

XXL

XXL ASA – Q3 2023

**Reset & Rethink initiatives progressing well
in an unsatisfactory 3rd quarter**

Presentation of Financial Results October 27th, 2023

Disclaimer

Important notice

The following presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated (“relevant persons”). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the XXL Group. The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about, and observe, such restrictions.

This presentation includes and is based, inter alia, on forward-looking information and contains statements regarding the future in connection with the XXL Group's growth initiatives, profit figures, outlook, strategies and objectives. All forward-looking information and statements in this presentation are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for the XXL Group and its lines of business. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates” or similar expressions.

Important factors may lead to actual profits, results and developments deviating substantially from what has been expressed or implied in such statements. Although XXL believes that its expectations and the presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the presentation.

XXL is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the presentation, and neither XXL nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use.

This presentation was prepared for the interim results presentation for the third quarter 2023, held on 27th of October 2023. 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.

CEO agenda

1

Reset & Rethink progressing according to plan including our Must Win Battles

2

Continued challenging market

3

Unsatisfactory sales and results in Q3, thus increased ambitions on cost take out

XXL's journey ahead



RESET: We continue to focus on our 5 "Must Win Battles"



Other key initiatives that are on the top of our agenda:

- Launch Reward 2.0
- Exit Austria
- Cash & Liquidity
- Cost out (increased ambition)

New!


Must Win Battles are progressing well – Several highlights during the quarter (1/2)

CATEGORY RESET



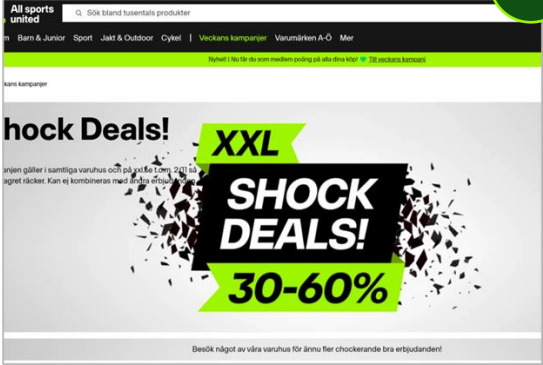
Private label: Stormberg products selling through very well and considerable order volumes are placed for 2024

CATEGORY RESET

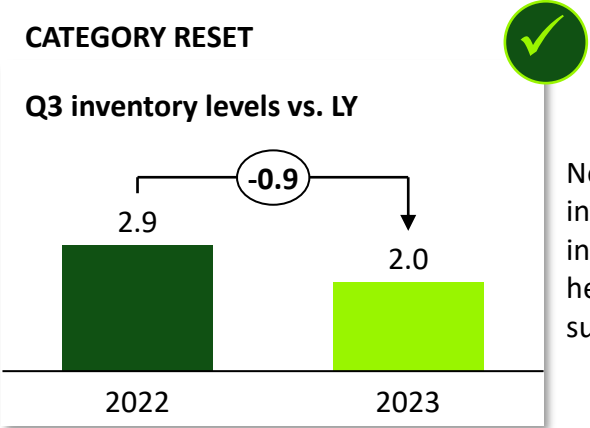


Private label: MacKenzie to be relaunched in cooperation with Stormberg

CATEGORY RESET

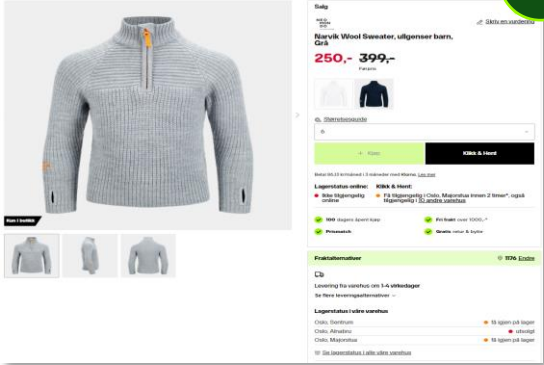


Stock clearance of slow-moving high price points products ongoing



Normalized inventory levels, in position to help our suppliers

E-COM PROFITABILITY



Online exposure of products only available in store inventory live in all markets, available through Click & Collect

E-COM PROFITABILITY



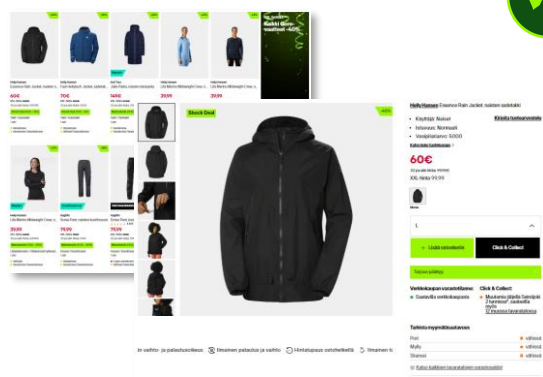
AI imagery now live

Must Win Battles are progressing well – Several highlights during the quarter (2/2)

E-COM PROFITABILITY



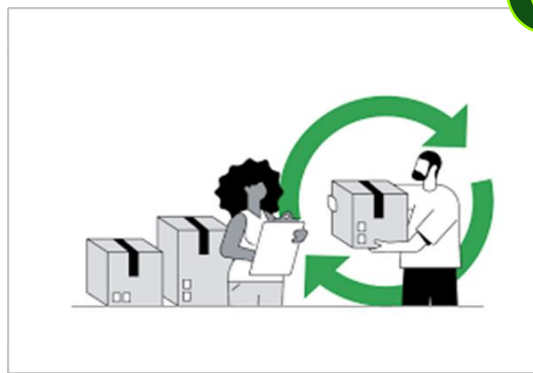
New PLP (Product Listing Page) and PDP (Product Detail Page) launched, with more improvements to come in Q4



E-COM PROFITABILITY



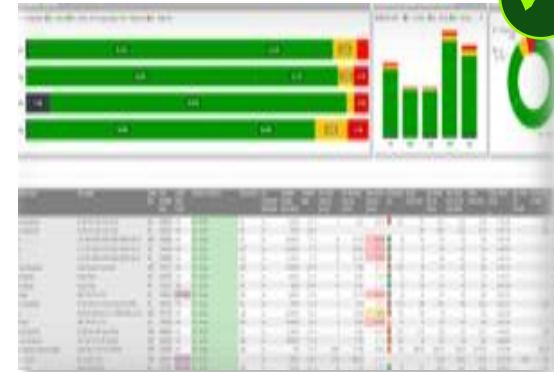
New terms & conditions for online returns being implemented



PRICING



PLC, Product LifeCycle, now implemented to enable significant improvements in category management



STORE OPERATIONS



Great improvements during Q1-Q3 in workshops, due to Workshop Full Potential project



