

# Q3 2024 presentation

31 October 2024

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***Europpris***

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# The Europris group



A Nordic retail champion in the making...

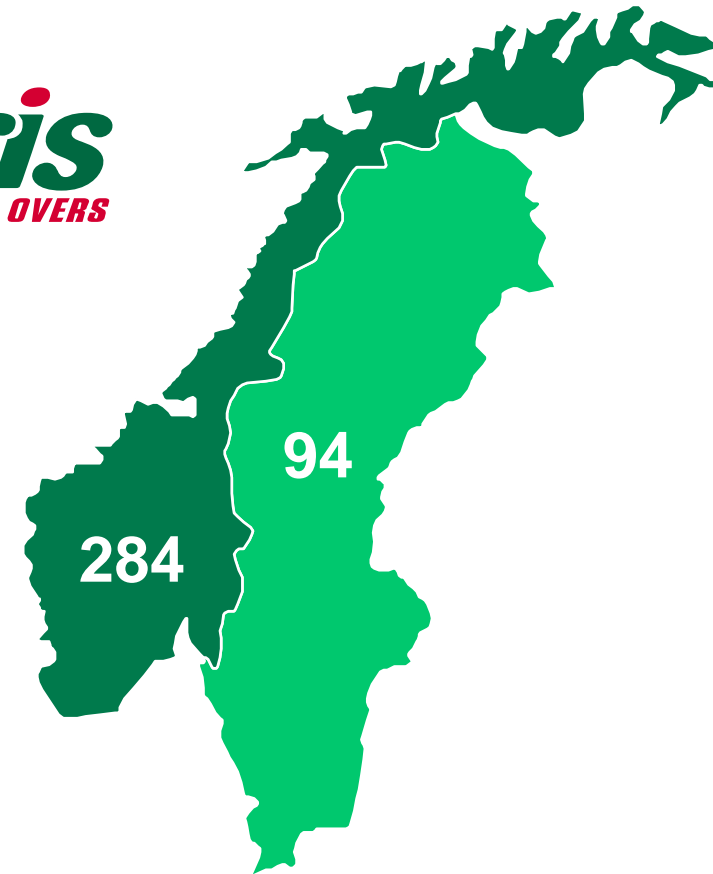
Annual sales  
**~13.8**  
NOK billion

Annual EBIT  
**~1.1**  
NOK billion

Customer club  
**~4.0**  
million members

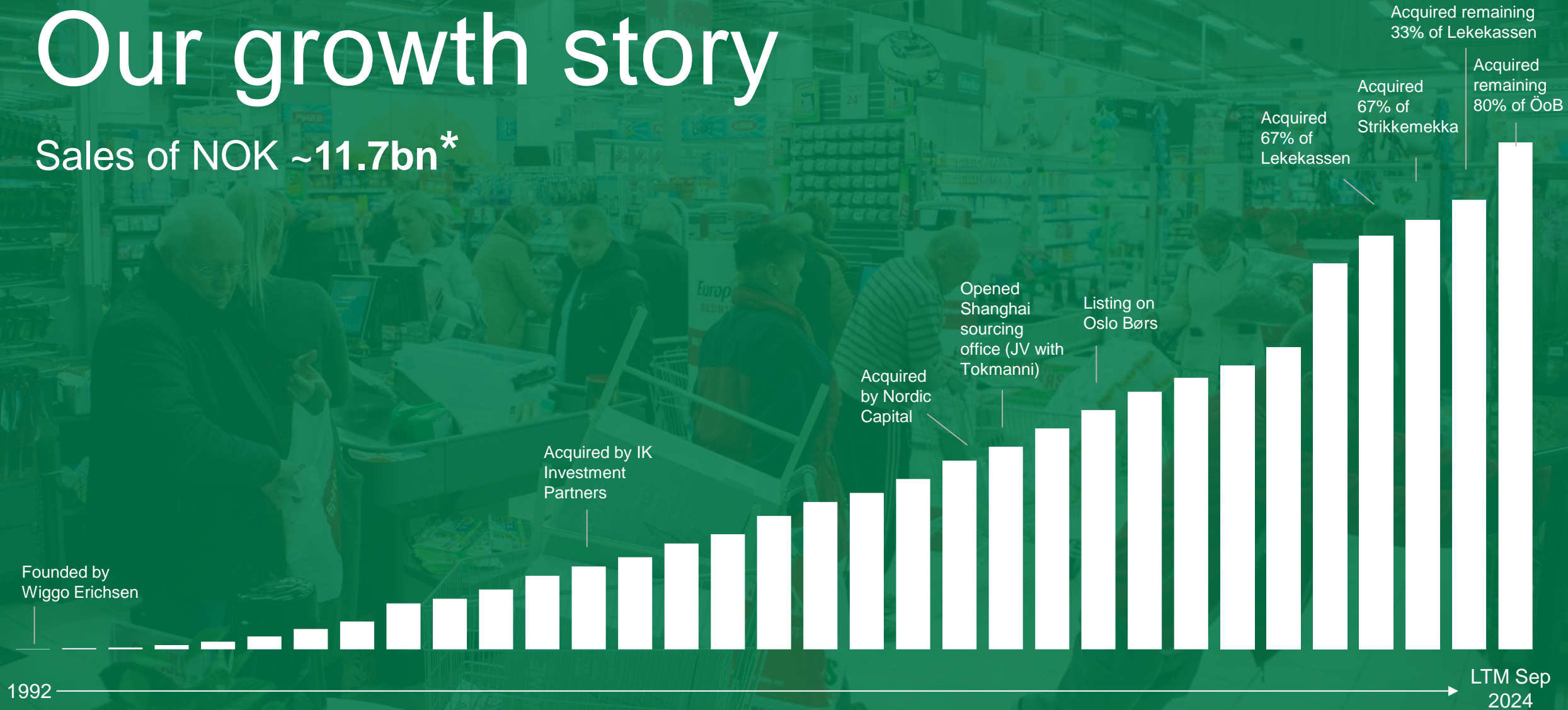
Annual footfall  
**~57**  
million transactions

