

# Q4 2021 presentation

3 February 2022

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# Europolis - Norway's #1 discount variety retailer



## Customers

- 35 million customer transactions in 2021
- Widely recognised brand and price position<sup>1</sup>
- Increasing market share and gaining new customers



## Marketing

- 1 million leaflets in distribution
- 0.7 million subscribers to digital newsletter
- 1 million members in the Mer customer club



## Stores

- Cost-efficient locations and operations
- 100% of like-for-like (LFL) stores profitable in 2021
- 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



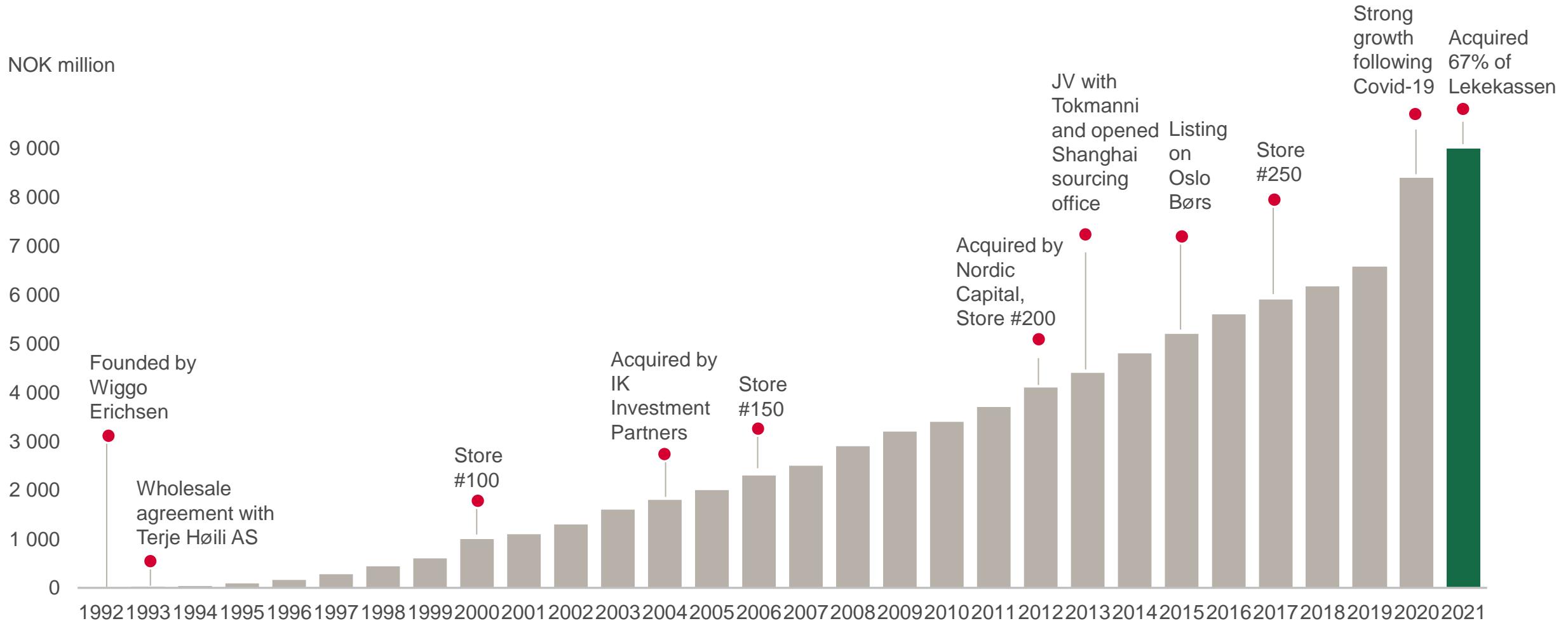
## Sourcing

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



<sup>1</sup> Mediacom Brand Tracker 2021

# 29 years of consecutive growth



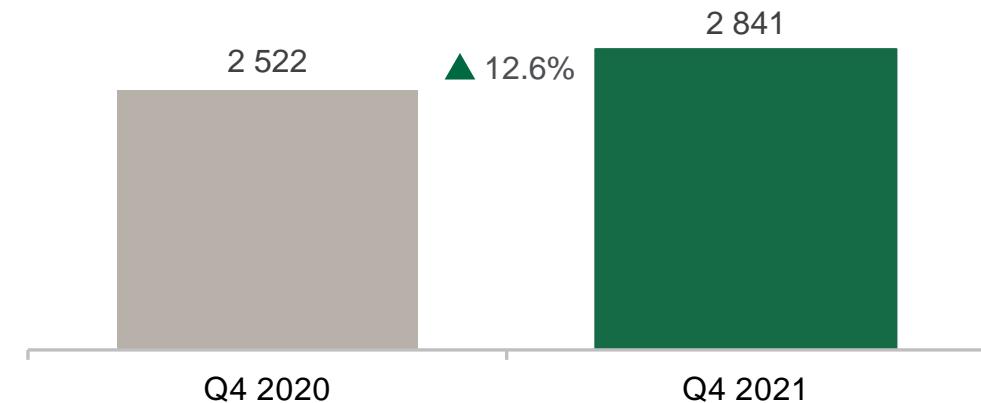
1992-2020: Europris chain sales (all stores, both directly operated by the group and the franchise stores)

2021: Europris chain sales, Lunehjem (consolidated as of March 2021) and Lekekassen (consolidated as of August 2021)

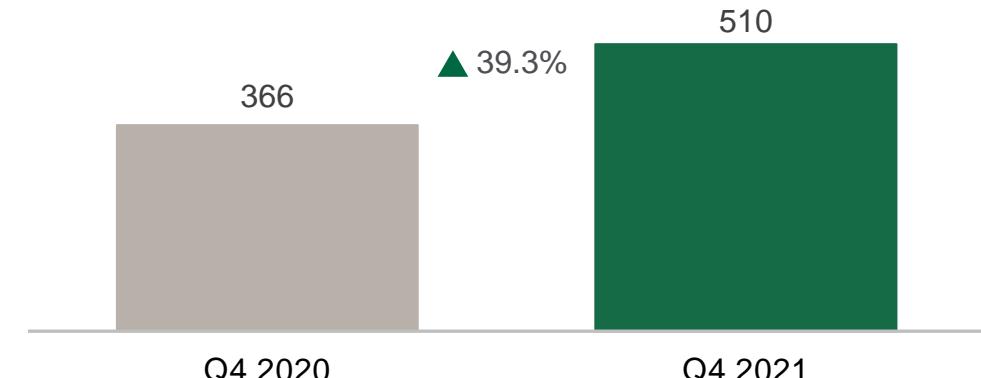
# Successful execution of growth strategy and solid operations drive performance to new all-time high

