

XXL

XXL ASA – Q3 2021

Presentation of
Financial Results
28 October 2021



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XXL ASA – Q3 2021

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**Great brands
Great prices
Great assortment
Great expertise
Great accessibility**

FOOTBALL

X

PREDATOR



adidas FOOTBALL



PREDATOR

UNLIMITED SPEED
PREDATOR

Headlines Q3 2021

E-commerce growth continues while delayed delivery of bicycles impacts sales

Q3 2021

- Delays in delivery of incoming goods – especially bicycles
- Leading to unsatisfactory customer traffic and top line development
- The migration to online channels continues. E-commerce growth of 18 per cent, on top of strong sales last year, and all markets posting growth
- As stated in Q2 2021 XXL sharpened the campaign activities in Q3 2021 – hampering gross margins. Target of gross margin above 39% remains
- Strong financial position

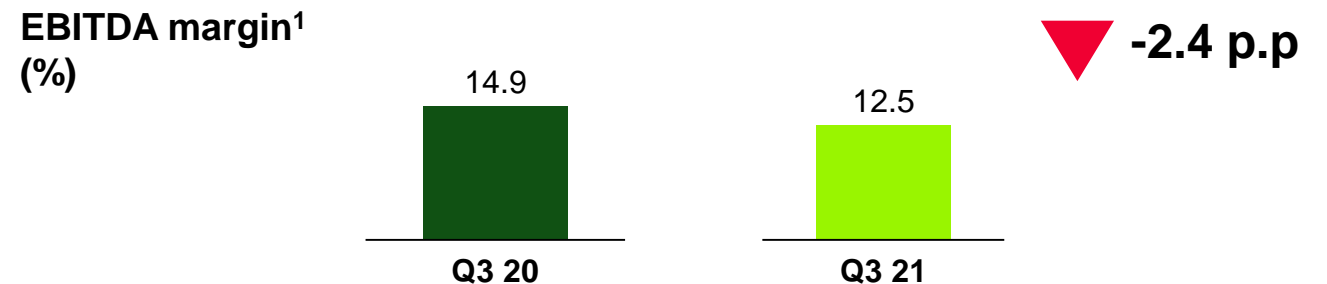
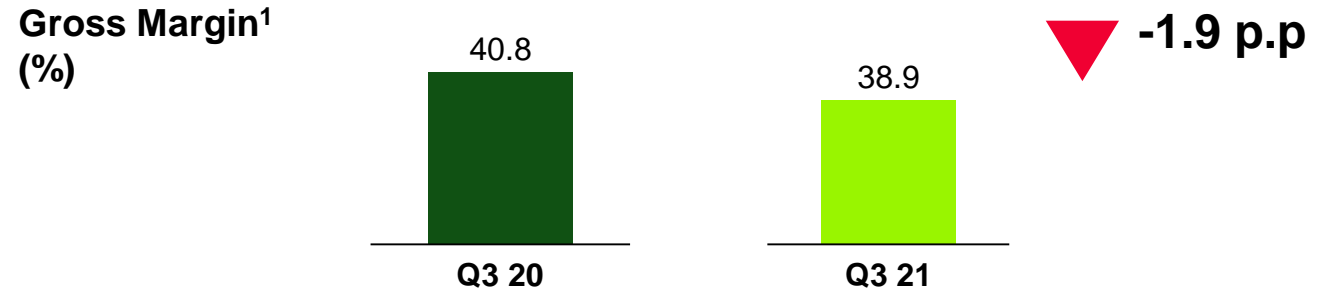
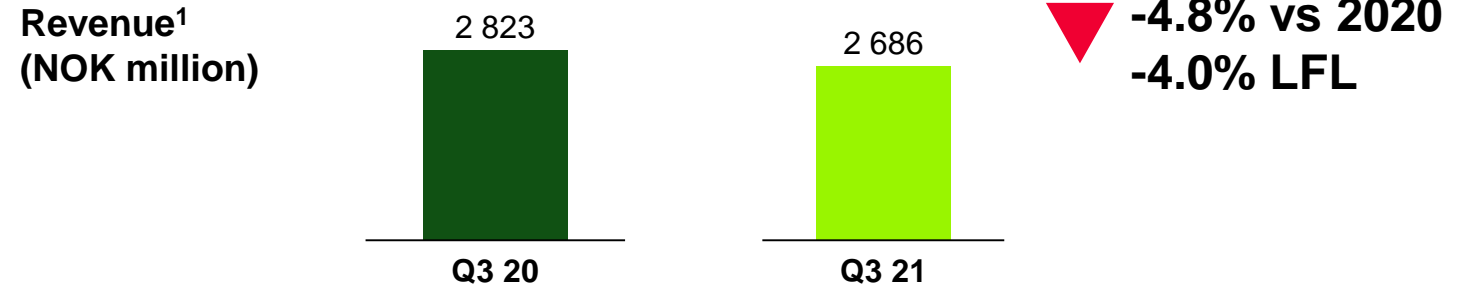
Outlook

- Financial position yielding flexibility
- Remaining NOK 250 million in extraordinary dividend to be paid out in December. Returning to dividend policy
- XXL with strong concept and capabilities to succeed – ongoing implementation of strategic initiatives
- Our targets and goals going forward is to continuously gain market shares and strengthen our profitability

