



XXL

XXL ASA – Q4 2022

Presentation of
Financial Results
8 February 2023

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This presentation was prepared for the interim results presentation for the fourth quarter 2022, held on 8th of February 2023. Information contained herein will not be updated. The following slides should also be read and considered in connection with the information given orally during the presentation.



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XXL ASA – Q4 2022

XXL

Great brands

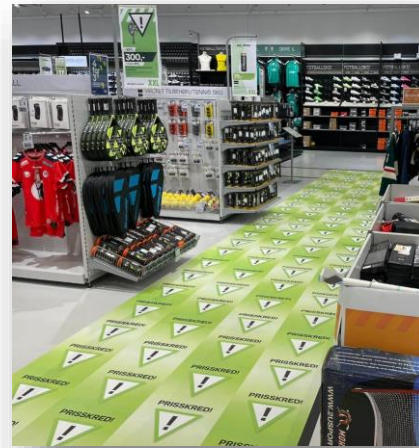
Great prices

Great assortment

Great expertise

Great accessibility

Launched the largest and most aggressive campaign in three years



Challenging markets and results – exiting Austria, waiver agreement and new equity secured

Q4 2022

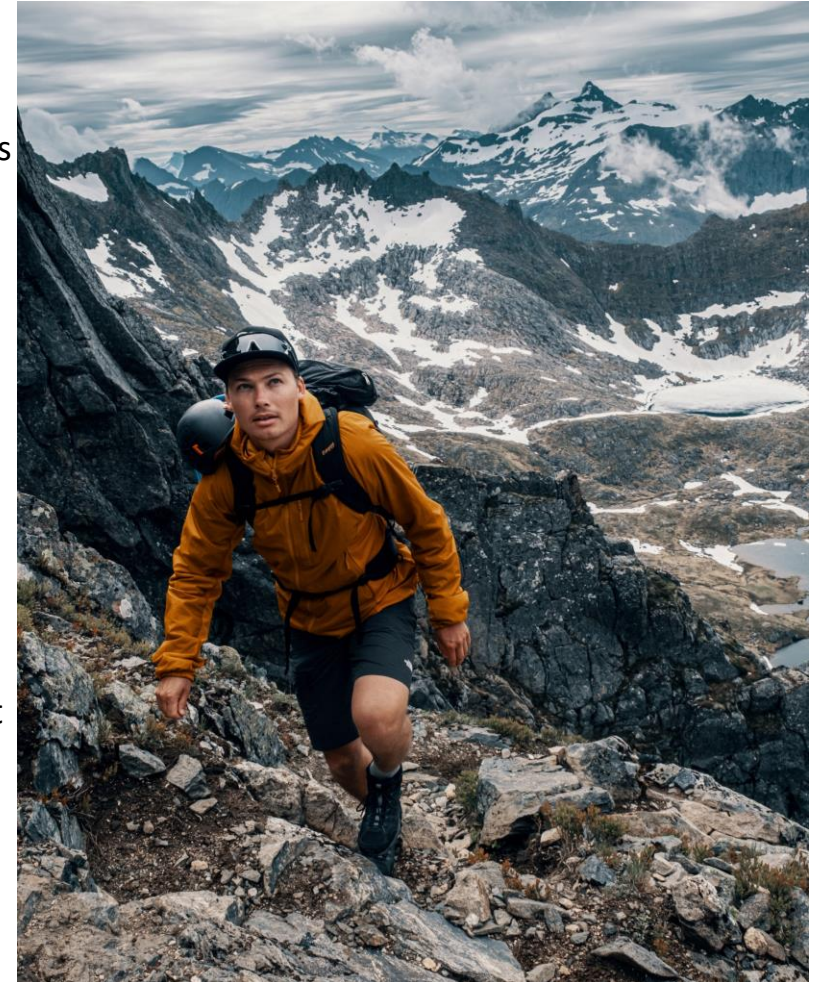
- Challenging macro situation with reduced consumer spend and inventory build up in the industry
- XXL increased campaign activity to avoid carrying inventory into 2023, resulting in significant lower gross margin
- Additional write-down of inventory of NOK 301 million
- XXL are executing on strong and immediate actions in order to adapt to the new market situation

2022

- Disappointing sales trend in a challenging market
- Weakened gross margin due to heavy campaign activities and additional write-down of inventory
- Several actions initiated second half of 2022 in order to reduce incoming goods, costs and capex
- Record low EBITDA, driven by the negative growth and lower gross margins

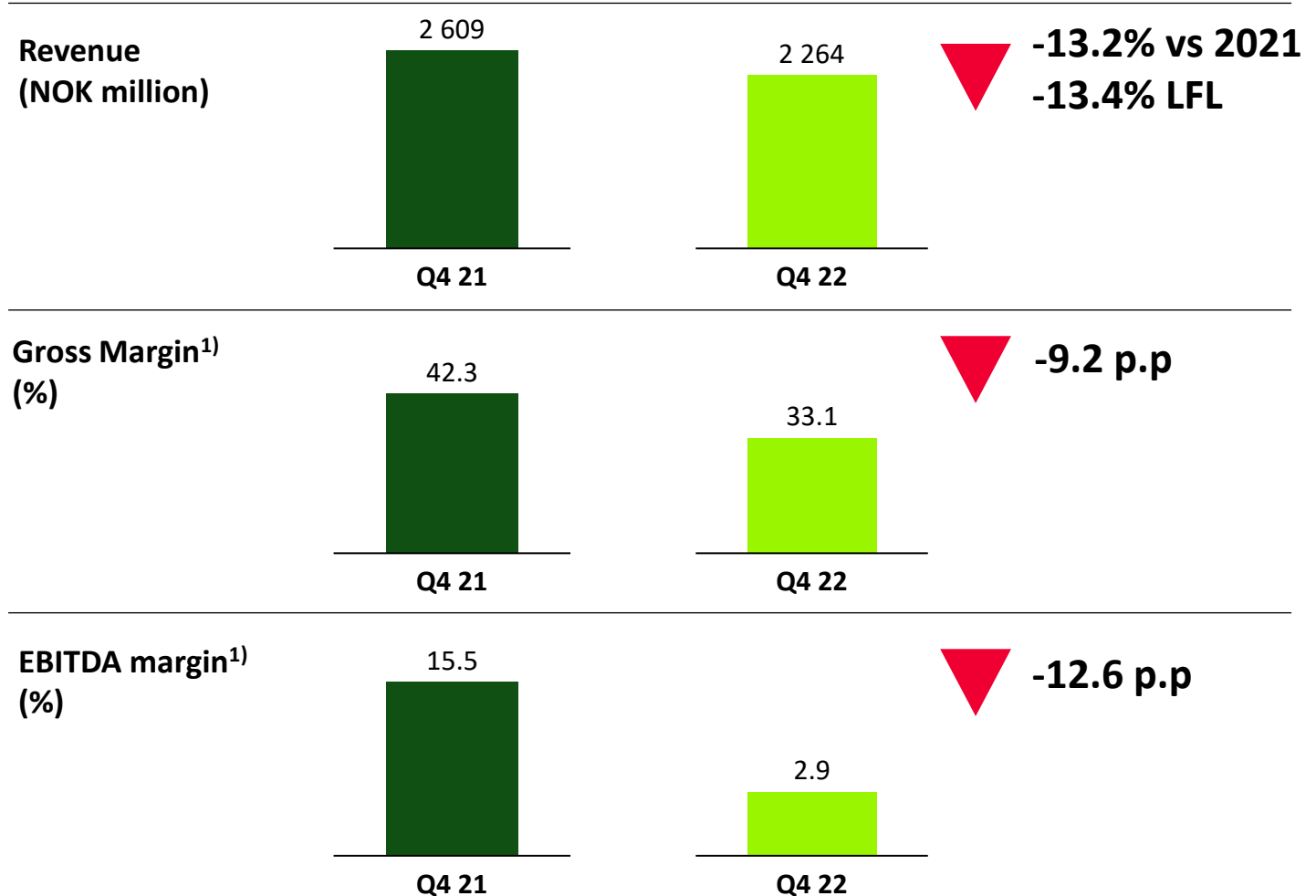
Prepared for 2023

- Strict inventory and liquidity control – XXL has launched a massive clearance campaign in order to adapt to the challenging market conditions
- Scale and cost efficiency to strengthen XXL position through the current market turmoil
- Exit of Austria
- Increase share of private label going forward
- Optimize store footprint and size over time