STORE OPERATIONS



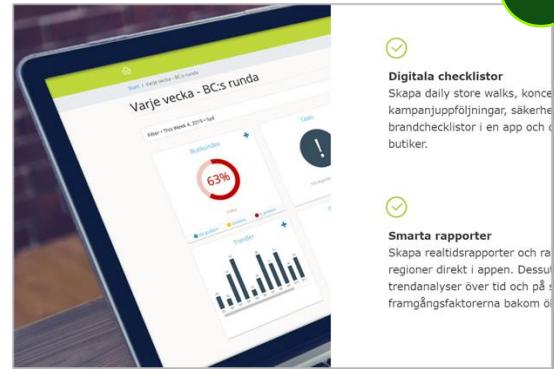
Store tests on new floor/space plan



STORE OPERATIONS

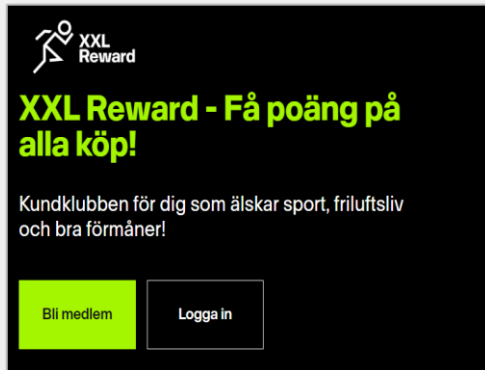


Tool to secure in-store execution being rolled out in all three markets



Strong progress also on other key initiatives

REWARD 2.0 & CRM



- ✓ Successful launch of new customer loyalty club **XXL REWARD** with cashpoints and bonus checks
- Major upside potential and foundation for improved personalization and increased customer loyalty

CASH & LIQUIDITY



- ✓ Successful and over-subscribed rights issue of NOK 500 million
- Close monitoring of liquidity and cash and continuous focus on net working capital

EXIT AUSTRIA



- ✓ Signed exit agreements on last three stores in Austria scheduled to be closed during 2023
- ✓ No operations nor material contractual obligations in Austria after 2023-year end

New Nordic management team being secured to deliver on the Reset & Rethink plan

■ We are on a professionalization journey

- New top management with considerable experience, relevant competence, senior leadership and strong track records now being secured and effectively put in place
- The majority of the senior management team will thus effectively be renewed
- A new operating model as well as a clear steering framework will further support and secure strong execution



Emelie Friis - Brand & Marketing

Over 25 years experience in marketing with focus on FMCG, Retail and consumer brands



Simen Helly-Hansen - Category & Supply

Strong & diverse international experience, over 20 years, with proper & relevant category management competence



Peter Jansson - IT & Development

A previous IT consultant that joined XXL in 2014 and Today is SVP Tech development (~CTO)



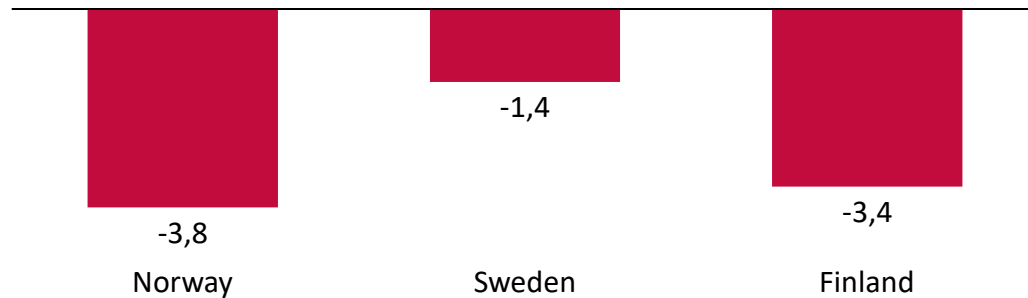
New COO in progress to be recruited

A challenging market in the short-term, but resilient in the long-term

1

- Overall consumer sentiment and discretionary spending is down
- The sports and outdoor market is also affected by specific factors
 - Continued high campaign pressure in the market
 - Capital intensive goods sub-categories more adversely affected
 - Lingering bunkering effect from the pandemic

Rolling 12 months 2023*



N.B. XXL with high share of **capital-intensive** products which are **even slower** in current market conditions

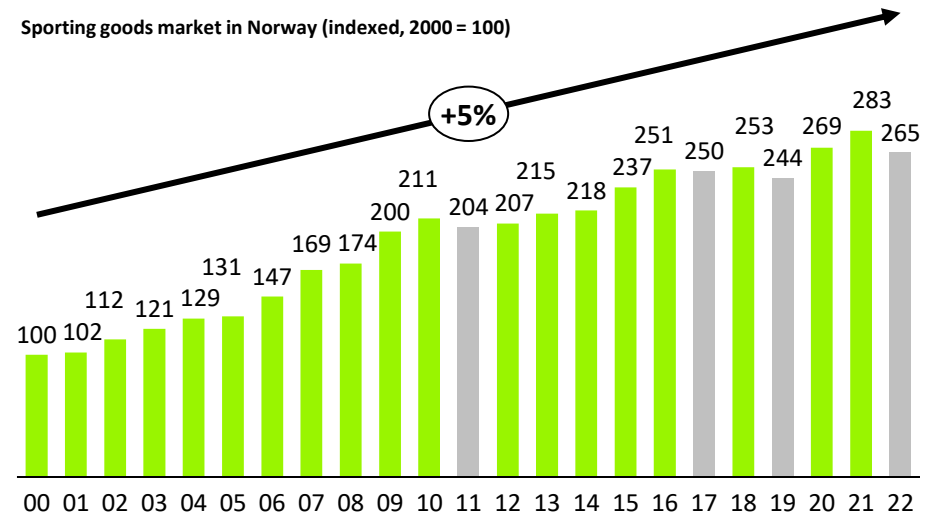
- We have continued to be active and competitive in the market, and will continue to be

* Sources: Norway – SSB, Sweden – SCB (both Norway and Sweden August 2023), Finland – TMA (September 2023)

2

We believe in the long-term resilience and growth of the sports and outdoor market

Sporting goods market in Norway (indexed, 2000 = 100)



3

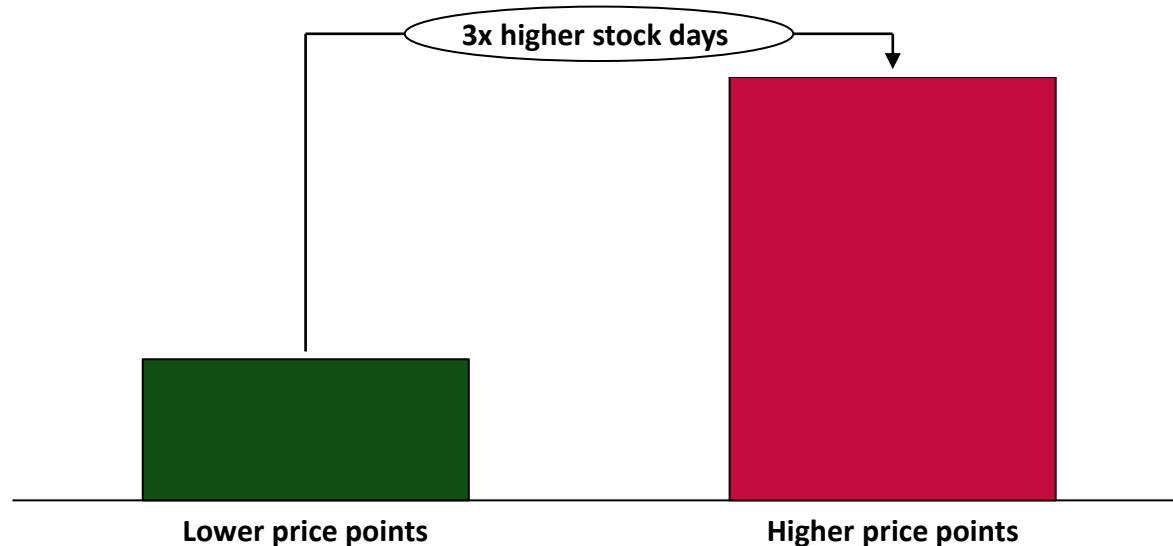
Driven by health and wellness as strong and lasting mega trends



