

A mountain biker wearing a grey jersey, black shorts, a helmet, and sunglasses is riding a full-suspension mountain bike on a dirt trail. The trail is on a hillside overlooking a valley. In the background, there is a large lake reflecting the surrounding snow-capped mountains and green fields. The sky is clear and blue. The overall scene is a beautiful outdoor setting.

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XXL ASA – Q2 2020

Presentation of financial results 16th of July 2020

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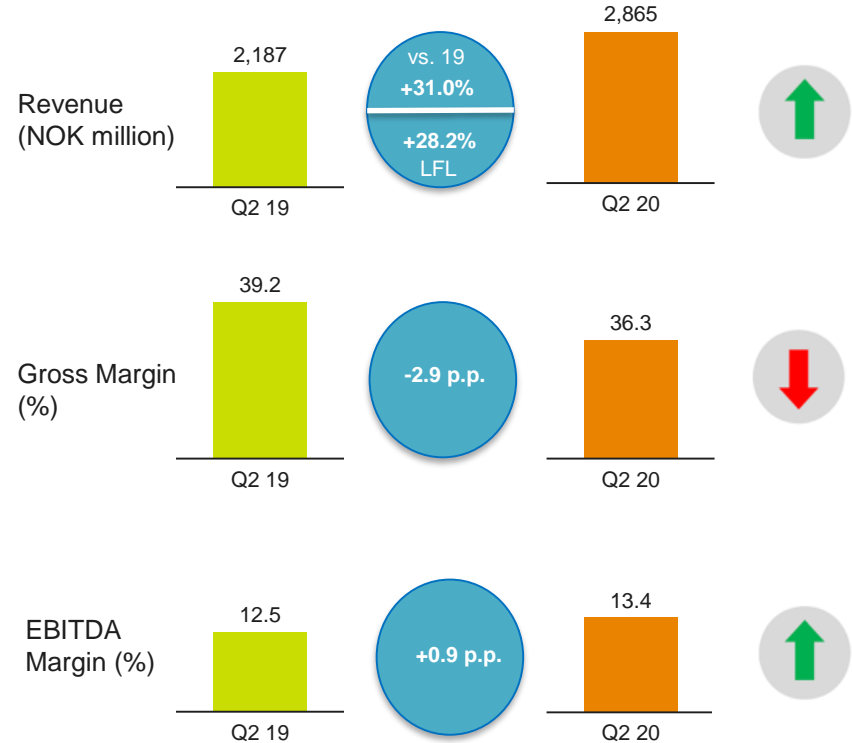
XXL ASA – Q2 2020

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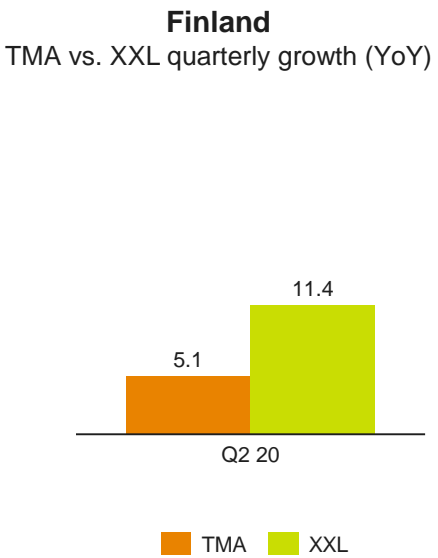
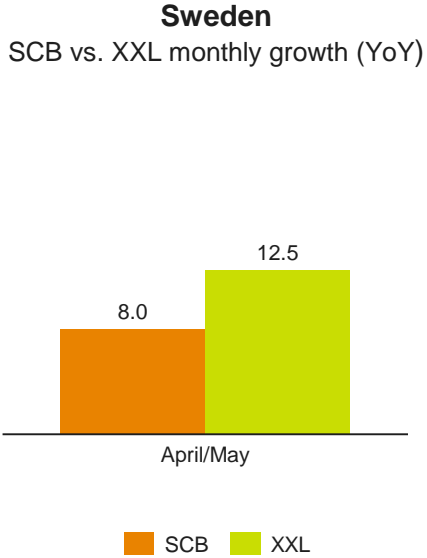
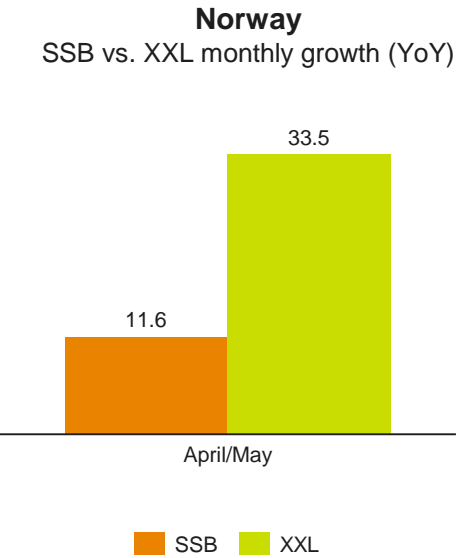
Back on track – in position for further improvements

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- Operating revenue of NOK 2 865 million (NOK 2 187 million), up 31%
 - Like for like growth of 28%
 - E-com growth of 61%
 - High growth for Bikes, Outdoor and Watersports
 - Extraordinary market conditions
- EBITDA of NOK 385 million (NOK 273 million)
- Continued strong cash flow - liquidity reserves of NOK 987 million (NOK 499 million)
- Net interest bearing debt of NOK 295 million (NOK 2 036 million)
- Extraordinary efforts from our employees during a demanding period
















