XXL ASA – Q3 2022

Presentation of
Financial Results
27 October 2022

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This presentation was prepared for the interim results presentation for the third quarter 2022, held on 27th of October 2022. 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.

XXL ASA – Q3 2022

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Great brands
Great prices
Great assortment
Great expertise
Great accessibility

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Headlines Q3 2022

Challenging markets and low consumer confidence paying its toll on the results

Q3 2022

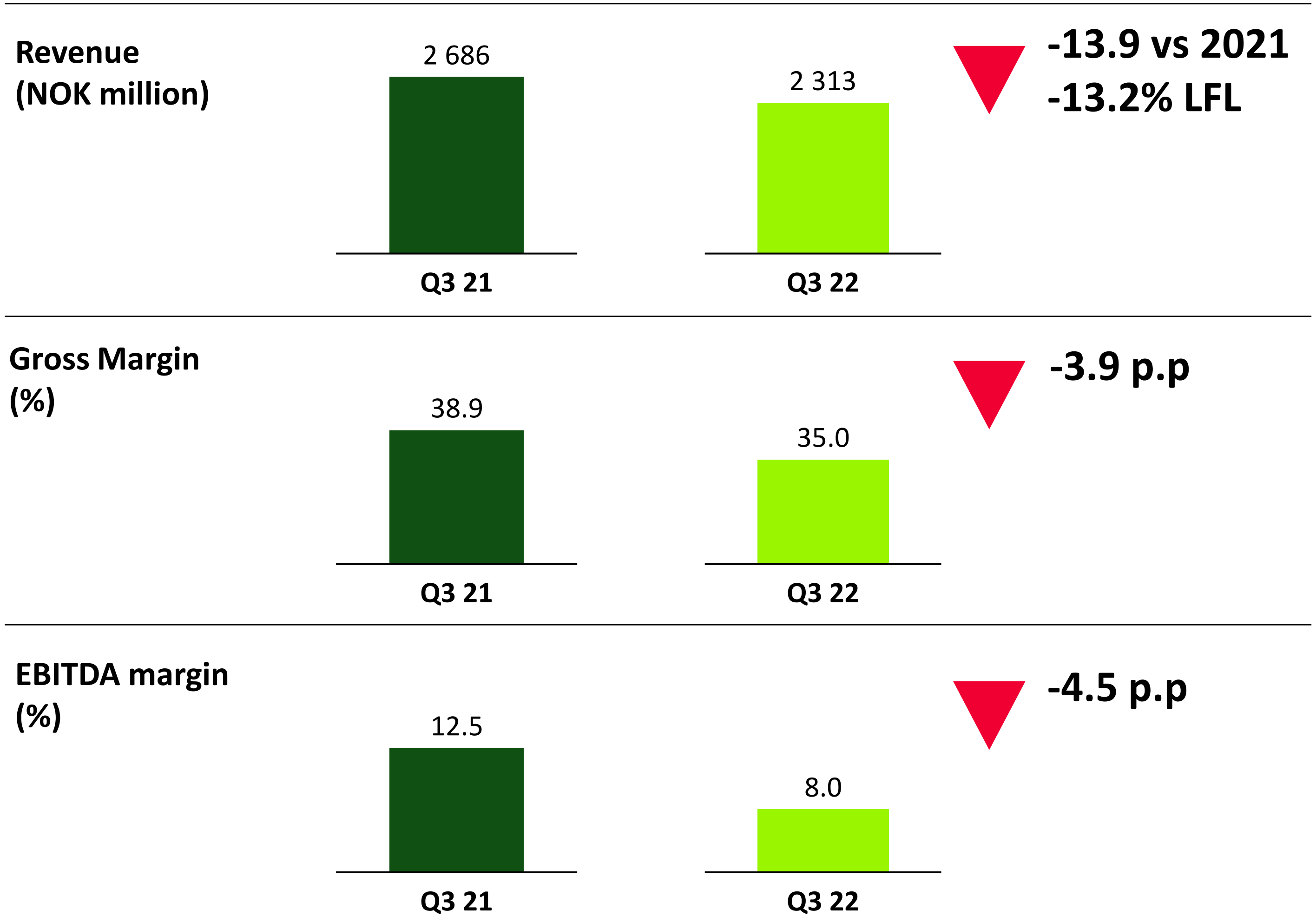
- Historically low consumer confidence, reduced demand for sporting goods in general and July also hampered by increased consumption of travel and services after the pandemic
- Sales ended at NOK 2.3 billion (- 14% vs. 2021)
- Under challenging retail conditions XXL has prioritized strict liquidity management with sales and inventory actions over gross margins
- EBITDA of NOK 186 million (NOK 336 million)
- Not satisfied with the results and are executing on several short-term actions to adjust costs and purchasing volumes to the sales trend
- Liquidity reserves ending at NOK 817 million, NIBD at NOK 983 million. XXL is compliant with the defined covenants in the loan agreement

Outlook

- Historic growth in Nordic sport retail has been around 4% yearly – Sport retail proved robust during the financial crisis in 2009
- After two strong years in 2020 and 2021, the expectations are weaker demand in the short term, before an expected normalization
- Scale and cost efficiency to strengthen XXL position through the current market turmoil
- Our target is working towards “40-30-10” on gross margin, OPEX and EBITDA (ex IFRS 16 effects)

