

Q4 2022 presentation

2 February 2023

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Norway's discount variety retailer



Strong brand and loyal customer base



Low prices and powerful marketing and campaign engine



Proven category management model



Expanding store network and e-commerce operation

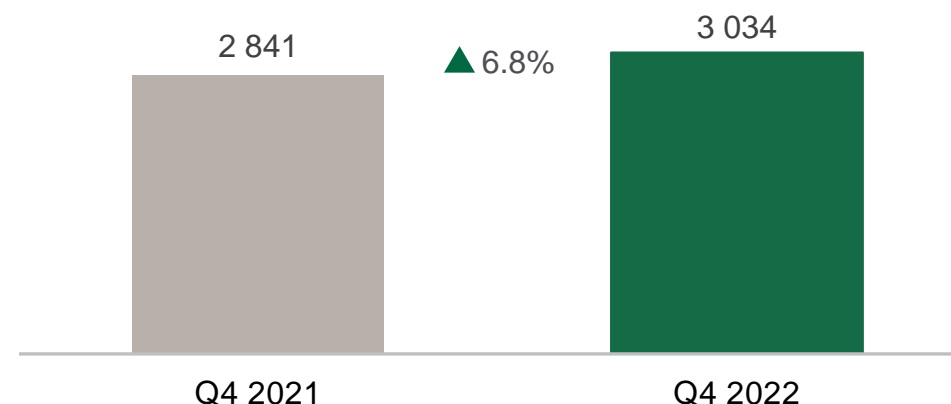


276
stores

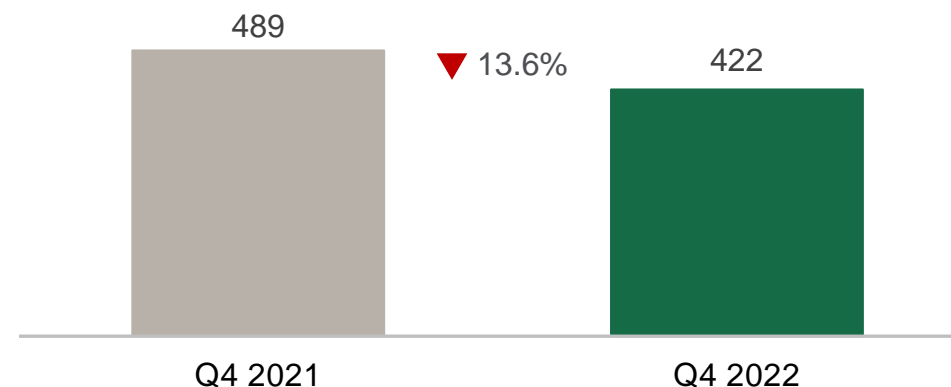
Highly satisfactory performance in a tough retail market in Q4

- Total sales of NOK 3,034m, up 6.8%
 - Sales increase of 4.8% excluding structural* growth
 - Like-for-like sales growth pf 3.3% for the Euopris chain
- Gross margin of 45.5%, down 4.5%-p
 - Higher freight costs, unrealised currency loss on hedging contracts and higher share of campaign sales
- Opex-to-sales ratio of 20.4%, down 0.5%-p
- EBITDA of NOK 760m, down 8% from record Q4-21
 - EBITDA margin of 25%, down 4%-p
- Solid profitability with net profit to parent of NOK 422m (489m)

Group sales (NOK million)



Net profit attributable to parent (NOK million)

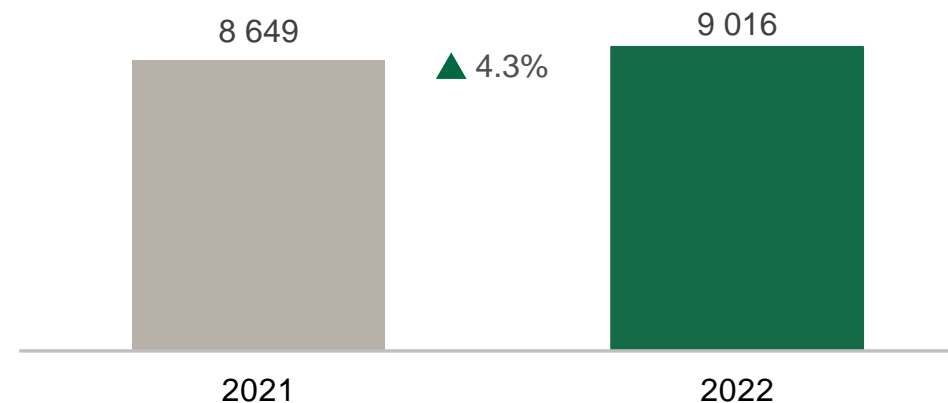


* Strikkemekka consolidated from July 2022 (i.e, considered structural growth in Q4)

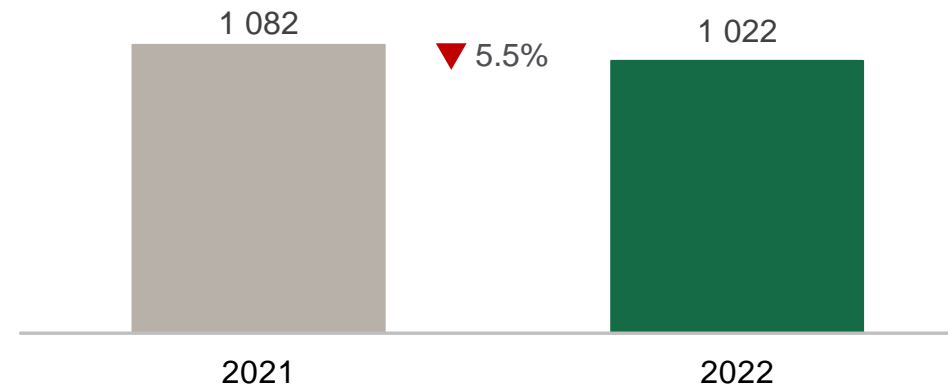
Solid performance for the full year 2022

