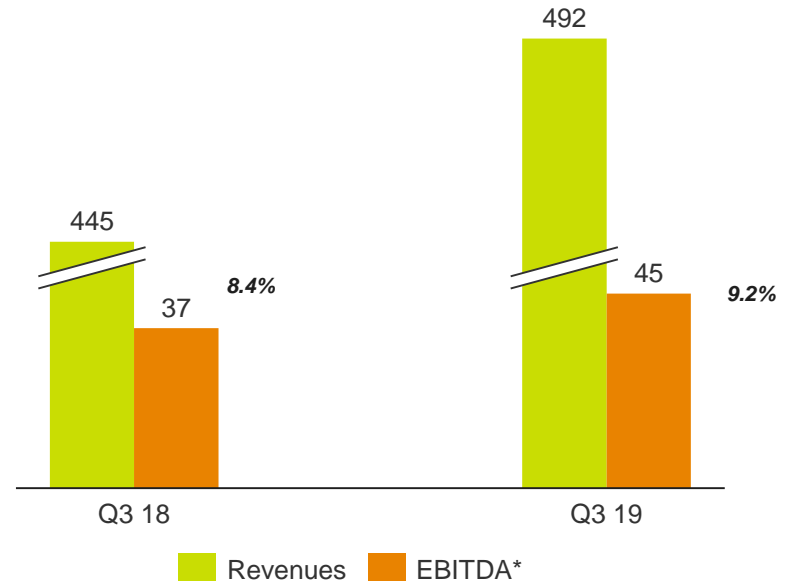


Finland

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- XXL still the winner in the market and gaining market shares
- Increasing revenues YoY with one more store
- Positive like for like growth of 5.4% when adjusting for cannibalization effects
- EBITDA* of NOK 45 million (NOK 37 million)

Amounts in MNOK

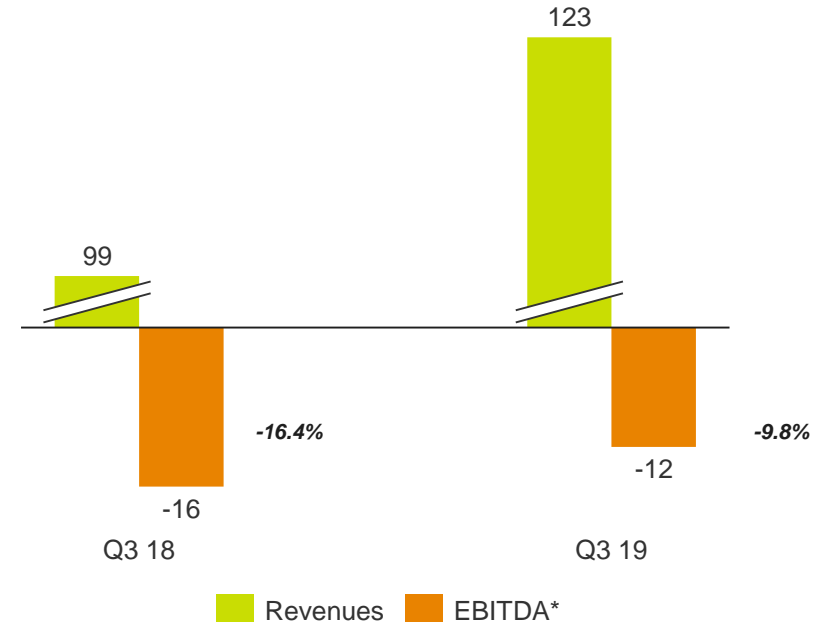


Austria

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- Revenue growth of 21.2% in local currency driven by new stores and E-commerce
- Constantly working on improving the offering
- Gross margin up 2.8%p to 31.7%
- OPEX%* down from 45.2% to 41.4% YoY
- Negative EBITDA* of NOK 12 million
 - still lagging scale on HQ (around 4% YTD) and marketing costs (around 14% YTD)

