

Q1 2023 presentation

27 April 2023

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Norway's #1 discount variety retailer



Strong brand and loyal customer base



Low prices and powerful marketing and campaign engine



Proven category management model



Expanding store network and e-commerce operation



278
stores

Our growth story

NOK 9.5bn

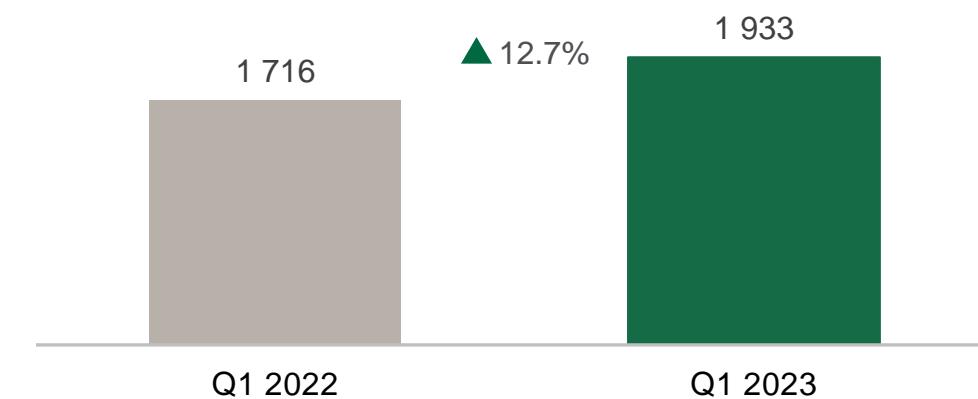


Note: sales for the Europris chain (directly operated and franchise stores), Lunehjem (consolidated as of March 2021), Lekekassen (consolidated as of August 2021) and the Strikkemekka group (consolidated as of July 2022)

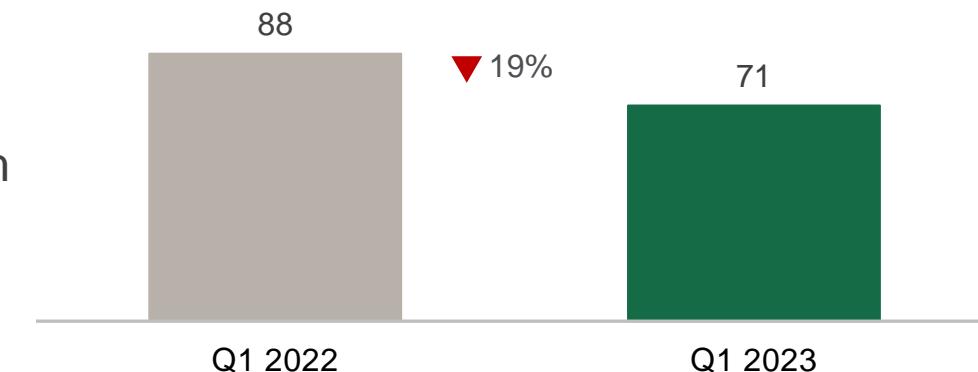
Europis continued its profitable growth journey

- Total sales of NOK 1,933m, up 12.7%
 - Sales increase of 9.6% excluding Strikkemekka
 - Earlier Easter and hoarding end-January
- Gross margin of 43.5%, down 0.8%-p
 - Higher input costs and intense price competition
- Opex-to-sales ratio of 27.4%, down 0.7%-p
- EBITDA of NOK 311m, up 12.2%
- Net profit to parent of NOK 71m (88m)
 - Negative effect from interest rate swaps of NOK 5m (positive at NOK 30 million)
 - Acquired remaining 33% of Lekekassen for NOK 212m
 - Cash and liquidity reserves of NOK 1,092 million (1,383m)

Group sales (NOK million)



Net profit attributable to parent (NOK million)



Strong performance based on a highly relevant concept



- Europolis positively affected by earlier Easter
- One more shopping day in Q1'23 vs. Q1'22
- Covid-19 restriction in Q1'22 likely to have affected shopping centers more negatively than Europolis

