

Q3 2022 presentation

3 November 2022

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Norway's #1 discount variety retailer



Customers

- 35 million customer transactions in 2021
- Widely recognised brand and price position¹
- Increasing market share and gaining new customers



Marketing

- 1 million leaflets in distribution
- 0.7 million subscribers to digital newsletter
- 1.2 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



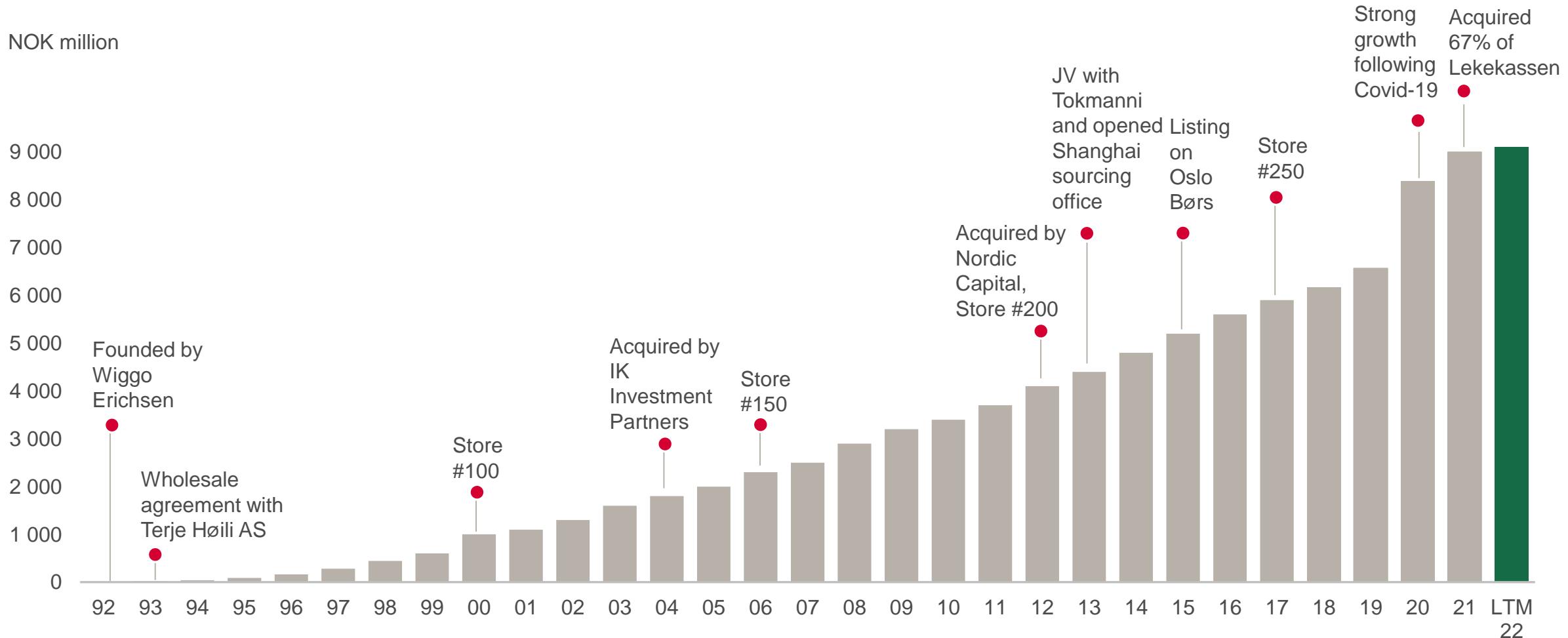
Sourcing

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



¹ Mediacom Brand Tracker 2021

30 years of consecutive growth



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

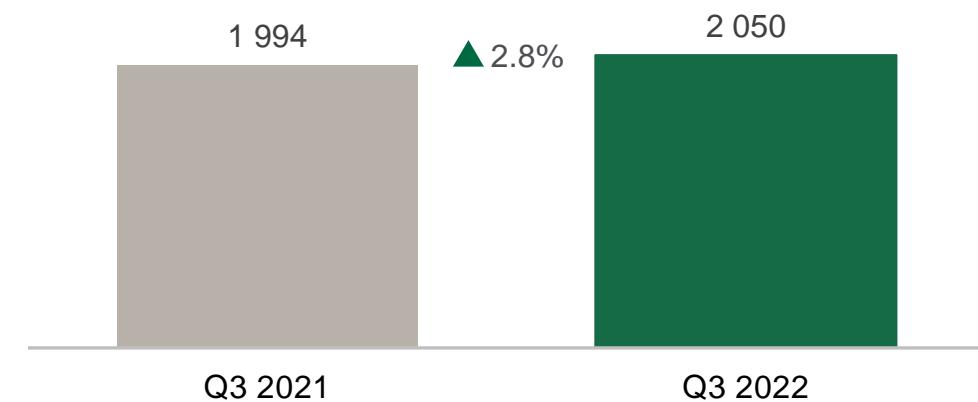
2021: Europris chain sales, Lunehjem (consolidated as of March 2021) and Lekekassen (consolidated as of August 2021)

