



XXL
ALL SPORTS UNITED

XXL ASA – Q1 2020

Disclaimer



Important notice

The following presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated (“relevant persons”). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the XXL Group. The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about, and observe, such restrictions.

This presentation includes and is based, inter alia, on forward-looking information and contains statements regarding the future in connection with the XXL Group’s growth initiatives, profit figures, outlook, strategies and objectives. All forward-looking information and statements in this presentation are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for the XXL Group and its lines of business. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates” or similar expressions.

Important factors may lead to actual profits, results and developments deviating substantially from what has been expressed or implied in such statements. Although XXL believes that its expectations and the presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the presentation.

XXL is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the presentation, and neither XXL nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use.

This presentation was prepared for the interim results presentation for the first quarter 2020, held on 29 April 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.

Introduction to XXL's new CEO - Pål Wibe



- Experienced CEO within retail from Europris AS, Nille AS, Travel Retail Norway AS
 - Board member Kolonial.no
- Passionate sport enthusiast
- Strong believer in the uniqueness of the XXL concept
- Highly confident in the transformation process and the strategy going forward

Top line – high variation in sales during the quarter

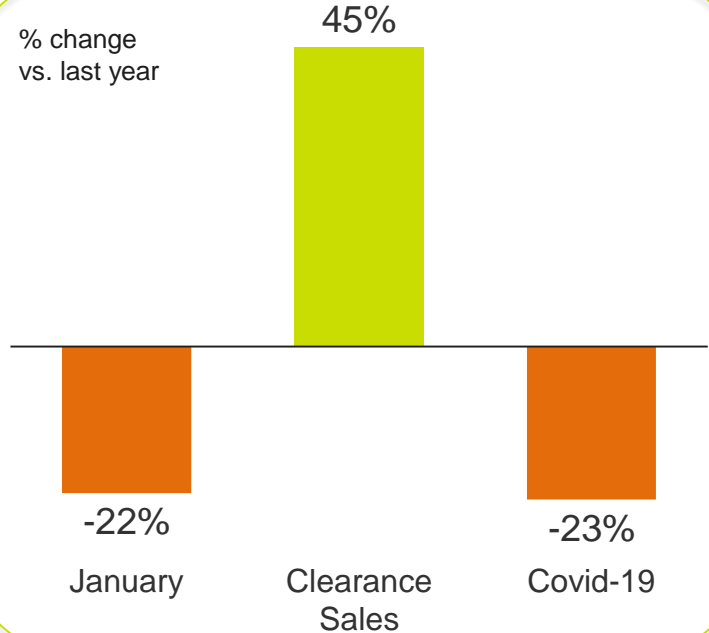
XXL

Events

-  Rough winter season
-  Clearance sales
-  Covid-19



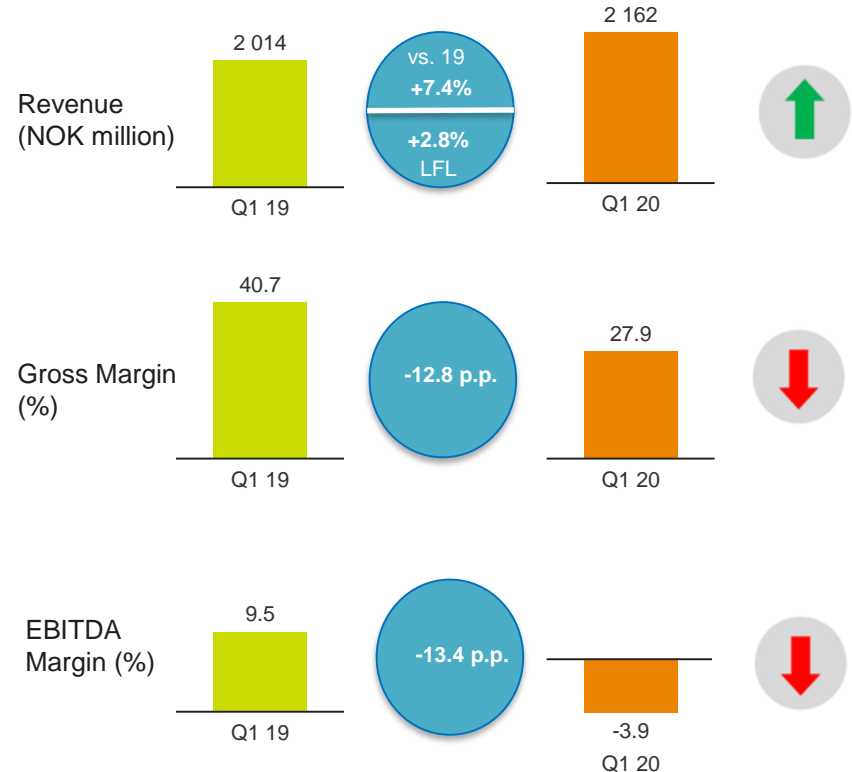
Sales development



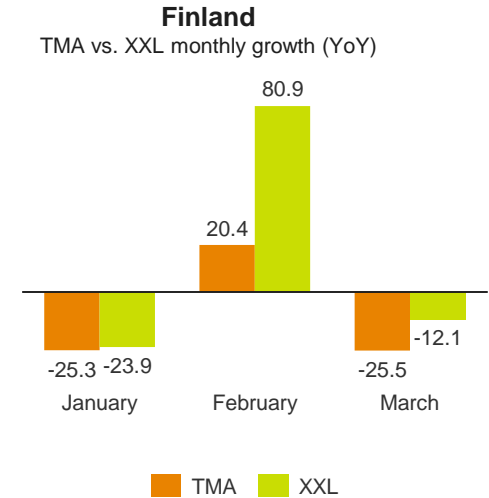
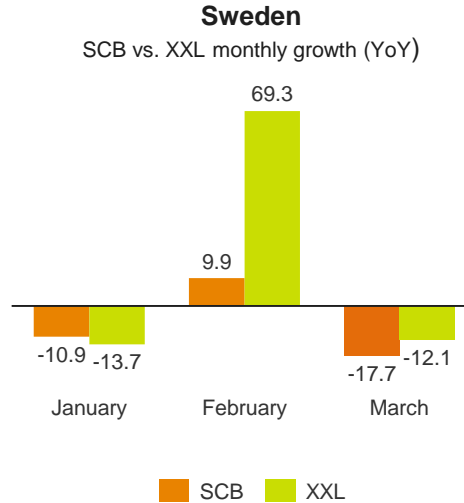
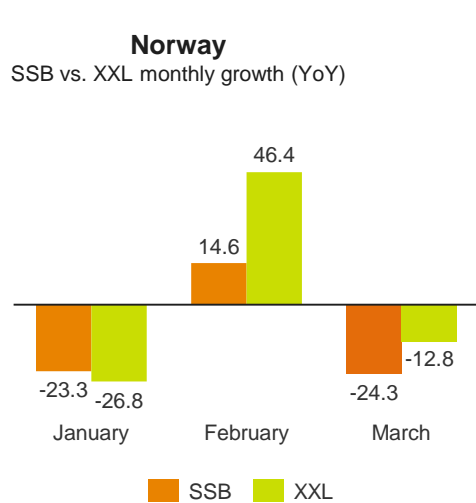
An extraordinary and tough quarter

