XXL ASA – Q4 2019

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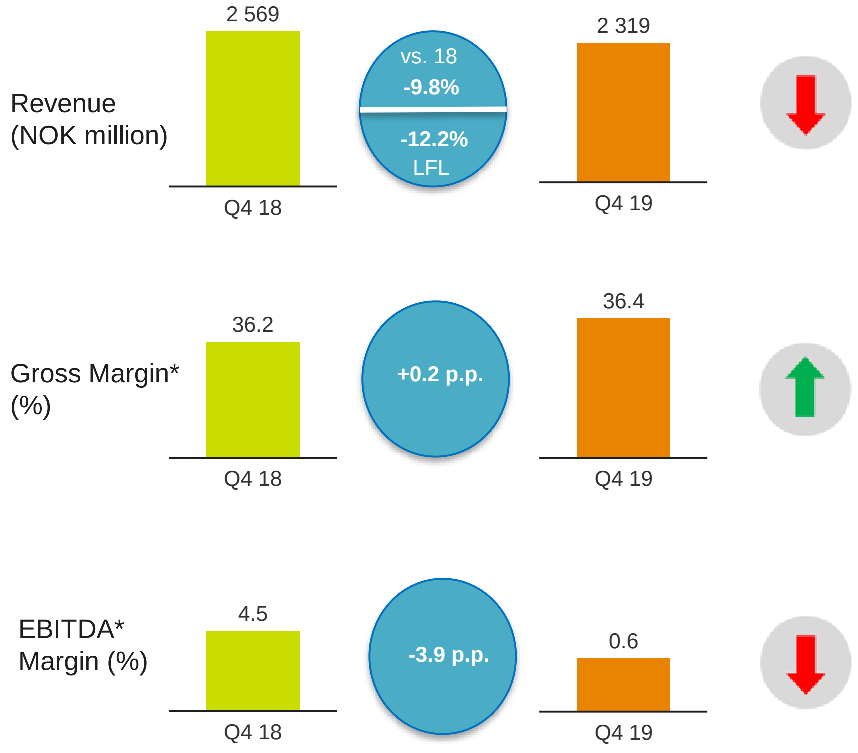
This presentation was prepared for the interim results presentation for the fourth quarter 2019, held on 7 February 2020. Information contained herein will not be updated. The following slides should also be read and considered in connection with the information given orally during the presentation.

Highlights fourth quarter 2019

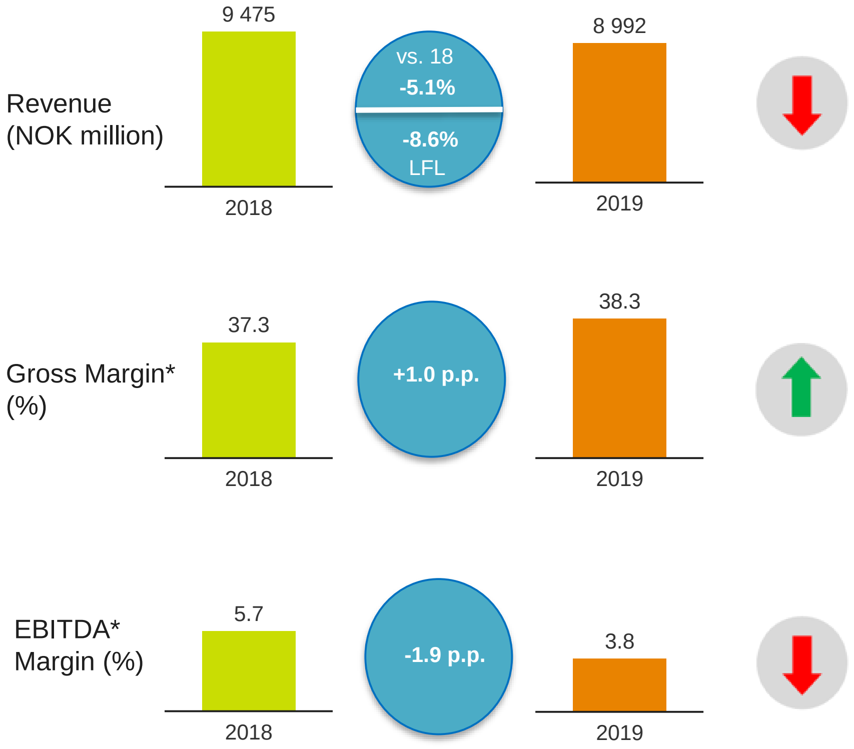
- EBITDA* of NOK 14 million, negatively affected by
  - Lower supplier bonuses of NOK 72 million
  - Negative like for like growth of 12.2%
- Better performance during Black Week, but particularly December and Christmas sales proved to be challenging
- Challenging Nordic sports retail market leading to inventory build up and heavy discount activities
- Leverage ratio of 2.9x
- Liquidity reserve of NOK 0.8 billion - up NOK 0.1 billion from last year



* Excluding effects of IFRS 16 and extraordinary writedown

Highlights 2019 – a challenging year

- Disappointing sales trend in a challenging market
- Gross margin control, but hampering growth and cost leverage
- EBITDA significantly down explained by the extraordinary write down of inventory, lower supplier bonuses of NOK 105 mill, and negative like for like growth of 8.6%
- Mixed performance
  - Norway: loss of market share in a discounting market
  - Sweden: setback both on sales and profit
  - Finland: gaining market shares and profitability
  - Austria: disappointing results, lack of scale
  - Denmark: reorganized to a tactical sales channel



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2019 - overall sluggish market growth

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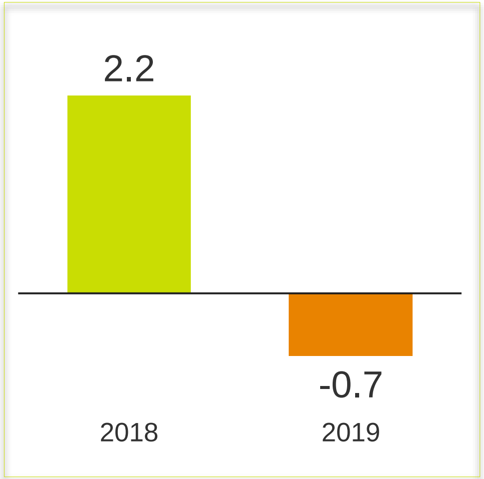
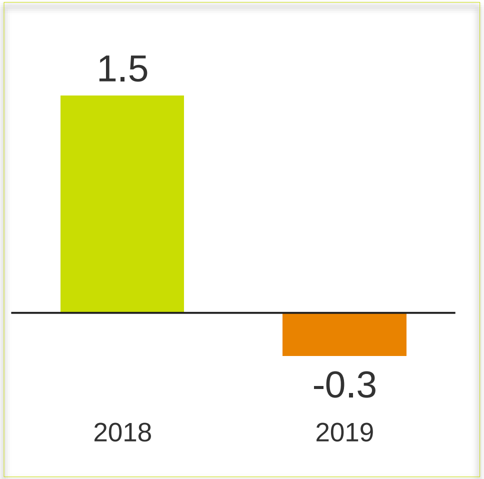
Norway

