

The logo consists of the letters 'XXL' in a bold, bright green, sans-serif font. The background of the entire slide is a photograph of two female soccer players in black Adidas kits celebrating on a field at sunset. One player is jumping with her arms around another who is also jumping. The sun is low on the horizon, creating a warm, golden glow. Other players in red and white kits are visible in the background on the field.

**XXL**

# XXL ASA – Q2 2022

Presentation of  
Financial Results  
15 July 2022

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**XXL**

# XXL ASA – Q2 2022

**XXL**

Great brands

Great prices

Great assortment

Great expertise

Great accessibility



## Nå kan du kjøpe brukt hos XXL

Gjennom vårt samarbeid med Utigjen tilbyr vi nå brukte varer til gode priser hos XXL. Varene er gått over, rensset og reparert dersom det har vært nødvendig – og kvaliteten er like god som ny.

Vi synes for mange varer forblir lite brukt eller kastet og ønsker å gi disse varene et nytt liv. Selvsagt med vår 100 % fornøyd garanti

Lurer du på noe?  
Snakk med en av våre selgere!

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## Headlines Q2 2022

# Decelerating sales development - weakening consumer sentiment

## Q2 2022

- Weakening consumer sentiment and reduced demand for sporting goods in general, especially from Mid May and in June
- Mixed market share performance – gaining in Finland, stable in Sweden, while losing in Norway
- Sales ended at NOK 2.2 billion (- 9% vs. 2021)
- Gross margin of 37.6% (- 420bps) – all Nordic segments with decline, driven by increased campaign activities and higher freight costs
- EBITDA of NOK 191 million (NOK 392 million)

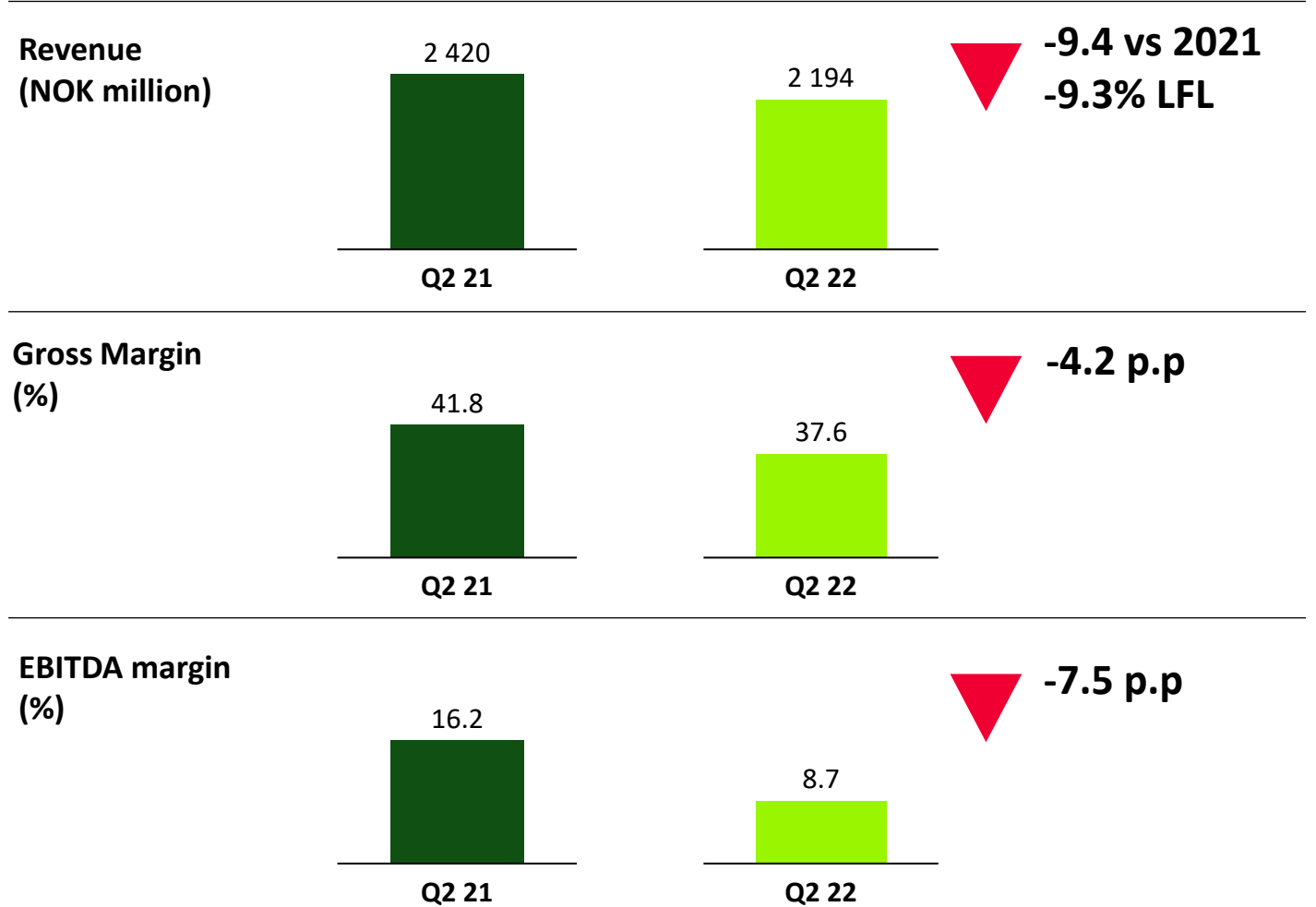
## Outlook

- Historic growth in Nordic sport retail has been around 4% yearly
- After two strong years in 2020 and 2021, the expectations are somewhat weaker demand in the short term, before an expected normalization
- Our target is working towards “40-30-10” on gross margin, OPEX and EBITDA (ex IFRS 16 effects)
  - However, at the same time we need to protect our market share if challenged on gross margin
  - Increased focus to adapt cost base to sales



# Highlights Q2 2022

- Operating revenue of NOK 2 194 million (NOK 2 420 million)
- Store closures in Norway and Austria last year due to the pandemic
- E-commerce with negative growth of 27%, representing 20.1% of the total revenue for the Group. Q2 last year was partly boosted by free freight offerings compensating for store closures
- Gross margin of 37.6%, negatively impacted by more clearance activities in the market, as well as increased freight costs.
- EBITDA of NOK 191 million (NOK 392 million)



# Strongly reduced consumer confidence and reduction in consumption is evident across the entire market

- Record low consumer confidence in the Nordic countries
- Weakening consumer sentiment
- Reallocation of consumer purchasing power from retail towards services/restaurants/travel
- Reduced demand for sporting goods, in particular products with higher price points

