



XXL

XXL ASA – Q2 2021

Presentation of financial results 15th of July 2021



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This presentation was prepared for the interim results presentation for the second quarter 2021, held on 15 July 2021. 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.



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XXL ASA – Q2 2021

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Great brands

Great prices

Great assortment

Great expertise

Great accessibility

Headlines Q2 2021

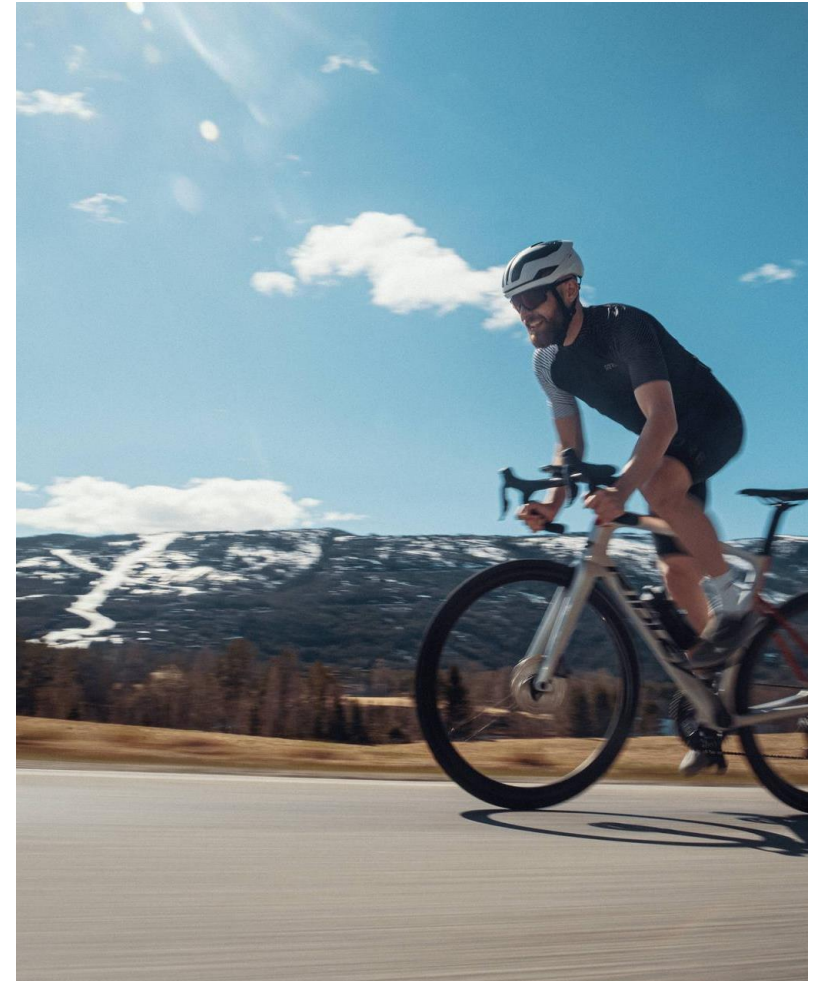
Solid results despite closed stores and product availability

Q2 2021

- Extraordinary quarter impacted by store closures and delayed delivery of bikes, in total approximately NOK 450 million
- Leading to unsatisfactory top line and market share development, but solid results through good gross margin- and cost control
- Delivering the second best Q2 EBITDA in XXL's history – 97% vs. LY's all-time-high
- Continued implementation of strategic projects – great efforts by our many dedicated employees
- Strong financial position

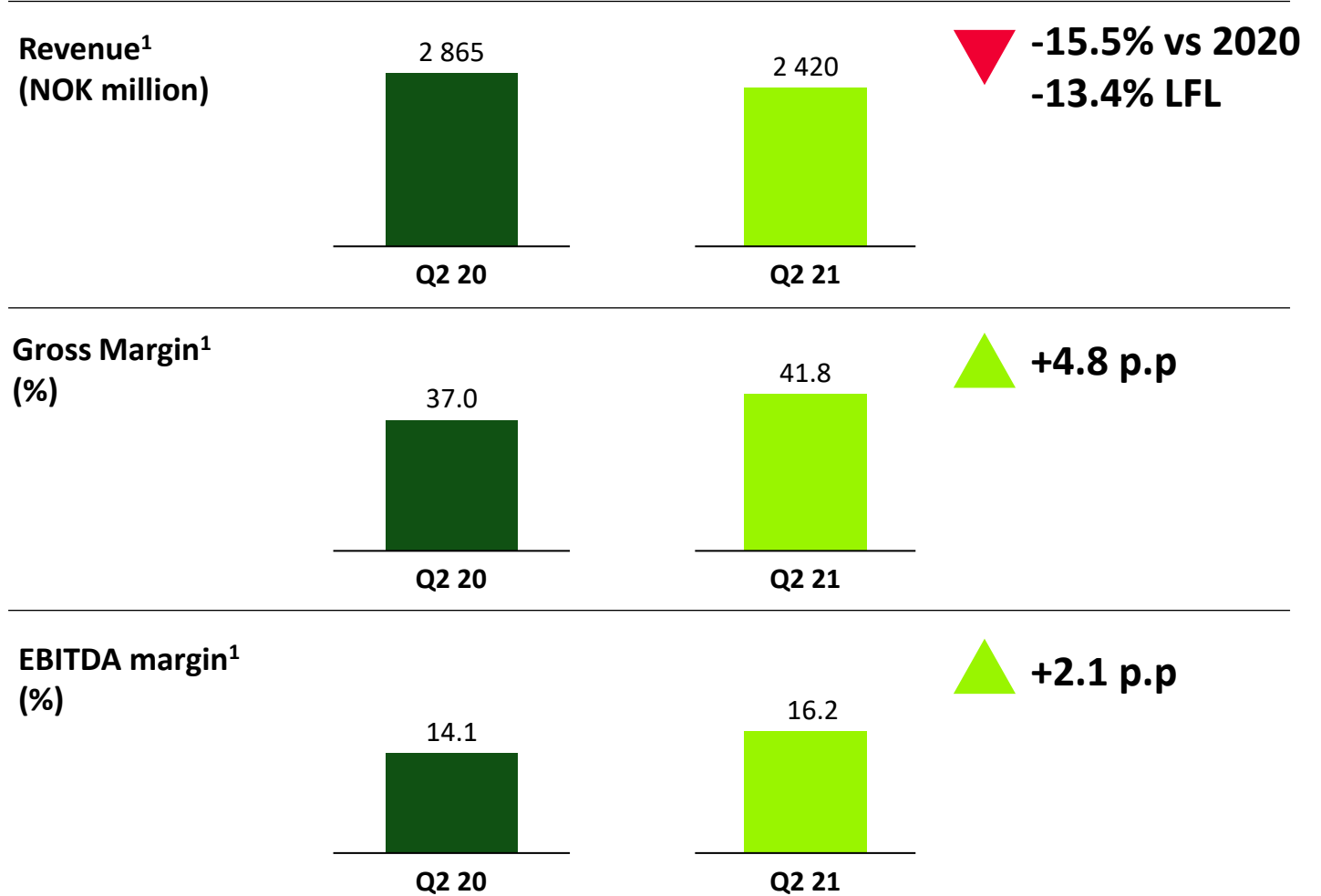
Outlook

- Refinancing in place – yielding flexibility
- Proposal of extraordinary dividend of NOK 500 million and returning to dividend policy
- XXL with strong concept and capabilities to succeed post COVID
- Our targets and goals going forward is to continuously gain market shares and strengthen our profitability