Highlights Q4 2022

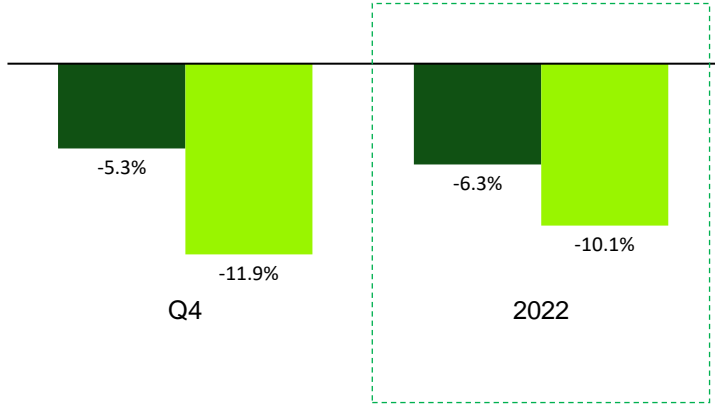
- Historically low consumer confidence, combined with a build up of inventory in the whole sporting goods industry
- Operating revenue of NOK 2 264 million (NOK 2 609 million)
 - All segments with decline vs. LY
 - E-commerce decline of 7%, representing 25.9% of the total revenue for the Group
- Gross margin ended significantly below LY, negatively impacted by more clearance activities in the market, as well as increased sourcing costs
- EBITDA of NOK 65 million (NOK 403 million), mainly explained by the reduced revenue, and lower gross margin



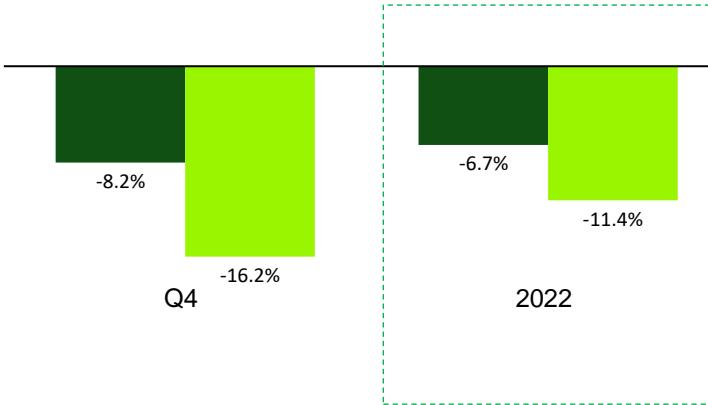
1) All figures excluding additional write-down of inventory

Q4 proved to be a difficult quarter for XXL and for the market

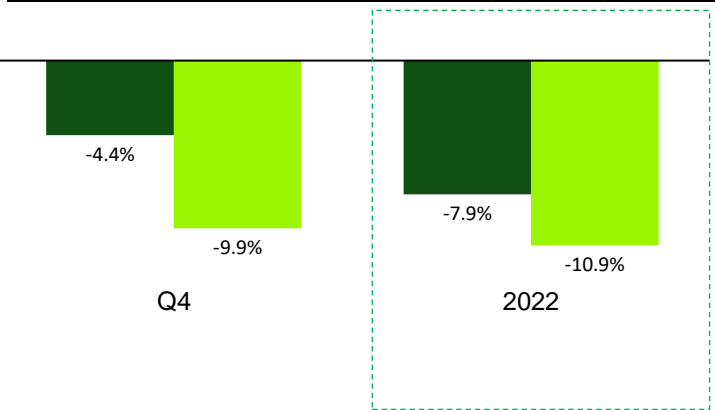
Norway



Sweden



Finland

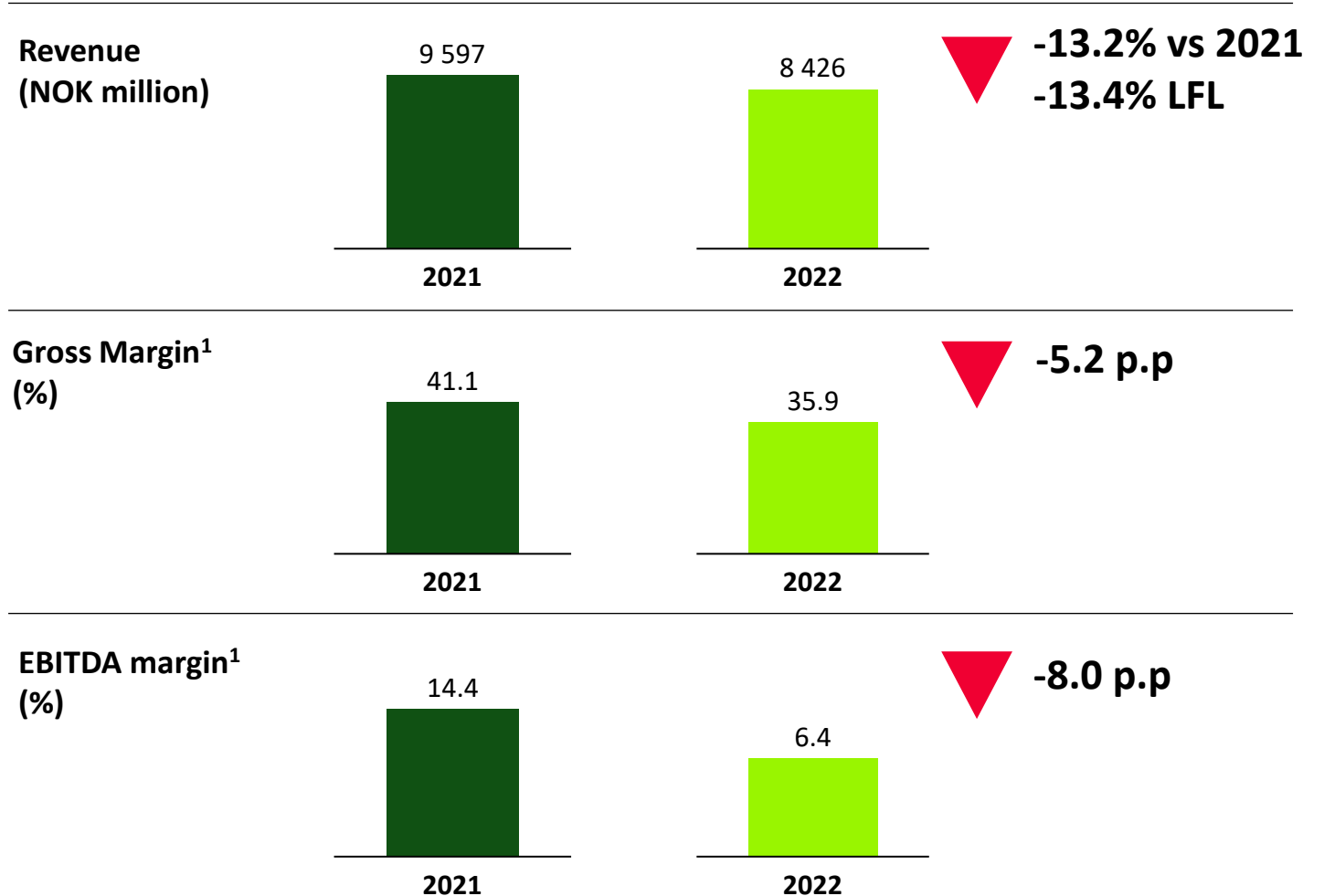


Market XXL

- Challenging market conditions for the sporting goods industry in 2022 with weakening consumer sentiment and reduced demand for sporting goods all over Nordics
- Mainly the outlet segment that is growing and capturing market shares
- XXL's target and goal is to gain market shares over time

