



# Q3 2019

# Results Presentation

# Executive Summary

**01 GROUP SALES INCREASED BY 6.9% IN Q3 2019 YOY**

**02 WHOLESALE**  
**SALES INCREASED BY PLN 315 M IN Q3 2019** (+6.6%) supported by stable EBITDA despite high base

**03 RETAIL**  
**DELIKATESY CENTRUM +4.1% RETAIL LFL IN Q3 2019** with significant EBITDA improvement (+179%)

**04 LTM OPERATING CASH FLOW AT 0.8X EBITDA** with ND/EBITDA at 1.2x

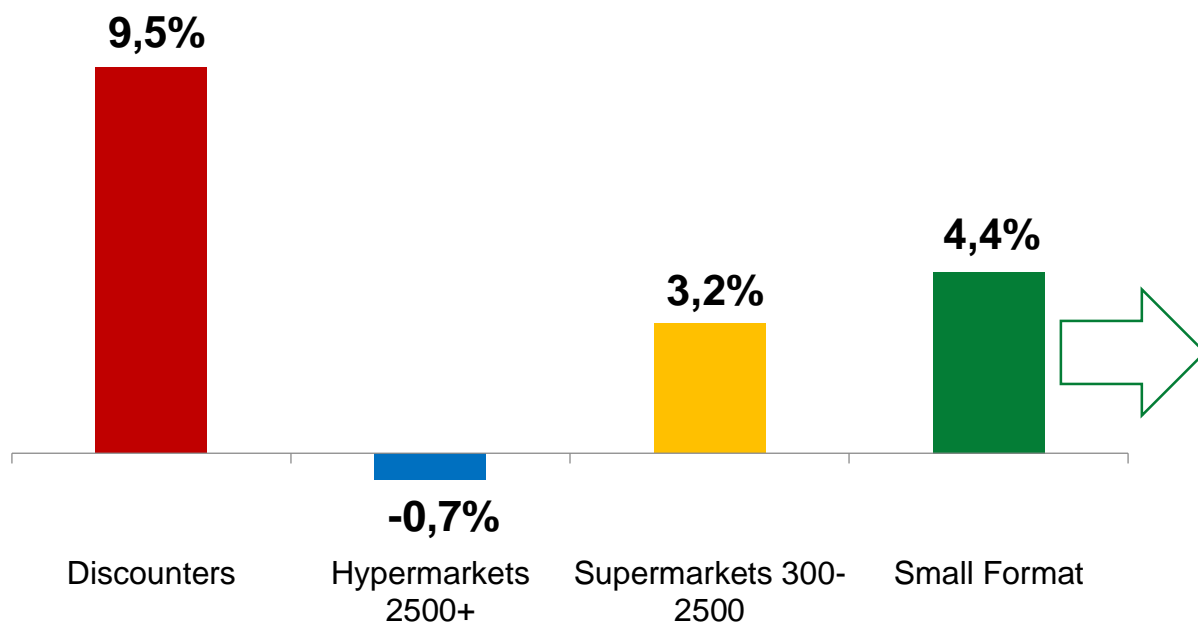
**05 IFRS16 IMPACT ON P&L AND BS:**  
EBITDA PLN +90 m, EBIT +9 m, Net Profit -16 m and Net Debt +1.8 bn

**STRONG WHOLESALE AND RETAIL INTEGRATION ON TRACK**

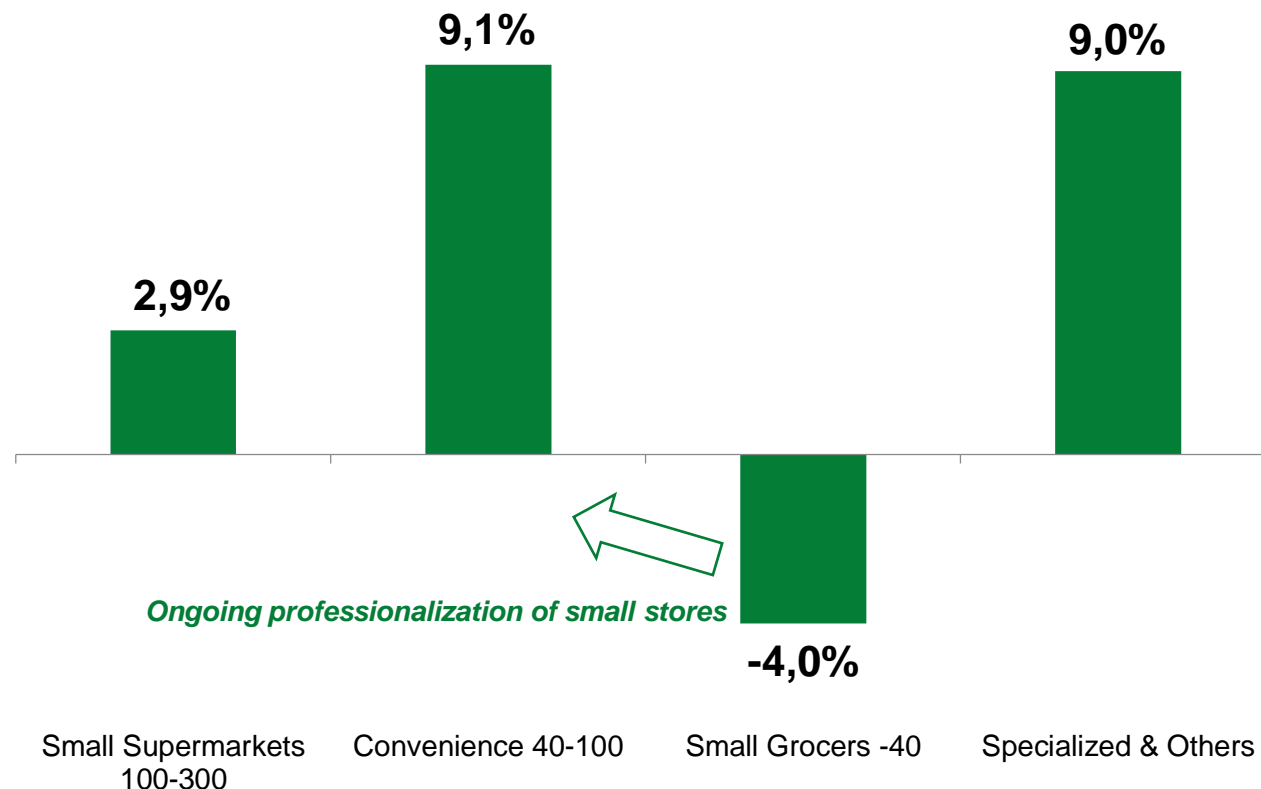
# Food market growth

Most of the market benefiting from strong consumption growth. Hypermarkets continue to struggle.

