



XXL

XXL ASA – Q1 2023

**Presentation of
Financial Results
26 April 2023**

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Great brands

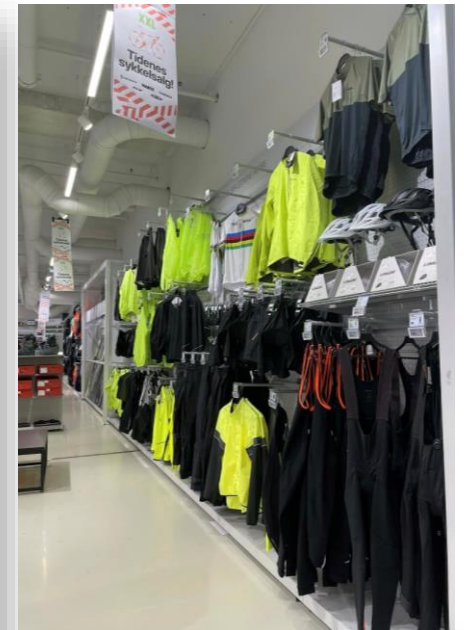
Great prices

Great assortment

Great expertise

Great accessibility

Strong actions => XXL will probably be the first Nordic sports retailer to have reached normalized inventory levels



Q1 – the actions have given significant reduction in inventory

Reduced incoming volumes

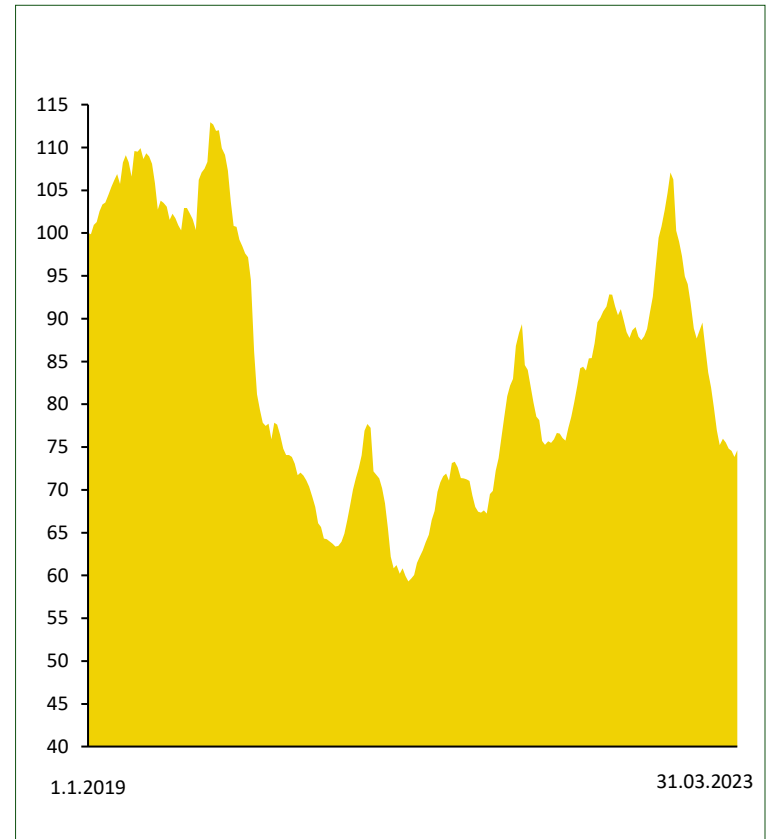
> 10% reduction
vs. 2022



Strong clearance campaign



High inventory reduction



Q1 – a quarter where XXL has worked with both defensive and offensive moves

Refinancing

- Settlement of private placement of NOK 500 millions



- Settlement used to pay down debt

Defensive moves

- Continued reduction in purchasing of incoming goods
- Capital discipline
- HQ reorganisation
- Structural measures



- Significant reduction in inventory (second largest reduction in XXL's history)
- Low CAPEX levels
- More efficient HQ organisation
- Exit Austria project – good progress

Offensive moves

- Launched a strong campaign activity program in Nordics
- More aggressive marketing, new DR layout, and new media mix
- E-com: improved navigation and commercial expression



- Top line growth in all Nordic markets, and gaining shares – under difficult market conditions
- Significantly improved marketing attention (among top 5 in Norway)
- E-com growth of 29%

Negative P&L effects in Q1 – but strengthened balance sheet and prepared for upcoming seasons

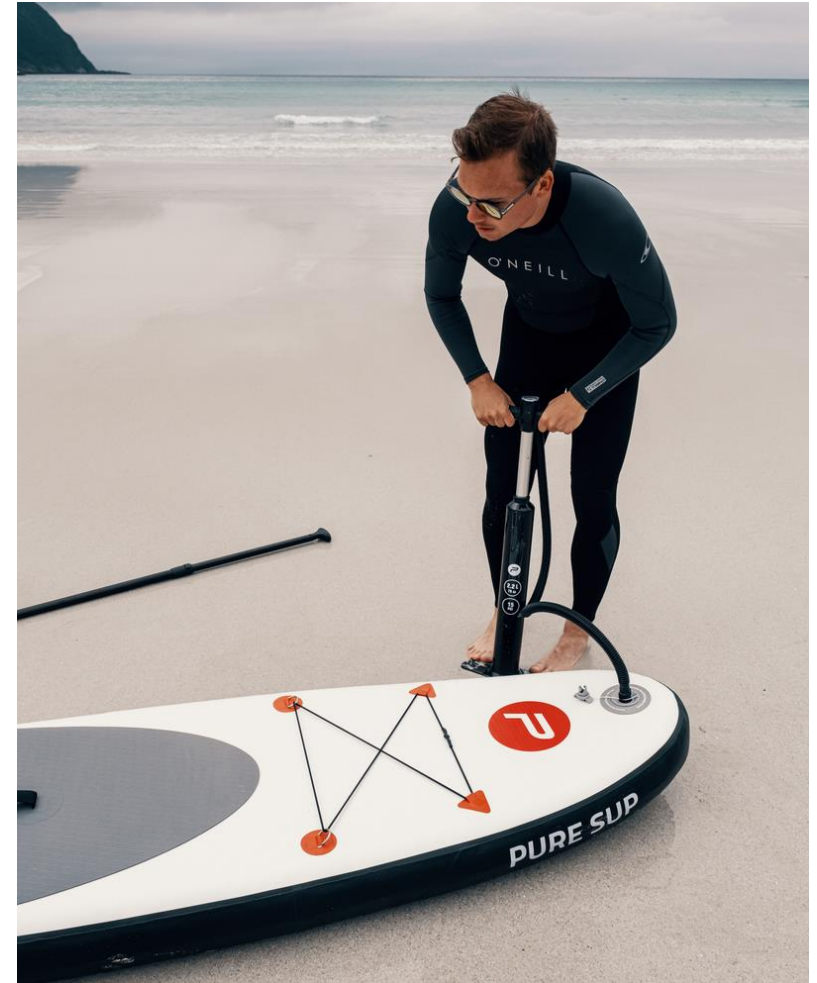
Gaining market shares in difficult markets

