

# Q2 and first half year 2022 presentation

14 July 2022

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# Europris - Norway's #1 discount variety retailer

**Europris**  
MER TIL OVERS



## Customers

- 35 million customer transactions in 2021
- Widely recognised brand and price position<sup>1</sup>
- Increasing market share and gaining new customers



## Marketing

- 1 million leaflets in distribution
- 0.7 million subscribers to digital newsletter
- 1.1 million members in the MER customer-club



## Stores

- Cost-efficient locations and operations
- 100% of like-for-like (LFL) stores profitable in 2021
- Track-record of 10-15 new or relocated stores p.a.



## Logistics

- More than 40 years of wholesaler experience
- Efficient set-up and nationwide reach
- New modern central warehouse from mid-2019



## Sourcing

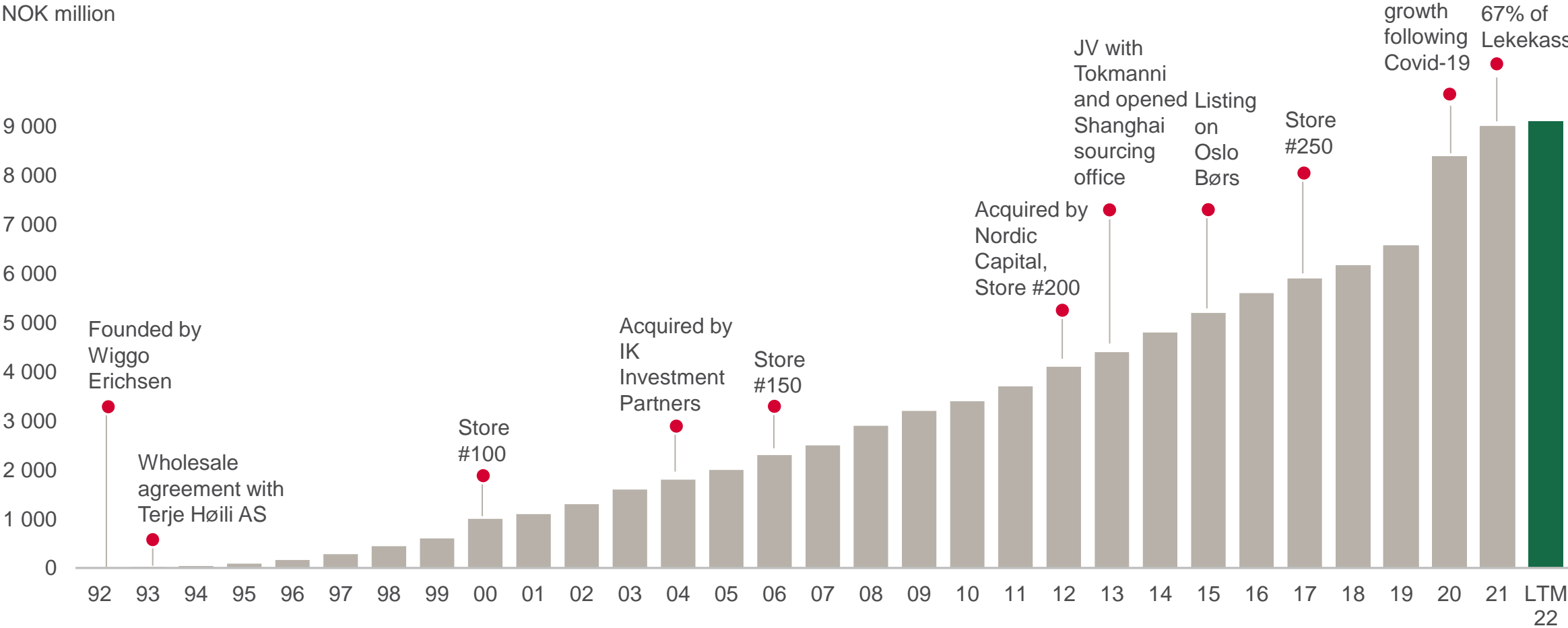
- From more than 30 countries
- Pan-Nordic agreement with ÖoB and Tokmanni



**274**  
Stores

<sup>1</sup> Mediacom Brand Tracker 2021

# 30 years of consecutive growth



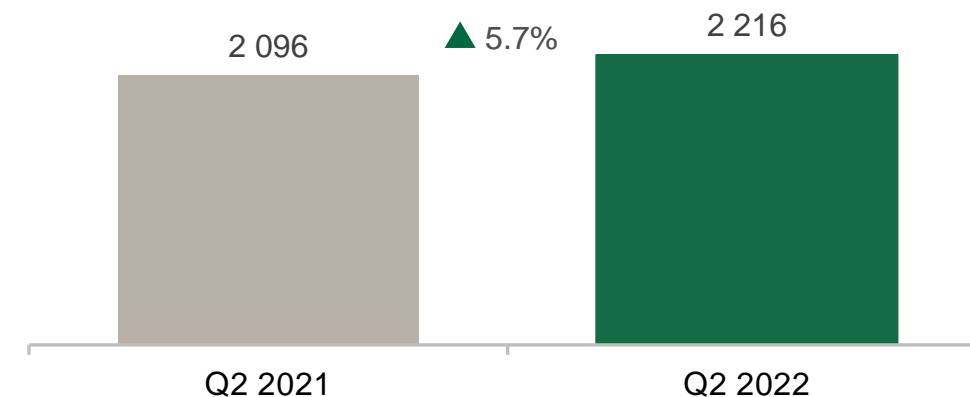
1992-2020: Europris chain sales (all stores, both directly operated by the group and the franchise stores)  
2021: Europris chain sales, Lunehjem (consolidated as of March 2021) and Lekekassen (consolidated as of August 2021)  
LTM 2022: Europris chain sales, Lunehjem and Lekekassen