XXL

- First quarter since Q2 18 with positive like for like growth of 3%
- E-commerce with growth of 35%
- All markets gaining market shares
- EBITDA of NOK -83 million, negatively affected by
 - Clearance sales
 - Lower supplier bonuses of NOK 71 million
 - COVID-19
- Significant reduction of inventory, NOK 0.9 billion lower than last year
- Liquidity reserve of NOK 0.8 billion and secured financing



XXL has outperformed sports retail market in Q1 **XXL**



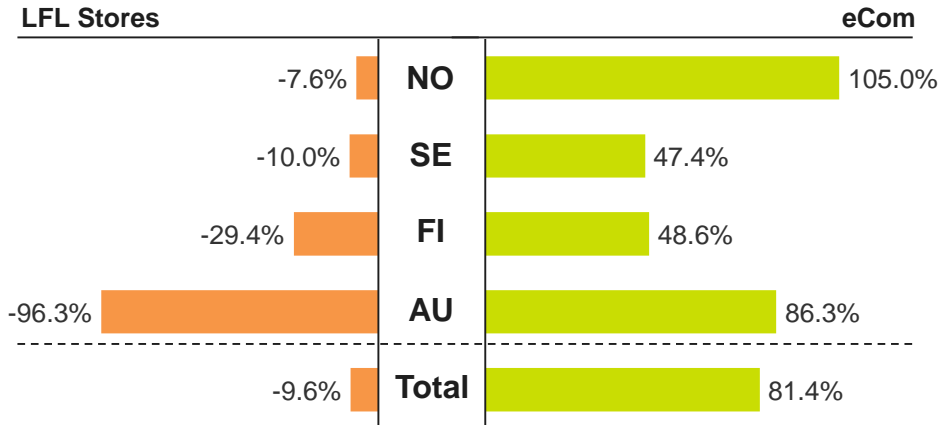
- Very volatile markets – gaining market shares in all markets

COVID-19 impacting sales and categories

XXL

Strong growth in online channel (eCom)

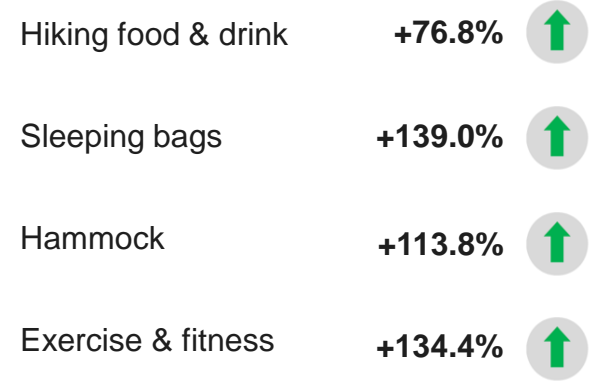
(Sales growth vs LY – 12.03.20-26.04.20)



- Consumers shifting buying behavior towards online and ecommerce across all markets
- Strong growth in Norway in eCom while drop in store revenues are at lowest level compared to other markets

Growth in specific categories

(Sales growth Norway vs LY – 23.03.20-26.04.20)



- Strong growth in some specific categories
- Home training and exercise increase across all markets while Norway also has a significant growth within outdoor related categories



Financial review



XXL

ALL RIGHTS RESERVED

Q1 results significantly impacted by several factors

XXL

Events

- Clearance sales (approx. NOK 400 million in sales of obsolete goods)
- Significantly reduced purchased goods (NOK 500 million)
- Secured long term financing of XXL
- Covid-19

Impact

- Sold off significant volumes to 0-margin (negative cannibalization)
- Increased market shares
- Reduced inventory and improved liquidity
- Lower supplier bonuses of NOK 71 million
- Reduced inventory and improved liquidity
- Liquidity covenants until Q3-21
- Reduced sales of NOK 100 million from mid-March 20 (-23%) vs. LY



Negative P&L effects in Q1, but strengthened balance sheet and liquidity

Key Figures














XXL

(Amounts in NOK million)	Q1 2020	Q1 2019	FY 2019 Audited
GROUP			
Operating revenue	2 162	2 014	8 992
Growth (%)	7,4 %	-2,7 %	-5,1 %
Gross profit	604	821	3 058
Gross margin (%)	27,9 %	40,7 %	34,0 %
OPEX %	31,8 %	31,2 %	28,6 %
EBITDA	-83	192	490
EBITDA margin (%)	-3,9 %	9,5 %	5,4 %
EBIT	-262	19	-201
EBIT margin	-12,1 %	1,0 %	-2,2 %
Net Income	-224	-19	-327

- Positive sales development in Q1 vs. LY: +7.4%
 - Challenging markets
 - First time since Q2-18 with positive LFL growth of 2.8%
 - Norway, Sweden and Finland posting positive growth
- Gross margins:
 - Q1: margins ended at 27.9%, significantly lower levels than, due to clearance and lower supplier bonuses
- OPEX % in Q1 is 0.6 p.p higher than last year, where Q1 have a higher OPEX base
 - Sweden, Finland and Austria with positive trend

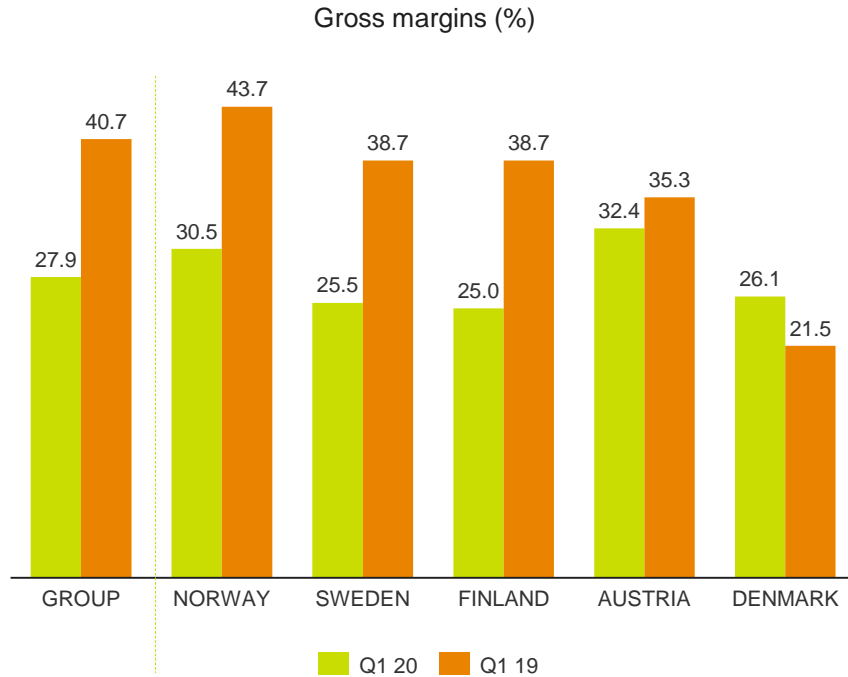
Status Q1 2020 – LFL and EBITDA

XXL

	Group	Norway	Sweden	Finland	Austria	Denmark	HQ
LFL growth	 + 2.8%	 - 1.5%	 + 5.9%	 + 2.0%	 - 23.4%	 - 70.9%	N/A
EBITDA growth	 - 275 MNOK	 - 136 MNOK	 - 68 MNOK	 - 39 MNOK	 - 3 MNOK	 + 2 MNOK	 - 31 MNOK

