

Presentation of results for the first quarter 2018

CEO Pål Wibe

CFO Espen Eldal

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Norway's leading
discount variety retailer

Europijs
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Highlights in the first quarter

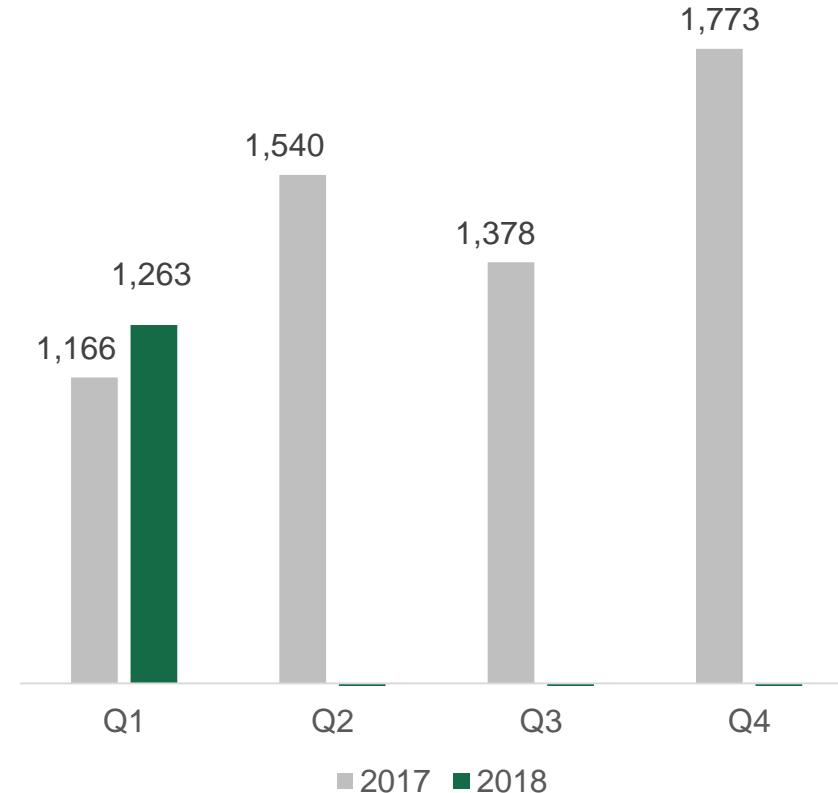
- Timing of Easter distorts comparability of numbers before end of H1
- Strong increase in group revenues to NOK 1,199 million (1,110 million), representing growth of 8.1 per cent
 - Solid sales performance during Easter
 - 5.3 per cent like-for-like growth
- Good gross margin performance
- Positive opex development
- Adjusted net profit of NOK 9 million (-1 million)
- Two new store openings and four franchise takeovers



Sales performance

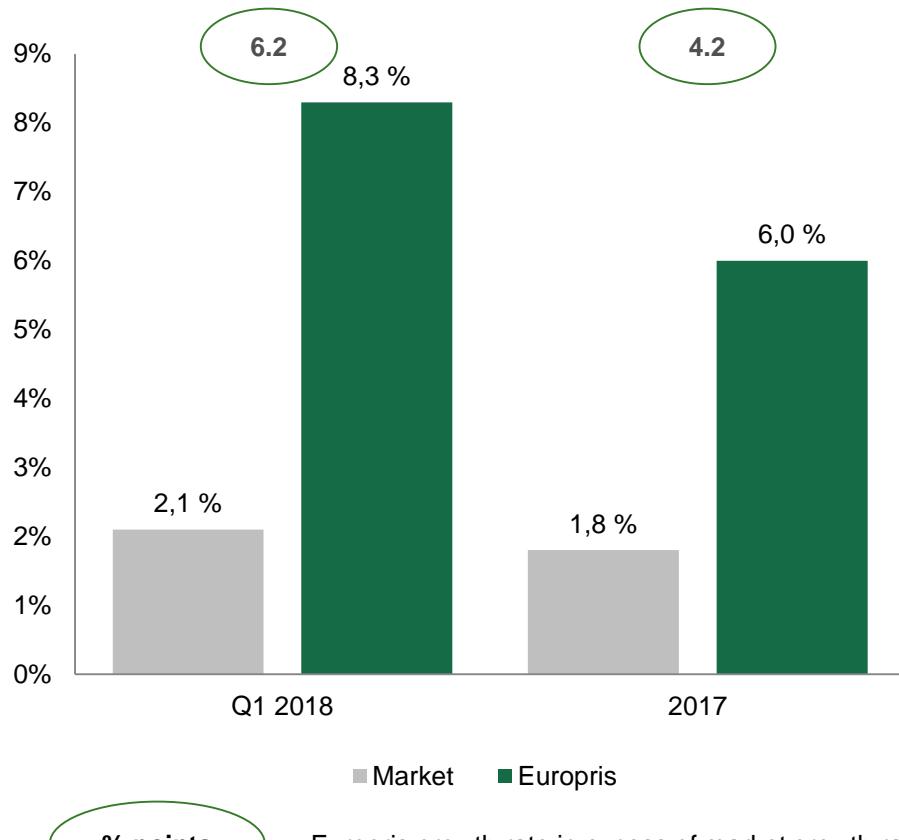
- Good start to the year
 - 8.3% growth in retail sales year-on-year
- Consolidating position as “champion of seasons” during Easter
- Two fewer sales days during the quarter
 - However, peak days of Easter fell in Q1