**Food market growth by channel**  
(LTM SEP 2019 YoY)



**Food market growth in small format channels**  
(LTM SEP 2019 YoY)

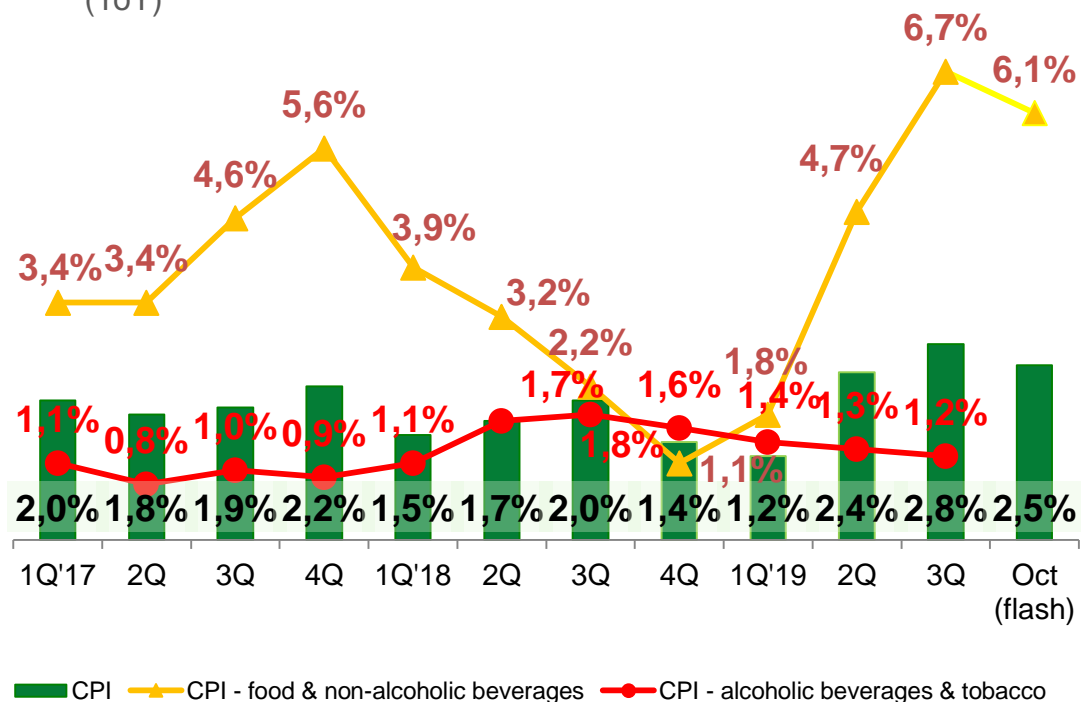


❑ Nielsen data revised by inclusion of one supermarket chain. All market growing by 5.5% YoY.

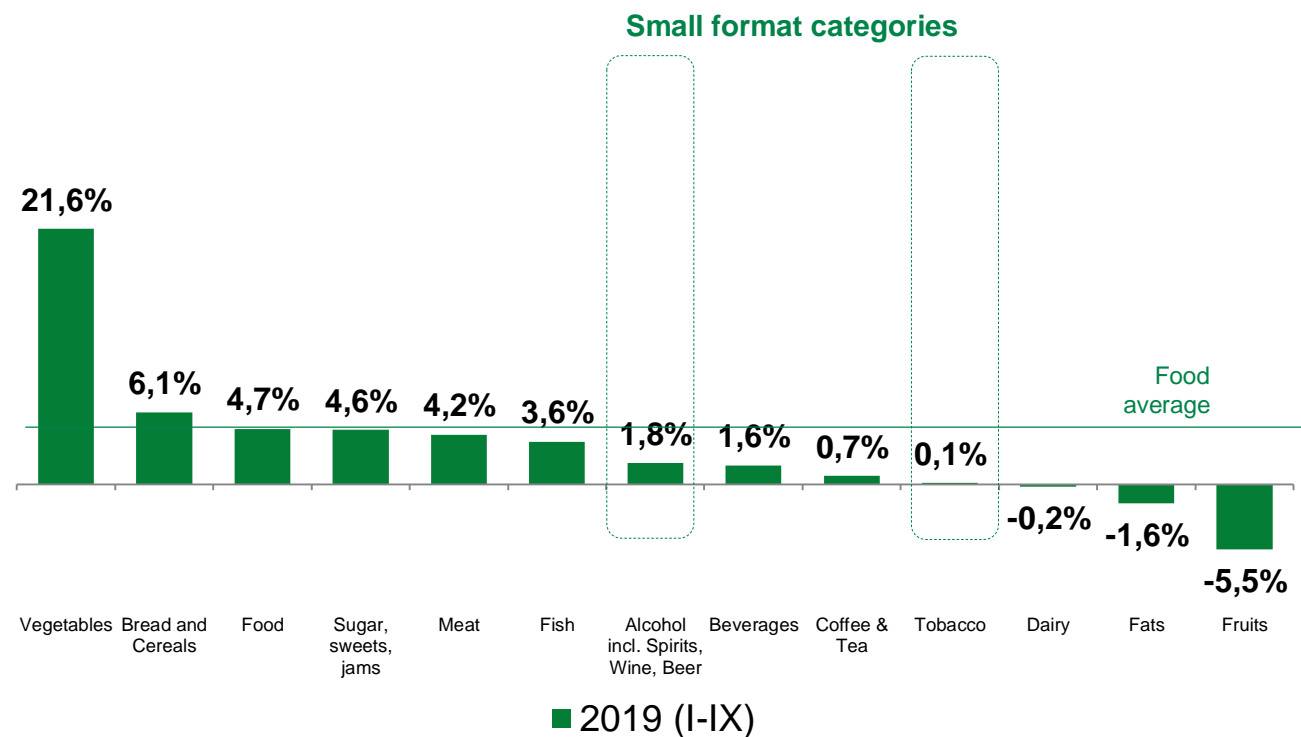
# Inflation

Food inflation on record levels

Inflation  
(YoY)



