



MAX

מאקס
מקסימום

Investor Presentation November 2020

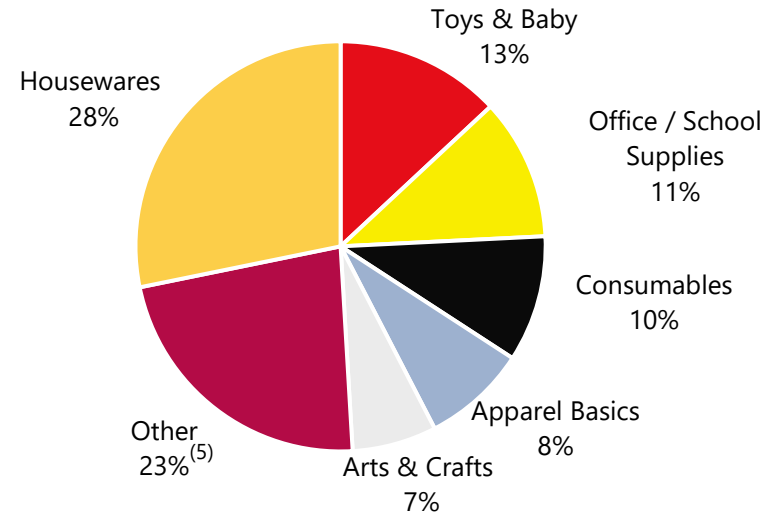
The Value Leader of Israeli Retail



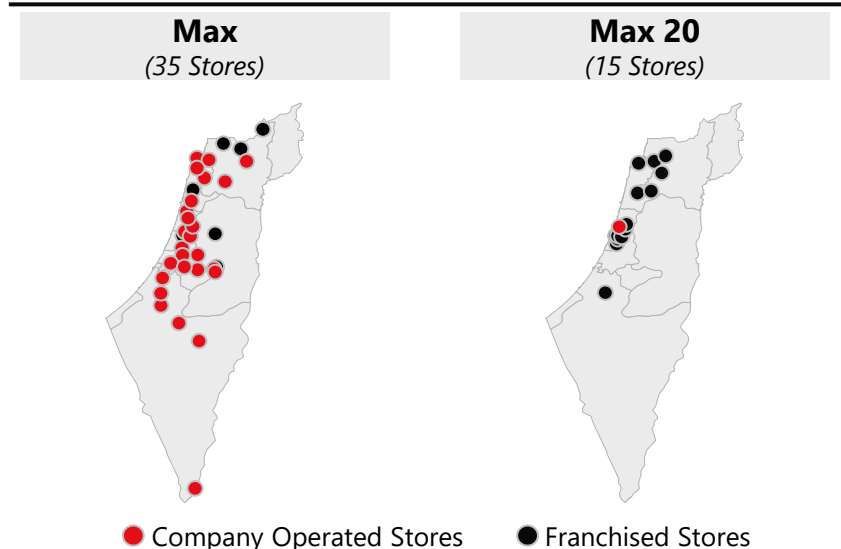
Company Overview

- A leading extreme value retailer of everyday essential items in Israel.
 - Up to 50% lower prices than conventional retailers.
- Broad selection of merchandise across six major categories.
 - Known for exciting entry aisle of constantly rotating seasonal favorites.
- Operate 50 stores⁽¹⁾ across all market segments via dual format strategy
 - Max: Large format (average ~1,800 SqM / ~19,500 SqFt⁽²⁾) mostly company operated store in suburban markets.
 - Max 20: Smaller format (average ~200 SqM / ~2,150 SqFt) mostly franchised store in city centers; all products priced under NIS 20 (~\$6).
- “Partner” manager model drives superior store level execution.
- Attractive new store model supports compelling whitespace opportunity with ability to more than double store count in Israel⁽³⁾
- Deep and developed management team with collaborative culture.

Broad Selection of Quality Products⁽⁴⁾



50 Locations Across Israel⁽¹⁾



1) Operates 50 stores as of September 30, 2020.
2) Represents company owned stores.
3) Whitespace study per Geocartography Group and Company estimates.

4) Product mix representative of January - September 2020 figures.
5) Other comprised of over 25 subcategories with the largest being OTC Pharmaceutical, Candy, Tools/Hardware, Electronics, Winter Goods, Phone Accessories and Outdoors.