- Total sales up by 12.6% in Q4 2021 to NOK 2,841m
  - Solid sales progress for Lekekassen
  - Ex. acquisitions, sales down 1.3%
- Gross margin of 50%, up by 5.8%-p
  - Fixed-rate agreement for inbound freight and currency hedging
- Opex-to-sales ratio of 20.9% (18.9%)
- Record profitability
  - EBITDA of NOK 826m (639m)
  - Net profit of NOK 510m (366m)
- Mer customer club passed one million members

**Group sales (NOK million)**



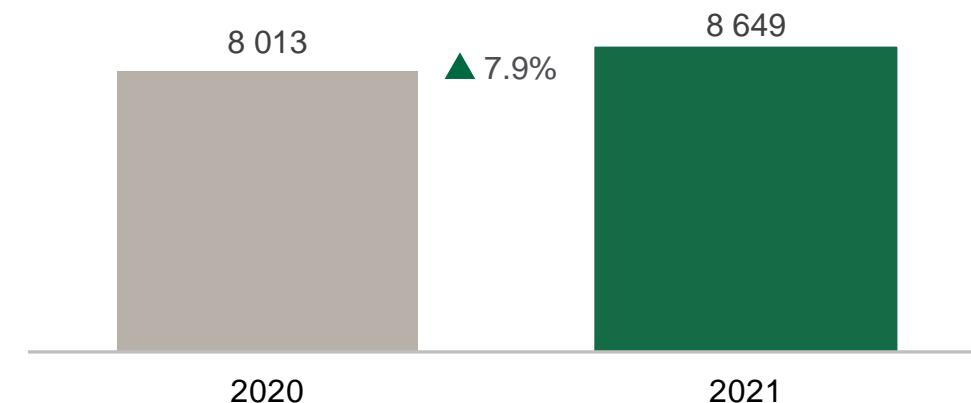
**Net profit (NOK million)**



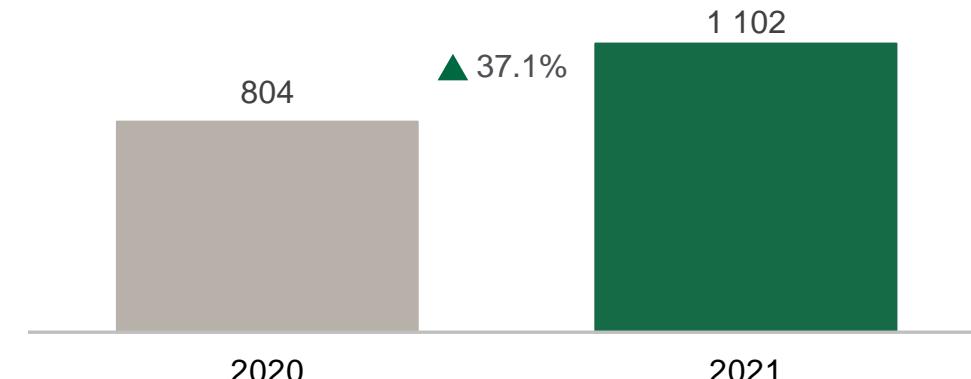
# Solid performance for the full year 2021

- Continued sales growth following record 28.5% increase in 2020
  - Total sales of NOK 8,649m, up by 7.9% (+2.6% ex. acquisitions)
  - Successful acquisitions of Lekekassen and Lunehjem
- Gross margin of 47%, up by 3.6%-p
  - Fixed-rate agreement for inbound freight and currency hedging
- Opex-to-sales ratio of 22.9% (22.1%)
- Record profitability
  - EBITDA of NOK 2,084m (1,705m)
  - Net profit of NOK 1,102m (804m)
  - Earnings per share of NOK 6.71 (4.86)
- Strong financial position with cash and liquidity reserves of NOK 1,956m (1,926m)