Q1 2023

- Challenging macro situation with lower demand for sporting goods and high inventory in the industry
- XXL are executing on strong and immediate actions in order to adapt to the new market situation
- Prioritized clearing out inventory to return to normalized levels in the upcoming seasons and start with in-season products
- High share of clearance activities has contributed to growth of 6% in the quarter and gaining market shares, but significantly lower gross margins
- EBITDA of minus NOK 45 million (NOK 83 million)
- Settlement of private placement of NOK 500 million – in full used to pay down debt

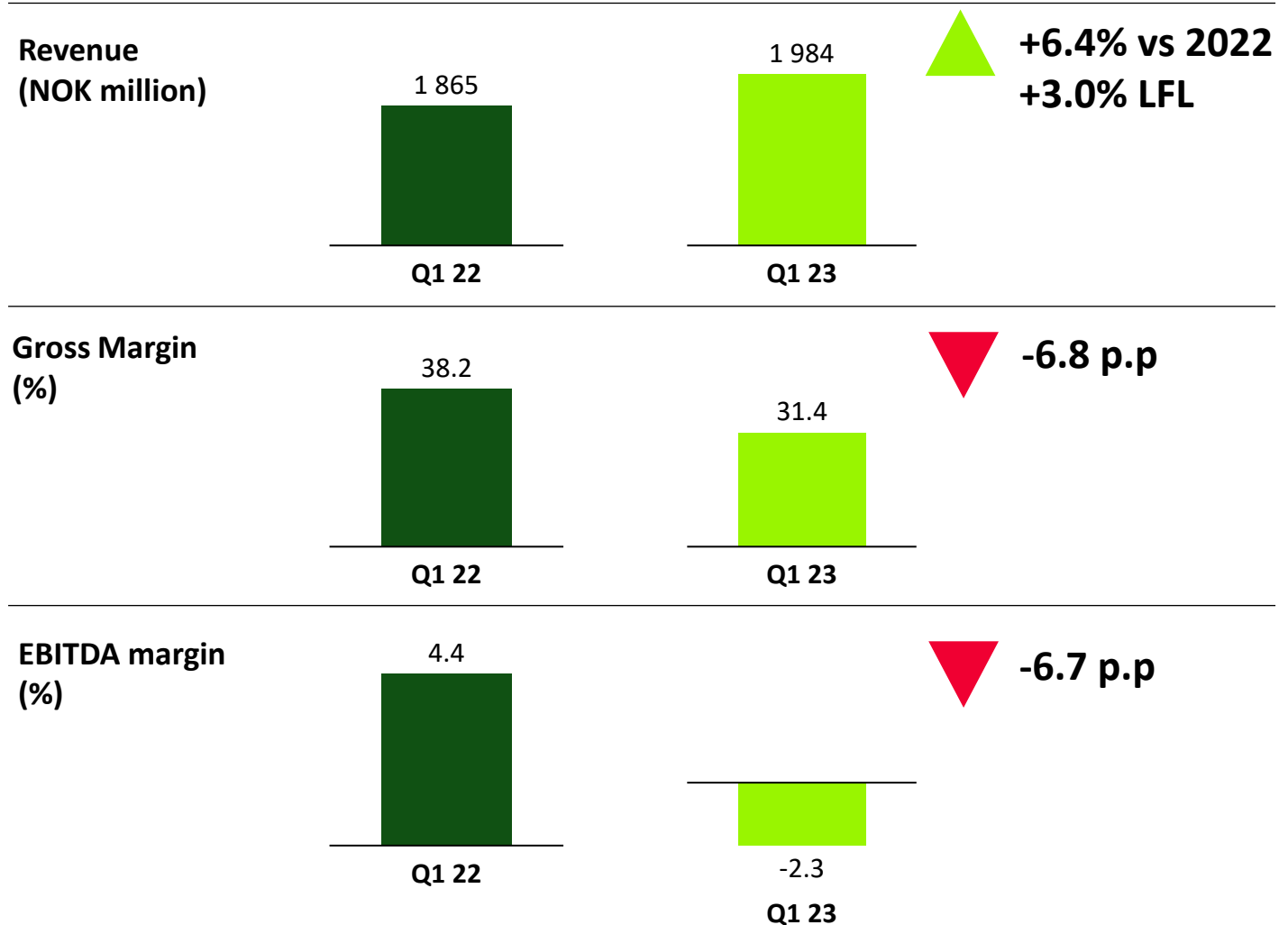
Outlook

- Continued strict inventory and liquidity control into summer season
- Inventory expected to normalize during Q2 2023
- 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

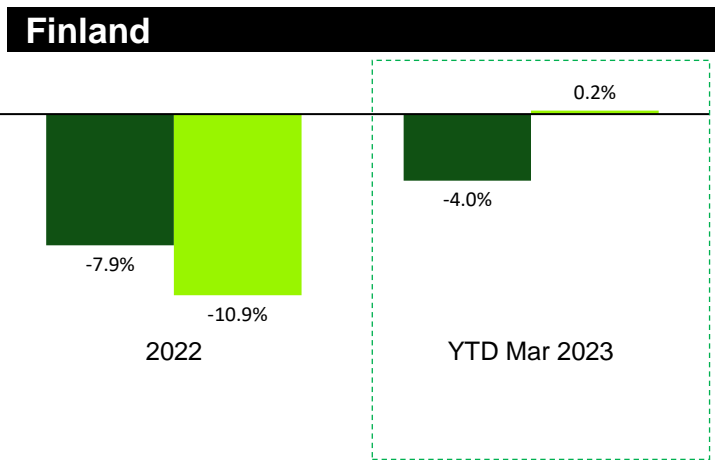
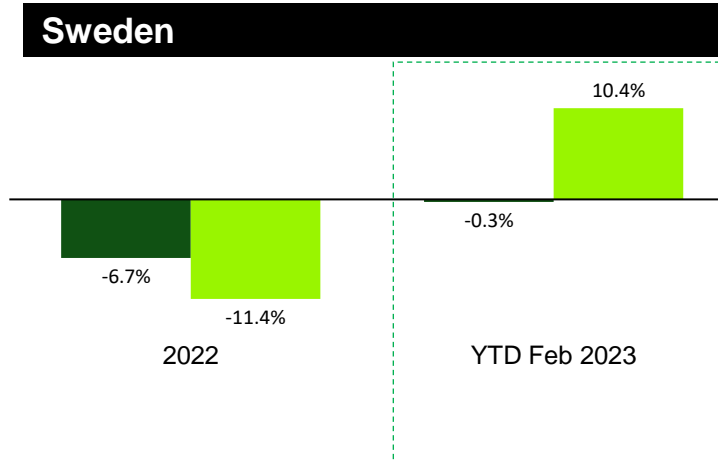
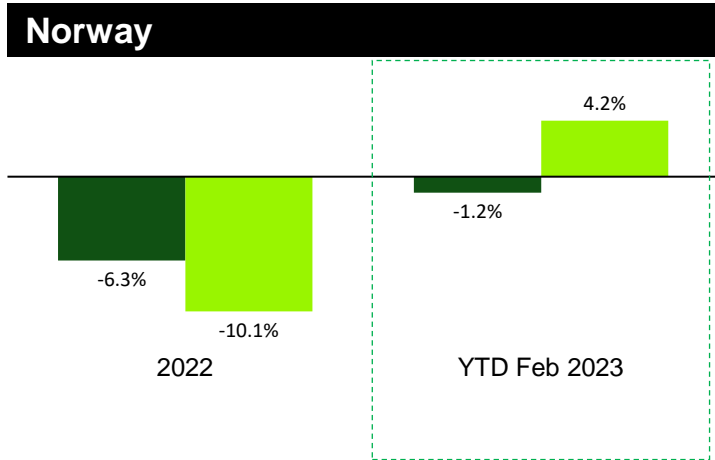


