

# Q3 2021 presentation

4 November 2021

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# Euopris - Norway's #1 discount variety retailer

**Euopris**  
MER TIL OVERS



## Customers

- 36 million customer transactions in 2020
- Widely recognised brand and price position<sup>1</sup>
- Increasing market share and gaining new customers



## Marketing

- 1 million leaflets in distribution
- 663 000 subscribers to digital newsletter
- 958 000 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

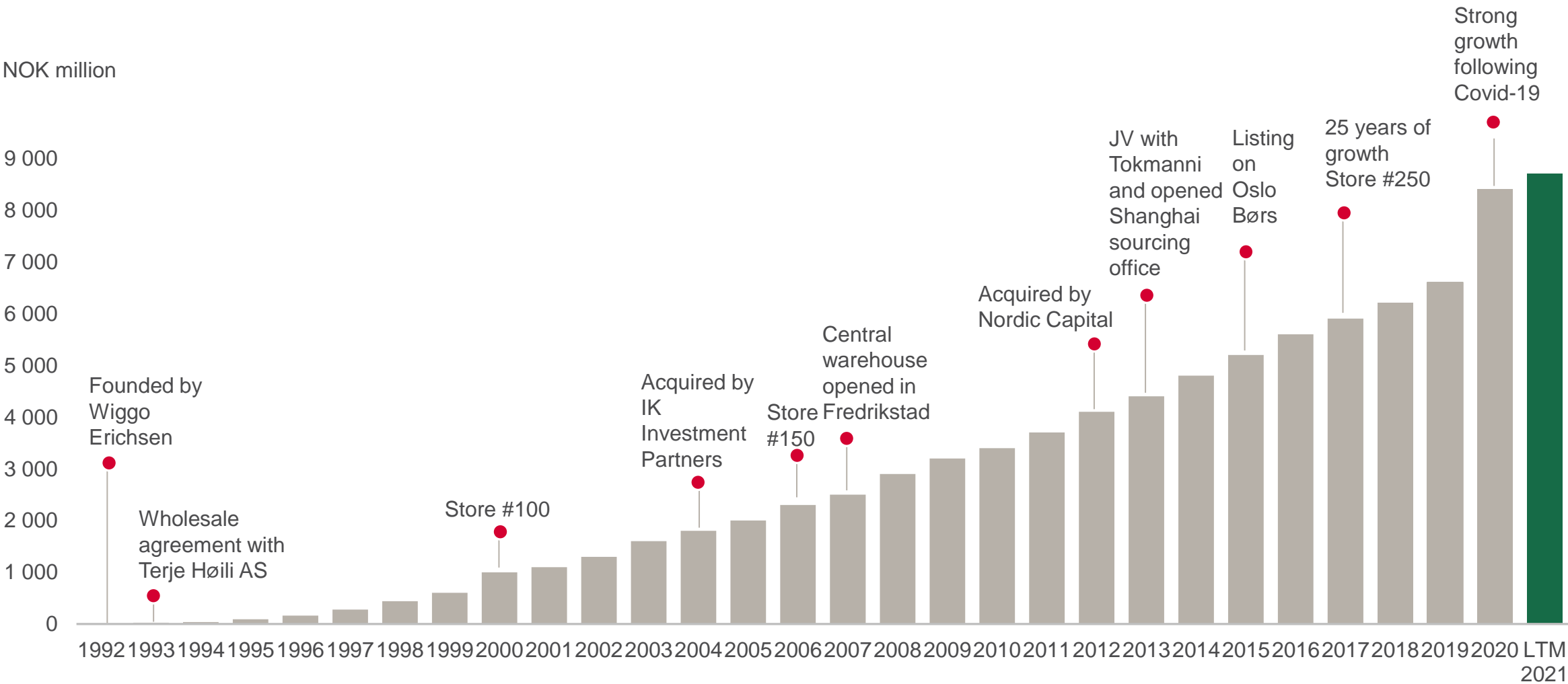
- From more than 30 countries
- Pan-Nordic agreement with ÖoB and Tokmanni