Amounts in MNOK

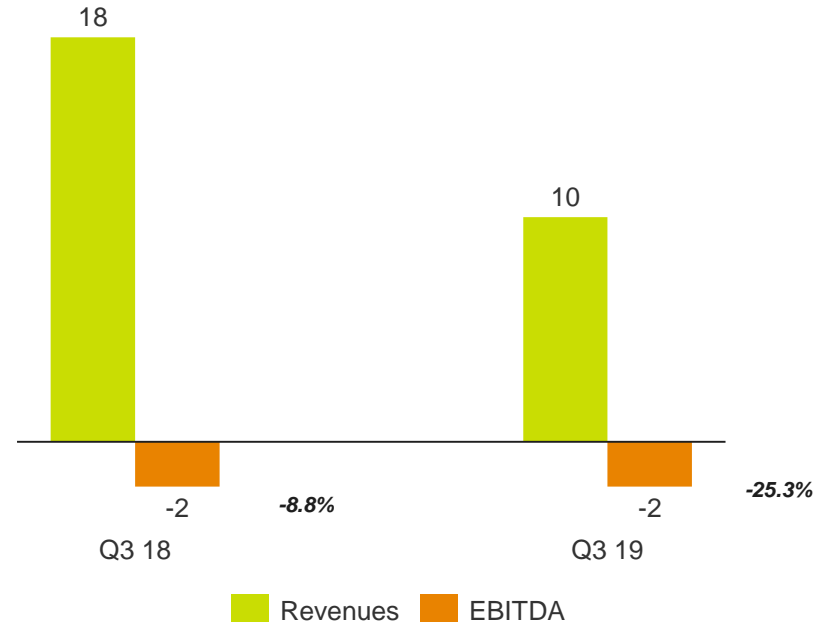


Denmark

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- Revenues declined 48.8% in local currency
- Gross margins improved from 16.9% to 20.0% YoY
 - Negative effect on sales volumes as well
- EBITDA loss of NOK 2 million
 - OPEX% increase due to negative growth
 - Slightly offset by gross margin improvement
- Adjustments to reach break-even on a significant lower cost base

