

Q1 2019 presentation

25 April 2019

Norway's #1 discount variety retailer

Euopris
MER TIL OVERS



Customers

- 31 million customer transactions in 2018
- Widely recognised brand and price position¹



Marketing

- Over 1 million leaflets in distribution
- More than 300 000 subscribers to digital newsletter



Stores

- Cost-efficient locations and operations
- 224 of 238 like-for-like (LFL) stores profitable in 2018
- Track-record of 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 Q2 2019



Sourcing

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

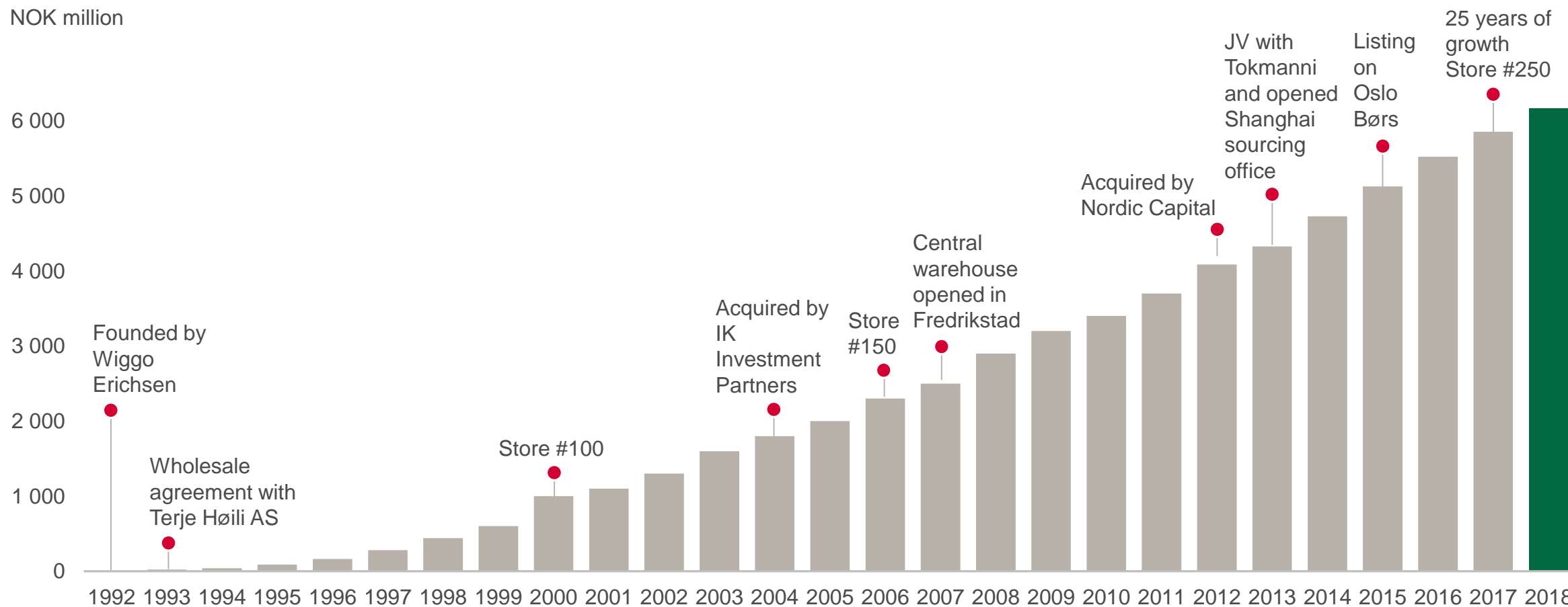


¹ Mediacom annual market survey

Europris – a growth story



NOK million

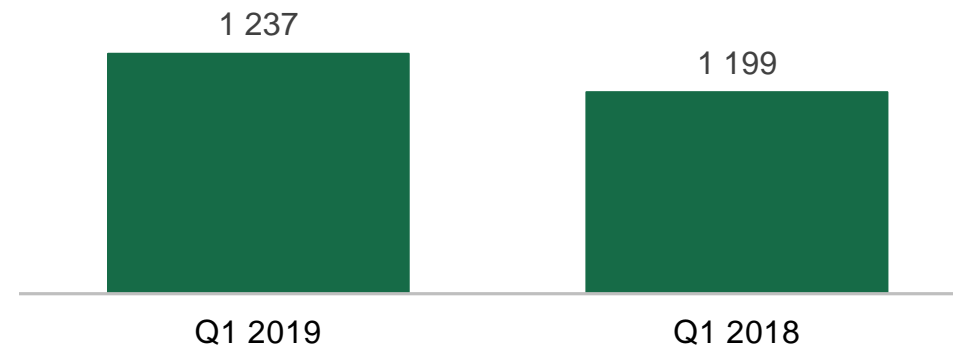


Highlights in the first quarter

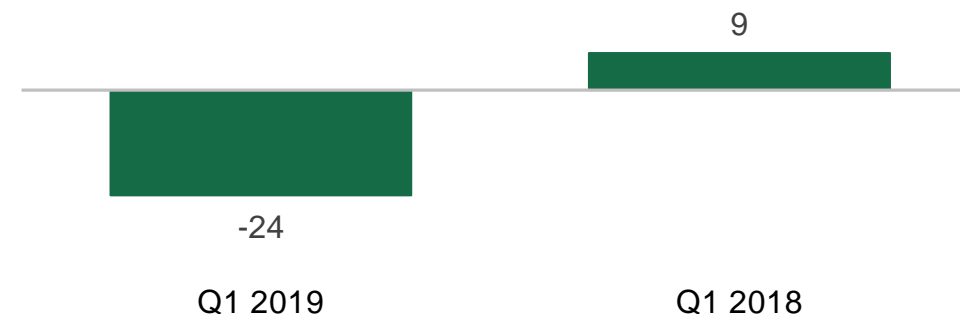


- Strong top line growth driven by number of customers
 - Sales negatively affected by around 5% (NOK 60m) because of the timing of Easter
