

XXL

XXL ASA – Q4 2023

**Concluding the year with disappointing results,
but turnaround actions starting to materialize**

Presentation of Financial Results February 8th, 2024

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This presentation was prepared for the interim results presentation for the fourth quarter 2023, held on 8 February 2024. 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 progress

2

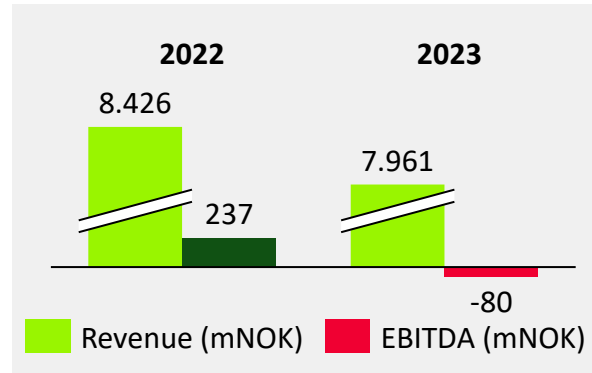
A strengthened team

3

Q4 results

2023 a challenging year with many changes to reshape XXL for the future

Challenging market and results



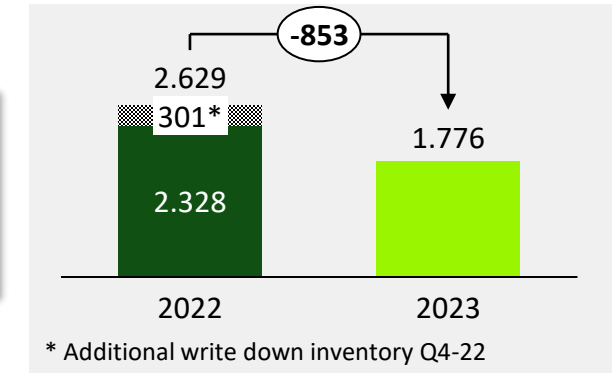
New management and board



New foundation with Reset & Rethink



Inventory reduction (mNOK)



Exit Austria

• No operations nor material contractual obligations in Austria after 2023-year end

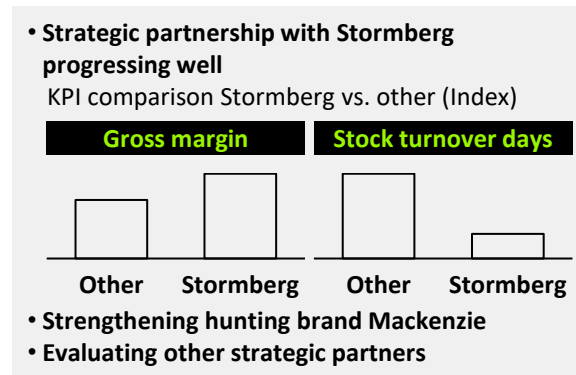
Modernized loyalty club XXL REWARD

XXL Reward - Få poäng på alla köp!

Kundklubben för dig som älskar sport, friluftsliv och bra förmåner!

Bli medlem Logga in

Double down on own brands & PL



Initiated further turnaround measures

- Rights issue concluded in Q3-23
- Re-organizations to right size overhead
- Launched cost out program of 300mNOK
- Reviewed store footprint and activated new down scaling strategy

XXL's journey ahead

RESET

Top line quick wins
and cost control
through MWBs

0-12 months

RETHINK

Accelerate key
top line levers

0-18 months

↑
FOCUS
MESSA A FUOCO

RESET: We are continuing with our 5 "Must Win Battles" – **which are progressing well!**



Other top priority initiatives and enablers:

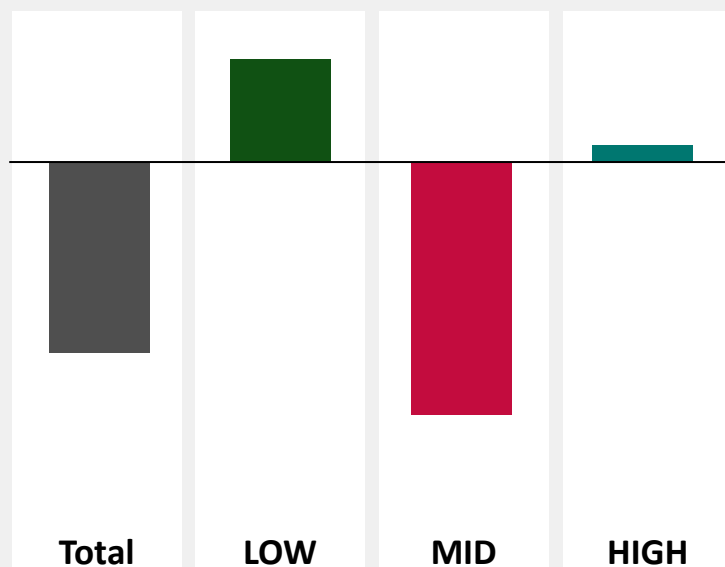
- ✓ Launch Reward 2.0
- ✓ Exit Austria
- ▶ Cash & liquidity
- ▶ Cost out
- ▶ New ways of working

MWB indicators | Increased focus towards lower price points which will also improve availability

CATEGORY RESET

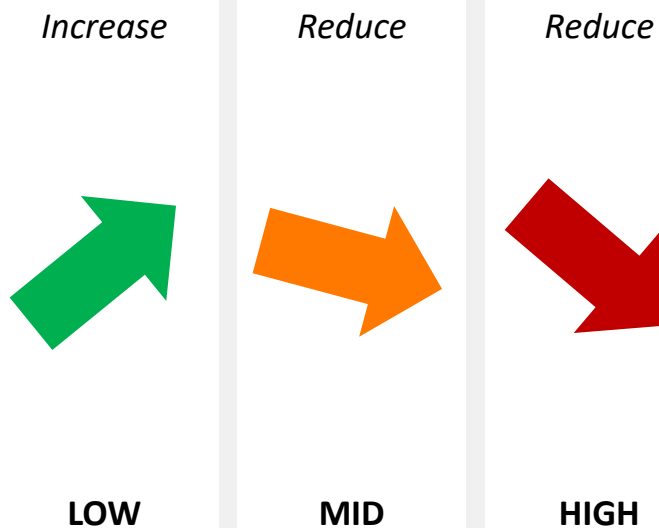
Strong growth for lower price points

Sales development per price point Q4 vs. LY (%)



Clear shift towards low price points in upcoming buying orders

Price points distribution buying orders (%)



Lower price points will materially change inventory composition and product availability moving forward



Low availability has impacted financial performance during Q4. Material improvements expected going into upcoming spring/summer season

MWB indicators | Strict capital and buying discipline has already given effects with clear shift towards fast moving products

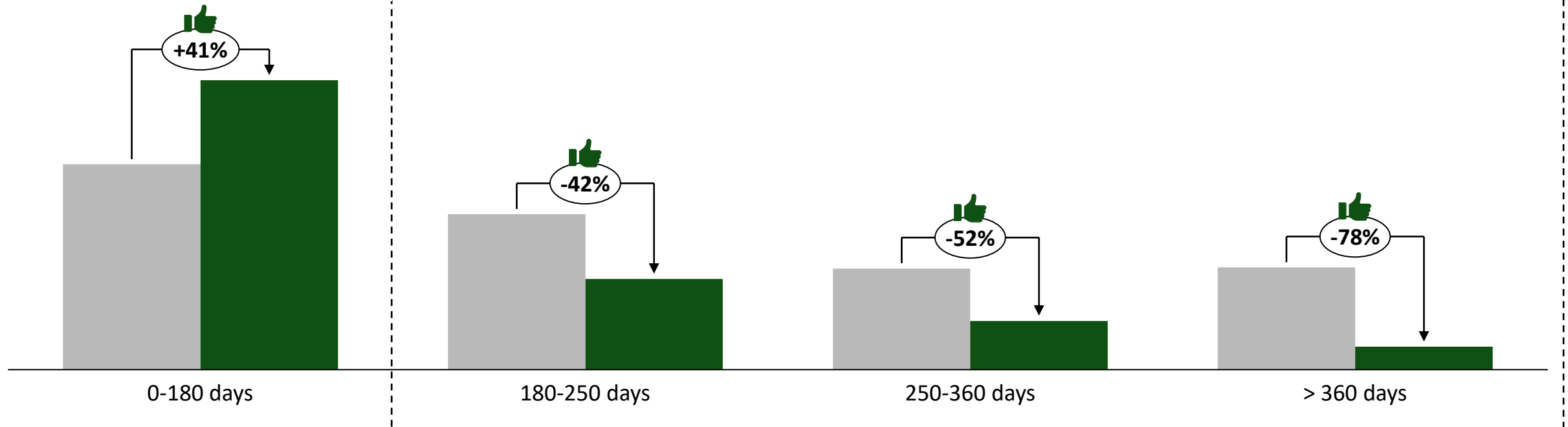
CATEGORY RESET

Overview inventory levels per stock days interval (% change inventory value)