# Strong second quarter for Europris

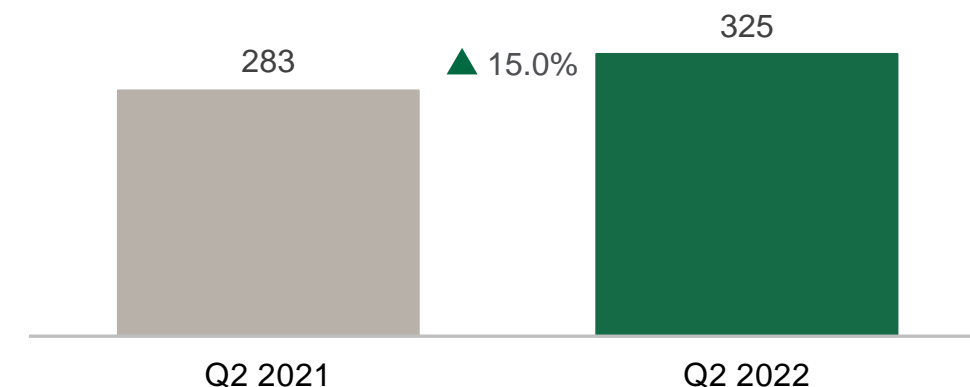


- Total sales of NOK 2,216m, up 5.7%
  - Sales up 1.3% excluding acquisitions
  - Positive timing effect from Easter and an average of 8% of stores closed in 2021
- Gross margin of 48.2%, up by 1.0%-p
- Opex-to-sales ratio of 21.7% (21.6%)
  - Opex increase of 6.1%, affected by acquired companies
- EBITDA of NOK 589m, up 9.7%
- Net profit to parent of NOK 325m, up 15.0%
- Strikkemekka acquired for NOK 88.4m

## Group sales (NOK million)



## Net profit attributable to parent (NOK million)

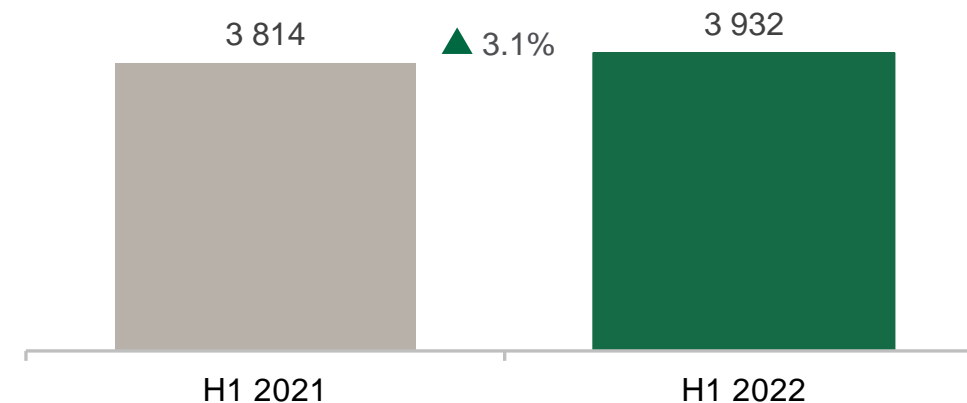


# Good performance for the first half year

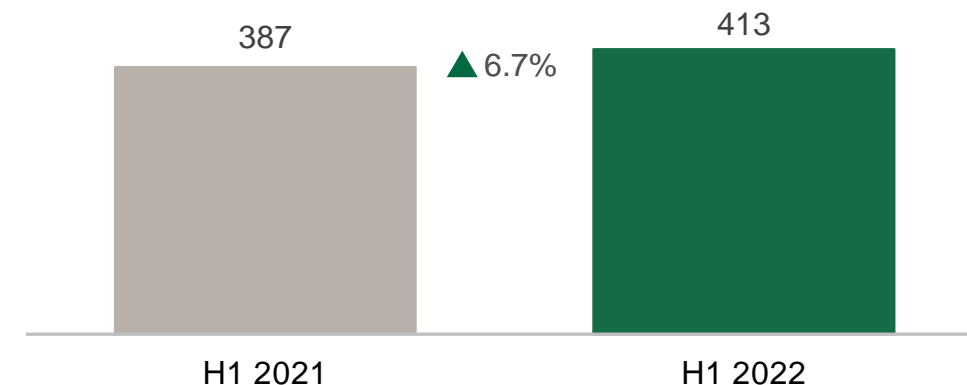


- Total sales of NOK 3,932m, up 3.1%
  - Sales down 1.4% excluding acquisitions
  - On average 9% of stores closed in 2021
- Gross margin of 46.5%, up by 1.1%-p
- Opex-to-sales ratio of 24.5% (23.7%)
  - Opex increase of 6.4%, affected by acquired companies
- EBITDA of NOK 866m, up 4.6%
- Net profit to parent of NOK 413m, up 6.7%

**Group sales (NOK million)**



**Net profit attributable to parent (NOK million)**

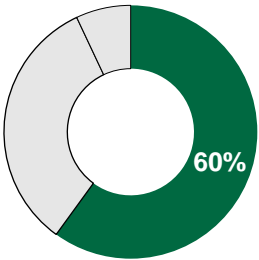


# Sales growth for low-price items

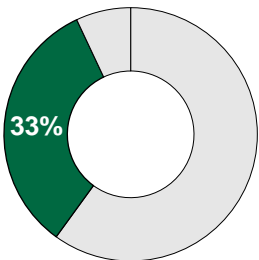
Sales development per price point



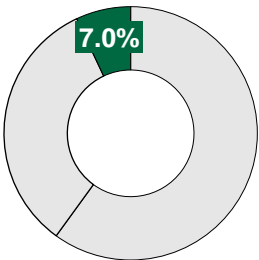
Share of sales



< NOK 100



NOK 100 – NOK 1,000



> NOK 1,000



Figures are for the second quarter

# Strategic acquisition of another e-commerce pure player

- 67% of Strikkemekka.no acquired for NOK 88.4m in cash
- Revenues of NOK 180m and EBITDA of NOK 16.5m in 2021
- Strikkemekka.no is Norway's second-largest online store in its category, offering private label and branded yarn, yarn accessories and in-house developed patterns
- Designhandel.no (Norway and Sweden) is an online store for kitchenware and smaller home interior products
- Founder Eirik Fuglestad continues as CEO and 33% owner
- Transaction closed 1 July