Food inflation by product category

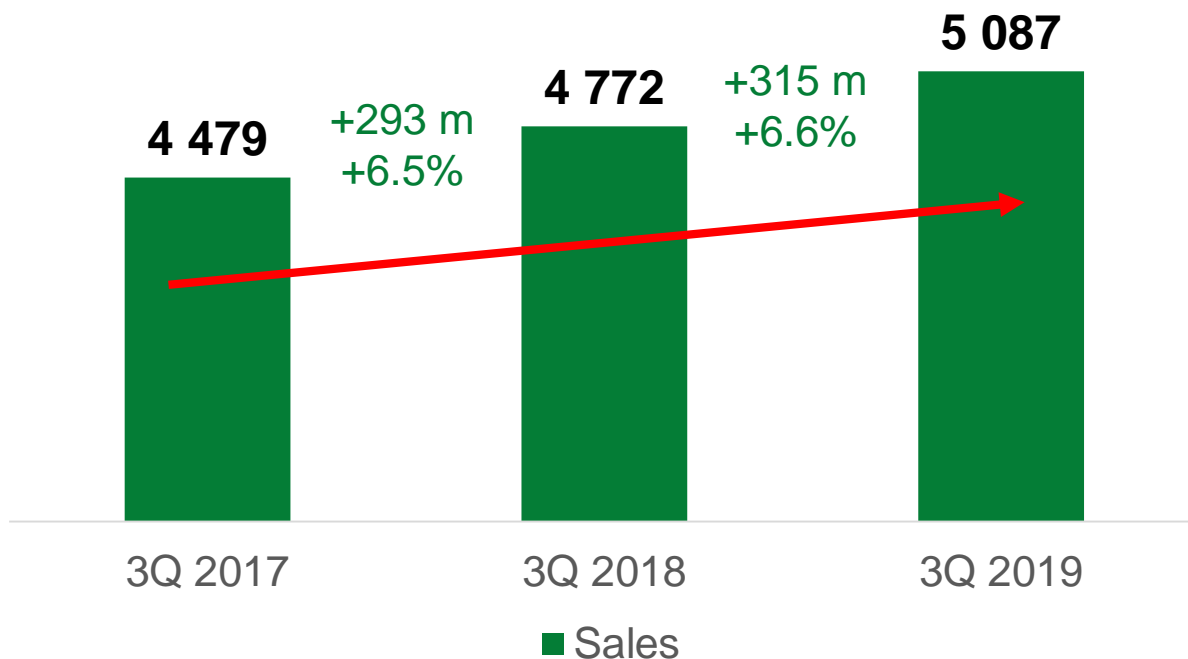


- ☐ Accelerating food inflation reaching 6.7% in 3Q 2019.
- ☐ Vegetables, bakery, sugar and meat driving food inflation. Beverages, alcohol and tobacco below 2%.

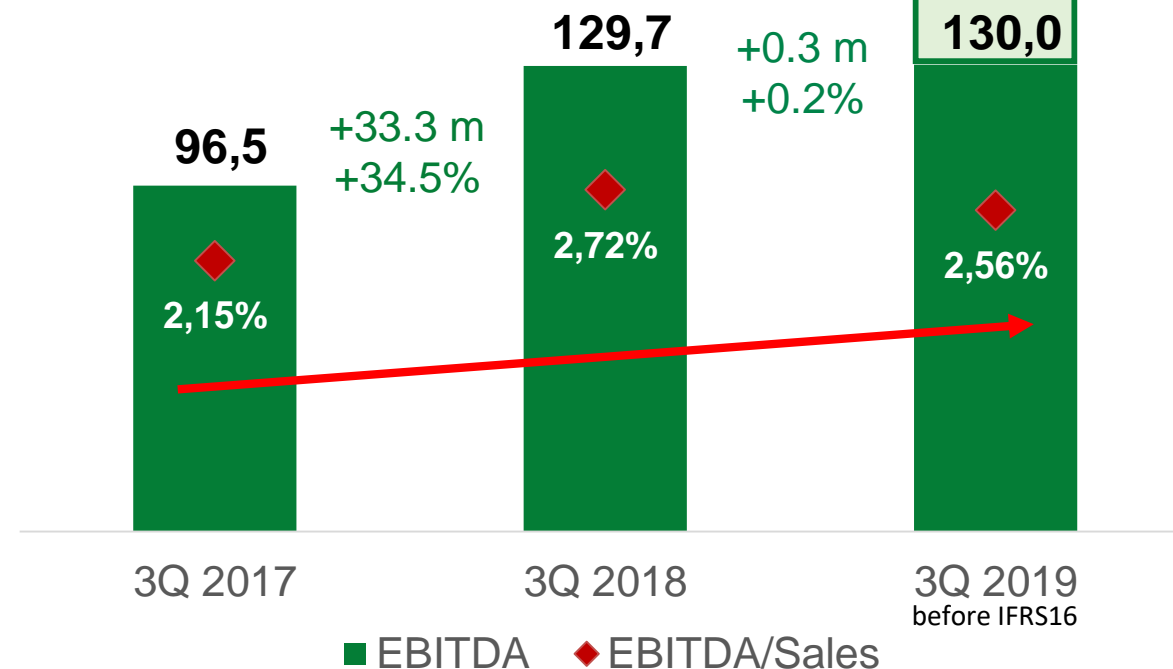
# Wholesale Segment – organic sales increased by 6.6%

Sales growth continues by 6.6%, EBITDA remained at PLN 130 m despite strong base

3Q Sales of goods evolution  
(PLN m)



3Q EBITDA evolution  
(PLN m)

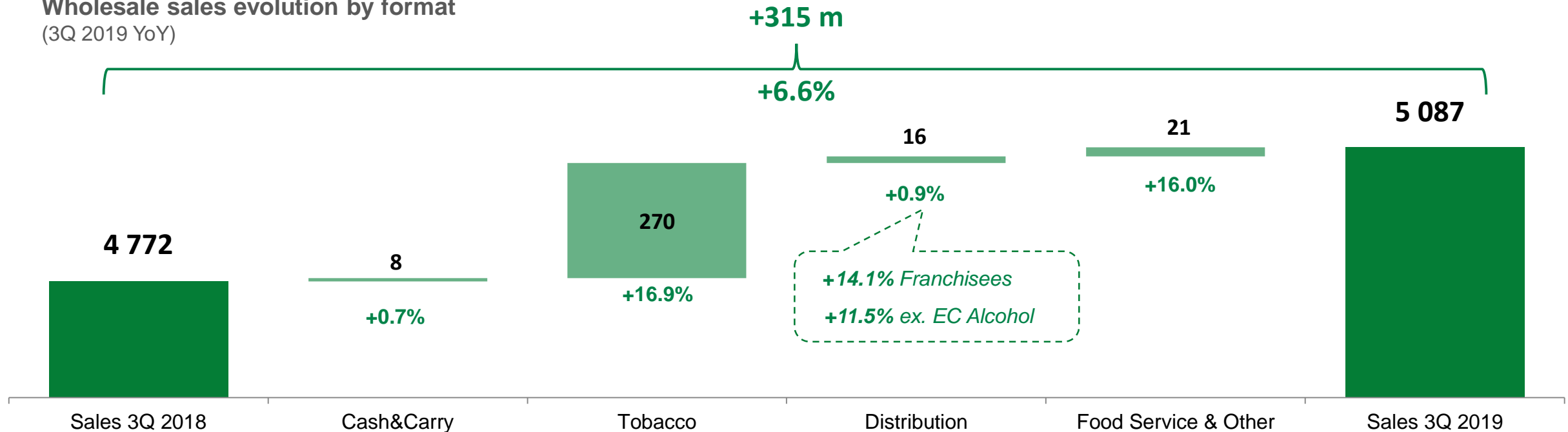


- Sales increase of PLN 315 m driven by fast growing sales of Tobacco distribution format
- EBITDA margin impacted by strong sales growth in low margin Tobacco distribution format

# Wholesale sales dynamics by distribution format

Strong 6.6% sales increase despite ongoing integration process in Alcohol Distribution

Wholesale sales evolution by format  
(3Q 2019 YoY)