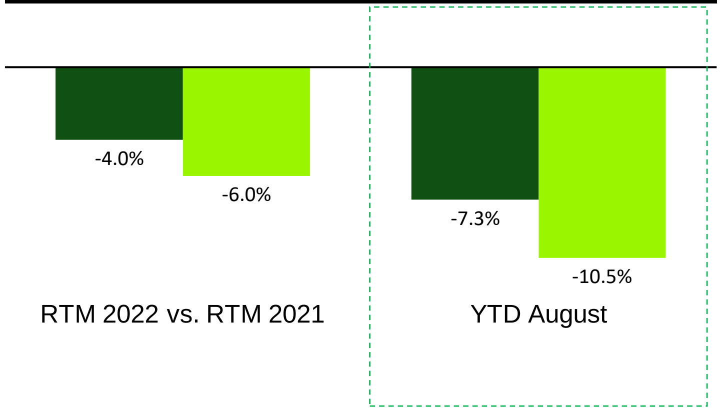
Highlights Q3 2022

- Operating revenue of NOK 2 313 million (NOK 2 686 million)
- All markets impacted by weak consumer sentiment. July is normally one of the largest sales months of the year but was impacted negatively by increased spending on travel and services post pandemic. Sales gradually improved during the quarter
- E-commerce experienced a more normalization and decreased by 6.7%, representing 19.1% of total revenue for the Group
- Gross margin of 35.0%, negatively impacted by more clearance activities in the market, as well as increased sourcing costs
- EBITDA of NOK 186 million (NOK 336 million), whereof NOK 14 million is costs related to the ongoing strategic review in Austria