Sweden



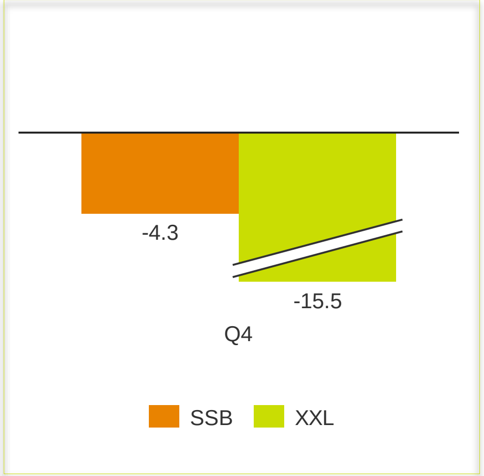
Finland



Sources: NO – 2018: Sportsbransjen and 2019: SSB, SE – SCB (unweighted average), Finland - TMA

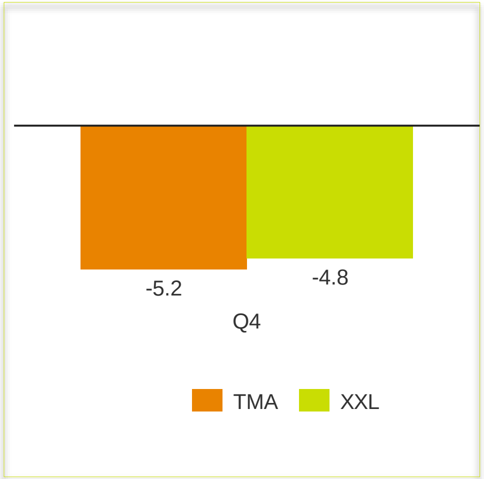
Q4 – challenging retail environment

Norway



Sweden

Finland



Sources: NO - SSB, SE – SCB (unweighted average), Finland - TMA

Status Q4 2019 – LFL and EBITDA

	Group	Norway	Sweden	Finland	Austria	Denmark	HQ
LFL growth	- 12.2%	- 16.2%	- 8.3%	- 10.2%	- 23.3%	- 64.2%	N/A
EBITDA* growth	- 101 MNOK	- 57 MNOK	- 38 MNOK	+ 5 MNOK	- 4 MNOK	+ 1 MNOK	- 9 MNOK

* Excluding effects of IFRS 16 and extraordinary writedown inventory

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 and e-commerce
- Category development
- Broadened assortment online
- Utilize omni-channel opportunities
- Sold out situations and better control of replenishment

Inventory

- Improved forecast control
- Reduced pre purchase
- Full assessment of assortment and suppliers
- Inventory per store down towards NOK 25 million medium term in order to significantly strengthen the balance sheet

Organization

- New CEO – Pål Wibe in place from 1. of April
- Tolle Grøterud given the responsibility to strengthen HR and communications – ongoing recruitments
- André Sjåsæt appointed new strategy and business development director
- Optimizing cost base and company structure

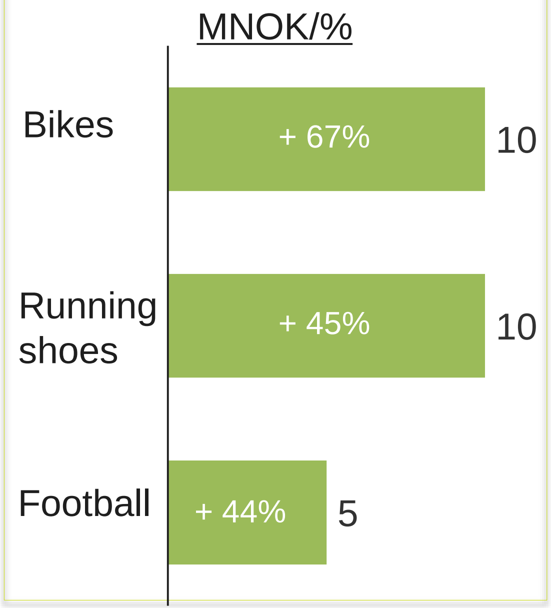
Current Trading January 2020

Current trading

- Challenging winter conditions in all of Nordics
- January 2020 sales down with 22% vs. last year to around NOK 600 mill
- Sales of winter products not compensated by sales of other categories
- The Nordic markets with double digit decline
- XXL will immediately start a massive clearance sales in all markets

Sales of typical winter products

Sales of typical spring products



Financial review

Q4 results significantly impacted by inventory write down XXL

Background

- 2019 – negative top line growth and inventory build up
- XXL will reduce the number of SKU's and suppliers => changed strategy
- Very poor winter conditions during December 19 and January 20
- Challenging market dynamics

Write down of inventory

- XXL has done an assessment of the whole assortment and inventory in all countries
- Extraordinary write down of the inventory of NOK 385 million
  - Norway: NOK 169 million
  - Sweden: NOK 123 million
  - Finland: NOK 69 million
  - Austria: NOK 23 million

Implications

- + XXL will immediately start a massive clearance sales in all markets
- + Should contribute to top line growth
- + Improved liquidity and stronger financial position
- + Strengthen the flow of goods throughout the value chain
- ÷ Short term – negative effect on gross margins

