



XXL

XXL ASA – Q4 2020

Presentation of financial results 5th of February 2021

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XXL ASA – Q4 2020

Presentation of financial results 5th of February 2021

Headlines Q4 2020 – XXL is on track

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Q4 2020

- Strong sales at NOK 2.6 billion (+11% vs 2019)
- Strong gross margin at 40.4% (+19 pp)
- Strong EBITDA at NOK 327 million (+536 mnok vs 2019)

2020 total

- Operating revenue at NOK 10.4 billion (+16% vs 2019)
- Strengthened gross margin at 37.6% (+3 pp)
- Gaining market shares in all markets
- Overall eCom growth of 43% vs 2019

Outlook

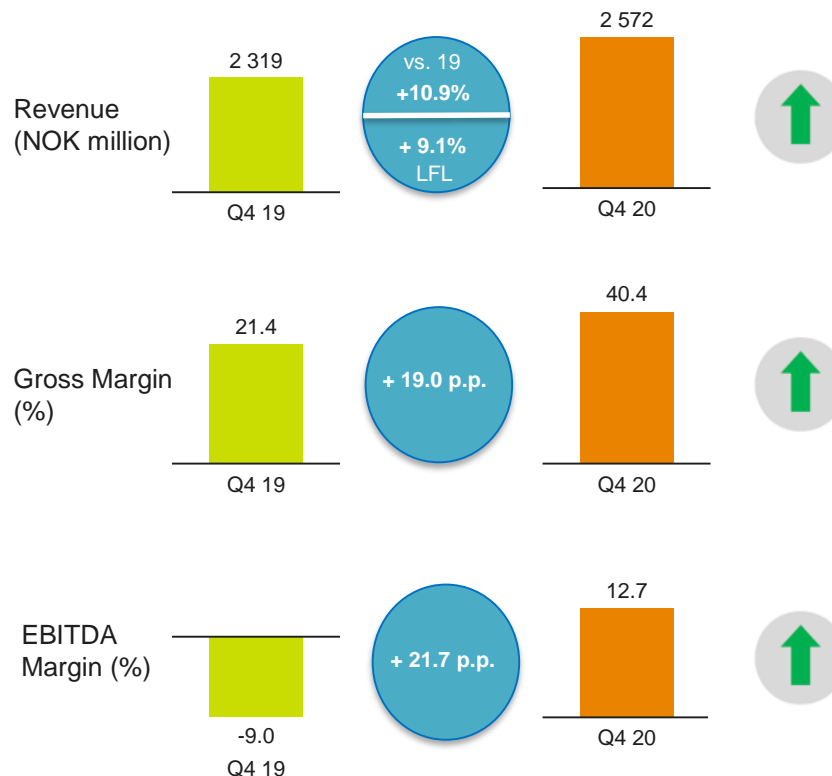
- Strong cash flow and XXL basically debt free
- Change program on track and in implementation mode
- XXL with strong concept and capabilities to succeed post Covid



Highlights Q4 2020 - Improved seasonal execution

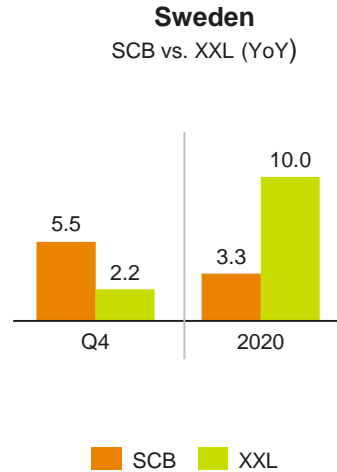
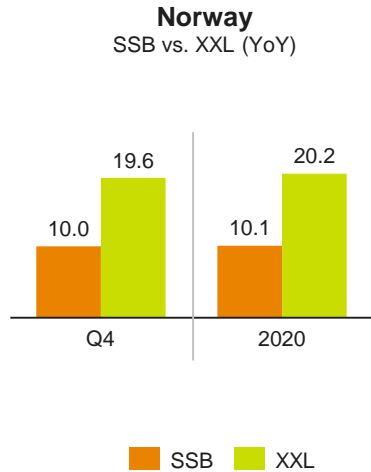
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- Operating revenue of NOK 2 572 million (NOK 2 319 million), up 11% driven by 20% growth in Norway
 - Improved seasonal execution compared to last year
 - Group like for like growth of 9%
 - E-com growth of 57%
- Strong gross margins (+19%-p) driven by good price management, lower seasonal sell down and improved campaign execution
- EBITDA of NOK 327 million (negative of NOK 209 million) – all segments posting positive development vs. LY (+ NOK 187 million adjusted for the extraordinary write down last year of NOK 349 million)
- Solid balance sheet gives financial flexibility
- Restated historic 2019 and 2020 figures related to supplier bonuses to better align bonuses to sales



Gaining market shares in all markets in 2020 – important to look at the long-term perspective

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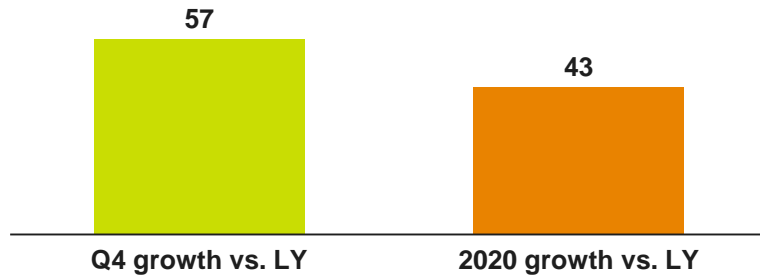
- During 2020 XXL has gained market shares in all markets
- Improved campaign execution in second half of 2020 resulting in higher sustainable margins and somewhat lower growth
- Changed consumer behavior in Finland during covid-19 => one stop shopping with Hypermarkets gaining shares

* Sweden is measured ex. Outlets, WKO numbers in Q4 are unweighted

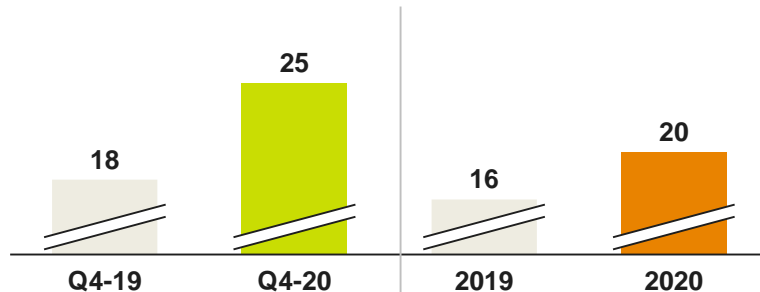
XXL capitalizing on our strong e-com platform with increasingly importance for the business