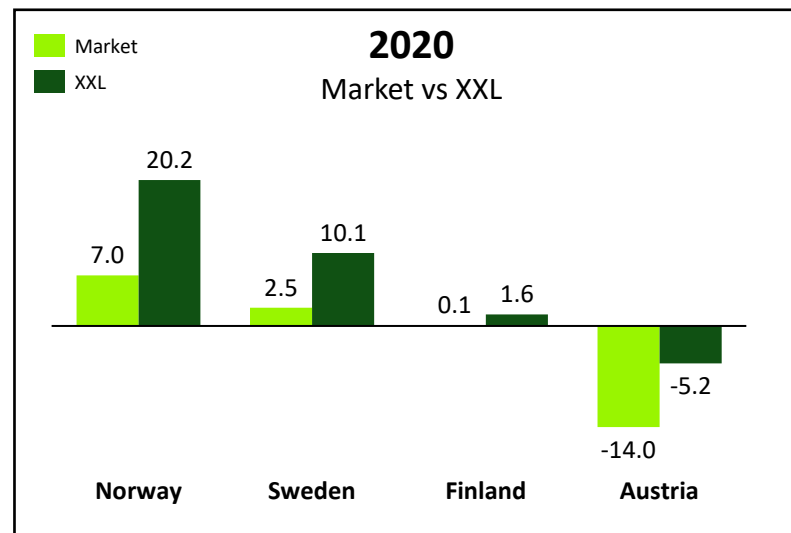
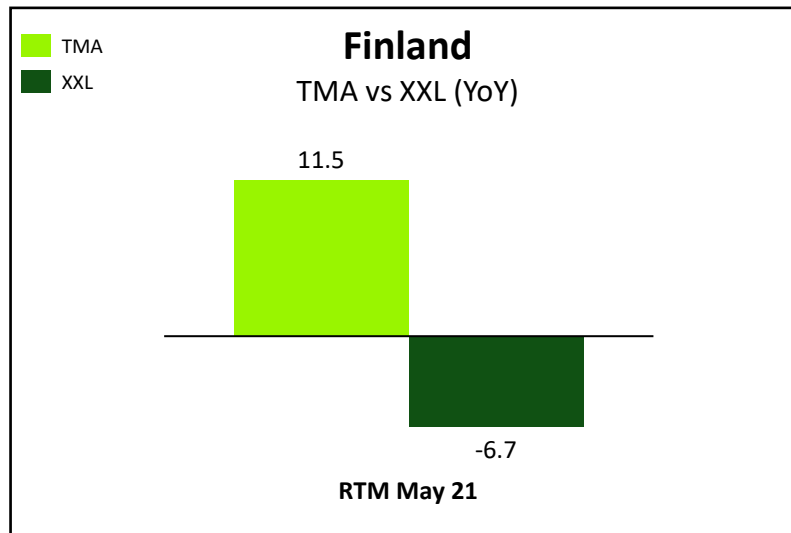
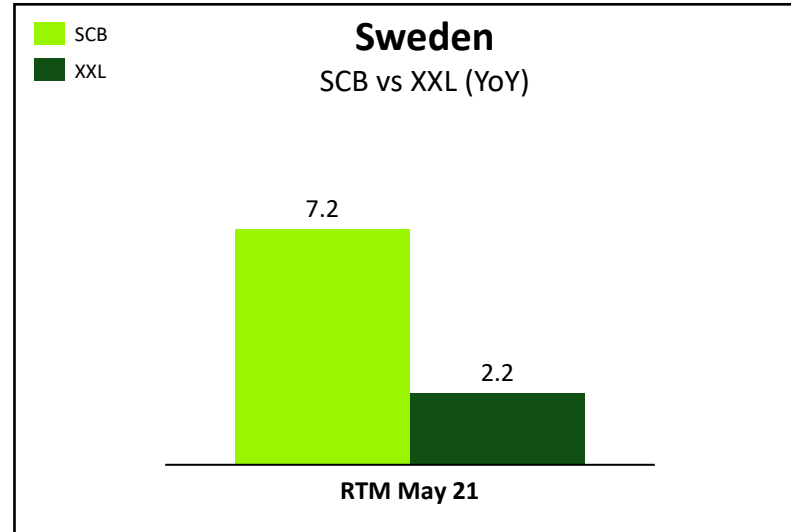
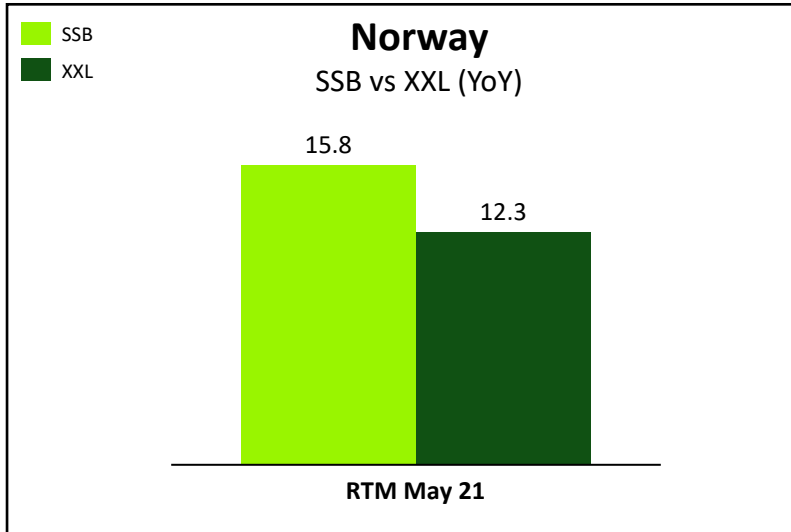
Highlights Q2 2021

- Operating revenue of NOK 2 420 million (NOK 2 865 million)
 - Several stores temporarily closed during April/May
 - Challenging delivery situation of bicycles
 - Clearance campaigns last year with high volumes
- Strong gross margins (+4.8 p.p) driven by campaign execution, healthy inventory and positive category mix. Also, LY included several clearance campaigns
- EBITDA of NOK 392 million (NOK 404 million)



