

Q4 2019 presentation

30 January 2020

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Norway's #1 discount variety retailer



Customers

- 32 million customer transactions in 2019
- Widely recognised brand and price position¹



Marketing

- 1 million leaflets in distribution
- Around 400 000 subscribers to digital newsletter



Stores

- Cost-efficient locations and operations
- 234 of 249 like-for-like (LFL) stores profitable in 2019
- Track-record of 15 new or relocated stores p.a.



Logistics

- More than 40 years of wholesaler experience
- Efficient set-up and nationwide reach
- New modern central warehouse from Q2 2019



Sourcing

- From more than 30 countries
- Pan-Nordic agreement with ÖoB and Tokmanni



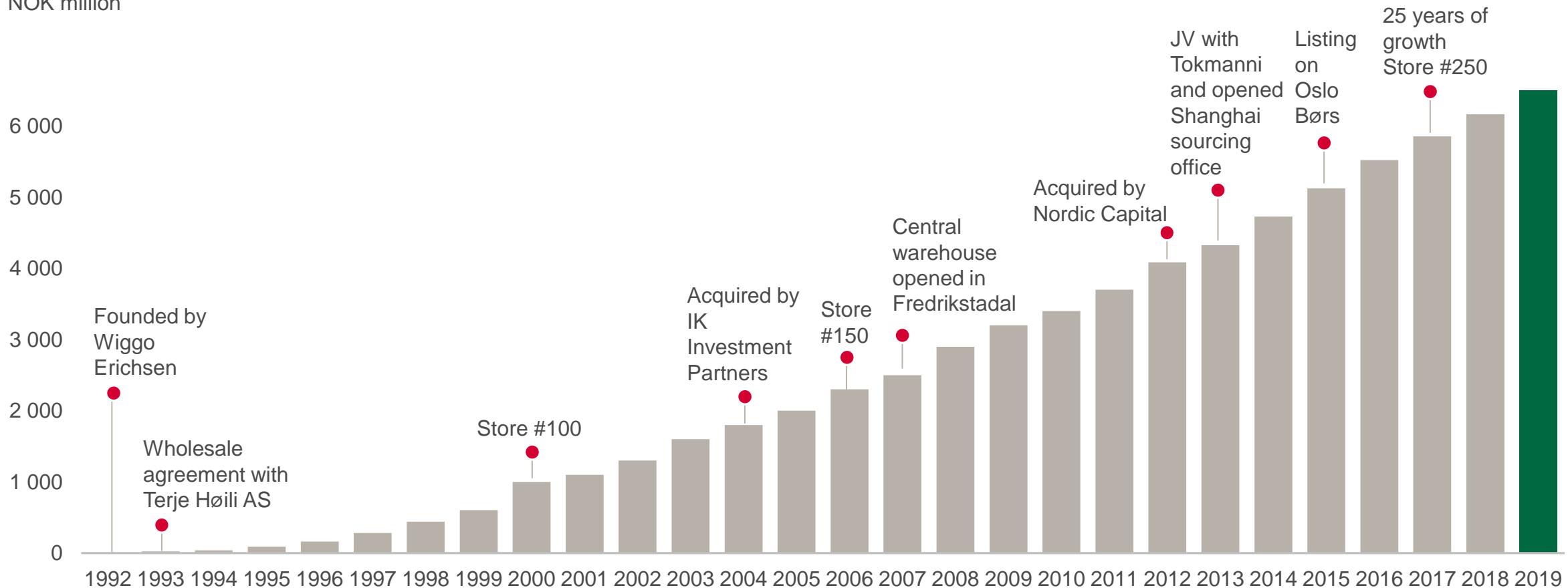
264
Stores

¹ Mediacom annual market survey

Europis – 27 years with growth

Europis
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NOK million



Highlights in the fourth quarter

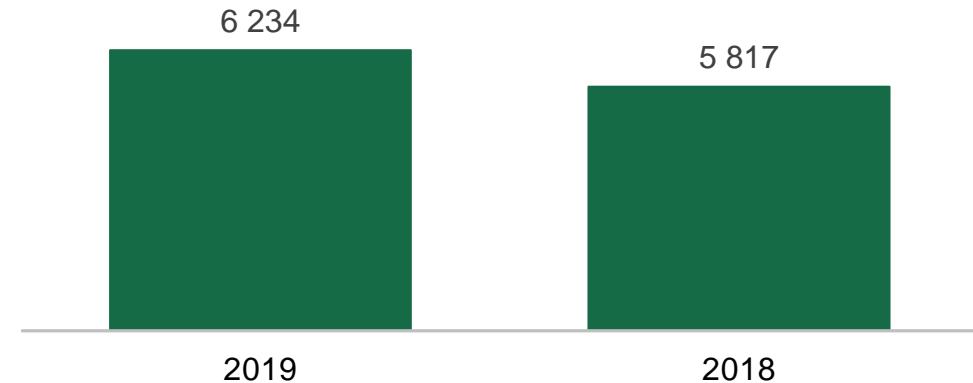
- Group revenue increased by 3.3% to NOK 1,899 million (1,839)
 - 1.1% like-for-like growth on strong 2018 performance of 7.0%
- Gross profit increased by 7.4% to NOK 857 million (798), representing gross margin of 45.1% (43.4%)
 - Campaign adjustments and tight control on realisation of seasonal goods
- Adjusted EBITDA excluding IFRS 16 effects increased by 8.6% to NOK 330 million (304)
- Adjusted net profit of NOK 217 million (224)
 - Profit negatively impacted by unrealised loss of NOK 19 million on hedging contracts and accounts payable (net currency gain NOK 17 million)
- Refinancing of term-loan and RCF completed in December
- Completed acquisition of the 20 per cent equity stake in ÖoB



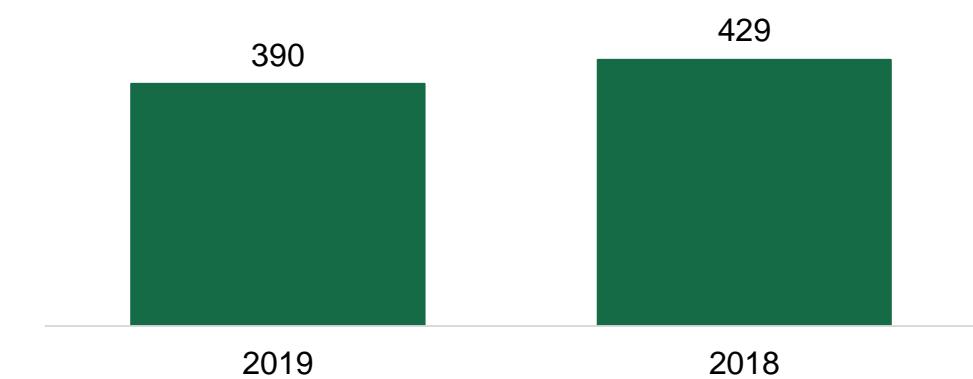
Highlights full-year 2019

- Continued top line growth in 2019
 - 7.2% growth in group revenues to NOK 6,234 million (5,817)
 - 4.4% growth on a like-for-like basis, significantly above market growth of 0.5%⁽¹⁾
 - Six new stores and four franchise takeovers
- Gross margin increased to 43.5% (43.1%)
- Opex affected by high fill rate at the old central warehouse, resulting in additional costs of NOK 51 million
- Adjusted net profit was NOK 390 million (429) and includes an unrealised loss of NOK 20 million on hedging contracts and accounts payables (net currency gain of NOK 11 million)

Group revenue (NOK million)



Adjusted net profit (NOK million)

