Europris delivered sales growth in a competitive market during the second quarter. As expected, the gross margin fell from a record level in the same period of last year, but was still above the pre-pandemic level. The lower gross margin yielded a decline in profits, but the group is satisfied with the performance and with the improvements maintained during recent years. After a slow start to the period in April, both sales and gross margin improved during May and June.

Highlights for the second quarter of 2023:

- Total sales of NOK 2,310 million, up 4.3 per cent
  - Sales growth of 2.7 per cent excluding acquisition of Strikkemekka
  - Like-for-like sales growth of 1.1 per cent for the Europris chain
  - Negative effects from earlier Easter and a slow start to the quarter

- Gross margin of 44.5 per cent (48.2 per cent)
  - Increase in cost of goods sold (COGS) and price competition for consumables
  - Negative unrealised effect of NOK 8 million from currency hedging (positive at NOK 20 million)

- Opex-to-sales ratio of 21.5 per cent (21.7 per cent)
  - Opex up by 3.6 per cent, or 0.1 per cent excluding acquisition of Strikkemekka
  - Variable cost elements reduced in line with lower volumes

- EBITDA of NOK 531 million (589 million) and EBITDA margin of 23 per cent (26.6 per cent)
- Net profit of NOK 260 million (NOK 325 million) attributable to parent
  - Positive effect of NOK 22 million from interest-rate swaps (positive at NOK 12 million)

- Refinancing completed 30 June (3+1+1-year facility arrangement)

Highlights for the first half 2023:

- Total sales of NOK 4,243 million (NOK 3,932 million), a 7.9 per cent increase
  - Sales growth of 5.7 per cent excluding acquisition of Strikkemekka

- Gross margin of 44 per cent (46.5 per cent)
  - Increase in cost of goods sold (COGS) and price competition for consumables
  - Negative unrealised effect of NOK 3 million from currency hedging (positive at NOK 14 million)

- Opex-to-sales ratio of 24.2 per cent (24.5 per cent)
  - Increase in Opex of 6.7 per cent, or 2.8 per cent excluding acquisition of Strikkemekka

- EBITDA of NOK 842 million (NOK 866 million) and EBITDA margin of 19.9 per cent (22 per cent)
- Net profit of NOK 331 million (NOK 413 million) attributable to parent
  - Positive effect from interest-rate swaps of NOK 17 million (positive at NOK 42 million)

- Earnings per share of NOK 2.05 (NOK 2.57)
- Continued strong financial position, with cash and liquidity reserves of NOK 1,005 million (NOK 1,000 million)

CEO Espen Eldal comments:

"In a retail market which has been challenging for quite some time, we continue to perform well and are consistently executing our strategy. We are highly relevant and continue to ensure that we offer our customers great value for money while maintaining both gross and EBITDA margins above pre-pandemic levels. I'm pleased to see that we have sustained the momentum gained during the recent years."

Group sales for the second quarter came to NOK 2,310 million, up by 4.3 per cent from the corresponding period of 2022. Sales rose by 2.7 per cent excluding the acquisition of Strikkemekka, and like-for-like sales for the Europris chain increased by 1.1 per cent.

Gross profit for the second quarter came to NOK 1.028 million (NOK 1.069 million), with the gross margin declining to 44.5 per cent (48.2 per cent). The lower gross margin reflects higher input costs combined with tough price competition in the market. Seasonal carry-overs from last year's summer period also affected the gross margin negatively, reflecting higher costs in the old freight agreement and campaign activities to support sales volumes.

The group also recognised a net unrealised loss of NOK 8 million on hedging contracts and accounts payable (gain of NOK 20 million)

Operating expenditure (Opex) was NOK 497 million (NOK 480 million) in the second quarter. The Opex-to-sales ratio declined to 21.5 per cent (21.7 per cent).

EBITDA for the second quarter was NOK 531 million (NOK 589 million) and the EBITDA-margin 23 per cent (26.6 per cent). Net profit to majority was NOK 260 million (NOK 325 million).

Cash and liquidity reserves for the group at 30 June 2023 amounted to NOK 1,005 million (NOK 1,000 million).

The group completed a refinancing at 30 June, continuing its facilities in a 3+1+1-year agreement.

Outlook

The attention paid to price by consumers has increased significantly, and this is expected to continue. Rising interest rates and a generally high level of inflation put pressure on household finances. With a weak NOK, a summer holiday abroad may prove more expensive than expected. This means consumer spending behaviour may prove even more cautious in the autumn.

Viewed overall, these market conditions should be supportive of low-price, campaign-driven retail concepts like Europris, and the footfall to the group's stores is expected to remain strong. The board is confident that the Europris group will remain a consumer favourite and a relative winner under the tough conditions prevailing in the retail market.

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 and CFO Stina C Byre will present the group's results at 08:30 CEST at Carnegie office, Fjordalléen 16, 5th floor 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.

For further information please contact:

Espen Eldal, CEO, +47 48 29 24 24, espen.eldal@europris.no

Stina C Byre, CFO, +47 41 10 58 08, stina.byre@europris.no

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 280 stores throughout Norway. Of these, 255 are directly owned by the group and 25 operate as franchise stores. In addition, Europris is full or partial owner of the e-commerce companies Lekekassen, Lunehjem, Strikkemekka and Designhandel. The group's head office is located in Fredrikstad, Norway.

This stock exchange announcement was published by Trine Engløkken, head of investor relations at Europris ASA, on 13 July 2023 at 07:00 CEST.

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