 - Comparable figures per 4th week of April - mid-single-digit LFL growth
 - Group revenue for the quarter was NOK 1,237m (NOK 1,199m)
- Stable gross margin at 41.4% (41.2%)
- OPEX affected by increased costs related to high fill-rate at the central warehouse, additional costs of NOK 11m
- Promising introduction of first Europris City concept store
- New warehouse on schedule – first operations to start during May
- Adjusted net loss of NOK 24m (profit of NOK 9m)

Group revenue (NOK million)



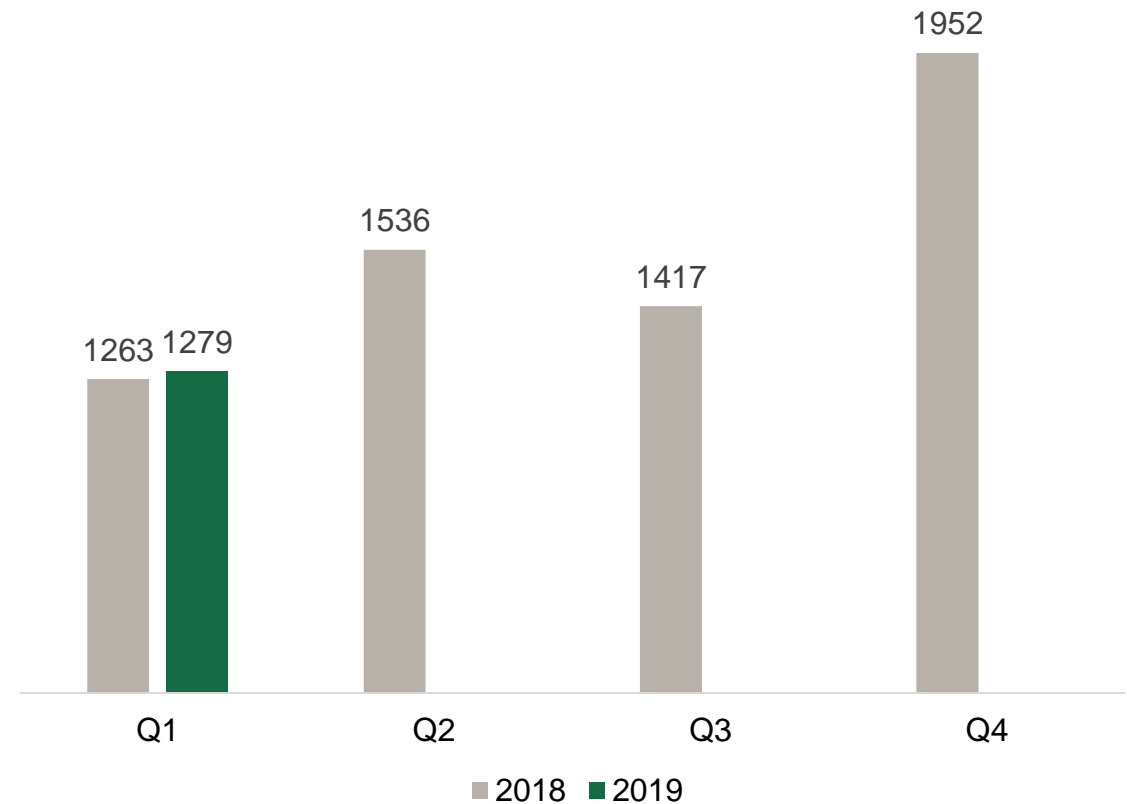
Adjusted net profit (NOK million)



Sales performance

- Total retail sales growth of 1.3% in Q1, well above total market growth of 0.3%⁽¹⁾
- Timing of Easter distorts comparability
- Number of customers is the main growth driver
- Continued capitalisation on the efforts to increase central control of volumes and spacing in the stores
- Focus on implementing the weekly sales campaigns
 - Reduce sold-out conditions
 - Improve customer satisfaction and price position