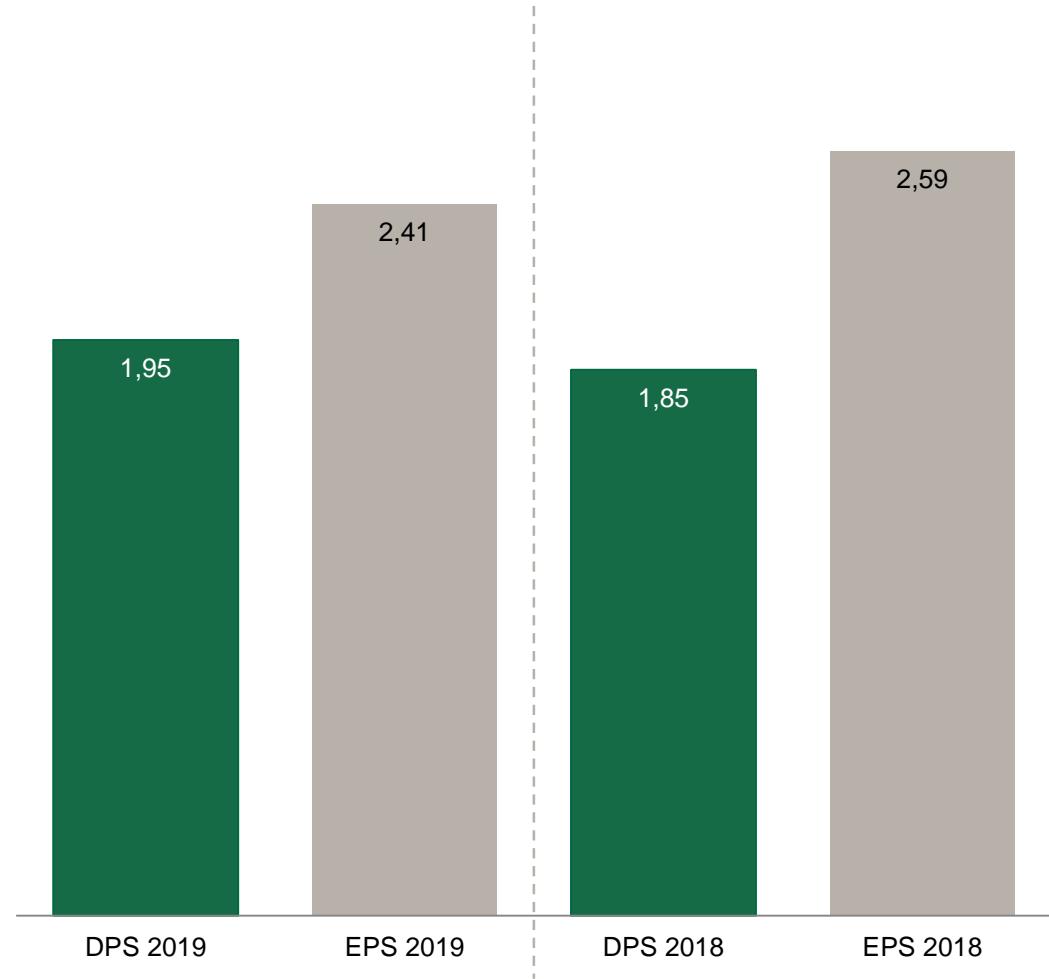


(1) According to Kvarud Analyse shopping centre index

Full-year 2019 adjusted EPS and dividend

- The Board of Directors proposes an ordinary dividend of NOK 1.95 per share for 2019
 - Up 5.4% vs. last year
- Translates to total dividend payment of NOK 326 million for 2019

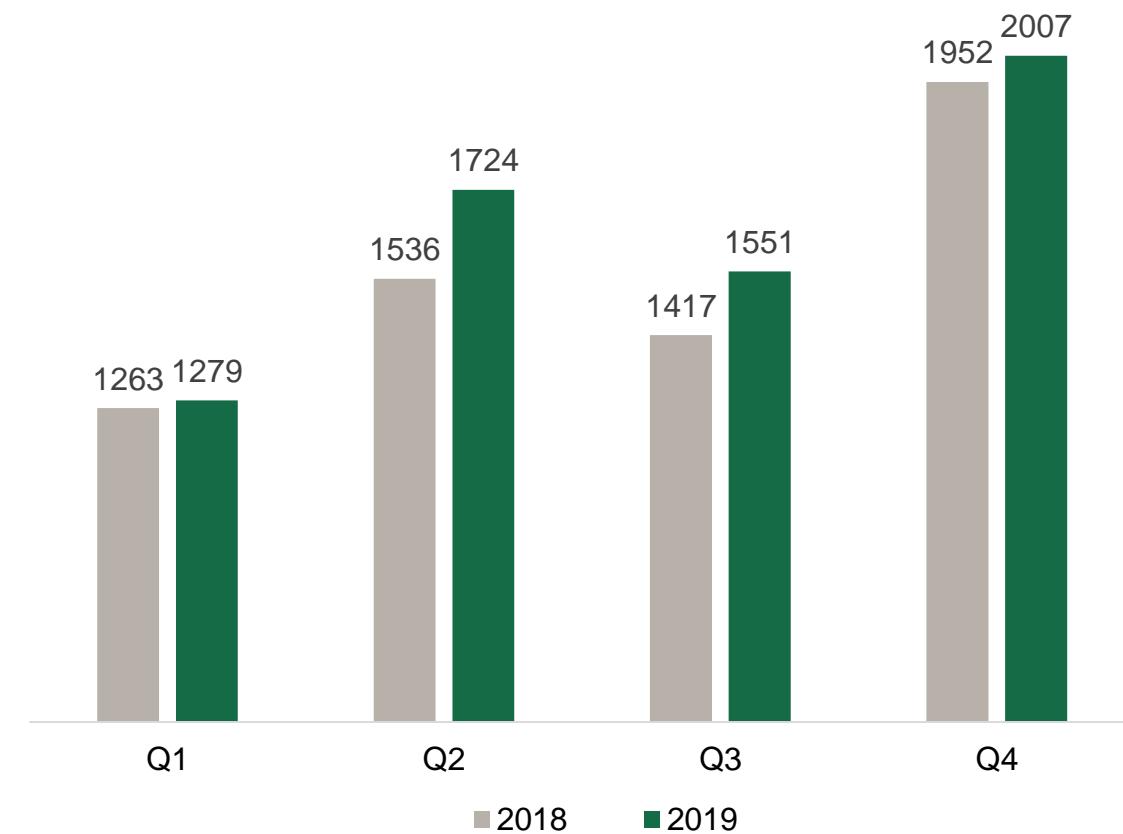
Adjusted EPS and DPS (NOK)



Sales performance

- Total retail sales growth of 2.9% in Q4, well above total market growth of 1.1%⁽¹⁾
 - Strong comparable figures from Q4 last year at 10.1% growth
- Good seasonal performance, both in the period building up to Christmas and during the important peak-days
- Continued solid execution of sales campaigns
- Adjusted campaign pressure and tight control on realisation of seasonal goods
 - Important driver for gross profit improvement
- Total sales growth of 6.4% for the year (5.3%)

Retail sales per quarter (NOK million)