XXL has outperformed sports retail market two quarters in a row



Strong LFL growth and broad based EBITDA across all segments

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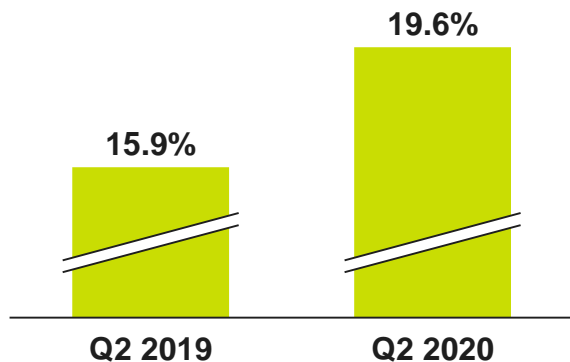
	Group	Norway	Sweden	Finland	Austria	Denmark	HQ
LFL growth	 + 28.2%	 + 34.7%	 + 11.2%	 + 8.5%	 - 13.7%	 - 39.5%	N/A
EBITDA growth	 + 112 MNOK	 + 105 MNOK	 + 22 MNOK	 + 39 MNOK	 + 3 MNOK	 + 4 MNOK	 - 60 MNOK

Extraordinary market conditions in Q2 2020



STRONG GROWTH IN ECOMMERCE SALES

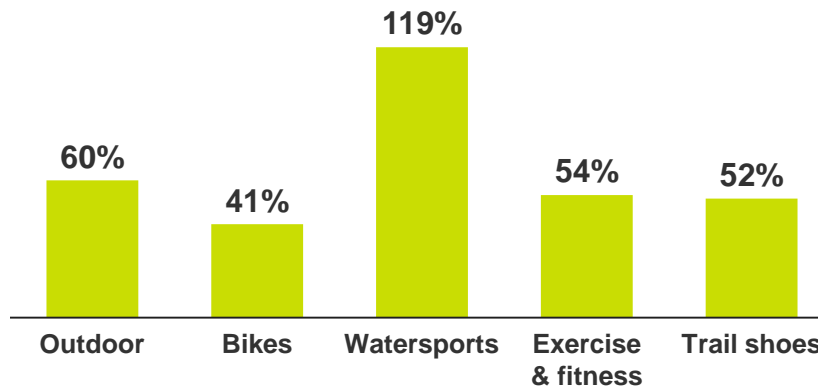
(eCom operating revenues in % of total sales)



- Customer behavior has changed towards more online shopping and XXL has benefited from its E-commerce platform and being a one stop destination for buying sports and outdoor products
- E-commerce operating revenues increased by 61.2% to NOK 561 million in the quarter (NOK 347 million)

STRONG GROWTH IN SELECTED CATEGORIES

(Category sales growth Q2 2020 vs LY)



- “Nordic summer” has driven growth in selected categories and activities across all markets
- Rapid growth in demand has made supply and availability challenging for popular categories and products. High efforts on securing service levels for our customers

A number of strategic initiatives has been initiated in 2020 to improve operations

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- Strengthened balance sheet by inventory build-down and capital raise of NOK 400 million
- Secured the necessary long-term loan facilities
- Established a new organizational structure to secure higher operational efficiency and cost reductions
- Reduced marketing cost and improved marketing effectiveness
- Cash flow generation through extraordinary topline growth and increased markets shares





Financial Review Q2 2020

2020 – a special year with different focus areas in the quarters

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Q1

Strengthen balance sheet

- Clearance sales and lower purchases → significant lower inventory resulting in improved cash flow and higher liquidity reserves
- Capital raise
- New agreed long term loan facilities

Q2

Secure cash flow and top line

- Covid-19: Contingency plans
- Secure cash flow
 - top line
 - purchases
 - cost savings
- Secure top line growth and market shares

Q3>

Operational efficiency

- Operational efficiency
 - margin improvements
 - cost reductions
- Strategic initiatives including
 - category development
 - in-store experience
 - omni-channel champion
- Stay alert for fast changes in the market

Key figures

XXL

(Amounts in NOK million)	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019 Audited
GROUP					
Operating revenue	2 865	2 187	5 028	4 201	8 992
Growth (%)	31,0 %	-6,2 %	19,7 %	-4,6 %	-5,1 %
Gross profit	1 041	856	1 645	1 677	2 673
Gross margin (%)	36,3 %	39,2 %	32,7 %	39,9 %	29,7 %
OPEX %	22,9 %	26,7 %	26,7 %	28,9 %	28,6 %
EBITDA	385	273	302	465	490
EBITDA margin (%)	13,4 %	12,5 %	6,0 %	11,1 %	5,4 %
EBIT	203	98	-59	117	-201
EBIT margin	7,1 %	4,5 %	-1,2 %	2,8 %	-2,2 %
Net Income	117	46	-107	28	-327
**Basic Earnings per sha	0,58	0,34	-0,58	0,20	-2,31

- Very positive sales development in Q2 vs. LY: +31.0%
 - Post Covid-19 effects combined with improved performance in XXL
 - Norway, Sweden and Finland realizing positive growth
 - Strong growth from E-com and broad based store growth
 - Like for like growth of 28.2%
 - Most categories with growth, but especially strong for Bikes, Outdoor and Watersports