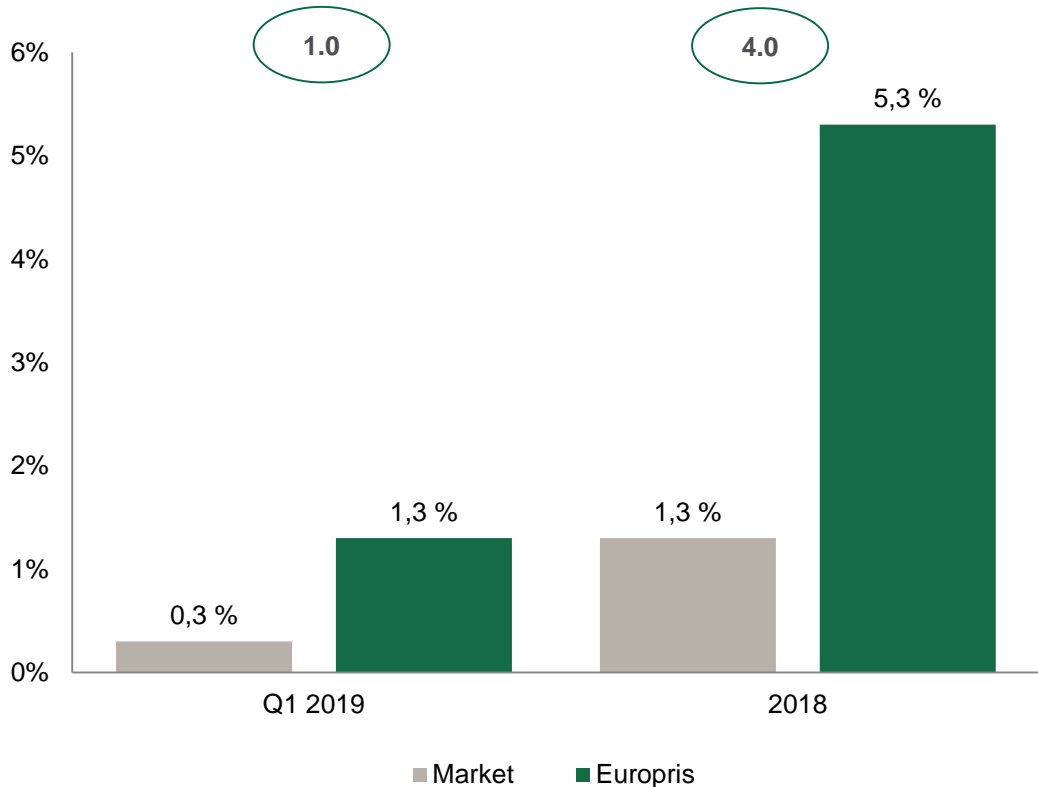
Retail sales per quarter (NOK million)



