

Q1 2021 presentation

29 April 2021

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Europolis - Norway's #1 discount variety retailer



Customers

- 36 million customer transactions in 2020
- Widely recognised brand and price position¹
- Increasing market share and gaining new customers



Marketing

- 1 million leaflets in distribution
- 585 000 subscribers to digital newsletter
- 780 000 members in the Mer customer club



Stores

- Cost-efficient locations and operations
- 100% of like-for-like (LFL) stores profitable in 2020
- Track-record of 10-15 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 mid-2019



Sourcing

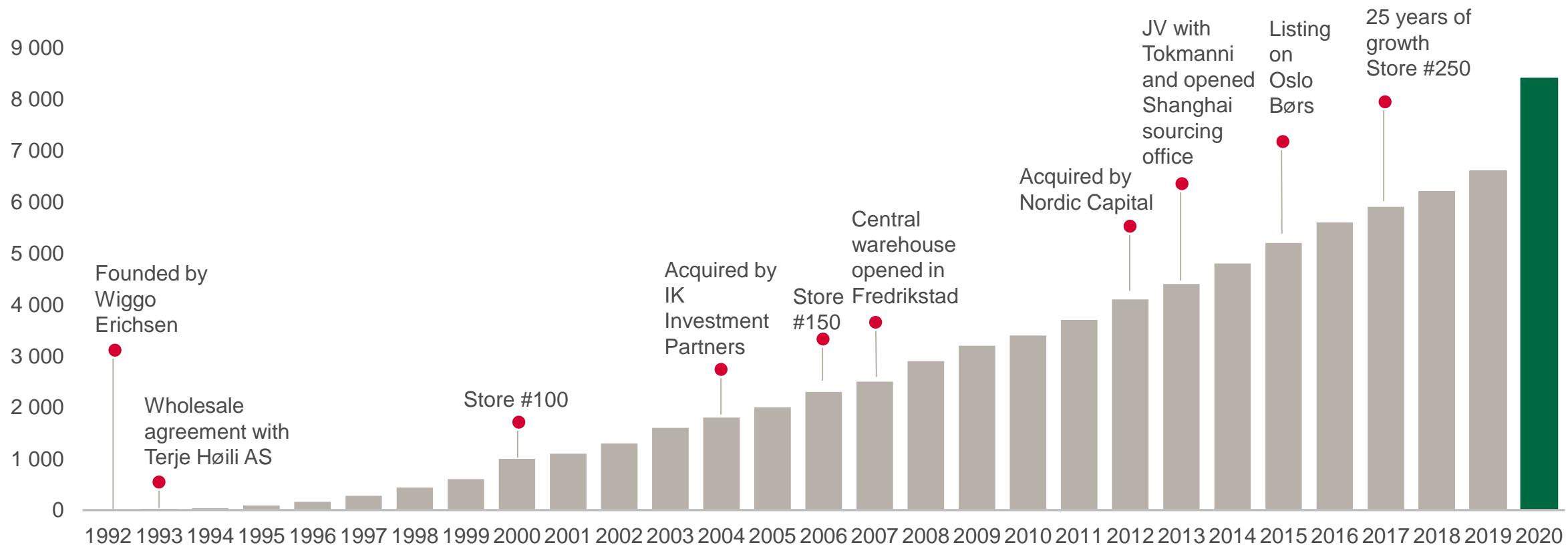
- From more than 30 countries
- Pan-Nordic agreement with ÖoB and Tokmanni



¹ Mediacom annual market survey

28 years of consecutive growth

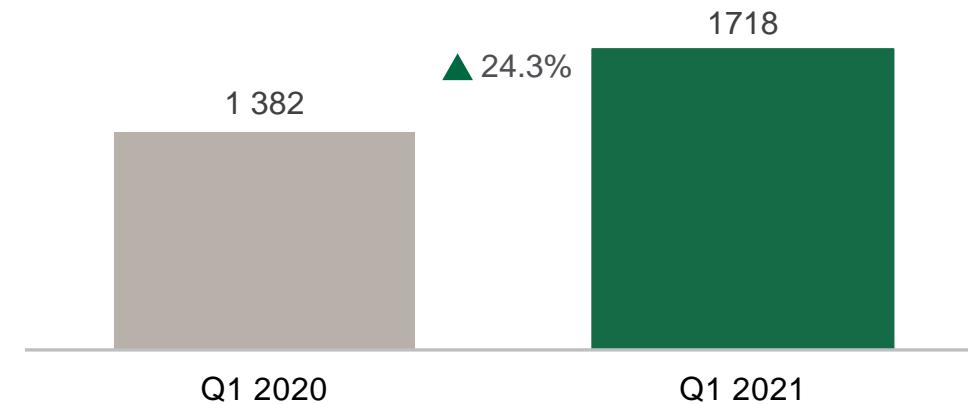
NOK million



Best first quarter performance ever

- Sales of NOK 1,718m, growth of 24.3%
 - Strong sales of seasonal goods
 - Positive effects from timing of Easter
 - On average 10% of stores temporarily closed due to the pandemic
- Gross margin of 43.3%, an improvement of 0.7%-p
 - Successful upgrade of Home category
- Operational efficiency continued to improve
- Strong improvement in profitability
 - EBITDA increased by 64% to NOK 292m
- Continued strong financial position
 - Cash and liquidity reserves of NOK 1,526m (966m)

Group sales (NOK million)