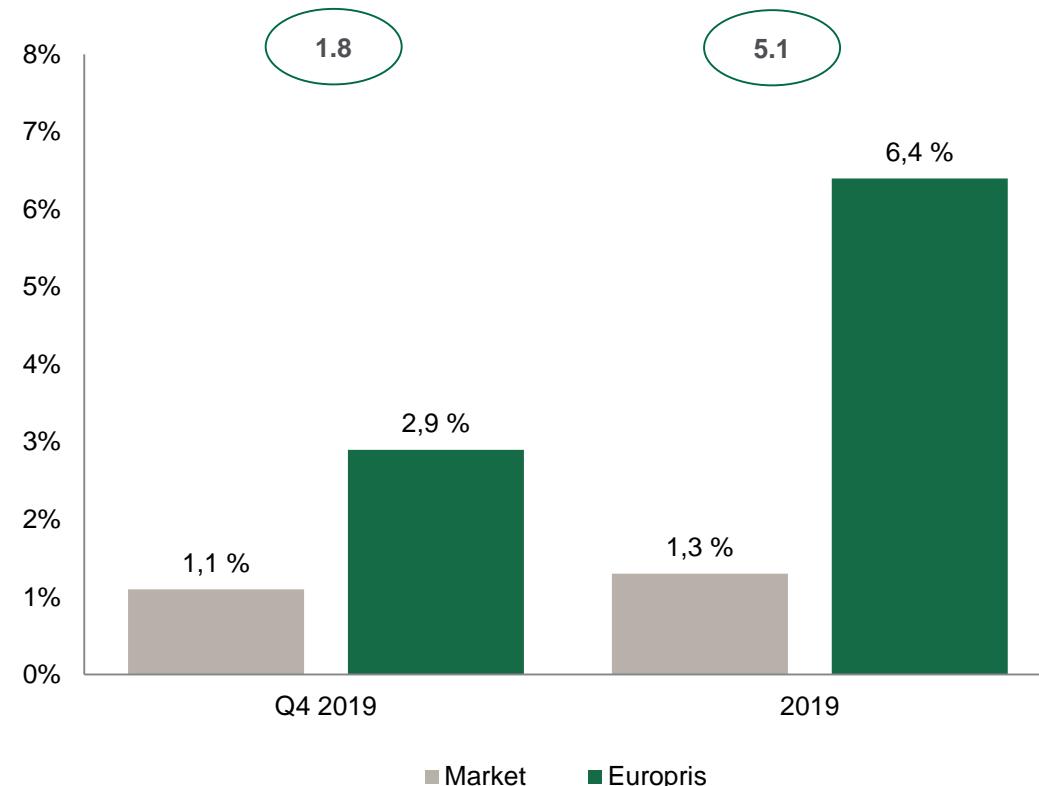


(1) According to Kvarud Analyse shopping centre index

Strong growth in a challenging retail market

Europrix
MER TIL OVERS

Total growth development

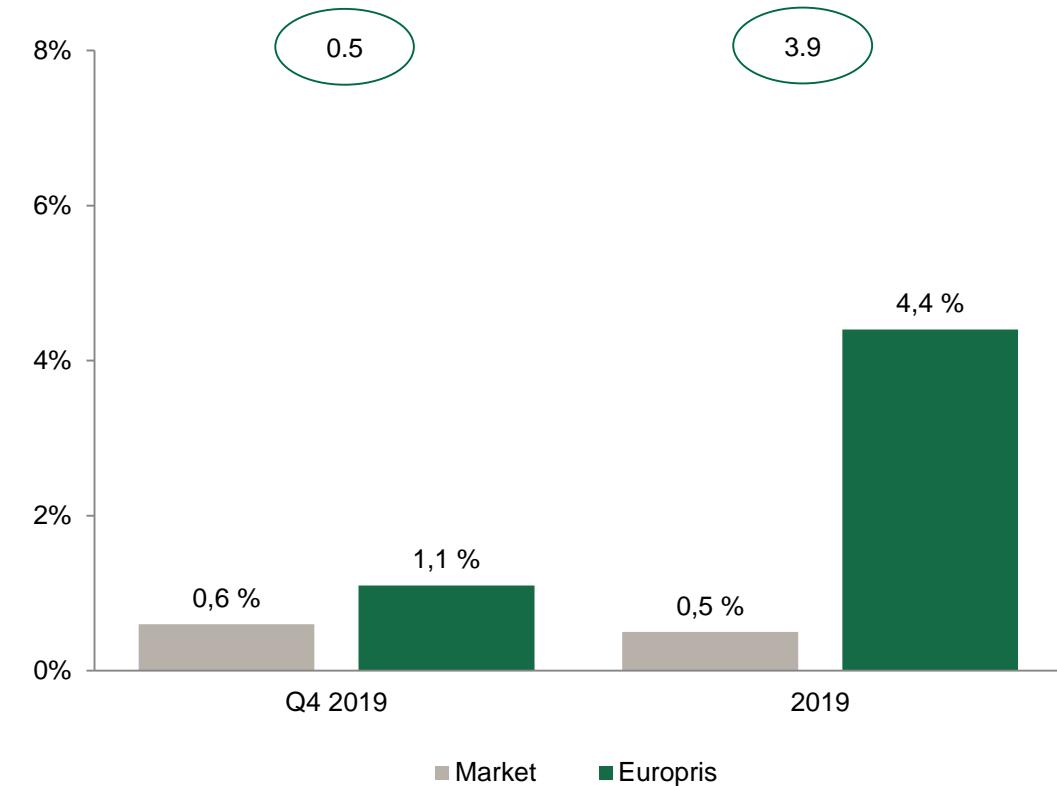


% points

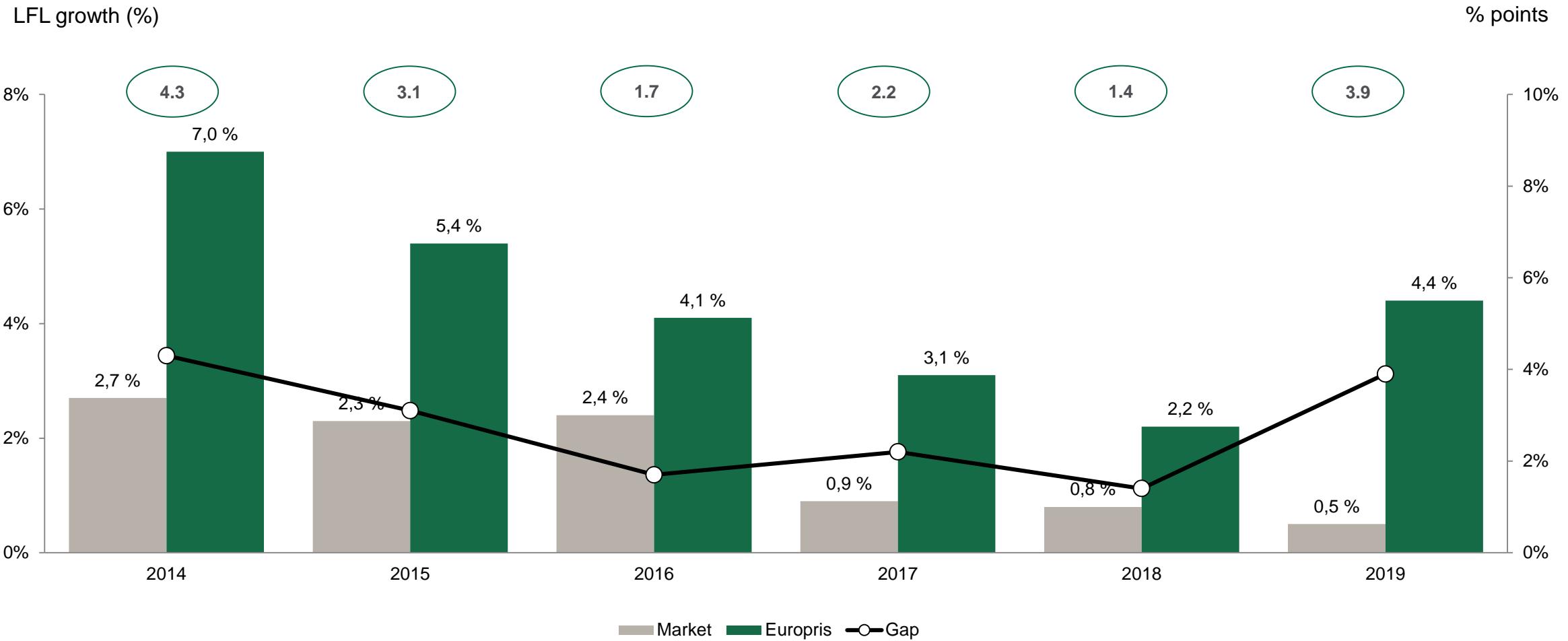
Europrix growth rate in excess of market growth rate in the period