Our Secret Sauce



**Right Product,
Right Price**



**Superior Customer
Service**



**Energetic, Preferred
Shopping
Experience**



**Our Mission is to Help Customers
“Dream Big, Pay Small” for Everyday Essentials**

Q3 2020 Strong Performance



Q3 2020 Vs Q3 2019

- Total revenue growth: 25%
- Same store sales growth: 17%
- Gross profit growth: 25%
- EBITDA growth (post IFRS16): 45%
- Net income growth: 31%

First 9 Months of 2020 Vs First 9 Months of 2019

- Total revenue growth: 31% (8% excluding onetime bulk operation)
- Same store sales growth: 2% (excluding period that the stores were closed: 19%)*
- Gross profit growth: 14% (8% excluding onetime bulk operation)
- EBITDA growth (post IFRS16): 34% (21% excluding onetime bulk operation)
- Net income growth: 16% (14% excluding onetime bulk operation)
- 2 stores opened in 2020
- Converted 1 store from company owned to a franchise model

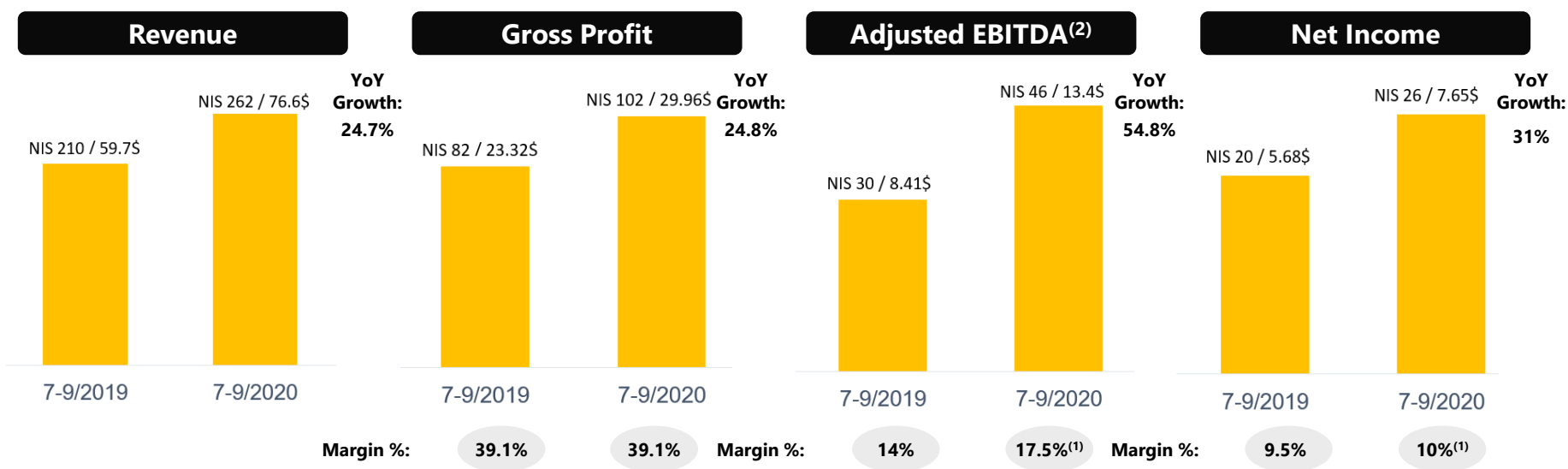
* Stores were closed during part of March and April due to government Covid-related restrictions

Q3 2020 Financial Update



(NIS / USD Millions)

- Total revenue growth of 25% in 3Q 2020 vs. the same period last year
- Comparable store sales increased 17% in 3Q 2020 driven by a larger basket size vs. the same period last year
- Adjusted EBITDA and Net Income in 3Q 2020 grew by 55% and 31%, respectively, vs. the same period last year



Strong Q3 2020 Financial Performance

Note: Financials presented on a post-IFRS 16 basis; see appendix for a reconciliation to post-IFRS 16. Israeli Shekels converted to U.S. Dollars by the average exchange rate: 1-9/2020 – 0.29, 1-9/2019 – 0.28

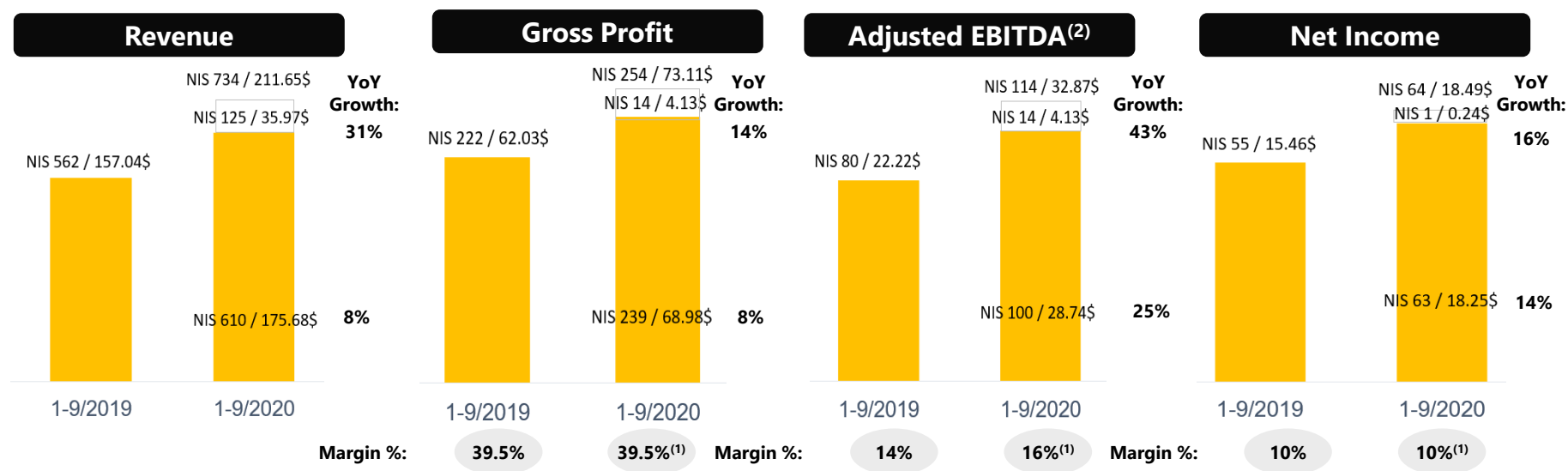
(1) Adjusted EBITDA defined as Net Income + Net Interest Expenses + D&A + Other Expenses - the impact of IFRS 16; see appendix for a reconciliation.