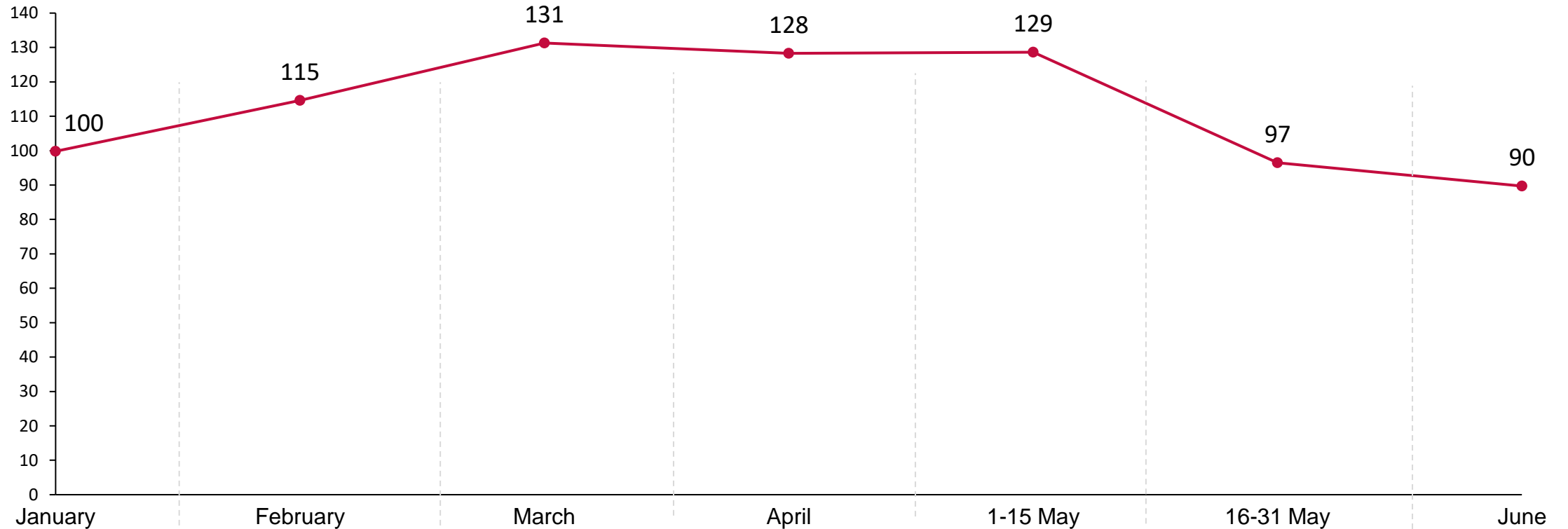




# XXL experienced a sudden and significant drop in demand in mid May that has extended into June – example sales index Bike vs. LY

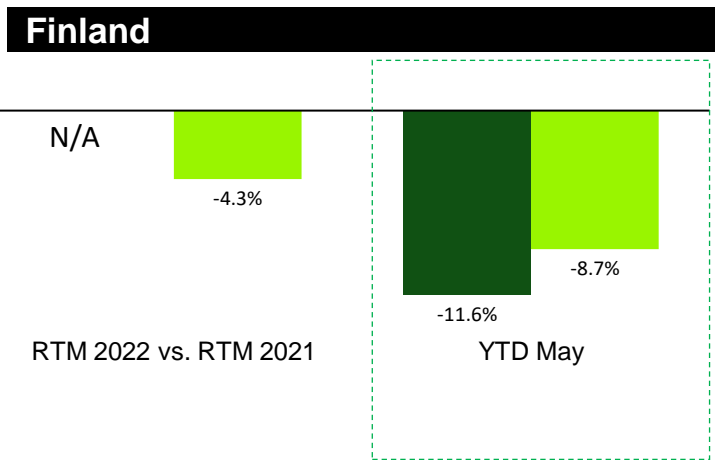
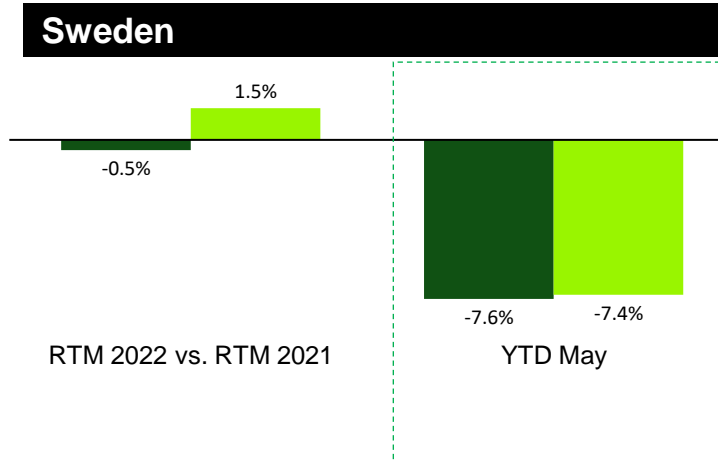
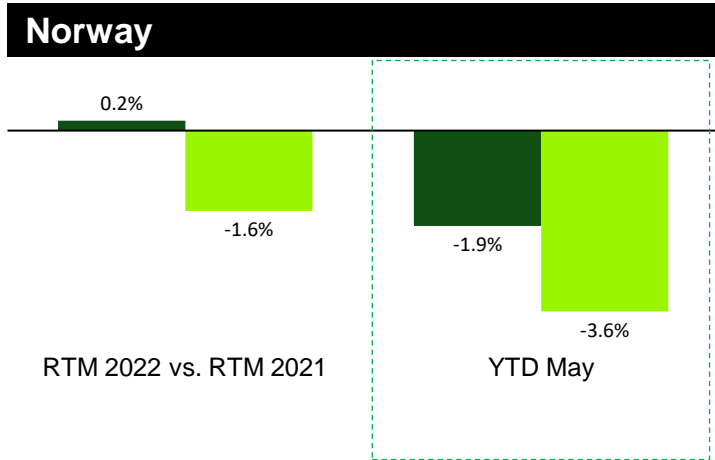
Revenue by month 2022, index vs LY (%)

— XXL Bike sales index vs. LY



*Sudden drop in demand since mid May, driven by products with higher price points*