Gross margin development

XXL

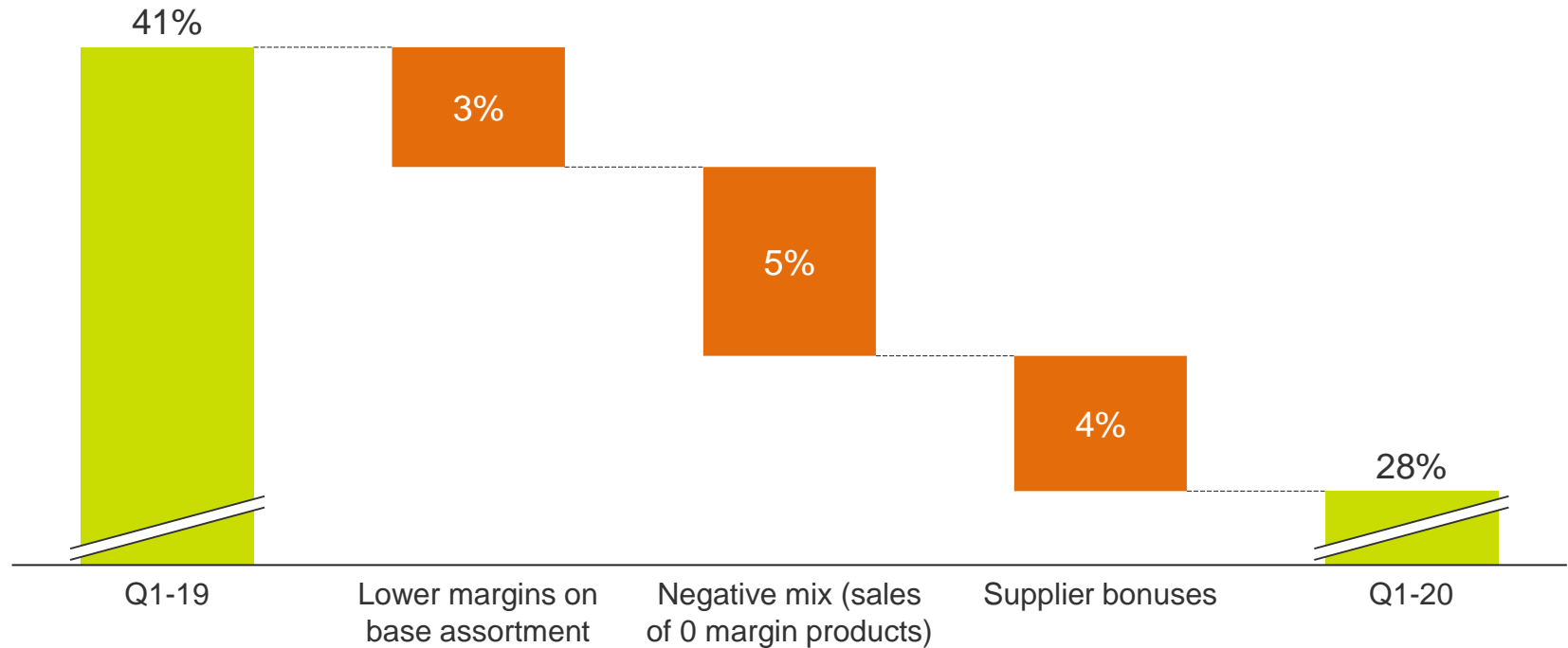


- Gross margin was 27.9% in Q1 2020 down from 40.7% in Q1 2019, due to clearance campaign in February and lower supplier bonuses of NOK 71 million

Q1-2020: significantly lower gross margins due to clearance sales and supplier bonuses