Mid Oct-23 Mid Jan-24

More fast-moving products

Reduction in slow moving products



MWB indicators | Further indicators pointing towards underlying progress in our MWB turnaround plan

STORE OPERATIONS

Efficiency in store operations continuing to improve during the quarter

Q4 RPWH* improvement vs. LY (%)



XXL

+1,5%

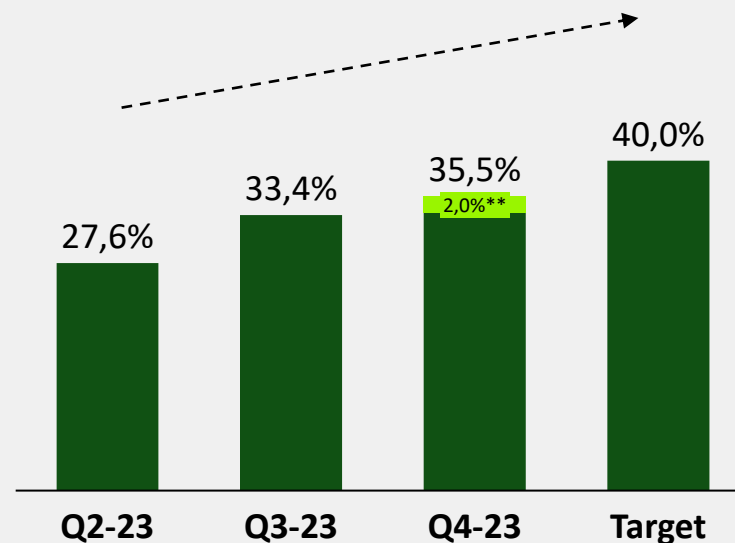


* Revenue per working hour

PRICING

Stronger price control leading to improved underlying gross margins moving towards target

Gross margin development (%)



** Extra provision of 70 mNOK to loyalty program XXL Reward

E-COMMERCE PROFITABILITY

After having implemented online improvements, we see clear positive shifts in online conversion rates cross all markets

Online conversion rate improvement (%-points)



+0,5pp



+0,4pp

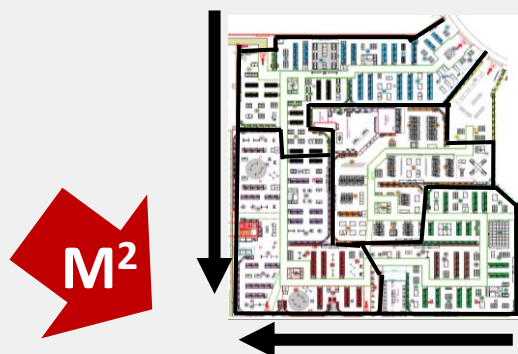


+0,3pp



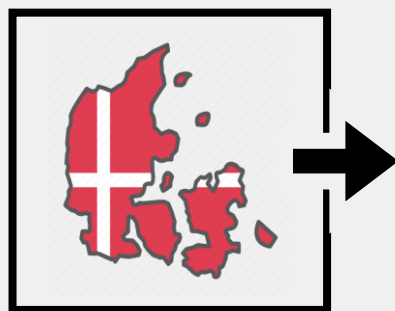
Restructuring | Continuing to consolidate and optimize markets and sales channels as well as concluding a 300 mNOK cost out program

OPTIMIZE STORE SQM



- 👍 Reducing footprint with ~15.000 sqm and reducing store rent
- 👍 More modern, efficient and customer-friendly store. Still full range of sports and outdoor

EXIT DENMARK



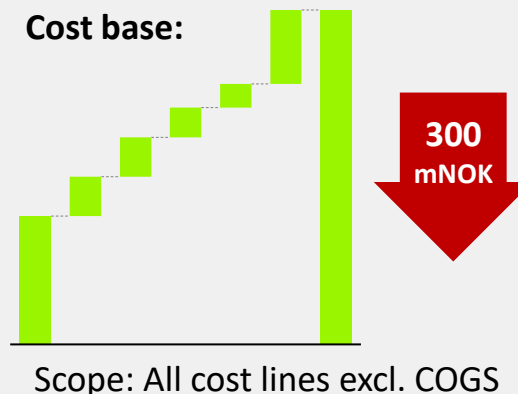
- 👍 Non-material revenue impact and insignificant EBITDA effect
- 👍 Increased focus on the three core Nordic countries

CLOSE APP



- 👍 Limited customer usage and minimal customer impact
- 👍 Focus development resources to other strategic initiatives

COST OUT PROGRAM



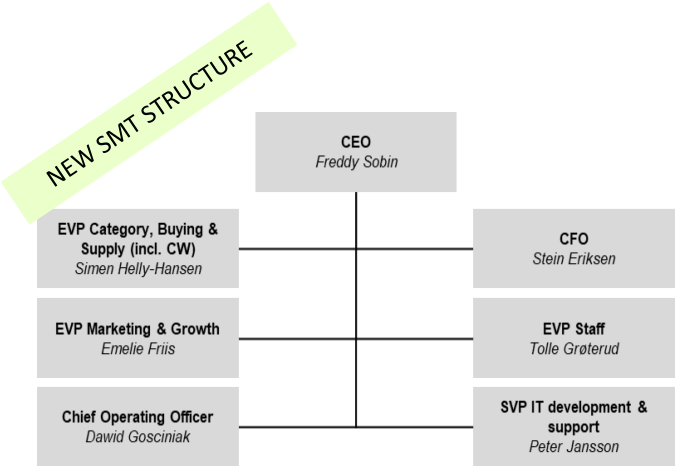
- 👍 Cost out program concluded and identified 300 mNOK in savings
- 👍 To be implemented during 2024 with gross run rate end of year and full effect in 2025



Reduced cost and complexity – increased focus on core business and core markets

Renewal of the Senior Management Team to strengthen execution | 4/4 senior management recruitments successfully finalized

New Senior Management



New Senior Management Team members



Emelie Friis

Marketing & Growth,
started mid Aug 23

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



Simen Swanstrom Helly-Hansen

Category, Buying & Supply
started 1st of Nov 23

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



Peter Jansson

IT & Technology, started 1st of Nov 23

A previous IT consultant that joined XXL in 2014 and up until now has acted as SVP Tech development (~CTO)



Dawid Gosciniak

COO starting mid April 24

Over 20 years retail experience within fashion & lifestyle, mainly within H&M and having roles as head of global construction, global leasing, store development in global expansion and lastly global store experience & commercial

New centralized roles have been established and together with key new SVPs successfully recruited



We have been focusing on key responsibilities lacking that can deliver quick and material value and not only be self funded but also enable step change in efficiency, quality and control