- Total sales of NOK 9,016m, up 4.3%
 - Sales increase of 0.7% excluding structural* growth
- Gross margin of 46.4%, down by 0.5%-p
- Opex-to-sales ratio of 23.6%, up 0.8%-p
- EBITDA of NOK 2,051m, down 1.5%
 - EBITDA margin of 22.8%, down 1.3%-p
- Solid profitability
 - Net profit to parent of NOK 1,022m (1,082m)
 - EPS of NOK 6.35 excluding treasury shares (6.72)
- Strong financial position with cash and liquidity reserves of NOK 1,897m (1,981m)

Group sales (NOK million)



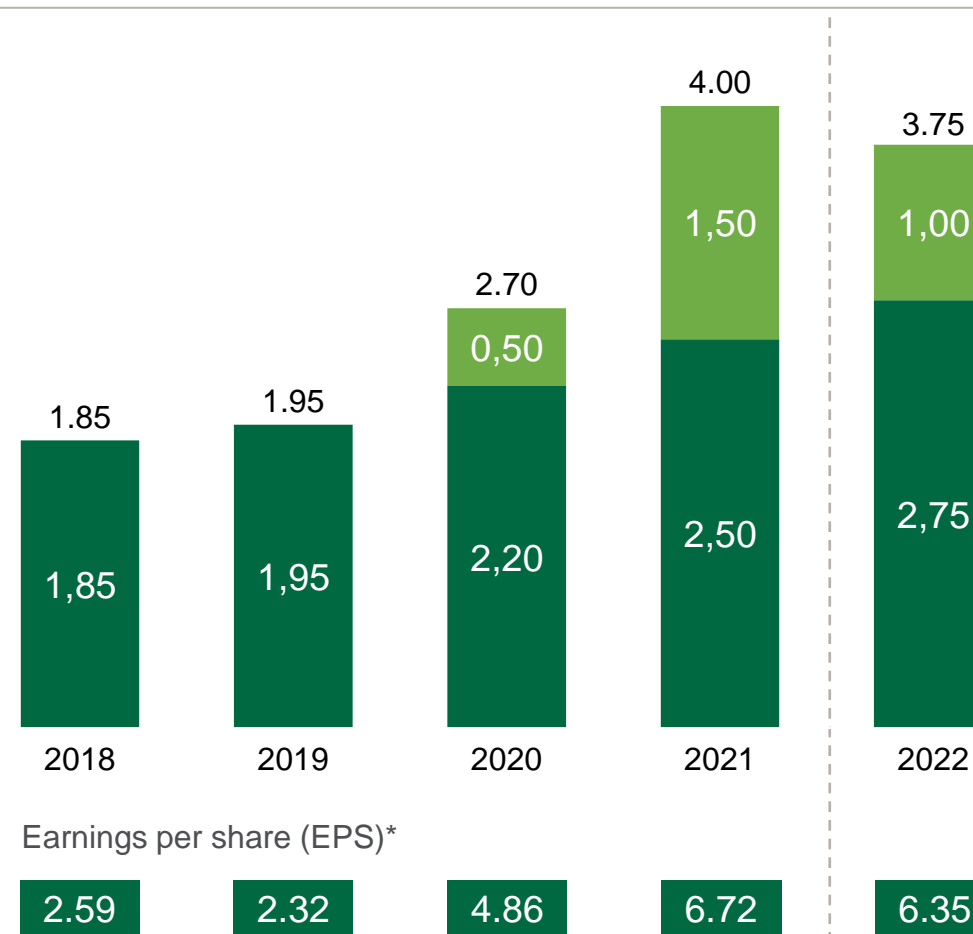
Net profit attributable to parent (NOK million)



Strong performance reflected in high dividend

- The board of directors proposes total dividend per share of NOK 3.75 for 2022 (4.00)
 - Ordinary dividend of NOK 2.75 per share (2.50), up 10%
 - Additional dividend of NOK 1.00 per share, reflecting strong financial performance and position
- Total dividend of NOK 604m excluding treasury shares
 - Pay-out ratio of 59.1% of net profit to majority, within the dividend policy of 50%-60% payout

DPS and EPS



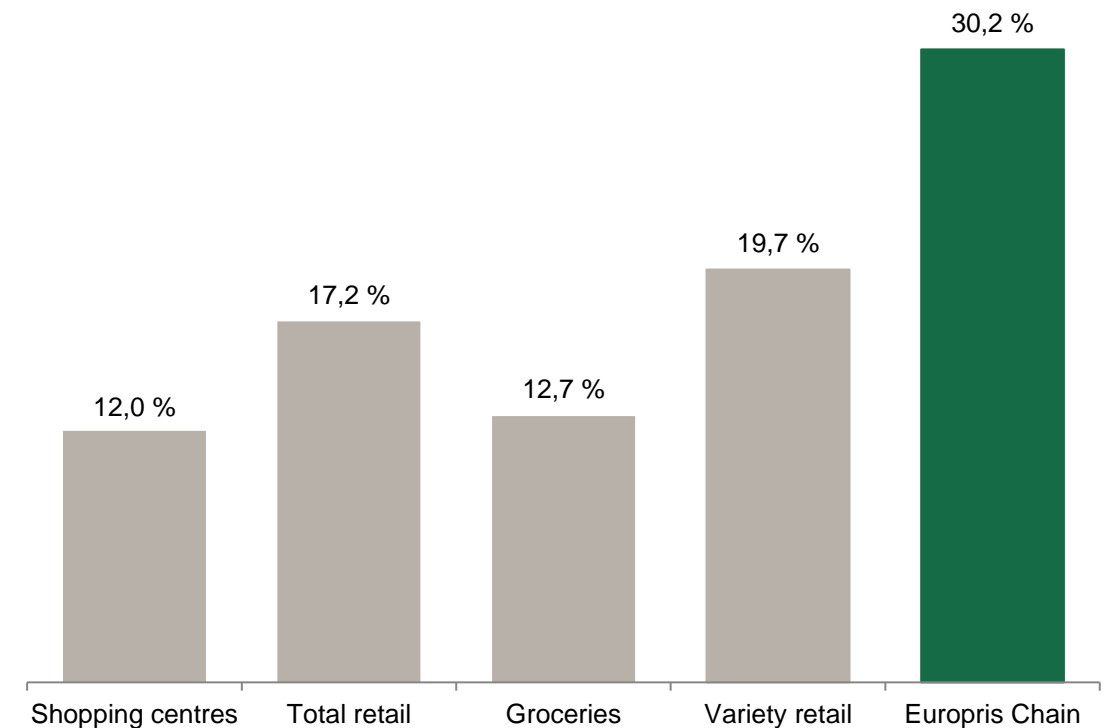
* EPS calculated as net profit to the majority divided by total number of shares excl. treasury shares