Retail sales development per March, %*



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

Acquired remaining 33% in Lekekassen

EuropriS
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- Exercising pre-emptive right to acquire remaining shares in Lekekassen, following resignation of founder and CEO Andreas Skalleberg
- Acquired remaining 33% for NOK 212m in cash, bringing the total Lekekassen investment to NOK 713m
- COO Severin B. Hanssen to succeed Skalleberg as CEO
 - Mr. Hanssen joined Lekekassen in December 2021, with the intention to step-up as CEO with time
 - Mr. Skalleberg will remain as an adviser throughout 2024
 - Core management will continue in current positions



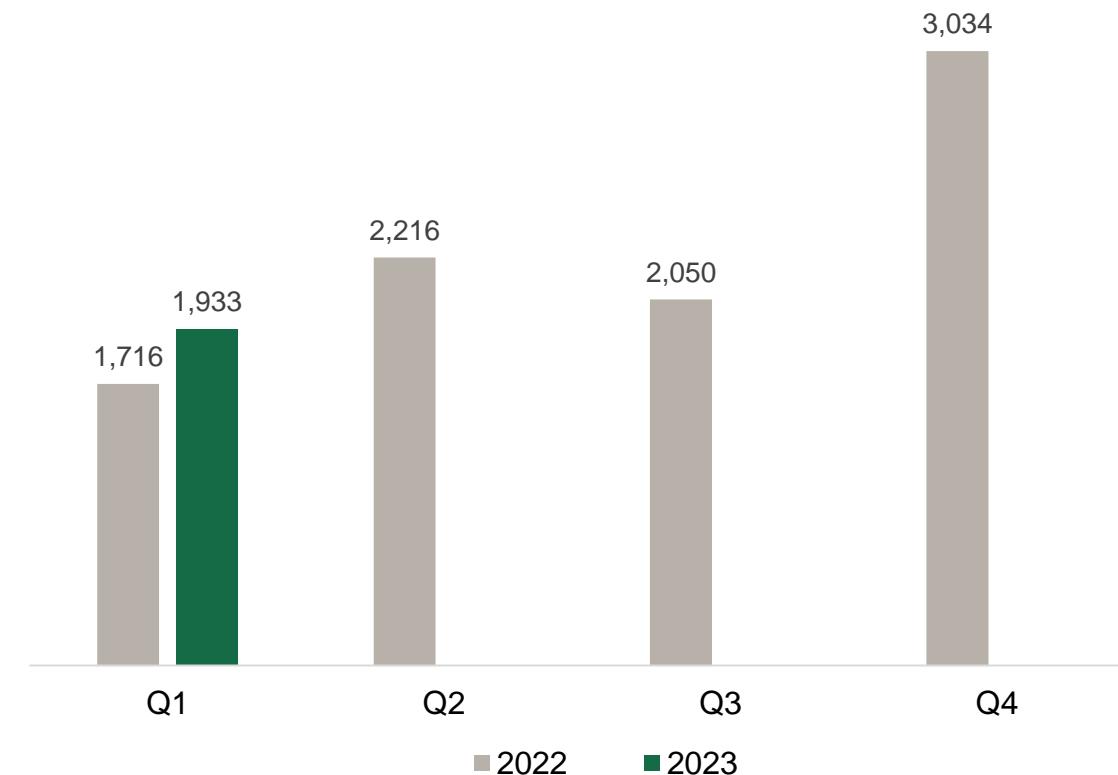
Financials

CFO Stina C Byre

Sales impacted by timing of Easter and hoarding

- Group sales of NOK 1,933m, up 12.7%
 - Increase of 9.6% excluding acquisition of Strikkemekka
- Like-for-like sales increase of 6.7% for the
Europis chain*
 - Earlier Easter this year
 - Hoarding end-January ahead of expected price
increases in grocery stores from 1 February
 - Highest sales growth for consumables on campaigns

Total group sales (NOK million)