LFL development

Y-o-Y LFL growth (%)



Like-for-like growth above the market



% points

Europolis LFL growth rate in excess of market growth rate in the period

Our strategic focus areas



Strengthen price
and cost position



Improve customer
experience



Drive customer
growth





Significant economies of scale from Nordic sourcing



2013
Tokmanni sourcing
agreement

2018
Euopris acquires
20% of ÖoB

2020
Option to acquire
remaining shares in ÖoB



Representing annual sales of NOK 18bn



Progress in sourcing partnership with ÖoB



ÖoB – a perfect partner

- 90% category overlap and strong cultural fit
- Nordic agreements with branded suppliers and joint promotions
- Combined sourcing in Far East of large volume seasonal goods
- Development of common Private Label
- Joint purchasing of stock lots

Sourcing approach



- Same Factory/Supplier
- Same Product
- Same Brand and Package



- Same Factory/Supplier
- Same Product



- Same Factory/Supplier

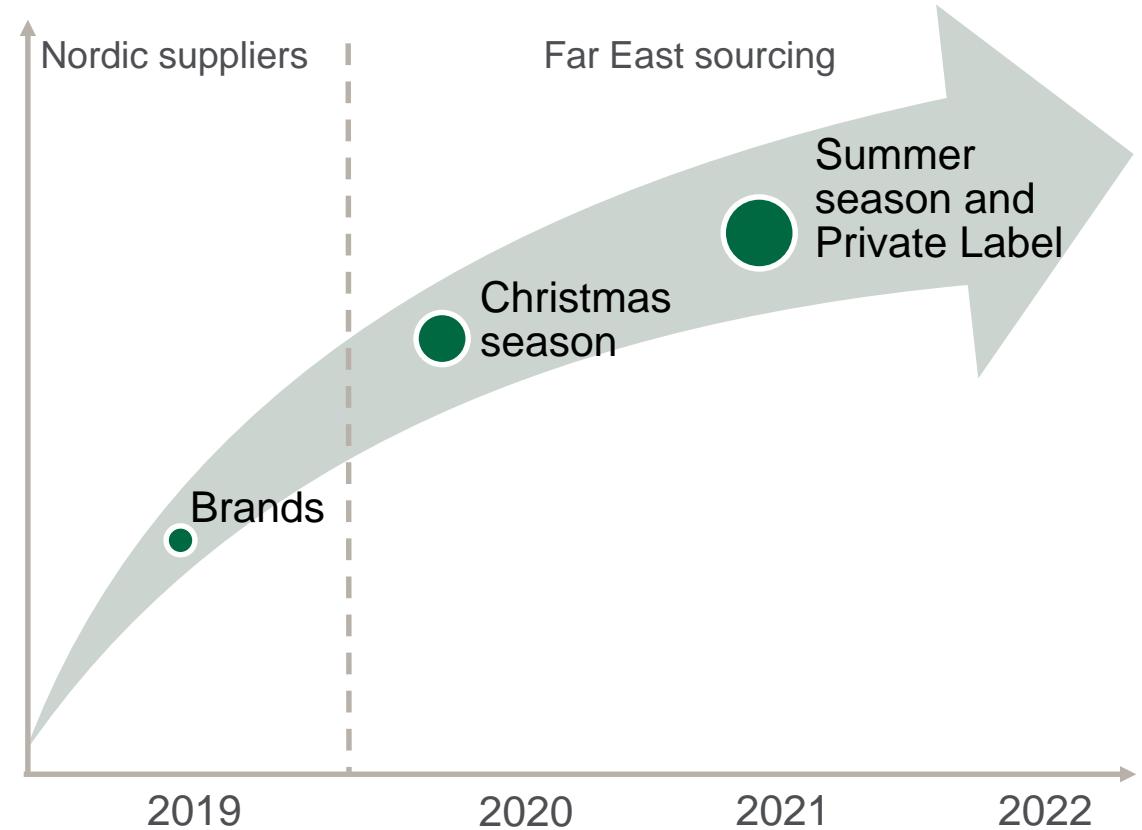


Initial estimated savings have been verified

Realised savings

- Initial estimate of combined savings potential of NOK 60-80 million
- In 2019 the two companies realised savings of NOK 16 million of which 1/3 accrued to Europri
- 2020 savings are estimated at NOK 40 million
- Full effect estimated in 2022 with NOK 80 million, evenly distributed
- Synergies will partly be re-invested to ensure competitive market position and fulfil price strategy

Savings profile



In progress with new warehouse transition



2019

- 1 May: Take over of new warehouse in Moss ✓
- Q2: Operation start in low-bay area. Start testing of high-bay automation ✓
- Q2: Lease expires at one small warehouse in Fredrikstad ✓

2020

- Q1: Operation start in high-bay area (mid February)
- Q2: Lease expires at two smaller warehouses and at the second largest warehouse in Fredrikstad
- Q3: Start testing of automation in low-bay area

2021

- H1: Start of automated shuttle solution in low-bay area
- H1: All distribution out of the new warehouse in Moss

2022

- 28 February: Lease expires at the largest warehouse, Øra in Fredrikstad

Timeline is based on estimations as of Q4 2019





Continuous improvement of seasonal concepts

EuropriS
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- During the Christmas season, the product range within seasonal lightening was further improved
- Assortment for outdoor system lighting was awarded “best in test” by Norwegian broadcaster TV2
- Product range is developed and sourced through the partnership with Tokmanni and ÖoB