Key Figures

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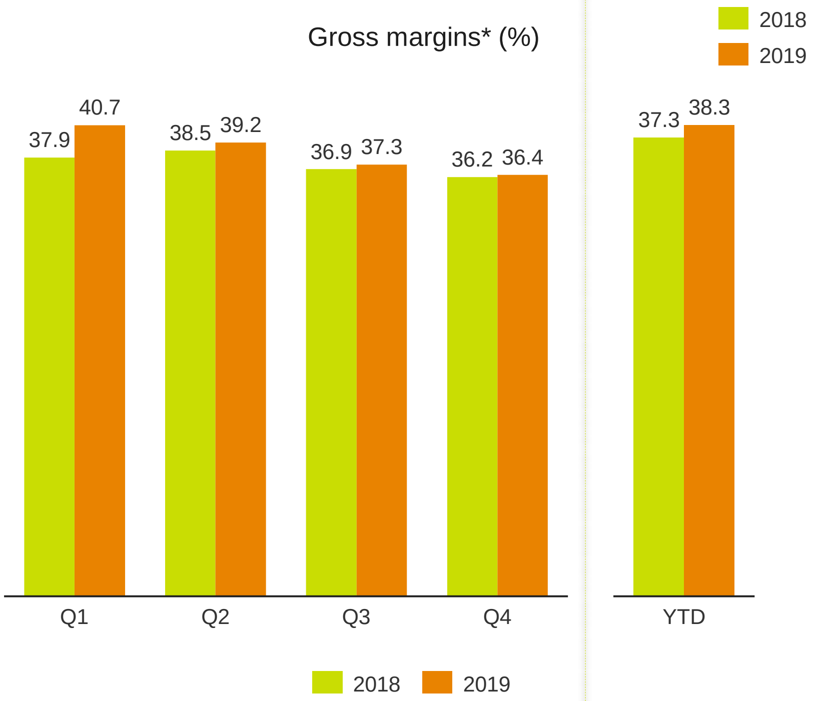
(Amounts in NOK million)	Q4 2019 (ex IFRS 16)	Q4 2018	FY 2019 (ex IFRS 16)	FY 2018 Audited
GROUP				
Operating revenue	**2 319**	2 569	**8 992**	**9 475**
Growth (%)	***-9,8 %***	*1,8 %*	***-5,1 %***	***8,8 %***
Gross profit (adj.)	**844**	930	**3 443**	**3 536**
Gross margin (adj.) (%)	***36,4 %***	*36,2 %*	***38,3 %***	***37,3 %***
OPEX %	***35,8 %***	*31,7 %*	***34,5 %***	***31,6 %***
EBITDA (adj.)	**14**	**115**	**343**	**541**
EBITDA (adj.) margin (%)	***0,6 %***	***4,5 %***	***3,8 %***	***5,7 %***
Extraordinary writedown of inventory	***385***	*-*	***385***	*-*
EBITDA	**-371**	115	**-42**	**541**
EBITDA margin (%)	***-16,0 %***	*4,5 %*	***-0,5 %***	***5,7 %***
EBIT	**-422**	64	**-241**	**352**
Net Income	**-347**	44	**-253**	**237**

- Disappointing sales development in Q4 vs. LY: - 9.8%
  - Challenging markets
  - All segments posting negative growth
- Gross margins:
  - Q4: margins ended at 36.4%, marginally higher levels than 2018, despite NOK 72 million in lower supplier bonuses.
  - 2019 margins ended at 38.3%, 1% point above LY with NOK 105 million in lower supplier bonuses
- Opex % both in Q4 and YTD hampered by lower the lower sales – all segments with negative trend
- EBITDA* in Q4, adjusted for extraordinary write down, ended at NOK 14 million, down NOK 101 mill vs. LY

* Excluding IFRS 16 effects

** Excluding cannibalization effects

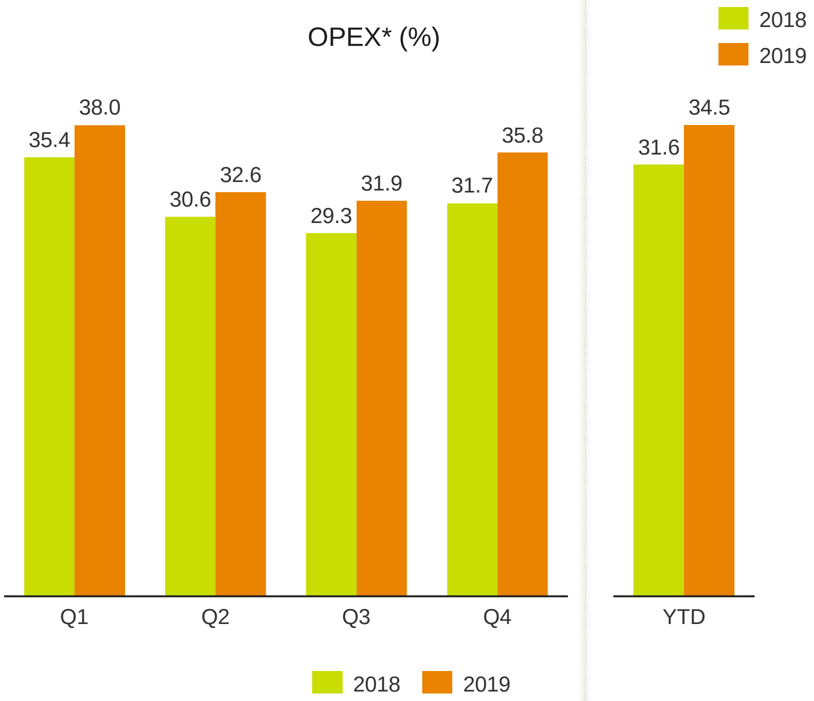
Gross margin development*



- Gross margin was 36.4% in Q4 2019 up from 36.2% in Q4 2018, despite significant impact from lower supplier bonuses of NOK 72 million
- Gross margin was 38.3% in 2019, and increase of 1%-point versus 2018. Lower supplier bonuses of NOK 105 affected the margins negatively in all markets.
- All markets had higher gross margin in 2019 compared to 2018.

* Excluding extraordinary writedown

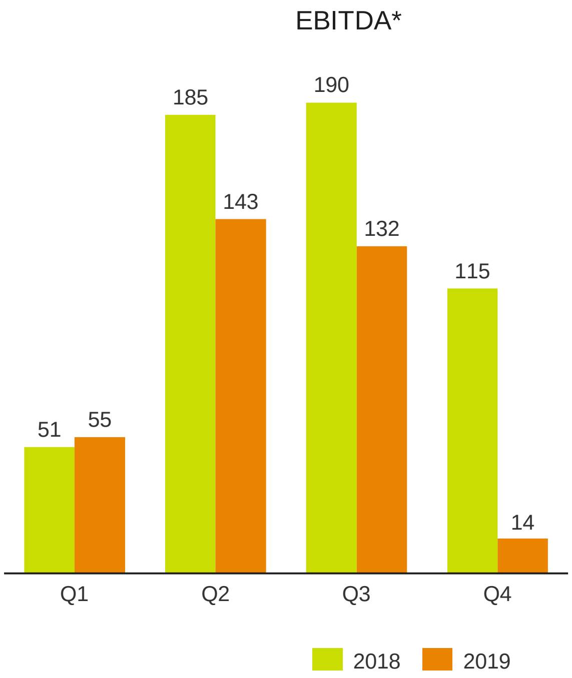
OPEX development (ex IFRS16)

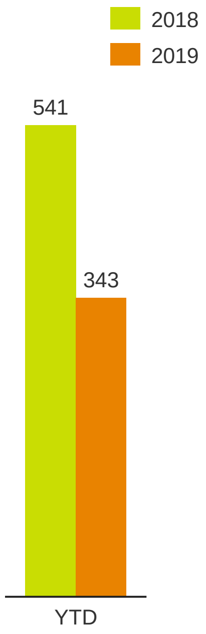


- Group OPEX% up by 4.1 points to 35.8% in Q4
  - Driven by negative like for like growth of 12.2%
- Negative like for like growth in the stores impacting the cost leverage
- Increased costs in HQ and Logistics segment, mainly explained by extraordinary costs related to the DLA Piper report and consultancy related to these topics.
- In 2019 group OPEX% up by 2.9 points to 34.5%
  - Driven by negative like for like growth of 8.6%
  - New stores