LTM 2022: Europris chain sales, Lunehjem, Lekekassen and the Strikkemekka Group (consolidated as of July 2022)

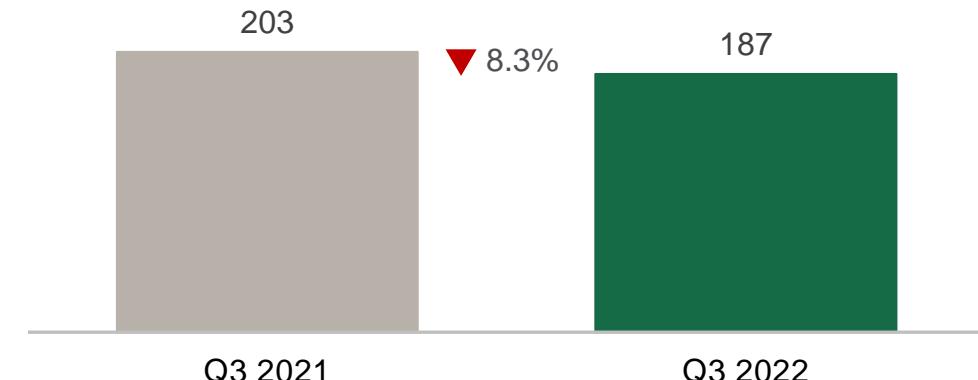
Solid performance in the third quarter

- Total sales of NOK 2,050m, up 2.8%
 - Sales decline of 0.8 per cent excluding structural* growth
 - Positive sales trend during the quarter
- Gross margin of 47.6%, up 1.9%-p
 - Timing and results from inventory counting affected margin change positively by 2.8%-points
 - Underlying margin decline of 0.9%-p from higher freight costs
- Opex-to-sales ratio of 26.8% (24.2%)
- EBITDA almost on par with the strong third quarter last year
 - EBITDA of NOK 425 million (NOK 430 million) and EBITDA margin of 20.7% (21.5%)
- Solid profitability in the quarter
 - Net profit to parent of NOK 187m, down 8.3%

Group sales (NOK million)



Net profit attributable to parent (NOK million)

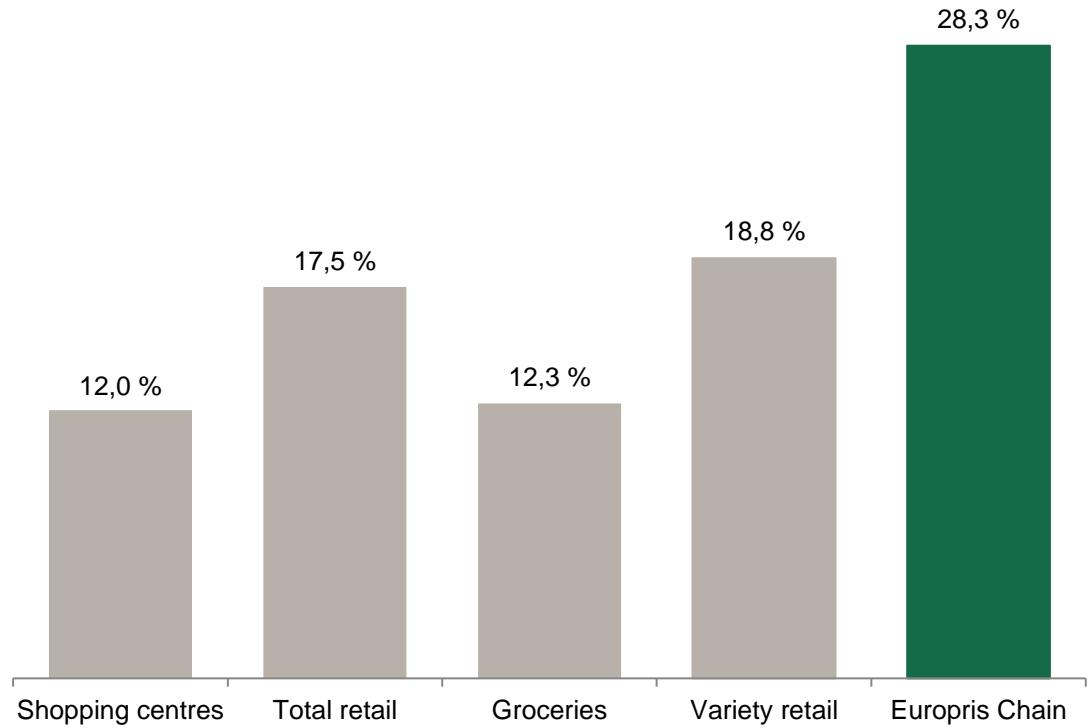


* Lekekassen consolidated from August 2021 (ie, July 2022 considered to be structural growth) and Strikkemekka consolidated from July 2022 (ie, considered to be structural growth in full)