KEY NEW ROLES & REPLACEMENTS

Store staffing and productivity



Security, loss prevention & internal audit



Category & Buying controlling



Transformation management office



Own and controlled brands



Category process & system optimization



SVP Group Accounting



SVP Group Controlling



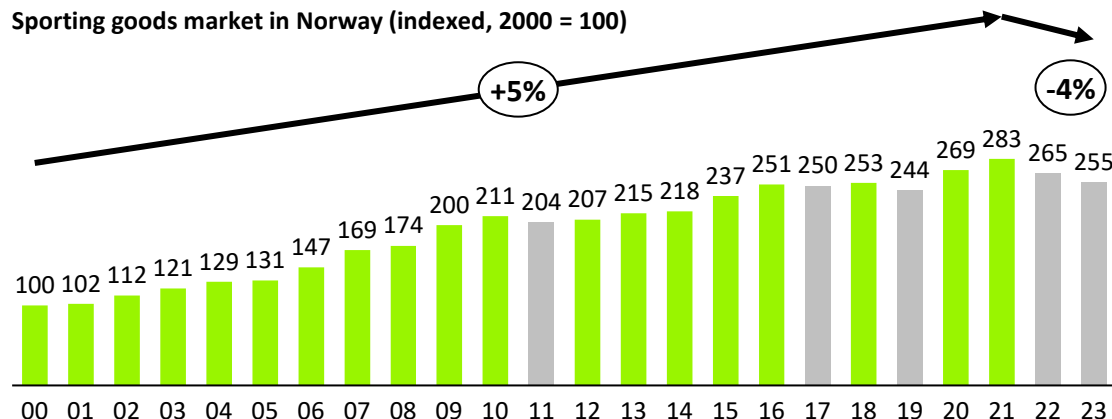
SVP E-com



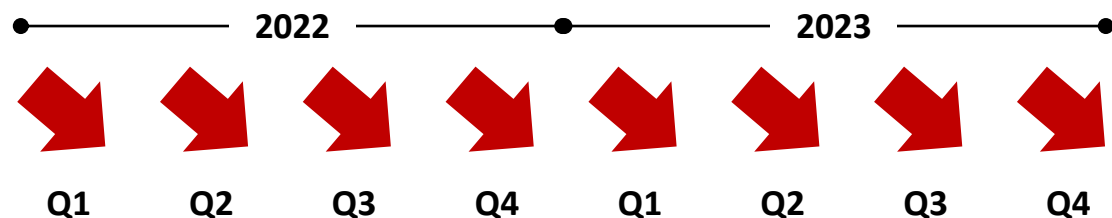
Challenging market short-mid term, many distressed players, which will enable a less saturated and hopefully a healthier market ahead

- 1** We believe in the long-term resilience and growth for the Nordic sports market

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



- 2** However, we have experienced eight consecutive quarters with negative growth in all Nordic markets



- 3** Challenging December with Christmas shopping down in NO, SE & FI, and “funflation” negatively affecting discretionary spend



Nordmenn reduserte julegavehandelen

Nordmenn strammer inn julehandelen: – Vi skal ikke ha gaver i år

27.12.2023 08:24 | päivitetty 27.12.2023 08:24

KANSANTALOUS SUHDANTEET



Bakslag för julhandeln – sällanköp tappade volym

Dagens industri START BÖRS MARKNADSNYTT BEVAKNINGAR LEDARE
"Fullbokade redan i somras" – stort sug efter snö och sol



Kuluttajien luottamus heikkeni joulukuussa vuoden pohjalukemiin



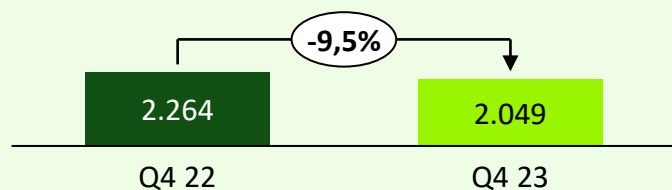
- 4** Increasingly many distressed players in an oversaturated market including both retailers, e-tailers and players upstream in the value chain

Increase in bankruptcies 2023 vs. 2022 in retail* (%)

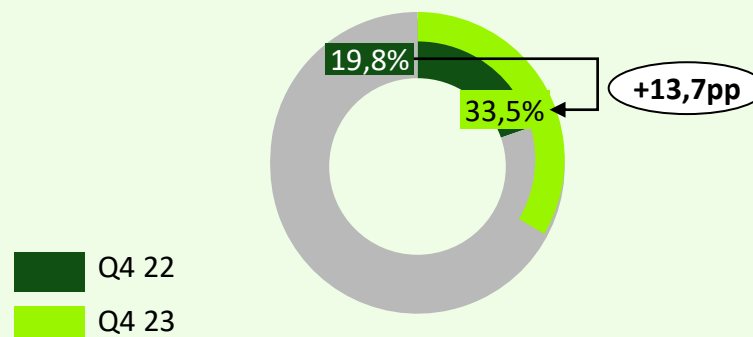


Q4 financial summary

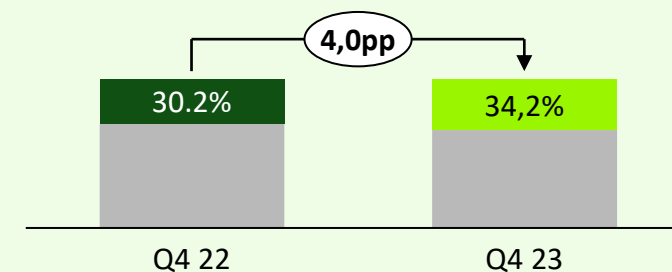
Operating revenue (mNOK)



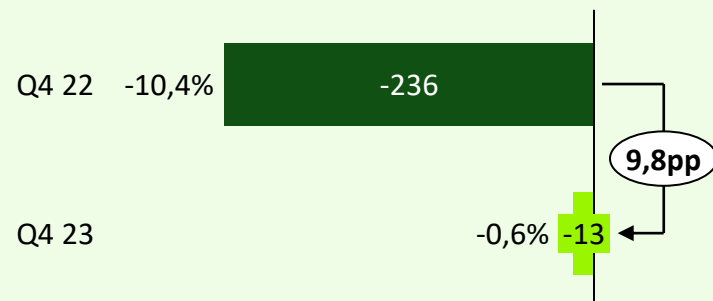
Gross profit (%)



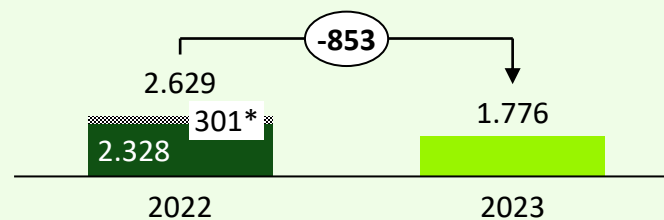
OPEX (mNOK/%)



EBITDA (mNOK/%)



Inventory (mNOK)




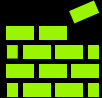


* Additional write down inventory Q4-22

Liquidity (mNOK)

760 mNOK

+14 mNOK

Several materially adverse effects in Q4

Description	mNOK impact
 REWARD To strengthen customer loyalty, with increased buying frequency and share of wallet, XXL has renewed its customer club XXL Reward by introducing bonus points. This has led to a provision directly impacting sales and gross margin negatively. Moving forward the impact will be lower, as Q4 was the launch for the strategically strengthened customer club, with high initial costs that will be lower onwards	~70 <i>(P&L effect)</i>
 Restructuring Various costs taken to reshape and restructure the company, e.g., rights issue costs, legal costs, redundancy pay related to rightsizing as well as costs related to consolidation and optimization of markets and sales channels	~10 <i>(P&L effect)</i>
 Goodwill XXL has made an impairment of its technical goodwill leading to an extra ordinary write-down of 522 mNOK as well as write-down of right of use assets of 54 mNOK	576 <i>(P&L effect, no cash effect)</i>
 Tax On October 3 rd , 2023, XXL paid 90 mNOK to the Norwegian tax authorities regarding a reassessment of taxable income for the subsidiary XXL Sport & Villmark AS relating to the XXL group's international transfer pricing model. XXL opposes the claim	90 <i>(Cash effect)</i>

Financial Review Q4 2023



Material write downs and additional provisions in Q4 2023

Goodwill

- The Group's booked Goodwill has been 2 744 mNOK, mainly related to the acquisitions of XXL Sport & Villmark AS in 2010
- A technical write down of 522 mNOK was made in Q4 2023, related to the weak market development and increased WACC
- The write down has no cash effect