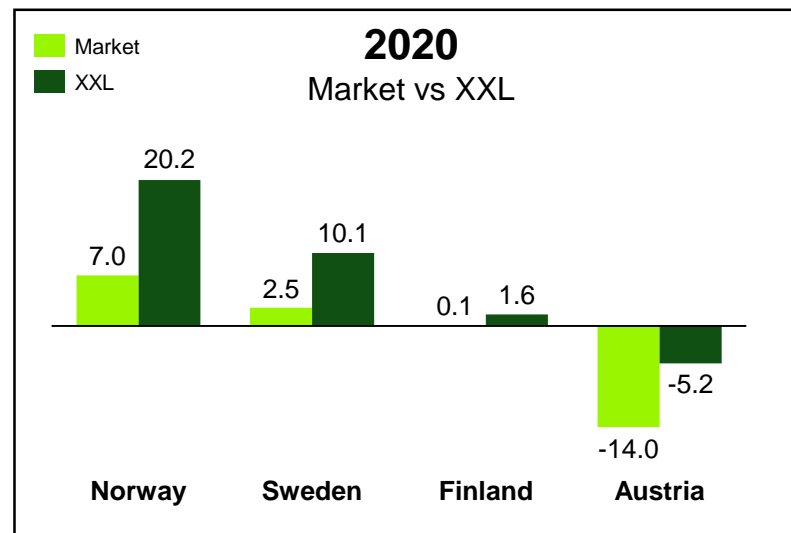
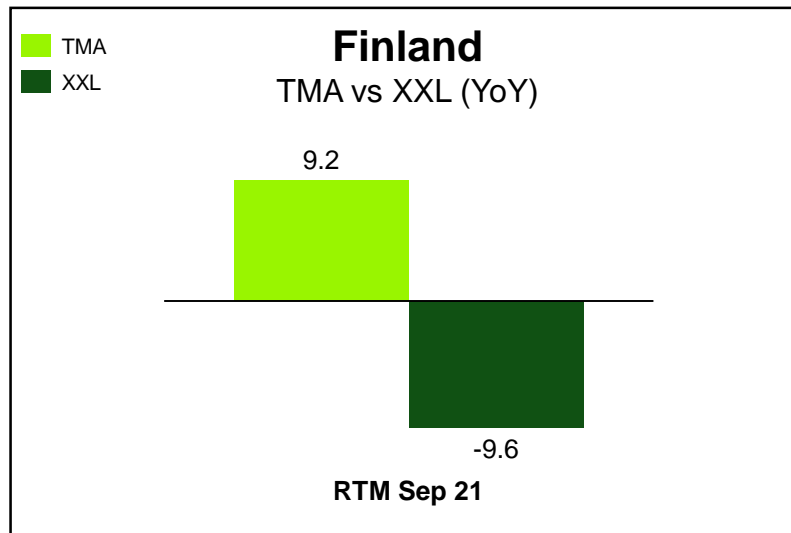
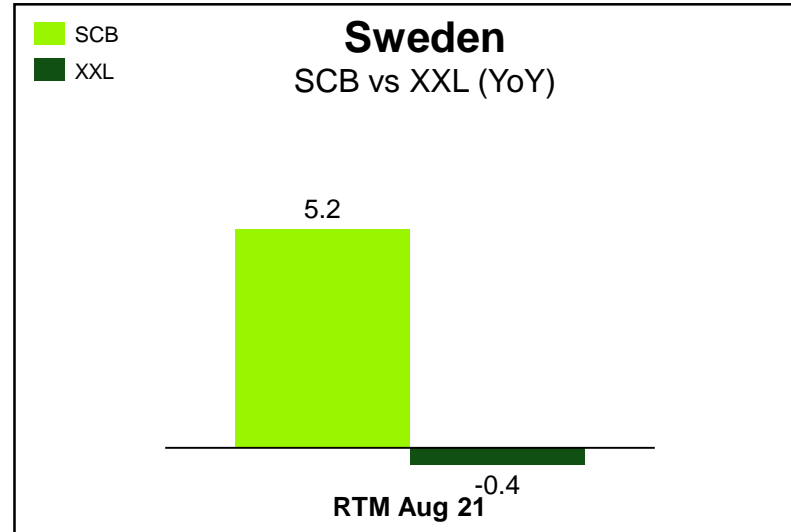
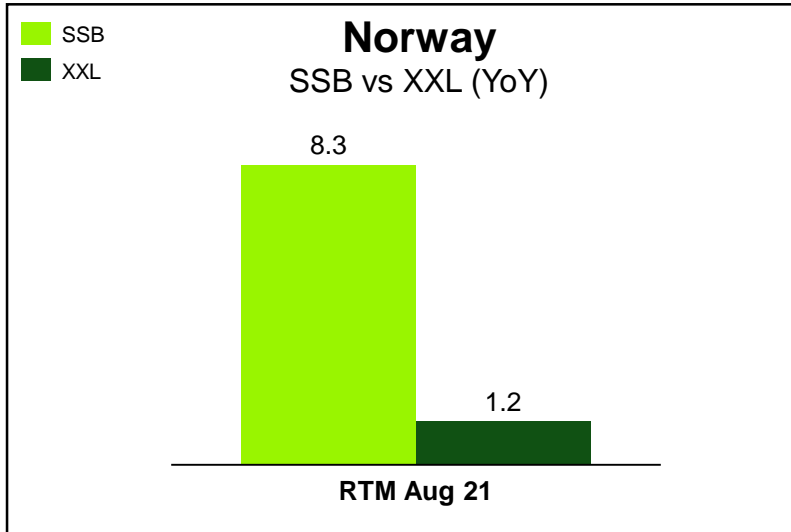