# Market share development



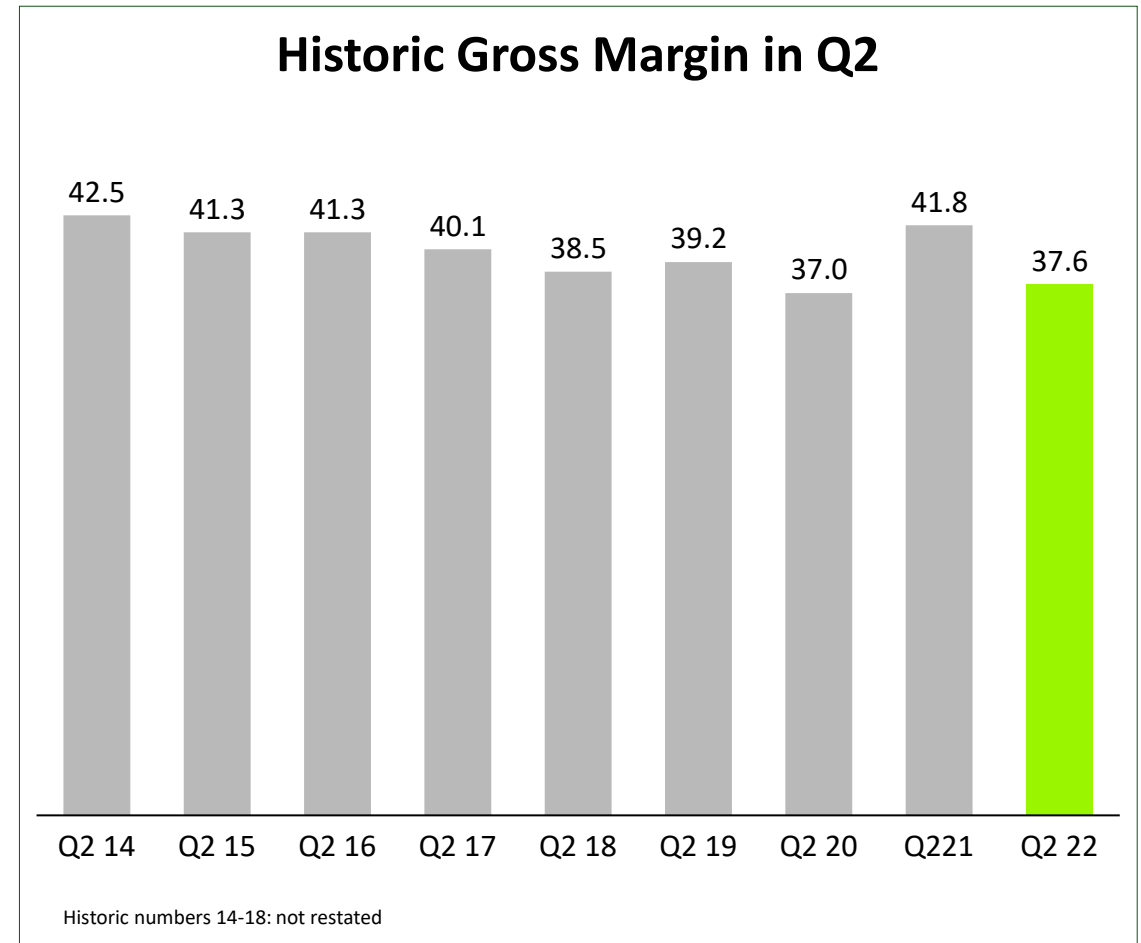
Market (dark green)    XXL (light green)

- YTD gaining market shares in Finland, stable in Sweden, while losing shares in Norway
- Challenging market conditions for the sporting goods industry in 2022 with weakening consumer sentiment and reduced demand for Sporting Goods all over Nordics
- XXL's target and goal to gain market shares over time

• Sources: Norway – SSB, Sweden – SCB, Finland – TMA (TMA has changed the base for 2021, hence RTM N/A)

## Weaker gross margin in Q2 – also compared to previous years

- The sudden reduction in demand in the market for sporting goods results in higher inventories and incentives to sell out products at lower prices => increased campaign pressure
- This, combined with increased input cost and freight, put pressure on gross margins
- The current market demands strict focus on inventory levels and liquidity control, which will lead to fluctuations in the gross margin between quarters and seasons



## Q2 2022 – Lower revenue and profit driven by weakening consumer sentiment

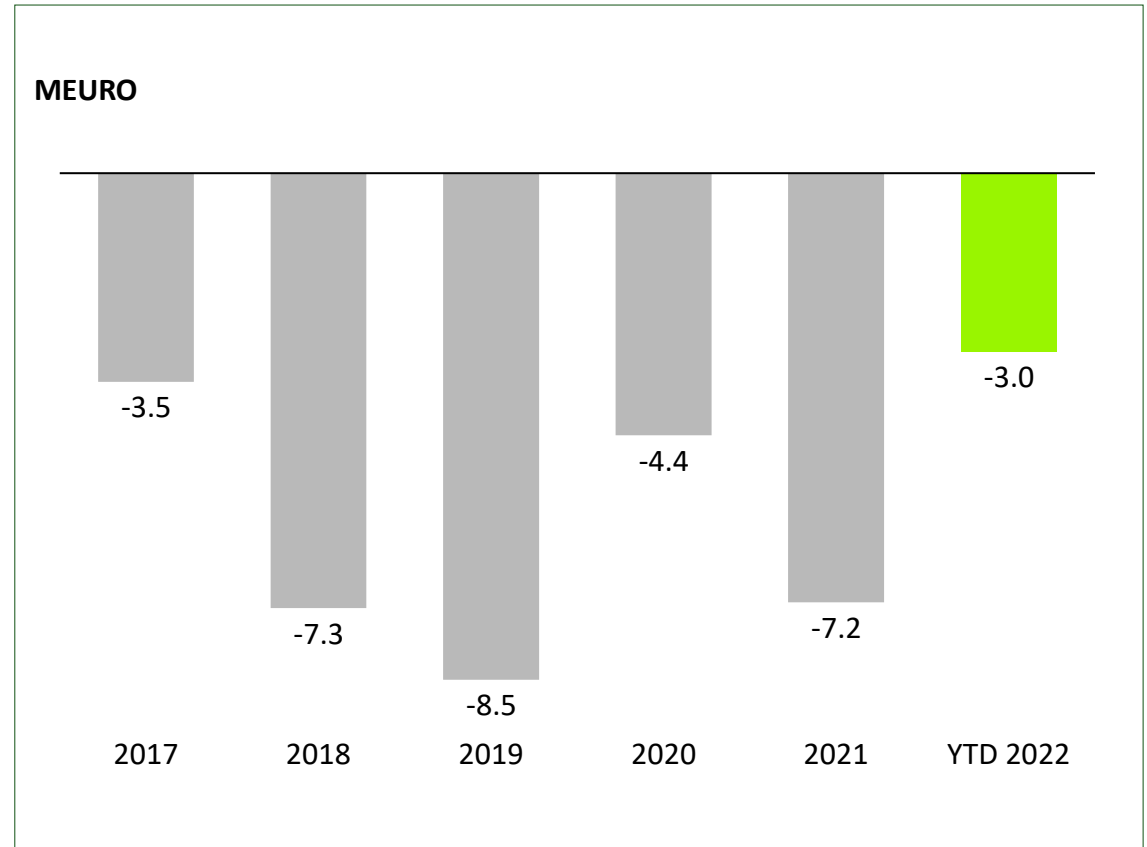
	Group	Norway	Sweden	Finland	Austria	HQ
LFL GROWTH	-9.3% ▼	-11.5% ▼	-11.4% ▼	-5.9% ▼	+17.1% ▲	n/a
EBITDA GROWTH (mnok)	-201 ▼	-98 ▼	-61 ▼	-29 ▼	+4 ▲	-17 ▼

# Austria – continuing the strategic review

## Comments

- Negative EBITDA (ex. IFRS 16) YTD Q2 of EUR 3.0 million
- Preliminary actions from the strategic review:
  - XXL has decided to close one store in Q1 2023
  - Intention to move out of the central warehouse facility outside Vienna during 2023
  - XXL is reducing cost and inventory levels in order to minimize losses
- XXL is committed to significantly improve the profitability in Austria in 2022. The strategic review continues where all options are being evaluated