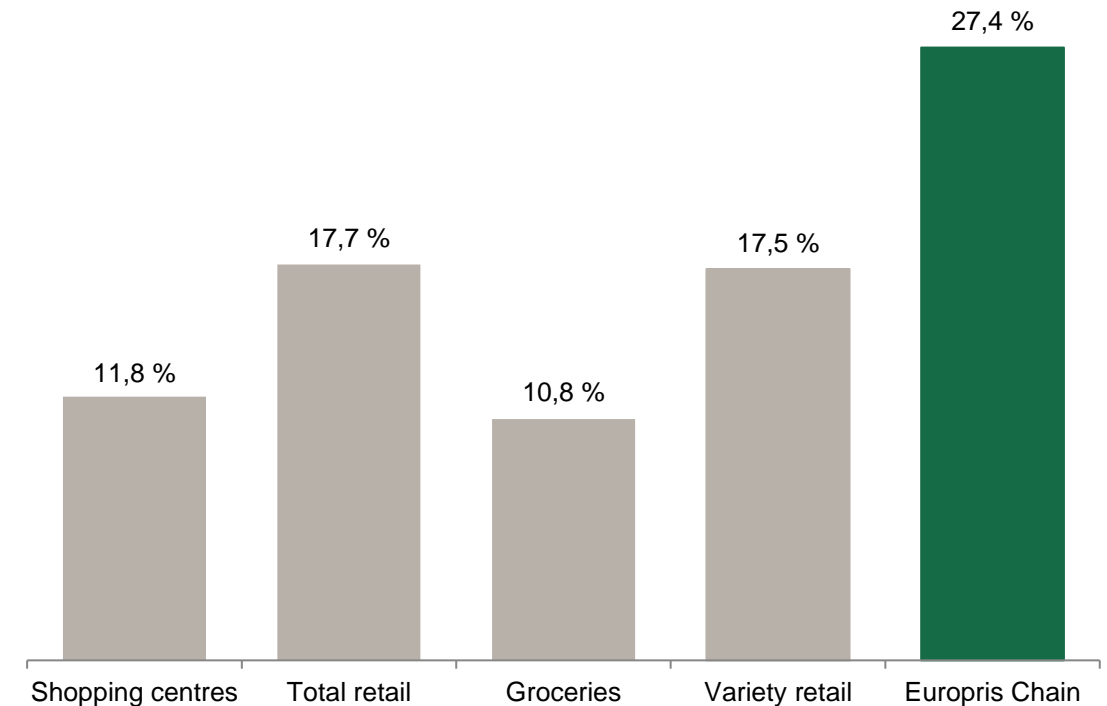




# Outperforming the general market

- Overall strong market performance last three years
- Strong development for total retail segment
  - Closed borders
  - Increased consumption in private households
  - Shopping centres more heavily affected by social distancing and temporary closure of stores
- Euopris has significantly outperformed the market during Covid-19
  - Unique range of quality products at low prices

Retail sales development per May\*\*, three-year-stacked (%)\*



\* Source: Kvarud analyse, Shopping Centre Index, Virke retail index (using figures reported by statistics Norway)

\*\* Data per June not available at time of reporting

Note: Euopris chain is all stores, both directly operated by the group and the franchise stores

# Financials

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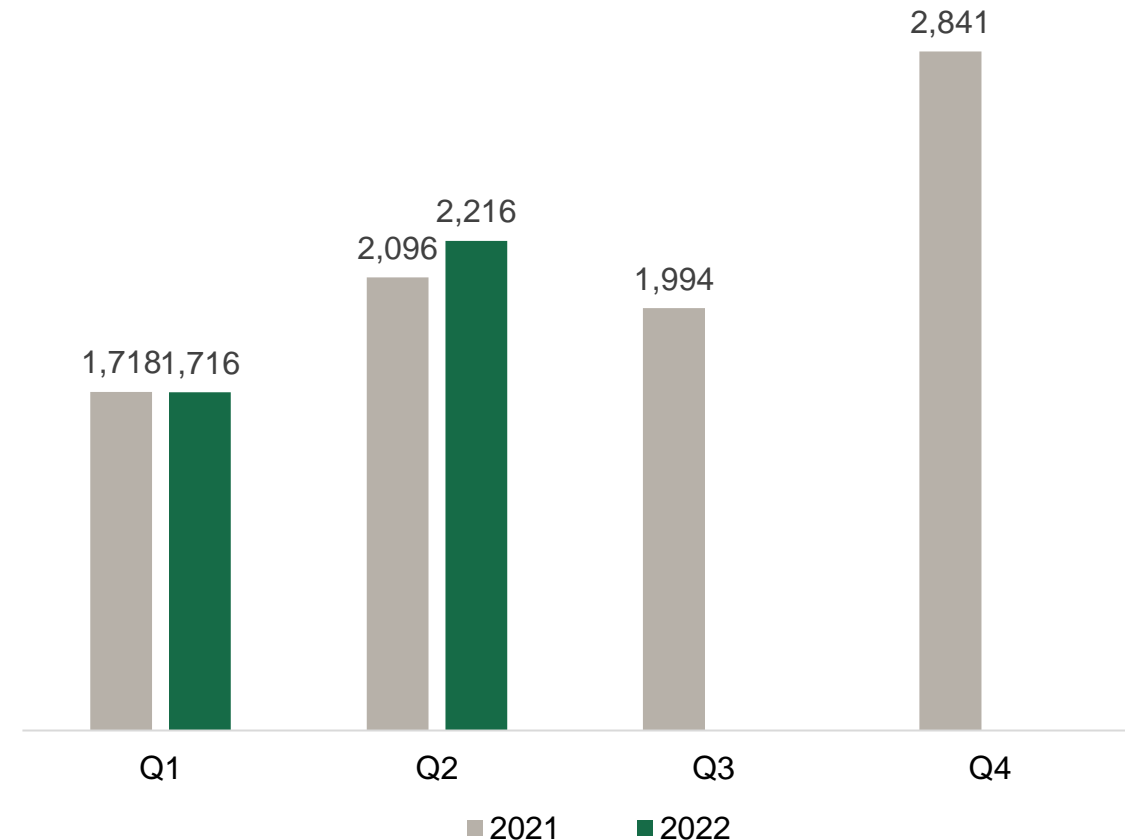