**269**  
Stores

<sup>1</sup> Mediacom annual market survey

# 29 years of consecutive growth

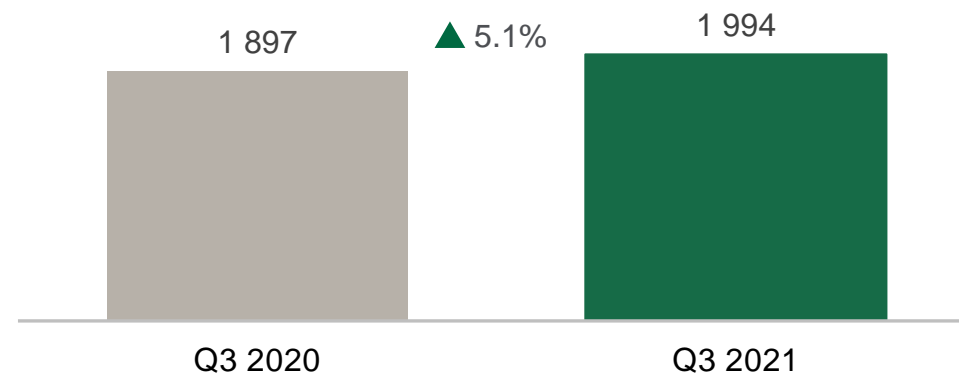


# Well prepared for Q4 after another record quarter

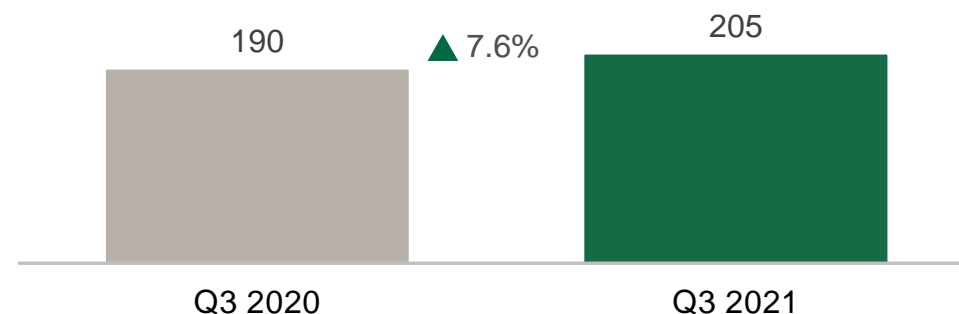


- Solid performance for upgraded categories and seasonal items
- Gross margin of 45.7%, an increase of 1.8%-p
  - Positive contribution from hedging of inbound freight rates
  - Higher share of seasonal items
- Record high EBITDA of NOK 430m (+5.6%)
- Cash and liquidity reserves of NOK 1,254m
- Customer club “MER” approaches one million members
- Lekekassen transaction successfully completed
- Fully stocked and prepared for Christmas season

## Group sales (NOK million)



## Net profit (NOK million)



# Solid campaign and seasonal execution

**Euoppris**  
MER TIL OVERS

- Well managed shift from summer to autumn season
  - Focus on consumables at low prices
- Upgrade of Kitchen and Home & Interior category successful
  - Kitchen category upgraded in 2020
  - Home and interior upgraded in beginning of 2021
- Focus on category upgrades continues

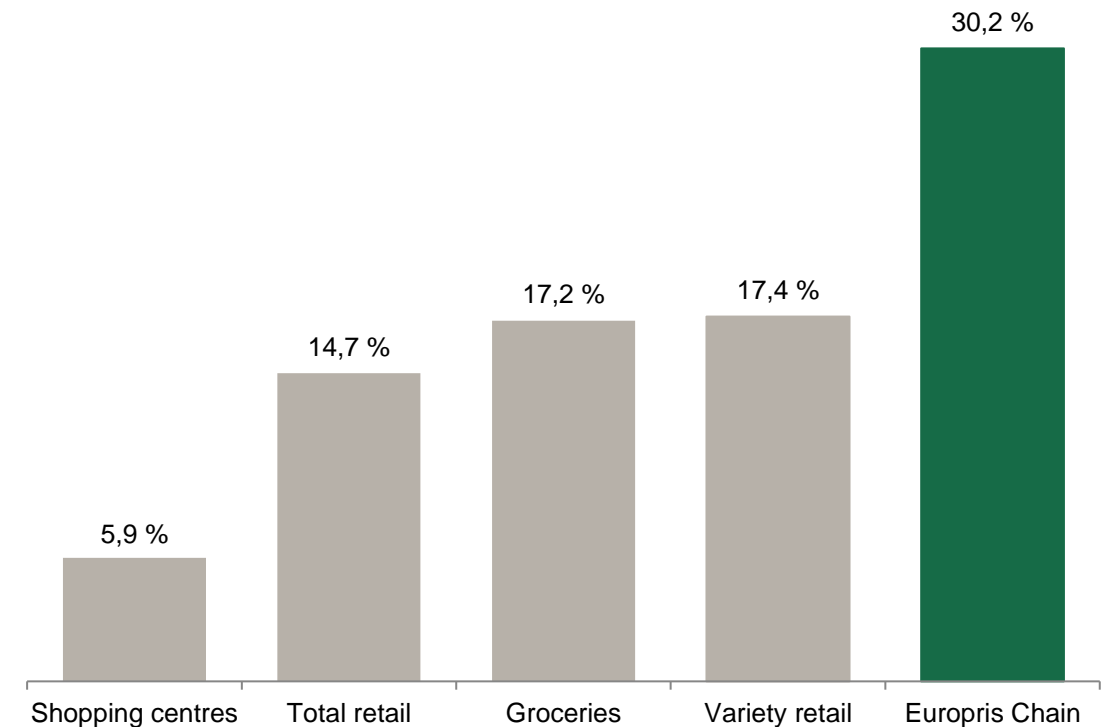


# Competitive edge drives market outperformance



- Significantly outperformed the market during Covid-19
- Strong development for total retail segment
  - Closed borders
  - Increased consumption in private households
- Overall Market winners
  - Groceries
  - Do it yourself (DIY)
  - One-stop-shopping concepts
- Shopping centres significantly affected by social distancing and temporary closure of stores