Retail sales per quarter (NOK million)

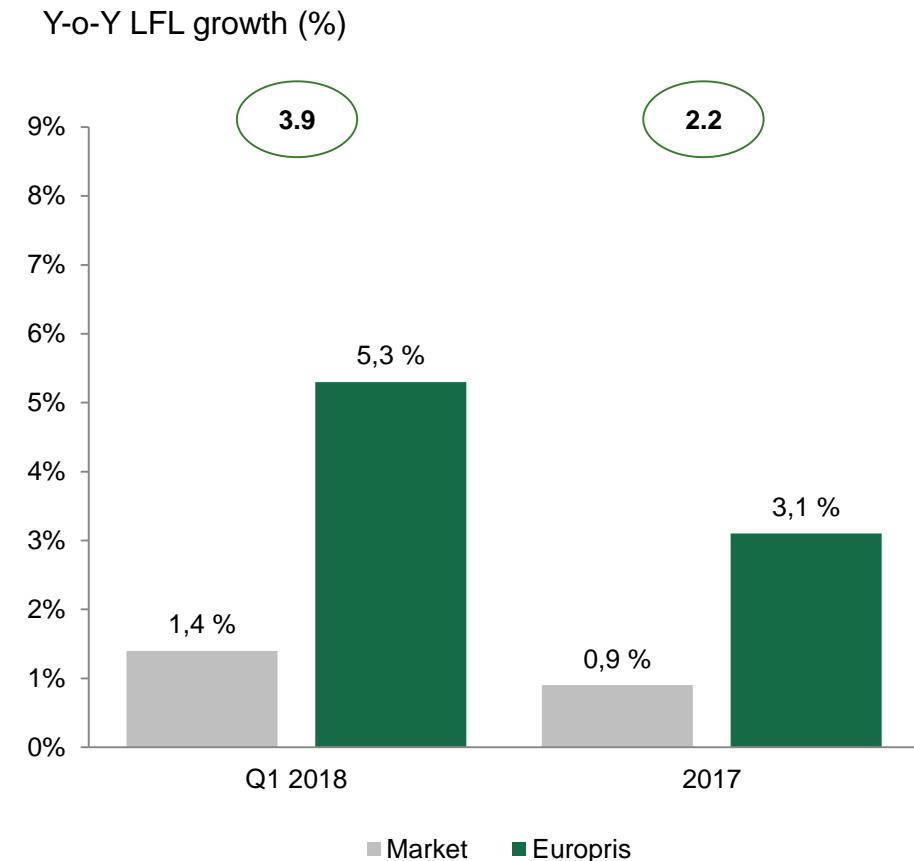


Good growth in the first quarter

Total growth development



LFL development



New stores continue to perform well

Store payback analysis for stores opened 2013 – 2016

	Stores opened ¹				
	2013	2014	2015	2016	
Average revenue	Year 1 (12 months)	15.6m	14.4m	18.3m	18.0m
	Year 2 (12-24 months)	16.7m	15.9m	19.6m	NA
Average EBITDA	Year 1 (12 months)	0.9m	1.0m	1.4m	1.5m
	Year 2 (12-24 months)	1.2m	1.4m	1.4m	NA
Average capex per store		1.8m	1.7m	2.1m	2.1m
Average inventory per store		3.0m	3.1m	3.9m	3.9m
Average sqm selling area per store		1,222	1,020	1,219	1,118
Payback period (excl. inventory) (Based on Year 2 EBITDA)		~1.5 years	~1.2 years	~1.5 years	NA
Payback period (incl. inventory) (Based on Year 2 EBITDA)		~4.0 years	~3.4 years	~4.2 years	NA

General note: Please refer to appendix for important terms and definitions that apply on this page.