IFRS 16

- Due to the operational development and situation for some of the stores, it is prudent according to IFRS 16, to impair and write down some of the Swedish (49 mNOK) and Finnish stores (5 mNOK)
- The write down has no cash effect

Other assessments

- **Reward Program** – introduction of bonus points has triggered an accrual of approx. 70 mNOK in Q4 => classified as both sales reduction and gross profit reduction => effect on gross margin of approx. 2%-p
- Some **restructuring costs** related to legal costs, rightsizing of org etc. of approx. 10 mNOK
- Tax payment of 90 mNOK in Q4

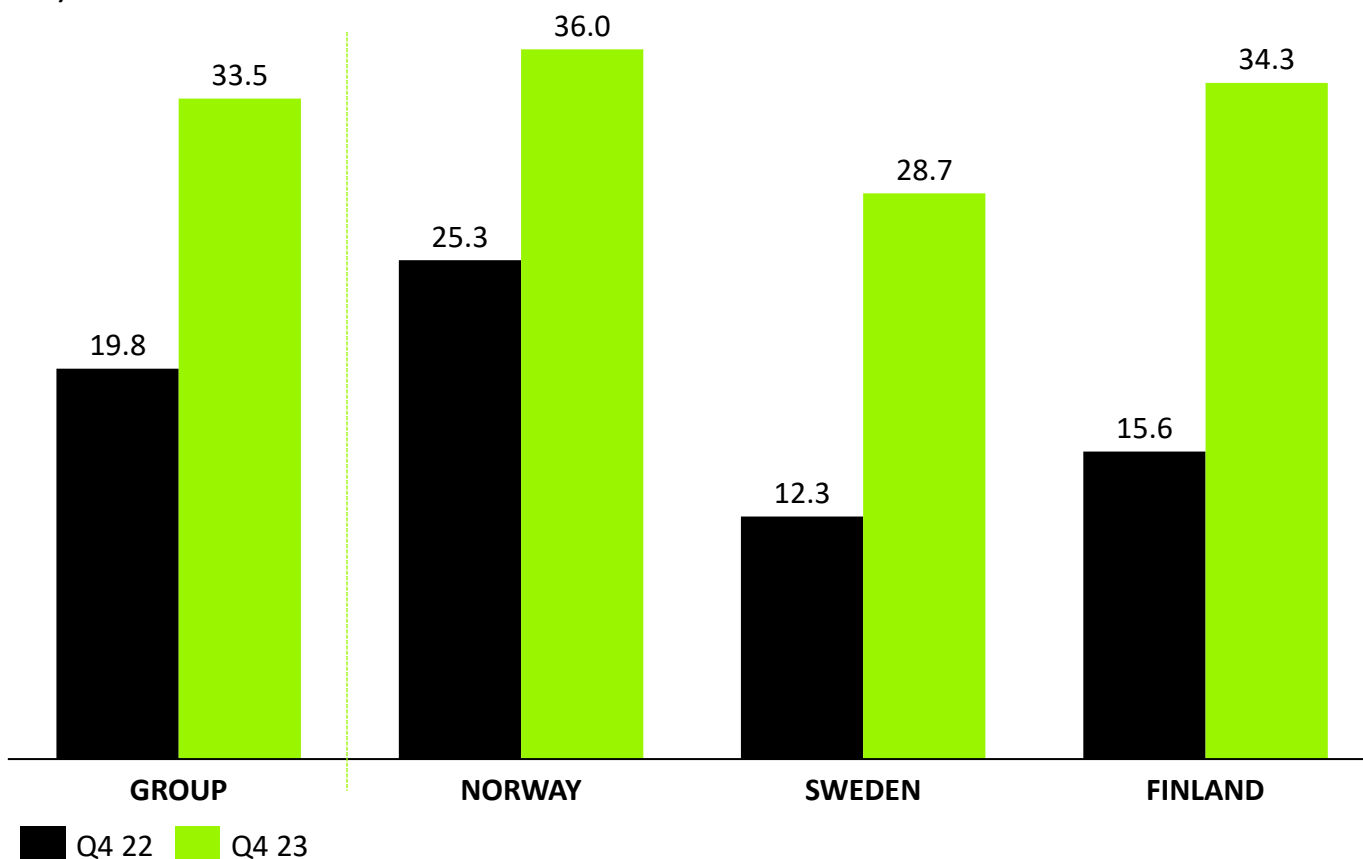
Key Figures

<i>(Amounts in NOK million)</i>	Q4 2023	Q4 2022	FY 2023	FY 2022
GROUP - Continuing Operations				
Operating revenue	2,049	2,264	7,961	8,426
Growth (%)	-9.5 %	-13.2 %	-5.5 %	-12.2 %
Gross profit	687	448	2,508	2,721
Gross margin (%)	33.5 %	19.8 %	31.5 %	32.3 %
OPEX %	34.2 %	30.2 %	32.5 %	29.5 %
EBITDA	-13	-236	-80	237
EBITDA margin (%)	-0.6 %	-10.4 %	-1.0 %	2.8 %
EBIT	-767	-408	-1,409	-467
EBIT margin (%)	-37.4 %	-18.0 %	-17.7 %	-5.5 %
Impairment losses	576	-	576	0.0 %
EBIT adj.	-191	-408	-833	-467
EBIT adj. margin (%)	-9.3 %	-18.0 %	-10.5 %	-5.5 %
Net Income	-1,017	-373	-1,629	-411
Net Income adj.	-441	-373	-1,053	-411
**Basic Earnings per share (NOK)	-0.62	-1.89	-2.15	-2.14

- Revenue down by 215 mNOK 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 12.0%
 - Introduction of XXL reward bonus points has led to a provision of approx. 70 mNOK directly impacting revenue of approx. 3%
- Gross margins ended at 33.5%, up from 19.8% last year
 - Last year's figure was impacted by an additional write down of inventory of 301 mNOK
- OPEX in % is 4.0 p.p higher than last year
 - Operating expenses as percentage of sales increased to 34.2% in Q4 (30.2% in Q4 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
 - Some additional costs related to the equity raise, and rightsizing of organization
- EBITDA ending at negative 13 mNOK
- Net income adjusted of negative 441 mNOK in Q4 2023