Retail sales development per September, two-year-stacked (%)\*



\* Source: Kvarud analyse, Shopping Centre Index, Virke retail index (using figures reported by statistics Norway)  
Europris chain: all stores, both directly operated by the group and the franchise stores (269 stores)



# Sharpened focus on strategy and sustainability

- Changes to executive management team
  - Renate Bratted Spernes internally recruited as new VP Strategy & Sustainability
  - HR placed under CFO Stina C. Byre
  - Previous VP Strategy & Sustainability/Hr Kristine Frøberg resigned effectively 31 October
- All employees offered to invest in Europris shares
  - 25% discount
  - Majority of participants signed up for the maximum amount offered





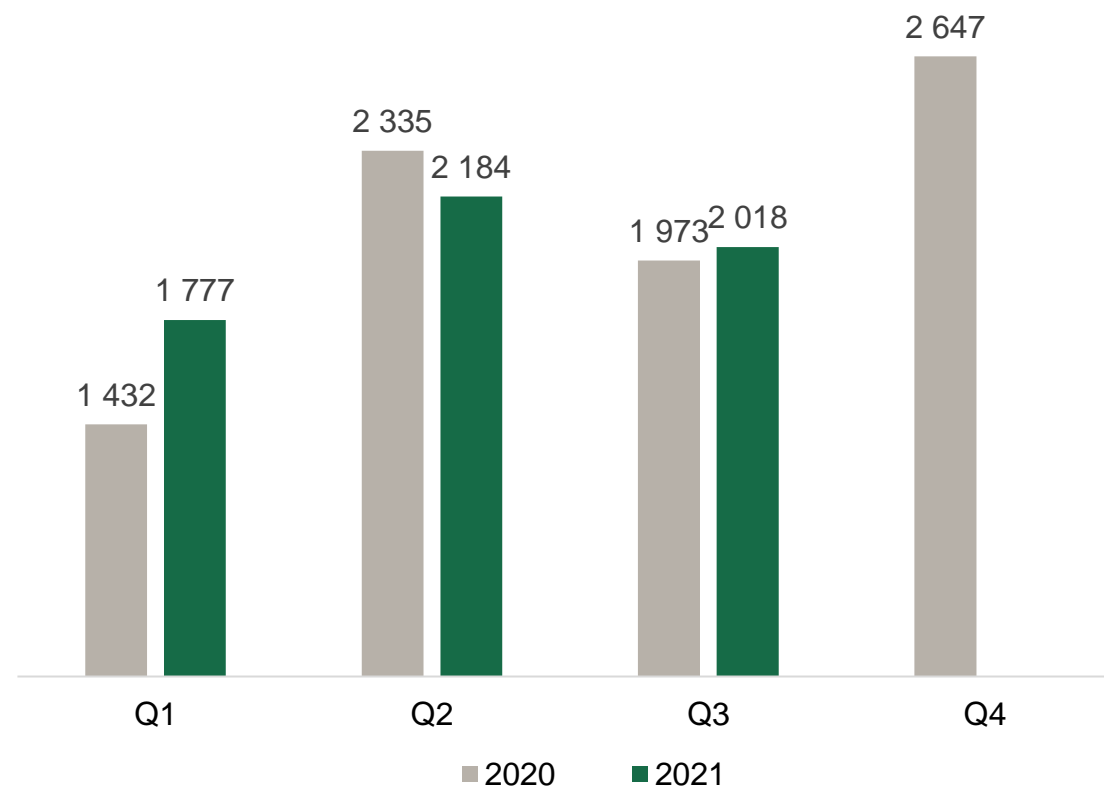


# Record high sales in third quarter



- Total Europris chain sales\* increased by 2.3% in Q3
  - 1.5% like-for-like Europris chain sales\* increase
  - In addition to 26.5% like-for-like growth in Q3 last year
- Strong sales of seasonal items
- Upgraded categories continued to perform well
- Sales growth driven by basket size, both from more articles and high-value seasonal items

Total Europris chain sales\* (NOK million)