Highlights Q3 2021

- Operating revenue of NOK 2 686 million (NOK 2 823 million)
 - Strong comparator last year with significant “staycation” effects
 - Challenging delivery situation of bicycles – sales decline of NOK 100 million vs. LY, explaining around 70% of total decline in revenue
 - E-commerce growth of 18%
- Sharpened campaign activities, combined with higher freight costs, hampered gross margins. Target to stabilize above 39% going forward
- EBITDA of NOK 336 million (NOK 420 million)



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
- XXL sharpened campaign activities during Q3 and stabilizing the market shares
- However, XXL is still not pleased with the development and is longer term aiming for increased market shares in a controlled way

Q3 2021 Performance per segment

	Group	Norway	Sweden	Finland	Austria	Denmark	HQ
LFL GROWTH	-4.0% ▼	-4.5% ▼	-0.3%	-3.5% ▼	-22.6% ▼	-48.0% ▼	n/a
Ex bicycles	-0.6%	-2.3% ▼	3.7% ▲	-0.4%	-13.9% ▼	-33.3% ▼	
EBITDA GROWTH (mnok)	-84 ▼	-20 ▼	-28 ▼	-19 ▼	-14 ▼	-0	-3

Delays in the global bike value chain impacting sales and inventory in Q3

- Bike sales of ~80 index vs. Q3 2020 – decline of around NOK 100 million
- We have experienced delays and cancellations of bike deliveries this year resulting in a volume drop of up to 60% vs LY in selected bike sub-categories
- Supplies improved late in the quarter and into October
- Due to the situation we seek to optimize the balance between inventory levels, next season start and overall profitability of the bike category
- Overall, for all categories we are monitoring the situation closely and taking the necessary actions (e.g. early execution of options, frontloading of deliveries and additional buying of low risk products)