1-9/2020 Financial Update



(NIS / USD Millions)

- Due to COVID-19, on March 15th, 2020, the Israeli government began to restrict travel and retail operations, resulting in business disruptions and store closures for Max until May 1st, 2020.
- Despite temporary store closures due to COVID-19, Max saw 31% year-over-year sales growth in 1-9/2020 including sales of COVID-19 related goods to businesses and government entities. These bulk operations were one time in nature
- Comparable store sales increased 2% in 1-9/2020 driven by growth in volume activity (excluding the period during which stores were closed due to government restrictions, same store sales growth was 19% during 1-9/2020).
- Despite store closures in March and April and excluding one-time COVID-19 related goods sales, Max grew Adjusted EBITDA and Net Income in 1-9/2020 by 25% and 14%, respectively, vs. the same period last year.



Strong 1-9/2020 Financial Performance Despite Store Closures for ~1.5 months

Note: Financials presented on a post-IFRS 16 basis; see appendix for a reconciliation to post-IFRS 16. Israeli Shekels converted to U.S. Dollars by the average exchange rate: 1-9/2020 – 0.29, 1-9/2019 – 0.28

(1) 1-9/2020 margins exclude impact of sales from personal protection equipment.

(2) Adjusted EBITDA defined as Net Income + Net Interest Expenses + D&A + Other Expenses - the impact of IFRS 16; see appendix for a reconciliation.

Summary P&L



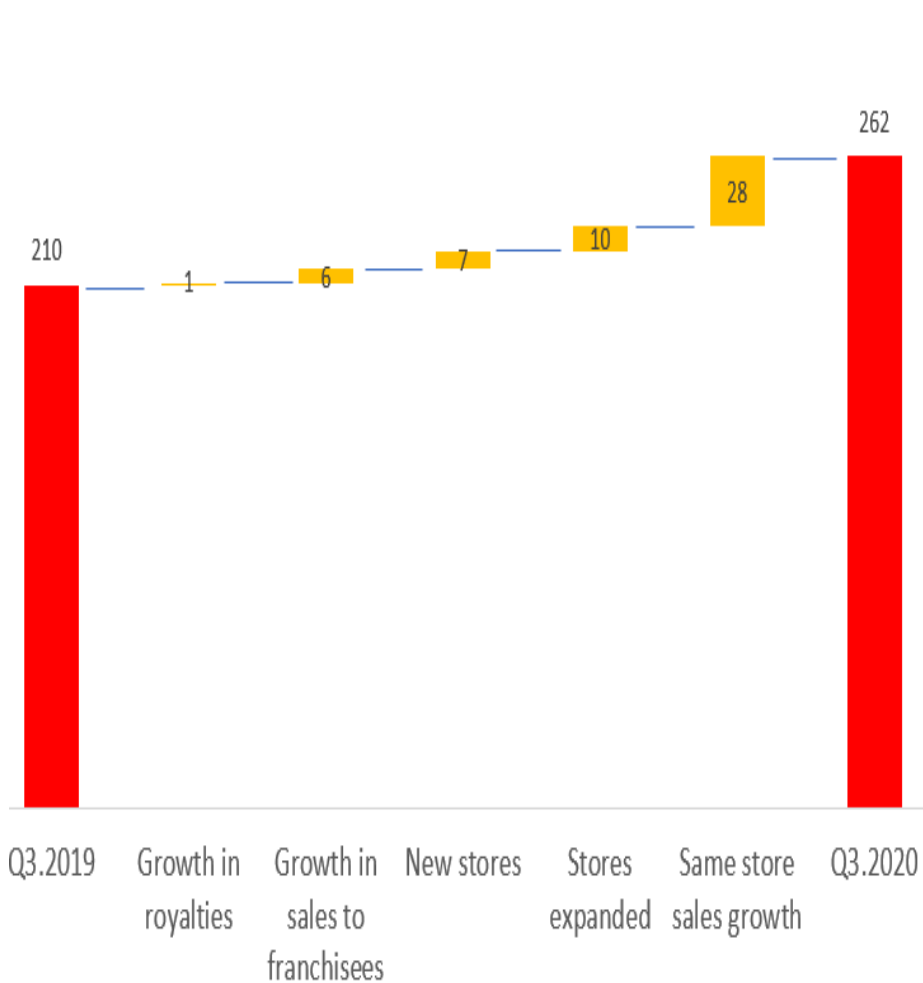
	Q3 2020 Vs last year			9 Month 2020 vs last Year		
	Q3 2019	Q3 2020	% Change	1-9/2019	1-9/2020	% Change
Total ongoing revenue	208,373	260,012	24.8%	557,786	605,241	8.5%
Royalties	1,759	1,958	11.3%	4,422	4,370	-1.2%
Onetime bulk operation revenue	-	-		-	124,800	
Total revenue	210,132	261,970	24.7%	562,208	734,411	30.6%
Gross profit ongoing revenue	82,088	102,451	24.8%	222,065	239,363	7.8%
Gross Margin ongoing	39.1%	39.1%		39.5%	39.5%	
Gross profit onetime bulk operation	-	-	-	-	14,344	100.0%
					11.5%	
SG&A	51,836	56,413	8.8%	141,133	138,246	-2.0%
% of Sales	24.7%	21.5%		25.1%	18.8%	
Other income	-89	-596		-469	-1,098	
Other expenses	1,191	5,280		1,191	5,280	
EBIT	29,150	41,354	41.9%	80,210	111,279	38.7%
% of Sales	13.9%	15.8%		14.3%	15.2%	
Interest expenses, net	3,032	3,812	25.7%	7,936	11,738	47.9%
Interest expenses onetime bulk operation	-	1,446		-	13,276	
EBT	26,118	36,096	38.2%	72,274	86,265	19.4%
Taxes	6,140	9,932	61.8%	16,915	22,114	30.7%
Net Income	19,978	26,164	31.0%	55,359	64,151	15.9%
	9.5%	10.0%		9.8%	8.7%	
EBITDA Post IFRS 16	39,769	57,810	45.4%	109,614	147,164	34.3%
% of Sales	18.9%	22.1%		19.5%	20.0%	
EBITDA Pre IFRS 16	29,595	45,824	54.8%	79,895	114,074	42.8%
% of Sales	14.1%	17.5%		14.2%	15.5%	