Gross Margin Development

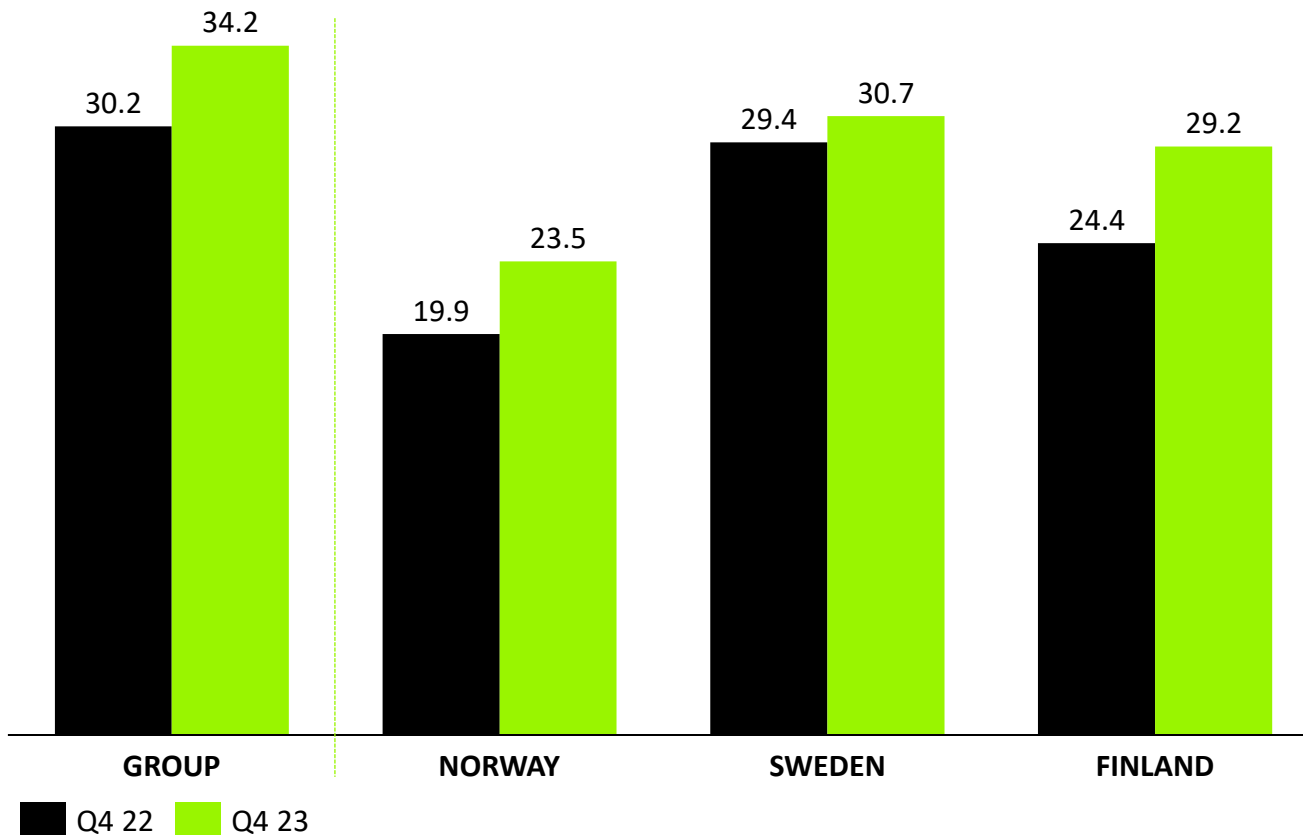
XXL ASA Q4 2023 - Gross margin per segment
(in %)



- Improved gross margin development in the quarter, up from 19.8% in Q4 2022 to 33.5% in Q4 2023 (mainly due to an additional write-down of inventory of 301 mNOK in Q4 2022)
- Introduction of Reward bonus points has triggered an accrual of approx. 70 mNOK in Q4 and had an effect on gross margin of approx. 2%-p
-
- 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 Q4 2023 - OPEX per segment
(in %)

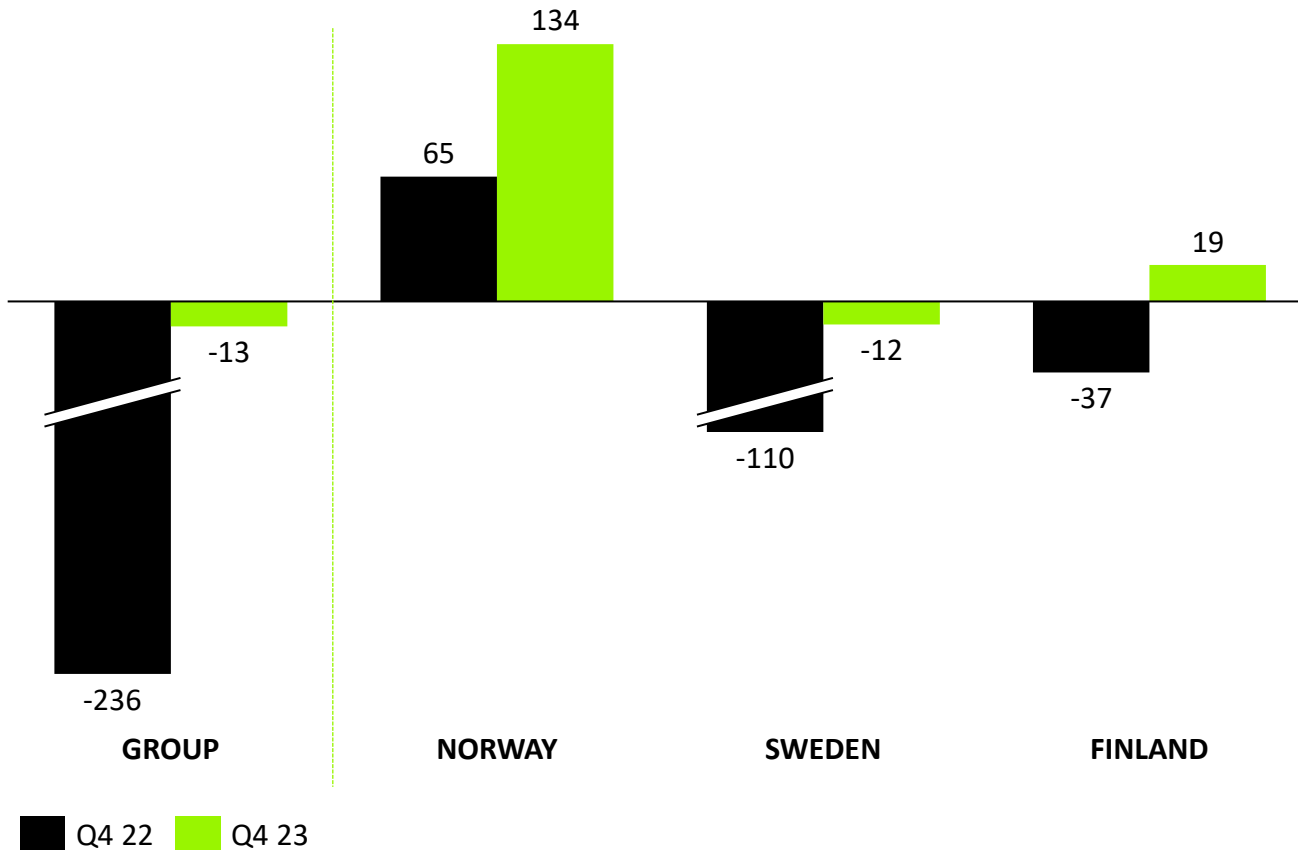


- Group OPEX% in Q4 increased to 34.2% (up 4.0 points vs Q4 22), mainly impacted by the negative like for like growth hampering scale in the operations
- Operating expenses increased by 15 mNOK vs Q4 22, but are lower than last year when adjusting for negative currency translation effects of around 29 mNOK despite new stores, salary increases and KPI adjustments.
- Cost out program and restructuring are thus starting to materialize

EBITDA Development

XXL ASA Q4
(in mNOK)

