

# Capital Markets Update

December 2022

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# From good to great

CEO Espen Eldal

# Capital Markets Update 2022 – Agenda



<b>Date</b>	8 December – 2022		
<b>Time</b>	09:00 – 12:30		
<b>Place</b>	Oslo + webcast		
<b>Agenda</b>	09:00 – 09:45	Europris – “From good to great”	Espen Eldal, CEO
	09:45 – 10:05	Lekekassen	Andreas Skalleberg, CEO, Lekekassen
	10:05 – 10:30	Growth strategies and sustainability	Renate B Spernes, VP strategy and sustainability
	10:30 – 10:45	<i>Break</i>	
	10:45 – 11:10	Financials and goals	Stina C Byre, CFO
	11:10 – 11:15	Concluding remarks	Espen Eldal, CEO
	11:15 – 11:30	Q&A	
	11:30 – 11:50	International variety retail perspectives	Jeroen van Dorp, head of consumer retail, cross market group, EMEA Goldman Sachs
	11:50 – 12:30	Fireside chat and lunch Development of the retail market in Norway	Espen Eldal, CEO Renate B Spernes, VP strategy and sustainability  Harald Jackwitz Andersen, director, Virke Britt Otterdal Myrset, partner, Deloitte Derya Incedursun, private economist, Nordea



What does “good” look like?

# Norway's discount variety retailer



Strong brand and loyal customer base



Low prices and powerful marketing and campaign engine



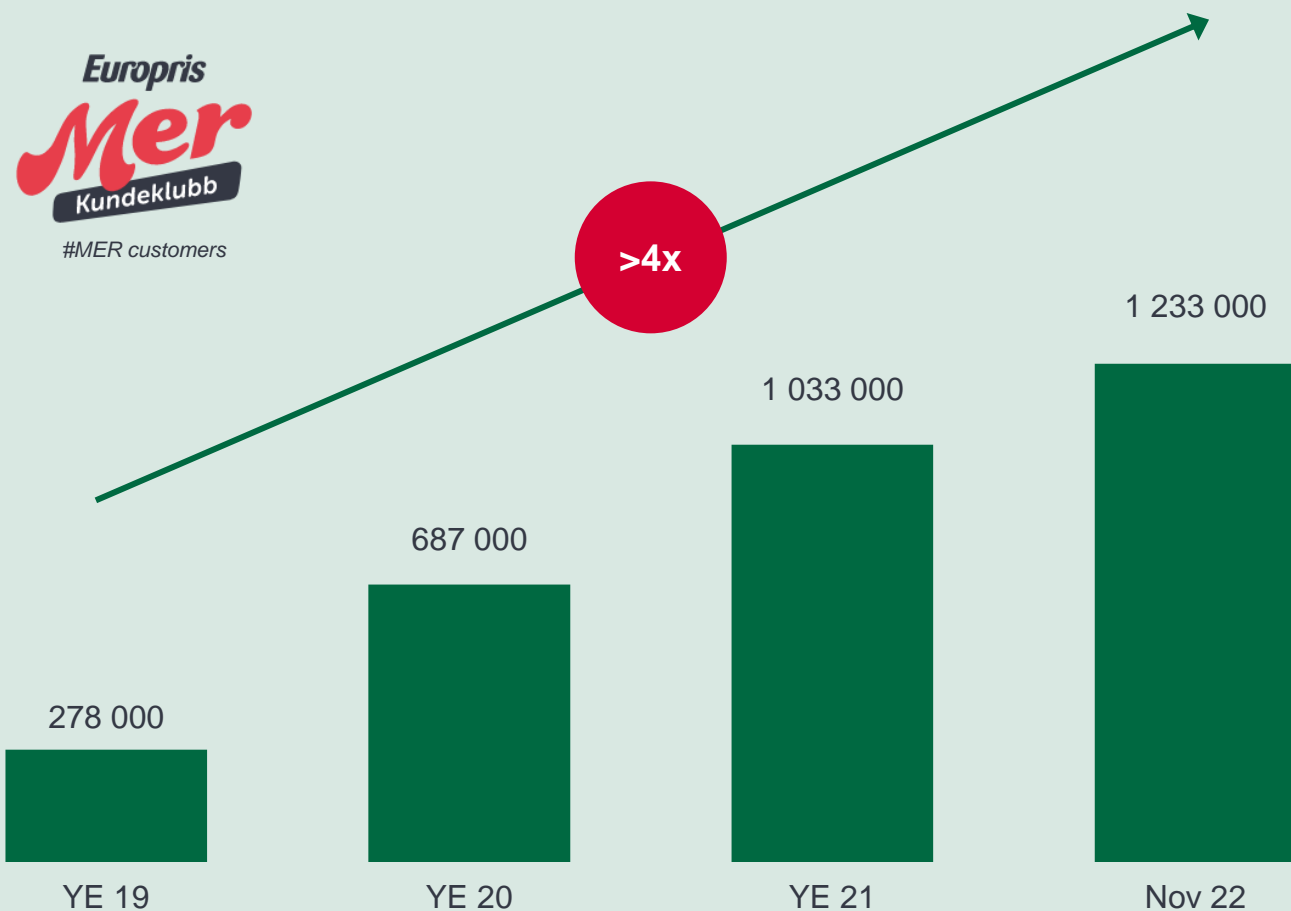
Proven category management model



Expanding store network and e-commerce operation



# A growing loyal customer base



**1.2 million**  
customer club members

**35 million**  
transactions annually



# Powerful marketing and campaign engine



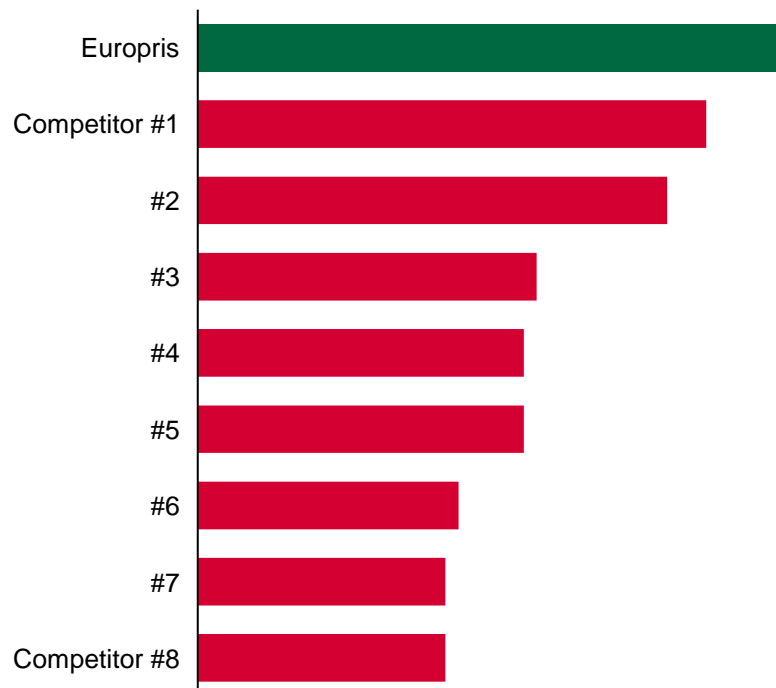
Prices for our front-page products are unbeatable ...



Weekly leaflet with circulation to  
**about 1 million** households

... and customers know it

Where do you think you can get a bargain<sup>1</sup>?



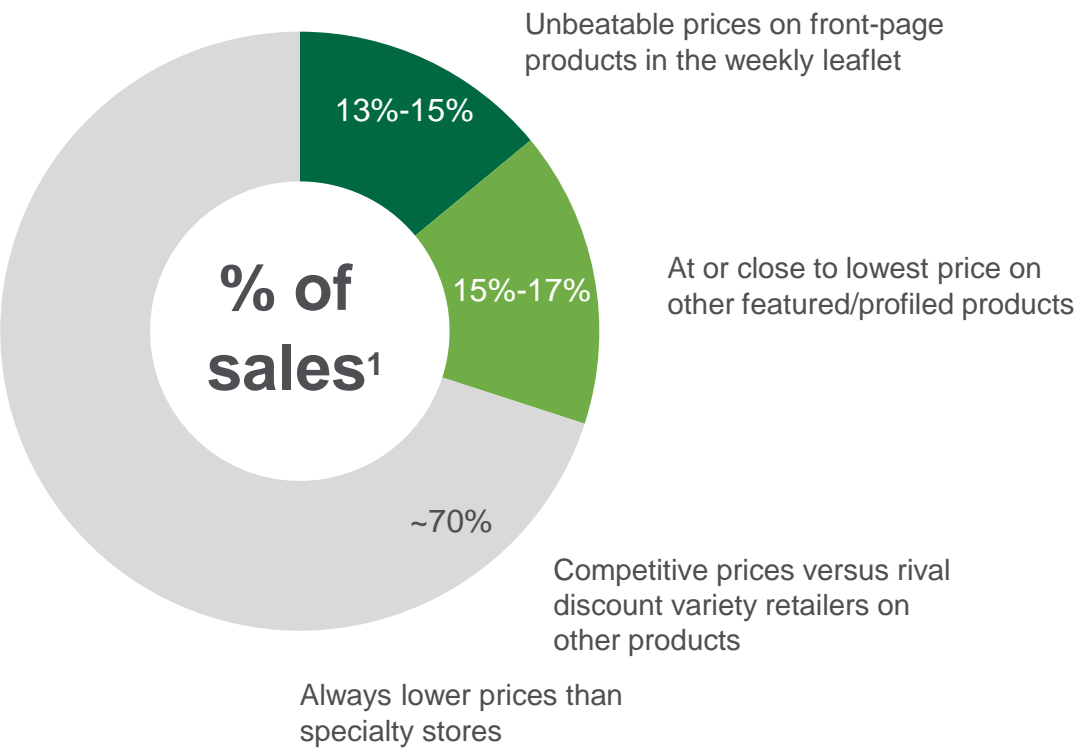
<sup>1</sup> MediaCom Brand Tracker 2022, across Europris, Clas Ohlson, Nille, Jysk, Biltema, Coop OBS, Normal, Rusta and Julia



# Our campaigns drive traffic

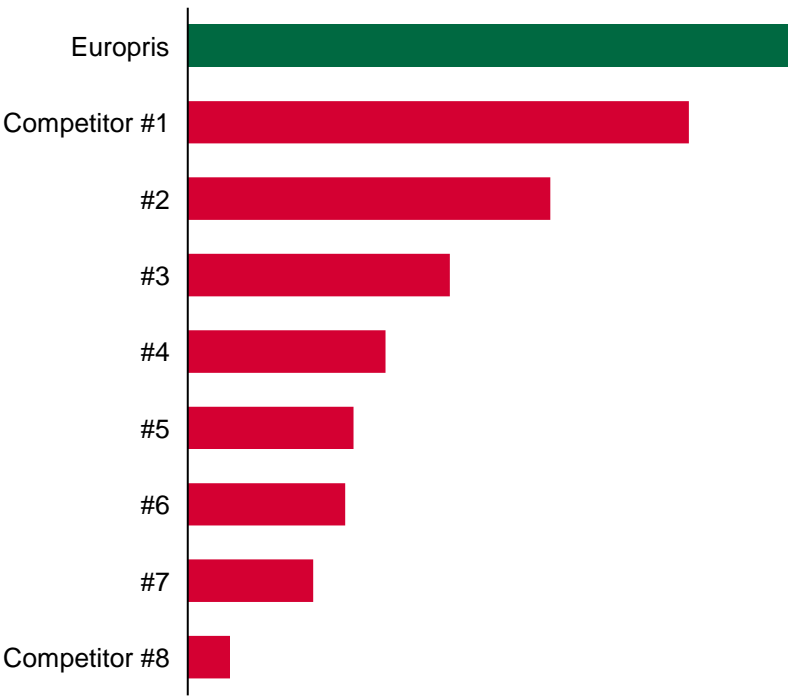


## Featured products support the low-price perception ...



## ... and increase shopping frequency

Where do you shop at least monthly<sup>2</sup>?



<sup>1</sup> Percent of sales in the Europris chain (directly operated and franchise stores)  
<sup>2</sup> MediaCom Brand Tracker 2022, across Europris, Clas Ohlson, Nille, Jysk, Biltema, Coop OBS, Normal, Rusta and Julia

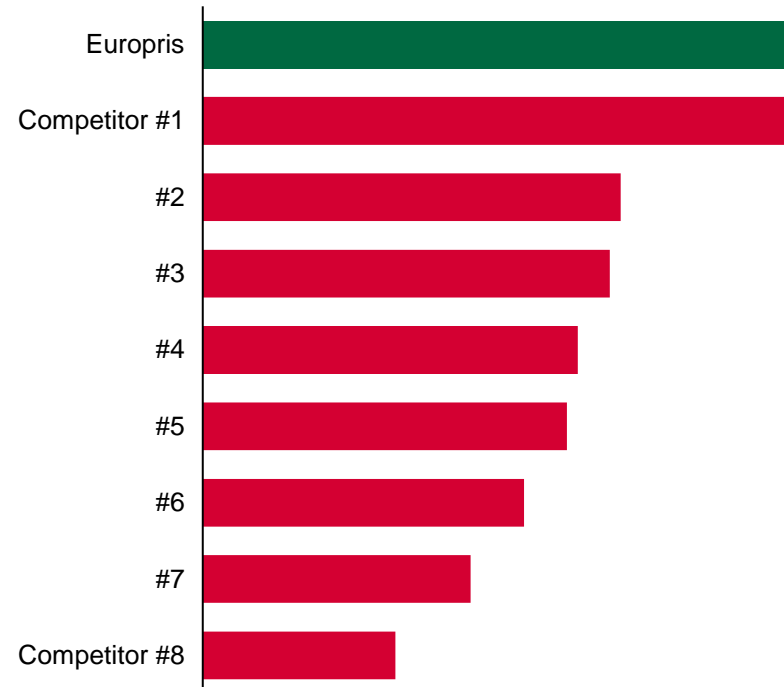
# Established price leadership

## Well positioned in current tough market environment

- Low-price concept well suited for the current tough market environment
  - Consumer confidence at low levels, with inflation and interest rates reducing disposable household incomes
- Has further sharpened the focus on daily consumables with low price points
  - Entered the fourth quarter well stocked and ready for the important seasons

## Recognised as a price leader

Which chains do you think have generally low prices<sup>1</sup>?



<sup>1</sup> MediaCom Brand Tracker 2022, across Europris, Clas Ohlson, Nille, Jysk, Biltema, Coop OBS, Normal, Rusta and Julia

# Champion of the seasons

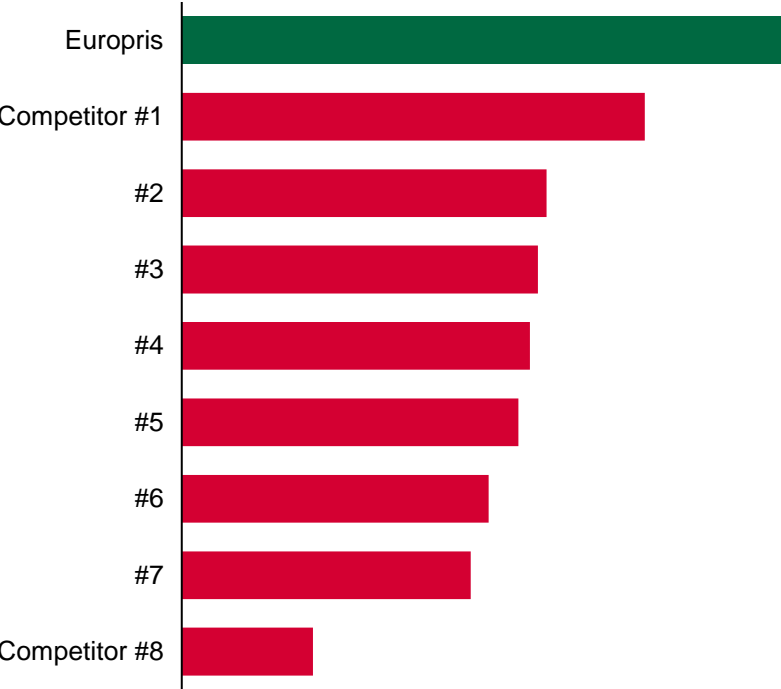


## Seasonal campaigns and store layouts aligned



## Shifting focus according to seasons

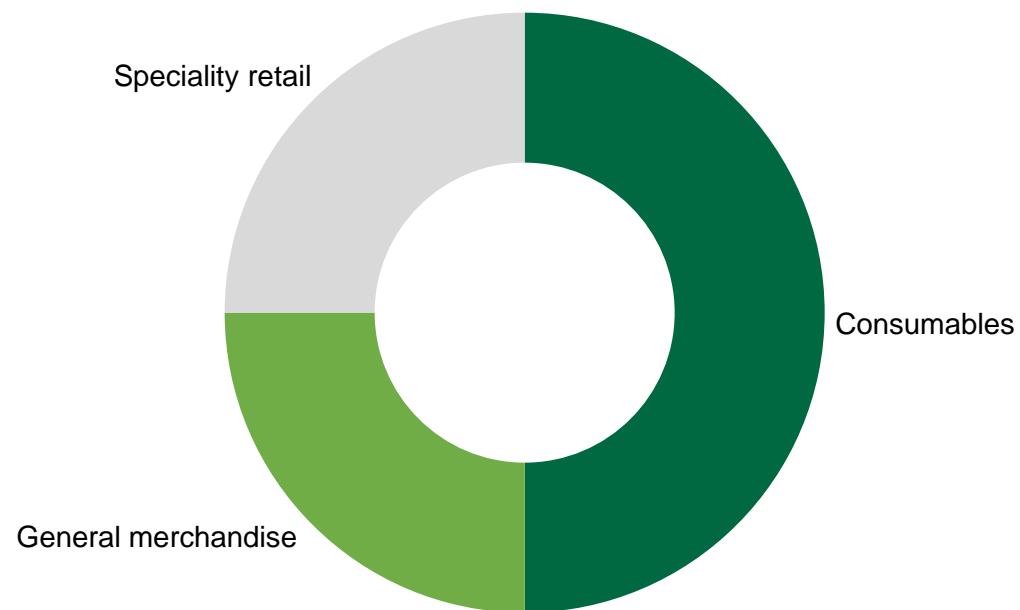
Which chains do you think have a seasonal range<sup>1</sup>?