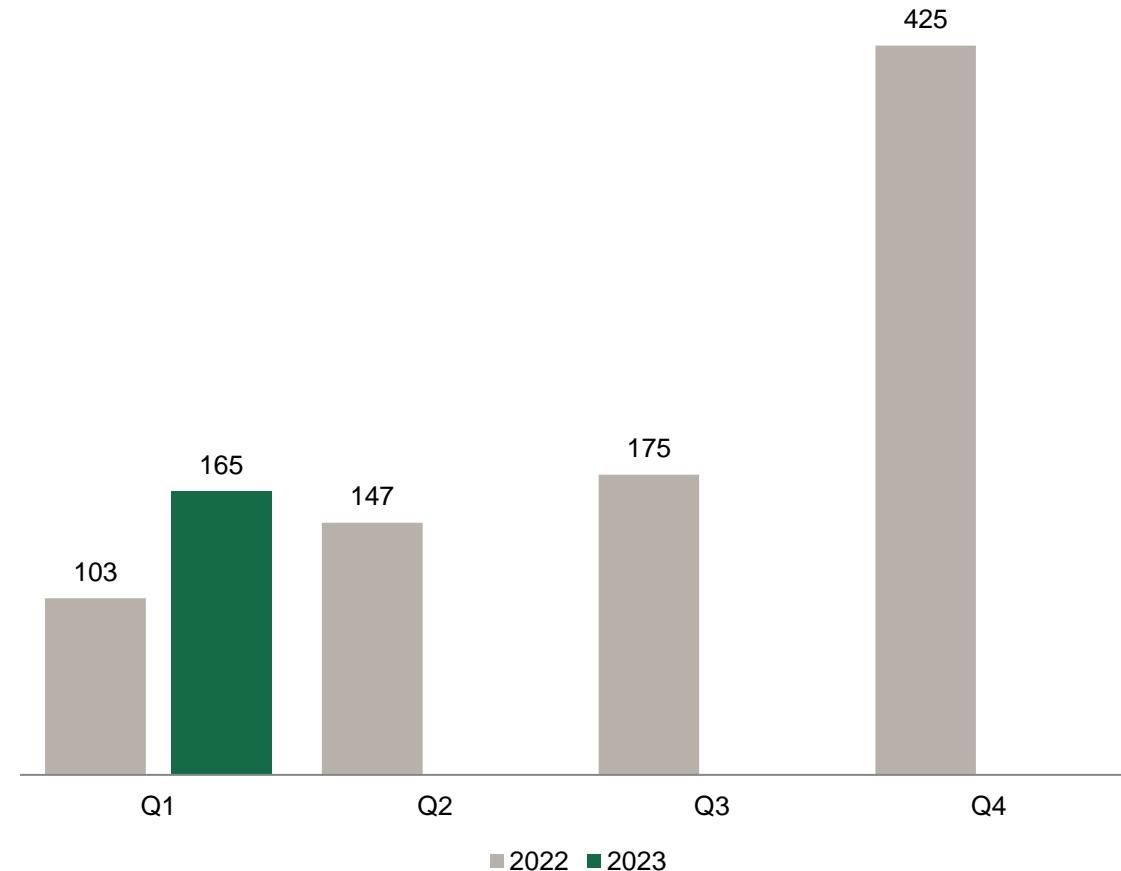


* All Europis stores, both directly operated by the group and the franchise stores

Pure play strategy boosts online sales

- Total e-com sales of NOK 165m (103m)
 - Growth of 11% excluding acquisition of Strikkemekka
 - Accounting for 8.5% of group sales
- Strong quarter for Lekekassen in Sweden and Denmark, decline in Norway
- Sales growth for Strikkemekka

E-commerce sales* (NOK million)