(1) According to Kvarud Analyse shopping centre index

Comparability affected by timing of Easter

Total growth development

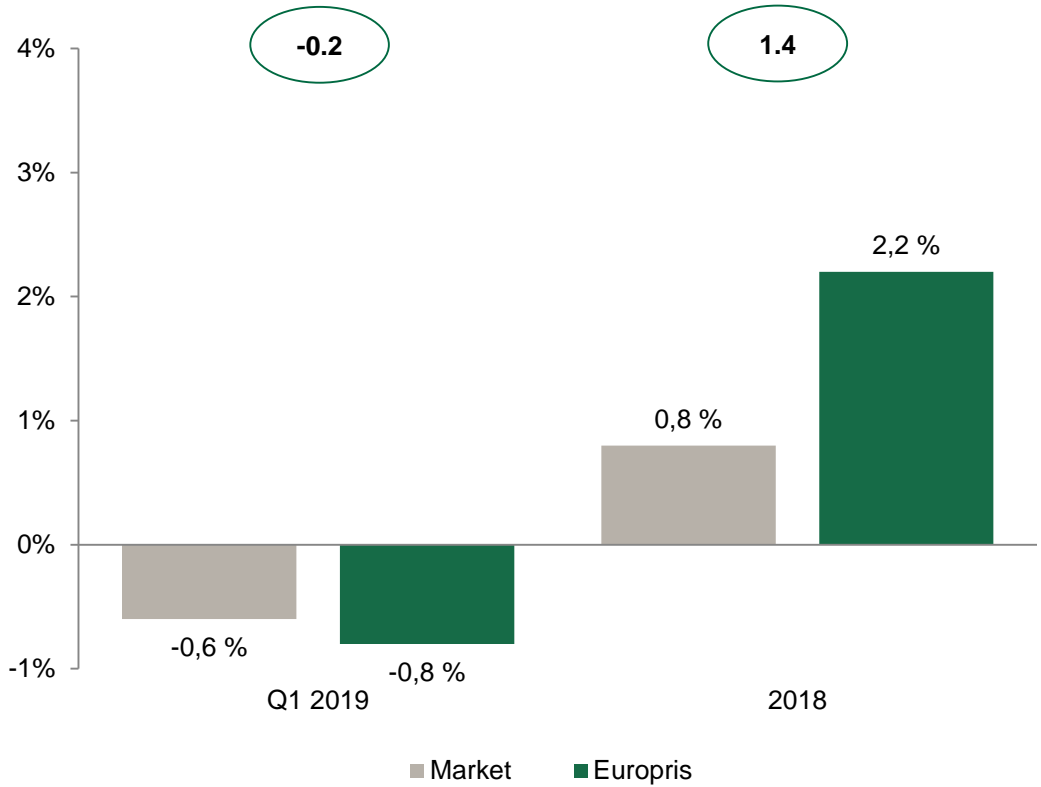


% points

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

LFL development

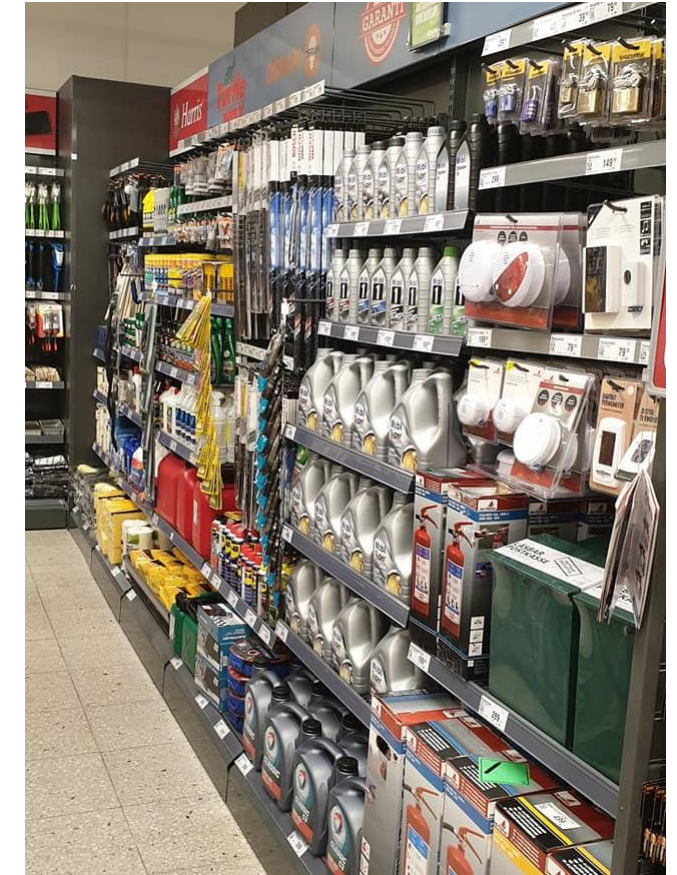
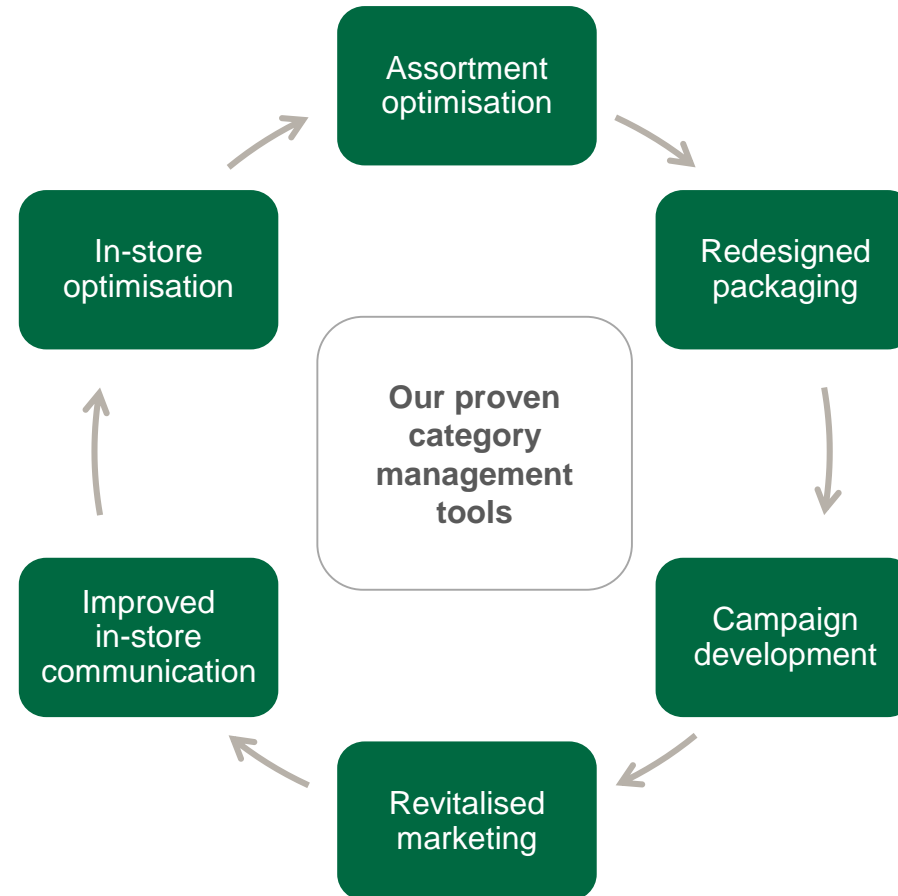
Y-o-Y LFL growth (%)