Highlights 2022 – a challenging year

- Operating revenue of NOK 8 426 million (NOK 9 597 million)
 - Sudden changes in sales from May 2022 and onwards due to reallocation of consumer spending towards travel and services, combined with weakening consumer sentiments
 - Broad based decline in revenue, all segments with decreased sales
 - E-commerce with negative growth of 14 per cent after two strong covid years, representing 22 per cent of total revenue
- Poor gross margin of 35.9%
 - High inventories in the industry leading to campaign pressure in the market
 - Increased freight and input costs
- EBITDA of NOK 538 million (NOK 1 386 million)
- Liquidity reserves ending at NOK 746 million (NOK 1 093 million)



1) All figures excluding additional write-down of inventory

We continue to face challenging markets, but will adapt accordingly

XXL

Low demand and market activity...

... together with high inventories ...

» ... resulting in high campaign activity

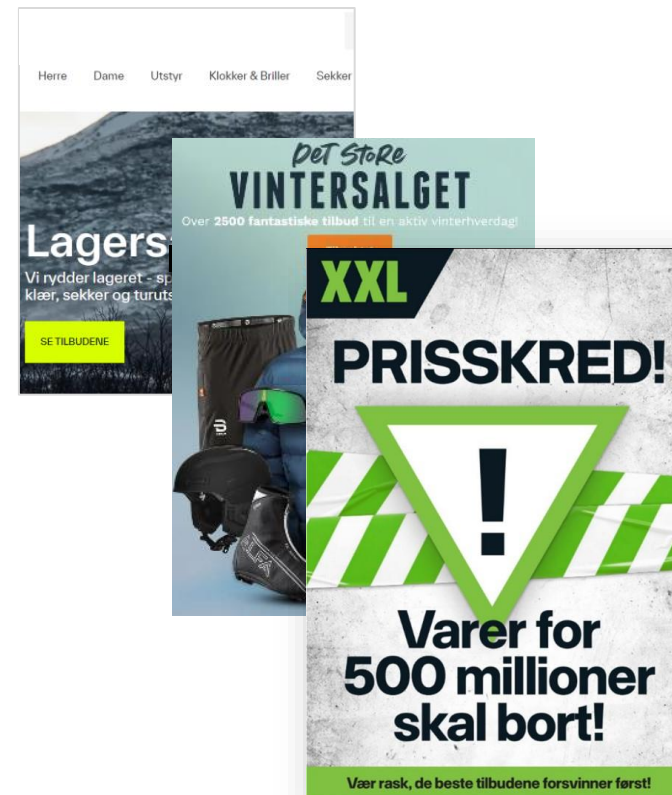
Salgsfall for sportsbransjen på nesten en milliard

Korleksjonen fortsetter etter elleville pandemiår. Sjefen for landets største sportskonsern forbereder seg på årets viktigste salgssperiode med flere varer på lager enn ønsket.



E24.no, 10th of November 2022

Inventory vs LY (%), Q3 2022



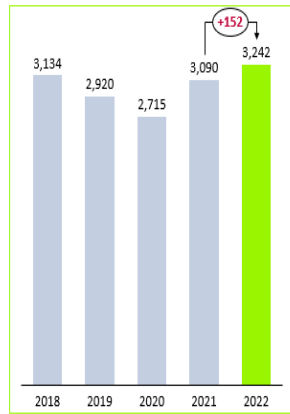
The defensive moves gave effects in 2H of 2022

Cut in purchasing 2H 2022

Status purchasing (very high priority to downscale incoming volumes)

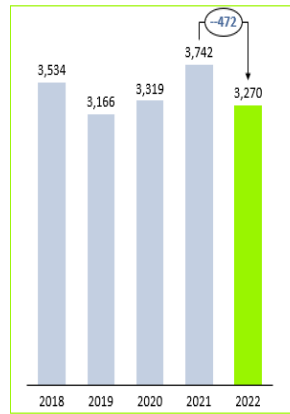
From

January – June (record high purchases)



To

July – December (significant reduction)



MNOK

Cut in OPEX 2H 2022



Underlying cost reductions of > 100 MNOK vs. 2021



CAPEX reduction in 2022

CAPEX

Capex reduction of ~ 120 MNOK vs. 2021 (lowest level in last 10 years)



Financial Review Q4 2022



Q4 results significantly impacted by inventory write-down

Background

- 2022 – negative top line growth, and inventory build up at both XXL and for the sporting goods industry in general
- Very challenging macro conditions with decreased purchasing power among most consumers
- High campaign pressure in the market during 2022 and expected to continue into 2023 until the inventory levels have normalized



Write-down of inventory

- XXL has done an assessment of the whole assortment and inventory in all countries
- The composition of the inventory is very healthy with record low levels of old inventory (> 24 months)
- However, due to the expected campaign pressure going forward and liquidity control, XXL has done an additional write-down of the inventory of NOK 301 million
- Additional write-down of the inventory of NOK 301 million
 - Norway: NOK 136 million
 - Sweden: NOK 103 million
 - Finland: NOK 62 million
 - Austria: see next slide



Implications

-  XXL has started massive clearance sales in all markets
-  Should contribute to top line growth
-  Improved liquidity and stronger financial position
-  Strengthen XXL position in the market and gain shares in 2023
-  Strict inventory control combined with reduced purchased volumes will consequently lead to a more normalization of campaign activities
-  Short term – negative effect on gross margins

Q4 results significantly impacted by exit in Austria

Background

- Since the first store opening in Austria in 2017, XXL has not managed to create a profitable business
- In Q1 2022, XXL initiated a strategic review of the operations in Austria
- In December 2022, the Board of Directors concluded on the strategic review and decided that XXL shall exit the Austrian market during 2023. The company is working on several different solutions, including sale of the Austrian entity
- The Austrian operations will according to IFRS 5 be classified as discontinued operations as of 31 December 2022 and treated as asset held for sale



IFRS 5 Disc' Ops

- The results from the Austrian operations will be presented separately in the Consolidated Income Statement until the sale has been completed. Prior periods will be restated accordingly
- The detailed P&L, balance and cash flow statement will be presented in the notes to the financial statement
- The assets and liabilities related to the Austrian operations will be classified as held for sale separately from other assets and liabilities on the balance sheet
- The asset and liability held for sale is measured at the lower of its carrying amount and fair value



Fair value assessment

- The fair value assessment results in impairment of some of the assets related to the Austrian operations
- Net impairment on the assets is EUR 6.4 million
- XXL has also booked a provision of EUR 2.4 million for costs that will occur due to the decision, mainly related to personnel and other opex

XXL has secured a refinancing of the Group and an agreement with banks

Agreement with banks

- Liquidity covenants until December 2023
 - NOK 200-300 million in H1 2023
 - NOK 400-600 million in H2 2023
- Leverage covenant of 3.0x from December 2023

Capital Raise

- Private placement of NOK 500 million to be executed in Q1 2023
 - To be used to pay down existing loan facilities
- Potential subsequent offering of NOK 100 million to be executed in March 2023

Balance sheet

- Significantly reduced purchasing budgets vs. 2022
- Aim to reduce inventory of NOK 500 million vs. 2022



