

Q4 2023 presentation

1 February 2024

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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



282
stores

Our growth story

NOK 9.7bn*

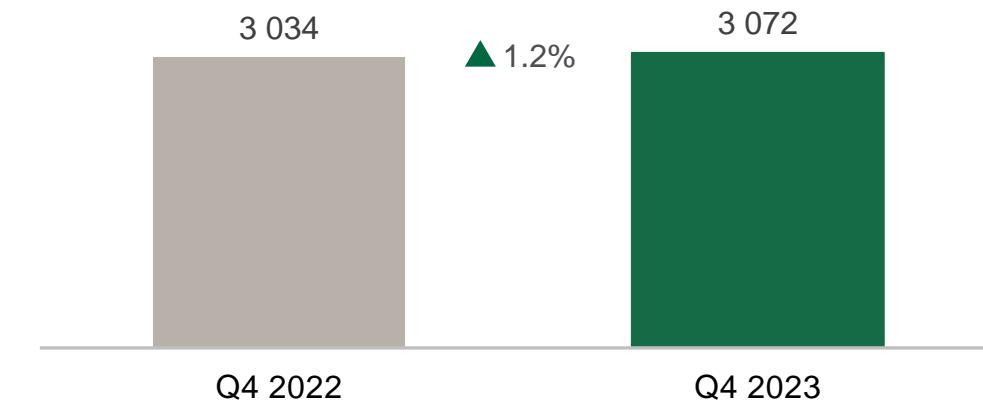


* Sales include the Europris chain (directly operated and franchise stores), Lunehjem (consolidated as of March 2021), the Lekekassen group (consolidated as of August 2021) and the Strikkemekka group (consolidated as of July 2022)

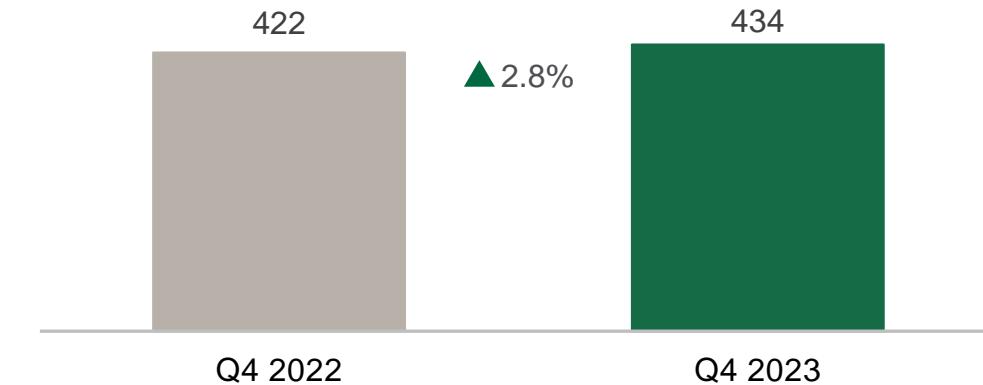
Fourth quarter – mixed conclusion to a solid year

- Total sales of NOK 3,072m, up 1.2%
 - Good progress for campaign sales and consumables
 - Some seasonal best-sellers sold out early
- Gross margin of 43.9%, down 1.6%-p
 - Changes to product mix and increased campaign sales
- Opex-to-sales ratio of 20.3%, down 0.1%-p
- EBITDA of NOK 723m, down 4.9%
- EBIT of NOK 554m, down 8.4%
- Net profit to parent of NOK 434m, up 2.8%
 - ÖoB: Goodwill write-down of NOK 43m, more than offset by value of option of NOK 102m
- Exercises option to acquire remaining 80% of Swedish retailer ÖoB

Group sales (NOK million)

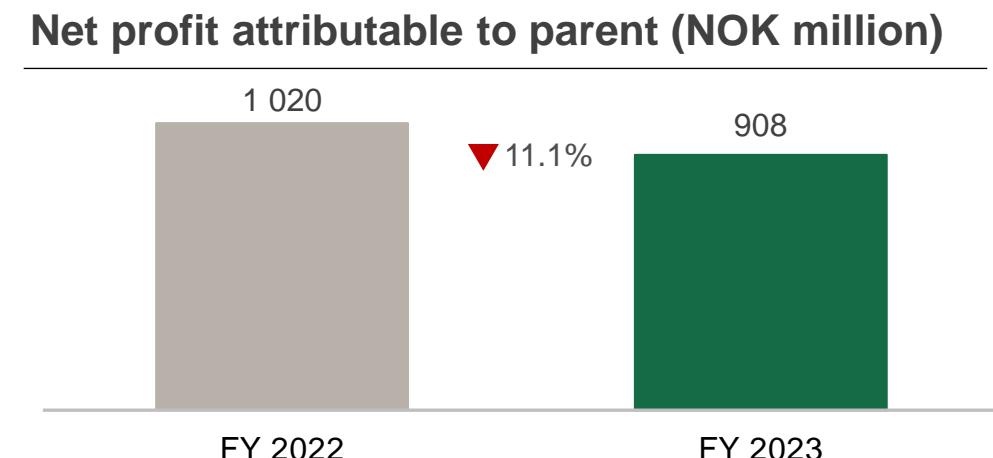
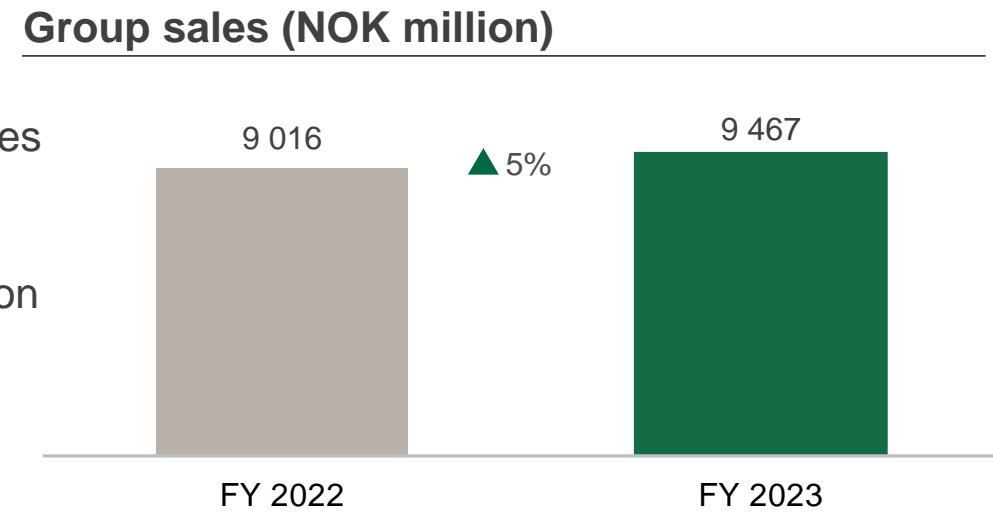


