



# XXL ASA – Q1 2021

Presentation of financial results 23 of April 2021

**Great brands**

**Great prices**

**Great assortment**

**Great expertise**

**Great accessibility**

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# Headlines Q1 2021 – steady manoeuvring in rough terrain

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## Q1 2021

- Q1 LY heavily impacted by extraordinary clearance campaign
- Temporarily stores closures in both Norway and Austria affecting top line significantly
- Capitalizing on strong E-commerce platform with > 30% growth constituting 26% of total revenue base
- Sustainable strong gross margin of > 40%
- Solid EBITDA at NOK 207 million (+NOK 243 million vs 2020)

## Outlook

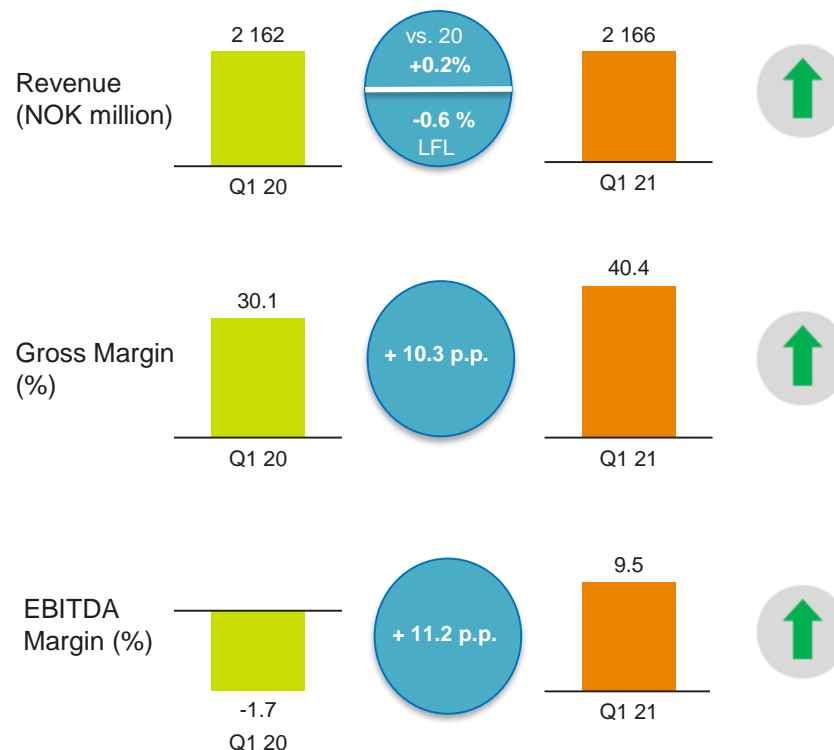
- Strong cash flow and XXL basically debt free
- Accelerated the implementation of strategic projects
- XXL with strong concept and capabilities to succeed post COVID



# Highlights Q1 2021 – Solid result improvement




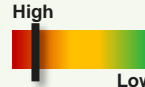
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- Operating revenue of NOK 2 166 million (NOK 2 162 million), driven by 7% growth in Norway
  - Several stores temporarily closed during Q1
  - E-com growth of 30% and > 26% of total sales
  - Clearance campaign last year with high volumes
- Strong gross margins (+10 p.p) driven by improved campaign planning. Also LY included an extraordinary clearance campaign
- EBITDA of NOK 207 million (negative of NOK 36 million) – RTM EBITDA of NOK 1 360 million, and NOK 759 million ex. IFRS 16
- Solid balance sheet
  - Share buy back in Q2
  - Initiate a refinancing of the Group with the aim to return to the long term dividend policy



# The COVID situation has impacted XXL across all markets in Q1 – most heavily in Norway with over 50% of sales capacity closed during parts of the quarter



Q1 2021	Norway	Sweden	Finland	Austria
<b>Short status description</b>	<ul style="list-style-type: none"> <li>Oslo &amp; Viken epicenter</li> <li>Strong restrictions throughout the quarter peaking in W11-15</li> </ul>	<ul style="list-style-type: none"> <li>Stores open but with reduced traffic due to general mobility restrictions</li> </ul>	<ul style="list-style-type: none"> <li>Limited mobility</li> <li>COVID-restrictions closely monitored (with speculations during easter)</li> </ul>	<ul style="list-style-type: none"> <li>Heavy restrictions</li> <li>Lockdown with effect from 1 January to 8 February</li> </ul>
<b>Public regulations and restriction</b>	 <ul style="list-style-type: none"> <li>Extensive restrictions</li> <li>Reduced mobility</li> </ul>	 <ul style="list-style-type: none"> <li>Reduced mobility</li> </ul>	 <ul style="list-style-type: none"> <li>Limited mobility</li> </ul>	 <ul style="list-style-type: none"> <li>Extensive restrictions</li> <li>Reduced mobility</li> </ul>
<b>Store capacity closed*</b>	<b>~19%</b>	<b>0%</b>	<b>0%</b>	<b>43%</b>
<b>eCom Share</b>	<b>29.7%</b>	<b>23.6 %</b>	<b>19.5%</b>	<b>38.4%</b>

Offensive moves this year vs. defensive moves last year

## Last year – securing cashflow and reducing opex

- Cutting purchases
- Reduced marketing costs
- Temporarily layoffs

## This year – more balanced approach

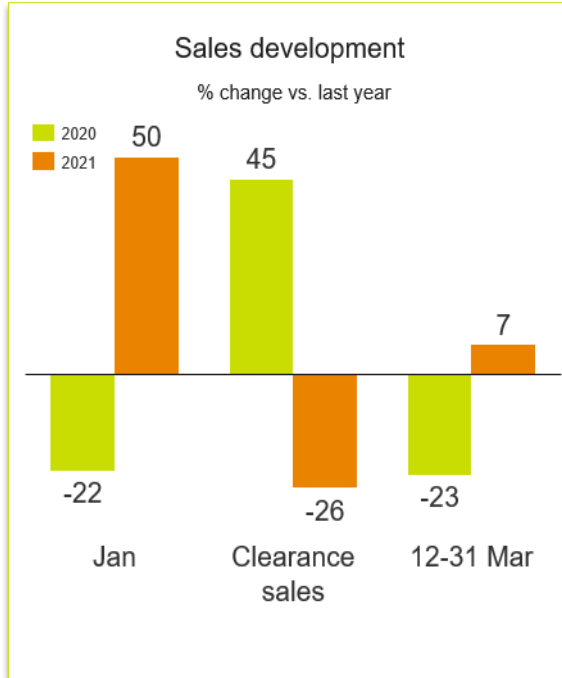
- Increased purchases
- Accelerated implementation of strategic projects
- Free freight in affected regions
- Testing out new solutions