Highlights Q1 2023

- Lower demand for sporting goods in general combined with a build up of inventory in the whole industry
- Operating revenue of NOK 1 984 million (NOK 1 865 million)
 - All segments with growth vs. LY
 - E-commerce with strong growth of 29%, representing 27.8% (23.0%) of total operating revenue of 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 minus NOK 45 million (NOK 83 million), mainly explained by the significantly lower gross margin



Q1 - Gaining market shares in challenging markets

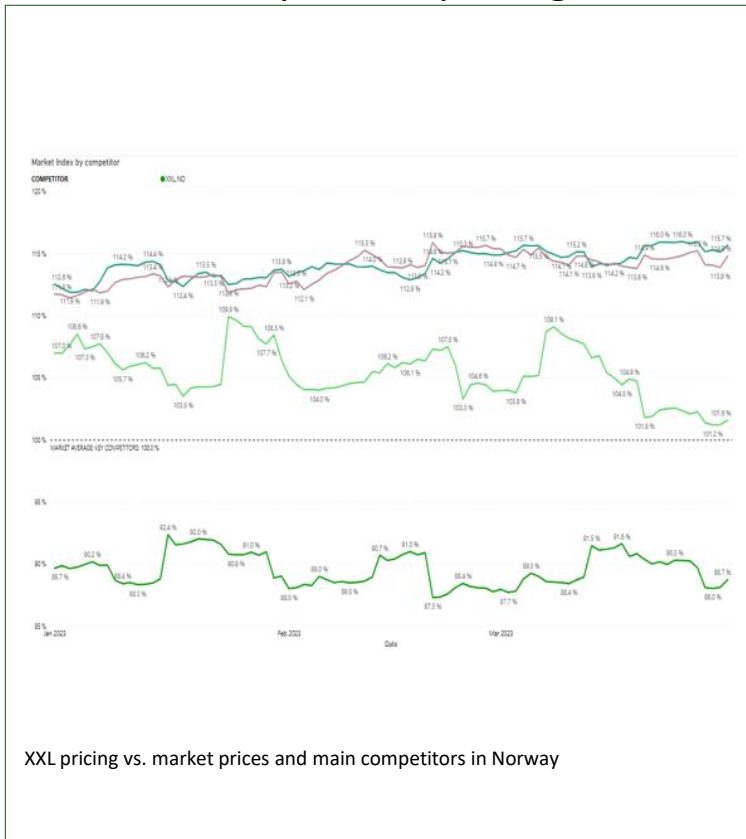


Market XXL

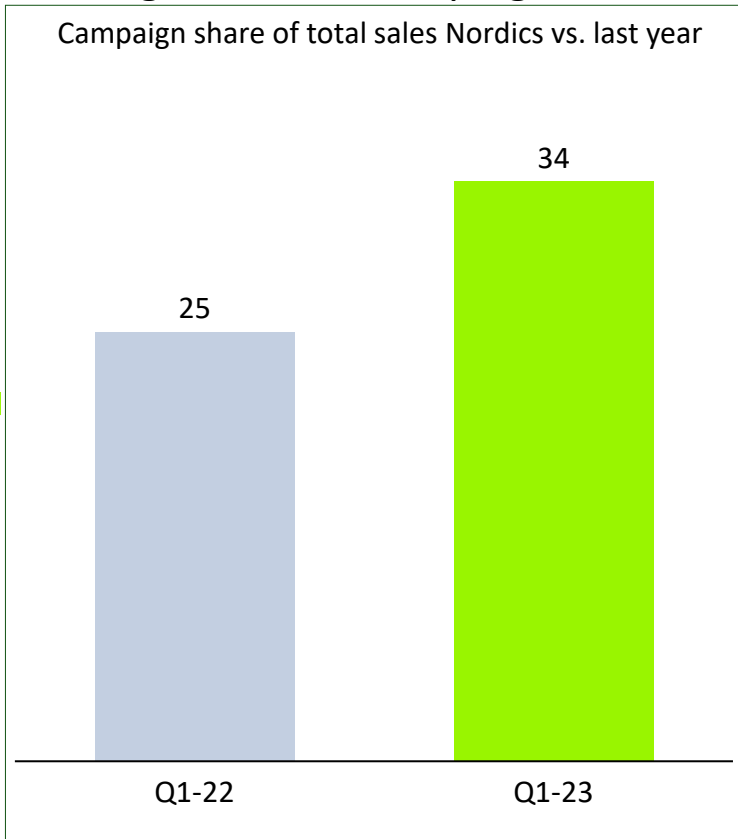
- Challenging market conditions for the sporting goods industry in 2022 and so far in 2023, with weakening consumer sentiment and reduced demand for sporting goods all over the Nordics
- XXL gained strong market shares, both stores and online in Q1 2023
- XXL’s target and goal is to gain market shares over time