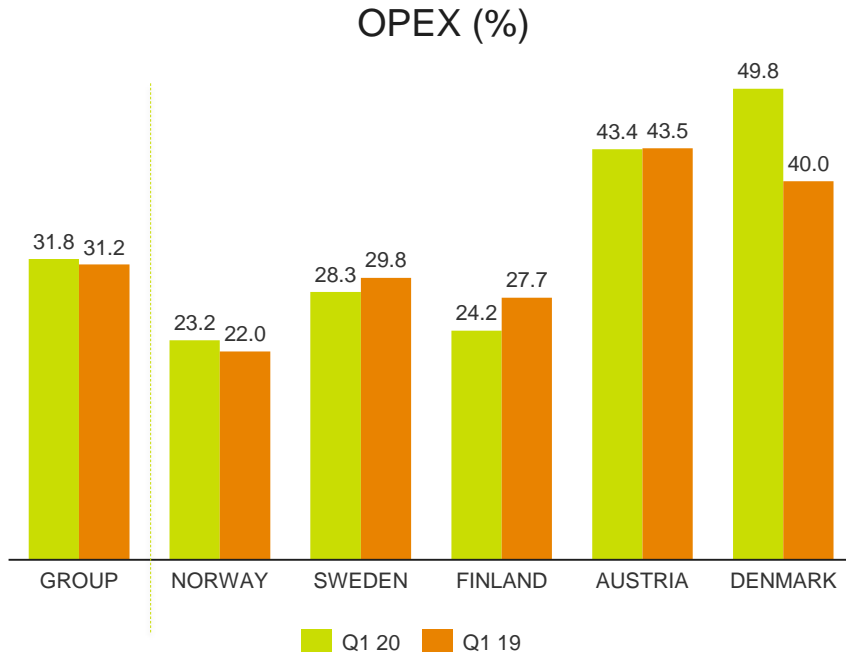


Gross margin (%) development



OPEX development

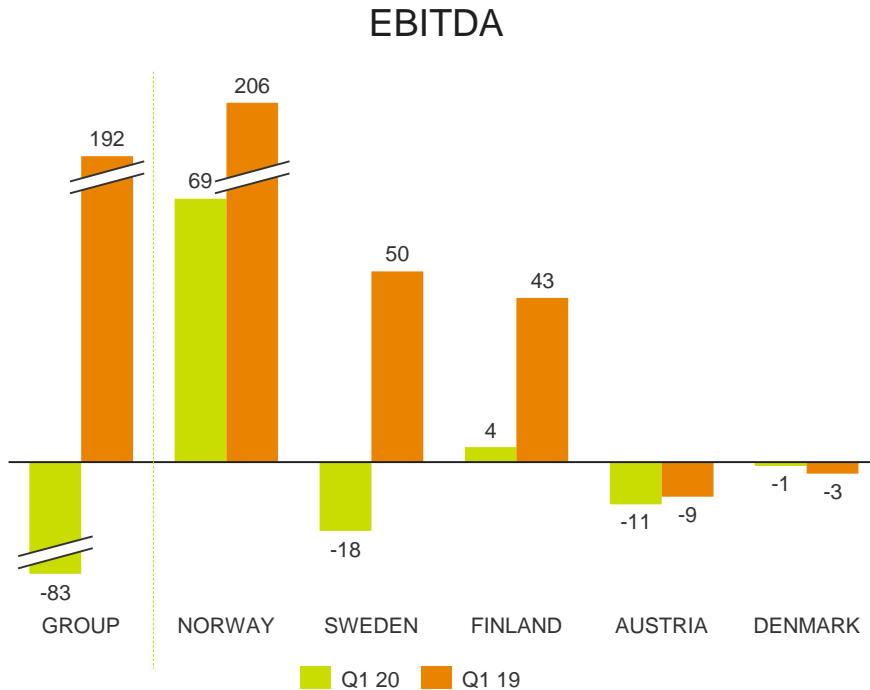
XXL



- Group OPEX% up by 0.6 points to 31.8% in Q1
– Driven by higher OPEX base
- Increased costs in HQ and Logistics segment, mainly explained by ongoing improvement programs, refinancing activities and contingency plans in relation to the COVID-19 situation
- Also increased OPEX due to 6 more stores compared to last year

EBITDA development

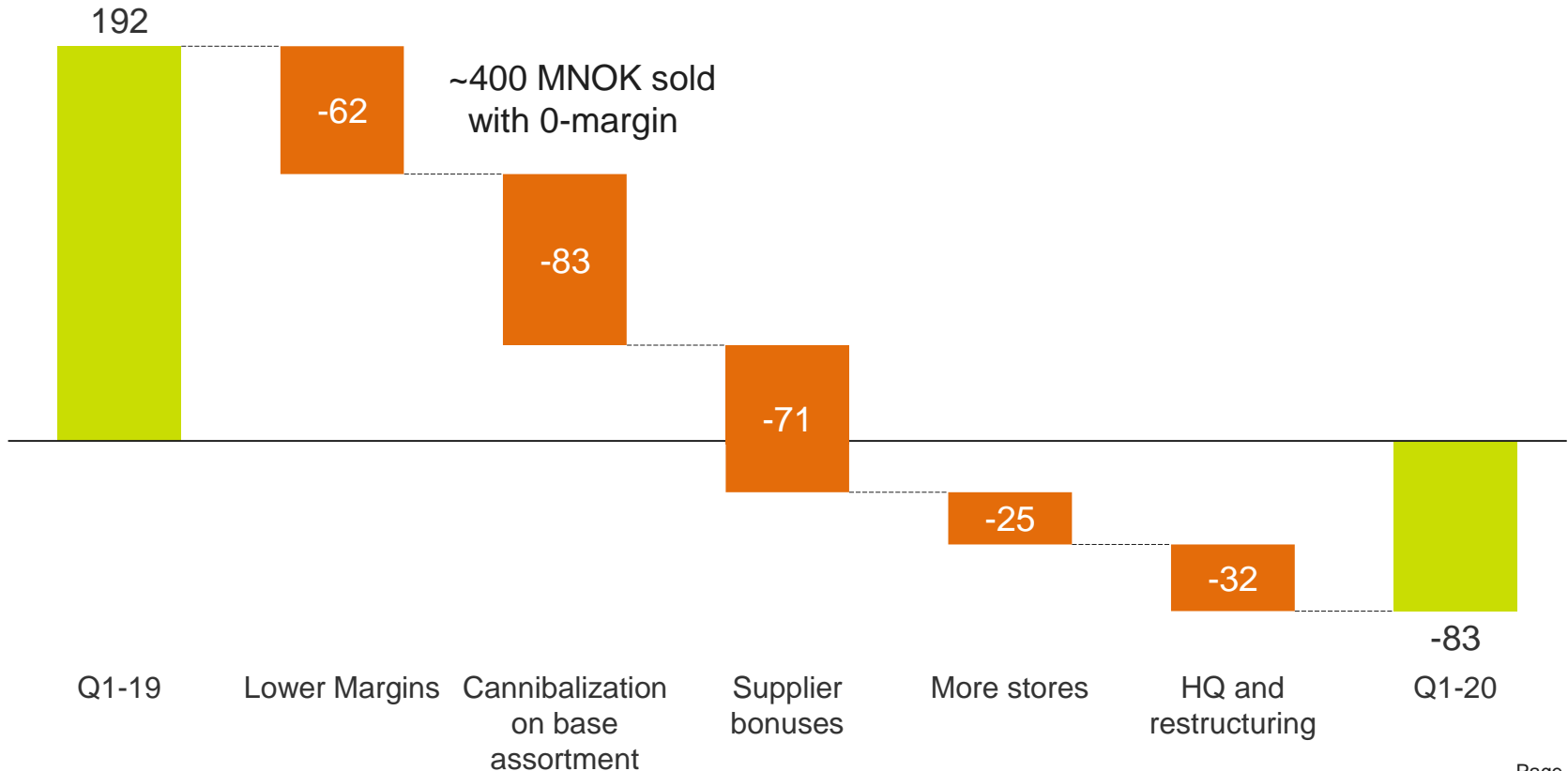
XXL



- EBITDA decline in Q1 of NOK 275 million vs. LY
 - Lower supplier volume bonuses of NOK 71 mill
 - Clearance sale in February with 0-margins
 - Higher opex base related to consultancy and restructuring
- Strong decline in Norway (NOK 136 mill) and Sweden (NOK 68 mill) and Finland (NOK 39 mill)

