

Q3 2020 presentation

30 October 2020

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Europris - Norway's #1 discount variety retailer



Customers

- 32 million customer transactions in 2019
- Widely recognised brand and price position¹
- Increasing market share and gaining new customers



Marketing

- 1 million leaflets in distribution
- 550 000 subscribers to digital newsletter
- 600 000 members in the Mer customer club



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



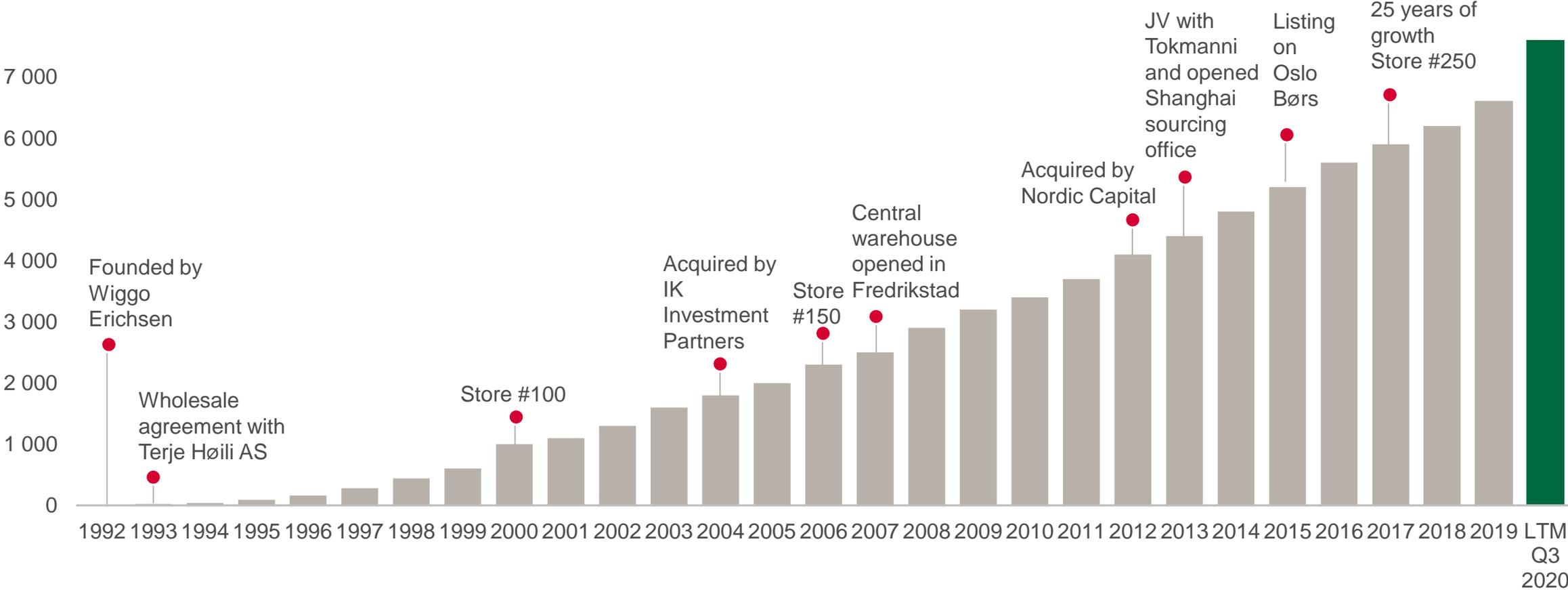
265
Stores

¹ Mediacom annual market survey

28 years of consecutive growth



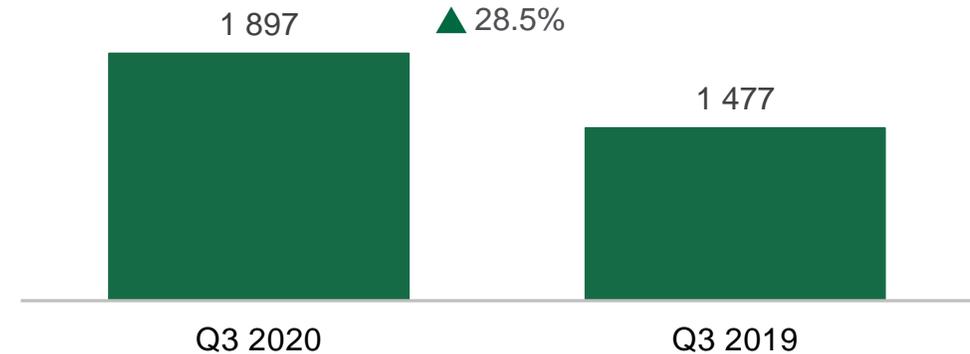
NOK million



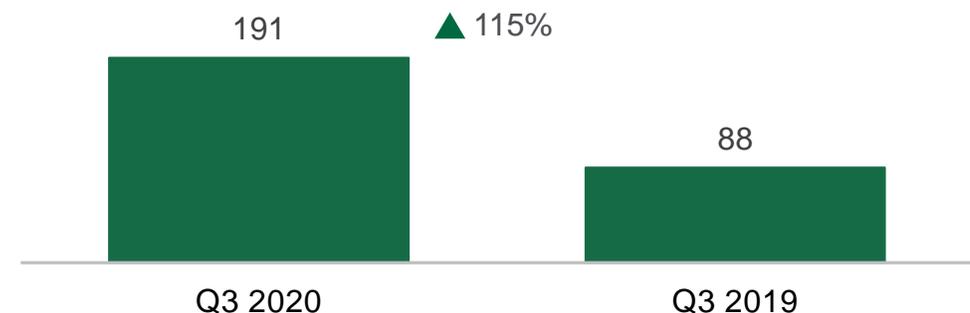
Highlights third quarter 2020

- Gaining market share in a strong market
 - Solid merchandising and successful campaigns
- Stable gross margin despite shift towards groceries
 - Gross margin 42.8% (42.6%) excluding stocktaking effects
- Scalability and improved efficiency
