Kid ASA

16 August 2017

Q2 2017

Presentation available
at investor.kid.no

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Highlights Q2 2017

- Revenues increased by 4.9% compared to Q2 2016
- Four fewer shopping days due to timing of Easter
- Gross margin of 61.6% (61.5%)
- EBITDA of MNOK 21.6 (MNOK 24.5), representing an EBITDA margin of 7.7% (9.2%)
- 3 store openings and 2 store relocations
- NIBD/EBITDA of 2.2 (3.0)
- New lending agreement for long-term debt

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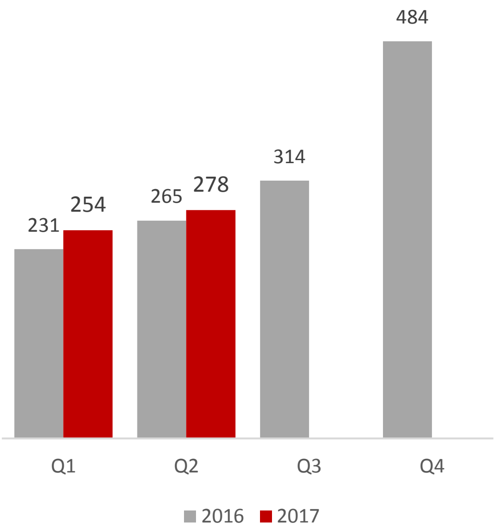
Revenues and market share

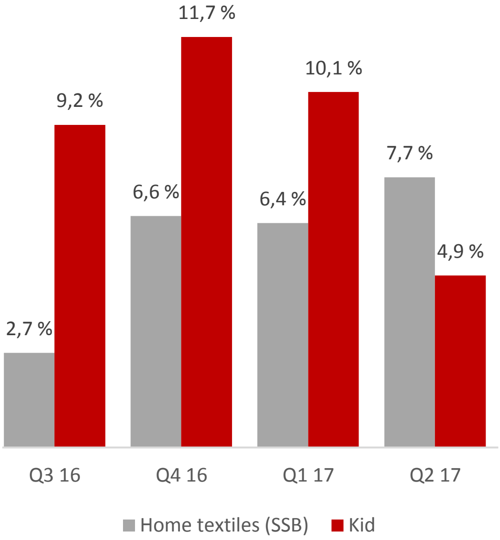
Q2 revenues increased by 4.9%

- Four fewer shopping days due to timing of Easter
- Like-for-like growth of 2.8% including online sales
- Online sales growth of 46.7%
- 3 new stores and 2 store relocations
- Kid underperformed the home textile market growth rate (7.7%) by 2.8pp in the second quarter. Home textile market (7.7%) performed above broader retail benchmark (1.7%)

Revenue



Market



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Store portfolio

Store portfolio development in Q2:

- New stores opened in Fornebu S (Oslo), Storo Storsenter (Oslo) and Romerrikssenteret (Kløfta)
- The store at Sandvika Storsenter (Sandvika) and Glasshuset (Bodø) were relocated
- 137 (132) physical stores at the end of the quarter
- Three of the five lease agreements that were acquired from Hansen & Dysvik opened during Q2. The stores are performing in line with expectations.

Operational focus

Operational focus on growth initiatives:

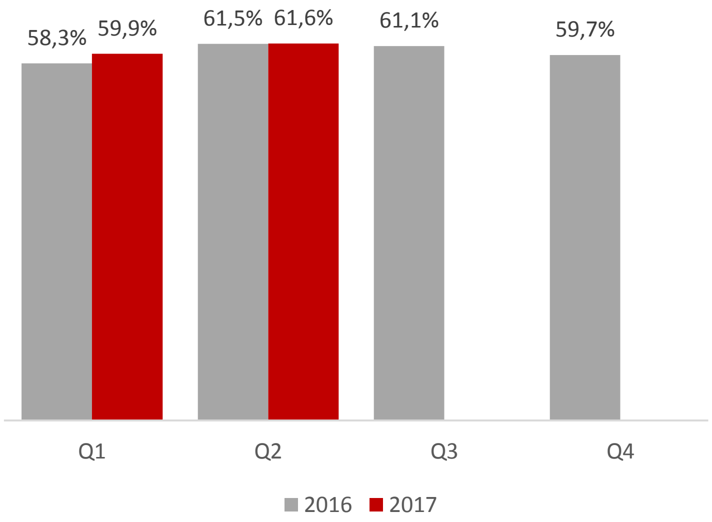
- Interactive simulation-based training app launched for all store employees
  - Simulation of store employee behavior while servicing customers in a virtual Kid store
  - The goal is to increase service level in Kid stores, significant growth potential
- Blinds assortment fully distributed to all stores
  - High growth since category renewal in 2015
  - Full assortment has only been available in the largest stores

Gross margin

Gross margin increase of 0.1 pp in Q2 (IFRS9)

- Gross margin was 61.6% for the quarter, an increase of 0.1 pp from Q2 2016
- Kid ASA has adopted the IFRS9 retrospectively from 1 January 2015*. The transition period ended 31 March 2016 and impacted the gross margin in the first quarter last year.

Gross margins in 2016 and 2017



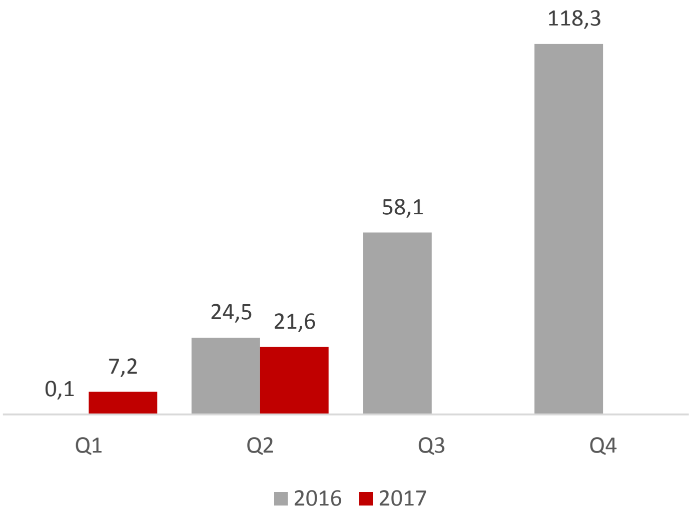
**Please see Q4-2016 presentation for further details*

EBITDA

Adjusted EBITDA margin of 7.7% (9.2%) in Q2

- Employee benefits expenses increased by 7.9% in Q2 2017
  - 2.0 pp due to net new stores
  - 2.0 pp due to increased provision for store bonuses
  - 3.9 pp due to general salary inflation and increased staffing level
- Other OPEX increased by 8.0% in Q2 2017
  - 1.6 pp related to retail space rental costs for net new stores
  - 3.5 pp related to other store rental costs driven by inflation and relocation of stores
  - 1.3 pp related to warehouse rental cost driven by inflation and the extension effective from January 2nd 2017
  - 1.6 pp related to other OPEX

Adjusted EBITDA 2016 and 2017



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Income statement

Net profit margin of 2.8% (4.1%) in Q2

- Depreciation increased due to last year’s CAPEX levels
- Corporate tax rate is 24% in 2017 (25% in 2016)
- EPS decreased to NOK 0.19 (NOK 0.27) in Q2 2017, and increased to NOK 2.97 (NOK 2.20) for the past twelve months