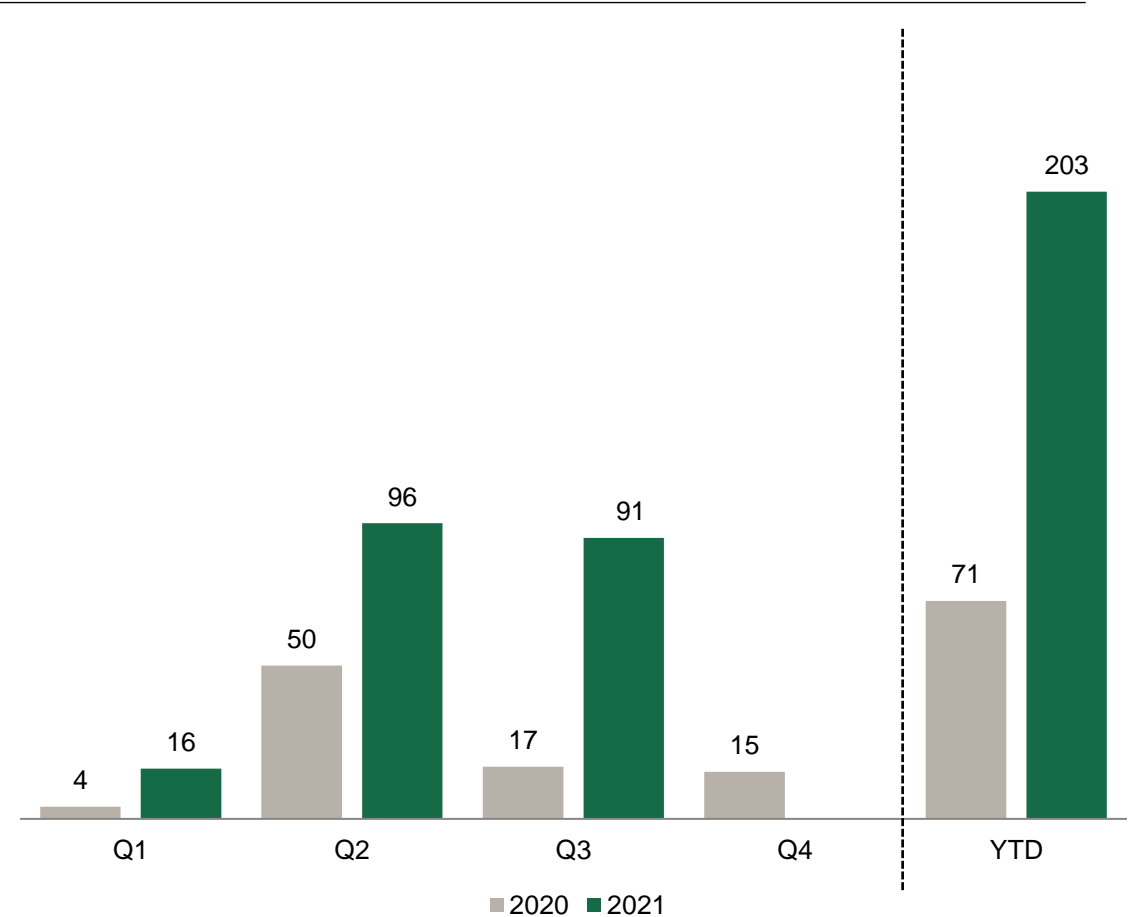


\* Sales from the entire chain; all stores, both directly operated by the group and the franchise stores (269 stores)

# Customer club approaches 1 million members

- Significant increase in members Mer customer club
  - Customer club started in 2019 – reaching 958,000 members end Q3'21
  - 95.000 new members during the third quarter
  - Up 39% vs year-end 2020
- e-com sales from Euopris.no of NOK 30m (+77%)
  - High-value seasonal items sold well
  - Mainly click-and-collect in stores
- Inclusion of Lekekassen as of August
  - Promising launch of Toyspace.dk in Denmark mid-September

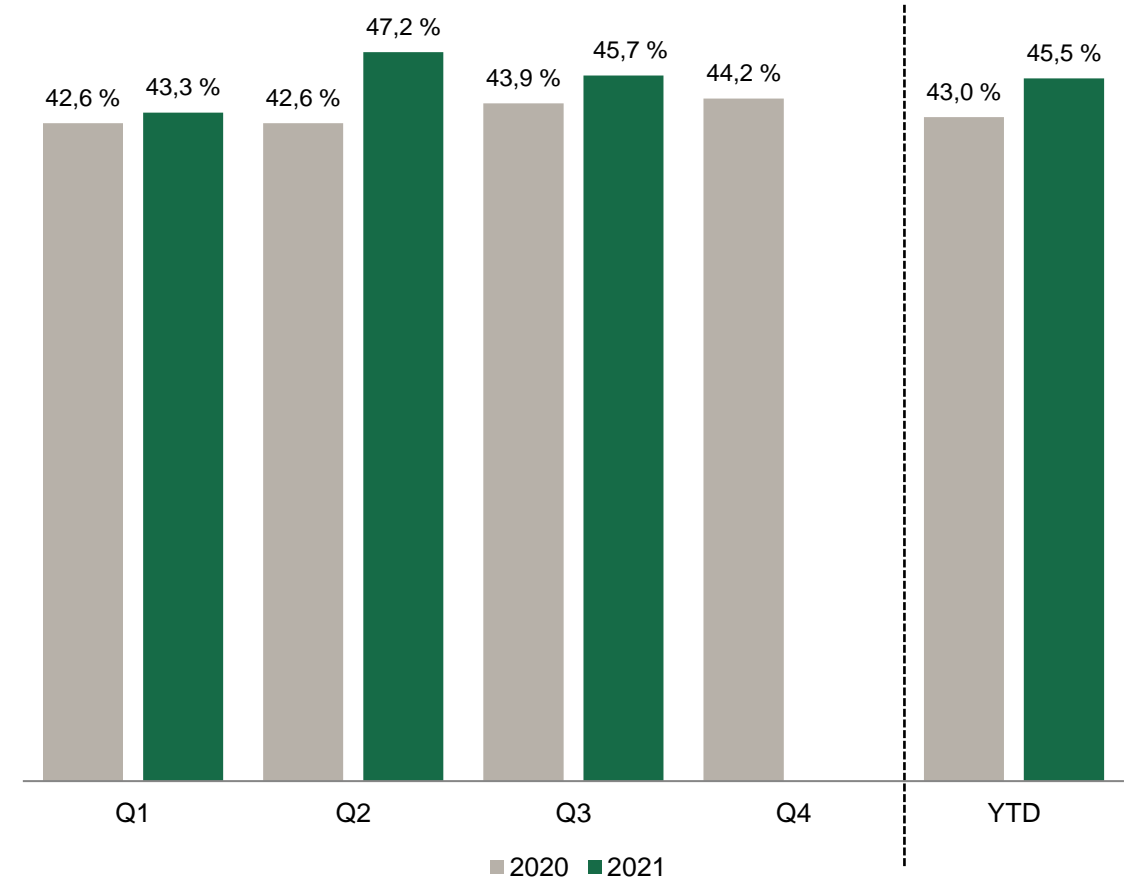
Total e-commerce sales (NOK million)