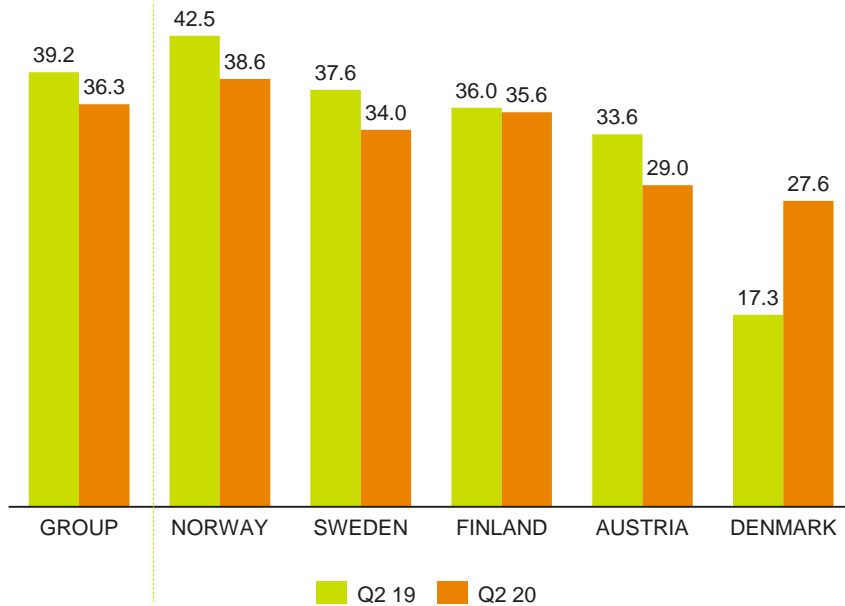
- Gross margins margins ended at 36.3%, down from 39.2% LY, explained by lower suppliers bonuses (1.9%-points), higher sell down of old inventory and negative mix effects

- OPEX% in Q2 is 3.8 p.p lower than last year, driven by like for like growth, temporary cost reductions and scale in operations
 - All markets with lower OPEX%

- EBITDA ending at NOK 385 million – record high Q2

Gross margin development

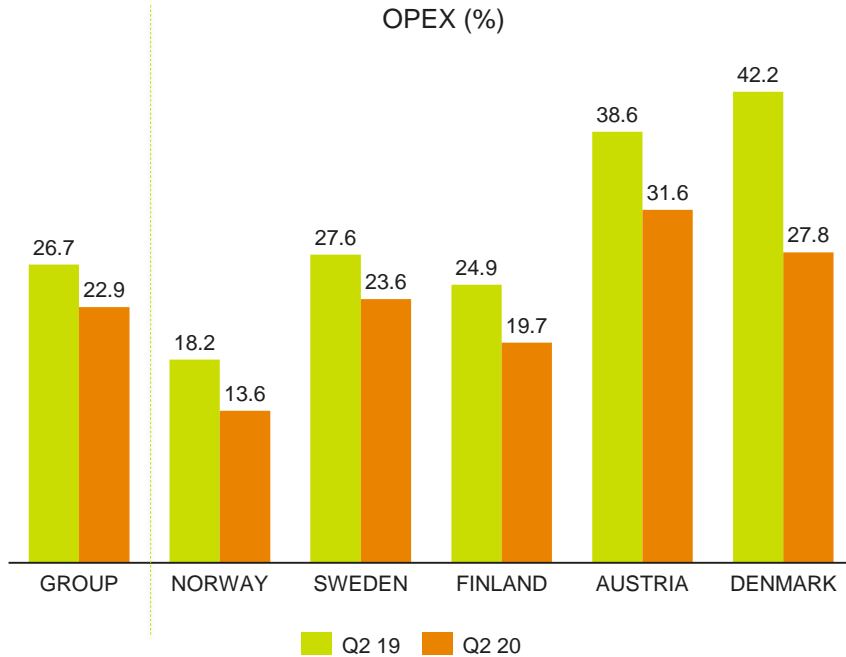
Gross margins (%)



- Gross margin was 36.3% in Q2 2020 down from 39.2% in Q2 2020
 - Lower bonuses from supplier due to build down of inventory (1.9 percentage points)
 - Continued focus in realizing old inventory to optimize balance sheet
 - Negative mix effects from E-com
- Improvements during the quarter
- All countries with decline in gross margin, except Denmark

OPEX development

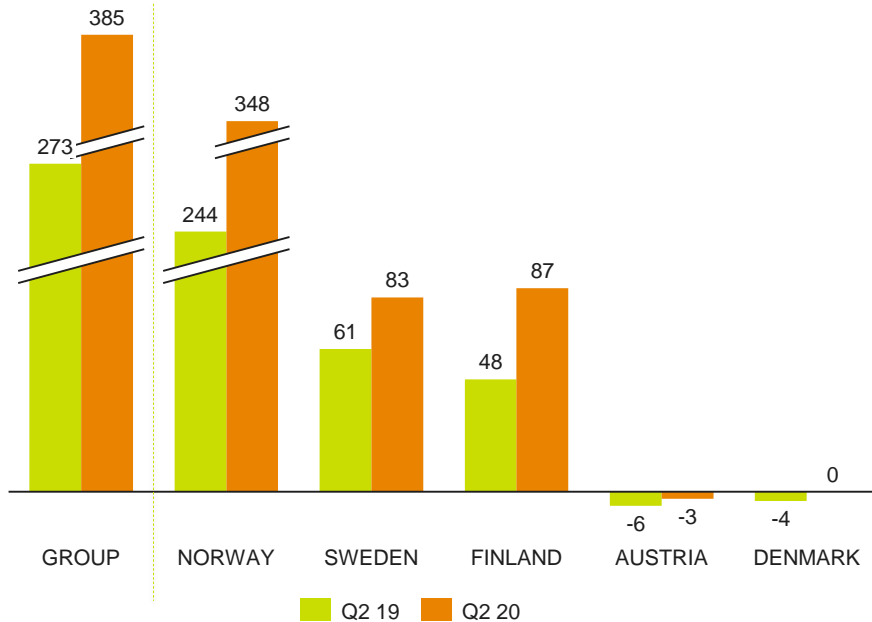
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- Group OPEX% down by 3.8 points to 22.9% in Q2
 - Driven by positive like for like growth yielding scale in operations
 - Short term cost reduction initiatives due to COVID-19;
 - *Reduced marketing cost*
 - *Temporary layoffs in country operations*
- Increased costs in HQ and Logistics segment, mainly explained by ongoing improvement program, refinancing activities, higher capacity at the central warehouses, and low bonus accruals in Q2 last year as comparative