Secure liquidity

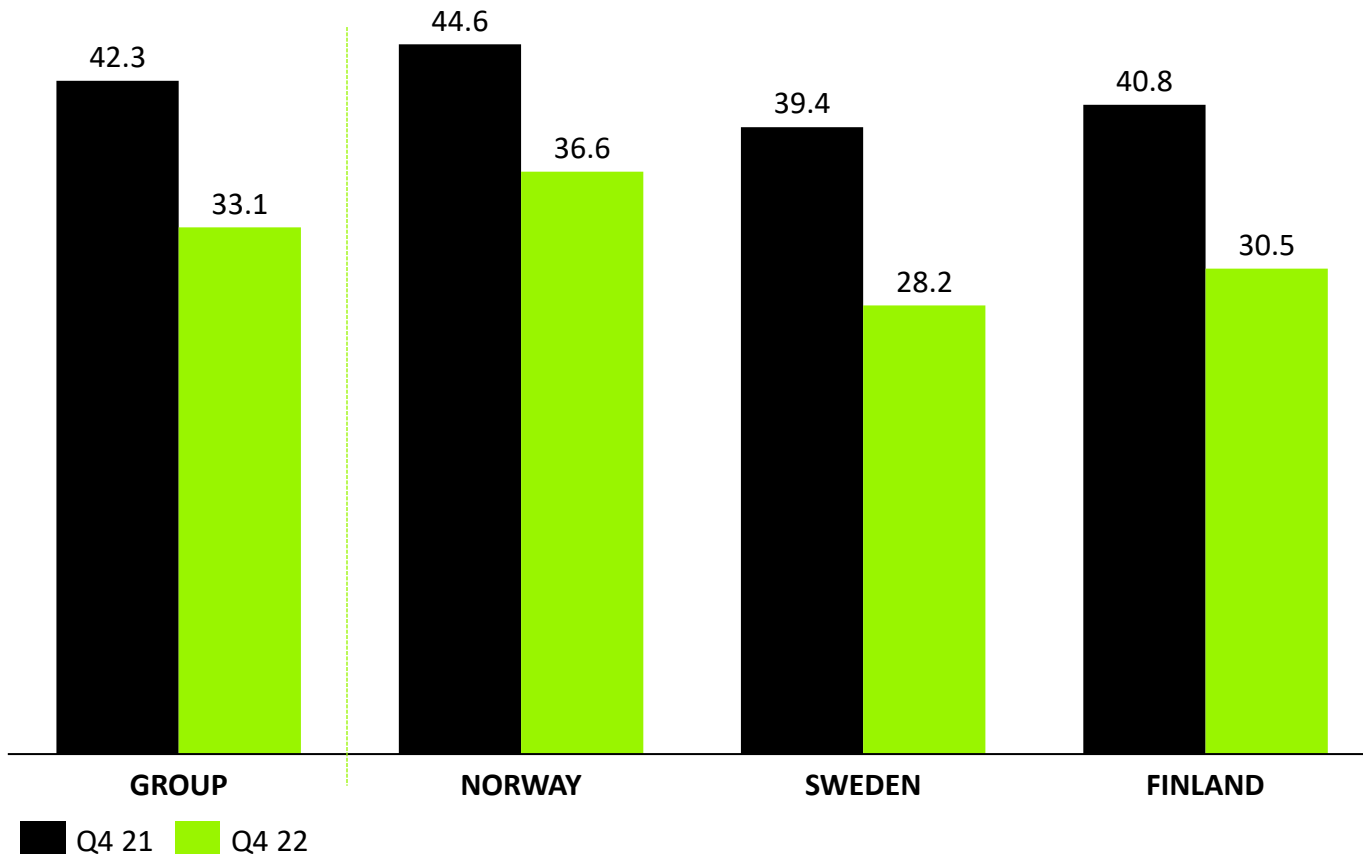
Key Figures

<i>(Amounts in NOK million)</i>	Q4 2022	Q4 2021	FY 2022	FY 2021
GROUP Continuing Operations - Figures adjusted for additional write-down and impairment losses				
Operating revenue	2 264	2 609	8 426	9 597
Growth (%)	-13,2 %	6,5 %	-12,2 %	-3,4 %
Gross profit (adj.)	749	1 105	3 022	3 949
Gross margin (adj.) (%)	33,1 %	42,3 %	35,9 %	41,1 %
Additional write-down of inventory	301	-	301	-
OPEX %	30,2 %	26,9 %	29,5 %	26,7 %
EBITDA (adj.)	65	403	538	1 386
EBITDA margin (adj.) (%)	2,9 %	15,5 %	6,4 %	14,4 %
Impairment losses	- 0	13	1	13
EBIT (adj.)	-107	174	-165	615
EBIT margin (adj.) (%)	-4,7 %	6,7 %	-2,0 %	6,4 %
Net Income adj	-72	165	-109	453
**Earnings per share (adj)	-0,28	0,66	-0,43	1,80
GROUP Continuing Operations (Reported Figures)				
Gross profit	448	1 105	2 721	3 949
Gross margin (%)	19,8 %	42,3 %	32,3 %	41,1 %
EBITDA	-236	403	237	1 386
EBITDA margin (%)	-10,4 %	15,5 %	2,8 %	14,4 %
EBIT	-408	161	-467	602
EBIT margin (%)	-18,0 %	6,2 %	-5,5 %	6,3 %
Net Income	-373	153	-411	440
**Basic Earnings per share (NOK)	-1,48	0,60	-1,63	1,74

- Revenue down with NOK 345 million vs. last year
 - Negative like for like growth of 13.2%
 - E-com growth of negative 7.0% - representing 26.1% of total revenue versus 24.3% last year
- Gross margins adjusted for additional write-down ended at 33.1%, down from 42.3% last year
 - More clearance activities both in the market as a whole and by XXL
 - XXL has seen a transition to more sales on lower price points as well as higher share of sales on campaign products
 - Additional write-down of inventory of NOK 301 million
- OPEX in % is 3.3 p.p higher than last year driven by the lower top line hampering scale in operations
- EBITDA (adj) ending at NOK 65 million
 - 2022 EBITDA (adj) of NOK 538 million
 - 2022 EBITDA (adj) ex. IFRS of minus NOK 22 million
- Austria segment + Austrian Central Warehouse reported as discontinued operations in Q4 2022 and FY 2022 (all comparable figures restated). 2021 includes a write-down of assets related to the two outlet stores in Sweden of NOK 13 million
- Adjusted net income of minus NOK 72 million in Q4 2022

Gross Margin¹⁾ Development

XXL ASA Q4 2022 - Gross margin per segment (in %)