Continuously outperforming the retail market



- Overall strong retail market performance over the last three year, with Europris consistently outperforming the market
- Covid-19 effects beginning to wane
 - Q4 22 development more comparable to the previous year, although Covid-19 supported December 21
- Europris chain +5.1% in Q4
 - Compares to +0.1% for shopping centres and -1.3% for the stores in shopping centres

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



* Source: Kvarud analyse, Shopping Centre Index, Virke retail index (using figures reported by statistics Norway)
Note: Europris chain is all stores, both directly operated by the group and the franchise stores

30 years of growth

NOK 9bn



Note: sales for the Europris chain (directly operated and franchise stores), Lunehjem (consolidated as of March 2021), Lekekassen (consolidated as of August 2021) and the Strikkemekka group (consolidated as of July 2022)

Financials

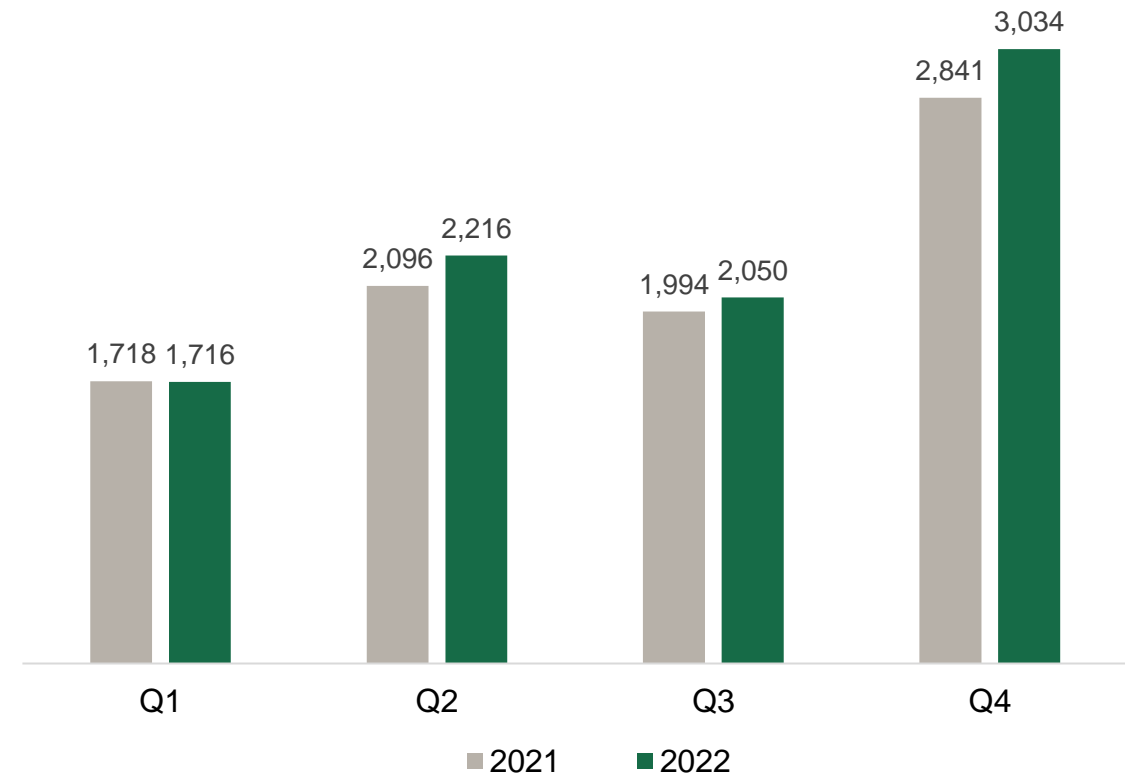
CFO Stina C Byre

Strong sales performance in the fourth quarter



Total group sales (NOK million)

- Group sales of NOK 3,034m, up 6.8%
 - Increase of 4.8% excluding structural growth*
- Like-for-like sales increase of 3.3% for the Europris chain**
 - Christmas shopping started early
 - Sales growth driven by consumables on campaigns
 - Decline for higher value seasonal items



* Lekekassen consolidated from August 2021 (ie, July 2022 considered to be structural growth) and the Strikkemekka group consolidated from July 2022 (ie, considered to be structural growth in full)