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Financial Review Q3 2021



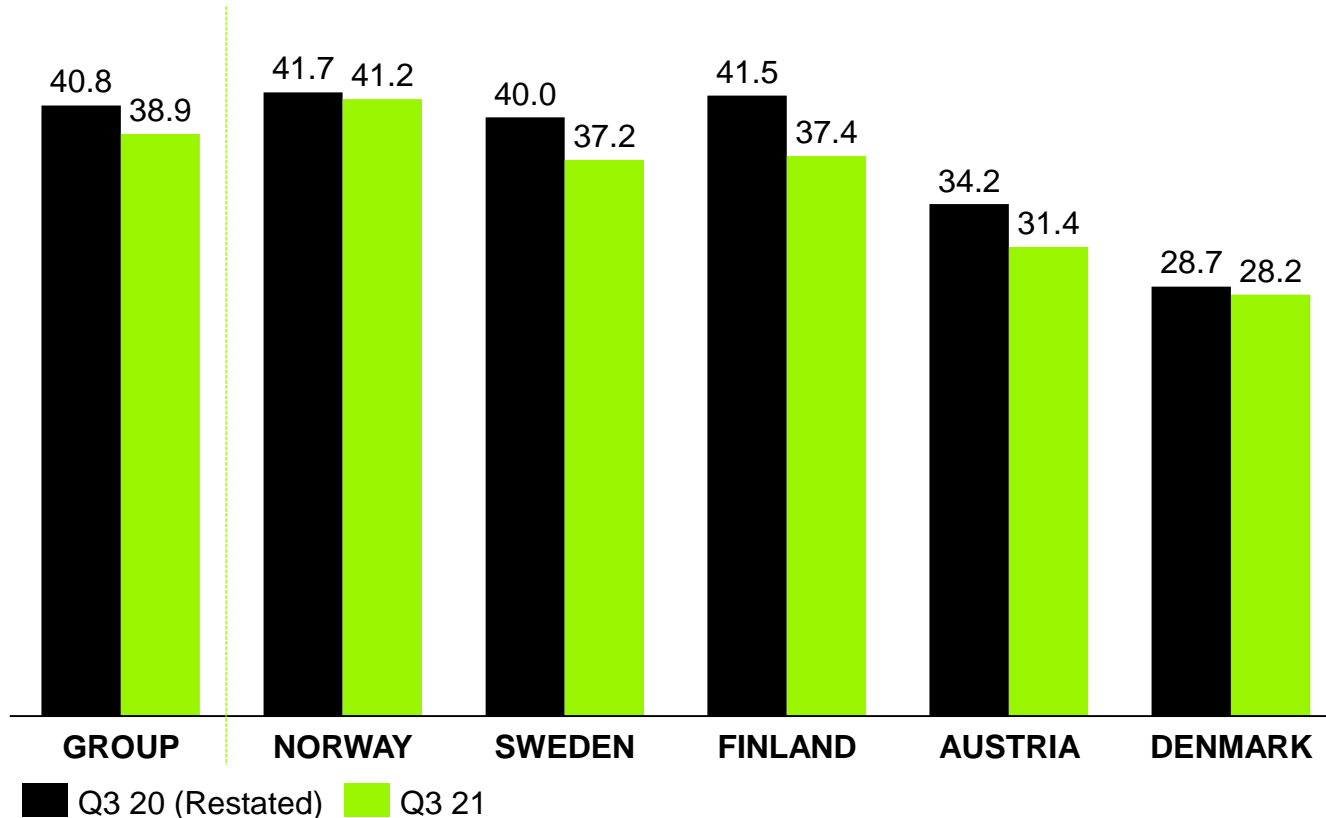
Key Figures

(Amounts in NOK million)	Q3 2021	Q3 2020 (Restated)	YTD 2021	YTD 2020 (Restated)	FY 2020 Audited
GROUP					
Operating revenue	2 686	2 823	7 273	7 851	10 423
Growth (%)	-4,8 %	14,2 %	-7,4 %	17,6 %	15,9 %
Gross profit	1 045	1 151	2 933	2 863	3 904
Gross margin (%)	38,9 %	40,8 %	40,3 %	36,5 %	37,5 %
OPEX %	26,4 %	25,9 %	27,5 %	26,4 %	26,7 %
EBITDA	336	420	934	789	1 117
EBITDA margin (%)	12,5 %	14,9 %	12,8 %	10,1%	10,7 %
EBIT	132	221	350	229	364
EBIT margin	4,9 %	7,8 %	4,8 %	2,9 %	3,5 %
Net Income	70	165	191	113	126

- Revenue down with NOK 137 million vs. a strong comparator last year
 - Negative like for like growth of 4.0%
 - E-com growth of 18.2% - representing 18.0% of total revenue versus 14.4% last year
- Gross margins ended at 38.9%, down from 40.8% last year
 - Sharpened campaign activities to improve the sales trend and gain market shares over time as communicated in Q2
 - Increased freight costs
- OPEX in % is 0.5 p.p higher than last year driven by the lower top line hampering scale in operations
 - However, a reduction of NOK 23 million vs. LY
- EBITDA ending at NOK 336 million
 - RTM EBITDA of NOK 1 263 million
 - RTM EBITDA ex. IFRS of NOK 652 million

Gross Margin Development

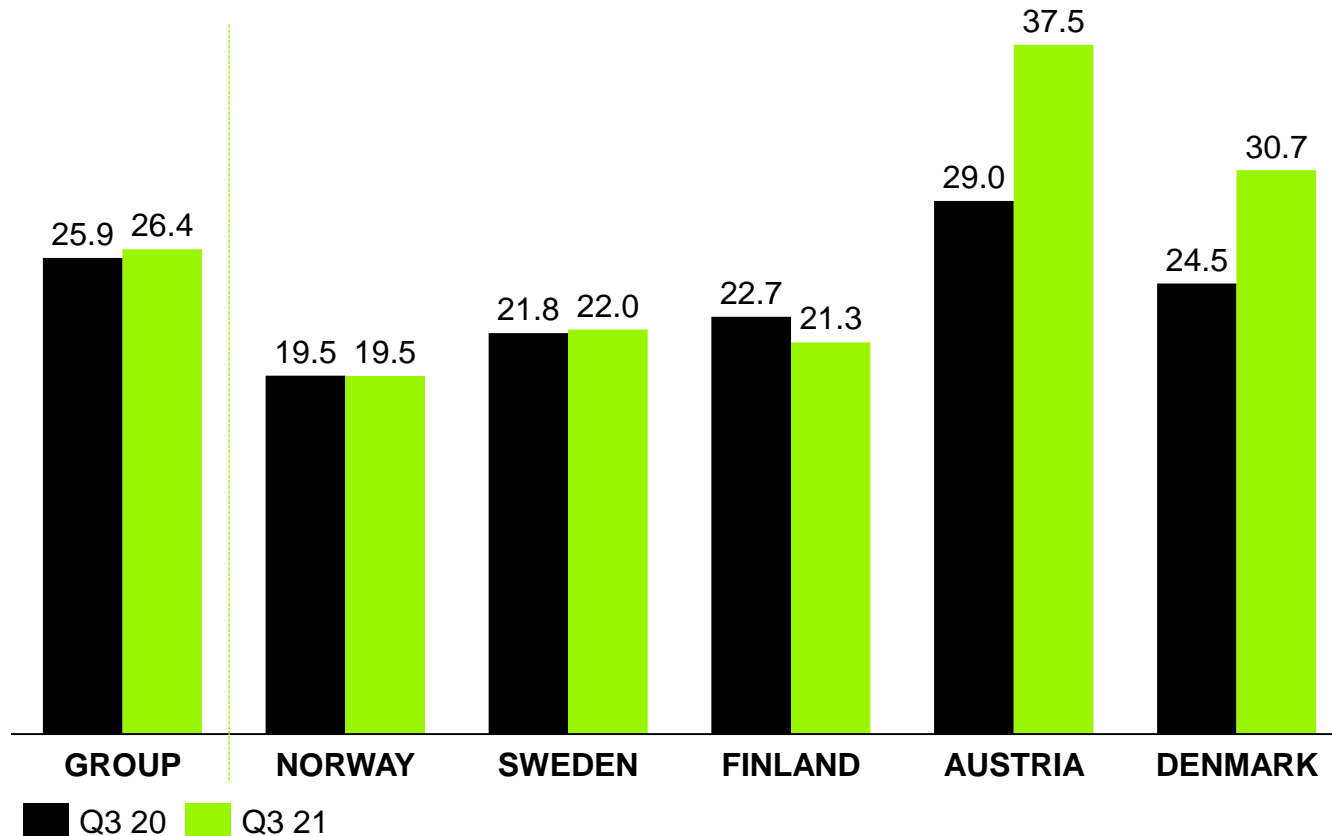
XXL ASA Q3 2021 - Gross margin per segment (in %)



- Weakened gross margin development in the quarter, down from 40.8% in Q3 2020 to 38.9% in Q3 2021
- Sharpened campaign activities to improve the sales trend and gain market shares over time as communicated in Q2
- High freight cost for incoming shipments
- XXL targets to stabilize the gross margin above 39%
 - Improved market dynamics
 - Improved campaign approach and execution
 - Healthier assortment and inventory levels