eCom % growth vs. 2019



eCom % share of sales



E-com – secure operational excellence

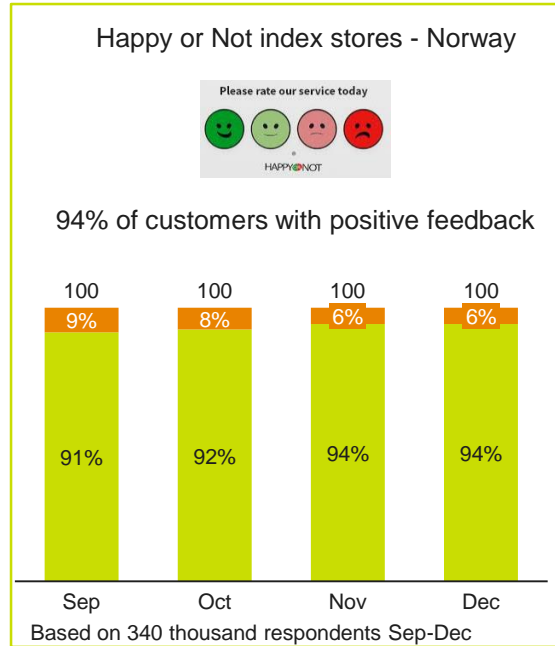
- Customer behavior has changed towards more online shopping and XXL has benefited from our e-commerce platform and being a one stop destination for buying sports and outdoor products
- 900 000 parcels delivered in Q4-2020 and > 3 300 000 parcels delivered in 2020
- During Black Week > 85% of all parcels expedited from central warehouse within 24 hours
- XXL continue to invest in order to improve omni-channel solutions, both online and in-store operations
- XXL has launched an ambitious growth strategy for e-commerce to maintain and further strengthen our leading position in the Nordics

Improved seasonal planning and campaign execution in Q4

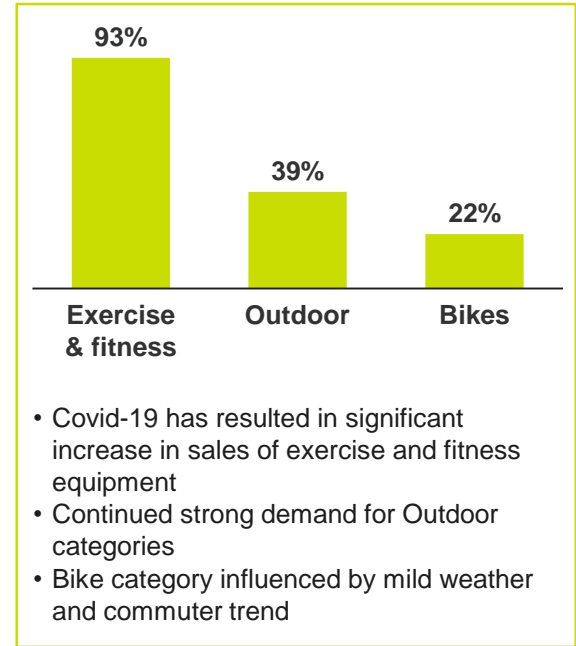
Black Week – improved performance

- Even out sales through the whole week
- Higher e-com share of sales
- Increased sales vs. 2019
- Increased margins

Improved customer experience



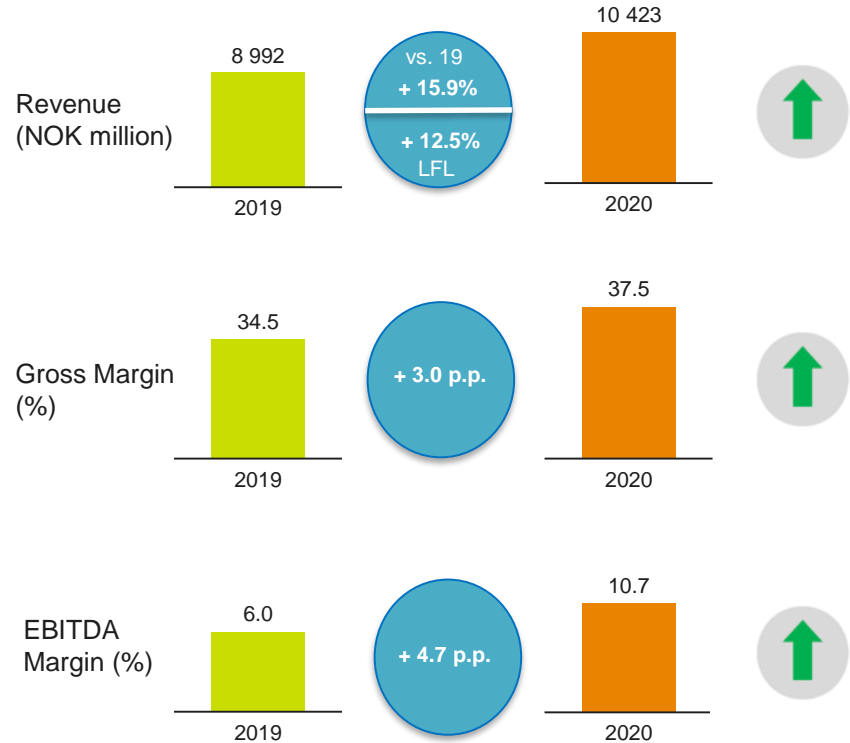
Strong growth in selected categories



Highlights 2020 – a volatile year

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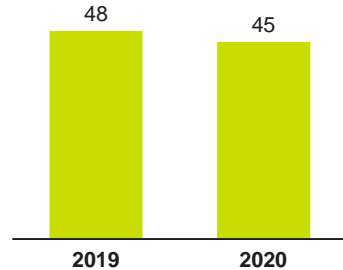
- Operating revenue of NOK 10 423 million (NOK 8 992 million), up 16%, with 20% growth in Norway
 - Group like for like growth of 13%, eCom growth of 43%
 - Gaining market share in all markets
- Improved gross margins during the year, driven by lower seasonal sell-down, good price management and better campaign execution
- EBITDA of NOK 1 117 million (NOK 538 million)
 - All segments with positive development vs LY
 - Extraordinary write down of inventory LY (NOK 349 million)
- The significant reduction in inventory during 2020 lead to a strong balance sheet entering into 2021
- During extraordinary conditions XXL has proved it's omni-channel capabilities
- Solid contributions from our employees during a demanding period



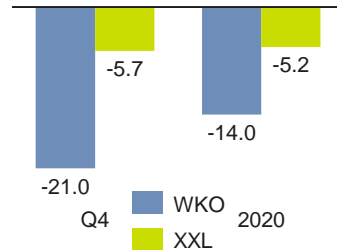
Austria – steadily improving performance

Stable top line and gaining market shares in 2020

TURNOVER AUSTRIA (MEURO)



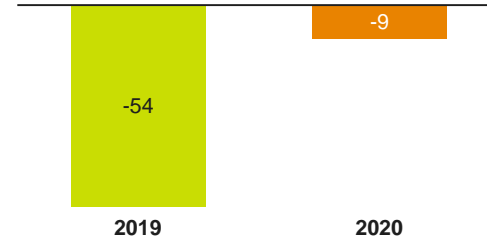
WKO vs. XXL (YoY)