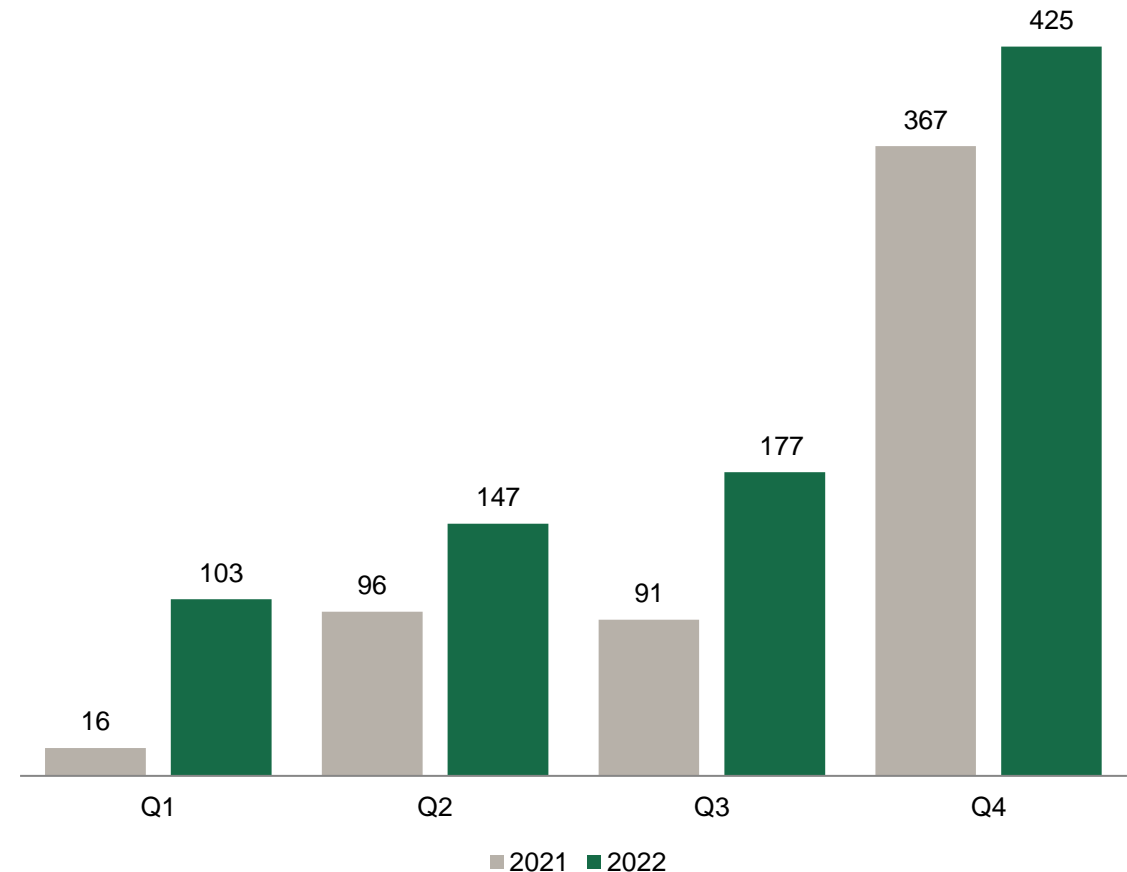
** All Europris stores, both directly operated by the group and the franchise stores

Pure play strategy increases online sales

- Total e-com sales of NOK 425m (367m)
 - 14% of group sales
- Strong quarter for Lekekassen in Sweden and Denmark, decline in Norway
- Sales growth for Strikkemekka
- Euopris.no sales of NOK 16m (18m)



Total e-commerce sales* (NOK million)

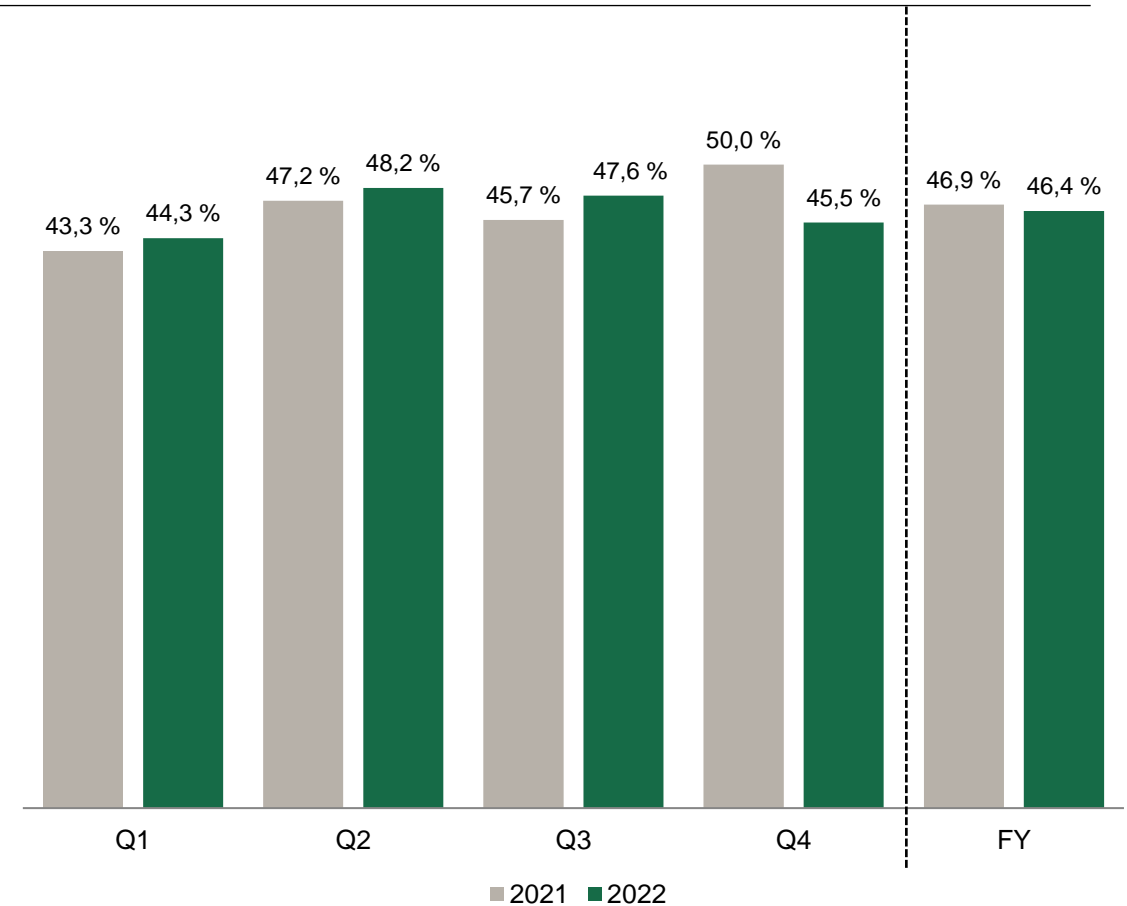


* Euopris.no, Lunehjem (from March 2021), Lekekassen (from August 2021) and the Strikkemekka group (from July 2022)

Gross margin decline - as expected

- Gross margin of 45.5%, down 4.5%-p
 - Higher freight costs
 - Unrealised currency loss on hedging contracts
 - Higher share of campaign sales
 - Increased sales of low-price consumables

