Presentation of results for the first quarter 2017

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CFO Espen Eldal

27 April 2017







Norway's leading discount variety retailer

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Highlights in the first quarter

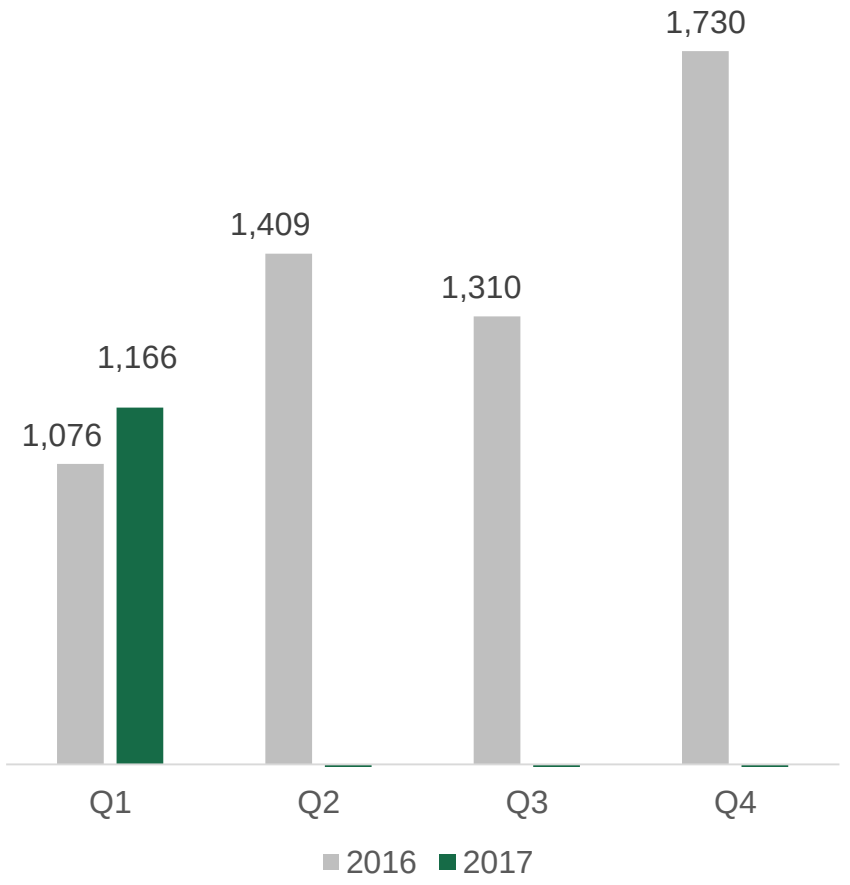
- 9.2% increase in group revenues to NOK 1,110m
  - 4.7% LFL growth
- Three new store openings; eight franchise takeovers
  - Short term impact on gross margin from one-off effects
- Opex influenced by increasing proportion of directly operated stores and planned operational initiatives
  - 27 additional directly operated stores vs. last year (196 in Q1 2017 vs. 169 in Q1 2016)



Sales performance

- 25th year anniversary celebrated with great offers in February, leveraging core "seasonal" sales skills
  - Significant milestone – 25 years of uninterrupted growth!
- Solid start of the year in the smallest quarter
  - 8.3% growth in retail sales year-on-year
  - Quarter historically accounts for c. 20% of total sales(1)
- No other major selling event during quarter
- Three additional selling days during quarter
  - Important peak sales days around Easter fall in Q2