- XXL has now seven stores in Austria – but due to covid-19 they have been closed for 4 weeks in Q4 20 and in total 10 weeks during 2020
- During this period the whole organization has worked to optimize cost levels
- Capitalize on the growing e-com platform
 - Q4 growth on e-com: 59% growth vs. 2019
 - 2020 growth on e-com: 36% growth vs. 2019

Continued improvements into 2021

EBITDA AUSTRIA (MNOK)



- Right-sizing of the organization
- Reduced marketing costs and increased efficiency
- Adapt and optimize concept to local market conditions
- Continue to selectively expand store network and further capitalize on the e-com platform
- Open new central warehouse in Q1-2021 will reduce logistic costs

We successfully opened our new central warehouse in Austria from 1st of February - from plan to reality in seven months

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New central warehouse serving Austria

- CWA opened as planned 1st of February
 - Initial setup serving eCom deliverables with first 200 parcels sent out to customers 1st of February
- CWA enables XXL to provide higher service levels to stores and our customers
 - Next day delivery to all Austrian stores
 - Next day delivery for pickup@store
 - Next day home delivery for 80% of end customers depending on geography (orders placed before 12:00)
- Highly automated warehouse with dedicated area for ski/bike assembly and eCom orders
 - 7000m²
 - 20.000 Autostore bins, 3.700 pallets





Financial Review Q4 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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(Amounts in NOK million)	Q4 2020	Q4 2019 (Restated)	FY 2020	FY 2019 (Restated)
GROUP				
Operating revenue	2 572	2 319	10 423	8 993
Growth (%)	10,9 %	-9,8 %	15,9 %	-5,1 %
Gross profit	1 040	496	3 904	3 106
Gross margin (%)	40,4 %	21,4 %	37,5 %	34,5 %
OPEX %	27,7 %	30,4 %	26,7 %	28,6 %
EBITDA	327	-209	1 117	538
EBITDA margin (%)	12,7 %	-9,0 %	10,7 %	6,0 %
EBIT	133	-375	364	-153
EBIT margin	5,2 %	-16,2 %	3,5 %	-1,7 %
Net Income	13	-357	126	-290

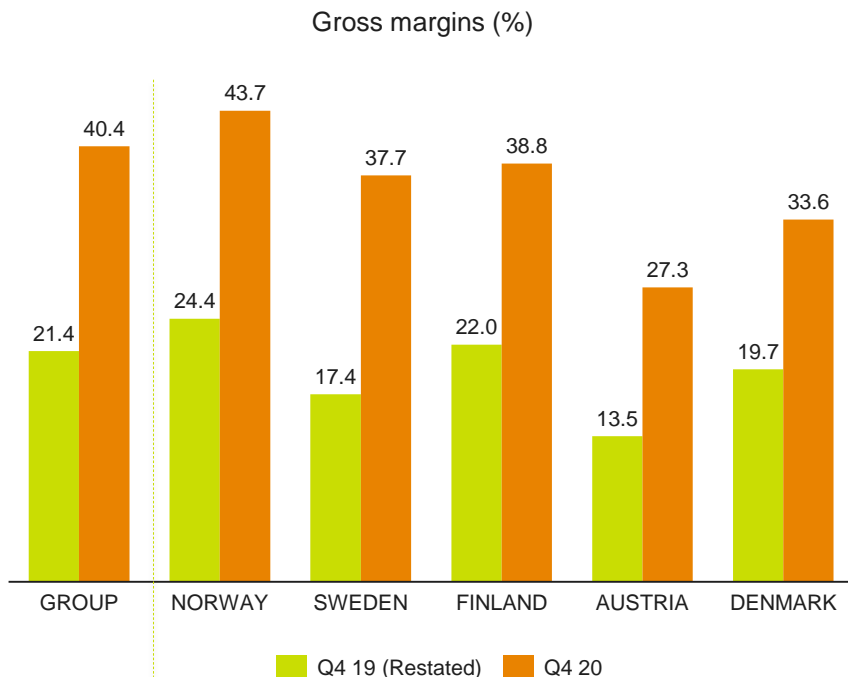
- Positive sales development in Q4 vs. LY: +10.9%
 - Good development in especially Norway with 19.6% growth
 - Like for like growth of 9.1%
 - E-com growth of 57% and a strong gross profit growth of 86%
 - Most categories with growth, but especially strong for Outdoor, Homegym and Bikes

- Gross margins ended at a strong 40.4%, up from 21.4% LY, explained by good price management, improved campaign execution, and lower seasonal sell down. In addition, the low gross margin in 2019 included an extraordinary writedown of inventory (net effect of NOK 349 million)

- OPEX% in Q4 is 2.7 p.p lower than last year, driven by like for like growth driving scale in operations, good cost control in the segments, and improved marketing efficiency

- EBITDA ending at NOK 327 million

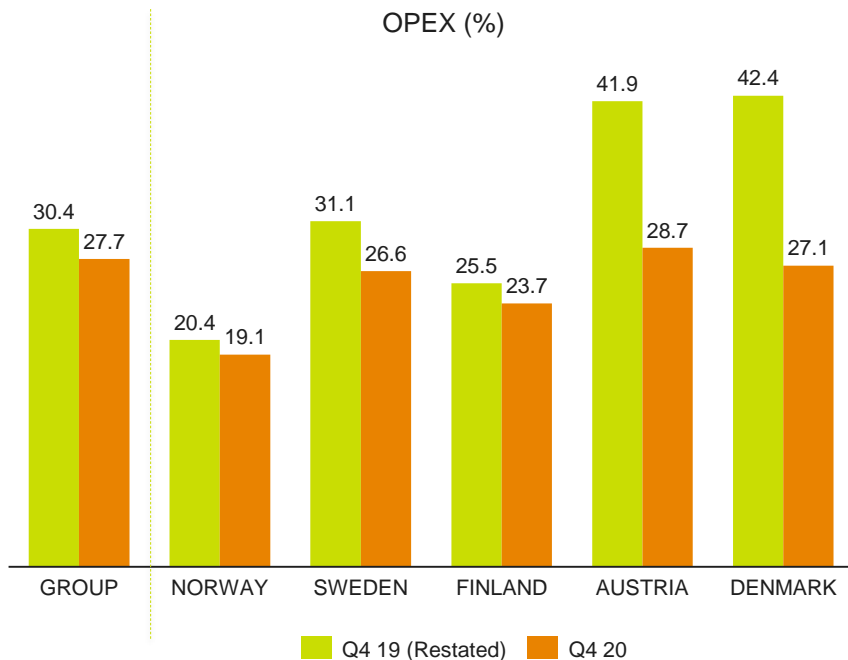
Gross margin development



- Strong gross margin development in the quarter, up from 21.4% in Q4 2019 to 40.4% in Q4 2020
- Broad based improvement – all segments strengthened margins
- Gross margin improvement explained by good price management, improved campaign execution and lower seasonal sell down. Also the low gross margin in Q4 2019 included an extraordinary write down of inventory (net effect of NOK 349 million)
- Sustainable gross margin levels going forward
 - improved market dynamics
 - improved campaign approach and execution
 - healthier assortment and inventory levels