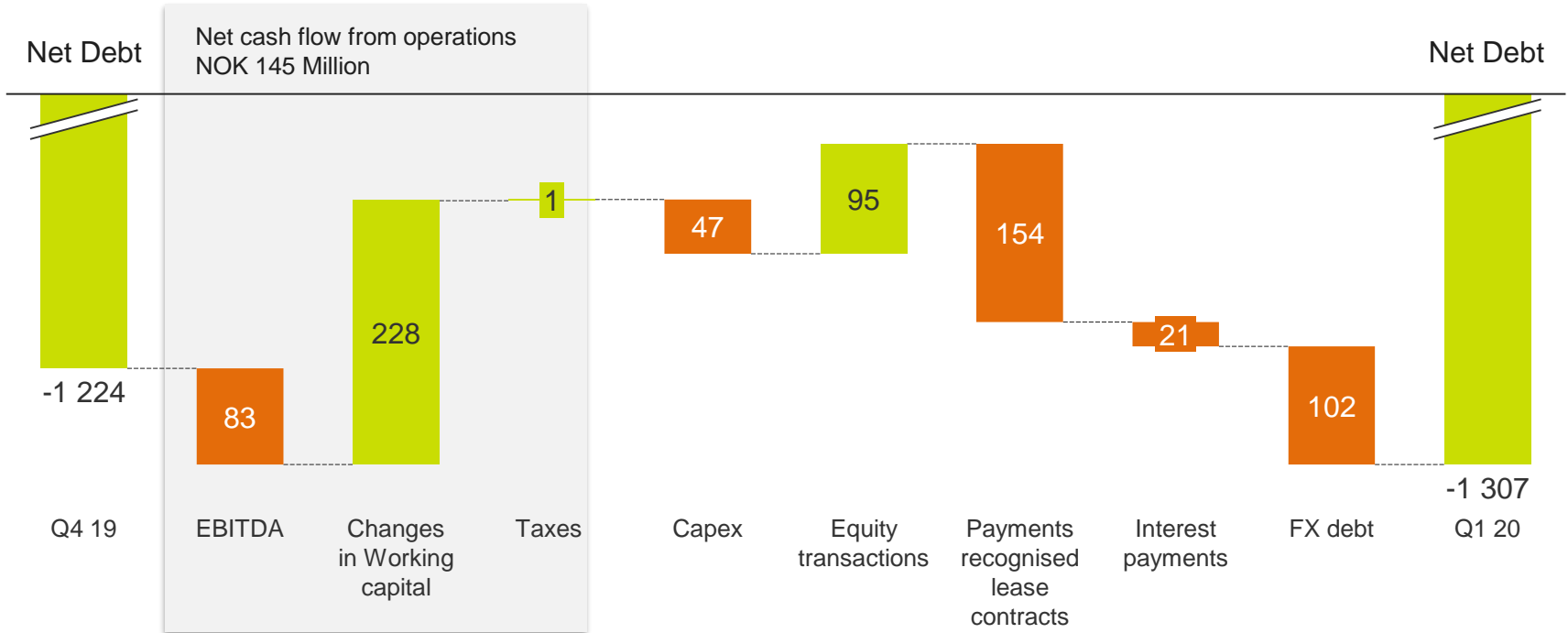
EBITDA - bridge Q1-19 to Q1-20

XXL



Net debt development

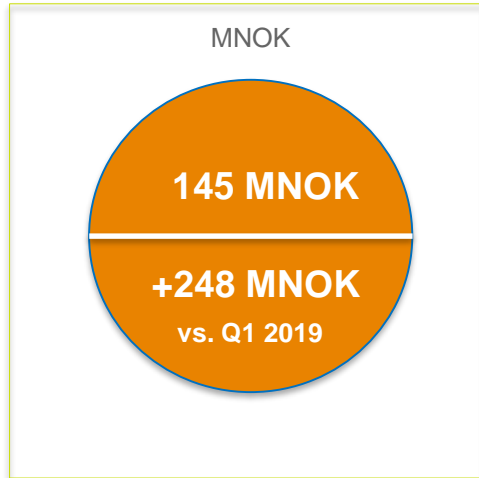
XXL



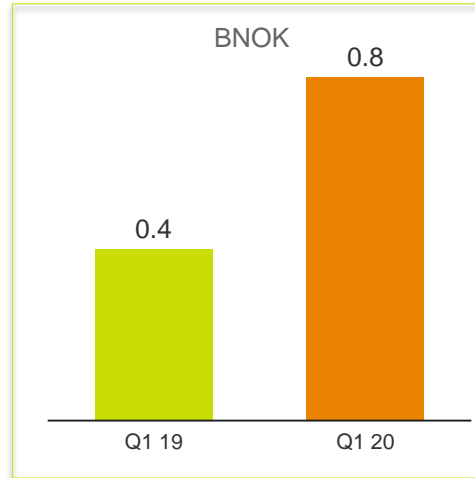
Liquidity reserves ending at NOK 0.8 billion

XXL

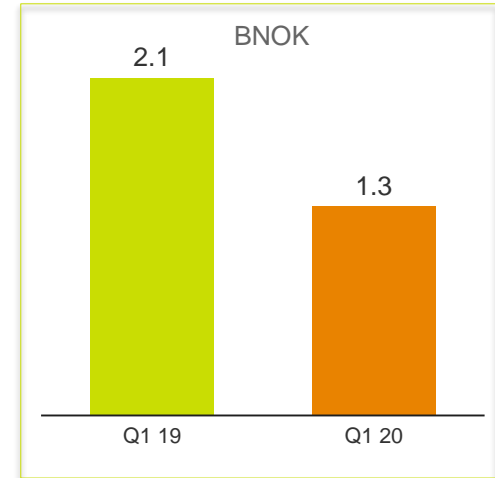
Q1 Operational cash flow



Liquidity reserves



Net interest bearing debt



Q1/Q2-2020 – strengthening the balance sheet **XXL**

Own Balance Sheet

- Reduced purchasing of goods with NOK 500 mill in Q1 vs. LY
- Clearance sales in Q1
- Reduced inventory of NOK >900 mill vs. Q1 19

Capital Raise

- Fully underwritten share issue of NOK 400 mill
- Subscription price of NOK 5.00 per share
- Each shareholder granted 0.464 subscription for every existing share
- Oversubscription will be allowed
- Subscription period from 4 May to 18 May 2020

New Bank Facilities

- New bank financing with bank consortium of NOK 1 450 mill
- Term loan of NOK 500 mill
- RCF of NOK 500 mill + 364 days of RCF of NOK 300 mill
- Seasonal credit of NOK 150 mill
- Liquidity covenants until Q3-2021