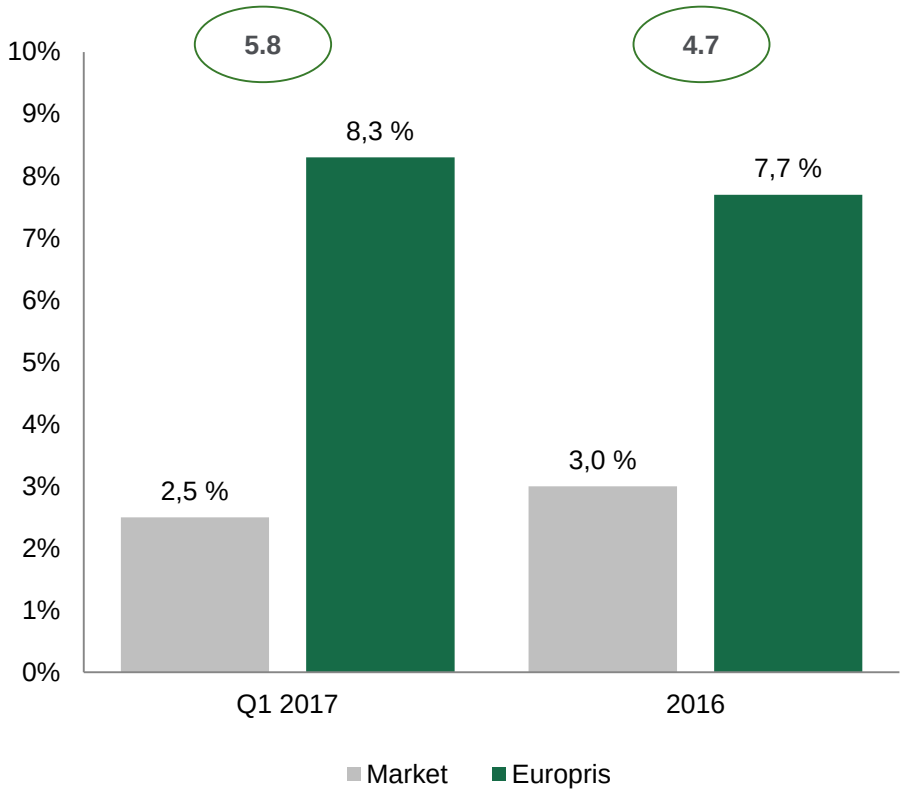
Retail sales per quarter (NOK million)



(1) Based on average contribution by Q1 figures to full year results in 2016, 2015 and 2014