Resetting and rebalancing inventory composition towards greater value for money

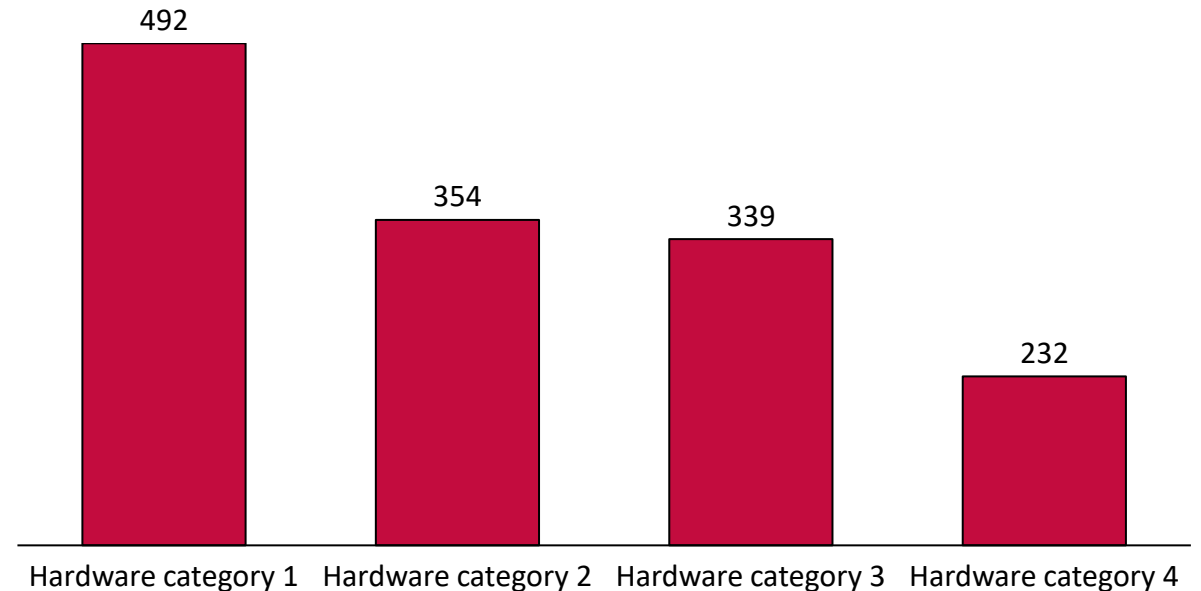
High price point products with 3x higher stock days

Average stock turnover days, lower vs. higher price points (Illustrative)



...and slow sales on capital intensive hardware products

Avg. turnover days selected hardware categories (# of days)



RESET initiative: Key focus going forward to reset and re-balance towards greater value for money price points, which in turn will improve availability

Continued high campaign pressure in all three core markets

RETHINK initiative: Currently improving our tactical campaign tool-box to both secure top line and safe-guard gross margin



HOØST
SALG
Opptil 70%
UTVALGTE VARENE FRA KJUS
20-60%
MEDLEMSRABATT

WINTERLARM
12-14.
OKTOBER
2023
Åpningstider:
Torsdag 11-20
Fredag 11-20
Lørdag 10-17

PRODUKT
KATALOG

LANGRENN
STAVER
ETTERLARM
OPPTIL 60%

LANGRENN
STØVLER
ETTERLARM
OPPTIL 59%

Høstturer
Fjellet venter på deg! Finn dine
favorittprodukter hos oss, over 1300 tilbud!

Vinter Kick-Off
Kan ikke vinteren komme fort nok?
Tystart skisesongen med over 400 tilbud!



Sista chansen
25%
för dig som är medlem

CLUBDAGAR
ALLT
-25%*

Mid
season
sale
Upp till
60%
rabatt.



MID
SEASON
SALE

Osta vähintään 2, saat
-25%
vaatteista.

Osta vähintään 49 €:lla, saat
-25%
vaatteista.

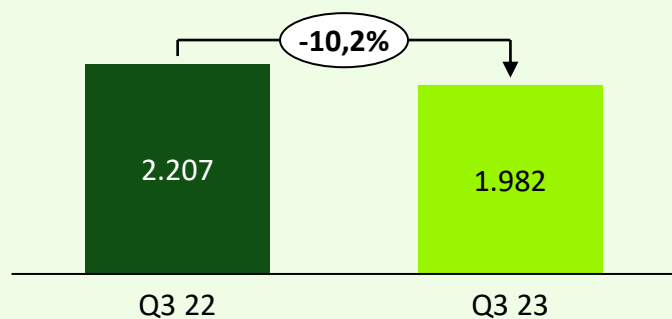
-25%
YHDESTÄ VAAKKEESTA
KÄYTÄ

MAHTAVIA TARJOUKSIA
HUIPPUMERKEILTÄ
JOKA PÄIVÄ!
Päivakohtaiset uutuustuotteet ovat ostettavissa joka
amu klo 7:00 alkaen. Yli 50 euron verkkokauppaostoksien
saat ilmaiset toimitukset, postin pakettivakuutusmaksut
ja nostopistot.

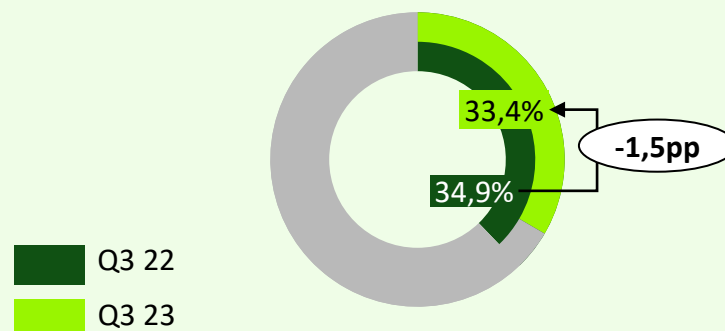
KE-SU 27.9.-1.10.
3+1
PÄIVÄÄ

Q3 financial summary – unsatisfactory sales and result

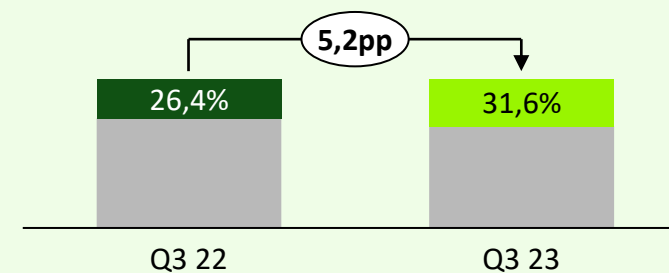
Operating revenue (mNOK)