**Group sales (NOK million)**



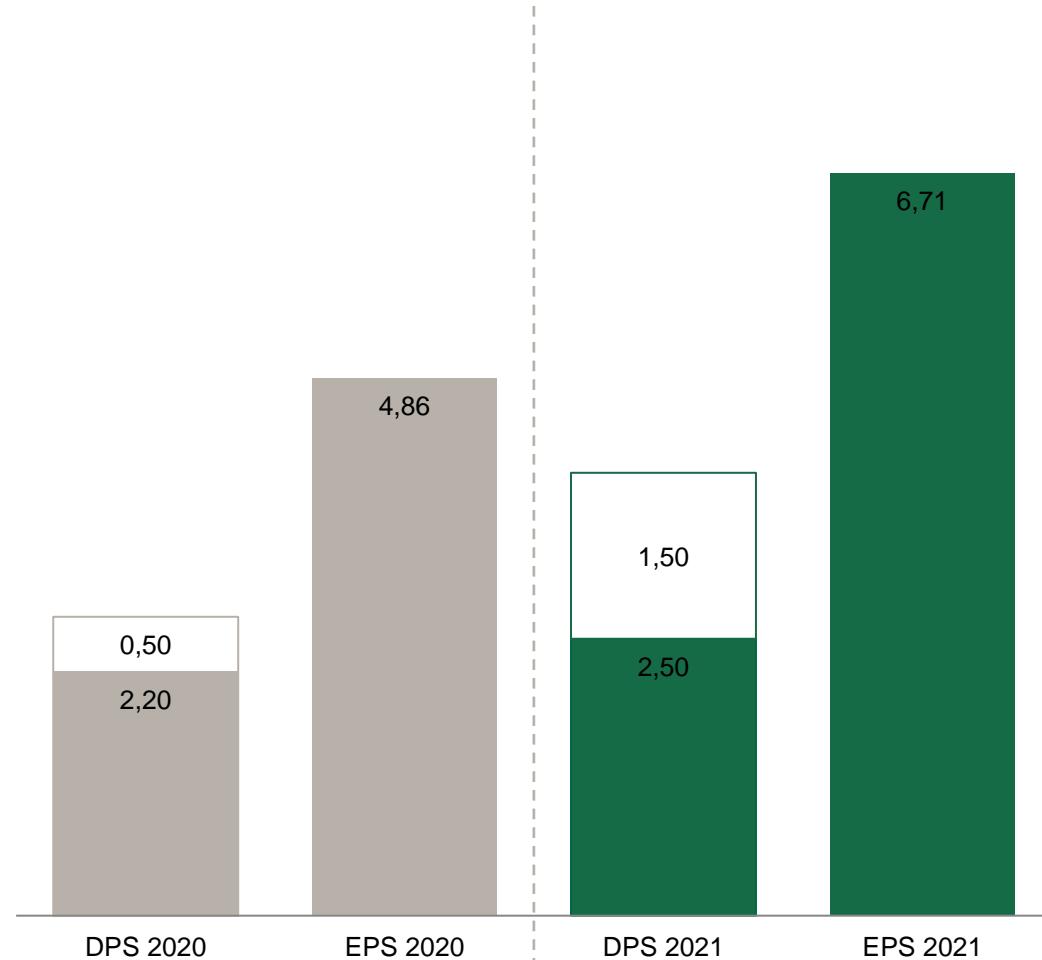
**Net profit (NOK million)**



# Strong performance reflected in dividend

- The board of directors proposes a total dividend per share of NOK 4 for 2021 (2.70)
  - Ordinary dividend of NOK 2.50 per share (2.20), up 13.6%
  - Additional dividend of NOK 1.50 per share to reflect the strong financial performance
- Total dividend of NOK 644m
  - 59.6% of the majority's net profit for 2021

EPS and DPS (NOK)



# Remarkable efforts from employees behind the strong performance

**Europrix**  
MER TIL OVERS

- Impressive efforts from employees in a new demanding covid-19 year
  - Ensured a safe place to shop for over 34 million customer visits
  - Adapted to ever-changing infection control measures in an impeccable way
  - Secured supply of goods despite constant challenges in the supply chain
- The Europrix culture has once again proven resilient



# High sustainability rating maintained

- B score maintained in CDP\* reporting
- Sustainability key priority for Europis and internal “sustainability week” conducted in October with focus on our key priorities:
  - Sustainable value chain
  - Resource efficient business model
  - Responsible employer
  - Empowering customers and communities



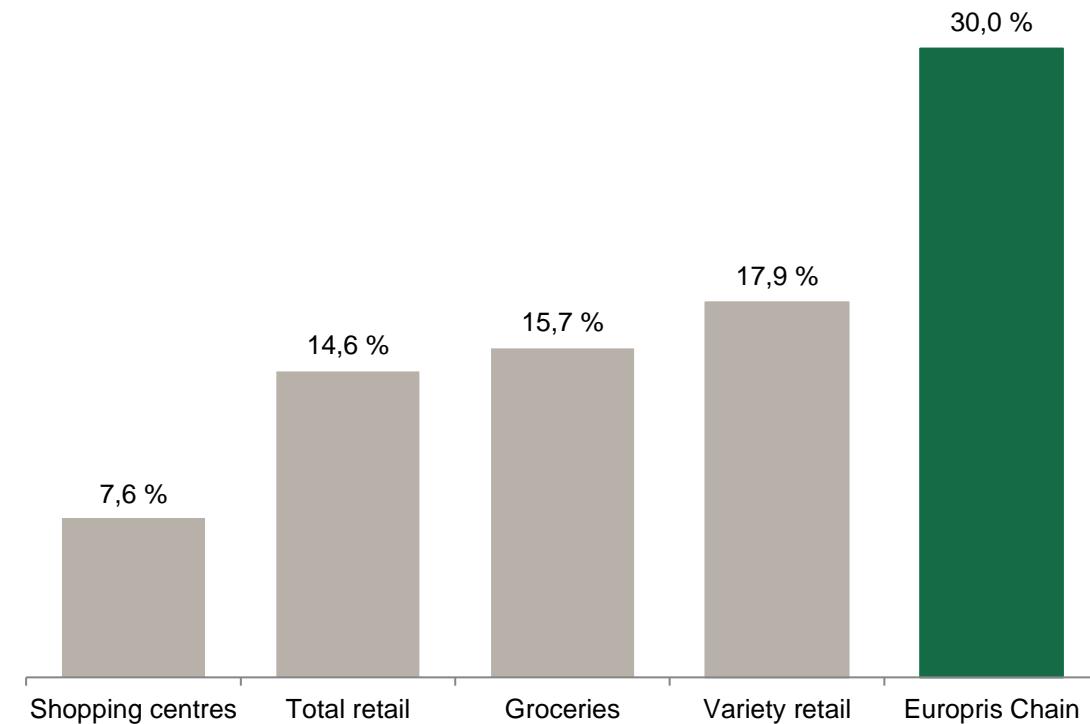
\* CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts

# Competitive edge drives market outperformance in a two-year perspective

**Europolis**  
MER TIL OVERS

- Overall strong market performance last two years
- Shopping centres significantly affected by social distancing and temporary closure of stores
- Strong development for total retail segment
  - Closed borders
  - Increased consumption in private households
- Europolis has significantly outperformed the market during Covid-19
  - Unique range of quality products at low prices