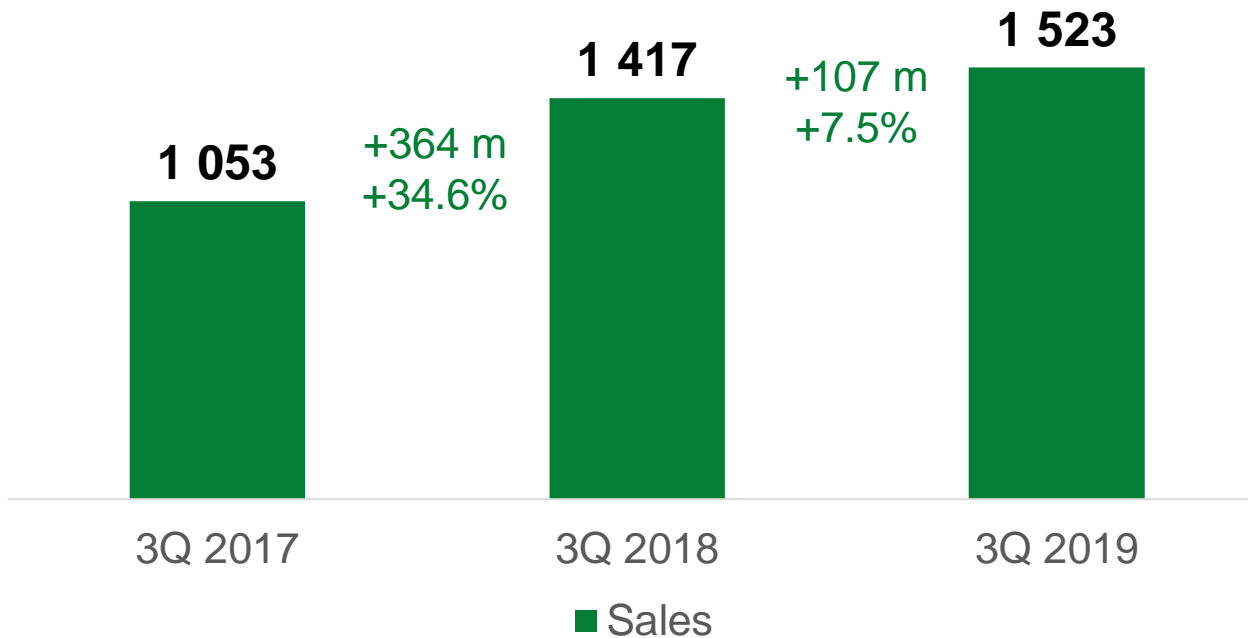


- ❑ Significant Tobacco sales increase by 17%, followed by ECD and Food Service positive dynamics
- ❑ Eurocash Distribution continue to increase sales to franchisees: +14.1% in Q3 2019 YoY
- ❑ Alcohol off-setting the growth due to merger process aimed at cost reduction and decrease of sales to sub-wholesale competition
- ❑ C&C growth at +0.7% despite very strong summer last year

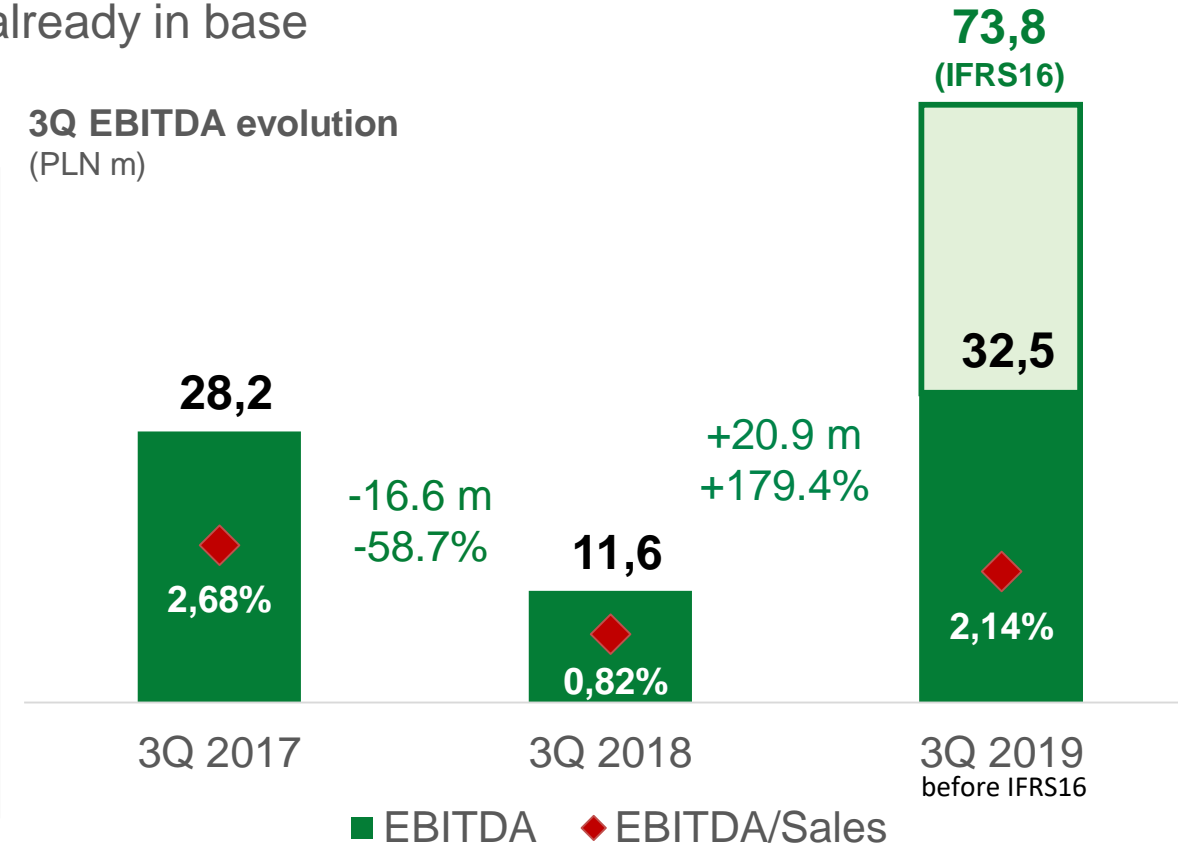
# Retail – EBITDA growth with integration on track

4.1% Delikatesy Centrum LFLs, sales increase with Mila already in base

3Q Sales of goods evolution  
(PLN m)



3Q EBITDA evolution  
(PLN m)