OPEX Development

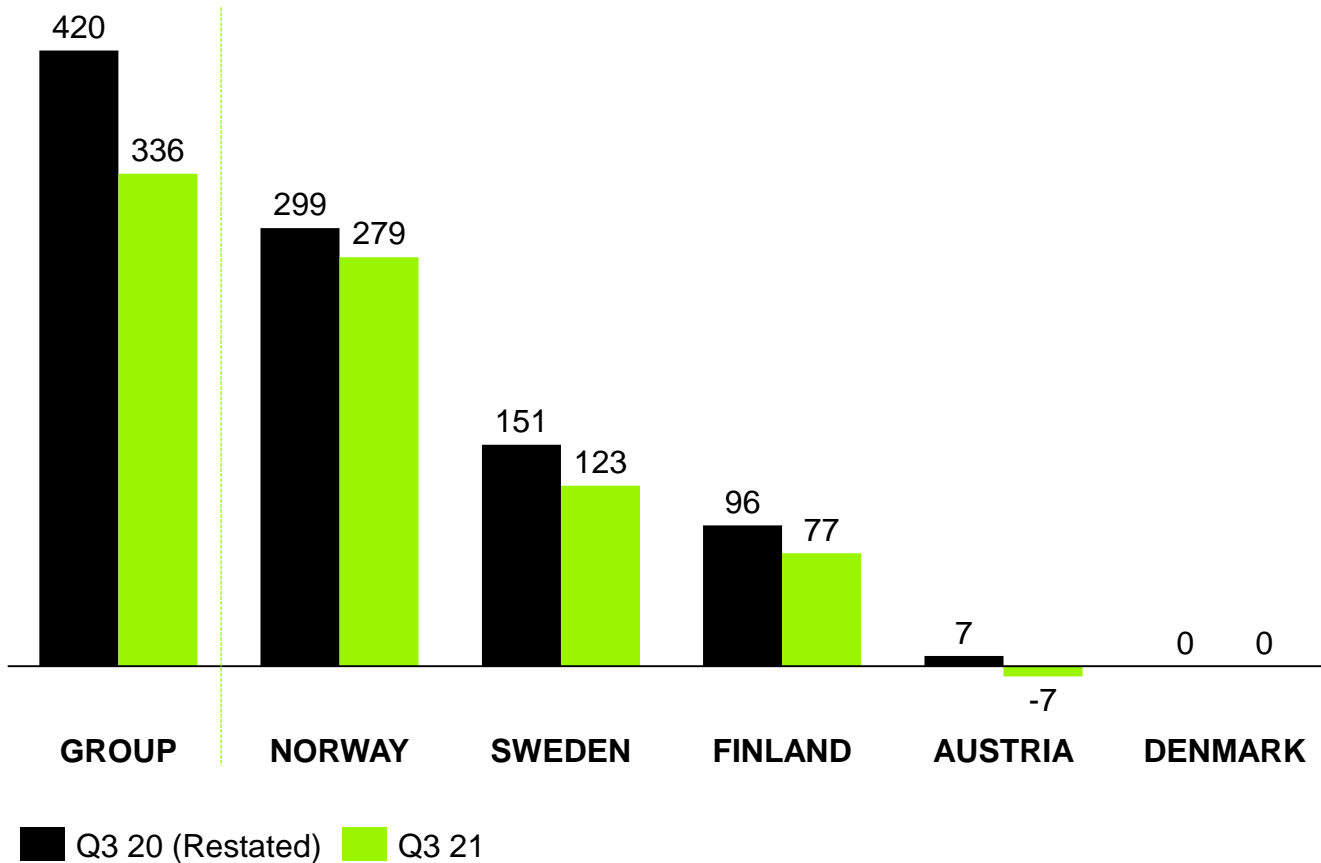
XXL ASA Q3 2021 - OPEX per segment (in %)



- Group OPEX% up with 0.5 points to 26.4% in Q3, mainly explained by lower revenue hampering scale in operations
- Reduction of NOK 23 million vs. LY
 - Reduced bonus accruals of NOK ~10 million
 - Reduced consultancy cost of NOK ~10 million