# Sales increase in the second quarter



Total group sales (NOK million)

- Group sales of NOK 2,216m, up 5.7%
  - Sales excluding acquisitions increased by 1.3%
  - One more sales day vs last year
- Like-for-like sales increase of 0.5% for the Europris chain\*
  - Positive timing effect from Easter and an average of 8% of stores closed in 2021
  - Border trade picking up

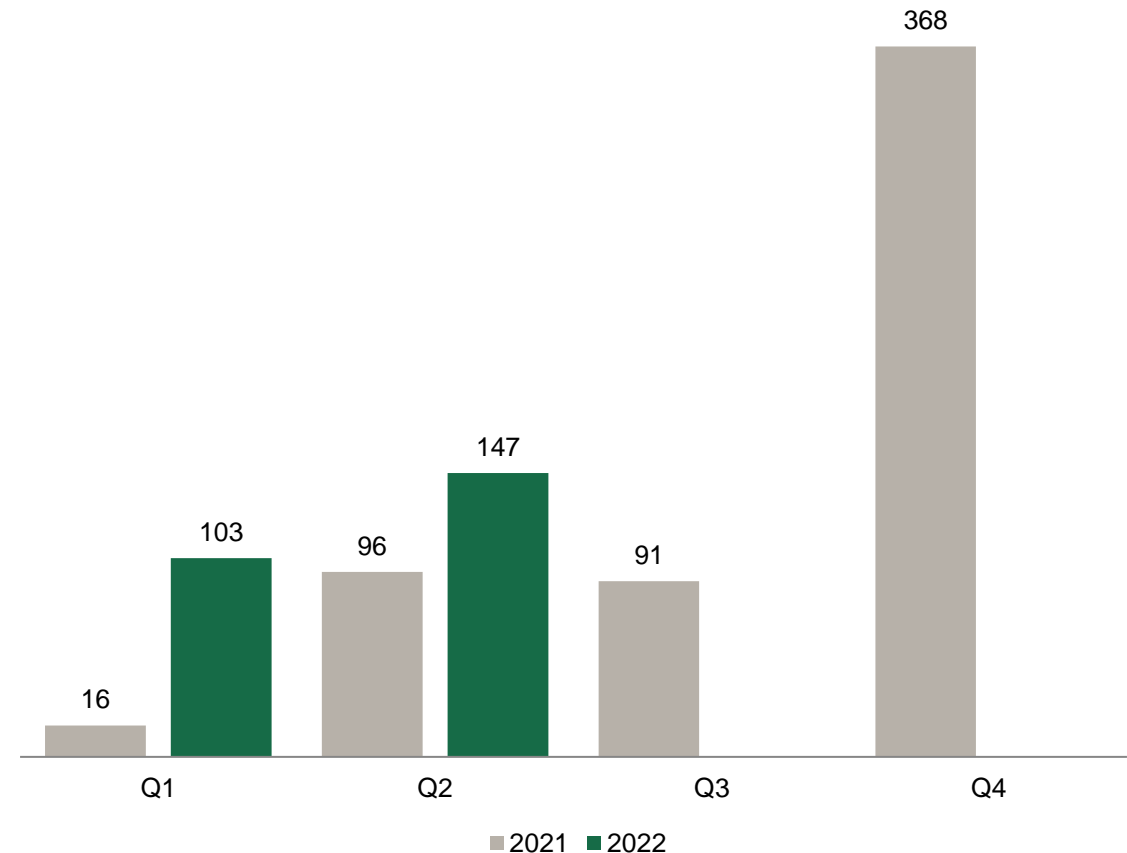


\* All Europris stores, both directly operated by the group and the franchise stores

# Growth strategy increases online sales

- Total e-com sales of NOK 147m
  - 6.6% of group sales
- Lekekassen had sales decline in Norway in Q2, but growth in June and increase in Q2 in Sweden
- E-com sales from Europris.no of NOK 53m (83m)
  - Parts of the decline related to higher click and collect sales last year from closed stores

