



# 1H 2019

# Results Presentation

# Executive Summary

01

## GROUP'S SALES INCREASE BY 1.2 BN PLN IN 1H 2019

driven by acquisitions and strong organic growth

02

## WHOLESALE

**EBITDA INCREASE BY PLN 22 M YOY**

(+14%) supported by 5.1% organic sales increase

03

## RETAIL

**STRONG DELIKATESY CENTRUM RETAIL**

**LFL AT +3.4% IN 1H 2019** and 8.0% in 2Q 2019

04

**LTM OPERATING CASH FLOW AT THE LEVEL OF 0.7X EBITDA**

with ND/EBITDA at level 1.5x driven by dividend and M&A

05

**IFRS16 IMPACT ON P&L AND BS:**

EBITDA PLN +178 m, EBIT +19 m, Net Profit -9 m and Net Debt +1.8 bn

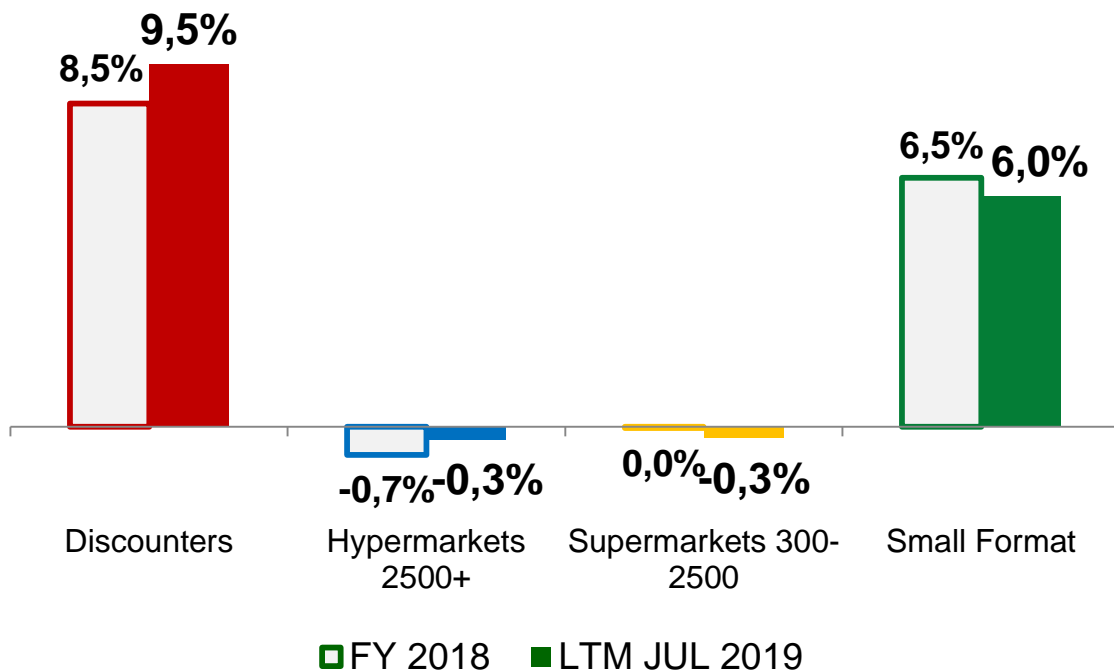
**STRONG WHOLESALE AND DEVELOPING RETAIL DRIVING SMALL STORES COMPETITIVENESS**

# Food market growth

Small supermarkets and discounters accelerating the growth, big boxes are struggling, groceries still strong

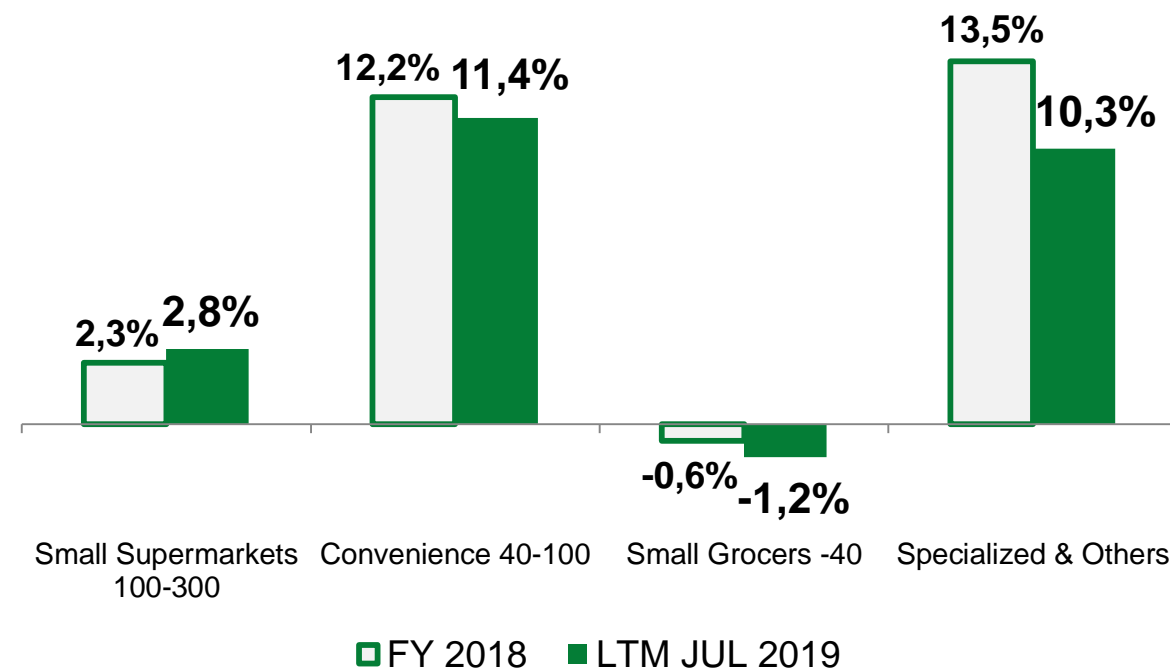
## Food market growth by channel

(FY 2018 & LTM JUL 2019 YoY)