\* (%) = estimated theoretical portion of sales lost from store closings

# Extraordinary quarter both this year and last year



## Extraordinary Q1 in both 2021 and 2020



## Significant impact by store closures

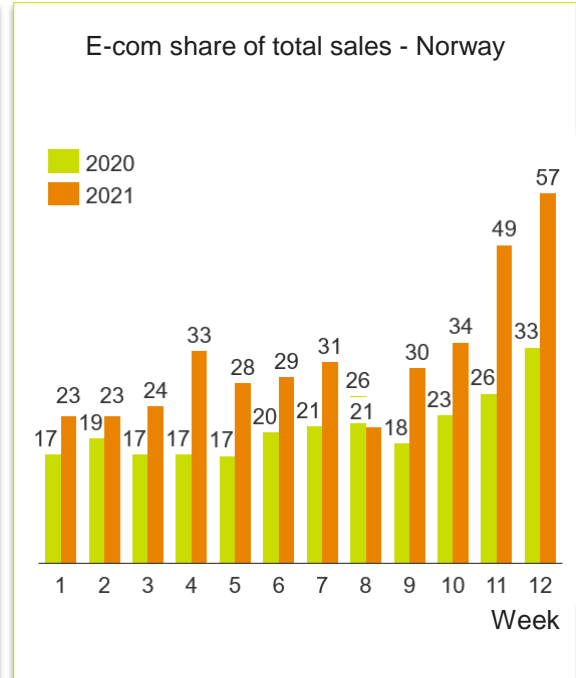
### Norway:

- up to 20 stores closed in the Q1
- average of 9 stores from 23 January

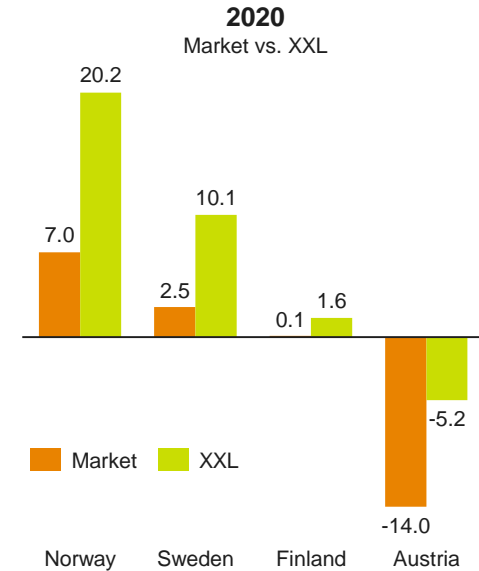
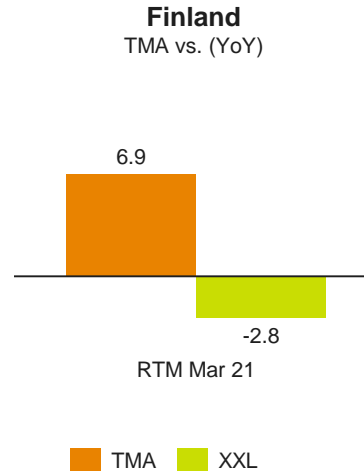
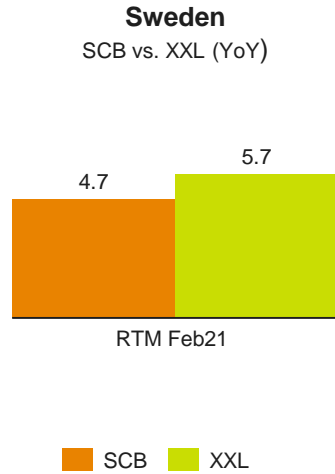
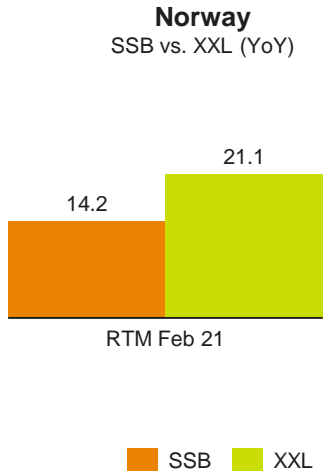
### Austria:

- all Austrian stores were closed throughout January and until 8 February 2021, hence during most of the winter season

## Capitalizing on E-com platform



# RTM Market Shares – gaining in Norway and Sweden



- 12 months rolling basis XXL has gained market shares in Norway and Sweden, while more challenging in Finland
- Changed consumer behavior in Finland during COVID => one stop shopping with Hypermarkets gaining shares














- Overall effects of COVID in 2020 was fairly neutral

\* Sweden is measured ex. Outlets  
Austria – no published market figures



# Strong EBITDA growth vs. last year

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	Group	Norway	Sweden	Finland	Austria	Denmark	HQ
LFL growth	 - 0.6%	 + 7.0%	 - 2.8%	 - 8.4%	 - 26.7%	 + 28.0%	N/A
EBITDA growth	 + 243 MNOK	 + 123 MNOK	 + 73 MNOK	 + 56 MNOK	 - 8 MNOK	 + 1 MNOK	 - 4 MNOK

# XXL continues to have the lowest prices in the market, but has improved execution in several areas

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**Price strategy**

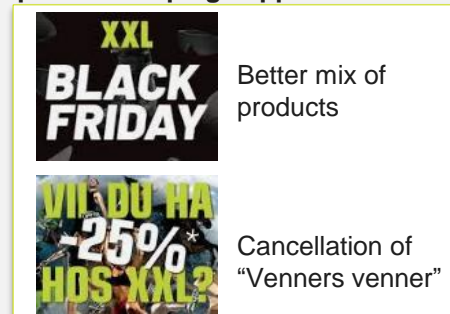
«*Lowest prices – always*»

**Improved execution**

**Healthier market dynamics**



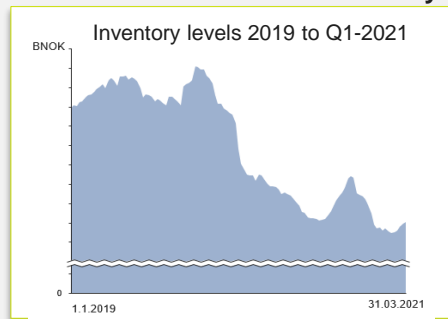
**Improved campaign approach and execution**



