



**XXL**

ALL SPORTS UNITED

**XXL ASA – Q3 2020**

**Presentation of financial results 27<sup>th</sup> of October 2020**

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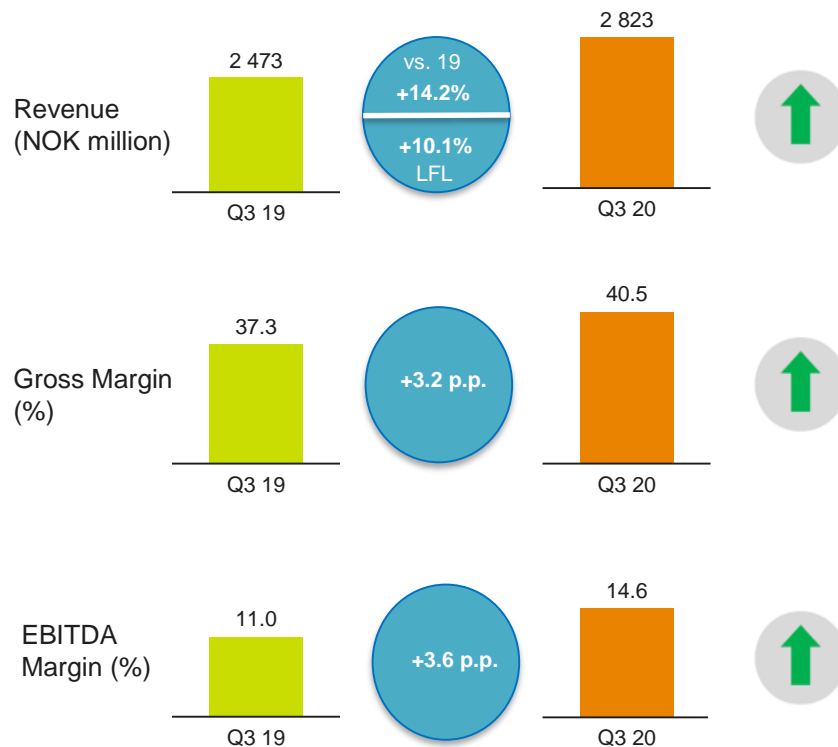
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# Solid results and continued improvements – Focus on operational excellence

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- Operating revenue of NOK 2 823 million (NOK 2 473 million), up 14%
  - Group like for like growth of 10%
  - E-com growth of 13%, and 84% growth in gross profit
  - Norway with 21% growth
  - High growth for Outdoor and Bikes
  - Extraordinary market conditions, especially at the beginning of the quarter
- Strong gross margins driven by lower seasonal sell down and improved campaign execution
- EBITDA of NOK 413 million (NOK 271 million)
  - All segments with positive development vs LY
  - EBITDA ex. IFRS 16 from NOK 132 million Q3-19 to NOK 268 million in Q3-20
- Healthy inventory levels and solid balance sheet gives financial flexibility

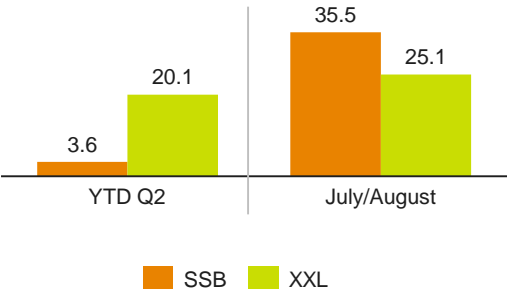


# Market data – variations between markets



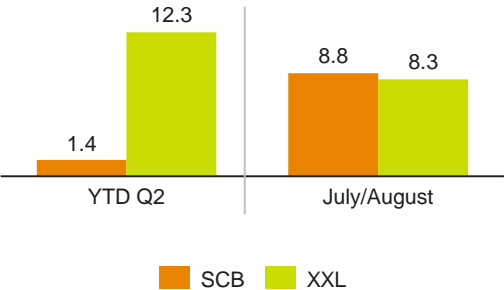
## Norway

SSB vs. XXL monthly growth (YoY)



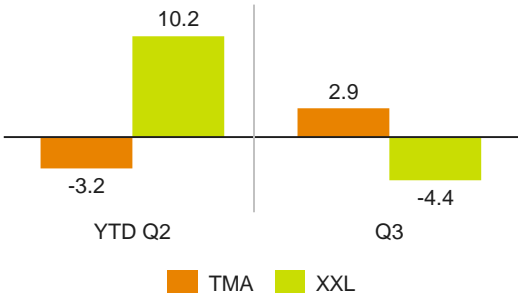
## Sweden

SCB vs. XXL monthly growth (YoY)



## Finland

TMA vs. XXL monthly growth (YoY)



