



# 1Q 2019

# Results Presentation

# Executive Summary

## 01 SMALL STORES CONTINUE TO GROW IN 1Q 2019

with sales dynamics at +7.1% in LTM Mar 2019 YoY

## 02 WHOLESALE

**EBITDA INCREASE BY PLN 7M YOY**

(+15%) driven by improved efficiency and 3.5% sales increase

## 03 RETAIL

**HEALTHY DELIKATESY RETAIL LFL AT -1.5% IN 1Q 2019** despite Easter Effect, less trading days and basket deflation.

+4.0% for April YTD YoY

## 04 OPERATING CASH FLOW AT THE LEVEL OF 0.6X EBITDA

with ND/EBITDA at level 1.8x driven by seasonality and M&A

## 05 IFRS16 IMPACT ON P&L AND BS:

EBITDA PLN +88 m, EBIT +9 m, Net Profit -6 m and Net Debt +1.8 bn

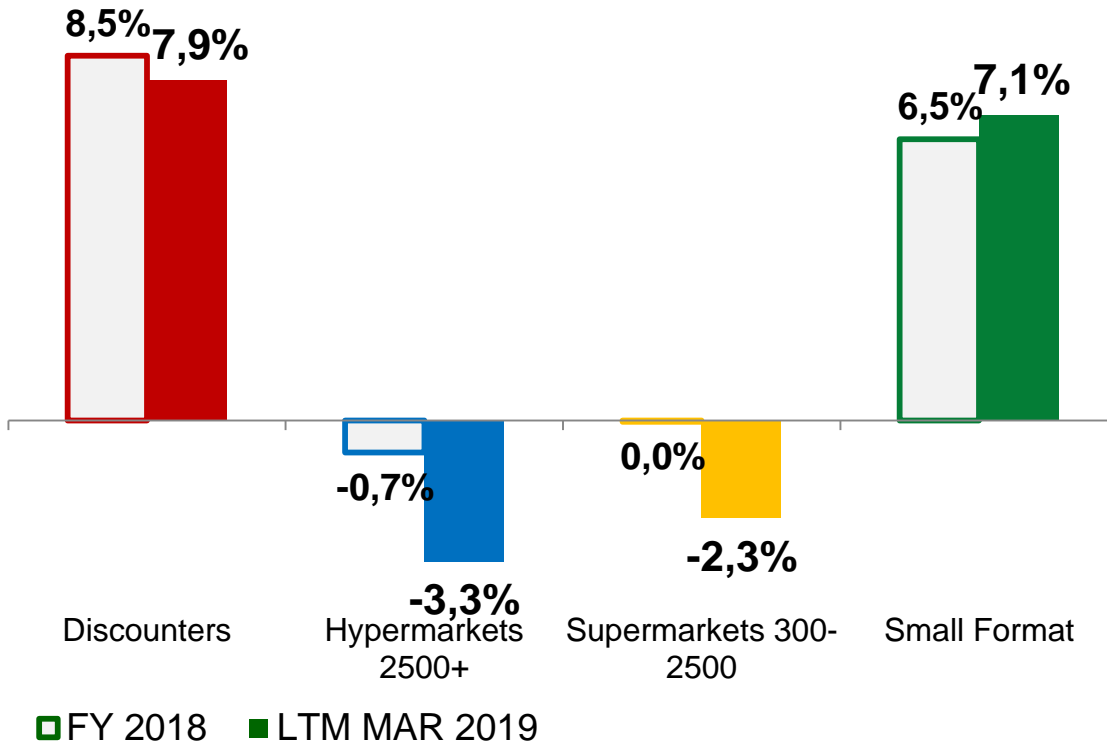
STABLE QUARTER. COST IMPROVEMENT IN PROGRESS. RELATIVELY STRONG CONSUMER.

# Food market growth

Small format stores continue to grow

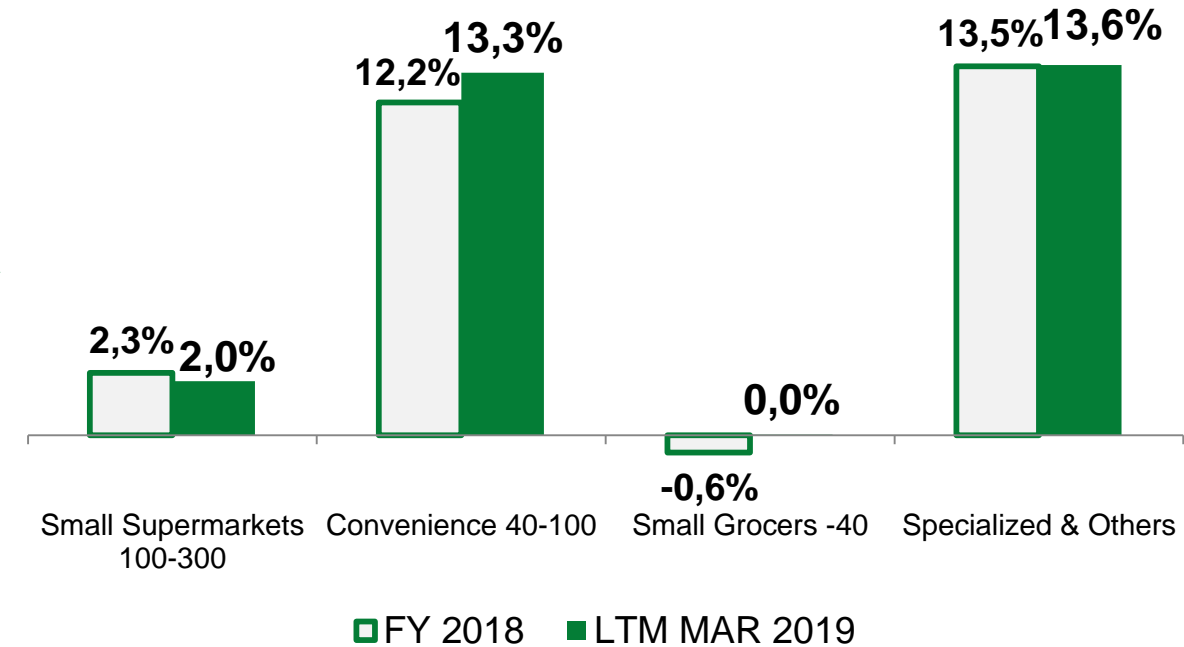
## Food market growth by channel

(FY 2018 & LTM MAR 2019 YoY)