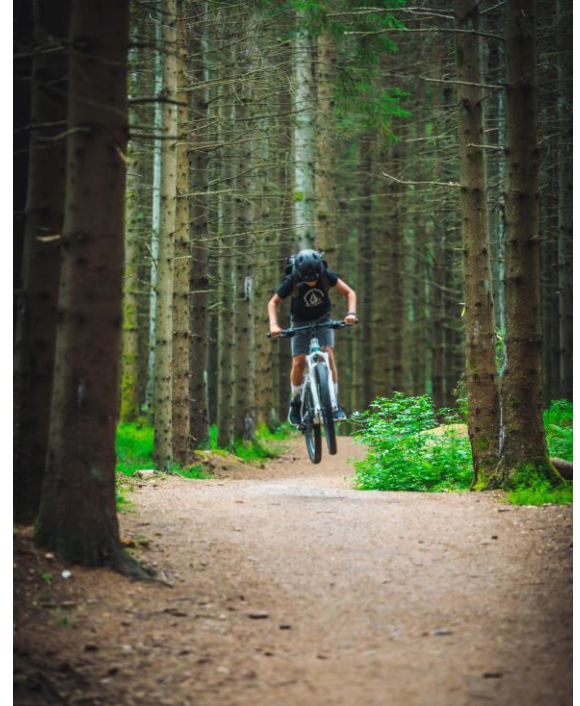
XXL
ALL SPORTS UNITED

Closing remarks

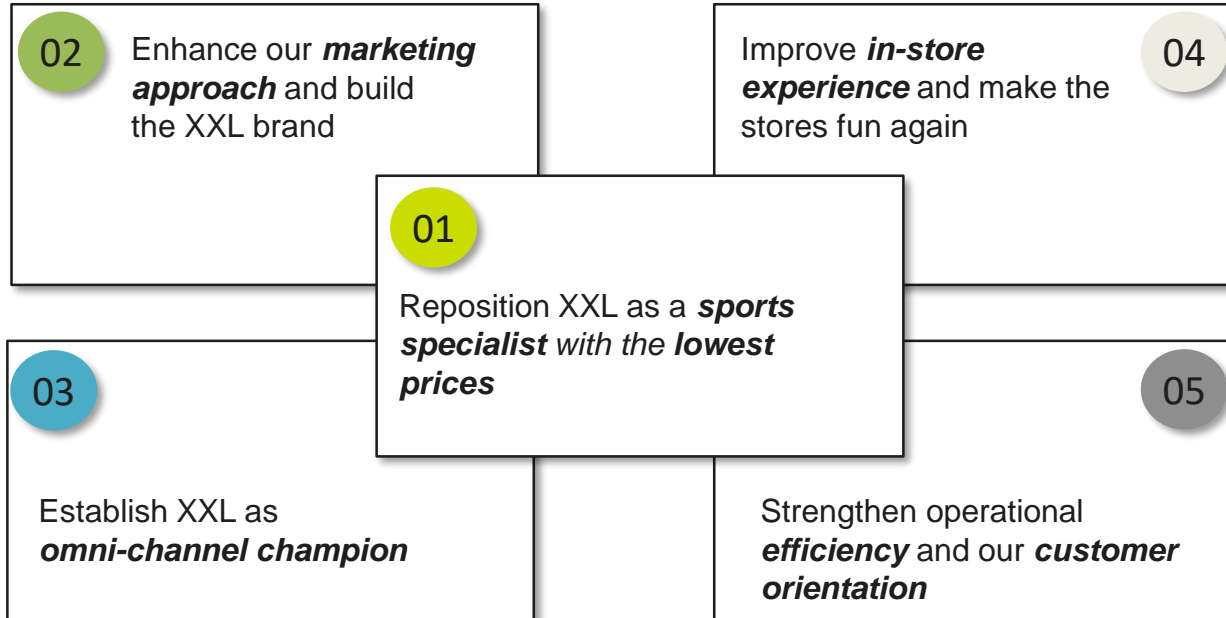
Measures has been taken to strengthen XXL's performance

XXL

- Reduced purchasing budgets
- Sold off a substantial part of inventory
- Secured long term funding needs
- Focus on retail basics and core processes
- Reducing operating costs and rightsizing the organization



Strategic priorities



Priority on changes with direct customer impact

XXL



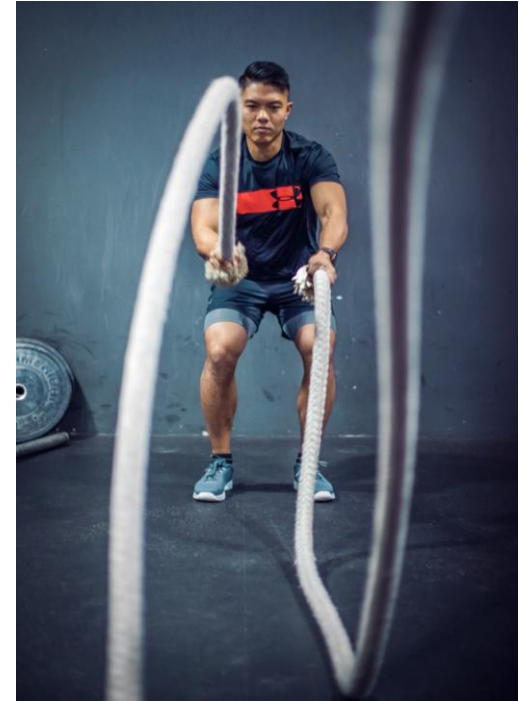
Improved category plans



Modernized concept with more distinct shop-in-shops



Re-energized brand platform towards the consumers



XXL are strengthening management team and key functions

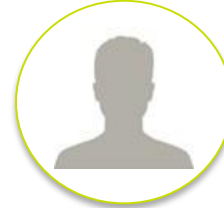
XXL



Claes Winterfeldt

EVP Purchasing & Category

- Sportamore - Chief commercial officer
- Sportamore – Buying Director
- Stadium – Business Unit Manager
- Puma – Nordic Sales Manager



SVP Communication

- Process closed – to be announced soon
- Strengthen internal communication and culture alignment
- Build brand identity and XXL brand equity
- Improve external stakeholder relationships



André Sjøasæt

EVP Strategy & Business Development

- Bertel O. Steen – EVP Corporate dev. & digital services
- Bertel O. Steen – Chief Strategy Officer
- Kearney – Management Consultant
- EY – Management Consultant



SVP Human Resources

- Process in closing
- Strengthen internal routines and control
- Improvements on HSE and Corporate governance issues
- Create and contribute to positive and necessary cultural change



EVP Commercial

- Process of recruiting new leader
- Will have responsibility for marketing, omni-channel customer experience, CRM and customer support

Summary

XXL

Q1 2020 takeaways

- Extraordinary quarter – weak winter conditions, clearance sales, COVID-19
- Positive like for like growth of 3% - first time since Q2 2018
- Significant EBITDA decline explained by:
 - clearance sales, COVID-19 and lower supplier bonuses
- Strong inventory reduction of NOK 0.9 billion
- Secured long term funding of XXL and liquidity reserves of NOK 0.8 billion

Priorities

- Implement measures to strengthen XXL's performance
 - optimize inventory
 - reduce cost base and right size organization
- Priority on changes with direct customer impact
- Build management team and key functions

Outlook

- COVID-19 - deploy contingency plan and secure cash flow
- High fluctuations in sales across markets, sales channels and categories
 - growth in Norway/Sweden/E-com, negative growth in Finland and Austrian stores closed until 2 May 2020
- 4 new lease agreements signed for 2020
- Capex NOK ~150-180 mill

A scenic view of a mountain landscape. In the foreground, the orange and black fabric of a tent is visible, framing the scene. The middle ground features a calm, blue lake reflecting the sky. The background consists of rolling green hills and majestic mountains with patches of snow under a clear blue sky. In the bottom center, a pair of dark hiking boots sits on the grass.