1. 2020 Financial numbers for 2020 restated

Market share development RTM



- Target and goal to gain market shares over time
- RTM figures for XXL is partly explained by the extraordinary clearance campaigns last year with high volumes at low margins
- Also, XXL is hit by store closures due to the centrally located stores + challenging delivery situation within the large bike category
- However, XXL is not pleased with the development and will sharpen campaign activities in a controlled way going forward
- Longer term strengthen the concept and customer preference (earned vs. bought customer traffic)

1. Market 2020 equals Sportsbransjen AS in Norway, SCB in Sweden, TMA in Finland and WKO in Austria
 2. Sweden is measured ex. Outlets

Q2 2021 Performance per segment

	Group	Norway	Sweden	Finland	Austria	Denmark	HQ
LFL GROWTH	-13.4% ▼	-13.7% ▼	-8.4% ▼	-17.0% ▼	-25.7% ▼	-39.2% ▼	n/a
EBITDA GROWTH (mnok)	-13 ▼	-21 ▼	+17 ▲	-22 ▼	-9 ▼	+0 ▲	+22 ▲

Norway, Sweden and Finland deliver second best Q2 EBITDA ever

The global bike value chain experiences great delivery challenges and increased lead times

- Restrictions on production facilities due to COVID-19
- Increased demand globally
- General increase in global shipping volumes
- Shortage of containers
- Value chain heavily dependent on few suppliers of components
- Suez canal crisis



Varsler store utfordringer

Sykkelforhandler tror det vil ta to-tre år før situasjonen stabiliserer seg.

'It's turmoil': Why the global bike shortage isn't ending soon



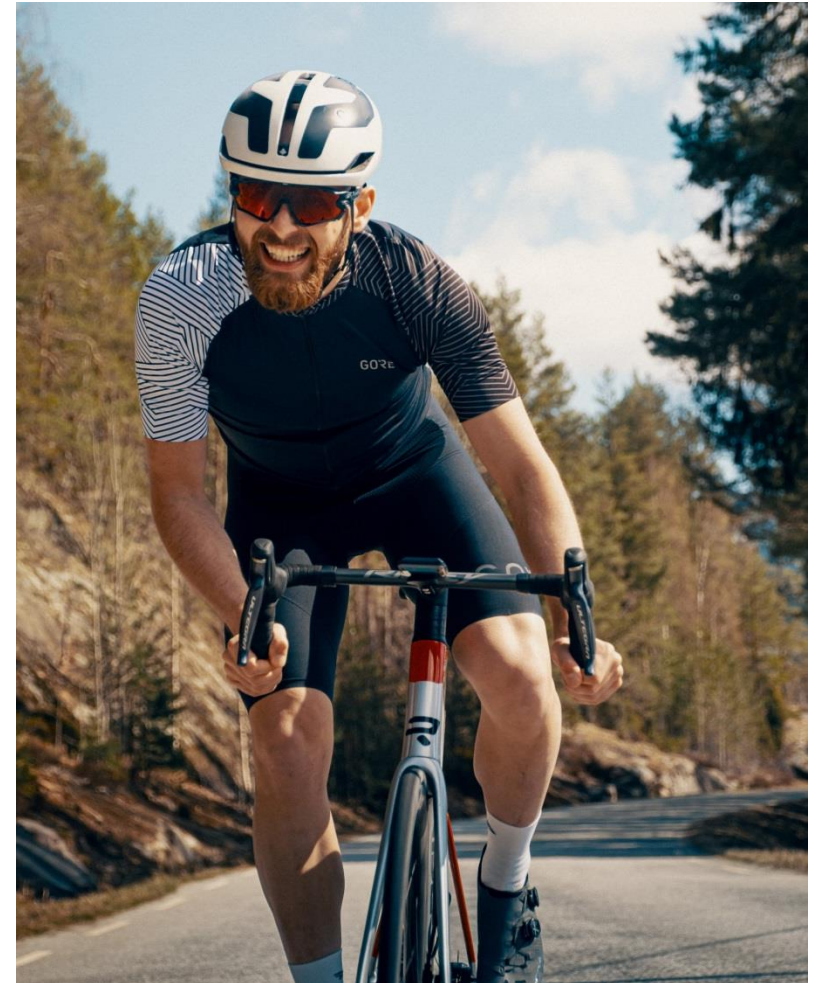
Kaos ved kinesiske havner - venter «enorme forstyrrelser» i verdenshandelen

1 min Publisert: 16.06.21 - 04.09 Oppdatert: en måned siden



Significant delays on bike deliveries impact XXL's topline in Q2 2021

- Bike sales is an important category in Q2 for XXL representing 26% of total sales in Q2 2020
- We have experienced delays and cancellations of bike deliveries this year resulting in a volume drop over 50% vs LY in selected bike sub-categories
- Due to the situation we seek to optimize the balance between securing top line and campaign level vs profitability
- Supplies are improving week by week and we expect +35,000 bicycles to be delivered by end of august, but still a challenging situation
- The bicycle value chain is disrupted. We expect the situation to continue to be demanding in terms of missing product, delivery uncertainties and constant changes for some time



Financial Review Q2 2021



Refinancing of bank loan facilities and dividend distribution

Refinancing of bank loan facilities

- A prolonged arrangement with the existing bank syndicate (Nordea and DNB)
- Multi-currency Revolving Credit Facility of NOK 1 650 million
 - increased flexibility
 - maturity of 3 years
 - slightly improved terms
- In addition XXL has an overdraft facility of NOK 150 million
- From Q3 2021 XXL will return to a leverage covenant structure (NIBD/EBITDA only)

Dividend distribution

- Proposal of extraordinary dividend distribution of NOK 500 million (NOK 1.98 per share) in H2 2021:
 - NOK 250 million in Q3 2021
 - NOK 250 million in Q4 2021
 - BoD to convene an EGM on 16 Sept 21
- XXL will return to its long-term dividend policy with a targeted payout ratio of 40-50 per cent of Groups annual, normalized net income

Debt and liquidity Q2-2021

- Net interest-bearing debt of NOK 83 million
- Liquidity reserves of NOK 905 million
- Leverage ratio (NIBD/EBITDA) of 0.1x