Gross margin in Q1 was impacted by a strong and extraordinary campaign program

Competitive pricing



High share of campaign sales



Lower gross margins than historic levels



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Financial Review Q1 2023



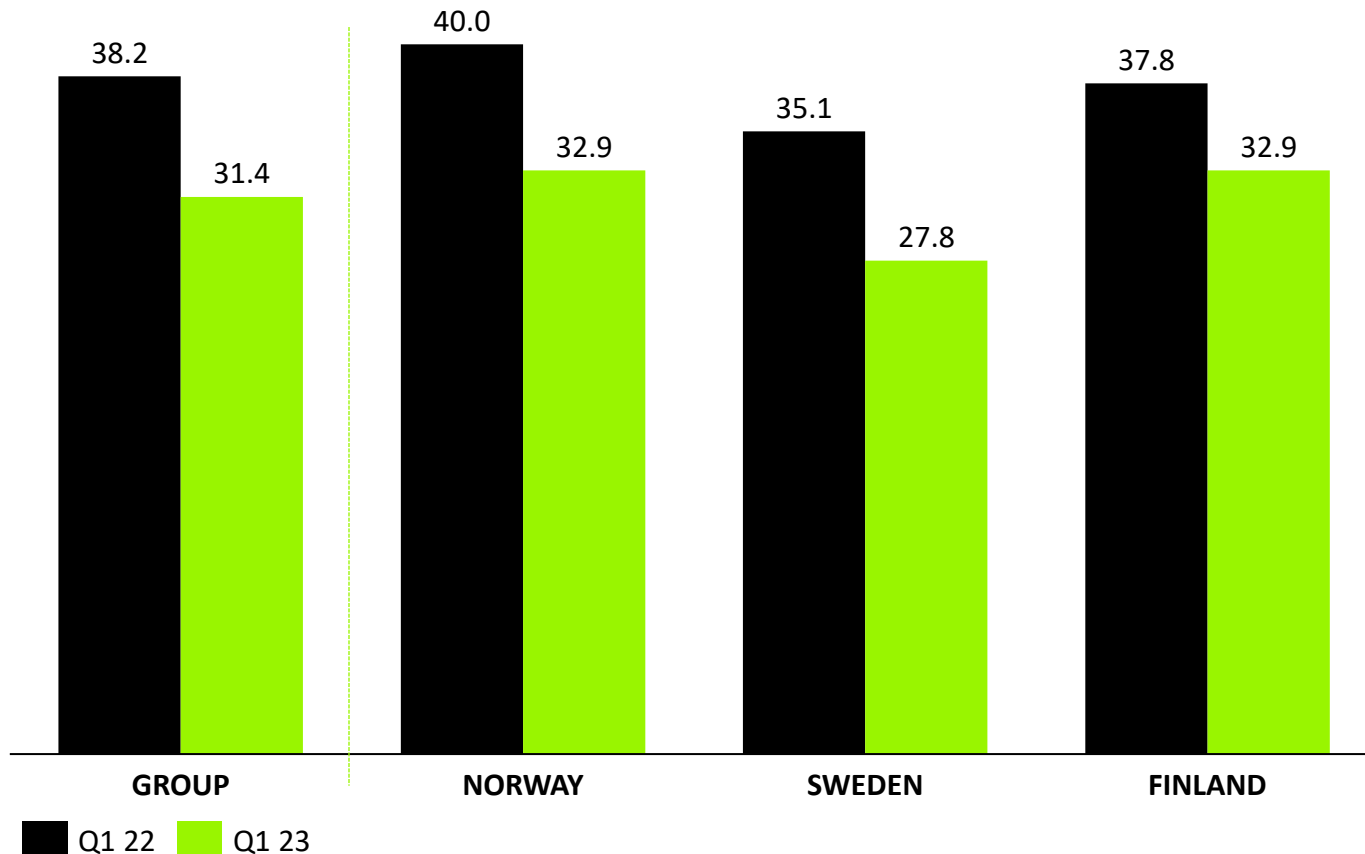
Key Figures

<i>(Amounts in NOK million)</i>	Q1 2023	Q1 2022	FY 2022
GROUP Continuing Operations - Figures adjusted for additional write-down and impairment losses)			
Operating revenue	1 984	1 865	8 426
Growth (%)	6,4 %	-10,4 %	-12,2 %
Gross profit (adj.)	622	712	3 022
Gross margin (adj.) (%)	31,4 %	38,2 %	35,9 %
Additional write-down of inventory	-	-	301
OPEX %	33,6 %	33,7 %	29,5 %
EBITDA (adj.)	-45	83	538
EBITDA margin (adj.) (%)	-2,3 %	4,4 %	6,4 %
Impairment losses	-	1	1
EBIT (adj.)	-239	-111	-165
EBIT margin (adj.) (%)	-12,0 %	-6,0 %	-2,0 %
Net Income adj	-225	-136	-109
**Earnings per share (adj)	-0,75	-0,53	-0,43
GROUP Continuing Operations (Reported Figures)			
Gross profit	622	712	2 721
Gross margin (%)	31,4 %	38,2 %	32,3 %
EBITDA	-45	83	237
EBITDA margin (%)	-2,3 %	4,4 %	2,8 %
EBIT	-239	-113	-467
EBIT margin (%)	-12,0 %	-6,0 %	-5,5 %
Net Income	-225	-137	-411
**Basic Earnings per share (NOK)	-0,75	-0,54	0,00

- Revenue up with NOK 119 million vs. last year
 - Positive like for like growth of 3.0%
 - E-com growth of 28.7% - representing 27.8% of total revenue versus 23.0% last year
- Gross margins ended at 31.4%, down from 38.2% last year
 - The significantly lower gross margin was mainly related to the high campaign shares and heavy discounting
 - The current market demands strict focus on inventory levels and liquidity control, which will lead to fluctuations in the gross margin between quarters and seasons
 - The margins were positively affected by reversal of NOK 217 million in Q1 of the total loss accrual from 31.12.2022 of NOK 301 million
- OPEX in % is 0.1 p.p lower than last year
 - Driven by the higher top line yielding scale in operations offset by negative currency translation effects
 - Increased costs are related to new store openings, CPI adjustments to store base, increased marketing spend during clearance activities as well as costs related to the raise of new equity
- EBITDA ending at negative NOK 45 million
- Net income of minus NOK 72 million in Q1 2023

Gross Margin Development

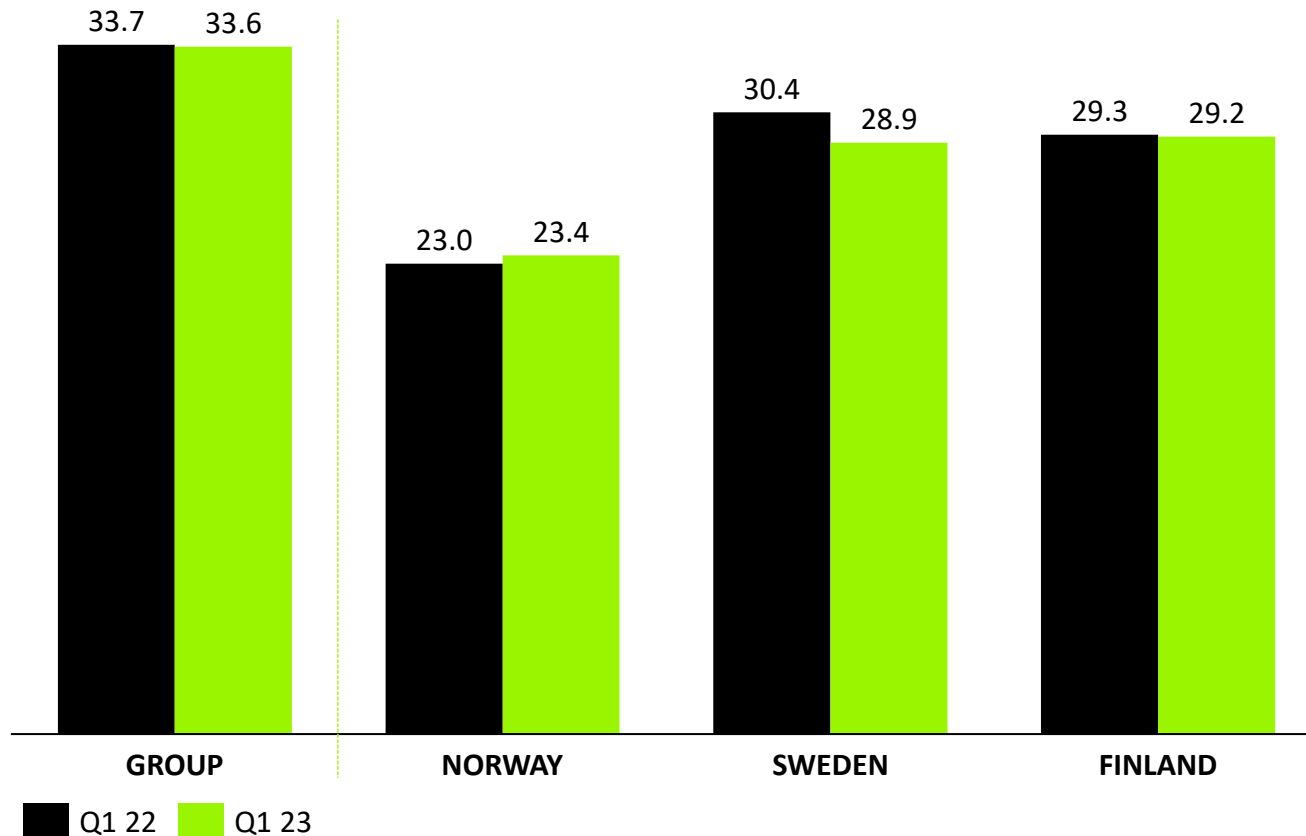
XXL ASA Q1 2023 - Gross margin per segment (in %)