XXL
ALL SPORTS UNITED

Q&A



XXL
ALL SPORTS UNITED

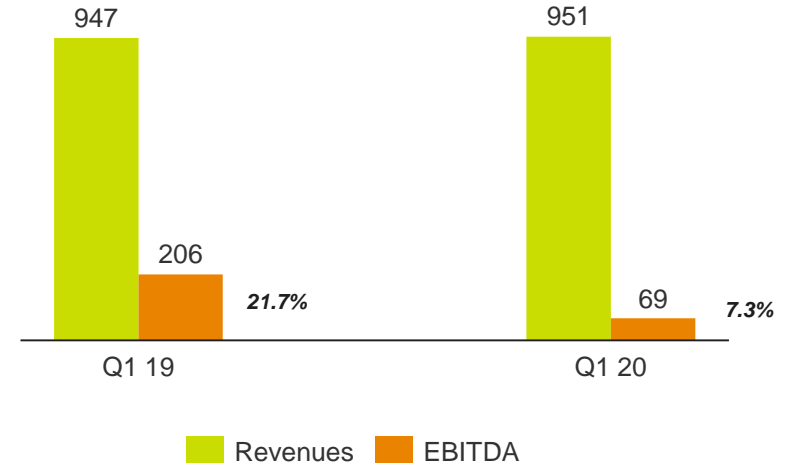
Appendix

Norway

XXL

- Positive sales development in the quarter
- Negative like for like growth of 1.5%
 - -0.9% adjusted for cannibalization effects
 - 1 new store in Hønefoss
- Lower gross margins – down 13.2%p to 30.5%, affected by clearance sale and lower supplier bonuses
- EBITDA-margin down 14.4%p to 7.3%

Amounts in MNOK

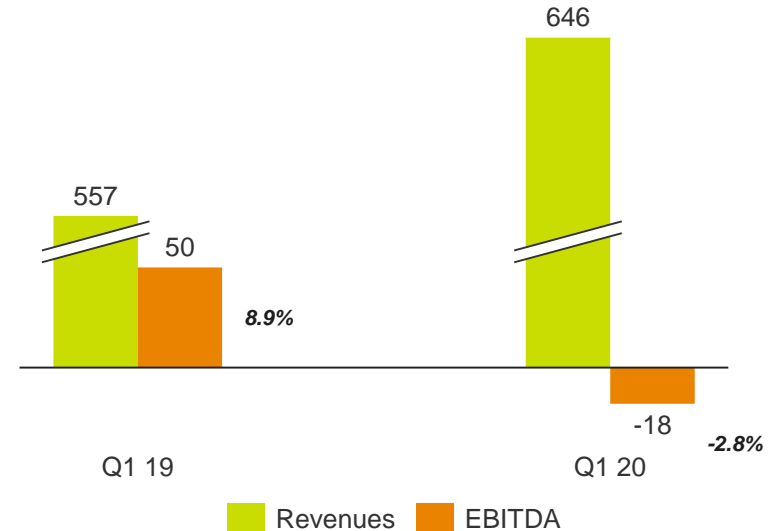


Sweden

XXL

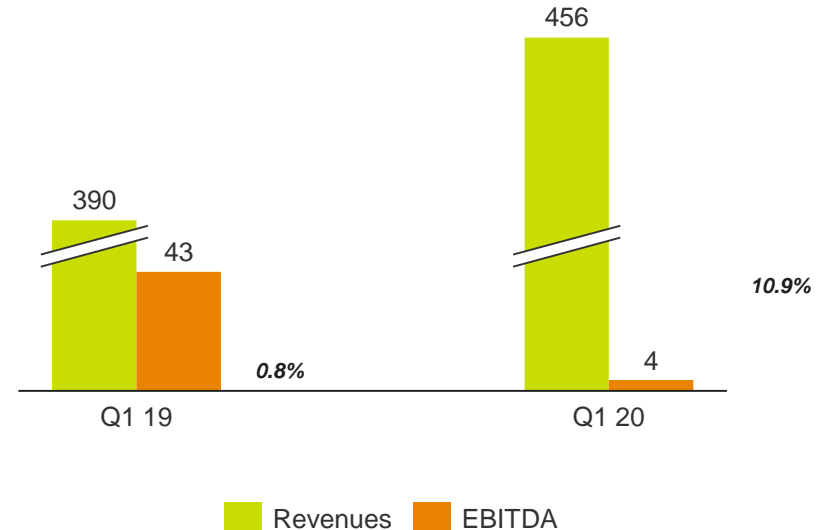
- Volatile and price focused market
- Like for like growth up 5.9% in local currency
 - Affecting the cost leverage positively
- Negative development in gross margin of 13.3%p to 25.5%, affected by clearance sales and lower supplier bonuses
- EBITDA of NOK -18 million and a margin of -2.8%

Amounts in MNOK



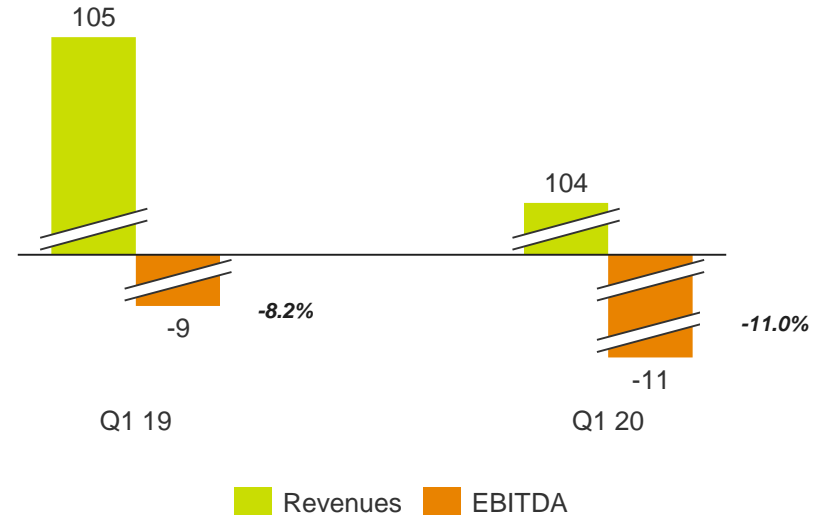
- Positive development in Q1 and gaining market shares
- Positive like for like growth of 2.8% when adjusting for cannibalization effects
- Negative development in gross margins, down 13.6%p to 25.0% due to clearance sale and negative effect from lower supplier bonuses
- EBITDA of NOK 4 million (NOK 43 million)

Amounts in MNOK



- Revenue steady compared to prior year
- Constantly working on improving the offering
- Gross margin down 2.9%p to 32.4% affected by negative effect from lower supplier bonuses
- Negative EBITDA of NOK 11 million
 - still lagging scale on HQ

Amounts in MNOK

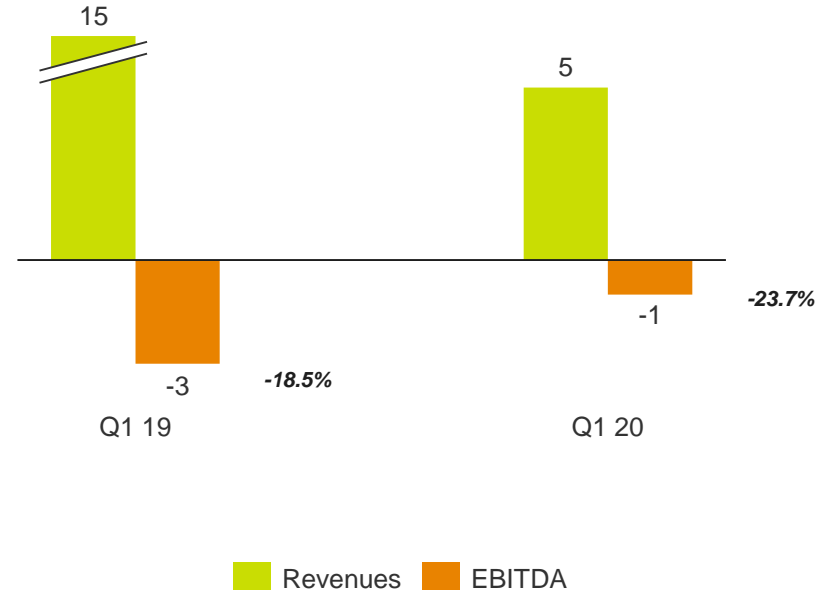


Denmark

XXL

- Revenues declined 70.9% in local currency
- Gross margins improved from 21.5% to 26.1%
- EBITDA loss of NOK 1 million
- Adjustments to reach break-even on a significant lower cost base