...with strong concepts across 378 stores



# Our growth story

Sales of NOK ~11.7bn\*



\* Sales includes the Europris chain (directly operated and franchise stores), Lunehjem (consolidated as of March 2021), the Lekekassen group (consolidated as of August 2021), the Strikkemekka group (consolidated as of July 2022) and ÖoB (Runsvengruppen; consolidated as of May 2024)



# Financial highlights - third quarter

- Group sales of NOK 3.2bn, up 50.4%
  - Organic growth of 4.4%
- Gross margin of 39.7%, down 5.6%-p
  - Organic decline of 1.6%-p, and down 1.3%-p excluding unrealised effects from currency hedging
  - Opex-to-sales ratio of 26.5%, on a par with last year both reported and organically
- Group EBIT of NOK 168 million, down NOK 67m
  - Organic decline of NOK 22m, reflecting the gross margin decline
  - Negative EBIT contribution of NOK 45m from ÖoB
- Net profit to parent of NOK 84m, down NOK 60m
  - Unrealised loss on interest rate swaps of NOK 12m vs unrealised profit of NOK 2m last year

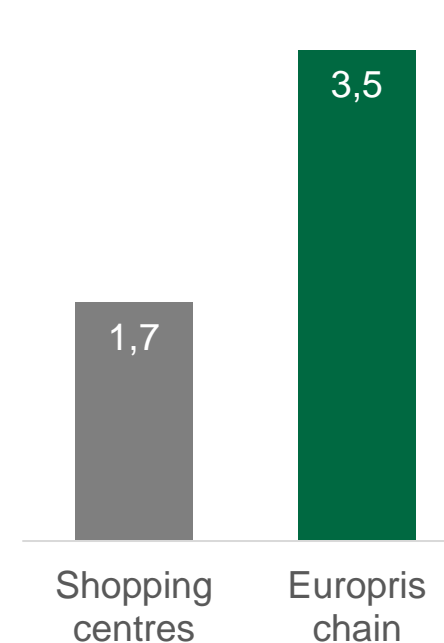


# Satisfactory quarter in a challenging market

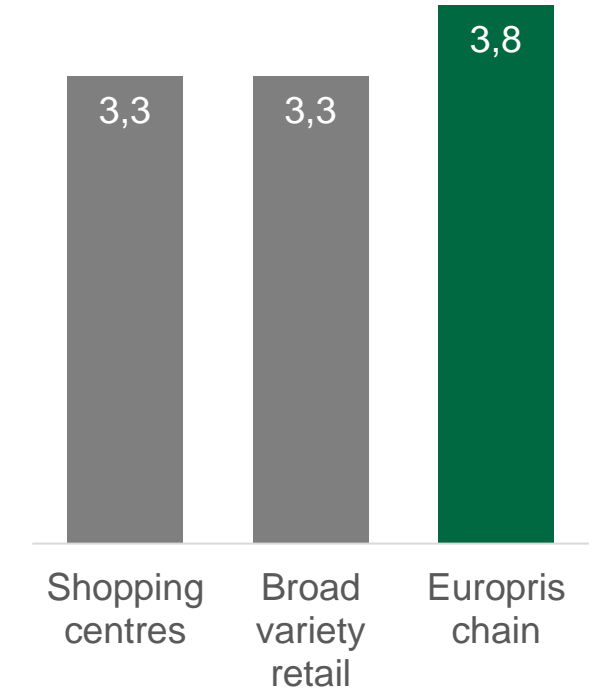


- Our campaign-driven low-price concept remains relevant
- Sales growth mainly driven by campaigns and consumables
- Many consumers remain cautious and hold back on investment purchases
- Higher sales and footfall in the Europris chain
- Flat sales and footfall in ÖoB, which is an improvement from the first half of the year
- Gross margin under pressure from changes in sales mix, higher costs for inbound freight, and a weak NOK

Third quarter year-on-year sales growth (%)



First nine months year-on-year sales growth (%)



High ambitions in Sweden: Grow ÖoB revenues by **SEK 1bn** by 2028 with an EBIT margin of **5%**

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**+1bn**  
SEK



Category harmonisation and joint sourcing



Improve customer experience



Strengthen execution across the value chain

# ÖoB integration process progressing to plan

- Two organisations in good spirits – good collaboration and solid contributions from employees in both Europris and ÖoB
- Change of Country Manager in Sweden, with André Sjøasæt taking charge
- Closed down ÖoB's sourcing offices in China, consolidating operations to Europris and Tokmanni's sourcing office in Shanghai
- Joint sourcing and negotiations progressing according to plan
- ERP project progressing as planned

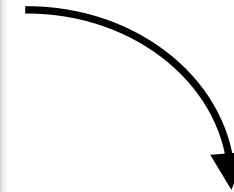




# Implementing “the Europris’ way of working”

**Europris**

- Implementing same stringent management follow-up routines as in Europris
- Regional manager from Europris temporarily relocating to Sweden
- Implementing Europris’ campaign principles and methodology
- Adjusting frequency and structure for the printed direct marketing leaflet
- Adjusting in-store concept for campaigns





# Testing Europris' visual profile in selected stores



# Continued recognition for our climate efforts

- Top score on PwC's climate index for 2024
  - Among the 18 of the 100 largest companies in Norway to receive top rating as a climate leader
- Several key initiatives collectively defining climate leadership:
  - Established climate targets aligning with the Paris Agreement
  - Consistent reduction of absolute emissions past three years
  - Comprehensive reporting on emissions, encompassing both direct operations and the entire value chain
- Adds to recognition from Financial Times and Statista as one of 'Europe's Climate Leaders', and A- score from CDP



# Financials

CFO Stina C Byre

***Europpris***



# Group financials – third quarter highlights



## Key figures group, third quarter 2024

**Sales NOK 3.2bn**

Growth of 50.4%, impacted by acquisition of ÖoB  
Organic growth of 4.4%

**Gross margin 39.7%**

Down 5.6%-p, impacted by lower margin level in ÖoB  
Organic decline of 1.6%-p, or down 1.3%-p excluding unrealised currency

**Opex-to-sales 26.5%**

Unchanged year-on-year, both reported and organic

**EBIT NOK 168m**

Down NOK 67m, impacted by EBIT-loss of NOK 45m for ÖoB  
Organic decline of NOK 22m

**Net profit to parent NOK 84m**

Reduction of NOK 60m, impacted by unrealised loss on interest rate swaps of NOK 12m vs unrealised profit of NOK 2m last year



# Group financials – first nine months highlights



## Key figures group, first nine months 2024

**Sales NOK 8.4bn**

Growth of 30.9%, impacted by acquisition of ÖoB  
Organic growth of 4.1%

**Gross margin 41.2%**

Down 3.2%-p, impacted by lower margin level in ÖoB  
Organic decline of 0.5%-p

**Opex-to-sales 26.0%**

Up ~1.0%-p (reported and organic)

**Group EBIT NOK 613m**

Down NOK 129m, impacted by EBIT-loss of NOK 61m for ÖoB  
Organic decline of NOK 68m