## Food market growth in small format channels

(FY 2018 & LTM JUL 2019 YoY)

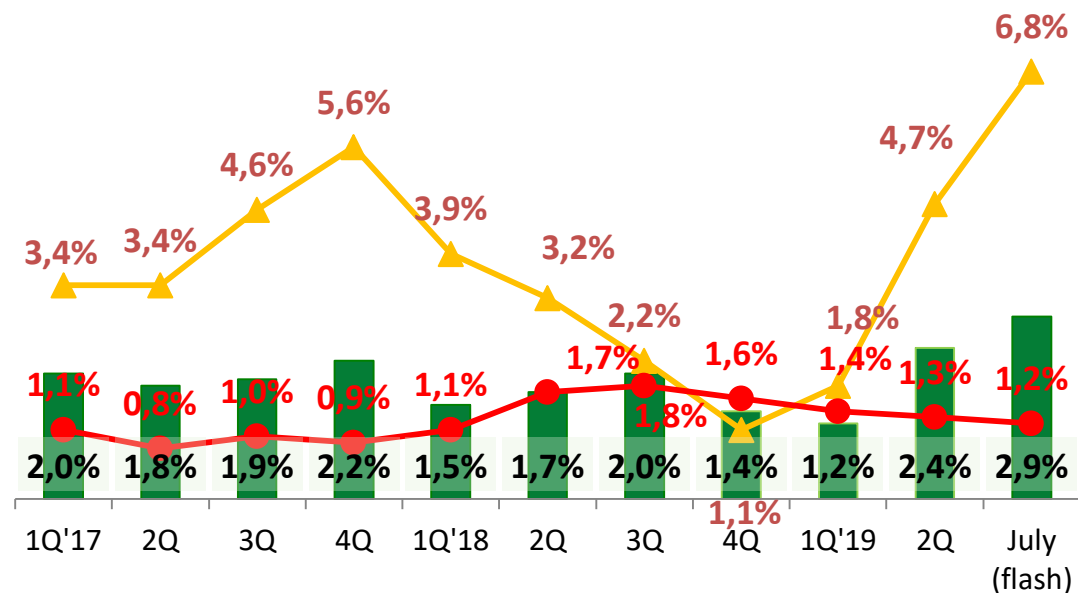


□ LTM July Food sales increased by 5.6%, while in Small Format stores increase amounted to 6.0%

# Inflation

Food inflation accelerates to record values. CPI on levels haven't seen since 2012.

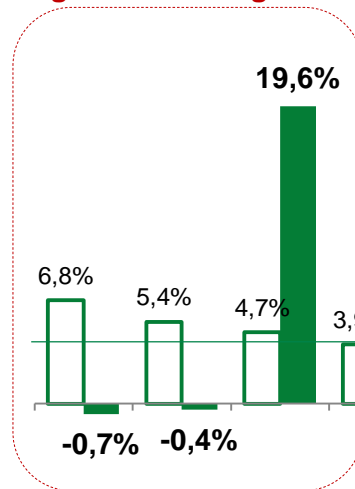
Inflation  
(YoY)



■ CPI ▲ CPI - food & non-alcoholic beverages ● CPI - alcoholic beverages & tobacco

Food inflation by product category

Large format categories



Small format categories

□ 2018 (I-XII) ■ 2019 (I-VII)

Fats Dairy Vegetables Bread and Cereals Food Tobacco Coffee & Tea Meat Fish Beverages Alcohol incl. Spirits, Wine Beer Fruits Sugar, sweets, jams

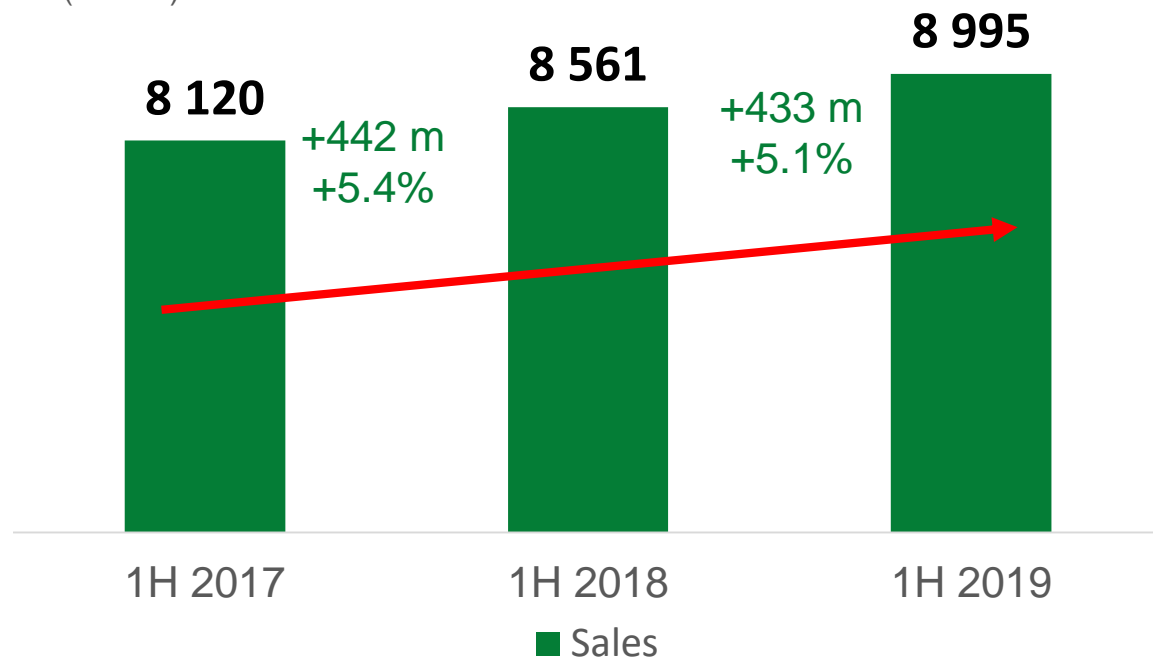
□ Trend in food inflation changed and accelerated to 4.7% in 2Q 2019 and 6.8% in July 2019