Income statement

Amounts in MNOK	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Revenue	278,4	265,5	532,3	496,0	1 293,9
COGS	-107,0	-102,2	-208,9	-198,3	-515,3
Gross profit	**171,4**	**163,3**	**323,4**	**297,8**	**778,6**
Gross margin (%)	61,6 %	61,5 %	60,8 %	60,0 %	60,2 %
Other operating income	0,0	0,0	0,6	0,0	1,6
OPEX	-149,8	-138,8	-295,2	-273,2	-579,2
EBITDA	**21,6**	**24,5**	**28,8**	**24,6**	**201,1**
EBITDA margin (%)	7,7 %	9,2 %	5,4 %	5,0 %	15,5 %
Depreciation and amortisation	-8,4	-6,8	-16,4	-13,6	-29,0
EBIT	**13,2**	**17,7**	**12,4**	**11,0**	**172,1**
EBIT margin (%)	4,7 %	6,7 %	2,3 %	2,2 %	13,3 %
Net finance	-3,0	-3,1	-6,2	-6,4	-12,7
Profit before tax	**10,2**	**14,5**	**6,2**	**4,6**	**159,4**
Adj. Net profit	**7,8**	**10,9**	**4,7**	**3,4**	**119,5**

**Net profit is adjusted in 2016 for a change in deferred tax related to the trademark caused by reduced tax rate from 25% to 24% with effect from 1.1.2017*

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Cash flow

NIBD/EBITDA of 2.2 (3.0) per 30.06.2017

- Inventory build-up due to full distribution of blinds assortment in all stores
- The cash flow effect from 'change in other provisions' negatively impacted by VAT payable within the quarter, due to changes in the Norwegian import VAT declaration from 1.1.2017. However, the cash flow effect is positive year to date
- Cash flow from investments is reflecting the MNOK 9.5 fee paid to Hansen & Dysvik during Q2-2017 for store leasing rights related to 5 new stores
- Cash flow from financing negatively impacted by 20 MNOK increased dividend pay-out compared to Q2-2016
- NIBD/EBITDA of 2.2 (based on EBITDA for the last twelve months), compared to 3.0 as of 30.06.2016

Cash flow

Amounts in MNOK	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Net cash flow from operations	-32,3	4,5	-96,3	-89,6	172,0
Net cash flow from investments	-24,3	-8,5	-30,7	-17,4	-34,8
Net cash flow from financing	-84,2	-64,4	-87,6	-68,1	-72,9
Net change in cash and cash equivalents	**-140,8**	**-68,4**	**-214,6**	**-175,1**	**64,3**
Cash and cash equivalents at the beginning of the period	218,1	121,0	291,9	230,4	230,4
Exchange gains / (losses) on cash and cash equivalents	0,1	0,3	0,1	-2,3	-2,8
Cash and cash equivalents at the end of the period	**77,3**	**53,0**	**77,3**	**53,0**	**291,9**

Working capital

Amounts in MNOK	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Change in inventory	-31,7	-8,7	-62,2	-38,3	-17,9
Change in trade debtors	0,1	-0,0	0,8	1,4	0,5
Change in trade creditors	3,1	-0,8	-1,3	-0,7	4,0
Change in other provisions*	-15,5	1,1	-42,3	-53,5	6,1
Change in working capital	**-43,9**	**-8,5**	**-105,1**	**-91,1**	**-7,3**

**Change in other provisions includes other receivables, public duties payable and other short-term liabilities.*

New lending agreement

A cornerstone in our dividend policy

- The new agreement replaces the MNOK 525 long-term debt with a new structure:
    - MNOK 425 in long-term debt
    - MNOK 100 in flexible credit facility. Classified as short-term debt
- The agreement expires in May 2020
- Small increase in interest margin compared to previous agreement due to extended duration
- No instalment obligation during the lending period
- The agreement is a cornerstone in our financial goal to maintain a high dividend policy of 60-70% pay-out ratio.

Operational initiatives

Mid-term objectives unchanged

- Financial goal of maintaining last year’s ratio between operating expenses and sales remains unchanged on an annual basis.

- The new store in Pilestredet (Oslo) opened on July 29th and the new store in Ski Storsenter (Ski) is expected to open ultimo September

- USDNOK changed to more favorable levels in July. Kid remains loyal to its currency hedging strategy on a rolling 6-month basis

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Q&A
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