# Strong development in gross margin

- Gross margin of 45.7% in Q3, up 1.8%-p
  - Large part of improvement due to fixed freight rates
  - Higher share of seasonal items
- Positive effect from stocktaking of NOK 4m (NOK 22m)
  - 18% of stores counted (55%)

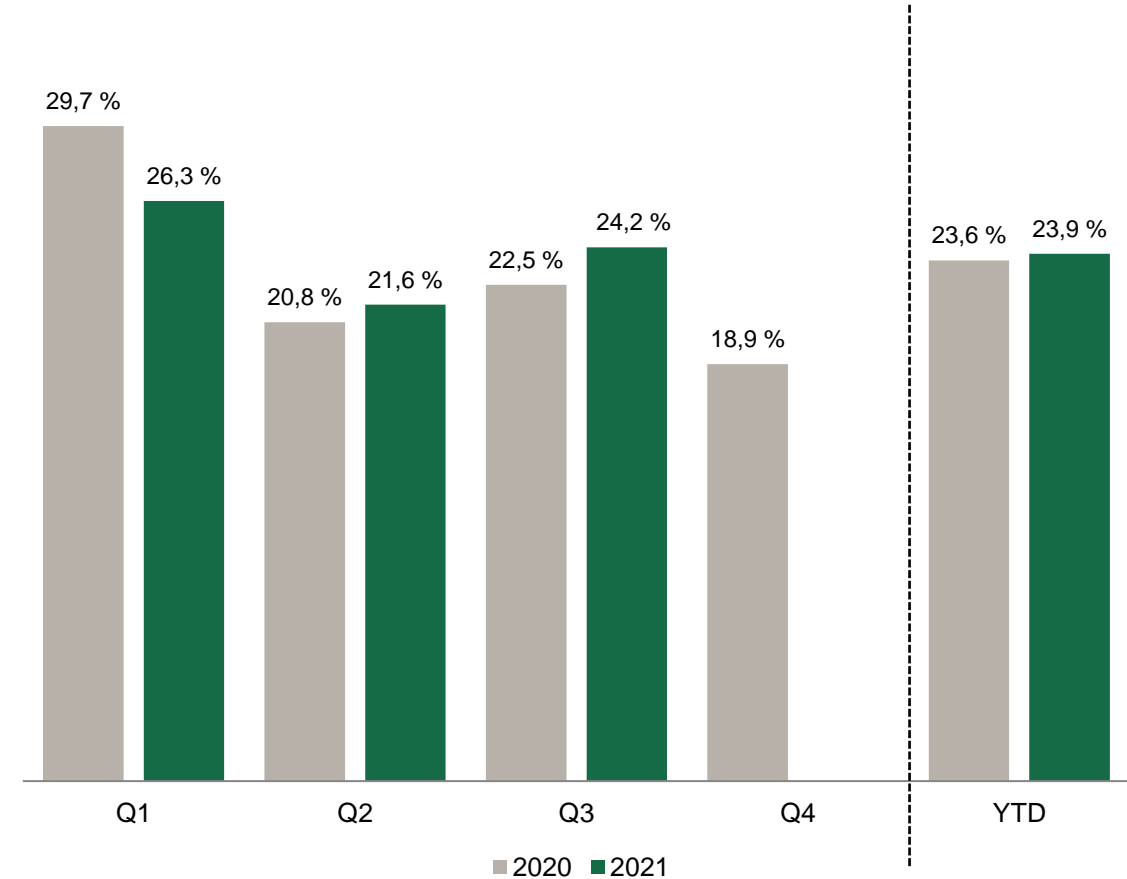
Gross margin



# Inclusion of subsidiaries and change in product mix drives costs

- OPEX was NOK 482m in Q3, up 13.1%
  - Consolidation of partly owned subsidiaries
  - Higher distribution costs from change in product mix
- OPEX-to-sales ratio increased to 24.2% (22.5%)
- Number of directly operated stores increased to 241 (236)