**Net profit to parent NOK 396m**

Reduction of NOK 79m, impacted by unrealised loss on interest rate swaps of NOK 6m vs unrealised profit of NOK 19m last year and positive impact from fair value adjustment of option to acquire remaining 80% of ÖoB of NOK 32m

# Group – cash, debt and liquidity



First nine months

- Cash from operating activities of NOK 365m (734m)
  - More negative net change in working capital than last year, impacted by planned inventory build-up from earlier arrivals and higher volumes of Christmas goods
- Negative net change in cash of NOK 582m (-383m)
  - Net debt of NOK 5,091m (3,852m)
    - NOK 1,614m excluding lease liabilities (1,256m)
- Cash and liquidity reserves of NOK 1,360m (1,363m)

Cash flow, NOK million	Q3 2024	Q3 2023	YTD 2024	YTD 2023	FY 2023
Cash from operating activities	157	526	365	734	1,769
- of which change in net working capital	(211)	163	(508)	(104)	281
Cash used in investing activities	(25)	(33)	(92)	(343)	(358)
Cash from financing activities	(167)	(284)	(855)	(774)	(1,199)
<b>Net change in cash</b>	<b>(35)</b>	<b>209</b>	<b>(582)</b>	<b>(383)</b>	<b>212</b>
Cash at beginning of period	129	(128)	676	464	464
Cash at end of period	94	81	94	81	676

Key financials	Q3 2024	Q3 2023	YTD 2024	YTD 2023	FY 2023
Net debt (excl. lease liabilities)	1,614	1,256	1,614	1,256	371
Cash and liquidity reserves	1,360	1,363	1,360	1,363	2,205