## EBITDA (ex. IFRS 16)



# Financial Review Q2 2022



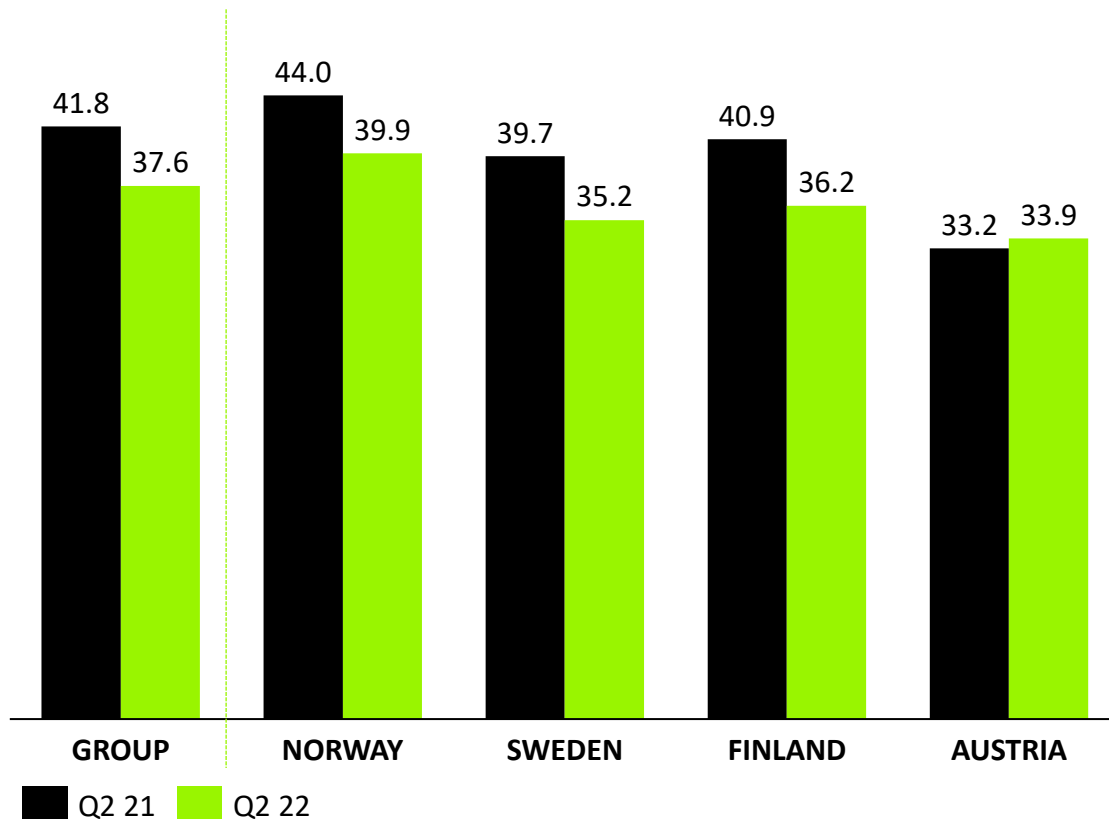
# Key Figures

(Amounts in NOK million)	Q2 2022	Q2 2021	H12022	H12021	FY 2021 Audited
<b>GROUP</b>					
Operating revenue	<b>2 194</b>	2 420	4 178	4 587	10 006
Growth (%)	<b>-9,4 %</b>	-15,5 %	-8,9 %	-8,8 %	-4,0 %
Gross profit	<b>826</b>	1 013	1 580	1 889	4 084
Gross margin (%)	<b>37,6 %</b>	41,8 %	37,8 %	41,2 %	40,8 %
OPEX %	<b>28,9 %</b>	25,7 %	31,4 %	28,1 %	27,4 %
EBITDA	<b>191</b>	392	267	598	1 338
EBITDA margin (%)	<b>8,7 %</b>	16,2 %	6,4 %	13,0 %	13,4 %
EBIT	<b>-19</b>	202	-146	218	391
EBIT margin	<b>-0,9 %</b>	8,4 %	-3,5 %	4,8 %	3,9 %
Net Income	<b>30</b>	159	-121	121	194
Earnings per share (adj for impairment losses)	<b>0,12</b>	0,63	-0,48	0,48	1,31

- Revenue down with NOK 226 million y-o-y
  - Negative like for like growth of -9.3%
  - E-com negative growth of 26.5% - representing 20.1% of total revenue versus 24.8% last year
- Gross margins ended at 37.6%, down from 41.8% last year
  - More clearance activities both in the market as a whole and by XXL
  - XXL has seen a transition to more sales on lower price points as well as higher share of sales on campaign products
  - Increased freight cost of around 1 percentage point
- OPEX % is 3.2 percentage point higher than last year driven by the negative like for like growth hampering scale in operations
- EBITDA ending at NOK 191 million
  - RTM EBITDA of NOK 1 005 million
  - RTM EBITDA ex. IFRS of NOK 402 million
- Net income of NOK 30 million in Q2 2022

# Gross Margin Development

XXL ASA Q2 2022 - Gross margin per segment (in %)

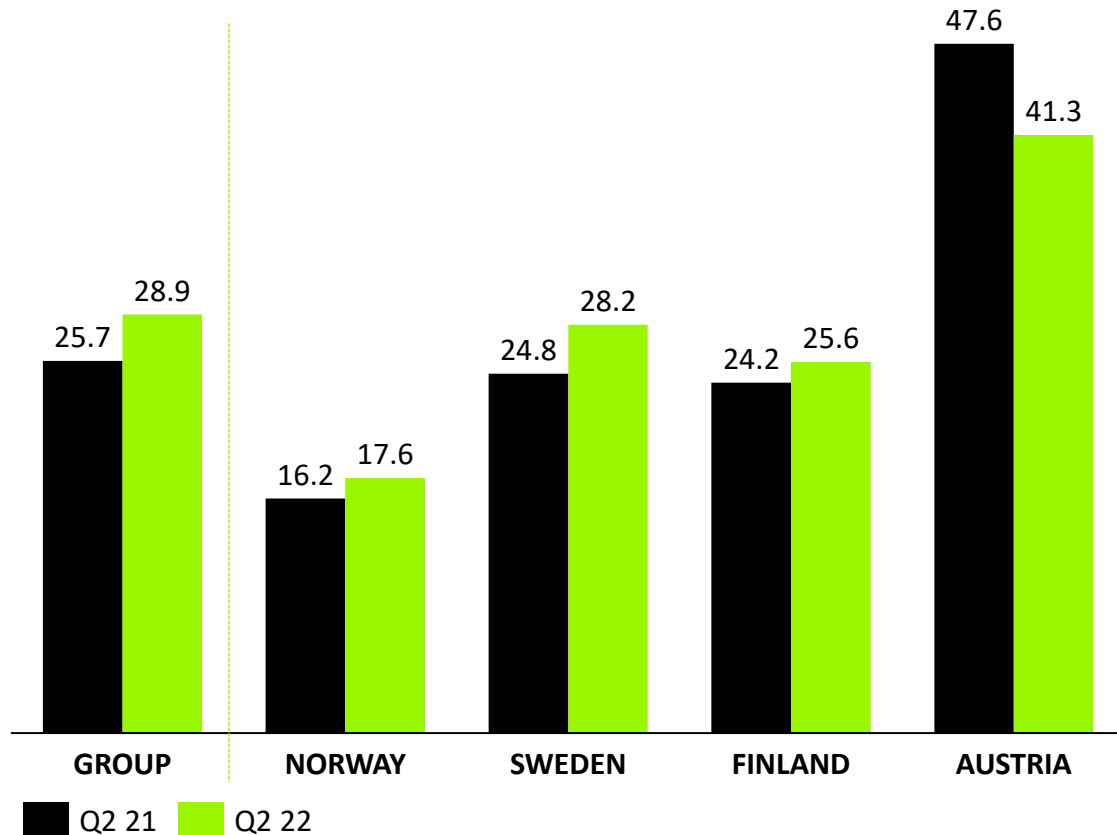


- Decreased gross margin in the quarter, down from 41.8% in Q2 2021 to 37.6% in Q2 2022
- More clearance activities driven lower demand for sporting goods impacting the gross margin negatively
- Increased freight cost hampering the margin with around 1 percentage point
- XXL targets a long term sustainable gross margin above 40 per cent for the Group