<sup>1</sup> MediaCom Brand Tracker 2022, across Europris, Clas Ohlson, Nille, Jysk, Biltema, Coop OBS, Normal, Rusta and Jula

# Broad range of relevant products

## Well-diversified across different retail segments<sup>1</sup>



## High level of flexibility in 15 main categories

Personal care	Average gross margins of <b>35-40%</b>
Groceries	
Laundry and cleaning	
Chocolate and snacks	
Pet food and accessories	
Kitchen	Average gross margins of <b>55-60%</b>
Hobby and office	
Handyman	
Carpets and home textiles	
Storage	
Candles and interior	Average gross margins of <b>~50%</b>
Travel, sport and leisure	
House and garden	
Electronics	
Clothes and shoes	

<sup>1</sup> Sales across the Europris chain (directly operated and franchise stores), last 12 months to September 2022

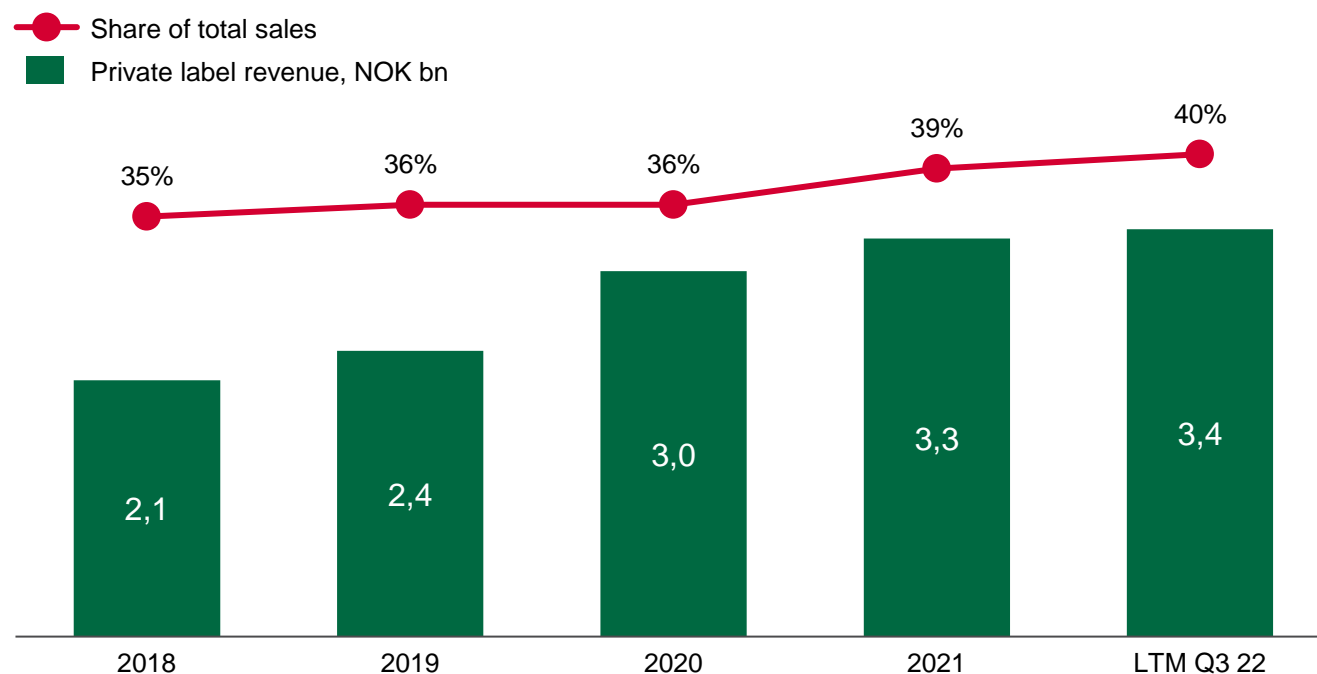
# Current focus on products with low price points

	Product examples	Share of sales <sup>1</sup>	YoY growth January-November 2022
<b>Low price point</b>  NOK <200		 <p>84%</p>	+1.4%
<b>Medium price point</b>  NOK 200-1,000		 <p>13%</p>	-0.7%
<b>Higher price point</b>  NOK >1,000		 <p>3%</p>	-23.1%

<sup>1</sup> Sales for the Europris chain (directly operated and franchise stores), January-November 2022

# Private labels support growth

## Private label revenue and share of total sales



Private labels add variety, new price points and sustainable alternatives  
→ **increasing growth and improving gross margins**

Note: Euopris chain (directly operated and franchise stores)





# Customer feedback is aligned with our goals

- 1 Campaign-driven
- 2 Low-price
- 3 Broad range

# 2015



In **2015**, we were associated with **low price** and a **varied range**...but also with **low quality**

In **2022**, **low price** remained a key association, followed by **large selection** and a **broad range**

2022

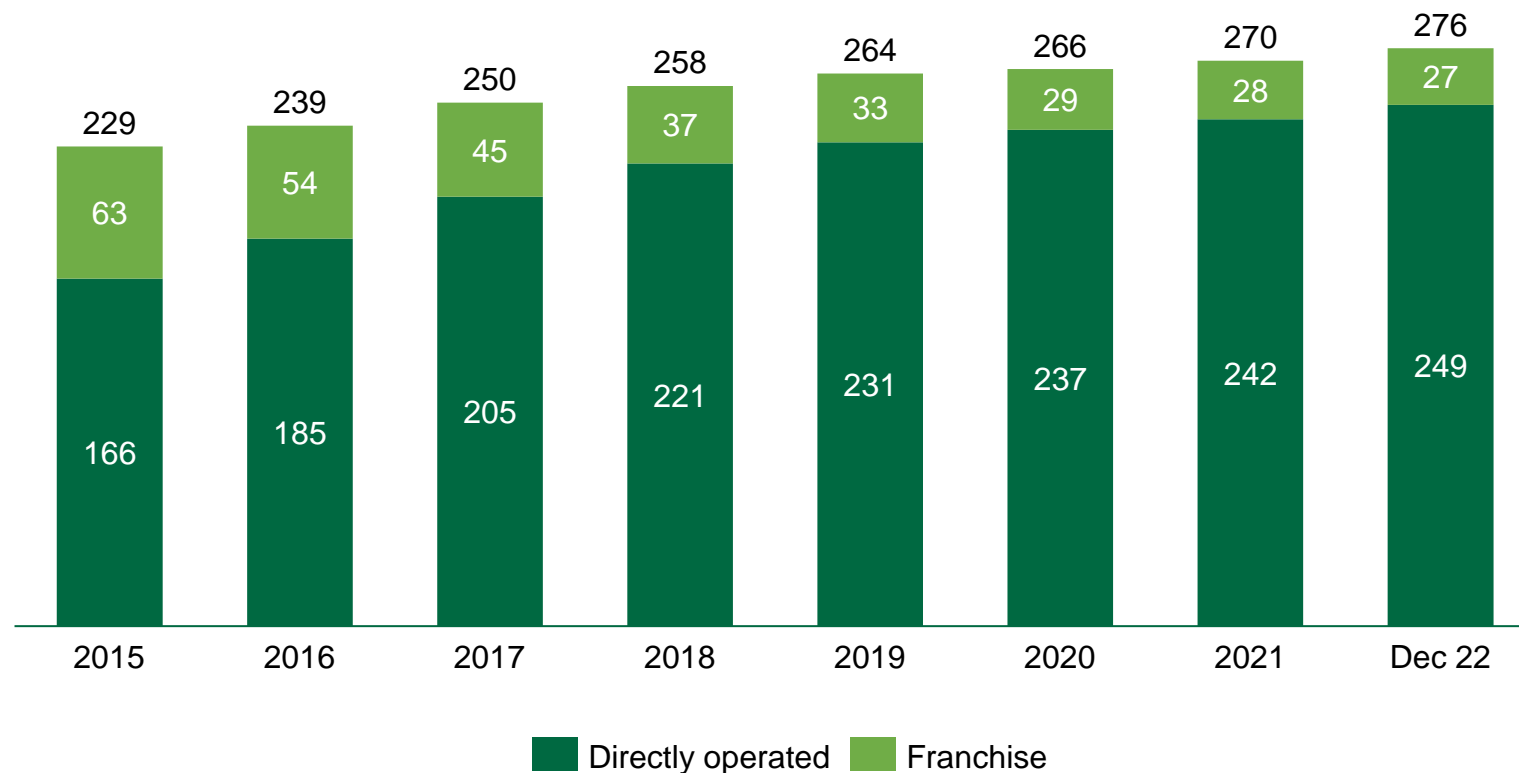


# Expanding network of own stores across Norway



New, relocated or modernised 86 stores from 2019 to December 2022

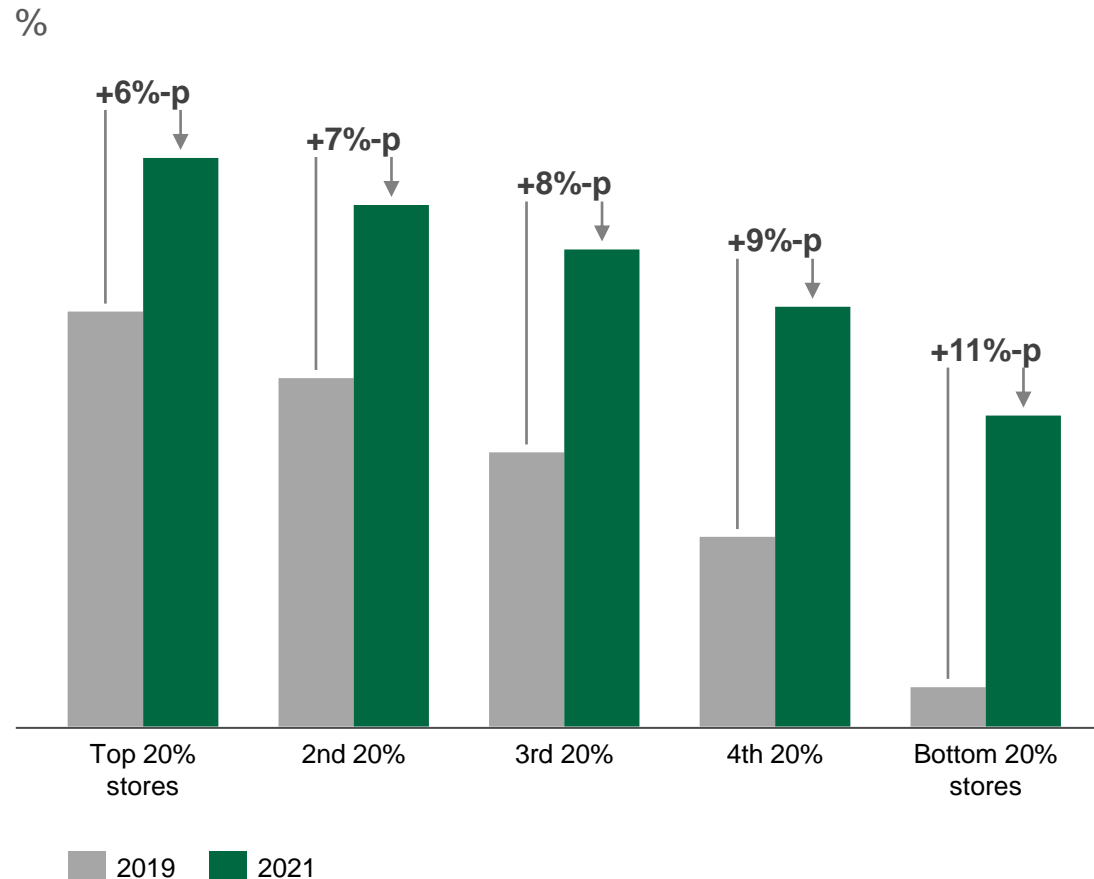
Number of stores



- Average annual store revenue of around NOK 32 million in 2021
- Average store size around 1,200m<sup>2</sup>

# Lifted margins across the store portfolio

## Store EBITDA margin improvement

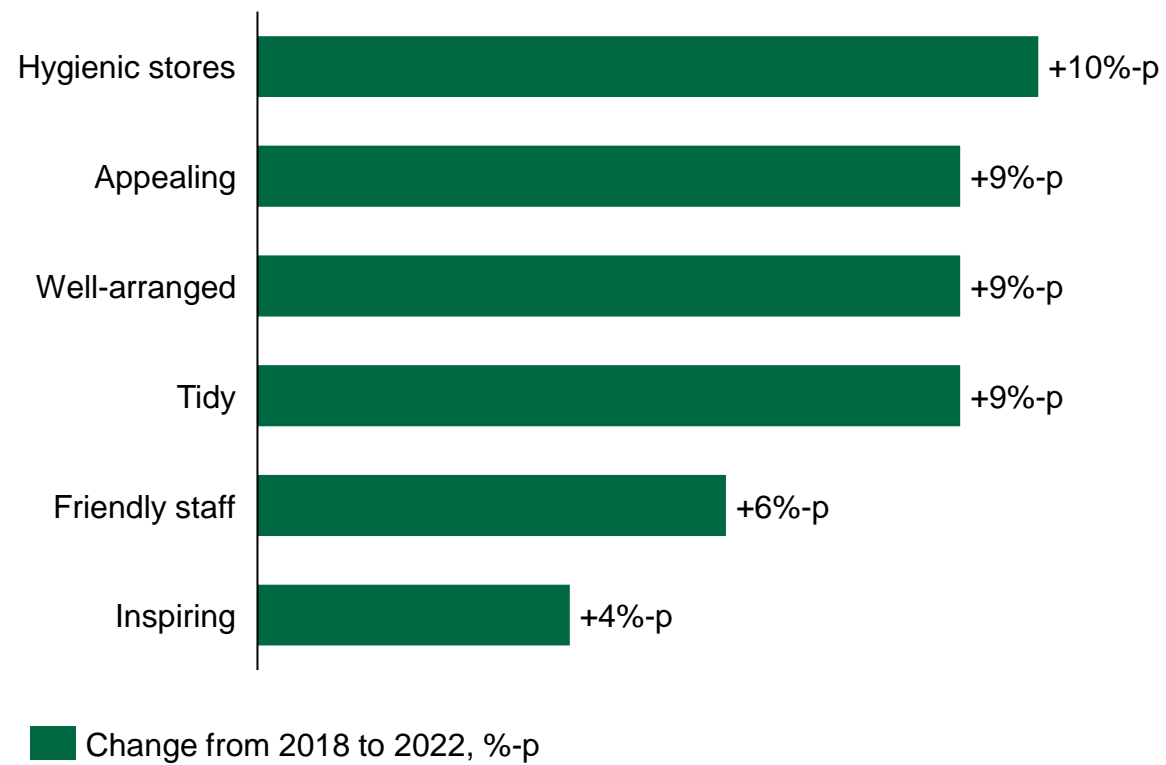


- All stores profitable in 2021
- Larger volumes and improved operational leverage yield higher EBITDA margins
- Additional margin improvements by applying stricter “rules of business”
  - Making fewer mistakes across the value chain

Note: Europris chain (directly operated and franchise stores)

# Improving customer scores for store facilities

## Score improvements from 2018 to 2022



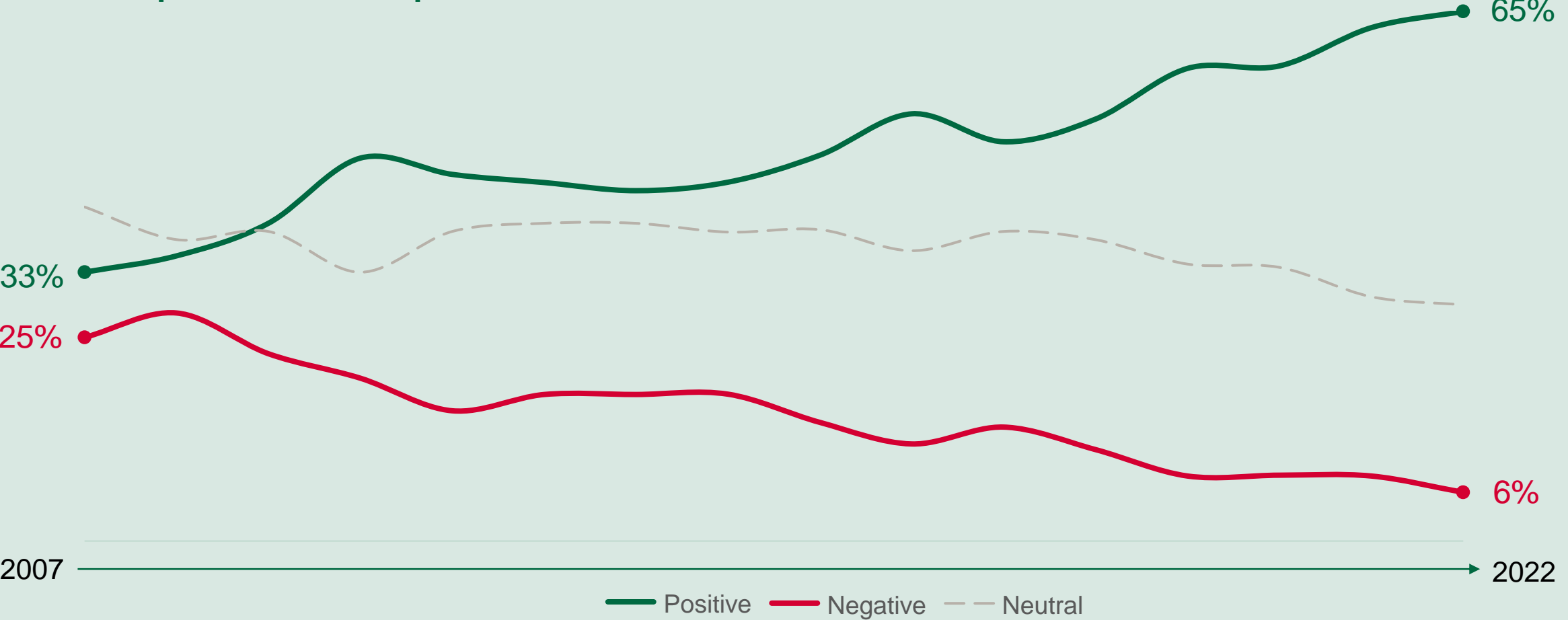
Source: MediaCom Brand Tracker 2022



# Strong and improving customer impression



## Overall impression of Europris<sup>1</sup>



<sup>1</sup> MediaCom Brand Tracker from 2007 to 2022





# What makes us good?



# Strong retail culture and execution power

## Experienced team with deep retail understanding



**Espen Eldal**  
CEO  
Nine years with Euopris



**Pål Christian Andersen**  
VP supply chain  
Nine years with Euopris



**Jon Boye Borgersen**  
VP commercial  
17 years with Euopris



**Stina C Byre**  
CFO  
Two years with Euopris



**Renate B Spernes**  
VP strategy and sustainability  
Three years with Euopris



**Øyvind Haakerud**  
VP store operations  
Nine years with Euopris



**Ole Petter Harv**  
VP technology and IT  
Eight years with Euopris



**Knut Spæren**  
VP international sourcing  
11 years with Euopris

## Continuing to develop and grow

- All members of the management team have more than 10 years of retail experience
- Mixing continuity and new impulses, with changes of CEO, CFO and head of strategy in recent years
- Sharp focus on continuous management development
  - 2019: “Yellow belt” in Lean
  - 2020: New rules of business
  - 2021: Category upgrades initiative
  - 2022: Innovation and sustainability

# Dedicated workforce pulling in the right direction



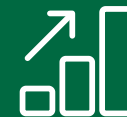
Positive  
attitude



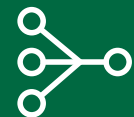
Proactive



Clear



Business  
acumen



Simple

- Around 3,300 employees with 60% women and 40% men
- Loyal and dedicated employee base with high level of job satisfaction
- Strong and all-time-high scores in employee satisfaction surveys