Revenue Bridge

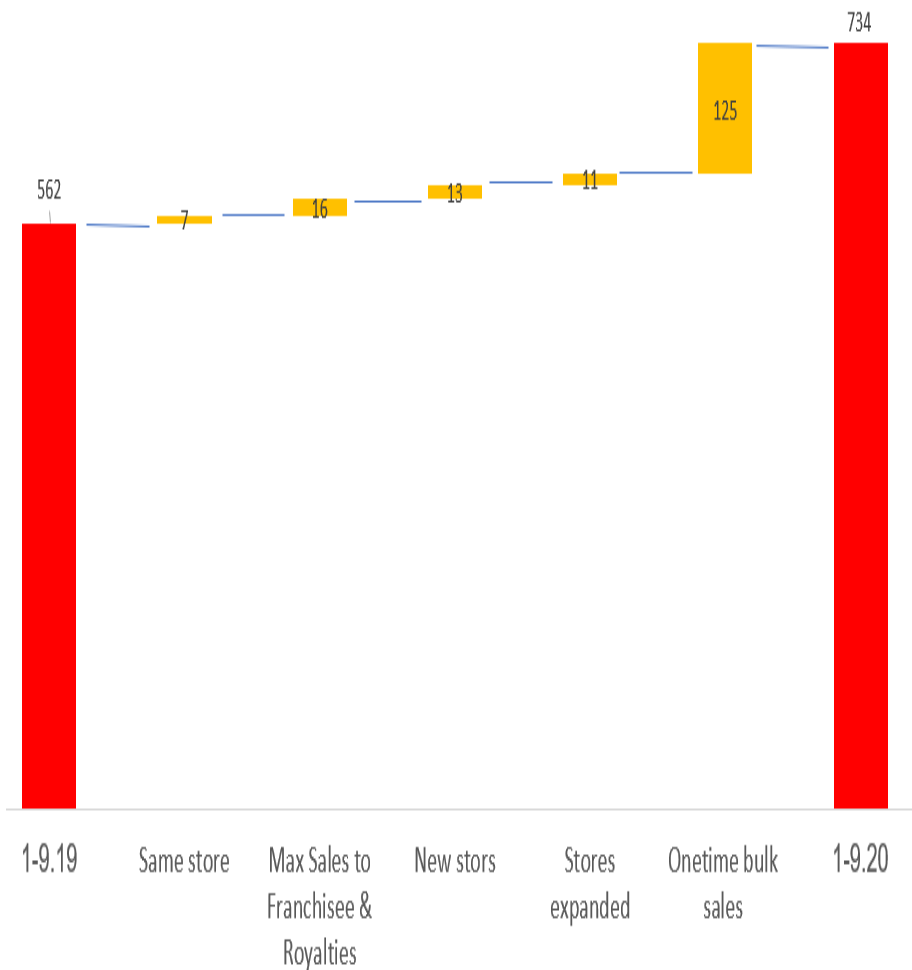
Multiple drivers of growth



Q3 2020 Vs Q3 2019



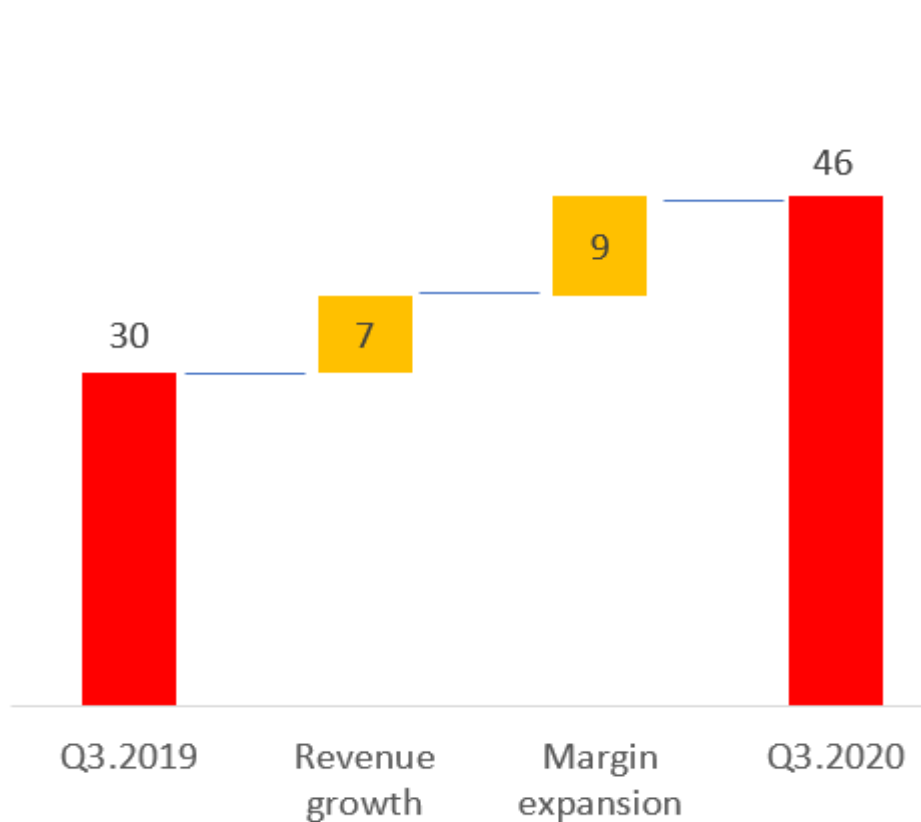