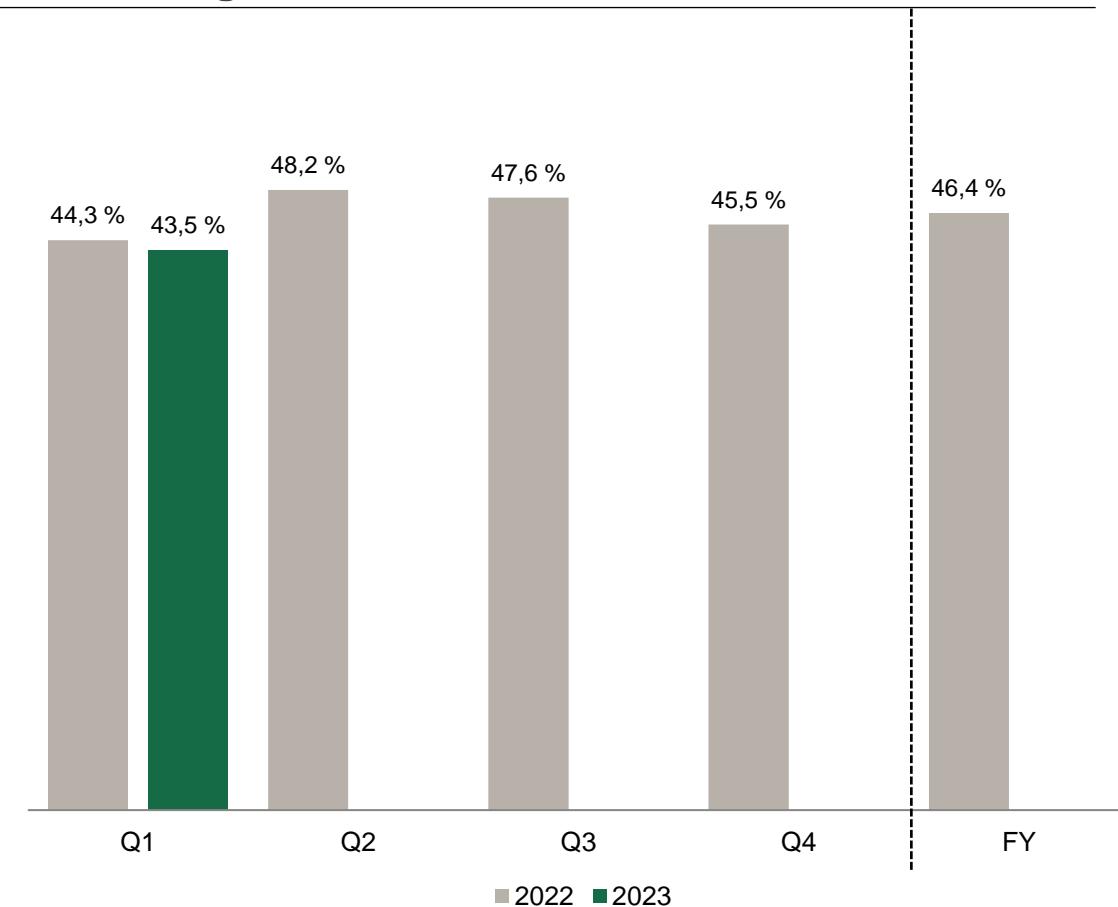


* Europris.no, Lunehjem (from March 2021), Lekekassen (from August 2021) and the Strikkemekka group (from July 2022)

Cost and competition put pressure on margin

- Gross margin of 43.5%, down 0.8%-p
 - Higher input costs paired with intense price competition
- Positive effects offset some of the margin decline
 - Changed timing of booking of calculation differences; positive difference of NOK 15m booked this year (effects booked in Q3 and Q4 last year)
 - Unrealised currency gain of NOK 5m on hedging contracts (loss of NOK 5m last year)