# What will make us great?

## Our key strategic focus areas



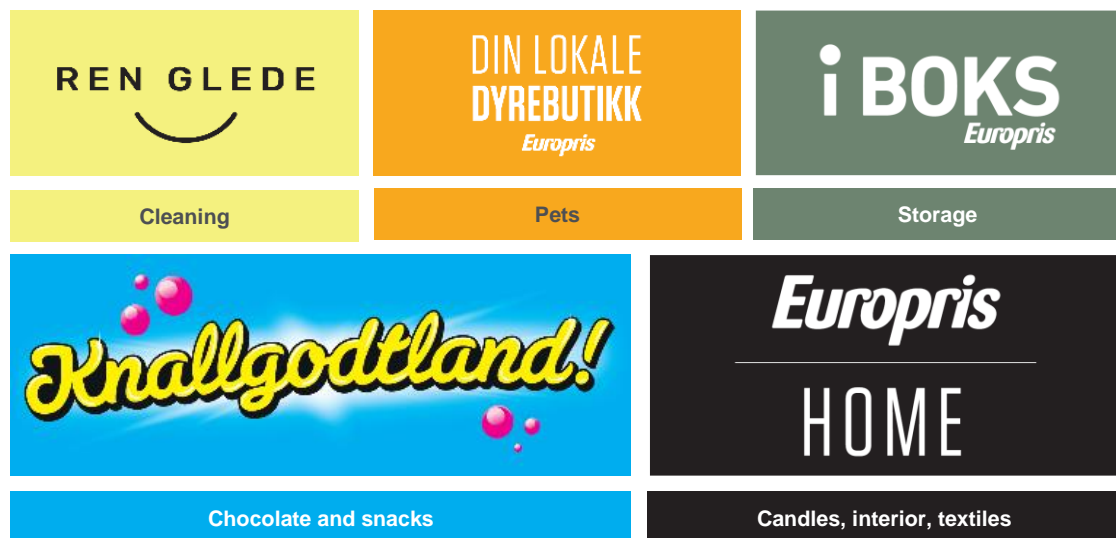




- Growth in the core
- Efficient operations
- New growth and innovations

# Our concepts and categories create “reasons to go” ***Europris*** MER TIL OVERS

## Top-of-mind destination categories



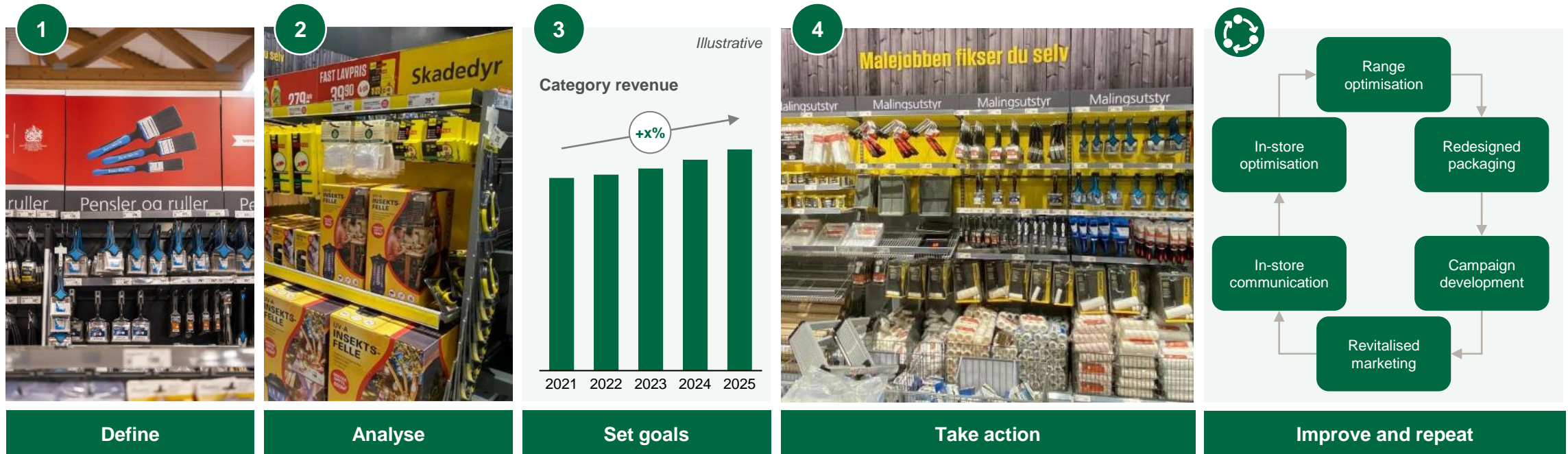
## Seasonal concepts drive traffic



Our ambition is to develop our store concept to deliver an even better customer experience, and offer a more relevant and profitable product range for everyday life, seasons, and special occasions



# Proven category management model







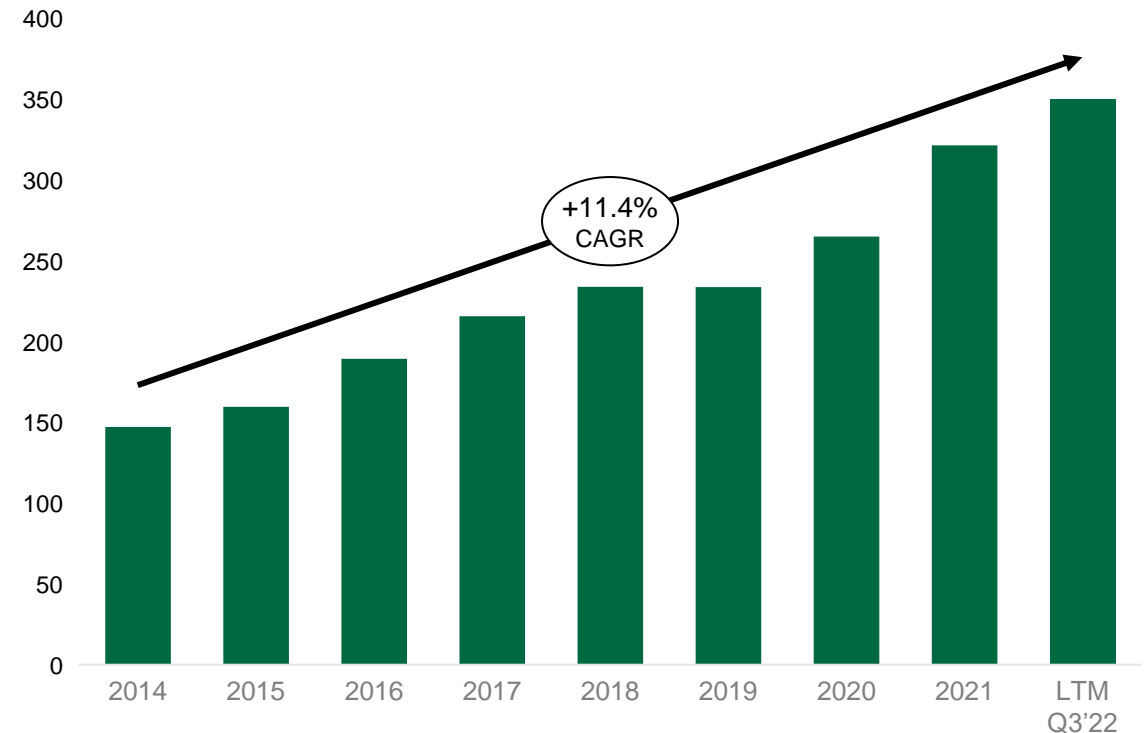
# Pets is a prime example of category management

## A highlighted category at the CMD in 2018



Facsimile from Euopris CMD Q4 2018

## The revenue growth continues





# Category upgrades drive growth

Kitchen Q1 20



Home Q1 21



Storage Q2 21



Textiles Q2 21



Chocolate and snacks Q3 21



Pets Q1 22



Handyman Q3 22



Toys Q4 22



Retail  
management  
is about putting  
all the pieces  
together



# Exceeded our financial and operational ambitions



	What we said on the CMD in Q4 2018		What we have delivered
<b>Growth</b>	Continue to deliver like-for-like growth above the market	✓	Growth clearly above the market
<b>Number of new stores</b>	Average of five new stores net per year	✓	Delivered on plan and budget
<b>EBITDA</b>	Increased EBITDA margin over time	✓	Doubled EBITDA and lifted EBITDA margin from 18% in 2019 to 24% LTM Q3 22
<b>Dividend</b>	Dividend policy of 50-60% payout of net profit	✓	Dividend payout of 63% of net profit



# 30 years of growth

NOK **9bn**

1992

LTM  
Q3 22

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)



# EPR Capital Markets Update

## Lekekassen Holding AS

Andreas Skalleberg, CEO



# Lekekassen legacy dating back to 1945

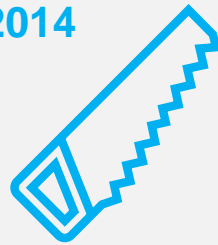
“The butcher from Grimstad”



Transforming into a Scandinavian online retailer



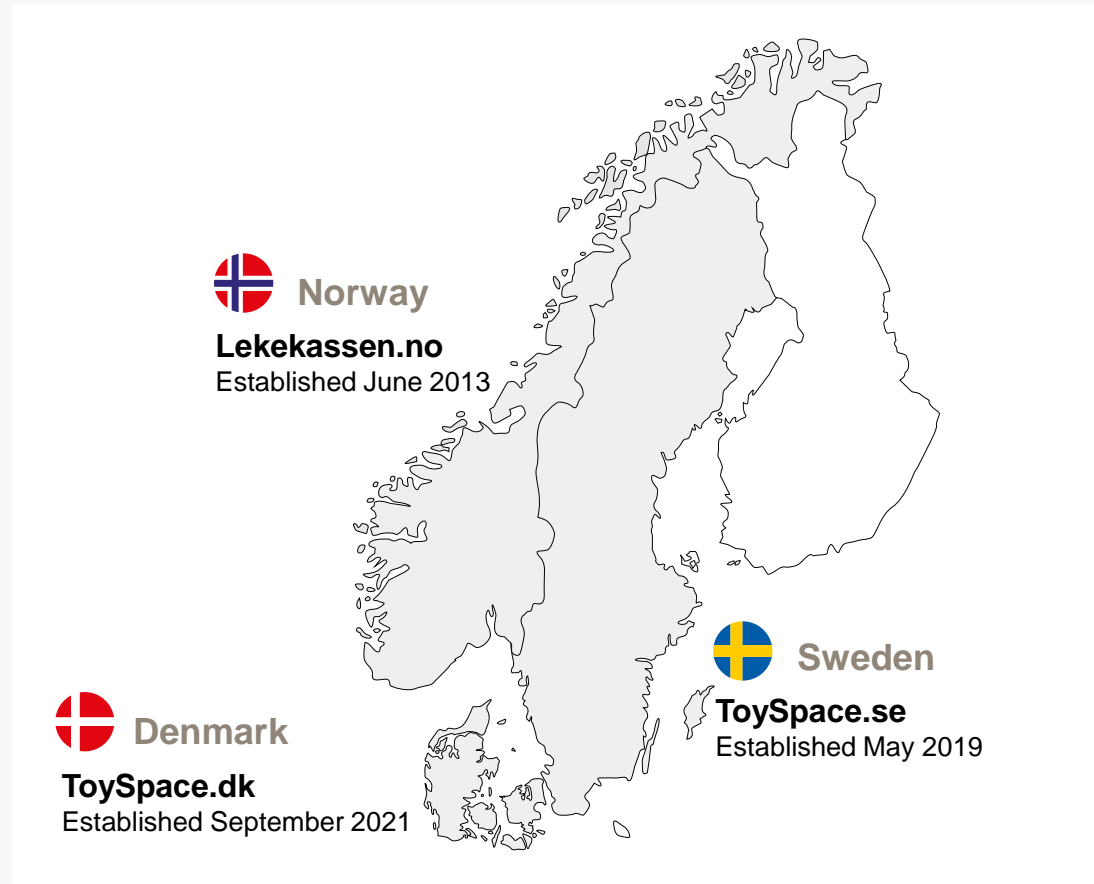
2010-2014



## Transformational change

- Shut down 11 physical stores
- Invested heavily in IT infrastructure
- Warehouse capacity increased – built for scale

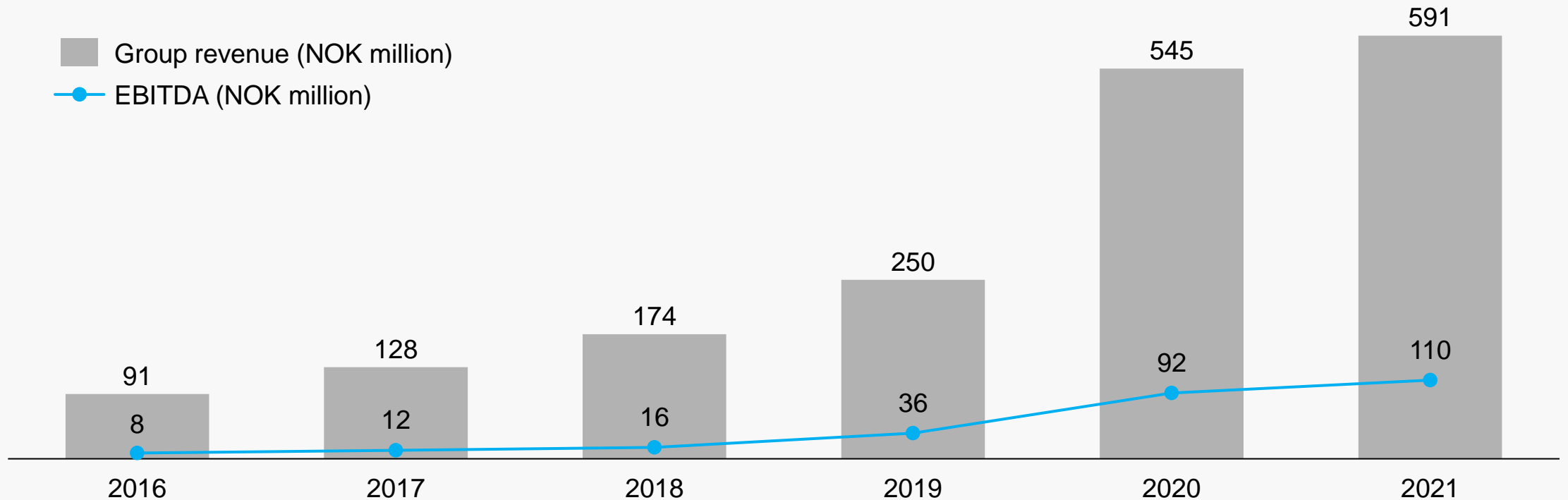
# Leading online toy specialist in Scandinavia



## Priority areas

- Grow in Norwegian core market
- Invest in growth in Sweden and Denmark
- Implement new growth categories

“It’s hard to change a habit of making money – we’re an online value company”





# It had to be Europris

[Europris](#)

## Europris kjøper Lekekassen

ANNONSE



Med regnskap hos oss blir det lettere å lykkes.

Les mer om Bank+Regnskap



Europris-sjefen Espen Eldal og selskapet går inn i en strategisk produktkategori med oppkjøpet av Håkon Mosvold Larsen (NTB)

## Selger 76 år gammel familiebedrift: - Har sovet litt lite i natt og tenkt mye

Leif Skalleberg startet selskapet i 1945. Nå selger sønnen og barnebarna til Europris for en halv milliard kroner. De har tatt Lekekassen fra underskudd til netthandelssuksess.

DN+

🕒 2 min

Publisert: 30.06.21 – 14.45

Oppdatert: 9 måneder siden

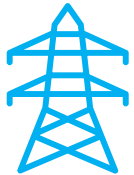




# Two-way synergies



**Financing**



**Utilities**



**Logistics from Asia**



**Operational know-how**



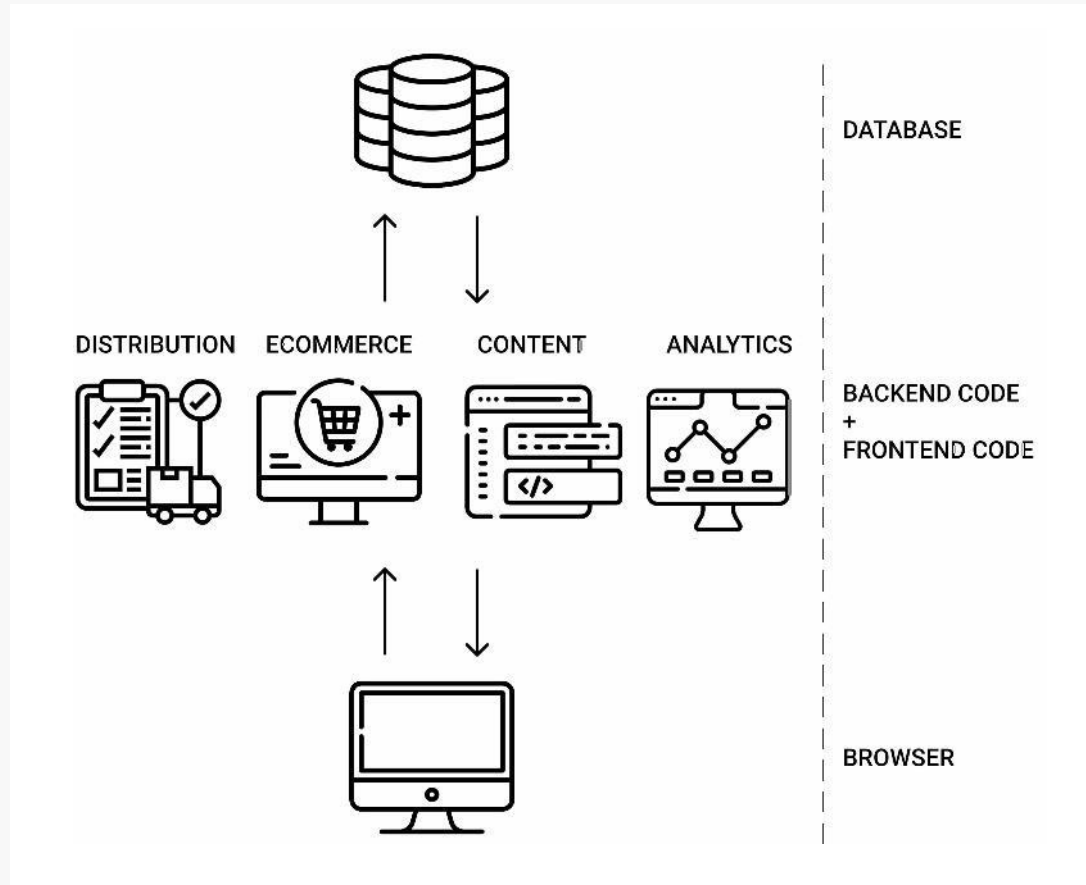
**Increasing market share as a group**

# “E-commerce is like Formula 1”

We have to operate as separate entities



# We control the service!



Proprietary technology

In-house resources

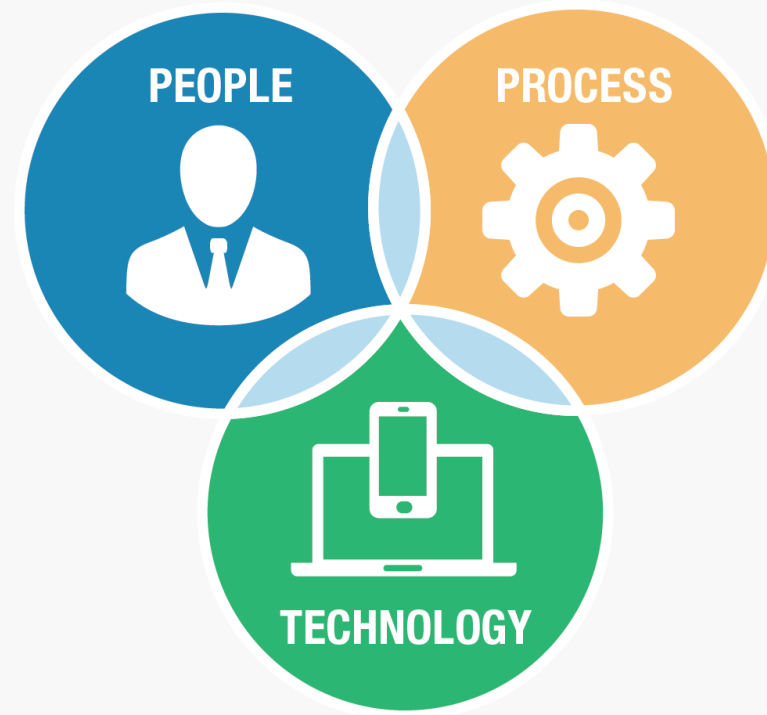
Agile approach

Short time to market

# Winter is coming - our profit-focused organisation will always beat the market

## Reducing Opex and increasing efficiency through

- operational excellence
- a data-driven mindset and approach
- continuous investment in tech and loyalty initiatives



# Opex and efficiency programmes are paying dividends

- 2022: New five-year outbound logistics agreement. YoY savings of **+20%** in Norway
  - Market is experiencing an 11% increase in prices in 2022
  - The contract is with a 2% fixed inflation rate up to 2027
- Warehouse efficiency programme launched by COO. Q4 efficiency increase of **+20%**
- Successful loyalty programme launched in Norway in Q4