Net profit attributable to parent (NOK million)



FY'23: Solid performance in challenging environment **Europolis** MER TIL OVERS

- Total sales of NOK 9,467m, up 5%
 - Relevant concept and product mix, and higher footfall to stores
- Gross margin of 44.3%, down 2.1%-p
 - Changed product mix, more campaign sales, price competition
 - Increased cost of good sold, including seasonal overlies
 - Gross margin remains above pre-pandemic levels
- Opex-to-sales ratio of 23.5%, down 0.1%-p
- EBITDA of NOK 1,970m, down 4.0%
- EBIT of NOK 1,295m, down 10.1%
- Net profit to parent of NOK 908m, down 11.1%
- Strong financial position
 - Cash and liquidity reserves of NOK 2.2bn (1.9bn)
 - Improved inventory development



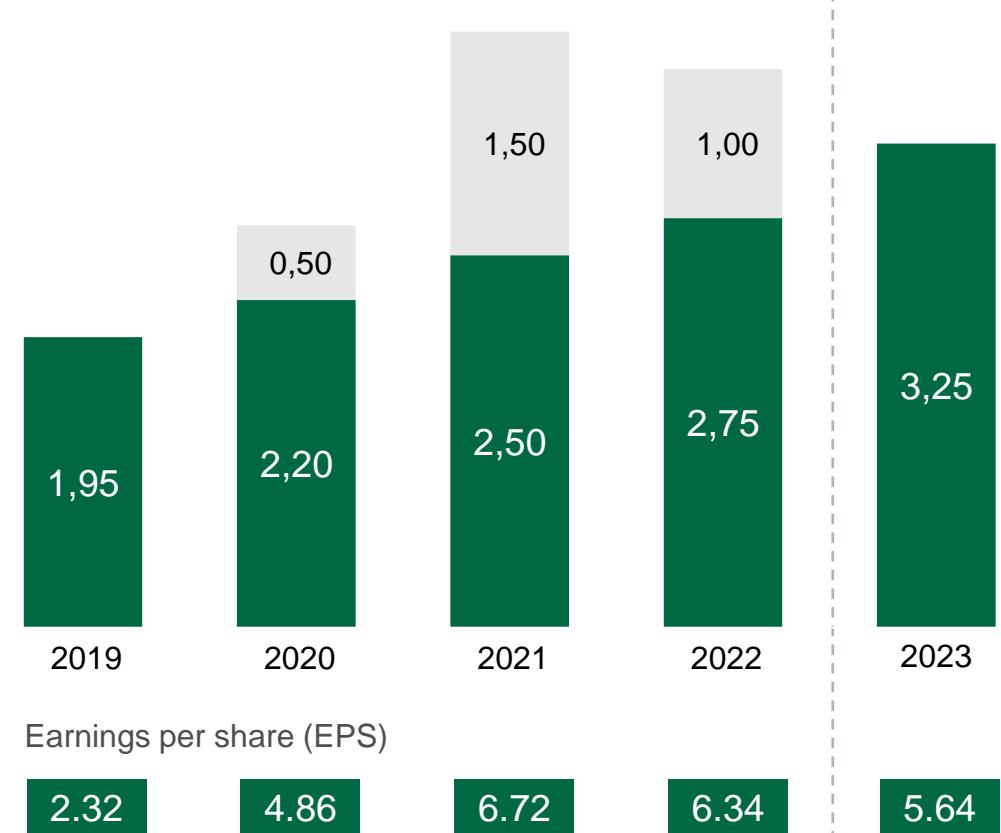
Continued growth in nominal dividend

- The board of directors proposes total dividend per share of NOK 3.25 for 2023 (3.75)
 - Ordinary dividend up 18%
 - Total dividend down 13%
- Total dividend amounts to NOK 523m excluding treasury shares
 - Pay-out ratio of 57.6% of net profit to majority, within the dividend policy of 50%-60% payout

DPS and EPS

■ Ordinary dividend

■ Additional dividend following strong financial performance affected by Covid-19