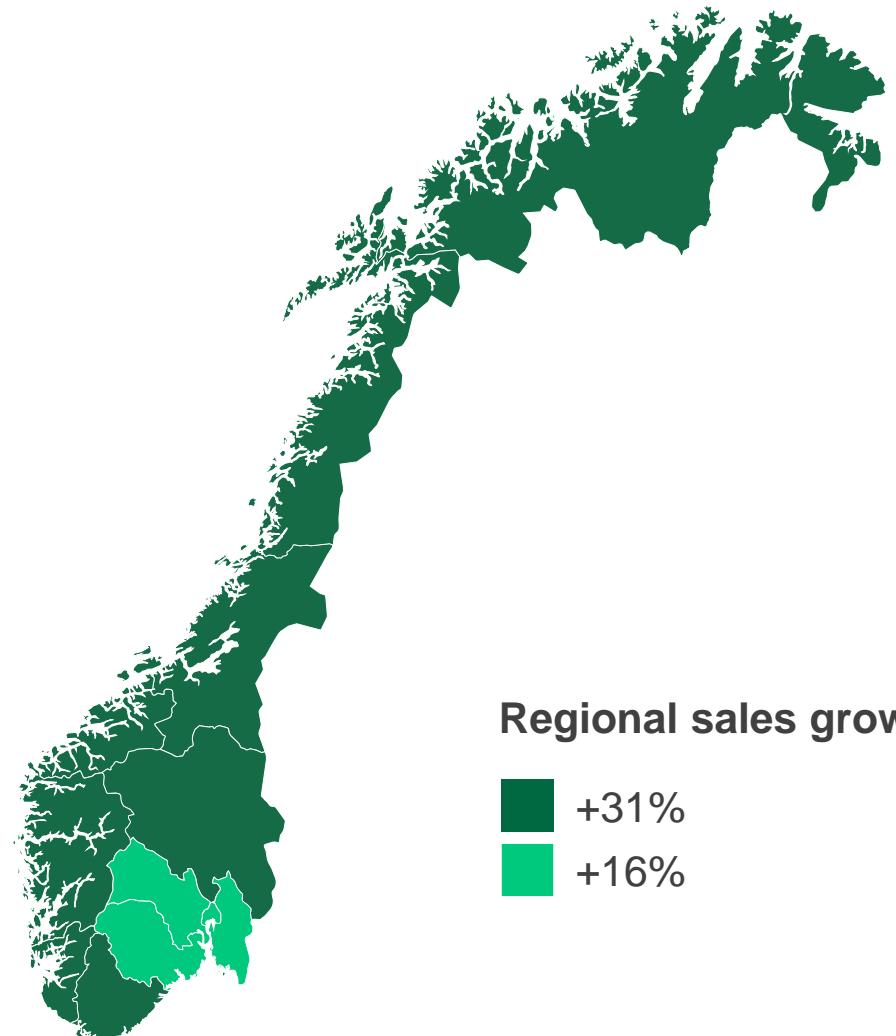
Net profit (NOK million)



On average 10% of stores temporarily closed due to the pandemic

Europrix
MER TIL OVERS

- Imposed measures rapidly changing with short response time
 - Temporarily closure of stores escalating mid-March
 - Closed stores varying from 5 in to 94 in Q1
- 19 closed stores as of 27 April



Swift actions to remedy store closures

Europris
MER TIL OVERS

- New sales platforms established
 - Call or e-mail orders to stores
- Click-and-collect solutions improved
 - Technical solutions upgraded
 - Available product range expanded
- Increased focus on B2B targeted sales
- Accelerated e-com sales
- 10-15% of normal sales in closed stores
 - Positive employment effects
- Remarkable effort from employees

Nå selger også billigbutikkene bra på nett - det kan gi lavere rabatter, tror ekspert

Nå går nettsalget unna også hos billigbutikkene. Handelsekspert tror butikkene kan sette opp prisene fordi kundene er villige til å betale mer for varene.

DN+ 2 min Publisert: 06.04.21 – 03.53 Oppdatert: 15 dager siden



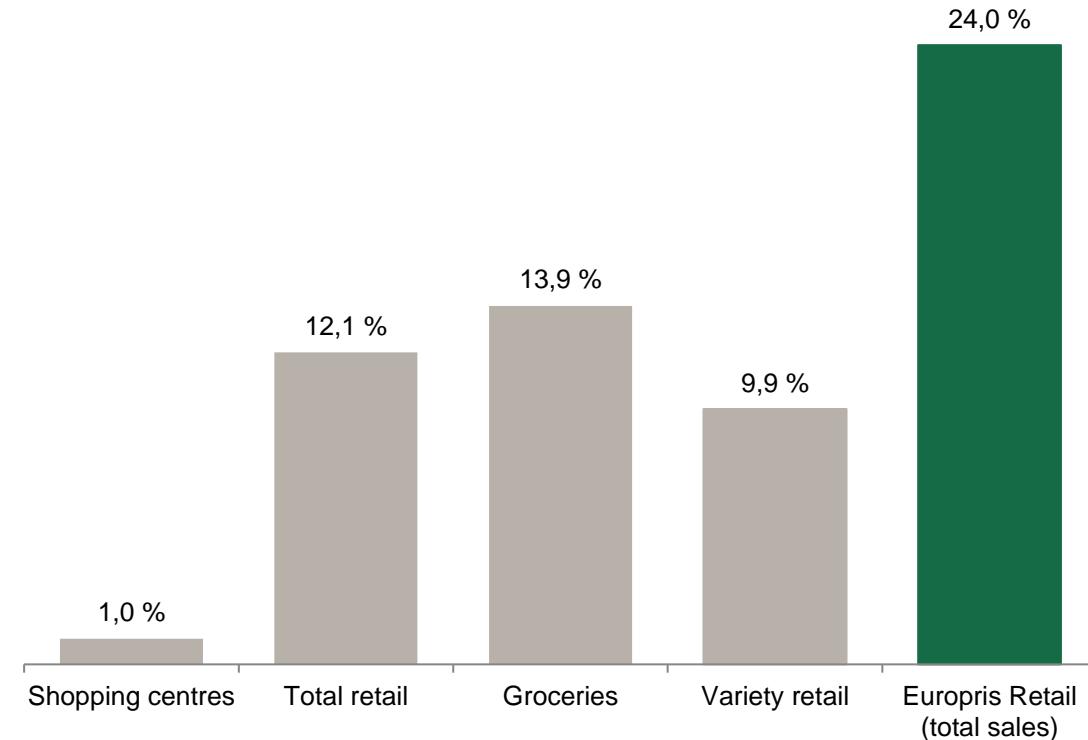
Europris-sjef Espen Eldal ser på hvordan butikken i Fredrikstad har organisert seg med vareutlevering under nedstengingen. Nå velger flere av kundene netthandel. (Foto: Elin Høyland)