Strengthen price
and cost position



Improve customer
experience



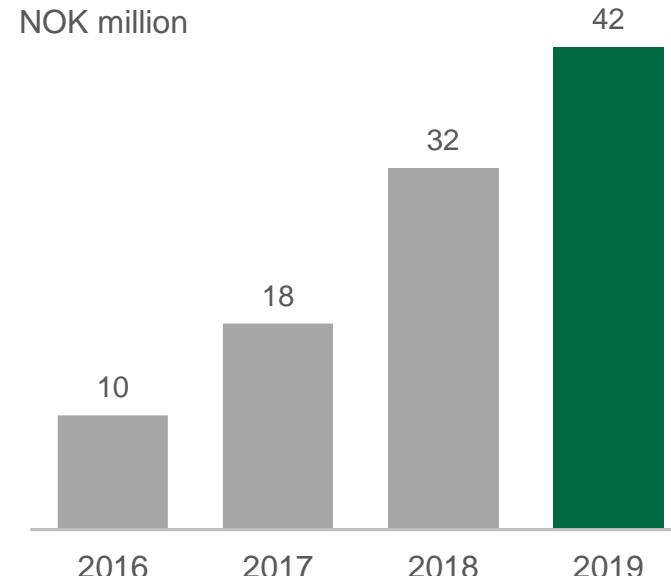
Drive customer
growth



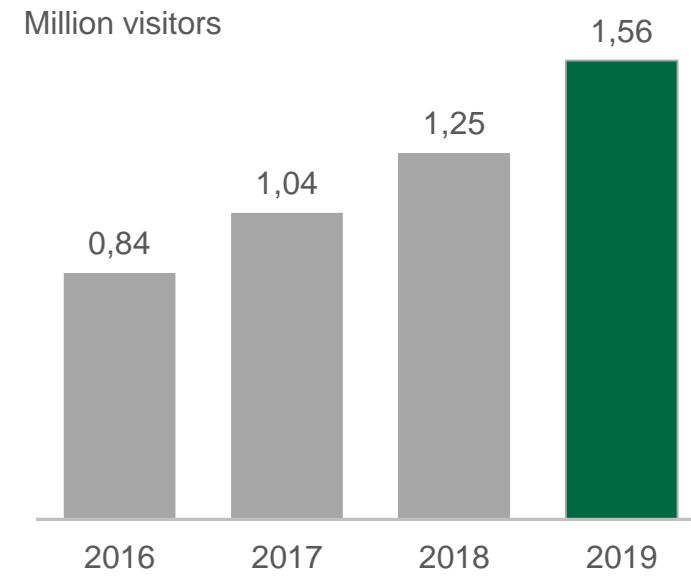
The online growth experience so far

- Seamless and simple offering – the key success factor
- New e-commerce platform making progress, launch in H1 2020
 - Centralised e-commerce mezzanine picking at new Moss warehouse
 - Significantly improved product range and service
- A complimentary source for revenue growth
 - Complementary to the store offering
 - Europris.no serves as driver for traffic to physical stores and add-on sales

E-commerce revenue



Monthly traffic on Europris.no



Click & collect
NOK 1 146

AVERAGE BASKET VALUE

Home delivery
NOK 765

Store
NOK 203



Drive customer growth by utilising existing store base and new opportunities

- Two store relocations in the quarter
 - Nordfjordeid, Sogn og Fjordane
 - Voss, Hordaland
- Three store expansions in the quarter
 - Vestkanten, Hordaland
 - Elnesvågen, Møre og Romsdal
 - Skien, Telemark
- Six new stores opened in 2019
 - Five stores in pipeline for 2020 and beyond
 - Two of the stores are subject to local authority planning processes
- New stores opened in 2018/2019 perform well measured on a set of strict criteria's
- Closing of the store at Grini postponed – Awaiting court decision, case scheduled for 21-23 April



The team at EuropriS Nordfjordeid



Status on ÖoB

Europ pris
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A low-risk synergistic partnership today

Potential for true European scale tomorrow



RUNSVEN
GRUPPEN

Europis
MER TIL OVERS

Strategic initiatives

Increase profitability
of ÖoB

Store initiatives
(incl. ÖoB 2.0)

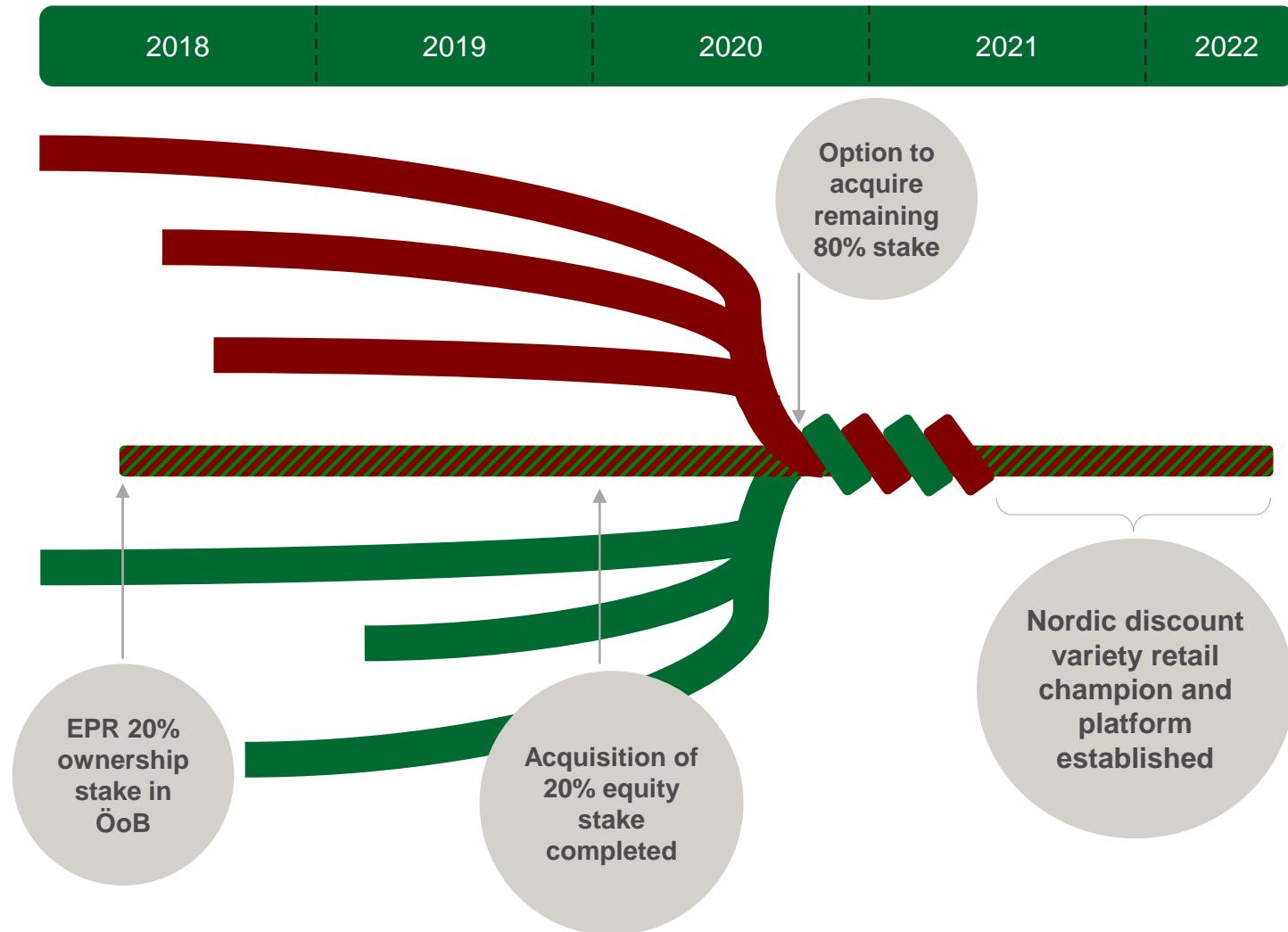
Sharing best practice

Purchasing

Strengthen price and cost position

Improve customer experience

Drive customer growth



Transaction highlights



20% initial stake in Runsven-gruppen AB

- Based on EV using fixed multiple of 7.7x actual EBITDA 2018
- Purchase price settled in Q4 at NOK 115 million based on ÖoB EqV of NOK 574 million
- Shares acquired in the market by Europ pris at a total cost price of NOK 98 million
- Share for share transaction, settled by treasury shares
- 2.6% ownership stake in Europ pris (4,35m shares)