## Food market growth in small format channels

(FY 2018 & LTM MAR 2019 YoY)

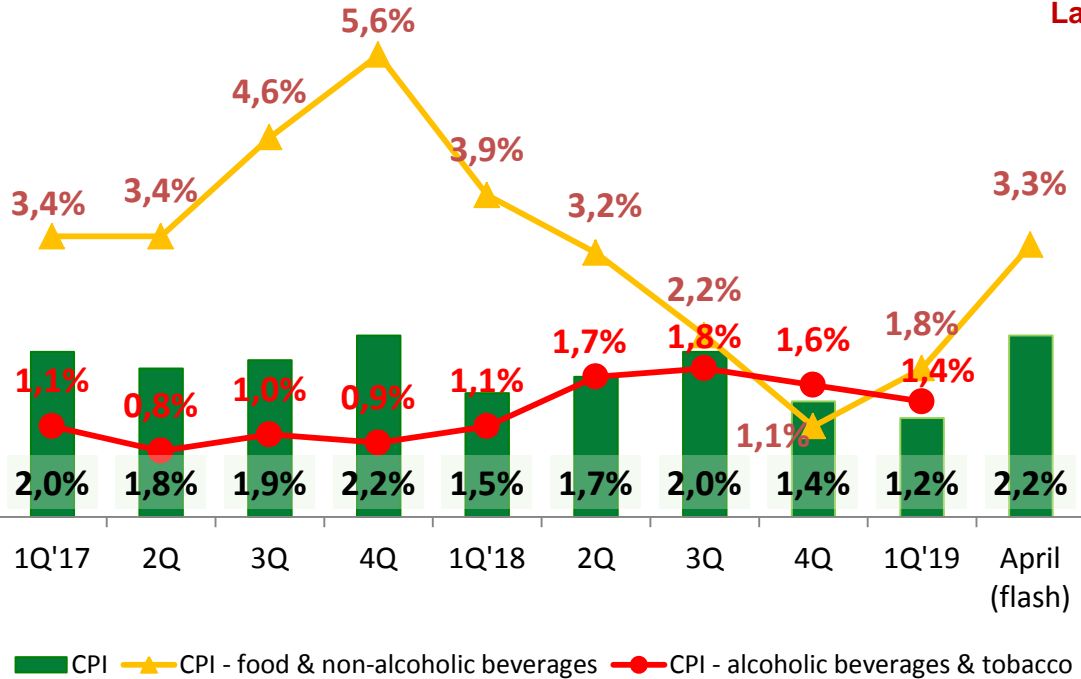


□ LTM Mar Food sales increased by 4.9%, while in Small Format stores increase was of 7.1%