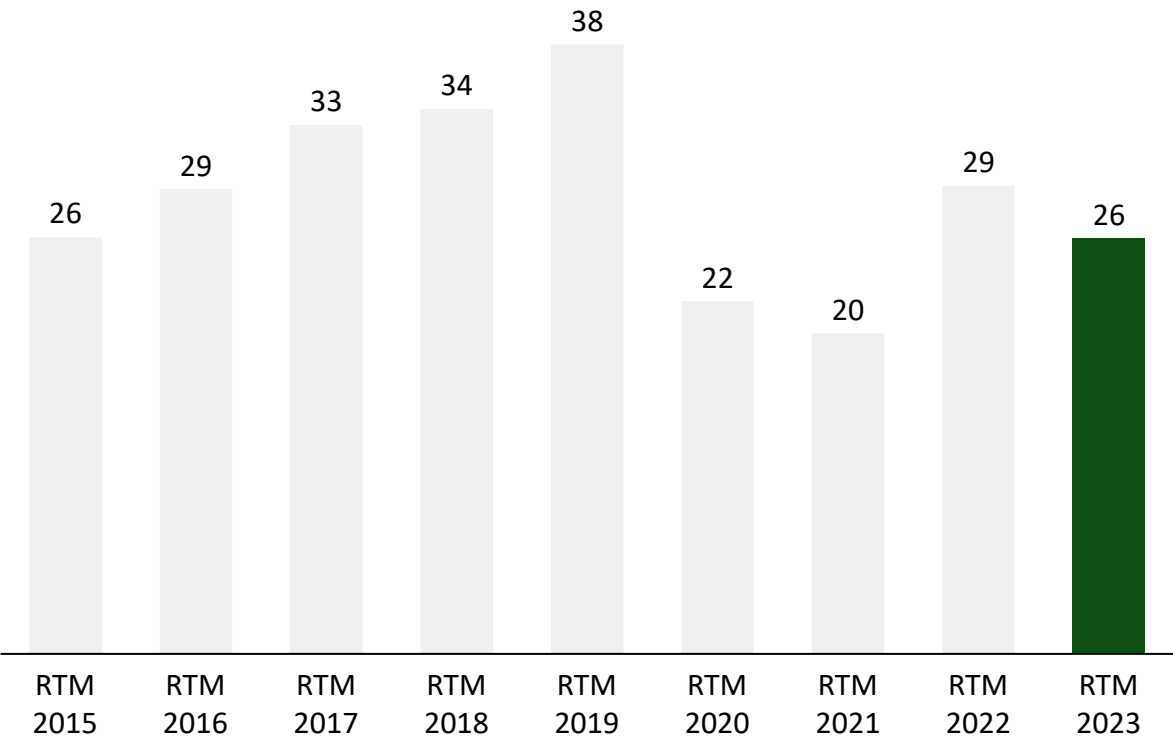
2023 - EBITDA per segment



- Positive EBITDA development vs LY in all segments – mainly explained by additional write-down of inventory in Q4 2022
- EBITDA on historic low levels mainly explained by reduced revenue and lower gross margin
- EBITDA margin of -0.6% in Q4 2023 vs. - 10.4% in Q4 2022

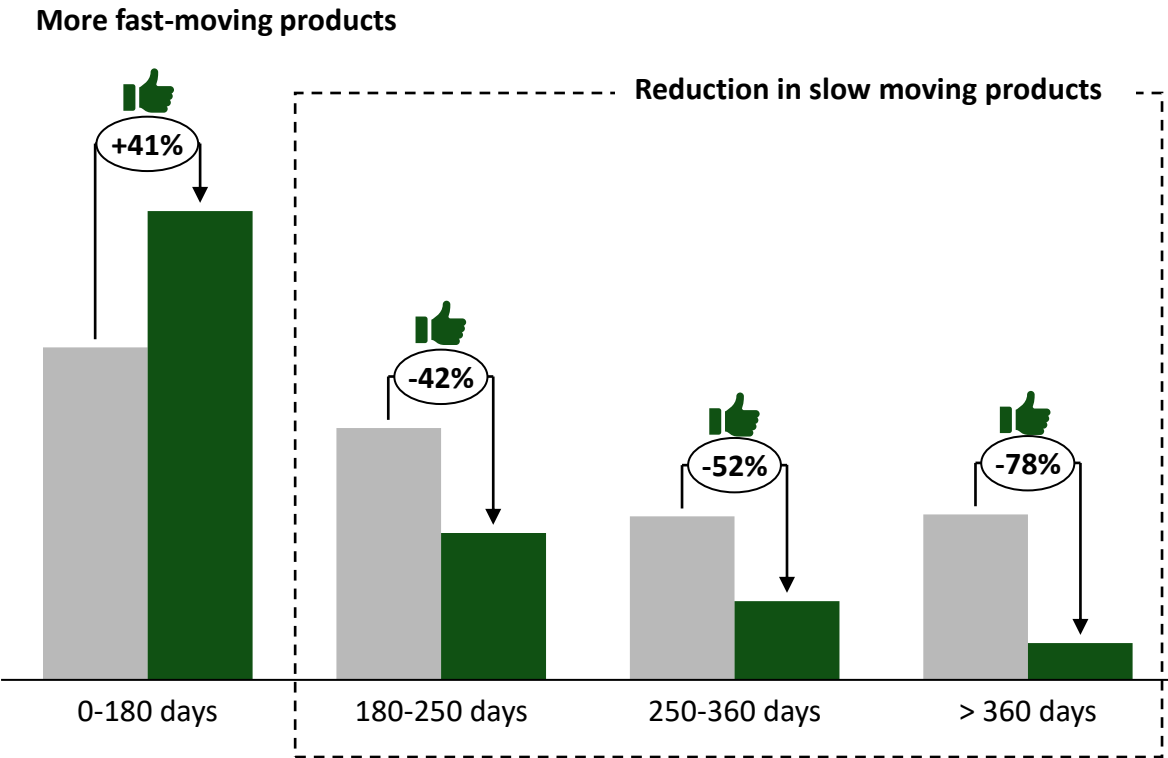
Good development towards a healthier inventory composition

Development inventory
(% of sales)



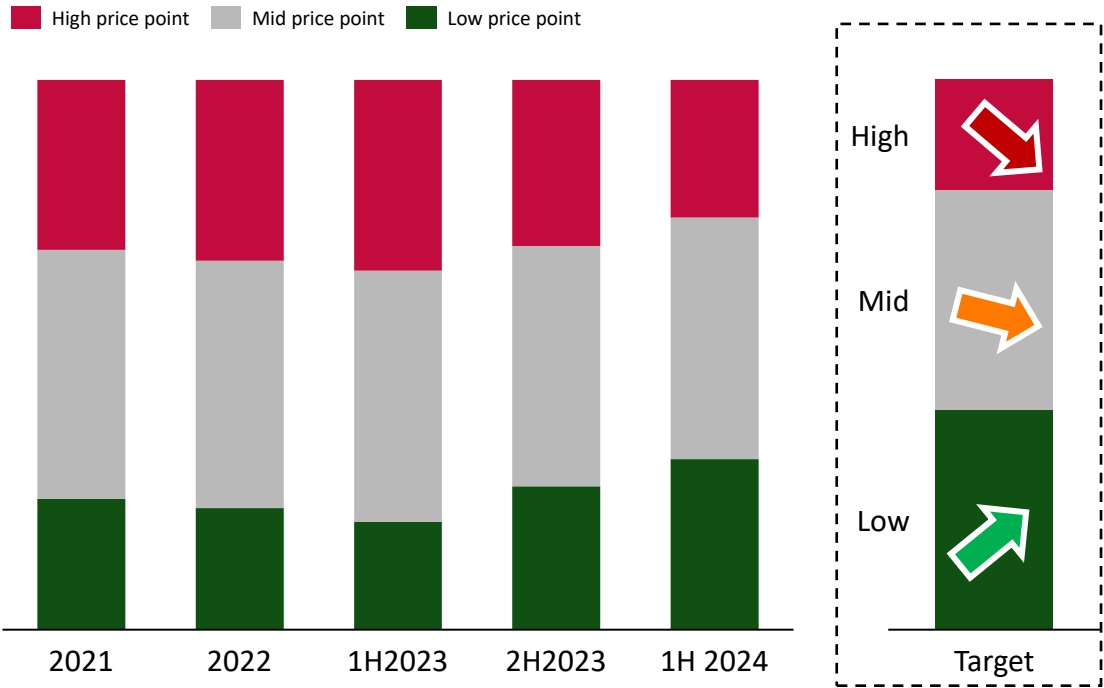
Overview inventory levels per stock days interval
(% change inventory value)