Option to acquire remaining 80% stake

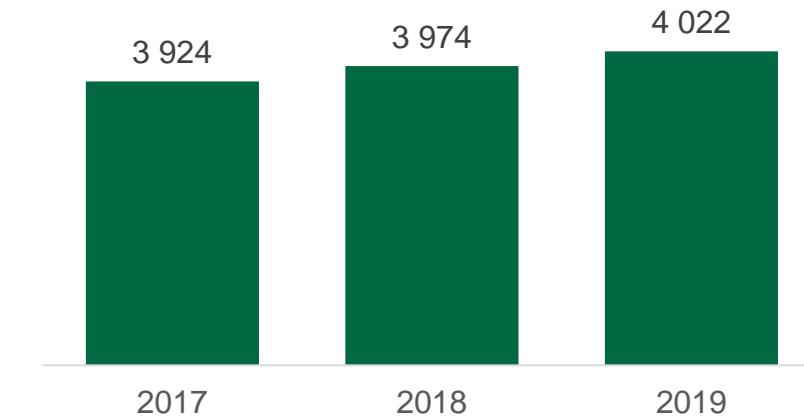
- Exercisable in 2020 within six months after agreement on ÖoB's 2019 EBITDA
- Based on EV using fixed multiple of 7.7x average 2019 and 2020 EBITDA
- Share for share transaction

Lock-up

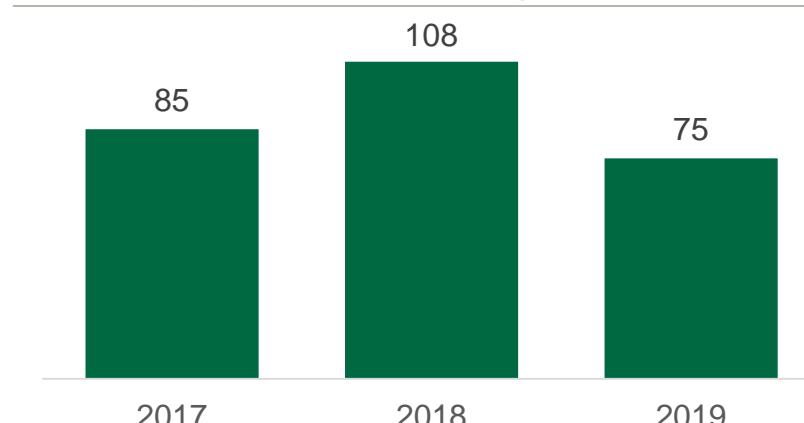
- Shares issued to sellers of ÖoB are subject to lock-up – until mid 2021 if option is exercised

ÖoB financial and operational performance 2019

Revenue, SEK million,
preliminary and unaudited figures



Adjusted EBITDA, SEK million,
preliminary and unaudited figures

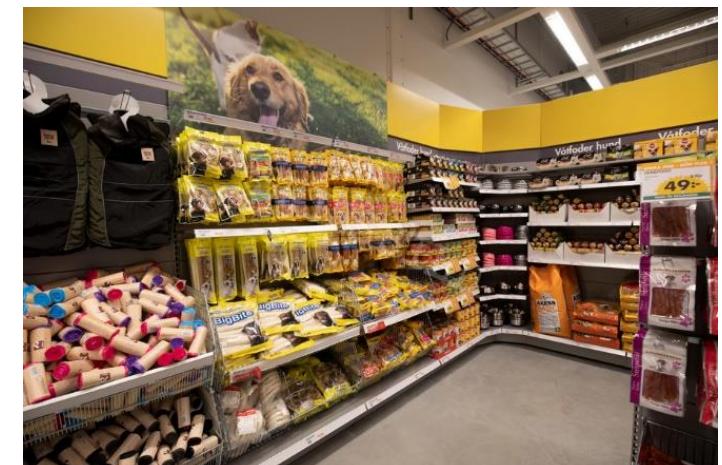
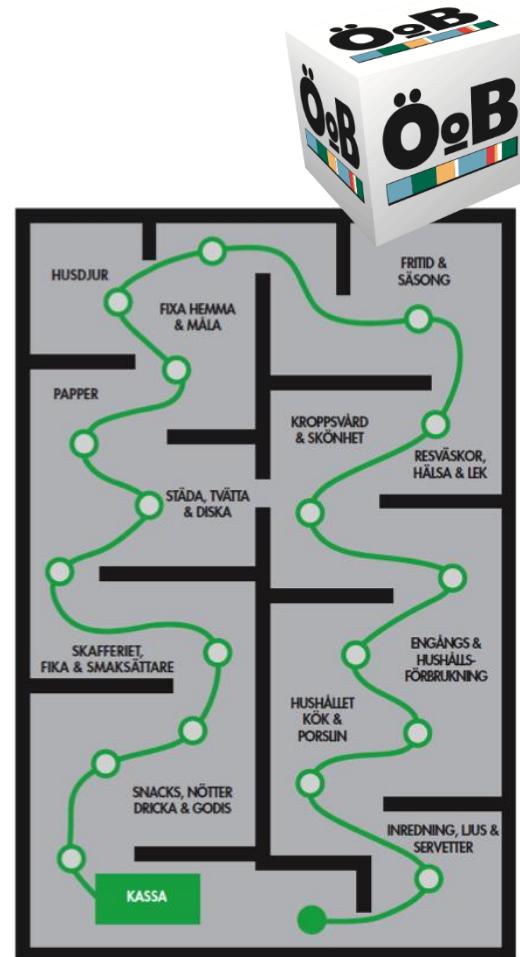


Source, Runsvengrupper, preliminary and unaudited figures

- Strategic turnaround started in 2017 with a clearly defined strategy of store modernisation and assortment rebalancing
 - The turnaround has taken longer than expected and results are not meeting initial expectations so far
- Management change during 2019
 - New CEO, Magnus Carlsson, previous position as CEO at Reitan Convenience Sweden AB will join ÖoB 1 March
- Focus in 2019 has been to strengthen ÖoB's seasonal position and to change product mix towards higher margin products within non-food categories
 - While initial results show a positive development in sales mix and seasonal position, EBITDA has remained below expectations

Concept 2.0 development

- Over the past few years, ÖoB has refurbished eight stores into a 2.0 concept
 - Increasing non-food sales to drive gross margin
 - Build a clearer seasonal position
 - These stores have delivered above average sales growth
- A new concept store was opened at Märsta, outside Stockholm in 2019
 - ÖoB tests new elements to substantiate the strategic direction
- Results from the new store at Märsta are so far very positive with favorable sales mix and both gross margin and basket value well above the rest of the chain



ÖoB focus going forward

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ÖoB will finalise an update of its strategic plan in 2020 and key focus for development and operations will be:

- Create a new master layout for the stores based on the experiences from Märsta and the 2.0 concept stores
- Sharing best-practice among its store base to simplify and streamline operations
- Continue to develop the seasonal concept by sharing of best-practice between countries
- Upgrade marketing and increase the digital presence and continue the good work with ÖoB's customer club