 - OPEX to sales ratio decreased to 22.4% (26.5%)
 - Adjusted EBITDA rose by 53% to NOK 402 million
- Strong financial position
 - Cash and available credits of NOK 1,430 million (463)
- One new store opened and another three approved by the board
- Well prepared for the important Christmas season
 - Solid start to the fourth quarter
- Stina Charlene Byre appointed CFO

Group revenue (NOK million)



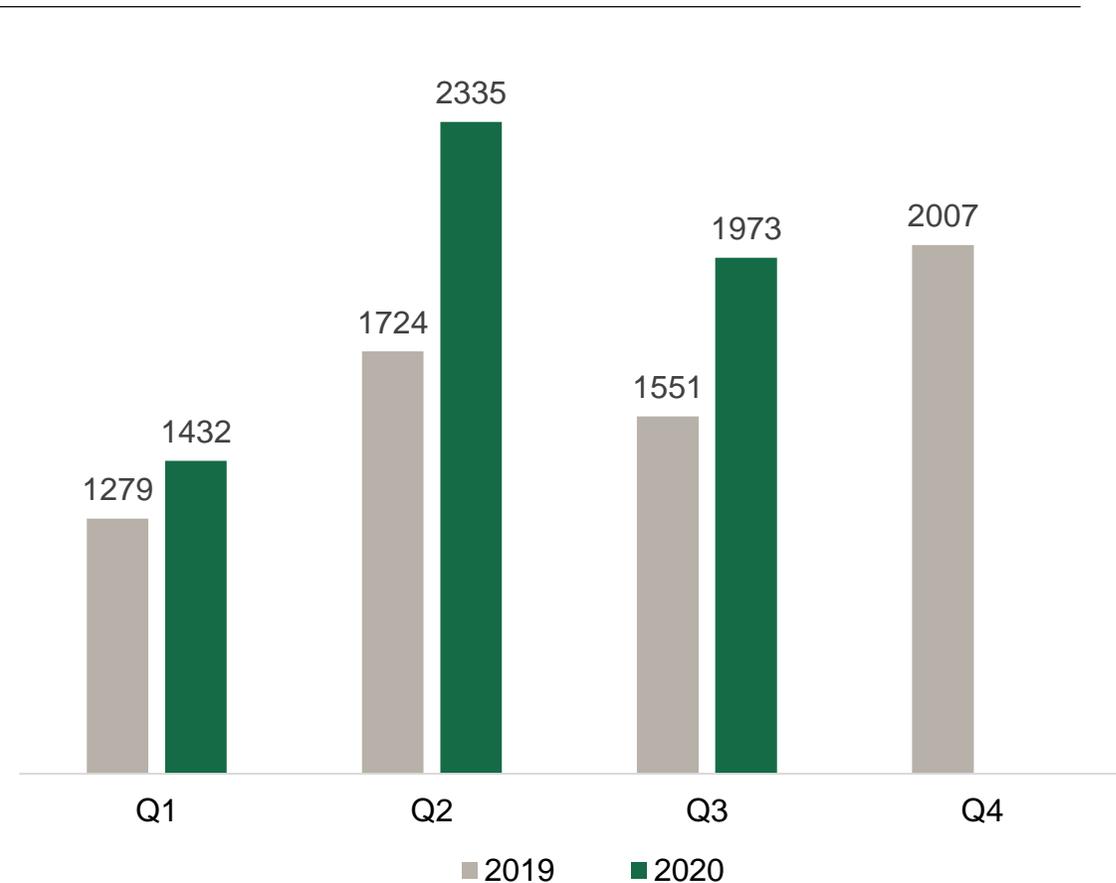
Adjusted net profit (NOK million)



Sales performance

- Total retail sales growth of 27.2% in Q3
 - 26.5% like-for-like sales growth, stable growth throughout the quarter
 - Positive sales impact from Covid-19 infection control measures
 - Solid merchandising in stores another key driver
- Strong sales growth across categories
 - A shift towards groceries
- Sales growth relatively evenly distributed between customers and basket
 - Basket increase driven by a larger number of items per customer

Retail sales per quarter (NOK million)