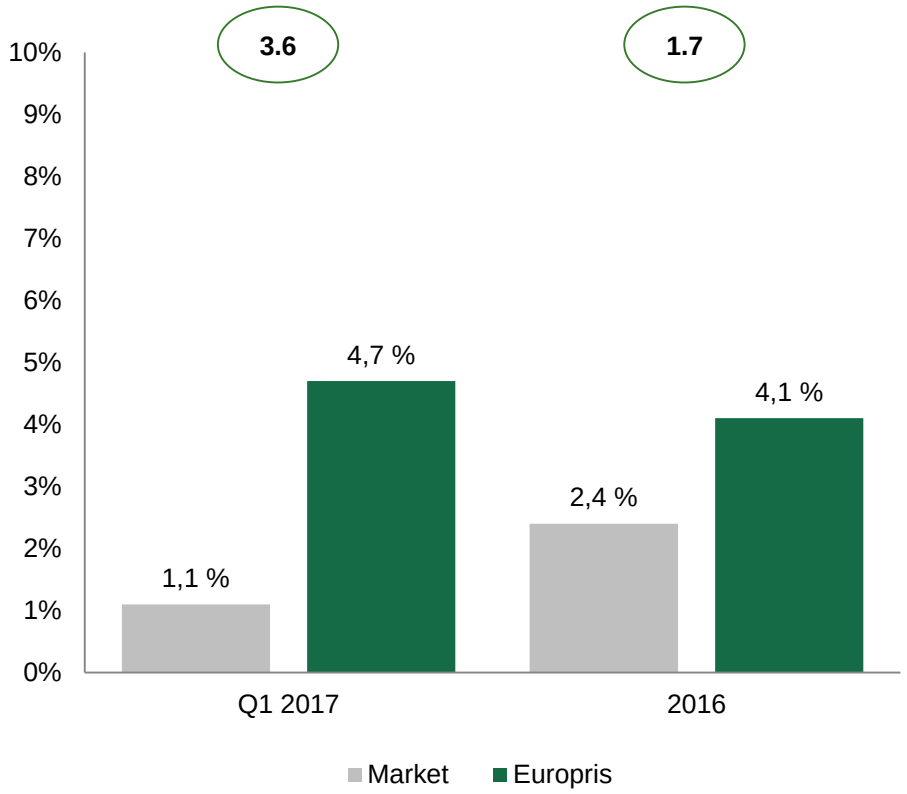
Good growth in the first quarter

Total growth development



LFL development

Y-o-Y LFL growth (%)



% points Europris growth rate in excess of market growth rate in the period

Source: Kvarud analyse, Shopping Centre Index, March 2017; Europris analysis

#1 in windscreen washing fluid



TEST AV SPYLEVÆSKE 2017

Den nest billigste spylevæsken er best

Vi kjørte 500 mil for å finne den beste spylervæsken.



GRUNDIG TESTET: Vi fikk tre drosjesjåfører fra Oslo Taxi til å kjøre nesten 500 mil - slik at vi kunne finne den beste spylervæsken. De tre er Alf Grongstad, Straso Tomulevski og Morten Helgestad. FOTO: Øivind Lie © Foto: Øivind Lie

Source: Testet by the website Klikk.no and the magazine Vi Menn in March 2017

Roma soda – unique offering leveraging customer knowledge and national presence





Robust pipeline of new stores

- Three stores opened during Q1
  - Gran in Oppland country
  - Rælingen in Akershus county
  - Brekstad in Sør-Trøndelag county

- Strong remaining pipeline of new stores for 2017
  - 11 stores planned for the rest of the year
    - 2 of the stores opened in Q2
    - 3 of the stores remain subject to municipal zoning regulations