# Growth strategies and sustainability

Renate B Spernes  
VP strategy and sustainability



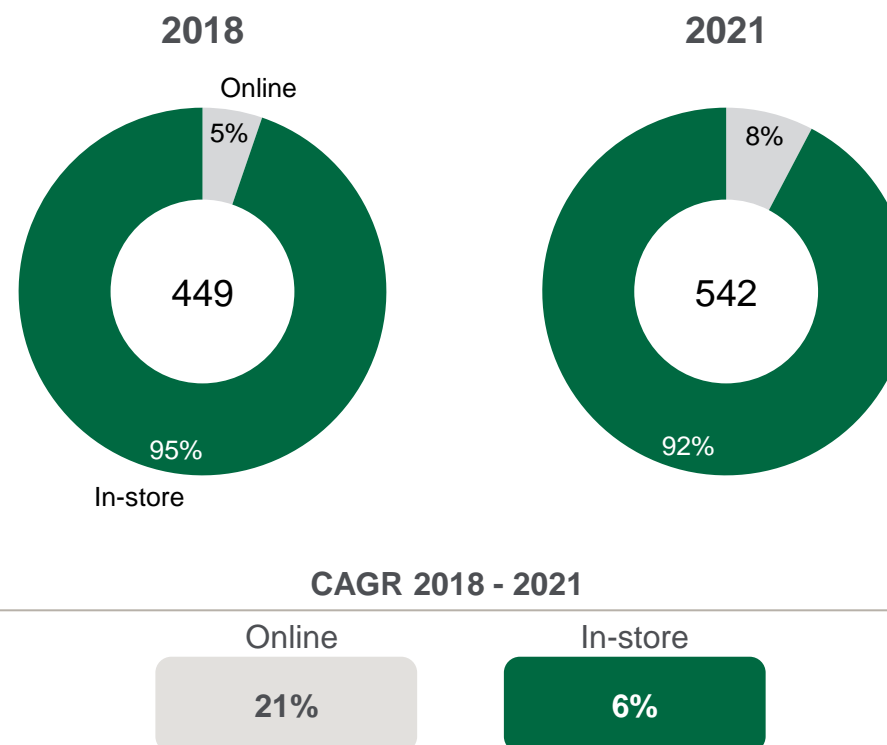
# Pure-play

# E-commerce adding to growth in the core

## Building our e-commerce platform

- ✓ Physical store network is key growth lever for us
- ✓ Key value proposition from low-cost products, wide product selection and targeted campaigns
- ✓ E-commerce as incremental growth lever to ensure a fair share of the total market – mainly through pure-play concepts

## Norwegian retail market<sup>1</sup> NOK billion



<sup>1</sup> SSB - Norwegian retail market excluding fuels

# Acquisition of selective pure-play concepts

Growth in  
the core

New  
growth



## Launched pure-play concepts

 **Lekekassen**



### Lekekassen / ToySpace

- Acquired 67% in August 2021
- Revenue 2021: NOK 591m
- EBITDA margin: 18.5%

 **Strikkemekka**  
DIN GARNBUTIKK PÅ NETTET

 **Yarnmania**  
DIN GARNBUTIKK PÅ NETTET

 **DH**  
DESIGNHANDEL

### Strikkemekka group

- Acquired 67% in July 2022
- Revenue 2021: NOK 180m
- EBITDA margin: 9.2%

 **LUNEHJEM.NO**  
EST.2005

### Lunehjem

- Acquired 67% in March 2021
- Revenue 2021: NOK 32m
- EBITDA margin: 13.8%



## Targeted approach for pure-play selection

- ✓ Profitable e-commerce player
- ✓ Strong position in target segment
- ✓ Specialist standalone concept in niche
- ✓ Synergy potential with Euoppris
- ✓ Strong organisational structure and competence

# Why pure-play?

## Pure-play strategy

### Expand online offering



Capture fair share of high growth in e-commerce



Reach key customer segments in targeted categories



Specialised offering in overlapping Euopris categories

### Realise synergies



Sourcing and other operational synergies to reduce cost



Insight on category and customer needs



Competence cluster for e-commerce

### Improve customer experience



Customised customer journey driving inspiration



Wide product selection



Segment expertise enabling customer service



# Pure-play the key driver of our e-commerce sales

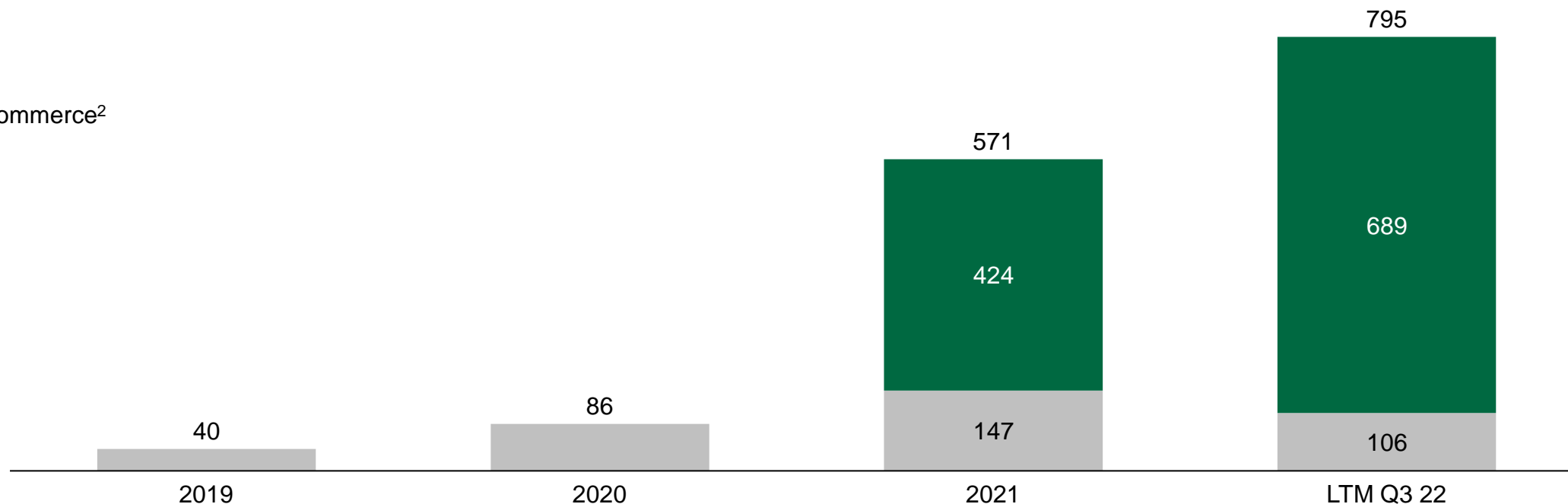


## E-commerce sales, 2019 – LTM Q3 22

NOK million

Pure-play<sup>1</sup>

Europris e-commerce<sup>2</sup>



Share of reported revenue

0.6%

1.1%

6.6%












9.0%

<sup>1</sup> Lunehjem from March 2021, Lekekassen from August 2021 and the Strikkemekka group from July 2022

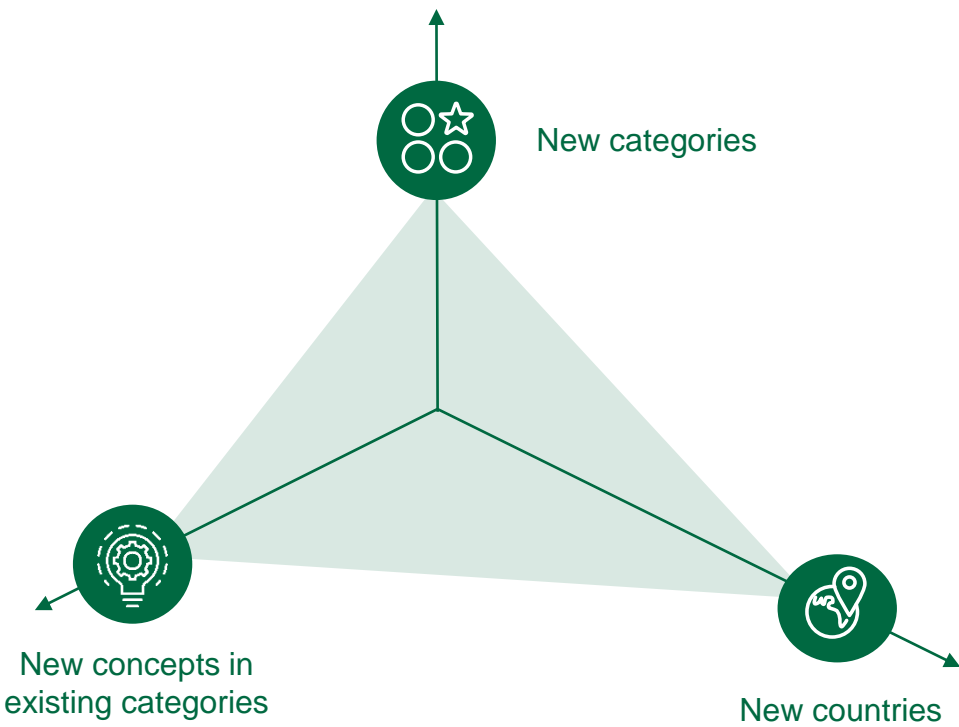
<sup>2</sup> Home deliveries and click-and-collect

# Building our pure-play portfolio

## Scandinavian pure-play portfolio

	 Fun	 Home	 Hobby
Norway			
Sweden			
Denmark			

## Potential to grow along multiple axes



# The digital customer

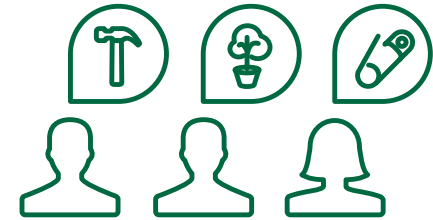
# Increasing conversion and profitability through the digital customer



Grow number  
of customers and  
shopping frequency



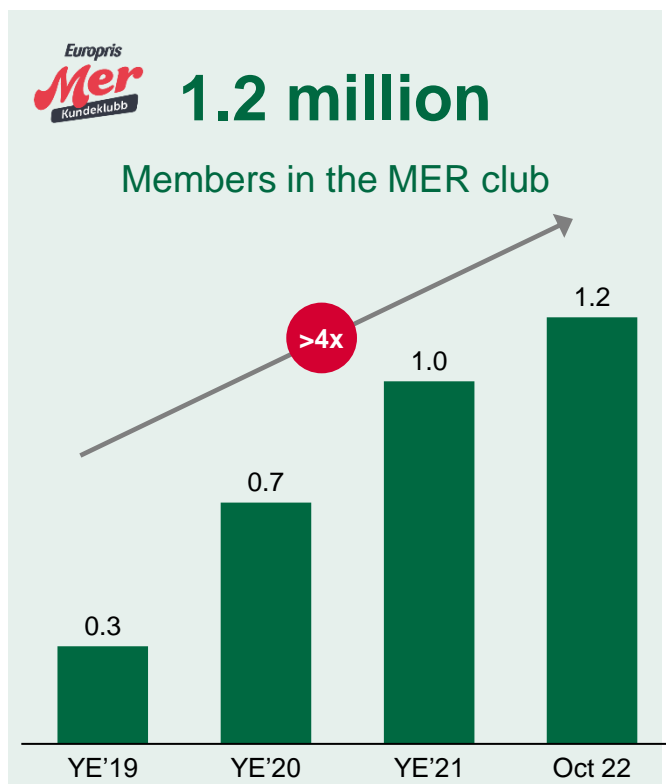
Increase basket  
value



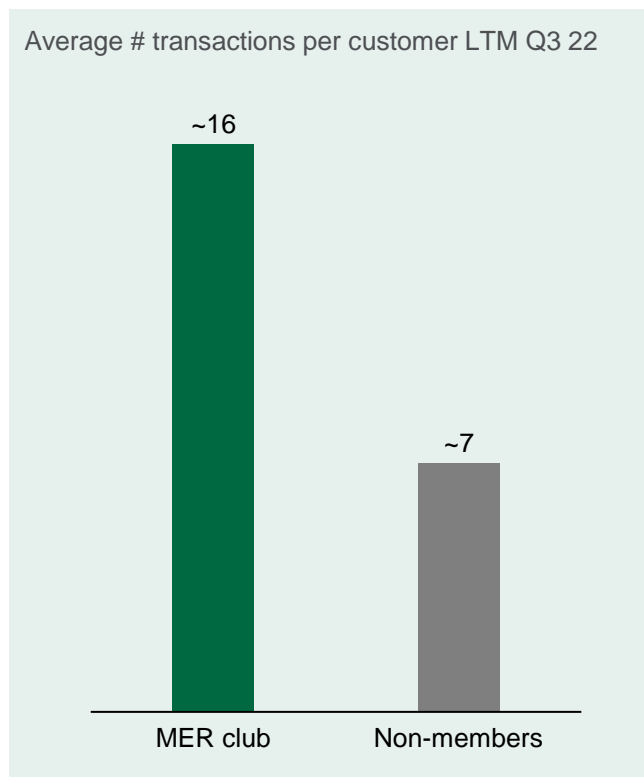
Personalise shopping  
experience

# Half our revenue now comes from the MER club

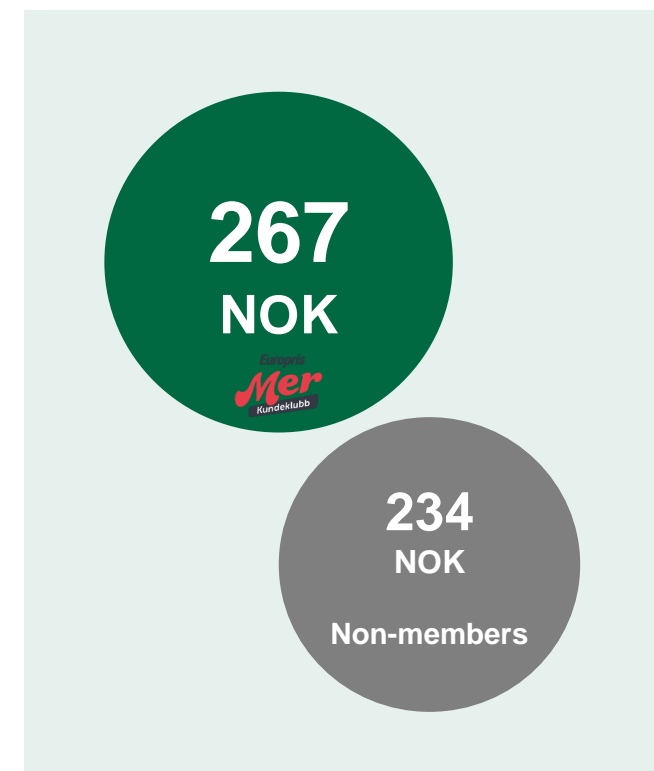
## Rapidly growing our customer club



## Higher shopping frequency<sup>1</sup>



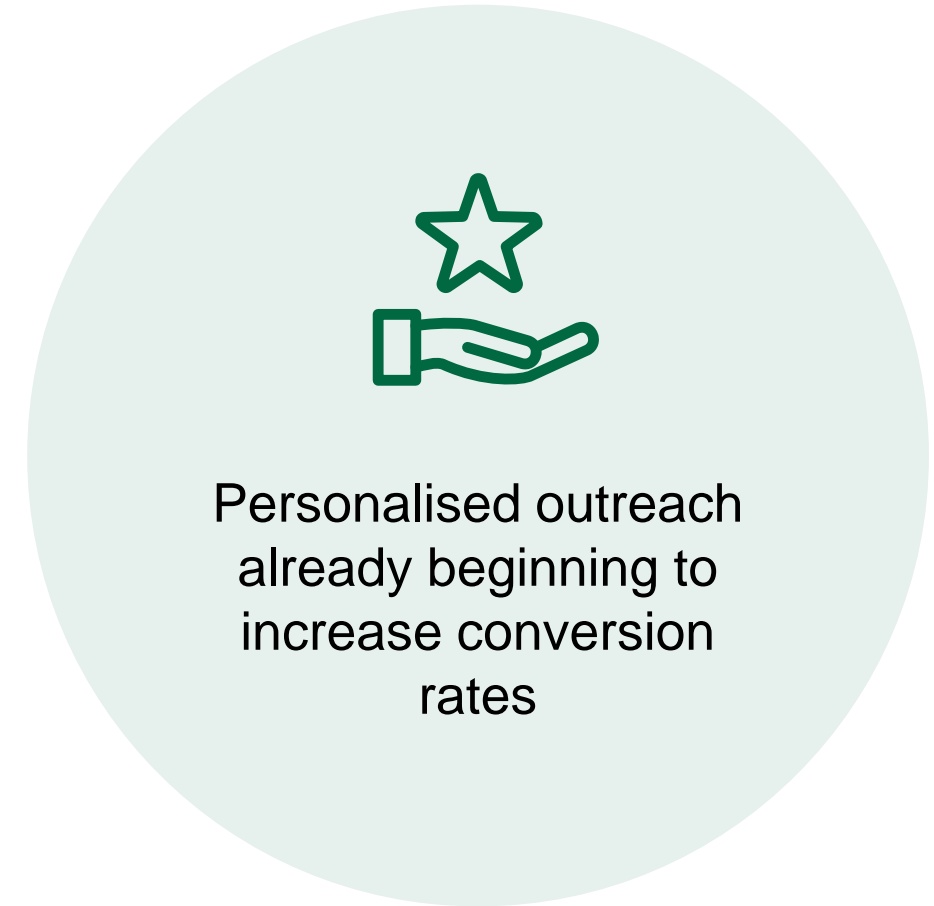
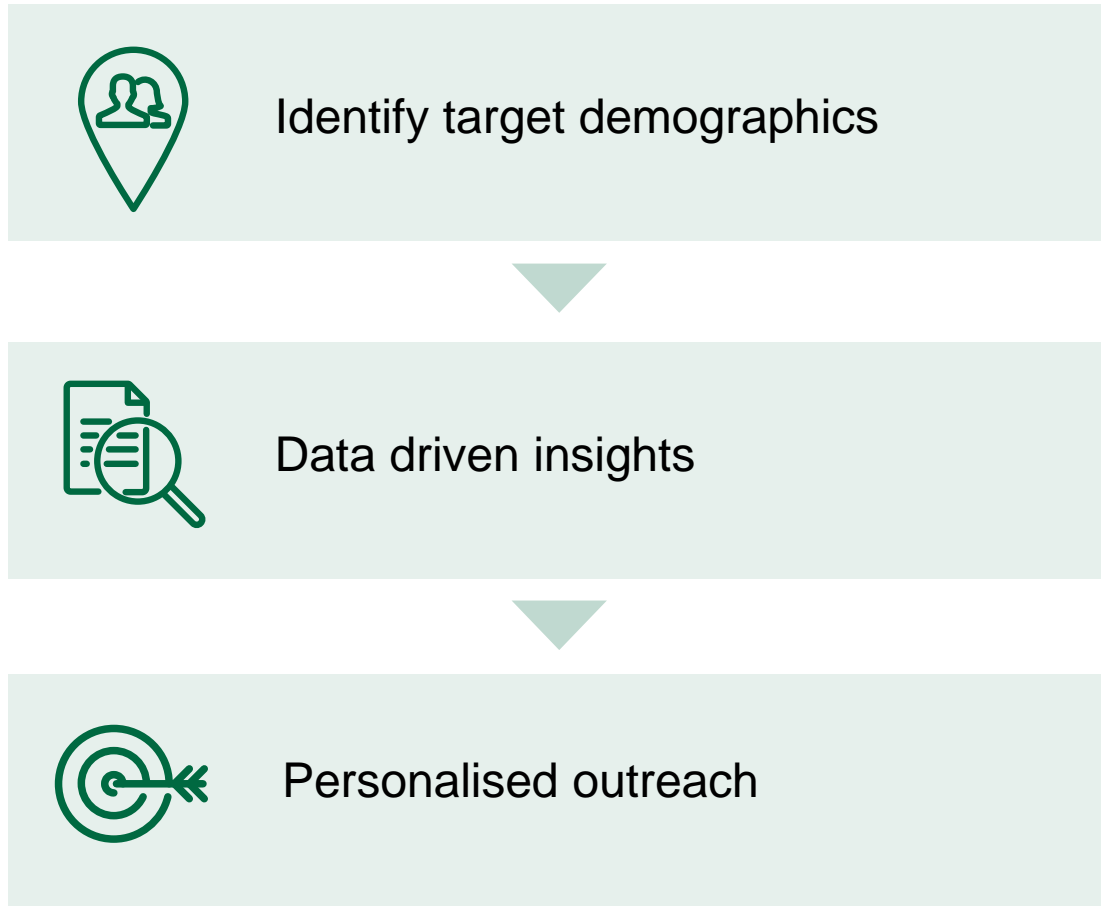
## Higher average basket value<sup>1</sup>