Continued outperformance of a mixed market

- Significantly outperforming the market and gaining market share
- Mixed effects of Covid-19 in the market
 - Groceries continue to benefit from closed borders and «staycation» during Easter holiday
 - Shopping centres significantly affected by the temporary closure of stores in Oslo and Viken

Total sales growth development*

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

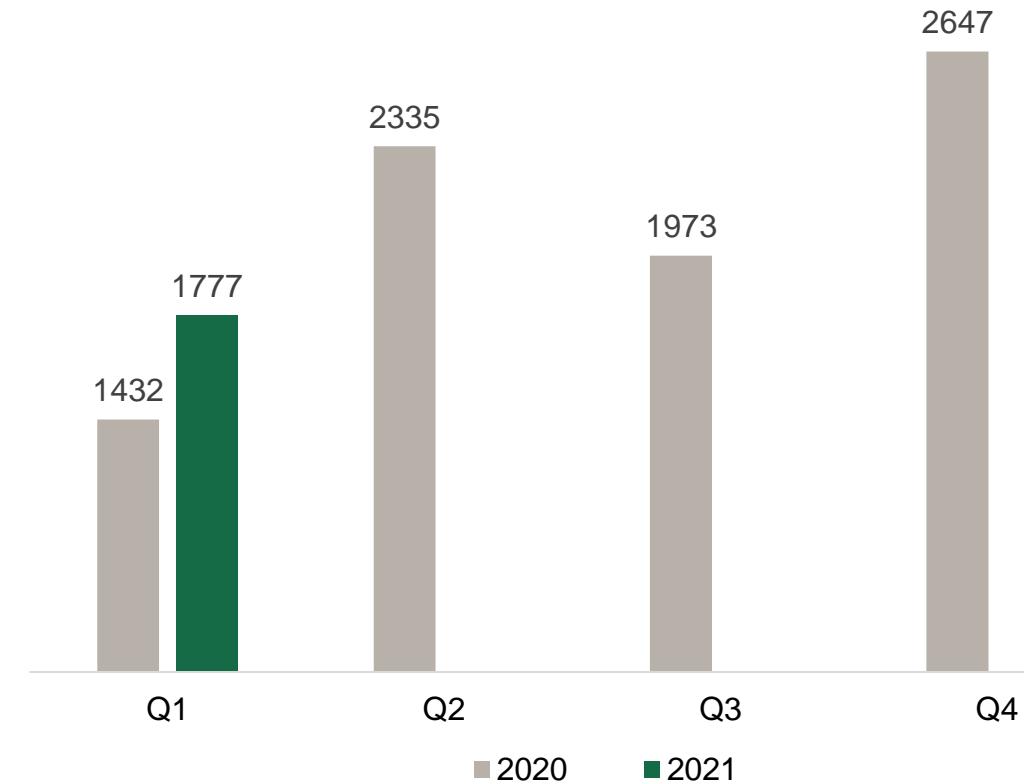




Strong sales development

- Total chain sales* growth of 24.0% in Q1
 - 23.5% like-for-like total chain sales* growth
 - Positive sales impact from domestic demand owing to Covid-19
 - Positive effect from timing of Easter
 - Cold winter led to high sales of seasonal items
 - On average 10% of chain stores closed during the quarter
- Sales growth for all categories
 - Double digit sales growth for most categories
- Sales growth largely driven by basket size
 - More articles
 - Higher average price

Total chain sales* per quarter (NOK million)