Be the **best** discount
variety retailer **in Europe**



Refining Handyman category to improve sales and profitability



New product ranges in the Grocery category



Non-prescription medications and health care



Bijouterie

Euopris City store concept introduced

- First City concept store opened in March
 - Gunerius shopping centre, down town Oslo
- Sales space of 400 sqm
- Streamlined product range focused on:
 - Consumables
 - Home and interior
- Terminals for on-line shopping
- Euopris explore potential for further City stores



Developing the store estate

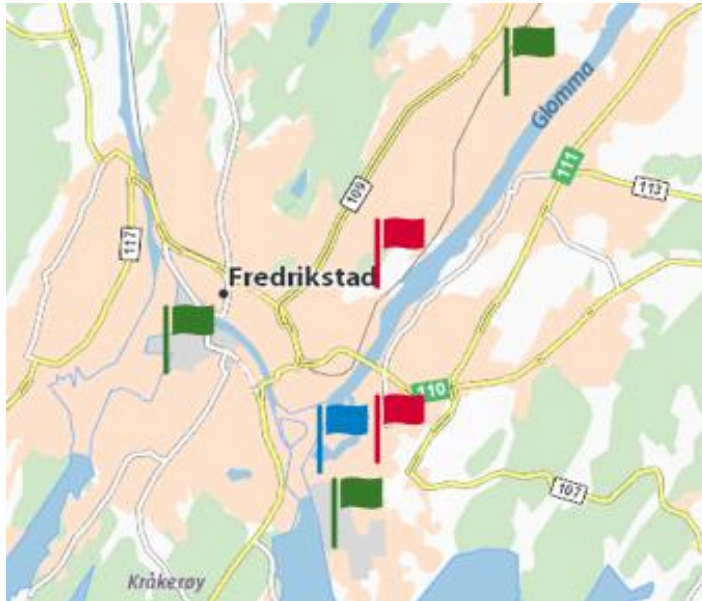
- One new store opened in the quarter
 - Gunerius, down-town Oslo
- One store expansion in the quarter
 - Stord in Hordaland county
- 12 stores in pipeline for 2019 and beyond
 - Six new stores expected in 2019
 - Four of the stores are subject to local authority planning processes
- The store at Grini in Akershus is at risk
 - According to local municipal authorities the store operates in violation with local planning permissions
 - Awaiting final decision from the court
 - Risk for lost annual sales of NOK 51m and one-off costs in the range NOK 5-8m






Opening of Euopris City, Gunerius

Entering the transition period for the new warehouse *Euopris* MER TIL OVERS

From inefficiency (2019)

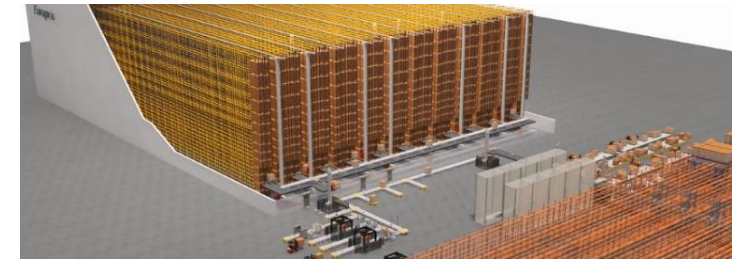


-  - Main production sites
-  - Buffer storage
-  - 3PL handling

To efficiency (2020/2021)



To Nordic retail best practice (2021/2022)



Overview of the transition period

2019

- 1 May: Take over of new warehouse in Moss
- Q2: Operation start in low-bay area. Start testing of high-bay automation
- Q2: Lease expires at one small warehouse in Fredrikstad
- Q3: Lease expires at the second largest warehouse in Fredrikstad

2020

- H1: Operation start in high-bay area
- H1: Lease expires at two smaller warehouses in Fredrikstad
- H2: Start testing of automation in low-bay area

2021

- H1: Start of automated shuttle solution in low-bay area
- H1: All distribution out of the new warehouse in Moss