<sup>1</sup> LTM Q3 22 for the Europris chain (directly operated and franchise stores)



# Customer insights to drive customer value



# Targeted measures to increase shopping frequency

## Increasing frequency and loyalty

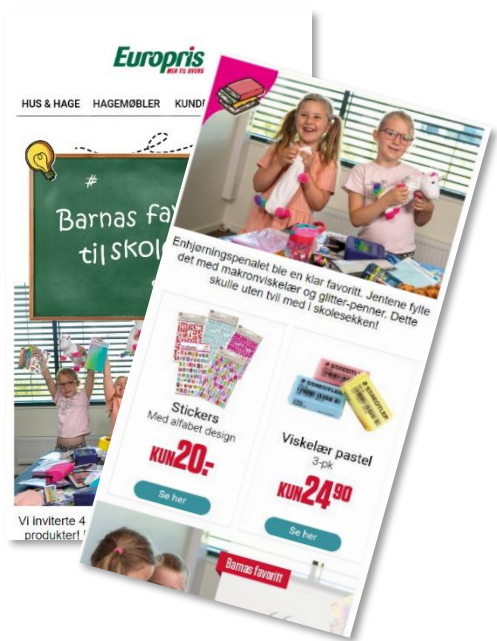
New customer	Build loyalty
Potential loyalist	
Loyal customer	Maintain loyalty
Need attention	Win back and regain loyalty
Drop in	

## Outreach based on what we know about ...

... purchase history



... the customer profile



# Personalised outreach based on customer profiles



## Examples of newsletters based on customer profiles

### Families with young children

This newsletter features a green header with the Europris logo and navigation links. The main content includes a chalkboard graphic with the text 'Barnas favoritter til skolestart!' (Children's favorites for school start!), a photo of two children, and two product recommendations: 'Stickers' for 20% off and 'Viskelær pastel' for 24% off. The footer mentions an invitation for school starters to test products.

### Flat owners

This newsletter has a green header with the Europris logo and navigation links. It features a large green section titled 'HAGE - FESTIVAL' with a 'Tilbudene fortsetter' (Offers continue) button. Above this, there's a section about preparing the balcony for summer. The footer includes a note about a 100% money-back guarantee on garden furniture.

### Home or cabin owners

This newsletter has a green header with the Europris logo and navigation links. It features a large section titled 'Hva om vi fortalte.. At noen har lyst på deg?' (What if we told you.. That someone is interested in you?). Below this, there are two product recommendations: 'Strøpulver mot maur' (Ant termite powder) for 189,- and 'Maurlokkeboks' (Termite box) for 99,-. The footer includes a warning about the dangers of termites.

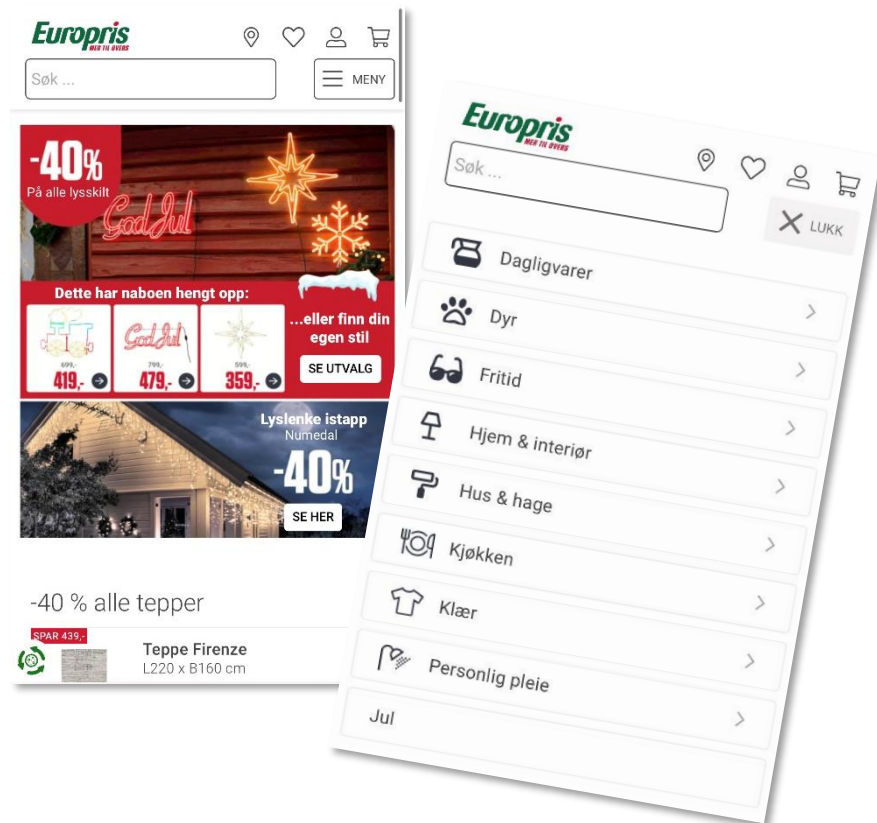
### Nearby residents

This newsletter has a green header with the Europris logo and navigation links. It features a large section titled 'NY BUTIKK! - Europris Lagunen' (New store! - Europris Lagunen) with a photo of the store interior. The footer includes a note about the store's location and opening hours.

# Europris.no driving traffic to stores

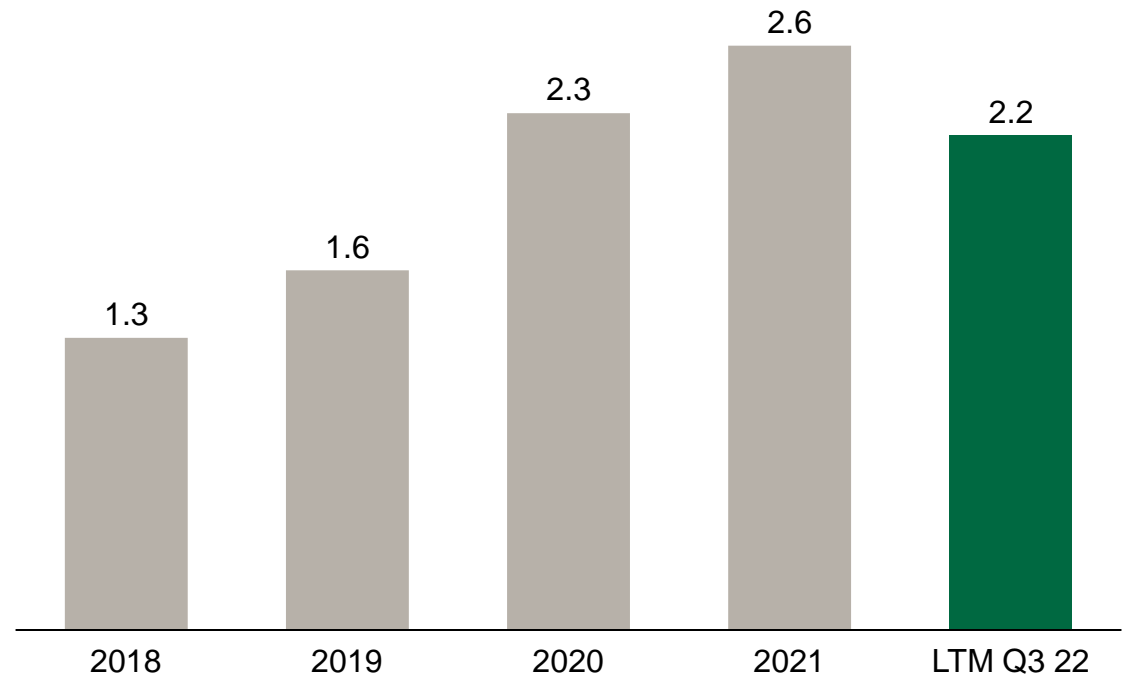


## Europris.no is a key marketing channel



## Monthly traffic on Europris.no

Million visits



# Modernised IT systems enabling innovation

## Implementing project to modernise IT and core systems



Modernise ERP systems



New and modern cashier system



Modernise accounting and financial reporting system



Project started in 2021 with completion expected early 2025



Growing sustainably  
- acting responsibly

# A new key strategic focus area



# Sustainability is an integrated part of our strategy

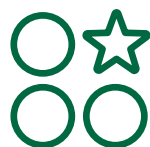


## Environment (E)



### Our climate profile

Reduce emissions in line with the Paris agreement with ambition of reaching net zero by 2050



### Our products

Give everyone the opportunity to make sustainable choices, and be a pioneer for affordable sustainable products



### Our people

Being an attractive place to work, where employees thrive and experience personal development



### Our social responsibility

Contribute positively to people and the environments in the many local communities we are a part of

## Governance (G)

# 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

***Europpris***  
MER TIL OVERS

Lambi



# Pioneer with affordable sustainable products



## Paving the way for sustainable choices

- ✓ Affordable sustainable products
- ✓ Increase share of certified sustainable products
- ✓ Recycled and recyclable packaging and products
- ✓ Improved quality and reduced product returns

# Launching Europris as the “local hero”

## Why?



Contribute positively to people and the environments in the many local communities we are a part of



Increase loyalty



Differentiate us from competitors and international online players

## How?



Collect insights and best practices from local stores



Develop a toolbox to build local trust, reputation and identity



Local implementation

**LOKALBUTIKKEN**  
NYTT SATSNINGSOMRÅDE! 02.02.2022

**Nytt konsernprosjekt**  
I januar 2022 startet konsernprosjektet «Lokalbutikken Europris», som del av vår nye strategiplan. Fokus for prosjektet vil være å hjelpe butikkene med å posisjonere seg som en lokalbutikk for sitt nærområde.

**Hvorfor?**  
I Europris har vi jobbet målrettet i mange år med å bli en av landets ledende butikkjeder innenfor bredt vareutvalg. Ja, vi har en ambisjon om å bli Best i Europa! Vi har nå en tydelig profil, et strukturert og fullintegret kjedekonsept, med stor grad av sentral styring, og vi er også kommet et godt stykke innen digital handel. For å møte fremtidens endringer ønsker vi å sette mer fokus på de fysiske butikkene fremover. Skal vi kunne møte konkurransen fra de store internasjonale aktørene, er det nå tid for å ha fokus på og iverksette lokale initiativ som styrker preferansen til våre lokale butikker, kontra for eksempel utenlandske nettbutikker.

Vi ønsker at våre butikker skal skape begeistring og entusiasme, og bli oppfattet av våre kunder som rause, engasjerte helter i sitt lokalmiljø.

«Prosjektet har en drøm om å skape positiv energi! Positiv energi mellom ansatte, mellom butikkene, i lokalmiljøet og mellom oss og kundene våre. Vårt etterlatte inntrykk overfor våre kunder skal gi oss godt lokalt omdømme, og sørge for økt kundetraffikk til våre butikker.»

**Hvordan?**  
Prosjektgruppens formål er å lage en verktøykasse bestående av ulike aktiviteter og tjenester som den enkelte butikk kan benytte seg av for å bygge lokalt omdømme, identitet og sær egenhet.

Gjennom aktiv bruk av verktøykassen skal butikkene kunne ta ut kommersielle merverdier gjennom økt kundetraffikk som følge av større grad av lokal tilpassning, aktiviteter, tjenester og deling av beste praksis. Vi skal være aktivt til stede i lokalmiljøet i rollen som pådriver, støttespiller og initiativtaker.

Prosjektet har full forståelse for at det er ulike forutsetninger og ambisjonsnivå i butikkene. Derfor vil verktøykassen inneholde differensierte løsninger, hvor den enkelte butikk finner noe som kan passe sine forutsetninger for å ta ut sitt potensial.

# Already positioned as a positive local contributor



## Continuing to contribute to local communities ...

46%

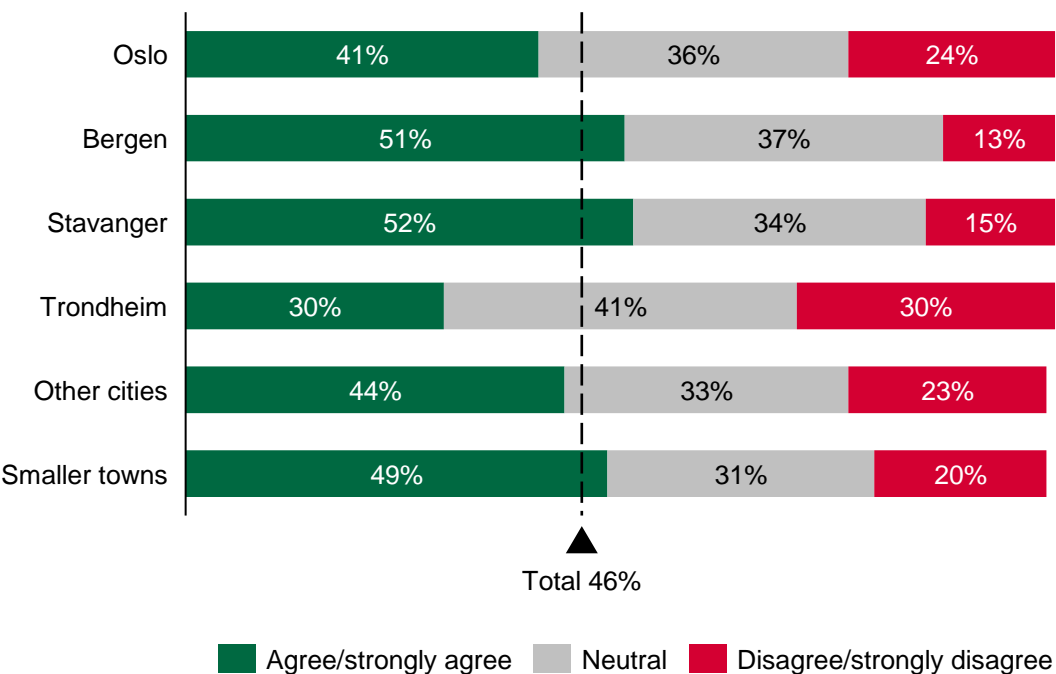
of people agree that we contribute positively to local communities

## Continuously improving

in order to increase our contribution to local communities and take social responsibility

## ... building from a strong position

“I agree that Europris contributes actively and positively in local communities”<sup>1</sup>



<sup>1</sup> MediaCom Brand Tracker 2022

**Pure-play and  
e-commerce**

Building a targeted pure-play portfolio to capture a fair share of the growing online market

**The digital  
customer**

Increasing frequency, profitability and customer experience through the digital customer

**Sustainability  
and social  
responsibility**

Sustainability is an integrated part of our strategy  
Becoming the “local hero”

**Sustainable growth making us great!**

# Financials

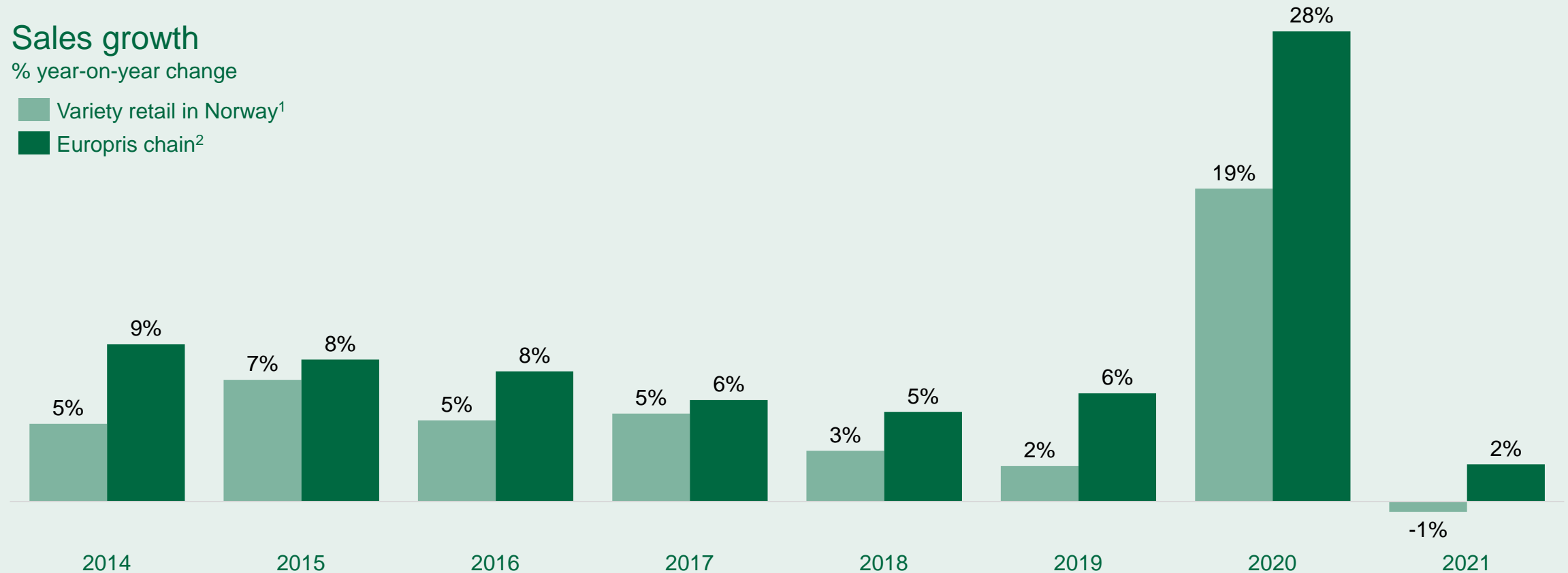
CFO Stina C Byre



## Sales growth

% year-on-year change

■ Variety retail in Norway<sup>1</sup>  
■ Europris chain<sup>2</sup>



<sup>1</sup> Virke retail index (using figures reported by Statistics Norway)

<sup>2</sup> Europris chain (both directly operated and franchise stores)