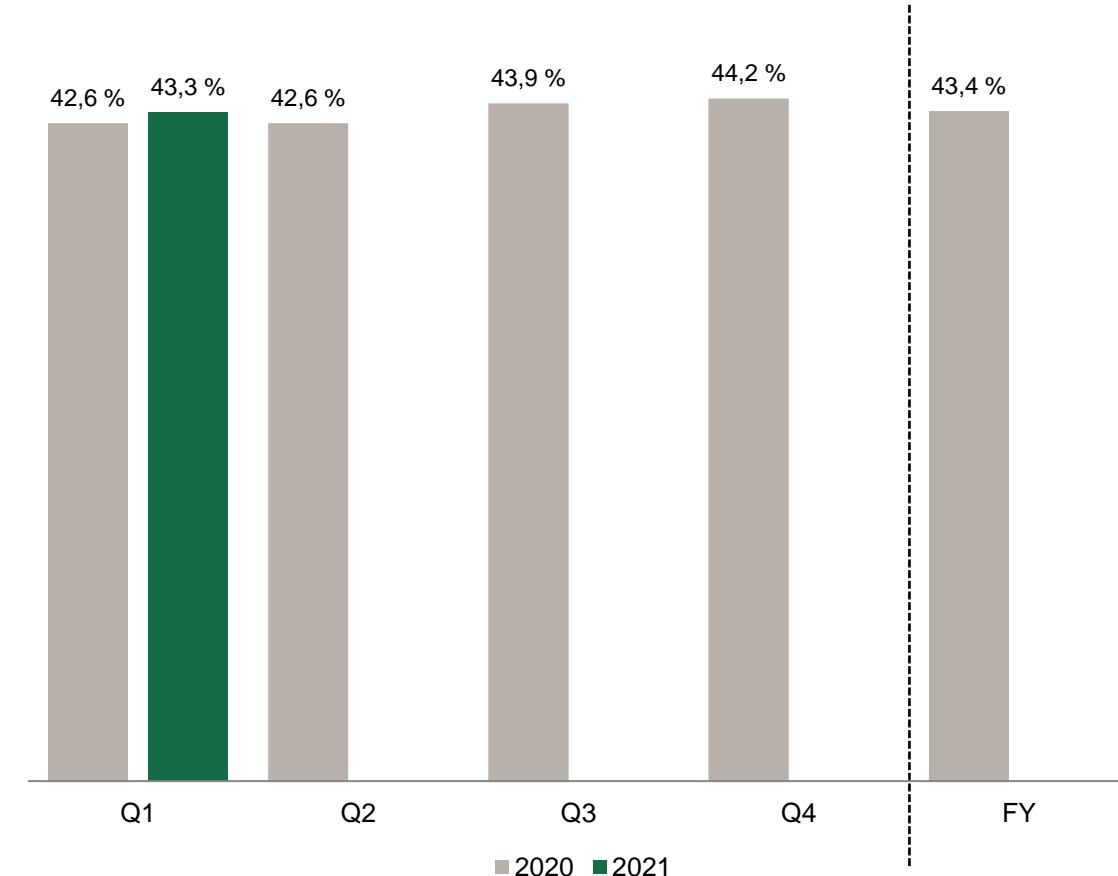


* Sales from the entire chain; all stores, both directly operated by the group and the franchise stores (267 stores)

Category refinement leads to margin growth

- Gross margin of 43.3% in Q1 2021, up 0.7%-p
 - Strong sales of seasonal winter items
 - Category development initiatives
- Net unrealised gain on hedging contracts and accounts payable of NOK 21m (gain of 31)