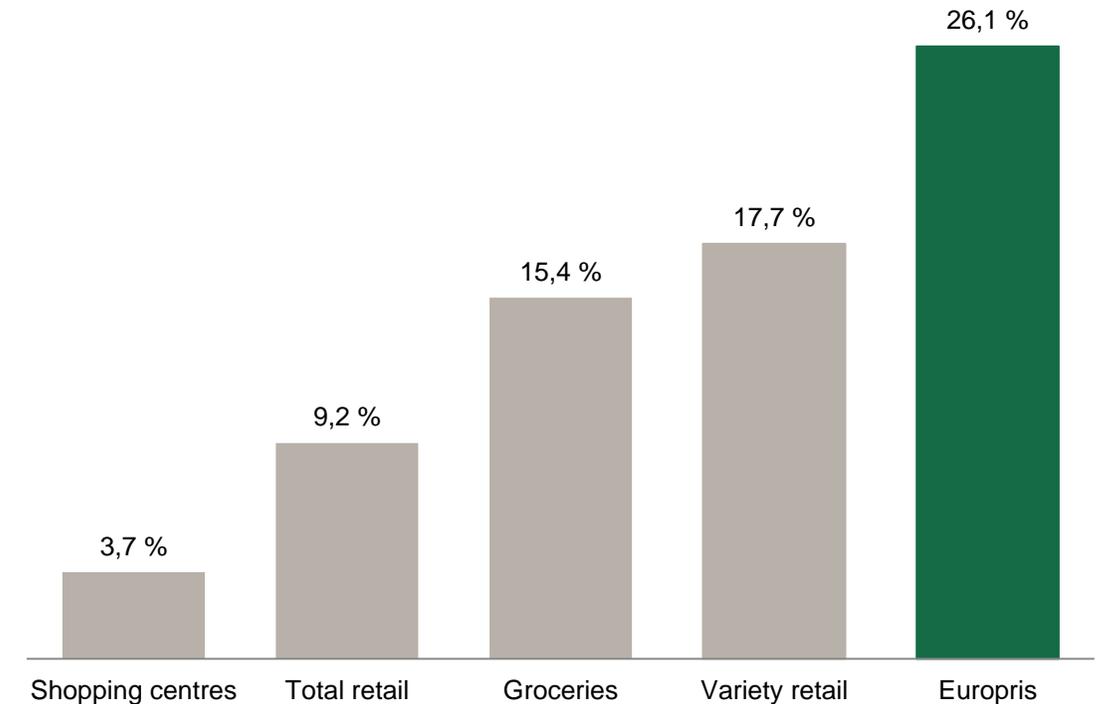


Outperforming a strong variety retail market

- Significantly outperforming the market so far this year
- National infection control measures and closed borders had a major impact on domestic consumption
- Large variations between market segments
 - Variety retail is thriving

Total sales growth development*

Y-o-Y total growth as of end-September (%)