1. 2013: Including 10 stores; 2014: Including 9 stores; 2015: Including 9 stores; 2016: Including 10 stores

Source: Europolis

- Sustained positive performance by new stores
- Strong returns continue
 - 1.4 years average payback on investment (capex)
 - 3.8 years average payback on total committed capital (capex + inventory)

Increased and enhanced central control of spacing, planograms and volumes

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Robust pipeline of new stores

- Two stores opened during Q1
 - Lillehammer in Oppland
 - Digernes in Møre & Romsdal
- Strong remaining pipeline of new stores for 2018
 - 7 stores planned for the rest of the year
 - 2 of the stores remain subject to municipal zoning regulations
- 6 stores in pipeline for 2019 onwards so far



Financial review

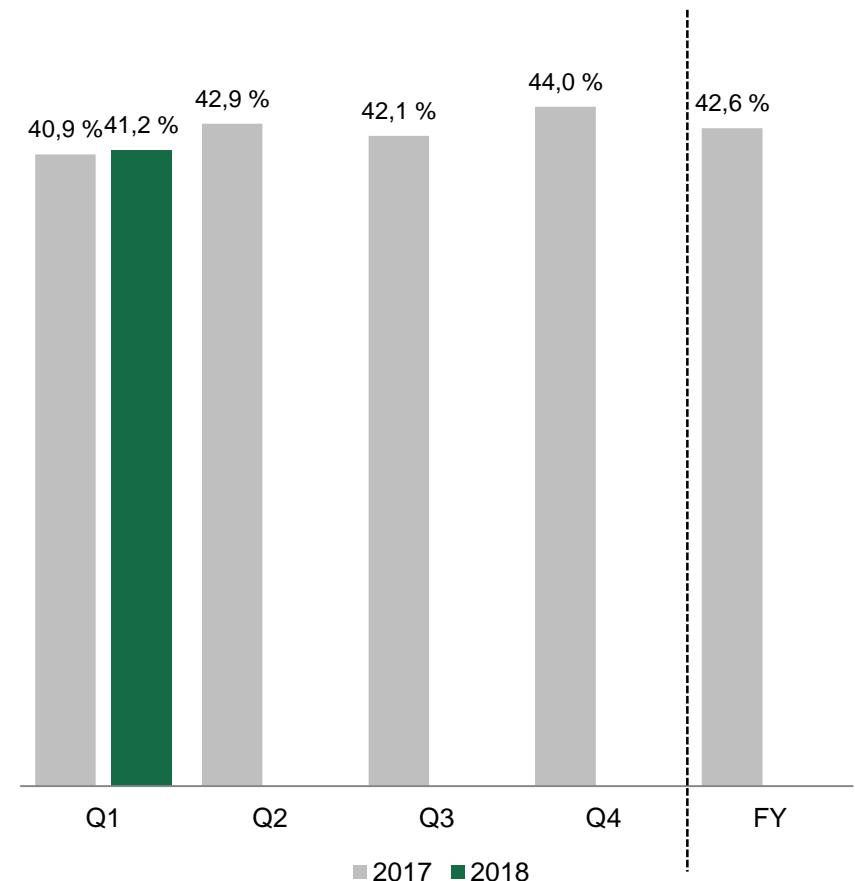