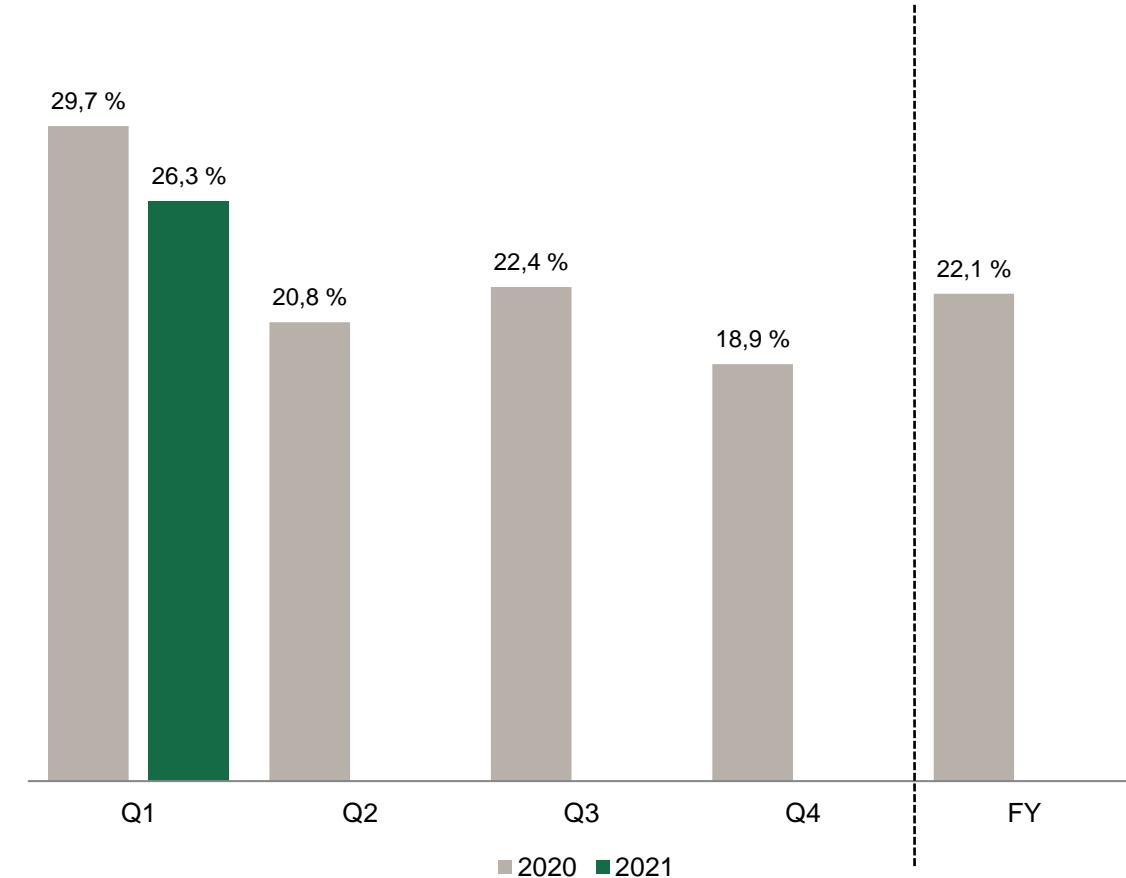
Gross margin



Operational efficiency continues to improve

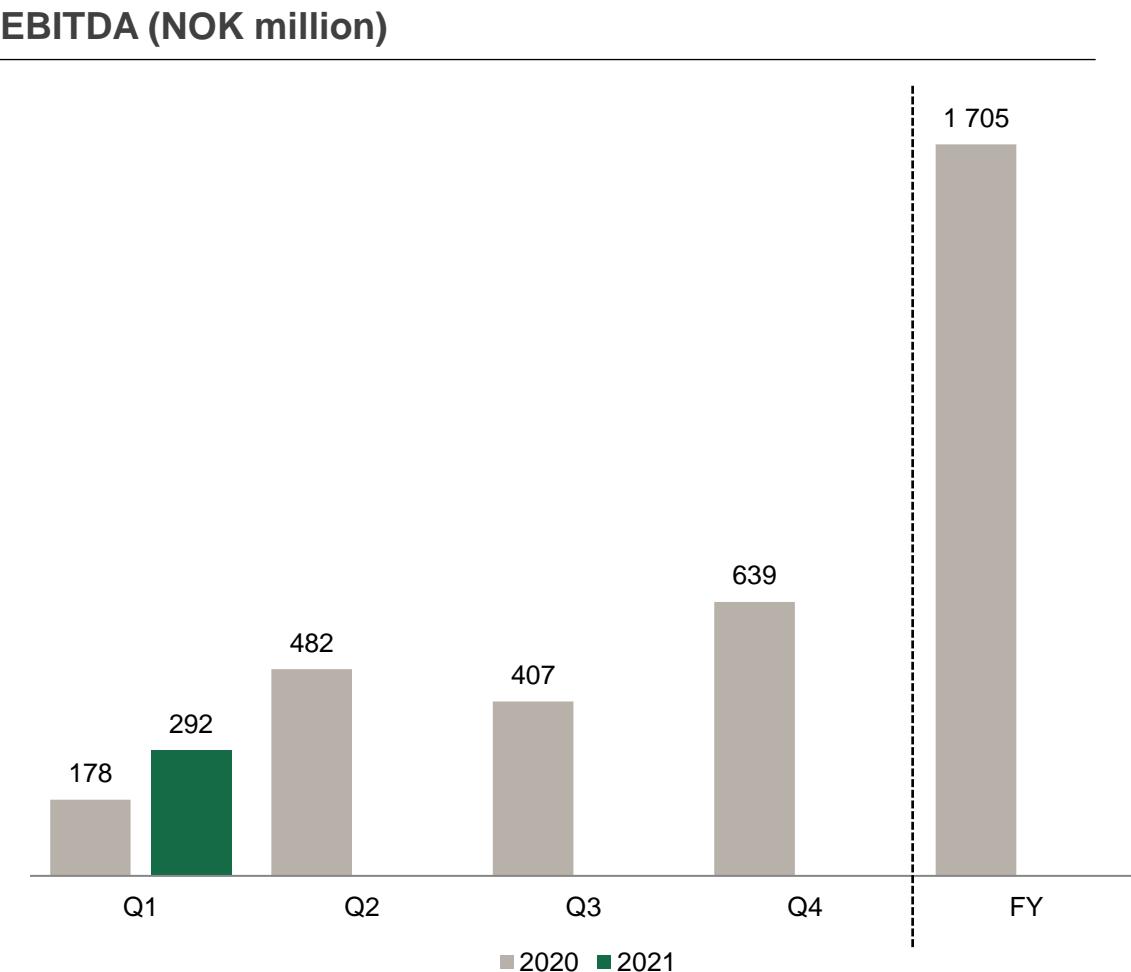
- OPEX was NOK 452m in Q1 2021, up by 10%
 - OPEX-to-sales ratio was 26.3% (29.7%)
 - Continued good cost control and operational efficiency
- Number of directly operated stores increased from 235 to 239, up by 1.7%

OPEX-to-sales ratio



Record high first quarter EBITDA

- EBITDA was NOK 292m in Q1 2021, up by 64%
- EBITDA margin was 17.0% in Q1 2021, up 4.1%-p
- EBITDA affected by
 - Sales growth
 - Improved gross margin
 - Continued good cost control



Solid cash and liquidity position

- Net change in cash Q1 2021 was negative with NOK 399m (negative with 490)
 - Negative effect from net working capital, driven by higher inventory level and a reduction in accounts payable
 - Less cash from financing activities vs last year due to net loan repayment from the refinancing last year
- Net debt of NOK 2,749m as of 31 March (3,511)
- Cash and liquidity position as of 31 March of NOK 1,526m (966)