- Weakened gross margin development in the quarter, down from 38.2% in Q1 2022 to 31.4% in Q1 2023
- 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 clearing out inventory to be prepared for the upcoming seasons with in-season products available
- The margins were positively affected by reversal of NOK 217 million in Q1 of the total loss accrual from 31.12.2022 of NOK 301 million
- XXL targets a long term sustainable gross margin around 40 per cent for the Group

OPEX Development

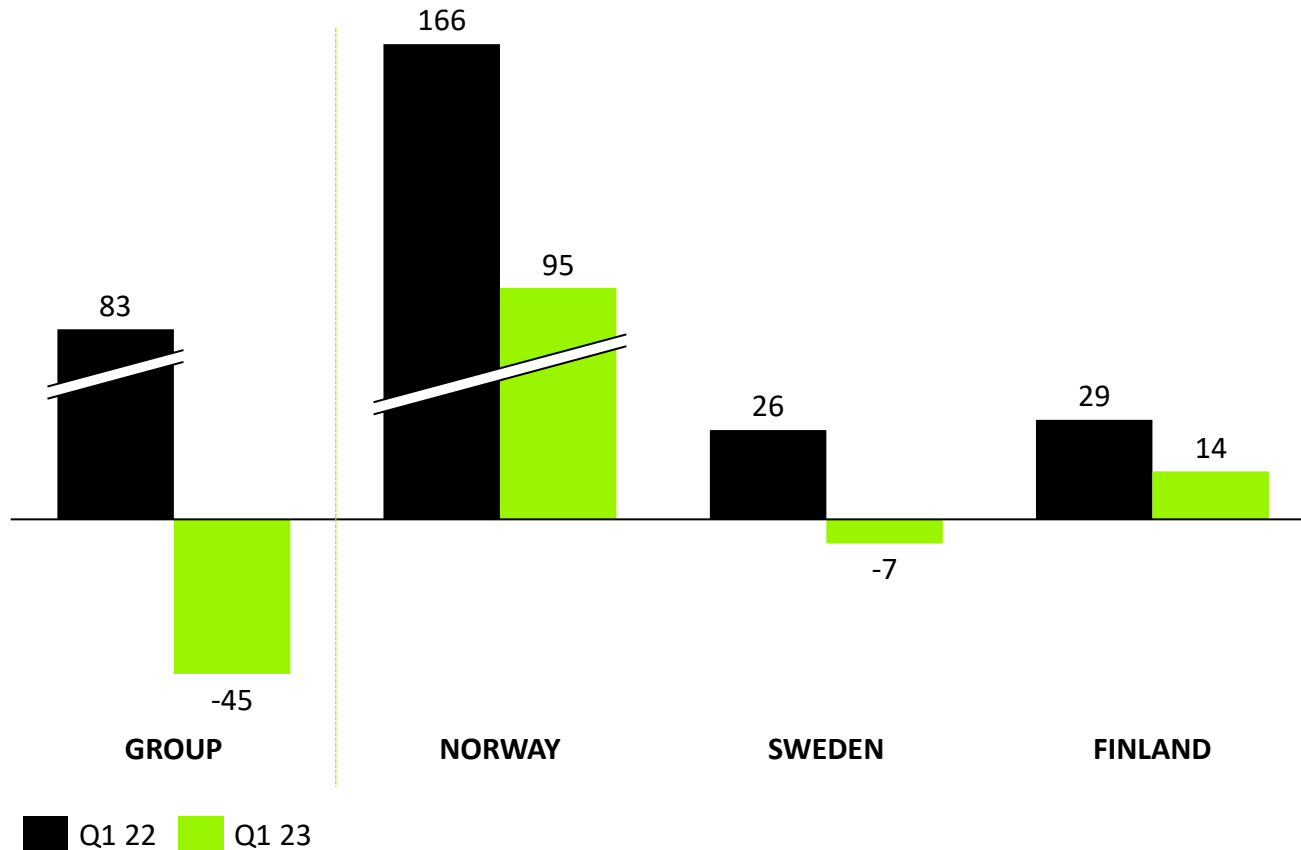
XXL ASA Q1 2022 - OPEX per segment
(in %)



- Group OPEX% down with 0.1 points to 33.6% in Q1, mainly explained by higher revenue yielding scale in operations
- Operating expenses increased by NOK 31 million due to negative currency translation effects of around NOK 20 million.
- Increased costs are related to new store openings, CPI adjustments to store base, increased marketing spend during clearance activities as well as costs related to the raise of new equity