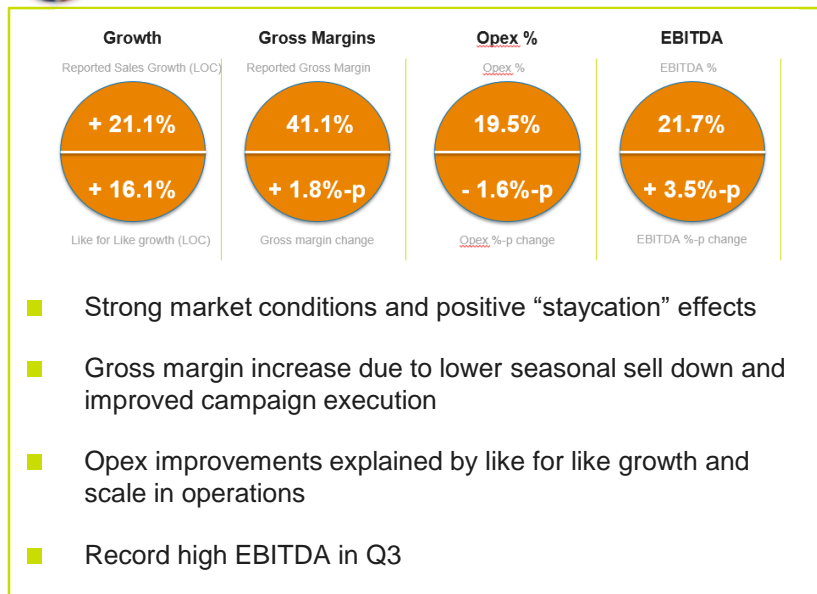
\* Sweden is measured ex. Outlets

# Norway and Sweden with strong EBITDA growth

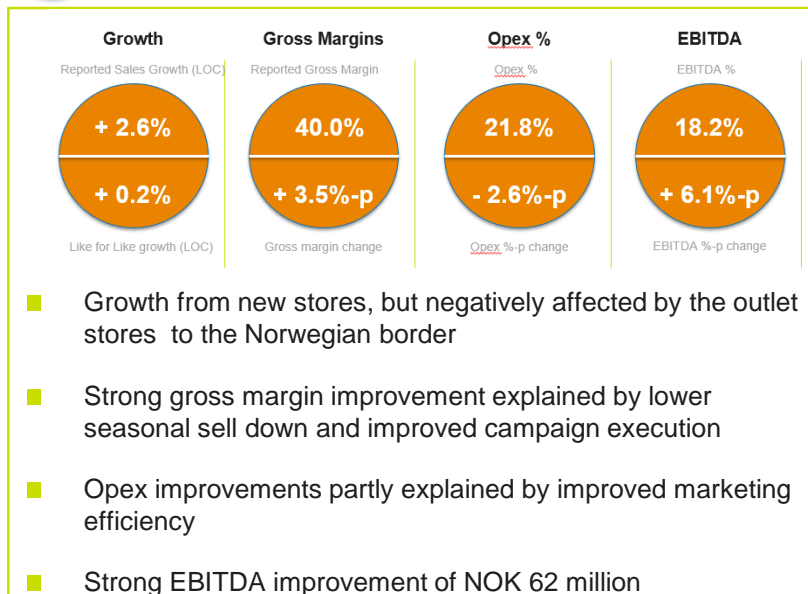
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## Norway



## Sweden

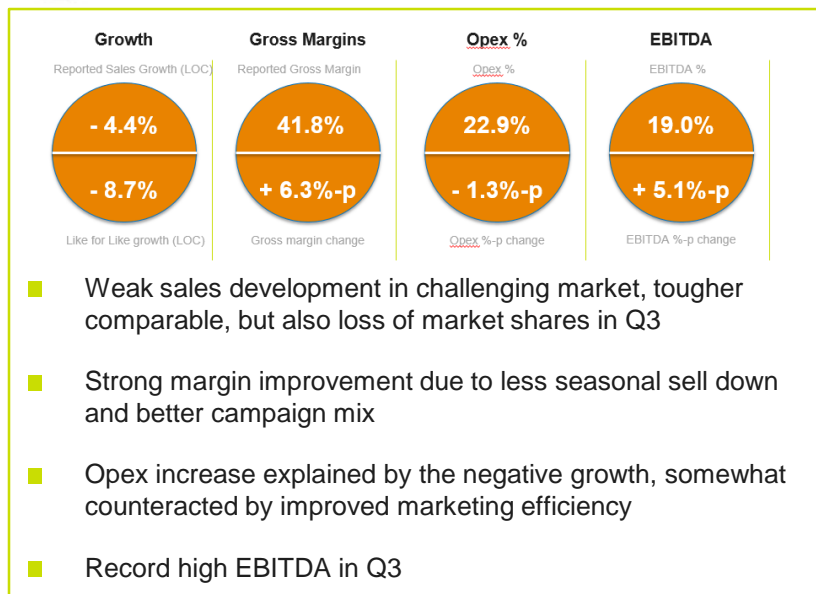


# More challenging market dynamics in Finland and Austria

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## Finland



## Austria





# We are launching an ambitious growth strategy for e-commerce to maintain and further strengthen our leading position in the Nordics

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- XXL are the biggest online sports retailer in the Nordics with ~ NOK 1.9 billion in turnover
- We have now defined a detailed, specific and ambitious plan to further grow and strengthen our eCommerce channel and offering
- After the reorganization of XXL from 1<sup>st</sup> of September eCommerce is now a fully integrated channel across the value chain and organization

Our ambition

Taking the #1 position in all our markets

Key success factors



Generating **more targeted customer communications** to drive high volume & quality traffic to our website



Continuously **improving our website architecture** to deliver a best-in-class shopping experience online



**Broadening and improving our product assortment online**, while ensuring high product availability



**Strengthening our omni-channel offerings** to make the customer journey online and in stores as seamless as possible



**Streamlining our logistics** to deliver better and faster delivery options to our customers

Enablers



An **aligned organization** with clear responsibilities



Flexible and scalable **Tech/IT platform**



# Unique internal engagement lead to a successful launch of XXL REWARD – an improved member program for XXL customers

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REWARD

Kundeklubben for alle som elsker sport, villmark og gode fordeler.