**Improved price surveillance\***



**Healthier assortment and inventory levels**



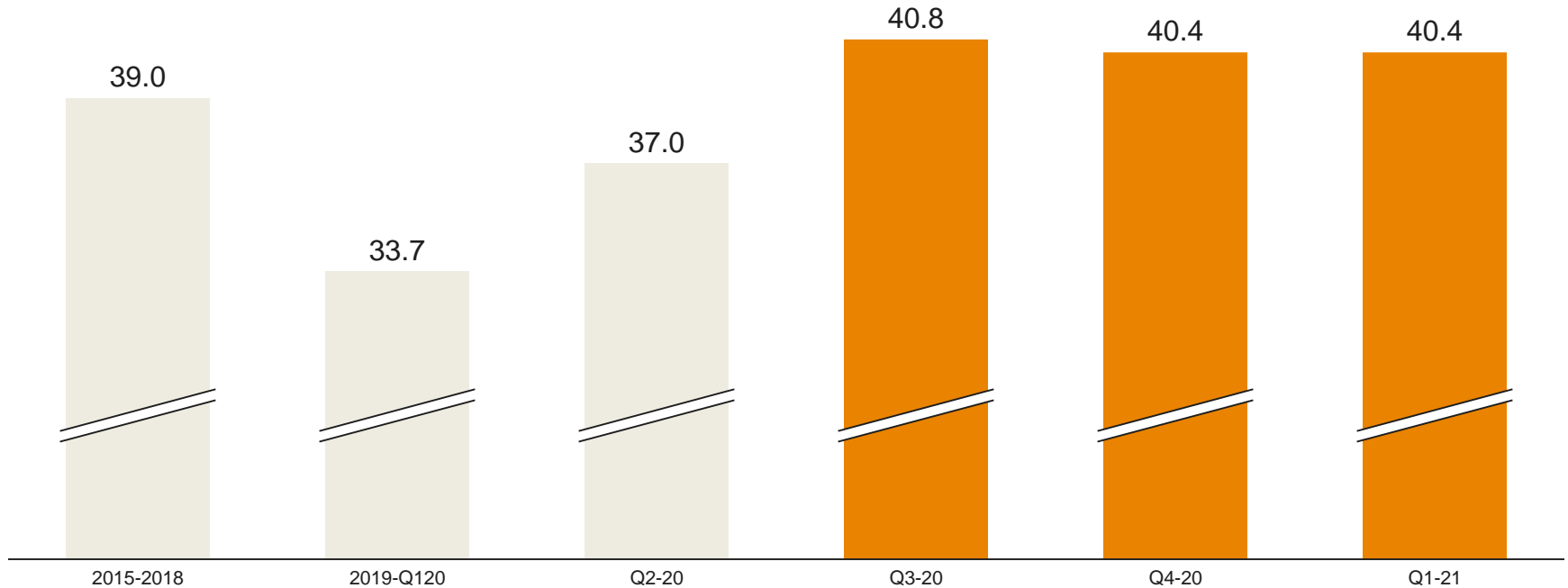
**Category development**

- Improved purchasing processes and implementing tools
- Category strategies and assortment
- Enhanced services
- Data and risk sharing with chosen suppliers

\* Example Norway – all categories: XXL vs. two major competitors

# As a result, gross margins have stabilized at higher levels

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- 2015-2018: not restated margins
- 2019-2021: restated margins



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# Financial Review Q1 2021

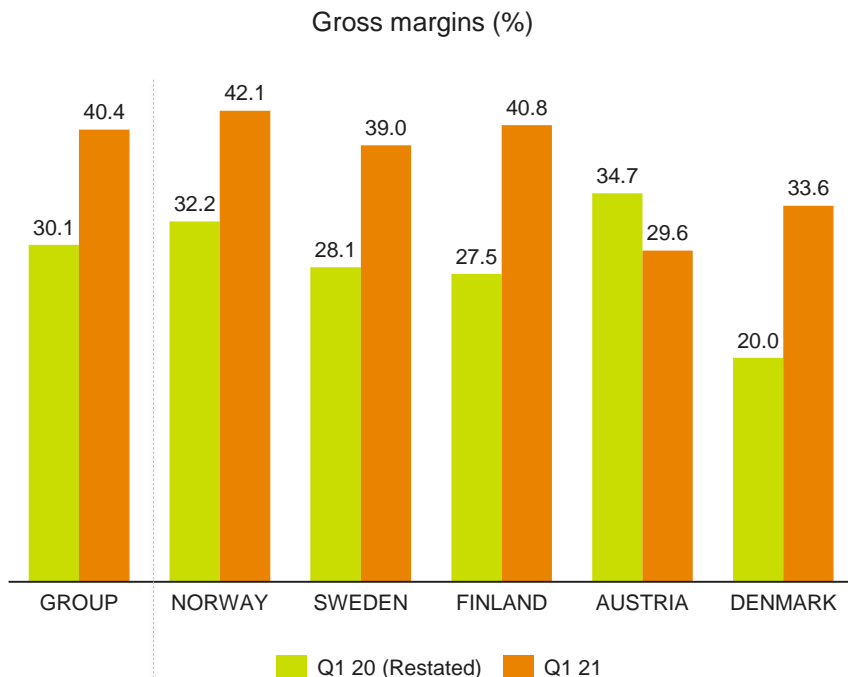
# Key figures

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(Amounts in NOK million)	Q1 2021	Q1 2020 (Restated)	FY 2020 Audited
<b>GROUP</b>			
Operating revenue	2 166	2 162	10 423
Growth (%)	0,2 %	7,4 %	15,9 %
Gross profit	876	651	3 904
Gross margin (%)	40,4 %	30,1 %	37,5 %
OPEX %	30,9 %	31,8 %	26,7 %
EBITDA	207	-36	1 117
EBITDA margin (%)	9,5 %	-1,7 %	10,7 %
EBIT	16	-215	364
EBIT margin	0,7 %	-10,0 %	3,5 %
Net Income	-39	-186	126

- Sales on par with LY: +0.2%
  - Good development in Norway with 7.3% growth despite closed stores situation due to COVID restrictions
  - Like for like growth of -0.6 %
  - E-com growth of 30%
  - Strong growth for especially Ski's and Outdoor
- Gross margins ended at a strong 40.4%, up from 30.1% LY, mainly explained by improved campaign execution (LY included a massive clearance campaign)
- OPEX% in Q1 is 0.9 p.p lower than last year, driven by good cost control in the segments and improved marketing efficiency
- EBITDA ending at NOK 207 million
  - RTM EBITDA of NOK 1 360 million
  - RTM EBITDA ex IFRS 16 of NOK 759 million