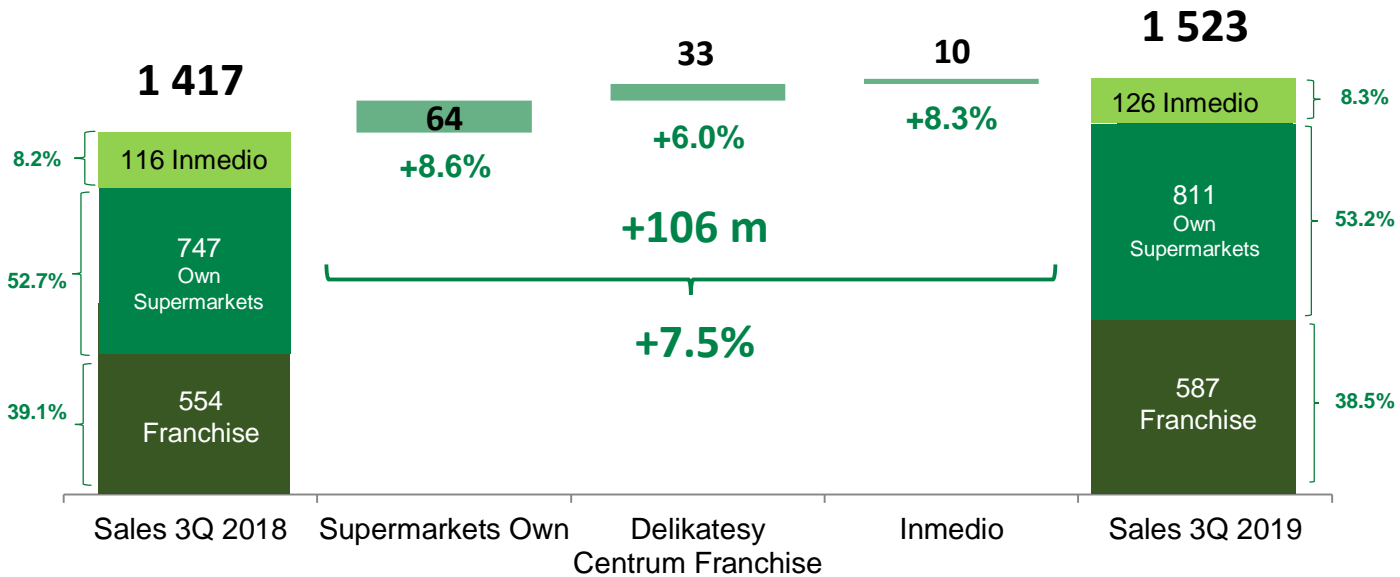


- Retail sales increase by PLN 106 m with Mila consolidated in all comparable periods of last year
- EBITDA increased by PLN 21 m driven mainly by ex-EKO & Mila chains
- IFRS16 doubling EBITDA to PLN 74 m

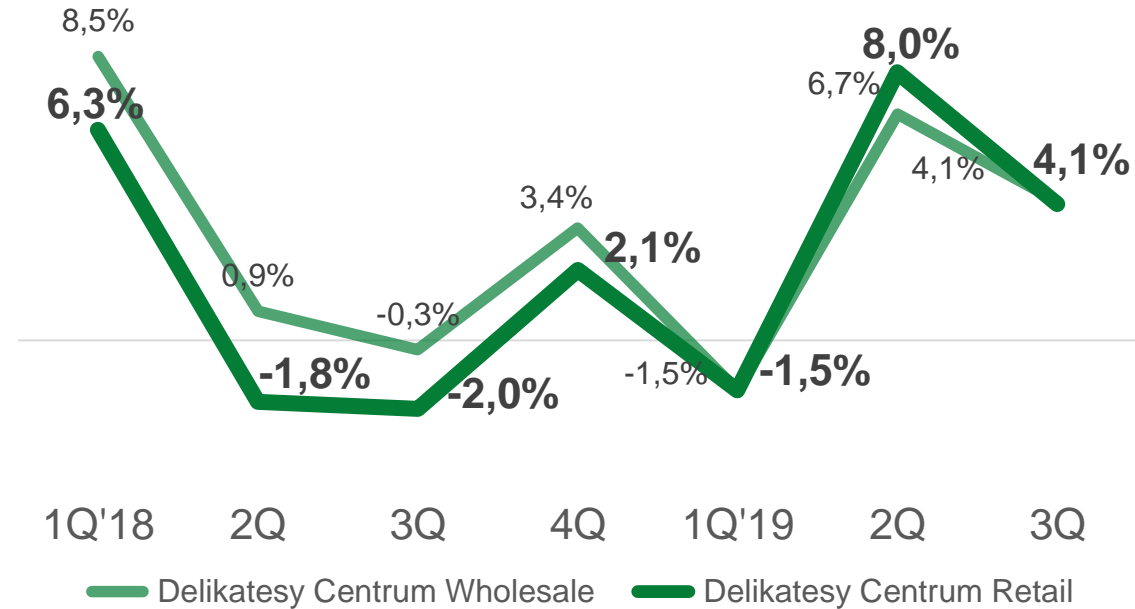
# Retail development

Sales increase across all formats, Mila already in base

Retail sales evolution by format  
(3Q 2019 YoY)



Delikatesy Centrum like for like



- Own supermarkets increasing sales by PLN 64 m
- Franchise stores with sales increase of 6.0% in Q3 2019

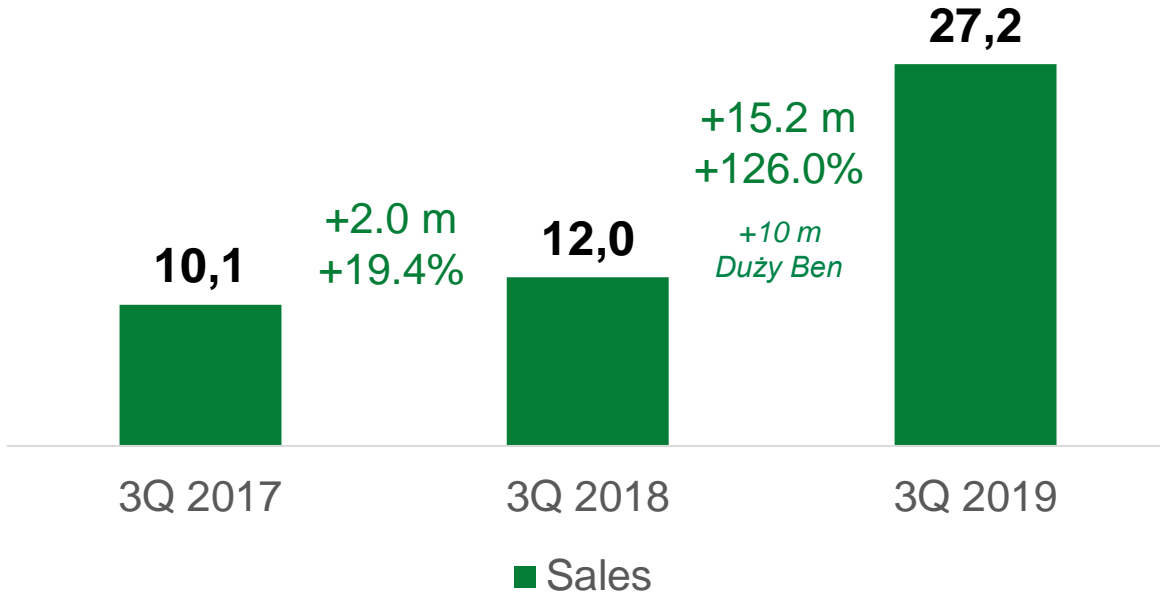
- Delikatesy Centrum LFL at +4.06% in Q3 2019 and average retail basket inflation at +3.18%
- Inmedio newsagents LFL +4.98% in Q3 2019