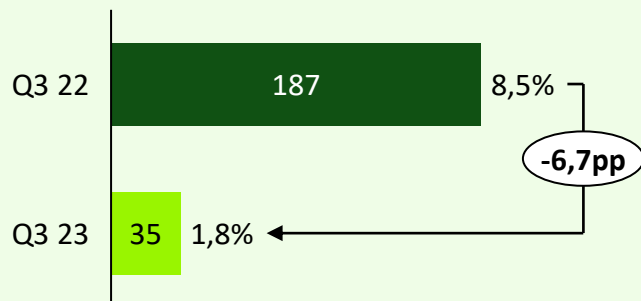
Gross profit (%)



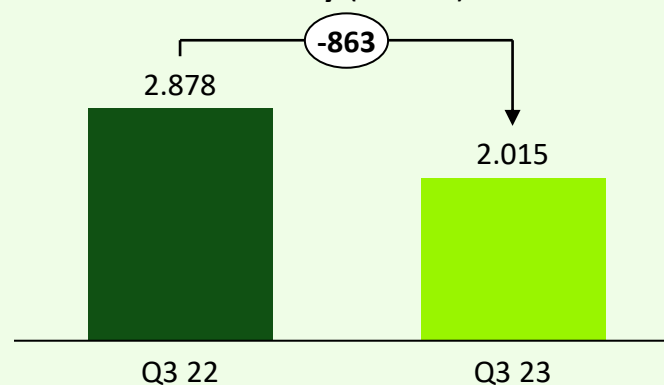
OPEX (mNOK/%)



EBITDA (mNOK/%)



Inventory (mNOK)



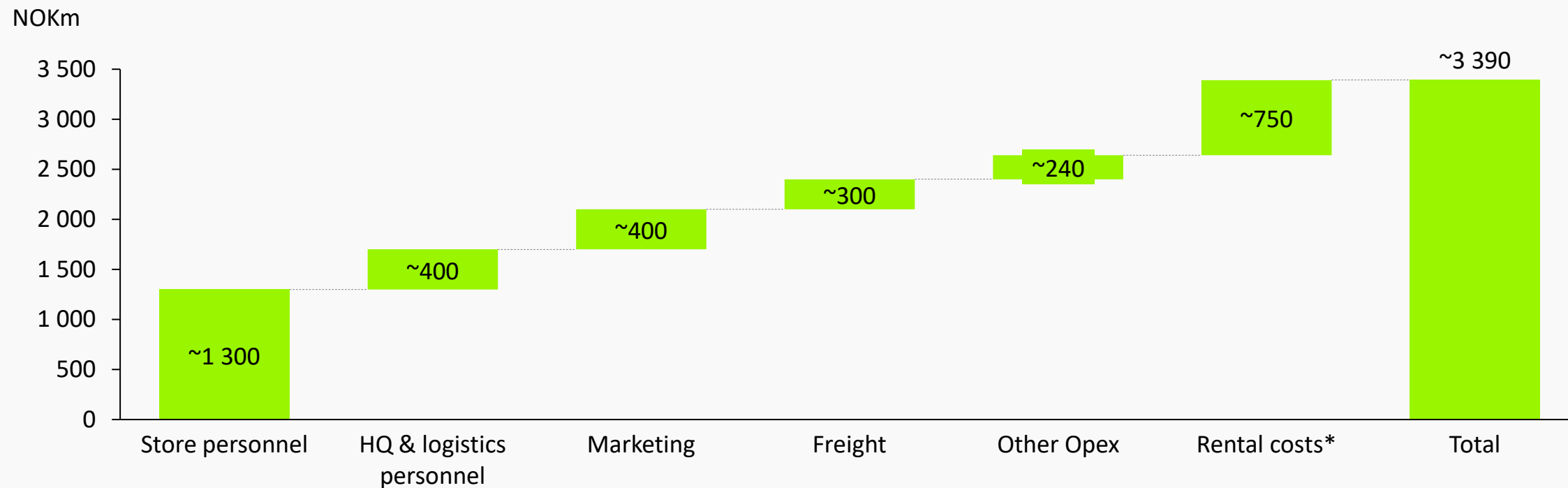
Liquidity (mNOK)

782 mNOK

-35 mNOK

Cost out ambition increased up to NOK 300 million

Cost base in scope (2022 numbers)



UPDATED Q3: Ambition to reduce costs by at least NOK ~200-300m**

Financial Review Q3 2023



Q3 2023 characterized by continued focus on liquidity

Liquidity

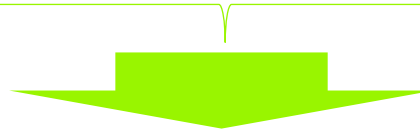
- Settlement of rights issue of NOK 500 millions to strengthen the liquidity of the Group
- Granted a 12 month extension of a repayment of Swedish tax of SEK 345 million – due on 12 September 2024 (provided that an extended 36 month payment plan is not accepted by Swedish tax authorities)
- Reassessment of tax paid to Norwegian tax authorities in Oct 23 of NOK 90 million – ongoing negotiations (MAP/APA)

Balance sheet

- Significantly reduced purchased goods vs. 2023 and previous years
- Inventory reduction of > NOK 850 (> 30%) million vs. LY
- Lowest CAPEX in the last 10 years
- Supplier debt reduced with NOK ~400 million vs. Q3 LY

Structural measures

- Exit agreements for the remaining three stores in Austria were signed in the quarter. Consequently, XXL will have no material operations or commitments in Austria after year end 2023
- Minority investment in Stormberg finalized