Outperforming the general market

- Overall strong market performance last three years
 - Europolis has outperformed the market year to September
- Development in Q3 more comparable to last year
 - Europolis outperforming stores in shopping centres

Retail sales development per September, three-year-stacked (%)^{*}



Financials

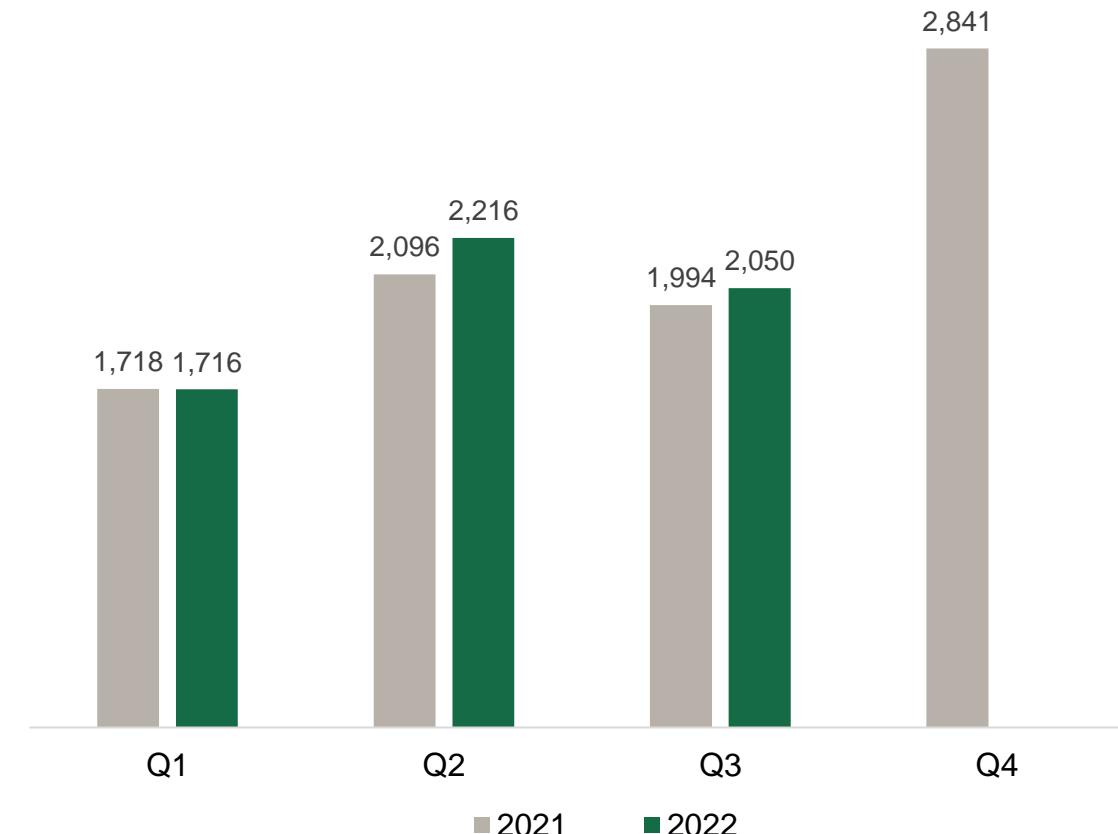
Europris
MER TIL OVERS



Satisfactory sales development in a challenging retail market

- Group sales of NOK 2,050m, up 2.8%
 - Decline of 0.8% excluding structural growth**
- Like-for-like sales decline of 3.7% for the Europris chain*
 - Positive sales trend during the quarter
 - Campaign sales performed well
 - Decline for higher value seasonal items
 - Lower sales of typical “border trade products” – below average performance for the store closest to the border

Total group sales (NOK million)