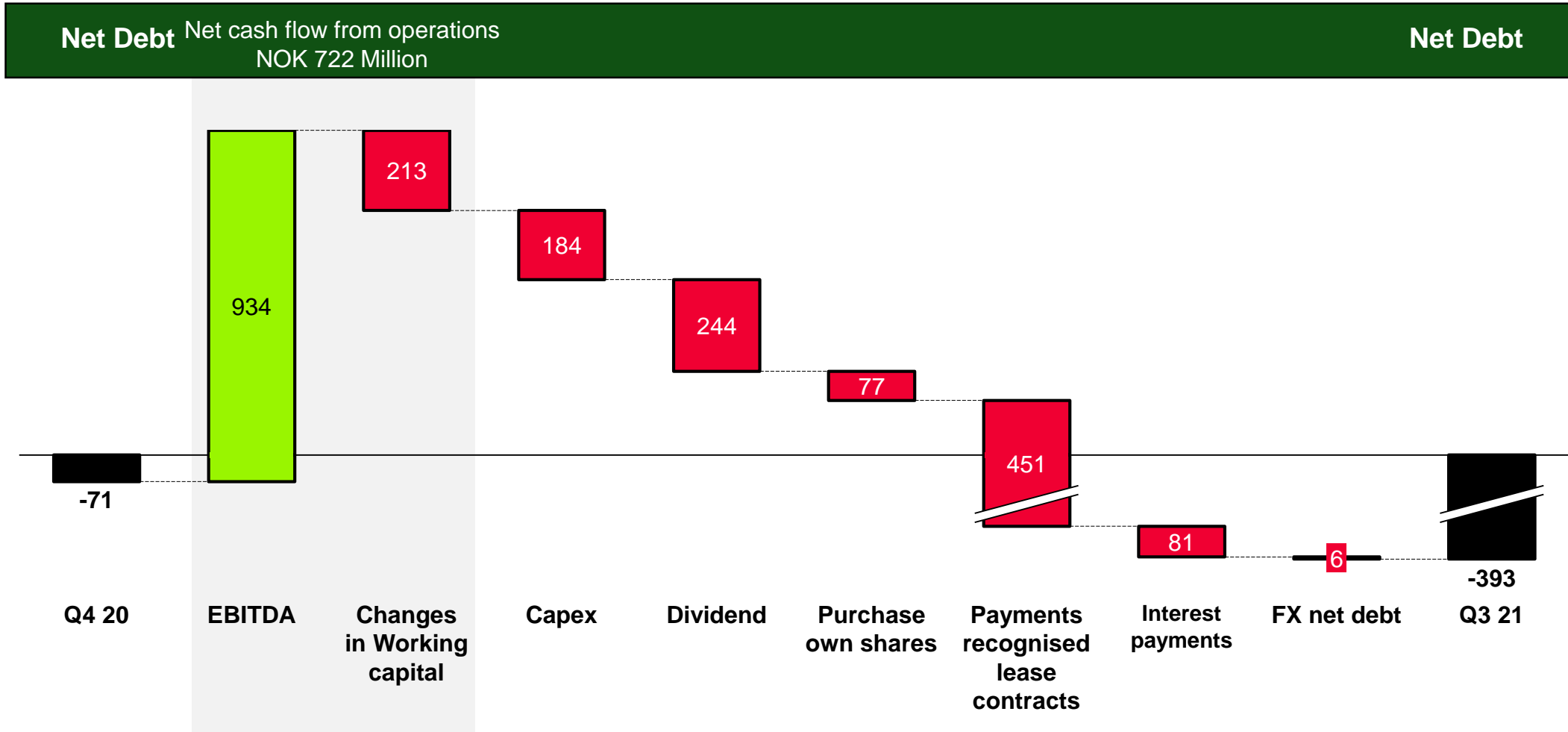
EBITDA Development

XXL ASA Q3 2021 - EBITDA per segment (in mNOK)



- Negative EBITDA development vs LY – down NOK 84 million
 - explained by the negative revenue growth and lower gross margins, but partly compensated by lower opex
- EBITDA margin of 12.5% in Q3 2021 vs. 14.9% in Q3 2020

