

Q1 2024 presentation

25 April 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



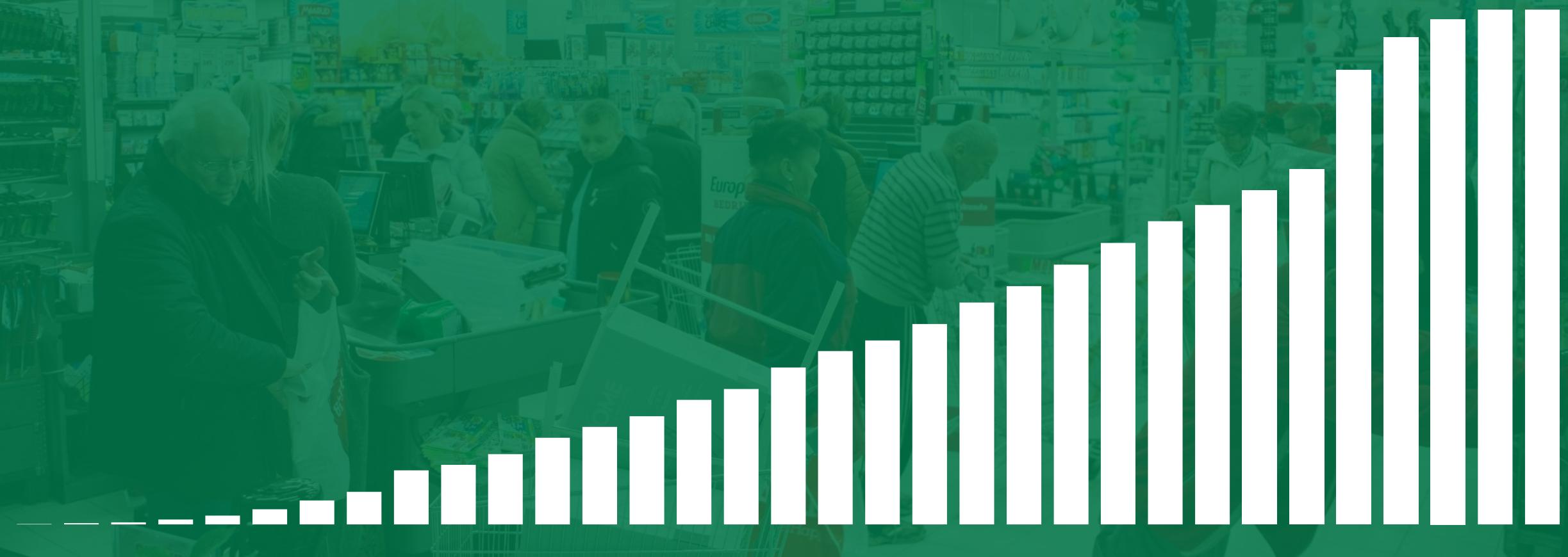
Expanding store network and e-commerce operation



282
stores

Our growth story

NOK 10bn*

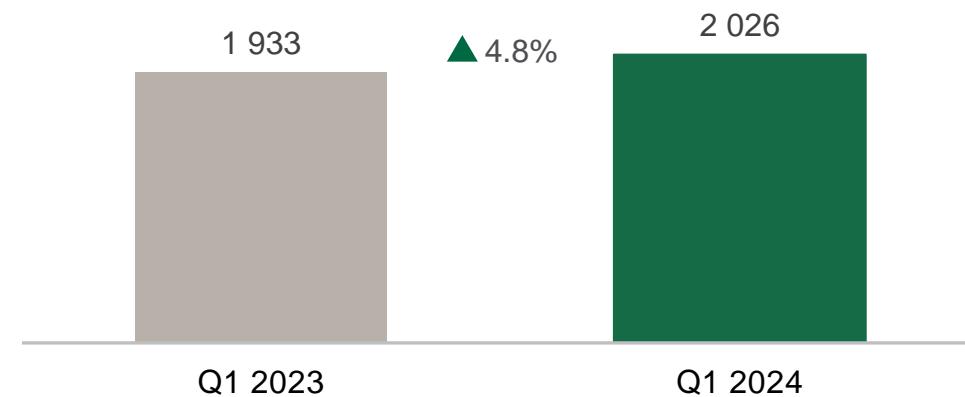


* Sales include the Europris chain (directly operated and franchise stores), Lunehjem (consolidated as of March 2021), the Lekekassen group (consolidated as of August 2021) and the Strikkemekka group (consolidated as of July 2022)