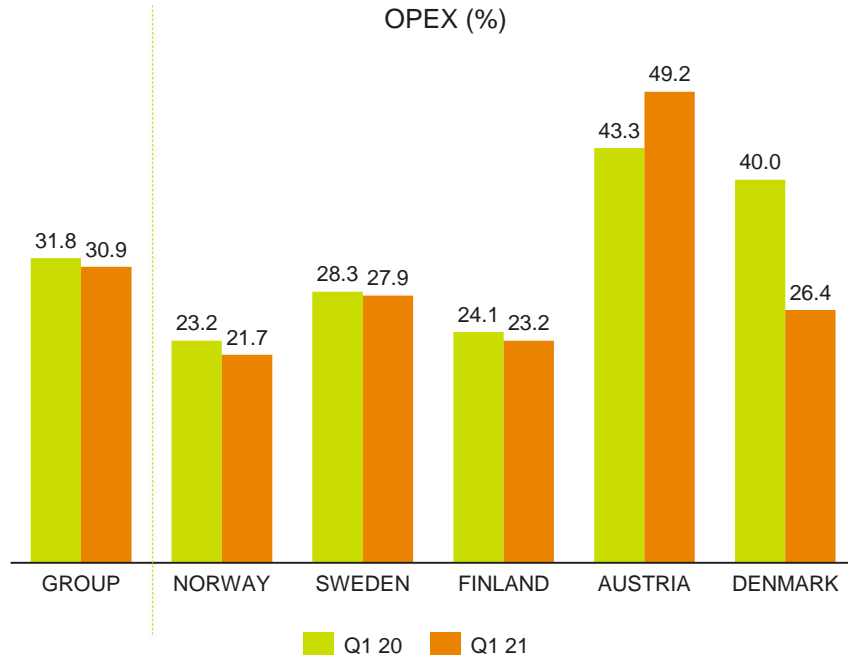
# Gross margin development



- Strong gross margin development in the quarter, up from 30.1% in Q1 2020 to 40.4% in Q1 2021
- Broad based improvement – all segments strengthened margins, except Austria that executed clearance of seasonal products due to store closures in first half of Q1
- Negative mix effects from higher e-com share, and increased freight costs, but positive effect due to a release of NOK 25 millions in obsolete provision related to inventory
- Sustainable gross margin levels going forward
  - improved market dynamics
  - improved campaign approach and execution
  - healthier assortment and inventory levels

# OPEX development

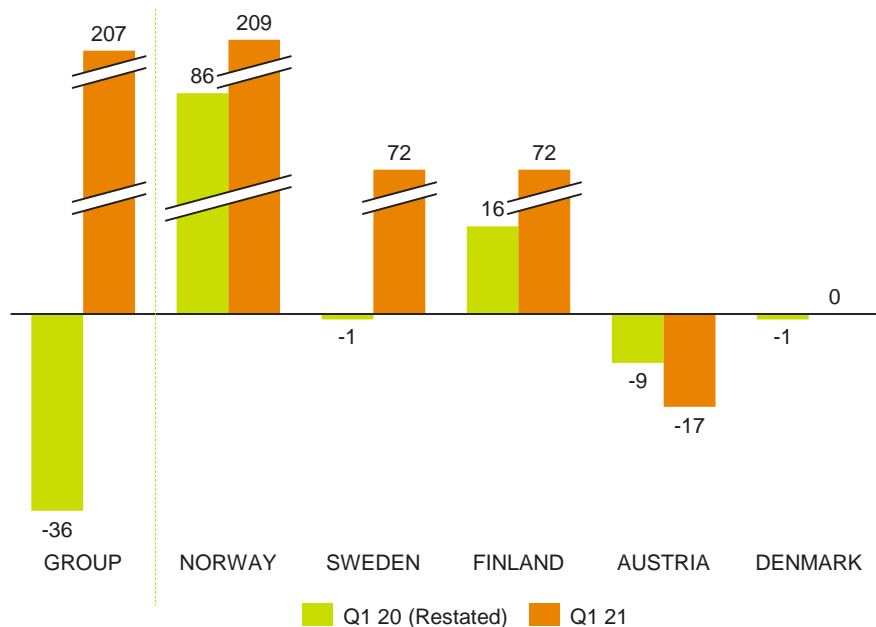
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- Group OPEX% down by 0.9 points to 30.9% in Q1
  - Good cost control in the segments
  - Improved marketing efficiency
- Increased costs in HQ and Logistics segment, partly related to the establishment of new central warehouse in Austria