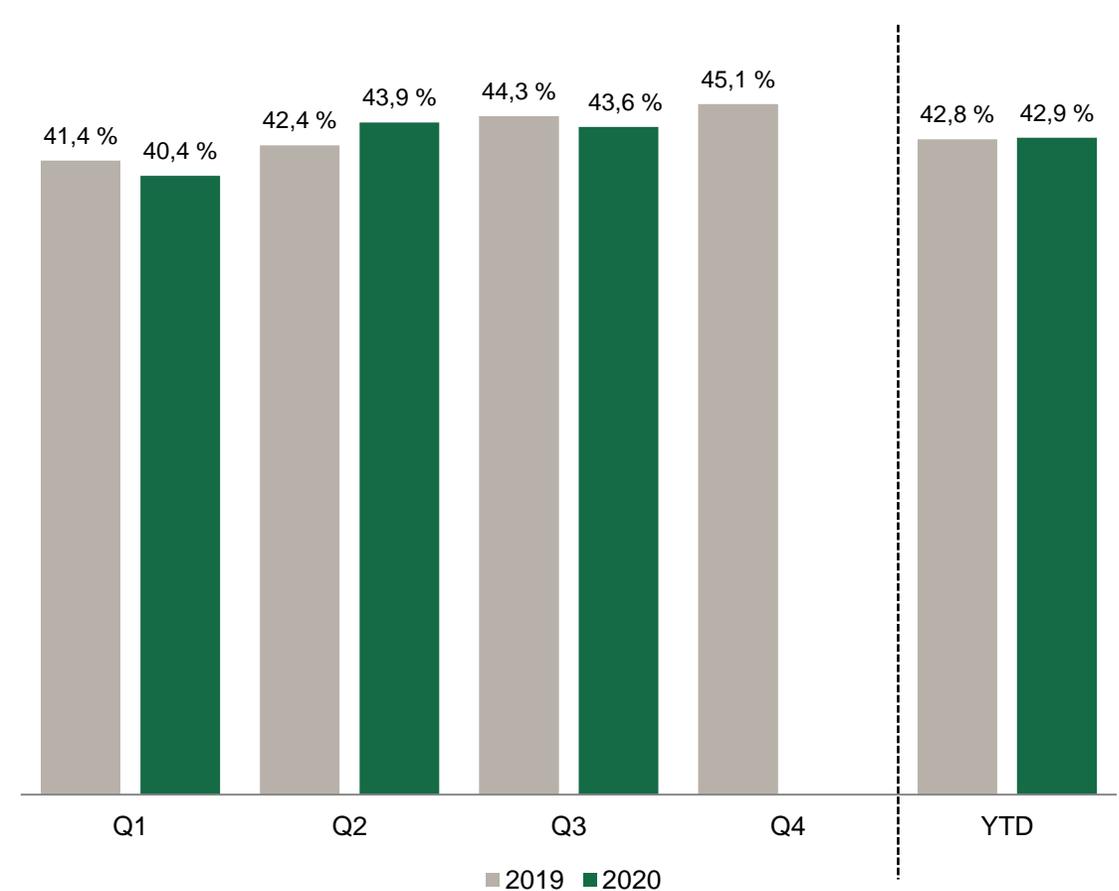


* Source: Kvarud analyse, Shopping Centre Index, Virke retail index (using figures reported by statistics Norway) and Europris

Gross margin development

- Gross margin was 43.6% in Q3 2020 vs 44.3% in Q3 2019
 - NOK 22 million (33) in positive calculation differences from annual stocktaking in the stores, of which NOK 16 million (29) relates to previous quarters
- Adjusting for stocktaking, gross margin was 42.8% (42.6%)
- Stocktaking is delayed due to Covid-19
 - 107 stores (28) will complete annual stocktaking in Q4

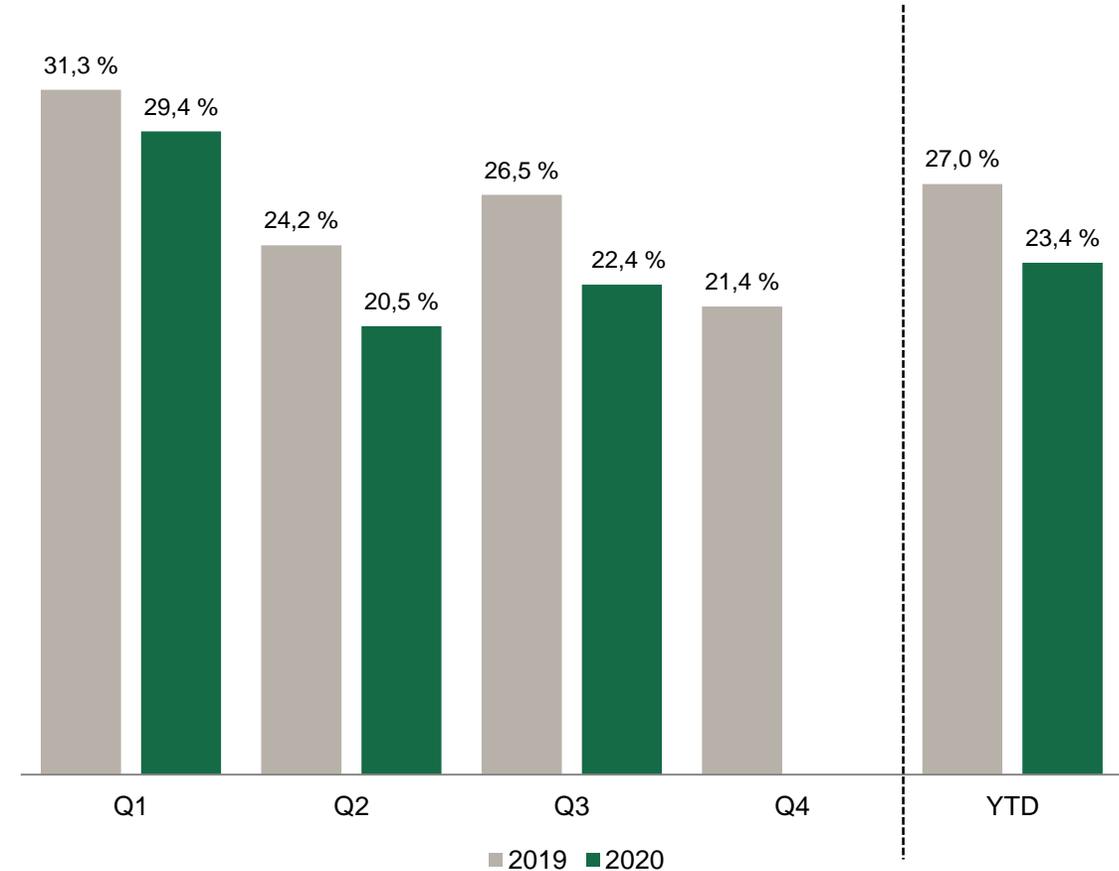
Gross margin



OPEX development

- OPEX was NOK 425 million in Q3 2020 vs. NOK 392 million in Q3 2019, up by 8.7%
 - OPEX ratio was 22.5% (26.5%)
 - Lower ratio due to scale benefits from strong sales growth and cost control
- Number of directly operated stores increased from 230 to 236, up by 2.6%