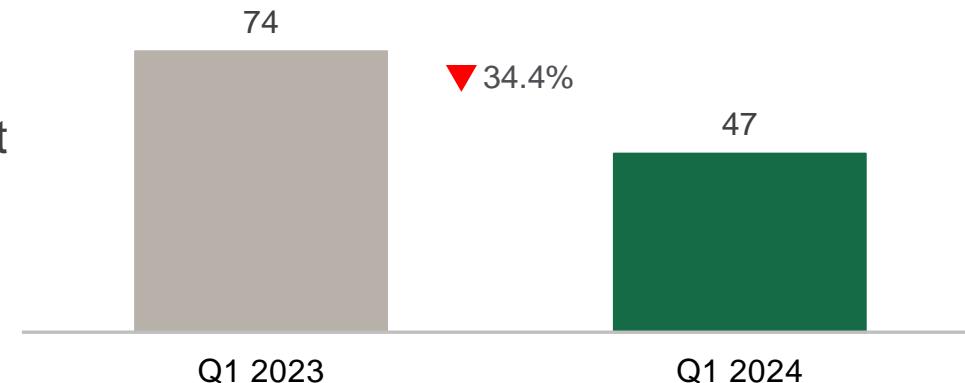
First quarter – higher sales and footfall

- Group sales of NOK 2,026m, up 4.8%
 - Total chain sales up 6.3% and like-for-like up 5%
 - Solid Easter seasonal sales
 - Relevant concept – strong development for campaigns and consumables
- Gross margin of 43.5%, down 0.2%-p
 - Currency hedging effect of +0.7%-p year-over-year
 - Product mix, campaigns and weaker NOK
- Opex-to-sales ratio of 29.5%, up 2.1%-p
 - Overall inflation effects and higher electricity costs
- Strengthened financial position with a reduction of net debt to NOK 841m (1,4bn)
- Exercised option to acquire remaining 80% of ÖoB for a final purchase price of NOK 200.5m

Group sales (NOK million)



Net profit attributable to parent (NOK million)



ÖoB closing expected in May

- Announced option to acquire remaining 80% on 31 January
- Final purchase price agreed at NOK 200.5m on 21 March
 - NOK 187.5m to be settled with (treasury) shares
 - NOK 13m to be paid in cash
- Closing and settlement subject to Foreign Direct Investment (FDI) approval from Swedish authorities
 - Anticipated in May