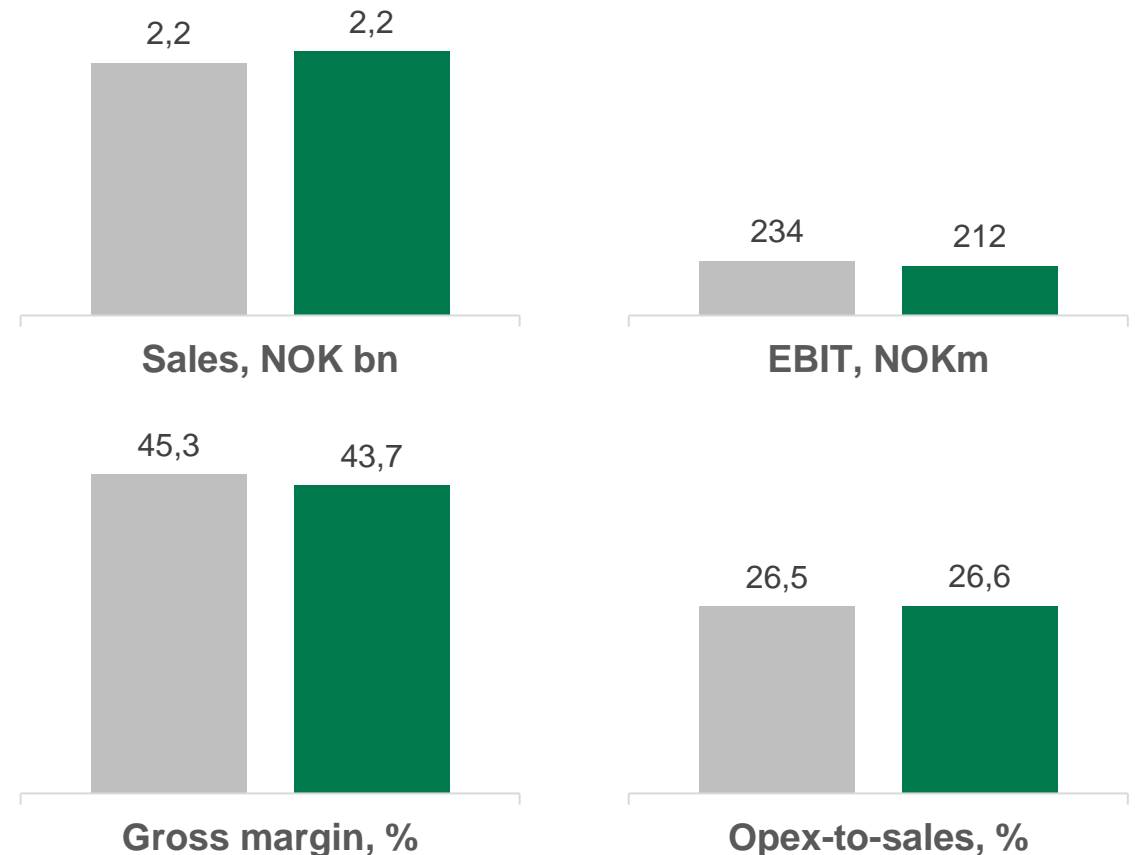
# Segment Norway – third quarter

## Highlights Norway

- Sales of NOK 2.2bn, up 4.4%
- Gross margin decline of 1.6%-p, or down 1.3%-p excluding unrealised currency effects, stable opex-to-sales and EBIT decline of 9.3%
- LFL growth of 2.9% for the Euopris chain
- Higher footfall, campaigns and upgraded categories drivers of growth