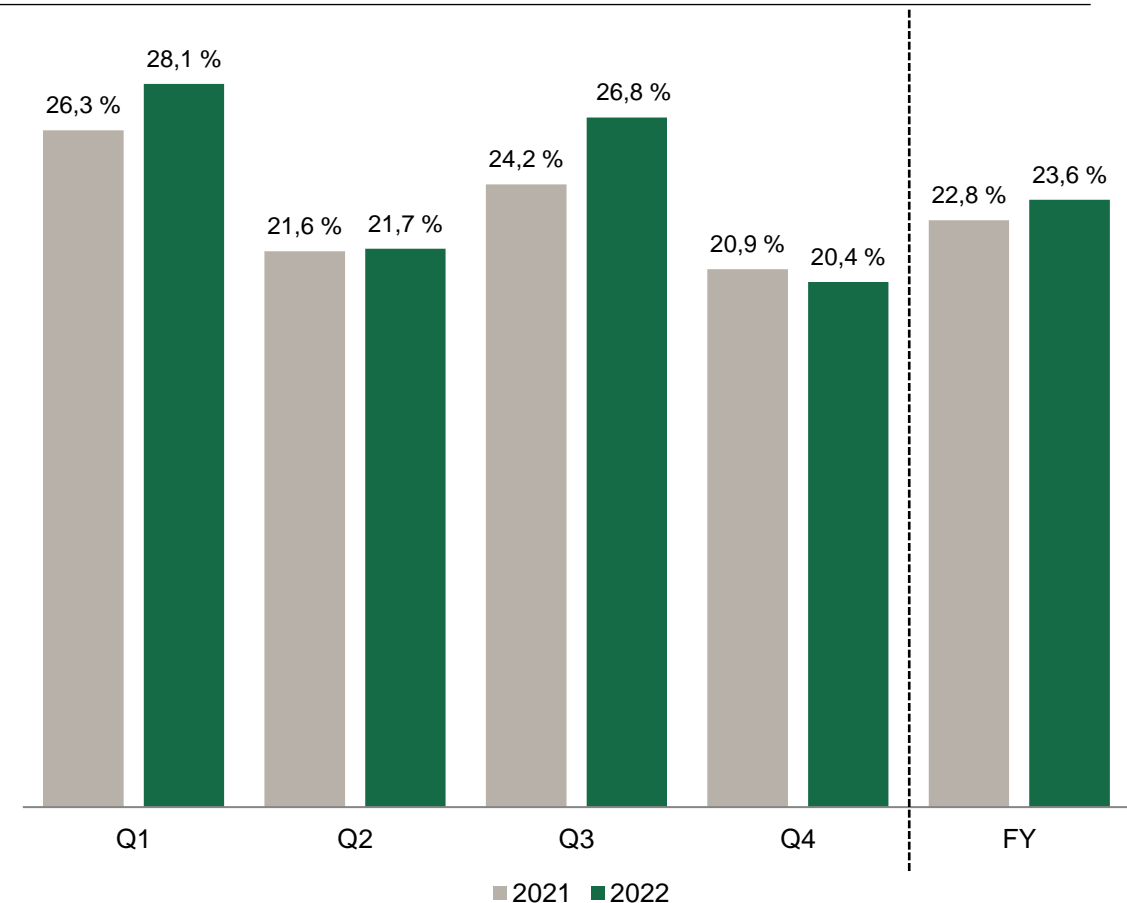
Gross margin



Opex impacted by acquisitions and more stores

- Opex of NOK 619m in Q4, up 4.1%
 - Structural growth*
 - Increased number of directly operated stores, from 242 to 249
- Opex-to-sales ratio of 20.4% in Q4 (20.9%)

Opex-to-sales ratio

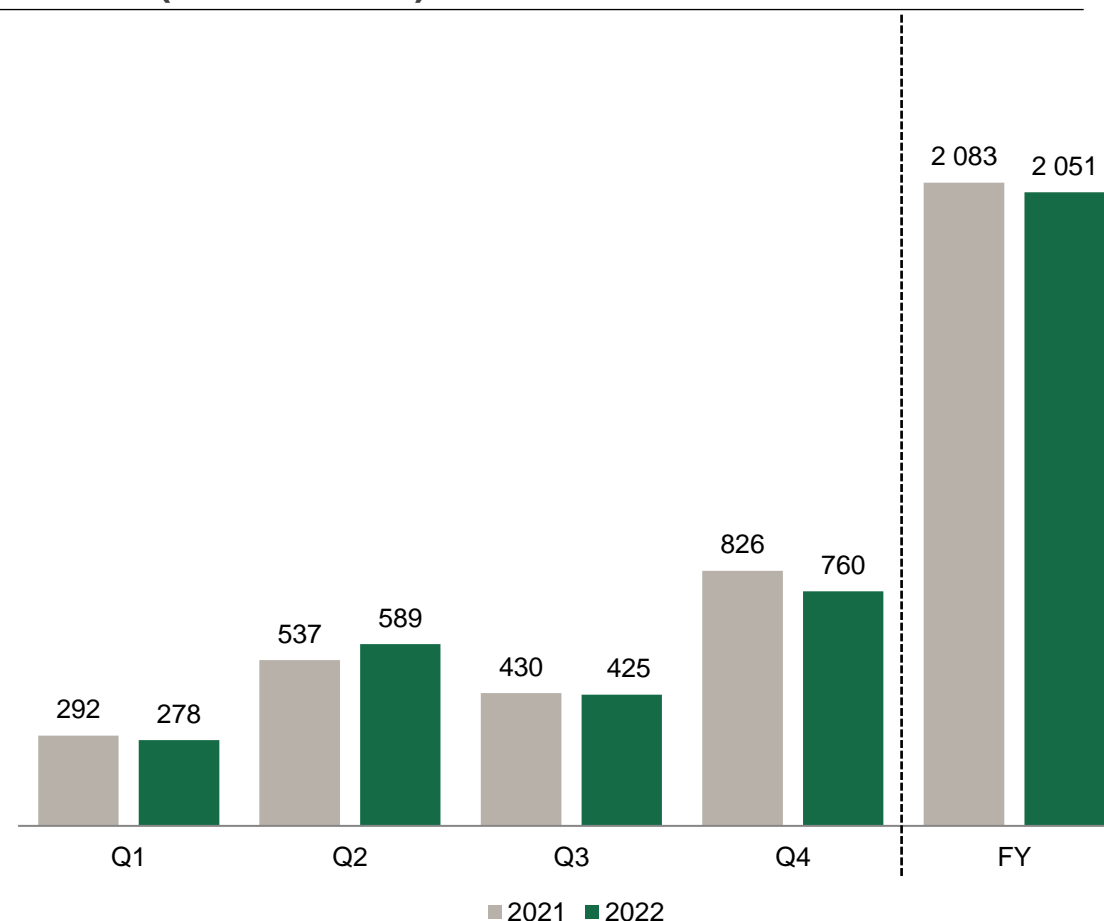


* Strikkemekka consolidated from July 2022 (ie, considered to be structural growth in Q4)