93 stores

Similar concept to Europ pris

Revenues of approximately SEK 4bn

A leading discount variety retailer in Sweden

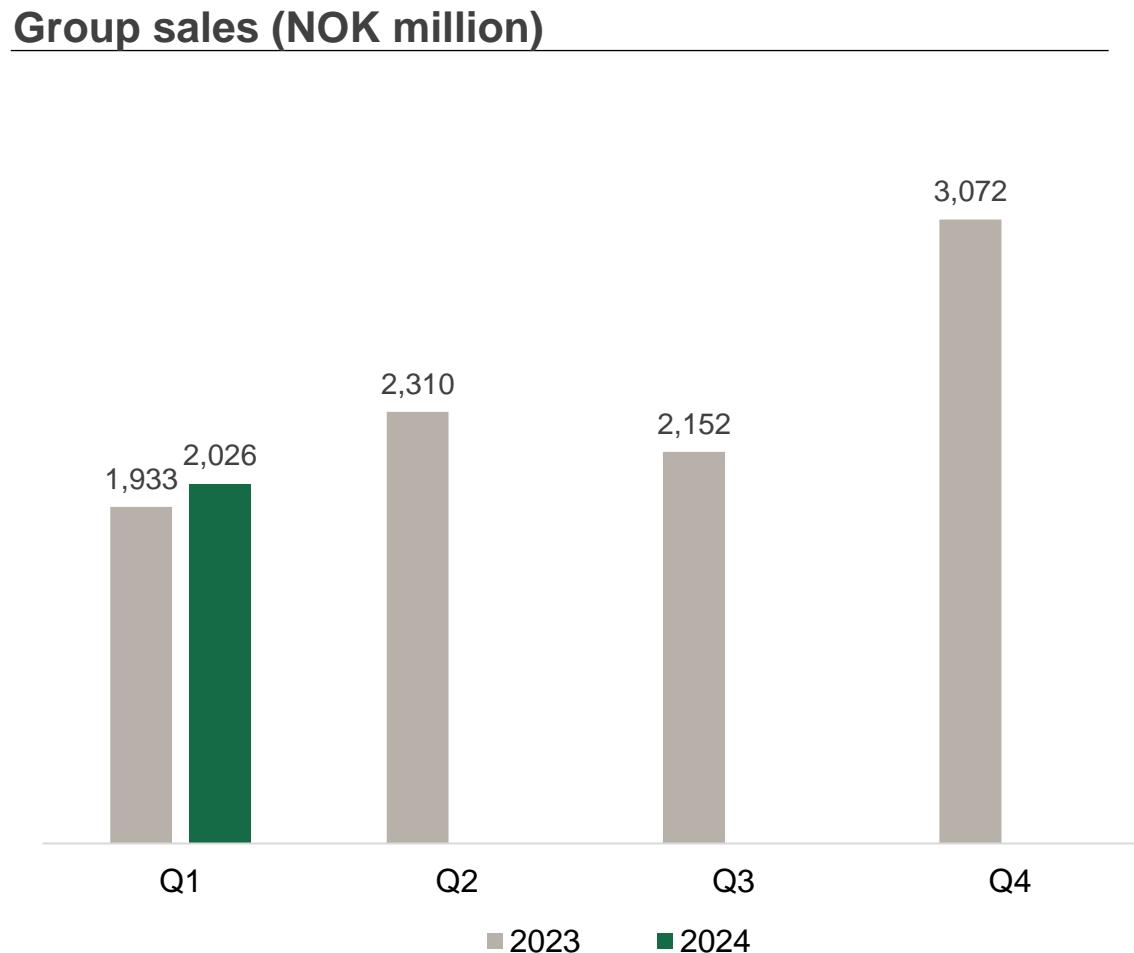


Financials

CFO Stina C Byre

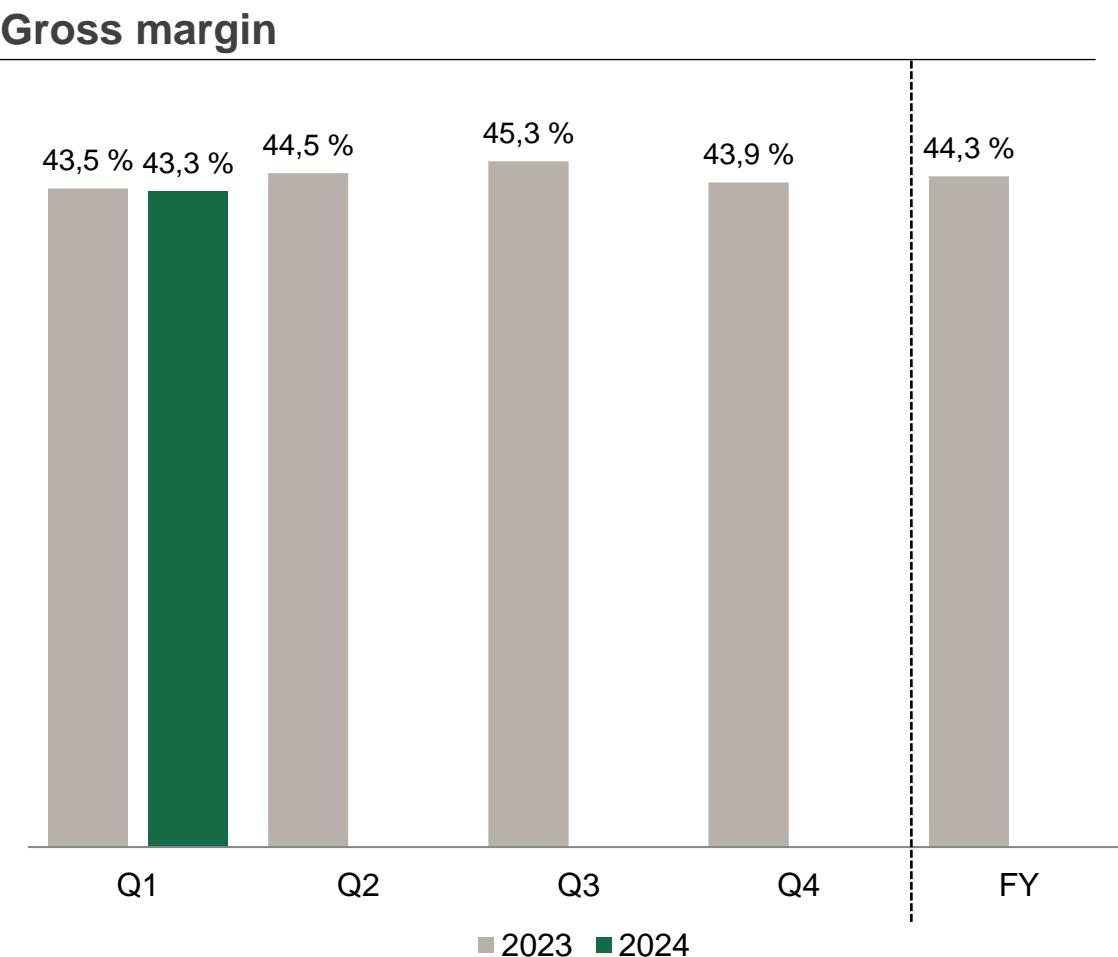
Relevant concept – good sales development