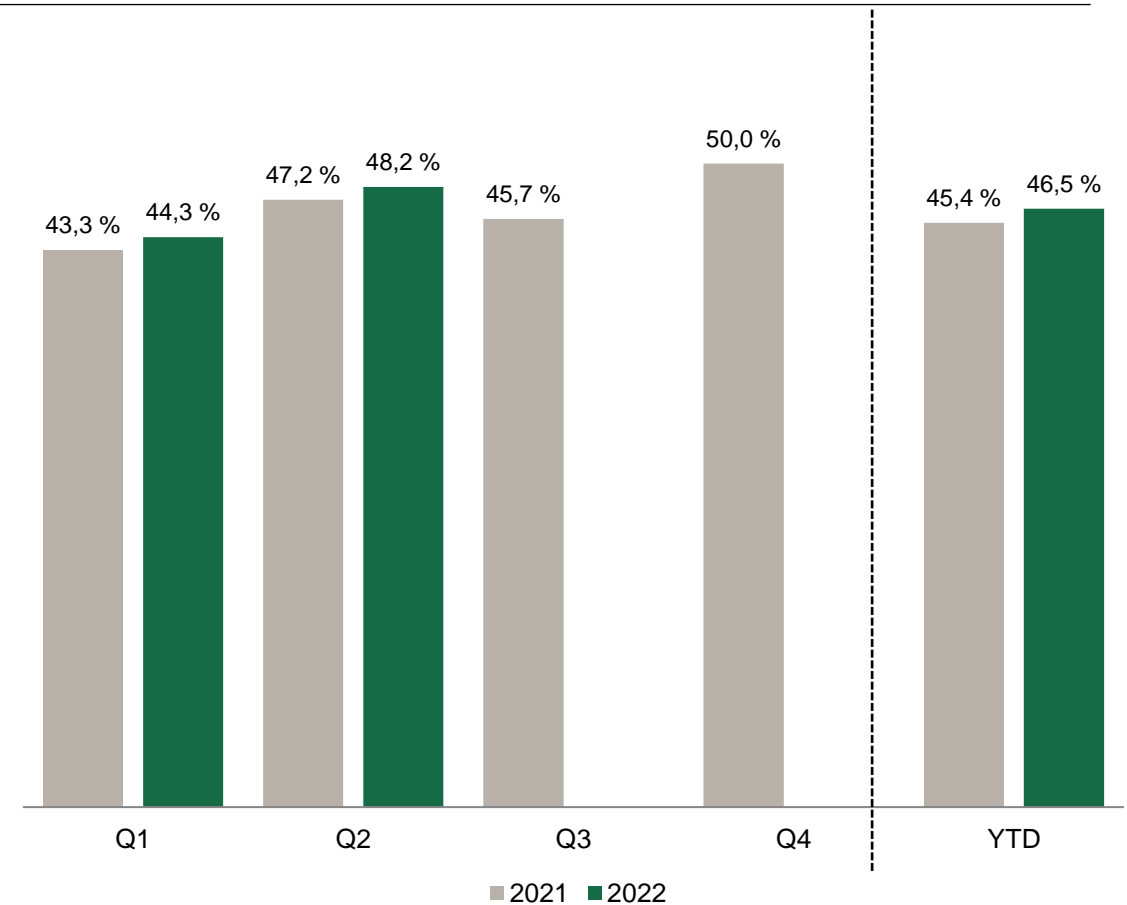
Total e-commerce sales (NOK million)



# Continued growth in gross margin

- Gross margin of 48.2%, up 1.0%-p
  - Active work with price management, campaigns and product mix, combined with competitive freight agreement
  - Net unrealised currency gain of NOK 20m (gain of NOK 24m)

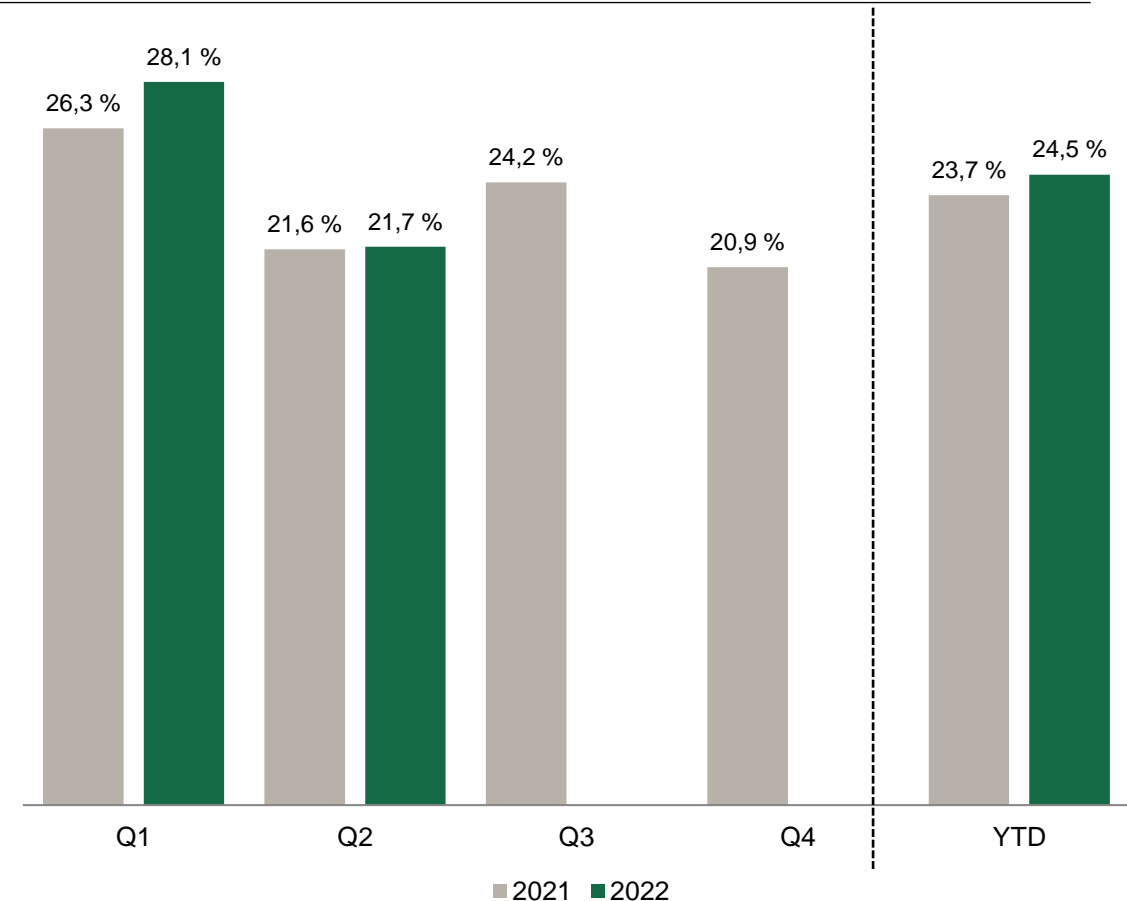
Gross margin



# Inclusion of subsidiaries and expansion of store network affected opex

- Opex was NOK 480m, up 6.1%
- Increase in opex affected by acquired companies and an increase in number of directly operated stores (from 240 to 247)
- Opex-to-sales ratio of 21.7% (21.6%)