Amounts in MNOK



HQ and Logistics

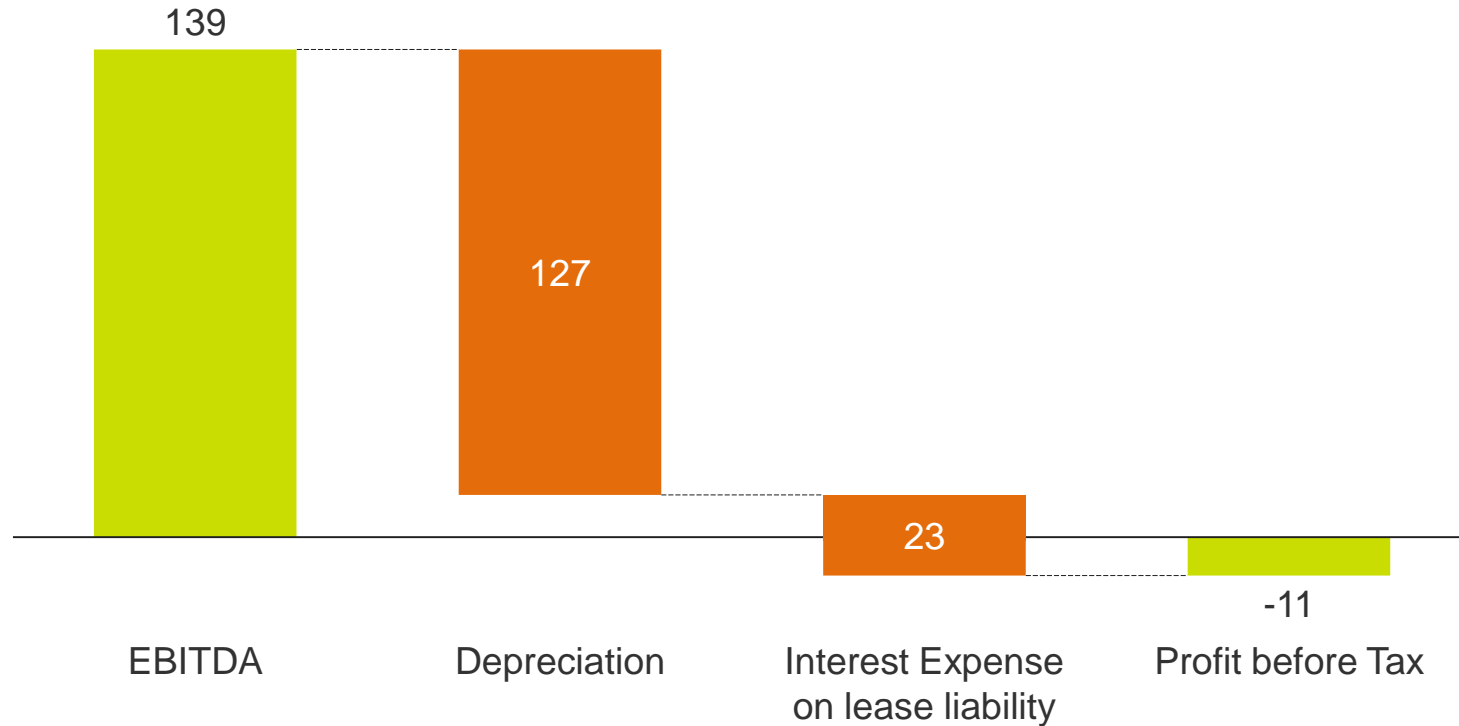
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- Cost reductions mainly explained by lower provision related to share option program for key employees
- Reorganized marketing organization
 - Several new recruitments
 - More efficient operation in the years to come
- OPEX* of NOK 95 million to 3.8% of Group sales
 - Partly driven by lower bonus estimates