□ Vegetables, bakery, meat and dry food driving food inflation. Beverages at stable level below 2%.

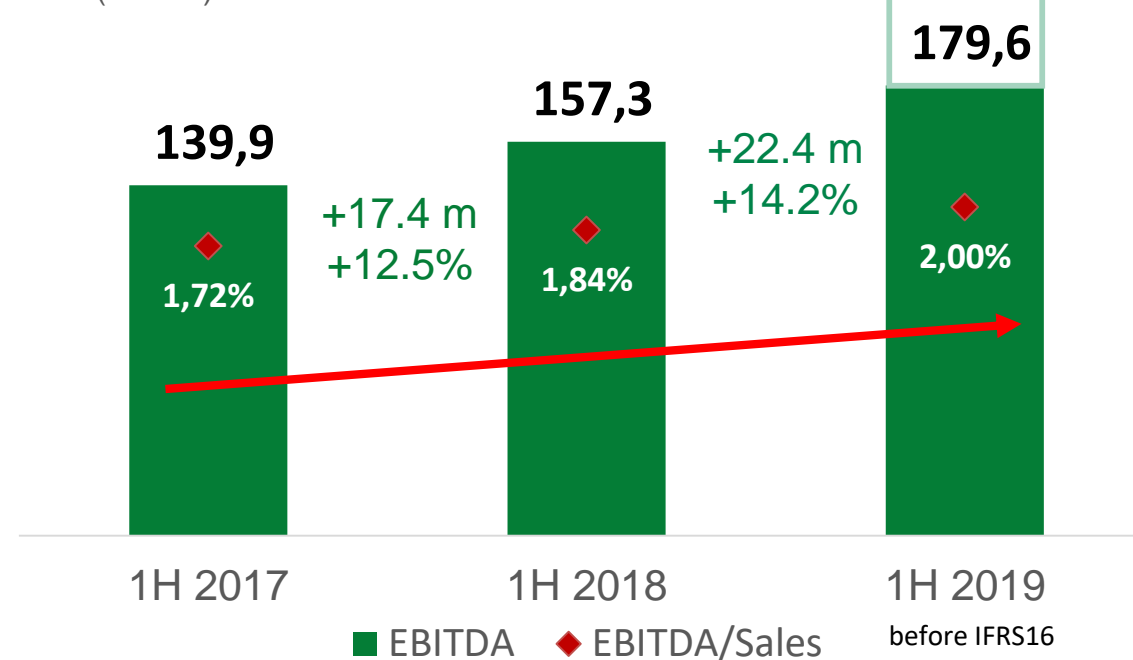
# Wholesale Segment – EBITDA increase accelerates to 14.2%

Supported by 5.1% organic sales increase

1H Sales of goods evolution  
(PLN m)



1H EBITDA evolution  
(PLN m)



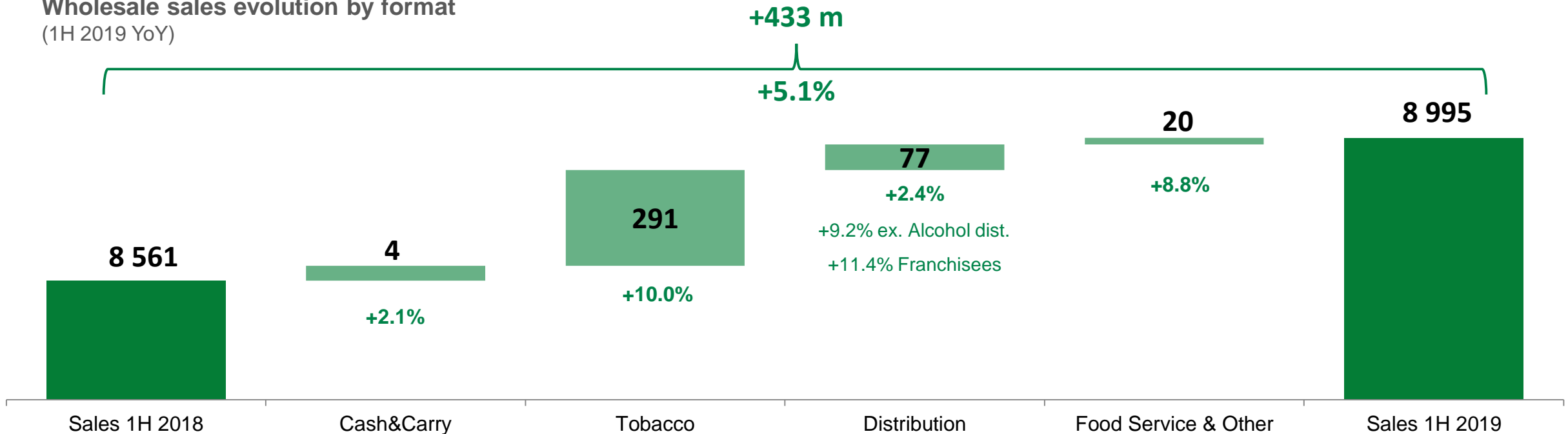
□ Sales increase by PLN 433 m, EBITDA by PLN 22.4 m and EBITDA margin by 0.16 p.p. in 1H 2019