Amounts in MNOK



HQ and Logistics

XXL

- Higher cost mainly explained by new recruitments and costs of external cost elements
- OPEX of NOK 126 million to 5.8% of Group sales
- Several initiatives to reduce the cost base

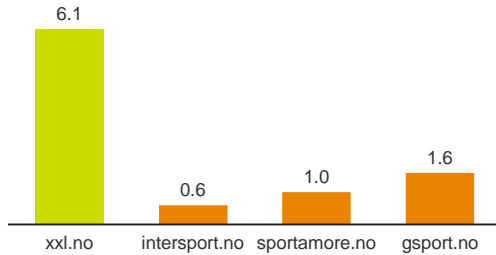


Market data – online traffic



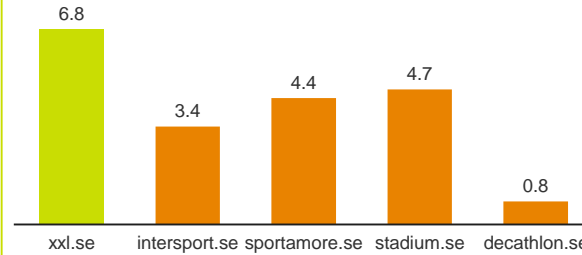
Norway

Q1 20 total visits in millions



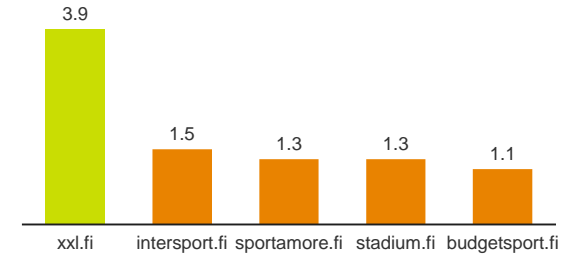
Sweden

Q1 20 total visits in millions



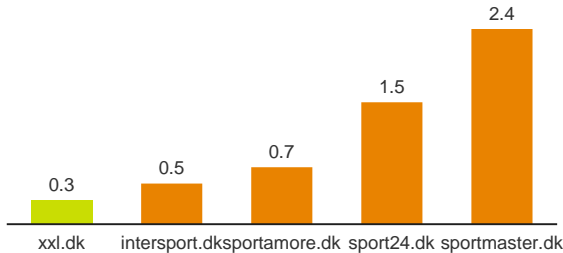
Finland

Q1 20 total visits in millions



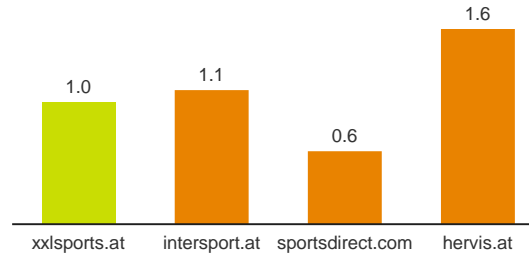
Denmark

Q1 20 total visits in millions



Austria

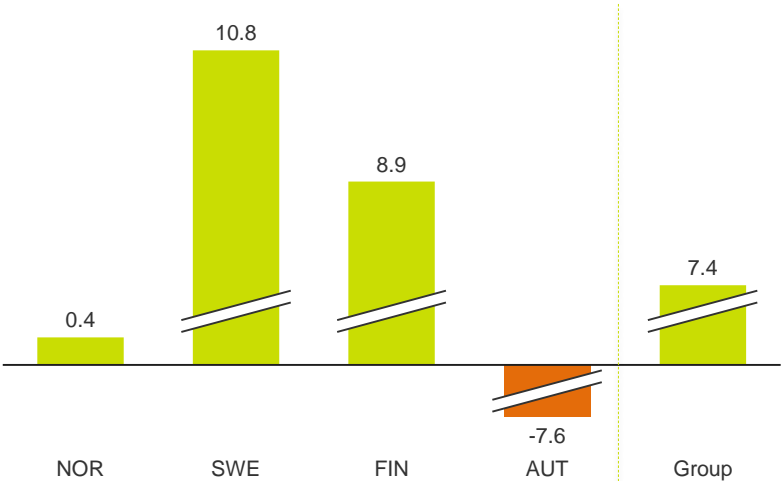
Q1 20 total visits in millions



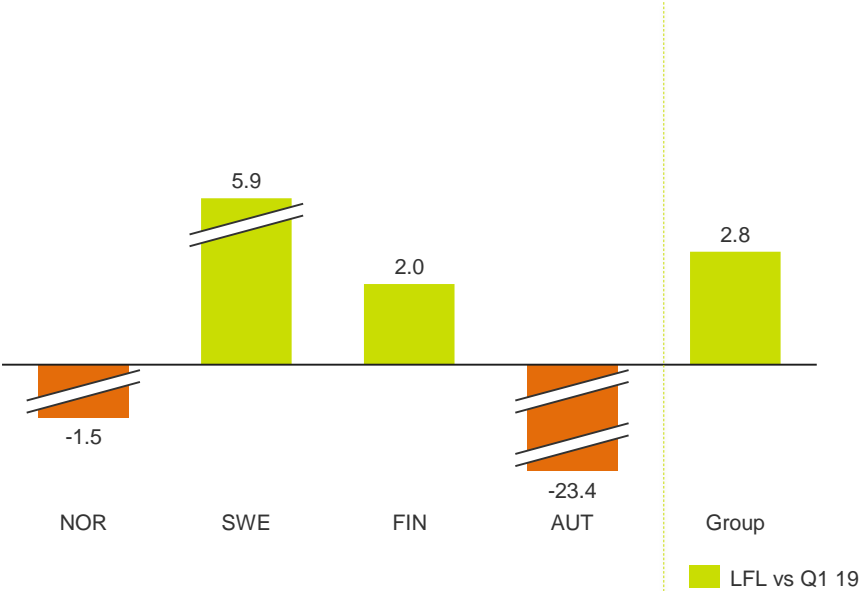
XXL continues with high online traffic shares but influenced by the changed focus towards gross profit

Growth split by markets

Revenue growth (% in local currency)



Like for Like growth (% in local currency)





XXL
ALL SPORTS UNITED

XXL ASA – Q1 2020