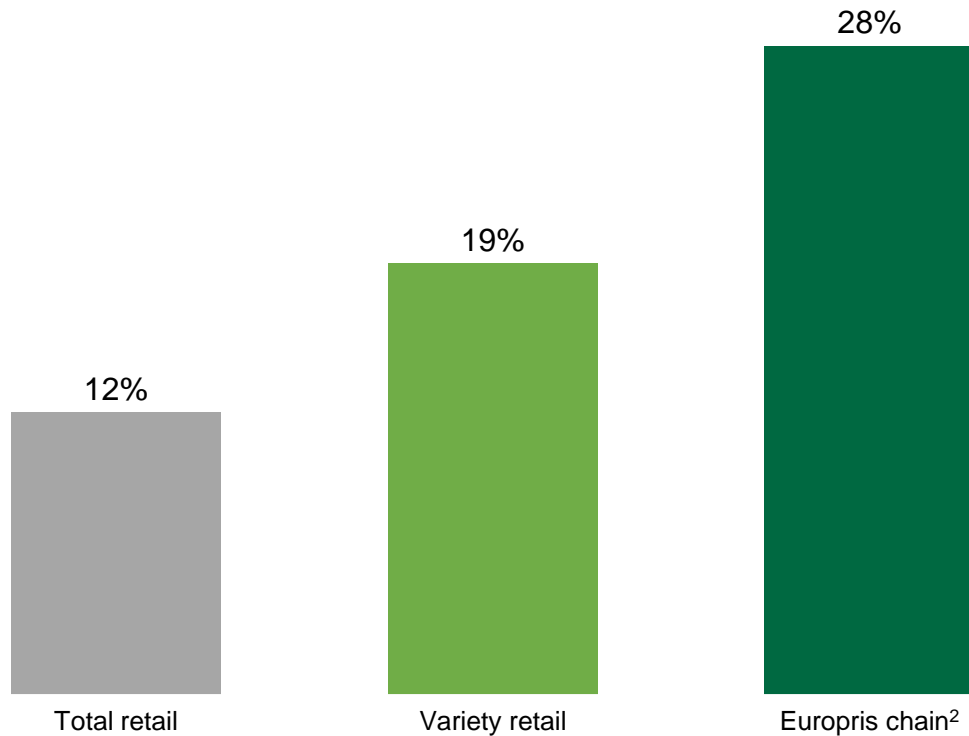
**Europris has consistently  
outperformed the market**

***Europris***  
MER TIL OVERS

# Strengthened position in growing market

## Retail sales development

Stacked growth first 9 months of 2020, 21 and 22 (%) <sup>1</sup>



- Expanded customer base, with more loyal members in the Mer customer club
- Upgraded key product categories
- Continued to develop the campaign engine
- Improved shopping experience with all-time high customer satisfaction
- Broadened and upgraded the store network

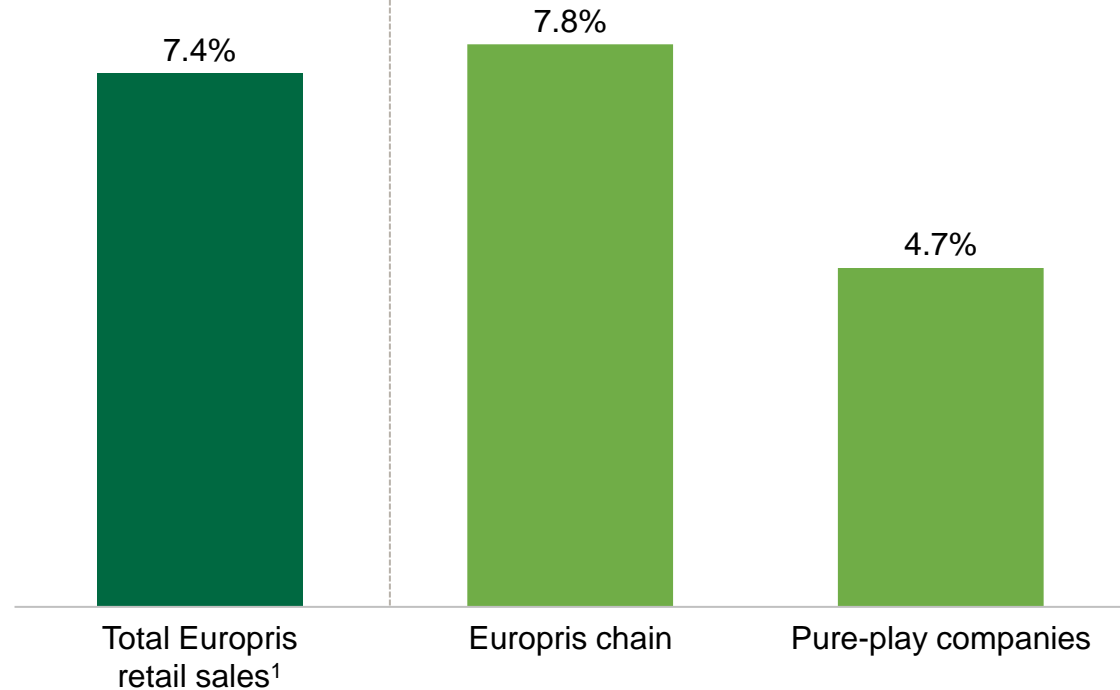
<sup>1</sup> Virke retail index (using figures reported by Statistics Norway)

<sup>2</sup> Both directly operated and franchise stores

# Q4 2022 trading update

## Revenue growth, October and November 2022

% year-on-year change



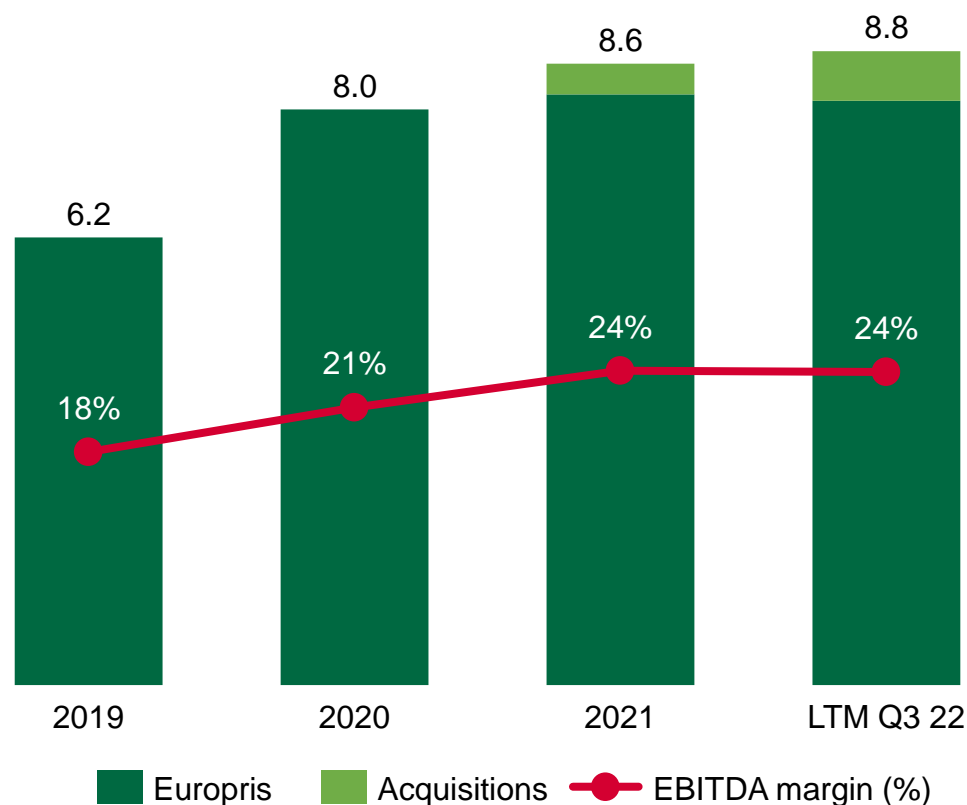
- Strong growth in October and November
- High growth in consumables
- Lower sales of seasonal items

<sup>1</sup> Sum of Euopris chain (both directly operated and franchise stores) and the pure play companies (Lunehjem (consolidated as of March 2021), Lekekassen (consolidated as of August 2021) and the Strikkemekka group (consolidated as of July 2022))

# Strong organic growth plus add-on acquisitions

## Reported revenue and EBITDA margin

NOK billion, %

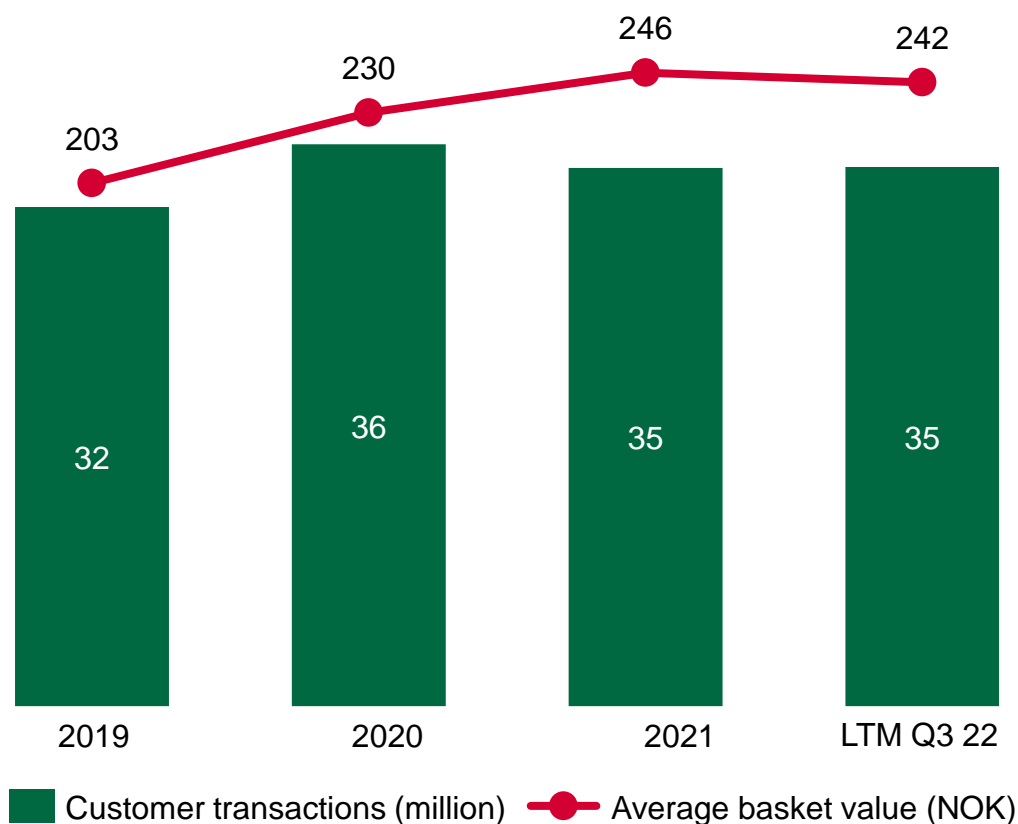


- More customers and higher basket values
- Category upgrades driving growth
- New stores and store upgrades
- Acquisitions adding to the total
  - About NOK 700 million in revenue from Lekekassen, Strikkemekka and Lunehjem LTM Q3 22

# More customer transactions + higher basket values



## Number of transactions and average basket value



**+8%**

**Number of transactions  
versus pre-pandemic levels**

**+19%**

**Average basket value  
versus pre-pandemic levels**

- More items in the baskets (+8%)
- Higher average item value (+11%)

# Category upgrades drive growth



Kitchen Q1 20



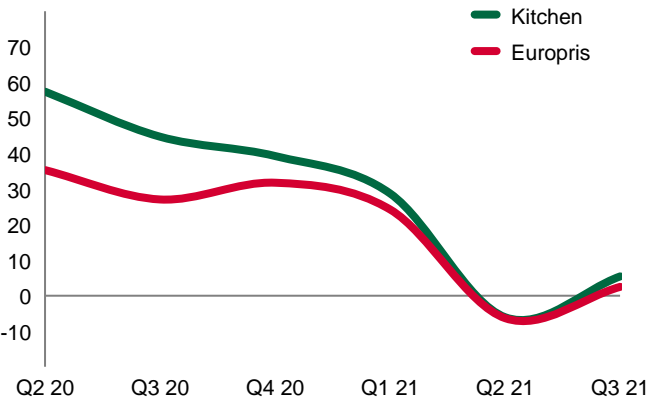
Home Q1 21



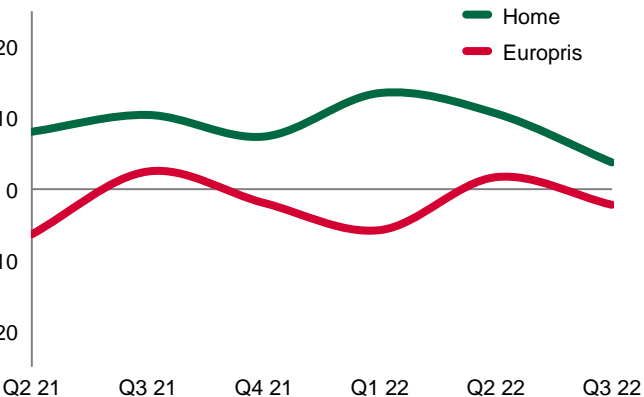
Pets Q1 22



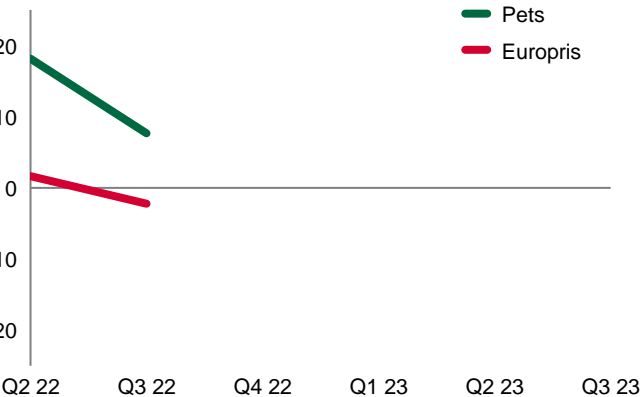
Sales growth, Kitchen and Europris chain  
% year-on-year change



Sales growth, Home and Europris chain  
% year-on-year change



Sales growth, Pets and Europris chain  
% year-on-year change



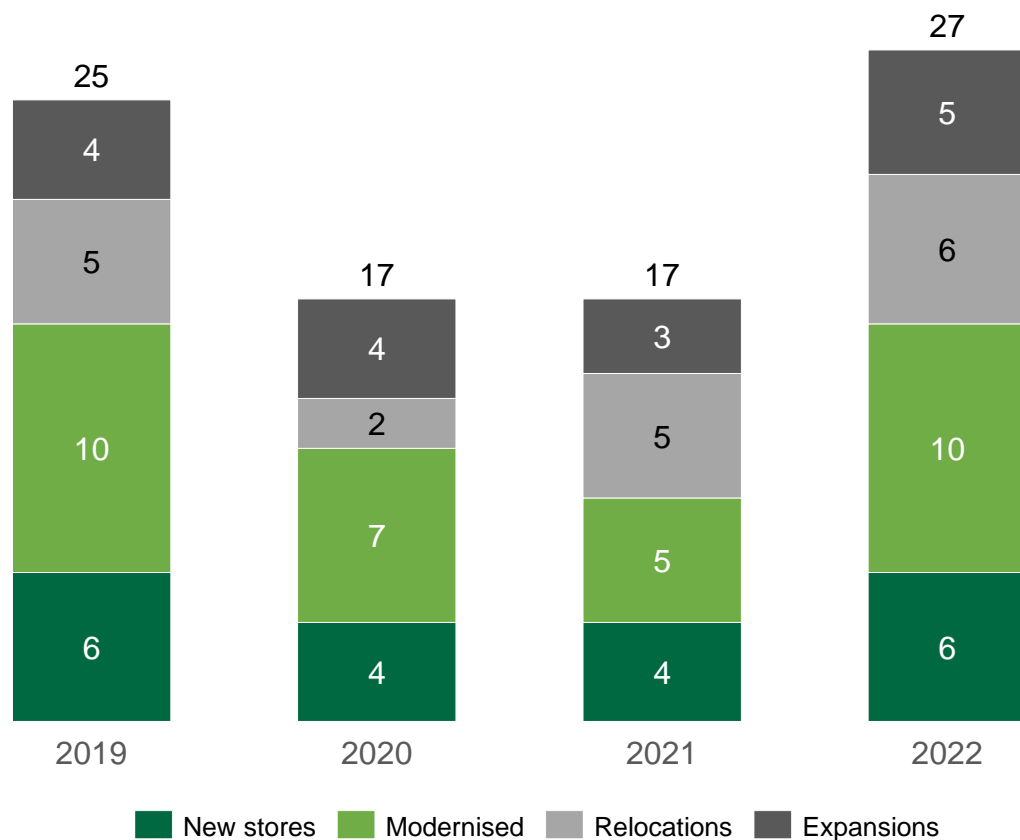
Note: Europris chain (directly operated and the franchise stores)



# Expansion of the store portfolio

## New, modernised, relocated and expanded stores ...

Number of stores



## ... drive growth

- Number of stores increased in line with plans
  - Payback<sup>1</sup> for new stores of around 1 year
- Total number of stores in the chain has increased to 276 from 258 at the end of 2018
- Number of directly operated stores increased to 249 from 221
- Number of franchise stores reduced to 27 from 37

<sup>1</sup> Capex / EBITDA

# Expanded scope through pure-play acquisitions

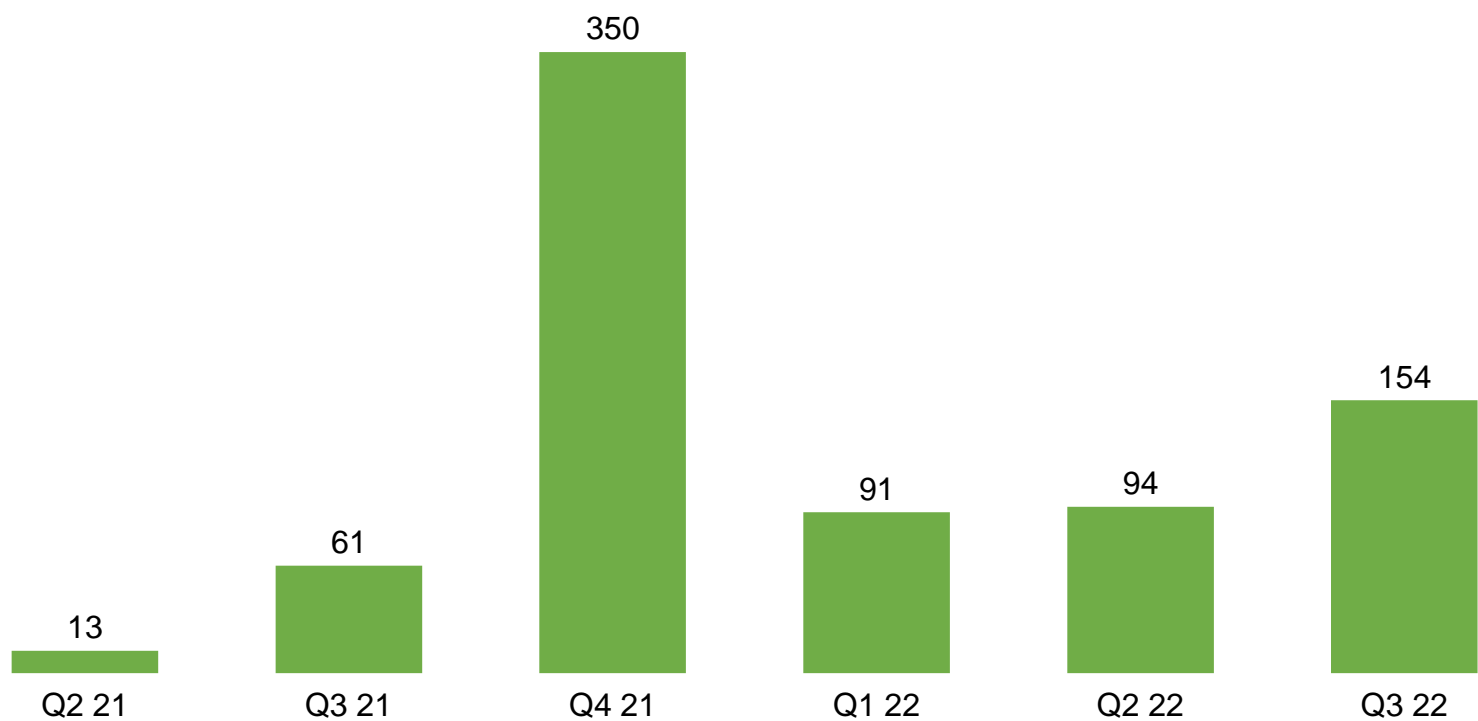
Q3 21  
 **Lekekassen**

Q3 22  
**Strikkemekka**  
DIN GARNBUTIKK PÅ NETTET

Q1 21  
**LUNEHJEM.NO**  
EST.2005

## Revenue<sup>1</sup>, pure-play acquisitions

NOK million

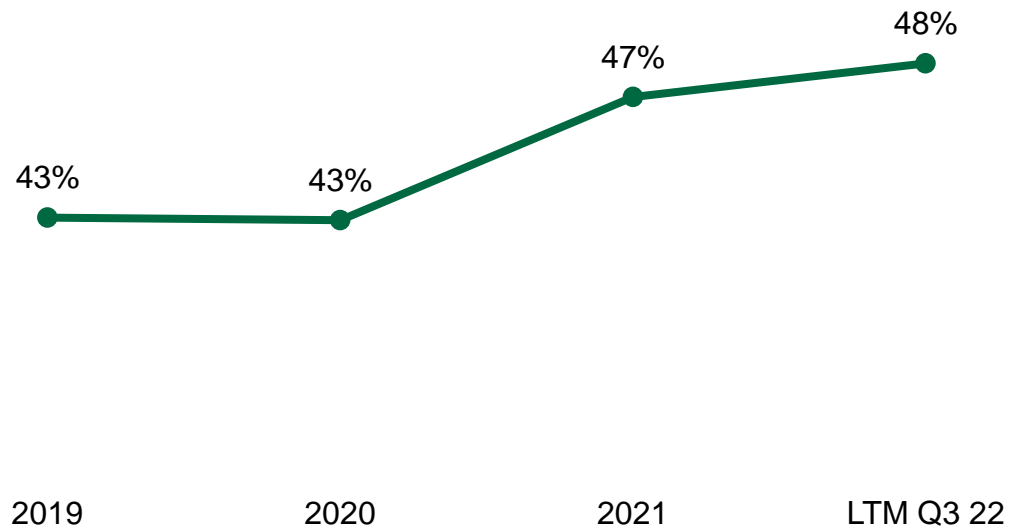


<sup>1</sup> Consolidated revenue at 100% basis as booked in Euopris group numbers