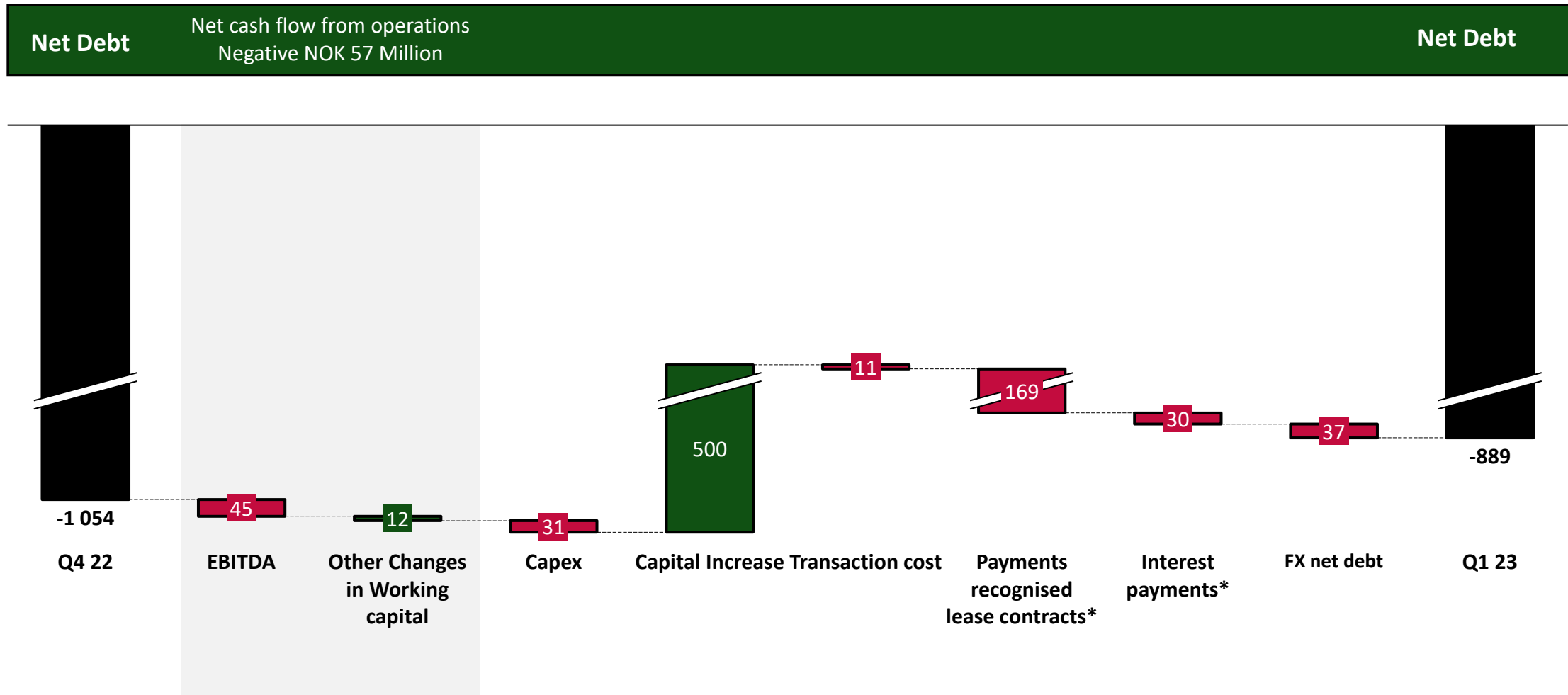
EBITDA Development

XXL ASA Q1 2023 - EBITDA per segment
(in MNOK)



- Negative EBITDA development vs LY – mainly explained by the decreased gross margins
- EBITDA margin of -2.9% in Q1 2023 vs. 4.4% in Q1 2022

Net Debt Development



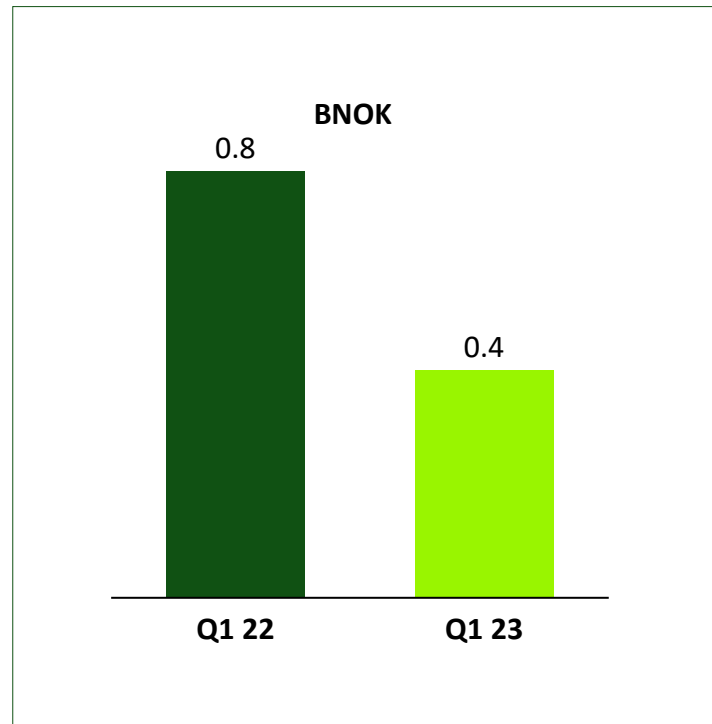
*Including cashflow from Disc-Ops

Financial position

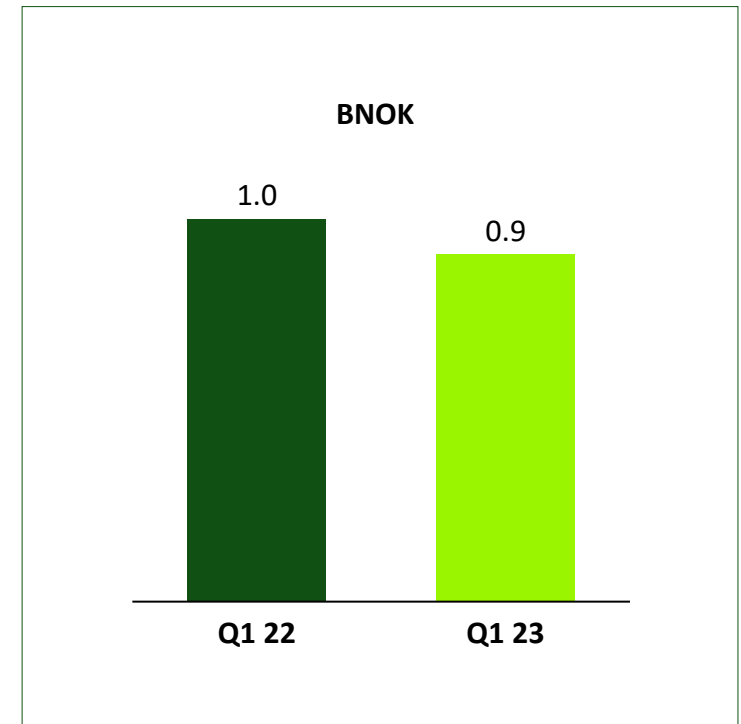
FY Operational Cash Flow



Liquidity Reserves




Net Interest-Bearing Debt



Outlook



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

Going forward XXL is working along the following actions

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Strong balance sheet focus

- Secure liquidity and covenants
- Capital discipline
- Continued reduction of inventory and expected to be at normalized levels in Q2 2023

Category/Purchasing

- XXL launched in April 2023 a new stock forecasting model that will significantly improve inventory control
- Supply is reorganized and is now a part of Category => will increase availability going forward

Private Label

- Very good progress with several options

E-com

- Still improvements to be made, especially regarding the customer journey => more to come

Marketing

- Significant improvements
 - New media mix
 - Stronger sales message and one message in all channels
 - New DR layout
 - Improved planning process
- Continue a strong campaign and sales activity program

Cost to 30%

- Exit of Austria in 2023 – progressing well
- Store optimization and effectiveness
- HQ reorganization - will improve efficiency