Retail sales development per December, two-year-stacked (%)<sup>\*</sup>

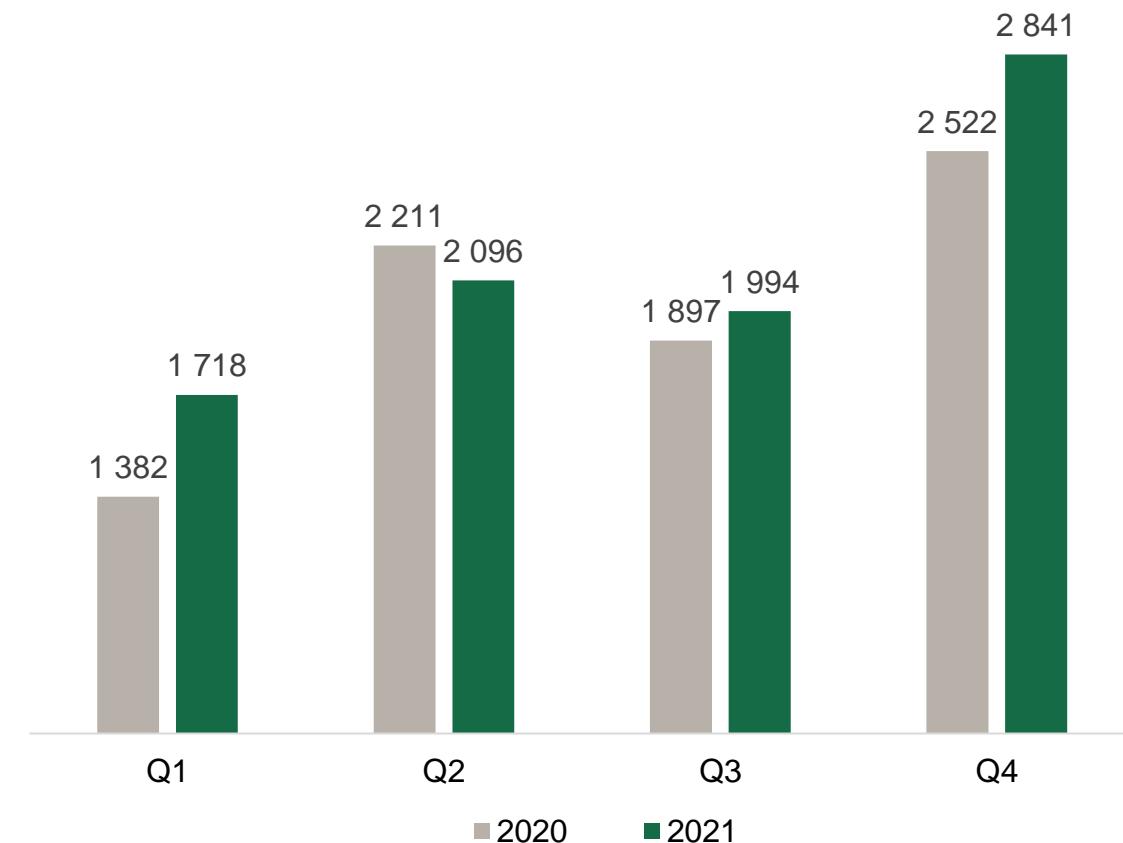




# Growth strategy drives sales growth in Q4-21

- Group sales of NOK 2,841m in Q4, up 12.6%
  - Ex. acquisitions sales declined 1.3%, following 32.8% growth in Q4-20
- Solid seasonal execution, with products delivered in time
- The Europis chain\* had like-for-like sales decline of 3% in Q4, following strong growth in Q4-20 of 30.5%
  - Limited Covid-19 restrictions
  - Continued good performance for the upgraded category Home & Interior and for seasonal products
  - Increased basket size, both from more articles and price

**Total group sales (NOK million)**

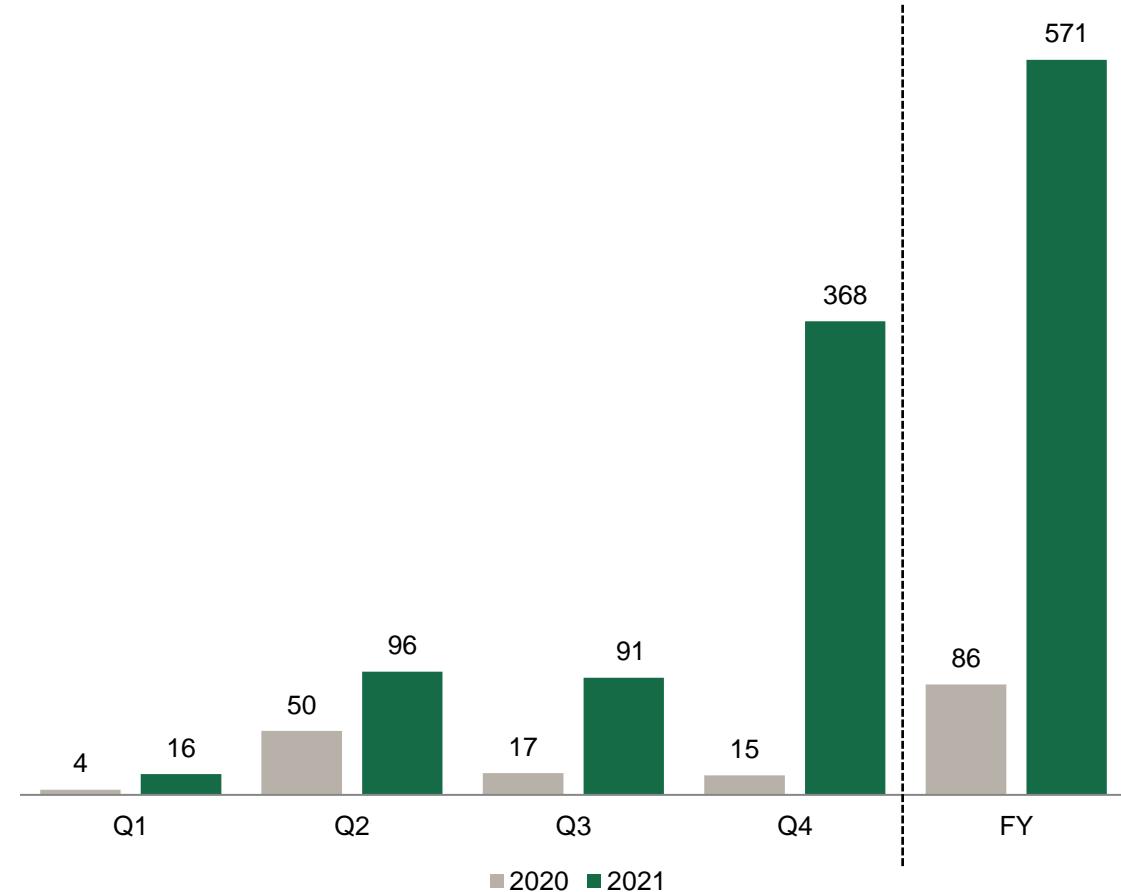


\* All Europis stores, both directly operated by the group and the franchise stores (270 stores)