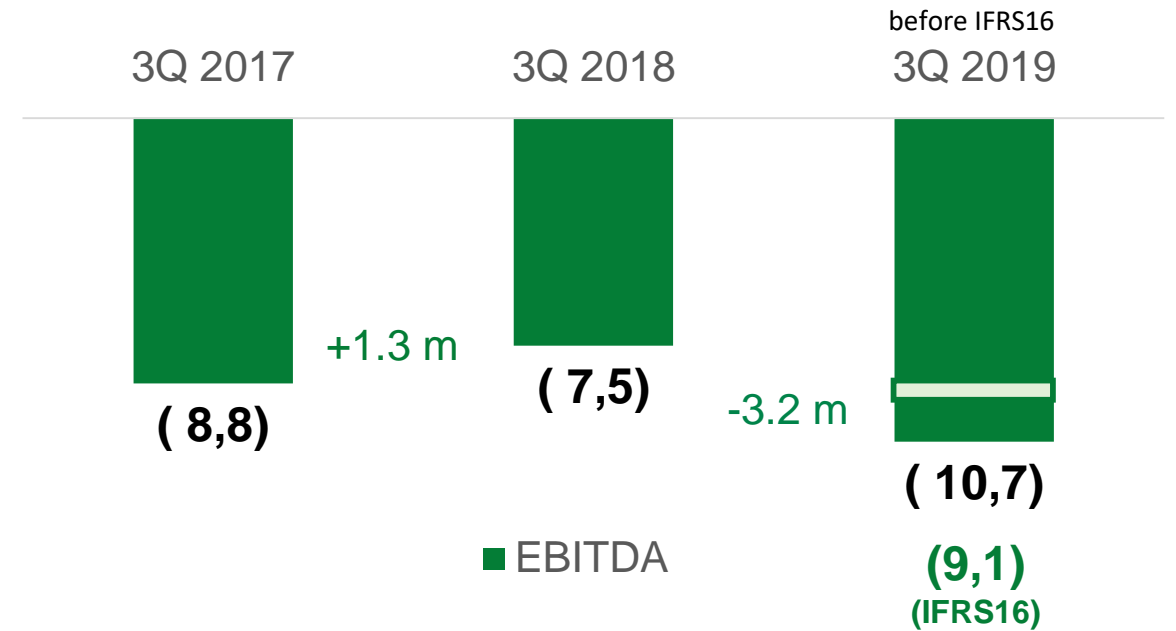
# Projects – accelerating expansion of already defined formats

Duży Ben with significant increase in sales

3Q 2019 Sales of goods evolution  
(PLN m)



3Q 2019 EBITDA evolution  
(PLN m)



- Duży Ben driving sales with 57 stores at the end of Q3 2019
- Kontigo with 20 stores at the end of Q3 2019

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

# 3Q 2019 financial summary

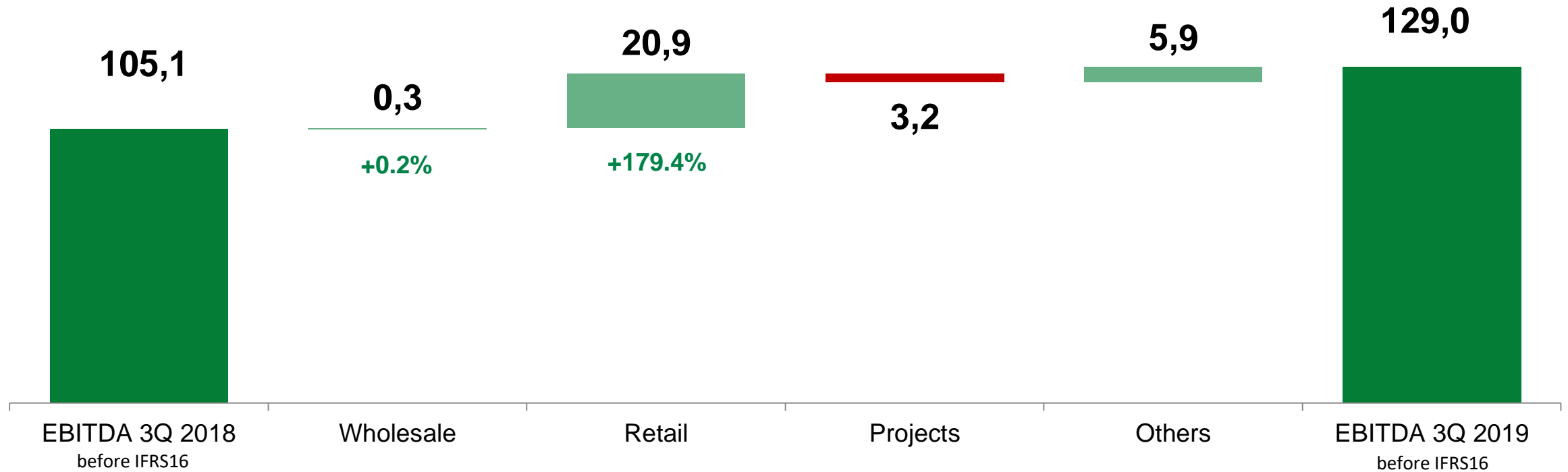
7% sales growth with reported EBITDA margin at 3.3% driven by IFRS16

PLN m	3Q 2018	3Q 2019 before IFRS16	Y/Y Change	% of Sales 3Q 2018	% of Sales 3Q 2019 before IFRS16	3Q 2019	% of Sales 3Q 2019
Net sales	6 242	<b>6 673</b>	6.9%			<b>6 673</b>	
Gross profit	785	<b>835</b>	6.4%	12.6%	<b>12.5%</b>	<b>835</b>	<b>12.5%</b>
EBITDA	105.1	<b>129.0</b>	22.7%	1.7%	<b>1.9%</b>	<b>219.2</b>	<b>3.3%</b>
EBIT	51.5	<b>75.2</b>	45.9%	0.8%	<b>1.1%</b>	<b>84.3</b>	<b>1.3%</b>
Net profit	38.2	<b>41.1</b>	7.4%	0.6%	<b>0.6%</b>	<b>25.1</b>	<b>0.4%</b>

- ❑ Gross Margin flat due to fast growing low margin Tobacco distribution format
- ❑ Consolidated EBITDA impacted by one-offs: PLN +12.25 m Pay-Up earn-out and PLN -7.98 m Sushi 2 Go write-off
- ❑ IFRS16 drives EBITDA by PLN +90 m, EBIT by PLN +9.2 m and net profit by PLN -16.0 m (incl. PLN -7.8 m currency effect)