□ EBITDA driven by Tobacco, Cash&Carry, ECD and partially off-set by Alcohol Distribution

# Wholesale sales dynamics by distribution format

Strong 5% sales increase despite further reductions of sub wholesalers and deals in Alcohol Distribution

Wholesale sales evolution by format  
(1H 2019 YoY)

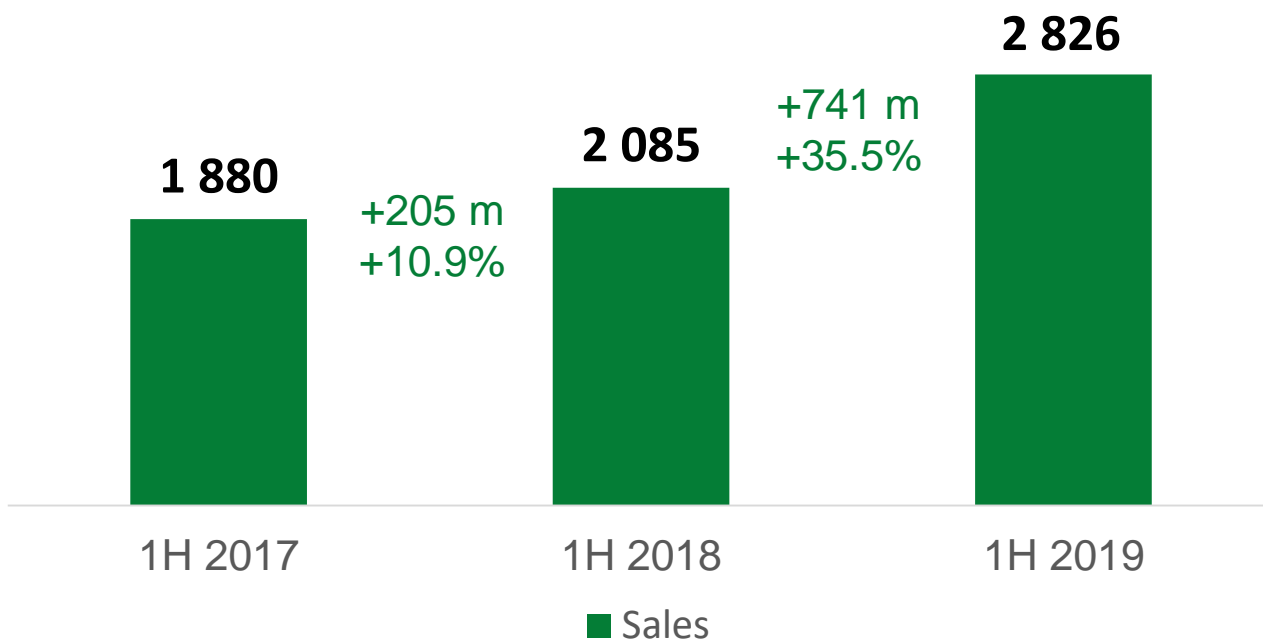


- ❑ Strong Tobacco sales increase by 10%, followed by ECD, C&C and Food Service healthy dynamics
- ❑ Eurocash Distribution ex. Alcohol growth by 9.2% driven by sales to franchisees (+11.4% in 1H and +15.0% in 2Q 2019 YoY), Alcohol currently off-setting the growth due to merger process (Logistics and HO cost reduction, digital sales introduction, change of sales strategy)