* Excluding effects of IFRS 16

EBITDA (adj.) development (ex IFRS16)

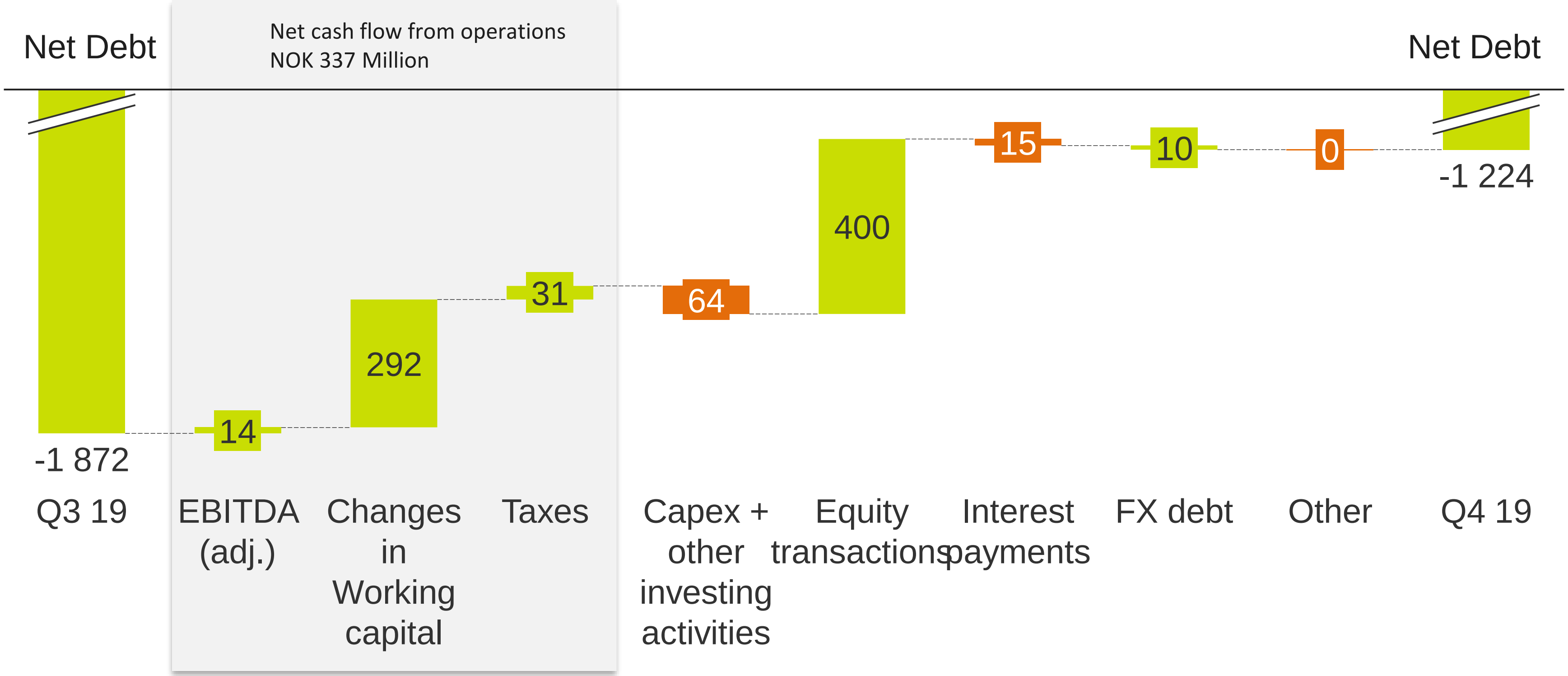




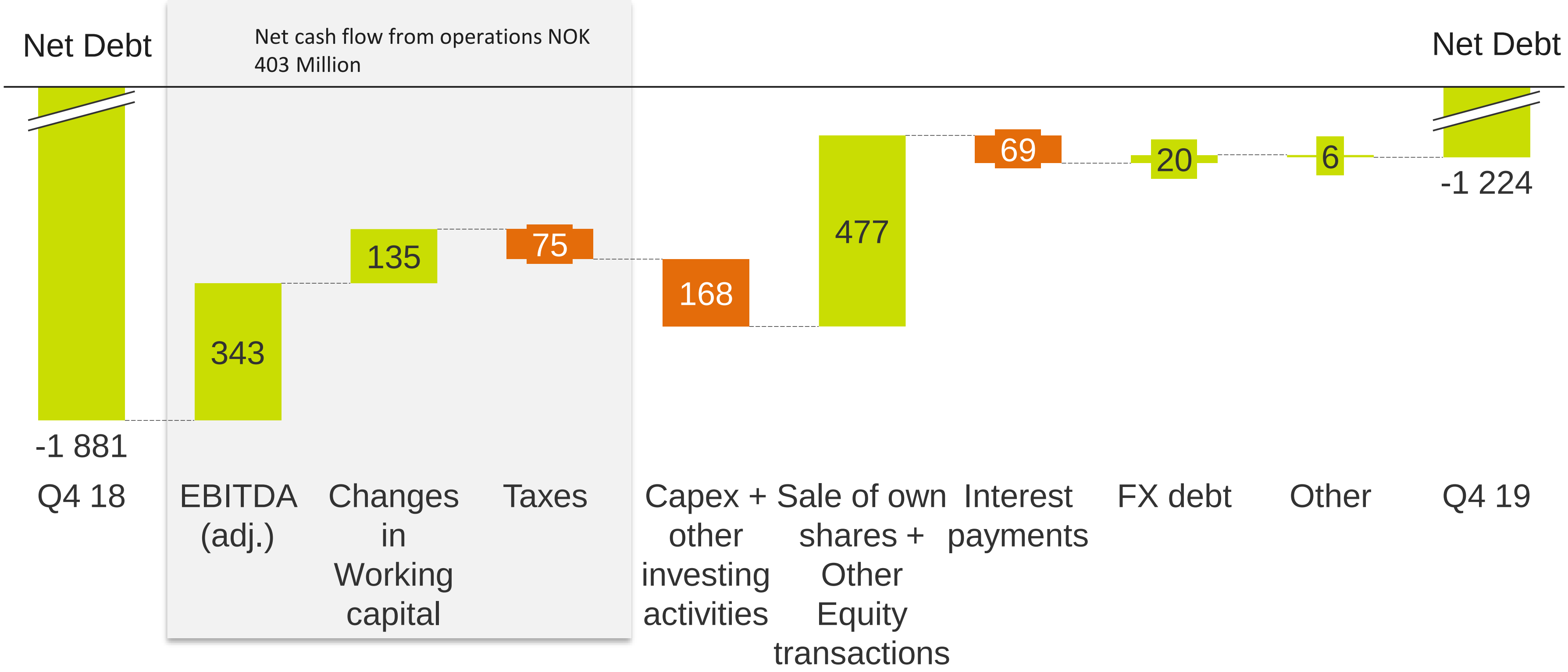
- EBITDA decline in Q4 of NOK 101 million vs. LY
  - negative revenue growth
  - lower supplier volume bonuses of NOK 72 mill
  - Higher opex base
- Strong decline in Norway (NOK 57 mill) and Sweden (NOK 38 mill), while Finland had improvement (NOK 5 mill)
- In 2019 EBITDA ended at NOK 343 million, whereof lower supplier bonuses counted for NOK 105 million. Also negatively affected by negative revenue growth and higher opex base
- Poor performance in especially Norway (NOK -134 mill), and Sweden (NOK – 93 million). Finland with improvement of NOK 18 million