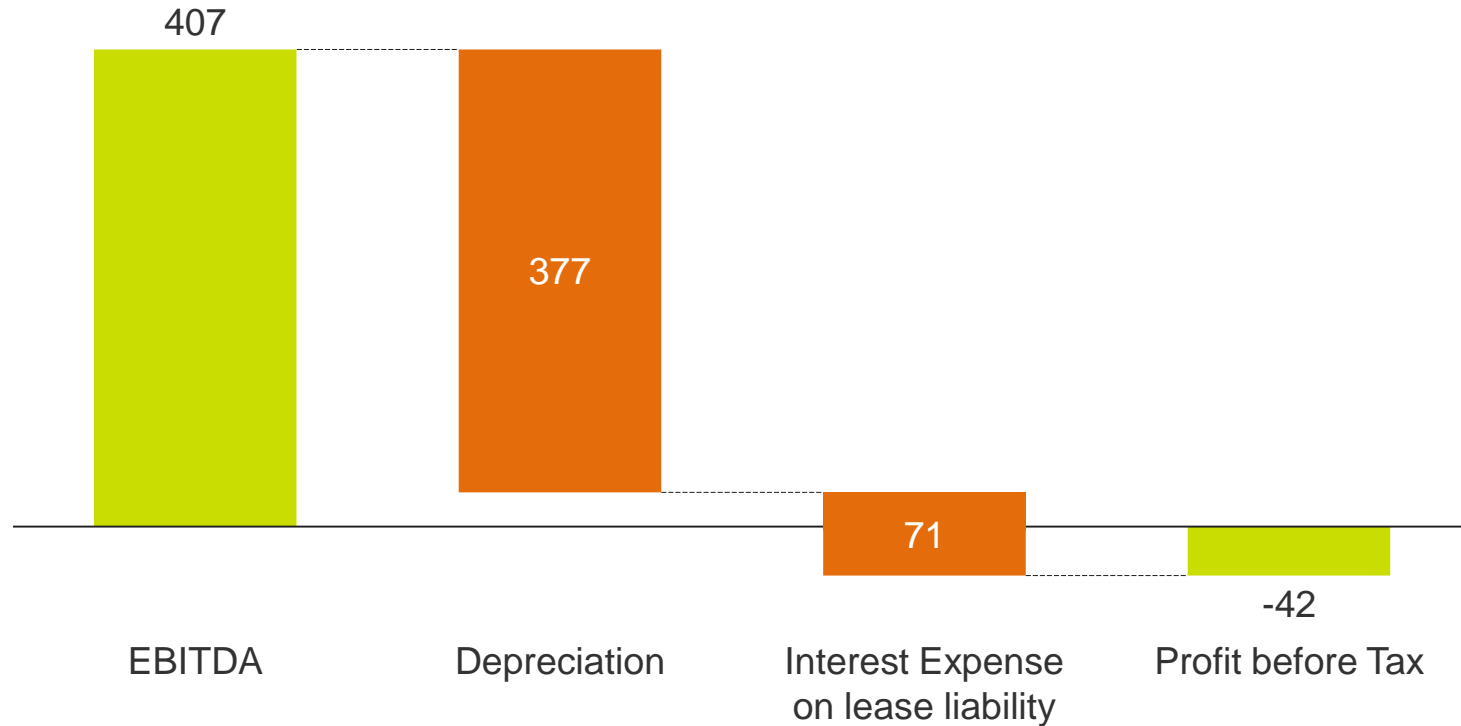


IFRS 16 Q3 – Significant effects on the classification of the P&L

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IFRS 16 YTD – Significant effects on the classification of the P&L **XXL**