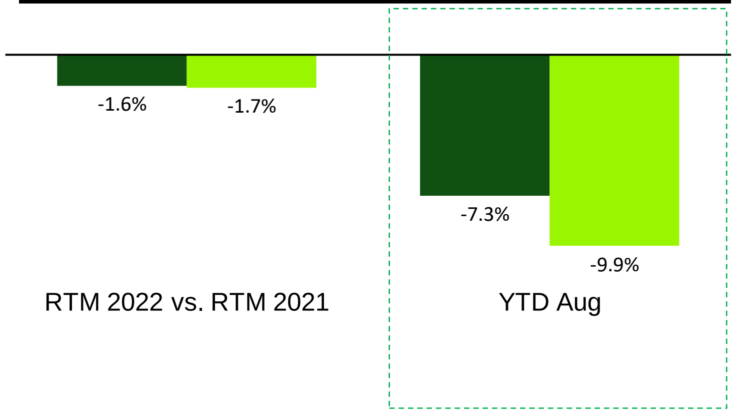


Market share development

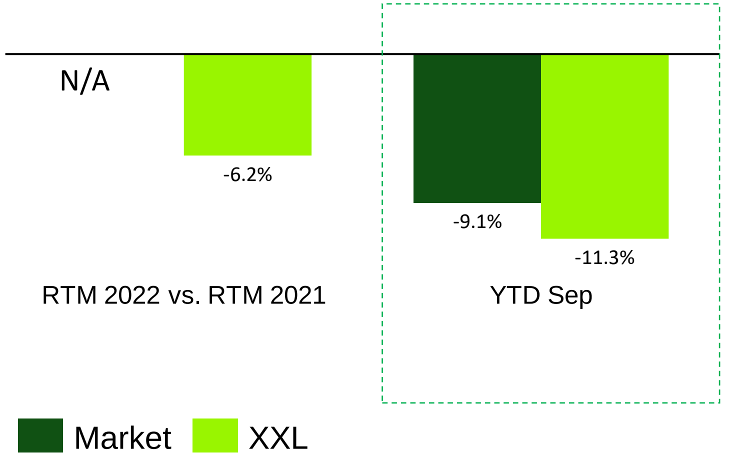
Norway



Sweden



Finland

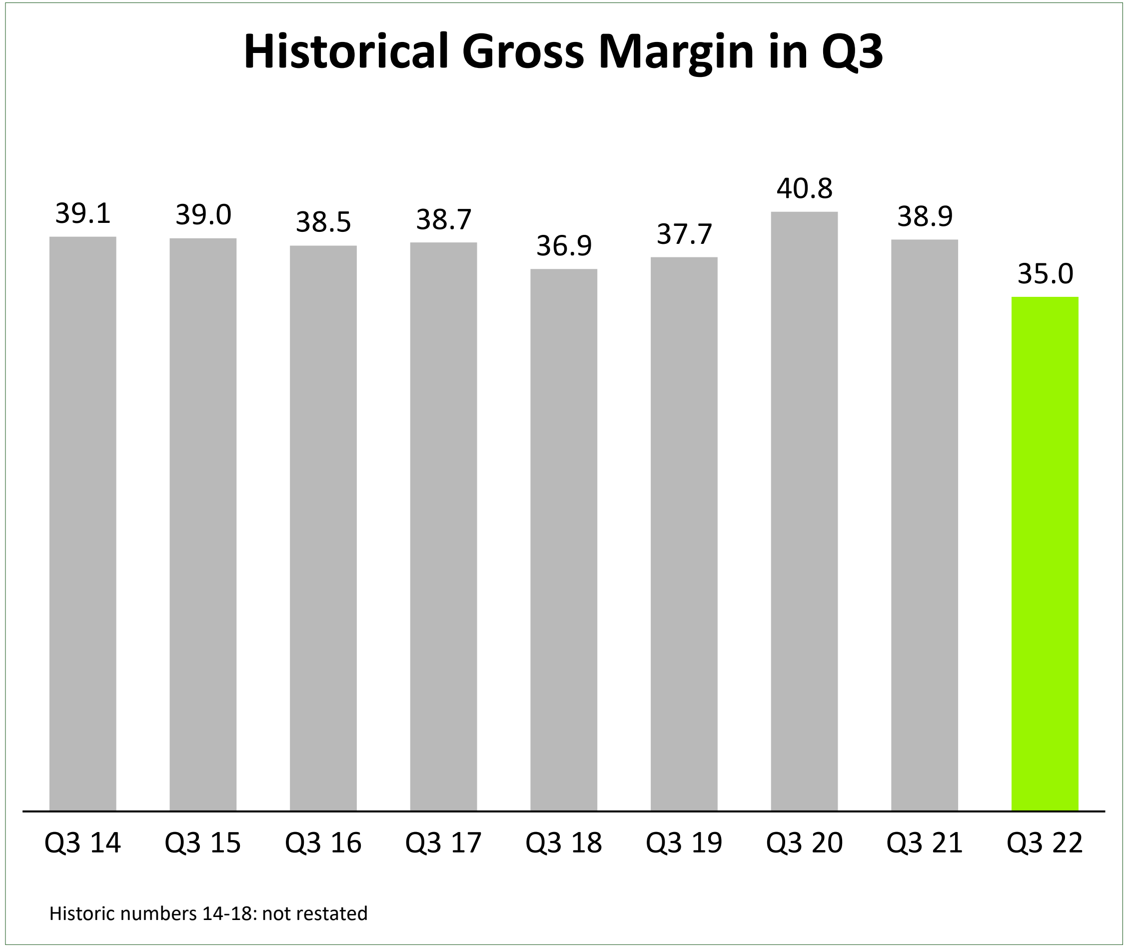


- YTD losing market shares in all market
- Challenging market conditions for the sporting goods industry in 2022 with weakening consumer sentiment and reduced demand for sporting goods all over Nordics
- More sales on lower price points and outlet segments gaining presence in the Nordic markets
- XXL's 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 Q3 – 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



Q3 2022 – Lower revenue and profit driven by weak consumer sentiment

	Group	Norway	Sweden	Finland	Austria	HQ
LFL GROWTH	-13.2%	-11.7%	-14.9%	-15.2%	-10.0%	n/a
EBITDA GROWTH (mnok)	-150	-88	-50	-29	+11	+6

Installing 2.7 MW solar energy at central warehouse Norway – 540 tons reduction in annual CO2 emissions as well as significant energy cost savings