Austria –exit in 2023

Continued negative results from Austria

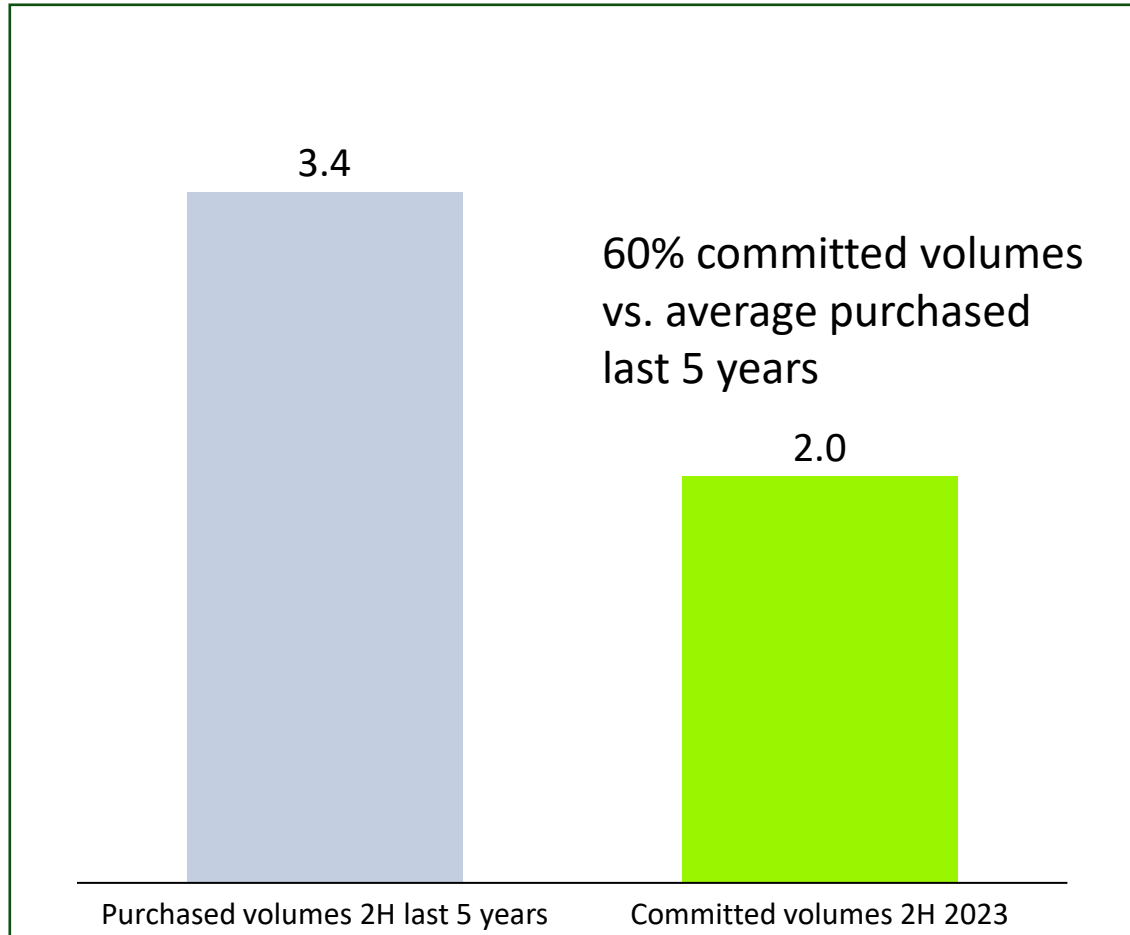
<i>Amounts in NOK million</i>	Austria Q1 2023	Austria Q1 2022
Operating revenue	115	119
Gross profit	25	42
EBITDA	-26	-8

Exit according to plan

- Working with several solutions including sale of the Austrian entity. Project has good progress
- Austria is treated as discontinued operations
- One store closed in January 2023, and two more stores to be closed in Q2
- Ambition to have no negative cash effects going forward

XXL has significantly reduced committed volumes in H2 2023 versus previous year

Significantly reduced incoming goods (BNOK)



Implications



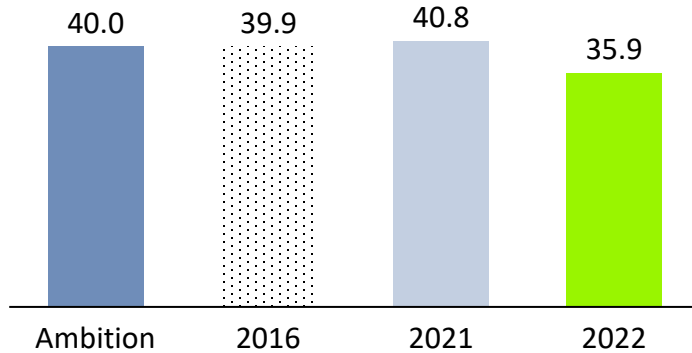
XXL should have the flexibility to handle continued weak market development in second half of 2023



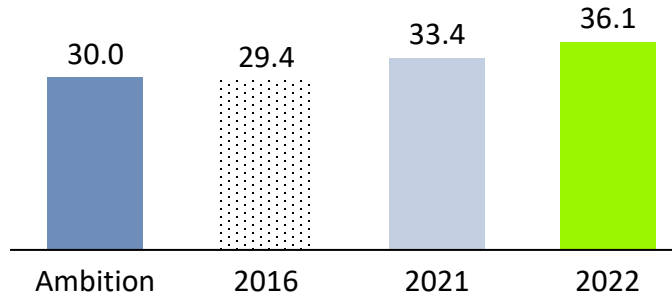
XXL will need to buy more goods in second half of 2023 => possibility to help selected suppliers to reduce inventory

Financial ambitions – “40-30-10”

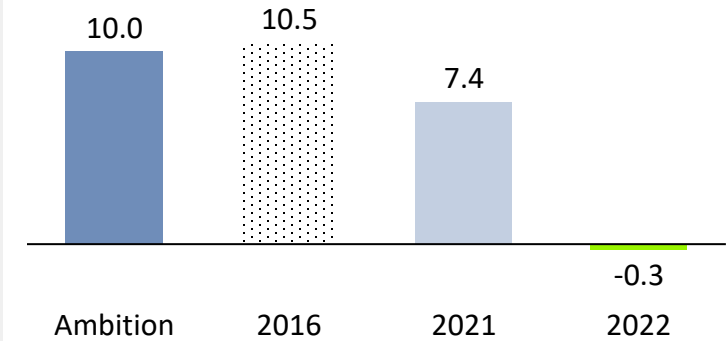
40% Gross Margin



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 and optimize store footprint
- Austria

• 40-30-10: excluding IFRS 16 effects – Assumption of NOK 10 billion in yearly turnover. 2022 adjusted for additional write -down of inventory

Closing remarks



Q1 2023 Key Takeaways

- Lower demand and high inventory in the industry
- XXL are executing on strong and immediate actions in order to adapt to the new market situation
- High share of clearance activities has contributed to growth and market shares but impacted gross margins negatively
- Settlement of NOK 500 million private placement