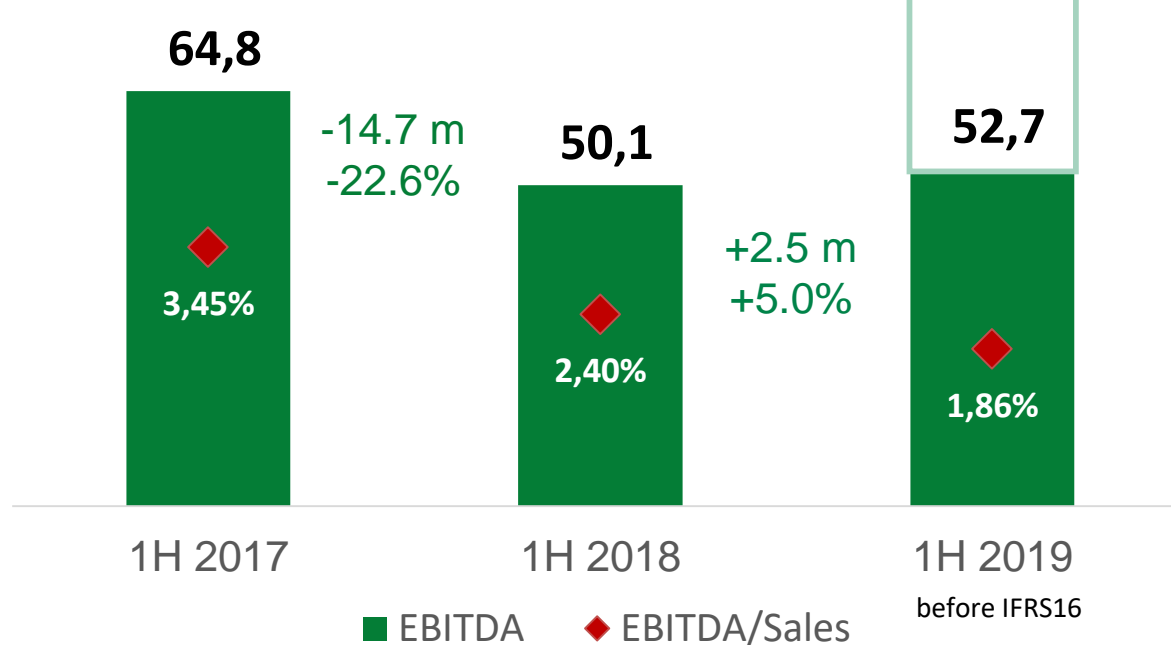
# Retail – sales growth driven by M&A

Accelerating Delikatesy Centrum LFLs, EBITDA growth partially off-set by consolidation of Mila

1H Sales of goods evolution  
(PLN m)



1H EBITDA evolution  
(PLN m)



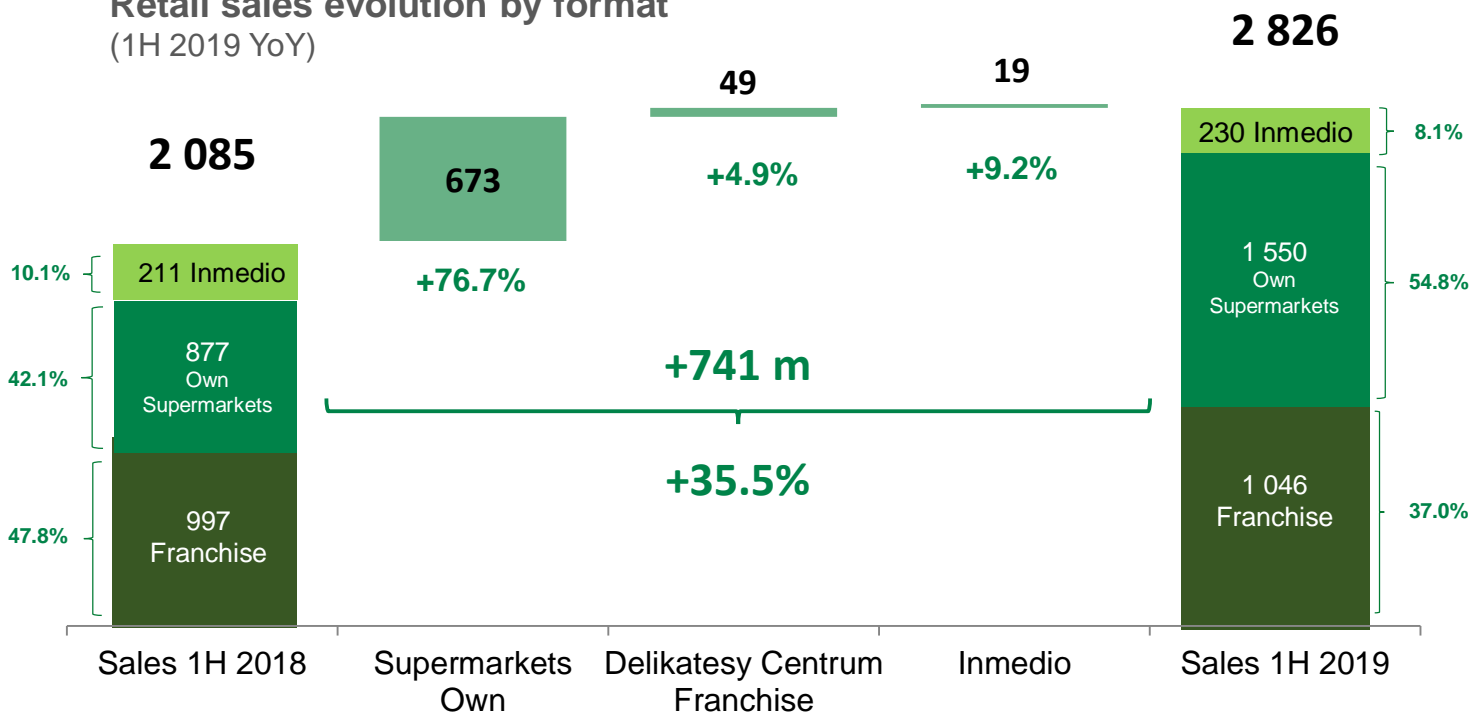
- Sales increase driven by M&A (Mila PLN +560 m, Partner PLN +61 m).
- Ongoing integration on schedule: strategy revision, concept of operational model ready, new design of organizational structure with full team in place. Phase of common IT solution roll out currently being developed.