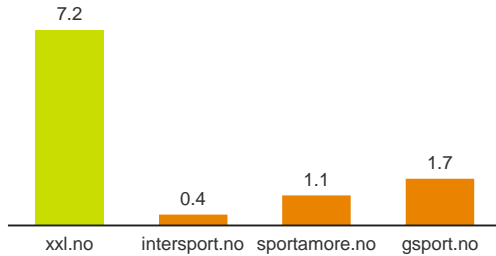


Market data – online traffic



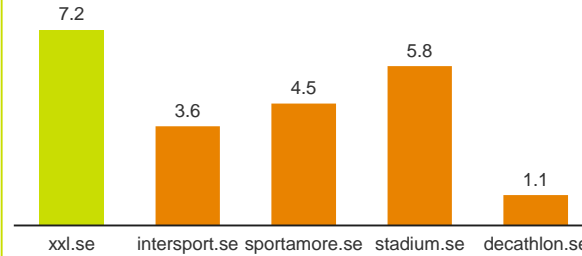
Norway

Q3 19 total visits in millions



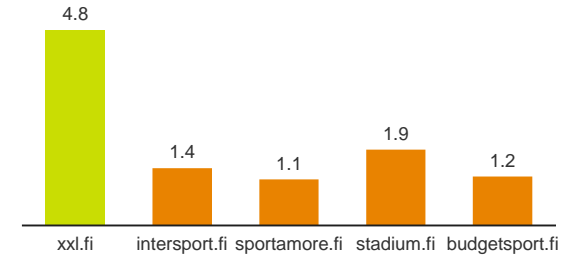
Sweden

Q3 19 total visits in millions



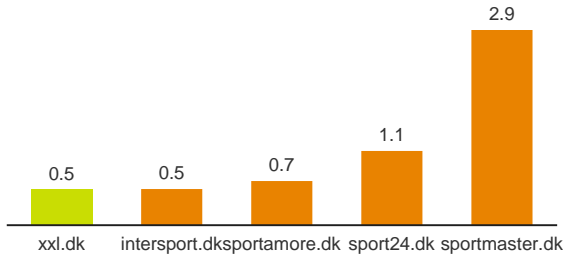
Finland

Q3 19 total visits in millions



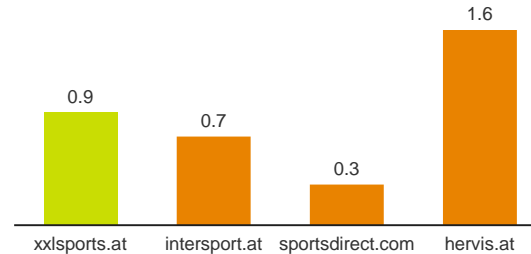
Denmark

Q3 19 total visits in millions



Austria

Q3 19 total visits in millions

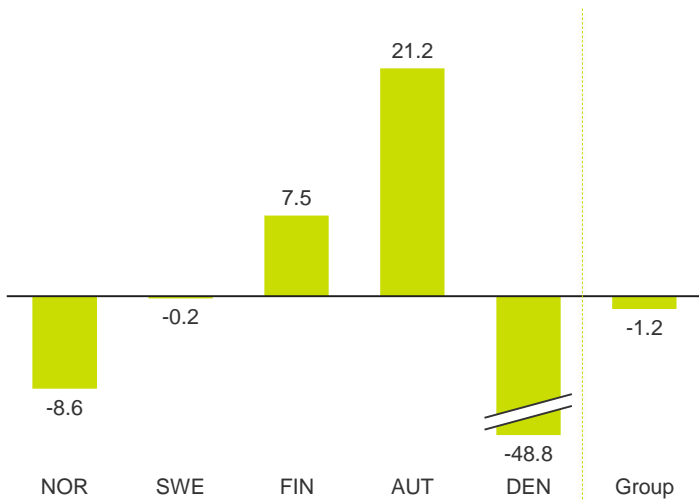


XXL continues with high online traffic shares but influenced by the changed focus towards gross profit

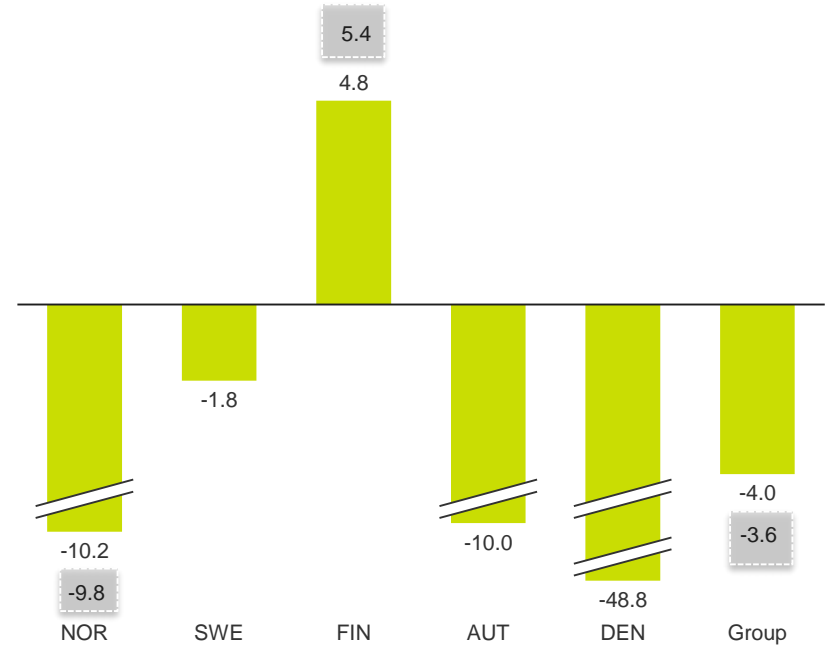
Growth split by markets

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Revenue growth (% in local currency)



Like for Like growth (% in local currency)



LfL growth excluding cannibalization effects

LFL vs Q3 18



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