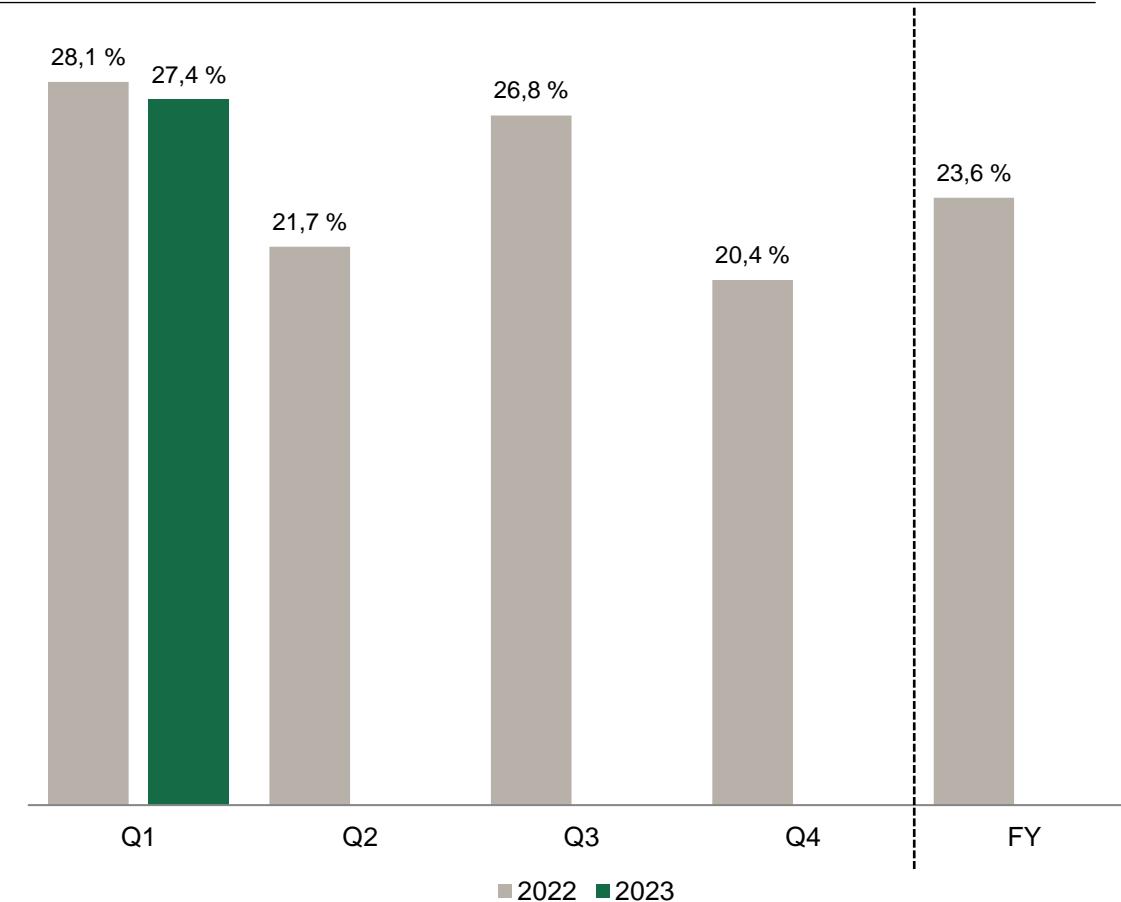
Gross margin



Improved opex-to-sales ratio

- Opex of NOK 529m, up 9.7%
 - Increase of 5.5% excluding acquisition of Strikkemekka
 - Increased number of directly operated stores, from 244 to 253
- Opex-to-sales ratio of 27.4% (28.1%)