- Group sales of NOK 2,026m, up 4.8%
- Europris chain* up 6.3%, like-for-like up 5%
 - Two less sales days but positive effect from earlier Easter
 - Campaigns driving sales, especially front-page products
 - Higher growth for consumables and private labels
- Online sales of NOK 153m, down 8.4%
 - Lower sales for Lekekassen in Sweden and Denmark
 - Higher sales for Strikkemekka



Handling the gross margin pressure

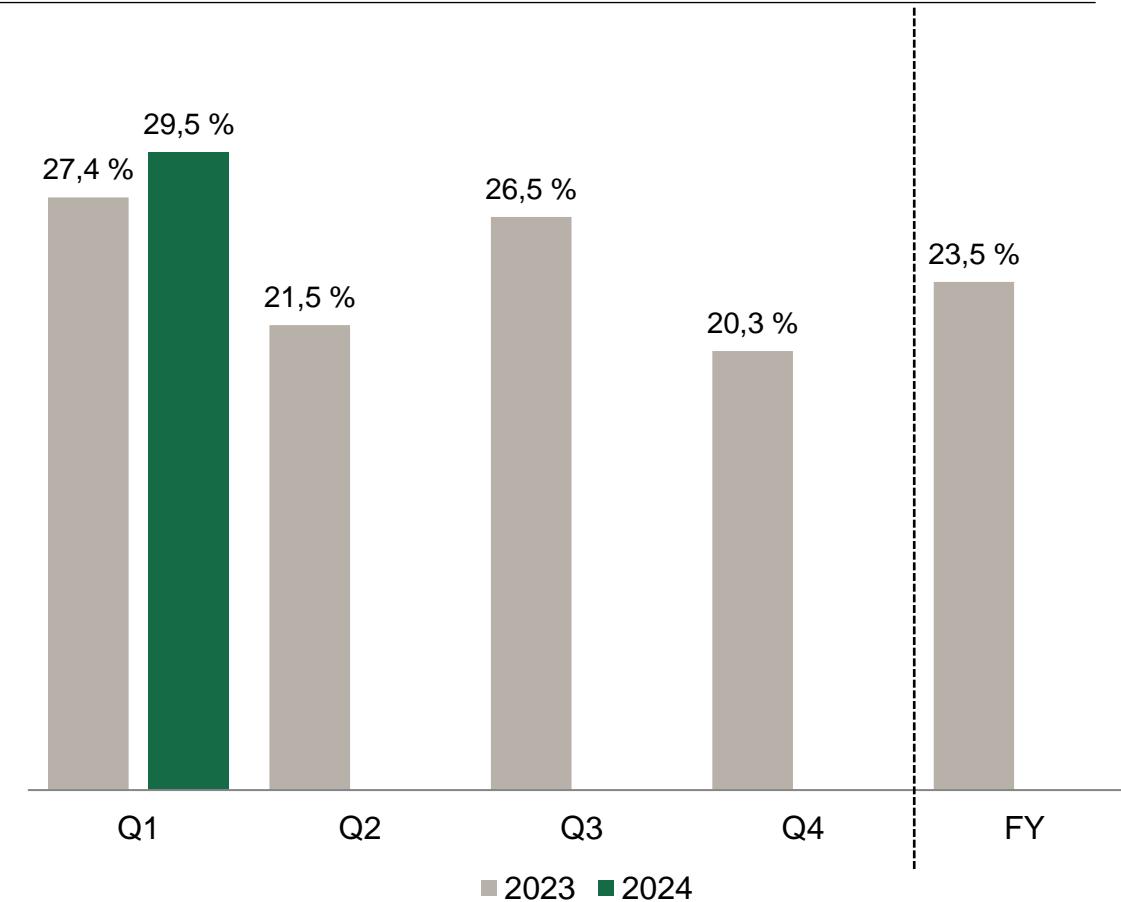
- Gross margin of 43.3%, down 0.2%-p
 - Product mix, campaign sales and a weaker NOK
 - Unrealised currency gain of NOK 19m on hedging contracts (gain of 5m)
 - Positive effect on the margin change of 0.7%-p