# Strong development for online sales

- Total e-com sales of NOK 368m in Q4-21
  - 13% of group sales
- 2021 e-com sales from *Europ*ris.no of NOK 147m (+71%)
  - Slimmed assortment offered for home delivery
  - Increased assortment offered as click and collect
- Strong performance during 2021 for *Lekekassen* and *Lunehjem*, on top of record year 2020
  - Sales of NOK 591m in 2021 for *Lekekassen* (+8.5%)
  - EBITDA of NOK 110m in 2021 for *Lekekassen* (+17.1%)

Total e-commerce sales (NOK million)



# Customer club Mer passed 1 million members

**Europ pris**  
MER TIL OVERS

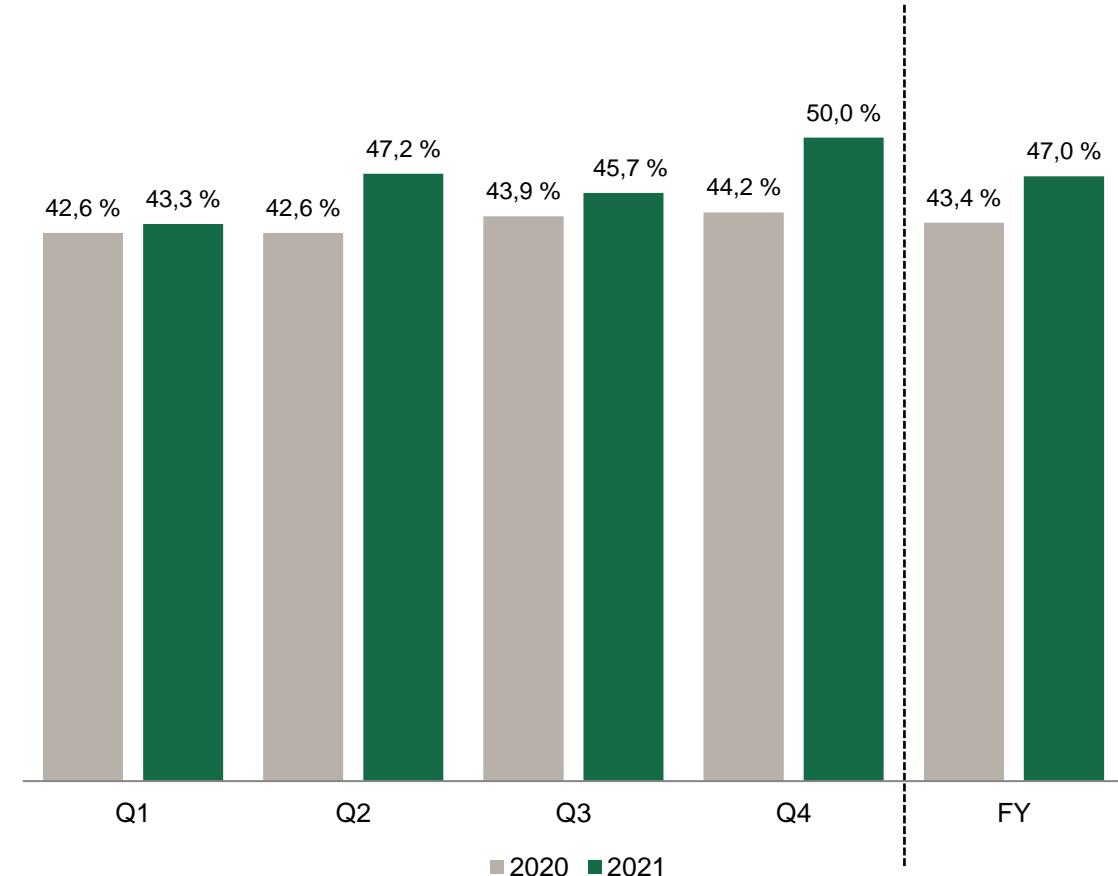
- Significant increase of members in the Mer customer club
  - Reaching more than 1 million members year-end 2021
  - Customer club started in 2019
  - Up more than 50% vs year-end 2020
- Successful recruitment campaigns
- Some benefits only available to Mer members
  - Conversion of fixed multi-buy offers to exclusive Mer offers
  - Some campaign prices only available to Mer members
- Continuous work to tailor-make offers and improve use of data



# Continued strong development in gross margin

- Gross margin of 50% in Q4, up 5.8%-p
  - Large part of improvement due to fixed freight rates
  - Positive effects from hedging currency compared to last year
  - Inventory write-down in Q4-20 from changes in sugar tax
- Positive effect from stocktaking of NOK 24m (NOK 22m)
- Negotiation of new inbound freight agreement completed
  - Ensures guaranteed capacity
  - Annualised cost increase estimated to NOK 170-200m effective from March 2022