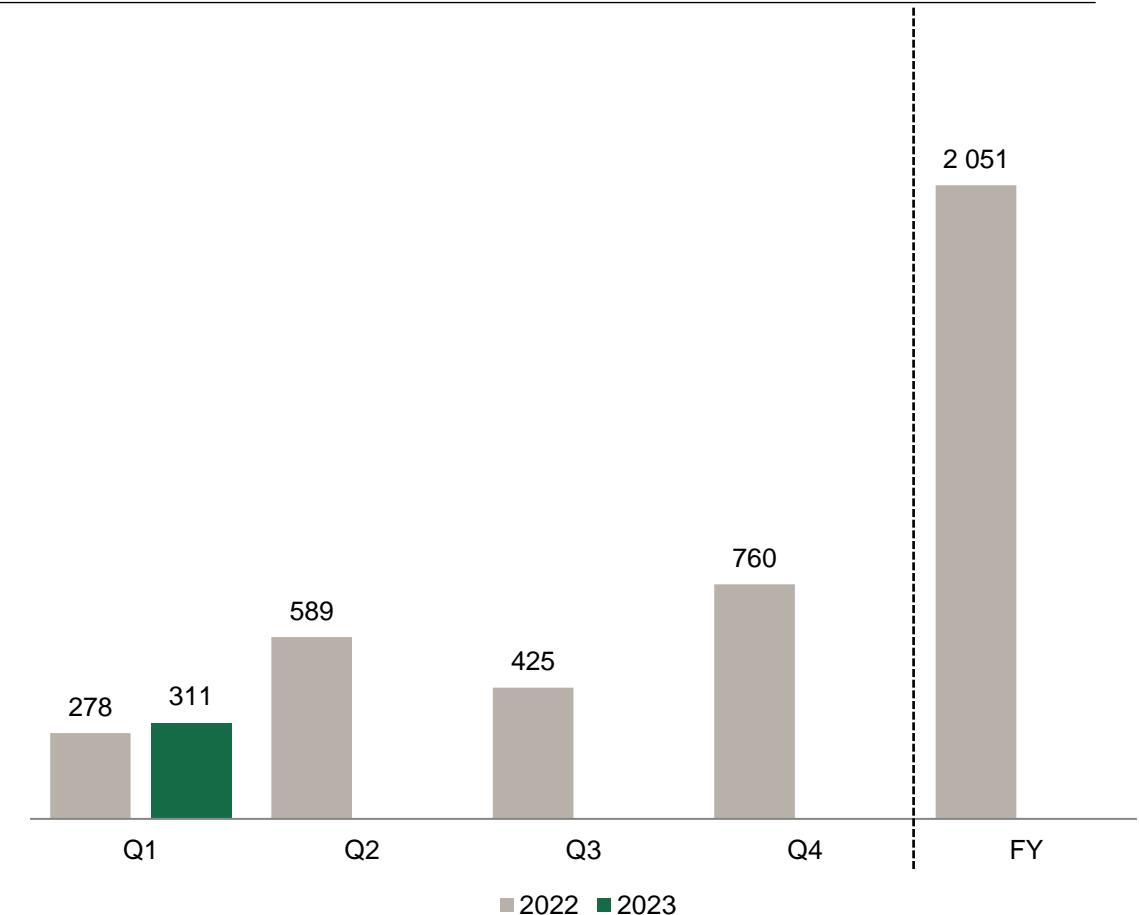
Opex-to-sales ratio



Sales growth reflected in higher EBITDA

- EBITDA of NOK 311m, up 12.2%
 - Continued sales growth and cost containment
- EBITDA margin of 16.1% (16.2%)

EBITDA (NOK million)



Solid financial position

- Seasonally weak cash flow in the first quarter
- Negative net change in cash of NOK 495m for the first quarter (negative with 576m)
 - Last year was negatively affected by earlier shipping of goods
- Acquisition of the remaining 33% of Lekekassen for NOK 212m
- Net debt* of NOK 4,107m (3,531m)
 - Net debt excluding lease liabilities of NOK 1,430m (1,100m)
- Solid financial position with cash and liquidity reserves of NOK 1,092m (1,393m)

Cash flow, NOK million	Q1 2023	Q1 2022	FY 2022
Cash from operating activities	(366)	(434)	1,248
- of which change in net working capital	(462)	(598)	(374)
Cash used in investing activities	(287)	(3)	(209)
Cash from financing activities	158	(139)	(1,144)
Net change in cash	(495)	(576)	(106)
Cash at beginning of period	464	570	570
Cash at end of period	(31)	(6)	464

* From the first quarter of 2023 lease liabilities include both non-current and current lease liabilities, and last year figures are restated to also include current lease liabilities

Our key strategic focus areas



Campaigns, seasons and category upgrades - important drivers of sales

- High level of campaign activity for everyday consumables
 - Driving footfall to stores and generating sales
- Easter – an important seasonal occasion
 - Driving footfall and sales
- Upgrade of the laundry and cleaning category
 - Modernised shop-in-shop store lay-out
 - Introduction of sales promoting elements