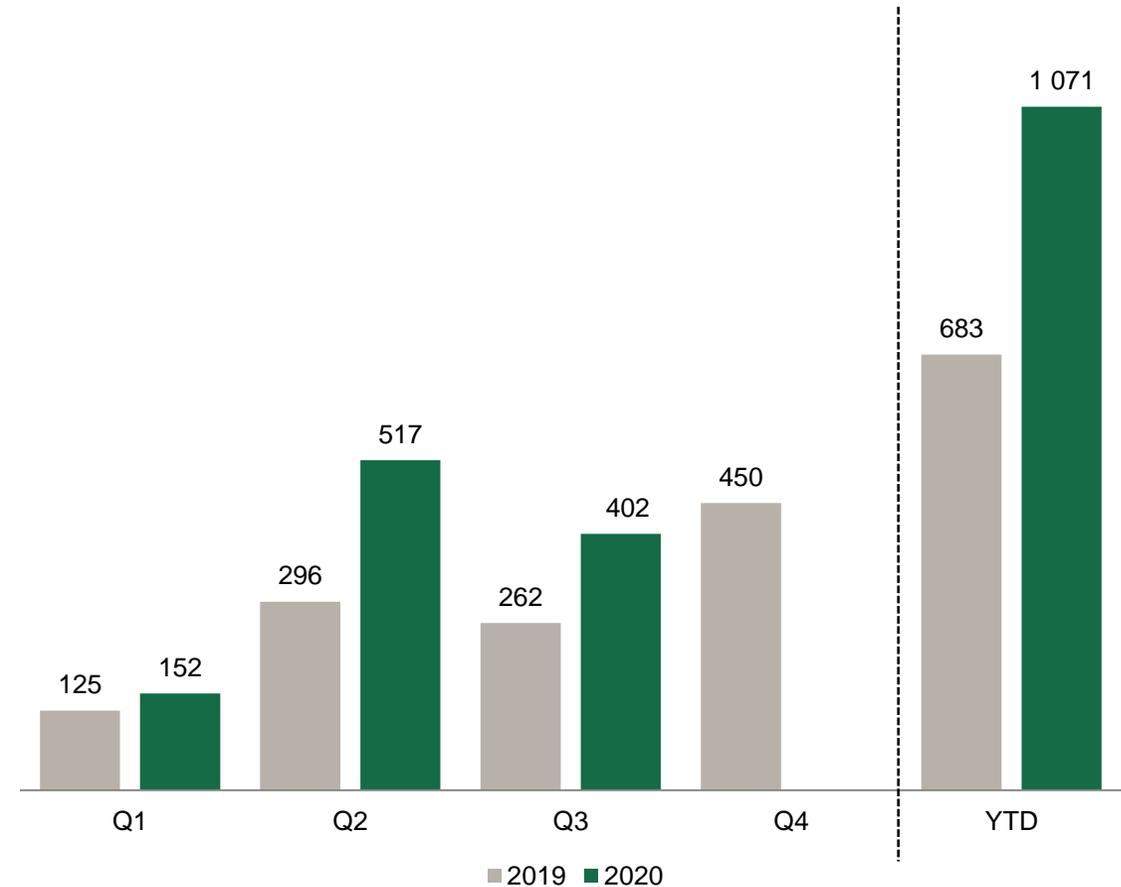
OPEX in % of group revenue



Adjusted EBITDA development

- Adjusted EBITDA was NOK 402 million in Q3 2020 vs NOK 262 million in Q3 2019
- Adjusted EBITDA margin was 21.2% in Q3 2020 vs 17.8% in Q3 2019
- Adjusted EBITDA affected by
 - High sales growth
 - Strong gross margin management
 - Continued good cost control

Adjusted EBITDA (NOK million)



Cash flow

- Net change in working capital in the first nine months was positive at NOK 18 million (negative 179)
 - Affected by timing differences for accounts payable and payment of other provisions and accruals
- Net debt at 30 September 2020 was NOK 2,822 million (3,579)
- Cash and liquidity reserves at the end of the quarter was NOK 1,430 million (463)

Cash flow, NOK million	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Cash from operating activities	242	258	868	306
<i>- of which change in net working capital</i>	<i>(81)</i>	<i>18</i>	<i>18</i>	<i>(179)</i>
Cash used in investing activities	(15)	(26)	(90)	(98)
Cash from financing activities	(310)	(209)	(1,302)	(607)
Net change in cash	(83)	23	(524)	(400)
Cash at beginning of period	127	4	568	427
Cash at end of period	44	27	44	27

Our strategic focus areas



Strengthen price
and cost position



Improve customer
experience



Drive customer
growth





Strengthen price
and cost position



Improve customer
experience



Drive customer
growth

In progress with new warehouse transition

2019	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• H1: Start of automated shuttle solution in low-bay area• H1: All distribution out of the new warehouse in Moss
2022	<ul style="list-style-type: none">• 28 February: Lease expires at the largest warehouse, Øra in Fredrikstad• Total reduction in opex/group revenue ratio expected between 0.75 to 1.25 percentage points after the transition period