Close monitoring of liquidity and continuous focus on net working capital

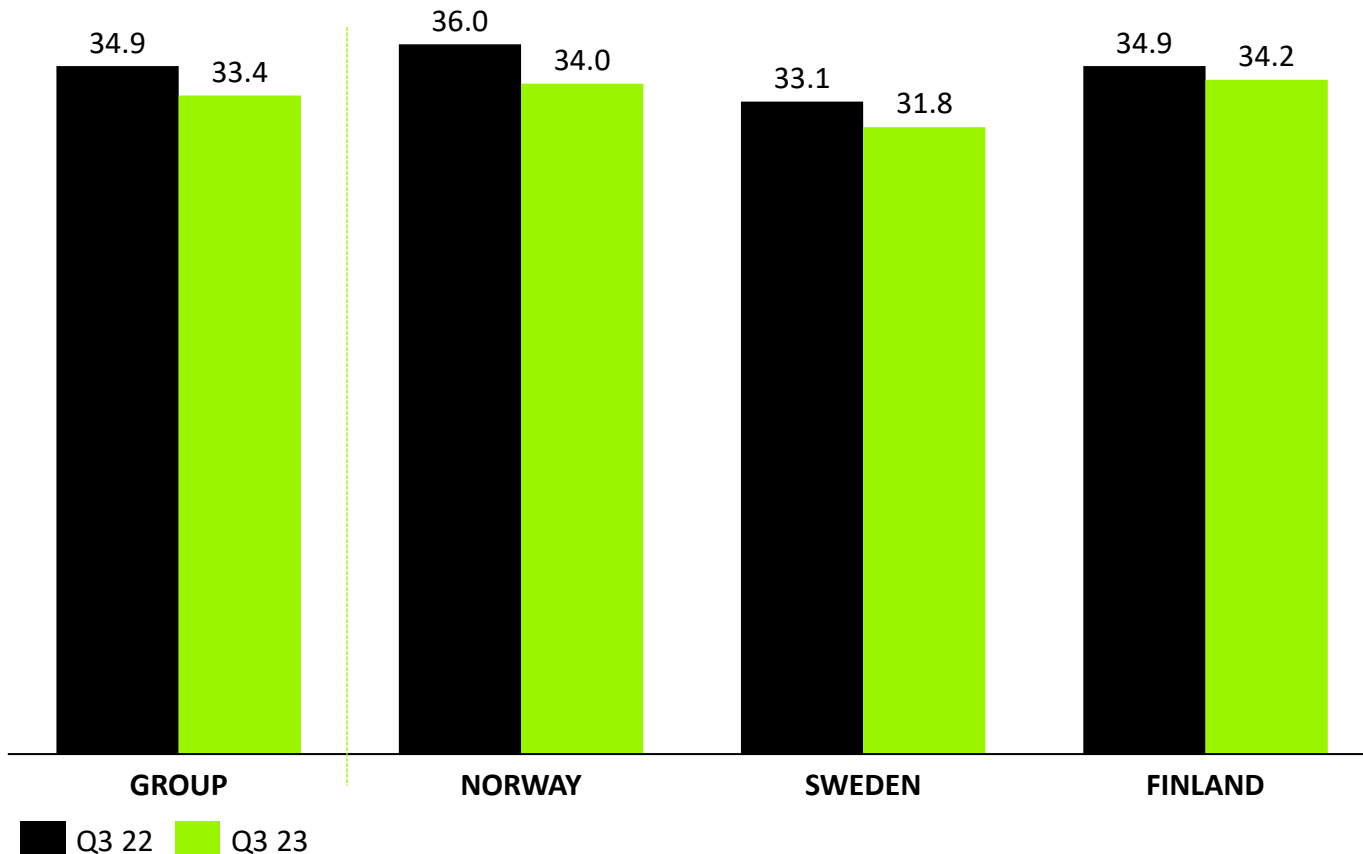
Key Figures

<i>(Amounts in NOK million)</i>	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
GROUP - Continuing Operations					
Operating revenue	1,982	2,207	5,911	6,162	8,426
Growth (%)	-10.2 %	-14.1 %	-4.1 %	-11.8 %	-12.2 %
Gross profit	662	770	1,821	2,273	2,721
Gross margin (%)	33.4 %	34.9 %	30.8 %	36.9 %	32.3 %
OPEX %	31.6 %	26.4 %	32.0 %	29.2 %	29.5 %
EBITDA	35	187	-67	473	237
EBITDA margin (%)	1.8 %	8.5 %	-1.1 %	7.7 %	2.8 %
EBIT	-155	54	-643	-61	-467
EBIT margin (%)	-7.8 %	2.4 %	-10.9 %	-1.0 %	-5.5 %
Net Income	-140	57	-611	-28	-411
**Basic Earnings per share (NOK)	-0.20	0.23	-1.32	-0.11	-1.63

- Revenue down with NOK 225 million vs. last year
 - Challenging market driven by low consumer confidence and reduced demand for sporting goods results in a negative like for like growth of 12.8%
- Gross margins ended at 33.4%, down from 34.9% last year
 - The market is characterized by continued high inventory levels in the whole value chain, resulting in aggressive pricing, excessive campaigns, and consequently reduced margins
- OPEX in % is 5.2 p.p higher than last year
 - Operating expenses as percentage of sales increased to 31.6% in Q3 (26.4% in Q3 22) impacted by the negative like for like growth hampering scale in the operations
 - Increased costs explained by new store openings, higher marketing costs, and negative currency translation effects
 - Additional costs related to the equity raise
- EBITDA ending at NOK 35 million
- Net income of minus NOK 140 million in Q3 2023

Gross Margin Development

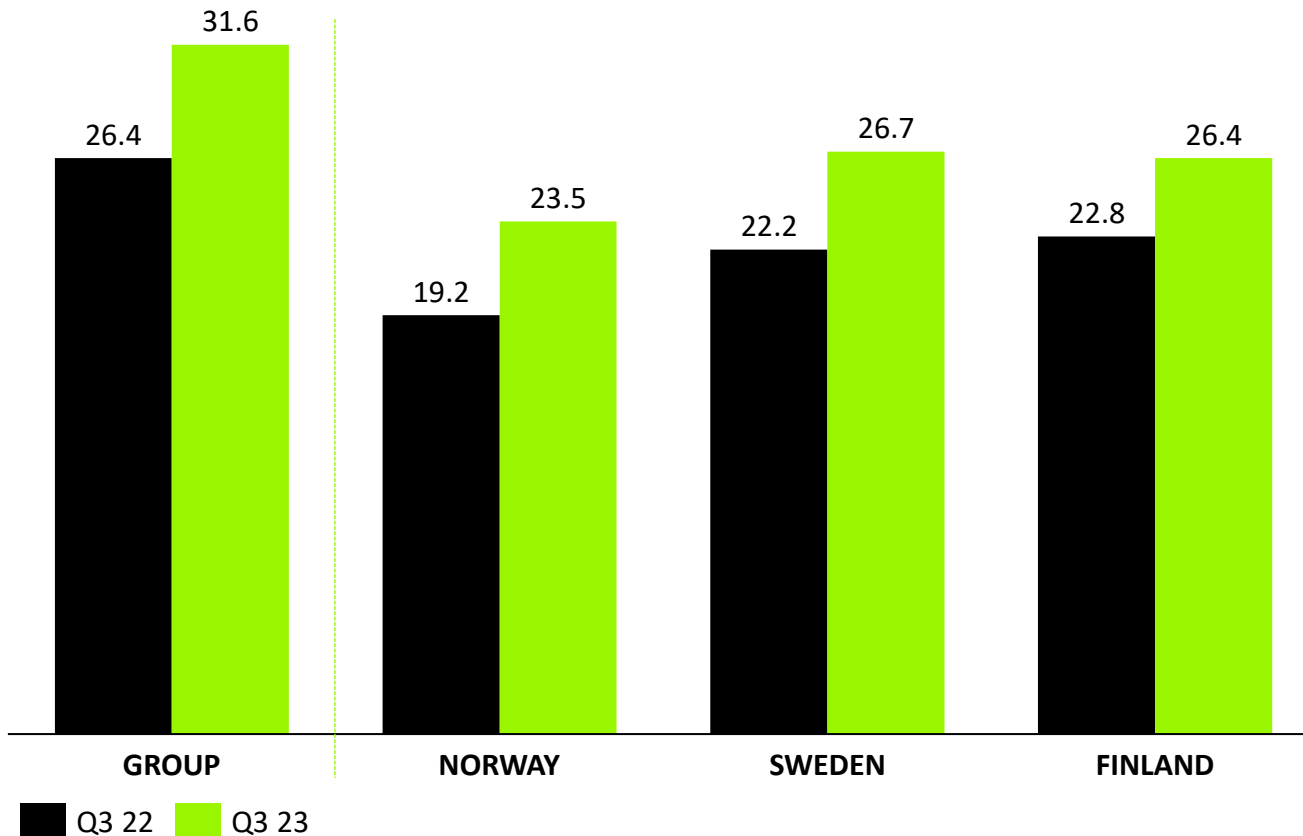
XXL ASA Q3 2023 - Gross margin per segment
(in %)