- Sales of NOK 155m from pure play companies, up 11.6%, attributable to Strikkemekka
- Private label yarn sourced together with Euopris welcomed by customers
- Soft launch into Germany (yarnmania.de)
- Recruited VP Digital Commerce to ensure more support and improved follow-up of pure play companies

## Key figures Norway, third quarter

■ 2023  
■ 2024



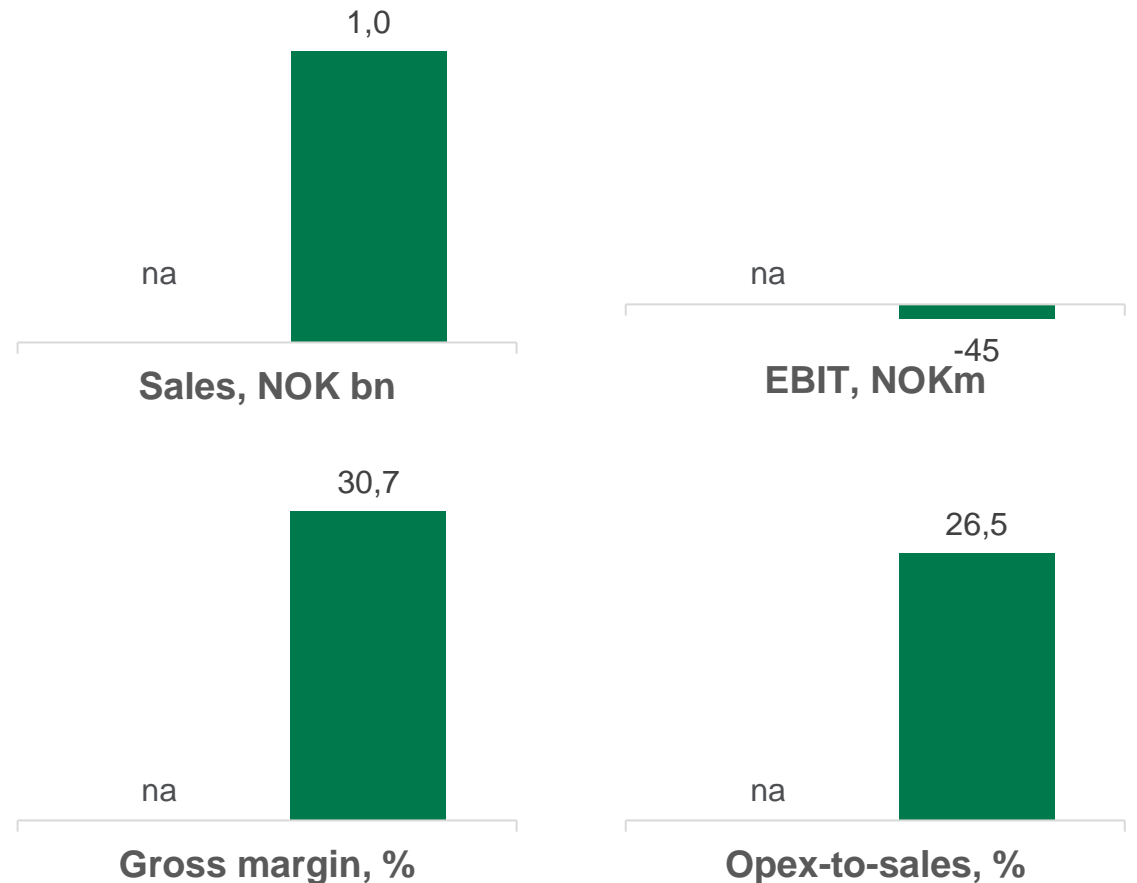
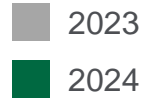