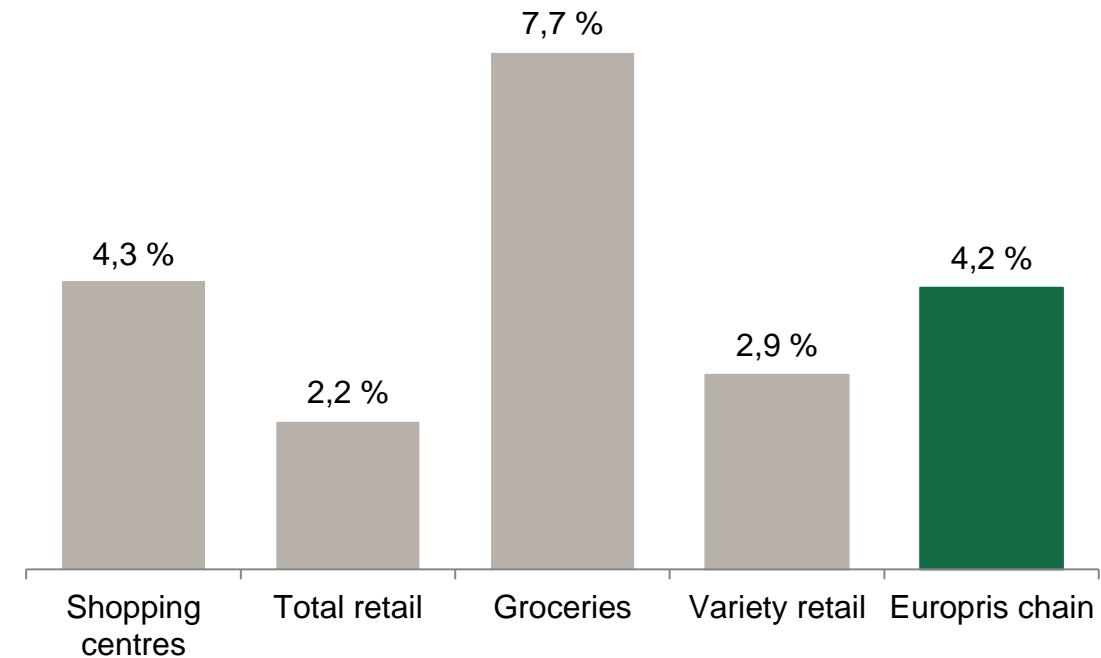


Highly relevant concept also in current type of market

Europolis
MER TIL OVERS

- Market growth overall
 - Total retail affected by lower investment purchases
 - High growth rate for groceries after negative growth last year
 - Growth for variety retail – consumers drawn towards campaign and low prices, and more positive to test private labels
- Europolis is well positioned and continues to outperform variety retail
 - Shows that the Europolis concept is flexible and adaptive to different market conditions

Retail sales – year to 31 December, year-on-year growth %*

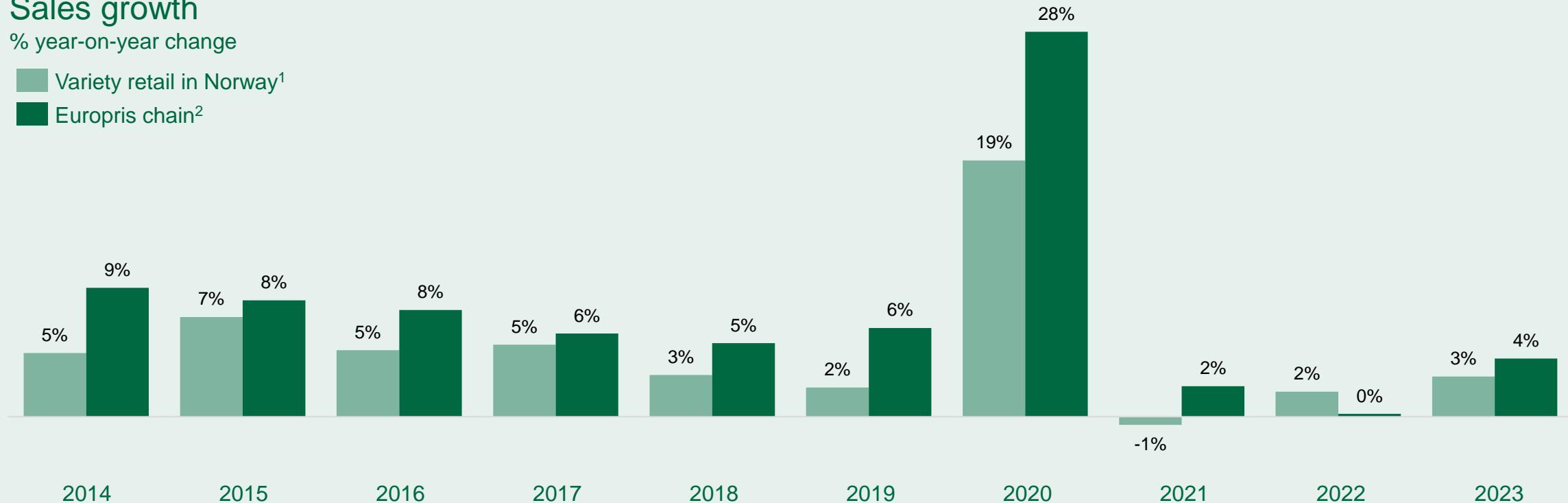


Sales growth

% year-on-year change

Variety retail in Norway¹

Europis chain²



¹ Virke retail index (using figures reported by Statistics Norway)

² Europis chain (both directly operated and franchise stores)