# OPEX Development

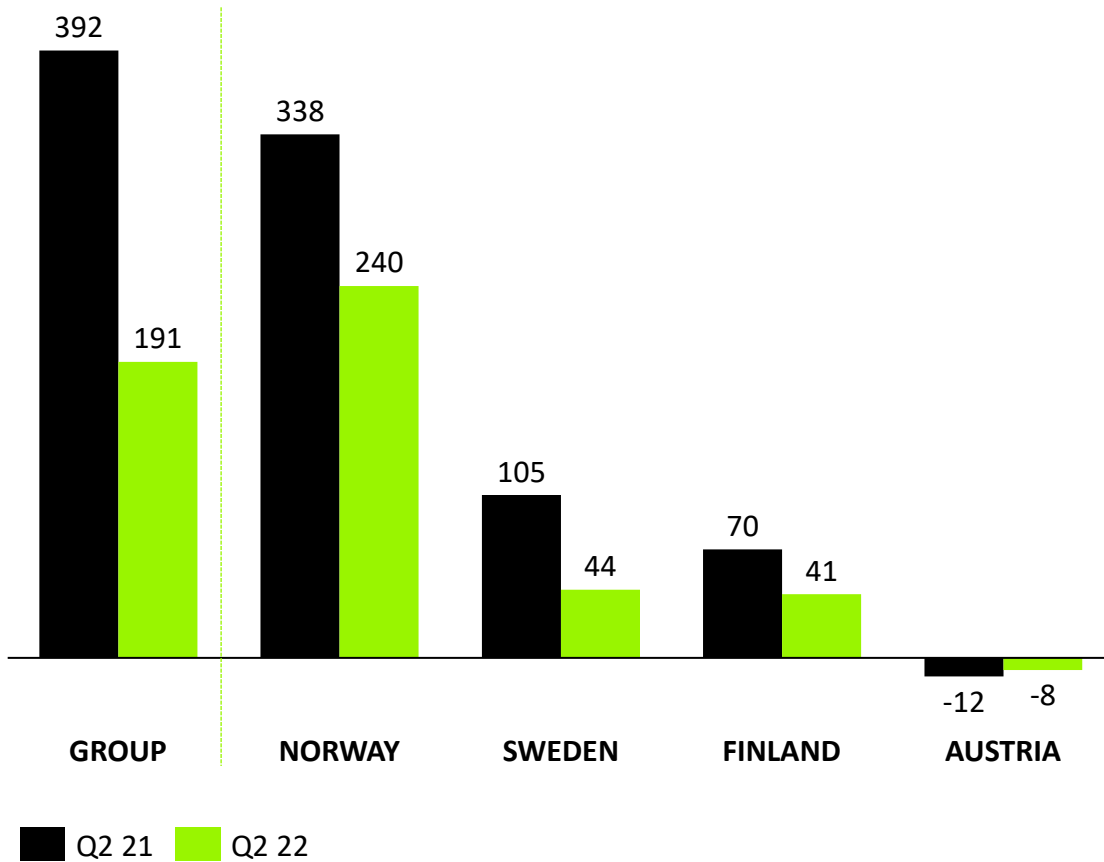
XXL ASA Q2 2022 - OPEX per segment  
(in %)



- Group OPEX% up with 3.2 percentage points to 28.9% in Q2, mainly explained by lower revenue negatively affecting scale in operations
- OPEX increased to NOK 635 million (NOK 621 million) related to new store openings, closed stores last year as well as higher HQ costs partly counteracted by lower bonus accruals of around NOK 20 million.

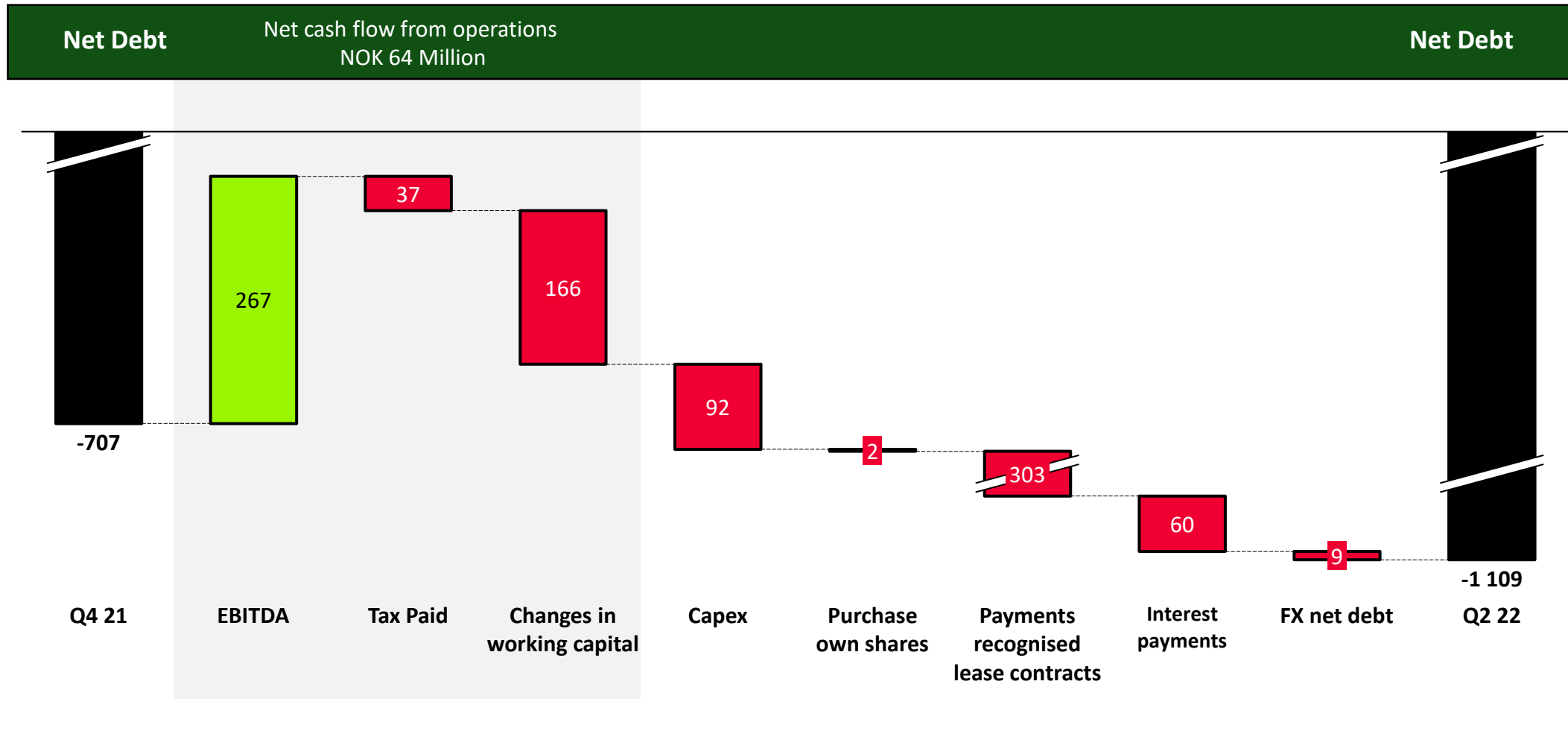
# EBITDA Development

XXL ASA Q2 2022 - EBITDA per segment  
(in mNOK)