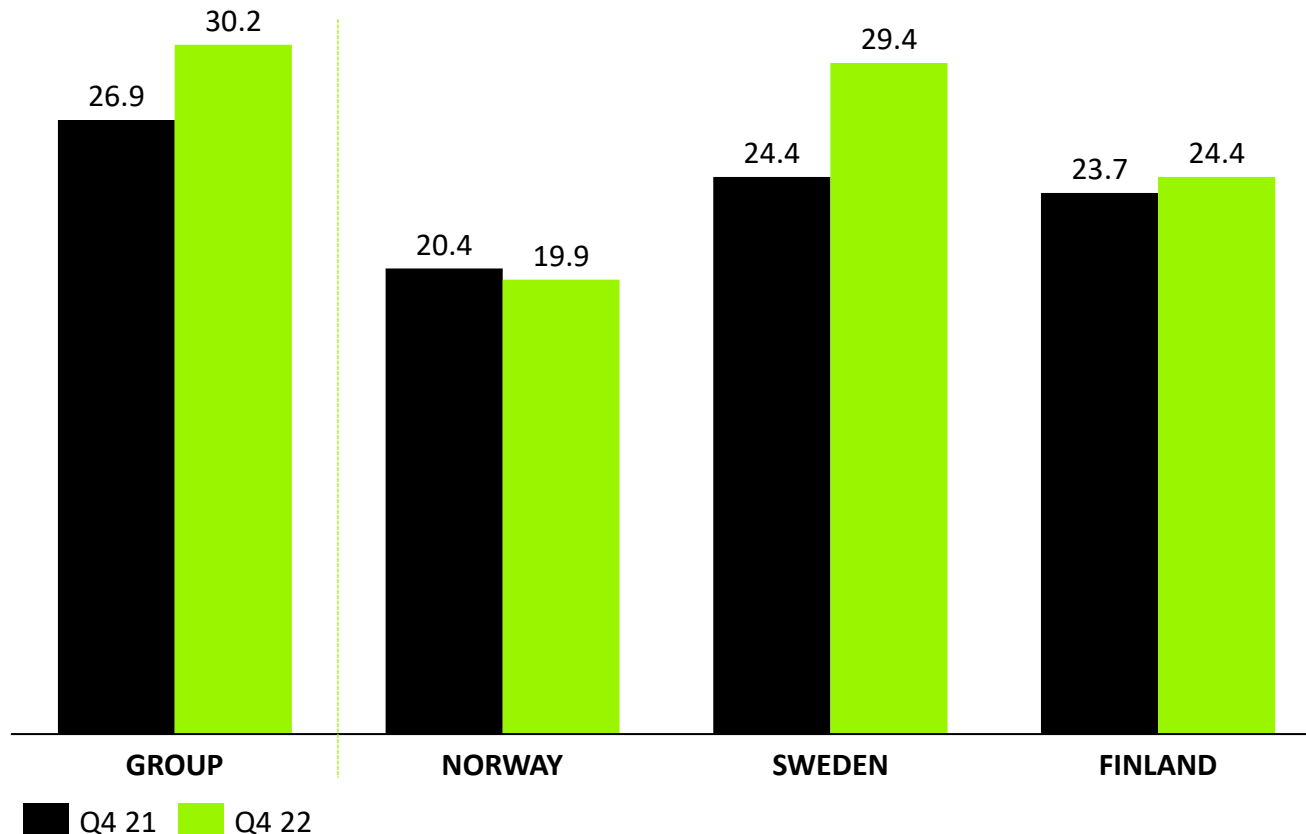


- Weakened gross margin development in the quarter, down from 42.3% in Q4 2021 to 33.1% in Q4 2022
- Margins negatively affected by high campaign shares and heavy discounting in the markets. The current market demands strict focus on inventory levels and liquidity control. XXL has prioritized strict liquidity management with sales and inventory actions over gross margins
- XXL targets a long term sustainable gross margin around 40 per cent for the Group

1) Excluding additional write-down of inventory

OPEX Development

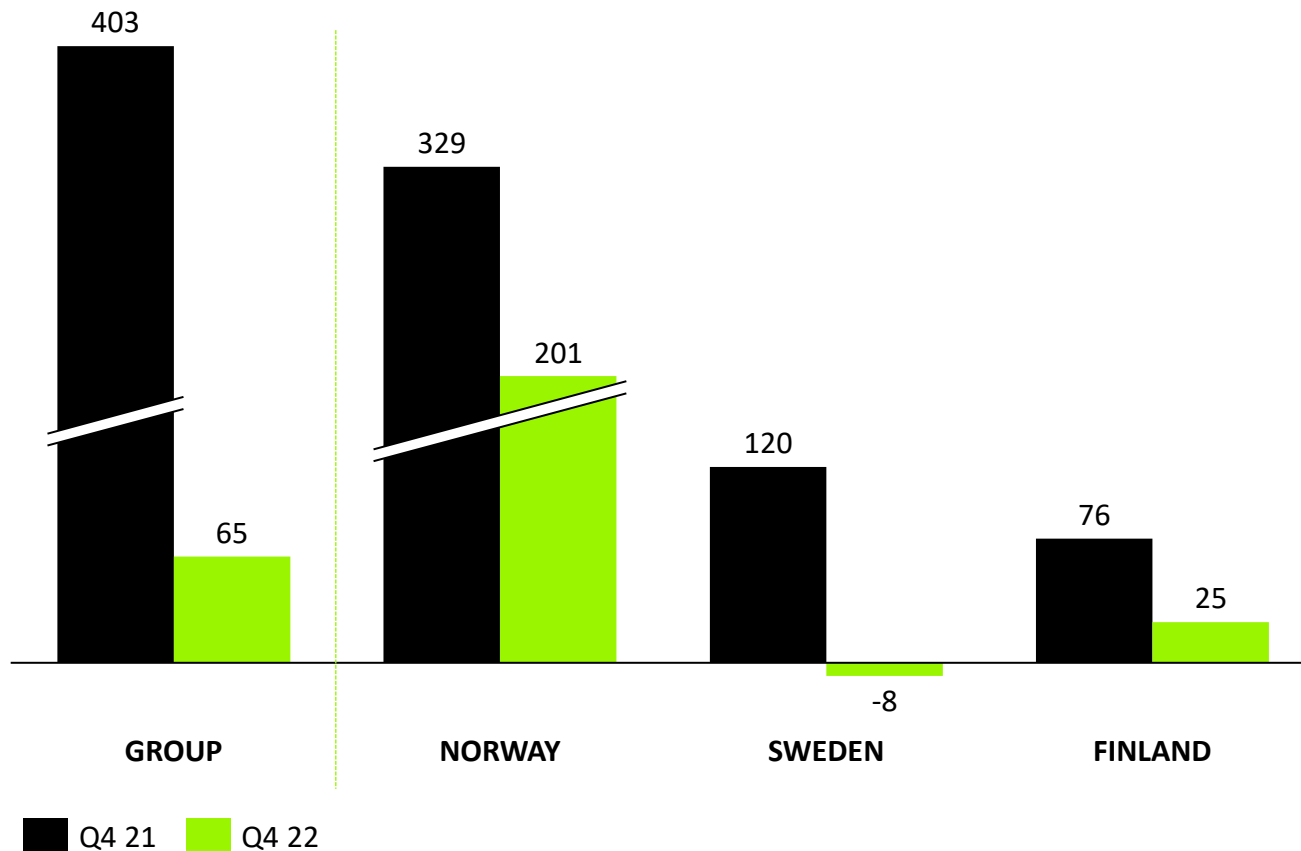
XXL ASA Q4 2022 - OPEX per segment
(in %)



- Group OPEX% up with 3.3 points to 30.2% in Q4, explained by lower revenue hampering scale in operations
- Operating expenses decreased by NOK 16 million due to strict cost focus throughout the organization, including lower personnel cost in stores and decreased marketing spend, and despite increased energy prices and KPI adjustments under rental contracts