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Gross margin development

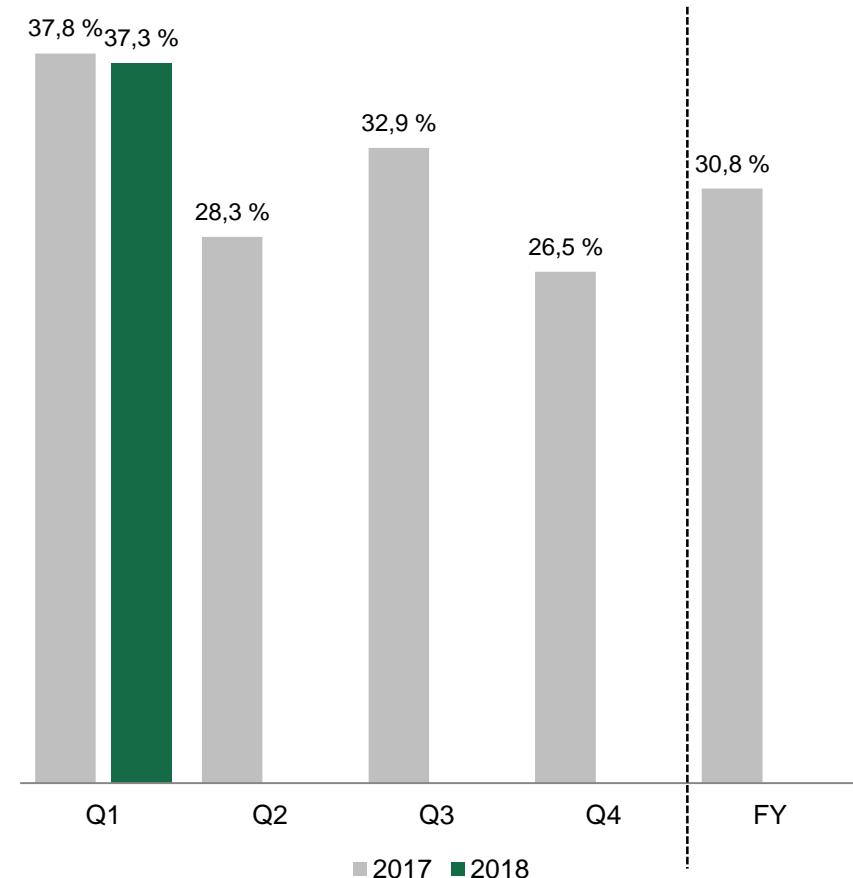
- Gross margin was 41.2% in Q1 2018 vs. 40.9% in Q1 2017
- Gross margin affected by one-off negative impact from franchise takeovers
 - NOK 3.4 million one-off effect (10.1 million)
 - Positive margin impact long term
- Margin in the quarter impacted by high sales of lower margin products during Easter

Gross margin



- OPEX in % of revenue was 37.3% in Q1 2018 vs. 37.8% in Q1 2017
- Last year included one-off cost of NOK 4.8 million
- Number of directly operated stores increased by 15 (from 196 to 211) since Q1 2017

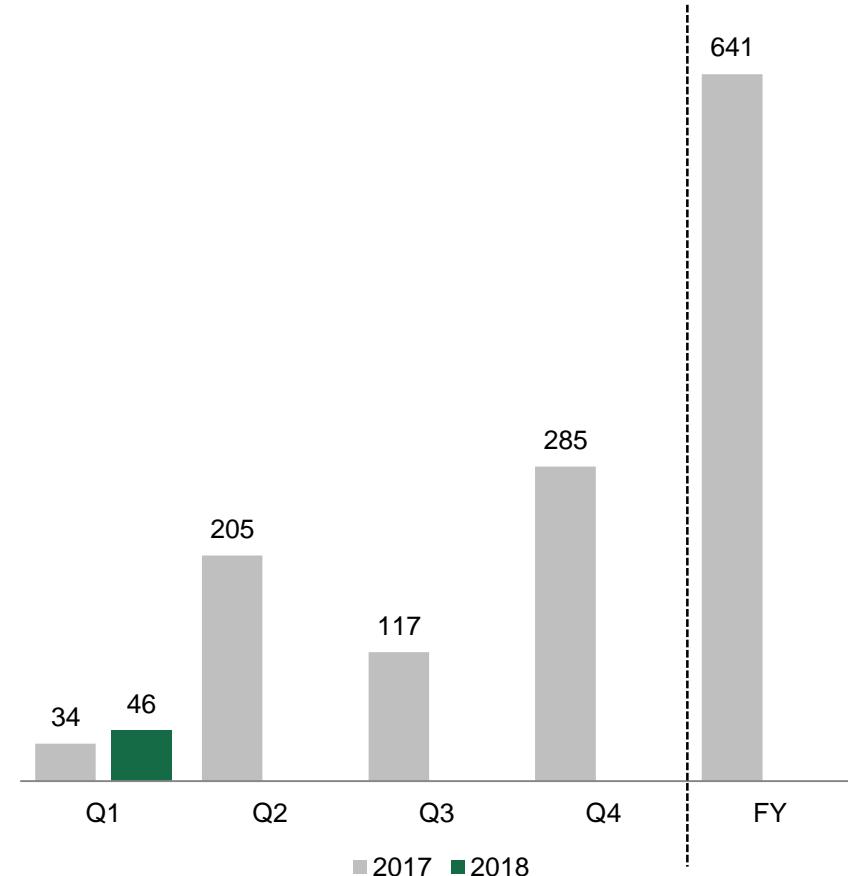
OPEX in % of group revenue



Adjusted EBITDA development

- Adjusted EBITDA margin was 3.9% in Q1 2018 vs. 3.1% in Q1 2017
- Adjusted EBITDA impacted by
 - LFL sales growth
 - Improved gross margin
 - Improved OPEX to sales ratio