# Segment Sweden – third quarter

## Highlights Sweden

- Sales of NOK 1bn with gross margin of 30.7% and an EBIT-loss of NOK 45m in the third quarter
- Stable footfall and LFL sales (local currency SEK)
- Growth in campaign sales
- Higher sales of consumables, while non-food had sales decline - impacted by low inventories and limited availability of goods

## Key figures Sweden, third quarter





# Outlook

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# Ready for the important upcoming fourth quarter

- Long period with high inflation and higher interest rates have led to price consciousness and cautious spending
  - Campaigns and consumables drive sales growth but puts pressure on the gross margin
- Improving outlook for consumer sentiment – although volume growth expected to take some time
  - Inflation coming down in Norway and Sweden
  - Interest rates already on the way down in Sweden and expected down in 2025 in Norway
  - Real wage growth expected this and next year
- Secured sufficient inventory for the important Christmas season
- Turnaround plan for ÖoB progressing according to plan – confident in ambition to reach sales of SEK 5 billion and 5% EBIT margin in 2028



# Q&A

Next event: Q4 presentation 29 January 2025

# Appendix

# Content



Long-term financial and operational ambitions

Sales days and store projects

Analytical information

Alternative Performance Measures (APM's)

# Long-term financial and operational ambitions - segment Norway



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



# Sales days and store projects – segment Norway



## Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2023	77	71	79	79	306
2024	75	73	79	80	307
2025	76	71	79	81	307

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

2023	Q1	Q2	Q3	Q4	Total
New stores	2	2	1	2	7
Store closures	-	-	1	-	1
Relocations / expansions	3	2	1	-	6
Modernisations	3	3	2	(1)	9

2024E	Q1	Q2	Q3	Q4	Total
New stores	-	-	-	1	1
Store closures	-	-	-	-	-
Relocations / expansions	3	6	3	2	14
Modernisations	5	2	2	-	9

Note: Number of projects in 2024 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.

# Sales days – segment Sweden

## Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2023	89	91	92	91	363
2024	90	91	92	91	364
2025	89	91	92	91	363

# Analytical information<sup>1</sup> – segment Norway



Seasonality	<ul style="list-style-type: none"><li>As a rule-of-thumb, the Easter impact is approximately NOK 65-80 million in revenue and NOK 13-16 million in EBITDA</li></ul>
Quarterly Opex	<ul style="list-style-type: none"><li>Europris stores: as a rule-of-thumb, Opex in quarter one year earlier + inflation + NOK 1.6-1.7 million per extra directly operated store (DOS)</li></ul>
Capex	<ul style="list-style-type: none"><li>New store – NOK 2.4 million per store (average of five per year)</li><li>Relocation – NOK 1.7 million per store (average of 10 per year)</li><li>Modernisation – NOK 1.5 million per store (average of 10 per year)</li><li>Category development – NOK 15 million per year</li><li>IT and maintenance – NOK 30 million per year</li> <li>In addition, for 2024: IT (ERP/POS) of NOK 15 million and warehouse (automation expanded high-bay area) of NOK 30 million</li></ul>
Rent	<ul style="list-style-type: none"><li>Majority of contracts are CPI-adjusted</li><li>Recognised under IFRS-16 leases</li></ul>

<sup>1</sup> 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.

## Sales

Sales is the same as the IFRS definition of total operating income.

## 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 / Opex-to-sales ration

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 margin

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.

## Europris: 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.

## Constant currency

Constant currency is the exchange rate which the group uses to eliminate the effect of exchange rates fluctuations when calculating financial performance numbers.

## Segment Norway

The Norway segment includes Europris and the pure play companies Lekekassen, Strikkemekka and Lunehjem.

## Segment Sweden

The Sweden segment includes the ÖoB chain.

## Pure play

Pure play includes the Lekekassen group, the Strikkemekka group and Lunehjem.

## 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 all stores under the brand name Europris and ÖoB. Europris has both directly operated stores and franchise stores while ÖoB only has directly operated stores.

## Like-for-like (LFL) sales growth

LFL 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. LFL is calculated in constant currency.

## Organic growth

Organic growth is defined as the growth excluding any structural changes (acquisitions or sale of companies). Segment Sweden has been excluded in organic growth for the group.