Financial review



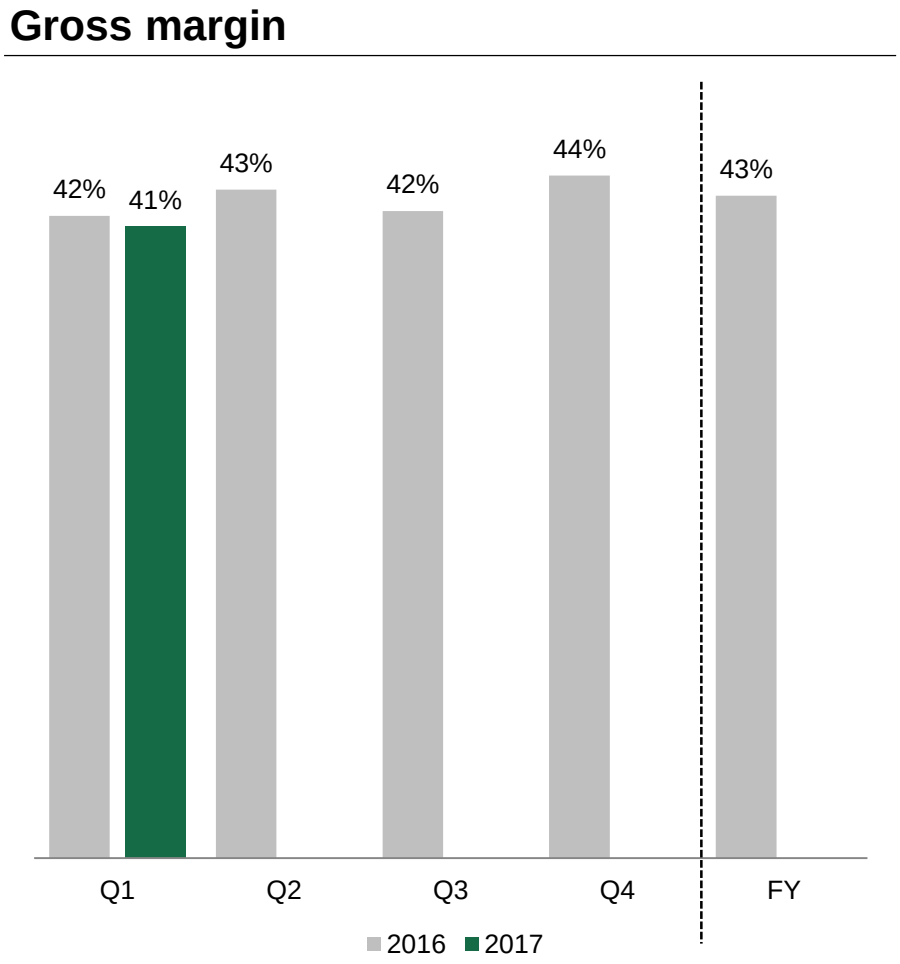




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Gross margin development

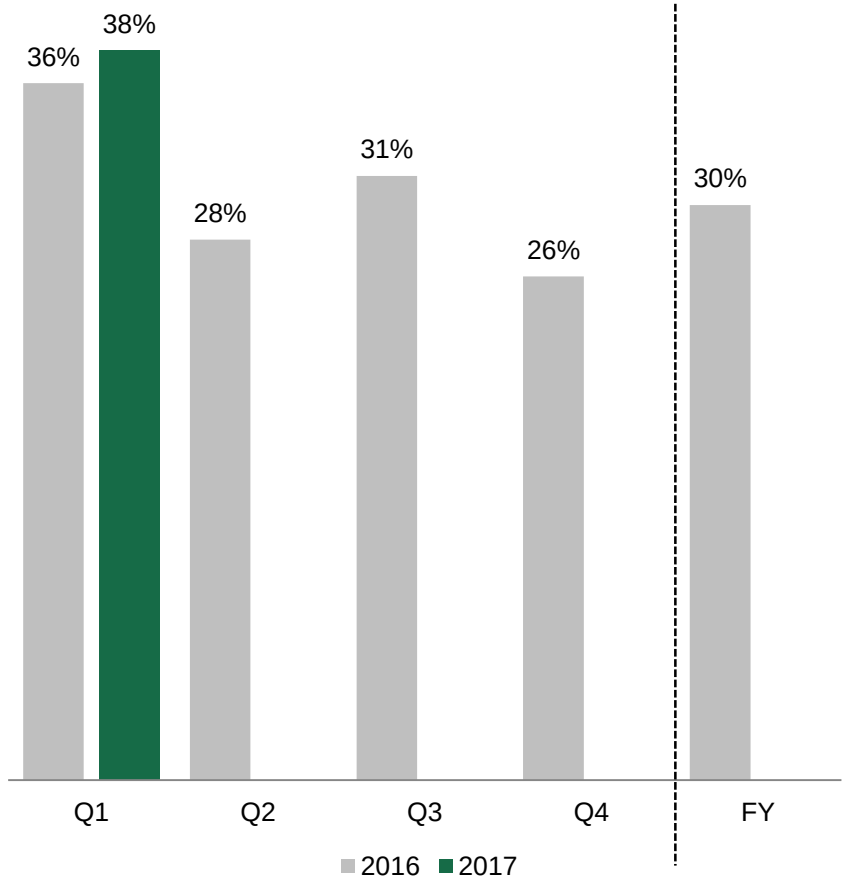
- Gross margin was 40.9% in Q1 2017 vs. 41.6% in Q1 2016
- Gross margin affected by one-off negative impact from franchise takeovers
  - NOK 7.8m one-off effect
  - Positive margin impact long term
- Underlying margin in line with last year



OPEX development

- OPEX in % of revenue was 37.8% in Q1 2017 vs. 36.1% in Q1 2016
- Opex impacted by significant increase in number of directly operated stores
  - 27 additional directly operated stores vs. last year
  - Increased fixed cost base – main components: store personnel and rent
  - Operational leverage effects accentuated in Q1 (lowest quarterly sales) and Q4 (highest quarterly sales)
- Certain planned operational initiatives
  - 25th year anniversary
  - Changed distribution
  - Digital channels

