Europris finalised the acquisition of Runsvengruppen (ÖoB) in the second quarter and created a Nordic discount variety retail group with a combined turnover last twelve months of NOK 13.5 billion.

After closing the acquisition, Europris has mobilised a transformation and integration programme to realise synergies across the value chain and to unlock the inherent potential in ÖoB. Europris believes the main value drivers for ÖoB will be a revival of top-line growth and an improvement of the gross margin for the existing store portfolio.

Highlights for the second quarter of 2024:

· Closed the ÖoB transaction in Sweden on 2 May, acquiring remaining 80 per cent for a final purchase price of NOK 200.5 million

· ÖoB included with revenue of NOK 728 million, gross margin of 32.4 per cent and negative EBIT of NOK 16 million

· Group sales of NOK 3,109 million, up 34.6 per cent

· Organic (excluding the acquisition of Runsvengruppen (ÖoB)) sales growth of 3 per cent

· Overall good sales development in Norway but negative impact from timing of Easter and lower sales of high-ticket seasonal items

· Gross margin of 41.9 per cent (44.5 per cent)

· Organic gross margin of 44.7 per cent, up 0.2 percentage points

· Opex-to-sales ratio of 23.6 per cent (21.5 per cent)

· Organic opex-to-sales ratio of 22.7 per cent, up 1.2 percentage points

· EBIT of NOK 339 million (NOK 362 million) and EBIT margin of 10.9 per cent (15.7 per cent)

· Organic EBIT of NOK 354 million and organic EBIT margin of 14.9 per cent

· Net profit of NOK 266 million (NOK 260 million) attributable to parent

· Positive impact from fair value adjustment of the ÖoB option of NOK 32 million and remeasurement of the initial 20 per cent stake of NOK 17 million

· Negative impact from interest rate swaps of NOK 1 million this year vs positive at NOK 22 million last year

"In May we reached an important strategic milestone on the path to creating a Nordic champion in discount variety retail, with Europris and ÖoB as leading brands with similar concepts in Norway and Sweden. We have initiated an ambitious programme to unlock the ÖoB potential, and I'm pleased to say that the work to integrate ÖoB has gotten off to a good start", comments CEO Espen Eldal.

Total operating income amounted to NOK 3,109 million in the second quarter (NOK 2,310 million), up 34.6 per cent year-on-year. Organic sales, excluding the acquisition of ÖoB, increased by 3 per cent, and the Europris chain had like-for-like growth of 1.1 per cent. The quarter had two more sales days than the same period of last year, but the timing of Easter and lower sales of higher-ticket seasonal items affected sales negatively compared to the same period last year.

Gross profit amounted to NOK 1,302 million (NOK 1,028 million), with a gross margin of 41.9 per cent (44.5 per cent). Organic gross margin was 44.7 per cent, up by 0.2 percentage points. The group recognised a net unrealised loss of NOK 17 million on hedging contracts and accounts payable, compared to a loss of NOK 8 million in the same period last year - impacting the gross margin change negatively by 0.2 percentage points.

Operating expenditure (Opex) was NOK 735 million (NOK 497 million). Organic opex was NOK 540 million, up 8.6 per cent, reflecting an increase from 255 to 259 directly operated stores and an overall negative impact from inflation and wage growth. The opex ratio increased to 23.6 per cent (21.5 per cent), with the organic opex ratio at 22.7 per cent.

EBIT amounted to NOK 339 million (NOK 362 million). The organic EBIT was NOK 354 million, a decline of NOK 8 million or 2.2 per cent. The EBIT margin was 10.9 per cent (15.7 per cent), while the organic EBIT margin was 14.9 per cent.

Net debt amounted to NOK 5,097 million at 30 June 2024 (NOK 4,251 million). Adjusted for lease liabilities, net debt was NOK 1,520 million (NOK 1,617 million). Cash and liquidity reserves for the group amounted to NOK 1,441 million at 30 June 2024 (NOK 1,005 million).

Outlook

Europris is well positioned as a recognised market leader in Norway, and with the acquisition of ÖoB the group has taken an important step towards becoming a leading player in the Nordic discount variety retail market.

ÖoB has built a solid brand and a strong price position with Swedish consumers over many years. However, the company has shown a flat revenue development and declining margins over the past five years, and a turnaround is required to gradually unlock the value potential over the years to come.

Europris has identified considerable potential to increase both sales and profitability, by harmonising concepts and product ranges and improving the customer experience, through joint sourcing, and by sharing best practise for operations and business development. The ambition is to grow annual sales for the existing store portfolio in ÖoB by SEK 1 billion to SEK 5 billion by the end of 2028, and to restore profitability to an ÖoB EBIT-margin level of 5 per cent. Within the same time frame, Europris also expects to realise purchasing synergies in the range of NOK 20-40 million benefiting the Norwegian operations.

Shipping transport from Asia is still being routed around the Cape of Good Hope due to the situation in the Red Sea. This is creating capacity constraints due to a lack of containers and higher war surcharges. The group is taking measures to mitigate negative effects to the extent possible.

Practical details:

The quarterly report, presentation materials and spreadsheet with key figures will also be available on the company's website https://investor.europris.no.

CEO Espen Eldal, CFO Stina C Byre and VP strategic projects André Sjåsæt will present the group's results at 08:30 CEST at DNB Markets' office, Dronning Eufemias gate 30 in Oslo. The presentation will be held in English and transferred via live webcast and will be made available through the company's website at https://investor.europris.no. It will be possible to ask questions via the web.

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About Europris:

Europris is Norway's largest discount variety retailer by sales. The group offers its customers a broad range of quality owned brands and brand name merchandise. Its merchandise is sold through the Europris chain, which consists of a network of 282 stores throughout Norway. Of these, 259 are directly owned by the group and 23 operate as franchise stores. In May 2024, the group took full ownership of the Swedish discount variety retailer ÖoB, which consists of a network of 94 stores in Sweden. In addition, Europris is full or partial owner of the e-commerce companies Lekekassen, Strikkemekka, Designhandel and Lunehjem. The group's head office is located in Fredrikstad, Norway.

This information is considered to be inside information pursuant to the EU Market Abuse Regulation and is subject to the disclosure requirements pursuant to section 5-12 the Norwegian Securities Trading Act.

This stock exchange announcement was published by Trine Engløkken, head of investor relations at Europris ASA, on 11 July 2024 at 07:00 CEST.

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