# EBITDA development

EBITDA

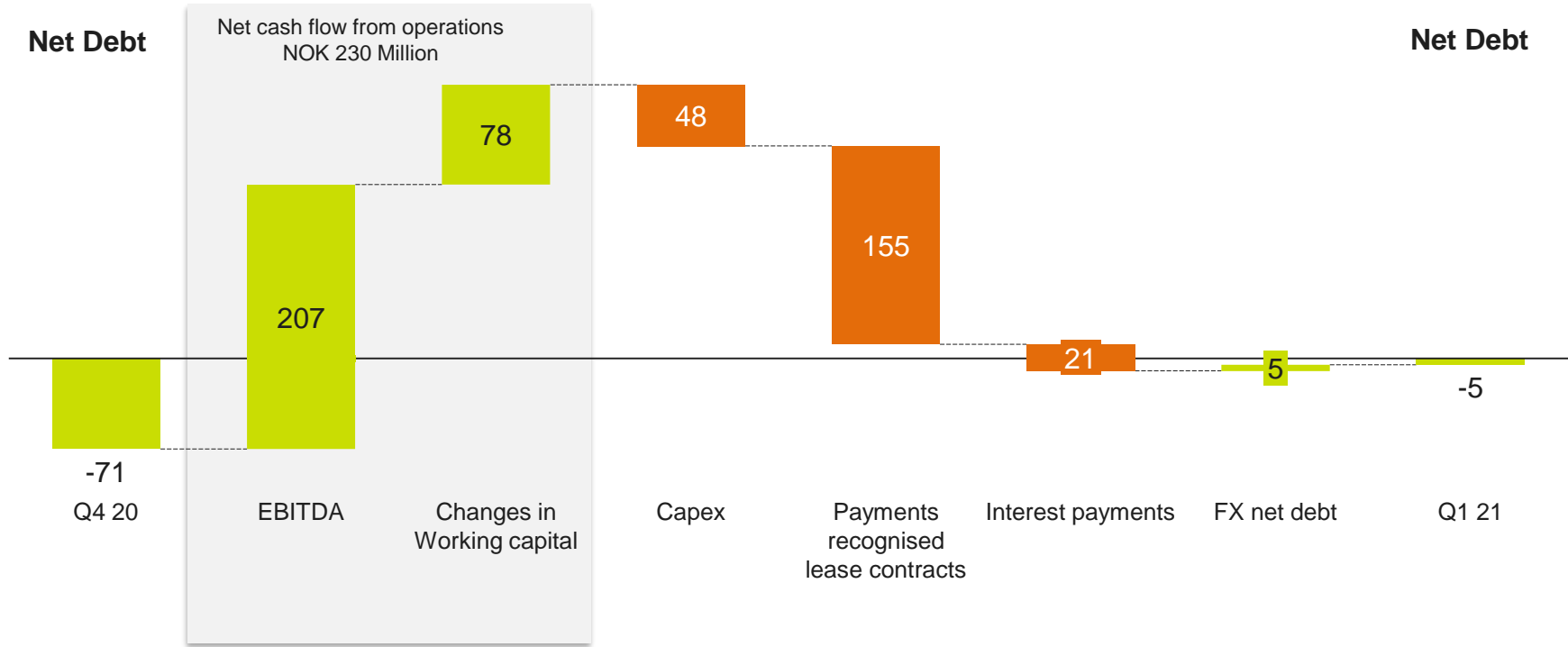


- EBITDA increase in Q1 of NOK 243 million vs. LY
  - Clearance campaign LY with low margins
  - Strong start of 2021 in January, however more and more affected by store closures, especially in Norway and Austria during the quarter
  - Lower OPEX% driven by improved marketing efficiency and better cost control
- All segments with EBITDA growth except for Austria due to high impact of COVID restrictions
- EBITDA margin of 9.5% in Q1 2021 vs. -1.7% in Q1 2020



# Net debt development

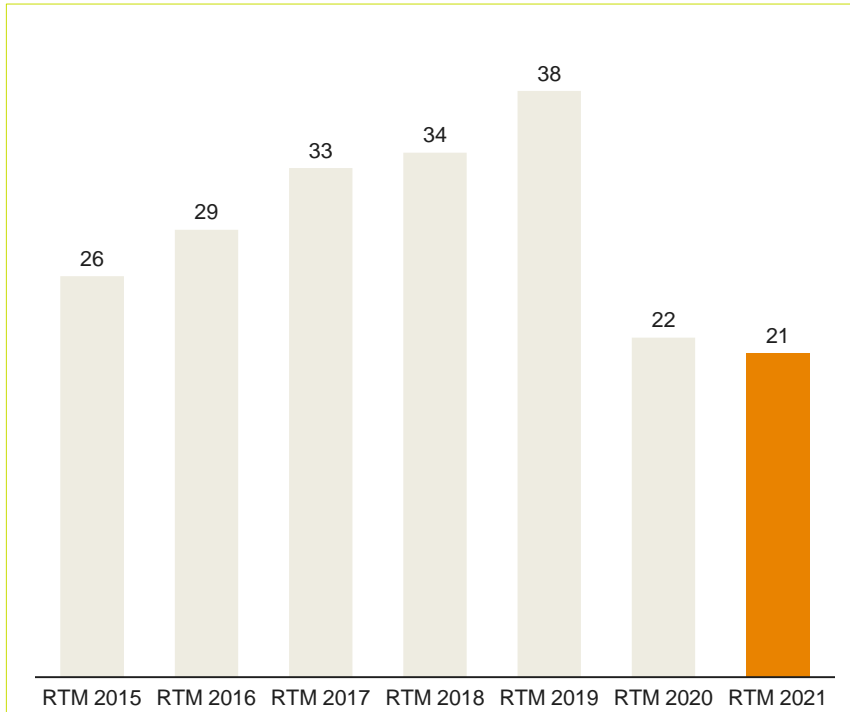
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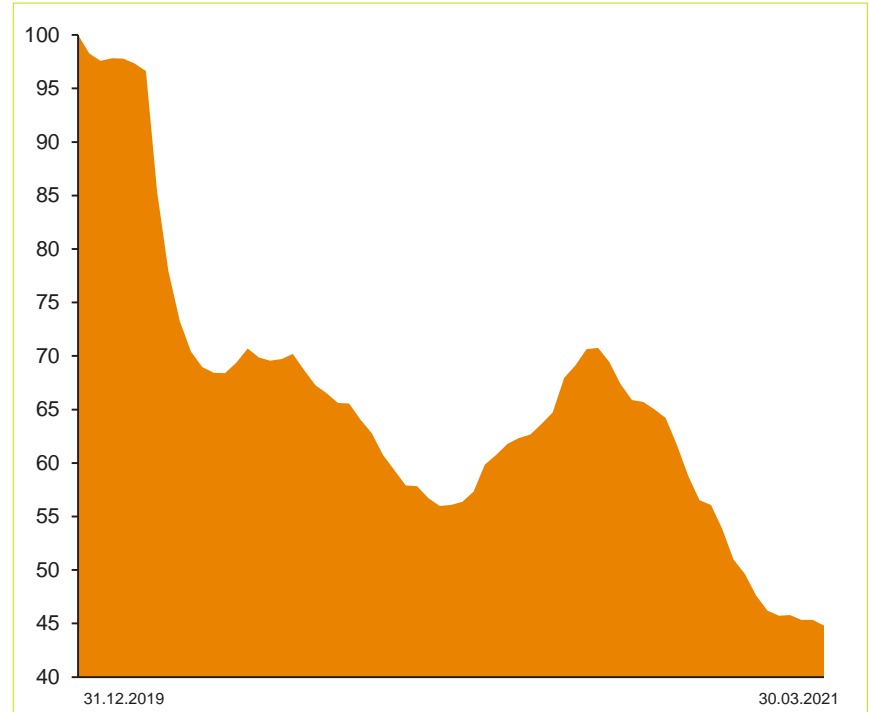
# Inventory at much healthier levels compared to previous years