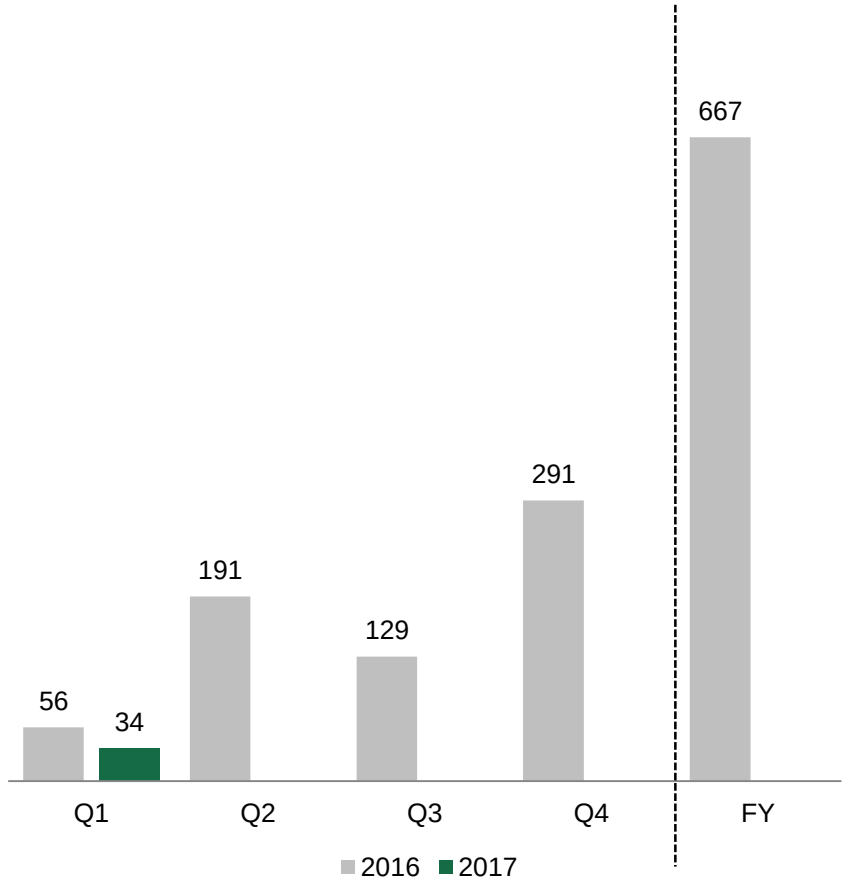
OPEX in % of group revenue



Adjusted EBITDA development

- Adjusted EBITDA margin was 3.1% in Q1 2017 vs. 5.5% in Q1 2016
- Smallest profit generating quarter
  - Historically accounts for 8% of full year total(1)
- Adjusted EBITDA in Q1 impacted by
  - Higher number of directly operated stores in a "small" sales quarter – 27 additional directly operated stores vs. last year
  - One-off costs related to franchise takeovers

Adjusted EBITDA (NOK million)



(1) Based on average contribution by Q1 figures to full year results in 2016, 2015 and 2014

Cash flow

- Seasonal working capital flows in line with previous years
  - Q1 peak “working capital season”
- Additional inventory build-up due to
  - Early Chinese New Year
  - Inventory build-up prior to Easter
  - Significant increase in number of directly operated stores
- Increased cash used in investing activities
  - Acquisition of franchise stores
  - Timing of new store openings as well as store modernisations

Cash flow, NOK million	YTD 2017	YTD 2016
Cash from operating activities	-369	-253
Cash used in investing activities	-50	-17
Cash (used in)/from financing activities	-4	-2
Net change in cash and cash equivalents	**-422**	**-271**
Cash and cash equivalents at beginning of period	577	447
Cash and cash equivalents at end of period	155	176