EBITDA¹⁾ Development

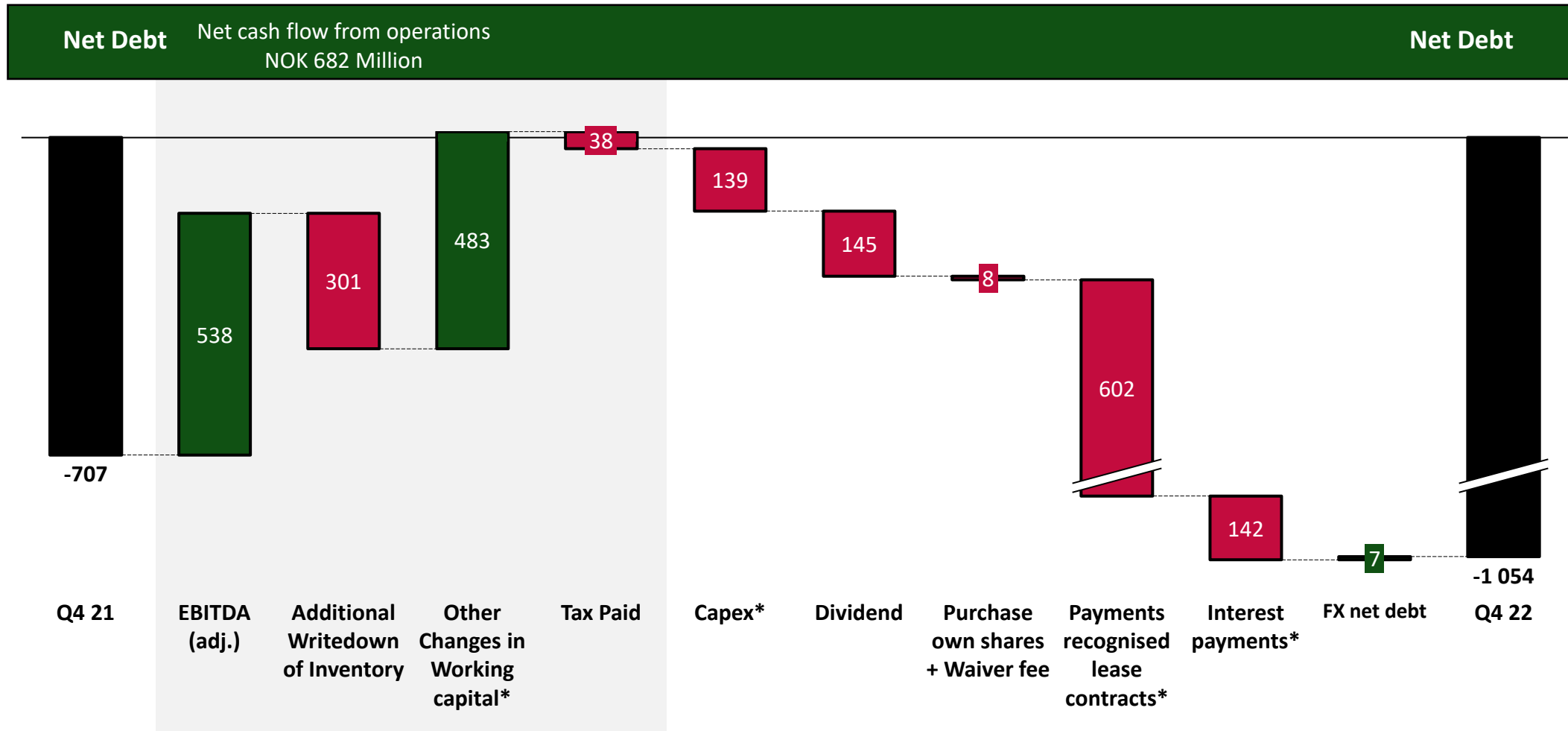
XXL ASA Q4 2022 - EBITDA per segment
(in MNOK)



- Negative EBITDA development vs LY – explained by the negative like for like revenue growth and decreased gross margins
- All segments posting worsened EBITDA in the quarter vs. LY
- EBITDA margin of 2.9% in Q4 2022 vs. 15.5% in Q4 2021