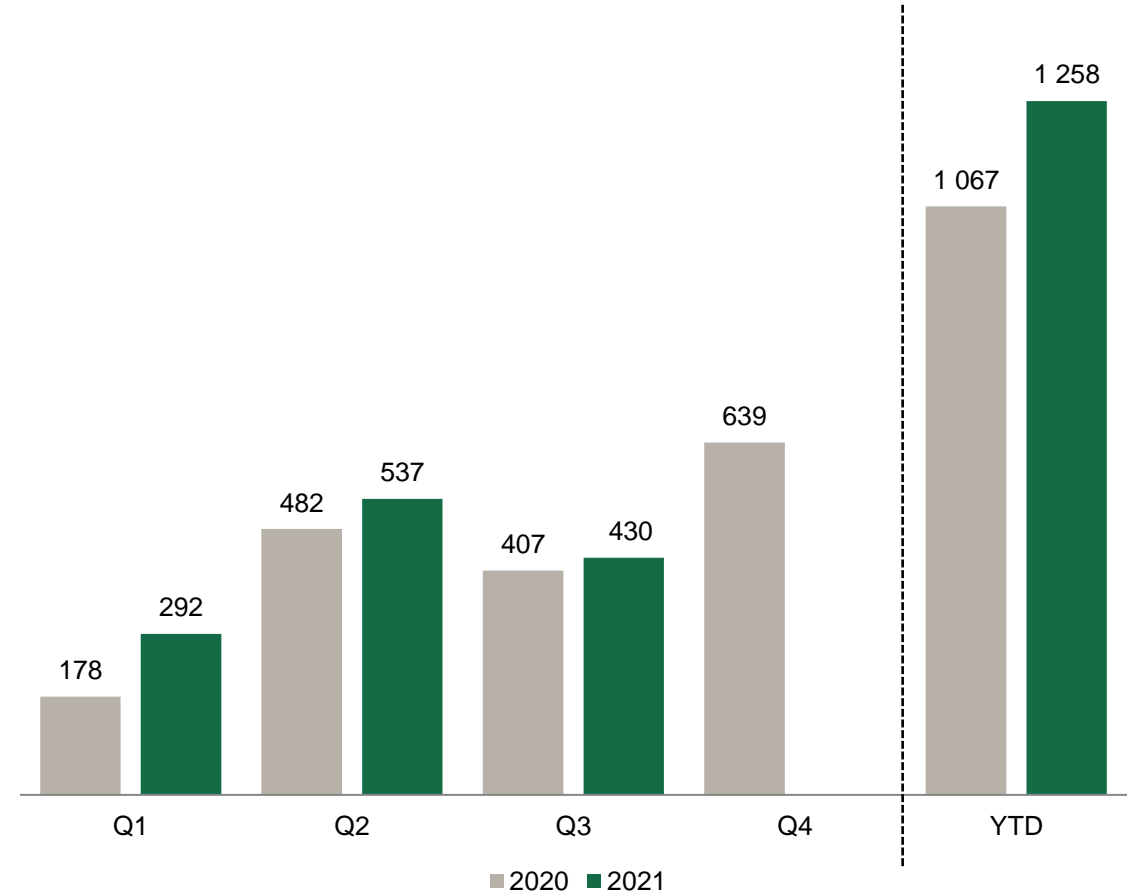
OPEX-to-sales ratio



# Record third quarter profitability

## EBITDA (NOK million)

- EBITDA was NOK 430m in Q3, up by 5.6%
  - Positively affected by sales growth and improved gross margin
- EBITDA margin was 21.5% in Q3 (21.4%)



# Solid cash and liquidity position

- Net change in cash was negative with NOK 574m (negative with 524m)
  - Timing differences for accounts payable and payment of other provisions and accruals
  - Increased inventory due to consolidation of partly owned subsidiaries
  - Acquisition of 67 per cent stake in Lekekassen of NOK 501m
- Net debt of NOK 3,076m (2,822m)
  - Net debt excluding lease liabilities of NOK 1,226m (953m)
- Cash and liquidity reserves of NOK 1,254m (1,430m)

Cash flow, NOK million	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Cash from operating activities	350	242	731	868
- of which change in net working capital	(50)	(81)	(339)	18
Cash used in investing activities	(569)	(15)	(641)	(90)
Cash from financing activities	(7)	(310)	(663)	(1,302)
<b>Net change in cash</b>	<b>(226)</b>	<b>(83)</b>	<b>(574)</b>	<b>(524)</b>
Cash at beginning of period	192	127	540	568
Cash at end of period	(33)	44	(33)	44