# Gross margin improved

## Gross margin

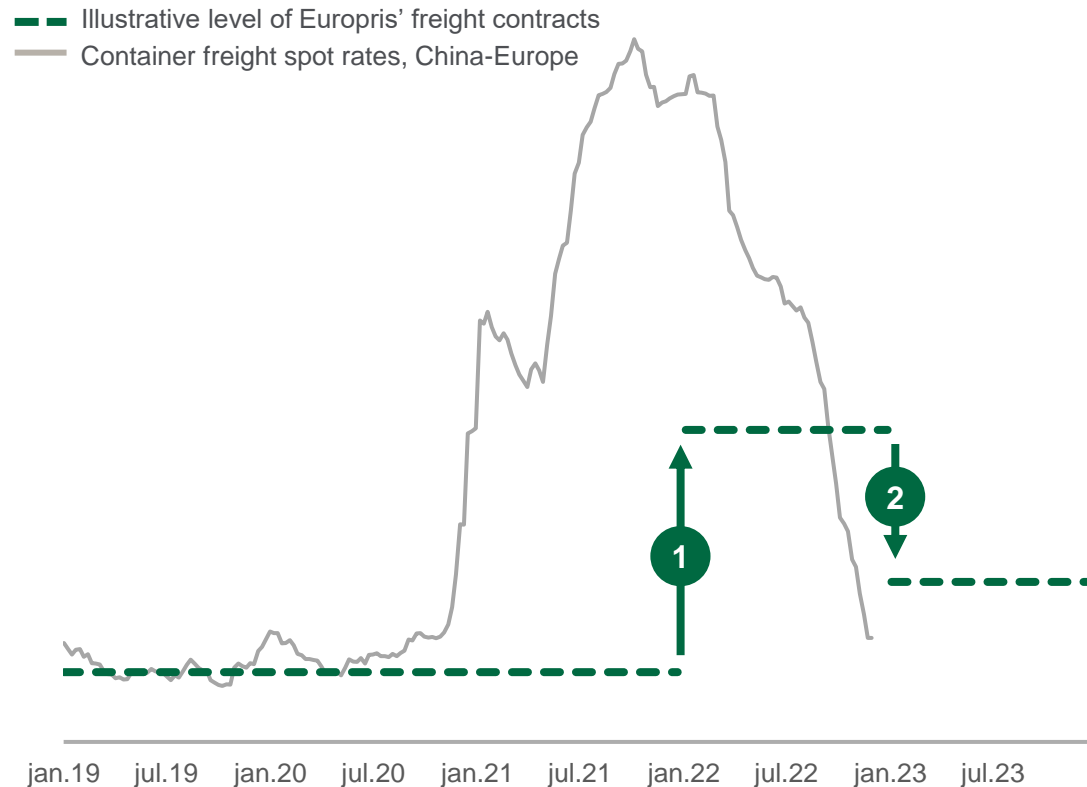
%



- Favourable freight agreement through 2021-22
- Positive effect from category initiatives
- Increasing contribution from private labels
- Efficient long-term sourcing arrangements
- Expect margins somewhat above pre-pandemic levels

# Competitive freight terms - also going forward

## Container freight rates<sup>1</sup>



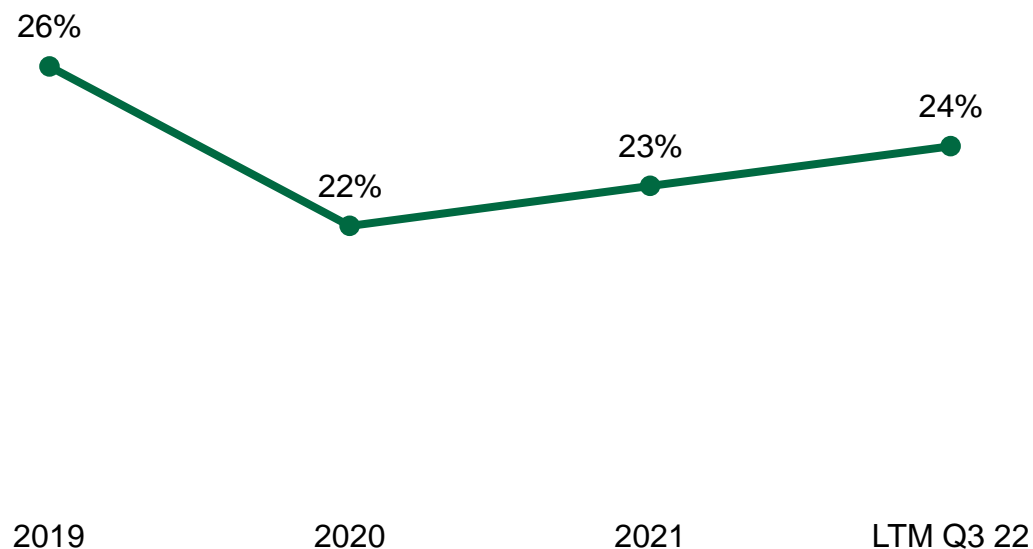
- 1 Strong positive effect of freight agreements through 2021 and 2022
  - Historical annual freight costs of NOK 60-70 million
  - Additional costs of NOK 170-200 million in 2022, but peak freight rates avoided
- 2 Reduction of about 50% for freight rates in new two-year contract effective from 1 January 2023
  - Full P&L effect will be delayed, dependent on inventory turnover

<sup>1</sup> Illustration based on WCI Shanghai to Rotterdam Container Freight Benchmark Rate per 40 Foot Box (Bloomberg 24.11.2022).

Note: Europris' freight agreement is not directly comparable as it contains more than the benchmark rate (e.g., freight through to Norway and capacity guarantee)

# Maintaining strong cost discipline

## Opex % of revenue



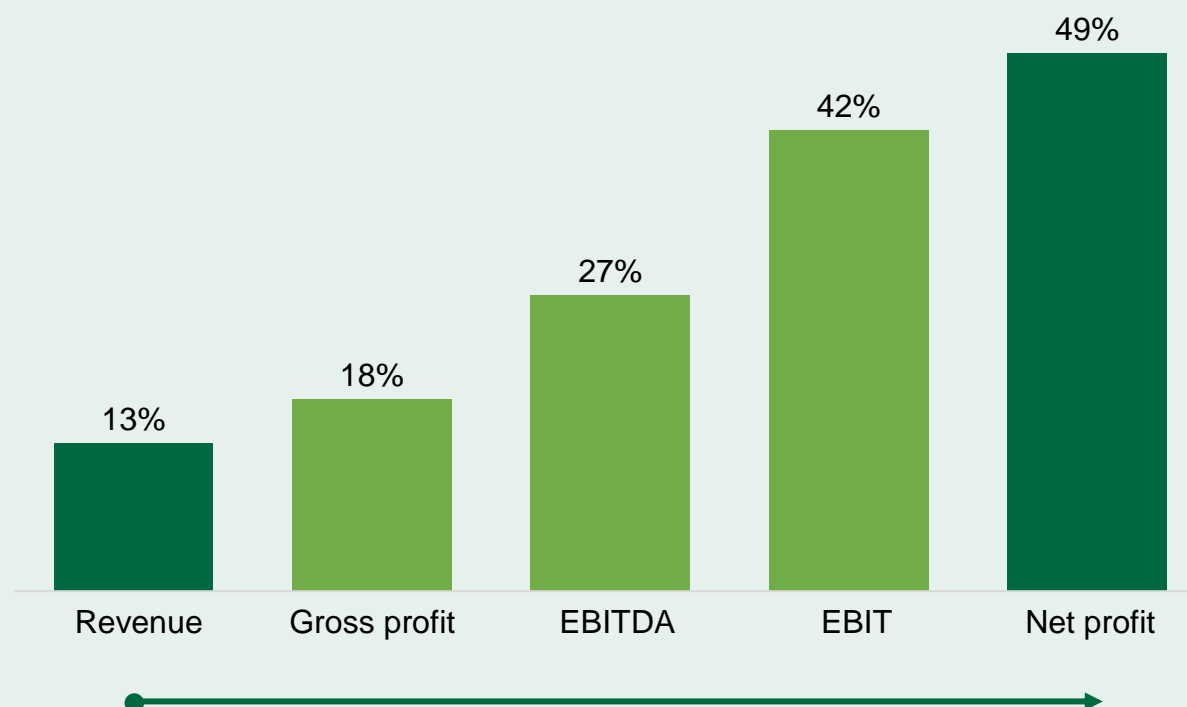
- 60% of Opex LTM Q3 22 related to employee benefit expenses - follows collective agreements
- More efficient logistics - gradual impact of new warehouse and automation, with full effect from H2 24
- Predictable energy cost from forward power contracts
  - Avoided cost increase of NOK 80 million in 2022
  - Cost increase of NOK 20 million in 2023
- Lease contracts are CPI-adjusted
  - Recognised under IFRS 16 - Leases, and not part of the Opex

## Euopris has showcased its inherent operational leverage

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

### Average annual growth across the P&L

CAGR 2019 to LTM Q3 22 LTM

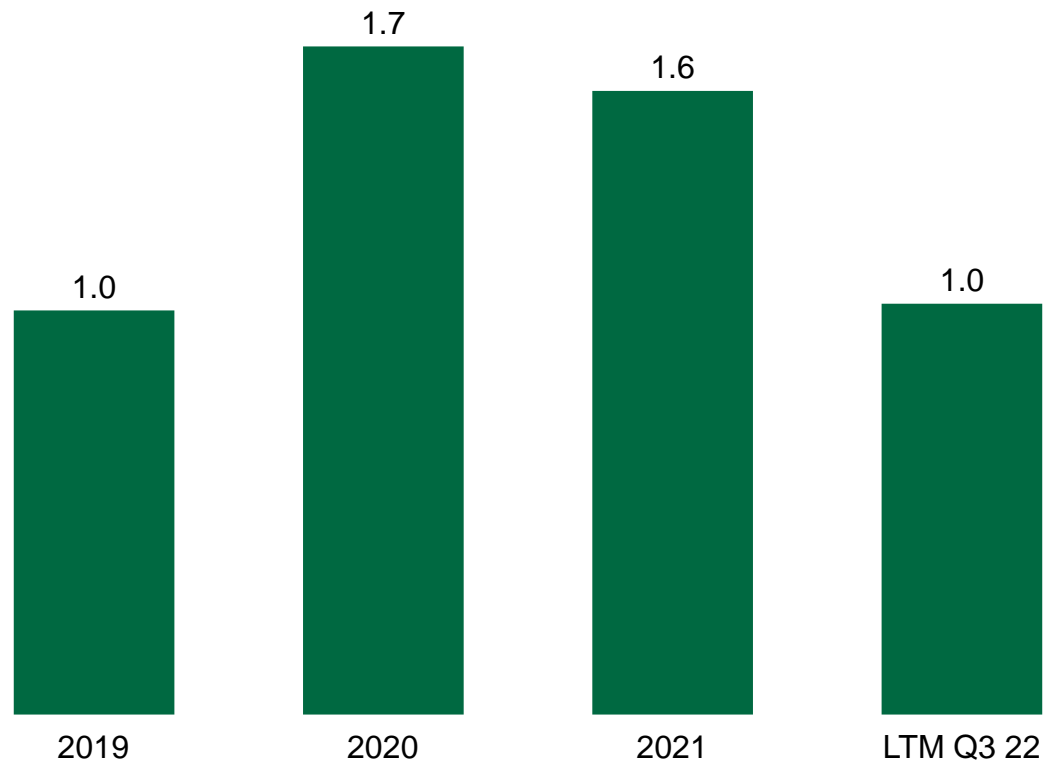




# Cash flow from operations

## Net cash flow generated from operating activities<sup>1</sup>

NOK billion



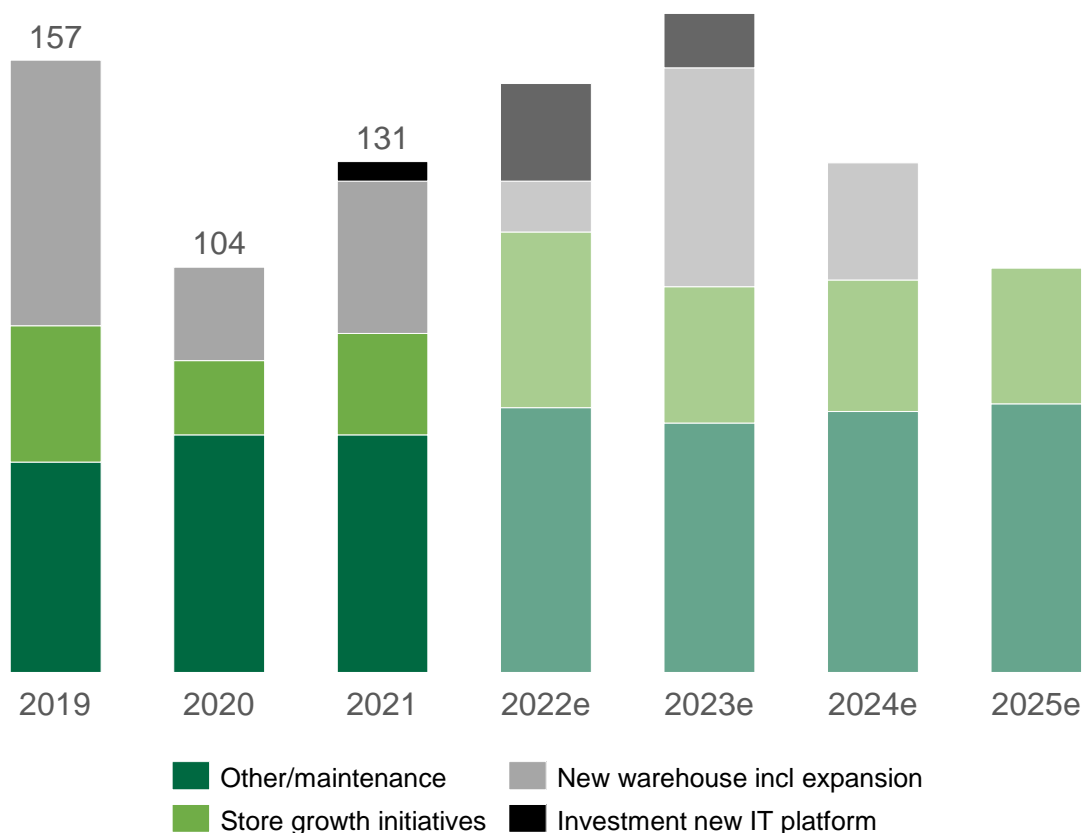
- Increased net working capital requirements driven by inflationary pressures and higher inventory of seasonal items
- Net working capital increased by NOK 0.6 billion from Q3 21 to Q3 22

<sup>1</sup> As reported in the cash flow statement

# Investing in growth and cost position

## Total CAPEX development

NOK million



## Two projects continue to drive investments in 2022-24

1

New and expanded warehouse and automation at logistics hub in Moss

Total investment of about NOK 230 million, with NOK 85-90 million remaining in 2023-24

2

New IT platform, including transition to new ERP and point of sale systems

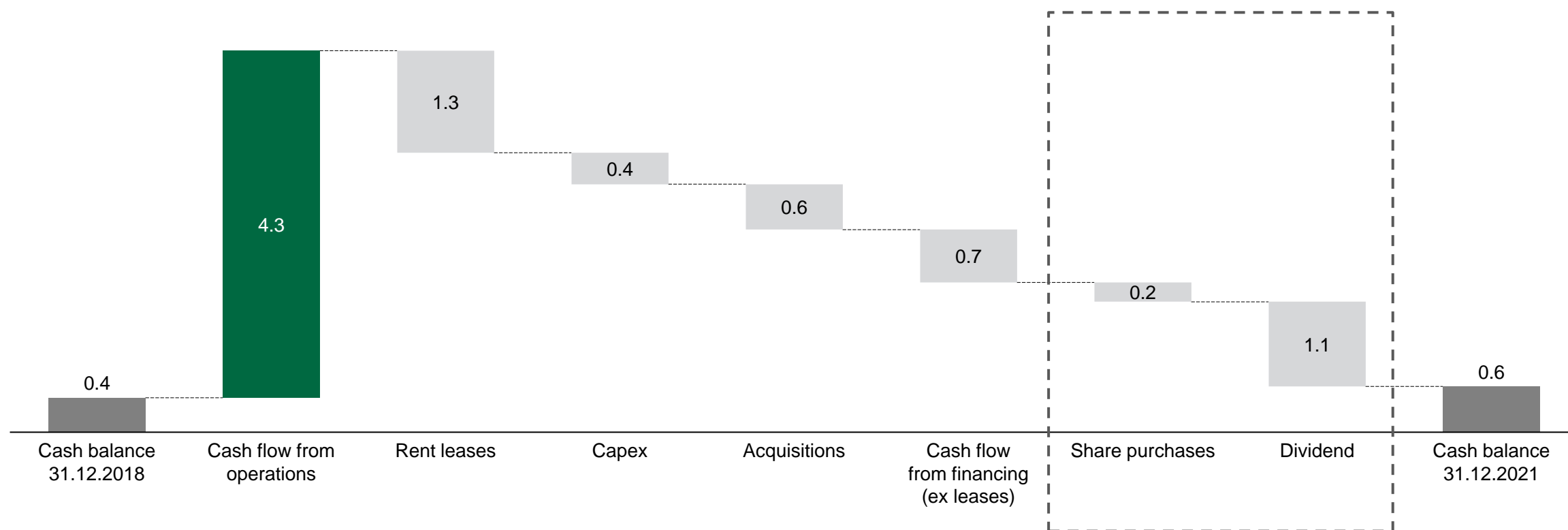
Total investment of about NOK 45 million, with NOK 15 million remaining in 2023