## Sjekk dine medlemsfordeler

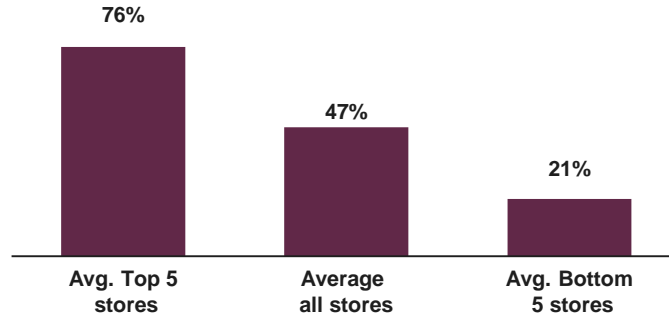
- 1 Flere gode tilbud
- 2 60 dagers 100 % fornøyd-garanti
- 3 Gratis, årlig sykkelservice for sykler kjøpt hos XXL
- 4 Alltid elektronisk kvittering

[xxl.no/reward](https://xxl.no/reward)

- XXL has had a newsletter subscription program with more than 2.3 million customers over recent years
- In September we had a soft launch of XXL REWARD, an omni-channel customer program with improved functionality and new customer benefits
- First week of market launch an average of 47% of all transaction across Europe interacted with XXL REWARD
- XXL REWARD will improve our customer communication and enable more insight to be shared with internal teams and external partners
- XXL are working in parallel with short-term improvements in customer journey and a long-term loyalty program strategy



Share of XXL REWARD transaction in-store  
(Recruitments in-store during W42)





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# Financial Review Q3 2020

# 2020 – a special year with different focus areas in each quarter

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## Q1 Strengthen balance sheet

- Clearance sales and lower purchases → significant lower inventory resulting in improved cash flow and higher liquidity reserves
- Capital raise
- New agreed long term loan facilities

## Q2 Secure cash flow and top line

- Covid-19: Contingency plans
- Secure cash flow
  - top line
  - purchases
  - cost savings
- Secure top line growth and market shares

## Q3 Operational efficiency

- Operational efficiency
  - margin improvements
  - cost reductions
- Strategic initiatives including
  - category development
  - in-store experience
  - omni-channel champion

## Q4 Seasonal execution

- Seasonal execution
- Campaign and operational excellence
- Stay alert for fast changes in the market

# Key figures

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## Key Figures

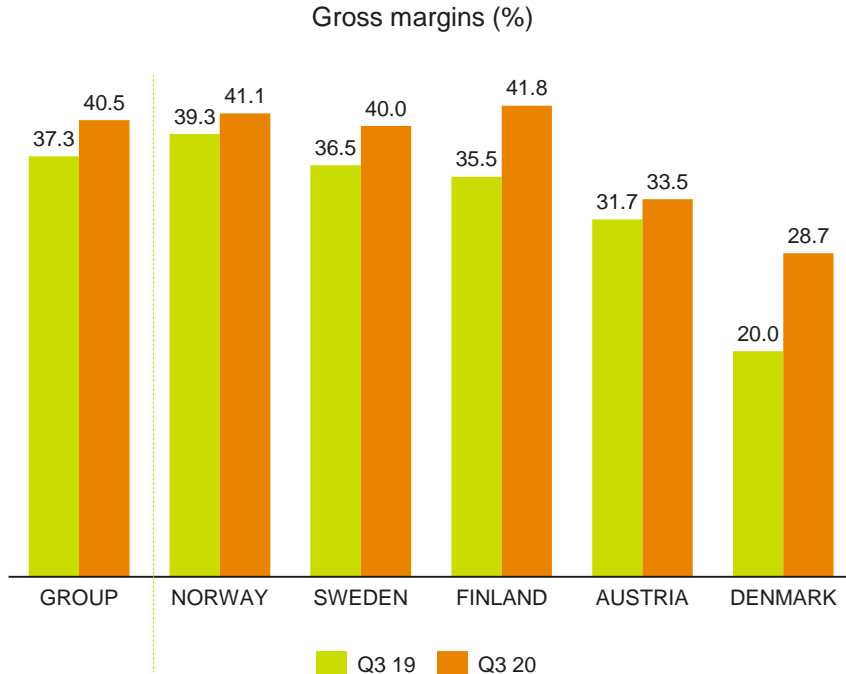
(Amounts in NOK million)	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019 Audited
<b>GROUP</b>					
Operating revenue	2 823	2 473	7 851	6 673	8 992
Growth (%)	14,2 %	3,6 %	17,6 %	11,7 %	-5,1 %
Gross profit	1 144	922	2 789	2 599	3 058
Gross margin (%)	40,5 %	37,3 %	35,5 %	38,9 %	34,0 %
OPEX %	25,9 %	26,3 %	26,4 %	27,9 %	28,6 %
EBITDA	413	271	715	736	490
EBITDA margin (%)	14,6 %	11,0 %	9,1 %	11,0 %	5,4 %
EBIT	214	94	156	211	-201
EBIT margin	7,6 %	3,8 %	2,0 %	3,2 %	-2,2 %
Net Income	159	33	52	61	-327
**Basic Earnings per share (NOK)	0,63	0,24	0,25	0,45	-2,31

- Positive sales development in Q3 vs. LY: +14.2%
  - Good development in especially Norway with 21.1% growth
  - Like for like growth of 10.1%
  - E-com growth of 13% and a strong gross profit growth of 84%
  - Most categories with growth, but especially strong for Outdoor and Bikes
- Gross margins margins ended at a strong 40.5%, up from 37.3% LY, explained by lower seasonal sell down and improved campaign execution
- OPEX% in Q3 is 0.4 p.p lower than last year, driven by like for like growth driving scale in operations and improved marketing efficiency
- EBITDA ending at NOK 413 million – record high Q3