# 3Q 2019 EBITDA evolution (before IFRS16)

Retail increased by PLN 20.9 m



- ❑ Wholesale with stable result despite very strong last year summer season
- ❑ Retail generated PLN 20.9 m (+179.4%) additional EBITDA, mainly from ex-EKO and Mila chain
- ❑ Others impacted by one-offs: PLN +12.25 m Pay-Up earn-out and PLN -7.98 m Sushi 2 Go write-off

# 9M 2019 financial summary

9.5% sales growth with reported EBITDA margin at 3.0% driven by IFRS16

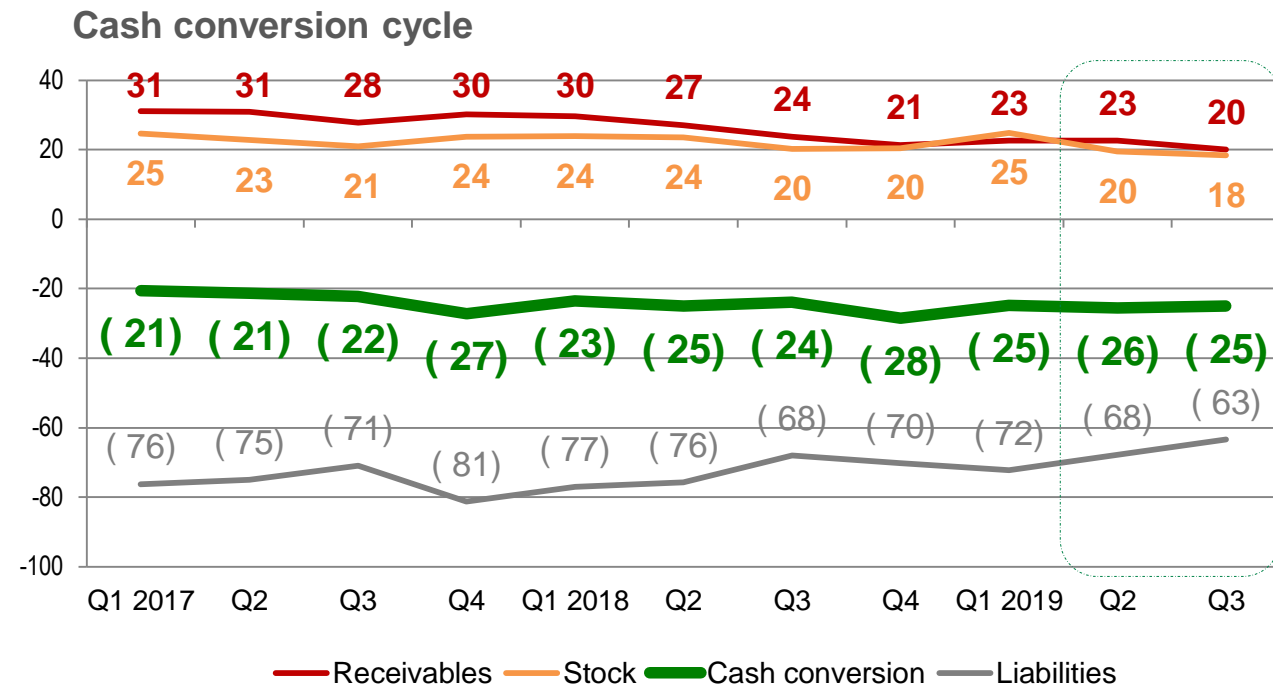
PLN m	9M 2018	9M 2019 before IFRS16	Y/Y Change	% of Sales 9M 2018	% of Sales 9M 2019 before IFRS16	9M 2019	% of Sales 9M 2019
Net sales	16 988	<b>18 594</b>	9.5%			<b>18 594</b>	
Gross profit	2 073	<b>2 385</b>	15.1%	12.2%	<b>12.8%</b>	<b>2 385</b>	<b>12.8%</b>
EBITDA	261.8	<b>289.0</b>	10.4%	1.5%	<b>1.6%</b>	<b>556.7</b>	<b>3.0%</b>
EBIT	112.0	<b>128.3</b>	14.5%	0.7%	<b>0.7%</b>	<b>156.0</b>	<b>0.8%</b>
Net profit	55.7	<b>56.9</b>	2.1%	0.3%	<b>0.3%</b>	<b>31.8</b>	<b>0.2%</b>

- ❑ Gross Margin driven mainly by consolidation of retail companies
- ❑ EBITDA increased by PLN 27.2 m, while EBITDA margin slightly deteriorated due to change of sales mix
- ❑ IFRS16 drives EBITDA by PLN +268 m, EBIT by PLN +27.7 m and net profit by PLN -25.1 m (incl. PLN -7.8 m currency effect)

# Cash Flow

Operating CF driven by depreciation from IFRS16- LTM OCF before IFRS16 is at 0.81x EBITDA.

PLN m	3Q 2019	3Q 2019 before IFRS16	3Q 2018
Net operating cash flow	263	177	115
Net profit (loss) before tax	38	58	37
Depreciation	135	54	54
Change in working capital	75	75	21
Other	15	(9)	4
Net investment cash flow	(59)	(59)	(37)
Net financial cash flow	(244)	(159)	(74)
<b>Total cash flow</b>	<b>(40)</b>	<b>(40)</b>	<b>4</b>



❑ OCF of PLN 263 m. Before IFRS16 at 177 m.