* Excluding effects of IFRS 16 and extraordinary write down of inventory of NOK 385 million

Net debt development (ex IFRS16)



Net debt development (ex IFRS16)



Liquidity reserves ending at NOK 0.8 billion

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Q4 Operational cash flow*

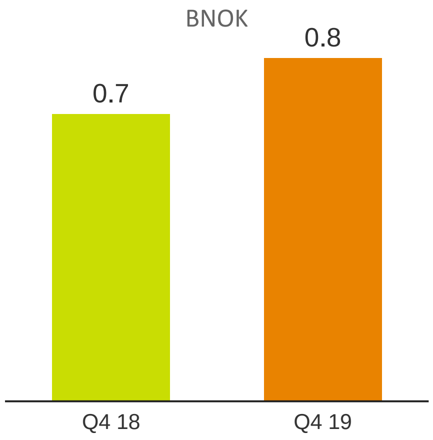
MNOK

337 MNOK

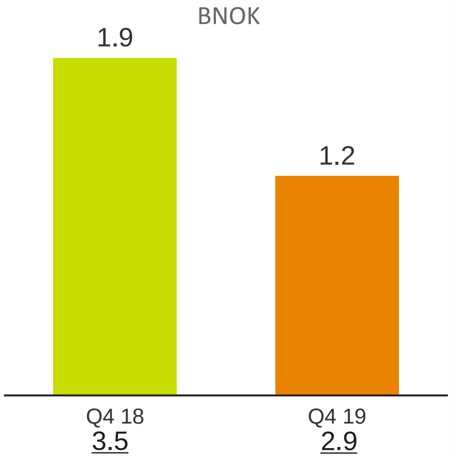
+9 MNOK

vs. Q4 2018

Liquidity reserves



Net interest bearing debt



Leverage ratio**

* Excluding effects of IFRS 16 ** NIBD/EBITDA includes NOK 100 million from the subsequent offering that is made in Q1-20

Summary

Q4 and 2019 takeaways

- Disappointing sales development in challenging markets
- Significant EBITDA decline explained by:
  - extraordinary inventory write down of NOK 385 million
  - lower supplier bonuses of NOK 72 million in Q4 and NOK 105 million in 2019
  - negative like for like growth of 12.2% in Q4 and 8.6% in 2019
- Liquidity reserves ending at NOK 0.8 billion and leverage ratio at 2.9x

Priorities

- Top line growth and inventory reduction
  - massive clearance campaign in all markets
  - more exiting and inspiring stores and e-com
  - pricing
- Optimizing cost base and company structure
- Strengthen corporate governance

Outlook

- Covenant risk – XXL investigates long term sustainable sources of funding
- 4 new lease agreements signed for 2020
- Slow down the pace of the store roll-out – focus on Austria and some in Sweden
- Downsizing smaller stores and renegotiate rental contracts
- Mid-term ambition of inventory per store of NOK 25 million
- Capex NOK ~150-180 mill

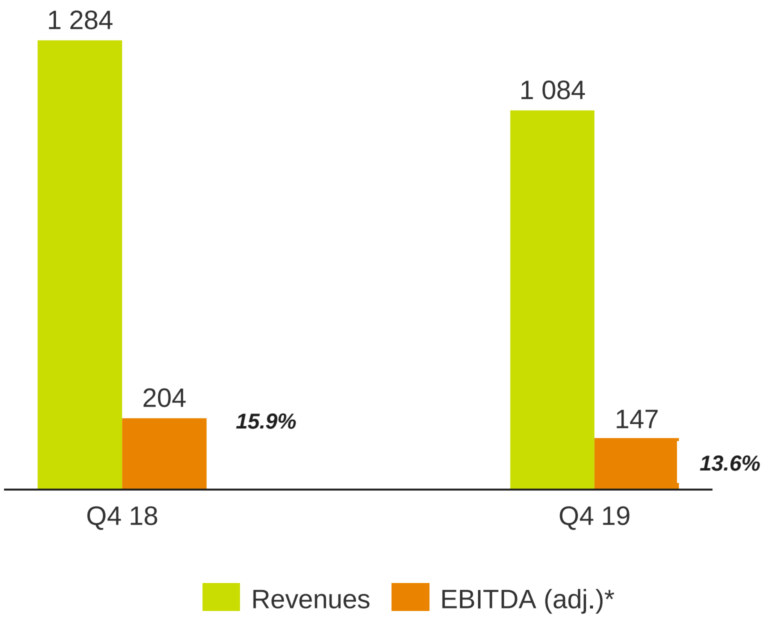
* Excluding effects of IFRS 16

Appendix

Norway

- Very weak sales development in the quarter
- Negative like for like growth of 16.2%
  - 16% adjusted for cannibalization effects
  - Impacting the cost leverage negatively
- Lower gross margins* – down 0.9%p to 38.3%, affected by lower supplier bonuses
- EBITDA-margin* down 2.3%p to 13.6%