# Gross margin development

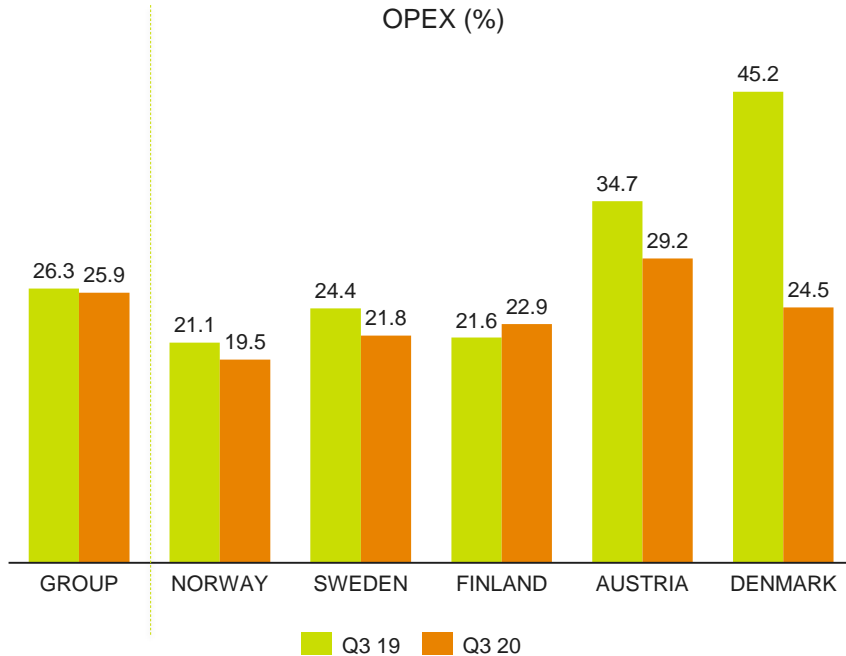
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- Strong gross margin development in the quarter, up from 37.3% in Q3 2019 to 40.5% in Q3 2020
- Broad based improvement – all segments strengthened margins
- Gross margin improvement explained by lower seasonal sell down and improved campaign execution

# OPEX development

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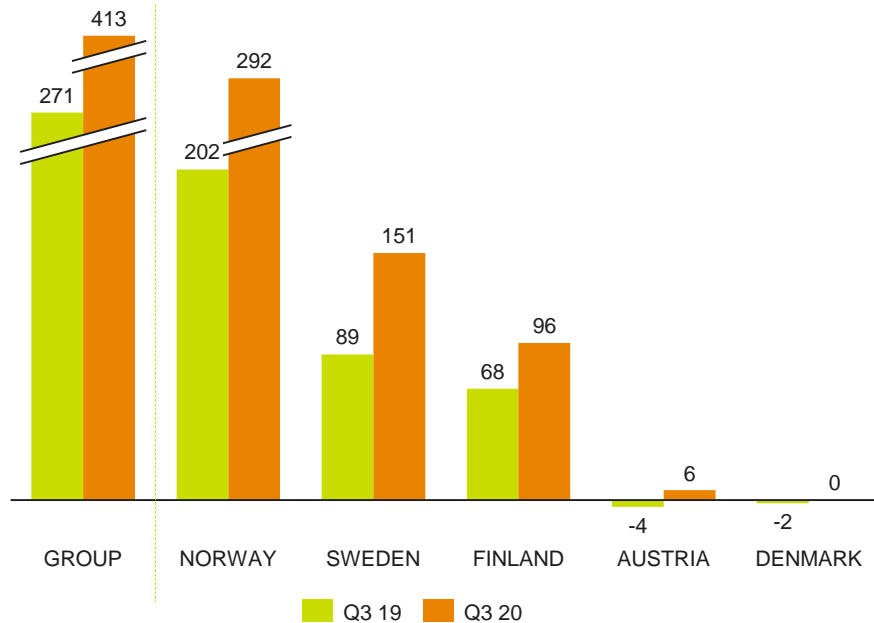


- Group OPEX% down by 0.4 points to 25.9% in Q3
  - Driven by positive like for like growth yielding scale in operations
  - Improved marketing efficiency
- Increased costs in HQ and Logistics segment, mainly explained by ongoing improvement program, higher capacity costs at the central warehouses, and higher bonus accruals in Q3 vs. last year. Also last years figures was positively affected by a reversal of NOK 18 million related to the old share option program