Adjusted EBITDA (NOK million)



Cash flow

- Cash flow for the quarter improved from last year due to seasonality and a normalised delivery schedule from Far-East
 - Inventory of Easter seasonal items was at its peak by end of Q1 2017
 - Spring/summer seasonal items was shipped early in 2017 due to timing of Chinese New Year
- Cash used in investing activities reduced by NOK 26 million due to:
 - Lower payments in connection with franchise takeovers
 - Reduction in new store openings and modernisation projects
- Solid cash position at the end of Q1

Cash flow, NOK million	Q1 2018	Q1 2017	FY 2017
Cash from operating activities	-298	-369	477
Cash used in investing activities	-24	-50	-132
Cash (used in)/from financing activities	-1	-4	-340
Net change in cash and cash equivalents	-323	-422	5
Cash and cash equivalents at beginning of period	582	577	577
Cash and cash equivalents at end of period	259	155	582

Outlook

- Continued growth in long term revenue and profits supported by the group's leadership position in a solid market segment
- Calendar placement of Easter distorts comparability of numbers between years
 - Strong Easter sales and negative impact on gross margin in Q1
 - Effects expected to be reversed in Q2
- Healthy pipeline of new stores
 - 7 additional stores planned in 2018
 - 6 stores planned for 2019 onwards so far
- One franchise takeover completed on 1. April
 - 1-3 additional takeovers expected during 2018



Q & A



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Appendix



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Additional materials

Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2016	74	75	79	81	309
2017	77	71	79	79	306
2018	75	73	78	80	306
2019	76	71	79	80	306

Number of store projects (franchise projects in brackets)

2017	Q1	Q2	Q3	Q4	Total
New stores	3	2	1	5	11
Store closures	-	-	-	-	-
Relocations	(1)	1 (1)	1	4	6 (2)
Modernisations	9 (2)	5 (1)	3	2	19 (3)

2018E	Q1	Q2	Q3	Q4	Total
New stores	2	4	1	2	9
Store closures	-	-	-	-	-
Relocations	2	2 (1)	1 (1)	2	7 (2)
Modernisations	5	2	3	2	12

Note: Number of projects in 2018 is a moving target, and is subject to change during the year based on operational considerations. An updated view will be presented during the quarterly presentations going forward

Alternative Performance Measures

APMs are used by Europis for annual and periodic financial reporting in order to provide a better understanding of Europis' financial performance and are also used by management to measure operating performance. APMs are adjusted IFRS figures defined, calculated and used in a consistent and transparent manner.

- **Gross profit** represents group revenue less the cost of goods sold excluding unrealised foreign currency effects.
- **Opex** is the sum of employee benefits expense and other operating expenses.
- **EBITDA** (earnings before interest, tax, depreciation and amortisation) represents Gross profit less Opex.
- **Adjusted EBITDA** is EBITDA adjusted for nonrecurring expenses.
- **Adjusted profit before tax** is net profit before tax adjusted for nonrecurring items.
- **Adjusted net profit** is net profit adjusted for nonrecurring items.
- **Adjusted earnings per share** is Adjusted net profit divided by the current number of shares (166,968,888).
- **Working capital** is the sum of inventories, trade receivables and other receivables less the sum of accounts payable and other current liabilities.
- **Capital expenditure** is the sum of purchases of fixed assets and intangible assets.
- **Net debt** is the sum of term loans and financial leases less bank deposits and cash.

Other definitions

- **Directly operated store** means a store owned and operated by the group.
- **Franchise store** means a store operated by a franchisee under a franchise agreement with the group.
- **Chain** means the sum of directly operated stores and franchise stores.
- **Like-for-like** are stores which have been open for every month of the current calendar year and for every month of the previous calendar year.

Presentation of results for second quarter 2018

See you 13 July 2018