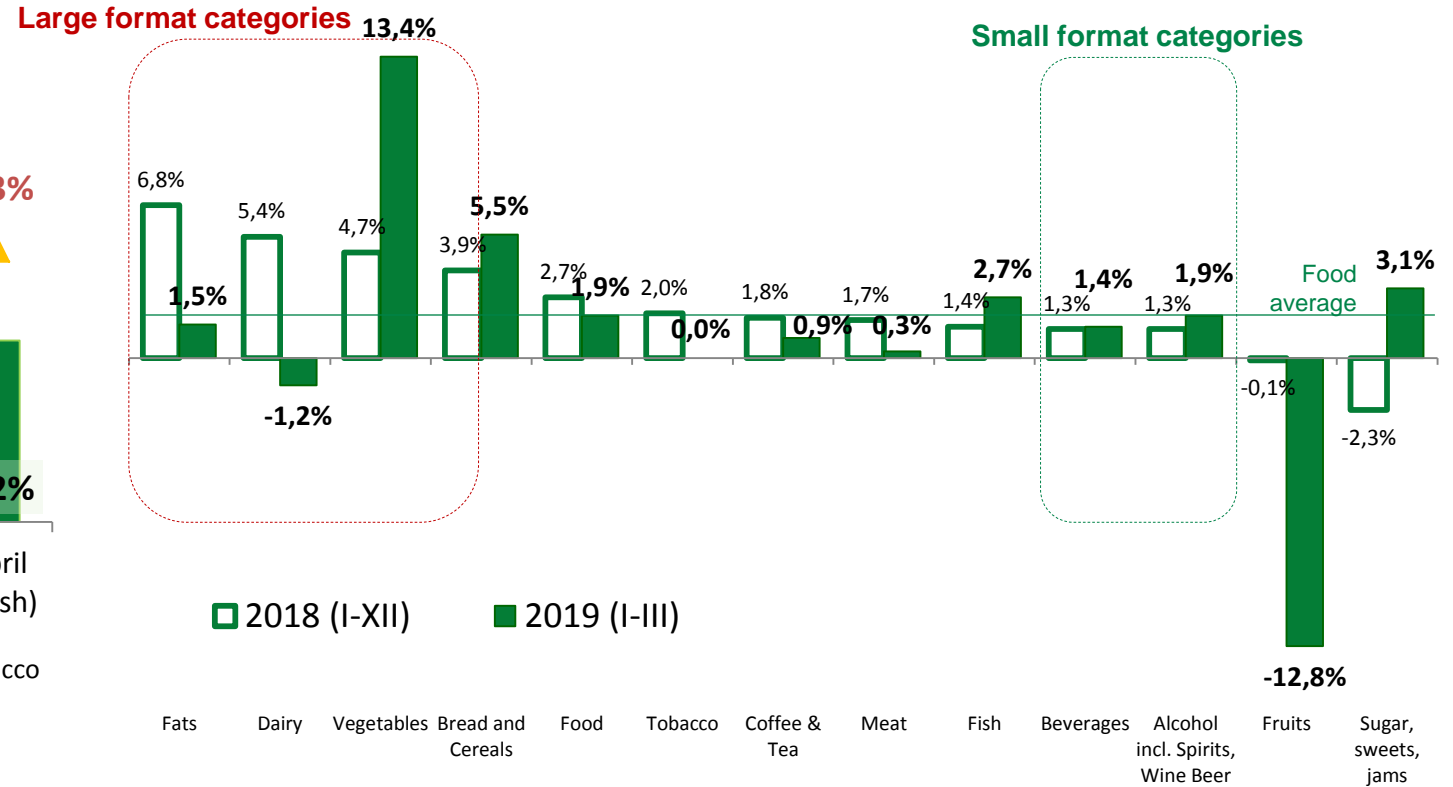
# Inflation

Food inflation accelerates. Inflation by categories on relatively similar levels

Inflation (YoY)



Food inflation by product category



□ Trend in food inflation changed with acceleration to 1.8% in 1Q 2019 and 3.3% in April 2019

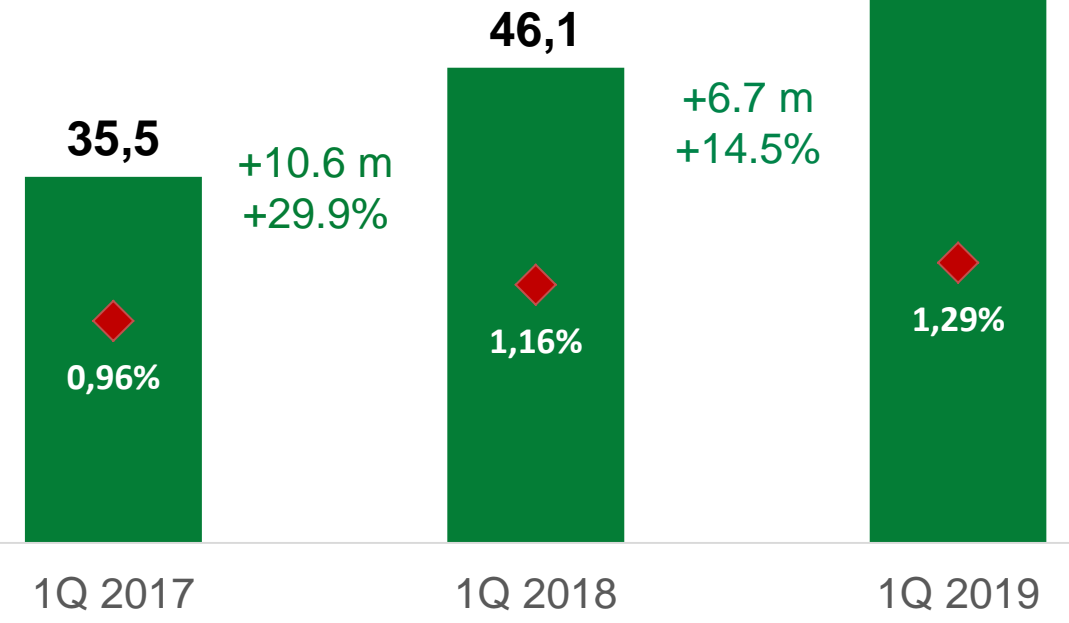
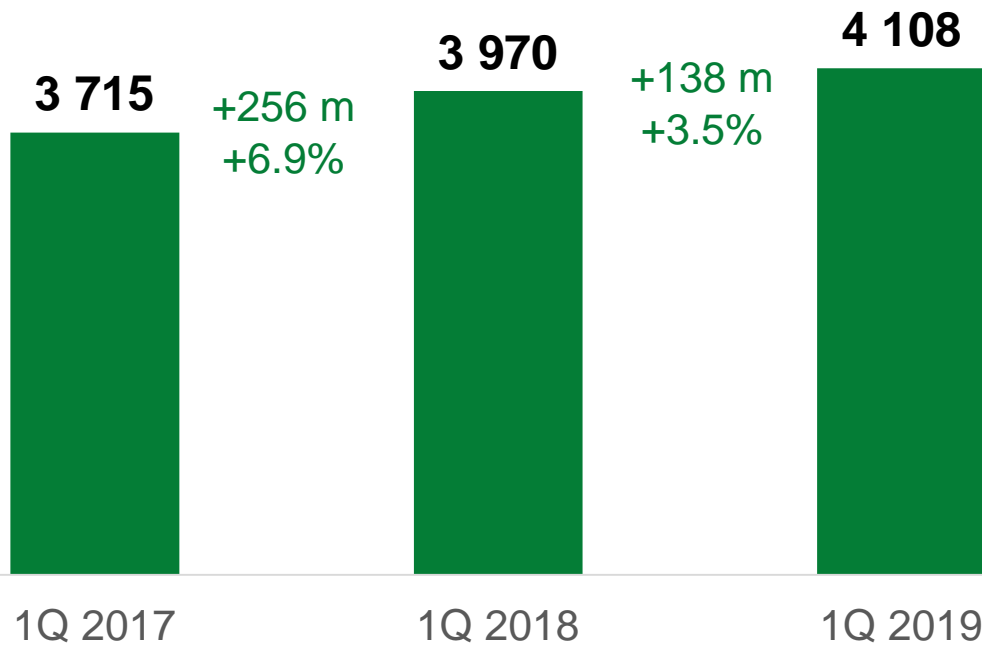
□ All categories with similar inflation in 1Q 2019 except F&V, bread and cereals

# Wholesale Segment – EBITDA improvement by PLN 7m

Supported by 3.5% sales increase

1Q Sales of goods evolution  
(PLN m)

1Q EBITDA evolution  
(PLN m)



101  
(IFRS16)