<u>Cash flow, NOK million</u>	<u>Q1 2021</u>	<u>Q1 2020</u>	<u>FY 2020</u>
Cash from operating activities	(268)	(199)	1,705
- of which change in net working capital	(495)	(281)	255
Cash used in investing activities	(21)	(32)	(112)
Cash from financing activities	(110)	(259)	(1,621)
Net change in cash	(399)	(490)	(28)
Cash at beginning of period	540	568	568
Cash at end of period	141	78	540

Our strategic focus areas



Strengthen price
and cost position



Improve customer
experience



Drive customer
growth





Strengthen price
and cost position



Improve customer
experience

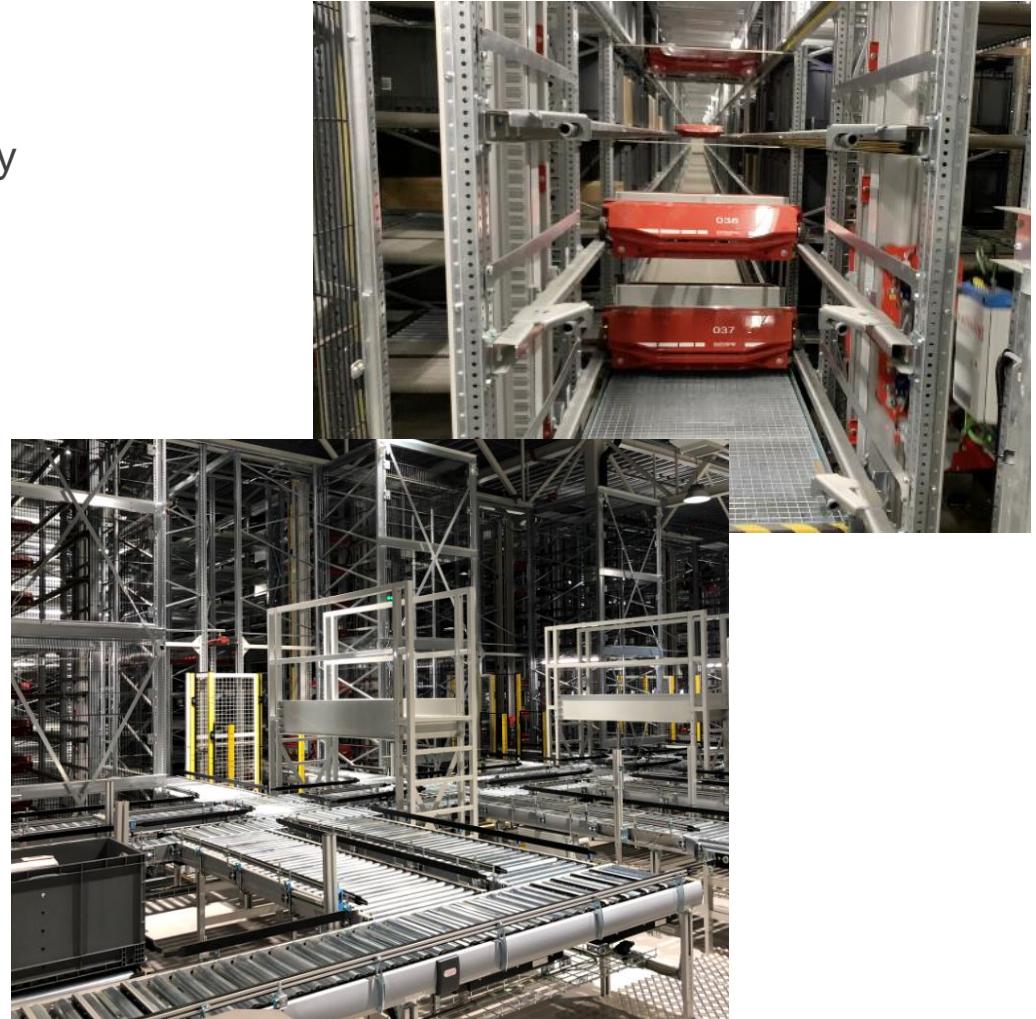


Drive customer
growth



Acceptance test for automation passed

- Acceptance test for the automatic shuttle system in the low-bay area was approved in Q1
 - Will make picking of goods more efficient
 - A controlled ramp-up is in progress
- Delayed exit from the old central warehouse
 - Will be used to manage seasonal products for spring/summer
 - New plan for exit will be decided after the summer season



Warehouse transition on track



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• Q4: All distribution out of the new warehouse in Moss – <i>changed from Q3</i>
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 (compared to 2017 figures)

Timeline is based on estimations as of Q1 2021

ÖoB financial and transaction update

Europ pris
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- ÖoB had sales of SEK 839m in the first quarter, a decline of 10.4%
- EBITDA was SEK -36.6m (SEK -25.3m)
 - Improved gross margin of 1.6%-p
 - Lower OPEX of SEK 6 million (lower rent and marketing costs)
- Still searching for an external expert to review 2019 financials after due diligence disagreements on 2019 EBITDA
 - 2019 EBITDA forms the basis of the preliminary purchase price if option is exercised
 - Option period of six months from agreement on ÖoB's 2019 financials





Successful upgrade of important Home category

Europ*ris*
MER TIL OVERS

- New Home concept well received
 - Among categories with highest sales growth in Q1
 - High share of own brands
 - Above-average margins
 - Emphasis on base selection requires less category management
- Further development of shop-in-shop for the Home category will continue in 2021
- Acquisition of 67% of the e-commerce store Lunehjem.no
 - Small, but well positioned and profitable company within home and interior