❑ Net Working Capital rotation at stable level of -25 days

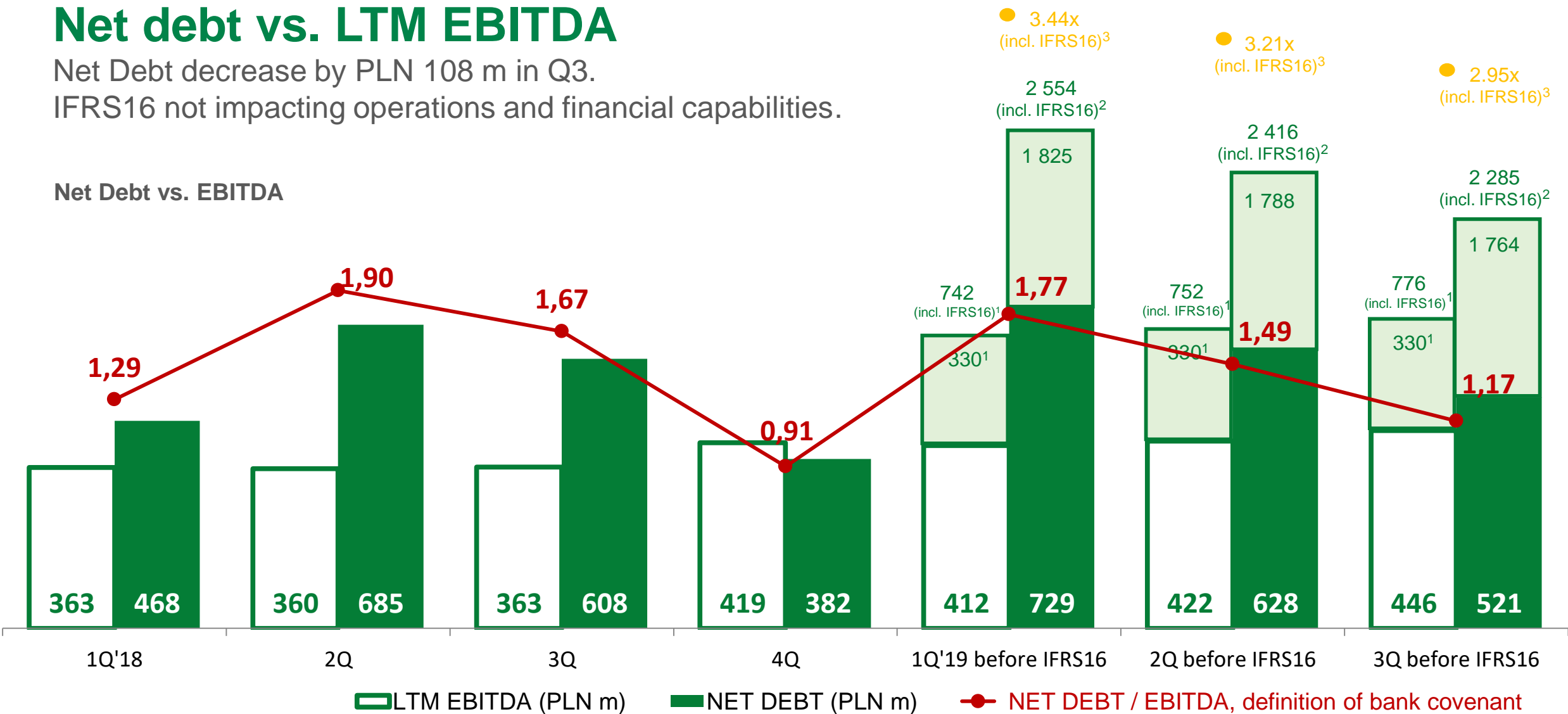
❑ Changes in Net Working Capital rotation due to different sales mix (fast growing sales of Tobacco category)

# Net debt vs. LTM EBITDA

Net Debt decrease by PLN 108 m in Q3.

IFRS16 not impacting operations and financial capabilities.

## Net Debt vs. EBITDA



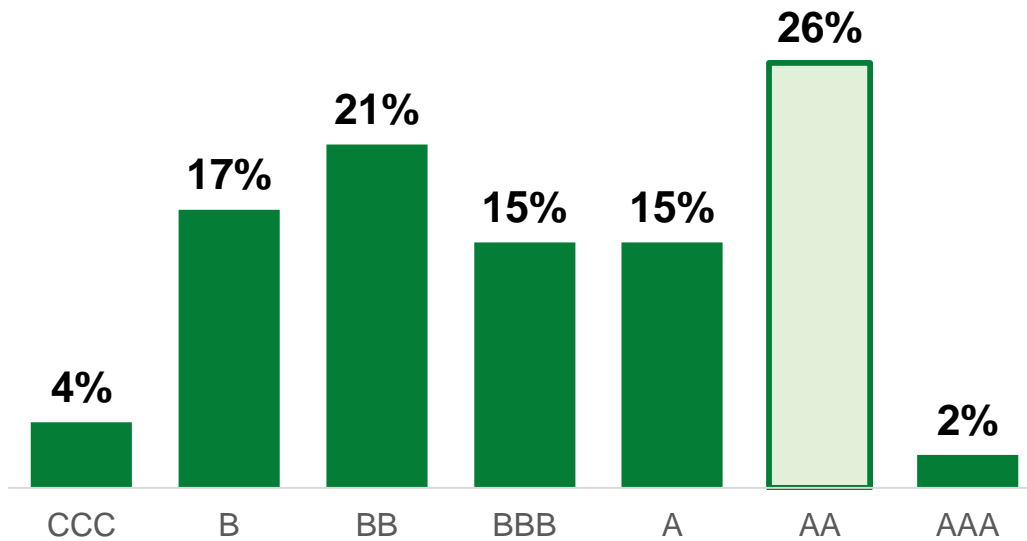
IFRS16 drives ND to PLN 2.3 bn

IFRS Index below 3.0x IFRS16 EBITDA

# MSCI ESG Rating 2019: Eurocash with „AA”

Eurocash score 2 levels higher from „BBB” to „AA” which indicates market leaders

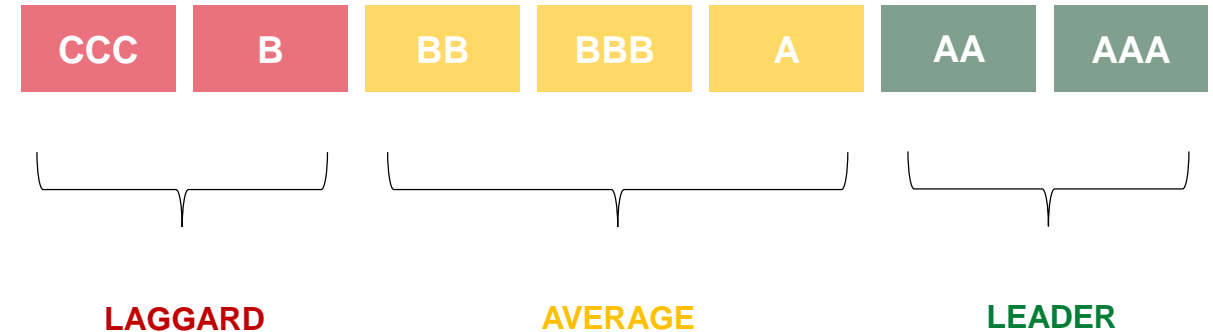
Industry rating distribution



**MSCI**  
ESG RATINGS



CCC	B	BB	BBB	A	<b>AA</b>	AAA
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- ❑ MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers
- ❑ Eurocash over-performed many other global retailers and is placed in the top percentile of all measured companies

# Executive Summary

## GOOD QUARTER WITH VISIBLE IMPROVEMENT IN RETAIL

**Wholesale keeps stable sales increase with flat EBITDA despite strong summer previous year**

**Retail LFLs improving with strong EBITDA growth especially in ex-EKO and Mila chains**

**Strong Operational Cash Flow in 3<sup>rd</sup> quarter. Net Working Capital stable at good level.**

**LONG TERM STRATEGY TO EXPAND IN TOTAL FOOD DISTRIBUTION IN POLAND IS ON SCHEDULE  
(FOR BOTH, WHOLESALE & RETAIL)**



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# FOR MORE INFORMATION PLEASE CONTACT:

Cezary Giza

Investor Relations Director

[cezary.giza@eurocash.pl](mailto:cezary.giza@eurocash.pl)

mobile: +48 693 930 415

Jan Domański

Corporate Relations Director

[Jan.Domanski@eurocash.pl](mailto:Jan.Domanski@eurocash.pl)

mobile: +48 507 010 095