52,8

before IFRS16

■ EBITDA    ◆ EBITDA/Sales

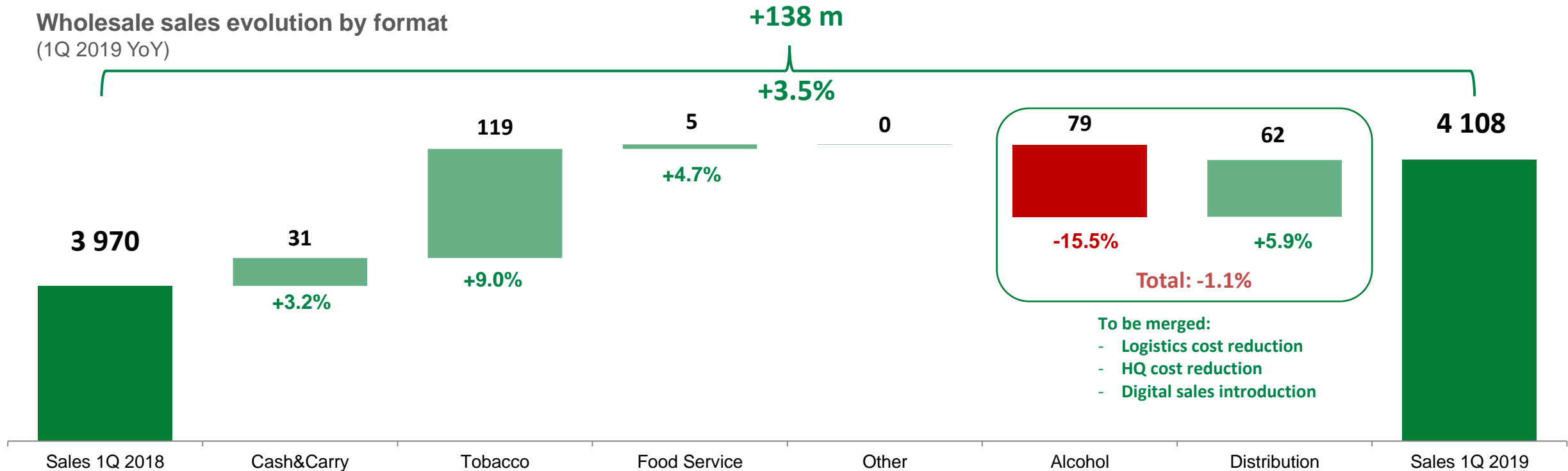
☐ Sales increase by PLN 138 m, EBITDA by PLN 6.7 m and EBITDA margin by 0.13 p.p. in 1Q 2019

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

# Wholesale sales dynamics

Wholesale sales staying strong with 3.5% increase in 1Q 2019 despite Easter effect (2Q 2019)

Wholesale sales evolution by format  
(1Q 2019 YoY)

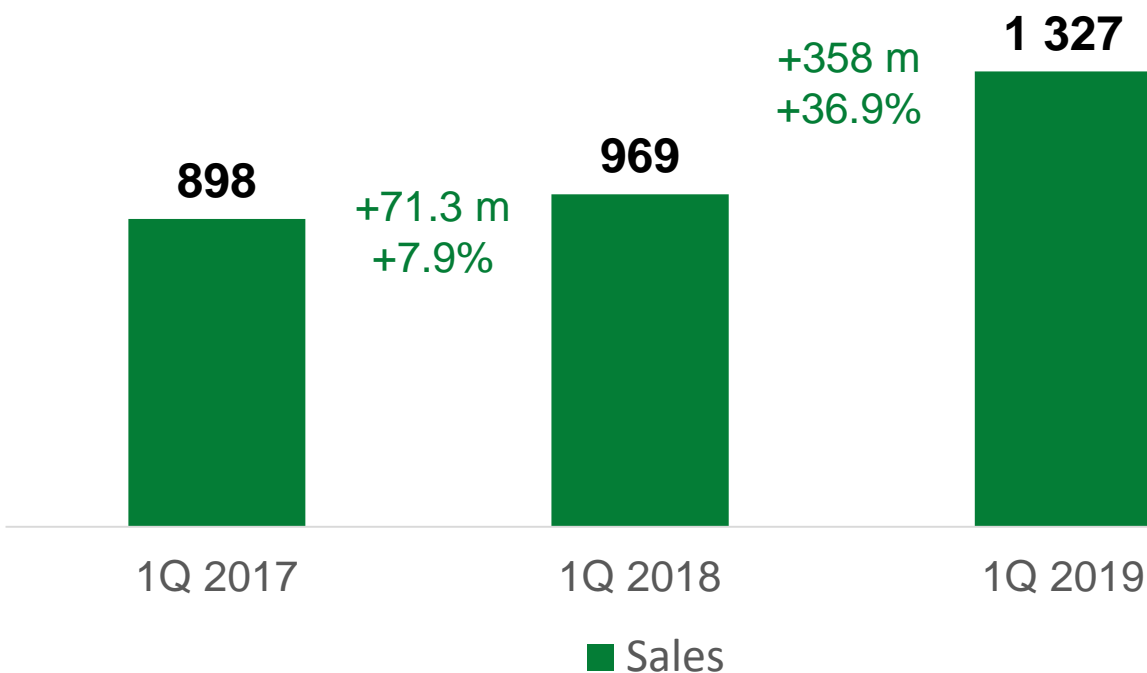


- ❑ Strong Tobacco sales increase by 9% (mainly on key accounts), supported by ECD, C&C and Food Service with dynamics of appx. 3-6%
- ❑ Alcohol off-setting the growth, impacted by Easter and sub-wholesalers discontinued sales
- ❑ Alcohol to be merged with Eurocash Distribution for further optimization
- ❑ Eurocash Distribution revenues driven mainly by franchisees, with 7.60% sales increase despite Easter effect