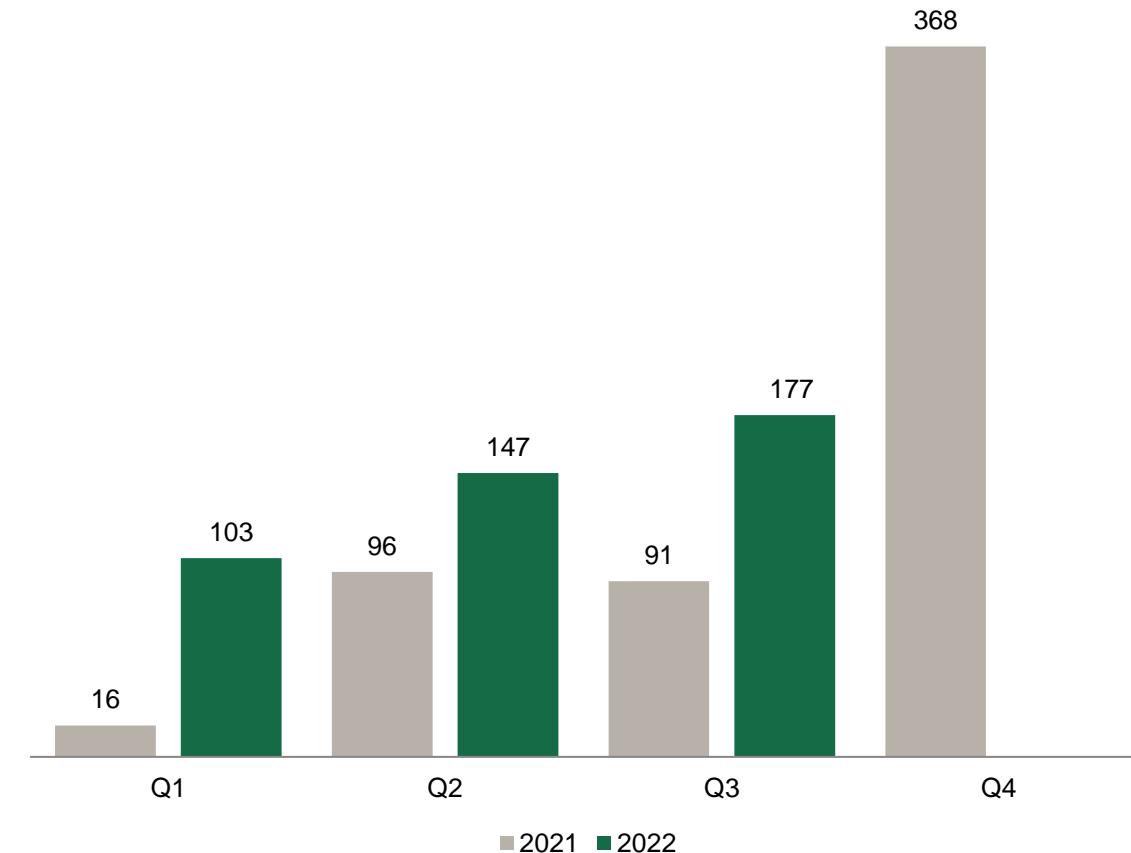
* All Europris stores, both directly operated by the group and the franchise stores

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Growth strategy increases online sales