- Weakened gross margin development in the quarter, down from 34.9% in Q3 2022 to 33.4% in Q3 2023
- The market continues to be characterized by excessive inventory levels in the whole value chain, resulting in aggressive pricing, excessive campaigns, and consequently reduced 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

OPEX Development

XXL ASA Q3 2023 - OPEX per segment
(in %)

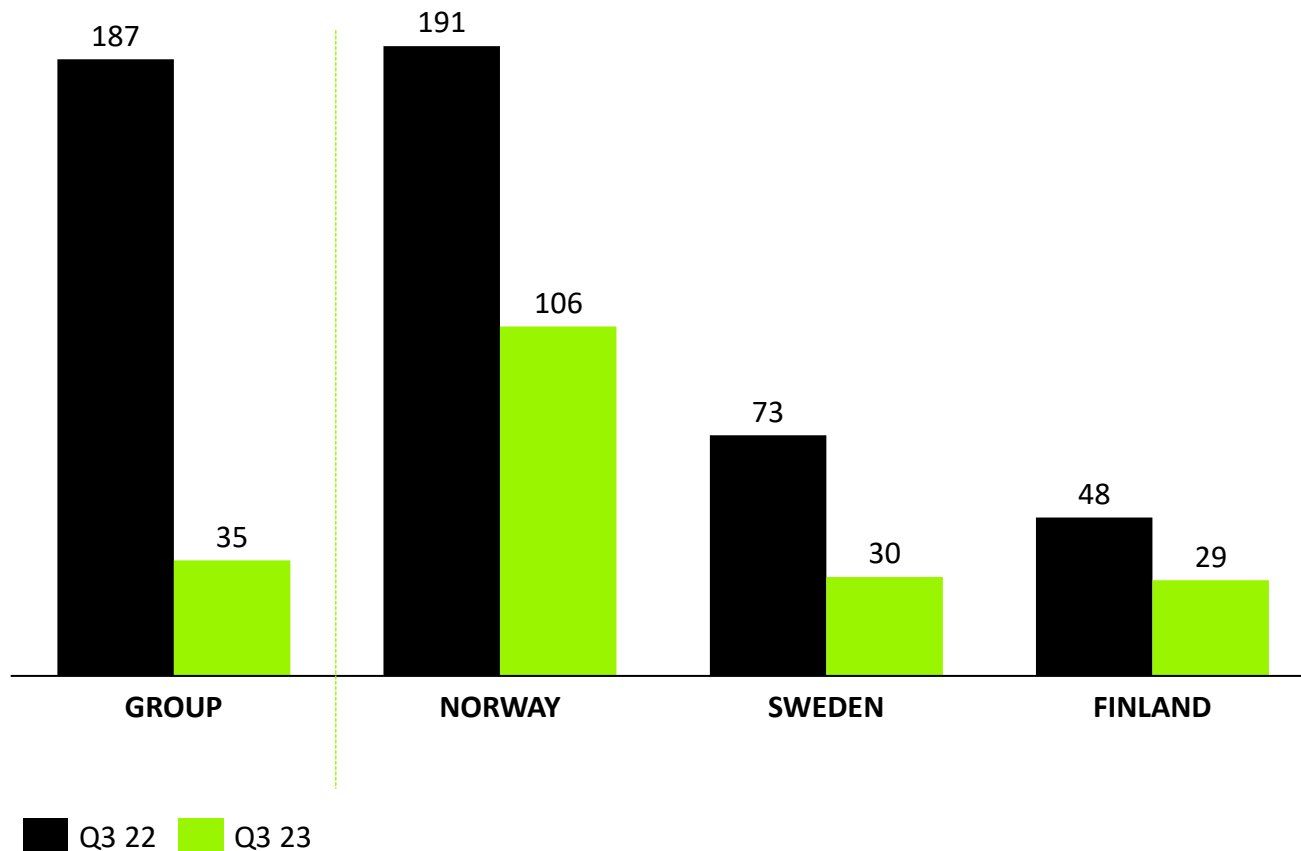


- Group OPEX% in Q3 increased to 31.6% (up 5.2 points vs Q3 22), mainly impacted by the negative like for like growth hampering scale in the operations
- Operating expenses increased by NOK 43 million vs Q3 22, explained by negative currency translation effects of around NOK 20 million. Remaining increase related to new store openings, and increased marketing spend due to high campaign activity, as well as costs related to the raise of new equity. This is partly counteracted by lower personnel costs

EBITDA Development

XXL ASA Q3
(in MNOK)