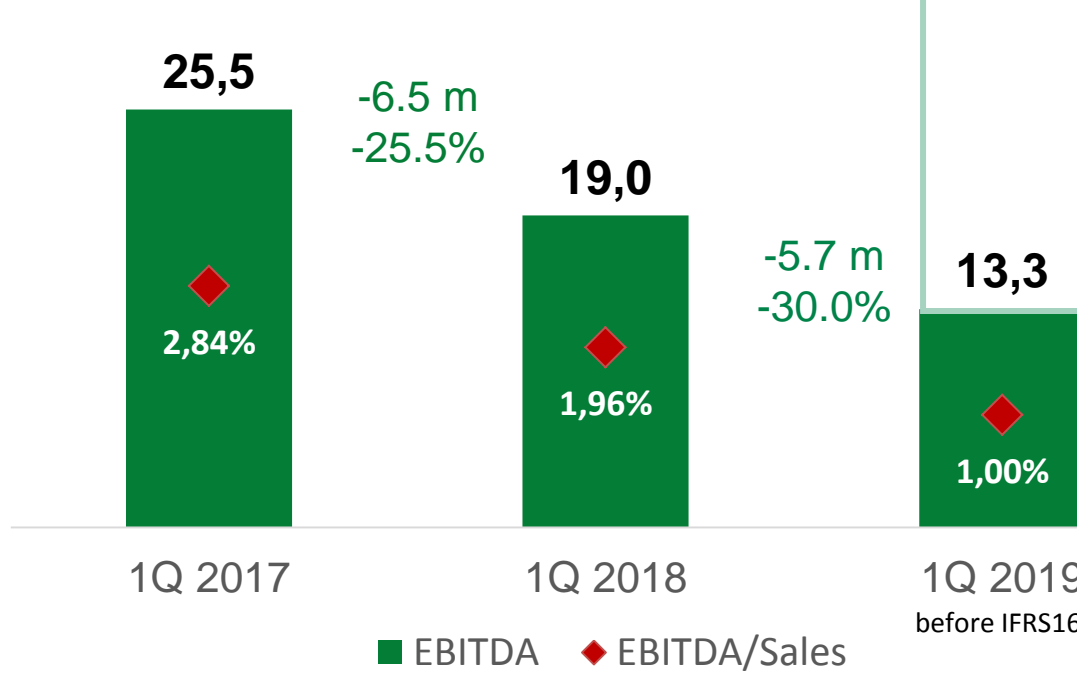
# Retail – sales growth driven by M&A

With healthy Delikatesy Centrum LFLs, EBITDA impacted by Easter and consolidation of Mila

1Q Sales of goods evolution  
(PLN m)



1Q EBITDA evolution  
(PLN m)

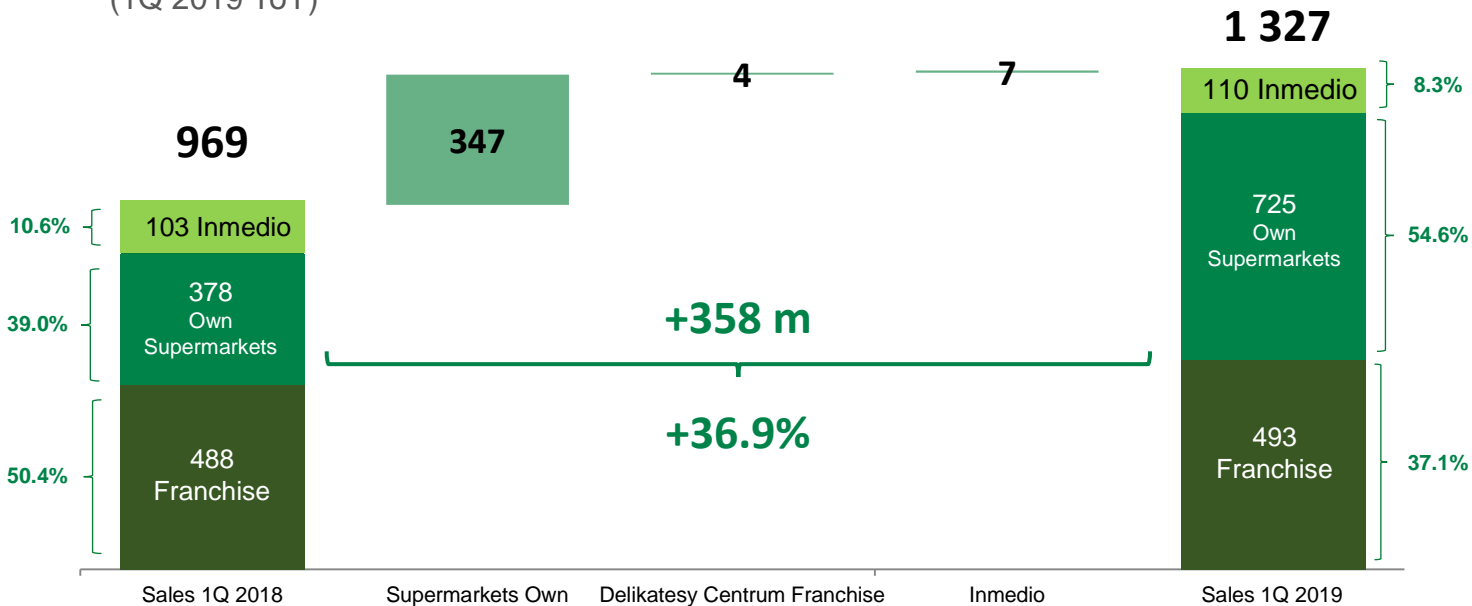


- ☐ Sales increase driven by M&A (PLN +342 m). Retail includes Fresh Project
- ☐ -1.48% retail LFL of Delikatesy Centrum stores with average retail basket deflation of -0.83% (4.0% LFL for April YTD 2019 YoY) .
- ☐ Sales & EBITDA impacted by Easter effect, less trading days, basket deflation, consolidation of Mila and ongoing integration

# Retail development

Sales increase in own stores. Integration ongoing.