# Retail development

Sales increase in all formats despite low basket inflation

## Retail sales evolution by format

(1H 2019 YoY)



## Delikatesy Centrum like for like



- Own supermarkets increasing sales by PLN 673 m
- Franchise stores with sales increase by 4.9% in 1H 2019

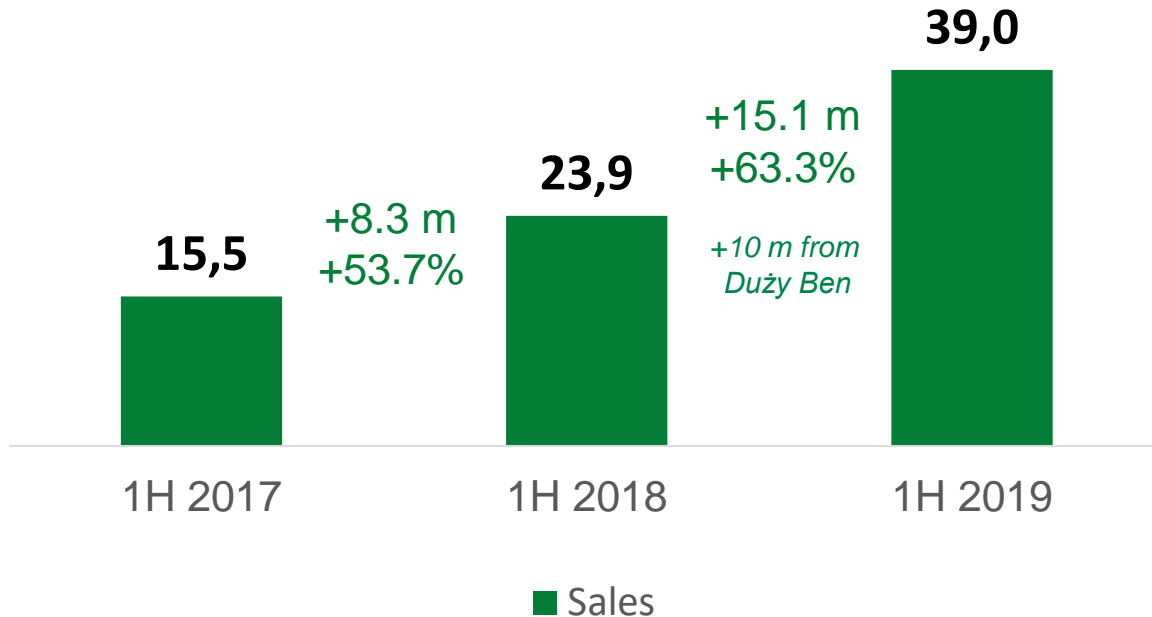
- Delikatesy Centrum LFL at level of +3.35% in 1H 2019 and average retail basket inflation at +0.72%
- Inmedio newsagents LFL +5.22% in 1H 2019



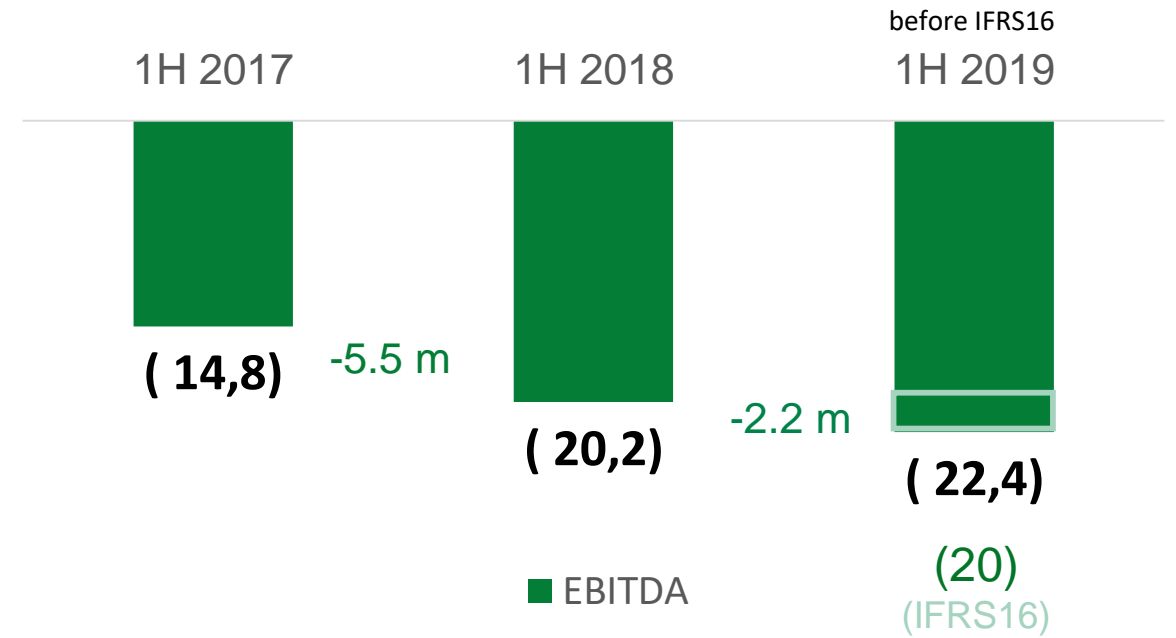
# Projects – accelerating expansion of already defined formats

Projects excluding Fresh Project

1H 2019 Sales of goods evolution  
(PLN m)



1H 2019 EBITDA evolution  
(PLN m)



- Duży Ben driving sales with 50 stores at the end of 2Q 2019
- LFL in Duży Ben in 1H 2019 amounted to +20.8%

- EBITDA impacted by costs of expansion and investments into brand awareness
- Further expansion needed to reach break even point