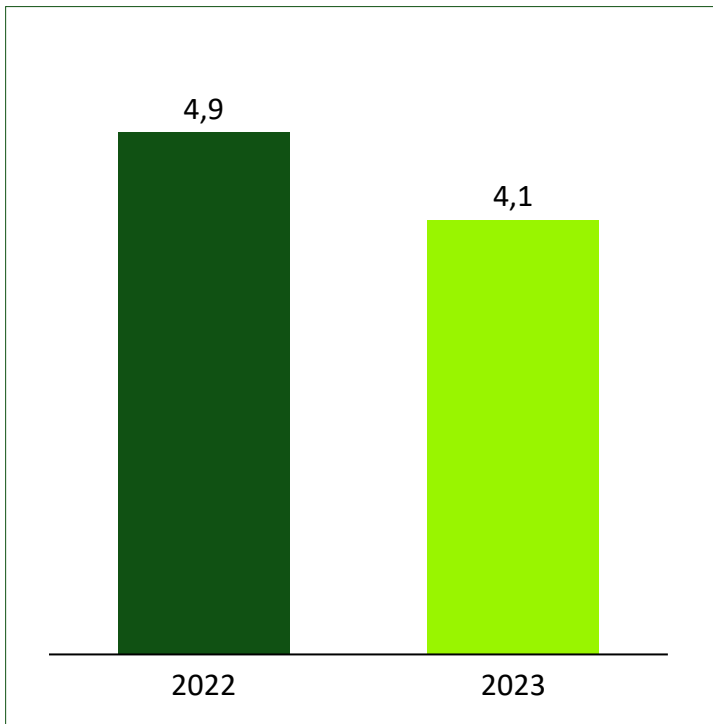
2023 - EBITDA per segment



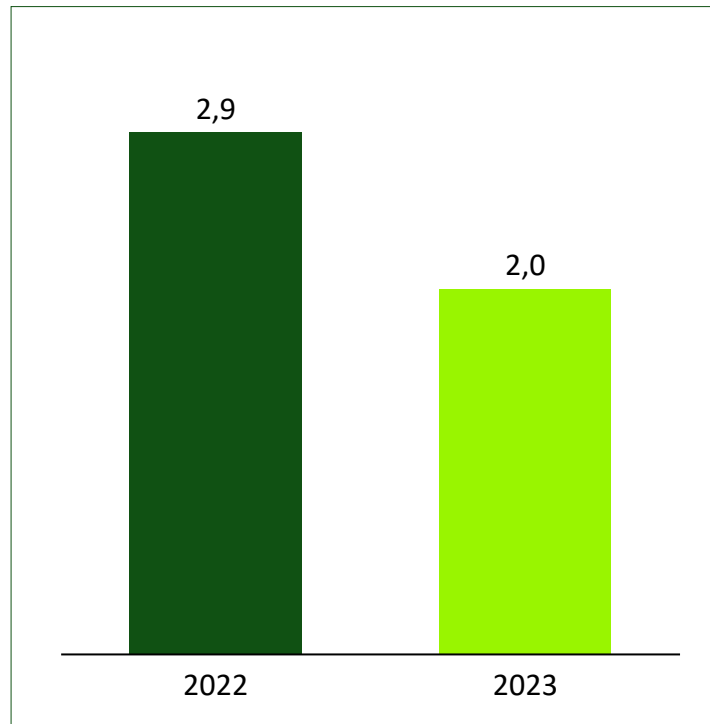
- Negative EBITDA development vs LY in all segments – mainly explained by reduced revenue and lower gross margin
- EBITDA margin of 1.8% in Q3 2023 vs. 8.5% in Q3 2022

Inventory levels are normalized and significantly reduced commitments going forward

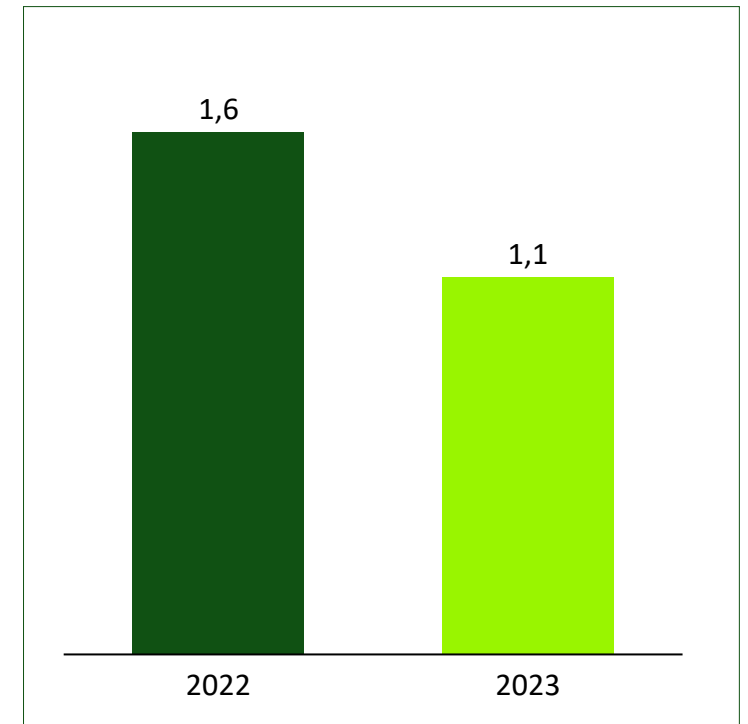
Purchased goods YTD Q3 2023 vs. LY



Inventory Q3 2023 vs. LY

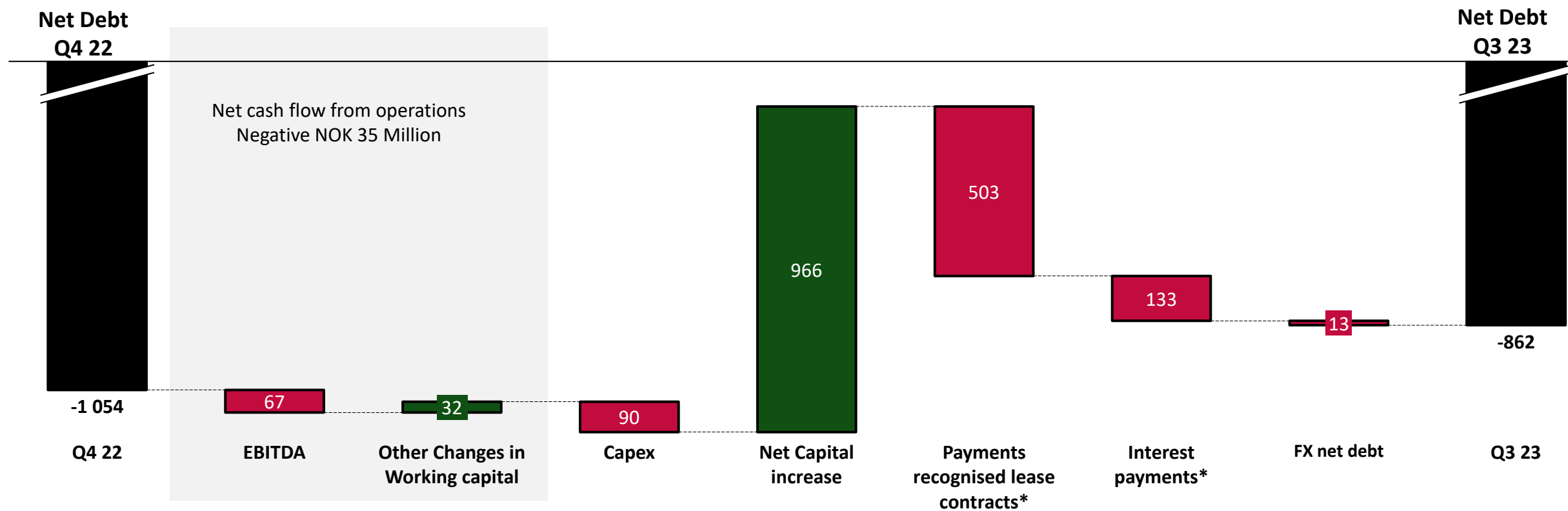


Volume commitments Q4 2023 vs LY



Net debt reduced

Net debt Development (NOK million)