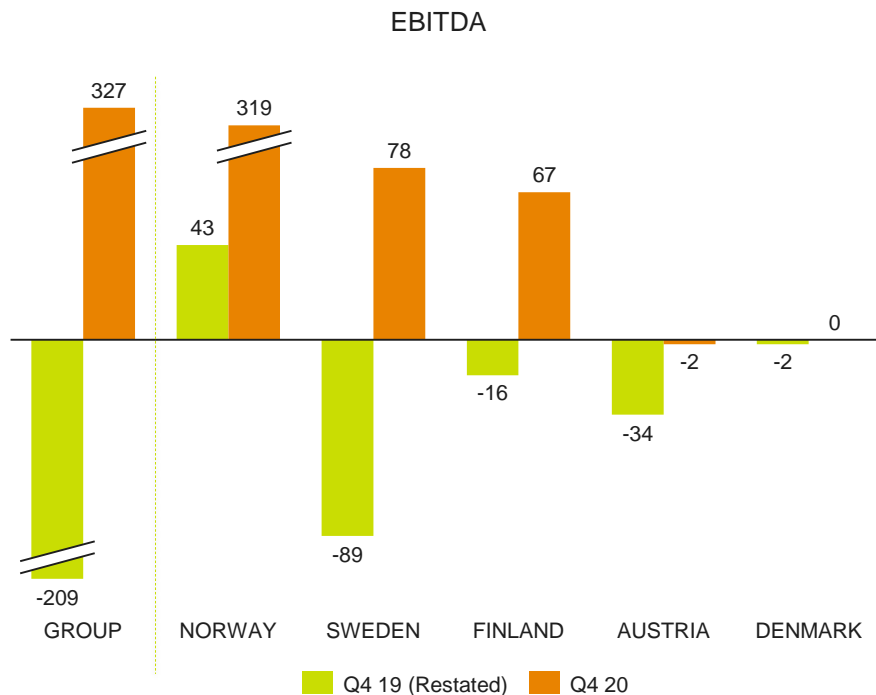
OPEX development

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- Group OPEX% down by 2.7 points to 27.7% in Q4
 - Driven by positive like for like growth yielding scale in operations
 - Good cost control in the segments
 - Improved marketing efficiency
- Increased costs in HQ and Logistics segment, mainly explained by ongoing improvement program, restructuring costs and temporary increased use of external advisors

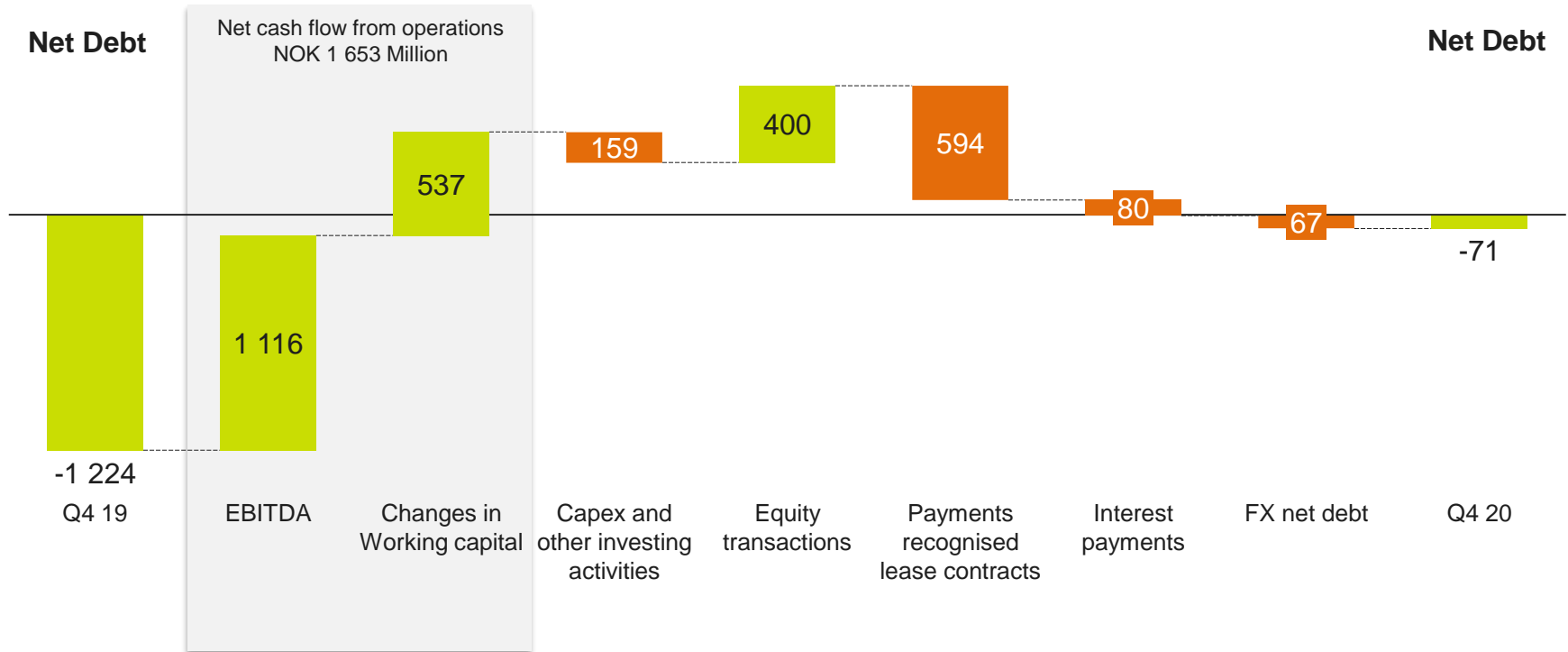
EBITDA development



- EBITDA increase in Q4 of NOK 536 million vs. LY
 - Extraordinary write down of inventory last year (NOK 349 million in net effect)
 - Driven by sales growth in the Norwegian market and strong gross margins in all Nordic markets
 - Lower OPEX% driven by positive like for like growth, and higher marketing efficiency
- All segments with EBITDA growth, and especially strong in Norway
- EBITDA margin of 12,7% in Q4 2020 vs. -9,0% in Q4 2019