# Our strategic focus areas

**Europpris**  
MER TIL OVERS



Strengthen price  
and cost position



Improve customer  
experience



Drive customer  
growth







Strengthen price  
and cost position



Improve customer  
experience



Drive customer  
growth

# Expansion of warehouse capacity to handle future volumes

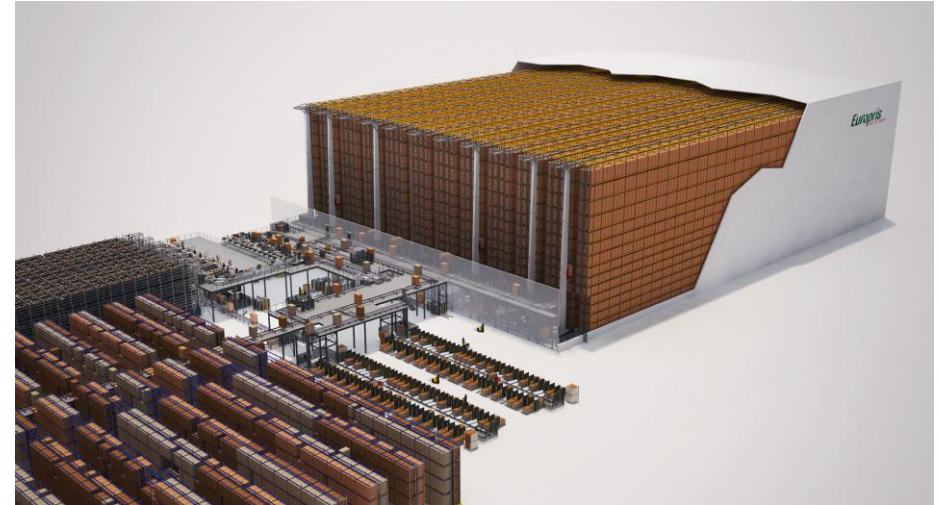
- Expansion of warehouse in Moss
  - Exceptional volume growth in 2020 and 2021
  - Capacity limitations during summer season
- Leasing of old warehouse in Fredrikstad extended
  - Will expire 30 September 2023
- More details will be provided later





# Slower ramp-up of the automatic shuttle system

- Warehouse project close to completion
- Some technical issues related to the new software detected
  - Slower ramp-up than originally planned
- No delays in product distribution to the stores
- Cost savings from new warehouse remains intact



# ÖoB: transaction update and financials

- Arbitration to be initiated on 2019 EBITDA
  - No agreement reached on 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
- Dispute over legal right for Europris to challenge 2020 EBITDA
  - Arbitration scheduled for Q1 2022
- ÖoB had sales of SEK 2,790m year-to-date end September 2021, a decline of 9.3%
- EBITDA year to date end September 2021 was SEK 11.7m (24.6m)
  - Improved gross margin





Strengthen price  
and cost position



Improve customer  
experience



Drive customer  
growth



# Successful category strategy

- Strong performance for upgraded categories
  - Kitchen upgraded in 2020
  - Home and Interior upgraded in the beginning of 2021
- Upgrade of the Chocolate & Snacks category started
  - Roll-out continues in Q4
  - Timing fits well with reopening of border





# Initiated two projects to increase efficiency in handling the flow of goods in stores

- Project 1: Improve store readiness ahead of campaigns
  - Increase both campaign and total sales
  - More efficient operations
- Project 2: Improve process of restocking stores
  - Free-up time previously spent on handling goods
  - Improve customer experience
- Both projects successfully tested
  - Roll-out to all stores over the next 6-9 months
  - New working routines and improved working conditions for all employees





Strengthen price  
and cost position



Improve customer  
experience



Drive customer  
growth



# One new store opening in the third quarter

- One new store opening in Q3
  - Jåttå in Rogaland County
- One store relocated in Q3
  - Kilen in Vestfold and Telemark county
- Three new stores and three stores relocated at 30 September
- Ten stores in pipeline for 2021 and beyond
  - Four are subject to planning permission
- Study\* shows positive effects of Euopris co-locating with groceries
  - 10 per cent in rise grocery-store sales when an Euopris store locates next door



The team at Euopris Jåttå



# Outlook

**Europriis**  
MER TIL OVERS





# Fully stocked and prepared for Christmas season

- Europris has not been affected by global distribution challenges
  - To secure flow, goods will be shipped earlier than originally planned
- Benefited from current favourable freight agreements
  - Year to date improvement in gross margin largely driven by current rates
  - Current freight agreement expires end of 2021
  - Freight rates will increase in 2022 (still under negotiation)
- Well positioned to exploit market opportunities
  - Market position and competitive edge strengthened
  - Upgraded several important product categories
  - Improved e-commerce
  - Significantly expanded the Mer customer club membership base



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



# Q&A

Next event: Q4 presentation 3 February 2022



# Appendix

# Content

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)