EBITDA development

EBITDA

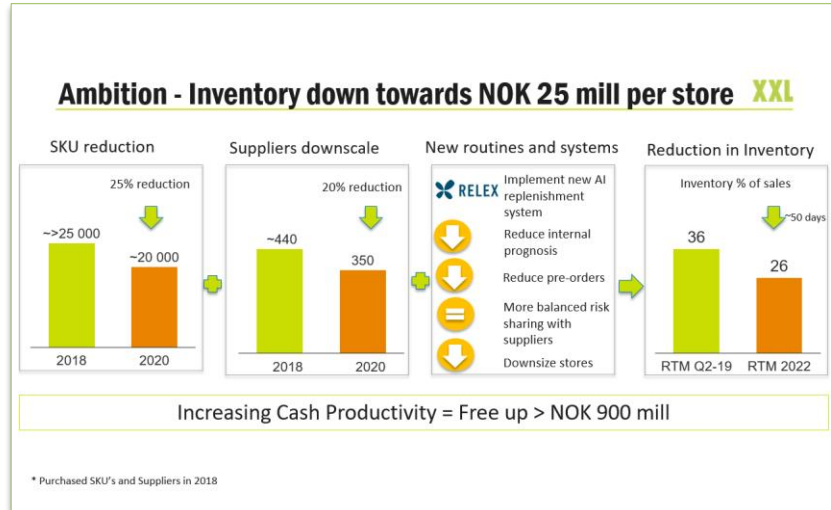


- EBITDA increase in Q2 of NOK 112 million vs. LY
 - Driven by sales growth in all primary Nordic markets explained by post covid-19 effects and improved operations in XXL – gaining market shares
 - Lower gross margins of 2.9 percentage points due to lower supplier bonuses, higher sell-down activity and negative mix effect
 - Lower OPEX% driven by positive like for like growth
- All segments with EBITDA growth, and especially strong in Norway (NOK 104 mill) and Finland (NOK 39 mill)
- EBITDA margin of 13.4% in Q2 2020 vs. 12.5% in Q2 2019






Significant reduction in inventory from Q2 2019 due to several measures yields a stronger balance sheet

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Q2 2019: Ambition



Q2 2020: Goal achieved

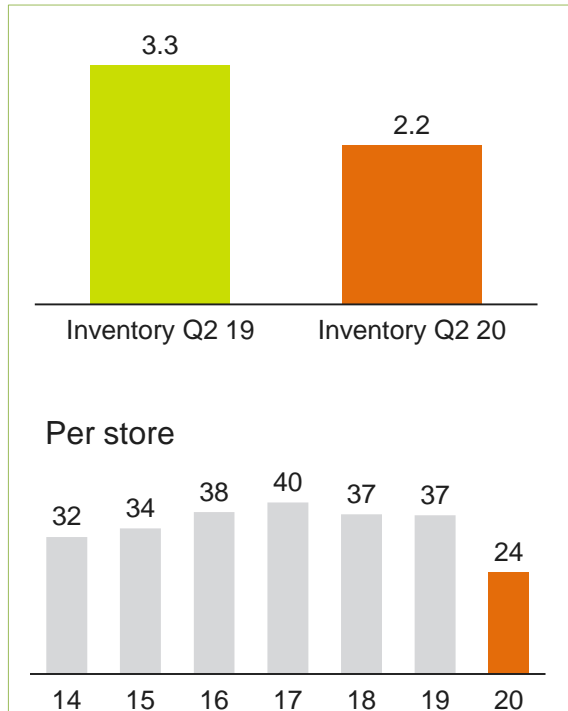
- 
 Implemented new replenishment system
- 
 Significant reduction in purchased volumes
- 
 Reduction in number of suppliers
- 
 Reduction in number of SKU's -ongoing
- 
 Improve purchasing processes -ongoing

Strong positive cash flow and inventory per store < 25 MNOK

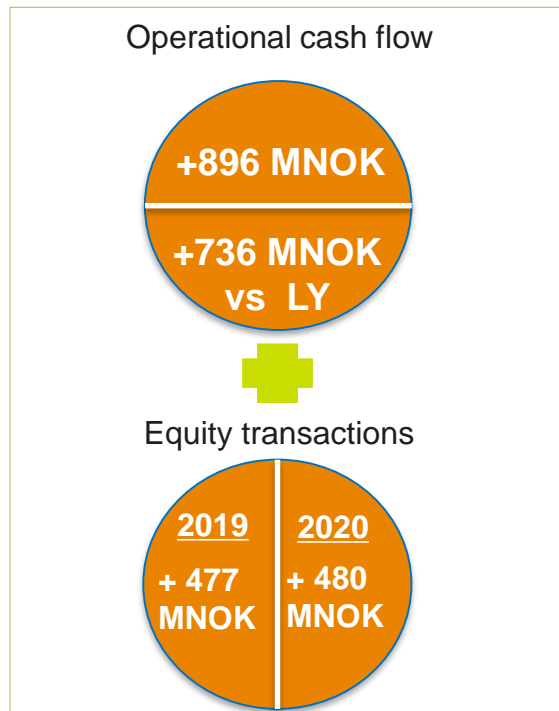
Focus on strengthening the balance sheet has resulted in significant reduced NIBD and higher liquidity reserves