9 Months 2020 Vs 9 Months 2019



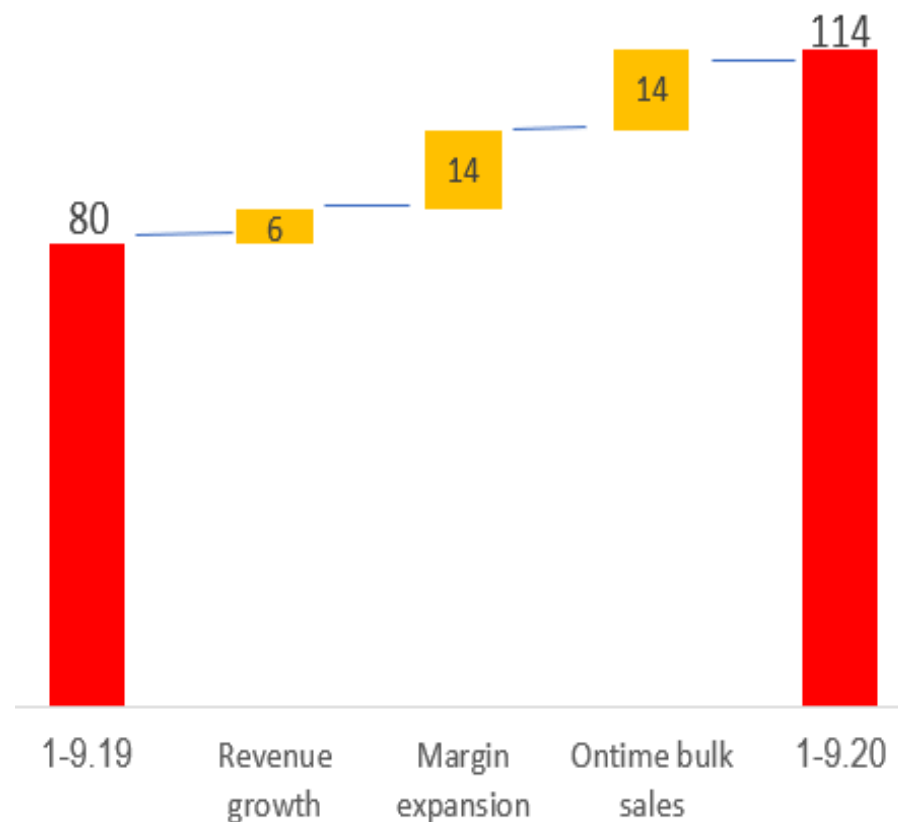
EBITDA Bridge

Multiple driver of growth (Pre IFRS16)