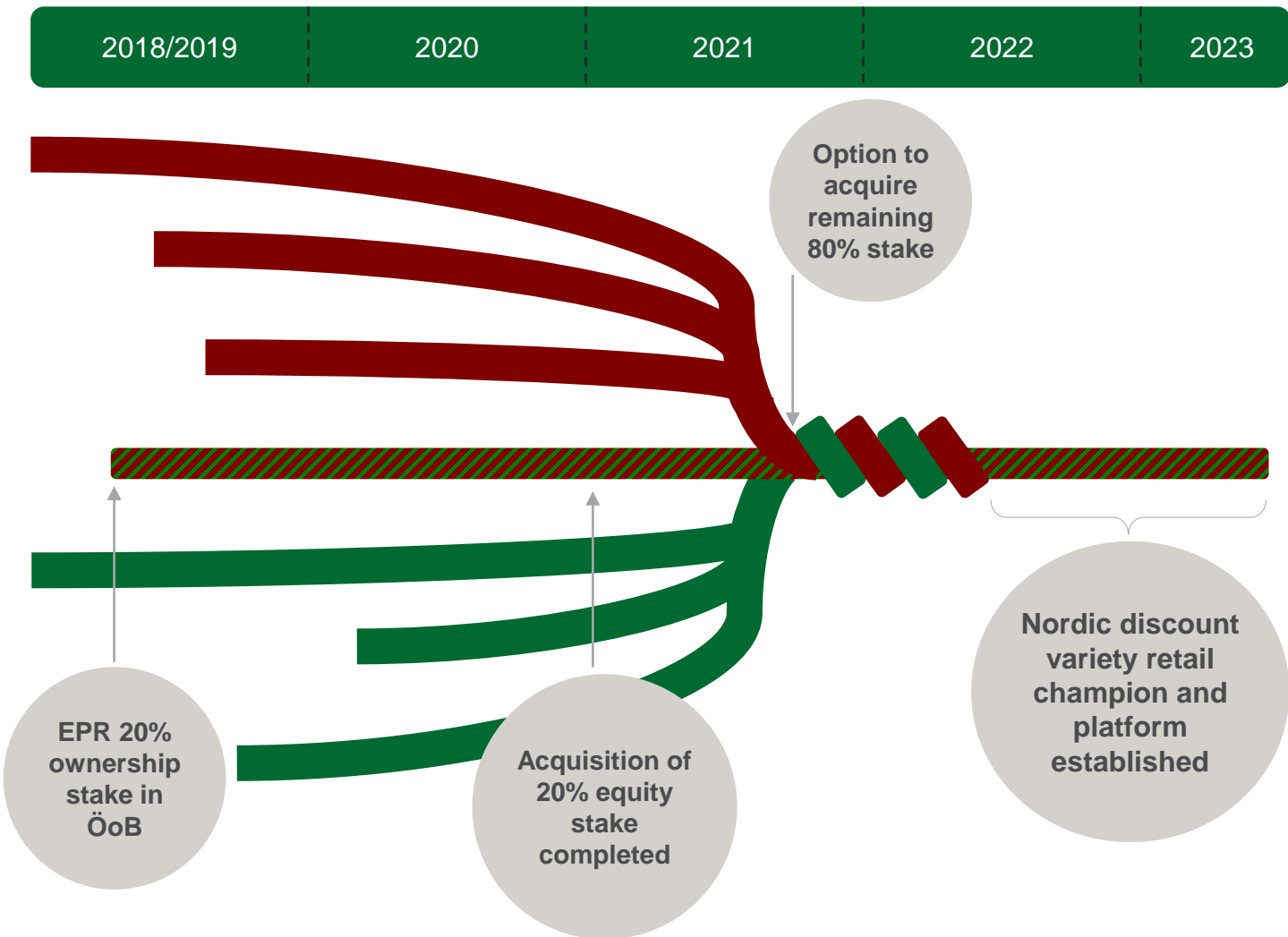
Sharing best practice

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
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	1	1	4
Store closures	-	-	-	-	-
Relocations	1	1	1	2	5
Modernisations	4	2	2	1	9

# Analytical info<sup>1</sup>

Seasonality	<ul style="list-style-type: none"><li>As rule-of-thumb, the Easter impact is approximately NOK 60-75 million in revenue and NOK 12-15 million of EBITDA</li></ul>
Quarterly OPEX	<ul style="list-style-type: none"><li>As rule-of-thumb, OPEX in year ago quarter + inflation + NOK 1.5 – 1.6 million per extra directly operated store (DOS)</li></ul>
CAPEX	<ul style="list-style-type: none"><li>New store – NOK 2.3 million per store (5 per year)</li><li>Relocation – NOK 1.5 million per store (10 per year)</li><li>Modernisation – NOK 1.0 million per store (10 per year)</li><li>Category development – NOK 10 million per year</li><li>IT &amp; Maintenance – NOK 35 million per year</li></ul>

<sup>1</sup> All figures are approximations and subject to change without further notice

# Alternative performance measures (APMs)

APMs are used by Europris 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 Europris 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.