Net debt development

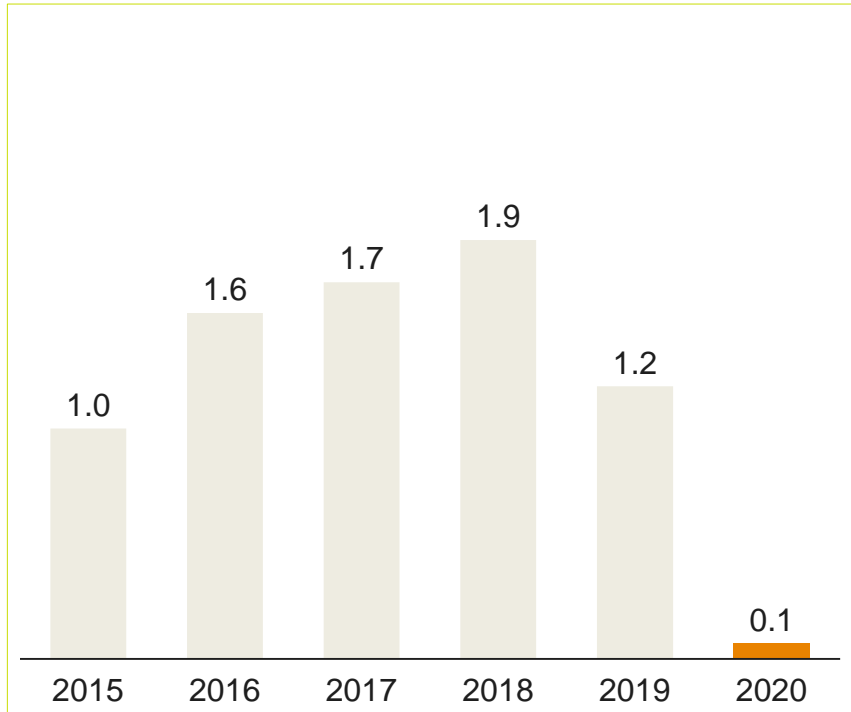
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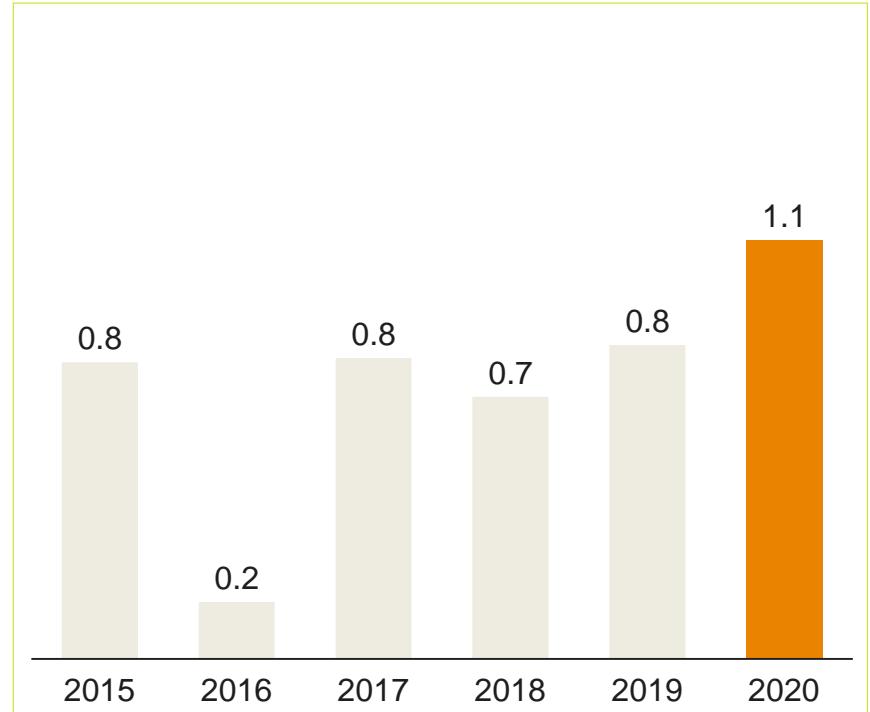
XXL has a solid balance sheet vs previous years



Net interest bearing debt (per December)



Liquidity reserves (per December)



Financial Summary Q4-2020

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- Restatement of 2019 and 2020 numbers related to new accounting principle for supplier bonuses
- EBITDA of NOK 327 million
 - Broad based improvement – all segments posting positive development and especially strong in Norway
 - Strong gross margins
 - Lower opex%
- Continued positive cash flow in the quarter
- Significant reduction in Working Capital and Inventory compared to previous years
- Strong balance sheet
 - Net interest-bearing debt of NOK 71 million, a reduction of NOK 1.2 billion vs. last year
 - Liquidity reserves of NOK 1.1 billion
 - Gives financial flexibility



Outlook

Strong current trading under challenging conditions - staying alert for fast changes in the market

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Strong January 2021

- Good winter conditions all over Nordics with snow and cold weather
- Sales growth of ~50% - all Nordic segments with strong growth
- E-com sales with growth above 100% vs. LY
- Continued sustainable gross margin levels

Staying alert for fast changes in the market

- Close monitoring of changes in COVID-restrictions across all markets
- High responsiveness from defined contingency plans with necessary measures depending on impact and operational limitations

Preparing for new "staycation spring/summer"

- Preparing for a new "staycation" spring/summer
- Solid and strong balance sheet giving financial flexibility
- Focusing on commercial excellence, seasonal planning and campaign execution in addition to securing product availability



2020 has been a great year for XXL, but we still have many elements we need to improve – 2021 will be a year for implementation



NEW ZONE CHANGING IN STORES

- In H1 2021 we will implement new zone structure across all stores
- Objective is to realize activity-based sectors that benefits our staff, customers and partners

ELECTRONIC SHELF LABELS (ESL)

- We have had ESL in SE/AT since 2017 and are in H1 2021 rolling out next generation ESL in Norway
- This will enable increased operational efficiency, and improve our flexibility and responsiveness to price changes

RFID TECHNOLOGY IN STORES

- In H1 2021 we will implement RFID-technology across all Norwegian stores and other markets soon to follow
- This will enable better inventory control and accuracy in addition to better customer experience

REVITALIZED BRAND PLATFORM

- The XXL brand is strong and with high recognition across all markets
- We will re-energize the XXL brand to strengthen customer perception and stronger emphasize our value propositions

In addition, we will continue implementing ***several initiatives and improvements*** initiated in 2020 across the entire organization and all markets

Post Covid-19 we believe in a more stable market dynamics and that XXL will capitalize on our strong business model and capabilities



Significant challenges in sporting goods retail PRE-COVID

- Inventory build-up and stagnation across all players and markets
- Highly competitive intensity with strong price and margin pressure
- Weakened balance sheets and liquidity for several key players in the Nordics (and Europe)

More stable market dynamics POST-COVID

- Persistent increase activity levels expected in key markets
- Strong recovery expected already in 2021 in Europe driven by continued spend on sportswear and equipment as economies recover
- Retail capacity balanced during 2020 in Norway and Sweden
- More healthy competitive dynamics and stabilized margin levels
- Accelerated online shift across all markets

XXL with strong concept and key capabilities to succeed

- Strong, stable and long-term owners
- Strong balance sheet and capitalization gives us the opportunity to invest in future growth
- Realizing a defined strategic roadmap with demonstrated ability to execute
- XXL's branded big-box concept with key capabilities for future growth and strengthened position
- XXL with a solid omnichannel position

Our ambitions going forward is to continuously gain market shares and strengthen our profitability