Timeline is based on estimations as of Q3 2020

ÖoB financial and transaction update

- ÖoB grew sales by 6.7% YTD to SEK 3,076 million (2,882)
 - Highest sales growth in Q1, driven by Covid-19 outbreak
 - Growth YTD driven by an increase in the basket while number of customers are slightly reduced
 - Suburban stores performing well while stores close to the Norwegian boarder and some city stores have experienced lower traffic
- EBITDA YTD was SEK 24.6 million (20.3)*
 - Lower gross margin due to sales mix change and realization of old items
 - Increased distribution costs to stores
- Financial due diligence scheduled to commence in Q4
 - Forms the basis of the preliminary purchase price if option is exercised
 - Option period of six months from agreement on ÖoB's 2019 financials





Strengthen price
and cost position



Improve customer
experience



Drive customer
growth

New sustainable alternative products

- Sustainability for everyone - at low prices!
- Europris sees sustainability as an opportunity - for the environment, customers and business
- Effekt (private label) with a new range of sustainable products in the washing and cleaning category
 - 100% vegan
 - 100% recycled Norwegian plastic for packaging
 - Effekt is sold in both Europris and ÖoB's stores and with large volumes, production costs can be reduced and prices kept low



Europris private label Effekt's new sustainable product line

Campaigns – important to the concept

- Important to deliver on campaigns to new and existing customers, even at this exceptional time
 - Serves as key traffic generator to stores
 - Supports and strengthens the price position
 - Improves customer loyalty and satisfaction
- During Covid-19 demand increased more than expected and purchases were planned for
 - Maintained the campaign pressure, but adjusted the product offering to avoid sold-out situations
- Organisation drilled in quick changes between seasons and campaigns
 - Making sure customers get the goods they want and need
 - Flexibility in the concept is a competitive advantage in times of rapid changes in the market





Strengthen price
and cost position



Improve customer
experience

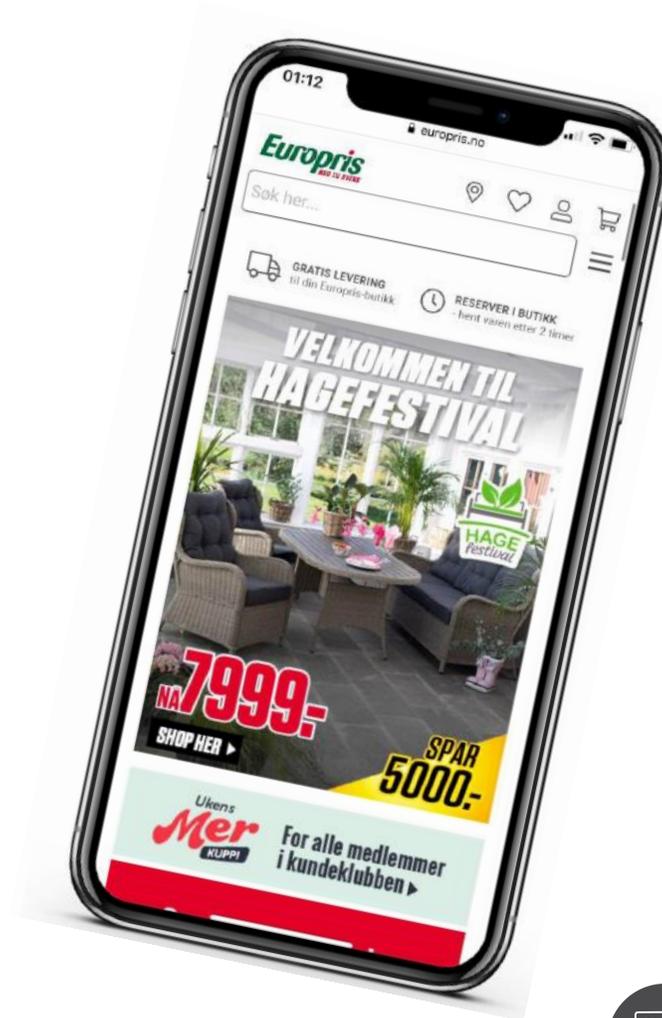


Drive customer
growth



Continued positive trend for e-commerce

- E-commerce grew by 106% in Q3 and accounted for 0.9% of chain sales
 - Home deliveries grew by 57%
 - Click and collect grew by 119% and accounted for 84% of e-commerce sales
- Bridging e-commerce and physical stores
 - Possibility to collect at any of the chains 265 stores
 - Store employees offers valuable service and support for customers
- 2.2 million website sessions a month
 - Value data used to further develop the concept
 - Focus is to convert internet traffic into sales
 - Important to have a functional and user-friendly e-com solution
 - Many customers start their shopping trip online and end up in one of the chain's physical stores
- The Mer customer club continues to attract newcomers
 - 612,000 members at 30 September



Healty pipeline of new stores

- One new store opening and one store relocation in Q3
 - New store at Lindås, Vestland
 - Relocation of the store in Stryn, Vestland
- Healty pipeline of new stores
 - Three new stores added to the pipeline in Q3
 - Eight stores in pipeline for 2020 and beyond, including two city concept stores in Oslo and one in Bergen
- Location of stores has a significant impact on the group's visibility and footfall
 - Constantly on the look-out for prime store locations
 - See considerable potential for new stores and store relocations
 - Europris' consistent performance makes us an attractive tenant