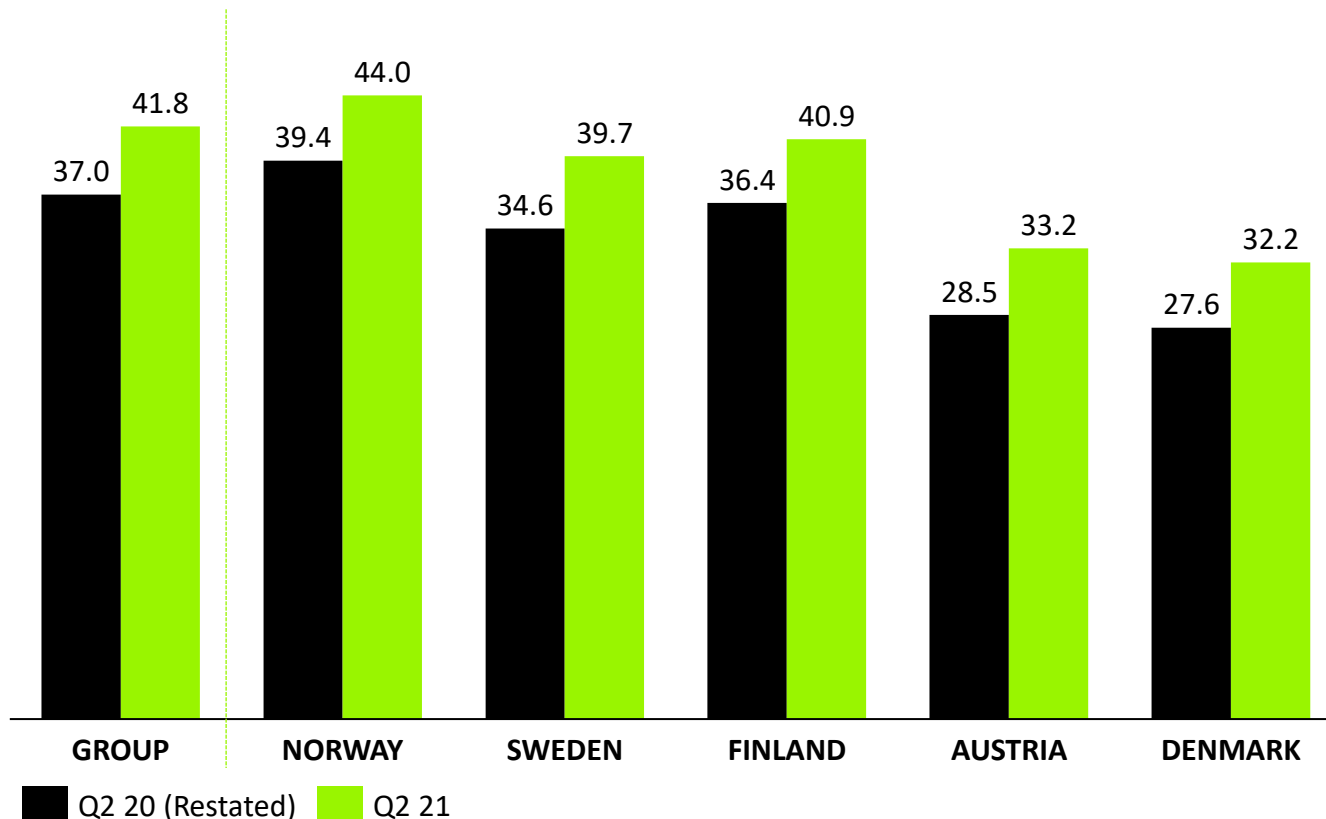
Key Figures

<i>(Amounts in NOK million)</i>	Q2 2021	Q2 2020 (Restated)	H1 2021	H1 2020	FY 2020 Audited
GROUP					
Operating revenue	2 420	2 865	4 587	5 027	10 423
<i>Growth (%)</i>	-15,5 %	-6,2 %	-8,8 %	19,7 %	15,9 %
Gross profit	1 013	1 060	1 889	1 711	3 904
<i>Gross margin (%)</i>	41,8 %	37,0 %	41,2 %	34,0 %	37,5 %
<i>OPEX %</i>	25,7 %	22,9 %	28,1 %	26,7 %	26,7 %
EBITDA	392	404	598	368	1 117
<i>EBITDA margin (%)</i>	16,2 %	14,1 %	13,0 %	7,3 %	10,7 %
EBIT	202	222	218	7	364
<i>EBIT margin</i>	8,4 %	7,8 %	4,8 %	0,1 %	3,5 %
Net Income	159	133	121	-53	126

- Revenue down with NOK 445 million vs. a strong comparator last year
 - Negative like for like growth of 13.4%
 - Store closures with negative effect of around NOK 200 million
 - Late delivery of bicycles (20% of total turnover in Q2-21 vs 26% of turnover in Q2-20) – around NOK 250 million lower sales vs. LY
 - E-com growth of 7% - representing 24.8% of total revenue versus 19.6% last year
- Gross margins ended at a strong 41.8%, up from 37.0% last year
 - Improved campaign execution this year, while last year was characterized with several clearance campaigns
 - Positive category mix effects
- OPEX in % is 2.8 p.p higher than last year driven by the lower top line hampering scale in operations
 - However a reduction of NOK 35 million vs. LY
- EBITDA ending at NOK 392 million
 - RTM EBITDA of NOK 1 347 million
 - RMT EBITDA ex. IFRS of NOK 741 million

Gross Margin Development

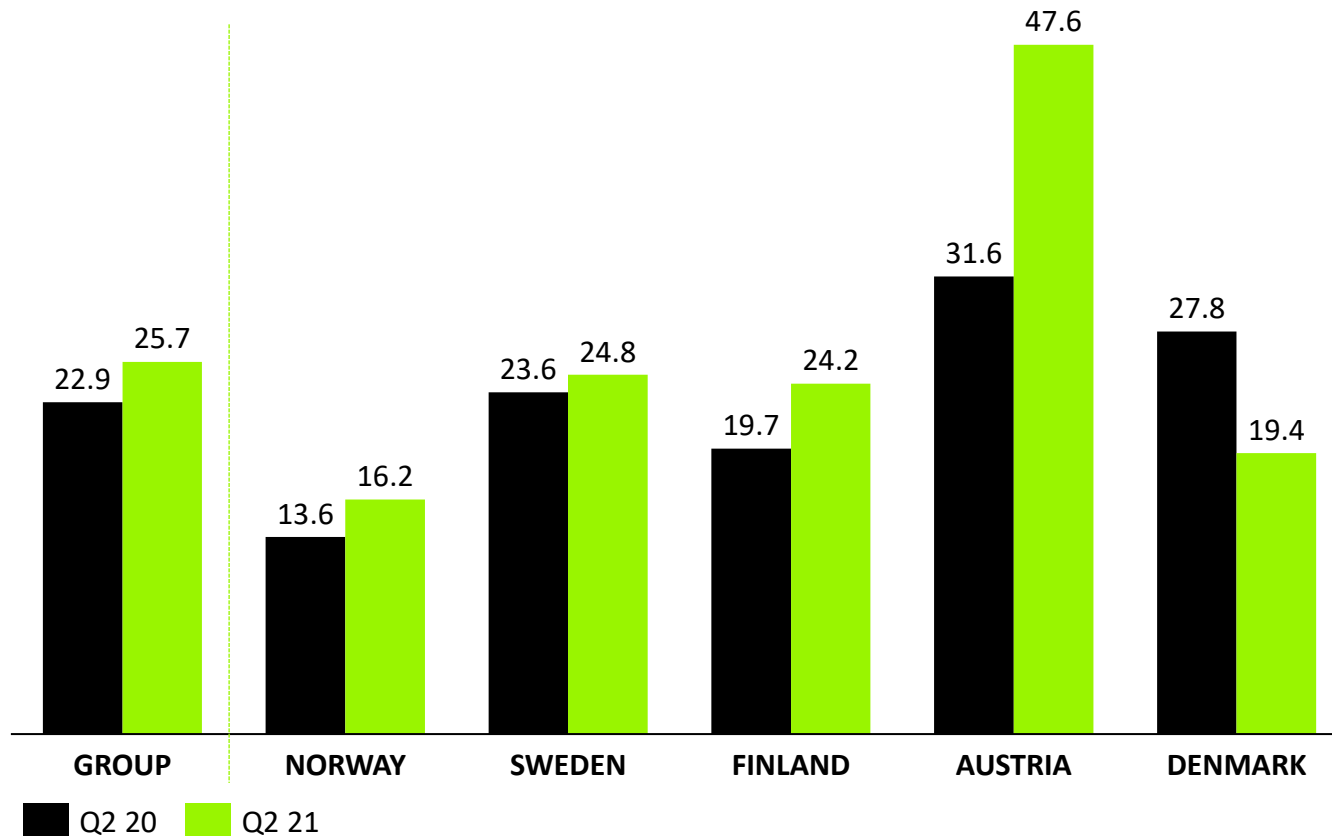
XXL ASA Q2 2021 - Gross margin per segment (in %)