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LONG-TERM MARKET SHARE GROWTH



Our ambition is **long-term market share gains** in all markets and continue the growth within the e-com channel

IMPROVE GROSS MARGIN



We target to **strengthen and improve** our gross margin further from the stabilized 2020-levels (> 39% in gross margin)

DECREASE COST-RATIO



We continue to invest in **improved operational efficiency** to decrease the cost ratio and increase quality

Closing remarks



Q4 2020 takeaways

- Improved seasonal execution compared to last year
- Top-line growth of 11% - especially strong in Norway with 20% growth, and a solid e-commerce growth of 57%
- Gross margins at good and sustainable levels
- EBITDA of NOK 327 million (negative of NOK 209 million LY)
- Solid balance sheet gives financial flexibility

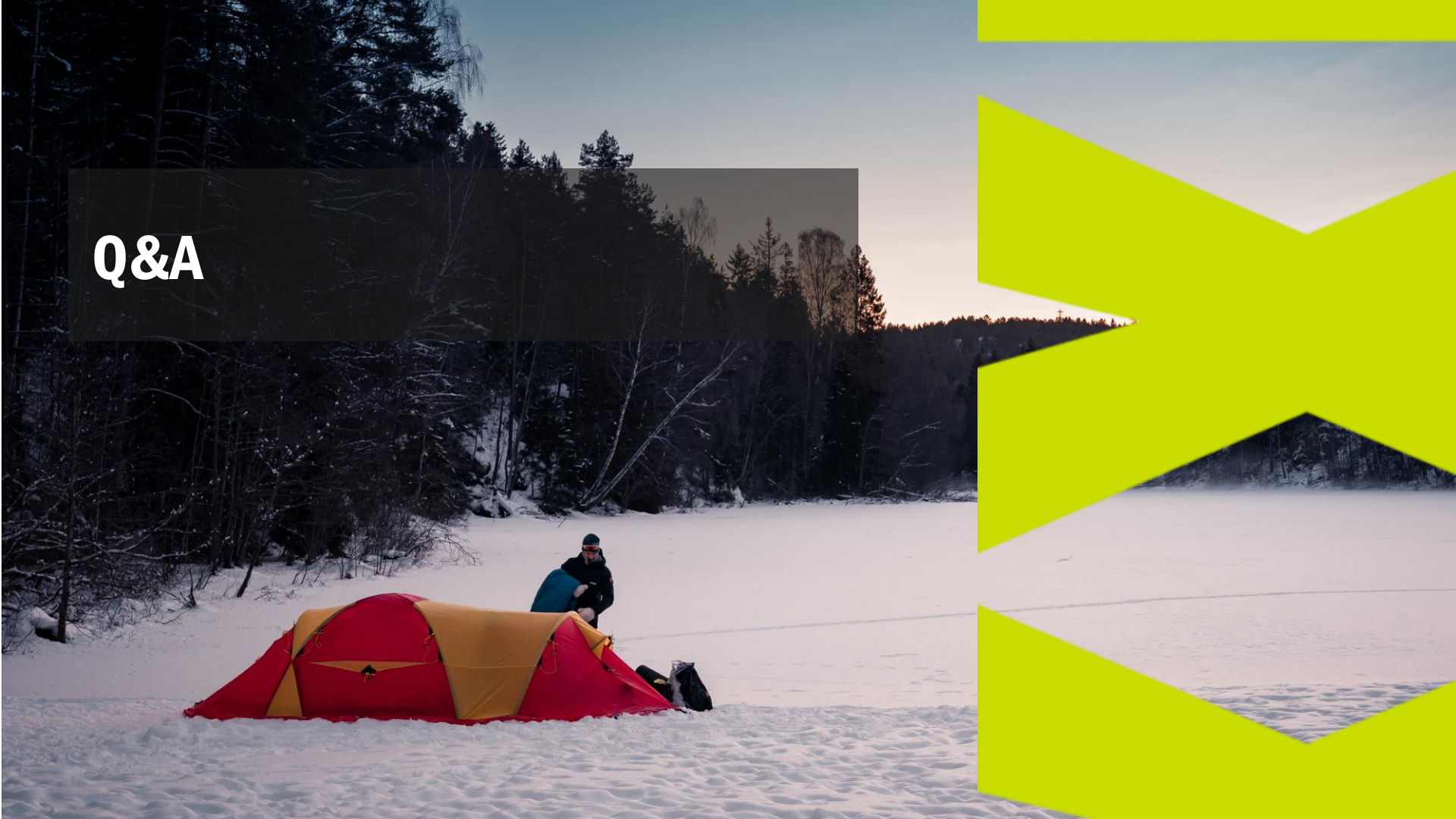
Priorities

- 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

- Solid start of 2021, but unpredictable COVID-situation going forward
- Several ongoing cost measures and a strong balance sheet
- 2 new stores signed for 2021, 1 in Sweden and 1 in Austria
- Capex in 2021 of NOK ~250-300 mill, related to ongoing improvement programs
- Our ambitions going forward is to continuously gain market shares and strengthen our profitability

Q&A





Appendix

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



Priority to strengthen defense and establish zone coverage

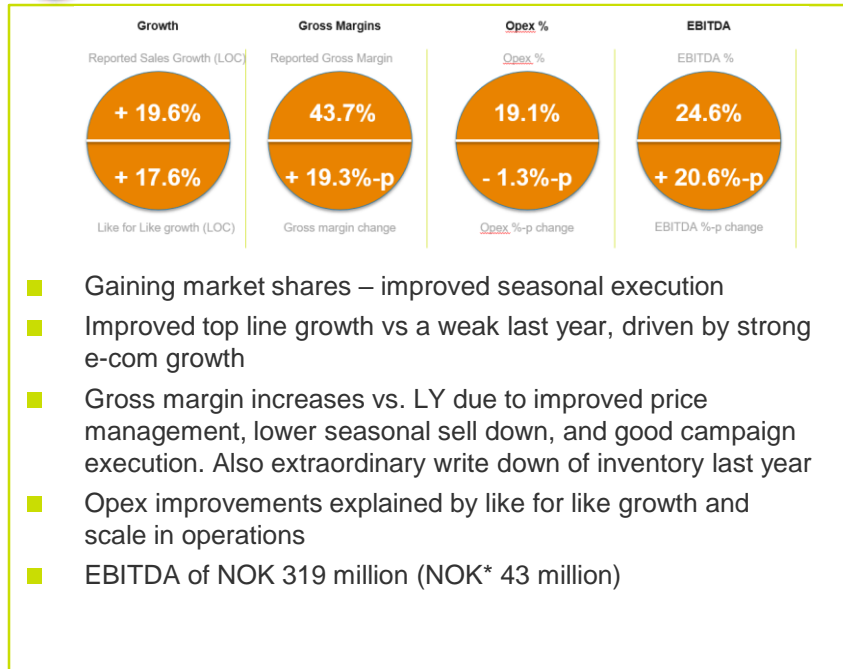
Moving up the field learning to play tiki-taka to maintain “possession of the ball”