2022

- 28 Feb: Lease expires at the largest warehouse, Øra in Fredrikstad

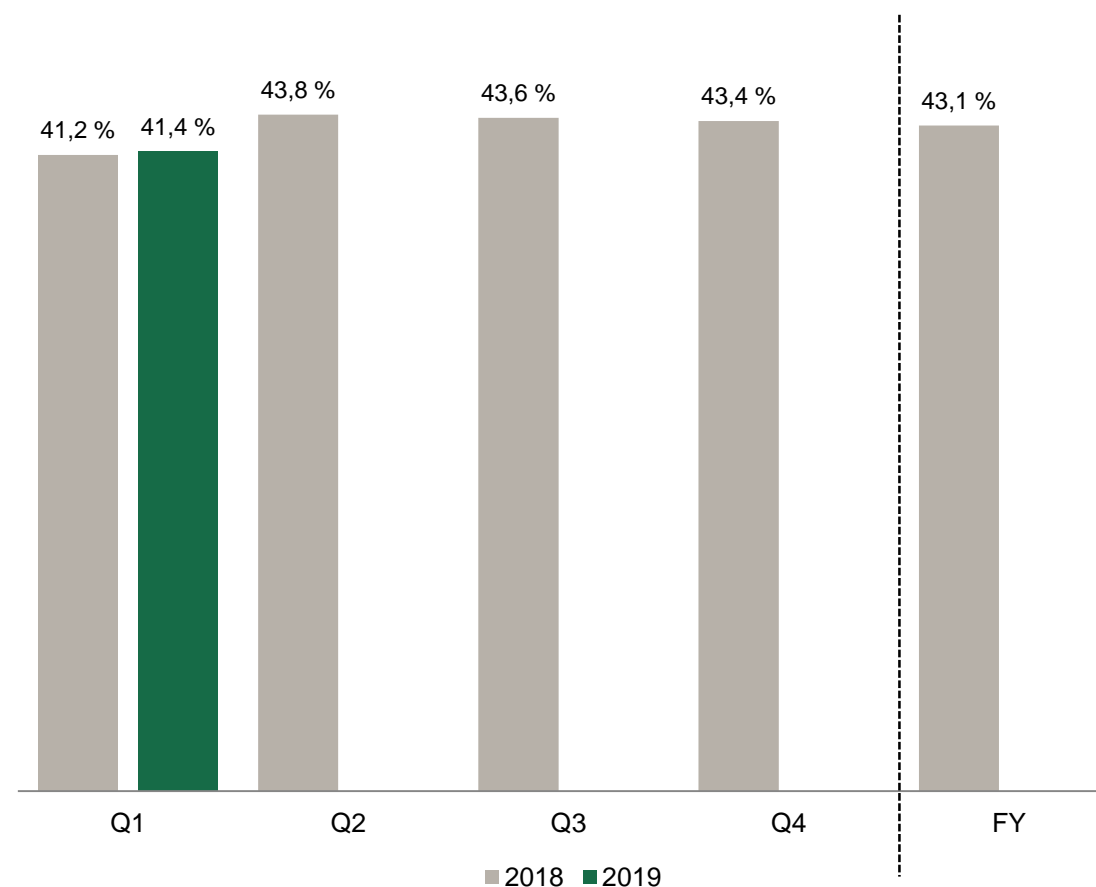
Financial review



Gross margin development

- Gross margin was 41.4% in Q1 2019 vs. 41.2% in Q1 2018
- Timing of Easter distorts comparability
 - Last year includes sales of lower margin seasonal products
- Effect of the changes in sugar tax:
 - The increase in sugar tax in 2018 had a positive effect of NOK 12m, of which NOK 5m was booked in Q1
 - The reversal of the sugar tax in 2019 had a negative effect of NOK 8m, of which full effect was booked in Q1