- Strong gross margin development in the quarter, up from 37.0% in Q2 2020 to 41.8% in Q2 2021
- Broad based improvement – all segments strengthened margins
- Last year was characterized by focus on liquidity and cash flow with several clearance campaigns, while the focus this year has been more balanced
- Also, positive category mix effects of approx. 1 p.p
- XXL targets to stabilize the gross margin above 39%
 - Improved market dynamics
 - Improved campaign approach and execution
 - Healthier assortment and inventory levels

OPEX Development

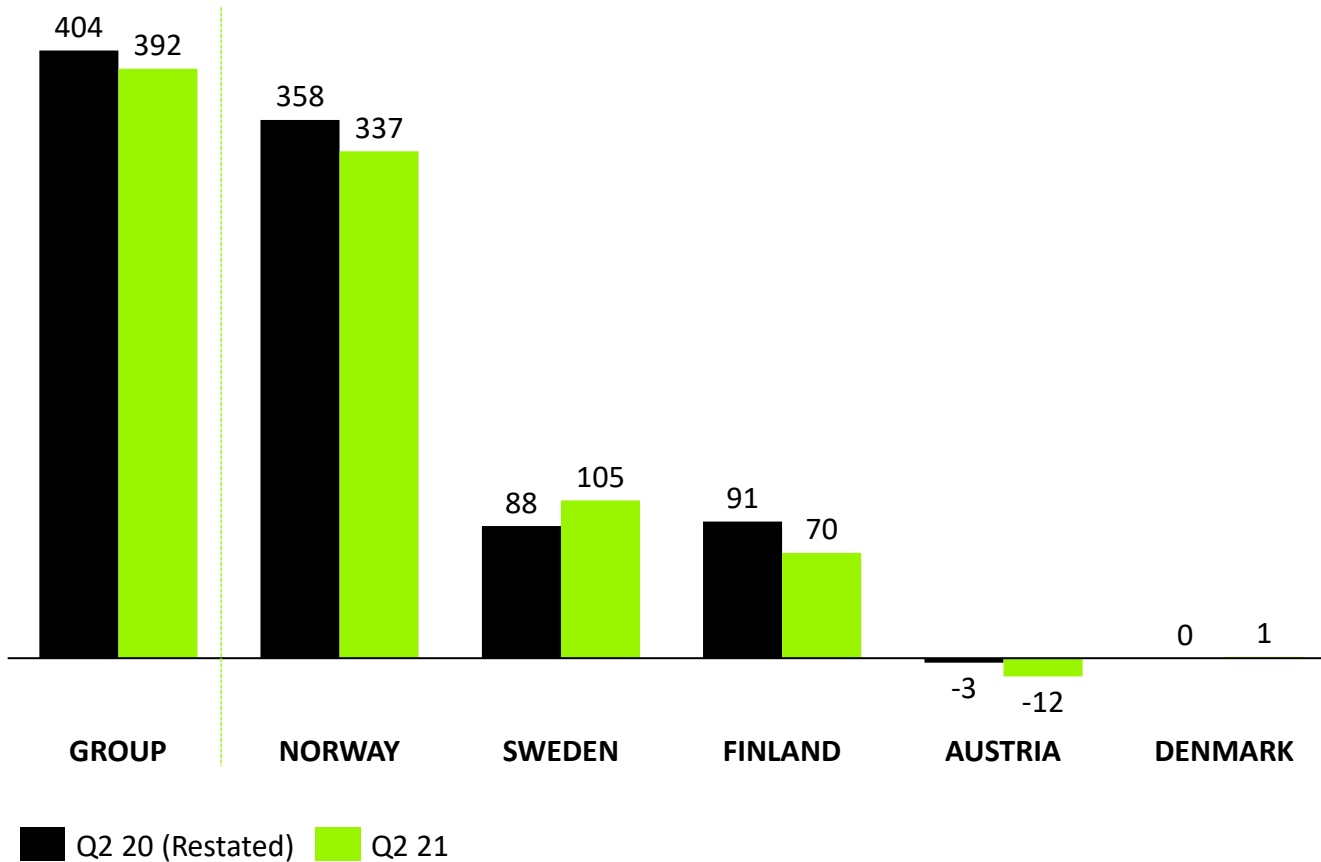
XXL ASA Q2 2021 - OPEX per segment (in %)



- Group OPEX% up with 2.8 points to 25.7% in Q2, mainly explained by lower revenue hampering scale in operations
- Reduction of NOK 35 million vs. LY
 - Reduced bonus accruals of NOK 30 million
 - Reduced consultancy cost of approx. NOK 10 million
- Reduced costs in HQ and logistics segment of NOK 22 million
 - Reduced bonus accruals of NOK 16 million and reduced consultancy cost