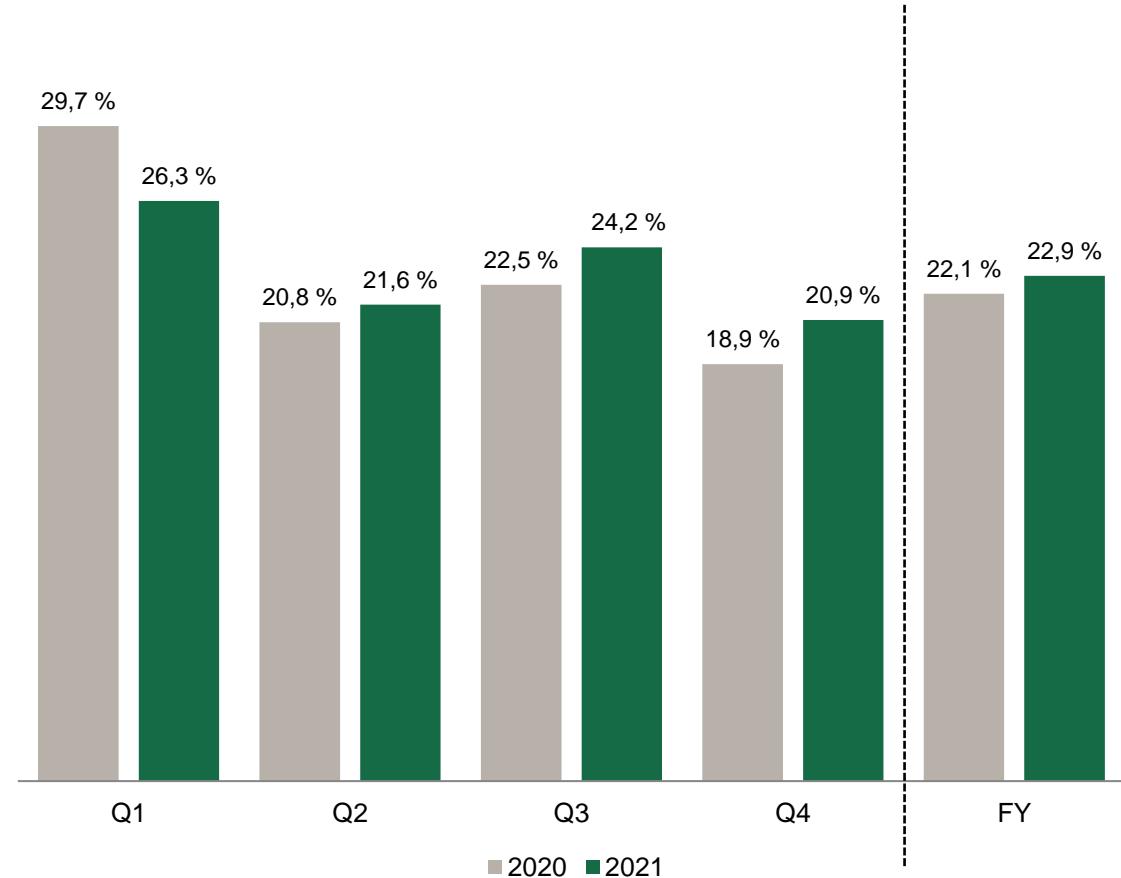
**Gross margin**



# Inclusion of subsidiaries drives costs

- OPEX-to-sales ratio increased to 20.9% in Q4 (18.9%)
- OPEX was NOK 595m in Q4 (477m)
  - Consolidation of partly owned subsidiaries
  - Number of directly operated stores increased to 242 (237)

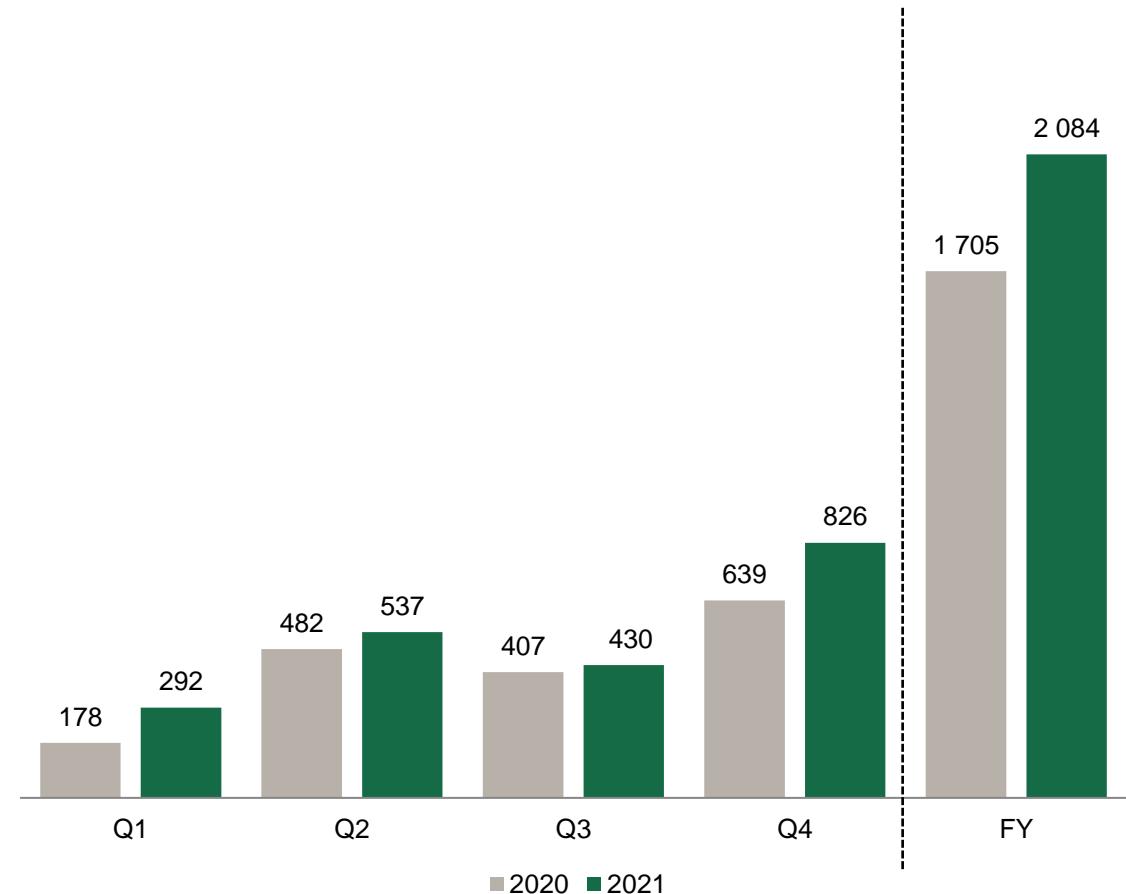
OPEX-to-sales ratio



# Record high profitability

- EBITDA was NOK 826m in Q4, up by 29.3%
  - Positively affected by higher sales and improved gross margin
- EBITDA margin was 29.1% in Q4 (25.3%)

EBITDA (NOK million)



# Solid cash and liquidity position

- Net change in cash was positive with NOK 31m (negative with 28m)
  - Timing differences for accounts payable and payment of other provisions and accruals
  - Increased inventory from consolidation of partly owned subsidiaries and earlier shipping of goods
  - Acquired 67% of Lekekassen for NOK 501m
- Net debt of NOK 2,439m (2,306m)
  - Net debt excluding lease liabilities of NOK 525m (455m)
- Cash and liquidity reserves of NOK 1,956m (1,926m)