# EBITDA development

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EBITDA

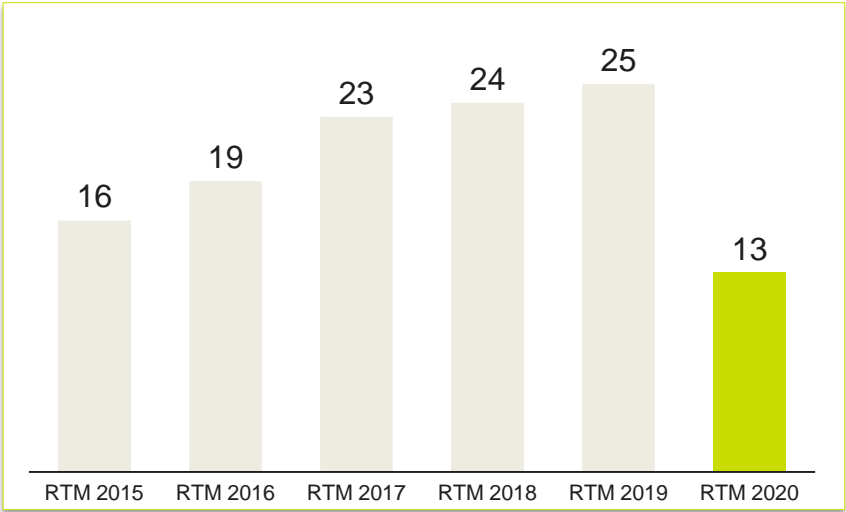


- EBITDA increase in Q3 of NOK 142 million vs. LY
  - Driven by sales growth in the Norwegian market
  - Stronger gross margins of 3.2 percentage points due to improved campaign planning and lower seasonal sell out
  - Lower OPEX% driven by positive like for like growth, and higher marketing efficiency
- All segments with EBITDA growth, and especially strong in Norway (NOK 90 million)
- EBITDA margin of 14.6% in Q3 2020 vs. 11.0% in Q3 2019

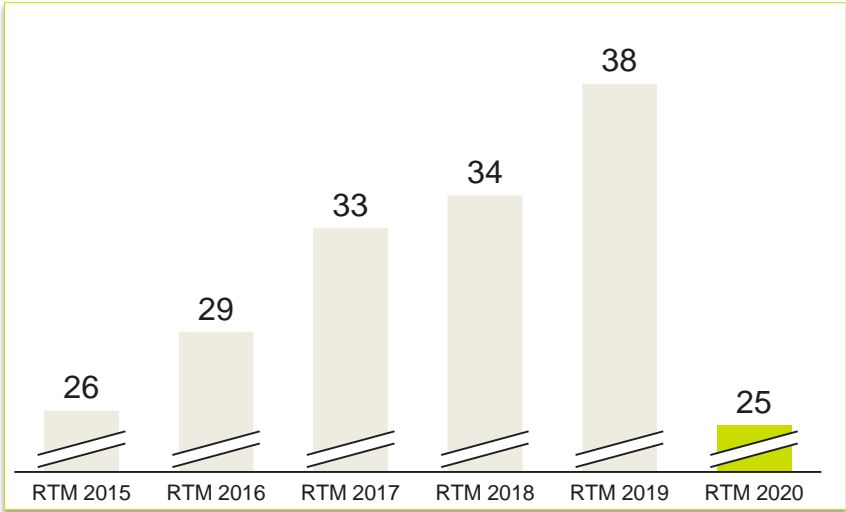
# Significant improvement in working capital levels

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Working Capital in % of Sales