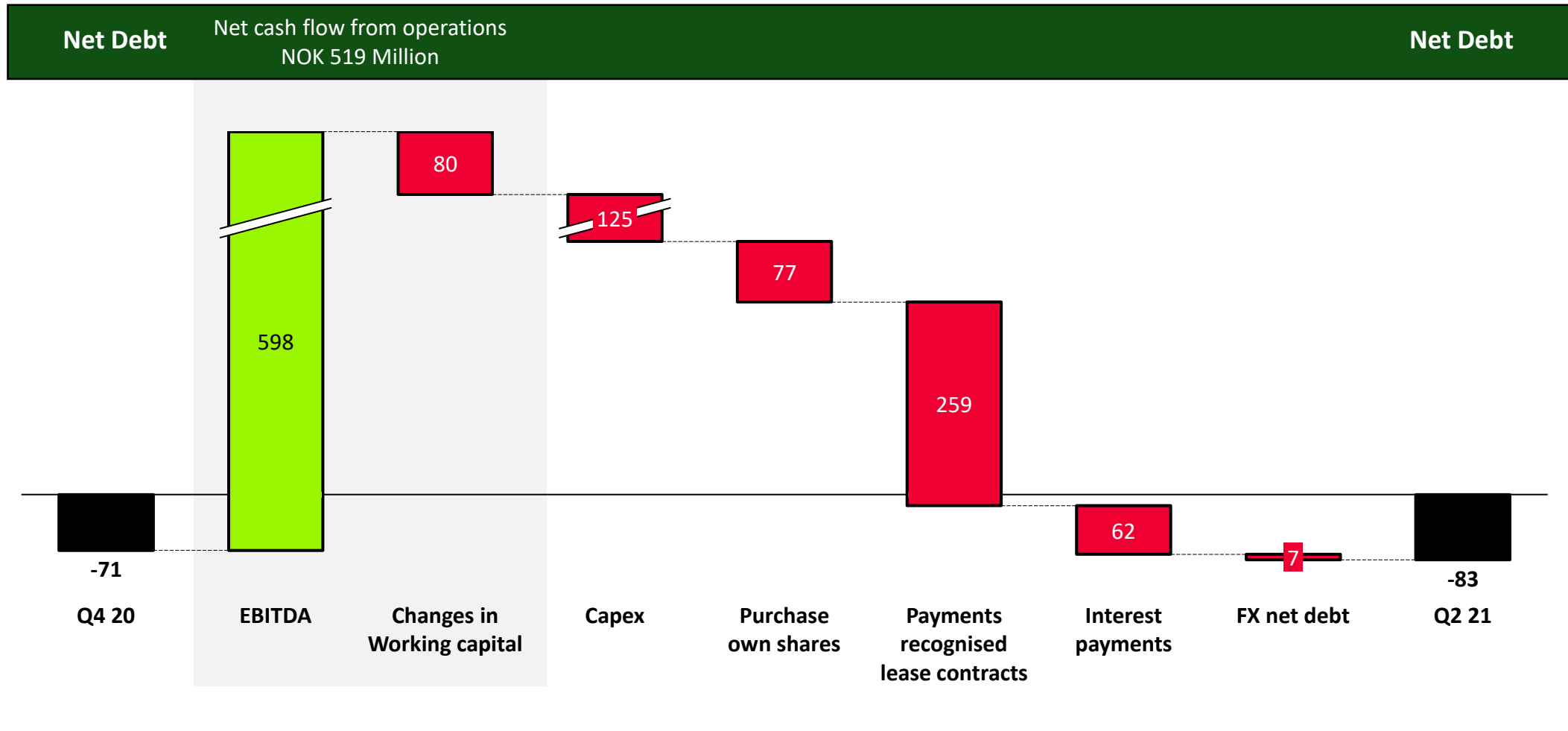
EBITDA Development

XXL ASA Q2 2021 - EBITDA per segment (in mNOK)



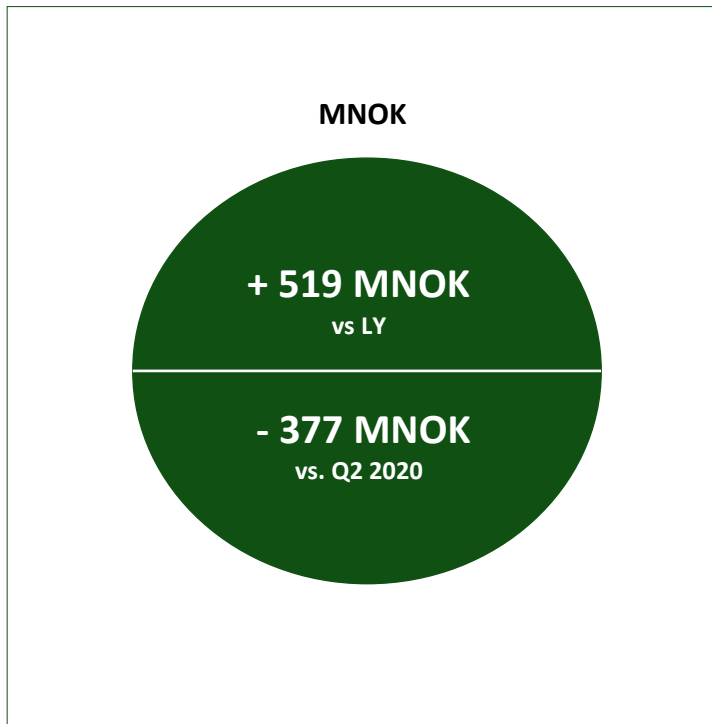
- EBITDA close to LY performance – down NOK 13 million
 - explained by the negative revenue growth, but partly compensated by higher gross margin and lower opex
 - second best Q2 EBITDA in XXL’s history
- EBITDA margin of 16.2% in Q2 2021 vs. 14.1% in Q2 2020