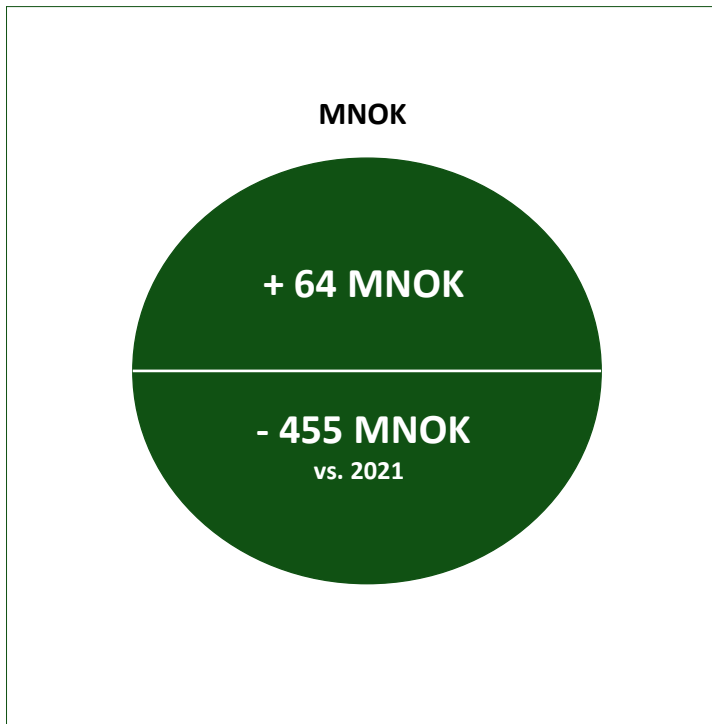
- Negative EBITDA development vs LY – down NOK 201 million, mainly explained by the negative like for like growth and lower gross margins
- EBITDA margin of 8.7% in Q2 2022 vs. 16.2% in Q2 2021

# Net Debt Development

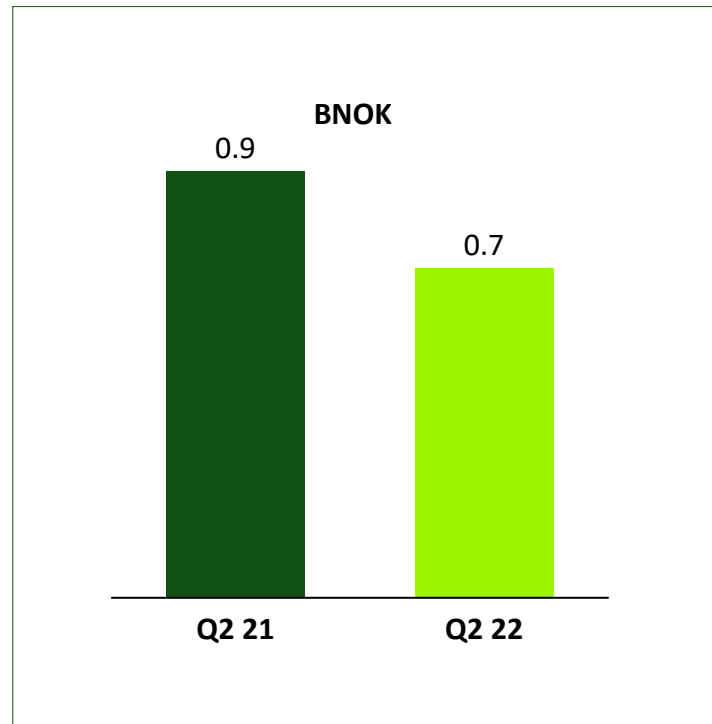


# Financial position

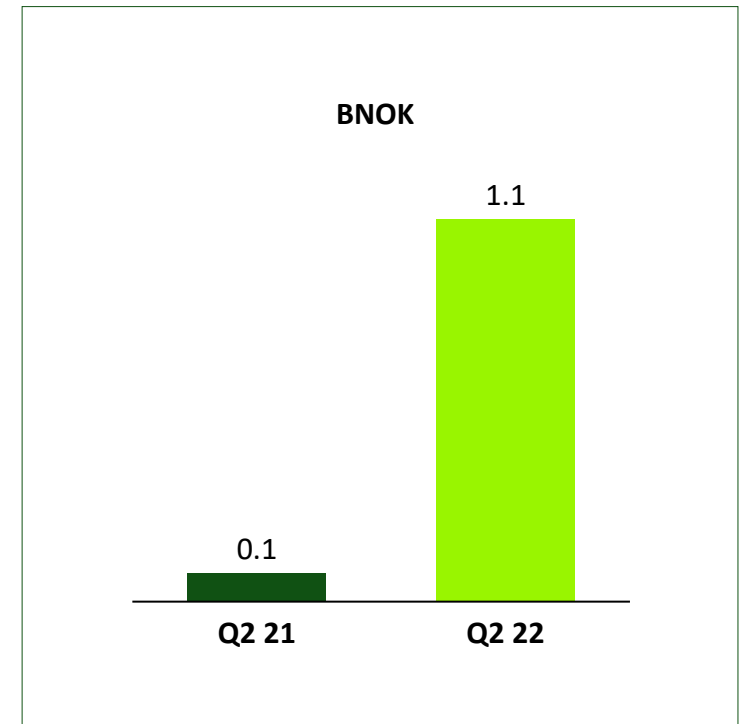
## YTD Operational Cash Flow



## Liquidity Reserves



## Net Interest-Bearing Debt



# XXL is accelerating programs in order to adapt to the new market situation

## Operational efficiency

- Cost reductions in 2H 2022 vs. LY
  - Store staffing
  - Marketing spend
  - HQ and other costs
  - Austria
- Optimizing gross margin

## Balance sheet

- In our purchase agreements we have built in volume flexibility that allows us to make substantial adjustments in deliveries
- Strengthen campaign and sales execution, both on E-commerce and in stores
- CAPEX reductions of NOK 50 million in 2022
- XXL has initiated constructive dialogue with its bank consortium
- XXL has a healthy inventory that can be utilized