Europis has consistently outperformed the market

Europis
MER TIL OVERS

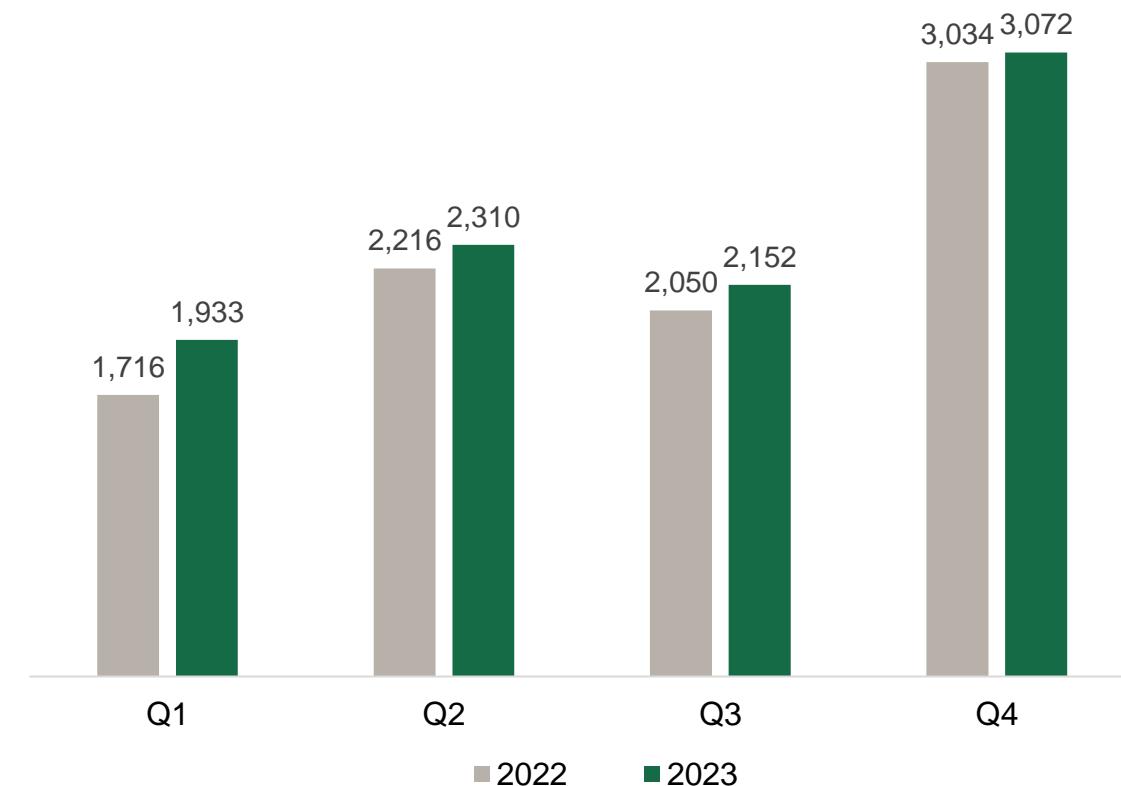
Financials

CFO Stina C Byre

Sales growth from strong campaigns and relevant product range

- Group sales of NOK 3,072m, up 1.2%
 - Two fewer sales days
- Like-for-like sales increase of 0.4% for the Europis chain*
 - Campaign sales performed well
 - Positive development for consumables and private labels
 - Christmas season sold above expectations – some best-sellers sold out early

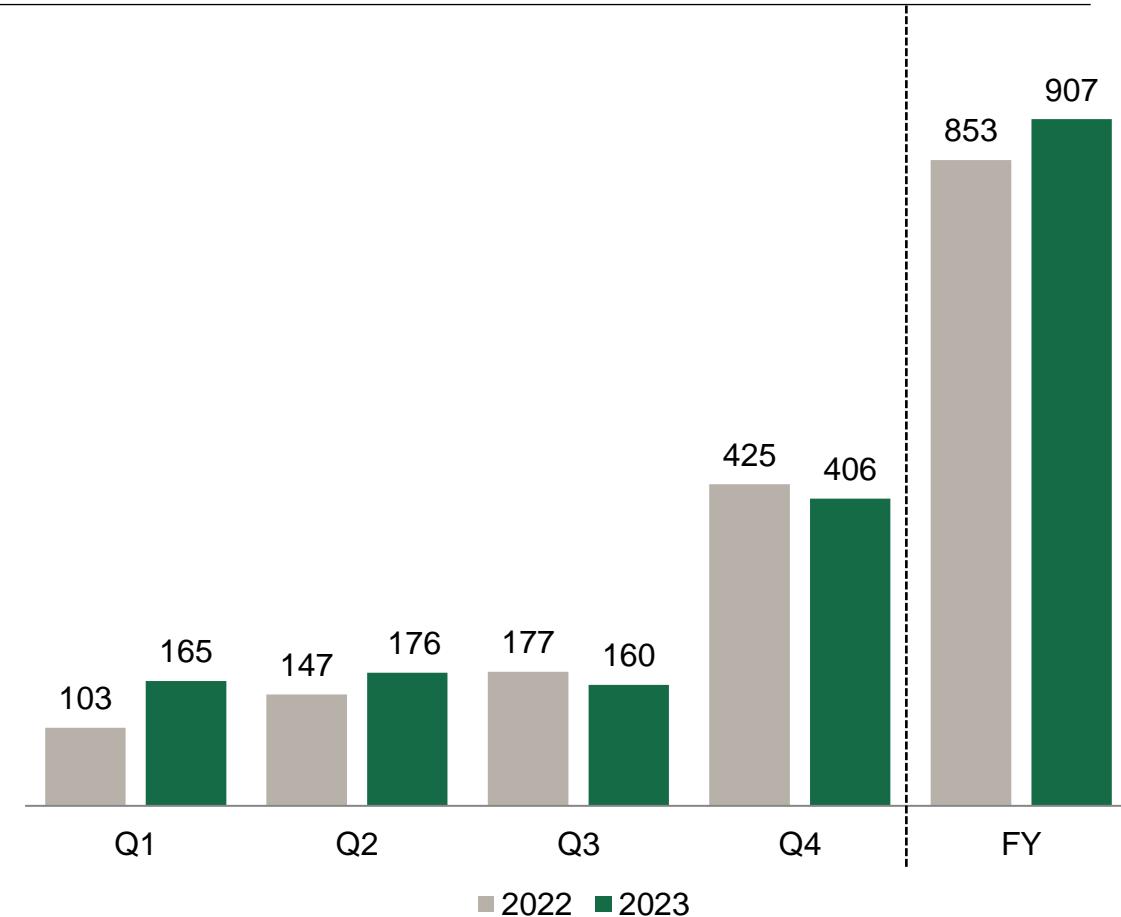
Total group sales (NOK million)



Sales decline for E-commerce

- Total e-com sales of NOK 406m (425m)
 - Decline of 4.5%
 - Accounting for 13.2% of group sales (14.0%)
- Decline in all markets for Lekekassen
 - Fierce price competition in Sweden and Denmark
- Sales growth for the Strikkemekka group
 - Lower yarn sales in Norway
- FY'23 Lekekassen: Sales of NOK 609m (622m) and EBITDA of NOK 93m (99m)
- FY'23 Strikkemekka: Sales of NOK 188m (193m) and EBITDA of NOK 9m (7m)