Increased opex

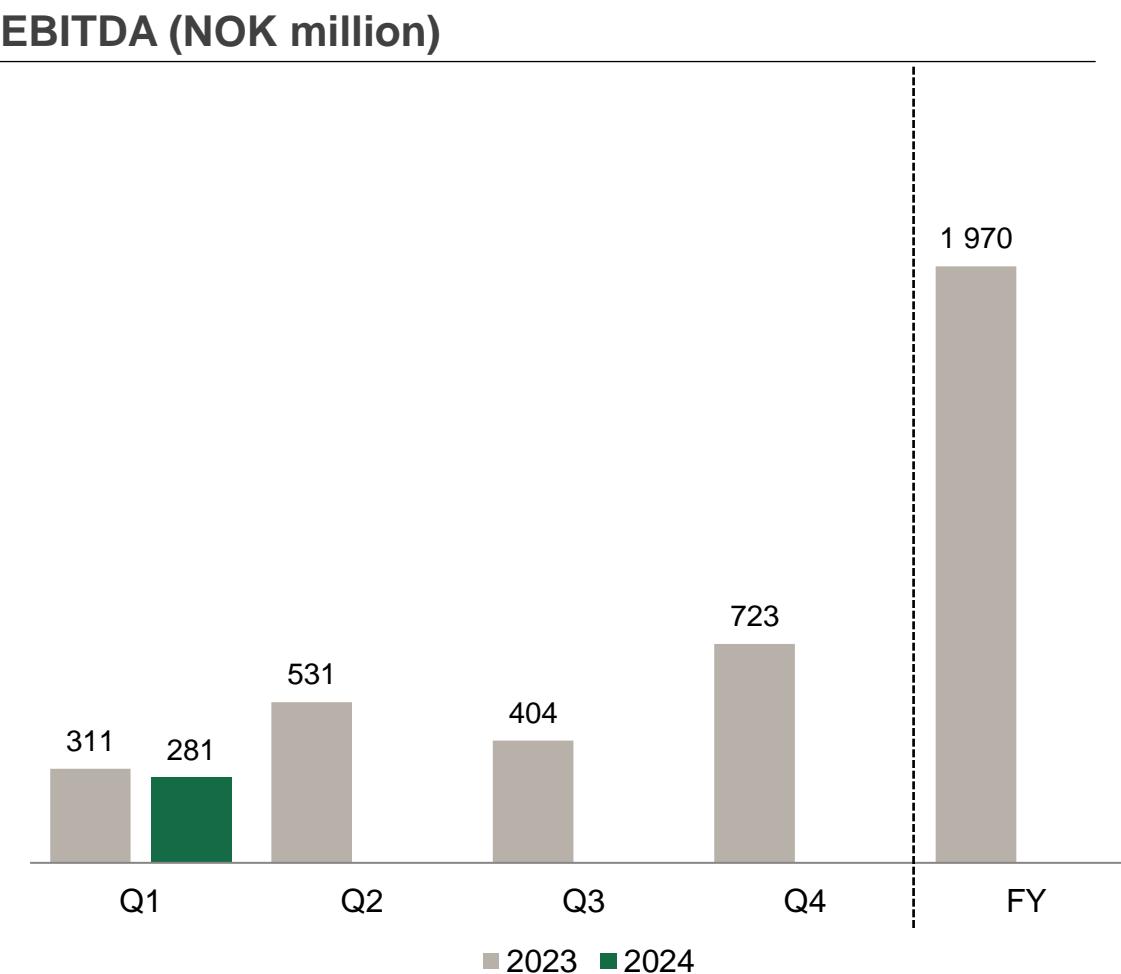
- Opex of NOK 597m, up 13%
 - Inflation and wage growth
 - Hedging of electricity costs
 - Timing of some costs
 - Increase in number of directly operated stores, from 253 to 258
- Opex-to-sales ratio of 29.5% (27.4%)