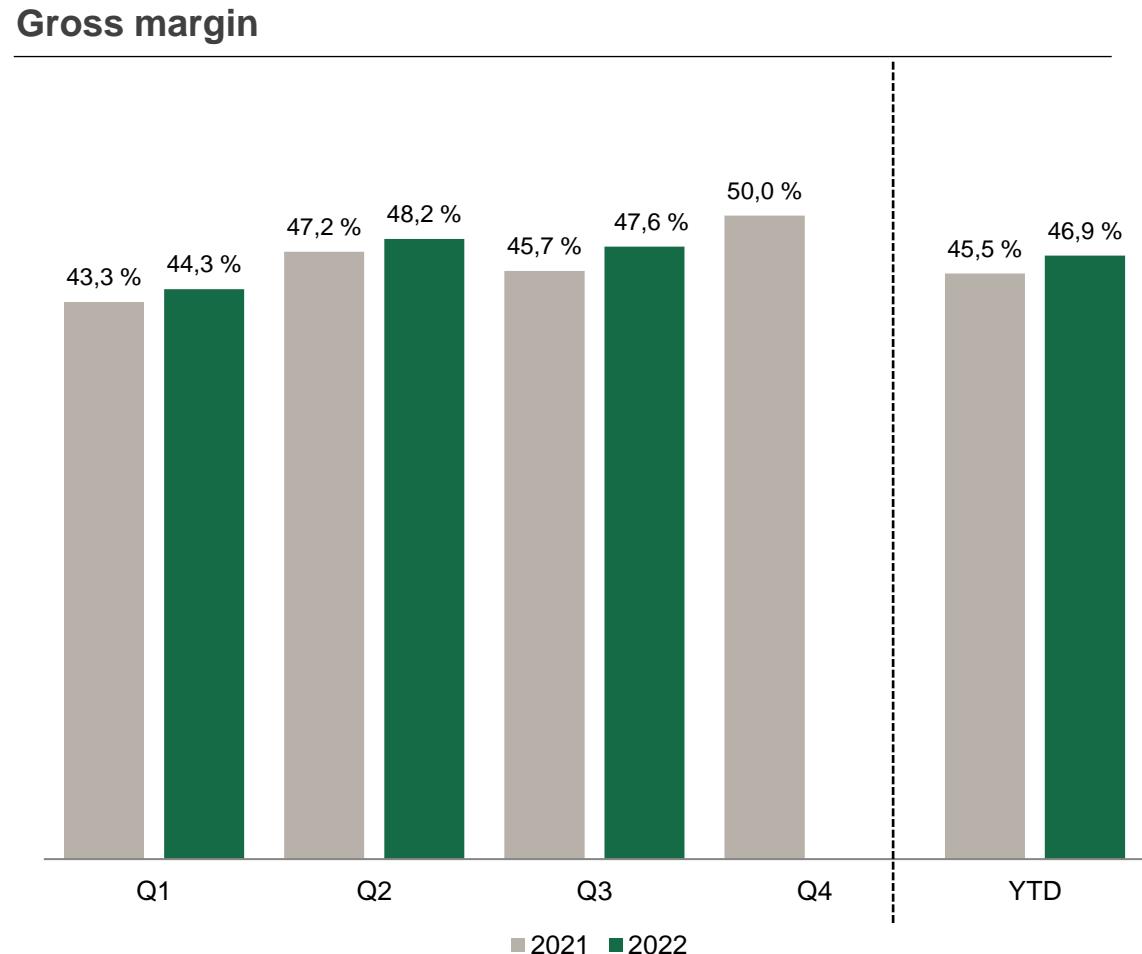
- Total e-com sales of NOK 177m (91m)
 - 8.6% of group sales
- **EuropriS.no** sales of NOK 23m (30m)
 - Consumers cautious about “investment” purchases
- Strong quarter for Lekekassen
 - Sales growth in both Norway and Sweden
- Consolidated Strikkemekka from July

Total e-commerce sales* (NOK million)



Growth in gross margin from inventory counting

- Gross margin of 47.6%, up 1.9%-points
- Timing and results from inventory counting affected margin change positively by 2.8%-points
 - Positive calculation differences of NOK 62m (4m)
 - 73% of stores counted (18%)
- Underlying gross margin decline reflects higher freight costs