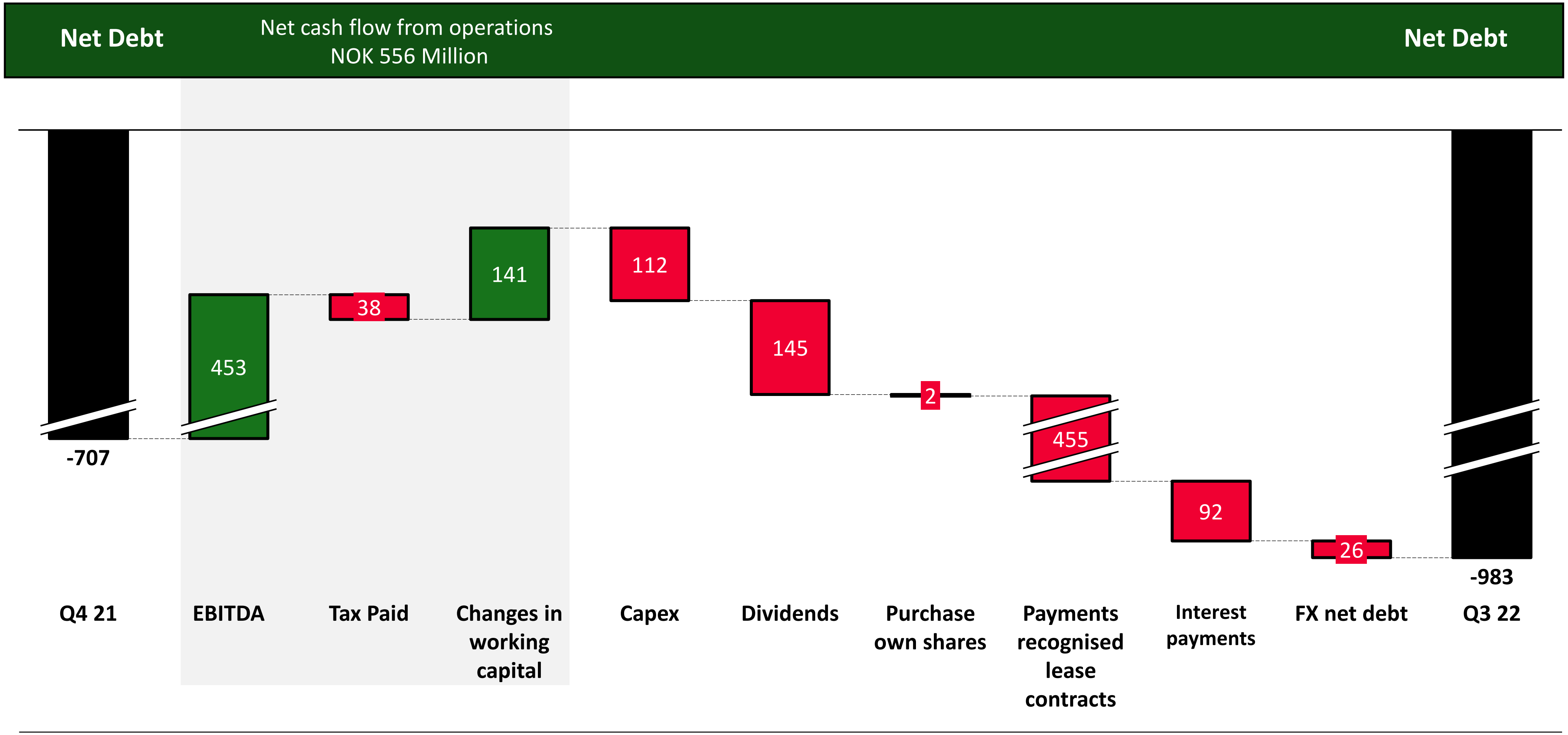
Financial Review
Q3 2022

Key Figures

(Amounts in NOK million)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021 Audited
GROUP					
Operating revenue	**2 313**	2 686	6 492	7 273	10 006
Growth (%)	**-13,9 %**	-4,8 %	-10,7 %	-7,4 %	-4,0 %
Gross profit	**810**	1045	2 390	2 933	4 084
Gross margin (%)	**35,0 %**	38,9 %	36,8 %	40,3 %	40,8 %
OPEX %	**27,0 %**	26,4 %	29,8 %	27,5 %	27,4 %
EBITDA	**186**	336	453	934	1338
EBITDA margin (%)	**8,0 %**	12,5 %	7,0 %	12,8 %	13,4 %
EBIT	**38**	132	-108	350	391
EBIT margin	**1,6 %**	4,9 %	-1,7 %	4,8 %	3,9 %
Net Income	**42**	70	-80	191	194
Earnings per share (adj for impairment losses)	**0,16**	0,28	-0,32	0,76	1,31

- Revenue down with NOK 373 million y-o-y
  - Negative like for like growth of 13.2%
  - E-com negative growth of 6.7% - representing 19.1% of total revenue versus 18.0% last year
- Gross margins ended at 35.0%, down from 38.9% 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
  - In addition, gross margin was hampered by increased sourcing costs
- OPEX % is 0.6 percentage point higher than last year driven by the negative like for like growth hampering scale in operations
- EBITDA ending at NOK 186 million
  - RTM EBITDA of NOK 856 million
  - RTM EBITDA ex. IFRS of NOK 251 million
- Net income of NOK 42 million in Q3 2022

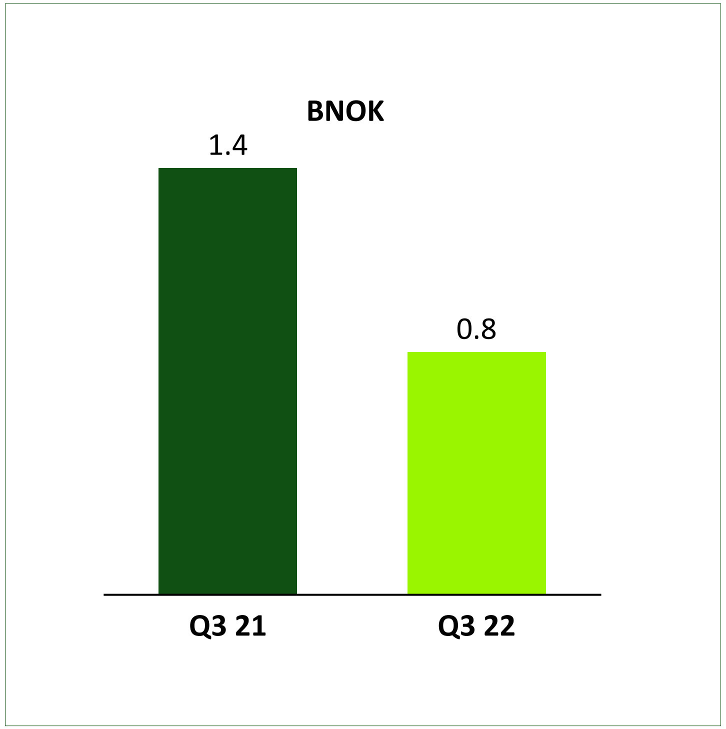
Net Debt Development



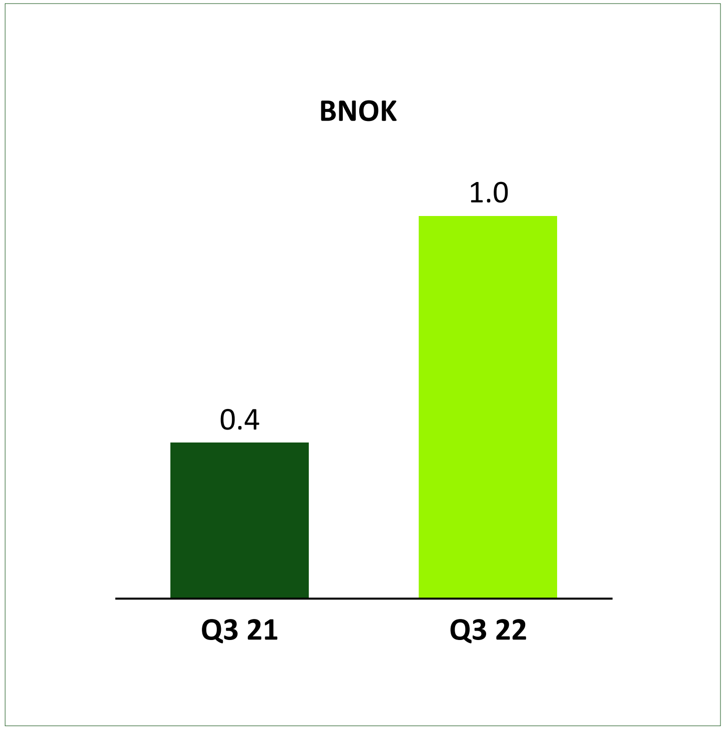
Financial position

YTD Operational Cash Flow

Liquidity Reserves



Net Interest-Bearing Debt



Outlook

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Six clear priorities going forward

PRIORITY	Revenue	Gross margin	Opex	Balance sheet
Category strategies	✓	✓		✓
Private Label	✓	✓		
Full fletch omni-channel	✓			
Improve campaigns and marketing	✓		✓	
Austria strategic review	✓	✓	✓	✓
Cost to 30%*			✓	