Q3 2020 Vs Q3 2019



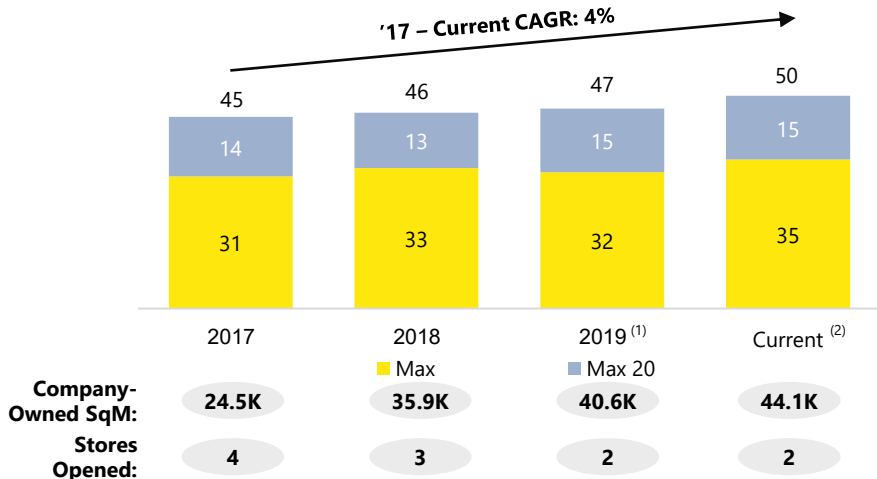
9 Months 2020 Vs 9 Months 2019



LTM in context of historical Financial Performance

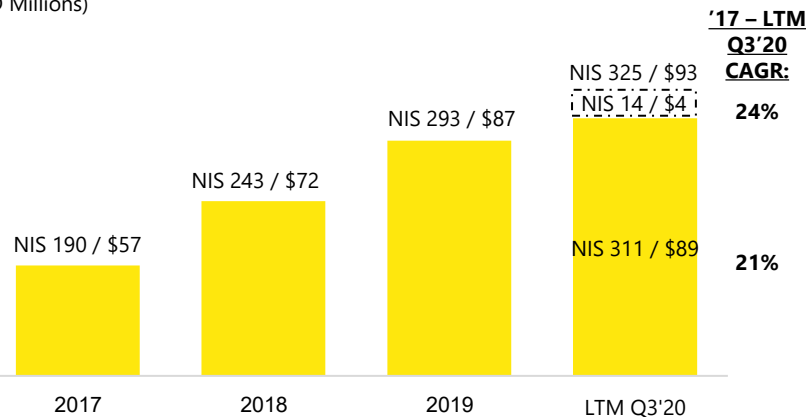


Number of Stores and SqM



Gross Profit

(NIS / USD Millions)



Margin %:

40%

39%

39%

39%⁽⁴⁾

Margin %:

16%

14%⁽³⁾

14%⁽³⁾

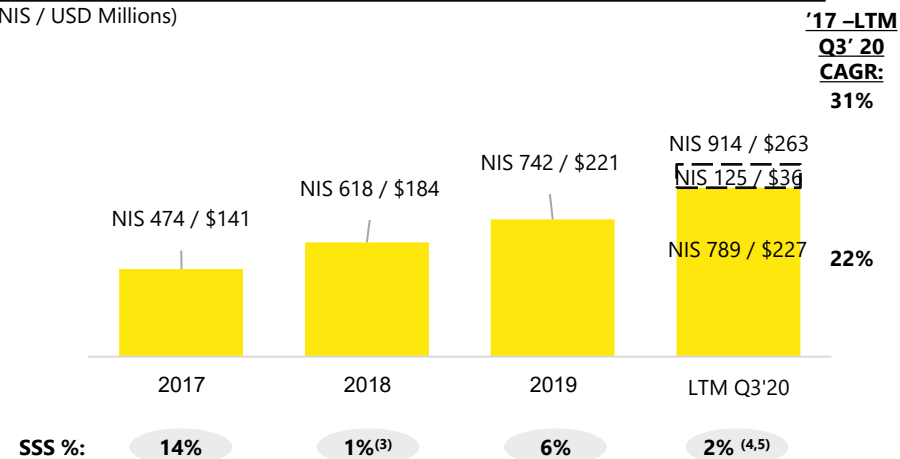
15%⁽⁴⁾



Represents opportunistic sales from personal protective equipment

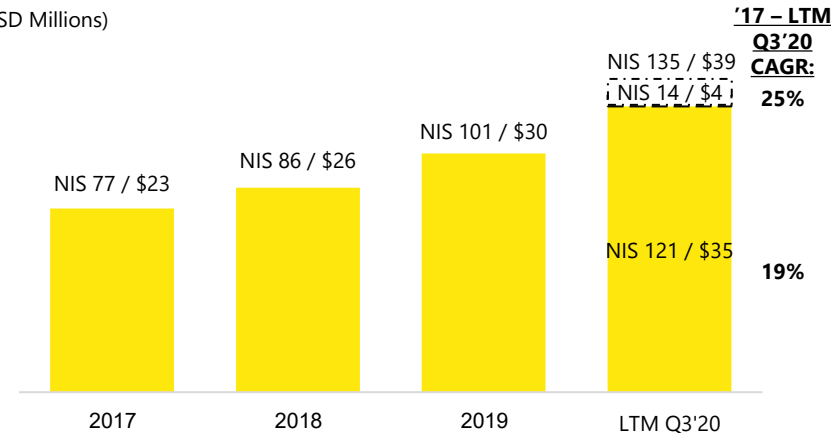
Revenue

(NIS / USD Millions)



Adjusted EBITDA⁽⁶⁾

(NIS / USD Millions)



Margin %:

16%

14%⁽³⁾

14%⁽³⁾

15%⁽⁴⁾

Note: Financials presented are on a pre-IFRS 16 basis; see appendix for a reconciliation to post-IFRS 16. Comparable store sales figures reflective of company-owned stores. Israeli Shekels converted to U.S. Dollars by the average exchange rate: 10/2019-9/2020 – 0.29.

1) 2019 "Max" store decline due to conversion of two stores to a "Max 20" format; Max has never closed a company-owned store.

2) Operates 50 stores as of September 30, 2020.

3) Company saw increased margin pressure from rapid company expansion

4) LTM Q3'20 margins exclude the impact of sales from personal protection equipment.

5) Represents 1-9/2020 comparable store sales.

6) Adjusted EBITDA defined as Net Income + Net Interest Expenses + D&A + Other Expenses - the impact of IFRS 16; see appendix for a reconciliation.

Balance Sheet Update

Key Points

- Max has ample liquidity and strong free cash flow generation to support future growth
- Conservative debt on the balance sheet to ensure financial flexibility
- Modest capital expenditures and working capital needs

Summary Balance Sheet

(NIS Thousands)

Balance Sheet as of	9/30/2020	9/30/2019	12/31/2019
Current Assets	344,696	230,686	217,777
Right of Use Assets	370,334	318,768	370,165
Other Non-Current Assets	53,291	44,348	44,955
Total Assets	768,321	593,802	632,897
Short-Term Lease Liabilities	49,758	42,566	47,216
Other Current Liabilities	177,183	122,236	100,204
Long-Term Lease Liabilities	347,416	297,636	344,162
Other Non-Current Liabilities	24,013	24,674	21,259
Total Liabilities	598,370	487,112	512,841
Equity	169,951	106,690	120,056
Total Liabilities and Equity	768,321	593,802	632,897

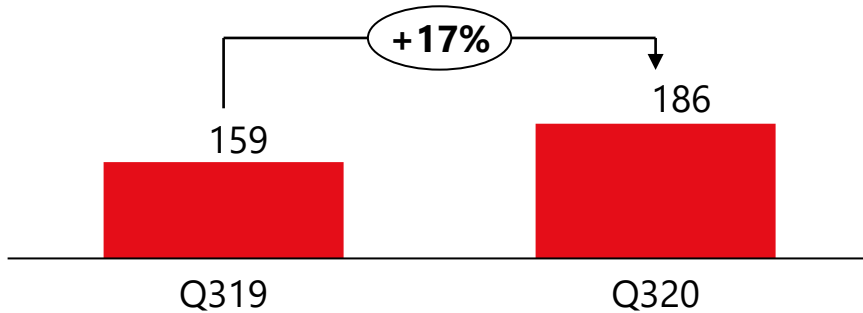
Cash position

(NIS / USD Thousands)

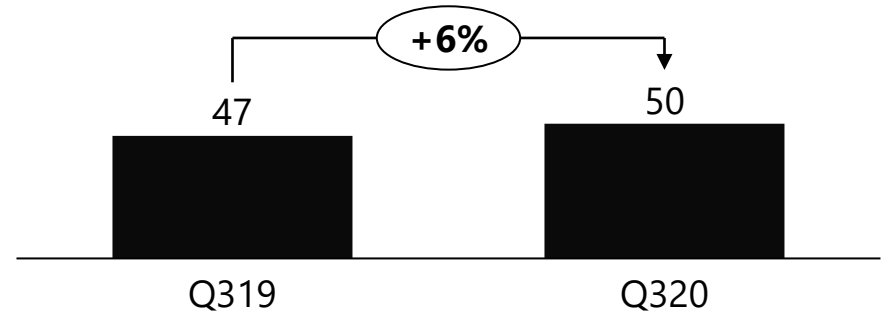
Capitalization as of 9/30/2020	Balance (NIS / \$)
Cash and Cash Equivalents	NIS 155,443 / \$ 45,174
Line of Credit	NIS 40,000 / \$ 11,625
Short-Term Debt	NIS 16,250 / \$ 4,722
Long-Term Debt	NIS 22,049 / \$ 6,408
Total Debt	NIS 78,299 / \$ 22,755
Net Cash (Debt)	NIS 77,144 / \$ 22,419