# 1H 2019 financial summary

11% sales growth with reported EBITDA margin at 2.8% driven by IFRS16

PLN m	1H 2018	1H 2019 before IFRS16	Y/Y Change	% of Sales 1H 2018	% of Sales 1H 2019 before IFRS16	1H 2019	% of Sales 1H 2019
Net sales	10 747	<b>11 921</b>	10.9%			<b>11 921</b>	
Gross profit	1 288	<b>1 550</b>	20.4%	12.0%	<b>13.0%</b>	<b>1 550</b>	<b>13.0%</b>
EBITDA	156.6	<b>159.9</b>	2.1%	1.5%	<b>1.3%</b>	<b>337.5</b>	<b>2.8%</b>
EBIT	60.5	<b>53.2</b>	-12.2%	0.6%	<b>0.4%</b>	<b>71.7</b>	<b>0.6%</b>
Net profit	17.5	<b>15.8</b>	-9.4%	0.2%	<b>0.1%</b>	<b>6.7</b>	<b>0.1%</b>

- Gross Margin driven mainly by consolidation of retail companies. Wholesale margin slightly improved.
- EBITDA increase by PLN 3.3 m, while EBITDA margin deteriorate due to change of sales mix.
- IFRS16 drives EBITDA by PLN +178 m, EBIT by PLN +18.6 m and impacts net profit by PLN -9.1 m

# 2Q 2019 financial summary

12% sales growth with reported EBITDA margin at 3.4% driven by IFRS16

PLN m	2Q 2018	2Q 2019 before IFRS16	Y/Y Change	% of Sales 2Q 2018	% of Sales 2Q 2019 before IFRS16	2Q 2019	% of Sales 2Q 2019
Net sales	5 759	<b>6 438</b>	11.8%			<b>6 438</b>	
Gross profit	706	<b>844</b>	19.6%	12.3%	<b>13.1%</b>	<b>844</b>	<b>13.1%</b>
EBITDA	117.0	<b>126.5</b>	8.1%	2.0%	<b>2.0%</b>	<b>216.2</b>	<b>3.4%</b>
EBIT	67.6	<b>72.2</b>	6.8%	1.2%	<b>1.1%</b>	<b>81.4</b>	<b>1.3%</b>
Net profit	36.0	<b>49.7</b>	37.9%	0.6%	<b>0.8%</b>	<b>46.9</b>	<b>0.7%</b>

- ❑ Gross Margin driven mainly by retail companies consolidation. Wholesale margin slightly improved.
- ❑ Consolidated sales impacted by M&A (Mila and Partner: PLN +279 m)
- ❑ IFRS16 drives EBITDA by PLN +90 m, EBIT by PLN +9.2 m and impacts net profit by PLN -2.8 m

# 1H 2019 EBITDA evolution (before IFRS16)

Wholesale increase by PLN 22.4 m, off-set by Others. Retail increase by PLN 2.5 m.



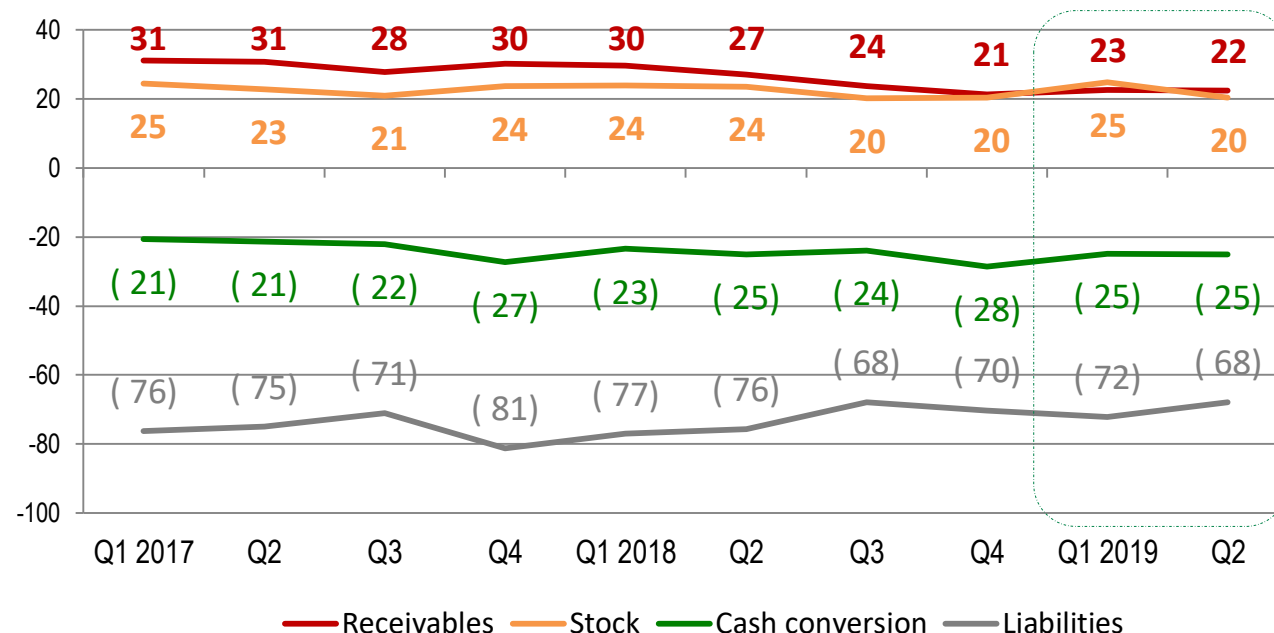
- ❑ Wholesale again proves its strengths, with an increase by PLN 22.4 m (+14.2%)
- ❑ Retail despite ongoing integration improved results by PLN 2.5 m (+5.0%)
- ❑ Others driven mainly by higher provision for employees' bonus due to better performance than last year

# Cash Flow

Operating CF driven by depreciation from IFRS16.  
LTM OCF before IFRS16 at 0.71x EBITDA.