Outlook

- Continued growth in revenue and profits
- Successful Easter period in 2017
  - Significant topline growth
  - Well executed Easter sales driving pressure on margin
- 11 additional new stores expected for 2017
  - 2 of the stores opened in Q2
  - 3 of the stores subject to municipal regulations
- Franchise takeovers in Q1 2017 will positively impact revenue and profits for the rest of the year (see appendix)
  - Additional 2 – 4 franchise takeovers expected in 2017
- Measures initiated to improve inventory turnover



Q & A







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Appendix







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Additional materials

Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2016	74	75	79	81	309
2017	77	71	79	79	306
2018	75	73	78	80	306

Number of store projects (franchise projects in brackets)

2016	Q1	Q2	Q3	Q4	Total
New stores	1	6	3	1	11
Store closures	-	-	1	-	1
Relocations	1	5	1	3 (1)	10 (1)
Modernisations	5 (4)	6	2 (3)	4 (1)	17 (8)

2017E	Q1	Q2	Q3	Q4	Total
New stores	3	2	-	9	14
Store closures	-	-	-	-	-
Relocations	(1)	1 (1)	(1)	4 (2)	5 (5)
Modernisations	9 (2)	5 (1)	3	4	21 (3)

Note: Number of projects in 2017 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

Effect of franchise store takeovers in 2017

- Europris has completed eight franchise takeovers during Q1 2017 (three in January and five in March). As explained previously, the sustained impact on the group's financials will be the following:
  - Sales: will increase by the amount of end customer sales in these stores less: (i) sales from wholesale to franchise; and (ii) franchise fees
  - COGS: will increase by the amount of COGS for goods purchased from other suppliers than Europris wholesale (app. 15% of goods sold)
    - Typically: newspapers; flowers; tobacco; ice cream; frozen goods for some of the Europris Pluss stores
  - OPEX: will increase by the amount of total OPEX in the stores (e.g. store personnel costs) less franchise fees
- Europris estimates the full year effect of the above to be the following on 2017 financials, excluding one-off negative impact on COGS at time of takeover
  - Sales: net increase of c. NOK 49 million
  - COGS: net increase of c. NOK 15 million (resulting in an increase in gross margin)
  - Opex: net increase of c. NOK 31 million (resulting in an increase in opex / sales)
  - EBITDA: net increase of c. NOK 3 million (resulting in a decrease in EBITDA margin)

Alternative Performance Measures

APMs are used by Europris for annual and periodic financial reporting in order to provide a better understanding of Europris' financial performance and are also used by management to measure operating performance. APMs are adjusted IFRS figures defined, calculated and used in a consistent and transparent manner.

- **Gross profit** represents group revenue less the cost of goods sold excluding unrealised foreign currency effects.
- **Opex** is the sum of employee benefits expense and other operating expenses.
- **EBITDA** (earnings before interest, tax, depreciation and amortisation) represents Gross profit less Opex.
- **Adjusted EBITDA** is EBITDA adjusted for nonrecurring expenses.
- **Adjusted profit before tax** is net profit before tax adjusted for nonrecurring items.
- **Adjusted net profit** is net profit adjusted for nonrecurring items.
- **Adjusted earnings per share** is Adjusted net profit divided by the current number of shares (166,968,888).
- **Working capital** is the sum of inventories, trade receivables and other receivables less the sum of accounts payable and other current liabilities.
- **Capital expenditure** is the sum of purchases of fixed assets and intangible assets.
- **Net debt** is the sum of term loans and financial leases less bank deposits and cash.

Other definitions

- **Directly operated store** means a store owned and operated by the group.
- **Franchise store** means a store operated by a franchisee under a franchise agreement with the group.
- **Chain** means the sum of directly operated stores and franchise stores.
- **Like-for-like** are stores which have been open for every month of the current calendar year and for every month of the previous calendar year.

Presentation of results for second quarter 2017

See you 14 July 2017