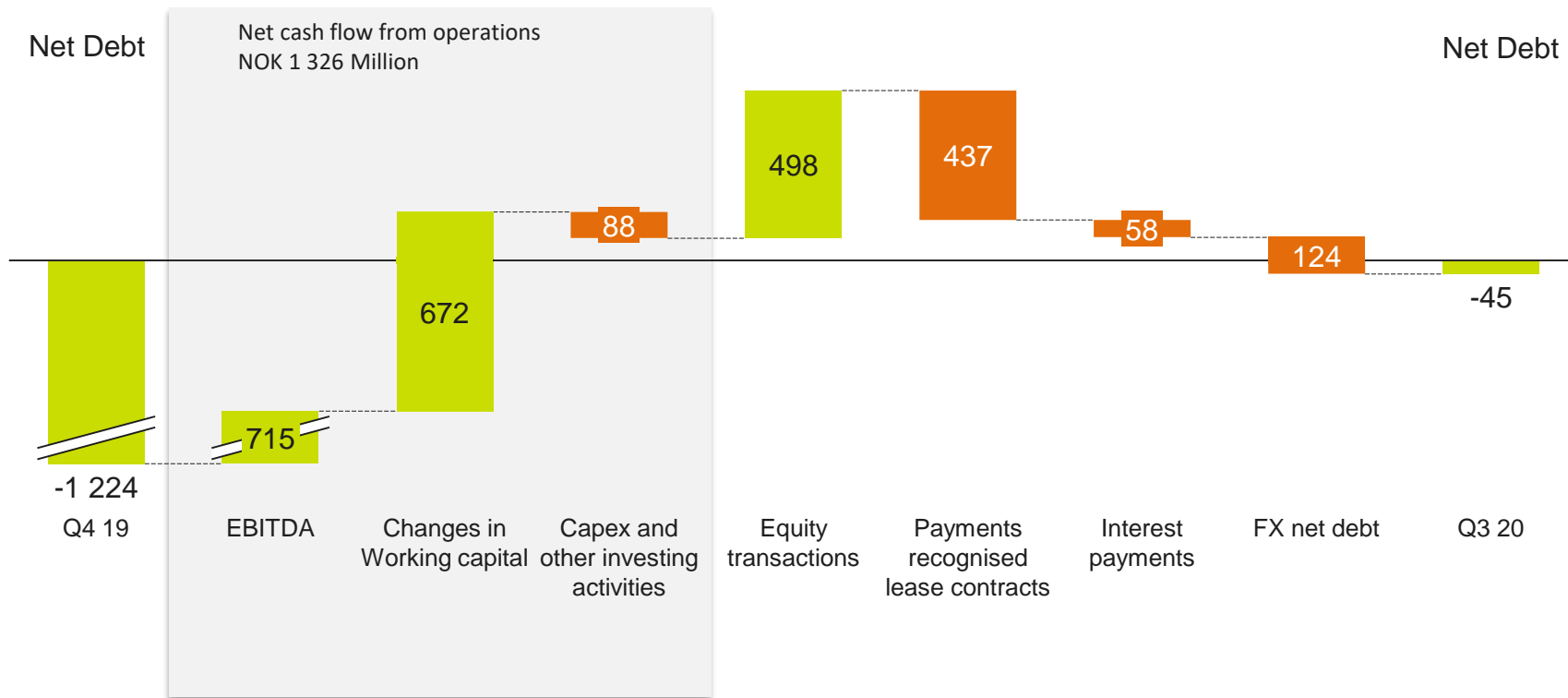
Inventory in % of Sales





# Net debt development

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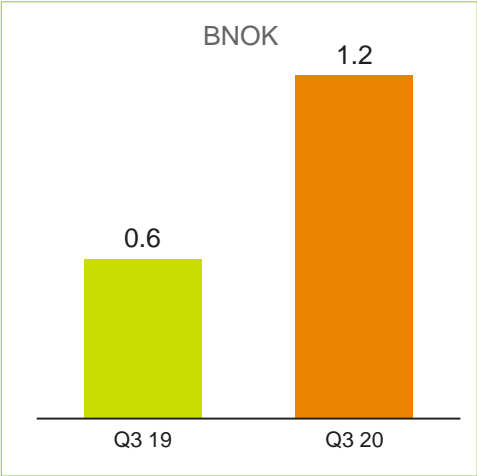


# Liquidity reserves ending at NOK 1.2 billion

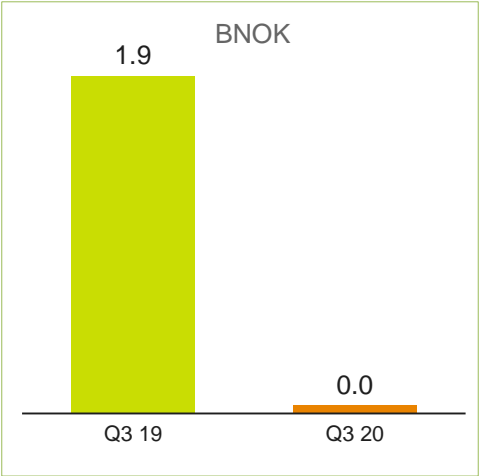
YTD Operational cash flow



Liquidity reserves



Net interest bearing debt



# Financial Summary Q3-2020

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- Strongest Q3 EBITDA registered
  - Broad based improvement – all segments posting positive development and especially strong in Norway
  - Strong gross margin improvements
  - Improved marketing efficiency
  
- Positive cash flow in the quarter driven by continued inventory build down
  
- Significant reduction in Working Capital and Inventory compared to previous years
  
- Strong balance sheet
  - Net interest bearing debt of NOK 45 million, a reduction of NOK 1.8 billion vs. last year
  - Liquidity reserves of NOK 1.2 billion
  
- Share buy back of NOK 100 million starting from 28<sup>th</sup>. of October until 15<sup>th</sup>. of December
  - Optimize capital structure and to cover for shares to the long term management investment program
  - The “corona facility” RCF of NOK 300 million will be reduced with NOK 100 million



**Closing remarks**



# XXL is systematically working on measures to strengthen the long-term position as the leading sport concept in the Nordics

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1

Reposition  
XXL as a  
**sports specialist**  
*providing unique  
value for money*

2

Enhance our  
**marketing  
approach** and  
build the XXL  
brand

3

Establish XXL as  
**omni-channel  
champion**

4

Improve **in-store  
experience** and  
make the stores  
fun again

5

Strengthen  
operational  
**efficiency** and  
our **customer  
orientation**

# We are improving all elements of our “game play” and are moving up to the mid-field keeping possession of the ball

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## ***“Strengthen the defense”***

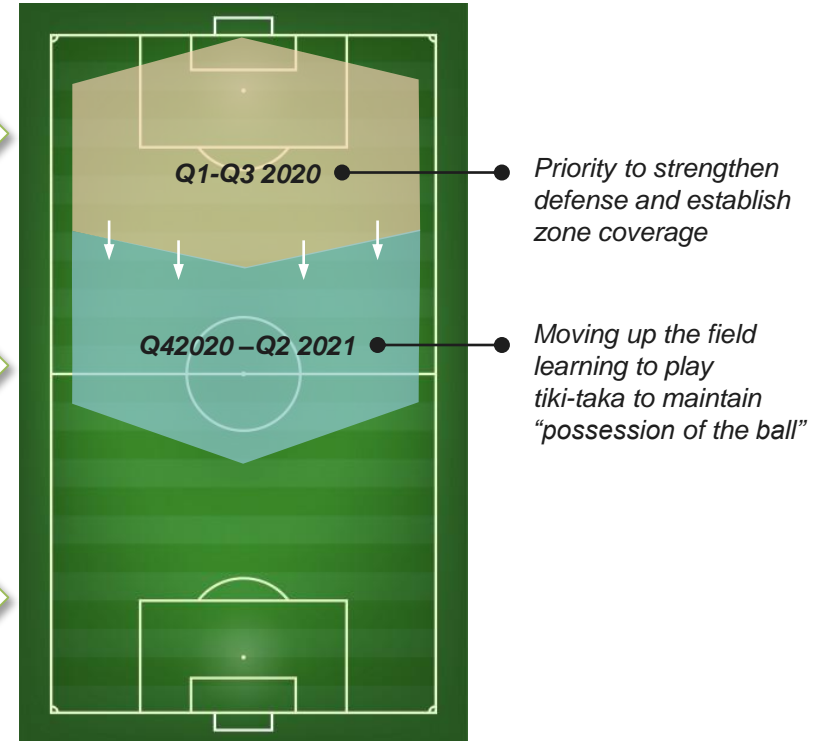
- Secure a healthy balance sheet and inventory
- Secure cost control and start realizing cost reductions
- Secure a more analytical, structured and fact based decision making