Cash flow, NOK million	Q4 2021	Q4 2020	FY 2021	FY 2020
Cash from operating activities	861	837	1,592	1,705
- of which change in net working capital	200	238	(139)	255
Cash used in investing activities	(43)	(22)	(684)	(112)
Cash from financing activities	(214)	(319)	(877)	(1,621)
<b>Net change in cash</b>	<b>604</b>	<b>496</b>	<b>31</b>	<b>(28)</b>
Cash at beginning of period	(33)	44	540	568
Cash at end of period	571	540	571	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

# Volume growth triggers new warehouse expansion

**Europoris**  
MER TIL OVERS

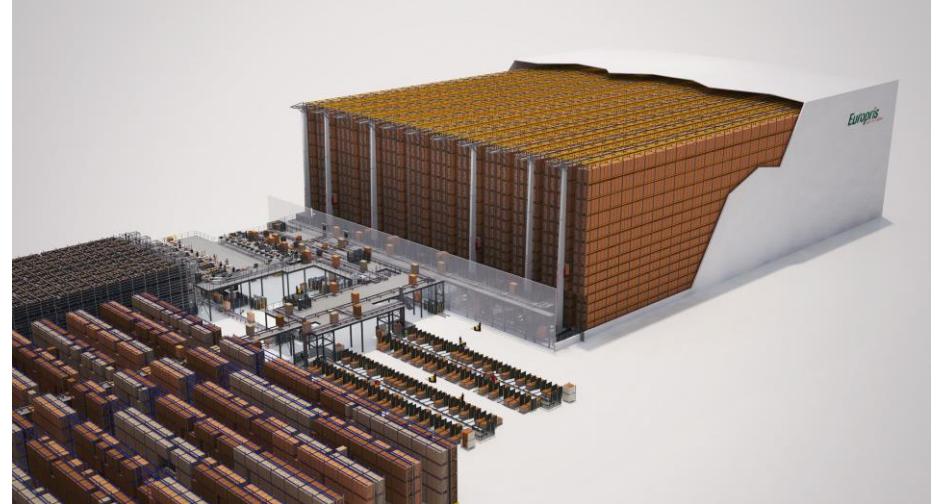
- Expansion of warehouse in Moss
  - Exceptional volume growth in 2020 and 2021
  - Capacity limitations during summer season
- Signed contracts with key partners
  - Fabritius for expansion of low- and high-bay areas
  - Swisslog for automation of high-bay area
- Construction phase estimated finalised first half 2023
- Automation of expanded high-bay area expected finalised during first quarter of 2024



# Delayed ramp-up of the automatic shuttle system

**Europoris**  
MER TIL OVERS

- Completion of automation in the low-bay delayed
  - Some technical issues related to software
  - Ramp-up postponed in Q4 to avoid disruptions in high-season
- Ramp-up to continue in Q1 2022



# ÖoB: transaction update and financials

**Europolis**  
MER TIL OVERS

- Arbitration with regards to legal right for Europolis to challenge 2020 EBITDA completed
- 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
- Sales of SEK 3,899m for 2021 (4,186m)
- EBITDA of SEK 70.8m for 2021 (62.3m)
  - Improved gross margin





Strengthen price  
and cost position



Improve customer  
experience

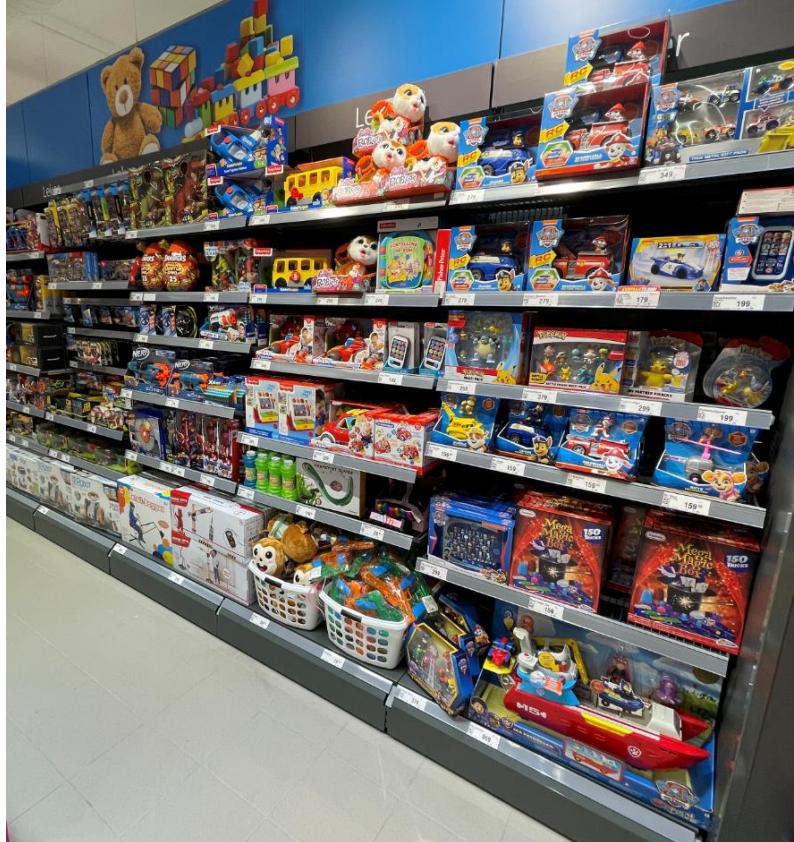


Drive customer  
growth



# Successful category strategy

- Strong performance during 2021 for upgraded categories
- Promising results from test including articles from Lekekassen in Europris stores
  - Ten stores from week 44; stronger sales vs chain average
  - Test continues, with full roll-out second half of 2022
- Improved customer satisfaction\* for important parameters such as:
  - Price perception
  - Deals
  - Product quality
  - Shopping experience and service





Strengthen price  
and cost position



Improve customer  
experience



Drive customer  
growth



# One new store opening in the fourth quarter

- One new store opening in Q4
  - Selbu in Trøndelag County
- Two stores relocated in Q4
  - Lade and Stjørdal, both in Trøndelag county
- Four new stores and five stores relocated in 2021
- Ten stores in pipeline for 2022 and beyond
  - Two are subject to planning permission
- Positive outcome for the appeal court proceedings regarding the store at Grini
  - Europris may continue operations