Q4: Norway and Sweden – improvement on several parameters

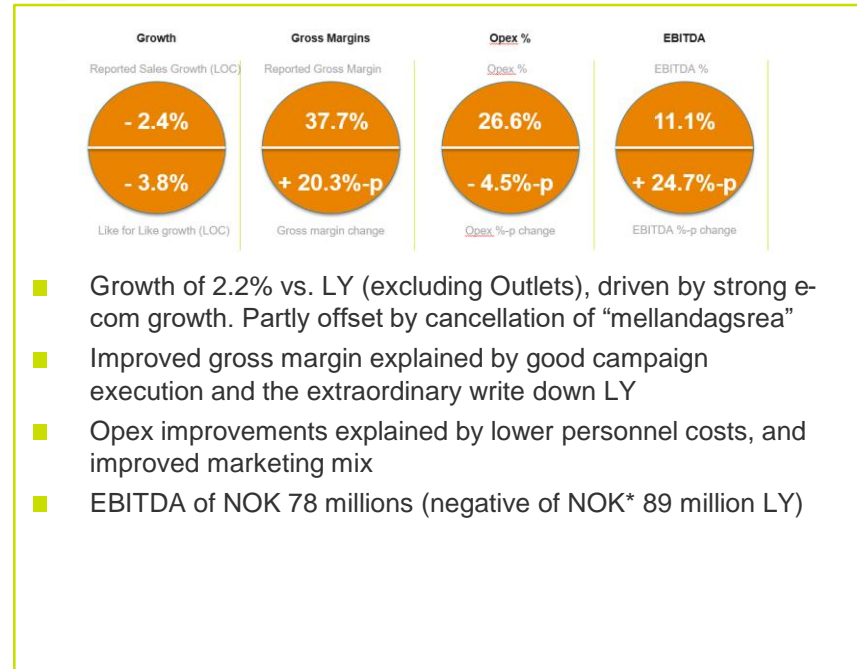
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Norway



Sweden



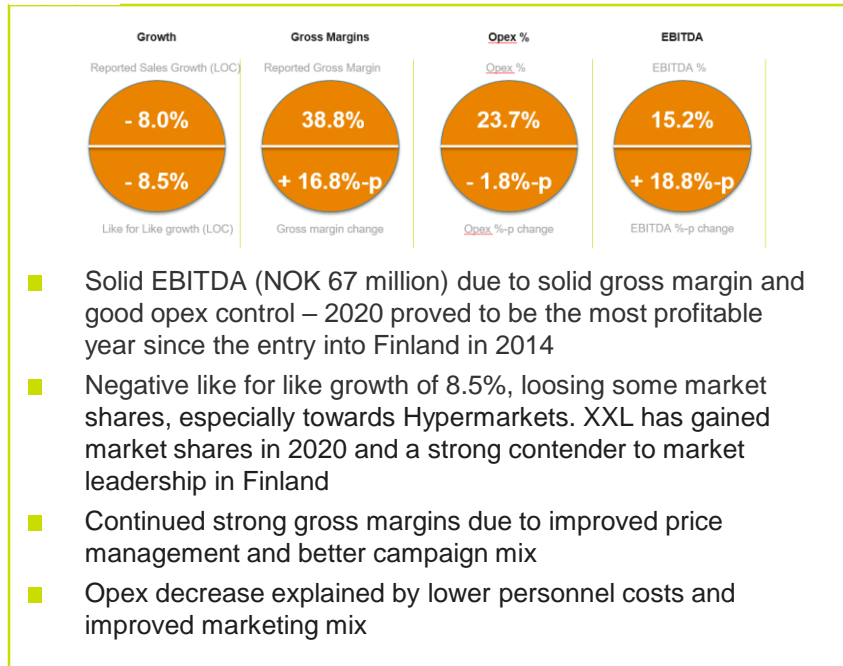
* Net effect of extraordinary write down LY was NOK 158 million in Norway and NOK 109 million in Sweden

Q4: EBITDA improvements in both Finland and Austria. Best EBITDA in XXL Finland history in 2020

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Finland



Austria



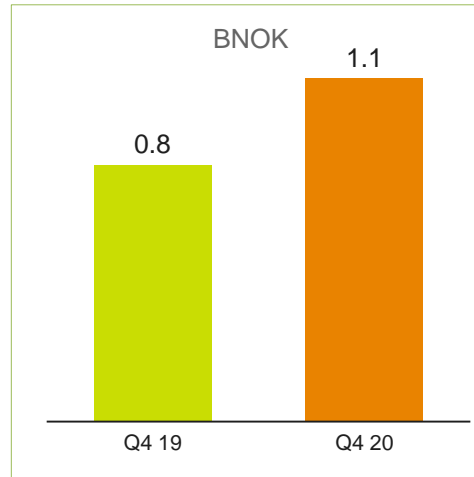
* Net effect of extraordinary write down LY was NOK 61 million in Finland and NOK 21 million in Austria

Liquidity reserves ending at NOK 1.1 billion

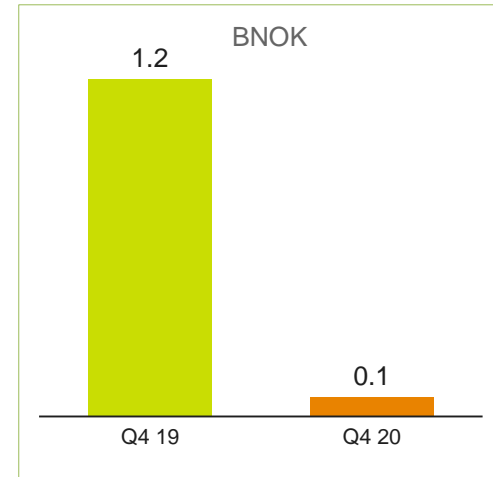
YTD Operational cash flow



Liquidity reserves



Net interest bearing debt



Restatement of 2019 and 2020 numbers

- In Q4 we had a thorough review of our standardized supplier contracts, particularly related to supplier bonus
 - Based on this we revised our accounting policy related to “income from suppliers” (“IFS”)
 - The new accounting policy is more appropriate, and better measures the profitability of XXL
 - We also concluded the need to restate 2019 annual and quarterly reports and Q1, Q2 and Q3 2020 quarterly reports*
 - The new accounting recognizes IFS in the P&L once good is sold to customer, while it was previously recognized over the P&L once received from supplier (i.e. once good is purchased from supplier).
 - Change only related to timing of recognition of IFS and has no cash effect
- Effect on reported figures:

<i>(Amounts in NOK million)</i>	Q4 2019 (As reported)	Adjustment	Q4 (2019) (Restated)
Total Operating Revenue	2 319	-	2 319
Cost of goods sold	1 860	-37	1 823
Personnel expenses	455	-	455
Depreciation*	166	-	166
Other operating expenses*	249	-	249
Total Operating Expenses	2 730	-37	2 693
Operating Income	-411	37	-375
Net Financial Income (+) / Expense (-)	-48	-	-48
Profit before income tax	-459	37	-423
Income tax expense	-72	7	-65
Profit for the period	-387	30	-357