Strengthen price
and cost position



Improve customer
experience



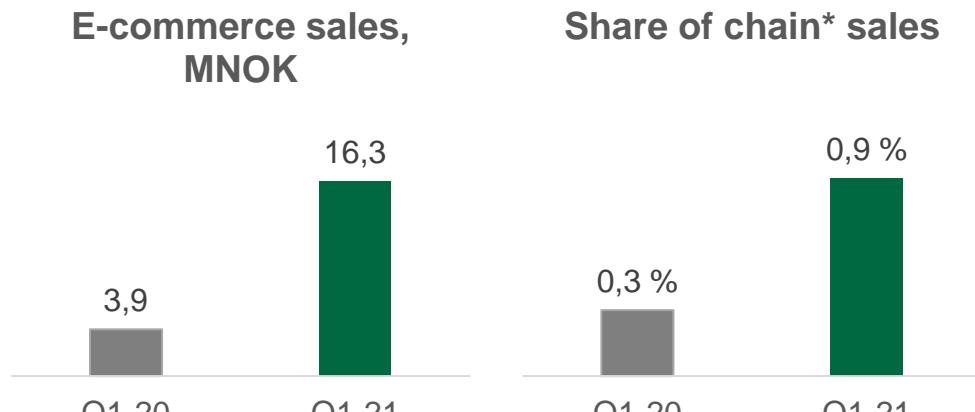
Drive customer
growth



Store closures escalated e-commerce growth

E-commerce

- Growth in all product categories
 - Seasonal products sold well
- Sales growth escalating after higher share of store closures mid-March
- Lower basket value due to widened product range offered online



E-crm

- New search engine launched in the quarter
 - Improved insights from the Mer customer club
- 790,000 Mer customer club members 31 March
 - 90,000 more members vs year-end



Solid performance in new stores

- Latest vintage of new stores has performed in accordance with their strict investment criteria
- One new store opening in Q1
 - Austevoll in Vestland county
- One store relocated in Q1
 - Vågsbygd in Agder county
- Nine stores in pipeline for 2021 and beyond
 - First city concept store in Norway's second largest city, Bergen



The team at Europris Austevoll

Outlook

Europris
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Outlook

- As expected, sales in April have been negatively impacted by timing of Easter and temporary store closures
 - Year to date chain sales growth of 5.5% per 27 April, with on average 13% of the chain's stores closed
 - 19 stores closed at 27 April and open stores continue to perform well
- Well prepared for the spring/summer season
- Favorable market fundamentals
 - Europris well positioned to be a market winner in discount variety retail post Covid-19 outbreak
 - Strong operational performance with swift responses to changes in market conditions
 - Strong culture and remarkable efforts from employees
- Long-term financial and operational ambitions remain unchanged



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



Q&A

Next event: Q2 presentation 15 July 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