Opex-to-sales ratio

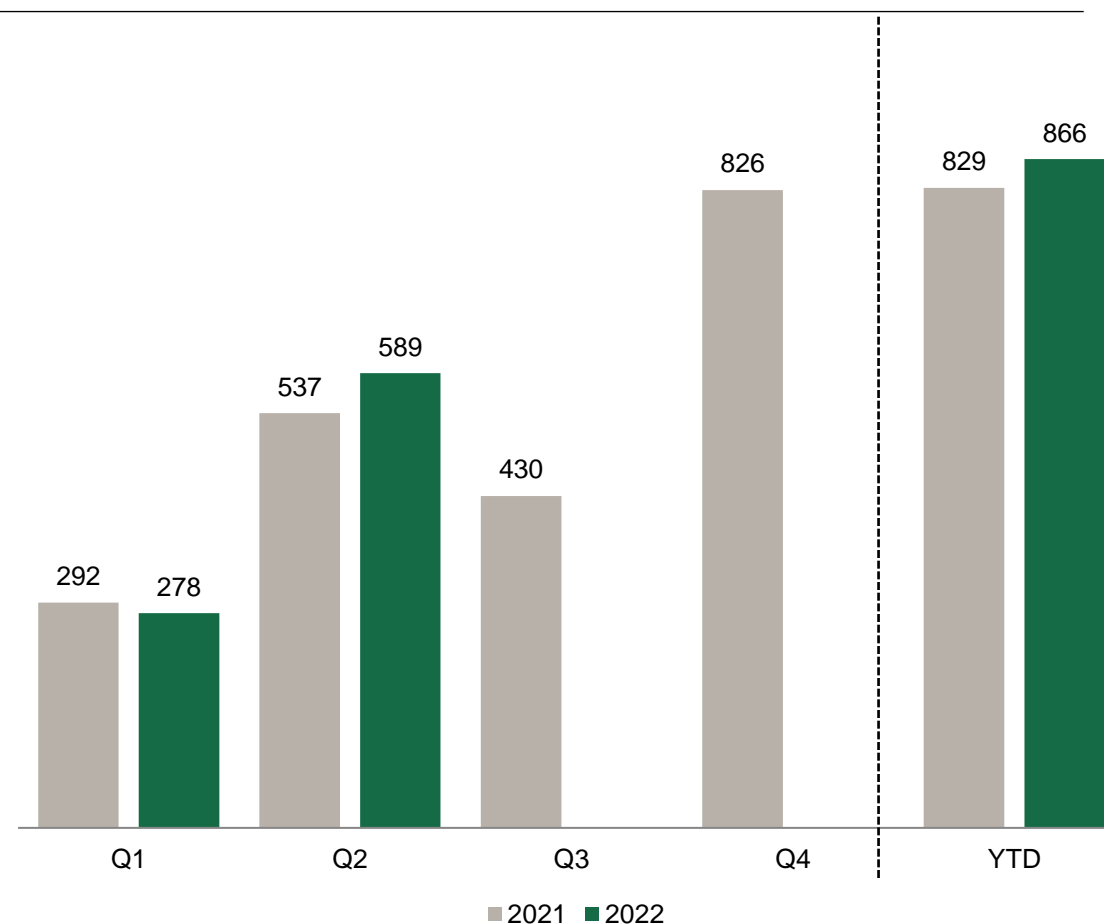


# Sales growth and cost control yield increased profitability



- EBITDA of NOK 589m, up 9.7%
- EBITDA margin of 26.6%, up 1%-p
- The combination of sales growth, margin improvement, and good cost control led to improved profit

EBITDA (NOK million)



# Solid liquidity position

- Net change in cash YTD was negative with NOK 603m (negative with 348m)
  - Timing differences in accounts payable and other liabilities
  - Increased inventory from higher purchase prices and higher volumes of seasonal items
  - Paid dividend of NOK 644m (434m)
- Net debt of NOK 3,429m (2,641m)
  - Net debt excluding lease liabilities of NOK 1,475m (803m)
- Cash and liquidity reserves of NOK 1,000m (1,577m)

Cash flow, NOK million	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Cash from operating activities	426	649	(8)	381
- of which change in net working capital	15	205	(583)	(289)
Cash used in investing activities	(38)	(52)	(41)	(73)
Cash from financing activities	(415)	(546)	(554)	(656)
<b>Net change in cash</b>	<b>(27)</b>	<b>51</b>	<b>(603)</b>	<b>(348)</b>
Cash at beginning of period	(6)	141	570	540
Cash at end of period	(33)	192	(33)	192



# Our strategic focus areas

**Europpris**  
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Strengthen price  
and cost position



Improve customer  
experience



Drive customer  
growth



Strengthen price  
and cost position



Improve customer  
experience



Drive customer  
growth



# Warehouse expansion in accordance with plan

- Warehouse expansion progressing on schedule
- Good progress for shuttle automation
  - Improved picking efficiency
  - Replacement of some hardware parts in Q3





Strengthen price  
and cost position



Improve customer  
experience



Drive customer  
growth

# Successful in-store testing of the new toy concept

- Updated visual concept «Lekeplassen» for the toy category
  - Convincing results from updated stores
- Plan a full roll-out during the second half this year
  - Update of both the visual concept and the product range





# Relentless improvement of the customer experience ***Europris*** MER TIL OVERS

- Successful launch of app linked to the customer-club MER
- Rich app content from day one
  - Overview of campaigns and access to digital marketing leaflet
  - Overview of fixed MER deals and any personal coupons
  - Receipts from all previous shopping trips
  - Store locator
- Tested cooperation with Lekekassen
  - Discount offered to MER members



## Spesialtilbud til alle medlemskunder

Ok, hør etter: Lekekassen.no har gått bananas og gir nå alle våre medlemskunder sinnssyke priser på hele 200 varer! Da gjør det kanskje liiiitt mindre vondt når du uheldigvis trækker på en leke midt på natten som poden skulle ryddet opp.