1) Excluding additional write-down of inventory

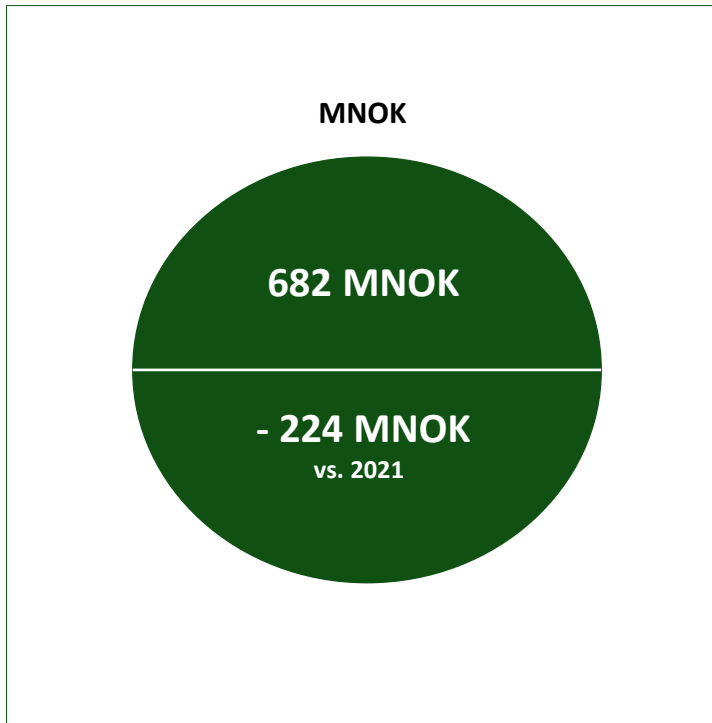
Net Debt Development



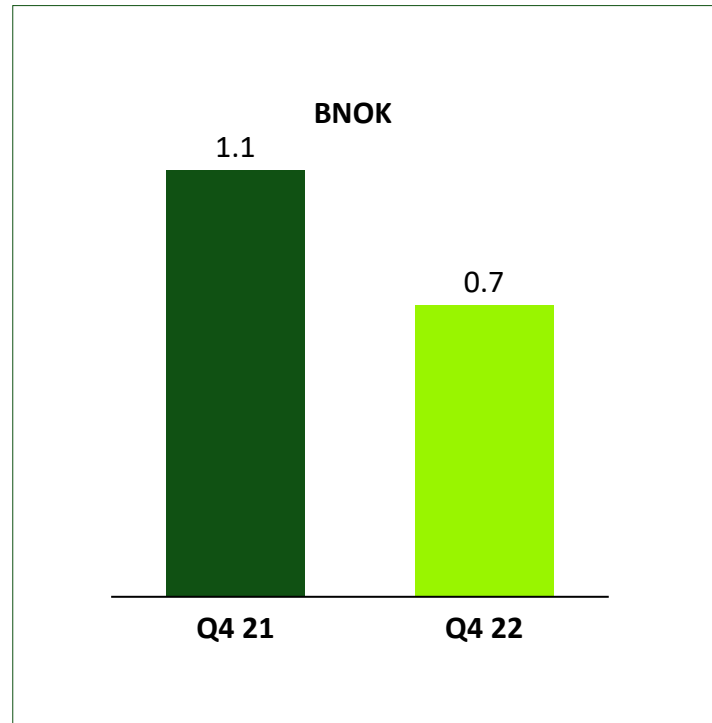
*Including cashflow from Disc-Ops

Financial position

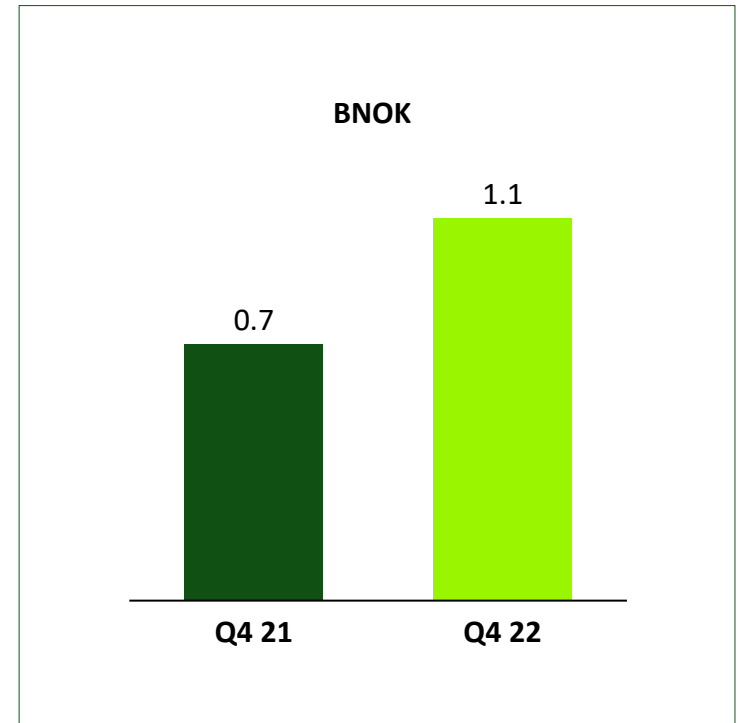
FY Operational Cash Flow



Liquidity Reserves



Net Interest-Bearing Debt









Outlook

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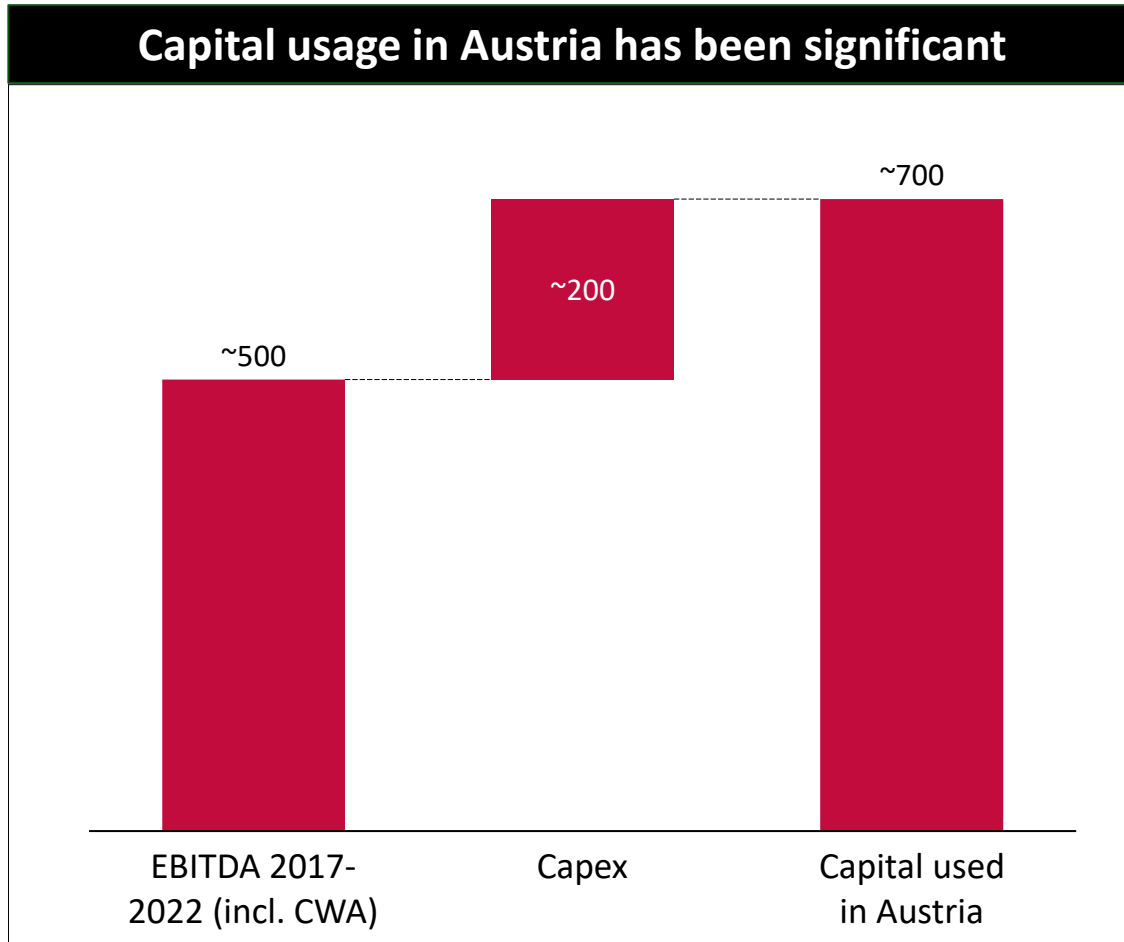


Six clear priorities going forward

PRIORITY	Revenue	Gross margin	Opex	Balance sheet
 Category strategies	☑	☑		☑
 Private Label	☑	☑		
 Full fletch omni-channel	☑			
 Improve campaigns and marketing	☑		☑	
 Austria strategic review	☑	☑	☑	☑
 Cost to 30%*			☑	

* Excluding IFRS 16 effects

Austria – decision to exit Austria in 2023



- Decision to exit Austria in 2023**
- XXL entered the Austrian market in 2017 and has invested NOK 200 million to build a position in a very competitive market
 - In addition, XXL has suffered losses of approx. NOK 500 million, due to both very strict Covid restrictions, but also challenges to obtain the needed assortment.
 - XXL has evaluated all options, but despite strong efforts by the Austrian team, but it has not been enough to turnaround the business
 - Ambition to have no negative cash effects going forward
 - Austria is treated as discontinued operations from Q4 2022

Race to 30%* OPEX – working towards a more flexible cost base

Stores

Already implemented actions

- Decreased direct deliveries (from 31% in 2016 to 5% in 2022)
- Electronic price labels
- Self-check-out in store
- Pickup lockers
- New digital tool for store employees (Retail solution)
- RFID

Actions in progress

- New budget tool + improved manning tool
- Self service improvement instore

HQ

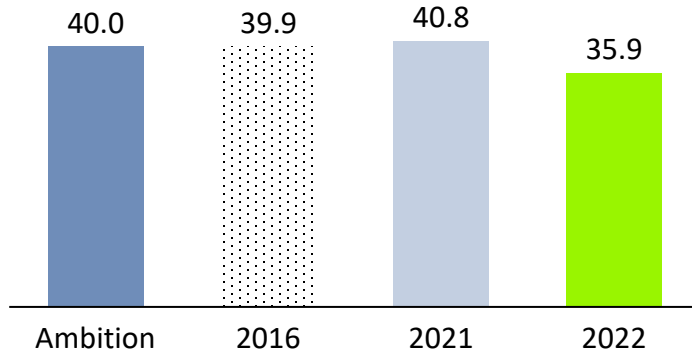
Actions in progress

- Increased cost focus in all departments
- Scaling of HQ functions (rightsizing of several departments)
- Reduce complexity and streamline processes
- Making the cost base more scalable and flexible

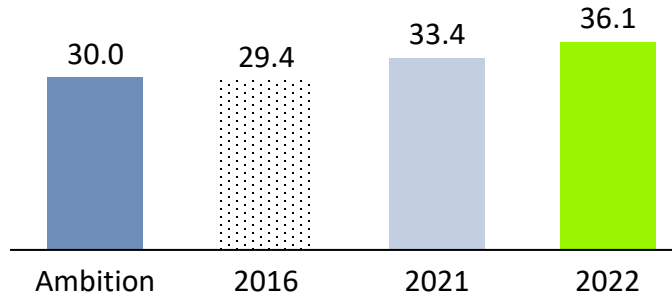
* excluding IFRS 16 effects

Financial ambitions – “40-30-10”

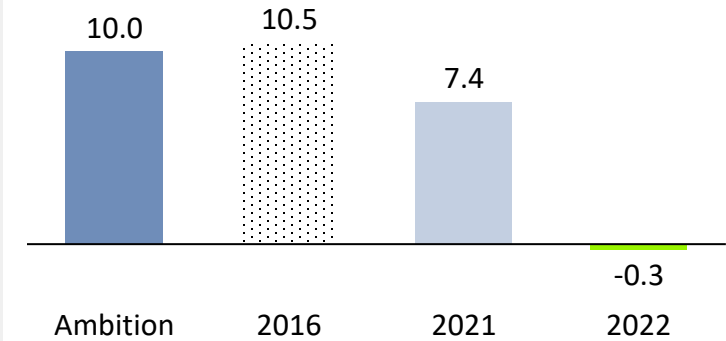
40% Gross Margin



30% OPEX



10% EBITDA



Actions to achieve ambition

- Increase private label share from 10% towards 30%
- Category strategy and execution
- Pricing – balance every day low price vs. campaign execution – protect market share

Actions to achieve ambition

- Optimize store staffing
- Marketing efficiency
- HQ costs
- Downscaling of stores (including exiting two outlet stores) and optimize store footprint
- Austria