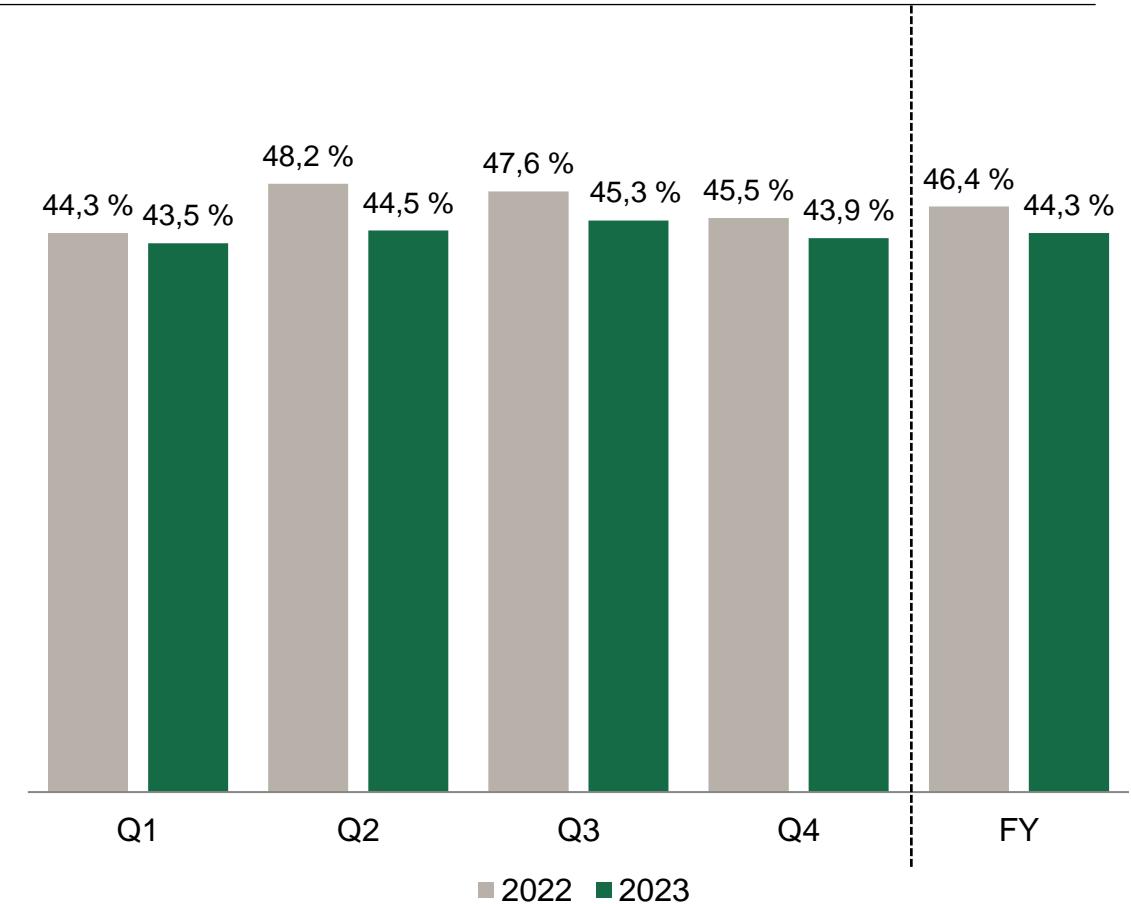
E-commerce sales* (NOK million)



Gross margin remaining above pre-pandemic levels

- Gross margin of 43.9%, down 1.6%-p
 - Change in product mix, more campaign sales, and tough price competition
 - Timing of inventory counting (booking of calculation differences) last year had a negative impact on the margin change of 0.7%-p
- Unrealised currency loss of NOK 14m on hedging contracts (loss of NOK 39m)
 - Positive effect on the margin change of 0.9%-p

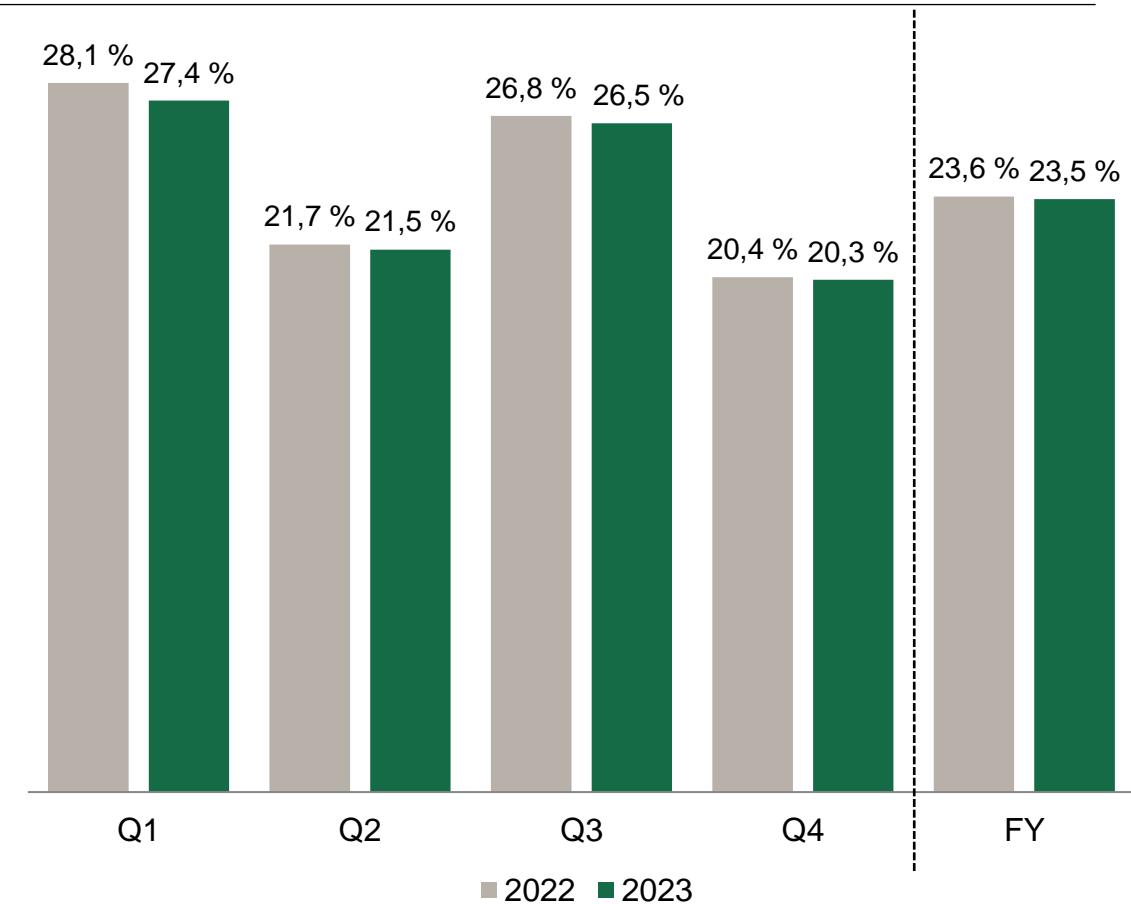
Gross margin



Opex-to-sales ratio on a par with the previous year

- Opex of NOK 625m, up only 0.9%
 - Reversal of NOK 11m in legal costs which will be reimbursed following the ÖoB arbitration
 - Increase in number of directly operated stores, from 249 to 257
- Opex-to-sales ratio of 20.3% (20.4%)