Strengthen price  
and cost position



Improve customer  
experience



Drive customer  
growth



# Three new store openings in the second quarter



- Three new store openings in Q2
  - Lagunen in Bergen in Vestland county
  - Fjellhamar outside Oslo in Viken county
  - Setermoen in Troms county
- Two stores relocated in Q2
  - Lena in Innlandet county
  - Forus in Rogaland county
- Seven stores in pipeline for 2022 and beyond
  - One is subject to planning permission



Europris Setermoen



Europris Lagunen



Europris Fjellhamar



# Outlook

**Europriis**  
MER TIL OVERS



# A strong and resilient concept for more uncertain times



- Close and continuous monitoring of supply chain – shielded from disturbances
- Direct agreement with the Maersk shipping company securing capacity
- Consumers facing higher prices and interest rates, combined with a re-opened society
  - The Europris concept is well suited for current market environment, with low prices and strong campaigns
- Gross margin for the Europris chain expected to stabilise at higher than pre-pandemic level
- Europris celebrates its 30th anniversary as the market leader
  - Ready to develop further while balancing customers needs with delivering profitable growth



# Q&A

Next event: Q3 presentation 3 November 2022

# Appendix



# Content

Long-term financial and operational ambitions

ÖoB

Sales days and store projects

Analytical information

Alternative Performance Measures (APM's)

# Long-term financial and operational ambitions



Growth	Continue to deliver like-for-like growth <b>above the market</b> over time
Number of new stores	Target to open <b>on average five new stores net per year</b> , depending on availability of locations which meet strict return requirements, potential for relocations, expansion and refurbishment activities
EBITDA	<b>Increased EBITDA margin</b> over time from improved sourcing and more cost-effective value chain
Dividend	<b>Dividend policy of 50%-60%</b> pay-out of net profit while maintaining an efficient balance sheet

# A low-risk synergistic partnership today

Potential for true European scale tomorrow



## Strategic initiatives

Increase profitability of ÖoB

Store initiatives (incl. ÖoB 2.0)