Bottom line: delivering on our growth strategy

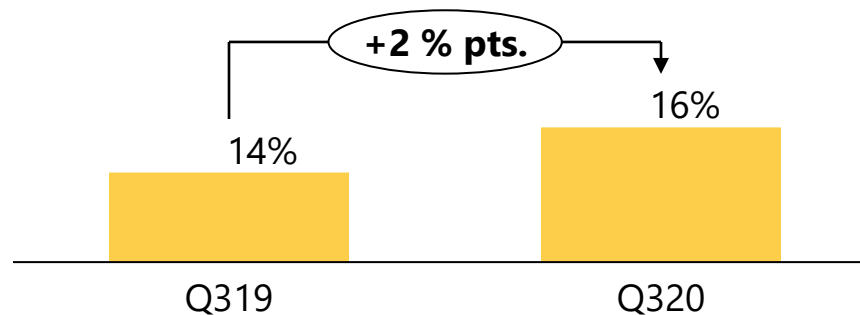
Drive Comparable Store Sales



Grow Store Base



Execute on Operating Margin Enhancements



Summary Cash Flow



1-9/2019

1-9/2020

Cash flows from operations	92,644	114,106
Cash flows used for investment activities	(22,825)	(72,912)
Cash flows deriving from (used for) financing activities	(56,137)	7,692
Increase in cash and cash equivalents	13,682	48,886

Long-Term Financial Targets



Metric

Long-Term Target

Unit Growth

3 – 5 New Max Stores Annually
(Potential to Double Store Count Long-Term)

Annual Revenue Growth

Low-to-Mid Teens

Annual SSS

3%

**Adjusted EBITDA
Margin Expansion**

~200bps

Annual Net Income Growth

18% - 20%



Appendix



Adjusted EBITDA Reconciliation



Reconciliation of Net Income to Adjusted EBITDA

(NIS Thousands)

	2017	2018	2019	LTM Q3'20
Net Income	53,621	58,814	70,274	79,066
(+) Interest Expense, Net	1,728	1,676	10,397	27,475
(+) Income Tax Expense	17,836	19,414	20,861	26,060
(+) Depreciation and Amortization	2,667	4,554	38,891	41,912
(+) Other Expenses	1,573	1,682	766	4,226
(-) IFRS 16 Adjustment	NA	NA	-40,662	-44,033
Adjusted EBITDA (Pre-IFRS 16)	77,425	86,140	100,527	134,706
(+) IFRS 16 Adjustment	NA	NA	40,662	44,033
Adjusted EBITDA (Post-IFRS 16)	NA	NA	141,189	178,739

(1) Other expenses include losses on sales of fixed assets.

(2) LTM Q2'20 financials include impact of sales from personal protection equipment.

Application of IFRS 16

Impact of IFRS 16 on the 2019 Income Statement

(NIS Thousands)

Section	Before Application of IFRS 16	Effect of IFRS 16	After Application of IFRS 16	After Application of IFRS 16 (Excl. PPE)
Gross Profit	292,669	878	293,547	293,547
Adjusted EBITDA	100,527	40,662	141,189	141,189
Operating Profit	93,933	7,599	101,532	101,532
Profit Before Tax	93,246	-2,111	91,135	91,135
Net Income	71,898	-1,624	70,274	70,274

Impact of IFRS 16 on the 1-9/2019 Income Statement

(NIS Thousands)

Section	Before Application of IFRS 16	Effect of IFRS 16	After Application of IFRS 16	After Application of IFRS 16 (Excl. PPE)
Gross Profit	221,520	545	222,065	222,065
Adjusted EBITDA	79,895	29,719	109,614	109,614
Operating Profit	74,922	5,288	80,210	80,210
Profit Before Tax	74,604	-2,330	72,274	72,274
Net Income	57,153	-1,794	55,359	55,359

Impact of IFRS 16 on the 1-9/2020 Income Statement

(NIS Thousands)

Section	Before Application of IFRS 16	Effect of IFRS 16	After Application of IFRS 16	After Application of IFRS 16 (Excl. PPE)
Gross Profit	252,209	1,498	253,707	239,363
Adjusted EBITDA	114,074	33,090	147,164	132,820
Operating Profit	104,167	7,112	111,279	96,935
Profit Before Tax	91,892	-5,627	86,265	85,197
Net Income	68,484	-4,333	64,151	63,329