Retail sales evolution by format  
(1Q 2019 YoY)



## Retail integration streams



- ❑ Number of Small Supermarkets 1 563 (+24 net increase in 1Q)
- ❑ Inmedio newsagents LFL +1.9% in 1Q 2019

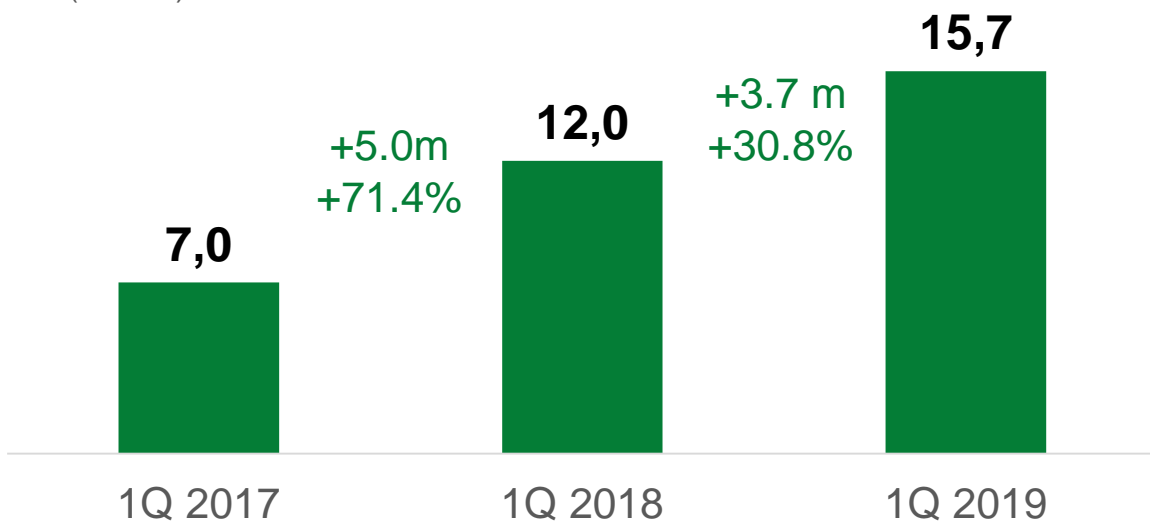
- ❑ Amendments to the plan being implemented
- ❑ Integration on schedule



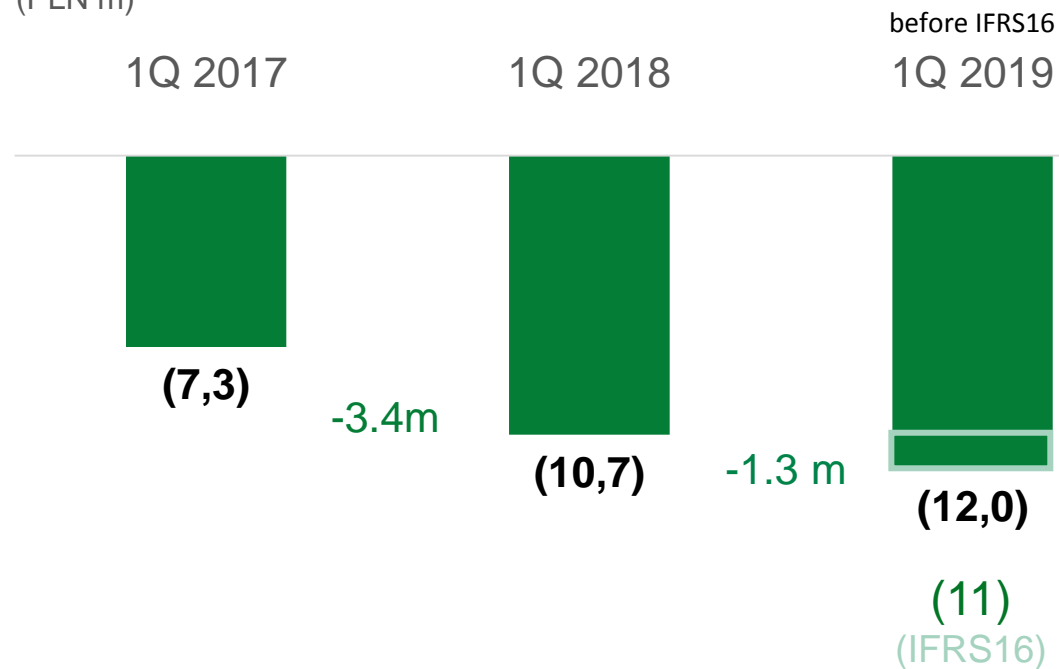
# Projects – accelerated expansion of already defined formats

Projects excluding Fresh Project

1Q 2019 Sales of goods evolution  
(PLN m)



1Q 2019 EBITDA evolution  
(PLN m)



□ Duży Ben driving sales with 30 stores at the end of 1Q 2019

□ EBITDA impacted by costs of expansion and investments into brand awareness increase

□ Expansion needed to reach break even point

# 1Q 2019 financial summary

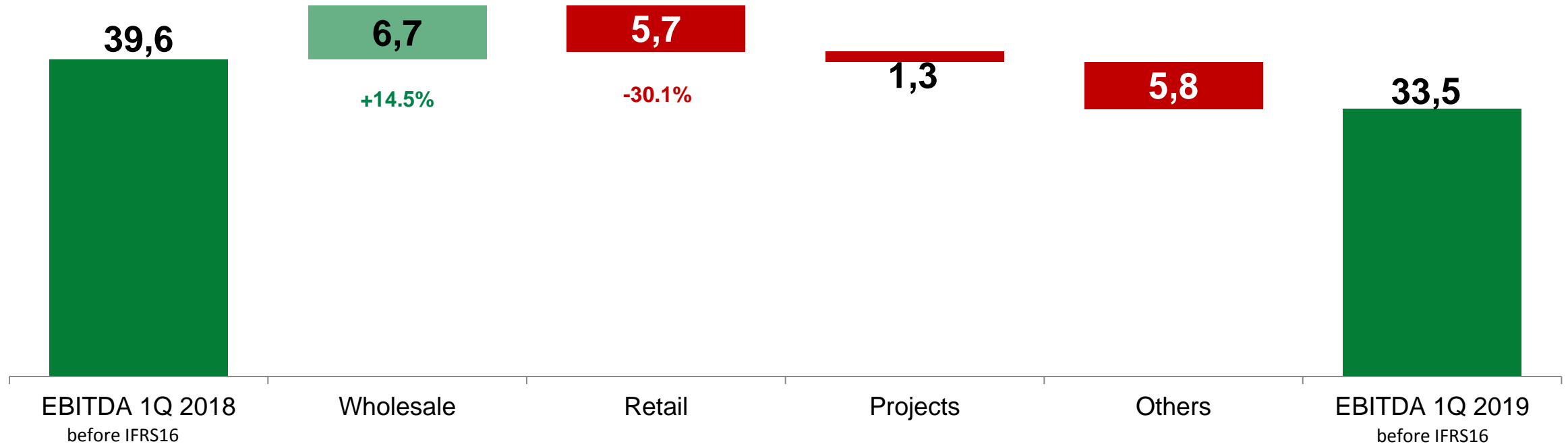
10% sales growth with reported EBITDA margin at 2.2% driven by IFRS16