Opex-to-sales ratio



EBITDA reflecting lower gross margin

- EBITDA of NOK 723m, down 4.9%

- Mainly reflecting lower gross margin
 - Only marginal growth in Opex

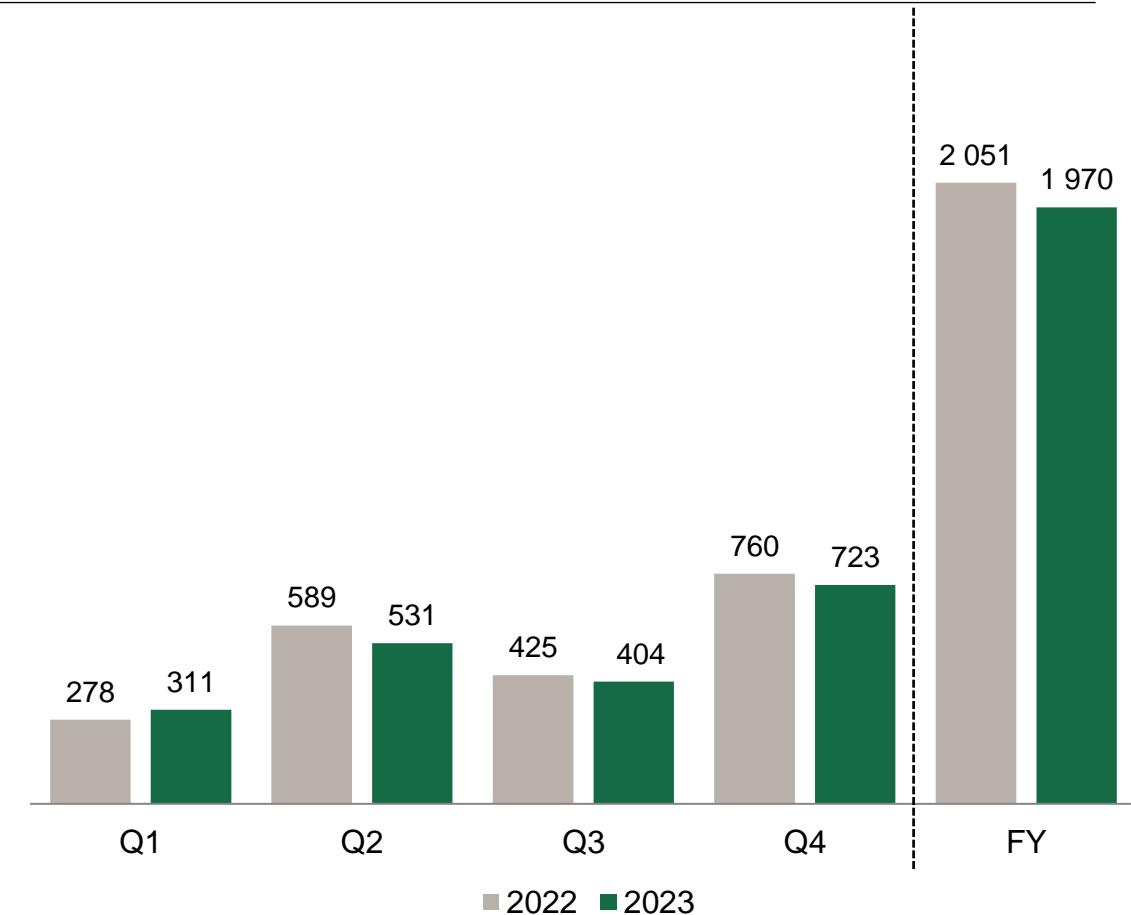
- EBITDA margin of 23.5% (25.0%)

- EBIT of NOK 554m, down 8.4%

- Reflecting higher lease depreciations following CPI-adjustments

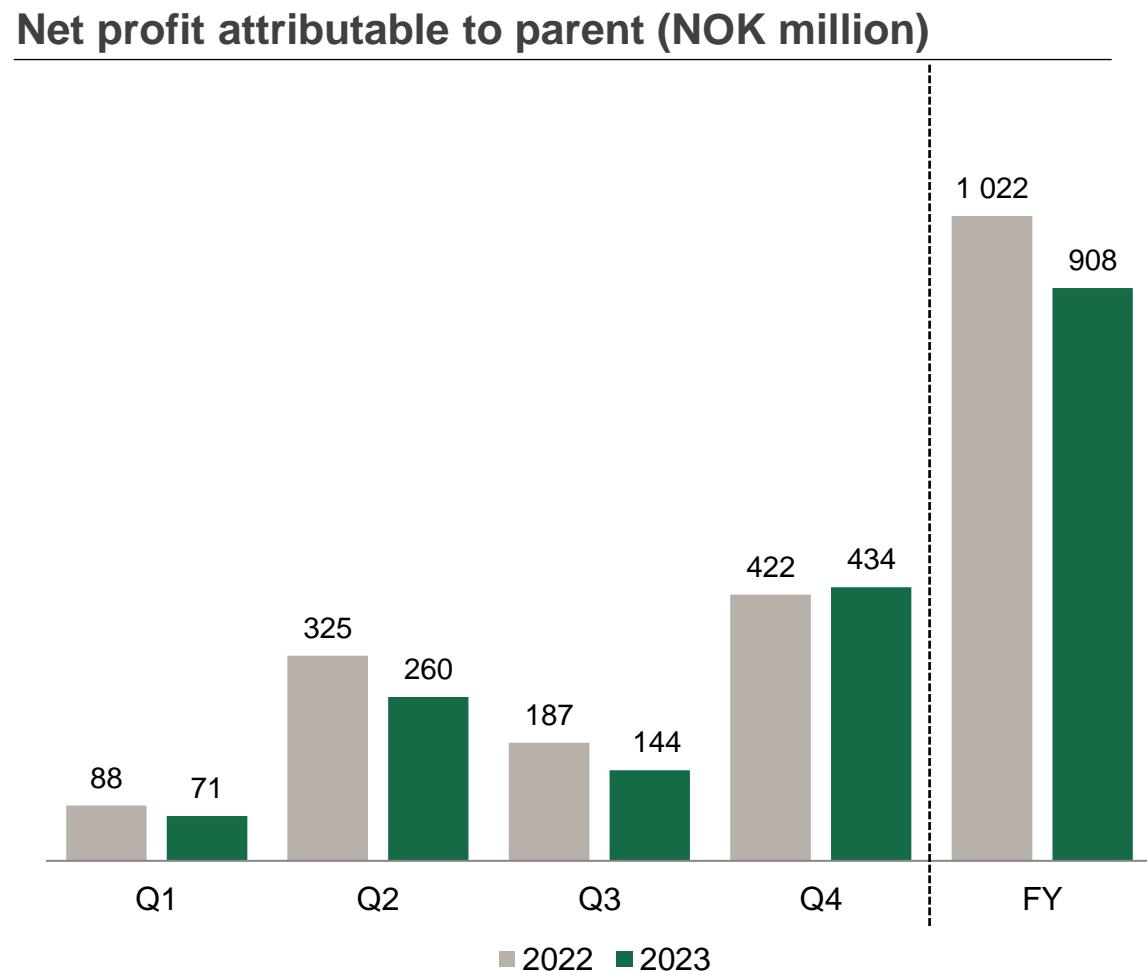
- EBIT-margin of 18.0% (19.9%)