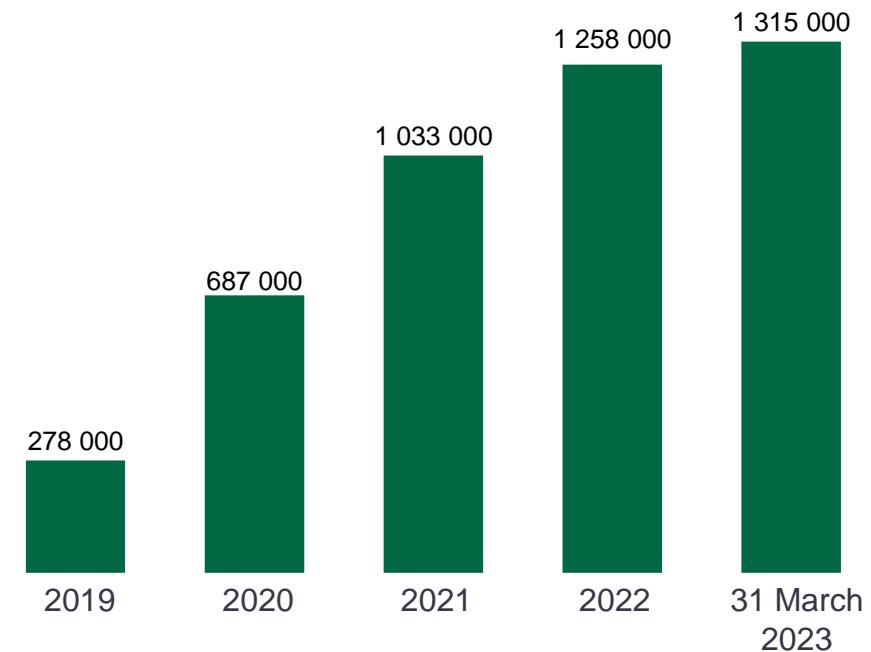
Customer club membership reaching all-time high

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- Continued recruitment to the *Mer* customer club
- Successful local social media campaigns
- Targeted activities to increase frequency
 - Addressing customers with changed shopping behaviour
- Small-scale testing of personalised product recommendations
- Enrichment of customer data to improve relevance of communication

***Mer* customer club members**

>750,000 subscribers to digital newsletter



Further expansion and exploration of the city concept



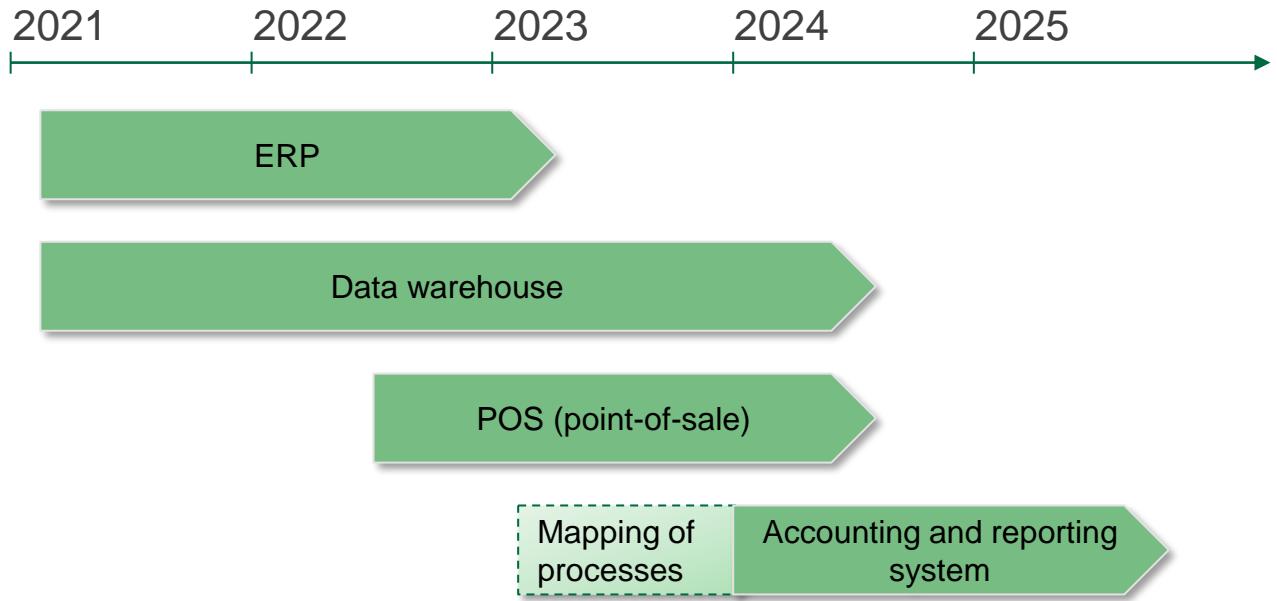
- Two new store openings in Q1
 - One more city store in downtown Oslo in Grensen
 - An important location for further testing of city concept
 - Currently, four stores in the city store portfolio
 - One store in Froland in Agder county
- Nine stores in the pipeline
 - Three subject to planning permission
- Executed relocation of two stores, one store expansion and three store modernisations