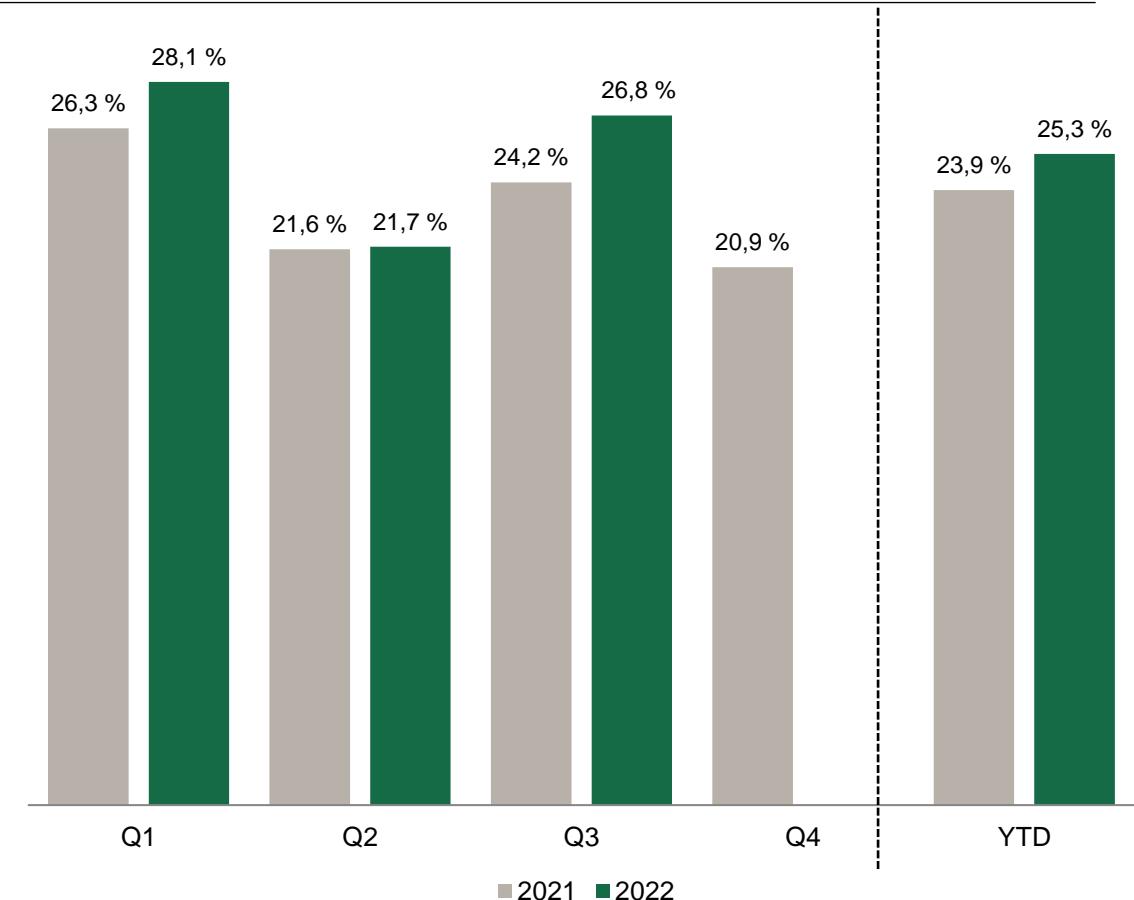


Opex impacted by structural growth and overall inflation

Europolis
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- Opex of NOK 550m, up 14.2%
- Increase of 9% excluding structural* growth
 - Higher performance-based salary to store managers (timing effect of NOK 18m in Q3)
 - Overall cost inflation
 - Increased number of directly operated stores, from 241 to 248
- Opex-to-sales ratio of 26.8% (24.2%)

Opex-to-sales ratio

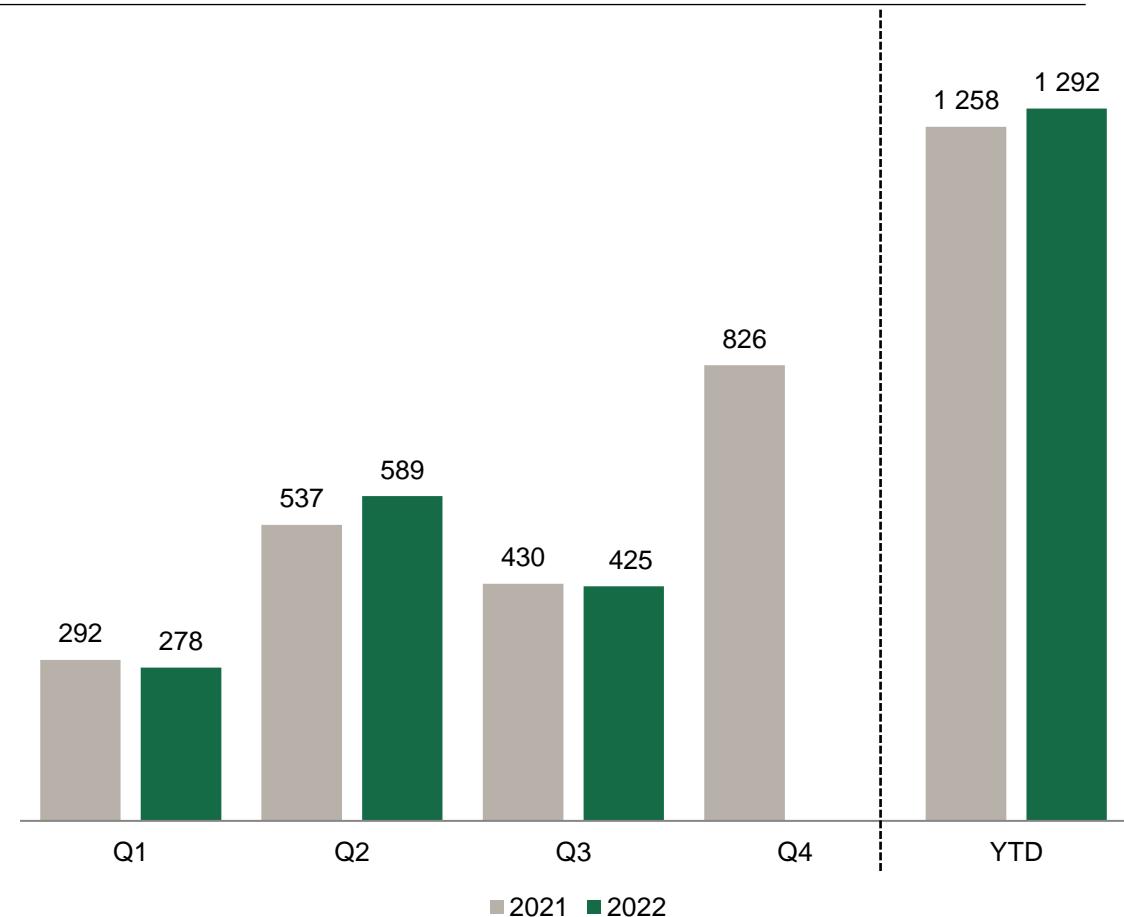


* Lekekassen consolidated from August 2021 (ie, July 2022 considered to be structural growth) and the Strikmekka group consolidated from July 2022 (ie, considered to be structural growth in full)