* Excluding IFRS 16 effects

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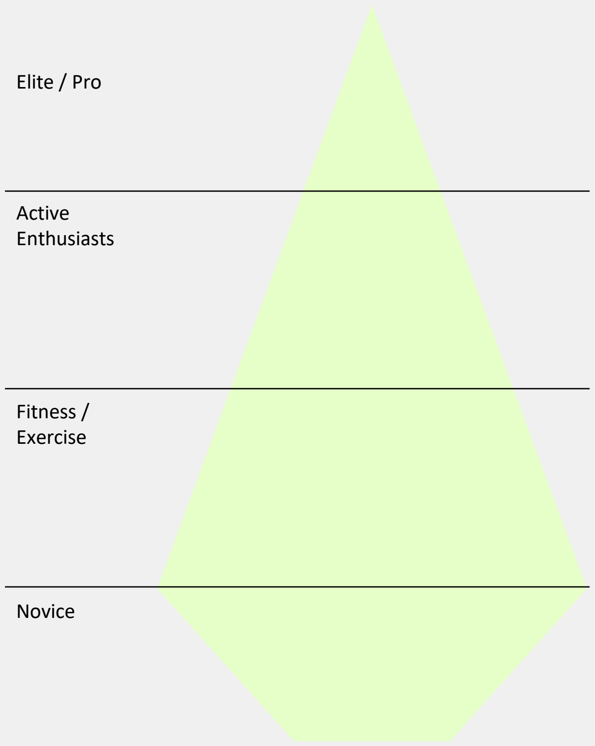
Category development and buying – partnering with strong brands and building entry level price points



Illustrative – Purchasing pyramide

1

Assortment (selection + brands)
- Cover product range from novice to expert level
- Differentiate products good-better-best and assign clear product roles
- In prioritized categories build XXL as a complete destination and develop brand portfolio
- Adapt assortment to local conditions
- Ambition to increase controlled brands from 10% towards 30% over time – positive GM impact of 10-20 %p on SKU level => potential EBITDA effect of up to NOK 200 million

2

Price
- Regain price leader position “Great brands and great assortment at great prices”
- Largest purchasing of brands in the Nordics demands predictability - Every day low price
- Pricing function established
- ESL implemented in all markets to increase flexibility and responsiveness in pricing optimization

3

Buying and partnerships
- Our buying contracts yielding flexibility and inventory control – “rule of thumb” buying 75/115
- Centralized model and one point of contact
- We provide transparency and data sharing with our most important partners and strongest brands
- Exploiting partnerships on controlled brands – fast “go to market” strategy
- Improved access/or new brands lately: Mammut, Asics, Nike, Adidas, Gregory, Saucony and more

Omnichannel development

Implemented actions

- RFID improves control of inventory
- Electronic price labels secures equal prices online and in store, and secures price position
- Pickup lockers for friction free pickup of goods
- Click & Collect
- Fit station
- Ship from store
- Rollout of digital working tools in stores – like return handling etc.

Actions to be implemented

- Improve commercial expression on the webpage
- Improve customer journey online
- Endless aisle

Improve campaigns and marketing

Improve campaigns

- Strengthen internal planning, processes and execution => define clear responsibilities
- New campaign tool to be rolled out in Q4 2022

Improve marketing

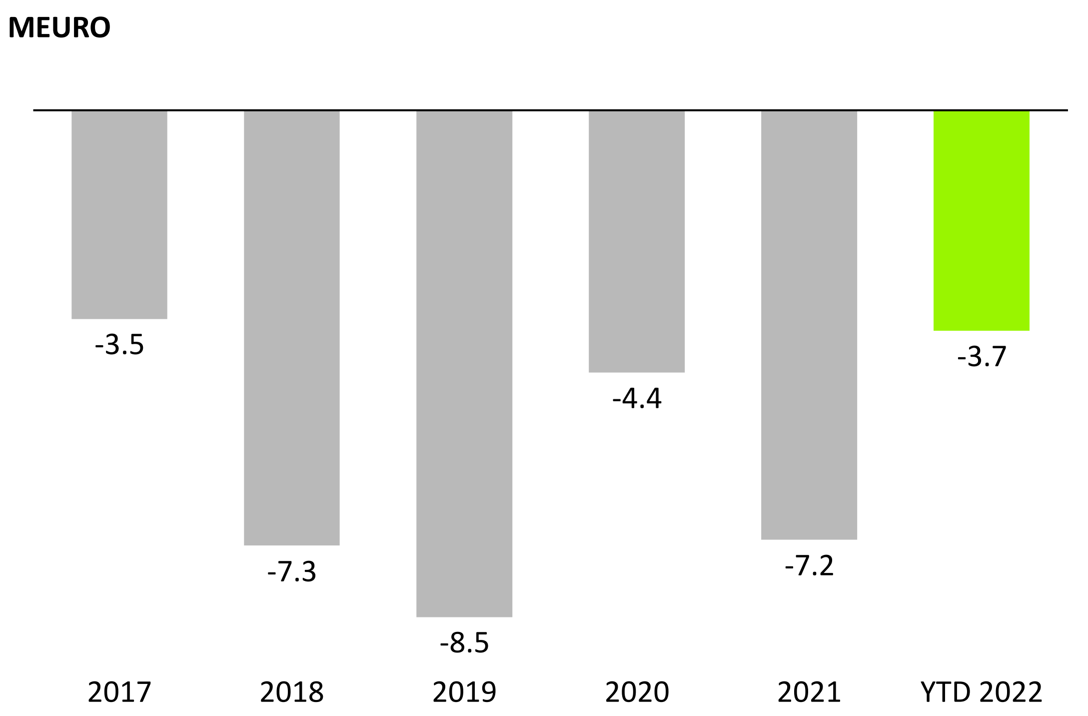
- Use fewer media channels in order to increase return on media investments
- More tactical marketing - back to basic
- Jarle Bråten, former EVP Marketing at XXL will be hired in for a period of time to support the ongoing changes