The city store in downtown Oslo in Grensen

Successful start to the IT platform upgrading

- Successful go live with new ERP system
 - Delivered on time and below budget
 - No disturbances to operations
- Several larger projects ongoing
 - Building a new data warehouse
 - Modernising point-of-sale technology
 - Upgrade of accounting and reporting system



Outlook



The Europris concept benefits from higher need for good customer deals and affordable campaigns

- Sales growth for the Europris chain of 4.1% per 25 April
 - Neutralising the timing effect from earlier Easter in 2023
- Planned for another summer with low appetite for investment purchases
 - 7% of chain sales in Q1'22 came from products with price point above NOK 1,000
- High attention to price in media and among customers
 - Positive for a concept like Europris, with low prices and strong campaigns
- Continued attention to everyday consumables and affordable seasonal products



Q&A

Next event: Q2 presentation 13 July 2023

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 a net average of five new stores per year , depending on availability of locations which meet strict return requirements, and the potential for relocations, expansions and modernisations
EBITDA	Increase EBITDA margin over time from improved sourcing and a more cost-effective value chain
Dividend	Dividend policy of paying out 50-60% of net profit while maintaining an efficient balance sheet

ÖoB 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
2022	76	72	79	81	308
2023	77	71	79	79	306
2024	75	73	79	80	307

Number of store projects

2022	Q1	Q2	Q3	Q4	Total
New stores	1	3	1	1	6
Store closures	-	-	-	-	-
Relocations / expansions	6	2	-	3	11
Modernisations	1	3	4	2	10

2023E	Q1	Q2	Q3	Q4	Total
New stores	2	2	2	1	7
Store closures	-	-	-	-	-
Relocations / expansions	3	2	1	1	7
Modernisations	3	3	1	2	9

Note: Number of projects in 2023 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 information¹

Seasonality	<ul style="list-style-type: none">As a rule-of-thumb, the Easter impact is approximately NOK 60-75 million in revenue and NOK 12-15 million in EBITDA
Quarterly Opex	<ul style="list-style-type: none">Europris stores: as a rule-of-thumb, Opex in quarter one year earlier + inflation + NOK 1.5-1.6 million per extra directly operated store (DOS)
Capex	<ul style="list-style-type: none">New store – NOK 2.2 million per store (average of five per year)Relocation – NOK 1.7 million per store (average of 10 per year)Modernisation – NOK 1.2 million per store (average of 10 per year)Category development – NOK 15 million per yearIT and maintenance – NOK 40 million per yearIn addition, estimate for 2023: IT (ERP/POS) of NOK 10-15 million and warehouse (automation expanded high-bay area) of NOK 55-60 million
Rent	<ul style="list-style-type: none">Majority of contracts are CPI-adjustedRecognised under IFRS-16 leases

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. From the first quarter of 2023 lease liabilities include both non-current and current lease liabilities, and last year figures are restated to also include current 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.