Amounts in MNOK

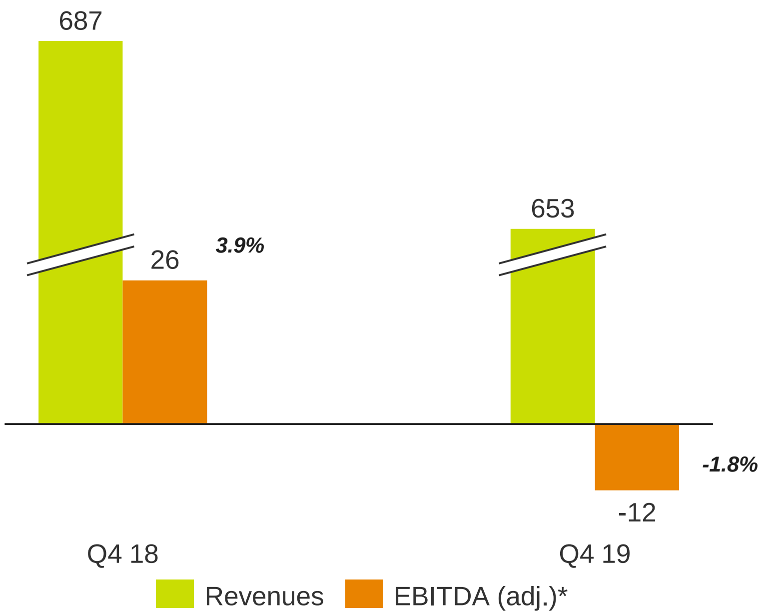


* Excluding effects of IFRS 16 & extraordinary writedown

Sweden

- Volatile and price focused market
- Like for like growth down 8.3% in local currency
  - Affecting the cost leverage negatively
- Negative development in gross margin* of 0.6%p to 34.4%, affected by lower supplier bonuses
- EBITDA* of NOK -12 million and a margin of -1.8%

Amounts in MNOK

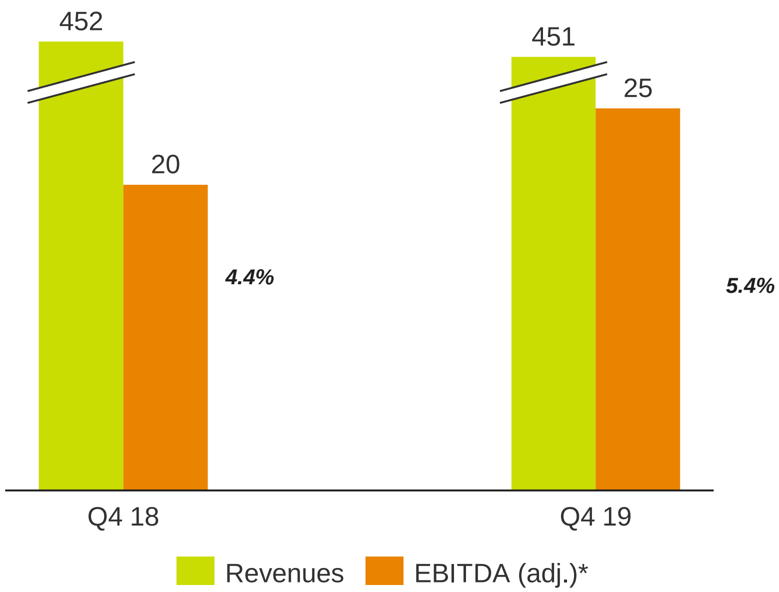


* Excluding effects of IFRS 16 & extraordinary writedown

Finland

- Started good in the quarter, but negative development in December
- Negative like for like growth of 10.0% when adjusting for cannibalization effects
- Positive development in gross margins*, up 2.6%p to 36.4% despite negative effect from lower supplier bonuses
- EBITDA* of NOK 25 million (NOK 20 million)

Amounts in MNOK

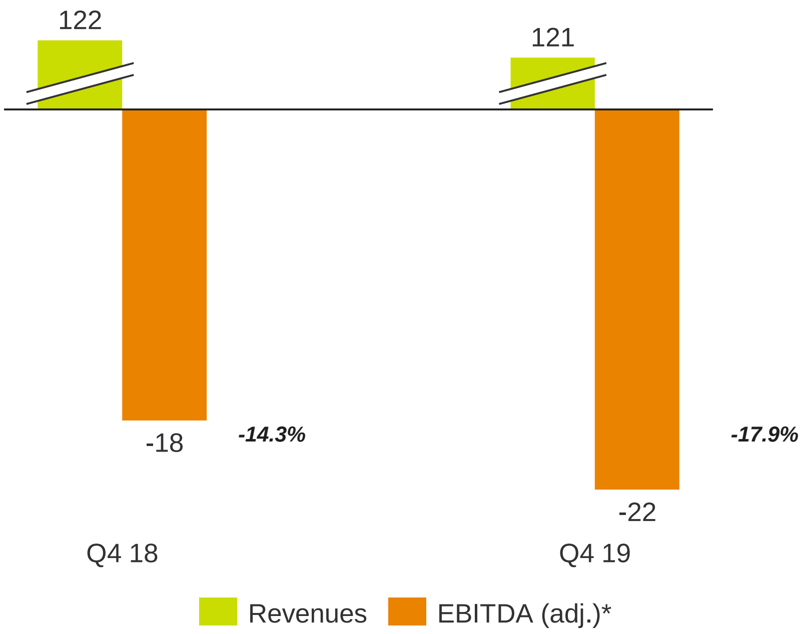


* Excluding effects of IFRS 16 & extraordinary writedown

Austria

- Revenue steady compared to prior year
- Constantly working on improving the offering
- Gross margin* up 5.8%p to 31.2% despite negative effect from lower supplier bonuses
- Negative EBITDA* of NOK 22 million
  - still lagging scale on HQ

Amounts in MNOK

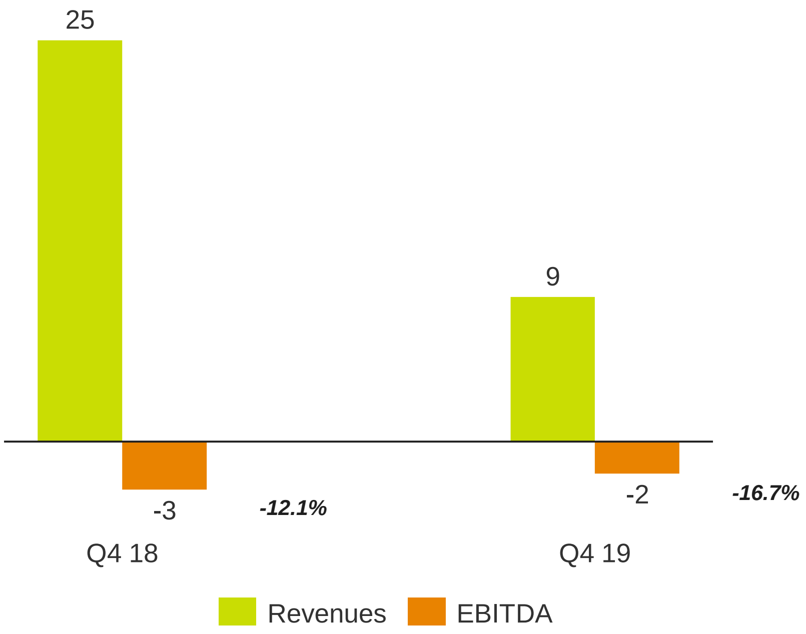


* Excluding effects of IFRS 16 & extraordinary writedown

Denmark

- Revenues declined 64.2% in local currency
- Gross margins improved from 15.3% to 25.7% YoY
- EBITDA loss of NOK 2 million
- Adjustments to reach break-even on a significant lower cost base