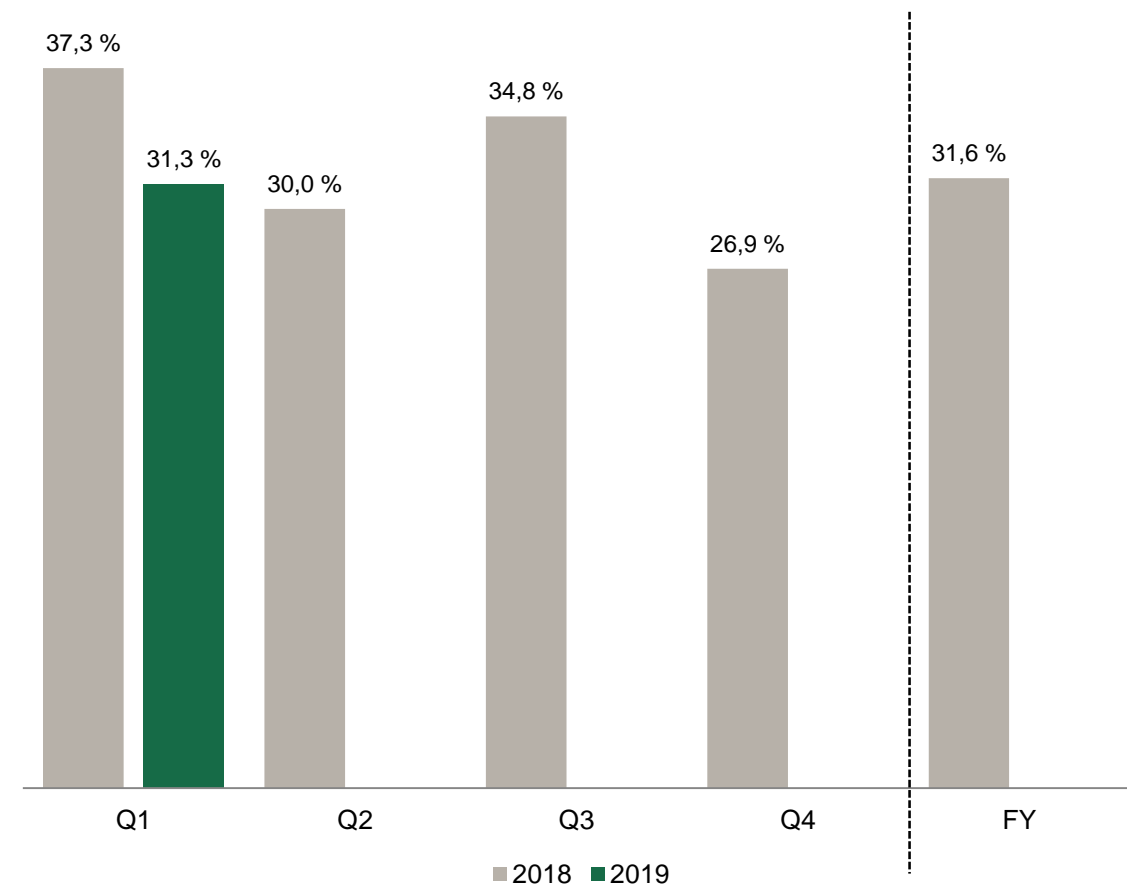
Gross margin



OPEX development

- OPEX in % of revenue was 31.3% in Q1 2019 vs. 37.3% in Q1 2018
 - Adjusted for IFRS 16 effect, the OPEX ratio was 39.5%
- Number of directly operated stores increased from 211 to 224, up by 6.2%
- High fill-rate at central warehouse causes capacity constraints
 - Early arrival of summer seasonal products, late Easter and too high base-range inventory in some categories
 - Extra use of 3rd party handling, personnel costs and container rent amounting to NOK 11m
 - Corrective actions taken, but will take 3 to 6 months
 - Expect additional costs of around NOK 15m in Q2 and NOK 5-10m in Q3

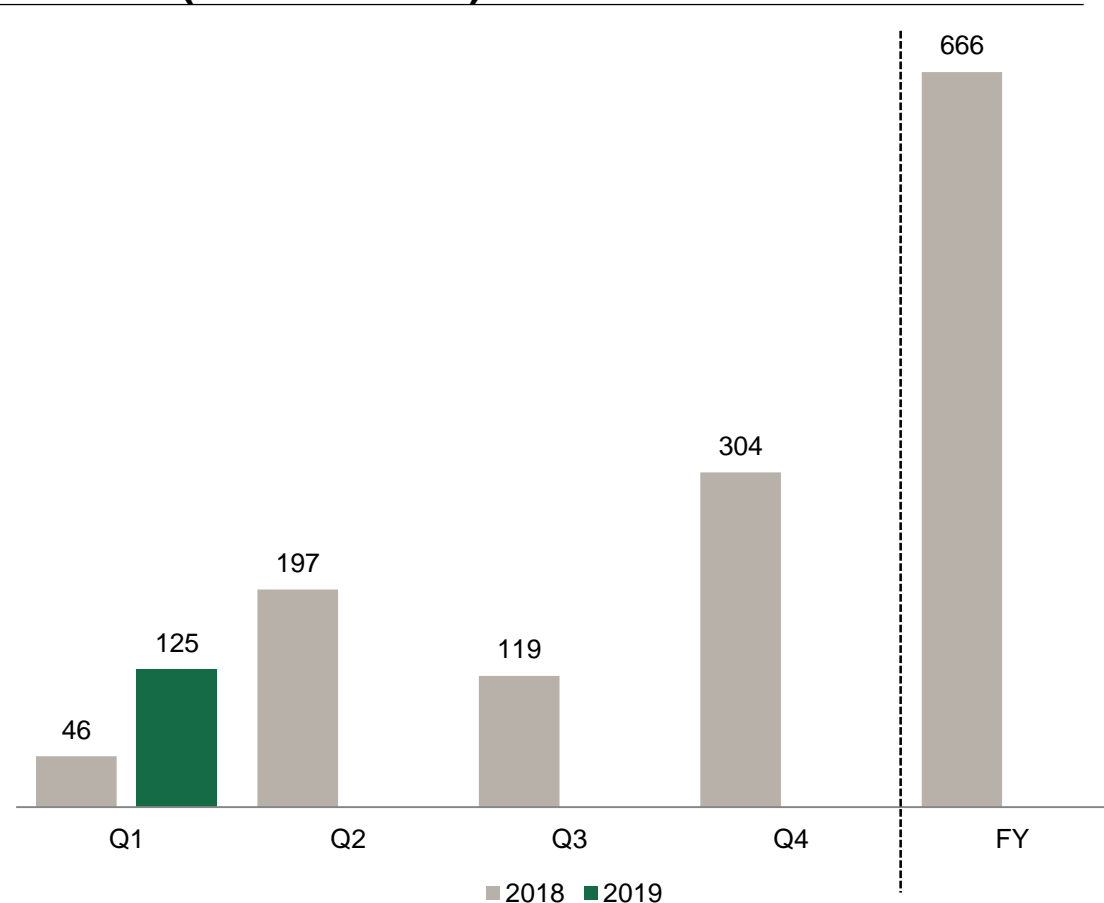
OPEX in % of group revenue



EBITDA development

- EBITDA was NOK 125m in Q1 2019 vs NOK 46m in Q1 2018
 - Adjusted for IFRS 16 effect, the EBITDA was NOK 23m
- EBITDA affected by timing effects and one-off's of around NOK 35m
 - Timing of Easter
 - Changes in sugar tax
 - Increased OPEX following the high fill-rate at central warehouse