### Inventory in % of Sales



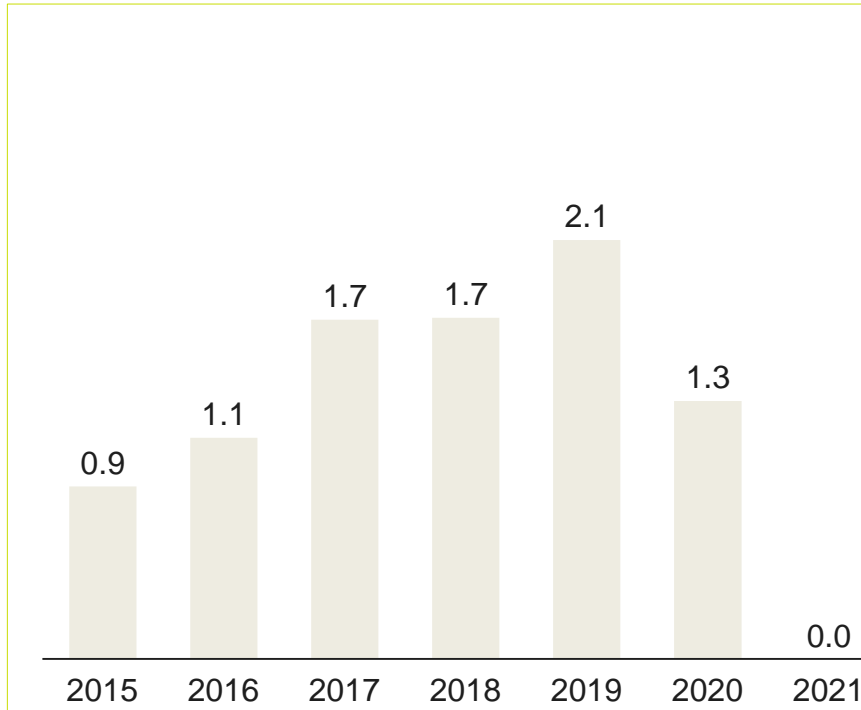
### Inventory levels older than 12 months – index dev.



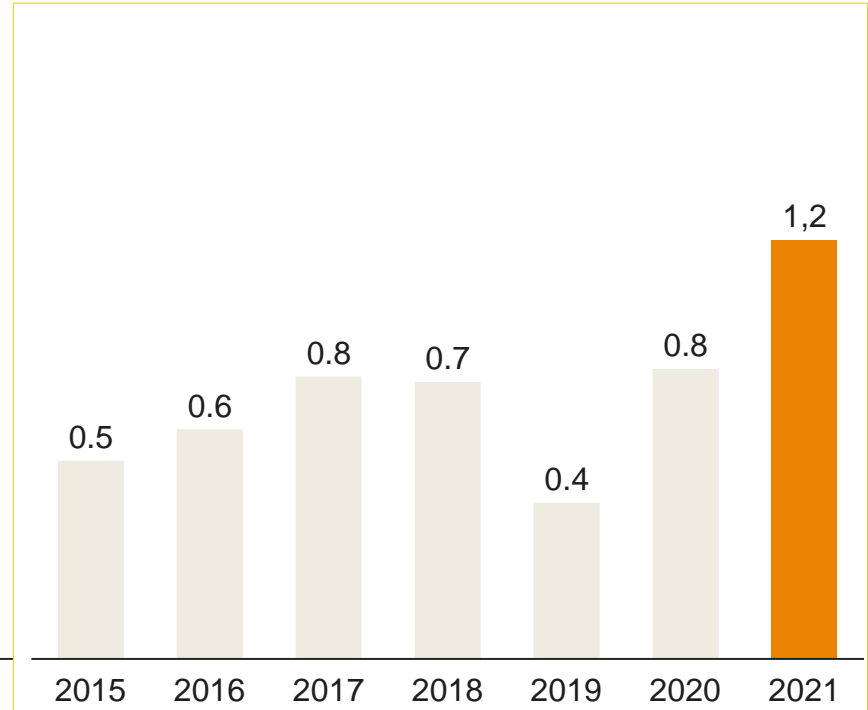
# XXL has a solid balance sheet vs previous years



Net interest bearing debt (per March)



Liquidity reserves (per March)



## Financial Summary

- Solid EBITDA at NOK 207 million
- Several stores temporarily closed during Q1, only partly compensated with higher e-commerce sales
- Sustainable gross margin
- Opex under control
- Positive cash flow and strong balance sheet

## Share buy back

- XXL will acquire 3.5 million shares starting from 26 April to 1 June 2021
- Optimize capital structure by cover for shares to long term management investment program

## Refinancing

- XXL will initiate a refinancing of the Group
- Aiming for
  - continued flexibility
  - improved terms
  - return to long term dividend policy



# Outlook



# Preparing for new “staycation” spring/summer



## Lock down paying its toll in April

- 14 stores closed in Norway
- 5 stores closed in Austria
- Continued focus on implementation of strategic projects

## Staying alert for fast changes in the market

- Close monitoring of changes in COVID-restrictions across all markets
- High responsiveness from defined contingency plans with necessary measures depending on impact and operational limitations

## Preparing for new "staycation spring/summer"

- Increasing purchasing volumes
- Solid and strong balance sheet giving financial flexibility
- Focusing on commercial excellence, seasonal planning and campaign execution in addition to securing product availability

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**Action Log - Covid Task Force 2021**  
Date: 16.03.2021

WS	ru	ID	Filter	WORK STREAM	DEPARTMENT	ACTIVITY
1	4	#1.4	Open	Finance	Rental contracts	
1	5	#1.5	Open	Finance	Finance	
1	7	#1.7	Open	Finance	Finance	
1	8	#1.8	Open	Finance	Finance	
2	1	#2.1	Open	E-commerce	Operations NO	
2	4	#2.4	Open	E-commerce	Marketing	
2	5	#2.5	Open	E-commerce	E-com	
2	6	#2.6	Open	E-commerce	Operations NO	
2	7	#2.7	Open	E-commerce	Operations NO	

# Post COVID-19 we believe in a more stable market dynamics and that XXL will capitalize on our strong business model and capabilities



## Significant challenges in sporting goods retail PRE-COVID

- Inventory build-up and stagnation across all players and markets
- Highly competitive intensity with strong price and margin pressure
- Weakened balance sheets and liquidity for several key players in the Nordics (and Europe)

## More stable market dynamics POST-COVID

- Persistent increase activity levels expected in key markets
- Strong recovery expected already in 2021 in Europe driven by continued spend on sportswear and equipment as economies recover
- Retail capacity balanced during 2020 in Norway and Sweden
- More healthy competitive dynamics and stabilized margin levels
- Accelerated online shift across all markets

## XXL with strong concept and key capabilities to succeed

- Strong, stable and long-term owners
- Strong balance sheet and capitalization gives us the opportunity to invest in future growth
- Realizing a defined strategic roadmap with demonstrated ability to execute
- XXL's branded big-box concept with key capabilities for future growth and strengthened position
- XXL with a solid omnichannel position

# We have maintained and accelerated progress on our key strategic initiatives throughout the second wave of COVID restrictions

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1

Strengthen our **product assortment and offering**

- Improved assortment **ON TRACK**
- Category development **ON TRACK**
- Strengthened supplier relations **ON TRACK**

2

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

- Revitalized brand platform **ACCELERATED**
- Customer loyalty program **COMPLETED**

3

Establish XXL as **omni-channel champion**

- Web page optimization **ON TRACK**
- Delivery options **ACCELERATED**
- RFID rollout **ACCELERATED**