| PLN m        | 1Q 2018 | 1Q 2019<br>before IFRS16 | 1Q 2019 | % of Sales<br>1Q 2018 | % of Sales<br>1Q 2019<br>before IFRS16 | % of Sales<br>1Q 2019 | Y/Y<br>Change<br>ex. IFRS16 |
|--------------|---------|--------------------------|---------|-----------------------|--|-----------------------|-----------------------------|
| Net sales    | 4 987   | 5 483                    | 5 483   |                       |  |                       | 9,9%                        |
| Gross profit | 582     | 712                      | 712     | 11,7%                 | 13,0%                                  | 13,0%                 | 22,3%                       |
| EBITDA       | 39,6    | 33,5                     | 121,4   | 0,8%                  | 0,6%                                   | 2,2%                  | -15,5%                      |
| EBIT         | -7,1    | -19,1                    | -9,7    | -0,1%                 | -0,3%                                  | -0,2%                 | -168,5%                     |
| Net profit   | -18,5   | -33,8                    | -40,2   | -0,4%                 | -0,6%                                  | -0,7%                 | -82,7%                      |

- ❑ Gross Margin driven mainly by retail companies consolidation. Wholesale margin slightly improved.
- ❑ Consolidated sales and EBITDA impacted mainly by Easter effect
- ❑ IFRS16 drives EBITDA from PLN 33.5 m to PLN 121.4 m, EBIT impacted by PLN +9.4 m while net profit by PLN -6.3 m

# 1Q 2019 EBITDA evolution (before IFRS16)

Wholesale increase by PLN 6.7m, off-set by Others. Retail decrease by PLN 5.7m.

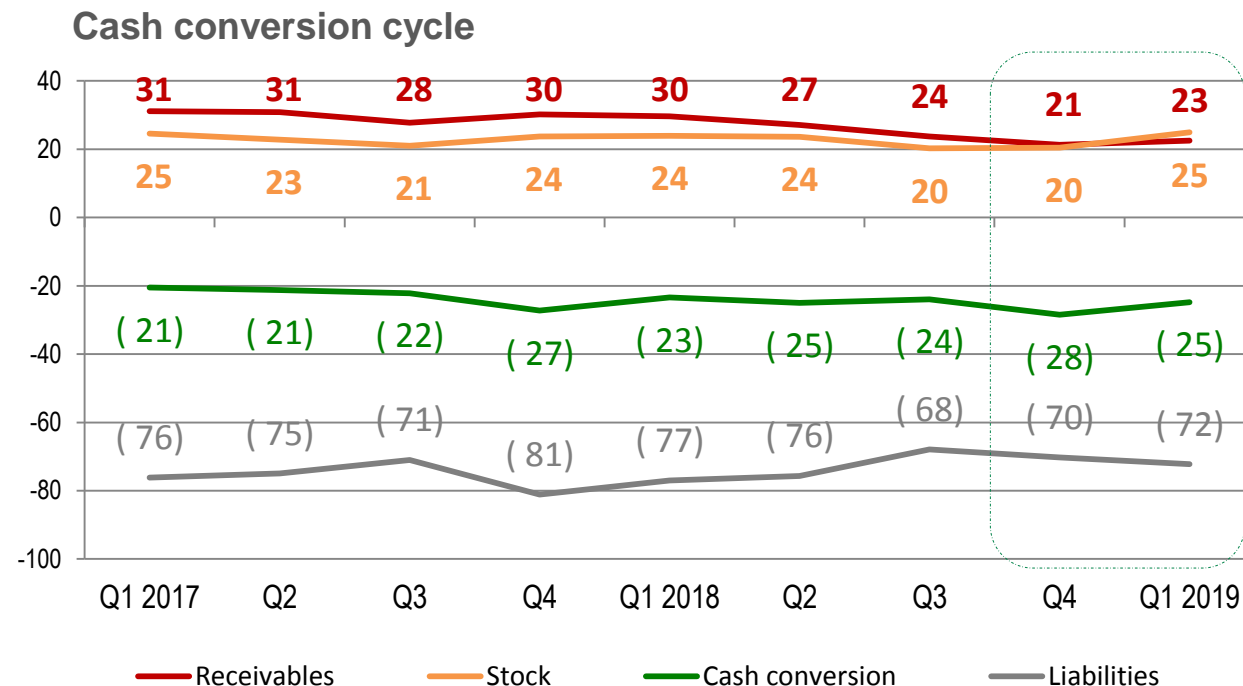


- ❑ Wholesale continues to improve performance, growing by PLN 6.7 m (+14.5%)
- ❑ Retail under integration process impacted by Easter, Sunday ban and deflation
- ❑ Others driven mainly by IT costs and higher provision for employees bonus in comparison with last year

# Cash Flow

Operating CF driven by depreciation from IFRS16. WC impacted by seasonal effects.  
LTM OCF before IFRS16 at 0.6x EBITDA.