The team at Europris Selbu

# Outlook

**Europ**ris  
MER TIL OVERS



# Resilient concept in times with increased uncertainties **Europolis** MER TIL OVERS

- Uncertain macroeconomy expected to affect consumer spending
  - Smart shopping increasingly important
- Europolis well positioned with strengthened competitive edge
  - All time high customer satisfaction\*
  - Shopping experience improved - important product categories upgraded
  - Customer base expanded - Mer customer club passed 1 million members
  - Online position strengthened - acquisitions of Lunehjem and Lekekassen



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



# Q&A

Next event: Q1 presentation 28 April 2022

# Appendix

# Content

Long-term financial and operational ambitions

ÖoB

Sales days and store projects

Analytical information

Alternative Performance Measures (APM's)

# Long-term financial and operational ambitions



Growth	Continue to deliver like-for-like growth <b>above the market</b> over time
Number of new stores	Target to open <b>on average five new stores net per year</b> , depending on availability of locations which meet strict return requirements, potential for relocations, expansion and refurbishment activities
EBITDA	<b>Increased EBITDA margin</b> over time from improved sourcing and more cost-effective value chain
Dividend	<b>Dividend policy of 50%-60%</b> pay-out of net profit while maintaining an efficient balance sheet

# 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

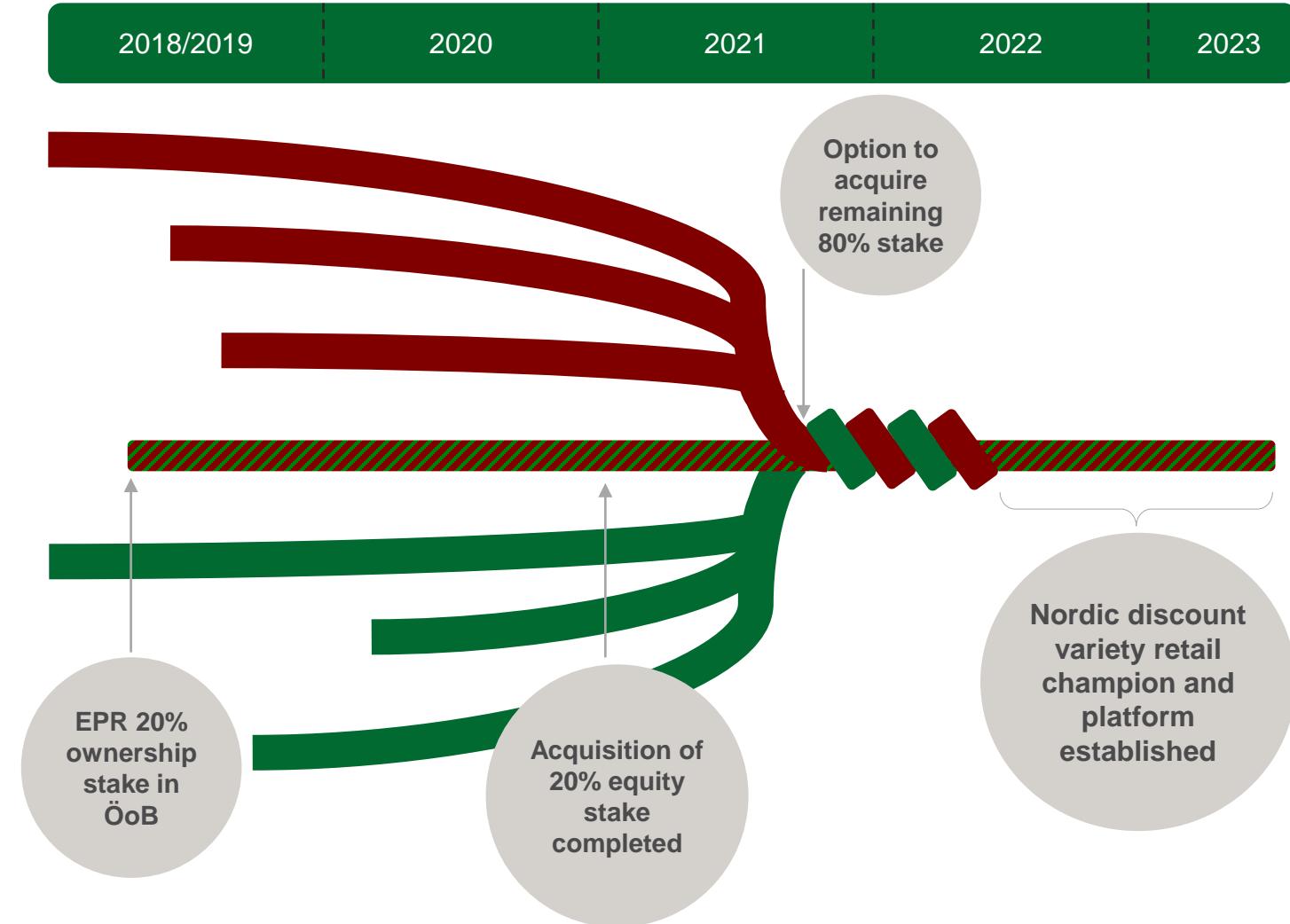
2018/2019

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)

2021	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

2022E	Q1	Q2	Q3	Q4	Total
New stores	1	3	1	1	6
Store closures	-	-	-	-	-
Relocations	2	2	-	-	4
Modernisations	5	3	4	3	15

Note: Number of projects in 2022 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 info<sup>1</sup>

## Seasonality

- As rule-of-thumb, the Easter impact is approximately NOK 60-75 million in revenue and NOK 12-15 million of EBITDA

## Quarterly OPEX

- Europris stores: as rule-of-thumb, OPEX in quarter one year ago + inflation + NOK 1.5-1.6 million per extra directly operated store (DOS)

## CAPEX

- New store – NOK 2.0 million per store (average of 5 per year)
- Relocation – NOK 1.5 million per store (average of 10 per year)
- Modernisation – NOK 1.0 million per store (average of 10 per year)
- Category development – NOK 15 million per year
- IT & Maintenance – NOK 40 million per year
- In addition, estimate for 2022: IT (ERP) of NOK 10-15 million and Warehouse (automation expanded high-bay area) of NOK 40 million

# 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.