Mid Oct-23
Mid Jan-24

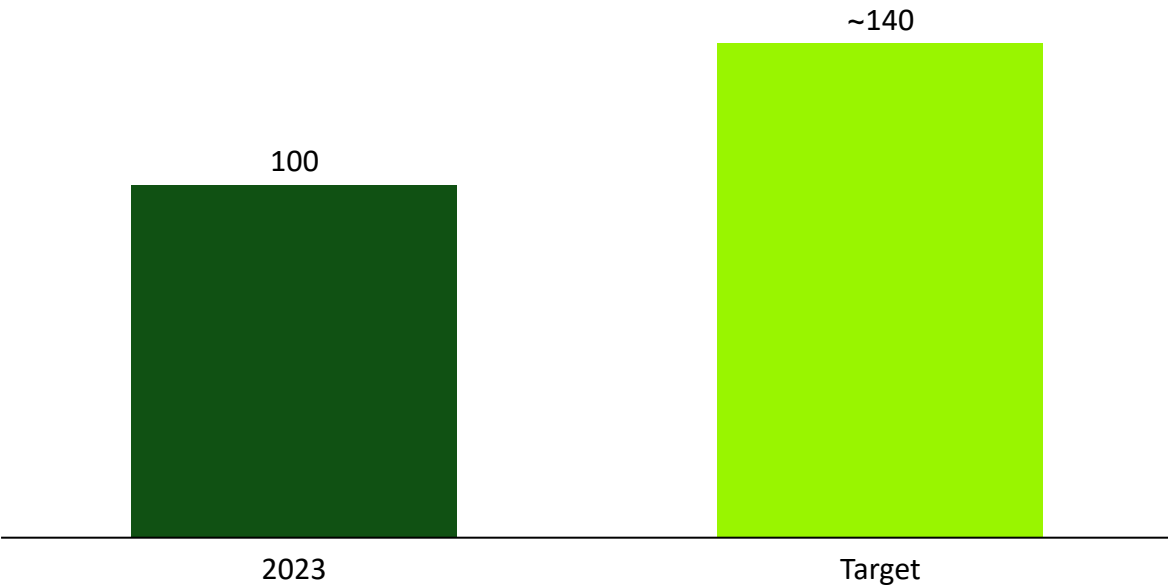


Allocating more capital towards lower price points to increase availability and conversion

Development price point mix
(% of purchases)



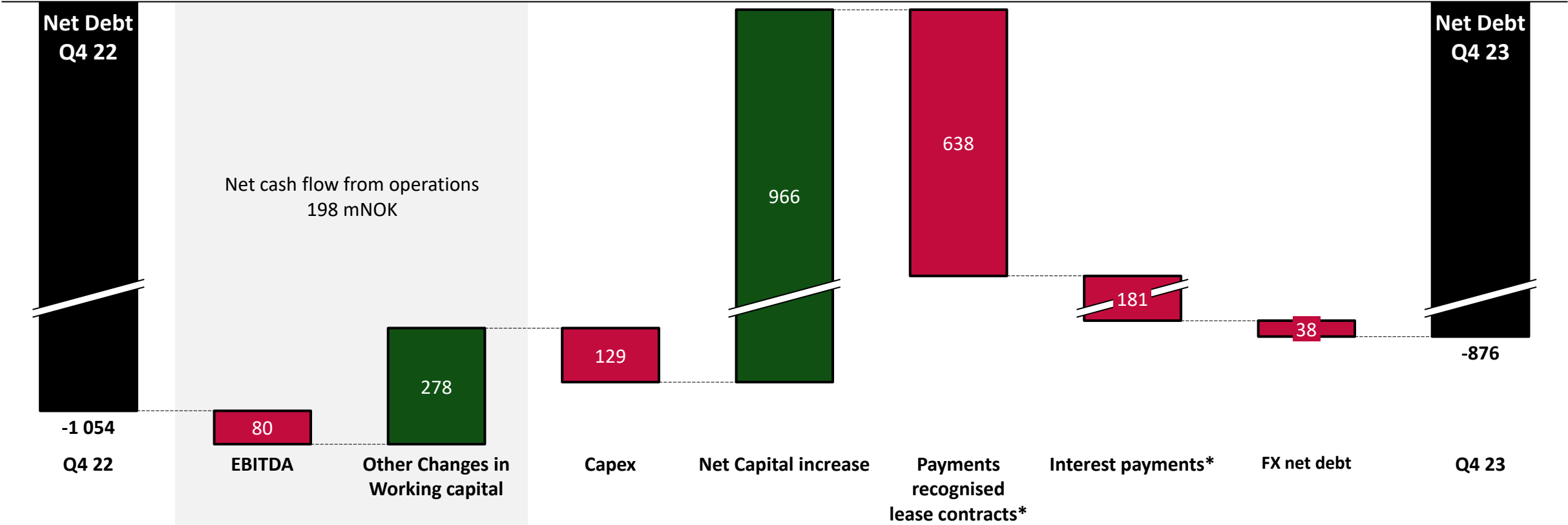
Estimated change pieces in inventory with new price point mix
(Index inventory quantity)



Stock quantity development towards low price points will significantly change competitiveness and product availability

Net debt reduced

Net debt development (mNOK)