Austria – continuing the strategic review

Comments

- Negative EBITDA (ex. IFRS 16) YTD Q3 of EUR 3.7 million
- XXL is committed to significantly improve the profitability in Austria in 2022. XXL is reducing cost and inventory levels in order to minimize losses
- The strategic review continues into Q4 2022 with good progress and multiple options to be evaluated for XXL
- Ambition is to have no negative cash effect in 2023

EBITDA (ex. IFRS 16)



EBITDA – 2017 to 2018 are not restated

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Race to 30%* OPEX – working towards a more flexible cost base

Stores

Already implemented actions

- Decreased direct deliveries (from 31% in 2016 to 5% in 2022)
- Electronic price labels
- Self-check-out in store
- Pickup lockers
- New digital tool for store employees (Retail solution)
- RFID

Actions in progress

- New budget tool + improved manning tool
- Self service improvement instore

HQ

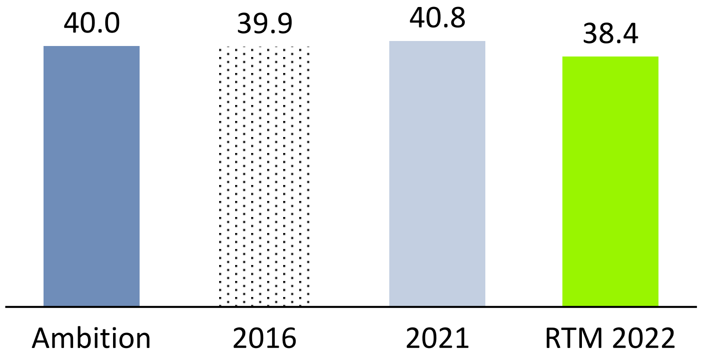
Actions in progress

- Increase cost focus in all departments (i.e. travel, replacements, new projects)
- Marketing efficiency
- Austria – exit of central warehouse
- Scaling of HQ functions (i.e. rightsizing strategy department)
- Over time reduce complexity and streamline processes
- Making the cost base more scalable and flexible

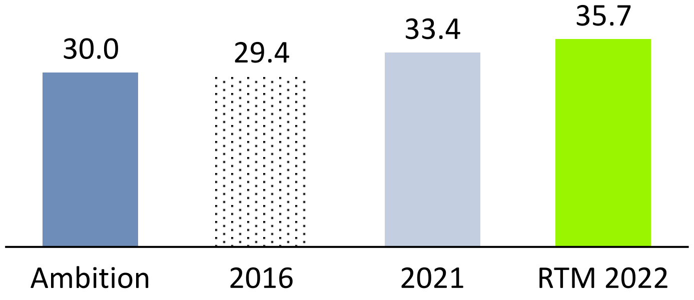
* excluding IFRS 16 effects

Financial ambitions – “40-30-10”

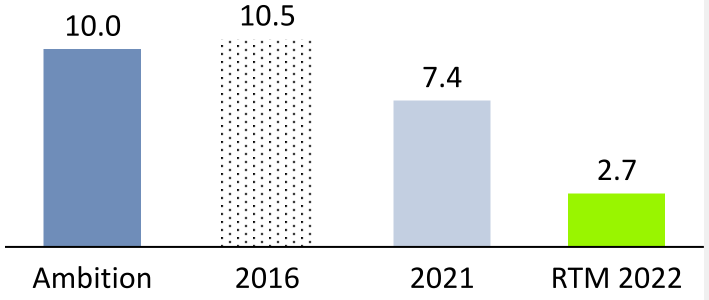
40% Gross Margin



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

Closing remarks

Q3 2022 Key Takeaways

- Reduced demand short term
- Sales ended at 2.3 billion (- 14% vs. 2021)
- Gross margin at 35.0% (38.9%)
- EBITDA of NOK 186 million (NOK 336 million)
- Not satisfactory
- XXL are executing on strong and immediate actions in order to adapt to the new market situation

Priorities

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

Going forward

- The long-term strategic agenda stays firm
- Scale and cost efficiency to strengthen XXL position through the current market turmoil
- Race to “40-30-10”

Q&A

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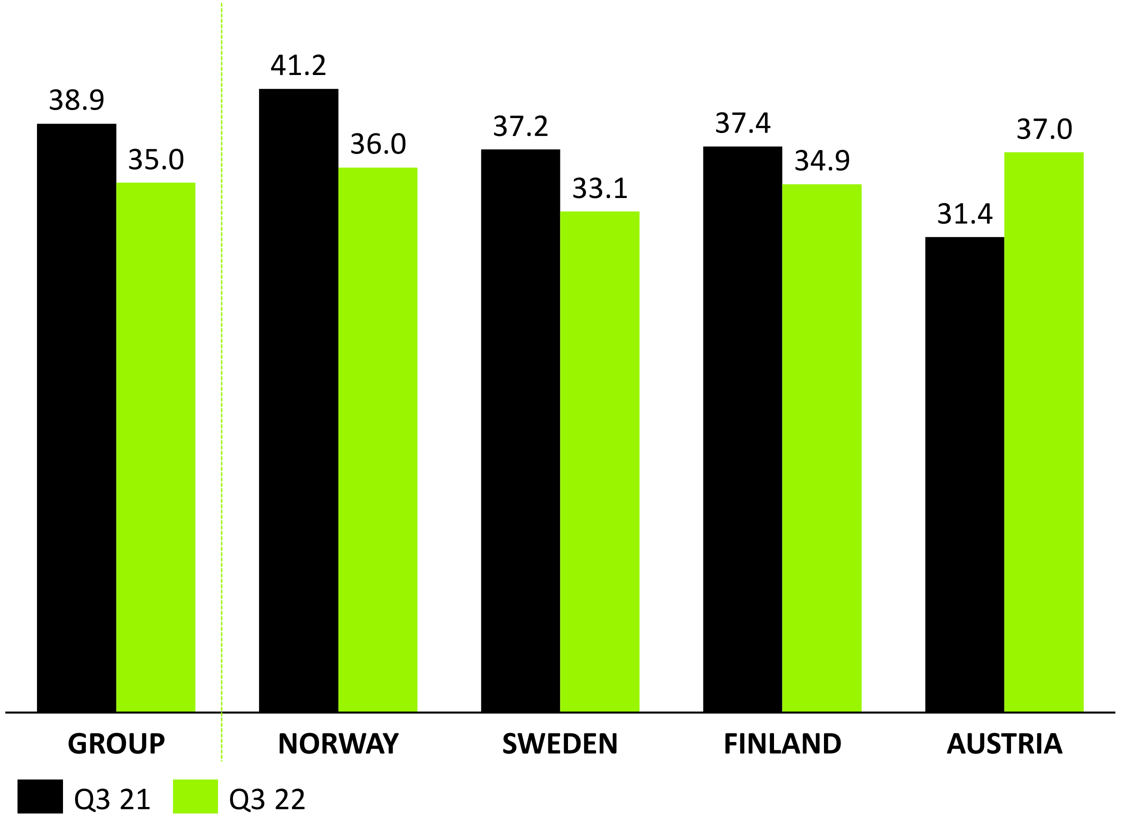
Appendix