## ***“Take control of the mid-field”***

- Secure efficient processes and quality in daily operations and long-term planning
- Improve cross functional cooperation
- Strengthen seasonal planning and campaign execution

## ***“Apply high-pressure attacking”***

- Improve customer experience and perception of XXL
- Improve concept, category plans and marketing
- Realize sales and market share growth



## Q3 2020 takeaways

- Solid results and continued improvements
- Top-line growth of 14% - especially strong in Norway with 21% growth despite demanding supply situation at the end of a record-breaking season
- Good campaign execution and higher gross margins
- EBITDA of NOK 413 million (NOK 271 million LY)
- Solid balance sheet gives financial flexibility

## Priorities

- Optimize inventory and cost base
- Secure efficient processes and quality in seasonal operations
- Increase marketing efficiency
- Improve category and concept offering
- Accelerate our strategic action plan for e-com
- Priority on changes with direct customer impact

## Outlook

- Unpredictable situation – important to have contingency plans ready in case of fast changes in the market
- Expect a more normalization of demands going forward but still with high fluctuations across markets, sales channels and categories
- 3-5 new stores per year and downsizing a selection of existing stores
- Capex in 2020 of NOK ~150-180 mill. Expecting an increase in the next years



Q&A





# Appendix

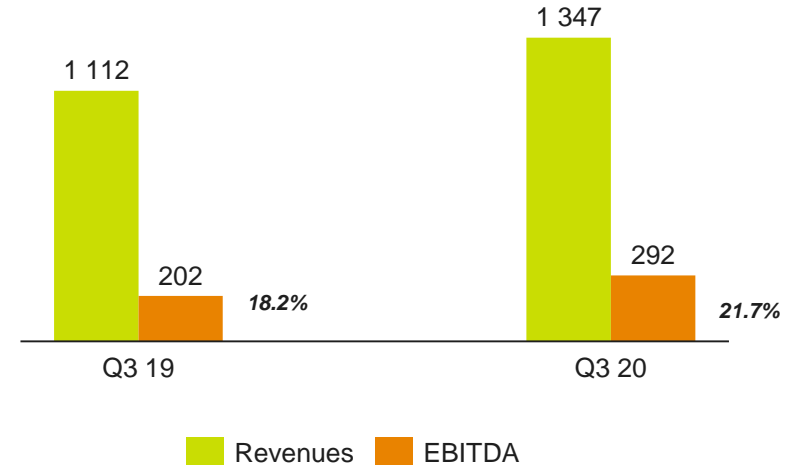
## Broad based EBITDA improvement across all segments

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	Group	Norway	Sweden	Finland	Austria	Denmark	HQ
LFL growth	 + 10.1%	 + 16.1%	 + 0.2%	 - 8.7%	 - 4.0%	 - 41.8%	N/A
EBITDA growth	 + 142 MNOK	 + 90 MNOK	 + 62 MNOK	 + 28 MNOK	 + 10 MNOK	 + 2 MNOK	 - 48 MNOK

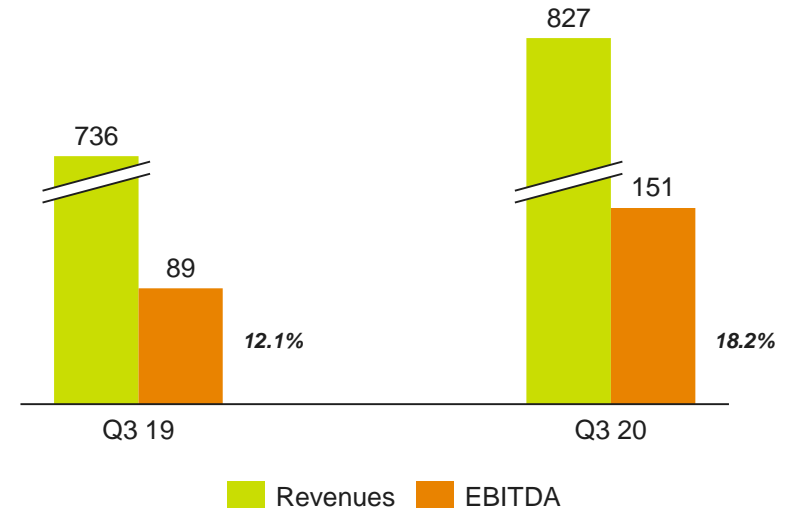
- Strong market conditions and positive “staycation” effects
- Positive like for like growth of 16.1%
- Higher gross margins – up 1.8%p to 41.1%
- EBITDA-margin up 3.5%p to 21.7%