EBITDA decline reflecting the gross margin decline

- EBITDA of NOK 760m, down 8% compared to record Q4 21
- EBITDA margin of 25%, down 4.1%-p
- Full-year EBITDA almost on a par with the strong 2021
- EBITDA of NOK 2,051m, down 1.5%
- EBITDA margin of 22.8%, down 1.3%-p

EBITDA (NOK million)



Solid financial position

- Net change in cash of NOK -106m for the full year 2022 (+30m)
 - Higher level of inventory from increased purchase prices and larger volumes of seasonal summer items
 - Timing differences in payment of accounts payable and other accrued expenses
- Net debt of NOK 2,641m (2,440m)
 - Net debt excluding lease liabilities of NOK 626m (526m)
- Cash and liquidity reserves of NOK 1,897m (1,981m)

Cash flow, NOK million	Q4 2022	Q4 2021	FY 2022	FY 2021
Cash from operating activities	1,059	861	1,248	1,591
- of which change in net working capital	419	200	(374)	(139)
Cash used in investing activities	(47)	(43)	(209)	(684)
Cash from financing activities	(423)	(214)	(1,144)	(877)
Net change in cash	588	604	(106)	30
Cash at beginning of period	(124)	(33)	570	540
Cash at end of period	464	571	464	570

Our key strategic focus areas



Successful campaign targeting and category upgrades

- More campaigning towards everyday consumables
 - Driving traffic to stores and generating sales
- Upgrade of the Toy category in the fourth quarter
 - Modernised store lay-out
 - Product range set in cooperation with Lekekassen
 - Growth in sales and margins
- Categories upgraded in 2022 performed better than the chain average



Category upgrades

Kitchen Q1 20



Home Q1 21



Storage Q2 21



Textiles Q2 21



Choc/ snacks Q3 21



Pets Q1 22



Handyman Q3 22



Toys Q4 22

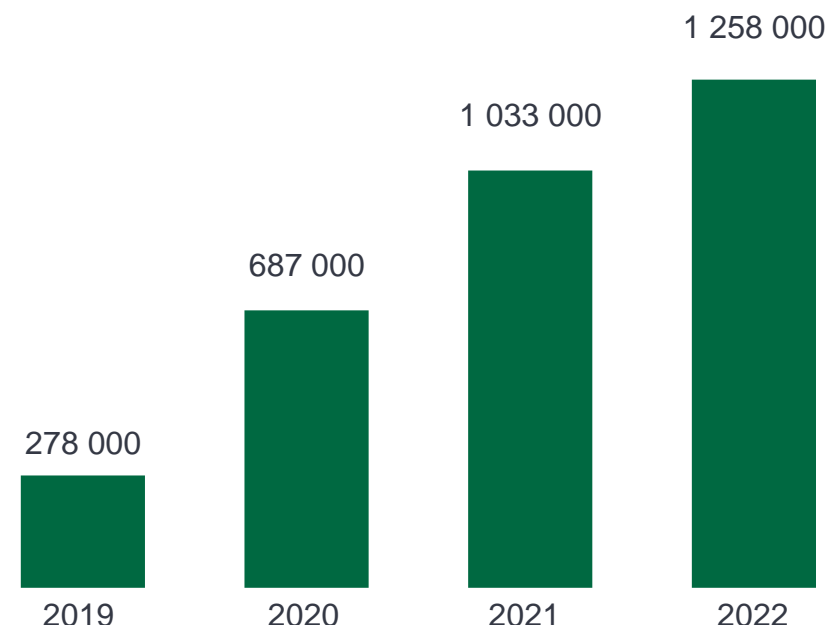


Increasing conversion and profitability through the digital customer

- 30-40% higher engagement on personalised communication
- 5-10% higher basket value for those exposed to personalised content
- Communication from local stores creates higher attention and increases loyalty and shopping frequency
- Use of AI in digital advertising, using Mer customer club data to boost traffic both to physical stores and Europris.no