Priorities

- Manoeuvring through the turmoil in the market
- Strict liquidity control and follow up
- Inventory normalization expected during Q2 2023
- 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”
- Increase private label share
- Optimize store footprint and size over time
- CEO Freddy Sobin to start in May 2023

Q&A

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Appendix



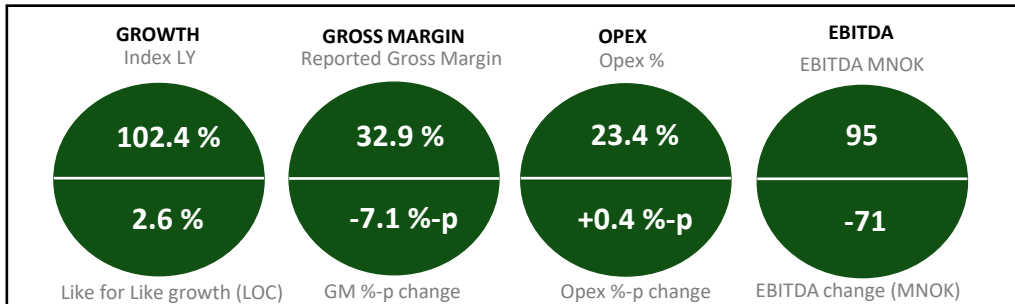
Status QTD – LFL and EBITDA

	Group	Norway	Sweden	Finland	HQ
LFL GROWTH	 3.0 %	 2.6 %	 6.7 %	 1.0 %	N/A
EBITDA GROWTH (mnok)	128 	-71 	-32 	-15 	-10 

Q1: Norway and Sweden



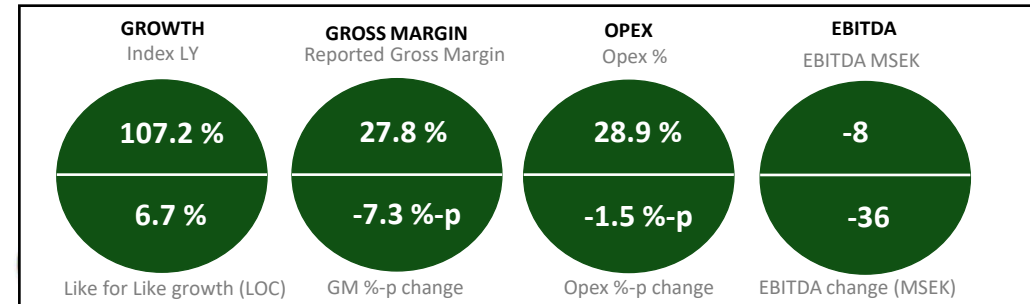
Norway



- Positive development in topline compared to the same quarter last year, representing a positive growth of 2.4 per cent. The growth is fueled by the clearance campaign initiated in February, as the market is challenging with weakened consumer sentiment and reduced demand for sporting goods.
- More clearance and campaign activities under challenging market conditions as well as higher sourcing costs, explains the decrease of 7.1 percentage points in the gross margin
- Operating expenses ended at 23.4 percent, explained by positive like for like growth yielding scale in operations and focus on store staffing offset by higher marketing spend due to clearance activities and cpi adjustments on store base
- EBITDA of NOK 95 million (NOK 166 million)



Sweden

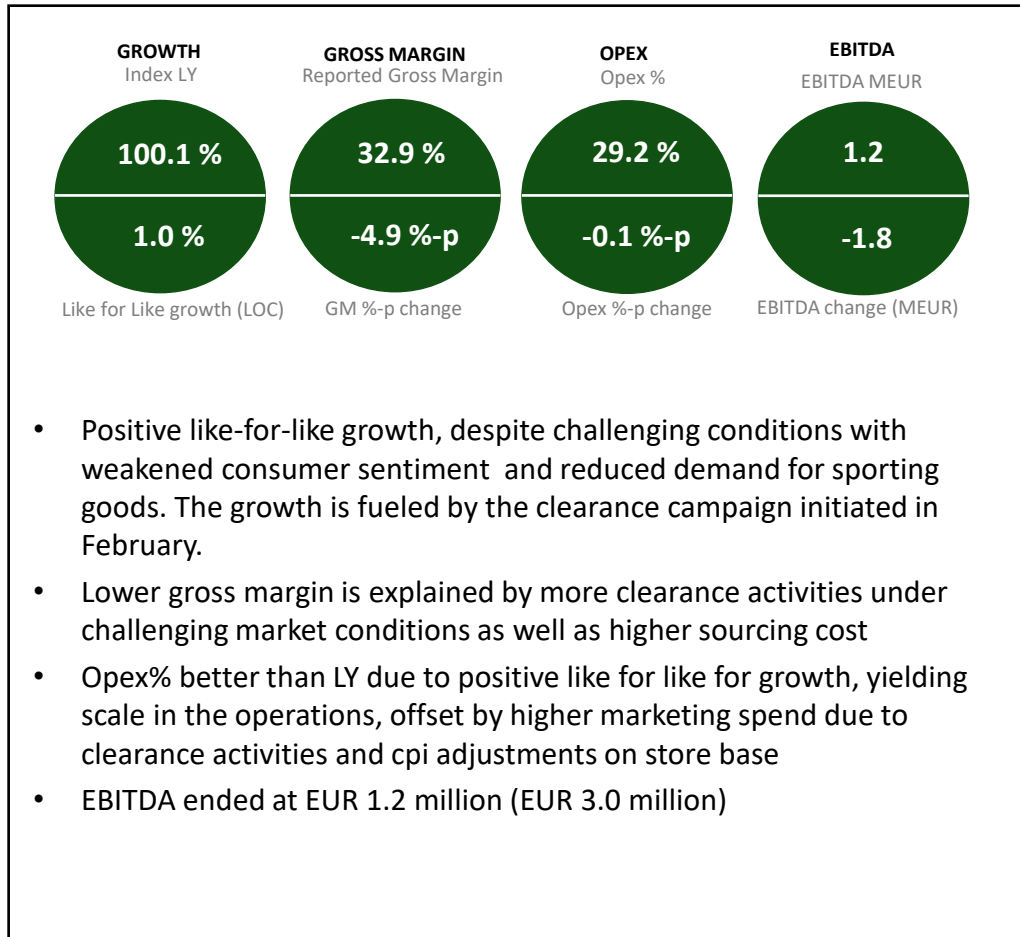


- Positive development in topline compared to the same quarter last year, representing a positive growth of 6.7 per cent. The growth is fueled by the clearance campaign initiated in February, as the market is challenging with weakened consumer sentiment and reduced demand for sporting goods.
- High clearance and campaign activities, both in the market and by XXL, under challenging market conditions as well as higher sourcing costs, explains the decrease of 7.3 percentage points in the gross margin
- Operating expenses ended at 28.9 percent, explained by positive like for like growth yielding scale in operations and focus on store staffing offset by higher marketing spend due to clearance activities and cpi adjustments on store base
- EBITDA ending at negative SEK 8 million (SEK 28 million)

Q1: Finland



Finland



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