The team at Europris Lindås



The opening day at Europris Lindås

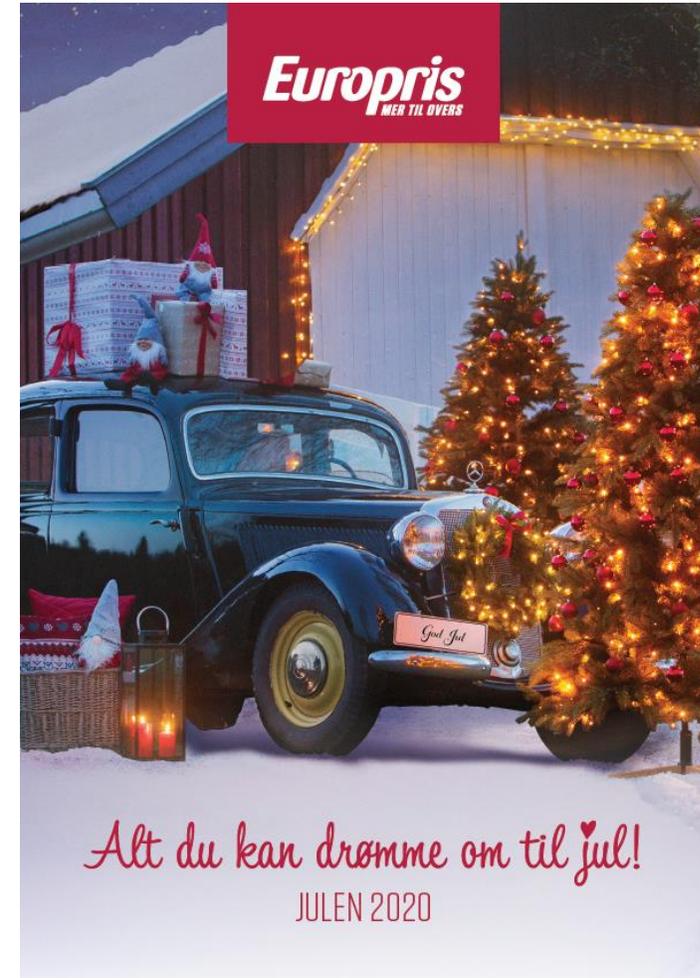


Outlook



Outlook

- Strong development in 2020 with profitable growth under current Covid-19 conditions
 - Sales growth trend stable throughout Q3 and into the first weeks of October
 - Long-term effect of Covid-19 depends on how the pandemic develops and the magnitude of infection control measures in society
- Financial due diligence of ÖoB scheduled to commence in Q4
- Well prepared for the important Christmas season



Europris Christmas catalog 2020

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



Q&A

Next event: Q4 presentation 4 February 2021

Appendix

Content

Status on ÖoB

Sales days and store projects

Analytical information

Alternative Performance Measures (APM's)

A low-risk synergistic partnership today

Potential for true European scale tomorrow

Strategic initiatives

Increase profitability of ÖoB

Store initiatives (incl. ÖoB 2.0)