Amounts in MNOK



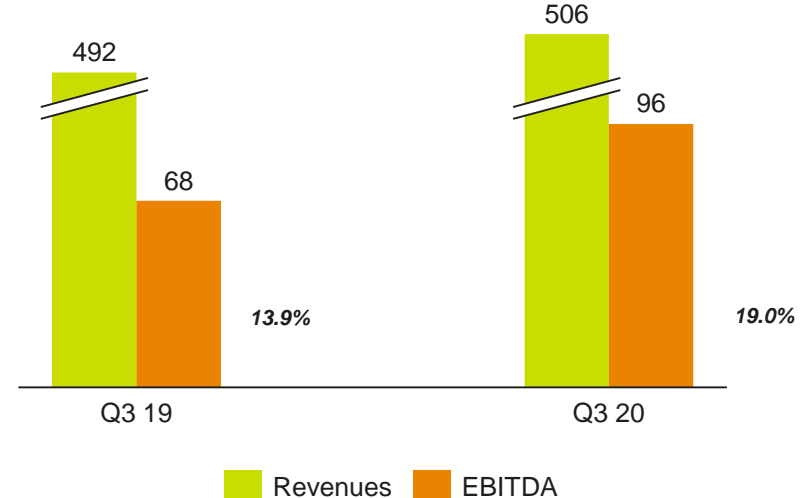
- Positive sales development in the quarter – up 2.6% vs. LY in local currency
- Like for like growth up 0.2% in local currency
- Growth was offset by “closed” borders affecting XXLs Outlet shops on the Swedish border
  - excluding the outlet stores the reported growth was 7.2% in local currency and a like for like growth of 4.1%
- Positive development in gross margin of 3.5%p to 40%
- EBITDA increased with 62 million and a margin of 18.2%

Amounts in MNOK



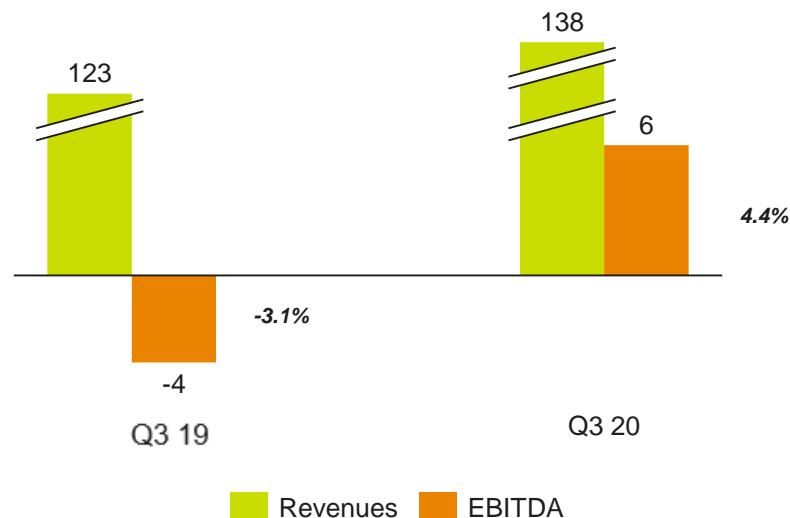
- Weak sales development in challenging market, but also loss of market shares in Q3
- Negative sales development in Q3, down 4.4 % vs. last year in local currency, and a negative like for like growth of 8.7%
- Positive development in gross margins, up 6.3%p to 41.8%
- EBITDA increased with 28 million and a margin of 19% up 5.1%p against last year

Amounts in MNOK



- Positive sales development in the quarter – up 5.1% vs. LY, explained by new stores and e-com growth
- Like for like down 4% in local currency – more challenging market dynamics compared to the Nordics
- Working on a plan to break even
  - Selectively opening of new stores
  - Improve logistics facilities
- Gross margin up 1.8%p to 33.5%
- Positive EBITDA of NOK 6 million
  - Reduced opex due to cost reductions related to higher marketing efficiency

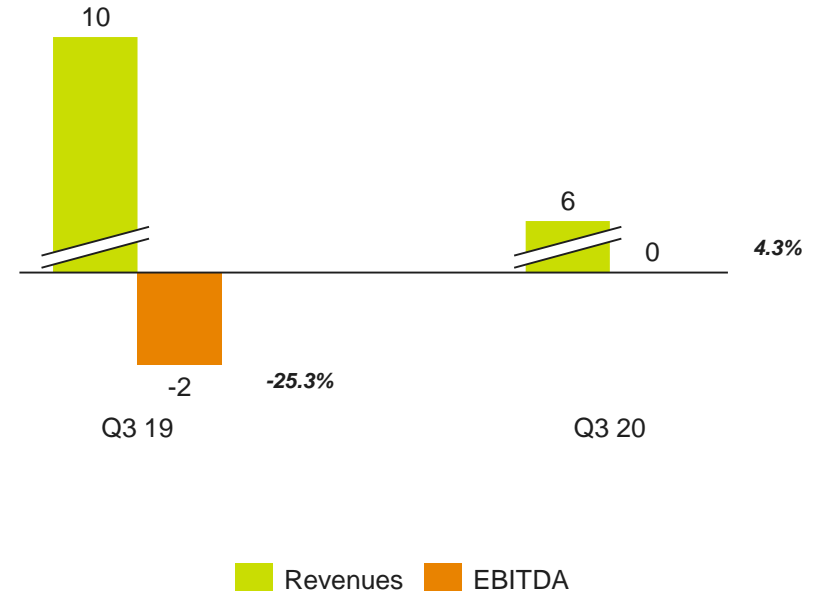
Amounts in MNOK





- The adjustments last year to reach break-even on a significant lower cost base has been positive
- Despite a revenue decline of 41.8%, EBITDA ended at NOK 0 million, explained by a reduced opex base and improved gross margins

Amounts in MNOK



- Higher cost mainly explained by higher bonus accruals, higher capacity costs at the central warehouses and related to the ongoing improvement program.
- Also last year figures was positively affected by a reversal of NOK 18 million related to the old share option program
- OPEX of NOK 131 million to 4.6% of Group sales
- Several initiatives to reduce the cost base



# Growth split by markets

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Revenue growth (% in local currency)



Like for Like growth (% in local currency)