Closing remarks



Q4 2022 Key Takeaways

- Challenging markets and results
- Waiver agreement with bank consortium, and new capital secured
- Additional write-down of inventory of NOK 301 million
- Exit of Austria in 2023
- XXL are executing on strong and immediate actions in order to adapt to the new market situation

Priorities

- Manoeuvring through the turmoil in the market
- Strict liquidity control and follow up
- Optimize inventory
- Reduce cost base
- Austria – exit
- Category strategies
- E-commerce growth
- Strengthen campaigns and marketing

Going forward

- Scale and cost efficiency to strengthen XXL position through the current market turmoil
- Race to “40-30-10”
- Decreased sales in January 2023 of approx. 5%
- XXL has launched massive clearance campaigns in all markets at the end of January 2023

Q&A

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XXL ASA – Q4 2022



Appendix

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**Q4 2022 – Reduced demand for sporting goods affecting topline –
Inventory management affecting EBITDA**

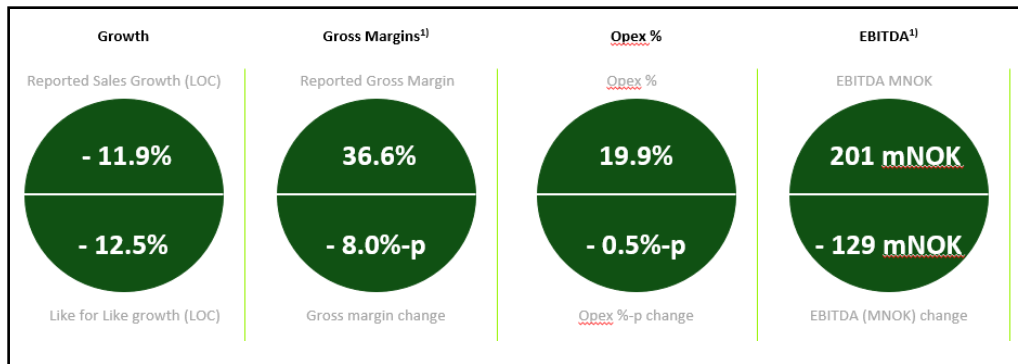
	Group	Norway	Sweden	Finland	HQ
LFL GROWTH	-13.4% ▼	-12.5% ▼	-17.6% ▼	-9.2% ▼	n/a
EBITDA ¹⁾ GROWTH (mnok)	-338 ▼	-128 ▼	-128 ▼	-51 ▼	-32 ▼

1) All figures excluding additional write-down of inventory

Q4: Norway and Sweden



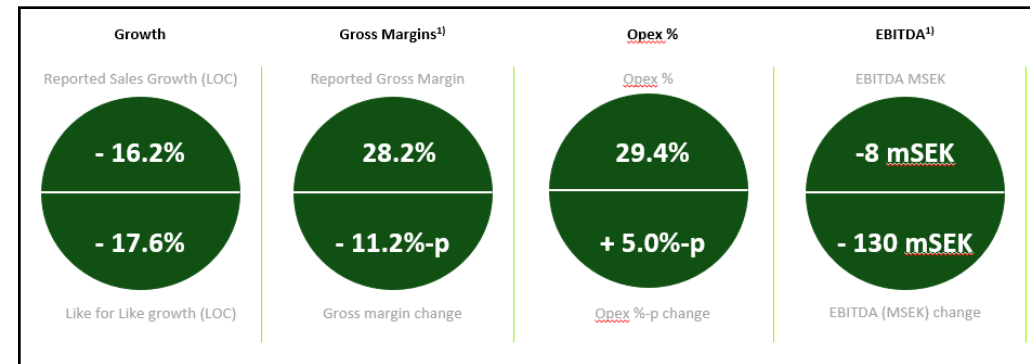
Norway



- Negative development in topline compared to the same quarter last year, representing negative growth of 11.9 per cent
- More clearance and campaign activities under challenging market conditions as well as higher sourcing costs, explains the decreased of 8 percentage points in the gross margin.
- EBITDA (adj.) of NOK 201 million (NOK 330 million)
- Additional write-down of inventory of NOK 136 million



Sweden



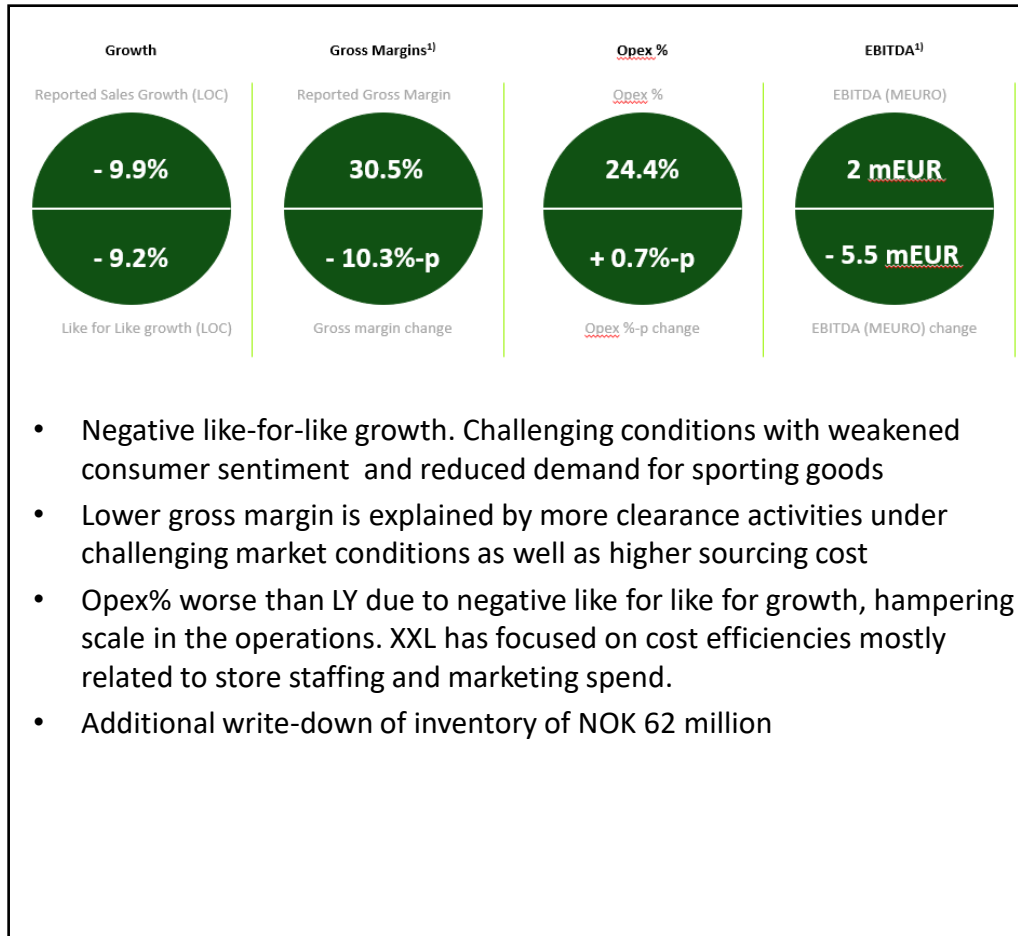
- Negative development in topline compared to the same quarter last year, representing negative growth of 16.2 per cent
- High clearance and campaign activities, both in the market and by XXL, under challenging market conditions as well as higher sourcing costs, explains the decreased of 11.2 percentage points in the gross margin
- Operating expenses ended at 29.4 percent, explained by the negative like for like growth impacting scale in the operations
- EBITDA (adj.) ending at negative SEK 8 million (SEK 122 million)
- Additional write-down of inventory of NOK 103 million

1) Excluding additional write-down of inventory

Q4: Finland



Finland



1) Excluding additional write-down of inventory

**All sports united.
Sports unite all.**