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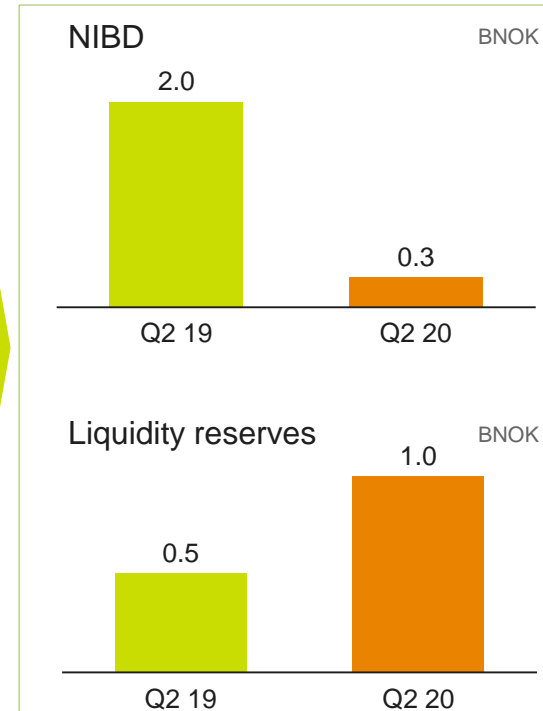
Lower inventory



Improved Cash flow



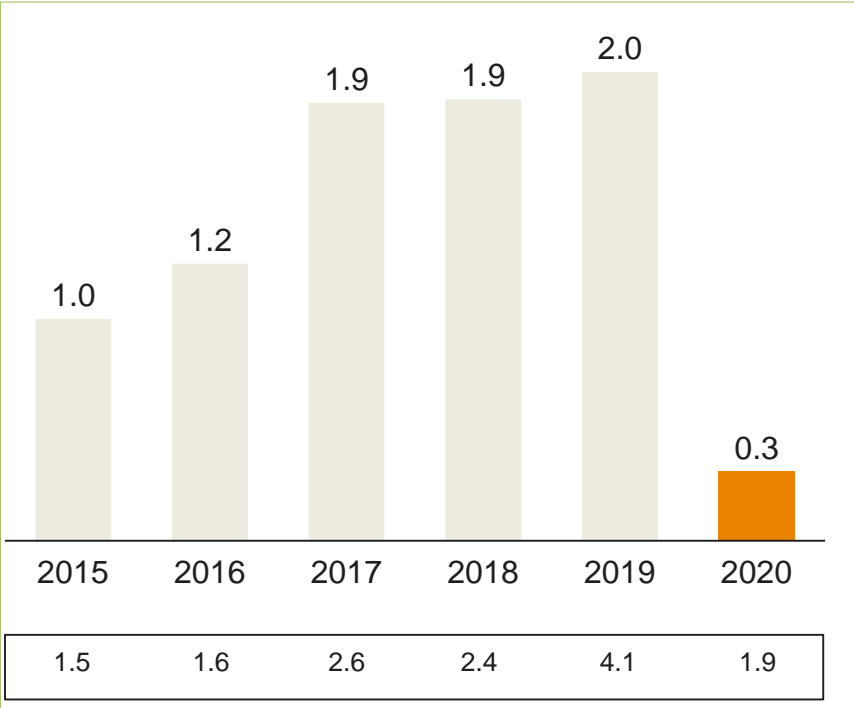
Strengthened balance sheet



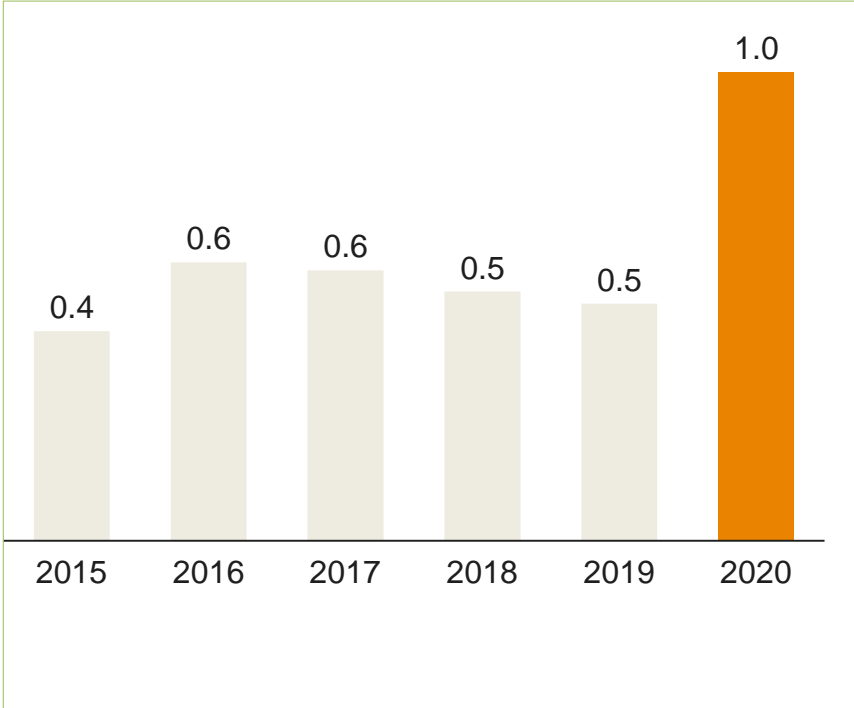
XXL has a solid balance sheet vs previous years



Net interest bearing debt (per June)



Liquidity reserves (per June)



Net debt / EBITDA*

2015	1.5	2016	1.6	2017	2.6	2018	2.4	2019	4.1	2020	1.9
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*Leverage Ratio (NIBD/EBITDA) ex. IFRS 16 effects