4

Improve **in-store experience, concept and service offering**

- Fit Station launch **ON TRACK**
- New zone changing in stores **ACCELERATED**
- Electronic shelf labels **ACCELERATED**

5

Strengthen operational **efficiency** and our **customer orientation**

- Reorganization, HR and compliance **ON TRACK**
- Culture and leadership program **ON TRACK**
- System support on core processes **ON TRACK**





# Our ambitions going forward is to continuously gain market shares and strengthen our profitability

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## LONG-TERM MARKET SHARE GROWTH



Our ambition is **long-term market share gains** in all markets and continue the growth within the e-com channel

## IMPROVE GROSS MARGIN



We target to **strengthen and improve** our gross margin further from the stabilized 2020-levels (> 39% in gross margin)

## DECREASE COST-RATIO



We continue to invest in **improved operational efficiency** to decrease the cost ratio and increase quality

**Reassume long term dividend policy**

# Closing remarks



## Q1 2021 takeaways

- Several temporarily store closures – capitalizing on strong e-com platform
- Norway is standing out with a revenue growth of 7 per cent despite several store closures
- Accelerated implementation of several strategic projects during lockdown
- Gross margins at good and sustainable levels
- EBITDA of NOK 207 million (negative of NOK 36 million LY)
- Strong balance sheet – initiate refinancing of the Group

## Priorities

- Optimize inventory and cost base
- Secure efficient processes and quality in seasonal operations
- Increase marketing efficiency
- Improve category and concept offering
- Accelerate our strategic action plan for e-com
- Priority on changes with direct customer impact

## Outlook

- Currently 14 stores closed in Norway and 5 stores closed in Austria
- Continue rollout of ongoing strategic program
- 2 new stores signed for 2021, 1 in Sweden and 1 in Austria
- Capex in 2021 of NOK ~250-300 mill, related to ongoing improvement programs



**Q&A**

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**Great brands**

**Great prices**

**Great assortment**

**Great expertise**

**Great accessibility**



# Appendix

# We are improving all elements of our “game play” and are moving up to the field keeping possession of the ball

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## “Strengthen the defense”

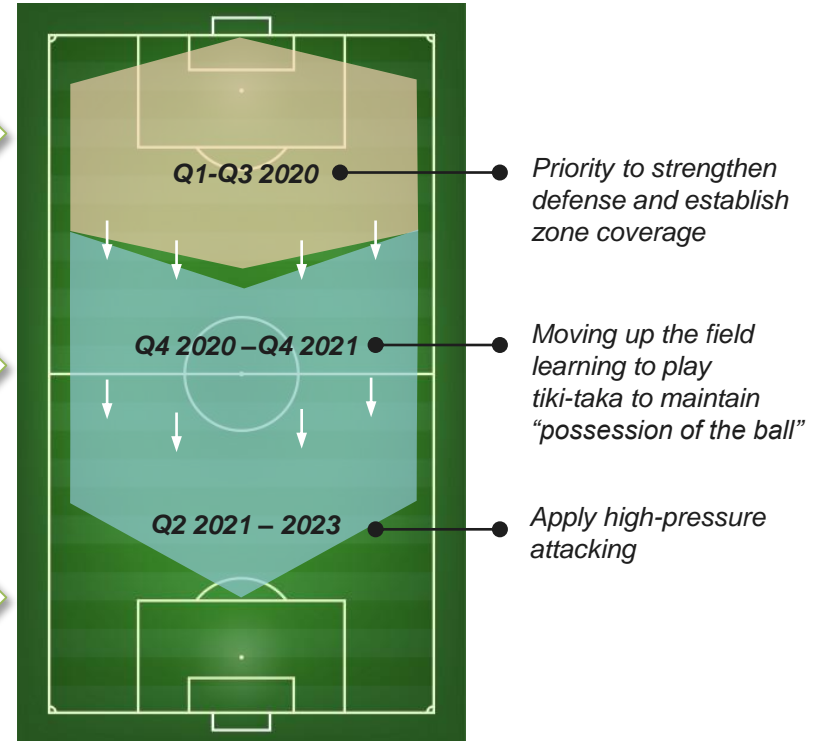
- Secure a healthy balance sheet and inventory
- Secure cost control and start realizing cost reductions
- Secure a more analytical, structured and fact-based decision making

## “Take control of the mid-field”

- Secure efficient processes and quality in daily operations and long-term planning
- Improve cross functional cooperation
- Strengthen seasonal planning and campaign execution