Amounts in MNOK

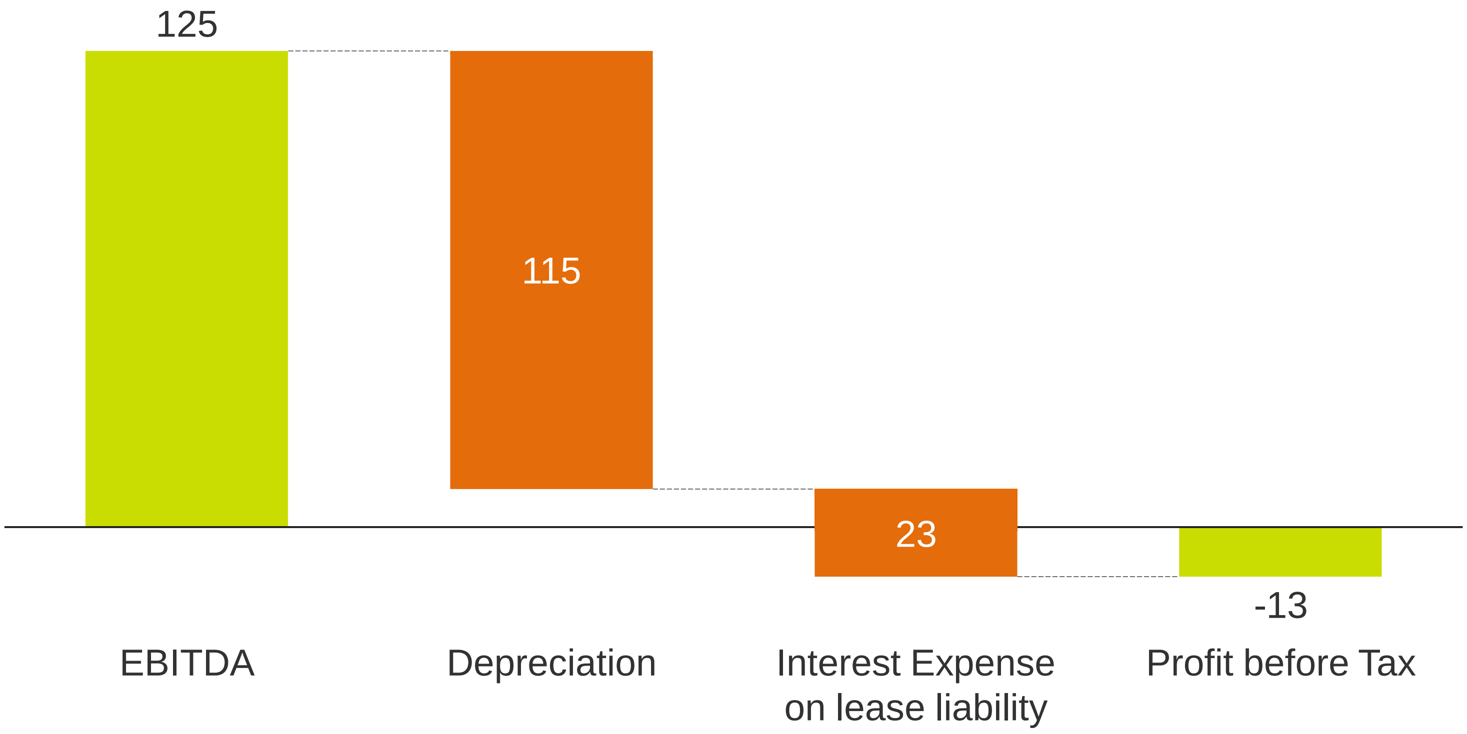


HQ and Logistics

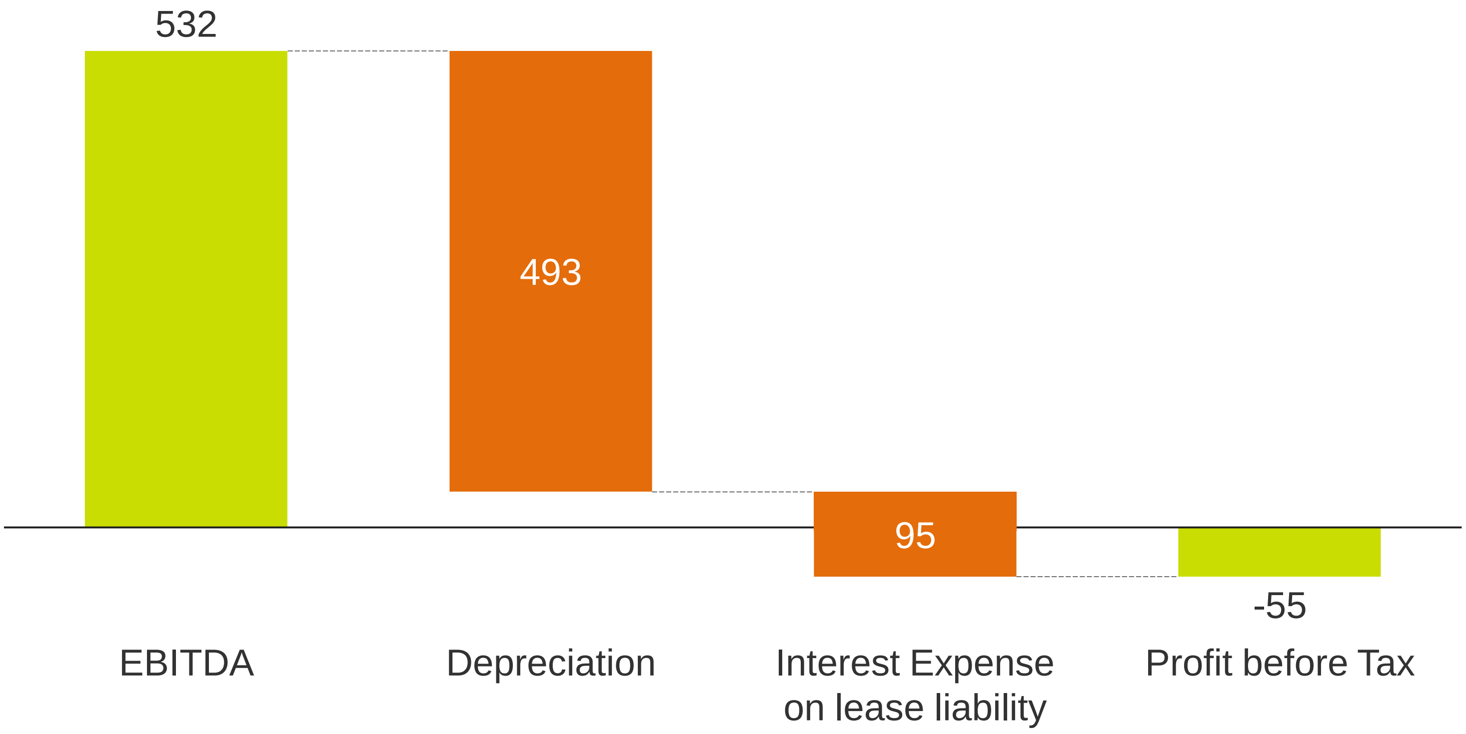
- Higher cost mainly explained by new recruitments and costs of external cost elements
- OPEX of NOK 123 million to 5.3% of Group sales
- Several initiatives to reduce the cost base