Closing remarks





SPORT IS FUN, ENGAGING AND INSPIRING



SPORT IS GOOD FOR HEALTH AND WELL BEING

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ALL SPORTS UNITED – SPORTS UNITE ALL

XXL is systematically working on measures to strengthen the long-term position as the leading sport concept in the Nordics

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1

Reposition
XXL as a
sports specialist
*providing unique
value for money*

2

Enhance our
**marketing
approach** and
build the XXL
brand

3

Establish XXL as
**omni-channel
champion**

4

Improve **in-store
experience** and
make the stores
fun again

5

Strengthen
operational
efficiency and
our **customer
orientation**

We are improving all elements of our “game play” and have started with “strengthening our defense”

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“Strengthen the defense”

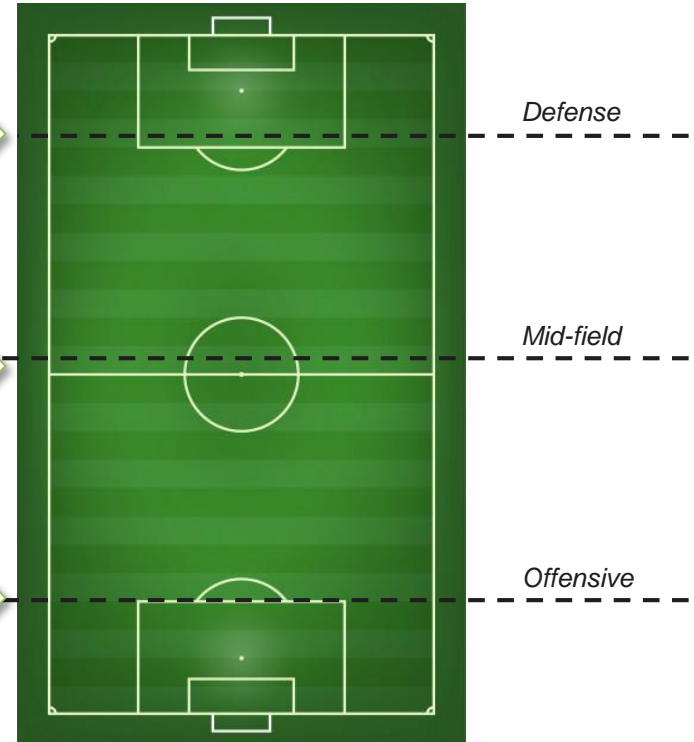
- Secure a healthy balance sheet and inventory
- Secure cost control and realize cost reductions (marketing cost, rental cost, overhead etc)

“Take control of the mid-field”

- Secure efficient processes and quality in daily operations
- Improve assortment build up and realized margins

“Apply high-pressure attacking”

- Improve customer experience and perception of XXL
- Improve concept, category offering and marketing
- Realize sales and market share growth



We have defined a structured plan to increase profitability in Austria

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XXL's presence in Austria
(per Q2 2020)



- XXL has now six stores in Austria after the opening of Wiener Neustadt outside of Vienna 22nd of May
- Austria has been operating with negative profitability with an EBITDA of –55 MNOK (-11.6% EBITDA margin) in 2019
- We have now defined structured plan to significantly increase profitability
 - Right-sizing of the organization
 - Reduce marketing cost and increase marketing efficiency
 - Adapt and optimize concept to local market conditions
 - Selectively open new stores to build critical mass (one new store opening in Q4 2020 in greater Vienna)
- XXL has decided to establish a central warehouse in the region to serve the Austrian operations and hereby reduce logistics cost and increase service levels

We will strengthen the focus on developing the distinct and positive **XXL** culture, improve leadership and strengthen critical functions

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Reinforce the positive
XXL culture

Build a strong leadership team

Professionalize HR,
communication and compliance



Summary



Q2 2020 takeaways

- Extraordinary market conditions – post COVID-19 effects
- Strong top-line growth of 31% - a combination of changed market dynamics and improved performance
- EBITDA of NOK 385 million (NOK 273 million LY)
- Strong cash flow → NIBD of 0.3 BNOK and liquidity reserves of NOK 1 billion
- Extraordinary efforts from our employees during a demanding period

Priorities

- Implement measures to further strengthen XXL's performance
- Optimize inventory
- Reduce cost base and right size organization
- Secure efficient processes and quality in daily operations
- Priority on changes with direct customer impact
- Build strong management team and key functions


Outlook

- Unpredictable situation – important to have contingency plans ready in case of fast changes in the market
- Expect a more normalization of demands going forward but still with high fluctuations across markets, sales channels and categories
- 4 new lease agreements signed for 2020 (one remaining for 2020)
- Capex NOK ~150-180 mill

A mountain biker wearing a grey jersey, black shorts, a helmet, and sunglasses is riding a full-suspension mountain bike on a dirt trail. The trail is on a hillside overlooking a valley. In the background, there is a large lake reflecting the surrounding snow-capped mountains and green fields. The scene is framed by trees and a bright green geometric graphic on the left side.