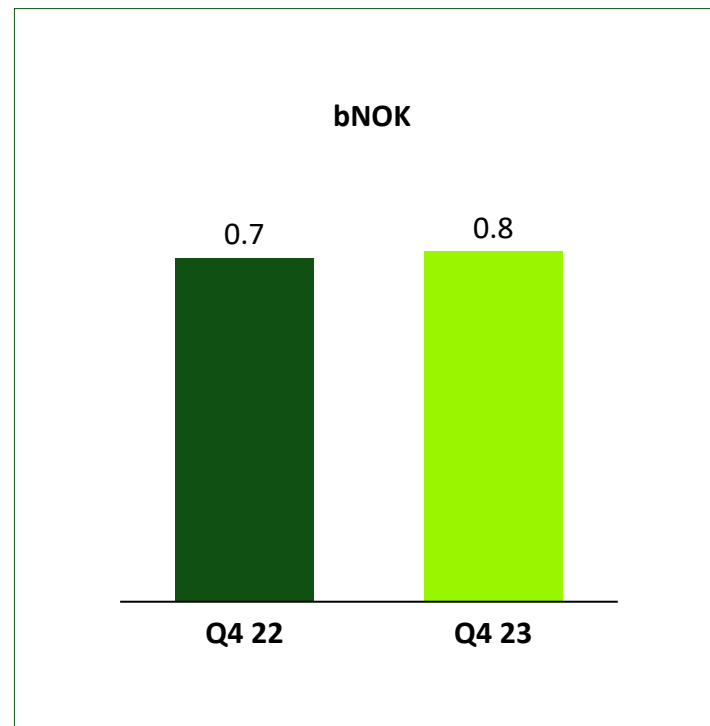
*Including cashflow from Disc-Ops

Financial position

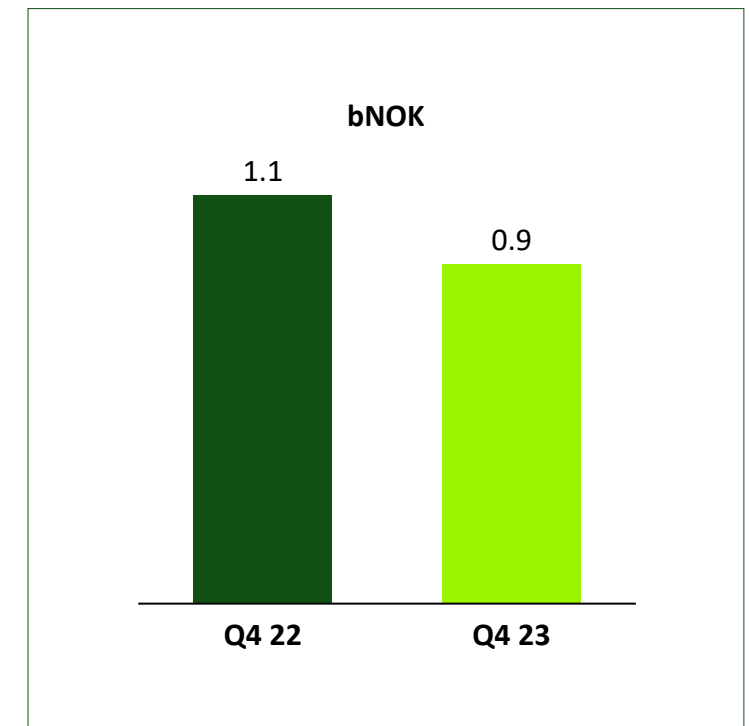
YTD Operational Cash Flow



Liquidity Reserves

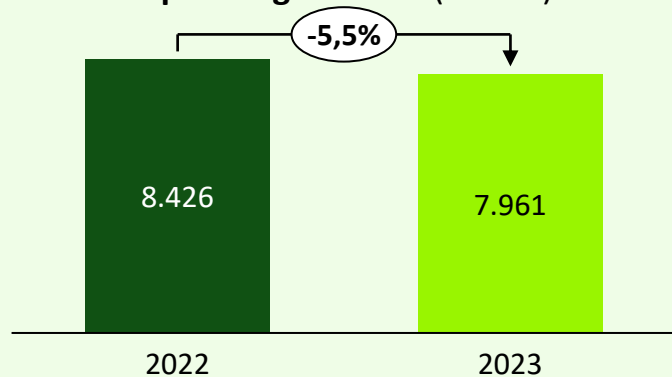


Net Interest-Bearing Debt

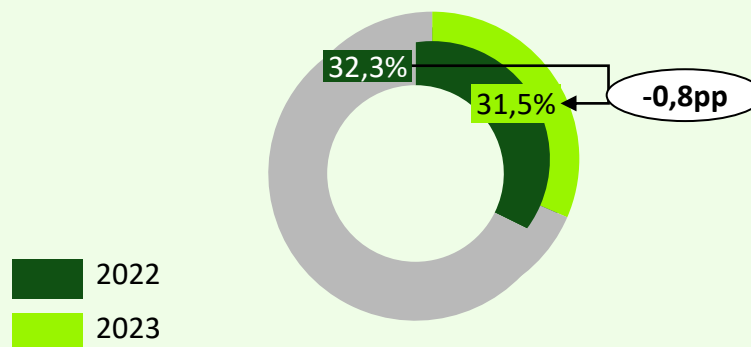


Summary 2023 full year

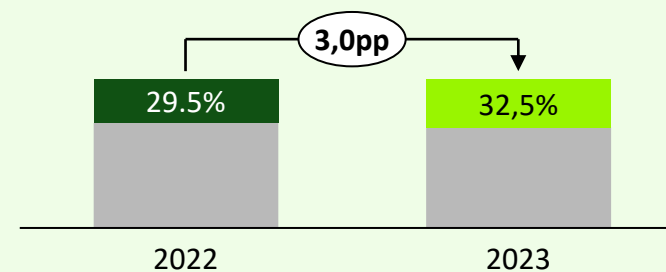
Operating revenue (mNOK)



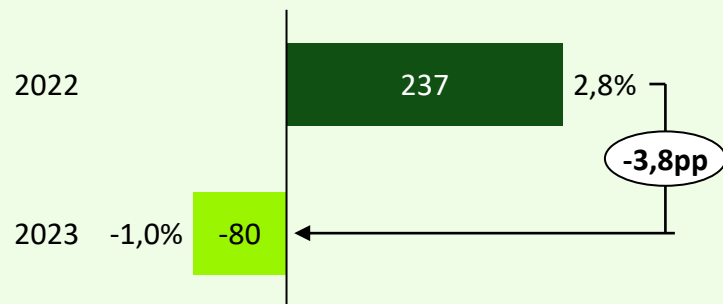
Gross profit (%)



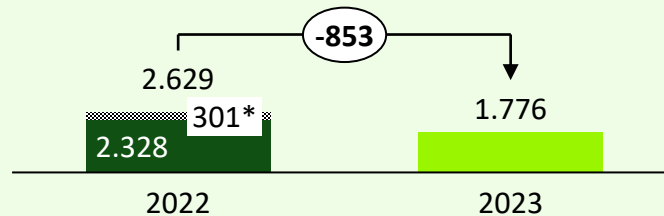
OPEX (mNOK/%)



EBITDA (mNOK/%)



Inventory (mNOK)



Liquidity (mNOK)

760 mNOK

+14 mNOK

Summary and final remarks



Current trading and outlook

CURRENT TRADING

- January sales decreased to ~550 mNOK
 - 👍 Favourable winter conditions leading to double digit growth in main winter categories like cross country and alpine
 - 👍 Gross margin materially strengthened
 - 👎 Before comparing to extraordinary clearance campaign (“Prisskred”) launched late January 2023, sales down ~8%
 - 👎 Non-seasonal products and capital-intensive products in general challenging, like home gym, outdoor equipment
 - 👎 Limited availability on important price points holding back sales

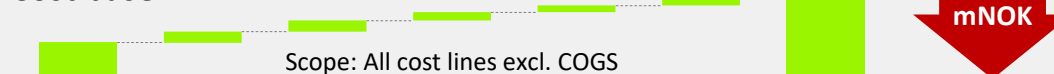
OUTLOOK

- Delivering on the “Reset & Rethink” plan ambition of 500-750 mNOK EBITDA uplift during the next 12-18 months



- Cost out program execution of 300 mNOK*

Cost base:



- Continued low CAPEX levels - expected to be around 100-150 mNOK in 2024
 - No new store openings signed
 - Downscaling and evaluating the store base

* Gross run rate end of 2024 – full effect in 2025

XXL's journey ahead

RESET

Top line quick wins
and cost control
through MWBs

0-12 months

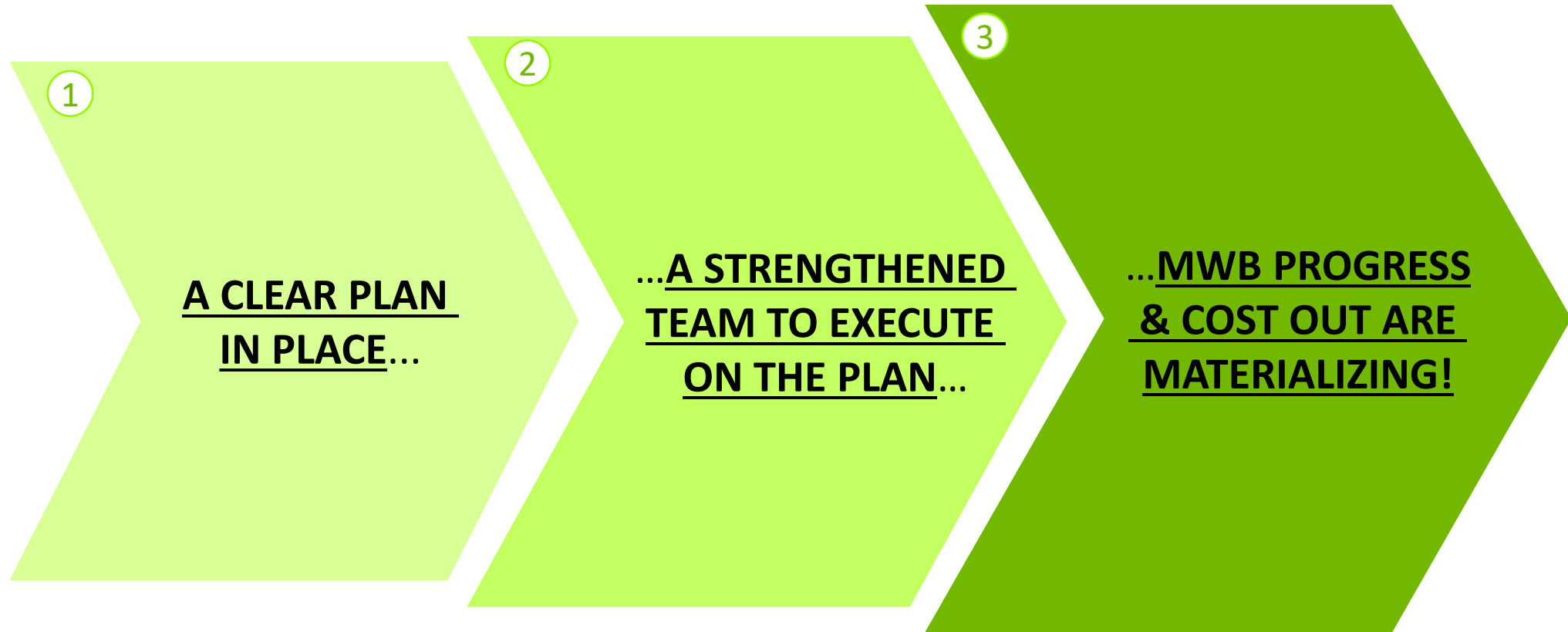
RETHINK

Accelerate key
top line levers

0-18 months

↑
FOCUS
MESSA A FUOCO

We believe we are moving in the right direction



THANK YOU!



Q&A



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