Capex level set to decline in 2024 and 2025

# Distributing excess cash

## Sources and uses of cash

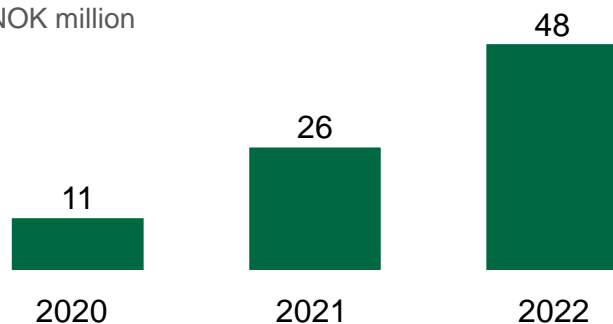
2019 - 2021, NOK billion



# Financing and funding

## NOK 1 billion term loan - hedged 60%

Swap gains  
NOK million



- Interest rate hedge of NOK 300 million to July 2027 and NOK 300 million to July 2030
- Total gains of NOK 85 million booked from 2020 to Q3 22

## RCF and overdraft facility covering seasonal cash flow variations

- NOK 1.2 billion RCF (of which NOK 300 million drawn at Q3 22)
- NOK 200 million overdraft facility (of which NOK 124 million drawn at Q3 22)
- Seasonally strong cash flow in Q4

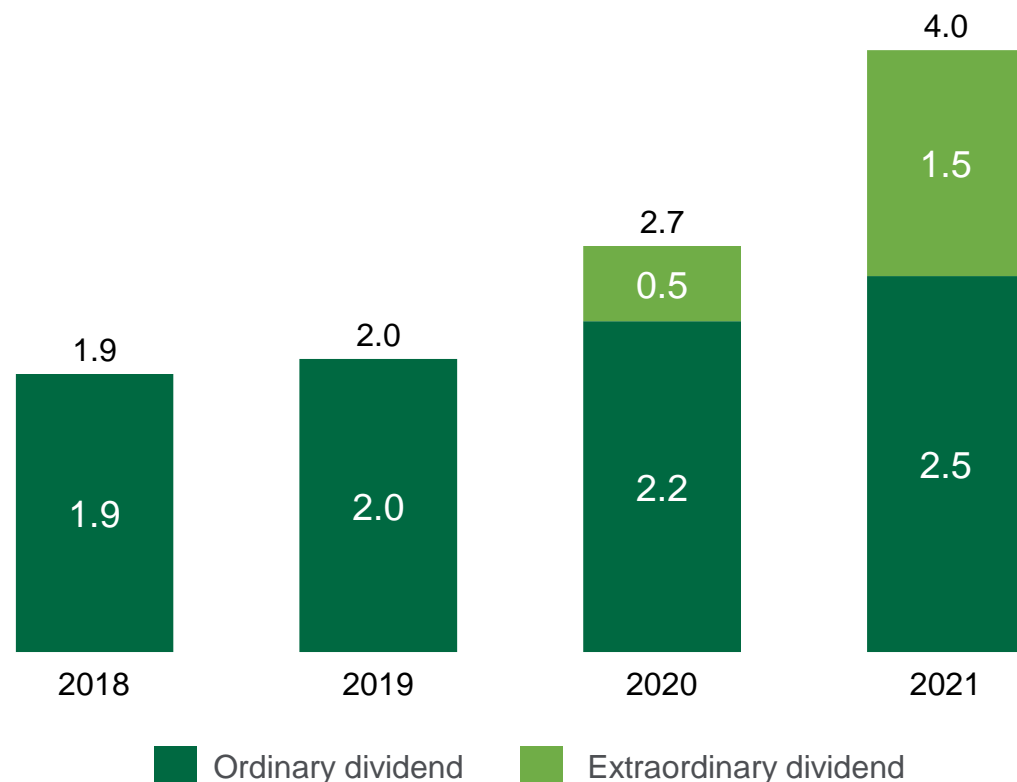
## Ample financial headroom within current covenants

- EBITDA/net interest bearing debt last 12 months to Q3 22 of about 1x versus covenant of 3.25x
- Term loan and RCF up for refinancing, maturing in January 2024

# Maintaining an attractive dividend policy

## Dividends announced since last CMD in 2018

NOK per share



- Ambition to continue delivering competitive shareholder return through share appreciation and dividends
- Average dividend ratio of 63% in 2018-21
- Maintaining dividend policy of 50-60% payout of net profit

<b>Growth</b>	<b>Continue to deliver like-for-like growth above the market</b>
<b>Number of new stores</b>	<b>Average of five new stores net per year</b> Depending on availability of locations which meet strict return requirements and potential for relocations, expansions and modernisations
<b>EBITDA</b>	<b>Increased EBITDA margin over time</b> From improved sourcing and more cost-efficient value chain
<b>Dividend</b>	<b>Dividend policy of 50-60% payout of net profit</b> While maintaining an efficient balance sheet

**Financial and operational ambitions remain unchanged**

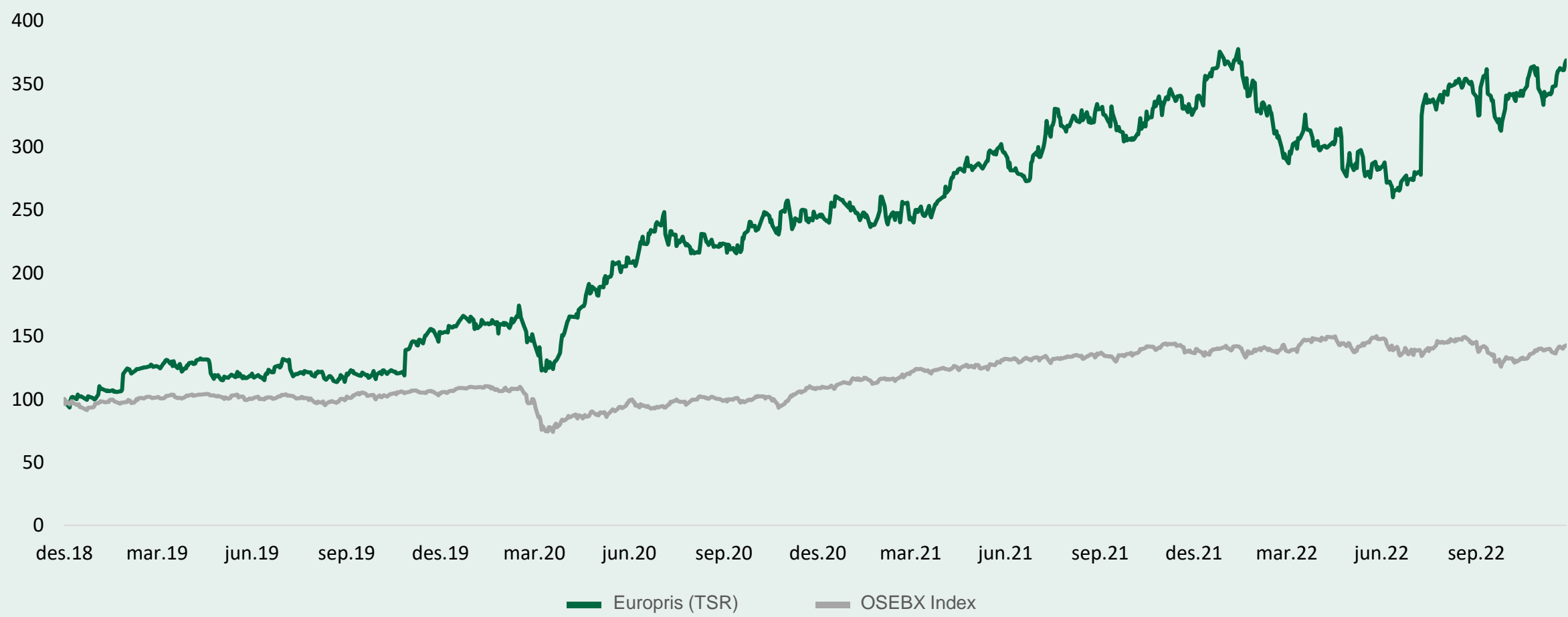


# Creating strong shareholder returns



## Total shareholder return of more than 250% since last CMD in 2018

Indexed, dividends reinvested



Source: Bloomberg (30.11.2022) TSR calculation reinvesting dividends



# Concluding remarks

CEO Espen Eldal

# Our key strategic focus areas



# Key takeaways

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



# Appendix



# Contents

Long-term financial and operational ambitions

ÖoB

Sales days and store projects

Analytical information

Alternative performance measures (APMs)

# 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>a 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

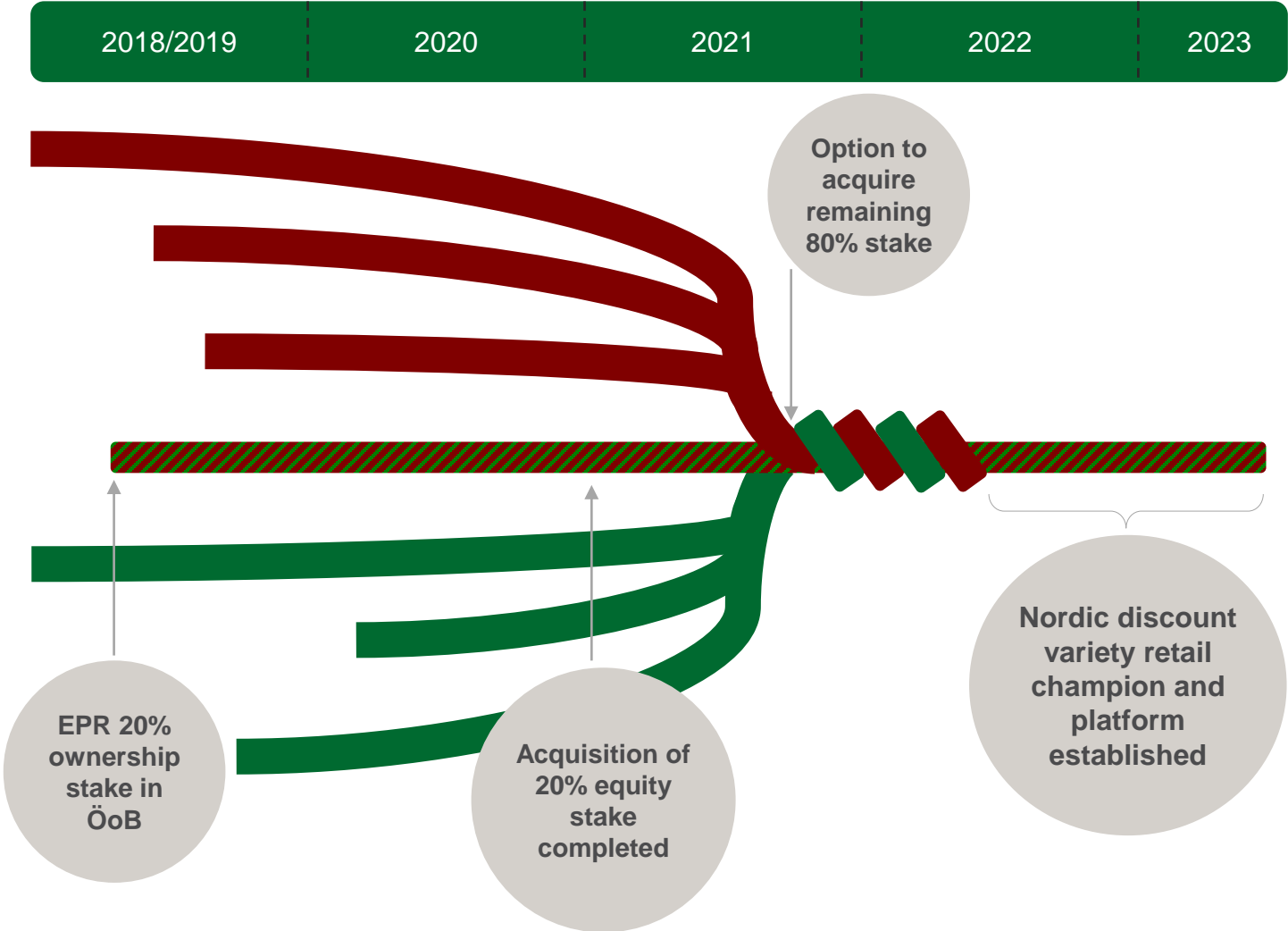
# A low-risk synergistic partnership today

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 7.7 of actual EBITDA for 2018
- Purchase price settled at NOK 115 million based on ÖoB EV of NOK 574 million
- Shares acquired in the market by Europris at a total cost of NOK 98 million
- Share-for-share transaction, settled with treasury shares
- 2.6% ownership stake in Europris (4.35 million shares)

## Option to acquire remaining 80% stake

- Exercisable six months after agreement reached on ÖoB's 2019 EBITDA
- Based on EV using fixed multiple of 7.7 for average of 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 information<sup>1</sup>

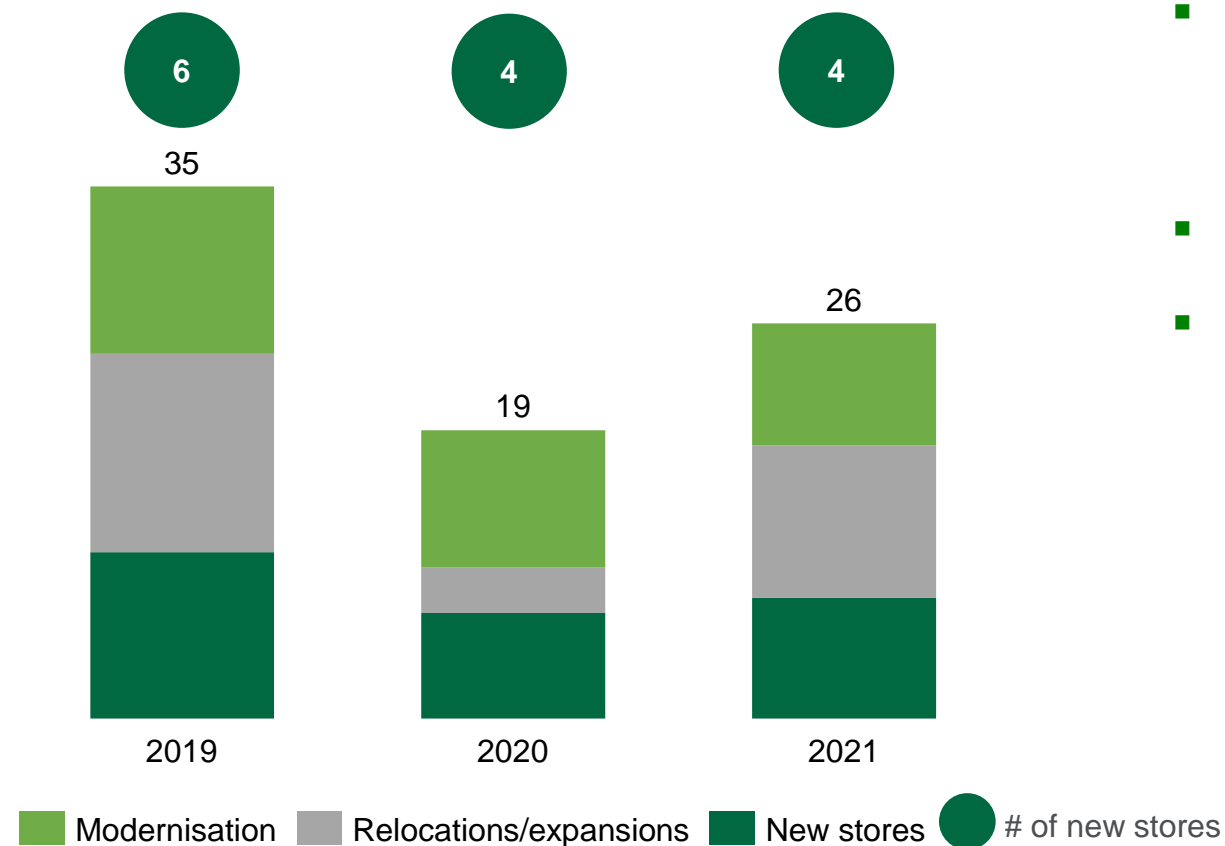
Seasonality	<ul style="list-style-type: none"><li>As a rule-of-thumb, the Easter impact is approximately NOK 60-75 million in revenue and NOK 12-15 million in EBITDA</li></ul>
Quarterly Opex	<ul style="list-style-type: none"><li>Europris stores: as a rule-of-thumb, Opex in quarter one year earlier + inflation + NOK 1.5-1.6 million per extra directly operated store (DOS)</li></ul>
Capex	<ul style="list-style-type: none"><li>New store – NOK 2.2 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 1.2 million per store (average of 10 per year)</li><li>Category development – NOK 15 million per year</li><li>IT and maintenance – NOK 40 million per year</li><li>In addition, estimate for 2022: IT (ERP) of NOK 10 million and warehouse (automation expanded high-bay area) of NOK 10 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

# Successfully investing in our stores

## Store specific Capex

NOK million



- Around NOK 80 million invested across 59 new stores, modernisations, and relocations/expansions in 2019-2021
- Overall investments level in line with guidance
- Average payback time for new store investments around one year<sup>1</sup>



# 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. The APMs are considered to be well-known and frequently utilised by users of the financial statements, and are also used in internal reporting and by management to measure operating performance.

<p><b>Gross profit/gross margin</b> Gross profit is defined as total operating income minus the cost of goods sold (COGS). It represents revenue which 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 versus total revenues.</p>	<p><b>Capital expenditure</b> Capital expenditure (Capex) is the sum of purchases of fixed assets and intangible assets as used in cash flow. Capex is a well-known and widely used term among users of the financial statements, and is a useful measure of investments made in the operations when evaluating capital intensity.</p>
<p><b>Opex</b> Operating expenses (Opex) are the sum of employee benefit expenses and other operating expenses. Looking at the cost of these two components combined is useful since they comprise a large part of fixed operating costs. The Opex-to-sales ratio divides Opex by total operating income and is useful for benchmarking this cost base versus developments in sales.</p>	<p><b>Financial debt</b> Financial debt is the sum of borrowings and lease liabilities. Financial debt is useful for seeing total debt as defined by the IFRS.</p>
<p><b>EBITDA/EBITDA margin</b> EBITDA is earnings before interest, 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 because it excludes amortisation and depreciation expenses related to capital expenditure. EBITDA margin is EBITDA divided by total operating income and is useful for benchmarking this profitability parameter versus developments in sales.</p>	<p><b>Cash and liquidity reserves</b> Cash and liquidity reserves are defined as available cash plus available liquidity through overdraft and credit facilities. This measure is useful for seeing total funds available in the short term.</p>
<p><b>EBIT</b> 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 users of the financial statements, and is useful when evaluating operational profitability. EBIT margin is EBIT divided by total operating income, and thereby the same as operating profit divided by total operating income.</p>	<p><b>Total chain sales</b> Total chain sales are sales from all chain stores, both directly operated and franchises. 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 the store ownership structure.</p>
<p><b>Working capital</b> 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 users of the financial statements and is useful for measuring the group's liquidity, operational efficiency and short-term financial condition.</p>	<p><b>Directly operated store</b> Directly operated store means a store owned and directly operated by the group.</p> <p><b>Franchise store</b> Franchise store means a store operated by a franchisee under a franchise agreement with the group.</p> <p><b>Chain</b> Chain means the sum of directly operated and franchise stores.</p> <p><b>Like-for-like sales growth</b> Like-for-like growth is defined as growth in total chain sales for stores which have been open for every month of both the previous and the current calendar years.</p>