Net Debt Development

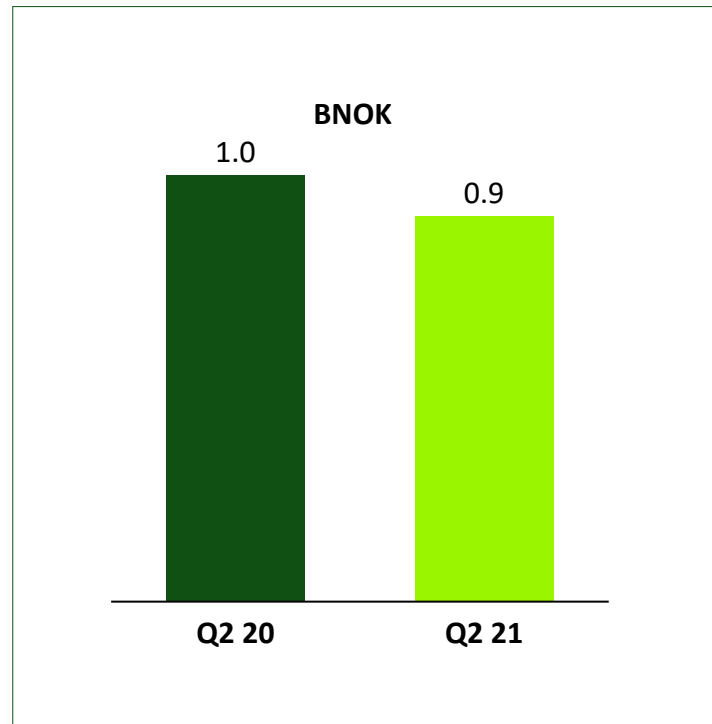


Continued strong financial position

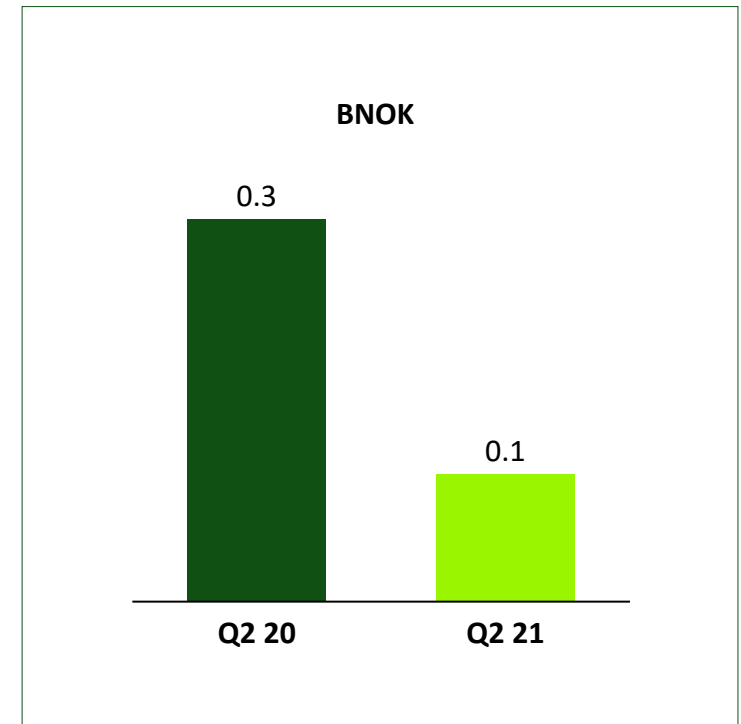
YTD Operational Cash Flow



Liquidity Reserves



Net Interest-Bearing Debt



Financial summary Q2 2021



P&L Summary

- EBITDA of NOK 392 million vs. a strong comparator LY of NOK 404 million
- Decline in revenue vs. LY of NOK 445 million, mainly explained by store closures in April and a challenging delivery situation of bicycles
- Strong gross margins in the quarter of 41.8%, due to campaign execution, healthier inventory and positive category mix effects
- Increase in opex %, mainly due to weakened top line hampering scale in operations. However a reduction of NOK 35 million in Q2 2021 vs. Q2 2020



Balance sheet summary

- Increase in inventory vs. Q1
- Expected increase going forward, partly due to late delivery of bicycles, towards normalized levels
- Inventory age – stable levels vs. Q1 (obsolete provisions unchanged)
- Continued strong financial position
 - NIBD of NOK 83 million
 - Liquidity reserves of NOK 905 million



Refinancing of the Group

- New bank loan facilities of NOK 1.8 billion NOK
 - increased flexibility (RCF) and slightly improved terms
 - maturity of 3 years, starting from from Q3-2021
 - return to leverage covenant structure
- Proposal of extraordinary dividend distribution of NOK 500 in H2 2021 – divided in two tranches of NOK 250 in Q3 and Q4 2021
- XXL will return to its long-term dividend policy with a targeted payout ratio of 40-50 per cent of Groups annual normalized net income

Outlook

XXL



Post COVID-19 we believe in a more stable market dynamics and that XXL will capitalize on its 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 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

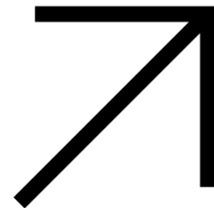
We have maintained and accelerated progress on our key strategic initiatives throughout the second wave of COVID restrictions

<div data-bbox="214 439 463 668"> </div> <div data-bbox="152 696 535 831"> <p>Strengthen our <i>product assortment and offering</i></p> </div> <div data-bbox="140 921 550 1249"> <ul style="list-style-type: none"> → Improved assortment ON TRACK → Category development ON TRACK → Strengthened supplier relations ON TRACK </div>	<div data-bbox="677 439 927 668"> </div> <div data-bbox="606 696 988 873"> <p>Enhance our <i>marketing approach</i> and build the XXL brand</p> </div> <div data-bbox="606 921 996 1120"> <ul style="list-style-type: none"> → Revitalized brand platform COMPLETED → Customer loyalty program (stage #1) COMPLETED </div>	<div data-bbox="1141 439 1391 668"> </div> <div data-bbox="1116 696 1411 831"> <p>Establish XXL as <i>omni-channel champion</i></p> </div> <div data-bbox="1065 921 1472 1249"> <ul style="list-style-type: none"> → Web page optimization ON TRACK → Delivery options ACCELERATED → RFID rollout (stage #1) COMPLETED </div>	<div data-bbox="1605 439 1854 668"> </div> <div data-bbox="1549 696 1921 831"> <p>Improve <i>in-store experience, concept and service offering</i></p> </div> <div data-bbox="1528 921 1944 1249"> <ul style="list-style-type: none"> → Fit Station launch COMPLETED → New zone changing in stores COMPLETED → Electronic shelf labels (stage #1) COMPLETED </div>	<div data-bbox="2068 439 2318 668"> </div> <div data-bbox="1997 696 2395 831"> <p>Strengthen operational <i>efficiency</i> and our <i>customer orientation</i></p> </div> <div data-bbox="1997 921 2412 1249"> <ul style="list-style-type: none"> → Reorganization, HR and compliance ON TRACK → Culture and leadership program ON TRACK → System support on core processes ON TRACK </div>
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Our targets and goals going forward is to continuously gain market shares and strengthen our profitability

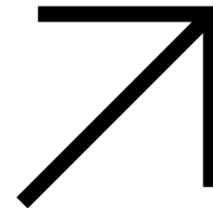
Long-term market share growth

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



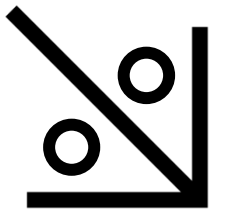
Improve gross margin

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



Dividend target of 40-50% of annual normalized net income

Closing remarks



Q2 2021 Key Takeaways

- Extraordinary quarter – store closures and bikes
- Unsatisfactory top line and market share
- Good gross margin- and cost control
- Implemented several strategic projects
- Solid results – second best Q2
- Strong financial position
- Refinancing and dividend distribution



Priorities

- Sharpen campaign activities in a controlled way
- Improve category and concept offering
- Accelerate our strategic action plan for e-com
- Secure efficiency and quality in all core processes
- Optimize inventory and cost base



Outlook

- Over time gain market shares in all markets
- Stabilize gross margin above 39%
- Capex in 2021 of NOK ~250-300 mill, related to ongoing improvement programs
- 2 new stores signed for 2021, 1 in Sweden and 1 in Austria