PLN m	1H 2019	1H 2019 before IFRS16	1H 2018
<b>Net operating cash flow</b>	<b>265</b>	<b>83</b>	<b>186</b>
Net profit (loss) before tax	19	30	42
Depreciation	266	107	96
Change in working capital	1	1	63
Other	(21)	(55)	(15)
<b>Net investment cash flow</b>	<b>(180)</b>	<b>(180)</b>	<b>(378)</b>
<b>Net financial cash flow</b>	<b>(84)</b>	<b>98</b>	<b>138</b>
<b>Total cash flow</b>	<b>1</b>	<b>1</b>	<b>(54)</b>

Cash conversion cycle



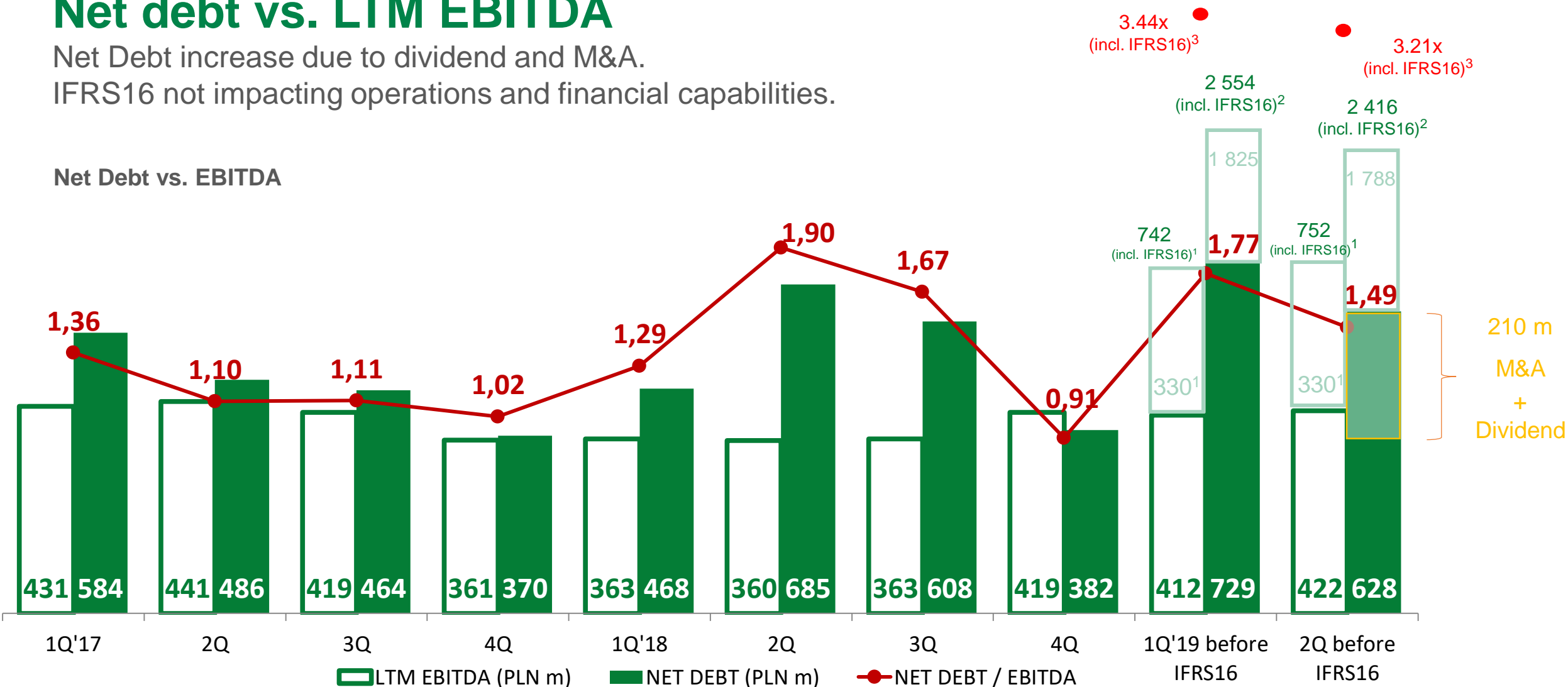
- OCF at level of PLN 265 m. Before IFRS16 at 83 m.
- Net Working Capital rotation at stable LT optimum level of -25 days
- Working capital impacted by increased sales and inventory reductions as of end 2018. Rotation of each position impacted by change in mix of sales (increase of share of tobacco and fresh categories in total revenues).

# Net debt vs. LTM EBITDA

Net Debt increase due to dividend and M&A.

IFRS16 not impacting operations and financial capabilities.

## Net Debt vs. EBITDA



Q2 2019 Net Debt decrease of PLN -101 m    IFRS16 drives ND to PLN 2.4 bn    IFRS Index below 3.3x IFRS16 EBITDA

# Executive Summary

**Stable quarter and half of the year**

**Wholesale again shows its strength by accelerating EBITDA growth**

**Retail LFLs improving despite ongoing integration**

**Cash Flow generation accelerated in 2<sup>nd</sup> quarter. Net Working Capital at optimum levels.**

**Long term strategy to expand in total food distribution in Poland on schedule  
(for wholesale & retail)**

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