Gross Margin Development

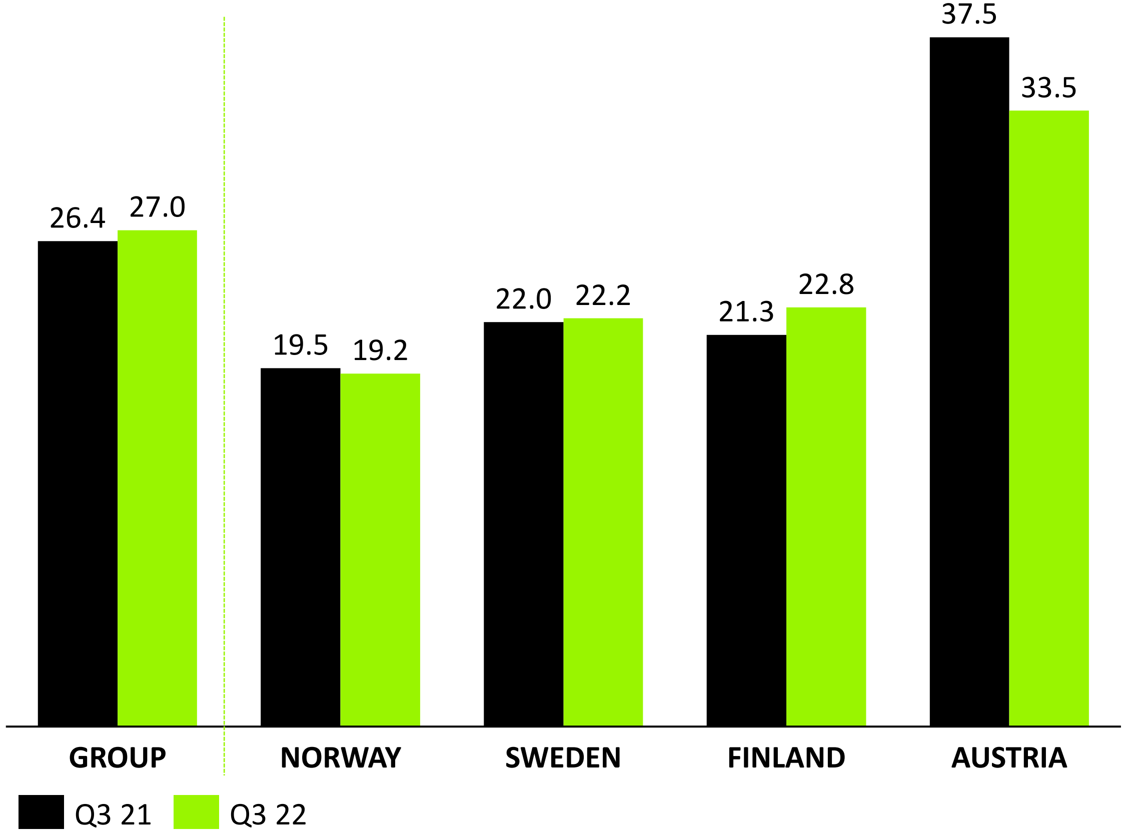
XXL ASA Q3 2022 - Gross margin per segment (in %)



- Decreased gross margin in the quarter, down from 38.9% in Q3 2021 to 35% in Q3 2022
- More clearance activities driven lower demand for sporting goods impacting the gross margin negatively
- In addition, gross margin was hampered by increased sourcing costs
- XXL targets a long term sustainable gross margin above 40 per cent for the Group