## “Apply high-pressure attacking”

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

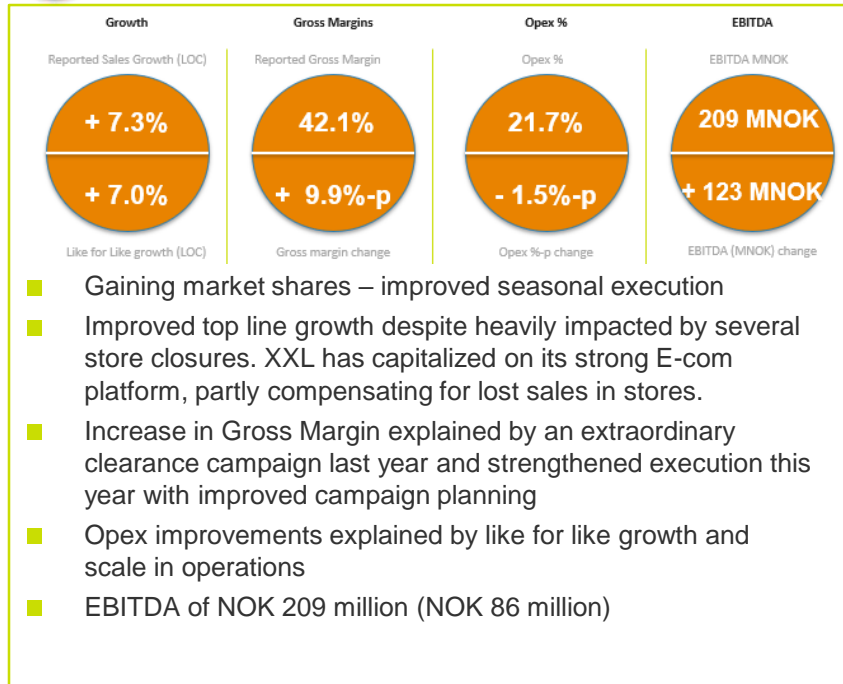


# Q1: Norway and Sweden – improvement on several parameters

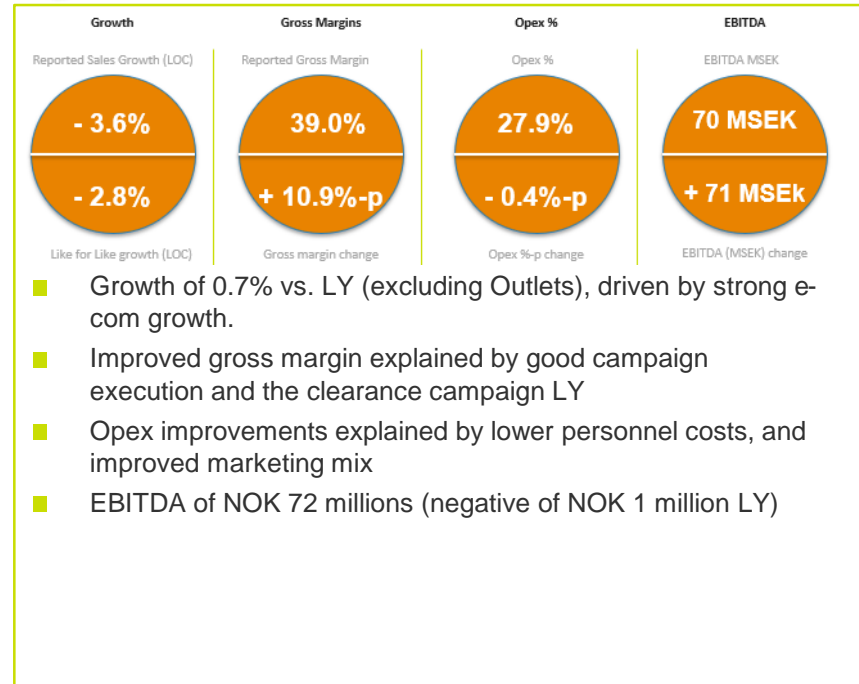
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## Norway



## Sweden



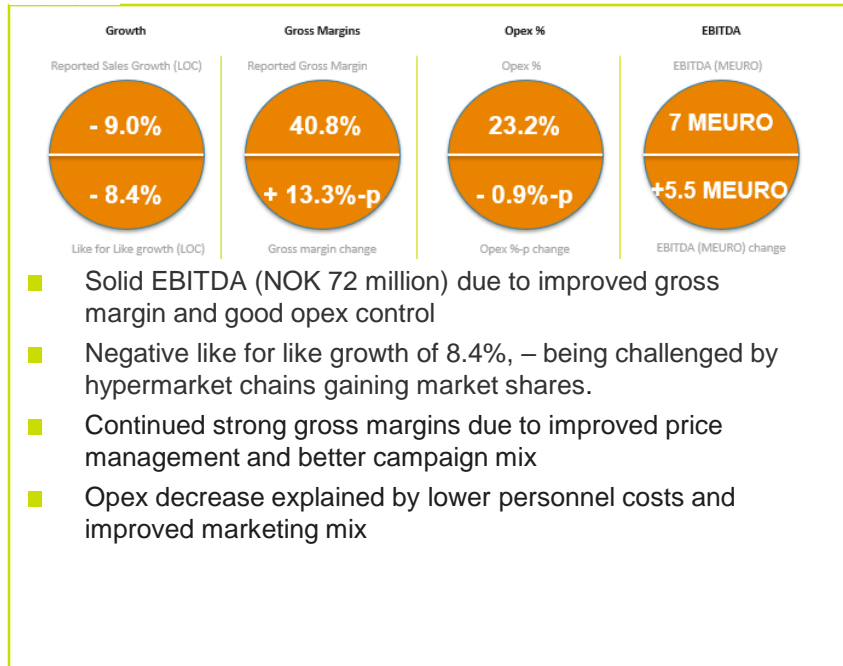


# Q1: Continued EBITDA improvements in Finland. Austria heavily impacted by Covid-19 restrictions

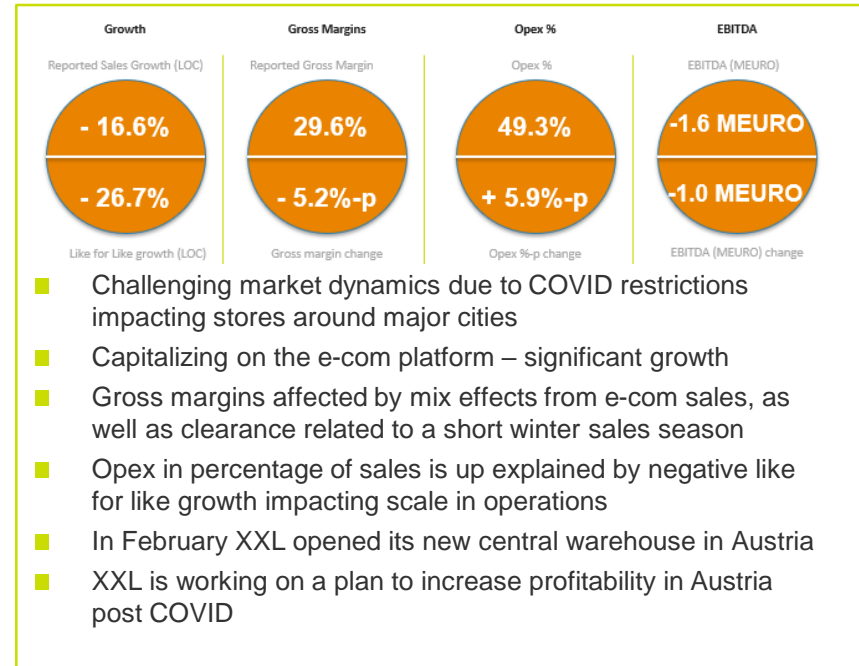
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## Finland



## Austria

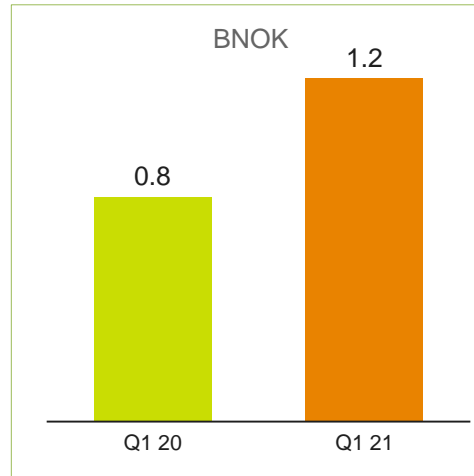


# Liquidity reserves ending at NOK 1.2 billion

YTD Operational cash flow



Liquidity reserves



Net interest bearing debt