* Excluding effects of IFRS 16

IFRS 16 Q4 – Significant effects on the classification of the P&L



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



Market data – online traffic

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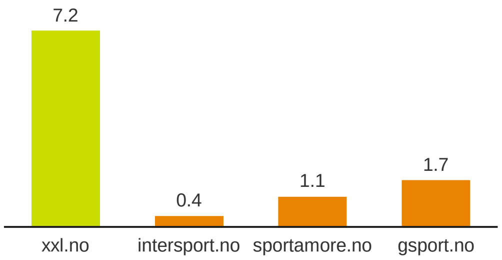
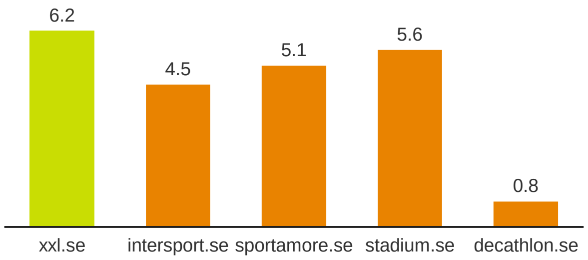
Norway

Q4 19 total visits in millions



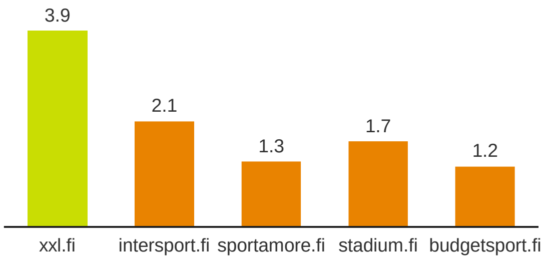
Sweden

Q4 19 total visits in millions



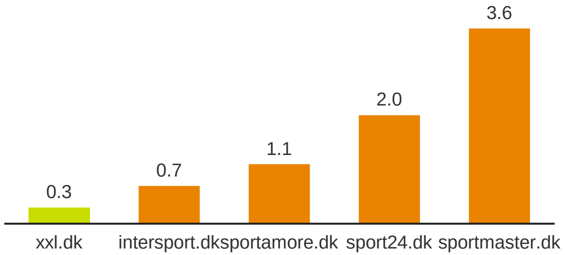
Finland

Q4 19 total visits in millions



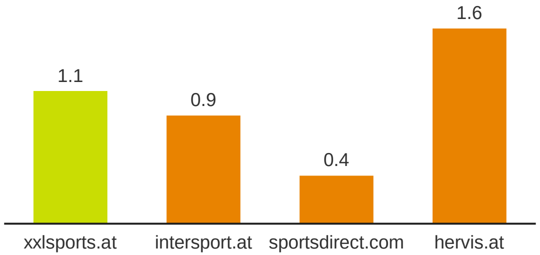
Denmark

Q4 19 total visits in millions



Austria

Q4 19 total visits in millions

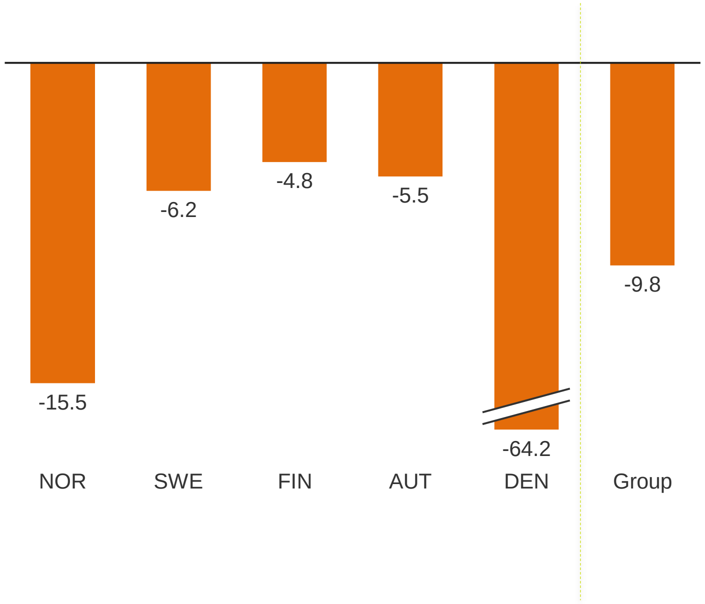


XXL continues with high online traffic shares but influenced by the changed focus towards gross profit

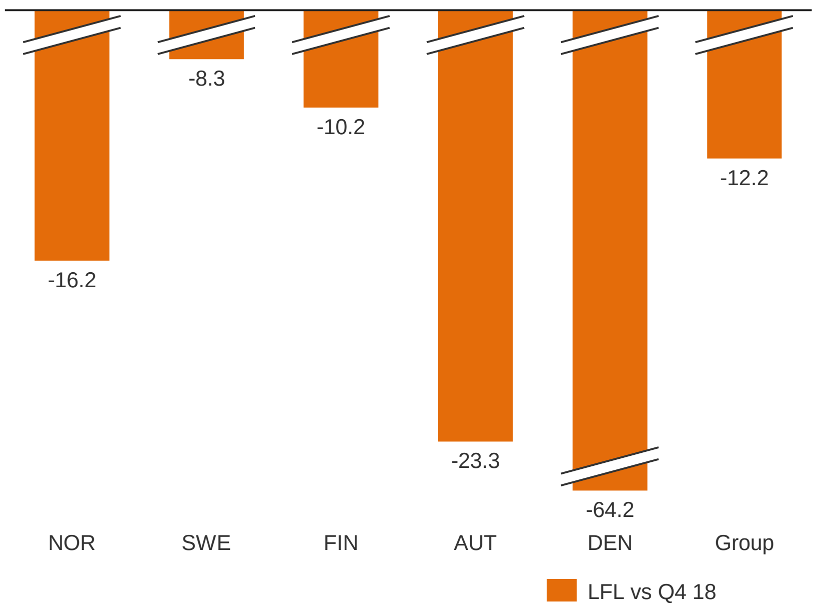
Source – non-unique visitors from SimilarWeb, Google Analytics

Growth split by markets

Revenue growth (% in local currency)



Like for Like growth (% in local currency)



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