Net Debt Development

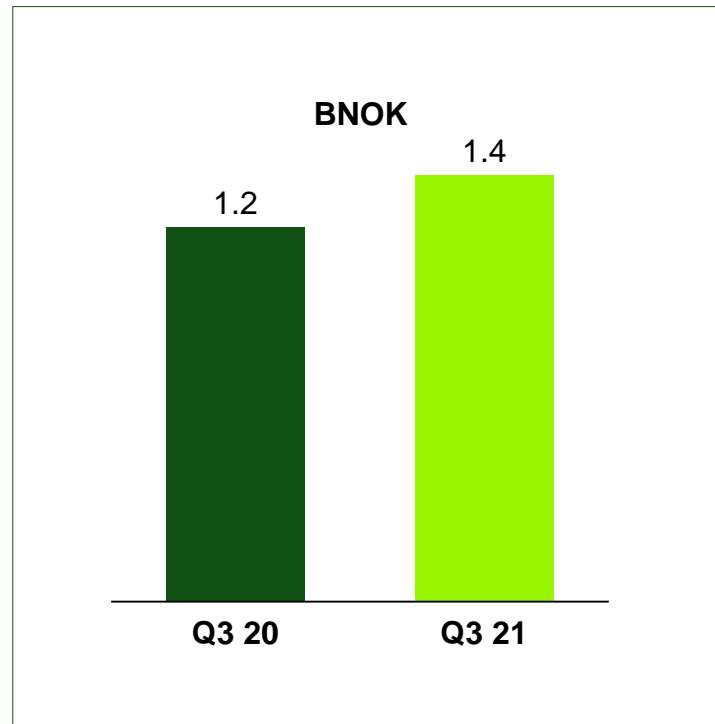


Continued strong financial position

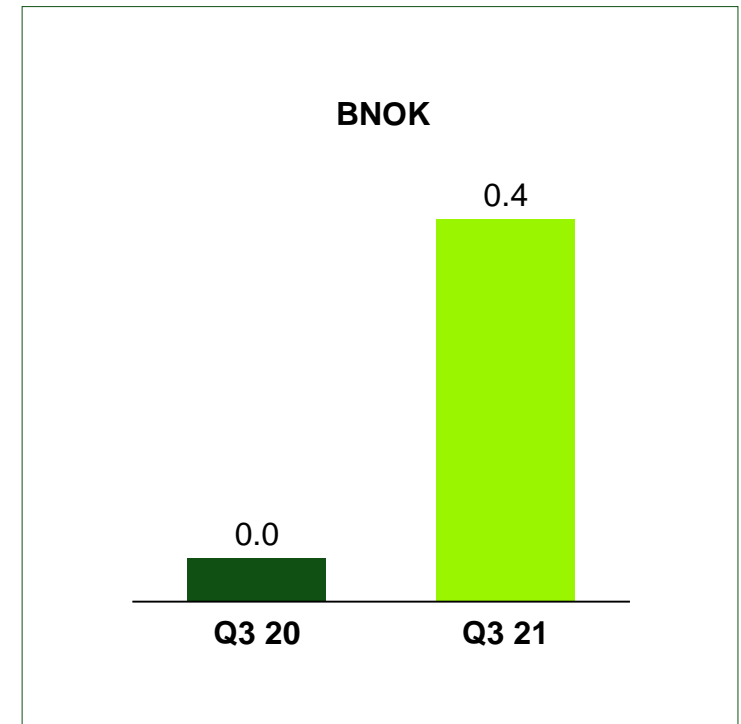
YTD Operational Cash Flow



Liquidity Reserves



Net Interest-Bearing Debt



Financial summary Q3 2021



P&L Summary

- EBITDA of NOK 336 million vs. LY of NOK 420 million
- Decline in revenue vs. LY of NOK 137 million, partly explained by delayed delivery of bicycles, with a negative growth of approx. NOK 100 million
- Gross margins in the quarter of 38.9%, down from LY of 40.8%, due to sharper campaign activities and increased freight costs
- Increase in opex %, mainly due to weakened top line hampering scale in operations. However, a reduction of NOK 23 million in Q3 2021 vs. Q3 2020



Balance sheet summary

- Increase in inventory vs. Q2
- Inventory age – continued healthy levels (obsolete provisions unchanged)
- First tranche of extraordinary dividend payment in Q3 2021 and second tranche in Q4 2021
- Continued strong financial position
 - NIBD of NOK 393 million
 - Liquidity reserves of NOK 1,407 million

Outlook



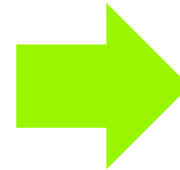
We have maintained progress on our key strategic initiatives and accelerated some key focus areas short term (“Must win battles”)

Ongoing strategic initiatives

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

1	2	3	4	5
<p>Strengthen our product assortment and offering</p> <ul style="list-style-type: none"> ➔ Improved assortment <small>ON TRACK</small> ➔ Category development <small>ON TRACK</small> ➔ Strengthened supplier relations <small>ON TRACK</small> 	<p>Enhance our marketing approach and build the XXL brand</p> <ul style="list-style-type: none"> ➔ Revitalized brand platform <small>COMPLETED</small> ➔ Customer loyalty program (stage #1) <small>COMPLETED</small> 	<p>Establish XXL as omni-channel champion</p> <ul style="list-style-type: none"> ➔ Web page optimization <small>ON TRACK</small> ➔ Delivery options <small>ACCELERATED</small> ➔ RFID rollout (stage #1) <small>COMPLETED</small> 	<p>Improve <i>in-store</i> experience, concept and service offering</p> <ul style="list-style-type: none"> ➔ Fit Station launch <small>COMPLETED</small> ➔ New zone changing in stores <small>COMPLETED</small> ➔ Electronic shelf labels (stage #1) <small>COMPLETED</small> 	<p>Strengthen operational efficiency and our customer orientation</p> <ul style="list-style-type: none"> ➔ Reorganization, HR and compliance <small>ON TRACK</small> ➔ Culture and leadership program <small>ON TRACK</small> ➔ System support on core processes <small>ON TRACK</small>



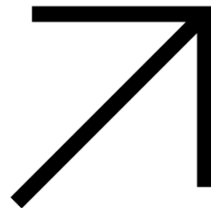
“Must win battles”

1. **Category strategies and seasonal execution**
2. **Replenishment - end to end improvements**
3. **Campaign process optimization**
4. **Action plan for E-commerce growth**

Our targets and goals going forward is to continuously gain market shares and strengthen our profitability

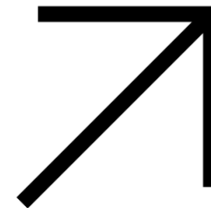
Long-term market share growth

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



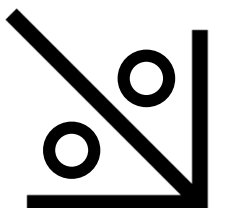
Improve gross margin

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



Q3 2021 Key Takeaways

- Delays in delivery of incoming goods – especially bicycles
- Unsatisfactory top line development but strong growth from E-commerce
- Gross margin hampered by sharpened campaigns and higher freight costs
- Strong financial position



Priorities

- Category strategies and seasonal execution
- Replenishment - end to end improvements
- Campaign process optimization
- Action plan for E-commerce growth
- 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 (opened Sept).
- 3 new stores signed for 2022, 1 in Norway and 2 in Sweden. Töcksfors to close during 2022