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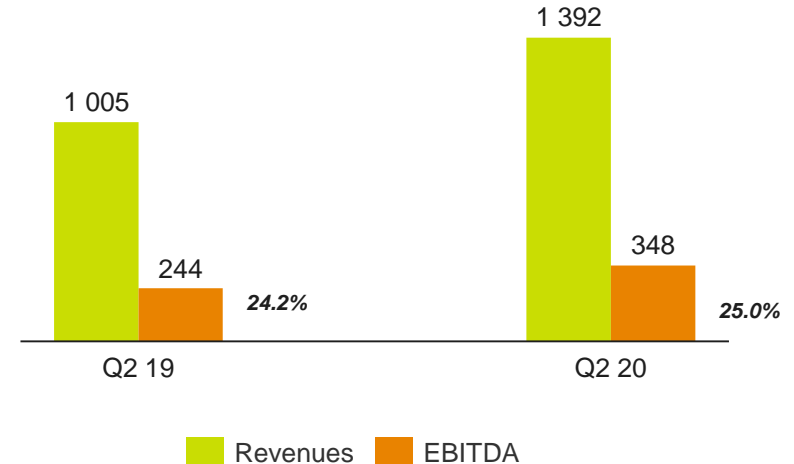
Q&A



Appendix

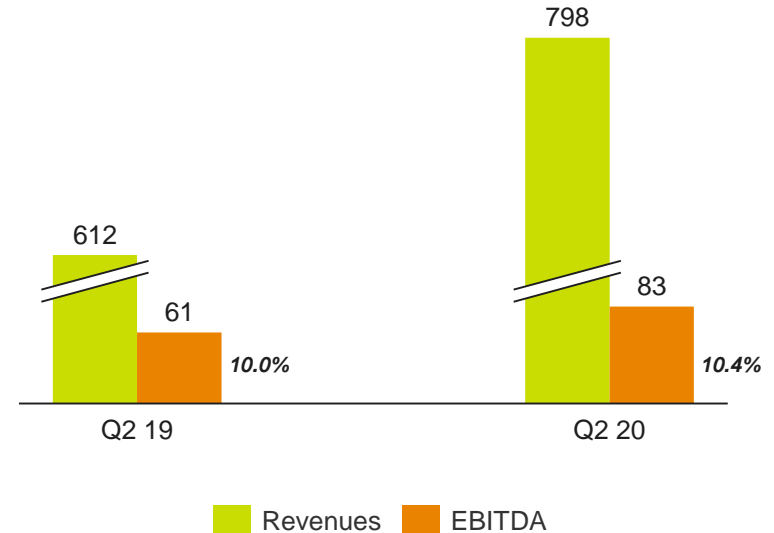
- Extraordinary strong sales development in the quarter due to post covid-19 effects, but also and gaining market shares
- Positive like for like growth of 34.7%
- Lower gross margins – down 3.9%p to 38.6%, affected by lower supplier bonuses, higher sell down of old inventory, and negative mix effects from ecom
- EBITDA-margin up 0.8%p to 25.0%

Amounts in MNOK



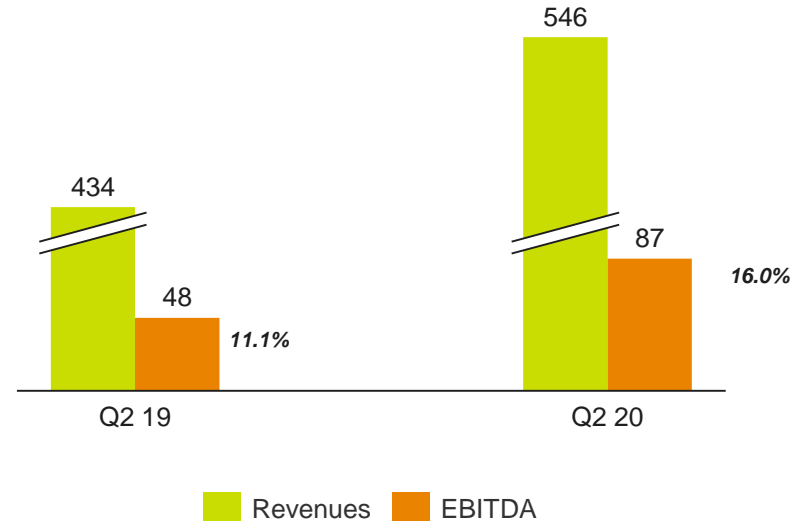
- Positive sales development in the quarter – gaining market shares
- Offset by closed borders affecting XXLs Outlet shops on the Swedish border
- Like for like growth up 11.2% in local currency
 - Affecting the cost leverage positively
- Negative development in gross margin of 3.6%p to 34.0%, affected by lower supplier bonuses, higher sell down of old inventory, and negative mix effects from ecom
- EBITDA of NOK 83 million and a margin of 10.4%

Amounts in MNOK



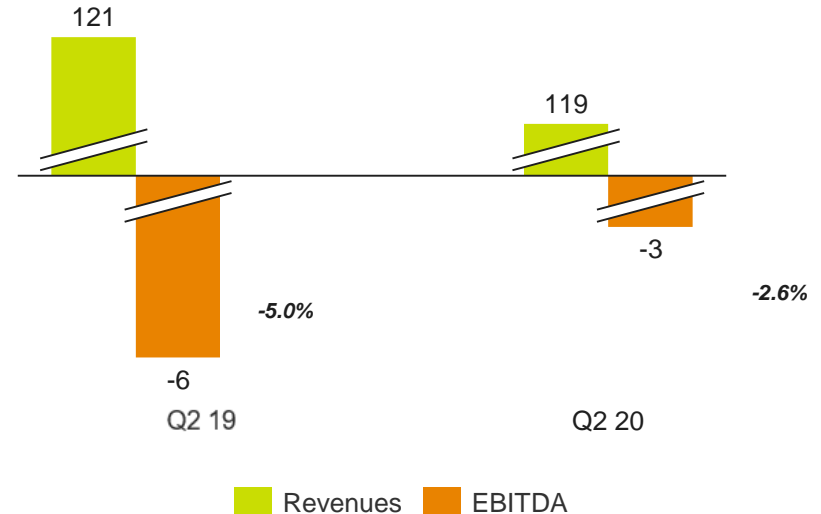
- Positive development in Q2 and gaining market shares
- Positive like for like growth of 8.5%
- Negative development in gross margins, down 0.4%p to 35.6% due to lower supplier bonuses and negative mix effects from ecom
- EBITDA of NOK 87 million (NOK 48 million)