EBITDA (NOK million)



Net profit positively impacted by value of option to acquire ÖoB

- Net profit of NOK 435m, down 1.1%
 - Acquired remaining 33% of Lekekassen in 2023
- Net profit to majority of NOK 434m, up 2.8%
 - Goodwill write-down of NOK 43m on the 20% stake in ÖoB, following weaker results
 - Recognised value of NOK 102m for the valid option to acquire the remaining 80%
 - Negative effect of NOK 24m from interest rate swaps (negative of NOK 9m)
- Earnings per share of NOK 2.69 (NOK 2.62)



Solid financial position

- Full year cash flow from operating activities of NOK 1,769m (1,248m)
 - Positively affected by reduced inventory levels in 2023, whereas 2022 was negatively affected by seasonal summer overliers
- Positive net change in cash of NOK 212m in 2023 (-106m)
 - Acquired remaining 33% of Lekekassen for NOK 212m
 - Net debt* of NOK 3,039m (3,163m)
 - Excluding lease liabilities net debt was NOK 371m (626m)
 - Strong financial position with cash and liquidity reserves of NOK 2,205m at the end of the year (1,897m)

Cash flow, NOK million	Q4 2023	Q4 2022	FY 2023	FY 2022
Cash from operating activities	1,035	1,059	1,769	1,248
- of which <i>change in net working capital</i>	385	419	281	(374)
Cash used in investing activities	(15)	(47)	(358)	(209)
Cash from financing activities	(425)	(423)	(1,199)	(1,144)
Net change in cash	595	588	212	(106)
Cash at beginning of period	81	(124)	464	570
Cash at end of period	676	464	676	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



Category upgrades well received by customers

- The personal care category was upgraded at the end of the third quarter
 - Good development in the fourth quarter
- The toy category upgraded in the fourth quarter of 2022
 - Fourth quarter an important season – good development
- Category development continue to play important role in growing sales and margins
 - In the first quarter of 2024 the kitchen category will be upgraded