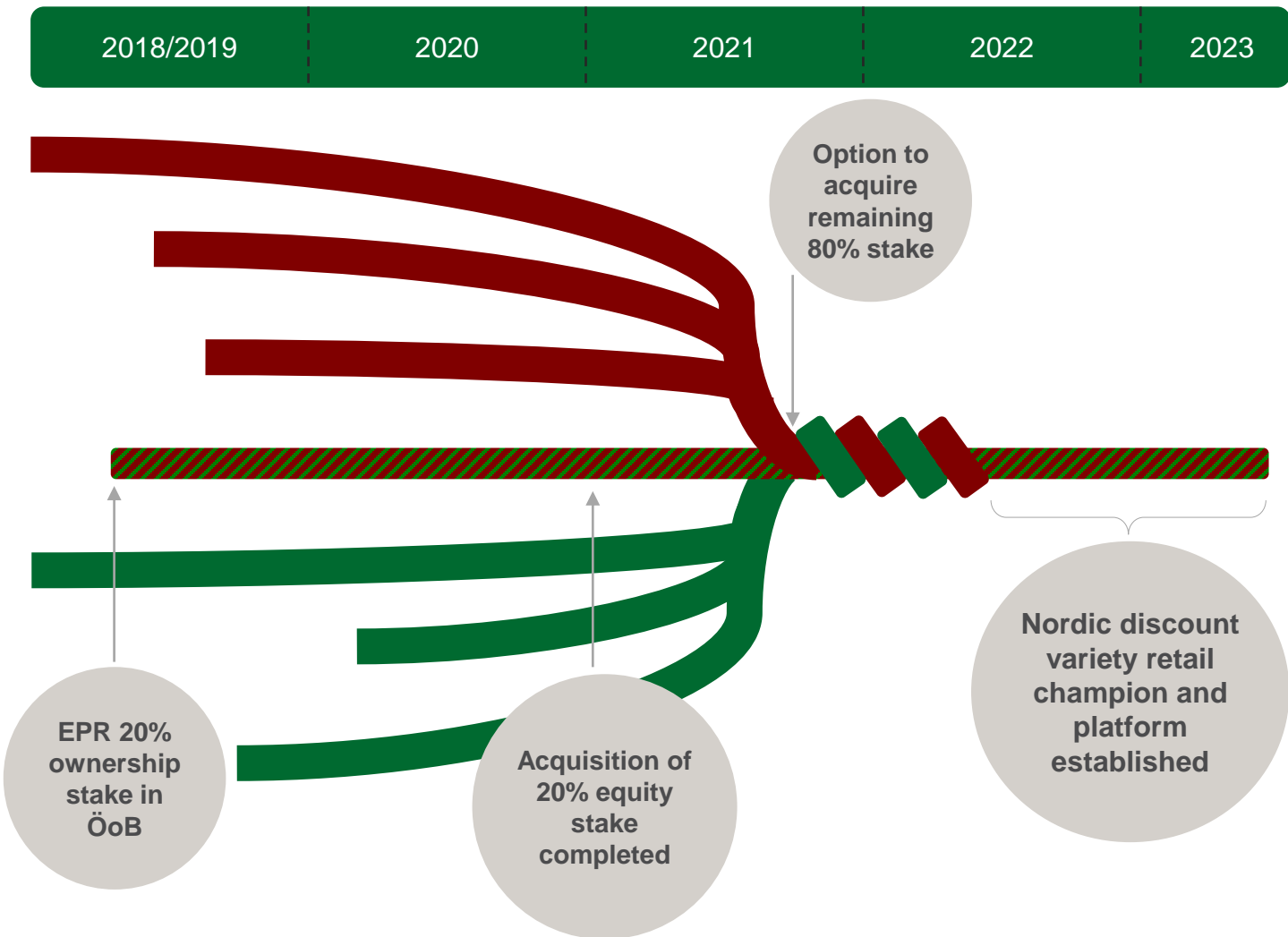
Sharing best practice

Purchasing

Strengthen price and cost position

Improve customer experience

Drive customer growth



# Transaction highlights

## 20% initial stake in Runsven-gruppen AB

- Based on EV using fixed multiple of 7.7x actual EBITDA 2018
- Purchase price settled in Q4 at NOK 115 million based on ÖoB EqV of NOK 574 million
- Shares acquired in the market by Europris at a total cost price of NOK 98 million
- Share for share transaction, settled by treasury shares
- 2.6% ownership stake in Europris (4,35m shares)

## Option to acquire remaining 80% stake

- Exercisable in 2020 within six months after agreement on ÖoB's 2019 EBITDA
- Based on EV using fixed multiple of 7.7x average 2019 and 2020 EBITDA
- Share for share transaction

## Lock-up

- Shares issued to sellers of ÖoB are subject to lock-up



# Sales days and store projects

## Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2021	76	71	79	81	307
2022	76	72	79	81	308
2023	77	71	79	79	306

## Number of store projects (franchise projects in brackets)

2021	Q1	Q2	Q3	Q4	Total
New stores	1	1	1	1	4
Store closures	-	-	-	-	-
Relocations	1	1	1	2	5
Modernisations	4	2	2	1	9

2022E	Q1	Q2	Q3	Q4	Total
New stores	1	3	1	1	6
Store closures	-	-	-	-	-
Relocations	2	2	-	2	6
Modernisations	5	3	4	3	15

# Analytical info<sup>1</sup>

## Seasonality

- As rule-of-thumb, the Easter impact is approximately NOK 60-75 million in revenue and NOK 12-15 million of EBITDA

## Quarterly OPEX

- Europris stores: as rule-of-thumb, OPEX in quarter one year ago + inflation + NOK 1.5-1.6 million per extra directly operated store (DOS)

## CAPEX

- New store – NOK 2.0 million per store (average of 5 per year)
- Relocation – NOK 1.5 million per store (average of 10 per year)
- Modernisation – NOK 1.0 million per store (average of 10 per year)
- Category development – NOK 15 million per year
- IT & Maintenance – NOK 40 million per year
- In addition, estimate for 2022: IT (ERP) of NOK 10-15 million and Warehouse (automation expanded high-bay area) of NOK 40 million

<sup>1</sup> All figures are approximations and subject to change without further notice

# Alternative performance measures (APMs)

APMs are used by Euopris for annual and periodic financial reporting in order to provide a better understanding of the group's financial performance. APMs are considered as well-known and frequently used by users of the financial statements and are also used in internal reporting and by management to measure operating performance.

## Gross profit / gross margin

Gross profit is defined as Total operating income minus the cost of goods sold (COGS). The gross profit represents revenue that the group retains after incurring the direct costs associated with the purchase of the goods. Gross margin is defined as gross profit divided by total revenue and is useful for benchmarking direct costs associated with the purchase of the goods vs total revenues.

## Opex

Operating expenses (Opex) is the sum of employee benefits expense and other operating expenses. It is useful to look at cost of these two components combined, as they compose a large part of the fixed operating costs. The Opex-to-sales ratio divides the Opex by Total operating income and is useful for benchmarking this cost base vs the development in sales.

## EBITDA / EBITDA margin

EBITDA is earnings before interests, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangibles. EBITDA is a well-known and widely used term among users of the financial statements and is useful when evaluating operational efficiency on a more variable cost basis as they exclude amortisation and depreciation expense related to capital expenditure. EBITDA margin is EBITDA divided by Total operating income and is useful for benchmarking this profitability parameter vs the development in sales.

## EBIT

EBIT is earnings before interest and taxes and is the same as the IFRS definition of operating profit. EBIT is a well-known and widely used term among the users of the financial statements and is useful when evaluating operational profitability. EBIT margin is EBIT divided by Total operating income, and thus the same as Operating profit divided by Total operating income.

## Working capital

Net change in working capital is the sum of change in inventories and trade receivables and change in other receivables less the sum of change in accounts payable and other current liabilities. Net change in working capital is a well-known and widely used term among the users of the financial statements and is useful for measuring the group's liquidity, operational efficiency and short-term financial conditions.

## Capital expenditure

Capital expenditure (Capex) is the sum of purchases of fixed assets and intangible assets as used in the cash flow. Capex is a well-known and widely used term among the users of the financial statements and is a useful measure of investments made in the operations when evaluating the capital intensity.

## Financial debt

Financial debt is the sum of borrowings and lease liabilities. Financial debt is useful to see total debt as defined by IFRS.

## Cash and liquidity reserves

Cash and liquidity reserves is defined as available cash plus available liquidity through overdraft and credit facilities. This measure is useful to see total funds available short term.

## Total chain sales

Total chain sales are sales from all chain stores, that is both directly operated and franchise stores. This KPI is an important measure of the performance of the total Euopris chain and considered useful in order to understand the development of the entire chain, regardless of ownership structure of stores.

## Directly operated store

Directly operated store means a store owned and directly operated by the group.

## Franchise store

Franchise store means a store operated by a franchisee under a franchise agreement with the group.

## Chain

Chain means the sum of directly operated stores and franchise stores.

## Like-for-like sales growth

Like-for-like growth is defined as the growth in total chain sales for stores that have been open for every month of both the previous and the current calendar year.