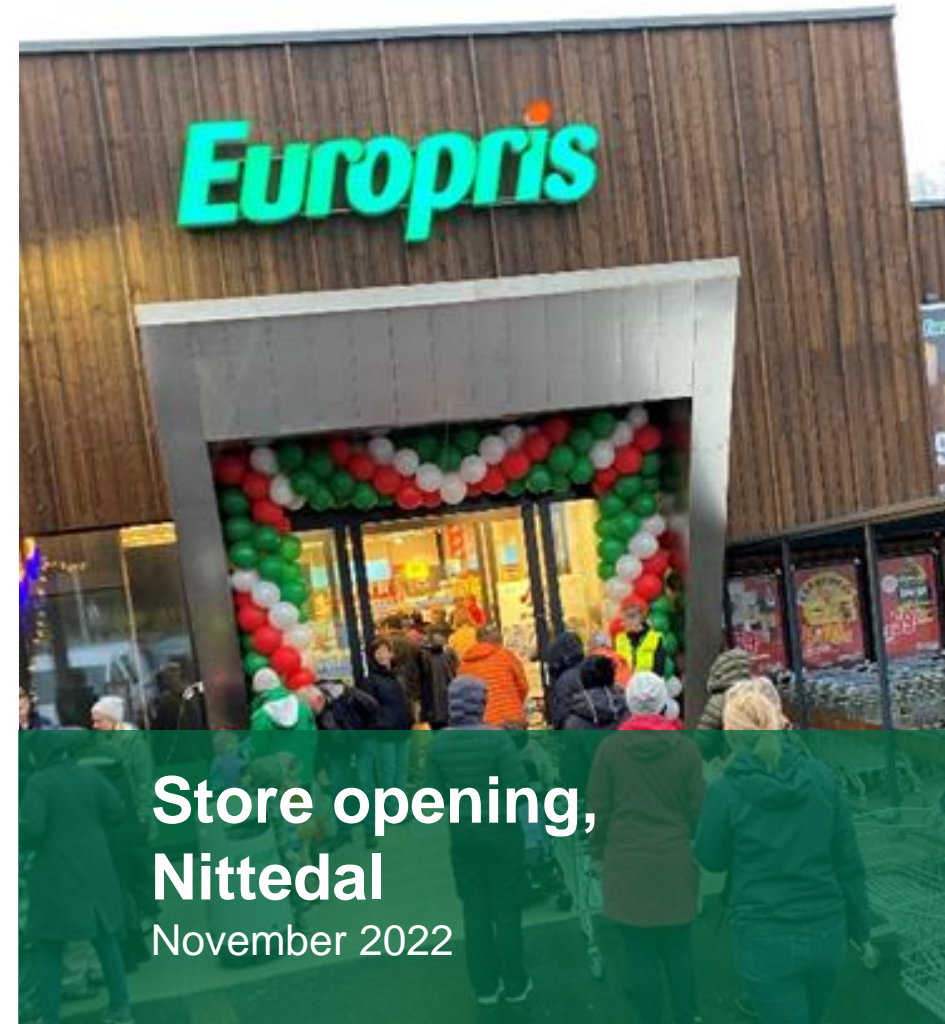
#Mer members +22% in 2022

>750,000 subscribers to digital newsletter



Expanding store network in attractive areas

- One new store opening in Q4
 - Nittedal in Viken county - a location on our wish-list for a long time
- Six new store openings in 2022
 - Of which three in the greater Oslo area
 - Stronger start on new stores than estimated in the business cases
- Nine stores in pipeline for 2023 and beyond
 - Two stores are subject to planning permission



**Store opening,
Nittedal**
November 2022

Committing to net zero emissions by 2050

Improvements in key focus areas ...



Sustainable products



Transportation and distribution



Efficient green energy



Circular operations and
waste reduction



... to enable our long-term goals

Net zero
emissions
by 2050

Committing to the science-based target initiative



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Application approved by the Science Based Target initiative

- Application for science-based targets officially approved by the Science Based Target Initiative
 - Currently in mapping phase
- Increased focus on sustainability competence
 - “Sustainability week” for all employees and separate manager training program
- Maintained ‘B’ score on CDP* reporting

Sustainability incorporated in all parts of our strategy

-across four key focus areas

Our climate profile



Our products



Our people



Our social responsibility

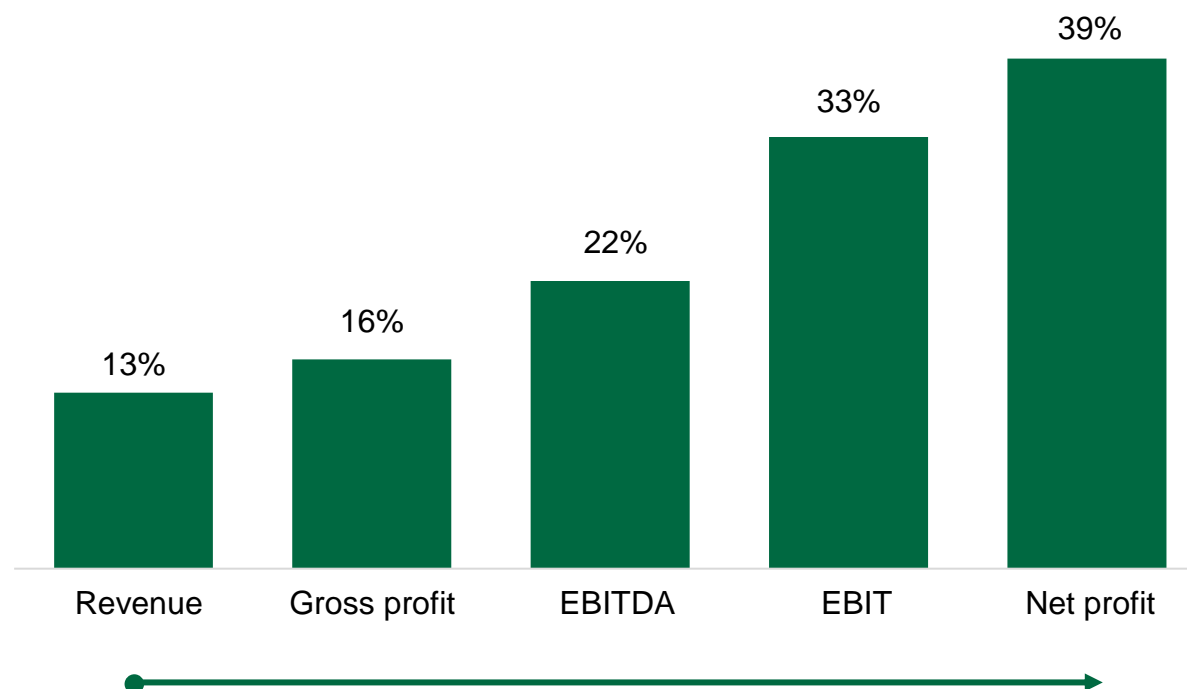


Summary & outlook

Strong and profitable growth over the past three years

Average annual growth across the P&L
CAGR 2019 to 2022

- + Volume increases
- + Improved gross margins
- + Strong cost discipline
- = High earnings growth



Well positioned with a relevant offering for a tougher economic environment

Euopris
MER TIL OVERS

- More challenging household finances
 - Rising interest rates and higher prices for food, energy and other necessities
- The Euopris concept offers good value for money
 - Well-recognised low-price concept
 - Strong campaigns
 - Broad and relevant product offering