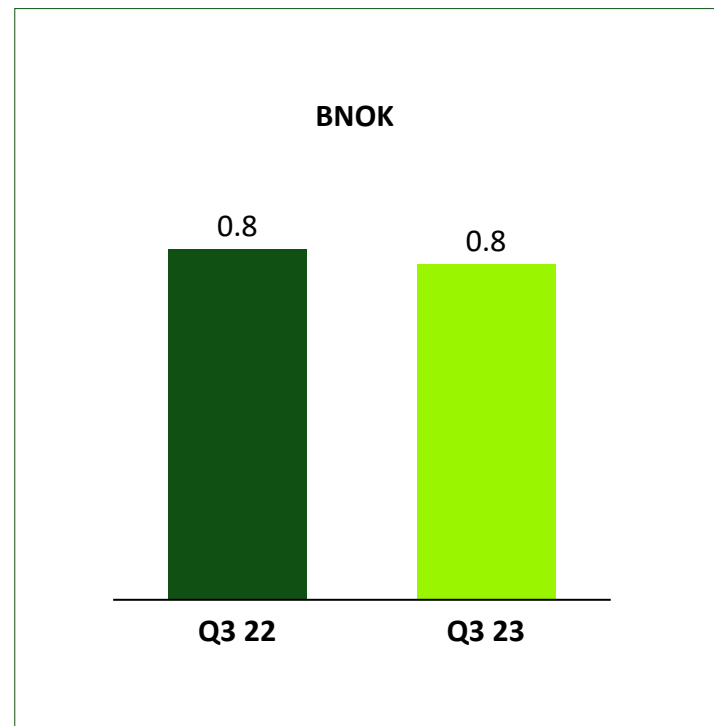
*Including cashflow from Disc-Ops

Financial position

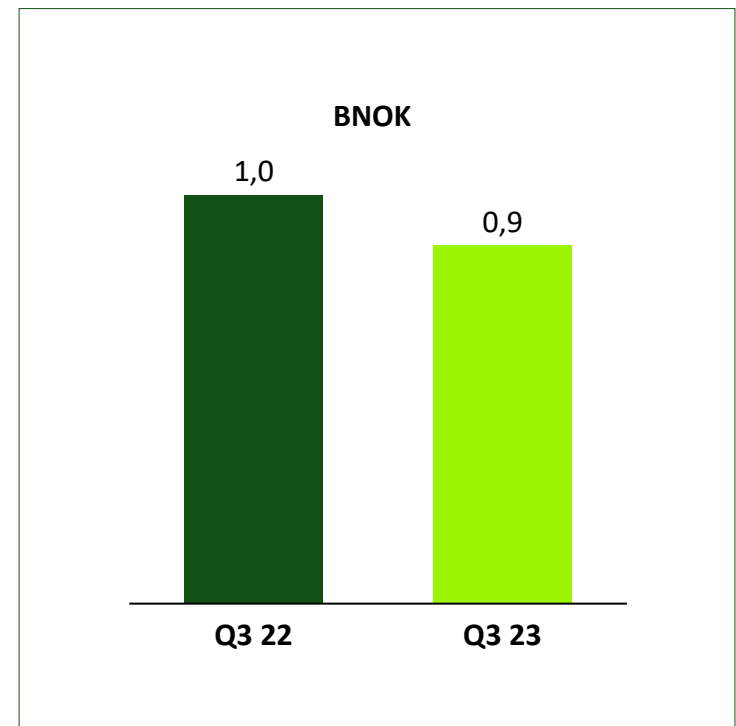
YTD Operational Cash Flow



Liquidity Reserves



Net Interest-Bearing Debt



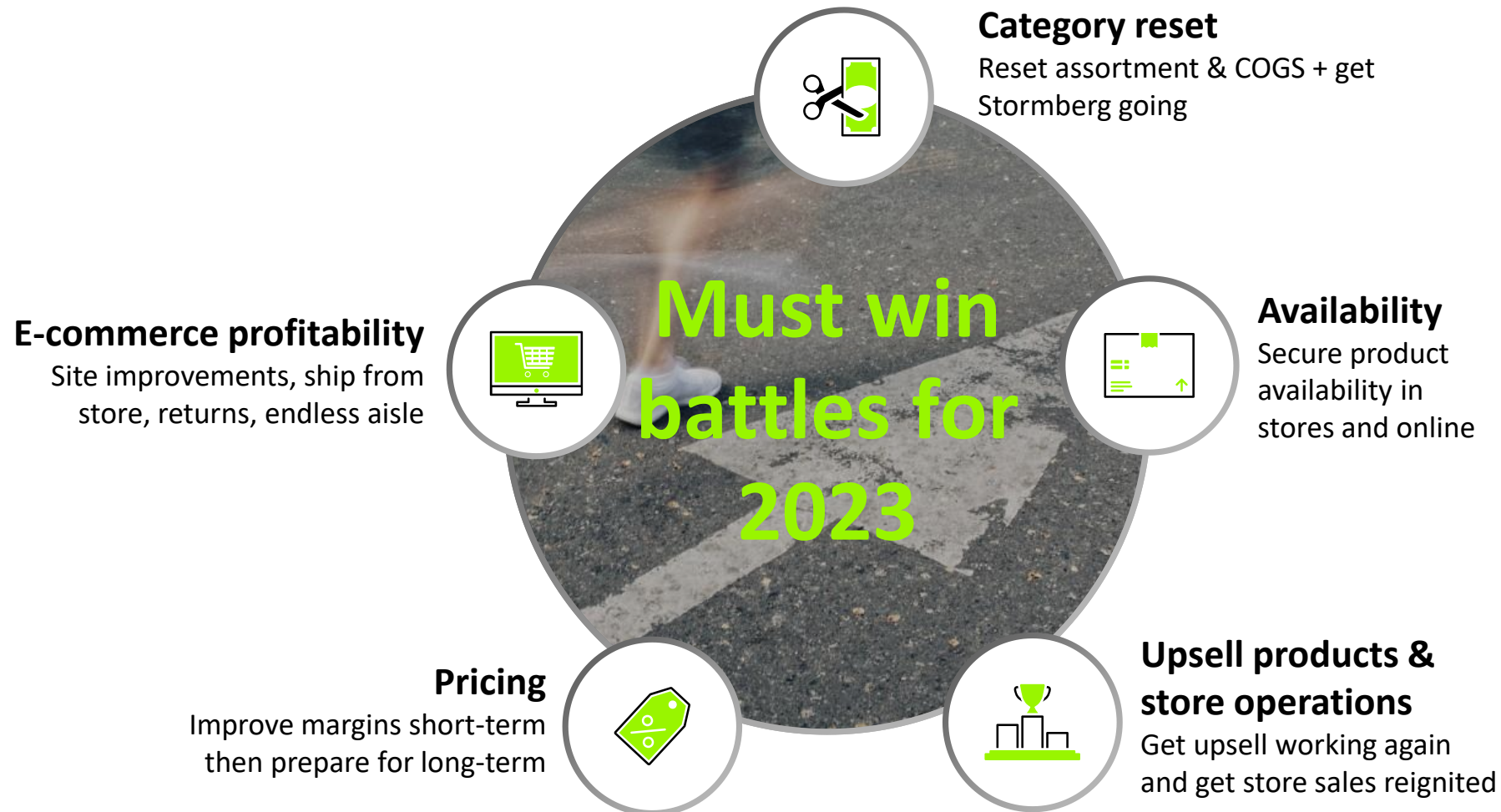
Summary and final remarks



XXL's journey ahead



RESET: We have 5 "Must Win Battles" – which are progressing well!



Other key initiatives that are on the top of our agenda also progressing:

- ✓ Launch Reward 2.0
- ✓ Exit Austria
- ▶ Cash & Liquidity
- ▶ Cost out (increased ambition)

**We have successfully opened
our 86th store in the Nordics**

LILLEHAMMER

NOW OPEN!

XXL

We are now entering peak season

**Black
Friday**



**WE LOOK FORWARD TO WELCOMING
MORE CUSTOMERS THAN EVER BEFORE!**

Christmas

THANK YOU



Q&A



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