Q&A

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Appendix

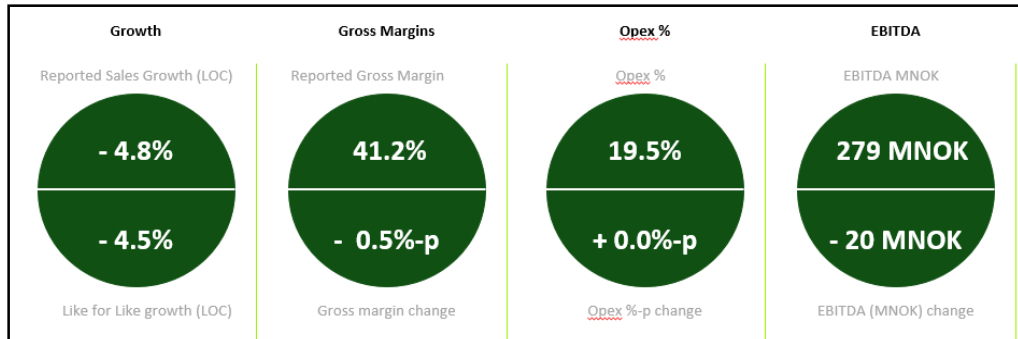
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Q3: Norway and Sweden



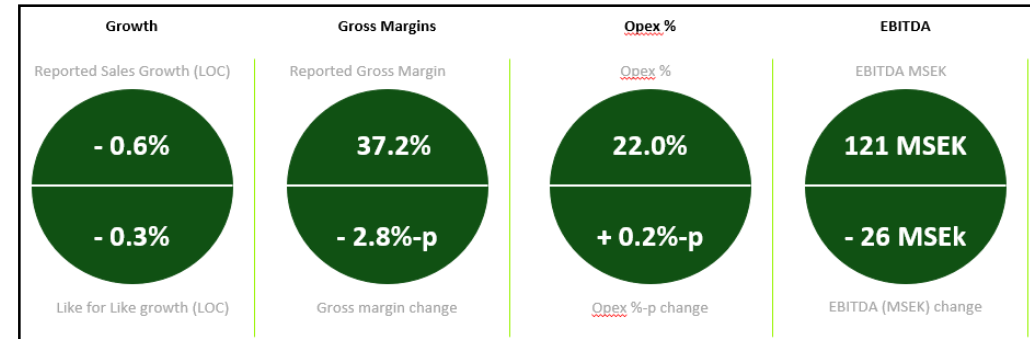
Norway



- Negative growth in topline vs a strong comparator, also partly explained by delays in deliveries of bicycles
- Lower gross margin is explained by sharpened campaign activities, also impacted by high freight costs in the quarter
- EBITDA of NOK 279 million (NOK 299 million)



Sweden

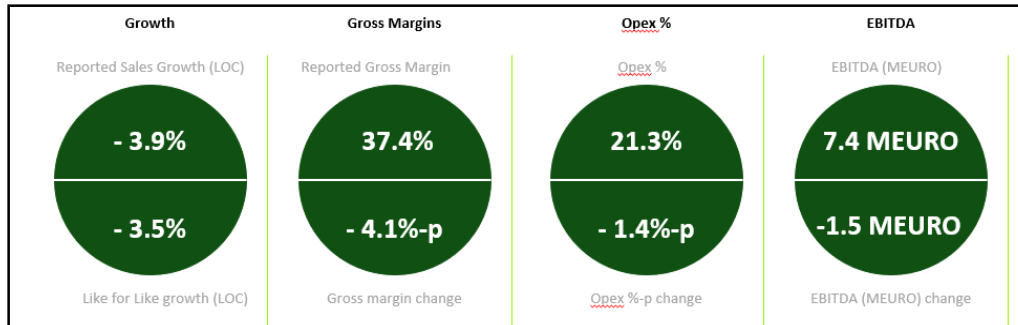


- Slightly negative growth in topline (local currency), affected by delays of bicycles
- Lower gross margin is explained by sharpened campaign activities, also impacted by high freight costs in the quarter
- Opex% slightly higher than LY due to negative Like for Like – however good cost control
- EBITDA ending at SEK 121 million (SEK 147 million)

Q3: Finland and Austria



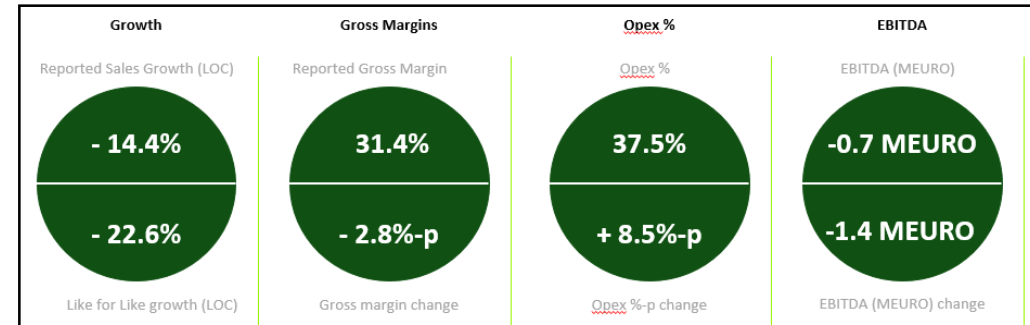
Finland



- Negative growth in topline of 3.9%, impacted by delays in deliveries of bicycles
- Lower gross margin is explained by sharpened campaign activities, also impacted by high freight costs in the quarter
- Positive development in opex% explained by good cost control despite negative like for like growth hampering scale in operations
- EBITDA of EUR 7.4 million (EUR 8.9 million)



Austria



- Negative growth in topline of 14.4%. More challenging market dynamics than in the Nordic countries post covid-19
- Lower gross margin is explained by the sharpened campaign activities, also impacted by high freight costs in the quarter
- Negative development in opex% explained by negative like for like growth hampering scale in operations, as well as costs related to opening of one new store
- EBITDA of negative EUR 0.7 million (positive EUR 0.7 million)

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