EBITDA almost on par with record levels in Q3 2021

- EBITDA of NOK 425m, down 1%
- EBITDA margin of 20.7%, down 0.8%-p

EBITDA (NOK million)



Solid liquidity position

- Net change in cash YTD was negative with NOK 694m (negative with 574m)
 - Higher level of inventory from increased purchase prices and greater volumes of seasonal items
 - Timing differences in the payment of accounts payable and other accrued expenses
 - Acquisition of 67 per cent stake in Strikkemekka of NOK 88m
- Net debt of NOK 3,434m (3,076m)
 - Net debt excluding lease liabilities of NOK 1,517m (1,226m)
- Cash and liquidity reserves of NOK 963m (1,254m)

Cash flow, NOK million	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Cash from operating activities	197	350	189	731
- of which <i>change in net working capital</i>	(211)	(50)	(793)	(339)
Cash used in investing activities	(121)	(569)	(162)	(641)
Cash from financing activities	(167)	(7)	(721)	(663)
Net change in cash	(91)	(226)	(694)	(574)
Cash at beginning of period	(33)	192	570	540
Cash at end of period	(124)	(33)	(124)	(33)

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

Warehouse: bigger and better – and according to plan

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- Warehouse expansion progressing on schedule
- Good progress for shuttle automation
 - Improved picking efficiency
 - Successful replacement of some hardware parts
- Testing more sustainable distribution of goods to stores
 - Electrical ferries between Moss and Horten
 - Electrical truck in Oslo and the Eastern part of Norway





Successful campaign targeting and category upgrades

Europris
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- More campaigning towards everyday consumables – driving recurring traffic to stores and generating sales
- Upgrade of the «Handyman» and DIY category
- Successful take-over of carpets distribution – new assortment well received by customers
- Pet food category remains a strong performer after upgrade





Strengthen price
and cost position



Improve customer
experience



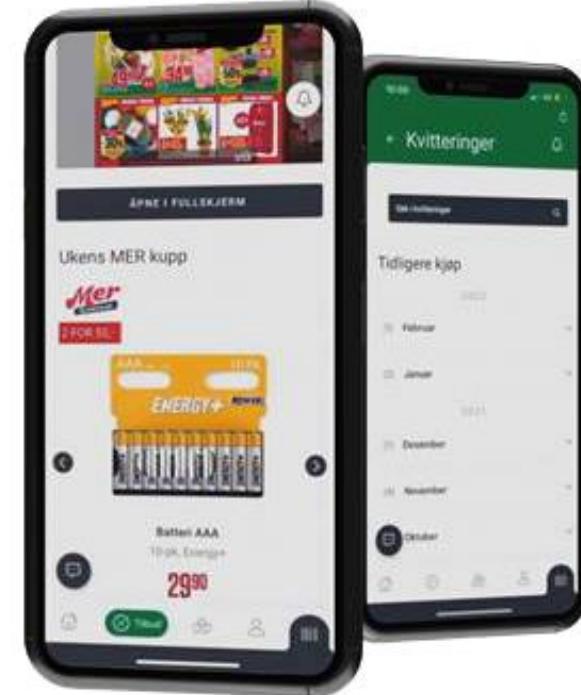
Drive customer
growth



A data driven approach to address the MER club



- The 1.2 million MER members are more loyal with higher shopping frequency
- Customised digital newsletters to some MER members
 - Same opening rate, but higher click rate and higher average basket size
- Combining digital newsletters and social media campaigns
 - Cost-effective way to ensure more relevant communication and drive traffic
- Improvement of content of higher-value items at [Europis.no](https://www.europis.no)
 - Combining the use of text, video and augmented reality technology



Expanding store network in densely populated area

Europ
pris
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- One new store opening in Q3
 - Ensjø in Oslo county
 - Part of strategy to expand the network in this densely populated area
- Nine stores in pipeline for 2022 and beyond
 - One is subject to planning permission



Outlook

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Leveraging on low-price position

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- A tougher market for consumers
 - Inflation and interest rate hikes hit household's disposable income
- Strong focus on daily consumables and lower price items
 - Driving traffic and sales through targeted campaigns
- The Europris concept is well suited for current market environment, with low prices and strong campaigns
- Ready for the important seasons in the fourth quarter