Financial review

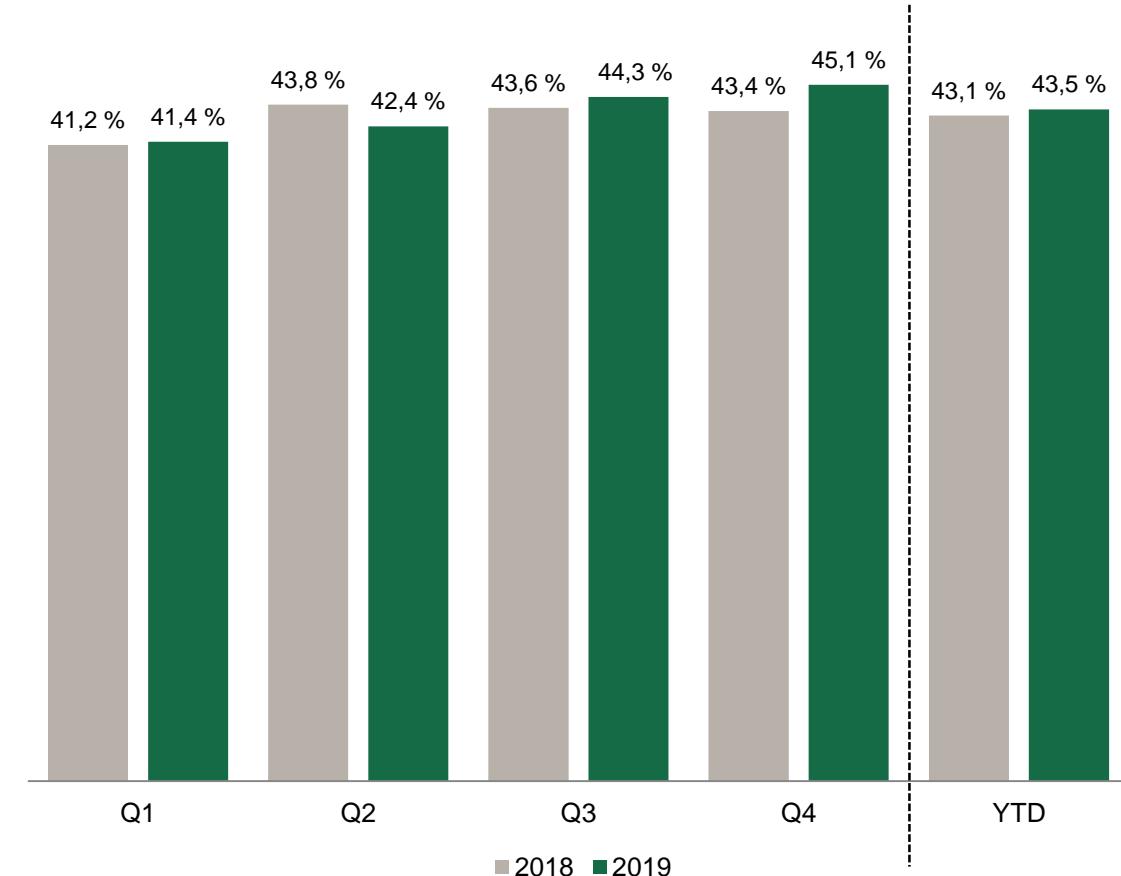
Europris
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Gross margin development

- Gross margin was 45.1% in Q4 2019 up from 43.4% in Q4 2018
- Continued improvement in execution of campaigns and adjustments to campaign pressure
- More controlled realisation of seasonal goods towards the end of the Christmas season
 - Contribution to gross profit, but some negative effect on sales
- Starting to see positive contribution from sourcing initiatives with Tokmanni and ÖoB

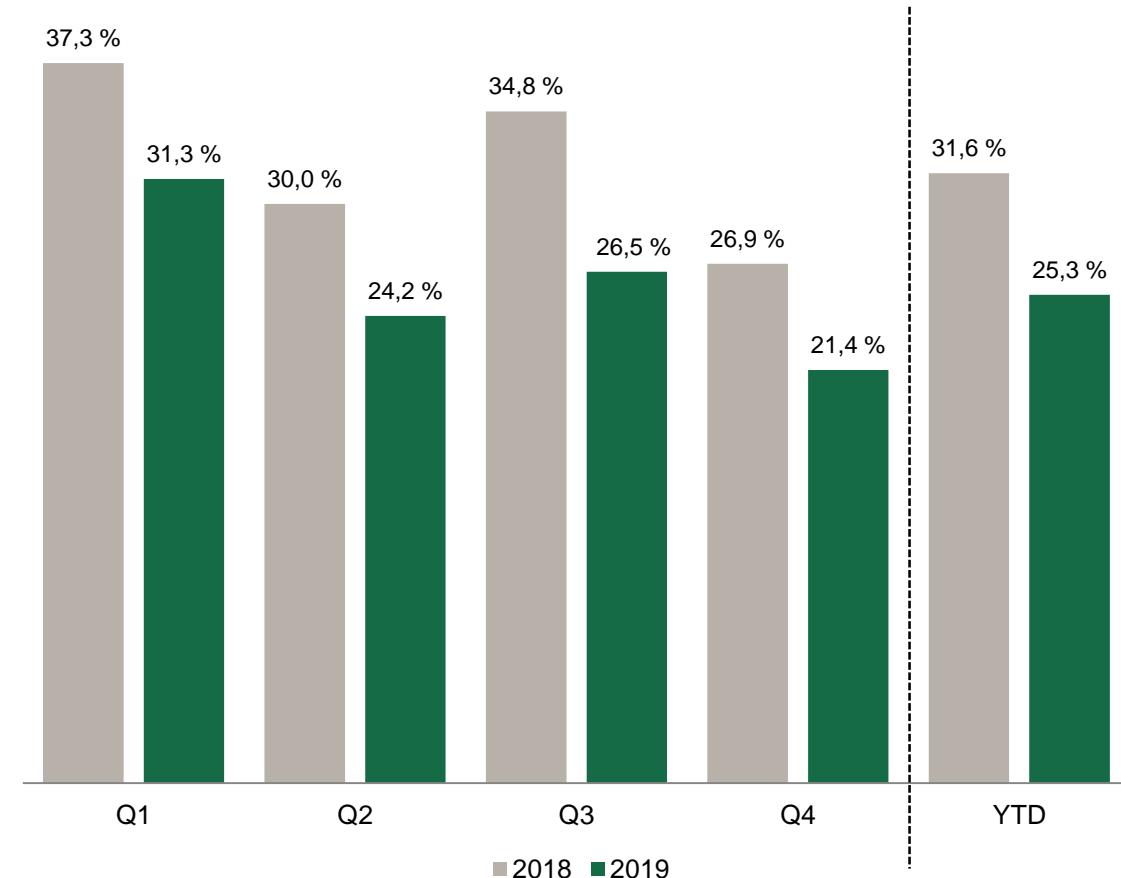
Gross margin



OPEX development

- OPEX in % of revenue was 21.4% in Q4 2019 vs. 26.9% in Q4 2018
 - Adjusted for IFRS 16 effect, the OPEX ratio was 27.8%
- Number of directly operated stores increased from 221 to 231, up by 4.5%
- Temporary extra costs associated with operating both the old and the new central warehouse
 - Extra costs will occur in the transition period for the new warehouse