OPEX Development

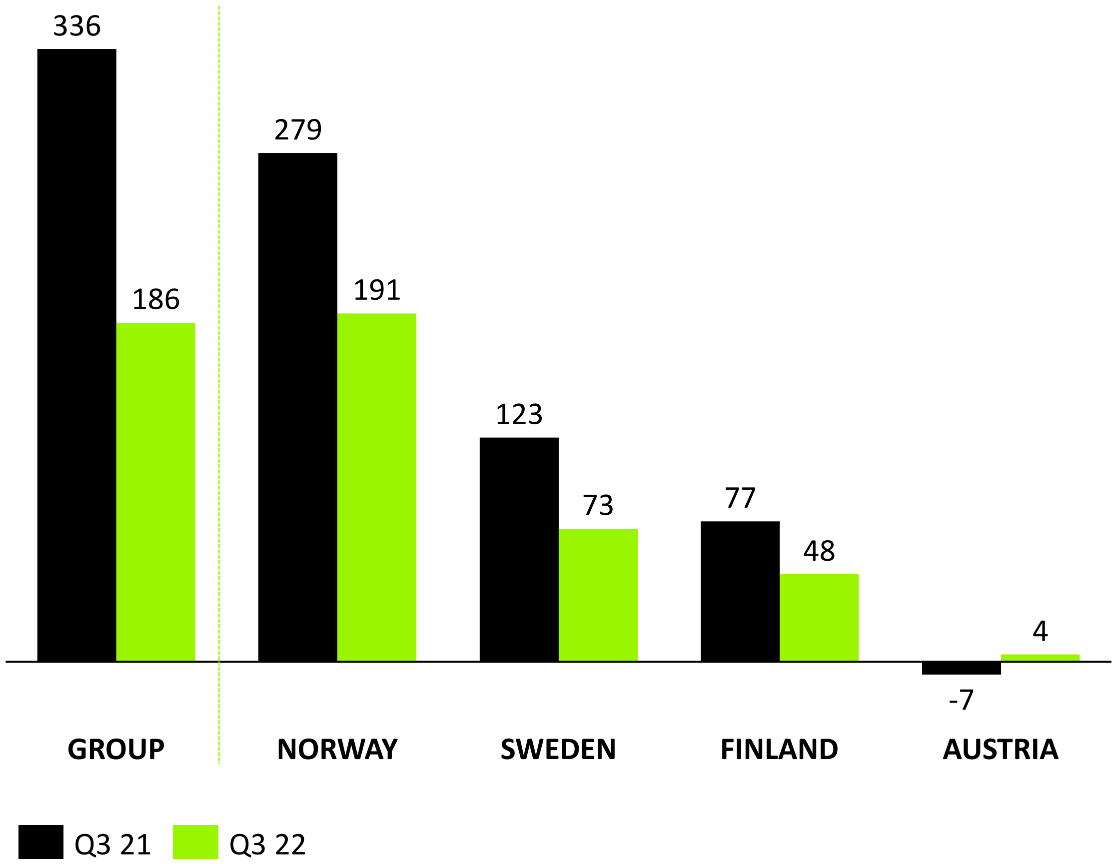
XXL ASA Q3 2022 - OPEX per segment
(in %)



- Group OPEX% up with 0.6 percentage points to 27.0 % in Q3, mainly explained by lower revenue negatively affecting scale in operations
- OPEX decreased to NOK 623 million (NOK 708 million) mainly explained by lower personnel expenses of NOK 50 million, as well as lower bonus accruals of NOK 38 million

EBITDA Development

XXL ASA Q3 2022 - EBITDA per segment (in mNOK)



- Negative EBITDA development vs LY – down NOK 150 million, mainly explained by the negative like for like growth and lower gross margins
- EBITDA margin of 8.0% in Q3 2022 vs. 12.5% in Q3 2021

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Q3: Norway and Sweden

Norway

Growth	Gross Margins	Opex %	EBITDA
Reported Sales Growth (LOC)	Reported Gross Margin	Opex %	EBITDA MNOK
-11.4 %	36.0 %	19.2 %	191 MNOK
-11.7 %	-5.2 %-p	0.3 %-p	-88 MNOK
Like for Like growth (LOC)	Gross margin change	Opex %-p change	EBITDA (MNOK) change

- 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 sourcing cost
- Opex increased mainly due to lower sales y-o-y. Focus on short term cost reductions both on store staffing and marketing spend.
- EBITDA of NOK 191 million (NOK 279 million)

Sweden

Growth	Gross Margins	Opex %	EBITDA
Reported Sales Growth (LOC)	Reported Gross Margin	Opex %	EBITDA MSEK
-11.2 %	33.1 %	22.2 %	77 MSEK
-14.9 %	-4.1 %-p	0.2 %-p	-44 MSEK
Like for Like growth (LOC)	Gross margin change	Opex %-p change	EBITDA (MSEK) change

- 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 sourcing cost
- Opex% worse than LY due to negative like for like for growth, hampering scale in the operations. However XXL has executed several cost reductions related to store personnel and marketing spend
- EBITDA ending at SEK 77 million (SEK 121 million)

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Q3: Finland and Austria

Finland

Growth	Gross Margins	Opex %	EBITDA
	Reported Gross Margin	Opex %	EBITDA (MEURO)
-14.5 %	34.9 %	22.8 %	4.7 MEURO
-15.2 %	-2.5 %-p	1.5 %-p	-2.8 MEURO
Like for Like growth (LOC)	Gross margin change	Opex %-p change	EBITDA (MEURO) change

- 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 sourcing cost
- Opex% worse than LY due to negative like for like for growth, hampering scale in the operations. XXL has focused on cost efficiencies mostly related to store staffing and marketing spend.
- EBITDA of EUR 4.7 million (EUR 7.5 million)

Austria

Growth	Gross Margins	Opex %	EBITDA
Reported Sales Growth (LOC)	Reported Gross Margin	Opex %	EBITDA (MEURO)
-6.1 %	37.0 %	33.5 %	0.4 MEURO
-10.0 %	5.6 %-p	-4.0 %-p	1.0 MEURO
Like for Like growth (LOC)	Gross margin change	Opex %-p change	EBITDA (MEURO) change

- Negative like-for-like growth. Market dynamics in Austria continues to be challenging with overall lower consumer sentiment and spending.
- Gross margin increased to 37.0 per cent (31.4 per cent) explained by lower share of E-commerce and re-opening campaigns last year with lower gross margins
- Positive development in opex% explained by high focus on cost reducing initiatives.
- EBITDA of EUR 0.4 million (negative EUR 0.7 million)

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All sports united.
Sports unite all.