Q&A

Next event: Capital markets update 8 December 2022,
at Hotel Continental

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 above the market over time
Number of new stores	Target to open on average five new stores net per year , depending on availability of locations which meet strict return requirements, potential for relocations, expansion and refurbishment activities
EBITDA	Increased EBITDA margin over time from improved sourcing and more cost-effective value chain
Dividend	Dividend policy of 50%-60% 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

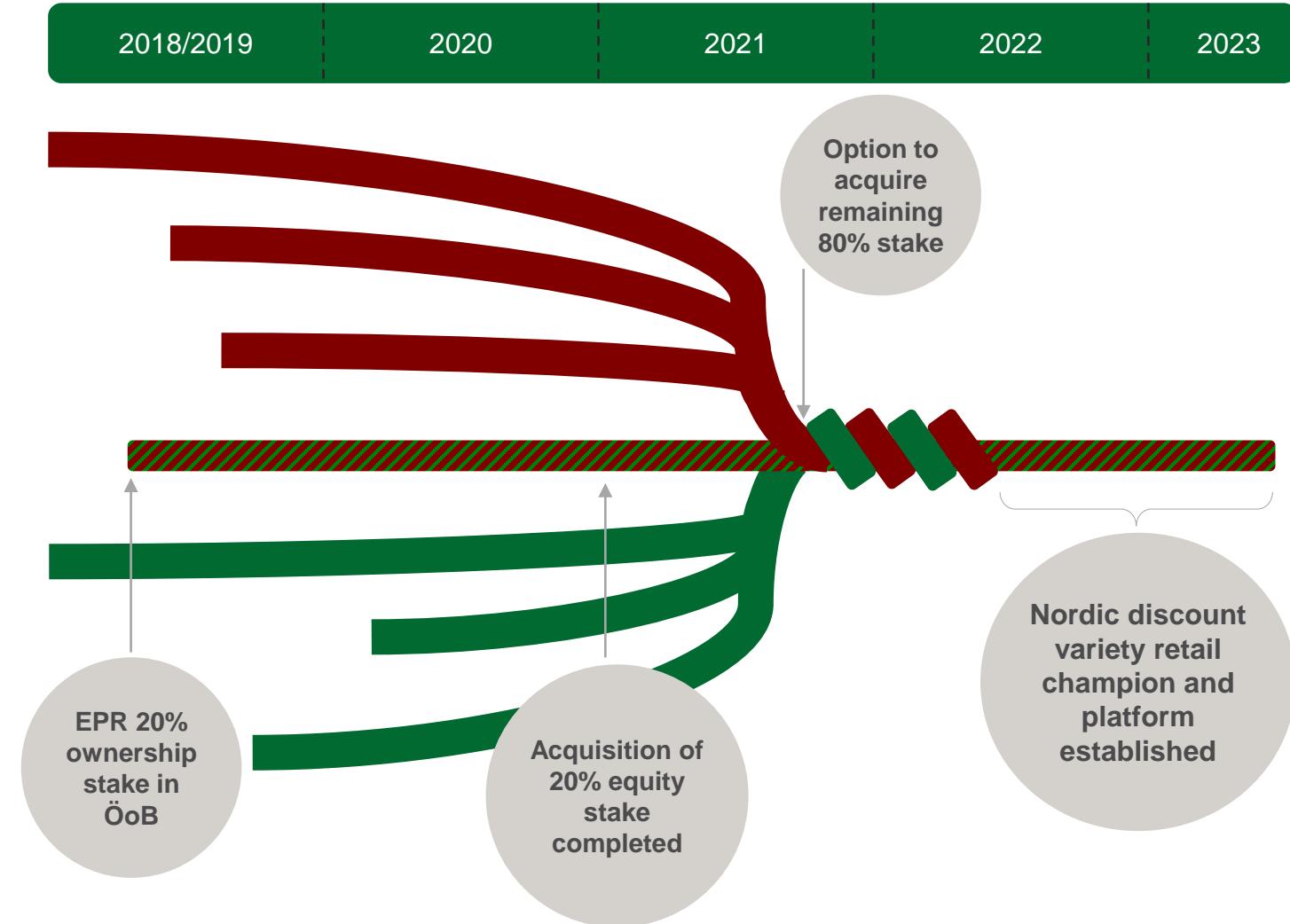
2018/2019

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
2021	76	71	79	81	307
2022	76	72	79	81	308
2023	77	71	79	79	306

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	-	2	6
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 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">Europis 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	<ul style="list-style-type: none">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 yearIT & Maintenance – NOK 40 million per yearIn addition, estimate for 2022: IT (ERP) of NOK 10-15 million and Warehouse (automation expanded high-bay area) of NOK 10 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

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.

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.

Like-for-like sales growth

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.