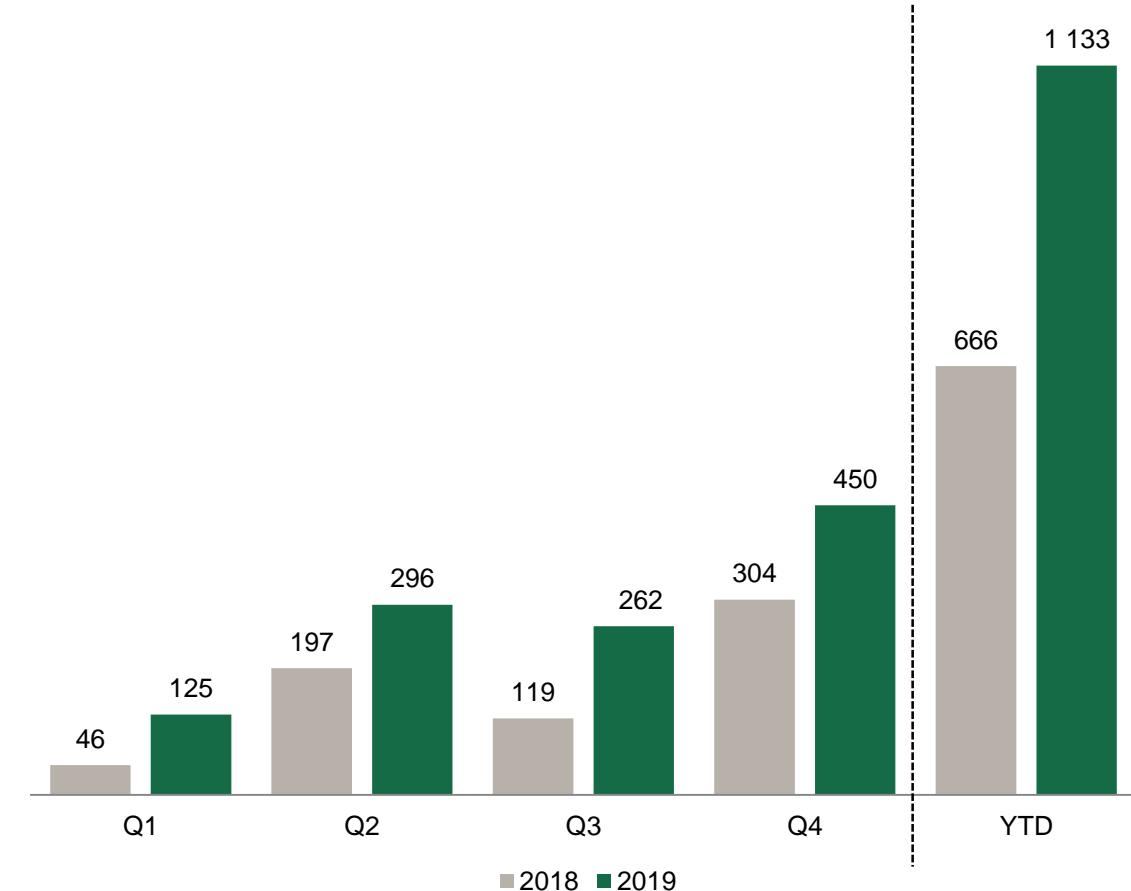
OPEX in % of group revenue



Adjusted EBITDA development

- Adjusted EBITDA was NOK 450 million in Q4 2019 vs NOK 304 million in Q4 2018
 - Adjusted for IFRS 16 effect, the adj. EBITDA increased 8.6% to NOK 330 million (304)
- Adjusted EBITDA affected by
 - Sales growth
 - Improved gross margin
 - Increased number of directly operated stores

Adjusted EBITDA (NOK million)



Cash flow 2019

- Positive development in working capital in 2019
 - Last year was affected by an increase in inventories, while this year there was a slight decline
- Cash used in investing activities increased year-to-date from investments in the new central warehouse (automation in low- and high-bay area) and new head office
- Cash and liquidity reserves at year end was NOK 1,005 million (856)
- IFRS 16 has no net cash effect
 - Cash from operating activities increase
 - Cash from financing activities decrease

Cash flow, NOK million	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Cash from operating activities	727	434	1,033	350
- of which change in net working capital	339	(131)	161	(169)
Cash used in investing activities	(61)	(21)	(160)	(92)
Cash from financing activities	(125)	(78)	(732)	(413)
Net change in cash	541	334	141	(155)
Cash at beginning of period	27	93	427	582
Cash at end of period	568	427	568	427

Outlook

- Europris is positioned as Norway's number one in its sector, with ample opportunities to continue a profitable growth journey
 - Europris has strengthened its competitive position through sourcing partnership with ÖoB and Tokmanni
 - Operations moved to a single highly-automated warehouse to support the group's low-cost profile
 - Continued transformation of Europris to an omni-channel retailer through e-commerce and e-crm
- Healthy pipeline of new stores
 - Five stores planned for 2020 and beyond
- Two franchise takeovers completed on 1 January, and 2-3 additional takeovers expected for 2020



On the quest to be the best



The goal is to be the best in all four areas below

Price	Number 1 in price perception in Norway, the fight for lower prices continues
Concept	Continuous development, focus on customer need-based flow and distinct shop-in-shop
Value chain and cost efficiency	Nordic sourcing, new warehouse and automation of operations to improve further
Execution and culture	Continue to build on our strong company culture and dedicated employees

Be the *best* discount
variety retailer *in Europe*



Q&A

Next event: Q1 presentation 23 April 2020

Appendix

 Sales days and store projects

 Analytical information

 Alternative Performance Measures (APM's)

Sales days and store projects

Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2018	75	73	78	80	306
2019	76	71	79	80	306
2020	77	72	79	80	308

Number of store projects (franchise projects in brackets)

2019	Q1	Q2	Q3	Q4	Total
New stores	1	4	1	-	6
Store closures	-	-	-	-	-
Relocations	-	3	(1)	2	5 (1)
Modernisations	7	1	2	4	14

2020E	Q1	Q2	Q3	Q4	Total
New stores	1	-	2	2	5
Store closures	-	-	-	-	-
Relocations	1	-	1	1	3
Modernisations	2	6	1	-	9

Note: Number of projects in 2020 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

Analytical info¹

Seasonality	<ul style="list-style-type: none">As rule-of-thumb, the Easter impact is approximately NOK 50 million in revenue and NOK 10 million of EBITDA
Quarterly OPEX	<ul style="list-style-type: none">As rule-of-thumb, OPEX in year ago quarter + inflation + NOK 1.5 – 1.6 million per extra directly operated store (DOS)
CAPEX	<ul style="list-style-type: none">New store – NOK 2.3 million per store (5 per year)Relocation – NOK 1.5 million per store (10 per year)Modernisation – NOK 1.0 million per store (10 per year)Category development – NOK 10 million per yearIT & Maintenance – NOK 35 million per year
Estimated one-time CAPEX items 2020	<ul style="list-style-type: none">New warehouse of approximately NOK 7 million (IT, system integration, fixtures and fittings)

Analytical info: New warehouse

NOK million	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	2021	2022
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Investments

IT, office equipment and other (CAPEX)	28	~6	~	~1	~	~7		
Automation, part 1 (lease)	52	~59	~	~	~	~59		
Automation, part 2 (CAPEX)	65	~	~17	~23	~12	~52		

Depreciation of automation part 1 starts in Q1 2020 and depreciation of automation part 2 starts in Q1 2021

OPEX items

Ordinary rent	68	~18	~18	~17	~17	~68	~52	~39
Redundant warehouse capacity in 2019/2020 and Øra lease from H2 2021 (lease ends March 2022)	14	~3	~3	~	~	~7	~0-13	~0-5
Non-recurring moving costs	5	~2	~1	~1	~	~4-5	~3-5	

Alternative performance measures (APMs)

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.	Working capital is the sum of inventories, trade receivables and other receivables less the sum of accounts payable and other current liabilities
Opex is the sum of employee benefits expense and other operating expenses.	Capital expenditure is the sum of purchases of fixed assets and intangible assets
EBITDA (earnings before interest, tax, depreciation and amortisation) represents gross profit less Opex.	Net debt is the sum of term loans and financial leases less bank deposits and cash
Adjusted EBITDA is EBITDA adjusted for nonrecurring expenses.	Directly operated store means a store owned and operated by the group
Adjusted profit before tax is net profit before tax adjusted for non-recurring items	Franchise store means a store operated by a franchisee under a franchise agreement with the group
Adjusted net profit is net profit adjusted for non-recurring items	Chain means the sum of directly operated stores and franchise stores
Adjusted earnings per share is adjusted net profit divided by the current number of shares, adjusted by the monthly average of treasury shares	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