Opex-to-sales ratio



EBITDA decline mainly reflecting higher opex

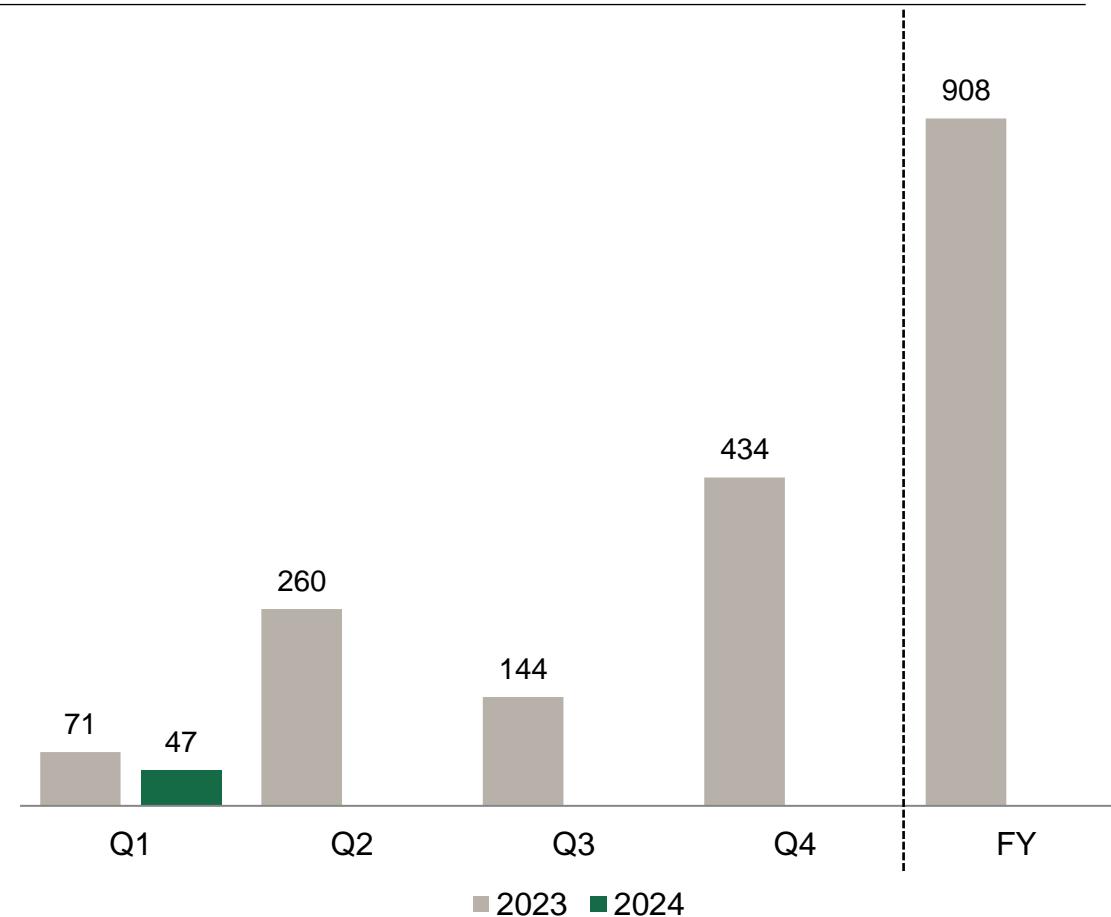
- EBITDA of NOK 281m, down 9.8%
 - Mainly reflecting higher opex
- EBITDA margin of 13.9% (16.1%)
- EBIT of NOK 107m, down 26.6%
 - Reflecting higher lease depreciations following CPI-adjustments
- EBIT-margin of 5.3% (7.5%)



Net profit

- Net profit to parent of NOK 47m, down NOK 24m
 - Higher opex and lease depreciations
 - Positive effect of NOK 7m from interest rate swaps (negative of 5m)
- Earnings per share of NOK 0.29 (0.44)