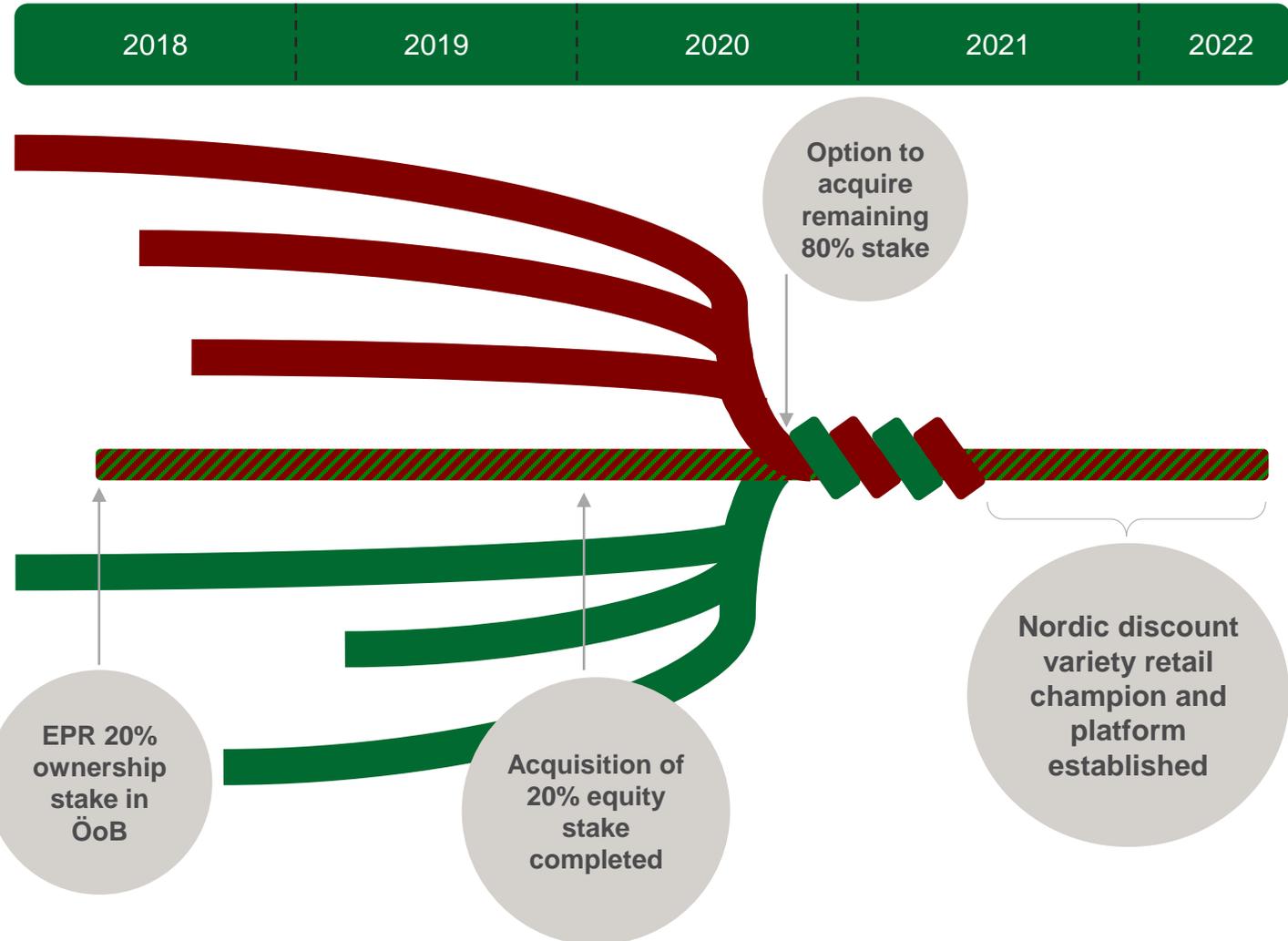
Sharing best practice

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 Europris at a total cost price of NOK 98 million
- Share for share transaction, settled by treasury shares
- 2.6% ownership stake in Europris (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

Sales days and store projects

Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2019	76	71	79	80	306
2020	77	72	79	80	308
2021	76	71	79	81	307

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	-	1	2	4
Store closures	-	1	-	1	2
Relocations	1	-	1	-	2
Modernisations	2	5	2	2(1)	11(1)

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)

¹ All figures are approximations and subject to change without further notice

Analytical info: New warehouse

NOK million	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	2021	2022
Investments								
IT, office equipment and other (Capex)	28	1.5	3.9	1.0	~	~6	~	~
Automation, part 1 (lease)	52	15.9		2.8	~9.4	~28	~	~
Automation, part 2 (Capex)	65	1.5	21.6	0.6	~28.4	~52	~	~

Depreciation of automation part 1 starts in Q4 2020 and depreciation of automation part 2 starts in Q1 2021

OPEX items

Ordinary rent	68	17.9	17.1	16.3	~16.3	~68	~45	~39
Redundant warehouse capacity in 2019/2020 and Øra lease from H2 2021 (lease ends March 2022)	14	2.9	3.4	~	~	~6	~26	~
Non-recurring moving expenses	5	2	1.5	~0.3	~	~4	~3-5	~

No material changes from previous estimates

Alternative performance measures (APMs)

APMs are used by Europris for annual and periodic financial reporting in order to provide a better understanding of Europris financial performance and are also used by management to measure operating performance. In the discussion of the reported operating results, financial position and cash flows, Europris refers to these measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. Europris management makes regular use of these Alternative Performance Measures and is of the opinion that this information, alongside with comparable IFRS measures, is useful to investors who evaluate the group's financial performance. APMs are adjusted IFRS figures defined, calculated and used in a consistent and transparent manner and should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

Total retail sales are retail sales from all stores, both directly operated and franchise stores.	Adjusted earnings per share is Adjusted net profit divided by the current number of shares, adjusted by the average of treasury shares.
COGS excluding unrealised foreign exchange effect is the cost of goods sold except for unrealised gains or losses on the foreign currency derivatives and unrealised foreign currency exchange gains and losses on inventory trade payables.	Working capital is the sum of inventories, trade receivables and other receivables less the sum of accounts payable and other current liabilities.
Gross profit represents group revenue less the cost of goods sold excluding unrealised foreign currency effects.	Capital expenditure is the sum of purchases of fixed assets and intangible assets.
Gross margin is gross profit represented as a percentage of group revenue.	Financial debt is the sum of term loans and financial leases.
Opex is the sum of employee benefits expense and other operating expenses.	Net debt is the sum of term loans and financial leases less bank deposits and cash.
EBITDA (earnings before interest, tax, depreciation and amortisation) represents Gross profit less Opex.	Directly operated store means a store owned and operated by the group.
Non-recurring items are expenses which by nature are related to special events outside normal course of business (e.g IPO costs, moving cost, rent for vacated warehouse).	Franchise store means a store operated by a franchisee under a franchise agreement with the group.
Adjusted EBITDA is EBITDA adjusted for non-recurring items.	Chain means the sum of directly operated stores and franchise stores.
Adjusted profit before tax is profit before tax adjusted for non-recurring items.	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.
Adjusted net profit is net profit adjusted for non-recurring items.	