| PLN m                           | 1Q 2019      | 1Q 2019<br>before<br>IFRS16 | 1Q 2018     |
|---------------------------------|--------------|-----------------------------|-------------|
| <b>Net operating cash flow</b>  | <b>(134)</b> | <b>(222)</b>                | <b>(55)</b> |
| Net profit (loss) before tax    | (37)         | (30)                        | (17)        |
| Depreciation                    | 131          | 53                          | 47          |
| Change in working capital       | <b>(276)</b> | (276)                       | (88)        |
| Other                           | 48           | 31                          | 3           |
| <b>Net investment cash flow</b> | <b>(123)</b> | <b>(123)</b>                | <b>(40)</b> |
| <b>Net financial cash flow</b>  | <b>225</b>   | <b>313</b>                  | <b>390</b>  |
| <b>Total cash flow</b>          | <b>(33)</b>  | <b>(33)</b>                 | <b>295</b>  |



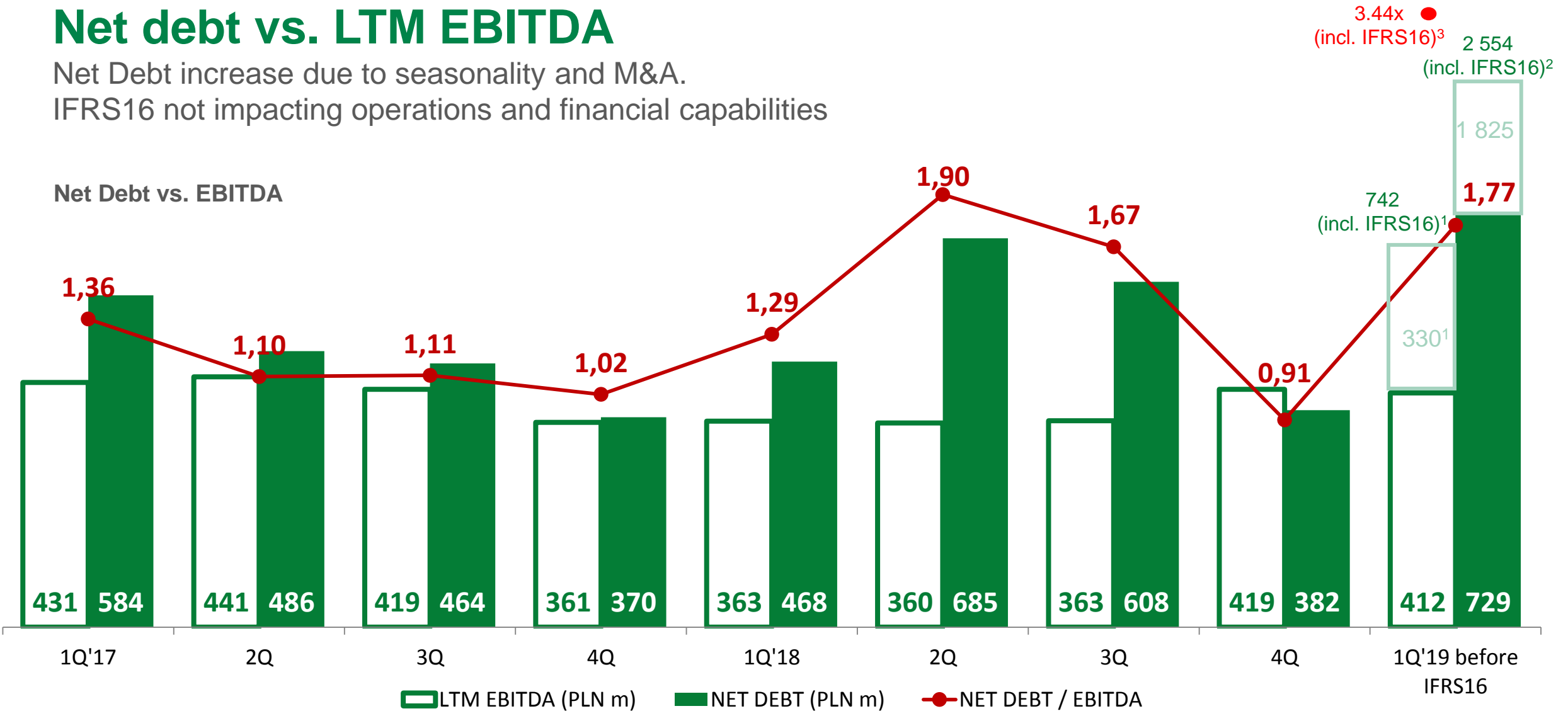
- ❑ Operating CF impacted mainly by seasonality and Easter – lower sales than 4Q 2018
- ❑ Investment CF driven by acquisition of 25 retail stores (appx. PLN 70 m)

- ❑ Net Working Capital rotation at stable LT optimum level of -25 days
- ❑ Inventories rotation impacted by Easter

# Net debt vs. LTM EBITDA

Net Debt increase due to seasonality and M&A.  
IFRS16 not impacting operations and financial capabilities

Net Debt vs. EBITDA



   Q1 2019 Net Debt increase of PLN 347 m    
    IFRS16 drives ND to PLN 2.55 bn    
    IFRS Index below 3.5x IFRS16 EBITDA

(1) IFRS16 EBITDA – estimation for 2019 based on the assumption that the number of contracts will be constant and no change of their conditions is to occur. The estimated IFRS16 EBITDA shall not constitute any definitive forecasts and as such is not guaranteed by Eurocash to any extent .

(2) NET DEBT - the sum of long and short term loans, borrowings and financial liabilities less cash and cash equivalents

(3) IFRS16 INDEX – new measure of indebtedness including operating leasing. The estimation shall not constitute any definitive forecasts and as such is not guaranteed by Eurocash to any extent.

# Executive Summary

## QUARTER OF SEASONAL EFFECTS

**Outperforming small stores**

**Wholesale keep growing and improving EBITDA**

**Retail strong LFLs**

**Business under integration**

**Projects to increase costs for expansion to reach break even**

**Cash Flow and Net Debt  
impacted by seasonal effect**

**Net Working Capital at  
healthy optimum level**

**IFRS16 NOT IMPACTING THE BUSINESS**

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