Net profit attributable to parent (NOK million)



Strengthened financial position

- Seasonally weak cash flow in the first quarter
- Negative net change in cash of NOK 490m (-495m)
- Strengthened financial position
 - Net debt of NOK 3,455m (4,107m) - excluding lease liabilities NOK 841m (1,430m)
 - Cash and liquidity reserves of NOK 1,719m (1,092m)

Cash flow, NOK million	Q1 2024	Q1 2023	FY 2023
Cash from operating activities	(280)	(366)	1,769
- of which <i>change in net working capital</i>	(391)	(462)	281
Cash used in investing activities	(49)	(287)	(358)
Cash from financing activities	(161)	158	(1,199)
Net change in cash	(490)	(495)	212
Cash at beginning of period	676	464	464
Cash at end of period	186	(31)	676

Our key strategic focus areas



Constantly renewing categories

- Category development continues to be important driver for sales and margins
- Upgraded the kitchen category at the end of the first quarter
 - Strong sales development in the weeks following the upgrade



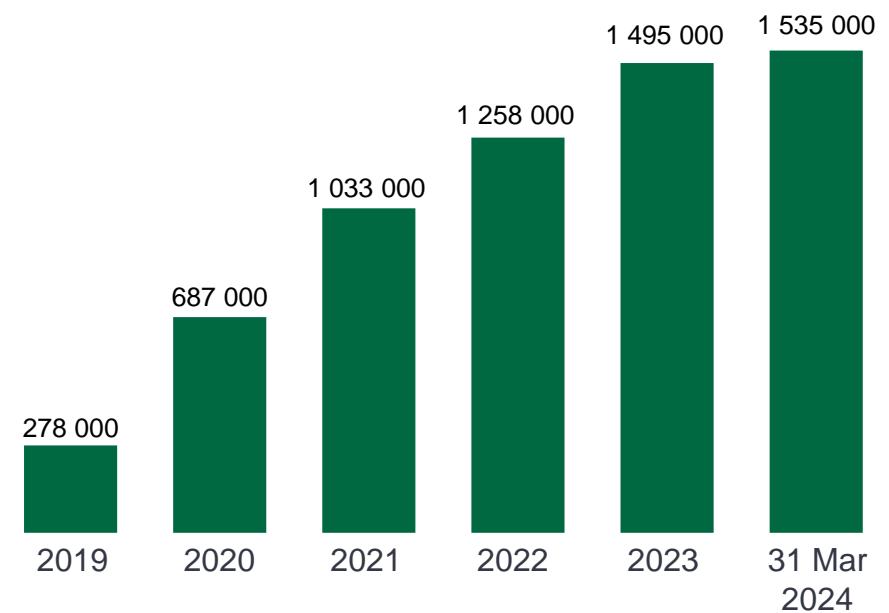
Customer club membership continues to increase

Europrix
MER TIL OVERS

- Continued recruitment to the **Mer** customer club
- Personalised communication
 - Doubled click-rate for digital newsletter with personalised product recommendations
- Kitchen category upgrade supported by relevant digital communication to shoppers
 - Higher-than-average opening and click-rates

Mer customer club members

~840,000 subscribers to digital newsletter



Continuing to develop the store network



- Continuous development of the store portfolio
 - One store relocated
 - Two stores expanded
 - Five stores modernised
- Six stores in the pipeline
 - Three subject to planning permission



The team at Europis Langrønningen. The store relocated in March and is the first store with solar panels.

Outlook



Current market presents opportunities for a concept like Europris

- Consumers expected to remain cautious
 - Opportunity for the Europris concept, with attractive campaigns and relevant products at low prices
- No difficulties in obtaining goods from Asia
 - Ready for the important upcoming spring and summer season
- Opex growth will be closely monitored - growth is expected to be around 10% for the financial year of 2024
- Closing of the ÖoB transaction expected in May



Q&A

Next event: Q2 presentation 11 July 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
2023	77	71	79	79	306
2024	75	73	79	80	307
2025	76	71	79	81	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
Store closures	-	-	-	-	-
Relocations / expansions	3	6	3	1	13
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 65-80 million in revenue and NOK 13-16 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 1.6-1.7 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 2024: IT (ERP/POS) of NOK 15 million and warehouse (automation expanded high-bay area) of NOK 30 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. 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.