Amounts in MNOK



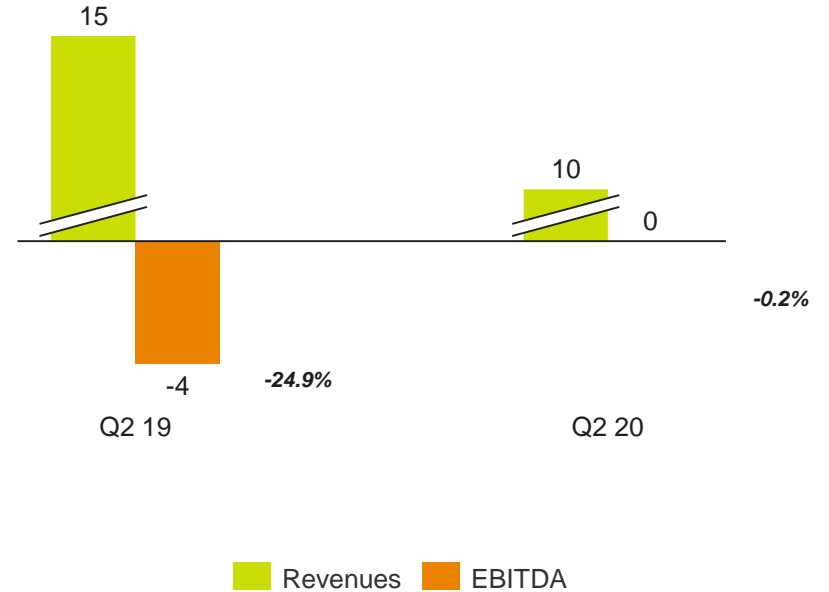
- Revenue decreased compared to prior year as stores were closed from 16 March until 2 May due to shutdown in Austria because of COVID-19
- One new store – Wiener Neustadt opened end of May
- Working on a plan to break even
 - Selectively opening of new stores
 - Improve logistics facilities
- Gross margin down 4.3%p to 29.0% affected by lower supplier bonuses, campaign activities related to the reopening of all the stores in early May and one new store opening, as well as negative mix effects from ecom
- Negative EBITDA of NOK 3 million
 - Reduced opex due to cost reductions related to covid-19

Amounts in MNOK



- Revenues declined 39.5% in local currency
- Gross margins improved from 17.3% to 27.6%
- EBITDA of NOK 0 million
- Adjustments to reach break-even on a significant lower cost base

Amounts in MNOK

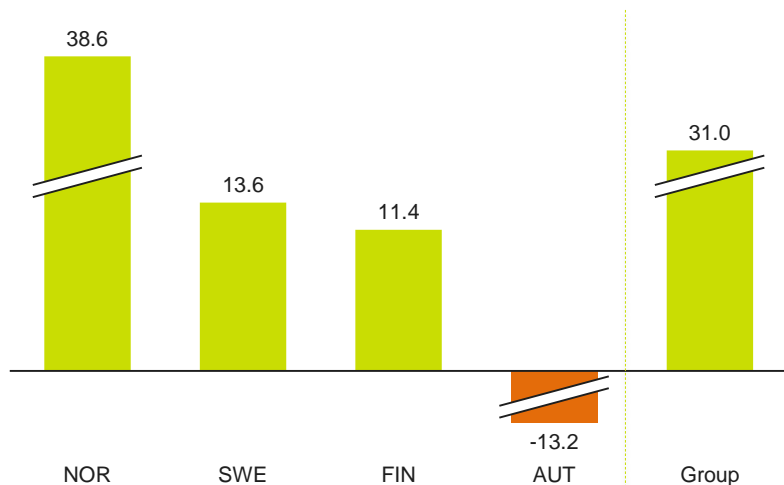


- Higher cost mainly explained by costs of improvement program, increased activity at central warehouse, refinancing and higher bonus accruals
- OPEX of NOK 131 million to 4.6% of Group sales
- Several initiatives to reduce the cost base

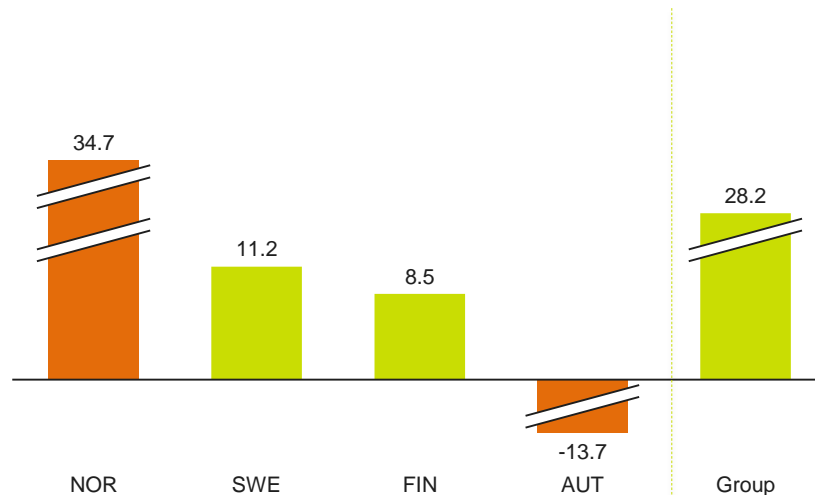


Growth split by markets

Revenue growth (% in local currency)



Like for Like growth (% in local currency)



■ LFL vs Q2 19