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

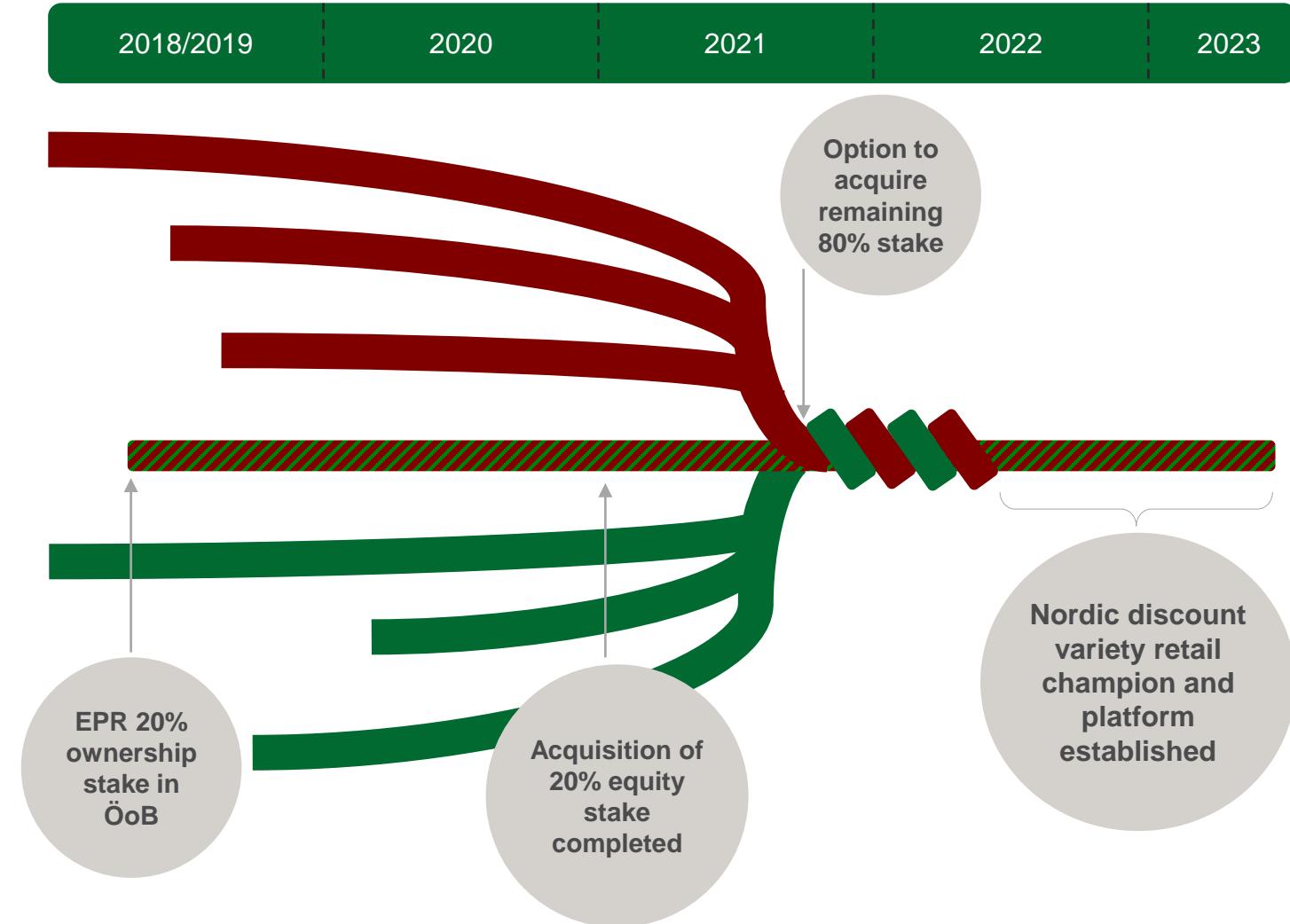
2018/2019

2020

2021

2022

2023



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 Europis at a total cost price of NOK 98 million
- Share for share transaction, settled by treasury shares
- 2.6% ownership stake in Europis (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
2020	77	72	79	80	308
2021	76	71	79	81	307
2022	76	72	79	81	308

Number of store projects (franchise projects in brackets)

2020	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)

2021E	Q1	Q2	Q3	Q4	Total
New stores	1	1	2	2	6
Store closures	-	-	-	-	-
Relocations	1	2	1	2	6
Modernisations	4	3	2	3	12

Note: Number of projects in 2021 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 60-75 million in revenue and NOK 12-15 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

Analytical info: New warehouse

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

IT, office equipment and other (Capex)	28	8	1.5	~1.9	~1.9	~1.9	~7	~7
Automation, part 1 (lease)	52	28	-	~	~	~	~	~
Automation, part 2 (Capex)	65	24	0.2	~35.2	~	~	~35	~

OPEX items

Ordinary rent	68	67	16.5	~16.5	~16.5	~10.1	~60	~41
Non-recurring rent	14	9	-	~	~	~10.7	~11	~
Non-recurring moving expenses	5	4	-	~	~	~2.4	~2	~

No material changes since last reporting.

Alternative performance measures (APMs)

APMs are used by Europis for annual and periodic financial reporting in order to provide a better understanding of the group's financial performance. APMs are considered as well-known and frequently used by users of the financial statements and are also used in internal reporting and by management to measure operating performance.

Gross profit / gross margin

Gross profit is defined as Total operating income minus the cost of goods sold (COGS). The gross profit represents revenue that the group retains after incurring the direct costs associated with the purchase of the goods. Gross margin is defined as gross profit divided by total revenue and is useful for benchmarking direct costs associated with the purchase of the goods vs total revenues.

Opex

Operating expenses (Opex) is the sum of employee benefits expense and other operating expenses. It is useful to look at cost of these two components combined, as they compose a large part of the fixed operating costs. The Opex-to-sales ratio divides the Opex by Total operating income and is useful for benchmarking this cost base vs the development in sales.

EBITDA / EBITDA margin

EBITDA is earnings before interests, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangibles. EBITDA is a well-known and widely used term among users of the financial statements and is useful when evaluating operational efficiency on a more variable cost basis as they exclude amortisation and depreciation expense related to capital expenditure. EBITDA margin is EBITDA divided by Total operating income and is useful for benchmarking this profitability parameter vs the development in sales.

EBIT

EBIT is earnings before interest and taxes and is the same as the IFRS definition of operating profit. EBIT is a well-known and widely used term among the users of the financial statements and is useful when evaluating operational profitability. EBIT margin is EBIT divided by Total operating income, and thus the same as Operating profit divided by Total operating income.

Working capital

Working capital is the sum of inventories and trade receivables and other receivables less the sum of accounts payable and other current liabilities. Net change in working capital is the change in the mentioned parameters; i.e., net change in working capital is the sum of change in inventories and trade receivables and change in other receivables less the sum of change in accounts payable and other current liabilities. Net change in working capital is a well-known and widely used term among the users of the financial statements and is useful for measuring the group's liquidity, operational efficiency and short-term financial conditions.

Capital expenditure

Capital expenditure (Capex) is the sum of purchases of fixed assets and intangible assets as used in the cash flow. Capex is a well-known and widely used term among the users of the financial statements and is a useful measure of investments made in the operations when evaluating the capital intensity.

Financial debt

Financial debt is the sum of borrowings and lease liabilities. Financial debt is useful to see total debt as defined by IFRS.

Cash and liquidity reserves

Cash and liquidity reserves is defined as available cash plus available liquidity through overdraft and credit facilities. This measure is useful to see total funds available short term.

Total chain sales

Total chain sales are sales from all chain stores, that is both directly operated and franchise stores. This KPI is an important measure of the performance of the total Europis chain and considered useful in order to understand the development of the entire chain, regardless of ownership structure of stores. Like-for-like growth is defined as the growth in total chain sales for stores that have been open for every month of both the previous and the current calendar year.

Directly operated store

Directly operated store means a store owned and directly operated by the group.

Franchise store

Franchise store means a store operated by a franchisee under a franchise agreement with the group.

Chain

Chain means the sum of directly operated stores and franchise stores.