Q&A



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XXL ASA – Q2 2021



Appendix

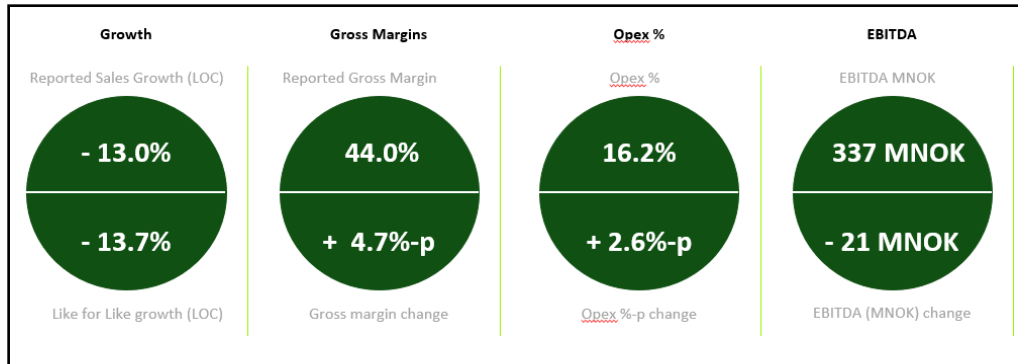
XXL



**Q2: Norway impacted by store closures and delayed deliveries of bikes
Sweden – improvement on several parameters – also delayed bike deliveries**



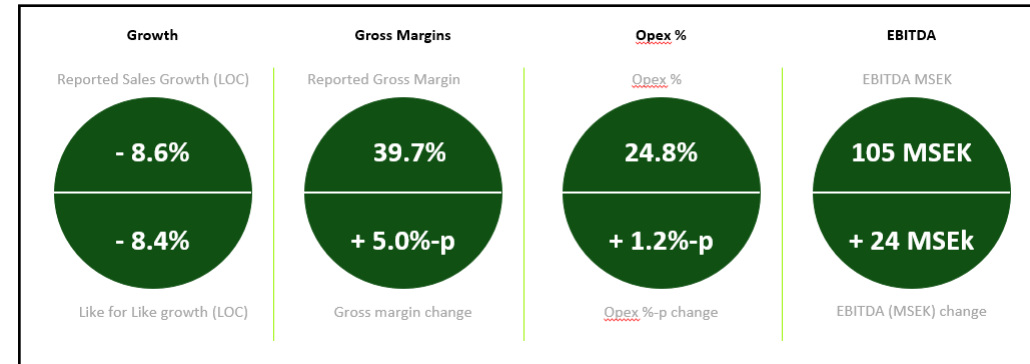
Norway



- Negative growth in topline due to store closures in April/May (up to 22 out of 37 stores closed) and delays in deliveries of bicycles
- Offset by increase in gross margin explained by campaign execution, healthier inventory and positive category mix. Also several clearance campaigns last year
- Negative development in opex% explained by negative like for like growth hampering scale in operations
- EBITDA of NOK 337 million (NOK 358 million)



Sweden

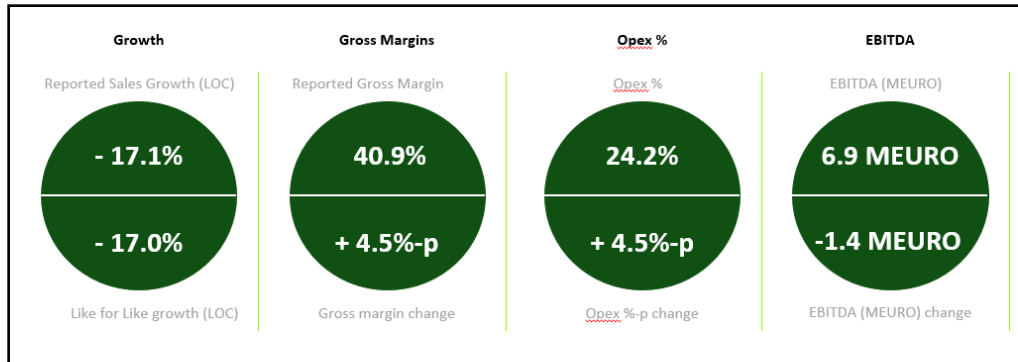


- Negative growth in topline affected by high volumes last year due to clearance campaign and lack of bicycles this year
- Continued strong gross margins due to price management and improved campaign mix (LY high volumes at lower margins)
- Opex% slightly higher than LY due to negative Like for Like –however good cost control
- EBITDA ending at NOK 105 million (NOK 88 million)

**Q2: Finland meeting fierce competition from hypermarkets during C-19 as one-stop shop
Still challenging market dynamics in Austria due to C-19 – restrictions impacting traffic**



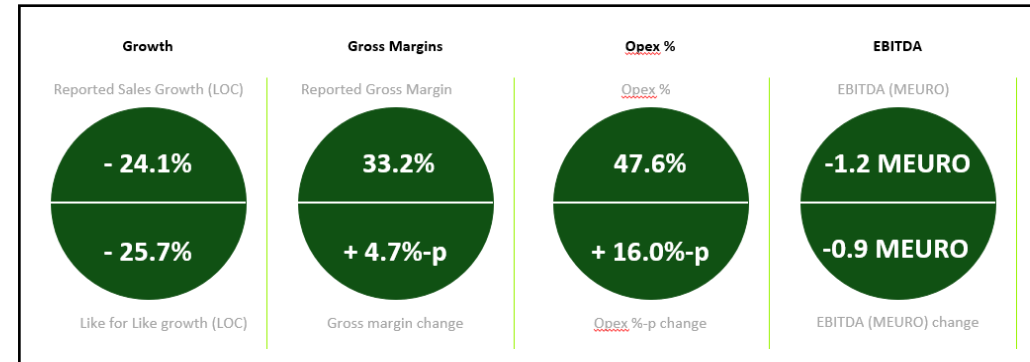
Finland



- Negative growth in topline of 17.1%. Meeting fierce competition from hypermarkets as one-stop shops during C-19 and delays in deliveries of bicycles
- Offset by increase in gross margin explained by price management and positive category mix. Also, last year had several clearance campaigns
- Negative development in opex% explained by negative like for like growth hampering scale in operations
- EBITDA of NOK 70 million (NOK 91 million)



Austria



- Negative growth in topline of 24.1%. More challenging market dynamics than in the Nordic countries during C-19. Five out of 7 stores were closed throughout April – all in Greater Vienna area
- Offset by increase in gross margin explained by clearance campaign last year and more optimized campaign mix this year
- Negative development in opex% explained by negative like for like growth hampering scale in operations
- EBITDA of negative NOK 12 million (negative NOK 3 million)

**All sports united.
Sports unite all.**