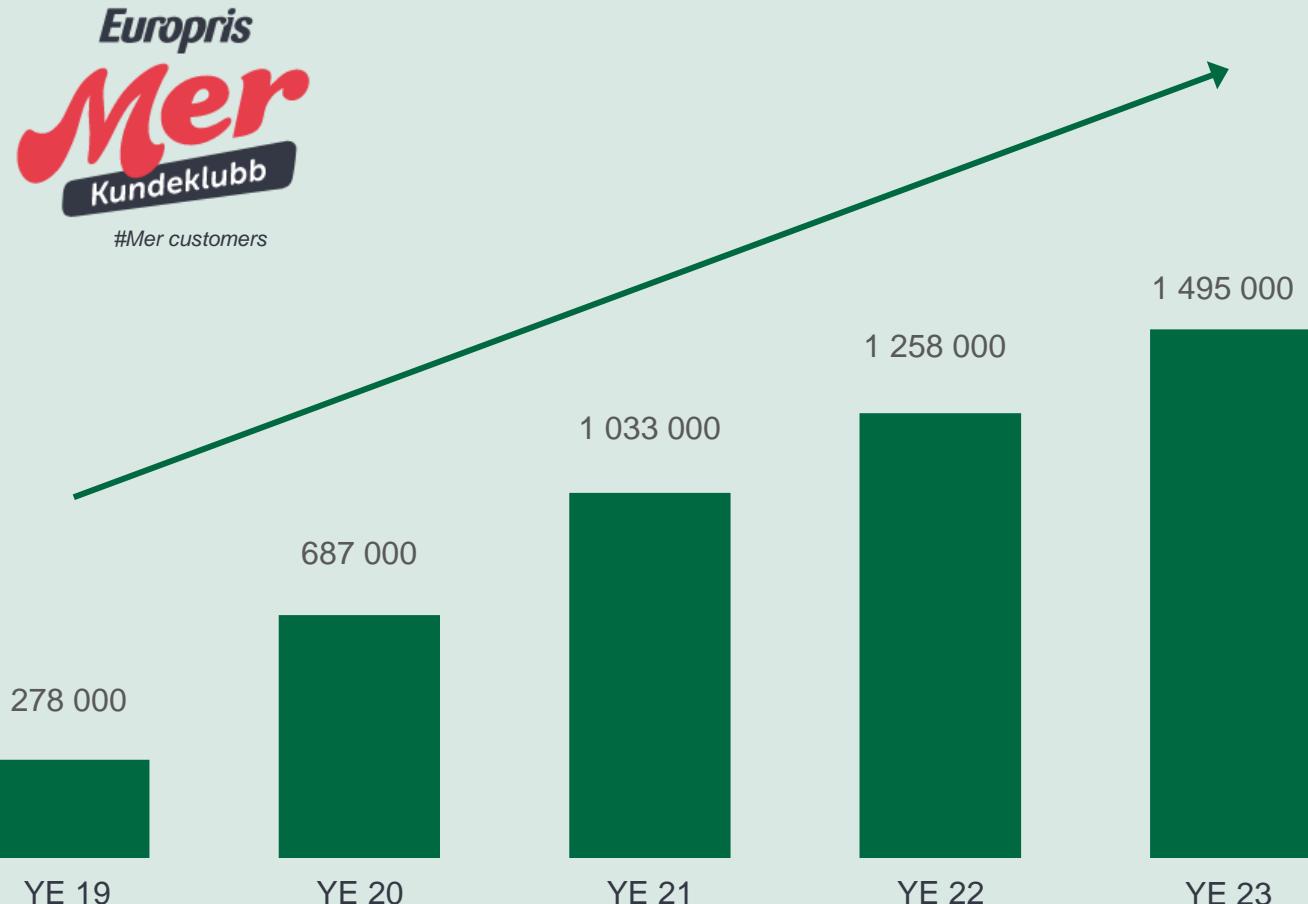


Personal care Q3 23



Toys Q4 22

A growing loyal customer base



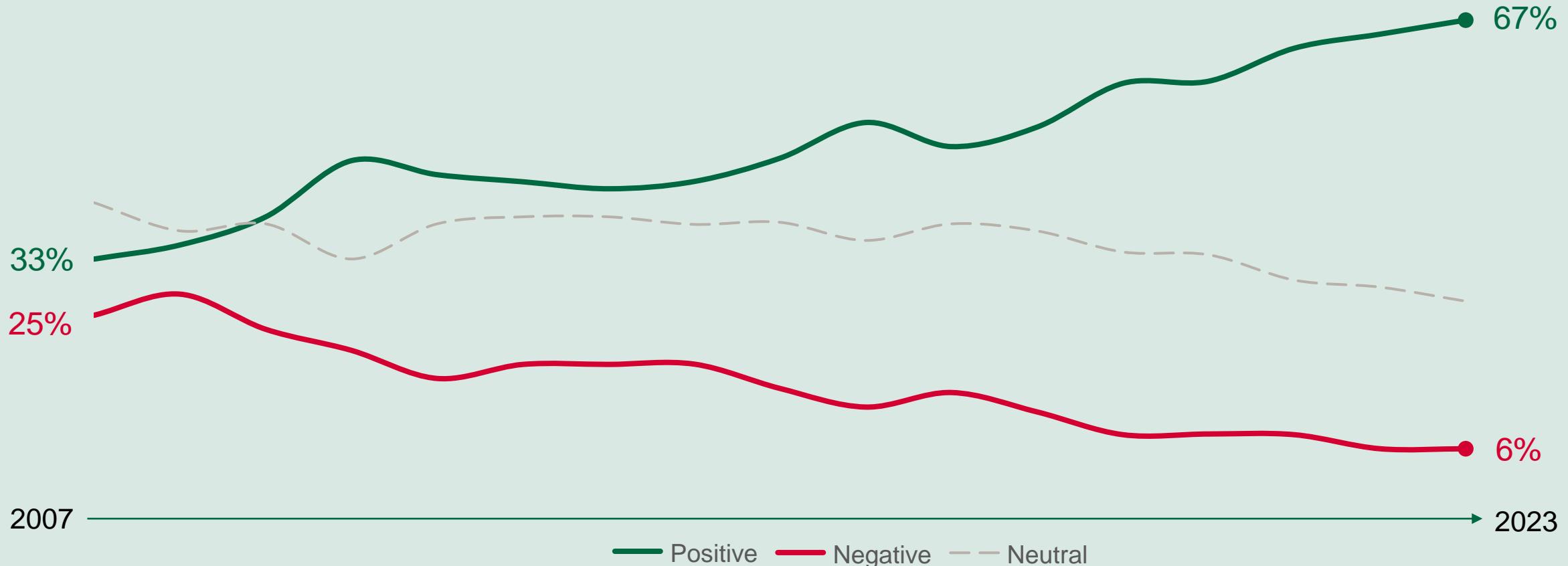
1.5 million
customer club members

36 million
transactions in total

Strong and improving customer impression

Europis
MER TIL OVERS

Overall impression of Europris¹



¹ EssenceMediacom Brand Tracker from 2007 to 2023

Continuing to grow the store network

Europ*ris*
MER TIL OVERS

- Two new store openings in Q4
 - At CC in Drammen (Viken) and at Rognan (Nordland)
- Seven new store openings in 2023
- Six stores in the pipeline
 - Two subject to planning permission
- One store modernisation in Q4



Europolis exercises option to acquire remaining 80% of Swedish retailer ÖoB



- Europolis acquired a 20% stake in ÖoB (Runsvengruppen AB) in 2018
- Decided to exercise option to acquire remaining 80% and is initiating process to finalise the acquisition
- Option strike price of NOK 211m, to be settled in Europolis shares
 - Final purchase price to be based on average EBITDA for 2019 and 2020 - 2020 still not agreed (no major changes to the option strike price expected)
- Europolis' assessment is that ÖoB is in need of a turnaround, after several years with low sales growth and weak profitability
- More information on closing of the acquisition and operational plans will be shared at a later stage

Around 90 stores

Similar concept to Europolis

Revenues of approximately SEK 4bn

A leading discount variety retailer in Sweden



Outlook



Current market presents opportunities for a concept like Europris

- Household finances continue to be strained – expect cautious consumer spending
- Market conditions support the Europris concept, with attractive campaigns and relevant products at low prices
- Europris is well set with healthy inventory and solid financial position
- Note that diversion of shipping routes from Asia to Europe increase delivery lead times
- No critical delays at present – closely monitoring developments in the Red Sea
- Exposed to higher shipping rates



Q&A

Next event: Q1 presentation 25 April 2024

Appendix

Content



Long-term financial and operational ambitions

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

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 (franchise projects in brackets)

2023	Q1	Q2	Q3	Q4	Total
New stores	2	2	1	2	7
Store closures	-	-	1	-	1
Relocations / expansions	3	2	1	-	6
Modernisations	3	3	2	(1)	9

2024E	Q1	Q2	Q3	Q4	Total
New stores	-	-	1	1	2
Store closures	-	-	-	-	-
Relocations / expansions	3	5	2	2	12
Modernisations	5	2	1	-	8

Note: Number of projects in 2024 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 2.4 million per store (average of five per year)Relocation – NOK 1.7 million per store (average of 10 per year)Modernisation – NOK 1.5 million per store (average of 10 per year)Category development – NOK 15 million per yearIT and maintenance – NOK 30 million per yearIn addition, for 2023: IT (ERP/POS) of NOK 10 million and warehouse (automation expanded high-bay area) of NOK 45 million (estimate of NOK 30m in 2024)
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.