EBITDA (NOK million)



Cash flow

- Cash flow in the quarter reduced from last year due to increased inventory at the central warehouse
- IFRS 16 has no net cash effect
 - Cash from operating activities increase
 - Cash used in investing activities increase
 - Cash from financing activities decrease

Cash flow, NOK million	Q1 2019	Q1 2018	FY 2018
Cash from operating activities	(301)	(298)	350
- of which change in net working capital	(343)	(260)	(169)
Cash used in investing activities	(73)	(24)	(92)
Cash from financing activities	(43)	(1)	(413)
Net change in cash	(417)	(323)	(155)
Cash at beginning of period	427	582	582
Cash at end of period	10	259	427

Outlook



- Continued growth in long-term revenue and profits supported by the group's leading position in an expanding retail segment
- Short-term impacted by higher OPEX related to capacity constraints at central warehouse
- Transforming Europris to an omni-channel retailer through e-commerce and e-crm
- Healthy pipeline of new stores
 - Twelve stores planned for 2019 and beyond
- One franchise takeover completed in April and 1-2 additional takeovers expected during 2019



On the quest to be the best

The goal is to be the best in all four areas below

Price	Number 1 in price perception in Norway, the fight for lower prices continues
Concept	Continuous development, focus on customer need-based flow and distinct shop-in-shop
Value chain and cost efficiency	Nordic sourcing, new warehouse and automation of operations to improve further
Execution and culture	Continue to build on our strong company culture and dedicated employees

Q&A

Next event: Q2 presentation 12 July 2019

Appendix

Appendix

Sales days and store projects

Analytical information

APM's

Sales days and store projects

Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2017	77	71	79	79	306
2018	75	73	78	80	306
2019	76	71	79	80	306
2020	77	72	79	79	307

Number of store projects (franchise projects in brackets)

2018	Q1	Q2	Q3	Q4	Total
New stores	2	4	1	2	9
Store closures	-	-	-	1	1
Relocations	2	1 (1)	2 (1)	(1)	5 (3)
Modernisations	5	2	1	1	9

2019E	Q1	Q2	Q3	Q4	Total
New stores	1	4	1	-	6
Store closures	-	-	-	-	-
Relocations	-	3	(1)	3	6 (1)
Modernisations	7	2	5 (1)	1	15 (1)

Note: Number of projects in 2019 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 info¹

Seasonality	<ul style="list-style-type: none">• As rule-of-thumb, the Easter impact is approximately NOK 50 million in revenue and NOK 10 million of EBITDA
Quarterly OPEX	<ul style="list-style-type: none">• As rule-of-thumb, OPEX in year ago quarter + inflation + NOK 1.5 – 1.6 million per extra directly operated store (DOS)
CAPEX	<ul style="list-style-type: none">• New store – NOK 2.3 million per store (5 per year)• Relocation – NOK 1.5 million per store (10 per year)• Modernisation – NOK 1.0 million per store (10 per year)• Category development – NOK 10 million per year• IT & Maintenance – NOK 35 million per year
Estimated one-time CAPEX items 2019	<ul style="list-style-type: none">• New warehouse and new head office of approximately NOK 30 million (IT, system integration, fixtures and fittings)

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

Analytical info: New warehouse

NOK million	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	2020	2021	2022
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Investments

IT, office equipment and other (CAPEX)		~10	~5		~15	~5		
Automation, part 1 (lease)	15	~25	~30	~40	~110	~5		
Automation, part 2 (CAPEX)		~20	~10	~35	~65	~50		

OPEX items

Ordinary rent	14	19	19	19	70	71	53	41
Redundant warehouse capacity in 2019 and Øra lease from H2 2021 (lease ends March 2022)		1	4		~6		0-13	0-5
Non-recurring moving costs		5-10			5-10	3-5	3-5	

Alternative performance measures (APMs)

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.	Working capital is the sum of inventories, trade receivables and other receivables less the sum of accounts payable and other current liabilities
Opex is the sum of employee benefits expense and other operating expenses.	Capital expenditure is the sum of purchases of fixed assets and intangible assets
EBITDA (earnings before interest, tax, depreciation and amortisation) represents gross profit less Opex.	Net debt is the sum of term loans and financial leases less bank deposits and cash
Adjusted EBITDA is EBITDA adjusted for nonrecurring expenses.	Directly operated store means a store owned and operated by the group
Adjusted profit before tax is net profit before tax adjusted for non-recurring items	Franchise store means a store operated by a franchisee under a franchise agreement with the group
Adjusted net profit is net profit adjusted for non-recurring items	Chain means the sum of directly operated stores and franchise stores
Adjusted earnings per share is adjusted net profit divided by the current number of shares, adjusted by the monthly average of treasury shares	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