<i>(Amounts in NOK million)</i>	FY 2019 (As reported)	Adjustment	FY (2019) (Restated)
Total Operating Revenue	8 993	-	8 993
Cost of goods sold	5 934	-47	5 887
Personnel expenses	1 652	-	1 652
Depreciation*	691	-	691
Other operating expenses*	916	-	916
Total Operating Expenses	9 193	-47	9 146
Operating Income	-201	47	-153
Net Financial Income (+) / Expense (-)	-183	-	-183
Profit before income tax	-383	47	-336
Income tax expense	-57	10	-47
Profit for the period	-326	37	-290

Restated numbers 2019

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Q4 2020

Appendix I: Restatement tables Quarterly and YTD 2019 and 2020

This appendix shows the effect of the restatement of 2019 and Q1, Q2 and Q3 2020. See note 10 in the Q4 interim financials for more detail

Condensed Consolidated Interim Statements of Income

(Amounts in NOK m million)	Q1 2019			Q1 (2019)			2019 Restatement			Q3 2019			Q4 2019		
	(As reported)	Adjustment	(Restated)	Q2 2019	Adjustment	Q2 (2019)	(As reported)	Adjustment	Q3 (2019)	(As reported)	Adjustment	Q3 (2019)	(As reported)	Adjustment	Q4 (2019)
Total Operating Revenue	2 014	-	2 014	2 187	-	2 187	2 473	-	2 473	2 319	-	2 319	2 319	-	2 319
Cost of goods sold	1 193	15	1 208	1 320	-16	1 314	1 551	-9	1 542	1 960	-37	1 923	1 960	-37	1 923
Personnel expenses	413	-	413	396	-	396	418	-	418	455	-	455	455	-	455
Depreciation	173	-	173	175	-	175	177	-	177	166	-	166	166	-	166
Other operating expenses*	216	-	216	218	-	218	233	-	233	249	-	249	249	-	249
Total Operating Expenses	1 995	15	2 010	2 089	-16	2 073	2 379	-9	2 370	2 730	-37	2 693	2 730	-37	2 693
Operating Income	19	-15	4	98	16	114	94	9	103	-411	37	-375	-411	37	-375
Net Financial Income (+) / Expense (-)	-43	-	-43	-40	-	-40	-52	-	-52	-48	-	-48	-48	-	-48
Profit before income tax	-24	-15	-39	58	16	74	42	9	51	-459	37	-423	-459	37	-423
Income tax expense	-5	-2	-7	12	3	15	8	2	10	-72	7	-65	-72	7	-65
Profit for the period	-19	-13	-32	46	13	59	34	7	41	-387	30	-357	-387	30	-357
(Amounts in NOK m million)	Q1 2019			YTD Q2 2019			YTD Q3 2019			FY 2019			FY (2019)		
	(As reported)	Adjustment	(Restated)	(As reported)	Adjustment	(Restated)	(As reported)	Adjustment	(Restated)	(As reported)	Adjustment	(Restated)	(As reported)	Adjustment	(Restated)
Total Operating Revenue	2 014	-	2 014	4 201	-	4 201	6 674	-	6 674	8 993	-	8 993	8 993	-	8 993
Cost of goods sold	1 193	15	1 208	2 523	-1	2 522	4 074	-10	4 064	5 934	-47	5 887	5 934	-47	5 887
Personnel expenses	413	-	413	779	-	779	1 197	-	1 197	1 552	-	1 552	1 552	-	1 552
Depreciation	173	-	173	346	-	346	525	-	525	681	-	681	681	-	681
Other operating expenses*	216	-	216	434	-	434	667	-	667	916	-	916	916	-	916
Total Operating Expenses	1 995	15	2 010	4 084	-1	4 083	6 463	-10	6 453	9 193	-47	9 146	9 193	-47	9 146
Operating Income	19	-15	4	117	1	118	211	10	220	-201	47	-153	-201	47	-153
Net Financial Income (+) / Expense (-)	-43	-	-43	-83	-	-83	-135	-	-135	-183	-	-183	-183	-	-183
Profit before income tax	-24	-15	-39	34	1	35	76	10	85	-383	47	-336	-383	47	-336
Income tax expense	-5	-2	-7	7	1	8	15	3	18	-57	10	-47	-57	10	-47
Profit for the period	-19	-13	-32	27	0	27	61	7	67	-326	37	-290	-326	37	-290

Condensed Consolidated Interim Statements of Income

2020 Restatement

(AmOUNTS IN NOK m ILLION)	Q1 2020		Q1 (2020)	Q2 2020		Q2 (2020)	Q3 2020		Q3 (2020)
	(As reported)	Adjustment	(Restated)	(As reported)	Adjustment	(Restated)	(As reported)	Adjustment	(Restated)
Total Operating Revenue	2 162	-	2 162	2 865	-	2 865	2 823	-	2 823
Cost of goods sold	1 559	-48	1 511	1 824	-19	1 805	1 679	-7	1 672
Personnel expenses	460	-	460	427	-	427	506	-	506
Depreciation	179	-	179	182	-	182	199	-	199
Other operating expenses	227	-	227	229	-	229	225	-	225
Total Operating Expenses	2 425	-48	2 377	2 652	-19	2 643	2 609	-7	2 602
Operating Income	-263	48	-215	-203	19	-222	-214	7	-221
Net Financial Income (+) / Expense (-)	-6	-	-6	-64	-	-64	-26	-	-26
Profit before income tax	-269	48	-221	139	19	158	188	7	195
Income tax expense	-43	8	-35	22	3	25	29	1	30
Profit for the period	-226	40	-186	117	16	133	159	6	165

(AmOUNTS IN NOK m ILLION)	Q1 2020		Q1 (2020)	YTD Q2 2020		YTD Q2 (2020)	YTD Q3 2020		YTD Q3 (2020)
	(As reported)	Adjustment	(Restated)	(As reported)	Adjustment	(Restated)	(As reported)	Adjustment	(Restated)
Total Operating Revenue	2 162	-	2 162	5 027	-	5 027	7 850	-	7 850
Cost of goods sold	1 559	-48	1 511	3 383	-67	3 316	5 062	-75	4 987
Personnel expenses	460	-	460	887	-	887	1 393	-	1 393
Depreciation	179	-	179	361	-	361	560	-	560
Other operating expenses	227	-	227	456	-	456	681	-	681
Total Operating Expenses	2 425	-48	2 377	5 087	-67	5 020	7 696	-75	7 621
Operating Income	-263	48	-215	-60	67	7	154	75	229
Net Financial Income (+) / Expense (-)	-6	-	-6	-70	-	-70	-96	-	-96
Profit before income tax	-269	48	-221	-130	67	-63	58	75	133
Income tax expense	-43	8	-35	-21	11	-10	8	12	20
Profit for the period	-226	40	-186	-109	56	-53	50	63	119