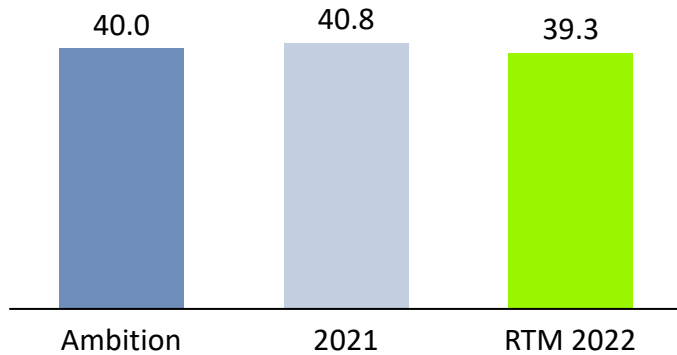
# Outlook

XXL

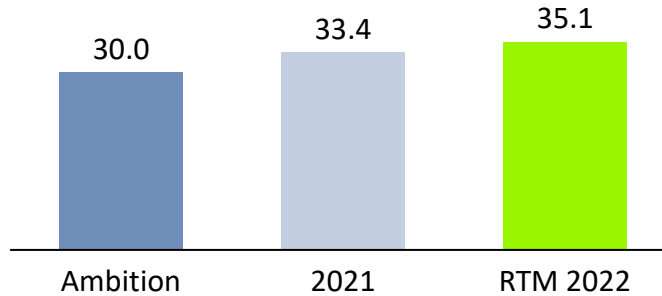


# Financial ambitions – “40-30-10”

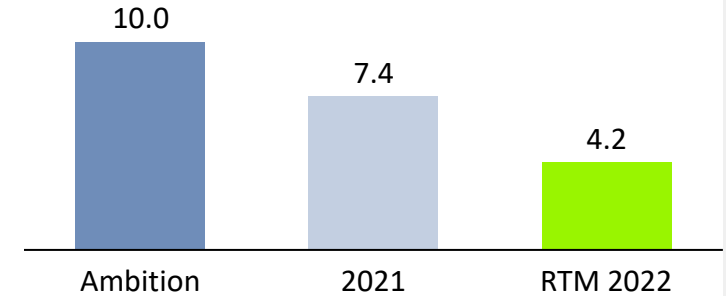
## 40% Gross Margin



## 30% OPEX



## 10% EBITDA



### Actions to achieve ambition

- Increase private label share from 10% towards 30%
- Category strategy and execution
- Pricing – balance every day low price vs. campaign execution – protect market share

### Actions to achieve ambition

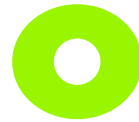
- Optimize store staffing
- Marketing efficiency
- HQ costs
- Downscaling of stores (including exiting two outlet stores) and evaluate store portfolio
- Austria

\* 40-30-10: excluding IFRS 16 effects – Assumption of NOK 10 billion in yearly turnover

# Key priorities going forward

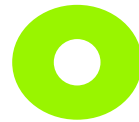
## PRIORITY

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### Adapting cost to sales

- road to 30% OPEX



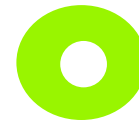
### Category strategies

- continue improving brand allocation – already strengthened assortment from several strong brands relative to competitors like Adidas, Mammut, Norrøna, Nike, Saucony, etc.



### Full fletch omni-channel

- improve customer journey
- strengthen click&collect services
- further improve last mile distribution
- introduce endless aisle features



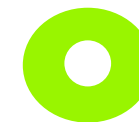
### Private Label

- increase private label share from 10% towards 30%, by mostly replacing no-brands



### Austria strategic review

- second phase



### Improve campaigns and marketing

- continuing to improve planning process, look & feel as well as effectiveness



# Closing remarks



## Q2 2022 Key Takeaways

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- Decelerating sales development - weakening consumer sentiment
- Sales ended at 2.2 billion (- 9% vs. 2021)
- Gross margin at 37.6% (- 420bps)
- EBITDA of NOK 191 million (NOK 392 million)
- XXL has taken strong and immediate actions in order to adapt to the new market situation

## Priorities

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- Manoeuvring through the turmoil in the market
- Optimize inventory and cost base
- Austria – continue the strategic review
- Category strategies and seasonal execution
- Improve campaigns and marketing
- E-commerce growth

## Going forward

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- The long term strategic agenda stays firm
- XXL is a winning concept during uncertain times with challenging global macro conditions
- “40-30-10” over time
- CFO, Stein Eriksen will be interim CEO as of today
- Pål Wibe to step down, due to practical reasons, and will be available until end of 2022 to ensure a smooth transition
- Ongoing recruitment process of new CEO expected to conclude during autumn 2022

**Q&A**

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**XXL ASA – Q2 2022**

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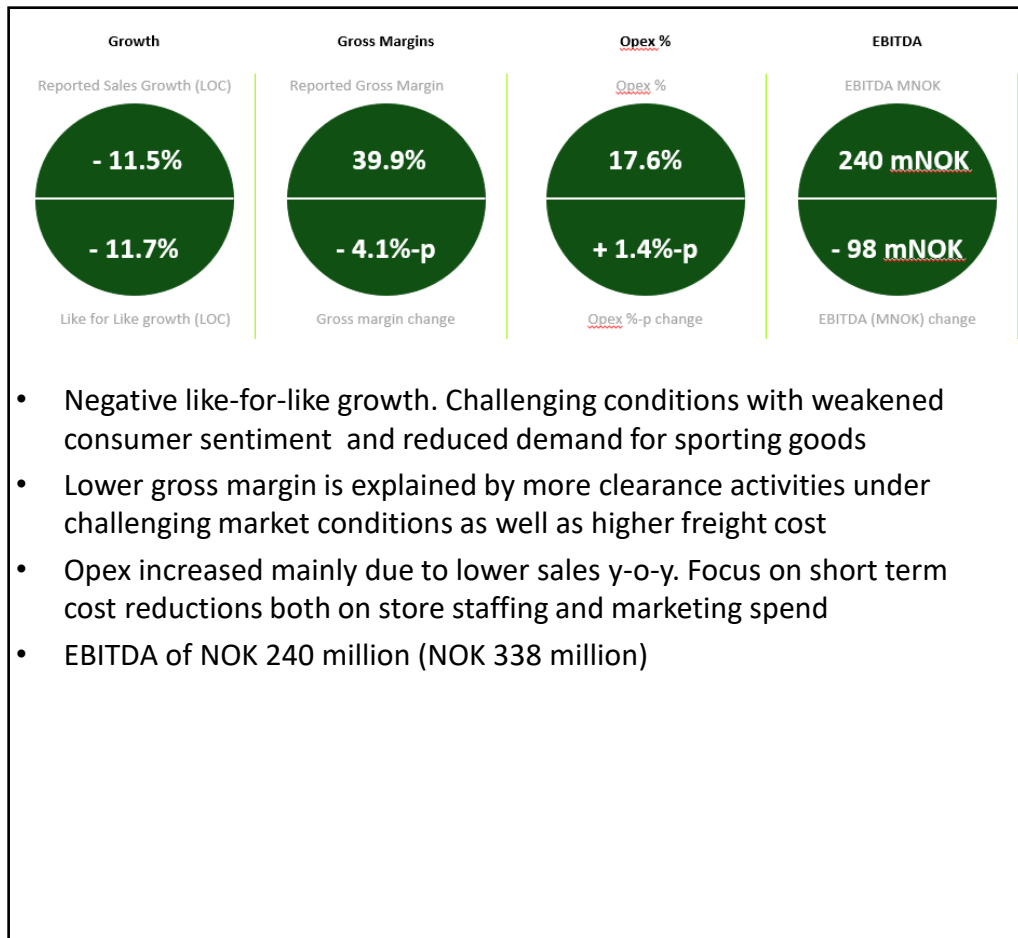
# Appendix