Strong strategic position

1

Clear market leader in a growing market segment

2

Strong track record with 30 years of consecutive growth

3

Well managed with proven ability to adapt to changing market conditions

4

Clear operational and financial strategy

5

Committed to profitable growth and cash distribution

Q&A

Next event: Q1 presentation 27 April 2023

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 above the market over time
Number of new stores	Target to open a net average of five new stores per year , depending on availability of locations which meet strict return requirements, and the potential for relocations, expansions and modernisations
EBITDA	Increase EBITDA margin over time from improved sourcing and a more cost-effective value chain
Dividend	Dividend policy of paying out 50-60% 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)

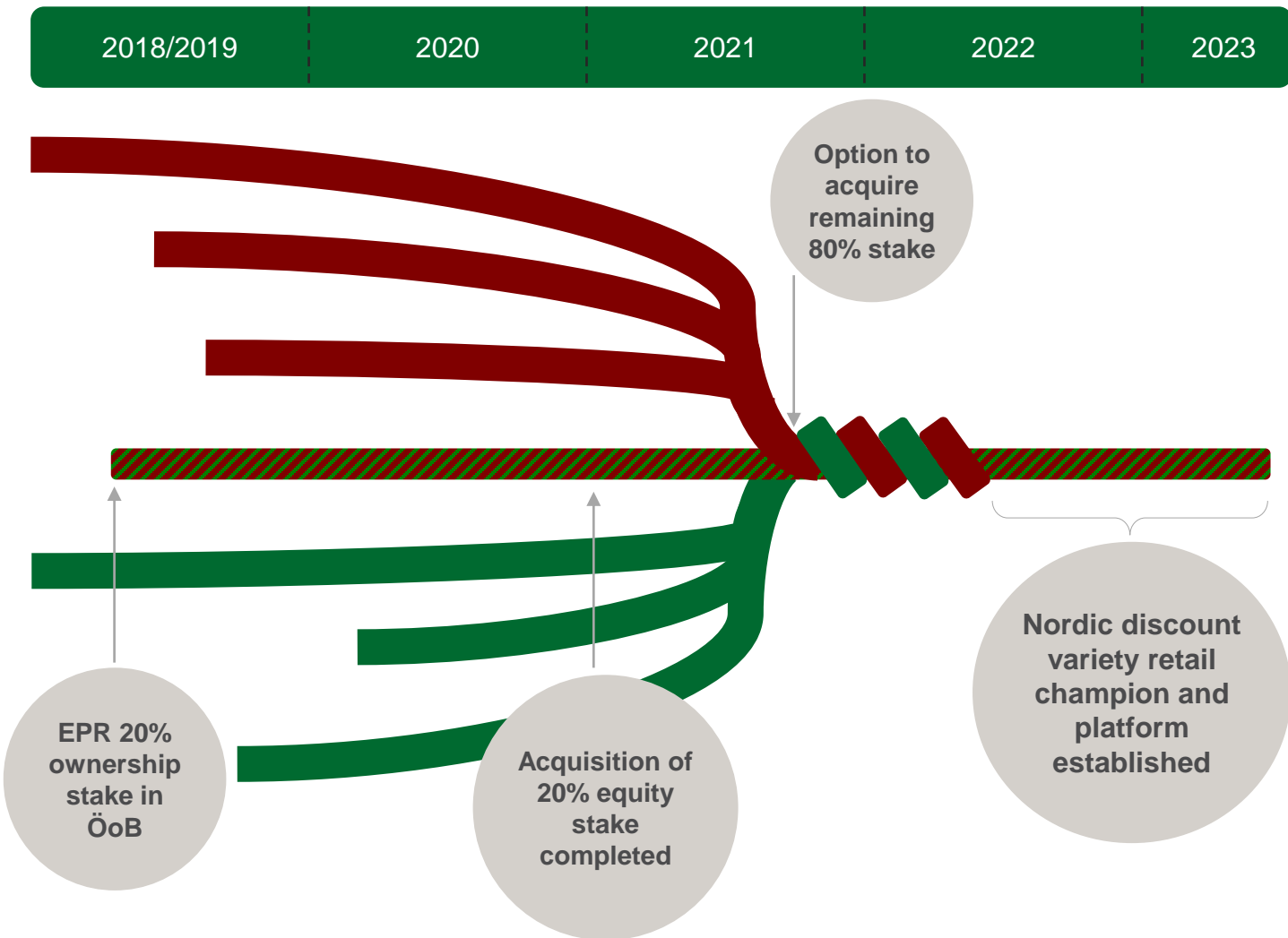
Sharing best practice

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

2022	Q1	Q2	Q3	Q4	Total
New stores	1	3	1	1	6
Store closures	-	-	-	-	-
Relocations / expansions	6	2	-	3	11
Modernisations	1	3	4	2	10

2023E	Q1	Q2	Q3	Q4	Total
New stores	2	4	1	1	8
Store closures	-	-	-	-	-
Relocations / expansions	3	2	1	1	7
Modernisations	3	2	3	1	9

Note: Number of projects in 2023 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.

Analytical information¹

Seasonality	<ul style="list-style-type: none">As a rule-of-thumb, the Easter impact is approximately NOK 60-75 million in revenue and NOK 12-15 million in EBITDA
Quarterly Opex	<ul style="list-style-type: none">Europris stores: as a rule-of-thumb, Opex in quarter one year earlier + inflation + NOK 1.5-1.6 million per extra directly operated store (DOS)
Capex	<ul style="list-style-type: none">New store – NOK 2.2 million per store (average of five per year)Relocation – NOK 1.7 million per store (average of 10 per year)Modernisation – NOK 1.2 million per store (average of 10 per year)Category development – NOK 15 million per yearIT and maintenance – NOK 40 million per yearIn addition, estimate for 2023: IT (ERP/POS) of NOK 10-15 million and warehouse (automation expanded high-bay area) of NOK 55-60 million
Rent	<ul style="list-style-type: none">Majority of contracts are CPI-adjustedRecognised under IFRS-16 leases

¹ All figures are approximations and subject to change without further notice

Alternative performance measures (APMs)

APMs are used by Europris 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 Europris 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.