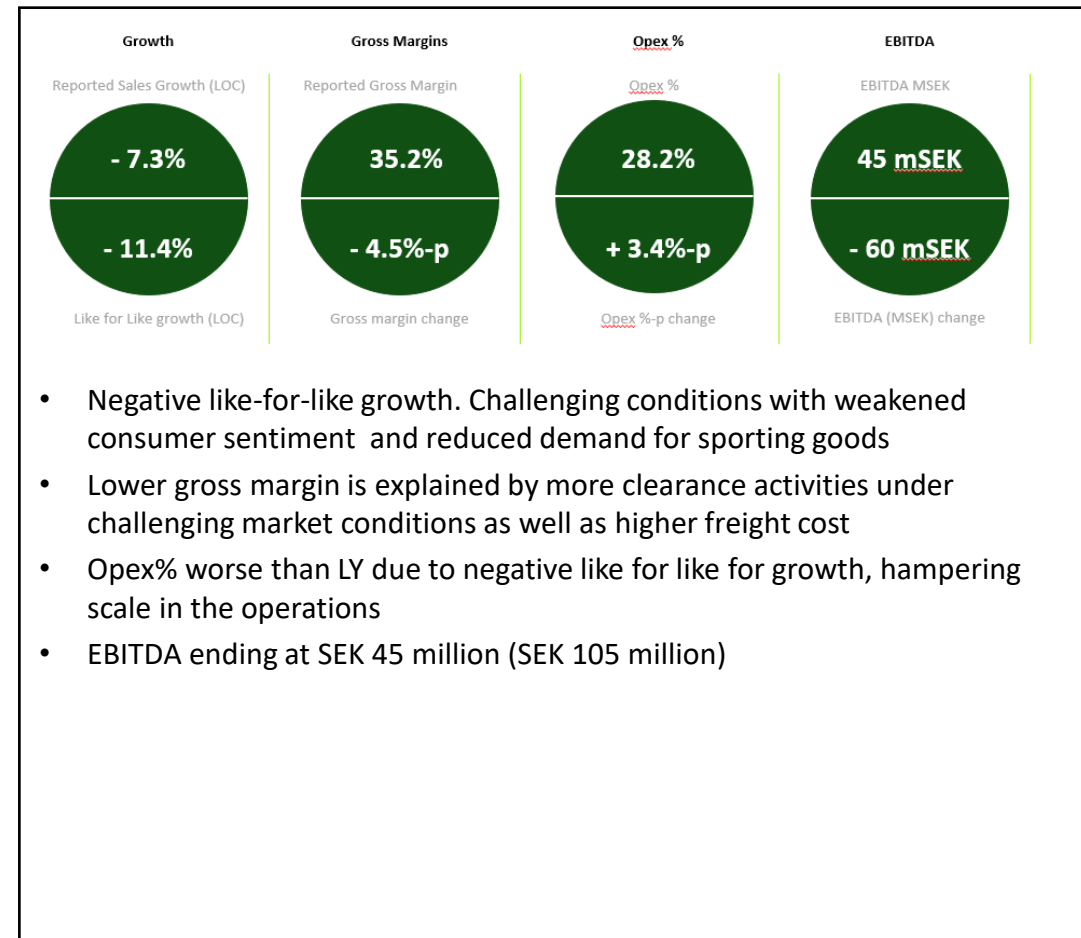
## Q2: Norway and Sweden



### Norway



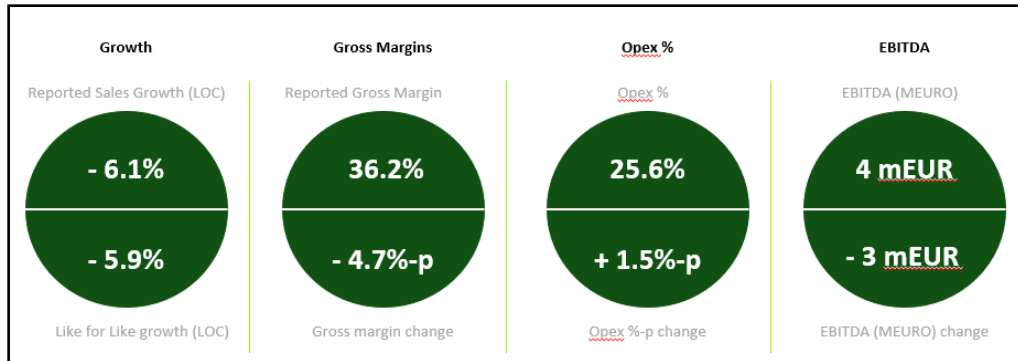
### Sweden



## Q2: Finland and Austria



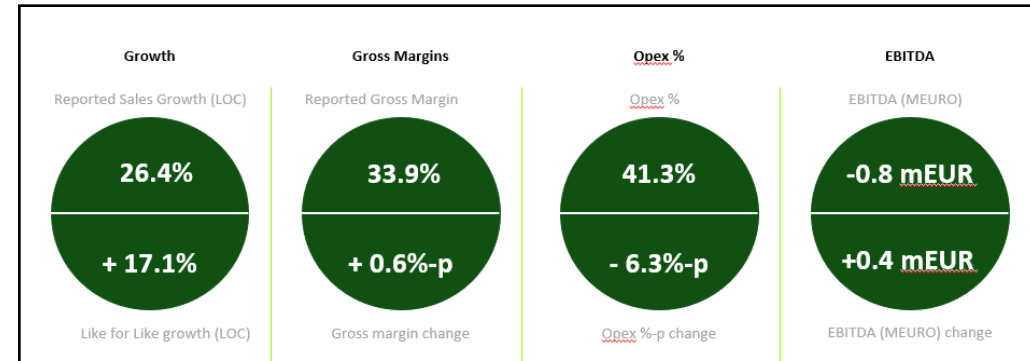
### Finland



- Negative like-for-like growth. Challenging conditions with weakened consumer sentiment and reduced demand for sporting goods
- Lower gross margin is explained by more clearance activities under challenging market conditions as well as higher freight cost
- Opex% worse than LY due to negative like for like for growth, hampering scale in the operations
- EBITDA of EUR 4.0 million (EUR 7.0 million)



### Austria



- Positive development in topline of 26.4%, partly driven by closed stores last year. Resulting in a positive like for like growth y-o-y.
- Gross margin increased to 33.9 per cent (33.2 per cent) explained by higher share of E-commerce and re-opening campaigns last year with lower gross margins
- Positive development in opex% explained by positive like for like growth yielding scale in operations
- EBITDA of negative EUR 0.8 million (negative EUR 1.2 million)

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